Received by SEC Bureau 8/9/22

Exhibit No. 400

COLUMBIA GAS OF PENNSYLVANIA, INC.

Schedules to Accompany

The Direct Testimony

of

Paul R. Moul, Managing Consultant
P. Moul & Associates

Concerning

Cost of Capital

and

Fair Rate of Return

March 18, 2022

COLUMBIA GAS OF PENNSYLVANIA, INC.
Index of Schedules

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Columbia Gas of Pennsylvania, Inc.
Summary Cost of Capital

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

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

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

Columbia Gas of Pennsylvania, Inc.
Cost of Equity
as of December 31, 2021

Discounted Cash Flow (DCF)			D_1/P_0 [1]	+	g [2]	+	*lev.* [3]	=	***k***
Gas Group			3.68%	+	6.75%	+	0.99%	=	11.42%
Risk Premium (RP)					***I*** [4]	+	***RP*** [5]	=	***k***
Gas Group					3.75%	+	6.75%	=	10.50%
Capital Asset Pricing Model (CAPM)	***Rf*** [6]	+	***ß*** [7]	x (	***Rm-Rf*** [8]	) +	***size*** [9]	=	***k***
Gas Group	2.75%	+	1.00	x (	9.68%	) +	1.02%	=	13.45%

Comparable Earnings (CE) [10]	***Historical***	***Forecast***	***Average***
Comparable Earnings Group	12.1%	12.8%	12.45%

References:
[1] Schedule 07
[2] Schedule 09
[3] Schedule 10
[4] A-rated public utility bond yield comprised of a 2.75% risk-free rate of return (Schedule 14 page 2) and a yield spread of 1.00% (Schedule 12 page 3)
[5] Schedule 12 page 1
[6] Schedule 13 page 2
[7] Schedule 10
[8] Schedule 13 page 2
[9] Schedule 13 page 3
[10] Schedule 14 page 2

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

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

See Page 2 for Notes.

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

Notes:

(1) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.

(2) Total operating expenses, maintenance, depreciation and taxes other than income as a percentage of operating revenues.

(3) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.

(4) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.

(5) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFUDC) as a percentage of average total debt.

(6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.

(7) Common dividend coverage is the relationship of internally generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Company provided Financial Statements

Gas Group
Capitalization and Financial Statistics [1]
2016-2020, Inclusive

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

See Page 2 for Notes.

Gas Group
Capitalization and Financial Statistics
2016-2020, Inclusive

Notes:

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

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

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

Note: Ratings are those of utility subsidiaries

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

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

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

See Page 2 for Notes.

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

Notes:

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

Source of Information: Annual Reports to Shareholders
Utility COMPUSTAT

Standard & Poor's Public Utilities
Company Identities

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

Note: [1] Ratings are those of utility subsidiaries

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

Columbia Gas of Pennsylvania, Inc.
Investor-provided Capitalization
Actual at November 30, 2021, Estimated at November 30, 2022, and Estimated at December 31, 2023

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

Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.
Long-term Debt Outstanding
Actual at November 30, 2021

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

Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.
Long-term Debt Outstanding
Estimated at November 30, 2022

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

Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.
Long-term Debt Outstanding
Estimated at December 31, 2023

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

Source of information: Company provided data

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

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

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

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

Forward-looking Dividend Yield

1/2 Growth	D_0/P_0	(.5g)	D_1/P_0	
	3.55%	1.033750	3.67%	
Discrete	D_0/P_0	Adj.	D_1/P_0	
	3.55%	1.041843	3.70%	
Quarterly	D_0/P_0	Adj.	D_1/P_0	
	0.8875%	1.016464	3.66%	
Average			3.68%	
Growth rate			6.75%	
K			10.43%	

$$K = \frac{D_0(1+g)^0 + D_0(1+g)^0 + D_0(1+g)^1 + D_0(1+g)^1}{P_0} + g$$

$$K = \frac{D_0(1+g)^{.25} + D_0(1+g)^{.50} + D_0(1+g)^{.75} + D_0(1+g)^{1.00}}{P_0} + g$$

$$K = \left[\left(1 + \frac{D_0(1+g)^{.25}}{P_0}\right)^4 - 1\right] + g$$

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

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

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

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

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

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

Gas Group
Financial Risk Adjustment

	ATMOS Energy (NYSE:ATO)	Chesapeake Utilities (NYSE:CPK)	New Jersey Resources (NYSE:NJR)	NiSource, Inc (NYSE:NI)	Northwest Natural Gas (NYSE:NWN)	ONE Gas Inc (NYSE:OGS)	South Jersey Industries (NYSE:SJI)	Southwest Gas (SWX)	Spire Inc. (NYSESR)	Average
Fiscal Year	09/30/20	12/31/20	09/30/20	12/31/20	12/31/20	12/31/20	12/31/20	12/31/20	09/30/20	
Capitalization at Fair Values										
Debt(D)	5,597,183	548,500	2,417,748	11,034,200	1,136,311	2,000,000	3,152,224	3,148,818	2,908,600	3,549,287
Preferred(P)	0	0	0	0	0	0	0	0	242,000	26,889
Equity(E)	12,033,105	1,889,546	2,588,540	8,986,976	1,406,788	4,081,610	2,162,231	3,474,470	2,745,747	4,374,335
Total	17,630,288	2,438,046	5,006,288	20,021,176	2,543,099	6,081,610	5,314,455	6,623,288	5,896,347	7,950,511
Capital Structure Ratios										
Debt(D)	31.75%	22.50%	48.29%	55.11%	44.68%	32.89%	59.31%	47.54%	49.33%	43.49%
Preferred(P)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.10%	0.46%
Equity(E)	68.25%	77.50%	51.71%	44.89%	55.32%	67.11%	40.69%	52.46%	46.57%	56.06%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.01%
Common Stock										
Issued	125,882.477	17,461.841	95,949.183	391,760.051	30,589.000	53,166.733	100,591.940	57,192.925	51,611.789	
Treasury	0.000	0.000	148.310	0.000	0.000	0.000	256.372	0.000	0.000	
Outstanding	125,882.477	17,461.841	95,800.873	391,760.051	30,589.000	53,166.733	100,335.568	57,192.925	51,611.789	
Market Price	$ 95.59	$ 108.21	$ 27.02	$ 22.94	$ 45.99	$ 76.77	$ 21.55	$ 60.75	$ 53.20	
Capitalization at Carrying Amounts										
Debt(D)	4,560,000	523,000	2,102,845	9,243,100	955,425	1,600,000	2,919,201	2,772,633	2,484,100	3,017,812
Preferred(P)	0	0	0	0	0	0	0	0	242,000	26,889
Equity(E)	6,791,203	697,085	1,844,692	4,872,200	888,733	2,233,311	1,660,881	2,674,953	2,280,300	2,660,373
Total	11,351,203	1,220,085	3,947,537	14,115,300	1,844,158	3,833,311	4,580,082	5,447,586	5,006,400	5,705,074
Capital Structure Ratios	53.95	39.92	19.26	12.44	29.05	42.01	16.55	46.77	44.18	
Debt(D)	40.17%	42.87%	53.27%	65.48%	51.81%	41.74%	63.74%	50.90%	49.62%	51.07%
Preferred(P)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.83%	0.54%
Equity(E)	59.83%	57.13%	46.73%	34.52%	48.19%	58.26%	36.26%	49.10%	45.55%	48.40%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Betas Value Line	0.80	0.80	1.00	0.85	0.85	0.80	1.05	0.95	0.85	0.88

Hamada

Bl	=	Bu	[1+	(1 - t)	D/E	+	P/E	]											
0.88	=	Bu	[1+	(1-0.21)	0.7758	+	0.0082	]											
0.88	=	Bu	[1+	0.79	0.7758	+	0.0082	]											
0.88	=	Bu	1.6211																
0.54	=	Bu																	

Hamada

Bl	=	0.54	[1+	(1 - t)	D/E	+	P/E	]											
Bl	=	0.54	[1+	0.79	1.0552	+	0.0111	]											
Bl	=	0.54	1.8447																
Bl	=	1.00																	

M&M

ku	=	ke	-	(((	ku	-	i	)		1-t	)		D	/	E	-	(ku	-	d	)	P	/	E								
7.59%	=	10.43%	-	(((	7.59%	-	3.02%	)		0.79	)		43.49%	/	56.06%	-	7.59%	-	5.68%	)	0.46%	/	56.06%								
7.59%	=	10.43%	-	(((	4.57%			)		0.79	)		0.7758			-	1.91%			)	0.0082										
7.59%	=	10.43%	-	((	3.61%						)		0.7758			-	1.91%			)	0.0082										
7.59%	=	10.43%	-		2.80%											-	0.02%														

M&M

ke	=	ku	+	(((	ku	-	i	)		1-t	)		D	/	E	+	(ku	-	d	)	P	/	E								
11.42%	=	7.59%	+	(((	7.59%	-	3.02%	)		0.79	)		51.07%	/	48.40%	+	7.59%	-	5.68%	)	0.54%	/	48.40%								
11.42%	=	7.59%	+	(((	4.57%			)		0.79	)		1.0552			+	1.91%			)	0.0111										
11.42%	=	7.59%	+	((	3.61%						)		1.0552			+	1.91%			)	0.0111										
11.42%	=	7.59%	+		3.81%											+	0.02%														

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

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

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

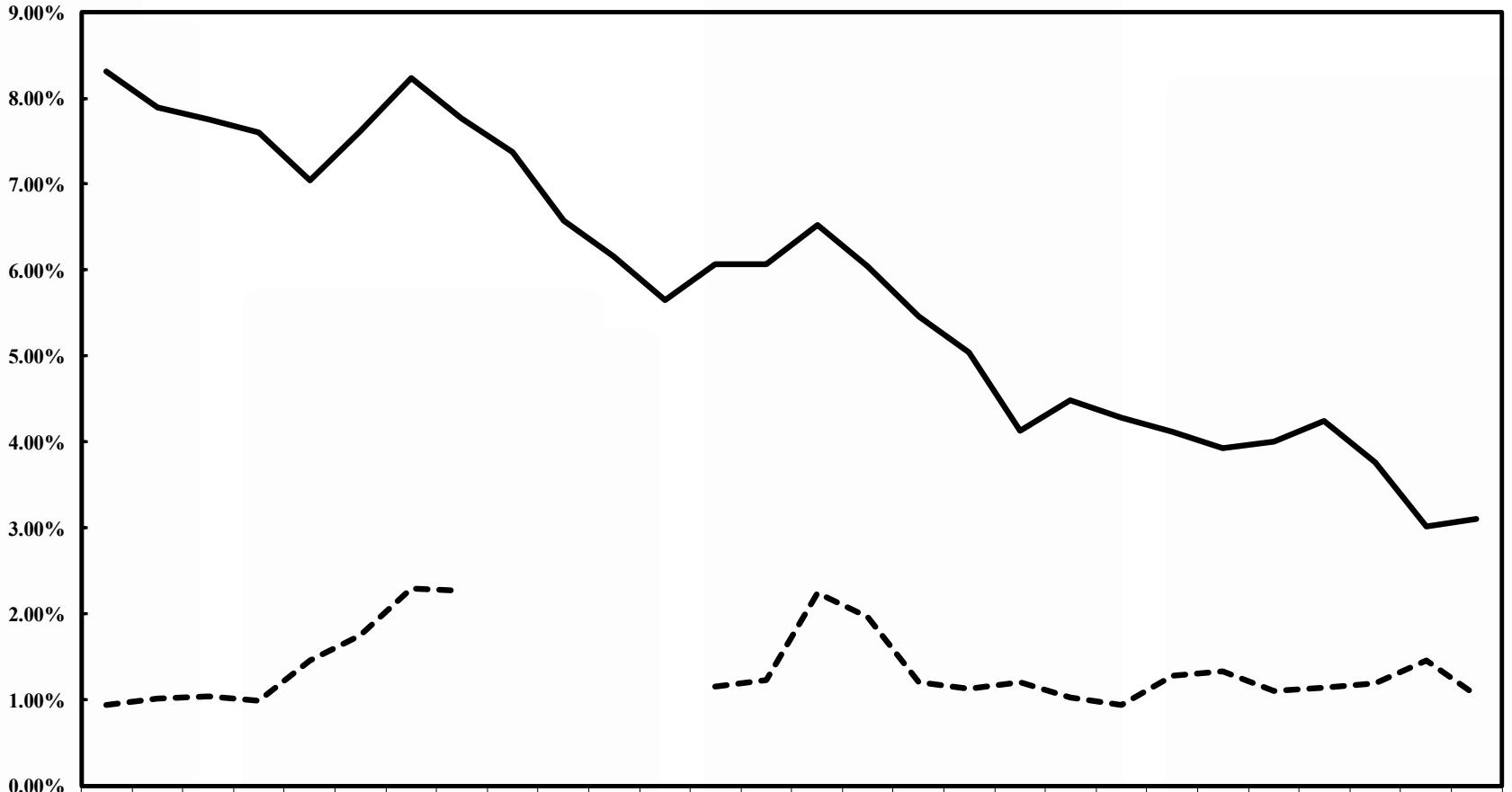

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
A-rated Public Utility	8.31	7.89	7.75	7.60	7.04	7.62	8.24	7.76	7.37	6.58	6.16	5.65	6.07	6.07	6.53	6.04	5.46	5.04	4.13	4.48	4.28	4.12	3.93	4.00	4.25	3.77	3.02	3.11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

A rated Public Utility Bonds over 30-Year Treasuries

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-99	6.97%	5.16%	1.81%
Feb-99	7.09%	5.37%	1.72%
Mar-99	7.26%	5.58%	1.68%
Apr-99	7.22%	5.55%	1.67%
May-99	7.47%	5.81%	1.66%
Jun-99	7.74%	6.04%	1.70%
Jul-99	7.71%	5.98%	1.73%
Aug-99	7.91%	6.07%	1.84%
Sep-99	7.93%	6.07%	1.86%
Oct-99	8.06%	6.26%	1.80%
Nov-99	7.94%	6.15%	1.79%
Dec-99	8.14%	6.35%	1.79%
Jan-00	8.35%	6.63%	1.72%
Feb-00	8.25%	6.23%	2.02%
Mar-00	8.28%	6.05%	2.23%
Apr-00	8.29%	5.85%	2.44%
May-00	8.70%	6.15%	2.55%
Jun-00	8.36%	5.93%	2.43%
Jul-00	8.25%	5.85%	2.40%
Aug-00	8.13%	5.72%	2.41%
Sep-00	8.23%	5.83%	2.40%
Oct-00	8.14%	5.80%	2.34%
Nov-00	8.11%	5.78%	2.33%
Dec-00	7.84%	5.49%	2.35%
Jan-01	7.80%	5.54%	2.26%
Feb-01	7.74%	5.45%	2.29%
Mar-01	7.68%	5.34%	2.34%
Apr-01	7.94%	5.65%	2.29%
May-01	7.99%	5.78%	2.21%
Jun-01	7.85%	5.67%	2.18%
Jul-01	7.78%	5.61%	2.17%
Aug-01	7.59%	5.48%	2.11%
Sep-01	7.75%	5.48%	2.27%
Oct-01	7.63%	5.32%	2.31%
Nov-01	7.57%	5.12%	2.45%
Dec-01	7.83%	5.48%	2.35%
Jan-02	7.66%	5.45%	2.21%
Feb-02	7.54%	5.40%	2.14%
Mar-02	7.76%		
Apr-02	7.57%		
May-02	7.52%		
Jun-02	7.42%		
Jul-02	7.31%		
Aug-02	7.17%		
Sep-02	7.08%		
Oct-02	7.23%		
Nov-02	7.14%		
Dec-02	7.07%		
Jan-03	7.07%		
Feb-03	6.93%		
Mar-03	6.79%		
Apr-03	6.64%		
May-03	6.36%		
Jun-03	6.21%		
Jul-03	6.57%		
Aug-03	6.78%		
Sep-03	6.56%		
Oct-03	6.43%		
Nov-03	6.37%		
Dec-03	6.27%		
Jan-04	6.15%		
Feb-04	6.15%		
Mar-04	5.97%		
Apr-04	6.35%		
May-04	6.62%		
Jun-04	6.46%		
Jul-04	6.27%		
Aug-04	6.14%		
Sep-04	5.98%		
Oct-04	5.94%		
Nov-04	5.97%		
Dec-04	5.92%		

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-05	5.78%		
Feb-05	5.61%		
Mar-05	5.83%		
Apr-05	5.64%		
May-05	5.53%		
Jun-05	5.40%		
Jul-05	5.51%		
Aug-05	5.50%		
Sep-05	5.52%		
Oct-05	5.79%		
Nov-05	5.88%		
Dec-05	5.80%		
Jan-06	5.75%		
Feb-06	5.82%	4.54%	1.28%
Mar-06	5.98%	4.73%	1.25%
Apr-06	6.29%	5.06%	1.23%
May-06	6.42%	5.20%	1.22%
Jun-06	6.40%	5.15%	1.25%
Jul-06	6.37%	5.13%	1.24%
Aug-06	6.20%	5.00%	1.20%
Sep-06	6.00%	4.85%	1.15%
Oct-06	5.98%	4.85%	1.13%
Nov-06	5.80%	4.69%	1.11%
Dec-06	5.81%	4.68%	1.13%
Jan-07	5.96%	4.85%	1.11%
Feb-07	5.90%	4.82%	1.08%
Mar-07	5.85%	4.72%	1.13%
Apr-07	5.97%	4.87%	1.10%
May-07	5.99%	4.90%	1.09%
Jun-07	6.30%	5.20%	1.10%
Jul-07	6.25%	5.11%	1.14%
Aug-07	6.24%	4.93%	1.31%
Sep-07	6.18%	4.79%	1.39%
Oct-07	6.11%	4.77%	1.34%
Nov-07	5.97%	4.52%	1.45%
Dec-07	6.16%	4.53%	1.63%
Jan-08	6.02%	4.33%	1.69%
Feb-08	6.21%	4.52%	1.69%
Mar-08	6.21%	4.39%	1.82%
Apr-08	6.29%	4.44%	1.85%
May-08	6.28%	4.60%	1.68%
Jun-08	6.38%	4.69%	1.69%
Jul-08	6.40%	4.57%	1.83%
Aug-08	6.37%	4.50%	1.87%
Sep-08	6.49%	4.27%	2.22%
Oct-08	7.56%	4.17%	3.39%
Nov-08	7.60%	4.00%	3.60%
Dec-08	6.52%	2.87%	3.65%
Jan-09	6.39%	3.13%	3.26%
Feb-09	6.30%	3.59%	2.71%
Mar-09	6.42%	3.64%	2.78%
Apr-09	6.48%	3.76%	2.72%
May-09	6.49%	4.23%	2.26%
Jun-09	6.20%	4.52%	1.68%
Jul-09	5.97%	4.41%	1.56%
Aug-09	5.71%	4.37%	1.34%
Sep-09	5.53%	4.19%	1.34%
Oct-09	5.55%	4.19%	1.36%
Nov-09	5.64%	4.31%	1.33%
Dec-09	5.79%	4.49%	1.30%
Jan-10	5.77%	4.60%	1.17%
Feb-10	5.87%	4.62%	1.25%
Mar-10	5.84%	4.64%	1.20%
Apr-10	5.81%	4.69%	1.12%
May-10	5.50%	4.29%	1.21%
Jun-10	5.46%	4.13%	1.33%
Jul-10	5.26%	3.99%	1.27%
Aug-10	5.01%	3.80%	1.21%
Sep-10	5.01%	3.77%	1.24%
Oct-10	5.10%	3.87%	1.23%
Nov-10	5.37%	4.19%	1.18%
Dec-10	5.56%	4.42%	1.14%

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-11	5.57%	4.52%	1.05%
Feb-11	5.68%	4.65%	1.03%
Mar-11	5.56%	4.51%	1.05%
Apr-11	5.55%	4.50%	1.05%
May-11	5.32%	4.29%	1.03%
Jun-11	5.26%	4.23%	1.03%
Jul-11	5.27%	4.27%	1.00%
Aug-11	4.69%	3.65%	1.04%
Sep-11	4.48%	3.18%	1.30%
Oct-11	4.52%	3.13%	1.39%
Nov-11	4.25%	3.02%	1.23%
Dec-11	4.33%	2.98%	1.35%
Jan-12	4.34%	3.03%	1.31%
Feb-12	4.36%	3.11%	1.25%
Mar-12	4.48%	3.28%	1.20%
Apr-12	4.40%	3.18%	1.22%
May-12	4.20%	2.93%	1.27%
Jun-12	4.08%	2.70%	1.38%
Jul-12	3.93%	2.59%	1.34%
Aug-12	4.00%	2.77%	1.23%
Sep-12	4.02%	2.88%	1.14%
Oct-12	3.91%	2.90%	1.01%
Nov-12	3.84%	2.80%	1.04%
Dec-12	4.00%	2.88%	1.12%
Jan-13	4.15%	3.08%	1.07%
Feb-13	4.18%	3.17%	1.01%
Mar-13	4.20%	3.16%	1.04%
Apr-13	4.00%	2.93%	1.07%
May-13	4.17%	3.11%	1.06%
Jun-13	4.53%	3.40%	1.13%
Jul-13	4.68%	3.61%	1.07%
Aug-13	4.73%	3.76%	0.97%
Sep-13	4.80%	3.79%	1.01%
Oct-13	4.70%	3.68%	1.02%
Nov-13	4.77%	3.80%	0.97%
Dec-13	4.81%	3.89%	0.92%
Jan-14	4.63%	3.77%	0.86%
Feb-14	4.53%	3.66%	0.87%
Mar-14	4.51%	3.62%	0.89%
Apr-14	4.41%	3.52%	0.89%
May-14	4.26%	3.39%	0.87%
Jun-14	4.29%	3.42%	0.87%
Jul-14	4.23%	3.33%	0.90%
Aug-14	4.13%	3.20%	0.93%
Sep-14	4.24%	3.26%	0.98%
Oct-14	4.06%	3.04%	1.02%
Nov-14	4.09%	3.04%	1.05%
Dec-14	3.95%	2.83%	1.12%
Jan-15	3.58%	2.46%	1.12%
Feb-15	3.67%	2.57%	1.10%
Mar-15	3.74%	2.63%	1.11%
Apr-15	3.75%	2.59%	1.16%
May-15	4.17%	2.96%	1.21%
Jun-15	4.39%	3.11%	1.28%
Jul-15	4.40%	3.07%	1.33%
Aug-15	4.25%	2.86%	1.39%
Sep-15	4.39%	2.95%	1.44%
Oct-15	4.29%	2.89%	1.40%
Nov-15	4.40%	3.03%	1.37%
Dec-15	4.35%	2.97%	1.38%
Jan-16	4.27%	2.86%	1.41%
Feb-16	4.11%	2.62%	1.49%
Mar-16	4.16%	2.68%	1.48%
Apr-16	4.00%	2.62%	1.38%
May-16	3.93%	2.63%	1.30%
Jun-16	3.78%	2.45%	1.33%
Jul-16	3.57%	2.23%	1.34%
Aug-16	3.59%	2.26%	1.33%
Sep-16	3.66%	2.35%	1.31%
Oct-16	3.77%	2.50%	1.27%
Nov-16	4.08%	2.86%	1.22%
Dec-16	4.27%	3.11%	1.16%

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-17	4.14%	3.02%	1.12%
Feb-17	4.18%	3.03%	1.15%
Mar-17	4.23%	3.08%	1.15%
Apr-17	4.12%	2.94%	1.18%
May-17	4.12%	2.96%	1.16%
Jun-17	3.94%	2.80%	1.14%
Jul-17	3.99%	2.88%	1.11%
Aug-17	3.86%	2.80%	1.06%
Sep-17	3.87%	2.78%	1.09%
Oct-17	3.91%	2.88%	1.03%
Nov-17	3.83%	2.80%	1.03%
Dec-17	3.79%	2.77%	1.02%
Jan-18	3.86%	2.88%	0.98%
Feb-18	4.09%	3.13%	0.96%
Mar-18	4.13%	3.09%	1.04%
Apr-18	4.17%	3.07%	1.10%
May-18	4.28%	3.13%	1.15%
Jun-18	4.27%	3.05%	1.22%
Jul-18	4.27%	3.01%	1.26%
Aug-18	4.26%	3.04%	1.22%
Sep-18	4.32%	3.15%	1.17%
Oct-18	4.45%	3.34%	1.11%
Nov-18	4.52%	3.36%	1.16%
Dec-18	4.37%	3.10%	1.27%
Jan-19	4.35%	3.04%	1.31%
Feb-19	4.25%	3.02%	1.23%
Mar-19	4.16%	2.98%	1.18%
Apr-19	4.08%	2.94%	1.14%
May-19	3.98%	2.82%	1.16%
Jun-19	3.82%	2.57%	1.25%
Jul-19	3.69%	2.57%	1.12%
Aug-19	3.29%	2.12%	1.17%
Sep-19	3.37%	2.16%	1.21%
Oct-19	3.39%	2.19%	1.20%
Nov-19	3.43%	2.28%	1.15%
Dec-19	3.40%	2.30%	1.10%
Jan-20	3.29%	2.22%	1.07%
Feb-20	3.11%	1.97%	1.14%
Mar-20	3.50%	1.46%	2.04%
Apr-20	3.19%	1.27%	1.92%
May-20	3.14%	1.38%	1.76%
Jun-20	3.07%	1.49%	1.58%
Jul-20	2.74%	1.31%	1.43%
Aug-20	2.73%	1.36%	1.37%
Sep-20	2.84%	1.42%	1.42%
Oct-20	2.95%	1.57%	1.38%
Nov-20	2.85%	1.62%	1.23%
Dec-20	2.77%	1.67%	1.10%
Jan-21	2.91%	1.82%	1.09%
Feb-21	3.09%	2.04%	1.05%
Mar-21	3.44%	2.34%	1.10%
Apr-21	3.30%	2.30%	1.00%
May-21	3.33%	2.32%	1.01%
Jun-21	3.16%	2.16%	1.00%
Jul-21	2.95%	1.94%	1.01%
Aug-21	2.95%	1.92%	1.03%
Sep-21	2.96%	1.94%	1.02%
Oct-21	3.09%	2.06%	1.03%
Nov-21	3.02%	1.94%	1.08%
Dec-21	3.13%	1.85%	1.28%

Average:		
12-months		1.06%
6-months		1.08%
3-months		1.13%

Common Equity Risk Premiums
Years 1926-2020

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

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

Basic Series
Annual Total Returns (except yields)

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

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

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

Measures of the Risk-Free Rate & Corporate Bond Yields

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

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

Measures of the Market Premium

Value Line Return

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

DCF Result for the S&P 500 Composite

D/P		1+.5g		+	g	=	k
1.30%	(	1.069	)	+	13.8%	=	15.19%

Summary

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

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

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

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

Comparable Earnings Approach
Using Non-Utility Companies with
Timeliness of 2, 3, 4 & 5; Safety Rank of 1, 2 & 3; Financial Strength of B+, B++, A & A+;
Price Stability of 65 to 100; Betas of .80 to 1.05; and Technical Rank of 2, 3, 4 & 5

Company	Industry	Timeliness Rank	Safety Rank	Financial Strength	Price Stability	Beta	Technical Rank
AAON Inc	Machinery	4	3		75	0.80	4
AbbVie Inc	Drug	2	3		75	0.95	4
ACI Worldwide Inc	IT Services	2	3		70	1.00	4
Agilent Technologies	Precision Instrument	3	2		95	0.85	3
Altria Group Inc	Tobacco	4	3		85	0.95	4
AmerisourceBergen Corp	Med Supp Non-Invasive	2	2		75	0.90	3
Amphenol Corp	Electronics	3	1		95	1.00	3
Analog Devices Inc	Semiconductor	2	1		85	0.95	3
AO Smith Corp	Machinery	4	2		95	0.85	4
AptarGroup Inc	Packaging & Container	2	2		100	0.85	4
Archer Daniels Midland Company	Food Processing	4	1		90	1.00	3
Arthur J Gallagher and Company	Financial Svcs. (Div.)	3	1		95	1.00	4
Assurant Inc	Financial Svcs. (Div.)	4	2		90	0.95	2
Autodesk Inc	Computer Software	2	3		65	0.95	3
Ball Corp	Packaging & Container	3	2		85	0.95	4
Berry Global Group	Packaging & Container	2	3		75	1.00	3
Bio-Techne Corp.	Biotechnology	3	2		75	0.85	3
Booz Allen Hamilton Holding Corporatic	Industrial Services	3	3		80	0.90	2
Brady Corp	Diversified Co.	3	3		85	1.00	3
Broadridge Fin'l	Information Services	2	2		95	0.85	3
Brown and Brown Inc	Financial Svcs. (Div.)	3	1		100	0.95	4
Brown Forman Corp (Class B)	Beverage	5	1		95	0.90	5
Bunge Ltd	Food Processing	2	3		75	1.00	3
BWX Technologies	Power	3	3		75	0.90	4
Caseys General Stores Inc	Retail/Wholesale Food	3	3		85	0.90	3
Catalent Inc.	Med Supp Invasive	2	3		65	1.00	3
Cboe Global Markets	Brokers & Exchanges	4	2		85	0.90	3
Cerner Corp	Healthcare Information	3	2		95	0.90	4
Chemed Corporation	Diversified Co.	3	2		95	0.85	4
CME Group Inc	Brokers & Exchanges	4	1		85	0.95	4
Cognizant Technology Solutions Corp	IT Services	4	2		85	1.00	4
Comcast Corporation	Cable TV	2	1		100	0.80	2
Commerce Bancshares Inc	Bank (Midwest)	4	1		90	0.90	3
Cooper Companies Inc	Med Supp Non-Invasive	3	2		85	0.95	2
Copart Inc	Retail Automotive	2	2		75	1.05	3
CoStar Group Inc	Information Services	3	2		80	0.85	3
CSX Corporation	Railroad	2	3		80	1.05	4
CVS Caremark Corporation	Retail Store	3	2		70	0.95	3
Danaher Corp	Diversified Co.	2	1		100	0.80	4
DaVita Inc.	Medical Services	4	3		65	1.00	4
Dolby Laboratories Inc	Entertainment Tech	3	2		90	0.95	3
Dorman Products Inc	Auto Parts	3	3		65	0.85	3
EchoStar Corporation	Cable TV	3	3		65	0.90	4
Edwards Lifesciences	Med Supp Invasive	2	2		70	1.05	3
Encore Wire	Electronics	3	3		70	1.00	3
EPAM Systems	IT Services	2	3		75	0.95	2
Equifax Inc	Information Services	3	3		65	1.00	3
ESCO Technologies Inc	Diversified Co.	3	3		85	1.00	5
Estee Lauder Companies Inc	Toiletries/Cosmetics	3	2		85	0.95	3
Expeditors International of Washington	Industrial Services	3	1		95	0.95	3
Exponent Inc.	Information Services	3	3		90	0.90	3
F5 Inc.	Telecom. Equipment	3	2		80	0.95	3
FactSet Research Systems Inc	Information Services	5	1		90	1.00	4
Fastenal Co	Retail Building Supply	3	2		80	0.95	5
Federal Signal Corp	Heavy Truck & Equip	3	3		75	1.00	2
First Commonwealth Financial Corp	Bank	3	3		70	1.05	3
First Republic Bank	Bank	2	3		80	1.00	2
FleetCor Technologies Inc	Financial Svcs. (Div.)	2	3		70	1.05	4
Forrester Research Inc	Information Services	3	3		65	1.00	3
Forward Air Corp	Trucking	2	3		80	1.05	3
Franklin Electric Co Inc	Electrical Equipment	2	2		80	0.95	3
GATX Corp	Railroad	4	3		80	0.95	3
Gentex Corp	Auto Parts	3	2		90	0.95	3
Globus Medical Inc	Med Supp Invasive	2	3		75	0.80	2
Graco Inc	Machinery	3	2		90	1.05	3
Grand Canyon Educ.	Educational Services	2	3		65	1.00	4
Graphic Packaging	Packaging & Container	3	3		80	1.05	3
Guidewire Software	Computer Software	2	3		65	0.90	2
Hanover Insurance Group Inc	Insurance (Prop/Cas.)	3	2		95	0.95	4
Harris Corp.	Aerospace/Defense	3	2		75	0.95	3
Hershey Company	Food Processing	3	1		100	0.85	4
Hologic Inc	Med Supp Non-Invasive	3	3		65	1.00	4
ICU Medical Inc	Med Supp Invasive	3	3		65	0.90	3
IDEX Corporation	Machinery	3	2		95	1.05	3
IDEXX Laboratories Inc	Med Supp Non-Invasive	3	3		75	1.00	3
Ingredion Incorporated	Food Processing	5	2		90	0.90	3
Innospec Inc	Chemical (Specialty)	4	3		80	1.05	3
Interactive Brokers	Brokers & Exchanges	2	3		65	1.05	3
Intercontinental Exch.	Brokers & Exchanges	2	1		95	0.95	3
International Flavors and Fragrances In	Chemical (Specialty)	2	2		75	0.95	3
Intuit Inc	Computer Software	2	2		80	1.00	3
J and J Snack Foods Corp	Food Processing	3	1		85	0.95	4
J B Hunt Transport Services Inc	Trucking	3	1		85	0.95	3
Jack Henry and Associates Inc	IT Services	3	1		90	0.85	3
Juniper Networks Inc	Telecom. Equipment	4	2		85	1.00	4
Kemper Corporation	Financial Svcs. (Div.)	3	3		65	1.05	4
Lennox International Inc	Machinery	4	3		85	1.00	4
Lindsay Corporation	Machinery	3	3		80	0.90	3
ManTech International Corporation	IT Services	2	3		85	0.85	3
Marsh and McLennan Companies Inc	Financial Svcs. (Div.)	3	1		100	0.95	4
Masimo Corporation	Med Supp Non-Invasive	3	2		70	0.80	3
McCormick and Co	Food Processing	3	1		95	0.80	5
Mercury General Corp	Insurance (Prop/Cas.)	5	3		75	0.90	2
Mondelez International Inc	Food Processing	4	1		100	0.85	3
Monster Beverage Corporation	Beverage	2	2		90	0.85	3
Motorola Solutions Inc	Telecom. Equipment	3	2		95	0.90	3
MSA Safety	Machinery	3	2		80	0.95	3
MSC Industrial Direct Co Inc	Machinery	3	2		75	0.95	3
MSCI Inc	Information Services	2	3		85	0.95	3
Nasdaq Inc.	Brokers & Exchanges	3	1		90	1.05	3
Northwest Bancshares Inc	Thrift	5	3		90	0.95	3
O Reilly Automotive Inc	Retail Automotive	3	3		75	0.95	3
Old National Bancorp	Bank (Midwest)	4	3		80	1.00	4
Omnicell Inc	Med Supp Non-Invasive	3	3		65	0.95	3
Omnicom Group Inc	Advertising	4	3		85	1.00	4
OSI Systems Inc	Precision Instrument	4	3		75	0.90	3
Packaging Corp	Packaging & Container	2	2		85	0.95	3
Park National Corp	Bank (Midwest)	3	3		80	0.80	3
PerkinElmer Inc	Precision Instrument	3	2		80	0.90	3
Philip Morris International Inc	Tobacco	2	3		75	0.95	3
Plexus Corp	Electronics	4	3		80	1.05	3
Pool Corporation	Recreation	3	2		80	0.85	3
Post Holdings Inc	Food Processing	2	3		85	0.95	3
Power Integrations Inc	Semiconductor	2	3		65	0.90	3
PPG Industries Inc	Chemical (Diversified)	4	1		90	1.05	3
Quest Diagnostics Inc	Medical Services	4	2		90	0.80	4
Republic Services Inc	Environmental	3	2		100	0.90	3
ResMed Inc	Med Supp Non-Invasive	2	3		65	0.90	3
RLI Corp	Insurance (Prop/Cas.)	2	2		95	0.80	3
Rollins Inc	Industrial Services	3	2		90	0.85	2
Roper Tech.	Machinery	2	1		95	1.00	3
RPM International Inc	Chemical (Specialty)	5	3		80	1.05	4
Rush Enterprises 'A'	Retail Automotive	3	3		65	1.00	4
Scholastic Corporation	Publishing	4	3		70	1.00	2
Selective Insurance Group Inc	Insurance (Prop/Cas.)	3	3		85	0.90	3
Sensient Technologies Corp	Food Processing	3	2		95	0.90	3
Service Corp International Inc	Industrial Services	2	3		90	0.95	3
Sherwin Williams	Retail Building Supply	4	1		95	0.90	5
Silgan Holdings Inc	Packaging & Container	3	2		100	0.85	3
Sonoco Products	Packaging & Container	4	2		95	1.00	4
Standard Motor Products Inc	Auto Parts	4	3		75	0.85	3
Stepan Company	Chemical (Specialty)	3	3		80	0.80	3
Synopsys Inc	Computer Software	2	1		80	0.95	4
T Mobile US	Telecom. Services	2	3		95	0.80	4
Tetra Tech	Environmental	2	3		75	0.95	3
Thermo Fisher Scientific Inc	Precision Instrument	2	1		95	0.85	4
Toro Co	Machinery	4	2		90	1.00	3
Tractor Supply Co	Retail Building Supply	3	2		75	0.85	4
Trimas Corporation	Diversified Co.	3	3		80	0.90	3
UniFirst Corp	Industrial Services	5	2		90	0.95	4
United Parcel Service	Air Transport	3	1		85	0.80	3
Universal Corp	Tobacco	4	3		65	0.80	5
Valmont Industries	Diversified Co.	2	2		80	1.05	3
Verisk Analytics Inc	Information Services	3	2		100	0.85	4
Viavi Solutions	Electronics	3	3		70	0.95	4
Walgreens Boots	Retail Store	3	3		75	0.85	3
Washington Federal Inc	Thrift	3	3		75	1.05	2
Waste Management	Environmental	3	1		100	0.80	3
Waters Corp	Precision Instrument	4	2		90	0.95	3
Watsco Inc	Retail Building Supply	3	1		95	0.85	3
West Pharmaceutical Services Inc	Med Supp Non-Invasive	4	2		85	0.80	3
Western Union Company	Financial Svcs. (Div.)	5	3		95	0.80	5
Wiley John and Sons Inc (Class A)	Publishing	4	3		80	0.85	3
Yum Brands Inc	Restaurant	4	2		90	1.05	3
Zoetis Inc	Drug	3	2		90	1.00	4
Average		3	2		83	0.93	3
Gas Group	Average	4	2		87	0.88	4

Source of Information: Value Line Investment Survey for Windows, December 2021

Comparable Earnings Approach
Five -Year Average Historical Earned Returns
for Years 2016-2020 and
Projected 3-5 Year Returns

Company	2016	2017	2018	2019	2020	Average	Projected 2024-26
AAON Inc	25.9%	21.1%	17.2%	18.5%	22.5%	21.0%	22.5%
AbbVie Inc	NMF	NMF	NMF	NMF	NMF	-	NMF
ACI Worldwide Inc	17.2%	0.7%	6.6%	5.9%	6.0%	7.3%	10.0%
Agilent Technologies	15.4%	15.9%	19.9%	20.8%	21.0%	18.6%	20.0%
Altria Group Inc	46.4%	42.5%	51.0%	NMF	NMF	46.6%	NMF
AmerisourceBergen Corp	60.4%	63.2%	48.8%	52.2%	NMF	56.2%	NMF
Amphenol Corp	23.3%	24.7%	30.0%	25.5%	22.3%	25.2%	26.5%
Analog Devices Inc	18.6%	16.6%	20.4%	16.3%	15.2%	17.4%	9.0%
AO Smith Corp	21.5%	22.9%	26.2%	22.2%	18.7%	22.3%	27.5%
AptarGroup Inc	17.5%	16.8%	13.7%	16.6%	11.6%	15.2%	14.5%
Archer Daniels Midland Company	7.4%	6.6%	9.5%	7.2%	8.9%	7.9%	9.5%
Arthur J Gallagher and Company	11.5%	11.3%	13.9%	12.8%	13.2%	12.5%	14.5%
Assurant Inc	13.8%	12.2%	4.9%	6.8%	7.4%	9.0%	9.5%
Autodesk Inc	NMF	-	-	-	NMF	-	54.5%
Ball Corp	7.7%	7.7%	13.1%	19.2%	17.9%	13.1%	20.5%
Berry Global Group	NMF	40.2%	31.7%	28.4%	31.3%	32.9%	21.0%
Bio-Techne Corp.	11.9%	9.2%	9.8%	8.2%	11.0%	10.0%	15.5%
Booz Allen Hamilton Holding Corporation	44.0%	55.0%	58.8%	56.4%	50.8%	53.0%	35.0%
Brady Corp	13.3%	13.7%	14.9%	15.4%	13.0%	14.1%	13.0%
Broadridge Fin'l	29.4%	32.6%	46.1%	49.1%	43.7%	40.2%	34.0%
Brown and Brown Inc	10.9%	10.7%	11.5%	11.9%	12.8%	11.6%	17.5%
Brown Forman Corp (Class B)	48.8%	56.7%	50.7%	41.9%	29.1%	45.4%	53.0%
Bunge Ltd	10.6%	3.4%	4.2%	6.5%	19.0%	8.7%	12.5%
BWX Technologies	NMF	71.1%	96.3%	60.4%	45.1%	68.2%	38.0%
Caseys General Stores Inc	14.9%	11.2%	14.5%	16.1%	16.2%	14.6%	15.5%
Catalent Inc.	17.5%	15.2%	7.7%	6.0%	6.3%	10.5%	15.0%
Cboe Global Markets	58.4%	12.9%	13.1%	11.1%	13.9%	21.9%	12.0%
Cerner Corp	20.1%	16.8%	16.6%	20.0%	19.6%	18.6%	27.5%
Chemed Corporation	20.7%	26.1%	33.9%	31.7%	32.9%	29.1%	28.5%
CME Group Inc	7.5%	18.1%	7.6%	8.1%	8.0%	9.9%	9.0%
Cognizant Technology Solutions Corp	19.3%	21.0%	23.4%	20.3%	17.0%	20.2%	17.5%
Comcast Corporation	15.7%	14.4%	16.5%	17.4%	13.3%	15.5%	16.0%
Commerce Bancshares Inc	11.0%	11.8%	14.8%	13.4%	10.4%	12.3%	12.0%
Cooper Companies Inc	10.1%	11.7%	10.3%	12.9%	6.2%	10.2%	11.0%
Copart Inc	33.0%	27.6%	26.3%	30.1%	24.5%	28.3%	30.0%
CoStar Group Inc	8.3%	5.8%	10.0%	11.0%	7.1%	8.4%	11.0%
CSX Corporation	14.7%	14.0%	26.3%	28.1%	21.1%	20.8%	39.0%
CVS Caremark Corporation	17.2%	16.1%	12.7%	14.5%	14.2%	14.9%	12.5%
Danaher Corp	10.1%	9.4%	9.4%	8.0%	9.2%	9.2%	16.0%
DaVita Inc.	17.0%	14.2%	16.4%	33.1%	50.7%	26.3%	39.0%
Dolby Laboratories Inc	9.4%	9.4%	12.6%	11.1%	9.5%	10.4%	13.0%
Dorman Products Inc	17.6%	17.9%	19.2%	11.3%	13.1%	15.8%	18.0%
EchoStar Corporation	4.6%	2.2%	0.9%	NMF	NMF	2.6%	4.0%
Edwards Lifesciences	24.1%	27.7%	32.0%	28.5%	25.7%	27.6%	25.0%
Encore Wire	5.9%	10.5%	10.8%	7.5%	9.1%	8.8%	8.5%
EPAM Systems	12.7%	15.1%	16.7%	16.4%	16.5%	15.5%	18.0%
Equifax Inc	25.1%	22.8%	22.6%	26.6%	27.0%	24.8%	19.0%
ESCO Technologies Inc	8.3%	8.6%	9.0%	9.9%	7.5%	8.7%	9.5%
Estee Lauder Companies Inc	31.2%	28.5%	36.2%	45.1%	38.4%	35.9%	54.0%
Expeditors International of Washington Inc	23.4%	22.7%	31.1%	26.9%	26.2%	26.1%	30.0%
Exponent Inc.	17.4%	14.3%	23.0%	23.5%	22.8%	20.2%	31.0%
F5 Inc.	30.9%	34.2%	35.3%	24.3%	13.8%	27.7%	17.0%
FactSet Research Systems Inc	49.7%	46.1%	50.8%	52.5%	41.6%	48.1%	42.5%
Fastenal Co	25.8%	27.6%	32.7%	29.7%	31.4%	29.4%	41.0%
Federal Signal Corp	10.8%	11.2%	16.5%	17.2%	14.7%	14.1%	14.5%
First Commonwealth Financial Corp	7.9%	8.1%	11.0%	10.0%	6.9%	8.8%	9.5%
First Republic Bank	9.7%	9.7%	9.8%	9.4%	9.1%	9.5%	10.5%
FleetCor Technologies Inc	21.4%	21.7%	24.3%	24.1%	21.0%	22.5%	32.5%
Forrester Research Inc	16.5%	15.8%	16.5%	19.6%	16.0%	16.9%	13.0%
Forward Air Corp	13.0%	13.4%	16.6%	15.1%	9.4%	13.5%	15.5%
Franklin Electric Co Inc	12.8%	12.5%	14.6%	12.3%	12.1%	12.9%	14.5%
GATX Corp	17.6%	10.4%	11.2%	10.9%	6.5%	11.3%	9.0%
Gentex Corp	18.2%	18.0%	23.5%	21.9%	17.7%	19.9%	26.0%
Globus Medical Inc	12.5%	12.2%	13.2%	11.1%	6.8%	11.2%	12.0%
Graco Inc	35.2%	34.9%	43.6%	31.7%	25.7%	34.2%	22.0%
Grand Canyon Educ.	19.2%	19.5%	20.3%	18.7%	16.8%	18.9%	20.0%
Graphic Packaging	21.6%	23.2%	11.9%	13.2%	11.7%	16.3%	22.5%
Guidewire Software	1.9%	2.4%	NMF	1.3%	NMF	1.9%	1.5%
Hanover Insurance Group Inc	6.5%	6.8%	9.9%	11.4%	11.1%	9.1%	10.5%
Harris Corp.	-	-	-	NMF	5.4%	5.4%	12.5%
Hershey Company	NMF	NMF	80.8%	70.1%	57.2%	69.4%	29.5%
Hologic Inc	15.4%	10.7%	25.3%	22.8%	20.1%	18.9%	14.5%
ICU Medical Inc	12.5%	11.4%	14.9%	14.9%	10.2%	12.8%	11.5%
IDEX Corporation	18.5%	17.9%	21.1%	19.6%	15.6%	18.5%	19.5%
IDEXX Laboratories Inc	-	-	-	NMF	92.0%	92.0%	38.5%
Ingredion Incorporated	20.5%	19.5%	20.8%	16.4%	13.6%	18.2%	17.0%
Innospec Inc	12.4%	7.8%	10.3%	12.2%	3.0%	9.1%	13.0%
Interactive Brokers	8.6%	9.9%	13.2%	11.1%	10.2%	10.6%	10.5%
Intercontinental Exch.	10.6%	10.4%	12.1%	12.7%	12.8%	11.7%	11.0%
International Flavors and Fragrances Inc	27.1%	27.8%	8.8%	11.3%	10.3%	17.1%	9.0%
Intuit Inc	86.5%	84.9%	62.2%	47.5%	40.6%	64.3%	21.0%
J and J Snack Foods Corp	11.9%	11.6%	11.1%	11.4%	2.3%	9.7%	11.5%
J B Hunt Transport Services Inc	30.6%	22.6%	29.7%	24.9%	19.5%	25.5%	18.5%
Jack Henry and Associates Inc	25.0%	23.8%	22.3%	19.0%	19.1%	21.8%	23.5%
Juniper Networks Inc	12.9%	17.3%	13.8%	13.0%	11.4%	13.7%	26.0%
Kemper Corporation	0.6%	4.4%	8.4%	13.4%	9.0%	7.2%	10.0%
Lennox International Inc	NMF	NMF	-	-	-	-	NMF
Lindsay Corporation	11.4%	8.6%	11.4%	5.8%	12.9%	10.0%	13.0%
ManTech International Corporation	4.5%	4.7%	5.9%	7.6%	7.6%	6.1%	8.5%
Marsh and McLennan Companies Inc	28.6%	27.3%	29.5%	22.4%	22.1%	26.0%	20.5%
Masimo Corporation	21.5%	24.2%	20.0%	16.8%	17.1%	19.9%	15.5%
McCormick and Co	29.7%	21.4%	20.9%	20.8%	19.4%	22.4%	16.5%
Mercury General Corp	5.4%	5.1%	6.2%	8.0%	15.1%	8.0%	14.0%
Mondelez International Inc	12.1%	12.5%	14.1%	13.2%	13.5%	13.1%	15.0%
Monster Beverage Corporation	21.4%	20.0%	27.5%	26.6%	24.6%	24.0%	24.0%
Motorola Solutions Inc	-	-	-	-	-	-	NMF
MSA Safety	18.8%	23.6%	27.7%	25.9%	22.4%	23.7%	21.5%
MSC Industrial Direct Co Inc	21.1%	18.7%	20.8%	20.0%	20.1%	20.1%	22.0%
MSCI Inc	82.1%	75.8%	-	NMF	NMF	79.0%	NMF
Nasdaq Inc.	11.4%	11.7%	14.9%	14.8%	16.0%	13.8%	12.0%
Northwest Bancshares Inc	4.2%	7.6%	8.4%	8.2%	4.9%	6.7%	9.5%
O Reilly Automotive Inc	63.8%	NMF	NMF	NMF	NMF	63.8%	NMF
Old National Bancorp	7.4%	6.0%	7.1%	8.4%	7.6%	7.3%	8.0%
Omnicell Inc	0.1%	1.4%	12.4%	14.3%	11.5%	7.9%	20.0%
Omnicom Group Inc	53.1%	46.0%	52.1%	46.9%	30.7%	45.8%	28.5%
OSI Systems Inc	4.8%	3.7%	5.3%	11.7%	13.2%	7.7%	13.0%
Packaging Corp	25.5%	25.0%	27.6%	22.7%	16.9%	23.5%	17.5%
Park National Corp	11.6%	11.3%	13.3%	10.6%	12.3%	11.8%	11.5%
PerkinElmer Inc	13.3%	12.9%	15.6%	16.3%	24.9%	16.6%	13.5%
Philip Morris International Inc	NMF	NMF	NMF	NMF	NMF	-	NMF
Plexus Corp	9.9%	10.9%	11.9%	12.3%	12.5%	11.5%	13.0%
Pool Corporation	72.6%	74.9%	104.9%	63.8%	57.4%	74.7%	45.0%
Post Holdings Inc	7.2%	7.6%	10.1%	12.7%	6.7%	8.9%	10.0%
Power Integrations Inc	9.8%	11.9%	13.3%	6.9%	8.8%	10.1%	13.0%
PPG Industries Inc	18.2%	29.3%	29.0%	23.5%	18.6%	23.7%	32.0%
Quest Diagnostics Inc	15.9%	16.2%	16.8%	15.9%	22.6%	17.5%	17.0%
Republic Services Inc	9.9%	10.3%	12.8%	13.2%	13.4%	11.9%	15.5%
ResMed Inc	20.8%	18.7%	23.0%	19.5%	24.9%	21.4%	17.5%
RLI Corp	11.3%	8.7%	11.4%	11.8%	10.4%	10.7%	11.0%
Rollins Inc	29.4%	29.2%	32.5%	24.9%	27.7%	28.7%	34.5%
Roper Tech.	11.4%	11.0%	15.9%	14.4%	12.9%	13.1%	12.0%
RPM International Inc	25.8%	23.2%	24.2%	25.9%	24.1%	24.6%	22.5%
Rush Enterprises 'A'	4.7%	8.6%	13.0%	12.2%	9.1%	9.5%	14.0%
Scholastic Corporation	4.7%	5.0%	3.9%	2.6%	NMF	4.1%	5.5%
Selective Insurance Group Inc	10.6%	10.8%	12.2%	12.0%	9.1%	10.9%	13.5%
Sensient Technologies Corp	17.2%	17.7%	18.3%	14.2%	11.7%	15.8%	13.0%
Service Corp International Inc	16.2%	21.2%	20.4%	19.4%	29.8%	21.4%	15.0%
Sherwin Williams	60.3%	38.7%	47.1%	47.9%	62.6%	51.3%	50.0%
Silgan Holdings Inc	32.7%	20.7%	25.4%	18.9%	24.6%	24.5%	16.5%
Sonoco Products	18.1%	16.5%	19.4%	19.8%	18.2%	18.4%	15.0%
Standard Motor Products Inc	14.2%	13.5%	12.2%	13.7%	14.6%	13.6%	14.0%
Stepan Company	13.6%	12.4%	14.4%	11.6%	12.9%	13.0%	13.0%
Synopsys Inc	14.6%	16.4%	17.2%	17.2%	17.6%	16.6%	22.0%
T Mobile US	5.2%	8.5%	11.7%	12.0%	6.5%	8.8%	7.0%
Tetra Tech	12.8%	13.3%	15.4%	17.8%	17.0%	15.3%	24.0%
Thermo Fisher Scientific Inc	9.4%	8.8%	10.7%	11.5%	18.5%	11.8%	17.5%
Toro Co	42.0%	43.4%	40.7%	31.9%	29.6%	37.5%	40.5%
Tractor Supply Co	30.1%	30.1%	34.1%	36.0%	41.9%	34.4%	42.0%
Trimas Corporation	11.6%	11.8%	13.1%	9.5%	11.8%	11.6%	14.5%
UniFirst Corp	8.5%	7.4%	10.2%	10.0%	7.8%	8.8%	8.5%
United Parcel Service	NMF	NMF	NMF	NMF	NMF	-	56.0%
Universal Corp	8.3%	8.3%	7.8%	5.7%	6.7%	7.4%	8.0%
Valmont Industries	18.4%	14.2%	16.1%	13.8%	14.8%	15.5%	15.0%
Verisk Analytics Inc	33.9%	28.8%	28.9%	19.9%	26.4%	27.6%	25.0%
Viavi Solutions	13.1%	11.8%	14.8%	21.5%	24.1%	17.1%	16.0%
Walgreens Boots	16.8%	20.0%	23.0%	23.5%	20.2%	20.7%	21.5%
Washington Federal Inc	8.3%	8.7%	10.2%	10.3%	8.6%	9.2%	8.0%
Waste Management	24.5%	23.7%	28.9%	26.6%	23.0%	25.3%	30.0%
Waters Corp	22.7%	27.0%	39.9%	39.9%	NMF	32.4%	24.0%
Watsco Inc	18.2%	15.3%	18.0%	17.1%	18.1%	17.3%	23.0%
West Pharmaceutical Services Inc	12.9%	11.8%	14.8%	15.4%	18.7%	14.7%	20.5%
Western Union Company	91.4%	-	-	NMF	NMF	91.4%	81.5%
Wiley John and Sons Inc (Class A)	17.4%	16.6%	14.2%	NMF	13.6%	15.5%	12.0%
Yum Brands Inc	-	-	-	-	-	-	NMF
Zoetis Inc	65.4%	66.8%	69.8%	64.8%	48.9%	63.1%	44.5%
Average						21.4%	20.1%
Median						16.1%	16.0%
Average (excluding companies with values >20%)						12.1%	12.8%

Comparable Earnings Approach
Screening Parameters

Timeliness Rank

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

Safety Rank

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

Financial Strength

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

Price Stability Index

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

Beta

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

Technical Rank

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

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

1. Provide capitalization and capitalization ratios for the last five-year period and projected through the next two years. (With short-term debt and without short-term debt.) (Company, Parent and System [consolidated].)

   a. Provide year-end interest coverage before and after taxes for the last three years and at latest date. (Indenture and SEC Basis.) (Company, Parent and System [consolidated].)

   b. Provide year-end preferred stock dividend coverage for the last three years and at latest date (Charter and SEC Basis).

Response:

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

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

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

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

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

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

NiSource, Inc.
Capitalization and Capitalization Ratios
As Ratios

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

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

COLUMBIA GAS OF PENNSYLVANIA, INC.
INTEREST COVERAGES

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

1/ Pre Tax=Line 1 / 4

2/ Post Tax=Line 3 / 4

NiSource, Inc.
INTEREST COVERAGES

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

1/ Pre Tax=Line 1 / 4

2/ Post Tax=Line 3 / 4

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

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

Response:

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

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

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

FORM 10-Q

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

For the quarterly period ended September 30, 2021

or

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

For the transition period from _____ to _____

Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

DE	35-2108964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 East 86th Avenue Merrillville, IN	46410
(Address of principal executive offices)	(Zip Code)

(877) 647-5990
(Registrant's telephone number, including area code)

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

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

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

Yes ☑ No ☐

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

Yes ☑ No ☐

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

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

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

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

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

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

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DEFINED TERMS

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

NiSource Subsidiaries and Affiliates

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

Abbreviations and Other

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

DEFINED TERMS

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

Note regarding forward-looking statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. Expressions of future goals and expectations and similar expressions, including "may," "will," "should," "could," "would," "aims," "seeks," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," "forecast," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Quarterly Report on Form 10-Q include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified, diverse workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cybersecurity attacks; any damage to our reputation;

any remaining liabilities or impact related to the sale of the Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; any adverse effects related to our equity units; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney's Office to settle the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; other matters in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021, many of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

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

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PART I

ITEM 1. FINANCIAL STATEMENTS

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

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

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

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

[1]Net unrealized gain (loss) on available-for-sale debt securities, net of $0.2 million tax benefit and $0.4 million tax expense in the third quarter of 2021 and 2020, respectively, and $0.6 million tax benefit and $0.5 million tax expense for the nine months ended 2021 and 2020, respectively.
[2]Net unrealized gain (loss) on cash flow hedges, net of $2.2 million and $8.6 million tax expense in the third quarter of 2021 and 2020, respectively, and $13.7 million tax expense and $34.6 million tax benefit for the nine months ended 2021 and 2020, respectively.
[3]Unrecognized pension and OPEB benefit, net of $0.2 million tax expense in the third quarter of 2021 and 2020, and $1.3 million and $0.1 million tax expense for the nine months ended 2021 and 2020, respectively.

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

NiSource Inc.
Condensed Consolidated Balance Sheets (unaudited)

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

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

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

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

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

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

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

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

Supplemental Disclosures of Cash Flow Information

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

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

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

NiSource Inc.
Condensed Statements of Consolidated Equity (unaudited)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Accounting Presentation

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

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

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

2. Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

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

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

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

Recently Adopted Accounting Pronouncements

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

3. Revenue Recognition

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

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

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

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

[1]Customer revenue amounts exclude intersegment revenues. See Note 18, "Business Segment Information," for discussion of intersegment revenues.
[2]Other revenues related to the Transition Services Agreement entered into in connection with the sale of the Massachusetts Business.

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

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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

[1]Customer revenue amounts exclude intersegment revenues. See Note 18, "Business Segment Information," for discussion of intersegment revenues.
[2]Other revenues related to the Transition Services Agreement entered into in connection with the sale of the Massachusetts Business.

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

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

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

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

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

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

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

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

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

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

4. Earnings Per Share

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

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

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

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

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

5. Equity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Selected information about the Equity Units is presented below:

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

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

6. Property, Plant and Equipment

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

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

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

7. Regulatory Matters

COVID-19 Regulatory Filings

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

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

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

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

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

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

8. Risk Management Activities

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

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

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

[1]Presented in "Prepayments and other" on the Condensed Consolidated Balance Sheets (unaudited).
[2]Presented in "Deferred charges and other" on the Condensed Consolidated Balance Sheets (unaudited).
[3]Presented in "Other accruals" on the Condensed Consolidated Balance Sheets (unaudited).
[4]Presented in "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets (unaudited).

Commodity Price Risk Management

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

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

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

Interest Rate Risk Management

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

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

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

9. Fair Value

A. Fair Value Measurements

Recurring Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[1]Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is $28.4 million and $25.8 million, respectively, at September 30, 2021.
[2]Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is zero and $13.2 million, respectively, at December 31, 2020.

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

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

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

Non-recurring Fair Value Measurements

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

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

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

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

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

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

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

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

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

10. Income Taxes

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

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

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

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

11. Pension and Other Postretirement Benefits

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

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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

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

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

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

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

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

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

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

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

12. Variable Interest Entities

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

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

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

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

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

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

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

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

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

13. Long-Term Debt

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

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

14. Short-Term Borrowings

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

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

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

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

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

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

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

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

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

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

15. Other Commitments and Contingencies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Other Matters.

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

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

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

16. Accumulated Other Comprehensive Loss

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

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

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

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

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

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

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

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

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

17. Other, Net

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

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

18. Business Segment Information

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

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

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

19. Subsequent Event

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

Table of Contents

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

NiSource Inc.

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EXECUTIVE SUMMARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Summary of Consolidated Financial Results

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

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

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

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

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

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

Other Deductions, net

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

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

Income Taxes

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

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

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

NiSource Inc.
Gas Distribution Operations

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

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

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

NiSource Inc.
Gas Distribution Operations

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

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

Operating Revenues

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

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

Weather

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

Throughput

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

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

Commodity Price Impact

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

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

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

Operating Expenses

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

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

Columbia of Massachusetts Asset Sale

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

NiSource Inc.
Electric Operations

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

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

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

NiSource Inc.
Electric Operations

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

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

Operating Revenues

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

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

Weather

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

Sales

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

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

Commodity Price Impact

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

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

Operating Expenses

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

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

Electric Supply and Generation Transition

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

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

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

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

[1]Refer to Note 12, "Variable Interest Entities," for additional information.

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

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

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

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

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

NiSource Inc.
Liquidity and Capital Resources

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

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

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

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

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

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

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

(in millions)

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

[1]Programs do not include any costs already included in base rates.
[2]Decrease in incremental revenue due to lower O&M expenses as compared to the prior filing.
[3]Effective January 23, 2021, Columbia of Pennsylvania's DSIC rate was set to zero due to the inclusion of the incremental capital and revenue in base rates following the Pennsylvania PUC's Final Order in the 2020 rate case.
[4]Columbia of Virginia filed its application to amend and extend its SAVE program with the Virginia SCC on August 12, 2021, requesting approval of a two-year SAVE program for calendar years 2022-2023 that includes incremental capital investments of $63.0 million and $72.0 million, respectively. Commission action is expected on or before December 10, 2021.
[5]On April 1, 2021, NIPSCO filed a notice with the IURC that it intended to terminate its current Electric TDSIC plan effective May 31, 2021. NIPSCO filed for a new electric TDSIC plan on June 1, 2021. An order is expected by the end of 2021. NIPSCO filed the TDSIC-9 petition on September 28, 2021, and an order is expected in January 2022.

Financing Activities

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

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

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

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

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

NiSource Inc.
Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

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

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

NiSource Inc.
Regulatory and Other Matters

Cost Recovery and Trackers

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

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

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

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

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

NiSource Inc.
Regulatory and Other Matters

Rate Case Actions

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

(in millions)

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

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

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

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

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

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

COVID-19 Regulatory Deferrals

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

PHMSA Regulations

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

Climate Change Issues

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

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

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

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

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

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

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

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

Off-Balance Sheet Arrangements

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

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

Market Risk Disclosures

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

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

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

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

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

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

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

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

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

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

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

Other Information

Critical Accounting Estimates

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

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

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

Recently Issued Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls

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

PART II

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

NiSource Inc.

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

* Exhibit filed herewith.

SIGNATURE

NiSource Inc.

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

NiSource Inc.
(Registrant)

Date: November 3, 2021

By: /s/ Gunnar J. Gode
Gunnar J. Gode
Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

Exhibit 31.1

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

I, Joseph Hamrock, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2021;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

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

Exhibit 31.2

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

I, Donald E. Brown, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2021;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

By: /s/ Donald E. Brown

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

Exhibit 32.1

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

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

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: November 3, 2021

Exhibit 32.2

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

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

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Donald E. Brown

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

Date: November 3, 2021

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

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

Response:

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

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

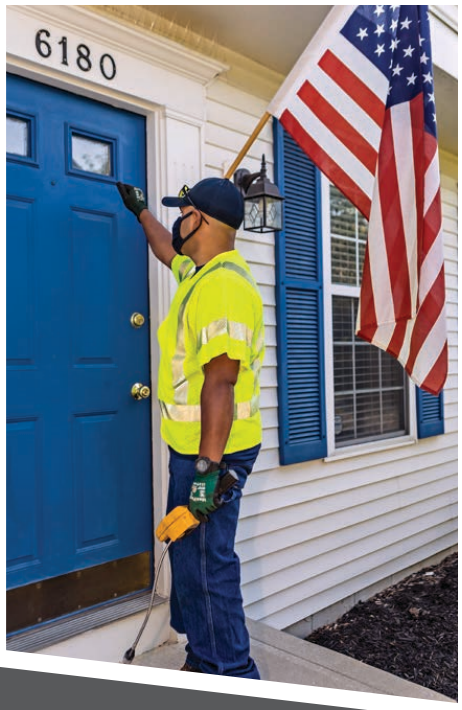

DEEPENING OUR COMMITMENTS

2020 INTEGRATED ANNUAL REPORT

NiSource®

MESSAGE FROM OUR CEO

2020

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

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

- We adjusted on short notice to a new way of working when the COVID-19 pandemic emerged, and we maintained safety for our employees, and safe, reliable service for our customers, while also supporting our impacted customers by suspending shut offs, stopping late fees and offering flexible payment plans.
- We continued to invest in our safety and asset modernization programs across our gas and electric businesses.
- We advanced our coal-to-clean energy transition plan, completing our first two wind projects and initiating work on a significant portfolio of new renewable generation investment opportunities.
- We launched our transformative NiSource Next initiative to support our core commitments to safety and sustainable energy, while building organizational capabilities and maintaining affordability for customers.
- We completed the sale of the Columbia Gas of Massachusetts (CMA) business in eight months.
- We publicly pledged our commitment against systemic racism, and engaged with our employees to better inform our approach to Diversity, Equity & Inclusion.
- We updated our long-term growth plan, which is expected to deliver 7 to 9 percent compound annual non-GAAP EPS growth from 2021 through 2024.

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

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

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

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

SERVING NEARLY

4M **NATURAL GAS AND ELECTRIC CUSTOMERS**

ACROSS SIX STATES UNDER OUR COLUMBIA GAS AND NIPSCO BRANDS

Columbia Gas® A NiSource Company

NIPSCO® A NiSource Company

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

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

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

Investments in safety and sustainable energy are also an earnings driver. As outlined at our September 2020 Investor Day, we plan to make growth, safety and asset modernization investments of $1.9 to $2.2 billion annually from 2021 through 2024, as well as $1.8 to $2 billion in renewable generation investments through 2023. These investments are expected to drive compound annual rate base growth of 10 to 12 percent through 2024.

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

FUTURE OF NATURAL GAS

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

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

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

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

2021 AND BEYOND

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

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

THANK YOU

FOR YOUR CONTINUED SUPPORT

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

Joe Hamrock

JOE HAMROCK
President and CEO
NiSource Inc.

BOARD OF DIRECTORS

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

Peter A. Altabef
Chairman and CEO, Unisys Corporation

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

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

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

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

Joseph Hamrock
President and CEO, NiSource Inc.

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

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

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

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

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

BOARD OF DIRECTORS DIVERSITY STATS

(As of March 1, 2021)

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

EXECUTIVE LEADERSHIP TEAM

Joseph Hamrock
President and Chief Executive Officer

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

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

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

Violet G. Sistovaris
Executive Vice President and Chief Experience Officer

Chuck Shafer
Senior Vice President and Chief Safety Officer

Shawn Anderson
Senior Vice President, Strategy and Chief Risk Officer

EXECUTIVE LEADERSHIP TEAM DIVERSITY STATS

(As of March 1, 2021)

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

QUALITY REVIEW BOARD

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

John Cox
President and CEO, Safety Operating Systems

John Durham
Retired Director, ENERCON Services

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

Cynthia Quarterman
Former Administrator, Pipeline and Hazardous Materials Safety Administration

Jeff Wiese
Vice President, TRC Companies

CHAIRMAN'S LETTER

DEDICATION TO SAFETY AND CUSTOMER SERVICE

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

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

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

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

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

NiSource®
CHARITABLE FOUNDATION
Columbia Gas | NIPSCO

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

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

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

KEVIN KABAT
Chairman of the Board
NiSource Inc.

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MARIE AUTULLO
Service Technician

CHAMPIONING SAFETY

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

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

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

KEY SAFETY ACCOMPLISHMENTS IN 2020

REDUCING damages to our facilities by 8 percent, through advanced analytics in our Damage Prevention Risk Model, targeted strategies and mobile tools to provide damage prevention opportunities to employees in real time.

INITIATING advanced leak surveys utilizing mobile Picarro technology, 1,000 times more sensitive than conventional technology and proven to drive down risk. In addition to leakage management, this improved information drives prioritized pipeline replacement and reduces methane emissions.

ACHIEVING ISO 9001 certification for our Gas Meter Shops and Gas Fabrication Shop, a strong first step in a continuing quality effort.

COMPLETING the final recommendation of the National Transportation Safety Board following the 2018 event in Massachusetts and instituting quality measures which continue to mature our engineering, construction, records management, and emergency planning and response processes.

EXPANDING the scope of our Safety Management System to include all gas and electric assets, operational processes and all aspects of safety including occupational and environmental safety.

ADOPTING the Gold Shovel Standard for ourselves and our excavation contractors, joining a comprehensive national effort to drive down infrastructure damage incidents.

ENHANCING more than 200 gas operating standards, to increase safety, add layers of protection and integrate employee feedback on improvement opportunities.

IMPROVING the visibility of gas facilities through the Service Line Mapping enhancement program, which enhances emergency response, damage prevention, engineering design and other critical processes.

INSTITUTING an enhanced Management of Change process and standard across the company to support identification and mitigation of unintended risks associated with change.

ALIGNING API RP 1173 (pipeline safety management systems) requirements into contractual process for pipeline construction contractor partners.

ELIZABETH BERTKE
Senior Operations Support Specialist

AN EXTRA LAYER OF SAFETY

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

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

QUALITY MANAGEMENT SYSTEM (QMS)

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

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

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

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

IDENTIFYING INVESTMENT OPPORTUNITIES

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

SAFETY AND INFRASTRUCTURE INVESTMENTS BY THE NUMBERS

$40B
IN IDENTIFIED LONG-TERM INVESTMENTS

~$1.7B
INVESTED IN GAS AND ELECTRIC SAFETY AND INFRASTRUCTURE MODERNIZATION PROGRAMS IN 2020

1,380
ELECTRIC POLES REPLACED IN 2020

37 MILES
OF UNDERGROUND ELECTRIC CABLE REPLACED IN 2020

274 MILES
OF PRIORITY PIPE REPLACED IN 2020

~70%
OF LOW-PRESSURE GAS SYSTEMS PROTECTED WITH AUTOMATIC SHUT-OFF DEVICES

TRANSFORMING
OUR ELECTRIC BUSINESS

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

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

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

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

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

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

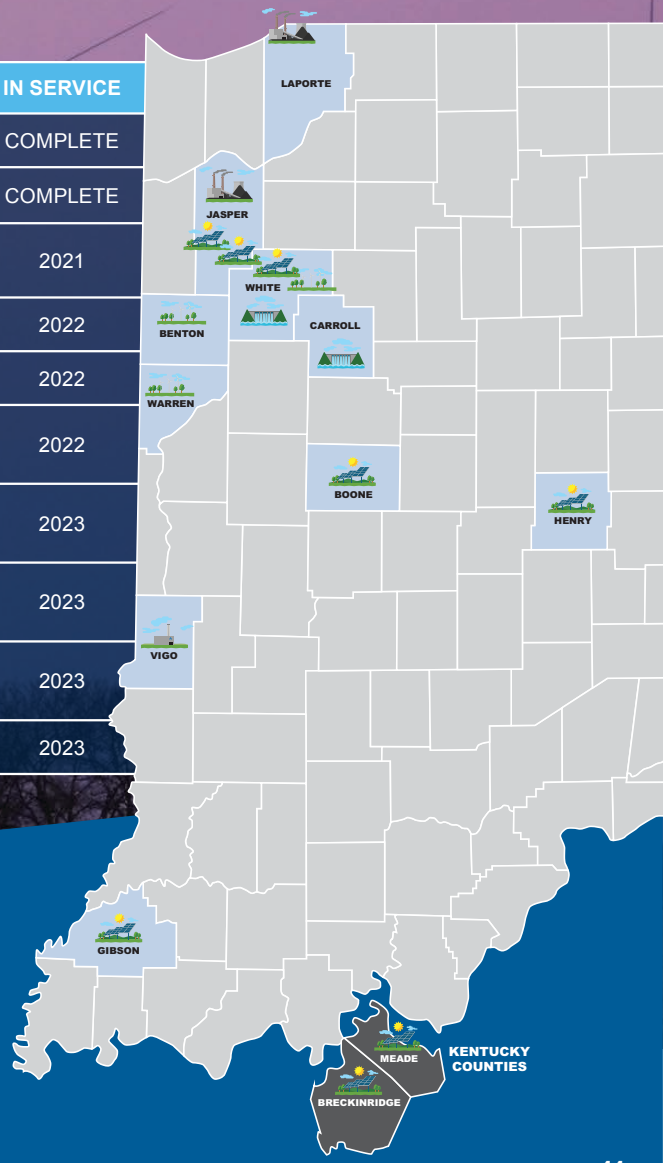

We are proud to partner with industry-leading renewable energy developers – EDP Renewables North America, NextEra Energy Resources and Capital Dynamics – to support us bringing our plans from paper to reality with proven technologies.

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

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

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

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

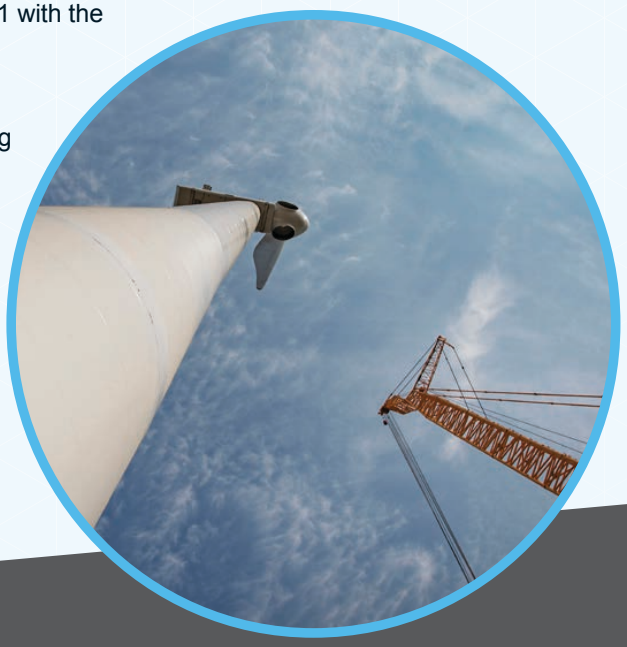

White County has hosted wind farms for more than a decade, and we're happy to see the latest project, NIPSCO's Rosewater Wind Farm, fully constructed and generating clean energy for my fellow Hoosiers. The wind farms have provided reliable investments and a strong tax base for our county, and the economic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

Steve Burton
White County, Indiana Comissioner

PRESERVING OUR ENVIRONMENT

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

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

ENVIRONMENTAL IMPACT TARGETS

	PROGRESS THROUGH 2020 % REDUCTIONS FROM 2005 LEVELS	TARGET 2025 % REDUCTIONS FROM 2005 LEVELS	TARGET 2030 % REDUCTIONS FROM 2005 LEVELS
METHANE FROM MAINS AND SERVICES	39%	50% ON TARGET	50%+
GREENHOUSE GAS (NISOURCE)	63%	50%	90%
NITROGEN OXIDES (NO_x)	89%	90% ON TARGET	99%
SULFUR DIOXIDE (SO2)	98%	90%	99%
MERCURY	96%	90%	99%
WATER WITHDRAWAL	91%	90%	99%
WATER DISCHARGE	95%	90%	99%
COAL ASH GENERATED	71%	60%	100%

ON TARGET

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

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

MORE THAN
1.1M
CUSTOMERS PARTICIPATED

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

BIODIVERSITY

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

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

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

SUSTAINABILITY RECOGNITION AND REPORTING

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

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

$4B
IN LONG-TERM COST SAVINGS FOR CUSTOMERS

90%
REDUCTION
OF GREENHOUSE GAS EMISSIONS

Our latest ESG and sustainability documents are available on our website at NiSource.com/company/sustainability/reports-and-policies

SERVING OUR CUSTOMERS AND
COMMUNITIES

WE'RE AIMING HIGHER

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

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

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

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

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

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

PROVIDING CRITICAL RESOURCES FOR CUSTOMERS WHEN THEY NEED IT MOST

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

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

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

Hanna Balla
Director, NiSource
Customer Experience
and Insights

$51.9M **IN LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP) FUNDS SECURED BY OUR CUSTOMERS**

ENRICHING OUR COMMUNITIES

$7.4M
contributed by the NiSource Charitable Foundation to organizations in communities throughout our operating area

7,993 HOURS spent volunteering at local nonprofits that support education, health and human services and family welfare initiatives, resulting in **$160,000** contributed to those organizations through the NiSource Charitable Foundation Dollars for Doers program, which matches employee volunteerism with a financial contribution

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

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

DEALING WITH A DERECHO

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

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

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

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

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

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

Our focus on enriching our communities extends far beyond volunteer efforts and giving programs. We also aim to improve the communities we serve through economic development efforts. In Indiana, the NIPSCO Economic Development and Major Accounts team was instrumental in helping to lure a steel processing company's headquarters to Gary, Indiana, from Chicago, bringing with it 100 jobs to northwest Indiana. The team also played an important role in finding a new buyer for a shuttered amusement park which had served the region for nearly a century, provided hundreds of seasonal jobs and by one estimate contributes $60 million annually to the local and regional economy. Even in a difficult year, the team still managed to score major economic development success bringing in $192 million in investment to the region, along with nearly 1,000 jobs.

GOING ABOVE AND BEYOND TO SUPPORT EMERGENCY RESPONDERS

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

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

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

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

EMPOWERING OUR TEAM

RISING TO THE CHALLENGE

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

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

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

QUENTIN DUCKWORTH, *Service Technician*

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

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

RENEWED COMMITMENT TO DIVERSITY, EQUITY AND INCLUSION

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

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

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

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

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

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

NEXT LEVEL LEADERSHIP

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

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

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

EMPLOYEE VOICES GUIDE KEY INITIATIVES

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

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

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

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

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

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

EMPLOYEE POPULATION

AS OF DECEMBER 31, 2020

7,389
TOTAL EMPLOYEES

73% MEN

27% WOMEN

15% MINORITY

682
TOTAL MANAGEMENT
(MANAGER AND ABOVE)

67% MEN

33% WOMEN

16% MINORITY

GENERATIONS

<1% TRADITIONALISTS
(1925-1948)

21% BABY BOOMERS
(1949-1964)

28% GENERATION X
(1965-1976)

51% MILLENNIALS / GENERATION Y
(1977-1996)

1% GENERATION Z
(1997-PRESENT)

SPOTLIGHT ON LEADERSHIP NISOURCE

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

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

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

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

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

FOCUSING ON OUR FINANCIAL PERFORMANCE

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

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

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

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

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

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

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

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

FINANCIAL METRICS

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

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

$0.84
2020 PER SHARE ANNUAL DIVIDEND (COMMON STOCK)

-14.9%
2020 TOTAL SHAREHOLDER RETURN

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

$1.9B TO $2.1B
2021 CAPEX PROJECTED

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

**Dividends are subject to board approval.

SCHEDULE 1

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

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

(1)Represents certain reimbursed costs for services rendered as part of the sale of the Massachusetts Business to Eversource that occurred on October 9, 2020.
(2)Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
(3)Represents costs incurred in connection with the planned retirement of the Schahfer Generating Station. Includes costs for write downs of certain capital projects and materials and supplies inventory balances.
(4)Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.
(5)2020 represents third-party consulting costs incurred for the separation and transition of the Massachusetts Business and the loss on sale to Eversource, offset by depreciation and amortization expense that was ceased for GAAP purposes as a result of classifying the Massachusetts Business as held for sale. 2019 represents a non-cash impairment of the Columbia of Massachusetts franchise rights and of the goodwill attributable to Columbia of Massachusetts as a result of the announced sale to Eversource.
(6)Represents non-recurring costs incurred for the early redemption of $1,603.6 million in long-term notes, consisting primarily of early redemption premiums.
(7)Represents income tax expense calculated using the statutory tax rates by legal entity.
(8)2020 represents non-deductible fines and penalties related to Greater Lawrence Incident and tax discrete adjustments in connection with the sale of the Massachusetts Business, including (i) deferred taxes on a TCJA regulatory liability divested, (ii) consolidated state deferred taxes and (iii) associated valuation allowance related to state net operating loss carryforward. 2019 represents (i) the non-deductible goodwill impairment, (ii) non-deductible fines and penalties and (iii) adjustments to consolidated state deferred taxes, all related to the Greater Lawrence Incident.

STOCKHOLDER INFORMATION

Forward-Looking Statements

This document contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this document include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney's Office to settle the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; and other matters set forth in Item 1, "Business," Item 1A, "Risk Factors" and Part II. Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of the company's annual report on Form 10-K for the year ended December 31, 2020, some of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

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

Regulation G Disclosure Statement

This document includes financial results and guidance for NiSource with respect to net operating earnings available to common shareholders, which is a non-GAAP financial measure as defined by the Securities and Exchange Commission's (SEC) Regulation G. The company includes this measure because management believes it permits investors to view the company's performance using the same tools that management uses and to better evaluate the company's ongoing business performance. With respect to such guidance, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. The company is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis. In addition, the company is not able to provide a reconciliation of its non-GAAP net operating earnings guidance to its GAAP equivalent without unreasonable efforts.

Investor Relations
(219) 647-5688

Media Relations
(614) 460-5544
media@nisource.com

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

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

Common Stock Dividend Declared

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

Stockholder Services

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

Computershare

c/o Shareholder Services
P.O. Box 505000
Louisville, Kentucky 40233
(888) 884-7790
• TDD for Hearing Impaired: (800) 231-5469
• Foreign Stockholders: (201) 680-6578
• TDD Foreign Stockholders: (201) 680-6610
• Computershare.com/investor

*Dividends are subject to board approval.

Investor and Financial Information

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

Stock Listing

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

Independent Registered Public Accounting Firm

Deloitte & Touche

Sustainability

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

Board of Directors

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

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

Corporate Governance

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

COMPANY LOCATIONS

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

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

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

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

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

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

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

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

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

FORM 10-K

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

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

NiSource Inc.

(Exact name of registrant as specified in its charter)

DE	35-2108964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 East 86th Avenue Merrillville, IN	46410
(Address of principal executive offices)	(Zip Code)

(877) 647-5990
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Documents Incorporated by Reference

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

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DEFINED TERMS

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

NiSource Subsidiaries, Affiliates and Former Subsidiaries	
Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
Company	NiSource Inc. and its subsidiaries, unless otherwise indicated by the context
NIPSCO	Northern Indiana Public Service Company LLC
NiSource ("we," "us" or "our")	NiSource Inc.
NiSource Corporate Services	NiSource Corporate Services Company
Abbreviations	
ACE	Affordable clean energy
AFUDC	Allowance for funds used during construction
AMR	Automatic meter reading
AOCI	Accumulated Other Comprehensive Income
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	At-the-market
Board	Board of Directors
BTA	Build-transfer agreement
CAP	Compliance Assurance Process
CCGT	Combined Cycle Gas Turbine
CCRs	Coal Combustion Residuals
CEP	Capital Expenditure Program
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
COVID-19 ("the COVID-19 pandemic" or "the pandemic")	Novel Coronavirus 2019
DPA	Deferred prosecution agreement
DPU	Department of Public Utilities
DSIC	Distribution System Investment Charge
DSM	Demand Side Management
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FMCA	Federally Mandated Cost Adjustment
GAAP	Generally Accepted Accounting Principles
GCA	Gas cost adjustment
GHG	Greenhouse gas
GWh	Gigawatt hours

DEFINED TERMS

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

Note regarding forward-looking statements

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

"Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. Expressions of future goals and expectations and similar expressions, including "may," "will," "should," "could," "would," "aims," "seeks," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," "forecast," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Annual Report on Form 10-K include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; and other matters set forth in Item 1, “Business,” Item 1A, “Risk Factors” and Part II. Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of this report, some of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

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

PART I

ITEM 1. BUSINESS

NISOURCE INC.

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

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

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

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

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

Gas Distribution Operations

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

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

Electric Operations

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

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

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NISOURCE INC.

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

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

Business Strategy

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

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

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

Rate Case Actions

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

(in millions)

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

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

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

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

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NISOURCE INC.

Competition and Changes in the Regulatory Environment

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

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

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

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

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

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

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

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

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

Seasonality

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

Human Capital

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

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

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

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

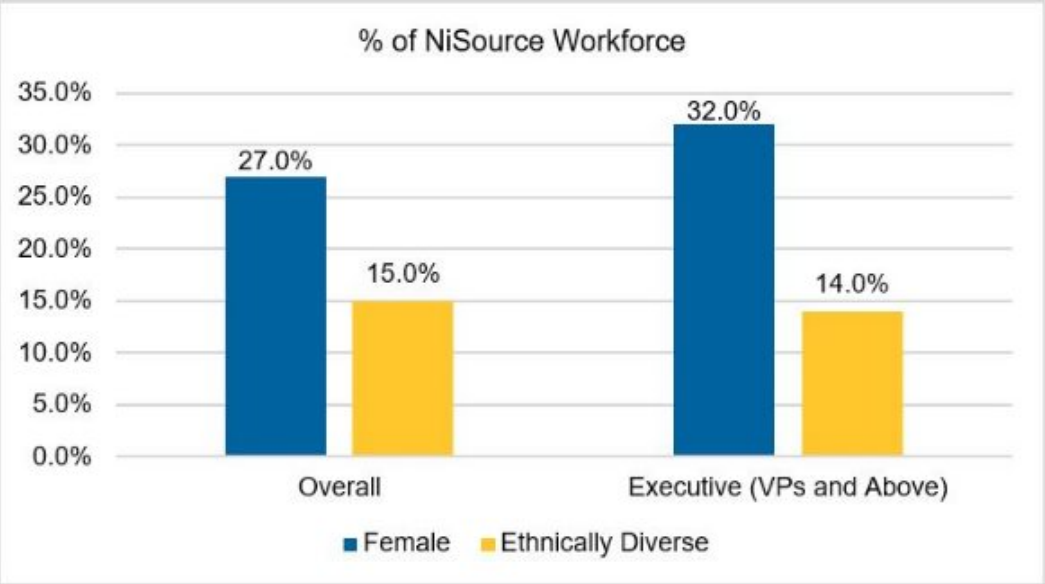

Talent Development. We offer leadership development programs to enhance the behaviors and skills of our existing and future leaders. In 2020, we had participation from employees of all levels. We also offer extensive technical and non-technical

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

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

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

Other Relevant Business Information

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

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

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

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ITEM 1A. RISK FACTORS

NISOURCE INC.

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

OPERATIONAL RISKS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The impacts of natural disasters, acts of terrorism, acts of war, civil unrest, cyber-attacks, accidents, public health emergencies or other catastrophic events may disrupt operations and reduce the ability to service customers.

A disruption or failure of natural gas distribution systems, or within electric generation, transmission or distribution systems, in the event of a major hurricane, tornado, terrorist attack, acts of war, civil unrest, cyber-attack (as further detailed above), accident, public health emergency, pandemic, or other catastrophic event could cause delays in completing sales, providing services, or performing other critical functions. We have experienced disruptions in the past from hurricanes and tornadoes and other events of this nature. Also, companies in our industry face a heightened risk of exposure to acts of terrorism and vandalism. The occurrence of such events could adversely affect our financial position and results of operations. In accordance with customary industry practice, we maintain insurance against some, but not all, of these risks and losses.

Climate change has the potential to affect our business.

Our strategy may be impacted by policy and legal, technology, market, and reputational risks and opportunities that are associated with the transition to a lower-carbon economy, as disclosed in other risk factors in this section. In addition, climate change may exacerbate the risks to our physical infrastructure, including heat stresses to power lines, storms that damage infrastructure, lake and sea level changes that affect the manner in which services are currently provided, droughts or other stresses on water used to supply services, and other extreme weather conditions. Climate change and the transition to a lower carbon economy have the potential to affect our business by reducing our ability to serve customers, increasing the costs we incur in providing our products and services, impacting the demand for and consumption of our products and services (due to changes in costs, technology, reputation and weather patterns), and affecting the economic health of the regions in which we operate. Changes in policy to combat climate change, and technology advancement, each of which can also accelerate the implications of a transition to a lower carbon economy, may materially adversely impact our business, financial position, results of operations, and cash flows.

Extreme weather conditions may negatively impact our operations.

We conduct our operations across a wide geographic area subject to varied and potentially extreme weather conditions, which may from time to time persist for sustained periods of time. Despite preventative maintenance efforts, persistent weather related stress on our infrastructure may reveal weaknesses in our systems not previously known to us or otherwise present various operational challenges across all business segments. Further, adverse weather may affect our ability to conduct operations in a manner that satisfies customer expectations or contractual obligations, including by causing service disruptions.

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FINANCIAL, ECONOMIC AND MARKET RISKS

We have substantial indebtedness which could adversely affect our financial condition.

Our business is capital intensive and we rely significantly on long-term debt to fund a portion of our capital expenditures and repay outstanding debt, and on short-term borrowings to fund a portion of day-to-day business operations. We had total consolidated indebtedness of $9,746.1 million outstanding as of December 31, 2020. Our substantial indebtedness could have important consequences. For example, it could:

- limit our ability to borrow additional funds or increase the cost of borrowing additional funds;
- reduce the availability of cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in the business and the industries in which we operate;
- lead parties with whom we do business to require additional credit support, such as letters of credit, in order for us to transact such business;
- place us at a competitive disadvantage compared to competitors that are less leveraged;
- increase vulnerability to general adverse economic and industry conditions; and
- limit our ability to execute on our growth strategy, which is dependent upon access to capital to fund our substantial infrastructure investment program.

Some of our debt obligations contain financial covenants related to debt-to-capital ratios and cross-default provisions. Our failure to comply with any of these covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of outstanding debt obligations.

A drop in our credit ratings could adversely impact our cash flows, results of operation, financial condition and liquidity.

The availability and cost of credit for our businesses may be greatly affected by credit ratings. The credit rating agencies periodically review our ratings, taking into account factors such as our capital structure, earnings profile, and, in 2020 and 2021, the impacts of the COVID-19 pandemic. We are committed to maintaining investment grade credit ratings; however, there is no assurance we will be able to do so in the future. Our credit ratings could be lowered or withdrawn entirely by a rating agency if, in its judgment, the circumstances warrant. Any negative rating action could adversely affect our ability to access capital at rates and on terms that are attractive. A negative rating action could also adversely impact our business relationships with suppliers and operating partners, who may be less willing to extend credit or offer us similarly favorable terms as secured in the past under such circumstances.

Certain of our subsidiaries have agreements that contain “ratings triggers” that require increased collateral in the form of cash, a letter of credit or other forms of security for new and existing transactions if our credit ratings (including the standalone credit ratings of certain of our subsidiaries) are dropped below investment grade. These agreements are primarily for insurance purposes and for the physical purchase or sale of gas or power. As of December 31, 2020, the collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $53.9 million. In addition to agreements with ratings triggers, there are other agreements that contain “adequate assurance” or “material adverse change” provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.

If our or certain of our subsidiaries' credit ratings were downgraded, especially below investment grade, financing costs and the principal amount of borrowings would likely increase due to the additional risk of our debt and because certain counterparties may require additional credit support as described above. Such amounts may be material and could adversely affect our cash flows, results of operations and financial condition. Losing investment grade credit ratings may also result in more restrictive covenants and reduced flexibility on repayment terms in debt issuances, lower share price and greater stockholder dilution from common equity issuances, in addition to reputational damage within the investment community.

The novel coronavirus (COVID-19) pandemic adversely impacts our business, results of operations, financial condition, liquidity and cash flows.

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The continued spread of COVID-19 has resulted in widespread impacts on the global economy and financial markets and could lead to a prolonged reduction in economic activity, extended disruptions to supply chains and capital markets, and reduced labor availability and productivity. We have experienced lower revenues, higher expenses for personal protective equipment and supplies, and higher bad debt expense as a consequence of the pandemic, which has negatively impacted our results of operations as of December 31, 2020. Our future operating results and liquidity may continue to be impacted by the pandemic, but the extent of the impact remains uncertain. Such ongoing impact of the pandemic includes, but is not limited to:

- Lower revenue and cash flow, resulting from the decrease in commercial and industrial gas and electric demand as businesses comply with operating restrictions and re-opening plans in each state and as businesses experience negative economic impact from the pandemic, potentially offset by higher residential demand;
- Lower revenue and cash flow due to the continuing suspension of late payment and reconnection fees in some jurisdictions;
- A decline in revenue due to an increase in customer attrition rates, as well as lower revenue growth if customer additions slow due to a prolonged economic downturn;
- A continued increase in bad debt and a decrease in cash flows resulting from the suspension of shut-offs and the inability of our customers to pay for their gas and electric service due to job loss or other factors, partially offset by regulatory deferral;
- Lower revenues on a prolonged basis resulting from higher customer bankruptcies, predominately focused on commercial and industrial customers not able to sustain operations through the broader economic downturn;
- A continued delay in cash flows as customers utilize the more flexible payment plans we offer; and
- An increase in internal labor costs from higher overtime.

We also face the risk of not achieving operational compliance and/or customer requirements because of work restrictions or unavailable employees due to the pandemic. For more information regarding the items above and additional items related to the pandemic that we are evaluating and monitoring, please see our discussion of these topics in Part II., Item 7. "Management Discussion and Analysis of Financial Condition and Results of Operations - Executive Summary - Introduction - COVID-19" in this report and in our future filings with the Securities and Exchange Commission. To the extent the pandemic adversely affects our business, results of operations, financial condition, liquidity or cash flows, it may also have the effect of heightening many of the other Risk Factors described herein. The degree to which the pandemic will impact us will depend in part on future developments, including the continued severity and duration of the outbreak, actions that may be taken by governmental authorities, and to what extent and when normal economic and operating conditions can resume.

Adverse economic and market conditions, including as a result of the COVID-19 pandemic, or increases in interest rates could materially and adversely affect our business, results of operations, cash flows, financial condition and liquidity.

Deteriorating, sluggish or volatile economic conditions in our operating jurisdictions could adversely impact our ability to maintain or grow our customer base and collect revenues from customers, which could reduce our revenue or growth rate and increase operating costs. The continued spread of COVID-19 has resulted in widespread impacts on the global economy and financial markets and could lead to a prolonged reduction in economic activity, disruptions to supply chains and capital markets, and reduced labor availability and productivity.

In connection with the pandemic, certain state regulatory commissions instituted disconnection moratoriums and the suspension of collection of late payment fees, deposits and reconnection fees, which impacted our ability to pursue our standard credit risk mitigation practices. Following the issuance of these moratoriums, certain of our regulated operations have been authorized to record a regulatory asset for bad debt expense above levels currently in rates. While several of these moratoriums remain in place, we have reinstated our common credit mitigation practices where moratoriums have expired. It is possible that such moratoriums will be extended or reinstated as the pandemic continues.

In addition, the pandemic has impacted our physical business operations, resulting in delays in conducting certain residential work and additional costs required to comply with pandemic-related health and safety protocols.

Further, we rely on access to the capital markets to finance our liquidity and long-term capital requirements, including expenditures for our utility infrastructure and to comply with future regulatory requirements, to the extent not satisfied by the cash flow generated by our operations. We have historically relied on long-term debt and on the issuance of equity securities to

fund a portion of our capital expenditures and repay outstanding debt, and on short-term borrowings to fund a portion of day-to-day business operations. Successful implementation of our long-term business strategies, including capital investment, is dependent upon our ability to access the capital and credit markets, including the banking and commercial paper markets, on competitive terms and rates. An economic downturn or uncertainty, market turmoil, changes in tax policy, challenges faced by financial institutions, changes in our credit ratings, or a change in investor sentiment toward us or the utilities industry generally could adversely affect our ability to raise additional capital or refinance debt. Reduced access to capital markets, increased borrowing costs, and/or lower equity valuation levels could reduce future earnings per share and cash flows. Refer to Note 15, "Long-Term Debt," in the Notes to Consolidated Financial Statements for information related to outstanding long-term debt and maturities of that debt. In addition, any rise in interest rates may lead to higher borrowing costs, which may adversely impact reported earnings, cost of capital and capital holdings.

If, in the future, we face limits to the credit and capital markets or experience significant increases in the cost of capital or are unable to access the capital markets, it could limit our ability to implement, or increase the costs of implementing, our business plan, which, in turn, could materially and adversely affect our results of operations, cash flows, financial condition and liquidity.

Most of our revenues are subject to economic regulation and are exposed to the impact of regulatory rate reviews and proceedings.

Most of our revenues are subject to economic regulation at either the federal or state level. As such, the revenues generated by us are subject to regulatory review by the applicable federal or state authority. These rate reviews determine the rates charged to customers and directly impact revenues. Our financial results are dependent on frequent regulatory proceedings in order to ensure timely recovery of costs and investments.

The outcomes of these proceedings are uncertain, potentially lengthy and could be influenced by many factors, some of which may be outside of our control, including the cost of providing service, the necessity of expenditures, the quality of service, regulatory interpretations, customer intervention, economic conditions and the political environment. Further, the rate orders are subject to appeal, which creates additional uncertainty as to the rates that will ultimately be allowed to be charged for services. The COVID-19 pandemic is another factor that will continue to influence the regulatory process, such as the implementation of disconnection moratoriums as discussed above and the risk of not being able to recover costs and/or returns on invested capital through raising rates during a pandemic, which has disproportionately impacted vulnerable customers and communities.

Additionally, the costs of complying with current and future changes in environmental and federal pipeline safety laws and regulations are expected to be significant, and their recovery through rates will also be contingent on regulatory approval.

Our business operations are subject to economic conditions in certain industries.

Business operations throughout our service territories have been and may continue to be adversely affected by economic events at the national and local level where our businesses operate. In particular, sales to large industrial customers, such as those in the steel, oil refining, industrial gas and related industries, are impacted by economic downturns, including the downturn resulting from the COVID-19 pandemic; geographic or technological shifts in production or production methods; and consumer demand for environmentally friendly products and practices. The U.S. manufacturing industry continues to adjust to changing market conditions including international competition, increasing costs, and fluctuating demand for its products. In addition, our results of operations are negatively impacted by lower revenues resulting from higher bankruptcies, predominately focused on commercial and industrial customers not able to sustain operations through the economic disruptions related to the pandemic.

We are exposed to risk that customers will not remit payment for delivered energy or services, and that suppliers or counterparties will not perform under various financial or operating agreements.

Our extension of credit is governed by a Corporate Credit Risk Policy, involves considerable judgment by our employees and is based on an evaluation of a customer or counterparty's financial condition, credit history and other factors. We monitor our credit risk exposure by obtaining credit reports and updated financial information for customers and suppliers, and by evaluating the financial status of our banking partners and other counterparties by reference to market-based metrics such as credit default swap pricing levels, and to traditional credit ratings provided by the major credit rating agencies. Adverse economic conditions result in an increase in defaults by customers, suppliers and counterparties. As stated above, in connection with the COVID-19 pandemic, certain state regulatory commissions instituted regulatory moratoriums that have impacted our ability to pursue our standard credit risk mitigation practices.

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We are a holding company and are dependent on cash generated by our subsidiaries to meet our debt obligations and pay dividends on our stock.

We are a holding company and conduct our operations primarily through our subsidiaries, which are separate and distinct legal entities. Substantially all of our consolidated assets are held by our subsidiaries. Accordingly, our ability to meet our debt obligations or pay dividends on our common stock and preferred stock is largely dependent upon cash generated by these subsidiaries. In the event a major subsidiary is not able to pay dividends or transfer cash flows to us, our ability to service our debt obligations or pay dividends could be negatively affected.

Capital market performance and other factors may decrease the value of benefit plan assets, which then could require significant additional funding and impact earnings.

The performance of the capital markets affects the value of the assets that are held in trust to satisfy future obligations under defined benefit pension and other postretirement benefit plans. We have significant obligations in these areas and hold significant assets in these trusts as noted in Note 12, "Pension and Other Postretirement Benefits," in the Notes to Consolidated Financial Statements. These assets are subject to market fluctuations and may yield uncertain returns, which fall below our projected rates of return. A decline in the market value of assets may increase the funding requirements of the obligations under the defined benefit pension plan. Additionally, changes in interest rates affect the liabilities under these benefit plans; as interest rates decrease, the liabilities increase, which could potentially increase funding requirements. Further, the funding requirements of the obligations related to these benefits plans may increase due to changes in governmental regulations and participant demographics, including increased numbers of retirements or longer life expectancy assumptions, as well as voluntary early retirements. In addition, lower asset returns result in increased expenses. Ultimately, significant funding requirements and increased pension or other postretirement benefit plan expense could negatively impact our results of operations and financial position.

We have significant goodwill. Any future impairments of goodwill could result in a significant charge to earnings in a future period and negatively impact our compliance with certain covenants under financing agreements.

In accordance with GAAP, we test goodwill for impairment at least annually and review our definite-lived intangible assets for impairment when events or changes in circumstances indicate its fair value might be below its carrying value. Goodwill is also tested for impairment when factors, examples of which include reduced cash flow estimates, a sustained decline in stock price or market capitalization below book value, indicate that the carrying value may not be recoverable.

A significant charge in the future could impact the capitalization ratio covenant under certain financing agreements. We are subject to a financial covenant under our revolving credit facility, which requires us to maintain a debt to capitalization ratio that does not exceed 70%. As of December 31, 2020, the ratio was 62.5%.

Changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate could adversely affect our business, financial condition, results of operations and cash flows.

Some of our indebtedness, including borrowings under our revolving credit agreement, bears interest at a variable rate based on LIBOR. From time to time, we also enter into hedging instruments to manage our exposure to fluctuations in the LIBOR benchmark interest rate. In addition, these hedging instruments, as well as hedging instruments that our subsidiaries use for hedging natural gas price and basis risk, rely on LIBOR-based rates to calculate interest accrued on certain payments that may be required to be made under these agreements, such as late payments or interest accrued if any cash collateral should be held by a counterparty. Any changes announced by regulators in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates. If that were to occur, the level of interest payments we incur may change.

In July 2017, the United Kingdom Financial Conduct Authority (“FCA”), which regulates LIBOR, announced that the FCA intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. In November 2020, the Board of Governors of the U.S. Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the U.S. Comptroller of the Currency collectively issued a statement encouraging banks to stop entering into financial contracts that use LIBOR as a reference rate as soon as possible, and no later than December 31, 2021. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom or elsewhere. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. The Alternative Reference Rates Committee has proposed the Secured Overnight Financing Rate ("SOFR") as its recommended alternative to LIBOR, and the Federal Reserve Bank of New York began publishing SOFR rates in April 2018. SOFR is intended to be a

broad measure of the cost of borrowing cash overnight that is collateralized by U.S. Treasury securities. However, because SOFR is a broad U.S. Treasury repurchase agreement financing rate that represents overnight secured funding transactions, it differs fundamentally from LIBOR. For example, SOFR is a secured overnight rate, while LIBOR is an unsecured rate that represents interbank funding over different maturities. In addition, because SOFR is a transaction-based rate, it is backward-looking, whereas LIBOR is forward-looking. Because of these and other differences, there is no assurance that SOFR will perform in the same way as LIBOR would have performed at any time, and there is no guarantee that it is a comparable substitute for LIBOR.

In addition, although certain of our LIBOR based obligations provide for alternative methods of calculating the interest rate payable on certain of our obligations if LIBOR is not reported, which include, without limitation, requesting certain rates from major reference banks in London or New York, uncertainty as to the extent and manner of future changes may result in interest rates and/or payments that are higher than, lower than or that do not otherwise correlate over time with, the interest rates or payments that would have been made on our obligations if a LIBOR-based rate was available in its current form.

LITIGATION, REGULATORY AND LEGISLATIVE RISKS

The outcome of legal and regulatory proceedings, investigations, inquiries, claims and litigation related to our business operations may have a material adverse effect on our results of operations, financial position or liquidity.

We are involved in legal and regulatory proceedings, investigations, inquiries, claims and litigation in connection with our business operations, including those related to the Greater Lawrence Incident, the most significant of which are summarized in Note 20, “Other Commitments and Contingencies” in the Notes to Consolidated Financial Statements. Our insurance does not cover all costs and expenses that we have incurred or that we may incur in the future relating to the Greater Lawrence Incident, and may not fully cover incidents that could occur in the future. Due to the inherent uncertainty of the outcomes of such matters, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our results of operations, financial position or liquidity.

The Greater Lawrence Incident has materially adversely affected and may continue to materially adversely affect our financial condition, results of operations and cash flows.

In connection with the Greater Lawrence Incident, we have incurred and will incur various costs and expenses. We have been subject to inquiries and investigations by government authorities and regulatory agencies regarding the Greater Lawrence Incident, including the Massachusetts DPU and the Massachusetts Attorney General's Office, as further described in Note 7, "Goodwill and Other Intangible Assets," Note 20-C. "Legal Proceedings," and Note 20-E. "Other Matters" in the Notes to Consolidated Financial Statements.

While we have recovered the full amount of our liability insurance coverage available under our policies, total expenses related to the incident have exceeded such amount. Expenses in excess of our liability insurance coverage have materially adversely affected and may continue to materially adversely affect our results of operations, cash flows and financial position.

We may also incur additional costs associated with the Greater Lawrence Incident, beyond the amount currently anticipated, including in connection with the U.S. Attorney’s Office investigation as well as civil litigation. Further, state or federal legislation may be enacted that would require us to incur additional costs by mandating various changes, including changes to our operating practice standards for natural gas distribution operations and safety. If we are unable to recover the capital cost of the gas pipeline replacement through the pending property insurance litigation related to this matter, or we incur a material amount of other costs, our financial condition, results of operations, and cash flows could be materially and adversely affected.

Further, if it is determined in other matters that we did not comply with applicable statutes, regulations or rules in connection with the operations or maintenance of our natural gas system, and we are ordered to pay additional amounts in penalties, or other amounts, our financial condition, results of operations, and cash flows could be materially and adversely affected.

Our settlement with the U.S. Attorney’s Office in respect of federal charges in connection with the Greater Lawrence Incident may expose us to further penalties, liabilities and private litigation, and may impact our operations.

On February 26, 2020, the Company entered into a DPA and Columbia of Massachusetts entered into a plea agreement with the U.S. Attorney’s Office to resolve the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident, which was subsequently approved by the United States District Court for the District of Massachusetts (the "Court"). See Note 20-C. "Legal Proceedings” in the Notes to Consolidated Financial Statements. The agreements impose various compliance and remedial obligations on the Company and Columbia of Massachusetts. Failure to comply with the terms of these agreements could result in further enforcement action by the U.S. Attorney’s Office, expose the Company and Columbia of Massachusetts

to penalties, financial or otherwise, and subjects the Company to further private litigation, each of which could impact our operations and have a material adverse effect on our business.

Our businesses are subject to various laws, regulations and tariffs. We could be materially adversely affected if we fail to comply with such laws, regulations and tariffs or with any changes in or new interpretations of such laws, regulations and tariffs.

Our businesses are subject to various laws, regulations and tariffs, including, but not limited to, those relating to natural gas pipeline safety, employee safety, the environment and our energy infrastructure. Existing laws, regulations and tariffs may be revised or become subject to new interpretations, and new laws, regulations and tariffs may be adopted or become applicable to us and our operations. In some cases, compliance with new laws, regulations and tariffs increases our costs. If we fail to comply with laws, regulations and tariffs applicable to us or with any changes in or new interpretations of such laws, regulations or tariffs, our financial condition, results of operations, regulatory outcomes and cash flows may be materially adversely affected.

Our businesses are regulated under numerous environmental laws. The cost of compliance with these laws, and changes to or additions to, or reinterpretations of the laws, could be significant. Liability from the failure to comply with existing or changed laws could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Our businesses are subject to extensive federal, state and local environmental laws and rules that regulate, among other things, air emissions, water usage and discharges, GHG and waste products such as coal combustion residuals. Compliance with these legal obligations require us to make expenditures for installation of pollution control equipment, remediation, environmental monitoring, emissions fees, and permits at many of our facilities. These expenditures are significant, and we expect that they will continue to be significant in the future. Furthermore, if we fail to comply with environmental laws and regulations or are found to have caused damage to the environment or persons, that failure or harm may result in the assessment of civil or criminal penalties and damages against us, injunctions to remedy the failure or harm, and the inability to operate facilities as designed.

Existing environmental laws and regulations may be revised and new laws and regulations seeking to change environmental regulation of the energy industry may be adopted or become applicable to us, with an increasing focus on both coal and natural gas. Revised or additional laws and regulations may result in significant additional expense and operating restrictions on our facilities or increased compliance costs, which may not be fully recoverable from customers through regulated rates and could, therefore, impact our financial position, financial results and cash flow. Moreover, such costs could materially affect the continued economic viability of one or more of our facilities.

An area of significant uncertainty and risk are the laws concerning emission of GHG. While we continue to reduce GHG emissions through the retirement of coal-fired electric generation, increased sourcing of renewable energy, and priority pipeline replacement, energy efficiency programs, leak detection and repair, GHG emissions are currently an expected aspect of the electric and natural gas business. Revised or additional future GHG legislation and/or regulation related to the generation of electricity or the extraction, production, distribution, transmission, storage and end use of natural gas could materially impact our gas supply, financial position, financial results and cash flows.

Even in instances where legal and regulatory requirements are already known or anticipated, the original cost estimates for environmental improvements, remediation of past environmental impact, or pollution reduction strategies and equipment can differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including the nature and extent of impact, the method of improvement, the cost of raw materials, contractor costs, and requirements established by environmental authorities. Changes in costs and the ability to recover under regulatory mechanisms could affect our financial position, financial results and cash flows.

Changes in taxation and the ability to quantify such changes as well as challenges to tax positions could adversely affect our financial results.

We are subject to taxation by the various taxing authorities at the federal, state and local levels where we do business. Legislation or regulation which could affect our tax burden could be enacted by any of these governmental authorities. For example, the TCJA includes numerous provisions that affect businesses, including changes to U.S. corporate tax rates, business-related exclusions, deductions and credits. The outcome of regulatory proceedings regarding the extent to which the effect of a change in corporate tax rate will impact customers and the time period over which the impact will occur could significantly impact future earnings and cash flows. Separately, a challenge by a taxing authority, changes in taxing authorities'

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ITEM 1A. RISK FACTORS

NISOURCE INC.

administrative interpretations, decisions, policies and positions, our ability to utilize tax benefits such as carryforwards or tax credits, or a deviation from other tax-related assumptions may cause actual financial results to deviate from previous estimates.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

NiSource Inc.

None.

ITEM 2. PROPERTIES

Discussed below are the principal properties held by us and our subsidiaries as of December 31, 2020.

Gas Distribution Operations
Refer to Item 1, "Business - Gas Distribution Operations" of this report for further information on Gas Distribution Operations properties.

Electric Operations
Refer to Item 1, "Business - Electric Operations" of this report for further information on Electric Operations properties.

Corporate and Other Operations
We own the Southlake Complex, our 325,000 square foot headquarters building located in Merrillville, Indiana.

Character of Ownership
Our principal properties and our subsidiaries' principal properties are owned free from encumbrances, subject to minor exceptions, none of which are of such a nature as to impair substantially the usefulness of such properties. Many of our subsidiary offices in various communities served are occupied under leases. All properties are subject to routine liens for taxes, assessments and undetermined charges (if any) incidental to construction. It is our practice to regularly pay such amounts, as and when due, unless contested in good faith. In general, the electric lines, gas pipelines and related facilities are located on land not owned by us or our subsidiaries, but are covered by necessary consents of various governmental authorities or by appropriate rights obtained from owners of private property. We do not, however, generally have specific easements from the owners of the property adjacent to public highways over, upon or under which our electric lines and gas distribution pipelines are located. At the time each of the principal properties were purchased, a title search was made. In general, no examination of titles as to rights-of-way for electric lines, gas pipelines or related facilities was made, other than examination, in certain cases, to verify the grantors' ownership and the lien status thereof.

ITEM 3. LEGAL PROCEEDINGS

For a description of our legal proceedings, see Note 20-C "Legal Proceedings" in the Notes to Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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SUPPLEMENTAL ITEM. INFORMATION ABOUT OUR EXECUTIVE OFFICERS

NISOURCE INC.

The following is a list of our executive officers, including their names, ages, offices held and other recent business experience.

Name	Age	Office(s) Held in Past 5 Years
Joseph Hamrock	57	President and Chief Executive Officer of NiSource since July 2015.
Donald E. Brown	49	Executive Vice President, Chief Financial Officer and President, NiSource Corporate Services.
		Executive Vice President of NiSource since May 2015.
		Chief Financial Officer of NiSource since July 2015.
		President, NiSource Corporate Services since June 2020.
		Treasurer of NiSource from July 2015 to June 2016.
Anne-Marie W. D'Angelo	44	Executive Vice President, General Counsel and Corporate Secretary.
		Executive Vice President of NiSource since January 2021.
		Corporate Secretary and General Counsel of NiSource since September 2019.
		Senior Vice President of NiSource from September 2019 to January 2021.
		General Counsel of Global Brass & Copper Inc. from May 2017 to August 2019.
		Assistant General Counsel of McDonald's USA from January 2015 to May 2017.
Shawn Anderson	39	Senior Vice President and Chief Strategy and Risk Officer of NiSource since June 2020.
		Vice President, Strategy of NiSource from January 2019 to May 2020.
		Vice President of NiSource from May 2018 to December 2018.
		Treasurer and Chief Risk Officer of NiSource from June 2016 to May 2020.
		Vice President, Regulatory Affairs and Financial of Columbia of Ohio from July 2015 to June 2016.
Charles E. Shafer, II	51	Senior Vice President and Chief Safety Officer of NiSource since October 2019.
		Senior Vice President, Gas Engineering and Gas Support Services of NiSource Corporate Services Company from January 2019 to September 2019.
		Senior Vice President, Customer Services and New Business of NiSource Corporate Services Company from May 2016 through December 2018.
		Vice President, Engineering and Construction of NiSource Corporate Services Company from June 2012 to May 2016.
Violet G. Sistovaris	59	Executive Vice President and Chief Experience Officer.
		Executive Vice President of NiSource since July 2015.
		Chief Experience Officer of NiSource since June 2020.
		President, NIPSCO of NiSource from July 2015 to May 2020.
Pablo A. Vegas	47	Executive Vice President, Chief Operating Officer and President, NiSource Utilities.
		Executive Vice President of NiSource since May 2016.
		Chief Operating Officer and President, NiSource Utilities of NiSource since June 2020.
		President, Gas Utilities of NiSource from January 2019 to May 2020.
		Chief Restoration Officer of NiSource from September 2018 to December 2018.
		Executive Vice President, Gas Business Segment and Chief Customer Officer of NiSource from May 2017 to September 2018.
		President, Columbia Gas Group, of NiSource from May 2016 to May 2017.
		President and Chief Operating Officer of American Electric Power Company of Ohio from May 2012 to May 2016.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

NISOURCE INC.

NiSource's common stock is listed and traded on the New York Stock Exchange under the symbol "NI."

Holders of shares of NiSource's common stock are entitled to receive dividends if and when declared by NiSource's Board out of funds legally available, subject to the prior dividend rights of holders of our preferred stock or the depositary shares representing such preferred stock outstanding, and if full dividends have not been declared and paid on all outstanding shares of preferred stock in any dividend period, no dividend may be declared or paid or set aside for payment on our common stock. The policy of the Board has been to declare cash dividends on a quarterly basis payable on or about the 20th day of February, May, August, and November. At its January 27, 2021 meeting, the Board declared a quarterly common dividend of $0.22 per share, payable on February 19, 2021 to holders of record on February 9, 2021.

Although the Board currently intends to continue the payment of regular quarterly cash dividends on common shares, the timing and amount of future dividends will depend on the earnings of NiSource's subsidiaries, their financial condition, cash requirements, regulatory restrictions, any restrictions in financing agreements and other factors deemed relevant by the Board. There can be no assurance that NiSource will continue to pay such dividends or the amount of such dividends.

As of February 9, 2021, NiSource had 18,211 common stockholders of record and 391,859,711 shares outstanding.

The graph below compares the cumulative total shareholder return of NiSource's common stock for the last five years with the cumulative total return for the same period of the S&P 500 and the Dow Jones Utility indices.

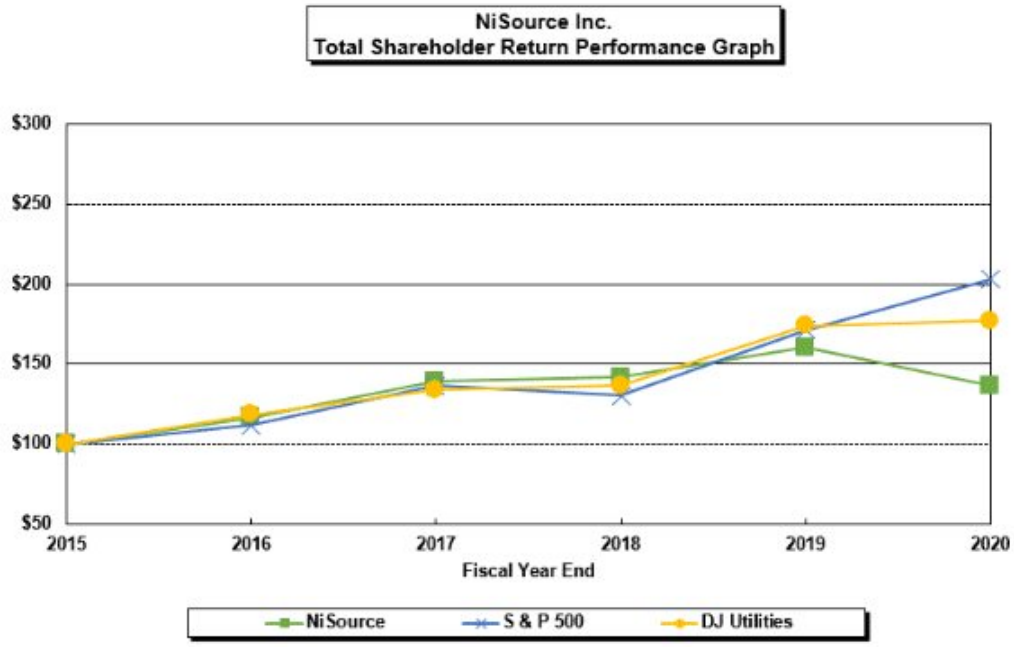

The foregoing performance graph is being furnished as part of this annual report solely in accordance with the requirement under Rule 14a-3(b)(9) to furnish stockholders with such information, and therefore, shall not be deemed to be filed or incorporated by reference into any filings by NiSource under the Securities Act or the Exchange Act.

The total shareholder return for NiSource common stock and the two indices is calculated from an assumed initial investment of $100 and assumes dividend reinvestment.

Purchases of Equity Securities by Issuer and Affiliated Purchasers. For the three months ended December 31, 2020, no equity securities that are registered by NiSource Inc. pursuant to Section 12 of the Securities Exchange Act of 1934 were purchased by or on behalf of us or any of our affiliated purchasers.

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ITEM 6. SELECTED FINANCIAL DATA

NISOURCE INC.

None.

On November 19, 2020, the SEC issued amendments to streamline and enhance certain financial disclosure requirements in Regulation S-K. These changes are effective for annual filings for the first fiscal year ending on or after August 9, 2021. Early adoption is permitted for companies after February 10, 2021, and companies are permitted to selectively early adopt the provisions of the final rules, provided an amended item is adopted in its entirety. We early adopted the amendments to Item 301 in their entirety, which removed the requirement to furnish selected financial data for each of the last five fiscal years.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NISOURCE INC.

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EXECUTIVE SUMMARY

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

Management's Discussion is designed to provide an understanding of our operations and financial performance and should be read in conjunction with our Consolidated Financial Statements and related Notes to Consolidated Financial Statements in this annual report.

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

Refer to the "Business" section under Item 1 of this annual report and Note 24, "Segments of Business," in the Notes to Consolidated Financial Statements for further discussion of our regulated utility business segments.

Our goal is to develop strategies that benefit all stakeholders as we (i) address changing customer conservation patterns, (ii) develop more contemporary pricing structures, and (iii) embark on long-term infrastructure investment and safety programs. These strategies focus on improving reliability and safety, enhancing customer service, lowering customer bills and reducing emissions while generating sustainable returns. Additionally, we continue to pursue regulatory and legislative initiatives that will allow residential customers not currently on our system to obtain gas service in a cost effective manner. Refer also to the *Electric Supply* section of our Electric Operations Segment discussion for additional information on our long term electric generation strategy.

Columbia of Massachusetts Asset Sale: On February 26, 2020, NiSource and Columbia of Massachusetts entered into an Asset Purchase Agreement with Eversource (the "Asset Purchase Agreement"). Upon the terms and subject to the conditions set forth in the Asset Purchase Agreement, we sold the Massachusetts Business to Eversource for net proceeds of approximately $1,113 million in cash, subject to adjustment for the final working capital amount. The sale was approved by the Massachusetts DPU on October 7, 2020, and closed on October 9, 2020. As a result of the sale, we have transitioned to executing a TSA with Eversource. See Note 1, "Nature of Operations and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements for additional information.

Your Energy, Your Future: Our plan to replace 80% of our coal generation capacity by the end of 2023 and all of our coal generation by the end of 2028 with primarily renewable resources is well underway. In October 2020, we executed three BTAs for 900 MW solar nameplate capacity and 135 MW of storage capacity. In December 2020, the formation of the Rosewater Wind Generation joint venture, one of our previously executed BTAs, was completed, and has begun operation. We executed in December 2020 a PPA for an additional 280 MW of solar nameplate capacity. These projects were selected following a comprehensive review of bids submitted through the RFP process that NIPSCO underwent in late 2019. The projects complement previously executed BTAs and PPAs with a combined nameplate capacity of 400 MW and 1,300 MW, respectively. For additional information, see Note 4 "Variable Interest Entities" and "Results and Discussion of Segment Operation - Electric Operations," in this Management's Discussion.

NiSource Next: We have launched a comprehensive, multi-year program designed to deliver long-term safety, sustainable capability enhancements and cost optimization improvements. This program will advance the high priority we place on safety and risk mitigation, further enable our safety management system ("SMS"), and enhance the customer experience. NiSource Next is designed to (i) leverage our current scale, (ii) utilize technology, (iii) define clear roles and accountability with our leaders and employees, and (iv) standardize our processes to focus on operational rigor, quality management and continuous improvement. An initial step in this program was the voluntary separation program announced in August 2020, with an expected total severance expense of approximately $38.0 million. The majority of these separation costs will be expensed in 2020 and approximately $21.2 million has been paid as of December 31, 2020. The NiSource Next initiative, along with the sale of the Massachusetts Business, is projected to achieve a reduction in ongoing operation and maintenance costs by approximately 8% in 2021 compared to 2020. For additional information, see Note 20-E, "Other Matters," in the Notes to Consolidated Financial Statements.

COVID-19: The safety of our employees and customers, while providing essential services during the COVID-19 pandemic, continues to be a key area of focus. Since March 2020, we have taken a proactive, coordinated approach intended to prevent, mitigate and respond to the pandemic, by utilizing our Incident Command System (ICS). The ICS includes members of our executive leadership team, a medical review professional, and members of functional teams from across our company. The ICS monitors state-by-state conditions and determines steps to conduct our operations safely for employees and customers.

We have implemented procedures designed to protect our employees who work in the field and who continue to work in operational and corporate facilities, including social distancing, wearing face coverings, temperature checks and more frequent cleaning of equipment and facilities. We have also implemented work-from-home policies and practices. We have minimized non-essential work that requires an employee to enter a customer premise and limited company vehicle occupancy to one person, where possible. We continue to employ physical and cybersecurity measures to ensure that our operational and support systems remain functional. Our actions to date have mitigated the spread of COVID-19 amongst our employees and principal field contractors. We will continue to follow CDC guidance and implement safety measures intended to ensure employee and customer safety during this pandemic. We are following all federal, state and local guidelines related to the COVID-19 vaccinations and will encourage employees to receive the vaccine when it is available to them.

Since the beginning of the pandemic, we have been helping our customers navigate this challenging time. We suspended disconnections soon after this outbreak began. As of December 2020, suspension of disconnections has been lifted in some, but not all, of our jurisdictions. We plan to continue our payment assistance programs across all of our operating territory to help customers deal with the impact of the pandemic. Additionally, we continue to have dialogue with the state regulatory commissions for each of our operating companies regarding the pandemic. Regulatory deferrals for certain costs have been allowed by all of our state regulatory commissions. Costs approved for deferral vary by state. For information on the state specific suspension of disconnections and COVID-19 regulatory filings, see Note 9, "Regulatory Matters," in the Notes to Consolidated Financial Statements. The CARES Act was enacted on March 27, 2020 and provides monetary-relief and financial aid to individuals, business, nonprofits, states and municipalities. The Coronavirus Relief Act was enacted on December 27, 2020 and extended or supplemented many of the programs from the CARES act. We are continuing to promote multiple resources available to customers including benefits from the CARES Act, such as additional funding for both the Low-Income Home Energy Assistance Program and the Community Services Block Grant to help support income-qualified customers. We are sharing energy efficiency tips to help customers save energy at home and promoting our budget plan program, which allows customers to pay about the same amount each month.

We have experienced lower revenue, higher expenses for personal protective equipment and supplies, and higher bad debt expense as a consequence of the pandemic, which has negatively impacted our results of operations through December 31, 2020. Refer to "Results and Discussion of Segment Operation" in this Management's Discussion for additional segment specific information. We did experience lower cash flows from operations for the year ended December 31, 2020 in comparison to the same period in 2019 due, in part, to slower collections of customer accounts receivable; however, we believe we have sufficient liquidity as a result of the issuance of $1.0 billion notes in April 2020, the remaining cash proceeds received from the sale of the Massachusetts Business in October 2020, the available capacity under our short-term revolving credit facility and accounts receivable securitization facilities, and our anticipated ability to access capital markets. Additionally, in the second quarter of 2020 we reduced our planned 2020 capital investments by $145 million. We did not make any other material changes to our capital construction programs or our renewable generation projects. While we have not experienced any significant issues in our supply chain, we are actively managing the materials, supplies, and contract services for our generation, transmission, distribution, and customer services functions.

Refer to Part I. Item 1A. "Risk Factors" for additional information related to the ongoing impact of the pandemic.

Greater Lawrence Incident: For the year ended December 31, 2020, we have incurred $17 million of third-party claims and other incident-related costs associated with the Greater Lawrence Incident. For additional information, see Note 20-C, "Legal Proceedings" and Note 20-E "Other Matters," in the Notes to Consolidated Financial Statements.

We invested approximately $258 million of capital spend for specific pipeline replacement work that was completed in 2019. We maintain property insurance for gas pipelines and other applicable property. In 2019, Columbia of Massachusetts filed a proof of loss with its property insurer for this pipeline replacement work. In January 2020, we filed a lawsuit against the property insurer, seeking payment of our property claim. We are currently unable to predict the timing or amount of any insurance recovery under the property policy. See Note 1, "Nature of Operations and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements for additional information.

Refer to Note 20-C. "Legal Proceedings" and Note 20-E "Other Matters," in the Notes to Consolidated Financial Statements, "Summary of Consolidated Financial Results," "Results and Discussion of Segment Operation - Gas Distribution Operations," and "Liquidity and Capital Resources" in this Management's Discussion for additional information related to the Greater Lawrence Incident.

Summary of Consolidated Financial Results

A summary of our consolidated financial results for the years ended December 31, 2020, 2019 and 2018, are presented below:

Year Ended December 31, *(in millions, except per share amounts)*	**2020**	2019	2018	2020 vs. 2019	2019 vs. 2018
Operating Revenues	**$ 4,681.7**	$ 5,208.9	$ 5,114.5	$ (527.2)	$ 94.4
Operating Expenses					
Cost of energy	**1,109.3**	1,534.8	1,761.3	(425.5)	(226.5)
Other Operating Expenses	**3,021.6**	2,783.4	3,228.5	238.2	(445.1)
Total Operating Expenses	**4,130.9**	**4,318.2**	**4,989.8**	**(187.3)**	**(671.6)**
Operating Income	**550.8**	890.7	124.7	(339.9)	766.0
Total Other Deductions, Net	**(582.1)**	(384.1)	(355.3)	(198.0)	(28.8)
Income Taxes	**(17.1)**	123.5	(180.0)	(140.6)	303.5
Net Income (Loss)	**(14.2)**	383.1	(50.6)	(397.3)	433.7
Net income attributable to noncontrolling interest	**3.4**	—	—	3.4	—
Net Income (Loss) attributable to NiSource	**(17.6)**	383.1	(50.6)	(400.7)	433.7
Preferred dividends	**(55.1)**	(55.1)	(15.0)	—	(40.1)
Net Income (Loss) Available to Common Shareholders	**(72.7)**	328.0	(65.6)	(400.7)	393.6
Basic Earnings (Loss) Per Share	**$ (0.19)**	$ 0.88	$ (0.18)	$ (1.07)	$ 1.06
Basic Average Common Shares Outstanding	**384.3**	374.6	356.5	9.7	18.1

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

On a consolidated basis, we reported a net loss available to common shareholders of $72.7 million or $0.19 per basic share for the twelve months ended December 31, 2020 compared to income to common shareholders of $328.0 million or $0.88 per basic share for the same period in 2019. Additionally, we reported operating income of $550.8 million for the twelve months ended December 31, 2020 compared to $890.7 million for the same period in 2019. The decrease in both net income available to common shareholders and operating income during 2020 was primarily due to lower operating revenue related to the sale of the Massachusetts Business, as well as higher operating expenses due to insurance recoveries recorded in 2019, net of third-party claims and other costs, related to the Greater Lawrence Incident. Additionally, the decrease to net income available to common shareholders was also impacted by the loss on early extinguishment of debt in 2020 as well as partially offset by a change from income tax expense in 2019 to an income tax benefit in 2020.

Other Deductions, Net

Other deductions, net reduced income by $582.1 million in 2020 compared to a reduction in income of $384.1 million in 2019. This change is primarily due to the loss on early extinguishment of debt in 2020.

Income Taxes

The decrease in income tax expense from 2019 to 2020 is primarily attributable to lower pre-tax income, resulting from the items discussed above in "Operating Income" and "Other Deductions, Net," state jurisdictional mix of pre-tax loss in 2020 tax effected at statutory tax rates and increased amortization of excess deferred federal income taxes in 2020 compared to 2019. These items are offset by increased deferred tax expense recognized on the sale of the Columbia of Massachusetts' regulatory liability, established due to TCJA in 2017, that would have otherwise been recognized over the amortization period, non-cash impairment of goodwill related to Columbia of Massachusetts in 2019 (see Note 7, "Goodwill and Other Intangible Assets" for additional information) and one-time adjustments to deferred tax balances.

Refer to Note 11, "Income Taxes," in the Notes to Consolidated Financial Statements for additional information on income taxes and the change in the effective tax rate.

RESULTS AND DISCUSSION OF OPERATIONS

Presentation of Segment Information

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

NISOURCE INC.
Gas Distribution Operations

Financial and operational data for the Gas Distribution Operations segment for the years ended December 31, 2020, 2019 and 2018, are presented below:

Year Ended December 31, *(in millions)*	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Operating Revenues	**$ 3,140.1**	$ 3,522.8	$ 3,419.5	$ (382.7)	$ 103.3
Operating Expenses					
Cost of energy	**794.2**	1,067.6	1,259.3	(273.4)	(191.7)
Operation and maintenance	**1,138.0**	935.7	1,908.1	202.3	(972.4)
Depreciation and amortization	**363.1**	403.2	301.0	(40.1)	102.2
Impairment of intangible assets	**—**	209.7	—	(209.7)	209.7
Loss on sale of fixed assets and impairments, net	**412.4**	0.1	0.2	412.3	(0.1)
Other taxes	**233.3**	231.1	205.0	2.2	26.1
Total Operating Expenses	**2,941.0**	2,847.4	3,673.6	93.6	(826.2)
Operating Income (Loss)	**$ 199.1**	$ 675.4	$ (254.1)	$ (476.3)	$ 929.5
Revenues					
Residential	**$ 2,110.6**	$ 2,317.2	$ 2,248.3	$ (206.6)	$ 68.9
Commercial	**679.7**	775.1	753.7	(95.4)	21.4
Industrial	**213.8**	245.8	228.6	(32.0)	17.2
Off-System	**41.0**	77.7	92.4	(36.7)	(14.7)
Other	**95.0**	107.0	96.5	(12.0)	10.5
Total	**$ 3,140.1**	$ 3,522.8	$ 3,419.5	$ (382.7)	$ 103.3
Sales and Transportation (MMDth)					
Residential	**249.5**	274.9	280.3	(25.4)	(5.4)
Commercial	**170.5**	189.6	187.6	(19.1)	2.0
Industrial	**538.1**	542.5	555.7	(4.4)	(13.2)
Off-System	**23.3**	32.9	30.0	(9.6)	2.9
Other	**0.3**	0.3	—	—	0.3
Total	**981.7**	1,040.2	1,053.6	(58.5)	(13.4)
Heating Degree Days	**5,097**	5,375	5,562	(278)	(187)
Normal Heating Degree Days	**5,485**	5,452	5,610	33	(158)
% Warmer than Normal	**(7)%**	(1)%	(2)%		
Gas Distribution Customers					
Residential	**2,954,478**	3,221,178	3,194,662	(266,700)	26,516
Commercial	**253,184**	282,778	281,517	(29,594)	1,261
Industrial	**4,968**	5,982	5,833	(1,014)	149
Other	**3**	3	3	—	—
Total	**3,212,633**	3,509,941	3,482,015	(297,308)	27,926

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NISOURCE INC.
Gas Distribution Operations (continued)

Cost of energy for the Gas Distribution Operations segment is principally comprised of the cost of natural gas used while providing transportation and distribution services to customers. These are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in operating revenue. In addition, comparability of operation and maintenance expenses, depreciation and amortization, and other taxes may be impacted by regulatory, depreciation and tax trackers that allow for the recovery in rates of certain costs. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

2020 vs. 2019 Operating Income
For 2020, Gas Distribution Operations reported operating income of $199.1 million, a decrease of $476.3 million from the comparable 2019 period.

Operating revenues for 2020 were $3,140.1 million, a decrease of $382.7 million from the same period in 2019. The change in operating revenues was primarily driven by:

- Lower cost of energy billed to customers, which is offset in operating expense, of $273.4 million.
- Lower revenues due to the sale of the Massachusetts Business of $102.2 million.
- Lower revenues from the effects of warmer weather in 2020 of $47.9 million.
- Lower regulatory, depreciation, and tax trackers, which are offset in operating expense, of $20.7 million.
- The effects of decreased commercial and industrial usage and decreased late and disconnection fees, both primarily related to the COVID-19 pandemic, of $11.3 million.

Partially offset by:

- New rates from base rate proceedings, infrastructure replacement programs and Columbia of Ohio's CEP of $57.1 million.
- The effects of increased residential usage primarily related to the pandemic of $5.0 million.

Operating expenses were $93.6 million higher in 2020 compared to 2019. This change was primarily driven by:

- Loss on sale of the Massachusetts Business of $412.4 million.
- Insurance recoveries recorded in 2019, net of third party claims and other costs, related to the Greater Lawrence Incident of $243.2 million.
- Severance and outside services expense related to NiSource Next initiative of $32.4 million.
- Increased expenses primarily due to the impact of the pandemic related to materials and supplies, outside services, and uncollectible expenses of $23.8 million, offset by $12.0 million of deferral of uncollectible and other expenses, net of benefits, related to the pandemic.
- Higher depreciation and amortization and property tax expense primarily due to higher capital expenditures placed in service of $24.3 million

Partially offset by:

- Lower cost of energy billed to customers, which is offset in operating revenue, of $273.4.
- Non-cash impairment of the Columbia of Massachusetts franchise rights of $209.7 million in 2019.
- Lower operation and maintenance and depreciation and amortization expenses due to the Massachusetts Business sale of $98.7 million.
- Lower employee and administrative expense of $28.9 million.
- Lower regulatory, depreciation, and tax trackers, which are offset in operating revenues, of $20.7 million.

2019 vs. 2018 Operating Income
For 2019, Gas Distribution Operations reported operating income of $675.4 million, an increase of $929.5 million from the comparable 2018 period.

Operating revenues for 2019 were $3,522.8 million, an increase of $103.3 million from the same period in 2018. The change in operating revenues was primarily driven by:

- New rates from base rate proceedings and infrastructure replacement programs of $243.2 million.
- Higher regulatory, depreciation and tax trackers, which are offset in operating expense, of $36.2 million.

- Higher revenues of $14.5 million resulting from an update in the weather-related normal heating degree day methodology, partially offset by a $7.1 million revenue decrease from the effects of warmer weather in 2019.
- The effects of commercial and residential customer growth of $12.8 million.

Partially offset by:

- Lower cost of energy billed to customers, which is offset in operating expenses of $191.7 million.

Operating expenses were $826.2 million lower in 2019 compared to 2018. This change was primarily driven by:

- Decreased expenses related to third-party claims and other costs for the Greater Lawrence Incident of $1,090.7 million, net of insurance recoveries recorded.
- Lower cost of energy billed to customers, which is offset in operating revenues of $191.7 million.

Partially offset by:

- Non-cash impairment of the Columbia of Massachusetts franchise rights of $209.7 million.
- Increased depreciation of $103.8 million due to the regulatory outcome of NIPSCO's gas rate case, an increase in amortization of depreciation previously deferred as a regulator asset resulting from Columbia of Ohio's CEP, and higher capital expenditures placed in service.
- Higher employee and administrative expenses of $50.2 million driven by resources shifting from the temporary assistance on the Greater Lawrence Incident restoration to normal operations (offset in the decreased Greater Lawrence Incident costs discussed above) and an increase in headcount.
- Increased regulatory, depreciation and tax trackers, which are offset in operating revenues, of $36.2 million.
- Higher property taxes of $22.2 million primarily due to increased amortization of property taxes previously deferred as a regulatory asset resulting from Columbia of Ohio's CEP, as well as higher capital expenditures placed in service.
- Higher outside services of $17.4 million primarily due to increased line location and safety-related work.

Weather

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

The definition of "normal" weather was updated during the first quarter of 2019 to reflect more current weather pattern data and to more closely align with the regulators' jurisdictional definitions of "normal" weather. Impacts of the change in methodology will be reflected prospectively and disclosed to the extent it results in notable year-over-year variances in operating revenues.

Weather in the Gas Distribution Operations service territories for 2020 was about 7% warmer than normal and about 5% warmer than 2019, leading to decreased operating revenues of $47.9 million for the year ended December 31, 2020 compared to 2019. The majority of these amounts were driven by NIPSCO and Columbia of Pennsylvania.

Weather in the Gas Distribution Operations service territories for 2019 was about 1% warmer than normal and about 3% warmer than 2018; however, due to the aforementioned change in methodology, the change in operating revenues attributed to weather resulted in an increase of $7.4 million for the year ended December 31, 2019 compared to 2018. The variance is detailed further below:

- An update in the weather-related normal heating degree day methodology resulting in a favorable variance attributed to weather of $14.5 million, as discussed above.

Offset by:

- The effects of warmer weather in 2019 of $7.1 million.

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NISOURCE INC.
Gas Distribution Operations (continued)

Throughput
Total volumes sold and transported for the year ended December 31, 2020 were 981.7 MMDth, compared to 1,040.2 MMDth for 2019. This decrease is primarily attributable to warmer weather experienced in 2020 compared to 2019, the sale of the Massachusetts Business and decreased usage by commercial and industrial customers primarily due to the pandemic.

Total volumes sold and transported for the year ended December 31, 2019 were 1,040.2 MMDth, compared to 1,053.6 MMDth for 2018. This decrease is primarily attributable to warmer weather experienced in 2019 compared to 2018.

Commodity Price Impact
All of our Gas Distribution Operations companies have state-approved recovery mechanisms that provide a means for full recovery of prudently incurred gas costs. Gas costs are treated as pass-through costs and have no impact on the operating income recorded in the period. The gas costs included in revenues are matched with the gas cost expense recorded in the period and the difference is recorded on the Consolidated Balance Sheets as under-recovered or over-recovered gas cost to be included in future customer billings.

Certain Gas Distribution Operations companies continue to offer choice opportunities, where customers can choose to purchase gas from a third-party supplier, through regulatory initiatives in their respective jurisdictions. These programs serve to further reduce our exposure to gas prices.

Greater Lawrence Incident
Refer to Note 20-C. "Legal Proceedings," and Note 20-E. "Other Matters," in the Notes to Consolidated Financial Statements, "Summary of Consolidated Financial Results" and "Liquidity and Capital Resources" in this Management's Discussion, and Part I. Item 1A. "Risk Factors" for additional information related to the Greater Lawrence Incident.

Columbia of Massachusetts Asset Sale
On February 26, 2020, we entered into the Asset Purchase Agreement with Eversource providing for the sale of the Massachusetts Business to Eversource, subject to the terms and conditions set forth in the agreement. This sale was completed on October 9, 2020. For additional information, see Note 1, "Nature of Operations and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements.

NISOURCE INC.
Electric Operations

Financial and operational data for the Electric Operations segment for the years ended December 31, 2020, 2019 and 2018, are presented below:

Year Ended December 31, *(in millions)*	**2020**	2019	2018	2020 vs. 2019	2019 vs. 2018
Operating Revenues	**$ 1,536.6**	$ 1,699.2	$ 1,708.2	$ (162.6)	$ (9.0)
Operating Expenses					
Cost of energy	**315.2**	467.3	502.1	(152.1)	(34.8)
Operation and maintenance	**497.6**	495.0	500.0	2.6	(5.0)
Depreciation and amortization	**321.3**	277.3	262.9	44.0	14.4
Gain on sale of fixed assets and impairments, net	**—**	(0.1)	—	0.1	(0.1)
Other taxes	**53.7**	52.9	57.1	0.8	(4.2)
Total Operating Expenses	**1,187.8**	1,292.4	1,322.1	(104.6)	(29.7)
Operating Income	**$ 348.8**	$ 406.8	$ 386.1	$ (58.0)	$ 20.7
Revenues					
Residential	**$ 527.8**	$ 481.6	$ 494.7	$ 46.2	$ (13.1)
Commercial	**480.3**	486.7	492.6	(6.4)	(5.9)
Industrial	**412.9**	608.4	614.4	(195.5)	(6.0)
Wholesale	**12.3**	11.7	15.7	0.6	(4.0)
Other	**103.3**	110.8	90.8	(7.5)	20.0
Total	**$ 1,536.6**	$ 1,699.2	$ 1,708.2	$ (162.6)	$ (9.0)
Sales (Gigawatt Hours)					
Residential	**3,484.0**	3,369.5	3,535.2	114.5	(165.7)
Commercial	**3,550.0**	3,760.3	3,844.6	(210.3)	(84.3)
Industrial	**7,480.3**	8,466.1	8,829.5	(985.8)	(363.4)
Wholesale	**83.6**	8.2	114.3	75.4	(106.1)
Other	**106.0**	117.2	124.4	(11.2)	(7.2)
Total	**14,703.9**	15,721.3	16,448.0	(1,017.4)	(726.7)
Cooling Degree Days	**900**	962	1,180	(62)	(218)
Normal Cooling Degree Days	**803**	803	806	—	(3)
% Warmer than Normal	**12 %**	20 %	46 %		
Electric Customers					
Residential	**418,871**	415,534	412,267	3,337	3,267
Commercial	**57,435**	57,058	56,605	377	453
Industrial	**2,154**	2,256	2,284	(102)	(28)
Wholesale	**722**	726	735	(4)	(9)
Other	**2**	2	2	—	—
Total	**479,184**	475,576	471,893	3,608	3,683

Cost of energy for the Electric Operations segment is principally comprised of the cost of coal, related handling costs, natural gas purchased for internal generation of electricity at NIPSCO, and the cost of power purchased from third-party generators of electricity. The majority of these are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in operating revenue. In addition, comparability of operation and maintenance expenses and depreciation and amortization may be impacted by regulatory and depreciation trackers that allow for the recovery in rates of certain costs. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

2020 vs. 2019 Operating Income
For 2020, Electric Operations reported operating income of $348.8 million, a decrease of $58.0 million from the comparable 2019 period.

Operating revenues for 2020 were $1,536.6 million, an decrease of $162.6 million from the same period in 2019. The change in operating revenues was primarily driven by:

- Lower cost of energy billed to customers, which is offset in operating expense, of $152.1 million.
- Lower regulatory and depreciation trackers, which are offset in operating expense, of $25.2 million.
- The effects of decreased commercial and industrial usage and decreased late and disconnection fees, both primarily related to the COVID-19 pandemic, of $24.9 million.

Partially offset by:

- Higher revenue from recent base rate proceedings of $22.5 million.
- The effects of increased residential usage primarily related to the pandemic of $13.5 million.
- The effects of customer growth of $4.0 million.

Operating expenses were $104.6 million lower in 2020 than 2019. This change was primarily driven by:

- Lower cost of energy billed to customers, which is offset in operating revenue, of $152.1 million.
- Lower regulatory and depreciation trackers, which are offset in operating revenues, of $25.2 million.
- Lower outside services costs of $16.0 million primarily related to lower generation-related maintenance.
- Lower employee and administrative costs of $8.1 million.

Partially offset by:

- Increased depreciation of $61.6 million primarily due to additional plant placed in service.
- Severance and outside services expenses related to the NiSource Next initiative of $13.0 million.
- Increased expenses primarily due to the impact of pandemic-related materials and supplies, outside services, uncollectible and sequestration expenses of $10.7 million, offset by a $5.3 million deferral of uncollectible and other expenses, related to the pandemic.
- Increased materials and supplies costs of $4.7 million
- Higher insurance expense of $2.7 million primarily driven by increased premiums.
- Increased environmental costs of $1.3 million.

2019 vs. 2018 Operating Income
For 2019, Electric Operations reported operating income of $406.8 million, an increase of $20.7 million from the comparable 2018 period.

Operating revenues for 2019 were $1,699.2 million, a decrease of $9.0 million from the same period in 2018. The change in operating revenues was primarily driven by:

- Lower cost of energy billed to customers, which is offset in operating expense, of $34.8 million.
- Lower revenues from the effects of cooler weather of $15.1 million.

- Decreased residential, commercial and industrial usage of $10.8 million.

Partially offset by:

- New rates from the recent rate case proceeding, incremental capital spend on infrastructure replacement programs, and electric transmission projects of $24.8 million.
- Decreased fuel handling costs of $11.0 million.
- Higher regulatory and depreciation trackers, which are offset in operating expense, of $8.4 million.
- Increased commercial and residential customer growth of $3.9 million.

Operating expenses were $29.7 million lower in 2019 than 2018. This change was primarily driven by:

- Lower cost of energy billed to customers, which is offset in operating revenue, of $34.8 million.
- Decreased materials and supplies costs of $7.8 million, primarily related to the retirement of Bailly Generating Station Units 7 and 8 on May 31, 2018.
- Decreased employee and administrative costs of $5.0 million.

Partially offset by:

- Higher regulatory and depreciation trackers, which are offset in operating revenues, of $8.4 million.
- Increased depreciation of $8.7 million due to higher capital expenditures placed in service.

Weather

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

The definition of "normal" weather was updated during the first quarter of 2019 to reflect more current weather pattern data and to more closely align with the regulators' jurisdictional definitions of "normal" weather. Impacts of the change in methodology will be reflected prospectively and disclosed to the extent it results in notable year-over-year variances in operating revenues.

Weather in the Electric Operations' territories for 2020 was 12% warmer than normal and 6% cooler than the same period in 2019, which had an immaterial impact on operating revenues for the year ended December 31, 2020 compared to 2019.

Weather in the Electric Operations' territories for 2019 was 20% warmer than normal and 18% cooler than the same period in 2018, decreasing operating revenues $15.1 million for the year ended December 31, 2019 compared to 2018.

Sales

Electric Operations sales were 14,703.9 GWh for 2020, a decrease of 1,017.4 GWh, or 6.5% compared to 2019. This decrease was primarily attributable to decreased usage by industrial and commercial customers due to the pandemic and higher self-generation by industrial customers, partially offset by increased usage by residential customers primarily due to the pandemic.

Electric Operations sales were 15,721.3 GWh for 2019, a decrease of 726.7 GWh, or 4.4% compared to 2018. This decrease was primarily attributable to higher internal generation from large industrial customers in 2019 and the effects of cooler weather on residential and commercial customers.

Commodity Price Impact

NIPSCO has a state-approved recovery mechanism that provides a means for full recovery of prudently incurred fuel costs. Fuel costs are treated as pass-through costs and have no impact on the operating revenues recorded in the period. The fuel costs included in revenues are matched with the fuel cost expense recorded in the period and the difference is recorded on the Consolidated Balance Sheets as under-recovered or over-recovered fuel cost to be included in future customer billings.

NIPSCO's performance remains closely linked to the performance of the steel industry. NIPSCO's MWh sales to steel-related industries accounted for approximately 45.9% and 51.5% of the total industrial MWh sales for the years ended December 31, 2020 and 2019, respectively.

Electric Supply

NIPSCO 2018 Integrated Resource Plan. NIPSCO concluded in its October 2018 Integrated Resource Plan submission that NIPSCO's current fleet of coal generation facilities will be retired earlier than previous Integrated Resource Plan's had indicated. The Integrated Resource Plan evaluated demand-side and supply-side resource alternatives to reliably and cost effectively meet NIPSCO customers' future energy requirements over the ensuing 20 years. The preferred option within the Integrated Resource Plan retires the R.M. Schahfer Generating Station by mid-2023 and the Michigan City Generating Station by the end of 2028. These stations represent 2,080 MW of generating capacity, equal to 72% of NIPSCO's remaining capacity and 100% of NIPSCO's remaining coal-fired generating capacity. In the second quarter of 2020, the MISO approved NIPSCO's plan to retire the R.M. Schahfer Generating Station in 2023. The planned replacement by the end of 2023 of approximately 1,400 MW of retiring coal-fired generation station could provide incremental capital investment opportunities of approximately $1.8 to $2.0 billion, primarily in 2022 and 2023. Refer to Note 6, "Property, Plant and Equipment" and Note 20-E, "Other Matters," in the Notes to Consolidated Financial Statements for further information. In February 2021, NIPSCO decided to submit modified Attachment Y Notices to MISO requesting accelerated retirement of two of the four coal fired units at R.M. Schahfer Generating Station. The two units are now expected to be retired by the end of 2021, with the remaining two units still scheduled to be retired in 2023. At retirement, the net book value of the retired units will be reclassified from "Non-Utility and Other property", to current and long-term "Regulatory Assets."

The current replacement plan includes renewable sources of energy, including wind, solar, and battery storage to be obtained through a combination of NIPSCO ownership and PPAs. NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities. The following table summarizes the executed PPAs and BTAs that have not yet been placed into service:

Project Name	Transaction Type	Technology	Nameplate Capacity (MW)	Storage Capacity (MW)	Submitted to IURC	IURC Approval	Estimated Construction Completion
Jordan Creek	20 year PPA	Wind	400	—	02/01/2019	6/05/2019	In Service (12/10/2020)
Rosewater[1]	BTA	Wind	100	—	02/01/2019	8/07/2019	In Service (12/29/2020)
Indiana Crossroads[2]	BTA	Wind	300	—	10/22/2019	2/19/2020	12/31/2021
Greensboro	20 year PPA	Solar & Storage	100	30	7/17/2020	1/27/2021	6/30/2023
Brickyard	20 year PPA	Solar	200	—	7/17/2020	1/27/2021	6/30/2023
Green River	20 year PPA	Solar	200	—	12/23/2020	Pending	6/30/2023
Cavalry[2]	BTA	Solar & Storage	200	60	11/30/2020	Pending	12/31/2023
Dunn's Bridge I[2]	BTA	Solar	265	—	11/30/2020	Pending	12/31/2022
Dunn's Bridge II[2]	BTA	Solar & Storage	435	75	11/30/2020	Pending	12/31/2023
Gibson	22 year PPA	Solar	280	—	01/29/2021	Pending	12/31/2023

[1] Ownership of the facility was transferred to a joint venture whose members include NIPSCO and an unrelated tax equity partner.
[2] Ownership of the facilities will be transferred to joint ventures whose members include NIPSCO and an unrelated tax equity partner.

We expect to secure additional agreements with counterparties and initiate regulatory compliance filings into 2021.

Liquidity and Capital Resources

We continually evaluate the availability of adequate financing to fund our ongoing business operations, working capital and core safety and infrastructure investment programs. Our financing is sourced through cash flow from operations and the issuance of debt and/or equity. External debt financing is provided primarily through the issuance of long-term debt, accounts receivable securitization programs and our $1.5 billion commercial paper program, which is backstopped by our committed revolving credit facility with a total availability from third-party lenders of $1.85 billion. The commercial paper program and credit facility provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves our desired capital structure. We have also utilized an at-the-market (ATM) equity sales program that allowed us to issue and sell shares of our common stock up to an aggregate offering price of $434.4 million. The program expired on December 31, 2020, but we expect to issue additional equity under ATM offerings from time to time.

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

Greater Lawrence Incident. As discussed in the "Executive Summary", Part I, Item 1A "Risk Factors," and in Note 20, "Other Commitments and Contingencies" in the Notes to Consolidated Financial Statements, due to the inherent uncertainty of litigation, there can be no assurance that the outcome or resolution of any particular claim related to the Greater Lawrence Incident will not continue to have an adverse impact on our cash flows. Through income generated from operating activities, amounts available under the short-term revolving credit facility, and our ability to access capital markets, we believe we have adequate capital available to settle remaining anticipated claims associated with the Greater Lawrence Incident. Previous costs in excess of insurance recoveries were primarily funded through short-term borrowings. The sale of the Massachusetts Business was completed on October 9, 2020. On October 14, 2020, we used a portion of the proceeds from the Massachusetts Business sale to pay down these short-term borrowings.

Operating Activities

Net cash from operating activities for the year ended December 31, 2020 was $1,104.0 million, a decrease of $479.3 million from 2019. This decrease was primarily driven by a year over year increase in net payments related to the Greater Lawrence Incident. During 2020, we paid approximately $227 million compared to net receipts of $289 million, representing insurance recoveries offset by payments, during 2019. Refer to Note 20, "Other Commitments and Contingencies" in the Notes to Consolidated Financial Statements for further information related to the Greater Lawrence Incident.

Investing Activities

Our cash used for investing activities varies year over year primarily as a result of changes in the level of annual capital expenditures. See below for further details of our capital expenditures and related regulatory programs. In 2020, our typical investing cash outflows were offset by $1,115.9 million of proceeds from the sale of assets, driven by the sale of the Massachusetts Business. Refer to Note 1 "Nature of Operations and Summary of Significant Accounting Policies" for more information.

Capital Expenditures. The table below reflects capital expenditures and certain other investing activities by segment for 2020, 2019 and 2018.

(in millions)	**2020**	2019	2018[3]
Gas Distribution Operations			
System Growth and Tracker	**$ 975.7**	$ 1,006.1	$ 897.5
Maintenance	**291.2**	374.3	417.8
Total Gas Distribution Operations	**1,266.9**	1,380.3	1,315.3
Electric Operations			
System Growth and Tracker	**222.1**	279.5	346.0
Maintenance	**200.7**	189.4	153.3
Total Electric Operations	**422.8**	468.9	499.3
Corporate and Other Operations - Maintenance[1]	**31.1**	18.6	—
Total[2]	**$ 1,720.8**	$ 1,867.8	$ 1,814.6

[1] Corporate and Other capital expenditures were zero in 2018 as specific IT assets were leased in 2018. Certain IT and other maintenance related assets were purchased in 2019 and 2020.
[2] Amounts differ from those presented on the Statements of Consolidated Cash Flows primarily due to the capitalized portion of the Corporate Incentive Plan payout, inclusion of capital expenditures included in current liabilities and AFUDC Equity.
[3] The 2018 capital expenditures for Gas Distribution Operations reflects reclassifying the Greater Lawrence Incident pipeline replacement from system growth and tracker to maintenance.

For 2020, capital expenditures and certain other investing activities were $1,720.8 million, which was $147.0 million lower than the 2019 capital program. This decrease in spending is primarily due to the sale of the Massachusetts Business and impact of COVID 19.

For 2019, capital expenditures and certain other investing activities were $1,867.8 million, which was $53.2 million higher than the 2018 capital program. This increased spending is primarily due to growth, safety and system modernization projects.

For 2021, we project to invest approximately $1.9 to $2.1 billion in our capital program. This projected level of spend is an increase from our 2020 spend levels and supports continued investment in safety and reliability through modernizing gas and electric systems while meeting customer growth demands.

Regulatory Capital Improvement Programs. In 2020, we continued to move forward on core infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all seven states of our operating area. The following table describes the most recent vintage of our regulatory programs to recover infrastructure replacement and other federally-mandated compliance investments currently in rates and those pending commission approval:

(in millions)

Company	Program	Incremental Revenue	Incremental Capital Investment	Investment Period	Costs Covered[1]	Rates Effective
Columbia of Ohio	IRP - 2020	$ 32.9	$ 234.4	1/19-12/19	Replacement of (1) hazardous service lines, (2) cast iron, wrought iron, uncoated steel, and bare steel pipe, (3) natural gas risers prone to failure and installation of AMR devices.	May 2020
Columbia of Ohio	CEP - 2020	$ 18.0	$ 185.1	1/19-12/19	Assets not included in the IRP.	September 2020
NIPSCO - Gas	TDSIC 1	$ 0.6	$ 26.0	1/20-6/20	New or replacement projects undertaken for the purpose of safety, reliability, system modernization or economic development.	January 2021
NIPSCO - Gas	FMCA 5	$ 4.8	$ 42.3	4/20-9/20	Project costs to comply with federal mandates.	April 2021
Columbia of Pennsylvania	DSIC-Q4 2020[2]	$ 0.8	$ 25.0	9/20-11/20	Eligible project costs including piping, couplings, gas service lines, excess flow valves, risers, meter bars, meters, and other related capitalized cost, to improve the distribution system.	January 2021
Columbia of Virginia	SAVE - 2021	$ 5.2	$ 46.4	1/21-12/21	Replacement projects that (1) enhance system safety or reliability, or (2) reduce, or potentially reduce, greenhouse gas emissions.	January 2021
Columbia of Kentucky	SMRP - 2021[3]	$ 5.8	$ 50.0	1/21-12/21	Replacement of mains and inclusion of system safety investments.	Q2 2021
Columbia of Maryland	STRIDE - 2021	$ 1.3	$ 16.9	1/21-12/21	Pipeline upgrades designed to improve public safety or infrastructure reliability.	January 2021
NIPSCO - Electric	TDSIC - 7[4]	$ 11.3	$ 122.3	7/19-7/20	New or replacement projects undertaken for the purpose of safety, reliability, system modernization or economic development.	February 2021
NIPSCO - Electric	FMCA - 13[5][6]	$ (1.2)	$ —	9/19-2/20	Project costs to comply with federal mandates.	August 2020

[1]Programs do not include any costs already included in base rates.
[2]Due to a cap on the revenues permitted to flow through the DSIC, Columbia Gas of Pennsylvania is only able to request recovery of a portion of the capital investment for this period.
[3]On December 17, 2020, the Kentucky PSC issued an Order suspending the rates through May 30, 2021. An Order for approval can be received from the Commission prior to this date.
[4]Incremental capital and revenue are net of amounts included in the step 2 rates. See Part 1, Item 1. "Business" for additional information.
[5]Incremental revenue is inclusive of tracker eligible operations and maintenance expense.
[6]No eligible capital investments were made during the investment period.

Refer to Note 9, "Regulatory Matters" and Note 20-E, "Other Matters," in the Notes to Consolidated Financial Statements for a further discussion of regulatory developments during 2020.

Financing Activities

Short-term Debt. Refer to Note 16, "Short-Term Borrowings," in the Notes to Consolidated Financial Statements for information on short-term debt.

Long-term Debt. Refer to Note 15, "Long-Term Debt," in the Notes to Consolidated Financial Statements for information on long-term debt.

Net Available Liquidity. As of December 31, 2020, an aggregate of $1,721.6 million of net liquidity was available, including cash and credit available under the revolving credit facility and accounts receivable securitization programs.

Sources of Liquidity

The following table displays our liquidity position as of December 31, 2020 and 2019:

Year Ended December 31, *(in millions)*		**2020**		2019
Current Liquidity				
Revolving Credit Facility	**$**	**1,850.0**	$	1,850.0
Accounts Receivable Program[(1)]		**273.3**		353.2
Less:				
Commercial Paper		**503.0**		570.0
Accounts Receivable Programs Utilized		**—**		353.2
Letters of Credit Outstanding Under Credit Facility		**15.2**		10.2
Add:				
Cash and Cash Equivalents		**116.5**		139.3
Net Available Liquidity	**$**	**1,721.6**	$	1,409.1

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

Debt Covenants. We are subject to a financial covenant under our revolving credit facility, which requires us to maintain a debt to capitalization ratio that does not exceed 70%. As of December 31, 2020, the ratio was 62.5%.

Sale of Trade Accounts Receivables. Refer to Note 19, "Transfers of Financial Assets," in the Notes to Consolidated Financial Statements for information on the sale of trade accounts receivable.

Credit Ratings. The credit rating agencies periodically review our ratings, taking into account factors such as our capital structure and earnings profile. The following table includes our and certain of our subsidiaries' credit ratings and ratings outlook as of December 31, 2020. In February 2020, S&P changed our and certain of our subsidiaries' outlook from Negative to Stable. There were no other changes to the below credit ratings or outlooks since December 31, 2019.

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

	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
NiSource	BBB+	Stable	Baa2	Stable	BBB	Stable
NIPSCO	BBB+	Stable	Baa1	Stable	BBB	Stable
Columbia of Massachusetts	BBB+	Stable	Baa2	Stable	Not rated	Not rated
Commercial Paper	A-2	Stable	P-2	Stable	F2	Stable

Certain of our subsidiaries have agreements that contain "ratings triggers" that require increased collateral if our credit ratings or the credit ratings of certain of our subsidiaries are below investment grade. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. As of December 31, 2020, the collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $53.9 million. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.

Equity. Our authorized capital stock consists of 620,000,000 shares, $0.01 par value, of which 600,000,000 are common stock and 20,000,000 are preferred stock. As of December 31, 2020, 391,760,051 shares of common stock and 440,000 shares of preferred stock were outstanding. For more information regarding our common and preferred stock, see Note 13, "Equity," in the Notes to Consolidated Financial Statements.

Contractual Obligations

We have certain contractual obligations requiring payments at specified periods. The obligations include long-term debt, lease obligations, energy commodity contracts and obligations for various services including pipeline capacity and outsourcing of IT services. The total contractual obligations in existence at December 31, 2020 and their maturities were:

(in millions)	Total	2021	2022	2023	2024	2025	After
Long-term debt [1]	$ 9,135.0	$ —	$ 30.0	$ —	$ —	$ 1,260.0	$ 7,845.0
Interest payments on long-term debt	6,046.3	336.3	335.7	334.1	334.1	334.1	4,372.0
Finance leases[2]	264.7	32.7	32.2	28.8	20.8	16.1	134.1
Operating leases[3]	48.0	11.7	5.2	4.7	4.5	3.7	18.2
Energy commodity contracts	42.1	42.1	—	—	—	—	—
Service obligations:							
Pipeline service obligations[4]	1,495.6	468.7	422.5	256.0	150.5	56.2	141.7
IT service obligations	240.3	74.9	74.0	38.1	30.5	22.8	—
Other service obligations[5]	12.6	12.6	—	—	—	—	—
Other liabilities[6]	116.9	26.0	0.8	90.1	—	—	—
Total contractual obligations	$ 17,401.5	$ 1,005.0	$ 900.4	$ 751.8	$ 540.4	$ 1,692.9	$ 12,511.0

[1] Long-term debt balance excludes unamortized issuance costs and discounts of $86.9 million.
[2] Finance lease payments shown above are inclusive of interest totaling $69.7 million.
[3] Operating lease payments shown above are inclusive of interest totaling $7.8 million. Operating lease balances do not include obligations for possible fleet vehicle lease renewals beyond the initial lease term. While we have the ability to renew these leases beyond the initial term, we are not reasonably certain (as that term is defined in ASC 842) to do so as they are renewed month-to-month after the first year. If we were to continue the fleet vehicle leases outstanding at December 31, 2020, payments would be $30.0 million in 2021, $27.7 million in 2022, $24.9 million in 2023, $22.0 million in 2024, $19.0 million in 2025 and $21.5 million thereafter.
[4] In February 2021, the demand rate increased for our pipeline service obligations, resulting in a total increase of $638.6 million in addition to our future pipeline service obligations shown above.
[5] On February 9, 2021, a rail transportation contract for the transportation of coal was fully executed between NIPSCO and a counterparty, replacing the prior agreement. The minimum coal tonnage shipment commitment for 2021 was eliminated under the new agreement, reducing our contractual obligation for 2021 by $12.1 million.
[6] Other liabilities shown above are inclusive of the Rosewater Developer payment due in 2023.

Our calculated estimated interest payments for long-term debt is based on the stated coupon and payment dates. For 2021, we project that we will be required to make interest payments of approximately $339.4 million, which includes $336.3 million of interest payments related to our long-term debt outstanding as of December 31, 2020. At December 31, 2020, we had $503.0 million in short-term borrowings outstanding.

Our expected payments included within "Other liabilities" in the table of contractual commitments above contains employer contributions to pension and other postretirement benefits plans expected to be made in 2021. Plan contributions beyond 2021 are dependent upon a number of factors, including actual returns on plan assets, which cannot be reliably estimated at this time. In 2021, we expect to make contributions of approximately $2.9 million to our pension plans and approximately $21.8 million to our postretirement medical and life plans. Refer to Note 12, "Pension and Other Postretirement Benefits," in the Notes to Consolidated Financial Statements for more information.

We cannot reasonably estimate the settlement amounts or timing of cash flows related to long-term obligations classified as "Total Other Liabilities" on the Consolidated Balance Sheets, other than those described above.

We also have obligations associated with income, property, gross receipts, franchise, sales and use, and various other taxes and expect to make tax payments of approximately $253.4 million in 2021, which are not included in the table above. In addition, we have uncertain income tax positions that are not included in the table above as we are unable to predict when the matters will be resolved. Refer to Note 14, "Income Taxes," in the Notes to Consolidated Financial Statements for more information.

NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities. NIPSCO's purchase requirement under the BTAs is dependent on satisfactory approval of the BTA by the IURC, successful execution of an agreement with a tax equity partner and timely completion of construction. NIPSCO and the tax equity partner are obligated to make cash contributions to the partnership at the date construction is substantially complete. Once the tax equity partner has earned their negotiated rate of return and we have reached the agreed upon contractual date, NIPSCO has the option to purchase at fair market value from the tax equity partner the remaining interest in the aforementioned joint venture. See Note 20-A, "Contractual Obligations," and Note 20-E. "Other Matters - NIPSCO 2018 Integrated Resource Plan," in the Notes to Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

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

Refer to Note 20, "Other Commitments and Contingencies," in the Notes to Consolidated Financial Statements for additional information about such arrangements.

Market Risk Disclosures

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

Commodity Price Risk

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

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

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

Refer to Note 10, "Risk Management Activities," in the Notes to the Consolidated Financial Statements for further information on our commodity price risk assets and liabilities as of December 31, 2020 and 2019.

Interest Rate Risk

We are exposed to interest rate risk as a result of changes in interest rates on borrowings under our revolving credit agreement, commercial paper program, accounts receivable programs and now-settled term loan, which have interest rates that are indexed to short-term market interest rates. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by $12.3 million and $19.0 million for 2020 and 2019, respectively. We are also exposed to interest rate risk as a result of changes in benchmark rates that can influence the interest rates of future debt issuances.

Refer to Note 10, "Risk Management Activities," in the Notes to Consolidated Financial Statements for further information on our interest rate risk assets and liabilities as of December 31, 2020 and 2019.

Credit Risk

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

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

Certain individual state regulatory commissions instituted regulatory moratoriums in connection with the COVID-19 pandemic that impacted our ability to pursue our credit risk mitigation practices for customer accounts receivable. Following the issuances of these moratoriums, certain of our regulated operations have been authorized to recognize a regulatory asset for bad debt costs above levels currently in rates. We have reinstated our common credit mitigation practices where moratoriums have expired. See the COVID-19 pandemic discussion in Part I. Item 1A, "Risk Factors" for risks that have been identified related to the pandemic and refer to Note 9, "Regulatory Matters" in the Notes to Consolidated Financial Statements for state specific regulatory moratoriums.

Other Information

Critical Accounting Policies

We apply certain accounting policies based on the accounting requirements discussed below that have had, and may continue to have, significant impacts on our operations and Consolidated Financial Statements.

Basis of Accounting for Rate-Regulated Subsidiaries. ASC Topic 980, *Regulated Operations*, provides that rate-regulated subsidiaries account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the Consolidated Balance Sheets and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. The total amounts of regulatory assets and liabilities reflected on the Consolidated Balance Sheets were $1,930.5 million and $2,065.5 million at December 31, 2020, and $2,239.6 million and $2,512.2 million at December 31, 2019, respectively. For additional information, refer to Note 9, "Regulatory Matters," in the Notes to Consolidated Financial Statements.

In the event that regulation significantly changes the opportunity for us to recover our costs in the future, all or a portion of our regulated operations may no longer meet the criteria for the application of ASC Topic 980, *Regulated Operations*. In such event, a write-down of all or a portion of our existing regulatory assets and liabilities could result. If transition cost recovery is approved by the appropriate regulatory bodies that would meet the requirements under GAAP for continued accounting as regulatory assets and liabilities during such recovery period, the regulatory assets and liabilities would be reported at the recoverable amounts. If we were unable to continue to apply the provisions of ASC Topic 980, *Regulated Operations*, we would be required to apply the provisions of ASC Topic 980-20, *Discontinuation of Rate-Regulated Accounting*. In management's opinion, our regulated subsidiaries will be subject to ASC Topic 980, *Regulated Operations* for the foreseeable future.

Certain of the regulatory assets reflected on our Consolidated Balance Sheets require specific regulatory action in order to be included in future service rates. Although recovery of these amounts is not guaranteed, we believe that these costs meet the requirements for deferral as regulatory assets. If we determine that the amounts included as regulatory assets are no longer recoverable, a charge to income would immediately be required to the extent of the unrecoverable amounts.

The passage of the TCJA into law in December 2017 necessitated the remeasurement of our deferred income tax balances to reflect the change in the statutory federal tax rate from 35% to 21%. For our regulated entities, substantially all of the impact of this remeasurement was recorded to a regulatory liability and is being passed backed to customers, as established during the rate making process. For additional information, refer to Note 9, "Regulatory Matters," and Note 11, "Income Taxes," in the Notes to Consolidated Financial Statements.

Pension and Postretirement Benefits. We have defined benefit plans for both pension and other postretirement benefits. The calculation of the net obligations and annual expense related to the plans requires a significant degree of judgment regarding the discount rates to be used in bringing the liabilities to present value, expected long-term rates of return on plan assets, health care trend rates, and mortality rates, among other assumptions. Due to the size of the plans and the long-term nature of the associated liabilities, changes in the assumptions used in the actuarial estimates could have material impacts on the measurement of the net obligations and annual expense recognition. Differences between actuarial assumptions and actual plan results are deferred into AOCI or a regulatory balance sheet account, depending on the jurisdiction of our entity. These deferred gains or losses are then amortized into the income statement when the accumulated differences exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets (known in GAAP as the "corridor" method) or when settlement accounting is triggered.

The discount rates, expected long-term rates of return on plan assets, health care cost trend rates and mortality rates are critical assumptions. Methods used to develop these assumptions are described below. While a third party actuarial firm assists with the development of many of these assumptions, we are ultimately responsible for selecting the final assumptions.

The discount rate is utilized principally in calculating the actuarial present value of pension and other postretirement benefit obligations and net periodic pension and other postretirement benefit plan costs. Our discount rates for both pension and other postretirement benefits are determined using spot rates along an AA-rated above median yield curve with cash flows matching the expected duration of benefit payments to be made to plan participants.

The expected long-term rate of return on plan assets is a component utilized in calculating annual pension and other postretirement benefit plan costs. We estimate the expected return on plan assets by evaluating expected bond returns, equity risk premiums, target asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors in making a final determination of our expected rate of return on assets. For measurement of 2021 net periodic benefit cost, we selected an expected pre-tax long-term rate of return of 5.20% and 5.50% for our pension and other postretirement benefit plan assets, respectively.

We estimate the assumed health care cost trend rate, which is used in determining our other postretirement benefit net expense, based upon our actual health care cost experience, the effects of recently enacted legislation, third-party actuarial surveys and general economic conditions.

We utilize a full yield curve approach to estimate the service and interest components of net periodic benefit cost for pension and other postretirement benefits by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. For further discussion of our pension and other postretirement benefits, see Note 12, "Pension and Other Postretirement Benefits," in the Notes to Consolidated Financial Statements.

Typically, we use the Society of Actuaries' most recently published mortality data in developing a best estimate of mortality as part of the calculation of the pension and other postretirement benefit obligations. Due to the ongoing COVID-19 pandemic, we adjusted our mortality assumption through 2023 to reflect anticipated slow recovery.

The following tables illustrate the effects of changes in these actuarial assumptions while holding all other assumptions constant:

	Impact on December 31, 2020 Projected Benefit Obligation Increase/(Decrease)	
Change in Assumptions *(in millions)*	Pension Benefits	Other Postretirement Benefits
+50 basis points change in discount rate	$ (88.7)	$ (29.8)
-50 basis points change in discount rate	96.5	32.7

	Impact on 2020 Expense Increase/(Decrease)[1]	
Change in Assumptions *(in millions)*	Pension Benefits	Other Postretirement Benefits
+50 basis points change in discount rate	$ (2.0)	$ (0.8)
-50 basis points change in discount rate	1.6	0.9
+50 basis points change in expected long-term rate of return on plan assets	(9.8)	(1.3)
-50 basis points change in expected long-term rate of return on plan assets	9.8	1.3

[1]Before labor capitalization and regulatory deferrals.

Goodwill and Other Intangible Assets. We have six goodwill reporting units, comprised of the six state operating companies within the Gas Distribution Operations reportable segment. Our goodwill assets at December 31, 2020 were $1,486 million, most of which resulted from the acquisition of Columbia on November 1, 2000.

As required by GAAP, we test for impairment of goodwill on an annual basis and on an interim basis when events or circumstances indicate that a potential impairment may exist. Our annual goodwill test takes place in the second quarter of each year and was performed on May 1, 2020.

A quantitative ("step 1") test was completed on May 1, 2020 for all reporting units. Columbia of Massachusetts was not considered to be a reporting unit for the May 1, 2020 fair value measurement as the goodwill balance had been reduced to zero as of December 31, 2019. Consistent with our historical impairment testing of goodwill, fair value of the reporting units was determined based on a weighting of income and market approaches. These approaches require significant judgments including appropriate long-term growth rates and discount rates for the income approach and appropriate multiples of earnings for peer companies and control premiums for the market approach. The discount rates were derived using peer company data compiled with the assistance of a third party valuation services firm. The discount rates used are subject to change based on changes in tax rates at both the state and federal level, debt and equity ratios at each reporting unit and general economic conditions. The long-term growth rate was derived by evaluating historic growth rates, new business and investment opportunities beyond the near term horizon. The long-term growth rate is subject to change depending on inflationary impacts to the U.S. economy and the individual business environments in which each reporting unit operates. The Step 1 analysis performed indicated that the fair value of each of the reporting units exceeds their carrying value. As a result, no impairment charges were recorded.

We recorded impairment charges related to goodwill and other intangible assets in 2019. See Note 7, "Goodwill and Other Intangible Assets," in the Notes to Consolidated Financial Statements for information regarding our 2019 analyses and assumptions.

Revenue Recognition. Revenue is recorded as products and services are delivered. Utility revenues are billed to customers monthly on a cycle basis. Revenues are recorded on the accrual basis and include estimates for electricity and gas delivered but not billed.

We adopted the provisions of ASC 606 beginning on January 1, 2018 using a modified retrospective method, which was applied to all contracts. No material adjustments were made to January 1, 2018 opening balances and no material changes in the amount or timing of future revenue recognition occurred as a result of the adoption of ASC 606. Refer to Note 3 "Revenue Recognition," in the Notes to Consolidated Financial Statements for additional information regarding our significant judgments and estimates related to revenue recognition.

Variable Interest Entities. A VIE is an entity in which the controlling interest is determined through means other than a majority voting interest. The primary beneficiary of a VIE is the business enterprise which has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Also, the primary beneficiary either absorbs a significant amount of the VIE's losses or has the right to receive benefits that could be significant to the VIE. We consider these qualitative elements in determining whether we are the primary beneficiary of a VIE, and we consolidate those VIEs for which we are determined to be the primary beneficiary. As the managing member of a partnership, we would control decisions that are significant to the ongoing operations and economic results. Therefore, we have concluded that we are the primary beneficiary of Rosewater and have consolidated Rosewater even though we own less than 100% of the total equity membership interest.

We have determined that the use of HLBV accounting is reasonable and appropriate to attribute income and loss to the noncontrolling interest held by the tax equity partner. HLBV accounting was selected as the allocation of Rosewater's economic results to members differ from the members' relative ownership percentages. Using the HLBV method, our earnings are calculated based on how the partnership would distribute its cash if it were to hypothetically sell all of its assets for their carrying amounts and liquidate at each reporting period. Under HLBV, we calculate the liquidation value allocable to each partner at the beginning and end of each period based on the contractual liquidation waterfall and adjust our income for the period to reflect the change our associated book value. Refer to Note 4, "Variable Interest Entities" in the Notes to Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Consolidated Financial Statements.

Quantitative and Qualitative Disclosures about Market Risk are reported in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk Disclosures."

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

NISOURCE INC.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of NiSource Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of NiSource Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related statements of consolidated income (loss), comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impact of Rate Regulation on the Financial Statements - Refer to Note 9 to the consolidated financial statements

Critical Audit Matter Description

The Company’s subsidiaries are fully regulated natural gas and electric utility companies serving customers in six states. These rate-regulated subsidiaries account for and report assets and liabilities consistent with the economic effect of the manner in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged to and collected from customers. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the consolidated balance sheets and are later recognized in income as the related amounts are included in customer rates and recovered from or refunded to customers.

The Company’s subsidiaries’ rates are subject to regulatory rate-setting processes. Rates are determined and approved in regulatory proceedings based on an analysis of the subsidiaries’ costs to provide utility service and a return on, and recovery of, the subsidiaries’ investment in the utility business. Regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investment, and the timing and amount of assets to be recovered by rates. The respective commissions' regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. Decisions to be made by the commission in the future will impact the accounting for regulated operations, including

decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the commission will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment.

We identified the accounting for rate-regulated subsidiaries as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing (1) the likelihood of recovery in future rates of incurred costs and (2) the likelihood of refund of amounts previously collected from customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by regulatory commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate making process due its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the commissions included the following, among others:

• We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments, that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.

• We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

• We read relevant regulatory orders issued by the commissions for the Company, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.

• For regulatory matters in process, we inspected the Company's filings with the commissions and the filings with the commissions by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions related to recoverability of recorded assets.

• We inquired of management about property, plant, and equipment that may be abandoned. For assets that were abandoned, we inquired of management about their considerations regarding the abandonment. We inspected minutes of the board of directors and regulatory orders and other filings with the commissions to identify evidence that may contradict management's assertion regarding probability of an abandonment.

• We obtained an analysis from management regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
February 17, 2021

We have served as the Company's auditor since 2002.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED INCOME (LOSS)

Year Ended December 31, *(in millions, except per share amounts)*	**2020**	2019	2018
Operating Revenues			
Customer revenues	**$ 4,473.2**	$ 5,053.4	$ 4,991.1
Other revenues	**208.5**	155.5	123.4
Total Operating Revenues	**4,681.7**	5,208.9	5,114.5
Operating Expenses			
Cost of energy	**1,109.3**	1,534.8	1,761.3
Operation and maintenance	**1,585.9**	1,354.7	2,352.9
Depreciation and amortization	**725.9**	717.4	599.6
Impairment of goodwill and intangible assets	**—**	414.5	—
Loss on sale of assets, net	**410.6**	—	1.2
Other taxes	**299.2**	296.8	274.8
Total Operating Expenses	**4,130.9**	4,318.2	4,989.8
Operating Income	**550.8**	890.7	124.7
Other Income (Deductions)			
Interest expense, net	**(370.7)**	(378.9)	(353.3)
Other, net	**32.1**	(5.2)	43.5
Loss on early extinguishment of long-term debt	**(243.5)**	—	(45.5)
Total Other Deductions, Net	**(582.1)**	(384.1)	(355.3)
Income (Loss) before Income Taxes	**(31.3)**	506.6	(230.6)
Income Taxes	**(17.1)**	123.5	(180.0)
Net Income (Loss)	**(14.2)**	383.1	(50.6)
Net income attributable to noncontrolling interest	**3.4**	—	—
Net Income (Loss) attributable to NiSource	**(17.6)**	383.1	(50.6)
Preferred dividends	**(55.1)**	(55.1)	(15.0)
Net Income (Loss) Available to Common Shareholders	**(72.7)**	328.0	(65.6)
Earnings (Loss) Per Share			
Basic Earnings (Loss) Per Share	**$ (0.19)**	$ 0.88	$ (0.18)
Diluted Earnings (Loss) Per Share	**$ (0.19)**	$ 0.87	$ (0.18)
Basic Average Common Shares Outstanding	**384.3**	374.6	356.5
Diluted Average Common Shares	**384.3**	376.0	356.5

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NISOURCE INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)

Year Ended December 31, *(in millions, net of taxes)*	**2020**	2019	2018
Net Income (Loss)	**$ (14.2)**	$ 383.1	$ (50.6)
Other comprehensive income (loss):			
Net unrealized gain (loss) on available-for-sale securities[1]	**2.7**	5.7	(2.6)
Net unrealized gain (loss) on cash flow hedges[2]	**(70.7)**	(64.2)	22.7
Unrecognized pension and OPEB benefit (costs)[3]	**3.9**	3.1	(4.4)
Total other comprehensive income (loss)	**(64.1)**	(55.4)	15.7
Total Comprehensive Income (Loss)	**$ (78.3)**	$ 327.7	$ (34.9)

[1] Net unrealized gain (loss) on available-for-sale securities, net of $0.7 million tax expense, $1.5 million tax expense and $0.6 million tax benefit in 2020, 2019 and 2018, respectively.
[2] Net unrealized gain (loss) on derivatives qualifying as cash flow hedges, net of $23.4 million tax benefit, $21.2 million tax benefit and $7.5 million tax expense in 2020, 2019 and 2018, respectively.
[3] Unrecognized pension and OPEB benefit (costs), net of $0.1 million tax benefit, $1.6 million tax expense and $1.5 million tax benefit in 2020, 2019 and 2018, respectively.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	**December 31, 2020**	December 31, 2019
ASSETS		
Property, Plant and Equipment		
Plant	**$ 24,179.9**	$ 24,541.9
Accumulated depreciation and amortization	**(7,560.4)**	(7,629.7)
Net Property, Plant and Equipment[1]	**16,619.5**	16,912.2
Investments and Other Assets		
Unconsolidated affiliates	**—**	1.3
Available-for-sale debt securities (amortized cost of $163.9 and $150.1, allowance for credit losses of $0.5 and $0, respectively)	**170.9**	154.2
Other investments	**81.1**	74.7
Total Investments and Other Assets	**252.0**	230.2
Current Assets		
Cash and cash equivalents	**116.5**	139.3
Restricted cash	**9.1**	9.1
Accounts receivable	**843.6**	876.1
Allowance for credit losses	**(52.3)**	(19.2)
Accounts receivable, net	**791.3**	856.9
Gas inventory	**191.2**	250.9
Materials and supplies, at average cost	**141.5**	120.2
Electric production fuel, at average cost	**68.4**	53.6
Exchange gas receivable	**34.1**	48.5
Regulatory assets	**135.7**	225.7
Deferred property taxes	**85.6**	79.5
Prepayments and other	**86.0**	70.2
Total Current Assets[1]	**1,659.4**	1,853.9
Other Assets		
Regulatory assets	**1,794.8**	2,013.9
Goodwill	**1,485.9**	1,485.9
Deferred charges and other	**228.9**	163.7
Total Other Assets	**3,509.6**	3,663.5
Total Assets	**$ 22,040.5**	$ 22,659.8

[1]Includes $175.6 million of net property, plant and equipment assets and $1.7 million of current assets of a consolidated VIE that may be used only to settle obligations of the consolidated VIE. Refer to Note 4 "Variable Interest Entity" for additional information.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)	December 31, 2020	December 31, 2019
CAPITALIZATION AND LIABILITIES		
Capitalization		
Stockholders' Equity		
Common stock - $0.01 par value, 600,000,000 shares authorized; 391,760,051 and 382,135,680 shares outstanding, respectively	**$ 3.9**	$ 3.8
Preferred stock - $0.01 par value, 20,000,000 shares authorized; 440,000 shares outstanding	**880.0**	880.0
Treasury stock	**(99.9)**	(99.9)
Additional paid-in capital	**6,890.1**	6,666.2
Retained deficit	**(1,765.2)**	(1,370.8)
Accumulated other comprehensive loss	**(156.7)**	(92.6)
Total NiSource Stockholders' Equity	**5,752.2**	5,986.7
Noncontrolling interest in consolidated subsidiaries	**85.6**	—
Total Stockholders' Equity	**5,837.8**	5,986.7
Long-term debt, excluding amounts due within one year	**9,219.8**	7,856.2
Total Capitalization	**15,057.6**	13,842.9
Current Liabilities		
Current portion of long-term debt	**23.3**	13.4
Short-term borrowings	**503.0**	1,773.2
Accounts payable	**589.0**	666.0
Customer deposits and credits	**243.3**	256.4
Taxes accrued	**244.1**	231.6
Interest accrued	**104.7**	99.4
Risk management liabilities	**78.2**	12.6
Exchange gas payable	**48.5**	59.7
Regulatory liabilities	**161.3**	160.2
Accrued compensation and employee benefits	**141.8**	156.3
Claims accrued	**28.6**	165.4
Other accruals	**113.6**	151.6
Total Current Liabilities	**2,279.4**	3,745.8
Other Liabilities		
Risk management liabilities	**144.6**	134.0
Deferred income taxes	**1,470.6**	1,485.3
Accrued insurance liabilities	**84.8**	81.5
Accrued liability for postretirement and postemployment benefits	**336.1**	373.2
Regulatory liabilities	**1,904.2**	2,352.0
Asset retirement obligations	**477.1**	416.9
Other noncurrent liabilities	**286.1**	228.2
Total Other Liabilities	**4,703.5**	5,071.1
Commitments and Contingencies (Refer to Note 20, "Other Commitments and Contingencies")		
Total Capitalization and Liabilities	**$ 22,040.5**	$ 22,659.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NISOURCE INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS

Year Ended December 31, *(in millions)*	**2020**	2019	2018
Operating Activities			
Net Income (Loss)	**$ (14.2)**	$ 383.1	$ (50.6)
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:			
Loss on early extinguishment of debt	**243.5**	—	45.5
Depreciation and amortization	**725.9**	717.4	599.6
Deferred income taxes and investment tax credits	**(29.0)**	118.2	(188.2)
Stock compensation expense and 401(k) profit sharing contribution	**17.4**	25.9	28.6
Impairment of goodwill and intangible assets	**—**	414.5	—
Loss (gain) on sale of assets	**409.8**	(0.6)	1.3
Amortization of discount/premium on debt	**9.4**	8.2	7.5
AFUDC equity	**(9.9)**	(8.0)	(14.2)
Other adjustments	**0.2**	(0.3)	0.4
Changes in Assets and Liabilities:			
Accounts receivable	**(3.9)**	187.8	(186.2)
Inventories	**(1.5)**	(2.0)	41.4
Accounts payable	**(29.7)**	(299.9)	268.4
Customer deposits and credits	**10.0**	16.9	(25.4)
Taxes accrued	**28.4**	7.3	20.2
Interest accrued	**5.3**	8.8	(21.7)
Exchange gas receivable/payable	**(6.9)**	55.5	(21.5)
Other accruals	**(218.8)**	105.3	43.5
Prepayments and other current assets	**(5.9)**	(33.6)	(14.5)
Regulatory assets/liabilities	**70.8**	(85.6)	(53.2)
Postretirement and postemployment benefits	**(103.6)**	(21.1)	58.2
Deferred charges and other noncurrent assets	**(15.0)**	(76.1)	3.8
Other noncurrent liabilities	**21.7**	61.6	(2.8)
Net Cash Flows from Operating Activities	**1,104.0**	1,583.3	540.1
Investing Activities			
Capital expenditures	**(1,758.1)**	(1,802.4)	(1,818.2)
Cost of removal	**(138.2)**	(113.2)	(104.3)
Proceeds from disposition of assets	**1,115.9**	0.4	1.8
Purchases of available-for-sale securities	**(144.7)**	(140.4)	(90.0)
Sales of available-for-sale securities	**131.4**	132.1	82.3
Payment to renewable generation asset developer	**(85.3)**	—	—
Other investing activities	**(0.1)**	1.1	2.3
Net Cash Flows used for Investing Activities	**(879.1)**	(1,922.4)	(1,926.1)
Financing Activities			
Proceeds from issuance of long-term debt	**2,974.0**	750.0	350.0
Repayments of long-term debt and finance lease obligations	**(1,622.0)**	(51.6)	(1,046.1)
Issuance of short-term debt (maturity > 90 days)	**1,350.0**	600.0	950.0
Repayment of short-term debt (maturity > 90 days)	**(2,200.0)**	(700.0)	—
Change in short-term borrowings, net (maturity ≤ 90 days)	**(420.1)**	(104.0)	(178.5)
Issuance of common stock, net of issuance costs	**211.4**	244.4	848.2
Issuance of preferred stock, net of issuance costs	**—**	—	880.0
Equity costs, premiums and other debt related costs	**(246.5)**	(17.8)	(46.0)
Acquisition of treasury stock	**—**	—	(4.0)
Contributions from non-controlling interest, net of issuance costs	**82.2**	—	—
Dividends paid - common stock	**(321.6)**	(298.5)	(273.3)
Dividends paid - preferred stock	**(55.1)**	(56.1)	(11.6)
Net Cash Flows from Financing Activities	**(247.7)**	366.4	1,468.7
Change in cash, cash equivalents and restricted cash	**(22.8)**	27.3	82.7
Cash, cash equivalents and restricted cash at beginning of period	**148.4**	121.1	38.4
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 125.6**	$ 148.4	$ 121.1

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

(in millions)	Common Stock	Preferred Stock[1]	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of January 1, 2018	**$ 3.4**	**$ —**	**$ (95.9)**	**$ 5,529.1**	**$ (1,073.1)**	**$ (43.4)**	**$ —**	**$ 4,320.1**
Comprehensive Loss:								
Net Loss	—	—	—	—	(50.6)	—	—	(50.6)
Other comprehensive income, net of tax	—	—	—	—	—	15.7	—	15.7
Dividends								
Common stock ($0.78 per share)	—	—	—	—	(273.5)	—	—	(273.5)
Preferred stock ($28.88 per share)	—	—	—	—	(11.6)	—	—	(11.6)
Treasury stock acquired	—	—	(4.0)	—	—	—	—	(4.0)
Cumulative effect of change in accounting principle	—	—	—	—	9.5	(9.5)	—	—
Stock issuances:								
Common stock - private placement	0.3	—	—	599.3	—	—	—	599.6
Preferred stock	—	880.0	—	—	—	—	—	880.0
Employee stock purchase plan	—	—	—	5.5	—	—	—	5.5
Long-term incentive plan	—	—	—	15.4	—	—	—	15.4
401(k) and profit sharing	—	—	—	21.8	—	—	—	21.8
ATM Program	0.1	—	—	232.4	—	—	—	232.5
Balance as of December 31, 2018	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,403.5**	**$ (1,399.3)**	**$ (37.2)**	**$ —**	**$ 5,750.9**
Comprehensive Income:								
Net Income	—	—	—	—	383.1	—	—	383.1
Other comprehensive loss, net of tax	—	—	—	—	—	(55.4)	—	(55.4)
Dividends								
Common stock ($0.80 per share)	—	—	—	—	(298.5)	—	—	(298.5)
Preferred stock (See Note 13)	—	—	—	—	(56.1)	—	—	(56.1)
Stock issuances:								
Employee stock purchase plan	—	—	—	5.6	—	—	—	5.6
Long-term incentive plan	—	—	—	10.4	—	—	—	10.4
401(k) and profit sharing	—	—	—	17.6	—	—	—	17.6
ATM Program	—	—	—	229.1	—	—	—	229.1
Balance as of December 31, 2019	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,666.2**	**$ (1,370.8)**	**$ (92.6)**	**$ —**	**$ 5,986.7**
Comprehensive Loss:								
Net Income (Loss)	—	—	—	—	(17.6)	—	3.4	(14.2)
Other comprehensive loss, net of tax	—	—	—	—	—	(64.1)	—	(64.1)
Dividends:								
Common stock ($0.84 per share)	—	—	—	—	(321.7)	—	—	(321.7)
Preferred stock (See Note 13)	—	—	—	—	(55.1)	—	—	(55.1)
Contribution from noncontrolling interest	—	—	—	—	—	—	82.2	82.2
Stock issuances:								
Employee stock purchase plan	—	—	—	5.7	—	—	—	5.7
Long-term incentive plan	—	—	—	8.4	—	—	—	8.4
401(k) and profit sharing	—	—	—	13.4	—	—	—	13.4
ATM program	0.1	—	—	196.4	—	—	—	196.5
Balance as of December 31, 2020	**$ 3.9**	**$ 880.0**	**$ (99.9)**	**$ 6,890.1**	**$ (1,765.2)**	**$ (156.7)**	**$ 85.6**	**$ 5,837.8**

[1]Series A and Series B shares have an aggregate liquidation preference of $400M and $500M, respectively. See Note 13, "Equity" for additional information.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY (continued)

	Preferred	Common		
(in thousands)	**Shares**	**Shares**	**Treasury**	**Outstanding**
Balance as of January 1, 2018	**—**	**340,813**	**(3,797)**	**337,016**
Treasury stock acquired	—	—	(166)	(166)
Issued:				
Common stock - private placement	—	24,964	—	24,964
Preferred stock	420	—	—	—
Employee stock purchase plan	—	223	—	223
Long-term incentive plan	—	561	—	561
401(k) and profit sharing plan	—	882	—	882
ATM program	—	8,883	—	8,883
Balance as of December 31, 2018	**420**	**376,326**	**(3,963)**	**372,363**
Issued:				
Preferred stock[(1)]	20	—	—	—
Employee stock purchase plan	—	201	—	201
Long-term incentive plan	—	518	—	518
401(k) and profit sharing plan	—	631	—	631
ATM Program	—	8,423	—	8,423
Balance as of December 31, 2019	**440**	**386,099**	**(3,963)**	**382,136**
Issued:				
Employee stock purchase plan	—	236	—	236
Long-term incentive plan	—	385	—	385
401(k) and profit sharing plan	—	544	—	544
ATM program	—	8,459	—	8,459
Balance as of December 31, 2020	**440**	**395,723**	**(3,963)**	**391,760**

[(1)]See Note 13, "Equity," for additional information.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

1. Nature of Operations and Summary of Significant Accounting Policies

A. Company Structure and Principles of Consolidation. We are an energy holding company incorporated in Delaware and headquartered in Merrillville, Indiana. Our subsidiaries are fully regulated natural gas and electric utility companies serving approximately 3.7 million customers in six states. We generate substantially all of our operating income through these rate-regulated businesses. The consolidated financial statements include the accounts of us, our majority-owned subsidiaries, and VIEs of which we are the primary beneficiary after the elimination of all intercompany accounts and transactions.

On February 26, 2020, NiSource and Columbia of Massachusetts entered into an Asset Purchase Agreement with Eversource (the "Asset Purchase Agreement"). On October 9, 2020, NiSource and Columbia of Massachusetts received net proceeds from the sale of approximately $1,113 million, which included, a $1,100 million purchase price, an estimate of Columbia of Massachusetts' net working capital, net of closing costs and a $56.0 million payment in lieu of penalties that NiSource agreed to make in full settlement of all of the pending and potential claims, lawsuits, investigations or proceedings settled by and released by a settlement agreement approved by the Massachusetts DPU. As of December 31, 2020, we have recorded a loss on the sale of $412.4 million based on asset and liability balances as of the close of the transaction on October 9, 2020, estimated net working capital and estimated transaction costs. This estimated pre-tax loss is presented as "Loss on sale of assets, net" on the Statements of Consolidated Income (Loss) and is subject to change based on the final net working capital determination.

The Massachusetts Business had the following pretax income (loss) for the twelve months ended December 31, 2020, 2019 and 2018:

	Twelve Months Ended December 31,		
(in millions)	**2020**	2019	2018
Pretax Income (Loss)	**($422.3)**	$36.8	($835.6)

We continue to monitor how the COVID-19 pandemic is affecting our workforce, customers, suppliers, operations, financial results and cash flow. See Note 3, "Revenue Recognition," Note 9, "Regulatory Matters," and Note 11, "Income Taxes," for information on the pandemic.

B. Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Cash, Cash Equivalents and Restricted Cash. We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. We report amounts deposited in brokerage accounts for margin requirements as restricted cash. In addition, we have amounts deposited in trust to satisfy requirements for the provision of various property, liability, workers compensation, and long-term disability insurance, which is classified as restricted cash on the Consolidated Balance Sheets and disclosed with cash and cash equivalents on the Statements of Consolidated Cash Flows.

D. Accounts Receivable and Unbilled Revenue. Accounts receivable on the Consolidated Balance Sheets includes both billed and unbilled amounts. Unbilled amounts of accounts receivable relate to a portion of a customer’s consumption of gas or electricity from the last cycle billing date through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage, customer rates, weather and reasonable and supportable forecasts. Accounts receivable fluctuates from year to year depending in large part on weather impacts and price volatility. Our accounts receivable on the Consolidated Balance Sheets include unbilled revenue, less reserves, in the amounts of $338.3 million and $350.5 million as of December 31, 2020 and 2019, respectively. The reserve for uncollectible receivables is our best estimate of the amount of probable credit losses in the existing accounts receivable. We determined the reserve based on historical experience and in consideration of current market conditions. Account balances are charged against the allowance when it is anticipated the receivable will not be recovered. Refer to Note 3, "Revenue Recognition," for additional information on customer-related accounts receivable.

E. Investments in Debt Securities. Our investments in debt securities are carried at fair value and are designated as available-for-sale. These investments are included within “Other investments” on the Consolidated Balance Sheets. Unrealized gains and losses, net of deferred income taxes, are recorded to accumulated other comprehensive income or loss. These

investments are monitored for other than temporary declines in market value. Realized gains and losses and permanent impairments are reflected in the Statements of Consolidated Income (Loss). No material impairment charges were recorded for the years ended December 31, 2020, 2019 or 2018. Refer to Note 18, "Fair Value," for additional information.

F. Basis of Accounting for Rate-Regulated Subsidiaries. Rate-regulated subsidiaries account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the Consolidated Balance Sheets and are later recognized in income as the related amounts are included in customer rates and recovered from or refunded to customers.

We continually evaluate whether or not our operations are within the scope of ASC 980 and rate regulations. As part of that analysis, we evaluate probability of recovery for our regulatory assets. In management's opinion, our regulated subsidiaries will be subject to regulatory accounting for the foreseeable future. Refer to Note 9, "Regulatory Matters," for additional information.

G. Plant and Other Property and Related Depreciation and Maintenance. Property, plant and equipment (principally utility plant) is stated at cost. Our rate-regulated subsidiaries record depreciation using composite rates on a straight-line basis over the remaining service lives of the electric, gas and common properties, as approved by the appropriate regulators.

Non-utility property includes renewable generation assets owned by a joint venture of which we are the primary beneficiary and is generally depreciated on a straight-line basis over the life of the associated asset. Refer to Note 6, "Property, Plant and Equipment," for additional information related to depreciation expense.

For rate-regulated companies, AFUDC is capitalized on all classes of property except organization costs, land, autos, office equipment, tools and other general property purchases. The allowance is applied to construction costs for that period of time between the date of the expenditure and the date on which such project is placed in service. Our pre-tax rate for AFUDC was 2.6% in 2020, 3.0% in 2019 and 3.5% in 2018.

Generally, our subsidiaries follow the practice of charging maintenance and repairs, including the cost of removal of minor items of property, to expense as incurred. When our subsidiaries retire regulated property, plant and equipment, original cost plus the cost of retirement, less salvage value, is charged to accumulated depreciation. However, when it becomes probable a regulated asset will be retired substantially in advance of its original expected useful life or is abandoned, the cost of the asset and the corresponding accumulated depreciation is recognized as a separate asset. If the asset is still in operation, the gross amounts are classified as "Non-Utility and Other " as described in Note 6, "Property, Plant and Equipment." If the asset is no longer operating but still subject to recovery, the net amount is classified in "Regulatory assets" on the Consolidated Balance Sheets. If we are able to recover a full return of and on investment, the carrying value of the asset is based on historical cost. If we are not able to recover a full return on investment, a loss on impairment is recognized to the extent the net book value of the asset exceeds the present value of future revenues discounted at the incremental borrowing rate.

When our subsidiaries sell entire regulated operating units, or retire or sell nonregulated properties, the original cost and accumulated depreciation and amortization balances are removed from "Net Property, Plant and Equipment" on the Consolidated Balance Sheets. Any gain or loss is recorded in earnings, unless otherwise required by the applicable regulatory body. Refer to Note 6, "Property, Plant and Equipment," for further information.

External and internal costs associated with computer software developed for internal use are capitalized. Capitalization of such costs commences upon the completion of the preliminary stage of each project. Once the installed software is ready for its intended use, such capitalized costs are amortized on a straight-line basis generally over a period of five years

External and internal up-front implementation costs associated with cloud computing arrangements that are service contracts are deferred on the Consolidated Balance Sheets. Once the installed software is ready for its intended use, such deferred costs are amortized on a straight-line basis to "Operation and maintenance," over the minimum term of the contract plus contractually-provided renewal periods that are reasonable expected to be exercised.

H. Goodwill and Other Intangible Assets. Substantially all of our goodwill relates to the excess of cost over the fair value of the net assets acquired in the Columbia acquisition on November 1, 2000. We test our goodwill for impairment annually as of May 1, or more frequently if events and circumstances indicate that goodwill might be impaired. Fair value of our reporting

units is determined using a combination of income and market approaches. See Note 7, "Goodwill and Other Intangible Assets," for additional information.

I. Accounts Receivable Transfer Program. Certain of our subsidiaries have agreements with third parties to transfer certain accounts receivable without recourse. These transfers of accounts receivable are accounted for as secured borrowings. The entire gross receivables balance remains on the December 31, 2020 and 2019 Consolidated Balance Sheets and short-term debt is recorded in the amount of proceeds received from the transferees involved in the transactions. Refer to Note 19, "Transfers of Financial Assets," for further information.

J. Gas Cost and Fuel Adjustment Clause. Our regulated subsidiaries defer most differences between gas and fuel purchase costs and the recovery of such costs in revenues and adjust future billings for such deferrals on a basis consistent with applicable state-approved tariff provisions. These deferred balances are recorded as "Regulatory assets" or "Regulatory liabilities," as appropriate, on the Consolidated Balance Sheets. Refer to Note 9, "Regulatory Matters," for additional information.

K. Inventory. Both the LIFO inventory methodology and the weighted average cost methodology are used to value natural gas in storage, as approved by regulators for all of our regulated subsidiaries. Inventory valued using LIFO was $42.3 million and $47.2 million at December 31, 2020 and 2019, respectively. Based on the average cost of gas using the LIFO method, the estimated replacement cost of gas in storage was less than the stated LIFO cost by $19.6 million and $25.5 million at December 31, 2020 and 2019, respectively. Gas inventory valued using the weighted average cost methodology was $148.8 million at December 31, 2020 and $203.7 million at December 31, 2019.

Electric production fuel is valued using the weighted average cost inventory methodology, as approved by NIPSCO's regulator.

Materials and supplies are valued using the weighted average cost inventory methodology.

L. Accounting for Exchange and Balancing Arrangements of Natural Gas. Our Gas Distribution Operations segment enters into balancing and exchange arrangements of natural gas as part of its operations and off-system sales programs. We record a receivable or payable for any of our respective cumulative gas imbalances, as well as for any gas inventory borrowed or lent under a Gas Distribution Operations exchange agreement. Exchange gas is valued based on individual regulatory jurisdiction requirements (for example, historical spot rate, spot at the beginning of the month). These receivables and payables are recorded as “Exchange gas receivable” or “Exchange gas payable” on our Consolidated Balance Sheets, as appropriate.

M. Accounting for Risk Management Activities. We account for our derivatives and hedging activities in accordance with ASC 815. We recognize all derivatives as either assets or liabilities on the Consolidated Balance Sheets at fair value, unless such contracts are exempted as a normal purchase normal sale under the provisions of the standard. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and resulting designation.

We have elected not to net fair value amounts for any of our derivative instruments or the fair value amounts recognized for the right to receive cash collateral or obligation to pay cash collateral arising from those derivative instruments recognized at fair value, which are executed with the same counterparty under a master netting arrangement. See Note 10, "Risk Management Activities," for additional information.

N. Income Taxes and Investment Tax Credits. We record income taxes to recognize full interperiod tax allocations. Under the asset and liability method, deferred income taxes are provided for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amount and the tax basis of existing assets and liabilities. Investment tax credits associated with regulated operations are deferred and amortized as a reduction to income tax expense over the estimated useful lives of the related properties.

To the extent certain deferred income taxes of the regulated companies are recoverable or payable through future rates, regulatory assets and liabilities have been established. Regulatory assets for income taxes are primarily attributable to property-related tax timing differences for which deferred taxes had not been provided in the past, when regulators did not recognize such taxes as costs in the rate-making process. Regulatory liabilities for income taxes are primarily attributable to the regulated companies’ obligation to refund to ratepayers deferred income taxes provided at rates higher than the current Federal income tax rate. Such property-related amounts are credited to ratepayers using either the average rate assumption method or the reverse South Georgia method. Non property-related amounts are credited to ratepayers consistent with state utility commission direction.

Pursuant to the Internal Revenue Code and relevant state taxing authorities, we and our subsidiaries file consolidated income tax returns for federal and certain state jurisdictions. We and our subsidiaries are parties to a tax sharing agreement. Income taxes recorded by each party represent amounts that would be owed had the party been separately subject to tax.

O. Environmental Expenditures. We accrue for costs associated with environmental remediation obligations, including expenditures related to asset retirement obligations and cost of removal, when the incurrence of such costs is probable and the amounts can be reasonably estimated, regardless of when the expenditures are actually made. The undiscounted estimated future expenditures are based on currently enacted laws and regulations, existing technology and estimated site-specific costs where assumptions may be made about the nature and extent of site contamination, the extent of cleanup efforts, costs of alternative cleanup methods and other variables. The liability is adjusted as further information is discovered or circumstances change. The accruals for estimated environmental expenditures are recorded on the Consolidated Balance Sheets in “Other accruals” for short-term portions of these liabilities and “Other noncurrent liabilities” for the respective long-term portions of these liabilities. Rate-regulated subsidiaries applying regulatory accounting establish regulatory assets on the Consolidated Balance Sheets to the extent that future recovery of environmental remediation costs is probable through the regulatory process. Refer to Note 8, "Asset Retirement Obligations," and Note 20, "Other Commitments and Contingencies," for further information.

P. Excise Taxes. As an agent for some state and local governments, we invoice and collect certain excise taxes levied by state and local governments on customers and record these amounts as liabilities payable to the applicable taxing jurisdiction. Such balances are presented within "Other accruals" on the Consolidated Balance Sheets. These types of taxes collected from customers, comprised largely of sales taxes, are presented on a net basis affecting neither revenues nor cost of sales. We account for excise taxes for which we are liable by recording a liability for the expected tax with a corresponding charge to “Other taxes” expense on the Statements of Consolidated Income (Loss).

Q. Accrued Insurance Liabilities. We accrue for insurance costs related to workers compensation, automobile, property, general and employment practices liabilities based on the most probable value of each claim. In general, claim values are determined by professional, licensed loss adjusters who consider the facts of the claim, anticipated indemnification and legal expenses, and respective state rules. Claims are reviewed by us at least quarterly and an adjustment is made to the accrual based on the most current information. Refer to Note 20-E "Other Matters" for further information on accrued insurance liabilities related to the Greater Lawrence Incident.

2. Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

We are currently evaluating the impact of certain ASUs on our Consolidated Financial Statements or Notes to Consolidated Financial Statements, which are described below:

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Statement* ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*	This pronouncement provides temporary optional expedients and exceptions for applying GAAP principles to contract modifications and hedging relationships to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates.	Upon issuance on March 12, 2020, and will apply though December 31, 2022.	We continue to evaluate the temporary expedients and options available under this guidance, and the effects of these pronouncements on our Consolidated Financial Statements and Notes to Consolidated Financial Statements. We are currently identifying and evaluating contracts that may be impacted. As of December 31, 2020, we have not applied any expedients and options available under this ASU.

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivative and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*	This pronouncement simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Specifically, the ASU "simplifies accounting for convertible instruments by removing major separation models required under current GAAP." In addition, the ASU "removes certain settlement conditions that are required for equity contracts to qualify for it" and "simplifies the diluted earnings per share (EPS) calculations in certain areas."	Annual period beginning after December 15, 2021. Early adoption is permitted for annual period beginning after December 15, 2020.	This pronouncement does not impact any securities we currently have on our balance sheet. We will continue to evaluate the effects of this pronouncement on our Consolidated Financial Statements and Notes to Consolidated Financial Statements as it pertains to any relevant future activity. We expect to adopt this ASU on its effective date.

Recently Adopted Accounting Pronouncements

Standard	Adoption
ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326)*	In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (ASC 326). ASC 326 revised the GAAP guidance on the impairment of most financial assets and certain other instruments that are not measured at fair value through net income. ASC 326 introduces the current expected credit loss (CECL) model that is based on expected losses for instruments measured at amortized cost rather than incurred losses. It also requires entities to record an allowance for available-for-sale debt securities rather than impair the carrying amount of the securities. Subsequent improvements to the estimated credit losses of available-for-sale debt securities will be recognized immediately in earnings, instead of over-time as they would under historic guidance. In 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivative and Hedging, and Topic 825, Financial Instruments. This pronouncement clarified and improved certain areas of guidance related to the recently issued standards on credit losses, hedging, and recognition and measurement. We adopted ASC 326 effective January 1, 2020, using a modified retrospective method. Adoption of this standard did not have material impact on our Consolidated Financial Statements. No adjustments were made to the January 1, 2020 opening balances as a result of this adoption. As required under the modified retrospective method of adoption, results for the reporting periods beginning after January 1, 2020 are presented under ASC 326, while prior period amounts are not adjusted. See Note 3, "Revenue Recognition," and Note 18, "Fair Value," for our discussion of the implementing these standards.
ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*	Issued in August 2018, the pronouncement modifies the disclosure requirements for defined benefit pension or other postretirement benefit plans. The guidance removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. The modifications affect annual period disclosures for fiscal years ending after December 15, 2020, and are applied on a retrospective basis to all periods presented. These disclosure requirements are reflected in the Note 12, "Pension and Postretirement Benefits."
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	This pronouncement simplifies the accounting for income taxes by eliminating certain exceptions to the general principles in ASC 740, income taxes. It also improves consistency of application for other areas of the guidance by clarifying and amending existing guidance. We adopted the amendments of this pronouncement as of January 1, 2021 with no material impact to the Consolidated Financial Statements.

3. Revenue Recognition

Customer Revenues. Substantially all of our revenues are tariff-based. Under ASC 606, the recipients of our utility service meet the definition of a customer, while the operating company tariffs represent an agreement that meets the definition of a contract, which creates enforceable rights and obligations. Customers in certain of our jurisdictions participate in programs that allow for a fixed payment each month regardless of usage. Payments received that exceed the value of gas or electricity actually delivered are recorded as a liability and presented in "Customer Deposits and Credits" on the Consolidated Balance Sheets. Amounts in this account are reduced and revenue is recorded when customer usage exceeds payments received.

We have identified our performance obligations created under tariff-based sales as 1) the commodity (natural gas or electricity, which includes generation and capacity) and 2) delivery. These commodities are sold and / or delivered to and generally consumed by customers simultaneously, leading to satisfaction of our performance obligations over time as gas or electricity is delivered to customers. Due to the at-will nature of utility customers, performance obligations are limited to the services requested and received to date. Once complete, we generally maintain no additional performance obligations.

Transaction prices for each performance obligation are generally prescribed by each operating company's respective tariff. Rates include provisions to adjust billings for fluctuations in fuel and purchased power costs and cost of natural gas. Revenues are adjusted for differences between actual costs, subject to reconciliation, and the amounts billed in current rates. Under or over recovered revenues related to these cost recovery mechanisms are included in "Regulatory Assets" or "Regulatory Liabilities" on the Consolidated Balance Sheets and are recovered from or returned to customers through adjustments to tariff rates. As we provide and deliver service to customers, revenue is recognized based on the transaction price allocated to each performance obligation. Distribution revenues are generally considered daily or "at-will" contracts as customers may cancel their service at any time (subject to notification requirements), and revenue generally represents the amount we are entitled to bill customers.

In addition to tariff-based sales, our Gas Distribution Operations segment enters into balancing and exchange arrangements of natural gas as part of our operations and off-system sales programs. We have concluded that these sales are within the scope of ASC 606. Performance obligations for these types of sales include transportation and storage of natural gas and can be satisfied at a point in time or over a period of time, depending on the specific transaction. For those transactions that span a period of time, we record a receivable or payable for any cumulative gas imbalances, as well as for any gas inventory borrowed or lent under a Gas Distributions Operations exchange agreement.

Revenue Disaggregation and Reconciliation. We disaggregate revenue from contracts with customers based upon reportable segment as well as by customer class. As our revenues are primarily earned over a period of time, and we do not earn a material amount of revenues at a point in time, revenues are not disaggregated as such below. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. We completed the sale of the Massachusetts Business on October 9, 2020. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

The table below reconciles revenue disaggregation by customer class to segment revenue as well as to revenues reflected on the Statements of Consolidated Income (Loss):

Year Ended December 31, 2020 (in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other[2]	Total
Customer Revenues[1]				
Residential	$ 2,075.0	$ 527.8	$ —	$ 2,602.8
Commercial	670.5	480.3	—	1,150.8
Industrial	212.8	412.1	—	624.9
Off-system	41.0	—	—	41.0
Miscellaneous	32.7	20.2	0.8	53.7
Total Customer Revenues	$ 3,032.0	$ 1,440.4	$ 0.8	$ 4,473.2
Other Revenues	96.1	95.5	16.9	208.5
Total Operating Revenues	$ 3,128.1	$ 1,535.9	$ 17.7	$ 4,681.7

[1]Customer revenue amounts exclude intersegment revenues. See Note 24, "Segments of Business," for discussion of intersegment revenues.
[2]Other revenues related to the Transition Services Agreement entered into in connection with the sale of the Massachusetts Business.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Year Ended December 31, 2019 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues[1]				
Residential	$ 2,309.0	$ 481.6	$ —	$ 2,790.6
Commercial	771.3	486.6	—	1,257.9
Industrial	245.2	607.7	—	852.9
Off-system	77.7	—	—	77.7
Miscellaneous	52.0	21.5	0.8	74.3
Total Customer Revenues	$ 3,455.2	$ 1,597.4	$ 0.8	$ 5,053.4
Other Revenues	54.5	101.0	—	155.5
Total Operating Revenues	$ 3,509.7	$ 1,698.4	$ 0.8	$ 5,208.9

[1]Customer revenue amounts exclude intersegment revenues. See Note 24, "Segments of Business," for discussion of intersegment revenues.

Year Ended December 31, 2018 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues[1]				
Residential	$ 2,250.0	$ 494.7	$ —	$ 2,744.7
Commercial	751.9	492.7	—	1,244.6
Industrial	228.0	613.6	—	841.6
Off-system	92.4	—	—	92.4
Miscellaneous	49.7	17.4	0.7	67.8
Total Customer Revenues	$ 3,372.0	$ 1,618.4	$ 0.7	$ 4,991.1
Other Revenues	34.4	89.0	—	123.4
Total Operating Revenues	$ 3,406.4	$ 1,707.4	$ 0.7	$ 5,114.5

[1]Customer revenue amounts exclude intersegment revenues. See Note 24, "Segments of Business," for discussion of intersegment revenues.

Other Revenues. As permitted by accounting principles generally accepted in the United States, regulated utilities have the ability to earn certain types of revenue that are outside the scope of ASC 606. These revenues primarily represent revenue earned under alternative revenue programs. Alternative revenue programs represent regulator-approved mechanisms that allow for the adjustment of billings and revenue for certain approved programs. We maintain a variety of these programs, including demand side management initiatives that recover costs associated with the implementation of energy efficiency programs, as well as normalization programs that adjust revenues for the effects of weather or other external factors. Additionally, we maintain certain programs with future test periods that operate similarly to FERC formula rate programs and allow for recovery of costs incurred to replace aging infrastructure. When the criteria to recognize alternative revenue have been met, we establish a regulatory asset and present revenue from alternative revenue programs on the Statements of Consolidated Income (Loss) as “Other revenues.” When amounts previously recognized under alternative revenue accounting guidance are billed, we reduce the regulatory asset and record a customer account receivable.

Customer Accounts Receivable. Accounts receivable on our Consolidated Balance Sheets includes both billed and unbilled amounts, as well as certain amounts that are not related to customer revenues. Unbilled amounts of accounts receivable relate to a portion of a customer’s consumption of gas or electricity from the date of the last cycle billing through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage, customer rates and weather. The opening and closing balances of customer receivables for the years ended December 31, 2020 and 2019 are presented in the table below. We had no significant contract assets or liabilities during the period. Additionally, we have not incurred any significant costs to obtain or fulfill contracts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

(in millions)	Customer Accounts Receivable, Billed (less reserve)[1]	Customer Accounts Receivable, Unbilled (less reserve)
Balance as of December 31, 2019	$ 466.6	$ 346.6
Balance as of December 31, 2020	400.0	327.2
Decrease	$ (66.6)	$ (19.4)

[1]Customer billed receivables decreased due to decreased natural gas costs and warmer weather in 2020 compared to 2019.

Utility revenues are billed to customers monthly on a cycle basis. We generally expect that substantially all customer accounts receivable will be collected within the month following customer billing, as this revenue consists primarily of monthly, tariff-based billings for service and usage. We maintain common utility credit risk mitigation practices, including requiring deposits and actively pursuing collection of past due amounts. Our regulated operations also utilize certain regulatory mechanisms that facilitate recovery of bad debt costs within tariff-based rates, which provides further evidence of collectibility. In connection with the COVID-19 pandemic, certain state regulatory commissions instituted regulatory moratoriums that impacted our ability to pursue our standard credit risk mitigation practices. Following the issuance of these moratoriums, certain of our regulated operations have been authorized to recognize a regulatory asset for bad debt costs above levels currently in rates. We have reinstated our common credit mitigation practices where moratoriums have expired (see Note 9, "Regulatory Matters," for additional information on regulatory moratoriums and regulatory assets). It is probable that substantially all of the consideration to which we are entitled from customers will be collected upon satisfaction of performance obligations.

Allowance for Credit Losses. We adopted ASC 326 effective January 1, 2020. See "Recently Adopted Accounting Pronouncements" in Note 2, "Recent Accounting Pronouncements," for more information about ASC 326.

Each of our business segments pool their customer accounts receivables based on similar risk characteristics, such as customer type, geography, payment terms, and related macro-economic risks. Expected credit loss exposure is evaluated separately for each of our accounts receivable pools. Expected credit losses are established using a model that considers historical collections experience, current information, and reasonable and supportable forecasts. Relevant and reliable internal and external inputs used in the model include, but are not limited to, energy consumption trends, revenue projections, actual charge-offs data, recoveries data, shut-off orders executed data, and final bill data. We continuously evaluate available reasonable and supportable information relevant to assessing collectibility of current and future receivables. We evaluate creditworthiness of specific customers periodically or when required by changes in facts and circumstances. When we become aware of a specific commercial or industrial customer's inability to pay, an allowance for expected credit losses is recorded for the relevant amount. We also monitor other circumstances that could affect our overall expected credit losses; these include, but are not limited to, creditworthiness of overall population in service territories, adverse conditions impacting an industry sector, and current economic conditions.

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

Year Ended December 31, 2020 (in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Beginning balance[1]	9.1	3.1	0.8	13.0
Current period provisions	45.3	9.3	—	54.6
Write-offs charged against allowance	(26.7)	(3.0)	—	(29.7)
Recoveries of amounts previously written off	14.1	0.3	—	14.4
Ending balance of the allowance for credit losses	41.8	9.7	0.8	52.3

[1]Total beginning balance differs from that presented in the Consolidated Balance Sheets as it excludes Columbia of Massachusetts. Columbia of Massachusetts' customer receivables and related allowance for credit losses were included in the sale of the Massachusetts Business that occurred on October 9, 2020.

As of December 31, 2020, we have also evaluated the adequacy of our allowance for credit losses in light of the suspension of shut-offs for nonpayment due to the COVID-19 pandemic that remain in effect for certain jurisdictions, as well as the economic downturn. Our evaluation included an analysis of customer payment trends in 2020, economic conditions, receivables aging, considerations of past economic downturns and the associated allowance for credit losses and customer account write-offs. In addition, we considered benefits available under governmental COVID-19 relief programs, the impact of unemployment benefits initiatives, and flexible payment plans being offered to customers affected by or experiencing hardship as a result of the pandemic, which could help to mitigate the potential for increasing customer account delinquencies. Based upon this evaluation, we have concluded that the allowance for credit losses as of December 31, 2020 adequately reflected the collection risk and net realizable value for our receivables. We will continue to monitor changing circumstances and will adjust our allowance for credit losses as additional information becomes available.

4. Variable Interest Entities

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

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

As the managing member of Rosewater, we control decisions that are significant to its ongoing operations and economic results. Therefore, we have concluded that we are the primary beneficiary of Rosewater and have consolidated Rosewater even though we own less than 100% of the total equity membership interest.

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

In December 2020, in exchange for their respective membership interests in Rosewater, NIPSCO contributed $0.7 million in cash, and the tax equity partner contributed $86.1 million in cash, the first of two contractual cash contributions for each partner, per the equity capital contribution agreement. NIPSCO's remaining economic interest was acquired by assuming an obligation of $69.7 million to the developer, which comes due in 2023 and is included in "Other noncurrent liabilities" in the Consolidated Balance Sheets. From the contributed funds, Rosewater paid $85.3 million to the developer of the wind generation assets. The developer of the facility is not a partner in the joint venture for federal income tax purposes and does not receive any share of earnings, tax attributes, or cash flows of Rosewater. Once asset construction is complete, NIPSCO and the tax equity partner will each make a second cash contribution of $0.1 million and $7.5 million, respectively, and NIPSCO will assume an additional obligation to the developer of $6.0 million, totaling contributions of $170.1 million for both partners. We did not provide any financial or other support during the year that was not previously contractually required, nor do we expect to provide such support in the future.

At December 31, 2020, $156.4 million in net assets (as detailed in the table below) related to Rosewater and the non-controlling interest attributable to the unrelated tax equity partner of $85.6 million were included in the Consolidated Balance Sheets. For the year ended December 31, 2020 $3.4 million was allocated to the tax equity partner and is included in "Net income attributable to non-controlling interest" on the Statements of Consolidated Income (Loss).

At December 31, 2020, our consolidated balance sheet included the following assets and liabilities associated with Rosewater:

(in millions)		
Net Property, Plant and Equipment	$	175.6
Current assets		1.7
Total assets[1]	$	177.3
Current liabilities	$	15.3
Asset retirement obligations		5.5
Other noncurrent liabilities		0.1
Total liabilities	$	20.9

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

5. Earnings Per Share

Basic EPS is computed by dividing net income attributable to common shareholders by the weighted-average number of shares of common stock outstanding for the period. The weighted-average shares outstanding for diluted EPS includes the incremental effects of the various long-term incentive compensation plans and forward agreements when the impact of such plans and agreements would be dilutive. The calculation of diluted earnings per share for the years ended December 31, 2020 and December 31, 2018 does not include any dilutive potential common shares as we had a net loss on the Statements of Consolidated Income (Loss) for these periods, and any incremental shares would have had an anti-dilutive impact on EPS. The computation of diluted average common shares is as follows:

Year Ended December 31, *(in thousands)*	**2020**	2019	2018
Denominator			
Basic average common shares outstanding	**384,347**	374,650	356,491
Dilutive potential common shares:			
Shares contingently issuable under employee stock plans	—	929	—
Shares restricted under employee stock plans	—	154	—
Forward agreements	—	253	—
Diluted Average Common Shares	**384,347**	375,986	356,491

6. Property, Plant and Equipment

Our property, plant and equipment on the Consolidated Balance Sheets are classified as follows:

At December 31, *(in millions)*		**2020**		2019
Property, Plant and Equipment				
Gas Distribution Utility[1]	**$**	**14,010.2**	$	14,989.7
Electric Utility[1]		**6,478.0**		8,902.3
Corporate		**197.3**		153.3
Construction Work in Process		**572.6**		457.3
Renewable Generation Assets[2]		**175.7**		—
Non-Utility and Other[3]		**2,746.1**		39.3
Total Property, Plant and Equipment	**$**	**24,179.9**	$	24,541.9
Accumulated Depreciation and Amortization				
Gas Distribution Utility[1]	**$**	**(3,292.9)**	$	(3,556.0)
Electric Utility[1]		**(2,305.0)**		(3,973.8)
Corporate		**(109.3)**		(79.5)
Renewable Generation Assets[2]		**(0.1)**		—
Non-Utility and Other[3]		**(1,853.1)**		(20.4)
Total Accumulated Depreciation and Amortization	**$**	**(7,560.4)**	$	(7,629.7)
Net Property, Plant and Equipment	**$**	**16,619.5**	$	16,912.2

[1]NIPSCO's common utility plant and associated accumulated depreciation and amortization are allocated between Gas Distribution Utility and Electric Utility Property, Plant and Equipment.
[2]Our renewable generation assets are part of our electric segment and represent Non-Utility Property, owned and operated by Rosewater Wind Generation LLC, a joint venture between NIPSCO and unrelated tax equity partner, and depreciated straight-line over 30 years. Refer to Note 4, "Variable Interest Entities" for additional information.
[3]Non-Utility and Other as of December 31, 2020 includes net book value of $903.8 million related to R.M. Schahfer Generating Station, which was reclassified from Electric Utility in the second quarter of 2020. Depreciation expense for the remaining net book value continues to be recorded at the composite depreciation rate approved by the IURC. See Note 20-E, "Other Matters," for additional information.

The weighted average depreciation provisions for utility plant, as a percentage of the original cost, for the periods ended December 31, 2020, 2019 and 2018 were as follows:

	2020	2019	2018
Electric Operations[1]	**3.4 %**	2.8 %	2.9 %
Gas Distribution Operations	**2.3 %**	2.5 %	2.2 %

[1]Increased rate beginning in 2020 primarily attributable to higher depreciation rates from the recent rate case proceeding.

We recognized depreciation expense of $655.6 million, $612.2 million and $503.4 million for the years ended 2020, 2019 and 2018, respectively.

Amortization of Software Costs. We amortized $56.7 million, $55.5 million and $54.1 million in 2020, 2019 and 2018, respectively, related to software costs. Our unamortized software balance was $136.4 million and $169.6 million at December 31, 2020 and 2019, respectively.

Amortization of Cloud Computing Costs. We amortized $3.4 million, $1.6 million and $0.1 million in 2020, 2019 and 2018, respectively, related to cloud computing costs. Our unamortized cloud computing balance was $12.7 million and $14.2 million at December 31, 2020 and 2019, respectively.

7. Goodwill and Other Intangible Assets

Goodwill. Substantially all of our goodwill relates to the excess of cost over the fair value of the net assets acquired in the Columbia acquisition on November 1, 2000. The following presents our goodwill balance allocated by segment as of December 31, 2020 and 2019:

(in millions)		**2020**		2019
Gas Distribution Operations	$	1,485.9	$	1,485.9
Electric Operations		—		—
Corporate and Other		—		—
Total	**$**	**1,485.9**	$	1,485.9

For our annual goodwill impairment analysis performed as of May 1, 2020, we completed a quantitative ("step 1") fair value measurement of our reporting units. Fair value of this reporting unit was determined based on a weighting of income and market approaches. The income approach calculated discounted cash flows using updated cash flow projections, discount rates and return on equity assumptions. The market approach applied a combination of comparable company multiples and comparable transactions and used the most recent cash flow projections. The test indicated that the fair value of each of the reporting units that are allocated goodwill exceeded their carrying values, indicating that no impairment was necessary.

Columbia of Massachusetts was not considered to be a reporting unit for May 1, 2020 fair value measurement as the goodwill balance had been reduced to zero as of December 31, 2019. During the fourth quarter of 2019, in connection with the preparation of the year-end financial statements, we assessed the matters related to the then proposed sale of the Massachusetts Business and determined a new impairment analysis was required for our Columbia of Massachusetts reporting unit. The fair value of the Columbia of Massachusetts reporting unit was determined in the same manner as described above for our remaining reporting units. The 2019 year-end impairment analysis indicated that the fair value of the Columbia of Massachusetts reporting unit was below its carrying value. As a result, we reduced the Columbia of Massachusetts reporting unit goodwill balance to zero and recognized a goodwill impairment charge totaling $204.8 million, which is non-deductible for tax purposes.

Intangible and Other Long-Lived Assets Impairment. We review our definite-lived intangible assets, along with other long-lived assets (utility plant), for impairment when events or changes in circumstances indicate the assets' fair value might be below their carrying amount. Prior to December 31, 2019, our intangible assets, apart from goodwill, consisted of franchise rights. Franchise rights were identified as part of the purchase price allocations associated with the acquisition in February 1999 of Columbia of Massachusetts.

During the fourth quarter of 2019, in connection with the preparation of the year-end financial statements, we assessed the changes in circumstances that occurred during the quarter to determine if it was more likely than not that the fair value of our long-lived assets (including franchise rights) were below their carrying amount. As a result, we performed a year-end impairment test of our held and used long-lived assets in which we compared the book value of the Columbia of Massachusetts asset group to its undiscounted future cash flow and determined the carrying value of the asset group was not recoverable. We estimated the fair value of the Columbia of Massachusetts asset group using a weighting of income and market approaches and determined that the fair value was less than the carrying value. The resulting impairment was allocated to reduce the entire franchise rights book value to its fair value of zero, which resulted in an impairment charge totaling $209.7 million recorded in the Gas Distribution Operations segment during the year ended December 31, 2019.

As of December 31, 2020 and 2019, the carrying amount of the franchise rights was zero. We recorded zero amortization expense in 2020 and $11.0 million in 2019 and 2018 related to our franchise rights intangible asset.

8. Asset Retirement Obligations

We have recognized asset retirement obligations associated with various legal obligations including costs to remove and dispose of certain construction materials located within many of our facilities, certain costs to retire pipeline, removal costs for certain underground storage tanks, removal of certain pipelines known to contain PCB contamination, closure costs for certain sites including ash ponds, solid waste management units and a landfill, as well as some other nominal asset retirement obligations. We also have an obligation associated with the decommissioning of our two hydro facilities located in Indiana. These hydro facilities have an indeterminate life, and as such, no asset retirement obligation has been recorded.

Changes in our liability for asset retirement obligations for the years 2020 and 2019 are presented in the table below:

(in millions)	**2020**	2019
Beginning Balance	**$ 416.9**	$ 352.0
Accretion recorded as a regulatory asset/liability	**17.3**	15.7
Additions	**5.5**	—
Settlements	**(13.9)**	(5.4)
Change in estimated cash flows	**86.0** [1]	54.6 [2]
Other	**(16.2)** [3]	—
Ending Balance	**$ 495.6**	$ 416.9

[1]The change in estimated cash flows for 2020 is primarily attributed to revisions to the estimated costs associated with refining the CCR compliance plan, changes in estimated costs for electric generating stations and the changes in estimated costs for retirement of gas mains. See Note 20-D. "Environmental Matters" for additional information on CCRs.
[2]The change in estimated cash flows for 2019 is primarily attributed to changes in estimated costs and settlement timing for electric generating stations and the changes in estimated costs for retirement of gas mains.
[3]Represents the Columbia of Massachusetts Asset Retirement Obligations that were included in the sale of the Massachusetts Business that occurred on October 9, 2020.

Certain non-legal costs of removal that have been, and continue to be, included in depreciation rates and collected in the customer rates of the rate-regulated subsidiaries are classified as "Regulatory liabilities" on the Consolidated Balance Sheets.

9. Regulatory Matters

Regulatory Assets and Liabilities

We follow the accounting and reporting requirements of ASC Topic 980, which provides that regulated entities account for and report assets and liabilities consistent with the economic effect of regulatory rate-making procedures when the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates will be charged and collected from customers. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income or expense are deferred on the balance sheet and are recognized in the income statement as the related amounts are included in customer rates and recovered from or refunded to customers. We assess the probability of collection for all of our regulatory assets each period.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Regulatory assets were comprised of the following items:

At December 31, *(in millions)*		**2020**		2019
Regulatory Assets				
Unrecognized pension and other postretirement benefit costs (see Note 12)	**$**	**583.3**	$	739.1
Deferred pension and other postretirement benefit costs (see Note 12)		**72.4**		91.3
Environmental costs (see Note 20-D)		**56.6**		73.4
Regulatory effects of accounting for income taxes (see Note 1-N and Note 11)		**194.5**		234.0
Under-recovered gas and fuel costs (see Note 1-J)		**8.0**		3.9
Depreciation		**192.6**		210.7
Post-in-service carrying charges		**228.6**		219.8
Safety activity costs		**146.0**		118.6
DSM programs		**37.8**		50.1
Bailly Generating Station		**204.7**		221.8
Losses on Commodity Price Risk Programs (See Note 10)		**54.7**		76.4
Deferred Property Taxes		**62.9**		60.3
Other		**88.4**		140.2
Total Regulatory Assets	**$**	**1,930.5**	$	2,239.6
Less: Current Portion		**135.7**		225.7
Total Noncurrent Regulatory Assets	**$**	**1,794.8**	$	2,013.9

Regulatory liabilities were comprised of the following items:

At December 31, *(in millions)*		**2020**		2019
Regulatory Liabilities				
Over-recovered gas and fuel costs (see Note 1-J)	**$**	**47.8**	$	42.6
Cost of removal (see Note 8)		**775.2**		1,047.5
Regulatory effects of accounting for income taxes (see Note 1-N and Note 11)		**1,105.1**		1,307.0
Deferred pension and other postretirement benefit costs (see Note 12)		**69.5**		64.7
Other		**67.9**		50.4
Total Regulatory Liabilities	**$**	**2,065.5**	$	2,512.2
Less: Current Portion		**161.3**		160.2
Total Noncurrent Regulatory Liabilities	**$**	**1,904.2**	$	2,352.0

Regulatory assets, including under-recovered gas and fuel costs and depreciation, of approximately $1,260.6 million and $1,524.3 million as of December 31, 2020 and 2019, respectively, are not earning a return on investment. These costs are recovered over a remaining life, the longest of which is 41 years.

Assets:

Unrecognized pension and other postretirement benefit costs. Represents the deferred other comprehensive income or loss of the actuarial gains or losses and the prior service costs or credits that arise during the period but that are not immediately recognized as components of net periodic benefit costs by certain subsidiaries that will ultimately be recovered through base rates.

Deferred pension and other postretirement benefit costs. Primarily relates to the difference between defined benefit plan expense recorded by certain subsidiaries due to regulatory orders and the corresponding expense that would otherwise be recorded in accordance with GAAP. The majority of these amounts are driven by Columbia of Ohio. The timeframe for the recovery of these costs will be addressed in the next base rate case, and the costs are expected to be collected through future base rates, revenue riders or tracking mechanisms.

Environmental costs. Includes certain recoverable costs related to gas plant sites, disposal sites or other sites onto which material may have migrated, the recovery of which is to be addressed in future base rates, billing riders or tracking mechanisms of certain of our subsidiaries.

Regulatory effects of accounting for income taxes. Represents the deferral and under collection of deferred taxes in the rate making process.

Under-recovered gas and fuel costs. Represents the difference between the costs of gas and fuel and the recovery of such costs in revenue and is used to adjust future billings for such deferrals on a basis consistent with applicable state-approved tariff provisions. Recovery of these costs is achieved through tracking mechanisms.

Depreciation. Represents differences between depreciation expense incurred on a GAAP basis and that prescribed through regulatory order. The majority of this balance is driven by Columbia of Ohio's IRP and CEP deferrals. Recovery of these amounts is approved annually through the related riders.

Post-in-service carrying charges. Represents deferred debt-based carrying charges incurred on certain assets placed into service but not yet included in customer rates. The majority of this balance is driven by Columbia of Ohio's IRP and CEP deferrals.

Safety activity costs. Represents the difference between costs incurred by certain of our subsidiaries in eligible safety programs in compliance with PHMSA regulations in excess of those being recovered in rates.

DSM programs. Represents costs associated with Gas Distribution Operations and Electric Operations segments' energy efficiency and conservation programs. Costs are recovered through tracking mechanisms.

Bailly Generating Station. Represents the net book value of Units 7 and 8 of Bailly Generating Station that was retired during 2018. These amounts are currently being amortized at a rate consistent with their inclusion in customer rates.

Losses on Commodity Price Risk Programs. Represents the unrealized losses related to certain of our subsidiary's commodity price risk programs. These programs help to protect against the volatility of commodity prices and these amounts are collected from customers through their inclusion in customer rates.

Property Taxes. Represents the deferral and under collection of property taxes in the rate making process for Columbia of Ohio and is driven by the IRP and CEP deferrals.

Liabilities:

Over-recovered gas and fuel costs. Represents the difference between the cost of gas and fuel and the recovery of such costs in revenues and is the basis to adjust future billings for such refunds on a basis consistent with applicable state-approved tariff provisions. Refunding of these revenues is achieved through tracking mechanisms.

Cost of removal. Represents anticipated costs of removal for utility assets that have been collected through depreciation rates for future costs to be incurred.

Regulatory effects of accounting for income taxes. Represents amounts owed to customers for deferred taxes collected at a higher rate than the current statutory rates and liabilities associated with accelerated tax deductions owed to customers. Balance includes excess deferred taxes recorded upon implementation of the TCJA in December 2017, net of amounts amortized through 2020.

Deferred pension and other postretirement benefit costs. Primarily represents cash contributions in excess of postretirement benefit expense that is deferred by certain subsidiaries.

COVID-19 Regulatory Filings

In response to the COVID-19 pandemic, we have engaged, or have received directives from, the regulatory commissions in the states in which we operate, as described below.

Columbia of Ohio filed a Deferral Application and a Transition Plan with the PUCO on May 29, 2020. The Deferral Application requested approval to record a regulatory asset for pandemic incremental costs, foregone revenue from late payment fees, and bad debt expense from certain classes of customers. An order approving the Deferral Application was received on July 15, 2020. The Transition Plan requested the resumption of activities that were suspended in March 2020,

including resumption of disconnects due to non-payment and billing of late payment fees beginning with the August 2020 billing cycle. The PUCO approved the Transition Plan on June 17, 2020. As of December 31, 2020, $2.0 million of incremental pandemic-related costs were deferred to a regulatory asset.

NIPSCO received a COVID-19 pandemic order from the IURC on June 29, 2020. This order extended the disconnection moratorium and the suspension of collection of late payment fees, deposits and reconnection fees through August 14, 2020. The order requires utilities to offer payment arrangements of at least six months and requires NIPSCO to provide the IURC with information about NIPSCO's communications with delinquent customers. On August 12, 2020, the IURC issued an order affirming the expiration of the disconnect moratorium after August 14, 2020, while requiring that six month payment plans be offered to all customers and extending the suspension for collection of late payment fees, deposits, and reconnection fees through October 12, 2020 for residential customers only. On October 7, 2020 the Office of Utility Consumer Counselor ("OUCC") filed a motion for the IURC to extend these temporary consumer protections for an additional 60 days. On October 27, the IURC issued a docket entry denying the OUCC's motion. The June 29, 2020 order also authorized NIPSCO to create a regulatory asset for pandemic-related incremental bad debt expense as well as the costs to implement the requirements of the order. As of December 31, 2020, $9.2 million of incremental bad debt expense and costs to implement the requirements of the order were deferred to a regulatory asset.

Columbia of Pennsylvania received a secretarial letter issued by the Pennsylvania PUC on May 13, 2020 authorizing Pennsylvania utilities to create a regulatory asset for incremental bad debt expense incurred since March 13, 2020, above levels currently in rates. While Columbia of Pennsylvania is not authorized to defer any other incremental costs, it is required to track extraordinary non-recurring costs, and any offsetting benefits received, in connection with the COVID-19 pandemic. On October 13, 2020, the Pennsylvania PUC entered an order modifying its March 13, 2020 emergency order that had established a moratorium on utility service terminations. As modified, the moratorium still applies to residential customers with incomes at or below 300% of the federal poverty income guidelines ("protected customers"). For all other customers, the moratorium was lifted on November 9, 2020, but utilities must comply with several notice requirements beyond those already in place in Pennsylvania in order to proceed with service terminations. For residential customers who are subject to termination under the revised moratorium, as of December 1, 2020, the standard winter service moratorium will be in effect until April 1, 2021, which will render service termination for delinquent accounts impractical during that period. Additionally, the October 13, 2020 order authorizes utilities to create a regulatory asset for any incremental expenses incurred above those embedded in rates resulting from the directives contained in the Order. As of December 31, 2020, $5.4 million of incremental bad debt expense was deferred to a regulatory asset.

On March 16, 2020, the VSCC ordered a moratorium on service disconnections for unpaid bills due to the effects of the COVID-19 pandemic. The order also suspended late payment fees, required utilities to offer payment plans of up to 12 months, and required utilities to provide certain information about customer accounts receivables to the VSCC. Columbia of Virginia received an order from the VSCC on April 29, 2020 authorizing Columbia of Virginia to create a regulatory asset for incremental bad debt expense, suspended late payment fees, reconnection costs, carrying costs and other incremental prudently incurred costs related to the pandemic. The VSCC moratorium expired on October 6, 2020; however, the directives requiring utilities to offer payment plans of up to 12 months and suspending service disconnections or charging of late payment fees to customers that are current on such payment plans remain in effect. On November 18, 2020, legislation was enacted that extended the moratorium on residential service disconnections and late payment fees until the Governor determines that the economic and public health conditions have improved such that the prohibition does not need to be in place, or until at least 60 days after such declared state of emergency ends, whichever is sooner. Recovery of any regulatory asset will be addressed in future base rate proceedings and is subject to an earnings test review.

On August 31, 2020, the Maryland PSC issued an emergency order that extended the Governor's order prohibiting residential service terminations through October 1, 2020. The emergency order also requires Maryland utilities that proceed with residential service terminations after that date to provide at least 45 days notice prior to terminating service; to offer structured payment plans to applicable residential customers with a minimum of 12 months to repay, or 24 months for certified low income customers; the requirement or collection of down payments or deposits as a condition of beginning a payment plan by any residential customer; and cannot refuse to negotiate or deny a payment plan to a residential customer due to such customer's failure to meet the terms and conditions of an alternate payment plan during the past 18 months. Columbia of Maryland received an order issued by the Maryland PSC on April 9, 2020, authorizing Maryland utilities to create a regulatory asset for incremental COVID-19 pandemic-related costs, including incremental bad debt expense, incurred to ensure that customers have essential utility service during the state of emergency in Maryland. Such incremental costs must be offset by any benefit

received in connection with the pandemic. As of December 31, 2020, Columbia of Maryland has deferred $0.7 million of incremental bad debt expense and pandemic-related costs to a regulatory asset.

Columbia of Kentucky received an order from the Kentucky PSC on September 21, 2020 lifting the disconnection moratorium for all customers, effective October 20, 2020. The September 21, 2020 order also lifted the suspension of late payment and reconnection fees for non-residential customers as of October 20, 2020. For residential customers, the moratorium on late payment and reconnection fees is extended to December 31, 2020 and tracking of lost revenue is required. Residential customers with accumulated arrearages for service provided on or after March 16, 2020 through October 1, 2020 will be notified and placed on a default payment plan of equal installments for nine months beginning with the November 2020 billing cycle. Residential customers on a payment plan that default shall be offered another payment plan. Carrying charges may be applied to all arrearages arising during the default payment plan period at a rate no greater than the utility's long-term debt rate. The Kentucky PSC order allows Columbia of Kentucky to create a regulatory asset for carrying charges on all arrearages arising during the default payment plan period. As of December 31, 2020, an immaterial amount of carrying charges were deferred to a regulatory asset.

10. Risk Management Activities

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

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

December 31, *(in millions)*		**2020**		2019
Risk Management Assets - Current[1]				
Interest rate risk programs	**$**	**—**	$	—
Commodity price risk programs		**10.4**		0.6
Total	**$**	**10.4**	$	0.6
Risk Management Assets - Noncurrent[2]				
Interest rate risk programs	**$**	**—**	$	—
Commodity price risk programs		**2.8**		3.8
Total	**$**	**2.8**	$	3.8
Risk Management Liabilities - Current				
Interest rate risk programs	**$**	**70.9**	$	—
Commodity price risk programs		**7.3**		12.6
Total	**$**	**78.2**	$	12.6
Risk Management Liabilities - Noncurrent				
Interest rate risk programs	**$**	**99.5**	$	76.2
Commodity price risk programs		**45.1**		57.8
Total	**$**	**144.6**	$	134.0

[1]Presented in "Prepayments and other" on the Consolidated Balance Sheets.
[2]Presented in "Deferred charges and other" on the Consolidated Balance Sheets.

Commodity Price Risk Management

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

NIPSCO received IURC approval to lock in a fixed price for its natural gas customers using long-term forward purchase instruments. The term of these instruments range from five to 10 years and is limited to 20% of NIPSCO's average annual GCA purchase volume. Gains and losses on these derivative contracts are deferred as regulatory liabilities or assets and are remitted to or collected from customers through NIPSCO's quarterly GCA mechanism. These instruments are not designated as accounting hedges.

Interest Rate Risk Management

As of December 31, 2020, we have two forward-starting interest rate swaps with an aggregate notional value totaling $500.0 million to hedge the variability in cash flows attributable to changes in the benchmark interest rate during the periods from the effective dates of the swaps to the anticipated dates of forecasted debt issuances, which are expected to take place by the end of 2024. These interest rate swaps are designated as cash flow hedges. The gains and losses related to these swaps are recorded to AOCI and will be recognized in "Interest expense, net" concurrently with the recognition of interest expense on the associated debt, once issued. If it becomes probable that a hedged forecasted transaction will no longer occur, the accumulated gains or losses on the derivative will be recognized currently in "Other, net" in the Statements of Consolidated Income (Loss).

The passage of the TCJA and Greater Lawrence Incident led to significant changes to our long-term financing plan. As a result, during 2018, we settled forward-starting interest rate swaps with a notional value of $750.0 million. These derivative contracts were accounted for as cash flow hedges. As part of the transactions, the associated net unrealized gain of $46.2 million was recognized immediately in "Other, net" in the Statements of Consolidated Income (Loss) as it became probable the forecasted borrowing transactions would no longer occur.

There were no amounts excluded from effectiveness testing for derivatives in cash flow hedging relationships at December 31, 2020, 2019 and 2018.

Our derivative instruments measured at fair value as of December 31, 2020 and 2019 do not contain any credit-risk-related contingent features.

11. Income Taxes

Income Tax Expense. The components of income tax expense (benefit) were as follows:

Year Ended December 31, *(in millions)*	**2020**	2019	2018
Income Taxes			
Current			
Federal	**$ 0.2**	$ —	$ —
State	**11.7**	5.2	8.2
Total Current	**11.9**	5.2	8.2
Deferred			
Federal	**(0.4)**	110.7	(209.4)
State	**(27.4)**	9.0	22.2
Total Deferred	**(27.8)**	119.7	(187.2)
Deferred Investment Credits	**(1.2)**	(1.4)	(1.0)
Income Taxes	**$ (17.1)**	$ 123.5	$ (180.0)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Statutory Rate Reconciliation. The following table represents a reconciliation of income tax expense at the statutory federal income tax rate to the actual income tax expense from continuing operations:

Year Ended December 31, *(in millions)*	**2020**		2019		2018	
Book income (loss) before income taxes	**$ (31.3)**		$ 506.6		$ (230.6)	
Tax expense (benefit) at statutory federal income tax rate	**(6.6)**	**21.0 %**	106.5	21.0 %	(48.4)	21.0 %
Increases (reductions) in taxes resulting from:						
State income taxes, net of federal income tax benefit	**(11.7)**	**37.4**	10.1	2.0	24.7	(10.7)
Amortization of regulatory liabilities	**(38.4)**	**122.7**	(29.4)	(5.8)	(29.3)	12.7
Goodwill impairment	**—**	**—**	43.0	8.5	—	—
Fines and penalties	**11.8**	**(37.7)**	11.5	2.3	0.2	(0.1)
Charitable contribution carryover	**—**	**—**	(2.5)	(0.5)	—	—
State regulatory proceedings	**—**	**—**	(9.5)	(1.9)	(127.8)	55.4
Employee stock ownership plan dividends and other compensation	**(1.3)**	**4.2**	(2.0)	(0.4)	(2.2)	1.0
Deferred taxes on TCJA regulatory liability divested	**23.3**	**(74.5)**	—	—	—	—
Tax accrual adjustments	**8.9**	**(28.4)**	—	—	—	—
Federal tax credits	**(2.5)**	**8.0**	—	—	—	—
Other adjustments	**(0.6)**	**1.9**	(4.2)	(0.8)	2.8	(1.2)
Income Taxes	**$ (17.1)**	**54.6 %**	$ 123.5	24.4 %	$ (180.0)	78.1 %

The effective income tax rates were 54.6%, 24.4% and 78.1% in 2020, 2019 and 2018, respectively. The difference in tax expense year-over-year has a relative impact on the effective tax rate proportional to pretax income or loss. The 30.2% increase in effective tax rate in 2020 versus 2019 was primarily the result of lower pre-tax income, state jurisdictional mix of pre-tax loss in 2020 tax effected at statutory tax rates and increased amortization of excess deferred federal income taxes in 2020 compared to 2019. These items were offset by increased deferred tax expense recognized on the sale of Columbia of Massachusetts' regulatory liability, established due to TCJA in 2017, that would have otherwise been recognized over the amortization period, non-deductible penalties as described in Note 1, "Company Structure and Principles of Consolidation" and non-cash impairment of goodwill related to Columbia of Massachusetts in 2019 (see Note 7, "Goodwill and Other Intangible Assets" for additional information), and one-time tax accrual adjustments.

The 53.7% decrease in effective tax rate in 2019 versus 2018 was primarily the result of not having significant income tax decreases resulting from state regulatory proceedings as in 2018. Additionally, there was an increase in the effective tax rate related to the non-cash impairment of goodwill in 2019 related to Columbia of Massachusetts (see Note 7, "Goodwill and Other Intangible Assets" for additional information) and non-deductible fines and penalties related to the Greater Lawrence Incident (see Note 20, "Legal Proceedings" for additional information). The rate is also impacted by the relative impact of permanent differences on higher pre-tax income.

Net Deferred Income Tax Liability Components. Deferred income taxes result from temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The principal components of our net deferred tax liability were as follows:

At December 31, *(in millions)*	2020	2019
Deferred tax liabilities		
Accelerated depreciation and other property differences	**$ 2,339.3**	$ 2,516.9
Other regulatory assets	**331.8**	381.5
Total Deferred Tax Liabilities	**2,671.1**	2,898.4
Deferred tax assets		
Other regulatory liabilities and deferred investment tax credits (including TCJA)	**287.8**	336.1
Pension and other postretirement/postemployment benefits	**118.1**	152.1
Net operating loss carryforward and AMT credit carryforward	**602.1**	765.9
Environmental liabilities	**22.6**	25.4
Other accrued liabilities	**41.5**	35.3
Other, net	**128.4**	98.3
Total Deferred Tax Assets	**1,200.5**	1,413.1
Net Deferred Tax Liabilities	**$ 1,470.6**	$ 1,485.3

At December 31, 2020, we have federal net operating loss carryforwards of $520.8 million. The federal net operating loss carryforwards are available to offset taxable income and will begin to expire in 2037. In addition, we have $7.8 million in charitable contribution carryforwards to offset future taxable income, which begin to expire in 2023. We believe it is more likely than not that we will realize the benefit from the federal net operating loss carryforwards.

We also have $81.4 million (net) of state net operating loss carryforwards. Depending on the jurisdiction in which the state net operating loss was generated, the carryforwards will begin to expire in 2028.

We believe it is more likely than not that a portion of the benefit from certain state NOL carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of $6.4 million (net) on the deferred tax assets related to sale of Massachusetts Business assets (see Note 1, "Company Structure and Principles of Consolidation" for additional information) reflected in the state net operating loss carryforward presented above.

Unrecognized Tax Benefits. A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

Reconciliation of Unrecognized Tax Benefits *(in millions)*	2020	2019	2018
Unrecognized Tax Benefits - Opening Balance	**$ 23.2**	$ 1.2	$ 1.4
Gross decreases - tax positions in prior period	**(1.5)**	(0.6)	(0.4)
Gross increases - current period tax positions	**—**	22.6	0.2
Unrecognized Tax Benefits - Ending Balance	**$ 21.7**	$ 23.2	$ 1.2
Offset for net operating loss carryforwards	**(21.7)**	(22.6)	—
Balance - Less Net Operating Loss Carryforwards	**$ —**	$ 0.6	$ 1.2

In 2020, we resolved prior unrecognized tax benefits of $1.5 million.

We present accrued interest on unrecognized tax benefits, accrued interest on other income tax liabilities and tax penalties in "Income Taxes" on our Statements of Consolidated Income (Loss). Interest expense recorded on unrecognized tax benefits and other income tax liabilities was immaterial for all periods presented. There were no accruals for penalties recorded in the Statements of Consolidated Income (Loss) for the years ended December 31, 2020, 2019 and 2018, and there were no balances for accrued penalties recorded on the Consolidated Balance Sheets as of December 31, 2020 and 2019.

We are subject to income taxation in the United States and various state jurisdictions, primarily Indiana, Pennsylvania, Kentucky, Massachusetts, Maryland and Virginia.

We participate in the IRS CAP, which provides the opportunity to resolve tax matters with the IRS before filing each year's consolidated federal income tax return. As of December 31, 2020, tax years through 2019 have been audited and are effectively closed to further assessment. The audit of tax year 2020 under the CAP program is expected to be completed in 2021.

The statute of limitations in each of the state jurisdictions in which we operate remains open until the years are settled for federal income tax purposes, at which time amended state income tax returns reflecting all federal income tax adjustments are filed. As of December 31, 2020, there were no state income tax audits in progress that would have a material impact on the consolidated financial statements.

12. Pension and Other Postretirement Benefits

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

Our Pension and Other Postretirement Benefit Plans' Asset Management. The Board has delegated oversight of the pension and other postretirement benefit plans' assets to an Administrative & Investment Management Committee ("the Committee"). The Committee has adopted investment policy statements for the pension and other postretirement benefit plans' assets. For the pension plans, we employ a liability-driven investing strategy. A total return approach is utilized for the other postretirement benefit plans' assets. A mix of diversified investments are used to maximize the long-term return of plan assets and hedge the liabilities at a prudent level of risk. The investment portfolio includes U.S. and non-U.S. equities, real estate, long-term and intermediate-term fixed income and alternative investments. Risk tolerance is established through careful consideration of plan liabilities, funded status, and asset class volatility. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

In determining the expected long-term rate of return on plan assets, historical markets are studied, relationships between equities and fixed income are analyzed and current market factors, such as inflation and interest rates are evaluated with consideration of diversification and rebalancing. Our expected long-term rate of return on assets is based on assumptions regarding target asset allocations and corresponding long-term capital market assumptions for each asset class. The pension plans' investment policy calls for a gradual reduction in the allocation of return-seeking assets (equities, real estate and private equity) and a corresponding increase in the allocation of liability-hedging assets (fixed income) as the funded status of the plans' increase.

As of December 31, 2020, the asset mix and acceptable minimum and maximum ranges established by the policy for the pension and other postretirement benefit plans are as follows:

Asset Mix Policy of Funds:

	Defined Benefit Pension Plan		Postretirement Benefit Plan	
Asset Category	Minimum	Maximum	Minimum	Maximum
Domestic Equities	12%	32%	0%	55%
International Equities	6%	16%	0%	25%
Fixed Income	59%	71%	20%	100%
Real Estate	0%	7%	0%	0%
Private Equity	0%	5%	0%	0%
Short-Term Investments	0%	10%	0%	10%

As of December 31, 2019, the asset mix and acceptable minimum and maximum ranges established by the policy for the pension and other postretirement benefit plans were as follows:

Asset Mix Policy of Funds:

	Defined Benefit Pension Plan		Postretirement Benefit Plan	
Asset Category	Minimum	Maximum	Minimum	Maximum
Domestic Equities	12%	32%	0%	55%
International Equities	6%	16%	0%	25%
Fixed Income	59%	71%	20%	100%
Real Estate	0%	7%	0%	0%
Private Equity	0%	5%	0%	0%
Short-Term Investments	0%	10%	0%	10%

Pension Plan and Postretirement Plan Asset Mix at December 31, 2020 and December 31, 2019:

	Defined Benefit Pension Assets	December 31, 2020	Postretirement Benefit Plan Assets	December 31, 2020
Asset Class *(in millions)*	Asset Value	% of Total Assets	Asset Value	% of Total Assets
Domestic Equities	$ 446.3	21.0 %	$ 108.8	38.0 %
International Equities	230.1	10.9 %	48.2	16.8 %
Fixed Income	1,291.2	61.0 %	122.0	42.6 %
Real Estate	52.9	2.5 %	—	—
Cash/Other	97.2	4.6 %	7.4	2.6 %
Total	$ 2,117.7	100.0 %	$ 286.4	100.0 %

	Defined Benefit Pension Assets	December 31, 2019	Postretirement Benefit Plan Assets	December 31, 2019
Asset Class *(in millions)*	Asset Value	% of Total Assets	Asset Value	% of Total Assets
Domestic Equities	$ 446.4	21.5 %	$ 93.8	35.9 %
International Equities	205.0	9.9 %	40.7	15.6 %
Fixed Income	1,337.2	64.2 %	119.5	45.7 %
Real Estate	53.9	2.6 %	—	—
Cash/Other	38.4	1.8 %	7.4	2.8 %
Total	$ 2,080.9	100.0 %	$ 261.4	100.0 %

The categorization of investments into the asset classes in the tables above are based on definitions established by our Benefits Committee.

Fair Value Measurements. The following table sets forth, by level within the fair value hierarchy, the pension and other postretirement benefits investment assets at fair value as of December 31, 2020 and 2019. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. There were no investment assets in the pension and other postretirement benefits trusts classified within Level 3 for the years ended December 31, 2020 and 2019.

Valuation Techniques Used to Determine Fair Value:

Level 1 Measurements

Most common and preferred stocks are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period presented. Cash is stated at cost which approximates fair value, with the exception of cash held in foreign currencies which fluctuates with changes in the exchange rates. Short-term bills and notes are priced based on quoted market values.

Level 2 Measurements

Most U.S. Government Agency obligations, mortgage/asset-backed securities, and corporate fixed income securities are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that includes inputs such as interest rate yield curves and credit spreads. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Other fixed income includes futures and options which are priced on bid valuation or settlement pricing.

Level 3 Measurements

Investments with unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities are classified as level 3 investments.

Not Classified

Commingled funds, private equity limited partnerships and real estate partnerships hold underlying investments that have prices derived from quoted prices in active markets and are not classified within the fair value hierarchy. Instead, these assets are measured at estimated fair value using the net asset value per share of the investments. Commingled funds' underlying assets are principally marketable equity and fixed income securities. Units held in commingled funds are valued at the unit value as reported by the investment managers. Private equity and real estate funds invest in natural resources, commercial real estate and distressed real estate. The fair value of these investments is determined by reference to the funds' underlying assets.

For the year ended December 31, 2020, there were no significant changes to valuation techniques to determine the fair value of our pension and other postretirement benefits' assets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Fair Value Measurements at December 31, 2020:

(in millions)	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension plan assets:				
Cash	$ 11.9	$ 11.9	$ —	$ —
Equity securities				
U.S. equities	2.4	2.4	—	—
Fixed income securities				
Government	243.4	—	243.4	—
Corporate	692.6	—	692.6	—
Mutual Funds				
U.S. multi-strategy	161.3	161.3	—	—
International equities	55.4	55.4	—	—
Fixed income	0.1	0.1	—	—
Private equity limited partnerships[3]				
U.S. multi-strategy[1]	10.9	—	—	—
International multi-strategy[2]	6.6	—	—	—
Distressed opportunities	0.3	—	—	—
Real estate	52.9	—	—	—
Commingled funds[3]				
Short-term money markets	78.8	—	—	—
U.S. equities	279.7	—	—	—
International equities	176.8	—	—	—
Fixed income	337.6	—	—	—
Pension plan assets subtotal	2,110.7	231.1	936.0	—
Other postretirement benefit plan assets:				
Mutual funds				
U.S. multi-strategy	94.8	94.8	—	—
International equities	24.1	24.1	—	—
Fixed income	121.8	121.8	—	—
Commingled funds[3]				
Short-term money markets	7.6	—	—	—
U.S. equities	14.0	—	—	—
International equities	24.1	—	—	—
Other postretirement benefit plan assets subtotal	286.4	240.7	—	—
Due to brokers, net[4]	(1.6)	—	(1.6)	—
Accrued income/dividends	8.6	8.6	—	—
Total pension and other postretirement benefit plan assets	$ 2,404.1	$ 480.4	$ 934.4	$ —

[1]This class includes limited partnerships/fund of funds that invest in a diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily inside the United States.
[2]This class includes limited partnerships/fund of funds that invest in diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily outside the United States.
[3]This class of investments is measured at fair value using the net asset value per share and has not been classified in the fair value hierarchy.
[4]This class represents pending trades with brokers.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The table below sets forth a summary of unfunded commitments, redemption frequency and redemption notice periods for certain investments that are measured at fair value using the net asset value per share for the year ended December 31, 2020:

(in millions)	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled Funds			
Short-term money markets	$ 86.4	Daily	1 day
U.S. equities	293.7	Daily	1-5 days
International equities	200.9	Monthly	10-30 days
Fixed income	337.6	Daily	3 days
Total	$ 918.6		

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Fair Value Measurements at December 31, 2019:

(in millions)	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension plan assets:				
Cash	$ 6.7	$ 6.7	$ —	$ —
Fixed income securities				
Government	319.6	—	319.6	—
Corporate	651.8	—	651.8	—
Mutual Funds				
U.S. multi-strategy	140.5	140.5	—	—
International equities	56.9	56.9	—	—
Private equity limited partnerships[3]				
U.S. multi-strategy[1]	14.0	—	—	—
International multi-strategy[2]	8.5	—	—	—
Distressed opportunities	0.5	—	—	—
Real Estate	53.9	—	—	—
Commingled funds[3]				
Short-term money markets	14.8	—	—	—
U.S. equities	305.9	—	—	—
International equities	148.1	—	—	—
Fixed income	351.8	—	—	—
Pension plan assets subtotal	2,073.0	204.1	971.4	—
Other postretirement benefit plan assets:				
Mutual funds				
U.S. multi-strategy	81.7	81.7	—	—
International equities	20.6	20.6	—	—
Fixed income	119.2	119.2	—	—
Commingled funds[3]				
Short-term money markets	7.7	—	—	—
U.S. equities	12.1	—	—	—
International equities	20.1	—	—	—
Other postretirement benefit plan assets subtotal	261.4	221.5	—	—
Due to brokers, net[4]	(2.8)	—	(2.8)	—
Accrued income/dividends	10.7	10.7	—	—
Total pension and other postretirement benefit plan assets	$ 2,342.3	$ 436.3	$ 968.6	$ —

[1]This class includes limited partnerships/fund of funds that invest in a diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily inside the United States.
[2]This class includes limited partnerships/fund of funds that invest in diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily outside the United States.
[3]This class of investments is measured at fair value using the net asset value per share and has not been classified in the fair value hierarchy.
[4]This class represents pending trades with brokers.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2019:

	Balance at January 1, 2019	Transfers out (Level 3)[1]	Balance at December 31, 2019
Private equity limited partnerships			
U.S. multi-strategy	18.5	(18.5)	—
International multi-strategy	12.5	(12.5)	—
Distress opportunities	2.4	(2.4)	—
Real estate	52.7	(52.7)	—
Total	$ 86.1	$ (86.1)	$ —

[1]Level 3 assets from 2018 were reclassified in the 2019 presentation and included within the fair value hierarchy table as of December 31, 2019 as "Not Classified" investments for which fair value is measured using net asset value per share, consistent with the definitions described above.

The table below sets forth a summary of unfunded commitments, redemption frequency and redemption notice periods for certain investments that are measured at fair value using the net asset value per share for the year ended December 31, 2019:

(in millions)	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled Funds			
Short-term money markets	$ 22.5	Daily	1 day
U.S. equities	318.0	Monthly	3 days
International equities	168.2	Monthly	10-30 days
Fixed income	351.8	Daily	3 days
Total	$ 860.5		

Our Pension and Other Postretirement Benefit Plans' Funded Status and Related Disclosure. The following table provides a reconciliation of the plans' funded status and amounts reflected in our Consolidated Balance Sheets at December 31 based on a December 31 measurement date:

	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2020**	2019	**2020**	2019
Change in projected benefit obligation[1]				
Benefit obligation at beginning of year	**$ 2,130.5**	$ 1,981.3	**$ 576.5**	$ 492.5
Service cost	**32.0**	29.2	**6.6**	5.1
Interest cost	**51.6**	72.3	**15.4**	19.2
Plan participants' contributions	**—**	—	**4.1**	4.8
Plan amendments	**—**	—	**—**	5.1
Actuarial loss[2]	**140.1**	204.3	**24.8**	88.8
Benefits paid	**(174.5)**	(156.6)	**(37.0)**	(39.5)
Estimated benefits paid by incurred subsidy	**—**	—	**0.4**	0.5
Spinoff to Eversource	**(121.3)**	—	**—**	—
Projected benefit obligation at end of year	**$ 2,058.4**	$ 2,130.5	**$ 590.8**	$ 576.5
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 2,080.9**	$ 1,867.7	**$ 261.4**	$ 216.3
Actual return on plan assets	**329.9**	366.8	**36.3**	56.9
Employer contributions	**2.9**	2.9	**21.6**	23.0
Plan participants' contributions	**—**	—	**4.1**	4.7
Benefits paid	**(174.6)**	(156.5)	**(37.0)**	(39.5)
Spinoff to Eversource	**(121.4)**	—	**—**	—
Fair value of plan assets at end of year	**$ 2,117.7**	$ 2,080.9	**$ 286.4**	$ 261.4
Funded Status at end of year	**$ 59.3**	$ (49.6)	**$ (304.4)**	$ (315.1)
Amounts recognized in the statement of financial position consist of:				
Noncurrent assets	**91.4**	8.2	**—**	—
Current liabilities	**(2.9)**	(3.0)	**(0.9)**	(0.8)
Noncurrent liabilities	**(29.2)**	(54.8)	**(303.5)**	(314.3)
Net amount recognized at end of year[3]	**$ 59.3**	$ (49.6)	**$ (304.4)**	$ (315.1)
Amounts recognized in accumulated other comprehensive income or regulatory asset/liability[4]				
Unrecognized prior service credit	**$ 0.3**	$ 3.0	**$ (10.1)**	$ (10.7)
Unrecognized actuarial loss	**497.2**	652.8	**116.4**	118.4
Net amount recognized at end of year	**$ 497.5**	$ 655.8	**$ 106.3**	$ 107.7

[1]The change in benefit obligation for Pension Benefits represents the change in Projected Benefit Obligation while the change in benefit obligation for Other Postretirement Benefits represents the change in accumulated postretirement benefit obligation.
[2]The pension actuarial loss was primarily driven by the decrease in the discount rate, offset by the change in mortality assumptions. The other postretirement benefits loss was also primarily driven by a decrease in discount rates, offset by favorable claims experienced and a change in the mortality assumptions.
[3]We recognize our Consolidated Balance Sheets underfunded and overfunded status of our various defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation.
[3]We determined that for certain rate-regulated subsidiaries the future recovery of pension and other postretirement benefits costs is probable. These rate-regulated subsidiaries recorded regulatory assets and liabilities of $583.3 million and zero, respectively, as of December 31, 2020, and $739.1 million and $0.1 million, respectively, as of December 31, 2019 that would otherwise have been recorded to accumulated other comprehensive loss.

Our accumulated benefit obligation for our pension plans was $2,036.8 million and $2,111.5 million as of December 31, 2020 and 2019, respectively. The accumulated benefit obligation at each date is the actuarial present value of benefits attributed by the pension benefit formula to employee service rendered prior to that date and based on current and past compensation levels. The accumulated benefit obligation differs from the projected benefit obligation disclosed in the table above in that it includes no assumptions about future compensation levels.

We are required to reflect the funded status of our pension and postretirement benefit plans on the Consolidated Balance Sheet. The funded status of the plans is measured as the difference between the plan assets' fair value and the projected benefit

obligation. We present the noncurrent aggregate of all underfunded plans within "Accrued liability for postretirement and postemployment benefits." The portion of the amount by which the actuarial present value of benefits included in the projected benefit obligation exceeds the fair value of plan assets, payable in the next 12 months, is reflected in "Accrued compensation and other benefits." We present the aggregate of all overfunded plans within "Deferred charges and other."

Information for pension plans with a projected benefit obligation in excess of plan assets:

	December 31,	
	2020[1]	2019
Accumulated Benefit Obligation	**$ 32.1**	$ 1,473.9
Funded Status		
Projected Benefit Obligation	**32.1**	1,492.9
Fair Value of Plan Assets	**—**	1,435.1
Funded Status of Underfunded Pension Plans at End of Year	**$ (32.1)**	$ (57.8)

(1)As of December 31, 2020, only our nonqualified plans were underfunded. These plans have no assets as they are not funded until benefits are paid.

Information for pension plans with plan assets in excess of the projected benefit obligation:

	December 31,	
	2020	2019
Accumulated Benefit Obligation	**$ 2,004.7**	$ 637.6
Funded Status		
Projected Benefit Obligation	**2,026.3**	637.6
Fair Value of Plan Assets	**2,117.7**	645.8
Funded Status of Overfunded Pension Plans at End of Year	**$ 91.4**	$ 8.2

Our pension plans were overfunded, in aggregate, by $59.3 million at December 31, 2020 compared to being underfunded by $49.6 million at December 31, 2019. The improvement in the funded status was due primarily to favorable asset returns offset by a decrease in discount rates. We contributed $2.9 million to our pension plans in both 2020 and 2019.

Our other postretirement benefit plans were underfunded by $304.4 million at December 31, 2020 compared to being underfunded by $315.1 million at December 31, 2019. The change in funded status was primarily due to favorable asset returns offset by a decrease in discount rates. We contributed $21.6 million and $23.0 million to our other postretirement benefit plans in 2020 and 2019, respectively.

In 2020 and 2019, some of our qualified pension plans paid lump sum payouts in excess of the respective plan's service cost plus interest cost, thereby meeting the requirement for settlement accounting. We recorded settlement charges of $10.5 million and $9.5 million in 2020 and 2019, respectively. Net periodic pension benefit cost for 2020 was decreased by $1.4 million as a result of the interim remeasurement.

The following table provides the key assumptions that were used to calculate the pension and other postretirement benefits obligations for our various plans as of December 31:

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	**2020**	2019
Weighted-average assumptions to Determine Benefit Obligation				
Discount Rate	**2.38 %**	3.12 %	**2.49 %**	3.21 %
Rate of Compensation Increases	**4.00 %**	4.00 %	**—**	—
Interest Crediting Rates	**4.00 %**	4.00 %	**—**	—
Health Care Trend Rates				
Trend for Next Year	**—**	—	**6.69 %**	6.68 %
Ultimate Trend	**—**	—	**4.50 %**	4.50 %
Year Ultimate Trend Reached	**—**	—	**2029**	2028

We expect to make contributions of approximately $2.9 million to our pension plans and approximately $21.8 million to our postretirement medical and life plans in 2021.

The following table provides benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter. The expected benefits are estimated based on the same assumptions used to measure our benefit obligation at the end of the year and include benefits attributable to the estimated future service of employees:

(in millions)	Pension Benefits	Other Postretirement Benefits	Federal Subsidy Receipts
Year(s)			
2021	$ 218.8	$ 38.4	$ 0.4
2022	154.5	37.8	0.4
2023	149.2	37.3	0.4
2024	145.9	37.0	0.4
2025	141.3	36.6	0.3
2026-2030	621.9	172.1	1.2

The following table provides the components of the plans' actuarially determined net periodic benefits cost for each of the three years ended December 31, 2020, 2019 and 2018:

	Pension Benefits			Other Postretirement Benefits		
(in millions)	**2020**	2019	2018	**2020**	2019	2018
Components of Net Periodic Benefit Cost[1]						
Service cost	**$ 32.0**	$ 29.2	$ 31.3	**$ 6.6**	$ 5.1	$ 5.0
Interest cost	**51.6**	72.3	67.1	**15.4**	19.2	17.6
Expected return on assets	**(111.6)**	(108.8)	(142.3)	**(14.4)**	(13.1)	(14.9)
Amortization of prior service cost (credit)	**0.7**	0.2	(0.4)	**(2.1)**	(3.2)	(4.0)
Recognized actuarial loss	**33.8**	45.2	40.6	**4.9**	2.0	3.8
Settlement/curtailment loss	**10.5**	9.5	18.5	**1.5**	—	—
Total Net Periodic Benefits Cost	**$ 17.0**	$ 47.6	$ 14.8	**$ 11.9**	$ 10.0	$ 7.5

[1]Service cost is presented in "Operation and maintenance" on the Statements of Consolidated Income (Loss). Non-service cost components are presented within "Other, net."

The following table provides the key assumptions that were used to calculate the net periodic benefits cost for our various plans:

	Pension Benefits			Other Postretirement Benefits		
	2020	2019	2018	**2020**	2019	2018
Weighted-average Assumptions to Determine Net Periodic Benefit Cost						
Discount rate - service cost	**3.39 %**	4.48 %	3.79 %	**3.52 %**	4.59 %	3.89 %
Discount rate - interest cost	**2.65 %**	3.84 %	3.15 %	**2.76 %**	3.94 %	3.27 %
Expected Long-Term Rate of Return on Plan Assets	**5.70 %**	6.10 %	7.00 %	**5.67 %**	5.83 %	5.80 %
Rate of Compensation Increases	**4.00 %**	4.00 %	4.00 %	**—**	—	—
Interest Crediting Rates	**4.00 %**	4.00 %	4.00 %	**—**	—	—

We assumed a 5.70% and 5.67% rate of return on pension and other postretirement plan assets, respectively, for our calculation of 2020 pension benefits cost. These rates were primarily based on asset mix and historical rates of return and were adjusted in 2020 due to anticipated changes in asset allocation and projected market returns.

The following table provides other changes in plan assets and projected benefit obligations recognized in other comprehensive income or regulatory asset or liability:

	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2020**	2019	**2020**	2019
Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Other Comprehensive Income or Regulatory Asset or Liability				
Net prior service cost	**$ —**	$ —	**$ —**	$ 5.1
Net actuarial loss (gain)	**(78.2)**	(53.8)	**2.9**	45.1
Settlements/curtailments	**(10.5)**	(9.5)	**(1.5)**	—
Less: amortization of prior service cost	**(0.7)**	(0.2)	**2.1**	3.2
Less: amortization of net actuarial loss	**(33.8)**	(45.2)	**(4.9)**	(2.0)
Less: gain attributable to spinoff to Eversource	**(33.1)**	**—**	**—**	**—**
Less: prior service cost attributable to spinoff to Eversource	**(2.0)**	—	**—**	—
Total Recognized in Other Comprehensive Income or Regulatory Asset or Liability	**$ (158.3)**	$ (108.7)	**$ (1.4)**	$ 51.4
Amount Recognized in Net Periodic Benefits Cost and Other Comprehensive Income or Regulatory Asset or Liability	**$ (141.3)**	$ (61.1)	**$ 10.5**	$ 61.4

13. Equity

Holders of shares of our common stock are entitled to receive dividends when, as and if declared by the Board out of funds legally available. The policy of the Board has been to declare cash dividends on a quarterly basis payable on or about the 20th day of February, May, August and November. We have certain debt covenants which could potentially limit the amount of dividends the Company could pay in order to maintain compliance with these covenants. Refer to Note 15, "Long-Term Debt," for more information. As of December 31, 2020, these covenants did not restrict the amount of dividends that were available to be paid.

Dividends paid to preferred shareholders vary based on the series of preferred stock owned. Additional information is provided below. Holders of our shares of common stock are subject to the prior dividend rights of holders of our preferred stock or the

depositary shares representing such preferred stock outstanding, and if full dividends have not been declared and paid on all outstanding shares of preferred stock in any dividend period, no dividend may be declared or paid or set aside for payment on our common stock.

Common and preferred stock activity for 2020, 2019 and 2018 is described further below.

ATM Program and Forward Sale Agreements. On May 3, 2017, we entered into four separate equity distribution agreements, pursuant to which we were able to sell up to an aggregate of $500.0 million of our common stock.

On November 13, 2017, under the ATM program, we executed a forward agreement, which allowed us to issue a fixed number of shares at a price to be settled in the future. On November 6, 2018, the forward agreement was settled for $26.43 per share, resulting in $167.7 million of net proceeds. The equity distribution agreements entered into on May 3, 2017 expired December 31, 2018.

On November 1, 2018, we entered into five separate equity distribution agreements pursuant to which we were able to sell up to an aggregate of $500.0 million of our common stock. Four of these agreements were then amended on August 1, 2019 and one was terminated, pursuant to which we may sell, from time to time, up to an aggregate of $434.4 million of our common stock.

On December 6, 2018, under the ATM program, we executed a forward agreement, which allowed us to issue a fixed number of shares at a price to be settled in the future. From December 6, 2018 to December 10, 2018, 4,708,098 shares were borrowed from third parties and sold by the dealer at a weighted average price of $26.55 per share. On November 21, 2019, the forward agreement was settled for $26.01 per share, resulting in $122.5 million of net proceeds.

On August 12, 2019, under the ATM program, we executed a forward agreement, which allowed us to issue a fixed number of shares at a price to be settled in the future. From August 12, 2019 to September 13, 2019, 3,714,400 shares were borrowed from third parties and sold by the dealer at a weighted average price of $29.26 per share. On December 11, 2019, the forward agreement was settled for $28.83 per share, resulting in $107.1 million of net proceeds.

On August 6, 2020, under the ATM program, we executed a forward agreement, which allowed us to issue a fixed number of shares at a price to be settled in the future. From August 7, 2020 to September 3, 2020, 2,809,029 shares were borrowed from third parties and sold by the dealer at a weighted average price of $23.25 per share. On December 15, 2020, the forward agreement was settled for $22.77 per share, resulting in $64.0 million of net proceeds.

On September 4, 2020, under the ATM program, we executed a separate forward agreement, which allowed us to issue a fixed number of shares at a price to be settled in the future. From September 4, 2020 to September 16, 2020, 1,452,102 shares were borrowed from third parties and sold by the dealer at a weighted average price of $22.28 per share. On December 15, 2020, the forward agreement was settled for $21.82 per share, resulting in $31.7 million of net proceeds.

The equity distribution agreements entered into on November 1, 2018 and amended on August 1, 2019 expired December 31, 2020.

The following table summarizes our activity under the ATM program:

Year Ending December 31,	**2020**	2019	2018
Number of shares issued	**8,459,430**	8,422,498	8,883,014
Average price per share	**$ 23.60**	$ 27.75	$ 26.85
Proceeds, net of fees (*in millions)*	**$ 196.5**	$ 229.1	$ 232.5

Private Placement of Common Stock. On May 4, 2018, we completed the sale of 24,964,163 shares of $0.01 par value common stock at a price of $24.28 per share in a private placement to selected institutional and accredited investors. The private placement resulted in $606.0 million of gross proceeds or $599.6 million of net proceeds, after deducting commissions and sale expenses. The common stock issued in connection with the private placement was registered on Form S-1, filed with the SEC on May 11, 2018.

Preferred Stock. On June 11, 2018, we completed the sale of 400,000 shares of 5.650% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock (the "Series A Preferred Stock") at a price of $1,000 per share. The transaction resulted in $400.0 million of gross proceeds or $393.9 million of net proceeds, after deducting commissions and sale expenses. The Series A Preferred Stock was issued in a private placement pursuant to SEC Rule 144A. On December 13, 2018, we filed a

registration statement with the SEC enabling holders to exchange their unregistered shares of Series A Preferred Stock for publicly registered shares with substantially identical terms.

Dividends on the Series A Preferred Stock accrue and are cumulative from the date the shares of Series A Preferred Stock were originally issued to, but not including, June 15, 2023 at a rate of 5.650% per annum of the $1,000 liquidation preference per share. On and after June 15, 2023, dividends on the Series A Preferred Stock will accumulate for each five year period at a percentage of the $1,000 liquidation preference equal to the five-year U.S. Treasury Rate plus (i) in respect of each five year period commencing on or after June 15, 2023 but before June 15, 2043, a spread of 2.843% (the “Initial Margin”), and (ii) in respect of each five year period commencing on or after June 15, 2043, the Initial Margin plus 1.000%. The Series A Preferred Stock may be redeemed by us at our option on June 15, 2023, or on each date falling on the fifth anniversary thereafter, or in connection with a ratings event (as defined in the Certificate of Designation of the Series A Preferred Stock).

As of December 31, 2020 and 2019, Series A Preferred Stock had $1.0 million of cumulative preferred dividends in arrears, or $2.51 per share.

Holders of Series A Preferred Stock generally have no voting rights, except for limited voting rights with respect to (i) potential amendments to our certificate of incorporation that would have a material adverse effect on the existing preferences, rights, powers or duties of the Series A Preferred Stock, (ii) the creation or issuance of any security ranking on a parity with the Series A Preferred Stock if the cumulative dividends payable on then outstanding Series A Preferred Stock are in arrears, or (iii) the creation or issuance of any security ranking senior to the Series A Preferred Stock. The Series A Preferred Stock does not have a stated maturity and is not subject to mandatory redemption or any sinking fund. The Series A Preferred Stock will remain outstanding indefinitely unless repurchased or redeemed by us. Any such redemption would be effected only out of funds legally available for such purposes and will be subject to compliance with the provisions of our outstanding indebtedness.

On December 5, 2018, we completed the sale of 20,000,000 depositary shares with an aggregate liquidation preference of $500,000,000 under the Company’s registration statement on Form S-3. Each depositary share represents 1/1,000th ownership interest in a share of our 6.500% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, liquidation preference $25,000 per share (equivalent to $25 per depositary share) (the “Series B Preferred Stock"). The transaction resulted in $500.0 million of gross proceeds or $486.1 million of net proceeds, after deducting commissions and sale expenses.

Dividends on the Series B Preferred Stock accrue and are cumulative from the date the shares of Series B Preferred Stock were originally issued to, but not including, March 15, 2024 at a rate of 6.500% per annum of the $25,000 liquidation preference per share. On and after March 15, 2024, dividends on the Series B Preferred Stock will accumulate for each five year period at a percentage of the $25,000 liquidation preference equal to the five-year U.S. Treasury Rate plus (i) in respect of each five year period commencing on or after March 15, 2024 but before March 15, 2044, a spread of 3.632% (the “Initial Margin”), and (ii) in respect of each five year period commencing on or after March 15, 2044, the Initial Margin plus 1.000%. The Series B Preferred Stock may be redeemed by us at our option on March 15, 2024, or on each date falling on the fifth anniversary thereafter, or in connection with a ratings event (as defined in the Certificate of Designation of the Series B Preferred Stock).

As of December 31, 2020 and 2019, Series B Preferred Stock had $1.4 million of cumulative preferred dividends in arrears, or $72.23 per share.

In addition, we issued 20,000 shares of “Series B-1 Preferred Stock”, par value $0.01 per share, (“Series B-1 Preferred Stock”), as a distribution with respect to the Series B Preferred Stock. As a result, each of the depositary shares issued on December 5, 2018 now represents a 1/1,000th ownership interest in a share of Series B Preferred Stock and a 1/1,000th ownership interest in a share of Series B-1 Preferred Stock. We issued the Series B-1 Preferred Stock to enhance the voting rights of the Series B Preferred Stock to comply with the minimum voting rights policy of the New York Stock Exchange. The Series B-1 Preferred Stock is paired with the Series B Preferred Stock and may not be transferred, redeemed or repurchased except in connection with the simultaneous transfer, redemption or repurchase of a like number of shares of the underlying Series B Preferred Stock.

Holders of Series B Preferred Stock generally have no voting rights, except for limited voting rights with respect to (i) potential amendments to our certificate of incorporation that would have a material adverse effect on the existing preferences, rights, powers or duties of the Series B Preferred Stock, (ii) the creation or issuance of any security ranking on a parity with the Series B Preferred Stock if the cumulative dividends payable on then outstanding Series B Preferred Stock are in arrears, or (iii) the creation or issuance of any security ranking senior to the Series B Preferred Stock. In addition, if and whenever dividends on any shares of Series B Preferred Stock shall not have been declared and paid for at least six dividend periods, whether or not consecutive, the number of directors then constituting our Board of Directors shall automatically be increased by two until all

accumulated and unpaid dividends on the Series B Preferred Stock shall have been paid in full, and the holders of Series B-1 Preferred Stock, voting as a class together with the holders of any outstanding securities ranking on a parity with the Series B-1 Preferred Stock and having like voting rights that are exercisable at the time and entitled to vote thereon, shall be entitled to elect the two additional directors. The Series B Preferred Stock does not have a stated maturity and is not subject to mandatory redemption or any sinking fund. The Series B Preferred Stock will remain outstanding indefinitely unless repurchased or redeemed by us. Any such redemption would be effected only out of funds legally available for such purposes and will be subject to compliance with the provisions of our outstanding indebtedness.

The following table summarizes preferred stock by outstanding series of shares:

			Year ended December 31,			December 31,	December 31,
			2020	2019	2018	2020	2019
(in millions except shares and per share amounts)	Liquidation Preference Per Share	Shares	Dividends Declared Per Share			Outstanding	
5.650% Series A	$ 1,000.00	400,000	$ 56.50	$ 56.50	$ 28.88	$ 393.9	$ 393.9
6.500% Series B	$ 25,000.00	20,000	$ 1,625.00	$ 1,674.65	$ —	$ 486.1	$ 486.1

Noncontrolling Interest in Consolidated Subsidiaries. In December 2020, NIPSCO and a tax equity partner completed their initial cash contributions into the Rosewater joint venture. Earnings, tax attributes and cash flows are allocated to both NIPSCO and the tax equity partner in varying percentages by category and over the life of the partnership. The tax equity partner's contributions, net of these allocations, is represented as a noncontrolling interest within total equity on the Consolidated Balance Sheets. Refer to Note 4, "Variable Interest Entities," for more information.

14. Share-Based Compensation

Prior to May 19, 2020 we issued share-based compensation to employees and non-employee directors under the NiSource Inc. 2010 Omnibus Plan ("2010 Omnibus Plan"), which was most recently approved by stockholders at the Annual Meeting of Stockholders held on May 12, 2015. The 2010 Omnibus Plan provided for awards to employees and non-employee directors of incentive and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards and superseded the Director Stock Incentive Plan (“Director Plan”) with respect to grants made after the effective date of the 2010 Omnibus Plan.

The stockholders approved and adopted the NiSource Inc. 2020 Omnibus Incentive Plan ("2020 Omnibus Plan") at the Annual Meeting of Stockholders held on May 19, 2020. The 2020 Omnibus Plan provides for awards to employees and non-employee directors of incentive and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards and supersedes the 2010 Omnibus Plan with respect to grants made after the effective date of the 2020 Omnibus Plan.

The 2020 Omnibus Plan provides that the number of shares of common stock of NiSource available for awards is 10,000,000 plus the number of shares subject to outstanding awards that expire or terminate for any reason that were granted under the 2020 Omnibus Plan, the 2010 Omnibus Plan or any other equity plan under which awards were outstanding as of May 19, 2020. At December 31, 2020, there were 10,007,832 shares available for future awards under the 2020 Omnibus Plan.

We recognized stock-based employee compensation expense of $13.5 million, $16.3 million and $15.2 million, during 2020, 2019 and 2018, respectively, as well as related tax benefits of $3.3 million, $4.0 million and $3.7 million, respectively. We recognized related excess tax expense from the distribution of vested share-based employee compensation of $0.4 million in 2020 and excess tax benefits of $0.8 million and $1.0 million in 2019 and 2018, respectively.

As of December 31, 2020, the total remaining unrecognized compensation cost related to non-vested awards amounted to $19.1 million, which will be amortized over the weighted-average remaining requisite service period of 1.9 years.

Restricted Stock Units and Restricted Stock. We granted 235,100, 166,031, and 158,689 restricted stock units and shares of restricted stock to employees, subject to service conditions in 2020, 2019, and 2018, respectively. The total grant date fair value of the restricted stock units and shares of restricted stock during 2020, 2019, and 2018, respectively, was $6.1 million, $4.1 million, and $3.5 million based on the average market price of our common stock at the date of each grant less the present value of any dividends not received during the vesting period, which will be expensed over the vesting period which is generally three

years. As of December 31, 2020, 223,724, 135,170, and 119,333 non-vested restricted stock units and shares of restricted stock granted in 2020, 2019, and 2018, respectively.

If an employee terminates employment before the service conditions lapse under the 2018, 2019 or 2020 awards due to (1) retirement or disability (as defined in the award agreement), or (2) death, the service conditions will lapse on the date of such termination with respect to a pro rata portion of the restricted stock units and shares of restricted stock based upon the percentage of the service period satisfied between the grant date and the date of the termination of employment. In the event of a change in control (as defined in the award agreement), all unvested shares of restricted stock and restricted stock units awarded will immediately vest upon termination of employment occurring in connection with a change in control. Termination due to any other reason will result in all unvested shares of restricted stock and restricted stock units awarded being forfeited effective on the employee's date of termination.

A summary of our restricted stock unit award transactions for the year ended December 31, 2020 is as follows:

(shares)	Restricted Stock Units	Weighted Average Award Date Fair Value Per Unit ($)
Non-vested at December 31, 2019	302,606	23.49
Granted	235,100	25.77
Forfeited	(38,220)	24.18
Vested	(21,259)	24.68
Non-vested at December 31, 2020	**478,227**	**24.51**

Employee Performance Shares. We granted 528,729 and 552,389 performance shares subject to service, performance and market-based vesting conditions in 2020 and 2019, respectively. We awarded 514,338 performance shares subject to similar service, performance and market conditions in 2018. The performance conditions are based on the achievement of one non-GAAP financial measure, relative total shareholder return and additional operational measures as outlined below.

The financial measure is cumulative net operating earnings per share ("NOEPS"), which we define as income from continuing operations adjusted for certain items. The number of cumulative NOEPS shares determined using this measure shall be increased or decreased based on our relative total shareholder return, a market-based vesting condition, which we define as the annualized growth in dividends and share price of a share of our common stock (calculated using a 20 trading day average of our closing price over the performance period, approximately) compared to the total shareholder return of a predetermined peer group of companies. A relative shareholder return result within the first quartile will result in an increase to the NOEPS shares of 25%, while a relative shareholder return result within the fourth quartile will result in a decrease of 25%. A Monte Carlo analysis was used to value the portion of these awards dependent on the market-based vesting condition. The grant date fair value of the NOEPS shares is based on the average market price of our common stock at the date of each grant less the present value of dividends not received during the vesting period, which will be expensed over the requisite service period of three years. See table below for further details on these awards.

If a threshold level of cumulative NOEPS financial performance is achieved, additional operational measures, which we refer to as the customer value framework and which consists of equally weighted areas of focus, apply. Each area of focus represents an equal portion of the customer value framework shares, and the targets for all areas of focus must be met for the customer value framework shares to vest at 100%. The grant date fair value of the customer value framework shares is based on the average market price of our common stock on the grant date of each award less the present value of dividends not received during the vesting period, which will be expensed over the requisite service period of three years for those customer value framework shares that are granted. See table below for further details on these awards.

For the 2020 awards, the customer value framework consists of four equally weighted areas of focus including safety, customer satisfaction, culture and environmental, each representing 25% of the customer value framework shares. For the 2019 and 2018 awards, the customer value framework consists of five equally weighted areas of focus including financial and all those noted for the 2020 awards, each representing 20% of the customer value framework shares.

For the 2018 awards, individual payout percentages for these shares may range from 0%-200% as determined by the compensation committee in its sole discretion. Due to this discretion, these shares are not considered to be granted under ASC

718. The service inception date fair value of the awards is based on the closing market price of our common stock on the service inception date of each award. This value will be reassessed at each reporting period to be based on our closing market price of our common stock at the reporting period date with adjustments to expense recorded as appropriate.

The following table presents details of the performance awards described above.

Award Year	Service Conditions Lapse date	Performance Period	Award Conditions	Shares outstanding at 12/31/2020 *(shares)*	Grant Date Fair Value *(in millions)*
2020	02/28/23	01/01/2020-12/31/2022	Non-GAAP Financial Measure	392,619	$ 11.7
			Operational Measures	90,604	$ 2.6
2019	02/28/22	01/01/2019-12/31/2021	Non-GAAP Financial Measure	384,680	$ 11.7
			Operational Measures	88,769	$ 2.5
2018	02/26/21	01/01/2018-12/31/2020	Non-GAAP Financial Measure	347,479	$ 9.2
			Operational Measures[(1)]	80,185	$ 2.4

[(1)] Grant date fair value amount represents the service inception date fair value of these awards as they are not yet granted.

A summary of our performance award transactions for the year ended December 31, 2020 is as follows:

(shares)	Performance Awards	Weighted Average Grant Date Fair Value Per Unit ($)[(1)]
Non-vested at December 31, 2019	1,503,251	22.74
Granted	528,729	27.01
Forfeited	(118,716)	25.63
Vested	(528,928)	28.30
Non-vested at December 31, 2020	**1,384,336**	**25.09**

[(1)] 2018 performance shares awarded based on the customer value index are included at reporting date fair value as these awards have not been granted under ASC 718 as discussed above.

Non-employee Director Awards. As of May 19, 2020, awards to non-employee directors may be made only under the 2020 Omnibus Plan. Currently, restricted stock units are granted annually to non-employee directors, subject to a non-employee director's election to defer receipt of such restricted stock unit award. The non-employee director's annual award of restricted stock units vest on the first anniversary of the grant date subject to special pro-rata vesting rules in the event of retirement or disability (as defined in the award agreement), or death. The vested restricted stock units are payable as soon as practicable following vesting except as otherwise provided pursuant to the non-employee director's deferral election. Certain restricted stock units remain outstanding from the 2010 Omnibus Plan and the Director Plan. All such awards are fully vested and shall be distributed to the directors upon their separation from the Board.

As of December 31, 2020, 210,273 restricted stock units are outstanding to non-employee directors under either the 2020 Omnibus Plan, the 2010 Omnibus Plan or the Director Plan. Of this amount, 67,806 restricted stock units are unvested and expected to vest.

401(k) Match, Profit Sharing and Company Contribution. We have a voluntary 401(k) savings plan covering eligible employees that allows for periodic discretionary matches as a percentage of each participant's contributions payable in cash for nonunion employees and generally payable in shares of NiSource common stock for union employees, subject to collective bargaining. We also have a retirement savings plan that provides for discretionary profit sharing contributions similarly payable in cash or shares of NiSource common stock to eligible employees based on earnings results, and eligible employees hired after

January 1, 2010 receive a non-elective company contribution of 3% of eligible pay similarly payable in cash or shares of NiSource common stock. For the years ended December 31, 2020, 2019 and 2018, we recognized 401(k) match, profit sharing and non-elective contribution expense of $37.8 million, $37.5 million and $37.6 million, respectively.

15. Long-Term Debt

Our long-term debt as of December 31, 2020 and 2019 is as follows:

Long-term debt type	Maturity as of December 31, 2020	Weighted average interest rate (%)	Outstanding balance as of December 31, *(in millions)* 2020	2019
Senior notes:				
NiSource	December 2021	4.45 %	—	63.6
NiSource	November 2022	2.65 %	—	500.0
NiSource	February 2023	3.85 %	—	250.0
NiSource	June 2023	3.65 %	—	350.0
NiSource	August 2025	0.95 %	**1,250.0**	—
NiSource	November 2025	5.89 %	—	265.0
NiSource	May 2027	3.49 %	**1,000.0**	1,000.0
NiSource	December 2027	6.78 %	**3.0**	3.0
NiSource	September 2029	2.95 %	**750.0**	750.0
NiSource	May 2030	3.60 %	**1,000.0**	—
NiSource	February 2031	1.70 %	**750.0**	—
NiSource	December 2040	6.25 %	**152.6**	250.0
NiSource	June 2041	5.95 %	**347.4**	400.0
NiSource	February 2042	5.80 %	**250.0**	250.0
NiSource	February 2043	5.25 %	**500.0**	500.0
NiSource	February 2044	4.80 %	**750.0**	750.0
NiSource	February 2045	5.65 %	**500.0**	500.0
NiSource	May 2047	4.38 %	**1,000.0**	1,000.0
NiSource	March 2048	3.95 %	**750.0**	750.0
Total senior notes			**$ 9,003.0**	$ 7,581.6
Medium term notes:				
NiSource	April 2022 to May 2027	7.99 %	**$ 49.0**	$ 49.0
NIPSCO	August 2022 to August 2027	7.61 %	**68.0**	68.0
Columbia of Massachusetts[(1)]	December 2025 to February 2028	6.37 %	**15.0**	40.0
Total medium term notes			**$ 132.0**	$ 157.0
Finance leases:				
NiSource Corporate Services	April 2022 to January 2025	2.19 %	**49.4**	22.3
NIPSCO	November 2028	1.79 %	**16.0**	—
Columbia of Ohio	October 2021 to March 2044	6.16 %	**91.2**	94.8
Columbia of Virginia	July 2029 to November 2039	6.30 %	**18.4**	19.1
Columbia of Kentucky	May 2027	3.79 %	**0.3**	0.3
Columbia of Pennsylvania	August 2027 to May 2035	5.65 %	**19.7**	20.7
Columbia of Massachusetts	N/A	— %	—	44.3
Total finance leases			**195.0**	201.5
Unamortized issuance costs and discounts			**$ (86.9)**	$ (70.5)
Total Long-Term Debt			**$ 9,243.1**	$ 7,869.6

[(1)]Rate increased from 6.30% in 2019 to 6.37% in 2020 in connection with debt redemptions described below.

Details of our 2020 long-term debt related activity are summarized below:

- On April 13, 2020, we completed the issuance and sale of $1.0 billion of 3.60% senior unsecured notes maturing in 2030, which resulted in approximately $987.8 million of net proceeds after deducting commissions and expenses.
- On August 18, 2020, we completed the issuance and sale of $1.25 billion of 0.95% senior unsecured notes maturing in 2025 and $750.0 million of 1.70% senior unsecured notes maturing in 2031, which resulted in approximately $1,980.4 million of net proceeds after deducting commissions and expenses.
- In August 2020, we executed tender offers for $969.3 million of outstanding notes consisting of a combination of our 4.45% notes due 2021, 2.65% notes due 2022, 3.85% notes due 2023, 3.65% notes due 2023, 6.25% notes due 2040, and 5.95% notes due 2041. In August and September 2020, we redeemed $609.3 million of outstanding notes representing the remainder of our 4.45% notes due 2021, 2.65% notes due 2022, 3.85% notes due 2023, and 3.65% notes due 2023 and all of our 5.89% notes due 2025. In conjunction with the debt retired, we recorded a $231.8 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums.
- In September 2020, Columbia of Massachusetts redeemed $25.0 million of its outstanding 6.26% notes due 2028. In conjunction with the debt retired, Columbia of Massachusetts recorded an $11.7 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums. Under the terms of the Asset Purchase Agreement, Columbia of Massachusetts' net working capital at the closing of the sale of the Massachusetts Business was increased by 50% of the debt extinguishment costs, which was approximately $5.3 million.

Details of our 2019 long-term debt related activity are summarized below:

- On April 1, 2019, NIPSCO repaid $41.0 million of 5.85% pollution control bonds at maturity.
- On August 12, 2019, we completed the issuance and sale of $750.0 million of 2.95% senior unsecured notes maturing in 2029 which resulted in approximately $742.4 million of net proceeds after deducting commissions and expenses.

See Note 20-A, "Contractual Obligations," for the outstanding long-term debt maturities at December 31, 2020.

Unamortized debt expense, premium and discount on long-term debt applicable to outstanding bonds are being amortized over the life of such bonds.

We are subject to a financial covenant under our revolving credit facility which requires us to maintain a debt to capitalization ratio that does not exceed 70%. As of December 31, 2020, the ratio was 62.5%.

We are also subject to certain other non-financial covenants under the revolving credit facility. Such covenants include a limitation on the creation or existence of new liens on our assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets equal to $150 million. An asset sale covenant generally restricts the sale, conveyance, lease, transfer or other disposition of our assets to those dispositions that are for a price not materially less than fair market of such assets, that would not materially impair our ability to perform obligations under the revolving credit facility, and that together with all other such dispositions, would not have a material adverse effect. The covenant also restricts dispositions to no more than 10% of our consolidated total assets on December 31, 2015. The revolving credit facility also includes a cross-default provision, which triggers an event of default under the credit facility in the event of an uncured payment default relating to any indebtedness of us or any of our subsidiaries in a principal amount of $50.0 million or more.

Our indentures generally do not contain any financial maintenance covenants. However, our indentures are generally subject to cross-default provisions ranging from uncured payment defaults of $5 million to $50 million, and limitations on the incurrence of liens on our assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets capped at 10% of our consolidated net tangible assets.

16. Short-Term Borrowings

We generate short-term borrowings from our revolving credit facility, commercial paper program, accounts receivable transfer programs and now-settled term loan borrowings. Each of these borrowing sources is described further below.

We maintain a revolving credit facility to fund ongoing working capital requirements, including the provision of liquidity support for our commercial paper program, provide for issuance of letters of credit and also for general corporate purposes. Our revolving credit facility has a program limit of $1.85 billion and is comprised of a syndicate of banks led by Barclays. On February 20, 2019, we extended the termination date of our revolving credit facility to February 20, 2024. At December 31, 2020 and 2019, we had no outstanding borrowings under this facility.

Our commercial paper program has a program limit of up to $1.5 billion with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. We had $503.0 million and $570.0 million of commercial paper outstanding as of December 31, 2020 and 2019, respectively.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Consolidated Balance Sheets. We had no transfers as of December 31, 2020 and $353.2 million in transfers as of December 31, 2019, respectively. Refer to Note 19, "Transfers of Financial Assets," for additional information.

On April 1, 2020, we terminated and repaid in full our existing $850.0 million term loan agreement with a syndicate of banks led by MUFG Bank, Ltd. and entered into a new $850.0 million term loan agreement with a syndicate of banks led by KeyBank National Association. Any and all outstanding borrowings under the term loan agreement were due by March 31, 2021. Interest charged on borrowings depended on the variable rate structure we elected at the time of each borrowing. The available variable rate structures from which we could choose were defined in the term loan agreement. Under the agreement, we borrowed $850.0 million on April 1, 2020 with an interest rate of LIBOR plus 75 basis points. On October 14, 2020, we terminated and repaid in full our $850.0 million term loan agreement with proceeds from the sale of the Massachusetts Business.

Short-term borrowings were as follows:

At December 31, *(in millions)*	**2020**	2019
Commercial Paper weighted-average interest rate of 0.27% and 2.03% at December 31, 2020 and 2019, respectively	**$ 503.0**	$ 570.0
Accounts receivable securitization facility borrowings	**—**	353.2
Term loan interest rate of 2.40% at December 31, 2019	**—**	$ 850.0
Total Short-Term Borrowings	**$ 503.0**	$ 1,773.2

Other than for the term loan, revolving credit facility and certain commercial paper borrowings, cash flows related to the borrowings and repayments of the items listed above are presented net in the Statements of Consolidated Cash Flows as their maturities are less than 90 days.

17. Leases

We adopted the provisions of ASC 842 beginning on January 1, 2019, using the transition method provided in ASU 2018-11, which was applied to all existing leases at that date. As such, results for reporting periods beginning after January 1, 2019 will be presented under ASC 842, while prior period amounts are reported in accordance with ASC 840. ASC 842 provides lessees the option of electing an accounting policy, by class of underlying asset, in which the lessee may choose not to separate nonlease components from lease components. We elected this practical expedient for our leases of fleet vehicles, IT assets and railcars. Adoption of this standard resulted in the recording of additional lease liabilities and corresponding ROU assets of $57.0 million on our Consolidated Balance Sheets as of January 1, 2019. The standard had no material impact on our Statements of Consolidated Income (Loss) or our Statements of Consolidated Cash Flows.

Lease Descriptions. We are the lessee for substantially all of our leasing activity, which includes operating and finance leases for corporate and field offices, railcars, fleet vehicles and certain IT assets. Our corporate and field office leases have remaining lease terms between 1 and 23 years with options to renew the leases for up to 25 years. We lease railcars to transport coal to and from our electric generation facilities in Indiana. Our railcars are specifically identified in the lease agreements and have lease terms between 1 and 2 years with options to renew for 1 year. Our fleet vehicles include trucks, trailers and equipment that have been customized specifically for use in the utility industry. We lease fleet vehicles on 1 year terms, after which we have the option to extend on a month-to-month basis or terminate with written notice. ROU assets and liabilities on our Consolidated Balance Sheets do not include obligations for possible fleet vehicle lease renewals beyond the initial lease term. While we have the ability to renew these leases beyond the initial term, we are not reasonably certain (as that term is defined in ASC 842) to do

so. We lease the majority of our IT assets under 4 year lease terms. Ownership of leased IT assets is transferred to us at the end of the lease term.

We have not provided material residual value guarantees for our leases, nor do our leases contain material restrictions or covenants. Lease contracts containing renewal and termination options are mostly exercisable at our sole discretion. Certain of our real estate and railcar leases include renewal periods in the measurement of the lease obligation if we have deemed the renewals reasonably certain to be exercised.

With respect to service contracts involving the use of assets, if we have the right to direct the use of the asset and obtain substantially all economic benefits from the use of an asset, we account for the service contract as a lease. Unless specifically provided to us by the lessor, we utilize NiSource's collateralized incremental borrowing rate commensurate to the lease term as the discount rate for all of our leases.

Lease costs for the years ended December 31, 2020 and December 31, 2019 are presented in the table below. These costs include both amounts recognized in expense and amounts capitalized as part of the cost of another asset. Income statement presentation for these costs (when ultimately recognized on the income statement) is also included:

Year Ended December 31, *(in millions)*	Income Statement Classification		**2020**		2019
Finance lease cost					
Amortization of right-of-use assets	Depreciation and amortization	**$**	**23.4**	$	15.5
Interest on lease liabilities	Interest expense, net		**11.1**		11.3
Total finance lease cost			**34.5**		26.8
Operating lease cost	Operation and maintenance		**20.3**		17.9
Short-term lease cost	Operation and maintenance		**—**		1.0
Total lease cost		**$**	**54.8**	$	45.7

Our right-of-use assets and liabilities are presented in the following lines on the Consolidated Balance Sheets:

At December 31, *(in millions)*	Balance Sheet Classification		**2020**		2019
Assets					
Finance leases	Net Property, Plant and Equipment	**$**	**176.8**	$	179.5
Operating leases	Deferred charges and other		**39.9**		64.2
Total leased assets			**216.7**		243.7
Liabilities					
Current					
Finance leases	Current portion of long-term debt		**23.3**		13.4
Operating leases	Other accruals		**10.3**		13.2
Noncurrent					
Finance leases	Long-term debt, excluding amounts due within one year		**171.7**		188.1
Operating leases	Other noncurrent liabilities		**29.9**		51.6
Total lease liabilities		**$**	**235.2**	$	266.3

Other pertinent information related to leases was as follows:

Year Ended December 31, *(in millions)*	**2020**	2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows used for finance leases	**$ 11.1**	$ 11.3
Operating cash flows used for operating leases	**20.2**	17.9
Financing cash flows used for finance leases	**18.4**	10.6
Right-of-use assets obtained in exchange for lease obligations		
Finance leases	**59.3**	26.4
Operating leases	**$ 10.9**	$ 13.4

	December 31, 2020	December 31, 2019
Weighted-average remaining lease term (years)		
Finance leases	**11.2**	14.8
Operating leases	**8.0**	9.2
Weighted-average discount rate		
Finance leases	**5.1 %**	5.9 %
Operating leases	**4.0 %**	4.3 %

Maturities of our lease liabilities as of December 31, 2020 were as follows:

As of December 31, 2020, *(in millions)*	Total	Finance Leases	Operating Leases
2021	$ 44.4	$ 32.7	$ 11.7
2022	37.4	32.2	5.2
2023	33.5	28.8	4.7
2024	25.3	20.8	4.5
2025	19.8	16.1	3.7
Thereafter	152.3	134.1	18.2
Total lease payments	312.7	264.7	48.0
Less: Imputed interest	(77.5)	(69.7)	(7.8)
Total	235.2	195.0	40.2
Reported as of December 31, 2020			
Short-term lease liabilities	33.6	23.3	10.3
Long-term lease liabilities	201.6	171.7	29.9
Total lease liabilities	$ 235.2	$ 195.0	$ 40.2

There were no leases signed but not yet commenced as of December 31, 2020.

Disclosures Related to Periods Prior to Adoption of ASC 842. We lease assets in several areas of our operations including fleet vehicles and equipment, rail cars for coal delivery and certain operations centers. Payments made in connection with operating leases were $49.1 million in 2018, and were primarily charged to operation and maintenance expense as incurred.

18. Fair Value

A. Fair Value Measurements

Recurring Fair Value Measurements. The following tables present financial assets and liabilities measured and recorded at fair value on our Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2020 and December 31, 2019:

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

Recurring Fair Value Measurements December 31, 2019 (*in millions*)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2019
Assets				
Risk management assets	$ —	$ 4.4	$ —	$ 4.4
Available-for-sale securities	—	154.2	—	154.2
Total	**$ —**	**$ 158.6**	**$ —**	**$ 158.6**
Liabilities				
Risk management liabilities	$ —	$ 146.6	$ —	$ 146.6
Total	**$ —**	**$ 146.6**	**$ —**	**$ 146.6**

Risk Management Assets and Liabilities. Risk management assets and liabilities include interest rate swaps, exchange-traded NYMEX futures and NYMEX options and non-exchange-based forward purchase contracts. When utilized, exchange-traded derivative contracts are based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore, nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. We use a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability and market-corroborated inputs, (i.e., inputs derived principally from or corroborated by observable market data by correlation or other means). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized within Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized within Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements that reduce exposures. As of December 31, 2020 and 2019, there were no material transfers between fair

value hierarchies. Additionally, there were no changes in the method or significant assumptions used to estimate the fair value of our financial instruments.

Credit risk is considered in the fair value calculation of each of our forward-starting interest rate swaps, as described in Note 10, "Risk Management Activities." As they are based on observable data and valuations of similar instruments, the hedges are categorized within Level 2 of the fair value hierarchy. There was no exchange of premium at the initial date of the swaps, and we can settle the contracts at any time.

NIPSCO has entered into long-term forward natural gas purchase instruments to lock in a fixed price for its natural gas customers. We value these contracts using a pricing model that incorporates market-based information when available, as these instruments trade less frequently and are classified within Level 2 of the fair value hierarchy. For additional information see Note 10, “Risk Management Activities.”

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

We adopted ASC 326 effective January 1, 2020. See "Recently Adopted Accounting Pronouncements" in Note 2, "Recent Accounting Pronouncements," for more information about ASC 326. Upon adoption of ASC 326, our available-for-sale debt securities impairments are recognized periodically using an allowance approach instead of an 'other than temporary' impairment model. At each reporting date, we utilize a quantitative and qualitative review process to assess the impairment of available-for-sale debt securities at the individual security level. For securities in a loss position, we evaluate our intent to sell or whether it is more-likely-than-not that we will be required to sell the security prior to the recovery of its amortized cost. If either criteria is met, the loss is recognized in earnings immediately, with the offsetting entry to the carrying value of the security. If both criteria are not met, we perform an analysis to determine whether the unrealized loss is related to credit factors. The analysis focuses on a variety of factors that include, but are not limited to, downgrade on ratings of the security, defaults in the current reporting period or projected defaults in the future, the security's yield spread over treasuries, and other relevant market data. If the unrealized loss is not related to credit factors, it is included in other comprehensive income. If the unrealized loss is related to credit factors, the loss is recognized as credit loss expense in earnings during the period, with an offsetting entry to the allowance for credit losses. The amount of the credit loss recorded to the allowance account is limited by the amount at which security's fair value is less than its amortized cost basis. If the credit losses in the allowance for credit losses are deemed uncollectible, the allowance on the uncollectible portion will be charged off, with an offsetting entry to the carrying value of the security. Subsequent improvements to the estimated credit losses of available-for-sale debt securities will be recognized immediately in earnings instead of over-time as they would under historic guidance. During the year ended December 31, 2020, we recorded $0.5 million as an allowance for credit losses on available-for-sale debt securities as a result of the analysis described above. Continuous credit monitoring and portfolio credit balancing mitigates our risk of credit losses on our available-for-sale debt securities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of available-for-sale securities at December 31, 2020 and 2019 were:

December 31, 2020 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[1]	Allowance for Credit Losses	Fair Value
Available-for-sale debt securities					
U.S. Treasury debt securities	$ 33.7	$ 0.3	$ —	$ —	$ 34.0
Corporate/Other debt securities	130.2	7.7	(0.5)	(0.5)	136.9
Total	**$ 163.9**	**$ 8.0**	**$ (0.5)**	**$ (0.5)**	**$ 170.9**

December 31, 2019 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[2]	Allowance for Credit Losses	Fair Value
Available-for-sale debt securities					
U.S. Treasury debt securities	$ 31.4	$ 0.1	$ (0.1)	$ —	$ 31.4
Corporate/Other debt securities	118.7	4.2	(0.1)	—	122.8
Total	**$ 150.1**	**$ 4.3**	**$ (0.2)**	**$ —**	**$ 154.2**

[1] Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is $0 and $13.2 million, respectively, at December 31, 2020.
[2] Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is $17.2 million and $12.2 million, respectively, at December 31, 2019.

Realized gains and losses on available-for-sale securities were immaterial for the year-ended December 31, 2020 and 2019.

The cost of maturities sold is based upon specific identification. At December 31, 2020, approximately $4.9 million of U.S. Treasury debt securities and approximately $4.3 million of Corporate/Other debt securities have maturities of less than a year.

There are no material items in the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended December 31, 2020 and 2019.

Non-recurring Fair Value Measurements. We measure the fair value of certain assets on a non-recurring basis, typically annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include goodwill and other intangible assets.

The sale of the Massachusetts Business occurred on October 9, 2020, and the assets and liabilities of the Massachusetts Business were measured at fair value, less costs to sell. Our estimated total pre-tax loss for the year ended December 31, 2020 is $412.4 million.

At December 31, 2019, we recorded an impairment charge of $204.8 million for goodwill and an impairment charge of $209.7 million for franchise rights, in each case related to Columbia of Massachusetts. For additional information, see Note 7, “Goodwill and Other Intangible Assets.”

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

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

Long-term debt. The fair value of outstanding long-term debt is estimated based on the quoted market prices for the same or similar securities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value. These fair value measurements are classified within Level 2 of the fair value hierarchy. For the years ended December 31, 2020 and 2019, there was no change in the method or significant assumptions used to estimate the fair value of long-term debt.

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

At December 31, *(in millions)*	**Carrying Amount 2020**	**Estimated Fair Value 2020**	Carrying Amount 2019	Estimated Fair Value 2019
Long-term debt (including current portion)	**$ 9,243.1**	**$ 11,034.2**	$ 7,869.6	$ 8,764.4

19. Transfers of Financial Assets

Columbia of Ohio, NIPSCO and Columbia of Pennsylvania each maintain a receivables agreement whereby they transfer their customer accounts receivables to third party financial institutions through wholly-owned and consolidated special purpose entities. The three agreements expire between May 2021 and October 2021 and may be further extended if mutually agreed to by the parties thereto.

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

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Consolidated Balance Sheets. As of December 31, 2020, the maximum amount of debt that could be recognized related to our accounts receivable programs is $380.0 million.

The following table reflects the gross receivables balance and net receivables transferred as well as short-term borrowings related to the securitization transactions as of December 31, 2020 and 2019:

At December 31, *(in millions)*	**2020**	2019
Gross receivables	**$ 607.7**	$ 569.1
Less: receivables not transferred	**607.7**	215.9
Net receivables transferred	**$ —**	$ 353.2
Short-term debt due to asset securitization	**$ —**	$ 353.2

During 2020 and 2019, $353.2 million and $46.0 million, respectively, was recorded as cash flows used for financing activities related to the change in short-term borrowings due to securitization transactions. Fees associated with the securitization transactions were $2.6 million for the years ended December 31, 2020, 2019 and 2018. Columbia of Ohio, NIPSCO and Columbia of Pennsylvania remain responsible for collecting on the receivables securitized, and the receivables cannot be transferred to another party.

20. Other Commitments and Contingencies

A. Contractual Obligations. We have certain contractual obligations requiring payments at specified periods. The obligations include long-term debt, lease obligations, energy commodity contracts and obligations for various services including pipeline capacity and outsourcing of IT services. The total contractual obligations in existence at December 31, 2020 and their maturities were:

(in millions)	Total	2021	2022	2023	2024	2025	After
Long-term debt [1]	$ 9,135.0	$ —	$ 30.0	$ —	$ —	$ 1,260.0	$ 7,845.0
Interest payments on long-term debt	6,046.3	336.3	335.7	334.1	334.1	334.1	4,372.0
Finance leases[2]	264.7	32.7	32.2	28.8	20.8	16.1	134.1
Operating leases[3]	48.0	11.7	5.2	4.7	4.5	3.7	18.2
Energy commodity contracts	42.1	42.1	—	—	—	—	—
Service obligations:							
Pipeline service obligations[4]	1,495.6	468.7	422.5	256.0	150.5	56.2	141.7
IT service obligations	240.3	74.9	74.0	38.1	30.5	22.8	—
Other service obligations[5]	12.6	12.6	—	—	—	—	—
Other liabilities[6]	116.9	26.0	0.8	90.1	—	—	—
Total contractual obligations	$ 17,401.5	$ 1,005.0	$ 900.4	$ 751.8	$ 540.4	$ 1,692.9	$ 12,511.0

[1] Long-term debt balance excludes unamortized issuance costs and discounts of $86.9 million.
[2] Finance lease payments shown above are inclusive of interest totaling $69.7 million.
[3] Operating lease payments shown above are inclusive of interest totaling $7.8 million. Operating lease balances do not include obligations for possible fleet vehicle lease renewals beyond the initial lease term. While we have the ability to renew these leases beyond the initial term, we are not reasonably certain (as that term is defined in ASC 842) to do so as they are renewed month-to-month after the first year. If we were to continue the fleet vehicle leases outstanding at December 31, 2020, payments would be $30.0 million in 2021, $27.7 million in 2022, $24.9 million in 2023, $22.0 million in 2024, $19.0 million in 2025 and $21.5 million thereafter.
[4] In February 2021, the demand rate increased for our pipeline service obligations, resulting in a total increase of $638.6 million in addition to our future pipeline service obligations shown above.
[5] On February 9, 2021, a rail transportation contract for the transportation of coal was fully executed between NIPSCO and a counterparty, replacing the prior agreement. The minimum coal tonnage shipment commitment for 2021 was eliminated under the new agreement, reducing our contractual obligation for 2021 by $12.1 million.
[6] Other liabilities shown above are inclusive of the Rosewater Developer payment due in 2023.

Purchase and Service Obligations. We have entered into various purchase and service agreements whereby we are contractually obligated to make certain minimum payments in future periods. Our purchase obligations are for the purchase of physical quantities of natural gas, electricity and coal. Our service agreements encompass a broad range of business support and maintenance functions which are generally described below.

Our subsidiaries have entered into various energy commodity contracts to purchase physical quantities of natural gas, electricity and coal. These amounts represent the minimum quantity of these commodities we are obligated to purchase at both fixed and variable prices. To the extent contractual purchase prices are variable, obligations disclosed in the table above are valued at market prices as of December 31, 2020.

NIPSCO has power purchase arrangements representing a total of 500 MW of wind power, with contracts expiring between between 2024 and 2040. No minimum quantities are specified within these agreements due to the variability of electricity generation from wind, so no amounts related to these contracts are included in the table above. Upon early termination of one of these agreements by NIPSCO for any reason (other than material breach by the counterparties), NIPSCO may be required to pay a termination charge that could be material depending on the events giving rise to termination and the timing of the termination.

We have pipeline service agreements that provide for pipeline capacity, transportation and storage services. These agreements, which have expiration dates ranging from 2021 to 2038, require us to pay fixed monthly charges.

NIPSCO has contracts with three major rail operators providing for coal transportation services for which there are certain minimum payments. These service contracts extend for various periods through 2021.

We have executed agreements with multiple IT service providers. The agreements extend for various periods through 2025.

B. Guarantees and Indemnities. We and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries as part of normal business. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. At December 31, 2020 and 2019, we had issued stand-by letters of credit of $15.2 million and $10.2 million , respectively, for the benefit of third parties.

We have provided guarantees related to our future performance under BTAs for our renewable generation projects. At December 31, 2020, our guarantees for the Rosewater and Indiana Crossroads BTAs totaled $40.7 million. The amount of each guaranty will decrease upon the substantial completion of the construction of the facilities. See "- E. Other Matters - NIPSCO 2018 Integrated Resource Plan," below for more information.

C. Legal Proceedings. On September 13, 2018, a series of fires and explosions occurred in Lawrence, Andover and North Andover, Massachusetts related to the delivery of natural gas by Columbia of Massachusetts (the "Greater Lawrence Incident"). The Greater Lawrence Incident resulted in one fatality and a number of injuries, damaged multiple homes and businesses, and caused the temporary evacuation of significant portions of each municipality. The Massachusetts Governor's Office declared a state of emergency, authorizing the Massachusetts DPU to order another utility company to coordinate the restoration of utility services in Lawrence, Andover and North Andover. The incident resulted in the interruption of gas for approximately 7,500 gas meters, the majority of which served residences and approximately 700 of which served businesses, and the interruption of other utility service more broadly in the area. Columbia of Massachusetts has replaced the cast iron and bare steel gas pipeline system in the affected area and restored service to nearly all of the gas meters. See "- E. Other Matters - Greater Lawrence Pipeline Replacement" below for more information. On September 1, 2020, the Massachusetts Governor terminated the state of emergency declared following the Greater Lawrence Incident.

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

NTSB Investigation. As previously disclosed, the NTSB concluded its investigation into the Greater Lawrence Incident. On November 24, 2020, the NTSB closed NiSource's one remaining open safety recommendation.

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

On March 9, 2020, Columbia of Massachusetts entered its guilty plea pursuant to the Plea Agreement, which the Court accepted. Subsequently, Columbia of Massachusetts and the U.S. Attorney's Office modified the Plea Agreement. On June 23, 2020, the Court sentenced Columbia of Massachusetts in accordance with the terms of the modified Plea Agreement. Under the modified Plea Agreement, Columbia of Massachusetts is subject to the following terms, among others: (i) a criminal fine in the amount of $53,030,116, which has been paid; (ii) a three year probationary period that will terminate early upon a sale of Columbia of Massachusetts or a sale of its gas distribution business to a qualified third-party buyer consistent with certain requirements, but in no event before the end of the one-year mandatory period of probation; (iii) compliance with each of the NTSB recommendations stemming from the Greater Lawrence Incident; and (iv) employment of an in-house monitor until the end of the term of probation or until the sale of Columbia of Massachusetts or its gas distribution business, whichever is earlier. On October 13, 2020, the Court, upon agreement of the U.S. Attorney's Office and Columbia Gas of Massachusetts, modified the terms of probation by ending the term of the in-house monitor.

Under the DPA, the U.S. Attorney's Office agreed to defer prosecution of the Company in connection with the Greater Lawrence Incident for a three-year period (which three-year period may be extended for twelve (12) months upon the U.S.

Attorney's Office's determination of a breach of the DPA) subject to certain obligations of the Company, including, but not limited to, the following: (i) the Company will use reasonable best efforts to sell Columbia of Massachusetts or Columbia of Massachusetts' gas distribution business to a qualified third-party buyer consistent with certain requirements, and, upon the completion of any such sale, the Company will cease and desist any and all gas pipeline and distribution activities in the District of Massachusetts; (ii) the Company will forfeit and pay, within 30 days of the later of the sale becoming final or the date on which post-closing adjustments to the purchase price are finally determined in accordance with the agreement to sell Columbia of Massachusetts or its gas distribution business, a fine equal to the total amount of the profit or gain, if any, from any sale of Columbia of Massachusetts or its gas distribution business, with the amount of profit or gain determined as provided in the DPA; and (iii) the Company agrees as to each of the Company's subsidiaries involved in the distribution of gas through pipeline facilities in Massachusetts, Indiana, Ohio, Pennsylvania, Maryland, Kentucky and Virginia to implement and adhere to each of the recommendations from the NTSB stemming from the Greater Lawrence Incident. Pursuant to the DPA, if the Company complies with all of its obligations under the DPA, including, but not limited to those identified above, the U.S. Attorney's Office will not file any criminal charges against the Company related to the Greater Lawrence Incident. If Columbia of Massachusetts withdraws its plea for any reason, if the Court rejects any aspect of the Plea Agreement, or if Columbia of Massachusetts should fail to perform an obligation under the Plea Agreement prior to the sale of Columbia of Massachusetts or its gas distribution business, the U.S. Attorney's Office may, at its sole option, render the DPA null and void. The sale of the Massachusetts Business was completed on October 9, 2020. The Company was not required to forfeit or pay any funds because the Company did not realize a profit or gain from the sale as provided in the DPA.

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

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

On July 26, 2019, the Company, Columbia of Massachusetts and NiSource Corporate Services Company, a subsidiary of the Company, entered into a term sheet with the class action plaintiffs under which they agreed to settle the class action claims in connection with the Greater Lawrence Incident. Columbia of Massachusetts agreed to pay $143 million into a settlement fund to compensate the settlement class and the settlement class agreed to release Columbia of Massachusetts and affiliates from all claims arising out of or related to the Greater Lawrence Incident. The following claims are not covered under the proposed settlement because they are not part of the consolidated class action: (1) physical bodily injury and wrongful death; (2) insurance subrogation, whether equitable, contractual or otherwise; and (3) claims arising out of appliances that are subject to the Massachusetts DPU orders. Emotional distress and similar claims are covered under the proposed settlement unless they are secondary to a physical bodily injury. The settlement class is defined under the term sheet as all persons and businesses in the three municipalities of Lawrence, Andover and North Andover, Massachusetts, subject to certain limited exceptions. The motion for preliminary approval and the settlement documents were filed on September 25, 2019. The preliminary approval court hearing was held on October 7, 2019 and the court issued an order granting preliminary approval of the settlement on October 11, 2019. The Court granted final approval of the settlement on March 12, 2020.

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

Shareholder Derivative Lawsuit. On April 28, 2020, a shareholder derivative lawsuit was filed by the City of Detroit Police and Fire Retirement System in the United States District Court for the District of Delaware against certain of our current and former directors, alleging breaches of fiduciary duty with respect to the pipeline safety management systems relating to the distribution of natural gas prior to the Greater Lawrence Incident and also including claims related to our proxy statement

disclosures regarding our safety systems. The remedies sought include damages for the alleged breaches of fiduciary duty, corporate governance reforms, and restitution of any unjust enrichment. The defendants have filed a motion to dismiss the lawsuit. The motion to dismiss is fully briefed. On January 5, 2021, the judge set the defendants' motion to dismiss for oral argument on March 2, 2021. Because of the preliminary nature of this lawsuit, we are not able to estimate a loss or range of loss, if any, that may be incurred in connection with this matter at this time.

Financial Impact. Since the Greater Lawrence Incident, we have recorded expenses of approximately $1,036 million for third-party claims and fines, penalties and settlements associated with government investigations. We estimate that total costs related to third-party claims and fines, penalties and settlements associated with government investigations resulting from the incident will range from $1,036 million to $1,050 million, depending on the number, nature, final outcome and value of third-party claims. With regard to third-party claims, these costs include, but are not limited to, personal injury and property damage claims, damage to infrastructure, business interruption claims, and mutual aid payments to other utilities assisting with the restoration effort. These costs do not include costs of certain third-party claims and fines, penalties or settlements associated with government investigations that we are not able to estimate. These costs also do not include non-claims related and government investigation-related legal expenses resulting from the incident, the capital cost of the pipeline replacement and the payment in lieu of penalties, which are set forth in " - D. Other Matters - Greater Lawrence Incident Restoration," "- Greater Lawrence Incident Pipeline Replacement," and Note 1-A, "Company Structure and Principles of Consolidation," respectively.

The process for estimating costs associated with third-party claims relating to the Greater Lawrence Incident requires management to exercise significant judgment based on a number of assumptions and subjective factors. As more information becomes known, management's estimates and assumptions regarding the financial impact of the Greater Lawrence Incident may change.

The aggregate amount of third-party liability insurance coverage available for losses arising from the Greater Lawrence Incident is $800 million. We collected the entire $800 million as of December 31, 2019. Total expenses related to the incident have exceeded the total amount of insurance coverage available under our policies. Refer to "- E. Other Matters - Greater Lawrence Incident Restoration," below for a summary of third-party claims-related expense activity and associated insurance recoveries recorded since the Greater Lawrence Incident.

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

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

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

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

As of December 31, 2020 and 2019, we had recorded a liability of $92.6 million and $104.4 million, respectively, to cover environmental remediation at various sites. The current portion of this liability is included in "Other Accruals" in the Consolidated Balance Sheets. The noncurrent portion is included in "Other noncurrent liabilities." We recognize costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for remediation activities may differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including currently enacted laws and regulations, the nature and extent of impact and the method of remediation. These expenditures are not currently estimable at some sites. We periodically adjust our liability as information is collected and estimates become more refined.

Electric Operations' compliance estimates disclosed below are reflective of NIPSCO's Integrated Resource Plan submitted to the IURC on October 31, 2018. See section " - E. Other Matters - NIPSCO 2018 Integrated Resource Plan," below for additional information.

Air

Future legislative and regulatory programs could significantly limit allowed GHG emissions or impose a cost or tax on GHG emissions. Additionally, rules that require further GHG reductions or impose additional requirements for natural gas facilities could impose additional costs. NiSource will carefully monitor all GHG reduction proposals and regulations.

ACE Rule. On July 8, 2019, the EPA published the final ACE rule, which establishes emission guidelines for states to use when developing plans to limit carbon dioxide at coal-fired electric generating units based on heat rate improvement measures. The U.S. Court of Appeals for the D.C. Circuit vacated and remanded the rule on January 19, 2021. NIPSCO will continue to monitor this matter.

Waste

CERCLA. Our subsidiaries are potentially responsible parties at waste disposal sites under the CERCLA (commonly known as Superfund) and similar state laws. Under CERCLA, each potentially responsible party can be held jointly, severally and strictly liable for the remediation costs as the EPA, or state, can allow the parties to pay for remedial action or perform remedial action themselves and request reimbursement from the potentially responsible parties. Our affiliates have retained CERCLA environmental liabilities, including remediation liabilities, associated with certain current and former operations. These liabilities are not material to the Consolidated Financial Statements.

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

We utilize a probabilistic model to estimate our future remediation costs related to MGP sites. The model was prepared with the assistance of a third party and incorporates our experience and general industry experience with remediating MGP sites. We complete an annual refresh of the model in the second quarter of each fiscal year. No material changes to the estimated future remediation costs were noted as a result of the refresh completed as of June 30, 2020. Our total estimated liability related to the facilities subject to remediation was $85.0 million and $102.2 million at December 31, 2020 and 2019, respectively. The liability represents our best estimate of the probable cost to remediate the facilities. We believe that it is reasonably possible that remediation costs could vary by as much as $20 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date, and experience with similar facilities.

CCRs. On April 17, 2015, the EPA issued a final rule for regulation of CCRs. The rule regulates CCRs under the RCRA Subtitle D, which determines them to be nonhazardous. The rule is implemented in phases and requires increased groundwater monitoring, reporting, recordkeeping and posting of related information to the Internet. The rule also establishes requirements related to CCR management and disposal. The rule will allow NIPSCO to continue its byproduct beneficial use program.

To comply with the rule, NIPSCO completed capital expenditures in 2019 to modify its infrastructure and manage CCRs. The CCR rule also resulted in revisions to previously recorded legal obligations associated with the retirement of certain NIPSCO facilities. The actual asset retirement costs related to the CCR rule may vary substantially from the estimates used to record the increased asset retirement obligation due to the uncertainty about the requirements that will be established by environmental authorities, compliance strategies that will be used and the preliminary nature of available data used to estimate costs. As allowed by the rule, NIPSCO will continue to collect data over time to determine the specific compliance solutions and associated costs and, as a result, the actual costs may vary. NIPSCO will also continue to work with EPA and the Indiana Department of Environmental Management to obtain administrative approvals associated with the CCR rule. In the event that the approvals are not obtained, future operations could be impacted. We believe the possibility of such an outcome is remote.

E. Other Matters.

NIPSCO 2018 Integrated Resource Plan. NIPSCO concluded in its October 2018 Integrated Resource Plan submission that NIPSCO's current fleet of coal generation facilities will be retired earlier than previous Integrated Resource Plans had indicated. The Integrated Resource Plan evaluated demand-side and supply-side resource alternatives to reliably and cost effectively meet NIPSCO customers' future energy requirements over the ensuing 20 years. The preferred option within the Integrated Resource Plan retires the R.M. Schahfer Generating Station by mid-2023 and the Michigan City Generating Station by the end of 2028. These units represent 2,080 MW of generating capacity, equal to 72% of NIPSCO's remaining generating capacity and 100% of NIPSCO's remaining coal-fired generating capacity. NIPSCO will refresh its 2018 Integrated Resource Plan in 2021.

In the second quarter of 2020, the MISO approved NIPSCO's plan to retire the R.M. Schahfer Generating Station in 2023. In accordance with ASC 980-360, the net book value of certain plant and equipment for the R.M. Schahfer Generating Station was reclassified as "Non-Utility and Other" as described in Note 6, "Property, Plant and Equipment." The December 2019, NIPSCO electric rate case order included approval to create a regulatory asset upon the retirement of the R.M. Schahfer Generating Station. The order allows for the recovery of and on the net book value of the station by the end of 2032. Refer to Note 6, "Property, Plant and Equipment" for further information.

In connection with the MISO's approval of NIPSCO's planned retirement of the R.M. Schahfer Generating Station, we recorded $4.6 million of plant retirement-related charges in the second quarter of 2020. These charges are presented within "Operation and maintenance" and were comprised of write downs of certain capital projects that have been cancelled and materials and supplies inventory balances deemed obsolete due to the planned retirement. As more information becomes available, the retirement date of the R.M. Schahfer Generating Station will be finalized, and additional plant retirement-related charges may be incurred. In February 2021, NIPSCO decided to submit modified Attachment Y Notices to MISO requesting accelerated retirement of two of the four coal fired units at R.M. Schahfer Generating Station. The two units are now expected to be retired by the end of 2021, with the remaining two units still scheduled to be retired in 2023. At retirement, the net book value of the retired units will be reclassified from "Non-Utility and Other property", to current and long-term "Regulatory Assets," as described above.

In connection with the planned retirement of the Schahfer Generating Station and the Michigan City Generating Station, the current capacity replacement plan includes lower-cost, reliable, cleaner energy resources to be obtained through a combination of NIPSCO ownership and PPAs. To this effect, NIPSCO has entered into a number of agreements with counterparties.

NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities. NIPSCO's purchase requirement under the BTAs is dependent on satisfactory approval of the BTA by the IURC, successful execution of an agreement with a tax equity partner and timely completion of construction. NIPSCO and the tax equity partner are obligated to make cash contributions to the partnership at the date construction is substantially complete. Once the tax equity partner has earned their negotiated rate of return and we have reached the agreed upon contractual date, NIPSCO has the option to purchase at fair market value from the tax equity partner the remaining interest in the aforementioned joint venture.

Greater Lawrence Incident Restoration. In addition to the amounts estimated for third-party claims and fines, penalties and settlements associated with government investigations described above, we have recorded expenses for other incident-related costs. Such costs include certain consulting costs, legal costs, vendor costs, claims center costs, labor and related expenses incurred in connection with the incident, and insurance-related loss surcharges. These amounts do not include the capital cost of the pipeline replacement, which is set forth below.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The following table summarizes expenses incurred and insurance recoveries recorded since the Greater Lawrence Incident. This activity is presented within "Operation and maintenance" and "Other, net" in our Statements of Consolidated Income (Loss).

(in millions)	Total Costs Incurred through December 31, 2019	**Year Ended December 31, 2020**	Incident to Date
Third-party claims and government fines, penalties and settlements	$ 1,041	**$ (5)**	$ 1,036
Other incident-related costs	420	**22**	442
Total	1,461	**17**	1,478
Insurance recoveries recorded	(800)	—	(800)
Total costs incurred	$ 661	**$ 17**	$ 678

As discussed in "- C. Legal Proceedings," the aggregate amount of third-party liability insurance coverage available for losses arising from the Greater Lawrence Incident is $800 million. While we collected the entire $800 million, expenses related to the incident exceeded the total amount of insurance coverage available under our policies.

The following table summarizes the total estimated incident-related expenses.

(in millions)	**Current Total Estimated Amount**
Third-party claims and government fines, penalties and settlements	$1,036 - $1,050
Other incident-related costs	$445 - $450

Greater Lawrence Pipeline Replacement. In connection with the Greater Lawrence Incident, Columbia of Massachusetts, in cooperation with the Massachusetts Governor's office, replaced the entire affected pipeline system. We invested approximately $258 million of capital spend for the pipeline replacement; this work was completed in 2019. We maintain property insurance for gas pipelines and other applicable property. Columbia of Massachusetts has filed a proof of loss with its property insurer for the pipeline replacement. In January 2020, we filed a lawsuit against the property insurer, seeking payment of our property claim. We are currently unable to predict the timing or amount of any insurance recovery under the property policy. Refer to Note 1-A, "Company Structure and Principles of Consolidation," for more information.

State Income Taxes Related to Greater Lawrence Incident Expenses. As of December 31, 2018, expenses related to the Greater Lawrence Incident were $1,023 million. In the fourth quarter of 2019, we filed an application for Alternative Apportionment with the MA DOR to request an allocable approach to these expenses for purposes of Massachusetts state income taxes, which, if approved, would result in a state deferred tax asset of approximately $50 million, net. The MA DOR issued a denial during the first quarter of 2020. We filed an application for abatement in the second quarter of 2020, resulting in a hearing with the MA DOR during the fourth quarter of 2020. We believe it is reasonably possible that an alternative method will be proposed by the MA DOR during the first half of 2021.

Voluntary Separation Program. On August 5, 2020, we commenced a voluntary separation program for certain employees. Expense for the voluntary separation program was predominantly recognized in the third quarter of 2020, when the employees accepted the offer, absent a retention period. For employees that have a retention period, expense will be recognized over the remaining service period. Employee acceptance under the voluntary separation program was determined by management based on facts and circumstances of the benefits being offered. The total severance expense for employees who were accepted under the voluntary separation program offered in August 2020 is approximately $38 million, which will be recognized over the remaining service period of the applicable employees. A rollforward of the voluntary separation program accrual for the year ended December 31, 2020 is presented below:

(in millions)	**Balance as of January 1, 2020**	**Changes Attributable to Costs Incurred[1]**	**Costs Paid**	**Adjustments**	**Balance as of December 31, 2020[2]**
Voluntary Separation Program	$ —	33.5	$ (21.2)	(1.2)	$ 11.1

[1]This activity is presented within "Operation and maintenance" in our Statements of Consolidated Income (Loss).
[2]This activity is presented within "Accrued compensation and employee benefits" in our Consolidated Balance Sheets.

21. Accumulated Other Comprehensive Loss

The following table displays the activity of Accumulated Other Comprehensive Loss, net of tax:

(in millions)	Gains and Losses on Securities[1]	Gains and Losses on Cash Flow Hedges[1]	Pension and OPEB Items[1]	Accumulated Other Comprehensive Loss[1]
Balance as of January 1, 2018	**$ 0.2**	**$ (29.4)**	**$ (14.2)**	**$ (43.4)**
Other comprehensive income (loss) before reclassifications	(3.0)	55.8	(4.4)	48.4
Amounts reclassified from accumulated other comprehensive loss	0.4	(33.1)	—	(32.7)
Net current-period other comprehensive income (loss)	(2.6)	22.7	(4.4)	15.7
Reclassification due to adoption of ASU 2018-02	—	(6.3)	(3.2)	(9.5)
Balance as of December 31, 2018	**$ (2.4)**	**$ (13.0)**	**$ (21.8)**	**$ (37.2)**
Other comprehensive income (loss) before reclassifications	6.1	(64.3)	2.3	(55.9)
Amounts reclassified from accumulated other comprehensive loss	(0.4)	0.1	0.8	0.5
Net current-period other comprehensive income (loss)	5.7	(64.2)	3.1	(55.4)
Balance as of December 31, 2019	**$ 3.3**	**$ (77.2)**	**$ (18.7)**	**$ (92.6)**
Other comprehensive income (loss) before reclassifications	3.3	(70.8)	2.9	(64.6)
Amounts reclassified from accumulated other comprehensive loss	(0.6)	0.1	1.0	0.5
Net current-period other comprehensive income (loss)	2.7	(70.7)	3.9	(64.1)
Balance as of December 31, 2020	**$ 6.0**	**$ (147.9)**	**$ (14.8)**	**$ (156.7)**

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

22. Other, Net

Year Ended December 31, *(in millions)*	2020	2019	2018
Interest income	**$ 5.5**	$ 7.7	$ 6.6
AFUDC equity	**9.9**	8.0	14.2
Charitable contributions[1]	**(1.5)**	(5.1)	(45.3)
Pension and other postretirement non-service cost[2]	**9.3**	(16.5)	18.0
Sale of emission reduction credits	**4.6**	—	—
Interest rate swap settlement gain[3]	—	—	46.2
Miscellaneous	**4.3**	0.7	3.8
Total Other, net	**$ 32.1**	$ (5.2)	$ 43.5

[1] 2018 charitable contributions include $20.7 million related to the Greater Lawrence Incident and $20.0 million of discretionary contributions made to the NiSource Charitable Foundation. See Note 20, "Other Commitments and Contingencies" for additional information on the Greater Lawrence Incident.
[2] See Note 12, "Pension and Other Postretirement Benefits" for additional information.
[3] See Note 10, "Risk Management Activities" for additional information.

23. Interest Expense, Net

Year Ended December 31, *(in millions)*	2020	2019	2018
Interest on long-term debt	**$ 354.2**	$ 327.7	$ 342.2
Interest on short-term borrowings	**14.7**	50.8	31.8
Debt discount/cost amortization	**9.1**	8.3	7.7
Accounts receivable securitization fees	**2.6**	2.6	2.6
Allowance for borrowed funds used and interest capitalized during construction	**(7.0)**	(7.5)	(9.1)
Debt-based post-in-service carrying charges	**(14.6)**	(18.7)	(35.0)
Other	**11.7**	15.7	13.1
Total Interest Expense, net	**$ 370.7**	$ 378.9	$ 353.3

24. Segments of Business

At December 31, 2020, our operations are divided into two primary reportable segments, the Gas Distribution Operations and the Electric Operations segment. The remainder of our operations, which are not significant enough on a stand-alone basis to warrant treatment as an operating segment, are presented as "Corporate and Other" and primarily are comprised of interest expense on holding company debt, and unallocated corporate costs and activities. Refer to Note 3, "Revenue Recognition," for additional information on our segments and their sources of revenues. The following table provides information about our reportable segments. We use operating income as our primary measurement for each of the reported segments and make decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market, regulated prices or at levels provided for under contractual agreements. Operating income is derived from revenues and expenses directly associated with each segment.

Year Ended December 31, *(in millions)*	2020	2019	2018
Operating Revenues			
Gas Distribution Operations			
Unaffiliated	**$ 3,128.1**	$ 3,509.7	$ 3,406.4
Intersegment	**12.1**	13.1	13.1
Total	**3,140.2**	3,522.8	3,419.5
Electric Operations			
Unaffiliated	**1,535.9**	1,698.4	1,707.4
Intersegment	**0.7**	0.8	0.8
Total	**1,536.6**	1,699.2	1,708.2
Corporate and Other			
Unaffiliated	**17.7**	0.8	0.7
Intersegment	**449.8**	468.1	517.6
Total	**467.5**	468.9	518.3
Eliminations	**(462.6)**	(482.0)	(531.5)
Consolidated Operating Revenues	**$ 4,681.7**	$ 5,208.9	$ 5,114.5

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Year Ended December 31, *(in millions)*	**2020**	2019	2018
Operating Income (Loss)			
Gas Distribution Operations[1]	**$ 199.1**	$ 675.4	$ (254.1)
Electric Operations	**348.8**	406.8	386.1
Corporate and Other[2]	**2.9**	(191.5)	(7.3)
Consolidated Operating Income	**$ 550.8**	$ 890.7	$ 124.7
Depreciation and Amortization			
Gas Distribution Operations	**$ 363.1**	$ 403.2	$ 301.0
Electric Operations	**321.3**	277.3	262.9
Corporate and Other	**41.5**	36.9	35.7
Consolidated Depreciation and Amortization	**$ 725.9**	$ 717.4	$ 599.6
Assets			
Gas Distribution Operations	**$ 13,433.0**	$ 14,224.5	$ 13,527.0
Electric Operations	**6,443.1**	6,027.6	5,735.2
Corporate and Other	**2,164.4**	2,407.7	2,541.8
Consolidated Assets	**$ 22,040.5**	$ 22,659.8	$ 21,804.0
Capital Expenditures[3]			
Gas Distribution Operations	**$ 1,266.9**	$ 1,380.3	$ 1,315.3
Electric Operations	**422.8**	468.9	499.3
Corporate and Other	**31.1**	18.6	—
Consolidated Capital Expenditures	**$ 1,720.8**	$ 1,867.8	$ 1,814.6

[1]In 2020, Gas Distribution Operations reflects the loss of $412.4 million on the sale of the Massachusetts Business. For additional information, see Note 1, "Nature of Operations and Summary of Significant Accounting Policies".
[2]In 2019, Corporate and Other reflects an impairment charge of $204.8 million for goodwill related to Columbia of Massachusetts. For additional information, see Note 7, "Goodwill and Other Intangible Assets."
[3]Amounts differ from those presented on the Statements of Consolidated Cash Flows primarily due to the inclusion of capital expenditures in current liabilities, the capitalized portion of the Corporate Incentive Plan payout, and AFUDC Equity.

25. Quarterly Financial Data (Unaudited)

Quarterly financial data does not always reveal the trend of our business operations due to nonrecurring items and seasonal weather patterns, which affect earnings and related components of revenue and operating income.

(in millions, except per share data)	First Quarter[1]	Second Quarter[2]	Third Quarter[3]	Fourth Quarter[4]
2020				
Operating Revenues	$ 1,605.5	$ 962.7	$ 902.5	$ 1,211.0
Operating Income	148.2	91.7	92.8	218.1
Net Income (Loss)	75.6	(4.7)	(172.9)	87.8
Net income attributable to noncontrolling interest	—	—	—	3.4
Net Income (Loss) attributable to NiSource	75.6	(4.7)	(172.9)	84.4
Preferred Dividends	(13.8)	(13.8)	(13.8)	(13.7)
Net Income (Loss) Available to Common Shareholders	61.8	(18.5)	(186.7)	70.7
Earnings (Loss) Per Share				
Basic Earnings (Loss) Per Share	$ 0.16	$ (0.05)	$ (0.49)	$ 0.18
Diluted Earnings (Loss) Per Share	$ 0.16	$ (0.05)	$ (0.49)	$ 0.18
2019				
Operating Revenues	$ 1,869.8	$ 1,010.4	$ 931.5	$ 1,397.2
Operating Income (Loss)	374.2	463.5	91.0	(38.0)
Net Income (Loss)	218.9	296.9	6.6	(139.3)
Preferred Dividends	(13.8)	(13.8)	(13.8)	(13.7)
Net Income (Loss) Available to Common Shareholders	205.1	283.1	(7.2)	(153.0)
Earnings (Loss) Per Share				
Basic Earnings (Loss) Per Share	$ 0.55	$ 0.76	$ (0.02)	$ (0.41)
Diluted Earnings (Loss) Per Share	$ 0.55	$ 0.75	$ (0.02)	$ (0.41)

(1) Net income for the first quarter of 2020 was impacted by $280.2 million loss on sale of the Massachusetts Business. Net income for the first quarter of 2019 was impacted by $108.0 million in insurance recoveries (pretax) related to the Greater Lawrence Incident. See Note 1, "Company Structure and Principles of Consolidation" and Note 20-E, "Other Matters" for additional information.

(2) Net income for the second quarter of 2020 was impacted by an additional $84.4 million loss on sale of the Massachusetts Business. Net income for the second quarter of 2019 was impacted by $297.0 million in insurance recoveries (pretax) related to the Greater Lawrence Incident. See Note 1, "Company Structure and Principles of Consolidation" and Note 20-E, "Other Matters" for additional information.

(3) Net loss for the third quarter of 2020 was impacted by $243.4 million loss on early extinguishments of long-term debt. See Note 15, "Long-Term Debt" for additional information.

(4) Net loss for the fourth quarter of 2019 was impacted by an impairment charge of $204.8 million for goodwill and an impairment charge of $209.7 million for franchise rights, in each case related to Columbia of Massachusetts. For additional information, see Note 7, "Goodwill and Other Intangible Assets."

26. Supplemental Cash Flow Information

The following table provides additional information regarding our Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018:

Year Ended December 31, *(in millions)*	**2020**	2019	2018
Supplemental Disclosures of Cash Flow Information			
Non-cash transactions:			
Capital expenditures included in current liabilities	**$ 170.4**	$ 223.6	$ 152.0
Assets acquired under a finance lease	**59.3**	26.4	54.6
Assets acquired under an operating lease	**10.9**	13.4	—
Reclassification of other property to regulatory assets[1]	**—**	—	245.3
Assets recorded for asset retirement obligations[2]	**91.5**	54.6	78.1
Obligation to developer at formation of joint venture[3]	**69.7**	—	—
Schedule of interest and income taxes paid:			
Cash paid for interest, net of interest capitalized amounts	**$ 349.0**	$ 349.7	$ 354.2
Cash paid for income taxes, net of refunds[4]	**(1.0)**	10.8	3.3

[1]See Note 9 "Regulatory Matters" for additional information.
[2]See Note 8 "Asset Retirement Obligations" for additional information.
[3]Represents investing non-cash activity. See Note 4 "Variable Interest Entities" for additional information.
[4]Amount of refunds in 2020 was greater than the amount of tax payments due to overpayments in 2019.

NISOURCE INC.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

Twelve months ended December 31, 2020

($ in millions)	Balance Jan. 1, 2020	Additions: Charged to Costs and Expenses	Additions: Charged to Other Account [1]	Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2020
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:					
Reserve for accounts receivable	$ 19.2	$ 31.6	$ 33.0	$ 31.5	$ 52.3
Reserve for other investments	3.0	—	—	3.0	—

Twelve months ended December 31, 2019

($ in millions)	Balance Jan. 1, 2019	Additions: Charged to Costs and Expenses	Additions: Charged to Other Account [1]	Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2019
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:					
Reserve for accounts receivable	$ 21.1	$ 21.6	$ 41.3	$ 64.8	$ 19.2
Reserve for other investments	3.0	—	—	—	3.0

Twelve months ended December 31, 2018

($ in millions)	Balance Jan. 1, 2018	Additions: Charged to Costs and Expenses	Additions: Charged to Other Account [1]	Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2018
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:					
Reserve for accounts receivable	$ 18.3	$ 20.2	$ 43.7	$ 61.1	$ 21.1
Reserve for other investments	3.0	—	—	—	3.0

[1] Charged to Other Accounts reflects the deferral of bad debt expense to a regulatory asset.

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NISOURCE INC.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our chief executive officer and chief financial officer, are responsible for establishing and maintaining internal control over financial reporting, as such term is defined under Rule 13a-15(f) or Rule 15d-15(f) promulgated under the Exchange Act. However, management would note that a control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our management has adopted the 2013 framework set forth in the Committee of Sponsoring Organizations of the Treadway Commission report, Internal Control - Integrated Framework, the most commonly used and understood framework for evaluating internal control over financial reporting, as its framework for evaluating the reliability and effectiveness of internal control over financial reporting. During 2020, we conducted an evaluation of our internal control over financial reporting. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of the end of the period covered by this annual report.

Deloitte & Touche LLP, our independent registered public accounting firm, issued an attestation report on our internal controls over financial reporting which is included herein.

Changes in Internal Controls

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

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ITEM 9A. CONTROLS AND PROCEDURES

NISOURCE INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of NiSource Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of NiSource Inc. and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 17, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
February 17, 2021

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ITEM 9B. OTHER INFORMATION

NISOURCE INC.

Not applicable.

PART III

NISOURCE INC.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except for the information required by this item with respect to our executive officers included at the end of Part I of this report on Form 10-K, the information required by this Item 10 is incorporated herein by reference to the discussion in "Proposal 1 Election of Directors," "Corporate Governance," and "Delinquent Section 16(a) Reports"" of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2021.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference to the discussion in "Corporate Governance - Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Executive Compensation," and "Executive Compensation - Compensation Committee Report," of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2021.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated herein by reference to the discussion in "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2021.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference to the discussion in "Corporate Governance - Policies and Procedures with Respect to Transactions with Related Persons" and "Corporate Governance - Director Independence" of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2021.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 is incorporated herein by reference to the discussion in "Independent Registered Public Accounting Firm Fees" of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2021.

PART IV

NISOURCE INC.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements and Financial Statement Schedules

The following financial statements and financial statement schedules filed as a part of the Annual Report on Form 10-K are included in Item 8, "Financial Statements and Supplementary Data."

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Exhibits

The exhibits filed herewith as a part of this report on Form 10-K are listed on the Exhibit Index below. Each management contract or compensatory plan or arrangement of ours, listed on the Exhibit Index, is separately identified by an asterisk.

Pursuant to Item 601(b), paragraph (4)(iii)(A) of Regulation S-K, certain instruments representing long-term debt of our subsidiaries have not been included as Exhibits because such debt does not exceed 10% of the total assets of ours and our subsidiaries on a consolidated basis. We agree to furnish a copy of any such instrument to the SEC upon request.

EXHIBIT NUMBER	DESCRIPTION OF ITEM
(1.1)	Form of Equity Distribution Agreement (incorporated by reference to Exhibit 1.1 to the NiSource Inc. Form 8-K filed on November 1, 2018).
(1.2)	Form of Master Forward Sale Confirmation (incorporated by reference to Exhibit 1.2 to the NiSource Inc. Form 8-K filed on November 1, 2018).
(2.1)	Separation and Distribution Agreement, dated as of June 30, 2015, by and between NiSource Inc. and Columbia Pipeline Group, Inc. (incorporated by reference to Exhibit 2.1 to the NiSource Inc. Form 8-K filed on July 2, 2015).
(2.2)	Asset Purchase Agreement, dated as of February 26, 2020, by and among NiSource Inc., Bay State Gas Company d/b/a Columbia Gas of Massachusetts and Eversource Energy (incorporated by reference to Exhibit 2.1 of the NiSource Inc. Form 8-K filed on February 27, 2020).***
(3.1)	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-Q, filed with the Commission on August 3, 2015).
(3.2)	Certificate of Amendment of Amended and Restated Certificate of Incorporation of NiSource dated May 7, 2019 (incorporated by reference to Exhibit 3.1 of the NiSource Inc. Form 8-K filed on May 8, 2019).
(3.3)	Bylaws of NiSource Inc., as amended and restated through January 26, 2018 (incorporated by reference to Exhibit 3.1 to the NiSource Inc. Form 8-K filed on January 26, 2018).
(3.4)	Certificate of Designations of 5.65% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 of the NiSource Inc. Form 8-K filed on June 12, 2018).
(3.5)	Form of Certificate of Designations of 6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 of the NiSource Inc. Form 8-K filed on November 29, 2018).
(3.6)	Certificate of Designations of 6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 of the NiSource Inc. Form 8-K filed on December 6, 2018).

(3.7)	Certificate of Designations of Series B-1 Preferred Stock (incorporated by reference to Exhibit 3.1 to the NiSource Inc. Form 8-K filed on December 27, 2018).
(4.1)	Indenture, dated as of March 1, 1988, by and between Northern Indiana Public Service Company ("NIPSCO") and Manufacturers Hanover Trust Company, as Trustee (incorporated by reference to Exhibit 4 to the NIPSCO Registration Statement (Registration No. 33-44193)).
(4.2)	First Supplemental Indenture, dated as of December 1, 1991, by and between Northern Indiana Public Service Company and Manufacturers Hanover Trust Company, as Trustee (incorporated by reference to Exhibit 4.1 to the NIPSCO Registration Statement (Registration No. 33-63870)).
(4.3)	Indenture Agreement, dated as of February 14, 1997, by and between NIPSCO Industries, Inc., NIPSCO Capital Markets, Inc. and Chase Manhattan Bank as trustee (incorporated by reference to Exhibit 4.1 to the NIPSCO Industries, Inc. Registration Statement (Registration No. 333-22347)).
(4.4)	Second Supplemental Indenture, dated as of November 1, 2000, by and among NiSource Capital Markets, Inc., NiSource Inc., New NiSource Inc., and The Chase Manhattan Bank, as trustee (incorporated by reference to Exhibit 4.45 to the NiSource Inc. Form 10-K for the period ended December 31, 2000).
(4.5)	Indenture, dated November 14, 2000, among NiSource Finance Corp., NiSource Inc., as guarantor, and The Chase Manhattan Bank, as Trustee (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form S-3, dated November 17, 2000 (Registration No. 333-49330)).
(4.6)	Form of 3.490% Notes due 2027 (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form 8-K filed on May 17, 2017).
(4.7)	Form of 4.375% Notes due 2047 (incorporated by reference to Exhibit 4.2 to the NiSource Inc. Form 8-K filed on May 17, 2017).
(4.8)	Form of 3.950% Notes due 2048 (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form 8-K filed on September 8, 2017).
(4.9)	Form of 2.650% Notes due 2022 (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form 8-K filed on November 14, 2017).
(4.10)	Second Supplemental Indenture, dated as of November 30, 2017, between NiSource Inc. and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.4 to Post-Effective Amendment No. 1 to Form S-3 filed November 30, 2017 (Registration No. 333-214360)).
(4.11)	Third Supplemental Indenture, dated as of November 30, 2017, between NiSource Inc. and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.2 to the NiSource Inc. Form 8-K filed on December 1, 2017).
(4.12)	Second Supplemental Indenture, dated as of February 12, 2018, between Northern Indiana Public Service Company and The Bank of New York Mellon, solely as successor trustee under the Indenture dated as of March 1, 1988 between the Company and Manufacturers Hanover Trust Company, as original trustee. (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form 10-Q filed on May 2, 2018).
(4.13)	Third Supplemental Indenture, dated as of June 11, 2018, by and between NiSource Inc. and The Bank of New York Mellon, as trustee (including form of 3.650% Notes due 2023) (incorporated by reference to Exhibit 4.1 of the NiSource Inc. Form 8-K filed on June 12, 2018).
(4.14)	Deposit Agreement, dated as of December 5, 2018, among NiSource, Inc., Computershare Inc. and Computershare Trust Company, N.A., acting jointly as depositary, and the holders from time to time of the depositary receipts described therein (incorporated by reference to Exhibit 4.1 of the NiSource Inc. Form 8-K filed on December 6, 2018).
(4.15)	Form of Depositary Receipt (incorporated by reference to Exhibit 4.1 of the NiSource Inc. Form 8-K filed on December 6, 2018).
(4.16)	Amended and Restated Deposit Agreement, dated as of December 27, 2018, among NiSource, Inc., Computershare Inc. and Computershare Trust Company, N.A., acting jointly as depositary, and the holders from time to time of the depositary receipts described therein (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form 8-K filed on December 27, 2018).
(4.17)	Form of Depositary Receipt (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form 8-K filed on December 27, 2018).

(4.18)	Form of 2.950% Notes due 2029 (incorporated by reference to Exhibit 4.1 to NiSource Inc. Form 8-K filed on August 12, 2019).
(4.19)	Amended and Restated NiSource Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit C to the Registrant's Definitive Proxy Statement on Schedule 14A, filed with the Commission on April 1, 2019).
(4.20)	Description of NiSource Inc.'s Securities Registered Under Section 12 of the Exchange Act. (incorporated by reference to Exhibit 4.20 of the NiSource Form 10-K filed on February 28, 2020)
(4.21)	Form of 3.600% Notes due 2030 (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form 8-K filed on April 8, 2020).
(4.22)	Form of 0.950% Notes due 2025 (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form 8-K filed on August 18, 2020).
(4.23)	Form of 1.700% Notes due 2031(incorporated by reference to Exhibit 4.2 to the NiSource Inc. Form 8-K filed on August 18, 2020).
(10.1)	2010 Omnibus Incentive Plan (incorporated by reference to Exhibit B to the NiSource Inc. Definitive Proxy Statement to Stockholders for the Annual Meeting held on May 11, 2010, filed on April 2, 2010).*
(10.2)	First Amendment to the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 10-K filed on February 18, 2014.)*
(10.3)	2010 Omnibus Incentive Plan (incorporated by reference to Exhibit C to the NiSource Inc. Definitive Proxy Statement to Stockholders for the Annual Meeting held on May 12, 2015, filed on April 7, 2015).*
(10.4)	Second Amendment to the NiSource Inc. 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 8-K filed October 23, 2015.)*
(10.5)	Form of Amended and Restated 2013 Performance Share Agreement effective on implementation of the spin-off on July 1, 2015, (under the 2010 Omnibus Incentive Plan)(incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 10-Q filed on November 3, 2015).*
(10.6)	Form of Amended and Restated 2014 Performance Share Agreement effective on the implementation of the spin-off on July 1, 2015, (under the 2010 Omnibus Incentive Plan)(incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 10-Q filed on November 3, 2015).*
(10.7)	Form of Amendment to Restricted Stock Unit Award Agreement related to Vested but Unpaid NiSource Restricted Stock Unit Awards for Nonemployee Directors of NiSource entered into as of July 13, 2015 (incorporated by reference to Exhibit 10.3 to the NiSource Inc. Form 10-Q filed on November 3, 2015).*
(10.8)	NiSource Inc. Nonemployee Director Retirement Plan, as amended and restated effective May 13, 2008 (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 10-K filed on February 27, 2009).*
(10.9)	Supplemental Life Insurance Plan effective January 1, 1991, as amended, (incorporated by reference to Exhibit 2 to the NIPSCO Industries, Inc. Form 8-K filed on March 25, 1992).*
(10.10)	Revised Form of Change in Control and Termination Agreement (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 8-K filed on October 23, 2015.)*
(10.11)	Form of Restricted Stock Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.18 to the NiSource Inc. Form 10-K filed on February 28, 2011).*
(10.12)	Form of Restricted Stock Unit Award Agreement for Non-employee directors under the Non-employee Director Stock Incentive Plan (incorporated by reference to Exhibit 10.19 to the NiSource Inc. Form 10-K filed on February 28, 2011).*
(10.13)	Form of Restricted Stock Unit Award Agreement for Nonemployee Directors under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to NiSource Inc. Form 10-Q filed on August 2, 2011).*
(10.14)	Form of Restricted Stock Unit Award Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.17 to the NiSource Inc. Form 10-K filed on February 22, 2017).*
(10.15)	Form of Restricted Stock Unit Award Agreement for Nonemployee Directors under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.18 to the NiSource Inc. Form 10-K filed on February 22, 2017). *

(10.16)	Amended and Restated NiSource Inc. Executive Deferred Compensation Plan effective November 1, 2012 (incorporated by reference to Exhibit 10.21 to the NiSource Inc. Form 10-K filed on February 19, 2013).*
(10.17)	NiSource Inc. Executive Severance Policy, as amended and restated, effective January 1, 2015 (incorporated by reference to Exhibit 10.21 to the NiSource Inc. Form 10-K filed on February 18, 2015).*
(10.18)	Note Purchase Agreement, dated as of August 23, 2005, by and among NiSource Finance Corp., as issuer, NiSource Inc., as guarantor, and the purchasers named therein (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Current Report on Form 8-K filed on August 26, 2005).
(10.19)	Amendment No. 1, dated as of November 10, 2008, to the Note Purchase Agreement by and among NiSource Finance Corp., as issuer, NiSource Inc., as guarantor, and the purchasers whose names appear on the signature page thereto (incorporated by reference to Exhibit 10.30 to the NiSource Inc. Form 10-K filed on February 27, 2009).
(10.20)	Letter Agreement, dated as of March 17, 2015, by and between NiSource Inc. and Donald Brown. (incorporated by reference Exhibit 10.1 to the NiSource Inc. Form 10-Q filed on April 30, 2015).*
(10.21)	Letter Agreement, dated as of February 23, 2016, by and between NiSource Inc. and Pablo A. Vegas. (incorporated by reference Exhibit 10.29 to the NiSource Inc. Form 10-K filed on February 22, 2017).*
(10.22)	Employee Matters Agreement, dated as of June 30, 2015, by and between NiSource Inc. and Columbia Pipeline Group, Inc. (incorporated by reference to Exhibit 10.2 of the NiSource Inc. Form 8-K filed on July 2, 2015).
(10.23)	Form of Change in Control and Termination Agreement (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 10-Q filed on August 2, 2017).*
(10.24)	Form of Performance Share Award Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.33 to the NiSource Form 10-K filed on February 20, 2018).*
(10.25)	Form of Restricted Stock Unit Award Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.34 to the NiSource Form 10-K filed on February 20, 2018).*
(10.26)	Common Stock Subscription Agreement, dated as of May 2, 2018, by and among NiSource Inc. and the purchasers named therein (incorporated by reference to Exhibit 10.1 of the NiSource Inc. Form 8-K filed on May 2, 2018).
(10.27)	Registration Rights Agreement, dated as of May 2, 2018, by and among NiSource Inc. and the purchasers named therein (incorporated by reference to Exhibit 10.2 of the NiSource Inc. Form 8-K filed on May 2, 2018).
(10.28)	Purchase Agreement, dated as of June 6, 2018, by and among NiSource Inc. and Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and MUFG Securities Americas Inc., as representatives, relating to the 5.650% Series A Preferred Stock (incorporated by reference to Exhibit 10.1 of the NiSource Inc. Form 8-K filed on June 12, 2018).
(10.29)	Purchase Agreement, dated as of June 6, 2018, by and among NiSource Inc. and Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and MUFG Securities Americas Inc., as representatives, relating to the 3.650% Notes due 2023 (incorporated by reference to Exhibit 10.2 of the NiSource Inc. Form 8-K filed on June 12, 2018).
(10.30)	Registration Rights Agreement, dated as of June 11, 2018, by and among NiSource Inc. and Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and MUFG Securities Americas Inc., as representatives, relating to the 5.650% Series A Preferred Stock (incorporated by reference to Exhibit 10.3 of the NiSource Inc. Form 8-K filed on June 12, 2018).
(10.31)	Registration Rights Agreement, dated as of June 11, 2018, by and among NiSource Inc. and Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and MUFG Securities Americas Inc., as representatives, relating to the 3.650% Notes due 2023 (incorporated by reference to Exhibit 10.4 of the NiSource Inc. Form 8-K filed on June 12, 2018).
(10.32)	Form of 2019 Performance Share Award Agreement under the 2010 Omnibus Incentive Plan. (incorporated by reference to Exhibit 10.45 of the NiSource Inc. Form 10-K filed on February 20, 2019).*

(10.33)	Fifth Amended and Restated Revolving Credit Agreement, dated as of February 20, 2019, among NiSource Inc., as Borrower, the Lenders party thereto, Barclays Bank PLC, as Administrative Agent, Citibank, N.A. and MUFG Bank, Ltd., as Co-Syndication Agents, Credit Suisse AG, Cayman Islands Branch, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as Co-Documentation Agents, and Barclays Bank PLC, Citibank, N.A., MUFG Bank, Ltd., Credit Suisse Loan Funding LLC, JPMorgan Chase Bank, N.A. and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Bookrunners (incorporated by reference to Exhibit 10.1 of the NiSource Inc. Form 8-K filed on February 20, 2019).
(10.34)	Amended and Restated NiSource Inc. Employee Stock Purchase Plan adopted as of February 1, 2019 (incorporated by reference to Exhibit C to the NiSource Inc. Definitive Proxy Statement to Stockholders for the Annual Meeting to be held on May 7, 2019, filed on April 1, 2019).
(10.35)	Form of Performance Share Award Agreement (incorporated by reference to Exhibit 10.39 of the NiSource Form 10-K filed on February 28, 2020).*
(10.36)	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.40 of the NiSource Form 10-K filed on February 28, 2020). *
(10.37)	Form of Cash-Based Award Agreement (incorporated by reference to Exhibit 10.41 of the NiSource Form 10-K filed on February 28, 2020). *
(10.38)	Columbia Gas of Massachusetts Plea Agreement dated February 26, 2020 (incorporated by reference to Exhibit 10.2 of the NiSource Inc. Form 8-K filed on February 27, 2020).
(10.39)	NiSource Deferred Prosecution Agreement dated February 26, 2020 (incorporated by reference to Exhibit 10.1 of the NiSource Inc. Form 8-K filed on February 27, 2020).
(10.40)	Term Loan Agreement, dated as of April 1, 2020, among NiSource Inc., as Borrower, the lenders party thereto, and KeyBank National Association, as Administrative Agent, and KeyBank National Association, PNC Bank, National Association and U.S. Bank National Association, as Joint Lead Arrangers and Joint Bookrunners (incorporated by reference to Exhibit 10.1 of the NiSource Inc. Form 8-K filed on April 1, 2020).
(10.41)	2020 Omnibus Incentive Plan (incorporated by reference to Exhibit A to the NiSource Inc. Definitive Proxy Statement to Stockholders for the Annual Meeting held on May 19, 2020, filed on April 13, 2020).*
(10.42)	Settlement Agreement, dated July 2, 2020, by and among Bay State Gas Company d/b/a Columbia Gas of Massachusetts, NiSource Inc., Eversource Gas Company of Massachusetts, Eversource Energy, the Massachusetts Attorney General's Office, the Massachusetts Department of Energy Resources the Low-Income Weatherization and Fuel Assistance Program Network (incorporated by reference to Exhibit 10.1 of the NiSource Inc. Form 8-K filed on July 6, 2020).
(10.43)	Form of Restricted Stock Unit Award Agreement for Nonemployee Directors under the 2020 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 of the NiSource Inc. Form 10-Q filed on August 5, 2020).*
(10.44)	Addendum to Plea Agreement filed on or about June 21, 2020 in the United States District Court for the District of Massachusetts (incorporated by reference to Exhibit 10.4 of the NiSource Inc. Form 10-Q filed on August 5, 2020).
(10.45)	Letter Agreement by and among NiSource Inc., Bay State Gas Company d/b/a Columbia Gas of Massachusetts and Eversource Energy Relating to Asset Purchase Agreement, dated October 9, 2020 (incorporated by reference to Exhibit 10.3 to the NiSource Inc. Form 10-Q filed on November 2, 2020).***
(10.46)	NiSource Inc. Supplemental Executive Retirement Plan, as amended and restated effective November 1, 2020 (incorporated by reference to Exhibit 10.4 to the NiSource Inc. Form 10-Q filed on November 2, 2020).*
(10.47)	Pension Restoration Plan for NiSource Inc. and Affiliates, as amended and restated effective November 1, 2020 (incorporated by reference to Exhibit 10.5 to the NiSource Inc. Form 10-Q filed on November 2, 2020).
(10.48)	Savings Restoration Plan for NiSource Inc. and Affiliates, as amended and restated effective November 1, 2020 (incorporated by reference to Exhibit 10.6 to the NiSource Inc. Form 10-Q filed on November 2, 2020).*
(10.49)	NiSource Inc. Executive Severance Policy, as amended and restated effective October 19, 2020 (incorporated by reference to Exhibit 10.7 to the NiSource Inc. Form 10-Q filed on November 2, 2020).*
(10.50)	NiSource Next Voluntary Separation Program, effective as of August 5, 2020 (incorporated by reference to Exhibit 10.8 to the NiSource Inc. Form 10-Q filed on November 2, 2020).*

(10.51)	Letter Agreement dated October 19, 2020 by and between NiSource Inc. and Carrie Hightman (incorporated by reference to Exhibit 10.9 to the NiSource Inc. Form 10-Q filed on November 2, 2020).*
(10.52)	Amendment to Settlement Agreement by and among Bay State Gas Company d/b/a Columbia Gas of Massachusetts, NiSource Inc., Eversource Gas Company of Massachusetts, Eversource Energy, the Massachusetts Attorney General's Office, the Massachusetts Department of Energy Resources and the Low-Income Weatherization and Fuel Assistance Program Network, dated September 29, 2020 (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 10-Q filed on November 2, 2020).
(10.53)	Form of Restricted Stock Unit Award Agreement.* **
(10.54)	Form of Performance Share Unit Award Agreement.* **
(10.55)	Form of Special Performance Share Unit Award Agreement.* **
(21)	List of Subsidiaries.**
(23)	Consent of Deloitte & Touche LLP.**
(31.1)	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
(31.2)	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
(32.1)	Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).**
(32.2)	Certification of Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).**
(101.INS)	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. **
(101.SCH)	Inline XBRL Schema Document.**
(101.CAL)	Inline XBRL Calculation Linkbase Document.**
(101.LAB)	Inline XBRL Labels Linkbase Document.**
(101.PRE)	Inline XBRL Presentation Linkbase Document.**
(101.DEF)	Inline XBRL Definition Linkbase Document.**
(104)	Cover page Interactive Data File (formatted as inline XBRL, and contained in Exhibit 101.)

* Management contract or compensatory plan or arrangement of NiSource Inc.

** Exhibit filed herewith.

*** Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. NiSource agrees to furnish supplementally a copy of any omitted schedules or exhibits to the SEC upon request.

References made to NIPSCO filings can be found at Commission File Number 001-04125. References made to NiSource Inc. filings made prior to November 1, 2000 can be found at Commission File Number 001-09779.

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

NiSource Inc.
(Registrant)

Date: February 17, 2021

By: /s/ JOSEPH HAMROCK
Joseph Hamrock
President, Chief Executive Officer and Director
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ JOSEPH HAMROCK Joseph Hamrock	President, Chief Executive Officer and Director (Principal Executive Officer)	Date: February 17, 2021
/s/ DONALD E. BROWN Donald E. Brown	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	Date: February 17, 2021
/s/ GUNNAR J. GODE Gunnar J. Gode	Vice President and Chief Accounting Officer (Principal Accounting Officer)	Date: February 17, 2021
/s/ KEVIN T. KABAT Kevin T. Kabat	Chairman of the Board	Date: February 17, 2021
/s/ PETER A. ALTABEF Peter A. Altabef	Director	Date: February 17, 2021
/s/ THEODORE H. BUNTING, JR. Theodore H. Bunting, Jr.	Director	Date: February 17, 2021
/s/ ERIC L. BUTLER Eric L. Butler	Director	Date: February 17, 2021
/s/ ARISTIDES S. CANDRIS Aristides S. Candris	Director	Date: February 17, 2021
/s/ WAYNE S. DEVEYDT Wayne S. DeVeydt	Director	Date: February 17, 2021
/s/ DEBORAH A. HENRETTA Deborah A. Henretta	Director	Date: February 17, 2021
/s/ DEBORAH A.P. HERSMAN Deborah A. P. Hersman	Director	Date: February 17, 2021
/s/ MICHAEL E. JESANIS Michael E. Jesanis	Director	Date: February 17, 2021
/s/ CAROLYN Y. WOO Carolyn Y. Woo	Director	Date: February 17, 2021
/s/ LLOYD M. YATES Lloyd M. Yates	Director	Date: February 17, 2021

Exhibit 10.53

NiSource Inc.
20__ Omnibus Incentive Plan

20__ Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award Agreement (the "Agreement"), is made and entered into as of [_____] (the "Grant Date"), by and between NiSource Inc., a Delaware corporation (the "Company"), and [_____], an Employee of the Company or an Affiliate (the "Grantee"), pursuant to the terms of the NiSource Inc. 20__ Omnibus Incentive Plan, as amended (the "Plan"). Any term capitalized but not defined in this Agreement shall have the meaning set forth in the Plan.

Section 1. Restricted Stock Unit Award. The Company hereby grants to the Grantee, on the terms and conditions hereinafter set forth, an Award of [_____] Restricted Stock Units. The Restricted Stock Units shall be represented by a bookkeeping entry (the "RSU Account") of the Company, and each Restricted Stock Unit shall be equivalent to one share of the Company's common stock.

Section 2. Grantee Accounts. The number of Restricted Stock Units granted pursuant to this Agreement shall be credited to the Grantee's RSU Account. Each RSU Account shall be maintained on the books of the Company until full payment of the balance thereof has been made to the Grantee (or the Grantee's beneficiaries or estate if the Grantee is deceased) in accordance with Section 1 above. No funds shall be set aside or earmarked for any RSU Account, which shall be purely a bookkeeping device.

Section 3. Vesting and Lapse of Restrictions.

(a) Vesting. Subject to the forfeiture conditions described later in this Agreement, the Restricted Stock Units shall vest [_____] (the "Vesting Date"), at which date they shall become 100% vested, provided that the Grantee is continuously employed by the Company through and including the Vesting Date. Except as set forth in subsection (b) hereof, if Grantee's Service is terminated for any reason prior to the Vesting Date, the unvested Restricted Stock Units subject to this Agreement shall immediately terminate and be automatically forfeited by Grantee.

(b) Effect of Termination of Service Prior to Vesting. Notwithstanding the foregoing, in the event that the Grantee's Service terminates prior to the Vesting Date as a result of (i) the Grantee's Retirement, (ii) the Grantee's death, or (iii) the Grantee's Disability, the restrictions set forth in subsection (a) above shall lapse with respect to a *pro rata* portion of such Restricted Stock Units on the date of termination of Service. Such *pro rata* lapse of restrictions shall be determined using a fraction, where the numerator shall be the number of full or partial calendar months elapsed between the Grant Date and the date the Grantee terminates Service, and the denominator shall be the number of full or partial calendar months between the Grant Date and the Vesting Date. For purposes of this Agreement, "Retirement" means the Grantee's termination from Service at or after attainment of age 55 and completion of at least 10 years of continuous

Service measured from the Grantee's most recent date of hire with the Company or an Affiliate.

(c) Change in Control. Notwithstanding the foregoing provisions, in the event of a Change in Control, the Restricted Stock Units under this Agreement shall be subject to the Change in Control provisions set forth in the Plan. In the event of any conflict between the Plan and this Agreement, the Plan shall control. Notwithstanding any other agreement between the Company and the Grantee, the "Good Reason" definition set forth in the Plan shall govern this award. Notwithstanding the foregoing or anything herein to the contrary, in the event the Restricted Stock Units do not become Alternative Awards under the Plan, then the Restricted Stock Units shall be settled within 60 days following the Change in Control; provided, however, in the event the Restricted Stock Units constitute nonqualified deferred compensation subject to Code Section 409A and the Change in Control is not a "change in control event" within the meaning of Code Section 409A, then, to the extent required to comply with Code Section 409A, the vested Restricted Stock Units shall be settled within 60 days following the Vesting Date or, if earlier and subject to Section 4, upon Grantee's termination of Service.

Section 4. Delivery of Shares. Once Restricted Stock Units have vested under this Agreement, the Company shall convert the Restricted Stock Units in the Grantee's RSU Account into Shares and issue or deliver the total number of Shares due to the Grantee within 60 days following the Vesting Date or, if earlier, Grantee's termination of Service in accordance with Section 3(b). Notwithstanding the foregoing, to the extent any portion of the Restricted Stock Units are subject to Code Section 409A, if any Restricted Stock Units vest prior to the Vesting Date in connection with a Grantee's "separation from service" within the meaning of Code Section 409A and the Grantee is a "specified employee" within the meaning of Code Section 409A at the time of such separation from service, the Shares represented by the vested Restricted Stock Units shall be issued and delivered on the first business day after the date that is six (6) months following the date of the Grantee's separation from service (or if earlier, the Grantee's date of death). The delivery of the Shares shall be subject to payment of the applicable withholding tax liability and the forfeiture provisions of this Agreement. If the Grantee dies before the Company has distributed any portion of the vested Restricted Stock Units, the Company shall transfer any Shares payable with respect to the vested Restricted Stock Units in accordance with the Grantee's written beneficiary designation or to the Grantee's estate if no written beneficiary designation is provided.

Section 5. Withholding of Taxes. As a condition precedent to the delivery to Grantee of any Shares upon vesting of the Restricted Stock Units, Grantee shall, upon request by the Company, pay to the Company such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Restricted Stock Units. If Grantee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Grantee or withhold Shares. Grantee may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (a) a cash

payment to the Company; (b) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole Shares having a Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Restricted Stock Units (the "Tax Date"), equal to the Required Tax Payments; (c) authorizing the Company to withhold from the Shares otherwise to be delivered to Grantee upon the vesting of the Restricted Stock Units, a number of whole Shares having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (d) any combination of (a), (b) and (c). Shares to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a Share which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by Grantee. No Shares shall be delivered until the Required Tax Payments have been satisfied in full.

Section 6. Compliance with Applicable Law. Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Restricted Stock Units shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. The delivery of all or any Shares that relate to the Restricted Stock Units shall be effective only at such time that the issuance of such Shares shall not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares that may be issued under this Agreement. Subject to Code Section 409A, the Company may, in its sole discretion, delay the delivery of Shares or place restrictive legends on Shares in order to ensure that the issuance of any Shares shall be in compliance with federal or state securities laws and the rules of any exchange upon which the Company's Shares are traded. If the Company delays the delivery of Shares in order to ensure compliance with any state or federal securities or other laws, the Company shall deliver the Shares at the earliest date at which the Company reasonably believes that such delivery shall not cause such violation, or at such later date that may be permitted under Code Section 409A.

Section 7. Restriction on Transferability. Except as otherwise provided under the Plan, until the Restricted Stock Units have vested under this Agreement, the Restricted Stock Units granted herein and the rights and privileges conferred hereby may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise), other than by will or the laws of descent and distribution. Any attempted transfer in violation of the provisions of this paragraph shall be void, and the purported transferee shall obtain no rights with respect to such Restricted Stock Units.

Section 8. Grantee's Rights Unsecured. The right of the Grantee or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Grantee nor his or her beneficiary shall have any rights in or against any amounts credited to the Grantee's RSU Account or any other specific assets of the Company. All amounts credited to the Grantee's RSU Account shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes, as it may deem appropriate.

Section 9. No Rights as Stockholder or Employee.

(a) Unless and until Shares have been issued to the Grantee, the Grantee shall not have any privileges of a stockholder of the Company with respect to any Restricted Stock Units subject to this Agreement, nor shall the Company have any obligation to issue any dividends or otherwise afford any rights to which Shares are entitled with respect to any such Restricted Stock Units.

(b) Nothing in this Agreement or the Award shall confer upon the Grantee any right to continue as an Employee of the Company or any Affiliate or to interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's Service at any time.

Section 10. Adjustments. If at any time while the Award is outstanding, the number of outstanding Restricted Stock Units is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in the Plan, the number and kind of Restricted Stock Units shall be adjusted in accordance with the provisions of the Plan. In the event of certain corporate events specified in the Change in Control provisions of the Plan, any Restricted Stock Units may be replaced by Alternative Awards or forfeited in exchange for payment of cash in accordance with the Change in Control procedures and provisions of the Plan.

Section 11. Notices. Any notice hereunder by the Grantee shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof at the following address: Corporate Secretary, NiSource Inc., 801 East 86th Avenue, Merrillville, IN 46410-6271, or at such other address as the Company may designate by notice to the Grantee. Any notice hereunder by the Company shall be given to the Grantee in writing and such notice shall be deemed duly given only upon receipt thereof at such address as the Grantee may have on file with the Company.

Section 12. Administration. The administration of this Agreement, including the interpretation and amendment or termination of this Agreement, shall be performed in accordance with the Plan. All determinations and decisions made by the Committee, the Board, or any delegate of the Committee as to the provisions of this Agreement shall be conclusive, final, and binding on all persons. Notwithstanding the foregoing, if subsequent guidance is issued under Code Section 409A that would impose additional taxes, penalties, or interest to either the Company or the Grantee, the Company may administer this Agreement in accordance with such guidance and amend this Agreement without the consent of the Grantee to the extent such actions, in the reasonable judgment of the Company, are considered necessary to avoid the imposition of such additional taxes, penalties, or interest.

Section 13. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Indiana, without giving effect to the choice of law principles thereof.

Section 14. Entire Agreement; Agreement Subject to Plan. This Agreement and the Plan contain all of the terms and conditions with respect to the subject matter hereof and supersede any previous agreements, written or oral, relating to the subject matter hereof. This Agreement at all times shall be governed by the Plan, which is incorporated in this Agreement by reference, and

in no way alter or modify the Plan. To the extent a conflict exists between this Agreement and the Plan, the provisions of the Plan shall govern. This Agreement is pursuant to the terms of the Plan.

Section 15. Code Section 409A Compliance. This Agreement shall be interpreted in accordance with Code Section 409A including the rules related to payment timing for "specified employees" within the meaning of Code Section 409A. This Agreement shall be deemed to be modified to the maximum extent necessary to be in compliance with Code Section 409A's rules. If the Grantee is unexpectedly required to include in the Grantee's current year's income any amount of compensation relating to the Restricted Stock Units because of a failure to meet the requirements of Code Section 409A, then to the extent permitted by Code Section 409A, the Grantee may receive a distribution of cash or Shares in an amount not to exceed the amount required to be included in income as a result of the failure to comply with Code Section 409A.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Award to be granted, and the Grantee has accepted this Award, as of the date first above written.

NiSource Inc.

_____

By:
Its:

Exhibit 10.54

NiSource Inc.

20__ Omnibus Incentive Plan

20__ Performance Share Unit Award Agreement

This Performance Share Unit Award Agreement (the "Agreement") is made and entered into as of _____ (the "Grant Date"), by and between NiSource Inc., a Delaware corporation (the "Company"), and _____ an Employee of the Company or an Affiliate (the "Grantee"), pursuant to the terms of the NiSource Inc. 20__ Omnibus Incentive Plan, as amended (the "Plan"). Any term capitalized but not defined in this Agreement shall have the meaning set forth in the Plan.

Section 1. Performance Share Unit Award. The Company hereby grants to the Grantee, on the terms and conditions hereinafter set forth, a target award of [TOTAL TARGET NUMBER] Performance Share Units. The Performance Share Units shall be represented by a bookkeeping entry with respect to the Grantee (the "PSU Account"), and each Performance Share Unit shall be settled in one Share, to the extent provided under this Agreement and the Plan. This Agreement and the award shall be null and void unless the Grantee accepts this Agreement electronically within the Grantee's stock plan account with the Company's stock plan administrator according to the procedures then in effect.

Section 2. Performance-Based Vesting Conditions.

(a) General. Subject to the remainder of this Agreement, the Performance Share Units shall vest pursuant to the terms of this Agreement and the Plan based on the achievement of the performance goals set forth in this Section 2 over the performance period beginning on _____ and ending on _____ (the "Performance Period"), provided that that the Grantee remains in continuous Service through _____ (the "Vesting Date"). Attainment of the performance goals shall be determined and certified by the Compensation Committee of the Board of Directors of the Company (the "Committee") prior to the settlement of the Performance Share Units.

(b) Financial Performance Goal. Subject to the terms of this Agreement and the Plan, [INSERT TARGET NUMBER OF NOEPS SHARES] of the Performance Share Units shall be eligible to vest based on the Company's achievement of cumulative NOEPS during the Performance Period, as follows:

Performance Level(1)	Cumulative NOEPS	Percentage of Performance Share Units Eligible for Vesting(2)
Trigger	$_____	_____
Target	$_____	_____
Stretch	$_____and above	_____

(1) The vesting percentage for performance between performance levels shall be determined based on linear interpolation.

(2) The number of Performance Share Units that shall vest based on the Company's cumulative NOEPS performance shall be subject to a performance magnifier as described below.

(3) Performance Magnifier. Subject to the terms of this Agreement and the Plan, the number of Performance Share Units eligible for vesting pursuant to Section 2(b) shall be adjusted based on the following schedule:

Performance Measure	Goal(1)	Magnifier(2)

(1) The vesting percentage for performance between performance levels shall be determined based on linear interpolation.

(2) Based on whether the Company achieves or fails to achieve the applicable performance goal, Performance Share Units eligible for vesting pursuant to Sections 2(b) shall be increased or decreased in accordance with the percentages noted above.

(c) RTSR Performance Goal. Subject to the terms of this Agreement and the Plan, [INSERT TARGET NUMBER OF RTSR SHARES] of the Performance Share Units shall be eligible to vest based on the Company's achievement of RTSR during the Performance Period, as follows:

Performance Level(1)	RTSR Percentile Ranking	Percentage of Performance Share Units Eligible for Vesting(2)
Trigger	_____	_____
Target	_____	_____
Stretch	_____and above	_____

(1) The vesting percentage for performance between performance levels shall be determined based on linear interpolation.

(2) The number of Performance Share Units that shall vest based on the Company's RTSR performance shall be subject to a performance magnifier as described below.

(3) Performance Magnifier. Subject to the terms of this Agreement and the Plan, the number of Performance Share Units eligible for vesting pursuant to Section 2(c) shall be adjusted based on the following schedule:

Performance Measure	Goal(1)	Magnifier(2)

(1) The vesting percentage for performance between performance levels shall be determined based on linear interpolation.

(2) Based on whether the Company achieves or fails to achieve the applicable performance goal, Performance Share Units eligible for vesting pursuant to Section 2(c) shall be increased or decreased in accordance with the percentages noted above.

(d) Maximum Vesting Level. Notwithstanding anything herein to the contrary, including performance determined under Sections 2(b)(3) and 2(c)(3), the maximum vesting level under this Award shall be capped at 200% of the target Performance Share Units.

(e) Definitions.

(i) "cumulative NOEPS" means the Company's cumulative net operating earnings per share, as reported in the Company's annual financial statements. Additional adjustments to cumulative net operating earnings per share shall be made to the targets and results for: (x) transactions that the Company discloses on Form 8-K filed with the Securities and Exchange Commission, including merger, acquisition, divestiture, consolidation or corporate restructuring, any recapitalization, reorganization, spin-off, split-up, combination, liquidation, dissolution, sale of assets or similar corporate transactions that meet the Company's disclosure thresholds; (y) pending transactions as a result of requirements to present operations as "held for sale" under Accounting Standard Codification 205; and (z) changes in law or accounting principles, in each case, as determined by the Committee.

(ii) "RTSR" means the annualized growth in the dividends and share price of a Share, calculated using a 20 day trading average of the Company's closing price beginning on _____ and ending _____ compared to the TSR performance of the TSR Peer Group. The starting and ending share prices for the computation of RTSR shall equal the average closing price of each company's common stock over the 20 trading days immediately preceding the first and last day of the performance period.

(iii) "TSR Peer Group" means the peer group of companies approved by the Committee at its meeting on _____, as adjusted to reflect corporate transactions with respect to peer group companies as approved by the Committee at such meeting.

Section 3. Termination of Employment.

(a) Termination of Service Prior to Vesting Date. Except as set forth below, if the Grantee's Service is terminated for any reason prior to the Vesting Date, then the Grantee shall forfeit the Performance Share Units credited to the Grantee's PSU Account.

(b) Retirement, Disability or Death.

(i) Notwithstanding the foregoing, in the event that the Grantee's Service terminates prior to the Vesting Date as a result of the Grantee's (i) Retirement, (ii) Disability, or (iii) death and such death occurs with less than or equal to twelve months remaining in the Performance Period, then the Grantee (or the Grantee's beneficiary or estate in the case of the Grantee's death) shall vest in

a *pro rata* portion of the Performance Share Units, based on the actual performance results for the Performance Period. Such *pro rata* portion of the Performance Share Units shall be determined by multiplying the number of Performance Share Units earned based on actual performance by a fraction, where the numerator shall equal the number of calendar months (including partial calendar months) that have elapsed from the Grant Date through the date of the Grantee's termination of Service, and the denominator shall be the number of calendar months (including partial calendar months) that have elapsed between the Grant Date and the Vesting Date.

(ii) If the Grantee terminates Service due to death prior to the Vesting Date and with more than 12 months remaining in the Performance Period, then the Grantee's beneficiary or estate shall vest, on the date of termination, in a *pro rata* portion of the target Performance Share Units. Such *pro rata* portion of the Performance Share Units shall be determined by multiplying the number of target Performance Share Units by a fraction, where the numerator shall equal the number of calendar months (including partial calendar months) that have elapsed from the Grant Date through the date of the Grantee's termination of Service, and the denominator shall be the number of calendar months (including partial calendar months) that have elapsed between the Grant Date and the Vesting Date.

(iii) "Retirement" means the Grantee's termination from Service at or after attainment of age 55 and completion of at least 10 years of continuous Service measured from the Grantee's most recent date of hire with the Company or an Affiliate.

(c) Change in Control. Notwithstanding the foregoing provisions, in the event of a Change in Control, the Performance Share Units under this Agreement shall be subject to the Change in Control provisions set forth in the Plan. In the event of any conflict between the Plan and this Agreement, the Plan shall control. Notwithstanding any other agreement between the Company and the Grantee, the "Good Reason" definition set forth in the Plan shall govern this award.

Section 4. Delivery of Shares. Subject to the terms of this Agreement and except as otherwise provided for herein, the Company shall convert the Performance Share Units in the Grantee's PSU Account into Shares and issue or deliver the total number of Shares due to the Grantee within 60 days following the Vesting Date (but in any event no later than the March 15th immediately following the year in which the substantial risk of forfeiture with respect to the Performance Share Units lapses) or, if earlier, within 30 days following (a) the Grantee's death in accordance with Section 3(b)(ii), (b) Grantee's termination of Service without Cause or due to Good Reason in accordance with the Change in Control provisions of the Plan or (c) a Change in Control in the event the Performance Share Units do not become Alternative Awards under the Plan. The delivery of the Shares shall be subject to payment of the applicable withholding tax liability and the forfeiture provisions of this Agreement. If the Grantee dies before the Company has issued or distributed the vested Performance Share Units, the Company shall transfer any Shares with respect to the vested Performance Share Units in accordance with the Grantee's written beneficiary designation or to the Grantee's estate if no written beneficiary designation is provided. The issuance or deliver of the Shares hereunder shall be evidenced

by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance or delivery, except as otherwise provided in Section 5.

Section 5. Withholding of Taxes. As a condition precedent to the delivery to Grantee of any Shares upon vesting of the Performance Share Units, Grantee shall, upon request by the Company, pay to the Company such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Performance Share Units. If Grantee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Grantee or withhold Shares. Grantee may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (a) a cash payment to the Company; (b) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole Shares having a Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Performance Share Units (the "Tax Date"), equal to the Required Tax Payments; (c) authorizing the Company to withhold from the Shares otherwise to be delivered to Grantee upon the vesting of the Performance Share Units, a number of whole Shares having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (d) any combination of (a), (b) and (c). Shares to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a Share which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by Grantee. No Shares shall be delivered until the Required Tax Payments have been satisfied in full.

Section 6. Compliance with Applicable Law. Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Performance Share Units shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. The delivery of all or any Shares that relate to the Performance Share Units shall be effective only at such time that the issuance of such Shares shall not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares that may be issued under this Agreement. Subject to Code Section 409A, the Company may, in its sole discretion, delay the delivery of Shares or place restrictive legends on Shares in order to ensure that the issuance of any Shares shall be in compliance with federal or state securities laws and the rules of any exchange upon which the Company's Shares are traded. If the Company delays the delivery of Shares in order to ensure compliance with any state or federal securities or other laws, the Company shall deliver the Shares at the earliest date at which the Company reasonably believes that such delivery shall not cause such violation, or at such later date that may be permitted under Code Section 409A.

Section 7. Restriction on Transferability. Except as otherwise provided under the Plan, until the Performance Share Units have vested under this Agreement, the Performance Share Units granted herein and the rights and privileges conferred hereby may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise), other than by will or the laws of descent and distribution. Any attempted transfer in violation of the provisions of this

paragraph shall be void, and the purported transferee shall obtain no rights with respect to such Performance Share Units.

Section 8. Grantee's Rights Unsecured. The right of the Grantee or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Grantee nor his or her beneficiary shall have any rights in or against any amounts credited to the Grantee's PSU Account, any Shares or any other specific assets of the Company. All amounts credited to the Grantee's PSU Account shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate.

Section 9. No Rights as Stockholder or Employee.

(a) Unless and until Shares have been issued to the Grantee, the Grantee shall not have any privileges of a stockholder of the Company with respect to any Performance Share Units subject to this Agreement, nor shall the Company have any obligation to issue any dividend or otherwise afford any rights to which Shares are entitled with respect to any such Performance Share Units.

(b) Nothing in this Agreement or the Award shall confer upon the Grantee any right to continue as an Employee of the Company or any Affiliate or to interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's Service at any time.

Section 10. Adjustments. If at any time while the Award is outstanding, the number of outstanding Performance Share Units is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in the Plan (in each case as determined by the Committee), the number and kind of Performance Share Units and the performance goals, as applicable, shall be adjusted in accordance with the provisions of the Plan. In the event of certain corporate events specified in the Change in Control provisions of the Plan, any Performance Share Units may be replaced by Alternative Awards or forfeited in exchange for payment of cash in accordance with the Change in Control procedures and provisions of the Plan, as determined by the Committee.

Section 11. Notices. Any notice hereunder by the Grantee shall be given to the Company in writing, and such notice shall be deemed duly given only upon receipt thereof at the following address: Corporate Secretary, NiSource Inc., 801 East 86th Avenue, Merrillville, IN 46410-6271 (or at such other address as the Company may designate by notice to the Grantee). Any notice hereunder by the Company shall be given to the Grantee in writing, and such notice shall be deemed duly given only upon receipt thereof at such address as the Grantee may have on file with the Company.

Section 12. Administration. The administration of this Agreement, including the interpretation and amendment or termination of this Agreement, shall be performed in accordance with the Plan. All determinations and decisions made by the Committee, the Board, or any delegate of the Committee as to the provisions of this Agreement shall be conclusive, final, and binding on all persons. Notwithstanding the foregoing, if subsequent guidance is issued under Code Section 409A that would impose additional taxes, penalties, or interest to either the Company or the Grantee, the Company may administer this Agreement in accordance with such guidance and amend this Agreement without the consent of the Grantee to the extent such actions, in the reasonable judgment of the Company, are considered necessary to avoid the imposition of such additional taxes, penalties, or interest.

Section 13. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Indiana, without giving effect to the choice of law principles thereof.

Section 14. Entire Agreement; Agreement Subject to Plan. This Agreement and the Plan contain all of the terms and conditions with respect to the subject matter hereof and supersede any previous agreements, written or oral, relating to the subject matter hereof. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. The Grantee hereby acknowledges receipt of a copy of the Plan.

Section 15. Code Section 409A Compliance. This Agreement and the Performance Share Units granted hereunder are intended to be exempt from Code Section 409A to the maximum extent possible, and shall be interpreted and construed accordingly.

[SIGNATURE PAGE FOLLOWS]

Exhibit 10.54

IN WITNESS WHEREOF, the Company has caused the Performance Share Units subject to this Agreement to be granted, and the Grantee has accepted the Performance Share Units subject to the terms of the Agreement, as of the date first above written.

NiSource Inc.

_____

By: _____

Its: _____

Exhibit 10.55

NiSource Inc.

20__ Omnibus Incentive Plan

20__ Performance Share Unit Award Agreement

This Performance Share Unit Award Agreement (the "Agreement") is made and entered into as of _____ (the "Grant Date"), by and between NiSource Inc., a Delaware corporation (the "Company"), and _____ an Employee of the Company or an Affiliate (the "Grantee"), pursuant to the terms of the NiSource Inc. 20__ Omnibus Incentive Plan, as amended (the "Plan"). Any term capitalized but not defined in this Agreement shall have the meaning set forth in the Plan.

Section 1. Performance Share Unit Award. The Company hereby grants to the Grantee, on the terms and conditions hereinafter set forth, a target award of [TOTAL TARGET NUMBER] Performance Share Units. The Performance Share Units shall be represented by a bookkeeping entry with respect to the Grantee (the "PSU Account"), and each Performance Share Unit shall be settled in one Share, to the extent provided under this Agreement and the Plan. This Agreement and the award shall be null and void unless the Grantee accepts this Agreement electronically within the Grantee's stock plan account with the Company's stock plan administrator according to the procedures then in effect.

Section 2. Performance-Based Vesting Conditions.

(a) General. Subject to the remainder of this Agreement and the Grantee remaining in continuous Service through the 28th day of February that follows each applicable Performance Period (each, a "Vesting Date"), the Performance Share Units shall vest in accordance with the schedule set forth below, based on the Company's RTSR performance over the _____ through _____ performance period (the "3-Year Performance Period"); provided, however, that the vesting of a portion of the Performance Share Units may be accelerated based on the Company's RTSR performance over the _____ through _____ performance period (the "2-Year Performance Period" and, together with the 3-Year Performance Period, the "Performance Periods") in accordance with the schedule set forth below. Notwithstanding the foregoing, the number of Performance Share Units eligible for vesting based on performance during the 2-Year Performance Period shall be limited to the product of: 67% multiplied by the target Performance Share Units multiplied by the vesting percentage determined based on the schedule below (the "2-Year Cap"). The number of Performance Share Units eligible for vesting based on the Company's RTSR performance during the 3-Year Performance Period shall be reduced by the number of Performance Share Units that vested and were settled with respect to the 2-Year Performance Period. For the avoidance of doubt, any Performance Share Units that vested and were settled with respect to the 2-Year Performance Period shall not, subject to Section 20.10 of the Plan, be reduced based on performance during the 3-Year Performance Period.

(b)

Performance Level(1)	RTSR Percentile Ranking	Percentage of Performance Share Units Eligible for Vesting(2)
Trigger	_____	_____
Target	_____	_____
Stretch	_____and above	_____

(1) The vesting level for performance between performance levels shall be determined based on linear interpolation.

(2) The number of Performance Share Units that shall vest based on the Company's RTSR performance shall be subject to (a) a performance magnifier as described in Section 2(b) below and (b) with respect to Performance Share Units that vest during the 2-Year Performance Period, the 2-Year Cap.

(c) Performance Magnifier. Subject to the terms of this Agreement and the Plan, the number of Performance Share Units eligible for vesting pursuant to Section 2(a) shall be adjusted based on the following schedule based on performance during the applicable Performance Period:

Performance Measure	Goal(1)	Magnifier(2)

(1) The vesting level for performance between performance levels shall be determined based on linear interpolation.

(2) Based on whether the Company achieves or fails to achieve the applicable performance goal, Performance Share Units eligible for vesting pursuant to Section 2(a) shall be increased or decreased in accordance with the percentages noted above, with any increase with respect to the 2-Year Performance Period, subject to the 2-Year Cap.

(d) Maximum Vesting Level. Notwithstanding anything herein to the contrary, including performance determined under Section 2(b), the maximum vesting level under this Award shall be capped at 200% of the target Performance Share Units.

(e) Definitions.

(i) "RTSR" means the annualized growth in the dividends and share price of a Share, calculated using a 20 day trading average of the Company's closing price beginning on _____ and ending _____ compared to the TSR performance of the TSR Peer Group. The starting and ending share prices for the computation of RTSR shall equal the average closing price of each company's common stock over the 20 trading days immediately preceding the first and last day of the performance period.

(ii) "TSR Peer Group" means the peer group of companies approved by the Committee at its meeting on _____, as adjusted to reflect corporate transactions with respect to peer group companies as approved by the Committee at such meeting.

Section 3. Termination of Employment.

(a) Termination of Service Prior to Vesting Date. Except as set forth below, if the Grantee's Service is terminated for any reason prior to the Vesting Date then the Grantee shall forfeit the unvested Performance Share Units credited to the Grantee's PSU Account.

(b) Retirement, Disability or Death.

(i) Notwithstanding the foregoing, in the event that the Grantee's Service terminates prior to the Vesting Date as a result of the Grantee's (i) Retirement, (ii) Disability, or (iii) death and such death occurs with less than or equal to twelve months remaining in the Performance Period, then the Grantee (or the Grantee's beneficiary or estate in the case of the Grantee's death) shall vest in a *pro rata* portion of the Performance Share Units, based on the actual performance results for the applicable Performance Period. Such *pro rata* portion of the Performance Share Units with respect to each Performance Period shall be determined by multiplying the number of Performance Share Units earned based on actual performance by a fraction, where the numerator shall equal the number of calendar months (including partial calendar months) that have elapsed from the Grant Date through the date of the Grantee's termination of Service, and the denominator shall be the number of calendar months from the Grant Date and the applicable Vesting Date, with any Performance Share Units vesting with respect to the 2-Year Performance Period pursuant to this Section 3(b)(i) subject to the 2-Year Cap.

(ii) If the Grantee terminates Service due to death prior to the Vesting Date and with more than 12 months remaining in the 3-Year Performance Period, then the Grantee's beneficiary or estate shall vest, on the date of termination, in a *pro rata* portion of the target Performance Share Units. Such *pro rata* portion of the Performance Share Units shall be determined by multiplying the number of target Performance Share Units by a fraction, where the numerator shall equal the number of calendar months (including partial calendar months) that have elapsed from the Grant Date through the date of the Grantee's termination of Service, and the denominator shall be the number of calendar months (including partial calendar months) that have elapsed between the Grant Date and the Vesting Date.

(iii) "Retirement" means the Grantee's termination from Service at or after attainment of age 55 and completion of at least 10 years of continuous Service measured from the Grantee's most recent date of hire with the Company or an Affiliate.

(c) Change in Control. Notwithstanding the foregoing provisions, in the event of a Change in Control, the Performance Share Units under this Agreement shall be subject to the Change in Control provisions set forth in the Plan. In the event of any conflict between the Plan and this Agreement, the Plan shall control. Notwithstanding any

other agreement between the Company and the Grantee, the "Good Reason" definition set forth in the Plan shall govern this award.

Section 4. Delivery of Shares. Subject to the terms of this Agreement and except as otherwise provided for herein, the Company shall convert the Performance Share Units in the Grantee's PSU Account into Shares and issue or deliver the total number of Shares due to the Grantee within 60 days following the applicable Vesting Date (but in any event no later than the March 15th immediately following the year in which the substantial risk of forfeiture with respect to the Performance Share Units lapses) or, if earlier, within 30 days following (a) the Grantee's death in accordance with Section 3(b)(ii), (b) Grantee's termination of Service without Cause or due to Good Reason in accordance with the Change in Control provisions of the Plan or (c) a Change in Control in the event the Performance Share Units do not become Alternative Awards under the Plan. The delivery of the Shares shall be subject to payment of the applicable withholding tax liability and the forfeiture provisions of this Agreement. If the Grantee dies before the Company has issued or distributed the vested Performance Share Units, the Company shall transfer any Shares with respect to the vested Performance Share Units in accordance with the Grantee's written beneficiary designation or to the Grantee's estate if no written beneficiary designation is provided. The issuance or deliver of the Shares hereunder shall be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance or delivery, except as otherwise provided in Section 5.

Section 5. Withholding of Taxes. As a condition precedent to the delivery to Grantee of any Shares upon vesting of the Performance Share Units, Grantee shall, upon request by the Company, pay to the Company such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Performance Share Units. If Grantee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Grantee or withhold Shares. Grantee may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (a) a cash payment to the Company; (b) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole Shares having a Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Performance Share Units (the "Tax Date"), equal to the Required Tax Payments; (c) authorizing the Company to withhold from the Shares otherwise to be delivered to Grantee upon the vesting of the Performance Share Units, a number of whole Shares having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (d) any combination of (a), (b) and (c). Shares to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a Share which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by Grantee. No Shares shall be delivered until the Required Tax Payments have been satisfied in full.

Section 6. Compliance with Applicable Law. Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Performance Share Units shall be subject to all applicable laws, rules and regulations, and to such approvals by any

governmental agencies or national securities exchanges as may be required. The delivery of all or any Shares that relate to the Performance Share Units shall be effective only at such time that the issuance of such Shares shall not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares that may be issued under this Agreement. Subject to Code Section 409A, the Company may, in its sole discretion, delay the delivery of Shares or place restrictive legends on Shares in order to ensure that the issuance of any Shares shall be in compliance with federal or state securities laws and the rules of any exchange upon which the Company's Shares are traded. If the Company delays the delivery of Shares in order to ensure compliance with any state or federal securities or other laws, the Company shall deliver the Shares at the earliest date at which the Company reasonably believes that such delivery shall not cause such violation, or at such later date that may be permitted under Code Section 409A.

Section 7. Restriction on Transferability. Except as otherwise provided under the Plan, until the Performance Share Units have vested under this Agreement, the Performance Share Units granted herein and the rights and privileges conferred hereby may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise), other than by will or the laws of descent and distribution. Any attempted transfer in violation of the provisions of this paragraph shall be void, and the purported transferee shall obtain no rights with respect to such Performance Share Units.

Section 8. Grantee's Rights Unsecured. The right of the Grantee or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Grantee nor his or her beneficiary shall have any rights in or against any amounts credited to the Grantee's PSU Account, any Shares or any other specific assets of the Company. All amounts credited to the Grantee's PSU Account shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate.

Section 9. No Rights as Stockholder or Employee.

(a) Unless and until Shares have been issued to the Grantee, the Grantee shall not have any privileges of a stockholder of the Company with respect to any Performance Share Units subject to this Agreement, nor shall the Company have any obligation to issue any dividend or otherwise afford any rights to which Shares are entitled with respect to any such Performance Share Units.

(b) Nothing in this Agreement or the Award shall confer upon the Grantee any right to continue as an Employee of the Company or any Affiliate or to interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's Service at any time.

Section 10. Adjustments. If at any time while the Award is outstanding, the number of outstanding Performance Share Units is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in the Plan (in each case as determined by the Committee), the number and kind of Performance Share Units and the performance goals, as applicable, shall be adjusted in accordance with the provisions of the Plan. In the event of certain corporate events specified in the Change in Control provisions of the Plan, any Performance Share Units may be

replaced by Alternative Awards or forfeited in exchange for payment of cash in accordance with the Change in Control procedures and provisions of the Plan, as determined by the Committee.

Section 11. Notices. Any notice hereunder by the Grantee shall be given to the Company in writing, and such notice shall be deemed duly given only upon receipt thereof at the following address: Corporate Secretary, NiSource Inc., 801 East 86th Avenue, Merrillville, IN 46410-6271 (or at such other address as the Company may designate by notice to the Grantee). Any notice hereunder by the Company shall be given to the Grantee in writing, and such notice shall be deemed duly given only upon receipt thereof at such address as the Grantee may have on file with the Company.

Section 12. Administration. The administration of this Agreement, including the interpretation and amendment or termination of this Agreement, shall be performed in accordance with the Plan. All determinations and decisions made by the Committee, the Board, or any delegate of the Committee as to the provisions of this Agreement shall be conclusive, final, and binding on all persons. Notwithstanding the foregoing, if subsequent guidance is issued under Code Section 409A that would impose additional taxes, penalties, or interest to either the Company or the Grantee, the Company may administer this Agreement in accordance with such guidance and amend this Agreement without the consent of the Grantee to the extent such actions, in the reasonable judgment of the Company, are considered necessary to avoid the imposition of such additional taxes, penalties, or interest.

Section 13. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Indiana, without giving effect to the choice of law principles thereof.

Section 14. Entire Agreement; Agreement Subject to Plan. This Agreement and the Plan contain all of the terms and conditions with respect to the subject matter hereof and supersede any previous agreements, written or oral, relating to the subject matter hereof. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. The Grantee hereby acknowledges receipt of a copy of the Plan.

Section 15. Code Section 409A Compliance. This Agreement and the Performance Share Units granted hereunder are intended to be exempt from Code Section 409A to the maximum extent possible, and shall be interpreted and construed accordingly.

[SIGNATURE PAGE FOLLOWS]

Exhibit 10.55

IN WITNESS WHEREOF, the Company has caused the Performance Share Units subject to this Agreement to be granted, and the Grantee has accepted the Performance Share Units subject to the terms of the Agreement, as of the date first above written.

NiSource Inc.

_____

By: _____

Its: _____

Exhibit 21

SUBSIDIARIES OF NISOURCE

as of December 31, 2020

Segment/Subsidiary	
GAS DISTRIBUTION OPERATIONS	**State of Incorporation**
Bay State Gas Company d/b/a Columbia Gas of Massachusetts	Massachusetts
Central Kentucky Transmission Company	Delaware
Columbia Gas of Kentucky, Inc.	Kentucky
Columbia Gas of Maryland, Inc.	Delaware
Columbia Gas of Ohio, Inc.	Ohio
Columbia Gas of Pennsylvania, Inc.	Pennsylvania
Columbia Gas of Virginia, Inc.	Virginia
NiSource Gas Distribution Group, Inc.	Delaware
ELECTRIC OPERATIONS	
Northern Indiana Public Service Company LLC*	Indiana
RoseWater Wind Generation LLC	Indiana
RoseWater Wind Farm LLC	Delaware
Indiana Crossroads Wind Generation LLC	Indiana
Dunn's Bridge I Solar Generation LLC	Delaware
Dunn's Bridge II Solar Generation LLC	Delaware
Cavalry Solar Generation LLC	Delaware
Elliot Solar Generation LLC	Delaware
Fairbanks Solar Generation LLC	Delaware
Indiana Crossroads Solar Generation LLC	Delaware
CORPORATE AND OTHER OPERATIONS	
Columbia Gas of Ohio Receivables Corporation	Delaware
Columbia Gas of Pennsylvania Receivables Corporation	Delaware
NIPSCO Accounts Receivable Corporation	Indiana
NiSource Corporate Group, LLC	Delaware
NiSource Corporate Services Company	Delaware
NiSource Development Company, Inc.	Indiana
NiSource Energy Technologies, Inc.	Indiana
NiSource Strategic Sourcing Inc.	Ohio
NiSource Insurance Corporation, Inc.	Utah
Lake Erie Land Company	Indiana
NiSource Retail Services, Inc.	Delaware (Inactive)
EnergyUSA-TPC, Inc.	Indiana (Inactive)

* Reported under Gas Distribution Operations and Electric Operations.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-234422 on Form S-3, Registration Statement Nos. 333-107743, 333-166888, 333-228102, 333-233382, 333-238501, 333-248405 on Form S-8, and Registration Statement Nos. 333-228790 and 333-228791 on Form S-4 of our reports dated February 17, 2021, relating to the consolidated financial statements of NiSource Inc. and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
February 17, 2021

Exhibit 31.1

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

I, Joseph Hamrock, certify that:

1. I have reviewed this Annual Report on Form 10-K of NiSource Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

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

Exhibit 31.2

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

I, Donald E. Brown, certify that:

1. I have reviewed this Annual Report on Form 10-K of NiSource Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

By: /s/ Donald E. Brown

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

Exhibit 32.1

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

In connection with the Annual Report of NiSource Inc. (the "Company") on Form 10-K for the year ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Hamrock, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

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

Date: February 17, 2021

Exhibit 32.2

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

In connection with the Annual Report of NiSource Inc. (the "Company") on Form 10-K for the year ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald E. Brown, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Donald E. Brown

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

Date: February 17, 2021

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

4. Provide latest Prospectus (Company and Parent).

Response:

Columbia Gas of Pennsylvania, Inc. - Not applicable.

See NiSource Inc.'s Prospectus Supplement dated April 15, 2021 in Attachment A.

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NISOURCE INC. | Donnelley Financial | IL0647AM094233 14.4.13.0 | LSW pellc0cw | 15-Apr-2021 12:22 EST | 117209 FEE 1 3*
PROSPECTUS SUPPLEMEN | None | CHW | HTM ESS 0C
Page 1 of 1

Filed pursuant to Rule 424(b)(5)
Registration No. 333-234422

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Maximum Aggregate Offering Price (1)	Amount of Registration Fee (2)(3)(4)
Equity Units		
Stock Purchase Contracts		
Common Stock (3)		
Preferred Stock	$1,725,000,000	$188,198

(1) Represents an aggregate offering price of $862,500,000 for the Equity Units offered hereby and an aggregate offering price of $862,500,000 for the common stock for which consideration will be received upon settlement of the purchase contracts.

(2) Calculated in accordance with 457(i), 457(o) and 457(r) under the Securities Act of 1933, as amended.

(3) Includes 35,190,000 shares of common stock issuable upon settlement of the 8,625,000 Equity Units offered hereby at the initial maximum settlement rate of 4.0800 shares of common stock per Equity Unit and 35,189,742 shares of common stock issuable upon conversion of 8,625,000 shares of convertible preferred stock at the initial maximum conversion rate of 40.7997 shares of common stock per share of convertible preferred stock. Under Rule 457(i), there is no additional filing fee payable with respect to the shares of common stock issuable upon conversion of the convertible preferred stock because no additional consideration will be received in connection with the exercise of the conversion privilege. The maximum settlement rate for the Equity Units may also be adjusted in certain circumstances, but no additional consideration will be payable in such events for such indeterminate number of additional shares because no additional consideration will be received by the Company in such circumstances. Under Rule 416, the number of shares of common stock whose offer and sale are registered hereby includes an indeterminate number of additional shares of common stock that may be issued upon settlement of the Equity Units or conversion of the convertible preferred stock as a result of stock splits, stock dividends and similar transactions.

(4) This "Calculation of Registration Fee" table shall be deemed to update the "Calculation of Registration Fee" table in the Company's Registration Statement on Form S-3 (File No. 333-234422) in accordance with Rules 456(b), 457(i), 457(o) and 457(r) under the Securities Act of 1933, as amended.

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NISOURCE INC. Donnelley Financial VDI-W10-PFP-001 14.4.13.0 LSWnavad0ho 15-Apr-2021 13:50 EST 117209 SCOV 1 11*
PROSPECTUS SUPPLEMEN None CHW CLN g14i34-1.0 PS PMT 2C

PROSPECTUS SUPPLEMENT
(To Prospectus Dated November 1, 2019)

NiSource Inc.

7,500,000 Equity Units
(Initially Consisting of 7,500,000 Corporate Units)

NiSource Inc. is offering 7,500,000 Series A Equity Units ("Equity Units"). Each Equity Unit will have a stated amount of $100 and initially will be in the form of a "Series A Corporate Unit" (the "Corporate Units") consisting of a purchase contract issued by us and, initially, a 1/10th, or 10%, undivided beneficial ownership in one share of Series C Mandatory Convertible Preferred Stock, par value $0.01 per share, with a liquidation preference of $1,000 per share, issued by us ("mandatory convertible preferred stock").

- The purchase contract will obligate you to purchase from us, on December 1, 2023, for a price of $100, a number of newly-issued shares of our common stock equal to the settlement rate, which will not exceed 4.0800 shares (subject to anti-dilution adjustments), as described in this prospectus supplement. We will pay you quarterly contract adjustment payments at the rate of 7.75% per year on the stated amount of $100 per Equity Unit, subject to our right to defer contract adjustment payments as described herein.
- The mandatory convertible preferred stock will initially not bear any dividends and the liquidation preference of the mandatory convertible preferred stock will not accrete. The mandatory convertible preferred stock will be remarketed as described in this prospectus supplement. Following a successful remarketing of the mandatory convertible preferred stock, dividends may become payable on the mandatory convertible preferred stock at a dividend rate to be determined in connection with such successful remarketing, in which case the mandatory convertible preferred stock will bear dividends at such rate and become payable when, as and if declared by our board of directors, on March 1, 2024 (or, in certain circumstances, on each of December 1, 2023 and March 1, 2024).
- In connection with any successful remarketing of the mandatory convertible preferred stock, (a) dividends may become payable on the mandatory convertible preferred stock and/or (b) if the closing price of our common stock on the pricing date for a successful remarketing is less than or equal to the initial price (which will initially be approximately equal to the closing price of our common stock on the date this offering of Equity Units is priced, and will be subject to adjustment as described in this prospectus supplement), the minimum conversion rate of the mandatory convertible preferred stock will be increased to an amount equal to $1,000, *divided by* 117.5% of the closing price of our common stock on the pricing date for such successful remarketing (rounded to the nearest ten-thousandth of a share) (but in no event to be greater than the maximum conversion rate), each as described under "Description of the Mandatory Convertible Preferred Stock—Terms of Remarketed Preferred Stock."
- Any contract adjustment payments on the purchase contracts or any dividends on the mandatory convertible preferred stock (which will only accrue after a successful remarketing in connection with which dividends become payable on the mandatory convertible preferred stock) will be paid in cash, shares of our common stock, or a combination thereof, at our election, subject to certain limitations described in this prospectus supplement.
- Each share of the mandatory convertible preferred stock will automatically convert on the second business day immediately following the last trading day (as defined herein) of the mandatory averaging period (as defined herein) into between 34.7231 and 40.7997 shares of our common stock (respectively, the "minimum conversion rate" and "maximum conversion rate"), each subject to anti-dilution adjustments as described herein. The number of shares of our common stock issuable on conversion of the mandatory convertible preferred stock will be determined based on the average of the daily VWAPs (as defined herein) per share of our common stock over the 40 consecutive trading day period (the "mandatory averaging period") commencing on, and including, the 41st scheduled trading day immediately preceding March 1, 2024.
- However, if no successful remarketing of the mandatory convertible preferred stock has occurred on or prior to the last day of the final remarketing period (as described more fully herein, a "Remarketing Failure"), no shares of our common stock will be delivered upon automatic conversion of the mandatory convertible preferred stock that remains outstanding following December 1, 2023 and each such share of mandatory convertible preferred stock will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon.
- Holders of separate shares of mandatory convertible preferred stock that are not a part of Corporate Units may convert their shares at their option prior to December 1, 2023 only upon the occurrence of a fundamental change. On and after December 1, 2023, unless a Remarketing Failure has occurred, holders of shares of mandatory convertible preferred stock may convert their shares at the minimum conversion rate, all as described in this prospectus supplement.
- You can create "Treasury Units" from Corporate Units by substituting Treasury securities for your mandatory convertible preferred stock comprising a part of the Corporate Units, and you can recreate Corporate Units by

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substituting your mandatory convertible preferred stock for the Treasury securities comprising a part of the Treasury Units, in each case, subject to certain conditions described in this prospectus supplement.

- Your mandatory convertible preferred stock (or after a successful optional remarketing, the applicable ownership interest in a Treasury portfolio), Treasury securities or, in certain circumstances described herein, cash, as the case may be, that are components of Equity Units will be pledged to us to secure your obligation under the related purchase contracts.
- If there is a successful optional remarketing of the mandatory convertible preferred stock as described in this prospectus supplement, and you hold Corporate Units, your applicable ownership interest in the Treasury portfolio purchased with the proceeds from the remarketing will be used to satisfy your payment obligations under the purchase contract, and any remaining proceeds will be promptly remitted to you after the settlement date of the optional remarketing. If there is a successful final remarketing, as described in this prospectus supplement, and you hold Corporate Units, (i) a portion of the proceeds from the remarketing equal to $1,000 *multiplied by* the aggregate number of shares of mandatory convertible preferred stock underlying Corporate Units that were remarketed will automatically be applied to satisfy in full your obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date, and any remaining proceeds will be promptly remitted to you after the settlement date of the final remarketing, and (ii) proceeds from the remarketing attributable to holders of separate shares of mandatory convertible preferred stock who have elected to participate in the remarketing will be remitted by the remarketing agent for the benefit of such holders on the settlement date of the final remarketing.

Our common stock is listed and traded on the New York Stock Exchange under the symbol "NI." The reported last sale price of our common stock on the New York Stock Exchange on April 13, 2021 was $24.51 per share. We intend to apply for listing of the Corporate Units on the New York Stock Exchange and expect trading to commence within 30 days of the date of initial issuance of the Corporate Units under the symbol "NIMC," but there is no guarantee that such listing will be approved. Prior to this offering, there has been no public market for the Corporate Units.

Investing in the Equity Units involves certain risks. See "Risk Factors" beginning on page S-32 of this prospectus supplement, and "Risk Factors" beginning on page 11 of our Annual Report on Form 10-K for the year ended December 31, 2020.

Neither the Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Corporate Unit	Total
Initial public offering price	$ 100	$750,000,000
Underwriting discounts and commissions	$ 2.616	$ 19,620,000
Proceeds, before expenses, to NiSource Inc.	$97.384	$730,380,000

The public offering price set forth above does not include accrued contract adjustment payments, if any. Contract adjustment payments on the purchase contracts will accrue for purchasers in this offering from April 19, 2021.

The underwriters may purchase up to an additional 1,125,000 Corporate Units at the public offering price less the underwriting discounts and commissions within a 13-day period beginning on, and including, the issue date of the Equity Units in order to cover over-allotments, if any.

The underwriters expect to deliver the Corporate Units in book-entry form only through the facilities of The Depository Trust Company on or about April 19, 2021, which is three business days following the initial trade date of the Corporate Units (such settlement cycle being herein referred to as "T+3"). You should note that the trading of the Corporate Units on the date of pricing or the next succeeding business day may be affected by the T+3 settlement. See "Underwriting."

Joint Book-Running Managers

Goldman Sachs & Co. LLC **J.P. Morgan** **Wells Fargo Securities**

Senior Co-Manager

Barclays

Co-Managers

BofA Securities **Citigroup** **Credit Suisse** **MUFG**

The date of this prospectus supplement is April 13, 2021.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part, the prospectus supplement, describes the specific terms of the offering and certain other matters relating to NiSource Inc. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. To the extent there is a conflict between the information contained or incorporated by reference in this prospectus supplement (or any related free writing prospectus issued by us), on the one hand, and the information contained or incorporated by reference in the accompanying prospectus, the information contained or incorporated by reference in this prospectus supplement (or any related free writing prospectus issued by us) shall control.

The registration statement of which this prospectus supplement and the accompanying prospectus forms a part, including the exhibits to the registration statement, provides additional information about us and our Equity Units offered under this prospectus supplement and the accompanying prospectus. Specifically, we have filed and incorporated by reference certain legal documents that control the terms of our Equity Units offered by this prospectus supplement and the accompanying prospectus as exhibits to the registration statement. We will file or incorporate by reference certain other legal documents that will control the terms of our Equity Units offered by this prospectus supplement and the accompanying prospectus as exhibits to the registration statement or to reports we file with the Securities and Exchange Commission (the "SEC") that are incorporated by reference into this prospectus supplement and the accompanying prospectus.

This prospectus supplement, the accompanying prospectus and certain of the documents incorporated by reference herein and therein contain, and any related free writing prospectus issued by us may contain, summaries of information contained in documents that we have filed or will file as exhibits to our SEC filings. Such summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the actual documents filed with the SEC.

You should read this entire prospectus supplement and the accompanying prospectus, including the documents incorporated by reference in this prospectus supplement under "Incorporation By Reference" and in the accompanying prospectus under "Where You Can Find More Information."

You should rely only on the information contained in this prospectus supplement, the accompanying prospectus, any related free-writing prospectus issued by us and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus may only be used where it is legal to sell the Equity Units offered hereby. The information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein is only accurate as of the date of the respective documents in which the information appears. Our business, financial condition, results of operations and prospects may have changed since those dates, and neither the delivery of this prospectus supplement and the accompanying prospectus nor any sale hereunder shall, under any circumstances, create any implication to the contrary.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" information into this prospectus supplement and the accompanying prospectus. This means that we can disclose important information to you by referring you to another document that NiSource has filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus. Information that NiSource files with the SEC after the date of this prospectus supplement will automatically modify and supersede the information included or incorporated by reference in this prospectus supplement and the accompanying prospectus to the extent that the subsequently filed information modifies or supersedes the existing information. We incorporate by reference:

- our Annual Report on Form 10-K for the year ended December 31, 2020;
- our Current Reports on Form 8-K filed on February 17, 2021 and February 22, 2021;
- the description of our common stock contained in our definitive joint proxy statement/prospectus dated April 24, 2000;
- any future filings we make with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus supplement and before we sell all of the securities offered by the prospectus.

You may request a copy of any of these filings at no cost by writing to or calling us at the following address and telephone number: Corporate Secretary, NiSource Inc., 801 East 86th Avenue, Merrillville, Indiana 46410, telephone: (877) 647-5990.

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SUMMARY

This summary highlights certain information appearing elsewhere in this prospectus supplement. This summary is not complete and does not contain all of the information that you should consider before purchasing our Equity Units. We urge you to read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including the historical financial statements and notes to those financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. You should read carefully the "Risk Factors" section on page S-32 of this prospectus supplement and the "Risk Factors" and "Note Regarding Forward-Looking Statements" sections in our Annual Report on Form 10-K for the year ended December 31, 2020, which is incorporated by reference herein, for more information about important risks that you should consider before investing in our Equity Units. Unless the context requires otherwise, references in this prospectus supplement to "NiSource" refer to NiSource Inc. and "we," "us" or "our" refer collectively to NiSource and its subsidiaries.

NISOURCE INC.

Overview. NiSource is an energy holding company whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 3.7 million customers in six states. Our principal subsidiaries include NiSource Gas Distribution Group, Inc., a natural gas distribution company, and Northern Indiana Public Service Company LLC, or NIPSCO, a gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated businesses. Our primary business segments are:

- Gas Distribution Operations; and
- Electric Operations.

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

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

Electric Operations. We generate, transmit and distribute electricity through our subsidiary NIPSCO to approximately 479,000 customers in 20 counties in the northern part of Indiana and engage in wholesale and transmission transactions. NIPSCO owns and operates two coal-fired electric generating stations. The two operating facilities have a generating capacity of 2,080 megawatts. NIPSCO completed the retirement of two

coal-burning units at its Bailly Generating Station on May 31, 2018. NIPSCO also owns and operates Sugar Creek, a combined cycle gas turbine plant with a generating capacity of 571 megawatts, two gas-fired generating units located at NIPSCO's coal-fired electric generating stations with a generating capacity of 155 megawatts and two hydroelectric generating plants with a generating capacity of 10 megawatts. These facilities provide for a total system operating generating capacity of 2,816 megawatts. NIPSCO's transmission system, with voltages from 69,000 to 765,000 volts, consists of 3,009 circuit miles. NIPSCO is interconnected with eight neighboring electric utilities. During the year ended December 31, 2020, NIPSCO generated 68.8% and purchased 31.2% of its electric requirements.

Our executive offices are located at 801 East 86th Avenue, Merrillville, Indiana 46410, telephone: (877) 647-5990.

Recent Developments

Preliminary Estimates of Earnings per Share

Set forth below is a preliminary estimate of our net income available to common shareholders (also referred to as earnings per share) as of March 31, 2021. The following estimates are not a comprehensive statement of our financial condition or results for the period ended March 31, 2021. We advise you that our actual results for the three months ended March 31, 2021 may differ materially from these estimates, which are given only as of the date of this prospectus supplement, as a result of the completion of our financial closing procedures, final adjustments and other developments, which may arise between now and the time that our financial results for the three months ended March 31, 2021 are finalized. This information is inherently uncertain.

As of the date of this prospectus supplement, we estimate that our net income available to common shareholders (also referred to as earnings per share) as of March 31, 2021 was between $0.70 and $0.74.

The preliminary financial estimates provided herein have been prepared by, and are the responsibility of, management. Neither Deloitte & Touche LLP, our independent registered public accounting firm, nor any other independent accountants have audited, reviewed, compiled, or performed any procedures with respect to the accompanying preliminary financial data.

Accordingly, Deloitte & Touche LLP does not express an opinion or any form of assurance with respect thereto and assumes no responsibility for, and disclaims any association with, this information.

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As a result of this offering we expect to have satisfied all of our anticipated discrete equity needs through 2024 (except for issuances under our existing programmatic ATM program) and eliminates the need for the discrete (block) equity issuance we originally planned for calendar years 2022 or 2023. Concurrently, we expect to have a renewable capital expenditure requirement of approximately $2.0 billion. Accordingly, we have adapted our financing strategy for 2021-2024:

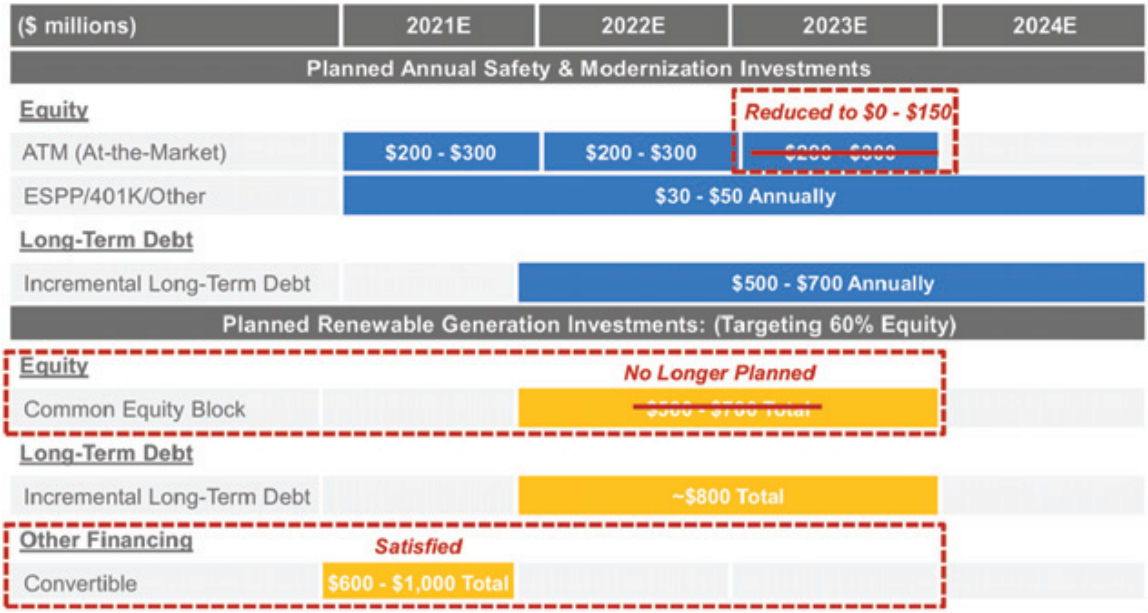

THE OFFERING

Issuer	NiSource Inc., a Delaware corporation
Securities Offered	7,500,000 Equity Units (or 8,625,000 Equity Units if the underwriters exercise their over-allotment option in full), each with a stated amount of $100, and consisting of Corporate Units, Treasury Units or Cash Settled Units ("Cash Settled Units") as described below. The Equity Units offered will initially consist of Corporate Units.
The Corporate Units	Each Corporate Unit consists of a purchase contract and, initially, a 1/10th, or 10%, undivided beneficial ownership interest in one share of mandatory convertible preferred stock (the "mandatory convertible preferred stock"). The shares of mandatory convertible preferred stock that are components of your Corporate Units will be owned by you but initially will be pledged to us through the collateral agent to secure your obligations under the related purchase contract. They will be released from that pledge arrangement (1) following a successful remarketing as described under "Remarketing the Mandatory Convertible Preferred Stock" below, (2) following the creation of Treasury Units as described under "Creating Treasury Units and Recreating Corporate Units" below, (3) following the creation of Cash Settled Units as described under "Cash Settled Units" below, (4) following the early settlement of the purchase contracts as described under "Early Settlement of the Purchase Contracts at Your Option" below or (5) following certain events of our bankruptcy, insolvency or reorganization, potentially after a bankruptcy related delay as described under "Description of the Purchase Contracts—Termination." Holders of Corporate Units will be entitled to receive, quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, commencing on June 1, 2021, distributions consisting of contract adjustment payments on the purchase contracts payable by us, subject to our right to defer contract adjustment payments as described below. All such distributions by us may be payable in cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election, as described below. The mandatory convertible preferred stock initially will not bear any dividends and the liquidation preference of the mandatory convertible preferred stock will not accrete. Following a successful remarketing of the mandatory convertible preferred stock, dividends may become payable on the mandatory convertible preferred stock at a dividend rate to be determined in connection with such successful remarketing, in which case the mandatory convertible preferred stock will bear dividends at such rate and become payable when, as and if declared by our board of directors, on March 1, 2024 (or, at our election in consultation with the remarketing agent in connection with a successful optional remarketing as described below, on each of December 1, 2023 and March 1, 2024). All such dividends may be payable in cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election, as described below, as described in this prospectus supplement.

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The Purchase Contracts . . . .

Settlement Rate . . . . . Each purchase contract that is a component of an Equity Unit obligates you to purchase, and obligates us to sell, on December 1, 2023, which we refer to as the "purchase contract settlement date," for $100, a number of newly-issued shares of our common stock, which we call the "settlement rate." The settlement rate, which will not exceed 4.0800 shares (the "maximum settlement rate"), will be determined over a 40 consecutive trading day period beginning on and including the 41st scheduled trading day immediately preceding the purchase contract settlement date (such 40 consecutive trading day period, the "market value averaging period") and will be calculated by us as follows:

- if the applicable market value of our common stock is less than or equal to $24.51, which we refer to as the "reference price," the settlement rate will be the maximum settlement rate; and
- if the applicable market value of our common stock is greater than the reference price, the settlement rate will be a number of shares of our common stock equal to $100 *divided by* the applicable market value.

The reference price initially equals the closing price of our common stock on The New York Stock Exchange on the pricing date for this offering.

The "applicable market value" of our common stock means the average of the daily VWAPs of our common stock during the market value averaging period.

The "daily VWAP" of our common stock means, for each relevant trading day, the per share volume weighted average price as displayed under the heading "Bloomberg VWAP" on Bloomberg page "NI <EQUITY> AQR" (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such VWAP is unavailable, the market price of one share of our common stock on such trading day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by us).

A "trading day" means (a) a day (i) on which The New York Stock Exchange, or, if our common stock is not then listed on The New York Stock Exchange, the principal exchange or quotation system on which our common stock is listed or admitted for trading, is scheduled to be open for business and (ii) on which there has not occurred or does not exist a market disruption event, as defined in "Description of the Purchase Contracts—Purchase of Common Stock," or (b) if our common stock is not so listed or admitted for trading, a "trading day" means a business day.

The settlement rate is subject to adjustment under certain circumstances if you elect to settle your purchase contract early, as described under "Early Settlement of the Purchase Contracts at Your Option" below. In addition, the maximum settlement rate and reference price are subject to adjustment for certain dilutive events as described in this prospectus supplement.

Contract Adjustment Payments . . . . . Under the purchase contracts, we will be obligated to pay quarterly contract adjustment payments at the rate of 7.75% per year on the stated amount of $100 per Equity Unit. Contract adjustment payments will accrue from the date of original issuance of the Corporate Units and will be payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, commencing on June 1, 2021.

Upon proper notice from us to the depositary and holders of Equity Units, we may elect to pay contract adjustment payments on the purchase contracts in cash, shares of our common stock, or a combination of cash and shares of our common stock. If we elect to make any contract adjustment payment, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at the average of the daily VWAPs per share of our common stock over the five consecutive trading day period ending on the second trading day immediately preceding the applicable payment date (the "five-day average price"), *multiplied by* 97%.

We have the right to defer the payment of contract adjustment payments until no later than the purchase contract settlement date; *provided* that upon a fundamental change early settlement or any other early settlement of any purchase contract, each as described in this prospectus supplement, we will pay deferred contract adjustment payments (including compounded contract adjustment payments thereon) on such purchase contract to, but excluding, the fundamental change early settlement date or to, but excluding, the quarterly payment date immediately preceding such other early settlement date, as applicable. Any deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of 7.75% per year until paid, compounded quarterly, to, but excluding, the payment date.

If we exercise our option to defer the payment of contract adjustment payments, then until the deferred contract adjustment payments have been paid, we will not (1) declare or pay any dividends on, or make any distributions on, or redeem, purchase or acquire, or make a liquidation payment with respect to, any shares of our capital stock (including the mandatory convertible preferred stock), (2) make any payment of principal of, or interest or premium, if any, on, or repay, repurchase or redeem any of our debt securities that rank on parity with, or junior to, the contract adjustment payments, or (3) make any guarantee payments under any guarantee by us of securities of any of our subsidiaries if our guarantee ranks on parity with, or junior to, the contract adjustment payments, subject to the exceptions set forth under "Description of the Purchase Contracts—Contract Adjustment Payments."

Upon our bankruptcy, insolvency or reorganization, holders of our Equity Units will have no claims against us or our estate for any accrued and unpaid (including any deferred) contract adjustment payments.

Treasury Units	A Treasury Unit is a unit created from a Corporate Unit and consists of a purchase contract and a 1/10th undivided beneficial ownership interest in a zero-coupon U.S. Treasury security with a principal amount of $1,000 that matures on or prior to December 1, 2023 (e.g., CUSIP No. 9128206B8), which we refer to as a "Treasury security." The ownership interest in the Treasury security that is a component of a Treasury Unit will be owned by you, but will be pledged to us through the collateral agent to secure your obligations under the related purchase contract. Holders of Treasury Units will be entitled to receive quarterly contract adjustment payments payable by us as described above, subject to our right to defer contract adjustment payments. If dividends become payable on the mandatory convertible preferred stock in connection with a successful remarketing, the holders of Treasury Units or Cash Settled Units that continue to hold the shares of mandatory convertible preferred stock that were released to them when such Treasury Units or Cash Settled Units were created, will receive, when, as and if declared by our board of directors, a dividend payment on their separate shares of mandatory convertible preferred stock on March 1, 2024 (or, at our election in consultation with the remarketing agent in connection with a successful optional remarketing as described below, on each of December 1, 2023 and March 1, 2024) if they continue to hold such shares.
Creating Treasury Units and Recreating Corporate Units	Subject to certain exceptions described in this prospectus supplement, each holder of Corporate Units will have the right, at any time other than during a blackout period (as defined below), to substitute for the related mandatory convertible preferred stock held by the collateral agent Treasury securities in an aggregate principal amount at maturity equal to $1,000 *multiplied by* the number of shares of the mandatory convertible preferred stock for which substitution is being made. Because the mandatory convertible preferred stock is issued with a liquidation preference of $1,000 per share, holders of Corporate Units may make this substitution only in integral multiples of 10 Corporate Units. This substitution will create Treasury Units, and the related shares of mandatory convertible preferred stock will be released to the holder and be tradable separately from the Treasury Units. After a successful remarketing, holders of Corporate Units may not create Treasury Units. In addition, subject to certain exceptions described in this prospectus supplement, each holder of Treasury Units will have the right, at any time other than during a blackout period, to substitute for the related Treasury securities held by the collateral agent a number of shares of mandatory convertible preferred stock with a per share $1,000 liquidation preference equal to the aggregate principal amount at maturity of the Treasury securities with respect to which substitution is being made *divided by* $1,000. Because the mandatory convertible preferred stock is issued with a liquidation preference of $1,000 per share, holders of Treasury Units may make this substitution only in integral multiples of 10 Treasury Units. This substitution will recreate Corporate Units, and the collateral agent will release from the pledge the related Treasury securities. After a successful remarketing, holders of Treasury Units may not recreate Corporate Units.

"Blackout period" means (i) if we elect to conduct an optional remarketing, the period from 4:00 p.m., New York City time, on the second business day immediately preceding the first day of any optional remarketing period until the settlement date of such remarketing or the date we announce that no successful optional remarketing has occurred during the optional remarketing period, (ii) following any successful remarketing (unless a condition precedent set forth in the remarketing agreement is not fulfilled prior to the scheduled settlement date for such remarketing), (iii) the period from 4:00 p.m., New York City time, on the second business day immediately preceding the first day of the final remarketing period until 9:00 a.m., New York City time, on the business day immediately succeeding the last day of the final remarketing period, and (iv) the period from and after 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date.

Cash Settled Units . . . . . Subject to certain exceptions described in this prospectus supplement, each holder of Corporate Units will have the right, during a period specified in this prospectus supplement preceding the first day of the final remarketing period, to substitute for the related convertible preferred stock held by the collateral agent cash in an amount equal to $1,000 *multiplied by* the number of shares of the mandatory convertible preferred stock for which substitution is being made. Because the mandatory convertible preferred stock is issued with a liquidation preference of $1,000 per share, holders of Corporate Units may make this substitution only in integral multiples of 10 Corporate Units. This substitution will create Cash Settled Units, and the share(s) of mandatory convertible preferred stock will be released to the holder and be tradable separately from the Corporate Units.

A holder of Treasury Units may not create Cash Settled Units, and a holder of Cash Settled Units may not create Treasury Units. Subject to certain exceptions described in this prospectus supplement, if no successful remarketing occurs during the final remarketing period, each holder of Cash Settled Units will have the right, at any time from and after 9:00 a.m., New York City time, on the business day immediately succeeding the last day of the final remarketing period, until 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date, to substitute for the related cash held by the collateral agent a number of shares of mandatory convertible preferred stock with a liquidation preference equal to the aggregate amount of cash with respect to which substitution is being made. Because the mandatory convertible preferred stock is issued with a liquidation preference of $1,000 per share, holders of Cash Settled Units may make this substitution only in integral multiples of 10 Cash Settled Units. This substitution will recreate Corporate Units, and the collateral agent will release from the pledge the related cash and substitute the mandatory convertible preferred stock. After a successful remarketing, holders of Cash Settled Units may not recreate Corporate Units.

Early Settlement of the Purchase Contracts at Your Option . . . . . .

You can elect to settle a purchase contract for cash at any time prior to 4:00 p.m., New York City time, on the scheduled trading day immediately preceding the first day of the market value averaging period, other than during a blackout period, subject to certain exceptions and conditions described under "Description of the Purchase Contracts—Early Settlement" in this prospectus supplement. Upon early settlement of any purchase contracts, except following a fundamental change as described below, we will deliver a number of newly-issued shares of our common stock determined over a forty consecutive trading day period beginning on the trading day immediately following the day you exercise this right, which we refer to as the "early settlement averaging period." The number of shares of our common stock we will deliver will equal 85% of the number of shares of our common stock that would be deliverable for each purchase contract as described in "—Settlement Rate" above as if the applicable market value were the average of the daily VWAPs of our common stock during the early settlement averaging period.

In addition, upon the occurrence of a "fundamental change" as defined in "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change," you will have the right, subject to certain exceptions and conditions described in this prospectus supplement, to settle your purchase contracts early at the settlement rate determined as described above under "Settlement Rate" (and not at a reduced rate as described in the immediately preceding paragraph), but over a market value averaging period as described in this prospectus supplement, *plus* an additional make-whole amount of shares determined as described in this prospectus supplement. See "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change."

Holders of Corporate Units and Treasury Units may settle early or exercise the fundamental change early settlement right, as applicable, only in integral multiples of 10 Corporate Units or 10 Treasury Units, as applicable.

Satisfying Your Payment Obligations under the Purchase Contracts . . . . .

As a holder of Corporate Units, Treasury Units or Cash Settled Units, you may satisfy your obligation to pay the aggregate purchase price for our common stock under the purchase contracts as follows:

- through the automatic application of the proceeds of a successful remarketing of the mandatory convertible preferred stock during a final remarketing period, in the case of Corporate Units, in the manner described in this prospectus supplement;
- through the automatic application of the proceeds of the Treasury securities, in the case of a Treasury Unit, the cash held by the collateral agent, in the case of a Cash Settled Unit, or the proceeds from the Treasury portfolio if it has replaced the mandatory convertible preferred stock underlying the Corporate Units in a successful optional remarketing;
- through early settlement of your purchase contracts in the manner described in this prospectus supplement; or

- through the automatic delivery to us, by the collateral agent, of your mandatory convertible preferred stock pledged to us held as part of Corporate Units as described below if no successful remarketing has occurred prior to the purchase contract settlement date and none of the above events has taken place.

Termination . . . . . The purchase contracts and our rights and obligations and the rights and obligations of the holders of the Corporate Units, Treasury Units and Cash Settled Units under the purchase contracts will terminate without any further action upon certain events of bankruptcy, insolvency or reorganization involving us (and not, for the avoidance of doubt, a bankruptcy, insolvency or reorganization involving only our subsidiaries), which we refer to as "termination events."

The Mandatory Convertible Preferred Stock . . . . .

No Dividends . . . . . The mandatory convertible preferred stock will initially not bear any dividends and the liquidation preference of the mandatory convertible preferred stock will not accrete.

Dividends Following a Successful Remarketing . . . . . In connection with a successful remarketing of the mandatory convertible preferred stock, dividends may become payable on the mandatory convertible preferred stock. Following a successful remarketing of the mandatory convertible preferred stock, dividends may become payable on the $1,000 liquidation preference per share of the mandatory convertible preferred stock, when, as and if declared by our board of directors out of funds legally available for the payment of dividends, at a dividend rate to be determined in connection with such successful remarketing, on March 1, 2024 (or, at our election in consultation with the remarketing agent in connection with a successful optional remarketing, on each of December 1, 2023 and March 1, 2024).

We may elect to pay dividends on the mandatory convertible preferred stock in cash, shares of our common stock, or a combination of cash and shares of our common stock. If our board of directors, or an authorized committee thereof, elects to make any such payment of a declared dividend, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at the applicable five-day average price, *multiplied by* 97%.

Cumulative dividends, if any, on the mandatory convertible preferred stock will only be paid when, as and if declared by our board of directors. Dividends, if any, on the mandatory convertible preferred stock will accumulate from the applicable remarketing settlement date, and will accumulate even if any of our agreements prohibit the current payment of dividends, we do not have earnings or funds legally available to pay such dividends or we do not declare the payment of dividends. Any accumulated and unpaid dividends will accrue additional dividends at the applicable dividend rate until paid, compounded quarterly, to, but excluding, the payment date. We may declare and pay accumulated and unpaid dividends (including compounded dividends thereon) on a payment date in cash, shares of our common stock, or a combination thereof, as described above.

So long as any share of the mandatory convertible preferred stock remains outstanding, unless all accumulated and unpaid dividends (including compounded dividends thereon), if any, for all preceding dividend periods have been declared and paid, or a sufficient sum or number of shares of common stock has been set apart for the payment of such dividends upon, all outstanding shares of mandatory convertible preferred stock, we will not: (i) declare and pay dividends on any capital stock ranking, as to dividends, on parity with or junior to the mandatory convertible preferred stock; (ii) redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to, any capital stock ranking, as to dividends or upon liquidation, on parity with or junior to the mandatory convertible preferred stock; or (iii) make any contract adjustment payments or any payment under any agreement similar to that of the purchase contract and pledge agreement, subject to certain exceptions. See "Description of the Mandatory Convertible Preferred Stock—Dividends."

Mandatory Conversion Date . . . . . The second business day immediately following the last trading day of the mandatory averaging period (as defined herein). The mandatory conversion date is expected to be March 1, 2024.

Ranking . . . . . The mandatory convertible preferred stock will rank, with respect to dividend rights and rights upon our liquidation, winding-up or dissolution:

- senior to (i) our common stock and (ii) any other class or series of our capital stock established after the first original issue date of shares of the mandatory convertible preferred stock, the terms of which do not expressly provide that such class or series ranks on parity with the mandatory convertible preferred stock or senior to the mandatory convertible preferred stock as to dividend rights or distribution rights upon our liquidation, winding-up or dissolution, as the case may be;
- on parity with (i) our Series A Preferred Stock, our Series B Preferred Stock and our Series B-1 Preferred Stock and (ii) any other class or series of our capital stock established after the first original issue date of shares of the mandatory convertible preferred stock, the terms of which expressly provide that such class or series will rank on parity with the mandatory convertible preferred stock as to dividend rights or distribution rights upon our liquidation, winding-up or dissolution, as the case may be;
- junior to any other class or series of our capital stock established after the first original issue date of shares of the mandatory convertible preferred stock the terms of which expressly provide that such class or series will rank senior to the mandatory convertible preferred stock as to dividend rights or distribution rights upon our liquidation, winding-up or dissolution, as the case may be; and
- junior to our existing and future indebtedness and other liabilities (including trade payables).

	In the case of our liquidation, dissolution or winding up, holders of the mandatory convertible preferred stock will not have the right to receive any payment or distribution unless all of our liabilities are first paid in full and the priority of any senior stock is satisfied. It is possible a bankruptcy court may not respect the priority of the mandatory convertible preferred stock. See "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—It is possible that a bankruptcy court may rank any claims under the mandatory convertible preferred stock equally with or below the claims of holders of common stock and that you may receive no recovery on your claims."
	We currently have no capital stock outstanding that is senior to the mandatory convertible preferred stock. We currently have 420,000 shares of outstanding preferred stock that is on parity with the mandatory convertible preferred stock, consisting of 400,000 shares of Series A Preferred Stock representing $400 million of aggregate liquidation preference (not taking into account any accumulated and unpaid dividends) and 20,000 shares of Series B Preferred Stock representing $500 million of aggregate liquidation preference (not taking into account accumulated and unpaid dividends). We own all of the equity interest of our subsidiaries. As of March 31, 2021, we had approximately $9,572 million principal amount of outstanding indebtedness on an unconsolidated basis, all of which is senior in right of payment to the mandatory convertible preferred stock. In addition, the mandatory convertible preferred stock will be structurally subordinated to all debt, preferred stock and other liabilities of our subsidiaries, which means that creditors and any preferred stockholders of our subsidiaries will be paid from the assets of such subsidiaries before holders of the mandatory convertible preferred stock would have any claims to those assets. As of March 31, 2021, our subsidiaries had approximately $279.5 million principal amount of outstanding indebtedness.
Liquidation Preference	If we liquidate, dissolve or wind up, holders of shares of the mandatory convertible preferred stock will have the right to receive $1,000 per share of the mandatory convertible preferred stock, *plus* accumulated and unpaid dividends, if any (whether or not authorized or declared) up to, but excluding, the date of payment, before any payment is made to holders of our common stock and any other class or series of capital stock ranking junior to the mandatory convertible preferred stock as to liquidation rights, but subject to the prior payment in full of all of our liabilities and the preferences of any senior stock. It is possible a bankruptcy court may not respect the priority of the mandatory convertible preferred stock. See "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—It is possible that a bankruptcy court may rank any claims under the mandatory convertible preferred stock equally with or below the claims of holders of common stock and that you may receive no recovery on your claims."
Limited Voting Rights	Holders of shares of the mandatory convertible preferred stock will have no voting rights with respect to the mandatory convertible preferred stock, except with respect to certain amendments to the terms of the mandatory convertible preferred stock, in certain other limited circumstances and except as specifically required or recommended by applicable Delaware law, the NYSE listing rules or by our amended and restated certificate of incorporation. Holders will have no right to vote for any members of our board of directors, except as required or recommended by Delaware law or the NYSE listing rules. See "Description of the Mandatory Convertible Preferred Stock—Limited Voting Rights."

Remarketing Failure . . . . . As more fully described under "—Mandatory Conversion" and "—Remarketing the Mandatory Convertible Preferred Stock" below, if a successful remarketing of the mandatory convertible preferred stock has not occurred on or prior to the last day of the final remarketing period (as described more fully herein, a "Remarketing Failure"), with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, you will not receive any shares of our common stock upon automatic conversion of any such shares of mandatory convertible preferred stock on the mandatory conversion date.

Mandatory Conversion . . . . . Unless a Remarketing Failure has occurred, upon conversion on the mandatory conversion date, each outstanding share of the mandatory convertible preferred stock, unless previously converted, will automatically convert into a number of shares of our common stock equal to not more than 40.7997 shares of our common stock, or the "maximum conversion rate", and not less than 34.7231 shares of our common stock, or the "minimum conversion rate", depending on the mandatory settlement value of our common stock, as described below, and subject to certain anti-dilution adjustments. If a Remarketing Failure has previously occurred, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of our common stock will be delivered upon automatic conversion of such shares and each such share of mandatory convertible preferred stock will be automatically transferred to us on the mandatory conversion date without any payment of cash or shares of our common stock thereon.

The "mandatory settlement value" of our common stock means the average of the daily VWAPs of our common stock during the mandatory averaging period. The "mandatory averaging period" means the 40 consecutive trading day period commencing on, and including, the 41st scheduled trading day immediately preceding March 1, 2024. Unless a Remarketing Failure has occurred, the conversion rate will be calculated by us as described under "Description of the Mandatory Convertible Preferred Stock—Mandatory Conversion," and, in such case, the following table illustrates the conversion rate per share of the mandatory convertible preferred stock, subject to certain anti-dilution adjustments.

Assumed mandatory settlement value of our common stock	Conversion rate (number of shares of our common stock issuable upon conversion of each share of the mandatory convertible preferred stock)
Greater than the threshold appreciation price	34.7231 shares of common stock
Equal to or less than the threshold appreciation price but greater than or equal to the initial price	Between 34.7231 and 40.7997 shares of common stock, determined by dividing $1,000 by the mandatory settlement value
Less than the initial price	40.7997 shares of common stock

The "initial price" is calculated by dividing $1,000 by the maximum conversion rate of 40.7997 shares of common stock, and initially is approximately equal to the closing price of our common stock on The New York Stock Exchange on the pricing date for this offering.

The "threshold appreciation price" is calculated by dividing $1,000 by the minimum conversion rate of 34.7231 shares of common stock, and initially is approximately equal to $28.7993, which represents an approximately 17.5% appreciation over the reference price. If dividends become payable on the mandatory convertible preferred stock in connection with a successful remarketing and we declare a dividend for the dividend period ending on, but excluding, March 1, 2024, we will pay such dividend to the holders of record as of the immediately preceding regular record date. If dividends become payable in connection with a successful remarketing and on or prior to March 1, 2024 we have not declared all or any portion of the accumulated and unpaid dividends on the mandatory convertible preferred stock, the conversion rate will be adjusted so that holders receive an additional number of shares of our common stock equal to (i) the amount of such accumulated and unpaid dividends that have not been declared (such amount, the "mandatory conversion additional conversion amount"), *divided by* (ii) the greater of (A) $8.58, which amount represents approximately 35% of the initial price (subject to adjustment in a manner inversely proportional to any anti-dilution adjustment to each conversion rate) (the "floor price") and (B) 97% of the applicable five-day average price (calculated using March 1, 2024 as the applicable dividend date). To the extent that the mandatory conversion additional conversion amount exceeds the product of the number of additional shares and 97% of the applicable five-day average price, we will, if we are able to do so under applicable Delaware law, declare and pay such excess amount in cash *pro rata* to the holders of the mandatory convertible preferred stock. To the extent that we are not able to pay such excess amount in cash under applicable Delaware law, we will not have any obligation to pay such amount in cash or deliver additional shares of our common stock in respect of such amount.

In connection with a successful remarketing of the mandatory convertible preferred stock, the minimum conversion rate of the mandatory convertible preferred stock may be increased as described below under "—Terms of Remarketed Mandatory Convertible Preferred Stock."

Early Conversions . . . . . Holders of Corporate Units do not have the right to convert their ownership interests in the mandatory convertible preferred stock that are a part of such Corporate Units. Only shares of mandatory convertible preferred stock that are not a part of Corporate Units may be converted. Holders of such separate shares of mandatory convertible preferred stock that are not a part of Corporate Units may convert their shares at their option prior to December 1, 2023 only upon the occurrence of a fundamental change.

In order for a holder of Corporate Units to separate their mandatory convertible preferred stock from the purchase contracts to convert the mandatory convertible preferred stock following a fundamental change, the holder must either (1) create Treasury Units or (2) settle the related purchase contracts early with separate cash, as described under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change" below.

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Conversion at the Option of the Holder Upon a Fundamental Change	If a fundamental change occurs, unless a Remarketing Failure has occurred, holders of the mandatory convertible preferred stock will have the right, prior to the applicable fundamental change conversion deadline (as defined under "Description of the Mandatory Convertible Preferred Stock—Conversion at the Option of the Holder upon Fundamental Change"), to convert their separate shares of mandatory convertible preferred stock, in whole or in part (but in no event less than one share of the mandatory convertible preferred stock), into shares of our common stock as described in "Description of the Mandatory Convertible Preferred Stock—Conversion at the Option of the Holder upon Fundamental Change". There will be no make-whole amount of shares or increase to the conversion rate for conversions of the mandatory convertible preferred stock in connection with a fundamental change, except for the limited case where the "stock price" (as defined under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change") for such fundamental change is less than $24.51 per share of our common stock (subject to adjustment in certain circumstances), which initially equals the initial price of the mandatory convertible preferred stock.
Early Conversion at the Option of the Holder	Other than in connection with a fundamental change, on or after December 1, 2023 and unless there has been a Remarketing Failure, holders of shares of mandatory convertible preferred stock have the right to convert their mandatory convertible preferred stock, in whole or in part (but in no event less than one share of mandatory convertible preferred stock), at any time prior to March 1, 2024 (an "early conversion"), into shares of our common stock at the minimum conversion rate of shares of our common stock per share of mandatory convertible preferred stock.
Remarketing the Mandatory Convertible Preferred Stock	Unless a termination event has occurred, we may elect, at our option, to remarket the mandatory convertible preferred stock during a period (which we refer to as the "optional remarketing window") beginning on and including September 1, 2023 and ending on and including November 3, 2023. Any remarketing in the optional remarketing window will occur during a fifteen-business day remarketing period (which we refer to as an "optional remarketing period") consisting of fifteen sequential possible remarketing dates selected by us and will include the shares of mandatory convertible preferred stock underlying the Corporate Units and separate shares of mandatory convertible preferred stock whose holders have elected to participate in the remarketing as described under "Description of the Mandatory Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units." We may attempt remarketings during multiple optional remarketing periods in the optional remarketing window so long as we give to the depositary at least 15 calendar days' notice prior to the first day of any optional remarketing period as described below. We refer to a remarketing that occurs during an optional remarketing period as an "optional remarketing" and the date we price the mandatory convertible preferred stock offered in an optional remarketing as the "optional remarketing date."

If we elect to conduct an optional remarketing, we and the remarketing agent will use our reasonable best efforts to remarket and price the mandatory convertible preferred stock. For the avoidance of doubt, and without limiting the generality of the foregoing, we and our board of directors will accept the terms of a successful optional remarketing if the closing price of our common stock at the time of the remarketing is above the threshold appreciation price of the mandatory convertible preferred stock (as defined under "Description of the Mandatory Convertible Preferred Stock—Mandatory Conversion"). In order for such optional remarketing to be successful, the remarketing agent must obtain, and the optional remarketing will be considered successful if the remarketing agent is able to obtain, a price (i) for shares of mandatory convertible preferred stock that are components of Corporate Units equal to at least 100% of the aggregate Treasury portfolio purchase price (as defined in "Description of the Purchase Contracts—Optional Remarketing") and (ii) for remarketed shares of mandatory convertible preferred stock that are not included in Corporate Units, equal to the separate convertible preferred stock purchase price (as defined in "Description of the Mandatory Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units"), which will be the same price, on a per share basis, as shares of mandatory convertible preferred stock included in Corporate Units. To obtain that price, (a) dividends may become payable on the mandatory convertible preferred stock and/or (b) if the closing price of our common stock on the pricing date for a successful remarketing is less than or equal to the initial price, the minimum conversion rate of the mandatory convertible preferred stock will be increased to an amount equal to $1,000 *divided by* 117.5% of the closing price on such date (rounded to the nearest ten-thousandth of a share), each as described under "Description of the Mandatory Convertible Preferred Stock—Terms of Remarketed Mandatory Convertible Preferred Stock." The dividend rate and/or increased minimum conversion rate will be a fixed dividend rate and/or minimum conversion rate (subject to adjustment in certain circumstances) determined by our board of directors, after consultation with the remarketing agent, as the rate(s) the mandatory convertible preferred stock should bear and the terms the mandatory convertible preferred stock should include in order for the net remarketing proceeds to equal at least the sum of (x) 100% of the purchase price of the Treasury portfolio and (y) the separate mandatory convertible preferred stock purchase price for shares of mandatory convertible preferred stock that are not included in Corporate Units whose holders have elected to participate in the remarketing. We will not decrease the dividend rate or the minimum conversion rate, or change the maximum conversion rate, in connection with a successful optional remarketing of the mandatory convertible preferred stock.

Notwithstanding the foregoing, in no event will the increased minimum conversion rate for the mandatory convertible preferred stock exceed the then-current maximum conversion rate of the mandatory convertible preferred stock (which is initially 40.7997 shares of common stock and is subject to adjustment as set forth under "Description of the Mandatory Convertible Preferred Stock—Anti-dilution Adjustments").

We will request that the depositary notify its participants holding Corporate Units, Treasury Units, and separate shares of mandatory convertible preferred stock of our election to conduct an optional remarketing no later than 15 calendar days prior to the date we begin such optional remarketing.

If the optional remarketing is successful:

- the modifications, if any, made to the terms of the mandatory convertible preferred stock in connection with the optional remarketing as described above will become effective on the settlement date for such optional remarketing;
- if dividends become payable on the mandatory convertible preferred stock, such dividends will be payable on March 1, 2024 (or, at our election in consultation with the remarketing agent, on each of December 1, 2023 and March 1, 2024) at the applicable dividend rate (as such dividend rate may be determined in connection with such remarketing) when, as and if declared by our board of directors;
- the portion of the proceeds from the remarketing attributable to shares of mandatory convertible preferred stock that were components of Corporate Units that is equal to the "Treasury portfolio purchase price," as defined in "Description of the Purchase Contracts— Optional Remarketing," will automatically be applied to purchase the Treasury portfolio, and any remaining proceeds will be promptly remitted to the holder after the optional remarketing settlement date; and
- the proceeds from the remarketing attributable to holders of separate shares of mandatory convertible preferred stock who elected to participate in the remarketing will be remitted by the remarketing agent to the custodial agent for distribution to such holders on the optional remarketing settlement date.

The "Treasury portfolio" is a portfolio of U.S. Treasury securities consisting of U.S. Treasury securities (or principal or interest strips thereof) that mature on or prior to the purchase contract settlement date in an aggregate amount at maturity equal to $1,000 *multiplied by* the number of shares of the mandatory convertible preferred stock included in the Corporate Units on the optional remarketing date.

The Treasury portfolio will be substituted for the shares of mandatory convertible preferred stock that are components of the Corporate Units and such Treasury securities will be pledged to us through the collateral agent to secure the Corporate Unit holders' obligations under the purchase contracts. When paid at maturity, an amount of the Treasury portfolio equal to $1,000 *multiplied by* the aggregate number of substituted shares of mandatory convertible preferred stock will automatically be applied to satisfy the Corporate Unit holders' obligations to purchase our common stock under the purchase contracts on the purchase contract settlement date. See "Description of the Purchase Contracts—Remarketing" in this prospectus supplement.

If we do not elect to conduct an optional remarketing, or no optional remarketing succeeds for any reason, the terms of the mandatory convertible preferred stock will not be modified and the shares of mandatory convertible preferred stock (other than separate shares of mandatory convertible preferred stock) will continue to be components of Corporate Units and we and the remarketing agent will use reasonable best efforts to remarket and price the mandatory convertible preferred stock during the final remarketing period as described below.

If the mandatory convertible preferred stock has not been successfully remarketed in the optional remarketing window, a termination event has not previously occurred and you do not create a Cash Settled Unit or a Treasury Unit as described in this prospectus supplement, the mandatory convertible preferred stock that is part of your Corporate Units, together with any separate shares of mandatory convertible preferred stock that have been submitted for remarketing, will be remarketed during a five-business day remarketing period beginning on, and including, November 13, 2023, and ending on, and including, November 17, 2023 (the ninth business day immediately preceding the purchase contract settlement date). We refer to this period as the "final remarketing period," a remarketing that occurs during this period as a "final remarketing," and the date we price the mandatory convertible preferred stock offered in a final remarketing as the "final remarketing date."

The remarketing agent will remarket the mandatory convertible preferred stock underlying the Corporate Units and any separate shares of mandatory convertible preferred stock whose holders have elected to participate in the remarketing, during each business day of the final remarketing period until the remarketing is successful.

We and the remarketing agent will use our reasonable best efforts to remarket and price the mandatory convertible preferred stock during the final remarketing period. For the avoidance of doubt, and without limiting the generality of the foregoing, we and our board of directors will accept the terms of a successful final remarketing if the closing price of our common stock at the time of the remarketing is above the threshold appreciation price of the mandatory convertible preferred stock. The remarketing will be considered successful if the remarketing agent is able to obtain a price that results in proceeds of at least $1,000 *multiplied by* the aggregate number of shares of the mandatory convertible preferred stock being remarketed. To obtain that price, (a) dividends may become payable on the mandatory convertible preferred stock and/or (b) if the closing price of our common stock on the pricing date for a successful remarketing is less than or equal to the initial price, the minimum conversion rate of the mandatory convertible preferred stock will be increased to an amount equal to $1,000 *divided by* 117.5% of the closing price on such date (rounded to the nearest ten-thousandth of a share), each as described under "Description of the Mandatory Convertible Preferred Stock—Terms of Remarketed Mandatory Convertible Preferred Stock." The dividend rate and/or increased minimum conversion rate will be a fixed dividend rate and/or minimum conversion rate (subject to adjustment in certain circumstances) determined by our board of directors, after consultation with the remarketing agent, as the rate(s) the mandatory convertible preferred stock should bear and the terms the mandatory convertible preferred stock should include in order for the net remarketing proceeds to equal at least $1,000 *multiplied by* the number of shares of mandatory convertible preferred stock being remarketed. We will not decrease the dividend rate or the minimum conversion rate, or change the maximum conversion rate, in connection with a successful final remarketing of the mandatory convertible preferred stock.

Notwithstanding the foregoing, in no event will the increased minimum conversion rate for the mandatory convertible preferred stock exceed the then-current maximum conversion rate of the mandatory convertible preferred stock (which is initially 40.7997 shares of common stock and is subject to adjustment as set forth under "Description of the Mandatory Convertible Preferred Stock— Anti-dilution Adjustments").

We will request that the depositary notify its participants holding Corporate Units, Treasury Units and separate shares of mandatory convertible preferred stock of the final remarketing as described in this prospectus supplement.

If the final remarketing is successful:

- the modifications, if any, made to the terms of the mandatory convertible preferred stock in connection with the final remarketing as described above will become effective on the settlement date for such final remarketing;
- if dividends become payable on the mandatory convertible preferred stock, such dividends will be payable on March 1, 2024 at the applicable dividend rate (as such dividend rate may be determined in connection with such remarketing) when, as and if declared by our board of directors;
- a portion of the proceeds from the remarketing equal to $1,000 *multiplied by* the aggregate number of shares of the mandatory convertible preferred stock underlying Corporate Units that were remarketed will automatically be applied to satisfy in full the Corporate Unit holders' obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date, and any remaining proceeds will be promptly remitted to the holder after the final remarketing settlement date; and
- the proceeds from the remarketing attributable to holders of separate shares of mandatory convertible preferred stock who elected to participate in the remarketing will be remitted by the remarketing agent to the custodial agent for distribution to such holders on the final remarketing settlement date; and

If the mandatory convertible preferred stock has not been successfully remarketed on or prior to the last day of the final remarketing period, (i) with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of our common stock will be deliverable upon automatic conversion of such shares of mandatory convertible preferred stock on the mandatory conversion date, (ii) the mandatory convertible preferred stock will continue not to bear dividends, (iii) other terms of the mandatory convertible preferred stock will not be modified, (iv) holders of Treasury Units and Cash Settled Units can recreate Corporate Units from and after 9:00 a.m., New York City time, on the business day immediately succeeding the last day of the final remarketing period, until 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement

date and (v) all shares of the mandatory convertible preferred stock held as part of Corporate Units will be automatically delivered to us on the purchase contract settlement date in full satisfaction of the Corporate Unit holders' obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date, as described under "—Automatic Settlement upon Failed Final Remarketing" below.

We refer to each optional remarketing and the final remarketing described above as a "remarketing."

During the applicable blackout period relating to a remarketing, you may not settle a purchase contract early, you may not create Treasury Units and you may not recreate Corporate Units from Treasury Units or Cash Settled Units.

Terms of Remarketed Mandatory Convertible Preferred Stock . . . . . .

In connection with a successful remarketing, (a) dividends may become payable on the mandatory convertible preferred stock and/or (b) if the closing price of our common stock on the pricing date for a successful remarketing is less than or equal to the initial price, the minimum conversion rate of the mandatory convertible preferred stock will be increased to an amount equal to $1,000 *divided by* 117.5% of the closing price on such date (rounded to the nearest ten-thousandth of a share). The changes to the terms of the mandatory convertible preferred stock in connection with a successful remarketing, if any, will become effective on the settlement date of the remarketing, which will be, (i) in the case of an optional remarketing, the third business day following the optional remarketing date (or such other date as we and the remarketing agent agree upon) and (ii) in the case of a final remarketing, the third business day following the final remarketing date (or such other date as we and the remarketing agent agree upon, but in no event later than the purchase contract settlement date). The dividend rate and/or increased minimum conversion rate will be a fixed dividend rate and/or conversion rate (subject to adjustment in certain circumstances) determined by our board of directors, after consultation with the remarketing agent, as the rate(s) the mandatory convertible preferred stock should bear and the terms the mandatory convertible preferred stock should include in order for the net remarketing proceeds to equal (a) in the case of a final remarketing, at least $1,000 *multiplied by* the number of shares of mandatory convertible preferred stock being remarketed and (b) in the case of an optional remarketing, at least the sum of (x) 100% of the purchase price of the Treasury portfolio and (y) the separate mandatory convertible preferred stock purchase price for shares of mandatory convertible preferred stock that are not included in Corporate Units whose holders have elected to participate in the remarketing. We will not decrease the minimum conversion rate or the dividend rate, or change the maximum conversion rate, in connection with a successful remarketing of the mandatory convertible preferred stock.

Notwithstanding the foregoing, in no event will the increased minimum conversion rate for the mandatory convertible preferred stock exceed the then-current maximum conversion rate of the mandatory convertible preferred stock (which is initially 40.7997 shares of common stock and is subject to adjustment as set forth under "Description of the Mandatory Convertible Preferred Stock— Anti-dilution Adjustments").

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If the mandatory convertible preferred stock is not successfully remarketed, no terms of the mandatory convertible preferred stock will be changed, except that if a Remarketing Failure occurs, the conversion rate will be fixed at zero and, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of common stock will be deliverable upon mandatory conversion of such shares of mandatory convertible preferred stock and such shares will be automatically transferred to us on the mandatory conversion date without payment or delivery of any cash or shares of our common stock or other consideration.

Election Not to Participate in the Remarketing . . . . . .

You may elect not to participate in any remarketing and to retain the mandatory convertible preferred stock underlying your Corporate Units by:

- creating Treasury Units or Cash Settled Units as described above; or
- settling purchase contracts early as described above.

Whether or not you participate in the remarketing, upon a successful remarketing or a Remarketing Failure, as applicable, your shares of mandatory convertible preferred stock will become subject to the modified provisions described under "Description of the Purchase Contracts—Remarketing" and "Description of the Mandatory Convertible Preferred Stock—Remarketing."

There are risks associated with the creation of Treasury Units and Cash Settled Units or settling purchase contracts early, in particular if you continue to hold the separate shares of mandatory convertible preferred stock and a Remarketing Failure occurs. For a discussion of some of the risks related to the occurrence of a Remarketing Failure, see "Risk Factors—Risk Factors Relating to the Equity Units—If a Remarketing Failure occurs and you hold Treasury Units or Cash Settled Units and separate shares of mandatory convertible preferred stock, you must recreate Corporate Units in order to avoid losing your pledged Treasury securities or cash and being left with mandatory convertible preferred stock with little economic value", "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon" and "Risk Factors—Risk Factors Relating to the Equity Units—Because the Equity Units and mandatory convertible preferred stock will initially be issued in book-entry form, holders must rely on DTC's procedures to receive communications relating to the Equity Units and mandatory convertible preferred stock and exercise their rights and remedies."

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Participation in a Remarketing by Holders of Separate Shares of Mandatory Convertible Preferred Stock . . . . . Holders of shares of mandatory convertible preferred stock that are not part of the Corporate Units may elect, in the manner described in this prospectus supplement, to have their shares remarketed by the remarketing agent along with the shares included in the Corporate Units. See "Description of the Mandatory Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units." Such holders may also participate in any remarketing by recreating Corporate Units from Treasury Units at any time other than during a blackout period, as described under "Description of the Equity Units—Creating Treasury Units by Substituting a Treasury Security for Mandatory Convertible Preferred Stock." Whether or not you participate in the remarketing, upon a successful remarketing or a Remarketing Failure, as applicable, your shares of mandatory convertible preferred stock will become subject to the modified provisions described under "Description of the Purchase Contracts—Remarketing" and "Description of the Mandatory Convertible Preferred Stock—Remarketing."

Automatic Settlement upon Failed Final Remarketing . . . . . If the mandatory convertible preferred stock has not been successfully remarketed on or prior to the last day of the final remarketing period, all shares of the mandatory convertible preferred stock held as part of Corporate Units will be delivered to us on the purchase contract settlement date in full satisfaction of the Corporate Unit holders' obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date unless the holder separately cash settles the purchase contracts as described below.

The ownership interest in the mandatory convertible preferred stock underlying a Corporate Unit will be automatically delivered to us, thereby satisfying such holder's obligations to us under the related purchase contracts in full, unless, prior to 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date, the holder provides written notice to the purchase contract agent of an intention to settle the related purchase contracts with separate cash and on or prior to the business day immediately preceding the purchase contract settlement date delivers to the securities intermediary $1,000 in cash per 10 purchase contracts. Holders of Corporate Units may settle their purchase contracts with separate such cash only in integral multiples of 10 Corporate Units.

If a Remarketing Failure occurs, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of our common stock will be delivered upon automatic conversion of such shares of mandatory convertible preferred stock and each such share of mandatory convertible preferred stock will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon. If you had created Treasury Units or Cash Settled Units in advance of the final

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	remarketing period and a Remarketing Failure occurs, you will have from 9:00 a.m., New York City time, on the business day immediately succeeding the last day of the final remarketing period until 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date to recreate Corporate Units with separate shares of mandatory convertible preferred stock, in order for such shares to be automatically applied in satisfaction of your obligations under the related purchase contracts as described above. If you do not recreate Corporate Units during this period, your pledged Treasury securities or cash, as the case may be, will be used to satisfy your obligations under the related purchase contracts, and, if you hold shares of separate mandatory convertible preferred stock, those shares will no longer convert into common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of common stock thereon.
Miscellaneous	
Listing of the Units	We intend to apply for listing of the Corporate Units on The New York Stock Exchange and expect trading to commence within 30 days of the date of initial issuance of the Corporate Units under the symbol "NIMC," but there is no guarantee that such listing will be approved.
United States and Federal Income and Estate Tax Consequences	For a summary of material United States federal income and estate tax consequences relating to an investment in the Equity Units, see "Material U.S. Federal Income and Estate Tax Consequences."
Form and Book-Entry System	The Corporate Units, Treasury Units and Cash Settled Units will be issued in certificated form and registered in the name of Cede & Co., the nominee of The Depository Trust Company, and evidenced by one or more global securities held in certificated form. Except under limited circumstances, a beneficial owner will not be entitled to receive physical delivery of securities certificates.
Risk Factors	You should consider carefully all the information set forth and incorporated by reference in this prospectus supplement and the accompanying base prospectus and, in particular, you should evaluate the specific factors set forth under "Risk Factors" beginning on page S-32 of this prospectus supplement before deciding whether to invest in the Equity Units.
Use of Proceeds	The aggregate net proceeds to us from the sale of the Equity Units, after deducting the underwriting discounts but before deducting our other fees and expenses related to the offering, will be approximately $730.4 million (or approximately $839.9 million if the underwriters exercise their over-allotment option in full).

We intend to use the net proceeds from this offering for renewable generation investments and general corporate purposes, including additions to working capital and repayment of existing indebtedness. This offering is consistent with meeting our near and long-term financial plan. The Equity Unit structure of this offering allows us to retain share price upside while aligning the expected proceeds with our renewable investment needs. This offering is expected to satisfy all of our anticipated discrete equity needs through 2024 (except for issuances under our existing programmatic "at-the-market offering" program) and eliminates the need for the discrete (block) equity issuance we originally planned for calendar years 2022 or 2023. See "Use of Proceeds" on page S-51.

THE OFFERING—EXPLANATORY DIAGRAMS

The following diagrams illustrate some of the key features of the Corporate Units and Treasury Units as well as the transformation of Corporate Units into Treasury Units and separate shares of mandatory convertible preferred stock.

The following diagrams assume that the mandatory convertible preferred stock is successfully remarketed during the final remarketing period.

Corporate Units

A Corporate Unit initially consists of two components as described below:

Purchase Contract	1/10th Ownership Interest in a Share of Mandatory Convertible Preferred Stock[1]
(Owed to Holder) Our Common Stock at Purchase Contract Settlement Date (December 1, 2023) + Contract Adjustment Payments 7.75% per annum paid quarterly[2]	(Owed to Holder) No dividends[3] (following a successful remarketing, dividends may become payable)
(Owed to Us) $100 for such Corporate Unit at Purchase Contract Settlement Date (December 1, 2023)	(Owed to Holder) Upon mandatory conversion on or around March 1, 2024, a number of shares of our common stock not more than 40.7997 shares of our common stock and not less than 34.7231 shares of our common stock, depending on the mandatory settlement value of our common stock [4][5]

(1) The holder of a Corporate Unit owns the 1/10th undivided beneficial ownership interest in the share of mandatory convertible preferred stock that forms a part of the Corporate Unit but will pledge it to us through the collateral agent to secure its obligation under the related purchase contract. If the Treasury portfolio has replaced the mandatory convertible preferred stock as a result of a successful optional remarketing prior to the final remarketing period, the applicable ownership interests in the Treasury portfolio will replace the interest in the mandatory convertible preferred stock as a component of the Corporate Unit. Unless the purchase contract is terminated as a result of our bankruptcy, insolvency or reorganization, the proceeds from the applicable ownership interest in the Treasury portfolio will be used to satisfy the holder's obligation under the related purchase contract.

(2) Contract adjustment payments may be deferred as described in this prospectus supplement, and may be paid, at our election, in cash, shares of our common stock, or a combination thereof.

(3) The mandatory convertible preferred stock will initially not bear any dividends and the liquidation preference of the mandatory convertible preferred stock will not accrete. In connection with a successful remarketing of the mandatory convertible preferred stock, dividends may become payable on the mandatory convertible preferred stock, when, as and if declared by our board of directors out of funds legally available for the payment of dividends, at a dividend rate to be determined in connection with such successful remarketing, on March 1, 2024 (or, at our election in consultation with the remarketing agent in connection with a successful optional remarketing, on each of December 1, 2023 and March 1, 2024). Any such dividends following a successful remarketing may be paid, at our election, in cash, shares of our common stock, or a combination thereof.

(4) The "mandatory settlement value" of our common stock means the average of the daily VWAPs of our common stock during the 40 consecutive trading day period commencing on, and including, the 41st scheduled trading day immediately preceding March 1, 2024.

(5) If no successful remarketing of the mandatory convertible preferred stock has occurred on or prior to the last day of the final remarketing period, resulting in a Remarketing Failure, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of our common stock will be delivered upon the automatic conversion of such shares of mandatory convertible preferred stock and each such share of mandatory convertible preferred stock will be automatically transferred to us on the mandatory conversion date without any payment of cash or shares of our common stock thereon.

Treasury Units

A Treasury Unit consists of two components as described below(1):

Purchase Contract	1/10th Ownership Interest in Treasury Security(2)
(Owed to Holder) Our Common Stock at Purchase Contract Settlement Date (December 1, 2023) + Contract Adjustment Payments 7.75% per annum paid quarterly(3)	
(Owed to Us) $100 for such Treasury Unit at Purchase Contract Settlement Date (December 1, 2023)	(Owed to Holder) $100 at maturity (on or prior to December 1, 2023)

(1) Treasury Units may only be created with integral multiples of 10 Corporate Units. As a result, the creation of 10 Treasury Units will result in the release of one share of mandatory convertible preferred stock held by the collateral agent. During a blackout period (as described under "Description of the Equity Units—Creating Treasury Units by Substituting a Treasury Security for Mandatory Convertible Preferred Stock"), you may not create Treasury Units or recreate Corporate Units.

(2) The holder of a Treasury Unit owns a 1/10th undivided beneficial ownership interest in the Treasury security that forms a part of the Treasury Unit but will pledge it to us through the collateral agent to secure its obligation under the related purchase contract. Unless the purchase contract is terminated as a result of our bankruptcy, insolvency or reorganization or the holder recreates a Corporate Unit, the proceeds from the Treasury security will be used to satisfy the holder's obligation under the related purchase contract.

(3) Contract adjustment payments may be deferred as described in this prospectus supplement, and may be paid, at our election, in cash, shares of our common stock, or a combination thereof.

Transforming Corporate Units into Treasury Units and Separate Shares of Mandatory Convertible Preferred Stock

Because the mandatory convertible preferred stock is issued with a liquidation preference of $1,000 per share, holders of Corporate Units may only create Treasury Units in integral multiples of 10 Corporate Units.

- To create 10 Treasury Units, a holder separates 10 Corporate Units into their two components – 10 purchase contracts and one share of mandatory convertible preferred stock – and then combines the purchase contracts with a Treasury security having a principal amount at maturity of $1,000 that matures on or prior to December 1, 2023.

- The share of mandatory convertible preferred stock, which is no longer a component of a Corporate Unit, is released to the holder and is tradable as a separate security.
- A holder owns the Treasury security that forms a part of the 10 Treasury Units but will pledge it to us through the collateral agent to secure its obligation under the related purchase contract.
- The Treasury security together with the 10 purchase contracts constitutes 10 Treasury Units.
- During a blackout period (as described under "Description of the Equity Units—Creating Treasury Units by Substituting a Treasury Security for Mandatory Convertible Preferred Stock"), you may not create Treasury Units or recreate Corporate Units.
- Except during a blackout period, the holder can also transform 10 Treasury Units and one share of mandatory convertible preferred stock into 10 Corporate Units. Following that transformation, the Treasury security, which will no longer be a component of the Treasury Unit, will be released from the pledge under the purchase contract and pledge agreement and delivered to the holder and will be tradable as a separate security.

There are risks associated with the creation of Treasury Units, in particular if you continue to hold the separate shares of mandatory convertible preferred stock and a Remarketing Failure occurs. For a discussion of some of the risks related to the occurrence of a Remarketing Failure, see "Risk Factors—Risk Factors Relating to the Equity Units—If a Remarketing Failure occurs and you hold Treasury Units or Cash Settled Units and separate shares of mandatory convertible preferred stock, you must recreate Corporate Units in order to avoid losing your pledged Treasury securities or cash and being left with mandatory convertible preferred stock with little economic value", "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon" and "Risk Factors—Risk Factors Relating to the Equity Units—Because the Equity Units and mandatory convertible preferred stock will initially be issued in book-entry form, holders must rely on DTC's procedures to receive communications relating to the Equity Units and mandatory convertible preferred stock and exercise their rights and remedies."

The following illustration depicts the transformation of 10 Corporate Units into 10 Treasury Units and one separate share of mandatory convertible preferred stock.

10 Purchase Contracts		Ownership Interest in One Share of Mandatory Convertible Preferred Stock[1]		10 Purchase Contracts		Ownership Interest in Treasury Security		Ownership Interest in One Share of Mandatory Convertible Preferred Stock[1]
(Owed to Holder) Our Common Stock At Purchase Contract Settlement Date + Contract Adjustment Payments 7.75% per annum paid quarterly[2]	+	(Owed to Holder) No dividends[3] (following a successful remarketing, dividends may become payable)	→	(Owed to Holder) Our Common Stock at Purchase Contract Settlement Date + Contract Adjustment Payments 7.75% per annum paid quarterly[2]	+		+	(Owed to Holder) No dividends[3] (following a successful remarketing, dividends may become payable)
(Owed to Us) $1,000 at Purchase Contract Settlement Date (December 1, 2023)		(Owed to Holder) Upon mandatory conversion on or around March 1, 2024, a number of shares of our common stock not more than 40.7997 shares of our common stock and not less than 34.7231 shares of our common stock, depending on the mandatory settlement value of our common stock [4][5]		(Owed to Us) $1,000 at Purchase Contract Settlement Date (December 1, 2023)		Owed to Holder) $1,000 at Maturity (on or prior to December 1, 2023)[6]		(Owed to Holder) Upon mandatory conversion on or around March 1, 2024, a number of shares of our common stock not more than 40.7997 shares of our common stock and not less than 34.7231 shares of our common stock, depending on the mandatory settlement value of our common stock [4][5]
10 Corporate Units				**10 Treasury Units**				**Separate Share of Mandatory Convertible Preferred Stock**

(1) Each holder of a Corporate Unit will own a 1/10th, or 10%, undivided beneficial ownership interest in one share of mandatory convertible preferred stock. Each share of mandatory convertible preferred stock will be issued with a liquidation preference of $1,000 per share.

(2) Contract adjustment payments may be deferred as described in this prospectus supplement, and may be paid, at our election, in cash, shares of our common stock, or a combination thereof.

(3) The mandatory convertible preferred stock will initially not bear any dividends and the liquidation preference of the mandatory convertible preferred stock will not accrete. In connection with a successful remarketing of the mandatory convertible preferred stock, dividends may become payable on the mandatory

convertible preferred stock, when, as and if declared by our board of directors out of funds legally available for the payment of dividends, at a dividend rate to be determined in connection with such successful remarketing, on March 1, 2024 (or, at our election in consultation with the remarketing agent in connection with a successful optional remarketing, on each of December 1, 2023 and March 1, 2024). Any such dividends following a successful remarketing may be paid, at our election, in cash, shares of our common stock, or a combination thereof.

(4) The "mandatory settlement value" of our common stock means the average of the daily VWAPs of our common stock during the 40 consecutive trading day period commencing on, and including, the 41st scheduled trading day immediately preceding March 1, 2024.

(5) If no successful remarketing of the mandatory convertible preferred stock has occurred on or prior to the last day of the final remarketing period, resulting in a Remarketing Failure, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of our common stock will be delivered upon the automatic conversion of such shares of mandatory convertible preferred stock and each such share of mandatory convertible preferred stock will be automatically transferred to us on the mandatory conversion date without any payment of cash or shares of our common stock thereon.

(6) The holder of a Treasury Unit owns a 1/10th undivided beneficial ownership interest the Treasury security that forms a part of the Treasury Unit.

Illustrative Remarketing Timeline

Optional Remarketing

The following timeline is for illustrative purposes only and is not definitive.

Date	Event
T-15 calendar days	We will issue a press release and request that the depositary notify its participants holding Corporate Units, Treasury Units and separate shares of mandatory convertible preferred stock of our election to conduct an optional remarketing. Such press release and notice shall include the dates of and procedures to be followed in the optional remarketing.
T-2 business days (2 business days prior to the first day of the optional remarketing period)	• Last day to create Treasury Units from Corporate Units and recreate Corporate Units from Treasury Units prior to the optional remarketing period (holders may once again be able to create and recreate units if the optional remarketing is not successful as of the last day of the optional remarketing period). • Last day for holders of Corporate Units or Treasury Units to settle the related purchase contract early (holders may once again be able to settle the related purchase contract early if the optional remarketing is not successful as of the last day of the optional remarketing period) and to pay the purchase price in connection therewith. • Last day for holders of separate shares of mandatory convertible preferred stock to give notice of their election to participate in the remarketing.
T	First business day of the optional remarketing period.

Date	Event
T to T+14 business days (15 business days beginning on, and including, the first day of the optional remarketing period)	Fifteen business day optional remarketing period: • If no successful remarketing occurs as of the last day of the optional remarketing period, we will cause a notice of the unsuccessful remarketing attempt of mandatory convertible preferred stock to be published on the business day following the last day of the fifteen business days comprising the optional remarketing period. • If a successful remarketing occurs, (i) we will cause a notice of the successful remarketing to be published on the business day immediately following the date of such successful remarketing, (ii) the remarketing agent will purchase the Treasury portfolio and (iii) we will request the depositary to notify its participants holding separate shares of mandatory convertible preferred stock, if any, of the modified terms established for the mandatory convertible preferred stock during the optional remarketing on the business day following the date on which the mandatory convertible preferred stock was successfully remarketed. The increased dividend rate and/or minimum conversion rate will become effective on the settlement date of the remarketing, which will be the third business day following the date on which the mandatory convertible preferred stock was successfully remarketed (or such other date as we and the remarketing agent agree upon).
T+15 (15 business days after the first day of the optional remarketing)	If no successful remarketing has occurred in respect of the optional remarketing period that began on "T," this is the first business day that we may give notice of another optional remarketing period.

Final Remarketing

The following timeline is for illustrative purposes only and is not definitive. For purposes of this timeline, we have assumed that there was no successful optional remarketing. The dates in this timeline are based on the time periods set forth in the purchase contract and pledge agreement, and "T" as used below refers to the pricing date of the final remarketing. This example assumes that the mandatory convertible preferred stock has not been previously successfully remarketed.

Date	Event
October 20, 2023	• We will issue a press release and request that the depositary notify its participants holding Corporate Units, Treasury Units and separate shares of mandatory convertible preferred stock of the dates of the final remarketing period and of the procedures to be followed in the final remarketing. • First day of the period during which holders of Corporate Units may create Cash Settled Units.

Date	Event
November 9, 2023 (2 business days prior to the first day of the final remarketing period)	• Last day to create Treasury Units from Corporate Units, create Cash Settled Units from Corporate Units and recreate Corporate Units from Treasury Units. • Last day for holders of Corporate Units or Treasury Units to settle the related purchase contract early and to pay the purchase price in connection therewith. • Last day for holders of separate shares of mandatory convertible preferred stock to give notice of their election to participate in the remarketing.
November 13, 2023 through November 17, 2023 (final remarketing period)	We will attempt a remarketing during the final remarketing period. We may elect to postpone the final remarketing on any day other than the last business day of the final remarketing period. If a successful remarketing of the mandatory convertible preferred stock has not occurred on or prior to the last day of the final remarketing period, we will cause a notice of the failed remarketing of the mandatory convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the last date of the final remarketing period.
T+3	Settlement date for any successful remarketing of the mandatory convertible preferred stock (*provided* that we and the remarketing agent may agree upon a different settlement date that is no later than the purchase contract settlement date). • The modifications, if any, made to the terms of the mandatory convertible preferred stock in connection with the final remarketing will become effective. • Proceeds from the remarketing in excess of $1,000 *multiplied by* the aggregate number of shares of the mandatory convertible preferred stock underlying Corporate Units that were remarketed will be promptly remitted to the holder after the final remarketing settlement date. • The proceeds from the remarketing attributable to holders of separate shares of mandatory convertible preferred stock who elected to participate in the remarketing will be remitted by the remarketing agent for the benefit of such holders on the final remarketing settlement date.
December 1, 2023	Purchase contract settlement date.

RISK FACTORS

In considering whether to purchase the Equity Units, you should carefully consider all of the information we have included or incorporated by reference in this prospectus supplement and the accompanying prospectus. In addition, because as a holder of Equity Units sold in the offering, you will own our mandatory convertible preferred stock and enter into purchase contracts with us to acquire our common stock, you are also making an investment decision with regard to the mandatory convertible preferred stock and our common stock. You should carefully review all the information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein about all of these securities.

In particular, you should carefully consider the risk factors described below, as well as the "Risk Factors" and "Forward-Looking Statements" sections in the accompanying prospectus and the "Risk Factors" and "Note Regarding Forward-Looking Statements" sections in our Annual Report on Form 10-K for the year ended December 31, 2020, which is incorporated by reference herein, and in any subsequent periodic reports that are incorporated by reference into this prospectus supplement and the accompanying prospectus, before deciding whether an investment in the Equity Units is suitable for you. The Equity Units are not an appropriate investment for you if you are unsophisticated with respect to the complex terms of the Equity Units or financial matters.

Risk Factors Relating to the Equity Units

If a Remarketing Failure occurs and you hold Treasury Units or Cash Settled Units and separate shares of mandatory convertible preferred stock, you must recreate Corporate Units in order to avoid losing your pledged Treasury securities or cash and being left with mandatory convertible preferred stock with little economic value.

If a successful remarketing of the mandatory convertible preferred stock has not occurred on or prior to the last day of the final remarketing period for any reason, resulting in a "Remarketing Failure," the conversion rate for the mandatory convertible preferred stock will become fixed at zero shares of our common stock effective as of December 1, 2023 and, therefore, no shares of our common stock will be delivered upon automatic conversion of the mandatory convertible preferred stock that remains outstanding following December 1, 2023. In such case, each such share of mandatory convertible preferred stock will be automatically transferred to us on the mandatory conversion date (which is expected to be on or around March 1, 2024) without any payment of cash or shares of our common stock thereon, and the mandatory convertible preferred stock will therefore have no value except for its rights with respect to payments upon our liquidation or dissolution occurring prior to the mandatory conversion date. If you had created Treasury Units or Cash Settled Units in advance of the final remarketing period and a Remarketing Failure occurs, you will have from 9:00 a.m., New York City time, on the business day immediately succeeding the last day of the final remarketing period until 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date to recreate Corporate Units with separate shares of mandatory convertible preferred stock, in order for such shares to be automatically applied in satisfaction of your obligations under the related purchase contracts as described under "Description of the Mandatory Convertible Preferred Stock—Automatic Settlement Upon Failed Final Remarketing." If you do not recreate Corporate Units during this period, your pledged Treasury securities or cash, as the case may be, will be used to satisfy your obligations under the related purchase contracts, and, if you hold shares of separate mandatory convertible preferred stock, those shares will no longer convert into common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or common stock thereon. If you do recreate Corporate Units during this period, the ownership interest in the mandatory convertible preferred stock underlying a Corporate Unit will be automatically delivered to us, thereby satisfying your obligations to us under the related purchase contracts in full.

The procedures for recreating Corporate Units are described under "Description of the Equity Units—Recreating Corporate Units from Treasury Units" and "Description of the Equity Units—Recreating Corporate Units from Cash Settled Units." These procedures will require your prompt delivery of shares of mandatory convertible preferred stock to the collateral agent, and also compliance with applicable DTC procedures. You

must allow for sufficient time to comply with DTC procedures in order to finalize the recreation of Corporate Units prior to 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date. See "—Because the Equity Units and mandatory convertible preferred stock will initially be issued in book-entry form, holders must rely on DTC's procedures to receive communications relating to the Equity Units and mandatory convertible preferred stock and exercise their rights and remedies" below and "Certain Provisions of the Purchase Contract and Pledge Agreement—Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units." Holders of Treasury Units and Cash Settled Units may recreate Corporate Units only in integral multiples of 10 Treasury Units or Cash Settled Units, as the case may be.

As a result of the foregoing, there are significant risks associated with a holder of a Corporate Unit choosing to create Treasury Units or Cash Settled Units to the extent you do not monetize (or monetize adequately) your separate share of mandatory convertible preferred stock.

Only the dividend rate and the minimum conversion rate of the mandatory convertible preferred stock can be modified in a remarketing.

In connection with a successful remarketing, (a) dividends may become payable on the mandatory convertible preferred stock and/or (b) if the closing price of our common stock on the pricing date for a successful remarketing is less than or equal to the initial price (which is approximately equal to the closing price of our common stock on the pricing date of this offering), the minimum conversion rate of the mandatory convertible preferred stock will be increased to an amount equal to $1,000 *divided by* 117.5% of the closing price of our common stock on such date (rounded to the nearest ten-thousandth of a share). However, in no event will the increased minimum conversion rate for the mandatory convertible preferred stock exceed the then-current maximum conversion rate of the mandatory convertible preferred stock (which is initially 40.7997 shares of our common stock and is subject to adjustment as set forth in this prospectus supplement). The maximum conversion rate will not be changed in connection with a successful remarketing. As a result of this limitation on the increase to the minimum conversion rate, and our inability to increase the maximum conversion rate, there is a greater risk of a failure to achieve a successful remarketing than if we could further increase the minimum conversion rate and/or increase the maximum conversion rate. If there is a Remarketing Failure, then, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of our common stock will be delivered upon automatic conversion of such shares of mandatory convertible preferred stock and each such share of mandatory convertible preferred stock will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon.

Holders of Corporate Units must first separate their shares of mandatory convertible preferred stock from the related purchase contracts to convert their mandatory convertible preferred stock in connection with a fundamental change, which will require holders to bear related costs and is subject to certain limitations.

Upon the occurrence of a fundamental change (and only upon the occurrence of a fundamental change), the mandatory convertible preferred stock will become convertible before the purchase contract settlement date. If a holder of a Corporate Unit desires to convert the mandatory convertible preferred stock that is a part of a Corporate Unit, the holder must first separate the mandatory convertible preferred stock, which would require the holder to (1) create Treasury Units (at any time other than during a blackout period), (2) settle the related purchase contracts early with separate cash (other than during a blackout period) or (3) during the period after the date we give notice of a final remarketing, create Cash Settled Units on or prior to the second business day immediately preceding the first day of the final remarketing period. We will not compensate you for the cost of the Treasury security to create a Treasury Unit, the amount of cash to create a Cash Settled Unit or for any financing cost you may bear in making the required cash payment in connection with the creation of Cash Settled Units or an early settlement of the purchase contracts upon a fundamental change. In addition, we cannot guarantee that you will be able to purchase the specified Treasury security necessary to create the Treasury Unit, obtain the necessary financing to create a Treasury Unit or Cash Settled Unit or early settle the related purchase contract upon a fundamental change. If you cannot obtain that financing, you will not be able to separate the

mandatory convertible preferred stock from the purchase contracts and, accordingly, you will not be able to convert the mandatory convertible preferred stock. There will be no make-whole amount of shares or increase to the conversion rate for conversions of the mandatory convertible preferred stock in connection with a fundamental change, except for the limited case where the "stock price" (as defined under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change") for such fundamental change is less than approximately $24.51 per share of our common stock (subject to adjustment in certain circumstances), which initially equals the initial price for the mandatory convertible preferred stock (the "initial price"), which is approximately equal to the closing price of our common stock on the pricing date of this offering. The consideration deliverable upon conversion of the mandatory convertible preferred stock may not be sufficient in order to fund the above-described costs necessary to separate such share for conversion, because you may not be able to adequately monetize the shares of common stock deliverable upon such conversion as a result of fluctuations in prices of our common stock, illiquidity in our common stock and/or the cap on the number of shares deliverable upon such conversion in certain circumstances. See "—Upon a conversion of the mandatory convertible preferred stock in connection with a fundamental change, you may receive consideration worth less than the $1,000 liquidation preference per share of mandatory convertible preferred stock plus any accumulated and unpaid dividends, if any, thereon" below.

Further, the ability to separate the mandatory convertible preferred stock from the purchase contract by creating Treasury Units or settling early is subject to certain conditions. Holders of Corporate Units may create Treasury Units or Cash Settled Units only in integral multiples of 10 Corporate Units. After a successful remarketing of the mandatory convertible preferred stock, holders of Corporate Units may not create Treasury Units, and holders of Treasury Units may not recreate Corporate Units. The ability to create Treasury Units is also subject to certain exceptions and additional blackout periods described in this prospectus supplement. Cash Settled Units may only be created during the period after the date we give notice of a final remarketing and on or prior to the second business day immediately preceding the first day of the final remarketing period. Also, the ability to exercise a fundamental change early settlement right with respect to a holder's purchase contracts will not be available if a registration statement is required to be effective in connection with the exercise of such right but it is not then effective or a blackout period is continuing, all as described more fully under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change." See also "—The delivery of make-whole shares upon a fundamental change early settlement of the purchase contracts may not adequately compensate you" and "—You may not be able to exercise your right to settle a purchase contract prior to the purchase contract settlement date unless a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), is in effect and a prospectus is available covering the shares our common stock and other securities, if any, deliverable upon early settlement of a purchase contract" for further restrictions on your ability to exercise a fundamental change early settlement of purchase contracts. Any of the foregoing limitations could prohibit you from separating the mandatory convertible preferred stock from the purchase contracts, which would prevent you from being able to convert the mandatory convertible preferred stock.

Upon a conversion of the mandatory convertible preferred stock in connection with a fundamental change, you may receive consideration worth less than the $1,000 liquidation preference per share of mandatory convertible preferred stock plus any accumulated and unpaid dividends, if any, thereon.

Upon the occurrence of a "fundamental change" for which the stock price is less than the initial price, holders of mandatory convertible preferred stock will have the right to convert their shares at an adjusted conversion rate, which depends on the stock price prior to the effective date of such fundamental change. If the stock price is less than $12.255 (50% of the closing price of our common stock on the pricing date of this offering) per share (subject to adjustment), you will receive a number of shares of common stock worth less than the $1,000 liquidation preference per share of mandatory convertible preferred stock *plus* accumulated and unpaid dividends, if any, thereon. You will have no claim against us for the difference between such value and the $1,000 liquidation preference per share of mandatory convertible preferred stock *plus* accumulated and unpaid dividends, if any, thereon. In this case, for shares that were separated from Corporate Units for the purpose of their conversion in connection with the fundamental change, the value of the shares of common stock you receive on conversion will not be sufficient to finance the costs related to such separation.

If you participate in a remarketing that is ultimately successful, you will no longer hold the remarketed mandatory convertible preferred stock and the proceeds from the remarketing may not adequately compensate you.

We will remarket the mandatory convertible preferred stock as described under "Description of the Purchase Contracts—Remarketing," "—Optional Remarketing" and "—Final Remarketing." If a remarketing is successful, a portion of the proceeds from the remarketing will be applied, in the case of the Corporate Units, to purchase the Treasury portfolio (in the case of an optional remarketing) or against a holder's obligation to pay the purchase price upon settlement of the related purchase contracts (in the case of a final remarketing). Any remaining proceeds from the remarketing will be remitted to the benefit of the relevant holders. In order to elect not to participate in any remarketing and retain the undivided beneficial ownership interests in shares of mandatory convertible preferred stock underlying the mandatory convertible preferred stock comprising part of your Corporate Units, you must (1) create Treasury Units (at any time other than during a blackout period), (2) settle the related purchase contracts early (at any time other than during a blackout period) or (3) during the period after the date we give notice of a final remarketing, create Cash Settled Units on or prior to the second business day immediately preceding the first day of the final remarketing period. If you do not do one of the foregoing, the shares of mandatory convertible preferred stock underlying the undivided beneficial ownership interests in mandatory convertible preferred stock comprising part of your Corporate Units will be remarketed and, if successful, you will no longer have any rights with respect to such mandatory convertible preferred stock other than to receive the proceeds of such remarketing in excess of the Treasury portfolio purchase price (in the case of an optional remarketing) or in excess of $100 (in the case of a final remarketing), in each case, per Corporate Unit, as described herein. As a result, you will only receive the proceeds obtained in such remarketing (or, in the case where your mandatory convertible preferred stock was held as a part of Corporate Units, the excess thereof over the Treasury portfolio purchase price (in the case of an optional remarketing) or in excess of $100 (in the case of a final remarketing), in each case, per Corporate Unit), which may not adequately compensate you for the conversion value of the mandatory convertible preferred stock or the lost option time value of your convertible preferred stock or the loss of future dividends, if any, and you will not be able to continue to hold the mandatory convertible preferred stock and receive dividends, if any, or sell or convert the mandatory convertible preferred stock at a future date.

The trading prices for the Corporate Units, Treasury Units and mandatory convertible preferred stock are expected to be affected by, among other things, the trading prices of our common stock, the general level of interest rates and our credit quality.

The trading prices of Corporate Units, which we intend to apply to list on the New York Stock Exchange, and Treasury Units and mandatory convertible preferred stock in the secondary market are expected to be affected by, among other things, the trading prices of our common stock, the general level of interest rates and our credit quality. It is impossible to predict whether the price of our common stock or interest rates will rise or fall. The price of our common stock could be subject to wide fluctuations in the future in response to many events or factors, including those discussed in the risk factors herein and in our Annual Report on Form 10-K for the year ended December 31, 2020, as may be supplemented by subsequently filed quarterly reports on Form 10-Q, and the factors listed in "Note Regarding Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2020, many of which events and factors are beyond our control. Fluctuations in interest rates may give rise to arbitrage opportunities based upon changes in the relative value of the common stock underlying the purchase contracts and of the other components of the Equity Units. Any such arbitrage could, in turn, affect the trading prices of the Corporate Units, Treasury Units, mandatory convertible preferred stock and our common stock.

If you hold Corporate Units, Treasury Units or Cash Settled Units, you will not be entitled to any rights with respect to our common stock, but you will be subject to any changes made with respect to our common stock.

If you hold Corporate Units, Treasury Units or Cash Settled Units, you will not be entitled to any rights with respect to our common stock, such as voting rights and rights to receive dividends or other distributions thereon.

However, you will be subject to any changes affecting our common stock. With respect to the purchase contracts that form a part of the Equity Units, you will only be entitled to rights with respect to our common stock if and when we deliver shares of common stock pursuant to the purchase contracts on the purchase contract settlement date, or on the settlement date for any early settlement, as the case may be, and you will only be deemed a holder of such common stock on the applicable record date, if any, for the exercise of those rights or the receipt of dividends or distributions in respect of such common stock occurring after that date.

With respect to any shares of mandatory convertible preferred stock (whether a part of Corporate Units or held separately), you will not be entitled to any rights with respect to our common stock prior to the conversion date of the mandatory convertible preferred stock. For example, if an amendment is proposed to our amended and restated certificate of incorporation or bylaws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the conversion date, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock.

The Equity Units and mandatory convertible preferred stock provide limited anti-dilution adjustments, and an event could occur that adversely affects the value of the Equity Units, the mandatory convertible preferred stock or our common stock but that does not result in an anti-dilution adjustment.

The maximum settlement rate of the purchase contracts and the fixed conversion rates of the mandatory convertible preferred stock are subject to adjustment in certain circumstances arising from stock splits and combinations, stock dividends, certain cash dividends and certain other events. We will not adjust the maximum settlement rate or the fixed conversion rates for other events, including without limitation third party tender or exchange offers for our common stock, issuances and purchases of our common stock in connection with dividend reinvestment plans, employee stock option grants, ordinary dividends below a specified threshold, offerings of common stock by us for cash or in connection with an acquisition, and share issuances pursuant to options and other convertible securities outstanding on the date we issue the Equity Units. See "Description of the Purchase Contracts—Anti-dilution Adjustments" and "Description of the Mandatory Convertible Preferred Stock—Anti-dilution Adjustments." There can be no assurance that an event that adversely affects the value of the Equity Units, the mandatory convertible preferred stock or our common stock, but does not result in an adjustment to the maximum settlement rate or the fixed conversion rates, will not occur. Further, other than as described under "Underwriting," we are not restricted from issuing additional common stock during the term of the stock purchase contracts and have no obligation to consider your interests for any reason. If we issue additional shares of common stock, those issuances may materially and adversely affect the price of our common stock, the mandatory convertible preferred stock and, because of the relationship of the number of shares holders are to receive on the purchase contract settlement date to the price of our common stock, those issuances may adversely affect the trading prices of the Equity Units.

Some significant restructuring transactions may not constitute a fundamental change, in which case you would not have the right to any make-whole shares upon an early settlement of the purchase contracts or to convert your mandatory convertible preferred stock.

Upon the occurrence of a fundamental change, you have the right to (i) exercise your fundamental change early settlement right with respect to your purchase contracts, entitling you to receive additional value in respect of make-whole shares for such purchase contracts in certain circumstances and (ii) convert your separate shares of mandatory convertible preferred stock (although there will be no make-whole amount of shares or increase to the conversion rate for any such conversions except for the limited case where the stock price for such fundamental change is less than the initial price). However, the fundamental change provisions will not compensate holders of Equity Units (or allow for conversions of shares of mandatory convertible preferred stock) in the event of other transactions that could result in lost option time value. For example, transactions such as leveraged recapitalizations, re-financings, restructurings, or acquisitions initiated by us may not constitute a fundamental change. In the event of any such transaction, holders of Equity Units do not have a fundamental

change early settlement right with respect to their purchase contracts and holders of mandatory convertible preferred stock do not have a right to convert such shares, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of Equity Units and mandatory convertible preferred stock.

The fundamental change early settlement right triggered under certain circumstances by a fundamental change could discourage a potential acquirer.

The fundamental change early settlement right with respect to the purchase contracts triggered under certain circumstances by a fundamental change could discourage a potential acquirer, including potential acquirers that otherwise seek a transaction with us that would be attractive to you.

Your rights to the pledged assets underlying the Equity Units will be subject to our security interest and may be affected by a bankruptcy proceeding.

As a holder of Equity Units, you will own the interests in the mandatory convertible preferred stock, Treasury portfolio, Treasury securities or cash, as applicable, that are a component of the Equity Units. However, those interests will be pledged to us through the collateral agent to secure your obligations under the related purchase contracts. As a result, your rights to the pledged assets will be subject to our security interest. In addition, notwithstanding the automatic termination of the purchase contracts, in the event that we become the subject of a case under the U.S. Bankruptcy Code, the delivery of the pledged assets to you may be delayed by the imposition of the automatic stay under Section 362 of the U.S. Bankruptcy Code, or other relief sought by the collateral agent, the purchase contract agent or another party asserting an interest in the pledged assets or contending that such termination is not effective and may continue until such automatic stay has been lifted or efforts to obtain such other relief has been resolved against such party. Moreover, claims arising out of the mandatory convertible preferred stock will be subject to the equitable jurisdiction and powers of the bankruptcy court.

The purchase contract and pledge agreement will not be qualified under the Trust Indenture Act and the obligations of the purchase contract agent are limited.

The purchase contract and pledge agreement among us, the purchase contract agent and the collateral agent will not be qualified as an indenture under the Trust Indenture Act of 1939, or the Trust Indenture Act, and the purchase contract agent and collateral agent will not be required to qualify as a trustee under the Trust Indenture Act. Thus, you will not have the benefit of the protection of the Trust Indenture Act with respect to the purchase contract and pledge agreement or the purchase contract agent. The protections generally afforded the holder of a security issued under an indenture that has been qualified under the Trust Indenture Act include:

- disqualification of the indenture trustee for "conflicting interests," as defined under the Trust Indenture Act;
- provisions preventing a trustee that is also a creditor of the issuer from improving its own credit position at the expense of the security holders immediately prior to or after a default under such indenture; and
- the requirement that the indenture trustee deliver reports at least annually with respect to certain matters concerning the indenture trustee and the securities.

The secondary market for the Equity Units and the mandatory convertible preferred stock may be illiquid.

We are unable to predict how the Equity Units or the mandatory convertible preferred stock will trade in the secondary market or whether that market will be liquid or illiquid. There is currently no secondary market for the Equity Units or the mandatory convertible preferred stock. We intend to apply for listing of the Corporate Units

on the New York Stock Exchange, although there is no guarantee that the Corporate Units will be approved for listing. We have no obligation or current intention to apply for any separate listing of the Treasury Units, the Cash Settled Units or the mandatory convertible preferred stock on any stock exchange. We have been advised by the representative that the underwriters presently intend to make a market for the Equity Units and the mandatory convertible preferred stock; however, they are not obligated to do so and any market making may be discontinued at any time without notice. There can be no assurance as to the liquidity of any market that may develop for the Corporate Units, Treasury Units, Cash Settled Units or mandatory convertible preferred stock, your ability to sell such securities or whether a trading market, if it develops, will continue. In addition, in the event that sufficient numbers of Corporate Units are converted to Treasury Units or Cash Settled Units, the liquidity of Corporate Units could be adversely affected. We cannot provide assurance that the Corporate Units will be accepted by the New York Stock Exchange for listing, that the Corporate Units will not be delisted from the New York Stock Exchange if listed, or that trading in the Corporate Units will not be suspended as a result of elections to create Treasury Units or Cash Settled Units, or recreate Corporate Units through the substitution of collateral that causes the number of these securities to fall below the applicable requirements for listing securities on the New York Stock Exchange.

We may defer contract adjustment payments under the purchase contracts that are a part of the Equity Units, and this may have an adverse effect on the trading prices of the Equity Units.

We may, at our option, defer the payment of all or part of the contract adjustment payments under the purchase contracts through the purchase contract settlement date, as described under "Description of the Purchase Contracts—Contract Adjustment Payments." If we exercise our right to defer contract adjustment payments, the market price of the Equity Units is likely to be adversely affected. As a result of the existence of our deferral rights, the market price of the Equity Units may be more volatile than the market prices of other securities that are not subject to these optional deferrals. Although we do have the ability to elect to pay all or part of contract adjustment payments in shares of our common stock, you will be subject to the risk that we may not be able to pay such deferred contract adjustment payments (including compounded contract adjustment payments thereon) in the future. You will have no claim to any accrued and unpaid contract adjustment payments (including any accrued and unpaid deferred contract adjustment payments and compounded contract adjustment payments thereon) in the event of our bankruptcy or insolvency. In addition, if we make such a deferral, and you use the accrual method of accounting for tax purposes, you may be required to continue to recognize income for U.S. federal income tax purposes in respect of the purchase contracts in advance of your receipt of any corresponding cash payments.

We are a holding company and will require cash from our subsidiaries to make current payments on the Equity Units.

If you own Equity Units in the form of Corporate Units, you are entitled to receive periodic contract adjustment payments on the purchase contracts, subject to our right to defer contract adjustment payments. The contract adjustment payments are solely the obligations of the Company, and no other entity, including our subsidiaries, will have any obligation, contingent or otherwise, to make payments in respect of the purchase contracts (or the mandatory convertible preferred stock). Because we are a holding company and conduct all of our operations through our subsidiaries, our ability to meet our obligations as described above is dependent on the earnings and cash flows of those subsidiaries and the ability of those subsidiaries to pay dividends or to advance or repay funds to us. The ability of our subsidiaries to pay dividends or to advance or repay funds to us may be subject to certain contractual restrictions. In addition, our regulated subsidiaries may, from time to time, be subject to certain restrictions imposed by regulators on their ability to pay dividends or to advance or repay funds to us. For a discussion of any current or potential restrictions, please refer to the quarterly and annual reports that we file with the SEC. If we are unable to obtain cash from our subsidiaries, we may be unable to fund in cash required contract adjustment payments and payments, if any, in respect of the mandatory convertible preferred stock.

In addition, our right to receive any assets of any of our subsidiaries upon their bankruptcy, liquidation or similar reorganization, and therefore the right of the holders of the purchase contracts or mandatory convertible preferred stock to participate in those assets, will be structurally subordinated to the claims of that subsidiary's creditors, including trade creditors, debtholders, secured creditors, taxing authorities, guarantee holders and any preferred stockholders. Even if we are a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. As of March 31, 2021, our subsidiaries had approximately $279.5 million principal amount of outstanding indebtedness.

Because the Equity Units and mandatory convertible preferred stock will initially be issued in book-entry form, holders must rely on DTC's procedures to receive communications relating to the Equity Units and mandatory convertible preferred stock and exercise their rights and remedies.

We will initially issue the Equity Units and the mandatory convertible preferred stock in the form of one or more global securities registered in the name of Cede & Co., as nominee of DTC. Beneficial interests in global securities will be shown on, and transfers of global securities will be effected only through, the records maintained by DTC. Except in limited circumstances, we will not issue certificated securities. See "Certain Provisions of the Purchase Contract and Pledge Agreement—Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units" and "Description of the Mandatory Convertible Preferred Stock—Book-Entry Issuance—The Depository Trust Company." Accordingly, if you own a beneficial interest in a global security, then you will not be considered an owner or holder of the relevant security. Instead, DTC or its nominee will be the sole holder of global securities. Unlike persons who have certificated securities registered in their names, owners of beneficial interests in global securities will not have the direct right to act on our solicitations for consents or requests for waivers or other actions from holders. Instead, those beneficial owners will be permitted to act only to the extent that they have received appropriate proxies to do so from DTC or, if applicable, a DTC participant. The applicable procedures for the granting of these proxies may not be sufficient to enable owners of beneficial interests in global securities to vote on any requested actions on a timely basis. As such, if you are a beneficial owner of the Equity Units and/or mandatory convertible preferred stock, you must allow for sufficient time to comply with DTC's procedures if you wish to exercise your rights with respect thereto, including, without limitation, for recreation of Corporate Units from Treasury Units or Cash Settled Units in the case of a Remarketing Failure.

In addition, notices and other communications relating to the Equity Units and mandatory convertible preferred stock will be sent to DTC. We expect DTC to forward any such communications to DTC participants, which in turn would forward such communications to indirect DTC participants. But we can make no assurances that you timely receive any such communications.

Regulatory actions and other events may adversely affect the trading price and liquidity of the Equity Units and the mandatory convertible preferred stock.

We expect that many investors in, and potential purchasers of, the Equity Units and shares of mandatory convertible preferred stock will employ, or seek to employ, an arbitrage strategy with respect to the Equity Units and/or the mandatory convertible preferred stock. Investors that employ an arbitrage strategy with respect to equity-linked instruments typically implement that strategy by selling short the common stock underlying the equity-linked instrument and dynamically adjusting their short position while they hold such equity-linked instrument. Investors may also implement this hedging strategy by entering into swaps on our common stock in lieu of or in addition to short selling our common stock.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may adopt additional rules in the future and take other actions, that may affect those engaging in short selling activity involving equity securities (including our common stock). Such rules and actions include Rule 201 of SEC regulation SHO, the adoption by the Financial Industry Regulatory Authority,

Inc. and the national securities exchanges of a "Limit Up-Limit Down" program, the imposition of market-wide circuit breaker systems that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms stemming from the enactment and implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act. These circuit breakers have been tripped on several occasions during the current period of increased market volatility in connection with the COVID-19 pandemic and may be tripped in the future. Past regulatory actions, including emergency actions or regulations, have had a significant effect on the trading prices and liquidity of equity-linked instruments. Any governmental or regulatory action that similarly restricts the ability of investors in, or potential purchasers of, the Equity Units or mandatory convertible preferred stock to effect short sales of our common stock, borrow our common stock or enter into swaps on our common stock could similarly adversely affect the trading price and the liquidity of the Equity Units and the mandatory convertible preferred stock.

Volatility in the market price and trading volume of our common stock could adversely affect the trading price of the Equity Units and the mandatory convertible preferred stock.

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this section, elsewhere in this prospectus supplement or the documents we have incorporated by reference in this prospectus supplement or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or counterparties regarding their own performance, the ongoing COVID-19 pandemic, regulatory developments, including with respect to climate change, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of our common stock would likely adversely affect the trading price of the Equity Units and the mandatory convertible preferred stock. The market price of our common stock could also be affected by possible sales of our common stock by investors who view the Equity Units or mandatory convertible preferred stock as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our common stock. This trading activity could, in turn, affect the trading prices of the Equity Units and the mandatory convertible preferred stock.

Our Equity Units and mandatory convertible preferred stock may adversely affect the market price of our common stock.

The market price of our common stock is likely to be influenced by our Equity Units and our mandatory convertible preferred stock. For example, the market price of our common stock could become more volatile and could be depressed by:

- investors' anticipation of the sale into the market of a substantial number of additional shares of our common stock issued upon settlement of the purchase contracts or conversion of our mandatory convertible preferred stock;
- possible sales of our common stock by investors who view our Equity Units or mandatory convertible preferred stock as a more attractive means of equity participation in us than owning shares of our common stock; and
- hedging or arbitrage trading activity that we expect to develop involving our Equity Units or mandatory convertible preferred stock and our common stock.

Upon early settlement of the purchase contracts, you may receive less valuable consideration than expected because the value of our common stock may decline after you exercise your early settlement right but before we settle our related obligation.

A holder of Equity Units that elects to settle its purchase contract early will be exposed to fluctuations in the value of our common stock during the period from the date such holder exercises such right until the date we settle our related obligation.

Upon exercise of an early settlement right with respect to any purchase contracts, the amount of consideration you receive upon such settlement will be determined (other than upon the occurrence of certain fundamental changes as described herein) by reference to the volume-weighted average price of our common stock for each trading day in a 40 trading day averaging period. If the price of our common stock decreases during any such period, the amount and/or value of consideration you receive will be adversely affected. In addition, if the market price of our common stock at the end of such period is below the average volume-weighted average price of our common stock during such period, the value of any shares of our common stock that you will receive in satisfaction of our obligation in respect of your purchase contracts will be less than the value used to determine the number of shares that you will receive.

Risk Factors Relating to the Mandatory Convertible Preferred Stock

If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon.

If a Remarketing Failure (as described herein) has occurred, the conversion rate for the mandatory convertible preferred stock upon automatic conversion will be zero shares of our common stock effective as of December 1, 2023, and, with respect to any shares of mandatory convertible preferred stock that remain outstanding following December 1, 2023, you will therefore not receive any shares of our common stock on the mandatory conversion date with respect to such shares of mandatory convertible preferred stock or otherwise. In such case, no shares of our common stock will be delivered upon automatic conversion and each such share of mandatory convertible preferred stock will be automatically transferred to us on the mandatory conversion date without any payment of cash or shares of our common stock thereon. In addition, if there is a Remarketing Failure no other terms of the mandatory convertible preferred stock will be changed and, therefore, the mandatory convertible preferred stock will continue to not bear dividends. As such, following a Remarketing Failure the mandatory convertible preferred stock that remains outstanding following December 1, 2023 will have no value except for its rights with respect to payments upon our liquidation or dissolution occurring prior to the mandatory conversion date.

The mandatory convertible preferred stock ranks junior to all of our indebtedness and other liabilities.

In the event of our bankruptcy, liquidation, reorganization or other winding-up, our assets will be available to pay the liquidation preference of the mandatory convertible preferred stock only after all of our indebtedness and other liabilities have been paid. In addition, we are a holding company for several direct and indirect subsidiaries and the mandatory convertible preferred stock will be structurally junior to all existing and future indebtedness and other liabilities (including trade payables) of our subsidiaries and any capital stock of our subsidiaries not held by us. The holders of the mandatory convertible preferred stock have no right to participate in the distribution of assets of our subsidiaries (except to the extent that such subsidiary has satisfied all of its liabilities and we have recognized claims or interests in the assets of such subsidiary). Consequently, if we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets remaining to pay the liquidation preference of any or all of the mandatory convertible preferred stock then outstanding. We and our subsidiaries may incur substantial amounts of additional debt and other obligations.

We currently have no capital stock outstanding that is senior to the mandatory convertible preferred stock. We currently have 420,000 shares of outstanding preferred stock that is on parity with the mandatory convertible preferred stock, consisting of 400,000 shares of Series A Preferred Stock representing $400 million of aggregate liquidation preference (not taking into account any accumulated and unpaid dividends) and 20,000 shares of Series B Preferred Stock representing $500 million of aggregate liquidation preference (not taking into account any accumulated and unpaid dividends). In addition, we currently have outstanding 20,000 shares of Series B-1 Preferred Stock, par value $0.01 per share, which were issued as a distribution with respect to the Series B Preferred Stock to enhance the voting rights of the Series B Preferred Stock and to comply with the minimum voting rights policy of the New York Stock Exchange. The Series B-1 Preferred Stock is paired with the Series B Preferred Stock and may not be transferred, redeemed or repurchased except in connection with the simultaneous transfer, redemption or repurchase of a like number of shares of the underlying Series B Preferred Stock.

We own all of the equity interest of our subsidiaries. As of March 31, 2021, we had approximately $9,572 million principal amount of outstanding indebtedness on an unconsolidated basis, all of which is senior in right of payment to the mandatory convertible preferred stock. In addition, the mandatory convertible preferred stock will be structurally subordinated to all debt, preferred stock and other liabilities of our subsidiaries, which means that creditors and any preferred stockholders of our subsidiaries will be paid from the assets of such subsidiaries before holders of the mandatory convertible preferred stock would have any claims to those assets. As of March 31, 2021, our subsidiaries had approximately $279.5 million principal amount of outstanding indebtedness.

The mandatory convertible preferred stock will initially not, and may never, pay any dividends and the liquidation preference of the mandatory convertible preferred stock will not accrete.

The dividend rate on the mandatory convertible preferred stock is initially 0%, which means that the mandatory convertible preferred stock will initially not bear any dividends. The initial $1,000 liquidation preference per share of the mandatory convertible preferred stock will not accrete. Dividends will only be payable on the mandatory convertible preferred stock if there is a successful remarketing in connection with which dividends become payable on the mandatory convertible preferred stock, which may not happen. The payment of any such dividends, if any, is limited as described in this prospectus supplement. As a result, you will not be entitled to periodic dividends and your return on the mandatory convertible preferred stock will not reflect any opportunity cost implied by inflation and other factors relating to the time value of money.

Even after a successful remarketing in connection with which dividends become payable on the mandatory convertible preferred stock, there will only be one dividend payment date, on March 1, 2024 (or, at our election in consultation with the remarketing agent in connection with a successful optional remarketing, two dividend payment dates, on December 1, 2023 and March 1, 2024). Any such dividend on the mandatory convertible preferred stock will be paid only if declared by our board of directors. The board of directors is not legally obligated or required to declare any dividends on the mandatory convertible preferred stock even if we have funds available for such purposes. In addition, even if our board of directors declares a dividend, we can only make payments of cash in respect of dividends from legally available funds under the Delaware General Corporation Law, as determined by our board of directors, and such funds may not be available to pay cash dividends on the mandatory convertible preferred stock. If we do not declare and pay any dividend on the mandatory convertible preferred stock after a successful remarketing in connection with which dividends become payable on the mandatory convertible preferred stock, the market price of the mandatory convertible preferred stock is likely to be adversely affected. As a result of our ability to not pay dividends on the mandatory convertible preferred stock after a successful remarketing in connection with which dividends become payable on the mandatory convertible preferred stock, the market price of the mandatory convertible preferred stock at such times may be more volatile than the market prices of other securities that are not subject to such a feature.

In addition, the agreements governing any future indebtedness of ours may further limit our ability to pay cash dividends on our capital stock, including the mandatory convertible preferred stock. In the event that the agreements governing any such indebtedness restrict our ability to pay dividends in cash on the mandatory convertible preferred stock, we may be unable to pay dividends in cash on the mandatory convertible preferred stock unless we can refinance the amounts outstanding under such agreements or obtain a consent or amendment under such agreements.

Your ability to convert the mandatory convertible preferred stock, and therefore your ability to participate in an increase in the price of our common stock, is limited.

Holders of mandatory convertible preferred stock that are not a part of Corporate Units may participate in any appreciation of our stock price above the threshold appreciation price of $28.7993 if they convert their convertible preferred stock. This means that if you hold Corporate Units and wish to convert your mandatory convertible preferred stock, you must separate the shares of mandatory convertible preferred stock from the

purchase contacts, which will cost you money and is subject to limitations. In addition, even if the mandatory convertible preferred stock has been separated from the related purchase contract, the ability to convert is limited only to conversions (i) in connection with a fundamental change or (ii) on or after December 1, 2023, in either case, unless a Remarketing Failure has occurred. Holders do not have the right to convert the mandatory convertible preferred stock outside these circumstances, which will limit the ability to participate in any appreciation of our common stock that could be captured through a conversion.

If there is a successful remarketing of the mandatory convertible preferred stock, each share will automatically convert into shares of our common stock on or around March 1, 2024, and will therefore have limited time remaining for opportunity to participate in appreciation of our common stock price and/or to accumulate dividends (if any) following the applicable remarketing.

Unless a termination event has occurred, we may elect, at our option, to remarket the mandatory convertible preferred stock during a period (which we refer to as the "optional remarketing window") beginning on and including September 1, 2023 and ending on and including November 3, 2023. If the mandatory convertible preferred stock has not been successfully remarketed in the optional remarketing window, and a termination event has not previously occurred, the shares of mandatory convertible preferred stock that are part of Corporate Units, together with any separate shares of mandatory convertible preferred stock that have been submitted for remarketing, will be remarketed during a five-business day remarketing period beginning on, and including, November 13, 2023, and ending on, and including, November 17, 2023 (the ninth business day immediately preceding the purchase contract settlement date). If you elect to separate your shares of mandatory convertible preferred stock and do not submit such shares for remarketing, you will retain your shares of mandatory convertible preferred stock and be subject to the modifications made thereto as a result of a successful remarketing. However, there will be limited time remaining to the mandatory conversion of the mandatory convertible preferred stock, on or around March 1, 2024, and therefore limited time remaining for opportunity to participate in appreciation of our common stock price through owning the mandatory convertible preferred stock. Even if dividends become payable on the mandatory convertible preferred stock as a result of the relevant remarketing, there will only be one dividend payment date, on March 1, 2024 (or, at our election in consultation with the remarketing agent in connection with a successful optional remarketing, two dividend payment dates, on December 1, 2023 and March 1, 2024). As a result, there will be limited option value and current income value to be gained by separating your shares of mandatory convertible preferred stock in order to not participate in a remarketing.

In addition, if a Remarketing Failure occurs, your mandatory convertible preferred stock will no longer have economic value except for its rights with respect to payments upon our liquidation or dissolution occurring prior to the mandatory conversion date. See "—If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon" above.

We may issue additional series of preferred stock that rank equally to the mandatory convertible preferred stock as to liquidation preference.

Neither our amended and restated certificate of incorporation nor the certificate of designations establishing the designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of the mandatory convertible preferred stock prohibits us from issuing additional series of preferred stock that would rank on parity with the mandatory convertible preferred stock as to liquidation preference. Our amended and restated certificate of incorporation provides that we have the authority to issue 20,000,000 shares of preferred stock, including the 750,000 shares (or 862,500 shares if the underwriters' over-allotment option is exercised in full) of mandatory convertible preferred stock that are a part of the Corporate Units being offered for sale pursuant to this prospectus supplement. The issuances of other series of preferred stock could have the effect of reducing the amounts available to the holders of the mandatory convertible preferred stock in the event of our liquidation, dissolution or winding-up.

You will bear the risk of a decline in the market price of our common stock between the pricing date for the Corporate Units and the mandatory conversion date.

Assuming a Remarketing Failure does not occur, the number of shares of our common stock that a holder will receive upon mandatory conversion of the mandatory convertible preferred stock is not fixed but instead will depend on the mandatory settlement value of our common stock, which is the average of the daily VWAPs per share of our common stock over the mandatory averaging period, which is the 40 consecutive trading day period beginning on, and including, the 41st scheduled trading day immediately preceding March 1, 2024. The aggregate market value of the shares of our common stock that a holder would receive upon mandatory conversion may be less than the aggregate liquidation preference of the mandatory convertible preferred stock. Specifically, if the mandatory settlement value of our common stock is less than the initial price, which is calculated by dividing $1,000 by the maximum conversion rate of 40.7997 shares of common stock and initially equals approximately $24.5100, the market value of our common stock that a holder would receive upon mandatory conversion of each share of the mandatory convertible preferred stock will be less than the $1,000 liquidation preference per share of mandatory convertible preferred stock, and an investment in the mandatory convertible preferred stock would result in a loss. Accordingly, you will bear the risk of a decline in the market price of our common stock. Any such decline could be substantial.

In addition, because the number of shares delivered to a holder upon mandatory conversion will be based upon the mandatory settlement value, the shares of common stock a holder receive upon mandatory conversion may be worth less than the shares of common stock such holder would have received had the mandatory settlement value been equal to the daily VWAP per share of our common stock on the mandatory conversion date or the average of the daily VWAPs of our common stock over a different period of days.

Notwithstanding the foregoing, if a Remarketing Failure has occurred, the conversion rate for the mandatory convertible preferred stock upon automatic conversion will be zero shares of our common stock effective as of December 1, 2023, and, with respect to any shares of mandatory convertible preferred stock that remain outstanding following December 1, 2023, a holder will therefore not receive any shares of our common stock on the mandatory conversion date with respect to such shares of mandatory convertible preferred stock or otherwise.

Investors in the mandatory convertible preferred stock may not realize any or all of the benefit of an increase in the market price of shares of our common stock. The opportunity for equity appreciation provided by your investment in the mandatory convertible preferred stock is less than that provided by a direct investment in our common stock.

The market value of each share of our common stock that a holder will receive upon mandatory conversion of each share of the mandatory convertible preferred stock on the mandatory conversion date (assuming that all dividends, if any, on shares of mandatory convertible preferred stock will be declared and paid in cash) will only exceed the liquidation preference of $1,000 per share of the mandatory convertible preferred stock if a Remarketing Failure does not occur and the mandatory settlement value of our common stock exceeds the threshold appreciation price, which is calculated by dividing $1,000 by the minimum conversion rate and initially is approximately equal to $28.7993. The threshold appreciation price represents an appreciation of approximately 17.5% over the initial price. If the mandatory settlement value of our common stock is greater than the threshold appreciation price and a Remarketing Failure has not occurred, a holder will receive on the mandatory conversion date approximately 85.12% (which percentage is approximately equal to the initial price *divided by* the threshold appreciation price) of the value of our common stock that such holder would have received if they had made a direct investment in shares of our common stock on the date of this prospectus supplement. This means that the opportunity for equity appreciation provided by an investment in the mandatory convertible preferred stock is less than that provided by a direct investment in shares of our common stock.

In addition, if a Remarketing Failure has not occurred, the market value of our common stock appreciates and the mandatory settlement value of our common stock is equal to or greater than the initial price but less than or equal to the threshold appreciation price, the aggregate market value of our common stock that a holder would receive upon mandatory conversion (assuming that all dividends, if any, on the shares of mandatory convertible

preferred stock will be declared and paid in cash) will only be equal to the aggregate liquidation preference of the mandatory convertible preferred stock, and you will realize no equity appreciation on our common stock.

The proceeds received from a remarketing of the mandatory convertible preferred stock are expected to result in economic outcomes similar to those described in this paragraph. The minimum conversion rate may be increased in connection with a successful remarketing (thereby reducing the threshold appreciation price), but in no event will it be greater than the then-current maximum conversion rate. The maximum conversion rate will not be changed in connection with a successful remarketing.

It is possible that a bankruptcy court may rank any claims under the mandatory convertible preferred stock equally with or below the claims of holders of common stock and that you may receive no recovery on your claims.

Your claim with respect to the mandatory convertible preferred stock in the event of our bankruptcy, liquidation, reorganization or other winding-up will be limited to the liquidation preference of your shares of mandatory convertible preferred stock and any accumulated and unpaid dividends. Additionally, because of the nature of the mandatory conversion feature of the mandatory convertible preferred stock, it is possible that a bankruptcy court may rank any claims under the mandatory convertible preferred stock equally with the claims of holders of common stock. If a bankruptcy court were to make this determination in the event of our bankruptcy, liquidation, reorganization or other winding-up, our assets will be available to pay the liquidation preference of the mandatory convertible preferred stock only after all of our indebtedness and other liabilities, and the liquidation preference of all of our Series A Preferred Stock, Series B Preferred Stock and Series B-1 Preferred Stock (and any other preferred equity at the time outstanding), have been paid. Additionally, because the occurrence of a Remarketing Failure causes the conversion rate to be fixed at zero shares of our common stock effective as of December 1, 2023 and results in any mandatory convertible preferred stock that remains outstanding following December 1, 2023 being automatically transferred to us without payment or delivery of any cash or shares of our common stock or other consideration on March 1, 2024, a bankruptcy court could determine that the claims of holders of outstanding mandatory convertible preferred stock after the occurrence of a Remarketing Failure are entitled to no recovery even if the claims of holders of our common stock are entitled to a recovery or distribution. In such cases, your ability to recover on any claim with respect to the mandatory convertible preferred stock in the event of our bankruptcy, liquidation, reorganization or other winding-up would be impaired.

Upon a successful remarketing of the mandatory convertible preferred stock, the terms of your shares of mandatory convertible preferred stock may be modified even if you elect not to participate in the remarketing.

When we attempt to remarket the mandatory convertible preferred stock, the remarketing agent will agree to use its reasonable best efforts to sell the mandatory convertible preferred stock included in the remarketing. In connection with the remarketing, we and the remarketing agent may remarket the mandatory convertible preferred stock with different terms prior to the remarketing, limited to the following: (a) dividends may become payable on the mandatory convertible preferred stock and/or (b) if the closing price of our common stock on the pricing date for a successful remarketing is less than or equal to the initial price, the minimum conversion rate of the mandatory convertible preferred stock will be increased to an amount equal to $1,000, *divided by* 117.5% of the closing price of our common stock on such date (rounded to the nearest ten-thousandth of a share) (subject to the minimum conversion rate not being increased to be more than the maximum conversion rate). If the remarketing is successful, the modified terms will apply to all the shares of mandatory convertible preferred stock, including those shares that were not included in the remarketing. However, holders of shares of mandatory convertible preferred stock must elect to participate in the remarketing before knowing what the modified terms of the shares will be, or whether the remarketing will be successful. Whenever we remarket the mandatory convertible preferred stock, we will notify holders of Corporate Units and separate shares of mandatory convertible preferred stock of such remarketing. You may determine that the revised terms are not as favorable to you as you would deem appropriate. However, we will not decrease the dividend rate or the minimum conversion rate, or change the maximum conversion rate, in connection with a successful remarketing.

The mandatory convertible preferred stock can only be converted early in limited situations.

Prior to the purchase contract settlement date, which is December 1, 2023, the mandatory convertible preferred stock can only be converted if the shares of mandatory convertible preferred stock have been separated from the related purchase contract, as described herein, and only upon the occurrence of a fundamental change. On and after December 1, 2023 but prior to March 1, 2024, holders of shares of the mandatory convertible preferred stock that are not a part of Corporate Units, at their option, may, at any time and from time to time, convert some or all of their outstanding shares of the mandatory convertible preferred stock. However, in no case can any mandatory convertible preferred stock be converted if a Remarketing Failure has occurred. If the specific conditions for conversion are not met, you will not be able to convert your mandatory convertible preferred stock, and you will not be able to receive the common stock into which the mandatory convertible preferred stock would otherwise be convertible.

There will be no make-whole amount of shares or increase to the conversion rate for conversions of the mandatory convertible preferred stock in connection with a fundamental change, except in limited circumstances.

There will be no make-whole amount of shares or increase to the conversion rate for conversions of the mandatory convertible preferred stock in connection with a fundamental change, except for the limited situation where the stock price for such fundamental change is less than the initial price.

Following a successful remarketing of the mandatory convertible preferred stock where dividends become payable, the trading price of the mandatory convertible preferred stock may not fully reflect the value of their accumulated and unpaid dividends.

Following a successful remarketing of the mandatory convertible preferred stock where dividends become payable on the mandatory convertible preferred stock, the mandatory convertible preferred stock may trade at a price that does not fully reflect the value of accumulated and unpaid dividends on the mandatory convertible preferred stock.

You will have no voting rights with respect to the mandatory convertible preferred stock except under limited circumstances.

You will have no voting rights with respect to the mandatory convertible preferred stock, except with respect to certain amendments to the terms of the mandatory convertible preferred stock, in certain other limited circumstances and except as specifically required or recommended by applicable Delaware law, the NYSE listing rules or by our amended and restated certificate of incorporation. You will have no right to vote for any members of our board of directors, except as required or recommended by Delaware law or the NYSE listing rules.

Under certain circumstances, you may be treated as receiving a taxable distribution on the mandatory convertible preferred stock even though you do not receive any actual cash distribution.

Following a successful remarketing of the mandatory convertible preferred stock where dividends become payable on the mandatory convertible preferred stock, we may, at our option, pay dividends on the mandatory convertible preferred stock wholly or partly in our common stock, as described under “Description of the Mandatory Convertible Preferred Stock—Dividends.” Any such dividends will still be treated as distributions taxable in the same manner as cash distributions. In addition, for United States federal income tax purposes, you may be treated as receiving a constructive distribution from us with respect to the mandatory convertible preferred stock if (1) the fixed conversion rates of the mandatory convertible preferred stock are adjusted (or fail to be adjusted) and, as a result of the adjustment (or failure to adjust), your proportionate interest in our assets or earnings and profits is increased, and (2) the adjustment (or failure to adjust) is not made pursuant to a bona fide, reasonable anti-dilution formula. For example, if the fixed conversion rates are adjusted as a result of a

distribution that is taxable to the holders of our common stock, such as an increase in our quarterly cash dividend, you will be deemed to have received a "constructive distribution" of our stock. Thus, under certain circumstances, an adjustment to the fixed conversion rates might give rise to a taxable deemed dividend to you even though you do not actually receive any cash or other distribution in connection with such adjustment. If you are a non-U.S. holder (as defined under "Material U.S. Federal Income and Estate Tax Consequences"), such constructive dividend may be subject to United States federal withholding tax at a 30% rate unless certain conditions are satisfied and subject to an applicable tax treaty. If we pay withholding taxes on your behalf as a result of an adjustment to the settlement rate, we may, at our option, set off such payments against other amounts such as cash or common stock otherwise due to you. For further details, see "Material U.S. Federal Income and Estate Tax Consequences."

Risk Factors Relating to the Purchase Contracts

The purchase contract gives you the entire risk of a decline in the price of our common stock without any participation in an increase in the price of our common stock.

The number of shares of our common stock that you will receive upon the settlement of a purchase contract is not fixed but instead will depend on the average of the daily VWAPs of our common stock during a 40 consecutive trading day market value averaging period, which we refer to as the applicable market value. The market value per share of common stock you receive on the purchase contract settlement date will be no greater than the reference price of $24.51 (which is the closing price of our common stock on the New York Stock Exchange on the pricing date for this offering). If the applicable market value of our common stock is less than the reference price, you will receive a number of shares of our common stock with a value (based on the applicable market value) of less than $100. Accordingly, you assume the risk that the market value of our common stock may decline, and that the decline could be substantial. If the applicable market value of the common stock is greater than the reference price, you will receive a number of shares of our common stock with a value equal to only $100 (based on the applicable market value). As a result, under the purchase contract, you will never receive shares with a value (based on the applicable market value) in excess of $100, which means you will never participate in any appreciation of our stock price above the reference price through the purchase contracts.

In addition, because the number of shares delivered to you on the purchase contract settlement date will be based upon the applicable market value, which is in turn calculated on the basis of the average of the daily VWAPs per share of our common stock during the market value averaging period, the shares of common stock you receive on the purchase contract settlement date may be worth less than the shares of common stock you would have received had the applicable market value been equal to the daily VWAP per share of our common stock on the purchase contract settlement date or the average of the daily VWAPs per share of our common stock over a different period of days.

If you elect to settle your purchase contracts early (other than in connection with a fundamental change), you will receive a number of shares of common stock per purchase contract equal to 85% of the settlement rate calculated as described above but based on the applicable market value of our common stock for a 40 consecutive trading day averaging period following your election to early settle. In this case, even if the applicable market value of the common stock is greater than the reference price, you will receive a number of shares of our common stock with a value equal to only $85 (based on the applicable market value).

If you settle your purchase contracts early with cash and do not monetize (or adequately monetize) your separate shares of mandatory convertible preferred stock, and a Remarketing Failure occurs, you risk losing the investment you made to settle the purchase contract.

From and after the occurrence of a Remarketing Failure, the mandatory convertible preferred stock will no longer be convertible into shares of our common stock and will have no value except for its rights with respect to

payments upon our liquidation or dissolution, and will be automatically transferred to us without payment on the mandatory conversion date. If you settle your purchase contract early in order to hold separate shares of mandatory convertible preferred stock, and you do not monetize (or monetize adequately) your separate share of mandatory convertible preferred stock and a Remarketing Failure occurs, you will lose the investment you made in settling your purchase contracts early with separate cash because your separate shares of mandatory convertible preferred stock will no longer have meaningful economic value.

The delivery of make-whole shares upon a fundamental change early settlement of the purchase contracts may not adequately compensate you.

If a fundamental change (as defined below under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change") occurs prior to the purchase contract settlement date and you exercise your fundamental change early settlement right with respect to your purchase contracts, you will not be entitled to receive additional value in respect of make-whole shares for such purchase contracts if the stock price (as defined under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change"), is in excess of $60 per share (subject to adjustment). A description of how the number of make-whole shares will be determined is set forth under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change—Calculation of Make-Whole Shares." There is no make-whole amount of shares or increase to the conversion rate for conversions of the mandatory convertible preferred stock in connection with a fundamental change, except for the limited case where the stock price for such fundamental change is less than the initial price, all as described under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change." Moreover, in no event will the conversion rate per share of mandatory convertible preferred stock as a result of this adjustment exceed 81.5994 shares of common stock, subject to adjustment in the same manner as the fixed conversion rates for the mandatory convertible preferred stock as set forth under "Description of the Mandatory Convertible Preferred Stock—Anti-dilution Adjustments." The make-whole shares in respect of the purchase contracts may not adequately compensate you for any lost value of your Equity Units and/or mandatory convertible preferred stock as a result of such transaction.

In addition, in the event that a holder seeks to exercise its fundamental change early settlement right in respect of its purchase contracts and a registration statement is required to be effective in connection with the exercise of such right but no such registration statement is then effective or a blackout period is continuing, the holder's exercise of such right will be void unless and until the registration statement is effective. For so long as there is a material business transaction or development that has not yet been publicly disclosed, we will not be required to file such registration statement or provide such a prospectus, and the fundamental change early settlement right will not be available, until we have publicly disclosed such transaction or development; *provided* that we will use commercially reasonable efforts to make such disclosure as soon as it is commercially reasonable to do so.

Our obligation, if any, to pay or deliver the make-whole shares upon exercise of your fundamental change early settlement right with respect to your purchase contracts could be considered a penalty, in which case the enforceability thereof would be subject to general principles of equity.

You may not be able to exercise your right to settle a purchase contract prior to the purchase contract settlement date unless a registration statement under the Securities Act is in effect and a prospectus is available covering the shares our common stock and other securities, if any, deliverable upon early settlement of a purchase contract.

The early settlement right and the fundamental change early settlement right under the purchase contracts are subject to the condition that, if required under the U.S. federal securities laws, we have a registration statement under the Securities Act in effect and an available prospectus covering the shares of our common stock and other securities, if any, deliverable upon settlement of a purchase contract. Although we have agreed to use our commercially reasonable efforts to have such a registration statement in effect and to provide a prospectus if

so required under the U.S. federal securities laws, any failure or inability to maintain an effective registration statement or to have available a prospectus covering the shares our common stock and other securities, if any, deliverable upon early settlement of a purchase contract, including as a result of pending corporate events or announcements that prevent the delivery of a current prospectus, may prevent or delay an early settlement.

You may be required to recognize income without a corresponding receipt of cash to the extent we elect to pay contract adjustment payments in stock or we elect to defer contract adjustment payments.

We may, at our option, pay contract adjustment payments under the purchase contracts wholly or partly in our common stock or defer the payment of all or part of the contract adjustment payments, as described under "Description of the Purchase Contracts—Contract Adjustment Payments." For U.S. federal income tax purposes, you may be required to recognize ordinary income with respect to the contract adjustment payments even if we pay them partly or wholly in common stock. We intend to report the contract adjustment payments in a manner consistent with this treatment. In addition, if we make such a deferral, and you use the accrual method of accounting for tax purposes, you may be required to continue to recognize income for U.S. federal income tax purposes in respect of the purchase contracts in advance of your receipt of any corresponding cash payments. You are urged to consult your tax advisors concerning the possible alternative characterization and tax treatment of the contract adjustment payments. For further details, see "Material U.S. Federal Income and Estate Tax Consequences."

Under certain circumstances, you may be treated as receiving a taxable distribution on our common stock even though you do not receive any actual distribution.

For United States federal income tax purposes, you may be treated as receiving a constructive distribution from us with respect to the purchase contract if (1) the purchase contract settlement rates are adjusted (or fail to be adjusted) and, as a result of the adjustment (or failure to adjust), your proportionate interest in our assets or earnings and profits is increased, and (2) the adjustment (or failure to adjust) is not made pursuant to a bona fide, reasonable anti-dilution formula. For example, if the maximum settlement rates are adjusted as a result of a distribution that is taxable to the holders of our common stock, such as an increase in our quarterly cash dividend, you may be deemed to have received a "constructive distribution" of our stock. Thus, under certain circumstances, an adjustment to the maximum settlement rates might give rise to a taxable deemed dividend to you even though you do not actually receive any cash or other distribution in connection with such adjustment. If you are a non-U.S. holder (as defined under "Material U.S. Federal Income and Estate Tax Consequences"), such constructive dividend may be subject to United States federal withholding tax at a 30% rate unless certain conditions are satisfied and subject to an applicable tax treaty. If we pay withholding taxes on your behalf as a result of an adjustment to the settlement rate, we may, at our option, withhold such payments from other amounts such as cash or common stock otherwise due to you. For further details, see "Material U.S. Federal Income and Estate Tax Consequences."

We intend to report contract adjustment payments as ordinary income for U.S. federal income tax purposes subject to withholding to the extent made to non-U.S. holders.

We intend to treat any contract adjustment payments paid to a non-U.S. holder (as defined under "Material U.S. Federal Income and Estate Tax Consequences") as ordinary income generally subject to withholding tax at a 30% rate unless certain conditions are satisfied and subject to an applicable tax treaty. If we pay withholding taxes on your behalf in respect of a contract adjustment payment paid in stock, we may, at our option, withhold such payments from payments of cash and/or from common stock delivered under the purchase contract. You are urged to consult your tax advisors concerning the possible alternative characterization and tax treatment of the contract adjustment payments. For further details, see "Material U.S. Federal Income and Estate Tax Consequences."

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Risk Factors Relating to Our Common Stock

The price of our common stock may be adversely affected by the issuance and sale of our common stock, including upon the settlement of the purchase contracts or conversion of the mandatory convertible preferred stock.

We cannot predict the effect that future issuances or sales of our common stock, if any, including those made upon the settlement of the purchase contracts or conversion of the mandatory convertible preferred stock, may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock, including issuances and sales upon the settlement of the purchase contracts or conversion of the mandatory convertible preferred stock, could adversely affect the market price of our common stock.

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USE OF PROCEEDS

The aggregate net proceeds to us from the sale of the Equity Units, after deducting the underwriting discounts but before deducting our other fees and expenses related to the offering, will be approximately $730.4 million (or approximately $839.9 million if the underwriters exercise their over-allotment option in full).

We intend to use the net proceeds from this offering for renewable generation investments and general corporate purposes, including additions to working capital and repayment of existing indebtedness. This offering is consistent with meeting our near and long-term financial plan. The Equity Unit structure of this offering allows us to retain share price upside while aligning the expected proceeds with our renewable investment needs.

This offering is expected to satisfy all of our anticipated discrete equity needs through 2024 (except for issuances under our existing programmatic "at-the-market offering" program) and eliminates the need for the discrete (block) equity issuance we originally planned for calendar years 2022 or 2023.

CAPITALIZATION

The table below shows our capitalization on a consolidated basis as of December 31, 2020. The "As Adjusted" column reflects our capitalization after giving effect to this offering of Equity Units and the intended use of net proceeds from this offering. The table below assumes that the over-allotment option is not exercised in this offering.

You should read this table along with our audited financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020, as well as "Incorporation By Reference" and "Use of Proceeds" in this prospectus supplement and "Where You Can Find More Information." in the accompanying prospectus.

	December 31, 2020 (in millions)	
	Actual	As Adjusted
Cash and cash equivalents	$ 116.5	$ 339.5
Short-term borrowings (including current portion of long-term debt)	$ 526.3	$ 23.3
Long-term debt (excluding amounts due within one year)	9,219.8	9,219.8
Preferred stockholders' equity	880.0	1,610.0
Common stockholders' equity	4,872.2	4,721.5
Noncontrolling interest in consolidated subsidiaries	85.6	85.6
Total capitalization	$15,057.6	$15,636.9

ACCOUNTING TREATMENT

The proceeds from the sale of the Corporate Units will be allocated between the purchase contract, contract adjustment payments and the mandatory convertible preferred stock based on the fair value of each at the date of the offering. It is expected that the aggregate liquidation preference of the mandatory convertible preferred stock will be recorded as equity at inception. The fair value of the Corporate Unit contract adjustment payments will be initially charged to shareholders' equity, with an offsetting credit to liabilities. This liability is accreted over approximately 2.625 years by interest charges. Actual contract adjustment payments reduce this liability.

The purchase contracts are forward transactions in our common stock. Upon settlement of each purchase contract, we will receive $100 on the purchase contract and will issue the requisite number of shares of our common stock. The $100 per purchase contract that we receive will be credited to shareholders' equity.

Prior to settlement, the number of shares of our common stock that would be issuable at the end of each reporting period as a result of the purchase contracts will be reflected in our diluted earnings per share calculation, using the "if-converted method" under US GAAP. Under this method, if the stock price falls below the reference price the number of shares of our common stock used in calculating diluted earnings per share (based on the settlement formula applied at the end of the reporting period) will be the maximum number of shares per the contract. Conversely, if the stock price is above the reference price, a variable number of shares of our common stock will be used in calculating diluted earnings per share. As such, we anticipate there will be a dilutive effect on our earnings per share from the purchase contracts prior to settlement.

Convertible securities factor into the earnings per share calculation under the "if-converted method", if dilutive. Such securities are typically assumed to be converted at the beginning of the period or upon issuance (if later), with the resulting shares of common stock included in the denominator of the diluted earnings per share calculation for the entire period being presented. However, under the "if-converted method", contingently convertible shares where conversion is not tied to a market price trigger are excluded from the calculation of diluted EPS until such time as the contingency has been resolved.

The mandatory convertible preferred stock included with the Corporate Units fall under this latter category, where the conversion is contingent on a successful remarketing of the preferred host. As a result, shares of the mandatory convertible preferred stock will be assumed to be converted to common stock at the beginning of the applicable reporting period when the contingency has resolved, and the resulting shares of common stock are included in the denominator of the diluted earnings per share calculation for the entire period being presented.

On August 5, 2020, the Financial Accounting Standards Board issued Accounting Standard Update 2020-06, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The Company will apply the new standard beginning in January 2022. This new standard will impact 1) how the stock price is calculated for deriving diluted shares under the forward contract and 2) the contract adjustment payments will be included in the diluted share calculation.

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DESCRIPTION OF THE EQUITY UNITS

In this Description of the Equity Units, "we," "us" and "our" refer only to NiSource Inc. and any successor obligor, and not to any of its subsidiaries.

The following is a summary of some of the terms of the Equity Units. This summary, together with the summary of the terms of the purchase contracts, the purchase contract and pledge agreement, the mandatory convertible preferred stock and our common stock set forth under the captions "Description of the Purchase Contracts," "Certain Provisions of the Purchase Contract and Pledge Agreement" and "Description of the Mandatory Convertible Preferred Stock" in this prospectus supplement and under the caption "Description of Capital Stock—Common Stock" in the accompanying prospectus, is a description of the material terms of the Equity Units but does not purport to be complete, and we refer you to the documents which will govern your rights as holders of the Equity Units and which have been or will be filed and incorporated by reference as exhibits to the registration statement of which this prospectus supplement and the accompanying base prospectus form a part, including the purchase contract and pledge agreement and the certificate of designations.

General

We will issue the Equity Units under the purchase contract and pledge agreement between us and U.S. Bank National Association, as purchase contract agent (the "purchase contract agent"), and U.S. Bank National Association, as collateral agent (the "collateral agent"), custodial agent (the "custodial agent"), and securities intermediary (the "securities intermediary"). The Equity Units may be Corporate Units, Treasury Units or Cash Settled Units. The Equity Units will initially consist of 7,500,000 Corporate Units (or 8,625,000 Corporate Units if the underwriters exercise their over-allotment option in full), each with a stated amount of $100. Each Corporate Unit offered by us will consist of:

(1) a purchase contract under which:

- the holder will agree to purchase from us on December 1, 2023, which we refer to as the "purchase contract settlement date," and we will agree to sell to the holder, unless the purchase contract terminates prior to that date as described under "Description of the Purchase Contracts—Termination" or is settled early as described under "Description of the Purchase Contracts—Early Settlement" or "—Early Settlement Upon a Fundamental Change," for $100, a number of shares of our common stock equal to the applicable settlement rate described under "Description of the Purchase Contracts—Purchase of Common Stock," "—Early Settlement" or "—Early Settlement Upon a Fundamental Change," as the case may be, *plus*, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares as described under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change—Calculation of Make-Whole Shares"; and
- we will pay to the holder quarterly contract adjustment payments at the rate of 7.75% of the stated amount of $100 per year, subject to our right to defer such contract adjustment payments, payable in cash, shares of our common stock or a combination thereof, at our election; and

(2) either:

- a 1/10th, or 10%, undivided beneficial ownership in one share of Series C Mandatory Convertible Preferred Stock, par value $0.01 per share, with a liquidation preference of $1,000 per share (the "mandatory convertible preferred stock"), issued by us; or
- following a successful optional remarketing, the applicable ownership interest in a portfolio of U.S. Treasury securities, which we refer to as the "Treasury portfolio."

"Applicable ownership interest" means, with respect to a Corporate Unit and the U.S. Treasury securities in the Treasury portfolio, a 1/10, or 10%, undivided beneficial ownership interest in $1,000 face amount of U.S. Treasury securities (or principal or interest strips thereof) included in the Treasury portfolio that matures on or prior to the purchase contract settlement date.

The fair market value of the Corporate Units we issue will be recorded in our financial statements based on an allocation between the purchase contracts, the contract adjustment payments and the mandatory convertible preferred stock in proportion to their respective fair market values at the time of issuance. Under the purchase contract and pledge agreement, you will be deemed to have agreed to allocate the entire purchase price to your mandatory convertible preferred stock as described under "Material U.S. Federal Income and Estate Tax Consequences—Tax Treatment of the Equity Units."

As long as an Equity Unit is in the form of a Corporate Unit, any ownership interest in a share of mandatory convertible preferred stock or any applicable ownership interest in the Treasury portfolio forming a part of the Corporate Unit will be pledged to us through the collateral agent to secure your obligation to purchase our common stock under the related purchase contract.

Creating Treasury Units by Substituting a Treasury Security for Mandatory Convertible Preferred Stock

Each holder of 10 Corporate Units may create, at any time other than (i) if we elect to conduct an optional remarketing, during the period from 4:00 p.m., New York City time, on the second business day immediately preceding the first day of any optional remarketing period until the settlement date of such remarketing or the date we announce that no successful optional remarketing has occurred during the optional remarketing period, (ii) following any successful remarketing (unless a condition precedent set forth in the remarketing agreement is not fulfilled prior to the scheduled settlement date for such remarketing), (iii) the period from 4:00 p.m., New York City time, on the second business day immediately preceding the first day of the final remarketing period until 9:00 a.m., New York City time, on the business day immediately succeeding the last day of the final remarketing period and (iv) the period from and after 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date (we refer to each such period as a "blackout period"), 10 Treasury Units by substituting for the share of mandatory convertible preferred stock that is a component of 10 Corporate Units a zero-coupon U.S. Treasury security with a principal amount of $1,000 that matures on or prior to December 1, 2023 (e.g., CUSIP No. 9128206B8), which we refer to as a "Treasury security." This substitution would create 10 Treasury Units, and the related share of mandatory convertible preferred stock would be released to the holder and would be separately tradable from the Treasury Units. Because the mandatory convertible preferred stock is issued with a liquidation preference of $1,000 per share, holders of Corporate Units may make this substitution only in integral multiples of 10 Corporate Units.

Each Treasury Unit will consist of:

(1) a purchase contract under which:

- the holder will agree to purchase from us on the purchase contract settlement date, and we will agree to sell to the holder, unless the purchase contract terminates prior to that date as described under "Description of the Purchase Contracts— Termination" or is settled early as described under "Description of the Purchase Contracts—Early Settlement" or "— Early Settlement Upon a Fundamental Change," for $100, a number of shares of our common stock equal to the applicable settlement rate described under "Description of the Purchase Contracts—Purchase of Common Stock," "—Early Settlement" or "—Early Settlement Upon a Fundamental Change," as the case may be, *plus*, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares as described under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change—Calculation of Make-Whole Shares"; and
- we will pay to the holder quarterly contract adjustment payments at the rate of 7.75% of the stated amount of $100 per year, subject to our right to defer such contract adjustment payments, payable in cash, shares of our common stock or a combination thereof, at our election; and

(2) a 1/10th, or 10%, undivided beneficial ownership interest in a Treasury security.

The term "business day" means any day other than a Saturday or a Sunday or any other day on which banking institutions and trust companies in New York City, New York are authorized or required by law or executive order to remain closed.

To create 10 Treasury Units, a holder is required to:

- deposit with the collateral agent a Treasury security, which must be purchased in the open market at the expense of the Corporate Unit holder, unless otherwise owned by the holder; and
- transfer to the purchase contract agent 10 Corporate Units, accompanied by a notice stating that the holder of the Corporate Units has deposited the Treasury security with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related share of mandatory convertible preferred stock.

Promptly following receipt of written instructions from the purchase contract agent and receipt of the Treasury security, the collateral agent will release the related share of mandatory convertible preferred stock from the pledge and deliver it to the purchase contract agent on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

- cancel the 10 Corporate Units;
- transfer the related share of mandatory convertible preferred stock to the holder; and
- deliver or cause to be delivered 10 Treasury Units to the holder.

The Treasury Unit holder's beneficial ownership interest in the Treasury security will be substituted for the share of mandatory convertible preferred stock and will be pledged to us through the collateral agent to secure the holder's obligation to purchase shares of our common stock under the related purchase contracts. The share of mandatory convertible preferred stock thereafter will trade and be transferable separately from the Treasury Units.

Holders who create Treasury Units or recreate Corporate Units, as discussed below, will be responsible for any taxes, governmental charges or other fees or expenses (including, without limitation, reasonable fees and expenses of the purchase contract agent, the collateral agent, the custodial agent and the securities intermediary and their respective counsel) payable in connection with the creation of Treasury Units, the recreation of Corporate Units and any related substitutions of collateral. See "Certain Provisions of the Purchase Contract and Pledge Agreement—Miscellaneous."

There are risks associated with the creation of Treasury Units, in particular if you continue to hold the separate shares of mandatory convertible preferred stock and a Remarketing Failure occurs. See "Risk Factors—Risk Factors Relating to the Equity Units—If a Remarketing Failure occurs and you hold Treasury Units or Cash Settled Units and separate shares of mandatory convertible preferred stock, you must recreate Corporate Units in order to avoid losing your pledged Treasury securities or cash and being left with mandatory convertible preferred stock with little economic value" and "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon."

Recreating Corporate Units from Treasury Units

Each holder of 10 Treasury Units will have the right, at any time other than during a blackout period, to substitute for the related Treasury security held by the collateral agent one share of mandatory convertible preferred stock for each such 10 Treasury Units. This substitution would recreate Corporate Units and the applicable Treasury security would be released to the holder. Because the mandatory convertible preferred stock is issued with a liquidation preference of $1,000 per share, holders of Treasury Units may make the substitution only in integral multiples of 10 Treasury Units.

To recreate 10 Corporate Units, a holder is required to:

- deposit with the collateral agent one share of mandatory convertible preferred stock, which must be purchased in the open market at the expense of the Treasury Unit holder, unless otherwise owned by the holder; and
- transfer to the purchase contract agent 10 Treasury Units, accompanied by a notice stating that the holder of the Treasury Units has deposited one share of mandatory convertible preferred stock with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related Treasury security.

Promptly following receipt of written instructions from the purchase contract agent and receipt of the share of mandatory convertible preferred stock, the collateral agent will release the related Treasury security from the pledge by directing the securities intermediary to transfer such Treasury security to the purchase contract agent on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

- cancel the 10 Treasury Units;
- transfer the related Treasury security to the holder; and
- deliver or cause to be delivered 10 Corporate Units to the holder.

The share of mandatory convertible preferred stock will be substituted for the Treasury security and will be pledged to us through the collateral agent to secure the holder's obligation to purchase shares of our common stock under the related purchase contracts. The Treasury security thereafter will trade and be transferable separately from the Corporate Units.

If (1) despite using its reasonable best efforts, the remarketing agent cannot remarket the mandatory convertible preferred stock on or prior to the last day of the final remarketing period, at a price equal to or greater than $1,000 *multiplied by* the aggregate number of shares of mandatory convertible preferred stock to be remarketed or (2) the final remarketing has not occurred on or prior to the last day of the final remarketing period, or the final remarketing has not settled as set forth in the remarketing agreement, because a condition precedent to the remarketing has not been fulfilled or otherwise, which we refer to in each case as a "Remarketing Failure," no shares of our common stock will be delivered upon automatic conversion of the mandatory convertible preferred stock that remains outstanding following the purchase contract settlement date and each such share of mandatory convertible preferred stock will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon. If you had created Treasury Units and a Remarketing Failure occurs, you will have from 9:00 a.m., New York City time, on the business day immediately succeeding the last day of the final remarketing period until 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date to recreate Corporate Units with separate shares of mandatory convertible preferred stock, in order for such shares to be automatically applied in satisfaction of your obligations under the related purchase contracts as described in "Description of the Mandatory Convertible Preferred Stock—Automatic Settlement upon Failed Final Remarketing." If you do not recreate Corporate Units during this period, your pledged Treasury security will be used to satisfy your obligations under the related purchase contracts, and, if you hold shares of separate mandatory convertible preferred stock, those shares will no longer convert into common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon. See "Risk Factors—Risk Factors Relating to the Equity Units—If a Remarketing Failure occurs and you hold Treasury Units or Cash Settled Units and separate shares of mandatory convertible preferred stock, you must recreate Corporate Units in order to avoid losing your pledged Treasury securities or cash and being left with mandatory convertible preferred stock with little economic value", "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon" and "Risk Factors—Risk Factors Relating to the Equity Units—Because the Equity Units and mandatory convertible preferred stock will

initially be issued in book-entry form, holders must rely on DTC's procedures to receive communications relating to the Equity Units and mandatory convertible preferred stock and exercise their rights and remedies."

Creating Cash Settled Units from Corporate Units

Each holder of 10 Corporate Units may create, only during the period after the date we give notice of a final remarketing (as defined under "Description of the Purchase Contracts—Final Remarketing") and prior to 4:00 p.m., New York City time, on the second business day immediately preceding the first day of the final remarketing period, Cash Settled Units by substituting for the share of mandatory convertible preferred stock that is a component of the Corporate Units $1,000 in cash. This substitution would create 10 Cash Settled Units, and the related share of mandatory convertible preferred stock would be released to the holder and would be separately tradable from the Cash Settled Units. Because the mandatory convertible preferred stock is issued with a liquidation preference of $1,000 per share, holders of Corporate Units may make this substitution only in integral multiples of 10 Corporate Units. Holders of Cash Settled Units do not have the right to recreate Corporate Units or create Treasury Units.

Each Cash Settled Unit will consist of:

(1) a purchase contract under which:

- the holder will agree to purchase from us on the purchase contract settlement date, and we will agree to sell to the holder, unless the purchase contract terminates prior to that date as described under "Description of the Purchase Contracts—Termination" or is settled early as described under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change", for $100, a number of shares of our common stock equal to the applicable settlement rate described under "Description of the Purchase Contracts—Purchase of Common Stock" or "—Early Settlement Upon a Fundamental Change," as the case may be, *plus*, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares as described under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change—Calculation of Make-Whole Shares"; and
- we will pay to the holder the final quarterly contract adjustment payment due on the purchase contract settlement date (including any accrued and unpaid deferred contract adjustment payments and compounded contract adjustment payments thereon), payable in cash, shares of our common stock or a combination thereof, at our election; and

(2) $100 in cash.

To create 10 Cash Settled Units, a holder is required to:

- deposit with the collateral agent $1,000 in cash; and
- transfer to the purchase contract agent 10 Corporate Units, accompanied by a notice stating that the holder of the Corporate Units has deposited $1,000 in cash with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related share of mandatory convertible preferred stock.

Promptly following receipt of written instructions from the purchase contract agent and receipt of $1,000 in cash, the collateral agent will release the related share of mandatory convertible preferred stock from the pledge and deliver it to the purchase contract agent on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

- cancel the 10 Corporate Units;
- transfer the related share of mandatory convertible preferred stock to the holder; and
- deliver or cause to be delivered 10 Cash Settled Units to the holder.

The $1,000 of cash will be substituted for the share of mandatory convertible preferred stock and will be pledged to us through the collateral agent to secure the holder's obligation to purchase shares of our common stock under the related purchase contracts. Cash held as a component of the Cash Settled Unit will be held in a non-interest bearing account as set forth in the purchase contract and pledge agreement. The share of mandatory convertible preferred stock thereafter will trade and will be transferable separately from the Cash Settled Units.

Holders who create Cash Settled Units, as discussed below, will be responsible for any taxes, governmental charges or other fees or expenses (including, without limitation, the reasonable fees and expenses of the purchase contract agent, the collateral agent, the custodial agent and the securities intermediary and their respective counsel) payable in connection with the creation of Cash Settled Units and any related substitutions of collateral. See "Certain Provisions of the Purchase Contract and Pledge Agreement—Miscellaneous."

There are risks associated with the creation of Cash Settled Units, in particular if you continue to hold the separate shares of mandatory convertible preferred stock and a Remarketing Failure occurs. See "Risk Factors—Risk Factors Relating to the Equity Units—If a Remarketing Failure occurs and you hold Treasury Units or Cash Settled Units and separate shares of mandatory convertible preferred stock, you must recreate Corporate Units in order to avoid losing your pledged Treasury securities or cash and being left with mandatory convertible preferred stock with little economic value" and "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon."

Recreating Corporate Units from Cash Settled Units

If no successful remarketing occurs during the final remarketing period or a condition precedent set forth in the remarketing agreement for the final remarketing is not fulfilled, each holder of 10 Cash Settled Units will have the right, at any time from and after 9:00 a.m., New York City time, on the business day immediately succeeding the last day of the final remarketing period (or the date of such failure under the remarketing agreement, as the case may be), until 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date, to substitute for the related $1,000 in cash held by the collateral agent one share of mandatory convertible preferred stock for each such 10 Cash Settled Units. This substitution would recreate Corporate Units and the applicable $1,000 of cash would be released to the holder. Because the mandatory convertible preferred stock is issued with a liquidation preference of $1,000 per share, holders of Cash Settled Units may make the substitution only in integral multiples of 10 Cash Settled Units.

To recreate 10 Corporate Units, a holder is required to:

- deposit with the collateral agent one share of mandatory convertible preferred stock, which must be purchased in the open market at the expense of the Cash Settled Unit holder, unless otherwise owned by the holder; and
- transfer to the purchase contract agent 10 Cash Settled Units, accompanied by a notice stating that the holder of the Cash Settled Units has deposited one share of mandatory convertible preferred stock with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related $1,000 of cash.

Promptly following receipt of written instructions from the purchase contract agent and receipt of the share of mandatory convertible preferred stock, the collateral agent will release the related $1,000 of cash from the pledge by directing the securities intermediary to transfer such $1,000 of cash to the purchase contract agent on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

- cancel the 10 Cash Settled Units;
- transfer the related $1,000 of cash to the holder; and

- deliver or cause to be delivered 10 Corporate Units to the holder.

The share of mandatory convertible preferred stock will be substituted for the $1,000 of cash and will be pledged to us through the collateral agent to secure the holder's obligation to purchase shares of our common stock under the related purchase contracts, with such share to be applied to satisfy such obligation as set forth under "Description of the Mandatory Convertible Preferred Stock—Automatic Settlement Upon Failed Final Remarketing."

If a Remarketing Failure occurs, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of our common stock will be delivered upon automatic conversion of such shares of mandatory convertible preferred stock and each such share of mandatory convertible preferred stock will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon. If you had created Cash Settled Units in advance of the final remarketing period and a Remarketing Failure occurs, you will have from 9:00 a.m., New York City time, on the business day immediately succeeding the last day of the final remarketing period until 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date to recreate Corporate Units with separate shares of mandatory convertible preferred stock, in order for such shares to be automatically applied in satisfaction of your obligations under the related purchase contracts as described in "Description of the Mandatory Convertible Preferred Stock—Automatic Settlement upon Failed Final Remarketing." If you do not recreate Corporate Units during this period, your pledged cash will be used to satisfy your obligations under the related purchase contracts, and, if you hold shares of separate mandatory convertible preferred stock, those shares will no longer convert into shares of our common stock and they will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon.

See "Risk Factors—Risk Factors Relating to the Equity Units—If a Remarketing Failure occurs and you hold Treasury Units or Cash Settled Units and separate shares of mandatory convertible preferred stock, you must recreate Corporate Units in order to avoid losing your pledged Treasury securities or cash and being left with mandatory convertible preferred stock with little economic value", "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon" and "Risk Factors—Risk Factors Relating to the Equity Units—Because the Equity Units and mandatory convertible preferred stock will initially be issued in book-entry form, holders must rely on DTC's procedures to receive communications relating to the Equity Units and mandatory convertible preferred stock and exercise their rights and remedies."

Current Payments

Holders of Corporate Units and Treasury Units will receive quarterly contract adjustment payments payable by us at the rate of 7.75% per year on the stated amount of $100 per Equity Unit until the earliest of the purchase contract settlement date, the fundamental change early settlement date (in the case of a fundamental change where the holder has elected to settle its purchase contracts early in connection with such fundamental change as described in "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change") and the most recent quarterly payment date on or before an early settlement as described in "Description of the Purchase Contracts—Early Settlement." Holders of Cash Settled Units will receive the final quarterly contract adjustment payment payable by us on the purchase contract settlement date. Holders of Corporate Units will not receive any dividends on the mandatory convertible preferred stock attributable to such Corporate Units (but will receive distributions on the applicable ownership interest in the Treasury portfolio, if any, if the mandatory convertible preferred stock has been replaced by the Treasury portfolio) and the liquidation preference of the mandatory convertible preferred stock will not accrete. Any contract adjustment payments may be paid in cash, shares of our common stock or a combination thereof, at our election, as described herein. There will be no distributions in

respect of the Treasury securities that are a component of the Treasury Units or the cash that is a component of the Cash Settled Units. If dividends become payable on the mandatory convertible preferred stock in connection with a successful remarketing, the holders of Treasury Units or Cash Settled Units that continue to hold the shares of mandatory convertible preferred stock that were released to them when such Treasury Units or Cash Settled Units were created, will receive, when, as and if declared by our board of directors, a dividend payment on their separate shares of mandatory convertible preferred stock on March 1, 2024 (or, at our election in consultation with the remarketing agent in connection with a successful optional remarketing, on each of December 1, 2023 and March 1, 2024) if they continue to hold such shares.

We will make all contract adjustment payments quarterly in arrears on March 1, June 1, September 1 and December 1 of each year (except where such date is not a business day, in which case contract adjustment payments will be payable as of the next subsequent business day, without adjustment), commencing on June 1, 2021.

We have the right to defer payment of quarterly contract adjustment payments as described under "Description of the Purchase Contracts—Contract Adjustment Payments." Even if dividends become payable on the mandatory convertible preferred stock in connection with a successful remarketing, and dividends therefore begin to accumulate on the mandatory convertible preferred stock, we are not obligated to declare or pay any such dividends on the mandatory convertible preferred stock, as described under "Description of the Mandatory Convertible Preferred Stock—Dividends."

Listing

We intend to apply for listing of the Corporate Units on the New York Stock Exchange and expect trading to commence within 30 days of the date of initial issuance of the Corporate Units under the symbol "NIMC," but there is no guarantee that such listing will be approved. Unless and until substitution has been made as described above, none of the mandatory convertible preferred stock component of a Corporate Unit, the Treasury security component of a Treasury Unit nor the cash component of a Cash Settled Unit will trade separately from Corporate Units, Treasury Units or Cash Settled Units. The mandatory convertible preferred stock component will trade as a unit with the purchase contract component of the Corporate Units, the Treasury security component will trade as a unit with the purchase contract component of the Treasury Units and the cash component will trade as a unit with the purchase contract component of the Cash Settled Units. In addition, if Treasury Units, Cash Settled Units or shares of mandatory convertible preferred stock are separately traded to a sufficient extent that the applicable exchange listing requirements are met, we may, but have no obligation to, cause the Treasury Units, Cash Settled Units or mandatory convertible preferred stock to be listed on the exchange on which the Corporate Units are then listed, including, if applicable, the New York Stock Exchange.

Voting and Certain Other Rights

Holders of purchase contracts forming part of the Corporate Units, Treasury Units, or Cash Settled Units, in their capacities as such holders, will have no voting or other rights in respect of our common stock. Holders of shares of mandatory convertible preferred stock, whether or not part of a Corporate Unit, will have only the limited voting rights described in "Description of the Mandatory Convertible Preferred Stock—Limited Voting Rights."

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DESCRIPTION OF THE PURCHASE CONTRACTS

In this Description of the Purchase Contracts, "we," "us" and "our" refer only to NiSource Inc. and any successor obligor, and not to any of its subsidiaries.

The following is a summary of certain provisions of the purchase contracts, which will be issued pursuant to the purchase contract and pledge agreement among us, the purchase contract agent, the collateral agent, the custodial agent and the securities intermediary. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the purchase contracts and of the purchase contract and pledge agreement, including the definitions in the purchase contracts of certain terms. Wherever particular provisions or defined terms of the purchase contracts are referred to, such provisions or defined terms are incorporated into this prospectus supplement by reference.

Purchase of Common Stock

Each purchase contract that is a part of a Corporate Unit, a Treasury Unit or a Cash Settled Unit will obligate its holder to purchase, and us to sell, on the purchase contract settlement date (unless the purchase contract terminates prior to that date as described under "—Termination" or is settled early at the holder's option as described under "—Early Settlement" or "—Early Settlement Upon a Fundamental Change"), for $100 in cash, a number of shares of our common stock equal to the settlement rate (together with cash, if applicable, in lieu of any fractional shares of common stock in the manner described below). The number of shares of our common stock issuable upon settlement of each purchase contract on the purchase contract settlement date (which we call the "settlement rate") will be rounded to the nearest ten-thousandth of a share and determined as follows, subject to adjustment as described under "—Anti-dilution Adjustments" below:

(1) If the applicable market value of our common stock is less than or equal to $24.51, which we refer to as the "reference price," the settlement rate will be 4.0800 shares of our common stock (which we refer to as the "maximum settlement rate").

Accordingly, if the market price for our common stock decreases from the date of this prospectus supplement and during the market value averaging period (described below), the aggregate market value of the shares of common stock issued upon settlement of each purchase contract will be less than the stated amount of $100, assuming that the market price on the purchase contract settlement date is the same as the applicable market value of the common stock.

(2) If the applicable market value of our common stock is greater than the reference price, the settlement rate will be a number of shares of our common stock equal to $100 *divided by* that applicable market value.

Accordingly, if the market price for the common stock increases from the date of this prospectus supplement and during the market value averaging period, the aggregate market value of the shares of common stock issued upon settlement of each purchase contract will be equal to the stated amount of $100, assuming that the market price of the common stock on the purchase contract settlement date is the same as the applicable market value of the common stock.

The reference price initially equals the closing price of our common stock on the New York Stock Exchange on the pricing date for this offering.

If you elect to settle your purchase contract early in the manner described under "—Early Settlement," the number of shares of our common stock issuable upon settlement of such purchase contract will be equal to 85% of the settlement rate determined in the manner set forth above but over a 40 consecutive trading day period beginning on the trading day immediately following the day you exercise your early settlement right, which we refer to as the "early settlement averaging period." If you elect to settle your purchase contract early upon a fundamental change, the number of shares of our common stock issuable upon settlement will be determined as described under "—Early Settlement Upon a Fundamental Change."

The "applicable market value" of our common stock means the average of the daily VWAPs of our common stock during the market value averaging period.

The "market value averaging period" means the 40 consecutive trading day period beginning on, and including, the 41st scheduled trading day immediately preceding the purchase contract settlement date.

The "daily VWAP" of our common stock means, for each relevant trading day, the per share volume weighted average price as displayed under the heading Bloomberg VWAP on Bloomberg page "NI <EQUITY> AQR" (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such VWAP is unavailable, the market price of one share of our common stock on such trading day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by us).

A "trading day" means (a) a day (i) on which the New York Stock Exchange, or, if our common stock is not then listed on the New York Stock Exchange, the principal exchange or quotation system on which our common stock is listed or admitted for trading, is scheduled to be open for business and (ii) on which there has not occurred or does not exist a market disruption event, or (b) if our common stock is not so listed or admitted for trading, a "trading day" means a business day.

A "scheduled trading day" is any day that is scheduled to be a trading day.

A "market disruption event" means (i) a failure by the primary U.S. national or regional securities exchange or market on which our common stock is listed or admitted for trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any scheduled trading day for our common stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in our common stock or in any options contracts or futures contracts relating to our common stock.

If a market disruption event occurs on any scheduled trading day during the market value averaging period or any early settlement averaging period, we will notify investors on the calendar day on which such event occurs.

If 40 trading days for our common stock have not occurred during the period from, and including, the first day of the market value averaging period to, and including, the second scheduled trading day immediately prior to the purchase contract settlement date, all remaining trading days in the market value averaging period will be deemed to occur on that second scheduled trading day immediately prior to the purchase contract settlement date, and the daily VWAP of our common stock for each of those remaining trading days will be the daily VWAP of our common stock on that second scheduled trading day or, if such day is not a trading day, the closing price as of such day.

We will not issue any fractional shares of our common stock upon settlement of a purchase contract. Instead of a fractional share, the holder will receive an amount of cash equal to the percentage of a whole share represented by such fractional share *multiplied by* the closing price of our common stock on the trading day immediately preceding the purchase contract settlement date (or the trading day immediately preceding the relevant date for delivery of shares of our common stock, in the case of early settlement). If, however, a holder surrenders for settlement more than one purchase contract on the same date, then the number of shares of our common stock issuable pursuant to such purchase contracts will be computed based upon the aggregate number of purchase contracts surrendered on such date or, if the Equity Units are held in global book-entry form, based on such other aggregate number of purchase contracts being surrendered by the holder on the same date as DTC may otherwise require.

The "closing price" per share of our common stock means, on any date of determination, the closing sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which our common stock is traded. If our common stock is not listed for trading on a U.S. national or regional securities exchange on the relevant date, the "closing price" will be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If our common stock is not so quoted, the "closing price" will be the average of the mid-point of the last bid and ask prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

Unless:

- a holder has settled the related purchase contracts early by delivery of cash to the purchase contract agent in the manner described under "—Early Settlement" or "—Early Settlement Upon a Fundamental Change"; or
- an event described under "—Termination" has occurred,

then, on the purchase contract settlement date,

- in the case of Corporate Units where there has been a successful remarketing of the mandatory convertible preferred stock, a portion of the proceeds from the final remarketing, or the proceeds at maturity of the Treasury portfolio from an earlier optional remarketing, as applicable, equal to $1,000 *multiplied by* the number of shares of the mandatory convertible preferred stock underlying the Corporate Units that were remarketed will automatically be applied to satisfy in full the holders' obligations to purchase our common stock under the related purchase contracts (and, on the settlement date for such successful remarketing, any excess proceeds will have been delivered to the purchase contract agent for remittance on such date to the holders whose shares of mandatory convertible preferred stock were remarketed);
- in the case of Corporate Units where there has not been a successful remarketing of the mandatory convertible preferred stock, each holder will be deemed to have automatically delivered to us on the purchase contract settlement date the ownership interests in the shares of mandatory convertible preferred stock that are a part of such Corporate Units (unless such holder shall have elected to settle the related purchase contracts in cash as described under "—Final Remarketing") to satisfy in full the holder's obligations to purchase our common stock under the related purchase contracts;
- in the case of Treasury Units, the cash proceeds of the related Treasury securities, when paid at maturity, will automatically be applied to satisfy in full the holder's obligation to purchase our common stock under the related purchase contracts and any excess proceeds will be delivered to the purchase contract agent for the benefit of the holders of the Treasury Units; and
- in the case of Cash Settled Units, the cash component of such units will automatically be applied to satisfy in full the holder's obligation to purchase our common stock under the related purchase contracts.

Our common stock will then be issued and delivered to the holder or the holder's designee, promptly following presentation and surrender of the certificate evidencing the Corporate Units, the Treasury Units or the Cash Settled Units, if in certificated form, and payment by the holder of any transfer or similar taxes payable in connection with the issuance of our common stock to any person other than the holder.

Prior to the settlement of a purchase contract, the shares of our common stock underlying each purchase contract will not be outstanding, and the holder of a purchase contract will not have any voting rights, rights to dividends or other distributions or other rights of a holder of our common stock by virtue of holding such purchase contract.

By purchasing a Corporate Unit, a Treasury Unit or a Cash Settled Unit, a holder will be deemed to have, among other things:

- irrevocably appointed the purchase contract agent as its attorney-in-fact to enter into and perform the purchase contract and the related purchase contract and pledge agreement in the name of and on behalf of such holder; and
- agreed to be bound by the terms and provisions of the Corporate Units, Treasury Units and Cash Settled Units and perform its obligations under the related purchase contract and the purchase contract and pledge agreement.

In addition, each beneficial owner of an Equity Unit, by acceptance of the beneficial interest therein, will be deemed to have agreed to treat itself as the owner of the related mandatory convertible preferred stock, applicable interest in the Treasury portfolio, Treasury securities or cash, as the case may be.

Remarketing

We will enter into a remarketing agreement with a nationally recognized investment banking firm, as remarketing agent. Pursuant to the remarketing agreement, remarketing of the mandatory convertible preferred stock underlying the Corporate Units and any separate shares of mandatory convertible preferred stock whose holders have elected to participate in the remarketing will be attempted as described below. We refer to each of an "optional remarketing" and the "final remarketing" (each as defined below) as a "remarketing." No remarketing will occur if a termination event (as defined under "—Termination" below) has occurred or, in the case of an optional remarketing, certain other events have occurred as described below.

As described under "Description of the Mandatory Convertible Preferred Stock—Remarketing," in connection with a successful remarketing, (i) dividends may become payable on the mandatory convertible preferred stock as described below and (ii) the minimum conversion rate of the mandatory convertible preferred stock may be increased as described below. If dividends become payable on the mandatory convertible preferred stock, such dividends will be payable at the applicable dividend rate determined in connection with such remarketing, when, as and if declared by our board of directors, on March 1, 2024 (or, at our election in consultation with the remarketing agent, on each of December 1, 2023 and March 1, 2024).

During any blackout period you do not have the right to:

- settle a purchase contract early;
- create Treasury Units;
- create Cash Settled Units; or
- recreate Corporate Units from Treasury Units or Cash Settled Units.

We will use commercially reasonable efforts to ensure that a registration statement with regard to the full amount of the mandatory convertible preferred stock to be remarketed will be effective in a form that may be used by the remarketing agent in connection with the remarketing process (unless such registration statement is not required under the applicable laws and regulations that are in effect at that time or unless we conduct any remarketing in accordance with an exemption under the securities laws).

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Optional Remarketing

Unless a termination event has occurred, we may elect, at our option, to remarket the mandatory convertible preferred stock during a period (which we call the "optional remarketing window") beginning on and including September 1, 2023 and ending on and including November 3, 2023. Any remarketing in the optional remarketing window will occur during a fifteen-business day remarketing period (which we call an "optional remarketing period") consisting of fifteen sequential possible remarketing dates selected by us and will include shares of mandatory convertible preferred stock underlying Corporate Units and other shares of mandatory convertible preferred stock of holders that have elected to include those shares in the remarketing as described under "Description of the Mandatory Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units." We may attempt remarketings during multiple optional remarketing periods in the optional remarketing window so long as we issue a press release and give to the depositary at least 15 calendar days' notice prior to the first day of any optional remarketing period as described below. We refer to a remarketing that occurs during the optional remarketing window as an "optional remarketing" and the date we price the mandatory convertible preferred stock offered in an optional remarketing as the "optional remarketing date."

If we elect to conduct an optional remarketing, we and the remarketing agent will use our reasonable best efforts to remarket and price the mandatory convertible preferred stock. For the avoidance of doubt, and without limiting the generality of the foregoing, we and our board of directors will accept the terms of a successful optional remarketing if the closing price of our common stock at the time of the remarketing is above the threshold appreciation price of the mandatory convertible preferred stock (as defined under "Description of the Mandatory Convertible Preferred Stock—Mandatory Conversion"). In order for such optional remarketing to be successful, the remarketing agent must obtain a price (i) for shares of mandatory convertible preferred stock that are components of Corporate Units, that results in proceeds of at least 100% of the Treasury portfolio purchase price described below and (ii) for shares of mandatory convertible preferred stock that are not part of Corporate Units, at least equal to the separate mandatory convertible preferred stock purchase price (as defined in "Description of the Mandatory Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units"), which will be the same price, on a per share basis, as the shares of mandatory convertible preferred stock included as components of Corporate Units. To obtain that price, (a) dividends may become payable on the mandatory convertible preferred stock and/or (b) if the closing price of our common stock on the pricing date for a successful remarketing is less than or equal to the initial price (as defined under "Description of the Mandatory Convertible Preferred Stock—Mandatory Conversion"), the minimum conversion rate of the mandatory convertible preferred stock will be increased to an amount equal to $1,000 *divided by* 117.5% of the closing price of our common stock on such date (rounded to the nearest ten-thousandth of a share), each as described under "Description of the Mandatory Convertible Preferred Stock—Terms of Remarketed Mandatory Convertible Preferred Stock." The dividend rate and/or increased minimum conversion rate will be a fixed dividend rate and/or minimum conversion rate (subject to adjustment in certain circumstances) determined by our board of directors, after consultation with the remarketing agent, as the rate(s) the mandatory convertible preferred stock should bear and the terms the mandatory convertible preferred stock should include in order for the net remarketing proceeds to equal at least the sum of (x) 100% of the purchase price of the Treasury portfolio and (y) the separate mandatory convertible preferred stock purchase price for shares of mandatory convertible preferred stock that are not included in Corporate Units whose holders have elected to participate in the remarketing. We will not decrease the dividend rate or the minimum conversion rate, or change the maximum conversion rate, in connection with a successful optional remarketing of the mandatory convertible preferred stock.

Notwithstanding the foregoing, in no event will the increased minimum conversion rate for the mandatory convertible preferred stock exceed the then-current maximum conversion rate of the mandatory convertible preferred stock (which is initially 40.7997 shares of common stock and is subject to adjustment as set forth under "Description of the Mandatory Convertible Preferred Stock— Anti-dilution Adjustments").

We will issue a press release and request that the depositary notify its participants holding Corporate Units, Treasury Units, and separate shares of mandatory convertible preferred stock as to the dates and procedures to be followed in any optional remarketing no later than 15 calendar days prior to the date we begin such optional remarketing.

Following a successful optional remarketing of the mandatory convertible preferred stock, the remarketing agent will purchase the Treasury portfolio at the Treasury portfolio purchase price (as defined below), and deduct such price from the proceeds of the optional remarketing. Any remaining proceeds will be promptly remitted after the optional remarketing settlement date by the remarketing agent to the purchase contract agent or custodial agent, as the case may be, for the benefit of the holders whose shares of mandatory convertible preferred stock were remarketed.

If we elect to conduct an optional remarketing and such remarketing is successful:

- settlement of the remarketed mandatory convertible preferred stock will occur on the third business day following the optional remarketing date, or such other date we and the remarketing agent agree to (we refer to such settlement date as the "optional remarketing settlement date");
- dividends may become payable on all outstanding shares of mandatory convertible preferred stock (whether or not the holders of such shares elected to participate in the remarketing) and/or the minimum conversion rate of all outstanding shares of mandatory convertible preferred stock (whether or not the holders of such shares elected to participate in the remarketing) will be increased, if applicable, on the optional remarketing settlement date;
- any terms of the remarketed mandatory convertible preferred stock modified by us in accordance with the certificate of designations establishing the designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of the mandatory convertible preferred stock (the "certificate of designations") will become effective on the optional remarketing settlement date, if applicable;
- if dividends become payable on the mandatory convertible preferred stock, such dividends will be payable on March 1, 2024 (or, at our election in consultation with the remarketing agent, on each of December 1, 2023 and March 1, 2024) at the applicable dividend rate (as such dividend rate may be determined in connection with such remarketing) when, as and if declared by our board of directors;
- your Corporate Units will consist of a purchase contract and the applicable ownership interest in the Treasury portfolio, as described above; and
- you may no longer create Treasury Units or Cash Settled Units or recreate Corporate Units from Treasury Units.

If we do not elect to conduct an optional remarketing in the optional remarketing window, or no optional remarketing succeeds for any reason, the terms of the mandatory convertible preferred stock will not be modified and the shares of mandatory convertible preferred stock (other than separate shares of mandatory convertible preferred stock) will continue to be components of the Corporate Units and we and the remarketing agent will use reasonable best efforts to remarket and price the mandatory convertible preferred stock during the final remarketing period as described below.

For the purposes of a successful optional remarketing, "Treasury portfolio purchase price" means the lowest aggregate ask-side price quoted by a primary U.S. government securities dealer to the quotation agent selected by us between 9:00 a.m. and 4:00 p.m., New York City time, on the optional remarketing date for the purchase of the Treasury portfolio for settlement on the optional remarketing settlement date.

Following a successful optional remarketing, the remarketing agent will purchase, at the Treasury portfolio purchase price, the Treasury portfolio. If U.S. Treasury securities (or principal or interest strips thereof) that are to be included in the Treasury portfolio in connection with a successful optional remarketing have a yield that is

less than zero, the Treasury portfolio will consist of an amount in cash equal to the aggregate principal amount at maturity of the U.S. Treasury securities described in the description of the Treasury portfolio under "Description of the Equity Units." If the provisions set forth in this paragraph apply, references in this prospectus supplement to a "Treasury security" and "U.S. Treasury securities (or principal or interest strips thereof)" in connection with the Treasury portfolio will, thereafter, be deemed to be references to such amount in cash. Neither we, the purchase contract agent, the collateral agent, the custodial agent, the securities intermediary nor anyone else will be required to invest that cash.

The applicable ownership interests in the Treasury portfolio will be substituted for the shares of mandatory convertible preferred stock that are components of the Corporate Units and such applicable ownership interests will be pledged to us through the collateral agent to secure the Corporate Unit holders' obligations under the purchase contracts. On the purchase contract settlement date, a portion of the proceeds from the Treasury portfolio equal to $1,000 *multiplied by* the number of shares of mandatory convertible preferred stock that are components of the Corporate Units at the time of remarketing will automatically be applied to satisfy the Corporate Unit holders' obligations to purchase our common stock under the purchase contracts.

If we elect to remarket the mandatory convertible preferred stock during an optional remarketing period and a successful remarketing has not occurred on or prior to the last day of the optional remarketing period, we will cause a notice of the failed remarketing of the mandatory convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the last date of the optional remarketing period. This notice will be validly published by making a timely release to any appropriate news agency, including, without limitation, Bloomberg Business News and the Dow Jones News Service. We will similarly cause a notice of a successful remarketing of the mandatory convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the date of such successful remarketing and we will request the depositary to notify its participants holding separate shares of mandatory convertible preferred stock, if any, of the modified terms established for the mandatory convertible preferred stock during the optional remarketing on the business day following the date on which the mandatory convertible preferred stock was successfully remarketed.

Final Remarketing

Unless (i) a termination event has occurred or (ii) the Treasury portfolio has replaced the mandatory convertible preferred stock as a component of the Corporate Units as a result of a successful optional remarketing, the remarketing agent will remarket the shares of mandatory convertible preferred stock that are components of the Corporate Units and any separate shares of mandatory convertible preferred stock whose holders have elected to participate in the remarketing as described under "Description of the Mandatory Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units," during each day of the five business day period ending on November 17, 2023 (the ninth business day immediately preceding the purchase contract settlement date) until the remarketing is successful. We refer to such period as the "final remarketing period," the remarketing during this period as the "final remarketing" and the date we price the mandatory convertible preferred stock offered in the final marketing as the "final remarketing date."

We and the remarketing agent will use our reasonable best efforts to remarket and price the mandatory convertible preferred stock during the final remarketing period. For the avoidance of doubt, and without limiting the generality of the foregoing, we and our board of directors will accept the terms of a successful final remarketing if the closing price of our common stock at the time of the remarketing is above the threshold appreciation price of the mandatory convertible preferred stock. The remarketing will be considered successful if the remarketing agent is able to obtain a price that results in proceeds of at least $1,000 *multiplied by* the aggregate number of shares of mandatory convertible preferred stock being remarketed. To obtain that price, (a) dividends may become payable on the mandatory convertible preferred stock and/or (b) if the closing price of our common stock on the pricing date for a successful remarketing is less than or equal to the initial price (as defined under "Description of the Mandatory Convertible Preferred Stock—Mandatory Conversion"), the minimum conversion rate of the mandatory convertible preferred stock will be increased to an amount equal to

$1,000 *divided by* 117.5% of the closing price of our common stock on such date (rounded to the nearest ten-thousandth of a share), each as described under "Description of the Mandatory Convertible Preferred Stock—Terms of Remarketed Mandatory Convertible Preferred Stock." The dividend rate and/or increased minimum conversion rate will be a fixed dividend rate and/or minimum conversion rate (subject to adjustment in certain circumstances) determined by our board of directors, after consultation with the remarketing agent, as the rate(s) the mandatory convertible preferred stock should bear and the terms the mandatory convertible preferred stock should include in order for the net remarketing proceeds to equal at least $1,000 *multiplied by* the number of shares of mandatory convertible preferred stock being remarketed. We will not decrease the dividend rate or the minimum conversion rate, or change the maximum conversion rate, in connection with a successful final remarketing of the mandatory convertible preferred stock.

Notwithstanding the foregoing, in no event will the increased minimum conversion rate for the mandatory convertible preferred stock exceed the then-current maximum conversion rate of the mandatory convertible preferred stock (which is initially 40.7997 shares of common stock and is subject to adjustment as set forth under "Description of the Mandatory Convertible Preferred Stock—Anti-dilution Adjustments"). As a result of this limitation, and our inability to increase the maximum conversion rate, there is a greater risk of a failure to achieve a successful remarketing. If there is a Remarketing Failure, then, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of our common stock will be delivered upon automatic conversion of such shares of mandatory convertible preferred stock and each such share of mandatory convertible preferred stock will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon. If you hold Treasury Units or Cash Settled Units at the time of a Remarketing Failure, you must recreate Corporate Units with separate shares of mandatory convertible preferred stock during a limited period of time in order to avoid having your Treasury security or cash, as applicable, applied toward satisfaction of your obligations under your purchase contract. If you do not so recreate Corporate Units and have not monetized your separate share of mandatory convertible preferred stock, you will suffer a loss of your investment in the Treasury security or such cash.

We will issue a press release and substantially contemporaneously request that the depositary notify its participants holding Corporate Units, Treasury Units and separate shares of mandatory convertible preferred stock of the remarketing no later than October 20, 2023 (each, a "notice of a final remarketing"). In our notice of a final remarketing, we will set forth, among other things:

- the dates of the final remarketing period;
- applicable procedures for holders of separate shares of mandatory convertible preferred stock to participate in the final remarketing;
- the applicable procedures for holders of Corporate Units to create Treasury Units or Cash Settled Units;
- the applicable procedures for holders of Corporate Units to settle their purchase contracts early;
- that, following a Remarketing Failure, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of our common stock will be delivered upon automatic conversion of such shares of mandatory convertible preferred stock on or around March 1, 2024 and each such share of mandatory convertible preferred stock will be automatically transferred to us without any payment of cash or shares of our common stock thereon;
- the applicable procedures for holders of Treasury Units or Cash Settled Units to recreate Corporate Units following the final remarketing period in the case of a Remarketing Failure in order for their separate shares of mandatory convertible preferred stock to be applied as described under "Description of the Mandatory Convertible Preferred Stock—Automatic Settlement upon Failed Final Remarketing"; and

- any other applicable procedures, including the procedures that must be followed by a holder of an ownership interest in a share of mandatory convertible preferred stock that is a part of a Corporate Unit in the case of a failed final remarketing if such holder wishes not to have its ownership interests in shares of mandatory convertible preferred stock automatically delivered to us as described in this prospectus supplement in satisfaction of its obligation under the related purchase contracts.

We have the right to postpone the final remarketing in our absolute discretion on any day prior to the last business day of the final remarketing period.

If the final remarketing is successful:

- settlement of the remarketed mandatory convertible preferred stock will occur on the third business day following the final remarketing date (or such other date as we and the remarketing agent agree to, but in no event later than the purchase contract settlement date) (we refer to such settlement date as the "final remarketing settlement date");
- dividends may become payable on all outstanding shares of mandatory convertible preferred stock (whether or not the holder of such shares elected to participate in the remarketing) and/or the minimum conversion rate of all outstanding shares of mandatory convertible preferred stock (whether or not the holder of such shares elected to participate in the remarketing) will be increased, if applicable, effective on the final remarketing settlement date;
- if dividends become payable on the mandatory convertible preferred stock, such dividends will be payable on March 1, 2024 at the applicable dividend rate (as such dividend rate may be determined in connection with such remarketing), when, as and if declared by our board of directors;
- a portion of the proceeds from the remarketing equal to $1,000 *multiplied by* the number of shares of mandatory convertible preferred stock underlying Corporate Units that were remarketed will automatically be applied to satisfy in full the Corporate Unit holders' obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date, and any remaining proceeds will be promptly remitted to the purchase contract agent for distribution to such holders on the final remarketing settlement date *pro rata* in accordance with their respective interests; and
- the proceeds from the remarketing attributable to holders of separate shares of mandatory convertible preferred stock who have elected to participate in the remarketing will be remitted by the remarketing agent to the custodial agent for remittance *pro rata* to such holders on the final remarketing settlement date.

Where the final remarketing settlement date occurs prior to the purchase contract settlement date, a portion of the proceeds from the remarketing equal to $1,000 *multiplied by* the number of shares of mandatory convertible preferred stock underlying Corporate Units that were remarketed will be substituted for the shares of mandatory convertible preferred stock that are components of the Corporate Units and will be pledged to us through the collateral agent to secure the Corporate Unit holders' obligations under the purchase contracts. Any remaining proceeds from such shares of mandatory convertible preferred stock will be remitted to the purchase contract agent for remittance on the final remarketing settlement date *pro rata* to such holders in accordance with their respective interests as described above. Neither we, the purchase contract agent, the collateral agent, the custodial agent, the securities intermediary nor anyone else will be required to invest the portion of the cash pledged to us.

If (1) despite using its reasonable best efforts, the remarketing agent cannot remarket the related mandatory convertible preferred stock on or prior to the last day of the final remarketing period, at a price equal to or greater than $1,000 *multiplied by* the aggregate number of shares of mandatory convertible preferred stock to be

remarketed or (2) the final remarketing has not occurred on or prior to the last day of the final remarketing period, or the final remarketing has not settled as set forth in the remarketing agreement, because a condition precedent to the remarketing has not been fulfilled or otherwise, in each case resulting in a "Remarketing Failure," the ownership interests in the shares of mandatory convertible preferred stock held as a part of Corporate Units will be automatically delivered to us, on the purchase contract settlement date, in full satisfaction of the Corporate Unit holder's obligation to purchase our common stock under the related purchase contract, unless the holder has elected otherwise, as set forth under "Description of the Mandatory Convertible Preferred Stock—Automatic Settlement Upon Failed Final Remarketing." A Remarketing Failure will result in the shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date no longer being convertible into shares of common stock, and such shares of mandatory convertible preferred stock will not be entitled to any dividends and will be automatically transferred to us without payment on the mandatory conversion date. As a result, holders of Treasury Units or Cash Settled Units must recreate Corporate Units during the limited period from and after 9:00 a.m., New York City time, on the business day immediately succeeding the last day of the final remarketing period, until 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date, in order to avoid their pledged Treasury securities or cash, as the case may be, being used to satisfy their obligations under the related purchase contracts. If you do not so recreate Corporate Units and have not monetized your separate share of mandatory convertible preferred stock, you will suffer a loss of your investment in the Treasury security or such cash.

If a successful remarketing has not occurred on or prior to the last day of the final remarketing period, we will cause a notice of the Remarketing Failure to be published before 9:00 a.m., New York City time, on the business day immediately following the last date of the final remarketing period. This notice will be validly published by making a timely release to any appropriate news agency, including, without limitation, Bloomberg Business News and the Dow Jones News Service.

As more fully described in "Description of the Mandatory Convertible Preferred Stock—Mandatory Conversion" below, after the occurrence of a Remarketing Failure, effective as of December 1, 2023 the mandatory convertible preferred stock will no longer be convertible into shares of our common stock and will have no value except for its rights with respect to payments upon our liquidation or dissolution, and will be automatically transferred to us without payment on the mandatory conversion date. As a result, there are significant risks associated with a holder of a Corporate Unit choosing to create Treasury Units or Cash Settled Units to the extent you do not monetize (or monetize adequately) your separate share of mandatory convertible preferred stock.

For a discussion of some of the risks related to the occurrence of a Remarketing Failure, see "Risk Factors—Risk Factors Relating to the Equity Units—If a Remarketing Failure occurs and you hold Treasury Units or Cash Settled Units and separate shares of mandatory convertible preferred stock, you must recreate Corporate Units in order to avoid losing your pledged Treasury securities or cash and being left with mandatory convertible preferred stock with little economic value", "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon" and "Risk Factors—Risk Factors Relating to the Equity Units—Because the Equity Units and mandatory convertible preferred stock will initially be issued in book-entry form, holders must rely on DTC's procedures to receive communications relating to the Equity Units and mandatory convertible preferred stock and exercise their rights and remedies."

Early Settlement

Subject to the conditions described below, a holder of Corporate Units or Treasury Units may elect to settle the related purchase contracts at any time prior to 4:00 p.m., New York City time, on the scheduled trading day immediately preceding the first day of the market value averaging period, other than during a blackout period. In the case of Corporate Units and Treasury Units, such early settlement may only be made in integral multiples of 10 Corporate Units or 10 Treasury Units, as applicable.

In order to settle purchase contracts early, a holder of Equity Units must deliver to the purchase contract agent (1) a completed "Election to Settle Early" form, along with the Corporate Unit or Treasury Unit certificate, if they are in certificated form and (2) a cash payment in immediately available funds in an amount equal to:

- $100 *multiplied by* the number of purchase contracts being settled; *plus*
- if the "early settlement date" (as defined below) for any purchase contract occurs during the period from the close of business on any contract adjustment payment record date to the opening of business on the related payment date, an amount equal to the contract adjustment payments payable on the payment date with respect to the purchase contracts being settled, unless we have elected to defer the contract adjustment payments payable on such date.

So long as you hold Equity Units as a beneficial interest in a global security certificate deposited with the depositary, procedures for early settlement will also be governed by standing arrangements between the depositary and the purchase contract agent.

The early settlement right is also subject to the condition that, if we determine that it is required under U.S. federal securities laws, we have a registration statement under the Securities Act in effect and an available prospectus covering the shares of common stock and other securities, if any, deliverable upon settlement of a purchase contract. We have agreed that, if required under U.S. federal securities laws, we will use our commercially reasonable efforts to (1) have a registration statement in effect covering those shares of common stock and other securities, if any, to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement right (it being understood that if there is a material business transaction or development that has not yet been publicly disclosed, we will not be required to provide such a prospectus, and the early settlement right will not be available, until we have publicly disclosed such transaction or development, *provided* that we will use our commercially reasonable efforts to make such disclosure as soon as it is commercially reasonable to do so).

Upon early settlement, except as described below in "—Early Settlement Upon a Fundamental Change," we will issue, for each purchase contract being settled, 85% of the number of shares of our common stock that would be deliverable for each purchase contract as described in "—Purchase of Common Stock" above as if the "applicable market value" were the average of the daily VWAPs of our common stock during the early settlement averaging period.

We will cause the related shares of mandatory convertible preferred stock or applicable ownership interests in the Treasury portfolio or Treasury securities, as the case may be, underlying the Equity Units and (if applicable) securing such purchase contract to be released from the pledge under the purchase contract and pledge agreement, and delivered within two business days following the early settlement date, to the purchase contract agent or transfer agent, as applicable, on behalf of the holder, free and clear of our security interest. In addition, we will issue the number of shares of our common stock to be issued upon settlement of the purchase contract within two business days following the last day of the early settlement averaging period, to the purchase contract agent for delivery to the holder in accordance with instructions provided by such holder. Upon early settlement, the holder will be entitled to receive any accrued and unpaid contract adjustment payments (including any accrued and unpaid deferred contract adjustment payments and compounded contract adjustment payments thereon) to, but excluding, the quarterly payment date immediately preceding the early settlement date. The holder's right to receive future contract adjustment payments will terminate (except for contract adjustment payments payable to the holders of record on the applicable record date), and no adjustment will be made to or for the holder on account of any amounts accrued in respect of contract adjustment payments since the most recent quarterly payment date.

If the purchase contract agent receives a completed "Election to Settle Early" form, along with the Corporate Unit or Treasury Unit certificate, if they are in certificated form, and payment of $100 for each purchase contract being settled prior to 4:00 p.m., New York City time, on any business day and all conditions to

early settlement have been satisfied, then that day will be considered the "early settlement date." If the purchase contract agent receives the foregoing on or after 4:00 p.m., New York City time, on any business day or at any time on a day that is not a business day, then the next business day will be considered the "early settlement date."

As more fully described in "Description of the Mandatory Convertible Preferred Stock—Mandatory Conversion" below, after the occurrence of a Remarketing Failure, effective as of December 1, 2023, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, such shares of mandatory convertible preferred stock will no longer be convertible into shares of our common stock and will have no value except for their rights with respect to payments upon our liquidation or dissolution, and will be automatically transferred to us without payment on the mandatory conversion date. As a result, there are significant risks associated with an early settlement of your purchase contracts to the extent you do not monetize (or monetize adequately) your separate share of mandatory convertible preferred stock.

Early Settlement Upon a Fundamental Change

If a fundamental change (as defined below) occurs prior to the purchase contract settlement date, then, following the fundamental change, each holder of a purchase contract, subject to certain conditions described in this prospectus supplement, will have the right to settle the purchase contract early on the fundamental change early settlement date (as defined below) at the settlement rate determined as if the applicable market value equaled the stock price (as defined below under "—Calculation of Make-Whole Shares"), *plus* an additional number of shares determined as set forth below (such additional number referred to as the "make-whole shares"). We refer to this right as the "fundamental change early settlement right."

A "fundamental change" will be deemed to have occurred if any of the following occurs:

(1) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act has become the direct or indirect "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, of shares of our common stock representing more than 50% of the voting power of our common stock;

(2) (A) we are involved in a consolidation with or merger into any other person, or any merger of another person into us, or any other similar transaction or series of related transactions (other than a merger, consolidation or similar transaction that does not result in the conversion or exchange of outstanding shares of our common stock), in each case, in which 90% or more of the outstanding shares of our common stock are exchanged for or converted into cash, securities or other property, greater than 10% of the value of which consists of cash, securities or other property that is not (or will not be upon or immediately following the effectiveness of such consolidation, merger or other transaction) common stock listed on the New York Stock Exchange, the Nasdaq Global Select Market or the Nasdaq Global Market (or any of their respective successors) or (B) the consummation of any sale, lease or other transfer in one transaction or a series of related transactions of all or substantially all of our consolidated assets to any person other than one of our subsidiaries;

(3) our common stock ceases to be listed on at least one of the New York Stock Exchange, the Nasdaq Global Select Market and the Nasdaq Global Market (or any of their respective successors); or

(4) our shareholders approve our liquidation, dissolution or termination.

The fundamental change early settlement right is subject to the condition that at such time, if so required under U.S. federal securities laws, there is in effect a registration statement and an available prospectus covering shares of our common stock and other securities, if any, to be delivered pursuant to the purchase contracts being settled. We have agreed that, if required under U.S. federal securities laws, we will use our commercially reasonable efforts to (1) have a registration statement in effect covering our common stock and other securities, if any, to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement upon a fundamental

change (it being understood that if there is a material business transaction or development that has not yet been publicly disclosed, we will not be required to provide such a prospectus, and the fundamental change early settlement right will not be available, until we have publicly disclosed such transaction or development, *provided* that we will use our commercially reasonable efforts to make such disclosure as soon as it is commercially reasonable to do so). The fundamental change early settlement date will be postponed by the number of days during the period on which no such registration statement is effective, except that the fundamental change early settlement date will not be postponed beyond the purchase contract settlement date. If, but for the exception contained in the immediately preceding sentence, the fundamental change early settlement date would occur on or after the purchase contract settlement date, we will deliver to any holder of purchase contracts on the purchase contract settlement date the applicable number of make-whole shares in addition to a number of shares equal to the settlement rate, determined as if the applicable market value were equal to the stock price (as defined below under "—Calculation of Make-Whole Shares") in such fundamental change.

We will provide each holder of Equity Units with a notice of a fundamental change within five business days after the effective date of the fundamental change. The notice will specify:

(1) a date on which the fundamental change early settlement will occur (the "fundamental change early settlement date"), which will be at least 10 business days after the effective date of such fundamental change but, subject to the foregoing, no later than the earlier of (x) 20 business days after the effective date of such fundamental change and (y) one business day prior to (i) the first day of the commencement of an optional remarketing period, or (ii) if we have not specified an optional remarketing period or the optional remarketing is not successful, the first day of the commencement of the final remarketing period or, if the final remarketing is not successful, the purchase contract settlement date;

(2) the date by which holders must exercise the fundamental change early settlement right;

(3) the applicable settlement rate and number of make-whole shares;

(4) the amount and kind (per share of common stock) of the cash, securities and other consideration receivable by the holder upon settlement; and

(5) the amount of accrued and unpaid contract adjustment payments (including any deferred contract adjustment payments and compounded contract adjustment payments thereon), if any, that will be paid upon settlement to holders exercising the fundamental change early settlement right. Notwithstanding the foregoing, if the final remarketing period begins less than 10 business days following the occurrence of a fundamental change, the notice will specify the purchase contract settlement date as the fundamental change early settlement date.

To exercise the fundamental change early settlement right, a holder must, no later than the second business day prior to the fundamental change early settlement date:

- deliver to the purchase contract agent a completed "Election to Settle Early Following a Fundamental Change" form;
- deliver to the purchase contract agent the certificate evidencing the holder's Corporate Units or Treasury Units, if in certificated form; and
- deliver to the purchase contract agent cash in immediately available funds equal to $100 *multiplied by* the number of purchase contracts being settled.

So long as you hold Equity Units as a beneficial interest in a global security certificate deposited with the depositary, procedures for fundamental change early settlement will also be governed by standing arrangements between the depositary and the purchase contract agent.

If you exercise the fundamental change early settlement right, we will deliver to you on the fundamental change early settlement date for each purchase contract with respect to which you have elected fundamental

change early settlement, a number of shares of our common stock (or exchange property units, if applicable) equal to the settlement rate described above *plus* the additional make-whole shares, together with accrued and unpaid contract adjustment payments to the fundamental change early settlement date; *provided* that if a fundamental change early settlement date falls after a record date and on or prior to the corresponding contract adjustment payment date, we will pay the full amount of accrued and unpaid contract adjustment payments, if any, due on such contract adjustment payment date to the holder of record at the close of business on the corresponding record date.

The holder will also receive on the fundamental change early settlement date the shares of mandatory convertible preferred stock or the applicable ownership interest in the Treasury portfolio or Treasury securities underlying the Corporate Units or Treasury Units, as the case may be, with respect to which such holder is effecting a fundamental change early settlement, which, in each case, if applicable, will have been released from the pledge under the purchase contract and pledge agreement and delivered to the purchase contract agent on behalf of the holder for distribution to such holder pursuant to instructions received by the purchase contract agent from such holder, free and clear of our security interest. If a holder does not elect to exercise the fundamental change early settlement right, its Corporate Units or Treasury Units will remain outstanding and subject to normal settlement on the purchase contract settlement date.

Holders of Corporate Units and Treasury Units may exercise the fundamental change early settlement right only in integral multiples of 10 Corporate Units or Treasury Units, as applicable.

If you elect to exercise your fundamental change early settlement right at a time when the stock price is below 50% of the initial price, and convert your separated share of mandatory convertible preferred stock in connection with such fundamental change, you will not receive adequate consideration upon such conversion to finance your required payment of the purchase price for the fundamental change early settlement right. See "Risk Factors—Risk Factors Relating to the Equity Units—Upon a conversion of the mandatory convertible preferred stock in connection with a fundamental change, you may receive consideration worth less than the $1,000 liquidation preference per share of mandatory convertible preferred stock plus any accumulated and unpaid dividends, if any, thereon."

Calculation of Make-Whole Shares.

The number of make-whole shares per purchase contract applicable to a fundamental change early settlement will be determined by reference to the table below, based on the date on which the fundamental change occurs or becomes effective (the "effective date") and the "stock price" in the fundamental change, which will be:

- in the case of a fundamental change described in clause (2) of the definition of fundamental change above where the holders of our common stock receive only cash in the fundamental change, the cash amount paid per share of our common stock; and
- in all other cases, the average of the closing prices of our common stock for the 10 consecutive trading days immediately prior to but not including the effective date.

For purposes of this "Description of the Purchase Contracts" section, the stock prices set forth in the first row of the table (i.e., the column headers) will be adjusted upon the occurrence of certain events requiring anti-dilution adjustments to the maximum settlement rate in a manner inversely proportional to the adjustments to the maximum settlement rate. Each of the make-whole share amounts in the table will be subject to adjustment in the same manner and at the same time as the maximum settlement rate as set forth under "—Anti-dilution Adjustments."

	Stock Price												
Effective Date	$10.00	$12.00	$14.00	$16.00	$18.00	$24.51	$27.50	$28.80	$35.00	$40.00	$45.00	$55.00	$60.00
April 19, 2021	1.0043	0.8289	0.6948	0.5789	0.4695	0.0000	0.4537	0.5697	0.3978	0.3133	0.2588	0.1955	0.1753
December 1, 2021 . . .	0.7955	0.6575	0.5524	0.4600	0.3682	0.0000	0.3720	0.4880	0.3214	0.2462	0.2012	0.1524	0.1371
December 1, 2022 . . .	0.3904	0.3235	0.2746	0.2325	0.1850	0.0000	0.2202	0.3307	0.1684	0.1174	0.0951	0.0739	0.0670
December 1, 2023 . . .	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The actual stock price and effective date may not be set forth on the table, in which case:

- if the actual stock price is between two stock prices on the table or the actual effective date is between two effective dates on the table, the amount of make-whole shares will be determined by a straight-line interpolation between the make-whole share amounts set forth for the two stock prices and the two effective dates on the table based on a 365-day year, as applicable;
- if the stock price exceeds $60.00 per share, subject to adjustment in the same manner as the stock prices in the table above, then the make-whole share amount will be zero; and
- if the stock price is less than $10.00 per share, subject to adjustment in the same manner as the stock prices in the table above (the "minimum stock price"), then the make-whole share amount will be determined as if the stock price equaled the minimum stock price, using straight-line interpolation, as described above, if the actual effective date is between two effective dates on the table.

Contract Adjustment Payments

Contract adjustment payments in respect of Corporate Units, Treasury Units and Cash Settled Units will be payable in cash, shares of our common stock or a combination thereof, at a rate per year of 7.75% of the stated amount of $100 per Equity Unit. Contract adjustment payments payable for any period will be computed (1) for any full quarterly period on the basis of a 360-day year of twelve 30-day months and (2) for any period shorter than a full quarterly period, on the basis of a 30-day month and, for any period less than a month, on the basis of the actual number of days elapsed in a 30-day month. Contract adjustment payments will accrue from the date of original issuance of the Corporate Units to (but excluding) the earliest occurrence of a termination event, the purchase contract settlement date, the fundamental change early settlement date and the most recent quarterly payment date on or before any early settlement of the related purchase contracts, and will be payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, commencing on June 1, 2021 (we refer to each of these dates as a "contract adjustment payment date").

Contract adjustment payments will be payable to the holders of purchase contracts as they appear on the books and records of the purchase contract agent at the close of business on the relevant record dates, which will be the fifteenth day of the month immediately preceding the month in which the relevant contract adjustment payment date falls (whether or not a business day) or if the Equity Units are held in global book-entry form, the record date will be the business day immediately preceding the applicable contract adjustment payment date. Contract adjustment payments will be payable to such record holders notwithstanding the occurrence of any early settlement date or fundamental change early settlement date following a record date and on or prior to the open of business on the related payment date, except that holders will be required to pay us, in connection with any early settlement (other than in connection with a fundamental change), an equivalent payment as described under "—Early Settlement" above. These distributions will be paid through the purchase contract agent, who will distribute amounts received in respect of the contract adjustment payments for the benefit of the holders of the purchase contracts relating to the Corporate Units, Treasury Units and Cash Settled Units.

If any date on which contract adjustment payments are to be made is not a business day, then payment of the contract adjustment payments payable on that date will be made on the next succeeding day that is a business day and no interest or payment will be paid in respect of the delay, if any.

Our obligations with respect to contract adjustment payments will be subordinated and junior in right of payment to our existing and future indebtedness. Upon certain events of our bankruptcy, insolvency or reorganization, holders of our Equity Units will have no claims against us or our estate for any accrued and unpaid (including any deferred) contract adjustment payments.

We may, at our option and upon prior written notice to the holders of the Equity Units and the purchase contract agent, defer the payment of contract adjustment payments on the related purchase contracts forming a

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part of the Equity Units until the purchase contract settlement date; *provided, however*, that in (x) an early settlement upon a fundamental change, we will pay deferred contract adjustment payments (including compounded contract adjustment payments thereon as described below) to, but excluding, the fundamental change early settlement date and (y) an early settlement other than upon a fundamental change, we will pay deferred contract adjustment payments (including compounded contract adjustment payments thereon as described below) to, but excluding, the quarterly contract adjustment payment date immediately preceding the early settlement date.

Deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of 7.75% per year until paid, compounded quarterly, which is equal to the rate of total distributions on the Corporate Units (compounding on each succeeding payment date), to, but excluding, the date such deferred contract adjustment payments are made. We refer to these additional contract adjustment payments that accrue on deferred contract adjustment payments as "compounded contract adjustment payments." We may pay any such deferred contract adjustment payments (including compounded contract adjustment payments thereon) on any scheduled contract adjustment payment date. If the purchase contracts are terminated (upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us), the right to receive contract adjustment payments and deferred contract adjustment payments (including compounded contract adjustment payments thereon) will also terminate.

If we exercise our option to defer the payment of contract adjustment payments, then, until the deferred contract adjustment payments (including compounded contract adjustment payments thereon) have been paid, we will not (1) declare or pay any dividends on, or make any distributions on, or redeem, purchase or acquire, or make a liquidation payment with respect to, any shares of our capital stock (including the mandatory convertible preferred stock), (2) make any payment of principal of, or interest or premium, if any, on, or repay, repurchase or redeem any of our debt securities that rank on parity with, or junior to, the contract adjustment payments, or (3) make any guarantee payments under any guarantee by us of securities of any of our subsidiaries if our guarantee ranks on parity with, or junior to, the contract adjustment payments.

The restrictions listed above do not apply to:

- purchases, redemptions or other acquisitions of our capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors, agents or consultants or a stock purchase or dividend reinvestment plan, or the satisfaction of our obligations pursuant to any contract or security outstanding on the date that the contract adjustment payment is deferred requiring us to purchase, redeem or acquire our capital stock;
- any payment, repayment, redemption, purchase, acquisition or declaration of dividends described in the immediately preceding bullet as a result of a reclassification of our capital stock, or the exchange or conversion of all or a portion of one class or series of our capital stock, for another class or series of our capital stock;
- the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of our capital stock or the security being converted or exchanged;
- dividends or distributions paid or made in our capital stock (or rights to acquire our capital stock), or repurchases, redemptions or acquisitions of capital stock in connection with the issuance or exchange of capital stock (or of securities convertible into or exchangeable for shares of our capital stock);
- redemptions, exchanges or repurchases of, or with respect to, any rights outstanding under a shareholder rights plan outstanding on the date that the contract adjustment payment is deferred or the declaration or payment thereunder of a dividend or distribution of or with respect to rights in the future;
- payments on any trust preferred securities, subordinated debentures, junior subordinated debentures or junior subordinated notes, or any guarantees of any of the foregoing, in each case, that rank equal in right of payment to the contract adjustment payments, so long as the amount of payments made on

account of such securities or guarantees and the purchase contracts is paid on all such securities and guarantees and the purchase contracts then outstanding on a *pro rata* basis in proportion to the full payment to which each series of such securities, guarantees or purchase contracts is then entitled if paid in full; *provided* that, for the avoidance of doubt, we will not be permitted under the purchase contract and pledge agreement to make contract adjustment payments in part; or

- any payment of deferred interest or principal on, or repayment, redemption or repurchase of, parity or junior securities that, if not made, would cause us to breach the terms of the instrument governing such parity or junior securities.

Method of Payment of Contract Adjustment Payments

Subject to the limitations described below, we may pay any contract adjustment payment (or any portion of any contract adjustment payment) on the Equity Units (whether or not for a current quarterly period or any prior quarterly period), determined in our sole discretion:

- in cash;
- by delivery of shares of our common stock; or
- through any combination of cash and shares of our common stock.

We will make each contract adjustment payment in cash, except to the extent we elect to make all or any portion of such payment in shares of our common stock. To the extent we do not elect to defer such payment, we will give the depositary and holders of the Equity Units notice of any such election and the portion of such payment that will be made in cash and the portion that will be made in common stock no later than eight scheduled trading days prior to the payment date for such contract adjustment payment.

If we elect to make any such contract adjustment payment, or any portion thereof, in shares of our common stock, such shares will be valued for such purpose at the average of the daily VWAPs per share of our common stock over the five consecutive trading day period ending on the second trading day immediately preceding the applicable payment date (the "five-day average price"), *multiplied by* 97%.

No fractional shares of common stock will be delivered to the holders of the Equity Units in respect of contract adjustment payments. We will instead pay a cash adjustment to each holder that would otherwise be entitled to a fraction of a share of common stock based on (i) the five-day average price and (ii) the aggregate number of Equity Units held by such holder (or, if the Equity Units are held in global book-entry form, based on the applicable procedures of the depositary for determining such number of Equity Units).

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of or for resales of common stock issued as a contract adjustment payment, including contract adjustment payments paid in connection with a fundamental change early settlement, we will, to the extent such a registration statement is not currently filed and effective, use our reasonable best efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares are freely tradable under Rule 144 by non-affiliates of ours without registration. To the extent applicable, we will also use our reasonable best efforts to have the shares of common stock qualified or registered under applicable state securities laws, if required, and approved for listing on the New York Stock Exchange (or if our common stock is not listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which our common stock is then listed).

Anti-dilution Adjustments

The maximum settlement rate will be subject to the following adjustments:

(1) If we issue common stock as a dividend or distribution on our common stock to all or substantially all holders of our common stock, or if we effect a share split or share combination, the maximum settlement rate will be adjusted based on the following formula:

$$SR_1 = SR_0 \times (OS_1 / OS_0)$$

where,

- SR_0 = the maximum settlement rate in effect immediately prior to the close of business on the record date for such dividend or distribution or immediately prior to the open of business on the effective date for such share split or share combination, as the case may be;
- SR_1 = the maximum settlement rate in effect immediately after the close of business on such record date or immediately after the open of business on such effective date, as the case may be;
- OS_0 = the number of shares of our common stock outstanding immediately prior to the close of business on such record date or immediately prior to the open of business on such effective date, as the case may be, in each case, prior to giving effect to such event; and
- OS_1 = the number of shares of our common stock that would be outstanding immediately after, and solely as a result of, such event.

Any adjustment made pursuant to this paragraph (1) shall become effective as of the close of business on the record date for such dividend or other distribution or as of the open of business on the effective date for such share split or share combination becomes effective, as applicable. If any dividend or distribution in this paragraph (1) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, on the date that our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(2) If we distribute to all or substantially all holders of our common stock any rights, options or warrants entitling them for a period of not more than 45 calendar days after the date of distribution thereof to subscribe for or purchase our common stock, in any case at an exercise price per share of our common stock less than the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of such distribution, the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times (OS_0 + X) / (OS_0 + Y)$$

where,

- SR_0 = the maximum settlement rate in effect immediately prior to the close of business on the record date for such distribution;
- SR_1 = the maximum settlement rate in effect immediately after the close of business on such record date;
- OS_0 = the number of shares of our common stock outstanding immediately prior to the close of business on the record date for such distribution;

X = the total number of shares of our common stock issuable pursuant to such rights, options or warrants; and

Y = the number of shares of our common stock equal to the quotient of (A) the aggregate price payable to exercise such rights, options or warrants *divided by* (B) the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of the distribution of such rights, options or warrants.

If any right, option or warrant described in this paragraph (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof (and as a result no additional shares of common stock are delivered or issued pursuant to such rights or warrants), the new maximum settlement rate will be readjusted, as of the date of such expiration, to the maximum settlement rate that would then be in effect had the increase with respect to the distribution of such rights, options or warrants been made on the basis of delivery or issuance of only the number of shares of common stock actually delivered.

For purposes of this paragraph (2), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of the common stock at a price per share of our common stock less than the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of the distribution of such rights, options or warrants, and in determining the aggregate price payable to exercise such rights, options or warrants, there shall be taken into account any consideration received by us for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined in good faith by our board of directors. Any increase made under this paragraph (2) will be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the record date for such distribution.

(3) (a) If we distribute shares of capital stock, evidences of indebtedness or other assets or property of us or rights, options or warrants to acquire our capital stock or other securities to all or substantially all holders of our common stock (excluding (i) any dividend, distribution or issuance as to which an adjustment was effected pursuant to clause (1) or (2) above, (ii) any dividend or distribution paid exclusively in cash, and (iii) any spin-off to which the provisions in clause (3)(b) below apply), the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times SP_0 / (SP_0 - FMV)$$

where,

SR_0 = the maximum settlement rate in effect immediately prior to the close of business on the record date for such distribution;

SR_1 = the maximum settlement rate in effect immediately after the close of business on such record date;

SP_0 = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution; and

FMV = the fair market value (as determined in good faith by our board of directors), on the record date for such dividend or distribution, of the shares of capital stock, evidences of indebtedness, assets or property so distributed, expressed as an amount per share of our common stock.

An adjustment to the maximum settlement rate made pursuant to the immediately preceding paragraph shall become effective as of the close of business on the record date for such distribution.

Notwithstanding the foregoing, if "FMV" (as defined above) is equal to or greater than "SP_0" (as defined above), in lieu of the foregoing increase, each holder of a purchase contract shall receive, for each purchase contract, at the same time and upon the same terms as holders of shares of our common stock, the amount of such distributed shares of capital stock, evidences of indebtedness or other assets or property that such holder would have received if such holder owned a number of shares of our common stock equal to the maximum settlement rate on the record date for such dividend or distribution.

(b) However, if we distribute to all or substantially all holders of our common stock, capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, in each case, that is, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange, which we refer to as a "spin-off", then the maximum settlement rate will instead be increased based on the following formula:

$$SR_1 = SR_0 \times (FMV_0 + MP_0) / MP_0$$

where,

SR_0	=	the maximum settlement rate in effect immediately prior to the end of the valuation period (as defined below);
SR_1	=	the maximum settlement rate in effect immediately after the end of the valuation period;
FMV_0	=	the average of the closing prices of the capital stock or similar equity interests distributed to holders of our common stock applicable to one share of our common stock over each of the 10 consecutive trading days commencing on, and including, the ex-dividend date for such dividend or distribution (the "valuation period"); and
MP_0	=	the average of the closing prices of our common stock over the valuation period.

The adjustment to the maximum settlement rate under this paragraph (3)(b) will occur at the close of business on the last trading day of the valuation period; *provided* that if a holder elects to early settle the purchase contracts, or the purchase contract settlement date occurs, in either case, during the valuation period, references with respect to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed between the ex-dividend date of such spin-off and the date on which such holder elected its early settlement right, or the business day immediately preceding the purchase contract settlement date, as the case may be, in determining the maximum settlement rate.

If any dividend or distribution described in this paragraph (3) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, as of the date our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(4) If any cash dividend or distribution is made to all or substantially all holders of our common stock other than a regular, quarterly cash dividend that does not exceed $0.22 per share (the "reference dividend"), the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times [(SP_0 - T) / (SP_0 - C)]$$

where,

- SR_0 = the maximum settlement rate in effect immediately prior to the close of business on the record date for such dividend or distribution;
- SR_1 = the maximum settlement rate in effect immediately after the close of business on such record date;
- SP_0 = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution;
- T = the reference dividend; *provided* that if the dividend or distribution is not a regular quarterly cash dividend, the reference dividend will be deemed to be zero; and
- C = the amount in cash per share we distribute to all or substantially all holders of our common stock.

Any increase to the maximum settlement rate made pursuant to this paragraph (4) shall become effective as of the close of business on the record date for such dividend or distribution. Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP_0" (as defined above), in lieu of the foregoing increase, each holder of a purchase contract shall receive, for each purchase contract, at the same time and upon the same terms as holders of shares of our common stock, the amount of distributed cash that such holder would have received if such holder owned a number of shares of our common stock equal to the maximum settlement rate on the record date for such cash dividend or distribution.

The reference dividend will be subject to an inversely proportional adjustment whenever the maximum settlement rate is adjusted, other than pursuant to this paragraph (4). For the avoidance of doubt, the reference dividend will be zero in the case of a cash dividend that is not a regular quarterly dividend.

If any dividend or distribution described in this paragraph (4) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, as of the date our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(5) If we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock validly tendered or exchanged exceeds the closing price of a share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times [FMV + (SP_1 \times OS_1)] / (SP_1 \times OS_0)$$

where,

SR_0	=	the maximum settlement rate in effect immediately prior to the close of business on the trading day immediately following the date on which such tender or exchange offer expires;
SR_1	=	the maximum settlement rate in effect immediately after the close of business on the trading day immediately following the date on which such tender or exchange offer expires;
FMV	=	the fair market value (as determined in good faith by our board of directors, whose good faith determination will be conclusive), at the close of business on the trading day immediately following the date on which such tender or exchange offer expires, of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the expiration date;
OS_0	=	the number of shares of our common stock outstanding immediately prior to the last time tenders or exchanges may be made pursuant to such tender or exchange offer (prior to giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer);
OS_1	=	the number of shares of our common stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender or exchange offer (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer); and
SP_1	=	the closing price of our common stock on the trading day next succeeding the date such tender or exchange offer expires.

The adjustment to the maximum settlement rate under the preceding paragraph (5) will occur at the close of business on the trading day immediately following the date on which such tender or exchange offer expires.

The term “ex-dividend date,” when used with respect to any issuance or distribution on our common stock or any other security, means the first date on which our common stock or such other security, as applicable, trades, regular way, on the principal U.S. securities exchange or market on which our common stock or such other security, as applicable, is listed or traded at that time, without the right to receive the issuance or distribution in question, from the issuer of such security or, if applicable, from the seller of our common stock or such security, as the case may be, on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

We currently do not have a shareholders rights plan with respect to our common stock. To the extent that we have a shareholders rights plan involving the issuance of share purchase rights or other similar rights to all or substantially all holders of our common stock in effect upon settlement of a purchase contract, you will receive, in addition to the common stock issuable upon settlement of any purchase contract, the related rights for the common stock under the shareholders rights plan, unless, prior to any settlement of a purchase contract, the rights have separated from the common stock, in which case the maximum settlement rate will be adjusted at the time of separation as if we made a distribution to all holders of our common stock as described in clause (3)(a) above, subject to readjustment in the event of the expiration, termination or redemption of the rights under the shareholder rights plan.

For United States federal income tax purposes, you may be treated as receiving a constructive distribution from us with respect to the purchase contract if (1) the maximum settlement rate is adjusted (or fails to be adjusted) and, as a result of the adjustment (or failure to adjust), your proportionate interest in our assets or earnings and profits is increased, and (2) the adjustment (or failure to adjust) is not made pursuant to a bona fide, reasonable anti-dilution formula. For example, if the maximum settlement rate is adjusted as a result of a distribution that is taxable to the holders of our common stock, such as a cash dividend, you will be deemed to have received a "constructive distribution" of our stock. Thus, under certain circumstances, an adjustment to the maximum settlement rate might give rise to a taxable dividend to you even though you will not receive any cash in connection with such adjustment. In addition, non-U.S. holders (as defined in "Material U.S. Federal Income and Estate Tax Consequences") may be deemed to have received a distribution subject to United States federal withholding tax. See "Material U.S. Federal Income and Estate Tax Consequences—Tax Consequences to U.S. Holders—Purchase Contracts—Constructive Distributions" and "Material U.S. Federal Income and Estate Tax Considerations—Tax Consequences to Non-U.S. Holders—U.S. Federal Income and Withholding Tax."

In addition, we may increase the maximum settlement rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of shares (or rights to acquire shares) or from any event treated as a dividend or distribution for income tax purposes or for any other reasons.

Adjustments to the maximum settlement rate will be calculated by us to the nearest ten thousandth of a share. No adjustment to the maximum settlement rate will be required unless the adjustment would require an increase or decrease of at least one percent in the maximum settlement rate. If any adjustment is not required to be made because it would not change the maximum settlement rate by at least one percent, then the adjustment will be carried forward and taken into account in any subsequent adjustment. All adjustments will be made not later than the purchase contract settlement date, any early settlement date, any fundamental change early settlement date and the time at which we are required to determine the relevant settlement rate or amount of make-whole shares (if applicable) in connection with any settlement with respect to the purchase contracts.

No adjustment to the maximum settlement rate will be made if holders of purchase contracts participate, as a result of holding the purchase contracts and without having to settle the purchase contracts that form part of the Equity Units, in the transaction that would otherwise give rise to an adjustment as if they held, per purchase contract, a number of shares of our common stock equal to the maximum settlement rate, at the same time and upon the same terms as the holders of common stock participate in the transaction.

Except as described above, the maximum settlement rate will not be adjusted:

- upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;

- upon the issuance of options, restricted stock or other awards in connection with any employment contract, executive compensation plan, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors or the exercise of such options or other awards;
- upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Equity Units were first issued;
- for a change in the par value or no par value of the common stock; or
- for accrued and unpaid contract adjustment payments.

We will, as promptly as practicable after the maximum settlement rate is adjusted, provide written notice of the adjustment to the holders of Equity Units.

If an adjustment is made to the maximum settlement rate, an adjustment also will be made to the reference price on an inversely proportional basis solely to determine which of the clauses of the definition of settlement rate will be applicable to determine the settlement rate with respect to the purchase contract settlement date, any early settlement date or any fundamental change early settlement date.

If any adjustment to the maximum settlement rate becomes effective, or any effective date, expiration time, ex-dividend date or record date for any stock split or reverse stock split, tender or exchange offer, issuance, dividend or distribution (relating to a required maximum settlement rate adjustment) occurs, during the period beginning on, and including, (i) the open of business on a first trading day of the market value averaging period or (ii) in the case of an early settlement or fundamental change early settlement, the relevant early settlement date or the fundamental change early settlement date and, in each case, ending on, and including, the date on which we deliver shares of our common stock under the related purchase contract, we will make appropriate adjustments to the maximum settlement rate, the reference price and/or the number of shares of our common stock deliverable upon settlement with respect to the purchase contract, in each case, consistent with the methodology used to determine the anti-dilution adjustments set forth above. If any adjustment to the maximum settlement rate becomes effective, or any effective date, expiration time, ex-dividend date or record date for any stock split or reverse stock split, tender or exchange offer, issuance, dividend or distribution (in each case, relating to a required maximum settlement rate adjustment) occurs, during the period used to determine the applicable market value, the "stock price" or any other averaging or similar period hereunder, we will make appropriate adjustments to the applicable prices, consistent with the methodology used to determine the anti-dilution adjustments set forth above.

Reorganization Events

The following events are defined as "reorganization events":

- any recapitalization, reclassification or change of our common stock (other than changes resulting from a subdivision or combination);
- any consolidation, merger or combination involving us;
- any sale, lease or other transfer to another person of the consolidated assets of ours and our subsidiaries substantially as an entirety; or
- any statutory exchange of our common stock;

in each case as a result of which our common stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) ("exchange property").

Following the effective date of a reorganization event, the settlement rate shall be determined by reference to the value of an exchange property unit, and we will deliver, upon settlement of any purchase contract, a number of exchange property units equal to the number of shares of our common stock that we would otherwise be required to deliver. An "exchange property unit" is the kind and amount of exchange property receivable in such reorganization event (without any interest thereon, and without any right to dividends or distribution thereon which have a record date that is prior to the applicable settlement date) per share of our common stock by a holder of common stock that is not a person with which we are consolidated or into which we are merged or which merged into us or to which such sale or transfer was made, as the case may be (we refer to any such person as a "constituent person"), or an affiliate of a constituent person, to the extent such reorganization event provides for different treatment of common stock held by the constituent person and/or the affiliates of the constituent person, on the one hand, and non-affiliates of a constituent person, on the other hand. In the event holders of our common stock (other than any constituent person or affiliate thereof) have the opportunity to elect the form of consideration to be received in such transaction, the exchange property unit that holders of the Corporate Units or Treasury Units are entitled to receive will be deemed to be the weighted average of the types and amounts of consideration actually received by the holders of our common stock.

In the event of such a reorganization event, the person formed by such consolidation or surviving such merger or, if other than us, the person which acquires our assets and those of our subsidiaries substantially as an entirety will execute and deliver to the purchase contract agent an agreement providing that the holder of each Equity Unit that remains outstanding after the reorganization event (if any) will have the rights described in the preceding paragraph and expressly assuming all of our obligations under the purchase contracts, the purchase contract and pledge agreement, the mandatory convertible preferred stock and the remarketing agreement. Such supplemental agreement will provide for adjustments to the amount of any securities constituting all or a portion of an exchange property unit and/or adjustments to the maximum settlement rate, which, for events subsequent to the effective date of such reorganization event, will be as nearly equivalent as may be practicable, as determined by us in our sole commercially reasonable discretion, to the adjustments provided for under "—Anti-dilution Adjustments" above (it being understood that any such adjustment may be zero and that no such adjustments shall be required with respect to any portion of the exchange property that consists of cash).

In connection with any reorganization event, we will also adjust the reference dividend based on the number of shares of common stock comprising an exchange property unit and (if applicable) the value of any non-stock consideration comprising an exchange property unit. If an exchange property unit is composed solely of non-stock consideration, the reference dividend will be zero.

The provisions described in this section shall similarly apply to successive reorganization events.

Termination

The purchase contract and pledge agreement provides that the purchase contracts and the obligations and rights of us and of the holders of Corporate Units, Treasury Units and Cash Settled Units thereunder, including the holders' obligation and right to purchase and receive shares of our common stock and the right to receive accrued and unpaid contract adjustment payments (including deferred contract adjustment payments), will immediately and automatically terminate upon the occurrence of a termination event.

Upon any such termination and receipt of written notice from the purchase contract agent of the same, the collateral agent will release the mandatory convertible preferred stock, the applicable ownership interest in the Treasury portfolio, Treasury securities or cash, as the case may be, from the pledge arrangement and transfer such mandatory convertible preferred stock, the applicable ownership interest in the Treasury portfolio, Treasury securities or cash to the purchase contract agent or transfer agent, as applicable, for distribution to the holders of Corporate Units, Treasury Units and Cash Settled Units. Upon any termination, however, such release and distribution may be subject to a delay. In the event that we become the subject of a case under the U.S. Bankruptcy Code, such delay may occur as a result of the automatic stay under Section 362 of the U.S. Bankruptcy Code or

other relief sought by the collateral agent, the purchase contract agent or other party asserting an interest in the pledged assets or contending that such termination is not effective and may continue until such automatic stay has been lifted or efforts to obtain such other relief has been resolved against such party.

Moreover, claims arising out of the mandatory convertible preferred stock will be subject to the equitable jurisdiction and powers of the bankruptcy court.

"Termination event" means that at any time on or prior to the purchase contract settlement date:

(i) we institute or have instituted against us a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition for our winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against us, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for our winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof and if such proceeding, judgment, petition or order shall have been entered more than 60 days prior to the purchase contract settlement date, such proceeding, judgment, petition or order shall have continued undischarged and unstayed for a period of 60 days; or

(ii) we seek or become subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for us or for all or substantially all our assets.

Upon the occurrence of a termination event prior to December 1, 2023, the consequences of a Remarketing Failure with respect to the conversion feature of the mandatory convertible preferred stock as set forth in this prospectus supplement will cease to apply.

Pledged Assets and Pledge

The shares of mandatory convertible preferred stock that are a component of the Corporate Units or, following a successful optional remarketing, the applicable ownership interests in the Treasury portfolio, that are a component of the Corporate Units or, if substituted, the Treasury securities that are a component of the Treasury Units or cash that is a component of the Cash Settled Units, collectively, the "pledged assets," will be pledged to the collateral agent for our benefit pursuant to the purchase contract and pledge agreement to secure your obligation to purchase shares of our common stock under the related purchase contracts. The rights of the holders of the Corporate Units, Treasury Units and Cash Settled Units with respect to such pledged assets will be subject to our security interest therein. No holder of Corporate Units, Treasury Units or Cash Settled Units will be permitted to withdraw the pledged assets related to such Corporate Units, Treasury Units or Cash Settled Units from the pledge arrangement except:

- in the case of Corporate Units, to substitute a Treasury security or cash, as the case may be, for the related mandatory convertible preferred stock as provided for under "Description of the Equity Units—Creating Treasury Units by Substituting a Treasury Security for Mandatory Convertible Preferred Stock" and "Description of the Equity Units—Creating Cash Settled Units from Corporate Units";
- in the case of Treasury Units, to substitute mandatory convertible preferred stock for the related Treasury security, as provided for under "Description of the Equity Units—Recreating Corporate Units from Treasury Units"; and
- upon any early settlement, cash settlement or termination of the related purchase contracts.

Subject to our security interest and the terms of the purchase contract and pledge agreement, each holder of Corporate Units, unless the Treasury portfolio has replaced the mandatory convertible preferred stock as a component of the Corporate Units, will be entitled through the purchase contract agent or transfer agent, as applicable, and the collateral agent to all of the proportional rights and preferences of the related mandatory convertible preferred stock. Each holder of Treasury Units and each holder of Corporate Units, if the Treasury portfolio has replaced the mandatory convertible preferred stock as a component of the Corporate Units, will retain ownership of the related Treasury securities or the applicable ownership interests in the Treasury portfolio,

as applicable, pledged in respect of the related purchase contracts. Each holder of Cash Settled Units will retain ownership of the related cash pledged in respect of the related purchase contracts. We will have no interest in the pledged assets other than our security interest.

Except as described in "Certain Provisions of the Purchase Contract and Pledge Agreement—General," upon receipt of distributions on the pledged assets, the collateral agent will distribute such payments to the purchase contract agent, which in turn will distribute those payments, together with contract adjustment payments received from us, to the holders in whose names the Corporate Units, Treasury Units or Cash Settled Units are registered at the close of business on the record date preceding the date of such distribution.

CERTAIN PROVISIONS OF THE PURCHASE CONTRACT AND PLEDGE AGREEMENT

In this section, Certain Provisions of the Purchase Contract and Pledge Agreement, "we," "us" and "our" refer only to NiSource Inc. and any successor obligor, and not to any of its subsidiaries.

The following is a summary of certain provisions of the purchase contract and pledge agreement among us, the purchase contract agent, the collateral agent, the custodial agent and the securities intermediary. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the purchase contract and pledge agreement, including the definitions in the purchase contract and pledge agreement of certain terms. Wherever particular sections or defined terms of the purchase contract and pledge agreement are referred to, such sections or defined terms are incorporated into this prospectus supplement by reference.

General

Except as described under "—Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units" below, payments on the Corporate Units, Treasury Units and Cash Settled Units will be payable, the purchase contracts will be settled and transfers of the Corporate Units, Treasury Units and Cash Settled Units will be registrable at the applicable corporate trust offices or agency of the purchase contract agent in the continental United States of America. In addition, if the Corporate Units, Treasury Units or Cash Settled Units do not remain in book-entry only form, we have the option to make payments on the Corporate Units, Treasury Units and Cash Settled Units by check mailed to the address of the person entitled thereto as shown on the security register or by a wire transfer to the account designated by the holder by a prior written notice.

Shares of our common stock will be delivered on the purchase contract settlement date (or earlier upon early settlement), or, if the purchase contracts have terminated, the related pledged assets will be delivered (potentially after a delay as a result of the imposition of the automatic stay under the U.S. Bankruptcy Code or efforts by other parties to obtain other relief from the bankruptcy court, see "Description of the Purchase Contracts—Termination") at the corporate trust offices or agency of the purchase contract agent or transfer agent, as applicable, upon presentation and surrender of the applicable Corporate Unit, Treasury Unit or Cash Settled Unit certificate, if in certificated form.

If Corporate Units, Treasury Units or Cash Settled Units are in certificated form and a holder fails to present and surrender the certificate evidencing the Corporate Units, Treasury Units or Cash Settled Units to the purchase contract agent on or prior to the purchase contract settlement date, the shares of our common stock issuable upon settlement of the related purchase contract will be registered in the name of the purchase contract agent. The shares of our common stock, together with any distributions, will be held by the purchase contract agent as agent for the benefit of the holder until the certificate is presented and surrendered or the holder provides satisfactory evidence that the certificate has been destroyed, lost or stolen, together with any indemnity and/or security that may be required by the purchase contract agent and us.

If the purchase contracts terminate prior to the purchase contract settlement date, the related pledged assets are transferred to the purchase contract agent for distribution to the holders, and a holder fails to present and surrender the certificate evidencing the holder's Corporate Units, Treasury Units or Cash Settled Units, if in certificated form, to the purchase contract agent, the related pledged assets delivered to the purchase contract agent and payments on the pledged assets will be held by the purchase contract agent as agent for the benefit of the holder until the applicable certificate is presented, if in certificated form, or the holder provides the evidence and indemnity and/or security described above.

No service charge will be made for any registration of transfer or exchange of the Corporate Units, Treasury Units or Cash Settled Units, except for any tax or other governmental charge that may be imposed in connection therewith.

The purchase contract agent will have no obligation to invest or to pay interest on any amounts held by the purchase contract agent pending payment to any holder.

Modification

The purchase contract and pledge agreement will contain provisions permitting us, the purchase contract agent, the collateral agent, the custodial agent and the securities intermediary to modify the purchase contract and pledge agreement without the consent of the holders for any of the following purposes:

- to evidence the succession of another corporation to our obligations;
- to add to the covenants for the benefit of holders or to surrender any of our rights or powers under those agreements;
- to evidence and provide for the acceptance of appointment of a successor purchase contract agent or a successor collateral agent or securities intermediary;
- to conform the provisions of the purchase contract and pledge agreement to the description contained in the preliminary prospectus supplement for this offering, as supplemented by the related pricing term sheet;
- to cure any ambiguity, defect or inconsistency; or
- to make such other provisions in regard to matters or questions arising under the purchase contract and pledge agreement that do not adversely affect the interests of any holders of Equity Units in any material respect.

The purchase contract and pledge agreement will contain provisions preventing us, the purchase contract agent, the collateral agent, the custodial agent and the securities intermediary, subject to certain limited exceptions, from modifying the terms of the purchase contracts and the purchase contract and pledge agreement without the consent of the holders of not less than a majority of the outstanding purchase contracts. However, no modification may, without the consent of the holder of each outstanding purchase contract affected thereby:

- subject to our right to defer contract adjustment payments, change any payment date;
- change the place or currency or method of payment of any contract adjustment payments;
- impair the right to institute suit for the enforcement of a purchase contract or any contract adjustment payment or deferred contract adjustment payment (including compounded contract adjustment payments thereon);
- except as described under "Description of the Purchase Contracts—Early Settlement" or "—Anti-dilution Adjustments," reduce the number of shares of our common stock purchasable under a purchase contract, increase the purchase price of the shares of our common stock issuable on settlement of any purchase contract, change the purchase contract settlement date or the right to early settlement;
- adversely affect the holder's rights under a purchase contract in any material respect, *provided* that any amendment made solely to conform the provisions of the purchase contract and pledge agreement to the description contained in the preliminary prospectus supplement for this offering, as supplemented by the related pricing term sheet, will not be deemed to adversely affect the interests of the holders;
- change the amount or type of collateral required to be pledged to secure a holder's obligations under the purchase contract and pledge agreement, impair the right of the holder of any purchase contract to receive distributions on such collateral, or otherwise adversely affect the holder's rights in or to such collateral;
- reduce any contract adjustment payments or any deferred contract adjustment payments (including compounded contract adjustment payments); or

- reduce the above-stated percentage of outstanding purchase contracts whose holders' consent is required for the modification or amendment of the provisions of the purchase contracts and the purchase contract and pledge agreement;

provided that if any amendment or proposal would adversely affect only the Corporate Units, only the Treasury Units or only the Cash Settled Units, then only the affected voting group of holders will be entitled to vote on such amendment or proposal, and such amendment or proposal will not be effective except with the consent of the holders of not less than a majority of such voting group or, if referred to in the immediately preceding eight bullets above, all of the holders of such voting group.

In executing any supplement, modification or amendment to the purchase contract and pledge agreement, the purchase contract agent, collateral agent, custodial agent and securities intermediary shall be provided an officers' certificate and an opinion of counsel stating that the execution of such supplemental agreement is authorized or permitted by the purchase contract and pledge agreement and does not violate the purchase contract and pledge agreement, and that any and all conditions precedent to the execution and delivery of such supplement, modification or amendment have been satisfied. None of the purchase contract agent, collateral agent, custodial agent nor the securities intermediary shall be obligated to execute or deliver any such supplement, modification or amendment that adversely affects their respective rights, duties, liabilities, indemnities, or immunities under the purchase contract and pledge agreement.

We will be entitled to set any day as a record date for the purpose of determining the holders of outstanding Equity Units entitled to give or take any demand, direction, consent or other action under the Equity Units, in the manner and subject to the limitations provided in the purchase contract and pledge agreement. In certain circumstances, the purchase contract agent also will be entitled to set a record date for action by holders. If such a record date is set for any action to be taken by holders of particular Equity Units, such action may be taken only by persons who are holders of such Equity Units at the close of business on the record date.

No Consent to Assumption; Agreement by Purchasers

Each holder of a Corporate Unit, a Treasury Unit or a Cash Settled Unit will be deemed under the terms of the purchase contract and pledge agreement, by the purchase of such Corporate Unit, Treasury Unit or Cash Settled Unit, to have expressly withheld any consent to the assumption (i.e., affirmance) of the related purchase contracts by us, our receiver, liquidator or trustee in the event that we become the subject of a case under the U.S. Bankruptcy Code or other similar state or federal law providing for reorganization or liquidation.

Consolidation, Merger and Conveyance of Assets as an Entirety

We will agree not to merge or consolidate with any other person or sell or convey all or substantially all of our assets to any person unless (i) either we are the continuing entity, or the successor entity (if other than us) is a corporation organized and existing under the laws of the United States of America or a State thereof or the District of Columbia and such corporation expressly assumes all of our responsibilities and liabilities under the purchase contracts, the Corporate Units, the Treasury Units, the Cash Settled Units, the purchase contract and pledge agreement and the remarketing agreement (if any) by one or more supplemental agreements in form satisfactory to the purchase contract agent and the collateral agent, executed and delivered to the purchase contract agent and the collateral agent by such corporation, and (ii) we or such successor corporation, as the case may be, will not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance of any of its obligations or covenants under such agreements.

In case of any such consolidation, merger, sale or conveyance, and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for us, with the same effect as if it had been named in the purchase contracts, the Corporate Units, the Treasury Units, the Cash Settled Units, the purchase contract and pledge agreement and the remarketing agreement (if any) as us and (other than in the case of a lease) we shall be relieved of any further obligation under the purchase contracts, the Corporate Units, the Treasury Units, the Cash Settled Units, the purchase contract and pledge agreement and the remarketing agreement (if any).

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Title

We, the purchase contract agent and the collateral agent may treat the registered owner of any Corporate Units, Treasury Units or Cash Settled Units as the absolute owner of the Corporate Units, Treasury Units or Cash Settled Units for the purpose of making payment (subject to the record date provisions described above), settling the related purchase contracts and for all other purposes.

Replacement of Equity Unit Certificates

In the event that physical certificates have been issued, any mutilated Corporate Unit, Treasury Unit or Cash Settled Unit certificate will be replaced by us at the expense of the holder upon surrender of the certificate to the purchase contract agent. Corporate Unit, Treasury Unit or Cash Settled Unit certificates that become destroyed, lost or stolen will be replaced by us at the expense of the holder upon delivery to us and the purchase contract agent of evidence of their destruction, loss or theft satisfactory to us and the purchase contract agent. In the case of a destroyed, lost or stolen Corporate Unit, Treasury Unit or Cash Settled Unit certificate, an indemnity and/ or security satisfactory to the purchase contract agent and us may be required at the expense of the holder before a replacement certificate will be issued.

Notwithstanding the foregoing, we will not be obligated to issue any Corporate Unit, Treasury Unit or Cash Settled Unit certificates on or after the business day immediately preceding the earliest of any early settlement date, any fundamental change early settlement date, the purchase contract settlement date or the date on which the purchase contracts have terminated. The purchase contract and pledge agreement will provide that, in lieu of the delivery of a replacement Corporate Unit, Treasury Unit or Cash Settled Unit certificate following any of these dates, the purchase contract agent, upon delivery of written direction from us and the evidence and indemnity and/or security described above, will deliver (or cause to be delivered) the shares of our common stock issuable pursuant to the purchase contracts included in the Corporate Units, Treasury Units or Cash Settled Units evidenced by the certificate, or, if the purchase contracts have terminated prior to the purchase contract settlement date, transfer the pledged assets included in the Corporate Units, Treasury Units or Cash Settled Units evidenced by the certificate.

Governing Law

The purchase contracts and the purchase contract and pledge agreement will be governed by, and construed in accordance with, the laws of the State of New York.

Information Concerning the Purchase Contract Agent

U.S. Bank National Association (or its successor) will be the purchase contract agent. The purchase contract agent will act as the agent for the holders of Corporate Units, Treasury Units and Cash Settled Units. The purchase contract agent will not be obligated to take any discretionary action in connection with a default under the terms of the Corporate Units, the Treasury Units, the Cash Settled Units or the purchase contract and pledge agreement.

The purchase contract and pledge agreement will contain provisions limiting the liability of and providing indemnification to the purchase contract agent. The purchase contract and pledge agreement also will contain provisions under which the purchase contract agent may resign or be replaced. Such resignation or replacement will be effective upon the appointment of a successor.

We and certain of our affiliates maintain banking relationships with U.S. Bank National Association or its affiliates.

Information Concerning the Collateral Agent

U.S. Bank National Association will be the collateral agent. The collateral agent will act solely as our agent and will not assume any obligation or relationship of agency or trust for or with any of the holders of the

Corporate Units, the Treasury Units and the Cash Settled Units except for the obligations owed by a pledgee of property to the owner thereof under the purchase contract and pledge agreement and applicable law.

The purchase contract and pledge agreement will contain provisions limiting the liability of and providing indemnification to the collateral agent. The purchase contract and pledge agreement also will contain provisions under which the collateral agent may resign or be replaced. Such resignation or replacement will be effective upon the appointment of a successor.

We and certain of our affiliates maintain banking relationships with U.S. Bank National Association or its affiliates.

Miscellaneous

The purchase contract and pledge agreement will provide that we will pay all fees and expenses (including fees and expenses of counsel) related to the retention of the custodial agent, the securities intermediary, the collateral agent and the purchase contract agent. Holders who elect to substitute the related pledged assets, thereby creating Treasury Units or Cash Settled Units or recreating Corporate Units, however, will be responsible for any taxes, governmental charges or other fees or expenses (including, without limitation, the reasonable fees and expenses of counsel (including counsel to the custodial agent, the securities intermediary, the purchase contract agent and the collateral agent)) payable in connection with such substitution, as well as for any commissions, fees or other expenses incurred in acquiring the pledged assets to be substituted. We will not be responsible for any such fees or expenses.

Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units

The Depository Trust Company, or DTC, which we refer to along with its successors in this capacity as the depositary, will act as securities depositary for the Corporate Units, Treasury Units and Cash Settled Units. The Corporate Units, Treasury Units and Cash Settled Units will be issued only as fully registered securities registered in the name of Cede & Co., the depositary's nominee. One or more fully registered global security certificates, representing the total aggregate number of Corporate Units, Treasury Units and Cash Settled Units, will be issued and will be deposited with the depositary or its custodian and will bear a legend regarding the restrictions on exchanges and registration of transfer referred to below.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of securities in certificated form. These laws may impair the ability to transfer beneficial interests in the Corporate Units, Treasury Units and Cash Settled Units so long as the Corporate Units, Treasury Units and Cash Settled Units are represented by global security certificates.

DTC advises that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 1A of the Exchange Act. The depositary holds securities that its participants deposit with the depositary. The depositary also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. The depositary is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the depositary's system is also available to others, including securities brokers and dealers, banks, trust companies and clearing corporations that clear transactions through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to the depositary and its participants are on file with the SEC.

We will issue the Corporate Units, Treasury Units and Cash Settled Units in definitive certificated form if the depositary notifies us that it is unwilling or unable to continue as depositary or the depositary ceases to be a clearing agency registered under the Exchange Act and a successor depositary is not appointed by us within 90 calendar days. In addition, beneficial interests in a global security certificate may be exchanged for definitive certificated Corporate Units, Treasury Units or Cash Settled Units upon request by or on behalf of the depositary in accordance with customary procedures following the request of a beneficial owner seeking to exercise or enforce its rights under such Corporate Units, Treasury Units or Cash Settled Units. If we determine at any time that the Corporate Units, Treasury Units or Cash Settled Units shall no longer be represented by global security certificates, we will inform the depositary of such determination and the depositary will, in turn, notify participants of their right to withdraw their beneficial interest from the global security certificates, and if such participants elect to withdraw their beneficial interests, we will issue certificates in definitive form in exchange for such beneficial interests in the global security certificates. Any global Corporate Unit, Treasury Unit or Cash Settled Unit, or portion thereof that is exchangeable pursuant to this paragraph will be exchangeable for Corporate Unit, Treasury Unit or Cash Settled Unit certificates, as the case may be, registered in the names directed by the depositary. We expect that these instructions will be based upon directions received by the depositary from its participants with respect to ownership of beneficial interests in the global security certificates.

As long as the depositary or its nominee is the registered owner of the global security certificates, the depositary or its nominee, as the case may be, will be considered the sole owner and holder of the global security certificates and all Corporate Units, Treasury Units and Cash Settled Units represented by these certificates for all purposes under the Corporate Units, Treasury Units, Cash Settled Units and the purchase contract and pledge agreement. Except in the limited circumstances referred to above, owners of beneficial interests in global security certificates:

- will not be entitled to have the Corporate Units, the Treasury Units or the Cash Settled Units represented by these global security certificates registered in their names, and
- will not be considered to be owners or holders of the global security certificates or any Corporate Units, Treasury Units or Cash Settled Units represented by these certificates for any purpose under the Corporate Units, Treasury Units, Cash Settled Units or the purchase contract and pledge agreement.

All payments on the Corporate Units, Treasury Units and Cash Settled Units represented by the global security certificates and all transfers and deliveries of related mandatory convertible preferred stock, Treasury securities, cash and common stock will be made to the depositary or its nominee, as the case may be, as the holder of the securities.

Ownership of beneficial interests in the global security certificates will be limited to participants or persons that may hold beneficial interests through institutions that have accounts with the depositary or its nominee. Ownership of beneficial interests in global security certificates will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by the depositary or its nominee, with respect to participants' interests, or any participant, with respect to interests of persons held by the participant on their behalf. Procedures for settlement of purchase contracts on the purchase contract settlement date, or upon early settlement, will be governed by arrangements among the depositary, participants and persons that may hold beneficial interests through participants designed to permit settlement without the physical movement of certificates. Payments, transfers, deliveries, exchanges and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by the depositary from time to time. None of us, the purchase contract agent nor any agent of us or the purchase contract agent will have any responsibility or liability for any aspect of the depositary's or any participant's records relating to, or for payments made on account of, beneficial interests in global security certificates, or for maintaining, supervising or reviewing any of the depositary's records or any participant's records relating to these beneficial ownership interests.

Although the depositary has agreed to the foregoing procedures in order to facilitate transfers of interest in the global security certificates among participants, the depositary is under no obligation to perform or continue to

perform these procedures, and these procedures may be discontinued at any time. We will not have any responsibility for the performance by the depositary or its direct participants or indirect participants under the rules and procedures governing the depositary.

The information in this section concerning the depositary and its book-entry system has been obtained from sources that we believe to be reliable, but we have not attempted to verify the accuracy of this information.

DESCRIPTION OF THE MANDATORY CONVERTIBLE PREFERRED STOCK

In this Description of the Mandatory Convertible Preferred Stock, "we," "us" and "our" refer only to NiSource Inc. and any successor obligor, and not to any of its subsidiaries.

The following is a summary of certain provisions of the mandatory convertible preferred stock. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of our amended and restated certificate of incorporation, as amended, including the certificate of designations establishing the designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions on the mandatory convertible preferred stock and our amended and restated by-laws, as currently in effect, and applicable laws. Wherever particular provisions or defined terms of the mandatory convertible preferred stock are referred to, such provisions or defined terms are incorporated into this prospectus supplement by reference.

General

Under our amended and restated certificate of incorporation, as amended, our board of directors designated up to 920,000 shares of our authorized but unissued preferred stock as, and approved a certificate of designations creating, a series of our preferred stock, designated as the Series C Mandatory Convertible Preferred Stock, which we refer to as the "mandatory convertible preferred stock." We will not (i) change any terms of the mandatory convertible preferred stock except as set forth in the certificate of designations and (ii) issue any additional shares of the mandatory convertible preferred stock other than in accordance with the certificate of designations.

We will issue an aggregate of up to 750,000 shares of the mandatory convertible preferred stock, or 862,500 shares if the underwriters exercise their over-allotment option on the Corporate Units in full. When issued in accordance with this prospectus supplement and the accompanying prospectus, the mandatory convertible preferred stock will be validly issued, fully paid and non-assessable. The holders of the mandatory convertible preferred stock will have no preemptive or preferential rights to purchase or subscribe for any class of our stock, obligations, warrants or other securities.

Each Corporate Unit includes a 1/10th, or 10%, undivided beneficial ownership interest in one share of mandatory convertible preferred stock with an initial $1,000 liquidation preference that corresponds to the stated amount of $100 per Corporate Unit.

We do not intend to list the mandatory convertible preferred stock that are not a part of Corporate Units on any securities exchange.

Ranking

The mandatory convertible preferred stock, with respect to dividend rights and/or distribution rights upon our liquidation, winding-up or dissolution, as applicable, will rank:

- senior to (i) our common stock and (ii) any other class or series of our capital stock established after the first original issue date of shares of the mandatory convertible preferred stock, the terms of which do not expressly provide that such class or series ranks on parity with the mandatory convertible preferred stock or senior to the mandatory convertible preferred stock as to dividend rights or distribution rights upon our liquidation, winding-up or dissolution, as the case may be (which we refer to collectively as "junior stock");
- on parity with (i) our Series A Preferred Stock, our Series B Preferred Stock and our Series B-1 Preferred Stock and (ii) any other class or series of our capital stock established after the first original

issue date of shares of the mandatory convertible preferred stock, the terms of which expressly provide that such class or series will rank on parity with the mandatory convertible preferred stock as to dividend rights or distribution rights upon our liquidation, winding-up or dissolution, as the case may be (which we refer to collectively as "parity stock");

- junior to any other class or series of our capital stock established after the first original issue date of shares of the mandatory convertible preferred stock the terms of which expressly provide that such class or series will rank senior to the mandatory convertible preferred stock as to dividend rights or distribution rights upon our liquidation, winding-up or dissolution, as the case may be (which we refer to collectively as "senior stock"); and
- junior to our existing and future indebtedness and other liabilities (including trade payables).

In addition, with respect to dividend rights and distribution rights upon our liquidation, winding-up or dissolution, the mandatory convertible preferred stock will be structurally subordinated to existing and future indebtedness and other obligations of each of our subsidiaries. See "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—The mandatory convertible preferred stock ranks junior to all of our indebtedness and other liabilities." It is possible a bankruptcy court may not respect the priority of the mandatory convertible preferred stock. See "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—It is possible that a bankruptcy court may rank any claims under the mandatory convertible preferred stock equally with or below the claims of holders of common stock and that you may receive no recovery on your claims."

In the case of our liquidation, dissolution or winding up, holders of the mandatory convertible preferred stock will not have the right to receive any payment or distribution unless all of our liabilities are first paid in full and the priority of any senior stock is satisfied.

We currently have no capital stock outstanding that is senior to the mandatory convertible preferred stock. We currently have 420,000 shares of outstanding preferred stock that is on parity with the mandatory convertible preferred stock, consisting of 400,000 shares of Series A Preferred Stock representing $400 million of aggregate liquidation preference (not taking into account any accumulated and unpaid dividends) and 20,000 shares of Series B Preferred Stock representing $500 million of aggregate liquidation preference (not taking into account any accumulated and unpaid dividends). In addition, we currently have outstanding 20,000 shares of Series B-1 Preferred Stock, par value $0.01 per share, which were issued as a distribution with respect to the Series B Preferred Stock to enhance the voting rights of the Series B Preferred Stock and to comply with the minimum voting rights policy of the New York Stock Exchange. The Series B-1 Preferred Stock is paired with the Series B Preferred Stock and may not be transferred, redeemed or repurchased except in connection with the simultaneous transfer, redemption or repurchase of a like number of shares of the underlying Series B Preferred Stock.

We own all of the equity interest of our subsidiaries. As of March 31, 2021, we had approximately $9,572 million principal amount of outstanding indebtedness on an unconsolidated basis , all of which is senior in right of payment to the mandatory convertible preferred stock. In addition, the mandatory convertible preferred stock will be structurally subordinated to all debt, preferred stock and other liabilities of our subsidiaries, which means that creditors and any preferred stockholders of our subsidiaries will be paid from the assets of such subsidiaries before holders of the mandatory convertible preferred stock would have any claims to those assets. As of March 31, 2021, our subsidiaries had approximately $279.5 million principal amount of outstanding indebtedness.

Dividends

The mandatory convertible preferred stock initially will not bear any dividends and the liquidation preference of the mandatory convertible preferred stock will not accrete. Following a successful remarketing of the mandatory convertible preferred stock, dividends may become payable on the $1,000 liquidation preference per share of the mandatory convertible preferred stock, when, as and if declared by our board of directors out of funds legally available for the payment of dividends, at a dividend rate to be determined in connection with such successful remarketing, payable in cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election.

If dividends become payable on the mandatory convertible preferred stock in connection with a successful remarketing, dividends will accumulate from the remarketing settlement date and will be payable when, as and if declared by our board of directors on March 1, 2024 (or, at our election in consultation with the remarketing agent in connection with a successful optional remarketing, on each of December 1, 2023 and March 1, 2024) (each, a "dividend payment date"), to the person whose name appears in our stock records at the close of business on the applicable record date, which will be the fifteenth day of the month immediately preceding the month in which the relevant dividend payment date falls (whether or not a business day). We refer to each period beginning on and including a dividend payment date (or, in respect of the first dividend period, the remarketing settlement date) to, but excluding, the next dividend payment date as a "dividend period."

We will calculate dividends, if any, on the mandatory convertible preferred stock on the basis of a 360-day year of twelve 30-day months (and for any period less than a month, on the basis of the actual number of days elapsed in a 30-day month). Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends, if any, on the mandatory convertible preferred stock will cease to accumulate upon conversion, as described below.

If a dividend payment date falls on a date that is not a business day, such dividend payment date will be postponed to the next succeeding business day; *provided* that, if such business day falls in the next succeeding calendar month, the dividend payment date will be brought forward to the immediately preceding business day.

Dividends, if any, on the mandatory convertible preferred stock will accumulate whether or not:

- we have earnings;
- there are funds legally available for the payment of those dividends; or
- those dividends are authorized or declared.

So long as any shares of mandatory convertible preferred stock remain outstanding, except as described below, unless full cumulative dividends, if any, on the mandatory convertible preferred stock for all past dividend periods (including compounded dividends thereon) shall have been or contemporaneously are declared and paid or declared and a sum or number of shares of common stock sufficient for the payment thereof is set apart for payment, we will not:

- declare and pay or declare and set aside for payment of dividends, and we will not declare and make any distribution of cash or other property, directly or indirectly, on or with respect to any shares of our common stock or shares of any other class or series of our capital stock ranking, as to dividends, on parity with or junior to the mandatory convertible preferred stock, for any period;
- redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to, or pay or make available any monies for a sinking fund for the redemption of, any common stock or shares of any other class or series of our capital stock ranking, as to dividends or upon liquidation, on parity with or junior to the mandatory convertible preferred stock; or
- redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to the purchase contracts or make any payments (including any contract adjustment payments) under the purchase contracts or any payment under any similar agreement providing for the issuance by us of capital stock on a forward basis.

The foregoing sentence, however, will not prohibit:

- purchases, redemptions or other acquisitions of shares of capital stock ranking junior to the mandatory convertible preferred stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of current or former employees, officers, directors or consultants;

- purchases of shares of our common stock pursuant to a contractually binding requirement to buy stock existing prior to the commencement of the first dividend period for which dividends are unpaid, including under a contractually binding stock repurchase plan;
- the purchase of, or the payment of cash in lieu of, fractional interests in shares of capital stock ranking junior to the mandatory convertible preferred stock issued by us (i) in connection with a bona fide acquisition of a business or (ii) pursuant to the conversion or exchange provisions of such capital stock or securities convertible into or exchangeable for such capital stock;
- any declaration of a dividend on our capital stock in connection with the implementation of a shareholders rights plan designed to protect us against unsolicited offers to acquire our capital stock, or the issuance of our capital stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto;
- dividends or distributions payable solely in capital stock ranking junior to the mandatory convertible preferred stock, or warrants, options or rights to acquire such capital stock, other than any indebtedness or our capital stock ranking, as to dividends or upon liquidation, on parity with or senior to the mandatory convertible preferred stock, in each case, convertible into, exercisable for or exchangeable for our capital stock ranking junior to the mandatory convertible preferred stock; or
- the conversion into or exchange for other shares of any class or series of capital stock ranking junior to the mandatory convertible preferred stock.

We will not permit any of our subsidiaries to purchase or otherwise acquire for consideration any shares of our stock unless we could, under the above paragraph, purchase or otherwise acquire such shares at such time and in such manner. We refer to the provisions described in this paragraph and the above paragraph as the "dividend blocker provisions."

When we do not pay dividends, if any, in full (or do not set apart a sum sufficient to pay them in full) on the mandatory convertible preferred stock and the shares of any other class or series of capital stock ranking, as to dividends, on parity with the mandatory convertible preferred stock, we will declare any dividends upon the mandatory convertible preferred stock and each such other class or series of capital stock ranking, as to dividends, on parity with the mandatory convertible preferred stock *pro rata*, so that the amount of dividends declared per share of the mandatory convertible preferred stock and such other class or series of capital stock will in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the mandatory convertible preferred stock and such other class or series of capital stock (which will not include any accumulation in respect of unpaid dividends on such other class or series of capital stock for prior dividend periods if such other class or series of capital stock does not have a cumulative dividend) bear to each other.

If dividends become payable in connection with a successful remarketing, any accumulated and unpaid dividends will accumulate additional dividends at the applicable dividend rate until paid, compounded quarterly, to, but excluding, the payment date. We refer to these additional dividends that accumulate on accumulated and unpaid dividends as "compounded dividends" and the payments in respect thereof as "compounded dividend payments."

Holders of shares of the mandatory convertible preferred stock are not entitled to any dividends in excess of the full cumulative dividends (including compounded dividends) on the mandatory convertible preferred stock as described above. Any dividend payment made on the mandatory convertible preferred stock will first be credited against the earliest accumulated but unpaid dividends due with respect to those shares which remain payable.

No dividend will be paid unless and until our board of directors declares a dividend payable with respect to the mandatory convertible preferred stock. Our ability to declare and pay dividends, if any, and make other distributions with respect to our capital stock, including the mandatory convertible preferred stock, may be limited by the terms of any indentures, loan agreements or other financing arrangements that we enter into in the future. In addition, our ability to declare and pay dividends, if any, may be limited by the Delaware General Corporation Law.

Method of Payment of Dividends

Subject to the limitations described below, we may pay any dividend (or any portion of any dividend) on the mandatory convertible preferred stock (whether or not for a current dividend period or any prior dividend period), determined in the sole discretion of our board of directors:

- in cash;
- by delivery of shares of our common stock; or
- through any combination of cash and shares of our common stock.

We will make each payment of a dividend, if any, on the mandatory convertible preferred stock in cash, except to the extent we elect to make all or any portion of such payment in shares of our common stock. We will give the holders of the mandatory convertible preferred stock notice of any such election and the portion of such payment that will be made in cash and the portion that will be made in common stock no later than eight scheduled trading days prior to the dividend payment date for such dividend.

If we elect to make any such payment of a dividend, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at the applicable five-day average price, *multiplied by* 97%.

No fractional shares of common stock will be delivered to the holders of the mandatory convertible preferred stock in respect of dividends. We will instead pay a cash adjustment to each holder that would otherwise be entitled to a fraction of a share of common stock based on (i) the five-day average price and (ii) the aggregate number of shares of mandatory convertible preferred stock held by such holder (or, if the mandatory convertible preferred stock is held in global book-entry form, based on the applicable procedures of the depositary for determining such number of shares).

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of or for resales of common stock issued as payment of a dividend, we will, to the extent such a registration statement is not currently filed and effective, use our reasonable best efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares are freely tradable under Rule 144 by non-affiliates of ours without registration. To the extent applicable, we will also use our reasonable best efforts to have the shares of common stock qualified or registered under applicable state securities laws, if required, and approved for listing on the New York Stock Exchange (or if our common stock is not listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which our common stock is then listed).

Any dividends paid in shares of our common stock will be subject to the listing standards of the New York Stock Exchange, if applicable.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, before any distribution or payment shall be made to holders of shares of our common stock or any other class or series of capital stock ranking, as to rights upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, junior to the mandatory convertible preferred stock, holders of shares of the mandatory convertible preferred stock are entitled to be paid out of our assets legally available for distribution to our stockholders, after payment of or provision for our debts and other liabilities, a liquidation preference of $1,000 per share of the mandatory convertible preferred stock, *plus* an amount equal to any accumulated and unpaid dividends (whether or not authorized or declared) up to but excluding the date of payment, but subject to the prior payment in full of all our liabilities and the payment of our senior stock. It is possible a bankruptcy court may not respect the priority of the mandatory convertible preferred stock. See “Risk Factors—Risk Factors Relating to the

Mandatory Convertible Preferred Stock—It is possible that a bankruptcy court may rank any claims under the mandatory convertible preferred stock equally with or below the claims of holders of common stock and that you may receive no recovery on your claims." If, upon our voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the full amount of the liquidating distributions on all outstanding shares of the mandatory convertible preferred stock and the corresponding amounts payable on all shares of each other class or series of capital stock ranking, as to liquidation rights, on parity with the mandatory convertible preferred stock in the distribution of assets, then holders of shares of the mandatory convertible preferred stock and each such other class or series of capital stock ranking, as to voluntary or involuntary liquidation rights, on parity with the mandatory convertible preferred stock will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Holders of shares of the mandatory convertible preferred stock will be entitled to written notice of any event triggering the right to receive a distribution in connection with any voluntary or involuntary liquidation, dissolution or winding up of our affairs. After payment of the full amount of the liquidating distributions to which they are entitled, holders of shares of the mandatory convertible preferred stock will have no right or claim to any of our remaining assets. Our consolidation or merger with or into any other corporation, trust or other entity, or the voluntary sale, lease, transfer or conveyance of all or substantially all of our property or business, will not be deemed to constitute a liquidation, dissolution or winding up of our affairs.

Redemption

The mandatory convertible preferred stock will not be redeemable. However, at our option, we may purchase or otherwise acquire (including in an exchange transaction) separate shares of mandatory convertible preferred stock from time to time in the open market, by tender or exchange offer or otherwise, without the consent of, or notice to, holders.

Limited Voting Rights

Holders of shares of the mandatory convertible preferred stock generally do not have any voting rights, except as set forth below and as required by applicable law or as specifically required or recommended by the New York Stock Exchange listing rules. In matters where holders of the mandatory convertible preferred stock are entitled to vote, each share of the mandatory convertible preferred stock shall be entitled to one vote.

When a Supermajority Vote is Required

So long as any shares of the mandatory convertible preferred stock remain outstanding, we will not, without the consent or the affirmative vote of the holders of at least two-thirds of the outstanding shares of the mandatory convertible preferred stock together with each other class or series of preferred stock ranking on parity with the mandatory convertible preferred stock with respect to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up and upon which like voting rights have been conferred (voting as a single class):

- authorize, create or issue, or increase the number of authorized or issued shares of, any class or series of stock ranking senior to the mandatory convertible preferred stock with respect to payment of dividends, or the distribution of assets upon the liquidation, dissolution or winding up of our affairs, or reclassify any of our authorized capital stock into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares;
- amend, alter or repeal the provisions of our amended and restated certificate of incorporation (by amendment, merger or otherwise) so as to materially and adversely affect any right, preference, privilege or voting power of the mandatory convertible preferred stock; or
- consummate a reorganization or reclassification involving the shares of mandatory convertible preferred stock or a merger or consolidation of us with another entity, unless either (i) the shares of

mandatory convertible preferred stock remain outstanding and have rights, preferences, privileges and voting powers, taken as a whole, that are no less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the mandatory convertible preferred stock immediately prior to such consummation, taken as a whole, or (ii) in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, the shares of mandatory convertible preferred stock are converted into or reclassified into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, such surviving or resulting entity or ultimate parent is organized under the laws of the United States, any state thereof or the District of Columbia and treated as a corporation for U.S. federal income tax purposes, and such preference securities have rights, preferences, privileges and voting powers, taken as a whole, that are no less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the mandatory convertible preferred stock immediately prior to such consummation, taken as a whole;

provided that neither (i) any amendment of the certificate of designations in accordance with the provisions of "—Recapitalizations, Reclassifications and Changes of Our Common Stock" below, nor (ii) the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to pre-emptive or similar rights or otherwise, of any series of preferred stock (including the mandatory convertible preferred stock), ranking equally with and/or junior to the mandatory convertible preferred stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon our liquidation, dissolution and winding-up, shall be deemed to materially or adversely affect the rights, preferences, privileges or voting powers of the mandatory convertible preferred stock, and shall not require the affirmative vote or consent of the holders of the mandatory convertible preferred stock.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified above would adversely affect one or more but not all series of parity stock (including the mandatory convertible preferred stock for this purpose), then only the one or more series of parity stock adversely affected and entitled to vote, rather than all series of parity stock, shall vote as a class.

To the fullest extent permitted by law, without the consent of the holders of the mandatory convertible preferred stock, so long as such action does not adversely affect the special rights, preferences, privileges or voting powers of the mandatory convertible preferred stock, and limitations and restrictions thereof, we may amend, alter, supplement, or repeal any terms of the mandatory convertible preferred stock for the following purposes:

- to cure any ambiguity, defect, inconsistency or mistake, or to correct or supplement any provision contained in the certificate of designations establishing the terms of the mandatory convertible preferred stock that may be defective or inconsistent with any other provision contained in such certificate of designations;
- to make any provision with respect to matters or questions relating to the mandatory convertible preferred stock that is not inconsistent with the provisions of the certificate of designations establishing the terms of the mandatory convertible preferred stock;
- to waive any of our rights with respect thereto; or
- to make any other change to the terms of the mandatory convertible preferred stock;

provided that any such amendment, alteration, supplement or repeal of any terms of the mandatory convertible preferred stock effected in order to (1) conform the terms thereof to the description of the terms of the mandatory convertible preferred stock set forth under "Description of the Mandatory Convertible Preferred Stock" in the preliminary prospectus supplement for this offering as supplemented and/or amended by the related pricing term sheet or (2) implement the changes under "—Terms of Remarketed Mandatory Convertible Preferred Stock", as the case may be, shall be deemed not to adversely affect the special rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the mandatory convertible preferred stock.

Holders of shares of the mandatory convertible preferred stock will not be entitled to vote with respect to any increase in the total number of authorized shares of our common stock or preferred stock, any increase in the number of authorized shares of the mandatory convertible preferred stock or the creation or issuance of any other class or series of capital stock, or any increase in the number of authorized shares of any other class or series of capital stock, in each case, ranking on parity with or junior to the mandatory convertible preferred stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, except as set forth above.

Holders of shares of the mandatory convertible preferred stock will not have any voting rights with respect to, and the consent of the holders of shares of the mandatory convertible preferred stock is not required for, the taking of any corporate action, including any merger or consolidation involving us or a sale of all or substantially all of our assets, regardless of the effect that such merger, consolidation or sale may have upon the powers, preferences, voting power or other rights or privileges of the mandatory convertible preferred stock, except as set forth above.

Mandatory Conversion

Each outstanding share of the mandatory convertible preferred stock, unless previously converted, will automatically convert on the mandatory conversion date (as defined below), into a number of shares of our common stock equal to the conversion rate described below. However, if a Remarketing Failure has previously occurred, effective as of December 1, 2023 the conversion rate will be zero, no shares of our common stock will be delivered upon such automatic conversion of any shares of mandatory convertible preferred stock that remain outstanding following December 1, 2023, and each such share of mandatory convertible preferred stock will be automatically transferred to us on the mandatory conversion date without any payment of cash or shares of our common stock thereon. See "Risk Factors—Risk Factors Relating to the Equity Units—If a Remarketing Failure occurs and you hold Treasury Units or Cash Settled Units and separate shares of mandatory convertible preferred stock, you must recreate Corporate Units in order to avoid losing your pledged Treasury securities or cash and being left with mandatory convertible preferred stock with little economic value" and "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon."

Unless a Remarketing Failure has occurred, the conversion rate, which is the number of shares of our common stock issuable upon conversion of each share of the mandatory convertible preferred stock on the mandatory conversion date (excluding any shares of our common stock issued in respect of accumulated and unpaid dividends, as described below), will be as follows:

- if the mandatory settlement value of our common stock is greater than the threshold appreciation price, which is approximately $28.7993, then the conversion rate will be 34.7231 shares of our common stock per share of mandatory convertible preferred stock, or the "minimum conversion rate";
- if the mandatory settlement value of our common stock is less than or equal to the threshold appreciation price but equal to or greater than the initial price, which is approximately $24.51 (the closing price of our common stock on the pricing date of this offering), then the conversion rate will be equal to $1,000 *divided by* the mandatory settlement value of our common stock, rounded to the nearest ten-thousandth of a share; or
- if the mandatory settlement value of our common stock is less than the initial price, then the conversion rate will be 40.7997 shares of our common stock per share of mandatory convertible preferred stock, or the "maximum conversion rate".

If a Remarketing Failure has occurred, effective as of December 1, 2023 the conversion rate will be fixed at zero shares of our common stock and, with respect to any shares of mandatory convertible preferred stock that

remain outstanding following the purchase contract settlement date, you will not receive any shares of our common stock on the mandatory conversion date in respect of such shares of mandatory convertible preferred stock or otherwise. In such case, no shares of our common stock will be delivered upon automatic conversion and each such share of mandatory convertible preferred stock will be automatically transferred to us on the mandatory conversion date without any payment of cash or shares of our common stock thereon.

We refer to the minimum conversion rate and the maximum conversion rate collectively as the "fixed conversion rates". The "threshold appreciation price" is calculated by dividing $1,000 by the minimum conversion rate of 34.7231 shares of common stock, and represents an approximately 17.5% appreciation over the initial price. The "initial price" is calculated by dividing $1,000 by the maximum conversion rate of 40.7997 shares of common stock, and initially is approximately equal to the closing price of our common stock on the New York Stock Exchange on the pricing date for this offering. The fixed conversion rates are subject to adjustment as described in "—Anti-dilution Adjustments" below.

If dividends become payable in connection with a successful remarketing and we declare a dividend for the dividend period ending on, but excluding, March 1, 2024, we will pay such dividend to the holders of record as of the immediately preceding record date, as described above under "—Dividends." If dividends become payable in connection with a successful remarketing and on or prior to March 1, 2024 we have not declared all or any portion of the accumulated and unpaid dividends on the mandatory convertible preferred stock, the conversion rate will be adjusted so that holders receive an additional number of shares of our common stock equal to:

- the amount of such accumulated and unpaid dividends that have not been declared, or the "mandatory conversion additional conversion amount", *divided by*
- the greater of (i) the Floor Price and (ii) 97% of the applicable five-day average price (calculated using March 1, 2024 as the applicable dividend payment date).

The "Floor Price" is $8.58, which amount represents approximately 35% of the initial price, subject to adjustment in a manner inversely proportional to any anti-dilution adjustment to each fixed conversion rate as set forth below in "—Anti-dilution Adjustments." To the extent that the mandatory conversion additional conversion amount exceeds the product of the number of additional shares and 97% of the applicable five-day average price, we will, if we are able to do so under applicable Delaware law, declare and pay such excess amount in cash (computed to the nearest cent) *pro rata* to the holders of the mandatory convertible preferred stock. To the extent that we are not able to pay such excess amount in cash under applicable Delaware law, we will not have any obligation to pay such amount in cash or deliver additional shares of our common stock in respect of such amount.

If a Remarketing Failure has occurred the mandatory convertible preferred stock will continue to not pay any dividends and, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, you will not receive any consideration in respect of dividends or the conversion right on the mandatory conversion date.

Hypothetical Conversion Values upon Mandatory Conversion

For illustrative purposes only, the following table shows the number of shares of our common stock that a holder of the mandatory convertible preferred stock would receive upon mandatory conversion of one share of mandatory convertible preferred stock at various mandatory settlement values for our common stock. The table assumes that there has not been a Remarketing Failure, there will be no conversion rate adjustments as described below in "—Anti-dilution Adjustments" and that dividends on the mandatory convertible preferred stock will be declared and paid in cash (and not in additional shares of our common stock). The actual mandatory settlement value of our common stock may differ from those set forth in the table below.

If a Remarketing Failure has previously occurred, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no

shares of our common stock will be delivered upon such mandatory conversion and each such share of mandatory convertible preferred stock will be automatically transferred to us on the mandatory conversion date without any payment of cash or shares of our common stock thereon.

Given an initial price of approximately $24.51 and a threshold appreciation price of approximately $28.7993, a holder of mandatory convertible preferred stock would receive on the mandatory conversion date the number of shares of our common stock per share of mandatory convertible preferred stock set forth below:

Assumed mandatory settlement value of our common stock	Number of shares of our common stock to be received upon mandatory conversion	Assumed conversion value (calculated as mandatory settlement value *multiplied by* the number of shares of our common stock to be received upon mandatory conversion)
$10.00	**40.7997**	**$408.00**
$12.00	**40.7997**	**$489.60**
$14.00	**40.7997**	**$571.20**
$16.00	**40.7997**	**$652.80**
$18.00	**40.7997**	**$734.39**
$24.51	**40.7997**	**$1,000.00**
$27.50	**36.3636**	**$1,000.00**
$28.7993	**34.7231**	**$1,000.00**
$35.00	**34.7231**	**$1,215.31**
$40.00	**34.7231**	**$1,388.92**
$45.00	**34.7231**	**$1,562.54**
$55.00	**34.7231**	**$1,909.77**
$60.00	**34.7231**	**$2,083.39**

Accordingly, assuming that the market price of our common stock on the mandatory conversion date is the same as the mandatory settlement value of our common stock and no Remarketing Failure has occurred, the aggregate market value of our common stock you receive upon mandatory conversion of a share of mandatory convertible preferred stock (excluding any shares of our common stock you receive in respect of accumulated and unpaid dividends) will be:

- greater than the $1,000 liquidation preference of the share of mandatory convertible preferred stock, if the mandatory settlement value is greater than the threshold appreciation price;
- equal to the $1,000 liquidation preference of the share of mandatory convertible preferred stock, if the mandatory settlement value is less than or equal to the threshold appreciation price and greater than or equal to the initial price; and
- less than the $1,000 liquidation preference of the share of mandatory convertible preferred stock, if the mandatory settlement value is less than the initial price.

If a Remarketing Failure has occurred, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of common stock will be deliverable upon mandatory conversion of such shares of mandatory convertible preferred stock and each such share will be automatically transferred to us on the mandatory conversion date without payment or delivery of any cash or shares of our common stock or other consideration.

Definitions

"Mandatory settlement value" means the average of the daily VWAPs per share of our common stock over the mandatory averaging period.

"Mandatory averaging period" means the 40 consecutive trading day period commencing on, and including, the 41st scheduled trading day immediately preceding March 1, 2024.

"Mandatory conversion date" means the second business day immediately following the last trading day of the mandatory averaging period. The mandatory conversion date is expected to be March 1, 2024.

Early Conversions

Holders of Corporate Units do not have the right to convert their ownership interests in the mandatory convertible preferred stock that are a part of such Corporate Units. Only shares of mandatory convertible preferred stock that are not a part of Corporate Units may be so converted. Holders of such separate shares of mandatory convertible preferred stock that are not a part of Corporate Units may convert their shares of mandatory convertible preferred stock into common stock at their option prior to December 1, 2023 only upon the occurrence of a fundamental change. In order for a holder of Corporate Units to separate their mandatory convertible preferred stock from the purchase contracts in order to convert the mandatory convertible preferred stock in connection with a fundamental change, the holder must either (1) create Treasury Units (at any time other than during a blackout period), (2) settle the related purchase contracts early with separate cash, as described under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change" above or (3) during the period after the date we give notice of a final remarketing, create Cash Settled Units on or prior to the second business day immediately preceding the first day of the final remarketing period. If a fundamental change occurs, holders of separate shares of mandatory convertible preferred stock can convert such shares at any time from or after the effective date of such transaction until the related fundamental change conversion deadline (as defined below).

On and after December 1, 2023, holders of shares of mandatory convertible preferred stock may, at their option, convert their shares early as set forth in "—Early Conversion at the Option of the Holder" below.

Conversion at the Option of the Holder upon Fundamental Change

If a fundamental change (as defined in "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change" above) occurs, unless a Remarketing Failure has occurred, a holder may elect to convert separate shares of mandatory convertible preferred stock in connection with the fundamental change (the right of conversion, "fundamental change conversion right"). If the stock price (as defined in "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change—Calculation of Make-Whole Shares" above) is less than the threshold appreciation price, any such conversion in connection with the fundamental change will be at an adjusted conversion rate that will be equal to (x) the $1,000 liquidation preference *plus* all accumulated and unpaid dividends, if any, to, but excluding the fundamental change settlement date described below (unless the conversion date for a share of mandatory convertible preferred stock occurs after the record date for the payment of declared dividends and prior to the related dividend payment date, in which case the conversion rate calculation for such share will not include any accumulated and unpaid dividends that will be paid to holders of record on such record date) *divided by* (y) the average of the closing prices of our common stock for the five consecutive trading days ending on the second business day prior to the fundamental change settlement date (or, in the case of a fundamental change described in clause (ii) of the definition of fundamental change where the holders of our common stock receive only cash in the fundamental change, the cash amount paid per share of our common stock) (the amount described in clause (y), the "fundamental change settlement price"). Notwithstanding the foregoing, in no event will the conversion rate exceed 81.5994 shares of common stock per share of mandatory convertible preferred stock (subject to adjustment as set forth under "—Anti-dilution Adjustments"), which is equal to the $1,000 liquidation preference *divided by* 50% of the initial price.

If the stock price is greater than or equal to the threshold appreciation price, then the conversion rate will be the minimum conversion rate *plus* an additional number of shares of our common stock equal to (i) all accumulated and unpaid dividends, if any, to, but excluding the fundamental change settlement date described below (unless the conversion date for a share of mandatory convertible preferred stock occurs after the record date for the payment of declared dividends and prior to the related dividend payment date, in which case the conversion rate calculation for such share will not include any accumulated and unpaid dividends that will be paid to holders of record on such record date) *divided by* (ii) the fundamental change settlement price.

A conversion of the mandatory convertible preferred stock will be deemed for these purposes to be "in connection with" such a fundamental change (regardless of the stock price) if the conversion date occurs from, and including, the effective date of such fundamental change to, and including, the date we specified in the fundamental change company notice as the last date on which a holder of the mandatory convertible preferred stock may exercise the fundamental change conversion right for that fundamental change, which we refer to as the "fundamental change conversion deadline." The fundamental change conversion deadline will be a date no less than 20 business days nor more than 35 business days after the effective date of such fundamental change; *provided* that if any purchase contracts are outstanding at the time we give the fundamental change company notice, such date shall not be less than 10 business days following the fundamental change early settlement date we specify for the purchase contracts as described under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change."

We will send a notice to holders of the mandatory convertible preferred stock of a fundamental change within five business days after the effective date of the fundamental change (the "fundamental change company notice"). Such fundamental change company notice will state:

- the events constituting the fundamental change;
- the effective date of the fundamental change;
- the name and address of the paying agent and the conversion agent;
- the conversion rate and any adjustment to the conversion rate that will result from the fundamental change, or if the stock price is less than the threshold appreciation price, the formula for determination of the conversion rate;
- the procedures that the holder of the mandatory convertible preferred stock must follow to exercise the fundamental change conversion right;
- the fundamental change conversion deadline; and
- the date on which all conversions in exercise of the fundamental change conversion right will be settled (the "fundamental change settlement date"), which will be the second business day immediately following the fundamental change conversion deadline.

To exercise the fundamental change conversion right, a holder of a separate share of mandatory convertible preferred stock must deliver, on or before the close of business on the fundamental change conversion deadline, the mandatory convertible preferred stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to our conversion agent. The conversion notice will state:

- the relevant fundamental change conversion date; and
- the number of shares of the mandatory convertible preferred stock to be converted pursuant to the fundamental change conversion right.

If the mandatory convertible preferred stock is held in global form, the conversion notice must comply with applicable DTC procedures.

Notwithstanding anything herein to the contrary, we will settle conversions in connection with a valid exercise of the fundamental change conversion right on the fundamental change settlement date through delivery, in respect of each share of the mandatory convertible preferred stock, of a number of shares of common stock (and cash in lieu of any fractional shares) equal to the adjusted conversion rate described above.

If the holders of our common stock receive only cash in a reorganization event, then notwithstanding the foregoing, for all conversions in connection with a fundamental change that occur after the effective date of such transaction, the consideration due upon conversion of each such share of mandatory convertible preferred stock shall be solely cash in an amount equal to the conversion rate as modified by this "—Conversion at the Option of the Holder upon Fundamental Change," *multiplied by* the fundamental change settlement price for such transaction.

We will, to the extent applicable, comply with listing standards of the New York Stock Exchange in connection with the issuance of our common stock upon any exercise of the fundamental change conversion right.

Early Conversion at the Option of the Holder

Other than in connection with a fundamental change, on or after December 1, 2023 and unless there has been a Remarketing Failure, holders of shares of mandatory convertible preferred stock have the right to convert their mandatory convertible preferred stock, in whole or in part (but in no event less than one share of mandatory convertible preferred stock), at any time prior to March 1, 2024 (an "early conversion"), into shares of our common stock at the minimum conversion rate of shares of our common stock per share of mandatory convertible preferred stock.

If, as of the conversion date (as defined below under "—Conversion Procedures—Upon Early Conversion or upon a Conversion in connection with a Fundamental Change") of any early conversion, or the "early conversion date", we have not declared all or any portion of the accumulated and unpaid dividends for all full dividend periods ending on or before the dividend payment date immediately prior to such early conversion date (if any), the conversion rate for such early conversion will be adjusted so that holders converting their mandatory convertible preferred stock at such time receive an additional number of shares of our common stock equal to:

- such amount of accumulated and unpaid dividends that have not been declared for such full dividend periods, or the "early conversion additional conversion amount", *divided by*
- the greater of (i) the Floor Price and (ii) the average of the daily VWAPs per share of our common stock over the 40 consecutive trading day period, or the "early conversion settlement period", commencing on, and including, the 41st scheduled trading day immediately preceding the early conversion date, or the "early conversion average price".

To the extent that the early conversion additional conversion amount exceeds the product of such number of additional shares and the early conversion average price, we will not have any obligation to pay the shortfall in cash or deliver shares of our common stock in respect of such shortfall.

Except as described above, upon any early conversion of any mandatory convertible preferred stock, we will make no payment or allowance for unpaid dividends on such shares of the mandatory convertible preferred stock, unless such early conversion date occurs after the record date for a declared dividend and on or prior to the immediately succeeding dividend payment date, in which case such dividend will be paid on such dividend payment date to the holder of record of the converted shares of the mandatory convertible preferred stock as of such record date, as described under "—Dividends."

Conversion Procedures

Upon Mandatory Conversion

Any outstanding shares of mandatory convertible preferred stock will automatically convert into shares of common stock on the mandatory conversion date (or, in the case of a Remarketing Failure will be automatically transferred to us with no consideration deliverable to the holder thereof).

If more than one share of the mandatory convertible preferred stock held by the same holder is automatically converted on the mandatory conversion date, the number of shares of our common stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of our mandatory convertible preferred stock so converted.

You will not be required to pay any taxes or duties relating to the issuance or delivery of our common stock upon conversion, but you will be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of the common stock in a name other than your own.

So long as the shares of the mandatory convertible preferred stock being converted are in global form, the shares of common stock issuable upon conversion will be delivered to the converting holder through the facilities of DTC, in each case together with delivery by us to the converting holder of any cash to which the converting holder is entitled, on the later of (i) the mandatory conversion date and (ii) the business day after you have paid in full all applicable taxes and duties, if any.

The person or persons entitled to receive the shares of our common stock issuable upon mandatory conversion of the mandatory convertible preferred stock will be treated as the record holder(s) of such shares as of the close of business on the mandatory conversion date. Except as provided in "—Anti-dilution Adjustments," prior to the close of business on the mandatory conversion date, the common stock issuable upon conversion of the mandatory convertible preferred stock will not be deemed to be outstanding for any purpose and you will have no rights with respect to such common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the common stock, by virtue of holding the mandatory convertible preferred stock.

Upon Early Conversion or upon a Conversion in connection with a Fundamental Change

If you elect to convert the mandatory convertible preferred stock prior to March 1, 2024, in the manner described in "—Early Conversion at the Option of the Holder" or "—Conversion at the Option of the Holder upon Fundamental Change," you must observe the following conversion procedures:

- if you hold a beneficial interest in a global share of mandatory convertible preferred stock, you must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program; and
- if you hold shares of the mandatory convertible preferred stock in certificated form, you must comply with certain procedures set forth in the certificate of designations.

The "conversion date" will be the date on which you have satisfied the foregoing requirements, to the extent applicable.

If more than one share of the mandatory convertible preferred stock is surrendered for conversion at one time by or for the same holder, the number of shares of our common stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the mandatory convertible preferred stock so surrendered.

You will not be required to pay any taxes or duties relating to the issuance or delivery of our common stock upon conversion, but you will be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of the common stock in a name other than your own.

So long as the shares of the mandatory convertible preferred stock being converted are in global form, the shares of common stock will be issued and delivered to the converting holder through the facilities of DTC on the latest of (i) the second business day immediately succeeding the conversion date, (ii) if applicable, the second business day immediately succeeding the last day of the early conversion settlement period, (iii) if applicable, the fundamental change settlement date and (iv) the business day after you have paid in full all applicable taxes and duties, if any.

The person or persons entitled to receive the common stock issuable upon early conversion of the mandatory convertible preferred stock will be treated as the record holder(s) of such shares as of the close of business on the applicable conversion date or, if applicable, the relevant fundamental change conversion deadline. Except as provided in "—Anti-dilution Adjustments," prior to the close of business on the applicable conversion date or fundamental change conversion deadline, as the case may be, the common stock issuable upon early conversion of the mandatory convertible preferred stock will not be outstanding for any purpose and you

will have no rights with respect to such common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the common stock, by virtue of holding the mandatory convertible preferred stock.

Fractional Shares

No fractional shares of our common stock will be issued to holders of the mandatory convertible preferred stock upon conversion. In lieu of any fractional shares of our common stock otherwise issuable in respect of the aggregate number of shares of the mandatory convertible preferred stock of any holder that are converted, that holder will be entitled to receive an amount in cash (computed to the nearest cent) equal to the product of: (i) that same fraction; and (ii) the average of the closing prices of our common stock over the five consecutive trading day period ending on, and including, the second business day immediately preceding the relevant conversion date or, if applicable, fundamental change conversion deadline.

Anti-dilution Adjustments

Each fixed conversion rate will be adjusted as described below, except that we will not make any adjustments to the fixed conversion rates if holders of the mandatory convertible preferred stock participate (other than in the case of a share split or share combination or a tender or exchange offer described in clause (5) below), at the same time and upon the same terms as holders of our common stock and solely as a result of holding the mandatory convertible preferred stock, in any of the transactions described below without having to convert their mandatory convertible preferred stock as if they held a number of shares of common stock equal to (i) the maximum conversion rate as of the record date for such transaction, *multiplied by* (ii) the number of shares of mandatory convertible preferred stock held by such holder.

(1) If we issue common stock as a dividend or distribution on our common stock to all or substantially all holders of our common stock, or if we effect a share split or share combination, each fixed conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0 = such fixed conversion rate in effect immediately prior to the close of business on the record date for such dividend or distribution or immediately prior to the open of business on the effective date for such share split or share combination, as the case may be;

CR_1 = such fixed conversion rate in effect immediately after the close of business on such record date or immediately after the open of business on such effective date, as the case may be;

OS_0 = the number of shares of our common stock outstanding immediately prior to the close of business on such record date or immediately prior to the open of business on such effective date, as the case may be, in each case, prior to giving effect to such event; and

OS_1 = the number of shares of our common stock that would be outstanding immediately after, and solely as a result of, such event.

Any adjustment made pursuant to this paragraph (1) shall become effective as of the close of business on the record date for such dividend or other distribution or as of the open of business on the effective date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this clause (1) is declared but not so paid or made, each fixed conversion rate shall be readjusted, on the date our board of directors determines not to pay or make such dividend or distribution, to such fixed conversion rate that would then be in effect if such dividend or distribution had not been declared.

(2) If we distribute to all or substantially all holders of our common stock any rights, options or warrants entitling them for a period of not more than 45 calendar days after the date of distribution thereof to subscribe for or purchase our common stock, in any case at an exercise price per share of our common stock less than the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of such distribution, each fixed conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR_0 = such fixed conversion rate in effect immediately prior to the close of business on the record date for such distribution;

CR_1 = such fixed conversion rate in effect immediately after the close of business on such record date;

OS_0 = the number of shares of our common stock outstanding immediately prior to the close of business on the record date for such distribution;

X = the total number of shares of our common stock issuable pursuant to such rights, options or warrants; and

Y = the number of shares of our common stock equal to the quotient of (A) the aggregate price payable to exercise such rights, options or warrants *divided by* (B) the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of the distribution of such rights, options or warrants.

If any right, option or warrant described in this paragraph (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof (and as a result no additional shares of common stock are delivered or issued pursuant to such rights, options or warrants), then each fixed conversion rate will be readjusted, as of the date of such expiration, to the fixed conversion rate that would then be in effect had the increase with respect to the distribution of such rights, options or warrants been made on the basis of delivery or issuance of only the number of shares of common stock actually delivered.

For purposes of this paragraph (2), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of the common stock at a price per share of our common stock less than the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of the distribution of such rights, options or warrants, and in determining the aggregate price payable to exercise such rights, options or warrants, there shall be taken into account any consideration received by us for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined in good faith by our board of directors. Any increase made under this paragraph (2) will be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the record date for such distribution.

(3) (a) If we distribute shares of capital stock, evidences of indebtedness or other assets or property of us or rights, options or warrants to acquire our capital stock or other securities to all or substantially all holders of our common stock (excluding (i) any dividend, distribution or issuance as to which an adjustment was effected pursuant to clause (1) or (2) above, (ii) any dividend or distribution paid exclusively in cash, and (iii) any spin-off to which the provisions in clause 3(b) below apply), then each fixed conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0 = such fixed conversion rate in effect immediately prior to the close of business on the record date for such distribution;

CR_1 = such fixed conversion rate in effect immediately after the close of business on such record date;

SP_0 = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution; and

FMV = the fair market value (as determined in good faith by our board of directors), on the record date for such dividend or distribution, of the shares of capital stock, evidences of indebtedness, assets or property so distributed, expressed as an amount per share of our common stock.

An adjustment to the fixed settlement rates made pursuant to the immediately preceding paragraph shall become effective as of the close of business on the record date for such distribution.

Notwithstanding the foregoing, if "FMV" (as defined above) is equal to or greater than "SP_0" (as defined above), in lieu of the foregoing increase, each holder shall receive, in respect of each share of mandatory convertible preferred stock, at the same time and upon the same terms as holders of our common stock, the amount of such distributed shares of capital stock, evidences of indebtedness or other assets or property that such holder would have received if such holder owned a number of shares of common stock equal to the maximum conversion rate in effect on the record date for such dividend or distribution.

(b) However, if we distribute to all or substantially all holders of our common stock, capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, in each case, that is, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange, which we refer to as a "spin-off", then each fixed conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0 = such fixed conversion rate in effect immediately prior to the open of business on the ex-dividend date for the spin-off;

CR_1 = such fixed conversion rate in effect immediately after the open of business on the ex-dividend date for the spin-off;

FMV_0 = the average of the closing prices of the capital stock or similar equity interests distributed to holders of our common stock applicable to one share of our common stock over each of the 10 consecutive trading days commencing on, and including, the ex-dividend date for such dividend or distribution (the "valuation period"); and

MP_0 = the average of the closing price of our common stock over the valuation period.

The increase to each fixed conversion rate under this paragraph 3(b) will be calculated by us as of the close of business on the last trading day of the valuation period but will be given retroactive effect as of immediately after the open of business on the ex-dividend date of the spin-off. Because we will make the adjustment to each fixed conversion rate with retroactive effect, we will delay the settlement of any conversion of mandatory convertible preferred stock where any date for determining the number of shares of our common stock issuable to a holder occurs during the valuation period until the second business day after the last trading day of such valuation period.

If any dividend or distribution described in this paragraph (3) is declared but not so paid or made, each fixed conversion rate shall be readjusted, as of the date our board of directors determines not to pay or make such

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dividend or distribution, to the fixed conversion rate that would then be in effect if such dividend or distribution had not been declared.

(4) If any cash dividend or distribution is made to all or substantially all holders of our common stock other than a regular, quarterly cash dividend that does not exceed $0.22 per share, or the "initial dividend threshold", each fixed conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0 - T}{SP_0 - C}$$

where,

CR_0 = such fixed conversion rate in effect immediately prior to the close of business on the record date for such dividend or distribution;

CR_1 = such fixed conversion rate in effect immediately after the close of business on such record date;

SP_0 = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution;

T = the initial dividend threshold; *provided* that if the dividend or distribution is not a regular quarterly cash dividend, the initial dividend threshold will be deemed to be zero; and

C = the amount in cash per share we distribute to all or substantially all holders of our common stock.

Any increase made under this clause (4) shall become effective as of the close of business on the record date for such dividend or distribution. Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP_0" (as defined above), in lieu of the foregoing increase, each holder shall receive, in respect of each share of mandatory convertible preferred stock, at the same time and upon the same terms as holders of shares of our common stock, the amount of distributed cash that such holder would have received if such holder owned a number of shares of our common stock equal to the maximum conversion rate on the record date for such cash dividend or distribution.

The initial dividend threshold is subject to adjustment in a manner inversely proportional to adjustments to the maximum conversion rate; *provided* that no adjustment will be made to the initial dividend threshold for any adjustment to the fixed conversion rates under this clause (4).

If any dividend or distribution described in this paragraph (4) is declared but not so paid or made, each fixed conversion rate shall be readjusted, as of the date our board of directors determines not to pay or make such dividend or distribution, to the fixed conversion rate that would then be in effect if such dividend or distribution had not been declared.

(5) If we or any of our subsidiaries make a payment in respect of a tender or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of common stock validly tendered or exchanged exceeds the closing price of a share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, or the "expiration date", each fixed conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

CR_0 = such fixed conversion rate in effect immediately prior to the close of business on the trading day immediately following the expiration date;

CR_1 = such fixed conversion rate in effect immediately after the close of business on the trading day immediately following the expiration date;

AC = the fair market value (as determined in good faith by our board of directors, whose good faith determination will be conclusive), at the close of business on the trading day immediately following the expiration date, of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the expiration date;

OS_0 = the number of shares of our common stock outstanding immediately prior to the last time tenders or exchanges may be made pursuant to such tender or exchange offer (prior to giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer);

OS_1 = the number of shares of our common stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender or exchange offer (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer); and

SP_1 = the closing price of our common stock on the trading day next succeeding the expiration date.

The adjustment to the fixed conversion rates under the preceding paragraph (5) will occur at the close of business on the trading day immediately following the expiration date.

We do not currently have a shareholders rights plan in effect. If we have a rights plan in effect upon conversion of the mandatory convertible preferred stock into common stock, you will receive, in addition to any shares of common stock received in connection with such conversion, the rights under the rights plan. However, if, prior to any conversion, the rights have separated from the shares of common stock in accordance with the provisions of the applicable rights plan, each fixed conversion rate will be adjusted at the time of separation as if we distributed to all or substantially all holders of our common stock, shares of our capital stock, evidences of indebtedness, assets, property, rights, options or warrants as described in clause (3)(a) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

Holders of the mandatory convertible preferred stock may, in certain circumstances, including a distribution of cash dividends to holders of our shares of common stock, be deemed to have received a distribution subject to U.S. Federal income tax as a dividend as a result of an adjustment or the nonoccurrence of an adjustment to the fixed conversion rates. See "Material U.S. Federal Income and Estate Tax Consequences."

We may, to the extent permitted by law and the rules of the New York Stock Exchange or any other securities exchange on which our common stock or the mandatory convertible preferred stock is then listed, increase each fixed conversion rate by any amount for a period of at least 20 business days if such increase is irrevocable during such 20 business days and our board of directors determines that such increase would be in our best interest. In addition, we may make such increases in each fixed conversion rate as we deem advisable in order to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of shares of our common stock (or issuance of rights or warrants to acquire shares of our common stock) or from any event treated as such for income tax purposes or for any other reason. We may only make such a discretionary adjustment if we make the same proportionate adjustment to each fixed conversion rate.

As used in this section and in "Description of the Purchase Contracts—Anti-dilution Adjustments" above, "record date" means, with respect to any dividend, distribution or other transaction or event in which the holders of our common stock (or other applicable security) have the right to receive any cash, securities or other property or in which our common stock (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of our common stock (or such other security) entitled to receive such cash, securities or other property (whether such date is fixed by our board of directors, statute, contract or otherwise), and "effective date" means the first date on which the shares of our common stock trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable.

Adjustments to the fixed conversion rates will be calculated by us to the nearest 1/10,000th of a share of our common stock.

The fixed conversion rates will not be adjusted:

- upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;
- upon the issuance of options, restricted stock or other awards in connection with any employment contract, executive compensation plan, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors or the exercise of such options or other awards;
- upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Equity Units were first issued;
- for a change in the par value or no par value of the common stock; or
- for accumulated dividends, if any, on the mandatory convertible preferred stock, except as described above under "—Mandatory Conversion," "—Early Conversion at the Option of the Holder" and "—Conversion at the Option of the Holder upon Fundamental Change."

Except as otherwise provided above, we will be responsible for making all calculations called for under the mandatory convertible preferred stock. These calculations include, but are not limited to, determinations of the fundamental change settlement price, the stock price in connection with a fundamental change, the daily VWAPs, the five-day average prices and the fixed conversion rates of the mandatory convertible preferred stock.

We will be required, within ten business days after the fixed conversion rates are adjusted, to provide or cause to be provided written notice of the adjustment to the holders of the mandatory convertible preferred stock. We will also be required to deliver a statement setting forth in reasonable detail the method by which the adjustment to each fixed conversion rate was determined and setting forth each adjusted fixed conversion rate.

For the avoidance of doubt, if an adjustment is made to the fixed conversion rates, no separate inversely proportionate adjustment will be made to the initial price or the threshold appreciation price because the initial price is equal to $1,000 *divided by* the maximum conversion rate (as adjusted in the manner described herein) and the threshold appreciation price is equal to $1,000 *divided by* the minimum conversion rate (as adjusted in the manner described herein).

Whenever the terms of the mandatory convertible preferred stock require us to calculate the closing price or daily VWAP per share of our common stock over a span of multiple days, our board of directors will make appropriate adjustments in good faith (including, without limitation, to the mandatory settlement value, the early conversion average price, the fundamental change settlement price and the five-day average price (as the case may be)) to account for any adjustments to the fixed conversion rates (as the case may be) that become effective, or any event that would require such an adjustment if the record date, ex-dividend date, effective date or expiration date (as the case may be) of such event occurs, during the relevant period used to calculate such prices or values (as the case may be).

If:

- the record date for a dividend or distribution on shares of our common stock occurs after the end of the 40 consecutive trading day period used for calculating the mandatory settlement value and before the mandatory conversion date; and
- that dividend or distribution would have resulted in an adjustment of the number of shares issuable to the holders of the mandatory convertible preferred stock had such record date occurred on or before the last trading day of such 40-trading day period,

then we will deem the holders of the mandatory convertible preferred stock to be holders of record of our common stock for purposes of that dividend or distribution. In this case, the holders of the mandatory convertible preferred stock would receive the dividend or distribution on our common stock together with the number of shares of our common stock issuable upon mandatory conversion of the mandatory convertible preferred stock.

Recapitalizations, Reclassifications and Changes of Our Common Stock

In the event of any reorganization event, each share of the mandatory convertible preferred stock outstanding immediately prior to such reorganization event shall, without the consent of the holders of the mandatory convertible preferred stock, become convertible into exchange property units.

The number of exchange property units we will deliver upon conversion of each share of the mandatory convertible preferred stock or as a payment of dividends on the mandatory convertible preferred stock, as applicable, following the effective date of such reorganization event will be determined as if references to our common stock in the description of the conversion rate applicable upon mandatory conversion, conversion at the option of the holder or conversion at the option of the holder upon a fundamental change and/or the description of the relevant dividend payment provisions, as the case may be, were to exchange property units (without interest thereon and without any right to dividends or distributions thereon which have a record date prior to the date on which holders of the mandatory convertible preferred stock become holders of record of the underlying shares of our common stock). For the purpose of determining which bullet of the definition of conversion rate in the second paragraph under "—Mandatory Conversion" will apply upon mandatory conversion, and for the purpose of calculating the conversion rate if the second bullet is applicable, the value of an exchange property unit will be determined in good faith by our board of directors (which determination will be final), except that if an exchange property unit includes common stock or American Depositary Receipts, or "ADRs", that are traded on a U.S. national securities exchange, the value of such common stock or ADRs will be the average over the 40 consecutive trading day period used for calculating the mandatory settlement value of the volume-weighted average prices for such common stock or ADRs, as displayed on the applicable Bloomberg screen (as determined in good faith by our board of directors (which determination will be final)); or, if such price is not available, the average market value per share of such common stock or ADRs over such period as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by us for this purpose. For the purpose of calculating any fundamental change settlement price, the value of an exchange property unit will be determined in good faith by our board of directors (which determination will be final), except that if an exchange property unit includes common stock or ADRs that are traded on a U.S. national securities exchange, the value of such common stock or ADRs will be the average over the five consecutive trading day period used for calculating the fundamental change settlement price of the closing prices for such common stock or ADRs, as displayed on the applicable Bloomberg screen (as determined in good faith by our board of directors (which determination will be final)); or, if such price is not available, the average market value per share of such common stock or ADRs over such period as determined by a nationally recognized independent investment banking firm retained by us for this purpose. The provisions of this paragraph will apply to successive reorganization events, and the provisions summarized under "—Anti-dilution Adjustments" will apply to any shares of common equity or ADRs of us or any successor received by the holders of shares of our common stock in any such reorganization event. We (or any successor to us) will, as soon as reasonably practicable (but in any event within five calendar days) after the occurrence of any reorganization event provide written notice to the holders of the mandatory convertible preferred stock of such occurrence and of the kind and amount of cash, securities or other property that constitute the exchange property units. Failure to deliver such notice will not affect the operation of the provisions described in this section.

In connection with any adjustment to the conversion rate described above, we will also adjust the initial dividend threshold (as defined under "—Anti-dilution Adjustments") based on the number of shares of common stock comprising the exchange property units and (if applicable) the value of any non-stock consideration comprising the exchange property units. If the exchange property units are composed solely of non-stock consideration, the initial dividend threshold will be zero.

It is possible that certain consolidations, mergers, combinations or other transactions could result in tax gains or losses to the holders either as a result of the transaction or the conversion thereafter. Holders are encouraged to consult with their own tax advisors regarding the tax consequences of the ownership, disposition and conversion of the mandatory convertible preferred stock.

Reservation of Shares

We will at all times reserve and keep available out of the authorized and unissued shares of common stock, solely for issuance upon conversion of the mandatory convertible preferred stock, the maximum number of shares of our common stock as shall be issuable from time to time upon the conversion of all the shares of the mandatory convertible preferred stock then outstanding.

Transfer Agent, Registrar and Conversion and Dividend Disbursing Agent

Computershare Trust Company, N.A. is the transfer agent and registrar of our common stock and will serve as transfer agent, registrar, conversion and dividend disbursing agent for the mandatory convertible preferred stock.

Remarketing

The mandatory convertible preferred stock will be remarketed as described under "Description of the Purchase Contracts—Remarketing."

In connection with a successful remarketing:

- (a) dividends may become payable on the mandatory convertible preferred stock and/or (b) if the closing price of our common stock on the pricing date for a successful remarketing is less than or equal to the initial price, the minimum conversion rate of the mandatory convertible preferred stock will be increased to an amount equal to $1,000 *divided by* 117.5% of the closing price of our common stock on such date (rounded to the nearest ten-thousandth of a share), whether or not the holder of such shares elected to participate in the remarketing, and in each case as described below; and
- if dividends become payable on the mandatory convertible preferred stock, such dividends will be payable on the mandatory convertible preferred stock on March 1, 2024 (or, at our election in consultation with the remarketing agent in connection with a successful optional remarketing, on each of December 1, 2023 and March 1, 2024) at the applicable dividend rate (as such dividend rate may be determined in connection with such remarketing), when, as and if declared by our board of directors.

The dividend rate and/or increased minimum conversion rate will be a fixed dividend rate and/or conversion rate (subject to adjustment in certain circumstances) determined by our board of directors, after consultation with the remarketing agent, as the rate(s) the mandatory convertible preferred stock should bear and the terms the mandatory convertible preferred stock should include in order for the net remarketing proceeds to equal (a) in the case of a final remarketing, at least $1,000 *multiplied by* the number of shares of mandatory convertible preferred stock being remarketed and (b) in the case of an optional remarketing, at least the sum of (x) 100% of the purchase price of the Treasury portfolio and (y) the separate mandatory convertible preferred stock purchase price for shares of mandatory convertible preferred stock that are not included in Corporate Units whose holders have elected to participate in the remarketing. We will not decrease the minimum conversion rate or the dividend rate, or change the maximum conversion rate, in connection with a successful remarketing of the mandatory convertible preferred stock.

Notwithstanding the foregoing, in no event will the increased minimum conversion rate for the mandatory convertible preferred stock exceed the then-current maximum conversion rate of the mandatory convertible preferred stock (which is initially 40.7997 shares of common stock and is subject to adjustment as set forth under

"Description of the Mandatory Convertible Preferred Stock—Anti-dilution Adjustments"). As a result of this limitation, and our inability to increase the maximum conversion rate, there is a greater risk of a failure to achieve a successful remarketing. If there is a Remarketing Failure, then, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of our common stock will be delivered upon automatic conversion of such shares of mandatory convertible preferred stock and each such share of mandatory convertible preferred stock will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon. If you hold Treasury Units or Cash Settled Units at the time of a Remarketing Failure, you must recreate Corporate Units with separate shares of mandatory convertible preferred stock during a limited period of time in order to avoid having your Treasury security or cash, as applicable, applied toward satisfaction of your obligations under your purchase contract. If you do not so recreate Corporate Units and have not monetized your separate share of mandatory convertible preferred stock, you will suffer a loss of your investment in the Treasury security or such cash.

For a discussion of some of the risks related to the occurrence of a Remarketing Failure, see "Risk Factors—Risk Factors Relating to the Equity Units—If a Remarketing Failure occurs and you hold Treasury Units or Cash Settled Units and separate shares of mandatory convertible preferred stock, you must recreate Corporate Units in order to avoid losing your pledged Treasury securities or cash and being left with mandatory convertible preferred stock with little economic value", "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon" and "Risk Factors—Risk Factors Relating to the Equity Units—Because the Equity Units and mandatory convertible preferred stock will initially be issued in book-entry form, holders must rely on DTC's procedures to receive communications relating to the Equity Units and mandatory convertible preferred stock and exercise their rights and remedies."

Remarketing of Shares That Are Not Included in Corporate Units

At any time prior to a remarketing, other than during a blackout period, holders of mandatory convertible preferred stock that do not underlie Corporate Units may elect to have their shares of mandatory convertible preferred stock remarketed in such remarketing in the same manner as shares of mandatory convertible preferred stock that underlie Corporate Units by delivering their shares along with a notice of this election to the custodial agent. The custodial agent will hold the shares of mandatory convertible preferred stock in an account separate from the collateral account in which the pledged assets will be held. Holders of shares of mandatory convertible preferred stock electing to have their shares remarketed will also have the right to withdraw their election at any time prior to 4:00 p.m., New York City time, on the second business day immediately preceding an optional remarketing period or the final remarketing period, as applicable.

If we elect to conduct an optional remarketing, we and the remarketing agent will use our reasonable best efforts to remarket and price the mandatory convertible preferred stock. In order for such optional remarketing to be successful, the remarketing agent must obtain a price (i) for shares of mandatory convertible preferred stock that are components of Corporate Units, that results in proceeds of at least 100% of the Treasury portfolio purchase price and (ii) for shares of mandatory convertible preferred stock that are not part of Corporate Units, at least equal to the separate mandatory convertible preferred stock purchase price (as defined below), which will be the same price, on a per share basis, as for the shares of mandatory convertible preferred stock included as components of Corporate Units. For purposes of determining the proceeds that the remarketing agent will seek to obtain for the mandatory convertible preferred stock in an optional remarketing, the "separate mandatory convertible preferred stock purchase price" means the amount in cash equal to the product of (A) the remarketing price per share of mandatory convertible preferred stock (as defined below) and (B) the number of shares of mandatory convertible preferred stock included in such remarketing that are not part of Corporate Units, which will be the same price on a per share basis, as shares of mandatory convertible preferred stock remarketed as Corporate Units. The "remarketing price per share of mandatory convertible preferred stock" for an optional

remarketing means, for each share of mandatory convertible preferred stock, an amount in cash equal to the quotient of the Treasury portfolio purchase price *divided by* the number of shares of mandatory convertible preferred stock included in such remarketing that are held as components of Corporate Units.

With respect to the final remarketing, we and the remarketing agent will use our reasonable best efforts to remarket and price the mandatory convertible preferred stock. The remarketing will be considered successful if the remarketing agent is able to obtain a price that results in proceeds of at least $1,000 *multiplied by* the number of shares of mandatory convertible preferred stock being remarketed.

In the event of a successful remarketing of the mandatory convertible preferred stock, proceeds from the remarketing attributable to holders of separate shares of mandatory convertible preferred stock that elected to have their shares remarketed will be remitted by the remarketing agent to the custodial agent for the benefit of such holders on the optional remarketing settlement date (in the case of any optional remarketing) or on the final remarketing settlement date (in the case of the final remarketing).

Terms of Remarketed Mandatory Convertible Preferred Stock

In the case of a successful remarketing of the mandatory convertible preferred stock, (a) dividends may become payable on the mandatory convertible preferred stock and/or (b) if the closing price on the pricing date for a successful remarketing is less than or equal to the initial price, the minimum conversion rate of the mandatory convertible preferred stock will be increased to an amount equal to $1,000 *divided by* 117.5% of the closing price of our common stock on such date (rounded to the nearest ten-thousandth of a share). The changes to the terms of the mandatory convertible preferred stock in connection with a successful remarketing of the mandatory convertible preferred stock, if any, will become effective on the settlement date of such remarketing (the "remarketing settlement date"), which will be, in the case of a successful optional remarketing, the third business day following the optional remarketing date (or such other date as we and the remarketing agent agree upon) and, in the case of the final remarketing period, the third business day following the final remarketing date (or such other date as we and the remarketing agent agree to, but in no event later than the purchase contract settlement date).

If dividends become payable on the mandatory convertible preferred stock and/or the minimum conversion rate is increased, the dividend rate and/or increased minimum conversion rate will be a fixed dividend rate and/or minimum conversion rate (subject to adjustment in certain circumstances) determined by our board of directors, after consultation with the remarketing agent, as the rate(s) the mandatory convertible preferred stock should bear and the terms the mandatory convertible preferred stock should include in order for the net remarketing proceeds to equal (a) in the case of a final remarketing, at least $1,000 *multiplied by* the number of shares of mandatory convertible preferred stock being remarketed and (b) in the case of an optional remarketing, at least the sum of (x) 100% of the purchase price of the Treasury portfolio and (y) the separate mandatory convertible preferred stock purchase price for shares of mandatory convertible preferred stock that are not included in Corporate Units whose holders have elected to participate in the remarketing. We will not decrease the minimum conversion rate or the dividend rate, or change the maximum conversion rate, in connection with a successful remarketing of the mandatory convertible preferred stock.

Notwithstanding the foregoing, in no event will the increased minimum conversion rate for the mandatory convertible preferred stock exceed the then-current maximum conversion rate of the mandatory convertible preferred stock (which is initially 40.7997 shares of common stock and is subject to adjustment as set forth under "Description of the Mandatory Convertible Preferred Stock—Anti-dilution Adjustments").

If the mandatory convertible preferred stock is not successfully remarketed, no terms of the mandatory convertible preferred stock will be changed, except that if a Remarketing Failure occurs, the conversion rate will be fixed at zero effective as of December 1, 2023, and, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of common

stock will be deliverable upon mandatory conversion of such shares of mandatory convertible preferred stock and each such share will be automatically transferred to us on the mandatory conversion date without payment or delivery of any cash or shares of our common stock or other consideration.

The remarketing agent is not obligated to purchase any shares of mandatory convertible preferred stock that would otherwise remain unsold in the remarketing. None of us, the remarketing agent or any agent of us or the remarketing agent will be obligated in any case to provide funds to make payment upon tender of mandatory convertible preferred stock for remarketing.

Automatic Settlement Upon Failed Final Remarketing

If the mandatory convertible preferred stock has not been successfully remarketed on or prior to the last day of the final remarketing period, all ownership interests in shares of mandatory convertible preferred stock held as part of Corporate Units will be delivered to us on the purchase contract settlement date in full satisfaction of the Corporate Unit holders' obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date, unless the holder separately cash settles purchase contracts as described below.

The ownership interest in mandatory convertible preferred stock underlying a Corporate Unit will be automatically delivered to us thereby satisfying such holder's obligations to us under the related purchase contracts in full, unless, prior to 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date, the holder provides written notice to the purchase contract agent of an intention to settle the related purchase contracts with separate cash and on or prior to the business day immediately preceding the purchase contract settlement date delivers to the securities intermediary $1,000 in cash per 10 purchase contracts. Holders of Corporate Units may settle their purchase contracts with separate cash only in integral multiples of 10 Corporate Units.

If a Remarketing Failure occurs, with respect to any shares of mandatory convertible preferred stock that remain outstanding following the purchase contract settlement date, no shares of our common stock will be delivered upon automatic conversion of such shares of mandatory convertible preferred stock and each such share of mandatory convertible preferred stock will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon. If you had created Treasury Units or Cash Settled Units in advance of the final remarketing period and a Remarketing Failure occurs, you will have from 9:00 a.m., New York City time, on the business day immediately succeeding the last day of the final remarketing period until 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date to recreate Corporate Units with separate shares of mandatory convertible preferred stock, in order for such shares to be automatically applied in satisfaction of your obligations under the related purchase contracts as described above. If you do not recreate Corporate Units during this period, your pledged Treasury securities or cash, as the case may be, will be used to satisfy your obligations under the related purchase contracts, and, if you hold shares of separate mandatory convertible preferred stock, those shares will no longer convert into common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of common stock thereon.

For a discussion of some of the risks related to the occurrence of a Remarketing Failure, see "Risk Factors—Risk Factors Relating to the Equity Units—If a Remarketing Failure occurs and you hold Treasury Units or Cash Settled Units and separate shares of mandatory convertible preferred stock, you must recreate Corporate Units in order to avoid losing your pledged Treasury securities or cash and being left with mandatory convertible preferred stock with little economic value", "Risk Factors—Risk Factors Relating to the Mandatory Convertible Preferred Stock—If a Remarketing Failure occurs, the mandatory convertible preferred stock will not convert into any shares of our common stock and will be automatically transferred to us on or around March 1, 2024 without any payment of cash or shares of our common stock thereon" and "Risk Factors—Risk Factors Relating to the Equity Units—Because the Equity Units and mandatory convertible preferred stock will initially be issued in book-entry form, holders must rely on DTC's procedures to receive communications relating to the Equity Units and mandatory convertible preferred stock and exercise their rights and remedies."

Payment

So long as any separate shares of mandatory convertible preferred stock are registered in the name of DTC, as depository for the mandatory convertible preferred stock as described herein under "Book-Entry Issuance—The Depository Trust Company," or DTC's nominee, payments on the mandatory convertible preferred stock will be made as described therein.

Form

So long as any separate shares of mandatory convertible preferred stock are registered in the name of DTC, as depository for the mandatory convertible preferred stock as described herein under "Book-Entry Issuance—The Depository Trust Company," or DTC's nominee, transfers and exchanges of beneficial interests in the separate shares of mandatory convertible preferred stock will be made as described therein.

Certain Trading Characteristics

The mandatory convertible preferred stock is expected to trade at a price that takes into account the value, if any, of accumulated but unpaid dividends (except for declared dividends accumulated after a record date and prior to a dividend payment date, which dividends will be payable to the holders as of the record date, as described above); thus, it is expected that purchasers of the mandatory convertible preferred stock will not pay, and sellers will not receive, accumulated and unpaid dividends with respect to the mandatory convertible preferred stock that is not included in the trading price thereof.

Title

We and any agent of ours will treat the person or entity in whose name securities are registered as the absolute owner of those securities for the purpose of making payments and for all other purposes irrespective of notice to the contrary.

Book-Entry Issuance—The Depository Trust Company

The shares of mandatory convertible preferred stock will be issued in fully registered form and will be evidenced by one or more global securities registered in the name of DTC's nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. Such global securities will be deposited with the registrar as custodian for DTC and, in the case of shares of mandatory convertible preferred stock that form a part of the Corporate Units, credited to the collateral account. See "Certain Provisions of the Purchase Contract and Pledge Agreement—Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units" for a description of DTC.

Purchases of the mandatory convertible preferred stock under the DTC system must be made by or through direct participants, which will receive a credit for the mandatory convertible preferred stock on DTC's records. The ownership interest of each actual purchaser of each share of mandatory convertible preferred stock ("beneficial owner") is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participant through which they purchased the mandatory convertible preferred stock. Transfers of ownership interests on the mandatory convertible preferred stock are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in convertible preferred stock, except in the event that use of the book-entry system for the mandatory convertible preferred stock is discontinued.

To facilitate subsequent transfers, all convertible preferred stock deposited by direct participants with DTC are registered in the name of DTC's nominee, Cede & Co., or such other name as may be requested by an

authorized representative of DTC. The deposit of the mandatory convertible preferred stock with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the mandatory convertible preferred stock; DTC's records reflect only the identity of the direct participants to whose accounts the shares of mandatory convertible preferred stock are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Notices will be sent to DTC.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the mandatory convertible preferred stock unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the voting or consenting rights of Cede & Co. to those direct participants to whose accounts the shares of mandatory convertible preferred stock are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the mandatory convertible preferred stock.

Payments of dividends, if any, on the mandatory convertible preferred stock will be made to Cede & Co. (or such other nominee of DTC). DTC's practice is to credit direct participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the transfer agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of each participant and not of DTC or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of dividends, if any, to Cede & Co. (or other such nominee of DTC) is our responsibility. Disbursement of such payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants.

A beneficial owner will not be entitled to receive physical delivery of the mandatory convertible preferred stock. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the mandatory convertible preferred stock.

DTC may discontinue providing its services as securities depository with respect to the mandatory convertible preferred stock at any time by giving us or the transfer agent reasonable notice. In the event no successor securities depository is obtained, certificates for the mandatory convertible preferred stock will be printed and delivered.

The information in this section concerning DTC's book-entry system has been obtained from sources that we believe to be reliable, but neither we nor the underwriters take any responsibility for the accuracy of this information.

MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES

The following is a summary of the material United States federal income tax and, in the case of non-U.S. holders (as defined below), estate tax consequences of the purchase, ownership and disposition of Equity Units (including the components thereof) and shares of our common stock acquired under a purchase contract or upon conversion of the mandatory convertible preferred stock. This summary applies only to initial investors who acquire the Equity Units for cash at their initial offering price, which will be the price indicated on the cover of this prospectus supplement, and hold the Equity Units as capital assets. This summary does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, tax consequences if you are subject to special tax accounting rules under Section 451(b) of the Internal Revenue Code of 1986, as amended (the "Code"), as well as differing tax consequences that may apply if you are, for instance,

- a dealer in securities;
- a trader in securities;
- a regulated investment company, real estate investment trust, controlled foreign corporation, passive foreign investment company, or shareholders of such corporations;
- an entity that is tax-exempt for U.S. federal income tax purposes, and a retirement plan, individual retirement account and tax-deferred account;
- an insurance company;
- a person holding the Equity Units (or the components thereof), common stock as part of a hedging, integrated, conversion, wash sale or constructive sale transaction or a straddle or synthetic security;
- a financial institution;
- a person who is a pass-through entity, including partnerships and entities and arrangements classified as partnerships for U.S. federal income tax purposes, and an investor in a pass-through entity holding the Equity Units (or the components thereof) or common stock;
- a United States person whose "functional currency" is not the U.S. dollar; or
- a U.S. expatriate.

If you are a partnership for U.S. federal income tax purposes that holds the Equity Units (or the components thereof) or our common stock, the tax treatment of your partners will generally depend upon the status of the partner and the activities of the partnership. Entities or arrangements classified as partnerships for U.S. federal income tax purposes, and partners in such partnerships, holding the Equity Units (or the components thereof) or common stock should consult their own tax advisors.

This summary is based upon the provisions of the Code, final, temporary and proposed Treasury regulations, administrative pronouncements and judicial decisions issued thereunder as of the date hereof. Those authorities may change, perhaps retroactively, so as to result in U.S. federal income and estate tax consequences different from those discussed below. We cannot assure you that the Internal Revenue Service (the "IRS") will not challenge one or more of the tax consequences described in this summary, and we have not obtained, nor do we intend to obtain, any ruling from the IRS or opinion of counsel with respect to the tax consequences of the purchase, ownership or disposition of Equity Units (including the components thereof) and shares of our common stock acquired under a purchase contract or upon conversion of the mandatory convertible preferred stock. This summary does not address all aspects of U.S. federal income and estate taxes and does not deal with non-U.S., state, local or other tax considerations that may be relevant to investors in light of their particular circumstances.

Tax Treatment of the Equity Units

Based on the terms of the Equity Units, we intend to take the position that the separate components of an Equity Unit should be respected for U.S. federal income tax purposes in accordance with their form. We and, by purchasing a Corporate Unit, you will be deemed to have agreed to this treatment. Under this treatment of the Equity Units, you will be treated as owning the mandatory convertible preferred stock (or after a successful remarketing, the applicable ownership interest in the Treasury portfolio), Treasury securities or cash constituting a part of the Corporate Units, Treasury Units, or Cash Settled Units, as applicable, and as owning the purchase contract, separately, for U.S. federal income tax purposes. We have not sought any rulings concerning the treatment of the Equity Units, and this treatment is not binding on the IRS or the courts, either of which could disagree with this treatment and the explanations or conclusions contained in this summary. If the IRS or a court were to treat an Equity Unit as a single integrated instrument for U.S. federal income tax purposes, the U.S. federal income tax consequences of the separation of such components pursuant to the terms of the Equity Units are uncertain and could differ from those described below. If you are considering the purchase of Equity Units, you should consult your tax advisor concerning the U.S. federal income and estate tax consequences to you in light of your particular circumstances as well as any consequences arising under the laws of any other taxing jurisdiction. The remainder of this discussion assumes that a holder of an Equity Unit will be treated for U.S. federal income tax purposes as owning the 1/10 or 10% undivided beneficial ownership interest in one share of mandatory convertible preferred stock (or applicable ownership interest in the Treasury portfolio, Treasury securities or cash, as applicable) and the purchase contract separately.

Tax Consequences to U.S. Holders

This section applies to you if you are a U.S. holder. You are a "U.S. holder" if for U.S. federal income tax purposes you are a beneficial owner of an Equity Unit that is:

- an individual citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if (1) a U.S. court is able to exercise primary supervision over the trust's administration and one or more "United States persons" (within the meaning of the Code) has the authority to control all of the trust's substantial decisions, or (2) the trust has a valid election in effect under applicable Treasury regulations to be treated as a "United States person."

Equity Units

Allocation of Purchase Price

The purchase price of each Corporate Unit will be allocated between the 1/10 or 10% undivided beneficial ownership interest in one share of mandatory convertible preferred stock and the purchase contract in proportion to their respective fair market values at the time of purchase. This allocation will establish your initial tax basis in the mandatory convertible preferred stock and the purchase contract. If we are required to report this allocation for U.S. federal income tax purposes, we will report the initial fair market value of the mandatory convertible preferred stock represented by one Corporate Unit as $100 and the initial fair market value of the purchase contract as $0 and, by purchasing a Corporate Unit, you will agree to this allocation. This allocation is not, however, binding on the IRS. The remainder of this discussion assumes that this allocation of the purchase price of a Corporate Unit will be respected for U.S. federal income tax purposes.

Sale, Exchange, or Other Disposition of Equity Units

Upon a disposition of an Equity Unit, you will be treated as having sold, exchanged or disposed of the purchase contract and either the mandatory convertible preferred stock (or applicable ownership interest in the Treasury portfolio, if applicable),Treasury securities or cash, as the case may be, that constitute the Equity Unit. The proceeds realized on a disposition will be allocated between the purchase contract and the ownership interest in the mandatory convertible preferred stock, applicable ownership interest in the Treasury portfolio, Treasury securities or cash, in proportion to their respective fair market values at the time of disposition. The rules governing the treatment of the disposition of the mandatory convertible preferred stock, the purchase contract, the Treasury portfolio and the Treasury securities are summarized under "—Mandatory Convertible Preferred Stock—Sale, Exchange, Successful Remarketing or Other Taxable Disposition of Mandatory Convertible Preferred Stock," "—Treasury Portfolio—Tax Basis of and Gain on the Applicable Ownership Interest in the Treasury Portfolio," "—Treasury Units—Sale, Exchange or Other Taxable Disposition of Treasury Securities," and "—Purchase Contracts—Dispositions, Including Terminations, of a Purchase Contract" below.

If the disposition of Equity Units occurs when the purchase contract has a negative value (*i.e.*, the purchase contract represents a net liability), you should generally be considered to have received additional consideration for the mandatory convertible preferred stock, Treasury portfolio, Treasury securities or cash in an amount equal to that negative value, and to have paid that amount to be released from your obligation under the purchase contract. You should consult your tax advisor regarding a disposition of an Equity Unit at a time when the purchase contract has a negative value.

Reorganization Event

Depending on the circumstances, a Reorganization Event as described in "Description of the Purchase Contracts - Reorganization Events" could potentially be a taxable event and could result in consequences to the beneficial owner of the Equity Units (or components thereof) or common stock held after the Reorganization Event that differ from those described herein. You should consult your tax advisor regarding the tax consequences of a Reorganization Event.

Mandatory Convertible Preferred Stock

Distributions on Mandatory Convertible Preferred Stock

If distributions become payable on our mandatory convertible preferred stock as a result of a successful remarketing, any distribution paid on our mandatory convertible preferred stock (including the fair market value of distributions paid in common stock and the payment of dividends in arrears, if any) will be treated as a dividend to the extent of our current and accumulated earnings and profits (as determined under U.S. federal income tax principles) and will be includible in income by you when received by you or on your behalf. If a distribution exceeds our current and accumulated earnings and profits, the excess will first be treated as a tax-free return of your investment, up to your adjusted tax basis, in the mandatory convertible preferred stock, and thereafter as gain from the sale or exchange of the shares. Subject to applicable limitations and restrictions, dividends paid to non-corporate U.S. holders should be treated as "qualified dividend income" (as defined in the Code) taxable at favorable rates applicable to long-term capital gains. Subject to applicable limitations and restrictions, dividends paid to corporate U.S. holders should be eligible for the dividends-received deduction. You should consult your tax advisor regarding the application of reduced tax rates and the dividends-received deduction in your particular circumstances. We may determine not to pay a dividend currently, in which case you should consult your tax advisor regarding whether, in that circumstance, you would be required to accrue the deferred dividend into your taxable income on a current basis.

Constructive Distributions

You may be treated as receiving a constructive distribution from us if (1) the conversion rate of the mandatory convertible preferred stock is adjusted (or fails to be adjusted) and as a result of such adjustment (or failure to adjust), your proportionate interest in our assets or earnings and profits is increased and (2) the adjustment (or failure to adjust) is not made pursuant to a *bona fide*, reasonable anti-dilution formula. For example, an adjustment in the conversion rate would not be considered made pursuant to such a formula if the adjustment were made to compensate you for certain taxable distributions with respect to our common stock (including, without limitation, adjustments in respect of taxable dividends to our common stockholders). A constructive distribution on our mandatory convertible preferred stock will generally be treated as described under "—Distributions on Mandatory Convertible Preferred Stock" above. Thus, under certain circumstances, an increase in (or failure to decrease) the conversion rate (including in connection with a fundamental change) might give rise to a taxable dividend to you even though you will not receive any cash in respect thereof. Any deemed distribution will be taxable as a dividend, return of capital, or capital gain in accordance with the earnings and profits rules described above under "—Distributions on Mandatory Convertible Preferred Stock."

Tax Basis in Mandatory Convertible Preferred Stock

Your initial tax basis in the mandatory convertible preferred stock will equal the portion of the purchase price for the Equity Unit allocated to the mandatory convertible preferred stock as described above (see "—Equity Units—Allocation of Purchase Price" above).

Sale, Exchange, Successful Remarketing, or Other Taxable Disposition of Mandatory Convertible Preferred Stock

You will generally recognize capital gain or loss on the disposition of mandatory convertible preferred stock (including upon a successful remarketing of the mandatory convertible preferred stock if you participate in the remarketing, but subject to the discussion below regarding redemptions) equal to the difference between the amount realized on the disposition and your adjusted tax basis in the mandatory convertible preferred stock. This gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if, at the time of the disposition, you held the mandatory convertible preferred stock for a period of more than one year. Long-term capital gains recognized by non-corporate U.S. holders are subject to reduced rates. The deductibility of capital losses is subject to limitations. If you elect not to participate in a successful remarketing, you should not be treated as having sold, exchanged, or otherwise disposed of your mandatory convertible preferred stock.

A redemption of our mandatory convertible preferred stock for cash will generally be treated as a dividend to the extent of our current and accumulated earnings and profits as determined under U.S. federal income tax principles unless the redemption (i) is "not essentially equivalent to a dividend" within the meaning of Section 302 of the Code or (ii) completely terminates the holder's interest in the Company. In determining whether either of these tests has been satisfied, a beneficial owner generally must take into account stock actually owned as well as stock treated as constructively owned under the Code (possibly including any common stock that a beneficial owner may be obligated to acquire under a purchase contract and/or entitled to receive on conversion of mandatory convertible preferred stock). While the determination whether either of the foregoing tests is satisfied depends on a stockholder's particular facts and circumstances as of the time of the determination, the IRS has ruled in the past that in certain circumstances even a small reduction in the proportionate interest held by a small minority stockholder in a publicly traded corporation will be treated as an exchange if the stockholder exercises no control over the corporation. Any cash received upon a redemption in respect of dividends in arrears on our mandatory convertible preferred stock should be treated as described above under "—Distributions on our Mandatory Convertible Preferred Stock." You should consult your tax advisor regarding the proper treatment of a redemption of our mandatory convertible preferred stock.

In the event of a failed remarketing we intend to treat the delivery of mandatory convertible preferred stock by a U.S. holder of Corporate Units along with the delivery by us to such U.S. holder of common stock, each in satisfaction of the purchase contract, as a recapitalization for U.S. federal income tax purposes pursuant to which the U.S. holder would not recognize gain or loss except to the extent of cash in lieu of a fractional share. You should consult your tax advisor about possible alternative treatments of a failed remarketing, including the possibility that it could be deemed to be a redemption for cash.

Conversion of Mandatory Convertible Preferred Stock into Common Stock

If you receive only common stock upon a conversion of our mandatory convertible preferred stock (other than cash with respect to any fractional share), you generally will not recognize gain or loss upon the conversion, except with respect to any cash received in lieu of a fractional share. Your tax basis in the common stock received in such a conversion will be the same as your adjusted tax basis in the mandatory convertible preferred stock surrendered (excluding the portion of the tax basis that is allocable to any fractional share), and your holding period for such common stock will include your holding period for the mandatory convertible preferred stock that was converted. The amount of gain or loss recognized on the receipt of cash in lieu of a fractional share would be equal to the difference between the amount of cash you receive in respect of the fractional share and the portion of your tax basis in the mandatory convertible preferred stock that is allocable to the fractional share. Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if, at the time of the conversion, the mandatory convertible preferred stock has been held by you for more than one year. The deductibility of capital losses is subject to limitations.

Conversion of Mandatory Convertible Preferred Stock into Solely Cash

Under certain situations described above under "Description of the Mandatory Convertible Preferred Stock—Conversion at the Option of the Holder Upon a Fundamental Change," you may receive only cash in respect of mandatory convertible preferred stock surrendered for conversion. In such an event, you generally will be treated as having disposed of your mandatory convertible preferred stock in a redemption by us and will, subject to rules regarding redemption described above under "—Sale, Exchange, Successful Remarketing, or Other Taxable Disposition of Mandatory Convertible Preferred Stock," recognize gain or loss on such disposition.

Purchase Contracts

Contract Adjustment Payments

There is no authority directly addressing the U.S. federal income tax treatment of the contract adjustment payments under current law, and the treatment of these payments is unclear. Contract adjustment payments may constitute taxable ordinary income to you when received or accrued, in accordance with your method of tax accounting. If we are ever required to file information returns with respect to contract adjustment payments, we intend to report these payments as taxable ordinary income. Under this treatment, if you are an accrual-method taxpayer, you could be required to recognize ordinary income with respect to the contract adjustment payments even if we pay them partly or wholly in common stock. In addition, if we defer a contract adjustment payment and you are an accrual-method taxpayer, you may be required to continue to recognize income for U.S. federal income tax purposes in respect of the purchase contracts in advance of your receipt of any corresponding cash payments. Moreover, amounts you receive upon a disposition of an Equity Unit that are attributable to an accrued contract adjustment payment may be treated as ordinary income to the extent not previously included in income. Alternatively, a contract adjustment payment may be treated as option premium, rather than being includible in income on a current basis. The treatment of contract adjustment payments could affect your tax basis in a purchase contract or common stock received under a purchase contract or your amount realized upon the sale or disposition of a purchase contract (whether held as part of a Corporate Unit, Treasury Unit or Cash Settled Unit) or the termination of a purchase contract. See "—Dispositions, Including Terminations, of a Purchase Contract,"

"—Acquisition of Common Stock under a Purchase Contract," and "Equity Units—Sale, Exchange or Other Disposition of the Equity Units." You should consult your tax advisor regarding the potential treatment of the contract adjustment payments as option premium. Unless otherwise stated, the discussion herein assumes you recognize any contract adjustment payments received in income as ordinary income on a current basis.

In contrast to dividend payments, corporate holders will not be entitled to claim a dividends-received deduction with respect to contract adjustment payments and non-corporate holders will not be eligible for a reduced rate of taxation.

Dispositions, Including Terminations, of a Purchase Contract

Upon a disposition of a purchase contract in connection with the sale or exchange of an Equity Unit, you will recognize gain or loss equal to the difference between the amount realized and your adjusted tax basis in the purchase contract (if any). It is not entirely clear, however, whether the gain or loss on the disposition of a purchase contract will be long-term capital gain or loss or short-term capital gain or loss, even if your holding period for the purchase contract exceeds one year at the time of disposition. In determining gain or loss, any contract adjustment payments previously included in your income, but not received by you, should increase your adjusted tax basis in your purchase contract. For a discussion of the tax consequences of disposing of an Equity Unit when a purchase contract has a negative value, see "—Sale, Exchange, or Other Disposition of Equity Units" above.

If a purchase contract terminates, you will be treated as disposing of the contract for no value. Therefore, assuming the contract adjustment payments have not been deferred and you have recognized them as income on a current basis, you will not recognize any gain or loss. If you accrued deferred contract adjustment payments into income that you have not yet received, you should have a loss equal to your resulting basis. In any event, you will not recognize gain or loss on the receipt of your proportionate share of the mandatory convertible preferred stock, Treasury securities, Treasury portfolio or cash upon termination of the purchase contract and you will have the same tax basis in the mandatory convertible preferred stock, Treasury securities or Treasury portfolio, as the case may be, as before such termination.

Acquisition of Common Stock under a Purchase Contract

You generally will not recognize gain or loss on the purchase of our common stock under a purchase contract (including in an early settlement of a purchase contract), except with respect to any cash paid in lieu of a fractional share of common stock, which should be treated as paid in exchange for the fractional share. Your aggregate initial tax basis in the common stock acquired under a purchase contract generally should equal (a) the purchase price paid for such common stock, plus (b) your tax basis in the purchase contract, if any, less (c) any such tax basis allocable to the fractional share. The holding period for common stock received under a purchase contract will commence on the day after the common stock is acquired. See "—Common Stock Acquired under a Purchase Contract or upon Conversion," below. For the treatment of the delivery of mandatory convertible preferred stock to us in satisfaction of a purchase contract in the event of a failed remarketing, see the discussion above under "—Mandatory Convertible Preferred Stock—Sale, Exchange, Successful Remarketing, or Other Taxable Disposition of Mandatory Convertible Preferred Stock."

In the event of an early settlement of a purchase contract (including an early settlement upon the occurrence of a fundamental change), you will not recognize gain or loss on the receipt of your proportionate share of the mandatory convertible preferred stock, Treasury portfolio, Treasury securities or cash and you will have the same tax basis in the mandatory convertible preferred stock, Treasury portfolio or Treasury securities, as the case may be, as before the early settlement.

Constructive Distributions

You might be treated as receiving a constructive distribution from us if (i) the maximum settlement rate under the purchase contract is adjusted and as a result of such adjustment your proportionate interest in our assets or earnings and profits is increased and (ii) the adjustment is not made pursuant to a *bona fide*, reasonable anti-dilution formula. For example, an adjustment to the maximum settlement rate would not be considered made pursuant to such a formula if the adjustment were made to compensate you for taxable distributions with respect to our common stock (for example, if we increase the cash dividend on our common stock). Thus, under certain circumstances, an increase in the maximum settlement rate (including an increase in the number of shares to be received upon a conversion in connection with a fundamental change) might give rise to a taxable dividend to you even though you will not receive any cash in respect thereof. In addition, in certain situations, you might be treated as receiving a constructive distribution if we fail to adjust the maximum settlement rate. Any deemed distribution will be taxable as a dividend, return of capital, or capital gain in accordance with the earnings and profits rules described below under "—Common Stock Acquired under a Purchase Contract or upon Conversion—Distributions."

Treasury Units

Substitution of Treasury Securities to Create Treasury Units

You may create Treasury Units by delivering Corporate Units and Treasury securities to the collateral agent in substitution for the mandatory convertible preferred stock. The pledged mandatory convertible preferred stock will then be released from the collateral agreement and delivered to you. You generally will not recognize gain or loss upon the delivery of the Treasury securities or the release of the mandatory convertible preferred stock. You will continue to take into account items of income otherwise includible, with respect to the mandatory convertible preferred stock and the Treasury securities and your tax basis in the mandatory convertible preferred stock, Treasury securities and purchase contract will not be affected by the delivery and release.

Ownership of Treasury Securities

By acquiring Treasury Units, you agree to treat yourself as the beneficial owner of the Treasury securities that are part of the Treasury Units owned by you. We also agree to treat you as the owner of the Treasury securities. Your initial tax basis in the Treasury securities that are part of the Treasury Units will be equal to the amount paid for the Treasury securities. Your adjusted tax basis in the Treasury securities will be increased by the amount of any original issue discount ("OID") or acquisition discount, as applicable, included in income with respect thereto, as described below.

Original Issue Discount and Acquisition Discount

If you hold a Treasury Unit, you will be required to treat your ownership interest in the Treasury securities constituting part of the Treasury Unit as an interest in a bond that was originally issued on the date you acquired the Treasury securities and, in the case of Treasury securities with a maturity of more than a year, has OID equal to the excess of the amount payable at maturity of the Treasury securities over the purchase price thereof, or, in the case of Treasury securities with a maturity of a year or less, was acquired with acquisition discount equal to the excess of the amount payable at maturity of the Treasury securities over the purchase price thereof. You will be required to include any OID in income on a constant yield to maturity basis over the period between the purchase date of the Treasury securities and the maturity date of the Treasury securities, regardless of your method of tax accounting and in advance of the receipt of cash attributable to the OID. If you are a cash-method taxpayer, you will not report acquisition discount until the Treasury securities mature or you sell, exchange or otherwise dispose of the Treasury securities in a taxable transaction, unless you elect to accrue the acquisition discount on a current basis. If you do not elect to accrue acquisition discount on a current basis, any interest expense on indebtedness you used to purchase or carry the Treasury securities, to the extent it does not exceed the daily portions of acquisition discount with respect to the Treasury securities, will be deferred until the

acquisition discount is recognized. If you are an accrual-method taxpayer (or a cash method taxpayer that elects to accrue acquisition discount), you will be required to accrue the acquisition discount on a straight-line basis unless you elect to accrue the acquisition discount on a constant yield to maturity basis.

Sale, Exchange or Other Taxable Disposition of Treasury Securities

You will generally recognize gain or loss on the disposition of the Treasury securities constituting part of a Treasury Unit equal to the difference between the amount realized on the disposition and your adjusted tax basis in the Treasury securities. Amounts of OID or acquisition discount included in your gross income will increase your adjusted tax basis in the Treasury securities. The gain or loss you recognize will generally be capital gain or loss (except to the extent of any gain realized that does not exceed an amount equal to the OID or acquisition discount on such Treasury securities not previously included in income, which will be treated as ordinary income), and will be long-term capital gain or loss if, at the time of the disposition, your holding period for the Treasury securities exceeds one year. Long-term capital gains recognized by non-corporate U.S. holders are subject to reduced rates. The deductibility of capital losses is subject to limitations.

Substitution of Mandatory Convertible Preferred Stock to Recreate Corporate Units

If you deliver Treasury Units and mandatory convertible preferred stock to the collateral agent in exchange for Corporate Units and Treasury securities, you generally will not recognize gain or loss upon the delivery of the mandatory convertible preferred stock or the release of the Treasury securities. You will continue to take into account items of income or deduction otherwise includible or deductible, respectively, with respect to the mandatory convertible preferred stock and the Treasury securities and your tax basis in the mandatory convertible preferred stock, the Treasury securities and the purchase contracts will not be affected by the delivery and release.

Cash Settled Units

Substitution of Cash to Create Cash Settled Units

You may create Cash Settled Units by delivering Corporate Units and cash to the collateral agent in substitution for the mandatory convertible preferred stock. The pledged mandatory convertible preferred stock will then be released from the collateral agreement and delivered to you. You generally will not recognize gain or loss upon the delivery of the cash or the release of the mandatory convertible preferred stock. You will continue to take into account items of income otherwise includible with respect to the mandatory convertible preferred stock, and your tax basis in the mandatory convertible preferred stock and purchase contracts will not be affected by the delivery and release.

Substitution of Mandatory Convertible Preferred Stock to Recreate Corporate Units

If you deliver Cash Settled Units and mandatory convertible preferred stock to the collateral agent in exchange for Corporate Units and cash, you generally will not recognize gain or loss upon the delivery of the mandatory convertible preferred stock or the release of the cash. You will continue to take into account items of income otherwise includible with respect to the mandatory convertible preferred stock, and your tax basis in the mandatory convertible preferred stock and purchase contracts will not be affected by the delivery and release.

Treasury Portfolio

Interest Income and Acquisition Discount

Following a successful optional remarketing, if the Treasury portfolio contains interest-paying securities that are not Treasury strips, you will generally be required to recognize ordinary income to the extent of your *pro*

rata portion of the interest paid (or, in the case of short-term Treasury securities, acquisition discount accrued, as discussed above in *"*—Treasury Securities— Original Issue Discount and Acquisition Discount") with respect to the Treasury securities in the Treasury portfolio. If the Treasury portfolio contains Treasury strips, the tax treatment to you with respect to interest income and acquisition discount will be the same as described above in *"*—Treasury Securities— Original Issue Discount and Acquisition Discount." You should consult your tax advisor regarding the tax treatment of your applicable ownership interest in the Treasury portfolio.

Tax Basis of and Gain on the Applicable Ownership Interest in the Treasury Portfolio

Your initial tax basis in your applicable ownership interest in the Treasury portfolio will equal your proportionate share of the amount paid by the collateral agent for the Treasury portfolio. Your adjusted tax basis in the applicable ownership interest in the Treasury portfolio will be increased by the amount of acquisition discount included in gross income with respect thereto, and decreased by the amount of cash received with respect to acquisition discount in the Treasury portfolio.

Upon the disposition or maturity of your *pro rata* portion of the Treasury securities in the Treasury portfolio, you will recognize gain or loss on the difference between the amount realized and your adjusted tax basis in the Treasury securities. This gain or loss will generally be short-term capital gain or loss, except to the extent of any gain realized that is attributable to accrued but unpaid interest or that does not exceed an amount equal to the ratable share of the acquisition discount on such Treasury securities not previously included in income, which will be treated as ordinary income.

Common Stock Acquired under a Purchase Contract or upon Conversion

Distributions

Any distribution paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will constitute a dividend and will be includible in income by you when received. Any such dividend will be eligible for the dividends-received deduction if you are an otherwise qualifying corporate U.S. holder that meets the holding period and other requirements for the dividends-received deduction. Non-corporate U.S. holders that receive dividends on our common stock are eligible for a reduced rate of taxation if certain requirements are satisfied. Any distribution on our common stock in excess of our current and accumulated earnings and profits will first be applied to reduce your tax basis in the common stock (but not below zero), and any remaining excess will be treated as gain from the sale or exchange of your common stock, as described immediately below.

Sale, Exchange or Other Taxable Disposition

Upon a sale, exchange, or other taxable disposition of our common stock, you will recognize capital gain or loss in an amount equal to the difference between the amount realized and your adjusted tax basis in the common stock. This capital gain or loss will be long-term capital gain or loss if your holding period for the shares exceeds one year at the time of the disposition. Under U.S. federal income tax law, certain non-corporate U.S. holders, including individuals, are eligible for preferential tax rates in respect of long-term capital gains. The deductibility of capital losses is subject to certain limitations.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments to you in respect of the Equity Units (including the components thereof) and common stock and to the proceeds of the sale or other disposition of these instruments, unless you are an exempt recipient (and you certify as to your exempt recipient status, if required to do so). Backup withholding may apply to these payments if you fail to provide a taxpayer identification number or establish certain other conditions. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Tax Consequences to Non-U.S. Holders

This section applies to you if you are a non-U.S. holder. You are a non-U.S. holder if for U.S. federal income tax purposes you are a beneficial owner of an Equity Unit that is:

- a nonresident alien individual;
- a foreign corporation; or
- a foreign estate or trust.

U.S. Federal Income and Withholding Tax

Interest on the Treasury Portfolio and Treasury Securities

Subject to the discussions below under "—Information Reporting and Backup Withholding" and "—FATCA," payments of principal or interest (including OID and acquisition discount) on the Treasury portfolio or Treasury securities held by you generally will not be subject to U.S. federal income or withholding tax under the "portfolio interest exemption," provided that:

- the interest is not effectively connected with your conduct of a trade or business within the United States; and
- you provide to the applicable withholding agent your name and address on an IRS Form W-8BEN or Form W-8BEN-E (or other applicable form) and certify, under penalties of perjury, that you are not a United States person (as defined in the Code).

If you cannot satisfy one of the requirements described above and interest paid on the Treasury portfolio or Treasury securities held by you is not exempt from withholding because it is effectively connected with your conduct of a trade or business in the United States as described below under "—Effectively Connected Income," payments of interest on the Treasury portfolio or Treasury securities will be subject to U.S. federal withholding tax at a rate of 30% (or a lower rate specified by an applicable tax treaty).

Dividends, Constructive Distributions and Contract Adjustment Payments

Dividends received by you on our mandatory convertible preferred stock or common stock, including a conversion or redemption treated as a dividend, as well as constructive dividends resulting from certain adjustments or failures to make adjustments to the conversion rate under the mandatory convertible preferred stock or maximum settlement rate under the purchase contracts, will generally be subject to withholding of U.S. federal income tax at a 30% rate (or a lower rate specified by an applicable tax treaty) (see "—Tax Consequences to U.S. Holders—Mandatory Convertible Preferred Stock— Sale, Exchange, Successful Remarketing, or Other Taxable Disposition of Mandatory Convertible Preferred Stock," "—Tax Consequences to U.S. Holders—Mandatory Convertible Preferred Stock—Constructive Distributions," and "—Tax Consequences to U.S. Holders—Purchase Contracts—Constructive Distributions"). In the case of dividends paid in stock, constructive dividends or a conversion of mandatory convertible preferred stock into common stock that is treated as a dividend, you will generally be subject to U.S. federal withholding tax at a rate of 30% on the dividend amount.

As discussed above under "—Tax Consequences to U.S. Holders—Purchase Contracts—Contract Adjustment Payments," the U.S. federal income tax treatment of contract adjustment payments is unclear. In the case of contract adjustment payments paid in stock, you will generally be subject to U.S. federal withholding tax at a rate of 30% on the amount of contract adjustment payments paid. If we are the applicable withholding agent with respect to a contract adjustment payment, we intend to withhold on these payments at a rate of 30% (or lower applicable treaty rate), and other withholding agents will likely treat contract adjustment payments in the same manner.

However, contract adjustment payments or dividends that are effectively connected with your conduct of a trade or business within the United States and, where a tax treaty applies, are attributable to a U.S. permanent establishment are not subject to U.S. withholding tax, although you will be required to satisfy the relevant certification requirements to avoid 30% withholding, but instead are subject to U.S. federal income tax, as described under "—Effectively Connected Income" below.

If you are a non-U.S. holder of mandatory convertible preferred stock, common stock or a purchase contract who wishes to claim the benefit of an applicable treaty rate for dividends or contract adjustment payments, you will be required to satisfy certain certification and disclosure requirements described in "—Interest on the Treasury Portfolio and Treasury Securities." If you are eligible for a reduced rate of U.S. withholding tax on payments pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Sale, Exchange, Successful Remarketing, Conversion or Other Taxable Disposition of the Equity Units, Mandatory Convertible Preferred Stock, or Common Stock

The following discussion assumes that our common stock is and will continue to be regularly traded on an established securities market. You should consult your tax advisor if at any point our common stock is not so regularly traded.

A non-U.S. holder will generally recognize gain, or dividend treatment, on a disposition of the Equity Units, mandatory convertible preferred stock or common stock (including conversion of mandatory convertible preferred stock) to the same extent as a U.S. holder, as described under "—Tax Consequences to U.S. Holders—Mandatory Convertible Preferred Stock—Sale, Exchange, Successful Remarketing or Other Taxable Disposition of the Mandatory Convertible Preferred Stock," "—Tax Consequences to U.S. Holders—Mandatory Convertible Preferred Stock—Conversion of Mandatory Convertible Preferred Stock into Cash and Common Stock," "—Tax Consequences to U.S. Holders—Purchase Contracts—Dispositions, Including Terminations, of a Purchase Contract," "—Tax Consequences to U.S. Holders—Treasury Units—Sale, Exchange or Other Taxable Disposition of Treasury Securities," "—Tax Consequences to U.S. Holders—Treasury Portfolio—Tax Basis of and Gain on the Applicable Ownership Interest in the Treasury Portfolio," and "—Tax Consequences to U.S. Holders—Common Stock—Sale, Exchange or Other Taxable Disposition." Any amounts treated as dividends in those discussions will be treated as discussed above under "—Dividends, Constructive Distributions and Contract Adjustment Payments."

Any amounts received on a disposition of the Equity Units that are attributable to accrued interest, OID or acquisition discount are treated as described under "—Interest on the Treasury Portfolio and Treasury Securities," and amounts received on a disposition of a purchase contract that are attributable to an accrued contract adjustment payment may be treated as described under "—Dividends, Constructive Distributions and Contract Adjustment Payments."

Subject to the discussions below under "—Information Reporting and Backup Withholding" and "—FATCA," any gain realized on the disposition of Equity Units, mandatory convertible preferred stock or common stock generally will not be subject to U.S. federal income or withholding tax unless:

- the gain is effectively connected with your conduct of a trade or business in the United States (and, where an applicable treaty so provides, is also attributable to a U.S. permanent establishment maintained by you);
- you are an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met; or

- you are, in the case of a purchase contract, our mandatory convertible preferred stock or our common stock, considered to own an interest in a "United States real property holding corporation" for U.S. federal income tax purposes at any time during the shorter of the five-year period preceding the disposition and your holding period, and certain other conditions are satisfied.

Gain described in the first bullet point above generally will be subject to tax at the regular U.S. federal income tax rates and, if you are a corporation, may be subject to a branch profits tax in an amount equal to 30% (or lower treaty rate) of your effectively connected earnings and profits as described below under "—Effectively Connected Income." An individual non-U.S. holder described in the second bullet point above will be subject to a flat 30% tax rate (or any lower rate that may be specified by an applicable income tax treaty) on the gain derived from the sale, which may be offset by U.S.-source capital losses (even though the individual is not considered a resident of the United States).

With respect to the third bullet point above, generally a corporation is a United States real property holding corporation if the fair market value of its "United States real property interests," as defined in the Code and applicable Treasury regulations, equals or exceeds 50% of the aggregate fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. Shares of our mandatory convertible preferred stock and common stock (and possibly purchase contracts) generally will be treated as United States real property interests if we are (or, during a specified period, have been) a United States real property holding corporation for United States federal income tax purposes. We believe that we currently are not a United States real property holding corporation for U.S. federal income tax purposes, and we do not expect to become a United States real property holding corporation for the foreseeable future. However, if we become a United States real property holding corporation, you may be subject to U.S. federal income tax on any gain from the disposition of our mandatory convertible preferred stock and common stock (and possibly purchase contracts).

Effectively Connected Income

If you are engaged in a trade or business in the United States and income on the Equity Units (or components thereof) or our common stock is effectively connected with the conduct of that trade or business (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent established or fixed base maintained by you), although exempt from 30% U.S. withholding tax, you will be subject to U.S. federal income tax on that income in the same manner as if you were a U.S. holder (as described above under "—Tax Consequences to U.S. Holders"). Certain certification and disclosure requirements must be satisfied in order for effectively connected income to be exempt from withholding. In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of your earnings and profits for the taxable year, subject to adjustments, that are effectively connected with the conduct by you of a trade or business in the United States.

U.S. Federal Estate Tax

If you are an individual non-U.S. holder, your estate will not be subject to U.S. federal estate tax on the Treasury portfolio or Treasury securities beneficially owned by you at the time of your death, provided that any payments made to you on the Treasury portfolio or Treasury securities, as applicable, would be eligible for exemption from the 30% withholding tax under the rules described above under "—U.S. Federal Income and Withholding Tax" without regard to the certification requirement described in the second bullet point regarding portfolio interest. Mandatory convertible preferred stock and common stock acquired under a purchase contract or upon a conversion of convertible preferred stock owned by you at the time of your death will be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise. While not entirely clear, a purchase contract owned by you at the time of your death may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Information returns are required to be filed with the IRS in connection with interest (including OID and acquisition discount) on the Treasury portfolio, Treasury securities, dividends (including constructive dividends) and contract adjustment payments (assuming they are properly treated as income). Unless you comply with certification procedures to establish that you are not a U.S. person, information returns may also be filed with the IRS in connection with the proceeds from a sale or other disposition of the Equity Units (or components thereof) and our common stock. You may be subject to backup withholding on payments on the Equity Units (or components thereof) or our common stock unless you comply with certification procedures to establish that you are not a U.S. person or otherwise establish an exemption. Your provision of a properly executed applicable IRS Form W-8 certifying your non-U.S. status will permit you to avoid backup withholding. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

FATCA

Provisions contained in the Code commonly referred to as ‘‘FATCA’’ impose a U.S. federal withholding tax of 30% certain payments (including payments of interest in respect of the Treasury portfolio or Treasury securities, dividends (including deemed dividends) paid with respect to shares of our mandatory convertible preferred stock or common stock, contract adjustment payments (assuming treated as income) paid with respect to the purchase contract, and gross proceeds from the sale or disposition of the Treasury portfolio, Treasury securities, mandatory convertible preferred stock and common stock to “foreign financial institutions” (which is broadly defined for this purpose and in general includes investment vehicles) and certain other non-U.S. entities unless various U.S. information reporting, withholding and due diligence requirements (generally relating to ownership by U.S. persons of certain interests in or accounts with those entities) have been satisfied or an exemption applies. Under proposed Treasury regulations, this withholding tax will not apply to the gross proceeds from the sale or other disposition of the Treasury portfolio, Treasury securities, mandatory convertible preferred stock and common stock. The preamble to these proposed Treasury regulations indicates that taxpayers may rely on them pending their finalization. An intergovernmental agreement between the United States and an applicable foreign country may modify the general FATCA requirements. If any withholding is imposed, a beneficial owner that is not a foreign financial institution generally may obtain a refund of any amounts withheld by filing a U.S. federal income tax return, which may entail significant administrative burden. Prospective investors should consult their tax advisors regarding the effects of FATCA on an investment in the Equity Units (or components thereof) and our common stock.

The foregoing discussion of material U.S. federal income and estate tax considerations is for general information purposes only and is not tax or legal advice. You should consult your tax advisor as to the particular tax consequences of owning and disposing of the Equity Units (or components thereof) and our common stock, including the applicability and effect of any U.S. federal, state or local or non-U.S. tax laws, and of any changes or proposed changes in applicable law.

ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Code and similar federal, state, local and foreign laws that are substantively similar or are of similar effect ("Similar Laws") impose certain restrictions on:

- employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA ("ERISA Plans");
- plans described in Section 4975(e)(1) of the Code, including individual retirement accounts or Keogh plans;
- any entities whose underlying assets include plan assets pursuant to 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA) by reason of a plan's investment in such entities;
- governmental plans, certain church plans (each as defined under ERISA) and foreign plans that are not subject to the provisions of Title I of ERISA or Section 4975 of the Code but are subject to Similar Laws ("Non-ERISA Plans") (together with ERISA Plans, plans described in Section 4975(e)(1) of the Code and entities whose underlying assets include plan assets by reason of a plan's investment in such entities, referred to collectively as "Plans" and each individually as a "Plan"); and
- persons who have certain specified relationships to a Plan ("Parties in Interest" as defined under ERISA and "Disqualified Persons" as defined under the Code).

ERISA, the Code and Similar Laws impose certain duties on persons who are fiduciaries of a Plan and prohibit certain transactions involving Plan assets and fiduciaries or other Parties in Interest or Disqualified Persons. Civil penalties, liability and/or excise taxes may be imposed as a result of a violation of these duties or engaging in a prohibited transaction and such a transaction could result in a loss of tax-exempt status and the transaction might have to be rescinded. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of a Plan or the management or disposition of assets of such a Plan, or who renders investment advice to such a Plan for a fee or other compensation, is generally considered a fiduciary of the Plan. Accordingly, among other factors, an investing fiduciary who is considering an investment in Corporate Units (and the securities underlying such Corporate Units) should first determine that:

- the investment would satisfy the prudence and diversification requirements of ERISA or Similar Laws, including among other things, the risk of loss on such investment and any limitations on liquidity and marketability of such investment;
- the investment is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio;
- the investment would be consistent with the documents and instruments governing the Plan;
- the investment is made solely in the interest of participants and beneficiaries of the Plan;
- the acquisition, holding or disposition of Corporate Units (and the securities underlying the Corporate Units) does not result in (1) a "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code for which there is no applicable exemption or (2) a violation of Similar Laws; and
- the investment does not violate ERISA's prohibition on improper delegation of control over or responsibility for Plan assets.

The Corporate Units (and the securities underlying the Corporate Units) should not be purchased or held by any person investing assets of a Plan unless such purchase and holding will either not constitute a prohibited transaction under ERISA, the Code or Similar Laws or will be covered by an applicable prohibited transaction exemption. Any Plan fiduciary or person that proposes to cause a Plan (or to act on behalf of a Plan) to purchase

the Corporate Units (and the securities underlying the Corporate Units) should consult with its own counsel with respect to the potential applicability of ERISA, the Code or Similar Laws and the potential consequences in its specific circumstances. Any such Plan fiduciary or other person is solely responsible for determining whether the investment in the Corporate Units (and the securities underlying the Corporate Units) will result in a non-exempt prohibited transaction under ERISA, the Code or a violation of Similar Laws and whether the investment satisfies ERISA's fiduciary standards and any other requirements under ERISA, the Code or Similar Laws.

Accordingly, by its purchase or holding of the Corporate Units (and the securities underlying the Corporate Units), each purchaser or holder of the Corporate Units will be deemed to have represented and warranted that either:

- the purchaser or holder is not purchasing the Corporate Units (and the securities underlying the Corporate Units) with, or on behalf of, the assets of any Plan; or
- (1) the purchase, holding and disposition of the Corporate Units (and the securities underlying the Corporate Units) satisfies ERISA's fiduciary standards and other requirements under ERISA, the Code or Similar Laws, (2) the purchase, holding and disposition of the Corporate Units (and the securities underlying the Corporate Units) will not result in a non-exempt prohibited transaction under ERISA or the Code, or a violation of Similar Laws and (3) neither we nor any of our subsidiaries, nor the underwriters, are or will be deemed to be a fiduciary with respect to any Plan.

The sale or transfer of Corporate Units (and the securities underlying the Corporate Units) to a Plan or person acting on behalf of a Plan is in no way a representation by us that the purchase, holding or disposition of Corporate Units (and the securities underlying the Corporate Units) meets the legal requirements for investments by Plans or is appropriate for Plans.

The discussion of ERISA, the Code, and Similar Laws contained in this prospectus supplement is, of necessity, general and does not purport to be complete. Moreover, the provisions of ERISA, the Code, and Similar Laws are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

ANY POTENTIAL INVESTOR CONSIDERING THE PURCHASE OR HOLDING OF THE CORPORATE UNITS THAT IS, OR IS ACTING ON BEHALF OF, A PLAN IS STRONGLY URGED TO CONSULT ITS OWN LEGAL, TAX AND ERISA ADVISERS REGARDING THE CONSEQUENCES OF SUCH AN INVESTMENT AND THE ABILITY TO MAKE THE REPRESENTATIONS DESCRIBED ABOVE.

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DIVIDEND POLICY

Holders of shares of our common stock are entitled to receive dividends when, as and if declared by NiSource's board of directors out of funds legally available, subject to the preferential dividend rights of the holders of our issued and outstanding preferred stock. The policy of our board of directors has been to declare cash dividends on a quarterly basis payable on or about the 20th day of February, May, August and November.

Although the board of directors currently intends to continue the payment of regular quarterly cash dividends on common shares, the timing and amount of future dividends will depend on the earnings of NiSource's subsidiaries, their financial condition, cash requirements, regulatory restrictions, any restrictions in financing agreements and other factors deemed relevant by the board of directors.

UNDERWRITING

Subject to the terms and conditions stated in the underwriting agreement between us and Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, as representatives of the underwriters named below, each of the underwriters has severally agreed to purchase, and we have agreed to sell to each underwriter, the aggregate principal amount of Equity Units set forth opposite such underwriter's name below.

Underwriters	Number of Equity Units to be purchased from us
Goldman Sachs & Co. LLC	4,633,029
J.P. Morgan Securities LLC	1,218,463
Wells Fargo Securities, LLC	1,218,463
Barclays Capital Inc.	143,349
BofA Securities, Inc.	71,674
Citigroup Global Markets Inc.	71,674
Credit Suisse Securities (USA) LLC	71,674
MUFG Securities Americas Inc.	71,674
Total	**7,500,000**

The underwriters are committed to purchase all the Equity Units offered by us if they purchase any Equity Units, other than those Equity Units covered by the over-allotment option as described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

Equity Units sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement. Any Equity Units sold by the underwriters to securities dealers may be sold at a discount from the public offering price of up to $1.57 per Equity Unit. If all the Equity Units are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. The offering of the Equity Units by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

If the underwriters sell more Equity Units than the total number set forth in the table above, the underwriters have an option to buy up to an additional 1,125,000 Equity Units from us to cover such sales. They may purchase those additional Equity Units within a 13-day period beginning on, and including, the issue date of the Equity Units. If any Equity Units are purchased pursuant to this option, the underwriters will severally purchase Equity Units in approximately the same proportion as set forth above. If any additional Equity Units are purchased, the underwriters will offer the additional Equity Units on the same terms as those on which the Equity Units are being offered.

The underwriters expect to deliver the Corporate Units in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on or about April 19, 2021, which is three business days following the initial trade date of the Corporate Units (such settlement cycle being herein referred to as "T+3"). You should note that the trading of the Corporate Units on the date of pricing or the next business day may be affected by the T+3 settlement. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade their Corporate Units on the date of pricing or the next business day will be required, by virtue of the fact that the Corporate Units initially will settle in T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Corporate Units who wish to trade their Corporate Units on the date of pricing or the next business day should consult their own adviser.

The Equity Units are a new issue of securities with no established trading market. We intend to apply to list the Corporate Units on the New York Stock Exchange and expect trading to commence within 30 days of the date of initial issuance of the Corporate Units, but there is no guarantee that such listing will be approved. We have been advised by the underwriters that the underwriters intend to make a market in the Equity Units but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Equity Units.

A prospectus supplement in electronic format may be made available on the websites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of Equity Units to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representative to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed that, for a period of 45 days after the date of this prospectus supplement, we will not (i) offer, sell, contract to sell, pledge, otherwise dispose of, enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by us or any of our affiliates or any person in privity to us or any of our affiliates), of any shares of Common Stock or any securities convertible into, or exercisable, or exchangeable for, shares of Common Stock; or (ii) publicly announce an intention to effect any such transaction; *provided*, however that the we will be permitted to file a shelf registration statement (or file any amendment to its existing shelf registration statement) with respect to such securities, *provided* that the we may not effect any sales of such securities pursuant to such shelf registration statement during the 45-day period described above, without the prior written consent of Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, other than (A) the Equity Units to be sold in this offering and any common stock issued pursuant to the terms of the purchase contract and pledge agreement, including, without limitation, issuing shares of our common stock in connection with any early settlement right at the election of holders of purchase contracts or any ‘‘fundamental change early settlement right’’ upon the occurrence of a ‘‘fundamental change,’’(B) any shares of our common stock granted pursuant an employee stock option plan, stock ownership plan or dividend reinvestment plan, or (C) issuance of common stock upon the conversion or the exercise of warrants on the date of this prospectus supplement.

Our directors and certain of our executive officers have agreed that, for a period of 45 calendar days from the date of this prospectus supplement, they will not, without the prior written consent of Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, offer, sell, contract to sell, pledge or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by such director or executive officer or any affiliate thereof or any person in privity with such director or executive officer or any affiliate thereof), directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act and the rules and regulations of the SEC promulgated thereunder, with respect to any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock. The foregoing sentence will not apply to (i) transactions by each of the directors and executive officers involving the disposition of not more than 100,000 shares of our common stock; (ii) transactions by each of the directors and executive officers relating to shares of our common stock or other securities acquired in open market transactions after the completion of this offering; (iii) transfers by such directors and executive officers of shares of our common stock or common stock equivalents as a bona fide gift or by will or intestacy, including transfers to a trust where the beneficiaries of the trust are drawn solely from a group consisting of the director or executive officer and immediate family members, provided that (a) each transferee that is not a not-for-profit or religious organization agrees to be similarly restricted for the 60 day period and (b) no party, including the director or executive officer, will be required to, nor will it voluntarily, file a report under Section 16(a) of the Exchange Act, in connection with such transfer or distribution (other than a filing on Form 5 made after the expiration of the restricted period referred to in the foregoing sentence); (iv) transactions by such directors and executive officers, pursuant to a trading plan established pursuant to Rule 10b5-1 under the Exchange Act in existence as of the date of

this prospectus supplement; (v) the creation of a trading plan established pursuant to Rule 10b5-1 under the Exchange Act; provided that no transactions are made pursuant to such plan until the expiration of the restricted period referred to in the foregoing sentence; or (vi) the exercise by such directors and executive officers of options to purchase shares of our common stock pursuant to the surrender of options to purchase shares of our common stock or sale of shares of our common stock to satisfy the applicable aggregate exercise price (and applicable withholding taxes, if applicable) required to be paid upon such exercise. Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Wells Fargo Securities, LLC may release any of the securities subject to these lock-up agreements at any time without notice.

The following table shows the underwriting discount that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional Equity Units.

	Paid by NiSource	
	No Exercise	Full Exercise
Per Equity Unit	$ 2.616	$ 2.616
Total	$19,620,000	$22,563,000

In connection with this offering, the underwriters may purchase and sell the Equity Units and shares of our common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales in excess of the number of Equity Units to be purchased by the underwriters in this offering, which creates a syndicate short position. "Covered" short sales are sales made in an amount up to the number of Equity Units represented by the underwriters' option to purchase additional Equity Units. In determining the source of Equity Units to close out the covered syndicate short position, the underwriters will consider, among other things, the price of Equity Units available for purchase in the open market as compared to the price at which they may purchase Equity Units through the option to purchase additional Equity Units. Transactions to close out the covered syndicate short involve either purchases of Equity Units in the open market after the distribution has been completed or the exercise of the option to purchase additional Equity Units. The underwriters may also make "naked" short sales of Equity Units in excess of the option to purchase additional Equity Units. The underwriters must close out any naked short position by purchasing Equity Units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Equity Units in the open market after pricing that will adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of Equity Units and shares of our common stock in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the underwriters, in covering short positions or making stabilizing purchases, repurchase Equity Units originally sold by that syndicate member.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Equity Units. They may also cause the price of the Equity Units to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NYSE, in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

This prospectus supplement and the accompanying prospectus, as amended or supplemented, may be used in connection with the early settlement of the purchase contracts and the remarketing of the convertible preferred stock.

We estimate that the total expenses of the offering, excluding the underwriting discount, will be approximately $4,400,000 and will be payable by us.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute payments the underwriters may be required to make in respect of such liabilities.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the issuer, for which they received or will receive customary fees and expenses. In addition, certain of the underwriters and their respective affiliates are lenders, and in some cases agents for the lenders, under our credit facilities.

Additionally, in the ordinary course of their various business activities, the underwriters and their respective affiliates have made or held, and may in the future make or hold, a broad array of investments including serving as counterparties to certain derivative and hedging arrangements, and may have actively traded, and, in the future may actively trade, debt and equity securities (or related derivative securities), and financial instruments (including bank loans) for their own account and for the accounts of their customers and may have in the past and at any time in the future hold long and short positions in such securities and instruments. Such investment and securities activities may have involved, and in the future may involve, our securities and instruments. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Equity Units offered hereby. Any such short positions could adversely affect future trading prices of the Equity Units offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

General

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the Equity Units offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The Equity Units offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement or any other offering material or advertisements in connection with the offer and sale of any such Equity Units be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus supplement. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any Equity Units offered by this prospectus supplement in any jurisdiction in which such an offer or a solicitation is unlawful.

Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, in relation to the offering. This prospectus supplement does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the ‘‘Corporations Act’’), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the securities may only be made to persons (the ‘‘Exempt Investors’’) who are ‘‘sophisticated investors’’ (within the meaning of section 708(8) of the Corporations Act), ‘‘professional

investors'' (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the securities without disclosure to investors under Chapter 6D of the Corporations Act.

The securities applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring securities must observe such Australian on-sale restrictions.

This prospectus supplement contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus supplement is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Canada

The securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

European Economic Area

The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (''EEA'') For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, ''MiFID II''); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the ''Insurance Distribution Directive''), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the ''Prospectus Regulation''). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the ''PRIIPs Regulation'') for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation. This prospectus supplement has been prepared on the basis that any offer of securities in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of securities. This prospectus supplement is not a prospectus for the purposes of the Prospectus Regulation.

In connection with the offering, the underwriters are not acting for anyone other than the Company and will not be responsible to anyone other than the issuer for providing the protections afforded to their clients nor for providing advice in relation to the offering.

The above selling restriction is in addition to any other selling restrictions set out below.

United Kingdom

The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (''UK''). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (''EUWA''); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the ''FSMA'') and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the ''UK Prospectus Regulation''). Consequently no key information document required by Regulation (EU) 1286/2014 as it forms part of domestic law by virtue of the EUWA (the ''UK PRIIPs Regulation'') for offering or selling the securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation. This prospectus supplement has been prepared on the basis that any offer of securities in the UK will be made pursuant to an exemption under the UK Prospectus Regulation and the FSMA from the requirement to publish a prospectus for offers of securities. This prospectus supplement is not a prospectus for the purposes of the UK Prospectus Regulation or the FSMA.

In connection with the offering, the underwriters are not acting for anyone other than the Company and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for providing advice in relation to the offering.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the ''Financial Promotion Order''), (ii) are persons falling within Article 49(2)(a) to (d) (''high net worth companies, unincorporated associations etc.'') of the Financial Promotion Order, (iii) are outside the UK, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (''FSMA'')) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as ''relevant persons''). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Switzerland

We have not and will not register with the Swiss Financial Market Supervisory Authority (''FINMA'') as a foreign collective investment scheme pursuant to Article 119 of the Federal Act on Collective Investment Scheme of 23 June 2006, as amended (''CISA''), and accordingly, the securities being offered pursuant to this prospectus supplement have not and will not be approved, and may not be licenseable, with FINMA. Therefore, the securities have not been authorized for distribution by FINMA as a foreign collective investment scheme pursuant to Article 119 CISA, and the securities offered hereby may not be offered to the public (as this term is defined in Article 3 CISA) in or from Switzerland.

The securities may solely be offered to ''qualified investors,'' as this term is defined in Article 10 CISA, and in the circumstances set out in Article 3 of the Ordinance on Collective Investment Scheme of 22 November

2006, as amended (''CISO''), such that there is no public offer. Investors, however, do not benefit from protection under CISA or CISO or supervision by FINMA. This prospectus supplement and any other materials relating to the securities are strictly personal and confidential to each offeree and do not constitute an offer to any other person. This prospectus supplement may only be used by those qualified investors to whom it has been handed out in connection with the offer described herein and may neither directly or indirectly be distributed or made available to any person or entity other than its recipients. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland or from Switzerland. This prospectus supplement does not constitute an issue prospectus as that term is understood pursuant to Article 652a and/or 1156 of the Swiss Federal Code of Obligations. We have not applied for a listing of the securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this prospectus supplement does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

Dubai International Financial Centre

This prospectus supplement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (''DFSA''). This prospectus supplement is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for the prospectus supplement. The securities to which this prospectus supplement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this prospectus supplement, you should consult an authorized financial advisor.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Act. Accordingly, the securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

The securities have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to ''professional investors'' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a ''prospectus'' as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the securities has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to ''professional investors'' as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This prospectus supplement has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the securities were not offered or sold or caused to be made the subject of an invitation

for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the ''SFA'')) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law; or

(d) as specified in Section 276(7) of the SFA.

LEGAL MATTERS

Fried, Frank, Harris, Shriver & Jacobson LLP, New York, New York, will pass upon certain legal matters relating to the validity of the securities offered by this prospectus supplement for us. Certain legal matters in connection with this offering will be passed upon for the underwriters by Davis Polk & Wardwell LLP, New York, New York.

EXPERTS

The consolidated financial statements, and the related financial statement schedule, incorporated in this prospectus supplement by reference from the NiSource Inc. Annual Report on Form 10-K, and the effectiveness of NiSource Inc. and subsidiaries' internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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PROSPECTUS

NiSource Inc.

Common Stock
Preferred Stock
Depositary Shares
Debt Securities
Warrants
Stock Purchase Contracts
Stock Purchase Units

NiSource Inc. may offer, from time to time, in amounts, at prices and on terms that it will determine at the time of offering, any or all of the following:

- shares of common stock;
- shares of preferred stock, in one or more series;
- depositary shares representing interests in shares of preferred stock;
- one or more series of its debt securities;
- warrants to purchase common stock, preferred stock or debt securities; and
- stock purchase contracts to purchase common stock, either separately or in units with the debt securities described below or U.S. Treasury securities.

We will provide specific terms of these securities, including their offering prices, in prospectus supplements to this prospectus. The prospectus supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any prospectus supplement carefully before you invest.

We may offer these securities to or through underwriters, through dealers or agents, directly to you or through a combination of these methods. You can find additional information about our plan of distribution for the securities under the heading "Plan of Distribution" beginning on page 30 of this prospectus. We will also describe the plan of distribution for any particular offering of these securities in the applicable prospectus supplement. This prospectus may not be used to sell our securities unless it is accompanied by a prospectus supplement.

Our common stock is listed on the New York Stock Exchange under the symbol "NI."

Investing in our securities involves risks. You should carefully consider the risk factors described under the heading "Risk Factors" on page 2 of this prospectus, in the documents that are incorporated by reference into this prospectus and, if applicable, in risk factors described in any accompanying prospectus supplement before you invest in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is November 1, 2019.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission ("SEC"), utilizing a "shelf" registration or continuous offering process. Under this process, we may from time to time sell any combination of the securities described in this prospectus in one or more offerings.

This prospectus provides you with a general description of the common stock, preferred stock, depositary shares, debt securities, warrants, stock purchase contracts and stock purchase units we may offer. Each time we offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. That prospectus supplement may include a description of any risk factors or other special considerations applicable to those securities. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in the prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and the applicable prospectus supplement together with the additional information described under the heading "Where You Can Find More Information."

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. Specifically, we have filed and incorporated by reference certain legal documents that control the terms of the securities offered by this prospectus as exhibits to the registration statement. We will file or incorporate by reference certain other legal documents that will control the terms of the securities we may offer by this prospectus as exhibits to the registration statement or to reports we file with the SEC that are incorporated by reference into this prospectus.

In addition, we may prepare and deliver one or more "free writing prospectuses" to you in connection with any offering of securities under this prospectus. Any such free writing prospectus may contain additional information about us, our business, the offered securities, the manner in which such securities are being offered, our intended use of the proceeds from the sale of such securities, risks relating to our business or an investment in such securities or other information.

This prospectus and certain of the documents incorporated by reference into this prospectus contain, and any accompanying prospectus supplement or free writing prospectus that we deliver to you may contain, summaries of information contained in documents that we have filed or will file as exhibits to our SEC filings. Such summaries do not purport to be complete and are subject to, and qualified in their entirely by reference to, the actual documents filed with the SEC.

Copies of the registration statement of which this prospectus is a part and of the documents incorporated by reference into this prospectus may be obtained as described below under the heading "Where You Can Find More Information."

You should rely only on the information incorporated by reference or provided in this prospectus, the accompanying prospectus supplement and any free writing prospectus that we deliver to you. We have not authorized anyone to provide you with different information. We are not making an offer to sell or soliciting an offer to buy these securities in any jurisdiction in which the offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make the offer or solicitation. You should not assume that the information in this prospectus or the accompanying prospectus supplement is accurate as of any date other than the date on the front of the document.

References to "NiSource" refer to NiSource Inc. Unless the context requires otherwise, references to "we," "us" or "our" refer collectively to NiSource and its subsidiaries. References to "securities" refer collectively to the common stock, preferred stock, depositary shares, debt securities, warrants, stock purchase contracts and stock purchase units registered hereunder.

RISK FACTORS

Investing in the securities involves risk. You should read carefully the "Risk Factors" and "Note regarding forward-looking statements" sections in NiSource's most recent Annual Report on Form 10-K and in NiSource's subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference in this prospectus. Before making an investment decision, you should carefully consider these risks as well as other information contained or incorporated by reference in this prospectus, and corresponding sections in reports NiSource may file with the SEC after the date of this prospectus. The prospectus supplement applicable to each type or series of securities we offer may contain a discussion of additional risks applicable to an investment in us and the particular type of securities we are offering under that prospectus supplement.

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FORWARD-LOOKING STATEMENTS

Some of the information included in this prospectus, in any prospectus supplement and in the documents incorporated by reference are "forward-looking statements" within the meaning of the securities laws. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning NiSource's plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, NiSource may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NiSource, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the forward-looking statements include, among other things, NiSource's debt obligations; any changes to the credit rating of NiSource or certain of its subsidiaries; NiSource's ability to execute its growth strategy; changes in general economic, capital and commodity market conditions; pension funding obligations; economic regulation and the impact of regulatory rate reviews; NiSource's ability to obtain expected financial or regulatory outcomes; NiSource's ability to adapt to, and manage costs related to, advances in technology; any changes in NiSource's assumptions regarding the financial implications of the Greater Lawrence, Massachusetts gas distribution incident (the "Greater Lawrence Incident"); potential incidents and other operating risks associated with NiSource's business; NiSource's ability to obtain sufficient insurance coverage; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; any damage to NiSource's reputation, including in connection with the Greater Lawrence Incident; compliance with environmental laws and the costs of associated liabilities; fluctuations in demand from residential and commercial customers; economic conditions of certain industries; the success of NIPSCO's electric generation strategy; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential impairments of goodwill or definite-lived intangible assets; changes in taxation and accounting principles; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; construction risks and natural gas costs and supply risks; extreme weather conditions; the attraction and retention of a qualified workforce; the ability of NiSource's subsidiaries to generate cash; uncertainties related to the expected benefits of the separation of Columbia Pipeline Group, Inc. on July 1, 2015; NiSource's ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; the transition to a replacement for the LIBOR benchmark interest rate; and other matters set forth in the "Risk Factors" section of NiSource's most recent Annual Report on Form 10-K and NiSource's subsequent Quarterly Reports on Form 10-Q, many of which risks are beyond the control of NiSource. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

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

Accordingly, you should not rely on the accuracy of predictions contained in forward-looking statements. These statements speak only as of the date of this prospectus, the date of the accompanying prospectus supplement or, in the case of documents incorporated by reference, the date of those documents.

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WHERE YOU CAN FIND MORE INFORMATION

NiSource files annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to you at the SEC's website at http://www.sec.gov and at our website at www.nisource.com. The information contained in, or that can be accessed through, our website is not a part of this prospectus or any accompanying prospectus supplement.

The SEC allows us to "incorporate by reference" information into this prospectus. This means that we can disclose important information to you by referring you to another document that NiSource has filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus. Information that NiSource files with the SEC after the date of this prospectus will automatically modify and supersede the information included or incorporated by reference in this prospectus to the extent that the subsequently filed information modifies or supersedes the existing information. We incorporate by reference the following documents filed with the SEC:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2018;
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2019, June 30, 2019 and September 30, 2019;
- our Current Reports on Form 8-K filed on February 20, 2019 (reporting Items 1.01, 2.03 and 9.01), March 8, 2019, April 17, 2019, May 8, 2019, June 6, 2019 (as amended on October 24, 2019), July 29, 2019 and August 12, 2019;
- the description of our common stock contained in our definitive joint proxy statement/prospectus dated April 24, 2000;
- the description of (i) the depositary shares, each representing 1/1000th ownership interest in a share of our 6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock ("Series B Preferred Stock") and a 1/1000th ownership interest in a share of our Series B-1 Preferred Stock ("Series B-1 Preferred Stock"), and (ii) the underlying Series B Preferred Stock and Series B-1 Preferred Stock contained or referred to in the registration statement on Form 8-A filed under the Securities Exchange Act of 1934, as amended, including any amendments or reports filed for the purpose of updating any such description; and
- any future filings we make with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus and before we sell all of the securities offered by this prospectus.

You may request a copy of any of these filings at no cost by writing to or calling us at the following address and telephone number: Corporate Secretary, NiSource Inc., 801 East 86th Avenue, Merrillville, Indiana 46410, telephone: (877) 647-5990.

We have filed this prospectus with the SEC as part of a registration statement on Form S-3 under the Securities Act of 1933. This prospectus does not contain all of the information included in the registration statement. Any statement made in this prospectus concerning the contents of any contract, agreement or other document is only a summary of the actual document. If we have filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

NISOURCE INC.

Overview. NiSource is an energy holding company whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 4.0 million customers in seven states. We are one of the nation's largest natural gas distribution companies, as measured by number of customers. Our principal subsidiaries include NiSource Gas Distribution Group, Inc., a natural gas distribution company, and Northern Indiana Public Service Company LLC, or NIPSCO, a gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated businesses. Our primary business segments are:

- Gas Distribution Operations; and
- Electric Operations.

Business Strategy. We focus our business strategy on our core, rate-regulated asset-based businesses with most of our operating income generated from the rate-regulated businesses. NiSource's utilities continue to move forward on core infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all seven states in which we operate. Our goal is to develop strategies that benefit all stakeholders as we address changing customer conservation patterns, develop more contemporary pricing structures and embark on long-term investment programs. These strategies are intended to improve reliability and safety, enhance customer services and reduce emissions while generating sustainable returns.

Gas Distribution Operations. Our natural gas distribution operations serve approximately 3.5 million customers in seven states and operate approximately 60,000 miles of pipeline. Through our wholly-owned subsidiary NiSource Gas Distribution Group, Inc., we own six distribution subsidiaries that provide natural gas to approximately 2.6 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland and Massachusetts. We also distribute natural gas to approximately 832,000 customers in northern Indiana through our wholly-owned subsidiary NIPSCO.

Electric Operations. We generate, transmit and distribute electricity through our subsidiary NIPSCO to approximately 472,000 customers in 20 counties in the northern part of Indiana and engage in wholesale and transmission transactions. NIPSCO owns and operates two coal-fired electric generating stations. The two operating facilities have a generating capacity of 2,080 megawatts. NIPSCO completed the retirement of two coal-burning units at its Bailly Generating Station on May 31, 2018. NIPSCO also owns and operates Sugar Creek, a combined cycle gas turbine plant with a generating capacity of 571 megawatts, three gas-fired generating units located at NIPSCO's coal-fired electric generating stations with a generating capacity of 186 megawatts and two hydroelectric generating plants with a generating capacity of 16 megawatts. These facilities provide for a total system operating generating capacity of 2,853 megawatts. NIPSCO's transmission system, with voltages from 69,000 to 765,000 volts, consists of 2,963 circuit miles. NIPSCO is interconnected with five neighboring electric utilities. During the year ended December 31, 2018, NIPSCO generated 69.4% and purchased 30.6% of its electric requirements.

Our executive offices are located at 801 East 86th Avenue, Merrillville, Indiana 46410, telephone: (877) 647-5990.

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USE OF PROCEEDS

Unless otherwise described in the applicable prospectus supplement, we will use the net proceeds from the sale of securities offered by this prospectus and any applicable prospectus supplement for general corporate purposes, including additions to working capital and repayment of existing indebtedness.

DESCRIPTION OF CAPITAL STOCK

General

The authorized capital stock of NiSource consists of 620,000,000 shares, of which 600,000,000 are common stock, par value $0.01, and 20,000,000 are preferred stock, par value $0.01. The board of directors has designated (i) 400,000 shares of the preferred stock as 5.650% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock ("Series A Preferred Stock"), liquidation preference $1,000 per share, (ii) 20,000 shares of the preferred stock as 6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Stock ("Series B Preferred Stock"), liquidation preference $25,000 per share and (iii) 20,000 shares of the preferred stock as Series B-1 Preferred Stock ("Series B-1 Preferred Stock"). As of October 28, 2019, NiSource had outstanding 373,543,732 shares of its common stock, 400,000 shares of Series A Preferred Stock, 20,000 shares of Series B Preferred Stock and 20,000 shares of Series B-1 Preferred Stock. The shares of Series B Preferred Stock and Series B-1 Preferred Stock are represented by 20,000,000 depositary shares, each representing 1/1000th ownership interest in a share of each of the Series B Preferred Stock and the Series B-1 Preferred Stock. Additional details concerning these depositary shares are provided below under "Description of Depositary Shares."

NiSource's Amended and Restated Certificate of Incorporation, as amended through May 7, 2019 ("certificate of incorporation") also designates 4,000,000 shares of NiSource's preferred stock as Series A Junior Participating Preferred Stock ("Series A Junior Stock"). The shares of Series A Junior Stock were reserved for issuance upon the exercise of rights under NiSource's former Shareholder Rights Plan, which formally expired in 2010, and no shares of Series A Junior Stock were ever issued.

The below summaries of provisions of NiSource's common stock and preferred stock are not necessarily complete. You are urged to read carefully, and the below summaries are qualified in their entirety by, the certificate of incorporation and bylaws of NiSource which are filed as exhibits to the registration statement of which this prospectus is a part and the certificates of designations for each series of NiSource's preferred stock which have been or hereafter are filed with the SEC.

Anti-Takeover Provisions

NiSource's certificate of incorporation includes provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control of management of NiSource. More specifically, the certificate of incorporation provides that stockholders may not cumulate their votes and stockholder action may be taken only at a duly called meeting and not by written consent. In addition, NiSource's Amended and Restated By-Laws ("bylaws") contain requirements for advance notice of stockholder proposals and director nominations. These and other provisions of the certificate of incorporation and bylaws and Delaware law could discourage potential acquisition proposals and could delay or prevent a change in control of management of NiSource.

Under Delaware law, the approval of the holders of a majority of the outstanding shares of a class of NiSource's capital stock would be necessary to authorize any amendment to the certificate of incorporation that would increase or decrease the aggregate number of authorized shares of such class of capital stock or that would adversely alter or change the powers, preferences or special right of such class of capital stock. Further, pursuant to the certificates of designations for the Series A Preferred Stock, Series B Preferred Stock and Series B-1 Preferred Stock, the holders of two-thirds of any series of such preferred stock must approve certain amendments to the certificate of incorporation that would have a material adverse effect on the existing preferences, rights, powers, duties or obligations of such series of preferred stock. The effect of these provision may permit the holders of NiSource's outstanding shares of capital stock to block a proposed amendment to the certificate of incorporation in connection with a potential acquisition of NiSource if such amendment would adversely affect the powers, preferences or special rights of such capital stock.

NiSource is subject to the provisions of Section 203 of the Delaware General Corporation Law ("DGCL") regulating corporate takeovers. Section 203 prevents certain Delaware corporations, including those whose

securities are listed on a national securities exchange, such as the New York Stock Exchange, from engaging, under certain circumstances, in a "business combination" (as defined therein), which includes, among other things, a merger or sale of more than 10% of the corporation's assets, with any interested stockholder for three years following the date that the stockholder became an interested stockholder. An interested stockholder is a stockholder who acquired 15% or more of the corporation's outstanding voting stock or an affiliate or associate of such person.

Common Stock

NiSource's common stock is listed on the New York Stock Exchange under the symbol "NI." Shares of NiSource's common stock, offered and sold pursuant to the registration statement of which this prospectus forms a part, will be fully paid and non-assessable.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of NiSource, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of NiSource and the distribution in full of all preferential amounts (including any accumulated and unpaid dividends) to which the holders of the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock and any other series of preferred stock of NiSource hereafter created are entitled, the holders of common stock will share ratably in the remaining assets in proportion to the number of shares of common stock held by them respectively. A consolidation or merger of NiSource with or into any other corporation, or any purchase or redemption of shares of any class of NiSource's capital stock, will not be deemed to be a liquidation, dissolution or winding up of NiSource's affairs.

Voting Rights

Except as otherwise required by Delaware law or as otherwise provided in the certificate of designations for the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock or any other series of preferred stock of NiSource hereafter created, holders of NiSource's common stock exclusively possess voting power for the election of NiSource's directors and all other matters requiring stockholder action. Each holder of common stock, if entitled to vote on a matter, is entitled to one vote per share. Holders of common stock are not entitled to cumulative voting rights. Holders of common stock will be notified of any stockholders' meeting according to applicable law.

For the voting rights of the Series A Preferred Stock, Series B Preferred Stock and Series B-1 Preferred Stock, including the rights of holders of Series B-1 Preferred Stock to elect two additional directors to NiSource's board of directors upon a Nonpayment Event (as defined below), see "—Series A Preferred Stock—Voting Rights," "—Series B Preferred Stock—Voting Rights" and "—Series B-1 Preferred Stock—Voting Rights."

Dividend Rights

Holders of common stock will be entitled to receive dividends, when, as and if declared by NiSource's board of directors out of legally available funds for such purpose in accordance with Delaware law, subject to the powers, preferences and rights afforded to the holders of the Series A Preferred Stock, Series B Preferred Stock and any other series of preferred stock of NiSource hereafter created. Dividends may be paid in cash, capital stock or other property of NiSource.

NiSource is prohibited by the terms of each of its Series A Preferred Stock and its Series B Preferred Stock from declaring or paying dividends on any shares of NiSource's common stock (other than dividends payable solely in shares of its common stock) or redeeming, repurchasing or acquiring shares of its common stock unless full cumulative dividends have been paid with respect to the Series A Preferred Stock and the Series B Preferred Stock, respectively, through the most recently completed respective dividend periods. See "—Series A Preferred Stock—Dividends" and "—Series B Preferred Stock—Dividends."

As noted above, NiSource is an energy holding company that derives substantially all of its revenues and earnings from the operating results of the rate-regulated businesses of its subsidiaries. Accordingly, NiSource's ability to pay dividends on its capital stock is dependent primarily upon the earnings and cash flows of its subsidiaries and the distribution or other payment of such earnings to NiSource. NiSource's subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts on the capital stock of NiSource or to make any funds available therefor, whether by dividends, loans or other payments.

No Preemptive Rights

Holders of NiSource's common stock are not entitled to, as holders of common stock, any preemptive rights with respect to any shares of NiSource's capital stock or any of its securities convertible into or exercisable for its capital stock.

Preferred Stock

GENERAL

The board of directors can, without approval of stockholders, issue one or more series of preferred stock. The board can also determine the number of shares of each series and the rights, preferences and limitations of each series, including any dividend rights, voting rights, conversion rights, redemption rights and liquidation preferences, the number of shares constituting each series and the terms and conditions of issue. In some cases, the issuance of preferred stock could delay a change in control of NiSource and make it harder to remove incumbent management. Under certain circumstances, preferred stock could also restrict dividend payments to holders of common stock. All preferred stock will be fully paid and non-assessable.

The terms of the preferred stock that NiSource may offer will be established by or pursuant to a resolution of the board of directors of NiSource and will be issued under certificates of designations or through amendments to the certificate of incorporation. If NiSource uses this prospectus to offer preferred stock, an accompanying prospectus supplement will describe the specific terms of the preferred stock. NiSource will also indicate in the prospectus supplement whether the general terms and provisions described in this prospectus apply to the preferred stock that NiSource may offer. If there are differences between the prospectus supplement relating to a particular series and this prospectus, the prospectus supplement will control.

The following terms of the preferred stock, as applicable, will be set forth in a prospectus supplement relating to the preferred stock:

- the title and stated value;
- the number of shares NiSource is offering;
- the liquidation preference per share;
- the purchase price;
- the dividend rate, period and payment date, and method of calculation of dividends;
- whether dividends will be cumulative or non-cumulative and, if cumulative, the date from which dividends will accumulate;
- the procedures for any auction and remarketing, if any;
- the provisions for a sinking fund, if any;
- the provisions for redemption or repurchase, if applicable, and any restrictions on NiSource's ability to exercise those redemption and repurchase rights;
- any listing of the preferred stock on any securities exchange or market;

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- voting rights, if any;
- preemptive rights, if any;
- restrictions on transfer, sale or other assignment, if any;
- whether interests in the preferred stock will be represented by depositary shares;
- a discussion of any material or special United States federal income tax considerations applicable to the preferred stock;
- the relative ranking and preferences of the preferred stock as to dividend or liquidation rights;
- any limitations on issuance of any class or series of preferred stock ranking senior to or on a parity with the series of preferred stock as to dividend or liquidation rights; and
- any other material specific terms, preferences, rights or limitations of, or restrictions on, the preferred stock.

The terms, if any, on which the preferred stock may be exchanged for or converted into shares of common stock or any other security and, if applicable, the conversion or exchange price, or how it will be calculated, and the conversion or exchange period will be set forth in the applicable prospectus supplement.

The preferred stock or any series of preferred stock may be represented, in whole or in part, by one or more global certificates, which will have an aggregate liquidation preference equal to that of the preferred stock represented by the global certificate.

Each global certificate will:

- be registered in the name of a depositary or a nominee of the depositary identified in the prospectus supplement;
- be deposited with such depositary or nominee or a custodian for the depositary; and
- bear a legend regarding the restrictions on exchanges and registration of transfer and any other matters as may be provided for under the certificate of designations.

The designation, powers, preferences, rights, qualifications, limitations and restrictions of each series of NiSource's preferred stock discussed below are set forth in a certificate of designations for such series (collectively, the "Certificate of Designations"), each forming part of the certificate of incorporation. The following summaries of the powers, preferences and rights of each series of preferred stock discussed below and certain material provisions of the applicable Certificate of Designations but does not contain a complete description of them and is qualified in its entirety by the provisions of the applicable Certificate of Designations. You may obtain a copy of the form of each Certificate of Designations as described under "Where You Can Find More Information."

SERIES A PREFERRED STOCK

A summary of certain powers, preferences, rights, qualifications, limitations and restrictions of the Series A Preferred Stock are set forth below.

Ranking

The Series A Preferred Stock ranks, with respect to dividends and distributions upon the liquidation, winding up and dissolution, whether voluntary or involuntary, of NiSource's affairs (a "Liquidation"): (i) senior to NiSource's common stock and any other class or series of capital stock that does not expressly provide that it ranks on a parity with or senior to the Series A Preferred Stock with respect to dividends and such distributions

("Series A Junior Securities"); (ii) on a parity with the Series B Preferred Stock, the Series B-1 Preferred Stock (except with respect to dividends) and any other class or series of capital stock that does not expressly provide that it ranks junior or senior to the Series A Preferred Stock with respect to dividends and such distributions ("Series A Parity Securities"); and (iii) junior to any class or series of capital stock that expressly provides that it ranks senior to the Series A Preferred Stock with respect to dividends and such distributions ("Series A Senior Securities").

Liquidation Rights

In the event of any Liquidation, the holders of the Series A Preferred Stock are entitled to receive out of NiSource's assets available for distribution to stockholders (subject to the rights of holders of Series A Senior Securities and Series A Parity Securities in respect of distributions upon Liquidation), before any distribution of assets is made to holders of Series A Junior Securities, a liquidation preference of $1,000 per share. Any accumulated and unpaid dividends on the Series A Preferred Stock and Series A Parity Securities will be paid prior to any distributions in Liquidation. A consolidation or merger of NiSource with or into any other entity will not be deemed to be a Liquidation.

Voting Rights

The Series A Preferred Stock has no voting, consent or approval rights except as set forth below or as otherwise provided by Delaware law. On any matter described below in which the holders of the Series A Preferred Stock are entitled to vote as a class (whether separately or together with the holders of any Series A Parity Securities), such holders will be entitled to one vote per share.

Adverse Changes. Unless NiSource has received the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting as a single class, no amendment to the certificate of incorporation may be adopted that would have a material adverse effect on the existing preferences, rights, powers, duties or obligations of the Series A Preferred Stock. However, such voting requirement shall not be implicated by any amendment to the certificate of incorporation (i) relating to the issuance of additional shares of preferred stock (subject to the voting rights discussed in the following paragraph) and (ii) in connection with a merger or another transaction in which the Series A Preferred Stock remains outstanding or is exchanged for a series of preferred stock of the surviving entity, in either case, with the terms thereof materially unchanged in any respect adverse to the holders of Series A Preferred Stock.

Parity and Senior Preferred Stock. Unless NiSource has received the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting as a class together with holders of the Series B Preferred Stock and any other Series A Parity Securities and upon which like voting rights have been conferred and are exercisable, NiSource may not: (i) create or issue any Series A Parity Securities (including any additional shares of Series A Preferred Stock or Series B Preferred Stock, but excluding any payments-in-kind on such shares) if the cumulative dividends payable on the outstanding shares of Series A Preferred Stock (or Series A Parity Securities, if applicable) are in arrears; or (ii) create or issue any Series A Senior Securities.

Dividends

Holders of shares of Series A Preferred Stock will be entitled to receive, when, as and if declared by NiSource's board of directors out of legally available funds for such purpose, cumulative semi-annual cash dividends (subject to the dividend rights of any Series A Senior Securities or Series A Parity Securities) at an initial rate of 5.650% per annum of the $1,000 liquidation preference per share (equal to $56.50 per share per annum). On and after June 15, 2023, dividends will accumulate for each five-year period thereafter according to a formula based on the rate of certain U.S. Treasury securities with a five year maturity plus the applicable margin.

NiSource is prohibited by the terms of the Series A Preferred Stock from declaring or paying dividends on any Series A Junior Securities (other than a dividend payable solely in such Series A Junior Securities) or redeeming, repurchasing or acquiring shares of any Series A Junior Securities unless full cumulative dividends have been paid on all outstanding shares of Series A Preferred Stock and any Series A Parity Securities entitled to dividends through the most recently completed respective dividend periods. In addition, NiSource may not repurchase, redeem or otherwise acquire any shares of Series A Preferred Stock or Series A Parity Securities unless (i) effected pursuant to a purchase or exchange offer made on the same relative terms to all holders of such shares of preferred stock or (ii) (A) full cumulative dividends have been paid or provided for on all outstanding shares of such series of preferred stock entitled to dividends through the most recently completed respective dividend periods and (B) NiSource expects to have sufficient funds to pay in full the next dividend on all such outstanding shares of preferred stock.

Redemption

NiSource may redeem the Series A Preferred Stock, at its option, in whole or in part, on June 15, 2023 or on any fifth anniversary thereafter by paying $1,000 per share plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the redemption date, whether or not declared. In addition, following the occurrence of a "Ratings Event" (as defined in the certificate of designations of the Series A Preferred Stock), NiSource may, at its option, redeem the Series A Preferred Stock in whole, but not in part, at a redemption price equal to $1,020 (102% of the liquidation preference) per share plus an amount equal to all accumulated and unpaid dividends thereon to the redemption date, whether or not declared.

No Conversion or Preemptive Rights

The Series A Preferred Stock is not convertible into any other class of NiSource's capital stock and the holders of the Series A Preferred Stock do not, as holders of Series A Preferred Stock, have any preemptive rights with respect to any shares of NiSource's capital stock or any of its securities convertible into or exercisable for its capital stock.

SERIES B PREFERRED STOCK

A summary of certain powers, preferences, rights, qualifications, limitations and restrictions of the Series B Preferred Stock are set forth below.

Ranking

The Series B Preferred Stock ranks, with respect to dividends and distributions upon Liquidation: (i) senior to NiSource's common stock and any other class or series of capital stock that does not expressly provide that it ranks on a parity with or senior to the Series B Preferred Stock with respect to dividends and such distributions (the "Series B Junior Securities"); (ii) on a parity with the Series A Preferred Stock, the Series B-1 Preferred Stock (except with respect to dividends) and any other class or series of capital stock that does not expressly provide that it ranks junior or senior to the Series B Preferred Stock with respect to dividends and such distributions (the "Series B Parity Securities"); and (iii) junior to any class or series of capital stock that expressly provides that it ranks senior to the Series B Preferred Stock with respect to dividends and such distributions (the "Series B Senior Securities").

Liquidation Rights

In the event of any Liquidation, the holders of the Series B Preferred Stock are entitled to receive out of NiSource's assets available for distribution to stockholders (subject to the rights of holders of Series B Senior Securities and Series B Parity Securities in respect of distributions upon the Liquidation) before any distribution of assets is made to holders of Series B Junior Securities, a liquidation preference of $25,000 per share. Any

accumulated and unpaid dividends on the Series B Preferred Stock and Series B Parity Securities will be paid prior to any distributions in Liquidation. A consolidation or merger of NiSource with or into any other entity will not be deemed to be a Liquidation.

Voting Rights

The Series B Preferred Stock has no voting, consent or approval rights except as set forth below or as otherwise provided by Delaware law. On any matter described below in which the holders of the Series B Preferred Stock are entitled to vote as a class (whether separately or together with the holders of any Series B Parity Securities), such holders will be entitled to twenty-five votes per share. The Series B Preferred Stock is paired with the Series B-1 Preferred Stock and the holders of the Series B-1 Preferred Stock are entitled to the voting rights described in "—Series B-1 Preferred Stock—Voting Rights."

Adverse Changes. Unless NiSource has received the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock, voting as a single class, no amendment to the certificate of incorporation may be adopted that would have a material adverse effect on the existing preferences, rights, powers, duties or obligations of the Series B Preferred Stock. However, such voting requirement shall not be implicated by any amendment to the certificate of incorporation (i) relating to the issuance of additional shares of preferred stock (subject to the voting rights discussed in the following paragraph) and (ii) in connection with a merger or another transaction in which either the Series B Preferred Stock remains outstanding or is exchanged for a series of preferred stock of the surviving entity, in either case, with the terms thereof materially unchanged in any respect adverse to the holders of Series B Preferred Stock.

Parity and Senior Preferred Stock. Unless NiSource has received the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock, voting as a class together with holders of the Series A Preferred Stock and any other Series B Parity Securities and upon which like voting rights have been conferred and are exercisable, NiSource may not: (i) create or issue any Series B Parity Securities (including any additional shares of Series A Preferred Stock or Series B Preferred Stock, but excluding any payments-in-kind on such shares) if the cumulative dividends payable on the outstanding shares of Series B Preferred Stock (or Series B Parity Securities, if applicable) are in arrears; or (ii) create or issue any Series B Senior Securities.

Dividends

Holders of Series B Preferred Stock will be entitled to receive, when, as and if declared by NiSource's board of directors out of legally available funds for such purpose, cumulative quarterly cash dividends (subject to the dividend rights of any Series B Parity Securities or Series B Senior Securities) at an initial rate of 6.50% per annum of the $25,000 liquidation preference per share (equal to $1,625 per share per annum). On and after March 15, 2024, dividends will accumulate for each five-year period thereafter according to a formula based on the rate of certain U.S. Treasury securities with a five year maturity plus the applicable margin.

NiSource is prohibited by the terms of the Series B Preferred Stock from declaring or paying dividends on any Series B Junior Securities (other than a dividend payable solely in such Series B Junior Securities) or redeeming, repurchasing or acquiring shares of any Series B Junior Securities unless full cumulative dividends have been paid on all outstanding shares of Series B Preferred Stock and any Series B Parity Securities entitled to dividends through the most recently completed respective dividend periods. In addition, NiSource may not repurchase, redeem or otherwise acquire any shares of Series A Preferred Stock or Series A Parity Securities, unless (i) effected pursuant to a purchase or exchange offer made on the same relative terms to all holders of such shares of preferred stock or (ii) (A) full cumulative dividends have been paid or provided for on all outstanding shares of such preferred stock entitled to dividends through the most recently completed respective dividend periods and (B) NiSource expects to have sufficient funds to pay in full the next dividend on all such outstanding shares of preferred stock.

Redemption

NiSource may redeem the Series B Preferred Stock, at its option, in whole or in part, on March 15, 2024 or on any fifth anniversary thereafter by paying $25,000 per share plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the redemption date, whether or not declared. In addition, following the occurrence of a "Ratings Event" (as defined in the certificate of designations of the Series B Preferred Stock), NiSource may, at its option, redeem the Series B Preferred Stock in whole, but not in part, at a redemption price equal to $25,500 per share (102% of the liquidation preference) plus an amount equal to all accumulated and unpaid dividends thereon to the redemption date, whether or not declared.

No Conversion or Preemptive Rights

The Series B Preferred Stock is not convertible into any other class of NiSource's capital stock and the holders of the Series B Preferred Stock do not, as holders of Series B Preferred Stock, have any preemptive rights with respect to any shares of NiSource's capital stock or any of its securities convertible into or exercisable for its capital stock.

SERIES B-1 PREFERRED STOCK

The Series B-1 Preferred Stock was issued as a distribution with respect to the Series B Preferred Stock in order to enhance the voting rights of the Series B Preferred Stock to comply with the New York Stock Exchange's minimum voting rights policy. The Series B-1 Preferred Stock is paired with the Series B Preferred Stock and may not be transferred, redeemed or repurchased except in connection with the simultaneous transfer, redemption or repurchase of the underlying Series B Preferred Stock, and upon the transfer, redemption or repurchase of the underlying Series B Preferred Stock, the same number of shares of Series B-1 Preferred Stock must simultaneously be transferred (to the same transferee), redeemed or repurchased, as the case may be. A summary of certain powers, preferences, rights, qualifications, limitations and restrictions of the Series B-1 Preferred Stock are set forth below.

Ranking

The Series B-1 Preferred Stock ranks, with respect to distributions upon Liquidation: (i) senior to NiSource's common stock and any other class or series of capital stock that does not expressly provide that it ranks on a parity with or senior to the Series B-1 Preferred Stock with respect to such distributions (the "Series B-1 Junior Securities"); (ii) on a parity with the Series A Preferred Stock, the Series B Preferred Stock and any other class or series of capital stock that does not expressly provide that it ranks junior or senior to the Series B-1 Preferred Stock with respect to such distributions (the "Series B-1 Parity Securities"); and (iii) junior to any class or series of capital stock that expressly provides that it ranks senior to the Series B-1 Preferred Stock with respect to such distributions (the "Series B-1 Senior Securities").

Liquidation Rights

In the event of any Liquidation, the holders of the Series B-1 Preferred Stock are entitled to receive out of NiSource's assets available for distribution to stockholders (subject to the rights of holders of Series B-1 Senior Securities and Series B-1 Parity Securities in respect of distributions upon Liquidation), before any distribution of assets is made to holders of Series B-1 Junior Securities, a liquidation preference of $0.01 per share. Any accumulated and unpaid dividends on the Series B-1 Parity Securities will be paid prior to any distributions in Liquidation. A consolidation or merger of NiSource with or into any other entity will not be deemed to be a Liquidation.

Voting Rights

The Series B-1 Preferred Stock has no voting, consent or approval rights except as set forth below or as otherwise provided by Delaware law. On any matter described below in which the holders of the Series B-1

Preferred Stock are entitled to vote as a class (whether separately or together with the holders of any Series B-1 Parity Securities), such holders will be entitled to twenty-five votes per share.

Adverse Changes. Unless NiSource has received the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series B-1 Preferred Stock, voting as a single class, no amendment to the certificate of incorporation may be adopted that would have a material adverse effect on the existing preferences, rights, powers, duties or obligations of the Series B-1 Preferred Stock. However, such voting requirement shall not be implicated by any amendment to the certificate of incorporation (i) relating to the issuance of additional shares of preferred stock and (ii) in connection with a merger or another transaction in which either the Series B-1 Preferred Stock remains outstanding or is exchanged for a series of preferred stock of the surviving entity, in either case, with the terms thereof materially unchanged in any respect adverse to the holders of Series B-1 Preferred Stock.

Election of Directors upon Nonpayment Events. If and whenever dividends on any shares of Series B Preferred Stock shall not have been declared and paid for at least six dividend periods, whether or not consecutive (a "Nonpayment Event"), the number of directors then constituting NiSource's board of directors will automatically be increased by two and the holders of Series B-1 Preferred Stock, voting as a class together with the holders of any outstanding Series B-1 Parity Securities having like voting rights that are exercisable at that time ("Director Voting Preferred Stock"), shall be entitled to elect the two additional directors (the "Preferred Stock Directors"), provided that (i) such election does not violate the corporate governance requirements of the New York Stock Exchange that companies must have a majority of independent directors and (ii) such director is not prohibited or disqualified from serving as a director of NiSource by any applicable law. The Preferred Stock Directors shall each be entitled to one vote per director on any matter before NiSource's board of directors for a vote.

When all accumulated and unpaid dividends on the Series B Preferred Stock have been paid in full, then (a) the right of the holders of Series B-1 Preferred Stock to elect the Preferred Stock Directors shall cease, (b) the terms of office of the Preferred Stock Directors will automatically terminate and (c) the number of directors constituting NiSource's board of directors will automatically decrease by two. Any Preferred Stock Director may be removed at any time without cause by holders of a majority of the outstanding shares of the Series B-1 Preferred Stock and Director Voting Preferred Stock (voting together as a single class). So long as a Nonpayment Event continues, any vacancy in the office of a Preferred Stock Director (after the initial election of Preferred Stock Directors) may be filled by the written consent of the Preferred Stock Director remaining in office (if any), in lieu of a vote by the Series B-1 Preferred Stock and Voting Preferred Stock (voting together as a single class).

Dividends

Holders of Series B-1 Preferred Stock are not entitled to receive dividends.

Redemption

The shares of Series B-1 Preferred Stock are subject to mandatory redemption, in whole or in part, at a redemption price of $0.01 per share upon the redemption of the underlying shares of Series B Preferred Stock with which such shares of Series B-1 Preferred Stock are paired. The shares of Series B-1 Preferred Stock are not otherwise subject to redemption.

No Conversion or Preemptive Rights

The Series B-1 Preferred Stock is not convertible into any other class of NiSource's capital stock and the holders of the Series B-1 Preferred Stock do not, as holders of Series B-1 Preferred Stock, have any preemptive rights with respect to any shares of NiSource's capital stock or any of its securities convertible into or exercisable for its capital stock.

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DESCRIPTION OF DEPOSITARY SHARES

NiSource may issue depositary shares representing fractional interests in shares of our preferred stock of any series. The following description sets forth certain general terms and provisions of the depositary shares to which any prospectus supplement may relate. The particular terms of the depositary shares to which any prospectus supplement may relate and the extent, if any, to which the general terms and provisions may apply to the depositary shares so offered will be described in the applicable prospectus supplement. To the extent that any particular terms of the depositary shares, deposit agreements and depositary receipts described in a prospectus supplement differ from any of the terms described below, then the terms described below will be deemed to have been superseded by that prospectus supplement. You should read the applicable deposit agreement and depositary receipts for additional information before you decide whether to purchase any of NiSource's depositary shares.

In connection with the issuance of any depositary shares, NiSource will enter into a deposit agreement with a bank or trust company, as depositary, which will be named in the applicable prospectus supplement. Depositary shares will be evidenced by depositary receipts issued pursuant to the related deposit agreement. Immediately following our issuance of the security related to the depositary shares, NiSource will deposit the shares of our preferred stock with the relevant depositary and will cause the depositary to issue, on our behalf, the related depositary receipts. Subject to the terms of the deposit agreement, each owner of a depositary receipt will be entitled, in proportion to the fractional interest in the share of preferred stock represented by the related depositary share, to all the rights, preferences and privileges of, and will be subject to all of the limitations and restrictions on, the preferred stock represented by the depositary receipt (including, if applicable, dividend, voting, conversion, exchange, redemption, sinking fund, subscription and liquidation rights). The applicable prospectus supplement will describe the terms of the depositary shares offered thereby.

Depositary Shares representing Series B Preferred Stock and Series B-1 Preferred Stock

NiSource has issued and outstanding 20,000,000 depositary shares (the "Depositary Shares"), each representing a 1/1,000th ownership interest in a share of its Series B Preferred Stock and a 1/1,000th ownership interest in a share of its Series B-1 Preferred Stock. The Depositary Shares are evidenced by depositary receipts issued pursuant to a deposit agreement (the "Deposit Agreement") among NiSource, Computershare Inc. and Computershare Trust Company, N.A., acting jointly as the depositary (the "depositary"), and the holders from time to time of the depositary receipts evidencing the Depositary Shares. This description of the Depositary Shares is qualified in its entirety by the provisions of the respective certificates of designations of the Series B Preferred Stock and Series B-1 Preferred Stock and the Deposit Agreement.

Dividends and Other Distributions

The depositary will distribute any cash dividends or other cash distributions received in respect of the deposited Series B Preferred Stock and Series B-1 Preferred Stock to the record holders of Depositary Shares relating to the underlying Series B Preferred Stock and Series B-1 Preferred Stock in proportion to the number of Depositary Shares held by the holders. The depositary will distribute any property received by it other than cash to the record holders of Depositary Shares entitled to those distributions, unless it determines, in consultation with NiSource, that the distribution cannot be made proportionally among those holders or that it is not feasible to make a distribution. In that event, the depositary may, with NiSource's approval, sell the property (at a public or private sale) and distribute the net proceeds from the sale to the holders of the Depositary Shares in proportion to the number of Depositary Shares they hold.

Redemption of Depositary Shares

If NiSource redeems the Series B Preferred Stock and Series B-1 Preferred Stock represented by the Depositary Shares, a proportionate number of Depositary Shares will be redeemed from the proceeds received by

the depositary resulting from the redemption of the Series B Preferred Stock and Series B-1 Preferred Stock held by the depositary. The redemption price per depositary share will be equal to 1/1,000th of the redemption price per share payable with respect to each of the Series B Preferred Stock and Series B-1 Preferred Stock. Whenever NiSource redeems shares of Series B Preferred Stock and Series B-1 Preferred Stock held by the depositary, the depositary will redeem, as of the same redemption date, the number of Depositary Shares representing shares of Series B Preferred Stock and Series B-1 Preferred Stock so redeemed.

Voting the Preferred Stock

When the depositary receives notice of any meeting at which the holders of the Series B Preferred Stock and/or Series B-1 Preferred Stock are entitled to vote, the depositary will mail, or otherwise transmit by an authorized method, the information contained in the notice to the record holders of the Depositary Shares. Each record holder of the Depositary Shares on the record date, which will be the same date as the record date for the Series B Preferred Stock and/or Series B-1 Preferred Stock, may instruct the depositary to vote the amount of the Series B Preferred Stock and/or Series B-1 Preferred Stock entitled to vote represented by the holder's Depositary Shares. To the extent practicable, the depositary will vote the number of shares entitled to vote represented by such Depositary Shares in accordance with the instructions it receives. If the depositary does not receive specific instructions from the holders of any Depositary Shares representing the Series B Preferred Stock and/or Series B-1 Preferred Stock entitled to vote, it will abstain from voting the number of shares of Series B Preferred Stock and/or Series B-1 Preferred Stock represented thereby.

Amendment and Termination of the Depositary Agreement

The form of depositary receipt evidencing the Depositary Shares and any provision of the Depositary Agreement may be amended by agreement between the depositary and NiSource. However, any amendment that materially and adversely alters the rights of the holders of Depositary Shares will not be effective unless such amendment has been approved by the holders of at least a majority of the Depositary Shares then outstanding. The Depositary Agreement may be terminated by NiSource upon sixty days' prior written notice to the depositary or by the depositary upon mailing notice to NiSource and the holders of all Depositary Shares then outstanding if at any time sixty days have expired after the depositary provided written notice to NiSource of its resignation and a successor depositary has not been appointed. The Depositary Agreement shall automatically terminate after there has been a final distribution in respect of the Series B Preferred Stock and Series B-1 Preferred Stock in connection with NiSource's liquidation, dissolution or winding and such distribution has been distributed to the holders of Depositary Shares.

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DESCRIPTION OF THE DEBT SECURITIES

NiSource may issue debt securities, which will be designated as either senior debt securities or subordinated debt securities, in one or more series from time to time. Unless the context requires otherwise, references to "debt securities" refer collectively to both the senior debt securities and the subordinated debt securities. The senior debt securities will be issued under an indenture, dated as of November 14, 2000, as supplemented, between NiSource (as successor to NiSource Finance Corp.) and The Bank of New York Mellon (as successor in interest to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank), as trustee. We refer to this indenture as the "Senior Indenture." The subordinated debt securities will be issued under a separate indenture to be entered into at a future date between NiSource and The Bank of New York Mellon, as trustee. We refer to this indenture as the "Subordinated Indenture" and, together with the Senior Indenture, as the "Indentures." The Bank of New York Mellon, as trustee under the Indentures, will act as indenture trustee for the purposes of the Trust Indenture Act. We have filed the Indentures as exhibits to the registration statement of which this prospectus is a part.

This section briefly summarizes some of the terms of the debt securities and the Indentures. This section does not contain a complete description of the debt securities or the Indentures. The description of the debt securities is qualified in its entirety by the provisions of the Indentures. References to section numbers in this description of the debt securities, unless otherwise indicated, are references to section numbers of each Indenture.

General

The Indentures do not limit the amount of debt securities that may be issued. Each Indenture provides for the issuance of debt securities from time to time in one or more series. The terms of each series of debt securities may be established in a supplemental indenture or in resolutions of NiSource's board of directors or a committee of the board.

The senior debt securities:

- are direct senior unsecured obligations of NiSource; and
- are equal in right of payment to any other unsecured and unsubordinated debt of NiSource.

The subordinated debt securities:

- are direct subordinated unsecured obligations of NiSource; and
- are subordinated to the prior payment in full of the senior debt securities of NiSource.

NiSource is a holding company with no independent business operations or source of income of its own. It conducts substantially all of its operations through its subsidiaries and, as a result, NiSource depends on the earnings and cash flow of, and dividends or distributions from, its subsidiaries to provide the funds necessary to meet its debt and contractual obligations. Substantially all of NiSource's consolidated assets, earnings and cash flow is derived from the operation of its regulated utility subsidiaries, whose legal authority to pay dividends or make other distributions to NiSource is subject to regulatory restrictions. In addition, NIPSCO's debt indenture provides that NIPSCO will not declare or pay any dividends on its common stock owned by NiSource except out of earned surplus or net profits.

NiSource's holding company status also means that its right to participate in any distribution of the assets of any of its subsidiaries upon liquidation, reorganization or otherwise is subject to the prior claims of the creditors of each of the subsidiaries (except to the extent that the claims of NiSource itself as a creditor of a subsidiary may be recognized). Since this is true for NiSource, it is also true for the creditors of NiSource (including the holders of the debt securities).

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If NiSource uses this prospectus to offer debt securities, an accompanying prospectus supplement will describe the following terms of the debt securities being offered, to the extent applicable:

- the title and type of the debt securities;
- any limit on the aggregate principal amount;
- the date or dates on which NiSource will pay principal;
- the right, if any, to extend the date or dates on which NiSource will pay principal;
- the interest rates or the method of determining them and the date interest begins to accrue;
- the interest payment dates and the regular record dates for any interest payment dates;
- the right, if any, to extend the interest payment periods and the duration of any extension;
- the place or places where NiSource will pay principal and interest;
- the terms and conditions of any optional redemption, including the date after which, and the price or prices at which, NiSource may redeem securities;
- the terms and conditions of any optional purchase or repayment, including the date after which, and the price or prices at which, holders may require NiSource to purchase, or a third party may require holders to sell, securities;
- the terms and conditions of any mandatory or optional sinking fund redemption, including the date after which, and the price or prices at which, NiSource may redeem securities;
- whether bearer securities will be issued;
- the denominations in which NiSource will issue securities;
- the currency or currencies in which NiSource will pay principal and interest;
- any index or indices used to determine the amount of payments;
- the portion of principal payable on declaration of acceleration of maturity;
- any additional events of default or covenants of NiSource applicable to the debt securities;
- whether NiSource will pay additional amounts in respect of taxes and similar charges on debt securities held by a United States alien and whether NiSource may redeem those debt securities rather than pay additional amounts;
- whether NiSource will issue the debt securities in whole or in part in global form and, in such case, the depositary for such global securities and the circumstances under which beneficial owners of interests in the global security may exchange such interest for securities;
- the date or dates after which holders may convert the securities into shares of NiSource common stock or preferred stock and the terms for that conversion;
- particular terms of subordination with respect to subordinated debt securities; and
- any other terms of the securities consistent with the provisions of the applicable indenture.

The Indentures do not give holders of debt securities protection in the event of a highly leveraged transaction or other transaction involving NiSource. The Indentures also do not limit the ability of NiSource to incur indebtedness or to declare or pay dividends on its capital stock.

Conversion Rights

The terms, if any, on which a series of debt securities may be exchanged for or converted into shares of common stock or preferred stock of NiSource will be set forth in the applicable prospectus supplement.

Denomination, Registration and Transfer

NiSource may issue the debt securities as registered securities in certificated form or as global securities as described under the heading "Book-Entry Issuance." Unless otherwise specified in the applicable prospectus supplement, NiSource will issue registered debt securities in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. (See Section 302.)

If NiSource issues the debt securities as registered securities, NiSource will keep at one of its offices or agencies a register in which it will provide for the registration and transfer of the debt securities. NiSource will appoint that office or agency the security registrar for the purpose of registering and transferring the debt securities.

The holder of any registered debt security may exchange the debt security for registered debt securities of the same series having the same stated maturity date and original issue date, in any authorized denominations, in like tenor and in the same aggregate principal amount. The holder may exchange those debt securities by surrendering them in a place of payment maintained for this purpose at the office or agency NiSource has appointed as securities registrar. Holders may present the debt securities for exchange or registration of transfer, duly endorsed or accompanied by a duly executed written instrument of transfer satisfactory to NiSource and the securities registrar. No service charge will apply to any exchange or registration of transfer, but NiSource may require payment of any taxes and other governmental charges as described in the applicable Indenture. (See Section 305.)

If debt securities of any series are redeemed, NiSource will not be required to issue, register transfer of or exchange any debt securities of that series during the 15 business day period immediately preceding the day the relevant notice of redemption is given. That notice will identify the serial numbers of the debt securities being redeemed. After notice is given, NiSource will not be required to issue, register the transfer of or exchange any debt securities that have been selected to be either partially or fully redeemed, except the unredeemed portion of any debt security being partially redeemed. (See Section 305.)

Payment and Paying Agents

Unless otherwise indicated in the applicable prospectus supplement, on each interest payment date, NiSource will pay interest on each debt security to the person in whose name that debt security is registered as of the close of business on the record date relating to that interest payment date. If NiSource defaults in the payment of interest on any debt security, it may pay that defaulted interest to the registered owner of that debt security:

- as of the close of business on a date that the indenture trustee selects, which may not be more than 15 days or less than 10 days before the date NiSource proposes to pay the defaulted interest, or
- in any other lawful manner that does not violate the requirements of any securities exchange on which that debt security is listed and that the indenture trustee believes is acceptable.

(See Section 307.)

Unless otherwise indicated in the applicable prospectus supplement, NiSource will pay the principal of and any premium or interest on the debt securities when they are presented at the office of the indenture trustee, as paying agent. NiSource may change the place of payment of the debt securities, appoint one or more additional paying agents, and remove any paying agent.

Redemption

The applicable prospectus supplement will contain the specific terms on which NiSource may redeem a series of debt securities prior to its stated maturity. NiSource will send a notice of redemption to holders at least 30 days but not more than 60 days prior to the redemption date. The notice will state:

- the redemption date;

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- the redemption price;
- if less than all of the debt securities of the series are being redeemed, the particular debt securities to be redeemed (and the principal amounts, in the case of a partial redemption);
- that on the redemption date, the redemption price will become due and payable and any applicable interest will cease to accrue on and after that date;
- the place or places of payment; and
- whether the redemption is for a sinking fund.

(See Section 1104.)

On or before any redemption date, NiSource will deposit an amount of money with the indenture trustee or with a paying agent sufficient to pay the redemption price. (See Section 1105.)

If NiSource is redeeming less than all the debt securities, the indenture trustee will select the debt securities to be redeemed using a method it considers fair and appropriate, provided that any debt securities issued as global securities will be selected for redemption in accordance with the policies and procedures of the depositary. After the redemption date, holders of redeemed debt securities will have no rights with respect to the debt securities except the right to receive the redemption price and any unpaid interest to the redemption date. (See Sections 1103 and 1106.)

Consolidation, Merger, Conveyance, Transfer or Lease

NiSource shall not consolidate with or merge into any other person or convey, transfer or lease substantially all of its assets or properties to any person unless:

- that person is organized under the laws of the United States or any state thereof;
- that person assumes NiSource's obligations under the Indentures;
- after giving effect to the transaction, NiSource is not in default under the Indentures; and
- NiSource delivers to the indenture trustee an officer's certificate and an opinion of counsel to the effect that the transaction complies with the Indentures.

(See Section 801.)

Limitation on Liens

As long as any debt securities remain outstanding, neither NiSource nor any subsidiary of NiSource, other than a utility, may issue, assume or guarantee any debt for money borrowed secured by any mortgage, security interest, pledge, lien or other encumbrance on any property owned by NiSource or that subsidiary, except intercompany indebtedness, without also securing the debt securities (together with any other indebtedness of or guaranteed by NiSource or such subsidiary ranking equally with such debt securities) equally and ratably with (or prior to) the new debt, unless the total amount of all of the secured debt would not exceed 10% of the consolidated net tangible assets of NiSource and its subsidiaries (other than utilities).

The lien limitations do not apply to NiSource's and any subsidiary's ability to do the following:

- create mortgages on any property and on certain improvements and accessions on such property acquired, constructed or improved after the date of the applicable Indenture;
- assume existing mortgages on any property or indebtedness of an entity which is merged with or into, or consolidated with NiSource or any subsidiary;

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- assume existing mortgages on any property or indebtedness of an entity existing at the time it becomes a subsidiary;
- create mortgages to secure debt of a subsidiary to NiSource or to another subsidiary (other than a utility);
- create mortgages in favor of governmental entities to secure payment under a contract or statute or mortgages to secure the financing of constructing or improving property, including mortgages for pollution control or industrial revenue bonds;
- create mortgages to secure debt of NiSource or its subsidiaries maturing within 12 months and created in the ordinary course of business;
- create mortgages to secure the cost of exploration, drilling or development of natural gas, oil or other mineral property;
- continue mortgages existing on the date of the applicable Indenture; and
- create mortgages to extend, renew or replace indebtedness secured by any mortgage referred to above provided that the principal amount of indebtedness and the property securing the indebtedness shall not exceed the amount secured by the mortgage being extended, renewed or replaced.

(See Section 1008.)

Events of Default

The Indentures provide, with respect to any outstanding series of debt securities, that any of the following events constitutes an "Event of Default":

- NiSource defaults in the payment of any interest upon any debt security of that series that becomes due and payable and the default continues for 60 days;
- NiSource defaults in the payment of principal of or any premium on any debt security of that series when due at its maturity, on redemption, by declaration or otherwise and the default continues for three business days;
- NiSource defaults in the deposit of any sinking fund payment when due and the default continues for three business days;
- NiSource defaults in the performance of or breaches any covenant or warranty in the applicable Indenture for 90 days after written notice to NiSource from the indenture trustee or to NiSource and the indenture trustee from the holders of at least 33% of the outstanding debt securities of that series;
- NiSource defaults under any bond, debenture, note or other evidence of indebtedness for money borrowed by it or defaults under any mortgage, indenture or instrument under which there may be issued, secured or evidenced indebtedness for money borrowed constituting a failure to pay in excess of $50,000,000 of the principal or interest when due and payable, and, in the event such indebtedness has become due as the result of an acceleration, such acceleration is not rescinded or annulled or such indebtedness is not paid within 60 days after written notice to NiSource from the indenture trustee or to NiSource and the indenture trustee from the holders of at least 33% of the outstanding debt securities of that series; or
- certain events of bankruptcy, insolvency or reorganization of NiSource.

(See Section 501.)

If an Event of Default occurs with respect to debt securities of a particular series, the indenture trustee or the holders of 33% in principal amount of the outstanding debt securities of that series may declare the debt securities of that series due and payable immediately. (See Section 502.)

The holders of a majority in principal amount of the outstanding debt securities of a particular series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee under the applicable Indenture, or exercising any trust or power conferred on the indenture trustee with respect to the debt securities of that series. The indenture trustee may refuse to follow directions that are in conflict with law or the applicable Indenture, that expose the indenture trustee to personal liability or that are unduly prejudicial to other holders. The indenture trustee may take any other action it deems proper that is not inconsistent with those directions. (See Section 512.)

The holders of a majority in principal amount of the outstanding debt securities of any series may waive any past default under the applicable Indenture and its consequences, except a default:

- in respect of a payment of principal of, or premium, if any, or interest on any debt security; or
- in respect of a covenant or provision that cannot be modified or amended without the consent of the holder of each affected debt security.

(See Section 513.)

At any time after the holders of the debt securities of a series declare that the debt securities of that series are due and immediately payable, holders of a majority in principal amount of the outstanding debt securities of that series may rescind and cancel the declaration and its consequences: (1) before the indenture trustee has obtained a judgment or decree for money, (2) if all events of default (other than the non-payment of principal which has become due solely by reason of the declaration) have been waived or cured, and (3) if NiSource has paid or deposited with the indenture trustee an amount sufficient to pay:

- all overdue interest on the debt securities of that series;
- the principal of, and premium, if any, or interest on any debt securities of that series which are due other than by reason of the declaration;
- interest on overdue interest (if lawful); and
- sums paid or advanced by and amounts due to the indenture trustee under the applicable Indenture.

(See Section 502.)

Modification of Indentures

NiSource and the indenture trustee may modify or amend one or both of the Indentures, without the consent of the holders of any debt securities, for any of the following purposes:

- to evidence the succession of another person as obligor under the Indenture;
- to add to NiSource's covenants or to surrender any right or power conferred on NiSource under the Indenture;
- to add events of default;
- to add or change any provisions of the Indenture to provide that bearer securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal or premium on registered securities or of principal or premium or any interest on bearer securities, to permit registered securities to be exchanged for bearer securities or to permit the issuance of securities in uncertificated form (so long as the modification or amendment does not adversely affect the interest of the holders of debt securities of any series in any material respect);
- to change or eliminate any provisions of the Indenture (so long as there are no outstanding debt securities entitled to the benefit of the provision);
- to secure the debt securities;

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- to establish the form or terms of debt securities of any series;
- to evidence or provide for the acceptance or appointment by a successor indenture trustee or facilitate the administration of the trust under the Indenture by more than one indenture trustee;
- to cure any ambiguity, defect or inconsistency in the Indenture (so long as the cure or modification does not adversely affect the interest of the holders of debt securities of any series in any material respect); or
- to conform the Indenture to any amendment of the Trust Indenture Act.

(See Section 901.)

Each Indenture provides that we and the indenture trustee may amend the Indenture or the debt securities with the consent of the holders of a majority in principal amount of the then outstanding debt securities of each series affected by the amendment voting as one class. However, without the consent of each holder of any outstanding debt securities affected, an amendment or modification may not, among other things:

- change the stated maturity of the principal or interest on any debt security;
- reduce the principal amount of, rate of interest on, or premium payable upon the redemption of any debt security;
- change the method of calculating the rate of interest on any debt security;
- change any obligation of NiSource to pay additional amounts in respect of any debt security;
- reduce the principal amount of a discount security that would be payable upon acceleration of its maturity;
- change the place or currency of payment of principal of, or any premium or interest on, any debt security;
- impair a holder's right to institute suit for the enforcement of any payment after the stated maturity or after any redemption date or repayment date;
- reduce the percentage in principal amount of outstanding debt securities, the consent of whose holders is necessary to modify or amend the Indenture or to consent to any waiver under the Indenture;
- change any obligation of NiSource to maintain an office or agency in each place of payment or to maintain an office or agency outside the United States; and
- modify these requirements or reduce the percentage in principal amount of outstanding debt securities, the consent of whose holders is necessary to waive any past default of certain covenants.

(See Section 902.)

Satisfaction and Discharge

Under the Indentures, NiSource can terminate its obligations with respect to debt securities of all series not previously delivered to the indenture trustee for cancellation when those debt securities:

- have become due and payable;
- will become due and payable at their stated maturity within one year; or
- are to be called for redemption within one year under arrangements satisfactory to the indenture trustee for giving notice of redemption.

NiSource may terminate its obligations with respect to the debt securities of that series by depositing with the indenture trustee, as trust funds dedicated solely for that purpose, an amount sufficient to pay and discharge the entire indebtedness on the debt securities of that series. In that case, the applicable Indenture will cease to be

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of further effect and NiSource's obligations will be satisfied and discharged with respect to that series (except as to NiSource's obligations to pay all other amounts due under the applicable Indenture and to provide certain officers' certificates and opinions of counsel to the indenture trustee). At the expense of NiSource, the indenture trustee will execute proper instruments acknowledging the satisfaction and discharge.

(See Section 401.)

Governing Law

Each of the Indentures is, and the related senior debt securities and subordinated debt securities will be, governed by the internal laws of the State of New York.

Information Concerning the Indenture Trustee

Prior to default, the indenture trustee will perform only those duties specifically set forth in the Indentures. After default, the indenture trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. The indenture trustee is under no obligation to exercise any of the powers vested in it by the Indentures at the request of any holder of debt securities unless the holder offers the indenture trustee reasonable indemnity against the costs, expenses and liability that the indenture trustee might incur in exercising those powers. The indenture trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if it reasonably believes that it may not receive repayment or adequate indemnity. (See Section 601.)

Because The Bank of New York Mellon is the trustee under the Senior Indenture and the Subordinated Indenture, it may be required to resign as trustee under one of those Indentures if there is an event of default under an Indenture.

We may appoint an alternative trustee for any series of debt securities. The appointment of an alternative trustee would be described in the applicable prospectus supplement.

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DESCRIPTION OF WARRANTS

NiSource may issue warrants to purchase equity or debt securities. NiSource may issue warrants independently or together with any offered securities. The warrants may be attached to or separate from those offered securities. NiSource will issue the warrants under warrant agreements to be entered into between NiSource and a bank or trust company, as warrant agent, all as described in the applicable prospectus supplement. The warrant agent will act solely as agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants.

The prospectus supplement relating to any warrants that we may offer will contain the specific terms of the warrants. These terms may include the following:

- the title of the warrants;
- the designation, amount and terms of the securities for which the warrants are exercisable;
- the designation and terms of the other securities, if any, with which the warrants are to be issued and the number of warrants issued with each other security;
- the price or prices at which the warrants will be issued;
- the aggregate number of warrants;
- any provisions for adjustment of the number or amount of securities receivable upon exercise of the warrants or the exercise price of the warrants;
- the price or prices at which the securities purchasable upon exercise of the warrants may be purchased;
- if applicable, the date on and after which the warrants and the securities purchasable upon exercise of the warrants will be separately transferable;
- if applicable, a discussion of the material U.S. federal income tax considerations applicable to the exercise of the warrants;
- any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants;
- the date on which the right to exercise the warrants will commence, and the date on which the right will expire;
- the maximum or minimum number of warrants that may be exercised at any time; and
- information with respect to book-entry procedures, if any.

Exercise of Warrants

Each warrant will entitle the holder of warrants to purchase for cash the amount of equity or debt securities at the exercise price stated or determinable in the prospectus supplement for the warrants. Warrants may be exercised at any time up to the close of business on the expiration date shown in the applicable prospectus supplement, unless otherwise specified in such prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void. Warrants may be exercised as described in the applicable prospectus supplement. When the warrant holder makes the payment and properly completes and signs the warrant certificate at the corporate trust office of the warrant agent or any other office indicated in the prospectus supplement, NiSource will, as soon as possible, forward the equity or debt securities that the warrant holder has purchased. If the warrant holder exercises the warrant for less than all of the warrants represented by the warrant certificate, NiSource will issue a new warrant certificate for the remaining warrants.

DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS

NiSource may issue stock purchase contracts, including contracts obligating holders to purchase from NiSource, and for NiSource to sell to the holders, a specified number of shares of common stock at a future date or dates. The price per share of common stock and the number of shares of common stock may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula stated in the stock purchase contracts.

The stock purchase contracts may be issued separately or as part of units that we call "stock purchase units." Stock purchase units consist of a stock purchase contract and either NiSource's debt securities or U.S. treasury securities securing the holders' obligations to purchase the common stock under the stock purchase contracts.

The stock purchase contracts may require us to make periodic payments to the holders of the stock purchase units or vice versa, and these payments may be unsecured or prefunded on some basis. The stock purchase contracts may require holders to secure their obligations in a specified manner.

The applicable prospectus supplement will describe the terms of the stock purchase contracts or stock purchase units. The description in the prospectus supplement will only be a summary, and you should read the stock purchase contracts, and, if applicable, collateral or depositary arrangements, relating to the stock purchase contracts or stock purchase units. Material U.S. federal income tax considerations applicable to the stock purchase units and the stock purchase contracts will also be discussed in the applicable prospectus supplement.

BOOK-ENTRY ISSUANCE

Unless otherwise specified in the applicable prospectus supplement, NiSource will issue any debt securities offered under this prospectus as "global securities." In addition, NiSource may issue other securities offered under this prospectus as global securities. We will describe the specific terms for issuing any security as a global security in the prospectus supplement relating to that security.

Unless otherwise specified in the applicable prospectus supplement, The Depository Trust Company, or DTC, will act as the depositary for any global securities. NiSource will issue global securities as fully registered securities registered in the name of DTC's nominee, Cede & Co. NiSource will issue one or more fully registered global securities for each issue of securities, each in the aggregate principal, stated amount or number of shares of such issue, and will deposit the global securities with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered under the provisions of Section 17A of the Securities Exchange Act. DTC holds and provides asset servicing for over 3.5 million U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments that DTC's participants deposit with DTC. DTC also facilitates the post-trade settlement among its direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between its direct participants' accounts. This eliminates the need for physical movement of securities certificates. DTC's direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation. The Depository Trust & Clearing Corporation is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. The Depository Trust & Clearing Corporation is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The DTC rules applicable to its participants are on file with the SEC.

Purchases of securities under DTC's system must be made by or through a direct participant, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security, the beneficial owner, is in turn to be recorded on the records of direct and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchases, but they should receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the participants through which they entered into the transactions. Transfers of ownership interests in the securities are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in securities, except in the event that use of the book-entry system for the securities is discontinued.

To facilitate subsequent transfers, all global securities that are deposited with, or on behalf of, DTC are registered in the name of DTC's nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of global securities with, or on behalf of, DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any changes in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the securities; DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by

arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the securities of like type, tenor and terms are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the global securities unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to NiSource as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the securities are credited on the applicable record date (identified in a listing attached to the omnibus proxy).

Redemption proceeds, principal payments and any premium, interest or other payments on the global securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit direct participants' accounts upon DTC's receipt of funds and corresponding detail information on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers registered in "street name," and will be the responsibility of the participant and not of DTC, NiSource or the indenture trustee, subject to any statutory or regulatory requirements. Payment of redemption proceeds, principal and any premium, interest or other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of NiSource and the applicable paying agent, disbursement of payments to direct participants will be the responsibility of DTC, and disbursement of payments to the beneficial owners will be the responsibility of direct and indirect participants.

Except as provided in the applicable prospectus supplement, a beneficial owner will not be entitled to receive physical delivery of a security. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights with respect to such beneficial owner's interest in a global security. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in the global securities.

DTC may discontinue providing its services as securities depositary with respect to the global securities at any time by giving reasonable notice to NiSource or, with respect to a debt security, the indenture trustee. Under such circumstances, in the event that a successor securities depositary is not obtained, certificates for the securities are required to be printed and delivered to the holders of record.

NiSource may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depositary). NiSource understands, however, that under current industry practices, DTC would notify its participants of NiSource's decision, but will only withdraw beneficial interests from the global securities at the request of each participant. In that event, certificates for the securities will be printed and delivered to the applicable participants.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information. We have no responsibility for the performance by DTC or its participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

PLAN OF DISTRIBUTION

We may sell the securities to or through underwriters, through dealers or agents, directly to you or through a combination of these methods. The prospectus supplement with respect to any offering of securities will describe the specific terms of the securities being offered, including:

- the name or names of any underwriters, dealers or agents;
- the purchase price of the securities and the proceeds to NiSource from the sale;
- any underwriting discounts and commissions or agency fees and other items constituting underwriters' or agents' compensation;
- any initial public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchange on which the offered securities may be listed.

Through Underwriters. If we use underwriters in the sale of the securities, the underwriters will acquire the offered securities for their own account. We will execute an underwriting agreement with an underwriter or underwriters once an agreement for sale of the securities is reached. The underwriters may resell the offered securities in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The underwriters may sell the offered securities directly or through underwriting syndicates represented by managing underwriters. Unless otherwise stated in the prospectus supplement relating to offered securities, the obligations of the underwriters to purchase those offered securities will be subject to certain conditions, and the underwriters will be obligated to purchase all of those offered securities if they purchase any of them.

Through Dealers. If we use a dealer to sell the securities, we will sell the offered securities to the dealer as principal. The dealer may then resell those offered securities at varying prices determined at the time of resale. Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

Through Agents. If we use agents in the sale of securities, we may designate one or more agents to sell offered securities.

Directly to Purchasers. We may sell the offered securities directly to one or more purchasers. In this case, no underwriters, dealers or agents would be involved. We will describe the terms of our direct sales in our prospectus supplement.

General Information. A prospectus supplement will state the name of any underwriter, dealer or agent and the amount of any compensation, underwriting discounts or concessions paid, allowed or reallowed to them. A prospectus supplement will also state the proceeds to us from the sale of offered securities, any initial public offering price and other terms of the offering of those offered securities.

Our agents, underwriters and dealers, or their affiliates, may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

We may authorize agents, underwriters or dealers to solicit offers by certain institutions to purchase offered securities from us at the public offering price and on terms described in the related prospectus supplement pursuant to delayed delivery or forward contracts providing for payment and delivery on a specified date in the future. If we use delayed delivery contracts, we will disclose that we are using them in our prospectus

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supplement and will tell you when we will demand payment and delivery of the securities. The delayed delivery contracts will be subject only to the conditions we set forth in our prospectus supplement.

We may enter into agreements to indemnify agents, underwriters and dealers against certain civil liabilities, including liabilities under the Securities Act of 1933.

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LEGAL OPINIONS

Sidley Austin LLP, Chicago, Illinois, will pass upon certain legal matters relating to the validity of the securities offered by this prospectus for us. The opinions with respect to the securities may be subject to assumptions regarding future action to be taken by us and the trustee, if applicable, in connection with the issuance and sale of the securities, the specific terms of the securities and other matters that may affect the validity of securities but that cannot be ascertained on the date of those opinions.

EXPERTS

The consolidated financial statements, and the related financial statement schedule, incorporated in this prospectus supplement by reference from the NiSource Inc. Annual Report on Form 10-K, and the effectiveness of NiSource Inc. and subsidiaries' internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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NiSource Inc.

7,500,000 Equity Units

(Initially Consisting of 7,500,000 Corporate Units)

Prospectus Supplement

Joint Book-Running Managers

Goldman Sachs & Co. LLC
J.P. Morgan
Wells Fargo Securities

Senior Co-Manager

Barclays

Co-Managers

BofA Securities
Citigroup
Credit Suisse
MUFG

April 13, 2021

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

5. Supply projected capital requirements and sources of Company, Parent, and System (Consolidated) for each of future three years.

Response:

Please see Exhibit No. 405 Attachment A page 1 for Columbia Gas of Pennsylvania, Inc.

Please see Exhibit No. 405 Attachment A page 2 for NiSource Inc.

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

USES OF FUNDS	FY 2022 000's	FY 2023	FY 2024
Constructions	$380,071	$423,786	$432,107
Allowance for Funds Used During Contruction	645	742	748
Debt Retirement and Redemption	0	0	0
Other Investing Activities	5,432	5,802	6,204
Common Dividends	-	-	-
Total Funds Required	386,148	430,330	439,059
SOURCES OF FUNDS			
Internal Sources			
Net Income	$148,015	$148,685	$159,300
Depreciation	96,153	107,067	117,396
Deferred Taxes	23,688	26,766	28,697
Other Cash Flow from Operations	(2,814)	3,941	3,412
Working Capital	(1,383)	(2,121)	9,636
Total Internal Sources	263,659	284,338	318,442
External Sources			
Common Stock/Additional Paid in Capital	0	0	0
Net Increase(Decrease) in Short-Term Borrowings	(1,362)	22,140	11,765
Issuance of Long-Term debt	125,000	125,000	110,000
Other Financing	(1,149)	(1,149)	(1,149)
Total External Sources	122,489	145,991	120,617
Total Sources of Funds	386,148	430,330	439,059

NiSource
53.53 II. RATE OF RETURN
A. ALL Utilities

USES OF FUNDS	FY 2022 000's	FY 2023	FY 2024
Constructions	$2,637,197	$3,697,251	$2,118,663
Allowance for Funds Used During Construction	13,499	13,728	12,735
Debt Retirement and Redemption	30,000	-	-
Other Investing Activities	124,535	129,628	122,490
Common and Preferred Dividends	438,517	463,792	591,571
Total Funds Required	3,243,748	4,304,399	2,845,459
SOURCES OF FUNDS			
Internal Sources			
Net Income	$570,621	$495,316	$843,513
Depreciation	923,715	1,146,589	978,664
Deferred Taxes	114,102	86,054	196,510
Other Cash Flow from Operations	(48,573)	(67,139)	(125,648)
Working Capital	(183,771)	235,097	(204,486)
Total Internal Sources	1,376,094	1,895,918	1,688,552
External Sources			
Common/Preferred Stock and Additional Paid in Capital	$290,061	1,486,145	(482,755)
Net Increase(Decrease) in Short-Term Borrowings	$661,407	(170,485)	383,894
Issuance of Long-Term Debt	$800,000	1,000,000	1,300,000
Premiums and Debt Related Costs	($13,075)	(9,218)	(12,828)
Contributions from Non-Controlling Interest	$226,151	548,800	0
Other Financing	($96,890)	(446,761)	(31,404)
Total External Sources	1,867,654	2,408,481	1,156,906
Total Sources of Funds	3,243,748	4,304,399	2,845,459

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. BALANCE SHEET AND OPERATING STATEMENT
A. ALL UTILITIES

6. Provide a schedule of debt and preferred stock of Company, Parent and System (consolidated) as of test year-end and latest date, detailing for each issue (if applicable):

a. Date of issue
b. Date of maturity
c. Amount issued
d. Amount outstanding
e. Amount retired
f. Amount reacquired
g. Gain on reacquisition
h. Coupon rate
i. Discount or premium at issuance
j. Issuance expenses
k. Net proceeds
l. Sinking Fund requirements
m. Effective interest rate
n. Dividend rate
o. Effective cost rate
p. Total average weighted effective cost rate

Response:

Please see Attachment A:

Page 1 – Columbia Gas of Pennsylvania, Inc. (Company)

Page 2 and 3 – NiSource Inc. (System)

The December 31, 2021 year-end long-term debt schedule is the latest date available for NiSource Inc.

COLUMBIA GAS OF PENNSYLVANIA, INC.

STATEMENT OF OUTSTANDING LONG TERM NOTES AT DECEMBER 31, 2021
(000's)

Line No.	Title	Date of Issue (1)	Date of Maturity (2)	Principal Amount Issued (3) $	Amount Paid (4) $	Amount Outstanding (5) $	Coupon Interest Rate (6)	Unamortized Debt costs $	Net Amount Outstanding $	Annualized Cost (a) (7) $
3	**NISOURCE, INC.**									
5	Medium Term Notes:									
6	NiSource Inc.	3/31/1997	4/1/2022	6,000.00	0.00	6,000.00	7.99%	0.00	6,000.00	479.40
		3/31/1997	4/1/2022	8,000.00	0.00	8,000.00	7.99%	0.00	8,000.00	639.20
		3/31/1997	4/1/2022	6,000.00	0.00	6,000.00	7.99%	0.00	6,000.00	479.40
	Northern Indian	8/26/97	8/30/22	10,000.00	0.00	10,000.00	7.40%	0.00	10,000.00	740.00
7	Pollution Control Bonds:									
8	n/a									
11	**Total Current Portion of Long-term Debt**			**30,000.00**	**0.00**	**30,000.00**		**0.00**	**30,000.00**	**2,338.00**
14	**Long-term Debt**									
16	Pollution Control Bonds:									
17	Northern Indiana									
18	n/a									
19	Total Pollution Control Bonds			0.00	0.00	0.00		0.00	0.00	0.00
21	Medium Term Notes:									
23		6/6/97	6/7/27	20,000.00	0.00	20,000.00	7.69%	0.00	20,000.00	1,538.00
24		6/6/97	6/7/27	33,000.00	0.00	33,000.00	7.69%	0.00	33,000.00	2,537.70
25		8/4/97	8/4/27	5,000.00	0.00	5,000.00	7.16%	0.00	5,000.00	358.00
27		12/15/95	12/15/25	33,000.00	0.00	10,000.00	6.43%	0.00	10,000.00	643.00
28		2/1/98	2/15/28	30,000.00	25,000.00	5,000.00	6.26%	0.00	5,000.00	313.00
30	NiSource Inc.									
31		5/5/1997	5/5/2027	29,000.00	0.00	29,000.00	7.99%	0.00	29,000.00	2,317.10
33	Total Medium Term Notes			150,000.00	25,000.00	102,000.00		0.00	102,000.00	7,706.80

COLUMBIA GAS OF PENNSYLVANIA, INC.

SCHEDULE OF LONG TERM DEBT AND PREFERRED STOCK CAPITAL

AS OF DECEMBER 31, 2021

(000's)

Line No.	Title	Date of Issue	Date of Maturity	Principal Amount Issued	Amount Paid	Amount Outstanding	Coupon Interest Rate	Unamortized Debt costs	Net Amount Outstanding	Annualized Cost (a)
34		(1)	(2)	(3)	(4)	(5)	(6)			(7)
35	**NISOURCE, INC.**			$	$	$		$	$	$
36										
37	Senior Notes:									
38		12/1/1997	12/1/2027	3,000.00	0.00	3,000.00	6.78%	0.00	3,000.00	203.40
39		12/8/2010	12/15/2040	250,000.00	97,398.00	152,602.00	6.25%	0.00	152,602.00	9,537.63
40		6/10/2011	6/15/2041	400,000.00	52,603.00	347,397.00	5.95%	0.00	347,397.00	20,670.12
41		11/23/2011	2/1/2042	250,000.00	0.00	250,000.00	5.80%	0.00	250,000.00	14,500.00
42		6/14/2012	2/15/2043	500,000.00	0.00	500,000.00	5.25%	0.00	500,000.00	26,250.00
43		4/12/2013	2/15/2044	750,000.00	0.00	750,000.00	4.80%	0.00	750,000.00	36,000.00
44		10/10/2013	2/1/2045	500,000.00	0.00	500,000.00	5.65%	0.00	500,000.00	28,250.00
45		5/22/2017	5/15/2027	1,000,000.00	0.00	1,000,000.00	3.49%	0.00	1,000,000.00	34,900.00
46		5/22/2017	5/15/2047	1,000,000.00	0.00	1,000,000.00	4.38%	0.00	1,000,000.00	43,750.00
47		9/14/2017	3/30/2048	750,000.00	0.00	750,000.00	3.95%	0.00	750,000.00	29,625.00
48		8/12/2019	9/1/2029	750,000.00	0.00	750,000.00	2.95%	0.00	750,000.00	22,125.00
49		4/13/2020	5/1/2030	1,000,000.00	0.00	1,000,000.00	3.60%	0.00	1,000,000.00	36,000.00
50		8/18/2020	8/15/2025	1,250,000.00	0.00	1,250,000.00	0.95%	0.00	1,250,000.00	11,875.00
51		8/18/2020	2/15/2031	750,000.00	0.00	750,000.00	1.70%	0.00	750,000.00	12,750.00
52	Total Senior Notes			9,153,000.00	150,001.00	9,002,999.00		0.00	9,002,999.00	326,436.15
53										
54										
55	**Total Non-Current Portion of Long-term Debt**			**9,303,000.00**	**175,001.00**	**9,104,999.00**		**0.00**	**9,104,999.00**	**334,142.95**
56										
57	**Total Long-term Debt**			**9,333,000.00**	**175,001.00**	**9,134,999.00**		**0.00**	**9,134,999.00**	**336,480.95**
58	Preferred Stock Capital:									
59		6/11/2018	6/15/2023	400,000.00		400,000.00			400,000.00	22,600.00
60		11/28/2018	3/15/2024	500,000.00		500,000.00			500,000.00	32,500.00
61		4/14/2021	9/15/2023	862,500.00		862,500.00			862,500.00	66,843.75
62	**Total Preferred Stock Capital**			**1,762,500.00**	**0.00**	**1,762,500.00**		**0.00**	**1,762,500.00**	**121,943.75**

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

7. Supply financial data of Company and/or Parent for last five years:

a. Earnings - price ratio (average)

b. Earnings - book value ratio (per share basis) (average book value)

c. Dividend yield (average)

d. Earnings per share (dollars)

e. Dividends paid per share (dollars)

f. Average book value per share yearly

g. Average yearly market price per share (monthly high-low basis)

h. Pre-tax funded debt interest coverage

I. Post-tax funded debt interest coverage

j. Average market price - average book value ratio

Response:

Please see Exhibit 407 Page 2.

NISOURCE, INC
FINANCIAL DATA FOR THE YEARS 2017-2021
As Reported

Line No.	Description	Year Ended December 31, 2017	2018	2019	2020	2021
	(a) Earnings - Price Ratio (Average) (%)	1.6	(0.7)	3.2	(0.8)	9.3
	(b) Earnings - Book Value Ratio (Per share basis) (Average Book Value) (%)	3.0	(1.4)	6.5	(1.5)	0.1
	(c) Dividend Yield (Average) (%)	2.8	3.1	2.9	3.4	0.0
	(d) Earnings - per share ($)	0.39	(0.18)	0.88	(0.19)	1.35
	(e) Dividends - per share ($)	0.70	0.78	0.80	0.84	0.88
	(f) Average Book Value per Share Yearly ($)	12.82	13.66	13.63	12.90	14.55
	(g) Average Yearly Market Price per Share (Monthly high-low basis) ($)	25.1	25.1	27.7	25.0	24.5
	(h) Pre-Tax Funded Debt Interest Coverage (X)	2.25	0.36	2.48	0.92	3.07
	(i) Post-Tax Funded Debt Interest Coverage (X)	1.36	0.86	2.15	0.96	2.73
	(j) Market Price - Book Value Ratio (%)	195.7	193.2	203.0	193.9	168.2

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

11. Provide AFUDC charged by company at test year-end and latest date, and explain method by which rate was calculated.

Response:

AFUDC in the amount of $1,880,316 was recorded during the historic test year. The calculated rate of 4.12% was based in large part on Columbia Gas of Pennsylvania's average Construction Work In Progress (CWIP) compared to its average short term (ST) borrowings on a monthly basis and on an aggregate annual basis.

As of this filing, this is the latest AFUDC rate available, further details on this rate and computation are included in response to Standard Data Request GAS-ROR-005.

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

12. Set forth provisions of Company's and Parent's charter and indentures (if applicable) which describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts.

Response:

1. Restrictions contained in the Amended and Restated Certificate of Incorporation of NiSource Inc. as amended ("Charter").

The Charter provides that dividends may be declared by the Board of Directors and paid on NiSource Inc.'s common stock subject to the powers, preferences and other special rights afforded Preferred Stock holders. (See Article IV, Section A on Exhibit No. 409, Attachment A, page 5 of 79). Currently, NiSource Inc. has authorized and outstanding Series A preferred stock, Series B preferred stock and Series B-1 preferred stock (See Attachments A-1, A-2 and A-3). The dividend payouts for each of these series of preferred stock are fixed.

In addition, NiSource Inc. has authorized and outstanding shares of Series C Mandatory Convertible Preferred Stock (see Attachment A-4). The Series C preferred stock is currently attached to and trades as part of Equity Units that were issued by NiSource Inc. in an April, 2021 public offering. The Series C preferred stock does not currently pay any dividend, and will not pay any dividend until it is remarketed pursuant to the terms of the Purchase Contract and Pledge Agreement with U.S. Bank, as agent, dated April 19, 2021, which is expected to occur on or about December 1, 2023. All shares of Series C preferred stock will be converted to shares of NiSource Inc. common stock no later than April 1, 2024.

The Charter does not contain any coverage requirements or any limits on proportions of types of capital outstanding.

2. Restrictions contained in indentures and indenture supplements.

The indenture and indenture supplements to which Company or Parent is a party do not contain any coverage requirements, limits on proportions of types of capital outstanding and restrictions on dividend payouts.

NiSource Inc. is party to a Fifth Amended and Restated Revolving Credit Agreement dated February 20, 2019 with a syndicate of banks. This agreement requires NiSource Inc. to maintain a Debt to Capitalization Ratio of no greater than 0.70 to 1.00. For purposes of the covenant, "Debt to Capitalization" is calculated for NiSource Inc. and its consolidated subsidiaries on a consolidated basis. (See the Fifth Amended and Restated Revolving Credit Agreement, Article VII on Exhibit 409, Attachment B, page 67).

NiSource Inc. had notes outstanding in the private market, which were originally issued by a subsidiary, NiSource Finance Corp. ("NFC"), and were assumed by NiSource Inc. when NFC merged with and into NiSource Inc. The notes were issued pursuant to a Note Purchase Agreement. In the agreement, there is a financial covenant which states, "The Debt to Capitalization ratio shall not be more than .75 to 1.00 at any given time." For purposes of the covenant, "Debt to Capitalization" is calculated for NiSource Inc. and its consolidated subsidiaries on a consolidated basis. (See the Note Purchase Agreement, Exhibit No. 409, on Attachment C, page 22).
NiSource Inc. redeemed the last $265M tranche in this note purchase agreement during September 2020, and longer has the 75% debt / cap covenant in this agreement.

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

NISOURCE INC.

As Amended Through

May 8, 2019

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS FILED FROM AND INCLUDING THE RESTATED CERTIFICATE OR A MERGER WITH A RESTATED CERTIFICATE ATTACHED OF "NISOURCE INC." AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

RESTATED CERTIFICATE, FILED THE THIRTIETH DAY OF OCTOBER, A.D. 2000, AT 11 O`CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID RESTATED CERTIFICATE IS THE THIRTY-FIRST DAY OF OCTOBER, A.D. 2000 AT 11:59 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, CHANGING ITS NAME FROM "NEW NISOURCE INC." TO "NISOURCE INC.", FILED THE FIRST DAY OF NOVEMBER, A.D. 2000, AT 12 O`CLOCK P.M.

CERTIFICATE OF OWNERSHIP, FILED THE FIRST DAY OF NOVEMBER, A.D. 2000, AT 12:30 O`CLOCK P.M.

Jeffrey W. Bullock, Secretary of State

3203156 8100X
SR# 20182711485

Authentication: 202517924
Date: 04-16-18

You may verify this certificate online at corp.delaware.gov/authver.shtml

Delaware

The First State

CERTIFICATE OF AMENDMENT, FILED THE TWELFTH DAY OF MAY, A.D. 2006, AT 5:34 O`CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTIETH DAY OF MAY, A.D. 2008, AT 4:55 O`CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWELFTH DAY OF MAY, A.D. 2015, AT 3:38 O`CLOCK P.M.

CERTIFICATE OF MERGER, FILED THE THIRTIETH DAY OF NOVEMBER, A.D. 2017, AT 3:36 O`CLOCK P.M.

CERTIFICATE OF OWNERSHIP, FILED THE THIRTIETH DAY OF NOVEMBER, A.D. 2017, AT 4:55 O`CLOCK P.M.

Jeffrey W. Bullock, Secretary of State

3203156 8100X
SR# 20182711485

Authentication: 202517924
Date: 04-16-18

You may verify this certificate online at corp.delaware.gov/authver.shtml

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 11:00 AM 10/30/2000
001544362 – 3203156

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

NEW NISOURCE INC.

It is hereby certified that:

1. The present name of the corporation (hereinafter the "Corporation") is New NiSource Inc., which is the name under which the Corporation was originally incorporated; and the date of the filing of the original certificate of incorporation of the Corporation with the Secretary of State of the State of Delaware is March 29, 2000.

2. This Amended and Restated Certificate of Incorporation has been duly adopted and approved in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware. Stockholder approval of this Amended and Restated Certificate of Incorporation was given by written consent pursuant to Section 228 of the General Corporation Law of the State of Delaware.

3. Pursuant to Section 103(d) of the General Corporation Law of the State of Delaware, the effective date and time of this Amended and Restated Certificate of Incorporation shall be October 31, 2000, at 11:59 p.m. Eastern Standard Time.

4. The certificate of incorporation of the Corporation, as amended and restated herein, shall at the effective time of this amended and restated certificate of incorporation supersede the original certificate of incorporation and shall read in its entirety as follows:

Article I
Name

The name of this Corporation is New NiSource Inc.

Article II
Registered Office

The registered office of the Corporation in the State of Delaware is located at Corporation Service Company, 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle. The name of its registered agent is Corporation Service Company, and the address of said registered agent is 2711 Centerville Road, Suite 400, in said city.

Article III
Statement of Purpose

The nature of the business to be conducted and the purposes of the Corporation are to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law, as amended.

Article IV
Classes of Capital Stock

The total number of shares of all classes of stock which the Corporation shall have authority to issue is Four hundred twenty million (420,000,000), of which Twenty million (20,000,000) shares of the par value $.01 each are to be of a class designated Preferred Stock and Four hundred million (400,000,000) shares of the par value of $.01 each are to be of a class designated Common Stock.

A. Common Stock

1. Subject to the powers, preferences and other special rights afforded Preferred Stock by the provisions of this Article IV or resolutions adopted pursuant hereto, the holders of the Common Stock shall be entitled to receive, to the extent permitted by Delaware law, such dividends as may from time to time be declared by the Board of Directors.

2. Except as otherwise required by Delaware law and as otherwise provided in this Article IV and resolutions adopted pursuant hereto with respect to Preferred Stock, and subject to the provisions of the Bylaws of the Corporation, as from time to time amended, with respect to the closing of the transfer books and the fixing of a record date for the determination of stockholders entitled to vote, the holders of the Common Stock shall exclusively possess voting power for the election of directors and for all other purposes, and the holders of the Preferred Stock shall have no voting power and shall not be entitled to any notice of any meeting of stockholders.

3. Except as may otherwise be required by law, this Amended and Restated Certificate of Incorporation or the provisions of the resolution or resolutions as may be adopted by the Board of Directors pursuant to this Article IV with respect to Preferred Stock, each holder of Common Stock, and each holder of Preferred Stock, if entitled to vote on such matter, shall be entitled to one vote in respect of each share of Common Stock or Preferred Stock, as the case may be, held by such holder on each matter voted upon by stockholders, and any such right to vote shall not be cumulative.

4. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Except as otherwise

required by law and subject to the rights of the holders of any class or any series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption).

5. In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up of the Corporation, after distribution in full of the preferential amounts, if any, to be distributed to the holders of Preferred Stock, as set forth in this Article IV or the resolutions adopted with respect to such series under this Article IV, holders of Common Stock shall be entitled to receive all of the remaining assets of the Corporation of whatever kind available for distribution to the stockholders ratably and in proportion to the number of shares of Common Stock held by them respectively. The Board of Directors may distribute in kind to the holders of Common Stock such remaining assets of the Corporation or may sell, transfer, otherwise dispose of all or any part of such remaining assets to any other corporation, trust or other entity and receive payment therefor in cash, stock or obligations of such other corporation, trust or other entity, or a combination thereof, and may set all or make any part of the consideration so received and distributed or any balance thereof in kind to holders of Common Stock. The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or any purchase or redemption of shares of stock of the Corporation of any class, shall not be deemed to be a dissolution, liquidation, or winding-up of the Corporation for the purposes of this Article IV.

B. Preferred Stock

The express grant of authority to the Board of Directors of the Corporation to fix by resolution or resolutions the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of the shares of Preferred Stock that are not fixed by this Amended and Restated Certificate of Incorporation is as follows:

1. The Preferred Stock may be issued from time to time in any amount, not exceeding in the aggregate the total number of shares of Preferred Stock herein above authorized, reduced by the number of shares of Preferred Stock designated under Section C of this Article IV, as Preferred Stock of one or more series, as hereinafter provided. All shares of any one series of Preferred Stock shall be alike in every particular, each series thereof shall be distinctively designated by letter or descriptive words, and all series of Preferred Stock shall rank equally and be identical in all respects except as permitted by the provisions of Subsection B.2 of this Article IV.

2. Authority is hereby expressly granted to and vested in the Board of Directors from time to time to issue the Preferred Stock as Preferred Stock of any series and in connection with the creation of each such series to fix, by the resolution or resolutions providing for the issue of shares thereof, the voting powers, designations, preferences and relative, participating, optional

or other special rights, and the qualifications, limitations or restrictions thereof, if any, of such series, to the full extent now or hereafter permitted by the laws of the State of Delaware. Pursuant to the foregoing general authority vested in the Board of Directors, but not in limitation of the powers conferred on the Board of Directors thereby and by the laws of the State of Delaware, the Board of Directors is expressly authorized to determine with respect to each series of Preferred Stock other than the series designated under Section C of this Article IV:

(a) the designation of such series and number of shares constituting such series;

(b) the dividend rate or amount of such series, the payment dates for dividends on shares of such series, the status of such dividends as cumulative or non-cumulative, the date from which dividends on shares of such series, if cumulative, shall be cumulative, and the status of such as participating or non-participating after the payment of dividends as to which such shares are entitled to any preference;

(c) the price or prices (which amount may vary under different conditions or at different dates) at which, and the times, terms and conditions on which, the shares of such series may be redeemed at the option of the Corporation;

(d) whether or not the shares of such series shall be made optionally or mandatorily convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation or other securities and, if made so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made and any other terms and conditions of such conversion or exchange;

(e) whether or not the shares of such series shall be entitled to the benefit of a retirement or sinking fund to be applied to the purchase or redemption of shares of such series, and if so entitled, the amount of such fund and the manner of its application, including the price or prices at which shares of such series may be redeemed or purchased through the application of such fund;

(f) whether or not the issue of any additional shares of such series or any future series in addition to such series or of any shares of any other class of stock of the Corporation shall be subject to restrictions and, if so, the nature thereof;

(g) the rights and preferences, if any, of the holders of such series of Preferred Stock upon the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, and the status of the shares of such series as participating or non-participating after the satisfaction of any such rights and preferences;

(h) the full or limited voting rights, if any, to be provided for shares of such series, in addition to the voting rights provided by law; and

(i) any other relative powers, preferences and participating, optional or other special rights and the qualifications, limitations or restrictions thereof, of shares of such series;

in each case, so far as not inconsistent with the provisions of this Amended and Restated Certificate of Incorporation or the Delaware General Corporation Law then in effect.

C. Series A Junior Participating Preferred Stock.

The designation and number of shares, and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of a series of Preferred Stock are fixed by this Section C of ARTICLE IV as follows:

1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 4,000,000.

2. Dividends and Distributions.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar shares) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of Series A Preferred Stock, in preference to the holders of Common Stock and of any other junior shares, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the 20th day of February, May, August and November in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (i) $26 or (ii) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in Common Stock or a subdivision of the outstanding Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share of Series A Preferred Stock or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding Common Stock (by reclassification or otherwise than by payment of a

dividend in Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph 2(a) of this Section C immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $26 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of Series A Preferred Stock will have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of

a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided in this Amended and Restated Certificate of Incorporation, in any resolution creating a series of Preferred Stock or by law, the holders of Series A Preferred Stock and the holders of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) If at the time of any annual meeting of stockholders for the election of directors a "default in preference dividends" on the Series A Preferred Stock shall exist, the number of directors constituting the Board of Directors of the Corporation shall be increased by two (2), and the holders of the Preferred Stock of all series (whether or not the holders of such series of Preferred Stock would be entitled to vote for the election of directors if such default in preference dividends did not exist) shall have the right at such meeting, voting together as a single class without regard to series, to the exclusion of the holders of Common Stock, to elect two (2) directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon the Preferred Stock. Each director elected by the holders of Preferred Stock (a "Preferred Director") shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding Preferred Stock voting together as a single class without regard to series, at a meeting of the stockholders or of the holders of Preferred Stock called for the purpose. So long as a default in any preference dividends on the Preferred Stock shall exist, (i) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (ii)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Preferred Stock voting together as a single class without regard to series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board of Directors of the Corporation shall be reduced by two (2). For the purposes hereof, a "default in preference dividends" on the Preferred Stock shall be deemed to have occurred whenever the amount of accrued dividends upon any series of the Preferred

Stock shall be equivalent to six (6) full quarterly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all Preferred Stock of each and every series then outstanding shall have been paid to the end of the last preceding quarterly dividend period.

(d) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock, as provided in paragraph 2 of this Section C, are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity shares on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration any shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior shares in exchange for any shares of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any Series A Preferred Stock, or any shares ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such stock upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective

series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of the Corporation unless the Corporation could, under paragraph 4(a) of this Section C, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and, upon the filing of any certificate that may be required by Delaware law, canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth in this Article IV or any resolution providing for the creation of any series of Preferred Stock adopted pursuant thereto or as otherwise required by law.

6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (a) to the holders of shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of Series A Preferred Stock shall have received $6,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock, or (b) to the holders of shares ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity shares in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (a) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of Common Stock that were outstanding immediately prior to such event.

7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other shares or securities, cash and/or any other property, then

in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of shares, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Shares payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

8. No Redemption. The Series A Preferred Stock shall not be redeemable.

9. Conversion. The Series A Preferred Stock shall not be convertible into Common Stock or shares of any other series of any other class of Preferred Stock.

10. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of Preferred Stock, unless the terms of any such series shall provide otherwise.

11. Amendment. This Amended and Restated Certificate of Incorporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding Series A Preferred Stock, voting together as a single class.

Article V
Board of Directors

A. Election and Removal of Directors

1. The Board of Directors shall consist of not less than nine (9) or more than twelve (12) persons, the exact number to be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption), provided, however, this provision shall not act to limit Board size in the event the holders of one or more series of Preferred Stock are entitled to elect directors to the exclusion of holders of Common Stock. The directors shall be classified, with respect to the time for which they severally hold office, into

three classes, as nearly equal in number as possible, as may be provided in the manner specified in the Bylaws, Class I Directors to hold office initially for a term expiring at the annual meeting of stockholders to be held in 2001, Class II Directors to hold office initially for a term expiring at the annual meeting of stockholders to be held in 2002, and Class III Directors to hold office initially for a term expiring at the annual meeting of stockholders to be held in 2003, with the members of each class to hold office until their successors are duly elected and qualified. At each annual meeting of the stockholders of the Corporation, the successors to the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

2. Notwithstanding the foregoing and except as otherwise provided by law, whenever the holders of any series of Preferred Stock shall have the right (to the exclusion of holders of Common Stock) to elect directors of the Corporation pursuant to the provisions of Article IV or any resolution adopted pursuant thereto, the election of such directors of the Corporation shall be governed by the terms and provisions of Article IV or said resolutions and such directors so elected shall not be divided into classes pursuant to this Subsection A.2 of Article V and shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the first year following their election or, if such right of the holders of the Preferred Stock is terminated, for a term expiring in accordance with the provisions of Article IV or such resolutions.

3. Newly-created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then in office, even though less than a quorum of the Board of Directors, acting at a regular or special meeting. If any applicable provision of the Delaware General Corporation Law, Article IV or any resolution adopted pursuant to Article IV expressly confers power on stockholders to fill such a directorship at a special meeting of stockholders, such a directorship may be filled at such a meeting only by the affirmative vote of at least 80 percent of the combined voting powers of the outstanding shares of stock of the Corporation entitled to vote generally; provided, however, that when (a) pursuant to the provisions of Article IV or any resolutions adopted pursuant thereto, the holders of any series of Preferred Stock have the right (to the exclusion of holders of the Common Stock), and have exercised such right, to elect directors and (b) Delaware General Corporation Law, Article IV or any such resolution expressly confers on stockholders voting rights as aforesaid, if the directorship to be filled had been occupied by a director elected by the holders of Common Stock, then such directorship shall be filled by an 80 percent vote as aforesaid, but if such directorship to be filled had been elected by holders of Preferred Stock, then such directorship shall be filled in accordance with Article IV or the applicable resolutions adopted under Article IV. Any director elected in accordance with the two preceding sentences shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified unless such director was elected by holders of Preferred Stock (acting to the exclusion of the holders of Common Stock), in which

case such director's term shall expire in accordance with Article IV or the applicable resolutions adopted pursuant to Article IV. No decrease in the number of authorized directors constituting the entire Board of Directors shall shorten the term of any incumbent director, except as otherwise provided in Article IV or the applicable resolutions adopted pursuant to Article IV with respect to directorships created pursuant to one or more series of Preferred Stock.

4. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, any director or directors may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 80 percent of the combined voting power of all of the then-outstanding shares of stock of the Corporation entitled to vote generally, voting together as a single class (it being understood that for all purposes of this Article V, each share of Preferred Stock shall have the number of votes, if any, granted to it pursuant to this Amended and Restated Certificate of Incorporation or any resolution adopted pursuant to Article IV).

5. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the stock of the Corporation required by law, this Amended and Restated Certificate of Incorporation or any resolution adopted pursuant to Article IV, the affirmative vote of at least 80 percent of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such alteration, amendment or repeal is presented to the Board for adoption), shall be required to alter, amend or repeal this Article V, or any provision hereof.

B. Liability, Indemnification and Insurance

1. Limitation on Liability. To the fullest extent that the Delaware General Corporation Law as it exists on the date hereof or as it may hereafter be amended permits the limitation or elimination of the personal liability of directors, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. No amendment to or repeal of this Section B.1 shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

2. Right to Indemnification. The Corporation shall to the fullest extent permitted by applicable law as then in effect indemnify any person (the Indemnitee) who was or is involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor) (a "Proceeding") by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or of NiSource Corporate Services Company or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation,

partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) against all expenses including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding. Such indemnification shall be a contract right and shall include the right to receive payment of any expenses incurred by the Indemnitee in connection with such Proceeding in advance of its final disposition, consistent with the provisions of applicable law as then in effect.

3. Insurance, Contracts and Funding. The Corporation may purchase and maintain insurance to protect itself and any Indemnitee against any expenses, judgments, fines and amounts paid in settlement as specified in Subsection B.2 of this Section B or incurred by any Indemnitee in connection with any Proceeding referred to in Subsection B.2 of this Section B, to the fullest extent permitted by applicable law as then in effect. The Corporation may enter into contracts with any director, officer, employee or agent of the Corporation in furtherance of the provisions of this Section B and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Section B.

4. Indemnification; No Exclusive Right. The right of indemnification provided in this Section B shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled, and the provisions of this Section B shall inure to the benefit of the heirs and legal representatives of any person entitled to indemnity under this Section B and shall be applicable to Proceedings commenced or continuing after the adoption of this Section B, whether arising from acts or omissions occurring before or after such adoption.

5. Advancement of Expenses; Procedures; Presumptions and Effect of Certain Proceedings; Remedies. In furtherance, but not in limitation of the foregoing provisions, the following procedures, presumptions and remedies shall apply with respect to advancement of expenses and the right to indemnification under this Section B:

(a) Advancement of Expenses. All reasonable expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding shall be advanced to the Indemnitee by the Corporation within twenty (20) days after the receipt by the Corporation of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the expenses incurred by the Indemnitee and, if required by law at the time of such advance, shall include or be accompanied by an undertaking by or on behalf of the Indemnitee to repay the amounts advanced if it should ultimately be determined that the Indemnitee is not entitled to be indemnified against such expenses pursuant to this Section B.

(b) Procedure for Determination of Entitlement to Indemnification.

(i) To obtain indemnification under this Section B, an Indemnitee shall submit to the Secretary of the Corporation a written request, including such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnitee's entitlement to indemnification shall be made not later than sixty (60) days after receipt by the Corporation of the written request for indemnification together with the Supporting Documentation. The Secretary of the Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that the Indemnitee has requested indemnification.

(ii) The Indemnitee's entitlement to indemnification under this Section B shall be determined in one of the following ways: (A) by a majority vote of the Disinterested Directors (as hereinafter defined), even if they constitute less than a quorum of the Board; (B) by a written opinion of Independent Counsel (as hereinafter defined) if (x) a Change of Control (as hereinafter defined) shall have occurred and the Indemnitee so requests or (y) there are no Disinterested Directors or a majority of such Disinterested Directors so directs; (C) by the stockholders of the Corporation (but only if a majority of the Disinterested Directors presents the issue of entitlement to indemnification to the stockholders for their determination); or (D) as provided in Section B.5(c).

(iii) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section B.5(b)(ii), a majority of the Disinterested Directors shall select the Independent Counsel (except that if there are no Disinterested Directors, the Corporation's General Counsel shall select the Independent Counsel), but only an Independent Counsel to which the Indemnitee does not reasonably object; provided, however, that if a Change of Control shall have occurred, the Indemnitee shall select such Independent Counsel, but only an Independent Counsel to which the Board of Directors does not reasonably object.

(iv) The only basis upon which a finding of no entitlement to indemnification may be made is that indemnification is prohibited by law.

(c) Presumptions and Effect of Certain Proceedings. Except as otherwise expressly provided in this Section B, if a Change of Control shall have occurred, the Indemnitee shall be presumed to be entitled to indemnification under this Section B upon submission of a request for indemnification together with the Supporting Documentation in accordance with Section B.5(b)(i), and thereafter the Corporation shall have the burden of proof to overcome that presumption in reaching a contrary determination. In any event, if the person or persons empowered under Section B.5(b) to determine entitlement

to indemnification shall not have been appointed or shall not have made a determination within sixty (60) days after receipt by the Corporation of the request therefor together with the Supporting Documentation, the Indemnitee shall be deemed to be entitled to indemnification and the Indemnitee shall be entitled to such indemnification unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. The termination of any Proceeding described in Section B.2, or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that the Indemnitee's conduct was unlawful.

(d) Remedies of Indemnitee.

(i) In the event that a determination is made, pursuant to Section B.5(b) that the Indemnitee is not entitled to indemnification under this Section B, (A) the Indemnitee shall be entitled to seek an adjudication of his entitlement to such indemnification either, at the Indemnitee's sole option, in (x) an appropriate court of the State of Delaware or any other court of competent jurisdiction or (y) an arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association; (B) any such judicial Proceeding or arbitration shall be de novo and the Indemnitee shall not be prejudiced by reason of such adverse determination; and (C) in any such judicial Proceeding or arbitration the Corporation shall have the burden of proving that the Indemnitee is not entitled to indemnification under this Section B.

(ii) If a determination shall have been made or deemed to have been made, pursuant to Section B.5(b) or (c), that the Indemnitee is entitled to indemnification, the Corporation shall be obligated to pay the amounts constituting such indemnification within five (5) days after such determination has been made or deemed to have been made and shall be conclusively bound by such determination unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. In the event that (x) advancement of expenses is not timely made pursuant to Section B.5(a) or (y) payment of indemnification is not made within five (5) days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to Section B.5(b) or (c), the Indemnitee shall be entitled to seek judicial enforcement of the Corporation's obligation to pay to the Indemnitee such advancement of expenses or indemnification. Notwithstanding the foregoing, the

Corporation may bring an action, in an appropriate court in the State of Delaware or any other court of competent jurisdiction, contesting the right of the Indemnitee to receive indemnification hereunder due to the occurrence of an event described in subclause (A) or (B) of this clause (ii) (a "Disqualifying Event"); provided, however, that in any such action the Corporation shall have the burden of proving the occurrence of such Disqualifying Event.

(iii) The Corporation shall be precluded from asserting in any judicial Proceeding or arbitration commenced pursuant to this Section B.5(d) that the procedures and preemptions of this Section B are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Section B.

(iv) In the event that the Indemnitee, pursuant to this Section B.5(d), seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Section B, the Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any expenses actually and reasonably incurred by the Indemnitee if the Indemnitee prevails in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be prorated accordingly.

(e) Definitions. For purposes of this Section B.5:

(i) "Change in Control" means (A) so long as the Public Utility Holding Company Act of 1935 is in effect, any "company" becoming a "holding company in respect to the Corporation or any determination by the Securities and Exchange Commission that any "person" should be subject to the obligations, duties, and liabilities if imposed by said Act by virtue of his, hers or its influence over the management or policies of the Corporation, or (B) whether or not said Act is in effect a change in control of the Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), whether or not the Corporation is then subject to such reporting requirement; provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing ten percent or more of the combined voting power of the Corporation's then outstanding securities without the prior approval of at

least two-thirds of the members of the Board of Directors in office immediately prior to such acquisition; (ii) the Corporation is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

(ii) "Disinterested Director" means a director of the Corporation who is not or was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

(iii) "Independent Counsel" means a law firm or a member of a law firm that neither presently is, nor in the past five years has been, retained to represent: (A) the Corporation or the Indemnitee in any matter material to either such party or (B) any other party to the Proceeding giving rise to a claim for indemnification under this Section B. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing under Delaware law, would have a conflict of interest in representing either the Corporation or the Indemnitee in an action to determine the Indemnitee's rights under this Section B.

6. Severability. If any provision or provisions of this Section B shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provision of this Section B (including, without limitation, all portions of any paragraph of this Section B containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Section B (including, without limitation, all portions of any paragraph of this Section B containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

7. Successor Laws, Regulations and Agencies. Reference herein to laws, regulations or agencies shall be deemed to include all amendments thereof, substitutions therefor and successors thereto.

Article VI
General Powers of the Board of Directors

A. Bylaws

The Board of Directors shall have the power to make, alter, amend and repeal the Bylaws of the Corporation in such form and with such terms as the Board may determine, subject to the power granted to stockholders to alter or repeal the Bylaws provided under Delaware law; provided, however, that, notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, the affirmative vote of at least 80 percent of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such alteration, amendment or repeal is presented to the Board for adoption), shall be required to alter, amend or repeal any provision of the Bylaws which is to the same effect as any one or more sections of this Article VI.

B. Charter Amendments

Subject to the provisions hereof, the Corporation, through its Board of Directors, reserves the right at any time, and from time to time, to amend, alter, repeal or rescind any provision contained in this Amended and Restated Certificate of Incorporation in the manner now or hereinafter prescribed by law, and any other provisions authorized by Delaware law at the time enforced may be added or inserted, in the manner now or hereinafter prescribed by law, and any and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Amended and Restated Certificate of Incorporation in its present form or as hereinafter amended are granted subject to the rights reserved in this Article.

Signed on October 27, 2000

Nina M. Rausch

Name: Nina M. Rausch
Title: Secretary

CHI_DOCS1:CS1\330362.3 10.25.00 17.33

CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION

OF

NEW NISOURCE INC.

It is hereby certified that:

1. The name of the corporation (hereinafter called the "Corporation") is New NiSource Inc.

2. The certificate of incorporation of the Corporation is hereby amended by striking out Article First thereof and by substituting in lieu of said Article the following new Article:

"FIRST. The name of this corporation is NiSource Inc."

3. The amendment of the certificate of incorporation herein certified has been duly adopted and a written consent has been given in accordance with the provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

Dated as of November 1, 2000

Stephen P. Adik
Vice Chairman

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 12:00 PM 11/01/2000
001549743 – 3203156

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 12:30 PM 11/01/2000
001549959 - 3203156

CERTIFICATE OF OWNERSHIP AND MERGER

of

OLD NISOURCE INC.
(an Indiana corporation)

into

NISOURCE INC.
(a Delaware corporation)

It is hereby certified that:

1. Old NiSource Inc. (hereinafter called the "Subsidiary") is a corporation of the State of Indiana, the laws of which permit a merger of a corporation of that jurisdiction with a corporation of another jurisdiction.

2. NiSource Inc., a corporation of the State of Delaware, (the "Parent"), as the owner of all of the outstanding shares of the stock of the Subsidiary hereby merges the Subsidiary into the Parent.

3. The following is a copy of the resolutions adopted on the 1st day of November, 2000, by the Merger Committee of the Board of Directors of the Parent to merge the Subsidiary into the Parent:

"WHEREAS, NiSource Inc. is a corporation of the State of Delaware that was formerly named "New NiSource Inc." (the "Parent");

WHEREAS, Old NiSource Inc. is a corporation of the State of Indiana that was formerly named "NiSource Inc." (the "Subsidiary");

WHEREAS, the Parent is the owner of all outstanding shares of common stock of the Subsidiary, which is the only outstanding class of capital stock of the Subsidiary;

WHEREAS, the laws of the States of Delaware and Indiana each permit the merger of a corporation of that State with a corporation of another state;

WHEREAS, by virtue of the Parent's ownership of all outstanding shares of capital stock of the Subsidiary, the laws of the States of Delaware and Indiana each permit the merger of the Subsidiary into the Parent to be approved by the Board of Directors of the Parent without approval of the stockholders of the Parent or the shareholder of the Subsidiary;

WHEREAS, the Merger Committee of the Board of Directors of the Parent, pursuant to authority duly delegated to it by the Board of Directors of the Parent, deems it advisable and in the best interest of the Parent and the Subsidiary that the Subsidiary be merged with and into the Parent;

NOW, THEREFORE, BE IT RESOLVED that the Merger Committee of the Board of Directors of the Parent hereby approves the merger of the Subsidiary with and into the Parent on the terms set forth in the following Plan of Merger:

PLAN OF MERGER

1. Old NiSource Inc., an Indiana corporation (the "Subsidiary"), shall be merged (the Merger") with and into NiSource Inc., a Delaware corporation that is qualified to do business as a foreign corporation in the State of Indiana (the "Parent"), in accordance with the laws of the States of Delaware and Indiana.

2. The Parent shall be the surviving corporation and shall continue as a corporation of the State of Delaware, and the status of the Subsidiary as a separate corporation shall cease.

3. The Merger shall effect no change in the Certificate of Incorporation of the Parent or in its By-Laws, and the Directors and Officers of the Parent shall continue as the Directors and Officers of the surviving corporation following the Merger.

4. The outstanding capital stock of the Subsidiary shall be cancelled, and no securities or other property shall be issued in exchange therefor.

5. As a result of the Merger, the Parent shall assume all of the assets and liabilities of the Subsidiary.

6. Parent, as the shareholder of the Subsidiary, has waived the requirement that it receive a copy or summary of the Plan of Merger.

FURTHER RESOLVED, that the Parent, as the shareholder of the Subsidiary, hereby expressly waives any requirement that it receive a copy or summary of the Plan of Merger.

FURTHER RESOLVED, that the officers of the Parent, and each of them, are hereby authorized and directed to execute, deliver, certify and file all such agreements, instruments and documents and to take or cause to be taken such further actions, in the name and on behalf of the Parent, as they may deem necessary or advisable to

complete the transactions described in these resolutions and to carry into effect their intent and purpose."

Signed on November 1, 2000

NISOURCE INC., a Delaware corporation

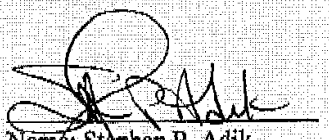

Name: Stephen P. Adik
Title: Vice Chairman

CHI_DOCS1:CS1\329395.3 10.25.00 17.15

State of Delaware
Secretary of State
Division of Corporations
Delivered 06:34 PM 05/12/2006
FILED 05:34 PM 05/12/2006
SRV 060453906 - 3203156 FILE

STATE OF DELAWARE

CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION OF NISOURCE INC.

NiSource Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation and calling for the stockholders of the Corporation to consider said amendment. The resolution setting forth the proposed amendment is as follows:

> **RESOLVED,** That Articles V.A.1, V.A.2 and V.A.3 of the Corporation's Certificate of Incorporation be amended to effect the Declassification as set forth on Exhibit A hereto (the "Charter Amendments");

SECOND: That thereafter, pursuant to the resolution of the Corporation's Board of Directors, a meeting of the stockholders of the Corporation was duly called and held, at which meeting the necessary number of shares as required by the statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS THEREOF, said Corporation has caused this certificate to be signed this 12th day of May, 2006

By
Name: Gary W. Pottorff
Title: Vice President, Administration and Corporate Secretary

Exhibit A
Amendments to Certificate of Incorporation

Article V.A.1 of the Certificate of Incorporation shall state the following:

The Board of Directors shall consist of not less than nine (9) or more than twelve (12) persons, the exact number to be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption), provided, however, this provision shall not act to limit Board size in the event the holders of one or more series of Preferred Stock are entitled to elect directors to the exclusion of holders of Common Stock. Each director who is serving as a director on the date of this Amended and Restated Certificate of Incorporation shall hold office until the next annual meeting of stockholders following such date and until his or her successor has been duly elected and qualified, notwithstanding that such director may have been elected for a term that extended beyond the date of such next annual meeting of stockholders. At each annual meeting of the stockholders of the Corporation after the date of this Amended and Restated Certificate of Incorporation, directors elected at such annual meeting shall hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified.

Article V.A.2 of the Certificate of Incorporation shall state the following:

Notwithstanding the foregoing and except as otherwise provided by law, whenever the holders of any series of Preferred Stock shall have the right (to the exclusion of holders of Common Stock) to elect directors of the Corporation pursuant to the provisions of Article IV or any resolution adopted pursuant thereto, the election of such directors of the Corporation shall be governed by the terms and provisions of Article IV or said resolutions and such directors shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the first year following their election or, if such right of the holders of the Preferred Stock is terminated, for a term expiring in accordance with the provisions of Article IV or such resolutions.

Article V.A.3 of the Certificate of Incorporation shall state the following:

Newly-created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then in office, even though less than a quorum of the Board of Directors, acting at a regular or special meeting. If any applicable provision of the Delaware General Corporation Law, Article IV or any resolution adopted pursuant to Article IV expressly confers power on stockholders to fill such a directorship at a special meeting of stockholders, such a directorship may be filled at such a meeting only by the affirmative vote of at least 80 percent of the combined voting powers of the outstanding shares of stock of the Corporation entitled to vote generally; provided, however, that when (a) pursuant to the provisions of Article IV or any resolutions adopted pursuant thereto, the holders of any series of Preferred Stock have the right (to the exclusion of holders of the Common Stock), and have exercised such right, to elect directors and (b) Delaware General Corporation Law, Article IV or any such resolution expressly confers on stockholders voting rights as aforesaid, if the directorship to be filled had been occupied by a director elected by the holders of Common Stock, then such directorship shall be filled by an 80 percent vote as aforesaid, but if such directorship to be filled had been elected by holders of Preferred Stock, then such directorship shall be filled in accordance with Article IV or the applicable resolutions adopted under Article IV. Any director elected in accordance with the two preceding sentences shall hold office until such director's

successor shall have been elected and qualified unless such director was elected by holders of Preferred Stock (acting to the exclusion of the holders of Common Stock), in which case such director's term shall expire in accordance with Article IV or the applicable resolutions adopted pursuant to Article IV. No decrease in the number of authorized directors constituting the entire Board of Directors shall shorten the term of any incumbent director, except as otherwise provided in Article IV or the applicable resolutions adopted pursuant to Article IV with respect to directorships created pursuant to one or more series of Preferred Stock.

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:04 PM 05/20/2008
FILED 04:55 PM 05/20/2008
SRV 080577530 - 3203156 FILE

STATE OF DELAWARE

CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION
OF
NISOURCE INC.

NiSource Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: that at a meeting of the Board of Directors of NiSource Inc. resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation and calling for the stockholders of the Corporation to consider said amendment. The resolution setting forth the proposed amendment is as follows:

> **RESOLVED**, that Articles V.A.3, V.A.4, V.A.5, and Article VI.A of the Corporation's Certificate be amended to remove the super majority vote requirements therein and replace such vote requirements with a simple majority requirement as set forth on Exhibit A hereto (the "Charter Amendments").

SECOND: that thereafter, pursuant to the resolution of the Corporation's Board of Directors, a meting of the stockholders of the Corporation was duly called and held, at which meeting the necessary number of shares as required by the statute were noted in favor of the amendment.

THIRD: that said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed this 20th day of May, 2008.

Name: Gary W. Pottorff
Title: Vice President, Administration and Corporate Secretary

EXHIBIT A

Amendments to Certificate of Incorporation

Article V.A.3 of the Certificate of Incorporation shall state the following:

3. Newly-created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then in office, even though less than a quorum of the Board of Directors, acting at a regular or special meeting. If any applicable provision of the Delaware General Corporation Law, Article IV or any resolution adopted pursuant to Article IV expressly confers power on stockholders to fill such a directorship at a special meeting of stockholders, such a directorship may be filled at such a meeting only by the affirmative vote of a majority of the combined voting powers of the outstanding shares of stock of the Corporation entitled to vote generally; provided, however, that when (a) pursuant to the provisions of Article IV or any resolutions adopted pursuant thereto, the holders of any series of Preferred Stock have the right (to the exclusion of holders of the Common Stock), and have exercised such right, to elect directors and (b) Delaware General Corporation Law, Article IV or any such resolution expressly confers on stockholders voting rights as aforesaid, if the directorship to be filled had been occupied by a director elected by the holders of Common Stock, then such directorship shall be filled by a majority vote as aforesaid, but if such directorship to be filled had been elected by holders of Preferred Stock, then such directorship shall be filled in accordance with Article IV or the applicable resolutions adopted under Article IV. Any director elected in accordance with the two preceding sentences shall hold office until such director's successor shall have been elected and qualified unless such director was elected by holders of Preferred Stock (acting to the exclusion of the holders of Common Stock), in which case such director's term shall expire in accordance with Article IV or the applicable resolutions adopted pursuant to Article IV. No decrease in the number of authorized directors constituting the entire Board of Directors shall shorten the term of any incumbent director, except as otherwise provided in Article IV or the applicable resolutions adopted pursuant to Article IV with respect to directorships created pursuant to one or more series of Preferred Stock.

Article V.A.4 of the Certificate of Incorporation shall state the following:

4. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, any director or directors may be removed from office at any time, but only for cause and only by the affirmative vote of a majority of the combined voting power of all of the then-outstanding shares of stock of the Corporation entitled to vote generally, voting together as a single class (it being understood that for all purposes of this Article V, each share of Preferred Stock shall have the number of votes, if any, granted to it pursuant to this Amended and Restated Certificate of Incorporation or any resolution adopted pursuant to Article IV).

Article V.A.5 of the Certificate of Incorporation shall state the following:

5. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the stock of the Corporation required by law, this Amended and Restated Certificate of Incorporation or any resolution adopted pursuant to Article IV, the affirmative vote of a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such alteration, amendment or repeal is presented to the Board for adoption), shall be required to alter, amend or repeal this Article V, or any provision hereof.

Article VI.A. of the Certificate of Incorporation shall state the following:

The Board of Directors shall have the power to make, alter, amend and repeal the Bylaws of the Corporation in such form and with such terms as the Board may determine, subject to the power granted to stockholders to alter or repeal the Bylaws provided under Delaware law; provided, however, that, notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, the affirmative vote of a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such alteration, amendment or repeal is presented to the Board for adoption), shall be required to alter, amend or repeal any provision of the Bylaws which is to the same effect as any one or more sections of this Article VI.

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:10 PM 05/12/2015
FILED 03:38 PM 05/12/2015
SRV 150658496 - 3203156 FILE

STATE OF DELAWARE

CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION
OF
NISOURCE INC.

NiSource Inc. (the "***Corporation***"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: that this Certificate of Amendment amends the provisions of the Corporation's Amended and Restated Certificate of Incorporation filed with the Secretary of State of the State of Delaware on October 30, 2000, as amended on November 1, 2000, May 12, 2006 and May 20, 2008 (the "***Amended and Restated Certificate of Incorporation***").

SECOND: that Section A.4 of Article IV of the Amended and Restated Certificate of Incorporation is hereby amended and restated in its entirety as follows:

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Except as otherwise required by law and subject to the rights of the holders of any class or any series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption) or, subject to the provisions of the Bylaws of the Corporation, upon the written request of stockholders of the Corporation holding no less than twenty-five percent of the shares of Common Stock issued and outstanding.

THIRD: that Section A.1 of Article V of the Amended and Restated Certificate of Incorporation is hereby amended and restated in its entirety as follows:

The Board of Directors shall consist of not less than seven (7) or more than twelve (12) persons, the exact number to be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption), provided, however, this provision shall not act to limit Board size in the event the holders of one or more series of Preferred Stock are entitled to elect directors to the exclusion of holders of Common Stock. Each director who is serving as a director on the date of this Amended and Restated Certificate of Incorporation shall hold office until the next annual meeting of stockholders following such date and until his or her successor has been duly elected and qualified, notwithstanding that such director may have been elected for a term

that extended beyond the date of such next annual meeting of stockholders. At each annual meeting of the stockholders of the Corporation after the date of this Amended and Restated Certificate of Incorporation, directors elected at such annual meeting shall hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified.

FOURTH: that the foregoing amendments were duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FIFTH: All other provisions of the Amended and Restated Certificate of Incorporation shall remain in full force and effect.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed this 12th day of May, 2015.

Name: Robert E. Smith
Title: Vice President and Corporate Secretary

State of Delaware
Secretary of State
Division of Corporations
Delivered 03:36 PM 11/30/2017
FILED 03:36 PM 11/30/2017
SR 20177318317 - File Number 3203156

CERTIFICATE OF OWNERSHIP

MERGING

NISOURCE FINANCE CORP.

INTO

NISOURCE INC.

(Pursuant to Section 253 of the General Corporation Law of Delaware)

* * * * * * *

NiSource Inc., a corporation incorporated on the 29th day of March, 2000 pursuant to the provisions of the General Corporation Law of the State of Delaware (the "Corporation"), **DOES HEREBY CERTIFY** that:

1. The Corporation owns all of the outstanding shares of each class of the stock of NiSource Finance Corp., a corporation incorporated on the 31st day of March, 2000, pursuant to the provisions of the Indiana Business Corporation Law.

2. The Corporation, by the following resolutions of its Board of Directors, duly adopted at a meeting held on May 9, 2017, determined to and did merge into itself said NiSource Finance Corp.:

BE IT RESOLVED, that, pursuant to the provisions of Section 253 of the Delaware General Corporation Law, as amended (the "DGCL"), the merger of NiSource Finance Corp. ("Finance") with and into the Corporation (the "Merger") is hereby authorized and approved;

FURTHER RESOLVED, that, pursuant to the provisions of Section 23-1-40-4 of the Indiana Code, as amended (the "IBCL"), the Plan of Merger providing for the Merger, in the form attached to these resolutions as Exhibit A and made a part hereof, is hereby approved and adopted;

FURTHER RESOLVED, that the Corporation hereby waives the mailing of a copy or summary of the Plan of Merger to the Corporation, as the sole shareholder of Finance, and all other requirements pursuant to Sections 23-1-40-4(c) and 23-1-40-4(d) of the IBCL;

FURTHER RESOLVED, that subject to (i) consummation of the liquidation of IWC Resources Corp. and (ii) receipt of approvals from such state utility commissions and consents from such swap counterparties as the President and Chief Executive Officer, any Vice President or the Secretary of the Corporation (collectively, the "Authorized Officers" and, individually, an "Authorized Officer") shall deem necessary or advisable, the Authorized Officers be, and each of them hereby is, authorized and empowered, on behalf of the Corporation and in its name to execute, acknowledge and file a Certificate of

Ownership and Merger with the Secretary of State of Delaware and Articles of Merger with the Secretary of State of Indiana for the purpose of effecting the Merger;

FURTHER RESOLVED, that at the time the Merger becomes effective, the separate existence of Finance will cease, and the Corporation will be the surviving corporation, possessing all the rights, privileges, powers and franchises, and being subject to all the restrictions, disabilities and duties of Finance;

FURTHER RESOLVED, that each of the officers of the Corporation are hereby further authorized and directed to take any and all other actions and execute and deliver such additional documents and instruments as may be necessary or appropriate to effect the Merger;

FURTHER RESOLVED, that any and all actions heretofore taken by the officers of the Corporation in connection with the Merger are hereby ratified, confirmed and approved in all respects as the acts and deeds of the Corporation.

3. The liquidation of IWC Resources Corp. has been consummated, and all approvals from state utility commissions and consents from swap counterparties that the Authorized Officers deemed necessary or advisable have been received.

[Signature page follows.]

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by an authorized officer this 21th day of November, 2017.

NISOURCE INC.

By: Samuel K. Lee
Its: Vice President and Corporate Secretary

Signature page to Certificate of Ownership – NiSource Finance Corp.

EXHIBIT A

PLAN OF MERGER

1. NiSource Finance Corp., an Indiana corporation ("Finance"), shall be merged (the "Merger") with and into NiSource Inc., a Delaware corporation (the "Parent"), in accordance with the laws of the States of Delaware and Indiana.

2. At the effective time of the Merger, the Parent shall be the surviving corporation and shall continue as a corporation of the State of Delaware, and the status of Finance shall cease.

3. The effective time of the Merger shall be the date and time at which the Parent files a Certificate of Ownership and Merger with the Secretary of State of Delaware.

4. The Merger shall effect no change in the Certificate of Incorporation of the Parent or in its By-Laws, and the Directors and Officers of the Parent shall continue as the Directors and Officers of the surviving corporation following the Merger.

5. At the effective time of the Merger, the outstanding capital stock of Finance shall be cancelled, and no securities or other property shall be issued in exchange therefor.

6. As a result of the Merger, the Parent shall succeed to and assume all of the assets and liabilities of Finance.

7. Parent, as the sole shareholder of Finance, has waived the requirement that it receive a copy or summary of the Plan of Merger.

State of Delaware
Secretary of State
Division of Corporations
Delivered 04:55 PM 11/30/2017
FILED 04:55 PM 11/30/2017
SR 20177321210 - File Number 3203156

CERTIFICATE OF OWNERSHIP

MERGING

NISOURCE CAPITAL MARKETS, INC.

INTO

NISOURCE INC.

(Pursuant to Section 253 of the General Corporation Law of Delaware)

* * * * * * *

NiSource Inc., a corporation incorporated on the 29th day of March, 2000 pursuant to the provisions of the General Corporation Law of the State of Delaware (the "Corporation"), **DOES HEREBY CERTIFY** that the Corporation owns all of the outstanding shares of each class of the stock of NiSource Capital Markets, Inc., a corporation incorporated on the 10th day of March, 1989, pursuant to the provisions of the Indiana Business Corporation Law, and that the Corporation, by the following resolutions of its Board of Directors, duly adopted at a meeting held on May 9, 2017, determined to and did merge into itself said NiSource Capital Markets, Inc.:

BE IT RESOLVED, that, pursuant to the provisions of Section 253 of the Delaware General Corporation Law, as amended (the "DGCL"), the merger of NiSource Capital Markets, Inc. ("Capital Markets") with and into the Corporation (the "Merger") is hereby authorized and approved;

FURTHER RESOLVED, that, pursuant to the provisions of Section 23-1-40-4 of the Indiana Code, as amended (the "IBCL"), the Plan of Merger providing for the Merger, in the form attached to these resolutions as Exhibit A and made a part hereof, is hereby approved and adopted;

FURTHER RESOLVED, that the Corporation hereby waives the mailing of a copy or summary of the Plan of Merger to the Corporation, as the sole shareholder of Capital Markets, and all other requirements pursuant to Sections 23-1-40-4(c) and 23-1-40-4(d) of the IBCL;

FURTHER RESOLVED, that the President and Chief Executive Officer, any Vice President or the Secretary of the Corporation (collectively, the "Authorized Officers" and, individually, an "Authorized Officer") be, and each of them hereby is, authorized and empowered, on behalf of the Corporation and in its name to execute, acknowledge and file a Certificate of Ownership and Merger with the Secretary of State of Delaware and Articles of Merger with the Secretary of State of Indiana for the purpose of effecting the Merger;

FURTHER RESOLVED, that at the time the Merger becomes effective, the separate existence of Capital Markets will cease, and the Corporation will be the surviving corporation,

possessing all the rights, privileges, powers and franchises, and being subject to all the restrictions, disabilities and duties of Capital Markets;

FURTHER RESOLVED, that each of the officers of the Corporation are hereby further authorized and directed to take any and all other actions and execute and deliver such additional documents and instruments as may be necessary or appropriate to effect the Merger;

FURTHER RESOLVED, that any and all actions heretofore taken by the officers of the Corporation in connection with the Merger are hereby ratified, confirmed and approved in all respects as the acts and deeds of the Corporation.

[Signature page follows.]

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by an authorized officer this 27th day of November, 2017.

NISOURCE INC.

By: Samuel K. Lee
Its: Vice President and Corporate Secretary

EXHIBIT A

PLAN OF MERGER

1. NiSource Capital Markets, Inc., an Indiana corporation ("Capital Markets"), shall be merged (the "Merger") with and into NiSource Inc., a Delaware corporation (the "Parent"), in accordance with the laws of the States of Delaware and Indiana.

2. At the effective time of the Merger, the Parent shall be the surviving corporation and shall continue as a corporation of the State of Delaware, and the status of Capital Markets shall cease.

3. The effective time of the Merger shall be the date and time at which the Parent files a Certificate of Ownership and Merger with the Secretary of State of Delaware.

4. The Merger shall effect no change in the Certificate of Incorporation of the Parent or in its By-Laws, and the Directors and Officers of the Parent shall continue as the Directors and Officers of the surviving corporation following the Merger.

5. At the effective time of the Merger, the outstanding capital stock of Capital Markets shall be cancelled, and no securities or other property shall be issued in exchange therefor.

6. As a result of the Merger, the Parent shall succeed to and assume all of the assets and liabilities of Capital Markets.

7. Parent, as the sole shareholder of Capital Markets, has waived the requirement that it receive a copy or summary of the Plan of Merger.

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "NISOURCE INC.", FILED IN THIS OFFICE ON THE EIGHTH DAY OF JUNE, A.D. 2018, AT 12:04 O`CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Jeffrey W. Bullock, Secretary of State

3203156 8100
SR# 20185048470

Authentication: 202853255
Date: 06-11-18

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 12:04 PM 06/08/2018
FILED 12:04 PM 06/08/2018
SR 20185048470 - File Number 3203156

CERTIFICATE OF DESIGNATIONS

of

5.65% SERIES A FIXED-RATE RESET CUMULATIVE REDEEMABLE PERPETUAL PREFERRED STOCK

of

NISOURCE INC.

(Pursuant to Section 151 of the Delaware General Corporation Law)

NiSource Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), in accordance with the provisions of Sections 103 and 151 thereof, does hereby certify that:

Pursuant to the authority conferred upon the Board of Directors of the Corporation (the "Board"), by the Amended and Restated Certificate of Incorporation of the Corporation (as amended through the date hereof, the "Certificate of Incorporation") and applicable law, the Board authorized the issuance and sale by the Corporation of shares of its preferred stock and the formation of a Special Committee (the "Committee") at a meeting duly convened and held on May 8, 2018, and, pursuant to the authority conferred upon the Committee in accordance with Section 141(c) of the General Corporation Law of the State of Delaware and the resolutions of the Board, the Committee adopted the following resolution by written consent on June 7, 2018 creating a series of 400,000 shares of preferred stock of the Corporation designated as "5.65% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock."

RESOLVED, that pursuant to the provisions of the Certificate of Incorporation, the authority delegated to the Committee by the Board and applicable law, a series of preferred stock, par value $0.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences, and relative participating, optional, or other rights, and the qualifications, limitations, and restrictions thereof, of the shares of such series, be as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "5.65% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock" (the "Series A Perpetual Preferred Stock") and the number of shares constituting the Series A Perpetual Preferred Stock shall be 400,000, and such shares shall have a liquidation preference of $1,000 per share. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series A Perpetual Preferred Stock then outstanding) by further resolution duly adopted by the Board or any other duly authorized committee thereof and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. Each share of Series A Perpetual Preferred Stock shall be identical in all respects to every other share of Series A Perpetual Preferred Stock. Shares of Series A Perpetual Preferred Stock shall be dated the date of issue, which date shall be referred to herein as the "original issue date." Shares of outstanding Series A Perpetual Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of the Corporation's Preferred Stock, undesignated as to series.

Section 2. Definitions. The following terms used herein shall be defined as set forth below:

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the State of New York shall not be regarded as a Business Day.

"Common Stock" means the common stock of the Corporation, $0.01 par value per share.

"Calculation Agent" means a calculation agent appointed by the Corporation pursuant to Section 11.

"Dividend Payment Date" shall have the meaning specified in Section 4(B).

"Dividend Period" is the period from and including a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except that the initial Dividend Period will commence on and include the original issue date of the Series A Perpetual Preferred Stock and continue to, but exclude, December 15, 2018.

"DTC" means The Depository Trust Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"First Call Date" means June 15, 2023.

"Five-year U.S. Treasury Rate" means, as of any Reset Dividend Determination Date, as applicable, (i) an interest rate (expressed as a decimal and, in the case of U.S. Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of five years from the next Reset Date and trading in the public securities markets or (ii) if there is no such published U.S. Treasury security with a maturity of five years from the next Reset Date and trading in the public securities markets, then the rate will be determined by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the Reset Date following the next succeeding Reset Dividend Determination Date, and (B) the other maturity as close as possible to, but later than, the Reset Date following the next succeeding Reset Dividend Determination Date, in each case as published in the most recent H.15 (519). If the Five-year U.S. Treasury Rate cannot be determined pursuant to the methods described in clauses (i) or (ii) above, then the Five-year U.S. Treasury Rate will be the same interest rate determined for the prior Reset Dividend Determination Date.

"H.15 (519)" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System, and "most recent H.15 (519)" means the H.15 (519) published closest in time but prior to the close of business on the second Business Day prior to the applicable Reset Date.

"Initial Margin" shall have the meaning specified in Section 4(A).

"Preferred Stock Registration Rights Agreement" means the Registration Rights Agreement dated as of June 11, 2018 among the Corporation, Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, and MUFG Securities Americas Inc., as representatives of the several initial purchasers.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A under the Securities Act.

"Ratings Event" means a change by any nationally recognized statistical rating organization (within the meaning of Section 3(a)(62) of the Exchange Act) that publishes a rating for the Corporation (a "rating agency") to its equity credit criteria for securities such as the Series A Perpetual Preferred Stock, as such criteria are in effect as of the original issue date of the Series A Perpetual Preferred Stock (the "current criteria"), which change results in (i) any shortening of the length of time for which the current criteria are scheduled to be in effect with respect to the Series A Perpetual Preferred Stock, or (ii) a lower equity credit being given to the Series A Perpetual Preferred Stock than the equity credit that would have been assigned to the Series A Perpetual Preferred Stock by such rating agency pursuant to its current criteria.

"Reset Date" means the First Call Date and each date falling on the fifth anniversary thereafter.

"Reset Dividend Determination Date" means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of such Reset Period.

"Reset Period" means the period from and including the First Call Date to, but excluding, the next following Reset Date and thereafter each period from and including each Reset Date to, but excluding, the next following Reset Date.

"Securities Act" means the Securities Act of 1933, as amended.

"Step-up Date" means June 15, 2043.

"Transfer Agent" means Computershare Trust Company, N.A, as transfer agent and registrar, or any successor transfer agent appointed by the Corporation.

Section 3. Ranking. The shares of Series A Perpetual Preferred Stock shall rank, with respect to the payment of dividends and distributions upon the liquidation, winding up and dissolution of the Corporation's affairs:

(A) senior to the Common Stock and to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding that, by its terms, does not expressly provide that such class or series ranks on a parity with the Series A Perpetual Preferred Stock or senior to the Series A Perpetual Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, including the Common Stock, "Junior Securities");

(B) on a parity with any class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding (including additional shares of the Series A Perpetual Preferred Stock) that, by its terms, does not expressly provide that such class or series ranks senior or junior to the Series A Perpetual Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, "Parity Securities"); and

(C) junior to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding (if the issuance is approved by the requisite consent of the holders of the Series A Perpetual Preferred Stock) that, by its terms, expressly provides that such class or series ranks senior to the Series A Perpetual Preferred Stock as to dividends and upon liquidation and winding-up (collectively, "Senior Securities").

Section 4. Dividends and Distributions.

(A) Holders of Series A Perpetual Preferred Stock will be entitled to receive, when, as and if declared by the Board or a duly authorized committee of the Board, out of legally available funds for such purpose, cumulative semi-annual cash dividends on each Dividend Payment Date. The initial dividend rate for the Series A Perpetual Preferred Stock from and including the date of original issue to, but excluding, the First Call Date will be 5.65% per annum of the $1,000 liquidation preference per share. On and after the First Call Date, dividends on the Series A Perpetual Preferred Stock will accumulate for each Reset Period at a percentage of the $1,000 liquidation preference equal to the Five-year U.S. Treasury Rate plus (i) in respect of each Reset Period commencing on or after the First Call Date but before the Step-Up Date, a spread of 2.843% (the "Initial Margin") and (y) in respect of each Reset Period commencing on or after the Step-up Date, the Initial Margin plus 1.000%. A pro-rated initial dividend on the Series A Perpetual Preferred Stock offered hereby will be payable on December 15, 2018, when, as and if declared by the Board or a duly authorized committee of the Board, in an amount equal to approximately $28.88 per share. If the Corporation issues additional shares of Series A Perpetual Preferred Stock after the original issue date, dividends on such shares may accumulate from the original issue date or any other date specified by the Board or a duly authorized committee of the Board at the time such additional shares are issued.

(B) If declared by the Board or a duly authorized committee of the Board, the Corporation shall pay dividends on the Series A Perpetual Preferred Stock semi-annually in arrears, on the 15th day of June and December in each year, commencing on December 15, 2018, each such date being referred to herein as a "Dividend Payment Date"; provided, however, that (i) if any scheduled Dividend Payment Date is not a Business Day, then the payment will be made on the next succeeding Business Day and no additional dividends will accumulate as a result of that postponement. If the Board or a duly authorized committee of the Board does not declare a dividend (or declares less than full dividends) payable in respect of any Dividend Period, such dividend (or any portion of such dividend not declared) shall accumulate and an amount equal to such accumulated dividend (or such undeclared portion thereof) shall become payable out of funds legally available therefor upon the liquidation or winding up of the Corporation (or earlier redemption of such shares of Series A Perpetual Preferred Stock), to the extent not paid prior to such liquidation, or winding up or earlier redemption.

(C) Dividends will be payable to holders of record of the Series A Perpetual Preferred Stock as of the close of business on the applicable record date, which shall be the 15th Business Day preceding the applicable Dividend Payment Date or such other record date not exceeding 30 calendar days before the applicable Dividend Payment Date as shall be fixed for that purpose by the Board (or a duly authorized committee of the Board), except that in the case of payments of dividends in arrears, the record date with respect to a Dividend Payment Date will be such date as may be designated by the Board.

(D) Dividends payable on the Series A Perpetual Preferred Stock will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Dividends on shares of Series A Perpetual Preferred Stock called for redemption will cease to accumulate on the redemption date, unless the Corporation defaults in the payment of the redemption price of the shares of Series A Perpetual Preferred Stock called for redemption.

(E) The applicable dividend rate for each Reset Period will be determined by the Calculation Agent, as of the applicable Reset Dividend Determination Date. All percentages resulting from the calculation of the Calculation Agent will be rounded, if necessary, to the nearest

one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards, and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent, with one-half cent being rounded upwards. The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be on file at our principal offices, will be made available to any holder of Series A Perpetual Preferred Stock upon request and will be final and binding in the absence of manifest error.

(F) Dividends on the Series A Perpetual Preferred Stock will be cumulative whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are authorized or declared.

(G) (1) The Corporation will not declare or pay, or set aside for payment, full dividends on the Series A Perpetual Preferred Stock or any Parity Securities for any dividend period unless (i) full cumulative dividends have been paid or provided for on the Series A Perpetual Preferred Stock and any Parity Securities through the most recently completed dividend period for each such security and (ii) at the time of the declaration of the dividend on the Series A Perpetual Preferred Stock or the Parity Securities, as applicable, the Corporation expects to have sufficient funds to pay the next dividend on the Series A Perpetual Preferred Stock and any Parity Securities in full (regardless of the relative timing of such dividends). To the extent dividends will not be paid in full on the Series A Perpetual Preferred Stock, the Corporation will take appropriate action to ensure that all dividends declared and paid upon the Series A Perpetual Preferred Stock and any Parity Securities will be reduced, declared and paid on a pro rata basis on their respective payment dates pursuant to subsection (I) below.

(2) The Corporation will not declare, or pay or set aside for payment, dividends on any Junior Securities (other than a dividend payable solely in Junior Securities) unless full cumulative dividends have been or contemporaneously are being paid on all outstanding shares of Series A Perpetual Preferred Stock and any Parity Securities through the most recently completed respective dividend periods.

(3) The Series A Perpetual Preferred Stock will rank junior as to payment of dividends to any class or series of Senior Securities that the Corporation may issue in the future. If at any time the Corporation has failed to pay, on the applicable payment date, accumulated dividends on any class or series of Senior Securities, the Corporation may not pay any dividends on the outstanding Series A Perpetual Preferred Stock or redeem or otherwise repurchase any shares of Series A Perpetual Preferred Stock until the Corporation has paid or set aside for payment the full amount of the unpaid dividends on the Senior Securities that must, under the terms of such securities, be paid before the Corporation may pay dividends on, or redeem or repurchase, the Series A Perpetual Preferred Stock.

(4) Notwithstanding the foregoing, unless (i) full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding shares of Series A Perpetual Preferred Stock and any Parity Securities through the most recently completed respective dividend periods and (ii) the Corporation expects to have sufficient funds to pay the next dividend on all outstanding shares of Series A Perpetual Preferred Stock and any Parity Securities in full (regardless of the relative timing of such dividends), the Corporation may not repurchase, redeem or otherwise acquire, in whole or in part, any shares of Series A Perpetual Preferred Stock or Parity Securities except pursuant to a purchase or exchange offer made on the same relative terms to all holders of Series A Perpetual Preferred Stock and any Parity Securities. The Corporation may not redeem, repurchase or otherwise acquire shares of Common Stock or any other Junior Securities

unless full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding shares of Series A Perpetual Preferred Stock and any Parity Securities through the most recently completed respective dividend periods.

(H) To the extent a dividend period applicable to a class of Junior Securities or Parity Securities is shorter than the Dividend Period applicable to the Series A Perpetual Preferred Stock (e.g., quarterly rather than semi-annual), the Board may declare and pay regular dividends with respect to such Junior Securities or Parity Securities so long as, at the time of declaration of such dividend, the Corporation expects to have sufficient funds to pay the full dividend in respect of the Series A Perpetual Preferred Stock on the next successive Dividend Payment Date.

(I) To the extent dividends will not be paid in full on the Series A Perpetual Preferred Stock and any Parity Securities, the Corporation will take appropriate action to ensure that all dividends declared and paid upon shares of Series A Perpetual Preferred Stock and any Parity Securities will be reduced, declared and paid on a pro rata basis so that the amount of dividends declared per share will bear to each other the same ratio that accumulated dividends for the then-current dividend period and any prior dividend periods for which dividends were declared but not paid, per share on the Series A Perpetual Preferred Stock, and accumulated dividends on any Parity Securities, bear to each other.

(J) In addition to the dividend rights set forth in this Section 4, under certain circumstances set forth in the Preferred Stock Registration Rights Agreement, the holders of outstanding Series A Perpetual Preferred Stock may be entitled to Special Dividends (as defined therein) upon a Registration Default (as defined therein). Copies of the Preferred Stock Registration Rights Agreement may be obtained without charge by writing to the Corporation at the following address: NiSource Inc., 801 East 86th Avenue, Merrillville, Indiana 46410, Attn: Samuel K. Lee.

(K) Subject to the foregoing, dividends (payable in cash, stock or otherwise) may be determined by the Board (or a duly authorized committee of the Board) and may be declared and paid on the Common Stock and any stock ranking, as to dividends, equally with or junior to the Series A Perpetual Preferred Stock from time to time out of any funds legally available for such payment, and the shares of the Series A Perpetual Preferred Stock shall not be entitled to participate in any such dividend.

Section 5. Voting Rights.

(A) General. Except as provided below or as expressly required by Delaware law, the holders of shares of Series A Perpetual Preferred Stock shall not have any voting, consent or approval rights.

(B) Senior Issuances; Adverse Changes.

(i) So long as any shares of Series A Perpetual Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the affirmative vote or consent of the holders of at least 66 2/3% of the outstanding shares of Series A Perpetual Preferred Stock, voting as a single class, at the time outstanding and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary to adopt an amendment to the Certificate of Incorporation that would have a material adverse effect on the existing preferences, rights, powers, duties or obligations of the Series A Perpetual Preferred Stock, except that any amendment to the Certificate of

Incorporation (x) relating to the issuance of additional shares of preferred stock (subject to the voting rights regarding the issuance of Parity Securities or Senior Securities in Section 5(B)(ii) below) or (y) in connection with a merger or another transaction in which either (I) the Corporation is the surviving entity and the Series A Perpetual Preferred Stock remains outstanding or (II) the Series A Perpetual Preferred Stock is exchanged for a series of preferred stock of the surviving entity, in either case with the terms thereof materially unchanged in any respect adverse to the holders of Series A Perpetual Preferred Stock, will be deemed not to materially adversely affect the powers, preferences, duties or special rights of the holders of Series A Perpetual Preferred Stock.

(ii) So long as any shares of Series A Perpetual Preferred Stock are outstanding, the affirmative vote or consent of the holders of at least 66 2/3% of the outstanding shares of Series A Perpetual Preferred Stock, voting as a class together with the holders of any other Parity Securities with like voting rights that are exercisable, at the time outstanding and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary (x) to create or issue any Parity Securities (including additional shares of Series A Perpetual Preferred Stock but excluding any payment-in-kind on the Series A Perpetual Preferred Stock) if the cumulative dividends payable on the outstanding shares of Series A Perpetual Preferred Stock or any such Parity Securities are in arrears, or (y) create or issue any Senior Securities.

On any matter described in subclause (i) and (ii) above in which the holders of the Series A Perpetual Preferred Stock are entitled to vote as a class (whether separately or together with the holders of any class or series of capital stock ranking on a parity with the Series A Perpetual Preferred Stock), such holders will be entitled to one vote per share. Any shares of Series A Perpetual Preferred Stock held by a subsidiary of the Corporation will not be entitled to vote.

With respect to shares of Series A Perpetual Preferred Stock that are held for a person's account by another person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such shares are registered, such other person will, in exercising the voting rights in respect of such shares of Series A Perpetual Preferred Stock on any matter, and unless the arrangement between such persons provides otherwise, vote such Series A Perpetual Preferred Stock in favor of, and at the direction of, the person who is the beneficial owner, and the Corporation will be entitled to assume it is so acting without further inquiry.

Section 6. Reacquired Shares. Any shares of Series A Perpetual Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of preferred stock or any similar stock or as otherwise required by law.

Section 7. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of shares of Series A Perpetual Preferred Stock are entitled to receive out of assets of the Corporation available for distribution to stockholders, after satisfaction of liabilities to creditors, if any, and subject to the rights of holders of any Senior Securities or Parity Securities,

and before any distribution of assets is made to holders of Common Stock or any other Junior Securities, a liquidating distribution in the amount of $1,000 per share. Any accumulated and unpaid dividends on the Series A Perpetual Preferred Stock and Parity Securities will be paid prior to any distributions in liquidation. Holders of shares of Series A Perpetual Preferred Stock will not be entitled to any other amounts from the Corporation after they have received their full liquidation preference.

(B) In any such distribution, if the assets of the Corporation are not sufficient to pay the liquidation preferences in full to all holders of the Series A Perpetual Preferred Stock and all holders of Parity Securities, the amounts paid to the holders of Series A Perpetual Preferred Stock and to the holders of all such other stock will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on the Corporation's assets available for such distribution), including any unpaid, accumulated dividends, whether or not declared (and, in the case of any holder of stock other than the Series A Perpetual Preferred Stock and on which dividends are non-cumulative, an amount equal to any declared but unpaid dividends, as applicable). If the liquidation preference has been paid in full to all holders of Series A Perpetual Preferred Stock and any Parity Securities, the holders of the Junior Securities shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(C) For purpose of this Section 7, the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation shall not be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

Section 8. No Conversion Rights. The shares of Series A Perpetual Preferred Stock shall not be convertible into any other class of stock.

Section 9. No Preemptive Rights. The holders of shares of Series A Perpetual Preferred Stock will have no preemptive rights with respect to any shares of the Corporation's capital stock or any of its other securities convertible into or carrying rights or options to purchase or otherwise acquire any such capital stock or any interest therein, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 10. Redemption. The Series A Perpetual Preferred Stock is perpetual, has no maturity date and is not subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series A Perpetual Preferred Stock shall have no right to require the redemption or repurchase of any shares of Series A Perpetual Preferred Stock.

(A) Optional Redemption: The Corporation, at its option, may, upon notice given as provided in Section 10(B), redeem the Series A Perpetual Preferred Stock:

(i) in whole but not in part, within 120 days after the conclusion of any review or appeal process instituted by the Corporation following the occurrence of a Ratings Event at a redemption price per share equal to $1,020 plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the date fixed for redemption, whether or not declared; or

(ii) in whole or in part, on the First Call Date or on any subsequent Reset Date at a redemption price per share equal to $1,000 plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the date of redemption, whether or not declared.

(B) Redemption Procedure: If shares of the Series A Perpetual Preferred Stock are to be redeemed, the notice of redemption shall be given by first class mail, postage prepaid, addressed to the holders of any shares of Series A Perpetual Preferred Stock to be redeemed as such holders' names appear on the stock transfer books maintained by the Transfer Agent at the address of such holders shown therein mailed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption thereof (*provided* that, if the shares of Series A Perpetual Preferred Stock are held in book-entry form through DTC , we may give such notice in any manner permitted by DTC). Each notice of redemption shall include a statement stating: (i) the redemption date; (ii) the number of shares of Series A Perpetual Preferred Stock to be redeemed and, if fewer than all outstanding shares held by the holder of Series A Perpetual Preferred Stock are to be redeemed, the number and, in the case of any shares of Series A Perpetual Preferred Stock in certificated form, the identification of shares of Series A Perpetual Preferred Stock to be redeemed from the holder; (iii) the redemption price; (iv) the place or places where the certificates, if any, evidencing shares of Series A Perpetual Preferred Stock are to be surrendered for payment of the redemption price; and (v) that dividends on the shares of Series A Perpetual Preferred Stock to be redeemed will cease to accumulate from and after such redemption date.

(C) Effectiveness of Redemption. If notice of redemption of any shares of Series A Perpetual Preferred Stock has been given and if, on or prior to the redemption date specified in such notice, the funds necessary for such redemption have been set aside by the Corporation for the benefit of the holders of any shares of Series A Perpetual Preferred Stock so called for redemption, then, from and after the redemption date, dividends will cease to accrue on such shares of Series A Perpetual Preferred Stock, such shares of Series A Perpetual Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

(D) Partial Redemption. If fewer than all of the outstanding shares of Series A Perpetual Preferred Stock are to be redeemed, the number of shares of Series A Perpetual Preferred Stock to be redeemed will be determined by the Corporation, and such shares will be redeemed by such method of selection as DTC (or, in the case of any certificated shares, the Board) determines, either pro rata or by lot, with adjustments to avoid redemption of fractional shares. So long as all shares of Series A Perpetual Preferred Stock are held of record by the nominee of DTC, the Corporation will give notice, or cause notice to be given, to DTC of the number of shares of Series A Perpetual Preferred Stock to be redeemed, and DTC will determine the number of shares of Series A Perpetual Preferred Stock to be redeemed from the account of each of its participants holding such shares in its participant account. Thereafter, each participant will select the number of shares to be redeemed from each beneficial owner for whom it acts (including the participant, to the extent it holds shares of Series A Perpetual Preferred Stock for its own account). A participant may determine to redeem shares of Series A Perpetual Preferred Stock from some beneficial owners (including the participant itself) without redeeming shares of Series A Perpetual Preferred Stock from the accounts of other beneficial owners. Any shares of Series A Perpetual Preferred Stock not redeemed will remain outstanding and entitled to all the rights and preferences of the Series A Perpetual Preferred Stock under the Certificate of Incorporation.

Section 11. Calculation Agent. The Corporation shall appoint a Calculation Agent for the Series A Perpetual Preferred Stock at least 90 days prior to the First Call Date. The Corporation may,

in its sole discretion, remove the Calculation Agent in accordance with the agreement to be entered into between the Corporation and the Calculation Agent; provided that, if the Corporation elects to remove the Calculation Agent on or after the First Call Date, the Corporation shall appoint a successor Calculation Agent who shall accept such appointment prior to the effectiveness of such removal; provided further that the Corporation or one of its affiliates may serve as Calculation Agent, acting reasonably and in good faith, until such time as the Corporation is able to appoint a banking institution or trust company as Calculation Agent.

Section 12. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Perpetual Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of Series A Perpetual Preferred Stock, voting as a single class.

Section 13. No Other Rights. The shares of Series A Perpetual Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein, in the Certificate of Incorporation, in the Preferred Stock Registration Rights Agreement or as provided by applicable law.

Section 14. Global Securities; Appointment of Depositary for Global Securities.

(A) The Series A Perpetual Preferred Stock shall initially be issued in the form of one or more global securities ("Global Securities") signed by the President or a Vice President of the Corporation and by the Secretary or an Assistant Secretary of the Corporation and countersigned by the Transfer Agent and will be deposited upon issuance with the Transfer Agent as custodian for DTC and registered in the name of DTC or its nominee and will bear the following legend:

> UNLESS THIS GLOBAL CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO NISOURCE INC. OR ITS AGENT OR AGENTS FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY GLOBAL CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.
>
> TRANSFERS OF THIS GLOBAL CERTIFICATE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL CERTIFICATE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE CERTIFICATE OF DESIGNATIONS REFERRED TO ON THE REVERSE HEREOF.

(B) The Series A Perpetual Preferred Stock will be initially issued pursuant to an exemption or exemptions from or in transactions not subject to the registration requirements of the Securities Act.

(1) Beneficial interests in the Series A Perpetual Preferred Stock offered and sold to QIBs in reliance upon Rule 144A under the Securities Act shall be represented by one or more separate Global Securities in registered form without interest coupons (each, a "Rule 144A Global Security"). Each Rule 144A Global Security shall bear the non-registration legend in substantially the following form (the "Rule 144A Legend"):

> THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN SIX MONTHS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO NISOURCE INC. OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN SIX MONTHS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) PURSUANT TO (C), (D) OR (E), THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRANSFER AGENT AND NISOURCE INC. SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

(2) Beneficial interests in the Series A Perpetual Preferred Stock offered and sold to purchasers outside of the United States pursuant to Regulation S under the Securities Act shall be represented by one or more separate Global Securities in registered form without interest coupons (each, a "Regulation S Global Security") and shall bear the Regulation S legend in substantially the following form (the "Regulation S Legend"):

> THE SECURITIES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (I) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (II) OTHERWISE UNTIL 40 DAYS AFTER THE LATER OF THE DATE OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE DATE OF ORIGINAL ISSUANCE OF THE SECURITIES, EXCEPT IN EITHER CASE IN ACCORDANCE WITH REGULATION S OR RULE 144A UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S.

(C) Except under the limited circumstances described below, shares of the Series A Perpetual Preferred Stock represented by such Global Security or Global Securities shall not be exchangeable for, and shall not otherwise be issuable as, shares of Series A Perpetual Preferred Stock in registered certificated form ("Certificated Securities"). The Global Securities described in this Section 14 may not be transferred except by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or to a successor depositary or its nominee. Except in limited circumstances, owners of beneficial interests in the Global Securities will not be entitled to receive physical delivery of the Series A Perpetual Preferred Stock in physical form.

(D) A Global Security representing shares of the Series A Perpetual Preferred Stock shall be exchangeable for Certificated Securities only if DTC notifies the Corporation that it is unwilling or unable to continue as a depositary for such Global Security or ceases to be a clearing agency registered under the Exchange Act and, in either case, the Corporation fails to appoint a successor depositary. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for shares of the Series A Perpetual Preferred Stock registered in such names as DTC shall direct, in accordance with its customary procedures and shall bear the applicable restrictive legend as set forth in Section 14(B) above.

(E) A Rule 144A Global Security may not be transferred except in compliance with the restrictions on transfer contained in the Rule 144A Legend and upon receipt by the Transfer Agent of a completed and executed Certificate of Transfer in the form contained in Exhibit A to the Global Security. Prior to the expiration of 40 days after the later of (1) the day on which the offering of the Series A Perpetual Preferred Stock commences and (2) the original issue date of the Series A Perpetual Preferred Stock (the "Restricted Period"), a Regulation S Global Security may not be transferred on the Security Register except in compliance with the restrictions on transfer contained in the Regulation S Legend and upon receipt by the Transfer Agent of a completed and executed Certificate of Transfer in the form contained in Exhibit 1 to the Global Security.

(F) Transfers of beneficial interests between a Rule 144A Global Security and a Regulation S Global Security, and other transfers relating to beneficial interests in the Global

Securities during the Restricted Period, shall only be made if (1) such exchange occurs in connection with a transfer of the Series A Perpetual Preferred Stock pursuant to Rule 144A and (2) the transferor first delivers to the Transfer Agent a written certificate in the form contained in Exhibit 1 to the Global Security. After expiration of the Restricted Period, such certification requirements will not apply to transfers of beneficial interests in a Regulation S Global Security.

Neither the Company nor the Transfer Agent shall have any liability for acts or omissions of any depositary, for any depositary records of beneficial interest, for any transactions between any depositary, any participant member of the depositary and/or any beneficial owner of any interest in any shares of the Series A Perpetual Preferred Stock, or in respect of any transfers effected by any depositary or by any participant member of any depositary or any beneficial owner of any interest in any shares of the Series A Perpetual Preferred Stock held through any such participant member of any depositary.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Vice President, Treasurer and Chief Risk Officer and attested by its Corporate Secretary this 8th day of June, 2018.

/s/ Shawn Anderson
Vice President, Treasurer and Chief Risk Officer

Attest:

/s/ Samuel K. Lee
Corporate Secretary

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Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "NISOURCE INC.", FILED IN THIS OFFICE ON THE THIRTIETH DAY OF NOVEMBER, A.D. 2018, AT 11:33 O`CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Jeffrey W. Bullock, Secretary of State

3203156 8100
SR# 20187892480

You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 204000460
Date: 11-30-18

State of Delaware
Secretary of State
Division of Corporations
Delivered 11:33 AM 11/30/2018
FILED 11:33 AM 11/30/2018
SR 20187892480 - File Number 3203156

CERTIFICATE OF DESIGNATIONS

of

6.50% SERIES B FIXED-RATE RESET CUMULATIVE REDEEMABLE PERPETUAL PREFERRED STOCK

of

NISOURCE INC.

(Pursuant to Section 151 of the Delaware General Corporation Law)

NiSource Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), in accordance with the provisions of Sections 103 and 151 thereof, does hereby certify that:

Pursuant to the authority conferred upon the Board of Directors of the Corporation (the "Board"), by the Amended and Restated Certificate of Incorporation of the Corporation (as amended through the date hereof, the "Certificate of Incorporation") and applicable law, the Board authorized the issuance and sale by the Corporation of shares of its preferred stock and the formation of a Special Committee (the "Committee") by written consent on November 25, 2018, and, pursuant to the authority conferred upon the Committee in accordance with Section 141(c) of the General Corporation Law of the State of Delaware and the resolutions of the Board, the Committee adopted the following resolution by written consent on November 28, 2018 creating a series of 20,000 shares of preferred stock of the Corporation designated as "6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock."

RESOLVED, that pursuant to the provisions of the Certificate of Incorporation, the authority delegated to the Committee by the Board and applicable law, a series of preferred stock, par value $0.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences, and relative participating, optional, or other rights, and the qualifications, limitations, and restrictions thereof, of the shares of such series, be as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock" (the "Series B Preferred Stock") and the number of shares constituting the Series B Preferred Stock shall be 20,000, and such shares shall have a liquidation preference of $25,000 per share. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series B Preferred Stock then outstanding) by further resolution duly adopted by the Board or any other duly authorized committee thereof and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. Each share of Series B Preferred Stock shall be identical in all respects to every other share of Series B Preferred Stock. Shares of Series B Preferred Stock shall be dated the date of issue, which date shall be referred to herein as the "original issue date." Shares of outstanding Series B Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of the Corporation's Preferred Stock, undesignated as to series.

Section 2. Definitions. The following terms used herein shall be defined as set forth below:

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the State of New York shall not be regarded as a Business Day.

"Common Stock" means the common stock of the Corporation, $0.01 par value per share.

"Calculation Agent" means a calculation agent appointed by the Corporation pursuant to Section 11.

"Dividend Payment Date" shall have the meaning specified in Section 4(B).

"Dividend Period" is the period from and including a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date or any earlier redemption date, except that the initial Dividend Period will commence on and include the original issue date of the Series B Preferred Stock and continue to, but exclude, March 15, 2019.

"DTC" means The Depository Trust Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"First Call Date" means March 15, 2024.

"Five-year U.S. Treasury Rate" means, as of any Reset Dividend Determination Date, as applicable, (i) an interest rate (expressed as a decimal and, in the case of U.S. Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of five years from the next Reset Date and trading in the public securities markets or (ii) if there is no such published U.S. Treasury security with a maturity of five years from the next Reset Date and trading in the public securities markets, then the rate will be determined by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the Reset Date following the next succeeding Reset Dividend Determination Date, and (B) the other maturity as close as possible to, but later than, the Reset Date following the next succeeding Reset Dividend Determination Date, in each case as published in the most recent H.15 (519). If the Five-year U.S. Treasury Rate cannot be determined pursuant to the methods described in clauses (i) or (ii) above, then the Five-year U.S. Treasury Rate will be the same interest rate determined for the prior Reset Dividend Determination Date.

"H.15 (519)" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System, and "most recent H.15 (519)" means the H.15 (519) published closest in time but prior to the close of business on the second Business Day prior to the applicable Reset Date.

"Initial Margin" shall have the meaning specified in Section 4(A).

"Ratings Event" means a change by any nationally recognized statistical rating organization (within the meaning of Section 3(a)(62) of the Exchange Act) that publishes a rating for the Corporation (a "rating agency") to its equity credit criteria for securities such as the Series B Preferred Stock, as such criteria are in effect as of the original issue date of the Series B Preferred Stock (the

"current criteria"), which change results in (i) any shortening of the length of time for which the current criteria are scheduled to be in effect with respect to the Series B Preferred Stock, or (ii) a lower equity credit being given to the Series B Preferred Stock than the equity credit that would have been assigned to the Series B Preferred Stock by such rating agency pursuant to its current criteria.

"Reset Date" means the First Call Date and each date falling on the fifth anniversary thereafter.

"Reset Dividend Determination Date" means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of the relevant Reset Period.

"Reset Period" means each period from and including the First Call Date to (but excluding) the next following Reset Date and thereafter from and including each Reset Date to (but excluding) the next following Reset Date.

"Securities Act" means the Securities Act of 1933, as amended.

"Step-up Date" means March 15, 2044.

"Transfer Agent" means Computershare Inc. or an affiliate, as transfer agent and registrar, or any successor transfer agent appointed by the Corporation.

Section 3. Ranking. The shares of Series B Preferred Stock shall rank, with respect to the payment of dividends and distributions upon the liquidation, winding up and dissolution of the Corporation's affairs:

(A) senior to the Common Stock and to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding that, by its terms, does not expressly provide that such class or series ranks on a parity with the Series B Preferred Stock or senior to the Series B Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, including the Common Stock, "Junior Securities");

(B) on a parity with the 5.65% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock and any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding (including additional shares of the Series B Preferred Stock) that, by its terms, does not expressly provide that such class or series ranks senior or junior to the Series B Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, "Parity Securities"); and

(C) junior to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding (if the issuance is approved by the requisite consent of the holders of the Series B Preferred Stock) that, by its terms, expressly provides that such class or series ranks senior to the Series B Preferred Stock as to dividends and upon liquidation and winding-up (collectively, "Senior Securities").

Section 4. Dividends and Distributions.

(A) Holders of Series B Preferred Stock will be entitled to receive, when, as and if declared by the Board or a duly authorized committee of the Board, out of legally available funds for such purpose, cumulative quarterly cash dividends on each Dividend Payment Date. The initial dividend rate for the Series B Preferred Stock from and including the date of original issue to, but

excluding, the First Call Date will be 6.50% per annum of the $25,000 liquidation preference per share. On and after the First Call Date, dividends on the Series B Preferred Stock will accumulate for each Reset Period at a percentage of the $25,000 liquidation preference equal to the Five-year U.S. Treasury Rate plus (i) in respect of each Reset Period commencing on or after the First Call Date but before the Step-Up Date, a spread of 3.632% (the "Initial Margin") and (y) in respect of each Reset Period commencing on or after the Step-up Date, the Initial Margin plus 1.000%.

(B) If declared by the Board or a duly authorized committee of the Board, the Corporation shall pay dividends on the Series B Preferred Stock quarterly in arrears, on the 15th day of March, June, September and December in each year, commencing on March 15, 2019, each such date being referred to herein as a "Dividend Payment Date"; provided, however, that (i) if any scheduled Dividend Payment Date is not a Business Day, then the payment will be made on the next succeeding Business Day and no additional dividends will accumulate as a result of that postponement. If the Board or a duly authorized committee of the Board does not declare a dividend (or declares less than full dividends) payable in respect of any Dividend Period, such dividend (or any portion of such dividend not declared) shall accumulate and an amount equal to such accumulated dividend (or such undeclared portion thereof) shall become payable out of funds legally available therefor upon the liquidation or winding up of the Corporation (or earlier redemption of such shares of Series B Preferred Stock), to the extent not paid prior to such liquidation, or winding up or earlier redemption.

(C) Dividends will be payable to holders of record of the Series B Preferred Stock as they appear on the Corporation's books on the applicable record date, which shall be the 15th Business Day preceding the applicable Dividend Payment Date or such other record date not exceeding 60 calendar days before the applicable Dividend Payment Date as shall be fixed for that purpose by the Board (or a duly authorized committee of the Board), except that in the case of payments of dividends in arrears, the record date with respect to a Dividend Payment Date will be such date as may be designated by the Board.

(D) Dividends payable on the Series B Preferred Stock will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Dividends on shares of Series B Preferred Stock called for redemption will cease to accumulate on the redemption date, unless the Corporation defaults in the payment of the redemption price of the shares of Series B Preferred Stock called for redemption.

(E) The applicable dividend rate for each Reset Period will be determined by the Calculation Agent, as of the applicable Reset Dividend Determination Date. All percentages resulting from the calculation of the Calculation Agent will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards, and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent, with one-half cent being rounded upwards. The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Calculation Agent's principal offices, will be made available to any holder of Series B Preferred Stock upon request and will be final and binding in the absence of manifest error.

(F) Dividends on the Series B Preferred Stock will be cumulative whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are authorized or declared.

(G) (1) The Corporation will not declare or pay, or set aside for payment, full dividends on the Series B Preferred Stock or any Parity Securities for any Dividend Period unless (i) full cumulative dividends have been paid or provided for on the Series B Preferred Stock and any Parity Securities through the most recently completed dividend period for each such security and (ii) at the time of the declaration of the dividend on the Series B Preferred Stock or the Parity Securities, as applicable, the Corporation expects to have sufficient funds to pay the next dividend on the Series B Preferred Stock and any Parity Securities in full (regardless of the relative timing of such dividends). To the extent dividends will not be paid in full on the Series B Preferred Stock, the Corporation will take appropriate action to ensure that all dividends declared and paid upon the Series B Preferred Stock and any Parity Securities will be reduced, declared and paid on a pro rata basis on their respective payment dates pursuant to subsection (I) below.

(2) The Corporation will not declare, or pay or set aside for payment, dividends on any Junior Securities (other than a dividend payable solely in Junior Securities) unless full cumulative dividends have been or contemporaneously are being paid on all outstanding shares of Series B Preferred Stock and any Parity Securities through the most recently completed respective dividend periods.

(3) The Series B Preferred Stock will rank junior as to payment of dividends to any class or series of Senior Securities that the Corporation may issue in the future. If at any time the Corporation has failed to pay, on the applicable payment date, accumulated dividends on any class or series of Senior Securities, the Corporation may not pay any dividends on the outstanding Series B Preferred Stock or redeem or otherwise repurchase any shares of Series B Preferred Stock until the Corporation has paid or set aside for payment the full amount of the unpaid dividends on the Senior Securities that must, under the terms of such securities, be paid before the Corporation may pay dividends on, or redeem or repurchase, the Series B Preferred Stock.

(4) Notwithstanding the foregoing, unless (i) full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding shares of Series B Preferred Stock and any Parity Securities through the most recently completed respective dividend periods and (ii) the Corporation expects to have sufficient funds to pay the next dividend on all outstanding shares of Series B Preferred Stock and any Parity Securities in full (regardless of the relative timing of such dividends), the Corporation may not repurchase, redeem or otherwise acquire, in whole or in part, any shares of Series B Preferred Stock or Parity Securities except pursuant to a purchase or exchange offer made on the same relative terms to all holders of Series B Preferred Stock and any Parity Securities. The Corporation may not redeem, repurchase or otherwise acquire shares of Common Stock or any other Junior Securities unless full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding shares of Series B Preferred Stock and any Parity Securities through the most recently completed respective dividend periods.

(H) To the extent a dividend period applicable to a class of Junior Securities or Parity Securities is shorter than the Dividend Period applicable to the Series B Preferred Stock, the Board may declare and pay regular dividends with respect to such Junior Securities or Parity Securities so long as, at the time of declaration of such dividend, the Corporation expects to have sufficient funds to pay the full dividend in respect of the Series B Preferred Stock on the next successive Dividend Payment Date.

(I) To the extent dividends will not be paid in full on the Series B Preferred Stock and any Parity Securities, the Corporation will take appropriate action to ensure that all dividends declared and paid upon shares of Series B Preferred Stock and any Parity Securities will be reduced,

declared and paid on a pro rata basis so that the amount of dividends declared per share will bear to each other the same ratio that accumulated dividends for the then-current dividend period and any prior dividend periods for which dividends were declared but not paid, per share on the Series B Preferred Stock, and accumulated dividends on any Parity Securities, bear to each other.

(J) Subject to the foregoing, dividends (payable in cash, stock or otherwise) may be determined by the Board (or a duly authorized committee of the Board) and may be declared and paid on the Common Stock and any stock ranking, as to dividends, equally with or junior to the Series B Preferred Stock from time to time out of any funds legally available for such payment, and the shares of the Series B Preferred Stock shall not be entitled to participate in any such dividend.

Section 5. Voting Rights.

(A) General. Except as provided below or as expressly required by Delaware law, the holders of shares of Series B Preferred Stock shall not have any voting, consent or approval rights.

(B) Senior Issuances; Adverse Changes.

(i) So long as any shares of Series B Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the affirmative vote or consent of the holders of at least 66⅔% of the outstanding shares of Series B Preferred Stock, voting as a single class, at the time outstanding and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary to adopt an amendment to the Certificate of Incorporation that would have a material adverse effect on the existing preferences, rights, powers, duties or obligations of the Series B Preferred Stock, except that any amendment to the Certificate of Incorporation (x) relating to the issuance of additional shares of preferred stock (subject to the voting rights regarding the issuance of Parity Securities or Senior Securities in Section 5(B)(ii) below) or (y) in connection with a merger or another transaction in which either (I) the Corporation is the surviving entity and the Series B Preferred Stock remains outstanding or (II) the Series B Preferred Stock is exchanged for a series of preferred stock of the surviving entity, in either case with the terms thereof materially unchanged in any respect adverse to the holders of Series B Preferred Stock, will be deemed not to materially adversely affect the powers, preferences, duties or special rights of the holders of Series B Preferred Stock.

(ii) So long as any shares of Series B Preferred Stock are outstanding, the affirmative vote or consent of the holders of at least 66⅔% of the outstanding shares of Series B Preferred Stock, voting as a class together with the holders of any other Parity Securities with like voting rights that are exercisable, at the time outstanding and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary (x) to create or issue any Parity Securities (including additional shares of Series B Preferred Stock but excluding any payment-in-kind on the Series B Preferred Stock) if the cumulative dividends payable on the outstanding shares of Series B Preferred Stock or any such Parity Securities are in arrears, or (y) create or issue any Senior Securities.

On any matter described in subclause (i) and (ii) above in which the holders of the Series B Preferred Stock are entitled to vote as a class (whether separately or together with the holders of any class or series of capital stock ranking on a parity with the Series B Preferred Stock), such

holders will be entitled to 25 votes per share. Any shares of Series B Preferred Stock held by a subsidiary of the Corporation will not be entitled to vote.

With respect to shares of Series B Preferred Stock that are held for a person's account by another person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such shares are registered, such other person will, in exercising the voting rights in respect of such shares of Series B Preferred Stock on any matter, and unless the arrangement between such persons provides otherwise, vote such Series B Preferred Stock in favor of, and at the direction of, the person who is the beneficial owner, and the Corporation will be entitled to assume it is so acting without further inquiry.

Section 6. Reacquired Shares. Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of preferred stock or any similar stock or as otherwise required by law.

Section 7. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of shares of Series B Preferred Stock are entitled to receive out of assets of the Corporation available for distribution to stockholders, after satisfaction of liabilities to creditors, if any, and subject to the rights of holders of any Senior Securities or Parity Securities, and before any distribution of assets is made to holders of Common Stock or any other Junior Securities, a liquidating distribution in the amount of $25,000 per share. Any accumulated and unpaid dividends on the Series B Preferred Stock and Parity Securities will be paid prior to any distributions in liquidation. Holders of shares of Series B Preferred Stock will not be entitled to any other amounts from the Corporation after they have received their full liquidation preference.

(B) In any such distribution, if the assets of the Corporation are not sufficient to pay the liquidation preferences in full to all holders of the Series B Preferred Stock and all holders of Parity Securities, the amounts paid to the holders of Series B Preferred Stock and to the holders of all such other stock will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on the Corporation's assets available for such distribution), including any unpaid, accumulated dividends, whether or not declared (and, in the case of any holder of stock other than the Series B Preferred Stock and on which dividends are non-cumulative, an amount equal to any declared but unpaid dividends, as applicable). If the liquidation preference has been paid in full to all holders of Series B Preferred Stock and any Parity Securities, the holders of the Junior Securities shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(C) For purpose of this Section 7, the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation shall not be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

Section 8. No Conversion Rights. The shares of Series B Preferred Stock shall not be convertible into any other class of stock.

Section 9. No Preemptive Rights. The holders of shares of Series B Preferred Stock will have no preemptive rights with respect to any shares of the Corporation's capital stock or any of its other securities convertible into or carrying rights or options to purchase or otherwise acquire any such capital stock or any interest therein, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 10. Redemption. The Series B Preferred Stock is perpetual, has no maturity date and is not subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series B Preferred Stock shall have no right to require the redemption or repurchase of any shares of Series B Preferred Stock.

(A) Optional Redemption: The Corporation, at its option, may, upon notice given as provided in Section 10(B), redeem the Series B Preferred Stock:

(i) in whole or in part, on the First Call Date or on any subsequent Reset Date at a redemption price per share equal to $25,000 plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the date of redemption, whether or not declared; and

(ii) in whole but not in part, within 120 days following a Ratings Event at a redemption price per share equal to $25,500 plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the date fixed for redemption, whether or not declared.

(B) Redemption Procedure: If shares of the Series B Preferred Stock are to be redeemed, the notice of redemption shall be given by first class mail, postage prepaid, or otherwise transmitted by an authorized method to the holders of any shares of Series B Preferred Stock to be redeemed as such holders' names appear on the stock transfer books maintained by the Transfer Agent at the address of such holders shown therein mailed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption thereof (*provided* that, if the shares of Series B Preferred Stock are held in book-entry form through DTC, we may give such notice in any manner permitted by DTC). Each notice of redemption shall include a statement stating: (i) the redemption date; (ii) the number of shares of Series B Preferred Stock to be redeemed and, if fewer than all outstanding shares held by the holder of Series B Preferred Stock are to be redeemed, the number and, in the case of any shares of Series B Preferred Stock in certificated form, the identification of shares of Series B Preferred Stock to be redeemed from the holder; (iii) the redemption price; (iv) the place or places where the certificates, if any, evidencing shares of Series B Preferred Stock are to be surrendered for payment of the redemption price; and (v) that dividends on the shares of Series B Preferred Stock to be redeemed will cease to accumulate from and after such redemption date.

(C) Effectiveness of Redemption. If notice of redemption of any shares of Series B Preferred Stock has been given and if, on or prior to the redemption date specified in such notice, the funds necessary for such redemption have been set aside by the Corporation for the benefit of the holders of any shares of Series B Preferred Stock so called for redemption, then, from and after the redemption date, dividends will cease to accrue on such shares of Series B Preferred Stock, such shares of Series B Preferred Stock shall no longer be deemed outstanding and all rights of the

holders of such shares will terminate, except the right to receive the redemption price, without interest.

(D) Partial Redemption. If fewer than all of the outstanding shares of Series B Preferred Stock are to be redeemed, the number of shares of Series B Preferred Stock to be redeemed will be determined by the Corporation, and such shares will be redeemed by such method of selection as DTC (or, in the case of any certificated shares, the Board) determines, either pro rata or by lot, with adjustments to avoid redemption of fractional shares. So long as all shares of Series B Preferred Stock are held of record by the nominee of DTC, the Corporation will give notice, or cause notice to be given, to DTC of the number of shares of Series B Preferred Stock to be redeemed, and DTC will determine the number of shares of Series B Preferred Stock to be redeemed from the account of each of its participants holding such shares in its participant account. Thereafter, each participant will select the number of shares to be redeemed from each beneficial owner for whom it acts (including the participant, to the extent it holds shares of Series B Preferred Stock for its own account). A participant may determine to redeem shares of Series B Preferred Stock from some beneficial owners (including the participant itself) without redeeming shares of Series B Preferred Stock from the accounts of other beneficial owners. Any shares of Series B Preferred Stock not redeemed will remain outstanding and entitled to all the rights and preferences of the Series B Preferred Stock under the Certificate of Incorporation.

Section 11. Calculation Agent. The Corporation shall appoint a Calculation Agent for the Series B Preferred Stock at least 90 days prior to the First Call Date. The Corporation may, in its sole discretion, remove the Calculation Agent in accordance with the agreement to be entered into between the Corporation and the Calculation Agent; provided that, if the Corporation elects to remove the Calculation Agent on or after the First Call Date, the Corporation shall appoint a successor Calculation Agent who shall accept such appointment prior to the effectiveness of such removal; provided further that the Corporation or one of its affiliates may serve as Calculation Agent, acting reasonably and in good faith, until such time as the Corporation is able to appoint a banking institution or trust company as Calculation Agent.

Section 12. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least 66⅔% of the outstanding shares of Series B Preferred Stock, voting as a single class.

Section 13. No Other Rights. The shares of Series B Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Vice President, Treasurer and Chief Risk Officer and attested by its Corporate Secretary this 29th day of November, 2018.

/s/ Shawn Anderson
Vice President, Treasurer and Chief Risk Officer

Attest:

/s/ John G. Nassos
Corporate Secretary

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Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "NISOURCE INC.", FILED IN THIS OFFICE ON THE TWENTY-SIXTH DAY OF DECEMBER, A.D. 2018, AT 4:19 O`CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Jeffrey W. Bullock, Secretary of State

3203156 8100
SR# 20188359992

Authentication: 204177749
Date: 12-26-18

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 04:19 PM 12/26/2018
FILED 04:19 PM 12/26/2018
SR 20188359992 - File Number 3203156

CERTIFICATE OF DESIGNATIONS

of

SERIES B-1 PREFERRED STOCK

of

NISOURCE INC.

(Pursuant to Section 151 of the Delaware General Corporation Law)

NiSource Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), in accordance with the provisions of Sections 103 and 151 thereof, does hereby certify that:

Pursuant to the authority conferred upon the Board of Directors of the Corporation (the "Board"), by the Amended and Restated Certificate of Incorporation of the Corporation (as amended through the date hereof, the "Certificate of Incorporation") and applicable law, the Board adopted the following resolution by written consent on December 21, 2018, creating a series of 20,000 shares of preferred stock of the Corporation designated as "Series B-1 Preferred Stock."

RESOLVED, that pursuant to the provisions of the Certificate of Incorporation, the authority of the Board and applicable law, a series of preferred stock, par value $0.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences, and relative participating, optional, or other rights, and the qualifications, limitations, and restrictions thereof, of the shares of such series, be as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series B-1 Preferred Stock" (the "Series B-1 Preferred Stock") and the number of shares constituting the Series B-1 Preferred Stock shall be 20,000, and such shares shall have a liquidation preference of $0.01 per share. That number from time to time shall be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series B-1 Preferred Stock then outstanding) share-for-share in connection with any increase or decrease in the number of shares constituting the 6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock of the Corporation (the "Series B Preferred Stock") by further resolution duly adopted by the Board or any other duly authorized committee thereof and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. Each share of Series B-1 Preferred Stock shall be identical in all respects to every other share of Series B-1 Preferred Stock. Shares of Series B-1 Preferred Stock shall be dated the date of issue, which date shall be referred to herein as the "original issue date."

Section 2. Ranking. The shares of Series B-1 Preferred Stock shall rank, with respect to the payment of distributions upon the liquidation, winding up and dissolution of the Corporation's affairs:

(A) senior to the common stock of the Corporation, $0.01 par value per share (the "Common Stock") and to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding that, by its terms, does not expressly provide that such class or series ranks on a parity with the Series B-1 Preferred Stock or senior to the Series B-1

Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, including the Common Stock, "Junior Securities");

(B) on a parity with the 5.65% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock of the Corporation, the Series B Preferred Stock and any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding (including additional shares of the Series B-1 Preferred Stock) that, by its terms, does not expressly provide that such class or series ranks senior or junior to the Series B-1 Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, "Parity Securities"); and

(C) junior to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding that, by its terms, expressly provides that such class or series ranks senior to the Series B-1 Preferred Stock as to dividends and upon liquidation and winding-up (collectively, "Senior Securities").

Section 3. Dividends and Distributions. Holders of Series B-1 Preferred Stock will not be entitled to receive dividends. Dividends (payable in cash, stock or otherwise) may be determined by the Board (or a duly authorized committee of the Board) and may be declared and paid on the Common Stock and any other class of capital stock from time to time out of any funds legally available for such payment, and the shares of the Series B-1 Preferred Stock shall not be entitled to participate in any such dividend.

Section 4. Voting Rights.

(A) General. Except as provided in (B) and (C) below or as expressly required by Delaware law, the holders of shares of Series B-1 Preferred Stock shall not have any voting, consent or approval rights. On any matter on which the holders of the Series B-1 Preferred Stock are entitled to vote as a class (whether separately or together with the holders of any Parity Securities), such holders will be entitled to 25 votes per share. Any shares of Series B-1 Preferred Stock held by a subsidiary of the Corporation will not be entitled to vote.

With respect to shares of Series B-1 Preferred Stock that are held for a person's account by another person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such shares are registered, such other person will, in exercising the voting rights in respect of such shares of Series B-1 Preferred Stock on any matter, and unless the arrangement between such persons provides otherwise, vote such Series B-1 Preferred Stock in favor of, and at the direction of, the person who is the beneficial owner, and the Corporation will be entitled to assume it is so acting without further inquiry.

(B) Right to Elect Two Directors upon Nonpayment Events. If and whenever dividends on any shares of Series B Preferred Stock shall not have been declared and paid for at least six Dividend Periods (as defined in the certificate of designations for the Series B Preferred Stock), whether or not consecutive (a "Nonpayment Event"), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series B-1 Preferred Stock, voting as a class together with the holders of any outstanding Parity Securities with like voting rights that are exercisable at the time and entitled to vote thereon ("Voting Preferred Stock"), shall be entitled to elect the two additional directors (the "Preferred Stock Directors"), provided that it shall be a qualification for election for any such Preferred Stock Director that (i) the election of such director shall not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or any other securities

exchange or other trading facility on which securities of the Corporation may then be listed or traded) that listed or traded companies must have a majority of independent directors and (ii) such director shall not be prohibited or disqualified from serving as a director on the Board of Directors by any applicable law, and provided further that the Board of Directors shall at no time include more than two Preferred Stock Directors.

In the event that the holders of the Series B-1 Preferred Stock shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 25% of the Series B-1 Preferred Stock or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series B-1 Preferred Stock or Voting Preferred Stock, and delivered to the Secretary of the Corporation in person or by first class mail, postage prepaid, or in such other manner as may be required by law.

When all accumulated and unpaid dividends on the Series B Preferred Stock have been paid in full, then the right of the holders of Series B-1 Preferred Stock to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event pursuant to this Section 4), and the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically decrease by two.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series B-1 Preferred Stock and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of the Series B-1 Preferred Stock and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Directors after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(C) Adverse Changes. So long as any shares of Series B-1 Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the affirmative vote or consent of the holders of at least 66⅔% of the outstanding shares of Series B-1 Preferred Stock, voting as a single class, at the time outstanding

and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary to adopt an amendment to the Certificate of Incorporation that would have a material adverse effect on the existing preferences, rights, powers, duties or obligations of the Series B-1 Preferred Stock, except that any amendment to the Certificate of Incorporation (i) relating to the issuance of additional shares of preferred stock or (ii) in connection with a merger or another transaction in which either (x) the Corporation is the surviving entity and the Series B-1 Preferred Stock remains outstanding or (y) the Series B-1 Preferred Stock is exchanged for a series of preferred stock of the surviving entity, in either case with the terms thereof materially unchanged in any respect adverse to the holders of Series B-1 Preferred Stock, will be deemed not to materially adversely affect the powers, preferences, duties or special rights of the holders of Series B-1 Preferred Stock.

Section 5. Reacquired Shares. Any shares of Series B-1 Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of preferred stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of shares of Series B-1 Preferred Stock are entitled to receive out of assets of the Corporation available for distribution to stockholders, after satisfaction of liabilities to creditors, if any, and subject to the rights of holders of any Senior Securities or Parity Securities, and before any distribution of assets is made to holders of Common Stock or any other Junior Securities, a liquidating distribution in the amount of $0.01 per share. Any accumulated and unpaid dividends on any outstanding Parity Securities (including the Series B Preferred Stock) will be paid prior to any distributions in liquidation. Holders of shares of Series B-1 Preferred Stock will not be entitled to any other amounts from the Corporation after they have received their full liquidation preference.

(B) In any such distribution, if the assets of the Corporation are not sufficient to pay the liquidation preferences in full to all holders of the Series B-1 Preferred Stock and all holders of Parity Securities, the amounts paid to the holders of Series B-1 Preferred Stock and to the holders of all such other stock will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on the Corporation's assets available for such distribution), including any unpaid, accumulated dividends, whether or not declared (and, in the case of any holder of stock other than the Series B-1 Preferred Stock and on which dividends are non-cumulative, an amount equal to any declared but unpaid dividends, as applicable). If the liquidation preference has been paid in full to all holders of Series B-1 Preferred Stock and any Parity Securities, the holders of the Junior Securities shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(C) For purpose of this Section 6, the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or

person into or with the Corporation shall not be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

Section 7. No Conversion Rights. The shares of Series B-1 Preferred Stock shall not be convertible into any other class of stock.

Section 8. No Preemptive Rights. The holders of shares of Series B-1 Preferred Stock will have no preemptive rights with respect to any shares of the Corporation's capital stock or any of its other securities convertible into or carrying rights or options to purchase or otherwise acquire any such capital stock or any interest therein, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 9. Redemption. The Series B-1 Preferred Stock is perpetual, has no maturity date and is not subject to any mandatory redemption, sinking fund or other similar provisions, except as set forth in (A) below.

(A) Mandatory Redemption: Each share of Series B-1 Preferred Stock is subject to mandatory redemption, at a redemption price per share equal to $0.01, if and when the Corporation redeems the share of Series B Preferred Stock with respect to which such share of Series B-1 Preferred Stock was issued (the "Related Series B Share").

(B) Redemption Procedure: If shares of the Series B-1 Preferred Stock are to be redeemed, the notice of redemption shall be given by first class mail, postage prepaid, or otherwise transmitted by an authorized method to the holders of any shares of Series B-1 Preferred Stock to be redeemed as such holders' names appear on the stock transfer books maintained by Computershare Inc. or an affiliate, as transfer agent and registrar, or any successor transfer agent appointed by the Corporation, at the address of such holders shown therein mailed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption thereof (*provided* that, if the shares of Series B-1 Preferred Stock are held in book-entry form through the Depositary Trust Company ("DTC"), the Corporation may give such notice in any manner permitted by DTC). Each notice of redemption shall include a statement stating: (i) the redemption date; (ii) the number of shares of Series B-1 Preferred Stock to be redeemed and, if fewer than all outstanding shares held by the holder of Series B-1 Preferred Stock are to be redeemed, the number and, in the case of any shares of Series B-1 Preferred Stock in certificated form, the identification of shares of Series B-1 Preferred Stock to be redeemed from the holder; (iii) the redemption price; and (iv) the place or places where the certificates, if any, evidencing shares of Series B-1 Preferred Stock are to be surrendered for payment of the redemption price. The notice of redemption relating to any shares of Series B-1 Preferred Stock may be included in the notice of redemption relating to the Related Series B Shares.

(C) Effectiveness of Redemption. If notice of redemption of any shares of Series B-1 Preferred Stock has been given and if, on or prior to the redemption date specified in such notice, the funds necessary for such redemption have been set aside by the Corporation for the benefit of the holders of any shares of Series B-1 Preferred Stock so called for redemption, then, from and after the redemption date, such shares of Series B-1 Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

(D) Partial Redemption. If fewer than all of the outstanding shares of Series B -1 Preferred Stock are to be redeemed, the shares to be redeemed will be redeemed by the same method of selection as DTC (or, in the case of any certificated shares, the Board) uses with

respect to the Related Series B Shares. Each share of Series B-1 Preferred Stock shall be redeemed at the time its Related Series B Share is redeemed. Any shares of Series B-1 Preferred Stock not redeemed will remain outstanding and entitled to all the rights and preferences of the Series B-1 Preferred Stock under the Certificate of Incorporation.

Section 10. Restrictions on Transfer.

(A) The shares of Series B-1 Preferred Stock shall be paired with the Related Series B Shares. Shares of Series B-1 Preferred Stock may be issued by the Corporation only to persons holding Related Series B Shares on the date hereof and must be issued in connection with any subsequent issuance of Related Series B Shares. Shares of Series B-1 Preferred Stock shall be issued only on the basis of one share of Series B-1 Preferred Stock for each Related Series B Share, such that at any given time the number of issued and outstanding shares of Series B-1 Preferred Stock and Related Series B Shares shall be identical, held by the same persons and in the same numbers. Shares of Series B-1 Preferred Stock may not be transferred, redeemed or repurchased by the Corporation except in connection with the simultaneous transfer, redemption or repurchase of the Related Series B Shares, and upon the transfer, redemption or repurchase of the Related Series B Shares, the same number of shares of Series B-1 Preferred Stock must simultaneously be transferred (to the same transferee), redeemed or repurchased, as the case may be. Any transfer or purported transfer of shares of Series B-1 Preferred Stock other than in connection with the simultaneous transfer of an identical number of Related Series B Shares shall be void ab initio.

(B) Each certificate or confirmation evidencing shares of Series B-1 Preferred Stock shall bear the following legend: "The certificate of incorporation of the Corporation provides that shares of Series B-1 Preferred Stock are paired with the Corporation's Series B Preferred Stock and may not be transferred except in connection with the simultaneous transfer of an equal number of shares of Series B Preferred Stock. The Corporation will furnish without charge to each holder of Series B-1 Preferred Stock who so requests a copy of the Corporation's certificate of incorporation setting forth the designations, preferences, privileges and rights of each class or series of the Corporation's stock that the Corporation is authorized to issue."

Section 11. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B-1 Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least 66⅔% of the outstanding shares of Series B-1 Preferred Stock, voting as a single class.

Section 12. No Other Rights. The shares of Series B-1 Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Vice President, Treasurer and Chief Risk Officer and attested by its Corporate Secretary this 26th day of December, 2018.

/s/ Shawn Anderson
Vice President, Treasurer and Chief Risk Officer

Attest:

/s/ John G. Nassos
Corporate Secretary

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "NISOURCE INC.", FILED IN THIS OFFICE ON THE EIGHTH DAY OF MAY, A.D. 2019, AT 12:29 O`CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Jeffrey W. Bullock, Secretary of State

3203156 8100
SR# 20193656407

Authentication: 202785983
Date: 05-08-19

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 12:29 PM 05/08/2019
FILED 12:29 PM 05/08/2019
SR 20193656407 - File Number 3203156

STATE OF DELAWARE

CERTIFICATE OF AMENDMENT OF AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF NISOURCE INC.

NiSource Inc. (the "***Corporation***"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: that this Certificate of Amendment amends the provisions of the Corporation's Amended and Restated Certificate of Incorporation filed with the Secretary of State of the State of Delaware (the "***Amended and Restated Certificate of Incorporation***").

SECOND: that the first paragraph of Article IV of the Amended and Restated Certificate of Incorporation is hereby amended as follows:

The total number of shares of all classes of stock which the Corporation shall have authority to issue is Six hundred twenty million (620,000,000), of which twenty million (20,000,000) shares of the par value $.01 each are to be of a class designated Preferred Stock and six hundred million (600,000,000) shares of the par value of $.01 each are to be of a class designated Common Stock.

THIRD: that Section A.4 of Article V of the Amended and Restated Certificate of Incorporation is hereby amended as follows:

4. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, any director or directors may be removed from office at any time by the affirmative vote of a majority of the combined voting power of all of the then-outstanding shares of stock of the Corporation entitled to vote generally, voting together as a single class (it being understood that for all purposes of this Article V, each share of Preferred Stock shall have the number of votes, if any, granted to it pursuant to this Amended and Restated Certificate of Incorporation of any resolution adopted pursuant to Article IV).

FOURTH: that the foregoing amendments were duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FIFTH: All other provisions of the Amended and Restated Certificate of Incorporation shall remain in full force and effect.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed this seventh day of May, 2019.

Name: John G. Nassos
Title: Vice President, Deputy General Counsel and Corporate Secretary

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "NISOURCE INC.", FILED IN THIS OFFICE ON THE EIGHTH DAY OF JUNE, A.D. 2018, AT 12:04 O`CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Jeffrey W. Bullock, Secretary of State

3203156 8100
SR# 20185048470

Authentication: 202853255
Date: 06-11-18

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 12:04 PM 06/08/2018
FILED 12:04 PM 06/08/2018
SR 20185048470 - File Number 3203156

CERTIFICATE OF DESIGNATIONS

of

5.65% SERIES A FIXED-RATE RESET CUMULATIVE REDEEMABLE PERPETUAL PREFERRED STOCK

of

NISOURCE INC.

(Pursuant to Section 151 of the Delaware General Corporation Law)

NiSource Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), in accordance with the provisions of Sections 103 and 151 thereof, does hereby certify that:

Pursuant to the authority conferred upon the Board of Directors of the Corporation (the "Board"), by the Amended and Restated Certificate of Incorporation of the Corporation (as amended through the date hereof, the "Certificate of Incorporation") and applicable law, the Board authorized the issuance and sale by the Corporation of shares of its preferred stock and the formation of a Special Committee (the "Committee") at a meeting duly convened and held on May 8, 2018, and, pursuant to the authority conferred upon the Committee in accordance with Section 141(c) of the General Corporation Law of the State of Delaware and the resolutions of the Board, the Committee adopted the following resolution by written consent on June 7, 2018 creating a series of 400,000 shares of preferred stock of the Corporation designated as "5.65% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock."

RESOLVED, that pursuant to the provisions of the Certificate of Incorporation, the authority delegated to the Committee by the Board and applicable law, a series of preferred stock, par value $0.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences, and relative participating, optional, or other rights, and the qualifications, limitations, and restrictions thereof, of the shares of such series, be as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "5.65% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock" (the "Series A Perpetual Preferred Stock") and the number of shares constituting the Series A Perpetual Preferred Stock shall be 400,000, and such shares shall have a liquidation preference of $1,000 per share. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series A Perpetual Preferred Stock then outstanding) by further resolution duly adopted by the Board or any other duly authorized committee thereof and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. Each share of Series A Perpetual Preferred Stock shall be identical in all respects to every other share of Series A Perpetual Preferred Stock. Shares of Series A Perpetual Preferred Stock shall be dated the date of issue, which date shall be referred to herein as the "original issue date." Shares of outstanding Series A Perpetual Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of the Corporation's Preferred Stock, undesignated as to series.

Section 2. Definitions. The following terms used herein shall be defined as set forth below:

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the State of New York shall not be regarded as a Business Day.

"Common Stock" means the common stock of the Corporation, $0.01 par value per share.

"Calculation Agent" means a calculation agent appointed by the Corporation pursuant to Section 11.

"Dividend Payment Date" shall have the meaning specified in Section 4(B).

"Dividend Period" is the period from and including a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except that the initial Dividend Period will commence on and include the original issue date of the Series A Perpetual Preferred Stock and continue to, but exclude, December 15, 2018.

"DTC" means The Depository Trust Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"First Call Date" means June 15, 2023.

"Five-year U.S. Treasury Rate" means, as of any Reset Dividend Determination Date, as applicable, (i) an interest rate (expressed as a decimal and, in the case of U.S. Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of five years from the next Reset Date and trading in the public securities markets or (ii) if there is no such published U.S. Treasury security with a maturity of five years from the next Reset Date and trading in the public securities markets, then the rate will be determined by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the Reset Date following the next succeeding Reset Dividend Determination Date, and (B) the other maturity as close as possible to, but later than, the Reset Date following the next succeeding Reset Dividend Determination Date, in each case as published in the most recent H.15 (519). If the Five-year U.S. Treasury Rate cannot be determined pursuant to the methods described in clauses (i) or (ii) above, then the Five-year U.S. Treasury Rate will be the same interest rate determined for the prior Reset Dividend Determination Date.

"H.15 (519)" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System, and "most recent H.15 (519)" means the H.15 (519) published closest in time but prior to the close of business on the second Business Day prior to the applicable Reset Date.

"Initial Margin" shall have the meaning specified in Section 4(A).

"Preferred Stock Registration Rights Agreement" means the Registration Rights Agreement dated as of June 11, 2018 among the Corporation, Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, and MUFG Securities Americas Inc., as representatives of the several initial purchasers.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A under the Securities Act.

"Ratings Event" means a change by any nationally recognized statistical rating organization (within the meaning of Section 3(a)(62) of the Exchange Act) that publishes a rating for the Corporation (a "rating agency") to its equity credit criteria for securities such as the Series A Perpetual Preferred Stock, as such criteria are in effect as of the original issue date of the Series A Perpetual Preferred Stock (the "current criteria"), which change results in (i) any shortening of the length of time for which the current criteria are scheduled to be in effect with respect to the Series A Perpetual Preferred Stock, or (ii) a lower equity credit being given to the Series A Perpetual Preferred Stock than the equity credit that would have been assigned to the Series A Perpetual Preferred Stock by such rating agency pursuant to its current criteria.

"Reset Date" means the First Call Date and each date falling on the fifth anniversary thereafter.

"Reset Dividend Determination Date" means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of such Reset Period.

"Reset Period" means the period from and including the First Call Date to, but excluding, the next following Reset Date and thereafter each period from and including each Reset Date to, but excluding, the next following Reset Date.

"Securities Act" means the Securities Act of 1933, as amended.

"Step-up Date" means June 15, 2043.

"Transfer Agent" means Computershare Trust Company, N.A, as transfer agent and registrar, or any successor transfer agent appointed by the Corporation.

Section 3. Ranking. The shares of Series A Perpetual Preferred Stock shall rank, with respect to the payment of dividends and distributions upon the liquidation, winding up and dissolution of the Corporation's affairs:

(A) senior to the Common Stock and to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding that, by its terms, does not expressly provide that such class or series ranks on a parity with the Series A Perpetual Preferred Stock or senior to the Series A Perpetual Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, including the Common Stock, "Junior Securities");

(B) on a parity with any class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding (including additional shares of the Series A Perpetual Preferred Stock) that, by its terms, does not expressly provide that such class or series ranks senior or junior to the Series A Perpetual Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, "Parity Securities"); and

(C) junior to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding (if the issuance is approved by the requisite consent of the holders of the Series A Perpetual Preferred Stock) that, by its terms, expressly provides that such class or series ranks senior to the Series A Perpetual Preferred Stock as to dividends and upon liquidation and winding-up (collectively, "Senior Securities").

Section 4. Dividends and Distributions.

(A) Holders of Series A Perpetual Preferred Stock will be entitled to receive, when, as and if declared by the Board or a duly authorized committee of the Board, out of legally available funds for such purpose, cumulative semi-annual cash dividends on each Dividend Payment Date. The initial dividend rate for the Series A Perpetual Preferred Stock from and including the date of original issue to, but excluding, the First Call Date will be 5.65% per annum of the $1,000 liquidation preference per share. On and after the First Call Date, dividends on the Series A Perpetual Preferred Stock will accumulate for each Reset Period at a percentage of the $1,000 liquidation preference equal to the Five-year U.S. Treasury Rate plus (i) in respect of each Reset Period commencing on or after the First Call Date but before the Step-Up Date, a spread of 2.843% (the "Initial Margin") and (y) in respect of each Reset Period commencing on or after the Step-up Date, the Initial Margin plus 1.000%. A pro-rated initial dividend on the Series A Perpetual Preferred Stock offered hereby will be payable on December 15, 2018, when, as and if declared by the Board or a duly authorized committee of the Board, in an amount equal to approximately $28.88 per share. If the Corporation issues additional shares of Series A Perpetual Preferred Stock after the original issue date, dividends on such shares may accumulate from the original issue date or any other date specified by the Board or a duly authorized committee of the Board at the time such additional shares are issued.

(B) If declared by the Board or a duly authorized committee of the Board, the Corporation shall pay dividends on the Series A Perpetual Preferred Stock semi-annually in arrears, on the 15th day of June and December in each year, commencing on December 15, 2018, each such date being referred to herein as a "Dividend Payment Date"; provided, however, that (i) if any scheduled Dividend Payment Date is not a Business Day, then the payment will be made on the next succeeding Business Day and no additional dividends will accumulate as a result of that postponement. If the Board or a duly authorized committee of the Board does not declare a dividend (or declares less than full dividends) payable in respect of any Dividend Period, such dividend (or any portion of such dividend not declared) shall accumulate and an amount equal to such accumulated dividend (or such undeclared portion thereof) shall become payable out of funds legally available therefor upon the liquidation or winding up of the Corporation (or earlier redemption of such shares of Series A Perpetual Preferred Stock), to the extent not paid prior to such liquidation, or winding up or earlier redemption.

(C) Dividends will be payable to holders of record of the Series A Perpetual Preferred Stock as of the close of business on the applicable record date, which shall be the 15th Business Day preceding the applicable Dividend Payment Date or such other record date not exceeding 30 calendar days before the applicable Dividend Payment Date as shall be fixed for that purpose by the Board (or a duly authorized committee of the Board), except that in the case of payments of dividends in arrears, the record date with respect to a Dividend Payment Date will be such date as may be designated by the Board.

(D) Dividends payable on the Series A Perpetual Preferred Stock will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Dividends on shares of Series A Perpetual Preferred Stock called for redemption will cease to accumulate on the redemption date, unless the Corporation defaults in the payment of the redemption price of the shares of Series A Perpetual Preferred Stock called for redemption.

(E) The applicable dividend rate for each Reset Period will be determined by the Calculation Agent, as of the applicable Reset Dividend Determination Date. All percentages resulting from the calculation of the Calculation Agent will be rounded, if necessary, to the nearest

one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards, and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent, with one-half cent being rounded upwards. The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be on file at our principal offices, will be made available to any holder of Series A Perpetual Preferred Stock upon request and will be final and binding in the absence of manifest error.

(F) Dividends on the Series A Perpetual Preferred Stock will be cumulative whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are authorized or declared.

(G) (1) The Corporation will not declare or pay, or set aside for payment, full dividends on the Series A Perpetual Preferred Stock or any Parity Securities for any dividend period unless (i) full cumulative dividends have been paid or provided for on the Series A Perpetual Preferred Stock and any Parity Securities through the most recently completed dividend period for each such security and (ii) at the time of the declaration of the dividend on the Series A Perpetual Preferred Stock or the Parity Securities, as applicable, the Corporation expects to have sufficient funds to pay the next dividend on the Series A Perpetual Preferred Stock and any Parity Securities in full (regardless of the relative timing of such dividends). To the extent dividends will not be paid in full on the Series A Perpetual Preferred Stock, the Corporation will take appropriate action to ensure that all dividends declared and paid upon the Series A Perpetual Preferred Stock and any Parity Securities will be reduced, declared and paid on a pro rata basis on their respective payment dates pursuant to subsection (I) below.

(2) The Corporation will not declare, or pay or set aside for payment, dividends on any Junior Securities (other than a dividend payable solely in Junior Securities) unless full cumulative dividends have been or contemporaneously are being paid on all outstanding shares of Series A Perpetual Preferred Stock and any Parity Securities through the most recently completed respective dividend periods.

(3) The Series A Perpetual Preferred Stock will rank junior as to payment of dividends to any class or series of Senior Securities that the Corporation may issue in the future. If at any time the Corporation has failed to pay, on the applicable payment date, accumulated dividends on any class or series of Senior Securities, the Corporation may not pay any dividends on the outstanding Series A Perpetual Preferred Stock or redeem or otherwise repurchase any shares of Series A Perpetual Preferred Stock until the Corporation has paid or set aside for payment the full amount of the unpaid dividends on the Senior Securities that must, under the terms of such securities, be paid before the Corporation may pay dividends on, or redeem or repurchase, the Series A Perpetual Preferred Stock.

(4) Notwithstanding the foregoing, unless (i) full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding shares of Series A Perpetual Preferred Stock and any Parity Securities through the most recently completed respective dividend periods and (ii) the Corporation expects to have sufficient funds to pay the next dividend on all outstanding shares of Series A Perpetual Preferred Stock and any Parity Securities in full (regardless of the relative timing of such dividends), the Corporation may not repurchase, redeem or otherwise acquire, in whole or in part, any shares of Series A Perpetual Preferred Stock or Parity Securities except pursuant to a purchase or exchange offer made on the same relative terms to all holders of Series A Perpetual Preferred Stock and any Parity Securities. The Corporation may not redeem, repurchase or otherwise acquire shares of Common Stock or any other Junior Securities

unless full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding shares of Series A Perpetual Preferred Stock and any Parity Securities through the most recently completed respective dividend periods.

(H) To the extent a dividend period applicable to a class of Junior Securities or Parity Securities is shorter than the Dividend Period applicable to the Series A Perpetual Preferred Stock (e.g., quarterly rather than semi-annual), the Board may declare and pay regular dividends with respect to such Junior Securities or Parity Securities so long as, at the time of declaration of such dividend, the Corporation expects to have sufficient funds to pay the full dividend in respect of the Series A Perpetual Preferred Stock on the next successive Dividend Payment Date.

(I) To the extent dividends will not be paid in full on the Series A Perpetual Preferred Stock and any Parity Securities, the Corporation will take appropriate action to ensure that all dividends declared and paid upon shares of Series A Perpetual Preferred Stock and any Parity Securities will be reduced, declared and paid on a pro rata basis so that the amount of dividends declared per share will bear to each other the same ratio that accumulated dividends for the then-current dividend period and any prior dividend periods for which dividends were declared but not paid, per share on the Series A Perpetual Preferred Stock, and accumulated dividends on any Parity Securities, bear to each other.

(J) In addition to the dividend rights set forth in this Section 4, under certain circumstances set forth in the Preferred Stock Registration Rights Agreement, the holders of outstanding Series A Perpetual Preferred Stock may be entitled to Special Dividends (as defined therein) upon a Registration Default (as defined therein). Copies of the Preferred Stock Registration Rights Agreement may be obtained without charge by writing to the Corporation at the following address: NiSource Inc., 801 East 86th Avenue, Merrillville, Indiana 46410, Attn: Samuel K. Lee.

(K) Subject to the foregoing, dividends (payable in cash, stock or otherwise) may be determined by the Board (or a duly authorized committee of the Board) and may be declared and paid on the Common Stock and any stock ranking, as to dividends, equally with or junior to the Series A Perpetual Preferred Stock from time to time out of any funds legally available for such payment, and the shares of the Series A Perpetual Preferred Stock shall not be entitled to participate in any such dividend.

Section 5. Voting Rights.

(A) General. Except as provided below or as expressly required by Delaware law, the holders of shares of Series A Perpetual Preferred Stock shall not have any voting, consent or approval rights.

(B) Senior Issuances; Adverse Changes.

(i) So long as any shares of Series A Perpetual Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the affirmative vote or consent of the holders of at least 66 2/3% of the outstanding shares of Series A Perpetual Preferred Stock, voting as a single class, at the time outstanding and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary to adopt an amendment to the Certificate of Incorporation that would have a material adverse effect on the existing preferences, rights, powers, duties or obligations of the Series A Perpetual Preferred Stock, except that any amendment to the Certificate of

Incorporation (x) relating to the issuance of additional shares of preferred stock (subject to the voting rights regarding the issuance of Parity Securities or Senior Securities in Section 5(B)(ii) below) or (y) in connection with a merger or another transaction in which either (I) the Corporation is the surviving entity and the Series A Perpetual Preferred Stock remains outstanding or (II) the Series A Perpetual Preferred Stock is exchanged for a series of preferred stock of the surviving entity, in either case with the terms thereof materially unchanged in any respect adverse to the holders of Series A Perpetual Preferred Stock, will be deemed not to materially adversely affect the powers, preferences, duties or special rights of the holders of Series A Perpetual Preferred Stock.

(ii) So long as any shares of Series A Perpetual Preferred Stock are outstanding, the affirmative vote or consent of the holders of at least 66 2/3% of the outstanding shares of Series A Perpetual Preferred Stock, voting as a class together with the holders of any other Parity Securities with like voting rights that are exercisable, at the time outstanding and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary (x) to create or issue any Parity Securities (including additional shares of Series A Perpetual Preferred Stock but excluding any payment-in-kind on the Series A Perpetual Preferred Stock) if the cumulative dividends payable on the outstanding shares of Series A Perpetual Preferred Stock or any such Parity Securities are in arrears, or (y) create or issue any Senior Securities.

On any matter described in subclause (i) and (ii) above in which the holders of the Series A Perpetual Preferred Stock are entitled to vote as a class (whether separately or together with the holders of any class or series of capital stock ranking on a parity with the Series A Perpetual Preferred Stock), such holders will be entitled to one vote per share. Any shares of Series A Perpetual Preferred Stock held by a subsidiary of the Corporation will not be entitled to vote.

With respect to shares of Series A Perpetual Preferred Stock that are held for a person's account by another person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such shares are registered, such other person will, in exercising the voting rights in respect of such shares of Series A Perpetual Preferred Stock on any matter, and unless the arrangement between such persons provides otherwise, vote such Series A Perpetual Preferred Stock in favor of, and at the direction of, the person who is the beneficial owner, and the Corporation will be entitled to assume it is so acting without further inquiry.

Section 6. Reacquired Shares. Any shares of Series A Perpetual Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of preferred stock or any similar stock or as otherwise required by law.

Section 7. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of shares of Series A Perpetual Preferred Stock are entitled to receive out of assets of the Corporation available for distribution to stockholders, after satisfaction of liabilities to creditors, if any, and subject to the rights of holders of any Senior Securities or Parity Securities,

and before any distribution of assets is made to holders of Common Stock or any other Junior Securities, a liquidating distribution in the amount of $1,000 per share. Any accumulated and unpaid dividends on the Series A Perpetual Preferred Stock and Parity Securities will be paid prior to any distributions in liquidation. Holders of shares of Series A Perpetual Preferred Stock will not be entitled to any other amounts from the Corporation after they have received their full liquidation preference.

(B) In any such distribution, if the assets of the Corporation are not sufficient to pay the liquidation preferences in full to all holders of the Series A Perpetual Preferred Stock and all holders of Parity Securities, the amounts paid to the holders of Series A Perpetual Preferred Stock and to the holders of all such other stock will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on the Corporation's assets available for such distribution), including any unpaid, accumulated dividends, whether or not declared (and, in the case of any holder of stock other than the Series A Perpetual Preferred Stock and on which dividends are non-cumulative, an amount equal to any declared but unpaid dividends, as applicable). If the liquidation preference has been paid in full to all holders of Series A Perpetual Preferred Stock and any Parity Securities, the holders of the Junior Securities shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(C) For purpose of this Section 7, the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation shall not be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

Section 8. No Conversion Rights. The shares of Series A Perpetual Preferred Stock shall not be convertible into any other class of stock.

Section 9. No Preemptive Rights. The holders of shares of Series A Perpetual Preferred Stock will have no preemptive rights with respect to any shares of the Corporation's capital stock or any of its other securities convertible into or carrying rights or options to purchase or otherwise acquire any such capital stock or any interest therein, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 10. Redemption. The Series A Perpetual Preferred Stock is perpetual, has no maturity date and is not subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series A Perpetual Preferred Stock shall have no right to require the redemption or repurchase of any shares of Series A Perpetual Preferred Stock.

(A) Optional Redemption: The Corporation, at its option, may, upon notice given as provided in Section 10(B), redeem the Series A Perpetual Preferred Stock:

(i) in whole but not in part, within 120 days after the conclusion of any review or appeal process instituted by the Corporation following the occurrence of a Ratings Event at a redemption price per share equal to $1,020 plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the date fixed for redemption, whether or not declared; or

(ii) in whole or in part, on the First Call Date or on any subsequent Reset Date at a redemption price per share equal to $1,000 plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the date of redemption, whether or not declared.

(B) Redemption Procedure: If shares of the Series A Perpetual Preferred Stock are to be redeemed, the notice of redemption shall be given by first class mail, postage prepaid, addressed to the holders of any shares of Series A Perpetual Preferred Stock to be redeemed as such holders' names appear on the stock transfer books maintained by the Transfer Agent at the address of such holders shown therein mailed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption thereof (*provided* that, if the shares of Series A Perpetual Preferred Stock are held in book-entry form through DTC , we may give such notice in any manner permitted by DTC). Each notice of redemption shall include a statement stating: (i) the redemption date; (ii) the number of shares of Series A Perpetual Preferred Stock to be redeemed and, if fewer than all outstanding shares held by the holder of Series A Perpetual Preferred Stock are to be redeemed, the number and, in the case of any shares of Series A Perpetual Preferred Stock in certificated form, the identification of shares of Series A Perpetual Preferred Stock to be redeemed from the holder; (iii) the redemption price; (iv) the place or places where the certificates, if any, evidencing shares of Series A Perpetual Preferred Stock are to be surrendered for payment of the redemption price; and (v) that dividends on the shares of Series A Perpetual Preferred Stock to be redeemed will cease to accumulate from and after such redemption date.

(C) Effectiveness of Redemption. If notice of redemption of any shares of Series A Perpetual Preferred Stock has been given and if, on or prior to the redemption date specified in such notice, the funds necessary for such redemption have been set aside by the Corporation for the benefit of the holders of any shares of Series A Perpetual Preferred Stock so called for redemption, then, from and after the redemption date, dividends will cease to accrue on such shares of Series A Perpetual Preferred Stock, such shares of Series A Perpetual Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

(D) Partial Redemption. If fewer than all of the outstanding shares of Series A Perpetual Preferred Stock are to be redeemed, the number of shares of Series A Perpetual Preferred Stock to be redeemed will be determined by the Corporation, and such shares will be redeemed by such method of selection as DTC (or, in the case of any certificated shares, the Board) determines, either pro rata or by lot, with adjustments to avoid redemption of fractional shares. So long as all shares of Series A Perpetual Preferred Stock are held of record by the nominee of DTC, the Corporation will give notice, or cause notice to be given, to DTC of the number of shares of Series A Perpetual Preferred Stock to be redeemed, and DTC will determine the number of shares of Series A Perpetual Preferred Stock to be redeemed from the account of each of its participants holding such shares in its participant account. Thereafter, each participant will select the number of shares to be redeemed from each beneficial owner for whom it acts (including the participant, to the extent it holds shares of Series A Perpetual Preferred Stock for its own account). A participant may determine to redeem shares of Series A Perpetual Preferred Stock from some beneficial owners (including the participant itself) without redeeming shares of Series A Perpetual Preferred Stock from the accounts of other beneficial owners. Any shares of Series A Perpetual Preferred Stock not redeemed will remain outstanding and entitled to all the rights and preferences of the Series A Perpetual Preferred Stock under the Certificate of Incorporation.

Section 11. Calculation Agent. The Corporation shall appoint a Calculation Agent for the Series A Perpetual Preferred Stock at least 90 days prior to the First Call Date. The Corporation may,

in its sole discretion, remove the Calculation Agent in accordance with the agreement to be entered into between the Corporation and the Calculation Agent; provided that, if the Corporation elects to remove the Calculation Agent on or after the First Call Date, the Corporation shall appoint a successor Calculation Agent who shall accept such appointment prior to the effectiveness of such removal; provided further that the Corporation or one of its affiliates may serve as Calculation Agent, acting reasonably and in good faith, until such time as the Corporation is able to appoint a banking institution or trust company as Calculation Agent.

Section 12. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Perpetual Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of Series A Perpetual Preferred Stock, voting as a single class.

Section 13. No Other Rights. The shares of Series A Perpetual Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein, in the Certificate of Incorporation, in the Preferred Stock Registration Rights Agreement or as provided by applicable law.

Section 14. Global Securities; Appointment of Depositary for Global Securities.

(A) The Series A Perpetual Preferred Stock shall initially be issued in the form of one or more global securities ("Global Securities") signed by the President or a Vice President of the Corporation and by the Secretary or an Assistant Secretary of the Corporation and countersigned by the Transfer Agent and will be deposited upon issuance with the Transfer Agent as custodian for DTC and registered in the name of DTC or its nominee and will bear the following legend:

> UNLESS THIS GLOBAL CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO NISOURCE INC. OR ITS AGENT OR AGENTS FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY GLOBAL CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.
>
> TRANSFERS OF THIS GLOBAL CERTIFICATE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL CERTIFICATE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE CERTIFICATE OF DESIGNATIONS REFERRED TO ON THE REVERSE HEREOF.

(B) The Series A Perpetual Preferred Stock will be initially issued pursuant to an exemption or exemptions from or in transactions not subject to the registration requirements of the Securities Act.

(1) Beneficial interests in the Series A Perpetual Preferred Stock offered and sold to QIBs in reliance upon Rule 144A under the Securities Act shall be represented by one or more separate Global Securities in registered form without interest coupons (each, a "Rule 144A Global Security"). Each Rule 144A Global Security shall bear the non-registration legend in substantially the following form (the "Rule 144A Legend"):

> THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN SIX MONTHS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO NISOURCE INC. OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN SIX MONTHS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) PURSUANT TO (C), (D) OR (E), THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRANSFER AGENT AND NISOURCE INC. SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

(2) Beneficial interests in the Series A Perpetual Preferred Stock offered and sold to purchasers outside of the United States pursuant to Regulation S under the Securities Act shall be represented by one or more separate Global Securities in registered form without interest coupons (each, a "Regulation S Global Security") and shall bear the Regulation S legend in substantially the following form (the "Regulation S Legend"):

> THE SECURITIES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (I) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (II) OTHERWISE UNTIL 40 DAYS AFTER THE LATER OF THE DATE OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE DATE OF ORIGINAL ISSUANCE OF THE SECURITIES, EXCEPT IN EITHER CASE IN ACCORDANCE WITH REGULATION S OR RULE 144A UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S.

(C) Except under the limited circumstances described below, shares of the Series A Perpetual Preferred Stock represented by such Global Security or Global Securities shall not be exchangeable for, and shall not otherwise be issuable as, shares of Series A Perpetual Preferred Stock in registered certificated form ("Certificated Securities"). The Global Securities described in this Section 14 may not be transferred except by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or to a successor depositary or its nominee. Except in limited circumstances, owners of beneficial interests in the Global Securities will not be entitled to receive physical delivery of the Series A Perpetual Preferred Stock in physical form.

(D) A Global Security representing shares of the Series A Perpetual Preferred Stock shall be exchangeable for Certificated Securities only if DTC notifies the Corporation that it is unwilling or unable to continue as a depositary for such Global Security or ceases to be a clearing agency registered under the Exchange Act and, in either case, the Corporation fails to appoint a successor depositary. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for shares of the Series A Perpetual Preferred Stock registered in such names as DTC shall direct, in accordance with its customary procedures and shall bear the applicable restrictive legend as set forth in Section 14(B) above.

(E) A Rule 144A Global Security may not be transferred except in compliance with the restrictions on transfer contained in the Rule 144A Legend and upon receipt by the Transfer Agent of a completed and executed Certificate of Transfer in the form contained in Exhibit A to the Global Security. Prior to the expiration of 40 days after the later of (1) the day on which the offering of the Series A Perpetual Preferred Stock commences and (2) the original issue date of the Series A Perpetual Preferred Stock (the "Restricted Period"), a Regulation S Global Security may not be transferred on the Security Register except in compliance with the restrictions on transfer contained in the Regulation S Legend and upon receipt by the Transfer Agent of a completed and executed Certificate of Transfer in the form contained in Exhibit 1 to the Global Security.

(F) Transfers of beneficial interests between a Rule 144A Global Security and a Regulation S Global Security, and other transfers relating to beneficial interests in the Global

Securities during the Restricted Period, shall only be made if (1) such exchange occurs in connection with a transfer of the Series A Perpetual Preferred Stock pursuant to Rule 144A and (2) the transferor first delivers to the Transfer Agent a written certificate in the form contained in Exhibit 1 to the Global Security. After expiration of the Restricted Period, such certification requirements will not apply to transfers of beneficial interests in a Regulation S Global Security.

Neither the Company nor the Transfer Agent shall have any liability for acts or omissions of any depositary, for any depositary records of beneficial interest, for any transactions between any depositary, any participant member of the depositary and/or any beneficial owner of any interest in any shares of the Series A Perpetual Preferred Stock, or in respect of any transfers effected by any depositary or by any participant member of any depositary or any beneficial owner of any interest in any shares of the Series A Perpetual Preferred Stock held through any such participant member of any depositary.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Vice President, Treasurer and Chief Risk Officer and attested by its Corporate Secretary this 8th day of June, 2018.

/s/ Shawn Anderson
Vice President, Treasurer and Chief Risk Officer

Attest:

/s/ Samuel K. Lee
Corporate Secretary

CH2\20896616.9

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "NISOURCE INC.", FILED IN THIS OFFICE ON THE THIRTIETH DAY OF NOVEMBER, A.D. 2018, AT 11:33 O`CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

3203156 8100
SR# 20187892480

Authentication: 204000460
Date: 11-30-18

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 11:33 AM 11/30/2018
FILED 11:33 AM 11/30/2018
SR 20187892480 - File Number 3203156

CERTIFICATE OF DESIGNATIONS

of

6.50% SERIES B FIXED-RATE RESET CUMULATIVE REDEEMABLE PERPETUAL PREFERRED STOCK

of

NISOURCE INC.

(Pursuant to Section 151 of the Delaware General Corporation Law)

NiSource Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), in accordance with the provisions of Sections 103 and 151 thereof, does hereby certify that:

Pursuant to the authority conferred upon the Board of Directors of the Corporation (the "Board"), by the Amended and Restated Certificate of Incorporation of the Corporation (as amended through the date hereof, the "Certificate of Incorporation") and applicable law, the Board authorized the issuance and sale by the Corporation of shares of its preferred stock and the formation of a Special Committee (the "Committee") by written consent on November 25, 2018, and, pursuant to the authority conferred upon the Committee in accordance with Section 141(c) of the General Corporation Law of the State of Delaware and the resolutions of the Board, the Committee adopted the following resolution by written consent on November 28, 2018 creating a series of 20,000 shares of preferred stock of the Corporation designated as "6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock."

RESOLVED, that pursuant to the provisions of the Certificate of Incorporation, the authority delegated to the Committee by the Board and applicable law, a series of preferred stock, par value $0.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences, and relative participating, optional, or other rights, and the qualifications, limitations, and restrictions thereof, of the shares of such series, be as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock" (the "Series B Preferred Stock") and the number of shares constituting the Series B Preferred Stock shall be 20,000, and such shares shall have a liquidation preference of $25,000 per share. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series B Preferred Stock then outstanding) by further resolution duly adopted by the Board or any other duly authorized committee thereof and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. Each share of Series B Preferred Stock shall be identical in all respects to every other share of Series B Preferred Stock. Shares of Series B Preferred Stock shall be dated the date of issue, which date shall be referred to herein as the "original issue date." Shares of outstanding Series B Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of the Corporation's Preferred Stock, undesignated as to series.

Section 2. Definitions. The following terms used herein shall be defined as set forth below:

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the State of New York shall not be regarded as a Business Day.

"Common Stock" means the common stock of the Corporation, $0.01 par value per share.

"Calculation Agent" means a calculation agent appointed by the Corporation pursuant to Section 11.

"Dividend Payment Date" shall have the meaning specified in Section 4(B).

"Dividend Period" is the period from and including a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date or any earlier redemption date, except that the initial Dividend Period will commence on and include the original issue date of the Series B Preferred Stock and continue to, but exclude, March 15, 2019.

"DTC" means The Depository Trust Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"First Call Date" means March 15, 2024.

"Five-year U.S. Treasury Rate" means, as of any Reset Dividend Determination Date, as applicable, (i) an interest rate (expressed as a decimal and, in the case of U.S. Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of five years from the next Reset Date and trading in the public securities markets or (ii) if there is no such published U.S. Treasury security with a maturity of five years from the next Reset Date and trading in the public securities markets, then the rate will be determined by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the Reset Date following the next succeeding Reset Dividend Determination Date, and (B) the other maturity as close as possible to, but later than, the Reset Date following the next succeeding Reset Dividend Determination Date, in each case as published in the most recent H.15 (519). If the Five-year U.S. Treasury Rate cannot be determined pursuant to the methods described in clauses (i) or (ii) above, then the Five-year U.S. Treasury Rate will be the same interest rate determined for the prior Reset Dividend Determination Date.

"H.15 (519)" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System, and "most recent H.15 (519)" means the H.15 (519) published closest in time but prior to the close of business on the second Business Day prior to the applicable Reset Date.

"Initial Margin" shall have the meaning specified in Section 4(A).

"Ratings Event" means a change by any nationally recognized statistical rating organization (within the meaning of Section 3(a)(62) of the Exchange Act) that publishes a rating for the Corporation (a "rating agency") to its equity credit criteria for securities such as the Series B Preferred Stock, as such criteria are in effect as of the original issue date of the Series B Preferred Stock (the

"current criteria"), which change results in (i) any shortening of the length of time for which the current criteria are scheduled to be in effect with respect to the Series B Preferred Stock, or (ii) a lower equity credit being given to the Series B Preferred Stock than the equity credit that would have been assigned to the Series B Preferred Stock by such rating agency pursuant to its current criteria.

"Reset Date" means the First Call Date and each date falling on the fifth anniversary thereafter.

"Reset Dividend Determination Date" means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of the relevant Reset Period.

"Reset Period" means each period from and including the First Call Date to (but excluding) the next following Reset Date and thereafter from and including each Reset Date to (but excluding) the next following Reset Date.

"Securities Act" means the Securities Act of 1933, as amended.

"Step-up Date" means March 15, 2044.

"Transfer Agent" means Computershare Inc. or an affiliate, as transfer agent and registrar, or any successor transfer agent appointed by the Corporation.

Section 3. Ranking. The shares of Series B Preferred Stock shall rank, with respect to the payment of dividends and distributions upon the liquidation, winding up and dissolution of the Corporation's affairs:

(A) senior to the Common Stock and to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding that, by its terms, does not expressly provide that such class or series ranks on a parity with the Series B Preferred Stock or senior to the Series B Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, including the Common Stock, "Junior Securities");

(B) on a parity with the 5.65% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock and any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding (including additional shares of the Series B Preferred Stock) that, by its terms, does not expressly provide that such class or series ranks senior or junior to the Series B Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, "Parity Securities"); and

(C) junior to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding (if the issuance is approved by the requisite consent of the holders of the Series B Preferred Stock) that, by its terms, expressly provides that such class or series ranks senior to the Series B Preferred Stock as to dividends and upon liquidation and winding-up (collectively, "Senior Securities").

Section 4. Dividends and Distributions.

(A) Holders of Series B Preferred Stock will be entitled to receive, when, as and if declared by the Board or a duly authorized committee of the Board, out of legally available funds for such purpose, cumulative quarterly cash dividends on each Dividend Payment Date. The initial dividend rate for the Series B Preferred Stock from and including the date of original issue to, but

excluding, the First Call Date will be 6.50% per annum of the $25,000 liquidation preference per share. On and after the First Call Date, dividends on the Series B Preferred Stock will accumulate for each Reset Period at a percentage of the $25,000 liquidation preference equal to the Five-year U.S. Treasury Rate plus (i) in respect of each Reset Period commencing on or after the First Call Date but before the Step-Up Date, a spread of 3.632% (the "Initial Margin") and (y) in respect of each Reset Period commencing on or after the Step-up Date, the Initial Margin plus 1.000%.

(B) If declared by the Board or a duly authorized committee of the Board, the Corporation shall pay dividends on the Series B Preferred Stock quarterly in arrears, on the 15th day of March, June, September and December in each year, commencing on March 15, 2019, each such date being referred to herein as a "Dividend Payment Date"; provided, however, that (i) if any scheduled Dividend Payment Date is not a Business Day, then the payment will be made on the next succeeding Business Day and no additional dividends will accumulate as a result of that postponement. If the Board or a duly authorized committee of the Board does not declare a dividend (or declares less than full dividends) payable in respect of any Dividend Period, such dividend (or any portion of such dividend not declared) shall accumulate and an amount equal to such accumulated dividend (or such undeclared portion thereof) shall become payable out of funds legally available therefor upon the liquidation or winding up of the Corporation (or earlier redemption of such shares of Series B Preferred Stock), to the extent not paid prior to such liquidation, or winding up or earlier redemption.

(C) Dividends will be payable to holders of record of the Series B Preferred Stock as they appear on the Corporation's books on the applicable record date, which shall be the 15th Business Day preceding the applicable Dividend Payment Date or such other record date not exceeding 60 calendar days before the applicable Dividend Payment Date as shall be fixed for that purpose by the Board (or a duly authorized committee of the Board), except that in the case of payments of dividends in arrears, the record date with respect to a Dividend Payment Date will be such date as may be designated by the Board.

(D) Dividends payable on the Series B Preferred Stock will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Dividends on shares of Series B Preferred Stock called for redemption will cease to accumulate on the redemption date, unless the Corporation defaults in the payment of the redemption price of the shares of Series B Preferred Stock called for redemption.

(E) The applicable dividend rate for each Reset Period will be determined by the Calculation Agent, as of the applicable Reset Dividend Determination Date. All percentages resulting from the calculation of the Calculation Agent will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards, and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent, with one-half cent being rounded upwards. The Calculation Agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be maintained on file at the Calculation Agent's principal offices, will be made available to any holder of Series B Preferred Stock upon request and will be final and binding in the absence of manifest error.

(F) Dividends on the Series B Preferred Stock will be cumulative whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are authorized or declared.

(G) (1) The Corporation will not declare or pay, or set aside for payment, full dividends on the Series B Preferred Stock or any Parity Securities for any Dividend Period unless (i) full cumulative dividends have been paid or provided for on the Series B Preferred Stock and any Parity Securities through the most recently completed dividend period for each such security and (ii) at the time of the declaration of the dividend on the Series B Preferred Stock or the Parity Securities, as applicable, the Corporation expects to have sufficient funds to pay the next dividend on the Series B Preferred Stock and any Parity Securities in full (regardless of the relative timing of such dividends). To the extent dividends will not be paid in full on the Series B Preferred Stock, the Corporation will take appropriate action to ensure that all dividends declared and paid upon the Series B Preferred Stock and any Parity Securities will be reduced, declared and paid on a pro rata basis on their respective payment dates pursuant to subsection (I) below.

(2) The Corporation will not declare, or pay or set aside for payment, dividends on any Junior Securities (other than a dividend payable solely in Junior Securities) unless full cumulative dividends have been or contemporaneously are being paid on all outstanding shares of Series B Preferred Stock and any Parity Securities through the most recently completed respective dividend periods.

(3) The Series B Preferred Stock will rank junior as to payment of dividends to any class or series of Senior Securities that the Corporation may issue in the future. If at any time the Corporation has failed to pay, on the applicable payment date, accumulated dividends on any class or series of Senior Securities, the Corporation may not pay any dividends on the outstanding Series B Preferred Stock or redeem or otherwise repurchase any shares of Series B Preferred Stock until the Corporation has paid or set aside for payment the full amount of the unpaid dividends on the Senior Securities that must, under the terms of such securities, be paid before the Corporation may pay dividends on, or redeem or repurchase, the Series B Preferred Stock.

(4) Notwithstanding the foregoing, unless (i) full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding shares of Series B Preferred Stock and any Parity Securities through the most recently completed respective dividend periods and (ii) the Corporation expects to have sufficient funds to pay the next dividend on all outstanding shares of Series B Preferred Stock and any Parity Securities in full (regardless of the relative timing of such dividends), the Corporation may not repurchase, redeem or otherwise acquire, in whole or in part, any shares of Series B Preferred Stock or Parity Securities except pursuant to a purchase or exchange offer made on the same relative terms to all holders of Series B Preferred Stock and any Parity Securities. The Corporation may not redeem, repurchase or otherwise acquire shares of Common Stock or any other Junior Securities unless full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding shares of Series B Preferred Stock and any Parity Securities through the most recently completed respective dividend periods.

(H) To the extent a dividend period applicable to a class of Junior Securities or Parity Securities is shorter than the Dividend Period applicable to the Series B Preferred Stock, the Board may declare and pay regular dividends with respect to such Junior Securities or Parity Securities so long as, at the time of declaration of such dividend, the Corporation expects to have sufficient funds to pay the full dividend in respect of the Series B Preferred Stock on the next successive Dividend Payment Date.

(I) To the extent dividends will not be paid in full on the Series B Preferred Stock and any Parity Securities, the Corporation will take appropriate action to ensure that all dividends declared and paid upon shares of Series B Preferred Stock and any Parity Securities will be reduced,

declared and paid on a pro rata basis so that the amount of dividends declared per share will bear to each other the same ratio that accumulated dividends for the then-current dividend period and any prior dividend periods for which dividends were declared but not paid, per share on the Series B Preferred Stock, and accumulated dividends on any Parity Securities, bear to each other.

(J) Subject to the foregoing, dividends (payable in cash, stock or otherwise) may be determined by the Board (or a duly authorized committee of the Board) and may be declared and paid on the Common Stock and any stock ranking, as to dividends, equally with or junior to the Series B Preferred Stock from time to time out of any funds legally available for such payment, and the shares of the Series B Preferred Stock shall not be entitled to participate in any such dividend.

Section 5. Voting Rights.

(A) General. Except as provided below or as expressly required by Delaware law, the holders of shares of Series B Preferred Stock shall not have any voting, consent or approval rights.

(B) Senior Issuances; Adverse Changes.

(i) So long as any shares of Series B Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the affirmative vote or consent of the holders of at least 66⅔% of the outstanding shares of Series B Preferred Stock, voting as a single class, at the time outstanding and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary to adopt an amendment to the Certificate of Incorporation that would have a material adverse effect on the existing preferences, rights, powers, duties or obligations of the Series B Preferred Stock, except that any amendment to the Certificate of Incorporation (x) relating to the issuance of additional shares of preferred stock (subject to the voting rights regarding the issuance of Parity Securities or Senior Securities in Section 5(B)(ii) below) or (y) in connection with a merger or another transaction in which either (I) the Corporation is the surviving entity and the Series B Preferred Stock remains outstanding or (II) the Series B Preferred Stock is exchanged for a series of preferred stock of the surviving entity, in either case with the terms thereof materially unchanged in any respect adverse to the holders of Series B Preferred Stock, will be deemed not to materially adversely affect the powers, preferences, duties or special rights of the holders of Series B Preferred Stock.

(ii) So long as any shares of Series B Preferred Stock are outstanding, the affirmative vote or consent of the holders of at least 66⅔% of the outstanding shares of Series B Preferred Stock, voting as a class together with the holders of any other Parity Securities with like voting rights that are exercisable, at the time outstanding and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary (x) to create or issue any Parity Securities (including additional shares of Series B Preferred Stock but excluding any payment-in-kind on the Series B Preferred Stock) if the cumulative dividends payable on the outstanding shares of Series B Preferred Stock or any such Parity Securities are in arrears, or (y) create or issue any Senior Securities.

On any matter described in subclause (i) and (ii) above in which the holders of the Series B Preferred Stock are entitled to vote as a class (whether separately or together with the holders of any class or series of capital stock ranking on a parity with the Series B Preferred Stock), such

holders will be entitled to 25 votes per share. Any shares of Series B Preferred Stock held by a subsidiary of the Corporation will not be entitled to vote.

With respect to shares of Series B Preferred Stock that are held for a person's account by another person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such shares are registered, such other person will, in exercising the voting rights in respect of such shares of Series B Preferred Stock on any matter, and unless the arrangement between such persons provides otherwise, vote such Series B Preferred Stock in favor of, and at the direction of, the person who is the beneficial owner, and the Corporation will be entitled to assume it is so acting without further inquiry.

Section 6. Reacquired Shares. Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of preferred stock or any similar stock or as otherwise required by law.

Section 7. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of shares of Series B Preferred Stock are entitled to receive out of assets of the Corporation available for distribution to stockholders, after satisfaction of liabilities to creditors, if any, and subject to the rights of holders of any Senior Securities or Parity Securities, and before any distribution of assets is made to holders of Common Stock or any other Junior Securities, a liquidating distribution in the amount of $25,000 per share. Any accumulated and unpaid dividends on the Series B Preferred Stock and Parity Securities will be paid prior to any distributions in liquidation. Holders of shares of Series B Preferred Stock will not be entitled to any other amounts from the Corporation after they have received their full liquidation preference.

(B) In any such distribution, if the assets of the Corporation are not sufficient to pay the liquidation preferences in full to all holders of the Series B Preferred Stock and all holders of Parity Securities, the amounts paid to the holders of Series B Preferred Stock and to the holders of all such other stock will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on the Corporation's assets available for such distribution), including any unpaid, accumulated dividends, whether or not declared (and, in the case of any holder of stock other than the Series B Preferred Stock and on which dividends are non-cumulative, an amount equal to any declared but unpaid dividends, as applicable). If the liquidation preference has been paid in full to all holders of Series B Preferred Stock and any Parity Securities, the holders of the Junior Securities shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(C) For purpose of this Section 7, the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation shall not be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

Section 8. No Conversion Rights. The shares of Series B Preferred Stock shall not be convertible into any other class of stock.

Section 9. No Preemptive Rights. The holders of shares of Series B Preferred Stock will have no preemptive rights with respect to any shares of the Corporation's capital stock or any of its other securities convertible into or carrying rights or options to purchase or otherwise acquire any such capital stock or any interest therein, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 10. Redemption. The Series B Preferred Stock is perpetual, has no maturity date and is not subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series B Preferred Stock shall have no right to require the redemption or repurchase of any shares of Series B Preferred Stock.

(A) Optional Redemption: The Corporation, at its option, may, upon notice given as provided in Section 10(B), redeem the Series B Preferred Stock:

(i) in whole or in part, on the First Call Date or on any subsequent Reset Date at a redemption price per share equal to $25,000 plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the date of redemption, whether or not declared; and

(ii) in whole but not in part, within 120 days following a Ratings Event at a redemption price per share equal to $25,500 plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the date fixed for redemption, whether or not declared.

(B) Redemption Procedure: If shares of the Series B Preferred Stock are to be redeemed, the notice of redemption shall be given by first class mail, postage prepaid, or otherwise transmitted by an authorized method to the holders of any shares of Series B Preferred Stock to be redeemed as such holders' names appear on the stock transfer books maintained by the Transfer Agent at the address of such holders shown therein mailed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption thereof (*provided* that, if the shares of Series B Preferred Stock are held in book-entry form through DTC, we may give such notice in any manner permitted by DTC). Each notice of redemption shall include a statement stating: (i) the redemption date; (ii) the number of shares of Series B Preferred Stock to be redeemed and, if fewer than all outstanding shares held by the holder of Series B Preferred Stock are to be redeemed, the number and, in the case of any shares of Series B Preferred Stock in certificated form, the identification of shares of Series B Preferred Stock to be redeemed from the holder; (iii) the redemption price; (iv) the place or places where the certificates, if any, evidencing shares of Series B Preferred Stock are to be surrendered for payment of the redemption price; and (v) that dividends on the shares of Series B Preferred Stock to be redeemed will cease to accumulate from and after such redemption date.

(C) Effectiveness of Redemption. If notice of redemption of any shares of Series B Preferred Stock has been given and if, on or prior to the redemption date specified in such notice, the funds necessary for such redemption have been set aside by the Corporation for the benefit of the holders of any shares of Series B Preferred Stock so called for redemption, then, from and after the redemption date, dividends will cease to accrue on such shares of Series B Preferred Stock, such shares of Series B Preferred Stock shall no longer be deemed outstanding and all rights of the

holders of such shares will terminate, except the right to receive the redemption price, without interest.

(D) Partial Redemption. If fewer than all of the outstanding shares of Series B Preferred Stock are to be redeemed, the number of shares of Series B Preferred Stock to be redeemed will be determined by the Corporation, and such shares will be redeemed by such method of selection as DTC (or, in the case of any certificated shares, the Board) determines, either pro rata or by lot, with adjustments to avoid redemption of fractional shares. So long as all shares of Series B Preferred Stock are held of record by the nominee of DTC, the Corporation will give notice, or cause notice to be given, to DTC of the number of shares of Series B Preferred Stock to be redeemed, and DTC will determine the number of shares of Series B Preferred Stock to be redeemed from the account of each of its participants holding such shares in its participant account. Thereafter, each participant will select the number of shares to be redeemed from each beneficial owner for whom it acts (including the participant, to the extent it holds shares of Series B Preferred Stock for its own account). A participant may determine to redeem shares of Series B Preferred Stock from some beneficial owners (including the participant itself) without redeeming shares of Series B Preferred Stock from the accounts of other beneficial owners. Any shares of Series B Preferred Stock not redeemed will remain outstanding and entitled to all the rights and preferences of the Series B Preferred Stock under the Certificate of Incorporation.

Section 11. Calculation Agent. The Corporation shall appoint a Calculation Agent for the Series B Preferred Stock at least 90 days prior to the First Call Date. The Corporation may, in its sole discretion, remove the Calculation Agent in accordance with the agreement to be entered into between the Corporation and the Calculation Agent; provided that, if the Corporation elects to remove the Calculation Agent on or after the First Call Date, the Corporation shall appoint a successor Calculation Agent who shall accept such appointment prior to the effectiveness of such removal; provided further that the Corporation or one of its affiliates may serve as Calculation Agent, acting reasonably and in good faith, until such time as the Corporation is able to appoint a banking institution or trust company as Calculation Agent.

Section 12. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least 66⅔% of the outstanding shares of Series B Preferred Stock, voting as a single class.

Section 13. No Other Rights. The shares of Series B Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Vice President, Treasurer and Chief Risk Officer and attested by its Corporate Secretary this 29th day of November, 2018.

/s/ Shawn Anderson
Vice President, Treasurer and Chief Risk Officer

Attest:

/s/ John G. Nassos
Corporate Secretary

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Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "NISOURCE INC.", FILED IN THIS OFFICE ON THE TWENTY-SIXTH DAY OF DECEMBER, A.D. 2018, AT 4:19 O`CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Jeffrey W. Bullock, Secretary of State

3203156 8100
SR# 20188359992

Authentication: 204177749
Date: 12-26-18

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 04:19 PM 12/26/2018
FILED 04:19 PM 12/26/2018
SR 20188359992 - File Number 3203156

CERTIFICATE OF DESIGNATIONS

of

SERIES B-1 PREFERRED STOCK

of

NISOURCE INC.

(Pursuant to Section 151 of the Delaware General Corporation Law)

NiSource Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), in accordance with the provisions of Sections 103 and 151 thereof, does hereby certify that:

Pursuant to the authority conferred upon the Board of Directors of the Corporation (the "Board"), by the Amended and Restated Certificate of Incorporation of the Corporation (as amended through the date hereof, the "Certificate of Incorporation") and applicable law, the Board adopted the following resolution by written consent on December 21, 2018, creating a series of 20,000 shares of preferred stock of the Corporation designated as "Series B-1 Preferred Stock."

RESOLVED, that pursuant to the provisions of the Certificate of Incorporation, the authority of the Board and applicable law, a series of preferred stock, par value $0.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences, and relative participating, optional, or other rights, and the qualifications, limitations, and restrictions thereof, of the shares of such series, be as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series B-1 Preferred Stock" (the "Series B-1 Preferred Stock") and the number of shares constituting the Series B-1 Preferred Stock shall be 20,000, and such shares shall have a liquidation preference of $0.01 per share. That number from time to time shall be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series B-1 Preferred Stock then outstanding) share-for-share in connection with any increase or decrease in the number of shares constituting the 6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock of the Corporation (the "Series B Preferred Stock") by further resolution duly adopted by the Board or any other duly authorized committee thereof and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. Each share of Series B-1 Preferred Stock shall be identical in all respects to every other share of Series B-1 Preferred Stock. Shares of Series B-1 Preferred Stock shall be dated the date of issue, which date shall be referred to herein as the "original issue date."

Section 2. Ranking. The shares of Series B-1 Preferred Stock shall rank, with respect to the payment of distributions upon the liquidation, winding up and dissolution of the Corporation's affairs:

(A) senior to the common stock of the Corporation, $0.01 par value per share (the "Common Stock") and to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding that, by its terms, does not expressly provide that such class or series ranks on a parity with the Series B-1 Preferred Stock or senior to the Series B-1

Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, including the Common Stock, "Junior Securities");

(B) on a parity with the 5.65% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock of the Corporation, the Series B Preferred Stock and any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding (including additional shares of the Series B-1 Preferred Stock) that, by its terms, does not expressly provide that such class or series ranks senior or junior to the Series B-1 Preferred Stock as to dividends and upon liquidation and winding-up, as the case may be (collectively, "Parity Securities"); and

(C) junior to any other class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding that, by its terms, expressly provides that such class or series ranks senior to the Series B-1 Preferred Stock as to dividends and upon liquidation and winding-up (collectively, "Senior Securities").

Section 3. Dividends and Distributions. Holders of Series B-1 Preferred Stock will not be entitled to receive dividends. Dividends (payable in cash, stock or otherwise) may be determined by the Board (or a duly authorized committee of the Board) and may be declared and paid on the Common Stock and any other class of capital stock from time to time out of any funds legally available for such payment, and the shares of the Series B-1 Preferred Stock shall not be entitled to participate in any such dividend.

Section 4. Voting Rights.

(A) General. Except as provided in (B) and (C) below or as expressly required by Delaware law, the holders of shares of Series B-1 Preferred Stock shall not have any voting, consent or approval rights. On any matter on which the holders of the Series B-1 Preferred Stock are entitled to vote as a class (whether separately or together with the holders of any Parity Securities), such holders will be entitled to 25 votes per share. Any shares of Series B-1 Preferred Stock held by a subsidiary of the Corporation will not be entitled to vote.

With respect to shares of Series B-1 Preferred Stock that are held for a person's account by another person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such shares are registered, such other person will, in exercising the voting rights in respect of such shares of Series B-1 Preferred Stock on any matter, and unless the arrangement between such persons provides otherwise, vote such Series B-1 Preferred Stock in favor of, and at the direction of, the person who is the beneficial owner, and the Corporation will be entitled to assume it is so acting without further inquiry.

(B) Right to Elect Two Directors upon Nonpayment Events. If and whenever dividends on any shares of Series B Preferred Stock shall not have been declared and paid for at least six Dividend Periods (as defined in the certificate of designations for the Series B Preferred Stock), whether or not consecutive (a "Nonpayment Event"), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series B-1 Preferred Stock, voting as a class together with the holders of any outstanding Parity Securities with like voting rights that are exercisable at the time and entitled to vote thereon ("Voting Preferred Stock"), shall be entitled to elect the two additional directors (the "Preferred Stock Directors"), provided that it shall be a qualification for election for any such Preferred Stock Director that (i) the election of such director shall not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or any other securities

exchange or other trading facility on which securities of the Corporation may then be listed or traded) that listed or traded companies must have a majority of independent directors and (ii) such director shall not be prohibited or disqualified from serving as a director on the Board of Directors by any applicable law, and provided further that the Board of Directors shall at no time include more than two Preferred Stock Directors.

In the event that the holders of the Series B-1 Preferred Stock shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 25% of the Series B-1 Preferred Stock or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series B-1 Preferred Stock or Voting Preferred Stock, and delivered to the Secretary of the Corporation in person or by first class mail, postage prepaid, or in such other manner as may be required by law.

When all accumulated and unpaid dividends on the Series B Preferred Stock have been paid in full, then the right of the holders of Series B-1 Preferred Stock to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event pursuant to this Section 4), and the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically decrease by two.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series B-1 Preferred Stock and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of the Series B-1 Preferred Stock and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Directors after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(C) Adverse Changes. So long as any shares of Series B-1 Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the affirmative vote or consent of the holders of at least 66⅔% of the outstanding shares of Series B-1 Preferred Stock, voting as a single class, at the time outstanding

and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary to adopt an amendment to the Certificate of Incorporation that would have a material adverse effect on the existing preferences, rights, powers, duties or obligations of the Series B-1 Preferred Stock, except that any amendment to the Certificate of Incorporation (i) relating to the issuance of additional shares of preferred stock or (ii) in connection with a merger or another transaction in which either (x) the Corporation is the surviving entity and the Series B-1 Preferred Stock remains outstanding or (y) the Series B-1 Preferred Stock is exchanged for a series of preferred stock of the surviving entity, in either case with the terms thereof materially unchanged in any respect adverse to the holders of Series B-1 Preferred Stock, will be deemed not to materially adversely affect the powers, preferences, duties or special rights of the holders of Series B-1 Preferred Stock.

Section 5. Reacquired Shares. Any shares of Series B-1 Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of preferred stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of shares of Series B-1 Preferred Stock are entitled to receive out of assets of the Corporation available for distribution to stockholders, after satisfaction of liabilities to creditors, if any, and subject to the rights of holders of any Senior Securities or Parity Securities, and before any distribution of assets is made to holders of Common Stock or any other Junior Securities, a liquidating distribution in the amount of $0.01 per share. Any accumulated and unpaid dividends on any outstanding Parity Securities (including the Series B Preferred Stock) will be paid prior to any distributions in liquidation. Holders of shares of Series B-1 Preferred Stock will not be entitled to any other amounts from the Corporation after they have received their full liquidation preference.

(B) In any such distribution, if the assets of the Corporation are not sufficient to pay the liquidation preferences in full to all holders of the Series B-1 Preferred Stock and all holders of Parity Securities, the amounts paid to the holders of Series B-1 Preferred Stock and to the holders of all such other stock will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on the Corporation's assets available for such distribution), including any unpaid, accumulated dividends, whether or not declared (and, in the case of any holder of stock other than the Series B-1 Preferred Stock and on which dividends are non-cumulative, an amount equal to any declared but unpaid dividends, as applicable). If the liquidation preference has been paid in full to all holders of Series B-1 Preferred Stock and any Parity Securities, the holders of the Junior Securities shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(C) For purpose of this Section 6, the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or

person into or with the Corporation shall not be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

Section 7. No Conversion Rights. The shares of Series B-1 Preferred Stock shall not be convertible into any other class of stock.

Section 8. No Preemptive Rights. The holders of shares of Series B-1 Preferred Stock will have no preemptive rights with respect to any shares of the Corporation's capital stock or any of its other securities convertible into or carrying rights or options to purchase or otherwise acquire any such capital stock or any interest therein, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 9. Redemption. The Series B-1 Preferred Stock is perpetual, has no maturity date and is not subject to any mandatory redemption, sinking fund or other similar provisions, except as set forth in (A) below.

(A) Mandatory Redemption: Each share of Series B-1 Preferred Stock is subject to mandatory redemption, at a redemption price per share equal to $0.01, if and when the Corporation redeems the share of Series B Preferred Stock with respect to which such share of Series B-1 Preferred Stock was issued (the "Related Series B Share").

(B) Redemption Procedure: If shares of the Series B-1 Preferred Stock are to be redeemed, the notice of redemption shall be given by first class mail, postage prepaid, or otherwise transmitted by an authorized method to the holders of any shares of Series B-1 Preferred Stock to be redeemed as such holders' names appear on the stock transfer books maintained by Computershare Inc. or an affiliate, as transfer agent and registrar, or any successor transfer agent appointed by the Corporation, at the address of such holders shown therein mailed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption thereof (*provided* that, if the shares of Series B-1 Preferred Stock are held in book-entry form through the Depositary Trust Company ("DTC"), the Corporation may give such notice in any manner permitted by DTC). Each notice of redemption shall include a statement stating: (i) the redemption date; (ii) the number of shares of Series B-1 Preferred Stock to be redeemed and, if fewer than all outstanding shares held by the holder of Series B-1 Preferred Stock are to be redeemed, the number and, in the case of any shares of Series B-1 Preferred Stock in certificated form, the identification of shares of Series B-1 Preferred Stock to be redeemed from the holder; (iii) the redemption price; and (iv) the place or places where the certificates, if any, evidencing shares of Series B-1 Preferred Stock are to be surrendered for payment of the redemption price. The notice of redemption relating to any shares of Series B-1 Preferred Stock may be included in the notice of redemption relating to the Related Series B Shares.

(C) Effectiveness of Redemption. If notice of redemption of any shares of Series B-1 Preferred Stock has been given and if, on or prior to the redemption date specified in such notice, the funds necessary for such redemption have been set aside by the Corporation for the benefit of the holders of any shares of Series B-1 Preferred Stock so called for redemption, then, from and after the redemption date, such shares of Series B-1 Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

(D) Partial Redemption. If fewer than all of the outstanding shares of Series B -1 Preferred Stock are to be redeemed, the shares to be redeemed will be redeemed by the same method of selection as DTC (or, in the case of any certificated shares, the Board) uses with

respect to the Related Series B Shares. Each share of Series B-1 Preferred Stock shall be redeemed at the time its Related Series B Share is redeemed. Any shares of Series B-1 Preferred Stock not redeemed will remain outstanding and entitled to all the rights and preferences of the Series B-1 Preferred Stock under the Certificate of Incorporation.

Section 10. Restrictions on Transfer.

(A) The shares of Series B-1 Preferred Stock shall be paired with the Related Series B Shares. Shares of Series B-1 Preferred Stock may be issued by the Corporation only to persons holding Related Series B Shares on the date hereof and must be issued in connection with any subsequent issuance of Related Series B Shares. Shares of Series B-1 Preferred Stock shall be issued only on the basis of one share of Series B-1 Preferred Stock for each Related Series B Share, such that at any given time the number of issued and outstanding shares of Series B-1 Preferred Stock and Related Series B Shares shall be identical, held by the same persons and in the same numbers. Shares of Series B-1 Preferred Stock may not be transferred, redeemed or repurchased by the Corporation except in connection with the simultaneous transfer, redemption or repurchase of the Related Series B Shares, and upon the transfer, redemption or repurchase of the Related Series B Shares, the same number of shares of Series B-1 Preferred Stock must simultaneously be transferred (to the same transferee), redeemed or repurchased, as the case may be. Any transfer or purported transfer of shares of Series B-1 Preferred Stock other than in connection with the simultaneous transfer of an identical number of Related Series B Shares shall be void ab initio.

(B) Each certificate or confirmation evidencing shares of Series B-1 Preferred Stock shall bear the following legend: "The certificate of incorporation of the Corporation provides that shares of Series B-1 Preferred Stock are paired with the Corporation's Series B Preferred Stock and may not be transferred except in connection with the simultaneous transfer of an equal number of shares of Series B Preferred Stock. The Corporation will furnish without charge to each holder of Series B-1 Preferred Stock who so requests a copy of the Corporation's certificate of incorporation setting forth the designations, preferences, privileges and rights of each class or series of the Corporation's stock that the Corporation is authorized to issue."

Section 11. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B-1 Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least 66⅔% of the outstanding shares of Series B-1 Preferred Stock, voting as a single class.

Section 12. No Other Rights. The shares of Series B-1 Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Vice President, Treasurer and Chief Risk Officer and attested by its Corporate Secretary this 26th day of December, 2018.

/s/ Shawn Anderson
Vice President, Treasurer and Chief Risk Officer

Attest:

/s/ John G. Nassos
Corporate Secretary

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "NISOURCE INC.", FILED IN THIS OFFICE ON THE NINETEENTH DAY OF APRIL, A.D. 2021, AT 10:26 O`CLOCK A.M.

Jeffrey W. Bullock, Secretary of State

3203156 8100
SR# 20211343850

Authentication: 202997976
Date: 04-19-21

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 10:26 AM 04/19/2021
FILED 10:26 AM 04/19/2021
SR 20211343850 - File Number 3203156

CERTIFICATE OF DESIGNATIONS OF

SERIES C MANDATORY CONVERTIBLE PREFERRED STOCK

PAR VALUE $0.01 PER SHARE

OF

NISOURCE INC.

Pursuant to Section 151 of the Delaware General Corporation Law (as amended, supplemented or restated from time to time, the "**DGCL**"), NiSource Inc., a corporation organized and existing under the laws of the State of Delaware (the "**Corporation**"), in accordance with the provisions of Section 103 of the DGCL, DOES HEREBY CERTIFY:

That, the Amended and Restated Certificate of Incorporation of the Corporation, as filed with the Secretary of State of Delaware (as amended, restated, supplemented or otherwise modified from time to time, the "**Certificate of Incorporation**"), authorizes the issuance of six hundred twenty million (620,000,000) shares of capital stock of the Corporation, of which six hundred million (600,000,000) shall be common stock, par value one cent ($0.01) per share (the "**Common Stock**"), and twenty million (20,000,000) shall be Preferred Stock, par value one cent ($0.01) per share ("**Preferred Stock**");

That, subject to the provisions of the Certificate of Incorporation, the board of directors of the Corporation (the "**Board of Directors**") is authorized to issue from time to time the Preferred Stock in one or more series and to fix by the resolution or resolutions the number of shares to be included in such series, the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions thereof, of the shares of such series to the full extent permitted by the Certificate of Incorporation and the DGCL;

That, pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation, the Board of Directors by resolution adopted on March 16, 2021: (i) authorized and established a new series of mandatory convertible preferred stock, par value $0.01 per share, designated as the Series C Mandatory Convertible Preferred Stock having a per share liquidation preference of $1,000 and ranking on parity with the Corporation's Series A Preferred Stock, Series B Preferred Stock and Series B-1 Preferred Stock and (ii) designated a Pricing Committee (the "**Pricing Committee**") of the Board of Directors and conferred upon the Pricing Committee the power and authority of the Board of Directors to approve the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions thereof, of the Series C Mandatory Convertible Preferred Stock; and

That, the Pricing Committee, on April 13, 2021, pursuant to the authority conferred upon the Pricing Committee by the Board of Directors, adopted the following resolutions:

RESOLVED, that, pursuant to the authority vested in the Pricing Committee of the Board of Directors of the Corporation in accordance with the provisions of the Certificate of Incorporation and the provisions of Section 141(c) and 151 of the DGCL, the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions of the shares of Series C Mandatory Convertible Preferred Stock, shall be as set forth in this certificate of designations (the "**Certificate of Designations**") as follows:

(1). *Number and Designation.* The shares of such series of Preferred Stock shall be designated as "Series C Mandatory Convertible Preferred Stock" (the "**Mandatory Convertible Preferred Stock**"). The number of authorized shares constituting the Mandatory Convertible Preferred Stock shall be 862,500. That number from time to time may be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Mandatory Convertible Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors and by the filing of a certificate pursuant to the provisions of the DGCL stating that such increase or decrease, as applicable, has been so authorized. The Corporation shall not have the authority to issue fractional shares of Mandatory Convertible Preferred Stock.

(2). *Ranking.* The Mandatory Convertible Preferred Stock will rank, with respect to dividend rights or distribution rights upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, as applicable, as follows:

(a) senior to (i) the Common Stock and (ii) any other class or series of capital stock of the Corporation established after the first original issue date of shares of the Mandatory Convertible Preferred Stock, the terms of which do not expressly provide that such class or series ranks on parity with the Mandatory Convertible Preferred Stock or senior to the Mandatory Convertible Preferred Stock as to dividend rights or distribution rights upon the Corporation's liquidation, winding-up or dissolution, as the case may be (collectively, including the Common Stock, "**Junior Stock**");

(b) on parity with (i) the Series A Preferred Stock, the Series B Preferred Stock and the Series B-1 Preferred Stock of the Corporation and (ii) any other class or series of capital stock of the Corporation established after the first original issue date of shares of the Mandatory Convertible Preferred Stock the terms of which expressly provide that such class or series will rank on parity with the Mandatory Convertible Preferred Stock as to dividend rights or distribution rights upon the Corporation's liquidation, winding-up or dissolution, as the case may be (collectively, "**Parity Stock**"); and

(c) junior to any other class or series of capital stock of the Corporation established after the first original issue date of shares of the Mandatory Convertible Preferred Stock the terms of which expressly provide that such class or series will rank senior to the Mandatory Convertible Preferred Stock as to dividend rights or distribution rights upon the Corporation's liquidation, winding-up or dissolution, as the case may be (collectively, "**Senior Stock**").

(3). *Certain Definitions.* As used in this Certificate of Designations, the following terms shall have the meanings given to them in this Section 3. Any capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Certificate of Incorporation, unless the context otherwise requires.

"**ADRs**" shall have the meaning assigned to it in Section 12(a) hereof.

"**Affiliate**" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this

definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agent Members**" shall have the meaning assigned to it in Section 17(b) hereof.

"**Applicable Ownership Interest in Mandatory Convertible Preferred Stock**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Applicable Remarketing Period**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Board of Directors**" has the meaning assigned to it in the preamble hereof, and shall include any duly authorized committee thereof.

"**Business Day**" means any day other than a Saturday or a Sunday or any other day on which banking institutions and trust companies in New York City, New York are authorized or required by law or executive order to remain closed.

"**Capital Stock**" of any Person means any and all shares, interests, participations or other equivalents however designated of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person and any rights, warrants or options to acquire an equity interest in such Person.

"**cash**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Certificate of Designations**" shall have the meaning assigned to it in the preamble hereof.

"**Certificate of Incorporation**" shall have the meaning assigned to it in the preamble hereof.

"**close of business**" means 5:00 p.m., New York City time.

"**Closing Sale Price**" per share of Common Stock means, on any date of determination, the closing sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock is traded. If the Common Stock is not listed for trading on a U.S. national or regional securities exchange on the relevant date, the "**Closing Sale Price**" shall be the last quoted bid price for the Common Stock in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If the Common Stock is not so quoted, the "**Closing Sale Price**" shall be the average of the mid-point of the last bid and ask prices for the Common Stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Corporation for this purpose.

"**Common Stock**" means common stock of the Corporation, par value $0.01 per share, subject to Section 12 hereof.

"**Compounded Dividends**" shall have the meaning assigned to it in Section 4(i) hereof.

"**Constituent Person**" means, in respect of any Reorganization Event, a Person with which the Corporation is consolidated or into which the Corporation is merged or which merged into the Corporation or to which the relevant sale or transfer was made, as the case may be, in connection with such Reorganization Event.

"**Contract Adjustment Payments**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Conversion Agent**" shall have the meaning assigned to it in Section 19(a) hereof.

"**Conversion Date**" means the Mandatory Conversion Date, the Fundamental Change Conversion Date or the Early Conversion Date, as applicable.

"**Corporate Unit**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Corporation**" shall have the meaning assigned to it in the preamble hereof, and shall include any successor to such Corporation.

"**Daily VWAP**" means, in respect of the Common Stock, for each relevant Trading Day, the per share volume weighted average price as displayed under the heading "Bloomberg VWAP" on Bloomberg page "NI <Equity> AQR" (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading on the relevant Trading Day until the scheduled close of trading on the relevant Trading Day (or if such volume weighted average price is unavailable, the market price of one share of Common Stock on such Trading Day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Corporation).

"**Depositary**" means DTC or its nominee or any successor depositary designated by the Corporation.

"**Depositary Participant**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**DGCL**" shall have the meaning assigned to it in the preamble hereof.

"**Dividend Blocker Provisions**" shall have the meaning assigned to it in Section 4(h) hereof.

"**Dividend Disbursing Agent"** shall have the meaning assigned to it in Section 15 hereof.

"**Dividend Increase Remarketing**" shall have the meaning assigned to it in Section 4(b) hereof.

"**Dividend Payment Date**" shall have the meaning assigned to it in Section 4(c) hereof.

"**Dividend Period**" means the period beginning on, and including, a Dividend Payment Date (or if no dividends have been paid on the Mandatory Convertible Preferred Stock, the Remarketing

Settlement Date for a Dividend Increase Remarketing) to, but excluding, the next immediately succeeding Dividend Payment Date.

"**Dividend Rate**" (x) prior to a Dividend Increase Remarketing, if any, means 0% and (y) following a Dividend Increase Remarketing, if any, shall have the meaning assigned to it in Section 4(b) hereof.

"**DTC**" means The Depository Trust Company, New York, New York.

"**Early Conversion**" shall have the meaning assigned to it in Section 9(c)(i) hereof.

"**Early Conversion Additional Conversion Amount**" shall have the meaning assigned to it in Section 9(c)(ii)(A) hereof.

"**Early Conversion Average Price**" means the arithmetic average of the Daily VWAPs per share of Common Stock over the Early Conversion Settlement Period.

"**Early Conversion Date**" shall have the meaning assigned to it in Section 9(e)(ii) hereof.

"**Early Conversion Settlement Period**" means the 40 consecutive Trading Day period commencing on, and including, the 41st Scheduled Trading Day immediately preceding the Early Conversion Date.

"**Effective Date**" means, in respect of any Fundamental Change, the date on which such Fundamental Change occurs or becomes effective.

"**Ex-Dividend Date**" when used with respect to any issuance or distribution on the Common Stock or any other security, means the first date on which the Common Stock or such other security, as applicable, trades, regular way, on the principal U.S. securities exchange or market on which the Common Stock or such other security, as applicable, is listed or traded at that time, without the right to receive the issuance or distribution in question, from the issuer of such security or, if applicable, from the seller of the Common Stock or such security, as the case may be, on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Exchange Property**" shall have the meaning assigned to it in Section 12(a) hereof.

"**Exchange Property Unit**" means, in respect of any Reorganization Event, the kind and amount of Exchange Property receivable in such Reorganization Event (without any interest thereon, and without any right to dividends or distribution thereon which have a record date that is prior to the date on which Holders become holders of record of the underlying shares of Common Stock) per share of Common Stock by a holder of Common Stock that is not a Constituent Person, or an Affiliate of a Constituent Person, to the extent such Reorganization Event provides for different treatment of Common Stock held by the Constituent Person and/or the Affiliates of the Constituent Person, on the one hand, and non-Affiliates of a Constituent Person, on the other hand.

"**Expiration Date**" shall have the meaning assigned to it in Section 10(a)(v) hereof.

"**Five-Day Average Price**" means the arithmetic average of the Daily VWAPs per share of Common Stock over the five consecutive Trading Day period ending on the second Trading Day immediately preceding the applicable Dividend Payment Date or other date in respect of which dividends are being paid.

"**Fixed Conversion Rates**" means the Maximum Conversion Rate and the Minimum Conversion Rate.

"**Floor Price**" means $8.58, which amount represents approximately 35% of the Initial Price, subject to adjustment in a manner inversely proportional to any anti-dilution adjustment to each Fixed Conversion Rate as set forth below in Section 10.

"**Fundamental Change**" means the occurrence after the Units are originally issued of any of the following:

(a) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act has become the direct or indirect "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, of shares of Common Stock representing more than 50% of the voting power of Common Stock;

(b) (A) the Corporation is involved in a consolidation with or merger into any other Person, or any merger of another Person into the Corporation, or any other similar transaction or series of related transactions (other than a merger, consolidation or similar transaction that does not result in the conversion or exchange of outstanding shares of Common Stock), in each case, in which 90% or more of the outstanding shares of Common Stock are exchanged for or converted into cash, securities or other property, greater than 10% of the value of which consists of cash, securities or other property that is not (or will not be upon or immediately following the effectiveness of such consolidation, merger or other transaction) common stock listed on the New York Stock Exchange, the Nasdaq Global Select Market or the Nasdaq Global Market (or any of their respective successors) or (B) the consummation of any sale, lease or other transfer in one transaction or a series of related transactions of all or substantially all of the Corporation's consolidated assets to any Person other than one of the Corporation's Subsidiaries;

(c) the Common Stock ceases to be listed on at least one of the New York Stock Exchange, the Nasdaq Global Select Market and the Nasdaq Global Market (or any of their respective successors); or

(d) the Corporation's shareholders approve the Corporation's liquidation, dissolution or termination.

"**Fundamental Change Company Notice**" shall have the meaning assigned to it in Section 9(d)(iii) hereof.

"**Fundamental Change Conversion**" shall have the meaning assigned to it in Section 9(d)(i) hereof.

"**Fundamental Change Conversion Date**" shall have the meaning assigned to it in Section 9(e)(iii) hereof.

"**Fundamental Change Conversion Deadline**" shall have the meaning assigned to it in Section 9(d)(ii) hereof.

"**Fundamental Change Conversion Period**" means, in respect of any Fundamental Change, the period from the Effective Date of such Fundamental Change to, and including, the related Fundamental Change Conversion Deadline.

"**Fundamental Change Conversion Rate**" shall have the meaning assigned to it in Section 9(d)(i) hereof.

"**Fundamental Change Conversion Right**" shall have the meaning assigned to it in Section 9(d)(i) hereof.

"**Fundamental Change Early Settlement Date**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Fundamental Change Settlement Date**" means the date on which all conversions in exercise of the Fundamental Change Conversion Right shall be settled, which shall be the second Business Day immediately following the Fundamental Change Conversion Deadline.

"**Fundamental Change Settlement Price**" shall have the meaning assigned to it in Section 9(d)(i) hereof.

"**Global Preferred Share**" shall have the meaning assigned to it in Section 17(a) hereof.

"**Holder**" means each Person in whose name shares of Mandatory Convertible Preferred Stock are registered, who shall be treated by the Corporation and the Registrar as the absolute owner of those shares of Mandatory Convertible Preferred Stock for the purpose of making payment and settling conversions and for all other purposes.

"**Increased Minimum Conversion Rate**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Increased Rates**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Independent Shares**" means any (i) Separate Shares of Mandatory Convertible Preferred Stock and (ii) any shares of Mandatory Convertible Preferred Stock held on or after the occurrence of a Successful Remarketing.

"**Initial Dividend Threshold**" shall have the meaning assigned to it in Section 10(a)(iv) hereof.

"**Initial Price**" means $1,000 *divided by* the Maximum Conversion Rate, which quotient is initially equal to approximately $24.5100.

"**Junior Stock**" shall have the meaning assigned to in Section 2(a) hereof.

"**Liquidation Dividend Amount**" shall have the meaning assigned to it in Section 6(a) hereof.

"**Liquidation Preference**" shall have the meaning assigned to it in Section 6(a) hereof.

"**Mandatory Averaging Period**" means the 40 consecutive Trading Day period commencing on, and including, the 41st Scheduled Trading Day immediately preceding March 1, 2024.

"**Mandatory Conversion**" shall have the meaning assigned to it in Section 7(a) hereof.

"**Mandatory Conversion Additional Conversion Amount**" shall have the meaning assigned to it in Section 7(c)(i) hereof.

"**Mandatory Conversion Date**" means the second Business Day immediately following the last Trading Day of the Mandatory Averaging Period.

"**Mandatory Conversion Rate**" shall have the meaning set forth in Section 7(b).

"**Mandatory Convertible Preferred Stock**" shall have the meaning assigned to it in Section 1 hereof.

"**Mandatory Settlement Value**" means the arithmetic average of the Daily VWAPs per share of Common Stock over the Mandatory Averaging Period.

"**Market Disruption Event**" means (i) a failure by the primary U.S. national or regional securities exchange or market on which the Common Stock is listed or admitted for trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any Scheduled Trading Day for the Common Stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in the Common Stock or in any options contracts or futures contracts relating to the Common Stock.

"**Maximum Conversion Rate**" shall have the meaning set forth in Section 7(b)(iii) hereof.

"**Minimum Conversion Rate**" shall have the meaning set forth in Section 7(b)(i) hereof.

"**Nonpayment Event**" shall have the meaning assigned to it in Section 14(d) hereof.

"**Officer**" means the President, any Vice President, the Treasurer, any Assistant Treasurer, the Controller, any Assistant Controller, the Corporate Secretary or any Assistant Corporate Secretary of the Corporation.

"**open of business**" means 9:00 a.m., New York City time.

"**Optional Remarketing**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Outstanding**" means, when used with respect to Mandatory Convertible Preferred Stock, as of any date of determination, all Mandatory Convertible Preferred Stock theretofore authenticated and delivered under this Certificate of Designations, except:

(i) shares of Mandatory Convertible Preferred Stock automatically delivered to the Corporation in satisfaction of the relevant holder's obligations under the Corporate Units, pursuant to the Purchase Contract and Pledge Agreement; and

(ii) shares of Mandatory Convertible Preferred Stock as to which any consideration deliverable upon conversion thereof has been delivered pursuant to this Certificate of Designations (or, following a Remarketing Failure, that have been automatically transferred to the Corporation and retired pursuant to Section 7(a) hereof);

provided that, in determining whether the Holders have given any request, demand, authorization, direction, notice, consent or waiver or taken any other action hereunder, Mandatory Convertible Preferred Stock owned by the Corporation or its Affiliates shall be deemed not to be Outstanding, except that, in determining whether the Registrar shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Mandatory Convertible Preferred Stock which the Registrar has actual knowledge of being so owned shall be so disregarded.

"**Parity Stock**" shall have the meaning assigned to in Section 2(b) hereof.

"**Paying Agent**" shall have the meaning assigned to it in Section 19(a) hereof.

"**Permitted Distributions**" means any of the following:

(i) purchases, redemptions or other acquisitions of Junior Stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of current or former employees, officers, directors or consultants of the Corporation or any of its Subsidiaries;

(ii) purchases of shares of Common Stock pursuant to a contractually binding requirement to buy Common Stock existing prior to the commencement of the first Dividend Period for which dividends on the Mandatory Convertible Preferred Stock are unpaid, including under a contractually binding stock repurchase plan;

(iii) the purchase of, or the payment of cash in lieu of, fractional interests in Junior Stock (x) in connection with a bona fide acquisition of a business or (y) pursuant to the conversion or exchange provisions of such Junior Stock or securities convertible into or exchangeable for such Junior Stock;

(iv) any declaration of a dividend on the Capital Stock of the Corporation in connection with the implementation of a shareholders rights plan designed to

protect the Corporation against unsolicited offers to acquire its Capital Stock, or the issuance of Capital Stock of the Corporation under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto;

(v) dividends or distributions payable solely in Junior Stock, or warrants, options or rights to acquire such Junior Stock (other than any indebtedness, Senior Stock or Parity Stock), in each case, convertible into, exercisable for or exchangeable for Junior Stock; or

(vi) conversions of any Junior Stock into, or exchanges of any Junior Stock for, a class or series of other Junior Stock.

"**Person**" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof or any other entity of whatever nature.

"**Preferred Stock**" shall have the meaning assigned to it in the preamble hereto.

"**Preferred Stock Directors**" shall have the meaning assigned to it in Section 14(d) hereof.

"**Prospectus Supplement**" means the preliminary prospectus supplement, dated April 12, 2021, relating to the Units.

"**Purchase Contract**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Purchase Contract and Pledge Agreement**" means the Purchase Contract and Pledge Agreement between the Corporation and U.S. Bank National Association, as purchase contract agent, collateral agent, custodial agent and securities intermediary, dated as of April 19, 2021.

"**Record Date**" means, with respect to the dividends payable on any Dividend Payment Date, the fifteenth day of the month immediately preceding the month in which the relevant Dividend Payment Date falls (whether or not a Business Day).

"**Record Holders**" shall have the meaning assigned to it in Section 4(c) hereof.

"**Registrar**" shall have the meaning assigned to it in Section 15 hereof.

"**Registration Statement**" means, in respect of any dividends on the Mandatory Convertible Preferred Stock payable in shares of Common Stock (in whole or in part), a registration statement under the Securities Act prepared by the Corporation covering, inter alia, the issuance of or resales of shares of Common Stock payable in respect of dividends on the Mandatory Convertible Preferred Stock pursuant to Section 4 and Section 5 hereof, in each case, including all exhibits thereto and the documents incorporated by reference in the prospectus contained in such registration statement, and any post-effective amendments thereto.

"**Remarketing**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Remarketing Agent(s)**" means any Remarketing Agent(s) appointed by the Corporation, pursuant to the Remarketing Agreement.

"**Remarketing Agreement**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Remarketing Date**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Remarketing Failure**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Remarketing Settlement Date**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Reorganization Event**" shall have the meaning assigned to it in Section 12(a).

"**Scheduled Trading Day**" means any day that is scheduled to be a Trading Day.

"**Senior Stock**" shall have the meaning assigned to in Section 2(c) hereof.

"**Separate Shares of Mandatory Convertible Preferred Stock**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Spin-Off**" means a distribution to all or substantially all holders of the Common Stock, Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Corporation, in each case, that is, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange.

"**Stock Price**" means, in respect of any Fundamental Change, (a) in the case of a Fundamental Change described in clause (b) of the definition thereof where the holders of the Common Stock receive only cash in the Fundamental Change, the cash amount paid per share of the Common Stock; and (b) in all other cases, the average of the Closing Sale Prices of the Common Stock for the 10 consecutive Trading Days immediately prior to but not including the Effective Date.

"**Subsidiary**" means a corporation, partnership, limited liability company or other entity more than 50% of the outstanding voting equity of which is owned, directly or indirectly, by the Corporation or by one or more other Subsidiaries, or by the Corporation and one or more Subsidiaries. For the purposes of this definition, "**voting equity**" means stock or other ownership interests having ordinary voting power for the election of directors or other managers of a corporation, partnership, limited liability company or other entity, whether at all times or only so long as no senior class of stock or other ownership interests has such voting power by reason of any contingency.

"**Successful Remarketing**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Termination Event**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Threshold Appreciation Price**" means $1,000 *divided by* the Minimum Conversion Rate, which quotient is initially equal to approximately $28.7993.

"**Trading Day**" means (a) a day (i) on which the New York Stock Exchange, or, if the Common Stock is not then listed on the New York Stock Exchange, the principal exchange or quotation system on which the Common Stock is listed or admitted for trading, is scheduled to open for business and (ii) on which there has not occurred or does not exist a Market Disruption Event, or (b) if the Common Stock is not so listed or admitted for trading, a "**Trading Day**" means a Business Day.

"**Transfer Agent**" shall have the meaning assigned to it in Section 15 hereof.

"**Unit**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Unsuccessful Final Remarketing**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Unsuccessful Optional Remarketing**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Unsuccessful Remarketing**" shall have the meaning assigned to it in the Purchase Contract and Pledge Agreement.

"**Valuation Period**" shall have the meaning assigned to it in Section 10(a)(iii)(B) hereof.

"**Voting Preferred Stock**" shall have the meaning assigned to it in Section 14(d) hereof.

(4). *Dividends.*

(a) The Mandatory Convertible Preferred Stock shall initially not bear any dividends.

(b) In connection with a Successful Remarketing of the Mandatory Convertible Preferred Stock, dividends may become payable on the Mandatory Convertible Preferred Stock at a rate (the "**Dividend Rate**") in accordance with Section 11 hereof. From and after the Remarketing Settlement Date for such Successful Remarketing in connection with which dividends become payable on the Mandatory Convertible Preferred Stock (a "**Dividend Increase Remarketing**"), Holders of Mandatory Convertible Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the funds legally available therefor, cumulative dividends on each share of Mandatory Convertible Preferred Stock at the Dividend Rate on the Liquidation Preference per share of the Mandatory Convertible Preferred Stock, payable in cash, shares of Common Stock,

or a combination of cash and shares of Common Stock, at the Corporation's election, subject to the limitations described below.

(c) If a Dividend Increase Remarketing occurs, dividends shall accumulate from the Remarketing Settlement Date or if dividends shall have been paid on the Mandatory Convertible Preferred Stock thereafter, dividends will accumulate from the most recent Dividend Payment Date on which dividends were actually paid, and shall be payable on March 1, 2024 (or, at the Corporation's election in consultation with the Remarketing Agent(s) in connection with a Successful Optional Remarketing, on each of December 1, 2023 and March 1, 2024) (each, a "**Dividend Payment Date**") to the holders of record of shares of the Mandatory Convertible Preferred Stock as they appear on the Corporation's stock register at the close of business on the applicable Record Date ("**Record Holders**").

(d) The amount of dividends payable for any Dividend Period shall be calculated on the basis of a 360-day year consisting of twelve 30-day months (and for any period less than a month, on the basis of the actual number of days elapsed in a 30-day month). Dollar amounts resulting from that calculation shall be rounded to the nearest cent, with one-half cent being rounded upward. Dividends, if any, on each share of Mandatory Convertible Preferred Stock shall cease to accumulate upon conversion or automatic transfer of such share of Mandatory Convertible Preferred Stock.

(e) If a Dividend Payment Date falls on a date that is not a Business Day, such Dividend Payment Date shall be postponed to the next succeeding Business Day; *provided* that, if such Business Day falls in the next succeeding calendar month, the Dividend Payment Date shall be brought forward to the immediately preceding Business Day.

(f) After a Dividend Increase Remarketing, dividends on the Mandatory Convertible Preferred Stock shall accumulate whether or not (1) the Corporation has earnings; (2) there are funds legally available for the payment of those dividends; or (3) those dividends are authorized or declared. Any dividend payment made on the Mandatory Convertible Preferred Stock shall first be credited against the earliest accumulated but unpaid dividends due with respect to those shares of Mandatory Convertible Preferred Stock which remain payable.

(g) So long as any shares of Mandatory Convertible Preferred Stock remain Outstanding, unless full cumulative dividends, if any, on the Mandatory Convertible Preferred Stock for all past Dividend Periods (including Compounded Dividends thereon), if any, have been or contemporaneously are declared and paid or declared and a sum or number of shares of Common Stock sufficient for the payment thereof is set apart for payment, the Corporation shall not (i) declare and pay or declare and set aside for payment of dividends and shall not declare and make any distribution of cash or other property, directly or indirectly, on or with respect to any Junior Stock or Parity Stock with respect to dividends, for any period; (ii) redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to, or pay or make available any monies for a sinking fund for the redemption of, any Junior Stock or Parity Stock with respect to dividends or

liquidation; or (iii) redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to the Purchase Contracts or make any payments (including any Contract Adjustment Payments) under the Purchase Contracts or any payment under any similar agreement providing for the issuance by the Corporation of Capital Stock on a forward basis; *provided* that, notwithstanding any provisions of this Section 4(g) to the contrary, the Corporation may make any Permitted Distribution. When the Corporation does not pay dividends, if any, in full (or does not set apart a sum sufficient to pay dividends in full) on the Mandatory Convertible Preferred Stock and any Parity Stock with respect to dividends, the Corporation shall declare any dividends upon the Mandatory Convertible Preferred Stock and any Parity Stock with respect to dividends *pro rata*, so that the amount of dividends declared per share of Mandatory Convertible Preferred Stock and such Parity Stock will in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the Mandatory Convertible Preferred Stock and such Parity Stock (which will not include any accumulation in respect of unpaid dividends on such Parity Stock for prior dividend periods if such Parity Stock does not have a cumulative dividend) bear to each other.

(h) The Corporation shall not permit any Subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, in accordance with Section 4(g), purchase or otherwise acquire such shares at such time and in such manner (such provisions described in this Section 4(h) and in Section 4(g) above, the "**Dividend Blocker Provisions**").

(i) Any accumulated and unpaid dividends shall accumulate additional dividends ("**Compounded Dividends**") at the Dividend Rate until paid, compounded quarterly, to, but excluding, the Dividend Payment Date.

(j) Holders are not entitled to any dividends on Mandatory Convertible Preferred Stock, whether payable in cash, property or shares of Common Stock, in excess of the full cumulative dividends (including Compounded Dividends) described herein.

(k) No dividend shall be paid unless and until the Board of Directors declares a dividend payable with respect to the Mandatory Convertible Preferred Stock. No dividend shall be declared or paid upon, or any sum of cash or number of shares of Common Stock set apart for the payment of dividends upon, any outstanding shares of Mandatory Convertible Preferred Stock with respect to any Dividend Period unless all dividends for all preceding Dividend Periods have been declared and paid upon, or a sufficient sum of cash or number of shares of Common Stock has been set apart for the payment of such dividends upon, all outstanding shares of Mandatory Convertible Preferred Stock.

(5). *Method of Payment of Dividends*

(a) Subject to the limitations described in this Section 5, the Corporation may pay any dividend (or any portion of any dividend) on the Mandatory Convertible Preferred Stock (whether or not for a current Dividend Period or any prior Dividend Period) and any

Compounded Dividends, determined in the sole discretion of the Board of Directors: (i) in cash; (ii) by delivery of shares of Common Stock; or (iii) through any combination of cash and shares of Common Stock.

(b) Each dividend shall be paid in cash, except to the extent the Corporation timely elects to make all or any portion of such dividend in shares of Common Stock. The Corporation shall give notice to Holders of any such election with respect to any particular dividend payment, and the portions of such dividend payment that will be made in cash and the portion of such payment that will be made in Common Stock no later than eight (8) Scheduled Trading Days prior to the Dividend Payment Date for such dividend.

(c) Any shares of Common Stock issued in payment or partial payment of a dividend shall be valued at the applicable Five-Day Average Price, *multiplied by* 97%.

(d) No fractional shares of Common Stock shall be issued by the Corporation to Holders in payment or partial payment of a dividend. Instead, in lieu of issuing fractional shares of Common Stock, a cash payment shall be made by the Corporation to each Holder that would otherwise be entitled to receive a fraction of a share of Common Stock based on (x) the Five-Day Average Price and (y) the aggregate number of shares of Mandatory Convertible Preferred Stock held by such Holder (or if such Holder's shares of Mandatory Convertible Preferred Stock are in the form of Global Preferred Shares, based on the applicable procedures of the Depositary for determining such number of shares).

(e) To the extent that the Corporation, in its reasonable judgment, determines that a Registration Statement is required in connection with the issuance of, or for resales of, Common Stock issued as payment of a dividend, if any, the Corporation shall, to the extent such a Registration Statement is not currently filed and effective, use its reasonable best efforts to file and maintain the effectiveness of such a Registration Statement until the earlier of such time as all such shares of Common Stock have been resold thereunder and such time as all such shares are freely tradable under Rule 144 under the Securities Act by non-Affiliates of the Corporation without registration. To the extent applicable, the Corporation shall also use its reasonable best efforts to have such shares of Common Stock qualified or registered under applicable state securities laws, if required, and approved for listing on the New York Stock Exchange (or if the Common Stock is not then listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which the Common Stock is then listed).

(f) Any dividends paid in shares of Common Stock shall be subject to the listing standards of the New York Stock Exchange, if applicable.

(6). *Liquidation Preference.*

(a) In the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the Corporation's assets (whether capital or surplus) shall be made to or set apart for the holders of Junior Stock with respect to rights upon liquidation, each Holder shall be entitled to receive

$1,000 per share of Mandatory Convertible Preferred Stock (the "**Liquidation Preference**") *plus* an amount equal to all accumulated and unpaid dividends on such share (whether or not authorized or declared), if any, up to but excluding the date of payment (the "**Liquidation Dividend Amount**"), but subject to the prior payment in full of all the Corporation's liabilities and the payment of Senior Stock with respect to rights upon liquidation. If, upon any liquidation, dissolution or winding-up of the Corporation, the Corporation's assets, or proceeds thereof, are insufficient to pay in full the preferential amounts aforesaid on the Mandatory Convertible Preferred Stock and any other Parity Stock with respect to rights upon liquidation, then such assets, or the proceeds thereof, shall be distributed among the Holders of the Mandatory Convertible Preferred Stock and any such other Parity Stock ratably in proportion to the respective amounts that would be payable on such shares of Mandatory Convertible Preferred Stock and any such other Parity Stock as if all amounts payable thereon were paid in full.

(b) The Corporation shall instruct the Depositary to notify its participants, or if the Depositary or its nominee is not the sole registered owner of the then outstanding Mandatory Convertible Preferred Stock, send a written notice by first class mail to each holder of record of the Mandatory Convertible Preferred Stock at such holder's registered address, of any event triggering the right to receive a distribution in connection with any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

(c) Neither the consolidation or merger with or into any other Person, nor the voluntary sale, lease, transfer or conveyance of all or substantially all of the Corporation's property or assets shall be deemed to be a voluntary or involuntary liquidation, dissolution or winding-up of the Corporation.

(d) Subject to the rights of the holders of any Parity Stock with respect to rights upon liquidation, after payment has been made in full to the Holders of the Mandatory Convertible Preferred Stock, as provided in this Section 6, holders of Junior Stock with respect to rights upon liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed. After the payment to any Holders of the full amount of the Liquidation Preference and the Liquidation Dividend Amount for such Holder's shares of Mandatory Convertible Preferred Stock, such Holder shall have no right or claim to any of the remaining assets of the Corporation.

(7). *Mandatory Conversion on the Mandatory Conversion Date; Automatic Transfer Upon Remarketing Failure.*

(a) Unless a Remarketing Failure has previously occurred, each outstanding share of Mandatory Convertible Preferred Stock shall automatically convert (unless previously converted in accordance with Section 9) on the Mandatory Conversion Date ("**Mandatory Conversion**"), into the number of shares of Common Stock equal to the Mandatory Conversion Rate. If a Remarketing Failure has previously occurred, then, effective as of December 1, 2023, in lieu of the Mandatory Conversion provided in the previous sentence and with respect to any shares of Mandatory Convertible Preferred Stock that remain outstanding following December 1, 2023, no Mandatory Conversion

shall occur for such shares, no shares of Common Stock will be delivered upon such Mandatory Conversion to any Holder and each share of Mandatory Convertible Preferred Stock shall on the Mandatory Conversion Date be automatically, without any action on the part of the Corporation or any Holder, be transferred to the Corporation for no consideration, and shall thereupon be retired and canceled and shall cease to be outstanding for all purposes.

(b) Unless a Remarketing Failure has occurred, the "**Mandatory Conversion Rate**" shall, subject to adjustment in accordance with Section 7(c), be as follows:

(i) if the Mandatory Settlement Value is greater than the Threshold Appreciation Price, then the Mandatory Conversion Rate shall be equal to 34.7231 shares of Common Stock per share of Mandatory Convertible Preferred Stock (the "**Minimum Conversion Rate**");

(ii) if the Mandatory Settlement Value is less than or equal to the Threshold Appreciation Price but equal to or greater than the Initial Price, then the Mandatory Conversion Rate per share of Mandatory Convertible Preferred Stock shall be equal to $1,000 *divided by* the Mandatory Settlement Value, rounded to the nearest ten-thousandth of a share of Common Stock; or

(iii) if the Mandatory Settlement Value is less than the Initial Price, then the Mandatory Conversion Rate shall be equal to 40.7997 shares of Common Stock per share of Mandatory Convertible Preferred Stock (the "**Maximum Conversion Rate**");

provided that the Fixed Conversion Rates are each subject to adjustment in accordance with the provisions of Section 10.

(c) Following a Dividend Increase Remarketing, if the Corporation declares a dividend for the Dividend Period ending on, but excluding, March 1, 2024, the Corporation shall pay such dividend to the Record Holders as of the immediately preceding Record Date, in accordance with Section 4 hereof. Following a Dividend Increase Remarketing, if on or prior to March 1, 2024 the Corporation has not declared all or any portion of the accumulated and unpaid dividends on the Mandatory Convertible Preferred Stock through March 1, 2024, the Mandatory Conversion Rate shall be adjusted so that Holders receive an additional number of shares of Common Stock equal to:

(i) the amount of such accumulated and unpaid dividends that have not been declared ("**Mandatory Conversion Additional Conversion Amount**"), *divided by*

(ii) the greater of (x) the Floor Price and (y) 97% of the applicable Five-Day Average Price (calculated using March 1, 2024 as the applicable Dividend Payment Date).

To the extent that the Mandatory Conversion Additional Conversion Amount exceeds the product of such number of additional shares and 97% of the applicable Five-Day Average

Price, the Corporation shall, if it is able to do so under applicable Delaware law, declare and pay such excess amount in cash (computed to the nearest cent) *pro rata* to the Holders. To the extent that the Corporation is not able to pay such excess amount in cash under applicable Delaware law, the Corporation shall not have any obligation to pay such amount in cash or deliver additional shares of Common Stock in respect of such amount.

(8). *No Redemption of the Mandatory Convertible Preferred Stock.* The Mandatory Convertible Preferred Stock shall not be redeemable. However, at the Corporation's option, the Corporation may purchase or otherwise acquire (including in an exchange transaction) Independent Shares from time to time in the open market, by tender or exchange offer or otherwise, without the consent of, or notice to, the Holders.

(9). *Conversion.*

(a) Right to Convert.

(i) Shares of Mandatory Convertible Preferred Stock corresponding to Applicable Ownership Interests in Mandatory Convertible Preferred Stock that are components of Corporate Units cannot be converted. Only Independent Shares can be converted. Subject to and upon compliance with the provisions of this Section 9, (x) each holder of an Independent Share shall have the right, at such holder's option, to convert such share subject to satisfaction of the condition described in clause (ii) below, at any time prior to the close of business on the Business Day immediately preceding December 1, 2023 under the circumstances and during the periods set forth in clause (ii) below, and (y) at any time on or after December 1, 2023 but prior to March 1, 2024, each holder of an Independent Share shall have the right, at such holder's option, to convert such share regardless of the conditions described in clause (ii) below (subject to, and in accordance with, clause (c) or clause (d) below, as applicable).

(ii) If a transaction or event that constitutes a Fundamental Change occurs prior to December 1, 2023 unless a Remarketing Failure has occurred, all or any integral number of a holder's Independent Shares may be surrendered for conversion at any time from or after the Effective Date of such transaction until the related Fundamental Change Conversion Deadline (subject to, and in accordance with, Section 9(d) below).

(b) Reserved.

(c) Early Conversion at the Option of the Holder.

(i) Other than during a Fundamental Change Conversion Period, on or after December 1, 2023 and unless there has been a Remarketing Failure, subject to satisfaction of the conversion procedures set forth in Section 9(e), Holders shall have the right to convert their Independent Shares, in whole or in part (but in no event less than one share of Mandatory Convertible Preferred Stock), at any time prior to March 1, 2024 (an "**Early Conversion**"), into shares of Common Stock at

the Minimum Conversion Rate, subject to adjustments in accordance with Section 9(c)(ii).

(ii) If, as of any Early Conversion Date, the Corporation has not declared all or any portion of the accumulated and unpaid dividends for all full Dividend Periods ending on or before the Dividend Payment Date immediately prior to such Early Conversion Date (if any), the Minimum Conversion Rate shall be adjusted, with respect to the relevant Early Conversion, so that the Holders converting their Mandatory Convertible Preferred Stock at such time receive an additional number of shares of Common Stock equal to:

(A) the amount of such accumulated and unpaid dividends that have not been declared for such full Dividend Periods (the "**Early Conversion Additional Conversion Amount**"), *divided by*

(B) the greater of (x) the Floor Price and (y) the Early Conversion Average Price.

To the extent that the Early Conversion Additional Conversion Amount exceeds the product of such number of additional shares of Common Stock and the Early Conversion Average Price, the Corporation shall not have any obligation to pay the shortfall in cash or deliver shares of Common Stock in respect of such shortfall.

Except as set forth in the first sentence of this Section 7(c)(ii), upon any Early Conversion of any shares of Mandatory Convertible Preferred Stock, the Corporation shall make no payment or allowance for unpaid dividends on such shares of the Mandatory Convertible Preferred Stock, unless such Early Conversion Date occurs after the Record Date for a declared dividend and on or prior to the immediately succeeding Dividend Payment Date, in which case the Corporation shall pay such dividend on such Dividend Payment Date to the Record Holder of the converted shares of the Mandatory Convertible Preferred Stock as of such Record Date (subject to, and in accordance with, Section 4 above).

(d) Fundamental Change Conversion.

(i) If a Fundamental Change occurs on or prior to March 1, 2024, unless a Remarketing Failure has occurred, subject to satisfaction of the conversion procedures set forth in Section 9(e), a Holder shall have the right to convert Independent Shares, in whole or in part (but in no event less than one share of Mandatory Convertible Preferred Stock), in connection with the Fundamental Change (the right of conversion, "**Fundamental Change Conversion Right**" and any such conversion, a "**Fundamental Change Conversion**") at the conversion rate as set forth in this Section 9(d)(i) (the "**Fundamental Change Conversion Rate**"). If the Stock Price is less than the Threshold Appreciation Price, any such conversion in connection with the Fundamental Change shall be at a Fundamental Change Conversion Rate that shall be equal to (x) the $1,000 Liquidation Preference *plus* all accumulated and unpaid dividends, if any, to, but excluding

the Fundamental Change Settlement Date (unless the Fundamental Change Conversion Date occurs after the Record Date for the payment of declared dividends and prior to the related Dividend Payment Date, in which case the Fundamental Change Conversion Rate calculation for such share shall not include any accumulated and unpaid dividends that will be paid to Record Holders on such Record Date) *divided by* (y) the average of the Closing Sale Prices of Common Stock for the five consecutive Trading Days ending on the second Business Day prior to the Fundamental Change Settlement Date (or, in the case of a Fundamental Change described in clause (b) of the definition of Fundamental Change where the holders of Common Stock receive only cash in the Fundamental Change, the cash amount paid per share of Common Stock) (the amount described in clause (y), the "**Fundamental Change Settlement Price**"). Notwithstanding the foregoing, in no event shall the Fundamental Change Conversion Rate exceed the $1,000 Liquidation Preference *divided by* 50% of the then-current Initial Price (which shall initially equal 81.5994 shares of Common Stock per share of Mandatory Convertible Preferred Stock and be subject to adjustment as set forth under Section 10). If the Stock Price is greater than or equal to the Threshold Appreciation Price, then the Fundamental Change Conversion Rate shall be the Minimum Conversion Rate as of the Fundamental Change Conversion Deadline, *plus* an additional number of shares of Common Stock equal to (i) all accumulated and unpaid dividends, if any, to, but excluding the Fundamental Change Settlement Date (unless the Fundamental Change Conversion Date occurs after the Record Date for the payment of declared dividends and prior to the related Dividend Payment Date, in which case the Fundamental Change Conversion Rate calculation for such share shall not include any accumulated and unpaid dividends that will be paid to Record Holders on such Record Date) *divided by* (ii) the Fundamental Change Settlement Price.

(ii) A conversion of the Mandatory Convertible Preferred Stock shall be deemed for these purposes to be "in connection with" such Fundamental Change (regardless of the Stock Price) if the Conversion Date occurs from, and including, the Effective Date of such Fundamental Change to, and including, the date the Corporation specified in the Fundamental Change Company Notice as the last day on which a Holder may exercise the Fundamental Change Conversion Right with respect to that Fundamental Change (the "**Fundamental Change Conversion Deadline**"). The Fundamental Change Conversion Deadline shall be a date no less than 20 Business Days nor more than 35 Business Days after the Effective Date of the relevant Fundamental Change (but in no event later than March 1, 2024); *provided* that if any Purchase Contracts are outstanding at the time the Corporation gives the Fundamental Change Company Notice, such date shall not be less than 10 Business Days following the Fundamental Change Early Settlement Date the Corporation specifies for the Purchase Contracts pursuant to the Purchase Contract and Pledge Agreement.

(iii) The Corporation shall send a notice to Holders of the Mandatory Convertible Preferred Stock of a Fundamental Change within five Business Days after the Effective Date of such Fundamental Change (the "**Fundamental**

Change Company Notice"). Such Fundamental Change Company Notice shall state:

(A) the events constituting the Fundamental Change;

(B) the Effective Date of the Fundamental Change;

(C) the Fundamental Change Conversion Deadline;

(D) the name and address of the Paying Agent and the Conversion Agent;

(E) the Fundamental Change Conversion Rate, or if the Stock Price is less than the Threshold Appreciation Price, the formula for determination of the Fundamental Change Conversion Rate;

(F) the procedures that the Holder must follow to exercise the Fundamental Change Conversion Right; and

(G) the Fundamental Change Settlement Date.

(iv) To exercise the Fundamental Change Conversion Right, a holder of the Mandatory Convertible Preferred Stock must convert its Independent Shares in accordance with Section 9(e) during the applicable Fundamental Change Conversion Period.

(v) If the holders of the Common Stock receive only cash in a Reorganization Event, then notwithstanding the foregoing, for all conversions in connection with a Fundamental Change that occur after the effective date of such transaction, the consideration due upon conversion of each such share of Mandatory Convertible Preferred Stock shall be solely cash in an amount equal to the Fundamental Change Conversion Rate *multiplied by* the Fundamental Change Settlement Price for such transaction.

(vi) The Corporation shall, to the extent applicable, comply with the listing standards of the New York Stock Exchange in connection with the issuance of Common Stock upon any exercise of the Fundamental Change Conversion Right.

(vii) Nothing in this Section 9(d) shall prevent an adjustment to the Fixed Conversion Rates pursuant to Section 10 in respect of a Fundamental Change or any increase to the Minimum Conversion Rate pursuant to Section 11 in connection with a Successful Remarketing.

(e) Conversion Procedures.

(i) Pursuant to Section 7, on the Mandatory Conversion Date, unless a Remarketing Failure has previously occurred, any outstanding shares of Mandatory Convertible Preferred Stock shall automatically convert into shares of

Common Stock.

If more than one share of the Mandatory Convertible Preferred Stock held by the same Holder is automatically converted on the Mandatory Conversion Date, the number of shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Mandatory Convertible Preferred Stock so converted. A Holder of shares of the Mandatory Convertible Preferred Stock that are mandatorily converted shall not be required to pay any transfer taxes or duties relating to the issuance or delivery of the Common Stock, except that such Holder shall be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of the Common Stock in a name other than the name of such Holder.

A certificate representing the shares of Common Stock issuable upon conversion shall be issued and delivered to the converting Holder or, if Mandatory Convertible Preferred Stock being converted are in book-entry form, the shares of Common Stock issuable upon conversion shall be delivered to the converting Holder through book-entry transfer through the facilities of the Depositary, in each case, together with delivery by the Corporation to the converting Holder of any cash to which the converting Holder is entitled, on the later of (i) the Mandatory Conversion Date and (ii) the Business Day after the Holder has paid in full all applicable taxes and duties, if any.

The Person or Persons entitled to receive the shares of Common Stock issuable upon Mandatory Conversion shall be treated as the record holder(s) of such shares of Common Stock as of the close of business on the Mandatory Conversion Date. Except as provided under Section 10, prior to the close of business on the Mandatory Conversion Date, the Common Stock issuable upon conversion of Mandatory Convertible Preferred Stock shall not be outstanding, or deemed to be outstanding, for any purpose and Holders shall have no rights with respect to such Common Stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the Common Stock, by virtue of holding Mandatory Convertible Preferred Stock.

(ii) To effect an Early Conversion pursuant to Section 9(c), a Holder must:

(A) complete and sign the conversion notice on the back of the Mandatory Convertible Preferred Stock certificate or a facsimile of such conversion notice;

(B) deliver the completed conversion notice and the certificated shares of Mandatory Convertible Preferred Stock to be converted to the Conversion Agent; and

(C) if required, furnish appropriate endorsements and transfer documents.

Notwithstanding the foregoing, to effect an Early Conversion pursuant to Section 9(c) of shares of Mandatory Convertible Preferred Stock represented by Global Preferred Shares, the Holder must, in lieu of the foregoing, comply with the applicable procedures of DTC (or any other Depositary for the shares of Mandatory Convertible Preferred Stock represented by Global Preferred Shares appointed by the Corporation).

The Early Conversion shall be effective on the date on which a Holder has satisfied the foregoing requirements, to the extent applicable ("**Early Conversion Date**").

If more than one share of the Mandatory Convertible Preferred Stock is surrendered for conversion at one time by or for the same Holder, the number of shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Mandatory Convertible Preferred Stock so surrendered.

A Holder shall not be required to pay any taxes or duties relating to the issuance or delivery of Common Stock upon conversion, but such Holder shall be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of Common Stock in a name other than the name of such Holder.

A certificate representing the shares of Common Stock issuable upon conversion shall be issued and delivered to the converting Holder or, if Mandatory Convertible Preferred Stock being converted are in book-entry form, the shares of Common Stock issuable upon conversion shall be delivered to the converting Holder through book-entry transfer through the facilities of the Depositary, in each case, together with delivery by the Corporation to the converting Holder of any cash to which the converting Holder is entitled, on the latest of (i) the second Business Day immediately succeeding the Early Conversion Date, (ii) if applicable, the second Business Day immediately succeeding the last day of the Early Conversion Settlement Period and (iii) the Business Day after the Holder has paid in full all applicable taxes and duties, if any.

The Person or Persons entitled to receive the shares of Common Stock issuable upon Early Conversion shall be treated for all purposes as the record holder(s) of such shares of Common Stock as of the close of business on the applicable Early Conversion Date. Except as set forth in Section 10, prior to the close of business on such applicable Early Conversion Date, the shares of Common Stock issuable upon conversion of any shares of Mandatory Convertible Preferred Stock shall not be outstanding for any purpose, and Holders shall have no rights with respect to such shares of Common Stock, including voting rights, rights to respond to tender offers for the Common Stock and rights to receive any dividends or other distributions on the Common Stock, by virtue of holding shares of Mandatory Convertible Preferred Stock.

In the event that an Early Conversion is effected with respect to shares of Mandatory Convertible Preferred Stock representing less than all the shares of Mandatory Convertible Preferred Stock held by a Holder, upon such Early Conversion the Corporation shall execute and instruct the Registrar and Transfer Agent to countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares of Mandatory Convertible Preferred Stock as to which Early Conversion was not effected, or, if Mandatory Convertible Preferred Stock is held in book-entry form, the Corporation shall cause the Transfer Agent and Registrar to reduce the number of shares of Mandatory Convertible Preferred Stock represented by Global Preferred Shares by making a notation on Schedule I attached to the Global Preferred Share or otherwise notate such reduction in the register maintained by such Transfer Agent and Registrar.

(iii) To effect a Fundamental Change Conversion pursuant to Section 9(d), a Holder must:

(A) complete and sign the conversion notice on the back of the Mandatory Convertible Preferred Stock certificate or a facsimile of such conversion notice;

(B) deliver the completed conversion notice and the certificated shares of Mandatory Convertible Preferred Stock to be converted to the Conversion Agent; and

(C) if required, furnish appropriate endorsements and transfer documents.

Notwithstanding the foregoing, to effect a Fundamental Change Conversion pursuant to Section 9(d) of shares of Mandatory Convertible Preferred Stock represented by Global Preferred Shares, the Holder must, in lieu of the foregoing, comply with the applicable procedures of DTC (or any other Depositary for the shares of Mandatory Convertible Preferred Stock represented by Global Preferred Shares appointed by the Corporation). In either case, if required, such Holder must pay all taxes or duties that may be payable relating to any transfer involved in the issuance or delivery of Common Stock upon conversion in a name other than such Holder.

The Fundamental Change Conversion shall be effective on the date on which a Holder has satisfied the foregoing requirements, to the extent applicable (the "**Fundamental Change Conversion Date**").

Subject to any applicable rules and procedures of the Depositary, if more than one share of the Mandatory Convertible Preferred Stock is surrendered for conversion at one time by or for the same Holder, the number of shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Mandatory Convertible Preferred Stock so surrendered.

A Holder shall not be required to pay any taxes or duties relating to the issuance or delivery of Common Stock upon conversion, but such Holder shall be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of Common Stock in a name other than the name of such Holder.

A certificate representing the shares of Common Stock issuable upon conversion shall be issued and delivered to the converting Holder or, if shares of Mandatory Convertible Preferred Stock being converted are in book-entry form, the shares of Common Stock issuable upon conversion shall be delivered to the converting Holder through book-entry transfer through the facilities of the Depositary, in each case, together with delivery by the Corporation to the converting Holder of any cash to which the converting Holder is entitled, on the latest of (i) the second Business Day immediately succeeding the Fundamental Change Conversion Date, (ii) the Fundamental Change Settlement Date and (iii) the Business Day after the Holder has paid in full all applicable taxes and duties, if any.

The Person or Persons entitled to receive the shares of Common Stock issuable upon such Fundamental Change Conversion shall be treated for all purposes as the record holder(s) of such shares of Common Stock as of the close of business on the applicable Fundamental Change Conversion Deadline. Except as set forth in Section 10, prior to the close of business on such applicable Fundamental Change Conversion Deadline, the shares of Common Stock issuable upon conversion of any shares of Mandatory Convertible Preferred Stock shall not be outstanding for any purpose, and Holders shall have no rights with respect to the Common Stock, including voting rights, rights to respond to tender offers for the Common Stock and rights to receive any dividends or other distributions on the Common Stock, by virtue of holding shares of Mandatory Convertible Preferred Stock.

In the event that a Fundamental Change Conversion is effected with respect to shares of Mandatory Convertible Preferred Stock representing less than all the shares of Mandatory Convertible Preferred Stock held by a Holder, upon such Fundamental Change Conversion the Corporation shall execute and instruct the Registrar and Transfer Agent to countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares of Mandatory Convertible Preferred Stock as to which Fundamental Change Conversion was not effected, or, if Mandatory Convertible Preferred Stock is held in book-entry form, the Corporation shall cause the Transfer Agent and Registrar to reduce the number of shares of Mandatory Convertible Preferred Stock represented by Global Preferred Shares by making a notation on Schedule I attached to the Global Preferred Share or otherwise notate such reduction in the register maintained by such Transfer Agent and Registrar.

(iv) In the event that a Holder shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such Mandatory Convertible Preferred Stock should be registered or, if applicable, the

address to which the certificate or certificates representing such shares of Common Stock should be sent, the Corporation shall be entitled to register such shares, and make such payment, in the name of the Holder as shown on the records of the Corporation and, if applicable, to send the certificate or certificates representing such shares of Common Stock to the address of such Holder shown on the records of the Corporation.

(v) Shares of Mandatory Convertible Preferred Stock shall cease to be outstanding on the applicable Conversion Date, subject to the right of Holders of such shares to receive shares of Common Stock issuable upon conversion of such shares of Mandatory Convertible Preferred Stock and other amounts and shares of Common Stock, if any, to which they are entitled pursuant to Sections 7, 9(c) or 9(d) hereof, as applicable and, if the applicable Conversion Date occurs after the Record Date for a declared dividend and prior to the immediately succeeding Dividend Payment Date, subject to the right of the Record Holders of such shares of the Mandatory Convertible Preferred Stock on such Record Date to receive payment of the full amount of such declared dividend on such Dividend Payment Date pursuant to Section 4.

(vi) Upon the occurrence of a Termination Event prior to December 1, 2023, the consequences of a Remarketing Failure as set forth herein shall cease to apply and the Mandatory Convertible Preferred Stock shall be eligible for conversion as set forth in Sections 7, 9(c) and 9(d) as if there had previously been a Successful Remarketing.

(f) Reserved.

(g) Fractional Shares.

(i) No fractional shares of Common Stock shall be issued to Holders as a result of any conversion of shares of Mandatory Convertible Preferred Stock.

(ii) In lieu of any fractional shares of Common Stock otherwise issuable in respect of the shares of Mandatory Convertible Preferred Stock of any Holder that are converted on the Mandatory Conversion Date pursuant to Section 7 or at the option of the Holder pursuant to Section 9(c) or Section 9(d), the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the product of (i) that same fraction and (ii) the average of the Closing Sale Prices of the Common Stock over the five consecutive Trading Day period ending on, and including, the second Business Day immediately preceding the Mandatory Conversion Date, Early Conversion Date or Fundamental Change Conversion Deadline, as applicable.

(h) Reservation of Shares; Shares to be Fully Paid; Compliance with Governmental Requirements; Listing of Common Stock. The Corporation shall:

(i) at all times reserve and keep available, free from preemptive rights, for issuance upon the conversion of shares of the Mandatory Convertible Preferred

Stock such number of authorized but unissued shares of Common Stock equal to the maximum number of shares of Common Stock deliverable upon conversion of all shares of Mandatory Convertible Preferred Stock based on the initial Maximum Conversion Rate and as if at the time of computation all such outstanding shares were held by a single Holder;

(ii) prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Mandatory Convertible Preferred Stock or in respect of dividends thereon, comply with all applicable federal and state laws and regulations that require action to be taken by the Corporation (including, without limitation, the registration or approval, if required, of any shares of Common Stock to be provided for the purpose of conversion of the Mandatory Convertible Preferred Stock hereunder or in respect of dividends thereon);

(iii) ensure that all shares of Common Stock, in each case, delivered upon conversion of the Mandatory Convertible Preferred Stock, if any, and in respect of dividends thereon, if any, will, in each case, upon delivery, be duly and validly issued, fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights; and

(iv) if at any time the Common Stock shall be listed on the New York Stock Exchange or any other national securities exchange or automated quotation system, and if permitted by the rules of such exchange or automated quotation system, list and use its commercially reasonable efforts to keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all Common Stock issuable upon conversion (including, without limitation, for the avoidance of doubt, with respect to the Mandatory Conversion Additional Conversion Amount or Early Conversion Additional Conversion Amount) of, or issuable in respect of the payment of dividends on, the Mandatory Convertible Preferred Stock.

(10). *Conversion Rate Adjustments*.

(a) Each Fixed Conversion Rate shall be adjusted as set forth in this Section 10, except that the Corporation shall not make any adjustments to the Fixed Conversion Rates if Holders of the Mandatory Preferred Stock participate (other than in the case of a share split or share combination or a tender or exchange offer described in Section 10(a)(v)), at the same time and upon the same terms as holders of Common Stock and solely as a result of holding the Mandatory Convertible Preferred Stock, in any of the transactions set forth in Sections 10(a)(i)-(v) without having to convert their shares of Mandatory Convertible Preferred Stock as if they held a number of shares of Common Stock equal to (i) the Maximum Conversion Rate as of the record date for such transaction, *multiplied by* (ii) the number of shares of Mandatory Convertible Preferred Stock held by such Holder.

(i) If the Corporation issues Common Stock as a dividend or distribution on shares of Common Stock to all or substantially all holders of the Common Stock, or if the Corporation effects a share split or share combination, each Fixed Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0 = such Fixed Conversion Rate in effect immediately prior to the close of business on the record date for such dividend or distribution, or immediately prior to the open of business on the effective date for such share split or share combination, as the case may be;

CR_1 = such Fixed Conversion Rate in effect immediately after the close of business on such record date or immediately after the open of business on such effective date, as the case may be;

OS_0 = the number of shares of Common Stock outstanding immediately prior to the close of business on such record date or immediately prior to the open of business on such effective date, as the case may be, in each case, prior to giving effect to such event; and

OS_1 = the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, such event.

Any adjustment made pursuant to this Section 10(a)(i) shall become effective as of the close of business on the record date for such dividend or other distribution or as of the open of business on the effective date for such share split or share combination, as applicable. If any dividend or distribution of the type set forth in this Section 10(a)(i) is declared but not so paid or made, each Fixed Conversion Rate shall be readjusted, on the date the Board of Directors determines not to pay or make such dividend or distribution, to such Fixed Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(ii) If the Corporation distributes to all or substantially all holders of Common Stock any rights, options or warrants entitling them for a period of not more than 45 calendar days after the date of distribution thereof to subscribe for or purchase Common Stock, in any case at an exercise price per share of Common Stock less than the average of the Closing Sale Prices of Common Stock for the 10 consecutive Trading Days ending on, and including, the Trading Day immediately preceding the date of the announcement of such distribution, each Fixed Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR_0 = such Fixed Conversion Rate in effect immediately prior to the close of business on the record date for such distribution;

CR_1 = such Fixed Conversion Rate in effect immediately after the close of business on such record date;

OS_0 = the number of shares of Common Stock outstanding immediately prior to the close of business on the record date for such distribution;

X = the total number of shares of Common Stock issuable pursuant to such rights, options or warrants; and

Y = the number of shares of Common Stock equal to the quotient of (A) the aggregate price payable to exercise such rights, options or warrants *divided by* (B) the average of the Closing Sale Prices of the Common Stock over the 10 consecutive Trading Days ending on, and including, the Trading Day immediately preceding the date of the announcement of the distribution of such rights, options or warrants.

If any right, option or warrant described in this Section 10(a)(ii) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof (and as a result no additional shares of Common Stock are delivered or issued pursuant to such rights, options or warrants), then each Fixed Conversion Rate shall be readjusted, as of the date of such expiration, to the Fixed Conversion Rate that would then be in effect had the increase with respect to the distribution of such rights, options or warrants been made on the basis of delivery or issuance of only the number of shares of Common Stock actually delivered.

For purposes of this Section 10(a)(ii), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of Common Stock at a price per share of Common Stock less than the average of the Closing Sale Prices of the Common Stock for the 10 consecutive Trading Days ending on, and including, the Trading Day immediately preceding the date of the announcement of the distribution of such rights, options or warrants, and in determining the aggregate price payable to exercise such rights, options or warrants, there shall be taken into account any consideration received by the Corporation for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined in good faith by the Board of Directors. Any increase made under this Section 10(a)(ii) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the record date for such distribution.

(iii) (A) If the Corporation distributes shares of capital stock, evidences of indebtedness or other assets or property of the Corporation or rights, options or warrants to acquire its capital stock or other securities to all or substantially all holders of Common Stock (excluding (x) any dividend, distribution or issuance as to which an adjustment was effected pursuant to Section 10(a)(i) or Section 10(a)(ii) above, (y) any dividend or distribution paid exclusively in cash, and (z) any Spin-Off to which the provisions in clause (B) below apply), then each Fixed Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0 = such Fixed Conversion Rate in effect immediately prior to the close of business on the record date for such distribution;

CR_1 = such Fixed Conversion Rate in effect immediately after the close of business on such record date;

SP_0 = the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and

FMV = the fair market value (as determined in good faith by the Board of Directors), on the record date for such dividend or distribution, of the shares of capital stock, evidences of indebtedness, assets or property so distributed, expressed as an amount per share of Common Stock.

An adjustment to the Fixed Settlement Rates made pursuant to the immediately preceding paragraph shall become effective as of the close of business on the record date for such distribution.

Notwithstanding the foregoing, if "FMV" (as defined above) is equal to or greater than "SP_0" (as defined above), in lieu of the foregoing increase, each Holder shall receive, in respect of each share of Mandatory Convertible Preferred Stock, at the same time and upon the same terms as holders of Common Stock and without having to convert its shares of Mandatory Convertible Preferred Stock, the amount of such distributed shares of capital stock, evidences of the Corporation's indebtedness or other assets or property of the Corporation that such Holder would have received if such Holder owned a number of shares of Common Stock equal to the Maximum Conversion Rate in effect on the record date for such dividend or distribution.

(B) However, if there has been a Spin-Off, then each Fixed Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0 = such Fixed Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for the Spin-Off;

CR_1 = such Fixed Conversion Rate in effect immediately after the open of business on the Ex-Dividend Date for the Spin-Off;

FMV_0 = the average of the Closing Sale Prices of capital stock or similar equity interests distributed to holders of Common Stock applicable to one share of Common Stock over each of the 10 consecutive Trading Days commencing on, and including, the Ex-Dividend Date for such dividend or distribution (the "**Valuation Period**"); and

MP_0 = the average of the Closing Sale Prices of Common Stock over the Valuation Period.

The increase to each Fixed Conversion Rate under this clause (B) will be calculated by the Corporation as of the close of business on the last Trading Day of the Valuation Period but shall be given retroactive effect as of immediately after the open of business on the Ex-Dividend Date of the Spin-Off. Because the Corporation shall make the adjustment to each Fixed Conversion Rate with retroactive effect, the Corporation shall delay the settlement of any conversion of the Mandatory Convertible Preferred Stock where any date for determining the number of shares of Common Stock issuable to a Holder occurs during the Valuation Period until the second Business Day after the last Trading Day of such Valuation Period.

If any dividend or distribution described in this Section 10(a)(iii) is declared but is not so paid or made, each Fixed Conversion Rate shall be readjusted, as of the date the Board of Directors determines not to pay or make such dividend or distribution, to the Fixed Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(iv) If any cash dividend or distribution is made to all or substantially all holders of Common Stock other than a regular, quarterly cash dividend that does not exceed $0.22 per share (the "**Initial Dividend Threshold**"), each Fixed Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0 - T}{SP_0 - C}$$

where,

CR_0 = such Fixed Conversion Rate in effect immediately prior to the close of business on the record date for such dividend or distribution;

CR_1 = such Fixed Conversion Rate in effect immediately after the close of business on such record date;

SP_0 = the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution;

T = the Initial Dividend Threshold; *provided* that if the dividend or distribution is not a regular quarterly cash dividend, the Initial Dividend Threshold shall be deemed to be zero; and

C = the amount in cash per share the Corporation distributes to all or substantially all holders of Common Stock.

Any increase made under this Section 10(a)(iv) shall become effective as of the close of business on the record date for such dividend or distribution.

Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP_0" (as defined above), in lieu of the foregoing increase, each Holder shall receive, in respect of each share of Mandatory Convertible Preferred Stock, at the same time and upon the same terms as holders of shares of Common Stock and without having to convert its shares of Mandatory Convertible Preferred Stock, the amount of distributed cash that such Holder would have

received if such Holder owned a number of shares of Common Stock equal to the Maximum Conversion Rate on the record date for such cash dividend or distribution.

The Initial Dividend Threshold shall be subject to adjustment in a manner inversely proportional to adjustments to the Maximum Conversion Rate; *provided* that no adjustment shall be made to the Initial Dividend Threshold for any adjustment to the Fixed Conversion Rates under this Section 10(a)(iv).

If any dividend or distribution described in this Section 10(a)(iv) is declared but not so paid or made, each Fixed Conversion Rate shall be readjusted, as of the date the Board of Directors determines not to pay or make such dividend or distribution, to the Fixed Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(v) If the Corporation or any of its Subsidiaries make a payment in respect of a tender or exchange offer for Common Stock to the extent that the cash and value of any other consideration included in the payment per share of Common Stock validly tendered or exchanged exceeds the Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (such last date, the "**Expiration Date**"), each Fixed Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

CR_0 = such Fixed Conversion Rate in effect immediately prior to the close of business on the Trading Day immediately following the Expiration Date;

CR_1 = such Fixed Conversion Rate in effect immediately after the close of business on the Trading Day immediately following the Expiration Date;

AC = the fair market value (as determined in good faith by the Board Of Directors, whose good faith determination shall be conclusive), at the close of business on the Trading Day immediately following the Expiration Date, of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the Expiration Date;

OS_0 = the number of shares of Common Stock outstanding immediately prior to the last time tenders or exchanges may be made pursuant to such tender or exchange offer (prior to giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer);

OS_1 = the number of shares of Common Stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender or exchange offer (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer); and

SP_1 = the Closing Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Date.

The adjustments to the Fixed Conversion Rates under the preceding this Section 10(a)(v) shall occur at the close of business on the Trading Day immediately following the Expiration Date.

(vi) If:

(A) the record date for a dividend or distribution on shares of the Common Stock occurs after the end of the Mandatory Averaging Period and before the Mandatory Conversion Date; and

(B) such dividend or distribution would have resulted in an adjustment of the number of shares of Common Stock issuable to the Holders had such record date occurred on or before the last Trading Day of such 40-Trading Day period,

then the Corporation shall deem the Holders to be holders of record, for each share of their Mandatory Convertible Preferred Stock, of a number of shares of Common Stock equal to the Mandatory Conversion Rate for purposes of that dividend or distribution, and in such a case, the Holders would receive the dividend or distribution on Common Stock together with the number of shares of Common Stock issuable upon mandatory conversion of Mandatory Convertible Preferred Stock.

(vii) If the Corporation has a rights plan in effect upon conversion of the Mandatory Convertible Preferred Stock into Common Stock, each Holder shall receive, in addition to any shares of Common Stock received in connection with such conversion, the rights under the rights plan. However, if, prior to any conversion, the rights have separated from the shares of Common Stock in accordance with the provisions of the applicable rights plan, each Fixed Conversion Rate shall be adjusted at the time of separation as if the Corporation distributed to all or substantially all holders of Common Stock, shares of its capital stock, evidences of indebtedness, assets, property, rights, options or warrants as set forth in Section 10(a)(iii)(A) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

(viii) The Corporation may (but is not required to), to the extent permitted by law and the rules of The New York Stock Exchange or any other securities exchange on which the shares of Common Stock or the Mandatory Convertible Preferred Stock is then listed, increase each Fixed Conversion Rate by any amount for a period of at least 20 Business Days if such increase is irrevocable during such 20 Business Days and the Board of Directors determines that such increase would be in the best interest of the Corporation. The Corporation may also (but is not required to) increase each Fixed Conversion Rate as it deems advisable in order to avoid or diminish any income tax to holders of Common Stock resulting from any dividend or distribution of shares of Common Stock (or

issuance of rights or warrants to acquire shares of Common Stock) or from any event treated as such for income tax purposes or for any other reason. However, in either case, the Corporation may only make such discretionary adjustments if it makes the same proportionate adjustment to each Fixed Conversion Rate.

(ix) The Corporation shall not adjust the Fixed Conversion Rates:

(A) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and the investment of additional optional amounts in shares of Common Stock under any plan;

(B) upon the issuance of options, restricted stock or other awards in connection with any employment contract, executive compensation plan, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors or the exercise of such options or other awards;

(C) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Mandatory Convertible Preferred Stock was first issued;

(D) for a change in the par or no par value of the Common Stock; or

(E) for accumulated dividends, if any, on the Mandatory Convertible Preferred Stock, except as described in Section 7 and Section 9.

(x) Adjustments to each Fixed Conversion Rate shall be calculated by the Corporation to the nearest 1/10,000th of a share. Except as otherwise provided above, the Corporation shall be responsible for making all calculations called for under the Mandatory Convertible Preferred Stock. These calculations include, but are not limited to, determinations of the Fundamental Change Settlement Price, the Stock Price in connection with a Fundamental Change, the Daily VWAPs, the Five-Day Average Prices and the Fixed Conversion Rates of the Mandatory Convertible Preferred Stock.

(xi) For the avoidance of doubt, if an adjustment is made to the Fixed Conversion Rates, no separate inversely proportionate adjustment will be made to the Initial Price or the Threshold Appreciation Price because the Initial Price is equal to $1,000 *divided by* the Maximum Conversion Rate (as adjusted in the manner described herein) and the Threshold Appreciation Price is equal to $1,000 *divided by* the Minimum Conversion Rate (as adjusted in the manner described herein).

(xii) Whenever any provision of this Certificate of Designations requires the Corporation to calculate the Closing Sale Price or Daily VWAP per share of Common Stock over a span of multiple days, the Board of Directors shall make

appropriate adjustments in good faith (including, without limitation, to the Mandatory Settlement Value, the Early Conversion Average Price, the Fundamental Change Settlement Price and the Five-Day Average Price, as the case may be) to account for any adjustments to the Fixed Conversion Rates (as the case may be) that become effective, or any event that would require such an adjustment if the record date, Ex-Dividend Date, effective date or Expiration Date, as the case may be, of such event occurs during the relevant period used to calculate such prices or values, as the case may be.

(b) Whenever the Fixed Conversion Rates are to be adjusted, the Corporation shall:

(i) compute such adjusted Fixed Conversion Rates;

(ii) within 10 Business Days after the Fixed Conversion Rates are to be adjusted, provide or cause to be provided, a written notice to the Holders of Mandatory Convertible Preferred Stock of the occurrence of such event; and

(iii) within 10 Business Days after the Fixed Conversion Rates are to be adjusted, provide or cause to be provided, to the Holders of Mandatory Convertible Preferred Stock, a statement setting forth in reasonable detail the method by which the adjustments to the Fixed Conversion Rates were determined and setting forth such adjusted Fixed Conversion Rates.

(c) As used in this Section 10, "record date" means, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock (or other applicable security) have the right to receive any cash, securities or other property or in which Common Stock (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of Common Stock (or such other security) entitled to receive such cash, securities or other property (whether such date is fixed by the Board Of Directors, statute, contract or otherwise), and "effective date" means the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable.

(11). *Remarketing.*

(a) Remarketing. Holders of Separate Shares of Mandatory Convertible Preferred Stock shall have the rights in respect of any Remarketing as set forth in the Purchase Contract and Pledge Agreement.

(b) Increased Rates May Apply

(i) In connection with each Remarketing, the Board of Directors shall determine any Increased Rate after consultation with the Remarketing Agent.

(ii) In the event of a Successful Remarketing, (A) dividends may become payable on the Mandatory Convertible Preferred Stock and/or (B) if the Closing Sale Price of the Common Stock on the pricing date for a Successful Remarketing

is less than or equal to the Initial Price, the Minimum Conversion Rate shall be increased to the Increased Minimum Conversion Rate, in each case, on the Remarketing Settlement Date, as determined by the Board of Directors after consultation with the Remarketing Agent(s), and the Corporation shall (i) notify each of the Transfer Agent and the Conversion Agent by an Officer's certificate delivered to the Transfer Agent and the Conversion Agent and (ii) request the Depositary to notify its Depositary Participants holding shares of Mandatory Convertible Preferred Stock of the Increased Rate(s) established for the Mandatory Convertible Preferred Stock during the Remarketing on the Business Day following the date of the Successful Remarketing. Notwithstanding the foregoing, in no event shall the Increased Minimum Conversion Rate exceed the Maximum Conversion Rate. Neither the Dividend Rate nor the Minimum Conversion Rate can be decreased, nor the Maximum Conversion Rate changed, in connection with a Remarketing. Any modified terms of the Mandatory Convertible Preferred Stock in connection with a Remarketing shall apply to every share of Mandatory Convertible Preferred Stock, whether or not remarketed.

(iii) In the event of an Unsuccessful Final Remarketing, an Unsuccessful Optional Remarketing, or if no Applicable Ownership Interests in Mandatory Convertible Preferred Stock are included in Corporate Units and none of the holders of the Separate Shares of Mandatory Convertible Preferred Stock elect to have their shares of Mandatory Convertible Preferred Stock remarketed in any Remarketing, no Increased Rates shall apply. In the event of a Remarketing Failure, then, effective as of December 1, 2023, with respect to any shares of Mandatory Convertible Preferred Stock that remain outstanding following December 1, 2023, no Mandatory Conversion shall occur and each share of Mandatory Convertible Preferred Stock shall on the Mandatory Conversion Date be automatically, without any action on the part of the Corporation or any Holder, be transferred to the Corporation for no consideration and without any payment of cash or shares of Common Stock thereon, and shall thereupon be retired and canceled and shall cease to be outstanding for all purposes.

(iv) If there is an Unsuccessful Remarketing, the Corporation shall cause a notice of the Unsuccessful Remarketing to be published before the open of business on the Business Day following the Applicable Remarketing Period. This notice shall be validly published by making a timely release to any appropriate news agency, including, without limitation, Bloomberg Business News and the Dow Jones News Service.

(v) The Corporation shall, and the Corporation shall cause the Remarketing Agent(s) pursuant to the terms of the Remarketing Agreement to, use its reasonable best efforts to remarket the Mandatory Convertible Preferred Stock, along with any Separate Shares of Mandatory Convertible Preferred Stock, the holders of which have elected to participate in the applicable Remarketing, during each Applicable Remarketing Period. For the avoidance of doubt, and without limiting the generality of the foregoing, the Corporation and its Board of

Directors shall accept the terms of a Successful Remarketing if the Closing Sale Price of the Common Stock at the time of any scheduled, proposed or purported Remarketing Date is above the Threshold Appreciation Price.

(12). *Effect of Recapitalizations, Reclassifications and Changes of Common Stock.*

(a) Each of the following events constitutes a "**Reorganization Event**":

(i) any recapitalization, reclassification or change of the Common Stock (other than changes resulting from a subdivision or combination);

(ii) any consolidation, merger or combination involving the Corporation;

(iii) any sale, lease or other transfer to another Person of the consolidated assets of the Corporation and its Subsidiaries substantially as an entirety; or

(iv) any statutory exchange of the Common Stock;

in each case as a result of which the Common Stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) ("**Exchange Property**"). In the event of any Reorganization Event, each share of Mandatory Convertible Preferred Stock outstanding immediately prior to such Reorganization Event shall, without the consent of the Holders, become convertible into Exchange Property Units, and, at the effective time of such Reorganization Event, the Corporation shall amend this Certificate of Designations without the consent of the Holders to provide for such change in the convertibility of the Mandatory Convertible Preferred Stock. In the event holders of Common Stock (other than any Constituent Person or Affiliate thereof) have the opportunity to elect the form of consideration to be received in any Reorganization Event, the Exchange Property Unit shall be deemed to be the weighted average of the types and amounts of consideration actually received by the holders of Common Stock.

(b) The number of Exchange Property Units the Corporation shall deliver upon conversion of each share of Mandatory Convertible Preferred Stock or as a payment of dividends on the Mandatory Convertible Preferred Stock, as applicable, following the effective date of such Reorganization Event shall be determined as if references in Section 4, Section 7 and/or Section 9 to shares of Common Stock, as the case may be, were to Exchange Property Units. For the purpose of determining which of clauses (i), (ii) and (iii) of Section 7(b) shall apply upon Mandatory Conversion, and for the purpose of calculating the Mandatory Conversion Rate if clause (ii) of Section 7(b) is applicable, the value of an Exchange Property Unit shall be determined in good faith by the Board of Directors (which determination shall be final), except that if a Unit of Exchange Property includes common stock or American Depositary Receipts ("**ADRs**") that are traded on a U.S. national securities exchange, the value of such common stock or ADRs shall be the average over the Mandatory Averaging Period of the volume-weighted average prices for such common stock or ADRs, as displayed on the applicable Bloomberg screen (as determined in good faith by the Board of Directors (which determination shall be final)); or, if such price is not available, the average market value per share of such common

stock or ADRs over such period as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

(c) For the purpose of calculating any Fundamental Change Settlement Price, the value of an Exchange Property Unit shall be determined in good faith by the Board of Directors (which determination shall be final), except that if an Exchange Property Unit includes common stock or ADRs that are traded on a U.S. national securities exchange, the value of such common stock or ADRs shall be the average over the five consecutive Trading Day period used for calculating the Fundamental Change Settlement Price of the closing prices for such common stock or ADRs, as displayed on the applicable Bloomberg screen (as determined in good faith by the Board of Directors (which determination shall be final)); or, if such price is not available, the average market value per share of such common stock or ADRs over such period as determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

(d) The provisions of this Section 12 shall apply to successive Reorganization Events, and the provisions under Section 10 above shall apply to any shares of common equity or ADRs of the Corporation or any successor received by the holders of shares of Common Stock in any such Reorganization Event. The Corporation (or any successor to it) shall, as soon as reasonably practicable (but in any event within five calendar days) after the occurrence of any Reorganization Event provide written notice to the Holders of such occurrence and of the kind and amount of cash, securities or other property that constitute the Exchange Property Units. Failure to deliver such notice shall not affect the operation of the provisions described in this Section 12.

(e) In connection with any Reorganization Event, the Corporation shall also adjust the Initial Dividend Threshold based on the number of shares of common stock comprising the Exchange Property Units and (if applicable) the value of any non-stock consideration comprising the Exchange Property Units. If the Exchange Property Units are composed solely of non-stock consideration, the Initial Dividend Threshold shall be zero.

(13). *Reserved.*

(14). *Voting Rights.*

(a) The holders of Outstanding shares of the Mandatory Convertible Preferred Stock shall not be entitled to any voting rights except as hereinafter provided in this Section 14, as otherwise provided in the Certificate of Incorporation or as otherwise provided by applicable law. In respect of any matter on which the holders of Outstanding shares of Mandatory Convertible Preferred Stock are entitled to vote pursuant to this Section 14, each holder of Outstanding shares of Mandatory Convertible Preferred Stock shall have one vote for each such share of Mandatory Convertible Preferred Stock held; *provided* that on any matter on which the holders of outstanding shares of the Mandatory Convertible Preferred Stock are entitled to vote as a class with any Parity Stock, each

share of Mandatory Convertible Preferred Stock and each share of Parity Stock participating in such vote shall be entitled to a number of votes in proportion to the liquidation preference then-applicable to such shares.

(b) So long as any shares of Mandatory Convertible Preferred Stock are outstanding, the affirmative vote or consent of the holders of at least two-thirds in voting power of the Outstanding shares of the Mandatory Convertible Preferred Stock and all other classes or series of Parity Stock upon which like voting rights have been conferred, voting as a single class, in person or by proxy, at an annual meeting of the Corporation's stockholders or at a special meeting called for such purpose, or by written consent in lieu of such a meeting, shall be required for the following events:

(i) to authorize, create or issue, or increase the number of authorized or issued shares of, any class or series of Senior Stock, or reclassify any Capital Stock of the Corporation into any such shares of Senior Stock, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares of Senior Stock;

(ii) to alter, repeal or amend any provisions of the Certificate of Incorporation (by amendment, merger or otherwise) so as to materially and adversely affect any right, preference, privilege or voting power of the Mandatory Convertible Preferred Stock; or

(iii) to consummate a reorganization or reclassification involving the shares of Mandatory Convertible Preferred Stock or a merger or consolidation of the Corporation with another entity, unless either (A) the shares of Mandatory Convertible Preferred Stock remain outstanding and have rights, preferences, privileges and voting powers, taken as a whole, that are no less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Mandatory Convertible Preferred Stock immediately prior to such consummation, taken as a whole, or (B) in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, the shares of Mandatory Convertible Preferred Stock are converted into or reclassified into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, such surviving or resulting entity or ultimate parent is organized under the laws of the United States, any state thereof or the District of Columbia and treated as a corporation for U.S. federal income tax purposes, and such preference securities have rights, preferences, privileges and voting powers, taken as a whole, that are no less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Mandatory Convertible Preferred Stock immediately prior to such consummation, taken as a whole;

provided that neither (i) any amendment of this Certificate of Designation in accordance with the terms of Section 12(a), nor (ii) the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to pre-emptive or similar rights or otherwise, of any series of Preferred Stock (including the Mandatory Convertible Preferred Stock) constituting Junior Stock or Parity Stock with respect to the payment of

dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon the Corporation's liquidation, dissolution and winding-up, shall be deemed to materially or adversely affect the rights, preferences, privileges or voting powers of the Mandatory Convertible Preferred Stock, and shall not require the affirmative vote or consent of the Holders of the Mandatory Convertible Preferred Stock.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified above would adversely affect one or more but not all series of Parity Stock (including the Mandatory Convertible Preferred Stock for this purpose), then only the one or more series of Parity Stock adversely affected and entitled to vote, rather than all series of Parity Stock, shall vote, and any such vote shall be as a single class.

(c) To the fullest extent permitted by law, without the consent of the Holders, so long as such action does not adversely affect the special rights, preferences, privileges or voting powers of the Mandatory Convertible Preferred Stock, and limitations and restrictions thereof, the Corporation may amend, alter, supplement or repeal any terms of the Mandatory Convertible Preferred Stock for the following purposes:

(i) to cure any ambiguity, defect, inconsistency or mistake, or to correct or supplement any provision contained in this Certificate of Designations establishing the terms of the Mandatory Convertible Preferred Stock that may be defective or inconsistent with any other provision contained in in this Certificate of Designations;

(ii) to make any provision with respect to matters or questions relating to the Mandatory Convertible Preferred Stock that is not inconsistent with the provisions of this Certificate of Designations establishing the terms of the Mandatory Convertible Preferred Stock, including, but not limited to, the filing with the Secretary of State a certificate of designations to reflect the amended terms (if any) of the Mandatory Convertible Preferred Stock in connection with a Successful Remarketing or a Remarketing Failure;

(iii) to waive any of the Corporation's rights with respect thereto; or

(iv) to make any other change to the terms of the Mandatory Convertible Preferred Stock;

provided that any such amendment, alteration, supplement or repeal of any terms of the Mandatory Convertible Preferred Stock effected in order to (1) conform the terms thereof to the description contained in the Prospectus Supplement (as supplemented and/or amended by the related term sheet) or (2) implement changes in connection with a Successful Remarketing as set forth in Section 11, as the case may be, shall be deemed not to adversely affect the special rights, preferences, privileges or voting powers of the Mandatory Convertible Preferred Stock, or limitations and restrictions thereof.

Except as set forth above, the Holders of Mandatory Convertible Preferred Stock shall not be entitled to vote with respect to (A) any increase in the number of the authorized shares of Common Stock or Preferred Stock, (B) any increase in the number of

authorized shares of Mandatory Convertible Preferred Stock, (C) the creation, issuance or increase in the number of authorized shares of any Junior Stock or Parity Stock, or (D) any corporate action, including any merger or consolidation involving the Corporation or a sale of all or substantially all of the assets of the Corporation, regardless of the effect that such merger, consolidation or sale may have upon the powers, preferences, voting power or other rights or privileges of Mandatory Convertible Preferred Stock. No holder of Common Stock or any other class or series of Capital Stock of the Corporation shall be entitled to vote with respect to any changes to the terms of the Mandatory Convertible Preferred Stock or the adoption of any certificate of designations with respect thereto in connection with a Successful Remarketing as set forth in Section 11.

(d) After a Dividend Increase Remarketing, if and whenever dividends on any shares of Mandatory Convertible Preferred Stock shall not have been declared and paid for at least six Dividend Periods, whether or not consecutive (a "**Nonpayment Event**"), the number of directors then constituting the Board of Directors shall automatically be increased by two and the Holders of Mandatory Convertible Preferred Stock, voting as a class together with the holders of any outstanding Parity Stock with like voting rights that are exercisable at the time and entitled to vote thereon ("**Voting Preferred Stock**"), shall be entitled to elect the two additional directors (the "**Preferred Stock Directors**"), *provided* that it shall be a qualification for election for any such Preferred Stock Director that (i) the election of such director shall not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or any other securities exchange or other trading facility on which securities of the Corporation may then be listed or traded) that listed or traded companies must have a majority of independent directors and (ii) such director shall not be prohibited or disqualified from serving as a director on the Board of Directors by any applicable law, and *provided further* that the Board of Directors shall at no time include more than two Preferred Stock Directors.

In the event that the Holders of the Mandatory Convertible Preferred Stock shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 25% of the Mandatory Convertible Preferred Stock or Voting Preferred Stock (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite Holders of the Mandatory Convertible Preferred Stock or Voting Preferred Stock, and delivered to the Secretary of the Corporation in person or by first class mail, postage prepaid, or in such other manner as may be required by applicable law.

When all accumulated and unpaid dividends on the Mandatory Convertible Preferred Stock have been paid in full, then the right of the Holders of Mandatory Convertible Preferred Stock to elect the Preferred Stock Directors shall cease (but subject always to

revesting of such voting rights in the case of any future Nonpayment Event pursuant to this Section 14(d)), and the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically decrease by two.

Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of the Mandatory Convertible Preferred Stock and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the Holders of the Mandatory Convertible Preferred Stock and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Directors after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(15). *Transfer Agent, Dividend Disbursing Agent and Registrar.* The duly appointed transfer agent (the "**Transfer Agent**"), dividend disbursing agent (the "**Dividend Disbursing Agent**") and Registrar (the "**Registrar**") for the Mandatory Convertible Preferred Stock shall be Computershare Trust Company, N.A. The Corporation may, in its sole discretion, remove the Transfer Agent; *provided* that the Corporation shall appoint a successor transfer agent who shall accept such appointment prior to the effectiveness of such removal.

(16). *Currency.* All shares of Mandatory Convertible Preferred Stock shall be denominated in U.S. currency, and all payments and distributions thereon or with respect thereto shall be made in U.S. currency. All references herein to "$"or "dollars" refer to U.S. currency.

(17). *Form.*

(a) Shares of the Mandatory Convertible Preferred Stock shall be issued in fully registered, certificated form and may be issued in the form of one or more permanent global shares of Mandatory Convertible Preferred Stock registered in the name of the Depositary or its nominee (each, a "**Global Preferred Share**"), which shall be substantially in the form set forth in Exhibit A. Mandatory Convertible Preferred Stock represented by the Global Preferred Shares will be exchangeable for other certificates evidencing shares of Mandatory Convertible Preferred Stock only (x) if the Depositary (A) has notified the Corporation that it is unwilling or unable to continue as depository

for the Global Preferred Shares or (B) has ceased to be a clearing agency registered under the Exchange Act and, in either case, a successor depository is not appointed by the Corporation within 90 days after such notice or cessation, (y) if the Corporation determines at any time that the shares of Mandatory Convertible Preferred Stock shall no longer be represented by Global Preferred Shares, in which case it shall inform the Depositary of such determination, or (z) following the request of a beneficial owner of Mandatory Convertible Preferred Stock seeking to exercise or enforce its rights with respect to its shares of Mandatory Convertible Preferred Stock. In any such case, such new certificates evidencing shares of Mandatory Convertible Preferred Stock shall be registered in the name or names of the Person or Person specified by the Depositary in a written instrument to the Registrar. Except as provided above, owners of beneficial interest in a Global Preferred Share will not be entitled to receive certificates evidencing shares of Mandatory Convertible Preferred Stock. Unless and until such Global Preferred Share is exchanged for other certificates evidencing shares of Mandatory Convertible Preferred Stock, Global Preferred Shares may be transferred, in whole but not in part, and any payments on the Mandatory Convertible Preferred Stock shall be made, only to the Depositary or a nominee of the Depositary, or to a successor Depositary selected or approved by the Corporation or to a nominee of such successor Depositary.

(b) To the extent permitted by applicable procedures of the Depositary, certificates evidencing shares of the Mandatory Convertible Preferred Stock may be issued to represent fractional shares with a liquidation preference of $100 and integral multiples of $100 in excess thereof.

The Global Preferred Shares may have notations, legends or endorsements required by law, stock exchange rules, agreements to which the Corporation is subject, if any, or usage (*provided* that any such notation, legend or endorsement is in a form acceptable to the Corporation). The Global Preferred Shares shall be deposited with the Registrar, at its New York office, as custodian for the Depositary, and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Corporation and countersigned by the Transfer Agent and registered by the Registrar as hereinafter provided. The aggregate number of shares represented by the Global Preferred Shares, or any one Global Preferred Share, may from time to time be increased or decreased by adjustments made on the records of the Registrar and the Depositary or its nominee as hereinafter provided. At such time as all interests in a Global Preferred Share have been converted, canceled, repurchased or transferred, such Global Preferred Share shall be, upon receipt thereof, canceled by the Corporation in accordance with standing procedures and existing instructions between the Depositary and the Corporation.

This Section 17 shall apply only to a Global Preferred Share deposited with or on behalf of the Depositary. The Corporation shall execute and the Registrar shall, in accordance with this Section 17, countersign and deliver one or more Global Preferred Shares in accordance with the terms hereof that (i) shall be registered in the name of Cede & Co. or other nominee of the Depositary and (ii) shall be delivered by the Registrar to Cede & Co. or pursuant to instructions received from Cede & Co. or held by the Registrar as custodian for the Depositary pursuant to an agreement between the Depositary and the Registrar. Members of, or participants in, the Depositary ("**Agent Members**") shall have

no rights under this Certificate of Designations, with respect to any Global Preferred Share held on their behalf by the Depositary or by the Registrar as the custodian of the Depositary, or under such Global Preferred Share, and the Depositary may be treated by the Corporation, the Registrar and any agent of the Corporation or the Registrar as the absolute owner of such Global Preferred Share for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Corporation, the Registrar or any agent of the Corporation or the Registrar from giving effect to any written certification, proxy or other authorization furnished by the registered holder of the Mandatory Convertible Preferred Stock or impair, as between the Depositary and its Agent Members, the operation of customary practices of the Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Preferred Share.

An Officer shall sign the certificates evidencing the Mandatory Convertible Preferred Stock for the Corporation, in accordance with the Corporation's Amended and Restated Bylaws and applicable law, by manual, electronic or facsimile signature. If an Officer whose signature is on a share certificate no longer holds that office at the time the Transfer Agent authenticates the certificate, such certificate shall be valid nevertheless. A certificate evidencing shares of Mandatory Convertible Preferred Stock shall not be valid until an authorized signatory of the Transfer Agent manually or electronically countersigns such certificate. The signature shall be conclusive evidence that such certificate has been authenticated under this Certificate of Designations. Each share certificate shall be dated the date of its authentication.

(18). *Reissuance and Retirement.* Shares of Mandatory Convertible Preferred Stock that have been converted in accordance herewith, automatically transferred to the Corporation in accordance herewith following a Remarketing Failure or automatically delivered to the Corporation following an Unsuccessful Final Remarketing pursuant to the Purchase Contract and Pledge Agreement, in each case, shall be cancelled and retired and shall not be reissued as shares of Mandatory Convertible Preferred Stock hereunder, but the number of shares so cancelled and retired shall revert to the status of authorized but unissued shares of Preferred Stock of the Corporation.

(19). *Paying Agent and Conversion Agent.*

(a) The Corporation shall maintain in the Borough of Manhattan, City of New York, State of New York (i) an office or agency where Mandatory Convertible Preferred Stock may be presented for payment (the "**Paying Agent**") and (ii) an office or agency where Mandatory Convertible Preferred Stock may be presented for conversion (the "**Conversion Agent**"). The Transfer Agent shall act as Paying Agent and Conversion Agent, unless another Paying Agent or Conversion Agent is appointed by the Corporation. Initially, Computershare Trust Company, N.A. is appointed by the Corporation as the Paying Agent and the Conversion Agent. The Corporation may appoint the Registrar, the Paying Agent and the Conversion Agent and may appoint one or more additional paying agents and one or more additional conversion agents in such other locations as it shall determine. The term "Paying Agent" includes any additional paying agent and the term "Conversion Agent" includes any additional conversion agent. The Corporation may change any Paying Agent or Conversion Agent without prior notice

to any holder. The Corporation shall notify the Registrar and the Holders of the name and address of any Paying Agent or Conversion Agent appointed by the Corporation. If the Corporation fails to appoint or maintain another entity as Paying Agent or Conversion Agent, the Registrar shall act as such. The Corporation or any of its Affiliates may act as Paying Agent, Registrar or Conversion Agent.

(b) Payments due on the Mandatory Convertible Preferred Stock shall be payable at the office or agency of the Corporation maintained for such purpose in The City of New York and at any other office or agency maintained by the Corporation for such purpose. Payments shall be payable by United States dollar check drawn on, or wire transfer (provided, that appropriate wire instructions have been received by the Registrar at least 15 days prior to the applicable date of payment) to a U.S. dollar account maintained by the holder with, a bank located in New York City; *provided* that at the option of the Corporation, payment of dividends may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Mandatory Convertible Preferred Stock register. Notwithstanding the foregoing, payments due in respect of the Global Preferred Shares shall be payable by wire transfer of immediately available funds in accordance with the procedures of the Depositary.

(20). *Headings*. The headings of the subsections of this Certificate of Designations are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

(21). *Rights of Holders*. No person or entity, other than the person or entity in whose name a certificate representing the Mandatory Convertible Preferred Stock is registered, shall have any rights hereunder or with respect to the Mandatory Convertible Preferred Stock. The Corporation shall recognize the registered owner thereof as the sole owner for all purposes, and no other person or entity (other than the Corporation) shall have any benefit, right, claim or remedy hereunder.

(22). *Notices*. All notices or communications in respect of Mandatory Convertible Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations or in the Certificate of Incorporation and by applicable law. Notwithstanding the foregoing, if the shares of Mandatory Convertible Preferred Stock are represented by Global Preferred Shares, such notices shall also be given to the Holders in any manner permitted by DTC or any similar facility used for the settlement of transactions in Mandatory Convertible Preferred Stock.

(23). *Withholding*. Notwithstanding anything to the contrary, the Corporation or any agent of the Corporation shall have the right to deduct and withhold from any payment or distribution (or deemed distribution) made with respect to any share of Mandatory Convertible Preferred Stock (or the delivery of shares of Common Stock and/or cash upon conversion of Mandatory Convertible Preferred Stock) such amounts as are required to be deducted or withheld with respect to the making of such payment or distribution (or delivery) under applicable tax law without liability therefor. To the extent that any amounts are so deducted or withheld, such deducted or withheld amounts shall be treated for all purposes as having been paid (or delivered) to the applicable Holder. In the event the Corporation or any agent of the Corporation previously

remitted any amounts to a governmental entity on account of taxes required to be deducted or withheld in respect of any payment or distribution (or deemed distribution) or delivery with respect to any share of Mandatory Convertible Preferred Stock with respect to an applicable Holder, the Corporation and any such agent shall be entitled to offset any such amounts against any amounts otherwise payable or deliverable to the applicable holder hereunder or under any other instrument or agreement.

(24). *No Preemptive Rights*. The holders of shares of Mandatory Convertible Preferred Stock will have no preemptive rights with respect to any shares of the Corporation's Capital Stock.

(25). *Other Rights*. The shares of Mandatory Convertible Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

[***The Remainder of This Page Intentionally Left Blank; Signature Page Follows***]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designations to be signed by the undersigned, its authorized signatory, this 19th day of April, 2021.

NISOURCE INC.

Randy G Hulen

Name: Randy G. Hulen
Title: Vice President, Investor Relations and Treasurer

EXHIBIT A

SERIES C MANDATORY CONVERTIBLE PREFERRED STOCK

Number: [_____] [Initial] Number of Shares: [_____]

CUSIP NO.: 65473P 857

Series C Mandatory Convertible Preferred Stock
(par value $0.01 per share)
(liquidation preference $1,000 per share)
of
NISOURCE INC.

[INCLUDE FOR GLOBAL PREFERRED SHARES]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE CERTIFICATE OF DESIGNATIONS.

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH REGISTRAR AND TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

IN THE EVENT OF A REMARKETING FAILURE (AS DEFINED IN THE CERTIFICATE OF DESIGNATIONS) THE MANDATORY CONVERTIBLE PREFERRED STOCK WILL BE AUTOMATICALLY TRANSFERRED TO THE CORPORATION AND CANCELLED FOR NO CONSIDERATION.]

NISOURCE INC., a Delaware corporation (the "**Corporation**"), hereby certifies that [ ] [Cede & Co.], or registered assigns (the "**Holder**") is the registered owner of [_____][a number of] fully paid and non-assessable shares of Preferred Stock of the Corporation designated the "Series C Mandatory Convertible Preferred Stock," par value $0.01 per share and liquidation preference $1,000 per share (the "**Mandatory Convertible Preferred Stock**") [as set forth in Schedule A attached hereto]. The shares of Mandatory Convertible Preferred Stock are transferable on the books and records of the Registrar, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Mandatory Convertible Preferred Stock represented hereby are issued and shall in all respects be subject to the provisions of the Certificate of Designations of Series C Mandatory Convertible Preferred Stock (the "**Certificate of Designations**"). Capitalized terms used herein but not defined shall have the respective meanings given them in the Certificate of Designations. The Corporation will provide a copy of the Certificate of Designations and the Purchase Contract and Pledge Agreement to a Holder without charge upon written request to the Corporation at its principal place of business. In the case of any conflict between this certificate and the Certificate of Designations, the provisions of the Certificate of Designations shall control and govern.

Reference is hereby made to select provisions of the Mandatory Convertible Preferred Stock set forth on the reverse hereof, and to the Certificate of Designations, which provisions shall for all purposes have the same effect as if set forth at this place.

Upon receipt of this certificate, the Holder is bound by the Certificate of Designations and is entitled to the benefits thereunder.

Unless the Transfer Agent has properly countersigned this certificate, the shares of Mandatory Convertible Preferred Stock evidenced hereby shall not be entitled to any benefit under the Certificate of Designations or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Corporation has executed this certificate as of the date set forth below.

NISOURCE INC.

By: _____
Name:
Title:

Dated: [_____]

TRANSFER AGENT'S COUNTERSIGNATURE

This is one of the certificates representing shares of Mandatory Convertible Preferred Stock referred to in the within mentioned Certificate of Designations.

COMPUTERSHARE TRUST COMPANY, N.A.,
as Transfer Agent

By: _____
Name:
Title:

Dated: [_____]

REVERSE OF SECURITY

NISOURCE INC.

Series C Mandatory Convertible Preferred Stock

In connection with a Successful Remarketing, the Board of Directors, after consultation with the Remarketing Agent, may increase the Dividend Rate and/or increase the Minimum Conversion Rate, in each case pursuant to the Certificate of Designations. Following any Dividend Increase Remarketing, Holders of Mandatory Convertible Preferred Stock shall be entitled to receive when, as and if declared by the Board of Directors out of funds legally available for the payment of dividends, cumulative dividends on each share of Mandatory Convertible Preferred Stock at the applicable Dividend Rate on the Liquidation Preference per share of the Mandatory Convertible Preferred Stock, payable in cash, shares of Common Stock, or a combination of cash and shares of Common Stock, at the Corporation's election (subject to the limitations described in the Certificate of Designations).

Unless a Remarketing Failure occurs, the shares of Mandatory Convertible Preferred Stock shall be convertible in the manner and according to the terms set forth in the Certificate of Designations. If a Remarketing Failure occurs, the Mandatory Convertible Preferred Stock that remains outstanding following December 1, 2023 will no longer be convertible and will be automatically transferred to the Corporation and cancelled.

The Corporation shall furnish to any Holder upon written request and without charge, a full summary statement of the designations, voting rights preferences, limitations and special rights of the shares of each class or series authorized to be issued by the Corporation in so far as they have been fixed and determined.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers the shares of Mandatory Convertible Preferred Stock evidenced hereby to:

_____

_____

(Insert assignee's social security or tax identification number)

_____

(Insert address and zip code of assignee)

_____

_____

and irrevocably appoints:

_____

agent to transfer the shares of Mandatory Convertible Preferred Stock evidenced hereby on the books of the Transfer Agent and Registrar. The agent may substitute another to act for him or her.

Date: _____

Signature: _____

(Sign exactly as your name appears on the other side of this Series C Mandatory Convertible Preferred Stock Certificate)

Signature Guarantee: _____

NOTICE OF CONVERSION

(To be Executed by the Holder in order to Convert Series C Mandatory Convertible Preferred Stock)

The undersigned hereby irrevocably elects to convert (the "**Conversion**") _____ shares of Series C Mandatory Convertible Preferred Stock, par value $0.01 per share (the "**Mandatory Convertible Preferred Stock**"), of NiSource Inc. (hereinafter called the "**Corporation**"), represented by stock certificate No(s). (the "**Mandatory Convertible Preferred Stock Certificates**") into shares of common stock, par value $0.01 per share, of the Corporation (the "**Common Stock**"), according to the conditions of the Certificate of Designations establishing the terms of the Mandatory Convertible Preferred Stock (the "**Certificate of Designations**"), as of the date written below. Holders that submit shares of Mandatory Convertible Preferred Stock during a Fundamental Change Conversion Period shall be deemed to have exercised their Fundamental Change Conversion Right.

If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates. No fee will be charged to the holder for any conversion, except for transfer taxes, if any. A copy of each Mandatory Convertible Preferred Stock Certificate is attached hereto (or evidence of loss, theft or destruction thereof).

The Corporation is not required to issue shares of Common Stock until the original Mandatory Convertible Preferred Stock Certificate(s) (or evidence of loss, theft or destruction thereof) to be converted are received by the Corporation or its Transfer Agent.

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in or pursuant to the Certificate of Designations.

Date of Conversion: _____

Number of shares of Mandatory Convertible Preferred Stock

to be Converted: _____

Signature: _____

Name: _____

Address: _____

Fax No.: _____

SCHEDULE A

NiSource Inc.

Global Preferred Share
Series C Mandatory Convertible Preferred Stock

The initial number of shares of Mandatory Convertible Preferred Stock represented by this Global Preferred Share shall be [_____]. The following exchanges of a part of this Global Preferred Share have been made:

Date of Exchange	Amount of decrease in number of shares represented by this Global Preferred Share	Amount of increase in number of shares represented by this Global Preferred Share	Number of shares represented by this Global Preferred Share following such decrease or increase	Signature of authorized officer of Registrar

EXECUTION COPY

FIFTH AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

among

NISOURCE INC.,
as Borrower,

THE LENDERS PARTY HERETO,

BARCLAYS BANK PLC,
as Administrative Agent,

CITIBANK, N.A.
and
MUFG BANK, LTD.,
as Co-Syndication Agents,

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH.
JPMORGAN CHASE BANK, N.A.
and
WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Co-Documentation Agents

_____

BARCLAYS BANK PLC
CITIBANK, N.A.,
MUFG BANK, LTD.
CREDIT SUISSE LOAN FUNDING LLC
JPMORGAN CHASE BANK, N.A.
and
WELLS FARGO SECURITIES, LLC,
Joint Lead Arrangers and Joint Bookrunners

_____

Dated as of February 20, 2019

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FIFTH AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT, dated as of February 20, 2019 (this "***Agreement***"), among **NISOURCE INC.**, a Delaware corporation, as Borrower (the "***Borrower***"), the Lead Arrangers and other Lenders from time to time party hereto, the Co-Documentation Agents party hereto, the Co-Syndication Agents party hereto and **BARCLAYS BANK PLC**, as administrative agent for the Lenders hereunder (in such capacity, the "***Administrative Agent***").

WITNESSETH:

WHEREAS, the Borrower (as successor borrower to NiSource Finance Corp.), certain Lenders and the Administrative Agent are parties to the Existing Credit Agreement (as defined herein) pursuant to which, among other things, the Lenders agreed to enter, subject to the terms and conditions set forth therein, into a revolving credit facility in an aggregate amount of $1,850,000,000; and

WHEREAS, the parties hereto have agreed to amend and restate the Existing Credit Agreement pursuant to the terms and conditions of this Agreement;

NOW, **THEREFORE**, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"***ABR***", when used in reference to any Loan or Borrowing, refers to whether such Loan is, or the Loans comprising such Borrowing are, bearing interest at a rate determined by reference to the Alternate Base Rate.

"***Act***" means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

"***Additional Commitment Lender***" has the meaning assigned to such term in Section 2.21(d).

"***Administrative Questionnaire***" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"***Affiliate***" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"***Agent Party***" has the meaning assigned to such term in Section 11.01(h).

"***Aggregate Commitments***" means the aggregate amount of the Commitments of all Lenders, as in effect from time to time. As of the date hereof, the Aggregate Commitments equal $1,850,000,000.

"***Alternate Base Rate***" means, for any day, a rate *per annum* equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1% and (c) 1.0% per annum plus the LIBO Rate applicable to an Interest Period of one month on such day (or if such day is not a Business Day, the immediately preceding Business Day), provided that, for the avoidance of doubt, (i) the LIBO Rate for any day shall be based on the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such page) at approximately 11:00 a.m. London time on such day and (ii) if the Alternate Base Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the one-month LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the one-month LIBO Rate, respectively.

"***Anti-Corruption Laws***" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery, corruption or money laundering.

"***Applicable Percentage***" means, with respect to any Lender, the percentage of the Aggregate Commitments represented by such Lender's Commitment; provided that, in the case of Section 2.20 when a Defaulting Lender shall exist, "Applicable Percentage" shall mean the percentage of the Aggregate Commitment (disregarding any Defaulting Lender's Commitment) represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender's status as a Defaulting Lender at the time of determination.

"***Applicable Rate***" means, for any day, with respect to any ABR Loan or Eurodollar Revolving Loan or with respect to the Facility Fees and the LC Risk Participation Fee payable hereunder, as the case may be, the applicable rate *per annum* determined pursuant to the Pricing Grid.

"***Arrangers***" means each of Barclays, Citibank, N.A., MUFG Bank, Ltd., Credit Suisse Loan Funding LLC, JPMorgan Chase Bank, N.A. and Wells Fargo Securities, LLC.

"***Assignment and Assumption***" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 11.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"***Augmenting Lender***" has the meaning set forth in Section 2.22.

"***Authorized Officer***" means the president, chief financial officer or the treasurer of the Borrower; provided that solely with respect to the submission of a Borrowing Request, "***Authorized Officer***" shall also mean the assistant treasurer, the treasury operations manager or the corporate finance manager of the Borrower.

"***Auto-Extension Letter of Credit***" has the meaning assigned to such term in Section 2.04(j).

"***Availability Period***" means the period from and including the Effective Date to but excluding the Termination Date.

"***Bail-In Action***" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"***Bail-In Legislation***" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"***Bankruptcy Event***" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

"***Barclays***" means Barclays Bank PLC, a company incorporated in United Kingdom.

"***Beneficial Ownership Certification***" means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

"***Beneficial Ownership Regulation***" means 31 C.F.R. § 1010.230.

"***Benefit Plan***" means any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in and subject to Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"***Board***" means the Board of Governors of the Federal Reserve System of the United States of America.

"***Board of Directors***" means, with respect to any Person, (i) in the case of any corporation, the board of directors of such Person, (ii) in the case of any limited liability company, the board of managers (or equivalent) of such Person, (iii) in the case of any partnership, the board of directors (or equivalent) of the general partner of such Person and (iv) in any other case, the functional equivalent of the foregoing.

"***Borrower***" means NiSource Inc., a Delaware corporation.

"***Borrowing***" means Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"***Borrowing Request***" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.02.

"***Business Day***" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; *provided* that, when used in connection with a Eurodollar Loan, the term "***Business Day***" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"***Capital Lease***" means, as to any Person, any lease of real or personal property in respect of which the obligations of the lessee are required, in accordance with GAAP, to be capitalized on the balance sheet of such Person, *provided that*, for purposes of this Agreement:

(i) any changes in GAAP pursuant to ASC Topic 840 or 842 (or any successor thereto) that would treat as capital leases any operating leases existing as of the date of this Agreement (and any renewals or replacements thereof), and

(ii) additional operating leases entered into after the date of this Agreement (to the extent not exceeding $100,000,000 in aggregate notional amount for all such capitalized lease obligations),

in each case that would not have been treated as capital leases under GAAP as in effect on December 31, 2018, will not be given effect for purposes of calculation of the financial covenant contained in Article VII.

"***Capital Stock***" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person other than a corporation (including, but not limited to, all common stock and preferred stock and partnership, membership and joint venture interests or units in a Person), and any and all warrants, rights or options to purchase any of the foregoing.

"***Cash Account***" has the meaning set forth in Section 8.01.

"***CERCLA***" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act, 42, U.S.C. Section 9601 et seq., as amended.

"***Change in Law***" means the occurrence, after the date of this Agreement (or with respect to any Lender, if later, the date on which such Lender becomes a Lender), of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rules, guideline, requirement or directive (whether or not having the force of law) by any Governmental Authority; provided, however, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests,

rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States of America or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law" regardless of the date enacted, adopted, issued or implemented.

"***Change of Control***" means (a) any "person" or "group" within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of more than 50% of the then outstanding voting Capital Stock of the Borrower, (b) Continuing Directors shall cease to constitute at least a majority of the directors constituting the Board of Directors of the Borrower, (c) a consolidation or merger of the Borrower shall occur after which the holders of the outstanding voting Capital Stock of the Borrower immediately prior thereto hold less than 50% of the outstanding voting Capital Stock of the surviving entity, (d) more than 50% of the outstanding voting Capital Stock of the Borrower shall be transferred to an entity of which the Borrower owns less than 50% of the outstanding voting Capital Stock, (e) there shall occur a sale of all or substantially all of the assets of the Borrower or (f) NIPSCO shall cease to be a Wholly-Owned Subsidiary of the Borrower (except to the extent otherwise permitted under clauses (i), (ii), or (iii) of Section 6.01(b)).

"***Co-Documentation Agents***" means Credit Suisse AG, Cayman Islands Branch, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, in their respective capacities as co-documentation agents for the Lenders hereunder.

"***Code***" means the Internal Revenue Code of 1986, as amended from time to time.

"***Commitment***" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder and to participate in Letters of Credit issued hereunder as set forth herein, as such commitment may be (a) reduced from time to time or terminated pursuant to Section 2.07 or Section 2.09, (b) increased from time to time pursuant to Section 2.22 and (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 11.04. The initial amount of each Lender's Commitment is (x) the amount set forth on Schedule 2.01 opposite such Lender's name; or (y) the amount set forth in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable.

"***Communications***" has the meaning assigned to such term in Section 11.01(h).

"***Connection Income Taxes***" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"***Consolidated Capitalization***" means the sum of (a) Consolidated Debt, (b) consolidated common equity of the Borrower and its Consolidated Subsidiaries determined in accordance with GAAP, (c) Hybrid Securities and Mandatorily Convertible Securities not exceeding 15% of Consolidated Capitalization, and (d) the aggregate liquidation preference of preferred stocks

(other than preferred stocks subject to mandatory redemption or repurchase) of the Borrower and its Consolidated Subsidiaries upon involuntary liquidation.

"***Consolidated Debt***" means, at any time, the Indebtedness of the Borrower and its Consolidated Subsidiaries that would be classified as debt on a balance sheet of the Borrower determined on a consolidated basis in accordance with GAAP, provided that for purposes of calculation of the financial covenant contained in Article VII Consolidated Debt shall exclude Hybrid Securities and Mandatorily Convertible Securities not exceeding 15% of Consolidated Capitalization. For the avoidance of doubt, the aggregate amount of Hybrid Securities and Mandatorily Convertible Securities in excess of 15% of Consolidated Capitalization will be included in Consolidated Debt.

"***Consolidated Subsidiary***" means, on any date, each Subsidiary of the Borrower the accounts of which, in accordance with GAAP, would be consolidated with those of the Borrower in its consolidated financial statements if such statements were prepared as of such date.

"***Contingent Guaranty***" means a direct or contingent liability in respect of a Project Financing (whether incurred by assumption, guaranty, endorsement or otherwise) that either (a) is limited to guarantying performance of the completion of the Project that is financed by such Project Financing or (b) is contingent upon, or the obligation to pay or perform under which is contingent upon, the occurrence of any event other than failure of the primary obligor to pay upon final maturity (whether by acceleration or otherwise).

"***Continuing Directors***" means (a) all members of the Board of Directors of the Borrower who have held office continually since the Effective Date, and (b) all members of the Board of Directors of the Borrower who were elected as directors after the Effective Date and whose nomination for election was approved by a vote of at least 50% of the Continuing Directors.

"***Contractual Obligation***" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"***Control***" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "***Controlling***" and "***Controlled***" have meanings correlative thereto.

"***Co-Syndication Agents***" means Citibank, N.A. and MUFG Bank, Ltd., in their respective capacities as co-syndication agents for the Lenders hereunder.

"***Credit Documents***" means (a) this Agreement, any promissory notes executed pursuant to Section 2.10, and any Assignment and Assumptions, (b) any certificates, opinions and other documents required to be delivered pursuant to Section 3.01 and (c) any other documents delivered by the Borrower pursuant to or in connection with any one or more of the foregoing.

"***Creditor Party***" means the Administrative Agent, any LC Bank or any other Lender.

"***Debt for Borrowed Money***" means, as to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all Capital Lease obligations of such Person, and (d) all obligations of such Person under synthetic leases, tax retention operating leases, off-balance sheet loans or other off-balance sheet financing products that, for tax purposes, are considered indebtedness for borrowed money of the lessee but are classified as operating leases under GAAP.

"***Debt to Capitalization Ratio***" means, at any time, the ratio of Consolidated Debt to Consolidated Capitalization.

"***Default***" means any event or condition that constitutes an Event of Default or that, upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"***Defaulting Lender***" means any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or (iii) pay over to any Creditor Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding set forth in Section 3.02 (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or any Creditor Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement set forth in Section 3.02 cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by a Creditor Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans and participations in then outstanding Letters of Credit under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Creditor Party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has become the subject of (i) a Bankruptcy Event or (ii) a Bail-In Action.

"***Departing Lender***" means each lender under the Existing Credit Agreement that executes and delivers to the Administrative Agent a Departing Lender Signature Page.

"***Departing Lender Signature Page***" means each signature page to this Agreement on which it is indicated that the Departing Lender executing the same shall cease to be a party to the Existing Credit Agreement on the Effective Date.

"***Disposition***" or "***Dispose***" means the sale, transfer, license, lease or other disposition (in one transaction or in a series of transactions and whether effected pursuant to a Division or otherwise) of any property by any Person (including any sale and leaseback transaction and any issuance of Capital Stock by a Subsidiary of such Person), including any sale, assignment,

transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

"***Dividing Person***" has the meaning assigned to it in the definition of "Division".

"***Division***" means the division of the assets, liabilities and/or obligations of a Person (the "Dividing Person") among two or more Persons (whether pursuant to a "plan of division" or similar arrangement), which may or may not include the Dividing Person and pursuant to which the Dividing Person may or may not survive. For all purposes under the Credit Documents, in connection with any Division: (a) if any asset, right, obligation or liability of any Dividing Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Capital Stock at such time.

"***Dollars***" or "***$***" refers to lawful money of the United States of America.

"***EEA Financial Institution***" means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"***EEA Member Country***" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"***EEA Resolution Authority***" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"***Effective Date***" means the date on which this Agreement has been executed and delivered by each of the Borrower, the Co-Syndication Agents, the Co-Documentation Agents, the initial Lenders, the LC Banks and the Administrative Agent.

"***Electronic Signature***" means an electronic sound, symbol or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record.

"***Electronic System***" means any electronic system, including (i) e-mail, (ii) e-fax, (iii) Intralinks®, Syndtrak®, ClearPar® and (iv) any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Administrative Agent and any of its Related Parties or any other Person, providing for access to data protected by passcodes or other security system.

"***Environmental Laws***" means any and all foreign, federal, state, local or municipal laws (including, without limitation, common laws), rules, orders, regulations, statutes, ordinances, codes, decrees, judgments, awards, writs, injunctions, requirements of any Governmental

Authority or other requirements of law regulating, relating to or imposing liability or standards of conduct concerning, pollution, waste, industrial hygiene, occupational safety or health, the presence, transport, manufacture, generation, use, handling, treatment, distribution, storage, disposal or release of Hazardous Materials, or protection of human health, plant life or animal life, natural resources or the environment, as now or at any time hereafter in effect.

"***Environmental Liability***" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"***ERISA Affiliate***" means any Person who, for purposes of Title IV of ERISA, is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Code and the regulations promulgated and rulings issued thereunder.

"***ERISA Event***" means (a) a reportable event, within the meaning of Section 4043 of ERISA, with respect to a Plan unless the 30-day notice requirement with respect thereto has been waived by the PBGC, (b) the provision by the administrator of any Plan of a notice of intent to terminate such Plan, pursuant to Section 4041(a)(2) and 4041(c) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA), (c) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA, (d) the failure by the Borrower or any ERISA Affiliate to make a payment to a Plan required under Section 302 of ERISA, for which Section 303(k) of ERISA imposes a lien for failure to make required payments, or (e) the institution by the PBGC of proceedings to terminate a Plan, pursuant to Section 4042 of ERISA, or the occurrence of any event or condition which may reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, a Plan.

"***EU Bail-In Legislation Schedule***" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"***Eurocurrency Liabilities***" has the meaning assigned to that term in Regulation D of the Board, as in effect from time to time.

"***Eurodollar***", when used in reference to any Loan or Borrowing, refers to whether such Loan is, or the Loans comprising such Borrowing are, bearing interest at a rate determined by reference to the LIBO Rate.

"***Eurodollar Rate Reserve Percentage***" of any Lender for the Interest Period for any Eurodollar Loan means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"***Event of Default***" has the meaning assigned to such term in Article VIII.

"***Excluded Taxes***" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on (or measured by) its net income or net earnings (however denominated), franchise Taxes and branch profits Taxes, in each case, (i) imposed by the jurisdiction (or any political subdivision thereof) under the laws of which such Recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located or (ii) that are Other Connection Taxes, (b) in case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.19) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.17, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.17(e) or (f), and (d) any Taxes imposed under FATCA.

"Existing Credit Agreement" means that certain Fourth Amended and Restated Revolving Credit Agreement, dated as of November 28, 2016, by and among the Borrower, as successor borrower to NiSource Finance Corp., the Lenders from time to time party thereto and the Administrative Agent.

"Existing Letters of Credit" means the Letters of Credit listed in Schedule 2.04.

"***Existing Termination Date***" has the meaning assigned to such term in Section 2.21(a).

"***Extending Lender***" has the meaning assigned to such term in Section 2.21(b).

"***Extension Date***" has the meaning assigned to such term in Section 2.21(a).

"***Extension of Credit***" means (a) the making by any Lender of a Revolving Loan, (b) the issuance of a Letter of Credit by any LC Bank or (c) the amendment of any Letter of Credit having the effect of extending the stated termination date thereof, increasing the LC Outstandings, or otherwise altering any of the material terms or conditions thereof.

"***Facility Fee***" has the meaning set forth in Section 2.12.

"***FATCA***" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code.

"***Federal Bankruptcy Code***" means Title 11 of the United States Code (11 U.S.C. § 101 et seq.) as now or hereafter in effect, or any successor statute.

"***Federal Funds Effective Rate***" means, for any day, the rate calculated by the Federal Reserve Bank of New York based on such day's federal funds transactions by depository institutions (as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time) and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the federal funds effective rate; provided that if such rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"***Foreign Lender***" means any Lender that is not a U.S. Person.

"***GAAP***" means generally accepted accounting principles in the United States of America consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) and (f).

"***Governmental Authority***" means the government of the United States of America, any other nation, or any political subdivision of the United States of America or any other nation, whether state or local, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank), and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

"***Hazardous Materials***" means any asbestos; flammables; volatile hydrocarbons; industrial solvents; explosive or radioactive materials; hazardous wastes; toxic substances; liquefied natural gas; natural gas liquids; synthetic gas; oil, petroleum, or related materials and any constituents, derivatives, or byproducts thereof or additives thereto; or any other material, substance, waste, element or compound (including any product) regulated pursuant to any Environmental Law, including, without limitation, substances defined as "hazardous substances," "hazardous materials," "contaminants," "pollutants," "hazardous wastes," "toxic substances," "solid waste," or "extremely hazardous substances" in (i) CERCLA, (ii) the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq., (iii) the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., (iv) the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq., (v) the Clean Air Act, 42 U.S.C. Section 7401 et seq., (vi) the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq.,

(vii) the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., or (viii) foreign, state, local or municipal law, in each case, as may be amended from time to time.

"***Hybrid Securities***" means, on any date, any securities, other than common stock, issued by the Borrower or a Hybrid Vehicle that meet the following criteria: (a) at the time of issuance and at the time of any amendment, restatement or other modification of the related indenture or other operative documentation in respect of such securities, such securities are classified as possessing a minimum of "intermediate equity content" by S&P, Basket B equity credit by Moody's, and 50% equity credit by Fitch Ratings Ltd. (or any successor) (or the equivalent classifications then in effect by such agencies), (b) such securities require no repayments or prepayments and no mandatory redemptions or repurchases, in each case prior to a date at least 91 days after the Termination Date and (c) the claims of holders of any such securities are subordinated to the claims of the Administrative Agent and the Lenders in respect of the Obligations on terms reasonably satisfactory to the Arrangers. As used in this definition, "mandatory redemption" shall not include conversion of a security into common stock of the Borrower or the applicable Hybrid Vehicle.

"***Hybrid Vehicle***" means a special purpose subsidiary directly owned by the Borrower, or a trust formed by the Borrower, in each case for the sole purpose of issuing Hybrid Securities and which conducts no business other than the issuance of Hybrid Securities and activities incidental thereto.

"***Increasing Lender***" has the meaning set forth in Section 2.22.

"***Indebtedness***" of any Person means (without duplication) (a) Debt for Borrowed Money, (b) obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business which are not overdue, (c) all obligations, contingent or otherwise, of such Person in respect of any letters of credit, bankers' acceptances or interest rate, currency or commodity swap, cap or floor arrangements, (d) all indebtedness of others secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the indebtedness secured thereby has been assumed, (e) all amounts payable by such Person in connection with mandatory redemptions or repurchases of preferred stock, and (f) obligations of such Person under direct or indirect guarantees in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (e) above.

"***Indemnified Taxes***" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Credit Document and (b) to the extent not otherwise described in (a), Other Taxes.

"***Indemnitee***" has the meaning set forth in Section 11.03.

"***Index Debt***" means the senior unsecured long-term debt securities of the Borrower, without third-party credit enhancement provided by a Person other than the Borrower.

"***Ineligible Institution***" has the meaning assigned to such term in Section 11.04(b).

"***Information***" has the meaning set forth in Section 11.12.

"***Initial LC Bank***" means each of the Lead Lenders.

"***Insufficiency***" means, with respect to any Plan, the amount, if any, by which the present value of all vested and unvested accrued benefits under such Plan exceeds the fair market value of assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan using actuarial assumptions used in determining such Plan's target normal cost for purposes of Section 430(b) of the Code.

"***Interest Election Request***" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.06.

"***Interest Payment Date***" means (a) with respect to any ABR Loan, the last Business Day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, the day that is three months after the first day of such Interest Period and (c) with respect to any Loan, the Termination Date.

"***Interest Period***" means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one week or one, two, three or six months thereafter, as the Borrower may elect; *provided* that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day; and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"***Interpolated Rate***" means, in relation to the LIBO Rate, the rate which results from interpolating on a linear basis between:

(a) the applicable LIBO Rate for the longest period (for which that LIBO Rate is available) which is less than the Interest Period of that Loan; and

(b) the applicable LIBO Rate for the shortest period (for which that LIBO Rate is available) which exceeds the Interest Period of that Loan,

each as of approximately 11:00 a.m. (London, England time) two Business Days prior to the commencement of such Interest Period of that Loan.

"***LC Bank***" means the Initial LC Banks or any other Lender approved by the Borrower and the Administrative Agent that may agree to issue Letters of Credit pursuant to an agreement

in form satisfactory to the Borrower and the Administrative Agent, so long as such Lender expressly agrees to perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as an LC Bank and notifies the Administrative Agent of its applicable lending office (which information shall be recorded by the Administrative Agent in the Register), for so long as such Initial LC Bank or Lender, as the case may be, shall have a Letter of Credit Commitment.

"***LC Exposure***" means, at any time, the sum of (a) the LC Outstandings at such time plus (b) the aggregate amount of all Unreimbursed LC Disbursements at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"LC Outstandings" means, for any date of determination, the aggregate maximum amount available to be drawn under all Letters of Credit outstanding on such date (assuming the satisfaction of all conditions for drawing enumerated therein).

"***LC Risk Participation Fee***" has the meaning set forth in Section 2.12.

"Lead Lenders" means Barclays, Citibank, N.A., MUFG Bank, Ltd., Credit Suisse AG, Cayman Islands Branch, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association.

"***Lender Notice Date***" has the meaning assigned to such term in Section 2.21(b).

"***Lenders***" means (a) the Persons listed on Schedule 2.01, including any such Person identified thereon or in the signature pages hereto as a Lead Arranger, and any other Person that shall have become a party hereto pursuant to Section 2.22 or pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption and (b) if and to the extent so provided in Section 2.04(c), the applicable LC Bank. For the avoidance of doubt, the term "Lenders" excludes the Departing Lenders.

"Letter of Credit" means a standby letter of credit issued by the applicable LC Bank pursuant to the terms of this Agreement, together with the Existing Letters of Credit deemed issued hereunder pursuant to Section 2.04(h), in each case, as such letter of credit may from time to time be amended, modified or extended in accordance with the terms of this Agreement.

"***Letter of Credit Commitment***" means, with respect to each LC Bank, the obligation of such LC Bank to issue Letters of Credit for the account of the Borrower from time to time in an aggregate amount up to $25,000,000 (or such larger amount as may be separately agreed to in writing by such LC Bank and the Borrower and notified to the Administrative Agent). The Letter of Credit Commitment is part of, and not in addition to, the Commitments.

"***LIBO Rate***" means for any Interest Period as to any Eurodollar Loan, (i) the rate per annum determined by the Administrative Agent to be the offered rate which appears on the page of the Reuters Screen which displays the London interbank offered rate administered by ICE Benchmark Administration Limited (such page currently being the LIBOR01 page) (the ***"LIBO Rate"***) for deposits (for delivery on the first day of such Interest Period) with a term equivalent

to such Interest Period in Dollars, determined as of approximately 11:00 a.m. (London, England time), two Business Days prior to the commencement of such Interest Period, (ii) in the event the rate referenced in the preceding clause (i) does not appear on such page or service or if such page or service shall cease to be available, the rate determined by the Administrative Agent to be the offered rate on such other page or other service which displays the LIBO Rate for deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period in Dollars, determined as of approximately 11:00 a.m. (London, England time) two Business Days prior to the commencement of such Interest Period or (iii) in the event the rates referenced in the preceding clauses (i) and (ii) are not available, the rate per annum determined by the Administrative Agent to be the average offered quotation rate by major banks in the London interbank market to Barclays for deposits (for delivery on the first day of the relevant period) in Dollars of amounts in same day funds comparable to the principal amount of the Eurodollar Loan for which the LIBO Rate is then being determined with maturities comparable to such Interest Period as of approximately 11:00 a.m. (London, England time) two Business Days prior to the commencement of such Interest Period; provided that if LIBO Rates are quoted under either of the preceding clauses (i) or (ii), but there is no such quotation for the Interest Period elected, the LIBO Rate shall be equal to the Interpolated Rate; and provided, further, that if any such rate determined pursuant to the preceding clauses (i), (ii) or (iii) is below zero, the LIBO Rate will be deemed to be zero.

"***Lien***" has the meaning set forth in Section 6.01(a).

"***Loans***" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"***Mandatorily Convertible Securities***" means any mandatorily convertible equity-linked securities issued by the Borrower or a Hybrid Vehicle that meet the following criteria: (a) such securities require no repayments or prepayments and no mandatory redemptions or repurchases (other than repayments, prepayments, redemptions or repurchases that are to be settled by the issuance of equity securities by the Borrower), in each case prior to at least 91 days after the Termination Date and (b) the claims of holders of any such securities are subordinated to the claims of the Administrative Agent and the Lenders in respect of the Obligations on terms reasonably satisfactory to the Arrangers. As used in this definition, "mandatory redemption" shall not include conversion of a security into common stock of the Borrower.

"***Margin Stock***" means margin stock within the meaning of Regulations U and X issued by the Board.

"***Material Adverse Effect***" means a material adverse effect on (a) the business, assets, operations, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole; (b) the validity or enforceability of any of Credit Documents or the rights, remedies and benefits available to the Administrative Agent and the Lenders thereunder; or (c) the ability of the Borrower to consummate the Transactions.

"***Material Subsidiary***" means at any time NIPSCO, and each Subsidiary of the Borrower, other than NIPSCO, in respect of which:

(a) the Borrower's and its other Subsidiaries' investments in and advances to such Subsidiary and its Subsidiaries exceed 10% of the consolidated total assets of the Borrower and its Subsidiaries taken as a whole, as of the end of the most recent fiscal year; or

(b) the Borrower's and its other Subsidiaries' proportionate interest in the total assets (after intercompany eliminations) of such Subsidiary and its Subsidiaries exceeds 10% of the consolidated total assets of the Borrower and its Subsidiaries as of the end of the most recent fiscal year; or

(c) the Borrower's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principles of such Subsidiary and its Subsidiaries exceeds 10% of the consolidated income of the Borrower and its Subsidiaries for the most recent fiscal year.

"***Moody's***" means Moody's Investors Service, Inc., and any successor thereto.

"***Multiemployer Plan***" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA that is subject to Title IV of ERISA and to which the Borrower or an ERISA Affiliate makes, or is required to make, contributions or otherwise has any liability (including contingent liability).

"***Multiple Employer Plan***" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, which (a) is maintained for employees of the Borrower or an ERISA Affiliate and at least one Person other than the Borrower and its ERISA Affiliates, or (b) was so maintained and in respect of which the Borrower or an ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event that such plan has been or were to be terminated.

"***NIPSCO***" means Northern Indiana Public Service Company, an Indiana corporation.

"***Non-Consenting Lender***" means any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of all or all affected Lenders in accordance with the terms of Section 11.02 and (ii) has been approved by the Required Lenders.

"***Non-Extending Lender***" has the meaning assigned to such term in Section 2.21(b).

"***Non-Extension Notice Date***" has the meaning assigned to such term in Section 2.04(j).

"***Non-Recourse Debt***" means Indebtedness of the Borrower or any of its Subsidiaries which is incurred in connection with the acquisition, construction, sale, transfer or other Disposition of specific assets, to the extent recourse, whether contractual or as a matter of law, for non-payment of such Indebtedness is limited (a) to such assets or (b) if such assets are (or are to be) held by a Subsidiary formed solely for such purpose, to such Subsidiary or the Capital Stock of such Subsidiary.

"***Obligations***" means all amounts, direct or indirect, contingent or absolute, of every type or description, and at any time existing and whenever incurred (including, without limitation,

after the commencement of any bankruptcy proceeding), owing to the Administrative Agent or any Lender pursuant to the terms of this Agreement or any other Credit Document.

"***OFAC***" means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

"***Other Connection Taxes***" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Credit Document, or sold or assigned an interest in any Loan or Credit Document).

"***Other Taxes***" means any and all present or future stamp, documentary or similar Taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

"***Outstanding Loans***" means, as to any Lender at any time, the aggregate principal amount of all Loans made or maintained by such Lender then outstanding.

"***Parent***" means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

"***Participant***" has the meaning set forth in Section 11.04.

"***Participant Register***" has the meaning set forth in Section 11.04.

"***PBGC***" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"***Person***" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"***Plan***" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"***Plan Asset Regulations***" means 29 CFR § 2510.3-101 et seq., as modified by Section 3(42) of ERISA.

"***Pricing Grid***" means the pricing grid attached hereto as Annex A.

"***Prime Rate***" means the rate of interest last quoted by The Wall Street Journal as the "Prime Rate" in the U.S. or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Board in Federal Reserve Statistical Release H.15 (519)

(Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by the Administrative Agent) or any similar release by the Board (as determined by the Administrative Agent).

"***Pro Forma Basis***" means, in connection with any calculation of compliance with any financial covenant or term, the calculation thereof after giving effect on a pro forma basis to the change in such calculation required by the applicable provision hereof, and otherwise on a basis in accordance with GAAP as used in the preparation of the latest financial statements provided pursuant to Section 5.01(h)(i) or (ii) and otherwise reasonably satisfactory to the Administrative Agent.

"***Project***" means an energy or power generation, transmission or distribution facility (including, without limitation, a thermal energy generation, transmission or distribution facility and an electric power generation, transmission or distribution facility (including, without limitation, a cogeneration facility)), a gas production, transportation or distribution facility, or a minerals extraction, processing or distribution facility, together with (a) all related electric power transmission, fuel supply and fuel transportation facilities and power supply, thermal energy supply, gas supply, minerals supply and fuel contracts, (b) other facilities, services or goods that are ancillary, incidental, necessary or reasonably related to the marketing, development, construction, management, servicing, ownership or operation of such facility, (c) contractual arrangements with customers, suppliers and contractors in respect of such facility, and (d) any infrastructure facility related to such facility, including, without limitation, for the treatment or management of waste water or the treatment or remediation of waste, pollution or potential pollutants.

"***Project Financing***" means Indebtedness incurred by a Project Financing Subsidiary to finance (a) the development and operation of the Project such Project Financing Subsidiary was formed to develop or (b) activities incidental thereto; *provided* that such Indebtedness does not include recourse to the Borrower or any of its other Subsidiaries other than (x) recourse to the Capital Stock in any such Project Financing Subsidiary, and (y) recourse pursuant to a Contingent Guaranty.

"***Project Financing Subsidiary***" means any Subsidiary of the Borrower (a) that (i) is not a Material Subsidiary, and (ii) whose principal purpose is to develop a Project and activities incidental thereto (including, without limitation, the financing and operation of such Project), or to become a partner, member or other equity participant in a partnership, limited liability company or other entity having such a principal purpose, and (b) substantially all the assets of which are limited to the assets relating to the Project being developed or Capital Stock in such partnership, limited liability company or other entity (and substantially all of the assets of any such partnership, limited liability company or other entity are limited to the assets relating to such Project); *provided* that such Subsidiary incurs no Indebtedness other than in respect of a Project Financing.

"***PTE***" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"***Recipient***" means, as applicable, (a) the Administrative Agent and (b) any Lender.

"***Referenced Annual Financial Statements***" means the consolidated balance sheet of the Borrower and its Subsidiaries dated as of December 31, 2018, and related statements of income, statements of cash flows and common shareholders' equity of the Borrower and its Subsidiaries for the fiscal year then ended.

"***Referenced Quarterly Financial Statements***" means the unaudited consolidated balance sheet of the Borrower and its Subsidiaries dated as of September 30, 2018, and related statements of income, statements of cash flows and common shareholders' equity of the Borrower and its Subsidiaries for nine-month period then ended.

"***Register***" has the meaning set forth in Section 11.04.

"***Related Parties***" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents, partners, advisors and representatives of such Person and such Person's Affiliates.

"***Request for Issuance***" has the meaning set forth in Section 2.04.

"***Required Lenders***" means, subject to the terms of Section 2.20, Lenders having more than 50% in aggregate amount of the Commitments, or if the Commitments shall have been terminated, of the Total Outstanding Principal.

"***Responsible Officer***" of the Borrower means any of (a) the President, the chief financial officer, the chief accounting officer and the Treasurer of the Borrower and (b) any other officer of the Borrower whose responsibilities include monitoring compliance with this Agreement.

"***Revolving Credit Exposure***" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure at such time.

"***Revolving Loan***" means a Loan made pursuant to Section 2.02.

"***S&P***" means Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc., and any successor thereto.

"***Sanctioned Country***" means, at any time, a region, country or territory which is, or whose government is, the subject or target of any Sanctions (at the date of this Credit Agreement, Crimea, Cuba, Iran, North Korea and Syria).

"***Sanctioned Person***" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the United Nations Security Council, Her Majesty's Treasury of the United Kingdom, the European Union or any EU member state, (b) any Person located, operating, organized or resident in a Sanctioned Country, (c) any Person controlled by any such Person or (d) any Person otherwise the subject of any Sanctions.

"***Sanctions***" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those

administered by OFAC or the U.S. Department of State or (b) the United Nations Security Council, the European Union, any European Union Member State or Her Majesty's Treasury of the United Kingdom.

"***Specified Event***" means the "Greater Lawrence Incident" as described in Note 18-C and Note 18-E of the Referenced Annual Financial Statements and in the "Risk Factors" section of Borrower's Form 10-K for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission on February 20, 2019.

"***Subsidiary***" means, with respect to any Person, any corporation or other entity of which at least a majority of the outstanding shares of stock or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the Board of Directors of such corporation or other entity (irrespective of whether or not at the time stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more of the Subsidiaries of such Person.

"***Substantial Subsidiaries***" has the meaning set forth in Section 8.01.

"***Taxes***" means any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, penalties and additions to tax imposed thereon or in connection therewith.

"***Termination Date***" means the earlier of (a) February 20, 2024 (or such later date pursuant to an extension in accordance with the terms of Section 2.21) and (b) the date upon which the Commitments are terminated pursuant to Section 8.1 or otherwise.

"***Total Outstanding Principal***" means the aggregate amount of the Outstanding Loans of all Lenders plus the aggregate LC Exposure.

"***Transactions***" means the execution, delivery and performance by the Borrower of this Agreement and the Borrowing of Loans and issuances of Letters of Credit hereunder.

"***Type***", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the LIBO Rate or the Alternate Base Rate.

"Unreimbursed LC Disbursement" means the unpaid obligation (or, if the context so requires, the amount of such obligation) of the Borrower to reimburse the applicable LC Bank for a payment made by such LC Bank under a Letter of Credit, but shall not include any portion of such obligation that has been repaid with the proceeds of, or converted to, Loans hereunder.

"***U.S. Person***" means any Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

"***U.S. Tax Compliance Certificate***" has the meaning specified in Section 2.17(e).

"***Utility Subsidiary***" means a Subsidiary of the Borrower that is subject to regulation by a Governmental Authority (federal, state or otherwise) having authority to regulate utilities, and any Wholly-Owned Subsidiary thereof.

"***Wholly-Owned Subsidiary***" means, with respect to any Person, any corporation or other entity of which all of the outstanding shares of stock or other ownership interests in which, other than directors' qualifying shares (or the equivalent thereof), are at the time directly or indirectly owned or controlled by such Person or one or more of the Subsidiaries of such Person.

"***Withdrawal Liability***" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Sections 4201, 4203 and 4205 of ERISA.

"***Withholding Agent***" means the Borrower and the Administrative Agent.

"***Write-Down and Conversion Powers***" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Type (*e.g.*, a "***Eurodollar Loan***"). Borrowings also may be classified and referred to by Type (*e.g.*, a "***Eurodollar Borrowing***").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "or" shall not be exclusive. The word "will" shall be construed to have the same meaning and effect as the word "shall". The word "law" shall be construed as referring to all statutes, rules, regulations, codes and other laws (including official rulings and interpretations thereunder having the force of law or with which affected Persons customarily comply), and all judgments, orders and decrees, of all Governmental Authorities. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person's successors and assigns, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (e) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. The terms "knowledge of",

"awareness of" and "receipt of notice of" in relation to the Borrower, and other similar expressions, mean knowledge of, awareness of, or receipt of notice by, a Responsible Officer of the Borrower.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; *provided* that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the Effective Date in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made (i) without giving effect to any election under Accounting Standards Codification 825-10-25 (previously referred to as Statement of Financial Accounting Standards 159) (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Borrower or any Subsidiary at "fair value", as defined therein and (ii) without giving effect to any treatment of Indebtedness in respect of convertible debt instruments under Financial Accounting Standards Board Staff Position APB 14-1 to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof.

SECTION 1.05. Amendment and Restatement of the Existing Credit Agreement.

The parties to this Agreement agree that, upon (i) the execution and delivery by each of the parties hereto of this Agreement and (ii) satisfaction of the conditions set forth in Section 3.01, the terms and provisions of the Existing Credit Agreement shall be and hereby are amended, superseded and restated in their entirety by the terms and provisions of this Agreement. This Agreement is not intended to and shall not constitute a novation. All Loans made and Obligations incurred under the Existing Credit Agreement which are outstanding on the Effective Date shall continue as Loans and Obligations under (and shall be governed by the terms of) this Agreement and the other Credit Documents. Without limiting the foregoing, upon the effectiveness hereof: (a) all references in the "Credit Documents" (as defined in the Existing Credit Agreement) to the "Administrative Agent", the "Credit Agreement" and the "Credit Documents" shall be deemed to refer to the Administrative Agent, this Agreement and the Credit Documents, (b) the Existing Letters of Credit which remain outstanding on the Effective Date shall continue as Letters of Credit under (and shall be governed by the terms of) this Agreement, (c) all obligations constituting "Obligations" with any Lender or any Affiliate of any Lender which are outstanding on the Effective Date shall continue as Obligations under this Agreement and the other Credit Documents (subject to clause (f) below), (d) the Administrative Agent shall make such reallocations, sales, assignments or other relevant actions in respect of each Lender's credit exposure under the Existing Credit Agreement as are necessary in order that each such

Lender's Revolving Credit Exposure and outstanding Revolving Loans hereunder reflects such Lender's Applicable Percentage of the outstanding aggregate Revolving Credit Exposures on the Effective Date, (e) the Borrower hereby agrees to compensate each Lender for any and all losses, costs and expenses incurred by such Lender (including the Departing Lenders) in connection with the sale and assignment of any Eurodollar Loans (including the "Eurodollar Loans" under the Existing Credit Agreement) and such reallocation described above, in each case on the terms and in the manner set forth in Section 2.16 hereof and (f) each Departing Lender's "Commitment" under the Existing Credit Agreement shall be terminated, each Departing Lender shall have received payment in full of all of the "Obligations" owing to it under the Existing Credit Agreement (other than obligations to pay fees and expenses with respect to which the Borrower has not received an invoice, contingent indemnity obligations and other contingent obligations owing to it under the "Credit Documents" as defined in the Existing Credit Agreement) and the Departing Lenders shall not be Lenders hereunder.

ARTICLE II
THE CREDITS

SECTION 2.01. Commitments.

(a) Subject to the terms and conditions set forth herein, each Lender severally agrees to make Revolving Loans in Dollars to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (ii) the sum of the Revolving Credit Exposures of all of the Lenders exceeding the Aggregate Commitments.

(b) [Reserved].

(c) Subject to the terms and conditions set forth herein, each LC Bank agrees to issue, extend or amend Letters of Credit and each Lender severally agrees to participate in such Letters of Credit, in each case as set forth herein, from time to time during the Availability Period in an aggregate stated amount that will not result in (i) the aggregate LC Outstandings under this Agreement exceeding $150,000,000, (ii) any Lender's Revolving Credit Exposure exceeding such Lender's Commitment, (iii) the aggregate LC Outstandings of all Letters of Credit issued by any LC Bank exceeding at any time such LC Bank's Letter of Credit Commitment or (iv) the sum of the Revolving Credit Exposures of all of the Lenders exceeding the Aggregate Commitments.

(d) Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans and request the issuance, extension or amendment of Letters of Credit.

SECTION 2.02. Revolving Loans and Revolving Borrowings; Requests for Borrowings.

(a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other

Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans or some combination thereof as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $5,000,000 and not less than $10,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Aggregate Commitments. Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of ten Eurodollar Revolving Borrowings outstanding under this Agreement.

(d) To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone or email (i) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing; or (ii) in the case of an ABR Borrowing, not later than 1:00 p.m., New York City time, on the date of the proposed Borrowing. Each such telephonic or email Borrowing Request shall be irrevocable and shall be confirmed promptly by email, hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in substantially the form of Exhibit C (or such other form as shall be approved by the Administrative Agent) signed by an Authorized Officer of the Borrower. Each such telephonic, email and written Borrowing Request shall specify the following information:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing and the aggregate amount of each Type of Borrowing (if applicable); and

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period".

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

(e) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Eurodollar Borrowing if the Interest Period requested with respect thereto would end after the Termination Date.

SECTION 2.03. [Reserved].

SECTION 2.04. Letters of Credit

(a) *LC Banks.* Subject to the terms and conditions hereof, the Borrower may from time to time request any LC Bank to issue, extend or amend one or more Letters of Credit hereunder. Any such request by the Borrower shall be notified to the Administrative Agent at least five Business Days prior to the date upon which the Borrower proposes that the applicable LC Bank issue, extend or amend such Letter of Credit and in the case of an extension request, shall be in substantially the form of Exhibit E (or such other form as shall be approved by the Administrative Agent and the applicable LC Bank) accompanied by the letter of credit application form of the LC Bank appropriately completed and signed by a Responsible Officer of the Borrower including agreed-upon draft language for such Letter of Credit reasonably acceptable to the applicable LC Bank. At no time shall (i) the aggregate LC Outstandings exceed the sum of the Commitments, (ii) the sum of the aggregate LC Outstandings under this Agreement exceed $150,000,000 or (iii) the aggregate LC Outstandings of all Letters of Credit issued by any LC Bank exceed at any time such LC Bank's Letter of Credit Commitment. No LC Bank shall be under any obligation to issue any Letter of Credit if (i) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such LC Bank from issuing such Letter of Credit, or any Law applicable to such LC Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such LC Bank shall prohibit, or request that such LC Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such LC Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such LC Bank is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon such LC Bank any unreimbursed loss, cost or expense which was not applicable on the Effective Date and which such LC Bank in good faith deems material to it, (ii) the issuance of such Letter of Credit would violate one or more policies of such LC Bank applicable to letters of credit generally (iii) except as otherwise agreed by the Administrative Agent and such LC Bank, such Letter of Credit is in an initial stated amount less than $10,000, (iv) such Letter of Credit is to be denominated in a currency other than Dollars or (v) such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder. No LC Bank shall be under any obligation to amend or extend any Letter of Credit if (i) such Issuing Bank would have no obligation at such time to issue the Letter of Credit in its amended form under the terms hereof or (ii) the beneficiary of such Letter of Credit does not accept the proposed amendment thereto.

(b) *Letters of Credit.* Each Letter of Credit shall be issued (or the stated maturity thereof extended or terms thereof modified or amended) on not less than five Business Days' prior written notice thereof to the Administrative Agent (which shall promptly distribute copies thereof to the Lenders) and the applicable LC Bank. Each such notice (a ***"Request for Issuance"***) shall specify (i) the date (which shall be a Business Day) of issuance of such Letter of Credit (or the date of effectiveness of such extension, modification or amendment) and the stated expiry date

thereof (which shall be (A) subject to Section 2.04(j), not more than twelve months after the date of issuance or last extension and (B) not later than five days prior to the Termination Date then in effect (or, if such day is not a Business Day, the next preceding Business Day)), (ii) the proposed stated amount of such Letter of Credit and (iii) such other information as shall demonstrate compliance of such Letter of Credit with the requirements specified therefor in this Agreement. Each Request for Issuance shall be irrevocable unless modified or rescinded by the Borrower not less than two days prior to the proposed date of issuance (or effectiveness) specified therein. If the applicable LC Bank shall have approved the form of such Letter of Credit (or such extension, modification or amendment thereof), such LC Bank shall not later than 11:00 A.M. (New York City time) on the proposed date specified in such Request for Issuance, and upon fulfillment of the applicable conditions precedent and the other requirements set forth herein and as otherwise agreed to between such LC Bank and the Borrower, issue (or extend, amend or modify) such Letter of Credit and provide notice and a copy thereof to the Administrative Agent. The Administrative Agent shall furnish (x) to each Lender, a copy of such notice and (y) to each Lender that may so request, a copy of such Letter of Credit.

(c) *Reimbursement on Demand*. Subject to the provisions of Section 2.04(d) hereof, the Borrower hereby agrees to pay (whether with the proceeds of Loans made pursuant to this Agreement or otherwise) to the applicable LC Bank on demand (i) on and after each date on which such LC Bank shall pay any amount under any Letter of Credit issued by such LC Bank a sum equal to such amount so paid (which sum shall constitute a demand loan from such LC Bank to the Borrower from the date of such payment by such LC Bank until so paid by the Borrower), plus (ii) interest on any amount remaining unpaid by the Borrower to such LC Bank under clause (i), above, from the date such sum becomes payable on demand until payment in full, at a rate *per annum* which is equal to 2% plus the then applicable Alternate Base Rate until paid in full.

(d) *Loans for Unreimbursed LC Disbursements*. If any LC Bank shall make any payment under any Letter of Credit and if the conditions precedent set forth in Section 3.02 of this Agreement have been satisfied as of the date of such honor, then, each Lender's payment made to such LC Bank pursuant to paragraph (c) of this Section 2.04 in respect of such Unreimbursed LC Disbursement shall be deemed to constitute an ABR Loan made for the account of the Borrower by such Lender. Each such ABR Loan shall mature and be due and payable on the earlier of (i) the first March 31, June 30, September 30 or December 31 to occur following the date such ABR Loan is made and (ii) the Termination Date.

(e) *Participation; Reimbursement of the LC Banks*.

(i) Upon the issuance of any Letter of Credit by any LC Bank (and, in the case of the Existing Letters of Credit, on the Effective Date), such LC Bank hereby sells and transfers to each Lender, and each Lender hereby acquires from such LC Bank, an undivided interest and participation to the extent of such Lender's Applicable Percentage in and to such Letter of Credit, including the obligations of such LC Bank under and in respect thereof and the Borrower's reimbursement and other obligations in respect thereof, whether now existing or hereafter arising.

(ii) If any LC Bank shall not have been reimbursed in full for any payment made by such LC Bank under any Letter of Credit issued by such LC Bank on the date of such payment, such LC Bank shall promptly notify the Administrative Agent and the Administrative Agent shall promptly notify each Lender of such non-reimbursement and the amount thereof. Upon receipt of such notice from the Administrative Agent, each Lender shall pay to the Administrative Agent for the account of such LC Bank an amount equal to such Lender's Applicable Percentage of such Unreimbursed LC Disbursement, plus interest on such amount at a rate per annum equal to the Federal Funds Effective Rate from the date of such payment by such LC Bank to the date of payment to such LC Bank by such Lender. All such payments by each Lender shall be made in United States dollars and in same day funds not later than 3:00 p.m. (New York City time) on the later to occur of (A) the Business Day immediately following the date of such payment by the applicable LC Bank and (B) the Business Day on which such Lender shall have received notice of such non-reimbursement; *provided*, *however*, that if such notice is received by such Lender later than 11:00 A.M. (New York City time) on such Business Day, such payment shall be payable on the next Business Day. Each Lender agrees that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. If a Lender shall have paid to the applicable LC Bank its ratable portion of any Unreimbursed LC Disbursement, together with all interest thereon required by the second sentence of this subparagraph (ii), such Lender shall be entitled to receive its ratable share of all interest paid by the Borrower in respect of such Unreimbursed LC Disbursement. If such Lender shall have made such payment to the applicable LC Bank, but without all such interest thereon required by the second sentence of this subparagraph (ii), such Lender shall be entitled to receive its ratable share of the interest paid by the Borrower in respect of such Unreimbursed LC Disbursement only from the date it shall have paid all interest required by the second sentence of this subparagraph (ii).

(iii) The failure of any Lender to make any payment to the applicable LC Bank in accordance with subparagraph (ii) above, shall not relieve any other Lender of its obligation to make payment, but neither such LC Bank nor any Lender shall be responsible for the failure of any other Lender to make such payment. If any Lender shall fail to make any payment to the applicable LC Bank in accordance with subparagraph (ii) above, then such Lender shall pay to such LC Bank forthwith on demand such corresponding amount together with interest thereon, for each day until the date such amount is repaid to such LC Bank at the Federal Funds Effective Rate. Nothing herein shall in any way limit, waive or otherwise reduce any claims that any party hereto may have against any non-performing Lender.

(f) *Obligations Absolute.* The payment obligations of each Lender under Section 2.04(e) and of the Borrower under Section 2.04(c) of this Agreement in respect of any payment under any Letter of Credit and any Loan made under Section 2.04(d) shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of any Credit Document or any other agreement or instrument relating thereto or to such Letter of Credit;

(ii) any amendment or waiver of, or any consent to departure from, all or any of the Credit Documents;

(iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against any beneficiary, or any transferee, of such Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), any LC Bank, or any other Person, whether in connection with this Agreement, the transactions contemplated herein or by such Letter of Credit, or any unrelated transaction;

(iv) any statement or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment in good faith by the applicable LC Bank under the Letter of Credit issued by such LC Bank against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit; or

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

(g) *Liability of LC Banks and the Lenders.* The Borrower assumes all risks of the acts and omissions of any beneficiary or transferee of any Letter of Credit. Neither the LC Banks, the Lenders nor any of their respective officers, directors, employees, agents or Affiliates shall be liable or responsible for (i) the use that may be made of such Letter of Credit or any acts or omissions of any beneficiary or transferee thereof in connection therewith; (ii) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by any LC Bank against presentation of documents that do not comply with the terms of such Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; or (iv) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit, *except* that the Borrower or any Lender shall have the right to bring suit against the applicable LC Bank, and such LC Bank shall be liable to the Borrower and any Lender, to the extent of any direct, as opposed to consequential, damages suffered by the Borrower or such Lender which were caused by such LC Bank's wilful misconduct or gross negligence as determined by a court of competent jurisdiction in a final and non-appealable judgment, including such LC Bank's wilful or grossly negligent failure to make timely payment under such Letter of Credit following the presentation to it by the beneficiary thereof of a draft and accompanying certificate(s) which strictly comply with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, the applicable LC Bank may accept sight drafts and accompanying certificates presented under the Letter of Credit issued by such LC Bank that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary. Notwithstanding the foregoing, no Lender shall be obligated to indemnify the Borrower for damages caused by any LC Bank's wilful misconduct or gross negligence as determined by a court of competent jurisdiction in a final and non-appealable judgment, and the obligation of the Borrower to

reimburse the Lenders hereunder shall be absolute and unconditional, notwithstanding the gross negligence or wilful misconduct of any LC Bank.

(h) *Transitional Provision*. Subject to the satisfaction of the conditions contained in Sections 3.01 and 3.02, from and after the Effective Date the Existing Letters of Credit shall be deemed to be Letters of Credit issued pursuant to this Section 2.04.

(i) *LC Bank Agreements*. Unless otherwise requested by the Administrative Agent, each LC Bank shall report in writing to the Administrative Agent (i) promptly following the end of each calendar month, the aggregate amount of Letters of Credit issued by it and outstanding at the end of such month, (ii) on or prior to each Business Day on which such LC Bank expects to issue, amend, renew or extend any Letter of Credit, the date of such issuance, amendment, renewal or extension, and the aggregate face amount of the Letters of Credit to be issued, amended, renewed or extended by it and outstanding after giving effect to such issuance, amendment, renewal or extension occurred (and whether the amount thereof changed), it being understood that such LC Bank shall not permit any issuance, renewal, extension or amendment resulting in an increase in the amount of any Letter of Credit to occur without first obtaining written confirmation from the Administrative Agent that it is then permitted under this Agreement, (iii) on each Business Day on which such LC Bank makes any LC Disbursement, the date of such LC Disbursement and the amount of such LC Disbursement, (iv) on any Business Day on which the Borrower fails to reimburse an LC Disbursement required to be reimbursed to such LC Bank on such day, the date of such failure and the amount of such LC Disbursement and (v) on any other Business Day, such other information as the Administrative Agent shall reasonably request.

(j) *Auto-Extension Letters of Credit.* If the Borrower so requests in any applicable request for a Letter of Credit pursuant to Section 2.04(a), each LC Bank may, in its sole discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "***Auto-Extension Letter of Credit***"); provided that any such Auto-Extension Letter of Credit must permit such LC Bank to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day set forth in such Letter of Credit (the "***Non-Extension Notice Date***") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the applicable LC Bank, the Borrower shall not be required to make a specific request to such LC Bank for any such extension. Any LC Bank that agrees to issue an Auto-Extension Letter of Credit shall notify the Administrative Agent of such issuance within five Business Days after the date of issuance thereof and shall notify the Administrative Agent of any prevention of extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the applicable LC Bank to permit the extension of such Letter of Credit at any time to an expiry date not later than five days prior to the Termination Date then in effect (or, if such day is not a Business Day, the next preceding Business Day); provided, however, that no LC Bank shall permit any such extension if such LC Bank has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (including the applicable conditions specified in Section 3.02).

SECTION 2.05. Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds (i) in the case of Eurodollar Borrowings, by 1:00 p.m., New York City time and (ii) in the case of ABR Borrowings, by 3:00 p.m., New York City time, in each case to the account of the Administrative Agent designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account established and maintained by the Borrower at the Administrative Agent's office in New York City.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections.

(a) Each Borrowing initially shall be of the Type or Types specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone or email by the time that a Borrowing Request would be required under Section 2.02 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election; provided, however, with regard to any election pursuant to this Section 2.06 related to a Eurodollar Borrowing, notice of election shall be delivered not later than 11:00 a.m., New York City time, three (3) Business Days prior to the effective date of such election. Each such telephonic or email Interest Election Request shall be irrevocable and shall be confirmed promptly by telecopy

or email to the Administrative Agent of a written Interest Election Request in substantially the form of Exhibit G (or such other form as shall be approved by the Administrative Agent) and signed by the Borrower.

(c) Each Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions of such Borrowing, the portions thereof to be allocated to each resulting Type of Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Type of Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07. Mandatory Termination or Reduction of Commitments.

Unless previously terminated, the Commitments shall terminate on the Termination Date.

SECTION 2.08. Mandatory Prepayments.

(a) If at any time the Total Outstanding Principal exceeds the Aggregate Commitments then in effect for any reason whatsoever (including, without limitation, as a result of any reduction in the Aggregate Commitments pursuant to Section 2.09), the Borrower shall prepay Loans or cash collateralize LC Exposure in an account with the Administrative Agent pursuant to the final paragraph of Section 8.01, as applicable, in such aggregate amount (together with accrued interest thereon to the extent required by Section 2.13) as shall be necessary so that, after giving effect to such prepayment, the Total Outstanding Principal does not exceed the Aggregate Commitments.

(b) Each prepayment of Loans pursuant to this Section 2.08 shall be accompanied by the Borrower's payment of any amounts payable under Section 2.16 in connection with such prepayment. Prepayments of Revolving Loans shall be applied ratably to the Loans so prepaid.

SECTION 2.09. Optional Reduction or Termination of Commitments.

(a) The Borrower may at any time terminate, or from time to time reduce, the Commitments (including the unused Letter of Credit Commitments of the LC Banks); *provided* that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $10,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the Total Outstanding Principal would exceed the Aggregate Commitments thereafter in effect.

(b) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under Section 2.09(a) at least five Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; *provided* that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent.

(c) Each reduction of the Commitments pursuant to this Section 2.09 shall be made ratably among the Lenders in accordance with their respective Commitments immediately preceding such reduction.

SECTION 2.10. Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent (i) for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Termination Date and (ii) for the account of each Lender the then unpaid principal amount of each ABR Loan deemed to be made pursuant to Section 2.04(d) on the maturity date therefor as determined pursuant to Section 2.04(d).

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The Register and the corresponding entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be *prima facie* evidence of the existence and amounts of the obligations recorded therein; *provided* that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to such Lender and its registered assigns and in substantially the form of Exhibit F. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 11.04) be represented by one or more promissory notes in such form payable to the payee named therein and its registered assigns.

SECTION 2.11. Optional Prepayment of Loans.

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent by telecopy or email of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; *provided* that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Each such notice of prepayment shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a prepayment notice in substantially the form of Exhibit H (or such other form as shall be approved by the Administrative Agent) and signed by the Borrower. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02, it being

understood that the foregoing minimum shall not apply to the prepayment in whole of the outstanding Revolving Loans of all Lenders. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Revolving Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13 and by any amounts payable under Section 2.16 in connection with such prepayment.

SECTION 2.12. Fees.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee (each a "***Facility Fee***"), which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; *provided* that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such Facility Fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued Facility Fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the Effective Date; *provided* that any Facility Fees accruing after the date on which the Commitments terminate shall be payable on demand. All Facility Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a letter of credit risk participation fee (each a "***LC Risk Participation Fee***"), which shall accrue at the Applicable Rate on the average daily amount of the LC Outstandings during the period from and including the Effective Date to but excluding the Termination Date or such later date as on which there shall cease to be any LC Outstandings. Accrued LC Risk Participation Fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the Effective Date; *provided* that any LC Risk Participation Fees accruing after the date on which the Commitments terminate shall be payable on demand. All LC Risk Participation Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The Borrower shall also pay to the LC Bank for its own account (x) a fronting fee, which fronting fee shall accrue at a per annum rate agreed upon between the Borrower and the applicable LC Bank on the average daily amount of such LC Outstandings in respect of all Letters of Credit issued by such LC Bank during the period each such Letter of Credit shall be outstanding, which fronting fee shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which such Letter of Credit terminates, and (y) documentary and processing charges in connection with the issuance, or modification cancellation, negotiation, or transfer of, and draws under Letters of Credit issued by such LC Bank in accordance with such LC Bank's standard schedule for such charges as in effect from time to time.

(c) The Borrower agrees to pay to the Administrative Agent and each Arranger, in each case, for its own account and for the account of the other Persons entitled thereto, the fees provided for in the applicable fee letter dated January 23, 2019, executed and delivered with

respect to the credit facility provided for herein, in each case, in the amounts and at the times set forth therein and in immediately available funds.

(d) All fees payable hereunder shall be paid in immediately available funds. Fees due and paid shall not be refundable under any circumstances.

SECTION 2.13. Interest.

(a) The Loans comprising each ABR Borrowing shall bear interest at a rate *per annum* equal to the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at a rate *per annum* equal to the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) [Reserved].

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate *per annum* equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided above.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; *provided* that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(i) the Administrative Agent reasonably determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or

(ii) the Administrative Agent is advised by the Required Lenders that the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by any Electronic System as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing.

(b) If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (a)(i) above have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in clause (a)(i) above have not arisen but the supervisor for the administrator of the LIBO Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the LIBO Rate shall no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the LIBO Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable. Notwithstanding anything to the contrary in Section 11.02, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five (5) Business Days of the date a copy of such amendment is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment. If such alternate rate of interest shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

SECTION 2.15. Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, liquidity, compulsory loan, insurance charge or similar assessment or requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any LC Bank (except any such reserve requirement described in paragraph (e) of this Section);

(ii) impose on any Lender or any LC Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or participation therein or Unreimbursed LC Disbursements or Letters of Credit and participations therein; or

(iii) subject the Administrative Agent or any Lender to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, Letter of Credit Commitment or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to the Administrative Agent, such Lender or such LC Bank of making, continuing, converting to or maintaining any Loan or Unreimbursed LC Disbursement or issuing or maintaining Letters of Credit and participation interests therein (or of maintaining its obligation to make any such Loan or issue or participate in such Letter of Credit) or to reduce the amount of any sum received or receivable by the Administrative Agent, such Lender or such LC Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to the Administrative Agent, such Lender or such LC Bank, as the case may be, such additional amount or amounts as will compensate the Administrative Agent, such Lender or such LC Bank for such additional costs incurred or reduction suffered.

(b) If any Lender or any LC Bank determines that any Change in Law regarding capital adequacy or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or such LC Bank's capital or on the capital of its holding company, if any, as a consequence of this Agreement to a level below that which such Lender or such LC Bank or its holding company could have achieved but for such Change in Law (taking into consideration its policies and the policies of its holding company with respect to capital adequacy and liquidity), then from time to time the Borrower will pay to such Lender or such LC Bank, as the case may be, such additional amount or amounts as will compensate it or its holding company for any such reduction suffered.

(c) A certificate of a Lender or the applicable LC Bank, as the case may be, setting forth the amount or amounts necessary to compensate it or its holding company as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or any LC Bank to demand compensation pursuant to this Section shall not constitute a waiver of its right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than ninety days prior to the date that such Lender or such LC Bank notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of its intention to claim compensation therefor; provided, further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the ninety day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) The Borrower shall pay (without duplication as to amounts paid under this Section 2.15) to each Lender, so long as such Lender shall be required under regulations of the Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar

Loan of such Lender, from the date of such Loan until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the LIBO Rate for the Interest Period for such Loan from (ii) the rate obtained by dividing such LIBO Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Loan. Such additional interest determined by such Lender and notified to the Borrower and the Administrative Agent, accompanied by the calculation of the amount thereof, shall be conclusive and binding for all purposes absent manifest error.

(f) If any Lender determines that any law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable lending office to make, maintain or fund Eurodollar Loans, or to determine or charge interest rates based upon the LIBO Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Loans or to convert ABR Loans to Eurodollar Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Loans of such Lender to ABR Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.11(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount reasonably determined by such Lender to be equal to the excess, if any, of (x) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the LIBO Rate for such Interest Period, over (y) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for dollar deposit from other banks in the eurodollar market at the commencement of such

period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then (i) the applicable Withholding Agent shall be entitled to make such deduction or withholding and timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law, and (ii) if such Tax is an Indemnified Tax, then the amount payable shall be increased as necessary so that after making all required deductions (including deductions and withholdings of Indemnified Taxes applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deductions or withholdings been made.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify each Recipient, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by such Recipient and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or any LC Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or any LC Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e)

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Credit Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable

law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.17(e)(ii)(A) and (ii)(B) and Section 2.17(f) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Credit Document, executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E (as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Credit Document, IRS Form W-8BEN or IRS Form W-8BEN-E (as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed copies of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit I-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled

foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E (as applicable); or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit I-2 or Exhibit I-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit I-4 on behalf of each such direct and indirect partner; and

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(f) If a payment made to a Lender under any Credit Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by Law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 2.17(f), "FATCA" shall include any amendments made to FATCA after the date of this Agreement. Each Lender agrees that if any documentation it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such documentation or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including by the payment of additional amounts pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 2.17(g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 2.17(g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 2.17(g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 11.04 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Credit Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Credit Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (h).

(i) Each party's obligations under this Section 2.17 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Credit Document.

(j) For purposes of this Section 2.17, the term "applicable law" includes FATCA.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-Offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.15, 2.16, 2.17 or 11.03, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its office listed in Section 11.01(b), except that payments pursuant to Sections 2.15, 2.16, 2.17 and 11.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Obligations owing to it resulting in such Lender receiving payment of a greater proportion of the aggregate amount of such Obligations and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans of, or other Obligations owing to, other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans or other Obligations, as applicable; *provided* that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any other Subsidiary or Affiliate of the Borrower (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(e), 2.05(b) or 2.18(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

(f) None of the funds or assets of the Borrower that are used to pay any amount due pursuant to this Agreement shall constitute funds obtained from transactions with or relating to Anti-Corruption Laws or Sanctions.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders.

(a) Any Lender claiming reimbursement or compensation from the Borrower under either of Sections 2.15 and 2.17 for any losses, costs or other liabilities shall use reasonable efforts (including, without limitation, reasonable efforts to designate a different lending office of such Lender for funding or booking its Loans or to assign its rights and obligations hereunder to another of its offices, branches or affiliates) to mitigate the amount of such losses, costs and other liabilities, if such efforts can be made and such mitigation can be accomplished without such Lender suffering (i) any economic disadvantage for which such Lender does not receive full indemnity from the Borrower under this Agreement or (ii) otherwise be disadvantageous to such Lender.

(b) In determining the amount of any claim for reimbursement or compensation under Sections 2.15 and 2.17, each Lender will use reasonable methods of calculation consistent with such methods customarily employed by such Lender in similar situations.

(c) Each Lender will notify the Borrower either directly or through the Administrative Agent of any event giving rise to a claim under Section 2.15 or Section 2.17 promptly after the occurrence thereof which notice shall be accompanied by a certificate of such Lender setting forth in reasonable detail the circumstances of such claim.

(d) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without

recourse (in accordance with and subject to the restrictions contained in Section 11.04, provided that the Administrative Agent may, in its sole discretion, elect to waive the $3,500 processing and recordation fee in connection therewith), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that (i) the Borrower shall have received the prior written consent of the Administrative Agent and each LC Bank, which consent, in the case of the Administrative Agent, shall not unreasonably be withheld and, in the case of each LC Bank, may be given or withheld in the sole discretion of such LC Bank, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts), (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments, (iv) such assignment does not conflict with applicable law and (v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.20. Defaulting Lenders.

Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the Commitment of such Defaulting Lender pursuant to Section 2.12(a);

(b) the Commitment and Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 11.02); provided, that this clause (b) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender affected thereby;

(c) if any LC Exposure exists at the time such Lender becomes a Defaulting Lender then:

(i) so long as no Default shall be continuing, all or any part of the LC Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent the sum of all non-Defaulting Lenders' Revolving Credit Exposures plus such Defaulting Lender's LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments and to the extent the sum of each non-Defaulting Lender's Revolving

Credit Exposure and LC Exposure does not exceed such non-Defaulting Lender's Commitment;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one (1) Business Day following notice by the Administrative Agent cash collateralize for the benefit of the applicable LC Bank only the Borrower's obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in the last paragraph of Section 8.01 for so long as such LC Exposure is outstanding;

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to clause (ii) above, the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(b) or the applicable LC Bank pursuant to Section 2.12(b)(x) (solely with respect to any fronting fee), in each case with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Section 2.12(b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages;

(v) if all or any portion of such Defaulting Lender's LC Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of any LC Bank or any other Lender hereunder, all Facility Fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such LC Exposure) and letter of credit fees payable under Section 2.12(b) with respect to such Defaulting Lender's LC Exposure shall be payable to the applicable LC Bank until and to the extent that such LC Exposure is reallocated and/or cash collateralized; and

(d) so long as such Lender is a Defaulting Lender, no LC Bank shall be required to issue, amend or increase any Letter of Credit, unless it is reasonably satisfied that (i) the related exposure and the Defaulting Lender's then outstanding LC Exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.20(c), and (ii) participating interests in any such newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.20(c)(i) (and such Defaulting Lender shall not participate therein).

If (i) a Bankruptcy Event or a Bail-In Action with respect to a Parent of any Lender shall occur following the date hereof and for so long as such event shall continue or (ii) any LC Bank has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, no LC Bank shall be required to issue, amend or increase any Letter of Credit, unless the applicable LC Bank shall have entered into arrangements with the Borrower or such Lender, satisfactory to the applicable LC Bank to defease any risk to it in respect of such Lender hereunder.

In the event that the Administrative Agent, the Borrower and the LC Banks each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

SECTION 2.21. Extension of Termination Date.

(a) The Borrower may at any time and from time to time not less than ten (10) Business Days prior to any anniversary of the Effective Date (other than the Termination Date), by notice to the Administrative Agent (who shall promptly notify the Lenders), request that each Lender extend (each such date on which an extension occurs, an "***Extension Date***") such Lender's then effective Termination Date (the "***Existing Termination Date***") to the date that is one year after such Lender's Existing Termination Date; provided, that if any requested Extension Date is not a Business Day, such Extension Date shall be the immediately succeeding Business Day.

(b) Each Lender, acting in its sole and individual discretion, shall, by notice to the Administrative Agent given not later than the date that is ten (10) Business Days after the date on which the Administrative Agent received the Borrower's extension request (and in any event, prior to the proposed Extension Date) (the "***Lender Notice Date***"), advise the Administrative Agent whether or not such Lender agrees to such extension (each Lender that determines to so extend its Termination Date, an "***Extending Lender***"). Each Lender that determines not to so extend its Termination Date (a "***Non-Extending Lender***") shall notify the Administrative Agent of such fact promptly after such determination (but in any event no later than the Lender Notice Date), and any Lender that does not so advise the Administrative Agent on or before the Lender Notice Date shall be deemed to be a Non-Extending Lender. The election of any Lender to agree to such extension shall not obligate any other Lender to so agree, and it is understood and agreed that no Lender shall have any obligation whatsoever to agree to any request made by the Borrower for extension of the Termination Date.

(c) The Administrative Agent shall promptly notify the Borrower of each Lender's determination under this Section.

(d) The Borrower shall have the right, but shall not be obligated, on or before the applicable Termination Date for any Non-Extending Lender to replace such Non-Extending Lender with, and add as "Lenders" under this Agreement in place thereof, one or more financial institutions that are not Ineligible Institutions (each, an "***Additional Commitment Lender***") approved by the Administrative Agent and the LC Banks, which approval shall not be unreasonably withheld or delayed, each of which Additional Commitment Lenders shall have entered into an Assignment and Assumption (in accordance with and subject to the restrictions contained in Section 11.04, with the Borrower obligated to pay any applicable processing or recordation fee; provided, that the Administrative Agent may, in its sole discretion, elect to waive the $3,500 processing and recordation fee in connection therewith) with such Non-Extending Lender, pursuant to which such Additional Commitment Lenders shall, effective on or before the applicable Termination Date for such Non-Extending Lender, assume a Commitment

(and, if any such Additional Commitment Lender is already a Lender, its Commitment shall be in addition to such Lender's Commitment hereunder on such date). Prior to any Non-Extending Lender being replaced by one or more Additional Commitment Lenders pursuant hereto, such Non-Extending Lender may elect, in its sole discretion, by giving irrevocable notice thereof to the Administrative Agent and the Borrower (which notice shall set forth such Lender's new Termination Date), to become an Extending Lender. The Administrative Agent may effect such amendments to this Agreement as are reasonably necessary to provide solely for any such extensions with the consent of the Borrower but without the consent of any other Lenders.

(e) If (and only if) the total of the Commitments of the Lenders that have agreed to extend their Termination Date and the new or increased Commitments of any Additional Commitment Lenders is more than 50% of the aggregate amount of the Commitments in effect immediately prior to the applicable Extension Date, then, effective as of the applicable Extension Date, the Termination Date of each Extending Lender and of each Additional Commitment Lender shall be extended to the date that is one year after the then Existing Termination Date (except that, if such date is not a Business Day, such Termination Date as so extended shall be the immediately preceding Business Day) and each Additional Commitment Lender shall thereupon become a "Lender" for all purposes of this Agreement and shall be bound by the provisions of this Agreement as a Lender hereunder and shall have the obligations of a Lender hereunder. For purposes of clarity, it is acknowledged and agreed that the Termination Date on any date of determination shall not be a date more than five (5) years after such date of determination, whether such determination is made before or after giving effect to any extension request made hereunder.

(f) Notwithstanding the foregoing, (x) no more than two (2) extensions of the Termination Date shall be permitted hereunder and (y) any extension of any Revolving Termination Date pursuant to this Section 2.21 shall not be effective with respect to any Extending Lender unless:

(i) no Default or Event of Default shall have occurred and be continuing on the applicable Extension Date and immediately after giving effect thereto;

(ii) the representations and warranties of the Borrower set forth in this Agreement are true and correct on and as of the applicable Extension Date and after giving effect thereto, as though made on and as of such date (or to the extent that such representations and warranties specifically refer to an earlier date, as of such earlier date); and

(iii) the Administrative Agent shall have received a certificate dated as of the applicable Extension Date from the Borrower signed by an Authorized Officer of the Borrower (A) certifying the accuracy of the foregoing clauses (i) and (ii) and (B) certifying and attaching the resolutions adopted by the Borrower approving or consenting to such extension.

(g) On the Termination Date of each Non-Extending Lender, (i) the Commitment of each Non-Extending Lender shall automatically terminate and (ii) the Borrower shall repay such Non-Extending Lender in accordance with Section 2.09 (and shall pay to such Non-Extending

Lender all of the other Obligations owing to it under this Agreement) and after giving effect thereto shall prepay any Revolving Loans outstanding on such date (and pay any additional amounts required pursuant to Section 2.15) to the extent necessary to keep outstanding Revolving Loans ratable with any revised Applicable Percentages of the respective Lenders effective as of such date, and the Administrative Agent shall administer any necessary reallocation of the Revolving Credit Exposures (without regard to any minimum borrowing, pro rata borrowing and/or pro rata payment requirements contained elsewhere in this Agreement).

(h) This Section shall supersede any provisions in Section 2.18 or Section 11.02 to the contrary.

SECTION 2.22. Expansion Option. The Borrower may from time to time elect to increase the Commitments, in each case in an initial minimum amount of $50,000,000 and increments of $1,000,000 in excess thereof, so long as, after giving effect thereto, the aggregate amount of such increases does not exceed $500,000,000. The Borrower may arrange for any such increase to be provided by one or more Lenders (each Lender so agreeing to an increase in its Commitment, an "***Increasing Lender***"), or by one or more new banks, financial institutions or other entities (each such new bank, financial institution or other entity, an "***Augmenting Lender***"; provided that no Ineligible Institution may be an Augmenting Lender), which agree to increase their existing Commitments or provide new Commitments, as the case may be; provided that (i) each Increasing Lender and each Augmenting Lender shall be subject to the approval of the Borrower, the Administrative Agent and each LC Bank and (ii) (x) in the case of an Increasing Lender, the Borrower and such Increasing Lender execute an agreement substantially in the form of Exhibit J hereto, and (y) in the case of an Augmenting Lender, the Borrower and such Augmenting Lender execute an agreement substantially in the form of Exhibit K hereto. No consent of any Lender (other than the Lenders participating in the increase) shall be required for any increase in Commitments pursuant to this Section 2.22. Increases and new Commitments created pursuant to this Section 2.22 shall become effective on the date agreed by the Borrower, the Administrative Agent and the relevant Increasing Lenders or Augmenting Lenders, and the Administrative Agent shall notify each Lender thereof. Notwithstanding the foregoing, no increase in the Commitments (or in the Commitment of any Lender) shall become effective under this paragraph unless, (i) on the proposed date of the effectiveness of such increase, (A) the conditions set forth in Section 3.02 shall be satisfied or waived by the Required Lenders, each Increasing Lender and each Augmenting Lender and the Administrative Agent shall have received a certificate to that effect dated such date and executed by an Authorized Officer of the Borrower and (B) the Borrower shall be in compliance (on a pro forma basis) with the covenant contained in Article VII and (ii) the Administrative Agent shall have received documents and opinions consistent with those delivered on the Effective Date as to the organizational power and authority of the Borrower to borrow hereunder after giving effect to such increase. On the effective date of any increase in the Commitments, (i) each relevant Increasing Lender and Augmenting Lender shall make available to the Administrative Agent such amounts in immediately available funds as the Administrative Agent shall determine, for the benefit of the other Lenders, as being required in order to cause, after giving effect to such increase and the use of such amounts to make payments to such other Lenders, each Lender's portion of the outstanding Revolving Loans of all the Lenders to equal its Applicable Percentage of such outstanding Revolving Loans, and (ii) the Borrower shall be deemed to have repaid and reborrowed all outstanding Revolving Loans as of the date of any increase in the Commitments

(with such reborrowing to consist of the Types of Revolving Loans, with related Interest Periods if applicable, specified in a notice delivered by the Borrower, in accordance with the requirements of Section 2.02). The deemed payments made pursuant to clause (ii) of the immediately preceding sentence shall be accompanied by payment of all accrued interest on the amount prepaid and, in respect of each Eurodollar Loan, shall be subject to indemnification by the Borrower pursuant to the provisions of Section 2.16 if the deemed payment occurs other than on the last day of the related Interest Periods. Nothing contained in this Section 2.22 shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Commitment hereunder at any time. In connection with any increase of the Commitments pursuant to this Section 2.22, any Augmenting Lender becoming a party hereto shall (1) execute such documents and agreements as the Administrative Agent may reasonably request and (2) in the case of any Augmenting Lender that is organized under the laws of a jurisdiction outside of the United States of America, provide to the Administrative Agent and each LC Bank, its name, address, tax identification number and/or such other information as shall be necessary for the Administrative Agent and each LC Bank to comply with "know your customer" and anti-money laundering rules and regulations, including without limitation, the Patriot Act.

ARTICLE III
CONDITIONS

SECTION 3.01. Conditions Precedent to the Effectiveness of this Agreement. This Agreement shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 11.02).

(a) The Administrative Agent (or its counsel) shall have received from each party thereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include facsimile or electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Lenders, the Administrative Agent, the Arrangers and each other Person entitled to the payment of fees or the reimbursement or payment of expenses, pursuant hereto or to those certain fee letters dated January 23, 2019, executed and delivered with respect to the credit facility provided for herein, shall have received all fees required to be paid by the Effective Date (including, without limitation, all fees owing on the Effective Date under Section 2.12(c) hereof), and all expenses for which invoices have been presented on or before the Effective Date.

(c) The Administrative Agent shall have received certified copies of the resolutions of the Board of Directors of the Borrower approving this Agreement, and of all documents evidencing other necessary corporate action and governmental and regulatory approvals with respect to this Agreement.

(d) The Administrative Agent shall have received from the Borrower, to the extent generally available in the relevant jurisdiction, a copy of a certificate or certificates of the Secretary of State (or other appropriate public official) of the jurisdiction of its incorporation, dated reasonably near the Effective Date, (i) listing the charter of the Borrower and each amendment thereto on file in such office and certifying that such amendments are the only

amendments to the Borrower's charter on file in such office, and (ii) stating that the Borrower is duly incorporated and in good standing under the laws of the jurisdiction of its place of incorporation.

(e) (i) The Administrative Agent shall have received a certificate or certificates of the Borrower, signed on behalf of the Borrower by a Secretary, an Assistant Secretary or a Responsible Officer thereof, dated the Effective Date, certifying as to (A) the absence of any amendments to the charter of the Borrower since the date of the certificates referred to in paragraph (d) above, (B) a true and correct copy of the bylaws of the Borrower as in effect on the Effective Date, (C) the absence of any proceeding for the dissolution or liquidation of the Borrower, (D) the truth, in all material respects (provided, that, in each case, such materiality qualifier shall not be applicable to any representations and warranties that are already qualified or modified by "materiality," "Material Adverse Effect" or similar language in the text thereof), of the representations and warranties contained in the Credit Documents to which the Borrower is a party, as the case may be, as though made on and as of the Effective Date, and (E) the absence, as of the Effective Date, of any Default or Event of Default; and (ii) each of such certifications shall be true.

(f) The Administrative Agent shall have received a certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign, and signing, this Agreement and the other Credit Documents to be delivered hereunder on or before the Effective Date.

(g) The Administrative Agent shall have received from McGuireWoods LLP, counsel for the Borrower, a favorable opinion, substantially in the form of Exhibit B hereto and as to such other matters as any Lender through the Administrative Agent may reasonably request.

(h) The Administrative Agent and the Lenders shall have received, at least ten Business Days prior to the Effective Date (or such later date approved by the Administrative Agent) all documentation and other information that is required by the regulatory authorities under the applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the Act.

(i) To the extent the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, the Borrower shall have delivered, at least five days prior to the Effective Date, a Beneficial Ownership Certification in relation to the Borrower, to each Lender who requests the same in writing at least ten days prior to the Effective Date.

SECTION 3.02. Conditions Precedent to Each Extension of Credit. The obligation of each Lender to make any Extension of Credit and of each LC Bank to issue, extend (other than an extension pursuant to an automatic extension provision set forth in the applicable Letter of Credit) or amend any Letter of Credit (including the initial Extension of Credit but excluding any conversion or continuation of any Loan), and any increase in Commitments pursuant to Section 2.22 shall be subject to the satisfaction (or waiver in accordance with Section 11.02) of each of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement (other than the representation and warranty set forth in Section 4.01(g)) shall be true and correct in all material respects on and as of the date of each Extension of Credit, the date of any such increase in Commitments pursuant to Section 2.22 and each Extension Date, except to the extent that such representations and warranties are specifically limited to a prior date, in which case such representations and warranties shall be true and correct in all material respects on and as of such prior date provided, that, in each case, such materiality qualifier shall not be applicable to any representations and warranties that are already qualified or modified by "materiality," "Material Adverse Effect" or similar language in the text thereof.

(b) After giving effect to (A) such Extension of Credit, together with all other Extensions of Credit to be made contemporaneously therewith, and (B) the repayment of any Loans or Unreimbursed LC Disbursements that are to be contemporaneously repaid at the time such Loan is made, such Extension of Credit will not result in the sum of the then Total Outstanding Principal exceeding the Aggregate Commitments.

(c) Such Extension of Credit will comply with all other applicable requirements of Article II, including, without limitation Sections 2.01, 2.02 and 2.04, as applicable.

(d) At the time of and immediately after giving effect to such Extension of Credit, no Default or Event of Default shall have occurred and be continuing or would result from such Extension of Credit or from the application of the proceeds thereof.

(e) At the time of and immediately after giving effect to any increase in Commitments pursuant to Section 2.22 no Default or Event of Default shall have occurred and be continuing or would result therefrom.

(f) In the case of a Revolving Loan, the Administrative Agent shall have timely received a Borrowing Request; and, in the case of a Letter of Credit issuance, extension (other than an extension pursuant to an automatic extension provision set forth in the applicable Letter of Credit) or amendment, a Request for Issuance.

Each Extension of Credit and the acceptance by the Borrower of the benefits thereof shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a), (b), (c) and (d) of this Section.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a corporation duly organized, validly existing, in good standing, and authorized to transact business under the laws of the State of its incorporation.

(b) The execution, delivery and performance by the Borrower of the Credit Documents to which it is a party (i) are within the Borrower's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) do not contravene (A) the Borrower's charter or by-laws, as the case may be, or (B) any law, rule or regulation, or any material Contractual Obligation or legal restriction, binding on or affecting the Borrower or any Material Subsidiary, as the case may be, and (iv) do not require the creation of any Lien on the property of the Borrower or any Material Subsidiary under any Contractual Obligation binding on or affecting the Borrower or any Material Subsidiary.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery and performance by the Borrower of this Agreement or any other Credit Document to which any of them is a party, except for such as (i) have been obtained or made and that are in full force and effect or (ii) are not presently required under applicable law and have not yet been applied for.

(d) Each Credit Document to which the Borrower is a party is a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(e) The Referenced Annual Financial Statements, copies of which have been made available or furnished to each Lender, fairly present the financial condition of the Borrower and its Subsidiaries as at the date thereof and the results of the operations of the Borrower and its Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied.

(f) The Referenced Quarterly Financial Statements, copies of which have been made available or furnished to each Lender, fairly present (subject to year end audit adjustments) the financial condition of the Borrower and its Subsidiaries as at the date thereof and the results of the operations of the Borrower and its Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied.

(g) Since December 31, 2018, there has been no material adverse change in such condition or operations, or in the business, assets, operations, condition (financial or otherwise) or prospects of the Borrower.

(h) Except for the Specified Event, there is no pending or threatened action, proceeding or investigation affecting the Borrower before any court, governmental agency or other

Governmental Authority or arbitrator that (taking into account the exhaustion of appeals) would have a Material Adverse Effect, or that (i) purports to affect the legality, validity or enforceability of this Agreement or any promissory notes executed pursuant hereto, or (ii) seeks to prohibit the ownership or operation, by the Borrower or any of its Material Subsidiaries, of all or a material portion of their respective businesses or assets.

(i) The Borrower and its Subsidiaries, taken as a whole, do not hold or carry Margin Stock having an aggregate value in excess of 10% of the value of their consolidated assets, and no part of the proceeds of any Loan or Letter of Credit hereunder will be used to buy or carry any Margin Stock.

(j) No ERISA Event has occurred, or is reasonably expected to occur, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect.

(k) Schedule SB (Actuarial Information) to the 2018 Annual report (Form 5500 Series) for each Plan, copies of which have been filed with the Internal Revenue Service and made available or furnished to each Lender, is complete and accurate and fairly presents the funding status of such Plan, and since the date of such Schedule SB there has been no adverse change in such funding status which may reasonably be expected to have a Material Adverse Effect.

(l) Neither the Borrower nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan which may reasonably be expected to have a Material Adverse Effect.

(m)Neither the Borrower nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan has been terminated, within the meaning of Title IV of ERISA, and no Multiemployer Plan is reasonably expected to be terminated, within the meaning of Title IV of ERISA, in either such case, that could reasonably be expected to have a Material Adverse Effect.

(n) The Borrower is not an “investment company”, or a company “controlled” by an “investment company”, within the meaning of the Investment Company Act of 1940, as amended.

(o) The Borrower has filed all federal, state and other material income tax returns required to be filed by it and has paid or caused to be paid all taxes due for the periods covered thereby, including interest and penalties, except for any such taxes, interest or penalties which are being contested in good faith and by proper proceedings and in respect of which the Borrower has set aside adequate reserves for the payment thereof in accordance with GAAP.

(p) Except for the Specified Event, the Borrower and its Subsidiaries are and have been in compliance with all laws (including, without limitation, all Environmental Laws), except to the extent that any failure to be in compliance, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(q) No Subsidiary of the Borrower is party to, or otherwise bound by, any agreement that prohibits such Subsidiary from making any payments, directly or indirectly, to the Borrower, by way of dividends, advances, repayment of loans or advances, reimbursements of management or

other intercompany charges, expenses and accruals or other returns on investment, or any other agreement that restricts the ability of such Subsidiary to make any payment, directly or indirectly, to the Borrower, other than prohibitions and restrictions permitted to exist under Section 6.01(e).

(r) The information, exhibits and reports furnished by the Borrower or any of its Subsidiaries to the Administrative Agent or to any Lender in connection with the negotiation of, or compliance with, the Credit Documents, taken as a whole, do not contain any material misstatement of fact and do not omit to state a material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances made.

(s) The Borrower and its Subsidiaries have implemented and maintain in effect policies and procedures reasonably designed to ensure compliance by the Borrower and its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower and its Subsidiaries and their respective officers and employees and, to the knowledge of the Borrower and its Subsidiaries, its respective directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (a) the Borrower or its Subsidiaries or, to the knowledge of the Borrower or its Subsidiaries, any of their respective directors, officers or employees, or (b) to the knowledge of the Borrower, any agent of the Borrower or any of its Subsidiaries which agent will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Borrowing, use of proceeds hereunder or other Transactions will violate Anti-Corruption Laws or applicable Sanctions.

(t) The Borrower is not an EEA Financial Institution.

(u) The information included in each Beneficial Ownership Certification is true and correct in all respects.

(v) None of the Borrower or any of its Subsidiaries is an entity deemed to hold "plan assets" (within the meaning of the Plan Asset Regulations), and neither the execution, delivery nor performance of the transactions hereunder, including the making of any Loan and the issuance of any Letter of Credit hereunder, will give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

ARTICLE V
AFFIRMATIVE COVENANTS

SECTION 5.01. Affirmative Covenants. So long as any Lender shall have any Commitment hereunder or any principal of any Loan, Unreimbursed LC Disbursement, interest or fees payable hereunder shall remain unpaid or any Letter of Credit shall remain outstanding, the Borrower will, unless the Required Lenders shall otherwise consent in writing:

(a) ***Compliance with Laws, Etc.*** (i) Comply, and cause each of its Subsidiaries to comply, in all material respects with all applicable laws, rules, regulations and orders (including, without limitation, any of the foregoing relating to employee health and safety or public utilities and all Environmental Laws), unless the failure to so comply could not reasonably be expected to

have a Material Adverse Effect and (ii) maintain in effect and enforce policies and procedures reasonably designed to ensure compliance by the Borrower and its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

(b) ***Maintenance of Properties, Etc.*** Maintain and preserve, and cause each Material Subsidiary to maintain and preserve, all of its material properties which are used in the conduct of its business in good working order and condition, ordinary wear and tear excepted, if the failure to do so could reasonably be expected to have a Material Adverse Effect.

(c) ***Payment of Taxes, Etc.*** Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) except to the extent the failure to do so could not be reasonably be expected to result in a Material Adverse Effect, all taxes, assessments and governmental charges or levies imposed upon it or upon its property, and (ii) all legal claims which, if unpaid, might by law become a lien upon its property; *provided, however*, that neither the Borrower nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim which is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.

(d) ***Maintenance of Insurance***. Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually obtained by companies engaged in similar businesses of comparable size and financial strength and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates, or, to the extent the Borrower or Subsidiary deems it reasonably prudent to do so, through its own program of self-insurance.

(e) ***Preservation of Corporate Existence, Etc.*** Preserve and maintain, and cause each Material Subsidiary to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises, except as otherwise permitted under this Agreement; *provided that* no such Person shall be required to preserve any right or franchise with respect to which the Board of Directors of such Person has determined that the preservation thereof is no longer desirable in the conduct of the business of such Person and that the loss thereof is not disadvantageous in any material respect to the Borrower or the Lenders.

(f) ***Visitation Rights***. At any reasonable time and from time to time, permit the Administrative Agent or any of the Lenders or any agents or representatives thereof, on not less than five Business Days' notice (which notice shall be required only so long as no Default shall be occurred and be continuing), to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower or any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and its Subsidiaries with any of their respective officers and with their independent certified public accountants; subject, however, in all cases to the imposition of such conditions as the Borrower or Subsidiary shall deem necessary based on reasonable considerations of safety and security and provided that so long as no Default or Event of Default shall have occurred and be continuing, each Lender will be limited to one visit each year.

(g) ***Keeping of Books***. (i) Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all material financial transactions and the assets and business of the Borrower and its Subsidiaries, and (ii) maintain, and cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with generally accepted accounting principles consistently applied.

(h) ***Reporting Requirements***. Deliver to the Administrative Agent for distribution to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower (or, if earlier, concurrently with the filing thereof with the Securities and Exchange Commission or any national securities exchange in accordance with applicable law or regulation), commencing with the fiscal quarter ending March 31, 2019, balance sheets and cash flow statements of the Borrower and its Consolidated Subsidiaries in comparative form as of the end of such quarter and statements of income, statements of common shareholders' equity of the Borrower and its Consolidated Subsidiaries for the period commencing at the end of the previous fiscal year of the Borrower and ending with the end of such quarter, each prepared in accordance with generally accepted accounting principles consistently applied, subject to normal year-end audit adjustments, certified by the chief financial officer of the Borrower.

(ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower (or, if earlier, concurrently with the filing thereof with the Securities and Exchange Commission or any national securities exchange in accordance with applicable law or regulation), commencing with the fiscal year ended December 31, 2018, a copy of the audit report for such year for the Borrower and its Consolidated Subsidiaries containing balance sheets and cash flow statements of the Borrower and its Consolidated Subsidiaries and statements of income, statements of common shareholders' equity of the Borrower and its Consolidated Subsidiaries for such year prepared in accordance with generally accepted accounting principles consistently applied as reported on by independent certified public accountants of recognized national standing acceptable to the Required Lenders, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards;

(iii) concurrently with the delivery of financial statements pursuant to clauses (i) and (ii) above or the notice relating thereto contemplated by the final sentence of this Section 5.01(h), a certificate of a senior financial officer of the Borrower (A) to the effect that no Default or Event of Default has occurred and is continuing (or, if any Default or Event of Default has occurred and is continuing, describing the same in reasonable detail and describing the action that the Borrower has taken and proposes to take with respect thereto), and (B) setting forth calculations, in reasonable detail, establishing Borrower's compliance (the first test period for the delivery of such certificate to be for the period ended December 31, 2018), as at the end of such fiscal quarter, with the financial covenant contained in Article VII;

(iv) as soon as possible and in any event within five days after the occurrence of each Default or Event of Default continuing on the date of such statement, a statement of the chief financial officer of the Borrower setting forth details of such Event of Default or event and the action which the Borrower has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of all reports which the Borrower sends to its stockholders, and copies of all reports and registration statements (other than registration statements filed on Form S-8) that the Borrower or any Subsidiary of the Borrower files with the Securities and Exchange Commission;

(vi) promptly and in any event within 10 days after the Borrower knows or has reason to know that any material ERISA Event has occurred, a statement of the chief financial officer of the Borrower describing such ERISA Event and the action, if any, which the Borrower or any affected ERISA Affiliate proposes to take with respect thereto;

(vii) promptly and in any event within two Business Days after receipt thereof by the Borrower (or knowledge being obtained by the Borrower of the receipt thereof by any ERISA Affiliate), copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(viii) promptly and in any event within five Business Days after receipt thereof by the Borrower (or knowledge being obtained by the Borrower of the receipt thereof by any ERISA Affiliate) from the sponsor of a Multiemployer Plan, a copy of each notice received by the Borrower or any ERISA Affiliate concerning (A) the imposition on the Borrower or any ERISA Affiliate of material Withdrawal Liability by a Multiemployer Plan, (B) the termination, within the meaning of Title IV of ERISA, of any Multiemployer Plan or (C) the amount of liability incurred, or which may be incurred, by the Borrower or any ERISA Affiliate in connection with any event described in clause (A) or (B) above;

(ix) promptly after the Borrower has knowledge of the commencement thereof, notice of any actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Borrower or any Material Subsidiary of the type described in Section 4.01(h);

(x) promptly after the Borrower knows of any change in the rating of the Index Debt by S&P or Moody's, a notice of such changed rating;

(xi) any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified in such certification; and

(xii) (1) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Lender through the Administrative Agent may from time to time reasonably request and (2) information and

documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable "know your customer" requirements under the Act or other applicable anti-money laundering laws.

Notwithstanding the foregoing, the Borrower's obligations to deliver the documents or information required under any of clauses (i), (ii) and (v) above shall be deemed to be satisfied upon (x) the relevant documents or information being publicly available on the Borrower's website or other publicly available electronic medium (such as EDGAR) within the time period required by such clause, and (y) the delivery by the Borrower of notice to the Administrative Agent for distribution to the Lenders, within the time period required by such clause, that such documents or information are so available.

(i) ***Use of Proceeds***. Use the proceeds of the Loans and the Letters of Credit hereunder for working capital and other general corporate purposes, and not request any Extensions of Credit, nor use, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Extension of Credit directly or indirectly (i) for the purpose of funding, financing or facilitating any acquisition for which the Board of Directors of the Person to be acquired (or whose assets are to be acquired) shall have indicated publicly its opposition to the consummation of such acquisition (which opposition has not been publicly withdrawn), (ii) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (iii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country or (iv) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

(j) ***Ratings***. At all times maintain ratings by both Moody's and S&P with respect to the Index Debt.

ARTICLE VI
NEGATIVE COVENANTS

SECTION 6.01. Negative Covenants. So long as any Lender shall have any Commitment hereunder or any principal of any Loan, Unreimbursed LC Disbursement, interest or fees payable hereunder shall remain unpaid or any Letter of Credit shall remain outstanding, the Borrower will not, without the written consent of the Required Lenders:

(a) ***Limitation on Liens***. Create or suffer to exist, or permit any of its Subsidiaries (other than a Utility Subsidiary) to create or suffer to exist, any lien, security interest, or other charge or encumbrance (collectively, "***Liens***") upon or with respect to any of its properties, whether now owned or hereafter acquired, or collaterally assign for security purposes, or permit any of its Subsidiaries (other than a Utility Subsidiary) to so assign any right to receive income in each case to secure or provide for or guarantee the payment of Debt for Borrowed Money of any Person, without in any such case effectively securing, prior to or concurrently with the creation, issuance, assumption or guaranty of any such Debt for Borrowed Money, the Obligations (together with, if the Borrower shall so determine, any other Debt for Borrowed Money of or guaranteed by the Borrower or any of its Subsidiaries ranking equally with the Loans and

Unreimbursed LC Disbursements and then existing or thereafter created) equally and ratably with (or prior to) such Debt for Borrowed Money; *provided, however*, that the foregoing restrictions shall not apply to or prevent the creation or existence of:

(i) (A) Liens on any property acquired, constructed or improved by the Borrower or any of its Subsidiaries (other than a Utility Subsidiary) after the date of this Agreement that are created or assumed prior to, contemporaneously with, or within 180 days after, such acquisition or completion of such construction or improvement, to secure or provide for the payment of all or any part of the purchase price of such property or the cost of such construction or improvement; or (B) in addition to Liens contemplated by clauses (ii) and (iii) below, Liens on any property existing at the time of acquisition thereof, provided that the Liens shall not apply to any property theretofore owned by the Borrower or any such Subsidiary other than, in the case of any such construction or improvement, (1) unimproved real property on which the property so constructed or the improvement is located, (2) other property (or improvements thereon) that is an improvement to or is acquired or constructed for specific use with such acquired or constructed property (or improvement thereof), and (3) any rights and interests (A) under any agreements or other documents relating to, or (B) appurtenant to, the property being so constructed or improved or such other property;

(ii) existing Liens on any property or indebtedness of a corporation that is merged with or into or consolidated with the Borrower or any of its Subsidiaries; *provided* that such Lien was not created in contemplation of such merger or consolidation;

(iii) Liens on any property or indebtedness of a corporation existing at the time such corporation becomes a Subsidiary of the Borrower; *provided* that such Lien was not created in contemplation of such occurrence;

(iv) Liens to secure Debt for Borrowed Money of a Subsidiary of the Borrower to the Borrower or to another Subsidiary of the Borrower;

(v) Liens in favor of the United States of America, any State, any foreign country or any department, agency or instrumentality or political subdivision of any such jurisdiction, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt for Borrowed Money incurred for the purpose of financing all or any part of the purchase price of the cost of constructing or improving the property subject to such Liens, including, without limitation, Liens to secure Debt for Borrowed Money of the pollution control or industrial revenue bond type;

(vi) Liens on any property (including any natural gas, oil or other mineral property) to secure all or part of the cost of exploration, drilling or development thereof or to secure Debt for Borrowed Money incurred to provide funds for any such purpose;

(vii) Liens existing on the date of this Agreement;

(viii) Liens for the sole purposes of extending, renewing or replacing in whole or in part Debt for Borrowed Money secured by any Lien referred to in the foregoing

clauses (i) through (vii), inclusive, or this clause (viii); *provided, however*, that the principal amount of Debt for Borrowed Money secured thereby shall not exceed the principal amount of Debt for Borrowed Money so secured at the time of such extension, renewal or replacement (which, for purposes of this limitation as it applies to a synthetic lease, shall be deemed to be (x) the lessor's original cost of the property subject to such lease at the time of extension, renewal or replacement, *less* (y) the aggregate amount of all prior payments under such lease allocated pursuant to the terms of such lease to reduce the principal amount of the lessor's investment, and borrowings by the lessor, made to fund the original cost of the property), and that such extension, renewal or replacement shall be limited to all or a part of the property or indebtedness which secured the Lien so extended, renewed or replaced (plus improvements on such property);

(ix) Liens on any property or assets of a Project Financing Subsidiary, or on any Capital Stock in a Project Financing Subsidiary, in either such case, that secure only a Project Financing or a Contingent Guaranty that supports a Project Financing; or

(x) Any Lien, other than a Lien described in any of the foregoing clauses (i) through (ix), inclusive, to the extent that it secures Debt for Borrowed Money, or guaranties thereof, the outstanding principal balance of which at the time of creation of such Lien, when added to the aggregate principal balance of all Debt for Borrowed Money secured by Liens incurred under this clause (x) then outstanding, does not exceed $150,000,000.

If at any time the Borrower or any of its Subsidiaries shall create, issue, assume or guaranty any Debt for Borrowed Money secured by any Lien and the first paragraph of this Section 6.01(a) requires that the Loans be secured equally and ratably with such Debt for Borrowed Money, the Borrower shall promptly deliver to the Administrative Agent and each Lender:

(1) a certificate of a duly authorized officer of the Borrower stating that the covenant contained in the first paragraph of this Section 6.01(a) has been complied with; and

(2) an opinion of counsel acceptable to the Required Lenders to the effect that such covenant has been complied with and that all documents executed by the Borrower or any of its Subsidiaries in the performance of such covenant comply with the requirements of such covenant.

(b) ***Mergers, Etc.*** Merge or consolidate with or into, or consummate a Division as the Dividing Person, or reorganize in a jurisdiction outside the United States, or, except in a transaction permitted under paragraph (c) of this Section, convey, transfer, lease or otherwise Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person, or permit any of its Subsidiaries to do so, except that:

(i) any Subsidiary of the Borrower may merge or consolidate with or transfer assets to or acquire assets from any other Subsidiary of the Borrower, *provided* that in the

case of any such merger, consolidation, or transfer of assets to which NIPSCO is a party, the continuing or surviving Person shall be a Wholly-Owned Subsidiary of the Borrower; and

(ii) any Subsidiary of the Borrower may merge into the Borrower or transfer assets to the Borrower;

(iii) the Borrower or any Subsidiary of the Borrower may merge, or consolidate with or transfer all or substantially all of its assets to any other Person; provided that in each case under this clause (iii), immediately after giving effect thereto, (A) no Event of Default shall have occurred and be continuing (determined, for purposes of compliance with Article VII after giving effect to such transaction, on a pro forma basis as if such transaction had occurred on the last day of the Borrower's fiscal quarter then most recently ended); (B) in the case of any such merger, consolidation or transfer of assets to which the Borrower is a party, the Borrower shall be the continuing or surviving corporation; (C) in the case of any such merger, consolidation, or transfer of assets to which NIPSCO is a party, NIPSCO shall be the continuing or surviving corporation and shall be a Wholly-Owned Subsidiary of the Borrower; and (D) the Index Debt shall be rated at least BBB- by S&P and at least Baa3 by Moody's.

(c) ***Sales, Etc. of Assets***. Sell, lease, transfer or otherwise Dispose of, or permit any of their respective Subsidiaries to sell, lease, transfer or otherwise Dispose of (other than in connection with a transaction authorized by paragraph (b) of this Section) any substantial part of its assets; *provided* that the foregoing shall not prohibit (i) the realization on a Lien permitted to exist under Section 6.01(a); or (ii) any such sale, conveyance, lease, transfer or other Disposition that (A) (1) is for a price not materially less than the fair market value of such assets, (2) would not materially impair the ability of the Borrower to perform its obligations under this Agreement and (3) together with all other such sales, conveyances, leases, transfers and other Dispositions, would have no Material Adverse Effect, or (B) would not result in the sale, lease, transfer or other Disposition, in the aggregate, of more than 10% of the consolidated total assets of the Borrower and its Subsidiaries, determined in accordance with GAAP, on December 31, 2015.

(d) ***Compliance with ERISA***. (i) Terminate, or permit any ERISA Affiliate to terminate, any Plan so as to result in a Material Adverse Effect or (ii) permit to exist any occurrence of any Reportable Event (as defined in Title IV of ERISA), or any other event or condition, that presents a material (in the reasonable opinion of the Required Lenders) risk of such a termination by the PBGC of any Plan, if such termination could reasonably be expected to have a Material Adverse Effect.

(e) ***Certain Restrictions***. Permit any of its Subsidiaries to enter into or permit to exist any agreement that by its terms prohibits such Subsidiary from making any payments, directly or indirectly, to the Borrower by way of dividends, advances, repayment of loans or advances, reimbursements of management or other intercompany charges, expenses and accruals or other returns on investment, or any other agreement that restricts the ability of such Subsidiary to make any payment, directly or indirectly, to the Borrower; *provided* that the foregoing shall not apply to prohibitions and restrictions (i) imposed by applicable law, (ii) (A) imposed under an agreement in existence on the date of this Agreement, and (B) described on Schedule 6.01(e),

(iii) existing with respect to a Subsidiary on the date it becomes a Subsidiary that are not created in contemplation thereof (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such prohibition or restriction), (iv) contained in agreements relating to the sale of a Subsidiary pending such sale, *provided* that such prohibitions or restrictions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (v) imposed on a Project Financing Subsidiary in connection with a Project Financing, or (vi) that could not reasonably be expected to have a Material Adverse Effect.

ARTICLE VII
FINANCIAL COVENANT

So long as any Lender shall have any Commitment hereunder or any principal of any Loan, Unreimbursed LC Disbursement, interest or fees payable hereunder shall remain unpaid or any Letter of Credit shall remain outstanding, the Borrower shall maintain a Debt to Capitalization Ratio of not more than 0.70 to 1.00.

ARTICLE VIII
EVENTS OF DEFAULT

SECTION 8.01. Events of Default. If any of the following events ("***Events of Default***") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan or Unreimbursed LC Disbursement when the same becomes due and payable or shall fail to pay any interest, fees or other amounts hereunder within three Business Days after when the same becomes due and payable; or

(b) Any representation or warranty made by the Borrower in any Credit Document or by the Borrower (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect (or any such representation or warranty that was otherwise qualified by materiality shall prove to have been false or misleading in any respect) when made; or

(c) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e), 5.01(f), 5.01(h)(other than clause (y) of the last paragraph thereof), 5.01(i), 6.01 or Article VII; or

(d) The Borrower shall fail to perform or observe any term, covenant or agreement contained in any Credit Document on its part to be performed or observed (other than one identified in paragraph (a), (b) or (c) above) if the failure to perform or observe such other term, covenant or agreement shall remain unremedied for thirty days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

(e) The Borrower or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Indebtedness (excluding Non-Recourse Debt) which is outstanding in a principal amount of at least $50,000,000 in the aggregate (but excluding the Loans) of the Borrower or such Subsidiary, as the case may be, when the same becomes due and payable

(whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the scheduled maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

(f) The Borrower shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against the Borrower (but not instituted by the Borrower), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, the Borrower or for any substantial part of its property) shall occur; or the Borrower shall take any corporate action to authorize any of the actions set forth above in this paragraph (f); or

(g) One or more Subsidiaries of the Borrower in which the aggregate sum of (i) the amounts invested by the Borrower and its other Subsidiaries in the aggregate, by way of purchases of Capital Stock, Capital Leases, loans or otherwise, and (ii) the amount of recourse, whether contractual or as a matter of law (but excluding Non-Recourse Debt), available to creditors of such Subsidiary or Subsidiaries against the Borrower or any of its other Subsidiaries, is $100,000,000 or more (collectively, ***"Substantial Subsidiaries"***) shall generally not pay their respective debts as such debts become due, or shall admit in writing their respective inability to pay their debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against Substantial Subsidiaries seeking to adjudicate them bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of them or their respective debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for them or for any substantial part of their respective property and, in the case of any such proceeding instituted against Substantial Subsidiaries (but not instituted by the Borrower or any Subsidiary of the Borrower), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, the Substantial Subsidiaries or for any substantial part of their respective property) shall occur; or Substantial Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this paragraph (g); or

(h) Any judgment or order for the payment of money in excess of $50,000,000 shall be rendered against the Borrower or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) Any ERISA Event shall have occurred with respect to a Plan and, 30 days after notice thereof shall have been given to the Borrower by the Administrative Agent, (i) such ERISA Event shall still exist and (ii) the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or, in the case of a Plan with respect to which an ERISA Event described in clauses (c) through (e) of the definition of ERISA Event shall have occurred and then exist, the liability related thereto) is equal to or greater than $10,000,000 (when aggregated with paragraphs (j), (k) and (l) of this Section 8.01), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(j) The Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds $10,000,000 or requires payments exceeding $10,000,000 per annum (in either case, when aggregated with paragraphs (i), (k) and (l) of this Section 8.01), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(k) The Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is being terminated, within the meaning of Title IV of ERISA, if as a result of such termination the aggregate annual contributions of the Borrower and its ERISA Affiliates to all Multiemployer Plans which are being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan year of each such Multiemployer Plan immediately preceding the plan year in which the termination occurs by an amount exceeding $10,000,000 (when aggregated with paragraphs (i), (j) and (l) of this Section 8.01), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(l) The Borrower or any ERISA Affiliate shall have committed a failure described in Section 303(k)(1) of ERISA and the amount determined under Section 303(k)(3) of ERISA is equal to or greater than $10,000,000 (when aggregated with paragraphs (i), (j) and (k) of this Section 8.01), and a Material Adverse Effect could reasonably be expected to occur as a result thereof; or

(m) Any provision of the Credit Documents shall be held by a court of competent jurisdiction to be invalid or unenforceable against the Borrower, or the Borrower shall so assert in writing; or

(n) Any Change of Control shall occur;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Commitment of each Lender and the obligation of each LC Bank to issue or maintain Letters of Credit hereunder to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request or with the consent of the Required Lenders, by notice to the Borrower, declare all amounts payable under this Agreement to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; *provided* that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, (1) the Commitment of each Lender and the obligation of each LC Bank to issue or maintain Letters of Credit hereunder shall automatically be terminated and (2) all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

Notwithstanding anything to the contrary contained herein, no notice given or declaration made by the Administrative Agent pursuant to this Section 8.01 shall affect (i) the obligation of any LC Bank to make any payment under any outstanding Letter of Credit issued by such LC Bank in accordance with the terms of such Letter of Credit or (ii) the obligations of each Lender in respect of each such Letter of Credit; *provided, however*, that upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower, require the Borrower to deposit with the Administrative Agent an amount in the cash account (the ***"Cash Account"***) described below equal to the then current LC Outstandings. Such Cash Account shall at all times be free and clear of all rights or claims of third parties. The Cash Account shall be maintained with the Administrative Agent in the name of, and under the sole dominion and control of, the Administrative Agent, and amounts deposited in the Cash Account shall bear interest at a rate equal to the rate generally offered by Barclays for deposits equal to the amount deposited by the Borrower in the Cash Account pursuant to this Section 8.01, for a term to be agreed to between the Borrower and the Administrative Agent. If any drawings under any Letter of Credit then outstanding or thereafter made are not reimbursed in full immediately upon demand or, in the case of subsequent drawings, upon being made, then, in any such event, the Administrative Agent may apply the amounts then on deposit in the Cash Account, in such priority as the Administrative Agent shall elect, toward the payment in full of any or all of the Borrower's obligations hereunder as and when such obligations shall become due and payable. Upon payment in full, after the termination of the Letters of Credit, of all such obligations, the Administrative Agent will repay to the Borrower any cash then on deposit in the Cash Account.

ARTICLE IX
THE ADMINISTRATIVE AGENT

SECTION 9.01. The Administrative Agent.

(a) Each of the Lenders and each LC Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

(b) The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any of the Borrower's Subsidiaries or other Affiliates thereof as if it were not the Administrative Agent hereunder.

(c) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (i) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (ii) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (iii) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its other Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or, if applicable, all of the Lenders) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (1) any statement, warranty or representation made in or in connection with this Agreement, (2) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (3) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (4) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (5) the satisfaction of any condition set forth in Article III or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent and the conformity thereof to such express requirement.

(d) The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower) independent accountants and other experts selected by it and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related

Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

(f) Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not unreasonably be withheld), to appoint a successor, *provided* that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank, in any event having total assets in excess of $500,000,000 and who shall serve until such time, if any, as an Agent shall have been appointed as provided above. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 11.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

(g) Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

(h) No Lender identified on the signature pages of this Agreement as a "Lead Arranger", "Co-Documentation Agent" or "Co-Syndication Agent", or that is given any other title hereunder other than "LC Bank" or "Administrative Agent", shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the generality of the foregoing, no Lender so identified as a "Lead Arranger", "Co-Documentation Agent" or "Co-Syndication Agent" or that is given any other title hereunder, shall have, or be deemed to have, any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

(i) Notwithstanding anything to the contrary herein or in any other Credit Document, the authority to enforce rights and remedies hereunder and in the other Credit Documents against the Borrower shall be vested exclusively in, and all actions and proceedings at law in connection

with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.01 for the benefit of all the Lenders and LC Banks; *provided*, *however*, that the foregoing shall not prohibit (i) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Credit Documents, (ii) the LC Banks from exercising the rights and remedies that inure to its benefit (solely in its capacity as LC Bank) hereunder and under the other Credit Documents, (iii) any Lender from exercising setoff rights in accordance with Section 11.08 (subject to the terms of Section 2.18(c)) or (iv) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a Bankruptcy Event relative to the Borrower; and *provided*, *further*, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Credit Documents, then (A) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.01 and (B) in addition to the matters set forth in clauses (ii), (iii) and (iv) of the preceding proviso and subject to Section 2.18(c), any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

(j) Each Lender acknowledges and agrees that the Extensions of Credit made hereunder are commercial loans and letters of credit and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold Loans hereunder. Each Lender shall, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information (which may contain material, non-public information within the meaning of the United States securities laws concerning the Borrower and its Affiliates) as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder and in deciding whether or to the extent to which it will continue as a Lender or assign or otherwise transfer its rights, interests and obligations hereunder.

ARTICLE X
CERTAIN ERISA MATTERS

SECTION 10.01. Certain ERISA Matters.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrower, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender's

entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments or this Agreement,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrower, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Credit Document or any documents related hereto or thereto).

ARTICLE XI
MISCELLANEOUS

SECTION 11.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for

herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by email or telecopy, as follows:

(a) if to the Borrower, to it at:

290 West Nationwide Boulevard
Columbus, Ohio 43215
Attention: Vice President, Investor Relations and Treasurer
Email: treasury@nisource.com ;

with a copy to the Borrower at:

290 West Nationwide Boulevard
Columbus, Ohio 43215
Attention: Assistant Treasurer
Email: treasury@nisource.com

801 East 86th Avenue
Merrillville, Indiana 46410
Attention: Vice President and Deputy General Counsel, Corporate and Commercial;

(b) if to the Administrative Agent, to Barclays Bank PLC at:

Loan Operations
400 Jefferson Park
Whippany, New Jersey 07981
Attn: Kevin Leamy – Agency Services
Email: 12145455230@tls.ldsprod.com
and
Email: Kevin.leamy@barclays.com
Telephone: Kevin Leamy at (201) 499-0371 or Robin Criscione at (201) 499-8502

with a copy to such party at:

745 Seventh Avenue
New York, New York 10019
Attn: Patrick Shields
Telephone: (212) 526-9531
Email: Patrick.shields@barclays.com
Email: ltmny@barclays.com

(c) if to Barclays as an Initial LC Bank, at:

1301 Sixth Avenue
New York Metro Campus
New York, New York 10019
Attn: Letters of Credit / Dawn Townsend
Telecopier: (212) 412 5011
Email: xraletterofcredit@barclays.com

(d) if to any Lender or any LC Bank (other than Barclays), to it at its address (or telecopy number or email) set forth in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through Electronic Systems, to the extent provided in paragraph (f) below, shall be effective as provided in said paragraph (f).

(e) Notices and other communications to the Lenders hereunder may be delivered or furnished by using Electronic Systems pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(f) Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website, including an Electronic System, shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii) above, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(g) Any party hereto may change its address, telecopy number or email for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

(h) Electronic Systems.

(i) The Borrower and each Lender agrees that the Administrative Agent may, but shall not be obligated to, make Communications (as defined below) available to the Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak, ClearPar or a substantially similar Electronic System.

(ii) Any Electronic System used by the Administrative Agent is provided "as is" and "as available." The Agent Parties (as defined below) and the Borrower do not warrant the adequacy of such Electronic Systems and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party or the Borrower in connection with the Communications or any Electronic System. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") or the Creditor Parties have any liability to the Borrower, any Lender, Administrative Agent or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Communications through an Electronic System, except to the extent that such damages, losses or expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party. "Communications" means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of the Borrower pursuant to any Credit Document or the transactions contemplated therein which is distributed by the Administrative Agent or any Lender by means of electronic communications pursuant to this Section, including through an Electronic System.

SECTION 11.02. Waivers; Amendments.

(a) No failure or delay by the Administrative Agent, any LC Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the LC Banks and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, no Extension of Credit shall be construed as a waiver of any Default, regardless of whether the Administrative Agent, any LC Bank or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; *provided* that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan

or any Unreimbursed LC Disbursement or reduce the rate of interest thereon, or reduce any fees or other amounts payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, any Unreimbursed LC Disbursement or any interest thereon, or any fees or other amounts payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the *pro rata* sharing of payments required thereby, without the written consent of each Lender, (v) [reserved], (vi) waive any of the conditions precedent to the effectiveness of this Agreement set forth in Section 3.01 without the written consent of each Lender, (vii) issue any Letter of Credit with an expiry date, or extend the expiry date of any Letter of Credit to a date, that is later than five days prior to the Termination Date then in effect (or, if such day is not a Business Day, the next preceding Business Day) without the written consent of each Lender, or (viii) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; *provided, further,* that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or any LC Bank hereunder without the prior written consent of the Administrative Agent or such LC Bank, as the case may be.

SECTION 11.03. Expenses; Indemnity; Damage Waiver.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the initial syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the LC Banks, including the reasonable fees, charges and disbursements of counsel for each LC Bank, in connection with the execution, delivery, administration, modification and amendment of any Letters of Credit to be issued by it hereunder, and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, any LC Bank or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, any LC Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made and Letters of Credit issued hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Borrower shall indemnify the Administrative Agent, each Co-Syndication Agent, each Co-Documentation Agent, each LC Bank and each Lender and each Related Party of any of the foregoing Persons (each such Person being called an "***Indemnitee***") against, and hold each Indemnitee harmless from, any and all losses, claims, penalties, damages, liabilities and related reasonable expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or

instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transaction contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property now, in the past or hereafter owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any of its Subsidiaries, and regardless of whether any Indemnitee is a party thereto; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. This Section 11.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent or any LC Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or such LC Bank such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or such LC Bank in its capacity as such.

(d) To the extent permitted by applicable law, (i) the Borrower shall not assert, and does hereby waive, any claim against any Indemnitee for any damages arising from the use by others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet), and (ii) without limiting the rights of indemnification of any Indemnitee set forth in this Agreement with respect to liabilities asserted by third parties, each party hereto shall not assert, and hereby waives, any claim against each other party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions or any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than 20 days after written demand therefor.

SECTION 11.04. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby; provided that, (i) except to the extent permitted pursuant to Section 6.01(b)(ii), the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and each LC Bank (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this

Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more Persons (other than an Ineligible Institution) all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Borrower (provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within ten (10) Business Days after having received notice thereof); provided, further, that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent; and

(C) each LC Bank.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of such Lender's Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, such fee to be paid by either the assigning Lender or the assignee Lender or shared between such Lenders;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-level information

(which may contain material non-public information about the Borrower and its affiliates and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws;

(E) without the prior written consent of the Administrative Agent, no assignment shall be made to a prospective assignee that bears a relationship to the Borrower described in Section 108(e)(4) of the Code; and

(F) no assignment shall be made to any Affiliate of the Borrower.

For the purposes of this Section 11.04(b), the terms "Approved Fund" and "Ineligible Institution" have the following meanings:

"Approved Fund" means any Person (other than a natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person)) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Ineligible Institution" means (a) a natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person), (b) a Defaulting Lender, (c) the Borrower, any of its Subsidiaries or any of its Affiliates, or (d) a company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person or relative(s) thereof.

Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 11.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as a non-fiduciary agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount (and stated interest) of the Loans and other Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "***Register***"). The entries in the Register shall be conclusive (absent manifest error), and

the Borrower, the Administrative Agent, the LC Banks and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(d) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of or notice to the Borrower, any LC Bank or the Administrative Agent, sell participations to one or more banks or other entities (a "***Participant***"), other than an Ineligible Institution, in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 11.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 (subject to the requirements and limitations therein (it being understood that the documentation required under Section 2.17(e) and (f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant agrees to be subject to the provisions of Section 2.19 as through it were an assignee under paragraph (b) of this Section. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the obligations under this Agreement (the "***Participant Register***"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in the obligations under this Agreement) except to the extent that such disclosure is necessary to establish that such interest is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.l5 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including, without limitation, to a Federal Reserve Bank or any central bank, and this Section shall not apply to any such pledge or assignment of a security interest; *provided* that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

SECTION 11.05. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit. The provisions of Sections 2.15, 2.16, 2.17, 10.01(c)(iii) and 11.03 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 11.06. Counterparts; Integration; Effectiveness; Electronic Execution. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the commitment letter relating to the credit facility provided hereby (to the extent provided therein) and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 3.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging shall be effective as delivery of an original executed counterpart of this Agreement. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

SECTION 11.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 11.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each LC Bank or any Affiliate thereof is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, such LC Bank or such Affiliate to or for the credit or the account of the Borrower against any of and all the Obligations now or hereafter existing under this Agreement or any other Credit Document

held by such Lender or such LC Bank, irrespective of whether or not such Lender or such LC Bank shall have made any demand under this Agreement or any other Credit Document and although such obligations of the Borrower may be contingent or unmatured or are owed to a branch, office or Affiliate of such Lender or such LC Bank different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness; provided that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.20 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the LC Banks, and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender, each LC Bank and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, such LC Bank or their respective Affiliates may have. Each Lender and LC Bank agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 11.09. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in the Borough of Manhattan and of the United States District Court of the Southern District of New York sitting in the Borough of Manhattan, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, any LC Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 11.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 11.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 11.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 11.12. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) actual or prospective counterparty (or its advisors) to any swap or derivative transaction or any credit insurance provider, in each case, relating to the Borrower and its obligations, (g) with the consent of the Borrower, (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any LC Bank or any Lender on a nonconfidential basis from a source other than the Borrower or any Subsidiary of the Borrower or (i) on a confidential basis to (i) any rating agency in connection with rating the Borrower or its Subsidiaries or the credit facilities provided hereunder or (ii) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers or other market identifiers with respect to the credit facilities provided hereunder. For the purposes of this Section,

"***Information***" means all information received from the Borrower or any Subsidiary of the Borrower relating to the Borrower or any Subsidiary of the Borrower or its respective businesses, other than any such information that is available to the Administrative Agent, any LC Bank or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary of the Borrower; *provided* that, in the case of information received from the Borrower or any Subsidiary of the Borrower after the Effective Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Administrative Agent, the Co-Documentation Agents, the Co-Syndication Agents, the Arrangers and the Lenders in connection with the administration of this Agreement, the other Credit Documents, and the Commitments.

EACH LENDER ACKNOWLEDGES THAT INFORMATION AS DEFINED IN THE IMMEDIATELY PRECEDING PARAGRAPH FURNISHED TO IT PURSUANT TO THIS AGREEMENT MAY INCLUDE MATERIAL NON-PUBLIC INFORMATION CONCERNING THE BORROWER AND ITS RELATED PARTIES OR THEIR RESPECTIVE SECURITIES, AND CONFIRMS THAT IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MATERIAL NON-PUBLIC INFORMATION AND THAT IT WILL HANDLE SUCH MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH THOSE PROCEDURES AND APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS.

ALL INFORMATION, INCLUDING REQUESTS FOR WAIVERS AND AMENDMENTS, FURNISHED BY THE BORROWER OR THE ADMINISTRATIVE AGENT PURSUANT TO, OR IN THE COURSE OF ADMINISTERING, THIS AGREEMENT WILL BE SYNDICATE-LEVEL INFORMATION, WHICH MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION ABOUT THE BORROWER AND ITS RELATED PARTIES OR THEIR RESPECTIVE SECURITIES. ACCORDINGLY, EACH LENDER REPRESENTS TO THE BORROWER AND THE ADMINISTRATIVE AGENT THAT IT HAS IDENTIFIED IN ITS ADMINISTRATIVE QUESTIONNAIRE A CREDIT CONTACT WHO MAY RECEIVE INFORMATION THAT MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH ITS COMPLIANCE PROCEDURES AND APPLICABLE LAW.

SECTION 11.13. USA PATRIOT Act. Each Lender hereby notifies the Borrower that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

SECTION 11.14. Acknowledgments. The Borrower hereby acknowledges that:

(a) it has been advised by and consulted with its own legal, accounting, regulatory and tax advisors (to the extent it deemed appropriate) in the negotiation, execution and delivery of this Agreement and the other Credit Documents;

(b) neither any Arranger, any Agent nor any Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship between any Arranger, the Administrative Agent and the Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor, and, to the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Administrative Agent, the Arrangers and the Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby;

(c) it is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Credit Documents;

(d) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Arrangers, the Administrative Agent and the Lenders or between the Borrower and the Lenders; and

(e) each Lender and its Affiliates may have economic interests that conflict with those of the Borrower.

SECTION 11.15. Acknowledgment and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Credit Document may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NISOURCE INC., as Borrower

By: _____
Name: Randy G. Hulen
Title: Vice President, Investor Relations and Treasurer

Federal Tax Identification Number: 35-2108964

BARCLAYS BANK PLC, as a Lender, as an LC Bank and as Administrative Agent

By: _____
Name: Sydney G. Dennis
Title: Director

CITIBANK, N.A., as a Lender and as an LC Bank

By: Richard D. Rivera

Name: Richard Rivera
Title: Vice President

MUFG BANK, LTD., as a Lender and as an LC Bank

By: _____
Name: Chi-Cheng Chen
Title: Director

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Lender and as an LC Bank

By: _____
Name: William O'Daly
Title: Authorized Signatory

By: _____
Name: Brady Bingham
Title: Authorized Signatory

JPMORGAN CHASE BANK, N.A., as a Lender
and as an LC Bank

By: _____
Name: Nancy R. Barwig
Title: Credit Executive

WELLS FARGO BANK NATIONAL
ASSOCIATION, as a Lender and as an LC Bank

By: _____
Name: Sheila M. Shaffer
Title: Director

COBANK, ACB, as a Lender

By: _____
Name: Josh Batchelder
Title: Managing Director

BANK OF AMERICA, N.A., as a Lender

By: _____
Name: Margaret Halleland
Title: Vice President

BNP PARIBAS, as a Lender

By: _____
Name: Francis Delaney
Title: Managing Director

By: _____
Name: Theodore Sheen
Title: Director

GOLDMAN SACHS BANK USA, as a Lender

By:_____
Name: Ryan Durkin
Title: Authorized Signatory

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: _____
Name: Benjamin C Cooper
Title: Vice President

MIZUHO BANK, LTD, as a Lender

By: _____
Name: Donna DeMagistris
Title: Authorized Signatory

MORGAN STANLEY BANK, N.A., as a Lender

By: _____
Name: Michael King
Title: Authorized Signatory

THE NORTHERN TRUST COMPANY, as a Lender

By: Peter Hallan

Name: Peter Hallan
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: _____
Name: Thomas E. Redmond
Title: Managing Director

THE BANK OF NOVA SCOTIA, as a Lender

By: _____
Name: David Dewar
Title: Director

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: _____
Name: John M. Eyerman
Title: Senior Vice President

THE HUNTINGTON NATIONAL BANK, as a Lender

By: _____

Name: Dan Swanson
Title: Vice President

The undersigned Departing Lender hereby acknowledges and agrees that, from and after the Effective Date, it is no longer a party to the Existing Credit Agreement or any of the Credit Documents executed in connection therewith and will not be a party to this Agreement.

NATIONAL COOPERATIVE SERVICES CORPORATION, as a Departing Lender

By _____
Name: Paula Z. Kramp
Title: Assistant Secretary-Treasurer

The undersigned Departing Lender hereby acknowledges and agrees that, from and after the Effective Date, it is no longer a party to the Existing Credit Agreement or any of the Credit Documents executed in connection therewith and will not be a party to this Agreement.

ROYAL BANK OF CANADA, as a Departing Lender

By _____
Name: Justin Painter
Title: Authorized Signatory

The undersigned Departing Lender hereby acknowledges and agrees that, from and after the Effective Date, it is no longer a party to the Existing Credit Agreement or any of the Credit Documents executed in connection therewith and will not be a party to this Agreement.

THE BANK OF NEW YORK MELLON, as a Departing Lender

By _____
Johna B. Fidanza
Director

Annex A

PRICING GRID

The "Applicable Rate" for any day with respect to any Eurodollar Loan, ABR Loan, Facility Fee or LC Risk Participation Fee, as the case may be, is the percentage set forth below in the applicable row under the column corresponding to the Status that exists on such day:

Status	Level I	Level II	Level III	Level IV	Level V
Eurodollar Revolving Loans (basis points)	90	100	107.5	127.5	147.5
ABR Loans (basis points)	0	0	7.5	27.5	47.5
Facility Fee (basis points)	10	12.5	17.5	22.5	27.5
LC Risk Participation Fee (basis points)	90	100	107.5	127.5	147.5

For purposes of this Pricing Grid, the following terms have the following meanings (as modified by the provisos below):

"***Level I Status***" exists at any date if, at such date, the Index Debt is rated either A or higher by S&P or A2 or higher by Moody's.

"***Level II Status***" exists at any date if, at such date, the Index Debt is rated either A- by S&P or A3 by Moody's.

"***Level III Status***" exists at any date if, at such date, the Index Debt is rated either BBB+ by S&P or Baa1 by Moody's.

"***Level IV Status***" exists at any date if, at such date, the Index Debt is rated either BBB by S&P or Baa2 by Moody's.

"***Level V Status***" exists at any date if, at such date, the Index Debt is rated either BBB- by S&P or lower or Baa3 by Moody's or lower, or, no other Status exists.

"***Status***" refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status exists at any date.

The credit ratings to be utilized for purposes of this Pricing Grid are those assigned to the Index Debt, and any rating assigned to any other debt security of the Borrower shall be disregarded. The rating in effect at any date is that in effect at the close of business on such date.

Provided, that the applicable Status shall change as and when the applicable Index Debt ratings change.

Provided further, that if the Index Debt is split-rated, the applicable Status shall be determined on the basis of the higher of the two ratings then applicable; *provided further, that,* if the Index Debt is split-rated by two or more levels, the applicable Status shall instead be determined on the basis of the rating that is one level below the higher of the two ratings then applicable.

Provided further, that if both Moody's and S&P, or their successors as applicable, shall have ceased to issue or maintain such ratings, then the applicable Status shall be Level V.

EXHIBIT A

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Fifth Amended and Restated Revolving Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit and guarantees included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

2. Assignee: _____
   [and is an Affiliate/Approved Fund of [identify Lender][1]]

3. Borrower(s): NiSource Inc., a Delaware corporation

4. Administrative Agent: Barclays Bank PLC, as the administrative agent under the Credit Agreement

[1] Select as applicable.

5. Credit Agreement: The Fifth Amended and Restated Revolving Credit Agreement dated as of February 20, 2019 among NiSource Inc., a Delaware corporation, as borrower, the Lenders parties thereto, Barclays Bank PLC, as Administrative Agent, and the other agents parties thereto

6. Assigned Interest:

Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/ Loans Assigned	Percentage Assigned of Commitment/Loans[2]
$	$	%
$	$	%
$	$	%

Effective Date: _____ ___, 20___ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____
Title:

Consented to and Accepted:

BARCLAYS BANK PLC, as Administrative Agent and LC Bank

By: _____
Title:

[2] Set forth, so at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

Consented to:

[_____], as LC Bank

By: _____
Title:

[NISOURCE INC., as Borrower] [3]

By: _____
Title:

[3] To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

ANNEX I

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Credit Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Credit Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01(h) thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, (v) if it is a Foreign Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (vi) it does not bear a relationship to the Borrower described in Section 108(e)(4) of the Code; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the

Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. THIS ASSIGNMENT AND ASSUMPTION SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

EXHIBIT B

FORM OF OPINION OF MCGUIREWOODS LLP

[See Attached.]

McGuireWoods LLP
77 West Wacker Drive
Suite 4100
Chicago, IL 60601-1818
Tel 312.849.8100
Fax 312.849.3690
www.mcguirewoods.com

McGUIREWOODS

February 20, 2019

Each of the Lender Parties
referenced below

NiSource Inc.

Ladies and Gentlemen:

We have acted as special New York counsel to NiSource Inc., a Delaware corporation (the "Borrower"), in connection with the transactions (collectively, the "Transactions") to be consummated on the date hereof pursuant to the Fifth Amended and Restated Revolving Credit Agreement dated as of February 20, 2019 (the "Credit Agreement"), among the Borrower, the various financial institutions signatory to the Credit Agreement as lenders as of the date hereof (collectively, the "Lenders") and Barclays Bank PLC, as administrative agent (in such capacity, the "Agent"; the Agent and the Lenders being referred to, collectively, as the "Lender Parties" and each, individually, as a "Lender Party"). This opinion letter is furnished to you pursuant to Section 3.01(g) of the Credit Agreement. Unless otherwise defined herein, terms used herein have the meanings provided in the Credit Agreement.

Documents Reviewed

In connection with this opinion letter, we have examined the following documents, each of which is dated as of the date of the Credit Agreement unless otherwise indicated:

(a) the Credit Agreement; and

(b) the separate Revolving Notes (the "Notes"), each executed by the Borrower and payable to the order of one of the following Lenders: U.S. Bank National Association, CoBank, ACB and PNC Bank, National Association.

The documents referred to in clauses (a) and (b) above are referred to collectively as the "Subject Documents" and each, individually, as a "Subject Document". Also, we have examined and relied upon the following:

(i) a certificate from the Vice President and Corporate Secretary of the Borrower certifying in each instance as to (A) true and correct copies of the certificate of incorporation and bylaws of the Borrower (the "Organizational Documents") and resolutions of the board of directors of the Borrower authorizing the execution and delivery of the Subject Documents and the performance of its

obligations thereunder and (B) the incumbency and specimen signature(s) of the individual(s) authorized to execute and deliver the Subject Documents;

(ii) a certificate dated February 14, 2019, issued by the Secretary of State of the State of Delaware, attesting to the corporate status of the Borrower in Delaware (the "Status Certificate");

(iii) a Certificate of the Borrower, a copy of which is attached as Annex A hereto (the "Borrower Certificate"), together with the agreements, instruments, orders, writs, injunctions, decrees or judgments referred to on Schedule I thereto (collectively, the "Reviewed Documents"); and

(iv) such other records, documents and instruments as we have deemed necessary for the purposes of this opinion letter.

The Subject Documents and the documents referred to in clauses (i) through (iii) above, including the Organizational Documents and the Reviewed Documents, are referred to collectively as the "Documents" and each, individually, as a "Document".

Certain Defined Terms

As used in this opinion letter, "Applicable Law" means the federal law of the United States (including Regulations T, U and X of the Board of Governors of the Federal Reserve System), the laws of the State of New York, and the Delaware General Corporation Law.

Assumptions Underlying Our Opinions

For all purposes of the opinions expressed herein, we have assumed, without independent investigation, the following.

(a) Factual Matters. To the extent that we have reviewed and relied upon (i) the Borrower Certificate and other certificates of the Borrower or authorized representatives thereof, (ii) representations of the Borrower set forth in the Subject Documents and (iii) certificates and assurances from public officials, all of such certificates, representations and assurances are accurate with regard to factual matters and all official records (including filings with public authorities) are properly indexed and filed and are accurate and complete.

(b) Authentic and Conforming Documents; Signatures; Legal Capacity. All documents submitted to us as originals are authentic, complete and accurate, and all documents submitted to us as copies conform to authentic original documents. The signatures of individuals signing the Subject Documents are genuine. All individuals signing the Subject Documents have the legal capacity to execute such Subject Documents.

(c) Organizational Status, Power and Authority and Legal Capacity of Certain Parties. All parties to the Subject Documents: (i) are validly existing and in good standing in their respective jurisdictions of formation, except that no such assumption is made as to the Borrower; and (ii) have the power and authority to execute, deliver and perform the Subject Documents and

the documents required or permitted to be delivered and performed thereunder, except that no such assumption is made as to the Borrower.

(d) Authorization, Execution and Delivery of Subject Documents by Certain Parties. All of the Subject Documents and the documents required or permitted to be delivered thereunder: (i) have been duly authorized by all necessary corporate, limited liability company, partnership or other action on the part of the parties thereto, except that no such assumption is made as to the Borrower; and (ii) have been duly executed and delivered by such parties, except that no such assumption is made as to the Borrower.

(e) Subject Documents Binding on Certain Parties. All of the Subject Documents and the documents required or permitted to be delivered thereunder are valid and binding obligations enforceable against the parties thereto in accordance with their terms, except that no such assumption is made as to the Borrower.

(f) Noncontravention. Neither the execution and delivery of the Subject Documents by any party thereto nor the performance by such party of its obligations thereunder will conflict with or result in a breach of (i) the certificate or articles of incorporation, bylaws, certificate or articles of organization, operating agreement, certificate of limited partnership, partnership agreement, trust agreement or other similar organizational documents of any such party, except that no such assumption is made with respect to the Borrower as to its Organizational Documents, (ii) any law or regulation of any jurisdiction applicable to any such party, except that no such assumption is made with respect to the Borrower as to any Applicable Law, or (iii) any order, writ, injunction or decree of any court or governmental instrumentality or agency applicable to any such party or any agreement or instrument to which any such party may be a party or by which its properties are subject or bound, except that no such assumption is made with respect to the Borrower as to its Reviewed Documents.

(g) Governmental Approvals. All consents, approvals and authorizations of, or filings with, all governmental authorities that are required as a condition to the execution and delivery of the Subject Documents by the parties thereto and to the consummation by such parties of the Transactions have been obtained or made, except that no such assumption is made with respect to any consent, approval, authorization or filing that is applicable to the Borrower and is the subject of our opinion in Paragraph 6.

(h) No Mutual Mistake, Amendments, etc. There has not been any mutual mistake of fact, fraud, duress or undue influence in connection with the Transactions. There are no oral or written statements or agreements that modify, amend or vary, or purport to modify, amend or vary, any of the terms of the Subject Documents.

(i) Use of Proceeds. With respect to our opinion in Paragraph 5(b) as it relates to Regulations T, U and X of the Board of Governors of the Federal Reserve System, the Borrower will comply with the provisions of the Credit Agreement relating to the use of proceeds.

(j) Certain Documents. Each of the Reviewed Documents will be enforced in accordance with its terms.

(k) Completion of Documents. To the extent that, at the time that we reviewed any Subject Document, any blanks therein had not been filled in or any schedules or exhibits thereto had not been completed or attached, such blanks were properly filled in and such schedules or exhibits were properly completed and attached before each such Subject Document was delivered to any of the Lender Parties.

Our Opinions

Based on and subject to the foregoing and the exclusions, qualifications, limitations and other assumptions set forth in this opinion letter, we are of the opinion that:

1. Organizational Status. Based solely upon its Status Certificate, the Borrower is a validly existing corporation under the laws of the State of Delaware, and is in good standing under such laws, as of the date set forth in its Status Certificate.

2. Power and Authority; Authorization. The Borrower has the corporate power and authority to execute, deliver and perform the terms and provisions of each Subject Document and has taken all necessary corporate action to authorize the execution, delivery and performance thereof.

3. Execution and Delivery. To the extent governed by Applicable Law, the Borrower has duly executed and delivered each Subject Document.

4. Validity and Enforceability. Each Subject Document constitutes the valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, under the laws of the State of New York.

5. Noncontravention. Neither the execution and delivery by the Borrower of any Subject Document, nor the performance by the Borrower of its obligations thereunder: (a) violates any provision of the Organizational Documents of the Borrower; (b) violates any statute or regulation of Applicable Law that, in each case, is applicable to the Borrower; or (c) violates, results in any breach of any of the terms of, or constitutes a default under, any Reviewed Document or results in the creation or imposition of any lien, security interest or other encumbrance (except as contemplated by the Subject Documents) upon any assets of the Borrower pursuant to the terms of any Reviewed Document.

6. Governmental Approvals. No consent, approval or authorization of, or filing with, any governmental authority of the State of New York or the United States or any governmental authority of the State of Delaware pursuant to any statute or regulation of Applicable Law that, in each case, is applicable to the Borrower is required for the due execution and delivery by the Borrower of any Subject Document or the performance by the Borrower of its obligations thereunder, except (a) in each case as have previously been made or obtained and (b) as are required in connection with the Borrower's ordinary course conduct of its business.

7. Investment Company Act. The Borrower is not required to be registered under the Investment Company Act of 1940, as amended.

Confirmation Regarding Proceedings

In addition to the foregoing opinions, we hereby confirm that, to our knowledge, there is no outstanding judgment, action, suit or proceeding pending against the Borrower before any court, governmental agency or arbitrator which challenges the legality, validity, binding effect or enforceability of any Subject Document.

Matters Excluded from Our Opinions

We express no opinion with respect to the following matters:

(a) Indemnification and Change of Control. The enforceability of any agreement of the Borrower in a Subject Document relating to (i) indemnification, contribution or exculpation from costs, expenses or other liabilities which agreement is contrary to public policy or applicable law or (ii) changes in the organizational control or ownership of the Borrower, which agreement is contrary to public policy.

(b) Jurisdiction, Venue, etc. The enforceability of any agreement of the Borrower in a Subject Document to submit to the jurisdiction of any specific federal or state court (other than the enforceability in a court of the State of New York of any such agreement to submit to the jurisdiction of a court of the State of New York), to waive any objection to the laying of the venue, to waive the defense of forum non conveniens in any action or proceeding referred to therein, to waive trial by jury, to effect service of process in any particular manner or to establish evidentiary standards, and any agreement of the Borrower regarding the choice of law governing a Subject Document (other than the enforceability in a court of the State of New York or in a federal court sitting in the State of New York and applying New York law of any such agreement that the laws of the State of New York shall govern a Subject Document).

(c) Certain Laws. The following federal and state laws, and regulations promulgated thereunder, and the effect of such laws and regulations on the opinions expressed herein: securities (including Blue Sky laws but excluding Regulations T, U and X of the Board of Governors of the Federal Reserve System and the Investment Company Act of 1940, to the extent covered by our opinions in paragraphs 5(b) and 7, respectively), antifraud, derivatives or commodities law; banking laws (except as expressly included in the definition of "Applicable Law"); the USA PATRIOT Act of 2001 and other anti-terrorism laws; laws governing embargoed or sanctioned persons; anti-money laundering laws; anti-corruption laws; truth-in-lending laws; equal credit opportunity laws; consumer protection laws; pension and employee benefit laws; environmental laws; tax laws; health and occupational safety laws; building codes and zoning, subdivision and other laws governing the development, use and occupancy of real property; the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other antitrust and unfair competition laws; the Assignment of Claims Act of 1940, as amended; the Hague Securities Convention; and laws governing specially regulated industries (such as communications, energy, gaming, healthcare, insurance, transportation and utilities) or specially regulated products or substances (such as alcohol, drugs, food and radioactive materials), including any that are disclosed in the Borrower Certificate.

(d) Local Ordinances. The ordinances, statutes, administrative decisions, orders, rules and regulations of any municipality, county, special district or other political subdivision of a state.

(e) Trust Relationship. The creation of any trust relationship by the Borrower on behalf of any Lender Party.

(f) Certain Agreements of Borrower. The enforceability of any agreement of the Borrower in a Subject Document providing: (i) for specific performance of the Borrower's obligations; (ii) for the right of any purchaser of a participation interest from any Lender to set off or apply any deposit, property or indebtedness with respect to any such participation interest; (iii) for establishment of a contractual rate of interest payable after judgment; (iv) for adjustments of payments among Lenders or rights of set off; (v) for the granting of any power of attorney; (vi) for survival of liabilities and obligations of any party under any of the Subject Documents arising after the effective date of termination of the Credit Agreement; (vii) for obligations to make an agreement in the future; (viii) that any act done in contravention thereof is void or voidable; (ix) for the survival of any claim beyond any applicable statute of limitation; (x) for the confession of or consent to any judgment; (xi) for the severability of provisions in any Subject Document; or (xii) for arbitration, judicial reference or mediation of any dispute, including any provision specifying the effect of any decision by an independent third party selected to resolve disputes; or the enforceability of any provision in a Subject Document relating to any agreement as to the write-down and conversion powers of any governmental authority of a jurisdiction under any law of such jurisdiction implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union with respect to the obligations of a Lender Party (or the effect of such provision, or such write-down and conversion powers, on any other provision of the Subject Documents).

(g) Remedies. The enforceability of any provision in any Subject Document to the effect that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to any other right or remedy, that the election of some particular remedy does not preclude recourse to one or more others or that failure to exercise or delay in exercising rights or remedies will not operate as a waiver of any such right or remedy.

(h) Waivers and Agreed Standards. The enforceability of any purported waiver, release, variation, disclaimer, consent or other agreement to similar effect (collectively, a "Waiver") or any purported agreement to establish standards for reasonable notification or commercial reasonableness (collectively, an "Agreed Standard") by the Borrower under any Subject Document to the extent such Waiver or Agreed Standard is limited by applicable law, including without limitation judicial decisions.

(i) Security Interests or Liens. The creation, attachment, perfection, priority, validity or enforceability of any security interest in, or lien on, any property.

Qualifications and Limitations Applicable to Our Opinions

The opinions set forth above are subject to the following qualifications and limitations:

(a) Applicable Law. Our opinions are limited to the Applicable Law, and we do not express any opinion concerning any other law. Without limiting the generality of the foregoing, our opinions relating to the Delaware General Corporation Law are limited to our review of the respective texts of such laws without regard to any judicial decisions construing the same. We express no opinion with respect to the usury laws of any jurisdiction except those of the State of New York.

(b) Bankruptcy. Our opinions are subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences, fraudulent transfers and equitable subordination), reorganization, moratorium and other similar laws affecting creditors' rights generally.

(c) Equitable Principles. Our opinions are subject to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing. In applying such principles, a court, among other things, might limit the availability of specific equitable remedies (such as injunctive relief and the remedy of specific performance), might not allow a creditor to accelerate maturity of debt or exercise other remedies upon the occurrence of a default deemed immaterial or for non-credit reasons or might decline to order a debtor to perform covenants in a Subject Document.

(d) Unenforceability of Certain Provisions. Certain of the provisions contained in the Subject Documents may be unenforceable or ineffective, in whole or in part. Such provisions include, without limitation, those which: require waivers or amendments to be made only in writing; purport to waive the right of statutory or equitable redemption; authorize the taking of possession of collateral without judicial process or otherwise authorize self-help or authorize any of the Lender Parties to act on behalf of, or exercise the rights of, the Borrower; violate applicable public policy; waive or do not require notice in connection with the exercise of remedies; authorize a standard for decision other than commercial reasonableness; purport to validate otherwise invalid provisions of other documents incorporated or referred to in any Subject Document; purport to alter the priority of any lien or security interest; or subrogate any of the Lender Parties or any other party to the rights of others. The inclusion of such provisions, however, does not render any Subject Document invalid as a whole, and each of the Subject Documents contains, in our opinion, adequate remedial provisions for the ultimate practical realization of the principal benefits purported to be afforded by such Subject Document, subject to the other qualifications contained in this opinion letter. We note, however, that the unenforceability of such provisions may result in delays in enforcement of the rights and remedies of the Lender Parties under the Subject Documents, and we express no opinion as to the economic consequences, if any, of such delays.

(e) Noncontravention and Governmental Approvals. With respect to the opinions expressed in Paragraphs 5(b) and 6, (i) our opinions are limited to our review of only those statutes and regulations of Applicable Law that, in our experience, are normally applicable to transactions of the type contemplated by the Subject Documents and to business organizations generally and (ii) other than performance of any payment obligation, any guarantee by the Borrower of payment obligations of other persons under any Subject Documents or any obligation to deliver financial information to the Agent or any Lender, we express no opinion whether

performance by the Borrower of its obligations under the Subject Documents after the date hereof would violate any Applicable Law or would require any consent, approval or authorization of, or filing with, any governmental authority.

(f) Material Changes to Terms. Provisions in the Subject Documents which provide that any obligations of the Borrower thereunder will not be affected by the action or failure to act on the part of any Lender Party or by an amendment or waiver of the provisions contained in the other Subject Documents might not be enforceable under circumstances in which such action, failure to act, amendment or waiver so materially changes the essential terms of the obligations that, in effect, a new contract has arisen between the Lender Parties and the Borrower.

(g) Incorporated Documents. The foregoing opinions do not relate to (and we have not reviewed) any documents or instruments other than the Documents, and we express no opinion as to (i) such other documents or instruments (including, without limitation, any documents or instruments referenced or incorporated in any of the Documents), (ii) the interplay between any Document and any such other documents and instruments, or (iii) any schedule, exhibit, appendix or like supplemental document referred to as attached to any Document if so attached or in any manner altered after our review of such Document.

(h) Mathematical Calculations. We have made no independent verification of any of the numbers, schedules, formulae or calculations in the Documents, and we render no opinion with regard to (i) the accuracy, validity or enforceability of any of them, (ii) whether the execution and delivery by the Borrower of any Subject Document or the performance by the Borrower of its obligations thereunder will constitute a default under, or a violation of, any covenant, restriction or provision with respect to any of them, or (iii) any other aspect of the financial condition or results of operations of the Borrower or any of its Subsidiaries.

(i) Reviewed Documents. With respect to our opinion in Paragraph 5(c) as to the Reviewed Documents identified to us in the Borrower Certificate, if any, (i) we express no opinion as to any violation of a Reviewed Document not readily ascertainable from the face of the Reviewed Document or arising from any cross-default provision insofar as it relates to a default under an agreement that is not a Reviewed Document (or, as provided above, arising under a covenant of a financial or numerical nature or requiring computation) and (ii) notwithstanding any provision of any Reviewed Document, or any principle of choice of laws, that would specify that the law of any other state or jurisdiction governs any Reviewed Document, we have construed and applied each Reviewed Document as if it were governed by the laws of the State of New York.

(j) Knowledge. Whenever the phrase "to our knowledge" or "known to us" (or words of similar import) is used in this opinion letter, it means the actual knowledge of the particular McGuireWoods LLP attorneys who have represented the Borrower in connection with the Subject Documents and who have given substantive attention to the preparation and negotiation thereof. Except as expressly set forth herein, the particular McGuireWoods LLP attorneys who have given substantive attention to the preparation of the Subject Documents have not undertaken any independent investigation (including, without limitation, conducting any review, search or investigation of any public files or records or dockets or any review of our files or any inquiry of any other McGuireWoods LLP attorneys who have represented the Borrower or its affiliates in connection with any other matters) to determine the existence or absence of any facts, and no

inference as to the knowledge of the particular McGuireWoods LLP attorneys who have given substantive attention to the preparation of the Subject Documents concerning such facts should be drawn from their reliance on the same in connection with the preparation and delivery of this opinion letter.

(k) Choice of New York Law and Forum. To the extent that any opinion relates to the enforceability of the choice of New York law and choice of New York forum provisions of any Subject Document, our opinion is rendered in reliance upon New York General Obligations Law Sections 5-1401 and 5-1402 and Rule 327(b) of the New York Civil Practice Law and Rules and is subject to the qualification that such enforceability may be limited by principles of public policy, comity and constitutionality. We express no opinion as to whether a United States federal court would have subject-matter or personal jurisdiction over a controversy arising under the Subject Documents.

Miscellaneous

The foregoing opinions are being furnished only to the Lender Parties and only for the purpose referred to in the first paragraph of this opinion letter, and this opinion letter is not to be furnished to any other person or entity or used or relied upon by any other person or for any other purpose without our prior written consent, except that we hereby consent to: (a) disclosure of this opinion letter by any Lender Party on a confidential basis to: (i) any prospective participant in, participant in or prospective assignee of, any Lender's interest in the loans under the Credit Agreement; (ii) accountants, auditors and attorneys of such Lender Party; (iii) any regulatory authority having jurisdiction over such Lender Party; and (iv) any other person pursuant to orders or legal process of any court or as otherwise required of such Lender Party by law, in the case of each of clauses (i) to (iv) above, solely for the purpose of establishing the existence of this opinion letter and on the condition and understanding that no such prospective participant, participant, prospective assignee, accountant, auditor, attorney, regulatory authority or other person is authorized to rely on the foregoing opinions for any other purpose; and (b) reliance hereon by any future assignee of any Lender's interest in the loans under the Credit Agreement pursuant to an assignment that is made and consented to in accordance with the express provisions of Section 11.04 of the Credit Agreement, on the condition and understanding that (i) this letter speaks only as of the date hereof, (ii) we have no responsibility or obligation to update this letter, to consider its applicability or correctness to any person other than its addressee(s), or to take into account changes in law, facts or any other developments of which we may later become aware, and (iii) any such reliance by a future assignee must be actual and reasonable under the circumstances existing at the time of assignment, including any changes in law, facts or any other developments known to or reasonably knowable by the assignee at such time.

The opinions set forth herein are made as of the date hereof, and we assume no obligation to supplement this opinion letter if any applicable laws change after the date hereof or if we become aware after the date hereof of any facts that might change the opinions expressed herein. Headings in this opinion letter are intended for convenience of reference only and shall not affect its interpretation.

Very truly yours,

McGuireWoods LLP

EXHIBIT C

FORM OF REVOLVING LOAN BORROWING REQUEST

REVOLVING LOAN BORROWING REQUEST

Date: _____, ____

To: Barclays Bank PLC,
as Administrative Agent
Loan Operations
400 Jefferson Park
Whippany, New Jersey 07981
Attn: Kevin Leamy – Agency Services
Email: 12145455230@tls.ldsprod.com
and Kevin.leamy@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Fifth Amended and Restated Revolving Credit Agreement dated as of February 20, 2019 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the "Agreement"; the terms defined therein being used herein as therein defined), between NiSource Inc., a Delaware corporation (the "Borrower"), the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

The Borrower hereby requests a Revolving Borrowing, as follows:

1. In the aggregate amount of $_____.

2. On _____, 20__ (a Business Day).

3. Comprised of [an ABR] [a Eurodollar] Borrowing.

[4. With an Interest Period of ___ months.][4]

[4][5]. The Borrower's account to which funds are to be disbursed is:

Account Number: _____
Location:_____

This Borrowing Request and the Revolving Borrowing requested herein comply with the Agreement, including Sections 2.01(a), 2.02, and 3.02 of the Agreement.

[Signature Page Follows.]

[4] Insert if a Eurodollar Borrowing.

NISOURCE INC.

By: _____
Name:
Title:

EXHIBIT D

[Reserved]

EXHIBIT E

FORM OF LC CREDIT EXTENSION REQUEST

LC CREDIT EXTENSION REQUEST

Date: _____, ____

To: [_____],
as LC Bank
[_____]

cc: Barclays Bank PLC,
as Administrative Agent
1301 Sixth Avenue
New York, New York 10019
Attn: Letters of Credit / Dawn Townsend
Telecopier: (212) 412-5011
Telephone: (212) 412-5011
Email: xraletterofcredit@barclays.com
Email: dawn.townsend@barclays.com

Ladies and Gentlemen:

Reference is made to that certain Fifth Amended and Restated Revolving Credit Agreement dated as of February 20, 2019 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the "Agreement"; the terms defined therein being used herein as therein defined), between NiSource Inc., a Delaware corporation (the "Borrower"), the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

The Borrower hereby requests a Letter of Credit extension by the LC Bank listed above, as follows:

1. [An issuance of a new Letter of Credit in the amount of $[_____]] [an amendment to existing Letter of Credit No. [_____] issued by such LC Bank].

2. On _____, 20__ (a Business Day).

This request for Letter of Credit extension complies with the Agreement, including Sections 2.04, and 3.02 of the Agreement.

[Signature Page Follows.]

NISOURCE INC.

By: _____
Name:
Title:

EXHIBIT F

FORM OF REVOLVING NOTE

REVOLVING NOTE

FOR VALUE RECEIVED, the undersigned (the "Borrower"), hereby promises to pay to _____ or registered assigns (the "Lender"), in accordance with the provisions of the Agreement (as hereinafter defined), the aggregate unpaid principal amount of each Revolving Loan from time to time made by the Lender to the Borrower under that certain Fifth Amended and Restated Revolving Credit Agreement dated as of February 20, 2019 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the "Agreement"; the terms defined therein being used herein as therein defined), between the Borrower, the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto. The Borrower promises to pay interest on the aggregate unpaid principal amount of each Revolving Loan from time to time made by the Lender to the Borrower under the Agreement from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's office pursuant to the terms of the Agreement. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Revolving Note is one of the promissory notes referred to in Section 2.10(e) of the Agreement, is one of the Credit Documents, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Revolving Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Revolving Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Revolving Note and endorse thereon the date, amount and maturity of its Revolving Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Revolving Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[Signature Page Follows.]

NISOURCE INC.

By: _____
Name:
Title:

LOANS AND PAYMENTS WITH RESPECT THERETO

Date	Type of Loan Made	Amount of Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By

EXHIBIT G

FORM OF INTEREST ELECTION REQUEST

INTEREST ELECTION REQUEST

Date: _____, ____

To: Barclays Bank PLC,
as Administrative Agent
400 Jefferson Park
Whippany, New Jersey 07981
Attn: Kevin Leamy
Telecopier: (201) 499-0371
Telephone: (201) 499-0371
Email: kevin.leamy@barclays.com
Email: 12145455230@tls.ldsprod.com

Ladies and Gentlemen:

Reference is made to that certain Fifth Amended and Restated Revolving Credit Agreement, dated as of February 20, 2019 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the "Agreement"; the terms defined therein being used herein as therein defined), between NiSource Inc., a Delaware corporation (the "Borrower"), the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

This Interest Election Request is delivered to you pursuant to Section 2.06 of the Agreement and relates to the following:

1. ☐ A conversion of a Borrowing ☐ A continuation of a Borrowing (select one).

2. In the aggregate principal amount of $_____.

3. which Borrowing is being maintained as a [ABR Revolving Borrowing] [Eurodollar Revolving Borrowing with an Interest Period ending on _____, 20__].

4. (select relevant election)

☐ If such Borrowing is a Eurodollar Revolving Borrowing, such Borrowing shall be continued as a Eurodollar Revolving Borrowing having an Interest Period of [__] months.

☐ If such Borrowing is a Eurodollar Revolving Borrowing, such Borrowing shall be converted to an ABR Revolving Borrowing.

☐ If such Borrowing is an ABR Revolving Borrowing, such Borrowing shall be converted to a Eurodollar Revolving Borrowing having an Interest Period of [____] months.

5. Such election to be effective on _____, 20__ (a Business Day).

This Interest Election Request and the election made herein comply with the Agreement, including Section 2.06 of the Agreement.

[Signature Page Follows.]

NISOURCE INC.

By: _____
Name:
Title:

EXHIBIT H

FORM OF PREPAYMENT NOTICE

PREPAYMENT NOTICE

Date: _____, ____

To: Barclays Bank PLC,
as Administrative Agent
400 Jefferson Park
Whippany, New Jersey 07981
Attn: Kevin Leamy
Telecopier: (201) 499-0371
Telephone: (201) 499-0371
Email: kevin.leamy@barclays.com
Email: 12145455230@tls.ldsprod.com

Ladies and Gentlemen:

Reference is made to that certain Fifth Amended and Restated Revolving Credit Agreement, dated as of February 20, 2019 (as may be amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time in accordance with its terms, the "Agreement"; the terms defined therein being used herein as therein defined), between NiSource Inc., a Delaware corporation (the "Borrower"), the Lenders party thereto, Barclays Bank PLC, as the Administrative Agent, and the other parties thereto.

This Prepayment Notice is delivered to you pursuant to Section 2.11 of the Agreement. The Borrower hereby gives notice of a prepayment of Loans as follows:

1. (select Type(s) of Loans)

☐ ABR Revolving Loans in the aggregate principal amount of $_____.

☐ Eurodollar Revolving Loans with an Interest Period ending _____, 20__ in the aggregate principal amount of $_____.

2. On _____, 20__ (a Business Day).

This Prepayment Notice and prepayment contemplated hereby comply with the Agreement, including Section 2.11 of the Agreement.

[Signature Page Follows.]

NISOURCE INC.

By: _____
Name:
Title:

EXHIBIT I-1

FORM OF

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Fifth Amended and Restated Revolving Credit Agreement dated as of February 20, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), between NiSource Inc., a Delaware corporation (the "Borrower"), the Lenders party thereto and Barclays Bank PLC, as the Administrative Agent (the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By:_____
Name:
Title:

Date: _____, 20[__]

EXHIBIT I-2

FORM OF

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Fifth Amended and Restated Revolving Credit Agreement dated as of February 20, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), between NiSource Inc., a Delaware corporation (the "Borrower"), the Lenders party thereto and Barclays Bank PLC, as the Administrative Agent (the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By:_____
Name:
Title:

Date: _____ __, 20[__]

EXHIBIT I-3

FORM OF

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Fifth Amended and Restated Revolving Credit Agreement dated as of February 20, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), between NiSource Inc., a Delaware corporation (the "Borrower"), the Lenders party thereto and Barclays Bank PLC, as the Administrative Agent (the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By:_____
Name:
Title:

Date: _____ __, 20[__]

EXHIBIT I-4

FORM OF

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Fifth Amended and Restated Revolving Credit Agreement dated as of February 20, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), between NiSource Inc., a Delaware corporation (the "Borrower"), the Lenders party thereto and Barclays Bank PLC, as the Administrative Agent (the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to the Credit Agreement or any other Credit Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By:_____
Name:
Title:

Date: _____ __, 20[__]

EXHIBIT J

FORM OF INCREASING LENDER SUPPLEMENT

INCREASING LENDER SUPPLEMENT, dated _____, 20___ (this "Supplement"), by and among each of the signatories hereto, to the Fifth Amended and Restated Revolving Credit Agreement dated as of February 20, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), between NiSource Inc., a Delaware corporation (the "Borrower"), the Lenders party thereto and Barclays Bank PLC, as the Administrative Agent (the "Administrative Agent").

W I T N E S S E T H

WHEREAS, pursuant to Section 2.22 of the Credit Agreement, the Borrower has the right, subject to the terms and conditions thereof, to effectuate from time to time an increase in the Aggregate Commitments under the Credit Agreement by requesting one or more Lenders to increase the amount of its Commitment;

WHEREAS, the Borrower has given notice to the Administrative Agent of its intention to increase the Aggregate Commitments pursuant to such Section 2.22; and

WHEREAS, pursuant to Section 2.22 of the Credit Agreement, the undersigned Increasing Lender now desires to increase the amount of its Commitment under the Credit Agreement by executing and delivering to the Borrower and the Administrative Agent this Supplement;

NOW, THEREFORE, each of the parties hereto hereby agrees as follows:

1. The undersigned Increasing Lender agrees, subject to the terms and conditions of the Credit Agreement, that on the date of this Supplement it shall have its Commitment increased by $[_____], thereby making the total amount of its Commitments equal to $[_____].

2. The Borrower hereby represents and warrants that the conditions precedent set forth in Section 3.02(a) and (e) of the Credit Agreement are satisfied on and as of the date hereof.

3. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

4. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

5. This Supplement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document.

IN WITNESS WHEREOF, each of the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF INCREASING LENDER]

By:_____
Name:
Title:

Accepted and agreed to as of the date first written above:

NISOURCE INC.

By:_____
Name:
Title:

Acknowledged as of the date first written above:

BARCLAYS BANK PLC
as Administrative Agent

By:_____
Name:
Title:

EXHIBIT K

FORM OF AUGMENTING LENDER SUPPLEMENT

AUGMENTING LENDER SUPPLEMENT, dated _____, 20___ (this "Supplement"), by and among each of the signatories hereto, to the Fifth Amended and Restated Revolving Credit Agreement dated as of February 20, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), between NiSource Inc., a Delaware corporation (the "Borrower"), the Lenders party thereto and Barclays Bank PLC, as the Administrative Agent (the "Administrative Agent").

W I T N E S S E T H

WHEREAS, the Credit Agreement provides in Section 2.22 thereof that any bank, financial institution or other entity may extend Commitments under the Credit Agreement subject to the approval of the Borrower and the Administrative Agent, by executing and delivering to the Borrower and the Administrative Agent a supplement to the Credit Agreement in substantially the form of this Supplement; and

WHEREAS, the undersigned Augmenting Lender was not an original party to the Credit Agreement but now desires to become a party thereto;

NOW, THEREFORE, each of the parties hereto hereby agrees as follows:

1. The undersigned Augmenting Lender agrees to be bound by the provisions of the Credit Agreement and agrees that it shall, on the date of this Supplement, become a Lender for all purposes of the Credit Agreement to the same extent as if originally a party thereto, with a Commitment with respect to Revolving Loans of $[_____].

2. The undersigned Augmenting Lender (a) represents and warrants that it is legally authorized to enter into this Supplement; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and has reviewed such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Supplement; (c) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

3. The undersigned's address for notices for the purposes of the Credit Agreement is as follows:

[_____]

4. The Borrower hereby represents and warrants that the conditions precedent set forth in Section 3.02(a) and (e) of the Credit Agreement are satisfied on and as of the date hereof.

5. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

6. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

7. This Supplement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF AUGMENTING LENDER]

By:_____
Name:
Title:

Accepted and agreed to as of the date first written above:

NISOURCE INC.

By:_____
Name:
Title:

Acknowledged as of the date first written above:

BARCLAYS BANK PLC
as Administrative Agent

By:_____
Name:
Title:

Schedule 2.01

(Fifth Amended and Restated Revolving Credit Agreement)

Names, Addresses, Allocation of Aggregate Commitment, and Applicable Percentages of Banks

Bank Name	Domestic Lending Office	Eurodollar Lending Office	Commitment	Applicable Percentage
Barclays Bank PLC	Barclays Bank PLC 745 Seventh Avenue New York, NY 10019	Barclays Bank PLC 745 Seventh Avenue New York, NY 10019	$125,000,000	6.76%
Citibank, N.A.	On file with the Administrative Agent	On file with the Administrative Agent	$125,000,000	6.76%
MUFG Bank, Ltd.	On file with the Administrative Agent	On file with the Administrative Agent	$125,000,000	6.76%
Credit Suisse AG, Cayman Islands Branch	On file with the Administrative Agent	On file with the Administrative Agent	$125,000,000	6.76%
JPMorgan Chase Bank, N.A.	On file with the Administrative Agent	On file with the Administrative Agent	$125,000,000	6.76%
Wells Fargo Bank, National Association	On file with the Administrative Agent	On file with the Administrative Agent	$125,000,000	6.76%
CoBank, ACB	On file with the Administrative Agent	On file with the Administrative Agent	$105,000,000	5.68%
Bank of America, N.A.	On file with the Administrative Agent	On file with the Administrative Agent	$91,000,000	4.92%
BNP Paribas	On file with the Administrative Agent	On file with the Administrative Agent	$91,000,000	4.92%

Bank Name	Domestic Lending Office	Eurodollar Lending Office	Commitment	Applicable Percentage
Goldman Sachs Bank USA	On file with the Administrative Agent	On file with the Administrative Agent	$91,000,000	4.92%
KeyBank National Association	On file with the Administrative Agent	On file with the Administrative Agent	$91,000,000	4.92%
Mizuho Bank, Ltd.	On file with the Administrative Agent	On file with the Administrative Agent	$91,000,000	4.92%
Morgan Stanley Bank, N.A.	On file with the Administrative Agent	On file with the Administrative Agent	$91,000,000	4.92%
The Northern Trust Company	On file with the Administrative Agent	On file with the Administrative Agent	$91,000,000	4.92%
PNC Bank, National Association	On file with the Administrative Agent	On file with the Administrative Agent	$91,000,000	4.92%
The Bank of Nova Scotia	On file with the Administrative Agent	On file with the Administrative Agent	$91,000,000	4.92%
U.S. Bank National Association	On file with the Administrative Agent	On file with the Administrative Agent	$91,000,000	4.92%
The Huntington National Bank	On file with the Administrative Agent	On file with the Administrative Agent	$85,000,000	4.59%
TOTAL			**$1,850,000,000**	**100%**

SCHEDULE 2.04

EXISTING LETTERS OF CREDIT

LETTER OF CREDIT NO.	ISSUER	APPLICANT	BENEFICIARY	OUTSTANDING BALANCE
SB-00116	Barclays	NiSource Inc.	Travelers Indemnity Company	$1,104,000.00
SB-00399	Barclays	NiSource Inc., as successor by merger to Nisource Finance Corp	Ace America Insurance Company	$8,000,000.00
SB-01624	Barclays	NiSource Inc., as successor by merger to Nisource Finance Corp	Ace America Insurance Company	$1,113,577.00

SCHEDULE 6.01(e)

EXISTING AGREEMENTS

Receivables Purchase Agreements and Receivables Sales Agreements of (a) Columbia Gas of Ohio Receivables Corporation, (b) Columbia Gas of Pennsylvania Receivables Corporation, (c) NIPSCO Accounts Receivables Corporation, and (d) any renewal, modification, extension or replacement of the above, in each case, to provide for receivables financings upon terms and conditions not materially more restrictive on Borrower and its Subsidiaries, taken as a whole, than the terms and conditions of such renewed, modified, extended or replaced facility.

EXECUTION COPY

NISOURCE FINANCE CORP., AS ISSUER,
AND
NISOURCE INC., AS GUARANTOR

$315,000,000 5.21% Series A Senior Notes due November 28, 2012
$230,000,000 5.36% Series B Senior Notes due November 28, 2015
$90,000,000 5.41% Series C Senior Notes due November 28, 2016
$265,000,000 5.89% Series D Senior Notes due November 28, 2025

_____

NOTE PURCHASE AGREEMENT

_____

Dated August 23, 2005

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NiSource Finance Corp.
NiSource Inc.
801 East 86th Avenue
Merrillville, Indiana 46410

August 23, 2005

To Each of the Purchasers Listed in
Schedule A Hereto:

Ladies and Gentlemen:

NiSource Finance Corp., an Indiana corporation (**"NFC"**), and NiSource Inc., a Delaware corporation (the **"Company;"** NFC and the Company being, collectively, the **"Obligors"**), agree with each of the purchasers whose names appear at the end hereof (each, a **"Purchaser"** and, collectively, the **"Purchasers"**) as follows:

SECTION 1. AUTHORIZATION OF NOTES.

NFC will authorize: (i) $315,000,000 aggregate principal amount of its 5.21% Series A Senior Notes due November 28, 2012 (the **"Series A Notes"**), (ii) $230,000,000 aggregate principal amount of its 5.36% Series B Senior Notes due November 28, 2015 (the **"Series B Notes"**), (iii) $90,000,000 aggregate principal amount of its 5.41% Series C Senior Notes due November 28, 2016 (the **"Series C Notes")**, and (iv) $265,000,000 aggregate principal amount of its 5.89% Series D Senior Notes due November 28, 2025 (the **"Series D Notes"**; the Series A Notes, the Series B Notes, the Series C Notes and the Series D Notes are collectively referred to herein as the **"Notes"**, such term to include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement). The Series A Notes, Series B Notes, Series C Notes and Series D Notes shall be substantially in the form set out in Exhibit 1(a), Exhibit 1(b), Exhibit 1(c), and Exhibit 1(d), respectively. The Notes shall be fully and unconditionally guaranteed by the Company pursuant to Section 23 of this Agreement. Certain capitalized and other terms used in this Agreement are defined in Schedule B; and references to a **"Schedule"** or an **"Exhibit"** are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

SECTION 2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, NFC will issue and sell to each Purchaser and each Purchaser will purchase from NFC, at the Closing provided for in Section 3, Notes in the principal amount and the Series specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any

liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

SECTION 3. CLOSING.

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, New York 10019, at 9:00 a.m., eastern standard time, at a closing (the **"Closing"**) on November 28, 2005 or on such other Business Day on or prior to December 31, 2005 as may be agreed upon by the Company and the Purchasers. At the Closing NFC will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Note for each Series to be so purchased (or such greater number of Notes in denominations of at least $500,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to NFC or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of NFC and pursuant to the wire transfer instructions delivered pursuant to Section 4.10. If at the Closing NFC shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's reasonable satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

SECTION 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's reasonable satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1 Representations and Warranties. The representations and warranties of each Obligor in this Agreement shall be correct when made and at the time of the Closing.

Section 4.2 Performance; No Default. Each Obligor shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14) no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Sections 10.1, 10.2, 10.4 or 10.5 had such Sections applied since such date.

Section 4.3 Compliance Certificates, Etc.

(a) *Officer's Certificate*. Each Obligor shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) *Secretary's Certificate*. Each Obligor shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes, the Guaranty and this Agreement, as applicable.

(c) *Bring-Down Disclosure Report*. Each Obligor shall have delivered to such Purchaser the Bring-Down Disclosure Report, dated the date of Closing, and no matter disclosed in the Bring-Down Disclosure Report, individually or in the aggregate, shall be of a nature that could reasonably be expected to have a Material Adverse Effect.

Section 4.4 Opinions of Counsel. Such Purchaser shall have received opinions in form and substance reasonably satisfactory to such Purchaser, dated the date of the Closing (a) from Schiff Hardin LLP, counsel for the Obligors, covering the matters set forth in Exhibit 4.4(a)(1) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request but excluding matters covered by the opinion delivered pursuant to clause (b) below, (b) from Thelen Reid & Priest LLP, special counsel for the Obligors covering matters set forth in Exhibit 4.4(a)(2) relating to the Public Utility Holding Company Act of 1935, as amended, (and the Obligors hereby instruct their counsel to deliver such opinions to the Purchasers) and (c) from Dewey Ballantine LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5 Purchase Permitted By Applicable Law, Etc. On the date of the Closing such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6 Sale of Other Notes. Contemporaneously with the Closing NFC shall sell to each other Purchaser and each other Purchaser shall purchase the Notes to be purchased by it at the Closing as specified in Schedule A.

Section 4.7 Payment of Special Counsel Fees. Without limiting the provisions of Section 15.1, NFC shall have paid on or before the Closing the reasonable fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to NFC at least one Business Day prior to the Closing.

Section 4.8 Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for each Series of the Notes.

Section 4.9 Changes in Corporate Structure. Neither Obligor shall have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

Section 4.10 Funding Instructions. At least three Business Days prior to the date of the Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of NFC confirming the wire transfer instructions for payment of the purchase price for the Notes on the date of Closing including (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the Notes is to be deposited.

Section 4.11 Call of CEG Debt. The Company shall have duly delivered written irrevocable notice of redemption of CEG Public Debt having an aggregate outstanding principal amount at least equal to the aggregate principal amount of the Notes to be issued on the date of Closing and setting forth as the date of redemption for such CEG Public Debt a date which is on (or not more than 5 Business Days after) the date of Closing.

Section 4.12 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE OBLIGORS.

Each Obligor represents and warrants to each Purchaser that as of the date of this Agreement and, except as disclosed by the Obligors in a written instrument (the **"Bring-Down Disclosure Report"**) to each Purchaser at or prior to the date of Closing, as of the date of Closing:

Section 5.1 Organization; Power and Authority. Each Obligor is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each Obligor has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement (including in the case of the Company, without limitation, the Guaranty) and the Notes and to perform the provisions hereof and thereof.

Section 5.2 Authorization, Etc. This Agreement (including in the case of the Company, without limitation, the Guaranty) and the Notes have been duly authorized by all necessary corporate action on the part of each Obligor, as applicable, and this Agreement (including, without limitation, the Guaranty) constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of each Obligor enforceable against such Obligor in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3 Disclosure. The Obligors, through their agents, Banc of America Securities LLC and J.P. Morgan Securities Inc., as joint bookrunning agents, have delivered to each Purchaser a copy of a Private Placement Memorandum, dated July 2005 (the **"Memorandum"**), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. This Agreement, the Memorandum, the documents, certificates or other writings by or on behalf of the Company in connection with the transactions contemplated hereby and the financial statements listed in Schedule 5.5, in each case, delivered to the Purchasers prior to July 21, 2005 (this Agreement, the Memorandum and such documents, certificates, writings and financial statements being referred to, collectively, as the **"Disclosure Documents"**), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since December 31, 2004, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to either Obligor that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

Section 5.4 Organization and Ownership of Shares of Subsidiaries.

(a) Schedule 5.4 contains a complete and correct list of the Company's Subsidiaries required to be disclosed in Exhibit 21 to the most recent Form 10-K, showing, as to each such Subsidiary, the correct name thereof and the jurisdiction of its organization.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 are owned, directly or indirectly, by the Company and its Subsidiaries and have been validly issued, are fully paid and nonassessable and are owned free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a

Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) Except as described on Schedule 5.4, no Subsidiary is a party to, or otherwise subject to any Material legal, regulatory, contractual or other restriction or any Material agreement restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5 Financial Statements; Material Liabilities. The Obligors have delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

Section 5.6 Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by either Obligor of this Agreement (including, without limitation, with respect to the Company, the Guaranty) and, as to NFC, the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

Section 5.7 Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by either Obligor of this Agreement (including, without limitation, with respect to the Company, the Guaranty) or, as to NFC, the Notes, except in each case as have been obtained and are in full force and effect.

Section 5.8 Litigation; Observance of Agreements, Statutes and Orders.

(a) Except as disclosed in Schedule 5.8, there are no actions, suits, investigations or proceedings pending or, to the knowledge of either Obligor, threatened against or affecting the Company or any Subsidiary or any property of the Company or

any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws or the USA Patriot Act) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9 Taxes. The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Obligors know of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been finally determined (whether by reason of completed audits or the statute of limitations having run) for all fiscal years up to and including the fiscal year ended 1998.

Section 5.10 Title to Property; Leases. The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of), in each case free and clear of Liens prohibited by this Agreement. All leases to which the Company or any Subsidiary is a party that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 5.11 Licenses, Permits, Etc.

(a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others.

(b) To the best knowledge of the Obligors, no product or service of the Company or any of its Subsidiaries infringes in any material respect any license, permit,

franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person.

(c) To the best knowledge of the Obligors, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

Section 5.12 Compliance with ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any unfunded obligation or benefit liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code or Section 4068 of ERISA, other than such liabilities or Liens as would not be individually or in the aggregate reasonably expected to have a Material Adverse Effect.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $1,000,000 in the case of any single Plan and by more than $4,000,000 in the aggregate for all Plans. The term **"benefit liabilities"** has the meaning specified in Section 4001 of ERISA and the terms **"current value"** and **"present value"** have the meaning specified in Section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation in the first sentence of this Section 5.12(e) with respect to any holder is made in reliance upon and subject to the accuracy of such holder's representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by such holder.

Section 5.13 Private Offering. Neither Obligor nor anyone acting on its behalf has offered the Notes or the Guaranty or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers and not more than 39 other Accredited Institutional Investors, each of which has been offered the Notes and the Guaranty at a private sale for investment. Neither Obligor nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes or the Guaranty to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

Section 5.14 Use of Proceeds; Margin Regulations. NFC will apply the proceeds of the sale of the Notes as set forth in the Memorandum. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 25% of the value of the consolidated assets of either Obligor and its Subsidiaries and neither Obligor has any present intention that margin stock will constitute more than 25% of the value of such assets. As used in this Section, the terms **"margin stock"** and **"purpose of buying or carrying"** shall have the meanings assigned to them in said Regulation U.

Section 5.15 Existing Indebtedness; Future Liens.

(a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all agreements evidencing outstanding Indebtedness that is Material of the Company and its Subsidiaries as of June 30, 2005. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal of or interest on any such Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any such Indebtedness of the Company or any Subsidiary that would (i) permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment and (ii) as a result thereof constitute an Event of Default.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening

of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.4.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness that is Material of the Company or such Subsidiary, any agreement relating thereto or any other Material agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes (or could reasonably be expected to impose) restrictions on the incurring of, the liabilities of the Obligors pursuant to this Agreement, except for those instruments and agreements specifically indicated in Schedule 5.15.

Section 5.16 Foreign Assets Control Regulations, Etc.

(a) Neither the sale of the Notes by NFC, the issuance of the Guaranty by the Company hereunder nor the use of the proceeds of the Notes will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(b) Neither the Company nor any Subsidiary is a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order. The Company and its Subsidiaries are in compliance, in all material respects, with the USA Patriot Act.

(c) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to the Company.

Section 5.17 Status under Certain Statutes. Neither the Company nor any Subsidiary is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended or is subject to regulation under the ICC Termination Act of 1995, as amended. The Company is a **"public utility holding company"** within the meaning of the Public Utility Holding Company Act of 1935, as amended ("PUHCA"). All necessary approvals under PUHCA for the issuance and sale of the Notes and the issuance and delivery of the Guaranty have been obtained.

Section 5.18 Environmental Matters. Except as disclosed in Schedule 5.8:

(a) Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except,

in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(c) Neither the Company nor any Subsidiary has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect.

(d) All buildings on all real properties now owned, leased or operated by the Company or any Subsidiary are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

Section 5.19 Solvency. The Company is, and upon giving effect to the sale of the Notes on the date of the Closing and the consummation of the transactions contemplated by this Agreement will be, a "solvent institution", as said term is used in Section 1405(c) of the New York Insurance Law, whose "obligations . . . .are not in default as to principal or interest", as said terms are used in Section 1405(c).

SECTION 6. REPRESENTATIONS OF THE PURCHASER.

Section 6.1 Purchase for Investment. Each Purchaser severally represents that it: (a) is an Accredited Institutional Investor, (b) has had the opportunity to ask questions of the Obligors and has received answers concerning the terms and conditions of the sale of the Notes, and (c) is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, *provided* that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

Section 6.2 Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a **"Source"**) to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(a) the Source is an **"insurance company general account"** (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption (**"PTE"**) 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the **"NAIC Annual Statement"**)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an **"investment fund"** (within the meaning of Part V of PTE 84-14 (the **"QPAM Exemption"**)) managed by a **"qualified professional asset manager"** or **"QPAM"** (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of **"control"** in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a **"plan(s)"** (within the meaning of Section IV of PTE 96-23 (the **"INHAM Exemption"**)) managed by an **"in-house asset manager"** or **"INHAM"** (within the meaning of Part IV of the INHAM exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms **"employee benefit plan," "governmental plan,"** and **"separate account"** shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY.

Section 7.1 Financial and Business Information. The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) *Quarterly Statements* — within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), copies of,

(1) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(2) consolidated statements of income and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, *provided* that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q (the **"Form 10-Q"**) prepared in compliance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(a), *provided, further*, that the Company shall be deemed to have made such delivery of such Form 10-Q if it shall have timely made such Form 10-Q available on **"EDGAR"** (such availability being referred to as **"Electronic Delivery"**);

(b) *Annual Statements* — within 120 days after the end of each fiscal year of the Company, copies of

(1) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(2) consolidated statements of income, shareholder's equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, *provided* that the delivery within the time period specified above of the Company's Annual Report on Form 10-K (the **"Form 10-K"**) for such fiscal year prepared in accordance with the requirements therefor and filed with the SEC, shall be deemed to satisfy the requirements of this Section 7.1(b), *provided, further,* that the Company shall be deemed to have made such delivery if it shall have timely made Electronic Delivery thereof;

(c) *SEC and Other Reports* — promptly upon their becoming available, one copy of each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the SEC and of all press releases filed by the Company or any Subsidiary with the SEC concerning developments that are Material, *provided* that in each case the Company shall be deemed to have made such delivery if it shall have timely made Electronic Delivery thereof;

(d) *Notice of Default or Event of Default* — promptly, and in any event within five Business Days, after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *ERISA Matters* — promptly, and in any event within five Business Days, after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(1) with respect to any Plan, any reportable event, as defined in Section 4043(c) of ERISA and the regulations thereunder, for which notice

thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(2) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(3) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) *Notices from Governmental Authority* — promptly, and in any event within 30 days, of receipt by a Responsible Officer thereof, copies of any written notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to compliance or non-compliance with any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(g) *Requested Information* — with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of each Obligor to perform its obligations hereunder and, with respect to NFC, under the Notes as from time to time may be reasonably requested by any such holder of Notes.

Section 7.2 Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer setting forth (which, in the case of Electronic Delivery of any such financial statements, shall be by separate substantially concurrent physical delivery of such certificate to each such holder of Notes):

(a) *Covenant Compliance* — the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.5, during the quarterly or annual period covered by the statements then being furnished; and

(b) *Event of Default* — a statement that such Senior Financial Officer has reviewed, or caused review by a Responsible Officer of, the relevant terms hereof and such review shall not have disclosed the existence during the quarterly or annual period covered by the statements then being furnished any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists

(including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3 Visitation. Each Obligor shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) *No Default* — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to such Obligor, to visit during normal business hours the principal executive office of such Obligor, to discuss the affairs, finances and accounts of such Obligor and its Subsidiaries with such Obligor's officers, and (with the consent of such Obligor, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of such Obligor, which consent will not be unreasonably withheld) to visit during normal business hours the other offices and properties of such Obligor and each of its Subsidiaries, all as often as may be reasonably requested in writing; and

(b) *Default* — if a Default or Event of Default then exists, at the expense of each Obligor to visit and inspect any of the offices or properties of such Obligor or any of its Subsidiaries, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision each Obligor authorizes said accountants to discuss the affairs, finances and accounts of each Obligor and its Subsidiaries), all at such times and as often as may be requested.

SECTION 8. PAYMENT AND PREPAYMENT OF THE NOTES.

Section 8.1 Maturity. As provided therein, the entire unpaid principal balance of each Series of the Notes shall be due and payable on the stated maturity date thereof.

Section 8.2 Optional Prepayments with Make-Whole Amount. NFC may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes or any Series of Notes, in an amount not less than $500,000 in the case of a partial prepayment, at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. NFC will give each holder of Notes to be so prepaid written notice of each such optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount and Series of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, NFC shall deliver to each holder of

Notes of the Series to be prepaid a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3 Allocation of Partial Prepayments. In the case of each partial prepayment of the Notes of any Series, the principal amount of such Notes to be prepaid shall be allocated among all of the Notes of such Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

Section 8.4 Maturity; Surrender, Etc. In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless NFC shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to NFC and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.5 Purchase of Notes. NFC will not and will not permit any of its Affiliates to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes of any Series except (a) upon the payment or prepayment of the Notes of any Series in accordance with the terms of this Agreement and the Notes, or (b) pursuant to a written offer to purchase any outstanding Notes of any Series made by NFC or any such Affiliate pro rata to the holders of all the Notes of such Series upon the same terms and conditions. NFC will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment or prepayment of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.6 Make-Whole Amount. "Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

> **"Called Principal"** means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.
>
> **"Discounted Value"** means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on such Note is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as **"Page PX1"** (or such other display as may replace Page PX1 on Bloomberg Financial Markets (**"Bloomberg"**) or, if Page PX1 (or its successor screen on Bloomberg) is unavailable, the Telerate Access Service screen which corresponds most closely to Page PX1 for the most recently issued actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the terms of such Note, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or Section 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

SECTION 9. AFFIRMATIVE COVENANTS.

So long as any of the Notes are outstanding:

Section 9.1 Compliance with Law. Each Obligor will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, the USA Patriot Act and Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2 Insurance. Each Obligor will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated, except in each case to the extent that any non-compliance with the terms of this Section could not reasonably be expected to have a Material Adverse Effect.

Section 9.3 Maintenance of Properties. Each Obligor will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this Section shall not prevent any Obligor or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such Obligor or Subsidiary has concluded such discontinuance is desirable in the conduct of its business and could not reasonably be expected to have a Material Adverse Effect.

Section 9.4 Payment of Taxes and Claims. Each Obligor will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes, assessments, charges and levies have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of such Obligor or any of its Subsidiaries, *provided* that neither the Obligors nor any of their Subsidiaries need make any such filing or pay any such tax, assessment, charge, levy or claim if (i) if the amount, applicability or validity thereof is contested by an Obligor or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and an Obligor or such Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of such Obligor or such Subsidiary or (ii) the non-filing of all such returns and/or nonpayment of all such taxes,

assessments, charges, or levies and claims (as the case may be) in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 9.5 Corporate Existence. Subject to Section 10.2, each Obligor will at all times preserve and keep in full force and effect its corporate existence. Each Obligor will at all times preserve and keep in full force and effect the corporate existence of each of the Material Subsidiaries (unless merged into the Company or a Wholly-Owned Subsidiary) and all Material rights and franchises of such Obligor and of the Material Subsidiaries unless, in the good faith judgment of an Obligor, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not have a Material Adverse Effect.

Section 9.6 Books and Records. Each Obligor will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over such Obligor or such Subsidiary, as the case may be, except where failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 10. NEGATIVE COVENANTS.

So long as any of the Notes are outstanding:

Section 10.1 Transactions with Affiliates. The Obligors will not, and will not permit any of their Subsidiaries to, enter into directly or indirectly any transaction or group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except upon fair and reasonable terms no less favorable to such Obligor or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

Section 10.2 Merger, Consolidation, Etc. No Obligor will consolidate with or merge with any other Person or convey, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of such Obligor as an entirety, as the case may be, shall be a solvent corporation, limited liability company or other business entity organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if such corporation, limited liability company or other business entity is not one of the Obligors, (i) such corporation, limited liability company or other business entity shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement (including, in the case of the Company, the Guaranty) and, in the case of NFC, the Notes and (ii) such corporation, limited liability company or other business entity shall have caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such

assumption are enforceable in accordance with their terms and comply with the terms hereof; and

(b) immediately before and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

No such conveyance, transfer or lease of substantially all of the assets of an Obligor in violation of the terms of this Section shall have the effect of releasing such Obligor or any successor corporation, limited liability company or other business entity that shall theretofore have become such in the manner prescribed in this Section from its liability under this Agreement including, in the case of the Company, the Guaranty or, in the case of NFC, the Notes.

Section 10.3 Terrorism Sanctions Regulations. The Obligors will not, and will not permit any of their Subsidiaries to, become a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order.

Section 10.4 Liens. The Obligors will not, and will not permit any of their Subsidiaries (other than a Utility Subsidiary) to, create or suffer to exist any lien, security interest or other charge or encumbrance (collectively, **"Liens"**) upon or with respect to any of its properties, whether now owned or hereafter acquired, to secure or provide for or guarantee the payment of Debt for Borrowed Money of any Person, without in any such case effectively securing, prior to or concurrently with the creation, issuance, assumption or guaranty of any such Debt for Borrowed Money, the Notes equally and ratably with (or prior to) such Debt for Borrowed Money; *provided, however,* that the foregoing restrictions shall not apply to or prevent the creation or existence of:

(a) (i) Liens on any property acquired, constructed or improved by the Company or any of its Subsidiaries (other than a Utility Subsidiary) after the date of this Agreement that are created or assumed prior to, contemporaneously with, or within 180 days after, such acquisition or completion of such construction or improvement, to secure or provide for the payment of all or any part of the purchase price of such property or the cost of such construction or improvement; or (ii) in addition to Liens contemplated by clauses (b) and (c) below, Liens on any property existing at the time of acquisition thereof, provided that the Liens shall not apply to any property theretofore owned by the Company or any such Subsidiary other than, in the case of any such construction or improvement, (1) unimproved real property on which the property so constructed or the improvement is located, (2) other property (or improvements thereon) that is an improvement to or is acquired or constructed for specific use with such acquired or constructed property (or improvement thereof), and (3) any rights and interests (A) under any agreements or other documents relating to, or (B) appurtenant to, the property being so constructed or improved or such other property;

(b) existing Liens on any property or indebtedness of a Person that is merged with or into or consolidated with the Company or any of its Subsidiaries; *provided* that such Lien was not created in contemplation of such merger or consolidation;

(c) Liens on any property or indebtedness of a Person existing at the time such Person becomes a Subsidiary of the Company; *provided* that such Lien was not created in contemplation of such occurrence;

(d) Liens to secure Debt for Borrowed Money of a Subsidiary of the Company to the Company or to another Subsidiary of the Company;

(e) Liens in favor of the United States of America, any State, any foreign country or any department, agency or instrumentality or political subdivision of any such jurisdiction, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt for Borrowed Money incurred for the purpose of financing all or any part of the purchase price of the cost of constructing or improving the property subject to such Liens, including, without limitation, Liens to secure Debt for Borrowed Money of the pollution control or industrial revenue bond type;

(f) Liens existing on the date of this Agreement;

(g) Liens for the sole purposes of extending, renewing or replacing in whole or in part Debt for Borrowed Money secured by any Lien referred to in the foregoing clauses (a) through (f), inclusive, or this clause (g); *provided, however,* that the principal amount of Debt for Borrowed Money secured thereby shall not exceed the principal amount of Debt for Borrowed Money so secured at the time of such extension, renewal or replacement (which, for purposes of this limitation as it applies to a synthetic lease, shall be deemed to be (x) the lessor's original cost of the property subject to such lease at the time of extension, renewal or replacement, *less* (y) the aggregate amount of all prior payments under such lease allocated pursuant to the terms of such lease to reduce the principal amount of the lessor's investment, and borrowings by the lessor, made to fund the original cost of the property), and that such extension, renewal or replacement shall be limited to all or a part of the property or indebtedness which secured the Lien so extended, renewed or replaced (plus improvements on such property);

(h) Liens on any property or assets of a Project Financing Subsidiary, or on any equity investment in a Project Financing Subsidiary, in either such case, that secure only a Project Financing or a Contingent Guaranty that supports a Project Financing; or

(i) Any Lien, other than a Lien described in any of the foregoing clauses (a) through (h), inclusive, to the extent that it secures Debt for Borrowed Money, or guaranties thereof, the outstanding principal balance of which at the time of creation of such Lien, when added to the aggregate principal balance of all Debt for Borrowed Money secured by Liens incurred under this clause (i) then outstanding, does not exceed 10% of Consolidated Net Tangible Assets.

Section 10.5 Financial Covenant. The Debt to Capitalization Ratio shall not be more than 0.75 to 1.00 at any time.

SECTION 11. EVENTS OF DEFAULT.

An **"Event of Default"** shall exist if any of the following conditions or events shall occur and be continuing:

(a) NFC defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) NFC defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) any Obligor defaults in the performance of or compliance with any term contained in Section 7.1(d) or Sections 10.1 through 10.5; or

(d) any Obligor defaults in the performance of or compliance with any term contained herein (other than those referred to in Sections 11(a), (b) and (c)) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) any Obligor receiving written notice of such default from any holder of a Note (any such written notice to be identified as a **"notice of default"** and to refer specifically to this Section 11(d)); or

(e) any representation or warranty made in writing by or on behalf of an Obligor or by any officer of an Obligor in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) any Obligor, or any of its Subsidiaries, is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $75,000,000 beyond any period of grace provided with respect thereto, or (ii) any Obligor, or any of its Subsidiaries, is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $75,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (x) any Obligor, or any of its Subsidiaries, has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $75,000,000, or (y) one or more Persons have the right to require any Obligor, or any of its Subsidiaries, so to purchase or repay such Indebtedness; or

(g) any Obligor or any Substantial Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by any Obligor or any Substantial Subsidiary, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of any Obligor or any Substantial Subsidiary, or any such petition shall be filed against any Obligor or any Substantial Subsidiary and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $75,000,000 are rendered against one or more of an Obligor or its Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay or subject to an insured claim by such Obligor or Subsidiary; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate **"amount of unfunded benefit liabilities"** (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $75,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any unfunded obligation or benefit liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect; or

(k) the Guaranty provided by the Company in Section 23 hereto is held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or the Company or any Person acting on behalf of the Company shall deny or disaffirm its obligations under such Guaranty.

As used in Section 11(j), the terms **"employee benefit plan"** and **"employee welfare benefit plan"** shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1 Acceleration. (a) If an Event of Default with respect to either Obligor described in Section 11(g) or (h) (other than an Event of Default described in clause (i) of Section 11(g) or described in clause (vi) of Section 11(g) by virtue of the fact that such clause encompasses clause (i) of Section 11(g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 50% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in Section 11(a), (b) or (k) has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate) and (y) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Obligors acknowledge, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by NFC (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by NFC in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2 Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3 Rescission. At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or (c), the holders of not less than 50% in principal amount of the Notes then outstanding, by written notice to any Obligor, may rescind and annul any such declaration and its consequences if (a) there has been paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither Obligor nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4 No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of NFC under Section 15, NFC will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1 Registration of Notes. NFC shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and no Obligor shall be affected by any notice or knowledge to the contrary. NFC shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2 Transfer and Exchange of Notes. Upon surrender of any Note of any Series to NFC at the address and to the attention of the designated officer (all as specified in Section 18(3)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within ten Business Days thereafter, NFC shall execute and deliver, at NFC's expense (except as provided below), one or more new Notes (as requested by the

holder thereof) of such Series in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of the Note surrendered. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. NFC may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $500,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes of a Series, one Note of such Series may be in a denomination of less than $500,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representations set forth in Sections 6.1 and 6.2.

Section 13.3 Replacement of Notes. Upon receipt by NFC at the address and to the attention of the designated officer (all as specified in Section 18(3)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $100,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within ten Business Days thereafter, NFC at its own expense shall execute and deliver, in lieu thereof, a new Note of the same Series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1 Place of Payment. Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in Merrillville, Indiana at the principal office of NFC in such jurisdiction. NFC may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of NFC in the United States or the principal office of a bank or trust company in the United States.

Section 14.2 Home Office Payment. So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, NFC will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in Schedule A, or by such other method or at such other address as such Purchaser shall have from time to time specified to NFC in writing for such purpose, without the

presentation or surrender of such Note or the making of any notation thereon, except that upon written request of NFC made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to NFC at its principal executive office or at the place of payment most recently designated by NFC pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to NFC in exchange for a new Note or Notes pursuant to Section 13.2. NFC will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

SECTION 15. EXPENSES, ETC.

Section 15.1 Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Obligors will pay all reasonable costs and expenses (including reasonable attorneys' fees of one special counsel for all holders and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, (b) the reasonable costs and expenses incurred in connection with the insolvency or bankruptcy of an Obligor or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes and (c) the reasonable costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVOs *provided*, that such costs and expenses under this clause (c) shall not exceed $5,000.00 in the aggregate. The Obligors will pay, and will save each Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes).

Section 15.2 Survival. The obligations of NFC under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement, the Guaranty or the Notes, and the termination of this Agreement.

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any

certificate or other instrument delivered by or on behalf of an Obligor pursuant to this Agreement shall be deemed representations and warranties of such Obligor under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between each Purchaser and the Obligors and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. AMENDMENT AND WAIVER.

Section 17.1 Requirements. (a) This Agreement may be amended, and the observance of any term hereof may be waived (either retroactively or prospectively), with (and only with) the written consent of each of the Obligors and the Required Holders with respect to each Series, and (b) the Notes of any Series may be amended, and the observance of any term thereof may be waived (either retroactively or prospectively), with (and only with) the written consent of each of the Obligors and the Required Holders with respect to such Series; *provided, however*, that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17, 20 or 23.

Section 17.2 Solicitation of Holders of Notes.

(a) *Solicitation.* NFC will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. NFC will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) *Payment.* NFC will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of Notes then outstanding that granted its consent to such waiver or amendment.

Section 17.3 Binding Effect, etc. Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each

future holder of any Note and upon the Obligors without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between any Obligor and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term **"this Agreement"** and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4 Notes Held by NFC, etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by NFC or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(1) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or nominee shall have specified to the Obligors in writing,

(2) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Obligors in writing, or

(3) if to either Obligor, to such Obligor at its address set forth at the beginning hereof to the attention of Chief Financial Officer, or at such other address as such Obligor shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. Each

Obligor agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit any Obligor or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, **"Confidential Information"** means information delivered to any Purchaser by or on behalf of any Obligor or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of such Obligor or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by an Obligor or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which it offers to purchase any security of NFC or the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes, the Guaranty and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by any Obligor in connection with the delivery to any holder of a Note of

information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Obligors embodying the provisions of this Section 20.

SECTION 21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Obligors, which notice shall be signed by both such Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 21), shall be deemed to refer to such Affiliate in lieu of such original Purchaser. In the event that such Affiliate is so substituted as a Purchaser hereunder and such Affiliate thereafter transfers to such original Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, any reference to such Affiliate as a **"Purchaser"** in this Agreement (other than in this Section 21), shall no longer be deemed to refer to such Affiliate, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. MISCELLANEOUS.

Section 22.1 Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2 Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding (but without limiting the requirement in Section 8.4 that the notice of any optional prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

Section 22.3 Accounting Terms. All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP.

Section 22.4 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any

such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.5 Construction, etc. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

Section 22.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.7 Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 22.8 Jurisdiction and Process; Waiver of Jury Trial.

(a) Each Obligor irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement, the Guaranty or the Notes. To the fullest extent permitted by applicable law, each Obligor irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) Each Obligor consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.8(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. Each Obligor agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery

receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 22.8 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Obligors in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

SECTION 23. THE GUARANTY.

The Company, as primary obligor and not merely as a surety, hereby irrevocably, absolutely and unconditionally guarantees (the **"Guaranty"**) to the holder of each Note and each of their respective successors, endorsees, transferees and assigns (each a **"Beneficiary"** and collectively, the **"Beneficiaries"**) the prompt and complete payment by NFC, as and when due and payable, of the Obligations, in accordance with the terms of the Notes and this Agreement (collectively, the **"Credit Documents"**). The Guaranty shall rank equally and *pari passu* with all other unsecured and unsubordinated debt of the Company.

The Company hereby guarantees that the Obligations will be paid strictly in accordance with the terms of the Credit Documents, regardless of any law now or hereafter in effect in any jurisdiction affecting any such terms or the rights of the Beneficiaries with respect thereto. The obligations and liabilities of the Company under the provisions of this Section shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of any of the Obligations or any Credit Document, or any delay, failure or omission to enforce or agreement not to enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise of any right with respect to the foregoing (including, in each case, without limitation, as a result of the insolvency, bankruptcy or reorganization of any Beneficiary, NFC or any other Person); (ii) any change in the time, manner or place of payment of, or in any other term in respect of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from the Credit Documents or any agreement or instrument relating thereto; (iii) any exchange or release of, or non-perfection of any Lien on or in any collateral, or any release, amendment or waiver of, or consent to any departure from, any other guaranty of, or agreement granting security for, all or any of the Obligations; (iv) any claim, set-off, counterclaim, defense or other rights that the Company may have at any time and from time to time against any Beneficiary or any other Person, whether in connection with the transactions contemplated by this Agreement or any unrelated transaction; or (v) any other circumstance that might otherwise constitute a defense available to, or a discharge of, NFC or any other guarantor or surety in respect of the Obligations or the Company in respect hereof.

The Guaranty provided for herein (i) is a guaranty of payment and not of collection; (ii) is a continuing guaranty and shall remain in full force and effect until the Obligations have been paid in full in cash; and (iii) shall continue to be effective or shall be reinstated, as the case may

be, if at any time any payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be returned by any Beneficiary upon or as a result of the insolvency, bankruptcy, dissolution, liquidation or reorganization of NFC or otherwise, all as though such payment had not been made.

The obligations and liabilities of the Company hereunder shall not be conditioned or contingent upon the pursuit by any Beneficiary or any other Person at any time of any right or remedy against NFC or any other Person that may be or become liable in respect of all or any part of the Obligations or against any collateral security or guaranty therefor or right of setoff with respect thereto.

The Company hereby consents that, without the necessity of any reservation of rights against the Company and without notice to or further assent by the Company, any demand for payment of any of the Obligations made by any Beneficiary may be rescinded by such Beneficiary and any of the Obligations continued after such rescission.

The Company's obligations under this Section shall be unconditional, irrespective of any lack of capacity of NFC or any lack of validity or enforceability of any other provision of this Agreement or any other Credit Document, and the provisions of this Section shall not be affected in any way by any variation, extension, waiver, compromise or release of any or all of the Obligations or of any security or guaranty from time to time therefor.

The obligations of the Company under this Section shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any proceeding or action, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, marshalling of assets, assignment for the benefit of creditors, composition with creditors, readjustment, liquidation or arrangement of NFC or any similar proceedings or actions, or by any defense NFC may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding or action. Without limiting the generality of the foregoing, the Company's liability shall extend to all amounts and obligations that constitute the Obligations and would be owed by NFC, but for the fact that they are unenforceable or not allowable due to the existence of any such proceeding or action.

The Company hereby unconditionally waives in its capacity as a guarantor under this Section: (i) promptness and diligence; (ii) notice of or proof of reliance by the holders of the Notes upon the terms of this Section or acceptance of the terms of this Section; (iii) notice of the incurrence of any Obligation by NFC or the renewal, extension or accrual of any Obligation or of any circumstances affecting NFC's financial condition or ability to perform the Obligations; (iv) notice of any actions taken by the Beneficiaries or NFC or any other Person under any Credit Document or any other agreement or instrument relating thereto; (v) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the Obligations, of the obligations of the Company hereunder or under any other Credit Document, the omission of or delay in which, but for the provisions of this Section might constitute grounds for relieving the Company of its obligations under this Section; (vi) any requirement that the Beneficiaries protect, secure, perfect or insure any Lien or any property subject thereto, or exhaust any right or take any action against NFC or any other Person or any collateral; and (vii) each other circumstance, other than payment of the Obligations in full, that might otherwise

result in a discharge or exoneration of, or constitute a defense to, the Company's obligations hereunder.

No failure on the part of any Beneficiary to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The terms of this Section are in addition to and not in limitation of any other rights, remedies, powers and privileges the Beneficiaries may have by virtue of any other instrument or agreement heretofore, contemporaneously herewith or hereafter executed by the Company or any other Person or by applicable law or otherwise. All rights, remedies, powers and privileges of the Beneficiaries shall be cumulative and may be exercised singly or concurrently. The rights, remedies, powers and privileges of the Beneficiaries under this Section against the Company are not conditional or contingent on any attempt by the Beneficiaries to exercise any of their rights, remedies, powers or privileges against any other guarantor or surety or under the Credit Documents or any other agreement or instrument relating thereto against NFC or against any other Person.

The Company hereby acknowledges and agrees that, until the Obligations have been paid in full in cash, under no circumstances shall it be entitled to be subrogated to any rights of any Beneficiary in respect of the Obligations performed by it hereunder or otherwise, and the Company hereby expressly and irrevocably waives, until the Obligations have been paid in full in cash, (i) each and every such right of subrogation and any claims, reimbursements, right or right of action relating thereto (howsoever arising), and (ii) each and every right to contribution, indemnification, set-off or reimbursement, whether from NFC or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, and whether arising by contract or operation of law or otherwise by reason of the Company's execution, delivery or performance of this Agreement.

The Company represents and warrants that it has established adequate means of keeping itself informed of NFC's financial condition and of other circumstances affecting NFC's ability to perform the Obligations, and agrees that no holder of any Note shall have any obligation to provide to the Company any information it may have, or hereafter receive, in respect of NFC.

To further evidence the Guaranty set forth in this Section 23, the Company hereby agrees that a notation of such Guaranty shall be endorsed by the Company (by manual or facsimile signature) on each Note; *provided* that the Guaranty set forth in this Section 23 shall remain in full force and effect notwithstanding any failure to endorse any Note. The delivery of any Note, after execution thereof, shall constitute due delivery of the Guaranty set forth in this Agreement on behalf of the Company.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Obligors, whereupon this Agreement shall become a binding agreement among you and each of the Obligors.

Very truly yours,

NISOURCE FINANCE CORP.

By: _____
Name:
Title:

NISOURCE INC.

By: _____
Name:
Title:

This Agreement is hereby
accepted and agreed to as
of the date thereof.

[Add Purchaser Signature Blocks]

SCHEDULE A

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER:	PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:
THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY	
(1) All payments by wire transfer of immediately available funds to: US Bank 777 East Wisconsin Avenue Milwaukee, WI 53202 ABA #075000022 Account: Northwestern Mutual Life Account No.: 182380324521 with sufficient information to identify the source of the transfer, the amount of interest, principal or premium, the series of Notes and the PPN [65473Q A@ 2 or 65473Q A# 0]	**$127,000,000 Series B Note** **$23,000,000 Series C Note**
(2) All notices of payments and written confirmations of such wire transfers: The Northwestern Mutual Life Insurance Company 720 East Wisconsin Avenue Milwaukee, WI 53202 Attention: Investment Operations Facsimile: (414) 625-6998	
(3) All other communications: The Northwestern Mutual Life Insurance Company 720 East Wisconsin Avenue Milwaukee, WI 53202 Attention: Securities Department Facsimile: (414) 665-7124	
(4) Tax identification number: 39-0509570	

NAME AND ADDRESS OF PURCHASER:

ALLSTATE LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note

(1) All payments by Fedwire transfer of immediately available funds or ACH Payment, identifying the name of the Issuer, the Private Placement Number and the payment as principal, interest or premium, in the format as follows:

Bank:	Citibank
ABA #:	021000089
Account:	Allstate Life Insurance Company Collection Account - PP
Account #:	30547007
Reference:	OBI [Insert PPN 65473Q A* 4 / 65473Q B* 3], Credit Name, Coupon, Maturity], Payment Due Date (MM/DD/YY) and the type and amount of payment being made (e.g., for $5,000,000 of principal being remitted, enter "P5000000.00"; for $225,000 of interest being remitted, enter "I225000.00")

(2) All notices of scheduled payments and written confirmations of such wire transfer to be sent to:

Allstate Investments LLC
Investment Operations - Private Placements
3075 Sanders Road, STE G4A
Northbrook, IL 60062-7127
Telephone: (847) 402-6672 (Private Placements)
Fax: (847) 326-7032
email: PrivateIOD@allstate.com

(3) All financial reports, compliance certificates and all other written communications, including notice of prepayments, to be sent by email to PrivateCompliance@allstate.com, or hard copy to:

Allstate Investments LLC
Private Placement Department
3075 Sanders Road, STE G5D
Northbrook, IL 60062-7127
Telephone: (847) 402-7117
Fax: (847) 402-3092

(4) Tax identification number: 36-2554642

NAME AND ADDRESS OF PURCHASER:

ALLSTATE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note

(1) All payments by Fedwire transfer of immediately available funds or ACH Payment, identifying the name of the Issuer, the Private Placement Number and the payment as principal, interest or premium, in the format as follows:

Bank:	Citibank
ABA #:	021000089
Account:	Allstate Insurance Company Bond Collection Account
Account #:	30546979
Reference:	OBI [Insert PPN 65473Q A* 4, Credit Name, Coupon, Maturity], Payment Due Date (MM/DD/YY) and the type and amount of payment being made (e.g., for $5,000,000 of principal being remitted, enter "P5000000.00"; for $225,000 of interest being remitted, enter "I225000.00")

(2) All notices of schedule payments and written confirmations of such wire transfer to be sent to:

Allstate Investments LLC
Investment Operations - Private Placements
3075 Sanders Road, STE G4A
Northbrook, IL 60062-7127
Telephone: (847) 402-6672
Fax: (847) 326-7032
email: PrivateIOD@allstate.com

(3) All financial reports, compliance certificates and all other written communications, including notice of prepayments, to be sent by email to PrivateCompliance@allstate.com, or hard copy to:

Allstate Investments LLC
Private Placement Department
3075 Sanders Road, STE G5D
Northbrook, IL 60062-7127
Telephone: (847) 402-7117
Fax: (847) 402-3092

(4) Tax identification number: 36-0719665

NAME AND ADDRESS OF PURCHASER:

ALLSTATE LIFE INSURANCE COMPANY OF NEW YORK

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note
$5,000,000 Series A Note

(1) All payments by Fedwire transfer of immediately available funds or ACH Payment, identifying the name of the Issuer, the Private Placement Number and the payment as principal, interest or premium, in the format as follows:

Bank:	Citibank
ABA #:	021000089
Account:	Allstate Life Insurance Company of New York Collection Account
Account #:	30547066
Reference:	OBI [Insert PPN 65473Q A* 4, Credit Name, Coupon, Maturity], Payment Due Date (MM/DD/YY) and the type and amount of payment being made (e.g., for $5,000,000 of principal being remitted, enter "P5000000.00"; for $225,000 of interest being remitted, enter "I225000.00")

(2) All notices of schedule payments and written confirmations of such wire transfer to be sent to:

Allstate Investments LLC
Investment Operations - Private Placements
3075 Sanders Road, STE G4A
Northbrook, IL 60062-7127
Telephone: (847) 402-6672 (Private Placements)
Fax: (847) 326-7032
email: PrivateIOD@allstate.com

(3) All financial reports, compliance certificates and all other written communications, including notice of prepayments, to be sent by email to PrivateCompliance@allstate.com, or hard copy to:

Allstate Investments LLC
Private Placement Department
3075 Sanders Road, STE G5D
Northbrook, IL 60062-7127
Telephone: (847) 402-7117
Fax: (847) 402-3092

(4) Tax identification number: 36-2608394

NAME AND ADDRESS OF PURCHASER:

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$35,000,000 Series A Note
$65,000,000 Series D Note

(1) All payments on account of the Notes shall be made in immediately available funds at the opening of business on the due date by electronic funds transfer, properly identified through the Automated Clearing House System to the following account, and all such payments shall be accompanied by the notices specified in paragraph (2) below:

JPMorgan Chase Bank, N.A.
ABA #021-000-021
Account Number: 900-9-000200
Account Name: TIAA
For Further Credit to the Account Number: G07040
On order of: PPN 65473Q A* 4 (Series A Note); PPN 65473Q B* 3 (Series D Note) / NiSource Finance Corp.
Maturity Date: [November 28, 2012/November 28, 2025]/
Interest Rate: [5.21/5.89%] / P&I Breakdown

(2) Contemporaneous with the above electronic funds transfer send the following information: (1) the full name, PPN, interest rate and maturity date of the Notes; (2) the allocation of payment between principal, interest, Make-Whole Amount, other premium or any special payment; and (3) the name and address of the bank from which such transfer was sent, to:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017
Attn: Securities Accounting Division
Telephone: (212) 916-4109
Facsimile: (212) 916-6955

AND

JPMorgan Chase Bank, N.A.
P.O. Box 35308
Newark, NJ 07101

AND

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017
Attn: Fixed Income and Real Estate
Telephone: (212) 916-5725 (Estelle Simsolo)
(212) 916-4000 (General Number)
Facsimile: (212) 916-6582

(3) All other communications:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017
Attn: Fixed Income and Real Estate
Telephone: (212) 916-5725 (Estelle Simsolo)
(212) 916-4000 (General Number)
Facsimile: (212) 916-6582

(4) Tax identification number: 13-1624203

NAME AND ADDRESS OF PURCHASER:	PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:
AMERICAN MAYFLOWER LIFE INSURANCE COMPANY OF NEW YORK	
Note to be registered in the name of "HARE & CO."	**$5,000,000 Series C Note**

(1) All payments by wire transfer of immediately available funds to:

Hare & Co.
The Bank of New York
ABA #021000018
Account Number/Beneficiary: GLA111566
SWIFT Code: IRVTUS3N
Bank to Bank Information: American Mayflower Life Insurance Company of New York, Account #127677, PPN 65473Q A# 0 & Security Description, and Identify Principal & Interest Amounts

(2) All notices of payments and written confirmations of such wire transfers:

Genworth Financial
Account: American Mayflower Life Insurance Company of New York
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
GNW.privateplacements@genworth.com (in addition to physical copy)

AND

State Street
Account: American Mayflower Life Insurance Company of New York
801 Pennsylvania
Kansas City, MO 64105
Attn: Tammy Karn
Telephone No.: (816) 871-9286
Fax No.: (816) 691-5593
geam@statestreetkc.com (preferred delivery method)

AND

Hare & Co.
The Bank of New York
Income Collection Department
P.O. Box 11203
New York, NY 10286
Attn: PP P&I Department
Ref: American Mayflower Life Insurance Company of New York
Account # 127677, PPN 65473Q A# 0 and Security Description
P&I Contact: Anthony Largo – (718) 315-3022

(3) All other communications:

Genworth Financial
Account: American Mayflower Life Insurance Company of New York
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
GNW.privateplacements@genworth.com (in addition to physical copy)

(4) Tax identification number: 13-5660550

NAME AND ADDRESS OF PURCHASER:

FIRST COLONY LIFE INSURANCE COMPANY

Notes to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series C Note
$30,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA #021000018
Account Number/Beneficiary: GLA111566
SWIFT Code: IRVTUS3N
Bank to Bank Information: First Colony Life Insurance Company, Account #127679, PPN [65473Q A# 0 / 65473Q B* 3] & Security Description, and Identify Principal & Interest Amounts

(2) All notices of payments and written confirmations of such wire transfers:

Genworth Financial
Account: First Colony Life Insurance Company
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
GNW.privateplacements@genworth.com (in addition to physical copy)

AND

State Street
Account: First Colony Life Insurance Company
801 Pennsylvania
Kansas City, MO 64105
Attn: Tammy Karn
Telephone No.: (816) 871-9286
Fax No.: (816) 691-5593
geam@statestreetkc.com (preferred delivery method)

AND

Hare & Co.
The Bank of New York
Income Collection Department
P.O. Box 11203
New York, NY 10286
Attn: PP P&I Department
Ref: First Colony Life Insurance Company
Account #127679, PPN [65473Q A# 0 / 65473Q B* 3] and
Security Description
P&I Contact: Anthony Largo – (718) 315-3022

(3) All other communications:

Genworth Financial
Account: First Colony Life Insurance Company
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
GNW.privateplacements@genworth.com (in addition to physical copy)

(4) Tax identification number: 54-0596414

NAME AND ADDRESS OF PURCHASER:

GE CAPITAL LIFE ASSURANCE COMPANY OF NEW YORK

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

Hare & Co.
The Bank of New York
ABA #021000018
Account Number/Beneficiary: GLA111566
SWIFT Code: IRVTUS3N
Bank to Bank Information: GE Capital Life Assurance Company of New York, Account #127019, PPN 65473Q A* 4 & Security Description, and Identify Principal & Interest Amounts

(2) All notices of payments and written confirmations of such wire transfers:

Genworth Financial
Account: GE Capital Life Assurance Company of New York
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
If available, please send an electronic copy to
GNW.privateplacements@genworth.com

AND

State Street
Account: GE Capital Life Assurance Company of New York
801 Pennsylvania
Kansas City, MO 64105
Attn: Tammy Karn
Telephone No.: (816) 871-9286
Fax No.: (816) 691-5593
geam@statestreetkc.com (preferred delivery method)

AND

Hare & Co.
The Bank of New York
Income Collection Department
P.O. Box 11203
New York, NY 10286
Attn: PP P&I Department
Ref: GE Capital Life Assurance Company of New York,
Account #127019, PPN 65473Q A* 4 and Security Description
P&I Contact: Anthony Largo – (718) 315-3022

(3) All other communications:

Genworth Financial
Account: GE Capital Life Assurance Company of New York
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
If available, please send an electronic copy to
GNW.privateplacements@genworth.com

(4) Tax identification number: 22-2882416

NAME AND ADDRESS OF PURCHASER:

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$15,000,000 Series A Note
$10,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA #021000018
Account Number/Beneficiary: GLA111566
SWIFT Code: IRVTUS3N
Attn: PP P & I DEPARTMENT
Bank to Bank Information: General Electric Capital Assurance Company, Account #127459, PPN [65473Q A* 4 / 65473Q B* 3] & Security Description, and Identify Principal & Interest Amounts

(2) All notices of payments and written confirmations of such wire transfers:

Genworth Financial
Account: General Electric Capital Assurance Company
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
If available, please send an electronic copy to
GNW.privateplacements@genworth.com

AND

State Street
Account: General Electric Capital Assurance Company
801 Pennsylvania
Kansas City, MO 64105
Attn: Tammy Karn
Telephone No.: (816) 871-9286
Fax No.: (816) 691-5593
geam@statestreetkc.com (preferred delivery method)

AND

Hare & Co.
The Bank of New York
Income Collection Department
P.O. Box 11203
New York, NY 10286
Attn: PP P&I Department
Ref: General Electric Capital Assurance Company
Account #127459, PPN [65473Q A* 4 / 65473Q B* 3] and
Security Description
P&I Contact: Anthony Largo – (718) 315-3022

(3) All other communications:

Genworth Financial
Account: General Electric Capital Assurance Company
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
If available, please send an electronic copy to
GNW.privateplacements@genworth.com

(4) Tax identification number: 91-6027719

NAME AND ADDRESS OF PURCHASER:

RELIASTAR LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$7,000,000 Series A Note
$5,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA#: 021000018
BFN: IOC 566/INST'L CUSTODY (for principal and interest payments)
BFN: IOC 565/INST'L CUSTODY (for all other payments)
Ref.: ReliaStar Life Insurance Company, Acct. No. 187035 and PPN 65473Q A* 4

Each such wire transfer shall set forth the name of the Issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN 65473Q A* 4, and the due date and application (as among principal, premium and interest) of the payment being made.

(2) All notices of payments and written confirmations of such wire transfers:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Operations/Settlements
Fax: (770) 690-4886

(3) All other communications:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Private Placements
Fax: (770) 690-5057

(4) Tax identification number: 41-0451140

NAME AND ADDRESS OF PURCHASER:

ING USA ANNUITY AND LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA#: 021000018
BFN: IOC 566/INST'L CUSTODY (for principal and interest payments)
BFN: IOC 565/INST'L CUSTODY (for all other payments)
Ref.: ING USA Annuity and Life Insurance Co., Acct. No. 136373 and PPN 65473Q A* 4

Each such wire transfer shall set forth the name of the Issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN 65473Q A* 4, and the due date and application (as among principal, premium and interest) of the payment being made.

(2) All notices of payments and written confirmations of such wire transfers:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Operations/Settlements
Fax: (770) 690-4886

(3) All other communications:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Private Placements
Fax: (770) 690-5057

(4) Tax identification number: 41-0991508

NAME AND ADDRESS OF PURCHASER:

SECURITY LIFE OF DENVER INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$9,000,000 Series A Note
$9,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA#: 021000018
BFN: IOC 566/INST'L CUSTODY (for principal and interest payments)
BFN: IOC 565/INST'L CUSTODY (for all other payments)
Attn: P&I Department
Ref.: Security Life of Denver Insurance Company, Acct. No. 178157 and PPN 65473Q A* 4

Each such wire transfer shall set forth the name of the Issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN 65473Q A* 4, and the due date and application (as among principal, premium and interest) of the payment being made.

(2) All notices of payments and written confirmations of such wire transfers:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Operations/Settlements
Fax: (770) 690-4886

(3) All other communications:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Private Placements
Fax: (770) 690-5057

(4) Tax identification number: 84-0499703

NAME AND ADDRESS OF PURCHASER:

ING LIFE INSURANCE AND ANNUITY COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$15,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA#: 021000018
BFN: IOC 566/INST'L CUSTODY (for principal and interest payments)
BFN: IOC 565/INST'L CUSTODY (for all other payments)
Attn: P&I Department
Ref.: ING Life Insurance and Annuity Company, Acct. No. 216101 and PPN 65473Q A* 4

Each such wire transfer shall set forth the name of the Issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN 65473Q A* 4, and the due date and application (as among principal, premium and interest) of the payment being made.

(2) All notices of payments and written confirmations of such wire transfers:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Operations/Settlements
Fax: (770) 690-4886

(3) All other communications:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Private Placements
Fax: (770) 690-5057

(4) Tax identification number: 71-0294708

NAME AND ADDRESS OF PURCHASER:

ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

ATTN: Private Placements
c/o Allianz of America, Inc.
55 Greens Farms Road
P.O. Box 5160
Westport, Connecticut 06881- 5160
Telephone No.: (203) 221- 8580
Fax No.: (203) 221- 8539
E-mail: blandry@azoa.com

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$25,000,000 Series B Note
$25,000,000 Series D Note

Note to be registered in the name of "MAC & CO."

(1) All payments on or in respect of the Certificates to be made by bank wire transfer of Federal or other immediately available funds to:

MAC&CO
ABA# 011001234
DDA 125261
Cost Center 1253
Reference: PPN [65473Q A@ 2 / 65473Q B* 3], Principal & Interest Breakdown, Account Number and Nominee Name in wire

(2) All notices or statements with respect to payments and written confirmation of each such payment, including interest payments, redemptions, premiums, make wholes, and fees should be addressed as first shown above with additional copies to:

Allianz of America, Inc.
Attn: Private Placements
55 Greens Farms Road
P.O. Box 5160
Westport, Connecticut 06881- 5160
Telephone No.: (203) 221- 8580
Fax No.: (203) 221- 8539
E-mail: blandry@azoa.com

AND

Kathy Muhl
Supervisor - Income Group
Mellon Bank, N.A.
Three Mellon Center - Room 3418
Pittsburgh, Pennsylvania 15259
Telephone No.: (412) 234-5192
E-mail: muhl.kl@mellon.com

(3) All other notices and communications (including original note agreement, conformed copy of the note agreement, amendment requests, financial statements) to:

Allianz Life Insurance Company of North America
ATTN: Private Placements
c/o Allianz of America, Inc.
55 Greens Farms Road
P.O. Box 5160
Westport, Connecticut 06881- 5160
Telephone No.: (203) 221- 8580
Fax No.: (203) 221- 8539
With electronic copy, if available, to blandry@azoa.com.

(4) Tax identification number: 41-1366075

NAME AND ADDRESS OF PURCHASER:

NEW YORK LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$12,000,000 Series A Note
$16,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York 10019
ABA No. 021-000-021
Credit: New York Life Insurance Company
General Account No. 008-9-00687

with sufficient information (including issuer, PPN [65473Q A* 4 / 65473Q B* 3] interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

(2) With advice of such payments to:

New York Life Insurance Company
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Financial Management
Securities Operations, 2nd Floor
Fax #: (212) 447-4160
With a copy sent electronically to: SIGLibrary@nylim.com

(3) All other communications:

New York Life Insurance Company
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010
Attention: Securities Investment Group
Private Finance, 2nd Floor
Fax #: (212) 447-4122
With a copy sent electronically to: SIGLibrary@nylim.com

AND

A copy of any notices regarding defaults or Events of Default under the operative documents to:

New York Life Insurance Company
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010
Attention: Office of General Counsel
Investment Section, Room 1104
Fax #: (212) 576-8340

(4) Tax identification number: 13-5582869

NAME AND ADDRESS OF PURCHASER:

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$7,000,000 Series A Note
$4,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York
ABA No. 021-000-021
Credit: New York Life Insurance and Annuity Corporation
General Account No. 323-8-47382

with sufficient information (including issuer, PPN [65473Q A* 4 / 65473Q B* 3], interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

(2) With advice of such payments to:

New York Life Insurance and Annuity Corporation
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Financial Management
Securities Operation, 2nd Floor
Fax #: (212) 447-4160
With a copy sent electronically to: SIGLibrary@nylim.com

(3) All other communications to:

New York Life Insurance and Annuity Corporation
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Securities Investment Group
Private Finance, 2nd Floor
Fax #: (212) 447-4122
With a copy sent electronically to: SIGLibrary@nylim.com

AND

A copy of any notices regarding defaults or Events of Default under the operative documents to:

New York Life Insurance and Annuity Corporation
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Office of General Counsel
Investment Section, Room 1104
Fax #: (212) 576-8340

(4) Tax identification number: 13-3044743

NAME AND ADDRESS OF PURCHASER:

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION INSTITUTIONALLY OWNED LIFE INSURANCE SEPARATE ACCOUNT

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$500,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York
ABA No. 021-000-021
Credit: NYLIAC SEPARATE BOLI 3 BROAD FIXED
General Account No. 323-8-39002

with sufficient information (including issuer, PPN 65473Q A* 4, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

(2) With advice of such payments to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Financial Management
Securities Operation, 2nd Floor
Fax #: (212) 447-4160
With a copy sent electronically to: SIGLibrary@nylim.com

(3) All other communications to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Securities Investment Group
Private Finance, 2nd Floor
Fax #: (212) 447-4122
With a copy sent electronically to: SIGLibrary@nylim.com

AND

A copy of any notices regarding defaults or Events of Default under the operative documents to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Office of General Counsel
Investment Section, Room 1104
Fax #: (212) 576-8340

(4) Tax identification number: 13-3044743

NAME AND ADDRESS OF PURCHASER:

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION INSTITUTIONALLY OWNED LIFE INSURANCE SEPARATE ACCOUNT

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

(1) All payments by wire transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York
ABA No. 021-000-021
Credit: NYLIAC SEPARATE BOLI 3-2
General Account No. 323-9-56793

with sufficient information (including issuer, PPN 65473Q A* 4, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

$500,000 Series A Note

(2) With advice of such payments to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Financial Management
Securities Operation, 2nd Floor
Fax #: (212) 447-4160
With a copy sent electronically to: SIGLibrary@nylim.com

(3) All other communications to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Securities Investment Group
Private Finance, 2nd Floor
Fax #: (212) 447-4122
With a copy sent electronically to: SIGLibrary@nylim.com

AND

A copy of any notices regarding defaults or Events of Default under the operative documents to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Office of General Counsel
Investment Section, Room 1104
Fax #: (212) 576-8340

(4) Tax identification number: 13-3044743

NAME AND ADDRESS OF PURCHASER:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

Note to be registered in the name of "CIG & CO."

(1) All payments by wire transfer of immediately available funds to:

J.P. Morgan Chase Bank
BNF=CIGNA Private Placements/AC=9009001802
ABA# 021000021
OBI=[name of company; description of security; interest rate, maturity date; PPN [65473Q A@ 2 / 65473Q A# 0]

(2) All notices of payments and written confirmations of such wire transfers:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Fixed Income Securities, H16B
280 Trumbull Street
Hartford, CT 06103
FAX: 860-727-8024

AND

J.P. Morgan Chase Bank
14201 Dallas Parkway, 13th Floor
Dallas, TX 75254
Attention: Heather Frisina, Mail Code 300-116
FAX: 469-477-1904

(3) All other communications:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Fixed Income Securities, H16B
280 Trumbull Street
Hartford, CT 06103
FAX: 860-727-8024

(4) Tax identification number: 13-3574027

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series B Note (CGL/RAA)
$2,000,000 Series B Note (CGL/RE)
$3,000,000 Series B Note (CGL/STK)
$2,000,000 Series B Note (SABOLI)
$2,000,000 Series B Note (SAHUNT)
$1,000,000 Series B Note (SAKEYCO)
$5,400,000 Series C Note (CGL/CGS)
$2,000,000 Series C Note (CGL/LEV)
$3,400,000 Series C Note (CGL/RE)
$2,200,000 Series C Note (SAHUNT)

NAME AND ADDRESS OF PURCHASER:

LIFE INSURANCE COMPANY OF NORTH AMERICA

Note to be registered in the name of "CIG & CO."

(1) All payments by wire transfer of immediately available funds to:

J.P. Morgan Chase Bank
BNF=CIGNA Private Placements/AC=9009001802
ABA# 021000021
OBI=[name of company; description of security; interest rate, maturity date; PPN [65473Q A@ 2 / 65473Q A# 0]]

(2) All notices of payments and written confirmations of such wire transfers:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Fixed Income Securities, H16B
280 Trumbull Street
Hartford, CT 06103
FAX: 860-727-8024

AND

J.P. Morgan Chase Bank
14201 Dallas Parkway, 13th Floor
Dallas, TX 75254
Attention: Heather Frisina, Mail Code 300-116
FAX: 469-477-1904

(3) All other communications:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Fixed Income Securities, H16B
280 Trumbull Street
Hartford, CT 06103
FAX: 860-727-8024

(4) Tax identification number: 13-3574027

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$3,000,000 Series B Note (LINA)
$2,000,000 Series C Note (LINA)

NAME AND ADDRESS OF PURCHASER:

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY

Note to be registered in the name of "CUDD & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series D Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

CUDD & CO.
c/o JP Morgan Chase Bank
New York, NY
ABA No. 021 000 021
SSG Private Income Processing
A/C #900-9-000200
Custodial Account No. G06704

Reference: Issuer, PPN 65473Q B* 3, Coupon, Maturity, Principal and Interest

(2) Address all notices regarding payments and all other communications to:

Provident Investment Management, LLC
Private Placements
One Fountain Square
Chattanooga, Tennessee 37402
Telephone: (423) 294-1172
Fax: (423) 294-3351

(3) Tax Identification Number: 13-6022143 (CUDD & CO.)

NAME AND ADDRESS OF PURCHASER:

UNUM LIFE INSURANCE COMPANY OF AMERICA

Note to be registered in the name of "CUDD & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$10,000,000 Series D Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

CUDD & CO.
c/o JP Morgan Chase Bank
New York, NY
ABA No. 021 000 021
SSG Private Income Processing
A/C #900-9-000200
Custodial Account No. G09470

Reference: Issuer, PPN 65473Q B* 3, Coupon, Maturity, Principal and Interest

(2) Address all notices regarding payments and all other communications to:

Provident Investment Management, LLC
Private Placements
One Fountain Square
Chattanooga, Tennessee 37402
Telephone: (423) 294-1172
Fax: (423) 294-3351

(3) Tax Identification Number: 13-6022143 (CUDD & CO.)

NAME AND ADDRESS OF PURCHASER:

FIRST UNUM LIFE INSURANCE COMPANY

Note to be registered in the name of "CUDD & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$10,000,000 Series D Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

CUDD & CO.
c/o JP Morgan Chase Bank
New York, NY
ABA No. 021 000 021
SSG Private Income Processing
A/C #900-9-000200
Custodial Account No. G08289

Reference: Issuer, PPN 65473Q B* 3, Coupon, Maturity, Principal and Interest

(2) Address all notices regarding payments and all other communications to:

Provident Investment Management, LLC
Private Placements
One Fountain Square
Chattanooga, Tennessee 37402
Telephone: (423) 294-1172
Fax: (423) 294-3351

(3) Tax Identification Number: 13-6022143 (CUDD & CO.)

NAME AND ADDRESS OF PURCHASER:

COLONIAL LIFE & ACCIDENT INSURANCE COMPANY

Note to be registered in the name of "CUDD & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$15,000,000 Series D Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

CUDD & CO.
c/o JP Morgan Chase Bank
New York, NY
ABA No. 021 000 021
SSG Private Income Processing
A/C #900-9-000200
Custodial Account No. G08292

Reference: Issuer, PPN 65473Q B* 3, Coupon, Maturity, Principal and Interest

(2) Address all notices regarding payments and all other communications to:

Provident Investment Management, LLC
Private Placements
One Fountain Square
Chattanooga, Tennessee 37402
Telephone: (423) 294-1172
Fax: (423) 294-3351

(3) Tax Identification Number: 13-6022143 (CUDD & CO.)

NAME AND ADDRESS OF PURCHASER:

TRANSAMERICA OCCIDENTAL LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$35,000,000 Series A Note

(1) All payments on account of the TRANSAMERICA OCCIDENTAL LIFE INSURANCE COMPANY shall be made by wire transfer of immediately available funds. Wire instructions should include source and application of funds (principal and/or interest amount) along with security/issuer description and PPN 65473Q A* 4 to:

Boston Safe Deposit Trust
ABA# - 011001234
Credit DDA Account #125261
Attn: MBS Income, cc1253
Custody account # TRAF1515002
FC TOLIC Private

(2) All notices of payments and written confirmations of such wire transfers:

Email: paymentnotifications@aegonusa.com
AEGON USA Investment Management, LLC
Attn: Custody Operations-Privates
4333 Edgewood Road NE
Cedar Rapids, IA 52499-7013

(3) All other communications:

AEGON USA Investment Management, LLC
Attn: Fred Howard - Private Placements
400 West Market Street, 10th Floor
Louisville, KY 40202
Phone: 502-560-2149
Fax: 502-560-2030

AND

AEGON USA Investment Management, LLC
Attn: Director of Private Placements
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5335
Phone: 319-369-2432
Fax: 319-369-2666

(4) Tax identification number: 95-1060502

NAME AND ADDRESS OF PURCHASER:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$7,400,000 Series B Note
$5,300,000 Series C Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as either (a) NiSource Finance Corp., 5.36% Senior Notes Series B due 2015 or (b) NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For MassMutual Unified Traditional
Account Name: MassMutual BA 0033 TRAD Private ELBX
Account No. 30566056
Re: Description of security, PPN [65473Q A@ 2 / 65473Q A# 0], principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 04-1590850

NAME AND ADDRESS OF PURCHASER:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$3,950,000 Series B Note
$3,000,000 Series C Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as either (a) NiSource Finance Corp., 5.36% Senior Notes Series B due 2015 or (b) NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For MassMutual Pension Management
Account No. 30510538
Re: Description of security, PPN [65473Q A@ 2 / 65473Q A# 0], principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 04-1590850

NAME AND ADDRESS OF PURCHASER:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,250,000 Series B Note
$2,200,000 Series C Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as either (a) NiSource Finance Corp., 5.36% Senior Notes Series B due 2015 or (b) NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For MassMutual DI
Account Name: MassMutual BA 0038 DI Private ELBX
Account No. 30566064
Re: Description of security, PPN [65473Q A@ 2 / 65473Q A# 0], principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 04-1590850

NAME AND ADDRESS OF PURCHASER:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,300,000 Series B Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as NiSource Finance Corp., 5.36% Senior Notes Series B due 2015, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For MassMutual DI
Account Name: MassMutual IFM Non-Traditional
Account No. 30510589
Re: Description of security, PPN 65473Q A@ 2, principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 04-1590850

NAME AND ADDRESS OF PURCHASER:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series C Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For MassMutual Structured Settlement Fund
Account No. 30510634
Re: Description of security, PPN 65473Q A# 0, principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 04-1590850

NAME AND ADDRESS OF PURCHASER:

C.M. LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,250,000 Series B Note
$1,600,000 Series C Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as either (a) NiSource Finance Corp., 5.36% Senior Notes Series B due 2015 or (b) NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For CM Life Segment 43 - Universal Life
Account No. 30510546
Re: Description of security, PPN [65473Q A@ 2 / 65473Q A# 0], principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

C.M. Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

C.M. Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 06-1041383

NAME AND ADDRESS OF PURCHASER:

MASSMUTUAL ASIA LIMITED
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$850,000 Series B Note
$900,000 Series C Note

Notes to be registered in the name of "GERLACH & CO."

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as either (a) NiSource Finance Corp., 5.36% Senior Notes Series B due 2015 or (b) NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Gerlach & Co.
c/o Citibank, N.A.
New York, NY
ABA No. 021000089
Concentration Account 36112805
Attention: Judy Rock
Re: MassMutual Asia
Name of Security/ PPN [65473Q A@ 2 / 65473Q A# 0]

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

MassMutual Asia Limited
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

MassMutual Asia Limited
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

Corporate Action Notification to:

Citigroup Global Securities Services
Attention: Corporate Action Dept.
3800 Citibank Center Tampa
Building B Floor 3
Tampa, FL 33610-9122

(4) Tax identification number: N/A

NAME AND ADDRESS OF PURCHASER:

HAKONE FUND LLC
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$3,000,000 Series B Note

Note to be registered in the name of "GERLACH & CO."

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as NiSource Finance Corp., 5.36% Senior Notes Series B due 2015, interest and principal), to:

Gerlach & Co.
c/o Citibank, N.A.
New York, NY
ABA No. 021000089
Concentration Account 36112805
FFC: Account # 850481
Re: Currency Hedged Investment Vehicle
Ref: PPN 65473Q A@ 2, Name of Security

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Hakone Fund LLC
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Hakone Fund LLC
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

Corporate Action Notification to:

Citigroup Global Securities Services
Attention: Corporate Action Dept.
3800 Citibank Center Tampa
Building B Floor 3
Tampa, FL 33610-9122

(4) Tax identification number: N/A

NAME AND ADDRESS OF PURCHASER:

JACKSON NATIONAL LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$15,000,000 Series A Note (JNL-41)
$10,000,000 Series A Note (JNL-MVA)

(1) Please wire all payments as follows. To ensure accurate and timely posting of principal and interest, please include all relevant information on the wire.

The Bank of New York
ABA # 021-000-018
BNF Account #: IOC566
FBO: Jackson National Life
Ref: PPN 65473Q A* 4, Description, and Breakdown (P&I)

(2) All notices of payments and written confirmations of such wire transfers:

Jackson National Life Insurance Company
C/O The Bank of New York
Attn: P&I Department
P. O. Box 19266
Newark, New Jersey 07195
Phone: (718) 315-3035, Fax: (718) 315-3076

(3) All other communications:

PPM America, Inc.
225 West Wacker Drive, Suite 1100
Chicago, IL 60606-1228
Attn: Private Placements – Mark Staub
Phone: (312) 634-1212, Fax: (312) 634-0054

AND

Jackson National Life Insurance Company
225 West Wacker Drive, Suite 1100
Chicago, IL 60606-1228
Attn: Investment Accounting – Mark Stewart
Phone: (312) 338-5832, Fax: (312) 236-5224

(4) Tax identification number: 38-1659835

NAME AND ADDRESS OF PURCHASER:

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

THRIVENT FINANCIAL FOR LUTHERANS

Notes to be registered in the name of "SWANBIRD & CO." **$25,000,000 Series A Note**

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to

ABA # 011000028
State Street Bank & Trust Co.
DDA # A/C – 6813-049-1
Fund Number: NCE1
Fund Name: Thrivent Financial for Lutherans

Referencing Security Description, PPN 65473Q A* 4, Purpose of Payment, Interest and/or Principal Breakdown

(2) Notices of payments and written confirmation of such wire transfers to:

Investment Division
Thrivent Financial for Lutherans
625 Fourth Avenue North
Minneapolis MN 55415
Fax: 612-340-5776

AND

Thrivent Accounts
State Street Kansas City
801 Pennsylvania
Kansas City, MO 64105
Attention: Bart Woodson
Fax: 816-691-3610

(3) All other communications to:

Thrivent Financial for Lutherans
Attn: Investment Division
625 Fourth Avenue South
Minneapolis, MN 55415
Fax: (612) 340-5776

(4) Tax identification number: 39-0123480

NAME AND ADDRESS OF PURCHASER:

PROTECTIVE LIFE INSURANCE COMPANY
2801 Hwy. 280 South
Birmingham, AL 35223

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$25,000,000 Series B Note

(1) All payments by wire transfer of immediately available funds to:

Bank of NYC
Custody Account Number: 0000294412
Account Name: PROTECTIVE LIFE INSURANCE CO. (Ordinary)
ABA #021000018
REF: _____

with sufficient information to identify the source and application of such funds (PPN 65473Q A@ 2).

(2) All notices of payments and written confirmations of such wire transfers:

Protective Life Insurance Co.
% Investment Department
Attn: Belinda Bradley
P. O. Box 2606
Birmingham, AL 35202

(3) All other communications:

Protective Life Insurance Co.
% Investment Department
Attn: Belinda Bradley
P. O. Box 2606
Birmingham, AL 35202

(4) Tax identification number: 63-0169720

NAME AND ADDRESS OF PURCHASER:

AMERICAN REPUBLIC INSURANCE COMPANY

Note to be registered in the name of "WELLS FARGO BANK, N.A. FBO AMERICAN REPUBLIC INSURANCE COMPANY"

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series C Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Wells Fargo Bank, N.A.
ABA #121000248
BNFA=0000840245 (include all 10 digits)
BNF=Trust Wire Clearing
FFC Attn: Income Collections, a/c #20983400
(add additional information such as PPN 65473Q A# 0 and P&I)
For further credit to: American Republic Insurance Co.
Account Number: 20983400

Also, please reference sufficient information to identify the source and application of such funds.

(2) All notices and statements should be sent to the following address:

American Republic Insurance Company
c/o Advantus Capital Management Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 42-0113630

NAME AND ADDRESS OF PURCHASER:

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series C Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

BK of NYC
ABA: 021000018
BBK=IOC 363
Account: 531463
Name on Acct: Blue Cross and Blue Shield of Florida, Inc.

Also, please reference sufficient information to identify the source and application of such funds (PPN 65473Q A# 0).

(2) All notices and statements should be sent to the following address:

Blue Cross and Blue Shield of Florida, Inc.
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 59-2015694

NAME AND ADDRESS OF PURCHASER:

THE CATHOLIC AID ASSOCIATION

Note to be registered in the name of "WELLS FARGO BANK, N.A.
FBO THE CATHOLIC AID ASSOCIATION"

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,000,000 Series C Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Wells Fargo Bank N.A.
ABA #: 121000248
BNFA: 0000840245 (must use all 10 digits)
Beneficiary Acct Name: Trust Wire Clearing
Wells Fargo Acct Name: The Catholic Aid Association
Wells Fargo Acct #: 15313201
Contact Name: Linh Nguyen (612) 667-7197

Also, please reference sufficient information to identify the source and application of such funds (PPN 65473Q A# 0).

(2) All notices and statements should be sent to the following address:

The Catholic Aid Association
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 41-0182070

NAME AND ADDRESS OF PURCHASER:

THE LAFAYETTE LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series D Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

JPMorgan Chase Bank
ABA 021-000-021
SWIFT Address: CHASUS33
Account 631557105
Beneficiary: Lafayette Life Insurance Company

Also, please reference sufficient information to identify the source and application of such funds (PPN 65473Q B* 3).

(2) All notices and statements should be sent to the following address:

The Lafayette Life Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 35-0457540

NAME AND ADDRESS OF PURCHASER:

MINNESOTA LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series C Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Mellon Bank, Pittsburgh, PA
ABA#: 011001234
DDA#: 048771
Account Name: Minnesota Life Insurance Company
Account #: ADFF0106002
Cost Code: 1167
Ref: Issuer, Rate, Maturity, PPN 65473Q A# 0, P&I Breakdown

(2) All notices and statements should be sent to the following address:

Minnesota Life Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 41-0417830

NAME AND ADDRESS OF PURCHASER:

MTL INSURANCE COMPANY

Note to be registered in the name of "ELL & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series D Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

The Northern Chgo/Trust
ABA #071-000-152
For credit to: Account Number: 5186041000
For further credit to: MTL Insurance Company
Account Number: 26-00621
Attn: Income Collections

Also, please reference sufficient information to identify the source and application of such funds (PPN 65473Q B* 3).

(2) All notices and statements should be sent to the following address:

MTL Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 36-1516780

NAME AND ADDRESS OF PURCHASER:	PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:
THE RELIABLE LIFE INSURANCE COMPANY Note to be registered in the name of "HARE & CO."	**$1,000,000 Series B Note**

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Interest:
ABA # 021000018
Bank of New York
GLA # 111 - 363
PPN 65473Q A@ 2
Custody Account # 276073
Custody Account Name: The Reliable Life Insurance Co

Principal:
ABA #021000018
Bank of New York
GLA # 111 - 566
PPN 65473Q A@ 2
Custody Account # 276073
Custody Account Name: The Reliable Life Insurance Co

Amendment:
ABA # 021000018
Bank of New York
GLA # 111-565
PPN 65473Q A@ 2
Custody Account # 276073
Custody Account Name: The Reliable Life Insurance Co.

(2) All notices and statements should be sent to the following address:

The Reliance Life Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 43-0476110

NAME AND ADDRESS OF PURCHASER:	PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:
UNITED INSURANCE COMPANY OF AMERICA Note to be registered in the name of "HARE & CO."	**$2,000,000 Series B Note**

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Interest:
ABA # 021000018
Bank of New York
GLA # 111 – 363
PPN 65473Q A@ 2
Custody Account # 367937
Custody Account Name: United Ins Co of America

Principal:
ABA #021000018
Bank of New York
GLA # 111 – 566
PPN 65473Q A@ 2
Custody Account # 367937
Custody Account Name: United Ins Co of America

Amendment:
ABA #021000018
Bank of New York
GLA # 111 – 565
PPN 65473Q A@ 2
Custody Account # 367937
Custody Account Name: United Ins Co of America

(2) All notices and statements should be sent to the following address:

United Insurance Company of America
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 36-1896670

NAME AND ADDRESS OF PURCHASER:

WESTERN UNITED LIFE ASSURANCE COMPANY

Note to be registered in the name of "WELLS FARGO BANK, N.A. FBO WESTERN UNITED LIFE ASSURANCE COMPANY"

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series C Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Wells Fargo Bank, N.A.
ABA #121000248
BNFA=0000840245 (include all 10 digits)
BNF=Corporate Trust Clearing
FFC Attn: Income Collections, a/c #16700300
(add additional information such as PPN 65473Q A# 0 and P&I)
For further credit to: Western United Life Assurance Co.
Account Number: 16700300

Also, please reference sufficient information to identify the source and application of such funds.

(2) All notices and statements should be sent to the following address:

Western United Life Assurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 91-0756069

NAME AND ADDRESS OF PURCHASER:

HARTFORD ACCIDENT AND INDEMNITY COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note
$5,000,000 Series A Note
$4,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

JP Morgan Chase
4 New York Plaza
New York New York 10004
Bank ABA No. 021000021
Chase NYC/Cust
A/C # 900-9-000200 for F/C/T G06239-HAI
Attn: Bond Interest /Principal - NiSource Finance Corp 5.21%
Senior Unsecured Notes Due November 28, 2012
PPN 65473Q A* 4 Prin $_____ Int $_____

(2) All notices of payments and written confirmations of such wire transfers:

Hartford Investment Management Company
c/o Portfolio Support
Regular mailing address:
P.O. Box 1744
Hartford, CT 06144-1744
Overnight mailing address:
55 Farmington Avenue
Hartford, Connecticut 06105
Telefacsimile: (860) 297-8875/8876

(3) All other communications:

Hartford Investment Management Company
c/o Investment Department-Private Placements
Regular mailing address:
P.O. Box 1744
Hartford, CT 06144-1744
Overnight mailing address:
55 Farmington Avenue
Hartford, Connecticut 06105

(4) Tax identification number: 06-0383030

NAME AND ADDRESS OF PURCHASER:

PHYSICIANS LIFE INSURANCE COMPANY

Note to be registered in the name of "ELL & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$500,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

Custodian:	The Northern Trust Company
DTC Number:	2669
Institutional I.D.:	26724
ABA Number:	071000152
Agent Bank I.D.:	20290
Internal Account:	26-27103 (PLIC LIFE - Hartford)
Attn:	Bond Interest / Principal - NiSource Finance Corp. 5.21% Senior Series A Due November 28, 2012 (PPN 65473Q A* 4)

(2) All notices of payments and written confirmations of such wire transfers:

Physicians Life Insurance Company
Attention: Steven Scanlan
2600 Dodge Street
Omaha, NE 68131
Facsimile: (402) 633-1096

(3) All other communications:

Hartford Investment Management Company
c/o Investment Department-Private Placements
Regular mailing address:
P.O. Box 1744
Hartford, CT 06144-1744
Overnight mailing address:
55 Farmington Avenue
Hartford, Connecticut 06105
Telefacsimile: (860) 297-8884

(4) Tax identification number: 47-0529583

NAME AND ADDRESS OF PURCHASER:

PHYSICIANS LIFE INSURANCE COMPANY

Notes to be registered in the name of "ELL & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,500,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

Custodian:	The Northern Trust Company
DTC Number:	2669
Institutional I.D.:	26724
ABA Number:	071000152
Agent Bank I.D.:	20290
Internal Account:	26-27104 (PLIC ANNUITY - Hartford)
Attn:	Bond Interest / Principal - NiSource Finance Corp. 5.21% Senior Series A Due November 28, 2012 (PPN 65473Q A* 4)

(2) All notices of payments and written confirmations of such wire transfers:

Physicians Life Insurance Company
Attention: Steven Scanlan
2600 Dodge Street
Omaha, NE 68131
Facsimile: (402) 633-1096

(3) All other communications:

Hartford Investment Management Company
c/o Investment Department-Private Placements
Regular mailing address:
P.O. Box 1744
Hartford, CT 06144-1744
Overnight mailing address:
55 Farmington Avenue
Hartford, Connecticut 06105
Telefacsimile: (860) 297-8884

(4) Tax identification number: 47-0529583

NAME AND ADDRESS OF PURCHASER:

PHOENIX LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$10,000,000 Series B Note

(1) All payments by wire transfer of immediately available funds to:

ABA 021 000 021
Bank: JP Morgan Chase
City, State: New York, NY
Acct. #: 900 9000 200
Acct. Name: Income Processing
Reference: G05123, Phoenix Life Ins., PPN = (65473Q A@ 2), OBI = (issuer name), Rate = (coupon), Due = (mat. Date)
INCLUDE company name, principal and interest breakdown and premium, if any.

(2) All legal notices to:

Phoenix Life Insurance Company
Attn: John Mulrain
One American Row
PO Box 5056
Hartford, CT 06102-5056

(3) All other correspondence to:

Phoenix Investment Partners
Attn: Private Placement Department
56 Prospect Street
Hartford, CT 06115

(4) Tax identification number: 06-0493340

NAME AND ADDRESS OF PURCHASER:

PHOENIX LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$3,000,000 Series B Note

(1) All payments by wire transfer of immediately available funds to:

ABA 021 000 021
Bank: JP Morgan Chase
City, State: New York, NY
Acct. #: 900 9000 200
Acct. Name: Income Processing
Reference: G05689, Phoenix Life Ins., PPN = (65473Q A@ 2), OBI = (issuer name), Rate = (coupon), Due = (mat. Date)
INCLUDE company name, principal and interest breakdown and premium, if any.

(2) All legal notices to:

Phoenix Life Insurance Company
Attn: John Mulrain
One American Row
PO Box 5056
Hartford, CT 06102-5056

(3) All other correspondence to:

Phoenix Investment Partners
Attn: Private Placement Department
56 Prospect Street
Hartford, CT 06115

(4) Tax identification number: 06-0493340

NAME AND ADDRESS OF PURCHASER:

PHL VARIABLE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,500,000 Series B Note

(1) All payments by wire transfer of immediately available funds to:

ABA 021 000 021
Bank: JP Morgan Chase
City, State: New York, NY
Acct. #: 900 9000 200
Acct. Name: Income Processing
Reference: G09390, Phoenix Life Insur., PPN = (65473Q A@ 2), OBI = (issuer name), Rate = (coupon), Due = (mat. Date)
INCLUDE company name, principal and interest breakdown and premium, if any.

(2) All legal notices to:

Phoenix Life Insurance Company
Attn: John Mulrain
One American Row
PO Box 5056
Hartford, CT 06102-5056

(3) All other correspondence to:

Phoenix Investment Partners
Attn: Private Placement Department
56 Prospect Street
Hartford, CT 06115

(4) Tax identification number: 06-1045829

NAME AND ADDRESS OF PURCHASER:	PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:
PHL VARIABLE INSURANCE COMPANY	
(1) All payments by wire transfer of immediately available funds to: ABA 021 000 021 Bank: JP Morgan Chase City, State: New York, NY Acct. #: 900 9000 200 Acct. Name: Income Processing Reference: G09389, Phoenix Life Insur., PPN = (65473 A@ 2), OBI = (issuer name), Rate = (coupon), Due = (mat. Date) INCLUDE company name, principal and interest breakdown and premium, if any.	**$500,000 Series B Note**
(2) All legal notices to: Phoenix Life Insurance Company Attn: John Mulrain One American Row PO Box 5056 Hartford, CT 06102-5056	
(3) All other correspondence to: Phoenix Investment Partners Attn: Private Placement Department 56 Prospect Street Hartford, CT 06115	
(4) Tax identification number: 06-1045829	

NAME AND ADDRESS OF PURCHASER:

AMERUS LIFE INSURANCE COMPANY

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series C Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
New York, NY
ABA #021000018
BNF: IOC566
Attn: P & I Department
Ref: AmerUs Life Account 010040, PPN 65473Q A# 0

Name of Companies:
Description of Security:
PPN 65473Q:
Due Date and Application (as among principal, Make-Whole Amount and interest) of the payment being made:

(2) All notices of payments and written confirmations of such wire transfers:

AmerUs Life Insurance Company
c/o AmerUs Capital Management Group, Inc.
699 Walnut Street, Suite 1700
Des Moines, IA 50309
Attn: Julie Rivera
Tel: (515) 283-3431
Fax: (515) 283-3439

(3) All other communications:

AmerUs Life Insurance Company
c/o AmerUs Capital Management Group, Inc.
699 Walnut Street, Suite 1700
Des Moines, IA 50309
Attn: Tamara Harmon
Tel: (515) 362-3527
Fax: (515) 283-3439

(4) Tax identification number: 42-0175020 (AmerUs Life Insurance Company); 13-6062916 (Hare & Co.)

NAME AND ADDRESS OF PURCHASER:

AMERICAN INVESTORS LIFE INSURANCE COMPANY

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$10,000,000 Series C Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
New York, NY
ABA #021000018
BNF: IOC566
Attn: P & I Department
Ref: American Investors Life Account 010048, PPN 65473Q A# 0

Name of Companies:
Description of Security:
PPN 65473Q A# 0
Due Date and Application (as among principal, Make-Whole Amount and interest) of the payment being made:

(2) All notices of payments and written confirmations of such wire transfers:

American Investors Life Insurance Company
c/o AmerUs Capital Management Group, Inc.
699 Walnut Street, Suite 1700
Des Moines, IA 50309
Attn: Julie Rivera
Tel: (515) 283-3431
Fax: (515) 283-3439

(3) All other communications:

American Investors Life Insurance Company
c/o AmerUs Capital Management Group, Inc.
699 Walnut Street, Suite 1700
Des Moines, IA 50309
Attn: Tamara Harmon
Tel: (515) 362-3527
Fax: (515) 283-3439

(4) Tax identification number: 48-0696320 (American Investors Life Insurance Company); 13-6062916 (Hare & Co.)

NAME AND ADDRESS OF PURCHASER:

THE TRAVELERS INDEMNITY COMPANY
385 Washington Street
St. Paul, MN 55102

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$10,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

JPMorgan Chase Bank
ABA 021000021
Account Name: Travelers Indemnity Company - Private Placement
Account Number: 323954448

with sufficient information to identify the source and application of such funds (PPN 65473Q A* 4).

(2) All notices of payments and written confirmations of such wire transfers and all other communications:

St. Paul Travelers
Mail Code 511B
385 Washington Street
St. Paul, MN 55102-1396

(3) Tax identification number: 06-0566050

NAME AND ADDRESS OF PURCHASER:

ST. PAUL FIRE AND MARINE INSURANCE COMPANY
385 Washington Street
St. Paul, MN 55102

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

JPMorgan Chase Bank
ABA 021000021
Account Name: Travelers Indemnity Company - Private Placement
Account Number: 323954448

with sufficient information to identify the source and application of such funds (PPN 65473Q A* 4).

(2) All notices of payments and written confirmations of such wire transfers and all other communications:

St. Paul Travelers
Mail Code 511B
385 Washington Street
St. Paul, MN 55102-1396

(3) Tax identification number: 41-0406690

NAME AND ADDRESS OF PURCHASER:

BANKERS LIFE AND CASUALTY COMPANY
535 N. College Drive
Carmel, IN 46032

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note

Note to be registered in the name of "HARE & CO."

(1) All payments by wire transfer of immediately available funds to:

Bankers Life and Casualty Company
The Bank of New York
ABA# 021-000-018
A/C# 0000014814
Ref: Issuer/Series/PPN 65473Q A* 4/CPN/Maturity

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

John K. Nasser, FLMI
Manager, Investment Operations
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-6069
Fax: 317-817-2589

(3) All other communications:

Edwin Ferrell
Vice President, Director of Research
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-2572
Fax: 317-817-2763

(4) Tax identification number: 36-0770740

NAME AND ADDRESS OF PURCHASER:

CONSECO LIFE INSURANCE COMPANY
535 N. College Drive
Carmel, IN 46032

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$6,000,000 Series D Note

Note to be registered in the name of "HARE & CO."

(1) All payments by wire transfer of immediately available funds to:

Conseco Life Insurance Company
The Bank of New York
ABA# 021-000-018
A/C# 0000232471
Ref: Issuer/Series/PPN 65473Q B* 3/CPN/Maturity

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

John K. Nasser, FLMI
Manager, Investment Operations
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-6069
Fax: 317-817-2589

(3) All other communications:

Edwin Ferrell
Vice President, Director of Research
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-2572
Fax: 317-817-2763

(4) Tax identification number: 04-2299444

NAME AND ADDRESS OF PURCHASER:

CONSECO SENIOR HEALTH INSURANCE COMPANY
535 N. College Drive
Carmel, IN 46032

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$3,000,000 Series D Note

Note to be registered in the name of "HARE & CO."

(1) All payments by wire transfer of immediately available funds to:

Conseco Senior Health Insurance Company
The Bank of New York
ABA# 021-000-018
A/C# 0000005068
Ref: Issuer/Series/PPN 65473Q B* 3/CPN/Maturity

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

John K. Nasser, FLMI
Manager, Investment Operations
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-6069
Fax: 317-817-2589

(3) All other communications:

Edwin Ferrell
Vice President, Director of Research
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-2572
Fax: 317-817-2763

(4) Tax identification number: 23-0704970

NAME AND ADDRESS OF PURCHASER:

LIFE INSURANCE COMPANY OF THE SOUTHWEST

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,000,000 Series A Note
$9,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

J.P. Morgan Chase & Co.
New York, NY 10010
ABA # 021000021
Account No. 910-2-754349
PPN [65473Q A* 4 / 65473Q B* 3]

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers and all other communications:

Life Insurance Company of the Southwest
c/o National Life Insurance Company
One National Life Drive
Montpelier, VT 05604
Attention: Private Placements
email: shiggins@nationallife.com
fax: 802-223-9332

(3) Tax identification number: 75-0953004

NAME AND ADDRESS OF PURCHASER:

NATIONAL LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$4,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

J.P. Morgan Chase & Co.
New York, NY 10010
ABA # 021000021
Account No. 910-4-017752
PPN 65473Q A* 4

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers and all other communications:

National Life Insurance Company
One National Life Drive
Montpelier, VT 05604
Attention: Private Placements
email: shiggins@nationallife.com
fax: 802-223-9332

(3) Tax identification number: 03-0144090

NAME AND ADDRESS OF PURCHASER:	PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:
AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY	
Note to be registered in the name of "CHIMEFISH & CO"	**$9,000,000 Series D Note**

(1) All payments on or in respect of the Notes shall be made in immediately available funds to:

State Street Bank & Trust Company
ABA # 011000028
Account # 00076026, Income Collection
BNF - BEV3
PPN 65473Q B* 3
Security Description:_____
Principal, Interest, Premium Breakdown:_____

(2) All notices and communication shall be delivered to:

American Equity Investment Life Insurance Co.
Attn: Asset Administration
5000 Westown Parkway, Suite 440
West Des Moines, IA 50266
Fax: 515-221-0329

AND

American Equity Investment Life Insurance Co.
Attn: Investment Department – Private Placements
5000 Westown Parkway, Suite 440
West Des Moines, IA 50266
Fax: 515-221-0329

(3) Tax identification number: 65-1186810

NAME AND ADDRESS OF PURCHASER:

COUNTRY LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$4,000,000 Series A Note
$4,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

Northern Trust Chgo/Trust
ABA Number 071000152
Wire Account Number 5186041000
For Further Credit to: 26-02712
Account Name: Country Life Insurance Company
Representing P & I on (list security) [BANK]

Referencing name of company, description of security, PPN [65473Q A* 4 / 65473Q B* 3] due date and application (as among principal, premium and interest) of the payment being made

(2) All notices of payments and written confirmations of such wire transfers:

Country Life Insurance Company
Attention: Investment Accounting
1705 N Towanda Avenue
Bloomington, IL 61702
Tel: (309) 821-3876
Fax: (309) 821-2800

(3) All other communications:

Country Life Insurance Company
Attention: Investments
1705 N Towanda Avenue
Bloomington, IL 61702
Tel: (309) 821-6260
Fax: (309) 821-6301

(4) Tax identification number: 37-0808781

SCHEDULE B

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Accredited Institutional Investor" means any Person that is both an "accredited investor" (within the meaning of Rule 501(a) of Regulation D under the Securities Act) and a Qualified Institutional Buyer.

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, **"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an **"Affiliate"** is a reference to an Affiliate of the Company.

"Anti-Terrorism Order" means Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49, 079 (2001), as amended.

"Beneficiary" is defined in Section 23.

"Bring-Down Disclosure Report" is defined in Section 5.

"Business Day" means (a) for the purposes of Section 8.6 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Indianapolis, Indiana are required or authorized to be closed.

"Capital Lease" means, as to any Person, any lease of real or personal property in respect of which the obligations of the lessee are required, in accordance with GAAP, to be capitalized on the balance sheet of such Person.

"**Capital Stock**" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person other than a corporation (including, but not limited to, all common stock and preferred stock and partnership, membership and joint venture interests in a Person), and any and all warrants, rights or options to purchase any of the foregoing.

"CEG Public Debt" means the following indebtedness issued by Columbia: (i) 7.05% Series D Notes due November 28, 2007, (ii) 7.32% Series E Notes due November 28, 2010, (iii) 7.42% Series F Notes due November 28, 2015, (iv) 7.62% Series G Notes due November 28, 2025.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"**Columbia**" means Columbia Energy Group, a Delaware corporation.

"Company" is defined in the first paragraph of this Agreement.

"Confidential Information" is defined in Section 20.

"**Consolidated Capitalization**" means the sum of (a) Consolidated Debt, (b) consolidated common equity of the Company and its Consolidated Subsidiaries determined in accordance with GAAP, and (c) the aggregate liquidation preference of preferred stocks (other than preferred stocks subject to mandatory redemption or repurchase) of the Company and its Consolidated Subsidiaries upon involuntary liquidation.

"**Consolidated Debt**" means, at any time, the Indebtedness of the Company and its Consolidated Subsidiaries that would be classified as debt on a balance sheet of the Company determined on a consolidated basis in accordance with GAAP.

"**Consolidated Net Tangible Assets**" means, at any time, the total amount of assets appearing on a consolidated balance sheet of the Company and its Subsidiaries, determined in accordance with GAAP and prepared as of the end of the fiscal quarter then most recently ended, *less*, without duplication, the following:

(a) all current liabilities (excluding any thereof that are by their terms extendable or renewable at the sole option of the obligor thereon, without requiring the consent of the obligee, to a date more than 12 months after the date of determination);

(b) all reserves for depreciation and other asset valuation reserves (but excluding any reserves for deferred Federal income taxes, arising from accelerated amortization or otherwise);

(c) all intangible assets, such as goodwill, trademarks, trade names, patents and unamortized debt discount and expense, carried as an asset on such balance sheet; and

(d) all appropriate adjustments on account of minority interests of other Persons holding common stock of any Subsidiary of the Company.

"**Consolidated Subsidiary**" means, on any date, each Subsidiary of the Company the accounts of which, in accordance with GAAP, would be consolidated with those of the Company in its consolidated financial statements if such statements were prepared as of such date.

"**Contingent Guaranty**" means a direct or contingent liability in respect of a Project Financing (whether incurred by assumption, guaranty, endorsement or otherwise) that either

(a) is limited to guarantying performance of the completion of the Project that is financed by such Project Financing or (b) is contingent upon, or the obligation to pay or perform under which is contingent upon, the occurrence of any event other than failure of the primary obligor to pay upon final maturity (whether by acceleration or otherwise).

"Credit Documents" is defined in Section 23.

"**Debt for Borrowed Money**" means, as to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all Capital Lease obligations of such Person, and (d) all obligations of such Person under synthetic leases, tax retention operating leases, off-balance sheet loans or other off-balance sheet financing products that, for tax purposes, are considered indebtedness for borrowed money of the lessee but are classified as operating leases under GAAP.

"**Debt to Capitalization Ratio**" means, at any time, the ratio of Consolidated Debt to Consolidated Capitalization.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means, with respect to the Notes of any Series, that rate of interest that is 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes of such Series.

"Disclosure Documents" is defined in Section 5.3.

"Electronic Delivery" is defined in Section 7.1(a).

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under Section 414 of the Code.

"Event of Default" is defined in Section 11.

"Form 10-K" is defined in Section 7.1(b).

"Form 10-Q" is defined in Section 7.1(a).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" means

(a) the government of

(1) the United States of America or any State or other political subdivision thereof, or

(2) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" is defined in Section 23.

"Hazardous Material" means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

"holder" means, with respect to any Note the Person in whose name such Note is registered in the register maintained by the NFC pursuant to Section 13.1.

"**Indebtedness**" of any Person means (without duplication) (a) Debt for Borrowed Money of such Person, (b) obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business which are not overdue, (c) all obligations, contingent or otherwise, of such Person in respect of any letters of credit, bankers' acceptances or interest rate, currency or commodity swap, cap or floor arrangements, (d) all indebtedness of others secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the indebtedness secured thereby has been assumed, (e) all amounts payable by such Person in connection with mandatory redemptions or repurchases of preferred stock, and (f) obligations of such Person under direct or indirect guarantees in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (e) above.

"Institutional Investor" means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

"Lien" is defined in Section 10.4.

"Make-Whole Amount" is defined in Section 8.6.

"Material" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, (b) the ability of the Obligors to perform their respective obligations under this Agreement, the Guaranty and the Notes, or (c) the validity or enforceability of this Agreement, the Guaranty or the Notes.

"**Material Subsidiary**" means at any time NFC, NIPSCO, Columbia, and each Subsidiary of the Company, other than NFC, NIPSCO and Columbia, in respect of which: (a) the Company's and its other Subsidiaries' investments in and advances to such Subsidiary and its Subsidiaries exceed 10% of the consolidated total assets of the Company and its Subsidiaries taken as a whole, as of the end of the most recent fiscal year; or (b) the Company's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principles of such Subsidiary and its Subsidiaries exceeds 10% of the consolidated income of the Company and its Subsidiaries for the most recent fiscal year.

"Memorandum" is defined in Section 5.3.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

"NAIC" means the National Association of Insurance Commissioners or any successor thereto.

"NFC" is defined in the first paragraph of this Agreement.

"**NIPSCO**" means Northern Indiana Public Service Company, an Indiana corporation.

"Notes" is defined in Section 1.

"**Obligations**" means all amounts, direct or indirect, contingent or absolute, of every type or description, and at any time existing and whenever incurred (including, without limitation,

after the commencement of any bankruptcy proceeding), payable by NFC to any holder of a Note pursuant to the terms of such Note or this Agreement.

"Obligor" is defined in the first paragraph of this Agreement.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any officer of an Obligor whose responsibilities extend to the subject matter of such certificate.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

"Plan" means an "employee benefit plan" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"**Project**" means an energy or power generation, transmission or distribution facility (including, without limitation, a thermal energy generation, transmission or distribution facility and an electric power generation, transmission or distribution facility (including, without limitation, a cogeneration facility)), a gas production, transportation or distribution facility, or a minerals extraction, processing or distribution facility, together with (a) all related electric power transmission, fuel supply and fuel transportation facilities and power supply, thermal energy supply, gas supply, minerals supply and fuel contracts, (b) other facilities, services or goods that are ancillary, incidental, necessary or reasonably related to the marketing, development, construction, management, servicing, ownership or operation of such facility, (c) contractual arrangements with customers, suppliers and contractors in respect of such facility, and (d) any infrastructure facility related to such facility, including, without limitation, for the treatment or management of waste water or the treatment or remediation of waste, pollution or potential pollutants.

"**Project Financing**" means Indebtedness incurred by a Project Financing Subsidiary to finance (a) the development and operation of the Project such Project Financing Subsidiary was formed to develop or (b) activities incidental thereto; *provided* that such Indebtedness does not include recourse to the Company or any of its other Subsidiaries other than (x) recourse to the Capital Stock in any such Project Financing Subsidiary, and (y) recourse pursuant to a Contingent Guaranty.

"**Project Financing Subsidiary**" means any Subsidiary of the Company (a) that (i) is not a Material Subsidiary, and (ii) whose principal purpose is to develop a Project and activities incidental thereto (including, without limitation, the financing and operation of such Project), or to become a partner, member or other equity participant in a partnership, limited liability company or other entity having such a principal purpose, and (b) substantially all the assets of

which are limited to the assets relating to the Project being developed or Capital Stock in such partnership, limited liability company or other entity (and substantially all of the assets of any such partnership, limited liability company or other entity are limited to the assets relating to such Project); *provided* that such Subsidiary incurs no Indebtedness other than in respect of a Project Financing.

"property" or **"properties"** means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PTE" is defined in Section 6.2(a).

"Purchaser" is defined in the first paragraph of this Agreement.

"Qualified Institutional Buyer" means any Person who is a "qualified institutional buyer" within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

"Related Fund" means, with respect to any holder of any Note, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"Required Holders" means, (a) at any time after Closing, (i) the holder(s) of at least 50% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by any Obligor or any of its Affiliates), and (ii) with respect to any Series of Notes, the holder(s) of at least 50% in principal amount of the Notes of such Series at the time outstanding (exclusive of Notes of such Series then owned by any Obligor or any of its Affiliates) and (b) at any time prior to Closing, (i) the Purchaser(s) obligated hereunder to purchase at least 50% in principal amount of the Notes and (ii) with respect to any Series of Notes, the Purchaser(s) obligated hereunder to purchase at least 50% in principal amount of the Notes of such Series.

"Responsible Officer" means any Senior Financial Officer and any officer of an Obligor with responsibility for the administration of the relevant portion of this Agreement.

"SEC" shall mean the Securities and Exchange Commission of the United States, or any successor thereto.

"Securities" or **"Security"** shall have the meaning specified in Section 2(1) of the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer, assistant treasurer, director/corporate finance or comptroller of either of NFC or the Company, as applicable.

"Series" means any series of Notes which have the same (i) maturity date, (ii) interest rate, (iii) interest payment periods and (iv) date of issuance (which, in the case of a Note issued

in exchange for another Note, shall be deemed for this purpose to be the date on which such Note's ultimate predecessor Note was originally issued); e.g., the Series A Notes, Series B Notes, Series C Notes and Series D Notes, respectively, each constitute a Series of Notes.

"Series A Notes" is defined in Section 1.

"Series B Notes" is defined in Section 1.

"Series C Notes" is defined in Section 1.

"Series D Notes" is defined in Section 1.

"Subsidiary" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such first Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Substantial Subsidiary" means, at any time, any Subsidiary in which the aggregate sum of (a) the amounts invested by the Company and its other Subsidiaries in the aggregate, by way of purchases of capital stock, Capital Leases, loans or otherwise, and (b) the amount of recourse, whether contractual or as a matter of law (but excluding non-recourse debt), available to creditors of such Subsidiary or Subsidiaries against the Company or any of its other Subsidiaries, is $100,000,000 or more.

"SVO" means the Securities Valuation Office of the NAIC or any successor to such Office.

"USA Patriot Act" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"**Utility Subsidiary**" means a Subsidiary of the Company that is subject to regulation by a Governmental Authority (federal, state or otherwise) having authority to regulate utilities, and any Wholly-Owned Subsidiary thereof.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary one hundred percent of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

[FORM OF SERIES A NOTE]

NISOURCE FINANCE CORP.

5.21% SERIES A SENIOR NOTE DUE NOVEMBER 28, 2012

No. **[A-_____]** **[Date]**
$**[_____]** PPN: 65473Q A* 4

FOR VALUE RECEIVED, the undersigned, NiSource Finance Corp. (herein called **"NFC"**), a corporation organized and existing under the laws of the State of Indiana, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on November 28, 2012, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.21% per annum from the date hereof, payable semiannually, on the 28th day of November and May in each year, commencing with the 28th day of November or May next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 7.21%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of NFC in Merrillville, Indiana or at such other place as NFC shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the **"Notes"**) issued pursuant to the Note Purchase Agreement, dated as of August 23, 2005 (as from time to time amended, the **"Note Purchase Agreement"**), among NFC, NiSource Inc. and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Sections 6.1 and 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series A Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, NFC may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and NFC will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of NFC, NiSource Inc. and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

NISOURCE FINANCE CORP.

By _____
[Title]

SECURITY GUARANTEE

NiSource Inc. irrevocably and unconditionally guarantees the Obligations of NiSource Finance Corp., an Indiana corporation (the "Company"), under this Note including that the principal of, premium, if any, and interest on this Note shall be promptly paid in full when due, whether at stated maturity, by acceleration, redemption or otherwise.

The obligations of NiSource Inc. pursuant to this Security Guarantee are expressly set forth in Section 23 of the Note Purchase Agreement, and reference is hereby made thereto for the precise terms of this Security Guarantee.

No stockholder, employee, officer, director or incorporator, as such, past, present or future, of NiSource Inc. shall have any liability under this Security Guarantee by reason of his or its status as such stockholder, employee, officer, director or incorporator.

THE TERMS OF SECTION 23 OF THE NOTE PURCHASE AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Note Purchase Agreement unless otherwise indicated.

NISOURCE INC.

By: _____
Name: [David J. Vajda]
Title: [Vice President and Treasurer]

[FORM OF SERIES B NOTE]

NISOURCE FINANCE CORP.

5.36% SERIES B SENIOR NOTE DUE NOVEMBER 28, 2015

No. **[B-_____]** **[Date]**
$**[_____]** PPN: 65473Q A@ 2

FOR VALUE RECEIVED, the undersigned, NiSource Finance Corp. (herein called **"NFC"**), a corporation organized and existing under the laws of the State of Indiana, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on November 28, 2015, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.36% per annum from the date hereof, payable semiannually, on the 28th day of November and May in each year, commencing with the 28th day of November or May next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 7.36%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of NFC in Merrillville, Indiana or at such other place as NFC shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the **"Notes"**) issued pursuant to the Note Purchase Agreement, dated as of August 23, 2005 (as from time to time amended, the **"Note Purchase Agreement"**), among NFC, NiSource Inc. and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Sections 6.1 and 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series B Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, NFC may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and NFC will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of NFC, NiSource Inc. and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

NISOURCE FINANCE CORP.

By _____
[Title]

SECURITY GUARANTEE

NiSource Inc. irrevocably and unconditionally guarantees the Obligations of NiSource Finance Corp., an Indiana corporation (the "Company"), under this Note including that the principal of, premium, if any, and interest on this Note shall be promptly paid in full when due, whether at stated maturity, by acceleration, redemption or otherwise.

The obligations of NiSource Inc. pursuant to this Security Guarantee are expressly set forth in Section 23 of the Note Purchase Agreement, and reference is hereby made thereto for the precise terms of this Security Guarantee.

No stockholder, employee, officer, director or incorporator, as such, past, present or future, of NiSource Inc. shall have any liability under this Security Guarantee by reason of his or its status as such stockholder, employee, officer, director or incorporator.

THE TERMS OF SECTION 23 OF THE NOTE PURCHASE AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Note Purchase Agreement unless otherwise indicated.

NISOURCE INC.

By: _____
Name: [David J. Vajda]
Title: [Vice President and Treasurer]

[FORM OF SERIES C NOTE]

NISOURCE FINANCE CORP.

5.41% SERIES C SENIOR NOTE DUE NOVEMBER 28, 2016

No. **[C-_____]** **[Date]**
$**[_____]** PPN**:** 65473Q A# 0

FOR VALUE RECEIVED, the undersigned, NiSource Finance Corp. (herein called **"**NFC**"**), a corporation organized and existing under the laws of the State of Indiana, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on November 28, 2016, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.41% per annum from the date hereof, payable semiannually, on the 28th day of November and May in each year, commencing with the 28th day of November or May next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 7.41%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of NFC in Merrillville, Indiana or at such other place as NFC shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the **"Notes"**) issued pursuant to the Note Purchase Agreement, dated as of August 23, 2005 (as from time to time amended, the **"Note Purchase Agreement"**), among NFC, NiSource Inc. and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Sections 6.1 and 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series C Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, NFC may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and NFC will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of NFC, NiSource Inc. and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

NISOURCE FINANCE CORP.

By _____
[Title]

SECURITY GUARANTEE

NiSource Inc. irrevocably and unconditionally guarantees the Obligations of NiSource Finance Corp., an Indiana corporation (the "Company"), under this Note including that the principal of, premium, if any, and interest on this Note shall be promptly paid in full when due, whether at stated maturity, by acceleration, redemption or otherwise.

The obligations of NiSource Inc. pursuant to this Security Guarantee are expressly set forth in Section 23 of the Note Purchase Agreement, and reference is hereby made thereto for the precise terms of this Security Guarantee.

No stockholder, employee, officer, director or incorporator, as such, past, present or future, of NiSource Inc. shall have any liability under this Security Guarantee by reason of his or its status as such stockholder, employee, officer, director or incorporator.

THE TERMS OF SECTION 23 OF THE NOTE PURCHASE AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Note Purchase Agreement unless otherwise indicated.

NISOURCE INC.

By: _____
Name: [David J. Vajda]
Title: [Vice President and Treasurer]

[FORM OF SERIES D NOTE]

NISOURCE FINANCE CORP.

5.89% SERIES D SENIOR NOTE DUE NOVEMBER 28, 2025

No. **[D-_____]** **[Date]**
$**[_____]** PPN: 65473Q B* 3

FOR VALUE RECEIVED, the undersigned, NiSource Finance Corp. (herein called **"NFC"**), a corporation organized and existing under the laws of the State of Indiana, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on November 28, 2025, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.89% per annum from the date hereof, payable semiannually, on the 28th day of November and May in each year, commencing with the 28th day of November or May next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 7.89%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of NFC in Merrillville, Indiana or at such other place as the NFC shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the **"Notes"**) issued pursuant to the Note Purchase Agreement, dated as of August 23, 2005 (as from time to time amended, the **"Note Purchase Agreement"**), among NFC, NiSource Inc. and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Sections 6.1 and 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series D Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, NFC may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and NFC will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of NFC, NiSource Inc. and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

NISOURCE FINANCE CORP.

By _____
[Title]

SECURITY GUARANTEE

NiSource Inc. irrevocably and unconditionally guarantees the Obligations of NiSource Finance Corp., an Indiana corporation (the "Company"), under this Note including that the principal of, premium, if any, and interest on this Note shall be promptly paid in full when due, whether at stated maturity, by acceleration, redemption or otherwise.

The obligations of NiSource Inc. pursuant to this Security Guarantee are expressly set forth in Section 23 of the Note Purchase Agreement, and reference is hereby made thereto for the precise terms of this Security Guarantee.

No stockholder, employee, officer, director or incorporator, as such, past, present or future, of NiSource Inc. shall have any liability under this Security Guarantee by reason of his or its status as such stockholder, employee, officer, director or incorporator.

THE TERMS OF SECTION 23 OF THE NOTE PURCHASE AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Note Purchase Agreement unless otherwise indicated.

NISOURCE INC.

By: _____
Name: [David J. Vajda]
Title: [Vice President and Treasurer]

FORM OF OPINION OF SPECIAL COUNSEL TO THE COMPANY

Matters To Be Covered in Opinion of Special Counsel to the Company

1. Each Obligor being duly incorporated, validly existing and in good standing and having requisite corporate power and authority to execute and deliver the documents and, in the case of NFC, to issue and sell the Notes and, in the case of the Company, to issue and deliver the Guaranty.

2. Each of the Company and its Subsidiaries being duly qualified and in good standing as a foreign corporation in appropriate jurisdictions. Due authorization and execution of the documents (including the Notes and the Guaranty) and such documents being legal, valid, binding and enforceable.

3. No conflicts with charter documents, laws or other agreements.

4. All consents required to issue and sell the Notes, issue and deliver the Guaranty and to execute and deliver the documents having been obtained.

5. Neither the Notes nor the Guaranty requiring registration under the Securities Act of 1933, as amended; no need to qualify an indenture under the Trust Indenture Act of 1939, as amended.

6. No violation of Regulations T, U or X of the Federal Reserve Board.

7. No Obligor being an "investment company" under the Investment Company Act of 1940, as amended.

FORM OF OPINION OF SPECIAL PUHCA COUNSEL TO THE COMPANY

Such opinion shall be to the effect that all requisite authorizations have been obtained under PUHCA for NFC to issue and sell the Notes, the Company to issue and deliver the Guaranty, and each to execute and deliver the Credit Documents to which it is a party and perform their respective obligations thereunder.

**FORM OF OPINION OF SPECIAL COUNSEL
TO THE PURCHASERS**

1. Each Obligor being duly incorporated, validly existing and in good standing.

2. Due authorization and execution of the documents (including the Notes and the Guaranty) and such documents being legal, valid, binding and enforceable.

3. Neither the Notes nor the Guaranty requiring registration under the Securities Act of 1933, as amended; no need to qualify an indenture under the Trust Indenture Act of 1939, as amended.

Dewey Ballantine LLP shall be entitled to rely on the opinion of Schiff Hardin LLP, counsel to the Obligors, as to matters governed by the laws of the State of Indiana.

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

14. Describe long-term debt reacquisitions by Company and Parent as follows:

a. Reacquisitions by issue by year.
b. Total gain on reacquisition by issue by year.
c. Accounting of gain for income tax and book purposes.

Response:

Columbia Gas of Pennsylvania did not reacquire any long-term debt.

a. During May 2015, NiSource Inc., through its financing subsidiary NiSource Finance Corp., settled its two bank term loans in the amount of $1,075.0 million and executed a tender offer for $750.0 million consisting of a combination of its 5.25% notes due 2017, 6.40% notes due 2018 and 4.45% notes due 2021. In May 2017, NiSource Finance Corp. executed a tender offer for $990.0 million consisting of a combination of its 6.13% notes due 2022, 6.4% notes due 2018, 6.8% notes due 2019 and 5.45% notes due 2020. Additionally, in June 2017 NiSource Finance Corp. executed a tender offer for $738,000 on 6.13% notes due 2022. In June and July 2018 NiSource Inc. executed a tender offer for $760.2 million consisting of a combination of its 6.80% notes due 2019, 5.45% due 2020, and 6.125% notes due 2022. In August and September 2020 NiSource Inc. executed a tender and call offer for $1,579 million consisting of a combination of its 4.45% notes due 2021, 2.65% notes due 2022, 3.65% and 3.85% notes due 2023, 5.89% notes due 2025, 6.25% notes due 2040 and 5.95% notes due 2041.

b. The May 2015 tender offers did not result in any gains. However, there were transaction costs including a significant redemption premium. The May 2017 and June 2017 tender offers did not result in any gains. However, there were transaction costs including a significant redemption premium. The June 2018 and July 2018 tender offers did not result in any gain, but there were transaction costs including a significant redemption premium. The August and September 2020 tenders and calls also resulted in a significant redemption premium.

c. There were no gains as a result of these transactions.

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

15. Set forth amount of compensating bank balances required under each of the following rate base bases:
    a. Annualized test year operations.
    b. Operations under proposed rates.

16. Provide the following information concerning compensating bank balance requirements for the actual test year.
    a. Name of each bank.
    b. Address of each bank.
    c. Types of accounts with each bank (checking, savings, escrow, other services, etc.).
    d. Average Daily Balance in each account.
    e. Amount and percentage requirements for compensating bank balance at each bank.
    f. Average daily compensating bank balance at each bank.
    g. Documents from each bank explaining compensating bank balance requirements.
    h. Interest earned on each type of account.

    Response:

    NiSource and Columbia Gas of Pennsylvania do not carry compensating bank balances nor are they required to under any rate base bases.

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

17. Provide the following information concerning bank notes payable for actual test year.

a. Line of Credit at each bank.

b. Average daily balances of notes payable to each bank, by name of bank.

c. Interest rate charged on each bank note (prime rate, formula rate, or other).

d. Purpose of each bank note (e.g.: construction, fuel storage, working capital, debt retirement).

e. Prospective future need for this type of financing.

Response:

Columbia Gas of Pennsylvania, Inc. (CPA) does not have debt with external bank counterparties. All of CPA's long-term debt borrowings are with NiSource Inc. Please refer to Attachment A of CPA's response to GAS-ROR-019 for detail of CPA's outstanding long-term notes payable at December 31, 2021. Long-term financing is primarily used to fund capital projects.

CPA is party to the NiSource System Money Pool Agreement (approved in Docket No. G-2017-2619362) whereby CPA may borrow or invest funds, on a short-term basis. CPA borrows funds on a short-term basis primarily to fund working capital and to temporarily fund capital expenditures and debt retirements until long-term financing can be obtained. Refer to Attachment A of this response for detail of CPA's short term borrowing over the test year.

Columbia Gas of Pennsylvania, Inc.
Money Pool Borrowings & Investment
Test year: 12 months ended November 30, 2021

Exhibit No. 412
Attachment A
Page 1 of 1
Witness: P. R. Moul

Month	Average Money Pool Interest Rate	Avg. Borrowing Balance	Interest Charged
Nov-21	0.16%	$ 142,109,573	$ 18,688.40
Oct-21	0.16%	$ 88,369,554	$ 12,008.59
Sep-21	0.16%	$ 45,593,033	$ 5,995.77
Aug-21	0.13%	$ 7,409,196	$ 832.10
Jul-21	0.04%		$ 3.92
Jun-21	0.02%	$ 10,447,777	$ 187.67
May-21	0.02%		
Apr-21	0.13%		
Mar-21	0.16%	$ 111,183,735	$ 15,148.54
Feb-21	0.17%	$ 136,566,014	$ 17,809.72
Jan-21	0.20%	$ 159,937,923	$ 27,167.53
Dec-20	0.23%	$ 159,548,125	$ 31,166.49
			$ 129,008.73

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

19. Submit details on Company or Parent common stock offerings (past five years to present)

a. Date of Prospectus
b. Date of offering
c. Record date
d. Offering period-dates and number of days
e. Amount and number of shares of offerings
f. Offering ratio (if rights offering)
g. Per cent subscribed
h. Offering price
i. Gross proceeds per share
j. Expenses per share
k. Net proceeds per share (i-j)
I. Market price per share
    1. At record date
    2. At offering date
    3. One month after close of offering
m. Average market price during offering
    1. Price per share
    2. Rights per share-average value of rights
n. Latest reported earnings per share at time of offering
o. Latest reported dividends at time of offering

Response:

As noted in GAS-ROR-008, NiSource Inc. has not issued any shares of common stock through an underwritten public offering within the past five (5) years. Common stock has been issued by means of the transactions referenced in GAS-ROR-008. Details regarding the At-The-Market Offering and Private Placement Offering are set forth in Attachment A.

		At-The-Market	At-The-Market	At-The-Market	At-The-Market	At-The-Market	At-The-Market	At-The-Market	At-The-Market	At-The-Market	At-The-Market	At-The-Market	Private Placement
a.	Date of Prospectus Supplement	5/3/17	5/3/17	5/3/17	11/1/18[1]	11/1/18[1]	11/1/18[1]	11/1/18[1]	11/1/18[1]	11/1/18[1]	2/22/21	2/22/21	N/A
b.	Date of offering	6/8/17 - 6/16/17	8/7/17 - 8/24/17	11/13/17 - 12/8/17	11/9/18 - 11/26/18	12/6/18	8/12/19 - 9/13/19	8/7/20 - 9/3/20	9/4/20 - 9/16/20	11/4/20 - 11/13/20	2/24/21 - 3/17/21	6/1/21 - 6/11/21	5/2/18
c.	Record date[2]	6/13/17 - 6/21/17	8/10/17 - 8/29/17	11/6/18	11/14/18 - 11/28/18	11/21/19	12/11/19	12/15/20	12/15/20	11/6/20 - 11/17/20	12/14/21	12/31/21	5/4/18
d.	Offering period-dates and number of days	See part b	See part b	See part b	See part b	See part b	See part b	See part b	See part b	See part b	See part b	See part b	See part b
e.	Amount and number of shares of offering	1,318,461	10,612,915	6,345,860	2,537,154	4,708,098	3,714,400	2,809,029	1,452,102	4,198,299	6,672,740	5,852,475	24,964,163
f.	Offering ratio (if rights offering)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
g.	Per cent subscribed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
h.	Offering price	$25.88	$26.67	$27.24	$25.86	$26.55	$29.26	$23.25	$22.28	$24.30	$22.48	$25.63	$24.52
i.	Gross proceeds per share	$25.88	$26.67	$27.24	$25.86	$26.55	$29.26	$23.25	$22.28	$24.30	$22.48	$25.63	$24.28
j.	Expenses per share	$0.26	$0.20	$0.81	$0.26	$0.54	$0.43	$0.48	$0.46	$0.24	$1.00	$0.78	$0.26
k.	Net proceeds per share (i-j)	$25.62	$26.47	$26.43	$25.61	$26.01	$28.83	$22.77	$21.82	$24.05	$21.48	$24.85	$24.02
l.	Market price per share[3]												
	1. At record date	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	25.41
	2. At offering date	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	25.38
	3. One month after close of offering	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24.49
m.	Average market price during offering												
	1. Price per share	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2. Rights per share-average value of rights	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
n.	Latest reported earnings per share at time of offering[4]	$0.65	($0.14)	$0.04	($0.95)	($0.95)	$0.76	($0.05)	($0.05)	($0.49)	$0.18	$0.72	$0.82
o.	Latest reported dividends at time of offering[5]	$0.175	$0.175	$0.175	$0.195	$0.195	$0.200	$0.210	$0.210	$0.210	$0.220	$0.220	$0.195

(1) Prospectus supplement was also amended on 9/1/19
(2) Reflects the settlement date
(3) Market price per share based on closing share price
(4) Basic earnings per share based on QTD GAAP
(5) Shown as quarterly dividends

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

20. Provide latest available balance sheet and income statement for Company, Parent and System (Consolidated)

Response:

Refer to Attachment A for balance sheets and income statements for Columbia Gas of Pennsylvania, Inc. (Company) and NiSource Gas Distribution (Parent), at November 30, 2021. NiSource Inc.'s (System) most recently quarterly 10Q at September 2021 is provided in Exhibit 402.

Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of November 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
Assets and Other Debits			
Utility Plant			
Total Utility Plant	3,387,342,317.81	31,986,643.63	301,759,758.72
Accum Prov - Amort and Depr	(586,090,378.16)	(3,563,554.09)	(50,556,681.49)
Net Utility Plant	2,801,251,939.65	28,423,089.54	251,203,077.23
Other Plant Adjustments	-	-	-
Gas Store Undergrd_SysBal	731,872.25	-	-
Total Utility Plant	**2,801,983,811.90**	**28,423,089.54**	**251,203,077.23**
Other Property and Investments			
Non Utility Other Property	8,346.49	-	-
Accum Prov - Deprec Oth Plant	-	-	-
Investments in Associated Cos	-	-	-
Investments in Subsidiary Cos	21,061,532.39	45,594.51	310,313.33
Other Investments	-	-	-
Sinking Fund	-	-	-
Other Special Funds	17,192,445.14	260,940.23	1,886,929.16
Total Other Property and Investments	**38,262,324.02**	**306,534.74**	**2,197,242.49**
Current and Accrued Assets			
Cash	1,800,966.80	532,931.21	(45,856.89)
Special Deposits	-	-	-
Working Funds	2,550.00	-	-
Temp Cash Investments	-	-	-
Notes Receivable	-	-	-
Customer Accounts Receivable	0.00	(0.00)	0.00
Other Accounts Receivable	253,000.00	(0.00)	0.00
Accum Prov Uncollectible - Cr	0.00	(0.00)	(0.00)
NR from Associated Cos	86,516,838.08	42,611,149.05	(24,599,494.80)
AR from Associated Cos	74,464.54	78,959.18	(193,842.63)
Fuel Stock	-	-	-
Fuel Stock Expenses Undistrib	-	-	-
Residuals & Extracted Products	-	-	-
Plant Materials & Supplies	1,315,942.98	(38,408.30)	101,298.35
Merchandise	842.71	842.71	842.71
Allowances	-	-	-
Stores Exp Undistributed	-	-	-
Gas Stored Underground - Curr	72,970,483.76	(3,975,213.62)	38,438,985.97
LNG Stored & Held for Process	-	-	-
Prepayments	6,667,674.73	1,237,344.58	1,646,114.47
Interest & Dividends Rec	-	-	-
Rent Receivable	-	-	-
Accrued Utility Revenues	-	-	-
Misc Current & Accrued Assets	3,685,391.77	622,386.92	(2,644.99)
Derivative Instrument Assets	-	-	-
Derivative Assets - Hedging	-	-	-
Total Current and Accrued Assets	**173,288,155.37**	**41,069,991.73**	**15,345,402.19**
Deferred Debits			
Unamortized Debt Expense	-	-	-
Extraordinary Property Loss	-	-	-
Other Regulatory Asset	224,073,202.04	(1,417,915.58)	(4,671,761.54)
Preliminary Surveys	9,471,827.75	561,845.09	4,897,631.71
Clearing Accounts	163,241.86	120,095.71	163,241.86
Miscellaneous Deferred Debits	3,800,423.49	(473,467.48)	(351,052.55)
Research & Development Expense	-	-	-
Unamort Loss Reacquired Debt	-	-	-
Accum Deferred Income Taxes	114,146,238.00	(1,931,790.00)	(5,010,156.00)
Unrecovered Purchase Gas Costs	27,023,874.05	413,156.71	31,226,294.74
Total Deferred Debits	**378,678,807.19**	**(2,728,075.55)**	**26,254,198.22**
Total Assets and Other Debits	**3,392,213,098.48**	**67,071,540.46**	**294,999,920.13**

Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of November 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
CAPITALIZATION and LIABILITIES			
Proprietary Capital			
Common Stock FERC	45,127,800.00	-	-
Preferred Stock Issued	-	-	-
Capital Stock Subscribed	-	-	-
Premium on Capital Stock	-	-	-
Other Paid-in Capital	167,889,827.00	-	60,000,000.00
Capital Stock Expense	-	-	-
Retained Earnings	971,987,434.78	-	-
Retained Earnings - Current Year	82,564,930.75	16,836,807.86	82,564,930.75
Unapprop Undistrib Sub Earning	-	-	-
Reacquired Capital Stock	-	-	-
Accumulated OCI	-	-	-
Total Proprietary Capital	**1,267,569,992.53**	**16,836,807.86**	**142,564,930.75**
Long Term Debt			
Bonds	-	-	-
Advances from Associated Cos	985,515,000.00	(20,000,000.00)	90,000,000.00
Other Long Term Debt	-	-	-
Unamortized Premium on LTD	-	-	-
Unamortized Discount on LTD	-	-	-
Total Long Term Debt	**985,515,000.00**	**(20,000,000.00)**	**90,000,000.00**
Other Noncurrent Liabilities			
Obligations - Cap Leases - NC	23,301,667.47	(175,846.39)	(1,599,015.02)
Accum Prov - Property Ins	-	-	-
Accum Prov - Injuries & Damage	177,897.87	(2,006.75)	68,219.43
Accum Prov - Pension & Benefit	2,326,632.17	(209,801.10)	(301,625.27)
Accum Misc Operating Provision	1,461,434.96	-	(1,461,434.96)
Provision for Rate Refunds	-	-	-
Asset Retirement Obligations	-	-	-
Total Other Noncurrent Liabilities	**27,267,632.47**	**(387,654.24)**	**(3,293,855.82)**
Current & Accrued Liabilities			
Curr Portion of Long-Term Debt	-	-	-
Notes Payable	-	-	-
Accounts Payable	57,037,563.74	(49,565.97)	13,024,476.39
NP to Associated Cos	-	-	-
AP to Associated Cos	209,425,927.87	60,800,820.48	24,417,268.10
Customer Deposits	3,870,887.11	149,704.00	391,445.00
Taxes Accrued	19,294,694.47	4,314,899.86	(4,274,077.41)
Interest Accrued	331,403.92	5,814.15	48,228.30
Dividends Declared	-	-	-
Tax Collections Payable	274,993.09	203,031.15	3,618.41
Misc Current & Accrued Liab	86,998,855.56	4,005,439.57	25,060,181.15
Obligation Cap Lease - Current	2,685,763.08	(72,297.08)	22,156.31
Derivative Liability	-	-	-
Derivative Liability - Hedge	-	-	-
Total Current & Accrued Liabilities	**379,920,088.84**	**69,357,846.16**	**58,693,296.25**
Deferred Credits			
Customer Adv. for Construction	3,048,274.58	(447,797.69)	(745,500.29)
Acc Defd Investment Tax Credit	1,008,071.00	(20,431.00)	(236,987.00)
Other Deferred Credits	6,659,906.39	(88,354.81)	106,261.02
Other Regulatory Liabilities	209,224,811.98	1,333,741.18	(11,641,884.78)
Accum Defer Inc Tax - Oth Prop	506,162,667.70	1,886,077.00	20,436,588.00
Accum Defer Inc Tax - Other	5,836,652.99	(1,398,694.00)	(882,928.00)
Total Deferred Credits	**731,940,384.64**	**1,264,540.68**	**7,035,548.95**
Total Capitalization & Liabilities	**3,392,213,098.48**	**67,071,540.46**	**294,999,920.13**

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended November 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Operating Revenues			
Gas Residential Sales	31,776,920.82	18,716,200.34	358,394,465.38
Gas Comm & Indust Revenues	6,396,581.01	3,390,867.44	73,700,160.19
Gas Sales for Resale	-	-	-
Gas Interdepartmental Sales	-	-	-
Gas Intercompany Transfers	-	-	-
Total Sales of Gas	38,173,501.83	22,107,067.78	432,094,625.57
Electric Residential Revenues	-	-	-
Elec Comm & Indust Rev	-	-	-
Public Street & Hwy Lighting	-	-	-
Elec Oth Sales to Public Auth	-	-	-
Sales to Railroads & Railways	-	-	-
Electric Sales for Resale	-	-	-
Elec Interdepartmental Sales	-	-	-
Total Sales of Electricity	-	-	-
Forfeited Discounts - Gas	7,444.47	(5,112.49)	431,193.74
Forfeited Discounts - Ele	-	-	-
Total Forfeited Discounts	7,444.47	(5,112.49)	431,193.74
Misc Service Revenues - Gas	11,877.69	30.66	96,509.04
Misc Service Revenues - Ele	-	-	-
Total Miscellaneous Service Revenues	11,877.69	30.66	96,509.04
Rent from Electricity Property	-	-	-
Other Electric Revenues	-	-	-
Rev Transm of Elec of Oth	-	-	-
Nonutility Revenues - Serv Co	-	-	-
Regional Transm Service Rev	-	-	-
Rev Transp Gas of Oth - Gather	-	-	-
Rev Transp Gas of Oth - Transm	-	-	-
Rev Transp Gas of Oth - Distr	16,371,456.10	8,133,653.61	123,711,329.36
Rev from Storing Gas of Oth	-	-	-
Sales - Prod Extracted from NG	-	-	-
Incidental Gasoline & Oil Sale	-	-	-
Rent from Gas Property	-	-	-
Other Gas Revenues	25,941,892.18	16,726,106.72	6,913,301.15
Gas Provision of Rate Refunds	-	-	-
Total Other Operating Revenues	42,332,670.44	24,854,678.50	131,152,333.29
Total Operating Revenues	80,506,172.27	46,961,746.28	563,246,958.86
Operating Expenses			
Operation Expenses			
Manufac Gas Production - Oper	-	-	-
NG Production & Gather - Oper	-	-	-
Products Extraction - Oper	-	-	-
Other Gas Supply - Operations	28,397,509.53	20,418,056.58	149,735,940.27
Steam Power - Operations	-	-	-
Hydraulic Power - Operations	-	-	-
Other Power - Operations	11.98	11.98	11.98
Other Power Supply - Oper	-	-	245.80
NG Stor, Term & Proc - Oper	503.66	(221.40)	16,610.71
Transmission Exp - Oper	-	-	-
Regional Market Exp - Oper	-	-	-
Distribution Exp - Oper	3,887,776.24	181,813.78	40,615,584.63

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended November 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Customer Accounts - Oper	3,200,667.24	1,571,659.44	33,799,552.75
Cust Serv & Info Exp - Oper	503,000.48	274,192.02	5,019,947.09
Sales Expenses - Oper	2,153.28	(90,190.03)	129,294.89
Admin & General Exp - Oper	9,328,208.37	1,490,968.88	76,998,596.21
Total Operation Expenses	45,319,830.78	23,846,291.25	306,315,784.33
Maintenance Expenses			
Production Expenses - Maint	-	-	-
NG Stor, Term & Proc - Maint	-	-	-
Transmission Exp - Maint	-	-	-
Distribution Exp - Maint	1,677,428.70	(72,910.98)	22,185,393.13
Maintenance Gen and Admin	355,484.61	(109,483.62)	4,136,985.61
Total Maintenance Expenses	2,032,913.31	(182,394.60)	26,322,378.74
Depreciation Expense	6,844,627.66	61,064.93	72,083,923.69
Depreciation Expense for AROs	-	-	-
Amort & Deplet of Util Plant	815,689.98	33,906.30	7,736,726.97
Amort of Gas Plant Acq Adj	-	-	-
Amort of Conversion Exp	-	-	-
Reg Debits	-	-	-
Reg Credits	-	-	-
Other Taxes FERC	304,125.98	57,083.33	3,260,101.84
Income Taxes - State	1,001,406.00	1,384,847.00	1,824,899.00
Income Taxes - Federal	3,316,055.00	4,301,458.00	7,533,403.00
Total Utilities Current Fed State	4,317,461.00	5,686,305.00	9,358,302.00
Deferred Income Taxes	3,446,641.00	2,048,080.00	33,867,486.00
Prov Deferred Inc Tax - Cr	(2,699,194.00)	(1,704,301.00)	(20,212,353.00)
Investment Tax Credit Adj	(20,431.00)	-	(236,987.00)
Gain from Disposition of Plant	-	-	-
Loss from Disposition of Plant	-	-	-
Accretion Expenses	-	-	-
Total Operating Expenses	60,361,664.71	29,846,035.21	438,495,363.57
Net Utility Operating Income(Loss)	20,144,507.56	17,115,711.07	124,751,595.29
Other Income & Deductions			
Revenues from Merchandising	2,613.00	773.00	14,573.00
Costs and Exp Merch Job	(14,974.85)	1,569.24	(89,657.66)
NonUtility Revenues	(225,709.07)	(90,927.56)	(2,066,790.66)
NonUtility Unaffil	-	-	-
Nonoperating Rental Revenue	-	-	-
Earnings of Subsidiaries	45,594.51	12,482.56	310,313.33
Interest and Dividend Income	85,351.05	55,443.78	13,897.51
Allow for Other FUDC	298,693.50	140,121.85	1,273,401.14
Misc Nonoperating Income	(20,306.08)	(42,362.89)	(160,164.81)
Gain Disposition of Property	-	-	-
Total Other Income	171,262.06	77,099.98	(704,428.15)
Loss on Disposal of Property	-	-	146,470.49
Misc Amortization	-	-	-
Other Inc Exp Donations	35,000.00	35,000.00	215,513.25
Corporate Owned Life Ins	-	-	-
Penalties	-	(1,205,500.00)	1,141,500.00
Other Inc Exp PoliticalContrib	-	-	-

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended November 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Other Inc Deductions	(9,901.86)	(10,549.72)	(5,982.32)
Total Other Income Deductions	25,098.14	(1,181,049.72)	1,497,501.42
NonUtility Taxes	-	-	-
Income Taxes - Federal	(50,767.00)	(65,375.00)	(322,546.00)
Income Taxes - State	(29,655.00)	(37,375.00)	(173,294.00)
Total Income Taxes Federal Other	(80,422.00)	(102,750.00)	(495,840.00)
Other Deferred Income Taxes	-	-	307,486.00
Prov Defer Inc Tax - Oth - Cr	(5,376.00)	(5,041.00)	(605,497.00)
Invest Tax Credits Adjust -Net	-	-	-
Amortization of ITC	-	-	-
Total Taxes Other Income & Deduct	(85,798.00)	(107,791.00)	(793,851.00)
Total Other Income (Deductions)	231,961.92	1,365,940.70	(1,408,078.57)
Interest LT Debt	-	-	-
Amort of Debt Disc & Exp	-	-	-
Amort of Loss on Reacq Debt	-	-	-
Amort of Prem on Debt - Cr	-	-	-
Interest Exp Affiliate	3,645,798.13	(306,872.15)	40,848,004.10
Other Interest Expense	9,919.95	521.20	428,940.53
AFUDIC PISCC	(116,056.46)	(48,896.33)	(498,358.66)
Total Interest Charges	3,539,661.62	(355,247.28)	40,778,585.97
Income Before Extraordinary Items	16,836,807.86	18,836,899.05	82,564,930.75
Extraordinary Income	-	-	-
Extraordinary Deductions	-	-	-
Net Extraordinary Items	-	-	-
Extraordinary Taxes	-	-	-
Deferred Extraordinary Taxes	-	-	-
Income Taxes - Federal & Other	-	-	-
Total Extraordinary Items	-	-	-
Net Income	**16,836,807.86**	**18,836,899.05**	**82,564,930.75**

NiSource Gas Distribution Grp
Balance Sheet-GAAP
GAAP View - GAAP Account Tree
As of November 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
ASSETS			
Property, Plant and Equipment			
Utility Plant	-	-	-
Accumulated Depreciation and Amortization-Plant	-	-	-
Net Utility Property, Plant, and Equipment	-	-	-
Other Property at Cost	-	-	-
Accumulated Depreciation and Amortization-Oth Property	-	-	-
Net Non-Utility Property, Plant, and Equipment	-	-	-
Net Property, Plant, and Equipment	**-**	**-**	**-**
Investments and Other Assets			
Assets of Discontinued Operations & Assets Held for Sale	-	-	-
Consolidated Affiliates	3,682,247,975.90	40,176,021.82	426,356,298.62
Unconsolidated Affiliates	-	-	-
Other Investments	-	-	-
Total Investments	**3,682,247,975.90**	**40,176,021.82**	**426,356,298.62**
Current Assets			
Cash & Cash Equivalents	-	-	-
Restricted Cash	-	-	-
Accounts Receivable - Non-Affiliated	-	-	-
Accounts Receivable - Affiliated	10.00	-	-
Income Tax Receivable	-	-	-
Gas Inventory	-	-	-
Under/Overrecovered Gas and Fuel Costs	-	-	-
Materials and Supplies, at Average Cost	-	-	-
Electric Production Fuel	-	-	-
Price Risk Management Assets (Current)	-	-	-
Exchange Gas Receivable	-	-	-
Current Assets of Discop & AHFS	-	-	-
Current Regulatory Asset	-	-	-
Prepayments and Other Assets	-	-	-
Total Current Assets	**10.00**	**-**	**-**
Other Assets			
Price Risk Management Assets (Noncurrent)	-	-	-
Noncurrent Regulatory Assets	-	-	-
Goodwill, Less Accum Amort	-	-	-
Postretirement and postemployment benefits - Assets	-	-	-
Deferred Charges	-	-	-
Intangible assets, less accumulated	-	-	-
Other Receivables - Affiliated	-	-	-
Total Other Assets	**-**	**-**	**-**
Total Assets	**3,682,247,985.90**	**40,176,021.82**	**426,356,298.62**

NiSource Gas Distribution Grp
Balance Sheet-GAAP
GAAP View - GAAP Account Tree
As of November 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
CAPITALIZATION and LIABILITIES			
Capitalization			
Common Stock Equity:			
Common Stock	1.00	-	-
Additional Paid in Capital	755,424,508.00	-	171,000,000.00
Retained Earnings - Beginning Balance and Adjustments	2,673,921,239.02	-	-
Retained Earnings - Current Year	255,604,197.34	40,139,101.36	255,604,197.34
Accum Other Comprehensive Inc(Loss)	(2,701,958.96)	36,920.46	(247,898.72)
Treasury Stock	-	-	-
Total Common Stock Equity	3,682,247,986.40	40,176,021.82	426,356,298.62
Preferred Stock Equity	-	-	-
Long-term Debt, Excluding Amounts Due Within One Year	-	-	-
Total Capitalization	**3,682,247,986.40**	**40,176,021.82**	**426,356,298.62**
Current Liabilities			
Current Portion of Long-term Debt	-	-	-
Short-term Borrowings	-	-	-
Accounts Payable - Non-Affiliated	-	-	-
Accounts Payable - Affiliated	-	-	-
Dividends Payable	-	-	-
Customer Deposits	-	-	-
Taxes Accrued	(0.50)	-	-
Interest Accrued	-	-	-
Overrecovered Gas & Fuel Costs	-	-	-
Price Risk Management Liabilities (Current)	-	-	-
Exchange Gas Payable	-	-	-
Current Deferred Revenue	-	-	-
Current Regulatory Liabilities	-	-	-
Accd Liab for Postretirement and Postempl. Ben-Current	-	-	-
Current Liabilities of Discop & LHFS	-	-	-
LIFO Liquidation Credit	-	-	-
Legal and Environmental Liabilities	-	-	-
Other Accruals	-	-	-
Total Current Liabilities	**(0.50)**	**-**	**-**
Other Liabilities and Deferred Credits			
Price Risk Management Activities - Noncurrent	-	-	-
Deferred Income Taxes	-	-	-
Deferred Investment Tax Credits	-	-	-
Deferred Credits	-	-	-
Noncurrent Deferred Revenue	-	-	-
Accd Liab-Postretirement and Postemployment Ben-Noncurr	-	-	-
Noncurrent Regulatory Liabilities	-	-	-
Asset Retirement Obligations	-	-	-
Other Noncurrent Liabilities	-	-	-
Total Noncurrent Liabilities	**-**	**-**	**-**
Total Capitalization & Liabilities	**3,682,247,985.90**	**40,176,021.82**	**426,356,298.62**

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As of Date: 2021-11-30

NiSource Gas Distribution Grp
Income Statement-GAAP
GAAP View - GAAP Account Tree
For the Month Ended November 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Gross Revenues			
Gas Residential Sales	-	-	-
Gas Commercial Sales	-	-	-
Gas Industrial Sales	-	-	-
Gas Off-System Sales	-	-	-
Gas Other Sales	-	-	-
Total Gas Distribution Revenue	-	-	-
Transportation Revenues	-	-	-
Storage Revenues	-	-	-
Total Gas Transportation and Storage Revenue	-	-	-
Total Gas Revenue	-	-	-
Electric Residential Sales	-	-	-
Electric Commerical Sales	-	-	-
Electric Industrial Sales	-	-	-
Electric Public Str & Hwy Lght	-	-	-
Electric Oth Sales to Public Auth	-	-	-
Sales to Railroads & Railways	-	-	-
Electric Sales for Resale	-	-	-
Electric Other Sales	-	-	-
Total Electric Revenue	-	-	-
Total Gas and Electric Revenue	**-**	**-**	**-**
Other Products and Services Revenue	-	-	-
Total Other Products and Services Revenue	-	-	-
Other Gross Revenue	-	-	-
Total Other Gross Revenue	-	-	-
Total Gross Revenues	**-**	**-**	**-**
Cost of Sales			
Cost of Sales	-	-	-
Total Cost of Sales	**-**	**-**	**-**
Total Net Operating Revenues	**-**	**-**	**-**
Operating Expenses			
Operation and Maintenance	-	-	-
Depreciation, Depletion & Amortization	-	-	-
Loss(Gain) on Sale of Impairment of Assets	-	-	-
Other Taxes	-	-	-
Total Operating Expenses	**-**	**-**	**-**
Operating Income(Loss)	**-**	**-**	**-**

NiSource Gas Distribution Grp
Income Statement-GAAP
GAAP View - GAAP Account Tree
For the Month Ended November 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Other Income (Deductions)			
Interest Expense, Net	-	-	-
Minority Interest	-	-	-
Equity Income-Non-Consol Subs	-	-	-
Other Net	-	-	-
Gain(Loss) on Early Ext Debt (Oth Inc)	-	-	-
Total Other Income (Deductions)	**-**	**-**	**-**
Income from Continuing Operations Before Tax	**-**	**-**	**-**
Income Taxes			
Current Payable Income Tax Expense	-	-	-
Deferred Income Tax Expense	-	-	-
Total Income Taxes	**-**	**-**	**-**
Income from Continuing Operations	**-**	**-**	**-**
Income (loss) from Discontinued Operations, Net	-	-	-
Gain(Loss) from Disposal of Disco Op, Net	-	-	-
Change in Accounting, Net	-	-	-
Total Earnings of Subsidiaries	40,139,101.36	30,996,224.61	255,604,197.34
Extraordinary Income, Net	-	-	-
Net Income	**40,139,101.36**	**30,996,224.61**	**255,604,197.34**
Earnings for Non-Controlling Interest	-	-	-
Net Income - Controlling Interest	**40,139,101.36**	**30,996,224.61**	**255,604,197.34**

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COLUMBIA STATEMENT NO. 1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
MARK KEMPIC
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

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I. INTRODUCTION

Q. Please state your name and business address.

A. Mark Kempic, 121 Champion Way, Suite 100, Canonsburg, PA 15317.

Q. By whom are you employed and in what capacity?

A. I am employed by Columbia Gas of Pennsylvania, Inc. ("Columbia" or the "Company") as its President and Chief Operating Officer.

Q. What are your responsibilities as Columbia's President?

A. I am the corporate officer responsible for the leadership of Columbia Gas of Pennsylvania, Inc. and its various departments, including Field Operations, Construction, Safety, Pipeline Safety Compliance, Measurement & Regulation, Rates and Regulatory Policy, Governmental and Public Affairs, and Large Customer and Community Relations.

Q. What is your educational and professional background?

A. I hold an Associate Engineering Degree in Solar Heating and Cooling Technology from the Pennsylvania State University, a Bachelor's of Science Degree in Computer Science from the University of Pittsburgh and a Juris Doctor from the Capital University Law School in Columbus, Ohio. I held various positions within Columbia and its parent company from 1979 through 1992 including emergency service dispatcher, engineering technician, information systems analyst, gas supply and corporate planning analyst. From 1992 through 1994, I worked at a law firm

where I represented the interests of industrial customers in utility regulatory proceedings before the Public Utilities Commission of Ohio, and from 1994 until my return to Columbia, I worked as in-house state regulatory counsel for an electric company in Cleveland, Ohio. After rejoining Columbia in 1998, I served as an attorney and was subsequently promoted to senior attorney and then assistant general counsel. In October of 2009, I was named Director of Rates and Regulatory Policy for Columbia. I served as President from 2012 until 2017, at which time I accepted a position as the Chief Transformation Officer for NiSource. In the fall of 2018, I relocated to Massachusetts at first in a temporary capacity and then I was named President and Chief Operating Officer of Columbia Gas of Massachusetts, a position I held until August of 2020. I resumed my role as President of Columbia Gas of Pennsylvania in September of 2020.

Q. Have you ever testified before a regulatory Commission?

A. Yes, I have testified before both the Pennsylvania Public Utility Commission ("Commission") as well as the Maryland Public Service Commission. Previously, I testified in Columbia's numerous base rate cases before the Commission at Docket Nos. R-2009-2149262, R-2010-2215623, R-2012-2321748, R-2014-2406274, R-2015-2468056, R-2016-2529660, and R-2021-3024296.

Q. Please describe the scope of your testimony in this proceeding.

A. Through my testimony, I will provide the Commission with an overview of this base rate filing, and discuss the objectives that Columbia seeks to accomplish in this

proceeding. I will also discuss the Company's performance during 2021 and at the outset of 2022, and address Columbia's performance quality in compliance with Section 523 of the Public Utility Code.

Finally, I will introduce Columbia's other witnesses who provide detailed testimony and supporting documentation for all revenues, expenses and rate base elements included in the Fully Projected Future Test Year ("FPFTY") in this base rate filing.

Q. Please describe briefly the corporate history of Columbia and its relationship with its parent company, NiSource.

A. Columbia was incorporated on June 23, 1960 as a wholly-owned subsidiary of the Columbia Gas System, Inc., under the Act of May 29, 1885, P.L. 29 of the Commonwealth of Pennsylvania and commenced service as Columbia Gas of Pennsylvania, Inc., on January 1, 1962, when it acquired the Pennsylvania retail business of The Manufacturers Light and Heat Company, which was at that time another wholly-owned subsidiary of The Columbia Gas System, Inc. In 1998, the Columbia Gas System, Inc. became the Columbia Energy Group ("CEG"). In turn, CEG merged with NiSource in 2000, at which time Columbia became one of ten (10) natural gas distribution companies in the NiSource corporate family as it existed at that time. Columbia is engaged in the business of delivering natural gas service to approximately 440,000 residential, commercial, and industrial customers pursuant to certificates of public convenience and necessity issued by the

Commission. Columbia has its principal office in Canonsburg, Pennsylvania, and provides natural gas distribution service in portions of 26 counties in Pennsylvania, primarily in the western half of the state, as well as parts of Northwest, Southern and Central Pennsylvania.

NiSource, headquartered in Merrillville, Indiana, is an energy holding company whose subsidiaries provide natural gas and electricity distribution services to approximately 3.5 million customers. NiSource is the successor to an Indiana corporation organized in 1987 under the name of NIPSCO Industries, Inc., which changed its name to NiSource Inc. on April 14, 1999. In connection with the acquisition of CEG on November 1, 2000, NiSource became a Delaware corporation registered under the Public Utility Holding Company Act of 1935, which has since been replaced by the Public Utility Holding Company Act of 2005.

NiSource is subject to the jurisdiction of the Securities and Exchange Commission and is traded on the New York Stock Exchange with the symbol "NI". The NiSource gas distribution companies are: Northern Indiana Public Service Company ("NIPSCO"), Columbia Gas of Kentucky, Columbia Gas of Maryland, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, and Columbia Gas of Virginia.

II. CASE OBJECTIVES

Q. Please summarize Columbia's major objectives in this proceeding.

A. Consistent with prior cases, the primary driver for this filing is Columbia's ongoing significant investment to enhance its distribution system through the replacement of pipe and related appurtenances that are reaching the end of their useful lives and Columbia's operations and maintenance expenditures on compliance activities and operations safety enhancements. Columbia seeks Commission approval to increase its base rates to recover the revenue requirement associated with the capital Columbia has invested, and will continue to invest, in its facilities as part of its continued accelerated pipeline replacement program, as well as Columbia's operations and maintenance expenditures. Approval of the Company's request is necessary for Columbia to continue to provide safe and reliable natural gas service at the lowest reasonable price to its customers, while providing the Company with a reasonable opportunity to recover its costs and to earn a fair rate of return. Further, approval of this request will demonstrate to the investment community that the Commission continues to support the need for intensified focus on pipeline safety matters as well as the need for reasonable and predictable earnings. My testimony will outline, at a high level, the objectives of Columbia's filing. Details and documentation supporting each of the objectives will be provided by Company witnesses that I will introduce later in my testimony.

a. <u>Proposed Rate Increase</u>

Q. Will you please explain Columbia's main objective by filing this case?

A. Columbia seeks recovery of, and an opportunity to earn a return on, the capital investments being made in its distribution system which are necessary to provide safe and reliable natural gas distribution service to its customers. In light of the substantial capital investment Columbia has made and the large capital investments that will be made through the end of 2023, Columbia is filing this base rate case using the Fully Projected Future Test Year ("FPFTY") authorized by 66 Pa. C.S. §315 in order to provide itself with a reasonable opportunity to recover its investment in its distribution system and its operation and maintenance ("O&M") expenditures.

Q. Why is Columbia filing a base rate case when the Distribution System Improvement Charge ("DSIC") is available?

A. Columbia's revenue deficiency is driven by the large capital investment that it continues to make in modernizing its distribution system. Due to the scale of Columbia's investments in replacement pipe, Columbia's requested overall distribution (i.e., exclusive of gas costs) revenue increase in this proceeding exceeds the current 5% cap for a DSIC surcharge. I would note that in 2016, Columbia requested Commission approval to increase the cap on DSIC surcharges to 10%, but the requested waiver was denied.

Q. What is Columbia's proposed rate increase in the case and what are some of the primary drivers for the increase?

A. Based on the rates established in Columbia's last base rate case and Columbia's existing and planned capital and O&M programs, Columbia will experience a

revenue deficiency of approximately $82.2 million, as detailed and supported in testimony of Company witness Miller (Columbia Statement No. 4). This revenue deficiency is driven primarily by substantial capital investments Columbia has made, and continues to make, in its system. As detailed in Company witness Brumley's testimony (Columbia Statement No. 7), since Columbia started its accelerated pipeline replacement program in 2007, Columbia has replaced 6,518,690 feet (over 1,234 miles) of cast iron and bare steel pipe. Additionally, during that time period Columbia replaced additional pipe that needed to be replaced, but which is not presently counted as "priority pipe".

Q. Has Columbia considered the impact of a rate increase on customers?

A. The Company realizes that rate increases will always have an impact on customers; however, in light of the large, ongoing and growing capital program which is necessary to retire and replace aging infrastructure, a rate increase is unavoidable. In addition to the safety and reliability benefits provided by the Company's large scale pipeline replacement program, the Company believes that maintaining and growing its infrastructure modernization program provides the ancillary benefit of energizing the local economies through the wages paid to the skilled labor necessary to complete the work. This economic boost is especially important as the Commonwealth recovers from the impact of COVID-19, particularly in many of the rural and economically disadvantaged communities in which Columbia provides service. In addition, through these efforts, we are reducing methane emissions

from our main and service lines. Further, by implementing Picarro mobile leak detection technology, Columbia is reducing risk on its system by providing improved information to drive prioritized pipeline replacement and reducing methane emissions.

b. <u>Other Objectives</u>

Q. Does Columbia have other objectives in this case?

A. Yes. Additional objectives in this proceeding are as follows:

Continued Funding of Enhanced Safety Measures: The Company continues to focus its efforts and resources on the top risks to the Company's system and is expanding focus in several critical areas to maintain and enhance its operational capabilities. These efforts are identified and supported by NiSource's implementation of Safety Management System ("SMS") across its six-state footprint. NiSource's SMS focuses on leveraging employees who are performing the work to identify risks so that the risks can be mitigated. In addition, Columbia's SMS provides a proven structure to continually assess and improve processes and procedures to keep employees, contractors, customers, and the public safe. As Columbia's SMS identifies risks, the Company uses an objective risk-based approach to prioritize the mitigation efforts which need to be undertaken as well as the sequencing of those efforts to provide the highest risk reduction at the best possible cost to the customer.

As outlined in Company Witness Anstead's testimony in Columbia Statement No 14, the Company is proposing to implement a number of additional safety programs, as identified below:

- Cross Bore Spend Acceleration
- Abnormal Operation Conditions Mitigation
- Additional Resources for Leak Repair
- Safety and Health Coordinators
- Natural Gas Methane Detectors for Residential Households
- Blackline Safety Devices for Lone Worker Employees

Establishment of a Revenue Normalization Adjustment ("RNA") Mechanism: Columbia proposes to implement an RNA to be used in conjunction with its Weather Normalization Adjustment ("WNA"). Through this proceeding, the Company proposes to establish a benchmark revenue level, regardless of changes in customers' actual usage level. Excess collections above the benchmark revenue level would be refunded to customers and amounts below the benchmark level would be recouped by the Company. Company witness Johnson will discuss the proposed RNA further in Columbia Statement No. 11.

Your Energy Your Future (YEYF): As the industry is evolving and increasing focus on various measures of sustainability, the Company is looking to develop a comprehensive and collaborative approach that allows customers access to programs that reduce the impact of carbon emissions related to natural gas on

the environment. In the Company's previous base rate case at Docket R-2021-3024296, the Company sought and obtained approval for the addition of Renewable Natural Gas (RNG) quality standards to the Company's tariff, thereby outlining the standards for introducing RNG to Columbia's gas distribution system in order to protect the system and customer's equipment. In continuation of our sustainability measures, the Company is proposing a residential energy efficiency program, which will build upon the success of Columbia's WarmWise Low Income Usage Reduction Program (LIURP) which has helped low-income customers reduce their consumption, reduce their carbon footprint and reduce their gas bills for years. The Company's residential energy efficiency program will be discussed in Company Witness Love's testimony at Columbia Statement No. 16.

Q. Does the Company have any other ongoing initiatives?

A. Yes. The Company continues its efforts to maximize efficiencies, improve process discipline, reduce risk and reduce costs through its enterprise-wide ongoing initiative "NiSource Next". NiSource Next is a comprehensive, multi-year program designed to deliver long-term, sustainable capability enhancements and cost efficiency improvements that reflect NiSource's commitment to safety, risk mitigation and customer service. Examples of successful measures in improving process efficiency and reducing costs include, but are not limited to, shifting select functions to an external service provider and leveraging technology to standardize

and improve service delivery. This initiative has also resulted in improvements made within our digitization channels, which have allowed the Company to improve a customer's experience in interacting with Columbia through delivering customer services in the manner in which customers wish to be served. For example, we developed and released a new smart phone app that enables customers to start, disconnect and transfer services right from their phone. It's been our experience that many customers, especially the newest generation of customers, like the speed and efficiency of conducting their business right on their phone rather than calling our call center.

c. <u>Future Infrastructure Replacement</u>

Q. What are the Company's future plans for infrastructure replacement?

A. The Company intends to continue replacement of prone to fail pipe at an accelerated pace in order to retire its remaining bare steel, cast iron and wrought iron facilities as soon as possible. In addition, as Columbia's infrastructure replacement program has been operating for almost 15 years, the program is now mature, and Columbia has made considerable progress in replacing the cast iron and bare steel on its system. While our efforts in this regard are not complete, we are at a juncture where risks beyond bare steel, cast iron and wrought iron now need to be considered and addressed. First generation plastic (i.e. plastic pipe installed before pre-1982) and pre-1971 coated steel pipe are examples of such risks. When these types of pipe are identified in connection with the Company's primary

efforts to replace bare steel, cast iron and wrought iron, these types of pipe are included in the project in order to address that risk at the same time the cast iron or bare steel is being replaced. While both pre-1971 and first-generation plastic pipe are being replaced and are helping to reduce leakage and risks on the Company's system, neither of these two categories of pipe are included in our reports that focus on "Priority Pipe", even though these two categories of pipe are considered "Replacement Pipe" in the budgets and footages in the Company's filings and reports. The Company will therefore be adding pre-1971 coated steel pipe as well as first generation plastic pipe to the category of "priority pipe" in the Company's next Long Term Infrastructure Improvement Plan. As Columbia's infrastructure program continues to mature, the Company will remain focused on implementing an efficient pipe replacement program. Doing so will enable the Company to maximize the capital spend to remove priority pipe. For example, when Columbia encounters short, non-contiguous segments of plastic pipe as part of a replacement project, Columbia analyzes whether it's more cost effective to upgrade those segments or simply replace them. Columbia then takes the action that makes the most economic sense for the customers.

In addition, as Columbia' SMS and DIMP programs continue to mature and identify risks that need to be considered and addressed, Columbia may identify additional risks that warrant "priority" replacement. Figure 1 below is an excerpt from the Company's response to Standard Data Request GAS-ROR-014. I note that

Columbia's ability to increase its capital investment and maintain these accelerated levels of investment is a direct result of Act 11's impact on reducing the regulatory lag that was formerly associated with utility ratemaking in Pennsylvania.

Figure 1

Capital Expenditures Net Reimbursements					
Class	**2022**	**2023**	**2024**	**2025**	**2026**
Growth	$43,580	$41,793	$44,290	$48,904	$61,358
Betterment	$15,603	$6,825	$15,125	$9,780	$10,069
Public Improvement	$13,750	$7,100	$7,500	$7,000	$7,500
Replacement	$275,831	$342,392	$341,438	$371,463	$384,945
Support Services	$10,431	$3,085	$4,013	$3,800	$3,699
Total Net Capital	**$359,195**	**$401,195**	**$412,366**	**$440,948**	**$467,571**

Q. What are the drivers for Columbia to continue investment in replacing aging infrastructure?

A. As shown in Figure 2 below, in terms of miles, Columbia's distribution system is the third largest in Pennsylvania.

Figure 2

Pennsylvania LDCs – Pipeline Mileage

NGDC	Miles of Pipe (2020)
Columbia Gas	7,696.40
PGW	3,045.42
PECO	6,937.40
UGI[1]	12,074.00
Peoples[2]	13,070.20
National Fuel	4,850.28

[1] All companies/ divisions combined.
[2] All companies/ divisions combined.

The size of the Company's capital program is largely driven by the amount of pipe that needs to be maintained and ultimately replaced. Just under 14% of Columbia's total inventory of pipe is either bare steel or cast iron, approximately 7% is pre-1982 plastic, and approximately 15% is pre-1971 coated pipe. Both pre-1982 plastic and pre-1971 coated pipe is reaching the end of their useful life and because Columbia has focused primarily on replacing bare steel and cast-iron pipe over the last decade, the inventories of pre-1982 plastic and pre-1971 coated steel have not been substantially reduced. As stated above, when the latter two types of pipe have bordered cast iron or bare steel, the Company included them in the replacement project in order to reduce that risk, rather than leaving them in the ground and designing and executing a separate replacement project. However, as shown in Figure 3 below, the inventories of pre-1982 plastic and pre-1971 coated steel have not been substantially reduced.

Figure 3

Columbia Gas Remaining Pipeline Inventories

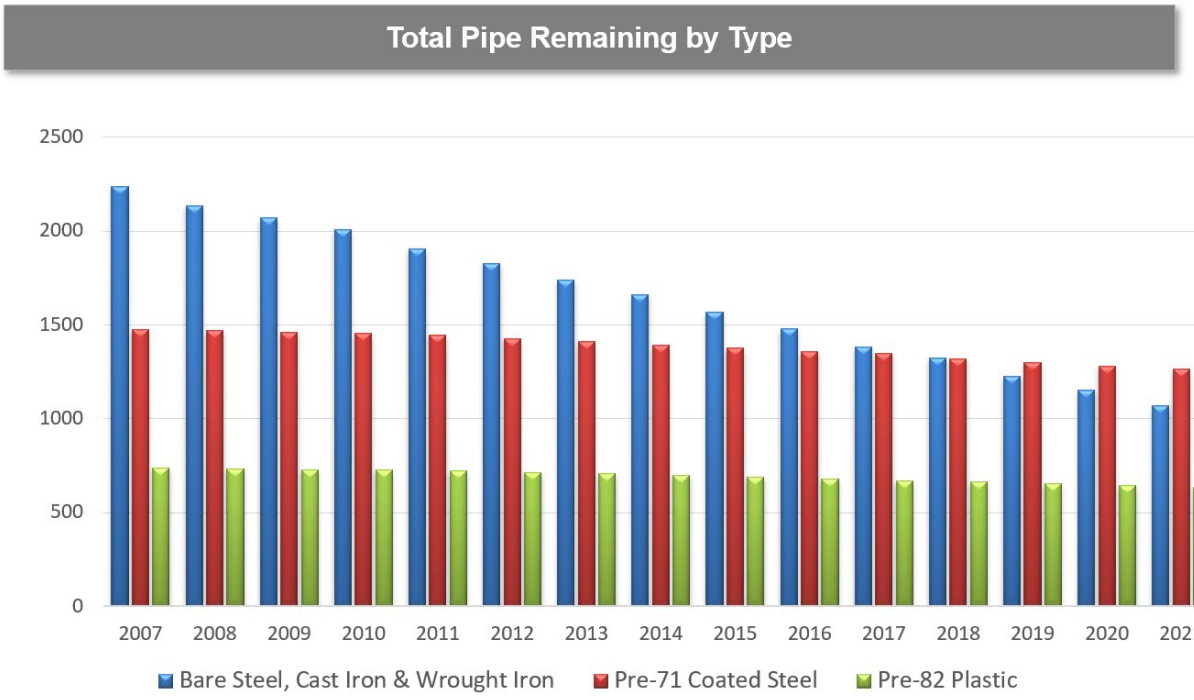

It is now time to focus on replacing these types of pipes even if they are not adjacent to a bare steel replacement project to reduce the risk associated with these pipe inventories. It makes sense to do it now before the pipe fails, and since gas prices remain relatively low in Pennsylvania, in addition to reducing risk by replacing this pipe now, the customer's total gas bill will continue to be affordable.

Q. What is the Company's history of retired bare steel and cast-iron pipe?

A. See Figure 4 below for the Company's history of infrastructure replacement compared to total pipe replaced since 2007, which was the first year the Company began replacing pipe at an accelerated rate.

Figure 4

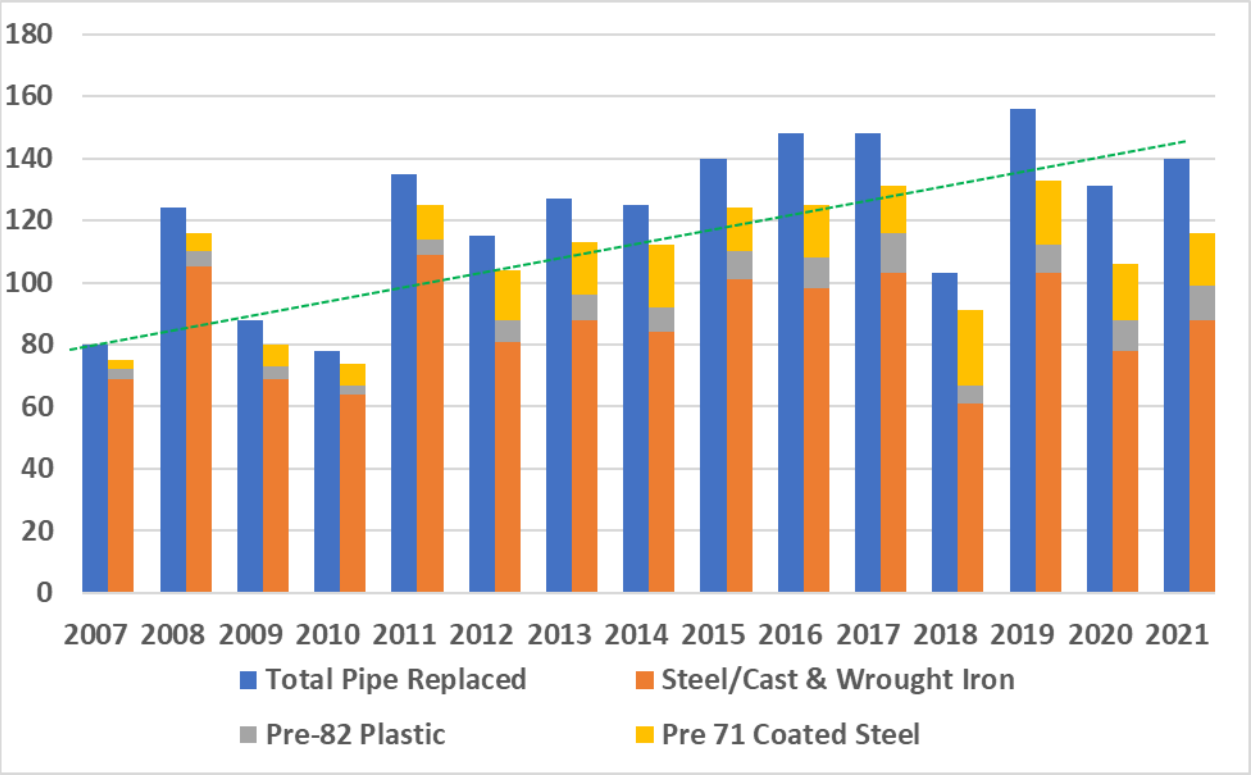

Q. Discuss the Company's infrastructure replacement program levels over the past few years.

A. As Figure 4 above indicates, following a decrease in 2018, the Company resumed its normal performance levels by replacing 98 miles of bare steel, cast iron and wrought iron in 2019. In 2020 the Company replaced 73 miles of bare steel, cast iron and wrought iron, then in 2021 the Company replaced 83 miles of bare steel, cast iron and wrought iron, 11 miles of pre-1982 plastic and 17 miles of pre-1971 coated steel, for a total of 111 miles of pipe that needed to be replaced.

Q. As your replacement program has progressed, how is Columbia enhancing its approach to infrastructure replacement?

A. Through our own experiences beginning in 2007 when we began to accelerate infrastructure replacement, and through the experiences learned from other Columbia companies across the NiSource footprint, the Company is expanding the focus of risk reduction beyond the replacement of aging infrastructure.

Q. How has the Company expanded risk identification?

A. The Company has established SMS pursuant to American Petroleum Institute Recommended Practice (or "RP") 1173. RP-1173 provides guidance to pipeline operators for developing and maintaining a pipeline safety management system and is intended to augment existing practices while not duplicating any other requirements. SMS asset groups are analyzing risk in several areas:

- Evaluate risks associated with bridge/water crossings: Risks associated with bridge/water crossings are unique from other buried main line facilities. These risks include external corrosion, vehicular damage, location of pipeline, general condition of the bridge, soil erosion of the stream banks and impact from debris in waterway. The gas mains SMS asset group conducted a study in 2020/2021 to analyze risks associated with 71 bridge and aerial crossings. In addition, in light of the recent bridge collapse in Pittsburgh, Columbia continues to assess bridge

crossings with a greater focus on the condition of the bridge itself rather than a targeted focus on the Company's facilities.

- Evaluate risk associated with by-pass valves on regulator stations without secondary relief. As part of its Gas Distribution Integrity Management Program ("DIMP"), Columbia will include the issues of bypass valves (including the determination of whether bypass valves are opened or closed, active monitoring, remote access and pressure relief on its regulator stations that include bypass valves) in its identification and ranking of risk, segment by segment, across its system.
- Evaluate risk to regulator stations with inadequate security (ex. Onsite cameras, fencing, improved locks, etc.) to ensure compliance with TSA requirements.
- Evaluate risk to regulator stations due to vehicular damage. Columbia contracted with TRC Companies, Inc. (a third-party engineering consultant) in 2020 to obtain an independent third-party assessment of risks associated with Columbia's distribution regulator stations. As a result of the study, TRC provided Columbia with insight into to the overall threat to our regulator stations from vehicular traffic.
- Evaluate risk to distribution systems without SCADA or remote monitoring: Over 75% of Columbia Gas of Pennsylvania's systems already have remote monitoring which provides our centralized Gas Control

function with visibility to system pressures and allows Columbia to monitor and respond to changes in system pressures. Nevertheless, about 25% of our distribution systems are not electronically monitored, so Columbia believes it is important to understand the risk associated with those unmonitored systems.

- Evaluate the prudency of accelerating and prioritizing regulator station replacement to proactively avoid risk of failure and to ensure compliance with future or proposed PHMSA regulations. Many regulation stations have been in service for decades and are reaching the ends of their useful lives. As part of Columbia's pipeline modernization effort, several the district regulator stations will be modified or eliminated as Columbia seeks to eliminate as many low-pressure systems as possible. Some regulator stations will need to be modified to provide intermediate or medium pressure once the particular distribution system is entirely replaced and converted to intermediate or medium pressure. Other low-pressure stations may be eliminated entirely as they may no longer be needed since intermediate and medium pressure systems are more efficient. However, these modifications or eliminations cannot be made now since the modernization program is not yet completed and the low-pressure regulator stations are still needed Columbia will begin assessing the redesign and replacement of district regulator stations which will be

needed, and which must be upgraded due to their antiquated designs or to comply with the upcoming due dates of PHMSA regulations.

- In Line Inspection (ILI): As outlined in the testimony of Company Witness Brumley at Columbia Statement 14, ILI of transmission pipelines where viable is an advanced inspection technique that is in use across industry and is largely successful in susceptibility identification along the entire pipeline extents. The use of ILI over the extent of a transmission pipeline to identify threat conditions allows for proactive mitigation of targeted segments for replacement versus less effective system wide mitigation activities. Columbia is focused on advancing ILI as the most effective and complete assessment method to identify threats in a proactive manner with the overall vision to prevent failures across its transmission pipeline effectively, efficiently, and completely.
- Odorization: As outlined in the testimony of Columbia Witness Brumley, the Company plans to strategically install odorization equipment at certain points of delivery. Columbia is also planning to tie some of its smaller distribution systems together, to more efficiently manage odorization and to enhance safe and reliable service to our customers.

Q. How will SMS impact the Company's infrastructure replacement plan going forward?

A. Replacement of bare steel, wrought iron and cast iron mains and services have been the priorities that drive infrastructure modernization based on information that has been available to Columbia and because of the large inventories of bare steel and cast iron. The Company has effectively eliminated most of its cast iron and plans to retire the remaining 1.3 miles of cast iron in 2022. Through Columbia's SMS and DIMP efforts, we have identified additional categories of risks that need to be addressed.

Q. Can you provide an example of how SMS has impacted the Company's infrastructure replacement program?

A. In addition to the 83 miles of bare steel, wrought iron and cast-iron pipe replaced in 2021, the Company replaced an additional 28 miles of first generation plastic pipe installed prior to 1982 and pre-1971 coated steel. As Company Witnesses Anstead and Brumley discuss in their testimonies, at Columbia Statements 14 and 7, respectively, first generation plastic pipe, typically installed between 1970 and 1981 in most distribution systems, is more brittle than today's material composition of plastic pipe and has demonstrated itself to be prone to stress propagation cracking under some circumstances. Likewise, pre-1971 coated steel pipe needs to be prioritized for replacement as federal standards requiring operators to cathodically protect and maintain all new steel piping installations were not adopted until 1971. Beginning in the 1950s and into the 1960s, coated steel pipe was installed in gas distribution systems as a means of fending off corrosion.

However, in those early years the industry lacked standards for cathodic protection and coating material was not as effective as today's materials, and hence, pre-1971 coated steel pipe has been identified for accelerated replacement. Through the risk ranking methodologies contained in the Company's SMS and DIMP programs, the Company has identified risks regarding the failure of both pre-1982 plastic pipe and pre-1971 coated steel pipe that warrant replacement of those assets on a prioritized and targeted basis instead of only when they are adjacent to bare steel or cast-iron pipe scheduled for replacement. As we move forward and these facilities continue to age and the Company continues to reduce the inventory of cast iron, wrought iron and bare steel further, the Company will include the replacement of pre-1982 plastic and pre-1971 steel in the prioritization of priority pipe. Consequently, the Company will be incorporating pre-1982 plastic and pre-1971 steel pipe as priority pipe in its next update to its Long-Term Infrastructure Improvement Plan.

Q. How is SMS different than other pipeline safety programs and initiatives? (DIMP, TIMP, Damage Prevention, Public Awareness, Infrastructure modernization, etc.)?

A. SMS is a proactive and systematic and all-encompassing approach to managing safety, including the structures, policies, and procedures an organization uses to direct and control activities. The API has developed RP 1173 Pipeline Safety Management Systems to provide an SMS tailored for pipeline operators. While

leadership commitment is critical to a successful SMS, the identification of risk happens at all levels of an organization.

SMS builds upon pipeline safety programs and initiatives, such as DIMP and TIMP. Indeed, a Pipeline SMS places particular emphasis on proactive thinking of what can go wrong in a systematic manner, clarifying safety responsibilities throughout the pipeline operator's organization (including contractor support), the important role of top management and leadership at all levels, encouraging the non-punitive reporting of and response to safety concerns, and providing safety assurance by regularly evaluating operations to identify and address risks. These factors, plus a strong safety culture, work together to make safety programs and processes more effective, comprehensive, and integrated.

While other pipeline safety programs and initiatives, such as DIMP, TIMP, Damage Prevention, Public Awareness and Infrastructure Modernization, address specific areas of risk, these programs in large part rely on previously gathered data and react to that data. SMS is a much more proactive, systematic and holistic approach to risk management when compared to DIMP, TIMP, Public Awareness and Infrastructure Replacement programs. An SMS encompasses, supplements and supports all other safety programs and initiatives, while providing all employees with the support and resources to own risk management.

Q. How does SMS benefit Columbia's customers?

A. SMS enhances Columbia's risk prioritization and modeling, and strengthens and formalizes our continuous improvement processes, which helps us provide the safest possible service at the best cost to the customer. These enhancements will continue to improve the integration of all pipeline safety initiatives across the Company's organization. Through SMS we are increasing our rigor, and continuously learning and improving so we can identify risks and take actions to keep our employees, contractors, customers and communities safe. SMS uses the following building blocks: (1) culture – as all employees and contractors are empowered to report risks; (2) process safety – layers of protection for safe work with a focus on enhanced consistent standards and processes); and (3) asset management – accountability to effectively evaluate, prioritize, and mitigate identified risks.

III. REVENUE REQUIREMENT

Q. How did Columbia determine the revenue requirement for this case?

A. As described in the testimony of Company Witness Miller (Columbia Statement No. 4), Columbia reviewed its costs to serve its customers using a FPFTY ending December 31, 2023, pro forma and adjusted for known and measurable changes. Columbia then compared the costs determined for the FPFTY to the revenues at present rates calculated for the FPFTY. This analysis produced a revenue

deficiency, from which Columbia calculated the corresponding revenue requirement that Columbia will require to make up this deficiency, including a fair rate of return on the investment devoted to serving the public.

Q. Why is the proposed rate increase necessary to address the revenue deficiency?

A. Columbia's current rates do not provide the opportunity for the Company to recover its costs to serve its customers, including a fair rate of return on the capital invested to provide distribution service to the public in the FPFTY. The proposed rates have been developed to address this deficiency.

Q. Without the increase requested in this case, what rate of return will Columbia experience?

A. Without the increase requested, Columbia's overall rate of return will drop to 6.13% in the FPFTY as shown on Exhibit 102, Schedule 3, Page 3.

Q. What overall rate of return and return on equity does Columbia propose in this case?

A. Columbia proposes an overall rate of return of 8.08%. Company witness Moul (Columbia Statement No. 8) demonstrates that Columbia should be granted an opportunity to earn a 11.2% rate of return on common equity.

IV. MANAGEMENT EFFECTIVENESS

Q. Is the Company seeking a rate of return adjustment for management effectiveness in this proceeding?

A. Yes. The Company, and its employees, continue to perform at a high level to the benefit to our customers and the communities we serve. The Company has directed its rate of return consultant, Mr. Moul, to include 25 basis points in the recommended rate of return on common equity. Columbia continues to maintain high levels of customer service, both in back-office operations and in field operations. I will discuss each item individually. Field operations and customer service will be discussed in the operations section of my testimony.

Q. How has Columbia performed relative to its peers from a Management Audit perspective?

A. In addition to Columbia's aggressive pipeline replacement program detailed in the testimony of Company witness Brumley at Columbia Statement No. 7, which demonstrates the effectiveness of Columbia's management and its concern for safety and excellence in customer service, Columbia has analyzed the most recent Management and Operations Audit reports from the Commission's website for Columbia, Peoples Natural Gas Company, Philadelphia Gas Works, UGI, National Fuel Gas and PECO. The data appears as Exhibit MK-1, which is attached to my testimony. Initially, I would observe that the Commission's auditors employ a ranking category system that ranges from "Meets Expected Performance" to "Major Improvement Necessary" and they assign one of those ranking categories to various aspects of a utility company's management performance. Columbia evaluated the number of rankings categories for each gas distribution company mentioned and

determined the number of times the Commission's auditors assigned each of the various ranking categories to a gas distribution company. They are set forth in Figure 5, below.

Figure 5
Summary of Most Recent
Commission Management and Operations Audit Results

Standard	CPA	Peoples*	PGW	UGI	NFG	PECO
Meets Expected Performance	36%	27%	6%	0%	55%	20%
Minor Improvement Necessary	45%	27%	44%	58%	45%	47%
Moderate Improvement Necessary	18%	36%	50%	33%	0%	33%
Significant Improvement Necessary	0%	0%	0%	8%	0%	0%
Major Improvement Necessary	0%	9%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%

* People's represents People's Natural Gas, the former Equitable Gas and People's TWP

As Figure 5 illustrates, Columbia achieved the "Meets Expected Performance" ranking category in 36% of the categories evaluated by the auditors, with only one peer, NFG, scoring higher than Columbia. Also, Columbia was one of four gas companies that did not receive any ranking of either "Significant" or "Major" Improvement Necessary. A review of the information in Figure 5 and Exhibit MK-1 shows that, based upon Commission audits, Columbia's performance exceeds that of its peers.

Q. Please provide evidence concerning the performance of Columbia's management in providing quality service to its customers.

A. The Company typically utilizes the Commission issued Annual Utility Consumer Report and Evaluation ("UCARE") report to assess performance, however, as a

result of the impact of COVID, the Bureau of Consumer Services has not yet issued the 2020 report. Therefore, the 2019 UCARES report is the most recent data available. Should the Company receive the 2020 report during this proceeding, the Company will share the results for 2020.

Q. What were the results of the 2019 UCARES report?

A. The overall information contained in the Activities report describes how well utilities handle consumer complaints. The report focuses on three main categories: Consumer Complaints, Payment Arrangement Requests ("PAR") and Compliance with Commission regulations. As shown in Figure 6, below, overall, Columbia's 2019 performance, as reflected in the UCARE report with regard to the seven major natural gas companies, is among the best in most categories in the gas industry. In the measure of Residential Consumer Complaints, Columbia had the lowest consumer complaint rate of 0.34 per 1,000 residential customers in the gas industry, as noted in Figure 6 below. Columbia's consumer complaint rate was also better than any of the seven major natural gas companies, which averages 0.91.

Figure 6

2019 Residential Consumer Complaint Rates/
Justified Consumer Complaint Rates
Major Natural Gas Distribution Companies

Utility	Consumer Complaint Rate	Justified Consumer Complaint Rate
Columbia	0.34	0.01
NFG	0.49	0.05
Peoples	0.68	0.01
Peoples-Equitable	0.66	0.04
PGW	1.92	0.16*
UGI South	0.81	0.09
UGI North	1.50	0.16
Average	**0.91**	**0.07**

* Justified consumer complaint rate based on a probability sample of cases.

Per Figure 7 below, Columbia's Justified Consumer Rate per 1,000 residential customers is at 0.01, which is the same as 2017 and 2018. Columbia's Justified Consumer Rate is better than the natural gas utility average rate of 0.07. Columbia's rate has consistently remained one of the lowest of all natural gas companies, at a rate of 0.01 for years 2017-2019. I am especially proud of these numbers in light of the substantial disruption that our pipeline replacement can have on customers and their communities. Nobody likes to have their streets, sidewalks and lawns dug up; however, our team provides quality work and respectful interactions with customers, and this is reflected in the low complaint rate. As a result, our customers are satisfied even though we caused them and their communities disruption from our construction activities.

Figure 7

2017-19 Justified Residential
Consumer Complaint Rates
Major Natural Gas Distribution Companies

Utility	2017	2018	2019
Columbia	0.01	0.01	0.01
NFG	0.04	0.05	0.05
Peoples	0.00	0.02	0.01
Peoples-Equitable	0.01	0.04	0.04
PGW*	0.14	0.15	0.16
UGI South	0.03	0.14	0.09
UGI North	0.04	0.29	0.16
Average	**0.04**	**0.10**	**0.07**

* Justified consumer complaint rate based on a probability sample of cases.

Columbia's Payment Arrangement Request ("PAR") rate was 1.17 in 2019 and the Justified PAR rate was 0.03. Columbia had the best score amongst all seven

Pennsylvania gas utility companies, as shown in Figure 8 below.

Figure 8

**2019 Residential Payment Arrangement Request (PAR) Rates/
Justified PAR Rates
Major Natural Gas Distribution Companies**

Utility	PAR Rate	Justified PAR Rate
Columbia	1.17	0.03
NFG	3.10	0.24
Peoples	2.59	0.19*
Peoples-Equitable	2.76	0.20
PGW	9.87	1.06*
UGI South	6.35	0.75*
UGI North	9.58	1.03*
Average	**5.06**	**0.50**

* Based on a probability sample of cases.

In the measure of Commission Infractions, Columbia had an infraction rate per 1,000 residential customers of 0.00 in 2019, which is the lowest and best of all seven major natural gas companies. Figure 9, below, is illustrative.

Figure 9

**Commission Infraction Rates
Major Natural Gas Distribution Companies**

Utility	2017	2018	2019
Columbia	0.00	0.01	0.00
NFG	0.03	0.05	0.07
Peoples	0.00	0.03	0.01
Peoples-Equitable	0.00	0.02	0.03
PGW	0.12	0.17	0.19
UGI South	0.02	0.16	0.14
UGI North	0.06	0.34	0.24

Q. Can you provide an overview of Columbia's 2021 Quality of Service Performance Report?

A. Yes, Columbia's "Quality of Service Performance Report," which was filed on January 31, 2022, has five general categories: Call Center Performance, Residential and Small Commercial Billing, Meter Reading, Dispute Reporting, and Customer Satisfaction. Columbia's performance for each of these categories is explained below.

1. <u>Call Center Performance:</u>

Columbia reports three separate measures of telephone access: 1) average busy out rate; 2) call abandonment rate, and 3) percent of calls answered within 30 seconds. Columbia was pleased with the results of its 2021 Quality of Service Performance Report.

Columbia's call volume increased significantly in 2021. In 2020, 384,798 calls were offered compared to 469,552 calls offered in 2021, an increase of 22%. Columbia has continued to hold a firm 0% busy out rate for the last 12 years, while the metric "Calls Answered within 30 Seconds" dropped to 74% In addition, Columbia experienced an abandonment rate of 7.23%, which is an increase over 2020's rate of 2.04% The drop in Calls Answered within 30 Seconds and the increased abandonment rate, combined with difficulties in hiring and retaining call center employees due to COVID-19, are largely related to the 22% spike in additional calls. Columbia nevertheless took actions to address these performance

issues, including incentives for overtime, enhanced training, and intensified recruiting and hiring efforts. Examples of actions taken to:

- Increasing the CSR starting wage by 22%, going from $14.50 to $17.70 per hour to intensify recruiting and hiring efforts
- Introduced a new career leveling program for the Columbia Gas Customer Service Representatives that includes career pay progression based on tenure, knowledge and performance
- Expanded the geographic recruiting search up to eighty miles from the Smithfield, Pennsylvania, customer care center

Columbia continues to recruit employees through NiSource job postings, radio and digital print advertising, and social media postings. The Company also continues to focus on retention of current call center employees and has partnered with an outside vendor focused on employee engagement and retention. Through collaborative efforts with our vendor, we are better able to interactively diagnose and address workplace issues, while making continual improvements. The Company is currently working on solutions of how to best incorporate this system with our current at home work force. As a result of COVID and transitioning to remote work, Columbia has incorporated virtual screening, testing, and interviewing into our hiring practices, which provides for greater flexibility for the Company, and for candidates. In addition, the Company has expanded the geographic recruiting search area to up to 80 miles from the Smithfield,

Pennsylvania customer care center. This modification also includes strategic diversity recruitment efforts with community-based organization such as Pittsburgh Community Services, Inc. (PCSI), Pennsylvania Career Link, community church leaders, Fayette County NAACP, and the African American Chamber of Commerce of Western Pennsylvania. The effectiveness of virtual recruiting has helped to widen our talent selection pool. Finally, Columbia has also implemented virtual new hire training to onboard new customer service representatives.

Residential and Small Commercial Billing Data:

For the tenth consecutive year, Columbia did not have any deferred billings for its residential or small commercial customers. A strong emphasis on reducing occurrences of deferred bills by Columbia's Billing Exceptions Group continues to aid in this success, and this group continues to exhibit a strong effort on the prompt follow up of billing abnormalities.

Columbia printed and mailed 4 million bills to customers in 2021. In addition, over 1.2 million paperless bills were issued to customers. Approximately 4.7 million payments were posted to customer accounts; of those, 69% were electronic payments.

2. Meter Reading:

In 2021, Columbia read over 5.3 million meters, with 99.94% of meters read on the scheduled meter reading date. Columbia experienced a slight increase in the number of meters not read monthly in accordance with 56.12 (4)(ii). In 2020, 21

meters were not read monthly, compared to 22 meters not read monthly in 2021. Normally, meter reads are picked up through Columbia's Mobile Collecting Device located in the vehicle. If any reads are not able to be transmitted or received by the Mobile Collector when driving by customer locations, the meter reader may walk up to the location and often times obtain the meter read by way of the handheld device, which can occur if the meter is located inside the home as well. If the Meter Reader has access to a meter, a visual read can also be obtained. Due to Covid-19 and the Company's policy not to enter the customer's home unless there is a safety issue, the number of unread meters did increase slightly; however, the percentage of unread meters out of the total 5.3 million meters read remains insignificant.

3. <u>Customer Satisfaction:</u>

Q. Are there metrics that Columbia utilizes to gauge customer satisfaction and the Company's effectiveness in providing quality customer service?

A. Columbia uses a variety of methods to gather customer feedback. In addition to performing a thorough review and analysis of the Commission's UCARE, the Quality of Service Performance Report and the Universal Service and Collections Report, Columbia uses three outside contractors to perform surveys to determine the effectiveness of satisfaction reported by its customers. Those contractors are J.D. Power, The MSR Group ("MSR") and Metrix Matrix. Columbia participates in the J.D. Power Gas Residential Customer syndicated survey, utilizes the MSR group to conduct a post-transaction satisfaction study and participates in the Metrix

Matrix study mandated by the Commission. Columbia also relies on an online residential customer panel to help the Company incorporate customer feedback into improving the customer experience.

Q. Can you share the results of these surveys?

A. Based on the results of the MSR survey, Columbia provided high quality service to its customers in 2021. In 2021, Columbia's "First Contact Resolution" rate was 88.96%. This statistic indicates the success our call center has had in satisfying customers the first time they contact the Company. Figure 10 below, gives more detail on the service results Columbia achieved in this area in 2021.

Figure 10

Phone Rep Performance	
	YE 2021
Overall satisfaction	90.58%
Put on hold after speaking with a rep	17.97%
Rep explained reason for hold	91.03%
Being courteous and professional	92.02%
Treated as a respected customer	91.36%
Showing concern for the situation	87.18%
Displaying knowledge in job	88.09%
Adequately answering questions	87.82%
How well rep listened to customer	90.14%
Having authority to make decisions	86.31%
Working quickly and efficiently	87.41%
Clarity of speech, speed, tone, and volume	91.25%
First contact resolution	88.96%

CPA Automated Phone Service	
	YE 2021
Overall satisfaction	75.60%
Offering choices that helped get directly to the information wanted	71.63%
Ease of navigating prompts	72.34%
Ease of getting connected to live representative	69.70%
Number of steps required to complete the transaction	66.92%
IVR first contact resolution	64.52%

In addition to the MSR Survey, the company's JD Power phone satisfaction score was 886, which ranks first in the East Midsize segment of peer gas utilities for this category. Phone satisfaction is based the attributes below in Figure 11 below.

Figure 11

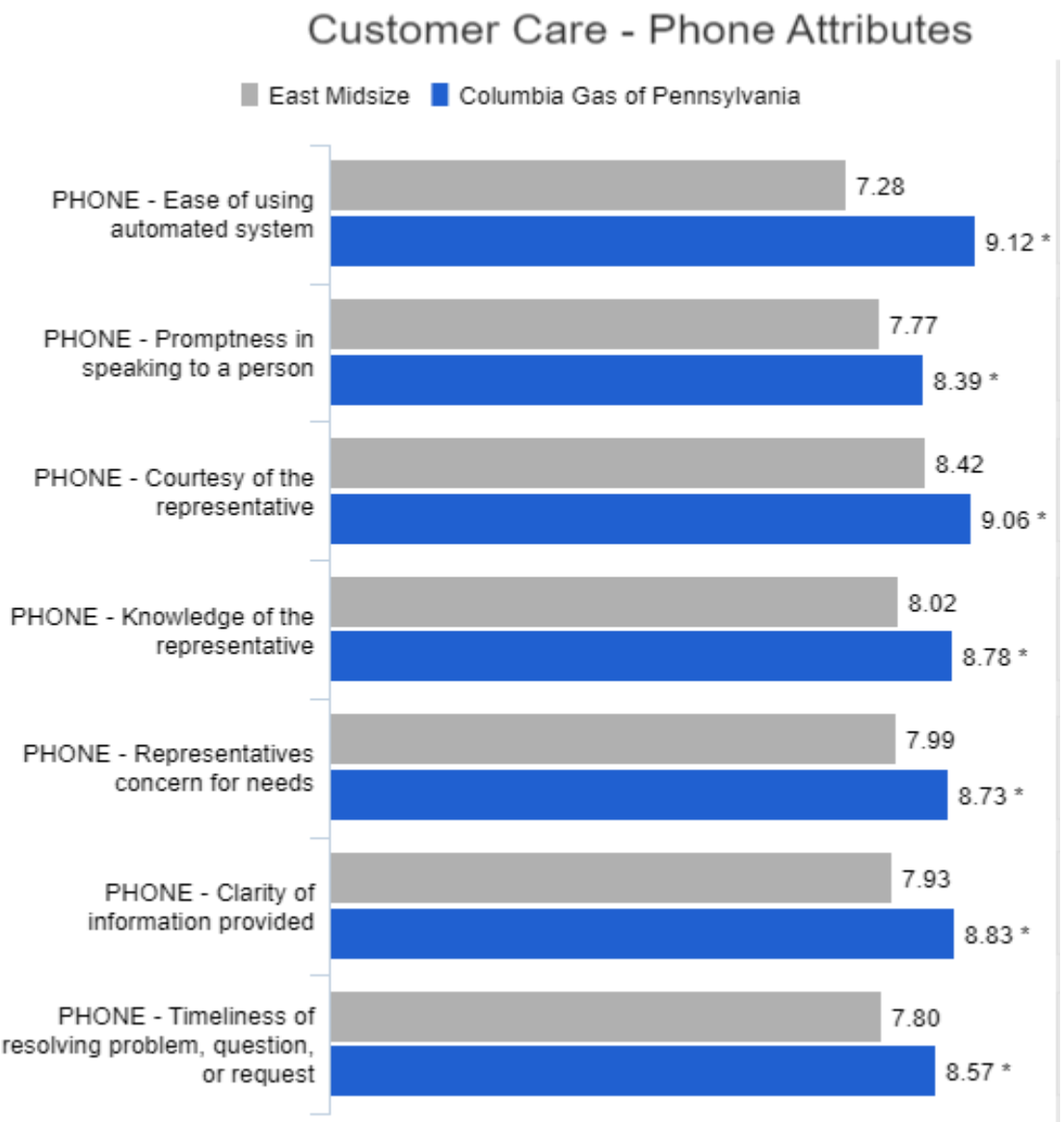

Q. How well did Columbia perform on field service ratings?

A. As reflected in Figure 12 below, MSR results for Columbia's Field Service Representatives easily met the Company's 90%+ satisfaction threshold goal. The following chart demonstrates that customers are satisfied with the level of service provided by Columbia employees working at their home or on their property.

Figure 12

CPA Field Visit Scheduling	
	YE 2021
Willing to accommodate needs	92.55%
Told when work would take place	93.95%
Arrived on time	95.80%
Total time to resolve	93.19%
CPA Field Work Crew Performance Ratings	
	YE 2021
Overall satisfaction with performance	95.82%
Courteous and professional	97.42%
Displayed skill and knowledge	96.63%
Explained work being performed	96.20%
Adequately answered questions	95.98%
Aware of service performed	94.23%
Worked quickly and efficiently	96.95%
Being respectful of your property	98.06%
Left work property as found before work began	98.70%
Work crew identified themselves	98.00%
Completed work on the first visit	91.98%

Q. How did Columbia perform in the 2021 J.D. Power Residential Customer Satisfaction Survey?

A. Columbia achieved an overall Customer Satisfaction Index ("CSI") score of 766 in the annual J.D. Power Gas Residential survey, ending in second place for the mid-

sized Eastern natural gas utilities. This is an increase of 1 point over the Company's 2020 final survey result of 765. The Company outperformed the mid-sized Eastern utility average of 748 by 22 points.

In addition, Columbia Gas scored above the mid-sized eastern utility averages in all seven categories and had the top number one mid-sized eastern ranking in the Safety & Reliability and Billing & Payment categories.

Q. What has been Columbia's success with implementing Chapter 14 Regulations?

A. Over the past 17 years, Columbia has been successful in implementing the Commission's Chapter 14 regulations, which provide the necessary tools to reduce residential customer delinquency and write-offs. Based on data filed annually pursuant to the Commission's regulations at Section 56.231, Columbia has reduced its gross residential write-off ratio from 4.07% in 2005 to 2.25% in 2021. It also reduced its net write-off for the same period from 2.79% to 1.55%.

Q. Can you identify any data that contributes to Columbia's success in dealing with its low income customers?

A. Based on information contained in the 2020 Universal Service and Collections Report, as seen below, Columbia had the 2nd most affordable Customer Assistance Program ("CAP") in the Commonwealth. This is the first time Columbia has not been the lowest due to a drop in avg bill by NFG. Columbia's average bill is still $11 per month lower than the statewide average for gas utilities. Further, as per Figure

13 below, Columbia CAP has the lowest default rates, in each poverty level, than all other gas utilities across Pennsylvania.

Figure 13

	Avg CAP Payment	CAP Default Rates 0 - 50%	CAP Default Rates 51% - 100%	CAP Default Rates 101%- 150%
Columbia	**$51**	**2.00%**	**2.20%**	**2.30%**
NFG	$48	2.20%	2.20%	2.30%
PECO Gas	$52	13.60%	9.60%	11.80%
Peoples	$73	8.60%	7.20%	18.30%
PGW	$78	4.90%	3.60%	4.10%
UGI Utilities- Gas	$68	17.80%	15.40%	23.40%

Columbia's most recent independent Universal Services Evaluation, completed in 2017, found that Columbia's Universal Services programs were well-managed, with attention to detail, quality control and efficiency. Key highlights included in the report are as follows:

- Columbia's CAP administrative costs are among the lowest as compared to other Pennsylvania natural gas distribution companies. Columbia's CAP is well-managed with adequate controls put into place for limiting program costs. The Company has taken extraordinary steps in ensuring quality and consistency with its Low Income Usage Reduction Program ("LIURP") implementation. Columbia's LIURP process and procedures are well-written and easily understood.
- The "Vision Database" is exceptional in tracking LIURP workflow and is regarded as a useful tool by both the internal and external LIURP teams. The

data base, adopted in April of 2016, is a contact management, invoicing and reporting data base for customers.

In addition, Columbia has developed an extensive outreach strategy to increase awareness of available resources and programs to identified low-income customers and to customers that may be low income but are not identified in Columbia's system. The Company's "We're Here For You" Campaign will be discussed in greater detail in Company Witness Davis's testimony at Columbia Statement No. 14.

Q. Can you describe any process improvements that Columbia has made to better serve its customers?

A. Columbia has a continued focus on providing a simple and seamless experience for customers and will continue its focus to work across all business lines to further strengthen and enhance relationships with its customers by proactively resolving their concerns and making it easier to conduct business with us. Examples of enhancements to improve customer interaction in 2021 includes:

- Implemented the 12-month rolling budget plan in February 2022, as required per the 2020 rate case at Docket R-2020-3018835
- Launched our new customer Mobile app, which enables customers to perform bill payment, and allows self-service to start, stop, and move orders online

- Implementation of IT natural language Interactive Voice Response (IVR) system that enables the customer to interact with the system conversationally is expected in March 2022.
- Hiring of bi-lingual (English & Spanish) Customer Service Representatives (CSRs) to increase call efficiencies and to provide a more seamless customer experience than transferring the phone call to the traditional translation services line for all of our Spanish speaking customers.
- Launched a Chatbot feature on our websites and mobile phone applications that will allow customers to self-serve online and receive automated assistance with transactions such as billing, usage, and password reset.
- Increased communication channels for CSRs though providing the ability to text or email generic information to customers such as mailing addresses, website addresses, phone numbers and other short pertinent information.
- Provided simplified paperless enrollment capabilities through the website: gopaperfreetoday.com and one-click paperless email enrollment
- Added an Energy Assistance Resource Center to the website allowing customers to easily find programs and help paying their bill
- Added the Picarro Advanced Leak Detection web page, including video, to educate customers on the new Advanced Leak Detection capabilities.

Q. Besides customer service initiatives, is Columbia taking any efforts to improve customer, employee, and system safety?

A. Yes, the Company along with the other operating Companies in NiSource adopted a Safety Plan approach in 2021 and will continue these efforts in 2022. This multifaceted plan will coordinate with and leverage certain aspects of the "NiSource Next" initiative that is described earlier in my testimony. The Safety Plan is an evolution process to continuously improve and add layers of protection to our existing safety practices and build on the success of previous efforts. The Safety Plan will include enhancements to processes, training, tools, and support, all of which are designed to improve safety and eliminate high-consequence events. Some of the process improvements being implemented under the Safety Plain in 2022 include:

- "Quality Control Audit Plan/Quality Assurance Audit Plan": This effort builds off the work started in 2021, and includes a field quality control audit plan and a quality assurance audit plan which have been developed in accordance with a risk-based assessment of the critical tasks which are performed by our workers. Audit teams will focus their audit efforts in these areas sharing metrics/reporting supported by our Quality Management System linking finding and corrective actions based on the riskiest work performed in the organization.
- "Process Safety Review": Continuation of the work started in 2021 where process safety reviews for all selected critical processes were performed in

order to verify the ability to "fail safely" and/or whether Columbia needs to add additional layers of protection for worker safety and pipeline safety. Based off this work, improvements to processes and procedures will be implemented in 2022 which will strengthen existing prevention and mitigation barriers to injuries and safety events, and which may also represent opportunities for continuous improvement in process safety.

- "Incidents & Near Miss Reporting": Columbia will soon implement a new event reporting tool to support event identification, causal evaluation, corrective action, and sharing of lessons learned to strengthen our abilities to be a learning organization through consistent rigorous processes.

In addition to the processes work, the Company is providing additional support to employees to further promote safe behavior and improve overall performance. Some of the support for employees under the Safety Plan includes:

- "Supporting Field Materials". This support effort builds upon the "check" and "act" phases of the "Plan, Do, Check, Act" (PDCA) continuous improvement methodology. The Standard Operating Procedures (SOPs) that were developed and implemented in 2021 will be reviewed for effectiveness and usability and improvements will be made to the documents, process and technology associated with these SOPs leading to enhanced usage reporting, information/data gathered during the use of the SOPs and additional safeguards for those executing the work.

- "Refresher Training", in which Columbia will deliver the Refresher Training that was developed in 2021 as well as developing and implementing additional refresher training for applicable employees on all critical operations processes.
- "Safety Technology" pilots and implementation that focus on both employee personal safety through items like wearable personal safety devices to detect and communication hazards and incidents, to customer/community safety looking at next generation safety endpoints/meters that can detect and react to abnormalities.

The 2022 Safety Plan was carefully designed to target those critical processes which if not precisely followed could result in high consequence events. Our goal is to eliminate those high-consequence events by providing clear processes, training and support to our employees, so they have the knowledge, skill and confidence to perform these events flawlessly and repeatedly.

Q. How does Columbia support the communities it serves?

A. Columbia is dedicated to investing in the communities we serve, and to helping enhance quality of life for our customers, as well as our employees. It is important to ensure that individuals and families within the communities we serve have what they need to thrive.

Each year, through company, employee and NiSource Foundation[3] donations, we support organizations assisting people in meeting their basic needs, such as food, clothing, and shelter. In addition, we partner with community leaders and state, regional, and local economic development organizations to attract new businesses and support the expansion of existing businesses, while helping to create more jobs across the area.

Columbia, in addition to the NiSource Foundation, donated more than $835,000 in 2021 to 115 non-profit organizations throughout the 26-county and 450 community service area in 2021, where we deliver natural gas. Donations supported safety, economic and workforce development, environmental stewardship, STEM & energy education, as well as basic needs and hardship assistance.

Contributions made to the community by Columbia, its employees and the NiSource Foundation in 2021 include the following:

- United Way: Columbia employees pledged over $108,000 of their personal income to the United Way, in support of education, financial stability and community health.

[3] Donations made through the NiSource Charitable Foundation. Charitable contributions are not funded by customers though utility service rates. Charitable contributions are primarily funded by shareholders as a core part of the Company's commitment to support the communities and customers it serves.

- In addition to direct employee donations, nine county United Way organizations in our service area received more than $38,000 in donations to support local programs addressing local needs.
- American Red Cross: Supporting emergency first response, COVID-19 relief, home safety programs and military family support $79,000 in donations were made to the American Red Cross.
- Dollar Energy Fund: Through donations and sponsorships, Columbia provided $195,000 in support to the non-profit Dollar Energy Fund providing utility assistance to income-eligible families experiencing hardship.
- Food Banks: Supporting basic needs during a time when so many families relied on essential food donations in 2021, $95,000 in donations were made to local/regional food banks and organizations addressing food insecurity issues.
- First Responder Training: Because safety remains a priority, Columbia partnered with the Northeast Gas Association to provide a free, computer-based first responder natural gas safety training program. Through the program, we trained more than 100 local first responders on how to respond safely to natural gas emergencies. In addition, the local fire departments with the most completed trainings in each of our four

operations areas received a $1,000 NiSource Foundation donation to purchase needed equipment.

- Customer Safety: The safety of our customers is paramount. In order to enhance customer safety in targeted communities, $10,000 in NiSource Foundation donations were allocated to local first responders for the purchase and give away of combination carbon monoxide and smoke detectors for four communities in our service area.

V. INTRODUCTION OF WITNESSES

Q. Please introduce Columbia's witnesses and describe their testimony.

A. Columbia presents the following witnesses:

- Company witness Melissa Bartos, Vice President of Concentric Energy Advisors, provides demand forecasting services for Columbia. In Columbia Statement No. 2, she explains how residential and commercial sales volumes are normalized for weather. The results of the normalization procedure are contained in Company witness Siegler's' testimony (Columbia Statement No. 3) and Exhibit 3, Schedule 4. Company witness Bartos also explains the projection of the future test year and fully projected future test year customer and load growth.
- Company witness Judith Siegler is a Lead Regulatory Analyst for NiSource Corporate Services Company ("NCSC"). In Columbia Statement No. 3,

Company witness Siegler supports the Company's requested increase in base rates by providing detailed information on the Company's pro forma operating revenues for the historical test year, the future test year ending November 30, 2022 and for the twelve months ending December 31, 2023 (FPFTY).

- Company witness Kelley Miller is a Lead Regulatory Analyst for NCSC. In Columbia Statement No. 4, Company witness Miller presents Columbia's cost of service and quantifies the revenue deficiency based on operating costs and revenues, as adjusted. Company witness Miller supports Columbia's cost of service Operating & Maintenance ("O&M") expenses.
- Company witness John J. Spanos is the President Gannett Fleming Valuation and Rate Consultants, LLC. In Columbia Statement No. 5, Company witness Spanos supports the depreciation study Gannett Fleming prepared for Columbia's gas plant.
- Company witness Julie Covert is a Lead Analyst for NCSC. In Columbia Statement No. 6, she provides detail and support about the methods and assumptions used to develop the Historic Test Year, Future Test Year and the Fully Projected Future Test Year rate base as presented in Exhibits 8 and 108.
- Company witness Ray Brumley is the Director of Construction Services for Columbia. In Columbia Statement No. 7, Company witness Brumley will discuss Columbia's ongoing replacement activities and provide testimony in support of

Columbia's plant additions through the Fully Projected Future Test Year (twelve-months ending December 31, 2023).

- Company witness Paul Moul is Managing Consultant at the firm P. Moul & Associates, an independent financial and regulatory consulting firm. In Columbia Statement No. 8, Company witness Moul presents detailed testimony and documentation and a recommendation concerning the appropriate cost of common equity and overall rate of return that the Commission should recognize in this case. His recommendation is supported by detailed financial data and an in-depth explanation of the application of the various financial models upon which he relies.
- Company witness Nicole Paloney is the Director of Rates and Regulatory Affairs for Columbia. In Columbia Statement No. 9, Company witness Paloney provides testimony in support of the budgeted O&M expenses for Columbia Gas of Pennsylvania for the Fully Projected Future Test Year that are included in Columbia witness Miller's cost of service analysis for Columbia Gas of Pennsylvania.
- Company witness Jennifer Harding is the Director of Income Tax at NCSC. In Columbia Statement No. 10, Company witness Harding supports Columbia's income tax and other tax expense included in the cost of service. She provides detail about both federal and state income tax recovery, and reduction of rate base for deferred income taxes.

- Company witness Kevin Johnson is a Lead Regulatory Analyst for NCSC. In Company Statement No. 11, he testifies about Columbia's allocated cost of service studies. Company witness Johnson will also address the Company's RNA proposal, revenue allocation and rate design.
- Company witness Ribeka Danhires is Manager of Rates for Columbia. In Columbia Statement No. 12, Company witness Danhires explains and supports the tariff changes that the Company seeks to make in this proceeding. Included in these changes is proposed tariff language to provide for the Green Tariff Rider and the residential energy efficiency rider.
- Company witness Deborah Davis is Columbia's Manager of Universal Services. In Columbia Statement No. 13, Company witness Davis addresses Columbia's efforts to raise voluntary contributions for Columbia's Hardship Fund, Columbia's "We're Here For You" outreach initiative, as well as a proposal to address the large carryover of Low Income Usage Reduction Program (LIURP) funding as a result of the COVID- 19 pandemic.
- Company witness Curtis Anstead is the Vice President and General Manager for Columbia. In Columbia Statement No. 14, Company witness Anstead provides an overview of Columbia's distribution system, Columbia's historic operating performance, the initiatives taken to improve its overall safety and compliance efforts and the metrics that are used to track performance and progress, and the planned system enhancements to Columbia's operations. In

addition, he provides information regarding Columbia's Distribution Integrity Management Program ("DIMP"), the strategic O&M activities that it has undertaken to improve its system, and the additional O&M activities that Columbia is planning to undertake beginning in 2022.

- Company witness Nicholas Bly is the Director of Rates and Regulatory Affairs for Columbia. In Columbia Statement No. 15, Company witness Bly provides testimony in support of the budgeted O&M expenses for NCSC for the FPFTY that are included in Columbia witness Miller's cost of service analysis.
- Company Witness Theodore Love is a Partner in the Green Energy Economics Group. In Columbia Statement 16, Company Witness Love will introduce the Company's proposed Residential Energy Efficiency program, as well as discuss the benefits of energy efficiency to customers.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes. In addition to the one exhibit attached to this testimony, I am sponsoring Exhibit No. 13, Schedule 3, which cross references the standard filing requirements with the corresponding Exhibits and Schedules in this filing for both the historic and future test years. I am also supporting Exhibit 113, Schedule 1, which documents tariff changes resulting from the requested increase.

Q. Does this conclude your direct testimony?

A. Yes.

COLUMBIA GAS OF PENNSYLVANIA, INC.

Exhibit I – 1
Columbia Gas of Pennsylvania, Inc.
Management and Operations Audit
Functional Area Rating Summary

Functional Area	Meets Expected Performance Level	Minor Improvement Necessary	Moderate Improvement Necessary	Significant Improvement Necessary	Major Improvement Necessary
Executive Management and Organizational Structure		X			
Corporate Governance		X			
Affiliated Interests and Cost Allocations			X		
Financial Management		X			
Gas Operations	X				
Customer Service			X		
Purchasing and Materials Management	X				
Emergency Preparedness	X				
Human Resources		X			
Fleet Management		X			
Information Technology	X				

D. Benefits

Where possible, the auditors estimated the potential savings expected from implementing the recommendations made in this report. The audit report contains potential cost savings of $272,000 to $332,000, annually. We tried to identify, whenever practical, the potential savings, net of the projected costs, for implementation. Some of these savings could be an actual reduction in costs, avoided costs, or increased revenues; whereas, others would result in better deployment and/or use of existing resources. These quantifications require some judgment and may require efforts beyond the scope of the audit for further refinement. Therefore, actual benefits from effective implementation of the recommendations are subject to uncertainty and could be higher or lower than the estimate. An overall summary of the annual and one-time costs savings quantified in the audit report are shown in Exhibit I – 2 on the next page.

Exhibit I – 2
Columbia Gas of Pennsylvania, Inc.
Management and Operations Audit
Quantifiable Savings Summary

Recommendation	Annual Savings	One-Time Savings
Implement various strategies to reduce arrearage levels such as increasing CAP enrollment and effective calculation of internal arrearage data to appropriately monitor and manage arrearage performance. (VIII – 2)	$92,000	
Complete an analysis of the third-party retention application to evaluate program efficacy in reducing CSR turnover rates by December 31, 2020. (VIII – 5)	$180,000 - $240,000	
Total	**$272,000 - $332,000**	**-**

For most of the recommendations, it was impractical to estimate quantitative benefits as the benefits are of a qualitative nature, or insufficient data was available to quantify the impact. For example, it is difficult to estimate the actual benefit where new management practices or procedures are recommended where such did not previously exist nor was not fully functional. Similarly, changes in workflow or implementation of good business practices could result in improved effectiveness and efficiency of a function but cannot be easily quantified.

CPA will have options to implement the recommendations and, as a result, the auditors have not estimated the cost of implementation for recommendations where no savings were quantified. However, it should be noted that the cost of implementing some recommendations could be significant.

E. Recommendation Summary

Chapters III through XIII provide conclusions, findings, and recommendations for each functional area reviewed in-depth during this audit. Exhibit I – 3 summarizes the recommendations with the following priority assessments for implementation:

- INITIATION – Estimated time frame for how quickly CPA should be able to initiate its implementation efforts given CPA's resources and general operating environment. The time necessary to complete implementation will vary depending on the nature of the recommendation, the scope of the efforts necessary, and resources available to implement the recommendation.

COLUMBIA GAS OF PENNSYLVANIA, INC.

- BENEFITS – Net quantifiable benefits are provided, where they could be estimated, as discussed in Section D – Benefits. Our estimated overall level of benefit rankings is not solely based on quantifiable dollars but considers the auditors' assessment of the potential overall impact of the recommendation on the efficiency and/or effectiveness of CPA and/or the services it provides.

  - HIGH BENEFIT – Implementation of the recommendation would result in major service improvements, substantial improvements in management practices and performance, and/or significant cost savings.

  - MEDIUM BENEFIT – Implementation of the recommendation would result in important service improvements, meaningful improvements in management practices and performance, and/or meaningful cost savings.

  - LOW BENEFIT – Implementation of the recommendation is likely to result in service improvements, improvements in management practices and performance, and/or enhanced cost controls.

Exhibit I–1
Aqua Pennsylvania, Inc.
The Peoples Companies
Functional Area Rating Summary

Functional Area	Meets Expected Performance Level	Minor Improvement Necessary	Moderate Improvement Necessary	Significant Improvement Necessary	Major Improvement Necessary
Aqua Pennsylvania, Inc.					
Executive Management and Organizational Structure			X		
Corporate Governance		X			
Affiliated Interests and Cost Allocations			X		
Financial Management		X			
Water Operations			X		
Emergency Preparedness			X		
Materials Management		X			
Customer Service		X			
Information Technology	X				
Fleet Management		X			
Human Resources and Diversity	X				
The Peoples Companies					
Executive Management and Organizational Structure	X				
Corporate Governance			X		
Affiliated Interests and Cost Allocations					X
Financial Management			X		
Gas Operations			X		
Emergency Preparedness	X				
Materials Management		X			
Customer Service		X			
Information Technology	X				
Fleet Management		X			
Human Resources and Diversity			X		

D. Benefits

Wherever possible, the audit staff estimated the potential savings expected from implementing the recommendations made in this report. The audit report details potential savings of approximately $417,000 annually with $339,000 and $78,000 attributed to Aqua PA and the Peoples Companies, respectively. We tried to identify, whenever practical, the potential savings, net of the projected costs, for implementation. Some of these savings could be an actual reduction in costs, avoided costs, or increased revenues; whereas, others would result in better deployment and/or use of existing resources. These quantifications require some judgment and may require efforts beyond the scope of the audit for further refinement. Therefore, actual benefits from effective implementation of the recommendations are subject to uncertainty and

could be higher or lower than the estimate. An overall summary of the annual and one-time costs savings quantified in the audit report are shown in Exhibit I-2, below.

Exhibit I–2
Aqua Pennsylvania, Inc. & The Peoples Companies
Quantifiable Savings Summary

Recommendation	Annual Savings	One-Time Savings
Aqua PA		
Document all lease agreements between Aqua PA and its affiliates and submit them to the Commission for approval. (V-2)	$150,000	-
Focus efforts on reducing NRW at the Roaring Creek system. (VII-5)	$189,000	-
Aqua PA Subtotal	$339,000	-
Peoples Companies		
Benchmark with similar utilities to set separate net collection goals for primary and secondary collection agencies at the Peoples Companies and measure each collection agency to the respective collection goal. (XI-4)	PNGC: $51,000 PGC: $27,000	-
Peoples Companies Subtotal	$78,000	-
Total for All Companies	**$417,000**	**-**

For most recommendations, it was impractical to estimate quantitative benefits as the benefits are of a qualitative nature, or insufficient data was available to quantify the impact. For example, it is difficult to estimate the actual benefit where new management practices or procedures are recommended where such did not previously exist nor was not fully functional. Similarly, changes in workflow or implementation of good business practices could result in improved effectiveness and efficiency of a function but cannot be easily quantified.

Aqua PA and/or the Peoples Companies will have options to implement the recommendations and, as a result, the audit staff have not estimated the cost of implementation for recommendations where no savings were quantified. However, it should be noted that the cost of implementing some recommendations could be significant.

E. Current Events

On March 6, 2020, the Governor of Pennsylvania, Tom Wolf, declared a disaster emergency due to the COVID-19 pandemic. This and other state government actions ordered all but essential businesses and their operations closed for the safety of the general public. Although fixed utility operations such as water treatment and gas distribution were considered essential, most of the back-office functions such as corporate management, accounting and government relations were deemed nonessential. Most Pennsylvania utilities closed their business offices and allowed their employees to work remotely. The Pennsylvania Public Utility Commission also closed the main office and allowed employees, including those of the Audit Bureau, to perform their functions remotely. All nonessential travel and in-person meetings were prohibited.

As such, the COVID-19 crisis affected the approach and timeline of the audit. For example, some interviews and data request responses were delayed or modified. In all cases, the audit staff worked with Aqua PA and the Peoples Companies to acquire information needed to issue the findings and recommendations contained within this report. Although some aspects of fieldwork were modified and/or unfeasible, we worked to minimize the impact to the conclusions presented within the report. We believe that our procedures sufficiently mitigate the audit risk associated with altering our standard practices. However, conclusions presented within this report may change if additional information is made available. Furthermore, it is important to note that although COVID-19 affected the companies' operations; this report does not, nor was it intended to reflect any modified operations.

F. Recommendation Summary

Chapters III through XIV provide findings, conclusions, and recommendations for each function or area reviewed in-depth during this focused audit. Exhibit I-3 summarizes the recommendations with the following priority assessments for implementation:

- INITIATION TIME FRAME – Estimated time frame on how quickly the Company should be able to initiate its implementation efforts given the Company's resources and general operating environment. The time necessary to complete implementation is expected to vary depending on the nature of the recommendation and the scope of the efforts necessary and resources available to effectively implement the recommendation.

- BENEFITS – Net quantifiable benefits have been provided where they could be estimated as discussed in Section D - Benefits. Our overall rankings are not solely based on quantifiable dollars but rather our assessment of the potential overall impact of the recommendation on the efficiency and/or effectiveness of the Company and/or the services it provides.

- HIGH BENEFITS – Implementation of the recommendation would result in major service improvements, substantial improvements in management practices and performance, and/or significant cost savings.

- MEDIUM BENEFITS – Implementation of the recommendation would result in important service improvements, meaningful improvements in management practices and performance, and/or meaningful cost savings.

- LOW BENEFITS – Implementation of the recommendation is likely to result in service improvements, management practices and performances, and/or enhance cost controls.

Exhibit I-1
UGI Utilities, Inc.
Management and Operations Audit
Functional Rating Summary

Functional Area	Meets Expected Performance Level	Minor Improvement Necessary	Moderate Improvement Necessary	Significant Improvement Necessary	Major Improvement Necessary
Executive Management and Organizational Structure		X			
Corporate Governance		X			
Affiliated Interests and Cost Allocations			X		
Financial Management		X			
Gas Operations			X		
Electric Operations		X			
Emergency Preparedness				X	
Materials Management			X		
Information Technology		X			
Customer Service			X		
Fleet Management		X			
Human Resources / Diversity		X			

D. Benefits

Where possible, the auditors quantify the potential savings that would be expected from effectively implementing the recommendations made in this report. The audit report contains identifiable potential quantifiable cost savings of $336,090 to $713,019 in annual savings and $3,360,900 to $7,130,196 in one-time savings from effective implementation of the recommendations. We identify, whenever it is reasonably practical, the potential savings net of the projected costs for implementation. Some of these savings could be considered an actual reduction in costs, avoided costs or increased revenues; whereas others would result from better deployment and/or use of existing resources. These quantifications require some judgment and may require efforts beyond the scope of the audit for further refinement. Therefore, the actual benefits from effective implementation of the recommendations are subject to some degree of uncertainty and could be higher or lower than the amounts estimated by the auditors. An overall summary of the annual and one-time cost savings quantified in the audit report are shown in Exhibit I-2.

Exhibit I-2
UGI Utilities, Inc.
Management and Operations Audit
Quantifiable Savings Summary

Recommendation	Annual Savings	One-Time Savings
X-1. Improve company-wide inventory turnover and exclude emergency stock from inventory turnover calculations.	$336,090 - $713,019	$3,360,900 - $7,130,196

For most of the recommendations, it is not possible or practical to estimate quantitative benefits as they are of a qualitative nature or insufficient data was available to quantify the impact. For example, it is difficult to estimate the actual benefit where new management practices or procedures are recommended where such did not previously exist. Similarly, changes in workflow or implementation of good business practices could result in improved effectiveness and efficiency of a specific function but cannot be easily quantified.

UGI Utilities will have options to implement the recommendations and so the auditors have not estimated the cost of implementation for recommendations where no savings were quantified. However, it should be noted to the reader that the cost of implementing certain recommendations could be significant.

E. Recommendation Summary

Chapters III through XIV detail the findings, conclusions and recommendations for each function or area reviewed in-depth during this audit. Exhibit I-3 summarizes the recommendations with the following priority assessments for implementation:

- INITIATION TIME FRAME – Estimated time frame for how quickly UGI Utilities should be able to initiate its implementation efforts, given UGI Utilities' resources and general operating environment. The time necessary to complete implementation is expected to vary depending on the nature of the recommendation, the scope of the efforts necessary, and resources available to effectively implement the recommendation.

- BENEFITS – Net quantifiable benefits have been provided, where they could be estimated, as discussed in Section D - Benefits. Our estimated overall level of benefits rankings is not solely based on quantifiable dollars, but the auditor's assessment of the potential overall impact of the recommendation on the efficiency and/or effectiveness of UGI Utilities, and/or the services it provides. In addition, the ratings weight the avoidance of future adverse conditions based upon the potential severity of the adverse condition. In this form, high consequence conditions could

garner a higher benefit rating than conditions occurring frequently but with a lower impact.

- HIGH BENEFITS – Implementation of the recommendation would result in major service improvements, substantial improvements in management practices and performance, avoidance of substantial consequences, and/or significant cost savings.

- MEDIUM BENEFITS – Implementation of the recommendation would result in important service improvements, meaningful improvements in management practices and performance, avoidance of unfavorable but manageable consequences, and/or meaningful cost savings.

- LOW BENEFITS – Implementation of the recommendation is likely to result in service improvements, management practices and performances, and/or enhance cost controls.

Exhibit I – 1
National Fuel Gas Distribution Corporation
Focused Management and Operations Audit
Functional Rating Summary

Functional Area	Meets Expected Performance Level	Minor Improvement Necessary	Moderate Improvement Necessary	Significant Improvement Necessary	Major Improvement Necessary
Executive Management and Organizational Structure		x			
Corporate Governance		x			
Affiliated Interests and Cost Allocations	x				
Financial Management	x				
Gas Operations	x				
Customer Service		x			
Purchasing and Materials Management	x				
Emergency Preparedness	x				
Human Resources		x			
Fleet Management		x			
Information Technology	x				

D. Benefits

Where possible, the auditors try to quantify the potential savings that would be expected from effectively implementing the recommendations made in this report. However, for most of the recommendations, it is not possible or practical to estimate quantitative benefits as their benefits are of a qualitative nature or insufficient data was available to quantify the impact. For example, it is difficult to estimate the actual benefit where new management practices or procedures are recommended where such did not previously exist or was not fully functional. Similarly, changes in work flow or implementation of good business practices could result in improved effectiveness and efficiency of a specific function but cannot be easily quantified.

NFGDC will have options to implement the recommendations and so the auditors have not estimated the cost of implementation for recommendations where no savings were quantified. However, it should be noted to the reader that the cost of implementing certain recommendations could be significant.

E. Recommendation Summary

Chapters III through XIII detail the findings, conclusions and recommendations for each function or area reviewed in-depth during this focused audit. Exhibit I-2 summarizes the recommendations with the following priority assessments for implementation:

- INITIATION TIME FRAME – Estimated time frame for how quickly NFGDC should be able to initiate its implementation efforts, given NFGDC's resources and general operating environment. The time necessary to complete implementation is expected to vary depending on the nature of the recommendation, the scope of the efforts necessary, and resources available to effectively implement the recommendation.

- BENEFITS – Net quantifiable benefits have been provided, where they could be estimated, as discussed in Section D - Benefits. Our estimated overall level of benefits rankings is not solely based on quantifiable dollars, but the auditor's assessment of the potential overall impact of the recommendation on the efficiency and/or effectiveness of NFGDC, and/or the services it provides.

  - HIGH BENEFITS – Implementation of the recommendation would result in major service improvements, substantial improvements in management practices and performance, and/or significant cost savings.

  - MEDIUM BENEFITS – Implementation of the recommendation would result in important service improvements, meaningful improvements in management practices and performance, and/or meaningful cost savings.

  - LOW BENEFITS – Implementation of the recommendation is likely to result in service improvements, management practices and performances, and/or enhance cost controls.

Exhibit I-1
PECO Energy Company
Focused Management and Operations Audit
Functional Rating Summary

Functional Area	Meets Expected Performance Level	Minor Improvement Necessary	Moderate Improvement Necessary	Significant Improvement Necessary	Major Improvement Necessary
Executive Management and Organizational Structure			X		
Corporate Governance		X			
Affiliated Interest and Cost Allocations		X			
Financial Management		X			
Electric Operations			X		
Gas Operations			X		
Emergency Preparedness		X			
Materials Management			X		
Customer Service			X		
Information Technology	X				
Fleet Management		X			
Facilities Management	X				
Risk Management	X				
Legal		X			
Human Resources and Diversity		X			

D. Benefits

Where possible, the Audit Staff attempts to quantify the potential savings that would be expected from effectively implementing the recommendations made in this report. The audit report contains identifiable potential quantifiable cost savings of approximately $2,933,000 to $5,667,000 in annual savings and $2,200,000 to $3,110,000 in one-time savings from effective implementation of the recommendations. We try to identify, whenever it is reasonably practical, the potential savings net of the projected costs for implementation. Some of these savings could be considered an actual reduction in costs, avoided costs or increased revenues; whereas others would result from better deployment and/or use of existing resources. These quantifications require some judgment and may require efforts beyond the scope of the audit for further refinement. Therefore the actual benefits from effective implementation of the recommendations are subject to some degree of uncertainty, and could be higher or lower than the amounts estimated by the Audit Staff. An overall summary of the annual and one-time cost savings quantified in the audit report are shown in Exhibit I-2.

Exhibit I-2
PECO Energy Company
Focused Management and Operations Audit
Quantifiable Savings Summary

Recommendation	Annual Savings	One-Time Savings
Reduce overtime levels, specifically non-storm overtime, for C&M and DSO. (Recommendation VII-2)	$2,400,000 – $5,000,000	$0
Reduce gas line hit damages by mitigating mapping data errors and implementing a preemptive and comprehensive program to locate facilities with an emphasis on plastic pipe. (Recommendation VIII-1)	$200,000	$0
Perform a periodic comprehensive system-wide review of emergency and inactive inventory and eliminate inventory, as appropriate (Recommendation X-1)	$333,000 – $467,000	$2,200,000 – $3,110,000
Totals	$2,933,000 – $5,667,000	$2,200,000 – $3,110,000

For the majority of recommendations, it is not possible or practical to estimate quantitative benefits as their benefits are of a qualitative nature or there was insufficient data available to quantify the impact. For example, it is difficult to estimate the actual benefit where new management practices or procedures are recommended where such did not previously exist or was not fully functional. Similarly, changes in work flow processes or to implement good business practices will result in improved effectiveness and efficiency of a specific function but cannot be easily quantified.

The Company will have varying ways to implement the recommendations and as a result the Audit Staff has not estimated the cost of implementation for recommendations where no savings were quantified. However, it should be noted by the reader that the cost of implementing certain recommendations could be significant. The Audit Staff forecasted possible costs for implementation of the Company's expansion of inspection activities of contractor performed work to range between $500,000 and $700,000. It should be noted that the Audit Staff did not attempt to quantify resultant savings from increased inspection activity but contends that the net long term savings should ultimately outweigh the cost.

E. Recommendation Summary

Chapters III through XVII provide findings, conclusions, and recommendations for each function or area reviewed in-depth during this focused audit. Exhibit I-3 summarizes the recommendations with the following priority assessments for implementation:

- INITIATION TIME FRAME – Estimated time frame on how quickly the Company should be able to initiate its implementation efforts given the Company's resources and general operating environment. The time necessary to complete implementation is expected to vary depending on the nature of the recommendation and the scope of the efforts necessary and resources available to effectively implement the recommendation.

- BENEFITS – Net quantifiable benefits have been provided where they could be estimated as discussed in Section D - Benefits. Our estimated overall level of benefits rankings are not solely based on quantifiable dollars but rather the Audit Staff's assessment of the potential overall impact of the recommendation on the efficiency and/or effectiveness of the Company and/or the services it provides.

    - HIGH BENEFITS – Implementation of the recommendation would result in major service improvements, substantial improvements in management practices and performance, and/or significant cost savings.

    - MEDIUM BENEFITS – Implementation of the recommendation would result in important service improvements, meaningful improvements in management practices and performance, and/or meaningful cost savings.

    - LOW BENEFITS – Implementation of the recommendation is likely to result in service improvements, management practices and performances, and/or enhance cost controls.

COLUMBIA STATEMENT NO. 2

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
MELISSA BARTOS
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

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I. Introduction

Q. Please state your name and business address.

A. My name is Melissa Bartos. My business address is 293 Boston Post Road West, Suite 500, Marlborough MA 01752.

Q. By whom are you employed and in what capacity?

A. I am employed by Concentric Energy Advisors ("Concentric"). My current title is Vice President.

Q. Please briefly describe your professional experience.

A. My entire career, which expands over twenty years, has been in energy consulting. I began my career with Reed Consulting Group, which was later purchased and merged into Navigant Consulting, Inc. I joined what is now Concentric Energy Advisors in 2002. Both firms specialize in consulting for the energy industry.

Q. Please describe your educational background.

A. I received a Bachelor of Arts in Mathematics and Psychology with a concentration in Computer Science in 1998 from the College of the Holy Cross in Worcester, Massachusetts. I received a Master of Science degree in Mathematics with a concentration in Statistics in 2003 from the University of Massachusetts at Lowell.

Q. What are your responsibilities in your current position?

A. In my current position as a Vice President at Concentric, I am responsible for the execution of numerous projects related to the energy industry. I specialize in demand forecasting, rates and regulatory issues and market analysis. My resume is attached as Appendix A.

Q. Have you previously testified before this or any other regulatory

agency?

A. I previously testified before the Pennsylvania Public Utility Commission in the Company's previous rate case (R-2021-3024296), and I have testified before several other state, federal, and Canadian provincial regulatory agencies on dozens of occasions. My testimony list is attached as Appendix B

Q. What test years will you be addressing in this testimony?

A. I will be addressing the twelve-month period ending November 30, 2021 as the Historic Test Year ("HTY"), the twelve-month period ending November 30, 2022 as the Future Test Year ("FTY"), and the twelve-month period ending December 31, 2023 as the Fully Projected Future Test Year ("FPFTY").

Q. What is the purpose of your testimony in this proceeding?

A. I will explain how residential and commercial sales are normalized for weather. The results of the normalization process are contained in Company witness Judith Siegler's testimony (Columbia Statement No. 3) and Exhibit 003, Schedule 04. I will also explain the forecast methodology used to develop forecasted number of customers and usage for the FTY and the FPFTY. The results of the forecast are contained in Exhibit 010, Schedule 02.

II. <u>Weather Normalization of Historical Test Year</u>

Q. Please explain the weather normalization methodology.

A. At a high level, actual sales per customer are separated into base use and temperature-sensitive use per customer for each month of the HTY for the residential and commercial classes. Monthly temperature-sensitive use per customer is adjusted by the ratio of normal to actual heating degree days ("HDD")

by month to derive normal temperature-sensitive use per customer by month. The monthly normal temperature-sensitive use per customer is added to the base use per customer to arrive at the normal sales per customer. This value is multiplied by the customer count by month to produce monthly normal sales. All calculations are performed on a billing month basis and use billing month sales, the average number of days in the billing cycle, and billing month HDD.

Q. What data sources do you use for your calculations?

A. I use the Company's billing records to obtain monthly customer counts and billed sales for the residential and commercial classes for the HTY. I use temperatures from DTN, a weather consulting service which aggregates National Weather Service weather stations relevant to the Company's service territory, to calculate HDD. I rely on temperature data from five weather stations due to the geographical dispersion of Columbia's customers. A weighted average HDD for the Company is calculated by using the percent of residential customers assigned to each station as a weight for that station.

Q. How is base usage determined?

A. Base usage is the portion of usage that is not dependent on weather, i.e., not temperature-sensitive. I assume that there is no temperature sensitive usage in the summer months of July and August, therefore, all usage in July and August is base use and is not affected by the weather normalization process. In addition, the total use per customer per day (Total Use/Customer/Day) for July and August is all base use. If total use per customer per day in September is less than July or August, then I also assume September has no temperature sensitive usage (i.e.,

September is also assumed to be a base use-only month and not affected by the weather normalization process). The base use per customer per day used to weather normalize the remaining months of the HTY is calculated by averaging the two lowest observed use per customer per day values from the months of July through September.

Q. How are monthly sales in the remaining months weather normalized?

A. The base use per customer per day is multiplied by the number of days ((base use/customer/day)*days in billing cycle) to produce monthly base use per customer. Temperature-sensitive use per customer equals the total use per customer minus the base use per customer. The temperature-sensitive use per customer is normalized for weather by multiplying it by a ratio of normal HDD to actual HDD. Normal use per customer is calculated by adding the base use per customer to the normal temperature-sensitive use per customer. Total monthly normalized usage is generated by multiplying monthly normal use per customer by the monthly customer count. This calculation for the HTY is prepared separately for residential and commercial customers and the results are presented in Exhibit 010, Schedule 08.

Q. Has the methodology for normalizing weather changed from Columbia's last rate filing?

A. No, the methodology has not changed since Columbia's last rate filing. However, the historical average HDD have been updated to include the most recent 20-year history (i.e., 20 years ended December 31, 2021). The previous base rate case filing

defined normal weather as the 20-year average ending in 2020. In all other respects, the weather normalization process is the same.

Q. Why is Columbia using a 20-year average HDD in the weather normalization process?

A. The Company continues to use the 20-year average HDD in the weather normalization process because it is consistent with the Company's approach since 2008. In addition, an analysis of weather data demonstrates that a rolling 20-year average is a superior predictor of one-year-ahead HDD and five-year ahead HDD than the 30-year average HDD, and the 20-year average HDD is a more dynamic measure than the 30-year average HDD, as discussed in more detail below.

Q. Please explain your analysis that demonstrates that the 20-year average HDD is a better predictor of one-year-ahead and five-year ahead HDD than the 30-year average HDD.

A. Table 1, below, compares the actual HDD experienced each year from 1984 through 2021 with the historical average HDD calculated using either the prior 20-years or the prior 30-years. The absolute error is calculated as the absolute value of the difference between the actual HDD and either the 20-year or 30-year average. Table 1 demonstrates that the 20-year average HDD has a lower absolute error than the 30-year average HDD in 71% of the most recent 38 years. Table 1 also illustrates that the 20-year average HDD has a lower mean absolute error when predicting the one-year-ahead HDD, as compared to the 30-year average HDD when considering the most recent 38-year period.

In Table 2, the 20-year and 30-year average HDD are used to predict annual HDD for each five-year period for the five years ended 1988 through the five years ended 2021. As measured by the smallest difference over the five-year period, the 20-year average HDD outperforms the 30-year average HDD in 94% or 32 out of the 34 periods. When considering the most recent ten periods, the 20-year average HDD outperforms the 30-year average HDD in 100% or all of the ten periods.

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Table 1

Weather Averages as Predictors

Moving Averages used to Predict Following Year

Columbia Gas of Pennsylvania

	Annual Heating Degree Days			Absolute Error		Better 1-year predictor	
	Actual	20-yr Average	30-yr Average	20-yr Average	30-yr Average	20-yr Average	30-yr Average
1983		5893	5880				
1984	6040	5904	5898	147	160	x	
1985	5340	5879	5892	564	558		x
1986	5593	5863	5887	286	299	x	
1987	5495	5842	5885	368	392	x	
1988	5960	5835	5881	119	75		x
1989	5816	5824	5882	19	65	x	
1990	5010	5779	5852	814	872	x	
1991	4919	5734	5815	860	933	x	
1992	5572	5719	5796	162	243	x	
1993	5512	5733	5771	207	284	x	
1994	5739	5747	5768	6	32	x	
1995	5518	5746	5757	229	250	x	
1996	5962	5738	5759	216	205		x
1997	5649	5714	5750	89	110	x	
1998	4619	5636	5701	1095	1131	x	
1999	5185	5594	5672	451	516	x	
2000	5442	5560	5657	152	230	x	
2001	5435	5517	5644	125	222	x	
2002	5348	5491	5627	169	296	x	
2003	5876	5502	5648	385	249		x
2004	5384	5469	5645	118	264	x	
2005	5607	5482	5648	138	38		x
2006	5216	5463	5617	266	432	x	
2007	5342	5456	5591	121	275	x	
2008	5573	5436	5571	117	18		x
2009	5447	5418	5552	11	124	x	
2010	5460	5440	5530	42	92	x	
2011	5459	5467	5502	19	71	x	
2012	4711	5424	5463	756	791	x	
2013	5526	5425	5459	102	63		x
2014	5998	5438	5457	573	540		x
2015	5524	5438	5463	86	67		x
2016	4774	5379	5436	664	689	x	
2017	4760	5334	5411	619	676	x	
2018	5692	5388	5403	358	281		x
2019	5250	5391	5384	138	153	x	
2020	4858	5362	5379	533	526		x
2021	5079	5344	5384	283	300	x	
				Mean Absolute Error		Frequency of Lowest Absolute Error	
1984-2021				300	329	27	11
						Relative Frequency of Lowest Absolute Error	
1984-2021						71%	29%

Table 2

Weather Averages as Predictors

Moving Averages used to Predict the Following Five Years

Columbia Gas of Pennsylvania

	Annual Heating Degree Days			Five Year Sum of Errors		Better 5-year predictor	
	Actual	20-yr Average	30-yr Average	20-yr Average	30-yr Average	20-yr Average	30-yr Average
1983		5893	5880				
1984	6040	5904	5898				
1985	5340	5879	5892				
1986	5593	5863	5887				
1987	5495	5842	5885				
1988	5960	5835	5881	-1037	-970		x
1989	5816	5824	5882	-1315	-1288		x
1990	5010	5779	5852	-1520	-1586	x	
1991	4919	5734	5815	-2117	-2236	x	
1992	5572	5719	5796	-1931	-2149	x	
1993	5512	5733	5771	-2348	-2574	x	
1994	5739	5747	5768	-2369	-2658	x	
1995	5518	5746	5757	-1636	-2000	x	
1996	5962	5738	5759	-367	-771	x	
1997	5649	5714	5750	-217	-600	x	
1998	4619	5636	5701	-1177	-1366	x	
1999	5185	5594	5672	-1803	-1906	x	
2000	5442	5560	5657	-1874	-1928	x	
2001	5435	5517	5644	-2358	-2465	x	
2002	5348	5491	5627	-2541	-2719	x	
2003	5876	5502	5648	-893	-1218	x	
2004	5384	5469	5645	-486	-876	x	
2005	5607	5482	5648	-151	-633	x	
2006	5216	5463	5617	-155	-788	x	
2007	5342	5456	5591	-28	-708	x	
2008	5573	5436	5571	-386	-1116	x	
2009	5447	5418	5552	-158	-1042	x	
2010	5460	5440	5530	-372	-1201	x	
2011	5459	5467	5502	-35	-804	x	
2012	4711	5424	5463	-628	-1305	x	
2013	5526	5425	5459	-578	-1251	x	
2014	5998	5438	5457	65	-605	x	
2015	5524	5438	5463	17	-431	x	
2016	4774	5379	5436	-803	-976	x	
2017	4760	5334	5411	-539	-732	x	
2018	5692	5388	5403	-376	-545	x	
2019	5250	5391	5384	-1189	-1286	x	
2020	4858	5362	5379	-1857	-1982	x	
2021	5079	5344	5384	-1255	-1541	x	

	Mean Absolute Error		Frequency of Lowest Error	
1988-2021	-1012	-1360	32	2
2012-2021	-714	-1065	10	0

Relative Frequency of Lowest Error		
1988-2021	94%	6%
2012-2021	100%	0%

Q. Please explain your analysis that demonstrates that the 20-year average HDD is more dynamic than the 30-year average HDD.

A. Table 3 demonstrates that the average annual change for the 20-year average HDD is 0.4%, while the average annual change for the 30-year average is 0.3% HDD. The 20-year normal HDD is a more dynamic measure that is better able to react more quickly to weather changes because it replaces 5% of the data each year rather than the 3% that is replaced with the 30-year average.

Table 3

Weather Averages
Annual Change in Averages 1984-2021
Absolute Values
Columbia Gas of Pennsylvania

	20-yr Average	30-yr Average	Annual HDD
Average	0.4%	0.3%	6.9%
Maximum	1.4%	0.8%	19.6%

III. Demand Forecast Methodology for Future Test Year and Fully Projected Future Test Year

A. Demand Forecast Methodology Overview

Q. Please explain the methodology employed for developing the forecasted number of customers and volume for the FTY and FPFTY.

A. Total residential and total commercial customers and volume for both the FTY and FPFTY are forecasted using econometric models. Total industrial volume for both the FTY and FPFTY are forecasted based on knowledge gained through relationships with large industrial customers. Total residential, total commercial, and total industrial forecasts are subsequently split into sales, choice, and GTS customers and volumes, as appropriate, using historical data.

Q. What data sources do you use to develop the econometric models for the residential and commercial classes?

A. I use the Company's billing records through November 2021 to obtain historical monthly customer counts and billed usage for the residential and commercial customer classes. Historical billed usage is divided by historical customer counts to produce monthly historical use per customer data for residential and commercial customers. The historical customer counts and use per customer are used as the dependent variables in the residential customer, residential use per customer, commercial customer, and commercial use per customer econometric models.

Several sources are used to obtain data for the independent variables included in the econometric models. Historical and forecast gas price data is sourced from the U.S. Energy Information Administration ("EIA"). Historical and forecast average efficiency data is provided by Itron Inc., a national utility consulting firm. Historical and forecast values for economic and demographic variables (e.g., number of households and gross county product) and deflator data are from IHS Global Insight, Inc., a data consultant. Historical weather data (HDD) is provided by DTN, a weather consulting service, and the same 20-year average HDD described in the weather normalization process above is used as the weather during forecast period.

B. <u>Residential Forecast</u>

Q. Please describe the residential customer forecast methodology.

A. The residential customer forecast is developed using a monthly econometric model

that incorporates the number of households and several monthly variables for shaping.

Q. Please describe the residential use per customer forecast methodology.

A. The residential use per customer forecast is developed using a monthly econometric model that incorporates weather in the form of HDD, real natural gas prices, energy intensity, and several monthly variables for additional shaping.

Q. How is the forecast of monthly residential volume determined?

A. Monthly residential customer counts are multiplied by monthly residential use per customer to produce monthly residential volume.

Q. How are the total residential customers and usage split into residential sales and residential CHOICE?

A. Residential CHOICE customer counts are based on extrapolating the recent declining trend in residential CHOICE customers. Residential sales customer counts are determined by subtracting residential CHOICE customer count from the total residential customer count.

Use per customer for residential CHOICE customers has been higher than use per customer for residential sales customers in recent years. Forecasted use per customer for residential CHOICE customers is determined by applying the historical monthly ratio of residential CHOICE use per customer to total residential use per customer. Forecasted residential CHOICE usage is determined by multiplying residential CHOICE customers by residential CHOICE use per customer. Residential sales usage is determined by subtracting residential CHOICE usage from the total residential usage.

Q. Is the impact of the Company's proposed residential energy efficiency program incorporated into the residential demand forecast?

A. No. The Company's proposed residential energy efficiency program is not yet approved so there is no experience regarding the impact of the Company's energy efficiency program on residential demand, therefore it is premature to incorporate the potential effects of the program into the demand forecast.

C. <u>Commercial Forecast</u>

Q. Please describe the commercial customer forecast methodology.

A. The commercial customer forecast is developed using a monthly econometric model that incorporates real gross county product and several monthly variables for shaping.

Q. Please describe the commercial use per customer forecast methodology.

A. The commercial use per customer forecast is developed using a monthly econometric model that incorporates weather in the form of HDD, real natural gas prices, and several monthly variables for additional shaping.

Q. How is the forecast of monthly commercial volume determined?

A. Monthly commercial customer counts are multiplied by monthly commercial use per customer to produce monthly commercial volume.

Q. How are the total commercial customers and volumes split into commercial sales, commercial CHOICE, and commercial GTS?

A. Commercial GTS and commercial CHOICE customers are forecasted to remain at recent historical customer levels. Commercial sales customers are the customers

remaining when commercial GTS and commercial CHOICE customers are subtracted from the total commercial customer forecast. Total commercial usage is allocated to sales, GTS and CHOICE based proportions experienced in the most recent 12-months.

D. Industrial Forecast

Q. Please describe the industrial forecast methodology.

A. The industrial forecast is provided by the Large Customer Relations group by incorporating information generated through individual customer interviews. Since the Large Customer Relations group covers over 90% of the total industrial volumes, it is assumed that the remaining industrial volume grows at the same rate as those forecasted by the Large Customer Relations group.

Q. How is the total industrial usage split into industrial sales and industrial GTS?

A. Total industrial usage is allocated to sales and GTS based upon monthly proportions experienced in the most recent 24-months.

Q. Does this conclude your direct testimony?

A. Yes, it does.

MELISSA F. BARTOS
Vice President

Ms. Bartos is a financial and economic consultant with more than twenty years of experience in the energy industry. In the last several years, she has focused on natural gas markets issues, including conducting comprehensive market assessments for various clients considering infrastructure investments and developing detailed demand forecasts for a number of gas distribution companies. Ms. Bartos has also designed, built, and enhanced numerous financial and statistical models to support clients in asset-based transactions, energy contract negotiations, reliability studies, asset and business valuations, rate and regulatory matters, cost-of-service analysis, and risk management. Her modeling experience includes building Monte-Carlo simulation models, designing an allocated cost-of-service model, statistical modeling using SPSS, and programming using Visual Basic for Applications (VBA). Ms. Bartos has also provided expert testimony on multiple occasions regarding natural gas demand forecasting and supply planning issues, natural gas markets, and marginal cost studies.

REPRESENTATIVE PROJECT EXPERIENCE

Natural Gas Market Assessments

- Reviewed and evaluated long-term natural gas supply and demand, existing natural gas pricing dynamics, and future implications associated with new natural gas infrastructure in New England, New York, and New Jersey.
- Provided an analysis of the existing Gulf Coast natural gas market, the client's natural gas pipeline competitors, changing flows, and how those factors may affect transportation values to the client going forward.
- Prepared a comprehensive study examining the costs associated with improving natural gas pipeline access from western Canada and the eastern U.S. to Atlantic Canada.
- Produced a report on the benefits associated with incremental natural gas supplies delivered to New York City.
- Prepared an independent natural gas supply and pipeline transportation route assessment associated with natural gas for the client's proposed LNG export terminal.

Natural Gas Expansion

- Conducted a study that examined potential commercial and industrial conversions from oil-based fuels to natural gas in various east coast U.S. markets.
- Produced a report that identified growth potential in off-system stationary and mobile markets in the mid-west that could be served by compressed natural gas or liquefied natural gas.
- Performed an external audit and filed expert testimony associated with two natural gas utilities' hurdle rate/contribution in aid of construction calculations for new off main customers.

- Produced a report that identified and reviewed innovative cost model approaches that utilities and regulators are using across the U.S. that allow expansion of gas distributions systems to new communities.
- Assisted in developing a strategy to identify residential natural gas growth opportunities within the client's franchise area.
- Presented at two Northeast Gas Association conferences regarding "Regulatory Policy and Residential Main Extensions".

Demand Forecasting

- Filed expert testimony regarding the development of demand forecast models and the evaluation of natural gas resource plans for multiple northeast gas utilities.
- Provided litigation support regarding demand forecasting techniques with respect to certain natural gas pipeline and storage decisions for a mid-west gas utility.
- Reviewed demand forecasting practices and procedures and recommended certain changes to improve the methodology and accuracy of the forecast for a multi-state utility.
- For a mid-west gas utility, developed a natural gas demand forecast that was utilized for supply and capacity decisions.

Ratemaking and Utility Regulation

- Participated in the rate case of a large North American gas distribution company, which determined the client's five-year incentive regulation plan, including performing benchmarking and productivity analyses that were filed with the regulator.
- Developed a marginal cost study, including data collection, analysis and testimony development, in support of rate case filings for a number of New England utilities.
- Provided comprehensive analysis, drafted testimony and provided litigation support regarding the appropriate return on equity for a New England water utility, and for proposed wind and coal electric generation facility additions for a mid-west combination utility.
- Performed a detailed analysis of the components included in the client's lost and unaccounted for gas calculation.
- Conducted multiple natural gas portfolio asset optimization analyses to evaluate performance of the client's asset manager for regulatory purposes.
- On behalf of multiple New England gas companies, participated in the 2009 Avoided Energy Supply Cost Study Group (for New England), which worked with third-party consultants to develop the marginal energy supply costs that will be avoided due to reductions in the use of electricity, natural gas, and other fuels resulting from energy efficiency programs.
- Conducted a study to determine the cost of significantly reducing peak day natural gas demand for a northeast gas utility through energy efficiency, conservation and demand management measures. Project involved researching natural gas energy efficiency plans in multiple U.S. states and Canadian provinces, reviewing energy efficiency potential studies, and exploring geothermal, peak pricing and direct load control options.

PROFESSIONAL HISTORY

Concentric Energy Advisors, Inc. (2002 – Present)
Vice President
Assistant Vice President
Project Manager
Senior Consultant

Navigant Consulting, Inc. (1996 – 2002)
Senior Consultant

EDUCATION

University of Massachusetts at Lowell
M.S., Mathematics (Statistics), 2003

College of the Holy Cross
B.S., Mathematics and Psychology, *magna cum laude*, 1998

PROFESSIONAL ASSOCIATIONS

Member of the American Statistical Association

Member of the Northeast Energy and Commerce Association

Member of the Northeast Gas Association

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Connecticut Public Utilities Regulatory Authority				
Connecticut Natural Gas Corporation & Southern Connecticut Gas Company	2014	Connecticut Natural Gas Corporation & Southern Connecticut Gas Company	Docket No. 13-06-02	CIAC Hurdle Rate Calculation
Federal Energy Regulatory Commission				
PennEast Pipeline Company, LLC	2015	PennEast Pipeline Company, LLC	Docket No. CP15-558	Market Conditions/Need
PennEast Pipeline Company, LLC	2016	PennEast Pipeline Company, LLC	Docket No. CP15-558	Market Conditions/Need
Millennium Pipeline Company, LLC	2017	Millennium Pipeline Company, LLC	Docket No. CP16-486	Market Conditions/Need
Laclede Gas Company	2017	Spire STL Pipeline, LLC	Docket No. CP17-40	Market Conditions/Need
Spire Missouri Inc. (Laclede Gas Company)	2021	Spire STL Pipeline, LLC	Docket No. CP17-40	Market Conditions/Need
Indiana Utility Regulatory Commission				
Northern Indiana Public Service Company LLC (Gas)	2021	Northern Indiana Public Service Company LLC (Gas)	Cause # 45621	Weather Normalization; Demand Forecast
Kentucky Public Service Commission				
Columbia Gas of Kentucky, Inc.	2021	Columbia Gas of Kentucky, Inc.	Case No. 2021-00183	Demand Forecast
Maine Public Utilities Commission				
Northern Utilities, Inc.	2011	Northern Utilities	Docket No. 2011-526	Integrated Resource Plan; Demand Forecast
Massachusetts Department of Public Utilities				
New England Gas Company	2008	New England Gas Company	D.P.U. 08-11	Integrated Resource Plan; Demand Forecast; Supply Planning
New England Gas Company	2010	New England Gas Company	D.P.U. 10-61	Integrated Resource Plan; Demand Forecast; Supply Planning
Berkshire Gas Company	2010	Berkshire Gas Company	D.P.U. 10-100	Integrated Resource Plan; Demand Forecast

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
New England Gas Company	2012	New England Gas Company	D.P.U. 12-41	Integrated Resource Plan; Demand Forecast; Supply Planning
Berkshire Gas Company	2012	Berkshire Gas Company	D.P.U. 12-62	Integrated Resource Plan; Demand Forecast
NSTAR Gas Company	2014	NSTAR Gas Company	D.P.U. 14-63	Integrated Resource Plan; Demand Forecast
Berkshire Gas Company	2014	Berkshire Gas Company	D.P.U. 14-98	Integrated Resource Plan; Demand Forecast
Liberty Utilities (New England Gas Company)	2015	Liberty Utilities (New England Gas Company)	D.P.U. 15-75	Marginal Cost of Service Study
Berkshire Gas Company	2016	Berkshire Gas Company	D.P.U. 16-103	Integrated Resource Plan; Demand Forecast
Eversource Energy	2017	Eversource Energy (NSTAR Electric and WMECO)	D.P.U. 17-05	Marginal Cost of Service Study
National Grid (Boston Gas Company and Colonial Gas Company)	2017	National Grid (Boston Gas Company and Colonial Gas Company)	D.P.U. 17-170	Marginal Cost of Service Study
Bay State Gas Company d/b/a/ Columbia Gas of Massachusetts	2018	Bay State Gas Company d/b/a/ Columbia Gas of Massachusetts	D.P.U. 18-45	Marginal Cost of Service Study
Berkshire Gas Company	2018	Berkshire Gas Company	D.P.U. 18-40	Marginal Cost of Service Study
Berkshire Gas Company	2018	Berkshire Gas Company	D.P.U. 18-107	Integrated Resource Plan; Demand Forecast
NSTAR Gas Company	2019	NSTAR Gas Company	D.P.U. 19-120	Marginal Cost of Service Study
Bay State Gas Company d/b/a Columbia Gas of Massachusetts	2019	Bay State Gas Company d/b/a Columbia Gas of Massachusetts	D.P.U. 19-135	Integrated Resource Plan; Demand Forecast
Berkshire Gas Company	2020	Berkshire Gas Company	D.P.U. 20-139	Integrated Resource Plan; Demand Forecast
Boston Gas d/b/a National Grid	2020	Boston Gas d/b/a National Grid	D.P.U. 20-120	Marginal Cost Study
New Hampshire Public Utilities Commission				

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Northern Utilities, Inc.	2011	Northern Utilities	DG 2011-290	Integrated Resource Plan; Demand Forecast
Liberty Utilities (EnergyNorth Natural Gas)	2017	Liberty Utilities (EnergyNorth Natural Gas)	DG 17-048	Marginal Cost of Service Study
Liberty Utilities (Granite State Electric)	2019	Liberty Utilities (Granite State Electric)	De 19-064	Marginal Cost of Service Study
New Jersey Board of Public Utilities				
South Jersey Gas Company	2015	South Jersey Gas Company	GR15010090	Energy Efficiency Cost Benefit Analysis
Ontario Energy Board				
Enbridge Gas Distribution	2012	Enbridge Gas Distribution	EB-2011-0354	Industry Benchmarking Study
Enbridge Gas Distribution	2013	Enbridge Gas Distribution	EB-2012-0459	Incentive Rate Making
Pennsylvania Public Utility Commission				
Columbia Gas of Pennsylvania, Inc.	2021	Columbia Gas of Pennsylvania, Inc	R-2021-3024296	Weather Normalization; Demand Forecast
Public Utilities Commission of Ohio				
Columbia Gas of Ohio, Inc.	2021	Columbia Gas of Ohio, Inc.	Case No. 21-637-GA-AIR	Adjustments to Demand
Régie de l'énergie du Québec				
TransCanada Pipelines Ltd.	2014	TransCanada Pipelines Ltd.	R-3900-2014	Natural Gas Market Assessment
Washington Utilities and Transportation Commission				
Puget Sound Energy, Inc.	2015	Puget Sound Energy, Inc.	UG-151663	Distributed LNG Market Assessment

COLUMBIA STATEMENT NO. 3

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
JUDITH SIEGLER
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

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B. Exhibit 103....10

I. Introduction

Q. Please state your name and business address.

A. My name is Judith Siegler. My business address is 801 E. 86th Avenue, Merrillville, Indiana 46410.

Q. By whom are you employed and in what capacity?

A. I am employed by NiSource Corporate Services Company ("NCSC"), a management and services subsidiary of NiSource Inc. ("NiSource"). My current title is Lead Regulatory Analyst at NCSC.

Q. Please briefly describe your professional experience.

A. I began my employment with Northern Indiana Public Service Company, Inc. in 2009 in the Rates and Regulatory Department as a Senior Regulatory Analyst. My responsibilities included providing regulatory support for NiSource's three Indiana companies' (Northern Indiana Public Service Company, Inc., Northern Indiana Fuel & Light Company, Inc., and Kokomo Gas and Fuel) Gas Cost Adjustment ("GCA") filings. In 2010, I was involved in the preparation of a petition to the Indiana Utility Regulatory Commission, seeking approval to merge the three companies into Northern Indiana Public Service Company, LLC ("NIPSCO"). In 2012, I accepted a position under the group that prepares the revenue proof, rate design, tariffs and rules and regulations in NIPSCO's gas and electric rate cases. Since 2015, I have held the position Lead Regulatory Analyst in the Rates and Regulatory Department of NCSC. Prior to NCSC and NIPSCO, I worked as an analyst and then as an accountant in the casino industry,

and as a public accountant.

Q. Please describe your educational background.

A. I received a Bachelor of Science degree in Accounting from Purdue University in 2002 and a Masters of Business Administration from Indiana Wesleyan University in 2017.

Q. What are your responsibilities in your current position?

A. My primary responsibilities as a Lead Regulatory Analyst include providing support for regulatory filings and rate cases for NiSource gas distribution companies and its electric company, NIPSCO. These filings include Avoided Cost – Cogeneration, Productivity Report, Reliability Report, Interconnection Report, Net Metering Report, Marginal Cost Study, Gas Compliance Filing, Electric Compliance Filing, and Universal Service Fee Filing and Report. I also provide regulatory support for other NiSource companies, including Columbia Gas of Pennsylvania, Inc. ("Columbia" or "the Company").

Q. Have you previously testified before this or any other regulatory agency?

A. Yes, I submitted direct testimony before the Maryland Public Service Commission on behalf of Columbia Gas of Maryland in Case No. 9609 and Case No. 9644, the Commonwealth of Kentucky Public Service Commission on behalf of Columbia Gas of Kentucky in Case No. 2021-00183, and the Indiana Utility Regulatory Commission on behalf of Northern Indiana Public Service Company LLC in Cause No. 45621. I have testified before the Commonwealth of Kentucky Public Service Commission on behalf of Columbia Gas of Kentucky in Case No. 2021-00183.

Q. What was the nature of the testimony you provided in those proceedings?

A. In connection with those various rate case proceedings, I prepared and submitted testimony on revenues.

II. Purpose and Summary of Testimony

Q. Please state the purpose of your prepared direct testimony in this proceeding.

A. I will sponsor and describe Exhibits 3 and 103 (Operating Revenues). I am also sponsoring the following exhibits:

Exhibit No.
Exhibit 003, Schedule 01 through 10, (02) (03) (04) Pages 01-05
Exhibit 010, Schedule 03, (22), Page 01
Exhibit 010, Schedule 04, (38), Page 01
Exhibit 010, Schedule 07, (03) (14), Page 01
Exhibit 012, Schedule 01, (05) Page 01
Exhibit 012, Schedule 02 (18), Pages 01-02
Exhibit 012, Schedule 03, (23) Page 01
Exhibit 012, Schedule 04, (24 (26) (30) (36), Page 01
Exhibit 012, Schedule 04, (25) Page 01
Exhibit 012, Schedule 05, (31), Page 01
Exhibit 012, Schedule 06, (11) Page 01
Exhibit 012, Schedule 07, Pages 01-02
Exhibit 012, Schedule 08, Page 01
Exhibit 016, (7), Pages 01-05
Exhibit 017, (01) (28) Pages 01-07
Exhibit 103, Schedules 01 through 7, (02) (03) (04), Pages 01-15
Exhibit 110, Schedule 03, (22), Page 01
Exhibit 110, Schedule 04, (38) (39), Page 01
Exhibit 110, Schedule 07, (03) (14), Page 01
Exhibit 112, Schedule 01 (05) Page 01
Exhibit 112, Schedule 02, (18) (23) thru (26) (30) (31) (36) (11) Pages 01-04
Exhibit 112, Schedule 03, Pages 01-03
Exhibit 112, Schedule 04, Page 01
Exhibit 116, (07), Page 01
Exhibit 117, (01) (28), Pages 01-02

Q. Are you sponsoring any additional exhibits?

A. Yes. Attached to my testimony are two additional exhibits that support the Company's revenue proposal. Each exhibit, identified below, will be addressed later in my testimony.

Exhibit No.	Description
Exhibit JS-1	Calculation of the Merchant Function Charge
Exhibit JS-2	Annualization of Forfeited Discounts (Account 487)

III. Operating Revenues

A. Exhibit 3

Q. Please explain the process that was undertaken to produce the number of bills used to price revenue in this case.

A. The following calculations are made to determine the number of bills found in Exhibit 3, Schedule 2, for the Historic Test Year ("HTY"). Active customer counts for each month of the HTY are accumulated by rate schedule and shown in Column 1 of Exhibit 3, Schedule 2. The bills are accumulated based on which rate schedule the customer is on at the end of the HTY. Adjustments were made in Exhibit 3, Schedule 2, Column 2 to reflect discontinued or added services for Large Commercial and Industrial customers. Incremental residential and commercial customers that were added or discontinued during the HTY are shown in Column 3 and 4, respectively, for a full year impact. The corresponding backup for customer additions and attrition for the HTY can be found in Exhibit 3, Schedule 5, Pages 1 – 7. Finally, an adjustment is made to the number of bills for final billed customers, because a Customer Charge is billed to customers who receive a final bill even though they are not included as an active customer. These customers are

not classified as active in the Company's billing systems during the HTY, so the final bills must be added to active bills to price revenue in this case. Bills in Exhibit 3, Schedule 2, Column 7 are used for pricing in Exhibit 3, Schedule 1 (pro forma revenue at present rates) and Exhibit 3, Schedule 10 (pro forma revenue at proposed rates).

Q. Please explain the development of the adjusted volumes in Dekatherm ("Dth") for the HTY.

A. Physical flow volumes were summarized by rate schedule in Exhibit 3, Schedule 3 on a customer-by-customer, and month-by-month basis. The volumes, as shown in Column 1, were accumulated based on the rate schedule the customer was on at November 30, 2021. The Weather Normalization Adjustment ("WNA") in Exhibit 3, Schedule 3, Column 2 represents the change to physical flow volumes due to the use of a 20-year weather definition normalization. Adjustments were made in Exhibit 3, Schedule 3, Column 3 to reflect discontinued or added services for Large Commercial and Industrial customers. Incremental residential and commercial customers that were added or discontinued during the HTY are shown in Columns 4 and 5, respectively, for a full year impact. The corresponding backup for customer additions and attrition for the HTY can be found in Exhibit 3, Schedule 5, Pages 1 – 7

Q. Please explain why physical flow volumes were used instead of invoiced volumes as the basis for calculating operating revenues.

A. Physical flow volumes were used instead of invoiced volumes because they represent

volumes that flowed during the HTY. Invoiced volumes may include adjustments made for prior billing periods that are outside of the HTY. Therefore, physical flow volumes were used to eliminate out of period adjustments.

Q. How is the 20-year weather normalization definition utilized in Exhibit 3, Schedule 4?

A. Company witness Melissa Bartos (Columbia Statement No. 2) provided the total normalized volumes by month for residential and commercial customers. The total normalized volumes were allocated based on the customers' actual physical flow volumes and by their class. Then they were accumulated by rate schedule by rate block, if applicable, as shown in Exhibit 3, Schedule 4, Column 2. The weather adjustment in Column 3 is calculated by subtracting actual physical flow Dth in Column 1 from the normalized Dth in Column 2. The revenue impact as shown in Column 5 is determined by multiplying the Dth in Column 3 by the current base rates.

Q. Please explain Schedules 6 through 9 of Exhibit 3.

A. Schedules 6 and 7 eliminate certain per book amounts (off system sales revenues, unbilled revenues and unbilled gas costs) that are not relevant to a pro forma calculation of revenues and expenses. Schedules 8 and 9 show the calculated split of per books gas cost, Gas Procurement Charge ("GPC"), Rider Universal Service Plan ("USP") and Merchant Function Charge ("MFC") and Rider Customer Choice ("CC") by customer class used in reconciling per books revenue to annualized revenue in Exhibit 3, Page 9.

Q. How was pro forma revenue at present rates calculated?

A. As shown in Exhibit 3, Schedule 1, adjusted test year bills from Schedule 2 are shown in Column 1 and adjusted test year Dth from Schedule 3 are shown in Column 2. Present rates are shown in Column 3. Revenue is calculated in Column 4 by multiplying the Customer Charge by number of bills and volumetric rates by volumes. An average rate per Dth is calculated in Column 5 by dividing Column 4 by Column 2. Pro forma revenue at present rates was calculated using the Purchased Gas Cost ("PGC") rate and Rider USP rate as of January 1, 2022, which is the most recent available at the time the schedules were developed. The Merchant Function Charge ("MFC") rate (please refer to Exhibit JS–1, attached to this testimony) was updated to reflect the January 1, 2022 PGC rate and the proposed residential and non-residential uncollectible expense ratio as calculated by Company witness Miller and shown in Exhibit No. 4, Schedule 2, Page 27, Lines 7 and 14. The State Tax Adjustment Surcharge ("STAS") last changed January 1, 2016 and remains at 0%.

Q. Please explain the adjustment to Forfeited Discounts (Account 487) in Exhibit 3 Page 8.

A. Exhibit JS-2, attached to this testimony, compares Account 487 revenue to total billed revenue for the three years ending November 2019, November 2020 and November 2021, and calculates a three-year average. This three year period was selected to match the same basis used by the Company in this rate case to determine

an average net write-off rate used for annualization of uncollectible expense. As with net write-offs, Forfeited Discounts historically produce a reasonably predictable percentage of billed revenue over time. A three-year average is used to account for the percentage differences caused primarily by changes in gas cost recovery revenue.

The historic three-year average percentage of billed revenue is applied to annualized HTY revenue, resulting in annualized historic test year Forfeited Discounts shown on Exhibit JS-2, page 1. The historic three year average percentage of billed revenue is applied to annualized future test year ("FTY") revenue and annualized FPFTY revenue (Exhibit 103), resulting in annualized Forfeited Discounts revenue for those test years shown on Exhibit JS-2, pages 2 and 3 respectively.

Q. Please explain Exhibit 3 Schedule 10.

A. This schedule calculates pro forma revenues at proposed rates for the HTY reflecting the rate design as shown on Exhibit 103, Schedule 8.

Q. Please explain Pages 6 - 8 of Exhibit 3.

A. The summary shows, by rate schedule by customer class, pro forma test year bills (Column 1), Consumption (Dth) (Column 2), Revenue at Present Rates (Column 3), proposed adjustment (Column 4), and Revenue at Proposed Rates (Column 5). The summary serves as a comparison of revenue at present and proposed rates.

Q. Please explain the "Dth and Revenue Summary at Current Rates" on Page 9 of Exhibit 3.

A. This page summarizes revenue for the HTY by customer class and is the

reconciliation of per books revenue to annualized revenue as calculated in Exhibit 3, Schedule 1. Exhibit 3, Page 9, Column 1 reflects the per books revenue as of November 30, 2021. Columns 2 through 6 show the calculated split of per books gas cost, Rider USP, GPC, MFC and CC by customer class calculated on Exhibit 3, Schedules 8 and 9. The weather adjustment calculated on Exhibit 3, Schedule 4 is shown in Exhibit 3, Page 9, Column 9. Column 10 reflects pricing out the test year billing determinants (bills and volumes) at the most current base rates. Column 11 is the pro forma Delivery Service revenue at current rates calculated on Exhibit 3, Schedule 1.

Q. Please explain the "Dth and Revenue Summary at Current Rates" on Page 10 of Exhibit 3.

A. This page summarizes annualized total revenue at present rates as calculated on Exhibit 3 Schedule 1. Column 1 shows pro forma Delivery Service revenue at present rates. Column 2 shows a summary of gas costs at present rates in effect as of January 1, 2022. Column 3 shows a summary of Rider USP at present rates in effect as of January 1, 2022. Column 5 shows a summary of the MFC. Detailed calculations by rate schedule for Columns 1 through 6 are shown in Exhibit 3, Schedule 1. Column 7 shows total revenue at present rates.

B. Exhibit 103

Q. Please describe the projection of bills for the FTY and FPFTY.

A. Forecasted active customer counts are first determined on a total company basis

by customer class by type of service (sales/CHOICE transportation/non-CHOICE transportation) by month in the Company's forecast model supported by Company witness Bartos on Exhibit 10, Schedule 2. The customer counts are then spread for each month of the FTY and the FPFTY, based on the HTY experience, by rate schedule, by customer class, and by type of service for Residential and Small Commercial sales and CHOICE customers. The bills are accumulated based on which rate schedule the customer is on at the end of the HTY and the results are shown in Exhibit 103, Schedule 2, Column 1.

Adjustments resulting from Large Commercial or Industrial customers that are expected either to discontinue or to add service during the FTY and FPFTY are shown by customer in Exhibit 103, Schedule 4, Pages 16 and 18 respectively, and summarized in Exhibit 103, Schedule 2, Column 2. New construction customers who are expected to begin service during the FTY and FPFTY are shown on Exhibit 103, Schedule 4, Pages 1 and 7 respectively and summarized on Exhibit 103, Schedule 2, Column 3. Customer attrition, which is expected to occur during the FTY and FPFTY is shown on Exhibit 103, Schedule 4, Pages 3 and 9, respectively, and summarized on Exhibit 103, Schedule 2, Column 4. Column 5 of Exhibit 103, Schedule 2, reflects the shifts between rate schedules that occurred during the test year. The Company considers the HTY final bill count to be representative of what can be expected during the FTY and FPFTY. Therefore, the HTY final bill count was added to the forecasted active bills to price revenue in this case. Final bill

counts are shown in Exhibit 103, Schedule 2, Column 6. FTY adjusted number of bills in Exhibit 103, Schedule 2, Column 7 is the sum of Columns 1 through 6. Bills in Column 7 are used for pricing in Exhibit 103, Schedule 1 (pro forma revenue at present rates) and Exhibit 103, Schedule 7 (pro forma revenue at proposed rates) for both the FTY and the FPFTY.

Q. Please explain the process used to develop FTY and FPFTY Dth.

A. Forecasted adjusted Dth for both the FTY and the FPFTY are shown in Exhibit 103, Schedule 3, Column 6 and are the sum of: (a) forecasted Dth in Exhibit 103, Schedule 3, Column 1; (b) Large Commercial and Industrial adjustments in Exhibit 103, Schedule 3, Column 2; (c) new construction consumption in Exhibit 103, Schedule 3, Column 3; (d) attrition consumption in Exhibit 103, Schedule 3, Column 4; and (e) rate schedule transfers in Exhibit 103, Schedule 3, Column 5. Volumes in Exhibit 103, Schedule 3, Column 6 are used for pricing in Exhibit 103, Schedule 1 (pro-forma revenue at current rates) and Exhibit 103, Schedule 7 (pro-forma revenue at proposed rates) for both the FTY and FPFTY.

Forecasted Dth are first determined by customer class, by type of service (sales/CHOICE transportation/non-CHOICE transportation), by month in the Company's forecast model supported by Company witness Bartos in Exhibit 10, Schedule 2. These Dth are spread for each month of the FTY and FPFTY based on the HTY by rate schedule, by customer class, and by type of service for Residential Sales and CHOICE customers. The spread for Commercial and Industrial Sales

and CHOICE transportation customers and all non-CHOICE transportation customers is performed down to the individual customer level. The Dth are accumulated based on which rate schedule the customer is on at the end of the HTY and shown in Column 1 of Exhibit 103, Schedule 3.

Adjusted Dth in Exhibit 103, Schedule 3, Column 6 are the sum of Columns 1 through 5 for both the FTY and FPFTY. Adjustments resulting from Large Commercial and Industrial customers either discontinuing or adding service during the FTY and FPFTY are shown by customer in Exhibit 103, Schedule 4, Pages 16 and 18, respectively, and summarized in Exhibit 103, Schedule 3, Column 2 for reasons I explained previously, with respect to customer bills. Consumption calculated for new construction customers who are expected to begin service during the FTY is shown on Exhibit 103, Schedule 4, Pages 10 and 11 and Pages 14 and 15 for the FPFTY. The Dth attributable to new customers are summarized on Exhibit 103, Schedule 4, Page 2, Column 1 and are shown on Exhibit 103, Schedule 3, Column 3. Customer attrition, which is expected to occur during the FTY and FPFTY is calculated on Exhibit 103, Schedule 4, Pages 3 and 9, respectively, and is shown on Exhibit 103, Schedule 3, Column 4.

Q. Please explain Exhibit 103, Schedule 7.

A. This schedule calculates pro forma revenues at proposed rates for the FTY and FPFTY, respectively, reflecting the rate design as shown on Exhibit 103, Schedule 8, sponsored by Company witness Kevin Johnson.

Q. Please explain Pages 6 - 9 of Exhibit 103.

A. The summary shows, by rate schedule by customer class, pro forma test year bills (Column 1), Consumption (Dth) (Column 2), Revenue at Present Rates (Column 3), proposed adjustment (Column 4), and Revenue at Proposed Rates (Column 5). The summary serves as a comparison of revenue at present and proposed rates.

Q. Please explain the "Dth and Revenue Summary at Current Rates" on Pages 10 through 15 of Exhibit 103.

A. These pages summarize annualized total revenue at present rates as calculated on Exhibit 103, Schedule 7. Exhibit 103 includes annualized total revenue for both the FTY and FPFTY.

Q. Please summarize the drivers that make up the difference in revenue in Exhibit 103 between the FTY and the FPFTY.

A. The difference between the revenue in the FTY and the FPFTY year is driven by changes in customer growth, attrition, changes in use per customer, expected changes in customer counts, and usage for large customers based upon a customer by customer review. See Witness Bartos' testimony for an explanation of the forecast models.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Columbia Gas of Pennsylvania, Inc.
Calculation of Merchant Function Charge Utilized in Exhibit No. 3 and Exhibit No. 103
Calculated Using Gas Costs as of January 1, 2022

Line No.	Description	Reference		Rate $	
1	PGCC Rate	Exhibit 1-A, Schedule 1, Page 1, Col. 3, Line 5 (1/01/2022 Quarterly GCR Filing)		3.2815	
2	Total Commodity Cost of Gas			**3.2815**	per Dth
3	Residential Uncollectible Expense Ratio[1]	Exhibit No. 4, Schedule No. 2, Page 27, Line 7	0.0144397		
4	Non-Residential Uncollectible Expense Ratio[1]	Exhibit No. 4, Schedule No. 2, Page 27, Line 14	0.0042117		
5	Merchant Function Charge - Residential Sales Service	(Line 4 x Line 5)		0.0474	per Dth
6	Merchant Function Charge - Small General Sales Service	(Line 4 x Line 6)		0.0138	per Dth

[1] Per Order in Docket No. R-2012-2321748

Columbia Gas of Pennsylvania, Inc.
Annualization of Forfeited Discounts (Account 487)
For the Twelve Months Ending November 30, 2021

Line No.		12 Mos November 2019	12 Mos November 2020	12 Mos November 2021	Total 3 Year Average		
1	Per Books Acct 487	$ 1,080,703	$ 502,806	$ 451,085	$ 2,034,593		
2	Per Books Billed Revenue	$ 602,529,915	$ 552,327,378	$ 652,705,000	$ 1,807,562,293		
3	Forfeited Discounts as a % of Revenue (Line 1 / Line 3)	0.1794%	0.0910%	0.0691%	0.1126%		
4	Historic Test Year Sales Revenue (Ex. 3, Page 10, Line 6)					$	624,925,175
5	Historic Test Year Revenue -Transportation Revenue (Ex. 3, Page 10, Line 9)					$	166,750,505
6	Total Sales and Transportation Revenue (Line 5 + Line 6)					$	791,675,680
7	3 Year Average						0.1126%
8	Annualized Forfeited Discounts (Line 7 * Line 6)					$	891,427
9	Historic Test Year Acct 487 (Ex. 3, Page 9)					$	451,085
10	Annualization Adjustment (Line 8 - Line 9)					$	440,342

Columbia Gas of Pennsylvania, Inc.
Annualization of Forfeited Discounts (Account 487)
For the Twelve Months Ending November 30, 2022

Line No.		12 Mos November 2019	12 Mos November 2020	12 Mos November 2021	Total 3 Year Average		
1	Per Books Acct 487	$ 1,080,703	$ 502,806	$ 451,085	$ 2,034,593		
2	Per Books Billed Revenue	$ 602,529,915	$ 552,327,378	$ 652,705,000	$ 1,807,562,293		
3	Forfeited Discounts as a % of Revenue (Line 1 / Line 3)	0.1794%	0.0910%	0.0691%	0.1126%		
4	Future Test Year Sales Revenue (Ex. 103, Page 11, Line 5)					$	645,770,596
5	Future Test Year Transportation Revenue (Ex. 103, Page 11, Line 8)					$	164,321,364
6	Total Sales and Transportation Revenue (Line 4 + Line 5)					$	810,091,960
7	3 Year Average						0.1126%
8	Annualized Forfeited Discounts (Line 4 * Line 6)					$	912,164
9	Future Test Year Acct 487 (Ex. 103, Page 10)					$	891,427
10	Annualization Adjustment (Line 7 - Line 8)					$	20,737

Columbia Gas of Pennsylvania, Inc.
Annualization of Forfeited Discounts (Account 487)
For the Twelve Months Ending December 31, 2023

Line No.		12 Mos November 2019	12 Mos November 2020	12 Mos November 2021	Total 3 Year Average		
1	Per Books Acct 487	$ 1,080,703	$ 502,806	$ 451,085	$ 2,034,593		
2	Per Books Billed Revenue	$ 602,529,915	$ 552,327,378	$ 652,705,000	$ 1,807,562,293		
3	Forfeited Discounts as a % of Revenue (Line 1 / Line 3)	0.1794%	0.0910%	0.0691%	0.1126%		
4	Fully Projected Future Test Year Sales Revenue (Ex. 103, Page 15, Line 5)					$	654,202,206
5	Fully Projected Future Test Year Transportation Revenue (Ex. 103, Page 15, Line 8)					$	159,278,757
6	Total Sales and Transportation Revenue (Line 5 + Line 6)					$	813,480,963
7	3 Year Average						0.1126%
8	Annualized Forfeited Discounts (Line 7 * Line 6)					$	915,980
9	Fully Projected Future Test Year Acct 487 (Ex. 103, Page 14)					$	912,164
10	Annualization Adjustment (Line 8 - Line 9)					$	3,816

COLUMBIA STATEMENT NO. 4

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
KELLEY K. MILLER
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

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I. Introduction

Q. Please state your name and business address.

A. Kelley K. Miller, 290 West Nationwide Boulevard, Columbus, Ohio 43215.

Q. By whom are you employed and in what capacity?

A. I am employed by NiSource Corporate Services Company ("NCSC") as a Lead Regulatory Analyst.

Q. What are your responsibilities as Lead Regulatory Analyst?

A. My primary responsibilities include providing support for base rate cases and other regulatory filings for several NiSource operating companies, including, but not limited to, Columbia Gas of Pennsylvania, Inc. ("Columbia" or "the Company").

Q. What is your educational and professional background?

A. I graduated cum laude from Ohio Wesleyan University with a Bachelor's of Arts degree in Accounting and Economics with Management Concentration in 1985. I began my professional career with the Columbia Gas System in Columbus, Ohio in 1986, beginning in the Management Information Department as an Accountant. I was promoted to Senior Accountant in 1987 in the Consolidation Accounting Department of the Columbia Gas System in Wilmington, Delaware. In 1989, I was offered and accepted a promotion to the position of Lead Accountant for Columbia Gas of Ohio as a member of Columbia Distribution Company's Financial Accounting and Reporting Architecture Team. As a member of this team, I was responsible for acting as a liaison between the Accounting departments and the project team that

designed and implemented new accounting systems including the General Ledger, Employee Time Reporting and Labor Account Distribution. I remained in this role until all new systems were implemented in 1993. At that time, I was assigned the role of Lead Accountant, first for Columbia Gas of Maryland, and then Columbia. Responsibilities in this role included, but were not limited to, coordinating the monthly closing process, preparing journal entries, preparing financial statements and overseeing and preparing account reconciliations. I remained in this role until 1997, when I decided to leave the workforce to start a family. During the years from 1997 to 2009 I remained out of full-time employment. In October of 2009, I accepted the position of Regulatory Analyst for NCSC. In April 2011, I was promoted to Senior Regulatory Analyst and in March of 2012, I was promoted to my current position as Lead Regulatory Analyst.

Q. Have you ever testified before a regulatory Commission?

A. Yes, I was the Cost of Service witness for Columbia in Docket Nos. R-2014-2406274, R-2015-2468056, R-2016-2529660, R-2018-2647577, R-2020-3018835 and R-2021-3024296, and for Columbia Gas of Virginia in Docket No. PUR-2018-00131.

Statement of Purpose

Q. Please describe the purpose of your testimony in this proceeding.

A. The purpose of my testimony is to present Columbia's cost of service and to quantify an existing revenue deficiency based on Twelve Months Ending December 31, 2023 operating costs and revenues, as adjusted. As part of the cost of service analysis, my

testimony supports all rate making adjustments to Columbia's Cost of Service Operating and Maintenance ("O&M") expenses.

Q. Would you please provide a listing of the exhibits that you are sponsoring through your testimony?

A. Yes. For the historic test year, I am supporting Exhibit 1, Exhibit 2, and Exhibit 4. For the future test year and fully projected future test year, I am sponsoring Exhibit 101, Exhibit 102, Exhibit 104 (in coordination with Company witness Paloney (Columbia Statement No. 9)), and Exhibit 414. I am also sponsoring portions of Exhibits 13 and 113. All of these exhibits were either prepared by me or under my direct supervision and control.

Q. What test years will you be addressing in this testimony?

A. I will be addressing the twelve month period ended November 30, 2021 as the "historic test year" or "HTY", the twelve month period ending November 30, 2022 as the "future test year" or "FTY" and the twelve month period ending December 31, 2023 as the "fully projected future test year" or "FPFTY".

Q. What is the basis for Columbia's claim for revenue deficiency?

A. Columbia's revenue deficiency is calculated utilizing a rate year ending December 31, 2023 for rate base, revenues and expenses, with pro forma adjustments for known and measurable changes. This approach recognizes that a utility's revenues should be sufficient to recover the reasonably and prudently incurred costs of providing safe and reliable service to its customers, including a reasonable opportunity to earn a fair

rate of return on the used and useful investment that the utility has devoted to such service.

Q. Would you please summarize the results of the cost of service requirement and resulting revenue deficiency?

A. As indicated on Exhibit 102, Schedule 3, Page 5, Columbia has a revenue deficiency of $82,151,953 based upon pro forma revenue requirement for the twelve months ending December 31, 2023. Columbia's computation of the revenue deficiency reflects total rate base of $2,958,295,013. In addition, the computation of the revenue deficiency reflects known and measurable changes to both utility operating income and rate base, which are explained later in my testimony and in the testimony of other Company witnesses.

Q. How is your following testimony organized?

A. I will first address the HTY, Exhibit 2 and Exhibit 4, followed by a discussion of the FTY and FPFTY, Exhibit 102 and Exhibit 104.

II. <u>HTY – Exhibit 2 – Statement of Income</u>

Q. Please describe Exhibit 2, Schedule 3, Page 3.

A. This Exhibit is the statement of operating income, pro forma at present and proposed rates, for the HTY. Column 2 reflects the per book operating revenue, operating revenue deductions, income taxes and utility operating income for the Company for the twelve months ended November 30, 2021. These amounts have been adjusted to reflect pro forma operating income at HTY present rates in Column 4. Column 5

adjustments are detailed in Exhibit 2, Schedule 3, Page 6. Column 6 shows the resulting pro forma operating revenue, expenses and income for the HTY at proposed rates.

Q. Please describe the data inputs of Exhibit 2, Schedule 3, Page 3.

A. Operating revenues are supplied by Company witness Siegler (Columbia Statement No. 3) and are included on lines 1 through 12. Company witness Siegler also provides the level of Gas Supply Expense and Off System Sales Expense that are included on lines 14 and 15, respectively. These two items are exactly offsetting to the level of revenue included in this case and accordingly do not impact the base rate claim in this case; rates for these items are determined in the Company's annual gas cost proceedings. I am supporting the O&M Expense level as presented on line 17. Lines 18 and 19, Depreciation and Amortization and Net Salvage Amortized, respectively, are provided by Company witness Spanos (Columbia Statement No. 5). Taxes Other Than Income, Income Taxes and Investment Tax Credit, lines 20, 23 and 24, respectively, have been provided by Company witness Harding (Columbia Statement No. 9), and Rate Base on line 26 has been provided by Company witness Covert (Columbia Statement No. 6). The Percentage Rate of Return at Proposed Rates on Line 27, Column 6 is provided by Company witness Moul (Columbia Statement No. 8). Each witness' testimony provides detailed support for each of these items.

Q. Please describe Exhibit 2, Schedule 3, Pages 4 through 6.

A. Page 4 shows the pro forma interest expense as calculated by multiplying the Rate Base shown in Exhibit 8 by the weighted cost of short and long term debt shown in Exhibit 400, Schedule 1, Page 1.

Exhibit 2, Schedule 3, Page 5 shows the derivation of the Revenue Conversion Factor on lines 8 through 17. The Revenue Conversion Factor is then utilized to determine the Gross Revenue Requirement on line 7.

Page 6 shows the calculated adjustments to pro forma expenses and income taxes to achieve the requested return on Rate Base of 8.08% shown on Exhibit 400 using the HTY data.

III. HTY – Exhibit 4 - Operation & Maintenance Expenses

Q. What are Columbia's per books historic test year O&M Expenses?

A. In the HTY, Columbia recorded $207,142,211 in O&M expense exclusive of gas cost, as shown on Exhibit 4, Schedule 1, Page 2, Column 3. The O&M data is presented in a Cost Element format which provides a breakdown by cost causation. Note, for comparative purposes, Columbia has added per book actual O&M Expenses for two years prior to the HTY in Column 1 (twelve months ended November 30, 2019) and Column 2 (twelve months ended November 30, 2020).

Q. Did you make adjustments to the actual HTY O&M to reflect a pro forma HTY O&M expense level?

A. Yes. I have prepared pro forma O&M expenses for this filing. The historic test year level of O&M expense starts with O&M Expense per books, which was then

normalized and annualized to determine the pro forma level of O&M Expense as summarized on Exhibit 4, Schedule 1, Page 2, Column 5.

Q. What adjustments has Columbia made to O&M expense?

A. The Company has reflected the following ratemaking adjustments to the HTY, each of which will be explained in greater detail later on in my testimony:

a) Labor related adjustments to annualize and normalize payroll for employees as of the end of the HTY;

b) An adjustment to incentive compensation;

c) An adjustment to annualize the amortization expense of the Prepaid Pension Deferral;

d) Removal of the negative OPEB expense;

e) Adjustments to normalize Outside Services;

f) Annualization of building rents and leases;

g) Corporate insurance adjusted to latest known and measurable levels;

h) Injuries and Damages adjusted to reflect a five year average of cash payments;

i) Adjustment to remove non-recoverable employee expenses;

j) Company Memberships adjustments to latest known and measurable level less Lobbying Expense;

k) Removal of fuel used in company operations;

l) Advertising adjusted to remove non-recoverable items;

m) Adjustment to Materials and Supplies to remove Lobbying Expense;

n) Adjustment to Other O&M to remove non-recurring items;

o) Adjust Commission assessments (fees) to latest known and measurable level;

p) NCSC costs adjusted to annualize and normalize labor and incentive costs, and to remove non-recoverable and non-recurring items;

q) Adjust NCSC OPEB costs amortization level to reflect the annualized level;

r) Removal of Charitable Contributions;

s) Normalization of rate case expense;

t) Uncollectible expense explained and adjusted to a three year average experience;

u) Adjust USP Rider expense to match revenue; and

v) Included interest on customer deposits.

A. <u>Labor</u>

Exhibit 4: *Schedule 1, Page 2, Line 1; Schedule 2, Pages 1, 2, and 3.*

Q. Please provide a brief explanation of the labor adjustments.

A. Labor costs in the historic test year were adjusted to reflect the annualized gross base or normal wages of the 782 active Columbia employees as of November 2021. The difference, or annualization adjustment, was further adjusted to net O&M Expense by applying the O&M Expense experience percentage as provided on Exhibit No. 4, Schedule 2, Page 5. The annualization adjustment of $432,260 as calculated in Schedule 2, Page 1, Line 5, and a downward lobbying adjustment of $6,342 to remove labor relating to lobbying on Line 6, resulting in a total labor annualization and

normalization adjustment of $425,918 is added to the actual HTY labor expense level of $36,081,489 in Schedule 1, Page 2. Total Pro Forma HTY labor expense level is $36,507,407 as shown on Exhibit 4, Schedule 1, Page 2.

B. Incentive Compensation

Exhibit 4: *Schedule 1, Page 2, Line 2; Schedule 2, Page 4*

Q. Please provide an explanation of the HTY incentive adjustment.

A. Columbia's HTY per books incentive level of $3,636,110 was decreased by $2,450,065 to reflect the actual level of expense associated with incentive compensation paid in 2021. This adjustment removes any out of period true-ups for the prior year and adjusts the accrual made in the test year to the experienced pay out level at the claimed O&M Expense experience percentage. Detail supporting the historic test year adjustment is provided on Exhibit 4, Schedule 2, Page 4.

C. Prepaid Pension Deferral Amortization Expense

Exhibit 4: *Schedule 1, Page 2, Line 4; Schedule 2, Page 6*

Q. Please describe the ratemaking adjustment for Prepaid Pension Deferral Amortization Expense.

A. The Final Order approving the Settlement at Docket No. R-2018-2647577 permitted Columbia to recover the deferred prepaid pension O&M expense of $8,449,772 over a ten year period starting December 16, 2018. This ratemaking entry verifies the annual amount of $844,977 for amortization expense.

D. OPEB – Other Post Employment Benefits

Exhibit 4: *Schedule 1, Page 2, Line 5; Schedule 2, Page 7*

Q. Please describe the ratemaking adjustment for OPEB.

A. As established in the Settlement of Columbia's base rate proceeding at Docket No. R-2012-2321748, Columbia will be permitted to continue to defer the difference between the annual OPEB expense calculated pursuant to FASB Accounting Standards Codification ("ASC") 715, "Compensation – Retirement Benefits (SFAS No. 106) and the annual OPEB expense allowance in rates of $0. Therefore, this adjustment removes the credit OPEB expense of $1,393,016 to reflect an adjusted expense level of $0, which matches the amount recovered in revenues. It is important to note that the OPEB credit amount is an accounting calculation, and the Company did not actually receive a credit payment.

E. Outside Services

Exhibit 4: *Schedule 1, Page 2, Line 7; Schedule 2, Page 8 & 25*

Q. Please describe the ratemaking adjustment for Outside Services.

A. Ratemaking adjustments have been made to Outside Services to remove non-recoverable consulting costs associated with Lobbying and to remove non-recurring outside services and legal fees associated with Columbia's previous base rate cases, Docket Nos. R-2020-3018835 and R-2021-3024296.

F. Rents and Leases

Exhibit 4: *Schedule 1, Page 2, Lines 8 & 9; Schedule 2, Page 9*

Q. How were Rents and Leases adjusted for the HTY?

A. Rents and leases were first separated into a) rents and leases related to buildings, and b) other rents and leases including communications equipment and lines, office machines and furnishings. Rents and leases attributable to contractual levels for buildings were annualized on Exhibit 4, Schedule 2, Page 9 for a total of $2,436,607. This amount was then reconciled with the per book test year level of $2,431,098. The resulting adjustment is an increase of $5,509. The remaining portion of rents and leases includes communications equipment and lines, office machines, and other items. The historic test year level related to these is $435,496 and remains unchanged as seen on Exhibit 4, Schedule 1, Page 2, Line 9.

G. <u>Corporate Insurance</u>

Exhibit 4: *Schedule 1, Page 2, Line 10; Schedule 2, Page 10*

Q. Please explain the Corporate Insurance adjustment for the historic test year.

A. Corporate insurance includes property insurance, workers compensation, medical stop loss premiums and other miscellaneous premiums. Most of Columbia's policy periods are either effective June 1 through May 31, July 1 through June 30, or November 1 through October 31 of each year. Premium payments are generally made the same month as the policy effective date. The prepayment of these costs are recorded and amortized over the appropriate fiscal period. The HTY adjustment annualizes expense to the latest annual premium payments by type of coverage from

the amounts expensed during the period. Detailed calculations of these adjustments have been provided on Exhibit 4, Schedule 2, Page 10.

H. <u>Injuries and Damages</u>

Exhibit 4: *Schedule 1, Page 2, Line 11; Schedule 2, Page 11*

Q. Was an adjustment made for injury and damages?

A. Yes. The HTY expense level for injury and damages of $307,629 represents an amount including both actual experience and adjustments to an injury and damages accrual account. An upward adjustment of $20,047 was made to normalize the level of injuries and damages expense based upon a five year average actual cash outlay experience in real dollars using a Gross Domestic Product ("GDP") Deflator. As in previous base rate cases, a five year average is used because it more accurately reflects the injury and damages amount actually paid. Detail supporting this adjustment is shown on Exhibit 4, Schedule 2, Page 11.

I. <u>Employee Expenses</u>

Exhibit 4: *Schedule 1, Page 2, Line 12; Schedule 2, Page 12*

Q. Was an adjustment made for employee expenses?

A. Yes. Downward adjustments were made to the HTY to remove certain employee expenses which Columbia is not seeking to include for recovery in this proceeding and to move one item that is better classified as Company Memberships. Detail supporting this adjustment is shown on Exhibit 4, Schedule 2, Page 12.

J. Company Memberships

Exhibit 4: *Schedule 1, Page 2, Line 13; Schedule 2, Page 13*

Q. Please explain the adjustments made for Company Memberships.

A. The HTY expense for Company Memberships has been adjusted for four primary items. Ratemaking adjustments in Column 2 totaling $192,945 were made to first remove expenses inadvertently recorded as Company Memberships in the historic test year and to add to Company Memberships, expenses that were inadvertently classified to Employee Expenses and Advertising. Next, annualization adjustments were made for the American Gas Association dues reflective of the payments made relating to calendar year 2021. Column 2, Line 28 additionally contains the removal of an accrual item recorded in the HTY. Lastly, adjustments in Column 4, totaling a decrease of $42,842, were made to remove all costs identified as Lobbying from Company Memberships. The details of these adjustments are shown on Exhibit 4, Schedule 2, Page 13.

K. Utilities and Fuel Used in Company Operations

Exhibit 4: *Schedule 1, Page 2, Line 14; Schedule 2, Page 14*

Q. What does the historic test year adjustment to Utilities and Fuel used in Company Operations represent?

A. A decrease to historic test year utilities and fuel used in company operations expense of $595,855 is made to recognize inclusion of this amount as both recovery of gas cost and gas purchase expense by Company witness Siegler. Columbia includes the

expenses associated with gas used in company operations when establishing its gas cost recovery rates. The purchased gas is recorded as system supply and then reclassified from gas purchase to O&M expense. Therefore, it is necessary to remove the amount above from O&M for the purposes of calculating base rates and appropriately show this same level of expense in gas purchase expense along with an offsetting gas recovery level. Additionally, an adjustment was made to correctly reflect a utility expense that was originally classified as Advertising. The remaining historic test year level of $2,160,296 represents other utility costs, such as electric and telecommunications (internet service, cell phones, land lines, etc.), not recovered through the 1307(f) process.

L. <u>Advertising</u>

Exhibit 4: *Schedule 1, Page 2, Line 15; Schedule 2, Page 15*

Q. Was advertising adjusted?

A. Yes. Columbia has made an adjustment to remove the expenses associated with its advertising that do not represent a recoverable operating expense. The Company has removed $171,829 of brand advertising and other small misclassified items from HTY costs. Please see Exhibit 4, Schedule 2, page 15 for details.

M. <u>Materials and Supplies</u>

Exhibit 4: *Schedule 1, Page 2, Line 17; Schedule 2, Page 16*

Q. Was material and supplies adjusted?

A. Yes. Columbia has made an adjustment to remove lobbying-related materials and supply expenses. Please see Exhibit 4, Schedule 2, page 16 for details.

N. Other O&M

Exhibit 4: *Schedule 1, Page 2, Line 18; Schedule 2, Page 17*

Q. Was other O&M adjusted?

A. Yes. Columbia has made an adjustment to HTY Other O&M Expenses to remove non-recurring costs totaling $351,664. Please see Exhibit 4, Schedule 2, page 17 for details.

O. Commission, OCA and OSBA Assessments

Exhibit 4: *Schedule 1, Page 2, Line 19; Schedule 2, Page 18*

Q. Please explain the $117,663 increase to the HTY Commission, OCA and OSBA Assessment expenses.

A. The adjustment is needed to increase the HTY level of expense to the most current invoice amount for Commission, Office of Consumer Advocate and Office of Small Business Advocate assessments. The normalized test year expense amount of $2,386,816 reflects the most recent invoice amount (September 10, 2021) received as of the submission of this base rate filing.

P. NiSource Corporate Services Company ("NCSC")

Exhibit 4: *Schedule 1, page 2, Line 20; Schedule 2, pages 19-22*

Q. Please explain the structure and role of NCSC.

A. NCSC is a subsidiary of NiSource and an affiliate of Columbia within the NiSource corporate organization. NCSC provides a range of services to the individual operating companies within NiSource, including Columbia, and also coordinates the allocation and billing of charges to the NiSource operating companies for services provided by both NCSC directly and by third-party vendors. NCSC was established to provide centralized services economically and efficiently. The rendering of services on a centralized basis enables Columbia to realize substantial economic and other benefits such as efficient use of personnel and equipment, and the availability of personnel with specialized areas of expertise.

Q. Is there a contract between Columbia and NCSC?

A. Yes. A copy of the Service Agreement is provided as Exhibit 4, Schedule 11, Attachment B. Other detailed information regarding NCSC is also provided as a part of Exhibit 4, Schedule 11.

Q. How are NCSC's costs billed to affiliates?

A. There are two types of billings made to affiliates, including Columbia: 1) contract billing; and 2) convenience billing. Contract billings are identified by billing pool and represent labor and expenses billed to the respective affiliate. Contract billed charges may be direct (billed directly to a single affiliate) or allocated (split between or among several affiliates), depending on the nature of the expense. Convenience billing reflects payments that are routinely made on behalf of affiliates on an ongoing basis, including employee benefits, corporate insurance, leasing, and external audit fees.

Each affiliate is billed on a monthly basis for its proportional share of the payments made in that respective month. As the name implies, convenience billing is intended as a convenience to vendors because it eliminates the need for a separate invoice to be generated for each affiliate entity receiving the same services.

Q. How does NCSC determine charges applicable to Columbia?

A. NCSC was regulated by the Securities Exchange Commission under the Public Utility Holding Company Act of 1935 until February 8, 2006, when the Public Utility Holding Company Act of 2005 ("PUHCA 2005") was enacted. PUHCA 2005 transferred regulatory jurisdiction over public utility holding companies from the SEC to Federal Energy Regulatory Commission ("FERC"). Pursuant to FERC Order No. 684, issued October 19, 2006, centralized service companies (like NCSC) must use a cost accumulation system, provided such system supports the allocation of expenses to the services performed and readily identifies the source of the expense and the basis for the allocation. In compliance with PUHCA 2005 and FERC, NCSC accumulates costs that are applicable and billable to affiliates, including Columbia.

Q. Please describe the controls in place to ensure that an affiliate is consistently and appropriately billed.

A. NCSC allocates costs for a particular billing pool in accordance with the bases of allocation that have been previously approved by the SEC and filed annually with the FERC. A description of each of the bases of allocations are provided in the Service Agreement (See Ex. 4, Sch. 11, Att. B). NCSC currently updates the statistical data

used in the approved allocation bases, at a minimum, on a semi-annual basis; and furthermore, prior to publishing the new allocation percentages, NCSC provides Columbia's leadership team the opportunity to review, discuss, and provide feedback. Additionally, Internal Audit conducts an annual review of cost allocation procedures and makes recommendations related to contract and convenience billing processing.

Q. Has the FERC conducted an audit of NCSC, its billing system and allocation methodologies?

A. Yes. NiSource Inc., including NCSC, underwent a FERC audit, Docket No. FA11-5-000, which covered the period January 1, 2009, through December 31, 2010. The Final Audit Report was issued by the FERC on October 24, 2012. As indicated in the Final Report, the Audit Staff reviewed and tested the supporting details for NCSC's cost allocation methods. They then sampled and selected supporting documents to ensure that NCSC's billings and accounting comply within the USOA (Uniform System of Accounts). FERC did not issue any adverse comments to NCSC related to its allocation methods.

Q. Have there been any changes to the billing methods used by NCSC since this Audit?

A. No, there have not.

Q. Are you sponsoring the adjustments made on Exhibit 4, Schedule 1, Page 2 to NCSC?

A. Yes. The following adjustments have been made to NCSC charges for ratemaking purposes for the HTY and are summarized on Exhibit 4, Schedule 2, Page 19:

a) Adjustment to Incentive Compensation for actual incentive compensation paid in 2021;

b) Annualization of Labor, Payroll Taxes & Benefits; and

c) Removal of Non-recoverable Items and Non-recurring Items.

Q. Please provide a brief overview of Exhibit 4, Schedule 2, Page 19.

A. Page 19, line 1 states the gross NCSC charges in the HTY. A portion of these costs are recorded to non-O&M accounts. Line 2 details the charges transferred to balance sheet or non-utility expenses. The HTY O&M costs generated from NCSC billings is $68,856,996.

Q. Please explain the various adjustments made to the actual HTY O&M costs.

A. Continuing on Exhibit No. 4, Schedule No. 2, Page 19, Lines 4 through 16 reflect adjustments made to the actual HTY O&M expense as follows:

Line 4 – Adjusts the NCSC Incentive Compensation to the level paid in 2021 using the latest percentage of NCSC loaded labor charges to Columbia. This calculation is detailed on Page 20.

Line 5 - Annualizes NCSC labor, payroll taxes and benefits as detailed on Page 22. Net NCSC labor, payroll taxes and benefits adjustment is determined by applying

the percentage of NCSC labor charged to O&M and is derived on Exhibit 4 Schedule 2 Page 21 Line 27.

Lines 6 – 11 – Non-Recoverable Items that were included in the HTY are removed in the pro forma HTY expense claim.

Lines 12 - 14 – Non-Recurring Items that were included in the HTY are removed in the pro forma HTY expense claim.

Q. NCSC OPEB Amortization

Exhibit 4: *Schedule 1, Page 2, Line 21; Schedule 2, Page 23*

Q. Has the HTY been adjusted to reflect the appropriate amount of NCSC OPEB amortization?

A. Yes. According to the Settlement in the Company's 2012 base rate proceeding, Docket No. R-2012-2321748, the Company is permitted to amortize the regulatory asset of $903,131 associated with the transition of NCSC from a cash to accrual basis for OPEBs, over a ten year period, or $90,313 annually. Exhibit 4, Schedule 2, Page 23 shows that no adjustment is required as the HTY correctly reflects the annualized level of amortization expense of $90,313. Columbia anticipates that this Regulatory Asset will be fully amortized during the FPFTY, in June 2023.

R. Charitable Contributions

Exhibit 4: *Schedule 1, Page 2, Line 23; Schedule 2, Page 24*

Q. How are charitable contributions treated as a cost of service item?

A. Charitable contributions are normally booked below the line in a non-utility account and are not a part of Columbia's claim as a cost of service item. Please see Exhibit 4, Schedule 2, page 24 for the details of removing any contributions that were inadvertently booked above the line during the HTY.

S. <u>Rate Case Expense Normalization</u>

Exhibit 4: *Schedule 1, Page 2, Line 24; Schedule 2, Page 25*

Q. Has the Company included a normalized level of rate case expense in its HTY Cost of Service?

A. Yes. Actual rate case expense incurred during the HTY for the Company's prior base rate cases has been removed from the pro forma HTY expense and are detailed in lines 1 through 4. On line 5, I have included a normalized level of rate case expense based on the proposed rate case expense normalization included in this current case as included on Exhibit 104, Schedule 2, and Page 16. The Company is using a one year normalization period due to prior base rate case filing experience and the expectation of annual future base rate case filings.

T. <u>Uncollectible Accounts Expense</u>

Q. Please explain Columbia's claim for recovery of uncollectible accounts expense.

A. Two major categories of uncollectible accounts have been recorded historically and have been represented in the development of cost of service support. These two

categories are "normal" (or non-CAP) uncollectible accounts and Customer Assistance Program ("CAP") uncollectible accounts.

Normal uncollectible accounts expense is determined by using a three-year average write-off rate which has been developed on Exhibit 4, Schedule 2, Page 26. The CAP uncollectible accounts expense related to the CAP shortfall has been developed and is included in Total USP Rider on Exhibit 4, Schedule 2, Page 29 for the HTY.

Q. What years are included in the calculation of the three-year average write-off experience factor for determining normalized uncollectible expense for this proceeding?

A. The Company is proposing to use the most current data from the Twelve Months Ended November 30, 2019, 2020 and 2021 to determine an uncollectible experience factor to produce normalized uncollectible expense for this the HTY, FTY and FPFTY.

Q. Has Columbia continued the deferral of incremental Uncollectible Expense relating to COVID-19 as permitted by the Commission's Order for Columbia's previous base rate case?

A. Yes. Columbia is permitted to defer incremental Uncollectible Expense through December 29, 2021. During the Twelve Months Ended November 30, 2021, or the HTY, Columbia deferred $2,060,776 of incremental Uncollectible Expense to a Regulatory Asset.

Q. Is the Company proposing recovery of deferred Uncollectible Expense due to COVID-19 in this immediate proceeding?

A. Yes. As permitted in Final Order for Columbia's previous base rate case, R-2021-3024296, recovery of previously deferred incremental Uncollectible Expense, begins January 1, 2021. Columbia is proposing to update to the final amounts, the deferral and recovery of incremental Uncollectible Expense, which I address later in my testimony.

U. Normal Uncollectible Accounts

(Uncollectible Accounts & Uncollectible Accounts – Unbundled Gas)

Exhibit 4: *Schedule 1, Page 2, Line 25, 26 & 27; Schedule 2, Pages 26 – 28*

Q. Please explain the development of the HTY normal uncollectible accounts expense.

A. Exhibit 4, Schedule 2, Pages 26 sets forth the development of a percentage for uncollectible accounts related to normal charge-offs recovered through base rates. The write-off percentage for charge-offs related to normal customers recovered through base rates is calculated based on comparing the three year average of write-offs for normal uncollectible accounts expense to billed revenue, Columbia is using a three year average of data for the Twelve Months Ended November 30, 2019, 2020 and 2021. Several adjustments to billed revenue are necessary to develop the write-off percentage. First, account write-offs lag billed revenue by approximately 120 days, or 4 months. This lag in days includes consideration for the time between original billing and an account being placed into final status, as well as consideration for the average time between an account being placed into final status and

termination of service, which is when the account is written-off. I have used billed revenue for the twelve months ended July of each year to appropriately reflect the lag (4 months) between the billing and write-off of accounts.

Additionally, I have provided on Page 27 the average write-off rate for Residential customers as well as the combined write-off rate for Commercial and Industrial customers. This information was utilized by Company witness Siegle (Columbia Statement No. 3) in the development of the Merchant Function Charge.

Q. What other adjustments have been made to billed revenue?

A. Columbia's Distributive Information System ("DIS") billing system is used to bill all residential and small business accounts and, therefore, includes revenues applicable to CAP customer accounts. Exhibit 4, Schedule 2, Line 2 of Page 26, titled as, "Total DIS Billed Revenue," has been adjusted to remove the revenue associated with Columbia's CAP (Page 28), as CAP uncollectibles are accounted for separately, as explained earlier in my testimony. Exhibit 4, Schedule 2, Line 4 of Page 26 represents Adjusted DIS Billed Revenue that relates to the net write-offs as shown on Exhibit 4, Schedule 2, Line 9 of Page 26.

Q. How were the net write-offs shown on Line 9 developed?

A. The net write-offs shown on Exhibit 4, Schedule 2, Line 9 of Page 26 represent the summation of gross charge-offs and recoveries for all customers billed through DIS.

Q. How are the adjusted billed revenue and net write-off amounts used in the development of normal uncollectibles?

A. The three years of adjusted revenue is added together to generate the total revenue as shown on Line 4 and Column 4. Similarly, a three year total is developed for net write-offs. An uncollectible rate is then calculated by dividing the three year total net write-off by the three year total adjusted revenue. This rate, which is shown on Line 10, is then applied to the annualized DIS revenue as provided by Company witness Siegler for the historic test year. The result is Columbia's adjusted historic test year normal uncollectibles for DIS billed customers, Line 16.

Q. Does this fully describe all adjustments made to the historic test year normal uncollectible expense?

A. Yes. While DIS is one of three billing systems used to bill revenue related to normal uncollectible write-offs, the Company had no write-offs from the other billing systems.

Q. Please summarize Columbia's proposed normal historic test year uncollectible accounts expense adjustments.

A. The historic normal uncollectible adjustments are a total increase to expense of $1,588,374 as shown on Exhibit 4, Schedule 1, Page 2, Lines 25, 26 and 27. This amount has been developed by comparing an annualized DIS net write-off as described above and comparing that to the actual uncollectible expense level recorded in Columbia's historic test year ending November 30, 2021. Note also that the COVID-19 Deferral amount on line 27 has been incorporated into this adjustment as a reduction to the "Per Books" Uncollectible Accounts Expense.

V. Rider USP Costs

(Uncollectible CAP – Rider USP & Rider USP – LIURP/Energy Efficiency)

Exhibit 4: *Schedule 1, Page 2, Line 28; Schedule 2, Page 29*

Q. Are you sponsoring an adjustment for Rider USP costs as well?

A. Yes. A Rider USP adjustment has been made to the HTY as shown on Exhibit 4, Schedule 2, Page 29.

Q. Please explain the test year adjustment.

A. The adjustment is a result of the matching of expenses to revenue, as Rider USP is a fully reconciled mechanism. As calculated in Exhibit 3, Page 10, Rider USP revenues are $41,231,122 for the normalized HTY as determined by Company witness Siegler. Consequently, the adjustment reflects changes that are necessary to match the expense with the revenues supported by Company witness Siegler. As a result, the Rider USP net impact to operating income is zero with the expense offsetting revenues. Therefore, Rider USP costs do not impact the base rate increase requested in this case.

W. Interest on Customer Deposits

Exhibit 4: *Schedule 1, Page 2, Line 29; Schedule 2, Page 30*

Q. Please explain the adjustment for Interest on Customer Deposits.

A. An adjustment for interest on customer deposits is necessary to recognize the expense related to interest recorded on customer deposits not included in O&M Expense on the books and records of Columbia. Customer deposits are considered a

source of capital in Columbia's rate base for this case and, as such, reduce rate base. This adjustment is made to recognize the expense related to this source of capital. The adjustment reflects the 3% interest rate on customer deposits established under Chapter 14 of the Public Utility Code applied to the average customer deposit balance. No further adjustment is made to this item for either the future test year or the fully projected future test year, because the Company has made no projection of changes to the balance of customer deposits.

IV. FTY/FPFTY – Exhibit 102 – Statement of Income

Q. Is Exhibit 102 presented in the same format as Exhibit 2?

A. Yes. Exhibit 102, Schedule 3 is a Statement of Income based on HTY, FTY, FPFTY at present rates and the FPFTY at Proposed Rates. Note that Columbia has included HTY information on Exhibit 102, Schedule 3, Page 3 for comparison purposes. Exhibit 102, Schedule 3, Page 3, as referenced earlier in my testimony when describing Exhibit 2, Schedule 3, Page 3, utilizes data that has been provided by other witnesses in this case to determine a total revenue requirement. This Exhibit begins with the per books HTY in Column 2, followed by HTY adjustments at Present Rates in Column 3 to arrive at Pro Forma HTY in Column 4. Next, in Column 5, are the FTY adjustments at present rates to arrive at Pro Forma FTY in Column 6. Column 7 provides the FPFTY adjustment needed to arrive at Proforma FPFTY at Present Rates in Column 8. Adjustments in Column 9 are then made to determine the FPFTY at proposed rates in Column 10. Column 9 shows the revenue requirement of

$82,151,953 necessary to achieve a reasonable opportunity to earn a fair rate of return. The various exhibits in support of the adjustments at present and proposed rates are identified in Column 1.

Q. Please explain Exhibit 102, Schedule 3, Page 4.

A. This page calculates the synchronized interest expense based upon the FTY rate base multiplied by the weighted cost of debt in Lines 1 through 4, and similarly based on the FPFTY year rate base in Lines 5 through 8.

Q. Please explain Page 5 and 6 of Exhibit 102, Schedule 3.

A. Page 5 of Exhibit 102, Schedule 3 presents the calculation of the gross required revenue increase of $82,151,953 on Line 7 using the revenue conversion factor, applied to the Net Required Operating Income on Line 5. The revenue conversion factor calculation on Lines 8 through 17 accounts for additional normal uncollectible expense associated with the gross required revenue increase, as well as income taxes. The effective State Income Tax rate is then applied at 9.99%. The Federal Income Tax rate is applied at 21% to arrive at Adjusted Operating Income as a percent of Total Operating Revenues. Page 6 determines the Net Required Operating Income by starting with Columbia's requested increase in revenues as calculated on Page 5 of Exhibit 102, Schedule 3. Line 2 displays the additional Late Payment Fee as calculated by first determining an experience rate of Late Payments Fees at present rates. This is done by dividing the amount of total Late Payment Fees on Exhibit 102, Schedule 3, Page 3, Column 8, Line 11 by Total Sales and Transportation Revenues

on Exhibit 102, Schedule 3, Page 3, Column 8, Line 9. This experience factor is then applied to the Additional Revenue Requirement on Line 1 of Exhibit 102, Schedule 3, Page 6 to determine the additional Late Payment Fees. Next is the determination of the Uncollectible Expense, followed by the Income Tax calculations to determine the Net Required Operating Income on Line 12.

V. FTY/FPFTY – Exhibit 104 – Operations and Maintenance Expense

Q. Did the Company utilize a budget-based methodology to determine O&M Expense for the FTY and the FPFTY as Columbia has done in the prior base rate case proceedings?

A. Yes. FTY and FPFTY levels of O&M expense begin with the budget as supplied and supported by Company witness Paloney (Columbia Statement No. 9) and Company witness Bly (Columbia Statement No. 15). A month by month presentation can be found on Exhibit 104, Schedule 1, Pages 5 and 6. Ratemaking adjustments have been made to normalize and annualize the budget to arrive at Pro Forma O&M Expenses.

Q. Please describe Exhibit 104, Schedule 1.

A. Exhibit 104, Schedule 1 contains a total of six pages and provides a clear distinction between "Budget Amounts" and "Rate Making Adjustments" for both the FTY and the FPFTY. Company witnesses Paloney and Bly are supporting all budget amounts, while I am supporting all ratemaking adjustments.

Q. Please provide a brief description of each of the 6 pages of Exhibit 104, Schedule 1.

A. Page 1 references Pages 2 – 6 of the Exhibit.

Page 2 is the summary view of O&M Expense for all test years in this case. Column 1 presents the Normalized HTY, Column 3 presents the Normalized FTY and Column 5 presents the Normalized FPFTY. Columns 2 and 4 provide both the differences needed to arrive at budgeted amounts and the rate making adjustments that adjust the HTY to the FTY and the FTY to the FPFTY.

Pages 3 and 4 are formatted in a similar manner. Page 3 contains details for the FTY; while page 4 contains the details for the FPFTY. Page 3 starts with the Normalized HTY in Column 1, followed by the differences (Columns 2) between the Normalized HTY and the Budgeted FTY (Column 3) which is supported by Company witnesses Paloney and Bly. Columns 4 and 5 provide Rate Making Adjustments and References, followed by the Normalized FTY (Column 6). Similarly, Page 4 provides the details for the FPFTY, starting with the Normalized FTY (Column 1; from Page 3) followed by the differences (Columns 2) between the Normalized FTY and the Budgeted FPFTY (Column 3) which is also supported by Company witnesses Paloney and Bly. Columns 4 and 5 provide Rate Making Adjustments and References followed by the Normalized FPFTY (Column 6).

Pages 5 and 6 provide the monthly Budget Data for FTY (Page 5) and FPFTY (Page 6), supported by Company witnesses Paloney & Bly.

Q. Did you utilize the O&M budget for all the O&M items on Exhibit No. 104?

A. No. Lines 1 through 21 on Exhibit No. 104, Schedule No. 1, Column 3, Pages 3 and 4 reflect the O&M budget data used in the FTY and FPFTY periods. The O&M budget data was not utilized for the cost items noted on Lines 23 through 29 of these same pages. These items include:

- Line 23 – Rate Case Expense – the amounts reflect normalized costs associated with the current case that should be included in the revenue requirement in this case.
- Lines 24– Uncollectible Accounts – the uncollectible expense is reflective of the standard practice of using a three year average of charge-off experience of FTY and FPFTY revenues as provided by Company witness Siegler.
- Lines 25 & 26 – Uncollectible Accounts – Unbundled – Gas & Total Rider USP – the amounts are adjusted to reflect the amounts included in revenues as provided by Company witness Siegler.
- Line 27 – Interest on Customer Deposits – this item is not included in the O&M budget.
- Line 28 – COVID Amortization is a new item beginning in 2022.
- Line 29 – Other Adjustments to the FPFTY O&M not in the budget.

Q. What types of adjustments are you proposing to O&M expense for the FTY and FPFTY?

A. I am proposing the following ratemaking adjustments to determine Pro Forma O&M Expense for the FTY and FPFTY, which I will explain in detail later on in my testimony:

a) Annualization of Company Labor;
b) Amortization of deferred non-recurring pension contribution;
c) Removal of the negative OPEB expense;
d) Outside Services adjustments;
e) Annualization of building rents and leases;
f) Injuries and Damages adjusted to reflect HTY plus inflation;
g) Removal of fuel used in company operations;
h) Advertising adjusted to a normalized level of recoverable expense;
i) Removal of non-recurring expense for NiSource Next from Other O&M;
j) NCSC costs adjusted to annualize labor and remove non-recoverable items;
k) Removal of other lobbying expenses from Company Memberships and Materials and Supplies;
l) Normalization of rate case expense;
m) Adjust Uncollectible expense;
n) Adjust Rider USP expense to match revenue;
o) Adjustment for COVID-19 Deferral of Uncollectible Expense Amortization; and
p) Other Adjustments to the FPFTY.

A. Labor

Exhibit 104: *Schedule 1, Page 2, Line 1; Schedule 2, Page 1*

Q. Please provide a brief explanation of the labor adjustments.

A. Columbia has determined annualization adjustments for the FTY of $515,401 and for the FPFTY of $444,966. These adjustments are for normal pay increases and lobbying adjustments. Labor adjustments are charges prior to the timing of the annual budgeted increases, and reflect an O&M percentage of 52.54% as determined on Exhibit 4, Schedule 2, Page 5. The Lobbying adjustment is based upon the HTY adjustment, plus 3% to account for a wage increase.

B. Prepaid Pension Deferral Amortization Adjustment

Exhibit 104: *Schedule 1, Page 2, Line 4; Schedule 2, Page 2*

Q. Please describe the ratemaking adjustment for Prepaid Pension Deferral Amortization.

A. The Final Order approving the Settlement of Columbia's base rate case at Docket No. R-2018-2647577 permits Columbia to recover the deferral of prepaid pension O&M expense of $8,449,772 over a ten year period starting December 16, 2018. This ratemaking entry adjusts the associated budgeted amortization expense to an annual amount of $844,977 for the FTY and FPFTY.

C. OPEB – Other Post-Employment Benefits

Exhibit 104: *Schedule 1, Page 2, Line 5; Schedule 2, Page 3*

Q. Please explain the ratemaking adjustment for OPEB Expense as approved in the Company's prior rate case.

A. Provision Nos. 30 and 31 of the settlement agreement of the Company's 2018 base rate case address this subject by stating:

> 30. As established in the settlement of Columbia's base rate proceeding at R-2012-2321748, Columbia will be permitted to continue to defer the difference between the annual OPEB expense calculated pursuant to FASB Accounting Standards Codification ("ASC") 715, Compensation – Retirement Benefits (SFAS No. 106) and the annual OPEB expense allowance in rates of $0. Only those amounts attributable to operation and maintenance would be deferred and recognized as a regulatory asset or liability. To the extent the cumulative balance recorded reflects a regulatory asset, such amount will be collected from customers in the next rate proceeding over a period to be determined in that rate proceeding. To the extent the cumulative balance recorded reflects a regulatory liability, there will be no amortization of the (non-cash) negative expense, and the cumulative balance will continue to be maintained.
>
> 31. Commencing with the effective date of rates, Columbia will deposit amounts in the OPEB trusts when the cumulative gross annual accruals calculated by its actuary pursuant to ASC 715 are greater than $0. If annual amounts deposited into OPEB trusts, pursuant to this Settlement, exceed allowable income tax deduction limits, any income taxes paid will be recorded as negative deferred income taxes, to be added to rate base in future proceedings.

Q. Is the Company proposing a change to these provisions?

A. No. The cumulative OPEB expense at the end of the HTY is less than zero and the expected on-going OPEB expense continues to reflect a credit to expense. Therefore,

the Company proposes to continue using this ratemaking treatment for OPEB expense.

Q. Do the ratemaking adjustments for OPEB Expense as presented on Exhibit 104, Schedule 2, Page 3 comply with the provisions as listed above?

A. Yes, the FTY and FPFTY adjustments remove from the budgets the credit OPEB expense of $1,653,000 and $1,769,000, respectively to reflect an adjusted expense level of $0. I emphasize that these credit amounts are not projected cash receipts, but just accounting credits.

D. Outside Services

Exhibit 104: *Schedule 1, Page 2, Line 7; Schedule 2, Page 4*

Q. Please explain the adjustment to outside services for the FTY and FPFTY.

A. The FTY and the FPFTY include adjustments to remove Lobbying Expenses, utilizing the HTY adjustment as the basis, plus inflation.

E. Rents and Leases

Exhibit 104: *Schedule 1, Page 2, Line 8; Schedule 2, Pages 5 & 6*

Q. Please explain the adjustment to rents and leases for the FTY and FPFTY.

A. Known changes to building leases attributable to contractual levels were included on Exhibit 104, Schedule 2, Page 5 and 6 resulting in a decrease to the budget of $811,981 for the FTY claim and a decrease of $802,824 for the FPFTY claim.

Q. Were there additional adjustments to rents and leases for the FTY and FPFTY besides the annualization adjustments?

A. Yes. The FTY and the FPFTY both include the elimination of rents for Uniontown and Connellsville to reflect the construction of a new Company-owned facility for the Uniontown Operation Center. Also the FTY and the FPFTY no longer includes lease expense for the Monaca Training Center which was purchased in December 2021.

F. <u>Injuries and Damages</u>

Exhibit 104: *Schedule 1, Page 2, Line 11; Schedule 2, Page 7*

Q. Was an adjustment made for injuries and damages?

A. Yes. The FTY and FPFTY expense levels for injury and damages were adjusted to reflect the pro forma HTY claim of $327,676 plus applicable inflationary adjustments. As stated earlier in my testimony, the pro forma HTY claim reflects the average claim payments for the five years ending November 30, 2021.

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G. <u>Utilities and Gas Used in Company Operations</u>

Exhibit 104: *Schedule 1, Page 2, Line 14; Schedule 2, Page 8*

Q. Please explain the adjustment for Gas Used in Company Operations.

A. The FTY and FPFTY O&M budget amounts include costs associated with Gas Used in Company Operations. In a manner similar to what was done in the HTY pro forma adjustments, an adjustment is also needed to eliminate these costs in the FTY and

FPFTY periods. The adjustments were calculated using the HTY adjustment level plus an inflationary adjustment.

H. Advertising

Exhibit 104: *Schedule 1, Page 2, Line 15; Schedule 2, Page 9*

Q. Please explain the adjustment for Advertising.

A. The FTY and FPFTY O&M budget amounts are not prepared at a level that identify the specific types of advertising. The HTY advertising included a portion of non-recoverable advertising, so for the future periods I have made adjustments to include a representative level of recoverable advertising. Therefore, the pro forma adjustment used to determine the HTY recoverable advertising was also used for FTY and FPFTY periods. This includes making significant reductions to the levels of advertising expense in the Budget for both periods.

I. NiSource Corporate Services Company "NCSC"

Exhibit 104: *Schedule 1, Page 2, Line 20; Schedule 2, Pages 10-12*

Q. Are you sponsoring any ratemaking adjustments to NCSC for the FTY and FPFTY?

A. Yes. Exhibit 104, Schedule 2, Page 12 summarizes the ratemaking adjustments to NCSC for the FTY and FPFTY.

I have made adjustments to annualize labor and to remove non-recoverable items for both future periods. Page 11 provides adjustments to annualize labor; the annualization is similar to the adjustments that I am proposing on Exhibit 104,

Schedule 2, Page 1 for Company labor. The FTY adjustment represents a 3% increase of budgeted labor charges from December 2021 through February 2022, which annualizes labor for the months prior to the budgeted annual 3% merit increase to labor which occurred on March 1. In a similar fashion, the FPFTY has been adjusted to include a 3% increase of budgeted labor charges for January 2023 through February 2023.

Page 12 determines adjustments for the removal of non-recoverable items. The non-recoverable adjustments are based upon the HTY level of expense, plus incremental adjustments that are produced by using inflation factors.

J. <u>Other Lobbying Expense</u>

Exhibit 104: *Schedule 1, Page 2, Lines 13 & 17; Schedule 2, Page 13*

Q. Please describe these lobbying expense adjustments.

A. Adjustments have been made for the removal of the remaining lobbying expenses in Company Memberships and Materials and Supplies. The FTY and FPFTY adjustments are based upon the HTY level of expense adjusted for inflation.

K. <u>Normalization – Rate Case Expenses</u>

Exhibit 104: *Schedule 1, Page 2, Line 23; Schedule 2, Page 14*

Q. Has Columbia included an adjustment for rate case expense?

A. Yes. Exhibit 104, Schedule 2, Page 14 sets forth the Company's claim for rate case expenses. The estimated expenses for this rate case reflects costs to be incurred for Columbia's cost of capital witness, depreciation witness, demand forecasting witness,

energy efficiency witness, outside counsel, and incremental costs associated with legal notices, employee expenses and materials & supplies. The entire rate case expense included for normalization is $1,254,200. Columbia proposes to normalize these costs over twelve months.

L. Normal Uncollectible Accounts Expense

(Uncollectible Accounts & Uncollectible Accounts – Unbundled gas)

Exhibit 104: *Schedule 1, Page 2, Line 24 & 25; Schedule 2, Page 15*

Q. Please explain the FTY and FPFTY claim for normal uncollectible accounts expense.

A. I have utilized the Uncollectible Accounts Average Write-off Rate as developed on Exhibit 4, Schedule 2, Page 26 which represents a three year average experience of net write-offs as a percentage of billed DIS revenues. This rate is applied to annualized FTY/FPFTY DIS revenues after adjusting for CAP revenue, to arrive at Total DIS Uncollectible Accounts Expense for the FTY and FPFTY.

Q. Has Columbia reflected the unbundling of uncollectibles related to gas costs?

A. Yes. Columbia has identified a portion of the normal uncollectibles that will be collected through the Merchant Function Charge.

Q. What amount is attributed to the uncollectibles related to gas costs?

A. Columbia has identified $1,581,571 in the FPFTY expenses associated with the unbundling of uncollectibles related to gas costs. This amount is included in the

O&M Expense claim and is offset by the same amount of revenues in Exhibit 103 as developed by Company witness Siegler. As a result, the net impact to operating income is zero and does not impact the base rate increase requested in this case.

M. Total Rider USP Costs

Exhibit 104: *Schedule 1, Page 2, Line 26; Schedule 2, Page 16*

Q. Please explain the test year adjustments.

A. The adjustments reflected in Exhibit 104 are a result of the matching of expenses to revenue, as Rider USP is a fully reconciled mechanism. As calculated in Exhibit 103, Rider USP revenues at present rates are $42,206,902 for the FTY and $42,198,344 for the FPFTY. As a result, the Rider USP net impact to operating income is zero with the expense offsetting present rate revenues. Therefore, Rider USP costs do not impact the base rate increase requested in this case. Company witness Siegler computes the increase to Rider USP resulting from the proposed rate increase.

N. Amortization of Deferred COVID-19 Uncollectible Expense

Exhibit 104: *Schedule 1, Page 2, Line 28; Schedule 2, Page 17*

Q. Was Columbia granted permission to defer and amortize incremental uncollectible expense due to COVID-19?

A. Yes. The Final Order from Columbia's prior base rate case, R-2021-3024296 included the following, starting on Page 13:

> COVID-19 Related Uncollectible Accounts Expense — The Company agrees to discontinue the deferral of COVID-19

> related Uncollectibles Accounts Expense as of the implementation dates of the rates contemplated by this Settlement, or earlier if directed by the Commission. The amount of $5,579,245 representing deferrals through December 31, 2020 shall be amortized over a five-year period beginning January 1, 2022. The Company shall introduce its claim for incremental uncollectible expenses subsequent to December 31, 2020 in its next base rate proceeding.

Q. Is Columbia updating its deferral for incremental Uncollectible Expense due to COVID-19 in this proceeding?

A. Yes. As presented on Page 17 of Exhibit 104, Schedule 2, the Company has included an annual amount of amortization in the FTY, as approved in the order, in the amount of $1,115,849. For the FPFTY, the deferral has been updated to include all adjustments to the deferral through December 29, 2021 (the implementation date of new base rates), which is an overall decrease of $415,033. Columbia is proposing to defer the resulting balance of $4,048,363 over 4 years, or $1,012,091 annually, which is the level of amortization for this item that is included in the FPFTY.

O. <u>Other Adjustments</u>

Exhibit 104: *Schedule 1, Page 2, Line 29; Schedule 2, Page 18*

Q. Please explain the FPFTY other adjustments.

A. The Company has identified the following proposed O&M adjustments for the FTY that are not in the budget:

- Lines 1 through 3 – Additional O&M for Labor Expense, along with the associated Benefits, Incentive Compensation and Payroll Taxes (Supported by Witness Paloney, Statement No. 9).

For the FPFTY, the following adjustments for O&M Expense are included

- Line 4 – Additional O&M Expense for Cross Bores (supported by Company witness Curtis Anstead, Columbia Statement No. 14).
- Line 5 – Additional O&M Expense for Abnormal Operating Conditions Remediation (supported by Company witness Curtis Anstead, Columbia Statement No. 14).
- Line 6 – Additional O&M Expense for Picarro (supported by Company witness Curtis Anstead, Columbia Statement No. 14).
- Lines 7 & 8 – Additional O&M for Labor Expense, along with the associated Benefits, Incentive Compensation and Payroll Taxes (Supported by Witness Paloney, Statement No. 9).
- Line 9 – Additional O&M Expense for Additional Safety Positions (supported by Company witness Curtis Anstead, Columbia Statement No. 14).
- Line 10 – Additional O&M Expense for Natural Gas Methane Gas Detectors (supported by Company witness Curtis Anstead, Columbia Statement No. 14).
- Line 11 – Additional O&M Expense for Education Costs.
- Line 12 – Additional O&M Expense for Blackline Safety Devices (supported by Company witness Curtis Anstead, Columbia Statement No. 14).

Q. Does this complete your direct testimony?

A. Yes, it does.

COLUMBIA STATEMENT NO. 5

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
JOHN J. SPANOS
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

Q. Please state your name and address.

A. John J. Spanos. My business address is 207 Senate Avenue, Camp Hill, Pennsylvania.

Q. With what firm are you associated and in what capacity?

A. I am associated with the firm of Gannett Fleming Valuation and Rate Consultants, LLC (Gannett Fleming) as President.

Q. How long have you been associated with Gannett Fleming?

A. I have been associated with the firm since college graduation in June 1986.

Q. What is your educational background?

A. I have Bachelor of Science degrees in Industrial Management and Mathematics from Carnegie-Mellon University and a Master of Business Administration from York College of Pennsylvania.

Q. Are you a member of any professional societies?

A. Yes. I am a member and past President of the Society of Depreciation Professionals. I am also a member of the American Gas Association/Edison Electric Institute Industry Accounting Committee.

Q. Have you taken the certification examination for depreciation professionals?

A. Yes, I passed the certification examination of the Society of Depreciation Professionals in September 1997 and was recertified in August 2003, February 2008, January 2013 and February 2018.

Q. Will you outline your experience in the field of depreciation?

A. I have over 35 years of depreciation experience which includes expert testimony in over 390 cases before approximately 41 regulatory commissions, including this Commission. These cases have included depreciation studies in the electric, gas, water, wastewater and pipeline industries. In addition to cases where I have submitted testimony, I have also supervised over 700 other depreciation or valuation assignments. Please refer to Appendix A for my qualifications statement, which includes further information with respect to my work history, case experience, and leadership in the Society of Depreciation Professionals.

Q. What is the purpose of your testimony?

A. My testimony is in support of the depreciation studies conducted under my direction and supervision for the gas plant of Columbia Gas of Pennsylvania, Inc. ("Columbia" or the "Company").

Q. Have you prepared exhibits presenting the results of your studies?

A. Yes. Exhibit No. 9 presents the results of the depreciation study as of November 30, 2021. Exhibit No. 109, Schedule No. 1, Attachment A presents the results of the depreciation study as of November 30, 2022. Exhibit No. 109, Schedule No. 1, Attachment B presents the results of the depreciation study as of December 31, 2023. In addition, I am responsible for the responses to the following filing requirements pertaining to depreciation under Section 53.53(a)(1) of the Commission's regulations: 3, 4, 5, 6, 7 and 17. I also sponsor Exhibit No. 5 and Exhibit No. 105, which are summaries of the results to Exhibit No. 9 and Exhibit No. 109, respectively.

Q. Please describe Exhibit Nos. 9 and 109.

A. Exhibit No. 9, Schedule No. 1, titled "2021 Depreciation Study - Calculated Annual Depreciation Accruals Related to Gas Plant as of November 30, 2021," includes the results of the depreciation study as related to the original cost as of November 30, 2021. The report also includes the detailed depreciation calculations. Exhibit No. 109, Schedule No. 1, Attachment A, titled "2022 Depreciation Study - Calculated Annual Depreciation Accruals Related to Gas Plant as of November 30, 2022," includes the results of the depreciation study as related to the estimated original cost as of November 30, 2022. The report also includes explanatory text, statistics related to the estimation of service life, and the detailed depreciation calculations. Exhibit No. 109, Schedule No. 1, Attachment B, titled "2023 Depreciation Study – Calculated Annual Depreciation Accruals Related to Gas Plant as of December 31, 2023," includes the results of the depreciation study as related to the estimated original cost as of December 31, 2023.

Q. What were the purposes of your depreciation studies?

A. The purposes of the depreciation studies were to estimate the annual depreciation accruals related to gas plant in service for ratemaking purposes and, using Commission-approved procedures, to estimate the Company's book reserve at November 30, 2022, and December 31, 2023.

Q. Is the Company's claim for annual depreciation in the current proceeding based on the same methods of depreciation as were used in its most recent Annual Depreciation Report including service life study filed in August 2017?

A. Yes, it is. For most plant accounts, the current claim for annual depreciation is based on the straight line remaining life method of depreciation, which has been used for over twenty years. For Accounts 391.1, 391.11, 391.12, 392, 394, 395 and 398, the claim is based on the straight line remaining life method of amortization. The accounts have a large number of units, but small asset values representing approximately 1 percent of the depreciable plant. The assets represent items located in office buildings, service centers, garages and warehouses. Given the difficulty in maintaining accounting records for these numerous assets and high cost for periodic inventories, retirements are recorded when a vintage is fully amortized, rather than as the units are removed from service. All units are retired when the age of the vintage reaches the amortization period. The annual amortization is based on amortization accounting which distributes the unrecovered cost of fixed capital assets over the remaining amortization period selected for each account.

Q. What group procedure is being used in this proceeding for depreciable accounts?

A. The average service life procedure is used in the current proceeding for plant installed prior to 1976 and the equal life group procedure for 1976 and subsequent vintages. This calculation has been used in the same manner as the Company's most recent annual depreciation reports.

Q. Is the Company's claim for accrued depreciation in the current proceeding made on the same basis as has been used for over twenty-five years?

A. Yes. The current claim for accrued depreciation is the book reserve brought forward from the book reserve approved by the Commission in the last proceeding.

Q. How was the book reserve used in the calculation of annual depreciation?

A. The book reserve by account was allocated to vintages to determine original cost less accrued depreciation by vintage. The total annual accrual is the sum of the results of dividing the original costs less accrued depreciation by the vintage composite remaining lives.

Q. How was the book reserve as of November 30, 2022, estimated?

A. The book reserve as of November 30, 2022, by account, was projected by adding estimated accruals, salvage and the amortization of net salvage, and subtracting estimated retirements and cost of removal from the book reserve as of November 30, 2021. Annual accruals were estimated using the annual accruals calculated as of November 30, 2021. For most accounts, salvage and cost of removal were estimated by (1) expressing actual salvage and cost of removal as a percent of retirements by account, for the most recent five-year period, and (2) applying those percents to the projected retirements by account. For the purpose of calculating the annual accruals, the projected book reserve by account was allocated to vintages based on calculated accrued depreciation as of November 30, 2022.

Q. Was the book reserve as of December 31, 2023, estimated using the same methodology?

A. Yes.

Q. Has a service life study of the Company's gas utility property been performed?

A. Yes. The most recent service life study was performed as of December 2016. The service life study is the basis for the service lives I used to calculate annual accruals.

Q. Briefly outline the procedure used in performing the service life study.

A. The service life study consisted of assembling and compiling historical data from the records related to the gas utility plant of the Company; statistically analyzing such data to obtain historical trends of survivor characteristics; obtaining supplementary information from management and operating personnel concerning Company practices and plans as they relate to plant operations; and interpreting the above data to form judgments of service life characteristics.

Iowa type survivor curves were used to describe the estimated survivor characteristics of the mass property groups. Individual service lives were used for major individual units of plant, such as distribution buildings housing offices and shops. The life span concept was recognized by coordinating the lives of associated plant installed in subsequent years with the probable retirement date defined by the life estimated for the major unit.

Q. What statistical data were employed in the historical analyses performed for the purpose of estimating service life characteristics?

A. The data consisted of the entries made to record retirements and other transactions related to the gas plant during the period 1939-2016. The year 1939 is the first year continuing property records were maintained. These entries were classified by depreciable group, type of transaction, the year in

which the transaction took place, and the year in which the plant was installed. Types of transactions included in the data were plant additions, retirements, transfers, and balances. In the presentation of service life statistics, only the significant exposure points that were utilized in determining survivor curves were plotted. This process is utilized to show my judgment in service life determinations.

Q. What was the source of these data?

A. They were assembled from Company records related to its gas plant in service.

Q. Were the methods used in the service life study the same as those used in other depreciation studies for gas utility plant presented before this Commission?

A. Yes. The methods are the same ones that have been presented previously for Columbia Gas of Pennsylvania, Inc. and for other gas companies before the Pennsylvania Public Utility Commission and that have been accepted by the Commission in its past orders concerning gas utilities.

Q. What approach did you use to estimate the lives of significant structures such as office buildings and service centers?

A. I used the life span technique to estimate the lives of significant structures. In this technique, the survivor characteristics of the structures are described by the use of interim survivor curves and estimated probable retirement dates. The interim survivor curve describes the rate of retirement related to the replacement of elements of the structure such as plumbing, heating, doors, windows, roofs, etc. that occur during the life of the facility. The probable retirement date provides the rate of final retirement for each year of installation

for the structure by truncating the interim survivor curve for each installation year at its attained age at the date of probable retirement. The use of interim survivor curves truncated at the date of probable retirement provides a consistent method for estimating the lives of the several years of installation inasmuch as concurrent retirement of all years of installation will occur when the structure is retired.

Q. Has your firm used this approach in other proceedings before this Commission?

A. Yes, we have used the life span technique on many occasions before the Pennsylvania Public Utility Commission.

Q. What are the bases for the probable retirement years that you have estimated for each structure?

A. The bases for the estimates of probable retirement years are life spans for each structure that are based on judgment and incorporate consideration of the age, use, size, nature of construction, management outlook and typical life spans experienced and used by other gas utilities for similar structures. Most of the life spans result in probable retirement dates that are many years in the future. As a result, the retirement of these structures is not yet subject to specific management plans. Such plans would be premature. At the appropriate time, studies of the economics of rehabilitation and continued use or retirement of the structure will be analyzed and the results incorporated in the estimation of the structure's life span.

Q. Are the factors considered in your estimates of service life presented in Exhibit No. 109, Schedule No. 1, Attachment A?

A. Yes. A discussion of the factors considered in the estimation of service lives is presented by account on pages III-2 through III-8 of Exhibit No. 109, Schedule No. 1, Attachment A.

Q. Were there any material changes to life characteristics as a result of this rate proceeding?

A. No. There was no material change in the life estimate for plant accounts or subaccounts in this rate proceeding. All life estimates were based on the recent annual depreciation report and the service life study as conducted.

Q. Please outline the contents of Exhibit No. 109, Schedule No. 1, Attachment A.

A. Exhibit No. 109, Schedule No. 1, Attachment A is presented in eight parts. Part I, Introduction, sets forth the scope and basis of the study. Part II, Estimation of Survivor Curves, includes a description of the Iowa Curves and the formulation of the retirement rate method. Part III, Service Life Considerations, and Part IV, Calculation of Annual and Accrued Depreciation, include a description of the judgment utilized for life parameters and the explanation of depreciation procedures.

Part V, Results of Study, presents a description of the results and summaries of the depreciation calculations. Part VI, Service Life Statistics, presents the graphs and tables which relate to the service life study. Part VII, Detailed Depreciation Calculations, sets forth the detailed depreciation calculations by account. Part VIII, Experienced and Estimated Net Salvage, presents the cost of removal and gross salvage by account for the years 2017 through 2021.

Table 1, pages V-4 through V-6 presents the estimated survivor curve, the original cost as of November 30, 2022, and the book reserve and calculated annual depreciation for each account or subaccount of Gas Plant. Table 2 on page V-7 presents the bringforward to November 30, 2022, of the book depreciation reserve as of November 30, 2021. Table 3 on pages V-8 and V-9 sets forth the calculation of the annual accruals used in the bringforward. Table 4, page V-10, presents the experienced and estimated net salvage during the five-year period, 2017 through 2021.

The section beginning on page VI-1 presents the results of the retirement rate analyses prepared as the historical bases for the service life estimates. The section beginning on page VII-1 presents the depreciation calculations related to original cost. The tabulation on pages VII-3 through VII-6 presents the cumulative depreciated original cost by year installed. The tabulations on pages VII-8 through VII-68 present the calculation of annual depreciation by vintage by account for each depreciable group of utility plant.

Q. Please outline the contents of Exhibit No. 109, Schedule No. 1, Attachment B.

A. Exhibit No. 109, Schedule No. 1, Attachment B includes a description of the results, summaries of the depreciation calculations, and the detailed depreciation calculations as of December 31, 2023. The descriptions and explanations presented in Exhibit No. 109, Schedule No. 1, Attachment A are also applicable to the depreciation calculations presented in Exhibit No. 109, Schedule No. 1, Attachment B. The graphs and tables related to service life presented in Exhibit No. 109, Schedule No. 1, Attachment A also support the

service life estimates used in Exhibit No. 109, Schedule No. 1, Attachment B inasmuch as the estimates are the same for both test years. The summary tables and detailed depreciation calculations as of December 31, 2023, are organized and presented in the same manner as those as of November 30, 2022.

Q. Please outline the contents of Exhibit No. 9.

A. Exhibit No. 9 includes a description of the results, summaries of the depreciation calculations, and the detailed depreciation calculations as of November 30, 2021. The descriptions and explanations presented in Exhibit No. 109, Schedule No. 1, Attachment A are also applicable to the depreciation calculations presented in Exhibit No. 9. The graphs and tables related to service life presented in Exhibit No. 109, Schedule No. 1, Attachment A also support the service life estimates used in Exhibit No. 9, inasmuch as the estimates are the same for both test years. The summary tables and detailed depreciation calculations as of November 30, 2021, are organized and presented in the same manner as those as of November 30, 2022.

Q. Please use an example to illustrate the manner in which the study is presented in Exhibit Nos. 9, and 109.

A. I will use Account 376, Mains, as my example, inasmuch as it is the largest depreciable group and represents 67 percent of the original cost of depreciable gas plant as of November 30, 2022.

The retirement rate method was used to analyze the survivor characteristics of this group. The life tables for the 1939-2016 and 1977-2016 experience bands are presented on pages VI-51 through VI-58 of Exhibit No.

109, Schedule No. 1, Attachment A. The life tables, or original survivor curve, are plotted along with the estimated smooth survivor curve, the 71-R1, on page VI-50.

The calculations of the annual depreciation related to the original cost as of November 30, 2021, of gas plant are presented by type main on pages II-31 through II-37 of Exhibit No. 9. The calculation is based on the 71-R1 survivor curve, the attained age, and the allocated book reserve. The calculations as of November 30, 2022, are presented by type main on pages VII-33 through VII-37 of Exhibit No. 109, Schedule No. 1, Attachment A and are based in part on the bringforward of the book reserve. Also, the calculations as of December 31, 2023 are presented by type main on pages II-33 through II-36 of Exhibit No. 109, Schedule No. 1, Attachment B and are based in part on the bringforward of the book reserve. The tabulations in Exhibit Nos. 9 and 109 set forth the installation year, the original cost, calculated accrued depreciation, allocated book reserve, future accruals, remaining life and annual accrual. The totals are brought forward to Table 1 on page I-3 in Exhibit No. 9, page V-4 in Exhibit No. 109, Schedule No. 1, Attachment A and on page I-3 in Exhibit No. 109, Schedule No. 1, Attachment B.

Q. In what manner is net salvage incorporated in the depreciation calculations?

A. As stated on page IV-9 of Exhibit No. 109, Schedule No. 1, Attachment A, no adjustment for net salvage was made to the calculated annual depreciation amounts. The total calculated annual depreciation set forth on page I-6 of Exhibit No. 9, page V-10 of Exhibit No. 109, Schedule No. 1, Attachment A and

on page I-9 of Exhibit No. 109, Schedule No. 1, Attachment B should include an addition for the amortization of negative net salvage in accordance with the practice of this Commission. The amortization is based on experience during the period 2016 through 2020 for the calculation as of November 30, 2021, and on experience during the period 2017 through November 30, 2021, plus estimates for the last month of 2021 for the calculation as of November 30, 2022.

The amortization for the December 31, 2023 calculation is based on experience during the period 2018 through November 30, 2021, plus estimates for the period December 2021 through December 2022. The amounts of the five-year amortizations are calculated in Table 2 on page I-6 of Exhibit No. 9, in Table 4 on page V-10 of Exhibit No. 109, Schedule No. 1, Attachment A and in Table 4 on page I-9 of Exhibit No. 109, Schedule No. 1, Attachment B.

Q. Have you provided a monthly bringforward to December 31, 2023, of the plant and book depreciation reserve as of November 30, 2022

A. Yes, Exhibit JJS-01 at the end of this testimony provides the monthly detail of the plant in service, book depreciation reserve and the calculated depreciation. This exhibit agrees with the fully projected future test year plant and reserve balances as shown on Exhibit No. 109, Schedule No. 1, Attachment B, Table 1 on pages I-3 through I-5.

Q. Does this complete your testimony at this time?

A. Yes, it does.

APPENDIX A

JOHN SPANOS DEPRECIATION EXPERIENCE

Q. Please state your name.

A. My name is John J. Spanos.

Q. What is your educational background?

A. I have Bachelor of Science degrees in Industrial Management and Mathematics from Carnegie-Mellon University and a Master of Business Administration from York College.

Q. Do you belong to any professional societies?

A. Yes. I am a member and past President of the Society of Depreciation Professionals and a member of the American Gas Association/Edison Electric Institute Industry Accounting Committee.

Q. Do you hold any special certification as a depreciation expert?

A. Yes. The Society of Depreciation Professionals has established national standards for depreciation professionals. The Society administers an examination to become certified in this field. I passed the certification exam in September 1997 and was recertified in August 2003, February 2008, January 2013 and February 2018.

Q. Please outline your experience in the field of depreciation.

A. In June 1986, I was employed by Gannett Fleming Valuation and Rate Consultants, Inc. as a Depreciation Analyst. During the period from June 1986 through December, 1995, I helped prepare numerous depreciation and original cost studies for utility companies in various industries. I helped perform depreciation studies for the following telephone companies: United Telephone of Pennsylvania, United Telephone of New Jersey, and Anchorage Telephone Utility. I helped perform depreciation studies for the following

companies in the railroad industry: Union Pacific Railroad, Burlington Northern Railroad, and Wisconsin Central Transportation Corporation.

I helped perform depreciation studies for the following organizations in the electric utility industry: Chugach Electric Association, The Cincinnati Gas and Electric Company (CG&E), The Union Light, Heat and Power Company (ULH&P), Northwest Territories Power Corporation, and the City of Calgary - Electric System.

I helped perform depreciation studies for the following pipeline companies: TransCanada Pipelines Limited, Trans Mountain Pipeline Company Ltd., Interprovincial Pipeline Inc., Nova Gas Transmission Limited and Lakehead Pipeline Company.

I helped perform depreciation studies for the following gas utility companies: Columbia Gas of Pennsylvania, Columbia Gas of Maryland, The Peoples Natural Gas Company, T. W. Phillips Gas & Oil Company, CG&E, ULH&P, Lawrenceburg Gas Company and Penn Fuel Gas, Inc.

I helped perform depreciation studies for the following water utility companies: Indiana-American Water Company, Consumers Pennsylvania Water Company and The York Water Company; and depreciation and original cost studies for Philadelphia Suburban Water Company and Pennsylvania-American Water Company.

In each of the above studies, I assembled and analyzed historical and simulated data, performed field reviews, developed preliminary estimates of service life and net salvage, calculated annual depreciation, and prepared reports for submission to state public utility commissions or federal regulatory agencies. I performed these studies under the general direction of William M. Stout, P.E.

In January 1996, I was assigned to the position of Supervisor of Depreciation Studies. In July 1999, I was promoted to the position of Manager, Depreciation and

Valuation Studies. In December 2000, I was promoted to the position as Vice-President of Gannett Fleming Valuation and Rate Consultants, Inc., in April 2012, I was promoted to the position as Senior Vice President of the Valuation and Rate Division of Gannett Fleming Inc. (now doing business as Gannett Fleming Valuation and Rate Consultants, LLC) and in January of 2019, I was promoted to my present position of President of Gannett Fleming Valuation and Rate Consultants, LLC. In my current position I am responsible for conducting all depreciation, valuation and original cost studies, including the preparation of final exhibits and responses to data requests for submission to the appropriate regulatory bodies.

Since January 1996, I have conducted depreciation studies similar to those previously listed including assignments for Pennsylvania-American Water Company; Aqua Pennsylvania; Kentucky-American Water Company; Virginia-American Water Company; Indiana-American Water Company; Iowa-American Water Company; New Jersey-American Water Company; Hampton Water Works Company; Omaha Public Power District; Enbridge Pipe Line Company; Inc.; Columbia Gas of Virginia, Inc.; Virginia Natural Gas Company National Fuel Gas Distribution Corporation - New York and Pennsylvania Divisions; The City of Bethlehem - Bureau of Water; The City of Coatesville Authority; The City of Lancaster - Bureau of Water; Peoples Energy Corporation; The York Water Company; Public Service Company of Colorado; Enbridge Pipelines; Enbridge Gas Distribution, Inc.; Reliant Energy-HLP; Massachusetts-American Water Company; St. Louis County Water Company; Missouri-American Water Company; Chugach Electric Association; Alliant Energy; Oklahoma Gas & Electric Company; Nevada Power Company; Dominion Virginia Power; NUI-Virginia Gas Companies; Pacific Gas & Electric Company; PSI Energy; NUI - Elizabethtown Gas Company; Cinergy

Corporation – CG&E; Cinergy Corporation – ULH&P; Columbia Gas of Kentucky; South Carolina Electric & Gas Company; Idaho Power Company; El Paso Electric Company; Aqua North Carolina; Aqua Ohio; Aqua Texas, Inc.; Aqua Illinois, Inc.; Ameren Missouri; Central Hudson Gas & Electric; Centennial Pipeline Company; CenterPoint Energy-Arkansas; CenterPoint Energy – Oklahoma; CenterPoint Energy – Entex; CenterPoint Energy - Louisiana; NSTAR – Boston Edison Company; Westar Energy, Inc.; United Water Pennsylvania; PPL Electric Utilities; PPL Gas Utilities; Wisconsin Power & Light Company; TransAlaska Pipeline; Avista Corporation; Northwest Natural Gas; Allegheny Energy Supply, Inc.; Public Service Company of North Carolina; South Jersey Gas Company; Duquesne Light Company; MidAmerican Energy Company; Laclede Gas; Duke Energy Company; E.ON U.S. Services Inc.; Elkton Gas Services; Anchorage Water and Wastewater Utility; Kansas City Power and Light; Duke Energy North Carolina; Duke Energy South Carolina; Monongahela Power Company; Potomac Edison Company; Duke Energy Ohio Gas; Duke Energy Kentucky; Duke Energy Indiana; Duke Energy Progress; Northern Indiana Public Service Company; Tennessee- American Water Company; Columbia Gas of Maryland; Maryland-American Water Company; Bonneville Power Administration; NSTAR Electric and Gas Company; EPCOR Distribution, Inc.; B. C. Gas Utility, Ltd; Entergy Arkansas; Entergy Texas; Entergy Mississippi; Entergy Louisiana; Entergy Gulf States Louisiana; the Borough of Hanover; Louisville Gas and Electric Company; Kentucky Utilities Company; Madison Gas and Electric; Central Maine Power; PEPCO; PacifiCorp; Minnesota Energy Resource Group; Jersey Central Power & Light Company; Cheyenne Light, Fuel and Power Company; United Water Arkansas; Central Vermont Public Service Corporation; Green Mountain Power; Portland General Electric Company; Atlantic City Electric; Nicor Gas Company; Black Hills Power;

Black Hills Colorado Gas; Black Hills Kansas Gas; Black Hills Service Company; Black Hills Utility Holdings; Public Service Company of Oklahoma; City of Dubois; Peoples Gas Light and Coke Company; North Shore Gas Company; Connecticut Light and Power; New York State Electric and Gas Corporation; Rochester Gas and Electric Corporation; Greater Missouri Operations; Tennessee Valley Authority; Omaha Public Power District; Indianapolis Power & Light Company; Vermont Gas Systems, Inc.; Metropolitan Edison; Pennsylvania Electric; West Penn Power; Pennsylvania Power; PHI Service Company - Delmarva Power and Light; Atmos Energy Corporation; Citizens Energy Group; PSE&G Company; Berkshire Gas Company; Alabama Gas Corporation; Mid-Atlantic Interstate Transmission, LLC; SUEZ Water; WEC Energy Group; Rocky Mountain Natural Gas, LLC; Illinois-American Water Company; Northern Illinois Gas Company; Public Service of New Hampshire and Newtown Artesian Water Company.

My additional duties include determining final life and salvage estimates, conducting field reviews, presenting recommended depreciation rates to management for its consideration and supporting such rates before regulatory bodies.

Q. Have you submitted testimony to any state utility commission on the subject of utility plant depreciation?

A. Yes. I have submitted testimony to the Pennsylvania Public Utility Commission; the Commonwealth of Kentucky Public Service Commission; the Public Utilities Commission of Ohio; the Nevada Public Utility Commission; the Public Utilities Board of New Jersey; the Missouri Public Service Commission; the Massachusetts Department of Telecommunications and Energy; the Alberta Energy & Utility Board; the Idaho Public Utility Commission; the Louisiana Public Service Commission; the State Corporation Commission of Kansas; the Oklahoma

Corporate Commission; the Public Service Commission of South Carolina; Railroad Commission of Texas – Gas Services Division; the New York Public Service Commission; Illinois Commerce Commission; the Indiana Utility Regulatory Commission; the California Public Utilities Commission; the Federal Energy Regulatory Commission ("FERC"); the Arkansas Public Service Commission; the Public Utility Commission of Texas; Maryland Public Service Commission; Washington Utilities and Transportation Commission; The Tennessee Regulatory Commission; the Regulatory Commission of Alaska; Minnesota Public Utility Commission; Utah Public Service Commission; District of Columbia Public Service Commission; the Mississippi Public Service Commission; Delaware Public Service Commission; Virginia State Corporation Commission; Colorado Public Utility Commission; Oregon Public Utility Commission; South Dakota Public Utilities Commission; Wisconsin Public Service Commission; Wyoming Public Service Commission; the Public Service Commission of West Virginia; Maine Public Utility Commission; Iowa Utility Board; Connecticut Public Utilities Regulatory Authority; New Mexico Public Regulation Commission; Commonwealth of Massachusetts Department of Public Utilities; Rhode Island Public Utilities Commission and the North Carolina Utilities Commission.

Q. Have you had any additional education relating to utility plant depreciation?

A. Yes. I have completed the following courses conducted by Depreciation Programs, Inc.: "Techniques of Life Analysis," "Techniques of Salvage and Depreciation Analysis," "Forecasting Life and Salvage," "Modeling and Life Analysis Using Simulation," and "Managing a Depreciation Study." I have also completed the

"Introduction to Public Utility Accounting" program conducted by the American Gas Association.

Q. Does this conclude your qualification statement?

A. Yes.

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	Year	Jurisdiction	Docket No.	Client Utility	Subject
01.	1998	PA PUC	R-00984375	City of Bethlehem – Bureau of Water	Original Cost and Depreciation
02.	1998	PA PUC	R-00984567	City of Lancaster	Original Cost and Depreciation
03.	1999	PA PUC	R-00994605	The York Water Company	Depreciation
04.	2000	D.T.&E.	DTE 00-105	Massachusetts-American Water Company	Depreciation
05.	2001	PA PUC	R-00016114	City of Lancaster	Original Cost and Depreciation
06.	2001	PA PUC	R-00017236	The York Water Company	Depreciation
07.	2001	PA PUC	R-00016339	Pennsylvania-American Water Company	Depreciation
08.	2001	OH PUC	01-1228-GA-AIR	Cinergy Corp – Cincinnati Gas & Elect Company	Depreciation
09.	2001	KY PSC	2001-092	Cinergy Corp – Union Light, Heat & Power Co.	Depreciation
10.	2002	PA PUC	R-00016750	Philadelphia Suburban Water Company	Depreciation
11.	2002	KY PSC	2002-00145	Columbia Gas of Kentucky	Depreciation
12.	2002	NJ BPU	GF02040245	NUI Corporation/Elizabethtown Gas Company	Depreciation
13.	2002	ID PUC	IPC-E-03-7	Idaho Power Company	Depreciation
14.	2003	PA PUC	R-0027975	The York Water Company	Depreciation
15.	2003	IN URC	R-0027975	Cinergy Corp – PSI Energy, Inc.	Depreciation
16.	2003	PA PUC	R-00038304	Pennsylvania-American Water Company	Depreciation
17.	2003	MO PSC	WR-2003-0500	Missouri-American Water Company	Depreciation
18.	2003	FERC	ER03-1274-000	NSTAR-Boston Edison Company	Depreciation
19.	2003	NJ BPU	BPU 03080683	South Jersey Gas Company	Depreciation
20.	2003	NV PUC	03-10001	Nevada Power Company	Depreciation
21.	2003	LA PSC	U-27676	CenterPoint Energy – Arkla	Depreciation
22.	2003	PA PUC	R-00038805	Pennsylvania Suburban Water Company	Depreciation
23.	2004	AB En/Util Bd	1306821	EPCOR Distribution, Inc.	Depreciation
24.	2004	PA PUC	R-00038168	National Fuel Gas Distribution Corp (PA)	Depreciation
25.	2004	PA PUC	R-00049255	PPL Electric Utilities	Depreciation
26.	2004	PA PUC	R-00049165	The York Water Company	Depreciation
27.	2004	OK Corp Cm	PUC 200400187	CenterPoint Energy – Arkla	Depreciation
28.	2004	OH PUC	04-680-El-AIR	Cinergy Corp. – Cincinnati Gas and Electric Company	Depreciation
29.	2004	RR Com of TX	GUD#	CenterPoint Energy – Entex Gas Services Div.	Depreciation
30.	2004	NY PUC	04-G-1047	National Fuel Gas Distribution Gas (NY)	Depreciation
31.	2004	AR PSC	04-121-U	CenterPoint Energy – Arkla	Depreciation
32.	2005	IL CC	05-	North Shore Gas Company	Depreciation
33.	2005	IL CC	05-	Peoples Gas Light and Coke Company	Depreciation
34.	2005	KY PSC	2005-00042	Union Light Heat & Power	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	Year	Jurisdiction	Docket No.	Client Utility	Subject
35.	2005	IL CC	05-0308	MidAmerican Energy Company	Depreciation
36.	2005	MO PSC	GF-2005	Laclede Gas Company	Depreciation
37.	2005	KS CC	05-WSEE-981-RTS	Westar Energy	Depreciation
38.	2005	RR Com of TX	GUD #	CenterPoint Energy – Entex Gas Services Div.	Depreciation
39.	2005	US District Court	Cause No. 1:99-CV-1693-LJM/VSS	Cinergy Corporation	Accounting
40.	2005	OK CC	PUD 200500151	Oklahoma Gas and Electric Company	Depreciation
41.	2005	MA Dept Tele-com & Ergy	DTE 05-85	NSTAR	Depreciation
42.	2005	NY PUC	05-E-934/05-G-0935	Central Hudson Gas & Electric Company	Depreciation
43.	2005	AK Reg Com	U-04-102	Chugach Electric Association	Depreciation
44.	2005	CA PUC	A05-12-002	Pacific Gas & Electric	Depreciation
45.	2006	PA PUC	R-00051030	Aqua Pennsylvania, Inc.	Depreciation
46.	2006	PA PUC	R-00051178	T.W. Phillips Gas and Oil Company	Depreciation
47.	2006	NC Util Cm.		Pub. Service Company of North Carolina	Depreciation
48.	2006	PA PUC	R-00051167	City of Lancaster	Depreciation
49.	2006	PA PUC	R00061346	Duquesne Light Company	Depreciation
50.	2006	PA PUC	R-00061322	The York Water Company	Depreciation
51.	2006	PA PUC	R-00051298	PPL GAS Utilities	Depreciation
52.	2006	PUC of TX	32093	CenterPoint Energy – Houston Electric	Depreciation
53.	2006	KY PSC	2006-00172	Duke Energy Kentucky	Depreciation
54.	2006	SC PSC		SCANA	Accounting
55.	2006	AK Reg Com	U-06-6	Municipal Light and Power	Depreciation
56.	2006	DE PSC	06-284	Delmarva Power and Light	Depreciation
57.	2006	IN URC	IURC43081	Indiana American Water Company	Depreciation
58.	2006	AK Reg Com	U-06-134	Chugach Electric Association	Depreciation
59.	2006	MO PSC	WR-2007-0216	Missouri American Water Company	Depreciation
60.	2006	FERC	IS05-82-002, et al	TransAlaska Pipeline	Depreciation
61.	2006	PA PUC	R-00061493	National Fuel Gas Distribution Corp. (PA)	Depreciation
62.	2007	NC Util Com.	E-7 SUB 828	Duke Energy Carolinas, LLC	Depreciation
63.	2007	OH PSC	08-709-EL-AIR	Duke Energy Ohio Gas	Depreciation
64.	2007	PA PUC	R-00072155	PPL Electric Utilities Corporation	Depreciation
65.	2007	KY PSC	2007-00143	Kentucky American Water Company	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	Year	Jurisdiction	Docket No.	Client Utility	Subject
66.	2007	PA PUC	R-00072229	Pennsylvania American Water Company	Depreciation
67.	2007	KY PSC	2007-0008	NiSource – Columbia Gas of Kentucky	Depreciation
68.	2007	NY PSC	07-G-0141	National Fuel Gas Distribution Corp (NY)	Depreciation
69.	2008	AK PSC	U-08-004	Anchorage Water & Wastewater Utility	Depreciation
70.	2008	TN Reg Auth	08-00039	Tennessee-American Water Company	Depreciation
71.	2008	DE PSC	08-96	Artesian Water Company	Depreciation
72.	2008	PA PUC	R-2008-2023067	The York Water Company	Depreciation
73.	2008	KS CC	08-WSEE1-RTS	Westar Energy	Depreciation
74.	2008	IN URC	43526	Northern Indiana Public Service Company	Depreciation
75.	2008	IN URC	43501	Duke Energy Indiana	Depreciation
76.	2008	MD PSC	9159	NiSource – Columbia Gas of Maryland	Depreciation
77.	2008	KY PSC	2008-000251	Kentucky Utilities	Depreciation
78.	2008	KY PSC	2008-000252	Louisville Gas & Electric	Depreciation
79.	2008	PA PUC	2008-20322689	Pennsylvania American Water Co. - Wastewater	Depreciation
80.	2008	NY PSC	08-E887/08-00888	Central Hudson	Depreciation
81.	2008	WV TC	VE-080416/VG-8080417	Avista Corporation	Depreciation
82.	2008	IL CC	ICC-09-166	Peoples Gas, Light and Coke Company	Depreciation
83.	2009	IL CC	ICC-09-167	North Shore Gas Company	Depreciation
84.	2009	DC PSC	1076	Potomac Electric Power Company	Depreciation
85.	2009	KY PSC	2009-00141	NiSource – Columbia Gas of Kentucky	Depreciation
86.	2009	FERC	ER08-1056-002	Entergy Services	Depreciation
87.	2009	PA PUC	R-2009-2097323	Pennsylvania American Water Company	Depreciation
88.	2009	NC Util Cm	E-7, Sub 090	Duke Energy Carolinas, LLC	Depreciation
89.	2009	KY PSC	2009-00202	Duke Energy Kentucky	Depreciation
90.	2009	VA St. CC	PUE-2009-00059	Aqua Virginia, Inc.	Depreciation
91.	2009	PA PUC	2009-2132019	Aqua Pennsylvania, Inc.	Depreciation
92.	2009	MS PSC	Docket No. 2011-UA-183	Entergy Mississippi	Depreciation
93.	2009	AK PSC	09-08-U	Entergy Arkansas	Depreciation
94.	2009	TX PUC	37744	Entergy Texas	Depreciation
95.	2009	TX PUC	37690	El Paso Electric Company	Depreciation
96.	2009	PA PUC	R-2009-2106908	The Borough of Hanover	Depreciation
97.	2009	KS CC	10-KCPE-415-RTS	Kansas City Power & Light	Depreciation
98.	2009	PA PUC	R-2009-	United Water Pennsylvania	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	Year	Jurisdiction	Docket No.	Client Utility	Subject
99.	2009	OH PUC		Aqua Ohio Water Company	Depreciation
100.	2009	WI PSC	3270-DU-103	Madison Gas & Electric Company	Depreciation
101.	2009	MO PSC	WR-2010	Missouri American Water Company	Depreciation
102.	2009	AK Reg Cm	U-09-097	Chugach Electric Association	Depreciation
103.	2010	IN URC	43969	Northern Indiana Public Service Company	Depreciation
104.	2010	WI PSC	6690-DU-104	Wisconsin Public Service Corp.	Depreciation
105.	2010	PA PUC	R-2010-2161694	PPL Electric Utilities Corp.	Depreciation
106.	2010	KY PSC	2010-00036	Kentucky American Water Company	Depreciation
107.	2010	PA PUC	R-2009-2149262	Columbia Gas of Pennsylvania	Depreciation
108.	2010	MO PSC	GR-2010-0171	Laclede Gas Company	Depreciation
109.	2010	SC PSC	2009-489-E	South Carolina Electric & Gas Company	Depreciation
110.	2010	NJ BD OF PU	ER09080664	Atlantic City Electric	Depreciation
111.	2010	VA St. CC	PUE-2010-00001	Virginia American Water Company	Depreciation
112.	2010	PA PUC	R-2010-2157140	The York Water Company	Depreciation
113.	2010	MO PSC	ER-2010-0356	Greater Missouri Operations Company	Depreciation
114.	2010	MO PSC	ER-2010-0355	Kansas City Power and Light	Depreciation
115.	2010	PA PUC	R-2010-2167797	T.W. Phillips Gas and Oil Company	Depreciation
116.	2010	PSC SC	2009-489-E	SCANA – Electric	Depreciation
117.	2010	PA PUC	R-2010-22010702	Peoples Natural Gas, LLC	Depreciation
118.	2010	AK PSC	10-067-U	Oklahoma Gas and Electric Company	Depreciation
119.	2010	IN URC	Cause No. 43894	Northern Indiana Public Serv. Company - NIFL	Depreciation
120.	2010	IN URC	Cause No. 43894	Northern Indiana Public Serv. Co. - Kokomo	Depreciation
121.	2010	PA PUC	R-2010-2166212	Pennsylvania American Water Co. - WW	Depreciation
122.	2010	NC Util Cn.	W-218,SUB310	Aqua North Carolina, Inc.	Depreciation
123.	2011	OH PUC	11-4161-WS-AIR	Ohio American Water Company	Depreciation
124.	2011	MS PSC	EC-123-0082-00	Entergy Mississippi	Depreciation
125.	2011	CO PUC	11AL-387E	Black Hills Colorado	Depreciation
126.	2011	PA PUC	R-2010-2215623	Columbia Gas of Pennsylvania	Depreciation
127.	2011	PA PUC	R-2010-2179103	City of Lancaster – Bureau of Water	Depreciation
128.	2011	IN URC	43114 IGCC 4S	Duke Energy Indiana	Depreciation
129.	2011	FERC	IS11-146-000	Enbridge Pipelines (Southern Lights)	Depreciation
130.	2011	IL CC	11-0217	MidAmerican Energy Corporation	Depreciation
131.	2011	OK CC	201100087	Oklahoma Gas & Electric Company	Depreciation
132.	2011	PA PUC	2011-2232243	Pennsylvania American Water Company	Depreciation

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	Year	Jurisdiction	Docket No.	Client Utility	Subject
133.	2011	FERC	RP11-___-000	Carolina Gas Transmission	Depreciation
134.	2012	WA UTC	UE-120436/UG-120437	Avista Corporation	Depreciation
135.	2012	AK Reg Cm	U-12-009	Chugach Electric Association	Depreciation
136.	2012	MA PUC	DPU 12-25	Columbia Gas of Massachusetts	Depreciation
137.	2012	TX PUC	40094	El Paso Electric Company	Depreciation
138.	2012	ID PUC	IPC-E-12	Idaho Power Company	Depreciation
139.	2012	PA PUC	R-2012-2290597	PPL Electric Utilities	Depreciation
140.	2012	PA PUC	R-2012-2311725	Borough of Hanover – Bureau of Water	Depreciation
141.	2012	KY PSC	2012-00222	Louisville Gas and Electric Company	Depreciation
142.	2012	KY PSC	2012-00221	Kentucky Utilities Company	Depreciation
143.	2012	PA PUC	R-2012-2285985	Peoples Natural Gas Company	Depreciation
144.	2012	DC PSC	Case 1087	Potomac Electric Power Company	Depreciation
145.	2012	OH PSC	12-1682-EL-AIR	Duke Energy Ohio (Electric)	Depreciation
146.	2012	OH PSC	12-1685-GA-AIR	Duke Energy Ohio (Gas)	Depreciation
147.	2012	PA PUC	R-2012-2310366	City of Lancaster – Sewer Fund	Depreciation
148.	2012	PA PUC	R-2012-2321748	Columbia Gas of Pennsylvania	Depreciation
149.	2012	FERC	ER-12-2681-000	ITC Holdings	Depreciation
150.	2012	MO PSC	ER-2012-0174	Kansas City Power and Light	Depreciation
151.	2012	MO PSC	ER-2012-0175	KCPL Greater Missouri Operations Company	Depreciation
152.	2012	MO PSC	GO-2012-0363	Laclede Gas Company	Depreciation
153.	2012	MN PUC	G007,001/D-12-533	Integrys – MN Energy Resource Group	Depreciation
154.	2012	TX PUC	SOAH 582-14-1051/ TECQ 2013-2007-UCR	Aqua Texas	Depreciation
155.	2012	PA PUC	2012-2336379	York Water Company	Depreciation
156.	2013	NJ BPU	ER12121071	PHI Service Company– Atlantic City Electric	Depreciation
157.	2013	KY PSC	2013-00167	Columbia Gas of Kentucky	Depreciation
158.	2013	VA St CC	2013-00020	Virginia Electric and Power Company	Depreciation
159.	2013	IA Util Bd	2013-0004	MidAmerican Energy Corporation	Depreciation
160.	2013	PA PUC	2013-2355276	Pennsylvania American Water Company	Depreciation
161.	2013	NY PSC	13-E-0030, 13-G-0031, 13-S-0032	Consolidated Edison of New York	Depreciation
162.	2013	PA PUC	2013-2355886	Peoples TWP LLC	Depreciation
163.	2013	TN Reg Auth	12-0504	Tennessee American Water	Depreciation
164.	2013	ME PUC	2013-168	Central Maine Power Company	Depreciation
165.	2013	DC PSC	Case 1103	PHI Service Company – PEPCO	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	Year	Jurisdiction	Docket No.	Client Utility	Subject
166.	2013	WY PSC	2003-ER-13	Cheyenne Light, Fuel and Power Company	Depreciation
167.	2013	FERC	ER13-2428-0000	Kentucky Utilities	Depreciation
168.	2013	FERC	ER13- -0000	MidAmerican Energy Company	Depreciation
169.	2013	FERC	ER13-2410-0000	PPL Utilities	Depreciation
170.	2013	PA PUC	R-2013-2372129	Duquesne Light Company	Depreciation
171.	2013	NJ BPU	ER12111052	Jersey Central Power and Light Company	Depreciation
172.	2013	PA PUC	R-2013-2390244	Bethlehem, City of – Bureau of Water	Depreciation
173.	2013	OK CC	UM 1679	Oklahoma, Public Service Company of	Depreciation
174.	2013	IL CC	13-0500	Nicor Gas Company	Depreciation
175.	2013	WY PSC	20000-427-EA-13	PacifiCorp	Depreciation
176.	2013	UT PSC	13-035-02	PacifiCorp	Depreciation
177.	2013	OR PUC	UM 1647	PacifiCorp	Depreciation
178.	2013	PA PUC	2013-2350509	Dubois, City of	Depreciation
179.	2014	IL CC	14-0224	North Shore Gas Company	Depreciation
180.	2014	FERC	ER14- -0000	Duquesne Light Company	Depreciation
181.	2014	SD PUC	EL14-026	Black Hills Power Company	Depreciation
182.	2014	WY PSC	20002-91-ER-14	Black Hills Power Company	Depreciation
183.	2014	PA PUC	2014-2428304	Borough of Hanover – Municipal Water Works	Depreciation
184.	2014	PA PUC	2014-2406274	Columbia Gas of Pennsylvania	Depreciation
185.	2014	IL CC	14-0225	Peoples Gas Light and Coke Company	Depreciation
186.	2014	MO PSC	ER-2014-0258	Ameren Missouri	Depreciation
187.	2014	KS CC	14-BHCG-502-RTS	Black Hills Service Company	Depreciation
188.	2014	KS CC	14-BHCG-502-RTS	Black Hills Utility Holdings	Depreciation
189.	2014	KS CC	14-BHCG-502-RTS	Black Hills Kansas Gas	Depreciation
190.	2014	PA PUC	2014-2418872	Lancaster, City of – Bureau of Water	Depreciation
191.	2014	WV PSC	14-0701-E-D	First Energy – MonPower/PotomacEdison	Depreciation
192	2014	VA St CC	PUC-2014-00045	Aqua Virginia	Depreciation
193.	2014	VA St CC	PUE-2013	Virginia American Water Company	Depreciation
194.	2014	OK CC	PUD201400229	Oklahoma Gas and Electric Company	Depreciation
195.	2014	OR PUC	UM1679	Portland General Electric	Depreciation
196.	2014	IN URC	Cause No. 44576	Indianapolis Power & Light	Depreciation
197.	2014	MA DPU	DPU. 14-150	NSTAR Gas	Depreciation
198.	2014	CT PURA	14-05-06	Connecticut Light and Power	Depreciation
199.	2014	MO PSC	ER-2014-0370	Kansas City Power & Light	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	Year	Jurisdiction	Docket No.	Client Utility	Subject
200.	2014	KY PSC	2014-00371	Kentucky Utilities Company	Depreciation
201.	2014	KY PSC	2014-00372	Louisville Gas and Electric Company	Depreciation
202.	2015	PA PUC	R-2015-2462723	United Water Pennsylvania Inc.	Depreciation
203.	2015	PA PUC	R-2015-2468056	NiSource - Columbia Gas of Pennsylvania	Depreciation
204.	2015	NY PSC	15-E-0283/15-G-0284	New York State Electric and Gas Corporation	Depreciation
205.	2015	NY PSC	15-E-0285/15-G-0286	Rochester Gas and Electric Corporation	Depreciation
206.	2015	MO PSC	WR-2015-0301/SR-2015-0302	Missouri American Water Company	Depreciation
207.	2015	OK CC	PUD 201500208	Oklahoma, Public Service Company of	Depreciation
208.	2015	WV PSC	15-0676-W-42T	West Virginia American Water Company	Depreciation
209.	2015	PA PUC	2015-2469275	PPL Electric Utilities	Depreciation
210.	2015	IN URC	Cause No. 44688	Northern Indiana Public Service Company	Depreciation
211.	2015	OH PSC	14-1929-EL-RDR	First Energy-Ohio Edison/Cleveland Electric/ Toledo Edison	Depreciation
212.	2015	NM PRC	15-00127-UT	El Paso Electric	Depreciation
213.	2015	TX PUC	PUC-44941; SOAH 473-15-5257	El Paso Electric	Depreciation
214.	2015	WI PSC	3270-DU-104	Madison Gas and Electric Company	Depreciation
215.	2015	OK CC	PUD 201500273	Oklahoma Gas and Electric	Depreciation
216.	2015	KY PSC	Doc. No. 2015-00418	Kentucky American Water Company	Depreciation
217.	2015	NC UC	Doc. No. G-5, Sub 565	Public Service Company of North Carolina	Depreciation
218.	2016	WA UTC	Docket UE-17	Puget Sound Energy	Depreciation
219.	2016	NY PSC	Case No. 16-W-0130	SUEZ Water New York, Inc.	Depreciation
220.	2016	MO PSC	ER-2016-0156	KCPL – Greater Missouri	Depreciation
221.	2016	WI PSC		Wisconsin Public Service Commission	Depreciation
222.	2016	KY PSC	Case No. 2016-00026	Kentucky Utilities Company	Depreciation
223.	2016	KY PSC	Case No. 2016-00027	Louisville Gas and Electric Company	Depreciation
224.	2016	OH PUC	Case No. 16-0907-WW-AIR	Aqua Ohio	Depreciation
225.	2016	MD PSC	Case 9417	NiSource - Columbia Gas of Maryland	Depreciation
226.	2016	KY PSC	2016-00162	Columbia Gas of Kentucky	Depreciation
227.	2016	DE PSC	16-0649	Delmarva Power and Light Company – Electric	Depreciation
228.	2016	DE PSC	16-0650	Delmarva Power and Light Company – Gas	Depreciation
229.	2016	NY PSC	Case 16-G-0257	National Fuel Gas Distribution Corp – NY Div	Depreciation
230.	2016	PA PUC	R-2016-2537349	Metropolitan Edison Company	Depreciation
231.	2016	PA PUC	R-2016-2537352	Pennsylvania Electric Company	Depreciation
232.	2016	PA PUC	R-2016-2537355	Pennsylvania Power Company	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	Year	Jurisdiction	Docket No.	Client Utility	Subject
233.	2016	PA PUC	R-2016-2537359	West Penn Power Company	Depreciation
234.	2016	PA PUC	R-2016-2529660	NiSource - Columbia Gas of PA	Depreciation
235.	2016	KY PSC	Case No. 2016-00063	Kentucky Utilities / Louisville Gas & Electric Co	Depreciation
236.	2016	MO PSC	ER-2016-0285	KCPL Missouri	Depreciation
237.	2016	AR PSC	16-052-U	Oklahoma Gas & Electric Co	Depreciation
238.	2016	PSCW	6680-DU-104	Wisconsin Power and Light	Depreciation
239.	2016	ID PUC	IPC-E-16-23	Idaho Power Company	Depreciation
240.	2016	OR PUC	UM1801	Idaho Power Company	Depreciation
241.	2016	ILL CC	16-	MidAmerican Energy Company	Depreciation
242.	2016	KY PSC	Case No. 2016-00370	Kentucky Utilities Company	Depreciation
243.	2016	KY PSC	Case No. 2016-00371	Louisville Gas and Electric Company	Depreciation
244.	2016	IN URC	Cause No. 45029	Indianapolis Power & Light	Depreciation
245.	2016	AL RC	U-16-081	Chugach Electric Association	Depreciation
246.	2017	MA DPU	D.P.U. 17-05	NSTAR Electric Company and Western Massachusetts Electric Company	Depreciation
247.	2017	TX PUC	PUC-26831, SOAH 973-17-2686	El Paso Electric Company	Depreciation
248.	2017	WA UTC	UE-17033 and UG-170034	Puget Sound Energy	Depreciation
249.	2017	OH PUC	Case No. 17-0032-EL-AIR	Duke Energy Ohio	Depreciation
250.	2017	VA SCC	Case No. PUE-2016-00413	Virginia Natural Gas, Inc.	Depreciation
251.	2017	OK CC	Case No. PUD201700151	Public Service Company of Oklahoma	Depreciation
252.	2017	MD PSC	Case No. 9447	Columbia Gas of Maryland	Depreciation
253.	2017	NC UC	Docket No. E-2, Sub 1142	Duke Energy Progress	Depreciation
254.	2017	VA SCC	Case No. PUR-2017-00090	Dominion Virginia Electric and Power Company	Depreciation
255.	2017	FERC	ER17-1162	MidAmerican Energy Company	Depreciation
256.	2017	PA PUC	R-2017-2595853	Pennsylvania American Water Company	Depreciation
257.	2017	OR PUC	UM1809	Portland General Electric	Depreciation
258.	2017	FERC	ER17-217-000	Jersey Central Power & Light	Depreciation
259.	2017	FERC	ER17-211-000	Mid-Atlantic Interstate Transmission, LLC	Depreciation
260.	2017	MN PUC	Docket No. G007/D-17-442	Minnesota Energy Resources Corporation	Depreciation
261.	2017	IL CC	Docket No. 17-0124	Northern Illinois Gas Company	Depreciation
262.	2017	OR PUC	UM1808	Northwest Natural Gas Company	Depreciation
263.	2017	NY PSC	Case No. 17-W-0528	SUEZ Water Owego-Nichols	Depreciation
264.	2017	MO PSC	GR-2017-0215	Laclede Gas Company	Depreciation
265.	2017	MO PSC	GR-2017-0216	Missouri Gas Energy	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	Year	Jurisdiction	Docket No.	Client Utility	Subject
266.	2017	ILL CC	Docket No. 17-0337	Illinois-American Water Company	Depreciation
267.	2017	FERC	Docket No. ER18-22-000	PPL Electric Utilities Corporation	Depreciation
268.	2017	IN URC	Cause No. 44988	Northern Indiana Public Service Company	Depreciation
269.	2017	NJ BPU	BPU Docket No. WR17090985	New Jersey American Water Company, Inc.	Depreciation
270.	2017	RI PUC	Docket No. 4800	SUEZ Water Rhode Island	Depreciation
271.	2017	OK CC	Cause No. PUD 201700496	Oklahoma Gas and Electric Company	Depreciation
272.	2017	NJ BPU	ER18010029 & GR18010030	Public Service Electric and Gas Company	Depreciation
273.	2017	NC Util Com.	Docket No. E-7, SUB 1146	Duke Energy Carolinas, LLC	Depreciation
274.	2017	KY PSC	Case No. 2017-00321	Duke Energy Kentucky, Inc.	Depreciation
275.	2017	MA DPU	D.P.U. 18-40	Berkshire Gas Company	Depreciation
276.	2018	IN IURC	Cause No. 44992	Indiana-American Water Company, Inc.	Depreciation
277.	2018	IN IURC	Cause No. 45029	Indianapolis Power and Light	Depreciation
278.	2018	NC Util Com.	Docket No. W-218, Sub 497	Aqua North Carolina, Inc.	Depreciation
279.	2018	PA PUC	Docket No. R-2018-2647577	NiSource - Columbia Gas of Pennsylvania, Inc.	Depreciation
280.	2018	OR PUC	Docket UM 1933	Avista Corporation	Depreciation
281.	2018	WA UTC	Docket No. UE-108167	Avista Corporation	Depreciation
282.	2018	ID PUC	AVU-E-18-03, AVU-G-18-02	Avista Corporation	Depreciation
283.	2018	IN URC	Cause No. 45039	Citizens Energy Group	Depreciation
284.	2018	FERC	Docket No. ER18-	Duke Energy Progress	Depreciation
285.	2018	PA PUC	Docket No. R-2018-3000124	Duquesne Light Company	Depreciation
286.	2018	MD PSC	Case No. 948	NiSource - Columbia Gas of Maryland	Depreciation
287.	2018	MA DPU	D.P.U. 18-45	NiSource - Columbia Gas of Massachusetts	Depreciation
288.	2018	OH PUC	Case No. 18-0299-GA-ALT	Vectren Energy Delivery of Ohio	Depreciation
289.	2018	PA PUC	Docket No. R-2018-3000834	SUEZ Water Pennsylvania Inc.	Depreciation
290.	2018	MD PSC	Case No. 9847	Maryland-American Water Company	Depreciation
291.	2018	PA PUC	Docket No. R-2018-3000019	The York Water Company	Depreciation
292.	2018	FERC	ER-18-2231-000	Duke Energy Carolinas, LLC	Depreciation
293.	2018	KY PSC	Case No. 2018-00261	Duke Energy Kentucky, Inc.	Depreciation
294.	2018	NJ BPU	BPU Docket No. WR18050593	SUEZ Water New Jersey	Depreciation
295.	2018	WA UTC	Docket No. UE-180778	PacifiCorp	Depreciation
296.	2018	UT PSC	Docket No. 18-035-36	PacifiCorp	Depreciation
297.	2018	OR PUC	Docket No. UM-1968	PacifiCorp	Depreciation
298.	2018	ID PUC	Case No. PAC-E-18-08	PacifiCorp	Depreciation
299.	2018	WY PSC	20000-539-EA-18	PacifiCorp	Depreciation
300.	2018	PA PUC	Docket No. R-2018-3003068	Aqua Pennsylvania, Inc.	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	Year	Jurisdiction	Docket No.	Client Utility	Subject
301.	201	IL CC	Docket No. 18-1467	Aqua Illinois, Inc.	Depreciation
302.	201	KY PSC	Case No. 2018-00294	Louisville Gas & Electric Company	Depreciation
303.	201	KY PSC	Case No. 2018-00295	Kentucky Utilities Company	Depreciation
304.		IN URC	Cause No. 45159	Northern Indiana Public Service Company	Depreciation
305.	201	VA SCC	Case No. PUR-2019-00175	Virginia American Water Company	Depreciation
306.	201	PA PUC	Docket No. R-2018-3006818	Peoples Natural Gas Company, LLC	Depreciation
307.	201	OK CC	Cause No. PUD201800140	Oklahoma Gas and Electric Company	Depreciation
308.	201	MD PSC	Case No. 9490	FirstEnergy – Potomac Edison	Depreciation
309.	201	SC PSC	Docket No. 2018-318-E	Duke Energy Progress	Depreciation
310.	201	SC PSC	Docket No. 2018-319-E	Duke Energy Carolinas	Depreciation
311.	201	DE PSC	DE 19-057	Public Service of New Hampshire	Depreciation
312.	201	NY PSC	Case No. 19-W-0168 & 19-W-0269	SUEZ Water New York	Depreciation
313.	201	PA PUC	Docket No. R-2019-3006904	Newtown Artesian Water Company	Depreciation
314.	201	MO PSC	ER-2019-0335	Ameren Missouri	Depreciation
315.	201	MO PSC	EC-2019-0200	KCP&L Greater Missouri Operations Company	Depreciation
316.	201	MN DOC	G011/D-19-377	Minnesota Energy Resource Corp.	Depreciation
317.	201	NY PSC	Case 19-E-0378 & 19-G-0379	New York State Electric and Gas Corporation	Depreciation
318.	201	NY PSC	Case 19-E-0380 & 19-G-0381	Rochester Gas and Electric Corporation	Depreciation
319.	201	WA UTC	Docket UE-19 / UG-19	Puget Sound Energy	Depreciation
320.	201	PA PUC	Docket No. R-2019-	City of Lancaster	Depreciation
321.	201	IURC	Cause No. 45253	Duke Energy Indiana	Depreciation
322.	201	KY PSC	Case No. 2019-00271	Duke Energy Kentucky, Inc.	Depreciation
323.	201	OH PUC	Case No. 18-1720-GA-AIR	Northeast Ohio Natural Gas Corp	Depreciation
324.	201	NC Util. Com.	Docket No. E-2, Sub 1219	Duke Energy Carolinas	Depreciation
325.	201	FERC	Docket No. ER20-277-000	Jersey Central Power & Light Company	Depreciation
326.	2019	MA DPU	D.P.U. 19-120	NSTAR Gas Company	Depreciation
327.	2019	SC PSC	Docket No. 2019-290-WS	Blue Granite Water Company	Depreciation
328.	2019	NC Util. Com.	Docket No. E-2, Sub 1219	Duke Energy Progress	Depreciation
329.	2019	MD PSC	Case No. 9609	NiSource Columbia Gas of Maryland, Inc.	Depreciation
330.	2020	NJ BPU	Docket No. ER20020146	Jersey Central Power & Light Company	Depreciation
331.	2020	PA PUC	Docket No. R-2020-3018835	NiSource - Columbia Gas of Pennsylvania, Inc.	Depreciation
332.	2020	PA PUC	Docket No. R-2020-3019369	Pennsylvania-American Water Company	Depreciation
333.	2020	PA PUC	Docket No. R-2020-3019371	Pennsylvania-American Water Company	Depreciation
334.	2020	MO PSC	GO-2018-0309, GO-2018-0310	Spire Missouri, Inc.	Depreciation
335.	2020	NM PRC	Case No. 20-00104-UT	El Paso Electric Company	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	Year	Jurisdiction	Docket No.	Client Utility	Subject
336.	2020	MD PSC	Case No. 9644	Columbia Gas of Maryland, Inc.	Depreciation
337.	2020	MO PSC	GO-2018-0309, GO-2018-0310	Spire Missouri, Inc.	Depreciation
338.	2020	VA St CC	Case No. PUR-2020-00095	Virginia Natural Gas Company	Depreciation
339.	2020	SC PSC	Docket No. 2020-125-E	Dominion Energy South Carolina, Inc.	Depreciation
340.	2020	WV PSC	Case No. 20-0745-G-D	Hope Gas, Inc. d/b/a Dominion Energy West	Depreciation
341.	2020	VA St CC	Case No. PUR-2020-00106	Aqua Virginia, Inc.	Depreciation
342.	2020	PA PUC	Docket No. R-2020-3020256	City of Bethlehem – Bureau of Water	Depreciation
343.	2020	NE PSC	Docket No. NG-109	Black Hills Nebraska	Depreciation
344.	2020	NY PSC	Case No. 20-E-0428 & 20-G-0429	Central Hudson Gas & Electric Corporation	Depreciation
345.	2020	FERC	ER20-598	Duke Energy Indiana	Depreciation
346.	2020	FERC	ER20-855	Northern Indiana Public Service Company	Depreciation
347.	2020	OR PSC	UE 374	Pacificorp	Depreciation
348.	2020	MD PSC	Case No. 9490 Phase II	Potomac Edison – Maryland	Depreciation
349.	2020	IN URC	Case No. 45447	Southern Indiana Gas and Electric Company	Depreciation
350.	2020	IN URC	IURC Cause No. 45468	Indiana Gas Company, Inc. d/b/a Vectren Energy	Depreciation
351.	2020	KY PSC	Case No. 2020-00349	Kentucky Utilities Company	Depreciation
352.	2020	KY PSC	Case No. 2020-00350	Louisville Gas and Electric Company	Depreciation
353.	2020	FERC	Docket No. ER21- 000	South FirstEnergy Operating Companies	Depreciation
354.	2020	OH PUC	Case Nos 20-1651-EL-AIR, 20-1652-EL-AAM & 20-1653-EL-ATA	Dayton Power and Light Company	Depreciation
355.	2020	OR PSC	UE 388	Northwest Natural Gas Company	Depreciation
356.	2020	MO PSC	Case No. GR-2021-0241	Ameren Missouri Gas	Depreciation
357.	2021	KY PSC	Case No. 2021-00103	East Kentucky Power Cooperative	Depreciation
358.	2021	MPUC	Docket No. 2021-00024	Bangor Natural Gas	Depreciation
359.	2021	PA PUC	Docket No. R-2021-3024296	Columbia Gas of Pennsylvania, Inc.	Depreciation
360.	2021	NC Util. Com.	Doc. No. G-5, Sub 632	Public Service of North Carolina	Depreciation
361.	2021	MO PSC	ER-2021-0240	Ameren Missouri	Depreciation
362.	2021	PA PUC	Docket No. R-2021-3024750	Duquesne Light Company	Depreciation
363.	2021	KS PSC	21-BHCG-418-RTS	Black Hills Kansas Gas	Depreciation
364.	2021	KY PSC	Case No. 2021-00190	Duke Energy Kentucky	Depreciation
365.	2021	OR PSC	Docket UM 2152	Portland General Electric	Depreciation
366.	2021	ILL CC	Docket No. 20-0810	North Shore Gas Company	Depreciation
367.	2021	FERC	ER21-1939-000	Duke Energy Progress	Depreciation
368.	2021	FERC	ER21-1940-000	Duke Energy Carolina	Depreciation
369.	2021	KY PSC	Case No. 2021-00183	NiSource Columbia Gas of Kentucky	Depreciation
370.	2021	MD PSC	Case No. 9664	NiSource Columbia Gas of Maryland	Depreciation
370.	2021	MD PSC	Case No. 9664	NiSource Columbia Gas of Maryland	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	Year	Jurisdiction	Docket No.	Client Utility	Subject
371.	2021	OH PUC	Case No. 21-0596-ST-AIR	Aqua Ohio	Depreciation
372.	2021	PA PUC	Docket No. R-2021-3026116	Hanover Borough Municipal Water Works	Depreciation
373.	2021	OR PSC	UM-2180	Idaho Power Company	Depreciation
374.	2021	ID PUC	Case No. IPC-E-21-18	Idaho Power Company	Depreciation
375.	2021	WPSC	6690-DU-104	Wisconsin Public Service Company	Depreciation
376.	2021	PAPUC	Docket No. R-2021-3026116	Borough of Hanover	Depreciation
377.	2021	OH PUC	Case No. 21-637-GA-AIR; Case No. 21-638-GA-ALT; Case No. 21-639-GA-UNC; Case No. 21-640-GA-AAM	NiSource Columbia Gas of Ohio	Depreciation
378.	2021	TX PUC	Texas PUC Docket No. 52195; SOHA Docket No. 473-21-2606	El Paso Electric	Depreciation
379.	2021	MO PSC	Case No. GR.2021-0108	Spire Missouri	Depreciation
380.	2021	WV PSC	Case No. 21-0215-WS-P	West Virginia American Water Company	Depreciation
381.	2021	FERC	ER21-2736	Duke Energy Carolinas	Depreciation
382.	2021	FERC	ER21-2737	Duke Energy Progress	Depreciation
383.	2021	IN URC	Cause #45621	Northern Indiana Public Service Company	Depreciation
384.	2021	PA PUC	Docket No. R-2021-3026682	City of Lancaster	Depreciation
385.	2021	OH PUC	Case No. 21-887-EL-AIR; Case No. 21-888-EL-ATA; Case No. 889-El-AAM	Duke Energy Ohio	Depreciation
386.	2021	AK PSC	Docket No. 21-097-U	Black Hills Energy Arkansas, Inc.	Depreciation
387.	2021	OK CC	Cause No. PUD202100164	Oklahoma Gas & Electric	Depreciation
388.	2021	FERC	Case ER-22-392-001	El Paso Electric	Depreciation
389.	2021	FERC	Case ER-21-XXX	MidAmerican Electric	Depreciation
390.	2021	ILL CC		MidAmerican Gas	Depreciation
391.	2022	MO PSC	Case No. ER-2022-0129	Evergy Metro	Depreciation
392.	2022	MO PSC	Case No. ER-2022-0130	Evergy Missouri West	Depreciation

PLANT ROLLFORWARD

	2022	2022			2023		
	NOV 30	DECEMBER			JANUARY		
Account	Begin. Balance	Additions	Retirements	Ending Balance	Additions	Retirements	Ending Balance
350.20	1,932.08			1,932.08			1,932.08
351.00	3,294,840.03			3,294,840.03			3,294,840.03
352.01	1,126,771.93			1,126,771.93			1,126,771.93
352.02	1,072,969.88			1,072,969.88			1,072,969.88
352.10	206,940.78			206,940.78			206,940.78
353.00	389,345.13			389,345.13			389,345.13
354.00	948,176.70			948,176.70			948,176.70
355.00	104,476.92			104,476.92			104,476.92
374.40	4,619,075.10	35,829.23	1,920.00	4,652,984.33	10,334.59	414.22	4,662,904.70
374.50	3,233,171.42			3,233,171.42			3,233,171.42
375.34	6,857,841.44	157,499.34	8,440.00	7,006,900.78	45,429.12	2,011.19	7,050,318.71
375.60	86,227.87			86,227.87			86,227.87
375.70	42,192,056.20	225,930.00		42,417,986.20			42,417,986.20
375.80	16,515.17			16,515.17			16,515.17
376.00	2,380,709,588.84	33,449,126.08	1,762,327.33	2,412,396,387.59	10,847,542.17	933,634.43	2,422,310,295.33
378.00	157,110,988.70	5,668,205.85	85,040.65	162,694,153.90	2,054,886.21	88,392.93	164,660,647.18
379.10	135,966.90			135,966.90			135,966.90
380.00	759,473,453.76	11,986,253.43	636,966.09	770,822,741.10	3,947,944.38	248,202.04	774,522,483.44
381.00	43,392,683.65	192,731.61	12,150.60	43,573,264.66	58,296.03	2,963.97	43,628,596.72
381.10	24,862,040.62	34,011.46		24,896,052.08	10,287.54		24,906,339.62
382.00	43,792,490.50	237,007.10	12,700.62	44,016,796.98	71,397.17	3,109.01	44,085,085.14
383.00	19,953,375.20	139,026.83	7,450.11	20,084,951.92	49,442.15	2,005.35	20,132,388.72
385.00	7,654,727.16	164,217.33	8,800.00	7,810,144.49	47,366.86	2,092.08	7,855,419.27
387.00	136,698.14			136,698.14			136,698.14
387.40	11,890,928.02			11,890,928.02			11,890,928.02
387.50	2,201,371.95			2,201,371.95			2,201,371.95
390.10	49,821.42			49,821.42			49,821.42
391.10	2,706,692.18		11,485.98	2,695,206.20			2,695,206.20
391.11	91,303.67			91,303.67			91,303.67
391.12	2,178,866.80		1,647,829.26	531,037.54			531,037.54
392.00	25,616.89			25,616.89			25,616.89
394.00	27,423,137.06	1,345,572.41	1,134,742.92	27,633,966.55	85,632.31		27,719,598.86
394.12	0.00			0.00			0.00
395.00	266,039.42		1,118.18	264,921.24			264,921.24
396.00	948,698.04			948,698.04			948,698.04
397.50	1,888,281.55	211,691.06	11,344.00	2,088,628.61	47,210.18	6,393.44	2,129,445.35
398.00	950,950.58		136.82	950,813.76			950,813.76
303.00	47,459,794.63	4,149,711.36	459,807.81	51,149,698.18		129,276.91	51,020,421.27
303.60	10,074,348.44	2,030,834.76		12,105,183.20			12,105,183.20
362.10				0.00			0.00
375.71	6,363,928.38	217,070.00		6,580,998.38			6,580,998.38
Total Plant	**3,615,892,133.15**	**60,244,717.85**	**5,802,260.37**	**3,670,334,590.63**	**17,275,768.71**	**1,418,495.57**	**3,686,191,863.77**

PLANT ROLLFORWARD

	2023			2023		
	FEBRUARY			MARCH		
Account	Additions	Retirements	Ending Balance	Additions	Retirements	Ending Balance
350.20			1,932.08			1,932.08
351.00			3,294,840.03			3,294,840.03
352.01			1,126,771.93			1,126,771.93
352.02			1,072,969.88			1,072,969.88
352.10			206,940.78			206,940.78
353.00			389,345.13			389,345.13
354.00			948,176.70			948,176.70
355.00			104,476.92			104,476.92
374.40	14,790.06	472.59	4,677,222.17	12,953.65	804.04	4,689,371.78
374.50			3,233,171.42			3,233,171.42
375.34	65,014.62	1,985.76	7,113,347.57	56,942.09	3,151.67	7,167,137.99
375.60			86,227.87			86,227.87
375.70			42,417,986.20			42,417,986.20
375.80			16,515.17			16,515.17
376.00	15,524,158.26	1,113,067.55	2,436,721,386.04	13,596,603.82	1,370,366.55	2,448,947,623.31
378.00	2,940,793.23	85,084.32	167,516,356.09	2,575,650.15	110,116.11	169,981,890.13
379.10			135,966.90			135,966.90
380.00	5,649,990.79	285,547.37	779,886,926.86	4,948,460.66	444,933.55	784,390,453.97
381.00	83,428.75	3,032.68	43,708,992.79	73,069.83	4,903.37	43,777,159.25
381.10	14,722.71		24,921,062.33	12,894.67		24,933,957.00
382.00	102,178.08	3,145.81	44,184,117.41	89,491.15	5,057.40	44,268,551.16
383.00	70,757.74	2,249.54	20,200,896.92	61,972.12	3,799.09	20,259,069.95
385.00	67,787.76	2,072.82	7,921,134.21	59,370.90	3,295.94	7,977,209.17
387.00			136,698.14			136,698.14
387.40			11,890,928.02			11,890,928.02
387.50			2,201,371.95			2,201,371.95
390.10			49,821.42			49,821.42
391.10			2,695,206.20			2,695,206.20
391.11			91,303.67			91,303.67
391.12			531,037.54			531,037.54
392.00			25,616.89			25,616.89
394.00	122,550.30		27,842,149.16	107,333.87		27,949,483.03
394.12			0.00			0.00
395.00			264,921.24			264,921.24
396.00			948,698.04			948,698.04
397.50	67,563.53	6,393.44	2,190,615.44	59,174.52	6,604.74	2,243,185.22
398.00			950,813.76			950,813.76
303.00		95,510.34	50,924,910.93		12,408.54	50,912,502.39
303.60			12,105,183.20			12,105,183.20
362.10			0.00			0.00
375.71			6,580,998.38			6,580,998.38
Total Plant	**24,723,735.83**	**1,598,562.22**	**3,709,317,037.38**	**21,653,917.43**	**1,965,441.00**	**3,729,005,513.81**

PLANT ROLLFORWARD

	2023			2023		
	APRIL			MAY		
Account	Additions	Retirements	Ending Balance	Additions	Retirements	Ending Balance
350.20			1,932.08			1,932.08
351.00			3,294,840.03			3,294,840.03
352.01			1,126,771.93			1,126,771.93
352.02			1,072,969.88			1,072,969.88
352.10			206,940.78			206,940.78
353.00			389,345.13			389,345.13
354.00			948,176.70			948,176.70
355.00			104,476.92			104,476.92
374.40	11,412.01	1,557.19	4,699,226.60	14,038.50	2,239.49	4,711,025.61
374.50			3,233,171.42			3,233,171.42
375.34	50,165.30	5,425.33	7,211,877.96	61,710.91	8,084.20	7,265,504.67
375.60			86,227.87			86,227.87
375.70		1,512.62	42,416,473.58			42,416,473.58
375.80			16,515.17			16,515.17
376.00	11,978,444.20	1,489,102.60	2,459,436,964.91	14,735,301.07	1,799,489.20	2,472,372,776.78
378.00	2,269,116.76	364,054.87	171,886,952.02	2,791,357.37	396,579.32	174,281,730.07
379.10			135,966.90			135,966.90
380.00	4,359,534.23	476,434.42	788,273,553.78	5,362,887.57	570,373.34	793,066,068.01
381.00	64,373.63	8,729.69	43,832,803.19	79,189.34	12,873.01	43,899,119.52
381.10	11,360.06		24,945,317.06	13,974.58		24,959,291.64
382.00	78,840.63	8,912.99	44,338,478.80	96,985.91	13,184.38	44,422,280.33
383.00	54,596.69	7,273.35	20,306,393.29	67,162.21	10,495.25	20,363,060.25
385.00	52,305.05	5,693.24	8,023,820.98	64,343.13	8,474.27	8,079,689.84
387.00			136,698.14			136,698.14
387.40			11,890,928.02			11,890,928.02
387.50			2,201,371.95			2,201,371.95
390.10			49,821.42			49,821.42
391.10			2,695,206.20			2,695,206.20
391.11			91,303.67			91,303.67
391.12			531,037.54			531,037.54
392.00			25,616.89			25,616.89
394.00	94,559.84		28,044,042.87	116,322.93		28,160,365.80
394.12			0.00			0.00
395.00			264,921.24			264,921.24
396.00			948,698.04			948,698.04
397.50	52,132.04	7,027.34	2,288,289.92	64,130.30	7,661.24	2,344,758.98
398.00			950,813.76			950,813.76
303.00			50,912,502.39			50,912,502.39
303.60			12,105,183.20			12,105,183.20
362.10			0.00			0.00
375.71		1,453.31	6,579,545.07			6,579,545.07
Total Plant	**19,076,840.44**	**2,377,176.95**	**3,745,705,177.30**	**23,467,403.82**	**2,829,453.70**	**3,766,343,127.42**

PLANT ROLLFORWARD

	2023			2023		
	JUNE			JULY		
Account	Additions	Retirements	Ending Balance	Additions	Retirements	Ending Balance
350.20			1,932.08			1,932.08
351.00			3,294,840.03			3,294,840.03
352.01			1,126,771.93			1,126,771.93
352.02			1,072,969.88			1,072,969.88
352.10			206,940.78			206,940.78
353.00			389,345.13			389,345.13
354.00			948,176.70			948,176.70
355.00			104,476.92			104,476.92
374.40	19,305.53	2,166.87	4,728,164.27	16,677.48	1,905.48	4,742,936.27
374.50			3,233,171.42			3,233,171.42
375.34	84,863.91	7,891.92	7,342,476.66	73,311.41	7,840.40	7,407,947.67
375.60			86,227.87			86,227.87
375.70	204,296.98	12,303.94	42,608,466.62		1,844.68	42,606,621.94
375.80			16,515.17			16,515.17
376.00	20,263,762.98	1,916,417.65	2,490,720,122.11	17,505,262.27	2,022,248.48	2,506,203,135.90
378.00	3,838,632.41	387,942.45	177,732,420.03	3,316,080.40	445,370.84	180,603,129.59
379.10			135,966.90			135,966.90
380.00	7,374,961.80	669,628.38	799,771,401.43	6,371,010.21	668,736.06	805,473,675.58
381.00	108,899.97	12,534.52	43,995,484.97	94,075.45	12,039.97	44,077,520.45
381.10	19,217.64		24,978,509.28	16,601.55		24,995,110.83
382.00	133,373.56	12,847.63	44,542,806.26	115,217.45	12,467.93	44,645,555.78
383.00	92,360.45	10,163.60	20,445,257.10	79,787.44	9,049.49	20,515,995.05
385.00	88,483.71	8,270.53	8,159,903.02	76,438.44	8,188.60	8,228,152.86
387.00			136,698.14			136,698.14
387.40			11,890,928.02			11,890,928.02
387.50			2,201,371.95			2,201,371.95
390.10			49,821.42			49,821.42
391.10			2,695,206.20			2,695,206.20
391.11			91,303.67			91,303.67
391.12			531,037.54			531,037.54
392.00			25,616.89			25,616.89
394.00	159,965.54		28,320,331.34	138,189.47		28,458,520.81
394.12			0.00			0.00
395.00			264,921.24			264,921.24
396.00			948,698.04			948,698.04
397.50	88,191.02	7,661.24	2,425,288.76	76,185.60	7,661.24	2,493,813.12
398.00			950,813.76			950,813.76
303.00	5,767,659.62		56,680,162.01			56,680,162.01
303.60	1,142,958.88		13,248,142.08			13,248,142.08
362.10			0.00			0.00
375.71	196,285.34	11,821.43	6,764,008.98		1,772.33	6,762,236.65
Total Plant	**39,583,219.34**	**3,059,650.16**	**3,802,866,696.60**	**27,878,837.17**	**3,199,125.50**	**3,827,546,408.27**

PLANT ROLLFORWARD

	2023			2023		
	AUGUST			SEPTEMBER		
Account	Additions	Retirements	Ending Balance	Additions	Retirements	Ending Balance
350.20			1,932.08			1,932.08
351.00			3,294,840.03			3,294,840.03
352.01			1,126,771.93			1,126,771.93
352.02			1,072,969.88			1,072,969.88
352.10			206,940.78			206,940.78
353.00			389,345.13			389,345.13
354.00			948,176.70			948,176.70
355.00			104,476.92			104,476.92
374.40	27,058.65	1,634.87	4,768,360.05	22,757.85	2,015.88	4,789,102.02
374.50			3,233,171.42			3,233,171.42
375.34	118,945.30	8,524.87	7,518,368.10	100,039.70	9,457.12	7,608,950.68
375.60			86,227.87			86,227.87
375.70		10,606.84	42,596,015.10	204,296.98	22,763.20	42,777,548.88
375.80			16,515.17			16,515.17
376.00	28,401,699.94	2,070,482.29	2,532,534,353.55	23,887,430.84	2,246,613.80	2,554,175,170.59
378.00	5,380,229.05	504,587.71	185,478,770.93	4,525,075.95	550,356.65	189,453,490.23
379.10			135,966.90			135,966.90
380.00	10,336,750.01	821,399.05	814,989,026.54	8,693,789.51	753,421.60	822,929,394.45
381.00	152,634.25	12,361.66	44,217,793.04	128,374.01	14,051.06	44,332,115.99
381.10	26,935.45		25,022,046.28	22,654.23		25,044,700.51
382.00	186,936.45	13,033.58	44,819,458.65	157,224.09	14,700.85	44,961,981.89
383.00	129,452.45	7,987.79	20,637,459.71	108,876.81	9,718.28	20,736,618.24
385.00	124,018.80	8,854.09	8,343,317.57	104,306.80	9,845.20	8,437,779.17
387.00			136,698.14			136,698.14
387.40			11,890,928.02			11,890,928.02
387.50			2,201,371.95			2,201,371.95
390.10			49,821.42			49,821.42
391.10			2,695,206.20			2,695,206.20
391.11			91,303.67			91,303.67
391.12			531,037.54			531,037.54
392.00			25,616.89			25,616.89
394.00	224,207.77		28,682,728.58	188,571.38		28,871,299.96
394.12			0.00			0.00
395.00			264,921.24			264,921.24
396.00			948,698.04			948,698.04
397.50	123,608.58	7,661.24	2,609,760.46	103,961.79	7,661.24	2,706,061.01
398.00			950,813.76			950,813.76
303.00		386,186.58	56,293,975.43	5,767,659.62	201,376.39	61,860,258.66
303.60			13,248,142.08	1,142,958.88		14,391,100.96
362.10			0.00			0.00
375.71		10,190.89	6,752,045.76	196,285.34	21,870.53	6,926,460.57
Total Plant	**45,232,476.70**	**3,863,511.46**	**3,868,915,373.51**	**45,354,263.78**	**3,863,851.80**	**3,910,405,785.49**

PLANT ROLLFORWARD

	2023			2023		
	OCTOBER			NOVEMBER		
Account	Additions	Retirements	Ending Balance	Additions	Retirements	Ending Balance
350.20			1,932.08			1,932.08
351.00			3,294,840.03			3,294,840.03
352.01			1,126,771.93			1,126,771.93
352.02			1,072,969.88			1,072,969.88
352.10			206,940.78			206,940.78
353.00			389,345.13			389,345.13
354.00			948,176.70			948,176.70
355.00			104,476.92			104,476.92
374.40	30,532.11	2,284.25	4,817,349.88	24,310.34	1,789.04	4,839,871.18
374.50			3,233,171.42			3,233,171.42
375.34	134,214.07	8,560.95	7,734,603.80	106,864.22	9,825.84	7,831,642.18
375.60			86,227.87			86,227.87
375.70			42,777,548.88			42,777,548.88
375.80			16,515.17			16,515.17
376.00	32,047,569.19	1,938,597.35	2,584,284,142.43	25,516,985.73	1,629,157.78	2,608,171,970.38
378.00	6,070,878.25	227,149.97	195,297,218.51	4,833,767.97	278,255.03	199,852,731.45
379.10			135,966.90			135,966.90
380.00	11,663,657.88	790,980.81	833,802,071.52	9,286,863.23	832,900.73	842,256,034.02
381.00	172,227.59	13,486.42	44,490,857.16	137,131.44	14,089.04	44,613,899.56
381.10	30,393.11		25,075,093.62	24,199.67		25,099,293.29
382.00	210,933.10	13,857.43	45,159,057.56	167,949.62	14,908.57	45,312,098.61
383.00	146,070.00	10,744.19	20,871,944.05	116,304.17	8,802.83	20,979,445.39
385.00	139,938.85	8,964.15	8,568,753.87	111,422.41	10,194.53	8,669,981.75
387.00			136,698.14			136,698.14
387.40			11,890,928.02			11,890,928.02
387.50			2,201,371.95			2,201,371.95
390.10			49,821.42			49,821.42
391.10			2,695,206.20			2,695,206.20
391.11			91,303.67			91,303.67
391.12			531,037.54			531,037.54
392.00			25,616.89			25,616.89
394.00	252,988.88		29,124,288.84	201,435.36		29,325,724.20
394.12			0.00			0.00
395.00			264,921.24			264,921.24
396.00			948,698.04			948,698.04
397.50	139,475.97	7,661.24	2,837,875.74	111,053.86	7,661.24	2,941,268.36
398.00			950,813.76			950,813.76
303.00		234,667.17	61,625,591.49		880,884.53	60,744,706.96
303.60			14,391,100.96		96,632.76	14,294,468.20
362.10			0.00			0.00
375.71			6,926,460.57			6,926,460.57
Total Plant	**51,038,879.00**	**3,256,953.93**	**3,958,187,710.56**	**40,638,288.02**	**3,785,101.92**	**3,995,040,896.66**

PLANT ROLLFORWARD

	2023		
	DECEMBER		
Account	Additions	Retirements	Ending Balance
350.20			1,932.08
351.00			3,294,840.03
352.01			1,126,771.93
352.02			1,072,969.88
352.10			206,940.78
353.00			389,345.13
354.00			948,176.70
355.00			104,476.92
374.40	35,829.23	1,916.08	4,873,784.33
374.50			3,233,171.42
375.34	157,499.34	11,640.76	7,977,500.76
375.60			86,227.87
375.70	204,296.98		42,981,845.86
375.80			16,515.17
376.00	37,607,614.29	1,669,633.60	2,644,109,951.07
378.00	7,124,136.19	333,936.84	206,642,930.80
379.10			135,966.90
380.00	13,687,226.77	772,088.82	855,171,171.97
381.00	202,107.97	16,351.85	44,799,655.68
381.10	35,666.11		25,134,959.40
382.00	247,528.63	17,418.90	45,542,208.34
383.00	171,412.19	9,566.79	21,141,290.79
385.00	164,217.33	12,054.56	8,822,144.52
387.00			136,698.14
387.40			11,890,928.02
387.50			2,201,371.95
390.10			49,821.42
391.10		96,741.60	2,598,464.60
391.11			91,303.67
391.12		173,736.13	357,301.41
392.00			25,616.89
394.00	296,880.80	383,704.26	29,238,900.74
394.12			0.00
395.00			264,921.24
396.00			948,698.04
397.50	163,674.14	7,661.24	3,097,281.26
398.00		2,264.03	948,549.73
303.00	5,767,659.62	1,188,910.80	65,323,455.78
303.60	1,142,958.88		15,437,427.08
362.10			0.00
375.71	196,285.34		7,122,745.91
Total Plant	**67,204,993.81**	**4,697,626.26**	**4,057,548,264.21**

RESERVE BRINGFORWARD

			PROJECTED 2022			PROJECTED 2023			2022							
	2022	'Accrual			'5-yr			'5-yr	DECEMBER							
Account	NOV 30 Begin. Balance	Rates 11-2022	COR % of Rets	Salvage % of Rets	Amort of NS 2017-2021	COR % of Rets	Salvage % of Rets	Amort of NS 2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,606,581
352.01	834,026	8.44							7,925	0	7,925	0	0	0		841,951
352.02	392,390	20.72							18,527	0	18,527	0	0	0		410,917
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		388,923
354.00	849,418	3.41							2,694	0	2,694	0	0	0		852,112
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,529	829	7,358	1,920	154	0		933,047
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,829,777
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	13,403	2,826	16,228	8,440	3,292	0		1,482,982
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,011
375.70	5,155,365	2.82	0.00		1	0.00		1	99,417	0	99,417	0	0	0		5,254,782
375.80	8,614	2.15							30	0	30	0	0	0		8,644
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,293,824	106,951	4,400,775	1,762,327	158,609	0		341,172,579
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	534,341	18,079	552,420	85,041	23,811	0		24,102,136
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		62,241
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	1,919,246	274,810	2,194,057	636,966	210,199	0		154,741,124
381.00	18,434,086	2.39			(17,978)			(12,056)	86,604	(1,498)	85,105	12,151	0	0		18,507,041
381.10	18,366,394	5.13							106,358	0	106,358	0	0	0		18,472,752
382.00	15,760,586	1.87			483			483	68,418	40	68,458	12,701	0	0		15,816,344
383.00	8,225,155	2.06	0.02		185	0.02		483	34,366	15	34,382	7,450	149	0		8,251,938
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	33,443	8,952	42,395	8,800	2,640	0		2,537,264
387.00	80,436	3.03							345	0	345	0	0	0		80,781
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	174	48,035	0	0	0		3,057,268
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,758,164
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,061	0	10,061	11,486	0	0		1,007,617
391.11	52,960	6.41							488	0	488	0	0	0		53,448
391.12	1,919,443	5.98							6,752	0	6,752	1,647,829	0	0		278,366
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		23,348
394.00	7,888,586	3.76			(923)			(1,253)	86,256	(77)	86,179	1,134,743	0	0	54	6,840,076
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,144	0	1,144	1,118	0	0		97,012
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		923,541
397.50	680,969	4.70			51				7,788	4	7,792	11,344	0	0		677,417
398.00	529,599	6.11							4,842	0	4,842	137	0	0		534,304
303.00	19,902,888								675,054	0	675,054	459,808	0	0		20,118,134
303.60	2,374,987								209,991	0	209,991	0	0	0		2,584,978
362.10	(156,998)				78,262			66,978	0	6,522	6,522	0	0	0		(150,476)
375.71	2,870,239								42,310	0	42,310	0	0	0		2,912,549
Total	**636,936,813**				**5,004,484**			**5,134,298**	**8,356,093**	**417,040**	**8,773,133**	**5,802,260**	**398,854**	**0**	**0**	**639,508,832**

RESERVE BRINGFORWARD

			PROJECTED 2022				PROJECTED 2023										
	2022	'Accrual			'5-yr			'5-yr	2023								
	NOV 30	Rates	COR	Salvage	Amort of NS	COR	Salvage	Amort of NS	JANUARY								
Account	Begin. Balance	11-2022	% of Rets	% of Rets	2017-2021	% of Rets	% of Rets	2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,626,130
352.01	834,026	8.44							7,925	0	7,925	0	0	0		849,876
352.02	392,390	20.72							18,527	0	18,527	0	0	0		429,443
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		388,950
354.00	849,418	3.41							2,694	0	2,694	0	0	0		854,807
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,560	217	6,777	414	33	0		939,377
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,832,687
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	13,589	2,772	16,361	2,011	784	0		1,496,547
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,062
375.70	5,155,365	2.82	0.00		1	0.00		1	99,682	0	99,682	0	0	0		5,354,464
375.80	8,614	2.15							30	0	30	0	0	0		8,673
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,331,091	113,936	4,445,027	933,634	84,027	0		344,599,944
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	546,955	24,881	571,836	88,393	24,750	0		24,560,829
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		64,238
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	1,938,120	274,424	2,212,545	248,202	81,907	0		156,623,560
381.00	18,434,086	2.39			(17,978)			(12,056)	86,839	(1,005)	85,834	2,964	0	0		18,589,911
381.10	18,366,394	5.13							106,453	0	106,453	0	0	0		18,579,205
382.00	15,760,586	1.87			483			483	68,646	40	68,686	3,109	0	0		15,881,921
383.00	8,225,155	2.06	0.02		185	0.02		483	34,520	40	34,560	2,005	40	0		8,284,452
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	33,877	7,495	41,372	2,092	628	0		2,575,917
387.00	80,436	3.03							345	0	345	0	0	0		81,126
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,105,296
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,772,729
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,040	0	10,040	0	0	0		1,017,657
391.11	52,960	6.41							488	0	488	0	0	0		53,935
391.12	1,919,443	5.98							2,646	0	2,646	0	0	0		281,012
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		23,142
394.00	7,888,586	3.76			(923)			(1,253)	86,721	(104)	86,616	0	0	0	54	6,926,746
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		98,153
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		922,081
397.50	680,969	4.70			51				8,260	0	8,260	6,393	0	0		679,284
398.00	529,599	6.11							4,841	0	4,841	0	0	0		539,145
303.00	19,902,888								675,054	0	675,054	129,277	0	0		20,663,912
303.60	2,374,987								209,991	0	209,991	0	0	0		2,794,970
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(144,895)
375.71	2,870,239								42,310	0	42,310	0	0	0		2,954,858
Total	**636,936,813**				**5,004,484**			**5,134,298**	**8,423,282**	**427,858**	**8,851,141**	**1,418,496**	**192,169**	**0**	**0**	**646,749,308**

RESERVE BRINGFORWARD

			PROJECTED 2022				PROJECTED 2023										
	2022	'Accrual			'5-yr			'5-yr	2023								
	NOV 30	Rates	COR	Salvage	Amort of NS	COR	Salvage	Amort of NS	FEBRUARY								
Account	Begin. Balance	11-2022	% of Rets	% of Rets	2017-2021	% of Rets	% of Rets	2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,645,680
352.01	834,026	8.44							7,925	0	7,925	0	0	0		857,801
352.02	392,390	20.72							18,527	0	18,527	0	0	0		447,970
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		388,978
354.00	849,418	3.41							2,694	0	2,694	0	0	0		857,501
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,577	217	6,794	473	38	0		945,661
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,835,597
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	13,692	2,772	16,464	1,986	774	0		1,510,251
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,113
375.70	5,155,365	2.82	0.00		1	0.00		1	99,682	0	99,682	0	0	0		5,454,147
375.80	8,614	2.15							30	0	30	0	0	0		8,703
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,352,883	113,936	4,466,818	1,113,068	100,176	0		347,853,519
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	555,012	24,881	579,893	85,084	23,824	0		25,031,815
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		66,235
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	1,949,488	274,424	2,223,913	285,547	94,231	0		158,467,695
381.00	18,434,086	2.39			(17,978)			(12,056)	86,974	(1,005)	85,969	3,033	0	0		18,672,847
381.10	18,366,394	5.13							106,506	0	106,506	0	0	0		18,685,711
382.00	15,760,586	1.87			483			483	68,776	40	68,817	3,146	0	0		15,947,592
383.00	8,225,155	2.06	0.02		185	0.02		483	34,619	40	34,660	2,250	45	0		8,316,817
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	34,117	7,495	41,612	2,073	622	0		2,614,834
387.00	80,436	3.03							345	0	345	0	0	0		81,471
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,153,323
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,787,295
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,040	0	10,040	0	0	0		1,027,696
391.11	52,960	6.41							488	0	488	0	0	0		54,423
391.12	1,919,443	5.98							2,646	0	2,646	0	0	0		283,659
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		22,937
394.00	7,888,586	3.76			(923)			(1,253)	87,047	(104)	86,942	0	0	0	54	7,013,743
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		99,294
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		920,621
397.50	680,969	4.70			51				8,460	0	8,460	6,393	0	0		681,351
398.00	529,599	6.11							4,841	0	4,841	0	0	0		543,986
303.00	19,902,888								675,054	0	675,054	95,510	0	0		21,243,456
303.60	2,374,987								209,991	0	209,991	0	0	0		3,004,961
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(139,313)
375.71	2,870,239								42,310	0	42,310	0	0	0		2,997,168
Total	**636,936,813**				**5,004,484**			**5,134,298**	**8,465,803**	**427,858**	**8,893,661**	**1,598,562**	**219,709**	**0**	**0**	**653,824,697**

RESERVE BRINGFORWARD

			PROJECTED 2022			PROJECTED 2023			2023							
	2022	'Accrual			'5-yr			'5-yr	MARCH							
Account	NOV 30 Begin. Balance	Rates 11-2022	COR % of Rets	Salvage % of Rets	Amort of NS 2017-2021	COR % of Rets	Salvage % of Rets	Amort of NS 2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,665,230
352.01	834,026	8.44							7,925	0	7,925	0	0	0		865,726
352.02	392,390	20.72							18,527	0	18,527	0	0	0		466,496
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		389,005
354.00	849,418	3.41							2,694	0	2,694	0	0	0		860,196
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,596	217	6,813	804	64	0		951,606
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,838,506
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	13,804	2,772	16,577	3,152	1,229	0		1,522,446
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,164
375.70	5,155,365	2.82	0.00		1	0.00		1	99,682	0	99,682	0	0	0		5,553,829
375.80	8,614	2.15							30	0	30	0	0	0		8,732
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,376,745	113,936	4,490,681	1,370,367	123,333	0		350,850,500
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	563,903	24,881	588,784	110,116	30,833	0		25,479,650
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		68,233
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	1,961,865	274,424	2,236,289	444,934	146,828	0		160,112,222
381.00	18,434,086	2.39			(17,978)			(12,056)	87,122	(1,005)	86,117	4,903	0	0		18,754,061
381.10	18,366,394	5.13							106,565	0	106,565	0	0	0		18,792,276
382.00	15,760,586	1.87			483			483	68,919	40	68,960	5,057	0	0		16,011,494
383.00	8,225,155	2.06	0.02		185	0.02		483	34,728	40	34,768	3,799	76	0		8,347,711
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	34,380	7,495	41,876	3,296	989	0		2,652,425
387.00	80,436	3.03							345	0	345	0	0	0		81,817
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,201,351
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,801,861
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,040	0	10,040	0	0	0		1,037,736
391.11	52,960	6.41							488	0	488	0	0	0		54,911
391.12	1,919,443	5.98							2,646	0	2,646	0	0	0		286,305
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		22,731
394.00	7,888,586	3.76			(923)			(1,253)	87,407	(104)	87,302	0	0	0	54	7,101,099
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		100,436
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		919,161
397.50	680,969	4.70			51				8,683	0	8,683	6,605	0	0		683,429
398.00	529,599	6.11							4,841	0	4,841	0	0	0		548,827
303.00	19,902,888								675,054	0	675,054	12,409	0	0		21,906,101
303.60	2,374,987								209,991	0	209,991	0	0	0		3,214,952
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(133,732)
375.71	2,870,239								42,310	0	42,310	0	0	0		3,039,477
Total	**636,936,813**				**5,004,484**			**5,134,298**	**8,512,369**	**427,858**	**8,940,227**	**1,965,441**	**303,352**	**0**	**0**	**660,496,132**

RESERVE BRINGFORWARD

			PROJECTED 2022			PROJECTED 2023			2023							
	2022	'Accrual			'5-yr			'5-yr	APRIL							
Account	NOV 30 Begin. Balance	Rates 11-2022	COR % of Rets	Salvage % of Rets	Amort of NS 2017-2021	COR % of Rets	Salvage % of Rets	Amort of NS 2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,684,779
352.01	834,026	8.44							7,925	0	7,925	0	0	0		873,651
352.02	392,390	20.72							18,527	0	18,527	0	0	0		485,023
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		389,032
354.00	849,418	3.41							2,694	0	2,694	0	0	0		862,890
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,611	217	6,828	1,557	125	0		956,752
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,841,416
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	13,900	2,772	16,672	5,425	2,116	0		1,531,577
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,215
375.70	5,155,365	2.82	0.00		1	0.00		1	99,680	0	99,681	1,513	0	0		5,651,997
375.80	8,614	2.15							30	0	30	0	0	0		8,762
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,397,095	113,936	4,511,030	1,489,103	134,019	0		353,738,408
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	571,206	24,881	596,087	364,055	101,935	0		25,609,747
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		70,230
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	1,972,383	274,424	2,246,807	476,434	157,223	0		161,725,371
381.00	18,434,086	2.39			(17,978)			(12,056)	87,245	(1,005)	86,240	8,730	0	0		18,831,571
381.10	18,366,394	5.13							106,617	0	106,617	0	0	0		18,898,893
382.00	15,760,586	1.87			483			483	69,040	40	69,080	8,913	0	0		16,071,661
383.00	8,225,155	2.06	0.02		185	0.02		483	34,819	40	34,859	7,273	145	0		8,375,151
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	34,602	7,495	42,098	5,693	1,708	0		2,687,121
387.00	80,436	3.03							345	0	345	0	0	0		82,162
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,249,379
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,816,427
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,040	0	10,040	0	0	0		1,047,776
391.11	52,960	6.41							488	0	488	0	0	0		55,399
391.12	1,919,443	5.98							2,646	0	2,646	0	0	0		288,951
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		22,526
394.00	7,888,586	3.76			(923)			(1,253)	87,723	(104)	87,619	0	0	0	54	7,188,772
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		101,577
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		917,701
397.50	680,969	4.70			51				8,874	0	8,874	7,027	0	0		685,276
398.00	529,599	6.11							4,841	0	4,841	0	0	0		553,669
303.00	19,902,888								675,054	0	675,054	0	0	0		22,581,156
303.60	2,374,987								209,991	0	209,991	0	0	0		3,424,944
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(128,150)
375.71	2,870,239								42,310	0	42,310	1,453	0	0		3,080,333
Total	**636,936,813**				**5,004,484**			**5,134,298**	**8,551,764**	**427,858**	**8,979,622**	**2,377,177**	**397,272**	**0**	**0**	**666,701,305**

RESERVE BRINGFORWARD

			PROJECTED 2022			PROJECTED 2023			2023							
	2022	'Accrual			'5-yr			'5-yr	MAY							
Account	NOV 30 Begin. Balance	Rates 11-2022	COR % of Rets	Salvage % of Rets	Amort of NS 2017-2021	COR % of Rets	Salvage % of Rets	Amort of NS 2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,704,329
352.01	834,026	8.44							7,925	0	7,925	0	0	0		881,576
352.02	392,390	20.72							18,527	0	18,527	0	0	0		503,550
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		389,059
354.00	849,418	3.41							2,694	0	2,694	0	0	0		865,584
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,626	217	6,844	2,239	179	0		961,177
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,844,326
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	13,995	2,772	16,767	8,084	3,153	0		1,537,107
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,266
375.70	5,155,365	2.82	0.00		1	0.00		1	99,679	0	99,679	0	0	0		5,751,676
375.80	8,614	2.15							30	0	30	0	0	0		8,792
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,418,080	113,936	4,532,015	1,799,489	161,954	0		356,308,980
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	578,390	24,881	603,271	396,579	111,042	0		25,705,397
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		72,227
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	1,983,263	274,424	2,257,688	570,373	188,223	0		163,224,463
381.00	18,434,086	2.39			(17,978)			(12,056)	87,366	(1,005)	86,362	12,873	0	0		18,905,060
381.10	18,366,394	5.13							106,671	0	106,671	0	0	0		19,005,564
382.00	15,760,586	1.87			483			483	69,159	40	69,200	13,184	0	0		16,127,676
383.00	8,225,155	2.06	0.02		185	0.02		483	34,908	40	34,948	10,495	210	0		8,399,394
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	34,824	7,495	42,319	8,474	2,542	0		2,718,424
387.00	80,436	3.03							345	0	345	0	0	0		82,507
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,297,406
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,830,992
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,040	0	10,040	0	0	0		1,057,815
391.11	52,960	6.41							488	0	488	0	0	0		55,886
391.12	1,919,443	5.98							2,646	0	2,646	0	0	0		291,598
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		22,320
394.00	7,888,586	3.76			(923)			(1,253)	88,054	(104)	87,949	0	0	0	54	7,276,775
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		102,718
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		916,241
397.50	680,969	4.70			51				9,073	0	9,073	7,661	0	0		686,688
398.00	529,599	6.11							4,841	0	4,841	0	0	0		558,510
303.00	19,902,888								675,054	0	675,054	0	0	0		23,256,210
303.60	2,374,987								209,991	0	209,991	0	0	0		3,634,935
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(122,569)
375.71	2,870,239								42,310	0	42,310	0	0	0		3,122,643
Total	**636,936,813**				**5,004,484**			**5,134,298**	**8,592,058**	**427,858**	**9,019,916**	**2,829,454**	**467,304**	**0**	**0**	**672,424,464**

RESERVE BRINGFORWARD

			PROJECTED 2022				PROJECTED 2023										
	2022	'Accrual			'5-yr			'5-yr	2023								
	NOV 30	Rates	COR	Salvage	Amort of NS	COR	Salvage	Amort of NS	JUNE								
Account	Begin. Balance	11-2022	% of Rets	% of Rets	2017-2021	% of Rets	% of Rets	2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,723,879
352.01	834,026	8.44							7,925	0	7,925	0	0	0		889,501
352.02	392,390	20.72							18,527	0	18,527	0	0	0		522,076
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		389,087
354.00	849,418	3.41							2,694	0	2,694	0	0	0		868,279
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,647	217	6,864	2,167	173	0		965,701
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,847,236
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	14,121	2,772	16,893	7,892	3,078	0		1,543,030
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,317
375.70	5,155,365	2.82	0.00		1	0.00		1	99,904	0	99,904	12,304	0	0		5,839,276
375.80	8,614	2.15							30	0	30	0	0	0		8,821
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,446,104	113,936	4,560,040	1,916,418	172,478	0		358,780,125
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	588,157	24,881	613,038	387,942	108,624	0		25,821,869
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		74,224
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	1,997,684	274,424	2,272,108	669,628	220,977	0		164,605,965
381.00	18,434,086	2.39			(17,978)			(12,056)	87,528	(1,005)	86,524	12,535	0	0		18,979,049
381.10	18,366,394	5.13							106,742	0	106,742	0	0	0		19,112,306
382.00	15,760,586	1.87			483			483	69,319	40	69,359	12,848	0	0		16,184,188
383.00	8,225,155	2.06	0.02		185	0.02		483	35,027	40	35,067	10,164	203	0		8,424,094
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	35,118	7,495	42,614	8,271	2,481	0		2,750,286
387.00	80,436	3.03							345	0	345	0	0	0		82,852
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,345,434
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,845,558
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,040	0	10,040	0	0	0		1,067,855
391.11	52,960	6.41							488	0	488	0	0	0		56,374
391.12	1,919,443	5.98							2,646	0	2,646	0	0	0		294,244
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		22,115
394.00	7,888,586	3.76			(923)			(1,253)	88,486	(104)	88,382	0	0	0	54	7,365,211
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		103,860
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		914,781
397.50	680,969	4.70			51				9,341	0	9,341	7,661	0	0		688,368
398.00	529,599	6.11							4,841	0	4,841	0	0	0		563,351
303.00	19,902,888								675,054	0	675,054	0	0	0		23,931,264
303.60	2,374,987								209,991	0	209,991	0	0	0		3,844,926
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(116,987)
375.71	2,870,239								42,310	0	42,310	11,821	0	0		3,153,131
Total	**636,936,813**				**5,004,484**			**5,134,298**	**8,646,149**	**427,858**	**9,074,007**	**3,059,650**	**508,014**	**0**	**0**	**677,930,806**

RESERVE BRINGFORWARD

			PROJECTED 2022			PROJECTED 2023										
	2022	'Accrual			'5-yr			'5-yr	2023							
	NOV 30	Rates	COR	Salvage	Amort of NS	COR	Salvage	Amort of NS	JULY							
Account	Begin. Balance	11-2022	% of Rets	% of Rets	2017-2021	% of Rets	% of Rets	2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,743,429
352.01	834,026	8.44							7,925	0	7,925	0	0	0		897,426
352.02	392,390	20.72							18,527	0	18,527	0	0	0		540,603
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		389,114
354.00	849,418	3.41							2,694	0	2,694	0	0	0		870,973
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,669	217	6,886	1,905	152	0		970,530
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,850,146
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	14,259	2,772	17,031	7,840	3,058	0		1,549,163
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,368
375.70	5,155,365	2.82	0.00		1	0.00		1	100,128	0	100,128	1,845	0	0		5,937,559
375.80	8,614	2.15							30	0	30	0	0	0		8,851
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,476,410	113,936	4,590,346	2,022,248	182,002	0		361,166,220
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	598,719	24,881	623,600	445,371	124,704	0		25,875,394
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		76,221
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	2,013,245	274,424	2,287,669	668,736	220,683	0		166,004,215
381.00	18,434,086	2.39			(17,978)			(12,056)	87,706	(1,005)	86,701	12,040	0	0		19,053,710
381.10	18,366,394	5.13							106,819	0	106,819	0	0	0		19,219,124
382.00	15,760,586	1.87			483			483	69,493	40	69,533	12,468	0	0		16,241,252
383.00	8,225,155	2.06	0.02		185	0.02		483	35,158	40	35,199	9,049	181	0		8,450,063
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	35,439	7,495	42,935	8,189	2,457	0		2,782,575
387.00	80,436	3.03							345	0	345	0	0	0		83,197
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,393,461
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,860,124
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,040	0	10,040	0	0	0		1,077,895
391.11	52,960	6.41							488	0	488	0	0	0		56,862
391.12	1,919,443	5.98							2,646	0	2,646	0	0	0		296,890
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		21,909
394.00	7,888,586	3.76			(923)			(1,253)	88,954	(104)	88,849	0	0	0	54	7,454,114
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		105,001
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		913,321
397.50	680,969	4.70			51				9,633	0	9,633	7,661	0	0		690,340
398.00	529,599	6.11							4,841	0	4,841	0	0	0		568,192
303.00	19,902,888								675,054	0	675,054	0	0	0		24,606,318
303.60	2,374,987								209,991	0	209,991	0	0	0		4,054,918
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(111,406)
375.71	2,870,239								42,310	0	42,310	1,772	0	0		3,193,668
Total	**636,936,813**				**5,004,484**			**5,134,298**	**8,704,601**	**427,858**	**9,132,459**	**3,199,126**	**533,237**	**0**	**0**	**683,330,903**

RESERVE BRINGFORWARD

			PROJECTED 2022				PROJECTED 2023										
	2022	'Accrual			'5-yr			'5-yr	2023								
	NOV 30	Rates	COR	Salvage	Amort of NS	COR	Salvage	Amort of NS	AUGUST								
Account	Begin. Balance	11-2022	% of Rets	% of Rets	2017-2021	% of Rets	% of Rets	2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,762,978
352.01	834,026	8.44							7,925	0	7,925	0	0	0		905,351
352.02	392,390	20.72							18,527	0	18,527	0	0	0		559,130
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		389,141
354.00	849,418	3.41							2,694	0	2,694	0	0	0		873,668
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,698	217	6,915	1,635	131	0		975,679
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,853,056
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	14,429	2,772	17,201	8,525	3,325	0		1,554,515
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,420
375.70	5,155,365	2.82	0.00		1	0.00		1	100,113	0	100,113	10,607	0	0		6,027,066
375.80	8,614	2.15							30	0	30	0	0	0		8,880
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,513,869	113,936	4,627,805	2,070,482	186,343	0		363,537,199
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	611,662	24,881	636,543	504,588	141,285	0		25,866,065
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		78,218
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	2,032,330	274,424	2,306,755	821,399	271,062	0		167,218,509
381.00	18,434,086	2.39			(17,978)			(12,056)	87,927	(1,005)	86,923	12,362	0	0		19,128,272
381.10	18,366,394	5.13							106,912	0	106,912	0	0	0		19,326,036
382.00	15,760,586	1.87			483			483	69,708	40	69,748	13,034	0	0		16,297,967
383.00	8,225,155	2.06	0.02		185	0.02		483	35,323	40	35,364	7,988	160	0		8,477,279
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	35,836	7,495	43,331	8,854	2,656	0		2,814,396
387.00	80,436	3.03							345	0	345	0	0	0		83,542
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,441,489
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,874,690
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,040	0	10,040	0	0	0		1,087,934
391.11	52,960	6.41							488	0	488	0	0	0		57,349
391.12	1,919,443	5.98							2,646	0	2,646	0	0	0		299,537
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		21,704
394.00	7,888,586	3.76			(923)			(1,253)	89,521	(104)	89,417	0	0	0	54	7,543,585
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		106,143
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		911,861
397.50	680,969	4.70			51				9,994	0	9,994	7,661	0	0		692,673
398.00	529,599	6.11							4,841	0	4,841	0	0	0		573,034
303.00	19,902,888								675,054	0	675,054	386,187	0	0		24,895,186
303.60	2,374,987								209,991	0	209,991	0	0	0		4,264,909
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(105,824)
375.71	2,870,239								42,310	0	42,310	10,191	0	0		3,225,787
Total	**636,936,813**				**5,004,484**			**5,134,298**	**8,776,292**	**427,858**	**9,204,151**	**3,863,511**	**604,961**	**0**	**0**	**688,066,581**

RESERVE BRINGFORWARD

			PROJECTED 2022			PROJECTED 2023			2023							
	2022	'Accrual			'5-yr			'5-yr	SEPTEMBER							
Account	NOV 30 Begin. Balance	Rates 11-2022	COR % of Rets	Salvage % of Rets	Amort of NS 2017-2021	COR % of Rets	Salvage % of Rets	Amort of NS 2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,782,528
352.01	834,026	8.44							7,925	0	7,925	0	0	0		913,276
352.02	392,390	20.72							18,527	0	18,527	0	0	0		577,656
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		389,168
354.00	849,418	3.41							2,694	0	2,694	0	0	0		876,362
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,730	217	6,947	2,016	161	0		980,449
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,855,966
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	14,623	2,772	17,395	9,457	3,688	0		1,558,764
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,471
375.70	5,155,365	2.82	0.00		1	0.00		1	100,314	0	100,314	22,763	0	0		6,104,616
375.80	8,614	2.15							30	0	30	0	0	0		8,910
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,556,844	113,936	4,670,780	2,246,614	202,195	0		365,759,169
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	626,449	24,881	651,330	550,357	154,100	0		25,812,938
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		80,216
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	2,054,223	274,424	2,328,647	753,422	248,629	0		168,545,105
381.00	18,434,086	2.39			(17,978)			(12,056)	88,181	(1,005)	87,176	14,051	0	0		19,201,397
381.10	18,366,394	5.13							107,018	0	107,018	0	0	0		19,433,054
382.00	15,760,586	1.87			483			483	69,955	40	69,995	14,701	0	0		16,353,261
383.00	8,225,155	2.06	0.02		185	0.02		483	35,513	40	35,553	9,718	194	0		8,502,919
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	36,289	7,495	43,785	9,845	2,954	0		2,845,382
387.00	80,436	3.03							345	0	345	0	0	0		83,888
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,489,516
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,889,255
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,040	0	10,040	0	0	0		1,097,974
391.11	52,960	6.41							488	0	488	0	0	0		57,837
391.12	1,919,443	5.98							2,646	0	2,646	0	0	0		302,183
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		21,498
394.00	7,888,586	3.76			(923)			(1,253)	90,168	(104)	90,064	0	0	0	54	7,633,703
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		107,284
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		910,401
397.50	680,969	4.70			51				10,410	0	10,410	7,661	0	0		695,422
398.00	529,599	6.11							4,841	0	4,841	0	0	0		577,875
303.00	19,902,888								675,054	0	675,054	201,376	0	0		25,368,864
303.60	2,374,987								209,991	0	209,991	0	0	0		4,474,900
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(100,243)
375.71	2,870,239								42,310	0	42,310	21,871	0	0		3,246,226
Total	**636,936,813**				**5,004,484**			**5,134,298**	**8,858,686**	**427,858**	**9,286,544**	**3,863,852**	**611,922**	**0**	**0**	**692,877,352**

RESERVE BRINGFORWARD

			PROJECTED 2022			PROJECTED 2023			2023							
	2022	'Accrual			'5-yr			'5-yr	OCTOBER							
Account	NOV 30 Begin. Balance	Rates 11-2022	COR % of Rets	Salvage % of Rets	Amort of NS 2017-2021	COR % of Rets	Salvage % of Rets	Amort of NS 2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,802,078
352.01	834,026	8.44							7,925	0	7,925	0	0	0		921,201
352.02	392,390	20.72							18,527	0	18,527	0	0	0		596,183
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		389,196
354.00	849,418	3.41							2,694	0	2,694	0	0	0		879,056
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,765	217	6,982	2,284	183	0		984,964
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,858,875
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	14,832	2,772	17,604	8,561	3,339	0		1,564,469
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,522
375.70	5,155,365	2.82	0.00		1	0.00		1	100,527	0	100,527	0	0	0		6,205,145
375.80	8,614	2.15							30	0	30	0	0	0		8,939
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,603,203	113,936	4,717,139	1,938,597	174,474	0		368,363,237
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	642,854	24,881	667,735	227,150	63,602	0		26,189,922
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		82,213
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	2,077,817	274,424	2,352,242	790,981	261,024	0		169,845,343
381.00	18,434,086	2.39			(17,978)			(12,056)	88,453	(1,005)	87,448	13,486	0	0		19,275,359
381.10	18,366,394	5.13							107,131	0	107,131	0	0	0		19,540,185
382.00	15,760,586	1.87			483			483	70,219	40	70,260	13,857	0	0		16,409,664
383.00	8,225,155	2.06	0.02		185	0.02		483	35,714	40	35,754	10,744	215	0		8,527,713
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	36,777	7,495	44,272	8,964	2,689	0		2,878,001
387.00	80,436	3.03							345	0	345	0	0	0		84,233
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,537,544
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,903,821
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,040	0	10,040	0	0	0		1,108,013
391.11	52,960	6.41							488	0	488	0	0	0		58,325
391.12	1,919,443	5.98							2,646	0	2,646	0	0	0		304,829
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		21,292
394.00	7,888,586	3.76			(923)			(1,253)	90,860	(104)	90,755	0	0	0	54	7,724,512
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		108,425
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		908,941
397.50	680,969	4.70			51				10,857	0	10,857	7,661	0	0		698,618
398.00	529,599	6.11							4,841	0	4,841	0	0	0		582,716
303.00	19,902,888								675,054	0	675,054	234,667	0	0		25,809,251
303.60	2,374,987								209,991	0	209,991	0	0	0		4,684,891
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(94,661)
375.71	2,870,239								42,310	0	42,310	0	0	0		3,288,536
Total	**636,936,813**				**5,004,484**			**5,134,298**	**8,947,979**	**427,858**	**9,375,837**	**3,256,954**	**505,525**	**0**	**0**	**698,490,709**

RESERVE BRINGFORWARD

			PROJECTED 2022			PROJECTED 2023			2023							
	2022	'Accrual			'5-yr			'5-yr	NOVEMBER							
Account	NOV 30 Begin. Balance	Rates 11-2022	COR % of Rets	Salvage % of Rets	Amort of NS 2017-2021	COR % of Rets	Salvage % of Rets	Amort of NS 2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,821,627
352.01	834,026	8.44							7,925	0	7,925	0	0	0		929,126
352.02	392,390	20.72							18,527	0	18,527	0	0	0		614,709
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		389,223
354.00	849,418	3.41							2,694	0	2,694	0	0	0		881,751
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,800	217	7,018	1,789	143	0		990,049
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,861,785
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	15,047	2,772	17,820	9,826	3,832	0		1,568,631
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,573
375.70	5,155,365	2.82	0.00		1	0.00		1	100,527	0	100,527	0	0	0		6,305,672
375.80	8,614	2.15							30	0	30	0	0	0		8,969
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,651,575	113,936	4,765,511	1,629,158	146,624	0		371,352,966
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	660,230	24,881	685,111	278,255	77,911	0		26,518,866
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		84,210
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	2,102,056	274,424	2,376,481	832,901	274,857	0		171,114,065
381.00	18,434,086	2.39			(17,978)			(12,056)	88,733	(1,005)	87,729	14,089	0	0		19,348,998
381.10	18,366,394	5.13							107,248	0	107,248	0	0	0		19,647,433
382.00	15,760,586	1.87			483			483	70,492	40	70,532	14,909	0	0		16,465,287
383.00	8,225,155	2.06	0.02		185	0.02		483	35,922	40	35,963	8,803	176	0		8,554,697
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	37,279	7,495	44,774	10,195	3,058	0		2,909,522
387.00	80,436	3.03							345	0	345	0	0	0		84,578
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,585,571
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,918,387
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							10,040	0	10,040	0	0	0		1,118,053
391.11	52,960	6.41							488	0	488	0	0	0		58,813
391.12	1,919,443	5.98							2,646	0	2,646	0	0	0		307,476
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		21,086
394.00	7,888,586	3.76			(923)			(1,253)	91,572	(104)	91,467	0	0	0	54	7,816,033
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		109,567
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		907,481
397.50	680,969	4.70			51				11,317	0	11,317	7,661	0	0		702,274
398.00	529,599	6.11							4,841	0	4,841	0	0	0		587,557
303.00	19,902,888								675,054	0	675,054	880,885	0	0		25,603,421
303.60	2,374,987								209,991	0	209,991	96,633	0	0		4,798,249
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(89,080)
375.71	2,870,239								42,310	0	42,310	0	0	0		3,330,846
Total	**636,936,813**				**5,004,484**			**5,134,298**	**9,040,769**	**427,858**	**9,468,628**	**3,785,102**	**506,602**	**0**	**0**	**703,667,632**

RESERVE BRINGFORWARD

			PROJECTED 2022			PROJECTED 2023			2023							
	2022	'Accrual			'5-yr			'5-yr	DECEMBER							
Account	NOV 30 Begin. Balance	Rates 11-2022	COR % of Rets	Salvage % of Rets	Amort of NS 2017-2021	COR % of Rets	Salvage % of Rets	Amort of NS 2018-2022	Avg. Accruals	Amort. of NS	Accruals	Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
350.20	1,931	0.00							0	0	0	0	0	0		1,931
351.20	2,587,031	6.99			4,287			4,287	19,192	357	19,550	0	0	0		2,841,177
352.01	834,026	8.44							7,925	0	7,925	0	0	0		937,051
352.02	392,390	20.72							18,527	0	18,527	0	0	0		633,236
352.10	206,932	0.00							0	0	0	0	0	0		206,932
353.00	388,896	0.04			171			171	13	14	27	0	0	0		389,250
354.00	849,418	3.41							2,694	0	2,694	0	0	0		884,445
355.00	104,477	0.00							0	0	0	0	0	0		104,477
374.40	927,763	1.69	0.08		9,948	0.08		2,607	6,840	217	7,057	1,916	153	0		995,037
374.50	1,826,867	1.08							2,910	0	2,910	0	0	0		1,864,695
375.34	1,478,485	2.32	0.39		33,910	0.39		33,266	15,282	2,772	18,054	11,641	4,540	0		1,570,504
375.60	75,960	0.59			104			104	42	9	51	0	0	0		76,624
375.70	5,155,365	2.82	0.00		1	0.00		1	100,767	0	100,767	0	0	0		6,406,439
375.80	8,614	2.15							30	0	30	0	0	0		8,999
376.00	338,692,741	2.15	0.09		1,283,407	0.09		1,367,227	4,705,169	113,936	4,819,105	1,669,634	150,267	0		374,352,170
378.00	23,658,568	4.01	0.28		216,942	0.28		298,573	679,187	24,881	704,068	333,937	93,502	0		26,795,495
379.10	60,244	6.40			15,264			15,264	725	1,272	1,997	0	0	0		86,207
380.00	153,394,232	3.01	0.33		3,297,724	0.33		3,293,092	2,128,857	274,424	2,403,281	772,089	254,789	0		172,490,468
381.00	18,434,086	2.39			(17,978)			(12,056)	89,041	(1,005)	88,036	16,352	0	0		19,420,683
381.10	18,366,394	5.13							107,376	0	107,376	0	0	0		19,754,808
382.00	15,760,586	1.87			483			483	70,791	40	70,831	17,419	0	0		16,518,699
383.00	8,225,155	2.06	0.02		185	0.02		483	36,154	40	36,194	9,567	191	0		8,581,133
385.00	2,506,309	5.19	0.30		107,428	0.30		89,945	37,827	7,495	45,322	12,055	3,616	0		2,939,173
387.00	80,436	3.03							345	0	345	0	0	0		84,923
387.40	3,009,233	4.83	0.01		2,091	0.01		1,999	47,861	167	48,028	0	0	0		3,633,599
387.50	1,743,598	7.94							14,566	0	14,566	0	0	0		1,932,953
390.10	49,821	0.00							0	0	0	0	0	0		49,821
391.10	1,009,042	4.47							9,859	0	9,859	96,742	0	0		1,031,171
391.11	52,960	6.41							488	0	488	0	0	0		59,300
391.12	1,919,443	5.98							2,213	0	2,213	173,736	0	0		135,953
392.00	23,553	1.27			(2,791)			(2,791)	27	(233)	(205)	0	0	0		20,881
394.00	7,888,586	3.76			(923)			(1,253)	91,751	(104)	91,647	383,704	0	0	54	7,524,030
394.12					648			648	0	54	54	0	0	0	(54)	0
395.00	96,986	5.17							1,141	0	1,141	0	0	0		110,708
396.00	925,001	0.76			(24,730)			(24,730)	601	(2,061)	(1,460)	0	0	0		906,021
397.50	680,969	4.70			51				11,825	0	11,825	7,661	0	0		706,438
398.00	529,599	6.11							4,835	0	4,835	2,264	0	0		590,129
303.00	19,902,888								675,054	0	675,054	1,188,911	0	0		25,089,564
303.60	2,374,987								209,991	0	209,991	0	0	0		5,008,241
362.10	(156,998)				78,262			66,978	0	5,582	5,582	0	0	0		(83,498)
375.71	2,870,239								42,310	0	42,310	0	0	0		3,373,155
Total	**636,936,813**				**5,004,484**			**5,134,298**	**9,142,217**	**427,858**	**9,570,075**	**4,697,626**	**507,060**	**0**	**0**	**708,033,022**

COLUMBIA STATEMENT NO. 6

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
KEVIN L. JOHNSON
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

I. Introduction

Q. Please state your name and business address.

A. My name is Kevin L. Johnson. My business address is 290 West Nationwide Boulevard, Columbus, Ohio 43215.

Q. By whom are you employed and in what capacity?

A. I am employed by NiSource Corporate Services Company ("NCSC"), a management and services subsidiary of NiSource Inc. ("NiSource"). My current title is Lead Regulatory Studies Analyst in the Regulatory Studies Department at NCSC.

Q. Please briefly describe your professional experience.

A. I have over 20 years of experience working in various accounting, compliance, and regulatory functions primarily supporting NiSource companies, including Columbia Gas of Pennsylvania, Inc. ("Columbia" or "the Company"). In April 1999, I was hired by Columbia Gas of Ohio, Inc. ("COH") as a Financial Analyst in the Special Studies group, providing accounting support for the Columbia Gas Distribution Companies. In May 2002, I was promoted to the position of Accounting Manager of NCSC, overseeing its general books and records. From March 2010 through June 2015, I was the Manager of Consolidation Accounting and Securities and Exchange Commission Financial Reporting for NiSource, ensuring accurate and timely financial statement preparation. In July 2015, NiSource spun-off its gas transmission and storage business and created a new standalone entity named Columbia Pipeline Group ("CPG"). I was named Director, Sarbanes-Oxley ("SOX") Compliance at CPG overseeing its overall SOX compliance program until early 2017

when this role ended after the acquisition of CPG by TC Energy. From mid-2017 until mid-2019, I was an Accounting Manager at JPMorgan Chase. In June 2019, I rejoined NCSC in the Regulatory Studies department as a Lead Regulatory Studies Analyst supporting various NiSource companies.

Q. Please describe your educational background.

A. I graduated from The Ohio State University in 1999 with a Bachelor of Science degree in Business Administration, majoring in Accounting.

Q. What are your responsibilities in your current position?

A. My responsibilities as a Lead Regulatory Studies Analyst include providing support for regulatory filings for several NiSource gas distribution companies, including, Columbia, Columbia Gas of Maryland, Inc., Columbia Gas of Kentucky, Inc., Columbia Gas of Virginia, Inc., and COH.

Q. Have you previously testified before this or any other regulatory agency?

A. I have presented direct testimony for Columbia Gas of Pennsylvania before the Pennsylvania Public Utility Commission in Case No. R-2008-2011621 supporting NCSC costs, Columbia Gas of Maryland before the Public Service Commission of Maryland in Case No. 9644 as the Cash Working Capital witness, and Columbia Gas of Kentucky in Case No. 2021-00183 as the Cash Working Capital, Allocated Cost of Service, and Rate Design witness. I have also provided Allocated Cost of Service and Rate Design support to witnesses in previous Columbia Gas of Pennsylvania and Columbia Gas of Maryland rate cases.

Q. What is the purpose of your testimony in this proceeding?

A. I am sponsoring Columbia's Allocated Cost of Service ("ACOS") studies and the proposed rate design shown in Exhibit 103, Schedule 8. In addition, I will be supporting the Company's residential rate structure proposals regarding the Revenue Normalization Adjustment ("RNA"). As required by Section 53.53IV[1], Items 1 and 9 of the Commission's regulations, I prepared ACOS studies by rate class at present and proposed rates (Item 1) and a cost analysis supporting minimum charges for all rate schedules (Item 9). The studies and cost analysis are presented in Exhibit 111. Item 10 of Section 53.53 IV requires a cost analysis supporting demand charges. I did not prepare a cost analysis for demand charges because Columbia's present and proposed tariffs do not contain distribution demand charges.

Q. Please describe Exhibit No. 11.

A. Exhibit No. 11 addresses the Commission's filing requirements regarding ACOS studies as required by Section 53.53IV. The Company's ACOS studies are presented in Exhibit No. 111 and a detailed description of the methodologies are included in this testimony. The ACOS studies are based on the fully projected future test year ending December 31, 2023.

Q. Are you responsible for the ACOS studies presented in Exhibit No. 111?

A. Yes, I am.

Q. Three ACOS studies are included in Exhibit No. 111. Is that correct?

A. Yes.

Q. Why did you conduct three ACOS studies?

[1] 52 Pa Code § 53.51, et. seq.

A. Columbia has filed two studies in its base rate proceedings since the early 1980s that provide the outside limits of the possible allocations of mains to the various classes of service. The customer-demand study (Exhibit No. 111, Schedule 1) produces results that are generally more favorable to the industrial class, while the peak and average study (Exhibit No. 111, Schedule 2) produces results that are generally more favorable to the residential class. Columbia has in the past submitted that the results of two such studies provided a reasonable range of returns for use as a guide in establishing appropriate rates. Columbia continues to believe that the two studies provide the reasonable range of returns for use in revenue allocation. However, Columbia recognizes this Commission's preference for the use of the peak and average study, and therefore used the peak and average study as the primary guide for the allocation of the revenue increase in this case.

Q. What is the basis of the third study and why did Columbia file it?

A. The third study, as presented in Exhibit No. 111, Schedule 3, is an average of the customer-demand study and the peak and average study. The average study with its equal weighting of the two studies, provides the Company, the parties and the Commission with another set of returns that can be used as a guide in revenue allocation. In other words, the average study serves as another tool that can be used by the parties to inform the revenue allocation in setting cost-based rates.

Q. Could you provide a list of the schedules and attachments you are sponsoring through your testimony?

A. Yes. the table below lists all the schedules and attachments that I am sponsoring.

Schedule/Attachment	Description
Exh. No. 11	ACOS Studies
Exh. No. 111, Schedule No. 1	Customer-Demand Study
Exh. No. 111, Schedule No. 2	Peak and Average Study
Exh. No. 111, Schedule No. 3	Average Study
Exh. No. 111, Schedule Nos. 5 & 6	Bill Comparisons
Exh. No. 103, Schedule No. 8	Proposed Revenue Allocation, Rates
Statement No. 6, Exhibit KLJ-1	Development of Allocation Factors
Statement No. 6, Exhibit KLJ-2	Calculation of Allocation Factors
Statement No. 6, Exhibit KLJ-3	Factor Selection and Rationale
Statement No. 6, Exhibit KLJ-4	Intra-Class Adjustment of Storage Carrying Costs
Statement No. 6, Exhibit KLJ-5	ACOS Study Return Results
Statement No. 6, Exhibit KLJ-6	Gas Procurement Charge Calc.
Statement No. 6, Exhibit KLJ-7	Benchmark Distribution Revenue per Bill
Statement No. 6, Exhibit KLJ-8	Revenue Normalization Adjustment for Peak Period
Statement No. 6, Exhibit KLJ-9	Revenue Normalization Adjustment for Off Peak Period
Statement No. 6, Exhibit KLJ-10	Residential Energy Efficiency Rider Calculation
Statement No. 6, Exhibit KLJ-11	Proposed Customer Charge Impacts

Q. Could you briefly describe the format of the ACOS studies that you are sponsoring?

A. The format is generally identical for the three studies except for the peak and average study, Schedule No. 2. It contains 30 pages, while the customer-demand study in Schedule 1 and the average study in Schedule 3 both contain 13 pages. The peak and average study contains the customer charge studies, which I will be discussing later in my testimony, and which are shown on pages 14 through 30 of Schedule No. 2. The rates of return that are shown on page 1 of each study are based on income generated

using proposed rates, with page 2 showing the rates of return generated using current rates. Both page 1 and page 2 summarize the same allocated cost of service with the exception of forfeited discounts, income taxes and uncollectibles, which vary with the changes in revenue as a result of the change in current rates to proposed rates. The allocation of gross plant investment is shown on page 3, while page 4 contains the reserve for depreciation and page 5 contains depreciation and amortization expenses. Revenue by account and rate schedule is summarized on page 6 for both current and proposed rates and pages 7 and 8 contain the allocation for operation and maintenance ("O&M") expenses, while page 9 contains the allocation of taxes other than income. Rate base is detailed by rate schedule on page 10, with page 11 calculating Federal and Corporate Net Income taxes. The allocation factors are listed on pages 12 and 13.

Q. How were the rate schedules grouped in allocating the cost of service?

A. For residential and small general service, sales and delivery services were combined, respectively; Residential Sales Service ("RSS") and Residential Distribution Service ("RDS") were combined and presented in Column D of each study, and Small General Sales Service ("SGSS"), Small Commercial Distribution ("SCD") and Small General Distribution Service ("SGDS") were combined and presented in Column E of each study for C&I customers whose annual usage is less than 6,440 therms. SGSS, SCD and SGDS were combined and presented in Column F of each study for C&I customers whose annual usage is greater than 6,440 therms but less than 64,400 therms. Because essentially any customer can

qualify and, therefore, switch between sales and distribution services under these schedules, it is reasonable to conclude that customer characteristics are the same for both types of services, i.e., size, consumption patterns, heat sensitivity, human need requirement, etc. With no long-term difference in the customers' profiles, the distribution cost to provide such service to these customers is the same whether the customer is a sales customer or distribution customer. For the larger customers, the studies present the cost of service for each rate schedule: Small Distribution Service and the lower band of Large General Sales Service ("SDS/LGSS") is presented in Column G of each study for Commercial and Industrial customers whose annual usage is greater than 64,400 therms but less than 540,000 therms. Large Distribution Service ("LDS") and the upper band of Large General Sales Service ("LGSS") is presented in Column H of each study for Commercial and Industrial customers whose annual usage is greater than 540,000 therms. Main Line Sales Service ("MLS") and Main Line Distribution Service ("MLDS") are combined and presented in Column I due to their unique characteristic of proximity to an interstate pipeline. Costs and revenues attributable to customers taking service under the Flexible Rate Provisions and Negotiated Contract Service tariffs (combined and identified as "FLEX") are presented in Column J[2].

[2] Per paragraph No. 46 of the Joint Petition for Partial Settlement at Docket No. R-2018-2647557.

Q. How were Total Company O&M expenses determined by Federal Energy Regulatory Commission ("FERC") account in the allocated cost of service studies?

A. O&M expenses for the fully projected future test year presented in Exhibit 104 were based on cost element data, i.e., labor, benefits, insurance, etc. The ACOS studies' spreadsheets submitted in response to Standard Data Request No. GAS-COS-008 show a conversion of the forecasted O&M by description (cost element) to the FERC account, based on allocation percentages representative of the historic test year data (twelve months ending November 30, 2021).

Q. What method did Columbia use in previous cases to identify and separate Account 376 – Mains before allocation to the rate classes in each study?

A. Beginning with the 2012 rate case (Docket No. R-2012-2321748), the Company separated the low pressure and two-inch (2") mains and allocated those mains to only the residential and SGS/SGDS class. Columbia recognized that the remaining rate classes were not physically served from those systems, did not benefit from those systems, and therefore should not share in the recovery of those systems' costs. Columbia performed a similar separation of mains by operating pressure in every rate case since 2012 in order to allocate the cost of those systems to the customers who used them.

Q. Have you again performed a detailed analysis of each of Columbia's low pressure and higher pressure systems in this case?

A. Similar to the Company's 2021 rate case, Columbia did not perform this analysis. Mains cost allocation factors produced from the separation of mains by pressure study are not materially different than the mains allocators produced from simply using total mains (i.e. no separation of mains by operating pressure). This is largely due to Columbia's pipe replacement efforts over the last several years which have had the effect of phasing out its low pressure mains. Columbia's low pressure mains are typically older and constructed of cast iron or steel pipe. Over time, Columbia has been replacing this low pressure pipe with plastic pipe operated under higher pressures. Therefore, the results produced from the separated mains pressure study have become less meaningful as the system has become more homogenous in terms of operating pressure.

Q. How was the demand component for each class determined?

A. The demand component by class was provided by NCSC's Commercial Operations Department and represents expected requirements under design day conditions. I note that the calculation reflects design day total requirement, and thus assumes suppliers will make deliveries necessary to meet customer requirements.

Q. Why were the MLS/MLDS customer groups excluded from the above described allocations of mains?

A. Customers served under rate schedules MLS/MLDS were excluded from the allocations of mains under all studies because these customers are served directly from a Columbia Gas Transmission, LLC ("Columbia Transmission") interstate pipeline or are in close proximity to a Columbia Transmission interstate pipeline.

Accordingly, Columbia has little or no main investment associated with providing service to these customers. An inventory of the mains investment in serving these customers was made by studying the Company's plant records and maps on a customer-by-customer basis. The mains investment cost was then directly assigned to MLS/MLDS. Therefore, it is appropriate to exclude them from the allocation of mains and mains related cost.

Q. Since a significant portion of the Company's investment and expense is related to mains and services does the allocation of those items significantly impact the studies?

A. Yes, it does. Mains and services account for the majority of the Company's gross plant investment and distribution O&M expenses, excluding gas costs. The allocation of these items significantly influences the outcome of the studies. In addition, many other elements of O&M expenses are allocated on plant-related factors.

Q. How are purchased gas costs allocated in the studies?

A. Gas costs are directly assigned to each class at the pro forma levels determined by Company witness Siegler (Columbia Statement No. 3) in her Exhibit No. 103, Schedule No.1, Pages 13 through 18.

Q. Were there any other major O&M expense items that you directly assigned?

A. Yes. As shown on Page 8, Line 8 of all three studies, I assigned recovery of costs from the Company's Universal Services Program ("USP") to the residential class.

Under both current and proposed rates, these costs are recoverable from the residential class, whether sales or delivery service. Line 8 relates to the uncollectible component attributable to low-income residential customers.

Q. How did you handle Uncollectibles related to unbundling?

A. Columbia utilizes three systems to bill customers, 1) DIS that bills monthly read customers for either sales or Choice Transportation service, 2) Gas Measurement Billing ("GMB") that bills monthly read customers for either sales or Choice distribution service, and 3) Gas Transportation System ("GTS") that bills customers for traditional (non-Choice) distribution service. Please note the GMB and GTS billing systems do not bill residential customers. Because DIS billed net charge-offs are accounted for in the Company's accounting reports by customer class, the residential net charge-offs were assigned to the residential class. The DIS billed commercial net charge-offs were allocated between the SGSS1/SCD1/SGDS1 and SGSS2/SCD2/ SGDS2 rate classes based on DIS billed revenue within each class. The portion of Account 904 related to the GMB and GTS billing systems and the COVID-19 deferral was allocated to GMB and GTS billed customers by rate class based on their GMB/GTS revenue.

Q. Please describe how you allocated plant Account 380 - Services and the related O&M accounts.

A. First, I identified the services related to MLS/MLDS and directly assigned them. The remaining investment in Account 380 - Services and the related O&M accounts were based on an actual assignment of services installed on customers' premises.

Individual customer services were identified by size from the Company's DIS billing system and accumulated by customer class and rate schedule. Based on the historic test year per book data, the average unit price per size of pipe was determined and applied to the number of services under each rate schedule based on pipe size. The resulting values, by rate schedule, were converted to percentages and used to allocate service investment and related expenses.

Q. Please describe how you allocated plant Account 381 – Meters and Account 382 – Meter Installations in the studies.

A. I assigned meters to the various rate classes based on an actual inventory of meters installed on customers' premises. Columbia recognizes four separate pressure groups for meters based on the meter's maximum cubic feet per hour gas flow ("CFH"), 0-500 CFH, 501-1000 CFH, 1001-1,500 CFH, and over 1,500 CFH. Each meter type varies in cost as the size increases. Individual installed meters as identified on DIS were summarized by the four pressure groups. The capitalized property investment as identified on the Company's books and records for the four pressure groups was divided by the number of meters as reflected on the Company's books and records as of November 30, 2021, to develop a cost per meter for each group of meters. The costs per meter were multiplied by the identified installed meters in DIS to determine the investment for each rate class. The percentages were developed for Account 381 and used for assigning Account 381 Meters as well as the investment in Account 382 Meter Installations.

Q. Please describe how you allocated plant accounts 383 – House Regulators and 384 – House Regulator Installations.

A. Both of these accounts contain costs that are directly associated with the cost of house regulators. These regulators are installed where the distribution lines are transporting gas at intermediate, medium, or high pressure. Recognizing this fact and understanding, therefore, that customers being served by low pressure lines do not require house regulators, I developed an allocation factor that excludes customers served from low pressure lines from the total. The allocation factor uses total number of customers, grouped by rate class, as assigned in DIS. The resulting allocation percentages are then applied to the total capitalized property investment, as identified on the Company's books and records to determine the cost of house regulators for each applicable rate class.

Q. Please describe how you allocated plant Account 385 – Industrial Measurement & Regulation ("M&R") Equipment in the studies.

A. Using data retrieved from DIS, I obtained, for each active customer who has an M&R Station assigned to them, each station's rate schedule and station number. Then, I cross-referenced these station identification numbers to the Company's plant accounting records in order to identify the cost of each station. Then, I grouped these costs into the corresponding rate classes (excluding MLS/MLDS) and used the resulting totals as the basis for allocating all M & R plant.

Q. Do you provide a more complete description of how these factors were developed and the related calculations?

A. Yes. In Exhibit KLJ-1 attached to this testimony, entitled "Development of Allocation Factors", I provided a description for all allocation factors used for the studies. In Exhibit KLJ-2, I included all calculations of all allocation factors. And in Exhibit KLJ-3, I provided the rationale for factor selection, by account, as it pertains to the various categories of rate base and expense.

Q. Did you prepare a study in support of the Company's minimum or system charges?

A. I prepared two studies in support of the Company's minimum or system charges. They are contained in Exhibit No. 111, Schedule 2, pages 14 through 30.

Q. Please describe the two studies.

A. The study included in Exhibit 111, Schedule No. 2, pages 14 through 22 contains the company's traditional customer charge study based on the customer-demand ACOS study and includes the customer portion of mains costs. Columbia has used this method in support of its customer charges in its previous general rate case filings. The study presented on pages 23 through 30 of Schedule No. 2 is similar but excludes the customer component of mains and other operations.

Q. Why did you present the study excluding the customer component of mains?

A. I am aware that there have been disagreements concerning the inclusion of any mains costs as a customer component. Therefore, I included the alternative calculation excluding the customer component of mains. I also used the alternative study that

excludes all mains cost to establish a minimum customer cost benchmark for determination of CPA's customer charges.

Q. Why does the Company believe a customer component of mains should be included in a minimum system customer charge study?

A. The allocation of a portion of distribution mains costs on a customer basis is appropriate because of the way the distribution system is designed. Customer-related costs include, at a minimum, the cost incurred by the Company to extend its existing distribution system using a minimum size pipe (2" diameter) to attach a customer to the distribution system. Simply stated, the customer component of mains calculated in the ACOS represents a minimum fixed cost investment in mains to attach a customer to the distribution system, and therefore, has a direct relationship to the number of customers served by the Company. At a minimum, fixed costs that have a direct relationship to number of customers served by the Company should be recovered equally from all customers within a rate class, and that is what a customer charge is designed to do. I will discuss the Company's proposed customer charges later in my testimony.

Q. Did you prepare a study supporting the intra-class adjustment of storage costs between the SGDS1 and the SGSS1/SCD1 classes and between the SGDS2 and the SGSS2/SCD2 classes?

A. Yes. I prepared a study, included as Exhibit KLJ-4, supporting the intra-class adjustment of storage costs from the SGDS1 and SGDS2 classes to the SGSS1, SGSS2, SCD1 and SCD2 classes. This adjustment is made because SGDS1 and SGDS2

customers are not Priority customers for whom Columbia purchases gas in storage to serve.

Q. Please describe this study.

A. The study calculates the storage carrying costs, by rate class, by applying the proposed pre-tax rate of return (Line 6) to the allocated storage balances (Line 3) and utilizing Allocation Factor No. 25. The resulting storage carrying costs for the SGS1/SGDS1 class and the SGS2/SGDS2 class (Line 7) includes costs that would, without an adjustment, be assigned entirely to the SGDS1 class (Line 15) and SGDS2 class (Line 23). These costs are assigned to the SGSS1 and SCD1 classes and the SGSS2 and SCD2 classes ratably, using a factor derived from their projected throughput (Lines 13 & 14 under the heading "Ratio" for the SGSS1 and SCD1 classes and Lines 21 & 22 for the SGSS2 and SCD2 classes). No other intra-class adjustments are being supported or shown on this exhibit.

Q. Please describe the rate design principles that the Company considered when developing the proposed revenue allocation and rates.

A. The principles that were used to guide the development of the Company's rate design include: efficiency, simplicity, continuity, fairness, and earnings stability. An efficient rate design provides accurate price signals and, thus, an accurate basis for consumers' decisions and provides the Company a reasonable opportunity to recover the cost of providing service. A simple rate structure is one that is understood by customers. The goal of rate continuity seeks gradual changes to rate design that will allow customers to adjust their consumption patterns, as needed. A fair rate design

will consider the results of the allocated cost of service study in determining customer classes' total revenue responsibility. Finally, earnings stability means that the Company's earnings resulting from its rates should not vary significantly over the period of a few years.

Q. Please state the basis for the Company's proposed revenue allocation among the rate classes.

A. Consistent with the goal of continuity, Columbia seeks to move base rates closer to the allocated cost of service for each customer class gradually, so as to avoid rate shock to any particular rate class. The cost to serve each rate class is defined through the allocated cost of service study.

Q. How were the results of the cost allocation studies used in designing the proposed revenue requirements and rates?

A. The cost allocation studies were used as a guide for assigning additional revenue responsibility to customer groups. The peak and average study and the customer demand study provides information about class cost relationships and help establish a "zone of reasonableness" from which an appropriate revenue allocation and rate design can be derived. For this case, Columbia used the peak and average study as the primary study to establish class rates of return at present and proposed rates. The peak and average study was given primary consideration given the Commission's ruling on the matter in Columbia's 2020 rate case. However, Columbia believes the results from the other two studies can still be useful as another reference point in guiding the allocation of the proposed revenue increase. The results of the cost

allocation studies support the Company's proposed rate schedules. Details concerning the application of the cost study results in the proposed rate design are provided later in this testimony.

Q. What are the results of the allocated cost of service studies at current rates?

A. Exhibit KLJ-5, attached to my testimony, shows the class-level return indices for each of the ACOS studies. Return indices compare individual class returns to the overall total company return. A return index is calculated by dividing the class return by the total company return. The total company return index will always be 1.00. The closer individual classes return is to the total company return, the closer its index will be to 1.00 and to parity. The term "parity" in this context means that the class return and the total company return are equal.

The return index for the residential class ranges from 0.76 under the Customer/Demand study to 1.30 under the Peak & Average study. The average ACOS study produces a residential return index of 0.99.

The SGS1/SCD1/SGD1 return indices are 1.09 for the Peak & Average study, 1.14 for the Customer/Demand study and 1.12 for the average ACOS study.

The SGS2/SCD2/SGD2 return indices are 1.09 for the Peak & Average study, 2.56 for the Customer/Demand study and 1.62 for the average ACOS study.

The SDS/LGSS return indices are 0.88 for the Peak & Average study, 2.97 for the Customer/Demand study and 1.54 for the average ACOS study.

The LDS/LGSS return indices are 0.27 for the Peak & Average study, 3.05 for the Customer/Demand study, and 0.90 for the average ACOS study.

The return index for the Main line Distribution Service ("MLDS") class indicates that, by directly assigning mains investment, the return is the same under each of the three ACOS studies showing a return that is above parity with a return index of 29.29.

The FLEX return indices are -0.69 for the Peak & Average study, -0.14 for the Customer/Demand study, and -0.57 for the average ACOS study.

Q. What is the primary goal of Columbia's class revenue allocation?

A. The primary goal in Columbia's approach to revenue allocation is to maintain a movement toward parity among the various rate classes, consistent with Commission decisions in previous Company rate cases. Movement toward parity, through a goal of equal rates of return by class, is a way of assuring that the revenue allocation process takes into account the overall Company return and the relative returns by rate class. Each class's revenue increase is determined within the context of other rate class returns so that, over time, interclass returns remain close to one another rather than diverging. Maintaining a movement toward parity is a way to minimize potential cross-subsidization between classes.

Q. Do the Company's proposed rate increases for the various rate classes reflect the principle of gradualism?

A. Yes. First, Columbia's proposed rate increases for the various rate classes cause a movement of the unitized returns toward parity (unitized return of 1.00) for each of

the rate classes but with no rate class yet reaching parity. Secondly, the range of base rate revenue increase percentages for any class was not to exceed 1.5 times the total system average increase of 14.68% (see Exhibit 103, Schedule No. 8, Page 1, Lines 21 through 37).

Q. Please describe the Company's proposed revenue allocation.

A. Columbia's allocation of the proposed base rate revenue increase, which is shown in Exhibit 103, Schedule No. 8, Page 4, Line 19 reflects the following allocations: 68.71% of the overall increase is applied to the residential class; 8.43% of the overall increase is applied to the SGS1/SCD1/SGDS1 class; 8.94% of the overall increase is applied to the SGS2/SCD2/SGDS2 class; 7.51% of the overall increase is applied to the SDS/LGS class; 6.40% of the overall increase is applied to the LDS/LGS class; 0.00% of the overall increase is applied to MLDS customers; and 0.01% of the overall increase is applied to the FLEX customers.

Exhibit 103, Schedule 8, Page 4, Lines 5 and 6 shows the movement toward parity produced by Columbia's proposed revenue allocation using the peak and average ACOS Study. The movement toward parity (unitized return of 1.00) measures each class's return versus the total company return under current and proposed rates.

Q. Please explain why the revenue allocation to Flex was limited to the revenue generated by increased customer charges.

A. Flex agreements are individually negotiated contracts with a customer who has provided a sworn affidavit that a lower rate is required to meet competition from an alternate fuel. Per the Flexible Rate Provisions of Columbia's tariff, the

customer charge is not eligible for downward adjustment, and is not negotiable. The customer charges that flex customers are charged are set under the rate schedule in which the customer is receiving service under[3].

Q. Do flex rate agreements benefit Columbia's non-flex customers?

A. Yes. Revenue collected from flex rate customers contributes to the recovery of the Company's fixed costs. Absent flex rates, the Company may lose these customers to alternatives. Without the revenues from flex rate customers, the Company's non-flex customers would be assigned additional fixed cost recovery responsibility and their rates would increase.

Q. Other than the ACOS studies, what guidelines or criteria have you considered in the design of the Company's rates?

A. There are a number of criteria that I considered in the design of rates, including the following:

First, the design of Columbia's rates recognizes that rates must be just and reasonable and must not be unduly discriminatory. Columbia's proposed rate design also attempts to minimize cross-class subsidies.

Second, where rates require adjustment to achieve proper cost recovery, customer impact considerations have been factored into the rate design process. For instance, Columbia's proposed rate design moves each of the rate classes toward parity (unitized return of 1.00 and a total company required rate of return of 8.08%)

[3] Columbia Gas of Pennsylvania Tariff, Supplement No. 221 to Tariff Gas – Pa. PUC. No. 9 Sixth Revised Sheet No. 68.

but recognizes a move to full parity of 1.00 in this case would not be consistent with the principle of gradualism.

Third, Columbia's proposed rate design provides for recovery of fixed costs through the customer charge at least proportional to the percentage recovery of fixed costs in current rates. In the case of the residential class where the proportion of fixed costs has eroded since the 2012 rate case, Columbia's proposed rate design provides for recovery of an increasing proportion of fixed costs through the customer charge. This objective recognizes that the historical recovery of fixed costs through the volumetric rate portion of the rate schedule inevitably results in the over or under recovery of those costs because the revenues generated from customers' volumetric use of gas can be greatly sensitive to customer usage fluctuations that vary due to conservation efforts or other changing consumption characteristics. In essence, customer-related costs that bear no relationship to customer gas consumption patterns should be recovered through the fixed portion of the rate design, i.e. the monthly customer charge. Columbia's proposed rate design thus recovers a gradual increase in revenue through the customer charges for each of the rate classes. As explained later in this testimony, the Company is proposing increasing its residential customer charge to the ACOS determined level of customer costs excluding mains.

Q. Why is there a need to increase the percent of base rate recovery through the customer charge now that Columbia has a Weather Normalization Adjustment ("WNA") mechanism?

A. The WNA normalizes the impact of weather on the recovery of residential usage based on base revenue (outside a 3% band) during the winter months that the WNA is in effect. In doing so, the WNA affords the Company a greater opportunity to recover its authorized revenue requirement from its residential customers, while mitigating the impact of weather on the level of revenues collected from them. Thus, the WNA mechanism is beneficial to both Columbia and its customers. However, the WNA mechanism is not intended to address usage fluctuations that are attributable to conservation efforts or other changing consumption characteristics, intra-class subsidization of fixed cost recovery, weather effects of consumption outside the five winter months that the WNA is in effect, the weather effects of consumption within the 3% WNA band, or weather effects of consumption for rate classes not covered by the WNA. It is for these reasons that it is important for the customer charges to recover an increased percent of base rate revenue recovery.

Q. What are the new base rates proposed for residential customers?

A. Columbia proposes to increase the monthly residential customer charge from $16.75 to $25.47. The remaining residential revenue increase was assigned to the volumetric charge for a resulting rate of $8.7254 per Dth.

Q. How did Columbia determine a residential customer charge of $25.47?

A. Exhibit No. 111, Schedule 1, page 25, shows that the minimum monthly customer-based cost excluding distribution mains costs for the residential class is $25.47. Columbia's current charge of $16.75 was established in its 2012 rate case. Since then, residential customer-based costs excluding costs related to distribution mains

improvements has increased approximately 53%[4], but the customer charge has not increased. Columbia's proposed monthly customer charge of $25.47 reflects moving the customer charge to the minimum monthly customer-based cost excluding distribution mains costs. This approximately 52% increase in the residential customer charge is in line with the 53% increase in customer-based costs excluding costs related to distribution mains since the 2012 rate case. In addition, the 52% proposed increase in the Residential customer charge amounts to an annual increase of less than 5% or approximately $0.79 per year since the 2012 rate case.

Q. Describe the new base rates proposed for Small General Service customers consuming less than or equal to 6,440 therms annually.

A. Columbia proposes to increase the customer charge from $29.92 to $34.23. The increased customer charge is proportional to the overall base revenue increase for the rate class. The remaining revenue requirement for this customer class would be recovered through the volumetric rates. Exhibit No. 111, Schedule No. 1, pages 16 and 25 shows that the minimum customer costs for this rate class range from $28.36 (excluding mains) to $73.26 (including mains). Columbia's customer charge proposal of $34.23 falls near the bottom end of the range of customer-based costs. The remaining revenue is recovered through the volumetric base rates of $7.0989/Dth for SGSS1/SCD1 service and $6.9998/Dth for SGDS1 service.

[4] The approximately 53% increase in residential customer-based costs excluding costs related to distribution mains improvements from 2012 to current is calculated by comparing the $82,848,400 on Exhibit 111, Schedule 1, Page 17, Line 37 in case R-2012-2321748 to the $126,491,863 on Exhibit 111, Schedule 2, Page 25, Line 37 in this case.

Q. What are the customer-based costs for the Small General Service customers using between 6,440 and 64,400 therms annually?

A. The proposed SGSS2/SCD2/SGDS2 customer charge for customers whose usage is between 6,440 therms and 64,400 therms is $65.36. The increased customer charge is proportional to the overall base revenue increase for the rate class. The remaining revenue requirement for this customer class would be recovered through the volumetric rates. The volumetric charge will be $6.0374/Dth for SGSS/SCD service and $5.9382/Dth for SGDS service.

Q. Please explain the why the SGDS customers in the two rate classes above have a different volumetric charge than the SGSS and SCD customers in those rate classes.

A. Consistent with previous base rate proceedings, Columbia re-allocated the storage working capital costs assigned to the SGSS/SCD/SGDS classes as a whole through the ACOS to SGSS/SCD classes only. As shown on Exhibit KLJ-4, Columbia has re-allocated $236,058 of storage working capital costs from the SGDS class to SGSS/SCD. This intra-class re-allocation is shown on Lines 16 of Exhibit 103, Schedule 8, Pages 6 and 7. As a result, the Company charges a different volumetric base rate to the SGSS and SCD customers than to the SGDS customers and that principle will not change under proposed rates.

Q. Please summarize Columbia's SDS/LGSS rate design proposal.

A. The proposed SDS/LGSS customer charge for customers whose usage is between 64,400 therms and 110,000 therms is $319.30 and the proposed customer charge

for customers whose usage is between 110,000 therms and 540,000 therms is $1,265.29. The increase in customer charges is proportional to the overall base revenue increase for the rate class. The remaining revenue requirement for this customer class would be recovered through the volumetric rates.

The volumetric base rate will be $4.7545/Dth for SDS/LGSS customers whose usage is between 64,400 therms and 110,000 therms and $4.4453/Dth for SDS/LGSS for customers whose usage is between 110,000 therms and 540,000 therms.

Q. Please summarize Columbia's LDS/LGSS rate design proposal.

A. The table below shows the proposed customer charges for the LDS/LGSS rate class, which reflect an increase proportional to the base revenue increase for the rate class.

Annual Usage Levels	Proposed Cust. Charge
> 540,000 to ≤ 1,074,000 Therms	$3,261.28
> 1,074,000 to ≤ 3,400,000 Therms	$5,072.62
> 3,400,000 to ≤ 7,500,000 Therms	$9,782.40
> 7,500,000 Therms	$14,492.16

Q. How is the LDS/LGSS volumetric based rate revenue requirement shown in Exhibit 103, Schedule 8, Page 9, Line 27 spread among the LDS/LGSS annual usage groups?

A. The volumetric base revenue requirement is split among the LDS/LGSS annual usage groups proportionately based on revenue produced from current volumetric base rates. (See Exhibit 103, Schedule 8, Page 9, Lines 29 through 32).

Q. In regard to each rate classes' proposed customer charge, why did the Company use the calculated monthly customer charge excluding mains costs shown on Exhibit 111, Schedule 2, Page 25, Line 39 for the proposed residential customer charge but proposed the customer charge for the other classes be increased proportional to the overall base revenue increase for the rate class?

A. Exhibit KLJ-11 was used to analyze the current customer charges of each class (Line 6) in comparison to the calculated monthly customer charges excluding mains costs from the Peak & Average ACOS (Line 2). For the SDS/LGSS and LDS/LGSS classes, the weighted average of these classes' customer charges were also compared to the midpoint of the calculated monthly customer charges excluding mains costs and the calculated monthly customer charges including mains costs from the Peak & Average ACOS (Line 5). It was noted on Line 7 the current customer charge percent of the calculated monthly charge excluding mains (Peak & Average basis) was between 106% and 108% for the SGS/DS-1 and SGS/DS-2 classes. It was noted on Line 8 the current customer charge percent of the midpoint of the calculated monthly charge excluding mains (Peak & Average basis) and the calculated monthly charge including mains (Customer Demand basis) was between 87% and 103% for the SDS/LGSS and LDS/LGSS classes. However, the residential class current customer charge was at 66% of the calculated monthly customer charge excluding mains (Peak & Average basis). With the residential class customer charge percent of the calculated monthly customer charge being much lower than the other classes, the Company proposed

bringing the customer charge in-line with the other classes as well as within the minimum amounts supported by the Company's Peak & Average ACOS calculated monthly customer charge excluding mains costs of $25.47. The proposed customer charges for the non-residential classes were increased proportional to the overall base revenue increase for the rate class. Lines 10 & 11 show the percent of calculated monthly customer charges for each classes' proposed customer charge produces at or above the minimum customer charge generated by the Company's Peak & Average ACOS for the RSS/RDS, SGS/DS-1, and SGS/DS-2 classes and above the minimum customer charge generated by the midpoint of the Company's Peak & Average and Customer Demand ACOS studies for the SDS/LGSS, and LDS/LGSS classes. Lines 10 and 11 also show all the classes' customer charges are more proportional to each other under proposed rates than current rates.

Q. Please provide a proof of the FPFTY base revenue requirement by rate schedule.

A. Refer to Exhibit No. 103, Schedule No. 8.

Q. What are the class-level bill impacts resulting from the Company's proposal?

A. The class average bill impacts are shown on Exhibit No. 103, Schedule No. 8, Page 1, column 7.

Q. Is the Company providing graphs of the bill impacts?

A. Yes. Please refer to Exhibit No. 111, Schedule No. 5, pages 1-9. Residential Sales Service is shown on page 1, and pages 2-9 provide graphs for commercial and industrial customers.

Q. What is the range of bill impacts for residential customers?

A. Please refer to Exhibit No. 111, Schedule No. 6, page 1. This page shows monthly bill impacts for residential customers at various usage levels.

Q. Has the Company performed bill impact analyses at various usage levels for commercial and industrial customers?

A. Yes. Refer to Exhibit No. 111, Schedule No. 6, pages 2-9. These pages provide monthly bill impacts for Small General Sales Service and Large General Sales Service customers at various usage levels.

Q. What other rate design proposal is Columbia making in this case?

A. Columbia is proposing the implementation of a Revenue Normalization Adjustment ("RNA") for the residential class in this case. The RNA provides a benchmark distribution revenue level regardless of changes in customers' actual usage levels. Rider RNA would adjust actual non-gas distribution revenue for the non-CAP residential customer class. Columbia's proposed RNA is designed to "break the link" between residential non-gas revenue received by the Company and gas consumed by non-CAP residential customers.

Q. How does the RNA promote revenue stabilization?

A. The RNA promotes revenue stabilization because it relies on distribution revenue per customer, not usage per customer. Once the Company's revenue requirement

is set through a base rate case proceeding, then a benchmark revenue per residential customer is established. Through Rider RNA, the Company would refund any amount over the benchmark revenue per residential customer and would be allowed to collect any amount below the benchmark revenue per customer. Hence, the RNA "breaks the link" between residential non-gas revenue and gas consumed by non-CAP residential customers.

Q. How does the proposed RNA align with the Statements of Policy as outlined by the Commission in the alternative rate making Docket No. M-2015-2518883?

A. Each rate consideration identified in the Statement of Policy is listed below along with the relevant effect the proposed RNA has on each rate consideration:

1. Please explain how the ratemaking mechanism and rate design align revenues with cost causation principles as to both fixed and variable costs.
    a. Columbia's proposed RNA is designed to recover the residential base revenues needed to satisfy the cost of service requirements determined in this proceeding while negating over or under recovery of costs.
2. Please explain how the ratemaking mechanism and rate design impact the fixed utility's capacity utilization.
    a. Columbia's RNA proposal has no identifiable effect on the capacity utilization of the residential class.

3. Please explain whether the ratemaking mechanism and rate design reflect the level of demand associated with the customer's anticipated consumption levels.

   a. Columbia's RNA benchmark revenue includes the anticipated volumetric base revenue derived from the fully projected test year consumption.

4. Please explain how the ratemaking mechanism and rate design limit or eliminate inter-class and intra-class cost shifting.

   a. Columbia's RNA minimizes inter-class cost subsidization by limiting the amount of cost recovery for the residential class to the revenue benchmark established in this case. Residential intra-class cost subsidization is reduced through Columbia's proposal of a higher customer charge for the residential class.

5. Please explain how the RNA limits or eliminates disincentives for the promotion of efficiency programs.

   a. Reduced throughput will not lead to revenue and earnings erosion due to under-recovery because the link between level of throughput and base revenue recoveries is broken with the implementation of the RNA.

6. Please explain how the RNA impacts customer incentives to employ efficiency measures and distributed energy resources.

   a. Customers will continue to have an incentive to pursue energy efficiency measures since approximately 30% of an average residential bill is still subject to volumetric usage not related to base rate revenue recovery.

7. Please explain how the RNA impacts low-income customers and supports consumer assistance programs.
   a. Columbia's proposed RNA only applies to non-CAP customers.
8. Please explain how the RNA impacts customer rate stability principles.
   a. Columbia's proposed RNA enables the recovery of costs established in this case and, therefore, mitigates the potential under or over recovery of costs that could require a material rate adjustment in the future.
9. Please explain how weather impacts utility revenue under the RNA.
   a. The RNA, as proposed will capture base revenue differences net of weather as the benchmark is based upon normal weather and the actual revenue will include billed WNA adjustments.
10. Please explain how the RNA impacts the frequency of rate case filings and affects regulatory lag.
   a. The RNA is designed to mitigate the over or under recovery of the residential cost of service in this case. Future rate cases would still be required to capture cost of service changes that occur beyond the residential class and the fully projected test year in this case.
11. Please explain if the RNA interacts with other revenue sources, such as Section 1307 automatic adjustment surcharges, 66 Pa.C.S. § 1307 (relating to sliding scale of rates; adjustments), riders such as 66 Pa.C.S. § 2804(9) (relating to standards for restructuring of electric industry) or system

improvement charges, 66 Pa.C.S. § 1353 (relating to distribution system improvement charge).

a. Columbia's proposed RNA only applies to the recovery of costs included in determination of the residential base revenue requirement.

12. Please explain whether the RNA includes appropriate consumer protections.

a. The RNA as proposed establishes a Benchmark Distribution Revenue per Bill ("BDRB") residential customer. Rider RNA will refund any amount over the established benchmark and collect any amount below the benchmark. By design, the Company cannot retain revenue in excess of the BDRB, which protects the customer from being over-charged. Columbia will submit two filings per year for the RNA mechanism, which can be reviewed and audited by the Commission, similar to the process for the Company's PGC and Rider USP filings.

13. Please explain whether the RNA is understandable to customers.

a. Columbia's RNA is not a unique concept to the regulated utility industry and similar versions have been implemented successfully in other jurisdictions in which Columbia operates. Columbia is also providing a RNA tariff that clearly shows the detail how the mechanism works.

14. Please explain how the RNA will support improvements in utility reliability.

a. Columbia's cost of service reflects the investments and costs made for the continued enhancement of the safety and reliability of its system. The RNA reduces the volatility concerning the recovery of those costs.

Q. How frequently does the Company propose to compute Rider RNA and adjust residential customers' bills?

A. Columbia proposes to calculate Rider RNA and adjust residential customers' bills every six months based upon a comparison of benchmark distribution revenue to actual distribution billed revenue. Under the Company's proposal, Rider RNA would be credited or charged to all non-CAP residential bills (i.e., Rate RSS – Residential Sales Service, and Rate RDS – Residential Distribution Service (CHOICE)).

Q. Describe the time periods used to calculate the proposed benchmark base revenues for non-CAP residential customers.

A. The proposed benchmark distribution revenues will be computed for two separate six-month periods. The first time period, or "Peak Period," includes billing cycles for October through March, and the second time period, or "Off-Peak Period," includes billing cycles for April through September. Although, the Company considered monthly RNA rate adjustments, Peak and Off-Peak Periods were selected to minimize rate fluctuations for customers. These specific six-month periods were selected to align Rider RNA rate changes with the gas cost rate changes. This helps to minimize the number of times customers' rates are changed annually.

Q. Please describe the timing of charging Rider RNA on residential customers' bills.

A. The RNA computed for the Peak Period would be applied to the next Peak Period. Likewise, the RNA computed for the Off-Peak Period would be applied to the next Off-Peak Period. For example, the RNA computed for the Peak Period beginning with October 2023 billing cycles and ending with March 2024 billing cycles would be applied to residential customers' bills for the period beginning with October 2024 billing cycles and ending with March 2025 billing cycles. By lagging the adjustment until the next corresponding time period, the Company moderates the impact of any adjustment, because Peak Period adjustments are applied to Peak Period volumes.

Q. Explain the calculation of the Peak and Off-Peak Benchmark Distribution Revenue per Bill ("BDRB").

A. Columbia proposes to set Peak and Off-Peak BDRBs using weather normalized test year revenues for the FPFTY approved in this proceeding, divided by the number of residential bills for the applicable six-month period.

Q. How would the BDRB be utilized for Rider RNA?

A. For each period, the difference between the BDRB and the Actual Distribution Revenue per Bill ("ADRB") would be multiplied by the Actual Number of non-CAP Residential Bills ("ANB") to compute base revenues to be collected or refunded to non-CAP residential customers.

Q. What are the Peak and Off-Peak BDRB levels proposed by Columbia?

A. Refer to Exhibit KLJ-7 for the calculation of the BDRBs proposed by the Company for the Peak and Off-Peak Periods. The BDRBs are based upon the Company's filed for revenue requirement. Exhibit KLJ-7 shows the following BDRB levels for Rider RNA:

	Peak BDRB		Off-Peak BDRB
January	$162.85	April	$99.71
February	$166.24	May	$61.67
March	$143.19	June	$44.19
October	$42.78	July	$36.78
November	$73.39	August	$36.27
December	$127.17	September	$36.30
6-Month Total	$715.62		$314.92

Q. Would the Company need to adjust the BDRB levels after a final revenue requirement is approved by the Commission?

A. Yes. The proposed BDRB levels would need to be revised for the final revenue requirement approved by the Commission.

Q. When does the Company propose to reset the BDRB levels?

A. New BDRB levels for the Peak and Off-Peak Periods would be established with each base rate case filing.

Q. Has the Company filed a tariff for its RNA proposal?

A. Yes. The Company's RNA Rider is set forth on Page Nos. 144 and 145 of Columbia's proposed tariff (Exhibit 14, Schedule 2).

Q. Can you please explain how the RNA and WNA work together and why both are needed?

A. Although Rider RNA could serve the purpose of adjusting revenues for normal weather, Rider WNA does it more efficiently, for a few reasons. First, the WNA applies to each individual customer's consumption and usage patterns. This results in no cross-subsidization as a result of adjusting bills for normal weather. The WNA is billed in real time, so there is no lag in refund or recovery due to weather variances from normal. This means that there is no need for a reconciliation adjustment with Rider WNA. Additionally, by recovering or refunding the impact of weather through the WNA, the RNA would be mitigated to recovering distribution revenues that deviate from test year benchmark distribution revenues exclusive of distribution revenues adjusted through Rider WNA.

Q. How will the WNA and RNA mechanisms operate to avoid double-counting adjustments in the RNA?

A. BDRB levels are based upon normal weather and ADRB will include monthly Rider WNA adjustments. Thus, the RNA will only capture any difference net of weather.

Q. Have Columbia affiliates successfully implemented RNA with an existing WNA in place in other jurisdictions?

A. Yes. Similar alternative rate design mechanisms have been implemented in other jurisdictions. Columbia Gas of Maryland and Columbia Gas of Virginia have implemented RNA mechanisms in addition to an existing WNA mechanism.

Experience from those other jurisdictions has been considered in the context of proposing a residential rate design for Columbia in this case.

Q. When does the Company propose to implement the RNA?

A. Columbia proposes to implement the RNA with January 2023 billing cycles. This initial Peak Period RNA ("RNAp") would become effective with October 2023 billing cycles.

Q. What additional filing(s) would occur related to Rider RNA?

A. The Company would submit two filings related to Rider RNA per year. The Peak Period RNA Filing would be submitted 1 day prior to the effective date of the Peak RNA adjustment and the Off-Peak Period RNA Filing would be filed 1 day prior to the effective date of the Off-Peak RNA adjustment.

Q. Please present Columbia's proposed RNA formula.

A. The Company's proposed RNA formula for the Peak Period is shown below:

$$\text{Peak Period:} \quad RNAp = \frac{[ANBp \times (BDRBp - ADRBp)]}{FTp}$$

RNA is the Revenue Normalization Adjustment for non-CAP residential customers for the applicable period.

BDRB is the Benchmark Distribution Revenue per Bill for non-CAP residential customers for the applicable period.

ADRB is the Actual Distribution Revenue per Bill for non-CAP residential customers for the applicable period. ADRB includes Rider WNA adjustments in the applicable months.

ANB is the Actual Number of non-CAP residential Bills for the applicable period. ANB will be computed using a six-month average.

FT is the Forecast Therms for residential non-CAP customers for the six-month period that the RNA will be applied.

Q. Is the calculation of the Off-Peak Period RNA similar to the Peak Period RNA?

A. Yes. The equations are the same for the six-month Off-Peak RNA ("RNAo") calculations.

Q. Does Columbia propose to apply interest to the RNA balances?

A. Yes. Refunds to customers shall be made with interest and recoveries from customers shall include interest at the prime rate for commercial borrowing in effect 60 days prior to the tariff filing and as reported in a publicly available source identified by the Commission or at an interest rate which may be established by the Commission by regulation.

Q. How does the Company plan to implement the RNA in the middle of the Peak Period?

A. For the initial Peak Period RNA, the Company will compute benchmark revenues using three billing months: January, February and March. The actual distribution revenues and actual number of non-CAP bills would also include only January, February and March of 2023.

Q. Please provide sample RNA calculations for the initial Peak and Off-Peak periods.

A. Please refer to Exhibits KLJ-8 and KLJ-9 for sample RNA calculations for the initial Peak and Off-Peak Periods. Exhibit KLJ-8 shows the calculation of the RNAp adjustment for a three-month period, because Columbia is proposing to begin tracking for the RNA beginning with billing month January 2023. Line 3 of Exhibit KLJ-8 shows the monthly BDRBp levels proposed in this proceeding. The ADRBp would be input on line 7. For this sample calculation, ADRBp amounts were assumed for illustrative purposes, because actual information for January through March 2023 is not available. Line 9 shows the subtraction of lines 3 and 7. The resulting difference is multiplied by an illustrative ANBp for each month to compute revenue to be assigned to the RNAp (line 16) for collection in the next Peak Period. Line 18 shows forecasted Dth for the months of October 2023 through March 2024. The RNAp rate effective for October 2023 billing cycles through March 2024 billing cycles is calculated on line 20. Exhibit KLJ-9 shows the same computations for the initial Off-Peak Period, including the months of April through September. The initial RNAo would be effective with April 2024 billing cycles.

Q. Does the RNA mechanism result in all non-CAP residential customers paying the same total distribution charge?

A. It does not. All non-CAP residential customers will continue to pay a customer charge and a volumetric rate. Through the RNA mechanism, an adjustment rate is calculated and applied to each non-CAP residential customer's usage in a future period. Thus, the RNA mechanism helps to balance revenue stability while

allowing customers to experience any benefit from controlling their usage and conserving.

Q. Does the Company propose to reconcile the RNA collections or credits in future time periods?

A. Yes. Collections will be tracked and credited or charged in the next corresponding Peak or Off-Peak RNA Filing.

Q. Has the Company proposed any changes to the calculation of quarterly Rider USP as a result of the proposed RNA?

A. No. Because Columbia's proposed RNA does not apply to CAP customers, changes to Rider USP are not needed.

Q. Why not apply the RNA to CAP customers?

A. CAP customers' payments are defined by their ability to pay. Incorporating a charge or credit related to RNA would ultimately flow into the Rider USP charge. Columbia concluded that this added unnecessary complexity to the RNA.

Q. Did you prepare any other calculations?

A. Yes. I prepared the Gas Procurement Charge calculation as detailed in Exhibit KLJ-6.

Q. Did you propose making an adjustment to the Gas Procurement Charge?

A. No. Exhibit KLJ-6 shows the calculation of the Gas Procurement Charge in the 2021 Rate Case and this Rate Case (2022). For the 2022 calculation, a 3% increase in labor and benefits was assumed. The percent of customers taking Sales Service

(Line 11) and Total Sales (Line 14) were updated to reflect 2022 amounts. The 2022 calculation resulted in a calculated reduction in the Gas Procurement Charge when compared with the 2021 calculation. Since the overall fundamentals of the Gas Procurement process did not change, the Company elected to not lower the Gas Procurement Charge, but instead keep it at the 2021 calculated rate of $0.00113 per/therm.

Q. Do you have any other rate calculations you would like to discuss?

A. Yes. As noted in Witness Love's Direct Testimony (Statement 16), Columbia is proposing a Three-Year Energy Efficiency Plan ("Plan" or "EE Plan") as a way to help Columbia's residential customers use natural gas more efficiently. I have prepared the calculation on Exhibit KLJ-10 of the EE Plan Rider that will be billed to all Residential customers (excluding CAP customers). Based on the 2023 Program Costs, the Residential Energy Efficiency Rider Rate is calculated at $0.00441 per/therm. This EE Plan Rider is not included in the Company's base rate revenue requirement in this case but is being submitted as a separate request. However, the impact of the EE Plan Rider is shown on the residential bill comparisons detailed in Exhibit No. 111, Schedule 6, Page 1.

Q. Does this complete your Prepared Direct Testimony?

A. Yes, it does.

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTORS

Direct Assignment

"Direct Assignment" refers to a specific identification and isolation of plant and/or expenses based on Columbia's accounting records and incurred exclusively to serve a specific customer or group of customers. Instances of the use of direct assignments in the study can be identified by the omission of an allocation factor number (generally in column c) and the use of the term "direct" immediately after the account number. The operative principle is to utilize direct assignment of plant and expenses wherever practicable and to allocate when accounting records do not indicate class categorization.

Factor No. 1 - Design Day

The quantities contained in Factor No. 1 represent the total demand projected to occur at Columbia's design peak day. See Exhibit KLJ-2, Page 1.

Factor No. 2- Throughput Excluding Transportation

Throughput quantities, excluding transportation, for the twelve months ending December 31, 2023 are the basis for Factor No. 2. See Exhibit KLJ-2, Page 2.

Factor No. 3- Throughput Excluding MDS

Factor No. 3 represents the throughput quantities excluding MDS quantities for the twelve months ending December 31, 2023. See Exhibit KLJ-2, Page 2.

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Factor No. 4- Gas Purchase Expense

Factor No. 4 is based on gas cost assigned to each rate schedule for the twelve months ending December 31, 2023 using the applicable Gas Cost Recovery ("GCR") rates. See Exhibit KLJ-2, Page 3.

Factor No. 5 - Composite of Factors No. 1 and Throughput

Factor No. 5 combines design day quantities included in Factor No. 1 and throughput quantities for the historic test year ended November 30, 2021 to produce a composite Factor No. 5. Factor No. 5 was used to allocate mains and mains related accounts for the Peak and Average Study. Please see Exhibit KLJ-2 Page 4 for the detail development of Factor No. 5.

Factor No. 6 - Average Number of Customers

Customers for each month of the twelve months ending December 31, 2023 were averaged and used to develop Factor No. 6. See Exhibit KLJ-2, Page 5.

Factor No. 7 – Current DIS Revenue

Factor No. 7 reflects gross charge-offs recorded during the twelve months ending November 30, 2021 to small usage customers through the Company's Distributive Information System ("DIS"). See Exhibit KLJ-2, Page 6.

COLUMBIA GAS OF PENNSYLVANIA, INC.
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Factor No. 8 – Current GMB/GTS

Factor No. 8 reflects revenue to be billed during the twelve months ending December 31, 2023 to larger sales usage and transportation customers through the Company's Gas Measurement Billing and General Transportation Systems. See Exhibit KLJ-2, Page 7.

Factor No. 9 – Customer Deposits

Factor No. 9 represents customer security deposits collected from customers by class as of November 30, 2021. See Exhibit KLJ-2, Page 8.

Factor No. 10 - Forfeited Discounts

Factor No. 10 is based on the amount of forfeited discounts billed to customers during the twelve months ended November 30, 2021. See Exhibit KLJ-2, Page 9.

Factor No. 11 - Distribution Plant Excluding Other

Factor No. 11 ratios are based on the spread of distribution plant dollars, excluding gas plant accounts 375.70, 375.71, and 387, to the customer groups resulting from the application of the various allocation factors to each gas plant account. The allocated dollars are aggregated and reduced to percentages to produce Factor No. 11. See Exhibit KLJ-2, Page 10.

Factor No. 12 - Gross Plant

Factor No. 12 ratios are based on the spread of total plant dollars to the customer groups resulting from the application of the various allocation factors to each gas plant

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTORS

account. The allocated dollars are aggregated and reduced to percentages to produce Factor No. 12. See Exhibit KLJ-2, Page 13.

Factor No. 13 – Mains – Account 376

Factor No. 13 reflects the relationship based on the spread of dollars in account 376 Mains among all customer classes that resulted from allocating the Mains using composite Factor No. 5 for the Demand-Commodity Study and Factor No. 20 for the Customer-Demand Study for classes that could not be directly assigned. The dollars are aggregated and reduced to percentages to produce Factor No. 13. See Exhibit KLJ-2, Page 14.

Factor No. 14 – Composite Direct Plant – Accts 376 & 380

Factor No. 14 reflects the relationship based on the spread of dollars in accounts 376 Mains and 380 Services among all customer classes resulting from the application of the appropriate account allocation factor. The allocated dollars in each account are aggregated and reduced to percentages to produce Factor No. 14. See Exhibit KLJ-2, Page 15.

Factor No. 15 – Direct Assignment - Services

Factor No. 15 – reflects Services – Account 380 assigned by rate schedule based on an actual assignment of services installed on customers' premises. Individual customer services were identified by size kind from DIS and accumulated by customer class and rate schedule. Based on the historic test year per book data, average unit prices by service size were developed from the data and applied to the number of services under each rate schedule. The resulting values, by rate schedule were converted to

COLUMBIA GAS OF PENNSYLVANIA, INC.
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percentages and used to allocate service investment and related expenses. See Exhibit KLJ-2, Page 19.

Factor No. 16 – Direct Assignment – Meters

Meters were assigned to the various classes of customers based on meters installed on customers' premises. Columbia recognizes four separate pressure groups for meters. Each varies in cost as the size changes. Individually installed meters as identified in DIS were summarized by the four pressure groups. The capitalized property investment, as identified on the Company's books and records for the four pressure groups, was divided by the number of installed meters as reflected on the Company's books and records to develop a cost per meter for each group of meters. The costs per meter were multiplied by the identified installed meters in DIS to determine the investment for each customer class. The percentages were developed for account 381 and used for assigning account 381 Meters as well as the investment in account 382 Meter Installations since these costs are incurred in direct relation with meters. See Exhibit KLJ-2, Page 20.

Factor No. 17 – Direct Assignment - Ind M&R

Individual measuring stations are identified in DIS by customer by station number and Columbia's plant records by station number. The investments were aggregated by rate schedule and reduced to percentages to produce Factor No. 17. See Exhibit KLJ-2 Page 27.

COLUMBIA GAS OF PENNSYLVANIA, INC.
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Factor No. 18 - Other Distribution Expense

Factor No. 18 is based on the spread of dollars to the various classes of customers within the following distribution expense accounts:

Page 7 - Distribution Expense Allocation

Line 19 Account 871 - Distribution Load Dispatch

Line 20 Account 874 - Mains & Services

Line 21 Account 875 - M & R - General

Line 22 Account 876 - M & R - Industrial

Line 23 Account 878 - Meters & House Regulators

Line 24 Account 879 - Customer Installation

Line 29 Account 886 - Structures & Improvements

Line 30 Account 887 - Mains

Line 31 Account 889 - M & R - General

Line 32 Account 890 - M & R - Industrial

Line 33 Account 892 - Services

Line 34 Account 893 - Meters & House Regulators

See Exhibit KLJ-2, Page 28.

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Factor No. 19 – O&M Excl Gas Pur, Uncollectibles, & A&G

Factor No. 19 is based on total Operating and Maintenance Expenses (Page 8, Line 37) less Gas Purchased Cost (Page 7, Line 1), Uncollectibles (Page 8, Lines 5, 6, & 7), USP Rider (Page 8, Line 8) and A&G Expenses (Page 8, Line 34). See Exhibit KLJ-2, Page 29.

Factor No. 20 Minimum System Mains

Factor No. 20 is a composite using customers and design day quantities to allocate mains. The development of the factor is presented on Exhibit KLJ-2, Page 30.

A minimum 2" system approach is used to determine the customer related cost component of mains. The concept is based on the assumption that in order for a customer to obtain service, mains of at least the most common, minimum size in the distribution system must be present. That portion of the Mains Account investment is considered customer-related and is computed by multiplying the total pipe quantity in the system by the cost per foot for the most prevalent size of mains, that being two inch. The cost of the minimum system, computed in that manner, is divided by the total cost of all mains to arrive at a Customer Component factor. The reciprocal of the Customer Component factor becomes the Demand Component factor and is used to allocate the remaining mains costs which are considered demand related and allocated using the appropriate design day factor.

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTORS

Factor No. 21 – House Regulators

Factor No. 21 is based on the bill counts for all customers that are not served by low pressure lines. These counts are segregated by customer class and converted to percentages to create Factor No. 21 and used for assigning account 383 House Regulators as well as the investment in account 384 House Regulator Installations since these costs are incurred in direct relation with House Regulators. See Exhibit KLJ-2, Page 31.

Factor No. 22 –Average Factor Nos. 5 & 20

Factor No. 22 is based on the average of Factor Nos. 5 and 20 on an equal basis and is used to average the Customer-Demand Study and the Peak and Average Study. See Exhibit KLJ-2, Page 32.

Factor No. 23 – Meters and House Regulators

Factor No. 23 reflects the relationship based on the spread of dollars in accounts 381 Meters, 381.10 Automatic Meter Reading, 382 Meter Installations, 383 House Regulators, and 384 House Regulator Installations (Page 3, Lines 34 through 38) among all customer classes resulting from the application of the appropriate account allocation factor. The allocated dollars in each account are aggregated and reduced to percentages to produce Factor No. 23. See Exhibit KLJ-2, Page 33.

Factor No. 24 - Labor

Factor No. 24 is based on the allocation of labor charges with the various Federal Energy Regulatory Committee (“FERC”) Accounts. The labor dollars allocated to the various

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTORS

rate classes are summed and converted to percentages to create Factor No. 24. See Exhibit KLJ-2, Page 34.

Factor No. 25 – Sales and CHOICE Transportation

Factor No. 25 is based on the sales and CHOICE transportation activity for the twelve months ending December 31, 2023. See Exhibit KLJ-2, Page 2.

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 1
DESIGN DAY [1] (2021-2022)

LINE NO.	Rate	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	FLEX [2]	Total
	Residential							
1	RS	308,100	0	0	0	0	0	308,100
2	RC2	29,400	0	0	0	0	0	29,400
3	RTC	111,300	0	0	0	0	0	111,300
	Commercial							
4	LDS/LGSS	0	0	0	0	15,700	0	15,700
5	LDS FLEX	0	0	0	0	0	13,600	13,600
6	SDS/LGSS	0	0	0	49,500	0	0	49,500
7	SGS2	0	0	50,300	0	0	0	50,300
8	SGS1	0	58,400	0	0	0	0	58,400
9	SCD1	0	25,500	0	0	0	0	25,500
10	SCD2	0	0	22,200	0	0	0	22,200
11	SGDS1	0	3,100	0	0	0	0	3,100
12	SGDS2	0	0	32,100	0	0	0	32,100
13	SGDS2 FLEX	0	0	0	0	0	100	100
	Industrial							
14	LDS/LGSS	0	0	0	0	33,100	0	33,100
15	LDS FLEX	0	0	0	0	0	31,200	31,200
16	SDS/LGSS	0	0	0	11,300	0	0	11,300
17	SGS2	0	0	600	0	0	0	600
18	SGDS2	0	0	1,000	0	0	0	1,000
19	Subtotal	448,800	87,000	106,200	60,800	48,800	44,900	796,500
20	EBS	0	0	0	5,077	4,075	3,748	12,900
21	Total	448,800	87,000	106,200	65,877	52,875	48,648	809,400
22	MLDS							21,000
23	Other (Co. Used)							2,400
24	Total							832,800
25	**ALLOCATOR #1**	**55.448%**	**10.749%**	**13.121%**	**8.139%**	**6.533%**	**6.010%**	**100.000%**

[1] Includes Firm and Non-Firm Service. Volumes in MDth/Day.

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTORS 2, 3, & 25
THROUGHPUT EXCLUDING TRANSPORTATION, THROUGHPUT EXCLUDING MLDS

LINE NO.		RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX	TOTAL
	Sales								
1	RSS	28,264,907	-	-	-	-	-	-	28,264,907
2	RDGSS	-	-	-	-	-	-	-	-
3	RC2 1/	2,766,018	-	-	-	-	-	-	2,766,018
4	SGSS1	-	4,107,511	-	-	-	-	-	4,107,511
5	SGSS2	-	-	3,914,532	-	-	-	-	3,914,532
6	NSS/MLSS-1	-	-	-	-	-	72,000	-	72,000
7	LGSS1 & 2	-	-	-	1,011,865		-	-	1,011,865
8	LGSS3 & greater	-	-	-	-	50,863	-	-	50,863
	Transportation								
9	RDS	4,066,034	-	-	-	-	-	-	4,066,034
10	RDGDS	-	-	-	-	-	-	-	-
11	SCD1	-	1,491,857	-	-	-	-	-	1,491,857
12	SCD2	-	-	1,538,991	-	-	-	-	1,538,991
13	SGDS1	-	292,513	-	-	-	-	-	292,513
14	SGDS2	-	-	3,419,855	-	-	-	-	3,419,855
15	SDS	-	-	-	5,985,617	-	-	-	5,985,617
16	LDS	-	-	-	-	11,285,600	-	-	11,285,600
17	FLEX							11,978,033	11,978,033
18	MLDS	-	-	-	-	-	3,122,114	-	3,122,114
19	Total Throughput Excl. Trans. (Allocator 2)	31,030,925	4,107,511	3,914,532	1,011,865	50,863	72,000	-	40,187,696
20	**ALLOCATOR #2**	77.214%	10.221%	9.741%	2.518%	0.127%	0.179%	0.000%	
21	Total Throughput Excl. MLDS (Allocator 3)	35,096,960	5,891,881	8,873,377	6,997,482	11,336,463		9,070,033	77,266,196
22	**ALLOCATOR # 3**	45.424%	7.625%	11.484%	9.056%	14.672%		11.739%	
23	**Sales and Choice Volume**	35,096,960	5,599,368	5,453,523	1,011,865	50,863	72,000	-	47,284,578
24	**ALLOCATOR #25**	74.225%	11.842%	11.533%	2.140%	0.108%	0.152%	0.000%	

NOTE: **1/ RC2 rate schedule is for CAP customers. They can be either CHOICE or Sales.**

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 4
GAS PURCHASE EXPENSE

LINE NO.		RSS/RDS GAS COST	SGS/DS-1 GAS COST	SGS/DS-2 GAS COST	SDS/LGSS GAS COST	LDS/LGSS GAS COST	MLDS GAS COST	FLEX GAS COST	TOTAL
1	RSS	155,295,878	-	-			-	-	155,295,878
2	RC2	15,197,335	-	-			-	-	15,197,335
3	RDS	7,328,214	-	-			-	-	7,328,214
4	SGSS	-	22,567,896	21,507,612			-	-	44,075,508
5	NSS	-	-	-			522,768	-	522,768
6	SCD	-	2,688,774	2,773,723			-	-	5,462,497
7	SGDS	-	104,948	1,340,105			-	-	1,445,053
8	LGS	-	-	-	5,559,491	279,454	-	-	5,838,945
9	TOTAL	177,821,427	25,361,618	25,621,440	5,559,491	279,454	522,768	-	235,166,198
10	**ALLOCATOR #4**	75.615%	10.785%	10.895%	2.364%	0.119%	0.222%	0.000%	

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 5
FOR THE TWELVE MONTHS ENDED NOVEMBER 30, 2021

ALLOCATED COST OF SERVICE
PEAK & AVERAGE

PAGE 1
WITNESS: K. L. Johnson

Line No.	Description	Alloc	Total Company	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	FLEX
1	Throughput Volumes (Total Company excl MLDS)		80,174,196	35,096,960	5,891,881	8,873,377	6,997,482	11,336,463	11,978,033
2	Percent Throughput		100.000%	43.775%	7.349%	11.068%	8.728%	14.140%	14.940%
3	Throughput Component		50.000%	21.887%	3.675%	5.534%	4.364%	7.070%	7.470%
4	Design Day Volumes (Total Company excl MLDS)		809,400	448,800	87,000	106,200	65,877	52,875	48,648
5	Percent Design Day Volumes		100.000%	55.448%	10.749%	13.121%	8.139%	6.533%	6.010%
6	Demand Component		50.000%	27.722%	5.375%	6.561%	4.070%	3.267%	3.005%
7	Demand/Commodity Factor		100.000%	49.609%	9.050%	12.095%	8.434%	10.337%	10.475%

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 6
AVERAGE NO. OF CUSTOMERS

LINE NO.	TARIFF RATE SCHEDULES	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX	[1] Total No of Bills (Incl Final)	Final Bills
1	RSS	4,058,686	0	0	0	0	0	0	4,116,692	58,006
2	RC2	299,162	0	0	0	0	0	0	303,294	4,132
3	RDS	541,794	0	0	0	0	0	0	546,145	4,351
4	RDGDS	0	0	0	0	0	0	0	0	0
5	SGSS1	0	278,580	0	0	0	0	0	280,415	1,835
6	SGSS2	0	0	32,800	0	0	0	0	32,889	89
7	NSS	0	0	0	0	0	12	0	12	0
8	SCD1	0	91,979	0	0	0	0	0	92,327	348
9	SCD2	0	0	12,817	0	0	0	0	12,843	26
10	SGDS1	0	11,359	0	0	0	0	0	11,388	29
11	SGDS2	0	0	16,849	0	0	0	0	16,924	75
12	LGSS1 & 2	0	0	0	968	0	0	0	971	3
13	LGSS3 & greater	0	0	0	0	38	0	0	38	0
14	SDS	0	0	0	4,566	0	0	0	4,581	15
15	LDS	0	0	0	0	876	0	0	877	1
16	FLEX	0	0	0	0	0	0	264	264	0
17	MLDS	0	0	0	0	0	132	0	134	2
18	Total Number of Bills	4,899,642	381,918	62,466	5,534	914	144	264	5,419,794	68,912
19	Average Number of Customers	408,304	31,827	5,206	461	76	12	22		
20	**ALLOCATOR #6**	91.566%	7.138%	1.168%	0.103%	0.017%	0.003%	0.005%		

[1] Used only in the Customer Charge calculation.

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 7
CURRENT DIS REVENUE

LINE NO.	ACCOUNT	TOTAL	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
		Total	Residential	Commercial					
1	DIS Billed Net Charge-offs - Sales Only	10,023,898.22	9,396,714.21	627,184.01					
2	DIS Billed Revenue - Comm/Ind Sales Only	99,628,055		56,540,092	43,087,963	0	0	0	0
3	Percent	100.000%		56.751%	43.249%	0.000%	0.000%	0.000%	0.000%
4	Allocated DIS Billed Sales Net Charge-offs	10,023,898.22	9,396,714.21	355,933.20	271,250.81	0.00	0.00	0.00	0.00
		Total	Residential	Commercial					
5	DIS Billed Net Charge-offs - Choice Only	756,372.61	636,371.63	120,000.98					
6	DIS Billed Revenue - Comm/Ind Choice Only	48,333,564		16,941,072	31,392,492	0	0	0	0
7	Percent	100.000%		35.050%	64.950%	0.000%	0.000%	0.000%	0.000%
8	Allocated DIS Billed Choice Net Charge-offs	756,372.61	636,371.63	42,060.34	77,940.64	0.00	0.00	0.00	0.00
9	Total DIS Billed Net Charge-offs	10,780,270.83	10,033,085.84	397,993.54	349,191.45	0.00	0.00	0.00	0.00
10	**ALLOCATOR #7**	100.000%	93.069%	3.692%	3.239%	0.000%	0.000%	0.000%	0.000%

EXHIBIT KLJ-2
ALLOC 8

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 8
CURRENT GMB/GTS REVENUE

LINE NO.	ACCOUNT	TOTAL	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
1	CURRENT GMB/GTS REVENUE	60,455,900	-	15,723	1,244,486	28,900,392	24,097,635	1,968,628	4,229,036
2	**ALLOCATOR #8**	100.000%	0.000%	0.026%	2.059%	47.804%	39.860%	3.256%	6.995%

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 9
DIRECT ASSIGNMENT - CUSTOMER DEPOSITS

LINE NO.		RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	TOTAL
1	Residential Unlisted	31,275	-	-	-	-	31,275
2	RS	1,897,114	-	-	-	-	1,897,114
3	RTC	97,116	-	-	-	-	97,116
4	Commercial Unlisted	-	34,813	-	-	-	34,813
5	SCC	-	19,304	-	-	-	19,304
6	LG1	-	-	-	-		-
7	LG2	-	-	-	6,098	-	6,098
8	SC2	-	-	23,338	-	-	23,338
9	SGS	-	757,443	-	-	-	757,443
10	SGT	-	59,232	-	-	-	59,232
11	SG3		104		-	-	104
12	SG2	-	-	135,772	-	-	135,772
13	TOTAL	2,025,505	870,896	159,110	6,098	-	3,061,609
14	**ALLOCATOR #9**	66.15800%	28.446%	5.197%	0.199%	0.000%	100.000%

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 10
FORFEITED DISCOUNTS

LINE NO.	ACCT. NO.	ACCOUNT	TOTAL	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
1	487.00	FORFEITED DISCOUNTS - DIS	847,905	673,585	82,740	83,865	7,574	100	-	41
2	487.00	FORFEITED DISCOUNTS - GMB & GTS	68,074	-	18	1,401	32,542	27,134	2,217	4,762
3		TOTAL CURRENT SALES AND TRANSPORTATION REVENUE	915,979	673,585	82,758	85,266	40,116	27,234	2,217	4,803
4		**ALLOCATOR #10**	100.000%	73.537%	9.035%	9.309%	4.380%	2.973%	0.242%	0.524%

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 11
DISTRIBUTION PLANT EXCLUDING ACCOUNTS 375.70, 375.71, & 387

LINE NO.	ACCT. NO.	ACCOUNT	TOTAL	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
1	374.10	LAND - CITY GATE & M/L IND M&R	21,944	10,886	1,986	2,654	1,851	2,268	-	2,299
2	374.20	LAND - OTHER DISTRIBUTION	3,361,093	1,667,404	304,179	406,524	283,475	347,436	-	352,075
3	374.30	LAND RIGHTS - CITY GATE MAIN LINE	95,361	47,308	8,630	11,534	8,043	9,858	-	9,989
4	374.40	LAND RIGHTS - OTHER DISTRIBUTION	4,778,411	2,370,522	432,446	577,949	403,011	493,944	-	500,539
5	374.40	DIRECT - LAND RIGHTS-OTHER DISTRIBUTION	-	-	-	-	-	-	-	-
6	374.41	LAND RIGHTS - OTHER DISTRIBUTION LOC	13	6	1	2	1	1	-	1
7	374.50	RIGHTS OF WAY	3,233,171	1,603,944	292,602	391,052	272,686	334,213	-	338,675
8	374.50	DIRECT - RIGHTS OF WAY	-	-	-	-	-	-	-	-
9	375.20	M & R STRUCTURES - CITY GATE	7,026	3,486	636	850	593	726	-	736
10	375.31	M & R STRUCTURES - LOCAL GAS PURCH	4,012	1,991	363	485	338	415	-	420
11	375.40	M & R STRUCTURES - REGULATING	7,939,336	3,938,625	718,510	960,263	669,604	820,689	-	831,646
12	375.40	DIRECT - M & R STRUCTURES - REGULATING	27,126	-	-	-	-	-	24,324	2,802
13	375.60	M & R STRUCTURES - DIST. IND. M & R	86,228	-	1,440	11,425	29,804	28,800	-	14,759
14	375.80	M & R STRUCTURES - COMMUNICATION	16,515	8,193	1,495	1,998	1,393	1,707	-	1,730
15	376.00	MAINS	2,573,194,470	1,276,536,044	232,874,100	311,227,871	217,023,222	265,991,112	-	269,542,121
16	376.00	DIRECT - MAINS - MLDS	141,586	-	-	-	-	-	141,540	45
17	376.08	MAINS-CSL REPLACEMENTS	23,515,481	11,665,795	2,128,151	2,844,197	1,983,296	2,430,795	-	2,463,247
18	376.30	MAINS-BARE STEEL	47,177,611	23,404,341	4,269,574	5,706,132	3,978,960	4,876,750	-	4,941,855
19	376.30	DIRECT - MAINS-BARE STEEL	80,803	-	-	-	-	-	80,803	-
20	376.80	MAINS-CAST IRON	-	-	-	-	-	-	-	-
21	378.10	M & R EQUIP - GENERAL	1,444,656	716,680	130,741	174,731	121,842	149,334	-	151,328
22	378.20	M & R EQUIP - GENERAL - REGULATING	204,100,076	101,252,007	18,471,057	24,685,904	17,213,800	21,097,825	-	21,379,483
23	378.20	DIRECT - M & R EQUIP-GEN-REG	678,970	-	-	-	-	-	-	678,970
24	378.30	M & R EQUIP - LOCAL GAS PURCHASES	419,228	207,975	37,940	50,706	35,358	43,336	-	43,914
25	379.10	M & R EQUIP - CITY GATE	136,417	67,675	12,346	16,500	11,505	14,101	-	14,290
26	379.11	M & R EQUIP - EXCHANGE GAS	(450)	(223)	(41)	(54)	(38)	(47)	-	(47)
27	380.00	SERVICES	855,169,618	778,520,765	62,350,417	11,536,238	1,830,063	538,757	-	393,378
28	380.00	DIRECT - SERVICES	1,554	-	-	-	-	-	561	993
29	380.12	CSL REPLACEMENT	-	-	-	-	-	-	-	-
30	381.00	METERS	44,799,656	34,665,078	6,653,645	3,094,312	292,990	73,471	4,928	15,232
31	381.10	AUTOMATIC METER READING	25,134,959	19,448,929	3,733,044	1,736,072	164,383	41,221	2,765	8,546
32	382.00	METER INSTALLATIONS	45,542,208	35,239,650	6,763,929	3,145,600	297,846	74,689	5,010	15,484
33	383.00	HOUSE REGULATORS	17,656,503	16,128,686	1,243,901	250,369	27,191	4,414	530	1,413
34	384.00	HOUSE REG INSTALLATIONS	3,484,788	3,183,250	245,503	49,414	5,367	871	105	279
35	385.00	IND M&R EQUIPMENT	7,324,965	-	122,327	970,558	2,531,801	2,446,538	-	1,253,741
36	385.00	DIRECT - IND M&R EQUIPMENT	478,276	-	-	-	-	-	463,871	14,405
37	385.10	IND M&R EQUIPMENT - LG VOLUME	1,018,904	-	17,016	135,005	352,174	340,314	-	174,396
38		TOTAL	3,871,070,515	2,310,689,015	340,815,937	367,988,290	247,540,556	300,163,541	724,436	303,148,741
39		**ALLOCATOR #11**	100.000%	59.691%	8.804%	9.506%	6.395%	7.754%	0.019%	7.831%

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 12
GROSS PLANT

LINE NO.	ACCT. NO.	ACCOUNT	GROSS PLANT	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
1	301.00	Organizational Costs	100,099							
2	302.21	Franchises/Consent, Perpetual	26,216							
3	303.00	Misc Intangible Plant	4,809,062							
4	303.30	Misc Software	75,951,821							
5	305.00	Structures & Improvements	0							
6	301-303	TOTAL INTANGIBLE PLANT	80,887,198	48,282,378	7,121,309	7,689,137	5,172,736	6,271,993	15,369	6,334,277
7	350.10	Land	23,882							
8	350.20	Rights of Way	1,932							
9	351.20	Compressor Station Structures	3,294,840							
10	352.01	Wells Construction	1,126,772							
11	352.02	Wells Equipment	1,072,970							
12	352.10	Storage Leasehold and Rights	139,442							
13	352.12	Other Leases	67,498							
14	353.00	Lines	389,345							
15	354.00	Compressor Station Equipment	948,177							
16	355.00	Measuring & Regulating Equipment	104,477							
17	362.00	Gas Holders	0							
18	362.10	Environmental Remediation	0							
18	350-362	TOTAL UNDERGROUND STORAGE	7,169,335	5,321,439	848,993	826,839	153,424	7,743	10,897	0
19	374.10	LAND - CITY GATE & M/L IND M&R	21,944	10,886	1,986	2,654	1,851	2,268	0	2,299
20	374.20	LAND - OTHER DISTRIBUTION	3,361,093	1,667,404	304,179	406,524	283,475	347,436	0	352,075
21	374.30	LAND RIGHTS - CITY GATE MAIN LINE	95,361	47,308	8,630	11,534	8,043	9,858	0	9,989
22	374.40	LAND RIGHTS - OTHER DISTRIBUTION	4,778,411	2,370,522	432,446	577,949	403,011	493,944	0	500,539
23	374.40	DIRECT - LAND RIGHTS-OTHER DISTRIBUTION	0	0	0	0	0	0	0	0
24	374.41	LAND RIGHTS - OTHER DISTRIBUTION LOC	13	6	1	2	1	1	0	1
25	374.50	RIGHTS OF WAY	3,233,171	1,603,944	292,602	391,052	272,686	334,213	0	338,675
26	374.50	DIRECT - RIGHTS OF WAY	0	0	0	0	0	0	0	0
27	375.20	M & R STRUCTURES - CITY GATE	7,026	3,486	636	850	593	726	0	736
28	375.31	M & R STRUCTURES - LOCAL GAS PURCH	4,012	1,991	363	485	338	415	0	420
29	375.40	M & R STRUCTURES - REGULATING	7,939,336	3,938,625	718,510	960,263	669,604	820,689	0	831,646
30	375.40	DIRECT - M & R STRUCTURES - REGULATING	27,126	0	0	0	0	0	24,324	2,802
31	375.60	M & R STRUCTURES - DIST. IND. M & R	86,228	0	1,440	11,425	29,804	28,800	0	14,759
32	375.70	M & R STRUCTURES - OTHER	42,981,846	25,656,294	3,784,122	4,085,854	2,748,689	3,332,812	8,167	3,365,908
33	375.71	M & R STRUCTURES - OTHER LEASED	7,122,746	4,251,638	627,087	677,088	455,500	552,298	1,353	557,782
34	375.80	M & R STRUCTURES - COMMUNICATION	16,515	8,193	1,495	1,998	1,393	1,707	0	1,730
35	376.00	MAINS	2,573,194,470	1,276,536,044	232,874,100	311,227,871	217,023,222	265,991,112	0	269,542,121
36	376.00	DIRECT - MAINS - MLDS	141,586	0	0	0	0	0	141,540	45
37	376.08	MAINS-CSL REPLACEMENTS	23,515,481	11,665,795	2,128,151	2,844,197	1,983,296	2,430,795	0	2,463,247

EXHIBIT KLJ-2
ALLOC 12

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 12
GROSS PLANT

LINE NO.	ACCT. NO.	ACCOUNT	GROSS PLANT	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
		DISTRIBUTION PLANT								
1	376.30	MAINS-BARE STEEL	47,177,611	23,404,341	4,269,574	5,706,132	3,978,960	4,876,750	0	4,941,855
2	376.30	DIRECT - MAINS-BARE STEEL	80,803	0	0	0	0	0	80,803	0
3	376.80	MAINS-CAST IRON	0	0	0	0	0	0	0	0
4	378.10	M & R EQUIP - GENERAL	1,444,656	716,680	130,741	174,731	121,842	149,334	0	151,328
5	378.20	M & R EQUIP - GENERAL - REGULATING	204,100,076	101,252,007	18,471,057	24,685,904	17,213,800	21,097,825	0	21,379,483
6	378.20	DIRECT - M & R EQUIP-GEN-REG	678,970	0	0	0	0	0	0	678,970
7	378.30	M & R EQUIP - LOCAL GAS PURCHASES	419,228	207,975	37,940	50,706	35,358	43,336	0	43,914
8	379.10	M & R EQUIP - CITY GATE	136,417	67,675	12,346	16,500	11,505	14,101	0	14,290
9	379.11	M & R EQUIP - EXCHANGE GAS	(450)	(223)	(41)	(54)	(38)	(47)	0	(47)
10	380.00	SERVICES	855,169,618	778,520,765	62,350,417	11,536,238	1,830,063	538,757	0	393,378
11	380.00	DIRECT - SERVICES	1,554	0	0	0	0	0	561	993
12	380.12	CSL REPLACEMENT	0	0	0	0	0	0	0	0
13	381.00	METERS	44,799,656	34,665,078	6,653,645	3,094,312	292,990	73,471	4,928	15,232
14	381.10	AUTOMATIC METER READING	25,134,959	19,448,929	3,733,044	1,736,072	164,383	41,221	2,765	8,546
15	382.00	METER INSTALLATIONS	45,542,208	35,239,650	6,763,929	3,145,600	297,846	74,689	5,010	15,484
16	383.00	HOUSE REGULATORS	17,656,503	16,128,686	1,243,901	250,369	27,191	4,414	530	1,413
17	384.00	HOUSE REG INSTALLATIONS	3,484,788	3,183,250	245,503	49,414	5,367	871	105	279
18	385.00	IND M&R EQUIPMENT	7,324,965	0	122,327	970,558	2,531,801	2,446,538	0	1,253,741
19	385.00	DIRECT - IND M&R EQUIPMENT	478,276	0	0	0	0	0	463,871	14,405
20	385.10	IND M&R EQUIPMENT - LG VOLUME	1,018,904	0	17,016	135,005	352,174	340,314	0	174,396
21	387.10	OTHER EQUIP DISTRIBUTION	19,450	11,610	1,712	1,849	1,244	1,508	4	1,523
22	387.20	OTHER EQUIP ODORIZATION	117,248	69,986	10,323	11,146	7,498	9,091	22	9,182
23	387.42	OTHER EQUIP RADIO	119,609	71,396	10,530	11,370	7,649	9,275	23	9,367
24	387.44	OTHER EQUIP COMMUNICATION	588,831	351,479	51,841	55,974	37,656	45,658	112	46,111
25	387.46	OTHER EQUIP CUSTOMER INFO SERVICE	11,112,902	6,633,403	978,380	1,056,393	710,670	861,694	2,112	870,251
26	387.45	DIRECT - OTHER EQUIP CUSTOMER INFO SER'	69,585	0	0	0	0	0	69,585	0
27	387.50	GPS EQUIPMENT	2,201,372	1,314,021	193,809	209,262	140,778	170,694	418	172,389
28	374-387	TOTAL DISTRIBUTION	3,935,404,105	2,349,048,842	346,473,740	374,097,227	251,650,239	305,146,572	806,232	308,181,255

EXHIBIT KLJ-2
ALLOC 12

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 12
GROSS PLANT

Page 3

LINE NO.	ACCT. NO.	ACCOUNT	GROSS PLANT	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
		GENERAL PLANT								
1	389.20	Land Rights	0							
2	390.10	Str, Communications	49,821							
3	391.10	OF&E Unspecified	2,598,465							
4	391.11	OF&E Data Handling Equipment	91,304							
5	391.12	OF&E Information Systems	357,301							
6	391.20	OF&E Air Cond Equip	0							
7	392.20	Trans Eq Trailers > $1,000	14,787							
8	392.21	Trans Eq Trailers $1,000 or >	10,830							
9	393.00	Stores Equipment	0							
10	394.10	Tools, Garage & Service Eq	57,140							
11	394.11	CNG Equip - Stationary	0							
12	394.12	CNG Equip - Portable	0							
13	394.20	Shop Equipment	17,534							
14	394.30	Tools & Other	29,153,380							
15	394.31	High Pressure Stopping	10,847							
16	395.00	Laboratory Equipment, Gas	264,921							
17	396.00	Power Operated Equipment	948,698							
18	397.00	Communication Equipment	0							
19	397.10	Communication Equipment-Telephone	0							
20	397.20	Communication Equipment-Radio	0							
21	397.40	Communication Equipment-Other	0							
22	397.50	Communication Equipment-Telemetering	3,097,282							
23	398.00	Miscellaneous Equipment	948,550							
24	389-398	TOTAL GENERAL PLANT	37,620,859	22,456,267	3,312,140	3,576,239	2,405,854	2,917,121	7,148	2,946,090
25		TOTAL	4,061,081,499	2,425,108,925	357,756,182	386,189,442	259,382,253	314,343,430	839,646	317,461,621
		ALLOCATOR #12		59.716%	8.809%	9.510%	6.387%	7.740%	0.021%	7.817%

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 13
DIRECT PLANT - MAINS

LINE NO.	ACCT. NO.	ACCOUNT	GROSS PLANT	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
1	376.00	MAINS	2,573,194,470	1,276,536,044	232,874,100	311,227,871	217,023,222	265,991,112	-	269,542,121
2	376.00	DIRECT - MAINS - MLDS	141,586	-	-	-	-	-	141,540	45
3	376.08	MAINS-CSL REPLACEMENTS	23,515,481	11,665,795	2,128,151	2,844,197	1,983,296	2,430,795	-	2,463,247
4	376.30	MAINS-BARE STEEL	47,177,611	23,404,341	4,269,574	5,706,132	3,978,960	4,876,750	-	4,941,855
5	376.30	DIRECT - MAINS-BARE STEE	80,803	-	-	-	-	-	80,803	-
6	376.80	MAINS-CAST IRON	-	-	-	-	-	-	-	-
7		TOTAL	2,644,109,951	1,311,606,181	239,271,824	319,778,201	222,985,477	273,298,657	222,344	276,947,267
		ALLOCATOR #13	100.000%	49.606%	9.049%	12.094%	8.433%	10.336%	0.008%	10.474%

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 14
COMPOSITE DIRECT PLANT - ACCOUNTS 376 & 380

LINE NO.	ACCT. NO.	ACCOUNT	TOTAL	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
1	376.00	MAINS	2,573,194,470	1,276,536,044	232,874,100	311,227,871	217,023,222	265,991,112	-	269,542,121
2	376.00	DIRECT - MAINS - MLDS	141,586	-	-	-	-	-	141,540	45
3	376.08	MAINS-CSL REPLACEMENTS	23,515,481	11,665,795	2,128,151	2,844,197	1,983,296	2,430,795	-	2,463,247
4	376.30	MAINS-BARE STEEL	47,177,611	23,404,341	4,269,574	5,706,132	3,978,960	4,876,750	-	4,941,855
5	376.30	DIRECT - MAINS-BARE STEEL	80,803	-	-	-	-	-	80,803	-
6	376.80	MAINS-CAST IRON	-	-	-	-	-	-	-	-
7	380.00	SERVICES	855,169,618	778,520,765	62,350,417	11,536,238	1,830,063	538,757	-	393,378
8	380.00	DIRECT - SERVICES	1,554	-	-	-	-	-	561	993
9	380.12	CSL REPLACEMENT	-	-	-	-	-	-	-	-
10		TOTAL	3,499,281,123	2,090,126,946	301,622,241	331,314,439	224,815,540	273,837,414	222,905	277,341,639
11		**ALLOCATOR #14**	100.000%	59.729%	8.620%	9.468%	6.425%	7.826%	0.006%	7.926%

Columbia Gas of Pennsylvania, Inc.
Services Allocation Factor
As of November 30, 2021

Billing Rate	Rate Case Rate	Classification	BLANK	P	S	*	+	Total	Average Unit Cost	Total Cost	Key
802	FLEX MDS	8"	0	0	0	1	1	2	7,612.29	15,224.58	8028"
808	FLEX	4"	0	0	0	1	0	1	5,384.15	5,384.15	8084"
809	FLEX	6"	1	0	0	0	0	1	5,982.57	5,982.57	8096"
809	FLEX	8"	0	0	0	1	0	1	7,612.29	7,612.29	8098"
810	FLEX	4"	1	0	0	0	0	1	5,384.15	5,384.15	8104"
810	FLEX	6"	1	0	0	0	0	1	5,982.57	5,982.57	8106"
831	FLEX MDS	UNDER 3"	1	0	0	0	0	1	1,546.77	1,546.77	831UNDER 3"
833	FLEX	8"	0	0	0	0	1	1	7,612.29	7,612.29	8338"
840	FLEX	4"	2	0	0	0	0	2	5,384.15	10,768.30	8404"
845	FLEX	4"	1	0	0	0	0	1	5,384.15	5,384.15	8454"
846	FLEX	6"	0	0	0	0	1	1	5,982.57	5,982.57	8466"
846	FLEX	10"	0	0	0	1	0	1	111.64	111.64	84610"
847	FLEX	4"	1	0	0	0	0	1	5,384.15	5,384.15	8474"
848	FLEX	UNDER 3"	1	0	0	0	0	1	1,546.77	1,546.77	848UNDER 3"
857	FLEX	3"	1	0	0	0	0	1	2,061.43	2,061.43	8573"
868	FLEX	UNDER 3"	0	0	0	0	1	1	1,546.77	1,546.77	868UNDER 3"
873	FLEX	6"	1	0	0	0	0	1	5,982.57	5,982.57	8736"
875	FLEX	12"	1	0	0	0	0	1	97,757.55	97,757.55	87512"
875	FLEX	6"	1	0	0	0	0	1	5,982.57	5,982.57	8756"
875	FLEX	8"	0	0	0	1	0	1	7,612.29	7,612.29	8758"
876	FLEX	UNDER 3"	1	0	0	0	0	1	1,546.77	1,546.77	876UNDER 3"
877	FLEX	UNDER 3"	1	0	0	0	0	1	1,546.77	1,546.77	877UNDER 3"
879	FLEX	UNDER 3"	1	0	0	0	0	1	1,546.77	1,546.77	879UNDER 3"
880	FLEX	12"	1	0	0	0	0	1	97,757.55	97,757.55	88012"
881	FLEX	4"	1	0	0	0	0	1	5,384.15	5,384.15	8814"
881	FLEX	UNDER 3"	1	0	0	0	0	1	1,546.77	1,546.77	881UNDER 3"
882	FLEX	8"	0	0	0	1	0	1	7,612.29	7,612.29	8828"
EDSTIB1	FLEX	6"	1	0	0	0	0	1	5,982.57	5,982.57	EDSTIB16"
LG1	SDS/LGSS	3"	3	0	0	1	0	4	2,061.43	8,245.72	LG13"
LG1	SDS/LGSS	4"	5	0	0	0	0	5	5,384.15	26,920.75	LG14"
LG1	SDS/LGSS	6"	0	0	0	1	1	2	5,982.57	11,965.14	LG16"
LG1	SDS/LGSS	UNDER 3"	22	0	1	4	2	29	1,546.77	44,856.33	LG1UNDER 3"
LG2	SDS/LGSS	3"	2	0	0	2	0	4	2,061.43	8,245.72	LG23"
LG2	SDS/LGSS	4"	12	0	0	2	1	15	5,384.15	80,762.25	LG24"
LG2	SDS/LGSS	6"	1	0	0	1	0	2	5,982.57	11,965.14	LG26"
LG2	SDS/LGSS	UNDER 3"	41	0	0	5	1	47	1,546.77	72,698.19	LG2UNDER 3"
LG3	LDS/LGSS	UNDER 3"	1	0	0	0	0	1	1,546.77	1,546.77	LG3UNDER 3"
LG4	LDS/LGSS	UNDER 3"	1	0	0	0	0	1	1,546.77	1,546.77	LG4UNDER 3"
LG4	LDS/LGSS	6"	1	0	0	0	0	1	5,982.57	5,982.57	LG46"
NSI	MDS/NSS	3"	1	0	0	0	0	1	2,061.43	2,061.43	NSI3"
RC2	RSS/RTS	UNDER 3"	18,379	128	85	2,641	2,860	24,093	1,546.77	37,266,329.61	RC2UNDER 3"
RC2	RSS/RTS	3"	0	1	0	0	1	2	2,061.43	4,122.86	RC23"
RC2	RSS/RTS	4"	3	0	0	0	1	4	5,384.15	21,536.60	RC24"

RC2	RSS/RTS	6"	1	0	0	0	0	1	5,982.57	5,982.57	RC26"
RC2	RSS/RTS	10"	1	0	0	0	1	2	111.64	223.28	RC210"
RS	RSS/RTS	10"	2	0	0	0	1	3	111.64	334.92	RS10"
RS	RSS/RTS	11-1/8"	1	0	0	0	0	1	0.00	0.00	RS11-1/8"
RS	RSS/RTS	3"	13	0	0	4	43	60	2,061.43	123,685.80	RS3"
RS	RSS/RTS	4"	12	1	1	4	54	72	5,384.15	387,658.80	RS4"
RS	RSS/RTS	5"	2	0	0	0	0	2	138.55	277.10	RS5"
RS	RSS/RTS	6"	6	0	0	2	3	11	5,982.57	65,808.27	RS6"
RS	RSS/RTS	8"	8	0	0	0	0	8	7,612.29	60,898.34	RS8"
RS	RSS/RTS	UNDER 3"	269,484	1,530	1,346	21,502	31,712	325,574	1,546.77	503,588,095.98	RSUNDER 3"
RTC	RSS/RTS	3"	1	0	0	0	7	8	2,061.43	16,491.44	RTC3"
RTC	RSS/RTS	4"	2	0	0	0	5	7	5,384.15	37,689.05	RTC4"
RTC	RSS/RTS	UNDER 3"	45,960	246	184	2,419	2,713	51,522	1,546.77	79,692,683.94	RTCUNDER 3"
SC2	SGSS2/SCD2/SGDS2	3"	24	0	0	4	1	29	2,061.43	59,781.47	SC23"
SC2	SGSS2/SCD2/SGDS2	4"	26	0	0	2	2	30	5,384.15	161,524.50	SC24"
SC2	SGSS2/SCD2/SGDS2	6"	0	0	0	1	0	1	5,982.57	5,982.57	SC26"
SC2	SGSS2/SCD2/SGDS2	UNDER 3"	792	4	8	113	70	987	1,546.77	1,526,661.99	SC2UNDER 3"
SCC	SGSS1/SCD1/SGDS1	3"	14	1	0	3	16	34	2,061.43	70,088.62	SCC3"
SCC	SGSS1/SCD1/SGDS1	4"	13	0	0	3	3	19	5,384.15	102,298.85	SCC4"
SCC	SGSS1/SCD1/SGDS1	5"	1	0	0	0	0	1	138.55	138.55	SCC5"
SCC	SGSS1/SCD1/SGDS1	6"	1	0	0	0	0	1	5,982.57	5,982.57	SCC6"
SCC	SGSS1/SCD1/SGDS1	UNDER 3"	4,587	36	41	1,353	1,538	7,555	1,546.77	11,685,847.35	SCCUNDER 3"
SG2	SGSS2/SCD2/SGDS2	12"	1	0	0	0	0	1	97,757.55	97,757.55	SG212"
SG2	SGSS2/SCD2/SGDS2	3"	49	0	0	8	6	63	2,061.43	129,870.09	SG23"
SG2	SGSS2/SCD2/SGDS2	4"	64	0	0	7	12	83	5,384.15	446,884.45	SG24"
SG2	SGSS2/SCD2/SGDS2	6"	6	0	0	3	2	11	5,982.57	65,808.27	SG26"
SG2	SGSS2/SCD2/SGDS2	8"	1	0	0	0	0	1	7,612.29	7,612.29	SG28"
SG2	SGSS2/SCD2/SGDS2	UNDER 3"	1,995	10	5	277	220	2,507	1,546.77	3,877,752.39	SG2UNDER 3"
SG3	SGSS1/SCD1/SGDS1	3"	1	0	0	0	0	1	2,061.43	2,061.43	SG33"
SG3	SGSS1/SCD1/SGDS1	4"	1	0	0	2	0	3	5,384.15	16,152.45	SG34"
SG3	SGSS1/SCD1/SGDS1	6"	0	0	0	1	0	1	5,982.57	5,982.57	SG36"
SG3	SGSS1/SCD1/SGDS1	UNDER 3"	16	1	0	2	0	19	1,546.77	29,388.63	SG3UNDER 3"
SG4	SGSS2/SCD2/SGDS2	3"	2	0	0	2	0	4	2,061.43	8,245.72	SG43"
SG4	SGSS2/SCD2/SGDS2	4"	3	0	0	2	0	5	5,384.15	26,920.75	SG44"
SG4	SGSS2/SCD2/SGDS2	6"	2	0	0	0	0	2	5,982.57	11,965.14	SG46"
SG4	SGSS2/SCD2/SGDS2	UNDER 3"	25	0	0	4	1	30	1,546.77	46,403.10	SG4UNDER 3"
SG4	SGSS2/SCD2/SGDS2	10"	1	0	0	0	0	1	111.64	111.64	SG410"
SGS	SGSS1/SCD1/SGDS1	10"	2	0	0	0	0	2	111.64	223.28	SGS10"
SGS	SGSS1/SCD1/SGDS1	12"	1	0	0	0	0	1	97,757.55	97,757.55	SGS12"
SGS	SGSS1/SCD1/SGDS1	16"	0	0	0	1	0	1	0.00	0.00	SGS16"
SGS	SGSS1/SCD1/SGDS1	3"	33	0	0	24	63	120	2,061.43	247,371.60	SGS3"
SGS	SGSS1/SCD1/SGDS1	4"	32	1	0	17	45	95	5,384.15	511,494.25	SGS4"
SGS	SGSS1/SCD1/SGDS1	5"	0	0	0	1	1	2	138.55	277.10	SGS5"
SGS	SGSS1/SCD1/SGDS1	6"	2	0	0	1	1	4	5,982.57	23,930.28	SGS6"
SGS	SGSS1/SCD1/SGDS1	8"	1	0	0	0	0	1	7,612.29	7,612.29	SGS8"
SGS	SGSS1/SCD1/SGDS1	UNDER 3"	12,510	115	78	4,427	5,748	22,878	1,546.77	35,387,004.06	SGSUNDER 3"
SGT	INACTIVE	3"	2	0	0	0	0	2	2,061.43	4,122.86	SGT3"
SGT	INACTIVE	4"	1	0	0	1	0	2	5,384.15	10,768.30	SGT4"
SGT	INACTIVE	UNDER 3"	19	0	0	3	1	23	1,546.77	35,575.71	SGTUNDER 3"
TAG1	SGSS1/SCD1/SGDS1	3"	3	0	0	0	1	4	2,061.43	8,245.72	TAG13"
TAG1	SGSS1/SCD1/SGDS1	UNDER 3"	123	0	0	36	21	180	1,546.77	278,418.60	TAG1UNDER 3"

TAG2	SGSS2/SCD2/SGDS2	3"	15	0	0	1	0	16	2,061.43	32,982.88	TAG23"
TAG2	SGSS2/SCD2/SGDS2	4"	19	0	0	3	1	23	5,384.15	123,835.45	TAG24"
TAG2	SGSS2/SCD2/SGDS2	6"	1	0	0	0	0	1	5,982.57	5,982.57	TAG26"
TAG2	SGSS2/SCD2/SGDS2	UNDER 3"	256	1	0	24	5	286	1,546.77	442,376.22	TAG2UNDER 3"
TAG5	SGSS1/SCD1/SGDS1	3"	5	0	0	1	5	11	2,061.43	22,675.73	TAG53"
TAG5	SGSS1/SCD1/SGDS1	4"	7	0	0	2	3	12	5,384.15	64,609.80	TAG54"
TAG5	SGSS1/SCD1/SGDS1	6"	1	0	0	0	0	1	5,982.57	5,982.57	TAG56"
TAG5	SGSS1/SCD1/SGDS1	UNDER 3"	558	2	0	69	134	763	1,546.77	1,180,185.51	TAG5UNDER 3"
TAG6	SGSS2/SCD2/SGDS2	3"	46	0	0	4	1	51	2,061.43	105,132.93	TAG63"
TAG6	SGSS2/SCD2/SGDS2	4"	58	0	0	6	5	69	5,384.15	371,506.35	TAG64"
TAG6	SGSS2/SCD2/SGDS2	6"	3	0	0	1	0	4	5,982.57	23,930.28	TAG66"
TAG6	SGSS2/SCD2/SGDS2	UNDER 3"	901	7	3	90	49	1,050	1,546.77	1,624,108.50	TAG6UNDER 3"
TI4	SDS/LGSS	12"	1	0	0	0	0	1	97,757.55	97,757.55	TI412"
TI4	SDS/LGSS	3"	18	0	0	1	1	20	2,061.43	41,228.60	TI43"
TI4	SDS/LGSS	4"	24	0	1	1	0	26	5,384.15	139,987.90	TI44"
TI4	SDS/LGSS	6"	5	0	0	1	0	6	5,982.57	35,895.42	TI46"
TI4	SDS/LGSS	UNDER 3"	125	1	0	11	6	143	1,546.77	221,188.11	TI4UNDER 3"
TI8	LDS/LGSS	3"	4	0	0	0	0	4	2,061.43	8,245.72	TI83"
TI8	LDS/LGSS	4"	15	0	0	2	1	18	5,384.15	96,914.70	TI84"
TI8	LDS/LGSS	6"	4	0	0	0	0	4	5,982.57	23,930.28	TI86"
TI8	LDS/LGSS	8"	0	1	1	0	0	2	7,612.29	15,224.58	TI88"
TI8	LDS/LGSS	UNDER 3"	22	0	0	4	2	28	1,546.77	43,309.56	TI8UNDER 3"
TIB	SDS/LGSS	3"	27	0	0	2	0	29	2,061.43	59,781.47	TIB3"
TIB	SDS/LGSS	4"	54	1	0	10	0	65	5,384.15	349,969.75	TIB4"
TIB	SDS/LGSS	6"	5	0	0	1	1	7	5,982.57	41,877.99	TIB6"
TIB	SDS/LGSS	8"	1	0	0	0	0	1	7,612.29	7,612.29	TIB8"
TIB	SDS/LGSS	UNDER 3"	111	0	0	12	5	128	1,546.77	197,986.56	TIBUNDER 3"
TIF	LDS/LGSS	3"	7	0	0	1	0	8	2,061.43	16,491.44	TIF3"
TIF	LDS/LGSS	4"	12	0	0	1	1	14	5,384.15	75,378.10	TIF4"
TIF	LDS/LGSS	6"	2	0	0	0	0	2	5,982.57	11,965.14	TIF6"
TIF	LDS/LGSS	8"	1	0	0	0	0	1	7,612.29	7,612.29	TIF8"
TIF	LDS/LGSS	UNDER 3"	50	1	1	3	1	56	1,546.77	86,619.12	TIFUNDER 3"
TIG	LDS/LGSS	3"	2	0	0	0	0	2	2,061.43	4,122.86	TIG3"
TIG	LDS/LGSS	4"	1	0	0	0	0	1	5,384.15	5,384.15	TIG4"
TIG	LDS/LGSS	6"	1	0	0	0	0	1	5,982.57	5,982.57	TIG6"
TIG	LDS/LGSS	8"	0	0	0	1	0	1	7,612.29	7,612.29	TIG8"
TIG	LDS/LGSS	UNDER 3"	2	0	0	0	0	2	1,546.77	3,093.54	TIGUNDER 3"
TIH	LDS/LGSS	6"	1	0	0	0	0	1	5,982.57	5,982.57	TIH6"
TM1	MDS/NSS	UNDER 3"	1	0	0	0	0	1	1,546.77	1,546.77	TM1UNDER 3"
TM1	MDS/NSS	6"	1	0	0	0	0	1	5,982.57	5,982.57	TM16"
TM2	MDS/NSS	UNDER 3"	1	0	0	0	0	1	1,546.77	1,546.77	TM2UNDER 3"
TMA	MDS/NSS	6"	1	0	0	0	0	1	5,982.57	5,982.57	TMA6"
TMB	MDS/NSS	4"	1	0	0	0	0	1	5,384.15	5,384.15	TMB4"
TMB	MDS/NSS	6"	1	0	0	1	0	2	5,982.57	11,965.14	TMB6"
TMB	MDS/NSS	8"	1	0	0	0	0	1	7,612.29	7,612.29	TMB8"
UNKNOWN			2,586	10	14	454	800	3,864	UNKNOWN	UNKNOWN	UNKNOWN
			359,297	2,098	1,769	33,599	46,183	442,946		682,534,897.25	

Check Total	0	0	0	0	0	0	

		Total Cost	Percent
	RSS/RTS	621,271,818.56	91.037%
	SGSS1/SCD1/SGDS1	49,753,729.36	7.291%
	SGSS2/SCD2/SGDS2	9,203,137.10	1.349%
	SDS/LGSS	1,458,944.88	0.214%
	LDS/LGSS	426,945.02	0.063%
	FLEX	311,002.42	0.046%
	TOTAL BEFORE MLDS/NSS	682,425,577.34	100.000%
	MLDS/NSS	0.00	
	FLEX MLDS	0.00	
	TOTAL	682,425,577.34	
	UNKNOWN	6,161,347.19	
101-1000	TOTAL ACCOUNT 380	688,586,924.53	
101-2000	CIAC	(832,898.00)	
101-4000	Relocation Reimbursements	(17,664.00)	
106	Completed Construction not Classified	228,053.00	
Total	Per Exhibit 8, Schedule 1	687,964,415.53	

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 16
METERS

LINE NO.	RATE CODE	RSS/RDS $	SGS/DS-1 $	SGS/DS-2 $	SDS/LGSS $	LDS/LGSS $	FLEX	MLDS $	TOTAL $
1	802	0.00	0.00	0.00	0.00	0.00	781.06	0.00	781.06
2	808	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
3	809	0.00	0.00	0.00	0.00	0.00	781.06	0.00	781.06
4	810	0.00	0.00	0.00	0.00	0.00	781.06	0.00	781.06
5	831	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
6	833	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
7	840	0.00	0.00	0.00	0.00	0.00	781.06	0.00	781.06
8	845	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
9	846	0.00	0.00	0.00	0.00	0.00	781.06	0.00	781.06
10	847	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
11	848	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
12	857	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
13	873	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
14	875	0.00	0.00	0.00	0.00	0.00	781.06	0.00	781.06
15	876	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
16	877	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
17	879	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
18	880	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
19	881	0.00	0.00	0.00	0.00	0.00	955.72	0.00	955.72
20	882	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
21	EDSTIB1	0.00	0.00	0.00	0.00	0.00	390.53	0.00	390.53
22	LG1	0.00	0.00	0.00	20,565.91	0.00	0.00	0.00	20,565.91
23	LG2	0.00	0.00	0.00	38,220.27	0.00	0.00	0.00	38,220.27
24	LG3	0.00	0.00	0.00	0.00	1,171.59	0.00	0.00	1,171.59
25	LG4	0.00	0.00	0.00	0.00	1,952.65	0.00	0.00	1,952.65
26	LG5	0.00	0.00	0.00	0.00	390.53	0.00	0.00	390.53
27	NSI	0.00	0.00	0.00	0.00	0.00	0.00	61.20	61.20
28	RCC	17,318.46	0.00	0.00	0.00	0.00	0.00	0.00	17,318.46
29	RC2	1,493,755.04	0.00	0.00	0.00	0.00	0.00	0.00	1,493,755.04
30	RS	20,706,851.21	0.00	0.00	0.00	0.00	0.00	0.00	20,706,851.21
31	RTC	3,271,328.05	0.00	0.00	0.00	0.00	0.00	0.00	3,271,328.05
32	SCC	0.00	1,165,784.71	0.00	0.00	0.00	0.00	0.00	1,165,784.71
33	SC2	0.00	0.00	460,288.13	0.00	0.00	0.00	0.00	460,288.13
34	SG2	0.00	0.00	1,194,876.95	0.00	0.00	0.00	0.00	1,194,876.95
35	SG3	0.00	9,661.53	0.00	0.00	0.00	0.00	0.00	9,661.53
36	SG4	0.00	0.00	18,992.49	0.00	0.00	0.00	0.00	18,992.49
37	SGS	0.00	3,460,611.98	0.00	0.00	0.00	0.00	0.00	3,460,611.98
38	TAG1	0.00	42,737.76	0.00	0.00	0.00	0.00	0.00	42,737.76
39	TAG2	0.00	0.00	126,789.86	0.00	0.00	0.00	0.00	126,789.86
40	TAG5	0.00	213,672.59	0.00	0.00	0.00	0.00	0.00	213,672.59
41	TAG6	0.00	0.00	474,295.00	0.00	0.00	0.00	0.00	474,295.00
42	TI4	0.00	0.00	0.00	60,174.27	0.00	0.00	0.00	60,174.27
43	TI8	0.00	0.00	0.00	0.00	19,310.49	0.00	0.00	19,310.49
44	TIB	0.00	0.00	0.00	96,622.33	0.00	0.00	0.00	96,622.33
45	TIF	0.00	0.00	0.00	0.00	28,131.26	0.00	0.00	28,131.26
46	TIG	0.00	0.00	0.00	0.00	2,733.69	0.00	0.00	2,733.69
47	TIH	0.00	0.00	0.00	0.00	390.53	0.00	0.00	390.53
48	ML1	0.00	0.00	0.00	0.00	0.00	0.00	390.53	390.53
49	ML5	0.00	0.00	0.00	0.00	0.00	0.00	781.05	781.05
49	TMA	0.00	0.00	0.00	0.00	0.00	0.00	390.53	390.53
50	TMB	0.00	0.00	0.00	0.00	0.00	0.00	1,171.58	1,171.58
51	TMC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
52	TM1	0.00	0.00	0.00	0.00	0.00	0.00	649.03	649.03
53	TM2	0.00	0.00	0.00	0.00	0.00	0.00	258.50	258.50
54	TOTAL	25,489,252.76	4,892,468.57	2,275,242.43	215,582.78	54,080.74	11,109.50	3,702.42	32,941,439.20
	SGT								13,636.42
	LIS								781.06
	SIS								1,171.59
	LOC								144,888.70
	LOF								1,407.53
	Total								33,103,324.50
55	**ALLOCATOR #16**	77.378%	14.852%	6.907%	0.654%	0.164%	0.034%	0.011%	100.000%

Columbia Gas of Pennsylvania, Inc.
Account 385 Industrial Measurment Stations
As of November 30, 2021

Co	PCID	PSID	Tar Rate	GTS Rate	Station No.	Tax District	Amt	Billing Rate	Rate Class
37	10034190010	501054825	SGT	TAG6	49103	30209	7,900.78	TAG6	SGSS2/SCD2/SGDS2
37	10047952001	400188814	SGT	TI4	45529	30243	11,446.47	TI4	SDS/LGSS
37	10219299006	501195093	LG2		49394	732195	41,114.02	LG2	SDS/LGSS
37	10257973005	500030237	SG4		48810	1232756	9,184.43	SG4	SGSS2/SCD2/SGDS2
37	10348091005	400518175	SG4		44452	1333017	3,025.61	SG4	SGSS2/SCD2/SGDS2
37	10375621158	500489101	SGT	TIB	47567	1333032	9,223.78	TIB	SDS/LGSS
37	10379912006	400498094	SG2		14628	1333032	4,546.21	SG2	SGSS2/SCD2/SGDS2
37	10416756005	500065176	SC2		47085	1333063	772.88	SC2	SGSS2/SCD2/SGDS2
37	10421482002	500617033	SGT	TIB	49153	551504	44,715.05	TIB	SDS/LGSS
37	10422436002	400343911	SGT	TIB	46123	10155	8,766.90	TIB	SDS/LGSS
37	10468703002	400525452	SGT	TI4	48454	1292914	11,690.05	TI4	SDS/LGSS
37	10474924002	400303837	SGS		48831	1292988	967.26	SGS	SGSS1/SCD1/SGDS1
37	10501013005	400511506	SGT	TAG6	1276	511316	2,306.59	TAG6	SGSS2/SCD2/SGDS2
37	10502637002	400473325	LG2		1352	511314	4,101.00	LG2	SDS/LGSS
37	10512980003	800800458	SG2		1268	1292906	1,708.84	SG2	SGSS2/SCD2/SGDS2
37	11595685002	400526772	SG2		810	30272	2,131.13	SG2	SGSS2/SCD2/SGDS2
37	12983111001	400473518	SGT	TIB	661	1232704	23,392.95	TIB	SDS/LGSS
37	12983117003	400473502	LG2		49426	1232718	2,234.73	LG2	SDS/LGSS
37	12983124002	400473470	SG3		593	832295	916.28	SG3	SGSS1/SCD1/SGDS1
37	12983149001	800800461	SGT	TAG6	14545	1292906	5,738.98	TAG6	SGSS2/SCD2/SGDS2
37	12983153001	800800460	SGT	TAG6	1414	1292906	5,172.69	TAG6	SGSS2/SCD2/SGDS2
37	12983176001	400490973	SGT	TAG6	14491	1292969	3,560.97	TAG6	SGSS2/SCD2/SGDS2
37	12983177001	400484946	SGT	TI4	14324	1292906	855.29	TI4	SDS/LGSS
37	12983182001	400473449	SG2		3416	1292977	1,207.92	SG2	SGSS2/SCD2/SGDS2
37	12983191002	400473426	SGT	TAG6	1444	511312	6,974.42	TAG6	SGSS2/SCD2/SGDS2
37	12983192001	400473425	SGT	TI4	1443	511396	2,931.27	TI4	SDS/LGSS
37	12983199002	400473414	SGT	TAG6	1434	511318	5,116.21	TAG6	SGSS2/SCD2/SGDS2
37	12983205001	400473388	SC2		4299	511314	5,425.75	SC2	SGSS2/SCD2/SGDS2
37	12983206002	500135694	SGT	TI4	1405	511314	2,584.87	TI4	SDS/LGSS
37	12983208001	400473368	SG2		4584	511314	2,944.67	SG2	SGSS2/SCD2/SGDS2
37	12983210001	400473364	SGT	TI4	4614	511314	2,618.96	TI4	SDS/LGSS
37	12983212001	400473357	SGT	TAG6	4548	511395	15,160.98	TAG6	SGSS2/SCD2/SGDS2
37	12983214001	400473355	SGT	TAG6	4715	511304	1,630.16	TAG6	SGSS2/SCD2/SGDS2
37	12983232001	400473302	SGT	TAG6	1335	511320	4,728.84	TAG6	SGSS2/SCD2/SGDS2
37	12983235001	800800451	SGT	TAG6	1331	511306	2,469.81	TAG6	SGSS2/SCD2/SGDS2
37	12983239001	400473287	SGT	TAG2	1323	511314	3,777.32	TAG2	SGSS2/SCD2/SGDS2
37	12983242001	400473279	SG2		1318	511303	2,708.28	SG2	SGSS2/SCD2/SGDS2
37	12983255002	400514019	SGT	TIB	1291	511395	7,185.12	TIB	SDS/LGSS
37	12983259002	400473238	SGT	TIB	1280	511396	247.56	TIB	SDS/LGSS
37	12983259002	500135609	SGT	TIB	1280	511396	247.56	TIB	SDS/LGSS
37	12983262001	400513746	SGT	TI8	44092	511363	(1,937.70)	TI8	LDS/LGSS
37	12983275001	400473402	SGT	TIB	1423	1112553	2,575.48	TIB	SDS/LGSS
37	12983276001	400473401	SGT	TI8	3382	1112553	12,914.58	TI8	LDS/LGSS
37	12983281001	400473412	SG2		1432	1112521	3,135.76	SG2	SGSS2/SCD2/SGDS2
37	12983287001	400473405	SGT	TIB	1426	1112521	6,824.22	TIB	SDS/LGSS
37	12983292002	400473346	LG1		1372	1112561	8,327.98	LG1	SDS/LGSS
37	12983293002	400473347	SGT	TI4	448	1112524	2,828.39	TI4	SDS/LGSS
37	12983297001	400473265	SGT	TIB	1302	1112569	4,567.48	TIB	SDS/LGSS
37	12983298001	400473267	SGT	TAG6	1305	1112569	1,771.37	TAG6	SGSS2/SCD2/SGDS2
37	12983301001	400473229	SGT	TAG6	4252	1112553	1,853.55	TAG6	SGSS2/SCD2/SGDS2
37	12983302001	400502918	SC2		4492	1112521	1,179.62	SC2	SGSS2/SCD2/SGDS2
37	12983308005	400473411	SGT	TIB	1431	1112569	2,375.82	TIB	SDS/LGSS
37	12983314001	400473452	SGT	TAG6	1467	1292918	3,121.92	TAG6	SGSS2/SCD2/SGDS2
37	12983315001	400473443	SG2		4413	1292998	1,427.28	SG2	SGSS2/SCD2/SGDS2
37	12983318001	400473440	SGT	TAG6	1456	1292909	2,977.62	TAG6	SGSS2/SCD2/SGDS2
37	12983325001	400511507	SGT	TAG6	1403	1292914	2,918.17	TAG6	SGSS2/SCD2/SGDS2
37	12983331001	400473315	SGT	TAG6	4471	1292989	7,100.40	TAG6	SGSS2/SCD2/SGDS2
37	12983343001	400512909	SGT	EDSTIB1	3295	1252863	2,316.71	EDSTIB1	FLEX
37	12983344001	400497701	SGT	TAG6	1469	1292986	1,721.17	TAG6	SGSS2/SCD2/SGDS2
37	12983348001	400504725	SGT	TI4	1363	1252858	1,728.41	TI4	SDS/LGSS
37	12983349001	400473387	SG2		1408	1252858	1,774.66	SG2	SGSS2/SCD2/SGDS2
37	12983354001	400473366	SGT	TAG6	4044	1292919	1,330.60	TAG6	SGSS2/SCD2/SGDS2
37	12983355011	400473369	LG2		4469	1252855	2,808.55	LG2	SDS/LGSS
37	12983355011	400484838	LG2		14322	1252855	5,698.48	LG2	SDS/LGSS

37	12983355011	500163677	LG2			47388	1252855	1,346.53	LG2	SDS/LGSS
37	12983355011	500287938	LG2			47386	1252855	1,346.53	LG2	SDS/LGSS
37	12983359001	400473342	SGT	TIB		1364	1252858	1,770.49	TIB	SDS/LGSS
37	12983370001	400495171	SG2			3323	1252863	4,538.11	SG2	SGSS2/SCD2/SGDS2
37	12983403001	400472841	SGT	TIB		718	732195	8,285.78	TIB	SDS/LGSS
37	12983415001	400473189	SGT	TI8		1005	732158	9,302.44	TI8	LDS/LGSS
37	12983428003	400502425	SGT	TIF		14126	732153	(2,300.48)	TIF	LDS/LGSS
37	12983429002	400472946	SGT	TIB		807	70409	8,319.92	TIB	SDS/LGSS
37	12983433001	400512973	SGT		810	44075	732195	4,278.82	810	FLEX
37	12983434002	400472904	SGT		808	776	732153	93,547.00	808	FLEX
37	12983443007	400488177	LG2			14348	732153	9,005.38	LG2	SDS/LGSS
37	12983451001	400473180	SGT	TI4		997	732114	9,679.14	TI4	SDS/LGSS
37	12983453001	400473149	SGT	TAG6		974	732111	3,769.98	TAG6	SGSS2/SCD2/SGDS2
37	12983462001	400473064	SGT	TAG6		893	732195	1,831.53	TAG6	SGSS2/SCD2/SGDS2
37	12983465001	400473060	SGT	TIB		890	732113	2,137.80	TIB	SDS/LGSS
37	12983467002	400473014	SGT	TIB		856	70409	6,293.59	TIB	SDS/LGSS
37	12983474002	400472983	SGT	TI8		832	732195	14,328.04	TI8	LDS/LGSS
37	12983477001	400472975	SG2			826	732195	2,722.41	SG2	SGSS2/SCD2/SGDS2
37	12983480002	400472971	SG2			746	732195	2,473.69	SG2	SGSS2/SCD2/SGDS2
37	12983498005	800800442	SGT	TIB		4410	70458	1,250.67	TIB	SDS/LGSS
37	12983501003	400473171	LG2			989	70461	20,862.41	LG2	SDS/LGSS
37	12983504001	400473099	SGT	TIB		924	70451	10,408.46	TIB	SDS/LGSS
37	12983508002	400508899	SGT	TI8		871	70424	6,374.99	TI8	LDS/LGSS
37	12983513001	400472886	SGT	TI4		760	70471	4,263.06	TI4	SDS/LGSS
37	12983537001	400473198	LG2			1013	70453	2,943.45	LG2	SDS/LGSS
37	12983545001	400473135	SGT	TAG6		960	70454	975.58	TAG6	SGSS2/SCD2/SGDS2
37	12983554002	400510507	SGT	TAG2		926	70495	732.91	TAG2	SGSS2/SCD2/SGDS2
37	12983554002	500146350	SGT	TAG2		926	70495	732.91	TAG2	SGSS2/SCD2/SGDS2
37	12983556001	400475899	SGT	TIB		906	70456	4,836.96	TIB	SDS/LGSS
37	12983557001	400473076	SGT	TAG6		908	70404	982.95	TAG6	SGSS2/SCD2/SGDS2
37	12983577003	400472935	SGT	TIB		801	70495	52,247.68	TIB	SDS/LGSS
37	12983589001	400472900	SGT	TAG6		772	70478	886.49	TAG6	SGSS2/SCD2/SGDS2
37	12983606002	400472820	SGT	TAG6		702	70495	23,896.62	TAG6	SGSS2/SCD2/SGDS2
37	12983611001	400503381	SGT	TI8		14705	70403	3,827.45	TI8	LDS/LGSS
37	12983623002	400473179	SGT	TAG5		996	310911	3,442.72	TAG5	SGSS1/SCD1/SGDS1
37	12983626001	400473108	SGT	TAG6		933	310958	622.61	TAG6	SGSS2/SCD2/SGDS2
37	12983627001	400473107	SGT	TAG6		932	310956	498.89	TAG6	SGSS2/SCD2/SGDS2
37	12983630001	400526948	SG2			4420	333908	15,255.74	SG2	SGSS2/SCD2/SGDS2
37	12983644001	400512422	SGT	TIB		1155	1252896	9,541.33	TIB	SDS/LGSS
37	12983645004	400492992	SGT		802	1121	1252804	7,202.28	802	FLEX MDS
37	12983645004	500142415	SGT		802	1121	1252804	7,202.28	802	FLEX MDS
37	12983646002	400481256	SGT	TI8		1114	1252804	14,725.43	TI8	LDS/LGSS
37	12983651001	400472750	SGT	TIF		1241	1252829	5,178.66	TIF	LDS/LGSS
37	12983654002	400472745	SGT	TAG2		1236	1252896	6,610.88	TAG2	SGSS2/SCD2/SGDS2
37	12983663001	400505567	SGT	TAG2		14764	1252821	3,352.37	TAG2	SGSS2/SCD2/SGDS2
37	12983681002	400472637	SGT	TI4		1141	1252803	15,441.32	TI4	SDS/LGSS
37	12983693004	400506899	SGT	TI4		14766	1252821	4,992.09	TI4	SDS/LGSS
37	12983778004	400526322	SGT	TI4		44903	30287	25,760.65	TI4	SDS/LGSS
37	12983801005	500151204	SGT		846	1225	30205	13,256.29	846	FLEX
37	12983801005	800800501	SGT		846	1227	30257	477.96	846	FLEX
37	12983811001	400472633	SGT	TIB		1138	30298	34,962.92	TIB	SDS/LGSS
37	12983816001	400497901	SGT	847		14538	30298	6,397.42	847	FLEX
37	12983873001	400472530	SGT	TI4		4287	30287	1,952.86	TI4	SDS/LGSS
37	12983875003	501090417	SGT	TIB		49141	30287	80,271.59	TIB	SDS/LGSS
37	12983915002	400472655	SGT	TIB		1159	30216	15,518.72	TIB	SDS/LGSS
37	12983934001	400484301	SGT	TI8		937	70452	4,620.19	TI8	LDS/LGSS
37	12983936001	400473091	SGT	TIB		916	30225	13,874.35	TIB	SDS/LGSS
37	12983938001	400473088	SGT	TIF		913	30225	25,841.42	TIF	LDS/LGSS
37	12983938002	400473011	SGT	TI8		49348	30225	25,397.78	TI8	LDS/LGSS
37	12983939001	400473057	SGT	TIF		887	30225	260,120.07	TIF	LDS/LGSS
37	12983954001	400518548	SGT	TAG2		1016	30280	1,793.76	TAG2	SGSS2/SCD2/SGDS2
37	12983968001	400473146	SGT	TAG6		971	30280	1,505.38	TAG6	SGSS2/SCD2/SGDS2
37	12983969001	400473144	SGT	TI8		4078	30280	6,739.92	TI8	LDS/LGSS
37	12983971001	400473142	SGT	TIB		968	30263	3,123.75	TIB	SDS/LGSS
37	12983976001	400473125	SC2			949	30231	2,662.32	SC2	SGSS2/SCD2/SGDS2
37	12983982001	400473103	SGT	TI4		929	30272	356.76	TI4	SDS/LGSS
37	12983988002	400473027	SG2			4097	30272	1,504.40	SG2	SGSS2/SCD2/SGDS2
37	12983988002	400498427	SG2			4285	30272	0.00	SG2	SGSS2/SCD2/SGDS2
37	12983993001	400473045	SGT	TI4		881	30235	2,455.77	TI4	SDS/LGSS
37	12983994003	400473044	SGT	TI4		880	30235	2,280.48	TI4	SDS/LGSS

37	12984057001	400472794	SGT	TAG2		14003	70452	2,817.69	TAG2	SGSS2/SCD2/SGDS2
37	12984091001	400472776	SGT	TIB		3296	1252806	2,490.72	TIB	SDS/LGSS
37	12984098001	400526718	SGT	TM1		45180	1252822	3,030.87	TM1	MDS/NSS
37	12984098003	400490002	SGT	TI8		14453	10154	2,352.32	TI8	LDS/LGSS
37	12984119001	400494178	SG2			1174	1252823	27,949.22	SG2	SGSS2/SCD2/SGDS2
37	12984122008	400472639	SGT	TIB		48825	1252822	13,064.41	TIB	SDS/LGSS
37	12984125001	400472585	SGT	TI4		4502	1252819	3,398.13	TI4	SDS/LGSS
37	12984129002	400472553	SGT	TIB		1070	1252807	4,903.64	TIB	SDS/LGSS
37	12984131002	500789128	SGT	TIB		48657	1252822	5,117.20	TIB	SDS/LGSS
37	12984147008	400520146	SGT	TI4		47452	1252807	223.81	TI4	SDS/LGSS
37	12984148002	500185413	SGT	TIB		49412	30241	45,918.09	TIB	SDS/LGSS
37	12984148003	400518885	SGT	TIB		44408	30241	7,603.27	TIB	SDS/LGSS
37	12984150004	501030792	SGT		875	49154	273860	1,061.59	875	FLEX
37	12984150004	800800371	SGT		875	4385	273804	6,048.49	875	FLEX
37	12984150007	501179703	SG2			49333	273860	1,061.59	SG2	SGSS2/SCD2/SGDS2
37	12984151020	400475666	SGT	TIF		1565	273860	287.79	TIF	LDS/LGSS
37	12984151020	400514859	SGT	TIF		48789	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	400514976	SGT	TIF		48788	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	400526997	SGT	TIF		45666	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500008214	SGT	TIF		48790	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500130476	SGT	TIF		45665	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500130460	SGT	TIF		45732	273804	268.28	TIF	LDS/LGSS
37	12984151020	500130474	SGT	TIF		48526	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500130459	SGT	TIF		48889	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500136322	SGT	TIF		45731	273804	268.28	TIF	LDS/LGSS
37	12984151020	500150517	SGT	TIF		45908	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500162068	SGT	TIF		45949	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500198356	SGT	TIF		46017	273804	268.28	TIF	LDS/LGSS
37	12984151020	500198359	SGT	TIF		46018	273804	5,166.36	TIF	LDS/LGSS
37	12984151020	500208315	SGT	TIF		46494	273804	268.28	TIF	LDS/LGSS
37	12984151020	500555580	SGT	TIF		48444	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500558423	SGT	TIF		48887	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500612327	SGT	TIF		48438	273804	268.28	TIF	LDS/LGSS
37	12984151020	500625771	SGT	TIF		48958	273860	586.51	TIF	LDS/LGSS
37	12984151020	500659013	SGT	TIF		48965	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500667297	SGT	TIF		48439	273804	268.28	TIF	LDS/LGSS
37	12984151020	500667298	SGT	TIF		48440	273860	(11,167.52)	TIF	LDS/LGSS
37	12984151020	500692603	SGT	TIF		48625	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500707423	SGT	TIF		48970	273804	268.28	TIF	LDS/LGSS
37	12984151020	500709556	SGT	TIF		48543	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500716291	SGT	TIF		48471	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500806647	SGT	TIF		48678	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500856054	SGT	TIF		48736	273804	268.28	TIF	LDS/LGSS
37	12984151020	500875536	SGT	TIF		48749	273804	268.28	TIF	LDS/LGSS
37	12984151020	500918034	SGT	TIF		48624	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500949336	SGT	TIF		48808	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	500949337	SGT	TIF		48809	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	800800356	SGT	TIF		4371	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	800800357	SGT	TIF		4373	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	800800358	SGT	TIF		4374	273860	1,555.96	TIF	LDS/LGSS
37	12984151020	800800359	SGT	TIF		4375	273860	1,235.30	TIF	LDS/LGSS
37	12984151020	800800360	SGT	TIF		4376	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	800800361	SGT	TIF		4377	273860	825.56	TIF	LDS/LGSS
37	12984151020	800800362	SGT	TIF		4378	273860	1,152.36	TIF	LDS/LGSS
37	12984151020	800800364	SGT	TIF		4380	273860	550.88	TIF	LDS/LGSS
37	12984151020	800800365	SGT	TIF		4381	273804	268.28	TIF	LDS/LGSS
37	12984151020	800800366	SGT	TIF		4382	273860	1,061.59	TIF	LDS/LGSS
37	12984151020	800800367	SGT	TIF		4383	273860	2,705.00	TIF	LDS/LGSS
37	12984151020	800800369	SGT	TIF		14823	273860	(237.74)	TIF	LDS/LGSS
37	12984151020	800800370	SGT	TIF		45243	273804	268.28	TIF	LDS/LGSS
37	12984151020	800800354	SGT	TIF		49234	273860	1,061.59	TIF	LDS/LGSS
37	12984151070	500599616	SGT	TIF		48888	273860	1,061.59	TIF	LDS/LGSS
37	12984151071	500972343	SGT	TIF		48807	273804	268.28	TIF	LDS/LGSS
37	12984151071	501078814	SGT	TIF		49357	273860	1,061.59	TIF	LDS/LGSS
37	12984151071	501102376	SGT	TIF		49356	273860	1,061.59	TIF	LDS/LGSS
37	12984156001	400498964	SGT	TI8		14387	273821	5,213.78	TI8	LDS/LGSS
37	12984156007	501140885	SGT		881	49402	1212650	0.00	881	FLEX
37	12984156007	501140884	SGT		881	49404	1212650	0.00	881	FLEX
37	12984188002	400472449	SGT	TIF		4450	273804	353,710.72	TIF	LDS/LGSS
37	12984218002	400472435	SGT	TI4		1493	551552	0.00	TI4	SDS/LGSS

37	12984219005	400472431	LG2		294	551501	1,230.28	LG2	SDS/LGSS
37	12984219005	500165435	LG2		294	551501	1,230.28	LG2	SDS/LGSS
37	12984221002	400472381	SGT	TIB	1490	551501	5,370.70	TIB	SDS/LGSS
37	12984221004	501123144	SGT	TI8	49284	551501	1,956.54	TI8	LDS/LGSS
37	12984230001	400472414	SGT	TI4	1513	551554	4,102.66	TI4	SDS/LGSS
37	12984232001	400472408	NSI		1511	551511	1,250.65	NSI	MDS/NSS
37	12984233004	400472404	SGT	TI8	1508	551553	0.00	TI8	LDS/LGSS
37	12984233004	800800336	SGT	TI8	4507	551553	1,590.31	TI8	LDS/LGSS
37	12984235003	400503659	SGT	TI4	14732	551511	4,635.06	TI4	SDS/LGSS
37	12984235003	500232234	SGT	TI4	48041	551511	1,250.65	TI4	SDS/LGSS
37	12984245001	400514975	SGT	TAG6	44087	10153	2,947.61	TAG6	SGSS2/SCD2/SGDS2
37	12984247004	400472434	SGT	TIF	297	10109	7,068.70	TIF	LDS/LGSS
37	12984247004	400472433	SGT	TIF	4339	10109	4,963.02	TIF	LDS/LGSS
37	12984247004	800800335	SGT	TIF	14446	10109	4,078.78	TIF	LDS/LGSS
37	12984250003	400507411	SGT	TI8	3215	10154	2,625.29	TI8	LDS/LGSS
37	12984250003	400507413	SGT	TI8	3215	10154	2,625.29	TI8	LDS/LGSS
37	12984251001	400507412	SGT	TI4	1510	10120	13,172.01	TI4	SDS/LGSS
37	12984252001	400472401	SGT	TAG6	1506	10160	2,716.17	TAG6	SGSS2/SCD2/SGDS2
37	12984255005	400472391	SGT	TAG6	4293	10158	3,969.19	TAG6	SGSS2/SCD2/SGDS2
37	12984257002	400472388	SGT	TIF	3334	10120	389.22	TIF	LDS/LGSS
37	12984257002	500149512	SGT	TIF	1496	10120	9,002.35	TIF	LDS/LGSS
37	12984261001	400472371	SGT	TIF	3384	10114	417.56	TIF	LDS/LGSS
37	12984262001	400517972	SGT	TIB	44406	10160	3,203.39	TIB	SDS/LGSS
37	12984264001	400472364	SGT	TIB	1477	10117	2,125.64	TIB	SDS/LGSS
37	12984269001	400498767	SGT	TI8	14635	10119	4,285.84	TI8	LDS/LGSS
37	12984270006	400498095	SGT	TIB	14526	1333072	4,269.98	TIB	SDS/LGSS
37	12984273001	400522508	SGT	TI4	44530	10105	4,338.27	TI4	SDS/LGSS
37	12984275001	400472429	SGT	TIB	1523	10157	8,704.10	TIB	SDS/LGSS
37	12984276001	400511898	SGT	TIB	44051	10157	2,268.56	TIB	SDS/LGSS
37	12984281001	400472403	SC2		1507	10157	5,011.48	SC2	SGSS2/SCD2/SGDS2
37	12984282002	400472402	SGT	TI4	3499	10119	1,353.99	TI4	SDS/LGSS
37	12984283001	400472399	SGT	TI4	3187	10158	2,708.97	TI4	SDS/LGSS
37	12984291001	400472378	SGT	TAG6	1486	10157	3,434.35	TAG6	SGSS2/SCD2/SGDS2
37	12984293002	400472376	SGT	TMB	285	10109	13,185.56	TMB	MDS/NSS
37	12984293003	500925519	SGT	TMB	48785	10109	16,768.97	TMB	MDS/NSS
37	12984296001	400472372	SGT	TAG6	1483	10104	2,598.74	TAG6	SGSS2/SCD2/SGDS2
37	12984299002	400472366	SGT	TI8	1479	10157	4,617.06	TI8	LDS/LGSS
37	12984299002	500220827	SGT	TI8	46090	10157	(4,696.74)	TI8	LDS/LGSS
37	12984318001	400051028	SGT	TI8	48031	1333063	772.88	TI8	LDS/LGSS
37	12984318001	400472328	SGT	TI8	3515	1333063	4,627.20	TI8	LDS/LGSS
37	12984318001	400472327	SGT	TI8	3636	1333063	4,224.76	TI8	LDS/LGSS
37	12984318001	400494708	SGT	TI8	48033	1333063	772.88	TI8	LDS/LGSS
37	12984318001	400505362	SGT	TI8	48677	1333063	772.88	TI8	LDS/LGSS
37	12984318001	400507194	SGT	TI8	46075	1333063	772.88	TI8	LDS/LGSS
37	12984318001	400514810	SGT	TI8	48034	1333063	772.88	TI8	LDS/LGSS
37	12984318001	500005922	SGT	TI8	48032	1333063	772.88	TI8	LDS/LGSS
37	12984318001	500119649	SGT	TI8	45688	1333063	3,470.16	TI8	LDS/LGSS
37	12984321001	400472320	SGT	TI4	3543	1333025	2,924.99	TI4	SDS/LGSS
37	12984323001	400472318	SGT	TI8	3632	1333025	32,431.00	TI8	LDS/LGSS
37	12984324001	400472317	SC2		3542	1333025	1,613.38	SC2	SGSS2/SCD2/SGDS2
37	12984325001	400472316	SGT	TIG	3631	1333025	11,349.73	TIG	LDS/LGSS
37	12984325004	501256232	LG2		49420	1333025	77,104.93	LG2	SDS/LGSS
37	12984327001	400472263	SGT	TAG6	4536	1333025	1,730.75	TAG6	SGSS2/SCD2/SGDS2
37	12984329001	400526741	SGT	TIG	45205	1333025	29,437.80	TIG	LDS/LGSS
37	12984343004	400490919	SGT	TIG	14417	1333063	16,572.15	TIG	LDS/LGSS
37	12984343004	500023117	SGT	TIG	48880	1333063	772.88	TIG	LDS/LGSS
37	12984343004	500535850	SGT	TIG	48881	1333063	772.88	TIG	LDS/LGSS
37	12984346001	400526951	SGT	TIB	44971	1333025	3,724.43	TIB	SDS/LGSS
37	12984351001	400472299	SGT	TI4	3527	1333025	5,492.43	TI4	SDS/LGSS
37	12984355001	400472293	LG1		3521	10103	1,321.13	LG1	SDS/LGSS
37	12984357001	400472287	SGT	TIF	3625	1333063	135.13	TIF	LDS/LGSS
37	12984366001	400472272	SGT	TI8	3506	1333063	5,146.65	TI8	LDS/LGSS
37	12984368001	400472269	SGT	TIB	3504	1333063	1,629.27	TIB	SDS/LGSS
37	12984378001	400496892	SGT	TAG6	14565	1333017	2,669.44	TAG6	SGSS2/SCD2/SGDS2
37	12984382001	400493516	SGT	TIB	14532	1333017	13,266.86	TIB	SDS/LGSS
37	12984392002	400472214	SGT	TIB	3569	1333074	2,526.37	TIB	SDS/LGSS
37	12984392002	400472233	SGT	TIB	3649	1333074	8,902.25	TIB	SDS/LGSS
37	12984392002	800800313	SGT	TIB	3648	1333074	3,347.55	TIB	SDS/LGSS
37	12984433001	400474737	SGT	TIB	14041	1333014	5,102.18	TIB	SDS/LGSS
37	12984438005	400517692	SGT	TI8	14678	1333029	4,838.86	TI8	LDS/LGSS

37	12984438005	400526273	SGT	TI8		44876	1333029	5,910.79	TI8	LDS/LGSS
37	12984438005	800800325	SGT	TI8		3916	1333029	4,519.57	TI8	LDS/LGSS
37	12984440001	400472099	SGT	TIB		3909	1333032	280.24	TIB	SDS/LGSS
37	12984442001	400472096	SGT	TIG		14693	1333032	6,597.70	TIG	LDS/LGSS
37	12984443001	400472090	SGT	TIB		3901	1333095	1,466.35	TIB	SDS/LGSS
37	12984447001	400526359	SGT	TI8		3894	1333032	44,110.50	TI8	LDS/LGSS
37	12984448001	400472085	SGT	TI8		3893	1333027	932.88	TI8	LDS/LGSS
37	12984450007	500793520	SGT	TIF		48680	1333027	7,214.83	TIF	LDS/LGSS
37	12984453004	400505585	SGT	TI4		3881	1333029	14,787.78	TI4	SDS/LGSS
37	12984460001	400472065	SGT	TIB		3866	1333017	1,150.36	TIB	SDS/LGSS
37	12984472001	400472020	SGT	TAG6		3803	1333027	5,226.08	TAG6	SGSS2/SCD2/SGDS2
37	12984475001	400472016	SGT	TIB		3799	1333027	77.96	TIB	SDS/LGSS
37	12984477004	400472012	SC2			3792	1333027	600.79	SC2	SGSS2/SCD2/SGDS2
37	12984477004	800800315	SC2			3793	1333027	14.60	SC2	SGSS2/SCD2/SGDS2
37	12984484006	400467049	SGT	TIB		47453	1333083	121.41	TIB	SDS/LGSS
37	12984484006	400471998	SGT	TIB		14566	1333083	4,528.52	TIB	SDS/LGSS
37	12984484006	500151812	SGT	TIB		47456	1333083	121.41	TIB	SDS/LGSS
37	12984490001	400526586	SGT	TIF		4037	1333079	57,348.04	TIF	LDS/LGSS
37	12984493001	400471935	SGT	TAG2		4516	1333095	1,233.13	TAG2	SGSS2/SCD2/SGDS2
37	12984497001	400471892	SGT	TIB		4173	1333095	530.24	TIB	SDS/LGSS
37	12984501001	400471867	SGT	TIF		4155	1333095	3,725.00	TIF	LDS/LGSS
37	12984507001	400471805	SGT	TIB		4556	1333014	5,773.32	TIB	SDS/LGSS
37	12984524001	400507001	SGT	TIB		14552	1333017	4,496.64	TIB	SDS/LGSS
37	12984528001	400507730	SGT	TIF		3971	1333029	4,984.94	TIF	LDS/LGSS
37	12984529002	400495160	SGT		831	293	290806	0.00	831	FLEX MDS
37	12984533001	400494422	SGT	TI8		14521	1333027	1,675.67	TI8	LDS/LGSS
37	12984534001	400491763	SGT	TI4		14383	1333029	323.82	TI4	SDS/LGSS
37	12984538001	400496374	SGT	TI4		14554	1333095	272.28	TI4	SDS/LGSS
37	12984541001	400472240	SGT	TIB		4443	1333074	2,583.06	TIB	SDS/LGSS
37	12984542001	400499351	SC2			14534	1333029	3,158.50	SC2	SGSS2/SCD2/SGDS2
37	12984549001	400496547	SGT	TIB		14438	1333095	1,494.85	TIB	SDS/LGSS
37	12984569008	400472068	SGT	TIF		3869	1333029	16,245.21	TIF	LDS/LGSS
37	12984569008	400492606	SGT	TIF		47118	1333029	10,688.18	TIF	LDS/LGSS
37	12984569008	400505836	SGT	TIF		47356	1333029	8,188.00	TIF	LDS/LGSS
37	12984569008	400516746	SGT	TIF		47028	1333029	8,188.00	TIF	LDS/LGSS
37	12984592001	400471991	SGT	TI8		3698	1333069	9,772.77	TI8	LDS/LGSS
37	12984598001	400471984	SGT	TI4		3751	1333005	3,433.09	TI4	SDS/LGSS
37	12984606001	400471973	SGT	TIB		3736	1333026	7,589.21	TIB	SDS/LGSS
37	12984607002	400471965	SGT	TAG6		3728	1333027	4,576.34	TAG6	SGSS2/SCD2/SGDS2
37	12984611002	400471958	SGT	TIB		3723	1333029	7,465.84	TIB	SDS/LGSS
37	12984614001	400471948	SGT	TIB		3719	1333035	7,516.16	TIB	SDS/LGSS
37	12984622002	400471919	SGT	TAG6		3765	1333032	7,304.36	TAG6	SGSS2/SCD2/SGDS2
37	12984624003	400471915	SGT	TIB		3763	1333032	4,434.71	TIB	SDS/LGSS
37	12984628004	400471893	SGT	TIB		3686	1333029	1,826.18	TIB	SDS/LGSS
37	12984643001	400471809	SGT	TI8		4526	1333017	4,064.30	TI8	LDS/LGSS
37	12984661001	400526647	SGT	TAG6		45046	1333014	2,190.07	TAG6	SGSS2/SCD2/SGDS2
37	12984661003	400500358	SGT	TIB		14657	10101	23,195.59	TIB	SDS/LGSS
37	12984661004	500738669	SGT	TIB		48592	1333032	16,365.40	TIB	SDS/LGSS
37	13188422011	500079934	SGT	TI8		49385	273806	3,326.29	TI8	LDS/LGSS
37	13188422011	500325346	SGT	TI8		49384	273806	2,119.27	TI8	LDS/LGSS
37	13237020002	500135596	SGT	TI8		4638	511396	31,407.24	TI8	LDS/LGSS
37	13241895007	501021913	SGT	TIF		49028	30225	41,497.74	TIF	LDS/LGSS
37	13241895007	501028115	SGT	TIF		49013	30225	41,497.74	TIF	LDS/LGSS
37	13264345002	400520745	SG2			1306	1292913	3,173.68	SG2	SGSS2/SCD2/SGDS2
37	13266182003	400473258	SGT	TMB		1296	1252858	2,294.81	TMB	MDS/NSS
37	13333833001	500159224	LG1			45928	551501	6,277.25	LG1	SDS/LGSS
37	13409908003	800800444	SGT	TI4		289	70406	2,190.25	TI4	SDS/LGSS
37	13418879001	500171349	SG2			45520	30205	11,235.36	SG2	SGSS2/SCD2/SGDS2
37	13503540001	500099035	SGT	TI4		45872	1252862	8,077.88	TI4	SDS/LGSS
37	13606384001	500209675	SGT	TI8		46079	1333028	15,107.81	TI8	LDS/LGSS
37	13629199001	500199977	SGT	TIF		46006	1112521	38,461.32	TIF	LDS/LGSS
37	13648145002	400473252	SC2			1289	1112521	24,071.02	SC2	SGSS2/SCD2/SGDS2
37	13676826001	500220820	SGT	845		46101	30243	27,319.26	845	FLEX
37	13801660001	500224592	SGT	TAG6		46122	1292998	7,734.44	TAG6	SGSS2/SCD2/SGDS2
37	13807449005	500843197	SGT	TAG6		48733	10160	10,929.56	TAG6	SGSS2/SCD2/SGDS2
37	13953098002	500268352	SG4			46701	511314	2,164.21	SG4	SGSS2/SCD2/SGDS2
37	13959263001	400473271	SGT	TI8		1309	1292977	9,426.78	TI8	LDS/LGSS
37	13968541002	500296548	SGT	TM2		46567	511324	286,814.93	TM2	MDS/NSS
37	14161126001	400472230	SGT	TIB		3588	1333034	4,042.39	TIB	SDS/LGSS
37	14203427002	400483822	SGT	TAG6		14283	511304	3,499.71	TAG6	SGSS2/SCD2/SGDS2

37	14238571001	500337814	SGT	TIF	46961	1333007	9,157.29	TIF	LDS/LGSS
37	14303963001	500391455	SGT	TI4	47285	30260	12,062.59	TI4	SDS/LGSS
37	14313747005	500338294	SG2		47466	10155	12,751.38	SG2	SGSS2/SCD2/SGDS2
37	14318082003	400519776	SGT	TIB	47451	1333032	10,384.96	TIB	SDS/LGSS
37	14344230001	500212008	SGT	TIB	47252	1252822	11,414.42	TIB	SDS/LGSS
37	14351364003	500354179	SGT	TIB	47333	591705	(9,801.11)	TIB	SDS/LGSS
37	14351364003	500371709	SGT	TIB	47605	591705	9,031.53	TIB	SDS/LGSS
37	14351364003	500690713	SGT	TIB	49040	591705	6,003.16	TIB	SDS/LGSS
37	14471914001	400526560	SGT	TIF	3908	1333032	13,405.54	TIF	LDS/LGSS
37	14492769002	500965975	LG2		49158	1112521	15,825.73	LG2	SDS/LGSS
37	14529317003	400472635	SGT	840	1139	1252856	13,865.46	840	FLEX
37	14529317003	800800373	SGT	840	14246	1252856	13,412.22	840	FLEX
37	14557113003	500054098	SGT	TI4	48084	551501	30,701.18	TI4	SDS/LGSS
37	14623990006	400526769	SG2		4505	1333095	1,505.78	SG2	SGSS2/SCD2/SGDS2
37	14738217002	400473525	LG1		621	832206	5,915.22	LG1	SDS/LGSS
37	14860718003	400473280	SGT	TAG6	1313	511314	14,364.41	TAG6	SGSS2/SCD2/SGDS2
37	14958276004	501161721	SGT	TIB	49323	1112501	31,261.72	TIB	SDS/LGSS
37	14962898001	400504012	SC2		4067	10104	1,319.79	SC2	SGSS2/SCD2/SGDS2
37	14997023001	400472421	SGT	TAG6	3491	10157	2,370.57	TAG6	SGSS2/SCD2/SGDS2
37	15096104001	500587558	SGT	809	47842	732195	6,753.16	809	FLEX
37	15096104002	501033523	SGT	809	49045	732195	44,763.53	809	FLEX
37	15096113001	500587559	SGT	833	47843	732195	45,474.89	833	FLEX
37	15107817004	500136220	SG4		1438	511314	1,652.12	SG4	SGSS2/SCD2/SGDS2
37	15120198003	501174545	LG2		49367	1333032	64,145.58	LG2	SDS/LGSS
37	15190290003	500990795	SGT	TIB	48924	511314	21,953.37	TIB	SDS/LGSS
37	15246690003	400478147	SG2		1122	1252821	10,996.30	SG2	SGSS2/SCD2/SGDS2
37	15310256001	400477241	SGT	TIB	3990	1333017	19.02	TIB	SDS/LGSS
37	15320799002	400514006	SGT	TAG6	4540	1252822	0.00	TAG6	SGSS2/SCD2/SGDS2
37	15386979001	400472009	SGT	TIB	3788	1333027	4,470.87	TIB	SDS/LGSS
37	15399043001	400473272	SG4		1310	1292913	1,878.81	SG4	SGSS2/SCD2/SGDS2
37	15409498002	400472801	SG2		686	30225	1,621.75	SG2	SGSS2/SCD2/SGDS2
37	15410029001	400524934	SG4		1465	511314	2,137.32	SG4	SGSS2/SCD2/SGDS2
37	15410029003	400526421	SG2		1368	511314	2,282.29	SG2	SGSS2/SCD2/SGDS2
37	15514483001	400473294	SG2		1329	1112521	1,293.77	SG2	SGSS2/SCD2/SGDS2
37	15514517001	500607489	SGT	TIF	48514	551504	29,232.95	TIF	LDS/LGSS
37	15614278001	500732771	SGT	TI4	48561	30223	5,320.06	TI4	SDS/LGSS
37	15630675002	501155646	SG2		49311	1292909	46,337.79	SG2	SGSS2/SCD2/SGDS2
37	15632066001	500494320	SGT	TIB	48533	1112512	10,803.64	TIB	SDS/LGSS
37	15674018001	500648810	SGT	TIF	48541	273801	99,366.60	TIF	LDS/LGSS
37	15878297001	500766884	SGT	TI4	48455	1333007	2,132.43	TI4	SDS/LGSS
37	15886667015	400472089	SG4		3897	1333032	4,644.35	SG4	SGSS2/SCD2/SGDS2
37	15897246001	500635532	SGT	TIB	48654	1333004	4,591.38	TIB	SDS/LGSS
37	15932079001	500755822	SGT	TIF	48661	511311	7,610.05	TIF	LDS/LGSS
37	16032404001	400493513	SG2		3428	1112521	1,471.35	SG2	SGSS2/SCD2/SGDS2
37	16266565001	400518893	SGT	TIB	934	70495	1,261.32	TIB	SDS/LGSS
37	16316862001	400489632	SGT	TIB	48727	10103	23,457.97	TIB	SDS/LGSS
37	16450594001	400526719	SGT	TIB	48743	1333083	6,816.35	TIB	SDS/LGSS
37	16656334003	501222616	LG1		49396	511304	26,250.86	LG1	SDS/LGSS
37	16804444002	500146391	SGT	TI8	861	70495	5,786.00	TI8	LDS/LGSS
37	16804444008	500175309	SGT	TIB	49139	70495	14,163.45	TIB	SDS/LGSS
37	16919869001	500215263	SGT	TAG6	48787	1333095	30,740.76	TAG6	SGSS2/SCD2/SGDS2
37	16920048001	500959190	SGT	TIB	48797	511395	9,062.42	TIB	SDS/LGSS
37	17000719005	400496375	SGT	TAG6	14550	1333027	1,701.93	TAG6	SGSS2/SCD2/SGDS2
37	17037445001	500962866	SGT	TIB	48814	511306	7,630.88	TIB	SDS/LGSS
37	17097990001	400473352	SCC		4547	1252858	1,965.53	SCC	SGSS1/SCD1/SGDS1
37	17184483002	500193058	SGT	TIB	45604	732195	(5,006.09)	TIB	SDS/LGSS
37	17187387006	400471902	SGT	TI8	4178	1333032	3,583.58	TI8	LDS/LGSS
37	17264884002	400500238	SGT	TIH	14403	1333032	8,452.11	TIH	LDS/LGSS
37	17297010001	400474558	SGT	TI4	14055	1333035	6,651.81	TI4	SDS/LGSS
37	17374299002	400473323	LG2		1351	511314	5,233.17	LG2	SDS/LGSS
37	17409498001	501027922	SGT	TIB	49021	1333095	13,667.74	TIB	SDS/LGSS
37	17439660001	400471850	SGT	TAG2	4149	1333035	290.07	TAG2	SGSS2/SCD2/SGDS2
37	17439660003	800800314	SGT	TAG2	4269	1333035	2,430.25	TAG2	SGSS2/SCD2/SGDS2
37	17446577006	400498963	SGT	TI8	14518	10160	5,361.20	TI8	LDS/LGSS
37	17509433003	501049268	SGT	TI8	49070	511306	17,829.30	TI8	LDS/LGSS
37	17556648001	500988325	LG1		49016	1252829	60,039.91	LG1	SDS/LGSS
37	17613477001	501040193	SG2		49048	832295	17,028.50	SG2	SGSS2/SCD2/SGDS2
37	17662964001	400472829	SGT	TIB	711	30252	8,688.26	TIB	SDS/LGSS
37	17692241009	501080986	SGT	TIB	49302	1333017	65,532.25	TIB	SDS/LGSS
37	17766386001	501049150	SGT	TI8	49088	1333014	35,922.76	TI8	LDS/LGSS

37	18505018001	400473396	SG2		3248	1292914	1,663.84	SG2	SGSS2/SCD2/SGDS2
37	18540737001	500487109	SGS		47705	1292909	31,397.65	SGS	SGSS1/SCD1/SGDS1
37	18553656003	500204877	SG2		48298	30272	5,399.51	SG2	SGSS2/SCD2/SGDS2
37	18660393001	501083309	SG2		40519	1252820	22,691.51	SG2	SGSS2/SCD2/SGDS2
37	18703892001	400505131	SGT	TI8	689	70477	20,627.81	TI8	LDS/LGSS
37	18776965001	400472097	SGT	TIF	3907	1333014	5,166.94	TIF	LDS/LGSS
37	18792064002	501099066	SGT	TAG6	49244	1333035	15,923.45	TAG6	SGSS2/SCD2/SGDS2
37	18836110001	400473205	SGT	TIB	1018	732111	3,880.29	TIB	SDS/LGSS
37	18885421001	500376080	SGT	TIB	49156	10119	16,178.78	TIB	SDS/LGSS
37	18897692003	400472409	SGT	TIB	1512	10160	1,660.38	TIB	SDS/LGSS
37	18941652004	400473297	SGS		1332	511318	1,795.56	SGS	SGSS1/SCD1/SGDS1
37	18973174002	400526191	SGT	873	44761	190613	52,867.22	873	FLEX
37	18985473001	501047288	SGT	TIB	49243	1333035	277.88	TIB	SDS/LGSS
37	18988904003	501281830	LG1		49425	70479	30,748.80	LG1	SDS/LGSS
37	19022293001	400473231	SG2		4575	511316	1,956.84	SG2	SGSS2/SCD2/SGDS2
37	19022293005	500132845	SG2		4575	511316	1,956.84	SG2	SGSS2/SCD2/SGDS2
37	19046540001	400508038	SGT	TIB	14064	1333017	944.86	TIB	SDS/LGSS
37	19074397001	501115733	SGT	TI8	49265	1333017	13,266.86	TI8	LDS/LGSS
37	19075101001	400473322	SG2		4421	1292916	10,041.93	SG2	SGSS2/SCD2/SGDS2
37	19114953001	500688577	SGT	TI4	48544	511312	1,115.13	TI4	SDS/LGSS
37	19117144005	501102841	SGT	TI8	49282	732108	0.00	TI8	LDS/LGSS
37	19117144005	501104644	SGT	TI8	49270	732108	44,938.18	TI8	LDS/LGSS
37	19179996001	400472978	SGT	TIG	828	30272	15,084.85	TIG	LDS/LGSS
37	19193822001	501050977	SGT	TI4	49272	10103	14,333.13	TI4	SDS/LGSS
37	19252407003	800800378	SGT	TAG6	849	30234	2,908.76	TAG6	SGSS2/SCD2/SGDS2
37	19336466001	400501188	SGT	TAG2	45609	1333032	44,110.50	TAG2	SGSS2/SCD2/SGDS2
37	19430896001	501122186	SGT	TIB	49298	70412	11,219.30	TIB	SDS/LGSS
37	19443642001	400472814	SGT	TIB	697	70403	3,872.82	TIB	SDS/LGSS
37	19531601001	400526383	SG3		1012	30225	11,525.34	SG3	SGSS1/SCD1/SGDS1
37	19592009003	501149161	LG2		49340	1252822	15,220.72	LG2	SDS/LGSS
37	19623332001	400472345	SG2		3562	1333063	7,786.78	SG2	SGSS2/SCD2/SGDS2
37	19682099001	500296730	SGT	TIB	46707	511304	26,250.86	TIB	SDS/LGSS
37	19791817001	500175440	SGT	TAG5	45528	70452	31,445.04	TAG5	SGSS1/SCD1/SGDS1
37	19817465001	400472437	LG1		3304	10104	8,152.83	LG1	SDS/LGSS
37	19845214005	400472052	SGT	TIB	3847	1333032	7,490.23	TIB	SDS/LGSS
37	19854159001	501154755	SGT	TIB	49338	273804	1,887.55	TIB	SDS/LGSS
37	19854159002	501162824	LG2		49322	1333029	8,188.00	LG2	SDS/LGSS
37	19866613001	501025433	SGT	TIB	48841	190626	21,082.43	TIB	SDS/LGSS
37	19968875005	800800311	SGT	TIB	14595	1333029	3,083.07	TIB	SDS/LGSS
37	20159378001	500153126	SGT	TI8	45642	70479	635.10	TI8	LDS/LGSS
37	20231700001	400472742	SGT	TI4	14101	1252807	5,736.00	TI4	SDS/LGSS
37	20231700003	400472014	SGT	TIB	3795	1333027	8,044.15	TIB	SDS/LGSS
37	20233976002	400473233	SG2		1275	511311	1,137.23	SG2	SGSS2/SCD2/SGDS2
37	20260616001	400500097	SGT	TM1	14666	10119	980.04	TM1	MDS/NSS
37	20271953001	500214064	LG2		47053	1252822	28,293.86	LG2	SDS/LGSS
37	20271953003	500459284	LG1		47484	1252822	590.67	LG1	SDS/LGSS
37	20352622001	400493366	SGT	TIF	14458	1333025	4,349.04	TIF	LDS/LGSS
37	20403776001	501228775	SG2		49390	10157	5,180.86	SG2	SGSS2/SCD2/SGDS2
37	20480473001	501093555	SGT	880	49361	1333014	467,690.79	880	FLEX
37	20480473002	400471977	SGT	TIB	4335	1333077	4,107.85	TIB	SDS/LGSS
37	20503074001	501173051	SGT	TIB	49398	1333029	2,105.64	TIB	SDS/LGSS
37	20540367001	501221207	SGT	810	49395	732195	32,565.34	810	FLEX
37	20556961001	400494798	SGT	TI8	14599	10160	121.29	TI8	LDS/LGSS
37	20665631001	400473191	SGT	TIF	1007	30225	5,974.11	TIF	LDS/LGSS
37	20669499001	501163330	SGT	TIB	49411	70452	31,445.04	TIB	SDS/LGSS
37	20688663001	400474751	SGT	TI4	4509	30223	3,241.16	TI4	SDS/LGSS
37	20721676001	400472176	LG2		3969	1333095	7,763.66	LG2	SDS/LGSS
37	20731842001	400473264	SG2		1303	511314	1,557.22	SG2	SGSS2/SCD2/SGDS2
37	20733007001	400473253	LG2		1290	1292977	10,041.96	LG2	SDS/LGSS
37	20733007003	400288865	SG4		46395	1292977	2,014.58	SG4	SGSS2/SCD2/SGDS2
37	20733007004	400289580	SG4		46393	1292977	2,014.58	SG4	SGSS2/SCD2/SGDS2
37	20757032003	400471986	SGT	TAG6	3754	1333017	1,646.10	TAG6	SGSS2/SCD2/SGDS2
37	20875641001	400473354	LG2		1377	1292913	936.34	LG2	SDS/LGSS
37	20886128001	400516474	LG4		3863	1333029	7,855.17	LG4	LDS/LGSS
37	20910648001	400472256	LG3		3642	1333074	279.49	LG3	LDS/LGSS
37	20914024001	400473178	SG2		995	70471	1,041.40	SG2	SGSS2/SCD2/SGDS2
37	20915520001	400490462	SGT	TIB	14386	10156	3,285.22	TIB	SDS/LGSS
37	20942667003	400472903	LG1		775	732195	1,532.00	LG1	SDS/LGSS
37	20972755003	400493347	SG4		3950	1333032	4,743.56	SG4	SGSS2/SCD2/SGDS2
37	21026587001	400472035	SGS		3824	1333029	12.68	SGS	SGSS1/SCD1/SGDS1

37	21026587003	800800310	SG2		3825	1333029	211.51	SG2	SGSS2/SCD2/SGDS2
37	21032523001	400493917	SGT	TMA	14046	70452	125,098.41	TMA	MDS/NSS
37	21032523002	400505175	SGT	882	14699	70468	23,377.51	882	FLEX
37	21051676001	400472854	LG1		733	70471	42.30	LG1	SDS/LGSS
37	21067545001	500416284	SG2		47469	1333025	17,948.01	SG2	SGSS2/SCD2/SGDS2
37	21069532001	400526998	SGT	TMB	14788	70470	33,446.59	TMB	MDS/NSS
37	21079991001	400472075	LG4		3879	1333027	0.00	LG4	LDS/LGSS

	Total Cost	Percent
RSS/RTS	**0.00**	**0.000%**
SGSS1/SCD1/SGDS1	**83,468.06**	**1.670%**
SGSS2/SCD2/SGDS2	**662,240.88**	**13.250%**
SDS/LGSS	**1,727,508.18**	**34.564%**
LDS/LGSS	**1,669,308.85**	**33.400%**
FLEX	**855,473.66**	**17.116%**
TOTAL BEFORE MLDS/NSS	**4,997,999.63**	**100.000%**
MLDS/NSS	**0.00**	
FLEX MLDS	**0.00**	
TOTAL	**4,997,999.63**	

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 18
OTHER DISTRIBUTION O & M EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT	TOTAL	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
1	871.00	LOAD DISPATCHING	313,341	155,436	28,354	37,896	26,424	32,387	25	32,819
2	874.00	MAINS & SERVICES	26,315,390	15,717,919	2,268,387	2,491,541	1,690,764	2,059,442	1,579	2,085,758
3	875.00	M & R - GENERAL	792,716	393,235	71,733	95,871	66,850	81,935	63	83,029
4	876.00	M & R - INDUSTRIAL	320,624	-	5,354	42,483	110,821	107,088	-	54,878
5	878.00	METERS & HOUSE REGULATORS	1,760,364	1,400,176	240,184	106,643	10,157	2,500	176	528
6	879.00	CUSTOMER INSTALLATIONS	5,858,537	5,333,436	427,146	79,032	12,537	3,691	-	2,695
7	886.00	STRUCTURES AND IMPROVEMEN	26,846	13,317	2,429	3,247	2,264	2,775	2	2,812
8	887.00	MAINS	26,524,141	13,157,566	2,400,170	3,207,830	2,236,781	2,741,535	2,122	2,778,139
9	889.00	M & R - GENERAL	1,227,221	608,775	111,051	148,420	103,492	126,846	98	128,539
10	890.00	M & R - INDUSTRIAL	153,682	-	2,567	20,363	53,119	51,330	-	26,304
11	892.00	SERVICES	5,980,905	5,444,837	436,068	80,682	12,799	3,768	-	2,751
12	893.00	METERS & HOUSE REGULATORS	533,853	424,621	72,839	32,341	3,080	758	53	160
13		TOTAL	69,807,620	42,649,318	6,066,281	6,346,348	4,329,087	5,214,055	4,119	5,198,412
14		**ALLOCATOR #18**	100.000%	61.096%	8.690%	9.091%	6.201%	7.469%	0.006%	7.447%

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 19
O & M EXCLUDING GAS PURCHASED COST, UNCOLLECTIBLES, USP COSTS & A & G

LINE NO.	ACCT. NO.	ACCOUNT	TOTAL	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
1		TOTAL PURCH GAS & UNDERGROUND STORAGE	236,616,894	178,918,096	25,518,285	25,779,620	5,593,741	281,178	525,975	-
2		TOTAL DISTRIBUTION O&M	83,702,192	51,138,346	7,273,720	7,609,503	5,190,689	6,251,841	4,953	6,233,141
3		TOTAL CUSTOMER ACCOUNTS	60,713,052	58,697,865	977,111	421,008	304,812	248,134	20,406	43,716
4		TOTAL CUSTOMER SERVICE & INFORMATION	1,542,424	1,412,336	110,098	18,016	1,589	262	46	77
5		TOTAL SALES	161,087	147,501	11,498	1,882	166	27	5	8
6		TOTAL	382,735,649	290,314,143	33,890,712	33,830,027	11,090,997	6,781,442	551,385	6,276,943
	LESS:									
7		GAS PURCHASED COST	235,166,198	177,821,427	25,361,618	25,621,440	5,559,491	279,454	522,768	-
8	904.00	UNCOLLECTIBLES-DIS REVENUE	6,771,837	6,302,481	250,016	219,340	-	-	-	-
9	904.00	UNCOLLECTIBLES-GMB/GTS REVENUE	543,670	(0)	141	11,194	259,896	216,707	17,702	38,030
10	904.00	UNCOLLECTIBLES-UNBUNDLED GAS	1,581,571	1,470,866	56,684	54,021	-	-	-	-
11	904.00	DIRECT USP UNCOLLECTIBLES	42,198,344	42,198,344	-	-	-	-	-	-
12	904.00	UNCOLLECTIBLES-DIS COVID-19 DEFERRAL	936,875	871,940	34,589	30,345	-	-	-	-
13	904.00	UNCOLLECTIBLES-GMB/GTS COVID-19 DEFERRAL	75,216	(0)	20	1,549	35,956	29,981	2,449	5,261
14		TOTAL	287,273,711	228,665,058	25,703,069	25,937,889	5,855,343	526,142	542,919	43,291
15		TOTAL	95,461,938	61,649,086	8,187,643	7,892,138	5,235,654	6,255,300	8,466	6,233,652
16		**ALLOCATOR #19**	100.000%	64.579%	8.577%	8.267%	5.485%	6.553%	0.009%	6.530%

SOURCE: Exhibit 111, Schedule 1, Pages 7 and 8.

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 20
FOR THE TWELVE MONTHS ENDED NOVEMBER 30, 2021

ALLOCATED COST OF SERVICE — PAGE 1
CUSTOMER/DEMAND — WITNESS: K. L. Johnson

Line No.	Description	Alloc	Total Company	RS/RDS	SGS1/SCD1/SGDS1	SGS2/SCD2/SGDS2	SDS/LGS	LDS/LGS	FLEX
			Footage	Amount	Unit Cost				
1	2" Pipe		14,749,600	332,598,581	$22.55				
2	All Pipe		41,264,187	1,703,947,663					
3	Unit Cost of 2" x All Pipe Footage			930,507,417					
4	Customer Component			54.609%					
5	Demand Component			45.391%					
6	Number of Customers (Total Company excl MLDS)		445,896	408,304	31,827	5,206	461	76	22
7	Percent Customers		100.000%	91.569%	7.138%	1.168%	0.103%	0.017%	0.005%
8	Customer Component		54.609%	50.008%	3.898%	0.638%	0.056%	0.009%	0.003%
9	Design Day Volumes (Total Company excl MLDS)		809,400	448,800	87,000	106,200	65,877	52,875	48,648
10	Percent Design Day Volumes		100.000%	55.448%	10.749%	13.121%	8.139%	6.533%	6.010%
11	Demand Component		45.391%	25.169%	4.879%	5.956%	3.694%	2.965%	2.728%
12	**Minimum System Allocation Factor**		**100.000%**	**75.174%**	**8.777%**	**6.594%**	**3.750%**	**2.974%**	**2.731%**

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 21
HOUSE REGULATORS

All Customers Excluding Low Pressure Customers

LINE NO.	Rate	RS/RTS	SGSS1/SCD1/SGDS1	SGSS2/SCD2/SGDS2	SDS/LGS	LDS/LGS	MLDS	FLEX	TOTAL
1	RC2	166,484	0	0	0	0	0	0	166,484
2	RS	2,652,848	0	0	0	0	0	0	2,652,848
3	RTC	415,016	0	0	0	0	0	0	415,016
4	LG1	0	0	0	485	0	0	0	485
5	LG2	0	0	0	452	0	0	0	452
6	LG3	0	0	0	0	12	0	0	12
7	LG4	0	0	0	0	14	0	0	14
8	NSI	0	0	0	0	0	12	0	12
9	SGS	0	180,906	0	0	0	0	0	180,906
10	SG2	0	0	25,435	0	0	0	0	25,435
11	SG3	0	249	0	0	0	0	0	249
12	SG4	0	0	495	0	0	0	0	495
13	EDSTIB1	0	0	0	0	0	0	12	12
14	TAG1	0	1,195	0	0	0	0	0	1,195
15	TAG2	0	0	2,431	0	0	0	0	2,431
16	TAG5	0	6,441	0	0	0	0	0	6,441
17	TAG6	0	0	11,843	0	0	0	0	11,843
18	TIB	0	0	0	2,422	0	0	0	2,422
19	TIF	0	0	0	0	300	0	0	300
20	TIG	0	0	0	0	60	0	0	60
21	TIH	0	0	0	0	12	0	0	12
22	TI4	0	0	0	2,098	0	0	0	2,098
23	TI8	0	0	0	0	480	0	0	480
24	TMA	0	0	0	0	0	12	0	12
25	TM1	0	0	0	0	0	24	0	24
26	TM2	0	0	0	0	0	12	0	12
27	TM3	0	0	0	0	0	0	0	0
28	TMB	0	0	0	0	0	36	0	36
29	802	0	0	0	0	0	0	12	12
30	808	0	0	0	0	0	0	12	12
31	809	0	0	0	0	0	0	24	24
32	810	0	0	0	0	0	0	24	24
33	831	0	0	0	0	0	0	12	12
34	833	0	0	0	0	0	0	12	12
35	840	0	0	0	0	0	0	12	12
36	845	0	0	0	0	0	0	12	12
37	846	0	0	0	0	0	0	12	12
38	847	0	0	0	0	0	0	12	12
39	848	0	0	0	0	0	0	12	12
40	857	0	0	0	0	0	0	12	12
41	868	0	0	0	0	0	0	12	12
42	873	0	0	0	0	0	0	12	12
43	875	0	0	0	0	0	0	12	12
44	876	0	0	0	0	0	0	12	12
45	877	0	0	0	0	0	0	12	12
46	879	0	0	0	0	0	0	12	12
47	880	0	0	0	0	0	0	12	12
48	881	0	0	0	0	0	0	12	12
49	882	0	0	0	0	0	0	12	12
50	SCC	0	60,657	0	0	0	0	0	60,657
51	SC2	0	0	10,011	0	0	0	0	10,011
52	**Total**	**3,234,348**	**249,448**	**50,215**	**5,457**	**878**	**96**	**288**	**3,540,730**
53	**ALLOCATOR #21**	91.347%	7.045%	1.418%	0.154%	0.025%	0.003%	0.008%	100.000%

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 22
AVERAGE ALLOCATORS 5 & 20

LINE NO.		RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	FLEX	TOTAL
1	ALLOCATOR #5	49.609%	9.050%	12.095%	8.434%	10.337%	10.475%	100.000%
2	ALLOCATOR #20	75.174%	8.777%	6.594%	3.750%	2.974%	2.731%	100.000%
3	TOTAL OF BOTH STUDIES	124.783%	17.827%	18.689%	12.184%	13.311%	13.206%	
4	AVERAGE OF BOTH STUDIES	62.392%	8.914%	9.345%	6.092%	6.656%	6.603%	100.000%
5	**ALLOCATOR #22**	62.392%	8.914%	9.345%	6.092%	6.656%	6.603%	100.000%

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 23
METERS AND HOUSE REGULATORS - ACCOUNTS 381, 382, 383, & 384

LINE NO.	ACCT. NO.	ACCOUNT	TOTAL	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
1	381.00	METERS	44,799,656	34,665,078	6,653,645	3,094,312	292,990	73,471	4,928	15,232
2	381.10	AUTOMATIC METER READING	25,134,959	19,448,929	3,733,044	1,736,072	164,383	41,221	2,765	8,546
3	382.00	METER INSTALLATIONS	45,542,208	35,239,650	6,763,929	3,145,600	297,846	74,689	5,010	15,484
4	383.00	HOUSE REGULATORS	17,656,503	16,128,686	1,243,901	250,369	27,191	4,414	530	1,413
5	384.00	HOUSE REG INSTALLATIONS	3,484,788	3,183,250	245,503	49,414	5,367	871	105	279
6		TOTAL	136,618,114	108,665,592	18,640,022	8,275,768	787,776	194,667	13,337	40,954
7		**ALLOCATOR #23**	100.000%	79.539%	13.644%	6.058%	0.577%	0.142%	0.010%	0.030%

COLUMBIA GAS OF PENNSYLVANIA, INC.
DEVELOPMENT OF ALLOCATION FACTOR 24
LABOR

LINE NO.	ACCT. NO.	ACCOUNT	ALLOC FACTOR	TOTAL COMPANY	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
1	816.00	WELLS	25	-	-	-	-	-	-	-	-
2	817.00	LINES	25	-	-	-	-	-	-	-	-
3	818.00	COMPRESSOR STATION	25	-	-	-	-	-	-	-	-
4	820.00	M & R	25	-	-	-	-	-	-	-	-
5	821.00	PURIFICATION	25	-	-	-	-	-	-	-	-
6	832.00	WELLS	25	-	-	-	-	-	-	-	-
7	834.00	COMPRESSOR STATION	25	-	-	-	-	-	-	-	-
8	836.00	PURIFICATION	25	-	-	-	-	-	-	-	-
9	870.00	SUPERVISION & ENGINEERING	18	5,114,243	3,124,598	444,428	464,936	317,134	381,983	307	380,858
10	871.00	LOAD DISPATCHING	13	282,946	140,358	25,604	34,220	23,861	29,245	23	29,636
11	874.00	MAINS & SERVICES	14	10,060,923	6,009,289	867,252	952,568	646,414	787,368	604	797,429
12	875.00	M & R - GENERAL	13	351,080	174,157	31,769	42,460	29,607	36,288	28	36,772
13	876.00	M & R - INDUSTRIAL	17	229,532	-	3,833	30,413	79,336	76,664	-	39,287
14	878.00	METERS & HOUSE REGULATORS	23	1,089,455	866,542	148,645	65,999	6,286	1,547	109	327
15	879.00	CUSTOMER INSTALLATIONS	15	4,806,287	4,375,500	350,426	64,837	10,286	3,028	-	2,211
16	880.00	OTHER	18	2,331,924	1,424,712	202,644	211,995	144,603	174,171	140	173,658
17	885.00	SUPERVISION & ENGINEERING	18	150,135	91,727	13,047	13,649	9,310	11,214	9	11,181
18	886.00	STRUCTURES AND IMPROVEMENTS	13	7,253	3,598	656	877	612	750	1	760
19	887.00	MAINS	13	3,764,467	1,867,402	340,647	455,275	317,458	389,095	301	394,290
20	889.00	M & R - GENERAL	13	739,901	367,035	66,954	89,484	62,396	76,476	59	77,497
21	890.00	M & R - INDUSTRIAL	17	58,242	0	973	7,717	20,131	19,453	-	9,969
22	892.00	SERVICES	15	1,585,198	1,443,116	115,577	21,384	3,392	999	-	729
23	893.00	METERS & HOUSE REGULATORS	23	147,525	117,340	20,128	8,937	851	210	15	44
24	894.00	OTHER EQUIPMENT	18	542,742	331,594	47,164	49,341	33,656	40,537	33	40,418
25	902.00	METER READING	6	234,234	214,479	16,720	2,736	241	40	7	12
26	903.00	CUSTOMER RECORDS AND COLLECTION EXPENSE	6	929,008	850,655	66,313	10,851	957	158	28	47
25	920.00	SALARIES	19	2,656,607	1,715,610	227,857	219,622	145,715	174,087	239	173,476
26	921.00	OFFICE SUPPLIES & EXPENSES	19	647,134	417,912	55,505	53,499	35,495	42,407	58	42,258
27	923.00	OUTSIDE SERVICES EMPLOYED	19	3,920	2,531	336	324	215	257	0	256
28		TOTAL		35,732,757	23,538,155	3,046,477	2,801,122	1,887,954	2,245,976	1,960	2,211,114
29		**ALLOCATOR #24**		100.000%	65.873%	8.526%	7.839%	5.284%	6.285%	0.005%	6.188%

COLUMBIA GAS OF PENNSYLVANIA, INC.
FACTOR SELECTION AND RATIONALE

GROSS INTANGIBLE & DISTRIBUTION PLANT - GENERAL LEDGERS 101, 106 AND 107 – PAGE 3

INTANGIBLE PLANT - PAGE 3 (101-106-107)

Accounts 301, 302 and 303

Intangible plant was allocated on the basis of Distribution plant excluding Accounts 375.7, 375.71 and 387, Factor No. 11, due to its indirect relationship with all other plant.

UNDERGROUND STORAGE PLANT - PAGE 3 (101-106-107)

Accounts 350 through 355

Underground Storage Plant was allocated using Factor No. 25 – Sales and CHOICE Transportation activity for the historic test year reflecting its peaking support for sales and CHOICE customers.

DISTRIBUTION PLANT - PAGE 3 (101-106-107)

Account 375.60

Structures for large customers, not directly assigned, were allocated using Factor No. 17 since these structures involve house measuring and regulating stations serving the larger customer groups only.

Account 376 – Mains

Non-directly assigned mains were allocated by rate schedule based on the weighting of design day and annual throughput, Factor No. 5, for the peak and average study. For the Customer-Demand study, such investment was based on Factor No. 20, which provides a customer component based on a 2" "Minimum System" with the remaining portion assigned on design-day. For the Average study, Factor No. 5 and Factor No. 20 are averaged to assign the Mains costs to the various rate schedules. Please see Exhibit KLJ-1 for a detailed description of Factor Nos. 5 and 20.

COLUMBIA GAS OF PENNSYLVANIA, INC.
FACTOR SELECTION AND RATIONALE

Direct Mains

Mains for Main Line Delivery Service ("MLDS") were identified by reviewing the Company's maps and accounting records and directly assigned to this class. Due to the unique characteristics of these customers, i.e., proximity to an interstate pipeline company and minimal Company investment, the investment was directly assigned.

Mains - Related Accts

Accounts related to/or supports the mains gas plant account were allocation on Factor No. 5 under the Peak and Average study, Factor No. 20 under the Customer-Demand study, and Factor No. 22 under the Average study since these accounts directly support the mains investment. The mains-related accounts generally include the follow gas plant accounts: 374.10, 374.20, 374.30, 374.40, 374.41, 374.50, 375.20, 375.31, 375.40, 375.80, 378.10, 378.20, 378.30, 379.10 and 379.11.

Direct Mains - Related Accts

Similarly to the Mains - Related Accounts above, these are accounts that support the mains that were directly assigned to MLDS and include accounts 374.40, 374.50, 375.40, and 378.20. Like direct – mains, the amounts were identified from the Company's maps and accounting records and directly assigned.

Account 380 - Services

Account 380 - Services was assigned by rate schedule based on each customer's service size and the average unit cost of that size service on the Company's plant accounting records. This methodology represents virtually a direct assignment of costs to the various rate classes.

COLUMBIA GAS OF PENNSYLVANIA, INC.
FACTOR SELECTION AND RATIONALE

Like mains, services for MLDS were identified by reviewing the Company's maps and accounting records and directly assigned to this class. Due to the unique characteristics of these customers, i.e., proximity to an interstate pipeline company and minimal Company investment, the investment was directly assigned.

Accounts 381 and 382

Meters and Meter Installations were allocated using Factor No. 16, which was based on an actual inventory of meters installed on customer premises as explained in Statement 6. This methodology represents a direct assignment of costs to the various rate classes.

Accounts 383 and 384

House Regulators and House Regulator Installations were allocated using Factor No. 21 which is based on number of customers by rate class that are not served from a low pressure main. Because customers served off low pressure mains do not require a House Regulator, those customers are not included in the allocation factor as explained in Statement No. 6.

Account 385

Industrial Measuring and Regulating Stations were allocated using Factor No. 17, which was based on a review of Columbia's records as explained in Statement 6. Measuring stations were segregated by rate schedule by identifying measuring stations in the plant accounting records with the individual customers in the Distributive Information System ("DIS"). This methodology represents a direct assignment of costs to the various rate classes.

Dist Plant Excl Other Allocated

This investment consists of gas plant accounts 375.70, 375.71 and all 387 and was allocated to the various rate schedules using Factor No. 11. Factor No. 11 was based on distribution plant specifically assigned and was used to assign general investment and costs that support the distribution system.

COLUMBIA GAS OF PENNSYLVANIA, INC.
FACTOR SELECTION AND RATIONALE

General Plant

General plant includes items such as general tools (cars, trucks, backhoes, etc), communication equipment, office furniture and fixtures, and other miscellaneous equipment. Like general distribution plant, this plant investment supports the delivery of natural gas and, therefore, Factor No. 11 was used to assign the investment.

RESERVE FOR DEPRECIATION - PAGE 4

Depreciation Reserve was calculated on an account-by-account basis using the same allocation factors that were used to allocate all gross plant accounts.

DEPRECIATION & AMORTIZATION EXPENSE and NET NEGATIVE SALVAGE - PAGE 5

Depreciation and amortization expense was allocated by gas plant account on the same allocations as the Gross Original Cost. Amortization of net negative salvage was allocated using Factor 11 based on its remediation of distribution type facilities.

OPERATING REVENUE AT CURRENT AND PROPOSED RATES - PAGE 6

Sales and Transportation Revenue

Sales and transportation revenue was directly assigned as presented in Exhibit No. 103 for the fully projected future test year and supported by Witness Mays.

Accounts 487

Forfeited discounts were allocated using Factor No. 10, which was developed from actual forfeited discounts billed by rate class during the historic test year the twelve months ended November 30, 2021.

Accounts 488, 493 and 495

Miscellaneous Revenue and Other revenue were allocated using Factor No. 6 - Average Number of Customers since costs incurred throughout these accounts are directly related to the customers served. Rent Revenue was allocated using Factor No. 11 because the rent is derived

COLUMBIA GAS OF PENNSYLVANIA, INC.
FACTOR SELECTION AND RATIONALE

mostly from the rent of Company-owned office buildings, making the use of the Distribution Plant allocator appropriate.

OPERATING EXPENSES – PURCHASED GAS EXPENSES - PAGE 7

Gas purchased cost

These costs were directly assigned based on revenue for the fully projected future test year as presented in Exhibit No. 103.

Account 807

Gas Purchase Expense and Gas Procurement Expenses were allocated using Factor No. 4, which is based on the direct assignment of gas costs. Factor No. 4 was used reflecting the relationship of these costs to gas purchase costs. Gas purchase expense related to the gas procurement activity was also allocated using Factor No. 4.

OPERATING EXPENSES – UNDER STORAGE EXPENSES - PAGE 7

Accounts 814 through 837

Underground Storage Plant Expense was allocated using Factor No. 25 – Sales and CHOICE Transportation.

DISTRIBUTION EXPENSES – OPERATIONS - PAGE 7

Accounts 870, 880, 881

General costs for supervision and engineering, rents and other items of the distribution function were allocated using Factor No. 18, Other Distribution Expense, because these costs benefit customers in the way that all other distribution costs provide benefit.

Account 871

Distribution Load Dispatch Expenses were allocated on Factor No. 13 – Direct Plant – Mains because these are costs incurred monitoring and directing the flow of gas through the distribution system.

COLUMBIA GAS OF PENNSYLVANIA, INC.
FACTOR SELECTION AND RATIONALE

Account 874

Mains and Services Operation Expenses (a dual function account) were allocated on Factor No. 14 – Composite Direct Plant - Mains and Services combined.

Accounts 875

Factor No. 13 was used to allocate expenses for distribution load dispatch, general measurement and regulator stations and related structures because these costs are incurred in direct relation with mains.

Accounts 876

Expenses for Measurement and Regulator Station Equipment - Industrial were allocated using Factor No. 17 – Direct Assignment – IND M&R - because these costs are incurred in direct association with the stations in Account 385.

Accounts 878 and 879

Meters & House Regulators Expenses were allocated using Factor No. 23, which was based on an actual inventory of meters and house regulators installed on customer premises as explained in Statement No. 6. This methodology represents virtually a direct assignment of costs to the various rate classes. Expenses for Customer Installations were allocated using Factor No. 15, because these expenses are related to the customer service lines.

DISTRIBUTION EXPENSES – MAINTENANCE - PAGE 7

Accounts 885 and 894

General costs for supervision and engineering and maintenance costs of other equipment of the distribution function were allocated using Factor No. 18 - Other Distribution Expense - because these costs benefit customers in the same way that all other distribution costs provide benefit.

COLUMBIA GAS OF PENNSYLVANIA, INC.
FACTOR SELECTION AND RATIONALE

Account 886

Structures and Improvements Expense was allocated using Factor No. 13, reflecting the spread of Account 376 Mains among all customer classes, because these plant and expense functions are directly related.

Account 887

Mains Maintenance Expense was allocated using Factor No. 13, which reflects the spread of Account 376 Mains among all customer classes, because plant and expense functions are directly related.

Accounts 889

Factor No. 13 was used to allocate expenses for distribution load dispatch, general measurement and regulator stations and related structures because these costs are incurred in direct relation with mains.

Accounts 890

Expenses for Measurement and Regulator Station Equipment - Industrial were allocated using Factor No. 17 - Direct Assignment – IND M&R - because these costs are incurred in direct relation with the stations in Account 385.

Account 892

Expenses for Services were allocated using Factor No. 15, which was based on size of service and size of customer as explained above under Gas Plant Account 380 – Services and in Statement No. 6.

Account 893

Meters & House Regulators Expenses and Customer Installations were allocated using Factor No. 23, which was based on a weighted average cost of meters and house regulators as explained in Statement No. 6.

COLUMBIA GAS OF PENNSYLVANIA, INC.
FACTOR SELECTION AND RATIONALE

CUSTOMER ACCOUNTS, CUSTOMER SERVICE AND INFORMATIONAL AND SALES EXPENSES - PAGE 8

Account 904 – Uncollectibles – DIS Revenue & Uncollectibles GMB/GTS Revenue and Covid-19 Deferral

These cost categories represent traditional bad debts. They have been separated between the residential and commercial classes of customers and allocated based on the historical charge-offs and revenue, related to each, as included in Factor No. 7 for DIS and Factor No. 8 for GMB/GTS, respectively.

Account 904 Uncollectibles – Unbundled

These costs were directly assigned to each rate schedule matching revenue for the fully projected future test year, as presented in Exhibit No. 103 for the Merchant Function Charge.

Account 904 – Direct USP Uncollectibles

These uncollectibles are directly related to the Company's Customer Assistance Program ("CAP") available to residential customers and are recoverable from the residential class whether sales or delivery service. The amounts shown are reflected in revenue for the fully projected future test year as presented in Exhibit No. 103.

Customer Accounts

Customer Accounts includes meter reading, customer records, and credit and collection activities recorded in accounts 901 through 903, 905, and 921. These costs were allocated using Factor No. 6, Average Number of Customers, because they are directly related to the number of customers served. Interest on Customer Deposits was allocated using Factor No. 9, because the interest is directly related to the amount of customer deposits.

Customer Service Information

Customer Service and Informational Costs are reflected in accounts 907 through 910 plus related costs in 921 and 931. These costs were allocated using Factor No. 6, because all customers

COLUMBIA GAS OF PENNSYLVANIA, INC.
FACTOR SELECTION AND RATIONALE

may benefit except account 908 – Direct USP/LIURP/HEEP. These costs include the recovery of specific customer programs benefiting residential customers. The amounts reflect the recovery included in revenue as presented in Exhibit No. 103 for the fully forecasted rate year.

Sales Expense

Sales expenses, accounts 912 and 913, were allocated using Factor No. 6, Average Number of Customers, because these activities directly support customers served.

ADMINISTRATIVE AND GENERAL EXPENSES - PAGE 8

Admin. & General Expenses (Line 33)

General Office Expenses, and to a lesser degree, District and Local Office Expenses in this function classification, plus Company-wide expenses excluding Employee Benefits, Account 926, such as Injuries and Damages, Insurance, and Regulatory Commission Expense, were all allocated using Factor No. 19 - Total Operation & Maintenance Excluding Gas Purchased, A & G, Uncollectibles and USP rider costs. These costs are regarded as overhead to the entire Company operation and, therefore, follow the allocation of the aggregate of all other previously allocated O&M costs. Employee Pensions & Benefits, Account 926, was allocated on Factor No. 24, Labor, because they are directly related to company labor. Account 923 – Multifamily House Line Reimbursement costs are a residential program and therefore the costs are directly assigned to the residential class.

TAXES OTHER THAN INCOME - PAGE 9

Property taxes are directly related to tangible property and, accordingly, have been allocated based on Factor No. 11 - Distribution Plant excluding Other, due to a direct relationship with Plant in Service. Similarly, PA Capital Stock and License and Franchise Taxes were allocated using Factor No. 11, as they are also related to Plant in Service. Federal Unemployment Insurance, State Unemployment Insurance and F.I.C.A. (payroll based taxes) are all labor-related and, accordingly, have been allocated based on Factor No. 24 – Labor. State Sales and Use Tax and Other Taxes

COLUMBIA GAS OF PENNSYLVANIA, INC.
FACTOR SELECTION AND RATIONALE

were allocated using Factor 19 because these taxes are generally related to the purchase of supplies.

RATE BASE SUMMARY - PAGE 10

Account 154

Materials and Supplies were allocated based on No. Factor 11, Distribution Plant Excluding Other, reflecting the primary future use of such inventory.

Account 164 & 117

Gas Stored Underground, both current and long term, was allocated based on Factor No. 25, Sales and CHOICE Transportation, reflecting the support of these customers in meeting their design day and seasonal requirements.

Account 165

Prepayments consist primarily of commission fees and corporate insurance, therefore they were allocated using Factor No. 19, Total O&M Excluding Gas Purchased Costs, A&G, Uncollectibles, and USP Rider Costs. The exception being Cloud Based Assets that, like Intangible Plant was allocated on the basis of Distribution Plant excluding Accounts 375.7, 375.71 and 387, Factor No. 11, due to its indirect relationship with all other plant.

Accounts 190, 282 and 283

All deferred income taxes included in rate base are plant related and, therefore, Factor No. 12, Gross Plant, was used.

Account 235

Customer Deposits were allocated using Factor No. 9, Direct Assignment – Customer Deposits.

COLUMBIA GAS OF PENNSYLVANIA, INC.
FACTOR SELECTION AND RATIONALE

Accounts 252 and 186

Customer advances, other deferred credit and materials and supplies were allocated using Factor No. 11 - Distribution Plant Excluding Other, due to their direct relationship with all other gas plant accounts.

FEDERAL AND STATE INCOME TAX - PAGE 11

All of the Company's tax adjustments over book are plant related, i.e., tax depreciation over book depreciation and, therefore, the tax deductions were allocated using Factor No. 12, Gross Plant.

In calculating the Federal and State income taxes for each rate schedule, the effective Federal and State income tax rates were used. Income taxes were calculated for each rate class.

Columbia Gas of Pennsylvania, Inc.
Intra Class Adjustment from SGDS to SGSS and SCD at Proposed ROE of 11.20%
For the 12 Months Ending December 31, 2023

Ln. No.	Item	Total	RSS/RDS	SGSS1/SCD1/SGDS1	SGSS2/SCD2/SGDS2	SDS/LGSS	LDS/LGSS	MLDS
1	Account 117	3,631,226	2,695,278	430,010	418,789	77,708	3,922	5,519
2	Account 164	40,836,689	30,311,032	4,835,881	4,709,695	873,905	44,104	62,072
3	Allocated Storage Per ACOS Study using Allocation Factor #25	44,467,915	33,006,310	5,265,891	5,128,485	951,613	48,025	67,591
4	Sales & CHOICE Transportation (Dth)	47,284,578.0	35,096,959.7	5,599,367.9	5,453,522.6	1,011,865.2	50,862.6	72,000.0
5	Factor 25 Allocation of Storage	100%	74.225%	11.842%	11.533%	2.140%	0.108%	0.152%
6	Pre-Tax as Filed	10.55%	10.55%	10.55%	10.55%	10.55%	10.55%	10.55%
7	Revenue Requirement related to storage assigned to rate schedule (Ln. 6 * Ln. 7)	4,690,968	3,481,871	555,505	541,009	100,387	5,066	7,130
8	Rate Per Dth	0.0992						

Ln. No.		Total DTH	% of Total	Included In Proposed Rates	Ratio	Redistributed Per Settlement
9						
10						
11						
12						
13	SGSS1 - Subject to Storage	4,107,511.0	69.710%	387,243	0.7336	20,213
14	SCD1 - Subject to Storage	1,491,857.0	25.320%	140,654	0.2664	7,340
15	SGDS1 - Not Subject to Storage	292,513.0	4.960%	27,553		(27,553)
16		5,891,881.0	99.990%	555,449		0

Ln. No.		Total DTH	% of Total	Included In Proposed Rates	Ratio	Redistributed Per Settlement
17						
18						
19						
20						
21	SGSS2 - Subject to Storage	3,914,532.0	44.120%	238,693	0.7179	149,686
22	SCD2 - Subject to Storage	1,538,991.0	17.340%	93,811	0.2821	58,819
23	SGDS2 - Not Subject to Storage	3,419,855.0	38.540%	208,505		(208,505)
24		8,873,378.0	100.000%	541,009		0

Unitized Returns at Current Rates and Proposed Rates

Ln.	Study (Mains Allocation Method)	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS	MLDS	FLEX
1	Peak & Average Current Rates	1.30	1.09	1.09	0.88	0.27	29.29	(0.69)
2	Peak & Average Proposed Rates	1.27	1.06	1.05	0.94	0.40	22.23	(0.52)
3	Customer/Demand Current Rates	0.76	1.14	2.56	2.97	3.05	29.29	(0.14)
4	Customer/Demand Proposed Rates	0.79	1.10	2.33	2.86	2.98	22.23	(0.10)
5	Average of P/A & C/D Current Rates	0.99	1.12	1.62	1.54	0.90	29.29	(0.57)
6	Average of P/A & C/D Proposed Rates	1.00	1.08	1.51	1.55	0.99	22.23	(0.43)

Columbia Gas of Pennsylvania , Inc
Calculation of Gas Procurement Charge

		2021 Rate Case Calculation		2022 Rate Case Calculation	
1	**Labor and Benefits** [1]	**Amount**	**Rate**	**Amount**	**Rate**
2	Accounting Support	$4,531.43		$4,667.37	
3	Gas Supply Support	$203,428.42		$209,531.27	
4	Legal Support	$5,685.68		$5,856.25	
5	Regulatory Support	$84,506.70		$87,041.90	
6	Treasury Support	$11,999.46		$12,359.45	
7	**Total Labor and Benefits (Line 2 + Line 3 + Line 4 + Line 5 + Line 6)**	**$310,151.69**		**$319,456.24**	
8	**Outside Services - Legal Support**	**$61,000.00**		**$61,000.00**	
9	**Information Technology Systems Maintenance**				
10	Gas Source	$49,021.00		$49,021.00	
11	% of customers taking Sales Service	80.00%		87.20%	
12	**Cost allocated to Sales Service Customers (line 10 * Line 11)**	**$39,216.80**		**$42,746.31**	
13	**TOTAL (line 7 + line 8 + line 12)**	**$410,368.49**		**$423,202.55**	
14	Total Sales (Therms)	362,959,766 [2]		401,156,955 [2]	
15	Gas Procurement Charge (Line 13 / Line 14)		$0.00113 per / therm		$0.00105 per / therm
16	Gas Procurement Charge (Line 15 * 10)		$0.01130 per / Dth		$0.01050 per / Dth

(1) Labor charges include payroll, benefits and taxes.

(2) Fully Projected Future Test Year Gas Service Sales per Exhibit 103, Sch. 1, Page 14, Line 49, less Rate NSS Sales as NSS is not subject to GPC.

Columbia Gas of Pennsylvania, Inc.
Benchmark Distribution Revenue per Bill (BDRB)
For the 12 Months Ending December 31, 2023

Number of Bills

	Residential FPFTY RS	Residential RDS FPFTY	Residential RS Final Bills	Residential RDS Final Bills	New Residential Customers	Residential Customer Attrition	Total
January	338,238.0	46,992.0	3,663.0	310.0	0.0	(1,226.0)	387,977.0
February	338,876.0	46,657.0	3,684.0	285.0	262.0	(1,227.0)	388,537.0
March	339,203.0	46,322.0	3,864.0	281.0	508.0	(1,227.0)	388,951.0
April	338,294.0	45,987.0	4,209.0	304.0	759.0	(1,223.0)	388,330.0
May	336,958.0	45,652.0	5,709.0	398.0	868.0	(1,217.0)	388,368.0
June	335,712.0	45,317.0	6,827.0	495.0	1,140.0	(1,212.0)	388,279.0
July	335,039.0	44,982.0	5,839.0	452.0	1,398.0	(1,209.0)	386,501.0
August	334,894.0	44,647.0	6,127.0	404.0	2,072.0	(1,208.0)	386,936.0
September	335,448.0	44,312.0	4,963.0	348.0	2,672.0	(1,208.0)	386,535.0
October	336,678.0	43,977.0	4,410.0	375.0	4,248.0	(1,211.0)	388,477.0
November	338,964.0	43,642.0	4,557.0	329.0	4,660.0	(1,217.0)	390,935.0
December	341,939.0	43,307.0	4,154.0	370.0	4,466.0	(1,225.0)	393,011.0
Total	4,050,243.0	541,794.0	58,006.0	4,351.0	23,053.0	(14,610.0)	4,662,837.0

Volumes (Dth)

	Residential FPFTY RS	Residential RDS FPFTY	Residential RS Final Bills	Residential RDS Final Bills	New Residential Customers	Residential Customer Attrition	Total
January	5,351,842.6	773,774.7	0.0	0.0	2,803.0	(19,790.0)	6,108,630.3
February	5,504,939.9	777,326.0	0.0	0.0	6,421.0	(20,296.0)	6,268,390.9
March	4,591,664.4	662,865.8	0.0	0.0	10,101.0	(16,976.0)	5,247,655.2
April	2,838,663.1	463,186.2	0.0	0.0	12,933.0	(10,667.0)	3,304,115.3
May	1,421,149.3	182,594.1	0.0	0.0	12,513.0	(5,181.0)	1,611,075.4
June	726,408.1	95,198.8	0.0	0.0	13,891.0	(2,654.0)	832,843.9
July	430,139.3	57,762.4	0.0	0.0	14,602.0	(1,576.0)	500,927.7
August	405,949.4	55,391.1	0.0	0.0	18,922.0	(1,490.0)	478,772.5
September	405,949.5	53,744.0	0.0	0.0	21,758.0	(1,485.0)	479,966.5
October	640,993.0	100,661.0	0.0	0.0	31,507.0	(2,396.0)	770,765.0
November	1,845,068.3	275,966.3	0.0	0.0	32,893.0	(6,853.0)	2,147,074.6
December	3,995,641.0	567,564.0	0.0	0.0	32,264.0	(14,743.0)	4,580,726.0
Total	28,158,407.9	4,066,034.4	0.0	0.0	210,608.0	(104,109.0)	32,330,943.3

Calculation of Benchmark Distribution Revenue per Bill (BDRB)

	Bills	Rate	Customer Based Revenue	Volumes (Dth)	Rate/Dth	Volumetric Based Revenue	BDRB
	(1)	(2)	(3=1*2)	(4)	(5)	(6=4*5)	(7=((3+6)/1)
January	387,977	$ 25.47	$ 9,881,774	6,108,630.3	$ 8.7254	$ 53,300,243	$ 162.85
February	388,537	$ 25.47	$ 9,896,037	6,268,390.9	$ 8.7254	$ 54,694,218	$ 166.24
March	388,951	$ 25.47	$ 9,906,582	5,247,655.2	$ 8.7254	$ 45,787,891	$ 143.19
April	388,330	$ 25.47	$ 9,890,765	3,304,115.3	$ 8.7254	$ 28,829,728	$ 99.71
May	388,368	$ 25.47	$ 9,891,733	1,611,075.4	$ 8.7254	$ 14,057,277	$ 61.67
June	388,279	$ 25.47	$ 9,889,466	832,843.9	$ 8.7254	$ 7,266,896	$ 44.19
July	386,501	$ 25.47	$ 9,844,180	500,927.7	$ 8.7254	$ 4,370,795	$ 36.78
August	386,936	$ 25.47	$ 9,855,260	478,772.5	$ 8.7254	$ 4,177,482	$ 36.27
September	386,535	$ 25.47	$ 9,845,046	479,966.5	$ 8.7254	$ 4,187,900	$ 36.30
October	388,477	$ 25.47	$ 9,894,509	770,765.0	$ 8.7254	$ 6,725,233	$ 42.78
November	390,935	$ 25.47	$ 9,957,114	2,147,074.6	$ 8.7254	$ 18,734,085	$ 73.39
December	393,011	$ 25.47	$ 10,009,990	4,580,726.0	$ 8.7254	$ 39,968,667	$ 127.17
Total	4,662,837.0		$ 118,762,458	32,330,943.3		$ 282,100,413	$ 1,030.54
BDRBp (Oct-Mar)							$ 715.62
BDRBo (Apr-Sep)							$ 314.92

Columbia Gas of Pennsylvania
Revenue Normalization Adjustment ("RNAp")
Peak Period RNAp Effective October 2023 through March 2024

Line No.		Line Applications	Oct	Nov	Dec	Jan	Feb	Mar	Jan - Mar
	Non-CAP Residential Customers:								
1	**Benchmark Distribution Revenue per Bill ("BDRBp")**								Three month
2		Per Docket							BDRBp
3	Monthly BDRBp	R-2022-XXXXXX	$ 42.78	$ 73.39	$ 127.17	$ 162.85	$ 166.24	$ 143.19	$ 472.28
4									
5	**Actual Distribution Revenue per Bill ("ADRBp")**								Three month
6									ADRBp
7	Monthly ADRBp*		NA	NA	NA	$ 162.00	$ 165.00	$ 143.00	$ 470.00
8									Total
9	Monthly BDRBp - Monthly ADRBp	ln 3 - ln 7				$ 0.85	$ 1.24	$ 0.19	$ 2.28
10									
11	**Actual Number of non-CAP residential Bills ("ANBp")**								
12									Average ANBp
13	Monthly ANBp*		NA	NA	NA	386,216	386,576	386,658	386,483
14									
15									
16	**Revenue to be Assigned to RNAp Rate**					$ 328,283.60	$ 479,354.24	$ 73,465.02	$ 881,182.00
17									
18	**Forecast Decatherms (Dth) for Effective RNAp Period (FTp)***		741,654	2,121,035	4,563,205	6,143,740	6,301,971	5,273,115	25,144,720
19									
20	**RNAp Rate Effective October 2023 through March 2024**	ln 16 / ln 18							$ 0.0350

* For illustrative purposes only.

Columbia Gas of Pennsylvania
Revenue Normalization Adjustment ("RNAo")
Off-Peak Period RNAo Effective April 2024 through September 2024

Line No.		Line Applications	Apr	May	Jun	Jul	Aug	Sep	Apr - Sep
	Non-CAP Residential Customers:								
1	**Benchmark Distribution Revenue per Bill ("BDRBo")**								
2		Per Docket							Total BDRBo
3	Monthly BDRBo	R-2022-XXXXXXX	$ 99.71	$ 61.67	$ 44.19	$ 36.78	$ 36.27	$ 36.30	$ 314.92
4									
5	**Actual Distribution Revenue per Bill ("ADRBo")**								
6									Total ADRBo
7	Monthly ADRBo*		$ 101.00	$ 62.00	$ 42.00	$ 35.00	$ 38.00	$ 37.50	$ 315.50
8									
9	Monthly BDRBo - Monthly ADRBo	ln 3 - ln 7	$ (1.29)	$ (0.33)	$ 2.19	$ 1.78	$ (1.73)	$ (1.20)	$ (0.58)
10									
11	**Actual Number of non-CAP residential Bills ("ANBo")**								
12									Average ANBo
13	Monthly ANBo*		385,507	383,919	382,413	381,460	381,022	381,267	382,598
14									
15									
16	**Revenue to be Assigned to RNAo Rate**		$ (497,304.03)	$ (126,693.27)	$ 837,484.47	$ 678,998.80	$ (659,168.06)	$ (457,520.40)	$ (221,906.84)
17									
18	**Forecast Decatherms (Dth) for Effective RNA Period (FTo)***		3,316,223	1,614,072	830,226	495,881	469,677	468,424	7,194,503
19									
20	**RNAo Rate Effective April 2024 through September 2024**	ln 16 / ln 18							$ (0.0308)

* For illustrative purposes only.

Columbia Gas of Pennsylvania , Inc
Calculation of Residential Energy Efficiency Rider
For the 12 Months Ended December 31, 2023

		Amount		Rate	
1	Program Costs (2023)	$1,426,860.00			
2	Residential Sales Service (RSS) - Volumes (Dth)	28,264,907	(1)		
3	Residential Distribution Service Choice (RDS) - Volumes (Dth)	4,066,034	(1)		
4	**Total Residential - Volumes (Dth)**	**32,330,941**			
5	**Residential Energy Efficiency Rider Rate (per/ Dth) (Line 1 / Line 4)**			**$0.04410**	per / Dth
6	**Residential Energy Efficiency Rider Rate (per/ Therm)**			**$0.00441**	per / Therm

(1) Fully Projected Future Test Year Residential Sales Volumes per Exhibit 103, Sch. 1

Line		Bills	RSS/RDS	SGS/DS-1	SGS/DS-2	SDS/LGSS	LDS/LGSS
1	**Calculated Monthly Customer Charge (excl. Mains) (Peak & Average)**						
2	**Exhibit 111, Schedule 2, Page 25, Line 39**		$25.47	$28.36	$52.76	$267.11	$1,403.41
3	**Calculated Monthly Customer Charge (incl. Mains) (Customer / Demand)**					$1,066.31	$7,062.09
4	**Exhibit 111, Schedule 2, Page 16, Line 43**						
5	**Midpoint**					$666.71	$4,232.75
6	**Current Customer Charges**		$16.75	$29.92	$57.00	$683.52 1/	$3,694.68 2/
7	**Percent of Calculated Monthly Customer Charge (excl. Mains)**		**66%**	**106%**	**108%**		
8	**Percent of Midpoint @ Current Rates**					**103%**	**87%**
9	**Proposed Customer Charges**		$25.47	$34.23	$65.36	$823.58 3/	$4,506.14 4/
10	**Percent of Calculated Monthly Customer Charge (excl. Mains)**		**100%**	**121%**	**124%**		
11	**Percent of Midpoint @ Proposed Rates**					**124%**	**106%**

Footnotes:

1/ SDS/LGSS - Current Rates

> 64,400 to ≤ 110,00 Therms Annually	2,139	$265.00
>110,000 to ≤ 540,000 Therms Annually	2,442	$1,050.11
Weighted Average		$683.52

2/ LDS/LGSS - Current Rates

> 540,000 to <= 1,074,000 Therms Annually	493	$2,673.99
> 1,074,000 to <= 3,400,000 Therms Annually	313	$4,159.15
> 3,400,000 to <= 7,500,000 Therms Annually	60	$8,020.79
> 7,500,000 Therms Annually	12	$11,882.42
Weighted Average		$3,694.68

3/ SDS/LGSS - Proposed Rates

> 64,400 to ≤ 110,00 Therms Annually	2,139	$319.30
>110,000 to ≤ 540,000 Therms Annually	2,442	$1,265.29
Weighted Average		$823.58

4/ LDS/LGSS - Proposed Rates

> 540,000 to <= 1,074,000 Therms Annually	493	$3,261.28
> 1,074,000 to <= 3,400,000 Therms Annually	313	$5,072.62
> 3,400,000 to <= 7,500,000 Therms Annually	60	$9,782.40
> 7,500,000 Therms Annually	12	$14,492.16
Weighted Average		$4,506.14

COLUMBIA STATEMENT NO. 7

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022- 3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
RAYMOND A. BRUMLEY
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

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I. Introduction

Q. Please state your name and business address.

A. My name is Raymond A. Brumley. My business address is 121 Champion Way, Canonsburg, Pennsylvania, 15317.

Q. By whom are you employed and in what capacity?

A. I am employed by Columbia Gas of Pennsylvania, Inc. ("Columbia" or the "Company") as the Director of Construction.

Q. Please briefly describe your professional experience.

A. I began my career in 1992 with Columbia, and have held numerous operational positions with increasing responsibilities. From March of 2000 through June of 2002, I was responsible for scheduling work for Columbia Gas of Virginia. I moved into a Field Engineering role in June of 2002 where I designed capital work for the Company and Columbia Gas of Maryland until March of 2011. I then became a leader within the construction department for Columbia, and from there took on roles of increased responsibilities as a Senior Operations Support and Leader Operations Support. In June 2016, I accepted the role of Contractor Performance Manager for the seven states within NiSource. I returned to Pennsylvania and Maryland in November of 2019 as the Manager, Construction Services and currently began my role of Director of Construction on January 1, 2021.

Q. Please describe your educational background.

A. I completed coursework at California University of PA towards a Bachelor's Degree in Business Administration. I received numerous certificates and training opportunities throughout my career.

Q. What are your responsibilities in your current position?

A. My responsibilities include:

- Directing construction operations in executing the delivery of safe, reliable, efficient natural gas distribution service to our customers;
- Assuring construction is in compliance with Federal, State and local regulations as well as in alignment with industry best practices;
- Sponsoring the implementation and execution of capital construction initiatives that build consistency and collaboration across organizations;
- Building and maintaining a network of contract resources that have the capacity and capability to execute on Columbia's capital program.

Q. Have you previously testified before this or any other regulatory agency?

A. Yes. I have testified before this regulatory agency in a consumer complaint proceeding and in the Company's 2021 base rate case at Docket No. R-2021-3024296. I have not testified before any other regulatory agencies.

Q. What is the purpose of your testimony in this proceeding?

A. I will provide testimony in support of Columbia's plant additions through the Fully Projected Future Test Year (twelve-months ending December 31, 2023) and provide an overview of Columbia's ongoing replacement activities.

II. <u>Columbia's Projected Plant Additions through the FPFTY</u>

Q. Please explain Columbia's capital plant additions related to distribution plant claimed for the Future Test Year and Fully Projected Future Test Year.

A. Columbia plans to maintain or increase its capital expenditures related to distribution plant in the 2022 to 2026 timeframe, with a planned spending program of over $300 million budgeted annually for replacement work, inclusive of mains, services, and measurement and regulation stations, over the 5-year period. This budget includes the following capital budget classes: Age and Condition, Betterment and Public Improvement.

A detailed description of Columbia's Age and Condition actuals for 2021, and the budgeted amount for 2022 and 2023 are provided in the following table.

Table 1

Budget Class - Age and Condition

Description	Total 2021 Actual	Total 2022 Projected	Total 2023 Projected
Measuring and Regulating Station	3,643	0	0
Compressor Stations	275,630	50,000	50,000
Mains - Leakage Elimination	183,266,398	180,661,000	222,623,000
Service Lines – Replaced	55,105,132	50,177,000	56,803,000
Customer Service Lines Replaced	13,890,403	16,726,000	18,934,000
Meters / 998 Int. Co. Meters	1,090,514	950,000	1,000,000
Meter Install – Replace	384,340	1,100,000	1,150,000
House Regulators - Replace	33,008	80,000	90,000
Plant Regulators – Replace	13,798,470	15,649,000	17,150,000
Reg Structures Replace	325,016	885,000	885,000
LV Excess Press Meas Sta	64,666	900,000	900,000
Corrosion Mitigation Ins	173,363	150,000	150,000
Service Regulators - Replacement	6,175	20,000	20,000
In-Line Inspection	0	8,383,000	22,538,000
	268,416,758	275,731,000	342,293,000

The table below (Table 2) depicts the three budget classes, Age and Condition, Betterment, and Public Improvement (rounded to the thousands). The differences in Age and Condition shown between the two tables are the Shared Service

expenditures shared among all NiSource companies. Those Shared Service expenditures are not included in Table 1 above.

Table 2

CPA Budget Class	2021 Actuals	2022 Approved	2023 Projected
Age and Condition	268,457,000	275,831,000	342,392,000
Betterment	19,201,000	15,603,000	6,825,000
Public Improvement	8,941,000	13,750,000	7,100,000

Q. Please explain why the 2022 budget for the Age and Condition budget class is more than the 2021 budget for Age and Condition?

A. Within our 2022 Age & Condition budget, Columbia is projecting increases in expenditures for mainline and service line replacement work, primarily due to increased contractor pricing. Also, unit costs per foot for mainline replacements and unit costs for service line replacements are expected to increase from 2021 to 2022, as well as 2023, based on additional usage of flaggers and staging vehicles on job sites, beyond what is currently being used. Columbia has experienced an increase in work zone intrusions over the past year, which is a significant safety threat to our employees, our contractors, and the everyday work that we do. This safety initiative, for additional flaggers and staging vehicles at job sites, will help to minimize this growing threat to allow our workforce to concentrate on their tasks at hand and set-up and tear down in a safe and proficient manner.

Also, within our Age and Condition budget, approximately $8.4 million has been allocated for the preparation of work to be done with regards to In-Line

Inspections (ILI) on our D-10132 Line in State College and our CAT Line in Emigsville (see Table 4 below for further information on these ILI projects).

Table 4

In-Line Inspection Project Name	Length (miles)	HCA (miles)	Diameter (in)	Original Install (year)	MAOP (PSIG)
D-10132 - State College	10.6	1.7	8 & 12	1966	400
CAT - Emigsville	6.2	2.6	12	1958	550

ILI of transmission pipelines, where viable, is an advanced inspection technique in use across the industry and is largely successful in susceptibility identification along the entire pipeline. The use of ILI on a transmission pipeline to identify threat conditions allows for proactive mitigation of targeted segments for replacement versus less effective system wide mitigation activities, such as over the ground Cathodic Protection surveys which can only detect external corrosion susceptibilities. Further, ILI detects all forms of metal loss and geometry changes occurring from mechanical damage, manufacturing defects, construction issues, external and internal corrosion & outside forces.

Columbia is focused on advancing ILI as the most effective and complete assessment method to identify threats in a proactive manner with the overall vision to prevent failures across its transmission pipeline effectively, efficiently, and completely. As part of a NiSource wide multi-year, multi-phase program to improve ILI Capabilities, two pipeline systems in Pennsylvania have been selected to be retrofit for ILI. The goal is to complete design engineering, land acquisitions, and the

purchase of long lead time materials in 2022 with construction execution planned for 2023.

Q. How was the budget for 2023 developed?

A. In addition to what is stated above, within our 2023 Age & Condition Budget, Columbia is projecting even higher expenditures for mainline and service line replacement work due to our current (5 year) construction blanket contract expiring the end of 2021 and a new construction blanket contract taking effect in 2022. Though this is competitively bid, based on the market demand for natural gas contractors, not just across Pennsylvania but other states as well, pricing will increase to the levels shown in our 2023 projections. Budget plans are derived based upon historical trends and known future projects.

For 2023 an allocation of over $298 million has been requested for the replacement of mains and service lines alone, to maintain the company's momentum of replacing its aging infrastructure. This is an increase of over $50 million compared to 2022. Additionally, approximately $22.5 million has been allocated for ILI, an increase of over $14 million compared to 2022, for continued work to be performed on D-10132 in State College and our CAT Line in Emigsville.

III. <u>Columbia's Pipeline Replacement Efforts</u>

Q. How many feet of bare steel, wrought iron, and cast iron main have been eliminated from Columbia's system during its accelerated program, and how does that trend compare with the previous years?

A. Columbia began an accelerated replacement of bare steel, wrought iron, and cast iron pipe in 2007. Between 2007 and the end of 2021, Columbia retired the following footages of bare steel, wrought iron, and cast iron by year:

2007	355,764	feet
2008	528,567	feet
2009	344,488	feet
2010	322,583	feet
2011	553,765	feet
2012	415,240	feet
2013	452,636	feet
2014	413,667	feet
2015	496,610	feet
2016	478,790	feet
2017	509,428	feet
2018	302,606	feet
2019	516,689	feet
2020	387,821	feet
2021	440,036	feet
Total Actual (Through YE 2021)	**6,518,690**	feet

From 2007 – 2021, through 2021, Columbia's replacement program eliminated an average of 434,579 feet per year. During the four (4) years from 2002 to 2005, the average annual rate of retirement was 196,948 feet, less than half the rate of retired footages of bare steel, wrought iron, and cast iron under the current program.

Q. Why does Columbia need to continue to replace its bare steel and cast iron systems?

A. Columbia's Distribution Integrity Management Program ("DIMP") risk scoring continues to rank external corrosion on bare steel and bell joint failure on cast iron pipelines among our top system risks. Corrosion on first generation mains represents approximately 51% of all hazardous or potentially hazardous leakage

cleared on mains in the Columbia distribution system as of year ending 2021. The Company believes that the accelerated replacement of the first-generation system is not only prudent, but is a requirement under the federal DIMP rule that Columbia continues to address very aggressively in a consistent and programmatic way.

Q. Is there another solution for addressing the issues with bare steel and cast iron, short of replacement?

A. No. Corrosion leakage on unprotected steel does not slow down and the rate of leakage will only accelerate as the unprotected steel facilities continue to deteriorate. First generation unprotected steel pipe, some of it dating to the turn of the last century, has reached or soon will reach the end of its useful life and must be replaced in a timely, cost-effective manner.

Q. Do safe and reliable system operations requirements demand replacement of Columbia's unprotected steel facilities?

A. Yes. If left unchecked, continual system degradation due to unrelenting corrosion will challenge Columbia's ability to meet peak day needs and operate the system safely. Therefore, continuing Columbia's main replacement program is essential to minimize leakage and the associated public risks and additional strain on the system when required to meet peak day demands.

Q. Are you saying Columbia's system is unsafe?

A. No, I am saying the system is safe right now, as evidenced and described in Columbia witness C.J. Anstead's testimony (Columbia Statement No. 14) by our ability to address Type-1 and Type-2 leaks appropriately, as well as all of the other operational improvements including more frequent leakage surveys, better emergency leak

response, and a continued focus to reduce the backlog of open Type-2 leaks. Columbia's system is comprised of thousands of miles of wrought iron, cast iron, bare steel, cathodically-protected steel, and plastic pipe. The material initially at risk is generally first-generation bare steel, cast iron, and wrought iron. Evidence further indicates that the corrosion with respect to unprotected coated steel is accelerating, gradually causing more leaks. Also, cast iron pipe is quite old and is in need of replacement due to its age and vulnerability to fractures caused by ground movement. Wrought iron is a hybrid of cast iron and bare steel that demonstrates very similar corrosion characteristics to that of bare steel. Additionally, "first generation" plastic pipe has demonstrated itself to be prone to stress propagation cracking under some circumstances due to the different composition of the base plastic material.

With all of that stated, while the system is currently safe, Columbia must, as a prudent operator, address the systemic problem of replacing its unprotected steel, cast iron, and wrought iron facilities. And finally, the issues that are manifesting themselves on first generation plastic (though the risks have not yet risen to the level of risk associated with bare steel, cast iron, or wrought iron), also necessitate a measured replacement strategy geared to those locations where Columbia is uncovering this pipe in the course of replacing other facilities. Witness Anstead provides further testimony on the Company's plans with respect to replacement of unprotected coated steel and first generation plastic pipe.

Q. Will Columbia's accelerated replacement program provide customers with any other benefits besides the replacement of bare steel, wrought

iron, and cast iron pipe with plastic and cathodically protected steel?

A. Yes. Columbia is replacing the segmented, 19th and early 20th century low-pressure designs of its first generation system with a more integrated, 21st century system design. This integrated, higher pressure system (up to a maximum of 99 pounds operating pressure, though we will typically operate at 60 pounds per square inch gauge ("PSIG")) will enable Columbia to substantially reduce the current need for district pressure regulator stations throughout its system, resulting in a safer, easier, and more reliable system to operate. Instead, each residence will have a small domestic-sized regulator installed just upstream of the meter to reduce the pressure before it enters the house. Also, a distribution system operating at these higher pressures will enable Columbia to install new safety devices in areas to be upgraded. As part of the upgrade, Columbia is installing excess flow valves ("EFVs") on nearly all services connected to the replaced mains.[1] The EFVs will shut off gas to a residence or business in the event of a large pressure differential, which is indicative of a major gas leak or a service damaged by excavation. Over time, this results in a system where services are much less vulnerable to safety risks from third-party damage.

Q. How will main replacements affect the Company's leak repair experience?

[1] An exception may be granted to installing an EFV on multifamily residences and non-residential (e.g. commercial, industrial) service types by a Field Engineering Manager when the known customer load at the time of installation is 1,000 cubic feet per hour ("CFH") or greater. If an exception is granted, a curb valve shall be installed in accordance with the applicable Columbia Gas Standard (GS 3020.020 "Service Lines Valves Requirements and Locations") and also documented on the service line record as to why an EFV was not installed. Note EFVs are currently available up to 10,000 CFH capacity. This means that for the majority of new and replaced service lines on systems with an MAOP greater than 10 psig, the service line will have an EFV installed.

A. The long term view is that as bare steel, wrought iron, and cast iron pipe is removed from the system, we expect to see a reduction in Type 1 and Type 2 leakage repair caused by corrosion. However, this impact is expected to be gradual over the period of the program. The remaining cast iron, wrought iron, and bare steel pipe to be replaced continues to degrade, which continues to drive Type 1 and Type 2 leakage repair activities. In 2021, our pipe replacements, together with our aggressive leak repair program, allowed Columbia to reduce the total number of Type-2 outstanding leaks in the system to 539, a 90% reduction since 2007.

Q. How does the public benefit from Columbia's ongoing replacement of its aging facilities?

A. Columbia is removing deteriorating portions of its system and enhancing the safety of its system by ensuring replacement of facilities with new, durable and safer materials. Its system will continue to be able to provide deliverability at its maximum allowable operating pressure ("MAOP"), thus the public will receive better service, with fewer interruptions. Customers currently experience the benefits of the investments being made to enhance the safe and reliable delivery of their natural gas service. During the "Polar Vortices" of both 2014 and 2015, Columbia's distribution system performed well and experienced no significant issues with service interruptions or curtailments of firm customers. The same has held true through the other cold weather events of the 2017-2018 winter heating season, as well as this past 2021 winter heating season. Further, Columbia's comprehensive system replacement program is adding jobs throughout Columbia's service territory, both in the ranks of full-time Columbia employees (these include engineers and engineering technicians,

land agents, and construction coordinators and construction specialists), as well as the contractors who perform the actual pipe replacement (which includes laborers, equipment operators, crew leaders, and support staff) and associated support services such as: paving, traffic control, trucking, sand and gravel, and a myriad of other material purchases and support activities that are needed to execute this type of strategic replacement program. Finally, to emphasize the magnitude of this program, on average during 2021 Columbia had approximately 130 construction crews which employed approximately 1,300 contractor employees and subcontractors (e.g. restoration, flaggers, drillers, plumbers, etc.). For 2022, Columbia will have approximately 140 construction crews with approximately 1400 contractor employees and subcontractors (e.g. restoration, flaggers, drillers, plumbers, etc.).

Q. Is there anything else that you would like to say about Columbia's pipeline replacement efforts?

Yes. Taken in total, Columbia has made enormous progress since 2006 in delivering and maintaining a safe and reliable distribution system for its customers. The progress that I refer to is defined in more detail throughout Columbia witness Anstead's testimony, but includes initiating an annual leakage survey on all of its bare steel mains, identification and mitigation of system cross bores, reducing the number of inactive services in the system, reducing its Type-2 leak repair backlog, improving the locating process to reduce third-party damage, improving emergency response rates and on-time appointments for customers, and dramatically increasing the amount of bare steel and cast iron pipe that it removes from the system annually.

Having said all of that, however, the system data is clear that as first generation bare steel and cast iron pipe continues to age, Columbia will have to continue to focus on the accelerated replacement of bare steel and cast iron to address the problems associated with aging infrastructure. Therefore, it is essential that Columbia continue to direct management effort and incremental capital resources toward this ongoing need. The synchronization of these replacement efforts with the enhanced focus on pipeline safety that Columbia has demonstrated over the last 15 years are integral parts of Columbia's DIMP Plan, and are essential planks of Columbia's ongoing efforts to enhance natural gas pipeline integrity management and, thus, provide a safe, reliable distribution system for our customers and the general public.

IV. Replacement Costs & Restoration Issues

Q. How have replacement costs trended and what are the primary cost drivers?

A. Columbia has experienced upward cost pressure for replacement projects over the past several years. The average cost of main replacement in 2008 was $81.25 per foot, while the current average cost of main replacement, using 2021 actuals, is $238.00 per foot. The following factors create the upward cost pressure:

- The location of projects has a significant impact on cost. Hard surface projects in urban areas normally have a higher replacement cost per foot than soft surface replacement in rural areas, given that similar size and material of pipe are being installed. The increased cost of urban areas can be due in part to the need to coordinate replacement of Columbia's facilities with facilities of other utilities or municipalities. These higher cost urban areas often experience

higher risk and are increasingly being prioritized for replacement, contributing to the increasing average cost per foot.

- Changes in hard surface restoration requirements are a key component of the upward cost pressures. Municipalities are expanding restoration requirements on utilities. For example, ten years ago it was typical that trench restoration would consist of simply paving the trench that was excavated for the main installation. Today, that same project frequently requires curb to curb milling and overlay. On other projects, Columbia is required to locate its facilities under sidewalks. On these projects, Columbia is required to replace the entire sidewalk, and to the extent that the sidewalk does not meet American's with Disabilities Act ("ADA") standards, Columbia is required to make them compliant with current ADA standards. This means that Columbia may need to install wheelchair ramps and curb realignment or replacement work.
- Contractor cost is another key component of increased costs. Contractor cost increases are driven by competition for resources as more natural gas distribution companies ("NGDCs") in Pennsylvania and across the country undertake main replacement programs, increase training and qualification requirements, and fight for the availability of construction work with other businesses inside and outside of the industry.

Q. What is Columbia doing to manage cost increases?

A. Columbia is focused on managing costs and making prudent capital investments that benefit our customers. As one of six gas distribution companies within the NiSource

family making infrastructure capital investments, we are able to negotiate at scale with contractors and suppliers, delivering competitive pricing for materials and services provided to Columbia.

Further, Columbia has initiated significant efforts regarding the management of permitting and restoration costs, which I will describe later in my testimony. Columbia's service territory spans over 450 municipalities in the Commonwealth of Pennsylvania, each of whom are authorized to set their own municipal ordinances related to street openings. Columbia incurs restoration costs on pipeline replacement projects in compliance with the ordinance of the municipality in which the pipeline is replaced.

Since November of 2020, we have added nine Construction Project Management positions across the state to provide more project management rigor to our larger, more complex projects. The responsibilities of these positions include but are not limited to assisting in the project design, permitting process, job readiness, maintaining job scope, costs, safety, productivity, and constant communication with internal and external stakeholders. They will maintain a working relationship with municipal leaders during the job while delivering job updates.

Q. Do municipal standards continue to impact Columbia's aggressive pipeline replacement program?

A. Yes. Columbia serves approximately 440,000 customers within 26 counties and roughly 450 municipalities throughout the Commonwealth. Because of the size of our footprint, the number of municipalities we operate in and the lack of standard ordinances and restoration requirements across those communities, as a Company,

we continue to face challenges related to local municipal oversight, fees, permitting processes and project restoration requirements related to our pipeline replacement program. Local municipalities struggling with budgetary issues continue to look to shift costs and road maintenance responsibilities to utilities working (cutting into their streets) in their communities. Increased local municipal requirements or fees have and will continue to delay our pipeline replacement work and new business efforts, as well as cost the Company and our customers' additional money.

Q. What is Columbia's plan to address these ongoing municipal challenges?

A. Columbia continues to implement a comprehensive plan to address municipal issues. The Company's Public Affairs team (in addition to select local operations, construction, engineering and new business employees) developed and executed a proactive municipal outreach program to establish, improve and maintain relationships with municipal officials in communities where we are, and will be, conducting significant pipeline replacement or new business projects. The program continues to focus on educating identified local staff/officials and elected representatives of boroughs, townships and cities/towns about:

- Columbia
- Our pipeline replacement and new business efforts in general.
- Specific planned pipeline replacement or new business projects in their community.
- The benefits of our pipeline replacement or new business projects in their community.

- The need for reasonable permit fees and restoration requirements.

The Public Affairs team works directly with municipalities to review proposed or passed local public policies that may impact Columbia's proposed work. Specifically, the Public Affairs team is tasked with monitoring municipal ordinances and proposed amendments that may unreasonably increase paving restoration requirements, unreasonably increase permitting fees or place additional unreasonable fees for inspections, road openings or road degradation on Columbia's work.

Q. Please provide further detail on the outreach focus of the municipal outreach program.

A. The outreach program focuses on, but is not limited to, the following groups:

- Local boroughs, townships and cities/towns in which we have not replaced significant mainline pipe or had new business projects, but have planned projects in 2022.
- Local boroughs, townships and cities/towns in which we need to improve and enhance relationships due to past issues or new ordinances adversely affecting our operations or our customers.
- The district offices and staff of identified state legislators to educate them on planned pipeline replacement/new business projects in their district and to gain a better understanding about local governments and their leadership. These offices may also be able to assist Columbia with relationship building and communications with local governments when appropriate.

Q. Do you have some examples of how Columbia was proactively engaged

in addressing municipal issues in the most recent calendar year, 2021?

A. Yes. In 2021, the Public Affairs team participated in the following proactive outreach discussions:

- **Adams County** – Columbia conducted proactive outreach to McSherrystown Borough on a pipeline replacement project.
- **Allegheny County - CONNECT Utilities Meetings:** Columbia participated virtually in CONNECT Utilities Meetings, which brought together numerous municipalities and utility representatives to discuss planned utility projects and municipal government paving plans.
- **Allegheny County - City of Pittsburgh Utility Coordination:** Throughout the year, Columbia participated with the City of Pittsburgh in its monthly utility coordination meetings to coordinate utility projects between the City and utilities working in the right of way, as well as road restoration and repaving efforts.
- **Allegheny County –** Columbia conducted proactive outreach with Bellevue Borough, Brentwood Borough, the City of Clairton, Findlay Township, Kennedy Township, Leet Township, Pine Township, City of Pittsburgh, Pleasant Hills Borough, Scott Township, Sewickley Borough, Stowe Township, South Fayette Township and Whitehall Borough regarding 2021 pipeline replacement projects or operational work in those communities.
- **Beaver County –** Columbia conducted proactive outreach with Beaver Borough, the City of Beaver Falls, Brighton Township, Chippewa

Township, Conway Borough and Franklin Township on pipeline replacement projects.

- **Butler County –** Columbia conducted a proactive meeting with Worth Township on a pipeline replacement project.
- **Centre County –** Columbia conducted proactive outreach with State College Borough regarding a pipeline replacement project.
- **Clarion County –** Columbia conducted proactive outreach with Madison Township on a pipeline replacement project.
- **Fayette County –** Columbia conducted proactive outreach s with Brownsville Borough, Dunbar Borough, Georges Township, Luzerne Township, Masontown Borough, Springhill Township and the City of Uniontown on pipeline replacement projects.
- **Franklin County –** Columbia conducted proactive outreach to Greencastle Borough on a pipeline replacement project.
- **Greene County** - Columbia conducted proactive outreach to Richhill Township on restoration for a pipeline replacement project.
- **Lawrence County –** Columbia conducted proactive outreach with the City of New Castle, Ellport Borough and Ellwood City Borough on pipeline replacement projects.
- **McKean County –** Columbia conducted proactive outreach to the City of Bradford on a pipeline replacement project.
- **Somerset County –** Columbia conducted proactive outreach to Somerset Borough on a pipeline replacement project.

- **Washington County –** Columbia conducted proactive outreach with Canonsburg Borough, Canton Township, Charleroi Borough, East Bethlehem Township, East Washington Borough, Independence Township, North Franklin Township, Peters Township and Roscoe Township on pipeline replacement projects.
- **Westmoreland County –** Columbia conducted proactive outreach with the City of Jeannette and Sewickley Township regarding pipeline replacement projects.
- **York County –** Columbia conducted proactive outreach to Dover Township, Glen Rock Township, Hanover Borough, Manchester Township, West York Borough, York Township and the City of York on pipeline replacement projects.

Q. When a municipality requests restoration beyond the area in which Columbia's pipeline replacement activity occurs, what does Columbia do to resolve the issue?

A. When the Company encounters a situation in which a municipality requests atypical or non-PennDOT standard restoration requirements, Columbia tries to negotiate with the municipality, in order to reach a compromise. This approach helps Columbia maintain good rapport with townships and municipalities. Maintaining relationships with municipalities and townships is very important, especially in the unforeseen event of an emergency. Thus, negotiation is the initial starting point and preferred resolution method.

Further, while negotiation is the preferred method for resolution, sometimes

a compromise cannot be reached. When a compromise cannot be reached, the Company further analyzes the situation to determine the best path to move forward. The Company can opt to pursue litigation or evaluate whether to move forward with the project. Whether or not to move forward with a project is evaluated on an individual project basis, as each situation presents unique circumstances.

Q. Outside of the examples provided above, has Columbia been successful in challenging restoration requirements that Columbia considers to be atypical?

A. Yes. Some examples of Columbia's success are as follows:

- **City of Pittsburgh, Bon Air Neighborhood, Allegheny County:** Columbia was in regular contact with City of Pittsburgh officials regarding issues and concerns with the restoration of streets and property associated with the infrastructure replacement projects completed in the Bon Air neighborhood. Columbia was able to reach a co-op agreement with the City on the paving of streets in the neighborhoods and completed the majority of the restoration work by the end of 2019.
- **Beaver Borough, Beaver County:** Columbia conducted several meetings with Beaver Borough officials in late 2018 and 2019 to reach an agreement with Beaver Borough officials to share restoration costs for roadway and sidewalk restorations associated with Columbia's 2019 pipeline replacement projects. These meetings led to an agreement on planned work for 2020, including enhanced communications to affected Beaver Borough residents about the projects.

- **Harmony Township, Beaver County:** Columbia met with the township manager and public works director to discuss 2019 projects and planned restoration work. Columbia was involved in a lengthy dispute with the township over street opening fees and restoration costs that was eventually settled. For the 2019 projects, Columbia and the township reached a settlement on fees and restoration plans, and the process went smoothly throughout the infrastructure replacement project.
- **City of Bradford, McKean County:** Columbia met with City of Bradford officials in early 2019 to address concerns about 2018 restorations and Columbia's planned work in 2019. The group was able to successfully address concerns about past restorations and reached an agreement on coordination of Columbia's work with the City's planned sidewalk improvement plans for 2019.
- **City of Pittsburgh, Allegheny County:** In the Spring of 2020, the City undertook a comprehensive rewrite of its permit policies and procedures related to work in their right-of-way. Columbia worked with the City to explain our concerns with newly proposed rules that were not within the jurisdiction/oversight of local governments and a new permitting fee based on the size of a project and time it took to complete. At the urging of Columbia and other utilities, the City adjusted its policies related to oversight of Commission regulated utilities and capped the permit fee costs related to large projects.

In the Spring of 2021, Columbia Gas led a coalition of utilities working

in the City of Pittsburgh against significant changes to road restoration standards as outlined in proposed changes to the City's Right of Way Procedures Manual. The proposed updates to the manual shifted old, unattended, legacy road issues to a utility who "touched" a street to repair or upgrade its facilities.

The 2021 proposed Right of Way Manual provisions would have increased utility restoration costs by hundreds of thousands of dollars or more per year. Because of the concerns expressed by the utility coalition, the proposed changes were not implemented by the City of Pittsburgh.

- **Brownsville Borough, Fayette County:** Columbia continued to engage Borough Council in 2021 regarding its concerns with and opposition to updated permit fee formulas and restoration standards that would increase costs for work Columbia conducts in the borough. Under their ordinance, the permit fees for large pipeline replacement projects are tens of thousands of dollars and paving restoration costs for operational work increase from $800-$1,000 to $8,000-$10,000.
- **West Brownsville Borough, Fayette County:** Columbia met with Borough Council in 2021 to discuss its concerns with an updated paving restoration ordinance requiring curb to curb paving plus ten feet on each side of a road cut. The ordinance will significantly increase restoration costs related to the company's operational and pipeline replacement work.
- **Georges Township and South Union Township, Fayette County:** In 2021, Columbia continued its opposition to the implementation of an

engineering inspection fee based on the square yardage of the road disturbance created by Columbia's work in those townships' right of way. This fee language was included in updates of the townships' road cut ordinances. In 2021, Columbia replaced 5,500 feet of mainline pipe in Georges Township and the Township's engineering firm invoiced Columbia for more than $33,000 in engineering inspection fees for the project. In addition, Columbia requested justification for more than $30,000 of engineering inspection fees from South Union Township for both operational work and pipeline replacement projects. Columbia has objected to the engineering inspection fees.

- **Luzerne Township, Fayette County:** In 2020, Columbia met with the Luzerne Township Supervisors to discuss a proposed permit fee formula change/increase and increased restoration standards. After discussion with the Supervisors, the changes/increases were placed on hold.
- **Rices Landing Borough, Greene County:** Columbia worked with the Mayor and Borough Council in 2020 to prevent the retroactive application of increased permit fee costs in a new road opening ordinance passed by the Council that year. Columbia also expressed concerns with a new "escrow account fee" for new permit requests mandated in the new ordinance. The "escrow fee" language provides few details on what may be charged by the borough against this account. Columbia is monitoring its application to ensure unreasonable charges are not applied against the escrow account.
- **Canton Township, Washington County:** Columbia continues to work

with the township regarding its policy of requiring the signing of a "Road Maintenance Agreement" which forces significant paving restoration (100 feet) on each side of a road opening cut Columbia may make. Columbia negotiated restoration agreements using PennDOT restoration standards for 2020 and 2021 pipeline replacement projects and a new customer pipeline extension reducing restoration costs on the projects.

- **Canonsburg Borough, Oakdale Borough, Stowe Township in Allegheny County and Chippewa Township, Beaver County:** Columbia engaged all four municipalities in 2021 raising concerns with identical permit fee and road restoration ordinances passed in 2020 that will significantly increase costs for Columbia Gas work. The ordinances require curb to curb paving plus 25 feet on each side of a road cut and increased small project permit fees up to $950 per project and created a linear and square foot fee for larger projects resulting in thousands of dollars in fees per project.
- **Mead Township, Warren County:** Columbia Gas worked with township supervisors in 2021 to reduce permit fees related to a Columbia Gas new business project.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Statement No. 8

COLUMBIA GAS OF PENNSYLVANIA, INC.

Direct Testimony

of

Paul R. Moul, Managing Consultant
P. Moul & Associates

Concerning

Cost of Equity and
Fair Rate of Return

DOCKET NO. R-2022-3031211

March 18, 2022

Columbia Gas of Pennsylvania, Inc.
Direct Testimony of Paul R. Moul
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Appendix A - Educational Background, Business Experience And Qualifications

GLOSSARY OF ACRONYMS AND DEFINED TERMS	
ACRONYM	**DEFINED TERM**
AFUDC	Allowance for Funds Used During Construction
β	Beta
b	Represents the retention rate that consists of the fraction of earnings that are not paid out as dividends
b x r	Represents internal growth
CAPM	Capital Asset Pricing Model
CCR	Corporate Credit Rating
CE	Comparable Earnings
CPA	Columbia Gas of Pennsylvania, Inc.
DCF	Discounted Cash Flow
FOMC	Federal Open Market Committee
FPFTY	Fully Projected Future Test Year
g	Growth rate
IGF	Internally Generated Funds
LDC	Local Distribution Companies
Lev	Leverage modification
LT	Long Term
M&M	Modigliani & Miller
P-E	Price-earnings
PPUC	Pennsylvania Public Utility Commission
PUHCA	Public Utility Holding Company Act of 2005
r	Represents the expected rate of return on common equity
Rf	Risk-free rate of return
Rm	Market risk premium
RP	Risk Premium
s	Represents the new common shares expected to be issued by a Firm
SBBI	Stocks, Bonds, Bills and Inflation
s x v	Represents external growth

GLOSSARY OF ACRONYMS AND DEFINED TERMS	
ACRONYM	**DEFINED TERM**
S&P	Standard & Poor's
v	Represents the value that accrues to existing shareholders from selling stock at a price different from book value
WNA	Weather Normalization Adjustment Mechanism

Introduction and Summary of Recommendations

Q. Please state your name, occupation and business address.

A. My name is Paul Ronald Moul. My business address is 251 Hopkins Road, Haddonfield, New Jersey 08033-3062. I am Managing Consultant at the firm P. Moul & Associates, an independent financial and regulatory consulting firm. My educational background, business experience and qualifications are provided in Appendix A, which follows my direct testimony.

Q. What is the purpose of your direct testimony?

A. My testimony presents evidence, analysis, and a recommendation concerning the appropriate cost of common equity and overall rate of return that the Pennsylvania Public Utility Commission (“PPUC” or the “Commission”) should recognize in the determination of the revenues that Columbia Gas of Pennsylvania, Inc. ("CPA" or the "Company") should realize as a result of this proceeding. My analysis and recommendation are supported by the detailed financial data contained in Exhibit No. 400, which is a multi-page document divided into fourteen (14) schedules.

Q. Based upon your analysis, what is your conclusion concerning the appropriate rate of return for the Company in this case?

A. Based upon my analysis of the Company, it is my opinion that the rate of return on common equity should be set at 11.20%. My return on equity includes a provision of 0.25% in recognition of management effectiveness. I have not made an independent evaluation of the Company’s management effectiveness. The testimony of witness Mark Kempic, President of the Company (Columbia Statement No. 1) describes the superior performance of its management. Witness Kempic has shown that the Company ranks high in customer service and management efficiency. My cost of equity determination

should be viewed in the context of the need for supportive regulation at a time of increased infrastructure improvements now underway for the Company. As shown on page 1 of Schedule 1, I have presented the weighted average cost of capital for the Company, which is calculated with the December 31, 2023 Fully Projected Future Test Year ("FPFTY"). The Company's proposed rate of return is shown below:

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

The resulting overall cost of capital, which is the product of weighting the individual capital costs by the proportion of each respective type of capital, should establish a compensatory level of return for the use of capital and, if achieved, will provide the Company with the ability to attract capital on reasonable terms.

Q. Is the market impact of the COVID-19 Pandemic reflected in your analysis of the cost of equity for the Company?

A. Yes. My cost of equity analysis reflects the impact of the COVID-19 Pandemic ("Pandemic"). These events have had a significant impact on the stock and bond markets beginning in the February-March 2020 time frame. During this period, we saw abrupt reaction to the Pandemic. These events led to the end of the record-setting 128-month economic expansion. As we entered a recession in February 2020, extraordinary actions were taken by the Federal Open Market Committee ("FOMC") to address these disruptions. Over the course of the Pandemic, stock prices have rebounded and have

reached new highs. Renewed economic growth has produced higher inflation to levels not seen in four (4) decades. Indeed, in January 2022, the rate of inflation spiked upward to 7.5% due to pandemic-related supply side issues, strong consumer demand, and tight labor markets. Energy prices have increased as well, with the commodity cost of natural gas moving up. While short-term interest rates remain at historically low levels, longer term interest rates began to rise in February 2021. At this point, short-term interest rates are poised to increase after the FOMC ends its bond buying program. The FOMC has indicated that several increases in the Fed Funds rate will likely occur in 2022. The first of these increases are expected in March 2022. Recently, the yield on ten-year Treasury notes reached 2.00% for the first time since mid-2019. Stock market performance has reacted to renewed economic growth by reaching new highs. While there has been some pullback in overall market prices in early 2022, the overall market performance in 2021 was stellar i.e., a 26.89% annual price appreciation. I have considered these events as they impact the inputs that I used in the various models of the cost of equity.

Q. What background information have you considered in reaching a conclusion concerning the Company's cost of capital?

A. The Company is a wholly-owned subsidiary of NiSource Gas Distribution Group, which is a wholly-owned subsidiary of NiSource Inc. ("NiSource"). NiSource is a holding company under the Public Utility Holding Company Act of 2005 ("PUHCA") and also owns Northern Indiana Public Service Company (a combination gas and electric utility), and other energy investments.

The Company provides natural gas distribution service to approximately 441,000 customers located in south-central and western Pennsylvania. Throughput to its customers for the twelve-months ended December 31, 2020 was represented by approximately 45% to sales customers and approximately 55% to transportation

customers. CPA obtains its gas supplies from producers and marketers and has transportation arrangements through connections with six interstate pipelines. The Company has storage arrangements with three suppliers to supplement flowing gas.

Q. How have you determined the cost of common equity in this case?

A. The cost of common equity is established using capital market and financial data relied upon by investors to assess the relative risk, and hence the cost of equity, for a gas distribution utility, such as the Company. In this regard, I have considered four (4) well-recognized models. These methods include: the Discounted Cash Flow ("DCF") model, the Risk Premium ("RP") analysis, the Capital Asset Pricing Model ("CAPM"), and the Comparable Earnings ("CE") approach. The results of a variety of approaches indicate that the Company's rate of return on common equity is 11.20% including recognition of the exemplary performance of the Company's management.

Q. In your opinion, what factors should the Commission consider when determining the Company's cost of capital in this proceeding?

A. The Commission's rate of return allowance must be set to cover the Company's interest and dividend payments, provide a reasonable level of earnings retention, produce an adequate level of internally generated funds to meet capital requirements, be commensurate with the risk to which the Company's capital is exposed, assure confidence in the financial integrity of the Company, support reasonable credit quality, and allow the Company to raise capital on reasonable terms. The return that I propose fulfills these established standards of a fair rate of return set forth by the landmark Bluefield and Hope cases.[1] That is to say, my proposed rate of return is commensurate with returns available on investments having corresponding risks.

[1] Bluefield Water Works & Improvement Co. v. P.S.C. of West Virginia, 262 U.S. 679 (1923) and F.P.C. v. Hope Natural Gas Co., 320 U.S. 591 (1944).

Q. How have you measured the cost of equity in this case?

A. The models that I used to measure the cost of common equity for the Company were applied with market and financial data developed from a group of nine (9) gas companies. I will refer to these companies as the "Gas Group" throughout my testimony. I began with all of the gas utilities contained in The Value Line Investment Survey, which consists of ten companies. Value Line is an investment advisory service that is a widely used source in public utility rate cases. I eliminated one company from the Value Line group. UGI Corporation was removed due to its diversified businesses consisting of six reportable segments, including propane, two international LPG segments, natural gas utility, energy services, and gas generation. I should also note that, prior to this rate case filing, one Gas Group member (South Jersey Industries) entered into an agreement to be acquired by a private equity investor. This action would require the removal of SJI from the Gas Group going forward. However, for this case, my analysis of the members of the Gas Group included market data through December 2021, which predated the acquisition announcement of SJI. Hence, my cost of equity determination in this case is not altered by the inclusion of SJI in the Gas Group, because the proposed acquisition had no impact on the stock prices through December 2021. The companies in the Gas Group are identified on page 2 of Schedule 3. These are the same companies that were used to apply the cost of equity models in the recent Quarterly Earnings Report (Docket No. M-2021-3030045) approved by the Commission on January 13, 2022.

Q. How have you performed your cost of equity analysis with the market data for the Gas Group?

A. I have applied the models/methods for estimating the cost of equity using the average data for the Gas Group. I have not measured separately the cost of equity for the individual companies within the Gas Group, because the determination of the cost of

equity for an individual company can be problematic. The use of group average data will reduce the effect of potentially anomalous results for an individual company if a company-by-company approach were utilized.

Q. Please summarize your cost of equity analysis.

A. My cost of equity determination was derived from the results of the methods/models identified above. In general, the use of more than one method provides a superior foundation to arrive at the cost of equity. At any point in time, a single method can provide an incomplete measure of the cost of equity. The specific application of these methods/models will be described later in my testimony. The following table provides a summary of the indicated costs of equity using each of these approaches.

	Gas Group
DCF	11.42%
Risk Premium	10.50%
CAPM	13.45%
Comparable Earnings	12.45%

From these measures, I recommend a cost of equity of 11.20%, which includes 0.25% in recognition of the Company's exemplary management performance. My determination of the cost of equity focuses on the DCF and Risk Premium approaches that provide a return of 10.96% (11.42% + 10.50% = 21.92% ÷ 2 = 10.96%) and on all of the market-based models, i.e., DCF, Risk Premium and CAPM, that provide a return of 11.79% (11.42% + 10.50% + 13.45% = 35.37% ÷ 3 = 11.79%). My 11.20% cost of equity recommendation includes 25 basis points or 0.25% recognition for the exemplary performance of the Company's management and falls within the range of 10.96% to

11.79% indicated above. Mr. Kempic's testimony in Columbia Statement No. 1 demonstrates that the Company ranks high in customer service and management effectiveness. To obtain new capital to support an expanded construction program and retain existing capital, the rate of return on common equity must be high enough to satisfy investors' requirements. Along these lines, the Company is spending considerable amounts of new capital, which are large by historical standards, which will put a strain on financial performance in the short run. In recognition of its performance, the Company should be granted an opportunity to earn an 11.20% rate of return on common equity.

Natural Gas Risk Factors

Q. What factors currently affect the business risk of natural gas utilities?

A. Gas utilities face risks arising from competition, economic regulation, the business cycle, and customer usage patterns. Today, they operate in a complex environment with time frames for decision-making considerably shortened. Their business profile is influenced by market-oriented pricing for the commodity distributed to customers and open access for the transportation of natural gas for customers.

Natural gas utilities have focused increased attention on safety and reliability issues and on conservation. In order to address these issues and to comply with new and pending pipeline safety regulations, natural gas companies are now allocating more of their resources to addressing aging infrastructure issues. The testimony of witness Kempic and other Company witnesses discuss the investments that the Company has made and will make to address these issues.

The Company also faces a series of risks that impact its cost of equity. In the western area of Pennsylvania, the Company operates in a unique situation with overlapping service territories, which enable other gas utilities to compete with one another for customers. Notably, one customer departed the Company's system in the

Spring 2019 and switched to another LDC that provides service in an overlapping service territory to the Company. This clearly demonstrated the high risk faced by the Company to bypass. Further, there are six interstate pipelines that traverse the Company's service territory. This situation exposes the Company to bypass for certain large volume customers. Finally, the existence of local gas production provides a bypass threat to the Company, especially with production from the Marcellus Shale formation. In addition, with the consolidation of several formerly competing LDCs in western Pennsylvania, CPA could potentially face additional threats from the stronger LDC competitor that remains. Overall, the Company's risk of competition is considerably higher than that faced by many LDCs, including the members of the Gas Group that I used to measure the Company's cost of equity.

Q. Are there other features of the Company's business that should be considered when assessing the Company's risk?

A. Yes. Most of the Company's residential and commercial customers use natural gas for space heating purposes. This indicates that a large proportion of the Company's residential and commercial customers present a low load factor profile and their energy demands are significantly influenced by temperature conditions, over which the Company has absolutely no control. To deal with this issue, CPA has a weather normalization adjustment mechanism ("WNA") as part of its tariff. I also understand that the Company is proposing a second mechanism, called a RNA, that is a revenue normalization adjustment applicable only to residential customers. Description of the Company's WNA is contained in the testimony of Company witness Johnson.

Q. Does your cost of equity analysis and recommendation take into account the WNA that the Company has?

A. Yes. All of my Gas Group companies have some form of WNA mechanism, and in some cases, other forms of revenue decoupling. Therefore, the market prices of all companies in my Gas Group reflect the expectations of investors that these companies' revenues are stabilized to some extent by a normalization mechanism. Therefore, my analysis reflects the impacts of normalization adjustment mechanisms on investor expectations through the use of market-determined models. If the Company is unable to obtain the RNA mechanism, its risk will increase above that of the Gas Group that serves as a basis to measure the Company's cost of equity, i.e., the Gas Group's cost of equity will then understate the return that is appropriate for the Company.

Q. Are you aware that there is a Distribution System Improvement Charge ("DSIC") available to natural gas and electric utilities in Pennsylvania, and does the DSIC affect the Company's cost of capital?

A. I am aware that the Company had utilized the DSIC for short periods of time in the past. The cost of capital for CPA, however, is not affected by the DSIC. I say this because all of the proxy group companies whose data has been used to develop the cost of equity for CPA in this proceeding have at least some form of a DSIC or similar infrastructure rehabilitation mechanisms. Hence, whatever the benefit of a DSIC, or other regulatory mechanisms, that impact is already reflected in the market evidence of the cost of equity for the proxy group.

Q. How does the Company's throughput to large volume users or those with competitive alternatives affect its risk profile?

A. The Company's risk profile is influenced by natural gas delivered to its large industrial and commercial customers and those customers with competitive alternatives, as demonstrated by the bypass threat posed to 66 of the Company's major account customers, i.e., those with large volume usage and/or those with competitive alternatives.

This throughput to these 66 customers represents approximately 27% (19,576,533 Dth ÷ 73,420,908 Dth) of the Company's total throughput. Of course, the number that CPA has identified is only a subset of the total load at risk since it is almost certain that the Company has not identified all customers who have competitive alternatives.

Generally speaking, there are four primary threats to throughput to the Company's largest volume users. First, the Company can and has experienced attrition in this large customer group. Second, the Company's largest customers, which have traditionally used transportation service, have the ability to bypass the Company's system to other gas supply sources such as interstate pipelines, other local distribution companies, and/or nonregulated pipeline contractors providing access to local supplies. This was the risk to the Company noted above. Third, in addition to the bypass threat, a material portion of the large customer throughput can be exposed to alternative energy sources depending on the fluctuating costs of these different fuels in comparison with natural gas. Finally, in its effort to retain load, the Company is vulnerable to the impacts of business cycles, competition within its customers' industries, and other external factors that can result in shifts of production to customer facilities that are not served by the Company. All of these risks put fixed cost recovery for this class of customers at risk.

Q. Please indicate how the Company's construction program affects its risk profile.

A. The Company is faced with the requirement to undertake investments to maintain and upgrade existing facilities in its service territory. To maintain safe and reliable service to existing customers, the Company must invest to upgrade its infrastructure. The rehabilitation of the Company's infrastructure represents capital expenditures that do not increase the Company's customer base. Although the Company has made significant strides in reducing its percentage of cast iron and unprotected steel pipe, these facilities still represent 1103.9 miles (or approximately 14%) of its distribution mains as of year-

end 2020. There are also concerns regarding first generation plastic pipe that may require replacement. The Company also has 40,456 (or approximately 9%) of its services constructed of unprotected steel. For the future, the Company expects its net capital expenditures to be:

Year	Capital Expenditures
2022	$ 379,065,000
2023	$ 423,129,000
2024	$ 432,740,000
2025	$ 461,322,000
2026	$ 487,946,000
Total	$ 2,184,202,000

The Company's total capital expenditures over the next five years will represent approximately 77% ($2,184,202,000 ÷ $2,835,900,000) of the net utility plant in service at December 31, 2021.

Q. How should the Commission respond to the issues facing the natural gas utilities and in particular CPA?

A. The Commission should recognize and take into account the need to replace infrastructure and the competitive environment in the natural gas business in determining the cost of capital for the Company, and provide a reasonable opportunity for the Company to actually achieve its cost of capital. A fair rate of return also represents a key to a financial profile that will provide the Company with the ability to raise the significant amount of capital necessary to meet its capital needs on reasonable terms. The Company has been proactive in dealing with its capital requirements for infrastructure needs by not making dividend payments in any of the years 2014 through 2021. By foregoing dividend payments, the Company is committed to reinvestment in

Pennsylvania. The Commission should recognize and reward this commitment with a reasonable return on equity.

Fundamental Risk Analysis

Q. Is it necessary to conduct a fundamental risk analysis to provide a framework for a determination of a utility's cost of equity?

A. Yes, it is. It is necessary to establish a company's relative risk position within its industry through a fundamental analysis of various quantitative and qualitative factors that bear upon investors' assessment of overall risk. The qualitative factors that bear upon Company risk have already been discussed previously. The quantitative risk analysis follows. The items that influence investors' evaluation of risk and their required returns were described above. For this purpose, I compared the Company to the S&P Public Utilities, an industry-wide proxy consisting of various regulated businesses, and to the Gas Group.

Q. What are the components of the S&P Public Utilities?

A. The S&P Public Utilities is a widely recognized index that is comprised of electric power and natural gas companies. These companies are identified on page 3 of Schedule 4.

Q. What companies comprise the gas group?

A. My Gas Group consists of the following companies: Atmos Energy Corp., Chesapeake Utilities Corporation, New Jersey Resources Corp., NiSource, Inc., Northwest Natural Holding Co., ONE Gas, Inc., South Jersey Industries, Inc., Southwest Gas Holdings, and Spire, Inc.

Q. Is knowledge of a utility's bond rating an important factor in assessing its risk and cost of capital?

A. Yes. Knowledge of a company's credit quality rating is important because the cost of each type of capital is directly related to the associated risk of the firm. So, while a company's credit quality risk is shown directly by the rating and yield on its bonds, these relative risk assessments also bear upon the cost of equity. This is because a firm's cost of equity is represented by its borrowing cost plus compensation to recognize the higher risk of an equity investment compared to debt.

Q. How do the credit quality ratings compare for the Company, the Gas Group, and the S&P Public Utilities?

A. The Company obtains its external capital from NiSource Inc. Presently, the NiSource credit quality ratings are Baa2 from Moody's Investors Service ("Moody's") and BBB+ from Standard & Poor's Corporation ("S&P"). These ratings for NiSource represent the Long Term ("LT") issuer rating by Moody's and the corporate credit rating ("CCR") designation by S&P, which focuses upon the credit quality of the issuer of the debt rather than upon the debt obligation itself.

For the Gas Group, the average LT issuer rating is A3 by Moody's and the average CCR is A- by S&P, as displayed on page 2 of Schedule 3. For the S&P Public Utilities, the average credit quality rating is A3 by Moody's and BBB+ by S&P, as displayed on page 3 of Schedule 4. Many of the financial indicators that I will subsequently discuss are considered during the rating process.

Q. How do the financial data compare for the Company, the Gas Group, and the S&P Public Utilities?

A. The broad categories of financial data that I will discuss are shown on Schedules 2, 3, and 4. The data cover the five-year period 2016-2020. The important categories of relative risk may be summarized as follows:

Size. In terms of capitalization, the Company is smaller than the average size of the Gas Group, and smaller still than the average size of the S&P Public Utilities. All other things being equal, a smaller company is riskier than a larger company because a given change in revenue and expense has a proportionately greater impact on a small firm. As I will demonstrate later, the size of a firm can impact its cost of equity.

Market Ratios. Market-based financial ratios, such as earnings/price ratios and dividend yields, provide a partial measure of the investor-required cost of equity. If all other factors are equal, investors will require a higher rate of return for companies that exhibit greater risk, in order to compensate for that risk. That is to say, a firm that investors perceive to have higher risks will experience a lower price per share in relation to expected earnings.[2]

There are no market ratios available for the Company because its stock is owned by NiSource. The five-year average price-earnings multiple was slightly higher for the Gas Group compared to the S&P Public Utilities. The five-year average dividend yield was lower for the Gas Group as compared to the S&P Public Utilities. The five-year average market-to-book ratio was somewhat higher for the Gas Group as compared to the S&P Public Utilities.

Common Equity Ratio. The level of financial risk is measured by the proportion of long-term debt and other senior capital that is contained in a company's capitalization. Financial risk is also analyzed by comparing common equity ratios (the complement of the ratio of debt and other senior capital). That is to say, a firm with a high common equity ratio has lower financial risk, while a firm with a low common equity ratio has higher

[2]For example, two otherwise similarly situated firms each reporting $1.00 in earnings per share would have different market prices at varying levels of risk (i.e., the firm with a higher level of risk will have a lower share value, while the firm with a lower risk profile will have a higher share value).

financial risk. The five-year average common equity ratios, based on permanent capital, were 55.3% for CPA, 51.5% for the Gas Group, and 41.3% for the S&P Public Utilities. The Company's common equity ratio was higher than the Gas Group, thereby indicating somewhat lower financial risk. However for the purpose of this case, the Company's common equity ratio is within the range of other gas distribution utilities.

Return on Book Equity. Greater variability (i.e., uncertainty) of a firm's earned returns signifies relatively greater levels of risk, as shown by the coefficient of variation (standard deviation ÷ mean) of the rate of return on book common equity. The higher the coefficients of variation, the greater degree of variability. For the five-year period, the coefficients of variation were 0.175 (1.8% ÷ 10.3%) for the Company, 0.079 (0.7% ÷ 8.9%) for the Gas Group, and 0.039 (0.4% ÷ 10.3%) for the S&P Public Utilities. The variability of the Company's rates of return was higher than the Gas Group and the S&P Public Utilities, thereby signifying higher risk for the Company.

Operating Ratios. I have also compared operating ratios (the percentage of revenues consumed by operating expense, depreciation, and taxes other than income).[3] The five-year average operating ratios were 73.7% for the Company, 83.6% for the Gas Group, and 78.8% for the S&P Public Utilities. The Company's operating ratios were lower than the Gas Group, thereby indicating lower risk.

Coverage. The level of fixed charge coverage (i.e., the multiple by which available earnings cover fixed charges, such as interest expense) provides an indication of the earnings protection for creditors. Higher levels of coverage, and hence earnings protection for fixed charges, are usually associated with superior grades of creditworthiness. Excluding Allowance for Funds Used During Construction ("AFUDC"),

[3]The complement of the operating ratio is the operating margin which provides a measure of profitability. The higher the operating ratio, the lower the operating margin.

the five-year average pre-tax interest coverage was 4.20 times for the Company, 4.05 times for the Gas Group, and 3.02 times for the S&P Public Utilities. The interest coverages were fairly similar for the Company and the Gas Group, thereby indicating similar risk.

Quality of Earnings. Measures of earnings quality usually are revealed by the percentage of AFUDC related to income available for common equity, the effective income tax rate, and other cost deferrals. These measures of earnings quality usually influence a firm's internally generated funds because poor quality of earnings would not generate high levels of cash flow. Quality of earnings has not been a significant concern for the Company, the Gas Group and the S&P Public Utilities. In 2018 and 2019, the effective income tax rate declined from earlier years after implementation of the TCJA.

Internally Generated Funds. Internally generated funds ("IGF") provide an important source of new investment capital for a utility and represent a key measure of credit strength. Historically, the five-year average percentage of IGF to capital expenditures was 61.1% for the Company, 56.0% for the Gas Group and 69.5% for the S&P Public Utilities. Had the Company paid dividends in recent years, its IGF would have been weaker. The Company's average IGF to construction percentage has been slightly stronger than the Gas Group, which can be traced to the lack of dividend payments by the Company. The IGF to construction has declined for the Gas Group in 2018 and 2019 with the implementation of the new lower federal income tax rate because of lower marginal rates and lower provision for deferred income taxes. The Company has not been similarly affected because in 2018 and 2019 its revenues increased, while operating expenses decreased, which more than offset the decline in income taxes, including tax deferrals. The Company's IGF to construction expenditures will be under pressure in future years as its construction expenditures continue to increase.

Betas. The financial data that I have been discussing relate primarily to company-specific risks. Market risk for firms with publicly-traded stock is measured by beta coefficients. Beta coefficients attempt to identify systematic risk, i.e., the risk associated with changes in the overall market for common equities.[4] Value Line publishes such a statistical measure of a stock's relative historical volatility to the rest of the market. A comparison of market risk is shown by the Value Line beta of 0.88 as the average for the Gas Group (see page 2 of Schedule 3) and 0.91 as the average for the S&P Public Utilities (see page 3 of Schedule 4). The systematic risk for the Gas Group as measured by the Value Line beta is fairly similar to the S&P Public Utilities.

Q. Please summarize your risk evaluation.

A. In several aspects, principally related to its smaller size, its more variable equity returns, competitive pressures, and new capital needs to fund construction, CPA's risk is higher than the Gas Group. Its operating ratios indicate lower risk for CPA. Its common equity ratio, interest coverage, quality of earnings, and IGF to construction, point to similar risk for CPA and the Gas Group. On balance, the cost of equity measured with the Gas Group data will provide a reasonable representation of the Company's cost of equity.

Capital Structure Ratios

Q. Please explain the selection of capital structure ratios for CPA.

A. In this case, the capital structure ratios of CPA have been proposed to calculate the rate of return. Furthermore, consistency requires that the embedded cost rate of the Company's senior securities also be employed.

[4]Beta is a relative measure of the historical sensitivity of the stock's price to overall fluctuations in the New York Stock Exchange Composite Index. The ''Beta coefficient'' is derived from a regression analysis of the relationship between weekly percentage changes in the price of a stock and weekly percentage changes in the NYSE Index over a period of five years. The betas are adjusted for their long-term tendency to converge toward 1.00. A common stock that has a beta less than 1.0 is considered to have less systematic risk than the market as a whole and would be expected to rise and fall more slowly than the rest of the market. A stock with a beta above 1.0 would have more systematic risk.

Q. Does Schedule 5 provide the Company's capitalization and capital structure ratios?

A. Yes. Schedule 5 presents the Company's capitalization and related capital structure ratios. The November 30, 2021 capitalization corresponds with the end of the HTY in this case. The November 30, 2022 capital structure is estimated at the end of the FTY, and the December 31, 2023 capital structure is estimated at the end of the FPFTY. The Company will receive an equity infusion of $25 million in the FTY. The Company expects to issue $90 million of new long-term debt in the FTY and $210 million of new long-term debt in the FPFTY. For the FTY, one issue of $50 million has already occurred and $40 million will take place later in 2022. The issues in the FPFTY will be represented by individual borrowings of $85 million, $30 million, and $95 million. A projection on retained earnings has been reflected in the FTY and FPFTY including an assumption of no dividend payments in either test year.

Q. What capital structure ratios do you recommend be adopted for rate of return purposes in this proceeding?

A. Since ratesetting is prospective, the rate of return should, at a minimum, reflect known or reasonably foreseeable changes which will occur during the course of the FPFTY. As a result, I will adopt the Company's FPFTY capital structure ratios of 43.23% long-term debt, 2.39% short-term debt, and 54.38% common equity at December 31, 2023. The common equity ratio projected for the FPFTY is consistent with the actual common equity ratio for the Company at November 30, 2021. For short-term debt, I have used a twelve-month average for the FPFTY. These capital structure ratios are the best approximation of the mix of capital the Company will employ to finance its rate base during the period new rates are in effect.

Costs of Senior Capital

Q. What cost rate have you assigned to the debt portion of CPA's capital structure?

A. The determination of the long-term debt cost rate is essentially an arithmetic exercise. This is due to the fact that the Company has contracted for the use of this capital for a specific period of time at a specified cost rate. As shown on page 1 of Schedule 6, I have computed the actual embedded cost rate of debt at November 30, 2021. On page 2 of Schedule 6, I have shown the embedded cost rate of debt estimated at November 30, 2022. In the FTY, the debt issue placed in December 2021 reflects the actual interest rate of 3.2671% on this issue. And on page 3 of Schedule 6, the embedded cost of debt is shown at December 31, 2023. For the new issues of long-term debt, I have used cost rates of 3.80% for the June 2022 issue in the FTY and 3.95%, 4.10% and 4.20% for the issues in the FPFTY (December 2022, June 2023, and December 2023, respectively). In each instance, the interest costs were determined from the Bloomberg forward yield curve on 30-year Treasury bonds plus the spread that represents the NiSource credit quality of BBB+.

I will adopt the 4.51% embedded cost of long-term debt at December 31, 2023, as shown on page 3 of Schedule 6. This rate is related to the amount of long-term debt shown on Schedule 5 which provides the basis for the 43.23% long-term debt ratio.

Q. What cost rate have you assigned to the short-term debt?

A. I have used a cost of short-term debt of 1.65%, which represents the Company's estimate for the FPFTY. This forecast reflects the upward move in short-term interest rates now taking place. I should note that the actual short-term debt interest rate in the HTY in this case was well below the forecast interest rate in the FTY in the Company's prior rate case because the FOMC did not increase the Fed Funds rate in 2021 as expected in the forecast last time. The Company obtains its short-term debt from the NiSource money

pool, which has commercial paper as its source. The interest rate for this case is established as the forecast of the 3-month LIBOR rate, plus an additional 0.30%, which reflects the recent historical yield differential between the 3-month LIBOR rate and NiSource's commercial paper borrowing rate.

Q. What overall debt cost rate have you determined for rate of return purposes?

A. As shown on page 3 of Schedule 6, the combined cost of long- and short-term debt is 4.36% for the FPFTY.

Cost of Equity – General Approach

Q. Please describe how you determined the cost of equity for the Company.

A. Although my fundamental financial analysis provides the required framework to establish the risk relationships among CPA, the Gas Group, and the S&P Public Utilities, the cost of equity must be measured by standard financial models that I identified above. Differences in risk traits, such as size, business diversification, geographical diversity, regulatory policy, financial leverage, and bond ratings must be considered when analyzing the cost of equity.

It is also important to reiterate that no one method or model of the cost of equity can be applied in an isolated manner. Rather, informed judgment must be used to take into consideration the relative risk traits of the firm. It is for this reason that I have used more than one method to measure the Company's cost of equity. As I describe below, each of the methods used to measure the cost of equity contains certain incomplete and/or overly restrictive assumptions and constraints that are not optimal. Therefore, I favor considering the results from a variety of methods. In this regard, I applied each of the methods with data taken from the Gas Group and arrived at a cost of equity of 11.20% for CPA, which includes an increment for exemplary management performance.

Discounted Cash Flow

Q. Please describe the DCF model.

A. The DCF model seeks to explain the value of an asset as the present value of future expected cash flows discounted at the appropriate risk-adjusted rate of return. In its simplest form, the DCF-determined return on common stock consists of a current cash (dividend) yield and future price appreciation (growth) of the investment. The dividend discount equation is the familiar DCF valuation model, which assumes that future dividends are systematically related to one another by a constant growth rate. The DCF formula is derived from the standard valuation model: P = D/(k-g), where P = price, D = dividend, k = the cost of equity, and g = growth in cash flows. By rearranging the terms, we obtain the familiar DCF equation: k= D/P + g. All of the terms in the DCF equation represent investors' assessment of expected future cash flows that they will receive in relation to the value that they set for a share of stock (P). The DCF equation is sometimes referred to as the "Gordon" model.[5] My DCF results are provided on Schedule 1, page 2, for the Gas Group. The DCF return is 11.42% with the leverage adjustment and 10.43% without the leverage adjustment for the Gas Group. The leverage adjustment is discussed more fully below.

Among the limitations of the model, there is a certain element of circularity in the DCF method when applied in rate cases. This is because investors' expectations for the future depend upon regulatory decisions. In turn, when regulators depend upon the DCF model to set the cost of equity, they rely upon investor expectations that include an assessment of how regulators will decide rate cases. Due to this circularity, the DCF

[5] Although the popular application of the DCF model is often attributed to the work of Myron J. Gordon in the mid-1950's, J. B. Williams exposited the DCF model in its present form nearly two decades earlier.

model may not fully reflect the true risk of a utility. Other limitations of the DCF include the constant price-earnings multiple assertion that does not conform with actual stock market performance. And, indeed, the FERC has moved to using multiple methods for measuring the cost of equity due to the limitations of the DCF.

Q. What is the dividend yield component of a DCF analysis?

A. The dividend yield reveals the portion of investors' cash flow that is generated by the return provided by the dividends an investor receives. It is measured by the dividends per share relative to the price per share. The DCF methodology requires the use of an expected dividend yield to establish the investor-required cost of equity. For the twelve (12) months ended December 2021, the monthly dividend yields are shown on Schedule 7. The month-end prices were adjusted to reflect the buildup of the dividend in the price that has occurred since the last ex-dividend date (i.e., the date by which a shareholder must own the shares to be entitled to the dividend payment – usually about two (2) to three (3) weeks prior to the actual payment).

For the twelve (12) months ended December 2021, the average dividend yield was 3.47% for the Gas Group based upon a calculation using annualized dividend payments and adjusted month-end stock prices. The dividend yields for the more recent six-month and three-month periods were 3.55% and 3.58%, respectively. For applying the DCF model, I have used the six-month average dividend yield of 3.55% for the Gas Group. The use of this dividend yield will reflect current capital costs, while avoiding spot yields. For the purpose of a DCF calculation, the average dividend yield must be adjusted to reflect the prospective nature of the dividend payments, i.e., the higher expected dividends for the future. Recall that the DCF is an expectational model that must reflect investors' anticipated cash flows. I have adjusted the six-month average dividend yield in three (3) different, but generally accepted, manners and used the average of the three

(3) adjusted values as calculated in the lower panel of data presented on Schedule 7.[6] This adjustment adds thirteen (13) basis points to the six-month average historical yield, thus producing the 3.68% adjusted dividend yield for the Gas Group.

Q. What factors influence investors' growth expectations?

A. As noted previously, investors are interested principally in the dividend yield and future growth of their investment (i.e., the price per share of the stock). Future growth in earnings per share is the DCF model's primary focus because, under the model's assumption that the price-earnings multiple remains constant, the price per share of stock will grow at the same rate as earnings per share. A growth rate analysis considers a variety of variables to reach a consensus of prospective growth, including historical data and widely available analysts' forecasts of earnings, dividends, book value, and cash flow (all stated on a per-share basis). A fundamental growth rate analysis is frequently based upon internal growth ("b x r"), where "r" is the expected rate of return on common equity and "b" is the retention rate (a fraction representing the proportion of earnings not paid out as dividends). To be complete, the internal growth rate should be modified to account for sales of new common stock (external growth), which is represented by the formula s x v, where "s" is the number of new common shares the firm expects to issue and "v" is the value that accrues to existing shareholders from selling stock at a price above book

[6] Under the 1/2 growth approach, the procedure to adjust the average dividend yield for the expectation of a dividend increase during the initial investment period will be at a rate of one-half the growth component, which assumes that half of the dividend payments will be at the expected higher rate during the initial investment period. Under the discrete approach, the "*g*" in the DCF model reflects the discrete growth in the quarterly dividend, which is required for the periodic form of the DCF in order to properly recognize that dividends are expected to grow on a discrete basis. The quarterly approach takes into account that investors have the opportunity to reinvest quarterly dividend receipts. Recognizing the compounding of the periodic quarterly dividend payments *(D_0)*, results in this third DCF formulation. This DCF equation provides no further recognition of growth in the quarterly dividend. A compounding of the quarterly dividend yield recognizes the necessity for an adjusted dividend yield.

value. Fundamental growth, which combines internal and external growth, encompasses the factors that cause book value per share to grow over time.

Growth also can be expressed in multiple stages. This expression of growth consists of an initial "growth" stage where a firm enjoys rapidly expanding markets, high profit margins, and abnormally high growth in earnings per share. Thereafter, a firm enters a "transition" stage where fewer technological advances and increased product saturation begin to reduce the growth rate and profit margins come under pressure. During the "transition" stage, investment opportunities begin to mature, capital requirements decline, and a firm begins to pay out a larger percentage of earnings to shareholders. Finally, the mature or "steady-state" stage is reached when a firm's earnings growth, payout ratio, and return on equity stabilize at levels where they remain for the life of a firm. The three (3) stages of growth assume a step-down of high initial growth to lower sustainable growth. Even if these three (3) stages of growth can be envisioned for a firm, the third "steady-state" growth stage, which is assumed to remain fixed in perpetuity, represents an unrealistic expectation because the three (3) stages of growth can be repeated. That is to say, the stages can be repeated where growth for a firm ramps-up and ramps-down in cycles over time. For these reasons, there is no need to analyze growth rates individually for each cycle, but rather to rely upon analysts' growth forecasts, which are those used by investors when pricing common stocks.

Q. How did you determine an appropriate growth rate?

A. The growth rate used in a DCF calculation should measure investor expectations. Investors consider both company-specific variables and overall market sentiment (i.e., level of inflation rates, interest rates, economic conditions, etc.) when balancing their capital gains expectations with their dividend yield requirements. Investors are not influenced solely by a single set of company-specific variables weighted in a formulaic

manner. Therefore, all relevant growth rate indicators should be evaluated using a variety of techniques when formulating a judgment of investor-expected growth.

Q. What data for the Gas Group have you considered in your growth rate analysis?

A. I considered the growth in the financial variables shown on Schedules 8 and 9, which reflect historical (Schedule 8) and projected (Schedule 9) rates of growth in earnings per share, dividends per share, book value per share, and cash flow per share for the Gas Group. While analysts will review all measures of growth, as I have done, earnings per share growth directly influences the expectations of investors for the future performance of utility stocks. Forecasts of earnings growth are required because the DCF model is forward-looking, and, with the constant price-earnings multiple and constant payout ratio that the DCF model assumes, all other measures of growth will mirror earnings growth. The historical growth rates were obtained from the Value Line publication that provides this data. While historical data cannot be ignored, it is much less significant in applying the DCF model than projections of future growth. Investors cannot purchase the past earnings of a utility. To the contrary, they are only entitled to future earnings, which are the focus of growth projections. Furthermore, if significant weight is assigned to historical performance, the historical data are double counted because they are already factored into analysts' forecasts of earnings growth.

Q. Is a five-year investment horizon associated with the analysts' forecasts consistent with the traditional DCF model?

A. Yes, it is. Although the constant form of the DCF model assumes an infinite stream of cash flows, investors do not expect to hold an investment indefinitely. Rather than viewing the DCF in the context of an endless stream of growing dividends (e.g., a century of cash flows), the growth in the share value (i.e., capital appreciation, or capital gains yield) is most relevant to investors' total return expectations. Hence, the sale price of a

stock can be viewed as a liquidating dividend that can be discounted along with the annual dividend receipts during the investment-holding period to arrive at the investors' expected return. The growth in the price per share will equal the growth in earnings per share if, as the DCF model assumes, there is no change in the price-earnings ("P-E") multiple. As such, my company-specific growth analysis, which focuses principally upon five-year forecasts of earnings per share growth, conforms with the type of analysis that influences investors' expectations of their actual total return. Moreover, academic research focuses also on five-year growth rates specifically because market outcomes occurring over that investment horizon are what influence stock prices. Indeed, if investors required forecasts beyond five (5) years in order to properly value common stocks, then it would be reasonable to expect that some investment advisory service would begin publishing that information for individual stocks in order to meet the demands of the marketplace. The absence of such a publication suggests that there is no market for this information because investors do not require forecasts for an infinite series of future data points in order to make informed decisions to purchase and sell stocks.

Q. What are the analysts' forecasts of future growth that you considered?

A. Schedule 9 provides projected earnings per share growth rates taken from analysts' five-year forecasts compiled by IBES/First Call, Zacks, and Value Line. These are all reliable authorities of projected growth that investors use to make buy, sell, and hold decisions. The IBES/First Call and Zacks estimates are obtained from the Internet and are widely available to investors. The growth rates reported by IBES/First Call and Zacks are consensus forecasts taken from a survey of analysts that make growth projections for these companies. Notably, First Call's earnings forecasts are frequently quoted in the financial press. The Value Line forecasts also are widely available to investors and can be obtained by subscription or free-of-charge at most public and collegiate libraries. The

IBES/First Call and Zacks forecasts are limited to earnings per share growth, while Value Line makes projections of other financial variables. The Value Line forecasts of dividends per share, book value per share, and cash flow per share for the Gas Group are also included on Schedule 9.

Q. What are the projected growth rates published by the sources you discussed?

A. Schedule 9 shows the prospective five-year earnings per share growth rates projected for the Gas Group by IBES/First Call (5.17%), Zacks (5.94%), and Value Line (7.61%).

Q. Are certain growth rate forecasts entitled to greater weight in developing a growth rate for use in the DCF model?

A. Yes. While a variety of factors should be examined to reach a reasonable conclusion on the DCF growth rate, growth in earnings per share should receive the greatest emphasis. Growth in earnings per share is the primary determinant of investors' expectations of the total returns they will obtain from stocks because the capital gains yield (i.e., price appreciation) will track earnings growth if the P-E multiple remains constant, as the DCF model assumes. Moreover, earnings per share (derived from net income) are the source of dividend payments and are the primary driver of retention growth and its surrogate, i.e., book value per share growth. As such, under these circumstances, greater emphasis must be placed upon projected earnings per share growth. In fact, Professor Myron Gordon, the foremost proponent of the use of the DCF model in setting utility rates, concluded that the best measure of growth for use in the DCF model is a forecast of earnings per-share growth.[7] Consistent with Professor Gordon's findings, projections of earnings per share growth, such as those published by IBES/First Call, Zacks, and Value Line, provide the best indication of investor expectations.

[7] Gordon, Gordon & Gould, "Choice Among Methods of Estimating Share Yield," The Journal of Portfolio Management (Spring 1989).

Q. What growth rate do you use in your DCF model?

A. The forecasts shown on Schedule 9 for the Gas Group exhibit a range of average earnings per share growth rates from 5.17% to 7.61%. DCF growth rates should not be established by mathematical formulation, and I have not done so. In my opinion, a growth rate of 6.75% is a reasonable estimate of investor-expected growth for the Gas Group. This value is within the array of analysts' forecasts of five-year earnings per share growth rates. The reasonableness of this growth rate is also supported by the expected continuation of gas utility infrastructure spending.

Q. Are the dividend yield and growth components of the DCF adequate to accurately depict the rate of return on common equity when it is used to calculate a utility's weighted average overall cost of capital?

A. The components of the DCF model are adequate for that purpose only if the capital structure ratios are measured by the market value of debt and equity. In the case of the Gas Group, average market capital structure ratios are 43.49% long-term debt, 0.46% preferred stock, and 56.06% common equity, as shown on Schedule 10. If book values are used to compute the capital structure ratios, then a leverage adjustment is required.

Q. What is a leverage adjustment?

A. If a firm's capitalization, as measured by its stock price, diverges from its capitalization, measured at book value, the potential exists for a financial risk difference. Such a risk difference arises because a market-valued capitalization contains more equity and less debt than a book-value capitalization and, therefore, has less risk than the book-value capitalization. A leverage adjustment properly accounts for the risk differential between market-value and book-value capital structures.

Q. Why is a leverage adjustment necessary?

A. In order to make the DCF results relevant to the capitalization measured at book value (as is done for rate setting purposes), the market-derived cost rate must be adjusted to account for this difference in financial risk. The only perspective that is important to investors is the return that they can realize on the market value of their investment. As I have measured the DCF, the simple yield (D/P) plus growth (g) provides a return applicable strictly to the price (P) that an investor is willing to pay for a share of stock. The need for the leverage adjustment arises when the results of the DCF model (k) are to be applied to a capital structure that is different from the capital structure indicated by the market price (P). From the market perspective, the financial risk of the Gas Group is accurately measured by the capital structure ratios calculated from the market-valued capitalization of a firm. If the ratemaking process utilized the market capitalization ratios, then no additional analysis or adjustment would be required, and the simple yield (D/P) plus growth (g) components of the DCF would satisfy the financial risk associated with the market value of the equity capitalization. Because the ratemaking process uses ratios calculated from a firm's book value capitalization, further analysis is required to synchronize the financial risk of the book capitalization with the required return on the book value of the firm's equity. This adjustment is developed through precise mathematical calculations, using well recognized analytical procedures that are widely accepted in the financial literature. To arrive at that return, the rate of return on common equity is the unleveraged cost of capital (or equity return at 100% equity) plus one or more terms reflecting the increase in financial risk resulting from the use of leverage in the capital structure. The calculations presented in the lower panel of data shown on

Schedule 10, under the heading "M&M,"[8] provides a return of 7.59% when applicable to a capital structure with 100% common equity.

Q. Are there specific factors that influence market-to-book ratios that determine whether the leverage adjustment should be made?

A. No. The leverage adjustment is not intended, nor was it designed, to address the reasons that stock prices vary from book value. Hence, any observations concerning market prices relative to book are not on point. The leverage adjustment deals with the issue of financial risk and does not transform the DCF result to a book value return through a market-to-book adjustment. Again, the leverage adjustment that I propose is based on the fundamental financial precept that the cost of equity is equal to the rate of return for an unleveraged firm (i.e., where the overall rate of return equates to the cost of equity with a capital structure that contains 100% equity) plus the additional return required for introducing debt and/or preferred stock leverage into the capital structure.

Further, as noted previously, the relatively high market prices of utility stocks cannot be attributed solely to the notion that these companies are expected to earn a return on the book value of equity that differs from their cost of equity determined from stock market prices. Stock prices above book value are common for utility stocks, and indeed the stock prices of non-regulated companies exceed book values by even greater margins. It is difficult to accept that the vast majority of all firms operating in our economy are generating returns far in excess of their cost of capital. Certainly, in our free-market economy, competition should contain such "excesses" if they actually existed.

[8] Franco Modigliani and Merton H. Miller, The Cost of Capital, Corporation Finance, and the Theory of Investments, American Economic Review, June 1958, at 261-297. Franco Modigliani and Merton H. Miller, Taxes and the Cost of Capital: A Correction, American Economic Review, June 1963, at 433-443.

Finally, the leverage adjustment adds stability to the final DCF cost rate. That is to say, as the market capitalization increases relative to its book value, the leverage adjustment increases while the simple yield (D/P) plus growth (g) result declines. The reverse is also true: when the market capitalization declines, the leverage adjustment also declines as the simple yield (D/P) plus growth (g) result increases.

Q. Is the leverage adjustment that you propose designed to transform the market return into one that is designed to produce a particular market-to-book ratio?

A. No, it is not. What I label a "leverage adjustment" is merely a convenient way of showing the amount that must be added to (or subtracted from) the result of the simple DCF model (i.e., D/P + g) when the DCF return applies to a capital structure used for ratemaking that is computed with book-value weighting rather than market-value weighting. Although I specify a separate factor, which I call the leverage adjustment, there is no need to do so other than to identify this factor. If I expressed my return solely in the context of the book value weighting that we use to calculate the weighted average cost of capital and ignore the familiar D/P + g expression entirely, then a separate element in the DCF cost of equity determination would not be needed to reflect the differential in financial leverage between a market-value and book-value capitalization. As shown in the bottom panel of data on Schedule 10, the equity return applicable to the book value common equity ratio is equal to 7.59%, which is the return for the Gas Group appropriate for a capital structure with no debt (i.e., a 100% equity ratio) plus 3.81% to compensate investors for the risk of a 51.07% debt ratio and 0.02% for a 0.54% preferred stock ratio. These are the book-value ratios that differ markedly from the market-value based ratios I discussed previously. Under this approach, the parts sum to 11.42% (7.59% + 3.81% + 0.02%), and there is no need to even address the cost of equity in terms of D/P + g. To express this same return in the context of the familiar DCF model, I summed the 3.68% dividend yield, the 6.75%

growth rate, and 0.99% for the leverage adjustment in order to arrive at the same 11.42% (3.68% + 6.75% + 0.99%) return. I know of no means to mathematically solve for the 0.99% leverage adjustment by expressing it in the terms of any particular relationship of market price to book value. The 0.99% adjustment is merely a convenient way to compare the 11.42% return computed using the Modigliani & Miller formulas to the 10.43% return generated by the DCF model (i.e., D_1/P_0 + g, or the traditional form of the DCF shown on Schedule 7, page 1) based on a market-value capital structure. A 10.43% return assigned to anything other than the market value of equity cannot equate to a reasonable return on book value that has higher financial risk. My point is that when we use a market-determined cost of equity developed from the DCF model, it reflects a level of financial risk that is different (in this case, lower) from the capital structure stated at book value. This process has nothing to do with targeting any particular market-to-book ratio.

Q. Please provide the DCF return based upon your preceding discussion of dividend yield, growth, and leverage.

A. As explained previously, I have utilized a six-month average dividend yield (D_1/P_0) adjusted in a forward-looking manner for my DCF calculation. This dividend yield is used in conjunction with the growth rate (g) previously developed. The DCF also includes the leverage modification (lev.) required when the book value equity ratio is used in determining the weighted average cost of capital in the ratemaking process rather than the market value equity ratio related to the price of stock. The resulting DCF cost rate is 11.42%, computed as follows:

	D_1/P_0	+	g	+	*lev.*	=	k
Gas Group	3.68%	+	6.75%	+	0.99%	=	11.42%

The DCF result shown above represents the simplified (i.e., Gordon) form of the model that contains a constant-growth assumption. I should reiterate, however, that the DCF-indicated cost rate provides an explanation of the rate of return on common stock market prices without regard to the prospect of a change in the price-earnings multiple. An assumption that there will be no change in the price-earnings multiple is not supported by the realities of the equity market because price-earnings multiples do not remain constant. This is one of the constraints of this model that makes it important to consider the results of other models when determining a company's cost of equity.

Risk Premium Analysis

Q. Please describe your use of the Risk Premium approach to determine the cost of equity.

A. With the Risk Premium approach, the cost of equity capital is determined by corporate bond yields plus a premium to account for the fact that common equity is exposed to greater investment risk than debt capital. The result of my Risk Premium study is shown on Schedule 1, page 2. That result is 10.50%.

Q. What long-term public utility debt cost rate did you use in your Risk Premium analysis?

A. In my opinion, and as I will explain in more detail further in my testimony, a 3.75% yield represents a reasonable estimate of the prospective yield on long-term A-rated public utility bonds.

Q. What historical data are shown by the Moody's data?

A. I have analyzed the historical yields on the Moody's index of long-term public utility debt as shown on Schedule 11, page 1. For the twelve (12) months ended December 2021, the average monthly yield on Moody's index of A-rated public utility bonds was 3.11%.

For the six- and three-month periods ended December 2021, the yields were 3.02% and 3.08%, respectively. During the twelve (12) months ended December 2021, the range of the yields on A-rated public utility bonds was 2.91% to 3.44%. Page 2 of Schedule 11 shows the long-run spread in yields between A-rated public utility bonds and long-term Treasury bonds. As shown on page 3 of Schedule 11, the yields on A-rated public utility bonds have exceeded those on Treasury bonds by 1.06% on a twelve-month average basis, 1.08% on a six-month average basis, and 1.13% on a three-month average basis. With these data, 1.00% represents a reasonable, albeit conservative, spread for the yield on A-rated public utility bonds over Treasury bonds.

Q. What forecasts of interest rates have you considered in your analysis?

A. I have determined the prospective yield on A-rated public utility debt by using the Blue Chip Financial Forecasts ("Blue Chip") along with the spread in the yields that I describe below. Blue Chip is a reliable authority and contains consensus forecasts of a variety of interest rates compiled from a panel of banking, brokerage, and investment advisory services. In early 1999, Blue Chip stopped publishing forecasts of yields on A-rated public utility bonds because the Federal Reserve deleted these yields from its Statistical Release H.15. To independently project a forecast of the yields on A-rated public utility bonds, I have combined the forecast yields on long-term Treasury bonds published on January 1, 2022, and a yield spread of 1.00%, derived from historical data.

Q. How have you used these data to project the yield on A-rated public utility bonds for the purpose of your Risk Premium analyses?

A. Shown below is my calculation of the prospective yield on A-rated public utility bonds using the building blocks discussed above, i.e., the Blue Chip forecast of Treasury bond yields and the public utility bond yield spread. For comparative purposes, I also have shown the Blue Chip forecasts of Aaa-rated and Baa-rated corporate bonds. These

forecasts are:

		Blue Chip Financial Forecasts				
		Corporate		30-Year	A-rated Public Utility	
Year	Quarter	Aaa-rated	Baa-rated	Treasury	Spread	Yield
2022	First	2.8%	3.6%	2.1%	1.00%	3.10%
2022	Second	3.0%	3.8%	2.2%	1.00%	3.20%
2022	Third	3.2%	4.0%	2.4%	1.00%	3.40%
2022	Fourth	3.4%	4.2%	2.5%	1.00%	3.50%
2023	First	3.6%	4.4%	2.7%	1.00%	3.70%
2023	Second	3.7%	4.6%	2.8%	1.00%	3.80%

Q. Are there additional forecasts of interest rates that extend beyond those shown above?

A. Yes. Twice yearly, Blue Chip provides long-term forecasts of interest rates. In its December 1, 2021 publication, Blue Chip published longer-term forecasts of interest rates, which were reported to be:

	Blue Chip Financial Forecasts		
	Corporate		30-Year
Averages	Aaa-rated	Baa-rated	Treasury
2023-2027	4.4%	5.2%	3.4%
2028-2032	4.9%	5.7%	3.8%

The longer-term forecasts by Blue Chip suggest that interest rates will move up from the levels revealed by the near-term forecasts. A 3.75% yield on A-rated public utility bonds represents a reasonable benchmark for measuring the cost of equity in this case. All the data I used to formulate my conclusion as to a prospective yield on A-rated public utility debt are available to investors, who regularly rely upon such data to make investment decisions. Recent FOMC pronouncements have moved the forecasts of interest rates to higher levels.

Q. What equity risk premium have you determined for public utilities?

A. To develop an appropriate equity risk premium, I analyzed the results from 2021 SBBI Yearbook, Stocks, Bonds, Bills and Inflation. My investigation reveals that the equity risk premium varies according to the level of interest rates. That is to say, the equity risk premium increases as interest rates decline, and it declines as interest rates increase. This inverse relationship is revealed by the summary data presented below and shown on Schedule 12, page 1.

Common Equity Risk Premiums

Low Interest Rates	6.63%
Average Across All Interest Rates	5.67%
High Interest Rates	4.69%

Based on my analysis of the historical data, the equity risk premium was 6.63% when the marginal cost of long-term government bonds was low (i.e., 2.85%, which was the average yield during periods of low rates). Conversely, when the yield on long-term government bonds was high (i.e., 7.09% on average during periods of high interest rates), the spread narrowed to 4.69%. Over the entire spectrum of interest rates, the equity risk premium was 5.67% when the average government bond yield was 4.95%. I have utilized a 6.75% equity risk premium. The equity risk premium of 6.75% that I employed is near the risk premiums associated with low interest rates.

Q. What common equity cost rate did you determine based on your Risk Premium analysis?

A. The cost of equity (i.e., “k”) is represented by the sum of the prospective yield for long-term public utility debt (i.e., “”") and the equity risk premium (i.e., “RP”). The Risk Premium approach provides a cost of equity of:

	i	+	*RP*	=	*k*
Gas Group	3.75%	+	6.75%	=	10.50%

Capital Asset Pricing Model

Q. How is the CAPM used to measure the cost of equity?

A. The CAPM uses the yield on a risk-free interest-bearing obligation plus a rate of return premium that is proportional to the systematic risk of an investment. As shown on page 2 of Schedule 1, the result of the CAPM is 13.45% for the Gas Group with the leverage adjustment. Without the leverage adjustment, the CAPM result is 12.29% (13.45% - (0.12 x 9.68%)). To compute the cost of equity with the CAPM, three (3) components are necessary: a risk-free rate of return ("Rf"), the beta measure of systematic risk ("β"), and the market risk premium ("Rm-Rf") derived from the total return on the market of equities reduced by the risk-free rate of return. The CAPM specifically accounts for differences in systematic risk (i.e., market risk as measured by the beta) between an individual firm or group of firms and the entire market of equities.

Q. What betas have you considered in the CAPM?

A. For my CAPM analysis, I initially considered the Value Line betas. As shown on page 2 of Schedule 3, the average beta is 0.88 for the Gas Group.

Q. Did you use the Value Line betas in the CAPM determined cost of equity?

A. I used the Value Line betas as a foundation for the leverage adjusted betas that I used in the CAPM. The betas must be reflective of the financial risk associated with the ratemaking capital structure that is measured at book value. Therefore, Value Line betas cannot be used directly in the CAPM, unless the cost rate developed using those betas is applied to a capital structure measured with market values. To develop a CAPM cost rate applicable to a book-value capital structure, the Value Line (market value) betas have

been unleveraged and re-leveraged for the book value common equity ratios using the Hamada formula,[9] as follows:

$$\beta l = \beta u\,[1 + (1 - t)\,D/E + P/E]$$

ßl = the leveraged beta, ßu = the unleveraged beta, t = income tax rate, D = debt ratio, P = preferred stock ratio, and E = common equity ratio. The betas published by Value Line have been calculated with the market price of stock and are related to the market value capitalization. By using the formula shown above and the capital structure ratios measured at market value, the beta would become 0.54 for the Gas Group if it employed no leverage and was 100% equity financed. Those calculations are shown on Schedule 10 under the section labeled "Hamada," who is credited with developing those formulas. With the unleveraged beta as a base, I calculated the leveraged beta of 1.00 for the book value capital structure of the Gas Group.

Q. What risk-free rate have you used in the CAPM?

A. As shown on page 1 of Schedule 13, I provided the historical yields on Treasury notes and bonds. For the twelve (12) months ended December 2021, the average yield on 30-year Treasury bonds was 2.05%. For the six- and three-months ended December 2021, the yields on 30-year Treasury bonds were 1.94% and 1.95%, respectively. During the twelve (12) months ended December 2021, the range of the yields on 30-year Treasury bonds was 1.82% to 2.34%. The low yields that existed during recent periods can be traced to weakness in business fixed investment and exports due in part to the trade dispute between the United States and China. Thereafter, extraordinary events associated with the Pandemic induced significant turmoil that jolted the capital markets

[9] Robert S. Hamada, "The Effects of the Firm's Capital Structure on the Systematic Risk of Common Stocks;" *The Journal of Finance* Vol. 27, No. 2, Papers and Proceedings of the Thirtieth Annual Meeting of the American Finance Association, New Orleans, Louisiana, December 27-29, 1971. (May 1972), pp. 435-452.

in the February-May 2020 time frame. During this period, we saw abrupt reaction to the Pandemic. These events led to the end of the record-setting 128-month economic expansion. As the recession unfolded in February 2020, the FOMC acted to address these disruptions. The FOMC continues to support the money and capital markets during the recovery from the COVID-19 Pandemic. Presently, the Fed Funds rate is near zero. It is expected that a transition in FOMC policy will prospectively produce higher interest rates as the Pandemic nears its end and the FOMC ends its quantitative easing. That program is expected to end in March 2022 and a Fed Funds rate increase is expected at that time. A forward-looking assessment of the capital markets is especially relevant now because the Company's rates will be based on financial conditions in 2023 and beyond. Higher inflation expectations are a contributing factor that points to higher interest rates. Indeed, higher inflation today is revealed by a 5.9% increase in social security payments announced on October 13, 2021, which is the largest one-year increase in nearly four (4) decades. As previously noted, the rate of inflation spiked upward to 7.5% in January 2022, reaching a four (4) decade high. FOMC is in the process of tapering its bond buying program (i.e., quantitative easing) which will be completed in March 2022. The Fed Funds rate is also likely to increase from very low levels that existed during the Pandemic. Higher interest rates clearly point to higher capital costs prospectively. I have already described the forecasts of higher interest rates, including the end of quantitative easing by the FOMC and indications prospectively of several increases in the Fed Funds rate in 2022.

As shown on page 2 of Schedule 13, forecasts published by Blue Chip on January 1, 2022 indicate that the yields on long-term Treasury bonds are expected to be in the range of 2.1% to 2.8% during the next six (6) quarters. The longer-term forecasts described previously show that the yields on 30-year Treasury bonds will average 3.4%

from 2023 through 2027 and 3.8% from 2028 to 2032. For the reasons explained previously, forecasts of interest rates should be emphasized at this time in selecting the risk-free rate of return in CAPM. Hence, I have used a 2.75% risk-free rate of return for CAPM purposes, which considers the Blue Chip forecasts.

Q. What market premium have you used in the CAPM?

A. As shown in the lower panel of data presented on Schedule 13, page 2, the market premium is derived from historical data and the forecast returns. For the historically based market premium, I have used the arithmetic mean obtained from the data presented on Schedule 12, page 1. On that schedule, the market return was 12.06% on large stocks during periods of low interest rates. During those periods, the yield on long-term government bonds was 2.85% when interest rates were low. As such, I carried over to Schedule 13, page 2, the average large common stock returns of 12.06% and the average yield on long-term government bonds of 2.85%. The resulting market premium is 9.21% (12.06% - 2.85%) based on historical data, as shown on Schedule 13, page 2. As also shown on Schedule 13, page 2, I calculated the forecast returns, which show a 12.89% total market return. With this forecast, I calculated a market premium of 10.14% (12.89% - 2.75%) using forecast data. The resulting market premium applicable to the CAPM derived from these sources equals 9.68% (10.14% + 9.21% = 19.35% ÷ 2).

Q. Are there adjustments to the CAPM that are necessary to fully reflect the rate of return on common equity?

A. Yes. The technical literature supports an adjustment relating to the size of the company or portfolio for which the calculation is performed. As the size of a firm decreases, its risk and required return increases. Moreover, in his discussion of the cost of capital, Professor Brigham has indicated that smaller firms have higher capital costs than otherwise similar larger firms. Also, the Fama/French study (see "The Cross-Section of

Expected Stock Returns;" The Journal of Finance, June 1992) established that the size of a firm helps explain stock returns. In an October 15, 1995 article in Public Utility Fortnightly, entitled “Equity and the Small-Stock Effect,” it was demonstrated that the CAPM could understate the cost of equity significantly according to a company’s size. Indeed, it was demonstrated in the SBBI Yearbook that the returns for stocks in lower deciles (i.e., smaller stocks) had returns in excess of those shown by the simple CAPM. As noted previously, CPA is relatively smaller than the Gas Group. To recognize this fact, I used the mid-cap adjustment of 1.02%, as revealed on page 3 of Schedule 13, for the CAPM calculation.

Q. What does your CAPM analysis show?

A. Using the 2.75% risk-free rate of return, the leverage adjusted beta of 1.00 for the Gas Group, the 9.78% market premium, and the 1.02% size adjustment, the following result is indicated.

	Rf	**+**	***ß***	***x (Rm-Rf)***	**+**	***size***	**=**	***k***
Gas Group	2.75%	+	1.00	x (9.68%)	+	1.02%	=	13.45%

Comparable Earnings Approach

Q. What is the Comparable Earnings approach?

A. The Comparable Earnings approach estimates a fair return on equity by comparing returns realized by non-regulated companies to returns that a public utility with similar risk characteristics would need to realize in order to compete for capital. Because regulation is a substitute for competitively determined prices, the returns realized by non-regulated firms with comparable risks to a public utility provide useful insight into investor expectations for public utility returns. The firms selected for the Comparable Earnings approach should be companies whose prices are not subject to cost-based price ceilings

(i.e., non-regulated firms) so that circularity is avoided.

There are two (2) avenues available to implement the Comparable Earnings approach. One method involves the selection of another industry (or industries) with comparable risks to the public utility in question, and the results for all companies within that industry serve as a benchmark. The second approach requires the selection of parameters that represent similar risk traits for the public utility and the comparable risk companies. Using this approach, the business lines of the comparable companies become unimportant. The latter approach is preferable with the further qualification that the comparable risk companies exclude regulated firms in order to avoid the circular reasoning implicit in the use of the achieved earnings/book ratios of other regulated firms. The United States Supreme Court has held that:

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. Bluefield Water Works vs. Public Service Commission, 262 U.S. 668 (1923).

It is important to identify the returns earned by firms that compete for capital with a public utility. This can be accomplished by analyzing the returns of non-regulated firms that are subject to the competitive forces of the marketplace.

Q. Did you compare the results of your DCF and CAPM analyses to the results indicated by a Comparable Earnings approach?

A. Yes. I selected companies from The Value Line Investment Survey for Windows that have six (6) categories of comparability designed to reflect the risk of the Gas Group. These

screening criteria were based upon the range as defined by the rankings of the companies in the Gas Group. The items considered were: Timeliness Rank, Safety Rank, Financial Strength, Price Stability, Value Line betas, and Technical Rank. The definition for these parameters is provided on Schedule 14, page 3. The identities of the companies comprising the Comparable Earnings group and their associated rankings within the ranges are identified on Schedule 14, page 1.

I relied upon Value Line data because it provides a comprehensive basis for evaluating the risks of the comparable firms. As to the returns calculated by Value Line for these companies, there is some downward bias in the figures shown on Schedule 14, page 2, because Value Line computes the returns on year-end rather than average book value. If average book values had been employed, the rates of return would have been slightly higher. Nevertheless, these are the returns considered by investors when taking positions in these stocks. Because many of the comparability factors, as well as the published returns, are used by investors in selecting stocks, and the fact that investors rely on the Value Line service to gauge returns, it is an appropriate database for measuring comparable return opportunities.

Q. What data did you consider in your Comparable Earnings analysis?

A. I used both historical realized returns and forecasted returns for non-utility companies. As noted previously, I have not used returns for utility companies in order to avoid the circularity that arises from using regulatory-influenced returns to determine a regulated return. It is appropriate to consider a relatively long measurement period in the Comparable Earnings approach in order to cover conditions over an entire business cycle. A ten-year period (five (5) historical years and five (5) projected years) is sufficient to cover an average business cycle. Unlike the DCF and CAPM, the results of the Comparable Earnings method can be applied directly to the book value capitalization. In

other words, the Comparable Earnings approach does not contain the potential misspecification contained in market models when the market capitalization and book value capitalization diverge significantly. A point of demarcation was chosen to eliminate the results of highly profitable enterprises, which the Bluefield case stated were not the type of returns that a utility was entitled to earn. For this purpose, I used 20% as the point where those returns could be viewed as highly profitable and should be excluded from the Comparable Earnings approach. The average historical rate of return on book common equity was 12.1% using only the returns that were less than 20%, as shown on Schedule 14, page 2. The average forecasted rate of return as published by Value Line is 12.8% also using values less than 20%, as provided on Schedule 14, page 2. Using the average of these data, my Comparable Earnings result is 12.45%, as shown on Schedule 1, page 2.

Conclusion On Cost Of Equity

Q. What is your conclusion regarding the Company's cost of common equity?

A. Based upon the application of a variety of methods and models described previously, it is my opinion that a reasonable rate of return on common equity is 11.20% for CPA, which includes 25 basis points in recognition of the exemplary performance of the Company's management. My cost of equity recommendation is within the range of results and should be considered in the context of the Company's risk characteristics relative to the barometer group companies. It is essential that the Commission employ a variety of techniques to measure the Company's cost of equity because of the limitations/infirmities that are inherent in each method. In summary, the Company should be provided an opportunity to realize an 11.20% rate of return on common equity so that it can compete in the capital markets, attain reasonable credit quality, sustain its cash flow in the context

of the its high levels of capital expenditures, and be compensated for its strong management performance.

Q. Does this complete your direct testimony?

A. Yes. However, I reserve the right to supplement my testimony, if necessary, and to respond to witnesses presented by other parties.

APPENDIX A TO DIRECT TESTIMONY OF PAUL R. MOUL

EDUCATIONAL BACKGROUND, BUSINESS EXPERIENCE AND QUALIFICATIONS

I was awarded a degree of Bachelor of Science in Business Administration by Drexel University in 1971. While at Drexel, I participated in the Cooperative Education Program which included employment, for one year, with American Water Works Service Company, Inc., as an internal auditor, where I was involved in the audits of several operating water companies of the American Water Works System and participated in the preparation of annual reports to regulatory agencies and assisted in other general accounting matters.

Upon graduation from Drexel University, I was employed by American Water Works Service Company, Inc., in the Eastern Regional Treasury Department where my duties included preparation of rate case exhibits for submission to regulatory agencies, as well as responsibility for various treasury functions of the thirteen New England operating subsidiaries.

In 1973, I joined the Municipal Financial Services Department of Betz Environmental Engineers, a consulting engineering firm, where I specialized in financial studies for municipal water and wastewater systems.

In 1974, I joined Associated Utility Services, Inc., now known as AUS Consultants. I held various positions with the Utility Services Group of AUS Consultants, concluding my employment there as a Senior Vice President.

In 1994, I formed P. Moul & Associates, an independent financial and regulatory consulting firm. In my capacity as Managing Consultant and for the past forty-two years, I have continuously studied the rate of return requirements for cost of service-regulated firms. In this regard, I have supervised the preparation of rate of return studies, which were employed, in connection with my testimony and in the past for other individuals. I have presented direct testimony on the subject of fair rate of return, evaluated rate of return testimony of other witnesses, and presented rebuttal testimony.

My studies and prepared direct testimony have been presented before thirty-seven (37) federal, state and municipal regulatory commissions, consisting of: the Federal Energy Regulatory Commission; state public utility commissions in Alabama, Alaska, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Virginia, West Virginia, Wisconsin, and the Philadelphia Gas Commission, and the Texas Commission on Environmental Quality. My testimony has been offered in over 300 rate cases involving electric power, natural gas distribution and transmission, resource recovery, solid waste collection and disposal, telephone, wastewater, and water service utility companies. While my testimony has involved principally fair rate of return and financial matters, I have also testified on capital allocations, capital recovery, cash working capital, income taxes, factoring of accounts receivable, and take-or-pay expense recovery. My testimony has been offered on behalf of municipal and investor-owned public utilities and for the staff of a regulatory commission. I have also testified at an Executive Session of the State of New Jersey Commission of Investigation concerning the BPU regulation of solid waste collection and disposal.

I was a co-author of a verified statement submitted to the Interstate Commerce Commission concerning the 1983 Railroad Cost of Capital (Ex Parte No. 452). I was also co-author of comments submitted to the Federal Energy Regulatory Commission regarding the Generic Determination of Rate of Return on Common Equity for Public Utilities in 1985, 1986 and 1987 (Docket Nos. RM85-19-000, RM86-12-000, RM87-35-000 and RM88-25-000). Further, I have been the consultant to the New York Chapter of the National Association of Water Companies, which represented the water utility group in the Proceeding on Motion of the Commission to Consider Financial Regulatory Policies for New York Utilities (Case 91-M-0509). I have also submitted comments to the Federal Energy Regulatory Commission in

its Notice of Proposed Rulemaking (Docket No. RM99-2-000) concerning Regional Transmission Organizations and on behalf of the Edison Electric Institute in its intervention in the case of Southern California Edison Company (Docket No. ER97-2355-000). Also, I was a member of the panel of participants at the Technical Conference in Docket No. PL07-2 on the Composition of Proxy Groups for Determining Gas and Oil Pipeline Return on Equity.

In late 1978, I arranged for the private placement of bonds on behalf of an investor-owned public utility. I have assisted in the preparation of a report to the Delaware Public Service Commission relative to the operations of the Lincoln and Ellendale Electric Company. I was also engaged by the Delaware P.S.C. to review and report on the proposed financing and disposition of certain assets of Sussex Shores Water Company (P.S.C. Docket Nos. 24-79 and 47-79). I was a co-author of a Report on Proposed Mandatory Solid Waste Collection Ordinance prepared for the Board of County Commissioners of Collier County, Florida. I have been a consultant to the Bucks County Water and Sewer Authority concerning rates and charges for wholesale contract service with the City of Philadelphia. My municipal consulting experience also included an assignment for Baltimore County, Maryland, regarding the City/County Water Agreement for Metropolitan District customers (Circuit Court for Baltimore County in Case 34/153/87-CSP-2636).

COLUMBIA STATEMENT NO. 9

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
NICOLE M. PALONEY
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

I. Introduction

Q. Please state your name and business address.

A. Nicole Paloney, 121 Champion Way, Suite 100, Canonsburg, PA 15317.

Q. By whom are you employed and in what capacity?

A. I am employed by Columbia Gas of Pennsylvania, Inc. ("Columbia" or the "Company") as Director of Rates and Regulatory Affairs.

Q. What are your responsibilities as Director of Rates and Regulatory Affairs?

A. I am responsible for developing and directing rate activity on behalf of the Company before the Pennsylvania Public Utility Commission ("Commission") as well as coordinating and representing the Company's position in a variety of regulatory matters and proceedings.

Q. What is your educational and professional background?

A. I have a Bachelor of Science in Business and Administration with an emphasis in Accounting and Finance from The Ohio State University. In 1998, I was hired as a staff auditor for Deloitte, primarily serving middle market clients in a variety of industries, including manufacturing, public pension systems and not for profit clients. I was promoted to manager in 2004 and served in that capacity until I left Deloitte in July 2005. From August 2005 until August 2008, I was employed by Cardinal Health in Dublin, Ohio. Cardinal Health provides pharmaceutical and medical products to the Health Care industry and is also a manufacturer of medical

and surgical products. I was a manager in Internal Audit during my tenure at Cardinal, with responsibility over internal audits that took place in the manufacturing and corporate segments of the company.

In August 2008, I joined NiSource Corporate Services Company ("NCSC") as an Internal Audit manager, with responsibility for internal audits that took place in NiSource Inc.'s ("NiSource") Gas Distribution segment. In September 2011, I transitioned to the Regulatory Strategy and Support group in the role of Project Manager, providing support to the state regulatory teams in Pennsylvania and Maryland. In May 2014, I began my role as Director of Rates and Regulatory Affairs for the Company.

Q. Have you previously testified before this Commission or any other Commission?

A. Yes. I have testified before the Commission on behalf of Columbia in its 2015, 2016, 2018 and 2021 base rate cases at Docket Nos. R-2015- 2468056, R-2016-2529660, R-2018-2647577 and R-2021-3024296. In addition to base rate proceedings in Pennsylvania, I also have submitted testimony in support of Columbia's request to increase the cap on its Distribution System Improvement Charge (Docket No. P-2015-2521993) and in an abandonment proceeding (Docket No. A-2015-2513395), as well is in the Company's Purchased Gas Cost proceedings at Docket Nos. R-2020-3018993, R-2021-3024349 and R-2022-3031172, respectively. I also have testified before the Public Service Commission of Maryland on behalf of Columbia Gas of

Maryland as a cost of service witness in Case No. 9316 and as a policy witness in Case Nos. 9354 and 9480.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide background on the budgeting process for the Gas Utility Segment departments, which include Field Operations, Construction, Customer Programs, President, and Safety Compliance and Risk Management, and how the company's budget is determined. My testimony supports projected Operations and Maintenance ("O&M") expenses for the Fully Projected Future Test Year ("FPFTY") (through December 31, 2023), that have been incorporated in Columbia witness Miller's cost of service analysis (Columbia Statement No. 4) for Columbia. Company Witness Nicholas Bly will be supporting the budgeting process for corporate O&M functions, overhead expenses, and NCSC at Columbia Statement No. 15. The following chart illustrates the cost elements in Exhibit 104, Schedule 1 pages 5 and 6 supported by myself and Witness Bly.

Cost Element Category	Company Witness
Labor	Bly/Paloney
Incentive Compensation	Bly
Pension	Bly
Pension Deferral Amortization	Bly
OPEB	Bly
Other Employee Benefits	Bly
Outside Services	Bly/Paloney
Building Leases	Bly/Paloney
Other Rent and Leases	Bly/Paloney
Corporate Insurance	Bly
Injuries and Damages	Bly
Employee Expenses	Bly/Paloney
Company Memberships	Paloney
Utilities and Fuel Used in Company Operations	Bly/Paloney
Advertising	Bly/Paloney
Fleet & Other Clearing	Bly/Paloney
Materials & Supplies	Bly/Paloney
Other O&M	Bly/Paloney
PUC, OCA, OSBA Fees	Paloney
NCSC	Bly
NCSC OPEB Costs Amortization	Bly

In addition to the information I will be supporting above, I will also be supporting the additional labor and benefits adjustment made by Company Witness Miller at Exhibit 104, Schedule 2, Sheet 18.

II. FULLY PROJECTED FUTURE TEST YEAR – O&M EXPENSE

Q. What is the basis for the forecasted O&M expense included in the Fully Projected Future Test Year?

A. The forecasted O&M expense included in the FPFTY test period is derived from the

Company's most recent O&M budget.

Q. How is the O&M budget developed?

A. The O&M budget for Columbia is developed by 3 distinct groups within the organization.

(1) Operations Planning: Operations Planning is responsible for developing a grass roots Field Operations budget planned at the cost element level. This budget includes all known Field Operations work, expected cost increases for the current year (merit increases, supplier increases, etc), along with continuous improvement initiatives and other cost savings initiatives throughout the organization. This grass roots budget is compared to the prior year spend to ensure it is reasonable compared to actual costs incurred in the prior year.

(2) State Financial Planning and Analysis (State FP&A): State FP&A reviews and verifies the Field Operations budget is entered correctly in the budget system, as well as develops the O&M budget for the other Gas Utility Segment departments and verifies the budget is appropriately spread by department, by cost element, and by month. The budgeting process described above is for all expenses charged directly to the state.

(3) Corporate Financial Planning & Analysis (Corporate FP&A): Corporate FP&A is responsible for budgeting the NCSC allocation. In addition, Corporate FP&A budgets corporate O&M functions and overhead expenses charged to the state outside of the Gas Utility Segment (primarily non-utility work). Company Witness

Nicholas Bly will address the budgeting process for corporate O&M functions, overhead expenses, and NCSC in his testimony at Columbia Statement 15.

Q. Does that conclude the development of the O&M expense budgeting process?

A. No. There are a series of reviews throughout the budget process with various business partners along with State Leadership to discuss the upcoming budget and answer questions. After everything is complete and there are no further adjustments, the final budget is reviewed and approved by the Company President and Senior VP of Regulatory and Utilities Planning. This review includes a comparison of a series of data points based on most recent experience. Specifically, the proposed O&M budget is compared to the most recent year's O&M budget as well as compared to the prior year's actual, experienced amounts. These comparisons help identify trends and allow for measurement against the Company and parent company management's expectations. Once finalized, the departmental O&M expense budget is incorporated into the business unit's operating plan.

Q. Have you excluded certain cost categories from your comparison?

A. Yes. O&M expenses that are designed to match, or track against, revenues related to specific programs or costs such as gas costs and low-income programs have been excluded. Such revenue matching mechanisms have been previously approved by this Commission and ensure that there is no impact on net operating income. The accounting treatment generally allows such expenses to be deferred as incurred and

reclassified to expense when the recovery of program costs is recorded in revenue. While these O&M expense variances may be material, there is a corresponding offsetting revenue variance. For that reason, I have excluded these expenses from the comparison so as not to distort the accuracy of the budget.

Forecasted Labor Expense

Q. What are the principal assumptions used in the development of the labor cost element for specific department budgets included in the forecasted test period O&M expenses?

A. Labor expense is based on projected headcount and wage increase assumptions. More detailed labor budgets are developed by projecting the year's labor based on a trend analysis. The projection includes estimates for headcount, gross salary, overtime, vacation and sick time, and labor charges in from other departments. This results in a sub-total for total labor dollars available by month, which will then be allocated between O&M accounts, capital, and charges to other departments. That allocation involves developing an estimate for the following year's O&M labor budget based on the projected work by activity and using the estimate to determine how much of the labor budget should be allocated to O&M accounts. The remaining labor resources are then allocated to capital or charged out to other departments where work may be performed. A final reasonableness check is done to compare the budgeted amount for capital labor against prior year actual charges to ensure the numbers are in line with the most recent results.

The starting point for forecasting labor costs for Gas Utility Segment departments, excluding Field Operations, is the current organizational chart, which is then reviewed with each functional leader to properly reflect their organization for the upcoming year, including any terminations, additions, or transfers. The labor planning module calculates annual salary increases for merit. Additionally, the planning system reduces labor expense by a capitalization rate, consistent with historical results by department, to calculate a net labor amount. The labor expense values by department are compared to the prior year for reasonableness before the plan is finalized.

Q. Does your budgeting analysis include any projections regarding Columbia headcount?

A. Yes, Columbia is projecting 782 active full-time employees for 2022 and 2023, and an overall wage increase guideline of 3% for exempt and non-exempt employees. Labor costs for bargaining unit employees are based on the contracts currently in place. The headcount reflects the level of 782 active full-time employees at the end of the Historic Test Year ("HTY").

Q. Please explain the additional labor and benefits adjustment included in Exhibit 104, Schedule 2, page 18.

A. At the time the cost of service for this case was prepared, the Company was in labor negotiations with several unions. The adjustment proposed herein is reflective of the contract that was presented to the unions for ratification before the cost of service

was completed. These adjustments were based on the successful negotiations other companies across the NiSource footprint have had with the unions, and is reflective of the increased labor costs included in other contracts that have been ratified. Adjustments in Exhibit 104, Schedule 2, Sheet 18 include an annual wage increase of $.50 cents in 2022 and 2023 (the Future Test Year (FTY) and the FPFTY, respectively), as well as the application of merit increases to the increase in FTY and FPFTY. The company will provide updates to this adjustment during the course of the proceeding.

Forecasted Non-Labor Expenses

Q. Please explain how non-labor activities or events are taken into account in the development of the O&M expense budget.

A. Non-labor expenses start with the assumption that amounts are to be held relatively flat year to year, beginning with 2021 actuals, reflecting normal, ongoing level of expenses and further adjusted for incremental activities or events that are reasonably expected to occur, or adjusted for expenses that are not expected to recur.

The FTY and the FPFTY Outside Services budgets reflect planned work activities and work volume based on historical information and inflationary cost increases.

O&M Expense Levels

Q. What are the O&M expense levels for the Historic Test Year, Future Test Year, and Fully Projected Future Test Year?

A. Per Exhibit 104, Schedule 1, Pages 3 & 4, Row 22, O&M expense is $166,706,602 for the Historic Test Year ended November 30, 2022, $173,506,000 for the Future Test Year ending November 30, 2022 and $175,295,000 for the Fully Projected Future Test Year ending December 31, 2023, increases of $6,799,398 and $1,789,000, respectively, before pro forma ratemaking adjustments for the FTY and the FPFTY.[1]

Q. Does this complete your direct testimony?

A. Yes, it does.

[1] This testimony compares O&M expenses independent of expense items specifically tracked against revenues as discussed earlier in this testimony.

Columbia Gas of Pennsylvania
Statement of Operations and Maitntenance Expense
Budget Vs. Actual

Exhibit NP-1

	Budget												
CE	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Labor	23,873	23,108	22,910	23,693	25,709	25,251	28,309	29,646	31,181	31,534	32,271	36,572	38,028
Incentive Compensation	293	1,171	1,149	1,249	1,238	1,333	1,584	1,642	1,742	2,150	1,133	2,676	2,946
Pension	2,119	6,005	6,598	-	3	1,137	-	6	549	-	-		-
OPEB	715	1,065	492	(154)	(284)	(550)	(1,378)	(810)	(514)	(1,109)	(730)	(678)	(1,420)
Other Employee Benefits	5,076	6,363	6,509	6,184	6,454	4,584	4,791	5,635	5,975	6,445	6,851	7,302	7,973
Outside Services	15,636	15,175	13,094	12,123	12,104	22,311	26,079	23,977	25,458	22,634	23,453	22,167	29,086
Rent and Leases	1,314	1,374	1,458	1,615	1,887	2,273	4,791	3,607	3,873	3,203	3,296	2,857	2,658
Corporate Insurance	3,116	3,574	3,413	3,048	3,004	3,087	4,516	3,481	3,705	3,495	3,631	5,861	7,860
Injuries and Damages	1,209	944	795	630	630	500	500	400	-	400	400	400	300
Employee Expenses	1,109	1,046	1,163	1,142	1,295	1,305	1,640	1,452	1,501	1,584	1,483	1,642	1,622
Company Memberships	347	345	249	292	262	256	256	332	491	491	563	560	523
Utilities and Fuel Used in Company Operations	675	570	567	503	1,167	1,303	1,310	1,370	1,102	1,709	1,715	2,142	1,959
Advertising	500	185	170	170	470	170	170	170	170	170	174	174	170
Fleet	4,663	4,104	4,421	5,046	5,452	5,708	5,728	5,797	5,879	6,255	5,673	6,671	6,434
Materials & Supplies	4,929	4,767	4,775	4,899	4,649	5,024	5,067	5,962	5,366	5,865	5,568	5,755	6,159
Other O&M	(3,987)	(3,780)	(116)	(783)	60	(1,906)	(434)	393	1,050	646	1,381	193	2,495
PUC, OCA, OSBA Fees	1,673	1,953	1,354	1,454	1,699	1,583	2,161	2,330	2,460	2,262	2,341	2,262	2,262
NCSC Shared Services & NGD Shared Operations	31,889	38,399	37,740	39,742	44,597	47,962	49,533	57,719	67,158	66,049	64,185	59,051	78,913
Amortization	82	75	(243)	(1,446)	(1,455)	185	267	496	511	409	845	935	935
Lobbying (Amount included in above Cost Elements)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operation and Maintenance Expense	95,231	106,443	106,498	99,407	108,941	121,516	134,890	143,604	157,656	154,193	154,233	156,541	188,903

Columbia Gas of Pennsylvania
Statement of Operations and Maitntenance Expense
Budget Vs. Actual

Exhibit NP-1

	Actuals												
CE	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Labor	23,153	23,577	22,845	23,996	25,124	25,818	27,980	29,093	30,019	32,461	36,471	36,293	35,828
Incentive Compensation	1,303	1,628	1,649	1,690	1,845	1,816	1,791	1,981	2,590	1,381	1,246	2,137	2,676
Pension	392	5,799	13,088	91	2,489	1,131	14	21	8,538	(8,417)	12	13	(12)
OPEB	1,683	775	(213)	88	(454)	(1,298)	(1,336)	(583)	(410)	(843)	(325)	(693)	(1,459)
Other Employee Benefits	4,995	7,472	6,210	5,880	5,635	5,432	5,992	5,924	6,099	6,015	6,931	9,181	7,311
Outside Services	15,180	15,440	13,244	12,133	14,113	22,070	22,951	25,361	28,246	21,352	22,850	15,615	24,677
Rent and Leases	1,306	1,207	1,348	1,485	1,699	1,699	2,252	2,831	3,453	3,234	3,409	2,592	1,812
Corporate Insurance	3,045	3,241	2,926	2,763	2,734	2,796	2,899	3,024	3,176	3,239	4,363	6,281	6,421
Injuries and Damages	605	545	340	241	305	(185)	381	363	337	270	512	317	260
Employee Expenses	1,405	1,450	1,553	1,465	1,376	1,264	1,415	1,381	1,545	1,383	1,713	1,063	1,701
Company Memberships	295	250	293	262	249	313	479	563	599	527	569	854	711
Utilities and Fuel Used in Company Operations	451	417	487	1,094	1,247	1,244	1,287	1,460	1,679	1,693	1,723	1,871	2,738
Advertising	389	281	167	133	243	236	207	226	283	146	224	719	551
Fleet	4,650	4,726	5,092	5,357	5,780	6,106	5,956	6,206	6,320	6,338	6,906	6,389	6,274
Materials & Supplies	4,741	4,967	4,412	4,353	5,171	5,343	5,873	5,461	6,327	5,627	6,320	6,643	6,832
Other O&M	(3,527)	(3,005)	157	(63)	31	512	306	367	647	1,074	1,242	982	1,353
PUC, OCA, OSBA Fees	1,721	1,539	1,348	1,523	1,585	1,815	2,161	1,960	1,846	1,814	2,113	2,125	2,198
NCSC Shared Services & NGD Shared Operations	34,023	36,457	38,899	40,164	43,374	50,760	53,169	56,264	68,727	63,166	64,147	62,366	68,769
Amortization	82	0	(489)	(1,446)	(594)	185	267	396	511	845	845	935	935
Lobbying (Amount included in above Cost Elements)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operation and Maintenance Expense	95,892	106,766	113,356	101,209	111,952	127,057	134,044	142,299	170,532	141,304	161,271	155,683	169,576

Columbia Gas of Pennsylvania
Statement of Operations and Maitntenance Expense
Budget Vs. Actual

Exhibit NP-1

CE	Variance 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Labor	(720)	469	(65)	303	(585)	567	(329)	(553)	(1,162)	927	4,200	(279)	(2,200)
Incentive Compensation	1,010	457	500	441	607	484	207	339	848	(769)	113	(539)	(270)
Pension	(1,727)	(206)	6,490	91	2,486	(6)	14	15	7,989	(8,417)	12	13	(12)
OPEB	968	(290)	(705)	242	(170)	(748)	42	227	104	266	405	(15)	(38)
Other Employee Benefits	(81)	1,109	(299)	(304)	(819)	848	1,201	289	124	(429)	80	1,879	(663)
Outside Services	(456)	265	150	10	2,009	(241)	(3,128)	1,384	2,788	(1,282)	(603)	(6,552)	(4,409)
Rent and Leases	(8)	(167)	(110)	(130)	(188)	(574)	(2,539)	(776)	(420)	31	113	(266)	(846)
Corporate Insurance	(71)	(333)	(487)	(285)	(270)	(291)	(1,617)	(457)	(529)	(255)	732	420	(1,439)
Injuries and Damages	(604)	(399)	(455)	(389)	(325)	(685)	(119)	(37)	337	(130)	112	(83)	(40)
Employee Expenses	296	404	390	323	81	(41)	(225)	(71)	44	(202)	230	(578)	80
Company Memberships	(52)	(95)	44	(30)	(13)	57	223	231	108	35	6	294	188
Utilities and Fuel Used in Company Operations	(224)	(153)	(80)	591	80	(59)	(23)	90	577	(16)	8	(272)	778
Advertising	(111)	96	(3)	(37)	(227)	66	37	56	113	(24)	51	546	381
Fleet	(13)	622	671	311	328	398	228	409	441	83	1,233	(283)	(159)
Materials & Supplies	(188)	200	(363)	(546)	522	319	806	(501)	961	(238)	752	889	673
Other O&M	460	774	272	720	(29)	2,418	740	(26)	(403)	428	(139)	788	(1,142)
PUC, OCA, OSBA Fees	48	(413)	(5)	69	(114)	232	-	(370)	(614)	(448)	(228)	(137)	(64)
NCSC Shared Services & NGD Shared Operations	2,134	(1,942)	1,159	422	(1,223)	2,798	3,636	(1,455)	1,569	(2,884)	(38)	3,315	(10,145)
Amortization	(0)	(74)	(246)	(0)	861	-	-	(100)	-	436	-	0	(0)
Lobbying (Amount included in above Cost Elements)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operation and Maintenance Expense	661	324	6,858	1,802	3,011	5,542	(846)	(1,305)	12,876	(12,889)	7,038	(858)	(19,327)

COLUMBIA STATEMENT NO. 10

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
JENNIFER HARDING
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

Q. Please state your name and business address.

A. My name is Jennifer Harding. My business address is 290 W. Nationwide Blvd, Columbus, Ohio 43215.

Q. By whom are you employed and in what capacity?

A. I am employed by NiSource Corporate Services Company ("NCSC"), a management and services subsidiary of NiSource Inc. ("NiSource"). My current title is Director, Income Tax Operations at NCSC.

Q. Please briefly describe your professional experience.

A. I began my career with KPMG as a Senior Associate in the tax department in Baltimore, Maryland in 2005. In 2009, I joined Constellation Energy as a Tax Manager responsible for all aspects of income tax and non-income tax for the generation segment and managed the IRS Federal income tax audit CAP ("Compliance Assurance Process") program. Constellation was acquired by Exelon Corporation in 2012, and I moved to Chicago, Illinois as the Tax Manager of the electric utility responsible for income tax accounting, forecasting income taxes, and income tax and non-income tax return filings. In 2014, I moved to the Netherlands and worked for Mead Johnson Nutrition BV as the Tax Manager for the European region with responsibility for all aspects of income tax and non-income tax accounting, tax research and tax return filings. In 2016, I moved to Columbus, Ohio and worked for Cardinal Health as the Director of International Tax Operations with a responsibility for income tax accounting, forecasting, mergers & acquisitions, tax research and tax return filings in Cardinal Health's foreign jurisdictions. In 2018, I worked as the Head of Tax for Hyperion Materials & Technologies with full

responsibility for all global income and non-income tax accounting, tax return filings, research, mergers & acquisitions and forecasting. In January 2020, I joined NiSource in my current position.

Q. Please describe your educational background.

A. I received a bachelor's in business administration with a concentration in Accounting in 2007 from the Notre Dame of Maryland University in Baltimore, Maryland.

Q. What are your responsibilities in your current position?

A. In my current position as Director of Tax Operations, I am responsible for the operational income tax activities for NiSource Inc. and Subsidiaries, including Columbia Gas of Pennsylvania, Inc. ("Columbia" or "the Company"). My responsibilities include oversight and review of the preparation of the Company's income tax accrual and deferred tax entries, forecasting income taxes, preparation and filing income tax returns, technical income tax research and preparation of income tax data and related testimony for rate proceedings.

Q. Have you previously testified before this or any other regulatory agency?

A. I have previously provided testimony to the Pennsylvania Public Utility Commission ("Commission"), the Maryland Public Service Commission, the Kentucky Public Service Commission, and the Indiana Utility Regulatory Commission.

Q. What is the purpose of your testimony in this proceeding?

A. The primary purpose of my testimony is to present and support Columbia's income tax and other tax expense included in the cost of service. The filing includes federal and state income tax recovery, reduction of rate base for deferred income taxes and

incorporation of the effects of the enacted Tax Cuts and Jobs Act of 2017. The income tax calculations are included in Exhibit 7 for the Historic Test Year (the twelve-month period ending November 30, 2021) and Exhibit 107 for the Future Test Year (the twelve-month period ending November 30, 2022) and Fully Projected Future Test Year (the twelve-month period ending December 31, 2023). Taxes other than income tax are included in Exhibit 6 for the Historic Test Year and Exhibit 106 for the Future Test and Fully Projected Future Test Year.

Q. Will you explain the basis for the income tax calculations for the Historic Test Year?

A. The tax calculations were made in accordance with federal and state laws. The federal tax rate in effect for the Historic Test Year is 21%. The federal tax rate of 21% has also been reflected for the Future Test Year and the Fully Projected Future Test Year. The Historic Test Year tax calculations have been impacted by certain items that have been historically treated as flow-through or deferred in rate making proceedings.

Q. Is the Company monitoring Federal and Pennsylvania legislation that may impact income tax expense?

A. Yes, the Company is monitoring Federal legislative developments that may impact income tax expense, however, there is no significant proposed Federal legislation at this time. With respect to state legislation, H.B. 2300, was introduced in the Pennsylvania House on January 27, 2022. If enacted, H.B. 2300 would reduce the corporate net income tax rate in 2023 to 9.74% and to 9.49% in 2024. If and when legislation is enacted to reduce the Pennsylvania corporate net income tax rate,

Columbia would utilize the State Tax Adjustment ("STAS") pursuant to 52 Pa. Code § 69.51 - § 69. The STAS provides for the automatic adjustment of rates for changes in state taxes, including the Pennsylvania Corporate Net Income Tax, Capital Stock Tax, Gross Receipts Tax and Public Utility Realty Tax. Pursuant to Section 69.52 a utility which has a STAS or gross receipts tax rider shall maintain its surcharge and rider rates at 0% unless there has been a change in the applicable tax rates. Procedurally under Section 69.52 Exhibit A, every public utility which has been subjected to new or increased taxes enacted by the General Assembly shall compute the surcharge as prescribed by the Commission and submit the computation to the Commission.

Furthermore, pursuant to Section 69.55(2), the STAS and gross receipts tax rider shall be zeroed, and the tax expenses recovered through application of the surcharge and rider shall be rolled into base rates by filing a tariff or tariff supplement and supporting data on 60-days' statutory notice to the Commission. The transfer of revenues to base rates shall be accomplished so that there will be no effective change in total revenues recovered from each service classification as a result of the roll-in. It is my understanding that many utilities implement this roll-in through the filing of a new base rate case.

To the extent legislation is enacted before the record is closed in this proceeding, Columbia would expect to include the impact to base rates.

Q. Can you explain the flow-through items included in the tax provision and impacts of the TCJA of 2017?

A. Prior to 1981, federal tax statutes did not require full normalization of accelerated

tax depreciation versus book straight line depreciation recovered in rates. Beginning in 1981, the normalization method of accounting prevents utilities from recognizing a reduction in current taxes resulting from the application of accelerated tax depreciation to be immediately recognized as flow-through to utility ratepayers under the Internal Revenue Code. Such benefits must be provided for in a deferred tax reserve, and that reserve may be allowed as a rate base reduction. Prior to 1984, the Company flowed-through the benefits of accelerated depreciation for vintage years prior to 1981. Beginning in 1984, the Company began to normalize the remaining book versus tax differences on Asset Depreciation Range vintages (1971 through 1980) based upon the Pennsylvania Public Utility Commission's ("Commission") order in Docket No. R-832493. For the Historic Test Year, the Company has very little in terms of tax depreciation remaining on pre-1981 assets. Thus, Columbia is in a turnaround position, since book depreciation is now higher than tax depreciation. In addition, the Company has excess accumulated deferred income taxes that were originally computed at higher federal tax rates (namely 46% federal tax rate for asset vintages 1981-1987 and 35% federal tax rate for asset vintages 1988-2017) compared to the current corporate income tax rate of 21%, a result of the enactment of TCJA of 2017, that are being refunded in rates under the Average Rate Assumption Method ("ARAM"). ARAM is the method under which the excess in the reserve for deferred income taxes is reduced over the remaining lives of the property as used in its books of account that gave rise to the reserve for deferred income taxes and flow-through the amortization of the excess accumulated deferred income taxes. Because most of the book versus tax differences related to

assets that were 15- or 20-year property for federal tax purposes and there were multiple years of bonus depreciation since 2001, the excess is in a turnaround situation. There is a variable nature inherent in ARAM, which does not result in an amount that is fixed in every period due to factors such as changes in capital additions, depreciation rates, future retirements, and the vintages of those retirements. The Company projects to record lower tax expense of $4,305,588 in its federal tax provision related to the excess accumulated deferred income taxes on asset vintages 1981-2017 for the Fully Projected Future Test Year.

Q. Are there any other deferred taxes that are impacted by the TCJA?

A. Yes, the Company also has deferred taxes for the Federal net operating loss ("NOL"), customer advances, inventory, and other book vs. tax timing differences. The federal rate reduction creates net deficient deferred taxes that were originally computed at a 35% federal tax rate for these assets that are reversing at a 21% federal tax rate. For the Federal NOL, the Company includes the recovery of the deficient deferred taxes over the estimated remaining life of the assets of 42 years based on a composite book depreciation rate of 2.4% as included in the last base rate case and projects to record higher tax expense in the amount of $571,394 for the Fully Projected Future Test Year. For the non-property related deferred taxes on customer advances and inventory that are included in the calculation of rate base, the Company projects to record higher tax expense in its federal tax provision by $626,961, using a ten-year amortization period for the Fully Projected Future Test Year. The remaining non-property deferred taxes on book vs. tax timing differences are a net deferred tax asset which results in net deficient deferred taxes because of TCJA. It is the Company's

position that because those deferred taxes were not included in the calculation of rate base, the Company is not seeking recovery of the deficient deferred taxes resulting from the decrease in the federal income tax rate.

Q. How does the 2008 change in method of accounting for repairs impact Columbia's taxable income in the rate-making process?

A. For a period, the repairs deduction is anticipated to exceed deductions if the plant had been capitalized for tax purposes, and thus will continue to result in a reduction to taxable income. However, beginning post October 18, 2011 (the effective date of rates as established in Columbia's 2010 rate case) the federal repairs deduction is being normalized under deferred tax accounting, so there will be no impact on total federal tax expense. However, the repairs deduction has not been normalized, based on prior Commission orders, and is flow-through for state tax purposes and is reflected in the state tax expense.

Q. Are there any other items treated as flow-through in the rate-making process?

A. Yes. The Company continues to reduce its income tax allowance for the net cost of retirements, which is allowed as a deduction on its tax return. In addition, there are three permanent differences included in the tax provision. A permanent difference results when revenue (gain) or expense (loss) is recognized in book accounting but not recognized under the rules of the Internal Revenue Code, or vice versa. Permanent items increasing tax expense are non-deductible expenses for business meals and employee stock purchase plan compensation included in the total flow-through adjustments on Exhibit 107, Page 16, Line 15.

Q. How has the Company handled Pennsylvania Corporate Net Income Taxes in its calculation of deferred income taxes for property?

A. The Company, based on prior Commission orders, has not normalized deferred state income taxes. The Company continues to flow-through the state income tax benefits of accelerated depreciation on its book depreciable assets. The Company was not permitted to claim the benefit of Federal bonus depreciation deductions that have been taken in years prior to 2018 in the Pennsylvania corporate tax and adjusts federal accelerated tax deductions in future years for previously-disallowed bonus depreciation.

Q. Does the Company expect to fully utilize the Pennsylvania net operating loss carryforward in the Fully Projected Future Test Year?

A. Yes. The Company had a $144,975,996 net operating loss for 2008 that was carried forward to future years. In October 2017, the Pennsylvania Supreme Court held that the flat-dollar cap on the NOL deduction violated the Uniformity Clause of the Pennsylvania Constitution[1] thereby affirming the Commonwealth Court of Pennsylvania decision in 2015[2]. The Pennsylvania Supreme Court ordered that the flat-dollar cap of $5 million be removed. In anticipation of the Pennsylvania Supreme Court ruling, the Pennsylvania House of Representatives passed House Bill ("HB") 542, which included a provision that removed the $5 million cap on NOL deductions and increases the then-current cap of 30% of taxable income to 35% for tax year 2018 and 40% for tax year 2019 and future years. On October 30, 2017,

[1] *Nextel Communications of the Mid-Atlantic, Inc. v. Commonwealth*, 171 A.3d 682 (Pa. 2017).
[2] *Nextel Communications of the Mid-Atlantic, Inc., v. Commonwealth*, 129 A.3d 1 (Pa. Commw. 2015).

Pennsylvania Governor Tom Wolf signed HB542 into law. In response to the decision, the Pennsylvania Department of Revenue has revised its forms and procedures to eliminate the $5 million flat-dollar cap. The Company's computed state tax expense considers the NOL limitation of 40% of state taxable income in the Historic Test Year and Future Test Year. However, the remaining Pennsylvania net operating loss is less than 40% of state taxable income in the Fully Projected Future Test Year (Exhibit 107, Page 17, Line 6). The Pennsylvania NOL carryforward is reflected on Exhibit 7, Page 23 depicting the Pennsylvania NOL carryforward is fully utilized in the Fully Projected Future Test Year.

Q. How does the utilization of the Pennsylvania NOL carryforward impact the revenue gross-up factor computed on Exhibit 102, Schedule 3?

A. The benefit of the Pennsylvania NOL has been included in the revenue gross up factor presented on Exhibit 2, Schedule 3, Page 5, Line 12 by reducing the Pennsylvania state income tax rate of 9.99% to 5.99% (9.99% multiplied by 60%). However, since the Pennsylvania NOL carryforward is fully utilized in the Fully Project Future Test Year, the Pennsylvania state income tax rate included in the revenue gross-up factor on Exhibit 102, Schedule 3, Page 5, Line 12 is 9.99%.

Q. Does the Company's proposed revenue requirement reflect a consolidated tax adjustment?

A. No. The passage of Act 40, 66 Pa. C.S. § 1301.1, which became effective August 10, 2016, eliminated the consolidated tax adjustment in ratemaking. Title 66 of the Pennsylvania Consolidated Statues Section 1301.1 states that for the computation of income tax expense for ratemaking purposes, if an expense or investment is not

allowed to be included in a public utility's rates, the tax losses of a public utility's parent or affiliated companies should not be included in computation of income tax expense to reduce rates. However, Section 1301.1(b) requires a public utility seeking to change rates to demonstrate that it shall use at least 50 percent of what would have been a consolidated tax expense adjustment under the law prior to Act 40 for reliability or infrastructure related capital investment and the other 50 percent shall be used for general corporate purposes. The Company prepared Exhibit No. 7, Pages 2 through 4 for the computation of the Section 1301.1 differential and details of the income and losses of affiliated companies for the periods 2018 to 2020. The Company computed what the consolidated tax expense adjustment would have been by dividing the 3-year average of Columbia's Federal taxable income of $65.3 million by the 3-year average of the Federal taxable income of the consolidated group members with taxable income of $589.1 million to determine the percentage of Columbia's of 11%. This percentage was multiplied by the 3-year average of Federal taxable loss of the adjusted consolidated group members with taxable loss of $201.1 million. The consolidated group member Federal taxable loss was adjusted to exclude Federal taxable losses attributed to Bay State Gas Company and Northern Indiana Public Service Company for tax year 2018. The losses were excluded since the assets of Bay State Gas Company were sold in 2020 and losses recognized by Northern Indiana Public Services Company are not expected to continue as they primarily related to accelerated depreciation deductions. Columbia's allocation of Federal taxable loss companies is $22.3 million tax effected at 21% resulting in a Section 1301.1(b) differential of $4.7 million.

Q. Does the Company's rate case claim support the conclusion that it is using at least 50 percent of the amount that would have been a consolidated tax adjustment prior to Act 40 to support reliability or infrastructure related capital investment?

A. Yes, as depicted in GAS-RR-014, Attachment A and discussed in the direct testimony of Columbia Witness Covert (Columbia St. No. 7), Columbia's pro forma capital additions for reliability or infrastructure projects are $275.8 million in the FTY and $342.4 million in the FPFTY. This expenditure level is greater than $2.3 million (50% of the $4.7 million Section 13.01.1(b) differential) that would have been a consolidated tax adjustment prior to Act 40 of 2016.

Q. Does the Company's rate case claim support the conclusion that it is using at least 50 percent the amount that would have been a consolidated tax adjustment prior to Act 40 to support the amount of the revenue requirement attributed to general corporate purposes?

A. Yes, as depicted in Exhibit 102, Schedule 3, Page 3, Line 18 and discussed in direct testimony of Columbia Witness Miller, Columbia's pro forma operating and maintenance budget is $228.6 million in the FTY and $246.6 million in the FPFTY. This expenditure level is greater than $2.3 million (50% of the $4.7 million 13.01.1(b) differential) that would have been a consolidated tax adjustment prior to Act 40 of 2016.

Q. Can you summarize the impact of your testimony on historic and proposed income tax expense?

A. Yes, for the Historic Test Year, Exhibit 7, Page 19, Line 38 delineates total pro forma

tax expense of $41,860,983. This total includes $6,073,605 of state income taxes (Exhibit 7, Page 19, Line 37), which is based on $228,101,380 of operating income (Exhibit 7, Page 19, Line 1) less $45,932,535 of interest expense on debt (Exhibit 7, Page 19, Line 9) for total pre-tax income of $182,168,845 resulting in an effective state income tax rate of 3.33%. The reduced state effective tax rate, as compared to the Pennsylvania statutory rate of 9.99%, is a result of the flow through treatment of repairs deductions and Pennsylvania net operating loss carryforward deductions for state income tax purposes. The expense for federal income taxes is $35,787,378 (Exhibit 7, Page 19, Line 36) resulting in an effective tax rate of 19.65%. The decreased federal effective tax rate, as compared to the federal statutory rate of 21%, is largely attributable to the flow-through of the amortization of excess accumulated deferred income taxes related to the reduction of the corporation federal income tax rate from 35% to 21% as a result of the enactment of TCJA of 2017.

Q. Please continue with respect to the Fully Projected Future Test Year.

A. For the Fully Projected Future Test Year, Exhibit 107, Page 16, Line 38 delineates total tax expense of $55,731,526. This total includes $9,531,758 of state income taxes (Exhibit 107, Page 16, Line 37), which is based on $294,540,409 of operating income (Exhibit 107, Page 16, Line 1) less $58,870,071 of interest expense on debt (Exhibit 107, Page 16, Line 9) for total pre-tax income of $235,670,338 resulting in an effective state income tax rate of 4.04%. The reduced state effective tax rate, as compared to the Pennsylvania statutory rate of 9.99%, is a result of the flow through treatment of the repairs deductions and flow through deductions for bonus depreciation that was disallowed in prior years for state income tax purposes. The

Company notes that the remaining Pennsylvania net operating loss carryforward of $7,797,926 (Exhibit 107, Page 17, Line 6 and Exhibit 7, Page 23) is fully utilized in the Fully Projected Future Test Year. The expense for federal income taxes is $46,199,768 (Exhibit 107, Page 16, Line 36) resulting in an effective tax rate of 19.6%. The decreased federal effective tax rate, as compared to the federal statutory rate of 21%, is largely attributable to the flow-through of the amortization of excess accumulated deferred income taxes related to the reduction of the corporation federal income tax rate from 35% to 21% as a result of the enactment of TCJA of 2017.

Q. How have taxes impacted the Company's rate base?

A. Exhibit 107, Page 5, delineates the reduction in rate base for Federal deferred income taxes. The amounts include deferred taxes on net utility plant that have or will be normalized by the end of the Fully Projected Future Test Year, as well as deferred taxes on inventory and customer advances.

Q. How has the deduction for 263A mixed service costs impacted deferred taxes in rate base?

A. As agreed in the Commission-approved settlement of Columbia's 2012 rate case (R-2012-2321748), the Company is authorized to normalize this deduction for federal income taxes and treat the deferred taxes as a reduction to rate base. The adjustment can be found on Exhibit 107, Page 16, Line 20.

Q. Is there an inclusion of deferred taxes for the Federal Net Operating Loss in rate base?

A. In the Historic Test Year, the deferred tax asset for the Federal NOL, which

represents the remaining balance of un-utilized net operating loss, is $ 33,775,318 as shown in Exhibit 7, Page 9. The Company has incurred a tax loss for federal purposes in tax years 2008, 2010, 2011, 2012, 2013, 2016 and 2017, as a result of taking deductions for 50-100% bonus depreciation, resulting in the deferred tax asset being recorded for the un-utilized net operating losses. The deferred tax asset represents the cash benefits the Company has not received because of the net operating losses. The deferred tax asset is included in rate base, because the Company cannot reflect an increase in deferred taxes for tax depreciation deductions that have not been realized. To do so would violate the principles of the normalization requirements under the Internal Revenue Code. Past IRS rulings addressing this issue have made it clear that companies cannot reduce rate base for benefits that have not been realized. The deferred tax asset for the un-utilized net operating losses for the Fully Projected Future Test Year is primarily due to repairs and accelerated depreciation deductions. Due to the net operating losses generated by bonus depreciation deductions in the aforementioned years and the modifications to the Federal NOL under the TCJA, the expectation is that the Company will not utilize all of its net operating losses until beyond the Fully Projected Future Test Year. Therefore, there is an increase to rate base on Exhibit 107, Page 5a.2, of $30,466,782 as a deferred tax asset for the unutilized Federal net operating loss carryforward for the Fully Projected Future Test Year.

Q. Please explain the adjustment to deferred taxes for the Fully Projected Future Test Year on Exhibit 107, Page 5.

A. Whenever there are estimated changes in the deferred taxes that occur in a future

rate period, the Normalization requirements of the Internal Revenue Code require that the deferred taxes be reflected on a pro rata basis as provided under Reg. Section 1.167(l)-1(h)(6)(ii). A future test period is defined as that portion of the test period after the effective date of the rate order. Under the pro rata basis, the change in the deferred taxes is determined by multiplying the change by a fraction of the number of days remaining in the period at the time such change is to be accrued over the total number of days in the future period. Applying this calculation resulted in a decrease to deferred taxes of $13,706,611 computed on Exhibit 107, Page 5b.

Q. Are you sponsoring any other expense adjustments?

A. Yes. I am also sponsoring adjustments for Federal Insurance Contribution Act ("FICA") Tax, Property Tax, and License and Franchise Tax. These adjustments are delineated on Exhibits 6 for the Historic Test Year and 106 for the Future Test Year and Fully Projected Future Test Year.

Q. Please explain the FICA adjustment.

A. The adjustment represents an increase in FICA taxes as they apply to the labor charged to O&M (See Exhibit No. 4, Schedule 1, Page 2 Lines 1 and 2). A decrease in payroll taxes of $147,718 is reflected in the annualized Historic Test Year presented on Exhibit No. 6, Schedule 2, Page 3 for the calculation. For the Fully Projected Future Test Year, the Company is projecting a higher payroll base, thus increasing payroll taxes by $56,818 as reflected on Exhibit No. 106, Schedule 2, Page 3 for the calculation.

Q. Please explain the property tax adjustment.

A. The PURTA tax and the locally assessed property tax on Pennsylvania property are

both consistent with the most recent year-end tax levels as of December 31, 2020. The West Virginia tax for gas stored underground was developed using the December 31, 2018 assessed value and the 2020 tax rate. This annualized level is equal to the Historic Test Year level of $521,924, as shown on Exhibit 6, Schedule 2, Page 4, Line 6. The detail supporting this calculation for the Fully Projected Future Test Year is provided on Exhibit 106, Schedule 2, Page 4. The pro forma Fully Projected Future Test Year reflects a downward adjustment of $87,244 from the annualized level as a result of using the December 31, 2019 assessed value and the 2021 tax rate which is the latest available at this time.

Q. Please explain the Other Tax adjustment on Exhibit 106, Schedule 2, Page 2.

A. Other taxes are primarily comprised of excise tax. The annualized level of $231 was not adjusted for the Historic Test Year. The pro forma Fully Projected Future Test Year was also not adjusted from this level.

Q. Does this conclude your testimony?

A. Yes.

COLUMBIA STATEMENT NO. 11

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
JULIE COVERT
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

I. Introduction

Q. Please state your name and business address.

A. My name is Julie E. Covert and my business address is 290 West Nationwide Boulevard, Columbus, Ohio 43215.

Q. By whom are you employed and in what capacity?

A. I am employed by NiSource Corporate Services Company ("NCSC"), as Lead Regulatory Analyst.

Q. What are your responsibilities as Lead Regulatory Analyst?

A. I am responsible for supporting the NiSource Inc. ("NiSource") operating companies in a variety of informational and rate filings, general rate case preparation and support, and other duties as assigned.

Q. What is your educational and professional background?

A. I have a Bachelor of Science in Business Administration from Franklin University. My career began at NiSource in 2007 providing general accounting support for Columbia Gas of Virginia, Inc. Since 2007, I have worked on Asset Accounting matters for the Columbia Distribution Companies, which includes Columbia Gas of Pennsylvania, Inc. ("Columbia" or the "Company"), before transferring into my current Lead Regulatory Analyst role in 2015.

Q. Have you ever testified before a regulatory Commission?

A. Yes, I was the Rate Base witness for Columbia in Docket No. R-2018-2647577 and for Columbia Gas of Virginia in Docket No. PUR-2018-00131.

II. Statement of Purpose

Q. Please describe the purpose of your testimony in this proceeding.

A. I will present schedules that demonstrate Columbia's rate base as of December 31, 2023, which reflects the Fully Projected Future Test Year ("FPFTY") investment level that is utilized within the revenue requirement supported by Witness Miller (Columbia Statement No. 4). My testimony will support and detail the various components included in rate base. I am also sponsoring the following exhibits:

Exhibit No.	Description
Exhibit No. 8	Historic Test Year rate base
Exhibit No. 13, Schedule 6 (27)	Schedule of gas producing units retired or scheduled for retirement
Exhibit No. 108	Future Test Year and Fully Projected Future Test Year rate base
Exhibit No. 113, Schedule 4 (27)	Schedule of gas producing units retired or scheduled for retirement
Exhibit No. 408, Page 1 (11)	AFUDC and method of rate calculation
Exhibit JEC-1 (Attached hereto)	Update of Ex. 108, Schedule 1 from Docket No. R-2021-3024296 (Updated through Dec. 31, 2021)

Q. What test years will you be addressing in your testimony?

A. I will be addressing the twelve-month period ending November 30, 2021 as the Historic Test Year (Exhibit 8), the twelve-month period ended November 30, 2022 as the Future Test Year (Exhibit 108), and the twelve-month period ended December 31, 2023 as the FPFTY (Exhibit 108).

III. Rate Base

Q. Is the FPFTY utilized by Columbia in this case similar to that used in its prior base rate cases?

A. Yes. Columbia elected to use the FPFTY provided in Act 11 of 2012 in Docket Nos. R-2012-2321748, R-2014-2406274, R-2015-2468056, R-2016-2529660, R-2018-2647577, R-2020-3018835 and R-2021-3024296. The Company has made the same election in the current case. Also note, the presentation of rate base in this case is the same as the prior cases.

Q. Are there any requirements from prior cases arising from the Company's use of a FPFTY?

A. Yes. Pursuant to Paragraph 28 of the approved settlement in the Company's prior rate case, at Docket No. R-2021-3024296, Columbia is required to provide the Commission and the statutory parties, on or before April 1, 2022, an update to Columbia Exhibit 108, Schedule 1, which is to include actual capital expenditures, plant additions and retirements by month for the twelve months ending December 31, 2021. This update is attached to my testimony as Exhibit JEC-1.

Q. Please comment on how the Company's actual net capital additions for the 12 month period ending November 30, 2021 (the HTY) compares to the projections made in Columbia's prior rate case at Docket No. R-2021-3024296.

A. The Company was 3.36% under the budget provided in the 2021 Rate Case 2021-3024296 for net additions for the 12 months ending November 30, 2021, as shown in the table below.

Budget per 2021 Rate Case, 2021-3024296 Exhibit 108, Schedule 1				
	Budget	Actual	Over/(Under)	%
Additions	673,668,440	636,927,677	(36,740,764)	-5.45%
Retirements	89,306,266	72,205,111	(17,101,155)	-19.15%
Total	584,362,174	564,722,565	(19,639,609)	-3.36%

Q. Please explain the development of rate base at November 30, 2021 for the Historic Test Year, November 30, 2022 for the Future Test Year and December 31, 2023 for the FPFTY.

A. Rate base is summarized on Exhibit 8, Page 3, and further detailed by the various components in Exhibit 8, Schedules 1-10, for the Historic Test Year. Rate base for the Future Test Year and the FPFTY are summarized on Exhibit 108, Page 3, and further detailed by various components in Exhibit 108, Schedules 1-10.

Q. Please discuss the amounts included in Property, Plant and Equipment for the Historic Test Year as illustrated on Exhibit 8, Page 3 Lines 1-9.

A. The Company's Plant in Service includes plant in service per books as of November 30, 2021. Accounts 101 and 106 are detailed in Lines 2 through 4. Note, the plant detail for Leases (Line 4) is separately provided as Leases are removed from rate base. The Company is not making a claim for Construction Work in Progress ("CWIP") as

of the end of the Historic Test Year as noted in Line 5. The Historic Test Year also includes per books Gas Stored Underground – Non-Current, Account 117 on Exhibit 8, Page 3, Line 6. Reductions are included for the reserve for depreciation, per Company witness Spanos (Columbia Statement No. 5) on Line 7. Finally, gas lost in underground storage is on Line 8.

Q. Please explain how the Company's Future Test Year and FPFTY Property, Plant and Equipment were developed.

A. The Company's Plant in Service as of December 31, 2023, as shown on Exhibit 108, Schedule 1, Page 14, Column 5, was developed beginning from Column 2 of Page 1 with Gas Plant in Service at November 30, 2021 (also shown on Exhibit 8, Page 3, Column 3). For purposes of presenting the FTY and FPFTY, the Account 101 and 106 information is combined in Line 2. Forecasted Plant in Service from December 2021 through December 2023 per the Company's forecasted budget are shown in Exhibit 108, Schedule 1, columns 3-5. The forecasted plant additions were provided based on the Company's current capital plan, Column 3 & 6. Forecasted retirements from December 2021 to December 2023, as supported by Company witness Spanos (Columbia Statement No. 5) are shown in Exhibit 108, Schedule 1, column 4 & 7. By adding forecasted Plant in Service and subtracting forecasted retirements, Exhibit 108, Schedule 1 reflects the net forecasted plant in service included in rate base as of December 31, 2023, column 6. Additional details surrounding the budget is discussed by witness Brumley (Columbia Statement No. 7).

Q. Please explain Exhibit 8, Schedule 2.

A. This Exhibit reflects the balance in construction work in progress ("CWIP"). The Company is not making a claim for CWIP in the Historic Test Year.

Q. Please explain Exhibit 108, Schedule 2.

A. Exhibit 108, Schedule 2 shows that forecasted CWIP, Account 107, is expected to remain at the same level for the FPFTY as it was at November 30, 2021. The Company is making no claim for CWIP in the FPFTY.

Q. Please explain the credits to Gas Plant in Service on Exhibit 8, Page 3, Lines 7-8 and Exhibit 108, Page 3, Lines 6-7.

A. Line 7, Depreciation Reserve, Accounts 108-111 in Exhibit 8, Page 3 for the Historic Test Year and Line 6, Exhibit 108, Page 3 for the FPFTY are detailed and supplied by Company witness Spanos, by plant account, in Exhibit 5 for the Historic Test Year and Exhibit 105 in the FPFTY. Exhibit 8, Page 3, Line 6 and Exhibit 108, Page 3, Line 7 Accumulated Provision for Gas Lost – Underground Storage, Account 117, is per books as of November 30, 2021 for the Historic Test Year and December 31, 2023 for the FPFTY.

Q. Did you include Materials and Supplies inventory balances in rate base?

A. Yes. As shown on Exhibit 8, Schedule 5, Materials and Supplies included in the Historic Test Year rate base is a 13-month average of the historical monthly balances in Plant Materials, Account 154. Materials and Supplies in the Future Test Year rate base as shown on the Exhibit 108, Schedule 5 begins with November and December 2021 actual balances (most recently available), with January 2022 through November 2022 balances calculated by applying the Gross Domestic Product

("GDP") deflator supported by Company witness Miller (Columbia Statement No. 4) in Exhibit 104, Schedule 2, Page 20, to the actual balances of January 2021 through November 2021. The GDP deflator is further applied to the Future Test Year balances to arrive at the FPFTY balances.

Q. Did you include Prepayment balances in rate base?

A. Yes. Exhibit 8, Schedule 6 for the Historic Test Year shows prepayments for: Prepaid Leases, Account 16500000; Corporate Insurance, Account 16521000; Prepaid Insurance I/C, Account 1652000; Regulatory Commission Fees, Office of Consumer Advocate ("OCA") fees, and Office of Small Business Advocate ("OSBA") fees, Account 16503600; and Prepaid Permits, Account 16503700. The amount in the Historic Test Year rate base is based on a 13-month average of historic monthly balances per the Company's books. Exhibit 108, Schedule 6 for the FPFTY shows prepayments for: Prepaid Leases, Account 16500000; Corporate Insurance, Account 16521000; Prepaid Insurance I/C, Account 1652000; Regulatory Commission Fees, OCA, and OSBA fees, Account 16503600; and Prepaid Permits, Account 16503700. The amounts for the FPFTY rate base were determined by incrementally applying the GDP deflators supported by Company witness Miller in Exhibit 104, Schedule 2, Page 20 to the January 2021 through November 2021 actual balances to reflect expected new prepayments as of December 2023.

Q. Did you include Gas Stored Underground in rate base?

A. Yes, I did.

Q. What valuation methodology is applied to Gas Stored Underground?

A. As per the Commission's March 31, 2001 Order at Docket No. P-2010-2209925, Columbia uses the Weighted Average Cost of Gas ("WACOG") methodology to value Storage Gas.

Q. Please describe the WACOG accounting methodology you applied to value the FPFTY storage balance.

A. Under the WACOG accounting methodology, the actual cost and volume of the current month's injections are added to the inventory value calculated at the end of the previous month, and a new average cost per Dth is calculated for the current month. The current month's withdrawals are deducted from the balance at the new average cost per Dth. When storage gas is being injected (April – October), the inventory cost for the current month is added to the inventory cost from the previous month(s). At the end of injection season, the storage cost for the winter is well established. During the withdrawal season (November – March), withdrawals are made at the average price primarily resulting from the injection season.

Q. Did you include an adjustment to Gas Stored Underground in rate base?

A. Yes. I have calculated a twelve-month average cost of gas to be include in rate base.

Q. Do you provide exhibits supporting this storage adjustment?

A. Yes, I do.

Q. Please identify and explain those exhibits.

A. The supporting exhibits are Exhibit 8, Schedule 7 and Exhibit 108, Schedule 7. The actual December 2020 through November 2021 injections and withdrawals are reflected on Exhibit 8, Schedule 7 in columns A and E, respectively. A projected

Monthly Average Cost of Gas is detailed in Column B of Exhibit 8, Schedule 7. Therefore, under WACOG accounting methodology, the current month's injections (Column A) are multiplied by the Monthly Average Cost of Gas (Column B). The result is added to the inventory value calculated at the end of the previous month (Column G), and a new WACOG per Dth is calculated (Column D) for the current month. The current month's withdrawals (Column E) are multiplied by the new WACOG per Dth (Column D) and the result is deducted from the cumulative balance (Column G). This method is continued every month through November 2021, as shown in Exhibit 8, Schedule 7. Exhibit 8, Schedule 7, Line 14 calculates a twelve-month average storage balance to be included in the Pro Forma Rate Base.

Exhibit 108, Schedule 7 repeats this process from November 2021 through December 2023. Injection rates are based on NYMEX Natural Gas Futures. Lines 27 and 28 calculate a twelve-month average storage balance for the Future Test Year rate base and FPFTY rate base, respectively.

Q. Did you include Deferred Income Taxes in rate base?

A. Yes, I did. Balances as of November 30, 2021 pertaining to Deferred Income Taxes included in rate base are shown on Exhibit 8, Schedule 8. The balances were supplied by Company witness Harding (Columbia Statement No. 10) on Exhibit 7, Page 9. Forecasted balances as of November 30, 2022 and December 31, 2023 pertaining to Deferred Income Taxes included in rate base are shown on Exhibit 108, Schedule 8. These were supplied by Company witness Harding on Exhibit 107, Page 5.

Q. How did you determine the Customer Deposits in rate base?

A. Customer Deposits, Account 235, is the 13-month historic average, as detailed on Exhibit 8, Schedule 9 for the Historic Test Year. The 13-month average for the forecasted rate base, detailed on Exhibit 108, Schedule 9, reflects projected balances for November 2021 through December 2023, with entries for November and December of each year based on actual data for November and December of 2021. The balances for the months of January 2023 through October 2023 are the same as the balances in the month of January 2022 through October 2022 following the trend that deposits gradually go up in the winter and down in the summer. The balances for January 2022 – October 2023 are based on Historic Test Year balances.

Q. Please explain the Company's accounting for Contributions in Aid of Construction and Customer Advances.

A. Customer Advances for Construction are classified to the 252 and 186 account. This includes advances by customers for construction which are to be refunded either wholly or in part. Once the customer advance is received it is journalized as a credit to the 252 account and a debit to Cash (account 131). The next month a journal entry is made to debit the 186 account and credit the Capital asset (Account 101).

The calculation of rate base includes the Customer Advance 252 and 186 accounts as well as the Capital Asset (Account 101). Therefore, rate base has appropriately reduced amounts paid by Customers.

If the advance is refunded, then a debit is made against the Capital asset (Account 101) and the customer is issued a refund. Additionally, an entry is made to reduce the balances in Account 186 and 252. However, if the customer advance is

deemed non-refundable it becomes a Contribution in Aid of Construction and remains as a credit to the Capital asset.

Customer Advances for Construction are reflected on Exhibit 8 Page 3, line 24 for the HTY and Exhibit 108 Page 3, line 23 for the FTY and FPFTY.

IV. Distribution Service Improvement Charge

Q. Please describe the Distribution Service Improvement Charge ("DSIC").

A. The DSIC was designed to allow for recovery of reasonable and prudent costs incurred to repair, improve or replace eligible property which has been completed and placed in service, but which is not being recovered through base rates.

Q. Is Columbia currently charging a DSIC?

A. No. Columbia has not charged a DSIC since September 30, 2021.

Q. When will the Company be eligible to include plant additions in the DSIC?

A. Consistent with the Tariff, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rates or rate base will be reflected in the quarterly updates of the DSIC. Pursuant to the Commission-approved Settlement of the 2021 base rate case in Docket No. R-2021-3024296, the Company would be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by Columbia at December 31, 2022.

V. Other Exhibits

Q. Please explain the purpose of Page 2 of Exhibit 8.

A. This page satisfies 52 Pennsylvania Code Section 53.53 I.A, item 2 of the Commission's standard filing requirements, which provides that Exhibit 8, Page 4, shows the Company's rate base claim from its last base rate proceeding.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Columbia Gas of Pennsylvania, Inc.
Schedule 108 R-2021-3024296
Updated for Actuals Through December 31, 2021

Line No.	Description	Account No. (1)	Gas Plant in Service: Plant Beginning Balance 11/30/2020 (2) $	Additions (3) $	Retirements (4) $	Balance as of 12/31/2020 (5 = 2+3+4) $	Additions (6) $	Retirements (7) $	Balance as of 1/31/2021 (8)=(5+6+7) $
1	Intangible Plant								
2	Organization Costs	301.00	100,099	0	0	100,099	0	0	100,099
3	Franchises/Consent, Perpetual	302.10	26,216	0	0	26,216	0	0	26,216
4	Intangible Plant, General	303.00	4,809,062	0	0	4,809,062	0	0	4,809,062
5	Intangible Plant, Miscellaneous Software	303.30	27,732,265	259,968	0	27,992,233	91,403	(404,078)	27,679,558
6	Cloud Software	303.99	1,719,212	3,281		1,722,494			1,722,494
7	Underground Storage Plant								
8	Land	350.10	23,882	0	0	23,882	0	0	23,882
9	Rights of Way	350.20	1,932	0	0	1,932	0	0	1,932
10	Compressor Station Structures	351.20	3,250,037	0	0	3,250,037	569,214	0	3,819,251
11	Wells Construction	352.01	738,941	0	0	738,941	0	0	738,941
12	Wells Equipment	352.02	168,032	0	0	168,032	0	0	168,032
13	Storage Leasehold and Rights	352.10	139,442	0	0	139,442	0	0	139,442
14	Other Leases	352.12	67,498	0	0	67,498	0	0	67,498
15	Lines	353.00	389,345	0	0	389,345	0	0	389,345
16	Compressor Station Equipment	354.00	948,177	0	0	948,177	0	0	948,177
17	Measuring & Regulating Equipment	355.00	104,477	0	0	104,477	0	0	104,477
18	Distribution Plant								
19	Land, City Gate/Main Line Industrial	374.10	21,944	0	0	21,944	0	0	21,944
20	Land, Other Distribution System	374.20	3,361,100	0	0	3,361,100	0	0	3,361,100
21	Land Rights, City Gate/Main Line	374.30	95,361	0	0	95,361	0	0	95,361
22	Land Rights, City Other Distribution System	374.40	3,353,028	72,912	0	3,425,940	2,529	(12)	3,428,456
23	Land Rights, City Other Distribution System, Loc	374.41	13	0	0	13	0	0	13
24	Rights of Way	374.50	3,233,171	0	0	3,233,171	0	0	3,233,171
25	Structures, City Gate Measurement & Regulating	375.20	7,026	0	0	7,026	0	0	7,026
26	Structures, General Meas & Reg Local Gas	375.31	4,012	0	0	4,012	0	0	4,012
27	Structures, Regulating	375.40	5,521,273	69,554	0	5,590,827	8,296	(1,541)	5,597,581
28	Structures, Distribution Industrial M&R	375.60	86,228	0	0	86,228	0	0	86,228
29	Structures, Other Distribution System	375.70	17,722,082	64,013	0	17,786,096	29,637	0	17,815,732
30	Structures, Other Distribution System, Leased	375.71	5,819,288	79,207	0	5,898,495	0	0	5,898,495
31	Structures, Communication	375.80	16,515	0	0	16,515	0	0	16,515
32	Mains:								
33	Mains	376.00	1,904,754,580	23,954,331	(14,053,325)	1,914,655,585	14,175,551	(750,106)	1,928,081,031
34	Mains - CSL Replacements	376.08	23,515,481	0	0	23,515,481	0	0	23,515,481
35	Bare Steel	376.30	64,129,547	162	(313,970)	63,815,739	328	(18,790)	63,797,277
36	Cast Iron	376.80	205,867	0	(8,798)	197,070	0	(993)	196,076
37	Measuring & Regulating Equipment General	378.10	1,444,656	0	0	1,444,656	0	0	1,444,656
38	Measuring & Regulating Equipment Regulating	378.20	110,979,281	2,444,905	(46,370)	113,377,816	306,102	(5,718)	113,678,200
39	Measuring & Regulating Equipment Local Gas	378.30	438,503	0	(1,010)	437,493	0	0	437,493
40	Measuring & Regulating Equipment City Gate	379.10	136,417	0	0	136,417	0	0	136,417
41	Measuring & Regulating Equipment Exchange Gas	379.11	(450)	0	0	(450)	0	0	(450)
42	Services	380.00	630,460,256	8,297,612	(1,113,401)	637,644,467	4,118,921	(131,133)	641,632,255
43	Meters	381.00	40,743,004	83,612	(34,168)	40,792,448	16,471	(50,889)	40,758,030
44	Auto Meter Reading Devices	381.10	24,645,195	0	0	24,645,195	0	0	24,645,195
45	Meter Installations	382.00	41,270,605	119,516	(11,362)	41,378,759	66,387	(6,576)	41,438,570
46	House Regulators	383.00	14,654,963	120,648	(616)	14,774,996	94,600	(604)	14,868,992
47	House Regulators Installations	384.00	3,484,788	0	0	3,484,788	0	0	3,484,788
48	Industrial M&R Equipment. Station Equipment	385.00	5,960,476	60,570	(29,537)	5,991,509	1,990	(15,414)	5,978,085
49	Industrial M&R Equipment. Large Volume	385.10	1,037,970	0	0	1,037,970	0	(1,298)	1,036,672
50	Other Equipment	387.10	19,450	0	0	19,450	0	0	19,450
51	Other Equipment, Odorization	387.20	117,248	0	0	117,248	0	0	117,248
52	Other Equipment, Radio	387.42	119,609	0	0	119,609	0	0	119,609
53	Other Equipment, Other Communications	387.44	623,932	0	0	623,932	0	0	623,932
54	Other Equipment, Telemetering	387.45	10,326,335	124,238	(9,553)	10,441,021	239,720	0	10,680,741
55	Other Equipment, Customer Information Service	387.46	259,436	0	0	259,436	0	0	259,436
56	GPS Pipe Locators	387.50	2,201,372	0	0	2,201,372	0	0	2,201,372
57	General Plant			0	0		0	0	
58	Structures, Communications	390.10	49,821	0	0	49,821	0	0	49,821
59	Office Furniture & Equipment, Unspecified	391.10	2,305,316	0	(22,490)	2,282,826	0	(109,296)	2,173,531
60	Office Furniture & Equipment, Data handling Equip	391.11	91,304	0	0	91,304	0	0	91,304
61	Office Furniture & Equipment, Information Systems	391.12	3,270,694	169,701	0	3,440,394	163,963	(281,703)	3,322,654
62	Office Furniture & Equipment, Air Condition Equip	391.20	3,007	0	0	3,007	0	0	3,007
63	Transportation Equipment, Trailers > $1,000	392.20	14,787	0	0	14,787	0	0	14,787
64	Transportation Equipment, Trailers $1,000 or <	392.21	10,830	0	0	10,830	0	0	10,830
65	Stores Equipment	393.00	0	0	0	0	0	0	0
66	Tools, Garage & Service Equipment	394.10	60,884	0	0	60,884	0	0	60,884
67	Tools, CNG Equipment, Stationary	394.11	2,235,476	0	0	2,235,476	0	0	2,235,476
68	Tools, CNG Equipment, Portable	394.12	179,308	0	0	179,308	0	(179,308)	0
69	Tools, Shop Equipment	394.20	35,454	0	0	35,454	0	0	35,454
70	Tools, Tools and Other	394.30	17,041,365	24,880	(9,213)	17,057,031	42,167	(5,961)	17,093,237
71	Tools, High Pressure Stopping	394.31	10,847	0	0	10,847	0	0	10,847
72	Laboratory Equipment Gas	395.00	266,039	0	0	266,039	0	0	266,039
73	Power Operated Equipment	396.00	948,698	0	0	948,698	0	0	948,698
74	Communication Equipment	397.00	0	0	0	0	0	0	0
75	Communication Equipment, Telephone	397.10	0	0	0	0	0	0	0
76	Communication Equipment, Radio	397.20	0	0	0	0	0	0	0
77	Communication Equipment, Other	397.40	0	0	0	0	0	0	0
78	Communication Equipment, Telemetering	397.50	787,916	0	0	787,916	0	0	787,916
79	Miscellaneous Equipment	398.00	953,270	0	0	953,270	0	0	953,270
80	Total Gas Plant in Service		2,989,253,197	35,949,113	(15,653,812)	3,009,548,498	19,927,277	(1,963,421)	3,027,512,354

Columbia Gas of Pennsylvania, Inc.
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Line No.	Description	Account No. (1)	Plant Beginning Balance 1/31/2021 (2) $	Additions (3) $	Retirements (4) $	Balance as of 2/28/2021 (5 = 2+3+4) $	Additions (6) $	Retirements (7) $	Balance as of 3/31/2021 (8)=(5+6+7) $
			Gas Plant in Service						
1	Intangible Plant								
2	Organization Costs	301.00	100,099	0	0	100,099	0	0	100,099
3	Franchises/Consent, Perpetual	302.10	26,216	0	0	26,216	0	0	26,216
4	Intangible Plant, General	303.00	4,809,062	0	0	4,809,062	0	0	4,809,062
5	Intangible Plant, Miscellaneous Software	303.30	27,679,558	1,243,190	(121,106)	28,801,642	157,993	(269,767)	28,689,868
6	Cloud Software	303.99	1,722,494	151,514	0	1,874,008	7,687	0	1,881,695
7	Underground Storage Plant								
8	Land	350.10	23,882	0	0	23,882	0	0	23,882
9	Rights of Way	350.20	1,932	0	0	1,932	0	0	1,932
10	Compressor Station Structures	351.20	3,819,251	0	0	3,819,251	59,061	0	3,878,312
11	Wells Construction	352.01	738,941	0	0	738,941	0	0	738,941
12	Wells Equipment	352.02	168,032	0	0	168,032	0	0	168,032
13	Storage Leasehold and Rights	352.10	139,442	0	0	139,442	0	0	139,442
14	Other Leases	352.12	67,498	0	0	67,498	0	0	67,498
15	Lines	353.00	389,345	0	0	389,345	0	0	389,345
16	Compressor Station Equipment	354.00	948,177	0	0	948,177	0	0	948,177
17	Measuring & Regulating Equipment	355.00	104,477	0	0	104,477	0	0	104,477
18	Distribution Plant								
19	Land, City Gate/Main Line Industrial	374.10	21,944	0	0	21,944	0	0	21,944
20	Land, Other Distribution System	374.20	3,361,100	0	0	3,361,100	0	0	3,361,100
21	Land Rights, City Gate/Main Line	374.30	95,361	0	0	95,361	0	0	95,361
22	Land Rights, City Other Distribution System	374.40	3,428,456	46,038	(54)	3,474,440	0	0	3,474,440
23	Land Rights, City Other Distribution System, Loc	374.41	13	0	0	13	0	0	13
24	Rights of Way	374.50	3,233,171	0	0	3,233,171	0	0	3,233,171
25	Structures, City Gate Measurement & Regulating	375.20	7,026	0	0	7,026	0	0	7,026
26	Structures, General Meas & Reg Local Gas	375.31	4,012	0	0	4,012	0	0	4,012
27	Structures, Regulating	375.40	5,597,581	297,918	(8,338)	5,887,161	16,545	(4,446)	5,899,260
28	Structures, Distribution Industrial M&R	375.60	86,228	0	0	86,228	0	0	86,228
29	Structures, Other Distribution System	375.70	17,815,732	0	0	17,815,732	8,192	0	17,823,924
30	Structures, Other Distribution System, Leased	375.71	5,898,495	0	0	5,898,495	0	0	5,898,495
31	Structures, Communication	375.80	16,515	0	0	16,515	0	0	16,515
32	Mains:								
33	Mains	376.00	1,928,081,031	6,179,797	(121,193)	1,934,139,635	9,249,480	(372,136)	1,943,016,979
34	Mains - CSL Replacements	376.08	23,515,481	0	0	23,515,481	0	0	23,515,481
35	Bare Steel	376.30	63,797,277	(1)	(17,337)	63,779,939	1,090	(64,995)	63,716,034
36	Cast Iron	376.80	196,076	0	(7,791)	188,285	0	(731)	187,554
37	Measuring & Regulating Equipment General	378.10	1,444,656	0	0	1,444,656	0	0	1,444,656
38	Measuring & Regulating Equipment Regulating	378.20	113,678,200	495,768	(50,523)	114,123,445	1,257,222	(124,453)	115,256,214
39	Measuring & Regulating Equipment Local Gas	378.30	437,493	0	0	437,493	0	0	437,493
40	Measuring & Regulating Equipment City Gate	379.10	136,417	0	0	136,417	0	0	136,417
41	Measuring & Regulating Equipment Exchange Gas	379.11	(450)	0	0	(450)	0	0	(450)
42	Services	380.00	641,632,255	2,662,018	(779,269)	643,515,004	3,748,619	(711,327)	646,552,296
43	Meters	381.00	40,758,030	79,754	0	40,837,784	13,035	(84,563)	40,766,256
44	Auto Meter Reading Devices	381.10	24,645,195	1,487	0	24,646,682	10,433	0	24,657,115
45	Meter Installations	382.00	41,438,570	89,363	(3,322)	41,524,611	91,497	(25,405)	41,590,703
46	House Regulators	383.00	14,868,992	74,229	(274)	14,942,947	98,006	(605)	15,040,348
47	House Regulators Installations	384.00	3,484,788	0	0	3,484,788	0	0	3,484,788
48	Industrial M&R Equipment. Station Equipment	385.00	5,978,085	0	(706)	5,977,379	0	0	5,977,379
49	Industrial M&R Equipment. Large Volume	385.10	1,036,672	0	(806)	1,035,866	0	0	1,035,866
50	Other Equipment	387.10	19,450	0	0	19,450	0	0	19,450
51	Other Equipment, Odorization	387.20	117,248	0	0	117,248	0	0	117,248
52	Other Equipment, Radio	387.42	119,609	0	0	119,609	0	0	119,609
53	Other Equipment, Other Communications	387.44	623,932	0	0	623,932	0	0	623,932
54	Other Equipment, Telemetering	387.45	10,680,741	26,073	(8,279)	10,698,534	720	(20,578)	10,678,677
55	Other Equipment, Customer Information Service	387.46	259,436	0	0	259,436	0	0	259,436
56	GPS Pipe Locators	387.50	2,201,372	0	0	2,201,372	0	0	2,201,372
57	General Plant			0	0		0	0	
58	Structures, Communications	390.10	49,821	0	0	49,821	0	0	49,821
59	Office Furniture & Equipment, Unspecified	391.10	2,173,531	0	0	2,173,531	0	(25,726)	2,147,804
60	Office Furniture & Equipment, Data handling Equip	391.11	91,304	0	0	91,304	0	0	91,304
61	Office Furniture & Equipment, Information Systems	391.12	3,322,654	0	0	3,322,654	0	0	3,322,654
62	Office Furniture & Equipment, Air Condition Equip	391.20	3,007	0	0	3,007	0	0	3,007
63	Transportation Equipment, Trailers > $1,000	392.20	14,787	0	0	14,787	0	0	14,787
64	Transportation Equipment, Trailers $1,000 or <	392.21	10,830	0	0	10,830	0	0	10,830
65	Stores Equipment	393.00	0	0	0	0	0	0	0
66	Tools, Garage & Service Equipment	394.10	60,884	0	0	60,884	0	0	60,884
67	Tools, CNG Equipment, Stationary	394.11	2,235,476	0	0	2,235,476	0	0	2,235,476
68	Tools, CNG Equipment, Portable	394.12	0	0	0	0	0	0	0
69	Tools, Shop Equipment	394.20	35,454	0	0	35,454	0	0	35,454
70	Tools, Tools and Other	394.30	17,093,237	21,656	0	17,114,893	12,057	0	17,126,950
71	Tools, High Pressure Stopping	394.31	10,847	0	0	10,847	0	0	10,847
72	Laboratory Equipment Gas	395.00	266,039	0	0	266,039	0	0	266,039
73	Power Operated Equipment	396.00	948,698	0	0	948,698	0	0	948,698
74	Communication Equipment	397.00	0	0	0	0	0	0	0
75	Communication Equipment, Telephone	397.10	0	0	0	0	0	0	0
76	Communication Equipment, Radio	397.20	0	0	0	0	0	0	0
77	Communication Equipment, Other	397.40	0	0	0	0	0	0	0
78	Communication Equipment, Telemetering	397.50	787,916	0	0	787,916	0	0	787,916
79	Miscellaneous Equipment	398.00	953,270	0	0	953,270	0	0	953,270
80	Total Gas Plant in Service		3,027,512,354	11,368,802	(1,118,998)	3,037,762,159	14,731,636	(1,704,733)	3,050,789,062

Columbia Gas of Pennsylvania, Inc.
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Gas Plant in Service

Line No.	Description	Account No. (1)	Plant Beginning Balance 3/31/2021 (2) $	Additions (3) $	Retirements (4) $	Balance as of 4/30/2021 (5 = 2+3+4) $	Additions (6) $	Retirements (7) $	Balance as of 5/31/2021 (8)=(5+6+7) $
1	Intangible Plant								
2	Organization Costs	301.00	100,099	0	0	100,099	0	0	100,099
3	Franchises/Consent, Perpetual	302.10	26,216	0	0	26,216	0	0	26,216
4	Intangible Plant, General	303.00	4,809,062	0	0	4,809,062	0	0	4,809,062
5	Intangible Plant, Miscellaneous Software	303.30	28,689,868	3,170,831	(144,743)	31,715,955	83,796	(478,688)	31,321,064
6	Cloud Software	303.99	1,881,695	145,360		2,027,055	1,311		2,028,366
7	Underground Storage Plant								
8	Land	350.10	23,882	0	0	23,882	0	0	23,882
9	Rights of Way	350.20	1,932	0	0	1,932	0	0	1,932
10	Compressor Station Structures	351.20	3,878,312	0	0	3,878,312	22,320	0	3,900,632
11	Wells Construction	352.01	738,941	0	0	738,941	0	0	738,941
12	Wells Equipment	352.02	168,032	0	0	168,032	0	0	168,032
13	Storage Leasehold and Rights	352.10	139,442	0	0	139,442	0	0	139,442
14	Other Leases	352.12	67,498	0	0	67,498	0	0	67,498
15	Lines	353.00	389,345	0	0	389,345	0	0	389,345
16	Compressor Station Equipment	354.00	948,177	0	0	948,177	0	0	948,177
17	Measuring & Regulating Equipment	355.00	104,477	0	0	104,477	0	0	104,477
18	Distribution Plant								
19	Land, City Gate/Main Line Industrial	374.10	21,944	0	0	21,944	0	0	21,944
20	Land, Other Distribution System	374.20	3,361,100	0	0	3,361,100	0	0	3,361,100
21	Land Rights, City Gate/Main Line	374.30	95,361	0	0	95,361	0	0	95,361
22	Land Rights, City Other Distribution System	374.40	3,474,440	0	0	3,474,440	8	(2,779)	3,471,669
23	Land Rights, City Other Distribution System, Loc	374.41	13	0	0	13	0	0	13
24	Rights of Way	374.50	3,233,171	0	0	3,233,171	0	0	3,233,171
25	Structures, City Gate Measurement & Regulating	375.20	7,026	0	0	7,026	0	0	7,026
26	Structures, General Meas & Reg Local Gas	375.31	4,012	0	0	4,012	0	0	4,012
27	Structures, Regulating	375.40	5,899,260	0	0	5,899,260	376	(463)	5,899,173
28	Structures, Distribution Industrial M&R	375.60	86,228	0	0	86,228	0	0	86,228
29	Structures, Other Distribution System	375.70	17,823,924	0	0	17,823,924	7	0	17,823,931
30	Structures, Other Distribution System, Leased	375.71	5,898,495	0	0	5,898,495	0	0	5,898,495
31	Structures, Communication	375.80	16,515	0	0	16,515	0	0	16,515
32	Mains:								
33	Mains	376.00	1,943,016,979	12,826,824	(201,751)	1,955,642,051	17,136,031	(587,453)	1,972,190,630
34	Mains - CSL Replacements	376.08	23,515,481	0	0	23,515,481	0	0	23,515,481
35	Bare Steel	376.30	63,716,034	3,614	(20,758)	63,698,890	1	(36,009)	63,662,881
36	Cast Iron	376.80	187,554	0	0	187,554	0	(2,753)	184,801
37	Measuring & Regulating Equipment General	378.10	1,444,656	0	0	1,444,656	0	0	1,444,656
38	Measuring & Regulating Equipment Regulating	378.20	115,256,214	180,894	(189,912)	115,247,196	218,830	(36,582)	115,429,443
39	Measuring & Regulating Equipment Local Gas	378.30	437,493	0	0	437,493	0	0	437,493
40	Measuring & Regulating Equipment City Gate	379.10	136,417	0	0	136,417	0	0	136,417
41	Measuring & Regulating Equipment Exchange Gas	379.11	(450)	0	0	(450)	0	0	(450)
42	Services	380.00	646,552,296	6,137,581	(992,233)	651,697,644	5,869,856	(1,814,544)	655,752,956
43	Meters	381.00	40,766,256	397,175	(42,893)	41,120,538	10,345	(59,514)	41,071,369
44	Auto Meter Reading Devices	381.10	24,657,115	0	0	24,657,115	0	0	24,657,115
45	Meter Installations	382.00	41,590,703	102,682	(8,916)	41,684,470	34,931	(10,006)	41,709,394
46	House Regulators	383.00	15,040,348	80,201	(1,526)	15,119,023	44,991	(957)	15,163,057
47	House Regulators Installations	384.00	3,484,788	0	0	3,484,788	0	0	3,484,788
48	Industrial M&R Equipment. Station Equipment	385.00	5,977,379	2,865	(11,935)	5,968,308	3,325	(16,848)	5,954,785
49	Industrial M&R Equipment. Large Volume	385.10	1,035,866	0	0	1,035,866	0	(7,619)	1,028,247
50	Other Equipment	387.10	19,450	0	0	19,450	0	0	19,450
51	Other Equipment, Odorization	387.20	117,248	0	0	117,248	0	0	117,248
52	Other Equipment, Radio	387.42	119,609	0	0	119,609	0	0	119,609
53	Other Equipment, Other Communications	387.44	623,932	0	0	623,932	0	0	623,932
54	Other Equipment, Telemetering	387.45	10,678,677	0	0	10,678,677	6,776	(1,565)	10,683,888
55	Other Equipment, Customer Information Service	387.46	259,436	0	0	259,436	0	0	259,436
56	GPS Pipe Locators	387.50	2,201,372	0	0	2,201,372	0	0	2,201,372
57	General Plant			0	0		0	0	
58	Structures, Communications	390.10	49,821	0	0	49,821	0	0	49,821
59	Office Furniture & Equipment, Unspecified	391.10	2,147,804	0	0	2,147,804	0	0	2,147,804
60	Office Furniture & Equipment, Data handling Equip	391.11	91,304	0	0	91,304	0	0	91,304
61	Office Furniture & Equipment, Information Systems	391.12	3,322,654	0	0	3,322,654	80	0	3,322,734
62	Office Furniture & Equipment, Air Condition Equip	391.20	3,007	0	0	3,007	0	0	3,007
63	Transportation Equipment, Trailers > $1,000	392.20	14,787	0	0	14,787	0	0	14,787
64	Transportation Equipment, Trailers $1,000 or <	392.21	10,830	0	0	10,830	0	0	10,830
65	Stores Equipment	393.00	0	0	0	0	0	0	0
66	Tools, Garage & Service Equipment	394.10	60,884	0	(1,816)	59,068	0	0	59,068
67	Tools, CNG Equipment, Stationary	394.11	2,235,476	0	0	2,235,476	0	0	2,235,476
68	Tools, CNG Equipment, Portable	394.12	0	0	0	0	0	0	0
69	Tools, Shop Equipment	394.20	35,454	0	(17,919)	17,534	0	0	17,534
70	Tools, Tools and Other	394.30	17,126,950	19,318	(174,347)	16,971,921	10,430	(270,885)	16,711,467
71	Tools, High Pressure Stopping	394.31	10,847	0	0	10,847	0	0	10,847
72	Laboratory Equipment Gas	395.00	266,039	0	0	266,039	0	0	266,039
73	Power Operated Equipment	396.00	948,698	0	0	948,698	0	0	948,698
74	Communication Equipment	397.00	0	0	0	0	0	0	0
75	Communication Equipment, Telephone	397.10	0	0	0	0	0	0	0
76	Communication Equipment, Radio	397.20	0	0	0	0	0	0	0
77	Communication Equipment, Other	397.40	0	0	0	0	0	0	0
78	Communication Equipment, Telemetering	397.50	787,916	0	0	787,916	0	0	787,916
79	Miscellaneous Equipment	398.00	953,270	0	0	953,270	0	0	953,270
80	Total Gas Plant in Service		3,050,789,062	23,067,345	(1,808,751)	3,072,047,657	23,443,414	(3,326,666)	3,092,164,404

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Gas Plant in Service

Line No.	Description	Account No. (1)	Plant Beginning Balance 5/31/2021 (2) $	Additions (3) $	Retirements (4) $	Balance as of 6/30/2021 (5 = 2+3+4) $	Additions (6) $	Retirements (7) $	Balance as of 7/31/2021 (8)=(5+6+7) $
1	Intangible Plant								
2	Organization Costs	301.00	100,099	0	0	100,099	0	0	100,099
3	Franchises/Consent, Perpetual	302.10	26,216	0	0	26,216	0	0	26,216
4	Intangible Plant, General	303.00	4,809,062	0	0	4,809,062	0	0	4,809,062
5	Intangible Plant, Miscellaneous Software	303.30	31,321,064	722,810	(83,562)	31,960,312	4,188,252	(28,351)	36,120,212
6	Cloud Software	303.99	2,028,366	616,283	0	2,644,648	1,391,327	0	4,035,976
7	Underground Storage Plant								
8	Land	350.10	23,882	0	0	23,882	0	0	23,882
9	Rights of Way	350.20	1,932	0	0	1,932	0	0	1,932
10	Compressor Station Structures	351.20	3,900,632	(109,712)	0	3,790,920	211,252	0	4,002,172
11	Wells Construction	352.01	738,941	0	0	738,941	0	0	738,941
12	Wells Equipment	352.02	168,032	0	0	168,032	0	0	168,032
13	Storage Leasehold and Rights	352.10	139,442	0	0	139,442	0	0	139,442
14	Other Leases	352.12	67,498	0	0	67,498	0	0	67,498
15	Lines	353.00	389,345	0	0	389,345	0	0	389,345
16	Compressor Station Equipment	354.00	948,177	0	0	948,177	0	0	948,177
17	Measuring & Regulating Equipment	355.00	104,477	0	0	104,477	0	0	104,477
18	Distribution Plant								
19	Land, City Gate/Main Line Industrial	374.10	21,944	0	0	21,944	0	0	21,944
20	Land, Other Distribution System	374.20	3,361,100	0	0	3,361,100	0	0	3,361,100
21	Land Rights, City Gate/Main Line	374.30	95,361	0	0	95,361	0	0	95,361
22	Land Rights, City Other Distribution System	374.40	3,471,669	130,512	0	3,602,181	56,342	(198)	3,658,325
23	Land Rights, City Other Distribution System, Loc	374.41	13	0	0	13	0	0	13
24	Rights of Way	374.50	3,233,171	0	0	3,233,171	0	0	3,233,171
25	Structures, City Gate Measurement & Regulating	375.20	7,026	0	0	7,026	0	0	7,026
26	Structures, General Meas & Reg Local Gas	375.31	4,012	0	0	4,012	0	0	4,012
27	Structures, Regulating	375.40	5,899,173	33,822	(11,817)	5,921,178	15,201	(13,889)	5,922,490
28	Structures, Distribution Industrial M&R	375.60	86,228	0	0	86,228	0	0	86,228
29	Structures, Other Distribution System	375.70	17,823,931	0	0	17,823,931	0	0	17,823,931
30	Structures, Other Distribution System, Leased	375.71	5,898,495	0	0	5,898,495	0	0	5,898,495
31	Structures, Communication	375.80	16,515	0	0	16,515	0	0	16,515
32	Mains:								
33	Mains	376.00	1,972,190,630	13,619,752	(388,604)	1,985,421,778	13,613,737	(329,825)	1,998,705,690
34	Mains - CSL Replacements	376.08	23,515,481	0	0	23,515,481	0	0	23,515,481
35	Bare Steel	376.30	63,662,881	0	(18,353)	63,644,529	6	(25,043)	63,619,491
36	Cast Iron	376.80	184,801	0	0	184,801	0	0	184,801
37	Measuring & Regulating Equipment General	378.10	1,444,656	0	0	1,444,656	0	0	1,444,656
38	Measuring & Regulating Equipment Regulating	378.20	115,429,443	713,453	(14,751)	116,128,145	791,136	(29,671)	116,889,610
39	Measuring & Regulating Equipment Local Gas	378.30	437,493	0	0	437,493	0	0	437,493
40	Measuring & Regulating Equipment City Gate	379.10	136,417	0	0	136,417	0	0	136,417
41	Measuring & Regulating Equipment Exchange Gas	379.11	(450)	0	0	(450)	0	0	(450)
42	Services	380.00	655,752,956	5,113,365	(122,264)	660,744,057	5,375,121	(1,140,787)	664,978,391
43	Meters	381.00	41,071,369	432,175	(34,319)	41,469,225	22,298	(23,139)	41,468,384
44	Auto Meter Reading Devices	381.10	24,657,115	0	0	24,657,115	0	0	24,657,115
45	Meter Installations	382.00	41,709,394	84,142	0	41,793,536	92,541	(12,220)	41,873,857
46	House Regulators	383.00	15,163,057	66,044	0	15,229,101	97,070	(924)	15,325,248
47	House Regulators Installations	384.00	3,484,788	0	0	3,484,788	0	0	3,484,788
48	Industrial M&R Equipment. Station Equipment	385.00	5,954,785	6,197	(26,484)	5,934,498	11,610	(85,074)	5,861,033
49	Industrial M&R Equipment. Large Volume	385.10	1,028,247	0	0	1,028,247	0	0	1,028,247
50	Other Equipment	387.10	19,450	0	0	19,450	0	0	19,450
51	Other Equipment, Odorization	387.20	117,248	0	0	117,248	0	0	117,248
52	Other Equipment, Radio	387.42	119,609	0	0	119,609	0	0	119,609
53	Other Equipment, Other Communications	387.44	623,932	0	0	623,932	0	0	623,932
54	Other Equipment, Telemetering	387.45	10,683,888	308,502	(47,190)	10,945,200	20,781	(36,753)	10,929,228
55	Other Equipment, Customer Information Service	387.46	259,436	0	0	259,436	0	0	259,436
56	GPS Pipe Locators	387.50	2,201,372	0	0	2,201,372	0	0	2,201,372
57	General Plant			0	0		0	0	
58	Structures, Communications	390.10	49,821	0	0	49,821	0	0	49,821
59	Office Furniture & Equipment, Unspecified	391.10	2,147,804	0	0	2,147,804	0	(7,318)	2,140,486
60	Office Furniture & Equipment, Data handling Equip	391.11	91,304	0	0	91,304	0	0	91,304
61	Office Furniture & Equipment, Information Systems	391.12	3,322,734	0	0	3,322,734	0	0	3,322,734
62	Office Furniture & Equipment, Air Condition Equip	391.20	3,007	0	0	3,007	0	0	3,007
63	Transportation Equipment, Trailers > $1,000	392.20	14,787	0	0	14,787	0	0	14,787
64	Transportation Equipment, Trailers $1,000 or <	392.21	10,830	0	0	10,830	0	0	10,830
65	Stores Equipment	393.00	0	0	0	0	0	0	0
66	Tools, Garage & Service Equipment	394.10	59,068	0	(1,928)	57,140	0	0	57,140
67	Tools, CNG Equipment, Stationary	394.11	2,235,476	0	0	2,235,476	0	0	2,235,476
68	Tools, CNG Equipment, Portable	394.12	0	0	0	0	0	0	0
69	Tools, Shop Equipment	394.20	17,534	0	0	17,534	0	0	17,534
70	Tools, Tools and Other	394.30	16,711,467	288,371	(29,664)	16,970,174	66,776	0	17,036,950
71	Tools, High Pressure Stopping	394.31	10,847	0	0	10,847	0	0	10,847
72	Laboratory Equipment Gas	395.00	266,039	0	0	266,039	0	0	266,039
73	Power Operated Equipment	396.00	948,698	0	0	948,698	0	0	948,698
74	Communication Equipment	397.00	0	0	0	0	0	0	0
75	Communication Equipment, Telephone	397.10	0	0	0	0	0	0	0
76	Communication Equipment, Radio	397.20	0	0	0	0	0	0	0
77	Communication Equipment, Other	397.40	0	0	0	0	0	0	0
78	Communication Equipment, Telemetering	397.50	787,916	0	0	787,916	0	0	787,916
79	Miscellaneous Equipment	398.00	953,270	0	0	953,270	0	0	953,270
80	Total Gas Plant in Service		3,092,164,404	22,025,716	(778,935)	3,113,411,185	25,953,450	(1,733,192)	3,137,631,443

Columbia Gas of Pennsylvania, Inc.
Schedule 108 R-2021-3024296
Updated for Actuals Through December 31, 2021

Gas Plant in Service

Line No.	Description	Account No. (1)	Plant Beginning Balance 7/31/2021 (2) $	Additions (3) $	Retirements (4) $	Balance as of 8/31/2021 (5 = 2+3+4) $	Additions (6) $	Retirements (7) $	Balance as of 9/30/2021 (8)=(5+6+7) $
1	Intangible Plant								
2	Organization Costs	301.00	100,099	0	0	100,099	0	0	100,099
3	Franchises/Consent, Perpetual	302.10	26,216	0	0	26,216	0	0	26,216
4	Intangible Plant, General	303.00	4,809,062	0	0	4,809,062	0	0	4,809,062
5	Intangible Plant, Miscellaneous Software	303.30	36,120,212	1,781,087	(2,971,103)	34,930,196	81,569	(14,812)	34,996,954
6	Cloud Software	303.99	4,035,976	66,786	0	4,102,762	681,474	0	4,784,236
7	Underground Storage Plant								
8	Land	350.10	23,882	0	0	23,882	0	0	23,882
9	Rights of Way	350.20	1,932	0	0	1,932	0	0	1,932
10	Compressor Station Structures	351.20	4,002,172	540,634	0	4,542,806	0	0	4,542,806
11	Wells Construction	352.01	738,941	0	0	738,941	0	0	738,941
12	Wells Equipment	352.02	168,032	0	0	168,032	0	0	168,032
13	Storage Leasehold and Rights	352.10	139,442	0	0	139,442	0	0	139,442
14	Other Leases	352.12	67,498	0	0	67,498	0	0	67,498
15	Lines	353.00	389,345	0	0	389,345	0	0	389,345
16	Compressor Station Equipment	354.00	948,177	0	0	948,177	0	0	948,177
17	Measuring & Regulating Equipment	355.00	104,477	0	0	104,477	0	0	104,477
18	Distribution Plant								
19	Land, City Gate/Main Line Industrial	374.10	21,944	0	0	21,944	0	0	21,944
20	Land, Other Distribution System	374.20	3,361,100	0	0	3,361,100	0	0	3,361,100
21	Land Rights, City Gate/Main Line	374.30	95,361	0	0	95,361	0	0	95,361
22	Land Rights, City Other Distribution System	374.40	3,658,325	13,271	(0.07)	3,671,595	2,405	0	3,674,000
23	Land Rights, City Other Distribution System, Loc	374.41	13	0	0	13	0	0	13
24	Rights of Way	374.50	3,233,171	0	0	3,233,171	0	0	3,233,171
25	Structures, City Gate Measurement & Regulating	375.20	7,026	0	0	7,026	0	0	7,026
26	Structures, General Meas & Reg Local Gas	375.31	4,012	0	0	4,012	0	0	4,012
27	Structures, Regulating	375.40	5,922,490	4,830	(8,163)	5,919,158	46,763	(1,074)	5,964,846
28	Structures, Distribution Industrial M&R	375.60	86,228	0	0	86,228	0	0	86,228
29	Structures, Other Distribution System	375.70	17,823,931	0	0	17,823,931	99,859	0	17,923,790
30	Structures, Other Distribution System, Leased	375.71	5,898,495	0	0	5,898,495	43,329	0	5,941,824
31	Structures, Communication	375.80	16,515	0	0	16,515	0	0	16,515
32	Mains:								
33	Mains	376.00	1,998,705,690	17,117,519	(486,959)	2,015,336,250	22,228,866	(567,824)	2,036,997,293
34	Mains - CSL Replacements	376.08	23,515,481	0	0	23,515,481	0	0	23,515,481
35	Bare Steel	376.30	63,619,491	0	(21,294)	63,598,198	0	(63,301)	63,534,897
36	Cast Iron	376.80	184,801	0	(3,009)	181,792	0	(3,192)	178,600
37	Measuring & Regulating Equipment General	378.10	1,444,656	0	0	1,444,656	0	0	1,444,656
38	Measuring & Regulating Equipment Regulating	378.20	116,889,610	1,226,516	(278,076)	117,838,050	2,164,653	(254,194)	119,748,510
39	Measuring & Regulating Equipment Local Gas	378.30	437,493	0	0	437,493	0	(1,173)	436,320
40	Measuring & Regulating Equipment City Gate	379.10	136,417	0	0	136,417	0	0	136,417
41	Measuring & Regulating Equipment Exchange Gas	379.11	(450)	0	0	(450)	0	0	(450)
42	Services	380.00	664,978,391	6,035,393	(942,352)	670,071,432	6,700,415	(357,415)	676,414,432
43	Meters	381.00	41,468,384	0	(41,237)	41,427,147	562,661	(49,109)	41,940,700
44	Auto Meter Reading Devices	381.10	24,657,115	0	0	24,657,115	0	0	24,657,115
45	Meter Installations	382.00	41,873,857	96,287	(7,013)	41,963,130	60,571	(12,965)	42,010,736
46	House Regulators	383.00	15,325,248	72,041	(713)	15,396,577	69,843	(948)	15,465,472
47	House Regulators Installations	384.00	3,484,788	0	0	3,484,788	0	0	3,484,788
48	Industrial M&R Equipment. Station Equipment	385.00	5,861,033	5,462	(26,186)	5,840,310	2,521	(7,276)	5,835,555
49	Industrial M&R Equipment. Large Volume	385.10	1,028,247	0	(4,672)	1,023,574	0	(84)	1,023,490
50	Other Equipment	387.10	19,450	0	0	19,450	0	0	19,450
51	Other Equipment, Odorization	387.20	117,248	0	0	117,248	0	0	117,248
52	Other Equipment, Radio	387.42	119,609	0	0	119,609	0	0	119,609
53	Other Equipment, Other Communications	387.44	623,932	0	0	623,932	0	0	623,932
54	Other Equipment, Telemetering	387.45	10,929,228	54,548	(26,045)	10,957,731	8,730	(7,888)	10,958,572
55	Other Equipment, Customer Information Service	387.46	259,436	0	0	259,436	0	0	259,436
56	GPS Pipe Locators	387.50	2,201,372	0	0	2,201,372	0	0	2,201,372
57	General Plant			0	0		0	0	
58	Structures, Communications	390.10	49,821	0	0	49,821	0	0	49,821
59	Office Furniture & Equipment, Unspecified	391.10	2,140,486	0	(844)	2,139,642	0	0	2,139,642
60	Office Furniture & Equipment, Data handling Equip	391.11	91,304	0	0	91,304	0	0	91,304
61	Office Furniture & Equipment, Information Systems	391.12	3,322,734	0	0	3,322,734	0	0	3,322,734
62	Office Furniture & Equipment, Air Condition Equip	391.20	3,007	0	0	3,007	0	0	3,007
63	Transportation Equipment, Trailers > $1,000	392.20	14,787	0	0	14,787	0	0	14,787
64	Transportation Equipment, Trailers $1,000 or <	392.21	10,830	0	0	10,830	0	0	10,830
65	Stores Equipment	393.00	0	0	0	0	0	0	0
66	Tools, Garage & Service Equipment	394.10	57,140	0	0	57,140	0	0	57,140
67	Tools, CNG Equipment, Stationary	394.11	2,235,476	0	0	2,235,476	0	0	2,235,476
68	Tools, CNG Equipment, Portable	394.12	0	0	0	0	0	0	0
69	Tools, Shop Equipment	394.20	17,534	0	0	17,534	0	0	17,534
70	Tools, Tools and Other	394.30	17,036,950	106,491	(1,744)	17,141,696	49,940	0	17,191,636
71	Tools, High Pressure Stopping	394.31	10,847	0	0	10,847	0	0	10,847
72	Laboratory Equipment Gas	395.00	266,039	0	0	266,039	0	0	266,039
73	Power Operated Equipment	396.00	948,698	0	0	948,698	0	0	948,698
74	Communication Equipment	397.00	0	0	0	0	0	0	0
75	Communication Equipment, Telephone	397.10	0	0	0	0	0	0	0
76	Communication Equipment, Radio	397.20	0	0	0	0	0	0	0
77	Communication Equipment, Other	397.40	0	0	0	0	0	0	0
78	Communication Equipment, Telemetering	397.50	787,916	0	0	787,916	0	0	787,916
79	Miscellaneous Equipment	398.00	953,270	0	0	953,270	0	0	953,270
80	Total Gas Plant in Service		3,137,631,443	27,120,864	(4,819,407)	3,159,932,899	32,803,598	(1,341,255)	3,191,395,242

Columbia Gas of Pennsylvania, Inc.
Schedule 108 R-2021-3024296
Updated for Actuals Through December 31, 2021

Line No.	Description	Account No. (1)	Gas Plant in Service: Plant Beginning Balance 9/30/2021 (2) $	Additions (3) $	Retirements (4) $	Balance as of 10/31/2021 (5 = 2+3+4) $	Additions (6) $	Retirements (7) $	Balance as of 11/30/2021 (8)=(5+6+7) $
1	Intangible Plant								
2	Organization Costs	301.00	100,099	0	0	100,099	0	0	100,099
3	Franchises/Consent, Perpetual	302.10	26,216	0	0	26,216	0	0	26,216
4	Intangible Plant, General	303.00	4,809,062	0	0	4,809,062	0	0	4,809,062
5	Intangible Plant, Miscellaneous Software	303.30	34,996,954	44,522	(214,540)	34,826,935	1,520,162	(86,299)	36,260,798
6	Cloud Software	303.99	4,784,236	888,275	0	5,672,511	94,106	0	5,766,616
7	Underground Storage Plant								
8	Land	350.10	23,882	0	0	23,882	0	0	23,882
9	Rights of Way	350.20	1,932	0	0	1,932	0	0	1,932
10	Compressor Station Structures 1/	351.20	4,542,806	0	0	4,542,806	(1,292,769)	0	3,250,037
11	Wells Construction 1/	352.01	738,941	0	0	738,941	387,831	0	1,126,772
12	Wells Equipment 1/	352.02	168,032	0	0	168,032	904,938	0	1,072,970
13	Storage Leasehold and Rights	352.10	139,442	0	0	139,442	0	0	139,442
14	Other Leases	352.12	67,498	0	0	67,498	0	0	67,498
15	Lines	353.00	389,345	0	0	389,345	0	0	389,345
16	Compressor Station Equipment	354.00	948,177	0	0	948,177	0	0	948,177
17	Measuring & Regulating Equipment	355.00	104,477	0	0	104,477	0	0	104,477
18	Distribution Plant								
19	Land, City Gate/Main Line Industrial	374.10	21,944	0	0	21,944	0	0	21,944
20	Land, Other Distribution System	374.20	3,361,100	0	0	3,361,100	0	0	3,361,100
21	Land Rights, City Gate/Main Line	374.30	95,361	0	0	95,361	0	0	95,361
22	Land Rights, City Other Distribution System	374.40	3,674,000	140	0	3,674,140	42,855	0	3,716,994
23	Land Rights, City Other Distribution System, Loc	374.41	13	0	0	13	0	0	13
24	Rights of Way	374.50	3,233,171	0	0	3,233,171	0	0	3,233,171
25	Structures, City Gate Measurement & Regulating	375.20	7,026	0	0	7,026	0	0	7,026
26	Structures, General Meas & Reg Local Gas	375.31	4,012	0	0	4,012	0	0	4,012
27	Structures, Regulating	375.40	5,964,846	9,838	(5,652)	5,969,032	36,785	(2,566)	6,003,251
28	Structures, Distribution Industrial M&R	375.60	86,228	0	0	86,228	0	0	86,228
29	Structures, Other Distribution System	375.70	17,923,790	0	0	17,923,790	(8)	0	17,923,782
30	Structures, Other Distribution System, Leased	375.71	5,941,824	701	0	5,942,524	39,119	0	5,981,643
31	Structures, Communication	375.80	16,515	0	0	16,515	0	0	16,515
32	Mains:								
33	Mains	376.00	2,036,997,293	20,490,954	(713,201)	2,056,775,046	23,950,756	(1,166,407)	2,079,559,395
34	Mains - CSL Replacements	376.08	23,515,481	0	0	23,515,481	0	0	23,515,481
35	Bare Steel	376.30	63,534,897	(1,090)	(112,033)	63,421,774	0	(53,502)	63,368,272
36	Cast Iron	376.80	178,600	0	(3,170)	175,430	0	(5,438)	169,992
37	Measuring & Regulating Equipment General	378.10	1,444,656	0	0	1,444,656	0	0	1,444,656
38	Measuring & Regulating Equipment Regulating	378.20	119,748,510	2,847,110	(97,517)	122,498,103	1,724,383	(131,224)	124,091,263
39	Measuring & Regulating Equipment Local Gas	378.30	436,320	3,649	(17,385)	422,584	2	(3,350)	419,236
40	Measuring & Regulating Equipment City Gate	379.10	136,417	0	0	136,417	0	0	136,417
41	Measuring & Regulating Equipment Exchange Gas	379.11	(450)	0	0	(450)	0	0	(450)
42	Services	380.00	676,414,432	7,790,437	(591,445)	683,613,424	6,322,927	(1,971,936)	687,964,415
43	Meters	381.00	41,940,700	221,265	(45,315)	42,116,650	301,661	(28,757)	42,389,554
44	Auto Meter Reading Devices	381.10	24,657,115	0	0	24,657,115	0	0	24,657,115
45	Meter Installations	382.00	42,010,736	308,900	(11,506)	42,308,131	40,506	(21,757)	42,326,881
46	House Regulators	383.00	15,465,472	102,106	(1,055)	15,566,523	80,642	(2,367)	15,644,797
47	House Regulators Installations	384.00	3,484,788	0	0	3,484,788	0	0	3,484,788
48	Industrial M&R Equipment. Station Equipment	385.00	5,835,555	10,098	(8,491)	5,837,162	2,186	(19,942)	5,819,406
49	Industrial M&R Equipment. Large Volume	385.10	1,023,490	0	(261)	1,023,229	0	(802)	1,022,427
50	Other Equipment	387.10	19,450	0	0	19,450	0	0	19,450
51	Other Equipment, Odorization	387.20	117,248	0	0	117,248	0	0	117,248
52	Other Equipment, Radio	387.42	119,609	0	0	119,609	0	0	119,609
53	Other Equipment, Other Communications	387.44	623,932	0	0	623,932	0	(1,268)	622,664
54	Other Equipment, Telemetering	387.45	10,958,572	15,034	(10,830)	10,962,777	49	(102,958)	10,859,868
55	Other Equipment, Customer Information Service	387.46	259,436	0	0	259,436	0	0	259,436
56	GPS Pipe Locators	387.50	2,201,372	0	0	2,201,372	0	0	2,201,372
57	General Plant			0	0		0	0	
58	Structures, Communications	390.10	49,821	0	0	49,821	0	0	49,821
59	Office Furniture & Equipment, Unspecified	391.10	2,139,642	0	(30,079)	2,109,563	0	0	2,109,563
60	Office Furniture & Equipment, Data handling Equip	391.11	91,304	0	0	91,304	0	0	91,304
61	Office Furniture & Equipment, Information Systems	391.12	3,322,734	0	(461,606)	2,861,128	(132)	(155,296)	2,705,700
62	Office Furniture & Equipment, Air Condition Equip	391.20	3,007	0	0	3,007	0	0	3,007
63	Transportation Equipment, Trailers > $1,000	392.20	14,787	0	0	14,787	0	0	14,787
64	Transportation Equipment, Trailers $1,000 or <	392.21	10,830	0	0	10,830	0	0	10,830
65	Stores Equipment	393.00	0	0	0	0	0	0	0
66	Tools, Garage & Service Equipment	394.10	57,140	0	0	57,140	0	0	57,140
67	Tools, CNG Equipment, Stationary	394.11	2,235,476	0	0	2,235,476	0	0	2,235,476
68	Tools, CNG Equipment, Portable	394.12	0	0	0	0	0	0	0
69	Tools, Shop Equipment	394.20	17,534	0	0	17,534	0	0	17,534
70	Tools, Tools and Other	394.30	17,191,636	193,987	(34,324)	17,351,299	204,983	0	17,556,282
71	Tools, High Pressure Stopping	394.31	10,847	0	0	10,847	0	0	10,847
72	Laboratory Equipment Gas	395.00	266,039	0	0	266,039	0	0	266,039
73	Power Operated Equipment	396.00	948,698	0	0	948,698	0	0	948,698
74	Communication Equipment	397.00	0	0	0	0	0	0	0
75	Communication Equipment, Telephone	397.10	0	0	0	0	0	0	0
76	Communication Equipment, Radio	397.20	0	0	0	0	0	0	0
77	Communication Equipment, Other	397.40	0	0	0	0	0	0	0
78	Communication Equipment, Telemetering	397.50	787,916	0	0	787,916	0	0	787,916
79	Miscellaneous Equipment	398.00	953,270	0	(1,205)	952,065	0	0	952,065
80	Total Gas Plant in Service		3,191,395,242	32,925,925	(2,359,612)	3,221,961,555	34,360,982	(3,753,868)	3,252,568,669

1/ November 2021 - Reclass $1,292,769 from 351.20 to 352.01 and 352.02.

Columbia Gas of Pennsylvania, Inc.
Schedule 108 R-2021-3024296
Updated for Actuals Through December 31, 2021

	Description	Account No. (1)	Plant Beginning Balance 11/30/2021 (2) $	Additions (3) $	Retirements (4) $	Gas Plant in Service Balance as of 12/31/2021 (5 = 2+3+4) $
1	Intangible Plant					
2	Organization Costs	301.00	100,099	0	0	100,099
3	Franchises/Consent, Perpetual	302.10	26,216	0	0	26,216
4	Intangible Plant, General	303.00	4,809,062	0	0	4,809,062
5	Intangible Plant, Miscellaneous Software	303.30	36,260,798	2,508,048	(461,200)	38,307,646
6	Cloud Software	303.99	5,766,616	246,062	0	6,012,679
7	Underground Storage Plant					
8	Land	350.10	23,882	0	0	23,882
9	Rights of Way	350.20	1,932	0	0	1,932
10	Compressor Station Structures 1/	351.20	3,250,037	44,803	0	3,294,840
11	Wells Construction 1/	352.01	1,126,772	0	0	1,126,772
12	Wells Equipment 1/	352.02	1,072,970	0	0	1,072,970
13	Storage Leasehold and Rights	352.10	139,442	0	0	139,442
14	Other Leases	352.12	67,498	0	0	67,498
15	Lines	353.00	389,345	0	0	389,345
16	Compressor Station Equipment	354.00	948,177	0	0	948,177
17	Measuring & Regulating Equipment	355.00	104,477	0	0	104,477
18	Distribution Plant					
19	Land, City Gate/Main Line Industrial	374.10	21,944	0	0	21,944
20	Land, Other Distribution System	374.20	3,361,100	0	(7)	3,361,093
21	Land Rights, City Gate/Main Line	374.30	95,361	0	0	95,361
22	Land Rights, City Other Distribution System	374.40	3,716,994	619,816	0	4,336,810
23	Land Rights, City Other Distribution System, Loc	374.41	13	0	0	13
24	Rights of Way	374.50	3,233,171	0	0	3,233,171
25	Structures, City Gate Measurement & Regulating	375.20	7,026	0	0	7,026
26	Structures, General Meas & Reg Local Gas	375.31	4,012	0	0	4,012
27	Structures, Regulating	375.40	6,003,251	32,288	(10,276)	6,025,262
28	Structures, Distribution Industrial M&R	375.60	86,228	0	0	86,228
29	Structures, Other Distribution System	375.70	17,923,782	23,870,674	0	41,794,456
30	Structures, Other Distribution System, Leased	375.71	5,981,643	205	0	5,981,849
31	Structures, Communication	375.80	16,515	0	0	16,515
32	Mains:					
33	Mains	376.00	2,079,559,395	44,637,270	(3,797,042)	2,120,399,623
34	Mains - CSL Replacements	376.08	23,515,481	0	0	23,515,481
35	Bare Steel	376.30	63,368,272	112	(487,417)	62,880,968
36	Cast Iron	376.80	169,992	0	(4,374)	165,619
37	Measuring & Regulating Equipment General	378.10	1,444,656	0	0	1,444,656
38	Measuring & Regulating Equipment Regulating	378.20	124,091,263	1,166,286	(70,887)	125,186,661
39	Measuring & Regulating Equipment Local Gas	378.30	419,236	(8)	0	419,228
40	Measuring & Regulating Equipment City Gate	379.10	136,417	0	0	136,417
41	Measuring & Regulating Equipment Exchange Gas	379.11	(450)	0	0	(450)
42	Services	380.00	687,964,415	9,023,470	(31,216)	696,956,670
43	Meters	381.00	42,389,554	46,687	(32,472)	42,403,769
44	Auto Meter Reading Devices	381.10	24,657,115	11,113	0	24,668,228
45	Meter Installations	382.00	42,326,881	229,345	0	42,556,225
46	House Regulators	383.00	15,644,797	98,605	0	15,743,402
47	House Regulators Installations	384.00	3,484,788	0	0	3,484,788
48	Industrial M&R Equipment. Station Equipment	385.00	5,819,406	2,608	(42,773)	5,779,241
49	Industrial M&R Equipment. Large Volume	385.10	1,022,427	0	(3,524)	1,018,904
50	Other Equipment	387.10	19,450	0	0	19,450
51	Other Equipment, Odorization	387.20	117,248	0	0	117,248
52	Other Equipment, Radio	387.42	119,609	0	0	119,609
53	Other Equipment, Other Communications	387.44	622,664	0	(33,833)	588,831
54	Other Equipment, Telemetering	387.45	10,859,868	130,710	(67,527)	10,923,052
55	Other Equipment, Customer Information Service	387.46	259,436	0	0	259,436
56	GPS Pipe Locators	387.50	2,201,372	0	0	2,201,372
57	General Plant			0	0	
58	Structures, Communications	390.10	49,821	0	0	49,821
59	Office Furniture & Equipment, Unspecified	391.10	2,109,563	671,699	(77,576)	2,703,685
60	Office Furniture & Equipment, Data handling Equip	391.11	91,304	0	0	91,304
61	Office Furniture & Equipment, Information Systems	391.12	2,705,700	0	(526,834)	2,178,867
62	Office Furniture & Equipment, Air Condition Equip	391.20	3,007	0	0	3,007
63	Transportation Equipment, Trailers > $1,000	392.20	14,787	0	0	14,787
64	Transportation Equipment, Trailers $1,000 or <	392.21	10,830	0	0	10,830
65	Stores Equipment	393.00	0	0	0	0
66	Tools, Garage & Service Equipment	394.10	57,140	0	0	57,140
67	Tools, CNG Equipment, Stationary	394.11	2,235,476	0	0	2,235,476
68	Tools, CNG Equipment, Portable	394.12	0	0	0	0
69	Tools, Shop Equipment	394.20	17,534	0	0	17,534
70	Tools, Tools and Other	394.30	17,556,282	2,123,576	(9,907)	19,669,951
71	Tools, High Pressure Stopping	394.31	10,847	0	0	10,847
72	Laboratory Equipment Gas	395.00	266,039	0	0	266,039
73	Power Operated Equipment	396.00	948,698	0	0	948,698
74	Communication Equipment	397.00	0	0	0	0
75	Communication Equipment, Telephone	397.10	0	0	0	0
76	Communication Equipment, Radio	397.20	0	0	0	0
77	Communication Equipment, Other	397.40	0	0	0	0
78	Communication Equipment, Telemetering	397.50	787,916	0	(3,847)	784,069
79	Miscellaneous Equipment	398.00	952,065	5,909	(7,023)	950,951
80	Total Gas Plant in Service		3,252,568,669	85,469,279	(5,667,735)	3,332,370,212

Columbia Gas of Pennsylvania, Inc.
Schedule 108 R-2021-3024296
Updated for Actuals Through December 31, 2021

SUMMARY

Line No.	Description	Account No. (1)	Plant Beginning Balance 11/30/2020 (2) $	Additions (3) $	Retirements (4) $	Balance as of 12/31/2021 (5 = 2+3+4) $
1	Intangible Plant					
2	Organization Costs	301.00	100,099	0	0	100,099
3	Franchises/Consent, Perpetual	302.10	26,216	0	0	26,216
4	Intangible Plant, General	303.00	4,809,062	0	0	4,809,062
5	Intangible Plant, Miscellaneous Software	303.30	27,732,265	15,853,630	(5,278,250)	38,307,646
6	Cloud Software	303.99	1,719,212	4,293,467	0	6,012,679
				0	0	
7	Underground Storage Plant			0	0	
8	Land	350.10	23,882	0	0	23,882
9	Rights of Way	350.20	1,932	0	0	1,932
10	Compressor Station Structures 1/	351.20	3,250,037	44,803	0	3,294,840
11	Wells Construction 1/	352.01	738,941	387,831	0	1,126,772
12	Wells Equipment 1/	352.02	168,032	904,938	0	1,072,970
13	Storage Leasehold and Rights	352.10	139,442	0	0	139,442
14	Other Leases	352.12	67,498	0	0	67,498
15	Lines	353.00	389,345	0	0	389,345
16	Compressor Station Equipment	354.00	948,177	0	0	948,177
17	Measuring & Regulating Equipment	355.00	104,477	0	0	104,477
				0	0	
18	Distribution Plant			0	0	
19	Land, City Gate/Main Line Industrial	374.10	21,944	0	0	21,944
20	Land, Other Distribution System	374.20	3,361,100	0	(7)	3,361,093
21	Land Rights, City Gate/Main Line	374.30	95,361	0	0	95,361
22	Land Rights, City Other Distribution System	374.40	3,353,028	986,827	(3,044)	4,336,810
23	Land Rights, City Other Distribution System, Loc	374.41	13	0	0	13
24	Rights of Way	374.50	3,233,171	0	0	3,233,171
25	Structures, City Gate Measurement & Regulating	375.20	7,026	0	0	7,026
26	Structures, General Meas & Reg Local Gas	375.31	4,012	0	0	4,012
27	Structures, Regulating	375.40	5,521,273	572,215	(68,226)	6,025,262
28	Structures, Distribution Industrial M&R	375.60	86,228	0	0	86,228
29	Structures, Other Distribution System	375.70	17,722,082	24,072,373	0	41,794,456
30	Structures, Other Distribution System, Leased	375.71	5,819,288	162,561	0	5,981,849
31	Structures, Communication	375.80	16,515	0	0	16,515
32	Mains:			0	0	
33	Mains	376.00	1,904,754,580	239,180,868	(23,535,825)	2,120,399,623
34	Mains - CSL Replacements	376.08	23,515,481	0	0	23,515,481
35	Bare Steel	376.30	64,129,547	4,223	(1,252,802)	62,880,968
36	Cast Iron	376.80	205,867	0	(40,249)	165,619
37	Measuring & Regulating Equipment General	378.10	1,444,656	0	0	1,444,656
38	Measuring & Regulating Equipment Regulating	378.20	110,979,281	15,537,257	(1,329,877)	125,186,661
39	Measuring & Regulating Equipment Local Gas	378.30	438,503	3,643	(22,918)	419,228
40	Measuring & Regulating Equipment City Gate	379.10	136,417	0	0	136,417
41	Measuring & Regulating Equipment Exchange Gas	379.11	(450)	0	0	(450)
42	Services	380.00	630,460,256	77,195,733	(10,699,320)	696,956,670
43	Meters	381.00	40,743,004	2,187,139	(526,374)	42,403,769
44	Auto Meter Reading Devices	381.10	24,645,195	23,033	0	24,668,228
45	Meter Installations	382.00	41,270,605	1,416,668	(131,048)	42,556,225
46	House Regulators	383.00	14,654,963	1,099,028	(10,589)	15,743,402
47	House Regulators Installations	384.00	3,484,788	0	0	3,484,788
48	Industrial M&R Equipment. Station Equipment	385.00	5,960,476	109,432	(290,667)	5,779,241
49	Industrial M&R Equipment. Large Volume	385.10	1,037,970	0	(19,066)	1,018,904
50	Other Equipment	387.10	19,450	0	0	19,450
51	Other Equipment, Odorization	387.20	117,248	0	0	117,248
52	Other Equipment, Radio	387.42	119,609	0	0	119,609
53	Other Equipment, Other Communications	387.44	623,932	0	(35,101)	588,831
54	Other Equipment, Telemetering	387.45	10,326,335	935,881	(339,165)	10,923,052
55	Other Equipment, Customer Information Service	387.46	259,436	0	0	259,436
56	GPS Pipe Locators	387.50	2,201,372	0	0	2,201,372
				0	0	
57	General Plant			0	0	
58	Structures, Communications	390.10	49,821	0	0	49,821
59	Office Furniture & Equipment, Unspecified	391.10	2,305,316	671,699	(273,330)	2,703,685
60	Office Furniture & Equipment, Data handling Equip	391.11	91,304	0	0	91,304
61	Office Furniture & Equipment, Information Systems	391.12	3,270,694	333,611	(1,425,438)	2,178,867
62	Office Furniture & Equipment, Air Condition Equip	391.20	3,007	0	0	3,007
63	Transportation Equipment, Trailers > $1,000	392.20	14,787	0	0	14,787
64	Transportation Equipment, Trailers $1,000 or <	392.21	10,830	0	0	10,830
65	Stores Equipment	393.00	0	0	0	0
66	Tools, Garage & Service Equipment	394.10	60,884	0	(3,744)	57,140
67	Tools, CNG Equipment, Stationary	394.11	2,235,476	0	0	2,235,476
68	Tools, CNG Equipment, Portable	394.12	179,308	0	(179,308)	0
69	Tools, Shop Equipment	394.20	35,454	0	(17,919)	17,534
70	Tools, Tools and Other	394.30	17,041,365	3,164,631	(536,045)	19,669,951
71	Tools, High Pressure Stopping	394.31	10,847	0	0	10,847
72	Laboratory Equipment Gas	395.00	266,039	0	0	266,039
73	Power Operated Equipment	396.00	948,698	0	0	948,698
74	Communication Equipment	397.00	0	0	0	0
75	Communication Equipment, Telephone	397.10	0	0	0	0
76	Communication Equipment, Radio	397.20	0	0	0	0
77	Communication Equipment, Other	397.40	0	0	0	0
78	Communication Equipment, Telemetering	397.50	787,916	0	(3,847)	784,069
79	Miscellaneous Equipment	398.00	953,270	5,909	(8,228)	950,951
80	**Total Gas Plant in Service**		**2,989,253,197**	**389,147,401**	**(46,030,386)**	**3,332,370,212**

COLUMBIA STATEMENT NO. 12

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022- 3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
RIBEKA DANHIRES
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

I. Introduction

Q. Please state your name and business address.

A. Ribeka Danhires, 121 Champion Way, Suite 100, Canonsburg, Pennsylvania.

Q. By whom are you employed and in what capacity?

A. I am employed by Columbia Gas of Pennsylvania, Inc., ("Columbia" or "the Company") as Manager, Rates & Regulatory Service.

Q. What are your responsibilities as Manager, Regulatory Policy?

A. I am responsible for managing Columbia's rates and regulatory activity before the Pennsylvania Public Utility Commission ("Commission"). This responsibility includes ensuring timely, accurate rate and regulatory filings before the Commission as well as compliance with Columbia's Rates and Rules for Furnishing Gas Service, known as Tariff Gas Pa. P.U.C. No. 9 ("tariff").

Q. Please describe your professional experience.

A. I hold a Bachelor of Arts degree in Accounting from the University of Pittsburgh and a Master's of Business Administration degree from Seton Hill University. After graduating from college, I was employed by Duquesne Light Company for ten years. I started in the Rates & Tariff Services Department as a Rates Analyst and concluded my time at Duquesne Light Company in the Regulatory Affairs Department as the Pennsylvania State Regulatory Coordinator. I joined Columbia in December 2015 as a Senior Rate Analyst and moved into my current role as Manager, Rates & Regulatory Service in September 2018.

Q. Have you previously testified before this or any other utility Commission?

A. Yes. In Pennsylvania, I submitted direct testimony on behalf of Columbia in its 2021 Rate Case, at Docket No. R-2021-3024296, as the Tariff Witness. I also provided direct testimony as the Tariff Witness in Columbia Gas of Maryland's ("CMD's") 2018 and 2021 Rate Case in Case Nos. 9480 and 9664, respectively, before the Maryland Public Service Commission. In addition, I submitted direct testimony and testified in support of CMD's 2016, 2017, 2018, 2019 & 2020 Purchased Gas Adjustment ("PGA") filings in Case Nos. 9510(j), 9510(k), 9510(l), 9510(m) and 9510(n), respectively as well as provided direct testimony in support of the settlement in CMD's 2019-2023 Strategic Infrastructure Development and Enhancement Plan in Case No. 9479.

Q. Please explain the purpose of your Direct Testimony in this proceeding.

A. My purpose in this proceeding is to present and sponsor Columbia's proposed tariff changes. My testimony lists the exhibits that I am sponsoring as well as a high-level explanation of the proposed tariff revisions. The details of those proposed tariff changes can be found in Exhibit 14, Schedule 2, Attachments B and C.

Q. What exhibits are you sponsoring?

A. I am sponsoring the following exhibits:

Exhibit No.:	Description:
Exhibit No. 10, Schedule 4 (39)	Company policy with respect to relationship with potential customers.
Exhibit No. 14, Schedule 1 (26)	List of information provided to the Commission.
Exhibit No. 14, Schedule 2 (6)	Present and proposed tariff pages.
Exhibit No. 15, Schedule 1 (01)	Corporate history, list of counties and municipalities served and total population in areas served.
Exhibit No. 15, Schedule 2 (02)	System map.
Exhibit No. 114, Schedule 1 (26) (6)	List of information provided to the Commission and tariffs, both present and proposed.
Exhibit No. 115 (01) (02) (24)	Corporate history, system map and affiliate relationships.

II. Tariff Changes Summary

Q. Please provide a brief description of Columbia's proposed tariff changes.

A. There are several proposed tariff changes. The substantive tariff changes proposed in Supplement No. 337 include base rate revisions. In addition to the base rate revisions, Columbia is proposing two new rate riders - the Revenue Normalization Adjustment ("Rider RNA") and the Energy Efficiency Rider ("EE Rider"). All

substantive changes reflect a "(C)" in the right margin of the page. Several non-substantive changes, such as formatting, also are included.

Q. Please provide a listing of all the tariff changes available.

A. Tariff pages 2 through 2a within Exhibit 14, Schedule 2, Attachments B and C, present the List of Changes to the Tariff proposed in this base rate case.

III. Non-Substantive Tariff Changes

Q. Please explain the formatting changes.

A. The headers on each Tariff page have been updated to reflect Supplement No. 337 and the sequence of each page number has increased by one from the previously filed supplement number for each individual page. The "Issued" date and the "Effective" date in the footer on each Tariff page now reflect "March 18, 2022" and "May 17, 2022", respectively.

IV. Substantive Tariff Changes

Q. Please explain the changes to rates within Supplement No. 337 as shown on the "Rate Summary" pages.

A. The "Rate Summary" pages are shown as pages 16 through 19. These pages contain the rate components and the total effective rate for each of the Company's rate schedules. The changes to each rate schedule, by page, will be described below.

Page 16, which details the rates for residential sales service and Choice service (Rate Schedules RSS and RDS), reflects increases to the Customer Charge, Distribution Charge, Gas Supply Charge and Pass-through Charge, whereas the

Distribution System Improvement Charge ("Rider DSIC") has been set as zero. A new column was added to page 16 for the proposed Rider RNA.

Commercial and industrial accounts using less than or equal to 64,400 therms per year normally fall into one of three rate schedules depending on their choice of service. Rate Small General Sales Service ("SGSS") reflects the rates for customers purchasing their gas supply from the Company, while Rate Small Commercial Distribution ("SCD") and Rate Small General Distribution Service ("SGDS") are tariffed rate schedules for the mandatory firm capacity Choice program and the Gas Distribution Service program respectively, which are for customers choosing to purchase their gas from a natural gas supplier. Rate Summary page 17, which contains the rates for these rate schedules, reflects an increase to the Customer Charge, and the Distribution Charge and Gas Supply Charge. Rider DSIC has been set as zero.

Rate Summary page 18 contains customer and distribution charge rates for commercial and industrial customers using more than 64,400 therms per year. Rate Schedule Large General Sales Service ("LGSS") is for those customers who purchase their gas supply from Columbia. Rate Schedules Small Distribution Service ("SDS") and Large Distribution Service ("LDS") are rates for customers purchasing gas from suppliers. This page reflects increases to the Customer Charge, the Distribution Charge and the Gas Supply Charge. Rider DSIC has been set to zero, for all rate schedules.

Rate Schedules Main Line Sales Service ("MLSS") and Main Line Distribution Service ("MLDS") are for customers who receive either sales service or distribution service, respectively, and are within two (2) miles of an interstate pipeline or are served directly from an interstate pipeline through a "dual purpose" meter. Columbia is not proposing any changes to the Customer Charge and Distribution Charge rates for these customers. Rider DSIC has been set as zero for these customers and the Gas Supply Charge has increased, as reflected on page 19.

Q. Please explain the changes on the remaining "Summary" pages.

A. The remaining "Summary" pages include pages 20 through 21c.

The "Other Rates Summary", page 20, shows a decrease to the Price-to-Compare for residential gas supply and an increase for commercial gas supply. The changes are a direct result of the change in the Merchant Function Charge ("Rider MFC") rates. The "Gas Supply Charge Summary" on page 21a and the "Price-to-Compare Summary" on page 21c includes these changes too.

Page 21, which is the "Rider Summary", reflects an increase to the Rider Universal Service Plan ("Rider USP") rate and the Rider MFC rate. This "Rider Summary" page also includes new lines for the two proposed riders: Rider RNA and the EE Rider. These new rider rates are also included on page 21b within the "Total Pass-through" charge.

The residential rates included on the "Pass-through Charge Summary" on page 21b are impacted by the Rider USP increase which causes the rate in the "Total Pass-through" column to increase for Rate Schedules RSS and RDS.

The rate change for the Rider MFC percentages are included on Tariff page 161 which is the tariff pages that describes the rider.

Q. Pages 16 and 21 of the tariff designate a location for Rider RNA, however, a rate is not indicated. Please explain.

A. As indicated in the description of Rider RNA on pages 144 and 145 of the Tariff, the Company is not proposing to bill Rider RNA until the October 2023 billing cycle. Columbia has filed the proposed Tariff with an effective date of May 17, 2022, and at that time a rate for Rider RNA will not be billed. Therefore, it is appropriate that Rider RNA rate is not specified in the Tariff at this time.

Q: Page 21 and 21b designates a location for the Energy Efficiency Rider. Please explain.

A. As proposed on pages 164 through 164a of the Tariff, the Company is proposing the EE Rider which is the cost recovery mechanism associated with the Company's proposed Energy Efficiency Program, discussed below. The charge will appear as its own line item on page 21, however, it will be included in the overall pass-through charge as shown on page 21b. Pass-through charges are then included in each applicable rate schedule's total rate.

Q. Where do the rate changes contained in your testimony originate?

A. The rate changes affecting the Customer Charge and Distribution Charge for each rate schedule can be found within Exhibit No. 103, Schedule No. 8 pages 5 through 9. The rate change to Rider USP can be found on page 5 within that same exhibit and schedule and Rider MFC rate changes are shown in Exhibit No. 103, Schedule No. 7, pages 7 and 8. The rate design contained in Exhibit No. 103 is also discussed in Company Witness Covert's testimony (Columbia Statement No. 11). The percentages for Rider MFC are identified in Exhibit JS-1 attached to Company witness Siegler's testimony (Columbia Statement No. 3).

Q. The Company's tariff includes a proposal for Rider RNA. Please explain.

A. Company witness Johnson's testimony, Statement No. 6, introduces and explains Rider RNA which Columbia proposes to be applicable to non-CAP residential customers under Rate Schedules RSS and RDS. Rider RNA has been added to the Company's tariff on pages 144 and 145.

Q: The Company's tariff includes a proposal for the Energy Efficiency Rider. Please explain.

A. Company witnesses Love's testimony, Statement No. 16, introduces and explains the Company's proposed Residential Energy Efficiency Program. As explained in Love's testimony, Columbia is proposing two residential energy efficiency programs to help residential customers reduce their energy consumption, improve efficiency, and conserve resources. The Company is proposing this tariff rider to recover the costs of the EE program from the residential customer classes, which is the only class of

customer eligible to participate in the proposed EE program. The EE rider rate will not be charged to residential customers participating in the Company's low income Customer Assistance Program. The EE Rider has been added to the Company's tariff on pages 164 and 164a.

Q. Does this complete your Prepared Direct Testimony?

A. Yes.

COLUMBIA STATEMENT NO. 13

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
DEBORAH A. DAVIS
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

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I. Introduction

Q. Please state your name and business address.

A. Deborah Davis, 121 Champion Way, Suite 100, Canonsburg, PA 15317.

Q. By whom are you employed and in what capacity?

A. I am employed by Columbia Gas of Pennsylvania, Inc. ("Columbia" or the "Company") as Manager, Universal Services.

Q. What are your responsibilities as Manager, Universal Services?

A. I am responsible for efficient and compliant administration of all programs for low-income customers including the Customer Assistance Program ("CAP"), the Low-Income Usage Reduction Program ("LIURP") and Columbia's Hardship Fund.

Q. What is your educational and professional background?

A. I hold a Bachelor of Arts degree in Social Work from the University of Pittsburgh. Prior to joining Columbia in 1992, I worked at a community-based agency assisting low-income clients with accessing utility service and providing other basic life necessities. I was hired by Columbia as a Community Relations representative and subsequently became Manager of the Customer Programs Department. My titles have changed over the years, but I have remained in a similar function throughout my 29-year career at Columbia.

Q. What is the purpose of your testimony in this proceeding?

A. I will provide an update on Columbia's Hardship Fund funding. I will also provide a summary of the outreach efforts conducted by the Company to promote the existing programs available to low-income customers over the past year. Finally, I will explain the current funding level LIURP and propose a solution to the large carryover budget that currently exists and will likely continue for the next several years.

II. Hardship Fund Program Update

Q. Please explain Columbia's Hardship Fund program.

A. The Hardship Fund is a Columbia-sponsored fuel fund that provides financial assistance through grants to low-income, payment-troubled residential customers, and is administered by the Dollar Energy Fund ("DEF"). Columbia's Hardship Fund program is a fund of last resort providing cash assistance to eligible customers to reduce arrears, reconnect service or stay a service termination. To be eligible, a customer's household income must be less than 200% of the Federal Poverty Income Guidelines ("FPIG"); the customer must be a residential heat customer and demonstrate an imminent need due to a pending termination notice, overdue arrears or loss of service; and finally, the customer must show that he or she has made a sincere effort to pay at least some of his or her bill in the last 90 days.

The DEF administers the program, which includes developing and maintaining an online application and database system for processing Hardship

Fund applications. DEF contracts with various community-based agencies throughout Columbia's service territory to accept applications, which are then reviewed by the Company and DEF personnel for approval. In 2020 the Company implemented an on-line application for customers to apply to the program, in addition to being able to apply in person or over the phone with agency representatives.

Q. How does Columbia fund its Hardship Fund program?

A. The Hardship Fund is funded by customer donations, shareholder dollars, and pipeline penalty credits and refund proceeds. Specifically, the Company shareholders contribute $150,000 annually; customers and Company sponsored fundraising typically contribute another $100,000 to $150,000 annually; and up to an additional $375,000 is provided from funds retained by the Company from pipeline penalty credits and refund proceeds, for a total yearly budget of approximately $675,000.

For program year 2020/2021, which ran from October 1, 2020 through September 30, 2021, Columbia was authorized to increase the income limit for the Hardship Fund from 200% of the FPIG to 300% and contribute an additional $400,000 in shareholder dollars to cover those additional customers. Any unused funds from program year 2020/2021 carried over to the following program year.

Q. What is the current balance of the Hardship Fund budget?

A. For program year 2021/2022, which is the current program year, the budget at the

beginning of the program year was $652,588. As of February 28, 2022, the balance is $615,358.

Q. What is the current balance of the pipeline penalty credits and supplier refunds to be used to supplement the Hardship Fund?

A. Columbia is permitted to maintain a balance of up to $750,000 from pipeline penalty credits and supplier refunds for funding for the Hardship Fund. The current balance, however, is $0. The Company made a transfer of $260,237.65 to the DEF in January 2022. The Company anticipates adding to the fund balance when additional pipeline penalty credits and supplier refunds are received.

Q. What is the primary source of voluntary contributions for the Hardship Fund?

A. The primary source of voluntary contributions for the Hardship Fund is the Company's "Add a Buck" campaign, which solicits voluntary donations from customers via a message on their bills. Columbia's "Add a Buck" campaign has raised the following amounts over the past years:

Year	Total Customer Bill Contribution
2011	$ 76,566
2012	$ 73,095
2013	$ 70,798
2014	$ 63,495
2015	$ 74,002
2016	$ 68,819
2017	$ 68,249
2018	$ 62,282
2019	$ 57,229
2020	$ 68,043
2021	$ 65,248

Q. Please provide a history of the Company's efforts to promote its Hardship Fund and raise donations for the Fund.

A. Columbia has a long history of seeking alternative ways to fund its Hardship Fund, including:

- In 1998, the Company formalized its Gift of Energy Certificate program. The Company incentivizes customers, friends and family to purchase gifts of energy for other Columbia customers to be credited to low-income customer accounts. A total of all Gifts of Energy sold are matched and donated to the DEF by Columbia's shareholders.
- In 1998 and 1999, the Company contracted to sell antique miniature replicas of two different models of company trucks with $5.00 of every purchase donated to the DEF.

- In 2002, the Company sponsored the City of Pittsburgh, Light Up Night Warm Up tent promoting the DEF and soliciting donations.
- In 2002 and 2003, the Company purchased radio ad time to promote donations to the DEF.
- In 2004, the Company partnered with the Punxsutawney Groundhog Club to develop and implement an online donation campaign. The campaign solicited raffle prizes for online donations, while the Groundhog took a vacation throughout Pennsylvania asking people to donate online to the DEF and documenting his travels on the campaign website. Radio ads and web ads were used to promote the campaign and solicit donations.
- In 2006, the Company started a long-standing annual partnership with the Trans-Siberian Orchestra ("TSO"). A donation is made to the DEF for every ticket sold. This sponsorship continues today.
- Also in 2006, the Company was a primary sponsor of the Irish Heritage Festival and negotiated the opportunity to promote the DEF and provide donation opportunities at the two-day event.
- In 2007, the Company sponsored a theatrical performance of *Edward Scissorhands* with a dollar for every ticket purchased going to the DEF.
- During the heating season in 2008 and 2009, Columbia contracted with the Pittsburgh Penguins with the Check the Box campaign. Every time a player was sent to the penalty box, an announcer reminded attendees to check the

box on the gas bill for a monthly pledge to DEF. Additional radio spots were used to promote the program as well.

- In 2012 and 2013, the Company sent thank you letters signed by the DEF Executive Director and Columbia's President to the prior year's Hardship Fund donors.
- In 2015 and 2016, the Company sponsored a hot oatmeal breakfast for employees where donations were requested for the DEF as an avenue to increase funds for the Cool Down for Warmth promotion.
- In 2016, the Company held poverty simulations with operations employees and included DEF personnel asking them to speak about their organization and its mission.
- In 2017, Columbia held a campaign to increase E-Bill participation. An incentive for signing up was a $5.00 contribution to the Dollar Energy Fund. The Company raised $4,900 through this effort with 980 new E-bill participants.
- Also in 2017 and 2018, the Company partnered with Nest Thermostat Labs, to promote Nest thermostat use. For every Nest Thermostat purchased as a result of this campaign, a donation was made to the Dollar Energy Fund. Despite numerous email blasts, web mentions and social media promotions, less than $10,000 was raised over the two years.

- In 2018 Columbia initiated a fundraising opportunity at Top Golf in Bridgeville, PA. Held in the fall, this fundraiser capitalized on existing contacts with Dollar Energy Fund's summer golf outing and brought in new donors that Company employees invite. The event was held in 2018 and in 2019 and raised a combined total of $26,980, resulting from sponsorships, participants and gift baskets generously donated by Company employees.
- In 2020, due to the COVID 19 pandemic restrictions on large gatherings of people, the Tran Siberian Orchestra ("TSO") concert was cancelled and the Top Golf fundraiser was not possible. Columbia reacted to this by doing alternative fundraising and awareness activities. Columbia partnered with Steel City Radio and WQED to sponsor TSO Re-imagined, which broadcasted past concerts and had live interviews and segments to promote the TSO during the holidays. The DEF was provided on-air segments and ads to encourage donations.
- In 2020, Columbia developed and marketed "Digger Dog" craft kits for kids with proceeds of each kit sold going to the DEF. This initiative was promoted on our website, Dollar Energy's website, with social media posts and to our Universal Service Advisory Council.
- In 2021, the Company continued its sponsorship of the Trans Siberian Orchestra, which donated $.50 for every ticket sold to the DEF. This effort provided an extra $8,234 in assistance for Columbia Gas customers.

Q. Does the Company participate in Dollar Energy Fund sponsored/developed fundraisers?

A. Yes. Over the years, the DEF has developed and sponsored various fundraisers. The proceeds of these events are divided among participating utilities. Specific events in which Columbia has participated in during the past five years include:

- Warmathon radio call-in campaign — Columbia provides sponsorship money and volunteers to answer telephone calls.
- Cool Down for Warmth - Historically an individual or group of dedicated employees, participate to raise funds by sitting in a house made of ice until they reach their contribution goal through donations from family, friends and co-workers. In the past two years, the event was held virtually due to the pandemic but funds were still raised.
- DEF Golf Outing - Columbia Gas sponsors this event and sponsors two teams.
- DEF Request a Thon, a partnership with a local radio station has been the newest initiative beginning in 2018. Listeners can call in to the station and make a pledge and hear their song request on the air. Columbia's sponsorship extends to this effort as well.

Q. Are there any other yearly promotions Columbia participates in to promote its Hardship Fund?

A. Yes, the following activities occur annually:

- Bill insert requesting donations;
- Social Media posts on Facebook and Twitter about events and requesting donations;
- E-mail blast requesting donations yearly;
- Coupon on paper bill and E-bill copy to those who have not yet signed up for monthly donations; and
- Website postings which explain how and where to contribute

III. Low Income Usage Reduction Program ("LIURP") Carry Over

Q. How much did the Company carry over from 2021 to fund the LIURP program in 2022?

A. The Company carried over $3,857,244, for a total 2022 budget of $8,932,244. This included unspent funds from 2020 as well.

Q. How much has the Company spent in 2020 and 2021?

A. In 2020, the Company spent $2,510,577 of its goal of $4,955,929. In 2021, the Company spent $3,463,108 of its goal of $7,320,352.

Q. Why did the Company not meet its goals in 2020 and 2021?

A. The Company halted all in-home work for several months in 2020 in response to the Covid 19 pandemic. This resulted in a drop in production which was slow to resume once the in-home suspension was lifted. In addition, the Company ceased to remove customers from the CAP program for not cooperating with weatherization. This has traditionally been the catalyst for many customers agreeing to weatherization.

Without this and the added customer concern of being exposed to COVID even with required safety precautions, customers were less likely to cooperate with weatherization. Finally, contractors began to experience staffing issues as some staff did not return to work while others dealt with fluctuations in staffing levels due to Covid illnesses and exposures among staff. These conditions remained throughout 2021.

Q. Does the Company anticipate spending its projected budget of $8,932,244 in 2022?

A. No. As agreed in the Company's 2021 rate case settlement at Docket No. R-2021-3024296, the Company canvassed participating Community Based Organizations ("CBOs") to determine if they have the capacity to do additional work in 2022. Unfortunately, no CBOs agreed to increase their allocation for 2022. The majority could not commit to a production level higher than what was achieved in 2021 when the Company spent less than half of its current 2022 budget. The Company also canvassed for profit existing contractors as well and is unable to allocate the full funds needed to meet the almost $9 Million target.

Q. Why are contractors and CBOs not willing to increase their allocations for 2022?

A. The Company asked this question during the one-on-one canvassing. The Company was told by most contractors that there is an expected increase in funding from the federal government that will more than double the production levels for the state

providers. In addition, there is a shortage of seasoned, knowledgeable workers in the energy efficiency arena in this state which reduces the ability for any contractors to hire additional crews for the additional workload. Finally, some contractors are having difficulty finding general laborers willing to do weatherization work.

Q. What is the Company doing to increase customer participation?

A. The Company conducted an outreach campaign in the fourth quarter of 2021. The outreach campaign consisted of Google Search Engine Marketing (SEM) ads, social media paid ads, ads on Spotify, outdoor billboards, as well as Company social media posts. In addition, the Company is participating in the planning of a statewide outreach initiative with other Pennsylvania utilities to promote energy efficiency which may help to legitimize the program for potential customers. Finally, the Company has been working to develop the processes and vendor relationships to successfully implement the Health and Safety Pilot which will remove prior barriers to facilitate weatherization of high use homes.

Q. What does the Company anticipate spending in 2022?

A. The Company is looking for new contractors to spread the allocations further. The Company did see improved customer engagement in the fourth quarter and early 2022, which may be a result of the outreach campaigns and colder weather. At this time, the Company estimates an aggressive goal of $6.5 Million spend in 2022 if the trends of customer engagement and contractor production levels continue positively.

Q. What will happen if the Company does not spend the full allotment?

A. The Company will carry over the funding into 2023 and gradually chip away at the under spend in the future. The Company continues to project the full allotment in the Rider USP for recovery.

Q. Is the Company proposing any changes?

A. Yes. The Company proposes to spread any carryover from 2022 evenly over the next three calendar years, 2023 through 2025. This will allow the Company to earmark these funds for energy efficiency purposes, without recovering funds from ratepayers that cannot be utilized in a given year while working toward increasing the available resources to install the measures.

IV. Customer Outreach Efforts in 2021

Q. Did the Company expand outreach efforts in 2021 to low income and potentially low-income customers?

A. Yes. The Company increased its grass roots outreach efforts as well as expanded its overall Communications strategy to reach known eligible customers but also create new channels to reach potentially eligible customers.

Q. Please expand on the grass roots component.

A. After sharing its outreach strategy with its Universal Service Advisory Council and gaining feedback, the Company targeted new and previously targeted groups for grass roots efforts. These included, local trunk or treat Halloween events, We Soldier On, Community Baby Showers and new mothers groups, Food Banks, School Districts, Homeless and Housing Coalitions, Vaccination clinics and at home

vaccination services for seniors. The Company will continue to invest resources in these grass roots efforts. The Company updated handouts to tailor the messaging to the audience and included a QR code for easy sharing and access.

Q. Please elaborate on the Company's overall Communications Strategy.

A. The Company created a "We're Here For You" campaign focusing on awareness of all available programs and resources offered by Columbia as well as federal resources such as Low Income Home Energy Assistance Program (LIHEAP) and the Emergency Rental Assistance Program (ERAP). Specific campaign activities included:

- Information about the Company's available programs and resources on its website, including printable resources and direct links to application sites;
- Outreach information in Spanish and English disseminated to community partners;
- Community Virtual Roundtable to update partners, including community action agencies, legislative offices, senior advocates and other low-income advocates;
- Emails to known low-income customers and potentially eligible customers targeted based on census and geographical information;
- Written communications to customers about the Company's programs in the form of a newsletters, bill inserts, direct mail letters and post card reminders;

- Press Release issued at the beginning of each program season with updated information;
- Social Media Ads paid and through the Company channels including Facebook, Google ads, Twitter and Next Door;
- Social Media paid ads using the traditional LIHEAP ads to maintain the momentum of prior years' ads;
- Paid audio and banner ads on digital radio platform Spotify targeted to customers in the company's service territory; and
- Opinion Editorial from Company's President on the availability of LIHEAP and other programs that ran in multiple papers.

Q. Did the Company attempt to target the lowest income population (0 – 50% of poverty), as suggested by the Office of Consumer Advocate in the Company's prior rate case?

A. Yes, as part of its grass roots efforts, the Company took several steps to seek opportunities to target this particular demographic. Columbia considered this demographic when identifying the school districts to attempt outreach. In addition, some of the individual events, such as the Community baby showers, Hoops for Scoops, and Halloween trunk or treats were targeted due to the higher percentage of customers within that demographic.

Q. What are the results of these outreach efforts?

A. The Company was able to provide information to families with children in eight

school districts in its service territory. Total enrollment for these school districts is more than 19,000 students. This was the most successful new outreach avenue when considering numbers of potential customers reached.

Although the number of customers receiving LIHEAP is fairly consistent with the past year, 23% of the customers that received LIHEAP cash had not received a grant in the prior year. This indicates the Company is reaching new customers that may not have been aware of the program.

To date, the Company has received assistance through the new Emergency Rental Assistance Program for 3,193 customers.

Q. Does this conclude your direct testimony?

A. Yes, it does.

COLUMBIA STATEMENT NO. 14

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
C.J. ANSTEAD ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

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I. Introduction

Q. Please state your name and business address.

A. C.J. Anstead, 121 Champion Way, Suite 100, Canonsburg, Pennsylvania.

Q. By whom are you employed and in what capacity?

A. I am employed by Columbia Gas of Pennsylvania, Inc., ("Columbia" or "the Company") as the Vice President of Gas Operations.

Q. What are your responsibilities as Vice President of Gas Operations?

A. My responsibilities include overseeing:

- Delivery of safe and reliable natural gas distribution service to our customers;
- Leak detection, leak investigation, leak response and leak repair activities;
- Customer metering activities;
- Plant operations;
- All required leakage surveys and system inspections, testing and inspection of cathodic protection systems for steel facilities, and performing underground facilities locating for third-party excavators;
- The day-to-day operations of Columbia's physical natural gas piping system; and

- Field customer service to Columbia customers including odor complaints, meter turn-ons and turn offs, and all other customer interfacing field interactions.

Q. Please briefly describe your professional experience.

A. I have over thirty years of experience in the natural gas industry with a large focus in gas operations and construction. Prior to joining Columbia in 1998, I worked for a natural gas pipeline contractor. During my tenure at Columbia, I have worked in a variety of roles across the NiSource companies and within NiSource Corporate Services. Prior to my current role, I served as the Director of Technical Services for NiSource Corporate Services Company from May of 2017 through June of 2019 where I was responsible for the quality assurance and operator qualifications programs across the NiSource companies. In June of 2019, I moved into the role of Director of Safety, Compliance and Risk Management for Columbia Gas of Ohio, where I was responsible for initiatives to address risk and improve safety. I assumed the role of Vice President of Gas Operations for Columbia Gas of Pennsylvania on April 1, 2021.

Q. Have you testified before this or any other Commission?

A. Yes, I testified before this Commission in the Company's 2021 base rate case at Dockett R-2021-3024296.

Q. Please describe your membership in, or affiliation with, any industry organizations.

A. I served as a member of the American Gas Association Quality Management Committee from 2017 through 2021 and I am currently on the Northeast Gas Associations Operations Committee.

Q. What is the purpose of your direct testimony?

A. I will provide an overview of Columbia's distribution system. I will also discuss Columbia's historic operating performance, the initiatives taken to improve its overall safety and compliance efforts and the metrics that are used to track performance and progress, and the planned system enhancements to Columbia's operations.

Finally, I will testify regarding Columbia's Distribution Integrity Management Program ("DIMP"), the strategic operation and maintenance ("O&M") activities that it has undertaken to improve its system, and the additional O&M activities that Columbia is planning to undertake.

II. <u>Overview of Columbia's Pipeline Distribution System</u>

Q. Please describe Columbia's distribution system.

A. Currently, Columbia serves approximately 440,000 residential, industrial and commercial customers. The Company owns and operates a natural gas distribution system in 26 counties serving 450 communities spread across Pennsylvania. Columbia provides that service through approximately 7,758 miles of distribution and transmission mains and approximately 437,717 services that it owns, operates,

and maintains.[1] These facilities (as of January 1, 2022) are composed of approximately 975 miles of bare steel, 23 miles of cathodically protected bare steel, 1 mile of cast iron, 46 miles of wrought iron mains (in total, 1,045 miles of "first generation priority pipe" main), and 38,813 bare steel services.[2] The balance of the system is comprised of cathodically protected coated steel (some of which is pre-1971 coasted steel), or plastic (some of which is pre-1982 plastic) mains and services, and 25 miles classified as other.[3]

Columbia's distribution infrastructure constitutes the final step in the delivery of natural gas to customers from the producing regions of the Southern United States, Western Canada, and in-state Pennsylvania-produced Marcellus and shallow well supplies. Columbia distributes natural gas by taking it from delivery points (or "city gates") along interstate pipelines, then transporting it through relatively small-diameter distribution mains and services that network underground through cities, towns, and neighborhoods to meet the demands of end-use customers. After taking delivery of natural gas at the city gate, Columbia then steps down the transmission

[1] I note that in compliance with Section 1510 of the Pennsylvania Public Utility Code, in Western Pennsylvania the Company does not own the service lines all the way to the building, but terminates its ownership at the curb valve, typically found at or near the property line. If there is no curb valve on the service line, Columbia's ownership terminates at the property line itself. The customer then installs and maintains the remainder of the service line to the building.

[2] The terms "bare steel," "unprotected coated steel," "unprotected steel," and "wrought iron" as explained further below, are used interchangeably and all refer to steel pipe without cathodic protection that is susceptible to corrosion.

[3] It should be noted that in 2011 Columbia deployed a Geographical Information System ("GIS") Mapping System to provide both mapping and data retrieval capabilities on its system and facilities. The 25 miles of "other" main appear to be anomalies in the data conversion and through a scrubbing process have been reduced from over 43 miles in 2012.

pressure to local distribution pressure, further filters the gas to remove moisture and particulates that may damage Columbia's system, and then in some cases increases the amount of odorant known as mercaptan (the "rotten egg smell") to the natural gas before it is put into the distribution system. The gas then goes into the distribution system where the pressure is often further reduced to delivery pressure in a series of district regulator stations, before being delivered to each customer. Once the gas is delivered on the customer's side (or the property line in Western Pennsylvania), it is owned by the customer and becomes the responsibility of the customer. In sum, Columbia's distribution system moves relatively small volumes of natural gas at lower pressures over shorter distances to a far greater number of individual users than its interstate pipeline counterparts.

Q. Please describe the years, types, and operating characteristics of the various pipe materials that have historically been installed in Columbia's system.

A. The system is comprised of many different types of pipe. From the 1850s to the early 1900s, Columbia's predecessor companies installed cast iron pipe throughout the early distribution systems. Cast iron, wrought iron and wood were among the first materials available, and cast iron had the advantage in that it was relatively strong and was easy to install. However, it was vulnerable to breakage from ground movement. When the pipe was buried to typical depths of between two and five feet, if the soil beneath the pipe or to its side was disturbed and pressure exerted on the

pipe, it could crack. Further, each pipe section was not easily joined, so joints were prone to leaks. Finally, it was determined that it was unsuitable for long-distance transportation of gas because it was unable to withstand high pressures.

Q. How did the industry react to the problems present with the use of cast iron?

A. By the early 1900s, the industry had adopted steel and wrought iron piping for mains. These were deemed to be stronger than cast iron and able to withstand greater pressure. During this time, bare steel and wrought iron began replacing cast iron pipe as the material of choice when building a natural gas distribution system. During the pre- and post-World War II construction boom, gas utilities like Columbia, along with developers and customers, installed a significant amount of bare steel mains and services. Bare steel is steel pipe that has no exterior coating and has no cathodic protection installed on the pipe. The use of bare steel and wrought iron was common until the 1950s and 1960s when the industry began to realize that, despite its initial strength, bare steel was subject to corrosion and, in order to increase long-term safety and reliability, coating and cathodic protection should be applied to all new piping systems to slow the inevitable deterioration process. Both exterior coatings and cathodic protection were designed to inhibit corrosion. Columbia installed its last bare steel pipe in the 1960s. By 1970, the federal government prohibited the installation of bare steel and wrought iron for natural gas distribution system infrastructure.

Q. What did the industry do to combat the problem of corrosion in bare steel?

A. The fact is that all metals corrode as a result of the natural process of chemical interactions with their physical environment, most commonly caused by moist soil (which creates an electrolyte) around the pipe. In these circumstances, direct electric current flows from the metal surface into the electrolyte and, as the metal ions leave the surface of the pipe, corrosion takes place. This current flows in the electrolyte to the site where oxygen or water is being reduced. This site is referred to as the cathode or cathodic site. To combat corrosion, natural gas distribution companies ("NGDCs") began using coated steel. Unprotected coated steel ("UPCS" or "coated steel") refers to steel pipe with an exterior coating (intended to electrically isolate the steel from the surrounding electrolytes in the soil).

Q. Did the use of UPCS solve the problem?

A. No, despite the best efforts of industry, and even though it was for a time an accepted industry standard, UPCS corroded as well. But for the period from the 1940s through the 1960s, as the industry assessed its options, it was one of just a few alternative piping materials available to meet the public demand for service. By 1970, Columbia had laid its last non-cathodically protected coated steel segment. Coated steel pipe continues to be used, but it is cathodically protected with an electric current. Further, since that time Columbia has retrofitted all its unprotected coated steel facilities with cathodic protection systems.

Q. **What is the outlook for UPCS pipe?**

A. Since Columbia installed the last miles of UPCS in 1970, that pipe is reaching the end of its useful life just by the passage of time and the inevitable resulting corrosion. In addition, however, even though that pipe was coated to protect against corrosion, some of that pipe is now being found to have been ineffectively coated. Ineffectively coated steel pipe refers to coated steel pipe that may have inadequate, field-applied coatings. Columbia continues to perform all routine monitoring and inspecting activities to ensure that this type of coated steel pipe will continue to operate safely, however, Columbia has a long-term concern that field-applied coatings used primarily on steel pipe prior to 1955 - and intermittently between 1955 to 1970 - have or will become ineffective over time. As this occurs, these coated steel lines demonstrate the leakage characteristics of our bare steel pipe. In the interest of safety and reliability, Columbia has been replacing many sections of coated steel main installed prior to 1971 as it is encountered in association with a bare steel or cast-iron replacement project. Columbia first inspects the pipeline coating for damage (e.g., scrapes, gouges), deterioration, or disbonding (e.g., cracking, blistering, chipping, flaking, or loose) and completes a field analysis to assess the cathodic protection current requirements of the pipe. To the extent that these analyses identify segments of protected steel pipe that are ineffectively coated, Columbia replaces that pipe as part of its replacement program.

Q. What materials replaced bare steel and coated steel?

A. Coated steel pipe continues to be used, but it is cathodically protected with an electric current. The pipe breakthrough for the natural gas industry came in the mid-1960s with the introduction of plastic (polyethylene) pipe for gas distribution applications.

Q. What is "cathodic protection?"

A. Cathodic protection is a procedure by which underground metal pipe is protected against corrosion and deterioration (i.e., rusting and pitting) by applying an electrical current to the pipe. Cathodic protection reduces corrosion by making that surface the cathode and another metal the anode of an electrochemical cell. A primary function of a coating on a cathodically protected pipe is to reduce the surface area of exposed metal on the pipeline, thereby reducing the current necessary to cathodically protect the metal. At present, the principal methods for mitigating corrosion on underground steel pipelines are external coatings and cathodic protection.

Q. Has Columbia further improved the functionality of its piping since the introduction of cathodically protected steel?

A. Yes, it has. Cathodically protected steel has all the advantages of steel in terms of strength and, because of its impressed electrical current, is highly corrosion resistant. However, it is more costly to purchase and install, and requires more ongoing maintenance than the next generation pipe – plastic.

Q. What are the benefits of plastic pipe?

A. Plastic pipe has proven to be very good for distribution-level pressures. It has strength and flexibility, and, as a result, is generally immune to the stress of ground

movement. Plastic is also less costly to purchase and easier to join and install than steel pipe. In addition, plastic does not corrode and, therefore, does not require cathodic protection.

Q. Does plastic pipe have any drawbacks?

A. The two significant drawbacks to plastic include:

- Relative vulnerability to excavation damage as compared to steel. As a result, excavators who do not dig by hand (despite being required to do so by One-Call laws) in the vicinity of plastic facilities are more likely to damage them. Steel piping has greater tensile strength and thus is somewhat more likely to be able to resist external impact.
- "First Generation" plastic pipe also known as "Pre-1982 Plastic", typically installed between mid to late 1960s and 1981 in most distribution systems are more brittle than today's material (due to the different composition of the base plastic material) and has demonstrated itself to be prone to stress propagation cracking under some circumstances. In a special investigation report completed by the National Transportation Safety Board on April 23, 1998, it concluded that between the 1960s through the early 1980s, the procedure used in the United States by manufacturers to rate the strength of this plastic pipe may have overrated the strength and resistance to brittle-like cracking. The investigation performed further clarified that such first-generation plastic pipe was susceptible to premature brittle-like

failures when subjected to stress intensification and as a result represented a potential safety hazard. Given the safety concerns that arise when this pipe is subjected to stress intensification, the most efficient course of action has been for Columbia to replace Pre-1982 pipe when it is encountered in association with a pipeline replacement project. This eliminates the need to induce stress on the first-generation plastic pipe during the standard squeeze-off operation performed to control or stop gas flow when preparing to reuse and reconnect existing first-generation plastic pipe to newly installed plastic pipe, and it eliminates the risk of the pipe cracking due to earth movement or other forces. As this Pre-1982 pipe continues to age, the risk of it developing Type 1 leaks continues to grow and will need to be replaced even when it is not associated with a bare steel or cast-iron replacement program. Thus, in certain limited cases, Columbia's first-generation plastic pipe has generated Type-1 leaks due to longitudinal cracking along the pipe.

Q. What is Columbia doing to address these concerns?

A. Regarding excavation damage, Columbia has made significant progress in reducing facility damage rates. In 2007, damages per thousand locates were at 5.39. By 2021, Columbia was able to reduce the damages per thousand locate tickets to 1.69. Locate ticket volumes were up 4% last year. Total number of damages reduced from 278 in 2020 to 239 in 2021. Efforts to improve locator performance and improved

techniques for finding difficult to locate facilities have proven to be effective. Excavator negligence remains the highest cause of damages to our facilities, at 49% of total damages in 2021. Columbia continued to intervene and educate excavators – especially the problematic ones – and was able to achieve a 24% reduction to excavator error between 2020 and 2021. Columbia adopted a "Damage Prevention Risk Model" to guide its outreach to the riskiest excavators. Columbia is continuing the practice of using "marker balls" when installing its new plastic facilities. These marker balls are placed in the ground above the pipe after it has been installed and enable Columbia to locate it later using electronic technology.

Columbia continues to deploy global positioning system ("GPS") mapping and locating technology that provide sub-decimeter accuracy in identifying the location of new or replacement facilities. This technology will enable the Company to accurately locate its new facilities in the field.

In order to address the issues discussed above with Pre-1971 coated steel pipe and Pre-1982 plastic pipe, Columbia has replaced sections that are uncovered in the course of executing the Company's infrastructure replacement program. Through continued efforts to identify and reduce risk, Columbia evaluates risks from all pipe materials, including first generation plastic pipe and Pre-71 coated steel, along with bare steel, cast iron (scheduled to be eliminated across the system in 2022) and wrought iron. Those sections identified as higher risk within the system are prioritized for replacement and will be included as priority pipe in the Company's

next Long Term Infrastructure Improvement Plan, scheduled to be filed in the second quarter of 2022.

Q. How does Columbia classify leaks it detects on its system?

A. Columbia classifies each gas leak according to its severity: Type-1, Type-2, or Type-3. A Type-1 leak is hazardous and requires immediate remediation and repair. A Type-2 gas leak is non-hazardous at the time of detection, but requires a scheduled repair based on the potential for becoming a hazard. A Type-3 gas leak is defined as "non-hazardous at the time of detection and can be reasonably expected to remain non-hazardous."

These gas leak classifications are defined in the Gas Piping Technology Committee ("GPTC") American National Standards Institute ("ANSI") Z380.1 "Guide for Gas Transmission and Distribution Piping Systems." The Guide is commonly utilized by gas operators and State pipeline regulators, including the Commonwealth of Pennsylvania, as an interpretation of "DOT 192 2003 CFR Title 49, Part 192 Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards."

III. <u>Federal Pipeline Safety Rules and Advisories</u>

Q. Please describe the Federal Pipeline Safety Rules and Advisories that are affecting and will continue to affect Columbia's Pipeline Safety Strategy and Operational Execution.

A. Some of the more significant and impactful Final Rules or Advisories issued in the last several years or that are being considered for the future, are as follows:

- Integrity Management Program for Gas Distribution Pipelines (74 FR 63906) - This final rule amended the Federal Pipeline Safety Regulations to require operators of gas distribution pipelines to develop and implement integrity management ("IM") programs. The IM programs required by this rule are similar to those required for gas transmission pipelines but tailored to reflect the differences in and among distribution facilities. Distribution integrity management is playing a significant role in Columbia's gas operations, allowing us to focus resources to reduce risks, thereby improving safety for our customers, the public, and our employees.
- Safety of Underground Natural Gas Storage Facilities (85 FR 8164 supersedes 81 FR 91860) – Pursuant to Section 12 of the "Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2016" or the "PIPES Act of 2016", this Federal Department of Transportation final rule ("FR") amends the Federal pipeline safety regulations to establish minimum federal safety standards for underground natural gas storage, including critical safety issues related to downhole facilities--well integrity, wellbore tubing, and casing. The FR incorporates the American Petroleum Institute's ("API") recommended practice 1171 by reference into the pipeline safety regulations. This recommended practice outlines the standard for the functional integrity of

natural gas storage in depleted hydrocarbon reservoirs and aquifer reservoirs. Incorporating these recommendations will provide the Pipeline and Hazardous Materials Administration ("PHMSA") and the states with a minimum federal standard for inspection, enforcement, and training through a federal/state partnership and certification process modeled after the current pipeline safety program. The FR applies to Columbia's Blackhawk underground storage facility located at 115 Felt Lane, Beaver Falls, Pennsylvania. While fulfilling its obligations under this Final Rule, Columbia conducted casing integrity logs on its Blackhawk wells during 2020. The results of the casing integrity logs revealed casing deterioration damage on the top joint of the production casing on two of the wells. To perform the necessary repairs, Columbia safely isolated the wells. Impacted joints were then safely replaced, the plugs removed, and the wells were brought back into service. As part of API 1171, Columbia will continue to manage and maintain protocols associated with the safe operations of the wells. This is a great example of how recommended practices, Integrity Management Programs and SMS identify and bring to light latent risks so that they may be prioritized to protect the distribution system, customers, the communities and employees.

- Pipeline Safety: Gas Pipeline Regulatory Reform (86 FR 2210) PHMSA amended the Federal Pipeline Safety Regulations (PSR) at 49 CFR parts 191

and 192 to ease regulatory burdens on the construction, operation, and maintenance of gas transmission, distribution, and gathering pipeline systems without adversely affecting safety. These amendments include regulatory relief actions identified by internal agency review, petitions for rulemaking, and public comments submitted in response to a Department of Transportation (DOT) regulatory reform notice entitled "Notification of Regulatory Review." Specifically, the changes to the regulations that can impact the Company include the following:

- Amended the definition of an incident (§191.3) by increasing the cost of property damage from $50,000 or more to $122,000 or more. The rule also gives PHMSA the ability to adjust the reporting threshold based on inflation and posted on PHMSA's website.
- Removed the requirement to report mechanical fitting failures by removing §191.12 Distribution Systems: Mechanical Fitting Failure Reports and §192.1009 What must an operator report when a mechanical fitting fails. However, PHMSA revised the Gas Distribution Annual report form (PHMSA Form F 7100.1-1) to identify the number of leaks involving a mechanical joint failure as a separate line item from the count of leaks by cause.
- Gave the Company the choice of managing inspections of pressure regulators serving farm taps under its distribution integrity

management plan (DIMP) (§192.740 Pressure regulating, limiting, and overpressure protection - Individual service lines directly connected to production, gathering, or transmission pipelines).

- Revised § 192.465, External corrosion control: Monitoring, to clarify that operators may remotely inspect rectifier stations for external corrosion.
- Revised the welding process requirement at § 192.229, Limitations on welders and welding operators, to align better with welder requalification requirement to specify that welders or welding operators may not weld with a particular welding process unless they have engaged in welding with that process within the preceding 7½ months. This change provides operators some flexibility in scheduling welding activities to maintain welder requalification.
- Revised atmospheric corrosion monitoring requirements (at §§ 192.481, 192.491, 192.1007, and 192.1015) both to align the inspection interval for atmospheric corrosion on gas distribution service pipelines with leakage survey requirements at § 192.723, and to clarify that consideration of corrosion risks under DIMP explicitly includes atmospheric corrosion.
- Revised requirements governing plastic pipe (at §§ 192.7, 192.121, 192.281, 192.285, and appendix B to part 192) to improve alignment

with, and incorporate by reference, certain updated industry standards.

- Revised test requirements for pressure vessels at § 192.153 to align pressure test factor requirements with industry standards, and to clarify certain other pressure testing requirements.
- Revised language at § 192.507 to extend an existing authorization for pretesting of fabricated units and short segments of steel pipe prior to installation on pipelines with high-stress operating conditions to pipelines operating at lower-stress operating conditions.

- Pipeline Safety: Safety of Gas Transmission Pipelines: MAOP Reconfirmation, Expansion of Assessment Requirements, and Other Related Amendments (84 FR 52180) – Pursuant to National Transportation Safety Board ("NTSB") recommendations and the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, PHMSA has promulgated regulations governing the safety of gas transmission pipelines. The purpose of this final rule is to increase the level of safety associated with the transportation of gas. This rule requires operators of certain onshore steel gas transmission pipeline segments to reconfirm the maximum allowable operating pressure ("MAOP") of those segments and gather any necessary material property records they might need to do so, where the records needed to substantiate the MAOP are not traceable, verifiable, and complete. This includes previously untested

pipelines, which are commonly referred to as "grandfathered" pipelines, operating at or above 30 percent of specified minimum yield strength ("SMYS"). Records to confirm MAOP include pressure test records or material property records (mechanical properties) that verify the MAOP is appropriate for the class location. Operators with missing records can choose one of six methods to reconfirm their MAOP and must keep the record that is generated by this exercise for the life of the pipeline. PHMSA has also created a framework whereby operators with insufficient material property records can obtain such records. PHMSA considers "insufficient" material property records to be those records where the pipeline's physical material properties and attributes are not documented in traceable, verifiable, and complete records. PHMSA is requiring operators to perform integrity assessments on certain pipelines outside of high consequence areas ("HCAs"), whereas prior to this rule's publication, integrity assessments were only required for pipelines in HCAs. Pipelines in Class 3 locations, Class 4 locations, and in the newly defined moderate consequence areas ("MCAs") must be assessed initially within 14 years of this rule's publication date and then must be reassessed at least once every 10 years thereafter. These assessments will provide important information to operators about the conditions of their pipelines, including the existence of internal and external corrosion and other anomalies, and will provide an elevated level of safety for the populations in

MCAs while continuing to allow operators to prioritize the safety of HCAs. This action fulfills the section 5 mandate from the 2011 Pipeline Safety Act to expand elements of the IM requirements beyond HCAs where appropriate.

- Pipeline Safety: Inside Meters and Regulators, issuance of advisory bulletin ADB-2020-01 (85 FR 61101) - To further enhance PHMSA's safety efforts and implement NTSB's April 24, 2019, Recommendations P–19–001 and P–19–002, PHMSA issued this advisory bulletin to remind operators of the requirements for inside meters and regulators and of the existing Federal DIMP regulations to reduce the possibility of the failure of inside meter and regulator installations. NTSB Recommendations to the Pipeline and Hazardous Materials Safety Administration:
  - P-19-001: Require that all new service regulators be installed outside occupied structures.
  - P-19-002: Require existing interior service regulators be relocated outside occupied structures whenever the gas service line, meter, or regulator is replaced. In addition, multifamily structures should be prioritized over single-family dwellings.

PHMSA is alerting owners and operators of natural gas distribution pipelines to the consequences of failures of inside meters and regulators and existing Federal regulations covering the installation and maintenance of inside meter and regulators. PHMSA is also reminding operators of their

obligation to continually assess risks to their systems and address those risks as required by the DIMP regulations (§ 192.1007). PHMSA reminds pipeline operators of their responsibilities to continuously improve their knowledge of their pipeline systems, identify integrity threats, evaluate and rank risks, and identify, evaluate, and implement preventative and mitigative measures as required by the Federal Pipeline Safety Regulations.

- Pipeline Safety: Overpressure Protection on Low-Pressure Natural Gas Distribution Systems, issuance of advisory bulletin ADB-2020-02 (85 FR 61101) - PHMSA is reminding all owners and operators of low-pressure natural gas distribution systems of the risk of failure of overpressure protection systems. Advisory bulletin ADB-2020-02 is intended to clarify the existing pipeline safety standards and highlight the importance of evaluating and implementing overpressure protection design elements and operational practices within their compliance programs. This advisory reminds pipeline operators of their obligations to comply with the gas DIMP regulations at 49 CFR part 192, subpart P. Under DIMP, gas distribution operators must have knowledge of their pipeline systems; identify threats to their systems; evaluate and rank risks; and identify, evaluate, and implement measures to address those risks. ADB-2020-02 highlights the need for operators of low-pressure systems to review thoroughly their current DIMP for the threat of overpressurization and to make any necessary changes or modifications to

become fully compliant with the Federal Pipeline Safety Regulations (§192.1007(f)).

- Pipeline Safety: Statutory Mandate To Update Inspection and Maintenance Plans To Address Eliminating Hazardous Leaks and Minimizing Releases of Natural Gas From Pipeline Facilities, issuance of advisory bulletin ADB-2021-01 (86 FR 31002) - PHMSA issued this advisory bulletin to remind each owner and operator of a pipeline facility that the "Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2020" (PIPES Act of 2020) contains a self-executing mandate requiring operators to update their inspection and maintenance plans to address eliminating hazardous leaks and minimizing releases of natural gas (including intentional venting during normal operations) from their pipeline facilities. Operators must also revise their plans to address the replacement or remediation of pipeline facilities that are known to leak based on their material, design, or past operating and maintenance history.

In addition to the FRs and Advisories above, the following proposed rules or recommendations are currently being made by, or are under consideration by PHMSA:

- Valve Installation and Minimum Rupture Detection Standards (PHMSA-2013-0255 RIN 2137-AF06) - PHMSA has issued a notice of proposed rulemaking ("NPRM") proposing regulations for: the installation of remote-

control valves ("RCV"), automatic shutoff valves ("ASV"), or equivalent technology, on all newly constructed and fully replaced gas transmission pipelines to meet a congressional mandate (Section 4 of the 2011 Pipeline Safety Act); NTSB safety recommendations that followed the San Bruno incident; U.S. General Accounting Office ("GAO") recommendations on the ability of operators to respond to commodity releases in HCAs; and technical reports commissioned by PHMSA on valves and leak detection from Oak Ridge National Laboratory ("ORNL") and Kiefner and Associates, respectively. Also, the NPRM would establish Federal minimum standards for the identification of ruptures and the initiation of pipeline shutdowns, segment isolation, and other mitigating actions, which are designed to reduce the volume of commodity released due to a pipeline rupture and thereby minimize potential adverse safety and environmental consequences. This NPRM would also establish standards for improving the effectiveness of emergency response.

- Pipeline Safety - Safety of Gas Transmission Pipelines, Repair Criteria, Integrity Management Improvements, Cathodic Protection, Management of Change, and Other Related Amendments (PHMSA-2011-0023 RIN 2137–AF39) - This rulemaking would amend the pipeline safety regulations relevant to gas transmission pipelines by adjusting the repair criteria in HCAs and creating new criteria for non-HCAs, requiring the inspection of pipelines

following extreme events, requiring safety features on in-line inspection tool launchers and receivers, updating and bolstering pipeline corrosion control, codifying a management of change process, clarifying certain IM provisions, and strengthening IM assessment requirements.

- NTSB Recommendation P-12-17 Pipeline Safety Management Systems (API Recommended Practice 1173) – Conceptually, Pipeline Safety Management Systems are built on the premise that managing the safety of a complex industry requires a system of efforts to address multiple, dynamic, changing activities, and circumstances. It further reflects the PHMSA view that if the industry is to achieve the goal of zero incidents, a highly structured and comprehensive effort is required. The broad components of these plans would include:
    - Demonstrated management commitment
    - Structured pipeline safety risk management decisions
    - Increased confidence in risk prevention and mitigation
    - Providing a platform for shared knowledge and lessons learned
    - Promoting a pipeline safety-oriented culture

  The ultimate purpose of this initiative is intended to produce a continuous pipeline safety improvement cycle among pipeline operators of "Plan-Do-Check-Act."

The API 1173 Standard for Pipeline Safety Management Systems is only a recommended practice, but Columbia and NiSource have chosen to pursue the adoption and implementation of a Safety Management System ("SMS"). As an early adopter of deploying an SMS, Columbia has aggressively educated the entire workforce and key contractor resources on what it is and why we are using API 1173 as our guideline to measure progress. We have implemented a Corrective Action Program ("CAP") with all employees and key contractor resources that enables a more robust and formal process for identifying risks and developing actions to reduce risk. We have also established a new governance model to review and prioritize identified risks. The building of additional capacities within our SMS are underway and will continue, centered in process safety improvements, asset management improvements and safety culture improvements.

Q. Will PHMSA's focus on Transmission Lines have any significant impact on Columbia operations?

A. Yes, "Transmission Line" is defined in CFR 49, Part 192 as "a pipeline, other than a gathering line, that: (1) transports gas from a gathering line or storage facility to a gas distribution center, storage facility, or large volume customer that is not down-stream of a distribution center; (2) operates at a hoop stress of 20 percent or more of SMYS [System Minimum Yield Strength]; or (3) transports gas within a storage field." Columbia has 40.2 miles of transmission class pipelines (6.2 miles within

HCAs) per the 2019 PHMSA Annual Report for Natural Gas Transmission and Gathering Systems for Columbia that meet this definition. Further, following the San Bruno, California explosion which occurred on a Pacific Gas and Electric Transmission Line in 2010, PHMSA has focused attention on the quality and comprehensiveness of system records for these lines, particularly around the pressure testing data, pipe material and design information, and wall thickness of existing transmission line systems. Because there was no federal mandate requesting such reports, Columbia, like many other NGDCs and transmission companies, is lacking certain data, particularly on segments installed prior to current code standards and the issuance of Federal Pipeline Safety Regulations instituted on August 1, 1971. PHMSA continues to focus heavily on Transmission Operations with the Gas Transmission Rulemaking (promulgated October 1, 2019) that makes the inspection procedures and safety requirements of the various class locations more rigorous and creates a definition of an MCA in addition to the existing HCA already defined in the rule. Future rulemaking regarding transmission class lines is already being discussed by PHMSA and industry representatives.

IV. Strategic O&M Safety Initiatives

Q. Please discuss Columbia's strategy regarding Operating and Maintenance ("O&M") safety initiatives going forward.

A. The Company continues to focus its efforts and resources on the top risks to the Company's system as enumerated in its DIMP Plan and as modified based on the

annual DIMP data review, which sometimes results in risk reprioritizations or other updates to the plan. Columbia is expanding focus in several critical areas to maintain and enhance its operational capabilities:

- **Cross Bore Program:** Columbia began a cross bore program in September of 2013, as a result of identifying cross bores as a potential risk in its DIMP plan. Working with local municipalities, Columbia has inspected over 568.8 miles of sanitary and storm sewer mains, and 36,266 customer laterals since 2013. During this inspection work, 577 cross bores were identified, with 359 of those involving Columbia's system. Given the number of cross bores found through this program, it is identified as a high risk in Columbia's DIMP plan. Consistent with the Company's proposal in its 2020 rate case (Docket No. R-2020-3018835) to accelerate this program by increasing the resources allocated to this work, it is anticipated that the program is currently on pace to be completed in 31 years. The Company is requesting $2,700,000 in incremental funding, as reflected in Exhibit 104, Schedule 2, pg. 18, to further accelerate this program's pace and is anticipated to be completed in 16 years.
- **Abnormal Operating Condition (AOC) Remediation Program**: An AOC is defined as a condition identified by the operator that may indicate a malfunction of a component or deviation from normal operations that may indicate a condition exceeding design limits; or result in a hazard(s) to persons, property, or the environment. The AOC Program is an initiative identified

through Columbia's SMS. This program is designed to proactively address identified AOCs across Columbia's system. Examples of AOCs that will be addressed through this program include, but are not limited to improper regulator vents, extending regulator vents, regulator vent screen installation, meterset support, paint meterset/repair coating, field assembled risers and buried meter valve remediation. This program will increase the safety and reliability of Columbia's service lines and meter assets that are often closest to customer's homes and will help to prevent potential future failures resulting in hazardous leaks. The Company is requesting $600,000 in funding for this program, as reflected in Exhibit 104, Schedule 2, pg. 18.

- **Natural Gas Detectors for Home Use:** Columbia has worked with New Cosmos, a manufacturer of Natural Gas Detectors for home use to allow Columbia customers a to purchase DeNova Detect ML-310ES model through the Columbia Gas website (Safety Products - Columbia Gas of Pennsylvania (columbiagaspa.com). The device is powered by a 5-year battery which allows for placement at greater elevations within the home to provide earlier and more accurate warnings. When a dangerous threshold of natural gas is reached, it sounds both an 85db alarm and a voice warning "Danger - Gas leak explosion risk - evacuate, then call 911". This technology is especially timely since the odorant used in natural gas may be less effective for customers potentially suffering a persistent loss of smell due to Covid. In addition to the discounts

offered through our website, Columbia intends to provide 200-250 Natural Gas Detectors at no cost during low-income home audits in 2023. The Company is requesting $13,000 in funding for this program, as reflected in Exhibit 104, Schedule 2, pg. 18.

- **Picarro Leak Detection Program**. Columbia has employed the Picarro platform system to enhance its process for leak detection and to refine the prioritization of repairs and replacements for its natural gas distribution system. The use of the Picarro Leak Detection System will serve to advance the Company's leak detection capabilities, as well as estimate leak density and methane emissions across its service territory. Additionally, the Picarro system will support the Company's Operations and Construction departments by aiding in the prioritization of system risk for the Company's ongoing infrastructure replacement program, and by providing quality assurance checks following the installation of new infrastructure. As Columbia looks to shift compliance leak survey from traditional walking leakage inspection to advanced mobile leak detection, additional leaks are expected. Through the use of Picarro, Columbia expects to find, and repair, 2 times the number of leaks compared to traditional leakage inspection. After the first full triennial cycle of using Picarro, Columbia expects the number of leaks found to decrease to 1.5 times the number of leaks, when compared to traditional leakage inspection. Columbia plans to use the leak flow rate data gathered from the Picarro

program to further its goals to reduce methane emissions. The Company is requesting $10,900,000 in incremental funding to advance the Picarro leak detection program, as reflected in Exhibit 104, Schedule 2, pg. 18.

- **Blackline Safety Devices:** Columbia Gas will be deploying the Blackline Safety Device safety monitor with gas detection capabilities to all frontline working employees in Q3 of 2022. The Blackline device is a wearable personal safety monitor that is intrinsically safe and provides an extra layer of protection for our employees and particularly those working in lone worker scenarios. This device has features that include employee check-in requirements, worker fall and no motion detection, silent and audible SOS communication features, employee location and gas detection (LEL, O2, CO, H2S). The Company is requesting $265,000 in funding for this initiative, as reflected in Exhibit 104, Schedule 2, pg. 18.

- **Safety Management System (SMS).** As previously noted in my testimony, Columbia has implemented Safety Management System (SMS). As an early adopter of deploying an SMS, Columbia has aggressively educated the entire workforce and key contractor resources on what it is and why Columbia is using API 1173 as our guideline to measure progress. The Company has implemented a Corrective Action Program (CAP) with all employees and key contractor resources that enables a more robust and formal process for identifying risks. Columbia also has established a new governance model to review and react to

risks identified. The building of additional capacities within the SMS are underway and will continue, centered in process safety improvements, asset management improvements and safety culture improvements.

The O&M safety initiatives identified above, in conjunction with the Company's ongoing accelerated replacement program, are designed to address the key risks identified in Columbia's DIMP Plan and continue to reduce the inherent pipeline safety risks in Columbia's operating system. SMS will continue to mature and strengthen the culture of risk identification and reduction at Columbia.

- **Supplemental Safety Staffing Increase for Enhanced Columbia Safety Support** – Columbia seeks to increase the current levels of safety resources and staffing dedicated to supporting our business operations. Recognized occupational safety and health (OSH) staffing models support increasing our staff of safety professionals. Increased safety resources will result in strengthening our high performing safety programs and initiatives and better enable Columbia to focus on hazard identification and mitigation in the field. Principally, these OSH models are based upon the risks inherent to the types of work that we perform and the number of workers that support our work and projects within Columbia. Increasing our OSH staff will result in numerous benefits by increasing safety resources to support all elements of our collective safety programs. These benefits include more field time by OSH staff

resulting in a greater number of safety observations, worker contacts, and coaching opportunities for Columbia employees and contractors. Supplemental safety support related to the elements of our Safety Management Systems (SMS) programs including our Corrective Action Program (CAP) efforts and responding to safety related concerns. Additional safety resources will positively impact on our safety culture including the strengthening of our practices surrounding safe work in the field where our greatest risks are present. Columbia desires to increase safety staffing that includes the addition of four Safety and Health Coordinators and one dedicated Safety Technical Trainer. Columbia is requesting $417,000 for additional safety positions, as reflected in Exhibit 104, Schedule 2, pg. 18.

Q. Are there any additional details demonstrating the improvement of Columbia's system operations?

A. Some of the results from DIMP-driven practice enhancements or procedural changes, which improve Columbia's system, include:

Leakage Reduction: Since the inception of our accelerated infrastructure replacement program, Grade 2 leaks have been significantly reduced, thereby increasing the safety of our customers. Figure 4 below shows a comparison of Grade 2 leaks found during the year, as compared to Grade 2 leaks repaired during the year. In the last ten years alone, Columbia's pipeline replacement efforts were responsible for cutting the number of leaks found from 4,111 in 2010 to only 1966 in

2021. That's over a 50% reduction in leaks. That reduction in leaks improves safety, reduces methane emissions, and even improves service to customers since there are fewer service interruptions due to water offs and leakage repairs. Going forward, reduction of Grade 2 leaks will continue to be a focus.

Figure 4
Columbia Gas of Pennsylvania, Inc.
Grade 2 Leaks

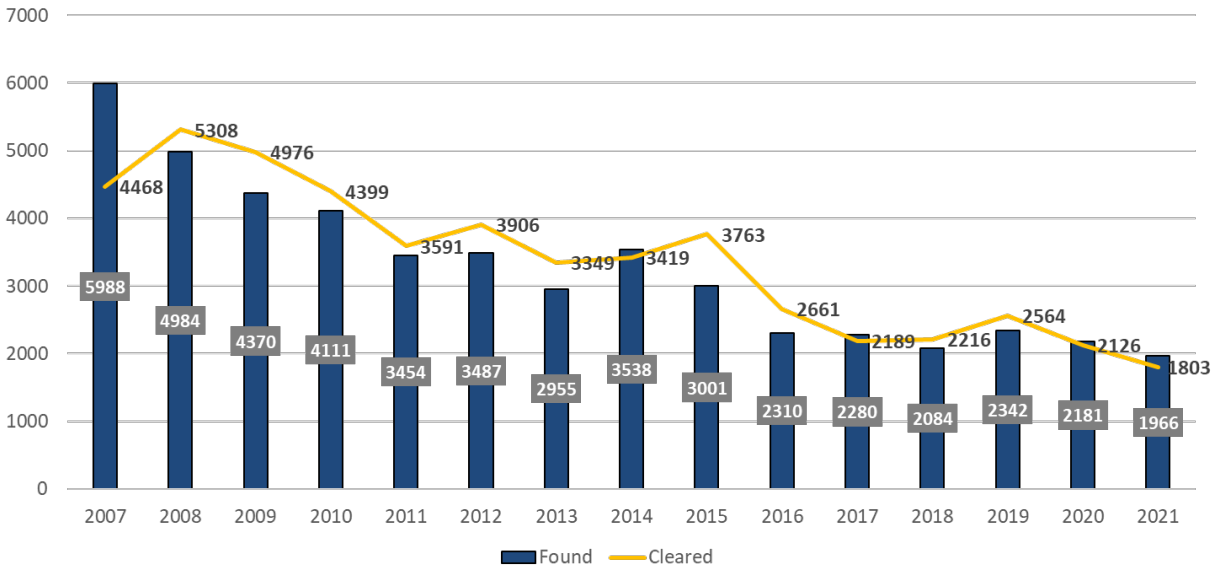

Damage Prevention: The Company continues to focus on damage prevention. Since 2007, the Company reduced damages per 1,000 locates, as noted in Figure 5 below. In particular, the Company has focused on improving third party damages per 1,000 locates, as excavation damage is the leading cause of federally reportable pipeline incidents. These efforts have contributed to the 69% reduction in the damage rate on the Columbia system between 2007 and 2021, from a damage per thousand

(locate requests) rate of 5.39 in 2007 to a damage per thousand rate of 1.69 through December 31, 2021, as shown in Figure 5 below.

Figure 5

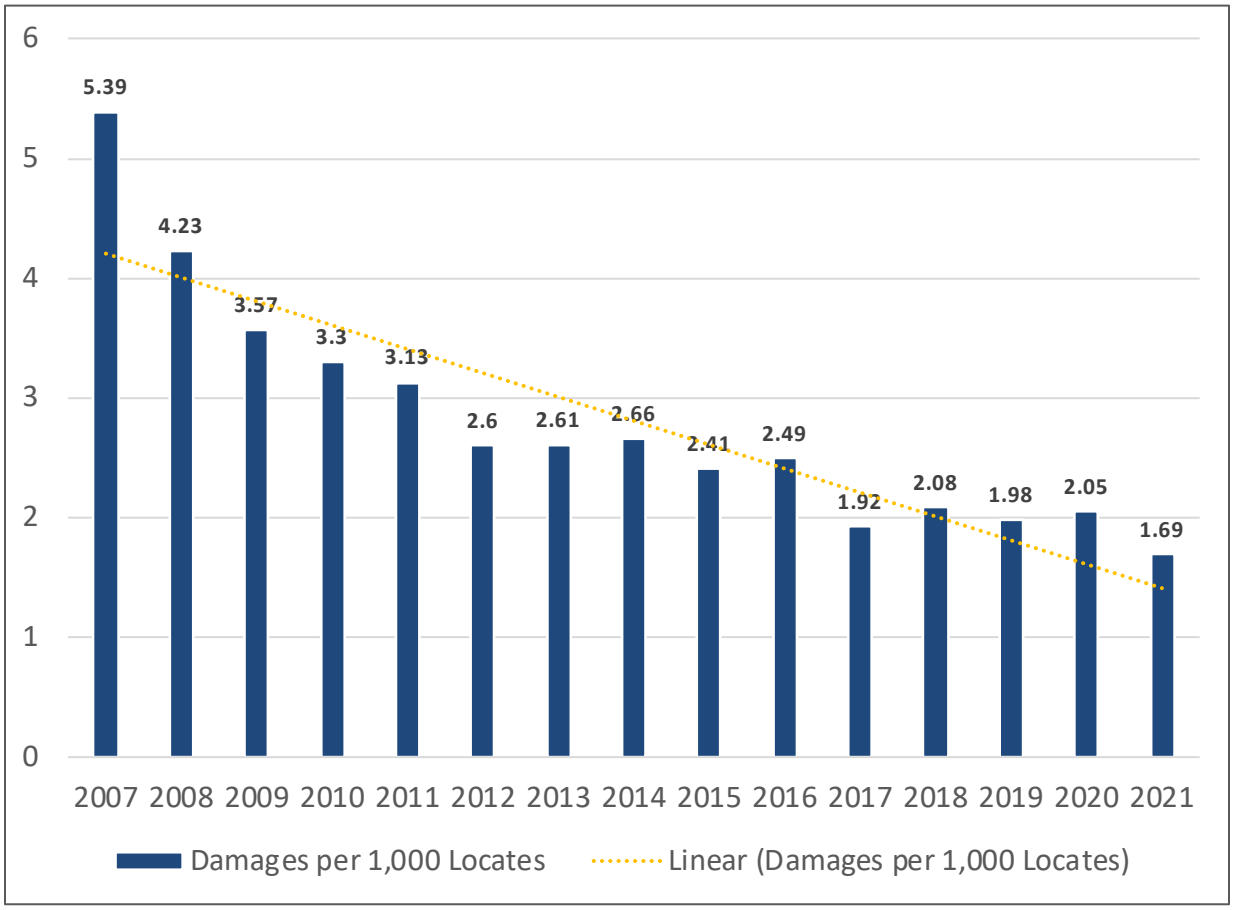

- *Training Center*. Columbia constructed a new training center that opened in mid-2016 which provides the facilities needed to conduct classroom training, enhanced hands-on training and operator qualification training. The facility is currently being used for multiple training purposes, including new

employee training, employees transitioning into higher skilled positions, annual refresher training for the existing workforce and emergency response training. A great deal of thought, research and best practices were considered when developing the new training approach and designing the training facility. Trainers traveled to industry leading training facilities and natural gas organizations across the country. The Company studied best practices of organizations outside the natural gas distribution industry, who are trained to respond to crisis and emergency situations. Columbia formed focus groups to gain insight and obtain feedback from front-line employees about their perceptions of and experiences with training, as well as the accessibility of standards while performing on-the-job tasks. The developed curriculum incorporates end-to-end training of Columbia's field technology, such as mobile data terminal units and work management systems, to technical training for operator qualifications. This end-to-end training educates employees on every aspect of the job and its importance, from physical work performed to its accurate documentation.

V. <u>Columbia's Operating Performance</u>

Q. In addition to Columbia's intense focus on pipeline safety, what are some of the practice enhancements or procedural changes regarding operating performance that are specific to customer delivery performance?

A. Over the course of the last six years, Columbia initiated and/or continues to expand on a number of customer service delivery improvements. These improvements include 45-minute or less emergency response times and providing customers the option of a two-hour appointment window, which have resulted in a safer and better experience for our customers. For example:

- Columbia implemented 45-minute or less Emergency Response Rate targets. Emergency response rates are integral to public safety. The sooner the first Columbia responder arrives at a possible emergency, the quicker the situation can be stabilized, made safe, and ultimately remediated. Since 2006, Columbia has implemented a very structured approach to improving its emergency response times, including the addition of field operations positions, additional off hours shifts, the use of GPS technology to enable dispatching the closest/quickest responder to emergencies, and instructing all employees to focus on responding to reported emergencies as safely and as quickly as possible. In addition, Columbia continues to make enhancements in an effort to keep emergency response rates down. Starting in 2011, Columbia implemented an automated crew call out and resource management system to call the service technician located closest to an issue that requires a response after hours. Columbia also negotiated additional language to our labor contracts which requires a service technician to be on Emergency Responder Rotation so that we have an initial responder available

24 hours a day, 365 days a year. Additionally, the Company negotiated residency requirements to better support emergency response efforts. The results of these focused efforts have resulted in improved performance in emergency response times. A comparison of the data showing the 45-minute or less response rates from 2015 to 2021 as follows:

	2015	**2016***	**2017**	**2018**	**2019**	**2020**	**2021**
Day	96.79%	99.17%	99.16%	98.70%	98.99%	99.51%	99.5%
Evening	90.95%	95.24%	94.87%	95.61%	97.28%	97.09%	96.1%
Holiday	91.59%	92.11%	85.25%	86.32%	88.79%	95.35%	92.4%
Overnight	85.87%	94.86%	95.19%	92.43%	90.42%	95.62%	95.6%
Weekend	82.76%	91.83%	92.66%	91.72%	93.66%	95.31%	95.1%
Total	**92.68%**	**96.88%**	**96.82%**	**96.40%**	**97.28%**	**98.12%**	**97.8%**
**Note: Columbia implemented 45-minute response targets in 2016*							

- Columbia achieved an increase in the number of Columbia's on-time customer appointments, as measured by the overall annual percentage of on-time appointments met[4]. As more and more customers need to take time off from work to provide access to their homes for routine meter turn-on, turn-off, and other service-related activities, it is incumbent upon the Company to be as efficient as possible with the customers' time. Therefore, in 2007, Columbia began to focus specific attention on improving its percentage of on-time appointments. It did so by tasking the Integration Center (Columbia's

[4] The percent of customer-generated appointments that are met within the appointment window or according to state regulation, where applicable.

Centralized Scheduling and Dispatch Center) with improving field employees' daily schedules to align more closely with the needs of customer appointments, and to shift non-emergency work, when possible, to meet appointments that, for a variety of reasons, might otherwise be missed. As a result of these efforts, Columbia has been able to improve its on-time appointment rates from 97.10% in 2014, to a rate of 99.5% in 2021.

Q. Please describe the Company's reduction in Occupational Safety and Health Administration ("OSHA") recordable injuries.

A. Columbia continues to enhance its culture of safety for customers, communities, and employees. Employee safety has significantly improved as Columbia has experienced a significant reduction in OSHA Recordable Injuries. For comparison, at the end of 2006, Columbia had 48 OSHA recordable injuries. This past year in 2021 that number was 10 OSHA recordable injuries which is a reduction in frequency of 79%. Columbia has previously received industry awards from both the American Gas Association and the Energy Association of Pennsylvania in recognition of its safety performance. Our goal is for every employee to go home safe and healthy every day. Columbia's safety efforts include:

- Columbia delivers safety training to all employees. This training spans skills from employee safe driver training to office ergonomics.

- Columbia has local and state-wide safety teams made up of engaged front line workers, leaders, contractors and managers. These teams make recommendations on, and implement, safety improvement opportunities.
- Columbia performs a post-incident root cause analysis involving the team of the involved business unit of every OSHA recordable injury and preventable vehicle collision that involves a Columbia employee. Work zone intrusions and near miss post incident review discussions are also conducted.
- Columbia has implemented a job site safety observation program in which leaders perform job site safety observations in the field to coach employees on safe working behaviors, field work activities, and to provide feedback to employees on their safety performance. Each Leader in the organization is required to spend time in the field conducting job site observations. Our Leader job site observation data will be tracked, measured and communicated as a safety leading indicator in our overall safety performance metrics for 2022. The job site observation program also includes our executive leadership team.
- Columbia employees evaluate risk and identify the work hazards at each jobsite prior to beginning work and complete a pre-job safety briefing which is reviewed with each employee on the job site or project. A new pre-job safety briefing is required and completed when the personnel, risks, or scope of the work changes so that our teams perform our work as safely as possible. This

process was reviewed and updated in 2022 with the roll out of PC tablets and the implementation of an updated electronic digital pre-job safety briefing form and process. Our pre-job briefing process also reinforces that all of our employees have stop work responsibility.

- Columbia has been administering and utilizing the National Safety Council Safety Barometer survey since 2017 to define our safety culture to support our core values and guiding principles. While surveying every other year, we have been using the NSC safety perception survey process to identify our strengths and opportunities within our safety culture. The NSC Safety Barometer elicits employee responses to 50 statements regarding foundational safety elements. These components are grouped into six performance categories of safety excellence to provide an overall summary of our safety program and culture. Employee responses were compared with 1,420 businesses in the NSC Database. Benchmarking is central to fully understanding survey results. We then use the comprehensive feedback provided in the survey to utilize employee led action planning teams to develop focused and sustainable initiatives to improve performance and strengthen our safety culture.
- Currently, our team of safety professionals consists of a Safety Manager and four Safety Coordinators who each support one of operating areas. As of 2022, three of our safety professionals currently hold the Certified Safety

Professional (CSP) designation accredited by the Board of Certified Safety Professionals.

Q. Regarding Columbia's operating performance, does the Company meet or exceed state and federal requirements for leak surveying?

A. Yes, in 2007, Columbia began an accelerated leakage survey program to inspect all bare steel mains annually, instead of the three-year interval which is required in the leakage survey requirements of CFR 49, Part 192. While annual surveys have been performed for bare steel since 2007, Columbia has significantly reduced its inventory of bare steel and seen a significant reduction in found leaks and plans to discontinue the annual leak survey for bare steel due to the decreased inventory and reduced risk. Columbia intends to utilize the current resources to assist in the implementation of Picarro leak detection to help drive risk down across our system.

Q. Does this complete your Prepared Direct Testimony?

A. Yes, it does.

COLUMBIA STATEMENT NO. 15

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
NICHOLAS BLY
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

I. Introduction

Q. Please state your name and business address.

A. Nicholas Bly, 290 West Nationwide Boulevard, Columbus, Ohio 43215.

Q. By whom are you employed and in what capacity?

A. I am employed by NiSource Corporate Services Company ("NCSC") as Manager of Corporate O&M and Consolidation in the Financial Planning and Analysis ("FP&A") department.

Q. What are your responsibilities?

A. As Manager of Corporate O&M and Consolidation, my principal responsibilities include budgeting and forecasting operations and maintenance ("O&M") expenses for the corporate functions and overhead costs across all NiSource, Inc. companies ("NiSource"), including NCSC and Columbia Gas of Pennsylvania ("Columbia"). In carrying out these duties, I am responsible for a number of activities, including developing financial plans with budget owners, monthly reporting and variance analysis, updating current year forecast through the present estimate process, and other ad hoc financial support for the corporate functions.

Q. What is your educational and professional background?

A. I received a Bachelor of Science degree in Business Administration with a concentration in Accounting and minor in Philosophy and Religious Studies from Winthrop University in Rock Hill, South Carolina in May 2006. My career began in the audit practice of Deloitte in Columbus, Ohio, where I first was exposed to the utility industry as my main client from 2008-2010 was an electric utility. In 2010, I began working for NCSC as a Senior Financial Analyst in a Consolidation Accounting role. In the following years, I also served as a Lead Analyst in Corporate Development, Lead Analyst in Corporate Budgeting, Manager in Corporate FP&A, and Manager in Treasury before leaving NCSC in 2016. From 2017 – 2020, I was a partial owner and an Officer of JadeTrack, Inc. serving in a multifunctional finance and operations role. In October 2020, I re-joined NCSC and assumed my current role. Lastly, I'm a Certified Public Accountant and Certified Treasury Professional.

Q. Have you ever testified before a regulatory Commission?

A. I filed testimony before the Indiana Utility Regulatory Commission on behalf of Northern Indiana Public Service Company LLC ("NIPSCO") in Cause No. 45621.

<u>Statement of Purpose</u>

Q. Please describe the purpose of your testimony in this proceeding.

A. The purpose of my testimony is to provide background on the budgeting process for corporate functions, overhead expenses, and how that relates to the financial plan

for Columbia. My testimony supports Columbia's projected Operations and Maintenance ("O&M") expenses for the Fully Projected Future Test Year ("FPFTY") for NiSource Corporate Services for Columbia Gas of Pennsylvania. Company Witness Nicole Paloney will be supporting the budgeting process for the Gas Utility Departments for Columbia Gas of Pennsylvania at Columbia Statement No. 9. The following chart illustrates the costs elements in Exhibit 104, Schedule 1 pages 5 and 6 supported by myself and Witness Paloney.

Cost Element Category	**Company Witness**
Labor	Bly/Paloney
Incentive Compensation	Bly
Pension	Bly
Pension Deferral Amortization	Bly
OPEB	Bly
Other Employee Benefits	Bly
Outside Services	Bly/Paloney
Building Leases	Bly/Paloney
Other Rent and Leases	Bly/Paloney
Corporate Insurance	Bly
Injuries and Damages	Bly
Employee Expenses	Bly/Paloney
Company Memberships	Paloney
Utilities and Fuel Used in Company Operations	Bly/Paloney
Advertising	Bly/Paloney
Fleet & Other Clearing	Bly/Paloney
Materials & Supplies	Bly/Paloney
Other O&M	Bly/Paloney
PUC, OCA, OSBA Fees	Paloney
NCSC	Bly
NCSC OPEB Costs Amortization	Bly

Q. Please define Corporate O&M and Overheads.

A. Corporate O&M includes functions such as Information Technology, Finance, Accounting, Legal, Tax, Supply Chain, Treasury, Risk Management, Call Center Operations, Human Resources, Safety Services, and Utility Operation Support. Overheads include short and long-term incentive compensation, retirement benefits (e.g. 401K, pension), insurance benefits (e.g. disability), and health benefits (e.g. vision, medical).

Q. Can you describe the annual budget development process for Corporate O&M and Overheads?

A. The overall NiSource O&M targets are established by the Chief Financial Officer, SVP of Strategy & Chief Risk Officer, and Vice President of Corporate Financial and Regulatory Planning, and approved by the Executive Leadership Team. Department O&M targets are refined and updated as necessary for changes during throughout the Present Estimate process. Material changes to the O&M plan must be approved by the responsible Executive Council leader of the Executive Leadership Team, and Chief Financial Officer. O&M expense budgeting methodology is a combination of a "top down" and "grass roots" approach.

Q. Please elaborate.

A. Using the O&M targets set by the Executive Leadership Team as a guidepost, it is the responsibility of the Financial Planning team along with functional leaders to work together to ensure functional O&M budgets are developed in accordance with overall financial goals and objectives.

Budgeted expenses are grounded in a trailing 12-month historical spend with merit increases and inflation adjusted for each year thereafter, delineated by cost categories such as labor, materials, and outside services. Overhead costs are calculated based on labor (e.g. incentive compensation) or provided to us via actuarial firms (e.g. pension and benefits).

Q: What are the principal assumptions used in the development of the labor cost element for specific department budgets?

A: The starting point for labor costs is the current organizational chart, which is then reviewed with each functional leader to properly reflect their organization for the upcoming year, including any terminations, additions, or transfers. The labor planning module calculates annual salary increases for merit. Additionally, the planning system reduces labor expense by a capitalization rate consistent with historical results by department, as many departments within the company work on projects that qualify for balance sheet treatment and are not immediately expensed through O&M. The labor expense values by department are compared to the prior year for reasonableness before the plan is finalized.

Q. What are the principal assumptions used in the development of the non-labor cost elements for specific department budgets?

A. Non-labor non-overhead expenses (aka Direct Expenses) are rooted in historical trends to reflect normal ongoing levels of expense and are then adjusted up or down for known activities or events reasonably expected to occur or not recur.

Q. Does Corporate O&M and Overheads include allocations from NCSC, and if so, how are the allocation of costs to Columbia determined?

A. Yes, NCSC is a subset of the budget for Corporate O&M and Overheads. Allocations from NCSC to the operating companies are based on historical distributions and adjusted as necessary to best represent expense planned to future periods.

Q. Is the budget development process consistent with the prior rate case?

A. Yes, the process is consistent.

Q. Is the budget reviewed throughout the year?

A. Yes. On a monthly basis an analysis that compares budget to actual results is completed and reviewed. This analysis provides key drivers for variances for both monthly and year-to-date results. In addition to monthly variance analysis, present estimate updates are conducted with function leaders that provide forecast updates for the current year and any impact to future years. Documentation of the drivers of

the variance are maintained and evaluated in future planning cycles to ensure proper consideration of new and developing forecast items.

Q. Does this complete your direct testimony?

A. Yes, it does.

COLUMBIA STATEMENT NO. 16

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
v.	)	Docket No. R-2022-3031211
Columbia Gas of Pennsylvania, Inc.	)	

DIRECT TESTIMONY OF
THEODORE M. LOVE
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

March 18, 2022

Q. Please state your name, occupation, and business address.

A. My name is Theodore M. Love, and I am a Partner at Green Energy Economics Group, Inc. ("GEEG"), an energy consulting firm founded in 2005. My business address is 2534 Downingsville Road, Lincoln, Vermont 05443.

Q. On whose behalf are you testifying?

A. My testimony is submitted on behalf of Columbia Gas of Pennsylvania, Inc. ("Columbia" or the "Company").

Q. Please briefly describe your professional experience.

A. I have been involved in the review and preparation of natural gas and electric energy efficiency plans, as well as potential studies and cost-effectiveness analyses, in nearly a dozen states, three Canadian Provinces, and China, since I began working with GEEG in 2007. Most relevant to this proceeding, I have been advising UGI Utilities, Inc. – Gas Division ("UGI Gas") on its Energy Efficiency and Conservation ("EE&C") Plan since 2015 and Philadelphia Gas Works ("PGW") on its energy efficiency activities since August 2008. I also advised Peoples Natural Gas ("Peoples") on its EE&C filing in 2017. Most recently, I advised PGW on its most recent energy efficiency plan in 2020. My full resume is attached as Exhibit TML-1.

Q. Have you previously testified before this or any other regulatory agency?

A. Yes. I have previously provided testimony to the Pennsylvania Public Utility Commission ("Commission") in seven dockets. I have also provided written testimony in Ontario and Nova Scotia and participated in the preparation and development of testimony or evidence in British Columbia, Vermont, Connecticut, Maryland, Oklahoma, Texas, Illinois, and Louisiana. Please see Exhibit TML-1 for a

complete list of the proceedings in which I have testified and their docket numbers.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony will address Columbia's proposed Three-Year Energy Efficiency Plan ("Plan" or "EE Plan").

Q. Please summarize your testimony.

A. I will provide an overview of the EE Plan and its development. I will then discuss the Plan's projected cost, savings, and cost effectiveness under the Total Resource Cost ("TRC") test. Finally, I will provide a summary of each program followed my recommendations and conclusions.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes, I am sponsoring the following exhibits:

- Exhibit TML-1 – Resume of Theodore M. Love
- Exhibit TML-2 – Three-Year Energy Efficiency Plan

Q. Would you please describe the Three-Year Energy Efficiency Plan?

A. Columbia is proposing to implement two energy efficiency programs over three years starting January of 2023. These programs are designed to help Columbia's residential customers reduce their energy consumption, improve efficiency, and conserve resources. The Plan is projected to provide lifetime savings of 3.3 million dekatherms ("Dths") of natural gas at a cost of $8.1 million over three years.

Q. Will the Plan, if implemented, benefit the Company's residential customers?

A. Yes, it will. Columbia is proposing an investment that will return a present value of TRC net benefits of $16.2 million, in 2022 dollars, with a TRC benefit-cost ratio

("BCR") of 2.42. Not only does the Plan provide significant energy savings and economic benefits for customers, but it also helps customers increase the comfort of their home and reduce the emission of greenhouse gases. Reduced spending on energy also shifts spending to other parts of the economy which can have both an economic multiplier effect and help with regional job creation.

Q. How was the Plan developed?

A. As described in Section 1.2 of Exhibit TML-2, the Plan was developed as a way to help Columbia's residential customers use natural gas more efficiently. Two programs were identified and developed to address the usage of natural gas in residential buildings.

The Plan has two programs. The first program is the Residential Prescriptive (RP) Program. The RP Program utilizes a very similar program design to other natural gas equipment rebate programs run by two other natural as distribution companies serving Pennsylvania. The second program, the Online Audit Kit ("OAK") Program, is based on a successful program run by Columbia Gas of Virginia for more than ten years. I will explain the RP Program and OAK Program in more detail later in my testimony.

Various market characteristics were gathered for Columbia's territory, including avoided costs for natural gas and electricity, demographic, building stock, and equipment market characteristics. Next, measures were characterized and screened for cost effectiveness using the TRC test. Incentive levels were established for these measures and projects, generally set to be in-line with the other programs in Pennsylvania. The cost-effective measures and projects were then used to

calculate savings and maximum participation levels. Programs were staged to account for the ramp-up required for new programs. Finally, non-incentive budgets were developed to address fixed and variable costs associated with each program and the portfolio.

Q. How does the plan address low-income customers?

A. Low-income customers are allowed to participate in any of the programs, but the Plan does not specifically include participation assumptions for this market. The OAK program does provide a free online audit and will mail targeted low-cost energy saving kits to customers at no cost. However, the majority of services offered by the Company for assisting low-income customers with their energy bills are still through existing pathways, such as the Low Income Usage Reduction Program ("LIURP").

Q. Has Columbia provided detailed implementation plans for each of the proposed programs?

A. Yes, Section 2 of Exhibit TML-2 provides a detailed plan for each of the two programs in the plan, including annual budgets by cost category, savings, and participation projections. There is also information on program delivery, incentive design, target markets, marketing, as well as evaluation, measurement, and verification ("EM&V") details.

Q. How much natural gas will Columbia's residential customers save who participate in the EE Plan?

A. The programs are projected to save 189,942 incremental annual Dths of natural gas and 3.3 million Dths over the lifetime of the measures installed. The following tables show the incremental and lifetime natural gas savings by program and are presented

as Tables 3 and 4 in Exhibit TML-2.

Portfolio Total Gas Savings by Program (First Year)

Program	2023	2024	2025	2023 - 2025
Residential Prescriptive Program	20,619	61,632	82,196	164,448
Online Audit Kit Program	2,684	9,393	13,418	25,495
Total	**23,303**	**71,025**	**95,614**	**189,942**

Portfolio Total Gas Savings by Program (Lifetime)

Program	2023	2024	2025	2023 - 2025
Residential Prescriptive Program	375,092	1,111,639	1,480,422	2,967,153
Online Audit Kit Program	36,077	126,269	180,384	342,730
Total	**411,169**	**1,237,908**	**1,660,807**	**3,309,883**

Q. What additional benefits are projected to occur from the EE Plan?

A. The Plan is projected to save 8,724 MWh of electricity and 146 million gallons of water over the lifetime of the measures installed. Additionally, reduced emission of over 201,597 short tons of CO2 are expected to occur from program activity, which is equivalent to removing over 7,700 cars from the road permanently. Section 1.4 of Exhibit TML-2 contains additional details on savings projected for the plan.

Q. How much additional employment do you estimate that the EE Plan will generate?

A. The Plan is projected to generate between 99 and 199 net additional new jobs in the broader Pennsylvania economy over the lifetime of the efficiency measures installed. The majority of these jobs will stay close to where savings occurred due to: (1) most of the job creation being a product of the economic "multiplier" effect through the cycle of re-spending energy savings; and (2) the shift away from spending in the less-labor intensive energy sector towards more job-intensive sectors such as food service and production, as explained in Section 1.4.4 of Exhibit TML-2

Q. How much will it cost to achieve these results?

A. The total portfolio is projected to cost $8.1 million over three years, or an average of $2.7 million per year. The first year is anticipated to be mainly devoted to the setup and initial ramp up of the program and has anticipated spending of $1.4 million. Spending rises to $3.8 million in the third year of the Plan as the programs are projected to be fully ramped up. The following table provides annual spending by program and is Table 1 of Exhibit TML-2.

Portfolio Total Costs by Program

Projected Costs (Nominal)	2023	2024	2025	2023 - 2025
Residential Prescriptive Program	$898,000	$2,243,000	$3,021,000	$6,162,000
Online Audit Kit Program	$241,860	$356,510	$501,300	$1,099,670
Portfolio Wide Costs	$300,000	$254,000	$258,000	$812,000
Total	**$1,439,860**	**$2,853,510**	**$3,780,300**	**$8,073,670**

The following table breaks out the total spending at the portfolio level by budget category and year and is Table 2 in Exhibit TML-2.

Portfolio Total Costs by Category

Category	2023	2024	2025	2023 - 2025
Customer Incentives	$685,860	$2,058,510	$2,747,300	$5,491,670
Administration	$561,000	$558,000	$643,000	$1,762,000
Marketing	$140,000	$120,000	$151,000	$411,000
Inspections	$33,000	$97,000	$129,000	$259,000
Evaluation	$20,000	$20,000	$110,000	$150,000
Total	**$1,439,860**	**$2,853,510**	**$3,780,300**	**$8,073,670**

Q. How will these costs be allocated to customers?

A. The programs were designed to specifically target residential customers. As such, the requirement for participation is to have a residential account with the Company. This means that all costs for the program are to be recovered from the residential

class, excluding customers participating in the Company's low-income Customer Assistance program, through the rate mechanism described in the testimony of Company Witness Danhires (Columbia St. 12). Columbia Witness Johnson (Columbia St. 11) addresses how the proposed Energy Efficiency Rider rate was calculated.

Q. Is Columbia proposing annual budget caps for individual programs?

A. No. The proposal is an investment over three years of approximately $2.7 million dollars per year. Although the previously described budget levels represent anticipated funding levels, the utility should be allowed to move budget dollars between years and programs depending on market conditions and adoption rates. The total three-year budget is capped at the projected amount and the Plan still needs to be cost effective at a portfolio level.

Q. Why is this flexibility important?

A. The ability to allocate funding effectively is crucial for a portfolio administrator. The ability to adjust budgets ensures that unspent funds from one program can be used to address higher demand in other programs and helps provide continuity for customers, contractors, and suppliers. This flexibility must also extend to program design and implementation, such as increasing or decreasing incentives based on market conditions. Columbia would file a revised EE Plan if a program is added or removed, additional funds over and beyond the three-year cap were required, or material changes were expected for portfolio-level cost-effectiveness projections.

Q. How did you assess the economic benefits and costs of the EE Plan?

A. The TRC Test was used to evaluate the economic impacts of the EE Plan, based on

the Act 129 TRC Test with modifications used in other approved voluntary gas programs in Pennsylvania. The TRC test evaluates all resource savings from a portfolio of programs against the costs incurred by program participants and the program administrator, where incentives are considered a transfer from the administrator to participants. Savings under the TRC are monetized using the avoided cost to supply those resources.

Q. What avoided costs values were used to develop the Plan?

A. As described in Section 1.5.2 of Exhibit TML-2, avoided cost of natural gas was developed using a similar approach to what was used by other natural gas distribution companies offering energy efficiency programs in Pennsylvania. Baseload gas costs were based on NYMEX futures adjusted for delivery to Columbia Gas Transmission ("TCO") FTS, which were gradually blended with forecasts from the Annual Energy Outlook from 2022 ("AEO 2022"), until fully switching over to AEO 2022 in 2034. Commodity costs include the commodity charge and gas retention from the TCO tariffs. The avoided costs for heating load were computed from the Columbia Transmission SST rate, plus refill from the Columbia FSS rate, adjusted for load factor over the heating season. The avoided costs also include avoidable load-related distribution investments borrowed from UGI's estimates in its 2018 EE&C filing, at Docket No. R-2018-3006814.

Avoided costs for electricity and peak demand were based on values from the Act 129 Phase IV filings from the electric distribution companies ("EDCs").[1] These

[1] On June 18, 2020, the Commission adopted an Implementation Order, which directed that EDCs to file EE&C plans for Phase IV by November 30, 2020. *See Energy Efficiency and Conservation Program* Implementation Order, at Docket No. M-2020-3015228 (June 18, 2020).

values were translated to annual dollar per kilowatt-hour ("$/kWh") and peak demand kilowatt-year ("$/kW-yr") values and weighted by their overlap with Columbia's service territory. Avoided cost for water are based on the Act 129 Phase IV TRC Test Order.[2]

Q. What are the lifetime TRC benefits and costs projected for the Plan?

A. Under the TRC test, the Plan is projected to provide a present value of benefits in 2022 dollars of $27.6 million with a corresponding cost of $11.4 million. This comes out to $16.2 million in net benefits from the proposed plan with an overall BCR of 2.42. In addition, both the RP and OAK program are cost effective on their own.

Q. Will these net benefits stimulate economic activity?

A. Yes. The present worth of TRC net benefits represents a long-term injection of wealth into the economy. For residential customers, the reduction in the total costs of gas service translates to after-tax disposable income, which can be saved or spent. Moreover, the amount of additional economic activity stimulated by the efficiency investment will end up being several times the net benefits due to re-spending within the local, state, and regional economies. While there is doubtless some "leakage" as some spending takes place outside Pennsylvania, the majority of the economic benefits stay at the state and local levels according to research by the American Council for an Energy Efficient Economy ("ACEEE")[3].

This economic activity generated by the net economic benefits of efficiency investment is in addition to the economic activity generated directly by

[2] *2021 Total Resource Cost (TRC) Test,* Final Order, Docket No. M-2019-3006868 (December 19, 2019).
[3] Energy Efficiency Job Creation: Real World Experiences" Bell, Casey J. American Council for an Energy-Efficiency Economy. October 2012.

expenditures on the part of both Columbia and program participants to install the efficiency measures.

Q. When does Columbia anticipate programs will be available to customers?

A. The Company anticipates that programs will be available to customers approximately six to nine months after approval of the Plan. This means that the programs are projected to launch midway through 2023. This will give the Company time to finalize program design details, hire vendors to run the programs, and get any initial marketing materials and outreach organized and implemented.

Q. Please describe the RP Program.

A. The RP Program aims to reduce lost opportunities for efficiency improvements during the turnover of natural gas space heating and water heating equipment. The program is expected to cost $6.2 million in nominal dollars over three years and save 2.97 million Dth of natural gas over the lifetime of measures installed. The program is projected to provide present value TRC net benefits of $13.6 million with a BCR of 2.41. The program will also save 8,724 MWh of electricity and approximately 182 thousand tons of CO2 over the lifetime of the installed measures, which is equivalent to permanently removing over 6,935 cars from the road.

The RP program will specifically provide incentives for furnaces, boilers, combination space and water heating boilers ("combi boilers"), tankless water heaters, and WIFI-enabled thermostats. The program will use ENERGY STAR® criteria as a minimum efficiency level, when available. A full list of the measures along with minimum efficiency levels and proposed incentives can be found in the

"Financial Incentive" portion of the RP Program description in Exhibit TML-2.

Q. How will the RP program be administered?

A. Columbia anticipates hiring a third-party implementor to issue rebates through online and paper applications. This may include the setup of an online marketplace for the sale of smaller equipment, such as WIFI-enabled thermostats, with rebates taken out at the time of purchase.

Columbia will also utilize the program implementer for inspections of a portion of installed equipment to make sure that the equipment is installed and matches the details provided in the application. Applications that have been selected for inspection will not receive a rebate until the inspection has been completed.

An evaluator will be retained to provide an impact and process evaluation of the program once sufficient participation levels have been achieved. This activity is anticipated to occur in the third year of the program.

Q. How will the information about the RP Program reach customers?

A. The main way in which customers are expected to hear about the RP program is through trade allies, such as heating ventilation and air conditioning ("HVAC") installers and plumbers. The Company, along with the program implementor, will work closely with these trade allies to ensure that they have the tools needed to help customers understand the benefits of the higher efficiency equipment and are able to easily apply to the program. Trade ally efforts will be supported by general marketing activities through more traditional avenues such as bill inserts, emails, and social media advertisements. In addition, the Company will promote the RP incentives through its OAK Program.

Q. Please describe the OAK Program.

A. The OAK Program provides residential customers with a free online audit that will provide targeted information for customers on how to reduce their energy usage and bills. The program will also provide customers who complete the audit with free, targeted energy savings kits. The program is expected to cost $1.1 million in nominal dollars over three years and save 343 thousand Dth of natural gas over the lifetime of measures installed. The program is projected to provide present value TRC net benefits of $3.28 million with a BCR of 4.32. The program will also save 146.4 million gallons of water and approximately 20 thousand tons of CO2 over the lifetime of the installed measures, which is equivalent to permanently removing over 766 cars from the road.

To participate, customers will go through a web-based audit that collects basic information about a customer's home and energy usage. Based on the information provided, he or she will then receive customized recommendations along with estimated impacts from implementing those recommendations. If the customer uses natural gas to heat his or her home, then they can elect to receive a kit with low-cost measures such as outlet gaskets, caulk, and foam sealant along with instructions on how to install them. If the customer uses natural gas for water heating, they can elect to receive a kit that includes low flow aerators and a high-efficiency showerhead. The OAK Program will be available to all residential customers at no cost.

Q. How will the OAK Program be administered?

A. Columbia expects to hire a third-party implementor to provide the online audit web-based application. For customers who do not have easy access to the internet, a

phone version of the audit will be made available. The implementor will also be responsible for sending the free energy saving kits to customers who request them.

The program will be marketed through bill inserts, social media, Columbia's website, and other traditional advertising channels, such as radio or print advertisements. As part of the recommendations from the online audit, customers will be shown information about relevant RP incentives, including a link to apply for rebate through the RP program.

An evaluator will be engaged to provide annual evaluations of customer installation rates. A full program impact and process evaluation will be performed once sufficient participation activity has occurred, which is anticipated for the third program year.

Q. Please explain the portfolio wide costs associated with EE Plan.

A. The portfolio wide costs are not attributable to specific programs such as development, design, tracking, reporting, legal and administrative overhead. This includes amortized costs for plan and portfolio development incurred for the Company's EE Plan filing. Portfolio wide costs are projected to become 7% of the final year's costs, and, over the three-year period, portfolio wide costs represent 10% of the portfolio's expenditures.

Q. How will Columbia report on results of the Plan?

A. As explained in Section 1.6.4 of Exhibit TML-2, the Company will provide an annual report three months after the close of each program year. The program year ends on December 31st, so the annual report will be provided in April of the following year. This annual report will provide results for the previous year, including savings,

participation, spending, and cost effectiveness along with descriptions of notable activity and any updates to program design and delivery.

Q. What conclusions do you reach about the proposed EE Plan?

A. I find that the Plan is based on successful energy efficiency efforts by other natural gas distribution companies and will provide important natural gas and other resource savings. Furthermore, the Plan will provide substantial economic benefits to the Company's residential ratepayers, the economy within the Company's territory, and Pennsylvania as a whole.

Q. On the basis of these conclusions, what are your recommendations to the Commission?

A. I recommend that the Commission approve the implementation of the Three-Year Energy Efficiency Plan.

Q. Does this conclude your testimony?

A. Yes. I reserve the right to submit supplemental testimony during the course of the proceeding. Thank you.

THEODORE M. LOVE

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(919) 949 – 5906
tlove@greenenergyeconomics.com

Professional Experience

Green Energy Economics Group, Inc. – Cuttingsville, VT

Partner	2017 to Present
Senior Associate and Data Scientist	2013 to 2017
Associate	2010 to 2013
Analyst	2007 to 2010

For over 14 years, Theodore "Theo" Love has been providing economic-based insights into the design, analysis, and implementation of energy efficiency and distributed energy resource programs and portfolios in twelve states, three Canadian provinces, and China. He has a particular focus on EE/DER policy analysis, program design and implementation, cost-effectiveness testing, financing, and building scalable tools to analyze everything from individual projects to programs to portfolios.

Alter & Rosen, LLP –New York, NY 2007 to 2010
Consultant
Managed the development of an online database management system for musical copyrights and brought on board paying beta users. Managed data entry, reporting, termination and reversion issues for transactions involving musical copyright catalogues valued at over $100 million.

AllianceBernstein LP –White Plains, NY 2006 to 2007
Client Reporting Analyst
Oversaw the monthly and quarterly report process for clients domiciled outside the United States. Increased by 150% the amount of accounts that met a fifth business day deadline. Transferred firm's quarterly reporting process to new system.

Education

Clark University – Worcester, MA
B.A. Magna cum Laude, *Mathematics and Computer Science*, 2006.

Kansai Gaidai University: Hirakata City, Osaka Japan.
Study Abroad Program, Spring Semester 2005

General Assembly: New York City, NY
Data Science Intensive Course, 2015

Recent Project Experience

Green Energy Economics Group, Inc.

Economic and Policy Analysis
Small Business Utility Advocate - California *(June 2020 – Present)*

- Performing data analysis of underserved small and medium business customers as part of the California Energy Efficiency Coordinating Committee (CAEECC) Underserved Working Group for Small and Medium Business (SMB).
- Prepared report and analysis of arrearages for small businesses due to COVID-19 and assisted with policy recommendations and comments on strategies to address COVID-19 related debt (Do. No. 21-01-014)
- Assisted with analysis and comments for ongoing docket on clean energy financing (Do. No. 20-08-022)
- Provided comments on program design of CleanPowerSF's Food Service Program (Do. No R13-11-05)

Gas Topic Committee Co-chair
Association of Energy Service Professionals (AESP) *(January 2019 – Present)*

- Co-chair of the topic committee that oversees gas energy efficiency activity in North America. Leader of regular member calls and active participant in conference planning.

Benefit Cost Analysis Expert
Public Service Enterprise Group (PSEG) – New Jersey *(October 2021 – Present)*

- Provided assistance with calculation of six economic tests for PSEG's energy efficiency and conservation portfolio, including development of calculation engine and launch as a subcontractor to ANB Enterprises.
- Consulted on forecasting and data analysis for PSEG's internally run commercial Engineered Solutions and Direct Install programs.

Economic and Policy Analysis
Consumer Advocate – Nova Scotia *(March 2019 – Present)*

- Provided analysis and written testimony on Efficiency One's (E1) 2020 – 2022 DSM Plan (Matter No. M09096) as it relates to spending and savings levels, affordability, and allocation of funds in Matter No.
- Provided comments on the 2019 DSM Potential Study's economic analysis and projection assumptions and approach
- Member of DSM Advisory Group (DSMAG) on behalf of the Consumer Advocate of Nova Scotia to provide ongoing support

Development and Implementation of Energy Efficiency and Conservation Plans
UGI Utilities, Inc. – Pennsylvania *(June 2015 – Present)*

Assist UGI Utilities, Inc. and PNG with the development and approval of Energy Efficiency and Conservation (EE&C) Plans for their UGI Gas PNG Gas, and UGI Electric divisions, including:

- Ongoing evaluation and portfolio planning activities for both UGI Gas and UGI Electric energy efficiency portfolios.
- Developing an achievable efficiency scenarios for UGI Gas and PNG Gas.
- Designing a five-year, $27 million energy efficiency and conservation plan for UGI Gas. Submitting direct testimony on behalf of UGI Gas, Inc. on the design and implementation of the proposed plan (Docket No. R-2015-2518438)
- Designing a five-year $15 million energy efficiency and conservation plan for PNG Gas. Submitting direct testimony on behalf of PNG Gas, Inc. on the design and implementation of the proposed plan (Docket No. R-2016-2580030)
- Assisting with the design and implementation and reporting of the UGI Electric's voluntary EE programs. Designing and assisting with approval for a five-year $7.2 million electric energy efficiency and conservation plan (Docket No. M-2018-3004144)

Strategic Planning and Implementation of DSM Portfolio

Philadelphia Gas Work's (PGW) - Philadelphia, Pennsylvania (August 2008 – Present)

- Assisting with ongoing program planning and implementation of both the Low-Income Usage Reduction Plan (LIURP) and the market-rate DSM portfolio.
- Provided supporting testimony and analysis for the Phase III market-rate DSM plan under Docket No. P-2014-2459362.
- Designed Phase II plan with PGW and submitted direct testimony supporting the plan on behalf of PGW (Docket No. P-2014-2459362)
- Member of lead consulting team that aided in the design and approval of PGW's five-year, $54 million portfolio of DSM programs;
- Providing ongoing technical assistance in the development of PGW's $35 million Phase II five year plan.
- Providing ongoing technical support in program design and implementation, including the roll-out of six programs that, combined since inception, have saved 120,000 MMBtus at a cost of approximately $17 million;
- Developed specifications for and currently collaborating with internal PGW staff on database system to track weatherization projects, rebate applications, and other information pertaining to PGW's DSM portfolio;
- Developed multiple Excel-based tools used by contractors to perform field audits, provide QA/QC, and track ongoing progress for contractors, programs, and the portfolio as a whole;
- Provided research and analysis support for multiple rounds of expert testimony before the Pennsylvania Public Utility Commission (Docket R-2009—2149884);
- Aided in the issuance of RFPs and selection of candidates for over $40 million in contracts;
- Major contributor to PGW's ongoing formal reporting and evaluation process, including the issuance of five implementation plans, three annual reports, and two impact evaluations.

DSM Potential Studies in New York, New Jersey, and Pennsylvania
Optimal Energy, Inc. - Vermont *(December 2018 – December 2019)*

- Assisted Optimal Energy, Inc. with the development of measure assumptions and characterizations for statewide, electric and gas DSM potential studies.

Natural Gas Efficiency Options and EE&C Plan for Peoples Natural Gas
Peoples Natural Gas, Inc. – Pennsylvania *(September 2017 – February 2019)*

- Prepared report on program, sector, and portfolio-level cost and savings for 29 natural gas administrators in 11 States, and provided recommendations for potential natural gas DSM opportunities for Peoples Natural Gas
- Assist with stakeholder review process
- Developed five year $42 million Energy Efficiency and Conservation (EE&C) Plan, and provided testimony to support the adoption of the Plan (ongoing).

Research on Leading Energy Efficiency Portfolios
Green Energy Economics Group - Vermont *(November 2007 – Present)*

- Maintain research and proprietary analysis on actual and projected results from over a dozen electric and natural gas demand side management (DSM) portfolios throughout North America;

Analytic and Technical Support for DSM Tracking Systems
PECO Energy Company – Pennsylvania *(September 2016 – December 2017)*
Commonwealth Edison Company – Illinois *(August 2017 – August 2018)*
Companywide *(September 2020 – present)*

- Subcontractor to ANB Systems Inc. to provide domain expertise and analytic support to rollout of enhanced tracking system.
- Developed dashboards and internal reports used by PECO's EM&V team, business planning, and various program and portfolio managers.
- Guided automation of PECO's six-month and annual reporting process.
- Provided expert guidance on the development of cost effectiveness calculation modules for clients in Pennsylvania and New Jersey

Technical Assistance for Energy Efficiency Program Planning
Green Mountain Power - *Vermont* *(August 2012 – July 2017)*

- Developed multivariable regression model and framework to estimate the cost per kW to address a reliability gap in the St. Albans region with targeted energy efficiency.
- Reviewed and analyzed program proposals for the $20 million Community Energy & Efficiency Development Fund (CEED Fund), including the development of scoring and rebalancing mechanisms;
- Analyzed dataset of 5,000 custom business projects to establish models used for future planning exercises.

- Prepared report on uncounted benefits of renewable generation sources for Vermont.

Analysis of Energy Efficiency in British Columbia

BC Sustainable Energy Association & Sierra Club BC, *British Columbia (May 2011 – June 2014)*

- Provided comments and energy efficiency opportunities report for proceedings on FortisBC Gas and Electric's long-term DSM plans in December of 2013.
- Assisted on research for direct testimony on reasonableness of gas DSM Plan by Fortis Energy Utilities before the British Columbia Utilities Commission, BCUC Project No. 3698627;
- Technical support on assessment of FortisBC Electric's long-term DSM plan and corresponding expert testimony;
- Assistance with direct testimony and technical support on assessment of BC Hydro's long-term DSM plan, before the BCUC.

Energy Efficiency Potential in Oklahoma

Sierra Club, *Oklahoma (April 2011 – November 2011, December 2013 – January 2014)*

- Provided updated report for energy efficiency in Oklahoma and additional comments on PUC rulemaking for electric and gas utility programs.
- Preparation of report on energy efficiency potential for Oklahoma;
- Assistance with research and drafting comments on the US regional haze Federal Implementation Plan for the State of Oklahoma;
- Research and formulation of energy efficiency potential projections provided as part of expert testimony for Oklahoma Gas & Electric's rate case before the Corporation Commission of Oklahoma, Cause No. PUD 201100087.

Technical Assistance for Energy Efficiency Programs

Focus on Energy - *Wisconsin* *(June 2011 – August 2013)*

- Developed and customized cost-effectiveness calculators for Wisconsin's Focus on Energy portfolio of energy efficiency programs;
- Trained staff and other consultants on usage of tools and general economic analysis of energy efficiency programs;
- Provided QA/QC on cost-effectiveness analysis of 14 programs spending over $160 million in two years.

Chicagoland Energy Efficiency Portfolio

People's Gas - *Chicago, Illinois* *(September 2008 – January 2013)*

- Providing ongoing regulatory support;
- Provided cost-benefit analysis of various program scenarios and aided in the analysis of contractor bids;
- Customized excel-based portfolio and project cost-effectiveness tools to client's specifications.

Testimony Support for Expanding Gas Energy Efficiency in Pennsylvania

Citizens for Pennsylvania's Future, *Pennsylvania* *(July 2013 – September 2013)*

- Provided support on preparation of testimony regarding Peoples Gas of Pennsylvania's DSM plans, including preparation of benchmarking report and alternative scenario projections.

Energy Efficiency Potential in Texas

Sierra Club, *Texas* *(May 2012 – August 2012)*

- Research and development of alternative energy efficiency potential scenarios for the ten investor owned utilities (IOUs) in Texas;
- Development of comments for the Public Utility Commission of Texas;
- Development of presentation before the Energy Efficiency Incentive Program Committee.

Austin Energy's Energy Efficiency Potential

Austin City Council Consumer Advocate, *Austin, Texas* *(April 2012)*

- Research and development of alternative energy efficiency potential scenarios for Austin Energy.

Nevada Power's Energy Efficiency Potential

Sierra Club, *Nevada* *(November 2011 – June 2012)*

- Research on Nevada Power's Integrated Resource Plan (IRP) and development of alternative energy efficiency potential projections.

Comments on EmPower Maryland Programs

Sierra Club, *Maryland* *(September 2011 – October 2011)*

- Research for and development of comments on EmPower Maryland's energy efficiency programs, including the development of alternative energy efficiency potential projections.

Ontario Power Authority Field Audit Support Tool

Green Communities Canada - *Ontario, Canada* *(January 2011 – May 2011)*

- Collected and implemented specifications for updating the tool used by Ontario Power Authority's low-income program field agents to collect data and determine project net present values;
- Added custom features including customer input forms, saving and closing routines, and database file importing.

Energy Efficiency Potential in Arkansas

Sierra Club/Audubon Society, *Arkansas* *(September 2009 – March 2010)*

- Research and drafting assistance for expert testimony on energy efficiency' as an alternative to the White Bluff Steam Electric Station before the Public Service Commission of Arkansas, Docket No. 09-024-U.

Training for NGOs Working on Energy Efficiency Projects in China

ISC and NRDC – United States and China *(August 2008 – September 2010)*

- Developed training materials and provided remote and in-person training sessions on the economic and financial analysis of industrial retrofit projects for structuring and negotiating financial incentive offers to customers;
    - Worked with the Institute for Sustainable Communities (ISC) to aid its efforts to promote energy efficiency in the Guangdong and Jiangsu Provinces (February 2009 – September 2010);
    - Worked with the National Resource Defense Council (NRDC) to aid in its efforts in China, especially in conjunction with a $100 million revolving loan fund from the Asia Development Bank (August 2008-January 2009).

Incentive Calculations for the Project Cost-effectiveness Analysis Tool (CAT)
Efficiency Vermont – Burlington, Vermont (November 2008 – June 2010)

- Aided in the design of a new approach to calculating incentives for custom energy efficiency projects based on financing and reaching a desired rate of return;
- Modified CAT's cash-flow projection engine, an Excel VBA system, to accommodate the new approach to incentives.

Vermont's 20-year Forecast of Electricity Savings from Sustained Investment
Efficiency Vermont – Burlington, Vermont (December 2008 – October 2009)

- Provided components of final report relating to long-term trends for the environment (climate change, land-use, and water-use), population growth, and governmental regulation;
- Provided additional technical support on electric demand-side savings potential.

Connecticut's Long Term Acquisition Plan
Connecticut Office of the Consumer Council – Connecticut (August – October 2008)

- Provided research and support for expert testimony regarding long-range energy-efficiency procurement plan of the Energy Conservation Management Board, on behalf of the Connecticut Office of Consumer Counsel.

Energy Efficiency Plans of BC Hydro and Terasen Gas
BC Sustainable Energy Association and
The Sierra Club - British Columbia, Canada (October 2008 – March 2009)

- Provided research and support for expert testimony and technical support on assessment of BC Hydro's long-term DSM plan, before the BCUC, on behalf of the BC Sustainable Energy Association and Sierra Club Canada (November 2008 – March 2009);
- Provided research and support for expert testimony on assessment of Terasen Gas conservation plans before the BCUC, on behalf of the BC Sustainable Energy Association and Sierra Club Canada (October 2008).

Testimony

1. **Ontario Energy Board (OEB),** EB-2021-0002. Enbridge Gas Inc. – Multi Year Demand Side Management Plan (2022 – 2027); SBUA. December 2021.

   Analysis of commercial program goals and program design.

2. **Pennsylvania Public Utility Commission (PUC)** P-2014-2459362, Petition of Philadelphia Gas Works for Approval of Demand-Side Management Plan for FY 2016-2020; Philadelphia Gas Works. May 2020.

   Review and benchmarking of historical performance and review of planned program changes.

3. **Nova Scotia Utility and Review Board** Matter No. M09096, Efficiency 1 (E1) Application for Approval of 2020 – 2022 Demand Side Management (DSM) Resource Plan; The Consumer Advocate. May 28, 2019.

   DSM Investment Levels and Affordability, Usage of Unspent Ratepayer Funding, Rate and Bill Impacts, Target Setting.

4. **Pennsylvania PUC** R-2018-3006814, UGI Gas Utilities Inc. – Gas Division, Rate Case; UGI Utilities Inc. – Gas Division. January 28, 2019.

   Energy Efficiency & Conservation Plan and Total Resource Cost Implementation.

5. **Pennsylvania PUC** M-2018-3004144, Petition of UGI Utilities, Inc. – Electric Division for Approval of Phase III of Its Energy Efficiency and Conservation Plan; UGI Utilities, Inc. – Electric Division. August 21, 2018.

   Electric energy efficiency and conservation plan development, projections, implementation, and EM&V.

6. **Pennsylvania PUC** M-2017-2640306, Petition of Peoples Natural Gas Company LLC for Approval of its Energy Efficiency and Conservation Plan; Peoples Natural Gas – Peoples Division, Peoples Natural Gas – Equitable Division; January 31, 2018.

   Energy efficiency study, energy efficiency & conservation plan, and total resource cost implementation.

7. **Pennsylvania PUC** P-2016-2580030, UGI Penn Natural Gas, Inc. Rate Case; UGI Penn Natural Gas, Inc. January 2017.

   Energy efficiency & conservation plan and total resource cost implementation.

8. **Pennsylvania PUC** P-2015-2518438, UGI Utilities, Inc.- Gas Division Rate Case; UGI Utilities, Inc. January 2016.

   Energy efficiency & conservation plan and total resource cost implementation.

9. **Pennsylvania Public Utility Commission (PUC)** P-2014-2459362, Philadelphia Gas Works Demand-Side Management Plan for FY 2016-202; Philadelphia Gas Works. May 2015.

   Analysis of Phase I DSM Plan and design of Phase II DSM Plan.

Publications

Love, Theodore. J. Nunley. "Using Smart Thermostats to Engage Residential Customers and Drive Comprehensive Retrofit Projects" In *Proceedings of the ACEEE 2020 Summer Study on Energy Efficiency in Buildings*, Washington, D.C.: American Council for an Energy Efficient Economy.

Love, Theodore. "The Future for Residential Gas Efficiency is Combined". *Strategies*. Association of Energy Service Professionals. January 11, 2019.

Love, Theodore. "Using Open Data to Predict Energy Usage: What tax lot data can tell us about energy usage intensity in New York City". *Behavior Energy, and Climate Change Conference 2015*. Sacramento, CA

Plunkett, John, Theodore Love, Francis Wyatt. "An Empirical Model for Predicting Electric Energy Efficiency Acquisition Costs in North America: Analysis and Application". In *Proceedings of the ACEEE 2012 Summer Study on Energy Efficiency in Buildings*, #906, Washington, D.C.: American Council for an Energy Efficient Economy.

Gold, Elliott, Marie-Claire Munnelly, Theodore Love, John Plunkett, Francis Wyatt. "Comprehensive and Cost-Effective: A Natural Gas Utility's Approach to Deep Natural Gas Retrofits for Low Income Customers." In *Proceedings of the ACEEE 2012 Summer Study on Energy Efficiency in Buildings*, #442, Washington, D.C.: American Council for an Energy Efficient Economy.

Exhibit TML-2

Columbia Gas of Pennsylvania

Three-Year Energy Efficiency Plan

January 1, 2023 – December 31, 2025

March 18, 2022

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1 Introduction and Background

1.1 Plan Overview

This plan provides a detailed description of the design and implementation of the energy efficiency and conservation portfolio ("EE&C Portfolio" or "Portfolio") that Columbia Gas of Pennsylvania, Inc. ("Columbia Gas" or "the Company") is proposing to offer in its Three-Year Energy Efficiency ("EE Plan" or "Plan"). The Plan builds on other voluntary gas energy efficiency plans offered by natural gas distribution companies serving Pennsylvania, and specifically targets residential customers.

The Plan has a three-year duration, beginning January 1, 2023 and ending December 31, 2025. Over the three years of the Plan, Columbia Gas plans to spend $8.1 million on the administration and delivery of two residential energy efficiency programs. The programs are projected to save 3.3 million Dth of natural gas over the lifetime of the measures installed. From a total resource perspective, the portfolio present value of benefits is $27.6 million, with $11.4 million in present value of costs, leading to a present value of net benefits of $16.2 million and a TRC BCR of 2.42. Furthermore, the energy efficiency programs are expected to save 8,724 MWh of electricity, 146 million gallons of water, create between 99 and 199 jobs, and avoid the emission of CO_2 equivalent to over 7,700 cars being removed from the road over the lifetime of installed measures.

1.2 Plan Development

The Plan was developed to help Columbia Gas' residential customers to address barriers to using natural gas more efficiently. It has two programs:

- Residential Prescriptive (RP) Program
- Online Audit Kit (OAK) Program

The RP Program is based on rebate programs run in Pennsylvania by other natural gas distribution companies. The OAK Program is based on a successful program run by Columbia Gas of Virginia for over the past decade.

Various market characteristics were gathered for Columbia Gas' territory, including avoided costs for natural gas and electricity, demographic, building stock, and equipment market characteristics. Next, measures were characterized and screened for cost effectiveness using the TRC test. Incentive levels were established for these measures and projects, generally set to be in-line with the other programs in Pennsylvania. The cost-effective measures and projects were then used to calculate savings and maximum participation levels. Programs were staged to account for the ramp-up required for new programs. Finally, non-incentive budgets were developed to address fixed and variable costs associated with each program and the portfolio.

1.3 Portfolio Costs

The following table provides an overview of the spending by year and program for the total EE Plan. The maximum projected budget in a year is $3.8 million in FY 2025, approximately 0.7% of Columbia Gas' FY 2020 revenues.[1] Although Act 129's requirements are not mandatory for voluntary natural gas distribution company energy efficiency programs, this level is well under the 2% cap that Act 129 imposes on electric efficiency programs in Pennsylvania.[2] Since only residential customers are eligible for the programs, it is anticipated that all costs will be recovered from the residential rate class, excluding Customer Assistance Program ("CAP") customers.

Table 1. Projected Spending for EE Plan by Program

Projected Costs (Nominal)	2023	2024	2025	2023 - 2025
Residential Prescriptive Program	$898,000	$2,243,000	$3,021,000	$6,162,000
Online Audit Kit Program	$241,860	$356,510	$501,300	$1,099,670
Portfolio Wide Costs	$300,000	$254,000	$258,000	$812,000
Total	**$1,439,860**	**$2,853,510**	**$3,780,300**	**$8,073,670**

[1] $3.8 million is 0.7% of total 2020 revenues of $555 million from Columbia's Annual Report of Columbia Gas of Pennsylvania, Inc. Year Ended December 21, 2020 at p. 26.
[2] *See* 66 Pa.C.S. § 2806.1(g) (limiting the total cost of an EDC's EE&C Plan to 2% of the EDC's total annual revenue as of December 31, 2006).

The portfolio-wide cost lines from the previous table are costs that apply to all programs in the EE portfolio. They are costs incurred at the portfolio level for program development, design, tracking, reporting, and administrative overhead. Development costs for the portfolio occur in the first year as programs are designed and reporting infrastructure is put in place. These costs become a smaller percentage of the portfolio as the rest of the programs ramp up. In the final year, the portfolio wide costs represent 7% of the portfolio total cost, and, over the three-year period, they represent 10% of the portfolio's costs. The following table provides a portfolio-level look at costs by category.

Table 2. Projected Efficiency Portfolio Budgets by Category

Category	2023	2024	2025	2023 - 2025
Customer Incentives	$685,860	$2,058,510	$2,747,300	$5,491,670
Administration	$561,000	$558,000	$643,000	$1,762,000
Marketing	$140,000	$120,000	$151,000	$411,000
Inspections	$33,000	$97,000	$129,000	$259,000
Evaluation	$20,000	$20,000	$110,000	$150,000
Total	**$1,439,860**	**$2,853,510**	**$3,780,300**	**$8,073,670**

1.4 Portfolio Benefits

1.4.1 Natural Gas Savings

The following tables provide projected natural gas savings by program and sector for the EE Plan.

Table 3. Projected First Year Gas Savings by Program (Dth)

Program	2023	2024	2025	2023 - 2025
Residential Prescriptive Program	20,619	61,632	82,196	164,448
Online Audit Kit Program	2,684	9,393	13,418	25,495
Total	**23,303**	**71,025**	**95,614**	**189,942**

Table 4. Projected Lifetime Gas Savings by Program (Dth)

Program	2023	2024	2025	2023 - 2025
Residential Prescriptive Program	375,092	1,111,639	1,480,422	2,967,153
Online Audit Kit Program	36,077	126,269	180,384	342,730
Total	**411,169**	**1,237,908**	**1,660,807**	**3,309,883**

1.4.2 Other Resource Savings

The following table shows electric savings for measures installed under the energy efficiency programs in the EE&C Portfolio. The electric savings are secondary savings from measures that primarily save natural gas, such as air-conditioning savings from thermostats. This section contains ancillary water savings from gas efficiency measures that also save water, such as low-flow faucet aerators and showerheads.

Table 5. Projected Electric and Water Savings

	2023	2024	2025	2023 - 2025
First Year				
Energy (MWh)	95	298	400	793
Demand (kW)	16.9	53.2	71.4	141.4
Water (Million Gallons)	1.5	5.4	7.7	14.6
Lifetime				
Energy (MWh)	1,040	3,282	4,402	8,724
Water (Million Gallons)	15.4	53.9	77.0	146.4

1.4.3 Emission Reductions

This section contains projections for CO_2 emission reductions due to the energy efficiency programs. The total lifetime savings of 202 thousand tons of CO_2 is equivalent to removing over 7,700 cars off the road. The following table breaks out the emission reductions due to gas savings and electric savings. While the emissions reductions are projected below, the main TRC test for the portfolio does not include any monetized value for these emissions reductions.

Table 6. Projected Lifetime CO_2 Emission Reductions by Energy Source (Short Tons)

Savings Source	2023	2024	2025	2023 - 2025
Natural Gas	24,053	72,418	97,157	193,628
Electricity	950	2,997	4,021	7,969
Total	**25,004**	**75,415**	**101,178**	**201,597**

1.4.4 Job Creation

Investing in cost-effective energy efficiency creates jobs in two ways, one direct and the other indirect, as discussed in a 2012 white paper from the ACEEE.[3] Direct job creation results from hiring related to implementing the programs. Indirect job creation results from the substitution of capital spent on natural gas with capital spent in the local economy. Additional jobs are created by the indirect or income effect from cost-effective energy efficiency investment. Further, the net economic benefits from efficiency investment reduce household and business gas bills and raise household disposable incomes and business profitability. Customers will tend to spend most of this additional money and save the rest. This additional spending creates a "multiplier" effect through the cycle of re-spending of the initial cost savings, which stimulates aggregate demand for goods and services. Satisfying increased demand for goods and services requires more labor. While some of the jobs created leak into the broader U.S. and global economy, a good portion (possibly higher than 80%) of jobs created due to energy efficiency stay within the Commonwealth. The approach of looking at net job creation through both direct means and with economic multiplier effects is endorsed in the 2012 white paper from ACEEE.[4]

The number of jobs created from investments in energy efficiency directly relates to the total resource value of the energy that these measures save. Studies of employment impacts of Demand Side Management ("DSM") use energy savings as a surrogate for total resource value. A meta-study of U.S. data found that estimates for the number of jobs created had a wide range, but that most studies estimate that between 30 and 60 net jobs are created by saving one TBtu.[5] In

[3] "Energy Efficiency Job Creation: Real World Experiences" Bell, Casey J. American Council for an Energy-Efficiency Economy. October 2012.
[4] Energy Efficiency Job Creation: Real World Experiences" Bell, Casey J. American Council for an Energy-Efficiency Economy. October 2012.
[5] Laitner, Skip, and Vanessa McKinney. June 2008. *Positive Returns: State Energy Efficiency Analyses Can Inform U.S. Energy Policy Assessments*. Washington, D.C.: American Council for an Energy Efficiency Economy.

New York, New Jersey, and Pennsylvania, the ACEEE projected that 164,320 jobs, or 59 for every TBtu saved, could be attributed to EE in 1997 through 2010.[6]

As shown in the following table, Columbia Gas estimates that its gas energy efficiency programs portfolio will generate between 99 and 199 net additional jobs over the lifetime of the efficiency measures installed over the next five-years. This range is based on assuming that each TBtu of gas savings creates between 30 and 60 full-time equivalent jobs in Pennsylvania.

Table 7. Estimated Job Creation due to Energy Efficiency Programs

	JOB CREATION IMPACTS OF GAS EFFICIENCY PORTFOLIO		
	30 Jobs/TBtu	**45 Jobs/TBtu**	**60 Jobs/TBtu**
TOTAL PORTFOLIO			
2023	12	19	25
2024	37	56	74
2025	50	75	100
TOTAL	**99**	**149**	**199**

1.5 Cost-Effectiveness Analysis

The following table provides Total Resource Cost (TRC) test cost-effectiveness projections for the EE Plan.

Table 8. TRC Cost-effectiveness Summary of Portfolio (2022$)

Program	Total Resource PV Benefits	Total Resource PV Costs	Total Resource PV Net Benefits	Total Resource B/C Ratio
Residential Prescriptive Program	$23,311,491	$9,685,588	$13,625,903	2.41
Online Audit Kit Program	$4,264,882	$986,750	$3,278,132	4.32
Portfolio Wide Costs	$0	$738,970	($738,970)	-
EE Programs	**$27,576,373**	**$11,411,307**	**$16,165,065**	**2.42**

While the portfolio is cost effective using the primary TRC Test, if the values for demand-response induced pricing effects ("DRIPE")[7] and internalized market

[6] Nadel, Steven, Skip Laitner, Marshall Goldberg, Neal Elliott, John DeCicco, Howard Geller, and Robert Mowris. 1997. *Energy Efficiency and Economic Development in New York, New Jersey, and Pennsylvania. Washington, D.C.*: American Council for an Energy Efficiency Economy.
[7] DRIPE accounts for the suppression effects on wholesale prices from reduced usage due to DSM.

prices for carbon dioxide ("CO_2") are included, the portfolio would show substantially more benefits.

1.5.1 Cost-Effectiveness Analysis Methodology

The cost-effectiveness results reported in the Plan followed standard industry practices for utilizing the TRC Test for cost effectiveness. The TRC Test methodology used is similar to that used by other natural gas distribution companies serving Pennsylvania that offer energy efficiency programs, and by the Act 129 Utilities. To calculate benefits, projected natural gas, electricity, and water savings are multiplied by avoided costs, and this stream of future values is discounted to the present. The cost side of the test consists of the present value of all incremental costs incurred by participants, including net operation and maintenance costs, and the non-incentive costs incurred by the portfolio administrator. If the benefits outweigh the costs (the benefit-cost ratio is above one), then the total cost of energy services for an average customer within the territory will fall and the portfolio is considered cost effective

The analysis used a real discount rate (RDR) of 3%. The RDR was calculated using an assumption of a nominal discount rate ("NDR") of 5% and inflation rate of 2.0%, which comes from the Act 129 Phase IV TRC Test Order.[8]

1.5.2 Avoided Costs

The avoided cost of natural gas for Columbia Gas of Pennsylvania was developed in a similar manner to other Pennsylvania natural gas distribution companies offering energy efficiency programs and includes the costs of baseload and storage capacity, along with an estimate of avoidable local distribution costs. The avoided costs for baseload capacity were computed as the cost of Columbia Gas Transmission (TCO) FTS, Henry Hub commodity was priced using NYMEX futures from March 7, 2022 through 2027. The futures prices and the 2022 Annual Energy Outlook ("AEO") forecasts are very close to one another in 2027 and 2028, and differ by less than 10% on an annual basis through the end of the futures in 2034.

[8] Act 129 Phase IV 2021 Total Resource Cost (TRC) Test (Case No. M-2019-3006868). Final Order dated December 19, 2019. P. 20

The Annual Energy Outlook projections were used from 2028 onward. The avoided costs for heating load were computed from the Columbia Gas Transmission SST rate, plus refill from the Columbia FSS rate, adjusted for load factor over the heating season. Commodity costs include the commodity charge and gas retention from the TCO tariffs. The avoided costs also include an allowance for avoidable load-related distribution investments, borrowed from UGI's estimates in its 2018 EE&C filing, at Docket No. R-2018-3006814.

The Plan also uses avoided costs for electric energy and peak demand based on weighted average annual values from the electric utilities in Columbia Gas' territory, including Duquesne Light Company, Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn. Values for the various electric utilities came from the respective Act 129 Phase IV filings for each utility.

Avoided costs for water came from the Act 129 Phase IV TRC Test Order.

1.6 Implementation

1.6.1 Program Staging

The Company anticipates that it will require six to nine months post Plan approval to finalize implementation details, hire vendors, and begin the marketing and outreach for ramping up the programs. All programs are projected to begin operations by July 1, 2023. This will give the programs a short year of activity in 2023, with significantly more activity projected in 2024 with the anticipation of full participation levels in 2025.

1.6.2 Administration

The Portfolio will be managed by Columbia Gas, who will engage the services of various contractors to fulfill all the roles required to implement the Plan. The table below describes the main roles in the management of the Plan.

Table 9. Overview of Administration Roles

Role	Description
Plan Administrator	Primarily responsible for program and portfolio planning, management and reporting. Supervises and manages all other roles.
Implementation and Design Consultants	Provides assistance in the design and implementation on multiple aspects of the portfolio, including, but not limited to, program design, reporting, marketing, and training.
Implementation Contractor	Directly responsible for main aspects of program delivery, including but not limited to, customer engagement and retention, technical assistance, measure installation, rebate processing, program tracking, inspection, and reporting.
Evaluator	Performs independent program and portfolio evaluations that are used to verify savings and guide future plans.

1.6.3 Marketing

Columbia Gas will investigate the use of a branded micro-website for the programs, for which multiple streams of advertising will lead back to, such as print, online ads, social media, bill inserts, trade ally outreach and residential canvassing efforts. These efforts are anticipated to be particularly important for driving participation in the Online Audit Kit program, which in turn may feed into the Residential Prescriptive Program.

Columbia Gas will also look to partner with local businesses and trade organizations (builders, contractors, electricians, plumbers, HVAC service providers, equipment suppliers, etc.) to familiarize them with program opportunities, energy efficiency practices and implementation requirements and to utilize them, where appropriate, as one of the program's service delivery channels.

- Targeting equipment manufacturers, distributors, installation contractors and retailers/vendors to make sure they offer high-efficiency equipment and can make customers aware of available incentives.
- Partnering with community-based organizations to develop outreach and program delivery strategies.
- Working with Act 129 electric administrators to combine marketing and delivery options and address all aspects of efficiency at the same time.

Additional details for each program are in the individual program plans, and Columbia Gas will develop a more detailed marketing strategy for each of the programs and for the entire portfolio as part of the program setup.

1.6.4 Reporting

Columbia Gas will submit an annual report on the EE Plan each April, three months after the close of the program year. This report will provide information on activity for the previous year and progress towards three-year goals, including, but not limited to:

- First year and lifetime savings;
- Participation;
- Spending;
- Cost effectiveness;
- Highlights of portfolio and program activity; and
- Updates to program delivery and design.

In-order to tie savings and costs together as effectively as possible, results will be reported based on commitments made. Any measures that have been verified as installed within a program year along with any costs committed to these measures, including administration costs, will be counted for that year.

1.6.5 Program Flexibility

To make sure that the EE&C Portfolio is able to address changing market conditions and improve service delivery as quickly as possible, Columbia Gas requires flexibility in the allocation of budgets and implementation of program improvements. This plan document provides the principles and three-year goals that Columbia Gas is seeking, but certain adjustments, such as providing incentives for new measures or moving budgets between years and programs, may be required to meet these goals. Columbia Gas will include any such adjustments in its annual report but does not anticipate seeking initial approval for such updates, considering that all costs are anticipated to be collected from the same rate class. Columbia Gas will file an updated EE Plan in anticipation of material changes that may have a serious effect on goals, such as:

- The addition or removal of a program;
- A need for total funding levels above those approved for the plan term; and
- Significant changes to cost-effectiveness projections, such as an update to avoided costs or a large reduction in portfolio spending projections.

1.7 Evaluation, Measurement, and Verification

1.7.1 Technical Reference Manual

To maintain consistency with existing gas efficiency programs in Pennsylvania, Columbia Gas will utilize a Technical Reference Manual ("TRM") based on the most recent version of the UGI Gas, Inc. TRM and Columbia Gas VA's experience with its online audit program. The Columbia Gas TRM will only contain those measures relevant to the programs proposed in this plan, and will include updates to some measure assumptions to calibrate them to Columbia Gas' service territory (such as equivalent full load heating hours and heating degree days). In the future, any results from program evaluations that affect deemed savings calculations will also be added to the TRM. The proposed TRM is included as Attachment A to this plan.

1.7.2 Tracking System

Columbia Gas will require that its coordinators collect all relevant customer, application, measure, and contractor information and that this data is provided in a timely fashion. Columbia Gas will regularly review this data, and will aggregate cost, savings, and participation data to a centralized database controlled by Columbia Gas that will be the source for program management and reporting.

1.7.3 Inspections

Inspections may be performed on a sub-set of applications before any incentive is paid. Inspectors will determine whether the measure is operational and matches the application, and they will solicit customer feedback on the programs. Inspection rates for prescriptive programs will be designed to gather a statistically significant sample of program activity. See individual program plans for additional details.

1.7.4 Evaluations

Columbia Gas will monitor the ongoing progress of the EE Plan to provide the highest possible service to customers, while maintaining controls to maximize the potential for savings and costs to be properly verified and counted. Columbia Gas will closely track program data, perform inspections of completed projects, and perform periodic evaluations for all the programs.

Columbia Gas will, at a minimum, evaluate each of its programs once adequate participation levels have been reached and a full 12 months of post-participation billing data has been collected. As part of the initial program development, Columbia Gas will work with the selected evaluator to establish the methodology and goals of the evaluation. Initial objectives include:

- Verifying energy savings and associated costs;
- Assessing market attitudes towards the program, including contractors, customers, and efficient equipment suppliers; and
- Measuring the effectiveness of current program design, marketing, and service delivery.

The evaluation section of the individual program descriptions includes additional details on evaluation schedules and goals unique to that program.

2 Program Plans

2.1 Residential Prescriptive

Objective

The Residential Prescriptive (RP) program is designed to overcome market barriers to energy efficient space and water heating equipment in the residential sector through rebates and customer awareness. The objective of the program is to avoid lost opportunities by encouraging consumers to install the most efficient gas heating technologies available when replacing older, less efficient equipment. The program also aims to strengthen Columbia Gas' relationship with HVAC contractors, suppliers, and other trade allies.

Eligible Rate Class

RDS/RSS

Cost Effectiveness

Three-Year Cost-Effectiveness Results (2022$)

CE Test	PV Benefits	PV Costs	PV Net	BCR
TRC Test	$23,311,491	$9,685,588	$13,625,903	2.41
Gas Admin Test	$22,918,272	$5,499,359	$17,418,913	4.17

Savings Projections

Three-Year Savings Projections

First Year Savings	2023	2024	2025	2023 - 2025
Natural Gas (Dth)	20,619	61,632	82,196	**164,448**
Electric Energy (MWh)	94.6	298.3	400.2	**793.1**
Peak Demand (kW)	16.9	53.2	71.4	**141.4**
Water (Million Gallons)	0.0	0.0	0.0	**0.0**

Lifetime Savings	2023	2024	2025	2023 - 2025
Natural Gas (Dth)	375,092	1,111,639	1,480,422	**2,967,153**
Electric Energy (MWh)	1,040.5	3,281.5	4,402.0	**8,724.0**
Water (Million Gallons)	0.0	0.0	0.0	**0.0**

Budget Projections

Three-Year Budgets (Nominal)

Costs by Category	2023	2024	2025	2023 - 2025
Customer Incentives	$660,000	$1,968,000	$2,618,000	**$5,246,000**
Administration	$123,000	$122,000	$146,000	**$391,000**
Marketing	$82,000	$56,000	$68,000	**$206,000**
Inspections	$33,000	$97,000	$129,000	**$259,000**
Evaluation	$0	$0	$60,000	**$60,000**
Total	**$898,000**	**$2,243,000**	**$3,021,000**	**$6,162,000**

Participation Projections

Three-Year Participation Projections

Projected Units	2023	2024	2025	2023 - 2025
Furnace - ENERGY STAR	720	2,100	2,800	**5,620**
Boiler - 94+ AFUE	30	110	140	**280**
Combi Boiler - 94+ AFUE	120	340	450	**910**
Wifi Thermostat - ENERGY STAR	1,300	4,100	5,500	**10,900**
Tankless Water Heater - ENERGY STAR	170	500	670	**1,340**
Total	**2,340**	**7,150**	**9,560**	**19,050**

Program Rollout

Jan 2023 – Jun 2023	Finalize program process and implementation details, select vendors, and develop initial marketing push
Jul 2023	Launch Program

	2023 - 2024	Continue engagement activities with customers and trade allies.
	2025	Reach full anticipated participation levels.
Program Design	The RP Program offers rebates for qualifying residential-sized space and water heating equipment and controls. For most measures, customers will have a contractor install the measure and receive a rebate to offset some of the incremental cost of the higher efficiency equipment. Smaller measures, such as Wi-Fi enabled thermostats, will only require a valid proof of purchase before a rebate is issued. Customers will be encouraged to process rebates through an online portal, but may also submit a paper application through the mail. Columbia Gas may also provide the option to purchase qualified smart thermostats via an online marketplace. If program funds begin to run low, incentive levels may be lowered, or equipment removed from the program if additional budget adjustments cannot be made. Columbia Gas will aim to provide as little interruption to customers as possible due to such adjustments. Columbia Gas will continue to examine other equipment for potential inclusion in the program, as well as the relative market adoption of equipment already receiving incentives.	
Target Market and End Uses	The RP targets residential consumers who use natural gas to heat their homes and/or generate hot water. In general, the program aims to incentivize only the highest levels of efficient equipment on the market. The minimum level of efficiency for measures offered through the RP program will be ENERGY STAR®, when available, and in some cases may exceed ENERGY STAR®.	

	On the space heating side, the program provides incentives for ENERGY STAR® labeled smart thermostats, furnaces, high efficiency boilers, and combination boilers. ENERGY STAR® smart thermostats offer the potential for deeper savings than traditional programmable thermostats due to the wide range of features and feedback they offer. ENERGY STAR® requirements for furnaces drive customers toward the highest efficiency tier of condensing units (95+ AFUE) and require efficient fans that save electricity. The program would also require boilers to go towards the highest efficiency tier with an AFUE of at least 94. Finally, offering incentives for combination space and water heating boilers addresses two types of end-use with one piece of equipment. These “combi boilers” also address issues with orphaned water heaters having existing atmospheric venting systems that are no longer adequate, when switching to condensing heating equipment. The program also addresses water heating savings by offering incentives for ENERGY STAR® tankless water heaters.

Financial Incentives

Incentives were designed to be in line with other offerings in the region and/or cover approximately two-thirds of the incremental cost of the measure. The table below lists the proposed incentive schedule.

Proposed Residential Prescriptive Program Rebates (Nominal)

Equipment	Minimum Efficiency	Proposed Incentive	Maximum Incentive
Smart Thermostat	ENERGY STAR®	$100	$100
Furnace	ENERGY STAR®	$400	$500
Boiler	94+ AFUE	$1,000	$1,500
Combi Boiler	94+ AFUE	$1,200	$1,800
Tankless Water Heater	ENERGY STAR®	$400	$500

All equipment besides the Wi-Fi thermostat must be powered by natural gas.

Marketing Approach

The RP program may be marketed through inclusion on Columbia's website and through social media, as well as through bill inserts and other media messaging. The main way that many customers will hear about the RP Program is through HVAC contractors and plumbers, and the program will be a key part of trade ally outreach efforts. Incentives will help these contractors sell jobs, and efforts such as cobranding and potentially assigning incentives to contractors will provide trade allies with even more tools to move customers to higher efficiency levels.

Evaluation, Measurement,

Quality Assurance

and Verification	All applications will require proof of purchase and a valid Columbia Gas account number. Rebates received as an instant rebate via a qualified participating contractor or equipment distributor will be accompanied by an invoice showing the point of sale discount passed on to the customer. The rebate processor will verify that the equipment is eligible for the rebate based on the model's Air-Conditioning Heating and Refrigeration Institute (AHRI) number before issuing any rebate. The program's rebate processor will maintain a real-time database of rebate activity, which will be periodically reviewed by Columbia Gas and stored separately for long-term purposes. There will be inspections of approximately five percent (5%) of non-thermostat equipment rebates and approximately one percent (1%) of Wi-Fi thermostat rebates to obtain a statistically significant sample of activity. The inspection will consist of verifying that the rebated equipment is installed and operational and conclude with a short informational interview with the participant. Virtual inspections will be explored to reduce program costs and increase inspection rates. <u>Evaluations</u> A third-party vendor will evaluate the program's process and impacts after sufficient participation has occurred in the third year of the Plan.
Program Administration	<u>Rebate Processing and Inspection</u> The rebate processor will accept customer applications, track and verify application information, notify the customer of any issues, maintain a call center, and report results to Columbia Gas. The rebate

	processor may also be responsible for other programs to streamline portfolio management. The rebate processor will also be responsible for inspections. Marketing and Outreach Columbia Gas and their vendors will handle marketing and outreach for the RP program. Evaluator A third-party evaluator will be retained to perform evaluations.

2.2 Online Audit Kit

Objective

The Online Audit Kit (OAK) Program is designed to provide residential customers with information on how to improve the efficiency of their homes along with free, targeted energy savings kits. The program also provides a way for customers to engage with Columbia Gas and learn about the RP Program.

Eligible Rate Class

RSD/RSS

Cost Effectiveness

Three-Year Cost-Effectiveness Results (2022$)

CE Test	PV Benefits	PV Costs	PV Net	BCR
TRC Test	$4,264,882	$986,750	$3,278,132	4.32
Gas Admin Test	$2,669,506	$986,750	$1,682,756	2.71

Savings Projections

Three-Year Savings Projections

First Year Savings	2023	2024	2025	2023 - 2025
Natural Gas (Dth)	2,684	9,393	13,418	**25,495**
Electric Energy (MWh)	0.0	0.0	0.0	**0.0**
Peak Demand (kW)	0.0	0.0	0.0	**0.0**
Water (Million Gallons)	1.5	5.4	7.7	**14.6**
Lifetime Savings	**2023**	**2024**	**2025**	**2023 - 2025**
Natural Gas (Dth)	36,077	126,269	180,384	**342,730**
Electric Energy (MWh)	0.0	0.0	0.0	**0.0**
Water (Million Gallons)	15.4	53.9	77.0	**146.4**

Budget Projections

Three-Year Budgets (Nominal)

Costs by Category	2023	2024	2025	2023 - 2025
Customer Incentives	$25,860	$90,510	$129,300	**$245,670**
Administration	$138,000	$182,000	$239,000	**$559,000**
Marketing	$58,000	$64,000	$83,000	**$205,000**
Inspections	$0	$0	$0	**$0**
Evaluation	$20,000	$20,000	$50,000	**$90,000**
Total	**$241,860**	**$356,510**	**$501,300**	**$1,099,670**

Participation Projections

Three-Year Participation Projections

Projected Kits	2023	2024	2025	2023 - 2025
Water Heating Kit	480	1,680	2,400	**4,560**
Space Heating Kit	780	2,730	3,900	**7,410**
Total	**1,260**	**4,410**	**6,300**	**11,970**

Program Rollout

Jan 2023 – Jun 2023	Finalize program process and implementation details, select vendors, and develop initial marketing push
Jul 2023	Launch Program
2023 - 2024	Continue engagement activities with customers and trade allies.
2025	Reach full anticipated participation levels.

Program Design

The OAK Program provides a way for customers to undergo an online audit of their home, which will result in a customized set of recommendations. The customer will then be eligible to receive up to

	two targeted energy saving kits, shipped to their home at no cost. The first kit is for customers who use natural gas for water heating, and the second kit is for customers who utilize natural gas to heat their homes. Participating customers will also be referred to the RP program incentives if appropriate. To reach customers who do not have easy access to the internet, a phone version of the audit will be made available.
Target Market and End Uses	There will be two kits available for customers. The water heating kit will include measures such as high-efficiency showerheads and low-flow faucet aerators. The space heating kit will include low-cost measures such as outlet and light switch gaskets, caulk, and foam sealant along with instructions on effective installation.
Financial Incentives	Kits will be provided at no cost to the customer.
Marketing Approach	The OAK program will be marketed through bill inserts, social media, and on Columbia Gas' website. Other outreach efforts may include email, radio, and print advertisements. The program will also act as a referral service for customers who may want to participate in the RP program.
Evaluation, Measurement, and Verification	<u>Quality Assurance</u> Columbia Gas will perform a survey of participants every year to determine installation rates for energy saving kits and assess customers satisfaction with program recommendations. <u>Evaluations</u>

	The program will undergo a process and impact evaluation in the third year once sufficient time has passed for the program to achieve meaningful participation.
Program Administration	Online Audit and Kit Provider Columbia Gas will hire a vendor to provide an online audit solution and package and send energy saving kits to customers. Marketing and Outreach Columbia Gas and their vendors will handle marketing and outreach for the program. Evaluator A third-party evaluator will be retained to perform annual participant surveys and regular program evaluations.

3 Appendices

3.1 Avoided Cost Tables

Gas Avoided Costs (2022$/Dth)

Year	Base	Space Heating	Domestic Hot Water
2023	$4.67	$10.49	$6.12
2024	$4.48	$10.42	$5.97
2025	$4.46	$10.47	$5.96
2026	$4.47	$10.57	$6.00
2027	$4.49	$10.67	$6.04
2028	$4.66	$10.90	$6.22
2029	$4.84	$11.14	$6.41
2030	$4.92	$11.30	$6.51
2031	$5.04	$11.49	$6.66
2032	$5.10	$11.62	$6.73
2033	$5.20	$11.79	$6.85
2034	$5.21	$11.87	$6.87
2035	$5.22	$11.96	$6.91
2036	$5.25	$12.06	$6.95
2037	$5.29	$12.17	$7.01
2038	$5.32	$12.28	$7.06
2039	$5.34	$12.38	$7.10
2040	$5.40	$12.52	$7.18
2041	$5.43	$12.63	$7.23
2042	$5.43	$12.70	$7.24
2043	$5.45	$12.81	$7.29
2044	$5.40	$12.85	$7.26
2045	$5.39	$12.93	$7.27
2046	$5.40	$13.03	$7.30
2047	$5.41	$13.13	$7.34
2048	$5.46	$13.27	$7.41
2049	$5.46	$13.37	$7.43
2050	$5.47	$13.48	$7.47

Developed by Resource Insight, Inc.

Other Resource Avoided Costs (2022$)

Year	All-Year Energy ($/kWh)	Generation Capacity ($/kW-yr)	T&D ($/kW-yr)	Water ($/gal)
2023	$0.0324	$54.63	$53.93	$0.013
2024	$0.0324	$54.63	$53.93	$0.013
2025	$0.0323	$54.63	$53.93	$0.013
2026	$0.0335	$54.64	$53.93	$0.013
2027	$0.0348	$54.64	$53.93	$0.013
2028	$0.0362	$54.64	$53.93	$0.013
2029	$0.0374	$54.63	$53.93	$0.013
2030	$0.0380	$54.63	$53.93	$0.013
2031	$0.0390	$54.63	$53.93	$0.013
2032	$0.0404	$54.63	$53.93	$0.013
2033	$0.0413	$54.63	$53.93	$0.013
2034	$0.0420	$54.63	$53.93	$0.013
2035	$0.0415	$54.64	$53.93	$0.013
2036	$0.0411	$54.63	$53.93	$0.013
2037	$0.0414	$54.63	$53.93	$0.013
2038	$0.0415	$54.63	$53.93	$0.013
2039	$0.0414	$54.63	$53.93	$0.013
2040	$0.0416	$54.63	$53.93	$0.013
2041	$0.0418	$54.63	$53.93	$0.013
2042	$0.0418	$54.63	$53.93	$0.013
2043	$0.0418	$54.63	$53.93	$0.013
2044	$0.0418	$54.63	$53.93	$0.013
2045	$0.0418	$54.63	$53.93	$0.013
2046	$0.0418	$54.63	$53.93	$0.013
2047	$0.0418	$54.63	$53.93	$0.013
2048	$0.0418	$54.63	$53.93	$0.013
2049	$0.0418	$54.63	$53.93	$0.013
2050	$0.0418	$54.63	$53.93	$0.013

3.2 Detailed Measure Assumptions

	Costs		Savings				
Measure Name	**Incentive**	**Incr. Cost**	**Lifetime (Yrs)**	**Dth**	**kWh**	**kW**	**Water (Gal)**
Residential Prescriptive Program							
Furnace - ENERGY STAR	$400.00	$758.40	20	13.99	0	0	0
Boiler - 94+ AFUE	$1,000.00	$1,785.00	25	12.83	0	0	0
Combi Boiler - 94+ AFUE	$1,200.00	$2,526.18	25	22.72	0	0	0
Wifi Thermostat - ENERGY STAR	$100.00	$150.00	11	4.52	73	0.01	0
Tankless Water Heater - ENERGY STAR	$400.00	$592.85	20	9.18	0	0	0
Online Audit Kit Program							
Web Faucet Aerator - Kitchen	$2.70	$2.70	10	0.51	0	0	941
Web Faucet Aerator - Bathroom	$0.70	$0.70	10	0.11	0	0	201
Web High Efficiency Showerhead	$4.96	$4.96	10	0.51	0	0	934
Web Switch/Outlet Cover	$2.40	$2.40	15	1.64	0	0	-
Web Caulk	$3.12	$3.12	15	0.37	0	0	-
Web Foam Sealant	$6.21	$6.21	15	0.37	0	0	-
Water Heating Kit	$8.98	$8.98	1	-	0	0	-
Space Heating Kit	$7.27	$7.27	1	-	0	0	-

3.3 Detailed Program and Portfolio Cost-effectiveness

Energy Efficiency Programs' Cost Effectiveness over Three-Year Portfolio (2022$)

	Total Resource			Gas Energy System		
Program	Present Value Benefit	Cost	PV of Net Benefits	Present Value Benefit	Cost	PV of Net Benefits
Portfolio Total	$27,576,373	$11,411,307	$16,165,065	$25,587,777	$7,225,078	$18,362,699
Non-Measure Costs		$2,331,528			$2,331,528	
Total Measure Costs	$27,576,373	$9,079,779	$18,496,593	$25,587,777	$4,893,550	$20,694,227
Program						
Residential Prescriptive Program						
Program Total	$23,311,491	$9,685,588	$13,625,903	$22,918,272	$5,499,359	$17,418,913
Non-Measure Costs		$824,226			$824,226	
Total Measure Costs	$23,311,491	$8,861,361	$14,450,129	$22,918,272	$4,675,132	$18,243,139
Online Audit Kit Program						
Program Total	$4,264,882	$986,750	$3,278,132	$2,669,506	$986,750	$1,682,756
Non-Measure Costs		$768,332			$768,332	
Total Measure Costs	$4,264,882	$218,418	$4,046,464	$2,669,506	$218,418	$2,451,088
Portfolio Wide Costs						
Program Total	-	$738,970	$(738,970)	-	$738,970	$(738,970)
Non-Measure Costs		$738,970			$738,970	
Total Measure Costs	-	-	-	-	-	-

3.4 Technical Reference Manual (TRM)

Attachment A

Technical Reference Manual

Measure Savings Algorithms

Columbia Gas of Pennsylvania

March 18, 2022

Prepared by:

GreenEnergy EconomicsGroup

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Prepared by: Green Energy Economics Group, Inc.

1 Cross-Sector TRM Issues

1.1 Establishing Baselines

The savings methods and assumptions can differ substantially based on the program delivery mechanism for each measure type. Within each of the measure protocols in the TRM, there is a definition for the measure's baseline efficiency, a critical input into the savings calculations. Most measures will fall into one of two categories, each with a baseline that is most commonly used:

- One for market-driven choices – often called "lost opportunity" and either replacing equipment that has failed (replace on burnout) or new installations (new construction)
- One for discretionary installations – either early replacement or retrofit

For all new construction (NC) and replace on burnout (ROB) scenarios, the baseline is typically a jurisdictional code or a national standard; however, there may be cases where a market baseline is appropriate. In these scenarios, the Commission has a preference for codes and standards as it is too expensive and time consuming to conduct annual market baseline and characterization research. Additionally, the TRM provides estimates for gross energy savings only, whereas net savings "…include the effects of free-ridership, spillover, and induced market effects."

For discretionary installation scenarios, the baseline is typically the existing equipment efficiency, but in the case of early replacement (EREP), at some point the savings calculations must incorporate changes to the baseline for new installations (e.g., code or market changes) to account for eventual natural replacement of the equipment. This approach encourages residential and business consumers to replace working inefficient equipment and appliances with new high-efficiency products rather than taking no action to upgrade or only replacing them with new standard-efficiency products.

All baselines are designed to reflect current market practices that are updated periodically to reflect upgrades in federal equipment standards, building code, or information from evaluation results. Specifically for commercial and industrial measures, Pennsylvania has adopted the 2015 International Energy Conservation Code (IECC) per 34 Pa. Code Section 403.21, effective October 1, 2018. Per Section 401.2 of IECC 2015, commercial buildings must comply with either "[t]he requirements of ANSI/ASHRAE/IESNA Standard 90.1[-2013]" or comply with the requirements outlined in IECC 2015 Chapter 4. In accordance with IECC 2015, commercial protocols relying on code standards as the baseline condition may refer to either IECC 2015 or ASHRAE 90.1-2013 per the program design.

The baseline estimates used in the TRM are based on applicable federal standards, or are documented in baseline studies or other market information. This TRM reflects the most up-to-date codes, practices, and market transformation effects. The measures herein include, where appropriate, schedules for the implementation of Federal standards to coincide with the beginning of a program year. These implementation schedules apply to measures where the Federal standard is considered the baseline, as described herein or otherwise required by law. In cases where the ENERGY STAR criterion is considered the eligibility requirement and the existing ENERGY STAR Product Specification Version expires in a given year, the new ENERGY STAR Product Specification Version will become the eligibility requirement at the start of the next consecutive program year.

The combined effect of measure retention and persistence is the ability of installed measures to maintain the initial level of energy savings or generation over the measure life. If the measure is subject to a reduction in savings or generation over time, the reduction in retention or persistence is accounted for using factors in the calculation of resource savings.

2 Residential Time of Replacement Market

2.1 Space Heating End Use

2.1.1 Efficient Space Heating System

Unique Measure Code(s): TBD
Draft date: 3/6/22
Effective date: TBD
End date: TBD

Measure Description
This measure applies to residential-sized gas furnaces and boilers purchased at the time of natural replacement. A qualifying furnace or boiler must meet minimum efficiency requirements (AFUE).

Definition of Baseline Condition
The efficiency levels of the gas-fired furnaces or boilers that would have been purchased absent this or another DSM program are shown in the following table.

Equipment Type	Baseline AFUE
Gas Furnace	80%
Gas Boiler	84%

Definition of Efficient Condition
The installed gas furnace or boiler must have an AFUE greater than that shown in the table below. Efficient model minimum AFUE requirements are detailed below.

Equipment Type	Minimum AFUE
Gas Furnace	95%
Gas Furnace with ECM Fan	95%
Gas Boiler	94%

Gas Savings Algorithms
MMBtu savings are realized due to the increase in AFUE of the new equipment. MMBtu savings vary by equipment type due to differences in model specific baseline AFUE and high efficiency AFUE percentages. Savings are calculated from the baseline new unit to the installed efficient unit.

$$Annual\ Gas\ Savings\ (MMBtu) = \frac{Capacity_{Out}}{1{,}000} \times \left(\frac{1}{AFUE_{Base}} - \frac{1}{AFUE_{Eff}}\right) \times EFLH_{Heat}$$

Where:

$Capacity_{Out}$ = Output capacity of equipment to be installed (kBtu/hr)
1,000 = Conversion from kBtu to MMBtu

$AFUE_{Base}$ = Efficiency of new baseline equipment (Annual Fuel Utilization Efficiency)
$AFUE_{Eff}$ = Efficiency of new equipment
$EFLH_{Heat}$ = Equivalent Full Load Heating Hours (Refer to EFLH table by climate zone in References Section)

Electric Savings Algorithms

Energy Savings

$\Delta kWh = 0$ kWh

Demand Savings

$\Delta kW = 0$ kW

Where:

ΔkWh = Gross customer annual kWh savings for the measure.
ΔkW = Gross customer summer load kW savings for the measure.

Freeridership/Spillover

Until studies have been performed to determine the free ridership and spillover, the values are assumed to be zero.

Equipment Type	Free Ridership	Spillover
Gas Furnace	0%	0%
Gas Furnace with ECM Fan	0%	0%
Gas Boiler	0%	0%

Persistence

The persistence factor is assumed to be one.

Measure Lifetimes

Equipment Type	Measure Lifetime
Gas Furnaces	20
Gas Boilers	25

Source: Lifetime estimates used by Efficiency Vermont, PGW and UGI.

Water Savings

There are no water savings for this measure.

2.1.2 WiFi Thermostat – ENERGY STAR®

Unique Measure Code(s): TBD
Draft date: 3/6/22
Effective date: TBD
End date: TBD

Measure Description
This is an ENERGY STAR® WiFi thermostat controlling a residential-sized gas furnace or boiler.

Definition of Baseline Condition
The baseline is a manual thermostat where each temperature setting change requires human intervention or a conventional programmable.

Definition of Efficient Condition
The efficient thermostat is one that is WiFi enabled, ENERGY STAR® certified and can be programmed to automatically increase or lower the temperature setting at different times of the day and week.

Gas Savings Algorithms

$$Annual\ Gas\ Savings\ (MMBtu) = SH_{pre} \times ESF$$

Where:

SH_{pre}	=	Space Heat MMBtu gas usage with manual thermostat = 70.6 [1]
ESF	=	Percentage savings from WiFi thermostat compared to non-WiFi connected thermostat. See table below by installation method.

Heating Energy Savings Factors (ESF)

[1] Space-heat usage assumption from examination of Columbia Gas PA residential usage by month.

Program Type	Baseline	Air Source Heat Pump	Furnace/Boiler Heating (Electric or Fossil)
Upstream buy-down (Customer Self-Installation)	Unknown Mix Default	6.4%[a]	6.4%[a]
Customer Self-Installation with Education	Unknown Mix Default	7.9%[b]	7.9%[b]
Professional Installation	Manual	11.5%[c]	11.5%[c]
	Conventional programmable	7.9%[d]	7.9%[d]

[a] *Average of heating estimates from two studies.*

[b] *Heating savings are based on average of savings from unknown mix default with customer self-installation and average of professional installation savings from manual and programmable thermostats. In this case, 7.9%=((11.5%×0.42 + 7.9%×0.58) + 6.4%) / 2*

[c] *Average of four heating savings estimates from four studies.*

[d] *The ESF value for a is applied here as an estimate until information becomes available showing different savings incented through a direct install program.*

Source for table values: Act 129 Phase IV TRM.

Electric Savings Algorithms

If the type of air conditioning is known, then use the appropriate algorithm below. If the type or existence of air-conditioning is not known, then assume that 45% have central air-conditioning and estimate the cooling savings as 45% of a house with central air conditioning.[2]

Reduced furnace fan or boiler circulator pump usage is also likely to occur and provide electricity savings during both the heating and cooling seasons, but these auxiliary savings are not accounted for in the following algorithms.

Energy Savings

$\Delta kWh = \Delta kWh_{Aux} + \Delta kWh_{Cool}$

ΔkWh_{Aux} = Furnace Fan kWh savings

ΔkWh_{Cool} = 0 kWh if house has no air conditioning
= ΔkWh_{CAC} if house has central air conditioning
= 0 if house has room air conditioning
= 45% × ΔkWh_{CAC} if no information about air conditioner

Deemed Savings ΔkWh

Program Type	Baseline	Fossil Fuel Furnace (Fan Only) ΔkWh_{Aux}	CAC Cooling ΔkWh_{CAC}
Upstream buy-down (Customer Self-Installation)	Unknown Mix Default	48	77

[2] Percentage of houses with central air-conditioning from 2009 RECS data.

Customer Self-Installation with Education	Unknown Mix Default	60	120
Professional Installation	Manual	87	182
	Conventional programmable	60	150

Source: Act 129 Phase IV TRM.

Demand Savings
$\Delta kW = 0$ kW

Where:

ΔkWh = gross customer annual kWh savings for the measure.
ΔkW = gross customer summer load kW savings for the measure.

Freeridership/Spillover
Until studies have been performed to determine the free ridership and spillover, the values are assumed to be zero.

Equipment Type	Free Ridership	Spillover
WiFi Thermostat	0%	0%

Persistence
The persistence factor is assumed to be one.

Measure Lifetimes

Equipment Type	Measure Lifetime
WiFi Thermostat	11

Source: August 2019 Act 129 TRM, Volume 2, p.47.

Water Savings
There are no water savings for this measure.

2.2 Water Heating End Use

2.2.1 Tankless Water Heater

Unique Measure Code(s): TBD
Draft date: 3/6/22
Effective date: TBD
End date: TBD

Measure Description
This measure is an on-demand gas water heater.

Definition of Baseline Condition
The efficiency levels of the gas-fired stand-alone storage water heater that would have been purchased absent this or another DSM program are shown in the following table.

Equipment Type	Usage Draw Pattern	Baseline UEF[3]
Gas Stand-alone Storage Water Heater	Very Small	0.27
Gas Stand-alone Storage Water Heater	Low	0.52
Gas Stand-alone Storage Water Heater	Medium	0.58
Gas Stand-alone Storage Water Heater	High	0.64

Baseline usage draw pattern is established by the capacity of the installed tankless water heater, using the table below:

Usage Draw Pattern	Max GPM	Daily Volume in Gallons (*V*)
Very Small	$0 \leq GPM < 1.7$	10
Low	$1.7 \leq GPM < 2.8$	38
Medium	$2.8 \leq GPM < 4.0$	55
High	$4.0 \leq GPM$	84

If the tankless water heater capacity is not available, assume medium usage draw pattern.

Definition of Efficient Condition
The installed tankless water heater must have an UEF greater than that shown in the table below. Efficient model minimum UEF requirements are detailed below.

Equipment Type	Minimum UEF
Gas Tankless Water Heater	0.87

Gas Savings Algorithms
The following formula for gas savings is based on the DOE test procedure for water heaters[4].

[3] Based on the federal standard for residential gas-fired water heater as of June 2017 and assumed typical 40 gallon storage. https://www.law.cornell.edu/cfr/text/10/430.32
[4] 10 CFR Appendix E to Subpart B of Part 430, Uniform Test Method for Measuring the Energy Consumption of Water Heaters

$$Annual\ Gas\ Savings\ (MMBtu) = \frac{\left(\frac{1}{UEF_{Base}} - \frac{1}{UEF_{Eff}}\right) \times V \times \rho \times c_p \times 67 \times 365}{1{,}000{,}000}$$

Where:

UEF_{Base}	=	Uniform Energy Factor of baseline water heater based on usage draw pattern
UEF_{Eff}	=	Uniform Energy Factor of efficient water heater
V	=	Daily volume of hot water usage in gallons. See table in baseline section. If usage draw pattern is unknown, assume medium (55 gallons/day).
ρ	=	Water density at 125°F (8.24 lb/gal)
c_p	=	Specific heat of water (1.00 Btu/lb °F)
67	=	°F temperature rise between inlet and outlet of water heater
365	=	Days per year
1,000,000	=	Btu per MMBtu

Electric Savings Algorithms

There are no electric savings from this measure.

Energy Savings

ΔkWh = 0 kWh

Demand Savings

ΔkW = 0 kW

Where:

ΔkWh	= gross customer annual kWh savings for the measure.
ΔkW	= gross customer summer load kW savings for the measure.

Freeridership/Spillover

Until studies have been performed to determine the free ridership and spillover, the values are assumed to be zero.

Equipment Type	Free Ridership	Spillover
Tankless Water Heater	0%	0%

Persistence

The persistence factor is assumed to be one.

Measure Lifetimes

Equipment Type	Measure Lifetime
Tankless Water Heater	20

Source: Energy Star Residential Water Heaters: Final Criteria Analysis, April 1, 2008, p. 10.

Water Savings
There are no water savings for this measure.

2.3 Combined Space and Domestic Hot Water Usage

2.3.1 Combination Boiler - Space Heating and DHW

Unique Measure Code(s): TBD
Draft date: 3/6/22
Effective date: TBD
End date: TBD

Measure Description
This measure applies to residential-sized combination boilers purchased at the time of natural replacement. These are integrated boilers that provide hot water for space heating and on-demand domestic hot water and have minimal or no hot water storage. A qualifying combination boiler (combi boiler) must meet minimum efficiency requirements (AFUE).

Definition of Baseline Condition
The efficiency levels of the gas-fired boiler and stand-alone storage water heater that would have been purchased absent this or another DSM program are shown in the following table.

Equipment Type	Baseline[5]
Gas Boiler	84% AFUE

Equipment Type	Usage Draw Pattern	Baseline UEF[6]
Gas Stand-alone Storage Water Heater	Very Small	0.27
Gas Stand-alone Storage Water Heater	Low	0.52
Gas Stand-alone Storage Water Heater	Medium	0.58
Gas Stand-alone Storage Water Heater	High	0.64

Baseline usage draw pattern is established by the capacity of the water heater, using the table below:

Usage Draw Pattern	Max GPM	Daily Volume in Gallons (V)
Very Small	$0 \leq GPM < 1.7$	10
Low	$1.7 \leq GPM < 2.8$	38
Medium	$2.8 \leq GPM < 4.0$	55

[5] Existing residential boiler federal standard as of 10/1/2022.
[6] Based on the federal standard for residential gas-fired water heater as of June 2017 and assumed typical 40 gallon storage. https://www.law.cornell.edu/cfr/text/10/430.32

High	4.0 ≤ GPM	84

If the water heater capacity is not available, assume medium usage draw pattern.

Definition of Efficient Condition

The installed gas furnace or boiler must have an AFUE greater than that shown in the table below. Efficient model minimum AFUE requirements are detailed below.

Equipment Type	Minimum AFUE
Gas Combi Boiler	94% AFUE 0.94 UEF

Gas Savings Algorithms

MMBtu savings are realized due to the increase in AFUE of the new equipment. MMBtu savings vary by equipment type due to differences in model specific baseline AFUE and high efficiency AFUE percentages. Savings are calculated from the baseline new unit to the installed efficient unit.

$$Annual\ Gas\ Savings\ (MMBtu) = Annual\ Gas\ Savings_{SH} + Annual\ Gas\ Savings_{DHW}$$

$$Annual\ Gas\ Savings_{SH} = \frac{Capacity_{Out}}{1{,}000} \times \left(\frac{1}{AFUE_{Base}} - \frac{1}{AFUE_{Eff}}\right) \times EFLH_{Heat}$$

Where:

Annual Gas Savings$_{SH}$ = Space heating annual gas savings (MMBtu)
Annual Gas Savings$_{DHW}$ = Domestic Hot Water annual gas savings (MMBtu)
Capacity$_{Out}$ = Output capacity of equipment to be installed (kBtu/hr)
1,000 = Conversion from kBtu to MMBtu
AFUE$_{Base}$ = Efficiency of new baseline equipment (Annual Fuel Utilization Efficiency)
AFUE$_{Eff}$ = Efficiency of new equipment
EFLH$_{Heat}$ = Equivalent Full Load Heating Hours Hours (Refer to EFLH table by climate zone in References Section)

The following formula for DHW gas savings is based on the DOE test procedure for water heaters.

$$Annual\ Gas\ Savings_{DHW} = \frac{\left(\frac{1}{UEF_{Base}} - \frac{1}{UEF_{Eff}}\right) \times V \times \rho \times c_p \times 67 \times 365}{1{,}000{,}000}$$

Where:

UEF_{Base} = Uniform Energy Factor of baseline water heater. See UEF based on usage draw pattern in Baseline section above. If draw pattern cannot be established assume medium draw pattern.
UEF_{Eff} = Uniform Energy Factor of efficient combi boiler. Since the combi boiler has no or little storage, standby losses are assumed to be negligible and the UEF is assumed to be the same as the AFUE.
V = Daily volume of hot water usage in gallons. See table in baseline section. If usage draw pattern is unknown, assume medium (55 gallons/day).

ρ	=	Water density at 125°F (8.24 lb/gal)
c_p	=	Specific heat of water (1.00 Btu/lb °F)
67	=	°F temperature rise between inlet and outlet of water heater
365	=	Days per year
1,000,000	=	Btu per MMBtu

Electric Savings Algorithms

Energy Savings

ΔkWh = 0 kWh

Demand Savings

ΔkW = 0 kW

Where:

ΔkWh	=	Gross customer annual kWh savings for the measure.
ΔkW	=	Gross customer summer load kW savings for the measure.

Freeridership/Spillover

Until studies have been performed to determine the free ridership and spillover, the values are assumed to be zero.

Equipment Type	Free Ridership	Spillover
Gas Combi Boiler	0%	0%

Persistence

The persistence factor is assumed to be one.

Measure Lifetimes

Equipment Type	Measure Lifetime
Gas Combi Boiler	20

Source: Same as lifetime estimate used for tankless water heater.

Water Savings

There are no water savings for this measure.

2.4 All End Uses

2.4.1 Custom Measure

Unique Measure Code(s): TBD
Draft date: 3/6/22
Effective date: TBD
End date: TBD

Measure Description
This measure applies to all residential time of replacement custom measures, not otherwise specified in this TRM.

Definition of Baseline Condition
The baseline represents the typical equipment that is installed without a DSM program. The efficiency level is based on the current Federal standards, or state and local building codes that are applicable.

Definition of Efficient Condition
The efficient measure is any equipment that uses less energy than the baseline equipment.

Gas Savings Algorithms
The generalized equation for a custom measure compares the baseline usage to the efficient usage.

$$Annual\ Gas\ Savings\ (MMBtu) = BaselineUse - EfficientUse$$

Where:

BaselineUse	=	The gas usage of baseline equipment or building.
EfficientUse	=	The gas usage of efficient equipment or building.

Electric Savings Algorithms

Energy Savings
ΔkWh = *BaselinekWh - EfficientkWh*

Demand Savings
ΔkW = *BaselinekW - EfficientkW*

Where:

ΔkWh	=	Gross customer annual kWh savings for the measure.
ΔkW	=	Gross customer summer load kW savings for the measure.
BaselinekWh	=	The electric kWh usage of baseline equipment or building.
EfficientkWh	=	The electric kWh usage of efficient equipment or building.
BaselinekW	=	The electric kW usage of baseline equipment or building.
EfficientkW	=	The electric kW usage of efficient equipment or building.

Freeridership/Spillover
Until studies have been performed to determine the free ridership and spillover, the values are assumed to be zero.

Equipment Type	Free Ridership	Spillover
Custom Measure	0%	0%

Persistence
The persistence factor is assumed to be one.

Measure Lifetimes
Where available, custom measure lifetimes should be based on similar measures defined elsewhere in this TRM.

Water Savings
The water savings are the difference between the baseline and efficient equipment annual water usage in gallons.

3 Residential Early Replacement Market

3.1 Space Heating End Use

3.1.1 Kit Infiltration Reduction

Unique Measure Code(s): TBD
Draft date: 3/6/22
Effective date: TBD
End date: TBD

Measure Description
This involves decreasing the amount of air exchange between the inside of the house or unit and the outdoors using simple air sealing items included in kits mailed to customers.

Definition of Baseline Condition
The baseline is the house in its pre-treatment condition, with opportunities for infiltration reductions.

Definition of Efficient Condition
Any decrease in infiltration will reduce energy consumption compared to the pre-treated house.

Gas Savings Algorithms

$$Annual\ Gas\ Savings\ (MMBtu) = Default\ Savings$$

Where:
Default Savings = Deemed savings from kit air sealing measures. See table of default savings by measure.

Electric Savings Algorithms

Though there may be some electric cooling savings, however, no savings are currently assumed.

Default savings values for Kit Air Sealing Measures

Air Sealing Measure	MMBtu Savings	Source
Switch/Outlet Covers	1.64	Columbia Gas VA (CVA) savings assumption adjusted by HDD in Columbia Gas PA (CPA) territory relative to CVA HDD.
Caulk	0.37	CVA savings assumption adjusted by HDD in CPA territory relative to CVA HDD.
Foam Sealant	0.37	CVA savings assumption adjusted by HDD in CPA territory relative to CVA HDD.

Freeridership/Spillover
Until studies have been performed to determine the free ridership and spillover, the values are assumed to be zero.

Measure	Free Ridership	Spillover
Infiltration Reduction	0%	0%

Persistence
The persistence factor is assumed to be one.

Measure Lifetimes

Measure	Measure Lifetime
Kit Infiltration Reduction	15

Source: Current assumption used by Columbia Gas VA.

Water Savings
There are no water savings for this measure.

3.2 Domestic Hot Water End Use

3.2.1 Low Flow Showerhead

Unique Measure Code(s): TBD
Draft date: 3/6/22
Effective date: TBD
End date: TBD

Measure Description
This measure relates to the installation of a low flow showerhead in a home. This is an early replacement direct install or kit measure.

Definition of Baseline Condition
The baseline is the flow rate of the showerhead being replaced. If this is not available a baseline value of 2.5 GPM will be used.

Definition of Efficient Condition
The flow rate of the efficient showerhead should be greater than the flow rate of the baseline condition. If this value is not available it is assumed to be 1.5 GPM[7].

Water Savings Algorithms
The water savings for low flow showerheads are due to the reduced amount of water being used per shower.

$$\Delta Gallons = \frac{\left(GPM_{base} - GPM_{eff}\right) \times N_{persons} \times T_{person-day} \times N_{showers-day} \times 365 \times ISR}{N_{showerheads-home}}$$

Where:

$\Delta Gallons$	=	Gallons of water saved
GPM_{base}	=	Maximum gallons per minute of baseline showerhead. Default = 2.5 GPM if measured rate is not available[8]
GPM_{eff}	=	Maximum gallons per minute of the efficient showerhead
$N_{persons}$	=	Average number of people per household. Actual or defaults: SF=2.5, MF=1.7, Unknown=2.5 [9]
$T_{person-day}$	=	Average minutes per person per day used for showering. 7.8 min/day [10]
$N_{showers-day}$	=	Average number of showers per person per day. 0.6 showers/person/day [11]
365	=	Days per year
ISR	=	In service rate. Kit Default = 35%. Direct install Default = 100%. [12]
$N_{showerheads-home}$	=	Average number of showers per home. Actual or defaults: SF=1.6, MF=1.1, Unknown=1.5 [13]

[7] Pennsylvania Public Utility Commission Act 129 Technical Reference Manual (August 2019)
[8] The Energy Policy Act of 1992 established the maximum flow rate for showerheads at 2.5 gallons per minute (GPM)
[9] Pennsylvania Public Utility Commission Act 129 Technical Reference Manual (August 2019)
[10] Ibid.
[11] Ibid.
[12] Ibid.
[13] Ibid.

Natural Gas Savings Algorithms
Gas energy savings result from reducing the amount of incoming cold water required to be heated due to the efficient showerhead.

$$\Delta MMBtu = \frac{\left[\Delta Gallons \times 8.3 \times c_p \times (T_{out} - T_{in})\right] / 1{,}000{,}000}{RE_{DHW}}$$

Where:

$\Delta MMBtu$	=	MMBtu of saved natural gas
8.3	=	Constant to convert gallons to pounds (lbs.)
c_p	=	Average specific heat of water at temperature range (1.00 Btu/lb·°F)
T_{out}	=	Assumed temperature of water coming out of showerhead (degrees Fahrenheit) 101 °F
T_{in}	=	Assumed temperature of water entering house (degrees Fahrenheit) 52 °F
RE_{DHW}	=	Recovery efficiency of the domestic hot water heater = 75%[14]

Electric Savings Algorithms
It is assumed that all low flow showerheads are installed in homes that heat water using natural gas. There are no additional electric savings claimed.

Freeridership/Spillover
Until studies have been performed to determine the free ridership and spillover, the values are assumed to be zero.

Persistence
The persistence factor is assumed to be one.

Measure Lifetimes
The measure life of a low flow showerhead is assumed to be 9 years[15].

3.2.2 Low Flow Faucet Aerators

Unique Measure Code(s): TBD
Draft date: 3/6/22
Effective date: TBD
End date: TBD

Measure Description
This measure relates to the installation of a low flow faucet aerator in either a kitchen or bathroom.

Definition of Baseline Condition
The baseline is the flow rate of the existing faucet. If this is not available, it is generally assumed that a faucet will already have a standard faucet aerator using 2.2 GPM.

Definition of Efficient Condition

[14] Review of AHRI Directory suggests range of recovery efficiency ratings for new Gas DHW units of 70-87%. The average of existing units is estimated at 75% by the Northeast Energy Efficiency Partnerships' Mid-Atlantic Technical Reference Manual Version 1.1 (October 2010).
[15] Pennsylvania Public Utility Commission Act 129 Technical Reference Manual (June 2011)

The efficient condition is a faucet aerator that has a flow rate lower than the baseline condition. If this value is not available than the flow rate is assumed to be 1.5 GPM[16].

Water Savings Algorithms
The water savings for low flow faucet aerators are due to the reduced amount of water being used per minute that flows down the drain (instead of being collected in the sink).

$$\Delta Gallons = \frac{\left(GPM_{base} - GPM_{eff}\right) \times N_{persons} \times T_{person-day} \times DF \times 365 \times ISR}{N_{faucets-home}}$$

Where:

$\Delta Gallons$	=	Gallons of water saved
GPM_{base}	=	Gallons per minute of baseline aerator = 2.2 GMP[17]
GPM_{eff}	=	Gallons per minute of the efficient aerator
$N_{persons}$	=	Average number of people per household. Actual or Defaults: SF=2.5, MF=1.7, Unknown=2.5[18]
$T_{person-day}$	=	Average minutes per person per day of faucet hot water usage. Kitchen=4.5, Bathroom=1.6, Unknown=6.1[19]
365	=	Days per year
DF	=	Drain rate, the percentage of water flowing down the drain. Kitchen=75%, Bathroom=90%, Unknown=79.5%[20]
ISR	=	In service rate. Kit delivery default = 28%, Direct install default = 100%[21]
$N_{faucets-home}$	=	Average Number of Faucets per home. Actual or for defaults see table below.

Average Number of Faucets per Home[22]

Faucet Type	Single Family	Multifamily	Unknown
Kitchen	1.1	1.0	1.0
Bathroom	2.2	1.2	2.0
Unknown	3.3	2.2	3.0

Natural Gas Savings Algorithms
Gas energy savings result from avoiding having to heat the saved water due to the efficient aerator.

$$\Delta MMBtu = \frac{\left[\Delta Gallons \times 8.3 \times c_p \times (T_{out} - T_{in})\right] / 1{,}000{,}000}{RE_{DHW}}$$

Where:

$\Delta MMBtu$	=	MMBtu of saved natural gas
8.3	=	Constant to convert gallons to pounds (lbs.)
c_p	=	Average specific heat of water at temperature range (1.00 Btu/lb·°F)

[16] Pennsylvania Public Utility Commission Act 129 Technical Reference Manual (August 2019)
[17] Ibid
[18] Ibid
[19] Ibid
[20] Ibid
[21] Ibid
[22] Ibid

T_{out}	=	Average mixed water temperature flowing from the faucet (degrees Fahrenheit) Kitchen=93 °F, Bathroom=86 °F, Unknown=87.8 °F [23]
T_{in}	=	Assumed temperature of water entering house (degrees Fahrenheit) 52 °F [24]
RE_{DHW}	=	Recovery efficiency of the domestic hot water heater = 75%[25]

Electric Savings Algorithms
It is assumed that all faucet aerators as part of the gas utility's program are installed in homes that heat water using natural gas. There are no additional electric savings claimed.

Freeridership/Spillover
Until studies have been performed to determine the free ridership and spillover, the values are assumed to be zero.

Persistence
The persistence factor is assumed to be one.

Measure Lifetimes
The measure life of a faucet aerator is assumed to be 10 years[26].

[23] Pennsylvania Public Utility Commission Act 129 Technical Reference Manual (August 2019)
[24] Ibid
[25] See assumption for low flow shower head.
[26] Pennsylvania Public Utility Commission Act 129 Technical Reference Manual (August 2019)

4 Reference Tables

4.1 Residential

4.1.1 Heating and Cooling EFLH

Heating and Cooling Equivalent Full Load Heating Hours

Reference Location	Zone	Heating EFLH for non-HP (Fossil Fuel Furnace or Boiler)
Allentown	C	906
Binghamton, NY	A	1,152
Bradford	G	1,347
Erie	I	1,054
Harrisburg	E	997
Philadelphia	D	761
Pittsburgh	H	942
Scranton	B	1,000
Williamsport	F	935
Weighted Avg CPA		1013

Source: Act 129 August 2019 TRM, Appendix A
Notes: ZIP codes associated with each PA climate zone may be found in the Act 129 August 2019 TRM, Appendix A, tab “Zip code lookup table.”

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-001:

Please explain the Company's policy with regard to when customer advances and contributions in aid of construction must be made.

Response:

The Company's policy with regard to when customer advances and contributions in aid of construction must be made is defined within Tariff Pa. P.U.C. No. 9 currently on file with the Pennsylvania Public Utility Commission ("Commission"), specifically, Chapter 8. Extensions, Section 8.2 Capital Expenditure Policy and Section 8.3 Deposits and Refunds. The Company may install up to 150 feet of distribution main per residential applicant(s) without charging the applicant(s) a deposit.

When applicable, Commercial and Industrial ("C&I") customers electing service shall pay a refundable cash deposit to the Company equal to the difference between the minimum capital investment required to serve the applicant's gas requirement and the amount of capital that the Company can justify investing in the project, based on the anticipated gas requirements of the applicant(s). The minimum capital investment is the capital expenditure required to serve only the gas requirement requested by the particular applicant(s).

The maximum allowable investment is the amount of capital expenditure which the estimated revenues generated from a proposed project would support and still provide the necessary return to the company, taking into consideration the estimated additional annual volumes, rate schedule, cost of gas, operating and maintenance expense, interest and taxes.

Subparagraph 8.2.3 Reduction or Elimination of Deposit of Section 8.2 Capital Expenditure Policy of the Company's tariff, provides that in any case where a deposit is required, it may be reduced or eliminated, if in the Company's judgment, the institution of such service will benefit other customers within a reasonable period of time.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Please see Exhibit No. 14, Schedule No. 2, for a complete copy of Columbia's current tariff.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-002:

Please provide a detailed explanation describing how contributions in aid of construction and customer advances are reflected in the Company's cost of service study.

Response:

Customer Advances for Construction are classified to the 252 and 186 account. This includes advances by customers for construction which are to be refunded either wholly or in part.

Once the customer advance is received it is journalized as a credit into the 252 account and a debit to Cash (Account 131). The next month a journal entry is made to debit the 186 account and credit the Capital asset (Account 101).

The calculation of rate base includes the Customer Advance 252 and 186 accounts as well as the Capital Asset (Account 101). Therefore, rate base has appropriately reduced amounts paid by Customers.

If the advance is refunded a debit is made against the Capital asset (Account 101) and the customer is issued a refund. Additionally, an entry is made to reduce the balances in Account 186 and 252. However, if the customer advance is deemed non-refundable it becomes a Contribution in Aid of Construction and remains as a credit to the Capital asset.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-003:

Please provide a breakdown of contributions in aid of construction by customer class and plant account number for the most recent year available.

Response:

Please see Exhibit No. 8, Schedule No. 1, for contributions in aid of construction by plant account for the historic test year. Contributions in aid of construction are not recorded on the Company's books by customer class.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-004:

Please provide a breakdown of transmission and distribution mains investment by pipe diameter.

Response:

Please see GAS-COS-004 Attachment A for the requested information.

Diameter	Quantity (Feet)		Amount $
1/2"	320		233
3/4"	7,468		11,536
1"	66,053		279,213
1-1/8"	1,831		5,619
1-1/4"	594,103		2,790,731
1-1/2"	10,140		10,987
2"	14,749,600		332,598,581
2-1/2"	4,296		20,213
3"	2,932,791		28,685,764
3-1/4"	20,698		3,959
3-1/2"	14,256		20,815
4"	11,894,811		555,772,351
4-1/2"	4,845		18,124
4-7/8"	22,069		17,352
5"	32,840		26,513
5-1/4"	582		344
5-3/16"	13,417		18,418
5-1/2"	632		343
5-5/8"	17,939		13,579
6"	5,875,518		339,625,215
6-1/4"	7,094		5,618
6-5/8"	155,865		643,157
7"	1		13,436
7-5/8"	16,056		11,971
8"	3,249,064		312,880,891
8-1/4"	1,345		2,429
8-5/8"	10,801		361,804
9-5/8"	6,678		7,380
10"	723,019		34,440,441
12"	446,514		52,857,179
14"	450		5,167
16"	350,115		36,391,117
20"	32,976		6,407,184
Total Pipe	**41,264,187**	**$**	**1,703,947,663**

Other Costs (Valves, Castings, etc) and 106 Unclassified	**$**	**462,665,477**
Per Exhibit 8, Schedule 1, Page 1, Column 9, Total Gas Plant in Service, Lines 31 thru 34	**$**	**2,166,613,140**

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-005:

Please provide a breakdown of customer advances by customer class for the most recent year available.

Response:

Customer Advances are not recorded on Columbia's books by customer class.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-006

Please provide a breakdown of services investment by service line diameter, and a breakdown of services by size and customer class.

Response:

The table below summarizes the Company's investment in service lines by size, as of November 30, 2021. The company does not maintain on its books and records, the service line investment by size, by customer class. Please see Columbia Statement No. 6 for an explanation of the assignment of services to the various rate schedules for the Company's Class Cost of Service Studies.

101-1000 Gas Plant in Service

SIZE	**COST**
OTHER	95,059
UNDER 3"	683,309,125
3"	987,425
3-1/8"	5,672
3-1/2"	2,099
4"	3,155,111
4-1/2"	5,980
5"	139
6"	442,710
6-5/8"	2,501
8"	91,795
8-5/8"	252
10"	112
11-1/8"	0
12"	488,788
16"	0
20"	158
TOTAL ACCOUNT 380	688,586,925

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost Of Service

Question GAS-COS-007:

If available, please provide a breakdown of meter investment by meter size, and a breakdown of meters by size and customer class.

Response:

The table below lists the Company's investments in meters, Account 381, by size as identified on the Company's books and records as of November 30, 2021. The Company's books and records do not identify the assignment of meters to the various customer classes. Please see Columbia Statement No. 6 for an explanation of the assignment of meters to each customer rate class for the Class Cost of Service studies.

Size Cubic Feet Per Hour		**Investment $**
0 - 500		26,275,604
501 - 1000		5,935,619
1001 - 1500		934,473
Over 1500		7,676,944
Unclassified		1,566,915
Total Account	381	42,389,554

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-008:

Please provide the Company's rate design models and cost of service study on an IBM PC-compatible computer disk in Lotus 1-2-3 or Quattro format. If the models consist of more than one file, please include information on all files on the disk and what they contain. If not available in Lotus 1-2-3 or Quattro format, please provide in ASCII format.

Response:

Please see the corresponding Excel files of the Company's rate design and allocated cost of service studies.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-009:

Please provide a copy of the Company's current customer extension policy. Provide a representative sample of the analyses conducted by the Company when deciding whether service to a new customer qualifies under the Company's customer extension policy.

Response:

Under its Tariff, the Company's current customer extension policy is as follows:

8. Extensions

8.1 Service Connections

The Company will install the service line from its main to point of delivery, as defined in the Point of Delivery section of this tariff; provided, however;

(a) In the territories formerly served under Tariff Gas--Pa. P.U.C. No. 6 and Tariff Gas--Pa.P.U.C. No. 7, the Company will install at its expense the service line from its main to a convenient point approximately one-hundred fifty (150) feet inside the customer's property line, absent any abnormal underground conditions or excessive permitting requirements. (See the description of Territory section of this tariff to identify territory formerly served under Tariff Gas--Pa. P.U.C. No. 6 and Tariff Gas--Pa. P.U.C. No. 7.)

(b) In rural areas, where service is not available directly from the Company, service may be provided from a transmission or production line. It is the sole discretion of the owner of the transmission or production line to allow service from their facilities to the customer. If connection is allowed, the Company's service connection will consist of a tap on the line and a service valve.

8.2 Capital Expenditure Policy

8.2.1 Residential Distribution Service

The Company, at its discretion, may extend its distribution mains up to a distance of one-hundred fifty (150) feet on any street or highway without cost to an applicant(s), absent any abnormal underground conditions or unusual permitting requirements.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

When abnormal underground conditions or unusual permitting requirements exist, as determined by the Company, the applicant(s) will be required to pay a refundable cash deposit in an amount determined by the Company.

The applicant(s) will be required to pay a cash deposit to the Company when it is necessary to extend the main line more than one-hundred fifty (150) feet per applicant. The cash deposit will be equal to the difference between the minimum capital investment required to serve the applicant(s)'s gas requirements, excluding the one-hundred fifty (150) foot main allotment per applicant, and the amount of capital that the Company can justify investing in the project, based on the anticipated gas requirements of the applicant(s). The minimum capital investment is the capital expenditure required to serve only the gas requirements requested by the particular applicant(s).

The maximum allowable investment is the amount of capital expenditure which the estimated revenues generated from a proposed project would support and still provide the necessary return to the Company, taking into consideration the estimated additional annual quantities, rate schedule, cost of gas, operating and maintenance expense, interest and taxes.

If the net present value of the project is greater than $1,000 per applicant, the Company may, at its sole discretion, provide a contribution up to $1,000 per applicant, to offset installation costs of gas piping incurred by the applicant(s).

8.2.2 Commercial and Industrial Distribution Service

The applicants will be required to provide a refundable cash deposit to the Company equal to the difference between the minimum capital investment required to serve the applicant's gas requirements and the amount of capital that the Company can justify investing in the project, based on the anticipated gas requirements of the applicant(s). Minimum capital investment is the capital expenditure required to serve only the gas requirements requested by the particular applicant(s).

(a) Projects Where the Net Present Value of the Cash Flows, Using the Minimum Capital Investment, is Equal to or Greater than Zero.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Such projects are economically feasible provided that there are assurances that the applicant will use the projected quantities of gas for the minimum time period stated in the agreement. Such assurances may be provided in the form of a minimum use agreement, in which applicant contractually agrees to take delivery of certain minimum quantities of gas, and to pay the applicable distribution charges for such quantities, irrespective of applicant's actual consumption of gas. At the Company's sole discretion, a deposit may be required if the Company is not certain that the applicant will use the quantity of gas, as projected, for the entire Minimum Time Period. The maximum required deposit shall be no more than the minimum capital investment.

(b) Projects Where the Net Present Value of the Cash Flows, Using the Minimum Capital Investment, is Less than Zero.

The Company shall require a refundable deposit in the amount that the net present value is below zero. For example, if the net present value of a project is -$1,000, the Company shall require a $1,000 refundable deposit. In addition, if there is uncertainty that the applicant will use the projected quantity of gas for the minimum time period stated in the agreement, the Company may, in its sole discretion, (1) require the Applicant to pay an additional refundable deposit, or (2) require the applicant to enter into a minimum use agreement, in which applicant contractually agrees to take delivery of certain minimum quantities of gas, and to pay the applicable distribution charges for such quantity, irrespective of applicant's actual consumption of gas. The additional refundable deposit, if required, shall be no more than the combined total of the Company's minimum capital investment and the net present value. For example, if the Company's minimum capital investment is $10,000 and the net present value of the project is -$1,000, the applicant shall be required to provide an additional $9,000 deposit.

For purposes of subsection (a) and (b), above, the maximum allowable investment is the amount of capital expenditure which the estimated revenues generated from a proposed project would support and still provide the necessary return to the Company, taking into consideration the estimated additional annual quantity, rate schedule, cost of gas, operating and maintenance expense, interest and taxes.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

8.2.3 Reduction or Elimination of Deposit

In any case where a deposit is required, it may be reduced or eliminated, if in the Company's judgment, the institution of such service will benefit other customers within a reasonable period of time.

8.2.4 Payment Period of Deposit

When an applicant's projected annual usage is greater than 64,400 therms, the Company and the applicant may negotiate the period over which the deposit will be paid. If the applicant pays thirty percent (30%) of the deposit prior to commencement of the line extension construction, the remaining balance of the deposit may be paid over a period that is agreed upon between the Company and the applicant. Otherwise, the payment period will not exceed ten (10) years. The terms of any payment period will be memorialized in an agreement between the applicant and the Company. The installment amount will be added to and include in the Customer Change line item on the customer's bill.

8.2.5 Taxes on Deposits for Construction & Customer Advances

Any deposit, advance or other like amounts received from the applicant which shall constitute taxable income as defined by the Internal Revenue Service will have the income taxes segregated in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with a deposit or advance will not be charged to the specific depositor of the capital.

Please see Attachment A for a sample of the analyses conducted by the Company when deciding whether service to a new customer qualifies under the Company's customer extension policy. The Company's customer extension policy appears in the current tariff on pages 48-50 which may also be found in Exhibit 14, Schedule 2, Attachment 1.

Project Summary

Prinland Heights Ph. 1 (WMS2075138) / Revision 1

Project Name	Prinland Heights Ph. 1
WMS Project ID	WMS2075138
Revision	1
Company	37 - Columbia Gas of Pennsylvania, Inc.
Location	2421 - York
Competition	
Number of Data Sheets	1
Economic Model Version	45

Project Summary

	Minimum	Recommended
Max Term of Cash Flow Analysis (Years)	40	
Total Added Connect Load (Dth/Hr)	1.98	
Total Added Max Hour (Dth/Hr)	1.98	
Total Added Max Day (Dth)	13.79	
Total Annual Load Increase (Dth)	2178.00	
Services Count	33	33
Meters/Regulators Count	33	33
Service and M/R Costs	$0.00	$121,308.00
Extension Costs	$0.00	$117,506.00
Betterment Costs	$0.00	$0.00
Relocation Costs	$0.00	$0.00
Total Plant Investment	$0.00	$238,814.00 *
Net Present Value (NPV) Cash Flow	$193,654.25	$46,329.44
Required CIAC	$0.00	$0.00
Required CIAC with Gross Up	* * *	* * *
NASR Amount Change	**$0.00**	
Actual CIAC Change	**$0.00**	
IRR without Deposit	* * *	9.45 %
IRR with Deposit	* * *	9.45 %
Discounted Payback Years	0	20
Total Annual Revenue Addition	$22,006.06	$22,006.06
Cost of Capital %	7.41 %	7.41 %
Last Calculated	5/25/2021 1:06:10 PM	

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-10:

Please provide a detailed supply and requirement schedule for the Company's three most recent annual peak days and for design day. The schedules should include deliveries by source and requirements by rate schedule. Identify sources and requirements for transportation customers separately. Also include the Company's daily sendout sheet for each peak day and applicable weather data.

Response:

Attachment A to this response provides the actual peak day requirements and associated supplies by source for the Company's peak day each winter for the 2018/2019 through 2020/2021 heating seasons. The requirements shown represent the Company's total throughput. The breakdown by class is an estimate since actual daily-metered volumes are not available for all customers and are based on an analysis of both daily and monthly billing data for the Company's customers. Also shown for each day are the actual weather conditions of most significance (current day average temperature, prior day average temperature, and current day average wind speed).

Attachment B to this response separately provides the estimated requirements of the Company's Gas Distribution Service customers by rate schedule and their associated supply for the Company's actual peak days each winter for the 2018/2019 through 2020/2021 heating seasons.

Attachment C to this response provides the peak day requirements, as contained on GAS-COS-010 Attachment A, segregated by rate schedule and service type (Sales, Choice, and Gas Distribution Service). The allocation of requirements by rate schedule and service type is estimated based on design day requirements.

Attachment D to this response provides by revenue class the peak day requirements for Winter 2021-2022 as expected at the Company's design day conditions. Also shown are the supply sources required by the Company to meet its design peak day firm service obligations.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Attachment E to this response provides the winter 2021-2022 forecasted design peak day requirements, as contained on GAS-COS-010 Attachment D, segregated by rate schedule and service type.

Columbia Gas of Pennsylvania

Historical Peak Day

Units are in MDth/Day

	Historical Winter Season		
	2020 / 21	**2019 / 20**	**2018 / 19**
Day of Week	Thur	Wed	Wed
Date	Jan. 28	Dec. 18	Jan. 30
Current Day Average Temp	22° F	20° F	1° F
Prior Day Average Temp	28° F	29° F	17° F
Current Day Average Wind Speed	17 mph	15 mph	13 mph
Requirements (1)			
Residential	289.1	299.5	412.6
Commercial	169.8	168.5	242.3
Industrial	77.9	82.1	91.9
Total Retail:	**536.7**	**550.1**	**746.8**
Company Use:	0.6	0.7	0.5
Unaccounted For:	1.8	1.8	1.6
Total Requirements:	**539.2**	**552.6**	**748.9**
Supply (2)			
Columbia Gas Transmission Corp.	431.7	444.9	599.8
Dominion	33.3	39.7	44.4
Equitrans	6.0	10.5	12.5
National Fuel Gas Supply Corp.	4.2	4.4	6.3
Tennessee Gas Pipeline	19.6	18.9	28.1
Texas Eastern Transmission	40.3	29.9	53.1
Direct Local	3.8	3.1	4.7
Blackhawk Storage	0.2	1.2	0.0
Total Supply:	**539.2**	**552.6**	**748.9**

(1) Total actual throughput; breakdown by category/class is an estimate.

(2) Actual supplies via identified sources.

Columbia Gas of Pennsylvania

Historical Peak Day Requirements of Delivery Service Customers by Rate Schedule and Associated Supply by Source [1]

Units are in MDth

	Historical Winter Season		
	2020 / 21	**2019 / 20**	**2018 / 19**
Day of Week	Thur	Wed	Wed
Date	Jan. 28	Dec. 18	Jan. 30
Current Day Average Temp	22° F	20° F	1° F
Prior Day Average Temp	28° F	29° F	17° F
Current Day Average Wind Speed	17 mph	15 mph	13 mph
Requirements [2]			
Commercial			
SGDS	24.5	25.8	36.4
LDS	10.1	40.0	48.9
MLDS	0.6	0.6	0.8
NCS	0.2	0.3	0.3
SDS	37.3	10.3	14.5
Total Commercial	**72.7**	**77.0**	**101.0**
Industrial			
SGDS	0.8	0.7	1.0
LDS	22.5	64.5	70.5
MLDS	16.7	14.3	18.7
NCS	0.1	0.0	0.0
SDS	35.2	1.3	1.1
Total Industrial	**75.3**	**80.9**	**91.4**
Requirements	**148.0**	**158.0**	**192.4**
Supply [3]			
Columbia Gas Transmission Corp.	118.5	127.2	154.1
Dominion Transmission Inc.	9.1	11.3	11.4
Equitrans	1.7	3.0	3.2
National Fuel Gas Supply Corp.	1.2	1.3	1.6
Tennessee Gas Pipeline	5.4	5.4	7.2
Texas Eastern Transmission	11.1	8.5	13.6
Direct Local	1.0	0.9	1.2
Blackhawk Storage	0.0	0.3	0.0
Total Supply:	**148.0**	**158.0**	**192.4**

[1] Excludes Choice quantities (SCD).

[2] Allocation of daily rate schedule requirement based on actual rate schedule demand for month.

[3] Transportation supplies via identified sources.

Columbia Gas Of Pennsylvania

Historical Peak Day Requirements by Rate Schedule
Volume in MDth/Day

	Jan. 28, 2021 Total Demand			Dec. 18, 2019 Total Demand			Jan. 30, 2019 Total Demand		
	Tariff	Choice/GDS	Total Throughput	Tariff	Choice/GDS	Total Throughput	Tariff	Choice/GDS	Total Throughput
Residential									
RS	198.5	0.0	198.5	211.6	0.0	211.6	285.5	0.0	285.5
RC2	18.9	0.0	18.9	19.9	0.0	19.9	28.6	0.0	28.6
RTC	0.0	71.7	71.7	0.0	68.0	68.0	0.0	98.5	98.5
Residential Total	**217.4**	**71.7**	**289.1**	**231.5**	**68.0**	**299.5**	**314.1**	**98.5**	**412.6**
Commercial									
LDS/LGSS	0.0	9.8	9.8	0.0	11.0	11.0	0.0	16.0	16.0
LDS FLEX	0.0	8.5	8.5	0.0	9.2	9.2	0.0	13.0	13.0
MDS	0.4	0.4	0.9	0.0	0.5	0.5	0.7	0.8	1.5
SDS/LGSS	6.9	24.0	30.9	0.0	30.8	30.8	11.2	30.4	41.6
SDS/LGSS FLEX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
SGDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SGS2	31.4	33.9	65.3	0.0	65.8	65.8	50.3	0.0	50.3
SGS1	36.5	17.9	54.3	0.0	51.5	51.5	50.4	0.0	50.4
SGDS1 FLEX	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
SCD1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.1	19.1
SCD2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.9	16.9
SGDS1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	2.1
SGDS2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.5	30.5
SGDS2 FLEX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
SS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Commercial	**75.2**	**94.6**	**169.8**	**0.0**	**168.8**	**168.8**	**112.5**	**129.8**	**242.3**
Industrial									
LDS/LGSS	0.0	26.6	26.6	0.0	26.6	26.6	0.0	27.2	27.2
LDS FLEX	0.0	25.1	25.1	0.0	28.7	28.7	0.0	36.2	36.2
MDS	0.0	6.0	6.0	0.0	3.9	3.9	0.0	2.1	2.1
MDS FLEX	0.0	9.7	9.7	0.0	11.7	11.7	0.0	14.6	14.6
SDS/LGSS	0.4	8.7	9.1	0.5	9.0	9.5	0.2	10.3	10.5
SDS/LGSS FLEX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
SGDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SGS2	0.5	0.8	1.3	0.7	0.7	1.4	0.4	0.0	0.4
SGS1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCD1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCD2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SGDS1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SGDS2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.7
SS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Industrial	**0.9**	**77.0**	**77.9**	**1.2**	**80.6**	**81.8**	**0.6**	**91.3**	**91.9**
Other	**2.4**	**0.0**	**2.4**	**2.5**	**0.0**	**2.5**	**2.1**	**0.0**	**2.1**
2020/21 Design Day	**295.9**	**243.3**	**539.2**	**235.2**	**317.4**	**552.6**	**429.3**	**319.6**	**748.9**

Note: Allocation based on Design Day breakout.

Columbia Gas of Pennsylvania

Forecasted Design Day Requirements and Supply
For 2021/22 Heating Season
Units are in MDth/Day

	Total Design Day Demand
	2021 / 22
Day of Week	Weekday
Current Day Average Temp	-5° F
Prior Day Average Temp	6° F
Current Day Average Wind Speed	11mph
Requirements [1]	
Firm : Residential	448.7
Commercial [2]	168.1
Industrial [2]	1.1
Company Use	0.6
Unaccounted For Gas	1.8
Total Firm:	**620.4**
Non-Firm: Residential	0.0
Commercial	97.8
Industrial	95.4
Total Non-Firm:	**193.2**
Total Requirements:	**813.6**
Supply [3]	
Columbia Gas Transmission Corp.	481.7
Dominion	34.1
Equitrans	55.0
National Fuel Gas Supply Corp.	8.2
Tennessee Gas Pipeline	19.3
Texas Eastern Transmission	20.5
Direct Local	0.7
Blackhawk Storage	0.0
Total Supply:	**619.4**
Imbalance [4]	**194.1**

[1] Per CPA's "2021 Design Day Forecast."

[2] Includes Standby Service and Elective Balancing Service quantities.

[3] Supply provided by CPA and Natural Gas Suppliers.

[4] Represents customer demand of a non-firm nature, for which the Company has no dedicated supply/capacity assets, that would have to be accounted for by customers or suppliers acting on their behalf.

Columbia Gas of Pennsylvania

2021 Design Day Forecast, 2021/22 - 2025/26

2021/22 Design Day Requirements by Rate Schedule
Volume in MDth/Day

	Total Demand			Firm Demand			Non-Firm Demand		
	Tariff	GTS / Choice	Total Throughput	Tariff	Choice	Total Throughput	Tariff	GTS	Total Throughput
Residential									
RS	308.1	0.0	308.1	308.1	0.0	308.1	0.0	0.0	0.0
RC2	29.4	0.0	29.4	29.4	0.0	29.4	0.0	0.0	0.0
RTC	0.0	111.3	111.3	0.0	111.3	111.3	0.0	0.0	0.0
Residential Total	**337.5**	**111.3**	**448.8**	**337.5**	**111.3**	**448.8**	**0.0**	**0.0**	**0.0**
Commercial									
LDS/LGSS (1)	0.0	14.5	14.5	0.0	0.0	0.0	0.0	14.5	14.5
LDS FLEX	0.0	13.6	13.6	0.0	0.0	0.0	0.0	13.6	13.6
MDS	0.7	0.7	1.4	0.7	0.0	0.7	0.0	0.7	0.7
SDS/LGSS	11.0	33.8	44.8	11.0	0.0	11.0	0.0	33.8	33.8
SGS1/SCD1/SGD1	58.4	28.6	87.0	58.4	25.5	83.9	0.0	3.1	3.1
SGS2/SCD2/SGD2	50.3	54.3	104.6	50.3	22.2	72.5	0.0	32.1	32.1
SGDS2 FLEX	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Total Commercial	**120.4**	**145.6**	**266.0**	**120.4**	**47.7**	**168.1**	**0.0**	**97.9**	**97.9**
Industrial									
LDS/LGSS (1)	0.0	33.1	33.1	0.0	0.0	0.0	0.0	33.1	33.1
LDS FLEX	0.0	31.2	31.2	0.0	0.0	0.0	0.0	31.2	31.2
MDS (1)	0.0	7.2	7.2	0.0	0.0	0.0	0.0	7.2	7.2
MDS FLEX	0.0	12.1	12.1	0.0	0.0	0.0	0.0	12.1	12.1
SDS/LGSS	0.5	10.8	11.3	0.5	0.0	0.5	0.0	10.8	10.8
SGS2/SCD2/SGD2	0.6	1.0	1.6	0.6	0.0	0.6	0.0	1.0	1.0
Total Industrial	**1.1**	**95.4**	**96.5**	**1.1**	**0.0**	**1.1**	**0.0**	**95.4**	**95.4**
Other	**2.4**	**0.0**	**2.4**	**2.4**	**0.0**	**2.4**	**0.0**	**0.0**	**0.0**
2021/22 Design Day	**461.4**	**352.3**	**813.7**	**461.4**	**159.0**	**620.4**	**0.0**	**193.3**	**193.3**

(1) Rate Schedule less FLEX customers

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-11:

Please provide copies of the Company's daily sendout sheets for November through March of the most recent heating season.

Response:

Please see GAS-COS-11 Attachment A showing the actual daily Dth sendout during the period November 1, 2020 through March 31, 2021.

Columbia Gas of Pennsylvania
Heating Season November 2020 Through March 2021
Daily Dth Sendout

Date	Dth
11/01/20	296,261
11/02/20	329,217
11/03/20	256,549
11/04/20	198,147
11/05/20	172,851
11/06/20	165,574
11/07/20	153,899
11/08/20	158,474
11/09/20	151,407
11/10/20	122,015
11/11/20	152,203
11/12/20	252,371
11/13/20	252,890
11/14/20	237,012
11/15/20	241,197
11/16/20	290,881
11/17/20	372,354
11/18/20	375,232
11/19/20	248,136
11/20/20	178,197
11/21/20	228,425
11/22/20	235,283
11/23/20	336,654
11/24/20	303,414
11/25/20	201,960
11/26/20	176,521
11/27/20	212,461
11/28/20	278,264
11/29/20	244,099
11/30/20	302,535
12/01/20	407,114
12/02/20	402,862
12/03/20	341,472
12/04/20	303,062
12/05/20	341,240
12/06/20	391,694
12/07/20	423,086
12/08/20	417,831
12/09/20	367,015
12/10/20	330,708
12/11/20	258,518
12/12/20	212,488
12/13/20	299,314
12/14/20	409,156

Columbia Gas of Pennsylvania
Heating Season November 2020 Through March 2021
Daily Dth Sendout

Date	Dth
12/15/20	428,447
12/16/20	437,743
12/17/20	413,326
12/18/20	428,023
12/19/20	387,597
12/20/20	362,512
12/21/20	356,037
12/22/20	372,608
12/23/20	278,314
12/24/20	291,400
12/25/20	482,428
12/26/20	484,236
12/27/20	353,729
12/28/20	360,072
12/29/20	413,590
12/30/20	311,990
12/31/20	372,296
01/01/21	335,193
01/02/21	311,750
01/03/21	349,296
01/04/21	369,386
01/05/21	384,783
01/06/21	404,204
01/07/21	416,997
01/08/21	442,877
01/09/21	396,607
01/10/21	405,199
01/11/21	424,235
01/12/21	440,420
01/13/21	368,258
01/14/21	342,747
01/15/21	351,280
01/16/21	367,414
01/17/21	370,868
01/18/21	421,747
01/19/21	389,918
01/20/21	468,930
01/21/21	364,907
01/22/21	430,531
01/23/21	494,397
01/24/21	442,996
01/25/21	414,584
01/26/21	390,572
01/27/21	462,199

Columbia Gas of Pennsylvania
Heating Season November 2020 Through March 2021
Daily Dth Sendout

Date	Dth
01/28/21	539,160
01/29/21	527,835
01/30/21	424,720
01/31/21	441,495
02/01/21	434,326
02/02/21	468,794
02/03/21	472,187
02/04/21	395,059
02/05/21	412,209
02/06/21	412,231
02/07/21	502,415
02/08/21	473,573
02/09/21	457,991
02/10/21	454,316
02/11/21	457,277
02/12/21	456,787
02/13/21	444,253
02/14/21	440,775
02/15/21	429,586
02/16/21	521,404
02/17/21	486,868
02/18/21	461,389
02/19/21	482,589
02/20/21	526,691
02/21/21	420,548
02/22/21	411,833
02/23/21	367,535
02/24/21	293,455
02/25/21	356,017
02/26/21	323,901
02/27/21	279,671
02/28/21	276,552
03/01/21	423,159
03/02/21	419,168
03/03/21	305,618
03/04/21	456,994
03/05/21	429,786
03/06/21	420,811
03/07/21	408,009
03/08/21	303,215
03/09/21	241,949
03/10/21	183,136
03/11/21	176,384
03/12/21	229,699

Columbia Gas of Pennsylvania
Heating Season November 2020 Through March 2021
Daily Dth Sendout

Date	Dth
03/13/21	262,425
03/14/21	329,096
03/15/21	349,869
03/16/21	291,431
03/17/21	225,515
03/18/21	324,615
03/19/21	344,577
03/20/21	266,186
03/21/21	230,207
03/22/21	217,587
03/23/21	165,359
03/24/21	158,935
03/25/21	130,842
03/26/21	164,267
03/27/21	122,574
03/28/21	239,561
03/29/21	272,904
03/30/21	157,188
03/31/21	238,765

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-12:

Please provide a copy of the load duration curve used by the Company for capacity planning purposes. Please also identify the numerical data points shown for each day on the curve.

Response:

The Company's basic supply and capacity analysis tool is the PLEXOS® Software. PLEXOS® determines the "optimum," time-dependent levels of pipeline transportation service and storage service to be utilized to meet the Company's prospective demand under various weather-related scenarios and meets that demand with a least cost mix of supplies. PLEXOS® recognizes specific demand regions within the Company's service territory and the pipeline capacity and supply sources available to each region. The Company updates supply prices, storage balances, and other input data in PLEXOS® on an ongoing basis from a variety of published and private sources. The Company utilizes PLEXOS® for both long-range and short-term operational planning. The Normal Weather Firm Demands are shown in GAS-COS-012 Attachment A. The attachment shows the Normal Weather Firm Demands as follows:

Pages 1-2. Chronological order for the 12 months ending November 2022.
Page 3. Graphically for the 12 months ending November 2022.
Pages 4-5. Sorted high to low for the 12 months ending November 2022.
Page 6. Graphically for the 12 months ending November 2022.

Normal Weather Firm Demand - Chonological - 12 Months Ending November 2022

Date	Firm Demand (MDth)	Date	Firm Demand (MDth)	Date	Firm Demand (MDth)	Date	Firm Demand (MDth)	Date	Firm Demand (MDth)	Date	Firm Demand (MDth)
1-Dec-2021	224.4	1-Feb-2022	259.8	1-Apr-2022	157.6	1-Jun-2022	28.4	1-Aug-2022	25.6	1-Oct-2022	46.5
2-Dec-2021	267.1	2-Feb-2022	211.3	2-Apr-2022	45.3	2-Jun-2022	28.4	2-Aug-2022	25.6	2-Oct-2022	42.3
3-Dec-2021	231.5	3-Feb-2022	251.7	3-Apr-2022	38.7	3-Jun-2022	28.4	3-Aug-2022	25.6	3-Oct-2022	80.1
4-Dec-2021	217.3	4-Feb-2022	195.1	4-Apr-2022	78.3	4-Jun-2022	28.4	4-Aug-2022	25.6	4-Oct-2022	67.5
5-Dec-2021	302.6	5-Feb-2022	170.9	5-Apr-2022	217.2	5-Jun-2022	28.4	5-Aug-2022	25.6	5-Oct-2022	101.1
6-Dec-2021	316.8	6-Feb-2022	251.7	6-Apr-2022	210.5	6-Jun-2022	28.4	6-Aug-2022	25.6	6-Oct-2022	88.5
7-Dec-2021	331.0	7-Feb-2022	316.3	7-Apr-2022	210.5	7-Jun-2022	28.4	7-Aug-2022	25.6	7-Oct-2022	59.1
8-Dec-2021	309.7	8-Feb-2022	324.4	8-Apr-2022	184.1	8-Jun-2022	28.4	8-Aug-2022	25.6	8-Oct-2022	50.7
9-Dec-2021	167.6	9-Feb-2022	300.1	9-Apr-2022	184.1	9-Jun-2022	28.4	9-Aug-2022	25.6	9-Oct-2022	42.3
10-Dec-2021	181.8	10-Feb-2022	332.5	10-Apr-2022	157.6	10-Jun-2022	28.4	10-Aug-2022	25.6	10-Oct-2022	75.9
11-Dec-2021	245.7	11-Feb-2022	381.0	11-Apr-2022	164.3	11-Jun-2022	28.4	11-Aug-2022	25.6	11-Oct-2022	88.5
12-Dec-2021	274.2	12-Feb-2022	405.2	12-Apr-2022	124.6	12-Jun-2022	28.4	12-Aug-2022	25.6	12-Oct-2022	109.5
13-Dec-2021	309.7	13-Feb-2022	437.5	13-Apr-2022	137.8	13-Jun-2022	28.4	13-Aug-2022	25.6	13-Oct-2022	80.1
14-Dec-2021	210.2	14-Feb-2022	389.0	14-Apr-2022	85.0	14-Jun-2022	28.4	14-Aug-2022	25.6	14-Oct-2022	71.7
15-Dec-2021	132.0	15-Feb-2022	356.7	15-Apr-2022	25.5	15-Jun-2022	28.4	15-Aug-2022	25.6	15-Oct-2022	80.1
16-Dec-2021	274.2	16-Feb-2022	340.6	16-Apr-2022	25.5	16-Jun-2022	28.4	16-Aug-2022	25.6	16-Oct-2022	105.4
17-Dec-2021	238.6	17-Feb-2022	243.6	17-Apr-2022	104.8	17-Jun-2022	28.4	17-Aug-2022	25.6	17-Oct-2022	113.7
18-Dec-2021	245.7	18-Feb-2022	170.9	18-Apr-2022	151.1	18-Jun-2022	28.4	18-Aug-2022	25.6	18-Oct-2022	117.9
19-Dec-2021	217.3	19-Feb-2022	187.1	19-Apr-2022	91.6	19-Jun-2022	28.4	19-Aug-2022	25.6	19-Oct-2022	75.9
20-Dec-2021	295.5	20-Feb-2022	195.1	20-Apr-2022	51.9	20-Jun-2022	28.4	20-Aug-2022	25.6	20-Oct-2022	75.9
21-Dec-2021	302.6	21-Feb-2022	235.5	21-Apr-2022	71.7	21-Jun-2022	28.4	21-Aug-2022	25.6	21-Oct-2022	75.9
22-Dec-2021	409.2	22-Feb-2022	292.1	22-Apr-2022	137.8	22-Jun-2022	28.4	22-Aug-2022	25.6	22-Oct-2022	80.1
23-Dec-2021	331.0	23-Feb-2022	300.1	23-Apr-2022	157.6	23-Jun-2022	28.4	23-Aug-2022	25.6	23-Oct-2022	88.5
24-Dec-2021	181.8	24-Feb-2022	300.1	24-Apr-2022	144.4	24-Jun-2022	28.4	24-Aug-2022	25.6	24-Oct-2022	71.7
25-Dec-2021	267.1	25-Feb-2022	348.6	25-Apr-2022	78.3	25-Jun-2022	28.4	25-Aug-2022	25.6	25-Oct-2022	75.9
26-Dec-2021	231.5	26-Feb-2022	348.6	26-Apr-2022	85.0	26-Jun-2022	28.4	26-Aug-2022	25.6	26-Oct-2022	80.1
27-Dec-2021	103.6	27-Feb-2022	356.7	27-Apr-2022	104.8	27-Jun-2022	28.4	27-Aug-2022	25.6	27-Oct-2022	63.3
28-Dec-2021	132.0	28-Feb-2022	397.1	28-Apr-2022	51.9	28-Jun-2022	28.4	28-Aug-2022	25.6	28-Oct-2022	71.7
29-Dec-2021	217.3	1-Mar-2022	248.6	29-Apr-2022	58.5	29-Jun-2022	28.4	29-Aug-2022	25.6	29-Oct-2022	63.3
30-Dec-2021	231.5	2-Mar-2022	204.0	30-Apr-2022	51.9	30-Jun-2022	28.4	30-Aug-2022	25.6	30-Oct-2022	25.5
31-Dec-2021	288.4	3-Mar-2022	218.8	1-May-2022	105.6	1-Jul-2022	26.4	31-Aug-2022	25.6	31-Oct-2022	54.9

1-Jan-2022	405.7	4-Mar-2022	285.8	2-May-2022	89.6	2-Jul-2022	26.4	1-Sep-2022	25.5	1-Nov-2022	150.4
2-Jan-2022	405.7	5-Mar-2022	300.7	3-May-2022	52.2	3-Jul-2022	26.4	2-Sep-2022	25.5	2-Nov-2022	157.0
3-Jan-2022	318.6	6-Mar-2022	248.6	4-May-2022	105.6	4-Jul-2022	26.4	3-Sep-2022	25.5	3-Nov-2022	124.1
4-Jan-2022	429.5	7-Mar-2022	211.4	5-May-2022	116.3	5-Jul-2022	26.4	4-Sep-2022	25.5	4-Nov-2022	117.5
5-Jan-2022	485.0	8-Mar-2022	174.2	6-May-2022	68.2	6-Jul-2022	26.4	5-Sep-2022	30.2	5-Nov-2022	91.2
6-Jan-2022	389.9	9-Mar-2022	166.8	7-May-2022	25.5	7-Jul-2022	26.4	6-Sep-2022	31.7	6-Nov-2022	78.1
7-Jan-2022	389.9	10-Mar-2022	218.8	8-May-2022	25.5	8-Jul-2022	26.4	7-Sep-2022	27.0	7-Nov-2022	150.4
8-Jan-2022	350.3	11-Mar-2022	218.8	9-May-2022	25.5	9-Jul-2022	26.4	8-Sep-2022	25.5	8-Nov-2022	183.2
9-Jan-2022	342.4	12-Mar-2022	159.3	10-May-2022	25.5	10-Jul-2022	26.4	9-Sep-2022	25.5	9-Nov-2022	183.2
10-Jan-2022	413.7	13-Mar-2022	218.8	11-May-2022	25.5	11-Jul-2022	26.4	10-Sep-2022	25.5	10-Nov-2022	176.7
11-Jan-2022	429.5	14-Mar-2022	300.7	12-May-2022	25.5	12-Jul-2022	26.4	11-Sep-2022	25.5	11-Nov-2022	137.2
12-Jan-2022	247.3	15-Mar-2022	322.9	13-May-2022	57.5	13-Jul-2022	26.4	12-Sep-2022	27.0	12-Nov-2022	130.7
13-Jan-2022	279.0	16-Mar-2022	293.2	14-May-2022	46.8	14-Jul-2022	26.4	13-Sep-2022	25.5	13-Nov-2022	117.5
14-Jan-2022	350.3	17-Mar-2022	278.3	15-May-2022	46.8	15-Jul-2022	26.4	14-Sep-2022	25.5	14-Nov-2022	91.2
15-Jan-2022	374.1	18-Mar-2022	278.3	16-May-2022	73.5	16-Jul-2022	26.4	15-Sep-2022	25.5	15-Nov-2022	170.1
16-Jan-2022	286.9	19-Mar-2022	270.9	17-May-2022	78.9	17-Jul-2022	26.4	16-Sep-2022	30.2	16-Nov-2022	170.1
17-Jan-2022	255.2	20-Mar-2022	293.2	18-May-2022	57.5	18-Jul-2022	26.4	17-Sep-2022	28.6	17-Nov-2022	110.9
18-Jan-2022	231.4	21-Mar-2022	315.5	19-May-2022	25.5	19-Jul-2022	26.4	18-Sep-2022	31.7	18-Nov-2022	124.1
19-Jan-2022	255.2	22-Mar-2022	278.3	20-May-2022	25.5	20-Jul-2022	26.4	19-Sep-2022	25.5	19-Nov-2022	170.1
20-Jan-2022	263.2	23-Mar-2022	114.7	21-May-2022	36.2	21-Jul-2022	26.4	20-Sep-2022	30.2	20-Nov-2022	196.4
21-Jan-2022	263.2	24-Mar-2022	40.3	22-May-2022	62.9	22-Jul-2022	26.4	21-Sep-2022	30.2	21-Nov-2022	203.0
22-Jan-2022	168.1	25-Mar-2022	47.8	23-May-2022	46.8	23-Jul-2022	26.4	22-Sep-2022	25.5	22-Nov-2022	189.8
23-Jan-2022	120.5	26-Mar-2022	107.3	24-May-2022	36.2	24-Jul-2022	26.4	23-Sep-2022	30.2	23-Nov-2022	157.0
24-Jan-2022	215.6	27-Mar-2022	226.3	25-May-2022	84.2	25-Jul-2022	26.4	24-Sep-2022	34.8	24-Nov-2022	176.7
25-Jan-2022	263.2	28-Mar-2022	174.2	26-May-2022	105.6	26-Jul-2022	26.4	25-Sep-2022	31.7	25-Nov-2022	222.7
26-Jan-2022	271.1	29-Mar-2022	62.7	27-May-2022	84.2	27-Jul-2022	26.4	26-Sep-2022	33.3	26-Nov-2022	242.4
27-Jan-2022	207.7	30-Mar-2022	114.7	28-May-2022	52.2	28-Jul-2022	26.4	27-Sep-2022	25.5	27-Nov-2022	229.3
28-Jan-2022	176.0	31-Mar-2022	114.7	29-May-2022	52.2	29-Jul-2022	26.4	28-Sep-2022	39.5	28-Nov-2022	216.1
29-Jan-2022	279.0			30-May-2022	41.5	30-Jul-2022	26.4	29-Sep-2022	47.3	29-Nov-2022	235.9
30-Jan-2022	302.8			31-May-2022	25.5	31-Jul-2022	26.4	30-Sep-2022	48.9	30-Nov-2022	216.1
31-Jan-2022	310.7										

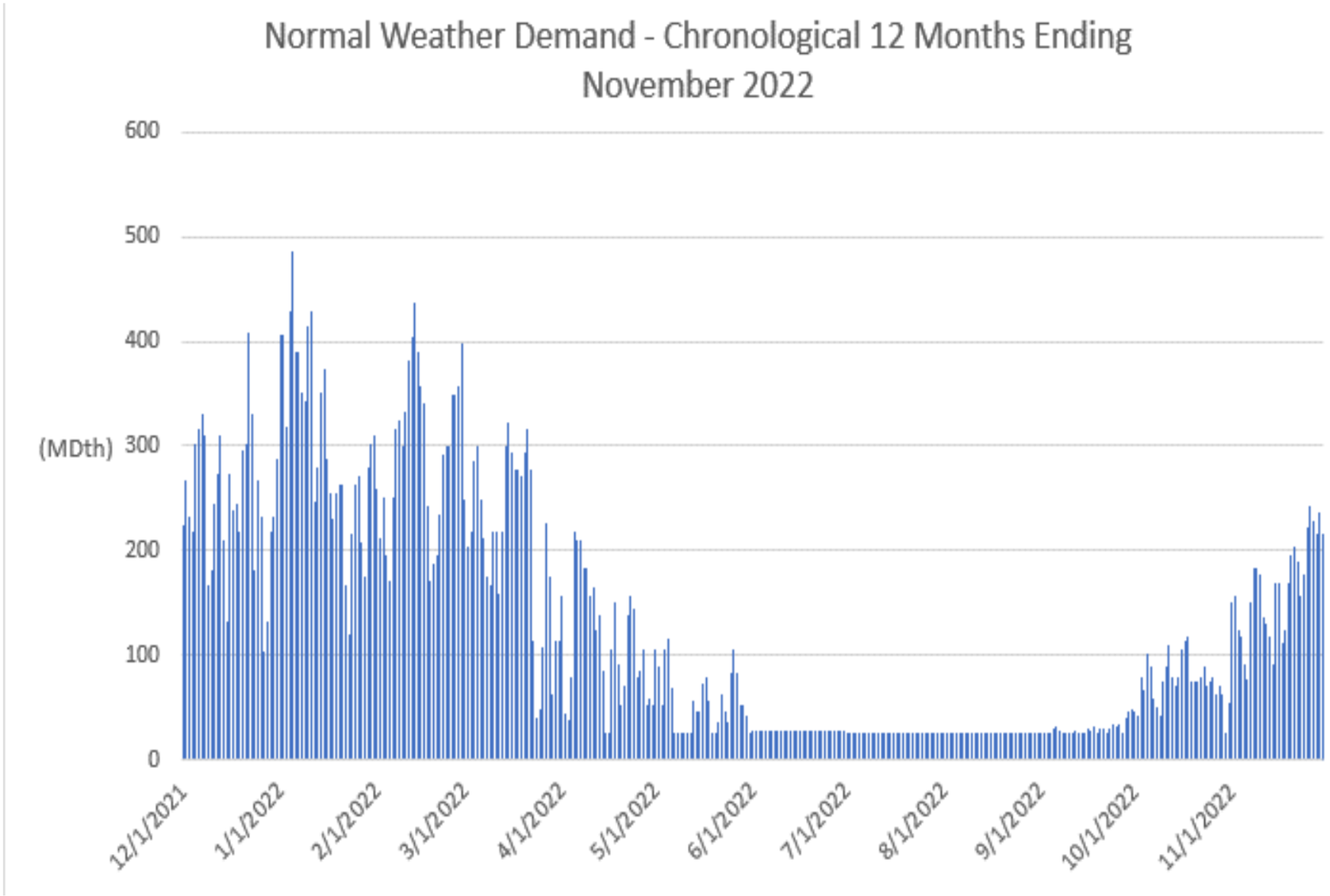
Normal Weather Demand - Chronological 12 Months Ending
November 2022
(MDth)
600
500
400
300
200
100
0
12/1/2021
1/1/2022
2/1/2022
3/1/2022
4/1/2022
5/1/2022
6/1/2022
7/1/2022
8/1/2022
9/1/2022
10/1/2022
11/1/2022

Normal Weather Firm Demand - High to Low - 12 Months Ending November 2022

Day #	Firm Demand (MDth)	Day #	Firm Demand (MDth)	Day #	Firm Demand (MDth)	Day #	Firm Demand (MDth)	Day #	Firm Demand (MDth)	Day #	Firm Demand (MDth)
1	485.0	62	263.2	123	170.9	184	80.1	245	28.6	306	26.4
2	437.5	63	263.2	124	170.9	185	80.1	246	28.4	307	26.4
3	429.5	64	263.2	125	170.1	186	80.1	247	28.4	308	26.4
4	429.5	65	259.8	126	170.1	187	78.9	248	28.4	309	25.6
5	413.7	66	255.2	127	170.1	188	78.3	249	28.4	310	25.6
6	409.2	67	255.2	128	168.1	189	78.3	250	28.4	311	25.6
7	405.7	68	251.7	129	167.6	190	78.1	251	28.4	312	25.6
8	405.7	69	251.7	130	166.8	191	75.9	252	28.4	313	25.6
9	405.2	70	248.6	131	164.3	192	75.9	253	28.4	314	25.6
10	397.1	71	248.6	132	159.3	193	75.9	254	28.4	315	25.6
11	389.9	72	247.3	133	157.6	194	75.9	255	28.4	316	25.6
12	389.9	73	245.7	134	157.6	195	75.9	256	28.4	317	25.6
13	389.0	74	245.7	135	157.6	196	73.5	257	28.4	318	25.6
14	381.0	75	243.6	136	157.0	197	71.7	258	28.4	319	25.6
15	374.1	76	242.4	137	157.0	198	71.7	259	28.4	320	25.6
16	356.7	77	238.6	138	151.1	199	71.7	260	28.4	321	25.6
17	356.7	78	235.9	139	150.4	200	71.7	261	28.4	322	25.6
18	350.3	79	235.5	140	150.4	201	68.2	262	28.4	323	25.6
19	350.3	80	231.5	141	144.4	202	67.5	263	28.4	324	25.6
20	348.6	81	231.5	142	137.8	203	63.3	264	28.4	325	25.6
21	348.6	82	231.5	143	137.8	204	63.3	265	28.4	326	25.6
22	342.4	83	231.4	144	137.2	205	62.9	266	28.4	327	25.6
23	340.6	84	229.3	145	132.0	206	62.7	267	28.4	328	25.6
24	332.5	85	226.3	146	132.0	207	59.1	268	28.4	329	25.6
25	331.0	86	224.4	147	130.7	208	58.5	269	28.4	330	25.6
26	331.0	87	222.7	148	124.6	209	57.5	270	28.4	331	25.6
27	324.4	88	218.8	149	124.1	210	57.5	271	28.4	332	25.6
28	322.9	89	218.8	150	124.1	211	54.9	272	28.4	333	25.6
29	318.6	90	218.8	151	120.5	212	52.2	273	28.4	334	25.6
30	316.8	91	218.8	152	117.9	213	52.2	274	28.4	335	25.6
31	316.3	92	217.3	153	117.5	214	52.2	275	28.4	336	25.6
32	315.5	93	217.3	154	117.5	215	51.9	276	27.0	337	25.6
33	310.7	94	217.3	155	116.3	216	51.9	277	27.0	338	25.6
34	309.7	95	217.2	156	114.7	217	51.9	278	26.4	339	25.6
35	309.7	96	216.1	157	114.7	218	50.7	279	26.4	340	25.5
36	302.8	97	216.1	158	114.7	219	48.9	280	26.4	341	25.5
37	302.6	98	215.6	159	113.7	220	47.8	281	26.4	342	25.5
38	302.6	99	211.4	160	110.9	221	47.3	282	26.4	343	25.5
39	300.7	100	211.3	161	109.5	222	46.8	283	26.4	344	25.5
40	300.7	101	210.5	162	107.3	223	46.8	284	26.4	345	25.5

41	300.1	102	210.5	163	105.6	224	46.8	285	26.4	346	25.5
42	300.1	103	210.2	164	105.6	225	46.5	286	26.4	347	25.5
43	300.1	104	207.7	165	105.6	226	45.3	287	26.4	348	25.5
44	295.5	105	204.0	166	105.4	227	42.3	288	26.4	349	25.5
45	293.2	106	203.0	167	104.8	228	42.3	289	26.4	350	25.5
46	293.2	107	196.4	168	104.8	229	41.5	290	26.4	351	25.5
47	292.1	108	195.1	169	103.6	230	40.3	291	26.4	352	25.5
48	288.4	109	195.1	170	101.1	231	39.5	292	26.4	353	25.5
49	286.9	110	189.8	171	91.6	232	38.7	293	26.4	354	25.5
50	285.8	111	187.1	172	91.2	233	36.2	294	26.4	355	25.5
51	279.0	112	184.1	173	91.2	234	36.2	295	26.4	356	25.5
52	279.0	113	184.1	174	89.6	235	34.8	296	26.4	357	25.5
53	278.3	114	183.2	175	88.5	236	33.3	297	26.4	358	25.5
54	278.3	115	183.2	176	88.5	237	31.7	298	26.4	359	25.5
55	278.3	116	181.8	177	88.5	238	31.7	299	26.4	360	25.5
56	274.2	117	181.8	178	85.0	239	31.7	300	26.4	361	25.5
57	274.2	118	176.7	179	85.0	240	30.2	301	26.4	362	25.5
58	271.1	119	176.7	180	84.2	241	30.2	302	26.4	363	25.5
59	270.9	120	176.0	181	84.2	242	30.2	303	26.4	364	25.5
60	267.1	121	174.2	182	80.1	243	30.2	304	26.4	365	25.5
61	267.1	122	174.2	183	80.1	244	30.2	305	26.4		

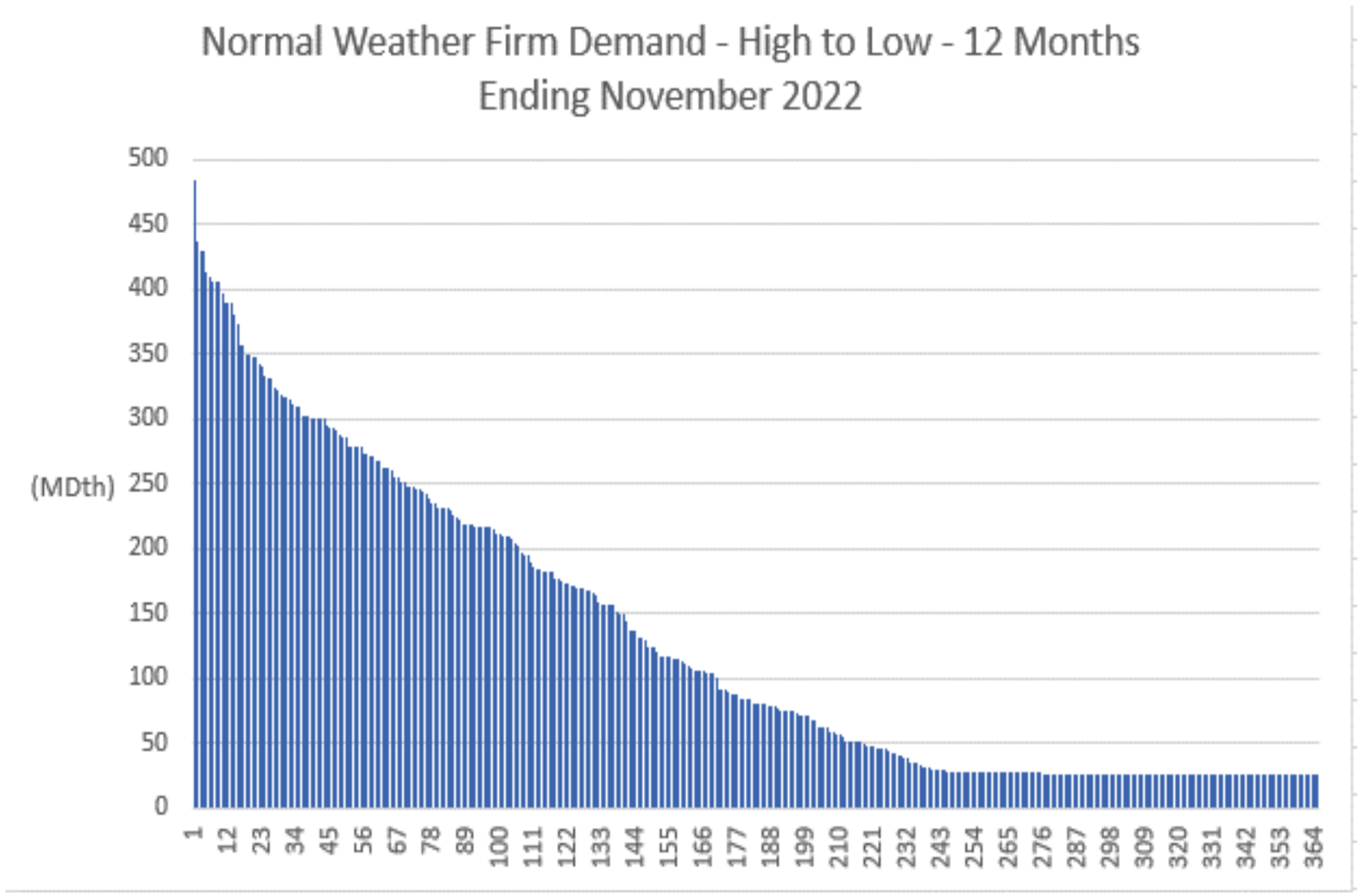
Normal Weather Firm Demand - High to Low - 12 Months Ending November 2022
(MDth)
500
450
400
350
300
250
200
150
100
50
0
1
12
23
34
45
56
67
78
89
100
111
122
133
144
155
166
177
188
199
210
221
232
243
254
265
276
287
298
309
320
331
342
353
364

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-13:

Please provide the following for the Company's ten largest transportation customers during peak month of the most recent heating season:

a. actual consumption

b. volume delivered to the Company on their behalf, if applicable

c. daily nomination

Response:

Please see GAS-COS-013 Attachment A.

Daily Nominations for 1/2021 in Dth

Customer	Usage 01/21 (Dth)	Nominations 01/21 (Dth)	01/01/21 Day 1 (Dth)	01/02/21 Day 2 (Dth)	01/03/21 Day 3 (Dth)	01/04/21 Day 4 (Dth)	01/05/21 Day 5 (Dth)	01/06/21 Day 6 (Dth)	01/07/21 Day 7 (Dth)	01/08/21 Day 8 (Dth)	01/09/21 Day 9 (Dth)	01/10/21 Day 10 (Dth)	01/11/21 Day 11 (Dth)	01/12/21 Day 12 (Dth)	01/13/21 Day 13 (Dth)	01/14/21 Day 14 (Dth)	01/15/21 Day 15 (Dth)	01/16/21 Day 16 (Dth)
A	315,657	304,003	8,313	8,313	8,313	8,313	8,313	13,113	8,313	8,313	9,813	9,813	9,813	8,313	8,313	14,313	14,313	9,813
B	240,677	**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
C	196,532	223,892	7,458	7,458	5,492	5,492	5,492	5,492	5,492	5,492	9,492	9,492	9,492	5,492	5,492	5,492	5,492	9,984
D	65,608	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
E	58,424	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
F	51,544	50,300	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,748
G	51,051	105,008	2,903	2,903	2,903	2,903	2,903	2,903	2,903	3,320	3,320	3,320	3,320	3,320	3,320	3,320	3,320	3,820
H	42,852	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
I	42,574	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
J	40,670	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Customer		01/17/21 Day 17 (Dth)	01/18/21 Day 18 (Dth)	01/19/21 Day 19 (Dth)	01/20/21 Day 20 (Dth)	01/21/21 Day 21 (Dth)	01/22/21 Day 22 (Dth)	01/23/21 Day 23 (Dth)	01/24/21 Day 24 (Dth)	01/25/21 Day 25 (Dth)	01/26/21 Day 26 (Dth)	01/27/21 Day 27 (Dth)	01/28/21 Day 28 (Dth)	01/29/21 Day 29 (Dth)	01/30/21 Day 30 (Dth)	01/31/21 Day 31 (Dth)
A		9,813	9,813	9,813	9,313	14,313	10,313	9,313	9,313	9,313	8,313	9,313	9,813	9,813	9,813	9,813
B	**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
C		9,492	9,492	9,492	9,492	492	492	9,492	9,492	9,492	5,492	9,991	10,212	7,491	7,491	7,491
D	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
E	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
F		1,748	1,748	1,748	1,848	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,948	1,948	1,960
G		4,120	4,320	4,320	3,620	3,320	3,320	3,320	3,320	3,320	3,320	3,320	3,320	4,020	3,720	3,627
H	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
I	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
J	*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note:
* Customer account within Aggregation Group
** Multiple customer accounts within Stand Alone Nomination Group

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-14:

Please provide a summary identifying the salient features of each of the following. Salient features include contract party, effective term and applicable contract quantities (daily, annual, seasonal, etc.).

a. All firm transportation agreements by type greater than one month in length. Indicate whether the capacity is available at the Company's citygate to meet design day requirements or is upstream capacity. Identify the downstream pipeline for each upstream arrangement.

b. All firm storage, gathering and exchange agreements. Indicate if each agreement provides design day capacity at the citygate or requires separate transportation (identify) service to effectuate delivery. Include on-system storage and peak shaving facilities used by the Company and identify all ratcheting provisions applicable to the Company's contractual and on-system storage arrangements.

Response:

Please see GAS-COS-014 Attachment A for the requested information.

COLUMBIA GAS OF PENNSYLVANIA, INC.

FIRM CITY GATE TRANSPORTATION AGREEMENTS

TRANSPORTER	CONTRACT NUMBER	RATE SCHEDULE	EFFECTIVE DATE	PRIMARY TERMINATION DATE	SEASONAL	CONTRACT QUANTITY DTH/D	RECEIPT POINT	REC POINT QUANTITY DTH/D	CITY GATE DELIVERY POINT	DEL POINT QUANTITY DTH/D
COLUMBIA GAS	80136-Tier1	FTS	04/01/20	10/31/22	12 Mos	60,551	801 TCO-LEACH	39,196	CPA CITY GATE	60,551
							B15 UNIONVILLE	7,583		
							C16 DELMONT	13,772		
	80136-Tier2		11/01/22	10/31/25	12 Mos	21,055	B15 UNIONVILLE	12,283	CPA CITY GATE	21,055
							C16 DELMONT	8,772		
COLUMBIA GAS	50675	FTS	11/01/97	10/31/26	12 Mos	13,334	BROADRUN	13,334	CPA CITY GATE	13,334
COLUMBIA GAS	56741	FTS	11/01/98	10/31/22	12 Mos	11,666	GRANT STATION	10,000	CPA CITY GATE	11,666
							BROADRUN	1,666		
COLUMBIA GAS	56742	FTS	11/01/99	10/31/26	12 Mos	10,000	LEACH	10,000	CPA CITY GATE	10,000
COLUMBIA GAS	82610	SST	04/01/05	03/31/22	OCT-MAR	441,576	STORAGE O-M	441,576	CPA CITY GATE	441,579
					APR-SEPT	220,788	STORAGE A-S	220,788		220,788
EASTERN GAS TRANSMISSION*	700034	FTNN-GSS	06/01/05	03/31/28	NOV-MAR	6,000	GSS STORAGE	6,000	CPA @ WARRENDALE/DARLINGTON	6,000
EASTERN GAS TRANSMISSION*	100121	FTNN	04/01/14	03/31/24	12 Mos	4,800	GSS STORAGE	4,800	PLEASANT GAP	4,800
EASTERN GAS TRANSMISSION*	100122	FTNN	05/01/15	03/31/30	12 Mos	15,000	GSS STORAGE	15,000	PLEASANT GAP	15,000
EASTERN GAS TRANSMISSION*	200687	FT	05/01/15	03/31/30	12 Mos	5,000	TRANSCO LEIDY	5,000	PLEASANT GAP	5,000
EASTERN GAS TRANSMISSION*	200539	FT	11/01/09	10/31/24	NOV-MAR	3,000	OAKFORD	3,000	CPA @ WARRENDALE	3,000
					APR-OCT	2,000				
EASTERN GAS TRANSMISSION*	200754	FT	04/01/20	03/31/30	12 Mos	255	DETI Loudoun	255	CPA @ CENTRE HALL	3,000
EQUITRANS	1588	FTS	04/01/20	03/31/25	NOV-MAR	18,870	Rhinehart m11183	18,870	CPA @ **SPARTON**	18,870
EQUITRANS	1590	NOFT	04/01/20	03/31/25	NOV-MAR	36,130	Rhinehart m11183, Storag	36,130	CPA @ **SPARTON**	36,180
					APRIL & OCT	32,000	Rhinehart m11183	32,000		32,000
					MAY - SEPT	20,000	Rhinehart m11183	20,000		20,000
NATIONAL FUEL	F02091	FT	11/01/98	10/31/21 (1)	12 Mos	4,304	TRANSCO LEIDY	4,304	CPA@WARREN	4,304
NATIONAL FUEL	E12637	EFT	10/01/21	03/31/31	12 Mos	4,000	NFSTOR/MERCER	4,000	CPA@FINDLAY TWNSHIP	4,304
TENNESSEE GAS	345027-FTATGP	FT-A	11/01/19	10/31/24	12 Mos	16,000	ZONE 4 POOL	16,000	CPA @ NEW CASTLE	16,000
TENNESSEE GAS	63409-FTATGP	FT-A	11/01/07	10/31/26	12 Mos	7,600	ZONE 4 POOL	7,600	CPA @ PITT TERMINAL	7,600
TEXAS EASTERN	800387	CDS	11/01/06	10/31/23	12 Mos	2,342	VENICE	941	COL GAS @ ROCKWOOD	2,342
							ST LANDRY	1,401	CPA @ ST COLLEGE	287
									CPA @ EMIGSVILLE	2,342
									COL GAS @ EAGLE	2,342
									CPA @ CHAMBERSBURG	219
TEXAS EASTERN	910464	CDS	11/01/06	10/31/26	12 Mos	5,000	MRPL	5,000	CPA @ ROCKWOOD/CHANMBERSBURC	2,758
TEXAS EASTERN	910463	CDS	11/01/06	10/31/26	12 Mos	158	MRPL	158	CPA @ CHAMBERSBURG	158
TEXAS EASTERN	910951	FT-1	11/01/12	10/31/22	12 Mos	11,753	ELA, M1	11,753	CPA @ UNIONTOWN	11,753
TEXAS EASTERN	830049	FT-1	12/01/98	11/30/23	DEC-MAR	10,000	EAGLE	10,000	CPA @ ST COLLEGE	1,658
									CPA @ ROCKWOOD	8,242
									CPA @ CHAMBERSBURG	100
TEXAS EASTERN	911660	FT-1	11/01/19	10/31/22	12 Mos	100	79965 Marietta Extension	100	CPA @ JOHNSON RD	100

FIRM UPSTREAM TRANSPORTATION AGREEMENTS

TRANSPORTER	CONTRACT NUMBER	RATE SCHEDULE	EFFECTIVE DATE	PRIMARY TERMINATION DATE	SEASONAL	CONTRACT QUANTITY DTH/D	RECEIPT POINT	REC POINT QUANTITY DTH/D	CITY GATE DELIVERY POINT	DEL POINT QUANTITY DTH/D
TEXAS EASTERN	910951R1	FT-1	11/01/12	10/31/2022 (1)	12 Mos	3,082	ELA, M1	3,082	COL GAS @ DELMONT	3,082

STORAGE

COUNTERPARTY	CONTRACT NUMBER	RATE SCHEDULE	EFFECTIVE DATE	PRIMARY TERMINATION DATE		CONTRACT QUANTITY DTH/D		
COLUMBIA GAS	82512	FSS	04/01/05	03/31/22	MDQ	441,576	REQUIRES COLUMBIA GAS SST FOR DELIVERY TO THE CITY GATE	
					SCQ	24,492,495		
EASTERN GAS TRANSMISSION*	600037	GSS	06/01/05	03/31/28	MDQ	9,000	REQUIRES DTI FTNN-GSS AND FT FOR DELIVERY TO THE CITY GATE	
					SCQ	941,176		
EASTERN GAS TRANSMISSION*	300195	GSS	04/01/14	03/31/24	MDQ	4,800	REQUIRES DTI FTNN-GSS AND FT FOR DELIVERY TO THE CITY GATE	
					SCQ	240,000		
EASTERN GAS TRANSMISSION*	300206	GSS	05/01/15	03/31/30	MDQ	15,000	REQUIRES DTI FTNN-GSS AND FT FOR DELIVERY TO THE CITY GATE	
					SCQ	930,000		
EQUITRANS	1589	115SS	04/01/20	03/31/25	MDQ	19,130	REQUIRES EQUITRANS FTS FOR DELIVERY TO THE CITY GATE	
					SCQ	2,000,000		
NATIONAL FUEL	G12636	ESS	10/01/21	03/31/31	MDQ	2,429		267,143
					SCQ	167,143		
BLACKHAWK					MDQ	10,000	ON SYSTEM STORAGE	
					SCQ	30,000		

EXCHANGES

`

COUNTERPARTY	EFFECTIVE DATE	PRIMARY TERMINATION DATE	CONTRACT QUANTITY DTH/D	
PEOPLES	10/08/93	10/07/22 (1)	NOT SPEC	CITY GATE EXCHANGE
NATIONAL FUEL DIST	12/2/1974	(2)	NOT SPEC	CITY GATE EXCHANGE

STORAGE RATCHET PROVISIONS

COLUMBIA FSS

SCQ LEVEL	MDWQ
100% TO 30%	100 % OF MDQ
<30% TO 20%	80% OF MDQ
<20% TO 10%	65% OF MDQ
<10% TO 0%	50% OF MDQ

EASTERN GSS

SCQ LEVEL	MDWQ
100% TO 35%	100 % OF MDQ
<35% TO 16%	92% OF MDQ
<16% TO 10%	70% OF MDQ
<10% TO 0%	63% OF MDQ

LIMITED ON A MONTHLY BASIS TO 87.5% OF
THE TOTAL MONTHLY WITHDRAWAL CAPABILITY.

BLACKHAWK

RATCHETS DO NOT APPLY

EQUITRANS 115SS

SCQ LEVEL	MDWQ
100% TO 35%	100% OF MDWQ
<35% TO 16%	92% OF MDWQ
<16% TO 10%	70% OF MDWQ
<10% TO 0%	63% OF MDWQ

NATIONAL FUEL

SCQ LEVEL	MDWQ
Inventory >30%	100% OF MDWQ
Inventory 20-30%	90% OF MDWQ
Inventory 10-20%	80% OF MDWQ
Inventory <10%	70% OF MDWQ

TERM NOTES:
(1) YEAR TO YEAR THEREAFTER
(2) THEREAFTER UNTIL TERMINATED

*EASTERN GAS TRANSMISSION AND STORAGE (FORMERLY DOMINION TRANSMISSION)

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-015:

For the most recent annual period available, please identify the applicable monthly volumes and revenues under each rate schedule which were:

a. Sold under a negotiated or market-based rate

b. Transported under a negotiated or market based rate

c. Transported at full margin transportation rates

Response:

a. Please see the attached spreadsheet (GAS-COS-015 Attachment A) showing actual billed (invoiced) quantities and revenue sold under a negotiated or market-based rate for the 12 Months Ended November 30, 2021.

b. Please see the attached spreadsheet (GAS-COS-015 Attachment B) showing actual billed (invoiced) quantities and revenue transported under a negotiated or market based rate for the 12 Months Ended November 30, 2021.

c. Please see the attached spreadsheet (GAS-COS-015 Attachment C) showing actual billed (invoiced) quantities and revenue transported at full margin transportation rates for the 12 Months Ended November 30, 2021.

Columbia Gas of Pennsylvania, Inc.

Actual Billed Volumes and Revenues Billed - Sold Under a Negotiated or Market Based Rate

For the 12 Months Ending November 30, 2021

	Volumes											
	Dec-20 DTH	Jan-21 DTH	Feb-21 DTH	Mar-21 DTH	Apr-21 DTH	May-21 DTH	Jun-21 DTH	Jul-21 DTH	Aug-21 DTH	Sep-21 DTH	Oct-21 DTH	Nov-21 DTH
NSS	8,687.0	9,870.0	10,443.0	8,363.0	6,711.0	4,571.0	2,326.0	2,203.0	2,318.0	2,287.0	2,929.0	7,052.0

	Revenues											
	Dec-20 $	Jan-21 $	Feb-21 $	Mar-21 $	Apr-21 $	May-21 $	Jun-21 $	Jul-21 $	Aug-21 $	Sep-21 $	Oct-21 $	Nov-21 $
NSS	37,719.64	39,097.82	44,314.02	36,236.71	27,631.44	20,937.08	11,926.56	12,685.64	14,246.50	14,668.87	22,935.35	54,929.07

Columbia Gas of Pennsylvania, Inc.

Actual Billed Volumes and Revenues Billed - Transported Under a Negotiated or Market Based Rate

For the 12 Months Ending November 30, 2021

Volumes

	Dec-20 DTH	Jan-21 DTH	Feb-21 DTH	Mar-21 DTH	Apr-21 DTH	May-21 DTH	Jun-21 DTH	Jul-21 DTH	Aug-21 DTH	Sep-21 DTH	Oct-21 DTH	Nov-21 DTH
LDS FLEX	820,666.0	881,941.0	900,299.0	774,332.0	755,094.0	657,560.0	599,944.0	623,667.0	621,606.0	757,076.0	737,905.0	836,873.0
MLDS I FLEX	177,822.0	196,532.0	219,086.0	185,859.0	190,317.0	177,350.0	173,460.0	154,382.0	181,890.0	171,917.0	140,063.0	209,673.0
MLDS II FLEX	42,120.0	51,269.0	63,503.0	44,728.0	14,958.0	23,014.0	29,622.0	21,586.0	34,471.0	39,092.0	36,657.0	49,509.0
SDS FLEX	4,805.0	5,583.0	5,862.0	3,944.0	3,570.0	3,256.0	2,916.0	2,716.0	2,533.0	2,690.0	2,808.0	3,630.0
SGDS FLEX	1,315.0	1,716.0	1,654.0	1,544.0	1,020.0	549.0	378.0	235.0	224.0	232.0	276.0	665.0

Revenues

	Dec-20 $	Jan-21 $	Feb-21 $	Mar-21 $	Apr-21 $	May-21 $	Jun-21 $	Jul-21 $	Aug-21 $	Sep-21 $	Oct-21 $	Nov-21 $
LDS FLEX	248,274	264,131	273,751	269,155	256,455	279,832	260,353	260,693	237,393	275,754	280,537	280,125
MLDS I FLEX	23,984	25,737	27,850	24,737	25,155	23,940	23,575	21,788	24,365	23,431	20,446	26,968
MLDS II FLEX	15,468	17,939	21,242	16,173	8,135	10,310	12,094	9,924	13,403	14,651	13,993	17,463
SDS FLEX	9,612	10,668	10,852	9,712	9,454	9,185	8,958	8,827	8,683	8,785	8,876	4,525
SGDS FLEX	1,728	2,234	2,168	1,998	1,333	886	698	577	551	561	635	1,036

Columbia Gas of Pennsylvania, Inc.

Actual Billed Volumes and Revenues Billed - Transported at Full Margin Transportation Rates

1For the 12 Months Ending November 30, 2021

Volumes

	Dec-20 DTH	Jan-21 DTH	Feb-21 DTH	Mar-21 DTH	Apr-21 DTH	May-21 DTH	Jun-21 DTH	Jul-21 DTH	Aug-21 DTH	Sep-21 DTH	Oct-21 DTH	Nov-21 DTH
LDS	928,318.0	935,980.0	1,025,325.0	971,270.0	948,872.0	872,545.0	809,742.0	785,241.0	816,570.0	800,488.0	856,323.0	973,827.0
MLDS I	15,785.0	17,255.0	21,083.0	21,399.0	124,589.0	24,157.0	47,306.0	40,933.0	104,763.0	38,854.0	100,212.0	75,828.0
MLDS II	126,358.0	143,850.0	123,204.0	138,823.0	126,457.0	123,830.0	118,136.0	122,321.0	133,947.0	164,602.0	184,719.0	186,609.0
RDS	632,365.6	921,675.0	949,562.8	753,284.3	397,066.2	265,729.5	133,939.8	77,038.4	67,062.1	69,086.5	83,533.9	264,123.9
SCD	362,883.8	555,517.8	580,745.9	474,021.6	245,198.0	156,752.9	87,572.9	61,283.8	58,209.2	59,523.6	69,459.8	166,827.1
SDS	656,176.0	816,581.0	897,654.0	724,593.0	522,688.0	422,670.0	313,775.0	286,254.0	291,013.0	297,014.0	319,635.0	492,017.0
SGDS	446,045.0	645,061.0	686,431.0	544,757.0	305,727.0	211,444.0	120,247.0	83,371.0	80,477.0	84,146.0	99,893.0	228,305.0

Revenues

	Dec-20 $	Jan-21 $	Feb-21 $	Mar-21 $	Apr-21 $	May-21 $	Jun-21 $	Jul-21 $	Aug-21 $	Sep-21 $	Oct-21 $	Nov-21 $
LDS	1,415,805.05	1,461,532.33	1,554,065.88	1,692,854.36	1,657,592.86	1,533,280.50	1,434,045.29	1,387,821.27	1,440,224.57	1,415,411.76	1,497,657.37	1,696,169.09
MLDS I	4,657.6	3,889.7	4,266.3	4,092.8	152,312.0	4,366.9	6,543.7	5,929.0	11,915.9	13,328.4	30,808.3	57,219.0
MLDS II	71,474.9	73,568.8	65,170.7	68,118.0	63,555.4	62,534.1	60,320.3	61,786.9	67,114.0	80,848.7	89,500.0	90,445.8
RDS	6,604,539.1	9,092,191.1	9,615,400.8	8,960,022.0	5,412,474.0	3,239,170.9	2,269,632.1	1,678,663.9	1,569,626.0	1,584,720.7	1,744,796.8	3,886,549.5
SCD	2,222,657.0	3,477,442.0	3,873,451.9	3,797,338.9	1,955,893.0	1,341,941.0	861,599.7	676,985.5	654,162.9	662,721.6	734,465.3	1,439,366.0
SDS	1,916,677.7	2,341,874.9	2,558,696.0	2,483,297.4	1,848,643.1	1,541,768.9	1,197,973.3	1,106,433.9	1,121,536.3	1,139,577.6	1,209,771.4	1,746,733.2
SGDS	1,824,902.3	2,617,553.14	2,781,604.45	2,568,618.53	1,489,108.74	1,060,610.81	647,324.51	479,013.19	465,165.08	480,744.01	550,314.60	1,129,603.99

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-16:

Please provide the following for each curtailment during the last three years:

a. Dates of curtailment

b. Type of curtailment (firm service, interruptible service, both)

c. Whether curtailment was related to amount of capacity on the Company's system, other capacity or supply related

d. Rate schedule that curtailed volumes would have been billed under

e. Curtailed volumes by rate schedule

f. Actual volumes moved by rate schedule

Response:

a.) – f.) As described in the Gas Emergency Rules section of the Company's tariff, curtailment is an action the Company may take regarding Company provided services in the event of an "emergency." As further defined in the Company's tariff, an emergency is a situation wherein the aggregate customer demand on the Company's system, or confined segment of the system, exceeds or threatens to exceed the gas supply or capacity that is actually and lawfully available to the Company to meet the demands, and the actual or threatened excess in demand creates an immediate threat to the Company's system operating integrity with respect to Priority 1 customers. While the Company has asked several customers to voluntarily reduce their load on cold days in the past to avoid the necessity of a curtailment, there have been no incidents during the last three years requiring the Company to curtail its services or customers.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-17:

Please identify the Company's design day planning criteria and the probability of design day occurrence. Include any available documentation supporting the Company's claimed probability of occurrence.

Response:

Columbia's design day planning criteria are based on Design Current Day Temperature, Design Prior Day Temperature, Design Current Day Wind Speed, and assume occurrence on a weekday.

Columbia's design day weather conditions were last updated in 2015. The aforementioned design day weather conditions are premised upon all available historical weather data through the winter of 2014/15. GAS-COS-17 Attachment A shows the Design Temperatures, Design Wind Speed, the historical temperature period considered and the weights of the National Weather Service locations used to arrive at the Design Weather Conditions for each of Columbia's market areas. The weather stations used for this determination are those located at Hagerstown, Maryland, Morgantown, West Virginia, and Harrisburg, Pittsburgh, and Bradford, Pennsylvania. These weather stations are used because of length of available, consistent weather history and their proximity to Columbia's customers. The following paragraphs provide detail on the development of GAS-COS-17 Attachment A.

Columbia's Design Current Day Temperature is that temperature having a 1 in 15 probability or a 6.7 percent risk level. That is, the probability is 1 in 15, or 6.7 percent that any given winter will have one or more days with an average daily temperature equal to or colder than the Design Temperature. Columbia uses the Gumbel, or double exponential, distribution to calculate the probabilities. This skewed distribution is selected because the distribution of historical coldest temperatures is skewed.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Columbia has developed temperature probability distributions for eight Pipeline Scheduling Points (PSP) in Pennsylvania. These PSPs correspond to geographically defined markets in Columbia Gas Transmission's (TCO) FERC-approved Tariff. The development of a Design PSP Temperature is a two-step process. First, for each weather station within the PSP, all available history is used to develop an associated design temperature. Next, the design temperatures for each weather station are weighted based on the firm demand associated with each weather station. The weighted temperatures are then summed to arrive at the PSP design average temperature. Columbia's system wide Design Current Day Temperature is minus 5 degrees Fahrenheit. The same method is used to develop design prior day temperature and design current day wind speed by PSP and for Columbia in total.

GAS-COS-17 Attachment B is the supporting probability of occurrence analyses for the weather station Design Temperatures. For each analysis, the heating season's days are ranked coldest to warmest. Shown are the twenty coldest days of each season. The coldest day of each season, denoted by "Rank 1" on the "20 Coldest" Report, is used in the Gumbel Analysis. Provided for each analysis are the Gumbel Curve parameters and probabilities considered.

The condition of Design Prior Day Temperature results from the mean temperature difference between historical "cold days" and their associated prior days. A "Cold Day" is defined as a day as cold as or colder than the Design Current Day Temperature, plus 5 degrees Fahrenheit. Using the Pittsburgh, Pennsylvania Design Current Day Temperature of minus 7 degrees Fahrenheit as an example, a "Cold Day" would be any day having an average temperature of minus 2 degrees Fahrenheit or colder. The average difference, prior day temperature less current day temperature, is added to the Design Current Day Temperature to provide Design Prior Day Temperature. The Pittsburgh, Pennsylvania average difference is 12 degrees Fahrenheit, so the Design Prior Day Temperature is -7 + 12 = 5 degrees Fahrenheit. To obtain the total company Design Prior Day Temperature, weather station weighting is then applied to each weather station's Design Prior Day Temperature and summed for a total company design. Columbia's system wide Design Prior Day Temperature is 6 degrees Fahrenheit.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Consistent with the Prior Day Design Temperature methodology, the approach to use an average of "Cold Days" is used to establish Design Wind Speed. However, because Wind Speed data has only been available since 1991/92, a “Cold Day” is defined as Design Current Day Temperature plus 15 degrees Fahrenheit. Again, the design is developed at the weather station level, and then weighted for the total company design. Columbia’s system wide Design Wind speed is 11 mph.

Columbia Gas of Pennsylvania

Company Winter Monthly Design Day Conditions [1]

TCO Market Area	Pipeline Area	Location	2015 Station Weighting	Company (Gumbel 1-in-15) Historical Period	Current Day Temp	Prior Day Temp [2]	Wind Speed [2]
25	Lancaster	Harrisburg, PA	95.1311	1925-2015	2	10	12
		Hagerstown, MD	4.8689	1925-2015	0	10	12
		Total	**100.0000**		**2**	**10**	**12**
26	Bedford	Morgantown, WV	**100.0000**	1949-2015	**-6**	**5**	**7**
29	Downingtown	Harrisburg, PA	**100.0000**	1925-2015	**2**	**10**	**12**
35	Pittsburgh	Pittsburgh, PA	74.9116	1925-2015	-7	5	11
		Morgantown, WV	25.0884	1949-2015	-6	5	7
		Total	**100.0000**		**-7**	**5**	**10**
36	Olean	Pittsburgh, PA	2.8939	1925-2015	-7	5	11
		Bradford, PA	97.1061	1941-2015	-15	-2	11
		Total	**100.0000**		**-15**	**-2**	**11**
38	Rimersburg	Pittsburgh, PA	56.1941	1925-2015	-7	5	11
		Bradford, PA	43.8059	1941-2015	-15	-2	7
		Total	**100.0000**		**-11**	**2**	**9**
39	New Castle	Pittsburgh, PA	**100.0000**	1925-2015	**-7**	**5**	**11**
40	PA/WV Misc.	Pittsburgh, PA	3.1982	1925-2015	-7	5	11
		Morgantown, WV	96.8018	1949-2015	-6	5	7
		Total	**100.0000**		**-6**	**5**	**7**
CPA Total		Harrisburg	24.9422	1925-2015	2	10	12
		Pittsburgh	51.3767	1925-2015	-7	5	11
		Hagerstown	1.2765	1925-2015	0	10	12
		Bradford	6.5920	1941-2015	-15	-2	11
		Morgantown	15.8126	1949-2015	-6	5	7
			100.0000	Total Co	**-5**	**6**	**11**

(1) Using all available temperature data through March 2015 and weather station weights based on actual firm customer demand from December 2014 through February 2015.

(2) In the 2015 Study, Prior Day Temperature was developed using a 5 degree range for Cold Days; Wind Speed was developed using 15 degree range for Cold Days.

Gumbel Analysis | Table 1 | January 6, 2016

Weather Station 37-BRADFORD, PA. Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1941 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1941	151	-8	0	0	2	5	5	6	9	9	9	11	12	13	14	15	15	17	17	17	18
1942	151	-13	-4	1	1	5	6	6	7	9	9	11	11	11	12	13	13	14	15	15	15
1943	152	-1	2	5	6	8	9	9	9	10	10	10	12	13	13	14	14	15	15	16	17
1944	151	-10	-3	0	1	3	4	8	8	8	8	9	9	9	11	12	12	13	13	13	14
1945	151	4	5	6	6	7	8	8	9	9	10	11	11	12	12	13	14	15	15	15	16
1946	151	2	6	6	9	10	10	13	13	13	14	14	14	15	15	15	15	15	17	17	18
1947	152	-5	-3	-2	-2	1	1	1	2	5	5	6	6	7	8	9	10	10	11	12	13
1948	151	2	11	11	15	16	17	18	19	19	19	20	20	20	20	21	22	22	22	22	22
1949	151	5	7	7	8	8	8	11	13	13	14	15	15	16	17	17	18	18	19	19	19
1950	151	-1	1	3	3	6	9	10	11	11	11	11	12	13	13	14	16	16	17	17	18
1951	152	3	4	4	7	8	9	10	12	12	12	13	13	13	14	15	15	16	16	17	17
1952	151	7	11	13	14	15	17	19	19	19	20	20	20	20	20	20	20	20	21	21	21
1953	151	4	4	6	9	10	10	11	12	12	12	12	13	14	14	15	16	16	17	18	18
1954	151	-2	-1	0	0	3	4	5	7	8	8	8	10	12	13	14	14	14	14	14	15
1955	152	2	9	9	10	10	11	11	13	13	13	13	13	13	13	14	14	14	15	15	15
1956	151	-7	-5	-3	-1	5	9	11	11	14	15	15	15	16	16	16	16	18	18	18	18
1957	151	-4	0	1	1	2	3	3	4	4	6	6	7	9	9	9	10	11	11	12	13
1958	151	0	3	3	4	4	4	4	4	4	5	5	6	7	7	8	8	8	8	8	9
1959	152	6	6	7	8	8	9	9	10	10	10	11	11	12	12	12	12	12	13	14	14
1960	151	-3	-2	0	1	1	2	2	2	3	3	3	4	4	4	4	5	6	7	8	10
1961	151	-1	3	4	4	4	5	7	7	7	8	8	9	9	9	10	10	12	12	13	13
1962	151	-13	-4	-2	-2	-1	0	0	0	0	1	2	2	3	4	4	6	7	7	7	7
1963	152	1	2	5	5	6	6	7	8	8	8	10	10	11	11	11	11	12	12	12	12
1964	151	-3	-1	-1	0	0	0	2	2	6	6	6	7	7	9	10	10	12	12	12	12
1965	151	-3	0	1	4	5	5	6	7	8	10	11	11	11	12	12	13	14	14	14	15
1966	151	2	2	3	3	3	4	6	7	8	8	8	9	10	10	11	14	15	15	16	16
1967	152	-1	-1	0	0	2	2	4	5	5	6	7	7	7	8	8	8	8	9	9	10
1968	151	-2	1	2	5	5	6	6	6	8	9	9	9	10	10	11	11	11	12	12	12
1969	151	-4	-2	1	1	2	2	3	4	4	4	8	8	9	9	10	10	10	10	12	13
1970	151	-4	-4	-2	0	3	4	4	5	6	7	8	8	9	9	9	10	11	11	12	12
1971	152	-4	0	1	3	3	4	5	6	7	7	7	9	9	9	9	10	10	10	10	11
1972	151	-2	2	3	4	4	4	5	6	7	8	9	9	10	10	11	11	12	12	14	14
1973	151	2	6	7	10	10	11	11	11	12	13	13	13	13	14	14	14	15	15	16	16
1974	151	1	6	7	7	8	8	9	12	13	14	14	16	16	16	16	16	16	16	17	17
1975	152	-5	-3	0	0	2	3	6	6	6	7	8	9	10	11	11	12	13	13	13	13
1976	151	-15	-15	-9	-7	-4	-3	-3	-3	-3	-3	-2	-1	1	2	2	3	4	4	4	4

Gumbel Analysis | Table 1 | January 6, 2016

Weather Station 37-BRADFORD, PA. Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1941 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1977	151	-2	0	3	3	3	4	4	5	5	5	5	6	6	6	6	6	6	7	7	8
1978	151	-12	-11	-10	-9	-8	-6	-4	-4	-3	-2	0	0	1	2	2	2	3	3	6	7
1979	152	-6	-6	-5	3	3	5	5	6	6	7	7	9	9	9	9	10	10	11	11	12
1980	151	-9	-8	-5	-4	-4	-1	-1	0	0	0	1	1	2	2	3	4	4	4	6	7
1981	151	-21	-7	-7	-6	3	4	5	5	5	6	7	7	7	8	8	9	9	9	9	10
1982	151	5	5	6	7	10	12	12	13	14	14	15	15	15	15	15	16	16	16	16	18
1983	152	-11	-7	-3	0	0	0	2	2	2	3	3	4	5	5	5	6	6	6	6	6
1984	151	-10	-9	4	5	5	6	8	8	10	11	11	12	12	12	13	13	13	13	14	15
1985	151	1	2	3	4	4	6	7	7	8	8	9	9	10	10	11	11	11	11	12	12
1986	151	-2	-1	3	7	7	9	9	11	11	12	15	15	16	17	17	17	18	18	19	19
1987	152	-1	0	1	2	2	4	6	8	10	10	11	11	12	12	12	13	13	14	15	15
1988	151	-4	5	8	8	10	10	10	11	11	12	13	13	13	14	14	14	14	15	15	15
1989	151	0	1	2	2	4	4	6	6	7	7	8	9	9	10	10	11	12	12	13	14
1990	151	0	5	7	9	11	12	13	15	15	15	16	16	16	17	17	18	18	18	19	19
1991	152	2	5	7	8	8	8	11	12	13	13	13	14	14	14	14	14	15	15	15	15
1992	151	1	6	6	7	9	9	10	10	11	11	12	12	13	13	14	14	15	15	15	16
1993	151	-15	-8	-5	-3	-3	-2	2	4	4	6	6	7	7	7	8	8	8	8	9	10
1994	151	-1	0	2	3	6	7	8	8	11	11	13	13	13	14	14	14	15	15	15	16
1995	152	-5	-1	-1	1	3	4	4	4	4	5	6	6	7	7	7	8	8	8	8	10
1996	151	-3	-2	4	6	7	8	10	11	11	12	12	14	14	16	16	17	17	17	17	18
1997	151	11	13	15	15	17	20	21	21	21	21	21	21	22	22	23	23	23	23	23	23
1998	151	3	6	7	8	8	9	9	10	11	11	11	11	11	12	13	14	14	14	15	15
1999	152	1	3	4	5	7	9	9	11	12	13	13	13	14	14	14	15	15	17	17	17
2000	151	8	9	12	12	12	13	13	13	13	14	14	15	15	15	15	15	16	16	16	16
2001	151	14	14	14	15	16	17	17	17	17	18	18	18	19	19	19	20	20	20	21	21
2002	151	1	1	2	3	4	5	6	6	6	7	7	7	7	9	9	9	9	10	10	10
2003	152	-5	0	2	2	2	3	4	5	6	7	8	9	9	10	12	12	12	12	13	13
2004	151	-1	0	0	2	4	5	5	5	8	9	9	11	11	13	14	14	14	15	15	15
2005	151	5	7	8	10	10	12	13	13	15	15	15	15	15	15	15	16	17	17	17	17
2006	151	-2	0	0	3	4	5	7	7	7	8	9	10	10	10	10	10	11	11	11	12
2007	152	0	4	5	8	9	9	10	11	11	12	12	13	13	13	13	14	15	15	16	16
2008	151	-5	0	2	3	6	6	6	7	8	8	8	9	9	10	10	11	12	13	13	13
2009	151	4	5	6	7	7	10	11	11	12	13	13	13	15	15	15	15	16	16	16	16
2010	151	3	3	4	7	9	10	10	11	12	12	12	13	13	13	13	14	14	14	14	14
2011	152	4	7	13	14	16	16	17	19	19	19	19	20	21	22	22	23	23	23	24	24
2012	151	4	4	5	6	12	12	13	15	15	15	15	16	17	17	18	19	20	20	20	20

Gumbel Analysis — Table 1 — January 6, 2016

Weather Station 37-BRADFORD, PA. Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1941 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
2013	151	-8	-3	-1	0	1	2	3	3	3	4	5	5	5	6	7	9	9	10	10	10
2014	151	-9	-4	-4	-3	-1	3	4	4	4	5	5	6	7	8	8	8	9	10	10	10

Gumbel Analysis | Table 2 | January 6, 2016

Weather Station 37-BRADFORD, PA. Using Temperature Variable MID_MID_AVG_TMP
Temperature with the Indicated Probability of Occurrence for each period, per the Gumbel Distribution
Overall Range Beginning Years: 1941 to 2014; Period Range: 11-01 to 03-31

	Gumbel Curve parameters and probabilities							
Rank	Alpha	Gamma	1/1.25	1/2.0	1/5.0	1/10.0	1/15.0	1/20.0
1	0.78139	0.1715996	3.6	-1.4	-8.1	-12.3	-14.9	-16.5
2	2.92184	0.1341198	6.0	1.6	-3.8	-7.0	-8.8	-10.0
3	4.25546	0.1146846	7.4	3.3	-1.7	-4.5	-6.1	-7.1
4	5.40643	0.0999519	8.7	4.6	-0.2	-2.9	-4.4	-5.3
5	6.60261	0.0918836	9.9	5.9	1.3	-1.2	-2.6	-3.5
6	7.52662	0.0823387	10.9	6.8	2.2	-0.3	-1.7	-2.6
7	8.43413	0.0769368	11.9	7.8	3.3	0.8	-0.5	-1.4
8	9.16230	0.0709217	12.7	8.6	4.0	1.5	0.2	-0.7
9	9.74853	0.0689490	13.2	9.2	4.8	2.4	1.1	0.3
10	10.24749	0.0667739	13.7	9.7	5.4	3.1	1.9	1.1

Normal Analysis | Table 3 | January 6, 2016

Weather Station 37-BRADFORD, PA. Using Temperature Variable MID_MID_AVG_TMP
Temperature with the Indicated Probability of Occurrence for each period, per the Normal Distribution
Overall Range Beginning Years: 1941 to 2014; Period Range: 11-01 to 03-31

	Normal Curve parameters and probabilities							
Rank	Mean	Std Dev	1/5.0	1/7.0	1/10.0	1/13.0	1/15.0	1/20.0
1	-1.8	6.2	-7.0	-8.4	-9.7	-10.6	-11.1	-12.0
2	1.1	5.4	-3.5	-4.7	-5.9	-6.6	-7.0	-7.8
3	2.9	5.0	-1.4	-2.5	-3.6	-4.3	-4.7	-5.4
4	4.2	5.0	-0.0	-1.2	-2.2	-3.0	-3.3	-4.1
5	5.5	4.8	1.5	0.4	-0.6	-1.3	-1.7	-2.4
6	6.6	4.8	2.5	1.4	0.4	-0.3	-0.7	-1.4
7	7.5	4.8	3.5	2.4	1.4	0.7	0.4	-0.3
8	8.3	4.9	4.2	3.0	2.0	1.3	0.9	0.2
9	8.9	4.9	4.9	3.8	2.7	2.0	1.7	1.0
10	9.5	4.8	5.5	4.4	3.4	2.7	2.3	1.7
11	10.1	4.6	6.2	5.2	4.2	3.5	3.2	2.5
12	10.6	4.5	6.8	5.8	4.8	4.2	3.8	3.2
13	11.2	4.5	7.4	6.4	5.5	4.8	4.5	3.9
14	11.7	4.4	8.0	7.0	6.1	5.4	5.1	4.5
15	12.1	4.4	8.4	7.4	6.5	5.8	5.5	4.9
16	12.6	4.3	9.0	8.0	7.1	6.4	6.1	5.5
17	13.1	4.3	9.5	8.5	7.6	7.0	6.7	6.0
18	13.5	4.3	9.8	8.9	7.9	7.3	7.0	6.4
19	13.9	4.2	10.4	9.4	8.5	7.9	7.6	7.0
20	14.3	4.0	10.9	10.0	9.2	8.6	8.3	7.7

Gumbel Analysis — Table 1 — January 6, 2016

Weather Station 44-HAGERSTOWN, MD Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1925	151	11	17	17	19	20	20	20	21	21	21	21	21	22	22	22	23	23	24	25	25
1926	151	14	14	17	19	20	20	20	20	22	23	24	24	24	25	25	25	25	26	26	26
1927	152	13	15	15	15	17	17	18	18	20	20	21	22	23	23	23	24	24	25	25	26
1928	151	17	18	19	20	21	21	21	21	22	23	23	23	24	24	24	25	25	25	25	25
1929	151	10	10	14	14	15	18	19	19	19	20	20	20	21	22	22	22	23	24	24	24
1930	151	17	18	21	21	21	21	22	22	22	22	23	23	23	23	24	25	26	26	26	26
1931	152	18	20	22	22	22	25	26	26	27	27	28	30	30	30	30	31	31	33	33	33
1932	151	14	16	17	18	18	20	22	24	24	24	24	25	26	27	27	27	28	28	29	29
1933	151	4	5	12	12	14	15	16	16	16	17	18	18	19	19	20	20	20	21	21	21
1934	151	4	11	11	11	15	17	17	18	18	19	20	20	21	24	25	25	26	26	26	26
1935	152	6	6	7	10	10	12	12	13	13	13	13	15	16	16	16	16	17	18	18	18
1936	151	21	24	24	25	25	25	26	26	27	27	27	28	28	28	29	29	29	30	30	30
1937	151	20	20	20	20	21	22	23	23	23	23	23	24	24	24	24	24	24	25	25	25
1938	151	17	19	20	20	20	20	23	23	23	23	24	24	25	26	26	26	27	27	27	27
1939	152	7	11	12	15	16	16	17	17	17	17	18	19	20	20	20	20	20	21	21	21
1940	151	20	21	21	22	22	23	23	23	24	24	24	24	25	26	26	26	26	26	26	26
1941	151	5	10	12	13	15	16	16	18	21	22	23	24	25	25	26	26	27	28	28	28
1942	151	7	9	12	17	17	21	21	21	21	22	22	22	23	24	24	24	24	25	26	27
1943	152	13	18	19	20	22	22	22	23	23	23	23	23	24	24	24	25	25	26	26	26
1944	151	13	13	15	16	16	17	18	18	18	19	19	19	19	19	20	21	21	21	21	22
1945	151	13	13	13	17	17	18	18	18	20	20	20	20	20	21	21	22	22	22	22	22
1946	151	8	14	16	17	20	20	21	21	21	21	22	22	23	23	24	24	24	24	24	25
1947	152	6	8	8	10	10	12	12	12	14	15	15	16	17	17	18	20	20	21	21	22
1948	151	17	19	20	21	21	22	24	25	25	25	26	27	27	27	27	28	28	28	29	29
1949	151	19	20	21	22	24	24	25	25	25	26	26	26	26	26	26	26	27	27	28	28
1950	151	10	12	14	15	15	16	17	17	18	19	19	21	21	21	22	22	22	23	24	24
1951	152	8	10	15	16	18	18	22	23	23	23	23	24	24	24	25	26	26	26	26	26
1952	151	23	23	24	25	25	25	25	26	26	27	27	28	28	28	29	29	29	29	30	30
1953	151	15	16	17	17	18	19	19	19	20	21	22	22	24	25	25	26	26	26	26	26
1954	151	11	11	12	16	16	17	19	19	20	20	21	22	22	22	23	23	24	24	25	25
1955	152	17	18	18	18	20	20	20	21	21	21	22	23	23	24	24	24	24	24	25	25
1956	151	6	7	10	18	18	21	21	22	22	23	23	23	24	24	26	27	27	28	28	28
1957	151	4	10	12	12	15	16	17	18	18	18	20	20	22	22	22	22	22	23	23	23
1958	151	10	12	14	14	16	16	16	17	17	17	18	18	19	19	20	20	21	21	22	22
1959	152	15	16	16	16	19	19	20	20	21	21	22	22	22	22	23	23	23	24	24	24
1960	151	3	3	3	8	8	8	9	10	11	11	12	12	13	13	14	14	15	15	15	17

Gumbel Analysis — Table 1 — January 6, 2016

Weather Station 44-HAGERSTOWN, MD Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1961	151	11	13	14	15	16	16	17	17	18	18	19	21	22	22	22	23	23	23	23	24
1962	151	6	7	8	9	11	13	13	13	14	16	16	18	18	18	18	18	19	19	19	19
1963	152	9	13	14	14	15	15	17	17	18	18	19	19	20	20	20	20	20	21	21	21
1964	151	7	10	12	13	14	15	16	16	17	18	20	20	20	20	21	22	22	23	23	23
1965	151	3	10	10	15	16	16	18	19	19	20	21	22	22	22	23	24	24	24	25	25
1966	151	10	13	14	15	15	17	19	19	19	20	21	22	22	23	23	23	23	23	24	24
1967	152	2	2	6	8	9	9	11	12	13	15	16	16	17	19	19	19	20	20	20	21
1968	151	15	16	16	17	19	20	21	21	21	21	21	22	22	22	22	23	23	23	23	24
1969	151	4	5	9	11	13	13	14	14	14	15	17	18	18	18	19	19	20	21	21	21
1970	151	9	10	11	11	12	13	15	15	16	16	17	18	19	19	19	20	20	20	21	21
1971	152	6	15	18	18	20	20	21	21	22	23	24	24	24	24	24	25	25	26	26	26
1972	151	15	17	19	20	20	21	21	21	21	22	23	23	23	24	24	26	26	26	27	27
1973	151	17	24	24	24	24	25	25	26	26	27	27	27	27	28	28	28	28	29	29	29
1974	151	11	17	20	23	25	25	26	27	27	27	27	28	28	28	28	29	29	29	29	29
1975	152	14	16	17	18	20	20	21	21	21	22	23	23	23	24	25	25	25	25	26	26
1976	151	4	11	11	12	13	14	15	15	16	17	17	18	18	18	19	19	19	19	19	20
1977	151	12	15	15	15	15	16	16	16	18	19	19	19	19	20	20	20	20	20	20	21
1978	151	3	8	9	10	11	14	16	16	16	16	17	18	18	18	19	19	19	20	20	20
1979	152	12	13	17	19	20	20	21	22	23	23	23	24	24	24	25	25	25	26	26	27
1980	151	6	7	7	9	12	12	13	13	13	13	14	14	14	14	15	16	18	18	20	20
1981	151	-6	2	4	8	10	13	14	15	15	15	16	17	18	19	19	19	20	22	22	23
1982	151	15	15	17	17	19	20	23	23	23	23	23	24	24	25	25	26	26	26	26	26
1983	152	-3	6	6	7	7	11	12	13	15	16	16	16	16	17	17	18	18	18	19	19
1984	151	0	3	13	17	17	18	19	19	19	20	21	21	22	22	22	23	23	23	23	24
1985	151	11	12	13	14	14	18	18	19	19	19	20	20	20	21	21	21	22	23	23	23
1986	151	9	10	10	12	19	19	20	22	23	23	23	25	25	26	26	27	27	27	27	27
1987	152	10	12	14	14	15	16	16	17	18	19	19	19	19	20	21	22	23	23	24	24
1988	151	12	13	18	20	21	22	22	22	22	22	23	23	24	24	24	24	24	24	26	27
1989	151	7	12	12	12	13	13	13	13	15	16	17	17	18	19	20	21	21	22	22	22
1990	151	17	17	20	21	21	23	23	25	25	25	25	26	27	28	28	28	29	30	30	30
1991	152	14	18	21	23	23	24	24	24	25	25	25	25	25	26	26	26	26	26	27	27
1992	151	15	18	18	19	20	20	21	21	21	21	23	23	23	24	25	25	25	25	26	26
1993	151	-5	2	3	5	6	9	16	16	17	18	18	18	18	19	19	19	19	19	20	22
1994	151	11	14	15	15	18	19	20	22	22	25	25	25	25	26	26	26	27	27	27	27
1995	152	8	9	14	14	15	17	17	18	19	19	20	20	21	21	21	21	21	22	22	23
1996	151	12	12	13	17	19	19	20	21	24	26	26	26	27	27	28	28	28	28	29	29

Gumbel Analysis — Table 1 — January 6, 2016

Weather Station 44-HAGERSTOWN, MD Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1997	151	21	25	25	26	29	29	30	30	30	31	31	32	32	32	32	33	33	33	33	33
1998	151	17	17	20	20	21	22	23	23	23	24	24	24	25	25	25	25	26	26	26	27
1999	152	17	17	18	18	21	23	23	23	23	24	24	25	25	25	25	27	28	28	28	28
2000	151	15	18	18	18	18	18	19	19	19	21	21	22	22	22	23	23	23	23	23	24
2001	151	21	22	22	23	24	25	26	26	27	27	27	28	28	28	28	29	29	29	30	30
2002	151	10	11	12	13	14	18	18	18	19	19	20	20	21	21	21	21	22	22	22	22
2003	152	10	10	13	14	14	15	16	16	17	18	18	18	20	20	20	20	20	21	21	22
2004	151	13	14	14	16	16	17	17	17	19	20	20	22	22	22	23	24	24	24	25	25
2005	151	16	18	19	21	23	23	24	24	25	25	26	27	27	27	27	27	27	28	28	28
2006	151	9	12	14	17	17	18	18	19	20	20	21	21	21	21	21	22	22	23	23	23
2007	152	16	17	18	20	21	21	21	22	22	23	25	26	27	27	27	27	28	28	29	30
2008	151	9	13	17	17	17	20	21	21	21	21	23	24	24	25	25	25	25	25	25	26
2009	151	19	19	19	21	21	23	23	24	25	25	25	25	26	26	26	26	26	26	27	27
2010	151	15	18	19	19	20	22	22	22	23	23	23	23	23	23	24	25	25	25	25	25
2011	152	20	22	23	25	26	26	26	27	28	29	30	30	30	30	31	32	32	32	33	33
2012	151	15	16	17	18	20	22	23	24	26	27	27	27	27	28	28	28	28	29	29	30
2013	151	7	7	8	11	12	13	15	15	16	17	18	19	19	19	20	21	21	22	22	23
2014	151	9	9	10	11	13	14	16	16	17	18	18	20	21	21	22	22	23	23	24	24

Gumbel Analysis | Table 2 | January 6, 2016

Weather Station 44-HAGERSTOWN, MD Using Temperature Variable MID_MID_AVG_TMP
Temperature with the Indicated Probability of Occurrence for each period, per the Gumbel Distribution
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

	Gumbel Curve parameters and probabilities							
Rank	Alpha	Gamma	1/1.25	1/2.0	1/5.0	1/10.0	1/15.0	1/20.0
1	13.79763	0.1909110	16.3	11.9	5.8	2.0	-0.3	-1.8
2	15.23799	0.1390350	18.2	14.0	8.8	5.7	4.0	2.8
3	16.37314	0.1235248	19.3	15.4	10.9	8.3	6.8	5.8
4	17.45952	0.1129160	20.3	16.7	12.5	10.1	8.8	7.9
5	18.44741	0.1022099	21.4	17.8	13.7	11.4	10.1	9.3
6	19.32566	0.0997233	22.1	18.8	14.9	12.9	11.7	11.0
7	20.10729	0.0957619	22.9	19.6	16.0	14.0	12.9	12.2
8	20.49003	0.0884509	23.3	20.0	16.3	14.4	13.3	12.6
9	21.06014	0.0860543	23.8	20.6	17.1	15.2	14.2	13.5
10	21.57533	0.0823038	24.3	21.2	17.7	15.8	14.8	14.1

Normal Analysis | Table 3 | January 6, 2016

Weather Station 44-HAGERSTOWN, MD Using Temperature Variable MID_MID_AVG_TMP
Temperature with the Indicated Probability of Occurrence for each period, per the Normal Distribution
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

	Normal Curve parameters and probabilities							
Rank	Mean	Std Dev	1/5.0	1/7.0	1/10.0	1/13.0	1/15.0	1/20.0
1	11.1	5.9	6.1	4.7	3.5	2.6	2.2	1.3
2	13.4	5.3	9.0	7.8	6.6	5.9	5.5	4.7
3	15.0	4.9	10.8	9.7	8.6	7.9	7.6	6.8
4	16.3	4.6	12.5	11.5	10.5	9.8	9.5	8.8
5	17.5	4.5	13.7	12.7	11.7	11.0	10.7	10.1
6	18.5	4.2	14.9	14.0	13.1	12.5	12.2	11.6
7	19.4	4.0	16.0	15.1	14.2	13.6	13.3	12.7
8	19.8	4.1	16.4	15.4	14.6	14.0	13.7	13.1
9	20.4	3.9	17.1	16.2	15.4	14.8	14.5	14.0
10	21.0	3.9	17.7	16.8	16.0	15.4	15.1	14.6
11	21.5	3.7	18.4	17.6	16.8	16.2	15.9	15.4
12	22.1	3.8	18.9	18.1	17.3	16.7	16.4	15.9
13	22.5	3.6	19.5	18.6	17.9	17.3	17.1	16.6
14	22.9	3.6	19.8	19.0	18.2	17.7	17.4	16.9
15	23.3	3.5	20.3	19.5	18.7	18.2	18.0	17.4
16	23.7	3.6	20.7	19.9	19.1	18.6	18.3	17.8
17	24.0	3.5	21.1	20.3	19.5	19.0	18.8	18.2
18	24.4	3.5	21.5	20.7	20.0	19.5	19.2	18.7
19	24.8	3.5	21.8	21.0	20.3	19.8	19.5	19.0
20	25.0	3.4	22.2	21.5	20.7	20.3	20.0	19.5

Gumbel Analysis — Table 1 — January 6, 2016

Weather Station 06-HARRISBURG, PA. Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1925	151	13	15	15	17	19	19	20	20	21	21	21	22	23	23	23	23	24	24	24	24
1926	151	14	14	14	18	18	19	19	19	20	20	21	21	22	24	24	25	25	25	26	26
1927	152	14	16	17	17	18	19	19	20	21	22	22	22	23	23	23	24	24	24	25	26
1928	151	13	17	18	22	22	23	23	23	23	24	24	24	24	25	25	25	25	25	25	26
1929	151	13	14	15	16	18	19	19	20	20	20	20	21	21	21	21	22	23	24	24	24
1930	151	18	19	20	21	21	21	23	23	23	24	24	24	25	26	27	27	27	27	27	28
1931	152	17	20	21	22	22	25	25	26	26	26	27	29	29	30	30	30	31	31	31	31
1932	151	14	15	15	16	18	18	19	22	22	23	23	23	23	25	25	25	25	26	26	26
1933	151	1	7	10	10	11	11	11	14	16	16	16	17	17	17	18	18	18	19	19	19
1934	151	9	11	11	12	13	13	13	14	15	19	19	19	21	22	22	23	23	23	24	24
1935	152	2	7	8	10	11	11	12	12	12	14	14	14	14	14	14	16	17	17	18	18
1936	151	20	23	24	24	24	25	26	26	26	26	27	27	27	28	29	29	29	29	29	30
1937	151	13	17	20	20	20	22	22	22	22	22	23	23	23	24	24	25	25	26	26	26
1938	151	12	18	18	19	21	21	21	21	22	24	24	24	25	25	25	25	25	25	25	26
1939	152	10	10	14	14	16	16	17	19	19	19	20	20	20	20	20	20	21	21	21	21
1940	151	20	21	21	22	22	23	23	24	24	24	24	25	25	26	26	26	26	26	27	27
1941	151	7	9	10	11	11	15	17	19	20	20	21	23	23	24	25	25	25	26	26	26
1942	151	8	9	13	14	15	19	19	19	20	22	22	23	23	23	23	23	24	24	24	24
1943	152	16	19	19	20	20	20	20	20	22	23	23	23	24	24	24	24	24	24	25	25
1944	151	11	13	14	15	15	17	18	18	20	20	21	21	21	21	21	22	22	22	22	22
1945	151	15	16	17	17	18	19	20	20	21	21	21	22	22	22	22	22	23	23	23	23
1946	151	8	15	17	18	18	21	22	22	22	22	23	23	24	24	25	25	26	26	26	26
1947	152	11	11	12	13	13	13	13	14	14	15	15	15	15	17	18	19	19	20	21	21
1948	151	15	19	20	22	22	23	26	26	26	27	27	28	28	29	29	29	29	29	29	30
1949	151	18	19	19	20	21	22	24	24	25	25	25	26	26	27	27	27	27	27	28	28
1950	151	13	14	14	14	15	19	19	20	20	21	22	22	23	23	23	23	23	24	24	24
1951	152	11	12	18	19	20	21	23	23	23	24	25	25	25	26	27	27	27	28	28	28
1952	151	22	25	25	26	28	28	28	29	29	29	29	29	29	29	30	30	30	30	31	31
1953	151	16	18	18	19	19	19	20	21	21	21	23	24	24	25	25	25	26	26	27	28
1954	151	10	14	14	17	18	19	19	19	20	20	21	21	23	24	24	25	26	26	26	26
1955	152	16	17	19	21	22	22	23	23	23	24	24	24	24	25	26	26	26	26	26	26
1956	151	7	10	11	16	19	21	22	22	23	23	24	25	25	26	26	26	27	27	27	28
1957	151	7	12	13	13	16	16	16	17	17	19	20	22	23	23	23	23	23	24	24	24
1958	151	14	14	15	15	16	16	16	17	18	18	19	20	20	20	21	21	21	21	22	22
1959	152	17	18	20	21	21	22	22	22	22	23	23	24	25	26	26	26	26	26	26	26
1960	151	5	6	7	9	10	10	10	10	11	11	12	13	13	15	15	16	16	16	17	18

Gumbel Analysis — Table 1 — January 6, 2016

Weather Station 06-HARRISBURG, PA. Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1961	151	10	14	14	15	16	16	17	18	19	19	19	20	20	21	21	22	22	23	23	23
1962	151	5	9	10	11	12	14	14	14	16	17	17	17	18	18	18	18	19	19	20	20
1963	152	9	11	14	14	15	17	17	18	18	18	19	19	19	19	20	21	21	22	22	22
1964	151	7	8	15	15	15	16	17	18	19	19	21	21	21	21	21	22	22	24	24	24
1965	151	6	7	12	14	16	18	18	18	19	20	20	20	21	23	23	23	23	23	23	24
1966	151	10	12	13	14	16	17	18	19	20	20	21	21	22	22	23	23	24	24	24	24
1967	152	6	8	10	10	11	11	13	14	15	16	18	18	18	18	19	19	20	20	20	21
1968	151	17	17	18	18	19	20	20	20	22	22	22	23	23	24	24	25	25	25	25	25
1969	151	5	7	11	12	13	13	14	14	15	15	16	18	18	18	19	19	19	19	21	22
1970	151	11	12	16	16	17	17	18	18	19	20	20	22	22	23	24	24	25	25	25	25
1971	152	13	18	20	20	21	22	22	23	24	24	25	25	25	27	27	27	27	27	28	28
1972	151	13	17	19	20	21	23	23	23	24	24	24	24	25	25	26	26	26	27	27	27
1973	151	20	21	22	23	23	24	24	24	24	24	25	25	25	26	27	27	27	27	28	28
1974	151	14	16	22	23	23	24	25	25	25	26	26	26	27	27	27	27	27	28	28	28
1975	152	14	15	17	19	19	21	21	22	22	22	23	23	23	24	25	25	25	25	26	26
1976	151	4	8	8	11	13	14	14	14	15	16	16	17	17	18	19	19	20	20	20	20
1977	151	13	14	15	15	17	18	18	18	18	19	19	19	19	19	19	20	20	20	20	20
1978	151	2	8	8	8	9	10	11	15	16	16	17	18	18	19	19	19	20	20	20	20
1979	152	15	18	19	20	20	21	22	22	22	22	22	23	23	24	24	25	25	25	25	26
1980	151	7	8	8	9	10	12	12	13	15	16	16	16	16	17	17	17	17	18	19	19
1981	151	0	6	7	11	12	17	17	18	18	18	18	19	19	19	19	21	21	21	22	23
1982	151	19	21	22	22	22	22	22	23	25	25	25	26	27	27	27	28	29	29	30	30
1983	152	2	5	6	8	10	10	13	14	15	15	16	17	17	18	18	19	19	19	19	21
1984	151	0	7	18	18	20	20	20	21	21	22	22	22	23	24	24	25	25	26	26	26
1985	151	12	13	15	18	19	19	19	19	20	20	20	21	21	21	22	22	22	22	22	23
1986	151	13	15	16	17	17	19	20	21	24	25	26	26	26	27	27	27	27	28	28	28
1987	152	12	13	13	14	14	14	15	15	16	17	18	18	19	20	20	20	20	21	21	22
1988	151	13	17	17	18	18	18	20	21	21	22	22	23	24	24	24	25	25	27	27	27
1989	151	11	12	12	14	14	15	16	16	17	17	17	18	19	19	21	21	21	23	23	25
1990	151	17	21	21	21	22	23	24	25	25	26	26	27	27	28	28	28	28	28	29	29
1991	152	14	17	22	22	22	23	23	23	24	24	24	24	25	25	26	26	27	27	27	27
1992	151	13	17	19	19	19	20	20	21	21	21	21	23	23	24	25	26	26	26	26	26
1993	151	-6	-2	0	5	6	9	12	14	15	15	16	17	17	17	17	18	18	18	19	19
1994	151	13	15	16	18	18	19	19	23	23	24	24	25	25	25	26	26	26	27	27	27
1995	152	9	10	14	15	15	15	16	16	17	17	17	18	19	19	19	19	20	20	21	21
1996	151	11	12	13	19	20	21	21	22	23	24	24	25	25	26	26	26	27	28	29	29

Gumbel Analysis — Table 1 — January 6, 2016

Weather Station 06-HARRISBURG, PA. Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1997	151	22	26	26	26	28	28	29	30	30	31	31	31	32	32	32	32	32	32	33	33
1998	151	15	17	18	21	21	21	21	21	21	21	22	23	23	23	25	25	25	26	26	26
1999	152	14	16	16	16	17	20	20	20	20	22	22	23	23	23	25	25	25	25	26	26
2000	151	17	19	19	19	19	20	21	21	21	21	21	22	23	23	23	23	23	24	25	25
2001	151	22	23	24	25	26	26	27	27	27	27	27	27	28	28	29	29	29	30	30	30
2002	151	13	13	14	14	16	18	19	19	20	20	20	21	21	21	21	21	22	22	22	22
2003	152	9	12	14	16	16	16	16	16	17	18	19	19	20	20	20	21	21	21	22	22
2004	151	12	14	16	16	16	17	18	18	20	22	22	22	22	24	24	25	25	25	26	26
2005	151	14	17	20	21	23	25	26	26	26	27	27	27	27	27	28	28	28	28	28	29
2006	151	11	13	16	16	18	18	19	19	19	21	21	21	22	23	23	24	24	24	25	25
2007	152	16	19	20	20	22	23	23	24	25	25	26	27	27	27	27	28	28	28	28	29
2008	151	11	13	16	18	19	19	20	20	21	21	21	22	23	23	24	24	24	24	25	25
2009	151	18	19	22	22	23	23	24	24	25	25	26	26	26	26	26	26	26	26	27	27
2010	151	14	15	16	21	22	22	22	22	23	24	24	24	24	24	24	24	25	25	25	25
2011	152	20	22	25	25	25	26	26	27	28	28	29	29	30	30	31	31	31	32	32	32
2012	151	15	16	17	19	20	21	23	25	26	26	27	27	27	28	28	28	28	28	29	29
2013	151	6	8	10	13	13	14	15	15	15	16	16	17	18	19	20	21	21	21	21	22
2014	151	6	7	8	10	12	13	14	14	15	15	16	17	17	17	18	18	19	20	21	22

Gumbel Analysis | Table 2 | January 6, 2016

Weather Station 06-HARRISBURG, PA. Using Temperature Variable MID_MID_AVG_TMP
Temperature with the Indicated Probability of Occurrence for each period, per the Gumbel Distribution
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

	Gumbel Curve parameters and probabilities							
Rank	Alpha	Gamma	1/1.25	1/2.0	1/5.0	1/10.0	1/15.0	1/20.0
1	14.21709	0.2113989	16.5	12.5	7.0	3.6	1.5	0.2
2	15.81812	0.1465967	18.6	14.6	9.7	6.8	5.1	4.0
3	17.08256	0.1264272	19.9	16.2	11.7	9.2	7.7	6.8
4	18.03365	0.1168955	20.8	17.3	13.2	10.9	9.7	8.8
5	18.74523	0.1061730	21.6	18.1	14.1	12.0	10.7	10.0
6	19.62149	0.0997581	22.4	19.1	15.2	13.2	12.0	11.3
7	20.19157	0.0927926	23.0	19.7	15.9	13.9	12.8	12.0
8	20.71034	0.0885429	23.5	20.2	16.6	14.6	13.5	12.8
9	21.30417	0.0878808	24.0	20.9	17.4	15.6	14.5	13.9
10	21.80516	0.0848169	24.5	21.4	18.0	16.2	15.2	14.6

Normal Analysis | Table 3 | January 6, 2016

Weather Station 06-HARRISBURG, PA. Using Temperature Variable MID_MID_AVG_TMP
Temperature with the Indicated Probability of Occurrence for each period, per the Normal Distribution
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

	Normal Curve parameters and probabilities							
Rank	Mean	Std Dev	1/5.0	1/7.0	1/10.0	1/13.0	1/15.0	1/20.0
1	11.8	5.4	7.2	6.0	4.8	4.1	3.7	2.9
2	14.1	5.0	9.9	8.7	7.7	6.9	6.6	5.8
3	15.7	4.8	11.7	10.6	9.5	8.8	8.5	7.8
4	16.9	4.5	13.2	12.2	11.2	10.5	10.2	9.6
5	17.8	4.3	14.1	13.2	12.2	11.6	11.3	10.6
6	18.8	4.3	15.2	14.2	13.3	12.7	12.4	11.8
7	19.4	4.2	15.9	15.0	14.1	13.5	13.1	12.5
8	20.0	4.1	16.6	15.7	14.8	14.2	13.9	13.3
9	20.7	3.9	17.4	16.5	15.7	15.2	14.9	14.3
10	21.2	3.8	18.0	17.2	16.4	15.8	15.5	15.0
11	21.6	3.7	18.5	17.7	16.9	16.3	16.0	15.5
12	22.2	3.6	19.1	18.3	17.5	17.0	16.7	16.2
13	22.6	3.7	19.5	18.7	17.9	17.3	17.1	16.5
14	23.1	3.7	20.0	19.2	18.4	17.9	17.6	17.1
15	23.5	3.7	20.4	19.6	18.8	18.2	18.0	17.4
16	23.8	3.5	20.9	20.1	19.3	18.8	18.6	18.1
17	24.1	3.4	21.2	20.4	19.7	19.2	18.9	18.4
18	24.4	3.4	21.5	20.8	20.0	19.5	19.3	18.8
19	24.8	3.4	22.0	21.2	20.5	20.0	19.8	19.3
20	25.1	3.3	22.3	21.5	20.8	20.4	20.1	19.6

Gumbel Analysis — Table 1 — January 6, 2016

Weather Station 38-MORGANTOWN, WV. Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1949 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1949	151	15	15	17	17	19	20	20	21	21	21	22	23	25	26	26	26	26	28	28	28
1950	151	7	8	8	8	13	14	14	14	15	15	17	18	18	19	19	20	21	22	22	22
1951	152	6	12	14	16	19	21	21	22	23	24	24	25	26	26	26	27	27	27	27	27
1952	151	19	21	23	23	24	24	24	24	24	24	25	25	26	26	27	27	27	28	28	29
1953	151	13	14	15	16	17	18	18	20	20	22	23	23	24	24	24	24	24	24	25	25
1954	151	5	8	11	12	12	13	14	14	16	17	19	20	20	20	20	20	21	22	22	24
1955	152	14	16	17	17	19	19	19	20	20	20	21	21	21	22	22	22	23	23	24	24
1956	151	3	11	12	14	15	16	18	19	20	21	22	23	23	25	26	26	26	26	27	27
1957	151	0	6	7	8	12	12	12	14	14	15	16	16	16	16	16	16	17	17	19	20
1958	151	5	8	9	9	10	11	11	11	13	14	14	15	16	17	17	17	17	18	18	19
1959	152	14	15	16	16	17	17	17	18	18	19	19	20	20	20	21	21	21	21	22	22
1960	151	3	7	7	8	9	9	9	10	10	14	14	15	16	17	18	18	19	19	19	20
1961	151	5	6	10	12	12	13	15	16	16	17	17	20	21	22	22	22	23	23	23	24
1962	151	-5	4	5	6	7	8	9	9	10	11	11	11	11	12	14	15	15	15	16	16
1963	152	7	9	10	11	14	14	15	15	16	16	18	18	19	19	20	20	20	20	21	21
1964	151	4	6	7	8	8	9	11	13	14	15	15	16	16	16	16	17	17	17	18	19
1965	151	3	6	12	12	17	18	18	18	19	20	20	21	21	21	21	21	21	21	22	23
1966	151	7	10	11	12	14	15	15	17	19	19	19	20	20	21	21	22	22	23	25	25
1967	152	0	3	6	6	9	10	10	13	13	14	14	14	14	15	17	17	18	18	18	18
1968	151	11	11	13	13	13	13	15	15	15	16	16	17	18	19	19	19	19	20	20	20
1969	151	-5	-3	3	5	5	7	9	12	13	13	15	17	17	17	18	18	19	19	19	20
1970	151	2	3	8	9	9	12	12	12	14	14	14	15	15	15	18	19	21	21	21	21
1971	152	-8	4	4	11	12	12	12	12	15	15	15	17	19	19	20	20	21	21	21	21
1972	151	2	10	10	10	11	12	12	12	12	12	13	14	14	16	16	16	17	18	19	21
1973	151	12	13	14	15	16	16	17	18	19	19	20	21	21	22	22	22	22	22	23	23
1974	151	11	13	17	20	20	20	21	22	22	22	23	23	23	23	24	24	25	25	25	25
1975	152	3	7	8	11	12	13	14	16	16	17	18	18	18	21	21	23	23	23	23	24
1976	151	-5	4	5	7	8	8	10	10	10	11	12	12	12	12	13	13	15	16	16	16
1977	151	6	9	10	10	11	12	13	13	13	14	14	15	15	15	15	15	15	15	16	16
1978	151	7	7	8	10	12	12	12	13	14	15	15	15	16	16	17	18	18	19	19	19
1979	152	12	14	15	16	16	17	17	17	17	18	20	21	21	22	23	23	23	24	24	26
1980	151	3	4	6	7	7	7	8	9	11	11	11	12	14	15	15	16	19	19	19	19
1981	151	-8	-1	-1	9	13	13	14	15	16	16	17	17	17	20	21	21	21	21	22	22
1982	151	13	14	15	19	20	21	22	23	23	23	24	24	26	26	26	26	27	27	27	27
1983	152	-8	-2	2	5	6	7	10	11	12	13	15	15	16	17	17	18	19	20	20	20
1984	151	-7	-6	8	10	11	13	13	14	15	17	17	17	17	17	18	18	18	19	20	21

Gumbel Analysis | Table 1 | January 6, 2016

Weather Station 38-MORGANTOWN, WV. Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1949 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1985	151	6	12	12	12	13	14	15	15	16	16	16	16	17	18	19	19	19	20	21	21
1986	151	8	11	13	16	16	17	21	22	22	23	23	23	25	26	27	28	28	28	28	29
1987	152	7	7	9	10	14	14	15	16	17	17	18	18	19	19	20	21	22	22	22	22
1988	151	12	12	16	16	18	19	21	21	21	21	22	22	22	22	23	23	23	24	24	25
1989	151	-2	4	6	6	8	12	12	13	14	15	15	16	17	18	22	23	23	23	24	24
1990	151	13	16	17	20	22	22	23	24	25	25	26	26	26	26	27	27	28	28	28	28
1991	152	12	12	17	19	20	20	21	22	22	22	23	23	23	23	24	24	24	24	25	25
1992	151	13	15	16	17	17	18	19	20	22	23	24	24	25	25	25	26	26	27	27	27
1993	151	-10	0	2	4	4	6	15	15	15	16	18	18	18	18	19	19	20	20	21	21
1994	151	9	9	11	12	15	16	16	17	20	21	22	23	24	24	24	24	25	25	25	27
1995	152	3	7	9	12	12	14	15	15	16	17	17	17	18	18	20	20	21	21	21	21
1996	151	5	7	11	12	12	13	15	18	21	21	22	22	22	23	24	25	26	26	27	27
1997	151	20	21	22	23	24	26	27	27	28	28	28	28	28	29	29	29	30	30	30	30
1998	151	11	17	18	19	20	20	20	21	21	21	21	21	22	23	23	24	24	24	25	25
1999	152	11	12	12	13	17	18	18	18	19	19	21	21	23	24	24	25	25	26	26	26
2000	151	12	12	13	13	14	16	17	18	18	18	18	19	20	21	21	21	22	22	22	22
2001	151	16	17	17	18	18	21	22	22	22	23	23	24	24	24	24	26	26	27	28	29
2002	151	9	9	9	12	14	16	17	17	17	17	18	19	19	20	20	20	20	20	21	22
2003	152	7	9	11	11	13	13	13	15	16	17	17	17	19	21	22	22	22	23	23	23
2004	151	8	9	10	12	14	16	16	19	20	20	21	22	22	22	23	24	24	24	24	25
2005	151	13	19	20	20	21	24	24	24	24	24	24	25	25	26	26	26	26	26	26	26
2006	151	5	7	13	13	14	15	15	16	16	17	17	18	19	20	21	21	22	23	23	23
2007	152	12	14	15	16	17	18	19	19	20	20	21	22	23	24	25	26	26	26	26	26
2008	151	2	9	12	13	13	16	16	16	17	17	17	19	19	20	21	22	22	22	22	23
2009	151	13	16	16	18	18	18	18	19	20	21	21	21	22	22	22	22	23	23	24	24
2010	151	13	14	17	17	18	18	18	18	19	19	19	20	20	21	22	22	22	23	23	23
2011	152	17	19	20	22	22	22	23	23	27	28	29	29	29	30	30	31	31	31	31	32
2012	151	11	13	16	17	17	19	19	22	22	24	24	25	25	26	27	27	27	27	28	28
2013	151	0	1	5	6	8	10	11	12	13	17	18	18	18	18	18	18	19	19	19	20
2014	151	4	4	4	5	8	9	11	12	13	15	15	17	17	18	18	20	20	20	20	20

Gumbel Analysis | Table 2 | January 6, 2016

Weather Station 38-MORGANTOWN, WV. Using Temperature Variable MID_MID_AVG_TMP
Temperature with the Indicated Probability of Occurrence for each period, per the Gumbel Distribution
Overall Range Beginning Years: 1949 to 2014; Period Range: 11-01 to 03-31

	Gumbel Curve parameters and probabilities							
Rank	Alpha	Gamma	1/1.25	1/2.0	1/5.0	1/10.0	1/15.0	1/20.0
1	9.65938	0.1684901	12.5	7.5	0.6	-3.7	-6.3	-8.0
2	11.34037	0.1315181	14.5	10.0	4.5	1.3	-0.6	-1.8
3	12.82886	0.1152931	16.0	11.8	6.9	4.1	2.6	1.6
4	13.93892	0.1043014	17.1	13.1	8.5	6.0	4.6	3.6
5	15.12290	0.0972773	18.2	14.4	10.1	7.7	6.4	5.5
6	16.01750	0.0896780	19.1	15.4	11.2	8.8	7.6	6.7
7	16.76460	0.0867422	19.8	16.2	12.2	10.0	8.8	8.0
8	17.53093	0.0835989	20.5	17.0	13.1	11.1	9.9	9.2
9	18.28369	0.0792378	21.3	17.8	14.0	11.9	10.8	10.1
10	18.89878	0.0785784	21.8	18.5	14.8	12.9	11.8	11.1

Normal Analysis | Table 3 | January 6, 2016

Weather Station 38-MORGANTOWN, WV. Using Temperature Variable MID_MID_AVG_TMP
Temperature with the Indicated Probability of Occurrence for each period, per the Normal Distribution
Overall Range Beginning Years: 1949 to 2014; Period Range: 11-01 to 03-31

	Normal Curve parameters and probabilities							
Rank	Mean	Std Dev	1/5.0	1/7.0	1/10.0	1/13.0	1/15.0	1/20.0
1	6.5	7.0	0.6	-1.0	-2.5	-3.5	-4.0	-5.0
2	9.4	5.7	4.6	3.3	2.1	1.2	0.8	-0.0
3	11.4	5.1	7.1	5.9	4.8	4.1	3.7	2.9
4	12.8	4.8	8.7	7.6	6.6	5.9	5.6	4.9
5	14.1	4.7	10.2	9.1	8.1	7.4	7.1	6.4
6	15.1	4.6	11.2	10.2	9.2	8.6	8.2	7.6
7	16.0	4.3	12.3	11.4	10.4	9.8	9.5	8.9
8	16.8	4.2	13.2	12.3	11.4	10.8	10.4	9.8
9	17.6	4.2	14.1	13.1	12.2	11.6	11.3	10.7
10	18.3	4.0	14.9	14.0	13.2	12.6	12.3	11.7
11	18.9	4.0	15.5	14.6	13.7	13.1	12.8	12.3
12	19.5	3.9	16.2	15.3	14.5	13.9	13.6	13.1
13	20.0	4.0	16.7	15.8	15.0	14.4	14.1	13.5
14	20.7	3.9	17.4	16.5	15.6	15.1	14.8	14.2
15	21.3	3.8	18.1	17.3	16.5	15.9	15.6	15.1
16	21.7	3.8	18.5	17.6	16.8	16.3	16.0	15.4
17	22.2	3.6	19.1	18.3	17.5	17.0	16.7	16.2
18	22.5	3.6	19.5	18.6	17.9	17.3	17.1	16.6
19	22.9	3.5	19.9	19.2	18.4	17.9	17.6	17.1
20	23.3	3.5	20.3	19.5	18.8	18.3	18.0	17.5

Gumbel Analysis — Table 1 — January 6, 2016

Weather Station 14-PITTSBURGH, PA. Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1925	151	4	8	13	14	14	14	14	16	16	17	17	18	18	19	19	19	20	21	21	21
1926	151	10	11	13	17	18	19	19	20	21	21	21	22	22	22	23	23	23	24	25	25
1927	152	7	8	12	12	12	13	14	14	15	17	17	17	18	18	19	20	20	21	23	23
1928	151	13	15	16	17	17	17	18	19	20	20	20	21	22	22	23	23	23	23	23	24
1929	151	8	8	8	11	13	15	16	16	16	17	17	17	18	18	18	18	19	19	20	21
1930	151	13	13	16	17	19	19	19	21	22	22	23	23	23	23	24	24	24	24	25	25
1931	152	9	12	14	17	18	18	18	18	22	22	25	26	26	29	29	29	29	30	30	30
1932	151	3	7	14	14	15	16	16	18	19	20	20	21	21	21	23	24	24	24	24	25
1933	151	-1	4	5	5	5	6	9	9	10	12	14	14	15	15	15	17	17	17	18	18
1934	151	9	13	15	15	17	17	18	20	21	21	21	22	22	23	23	23	24	24	25	25
1935	152	-9	-2	-2	1	2	4	5	6	7	8	9	9	9	10	10	10	11	11	11	11
1936	151	16	18	18	20	20	20	21	21	21	22	23	23	23	24	24	24	24	25	25	26
1937	151	9	13	13	14	15	15	16	16	16	17	17	17	17	18	19	20	23	23	23	23
1938	151	14	14	15	15	15	16	18	18	19	21	21	21	21	22	22	23	24	24	24	24
1939	152	-3	5	7	8	10	11	11	11	11	12	13	13	13	14	15	16	16	17	17	17
1940	151	11	12	12	13	14	15	15	19	19	19	19	19	20	20	20	20	20	20	22	22
1941	151	-1	5	7	9	10	10	11	12	12	13	13	17	18	19	21	21	22	22	23	23
1942	151	2	5	8	8	10	11	11	12	12	14	15	16	17	17	17	18	19	19	19	19
1943	152	10	11	14	15	15	15	16	16	16	17	17	19	19	20	20	20	21	21	22	22
1944	151	6	9	9	11	13	13	14	16	17	17	17	17	18	18	19	19	19	19	20	20
1945	151	9	10	11	13	13	14	14	17	17	18	19	20	20	20	20	20	21	21	21	22
1946	151	3	4	9	10	15	16	17	17	17	18	19	19	19	21	21	21	21	21	21	22
1947	152	5	7	9	9	10	10	11	11	12	12	13	13	13	15	16	16	17	19	20	21
1948	151	14	16	18	20	20	22	23	24	24	24	25	25	25	26	26	26	26	27	27	27
1949	151	13	13	15	16	17	19	20	21	21	22	22	22	25	26	26	26	26	26	26	27
1950	151	6	8	11	12	13	14	14	14	15	16	17	18	18	18	19	20	20	21	21	21
1951	152	1	13	13	13	19	19	20	20	21	22	23	23	24	24	25	25	26	26	26	26
1952	151	18	19	21	22	22	23	23	23	24	24	25	25	25	25	25	25	25	25	26	26
1953	151	12	13	13	15	17	17	18	20	21	21	21	21	21	22	22	22	22	22	23	23
1954	151	6	7	7	8	9	10	13	13	15	17	17	17	19	19	20	20	21	21	22	22
1955	152	14	15	16	17	18	18	18	19	19	19	20	21	21	21	21	22	22	22	22	23
1956	151	3	8	12	12	14	15	17	18	18	18	19	21	21	22	23	23	23	23	23	24
1957	151	-1	7	7	8	9	9	11	12	13	14	15	16	16	17	17	17	18	18	20	20
1958	151	0	3	6	6	9	9	10	10	10	10	10	11	13	14	14	15	16	16	16	17
1959	152	13	14	14	14	15	16	16	16	16	16	17	18	18	18	18	18	18	19	19	20
1960	151	0	2	5	5	5	5	7	7	8	8	10	10	11	12	12	14	17	17	17	17

Gumbel Analysis — Table 1 — January 6, 2016

Weather Station 14-PITTSBURGH, PA. Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1961	151	3	8	8	9	9	10	12	13	13	14	14	16	16	17	17	18	18	19	19	20
1962	151	-9	0	0	2	3	3	4	5	5	5	6	7	7	8	9	10	12	13	13	13
1963	152	4	6	8	9	11	11	12	12	13	13	14	15	15	16	16	18	18	19	19	20
1964	151	5	9	10	10	11	11	12	12	12	13	14	14	15	16	17	17	17	18	18	19
1965	151	-1	0	6	10	12	12	13	14	15	15	16	16	17	18	19	19	19	19	19	20
1966	151	8	9	9	11	11	12	13	13	14	14	15	15	20	21	21	21	22	22	22	22
1967	152	1	3	4	6	6	6	11	11	12	12	12	13	14	14	14	15	15	16	17	17
1968	151	7	8	9	11	12	12	13	15	15	16	16	16	16	16	17	17	17	18	18	18
1969	151	-2	1	4	4	5	8	8	9	12	12	12	13	14	14	15	15	16	16	16	17
1970	151	0	2	3	5	9	11	11	11	12	13	13	14	14	17	17	17	18	18	18	18
1971	152	-1	6	7	10	10	11	12	12	14	14	16	17	18	19	19	19	20	20	20	21
1972	151	5	12	14	14	15	15	15	15	16	16	16	16	17	17	19	21	21	22	22	22
1973	151	15	16	16	16	18	18	19	19	20	20	20	20	21	21	21	22	22	23	23	23
1974	151	11	12	15	17	18	21	21	21	22	22	22	22	23	23	24	24	25	25	25	26
1975	152	3	5	9	9	13	14	14	16	16	16	17	17	18	18	20	20	21	21	21	22
1976	151	-9	-1	0	1	2	3	4	5	6	6	6	6	7	7	7	7	8	8	9	9
1977	151	6	8	10	11	12	12	13	13	13	13	14	14	14	15	15	15	15	15	16	16
1978	151	0	0	2	2	3	3	4	5	6	6	7	7	8	12	13	13	13	13	14	15
1979	152	8	8	9	11	12	13	13	13	15	16	16	16	16	16	17	17	17	17	17	19
1980	151	-1	3	5	5	5	6	6	6	9	9	10	10	10	11	11	11	13	14	15	15
1981	151	-10	-4	-1	6	8	9	9	10	10	10	12	14	14	15	16	16	17	18	18	18
1982	151	14	15	17	19	19	19	21	21	21	22	23	23	23	23	24	24	25	25	26	26
1983	152	-5	-4	1	3	3	5	8	9	9	11	12	12	13	14	16	16	16	17	17	17
1984	151	-8	-5	10	11	11	12	13	13	14	14	14	15	15	16	16	17	17	18	18	19
1985	151	6	10	11	12	12	13	13	13	14	15	15	15	16	16	16	16	18	18	18	19
1986	151	5	11	13	16	16	18	19	20	20	21	21	22	23	24	24	25	26	27	27	28
1987	152	4	5	5	9	11	12	13	14	15	16	17	17	17	17	18	18	19	19	20	20
1988	151	13	13	15	15	16	16	17	17	18	19	20	20	20	20	21	21	21	22	22	23
1989	151	-1	0	3	3	7	9	9	10	10	11	11	15	16	17	18	20	20	20	20	21
1990	151	13	14	15	15	15	17	18	18	19	21	22	23	23	24	24	25	26	27	27	28
1991	152	8	10	14	18	18	19	19	19	19	21	21	21	22	22	22	22	23	23	23	23
1992	151	8	11	13	13	15	17	17	19	20	20	22	22	23	23	23	24	24	24	24	25
1993	151	-12	-4	-1	1	1	5	11	12	13	13	13	14	14	15	16	16	16	16	16	17
1994	151	4	6	6	9	12	12	13	13	18	19	20	20	21	21	22	22	22	22	23	23
1995	152	1	5	8	10	10	11	11	12	13	13	14	15	15	15	15	16	16	16	16	18
1996	151	3	4	9	10	10	12	13	15	19	19	20	20	21	21	22	22	25	25	25	25

Gumbel Analysis — Table 1 — January 6, 2016

Weather Station 14-PITTSBURGH, PA. Using Temperature Variable MID_MID_AVG_TMP
20 Coldest Daily Temperatures Per Period, Ranked
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

Period Begins	N days	Rank 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1997	151	18	19	20	22	23	24	24	25	26	27	27	27	28	28	28	28	28	28	29	29
1998	151	4	11	12	14	15	15	16	17	17	17	18	18	19	19	19	20	21	21	21	22
1999	152	9	10	12	13	15	16	17	18	18	18	19	20	20	21	21	22	24	24	24	24
2000	151	10	11	12	12	15	15	16	17	18	18	18	18	19	19	19	20	20	20	20	21
2001	151	15	15	17	17	19	20	21	21	21	21	22	22	22	23	24	25	25	26	26	26
2002	151	7	8	9	11	12	14	14	15	16	16	16	16	17	18	18	18	18	18	18	18
2003	152	7	8	9	10	10	11	14	14	15	15	16	17	17	18	18	18	19	19	20	22
2004	151	7	8	9	10	11	12	14	15	15	17	18	18	18	19	19	20	21	21	21	22
2005	151	12	16	16	16	17	18	19	20	20	20	21	21	23	23	23	23	23	23	24	24
2006	151	2	4	7	9	10	11	12	13	13	14	16	16	16	17	17	18	18	19	19	20
2007	152	10	10	15	15	16	16	17	17	18	19	20	21	21	21	21	23	23	23	23	23
2008	151	0	8	8	9	10	13	13	14	14	15	15	16	16	16	17	19	20	20	21	21
2009	151	10	12	12	13	15	15	15	16	17	17	19	19	19	20	20	21	22	22	22	22
2010	151	11	13	14	14	14	16	16	17	17	17	18	18	18	20	20	20	20	21	21	21
2011	152	15	17	19	20	20	20	21	22	23	24	26	26	26	27	27	27	28	28	29	29
2012	151	8	10	15	15	15	16	18	19	20	20	20	21	21	21	22	22	24	25	26	26
2013	151	-2	1	5	7	9	10	11	12	13	14	15	15	15	15	15	15	15	16	16	18
2014	151	0	2	2	3	6	8	9	9	10	12	12	12	12	14	14	15	16	16	16	16

Gumbel Analysis | Table 2 | January 6, 2016

Weather Station 14-PITTSBURGH, PA. Using Temperature Variable MID_MID_AVG_TMP
Temperature with the Indicated Probability of Occurrence for each period, per the Gumbel Distribution
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

	Gumbel Curve parameters and probabilities							
Rank	Alpha	Gamma	1/1.25	1/2.0	1/5.0	1/10.0	1/15.0	1/20.0
1	8.45297	0.1715663	11.3	6.3	-0.4	-4.7	-7.2	-8.9
2	10.03743	0.1386572	13.0	8.8	3.5	0.5	-1.3	-2.4
3	11.59005	0.1201562	14.6	10.6	5.9	3.3	1.7	0.8
4	12.61578	0.1049150	15.7	11.8	7.2	4.7	3.3	2.4
5	13.61852	0.0971075	16.7	12.9	8.6	6.2	4.9	4.0
6	14.36702	0.0901028	17.5	13.7	9.5	7.2	6.0	5.1
7	15.18028	0.0880427	18.2	14.6	10.7	8.5	7.3	6.6
8	15.85034	0.0811926	18.9	15.3	11.3	9.2	8.0	7.3
9	16.57554	0.0772143	19.7	16.1	12.2	10.0	8.9	8.1
10	17.12359	0.0737218	20.2	16.7	12.8	10.7	9.5	8.8

Normal Analysis | Table 3 | January 6, 2016

Weather Station 14-PITTSBURGH, PA. Using Temperature Variable MID_MID_AVG_TMP
Temperature with the Indicated Probability of Occurrence for each period, per the Normal Distribution
Overall Range Beginning Years: 1925 to 2014; Period Range: 11-01 to 03-31

	Normal Curve parameters and probabilities							
Rank	Mean	Std Dev	1/5.0	1/7.0	1/10.0	1/13.0	1/15.0	1/20.0
1	5.4	6.7	-0.2	-1.7	-3.2	-4.1	-4.6	-5.6
2	8.1	5.5	3.5	2.2	1.0	0.2	-0.2	-1.0
3	10.1	5.1	5.8	4.7	3.6	2.8	2.4	1.7
4	11.4	4.9	7.2	6.1	5.1	4.4	4.0	3.3
5	12.6	4.8	8.5	7.4	6.3	5.6	5.3	4.6
6	13.4	4.7	9.5	8.4	7.4	6.7	6.4	5.7
7	14.4	4.4	10.6	9.6	8.7	8.1	7.7	7.1
8	15.1	4.5	11.3	10.3	9.3	8.7	8.3	7.7
9	15.8	4.4	12.1	11.1	10.2	9.5	9.2	8.5
10	16.4	4.4	12.7	11.7	10.8	10.1	9.8	9.2
11	17.1	4.4	13.4	12.4	11.4	10.8	10.5	9.8
12	17.6	4.3	14.0	13.0	12.1	11.4	11.1	10.5
13	18.1	4.3	14.5	13.5	12.6	12.0	11.6	11.0
14	18.8	4.2	15.3	14.3	13.4	12.8	12.5	11.9
15	19.2	4.2	15.7	14.8	13.9	13.3	13.0	12.4
16	19.7	4.1	16.2	15.3	14.5	13.9	13.6	13.0
17	20.3	4.0	16.9	16.0	15.1	14.6	14.3	13.7
18	20.6	4.0	17.3	16.4	15.5	15.0	14.7	14.1
19	21.0	4.0	17.6	16.7	15.9	15.3	15.0	14.4
20	21.4	3.9	18.1	17.2	16.4	15.8	15.5	15.0

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-018:

For each customer class contained in the cost of service study, please provide monthly throughput by class.

Response:

Please see the attached spreadsheet GAS-COS-018 Attachment A for the forecasted quantities by rate schedule by customer class by month. In addition, please see Exhibit No. 103, Schedule No. 4, Pages 7 through 9, for the monthly quantities pertaining to new customers and customer attrition. Together, the monthly quantities sum to the total fully projected future test year volumes shown in Exhibit No. 103, Page 15, Line 29, for the cost of service.

Columbia Gas of Pennsylvania, Inc.
Forecasted Volumes By Rate Schedule by Customer Class by Month
For the 12 Months Ending December 31, 2023

		January DTH	February DTH	March DTH	April DTH	May DTH	June DTH	July DTH	August DTH	September DTH	October DTH	November DTH	December DTH	Total
CAP	RES	510,610.7	526,821.2	454,245.7	297,368.0	152,133.3	71,677.2	37,996.1	33,223.7	33,045.6	64,416.1	195,304.4	389,176.4	2,766,018.4
LDS	COM	276,600.0	272,700.0	244,300.0	209,600.0	167,900.0	139,100.0	131,000.0	135,100.0	137,800.0	156,500.0	215,000.0	259,400.0	2,345,000.0
LDS	IND	730,522.0	779,381.8	793,759.0	773,385.9	747,564.7	694,785.7	673,197.8	701,362.7	712,805.8	753,365.2	806,600.4	773,869.2	8,940,600.2
LDS FLEX	COM	269,000.0	268,000.0	225,000.0	175,000.0	135,000.0	103,000.0	107,000.0	107,000.0	107,000.0	139,000.0	180,000.0	242,000.0	2,057,000.0
LDS FLEX	IND	668,890.2	662,289.8	652,877.7	617,748.3	550,319.7	501,765.7	470,988.6	459,381.4	510,087.8	581,181.0	644,021.1	640,781.7	6,960,333.0
LGSS	COM	147,741.6	160,663.7	122,557.4	98,595.9	54,672.5	33,908.5	29,579.9	28,596.2	31,318.7	37,197.4	69,984.1	121,828.5	936,644.4
LGSS	IND	14,041.6	13,803.7	11,429.0	9,860.0	8,465.7	7,563.9	7,465.6	8,825.7	8,193.5	9,249.3	11,450.2	15,735.2	126,083.4
MLDS I	COM	14,400.0	14,100.0	12,400.0	9,300.0	8,000.0	6,600.0	5,500.0	4,300.0	6,600.0	6,700.0	11,000.0	14,100.0	113,000.0
MLDS I	IND	39,500.0	39,200.0	38,800.0	38,800.0	43,400.0	43,500.0	43,500.0	43,600.0	43,600.0	43,900.0	39,300.0	38,900.0	496,000.0
MLDS I FLEX	IND	200,000.0	224,000.0	200,000.0	210,000.0	190,000.0	185,000.0	171,000.0	176,000.0	166,000.0	161,000.0	176,000.0	195,000.0	2,254,000.0
MLDS II	IND	218,010.3	205,401.9	210,250.3	211,559.1	201,727.6	192,943.8	189,458.1	191,443.5	214,935.1	231,611.6	238,558.0	207,214.3	2,513,113.6
MLDS II FLEX	IND	59,800.0	68,400.0	59,600.0	57,100.0	50,400.0	51,300.0	36,200.0	51,300.0	45,000.0	51,800.0	58,700.0	64,400.0	654,000.0
NSS	COM	10,100.0	10,000.0	8,800.0	8,200.0	4,600.0	2,900.0	2,300.0	2,300.0	2,300.0	3,800.0	7,500.0	9,200.0	72,000.0
RDS	RES	773,774.7	777,326.0	662,865.8	463,186.2	182,594.1	95,198.8	57,762.4	55,391.1	53,744.0	100,661.0	275,966.3	567,564.0	4,066,034.4
RSS	RES	5,351,842.6	5,504,939.9	4,591,664.4	2,838,663.1	1,421,149.3	726,408.1	430,139.3	405,949.4	405,949.5	640,993.0	1,845,068.3	3,995,641.0	28,158,407.9
SCD	COM	576,547.1	573,326.5	484,715.3	288,588.0	154,761.9	91,338.0	63,674.9	61,138.6	63,371.4	81,661.5	183,358.3	408,366.6	3,030,848.1
SDS	COM	619,412.2	651,229.1	520,484.9	424,776.5	252,519.6	182,218.5	145,958.4	147,066.8	165,360.1	209,056.4	361,778.8	515,270.1	4,195,131.4
SDS	IND	187,537.2	218,005.0	185,028.0	164,553.2	146,576.1	121,019.1	114,878.0	114,209.5	107,558.3	114,938.3	142,077.0	174,106.1	1,790,485.8
SDS FLEX	COM	4,700.0	4,500.0	4,000.0	3,700.0	3,000.0	2,800.0	2,600.0	2,500.0	2,900.0	3,050.0	3,750.0	4,500.0	42,000.0
SDS FLEX	IND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SGDS	COM	637,572.4	658,339.7	519,227.5	358,079.9	194,200.1	118,152.5	81,935.7	79,256.1	91,421.2	121,602.3	266,599.0	499,131.7	3,625,518.1
SGDS	IND	15,384.6	18,005.3	15,015.6	8,657.8	5,554.8	2,923.9	2,161.5	1,687.9	1,583.5	1,953.0	4,286.5	9,634.7	86,849.1
SGDS FLEX	COM	2,045.0	1,740.0	1,515.0	1,105.0	550.0	310.0	250.0	230.0	250.0	295.0	880.0	1,530.0	10,700.0
SGSS	COM	1,471,814.4	1,506,535.4	1,279,260.4	768,709.5	407,886.0	225,545.5	162,893.9	149,565.1	162,127.4	215,726.8	497,450.0	1,029,081.3	7,876,595.7
SGSS	IND	15,839.5	17,021.5	14,390.1	8,165.3	4,522.4	1,922.2	2,462.1	2,387.1	1,503.1	3,192.7	6,335.9	21,453.8	99,195.7
Total		12,815,686.1	13,175,730.5	11,312,186.1	8,044,701.7	5,087,497.8	3,601,881.4	2,969,902.3	2,961,814.8	3,074,455.0	3,732,850.6	6,240,968.3	10,197,884.6	83,215,559.2

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost Of Service

Question No. GAS-COS-019:

Please provide workpapers showing the development of each allocation factor reflected in the Company's cost of service study. Include a description of each allocation factor, all calculations performed to develop the allocators and all supporting documentation, studies or other information relied upon to determine the allocators.

Response:

Statement No. 6 with related Exhibits KLJ-1, KLJ-2, KLJ-3, and KLJ-4 contains descriptions, calculations, and rationale of the allocation factors and assignment to the various components of the Studies. Exhibit No. 111, Schedules 1, 2 & 3, contains a legend of the allocation factors.

Response to standard data request GAS-COS-008 includes Excel files of the Company's allocated cost of service studies.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-20:

Please provide all workpapers, calculations and supporting documentation for the functionalization and classification performed for the Company's cost of service study.

Response:

Columbia Gas of Pennsylvania ("Company") follows the Federal Energy Regulatory Commission ("FERC") chart of accounts for accounting purposes. The FERC chart of accounts establishes specific functional accounts for natural gas companies, i.e., Other Gas Supply Expenses, Underground Storage Expense, Distribution Expense, Customer Accounts Expense, Customer Service & Information Expense, Sales Expense and Administrative and General Expenses. The Company's Cost of Service studies as provided in Exhibit No. 111 were prepared based on the Company's accounting records which functionalized and classified its costs consistent with the FERC chart of accounts. No specific work papers were prepared to functionalize and classify the Company's costs beyond the Company's accounting records.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Cost of Service

Question No. GAS-COS-021:

If not provided elsewhere, please provide a detailed proof of revenues at both present and proposed rates.

Response:

Please see Exhibit No. 103, Pages 8 through 9.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-001:

Please supply copies of the following documents for the Company and, if applicable, its parent:

a. Most recent Annual Report to shareholders (including any statistical supplements);
b. Most recent SEC Form 10K;
c. All SEC Form 10Q reports issued within last year.

Response:

a. See Attachment A to Exhibit No. 403 for a copy of the December 31, 2020 NiSource Inc. Annual Message to Stockholders.

b. See Attachment B to Exhibit No. 403 for a copy of the December 31, 2020 10K.

c. See GAS-ROR-001, Attachments A through C for the NiSource Inc. June 30, 2021 SEC Form 10Q (Attachment A), March 31, 2021 SEC Form 10Q (Attachment B) and September 30, 2020 SEC Form 10Q (Attachment C).

   See Exhibit No. 402 for a copy of the September 30, 2021 NiSource Inc. 10Q.

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

FORM 10-Q

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

For the quarterly period ended June 30, 2021

or

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

For the transition period from _____ to _____

Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

DE	35-2108964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 East 86th Avenue Merrillville, IN	46410
(Address of principal executive offices)	(Zip Code)

(877) 647-5990
(Registrant's telephone number, including area code)

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

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

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

Yes ☑ No ☐

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

Yes ☑ No ☐

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $0.01 Par Value: 392,410,381 shares outstanding at July 26, 2021.

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

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DEFINED TERMS

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

NiSource Subsidiaries and Affiliates

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

Abbreviations and Other

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

DEFINED TERMS

Massachusetts Business	All of the assets sold to, and liabilities assumed by, Eversource pursuant to the Asset Purchase Agreement
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator
MMDth	Million dekatherms
MW	Megawatts
MWh	Megawatt hours
NTSB	National Transportation Safety Board
NYMEX	New York Mercantile Exchange
OPEB	Other Postretirement Benefits
PHMSA	Pipeline and Hazardous Materials Safety Administration
PPA	Power Purchase Agreement
PSC	Public Service Commission
PUC	Public Utilities Commission
RCRA	Resource Conservation and Recovery Act
RFP	Request for proposals
SAVE	Steps to Advance Virginia's Energy Plan
SEC	Securities and Exchange Commission
SMRP	Safety Modification and Replacement Program
SMS	Safety Management System
STRIDE	Strategic Infrastructure Development Enhancement
TCJA	An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (commonly known as the Tax Cuts and Jobs Act of 2017)
TDSIC	Transmission, Distribution and Storage System Improvement Charge
VIE	Variable Interest Entity

Note regarding forward-looking statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. Expressions of future goals and expectations and similar expressions, including "may," "will," "should," "could," "would," "aims," "seeks," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," "forecast," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Quarterly Report on Form 10-Q include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of the Massachusetts Business; the impacts of natural disasters, potential

terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; any adverse effects related to our equity units; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney's Office to settle the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; other matters in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021, many of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

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

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PART I

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per share amounts)	**2021**	2020	**2021**	2020
Operating Revenues				
Customer revenues	**$ 952.4**	$ 932.7	**$ 2,458.9**	$ 2,458.6
Other revenues	**33.6**	30.0	**72.7**	109.6
Total Operating Revenues	**986.0**	962.7	**2,531.6**	2,568.2
Operating Expenses				
Cost of energy	**228.3**	188.4	**705.1**	650.8
Operation and maintenance	**362.8**	353.1	**724.3**	797.7
Depreciation and amortization	**186.3**	177.5	**371.3**	361.8
Loss (gain) on sale of assets, net	**(0.1)**	83.8	**8.0**	363.9
Other taxes	**66.5**	68.2	**147.5**	154.1
Total Operating Expenses	**843.8**	871.0	**1,956.2**	2,328.3
Operating Income	**142.2**	91.7	**575.4**	239.9
Other Income (Deductions)				
Interest expense, net	**(84.5)**	(97.0)	**(169.1)**	(189.9)
Other, net	**12.4**	6.5	**22.9**	11.9
Total Other Deductions, Net	**(72.1)**	(90.5)	**(146.2)**	(178.0)
Income before Income Taxes	**70.1**	1.2	**429.2**	61.9
Income Taxes	**13.2**	5.9	**75.8**	(9.0)
Net Income (Loss)	**56.9**	(4.7)	**353.4**	70.9
Net loss attributable to noncontrolling interest	**(3.4)**	—	**(2.4)**	—
Net Income (Loss) Attributable to NiSource	**60.3**	(4.7)	**355.8**	**70.9**
Preferred dividends	**(13.8)**	(13.8)	**(27.6)**	(27.6)
Net Income (Loss) Available to Common Shareholders	**46.5**	(18.5)	**328.2**	43.3
Earnings (Loss) Per Share				
Basic Earnings (Loss) Per Share	**$ 0.12**	$ (0.05)	**$ 0.84**	$ 0.11
Diluted Earnings (Loss) Per Share	**$ 0.11**	$ (0.05)	**$ 0.80**	$ 0.11
Basic Average Common Shares Outstanding	**393.0**	383.5	**392.8**	383.3
Diluted Average Common Shares	**422.9**	383.5	**408.5**	384.2

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, net of taxes)	**2021**	2020	**2021**	2020
Net Income (Loss)	**$ 56.9**	$ (4.7)	**$ 353.4**	$ 70.9
Other comprehensive income (loss):				
Net unrealized gain (loss) on available-for-sale debt securities[1]	**0.9**	5.7	**(1.6)**	0.3
Net unrealized gain (loss) on cash flow hedges[2]	**(49.8)**	2.7	**34.8**	(130.6)
Unrecognized pension and OPEB benefit (costs)[3]	**0.8**	0.3	**(0.1)**	1.0
Total other comprehensive income (loss)	**(48.1)**	8.7	**33.1**	(129.3)
Comprehensive Income (Loss)	**$ 8.8**	$ 4.0	**$ 386.5**	$ (58.4)

[1]Net unrealized gain (loss) on available-for-sale debt securities, net of $0.3 million and $1.5 million tax expense in the second quarter of 2021 and 2020, respectively, and $0.4 million tax benefit and $0.1 million tax expense for the six months ended 2021 and 2020, respectively.
[2]Net unrealized gain (loss) on cash flow hedges, net of $16.5 million tax benefit and $0.9 million tax expense in the second quarter of 2021 and 2020, respectively , and $11.5 million tax expense and $43.2 million tax benefit for the six months ended 2021 and 2020, respectively.
[3]Unrecognized pension and OPEB benefit (costs), net of $0.2 million tax expense in the second quarter of 2021 and 2020, and $1.1 million tax expense and $0.1 million tax benefit for the six months ended 2021 and 2020, respectively.

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

NiSource Inc.
Condensed Consolidated Balance Sheets (unaudited)

(in millions)		**June 30, 2021**		December 31, 2020
ASSETS				
Property, Plant and Equipment				
Plant	**$**	**24,948.2**	$	24,179.9
Accumulated depreciation and amortization		**(7,793.1)**		(7,560.4)
Net Property, Plant and Equipment[(1)]		**17,155.1**		16,619.5
Investments and Other Assets				
Available-for-sale debt securities (amortized cost of $161.0 and $163.9, allowance for credit losses of $0.2 and $0.5, respectively)		**166.3**		170.9
Other investments		**85.2**		81.1
Total Investments and Other Assets		**251.5**		252.0
Current Assets				
Cash and cash equivalents		**77.5**		116.5
Restricted cash		**12.9**		9.1
Accounts receivable		**605.3**		843.6
Allowance for credit losses		**(41.6)**		(52.3)
Accounts receivable, net		**563.7**		791.3
Gas inventory		**148.8**		191.2
Materials and supplies, at average cost		**143.5**		141.5
Electric production fuel, at average cost		**38.6**		68.4
Exchange gas receivable		**31.7**		34.1
Regulatory assets		**180.1**		135.7
Prepayments and other		**187.4**		171.6
Total Current Assets[(1)]		**1,384.2**		1,659.4
Other Assets				
Regulatory assets		**1,777.1**		1,794.8
Goodwill		**1,485.9**		1,485.9
Deferred charges and other		**260.0**		228.9
Total Other Assets		**3,523.0**		3,509.6
Total Assets	**$**	**22,313.8**	$	22,040.5

[(1)]Includes $172.8 million and $175.6 million of net property, plant and equipment assets and $4.8 million and $1.7 million of current assets of a consolidated VIE as of June 30, 2021 and December 31, 2020 that may be used only to settle obligations of the consolidated VIE. Refer to Note 14 "Variable Interest Entities" for additional information.

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

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

(in millions, except share amounts)	**June 30, 2021**	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization		
Stockholders' Equity		
Common stock - $0.01 par value, 600,000,000 shares authorized; 392,328,441 and 391,760,051 shares outstanding, respectively	**$ 3.9**	$ 3.9
Preferred stock - $0.01 par value, 20,000,000 shares authorized; 1,302,500 and 440,000 shares outstanding, respectively	**1,718.8**	880.0
Treasury stock	**(99.9)**	(99.9)
Additional paid-in capital	**6,728.0**	6,890.1
Retained deficit	**(1,704.1)**	(1,765.2)
Accumulated other comprehensive loss	**(123.6)**	(156.7)
Total NiSource Stockholders' Equity	**6,523.1**	5,752.2
Noncontrolling interest in consolidated subsidiaries	**90.4**	85.6
Total Stockholders' Equity	**6,613.5**	5,837.8
Long-term debt, excluding amounts due within one year	**9,201.6**	9,219.8
Total Capitalization	**15,815.1**	15,057.6
Current Liabilities		
Current portion of long-term debt	**45.3**	23.3
Short-term borrowings	**—**	503.0
Accounts payable	**480.4**	589.0
Dividends payable - common stock	**86.3**	—
Dividends payable - preferred stock	**8.1**	—
Customer deposits and credits	**148.1**	243.3
Taxes accrued	**232.0**	244.1
Interest accrued	**105.2**	104.7
Exchange gas payable	**34.9**	48.5
Regulatory liabilities	**154.0**	161.3
Accrued compensation and employee benefits	**149.8**	141.8
Other accruals	**262.8**	220.4
Total Current Liabilities	**1,706.9**	2,279.4
Other Liabilities		
Deferred income taxes	**1,587.5**	1,470.6
Accrued liability for postretirement and postemployment benefits	**323.3**	336.1
Regulatory liabilities	**1,877.2**	1,904.2
Asset retirement obligations	**437.0**	477.1
Other noncurrent liabilities	**566.8**	515.5
Total Other Liabilities	**4,791.8**	4,703.5
Commitments and Contingencies (Refer to Note 16, "Other Commitments and Contingencies")		
Total Capitalization and Liabilities	**$ 22,313.8**	$ 22,040.5

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

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

Six Months Ended June 30, *(in millions)*		**2021**		2020
Operating Activities				
Net Income	**$**	**353.4**	$	70.9
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:				
Depreciation and amortization		**371.3**		361.8
Deferred income taxes and investment tax credits		**70.8**		(11.4)
Loss on sale of assets		**8.0**		364.6
Other adjustments		**8.9**		7.7
Changes in Assets and Liabilities:				
Components of working capital		**(106.2)**		(75.9)
Regulatory assets/liabilities		**21.5**		17.0
Deferred charges and other noncurrent assets		**(2.5)**		(17.4)
Other noncurrent liabilities		**(22.2)**		(9.6)
Net Cash Flows from Operating Activities		**703.0**		707.7
Investing Activities				
Capital expenditures		**(798.1)**		(819.3)
Cost of removal		**(59.1)**		(66.7)
Payment to renewable generation asset developer		**(7.4)**		—
Other investing activities		**2.2**		(0.6)
Net Cash Flows used for Investing Activities		**(862.4)**		(886.6)
Financing Activities				
Proceeds from issuance of long-term debt		**—**		1,000.0
Repayments of long-term debt and finance lease obligations		**(12.2)**		(7.8)
Issuance of short-term debt (maturity > 90 days)		**—**		1,350.0
Repayment of short-term debt (maturity > 90 days)		**—**		(1,350.0)
Change in short-term borrowings, net (maturity ≤ 90 days)		**(503.0)**		(609.7)
Issuance of common stock, net of issuance costs		**6.0**		7.5
Equity costs, premiums and other debt related costs		**(5.9)**		(17.6)
Issuance of equity units, net of issuance costs		**839.9**		—
Dividends paid - common stock		**(172.5)**		(160.7)
Dividends paid - preferred stock		**(27.6)**		(27.6)
Other financing activities		**(0.5)**		—
Net Cash Flows from Financing Activities		**124.2**		184.1
Change in cash, cash equivalents and restricted cash		**(35.2)**		5.2
Cash, cash equivalents and restricted cash at beginning of period		**125.6**		148.4
Cash, Cash Equivalents and Restricted Cash at End of Period	**$**	**90.4**	$	153.6

Supplemental Disclosures of Cash Flow Information

Six Months Ended June 30, *(in millions)*		**2021**		2020
Non-cash transactions:				
Capital expenditures included in current liabilities	**$**	**193.0**	$	167.7
Dividends declared but not paid		**94.4**		88.5
Purchase contract liability, net of fees and payments[(1)]		**161.5**		—
Assets recorded for asset retirement obligations		**—**		70.3
Obligation to developer at formation of joint venture	**$**	**6.0**	$	—

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

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

NiSource Inc.
Condensed Statements of Consolidated Equity (unaudited)

(in millions)	Common Stock	Preferred Stock[1]	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of April 1, 2021	**$ 3.9**	**$ 880.0**	**$ (99.9)**	**$ 6,892.9**	**$ (1,669.8)**	**$ (75.5)**	**$ 94.1**	**$ 6,025.7**
Comprehensive Income:								
Net income (loss)	—	—	—	—	60.3	—	(3.4)	56.9
Other comprehensive loss, net of tax	—	—	—	—	—	(48.1)	—	(48.1)
Dividends:								
Common stock ($0.22 per share)	—	—	—	—	(86.4)	—	—	(86.4)
Preferred stock (See Note 5)	—	—	—	—	(8.2)	—	—	(8.2)
Distribution to noncontrolling interest	—	—	—	—	—	—	(0.3)	(0.3)
Stock issuances:								
Equity Units	—	838.8	—	(173.3)	—	—	—	665.5
Employee stock purchase plan	—	—	—	1.2	—	—	—	1.2
Long-term incentive plan	—	—	—	4.8	—	—	—	4.8
401(k) and profit sharing	—	—	—	2.4	—	—	—	2.4
Balance as of June 30, 2021	**$ 3.9**	**$ 1,718.8**	**$ (99.9)**	**$ 6,728.0**	**$ (1,704.1)**	**$ (123.6)**	**$ 90.4**	**$ 6,613.5**

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

(in millions)	Common Stock	Preferred Stock[1]	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of January 1, 2021	**$ 3.9**	**$ 880.0**	**$ (99.9)**	**$ 6,890.1**	**$ (1,765.2)**	**$ (156.7)**	**$ 85.6**	**$ 5,837.8**
Comprehensive Income:								
Net income (loss)	—	—	—	—	355.8	—	(2.4)	353.4
Other comprehensive income, net of tax	—	—	—	—	—	33.1	—	33.1
Dividends:								
Common stock ($0.66 per share)	—	—	—	—	(259.0)	—	—	(259.0)
Preferred stock (See Note 5)	—	—	—	—	(35.7)	—	—	(35.7)
Contribution from noncontrolling interest, net of distributions	—	—	—	—	—	—	7.2	7.2
Stock issuances:								
Equity Units	—	838.8	—	(173.3)	—	—	—	665.5
Employee stock purchase plan	—	—	—	2.5	—	—	—	2.5
Long-term incentive plan	—	—	—	4.3	—	—	—	4.3
401(k) and profit sharing	—	—	—	4.7	—	—	—	4.7
ATM program	—	—	—	(0.3)	—	—	—	(0.3)
Balance as of June 30, 2021	**$ 3.9**	**$ 1,718.8**	**$ (99.9)**	**$ 6,728.0**	**$ (1,704.1)**	**$ (123.6)**	**$ 90.4**	**$ 6,613.5**

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

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

(in millions)	Common Stock	Preferred Stock[1]	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of April 1, 2020	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,671.5**	**$ (1,483.4)**	**$ (230.6)**	**$ —**	**$ 5,741.4**
Comprehensive Income:								
Net loss	—	—	—	—	(4.7)	—	—	(4.7)
Other comprehensive income, net of tax	—	—	—	—	—	8.7	—	8.7
Dividends:								
Common stock ($0.21 per share)	—	—	—	—	(80.4)	—	—	(80.4)
Preferred stock (See Note 5)	—	—	—	—	(8.2)	—	—	(8.2)
Stock issuances:								
Employee stock purchase plan	—	—	—	1.4	—	—	—	1.4
Long-term incentive plan	—	—	—	0.4	—	—	—	0.4
401(k) and profit sharing	—	—	—	3.2	—	—	—	3.2
Balance as of June 30, 2020	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,676.5**	**$ (1,576.7)**	**$ (221.9)**	**$ —**	**$ 5,661.8**

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

(in millions)	Common Stock	Preferred Stock[1]	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of January 1, 2020	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,666.2**	**$ (1,370.8)**	**$ (92.6)**	**$ —**	**$ 5,986.7**
Comprehensive Income:								
Net income	—	—	—	—	70.9	—	—	70.9
Other comprehensive loss, net of tax	—	—	—	—	—	(129.3)	—	(129.3)
Dividends:								
Common stock ($0.63 per share)	—	—	—	—	(241.1)	—	—	(241.1)
Preferred stock (See Note 5)	—	—	—	—	(35.7)	—	—	(35.7)
Stock issuances:								
Employee stock purchase plan	—	—	—	2.7	—	—	—	2.7
Long-term incentive plan	—	—	—	(0.1)	—	—	—	(0.1)
401(k) and profit sharing	—	—	—	7.7	—	—	—	7.7
Balance as of June 30, 2020	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,676.5**	**$ (1,576.7)**	**$ (221.9)**	**$ —**	**$ 5,661.8**

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

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

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

	Preferred	Common		
Shares *(in thousands)*	**Shares**	**Shares**	**Treasury**	**Outstanding**
Balance as of April 1, 2021	**440**	**396,093**	**(3,963)**	**392,130**
Issued:				
Equity Units	863	—	—	—
Employee stock purchase plan	—	52	—	52
Long-term incentive plan	—	51	—	51
401(k) and profit sharing	—	96	—	96
Balance as of June 30, 2021	**1,303**	**396,292**	**(3,963)**	**392,329**

	Preferred	Common		
Shares *(in thousands)*	**Shares**	**Shares**	**Treasury**	**Outstanding**
Balance as of January 1, 2021	**440**	**395,723**	**(3,963)**	**391,760**
Issued:				
Equity Units	863	—	—	—
Employee stock purchase plan	—	107	—	107
Long-term incentive plan	—	263	—	263
401(k) and profit sharing	—	199	—	199
Balance as of June 30, 2021	**1,303**	**396,292**	**(3,963)**	**392,329**

	Preferred	Common		
Shares *(in thousands)*	**Shares**	**Shares**	**Treasury**	**Outstanding**
Balance as of April 1, 2020	**440**	**386,657**	**(3,963)**	**382,694**
Issued:				
Employee stock purchase plan	—	60	—	60
Long-term incentive plan	—	32	—	32
401(k) and profit sharing	—	131	—	131
Balance as of June 30, 2020	**440**	**386,880**	**(3,963)**	**382,917**

	Preferred	Common		
Shares *(in thousands)*	**Shares**	**Shares**	**Treasury**	**Outstanding**
Balance as of January 1, 2020	**440**	**386,099**	**(3,963)**	**382,136**
Issued:				
Employee stock purchase plan	—	106	—	106
Long-term incentive plan	—	379	—	379
401(k) and profit sharing	—	296	—	296
Balance as of June 30, 2020	**440**	**386,880**	**(3,963)**	**382,917**

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Accounting Presentation

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

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

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

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

2. Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

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

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Statement*	This pronouncement provides temporary optional expedients and exceptions for applying GAAP principles to contract modifications and hedging relationships to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates.	Upon issuance on March 12, 2020, and will apply through December 31, 2022.	We continue to evaluate the temporary expedients and options available under this guidance, and the effects of this pronouncement on our Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited). We are currently identifying and evaluating contracts that may be impacted. As of June 30, 2021, we have not applied any expedients and options available under this ASU.
ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*			
ASU 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivative and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*	This pronouncement simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Specifically, the ASU "simplifies accounting for convertible instruments by removing major separation models required under current GAAP." In addition, the ASU "removes certain settlement conditions that are required for equity contracts to qualify for it" and "simplifies the diluted earnings per share (EPS) calculations in certain areas."	Annual period beginning after December 15, 2021, and interim periods within those fiscal years.	This accounting pronouncement will impact the denominator in the calculation of diluted EPS for our Series A Equity Units. Beginning Q1 2022, we will be required to assume share settlement of the remaining purchase contract liability balance when applying the if-converted method. Moreover, we will also be required to utilize the average share price for the period instead of the end of period price. We will adopt this ASU on its effective date.

Recently Adopted Accounting Pronouncements

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

3. Revenue Recognition

Revenue Disaggregation and Reconciliation. We disaggregate revenue from contracts with customers based upon reportable segment, as well as by customer class. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, and Indiana. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

The tables below reconcile revenue disaggregation by customer class to segment revenue, as well as to revenues reflected on the Condensed Statements of Consolidated Income (Loss) (unaudited) for the three and six months ended June 30, 2021 and June 30, 2020:

Three Months Ended June 30, 2021 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other[2]	Total
Customer Revenues[1]				
Residential	$ 378.6	$ 131.9	$ —	$ 510.5
Commercial	125.4	130.0	—	255.4
Industrial	44.0	119.0	—	163.0
Off-system	17.0	—	—	17.0
Miscellaneous	4.9	1.4	0.2	6.5
Total Customer Revenues	$ 569.9	$ 382.3	$ 0.2	$ 952.4
Other Revenues	4.4	21.2	8.0	33.6
Total Operating Revenues	$ 574.3	$ 403.5	$ 8.2	$ 986.0

[1]Customer revenue amounts exclude intersegment revenues. See Note 19, "Business Segment Information," for discussion of intersegment revenues.
[2]Other revenues related to the Transition Services Agreement entered into in connection with the sale of the Massachusetts Business.

Three Months Ended June 30, 2020 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues[1]				
Residential	$ 414.7	$ 127.5	$ —	$ 542.2
Commercial	122.7	112.9	—	235.6
Industrial	48.6	89.3	—	137.9
Off-system	8.0	—	—	8.0
Miscellaneous	5.3	3.5	0.2	9.0
Total Customer Revenues	$ 599.3	$ 333.2	$ 0.2	$ 932.7
Other Revenues	7.0	23.0	—	30.0
Total Operating Revenues	$ 606.3	$ 356.2	$ 0.2	$ 962.7

[1]Customer revenue amounts exclude intersegment revenues. See Note 19, "Business Segment Information," for discussion of intersegment revenues.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Six Months Ended June 30, 2021 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other[2]	Total
Customer Revenues[1]				
Residential	$ 1,152.1	$ 261.1	$ —	$ 1,413.2
Commercial	396.9	252.8	—	649.7
Industrial	101.9	241.9	—	343.8
Off-system	31.4	—	—	31.4
Miscellaneous	14.7	5.7	0.4	20.8
Total Customer Revenues	$ 1,697.0	$ 761.5	$ 0.4	$ 2,458.9
Other Revenues	13.1	44.5	15.1	72.7
Total Operating Revenues	$ 1,710.1	$ 806.0	$ 15.5	$ 2,531.6

[1]Customer revenue amounts exclude intersegment revenues. See Note 19, "Business Segment Information," for discussion of intersegment revenues.
[2]Other revenues related to the Transition Services Agreement entered into in connection with the sale of the Massachusetts Business.

Six Months Ended June 30, 2020 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues[1]				
Residential	$ 1,211.2	$ 246.7	$ —	$ 1,457.9
Commercial	392.1	233.1	—	625.2
Industrial	122.8	198.4	—	321.2
Off-system	26.7	—	—	26.7
Miscellaneous	17.8	9.4	0.4	27.6
Total Customer Revenues	$ 1,770.6	$ 687.6	$ 0.4	$ 2,458.6
Other Revenues	63.7	45.9	—	109.6
Total Operating Revenues	$ 1,834.3	$ 733.5	$ 0.4	$ 2,568.2

[1]Customer revenue amounts exclude intersegment revenues. See Note 19, "Business Segment Information," for discussion of intersegment revenues.

Customer Accounts Receivable. Accounts receivable on our Condensed Consolidated Balance Sheets (unaudited) includes both billed and unbilled amounts, as well as certain amounts that are not related to customer revenues. Unbilled amounts of accounts receivable relate to a portion of a customer's consumption of gas or electricity from the date of the last cycle billing through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage, customer rates and weather. A significant portion of our operations are subject to seasonal fluctuations in sales. During the heating season, primarily from November through March, revenues and receivables from gas sales are more significant than in other months. The opening and closing balances of customer receivables for the six months ended June 30, 2021 are presented in the table below. We had no significant contract assets or liabilities during the period. Additionally, we have not incurred any significant costs to obtain or fulfill contracts.

(in millions)	Customer Accounts Receivable, Billed (less reserve)	Customer Accounts Receivable, Unbilled (less reserve)
Balance as of December 31, 2020	$ 400.0	$ 327.2
Balance as of June 30, 2021	323.7	203.6

Utility revenues are billed to customers monthly on a cycle basis. We expect that substantially all customer accounts receivable will be collected following customer billing, as this revenue consists primarily of periodic, tariff-based billings for service and usage. We maintain common utility credit risk mitigation practices, including requiring deposits and actively pursuing collection of past due amounts. Our regulated operations also utilize certain regulatory mechanisms that facilitate recovery of bad debt costs within tariff-based rates, which provides further evidence of collectibility. It is probable that substantially all of the consideration to which we are entitled from customers will be collected upon satisfaction of performance obligations.

Allowance for Credit Losses. To evaluate for expected credit losses, customer account receivables are pooled based on similar risk characteristics, such as customer type, geography, payment terms, and related macro-economic risks. Expected credit losses are established using a model that considers historical collections experience, current information, and reasonable and supportable forecasts. Relevant and reliable internal and external inputs used in the model include, but are not limited to, energy consumption trends, revenue projections, actual charge-offs data, recoveries data, shut-offs, and final bill data. We continuously evaluate available reasonable and supportable information relevant to assessing collectability of current and future receivables. We evaluate creditworthiness of specific customers periodically or when required by changes in facts and circumstances. When we become aware of a specific commercial or industrial customer's inability to pay, an allowance for expected credit losses is recorded for the relevant amount. We also monitor other circumstances that could affect our overall expected credit losses; these include, but are not limited to, creditworthiness of overall population in service territories, adverse conditions impacting an industry sector, and current economic conditions.

At each reporting period, we record expected credit losses using an allowance for credit losses account. When deemed to be uncollectible, customer accounts are written-off. A rollforward of our allowance for credit losses as of June 30, 2021 and December 31, 2020 are presented in the table below:

(*in millions*)	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Balance as of January 1, 2021	$ 41.8	$ 9.7	$ 0.8	$ 52.3
Current period provisions	5.1	0.4	—	5.5
Write-offs charged against allowance	(18.3)	(4.9)	—	(23.2)
Recoveries of amounts previously written off	6.8	0.2	—	7.0
Balance as of June 30, 2021	$ 35.4	$ 5.4	$ 0.8	$ 41.6

(*in millions*)	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Balance as of January 1, 2020	9.1	3.1	0.8	13.0
Current period provisions	45.3	9.3	—	54.6
Write-offs charged against allowance	(26.7)	(3.0)	—	(29.7)
Recoveries of amounts previously written off	14.1	0.3	—	14.4
Balance as of December 31, 2020	41.8	9.7	0.8	52.3

In connection with the COVID-19 pandemic, certain state regulatory commissions instituted regulatory moratoriums that impacted our ability to pursue our standard credit risk mitigation practices. Following the issuance of these moratoriums, certain of our regulated operations have been authorized to recognize a regulatory asset for bad debt costs above levels currently in rates. We have reinstated our common credit mitigation practices where moratoriums have expired (see Note 8, "Regulatory Matters," for additional information on regulatory moratoriums and regulatory assets). As of June 30, 2021, we have also evaluated the adequacy of our allowance for credit losses in light of the shut-off moratoriums due to the COVID-19 pandemic that remain in effect for Columbia of Virginia and Columbia of Maryland. Our evaluation included an analysis of customer payment trends in 2020, economic conditions, receivables aging, considerations of past economic downturns and the associated allowance for credit losses and customer account write-offs. In addition, we considered benefits available under governmental COVID-19 relief programs, the impact of unemployment benefits initiatives, and flexible payment plans being offered to customers affected by or experiencing hardship as a result of the pandemic, which could help to mitigate the potential for increasing customer account delinquencies. Based upon this evaluation, we have concluded that the allowance for credit losses as of June 30, 2021 adequately reflected the collection risk and net realizable value for our receivables. We will continue to monitor changing circumstances and will adjust our allowance for credit losses accordingly.

4. Earnings Per Share

The calculations of basic and diluted earnings per share are based on the weighted average number of shares of common stock and potential common stock outstanding during the period. For the purposes of determining diluted earnings per share, the effects of the purchase contracts included within the Series A Equity Units were included in the calculation of potential common stock outstanding for the three and six months ended June 30, 2021 using the if-converted method under US GAAP. This method assumes conversion at the beginning of the reporting period, or at time of issuance, if later. For the purchase contracts, the number of shares of our common stock that would be issuable at the end of each reporting period will be reflected in the denominator of our diluted EPS calculation. If the stock price falls below the initial reference price of $24.51, the number of shares of our common stock used in calculating diluted EPS will be the maximum number of shares per the contract as described in Note 5, "Equity." Conversely, if the stock price is above the initial reference price of $24.51, a variable number of shares of our common stock will be used in calculating diluted EPS. A numerator adjustment was reflected in the calculation of diluted EPS for interest expense incurred in 2021, net of tax, related to the purchase contracts.

The Series C Mandatory Convertible Preferred Stock included within the Series A Equity Units represent contingently convertible securities as the conversion is contingent on a successful remarketing as described in Note 5, "Equity." Contingently convertible shares where conversion is not tied to a market price trigger are excluded from the calculation of diluted EPS until such time as the contingency has been resolved under the if-converted method. As of June 30, 2021, the contingency was not resolved and thus no shares were reflected in the denominator in the calculation of diluted EPS for the three and six months ended June 30, 2021.

Diluted EPS also includes the incremental effects of the various long-term incentive compensation plans and the ATM forward agreements under the treasury stock method when the impact would be dilutive. Refer to Note 5, "Equity," for more information on our ATM forward agreements.

For the three months ended June 30, 2020, we had a net loss on the Condensed Statements of Consolidated Income (Loss) (unaudited) during the period, and any potentially dilutive shares would have had an anti-dilutive impact on EPS. The following table presents the calculation of our basic and diluted EPS:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(in millions, except per share amounts)	**2021**	2020	**2021**	2020
Numerator:				
Net Income (Loss) Available to Common Shareholders - Basic	**46.5**	(18.5)	**328.2**	43.3
Dilutive effect of Series A Equity Units	**0.4**	—	**0.4**	—
Net Income (Loss) Available to Common Shareholders - Diluted	**46.9**	(18.5)	**328.6**	43.3
Denominator:				
Average common shares outstanding - Basic	**393.0**	383.5	**392.8**	383.3
Dilutive potential common shares:				
Series A Equity Units	**28.2**	—	**14.2**	—
Shares contingently issuable under employee stock plans	**0.8**	—	**0.7**	0.7
Shares restricted under employee stock plans	**0.3**	—	**0.3**	0.2
Forward Agreements	**0.6**	—	**0.5**	—
Average Common Shares - Diluted	**422.9**	383.5	**408.5**	384.2
Earnings per common share:				
Basic	**0.12**	(0.05)	**0.84**	0.11
Diluted	**0.11**	(0.05)	**0.80**	0.11

5. Equity

ATM Program and Forward Sale Agreements. On February 22, 2021, we entered into six separate equity distribution agreements pursuant to which we are able to sell up to an aggregate of $750.0 million of our common stock.

On February 23, 2021, under the ATM program, we executed a forward agreement, which allows us to issue a fixed number of shares at a price to be settled in the future. From February 24, 2021 to March 17, 2021, we borrowed 6,672,740 shares from third parties, which the dealer sold at a weighted average price of $22.48 per share. We may settle this agreement in shares, cash, or net shares by December 15, 2021. Had we settled all the shares under the forward agreement at June 30, 2021, we would have received approximately $146.7 million, based on a net price of $21.99 per share.

On June 1, 2021, under the ATM program, we executed a forward agreement, which allows us to issue a fixed number of shares at a price to be settled in the future. From June 1, 2021 to June 11, 2021, we borrowed 5,852,475 shares from third parties, which the dealer sold at a weighted average price of $25.63 per share. We may settle this agreement in shares, cash, or net shares by December 15, 2021. Had we settled all the shares under the forward agreement at June 30, 2021, we would have received approximately $148.4 million, based on a net price of $25.36 per share.

As of June 30, 2021, the ATM program (including the impacts of the forward sale agreements discussed above) had approximately $450.0 million of equity available for issuance. The program expires on December 31, 2023.

Preferred Stock. As of June 30, 2021, we had 20,000,000 shares of preferred stock authorized for issuance, of which 1,302,500 shares of preferred stock in the aggregate for all series were outstanding. The following table displays preferred dividends declared for the period by outstanding series of shares:

			Three Months Ended June 30,		Six Months Ended June 30,		June 30	December 31,
			2021	2020	2021	2020	2021	2020
(in millions except shares and per share amounts)	Liquidation Preference Per Share	Shares	Dividends Declared Per Share				Outstanding	
5.650% Series A	$ 1,000.00	400,000	—	—	28.25	28.25	$ 393.9	$ 393.9
6.500% Series B	$ 25,000.00	20,000	406.25	406.25	1,218.75	1,218.75	$ 486.1	$ 486.1
Series C[(1)]	$ 1,000.00	862,500	—	—	—	—	$ 838.8	$ —

[(1)]The Series C Mandatory Convertible Preferred Stock initially will not bear any dividends.

In addition, 20,000 shares of Series B–1 Preferred Stock, par value $0.01 per share, were outstanding as of June 30, 2021. Holders of Series B–1 Preferred Stock are not entitled to receive dividend payments and have no conversion rights. The Series B–1 Preferred Stock is paired with the Series B Preferred Stock and may not be transferred, redeemed or repurchased except in connection with the simultaneous transfer, redemption or repurchase of the underlying Series B Preferred Stock.

As of June 30, 2021 and 2020, Series A Preferred Stock had $1.0 million of cumulative preferred dividends in arrears, or $2.51 per share, and Series B Preferred Stock had $1.4 million of cumulative preferred dividends in arrears, or $72.23 per share.

Series A Equity Units. On April 19, 2021, we completed the sale of 8.625 million Series A Equity Units, initially consisting of Series A Corporate Units, each with a stated amount of $100. The offering generated net proceeds of $835.5 million, after underwriting and issuance expenses. Each Corporate Unit consists of a forward contract to purchase shares of our common stock in the future and a 1/10th, or 10%, undivided beneficial ownership interest in one share of Series C Mandatory Convertible Preferred Stock, par value $0.01 per share, with a liquidation preference of $1,000 per share.

The purchase contract obligates holders to purchase shares of our common stock on December 1, 2023, subject to early settlement in certain situations. The purchase price paid under the purchase contract is $100 and the number of shares to be purchased will be determined under a settlement rate formula based on the volume-weighted average share price of our common stock near the settlement date, subject to a maximum settlement rate. The Series C Mandatory Convertible Preferred Stock will initially be pledged upon issuance as collateral to secure the purchase of common stock under the related purchase contracts.

We will pay quarterly contract adjustment payments at the rate of 7.75% per year on the stated amount of $100 per Equity Unit.

The contract adjustment payments are payable in cash, shares of our common stock or a combination thereof, at our election. We have the right to defer the payment of contract adjustment payments until no later than the purchase contract settlement date. If we exercise our option to defer the payment of contract adjustment payments, then until the deferred contract adjustment payments have been paid, we will not declare or pay any dividends on, or make any distributions on, or redeem, purchase or acquire, or make a liquidation payment with respect to, any shares of our capital stock; make any payment of principal of, or interest or premium, if any, on, or repay, repurchase or redeem any of our debt securities that rank on parity with, or junior to, the contract adjustment payments; or make any guarantee payments under any guarantee by us of securities of any of our subsidiaries if our guarantee ranks on parity with, or junior to, the contract adjustment payments.

The Series C Mandatory Convertible Preferred Stock initially will not bear any dividends and the liquidation preference of the mandatory convertible preferred stock will not accrete. The Series C Mandatory Convertible Preferred Stock is expected to be remarketed prior to December 1, 2023. Following a successful remarketing, dividends may become payable on the Series C Mandatory Convertible Preferred Stock and/or the minimum conversion rate of the Series C Mandatory Convertible Preferred Stock may be increased. Each share of Series C Mandatory Convertible Preferred Stock, unless previously converted, will automatically convert based on a conversion rate on the mandatory conversion date, which is expected to be on or about March 1, 2024. The conversion rate will be determined based on the volume-weighted average share price of our common stock near the conversion date, subject to a minimum and maximum conversion rate. If no successful remarketing of the Series C Mandatory Convertible Preferred Stock has previously occurred, effective as of December 1, 2023, the conversion rate will be zero, no shares of our common stock will be delivered upon automatic conversion and each share of Series C Mandatory Convertible Preferred Stock will be automatically transferred to us on the mandatory conversion date without any payment of cash or shares of our common stock thereon. In the event of such a remarketing failure, any shares of Series C Mandatory Convertible Preferred Stock held as part of Corporate Units will be automatically delivered to us on December 1, 2023 in full satisfaction of the relevant holder's obligation under the related purchase contracts.

We have recorded the present value of the purchase contract payments as a liability with a corresponding reduction to additional-paid-in-capital. The current portion of this liability is included in "Other accruals," and the noncurrent portion is included in "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets (unaudited). Purchase contract payments are recorded against this liability. Accretion of the stock purchase contract liability is recorded as interest expense. Refer to Note 4, "Earnings Per Share," for additional information regarding our application of diluted EPS to the purchase contracts and the Series C Mandatory Convertible Preferred Stock. Under the terms of the Series A Equity Units, assuming no anti-dilution or other adjustments, the maximum number of shares of common stock we will issue under the purchase contracts is 35.2 million and maximum number of shares of common stock we will issue under the Series C Mandatory Convertible Preferred Stock is 35.2 million.

Selected information about the Series A Equity Units is presented below:

(in millions except contract rate)	Issuance Date	Units Issued	Total Net Proceeds[1]	Purchase Contract Annual Rate	Purchase Contract Liability[2]
Series A Equity Units	April 19, 2021	8.625 $	835.5	7.75 %	$ 168.8

[1]Issuance costs of $27 million were recorded on a relative fair value basis as a reduction to preferred stock of $22.5 million and a reduction to the purchase contract liability of $4.5 million.
[2]A cash payment of $7.8 million was made during the three and six months ended June 30, 2021. The purchase contract liability was $161.5 million at June 30, 2021.

6. Gas in Storage

We use both the LIFO inventory methodology and the weighted-average cost methodology to value natural gas in storage. Gas Distribution Operations prices natural gas storage injections at the average of the costs of natural gas supply purchased during the year. For interim periods, the difference between current projected replacement cost and the LIFO cost for quantities of gas temporarily withdrawn from storage is recorded as a temporary LIFO liquidation credit or debit within the Condensed Consolidated Balance Sheets (unaudited). Due to seasonality requirements, we expect interim variances in LIFO layers to be replenished by year end. We had a temporary LIFO liquidation debit of $9.8 million and zero as of June 30, 2021 and December 31, 2020, respectively, for certain gas distribution companies recorded within “Prepayments and other” on the Condensed Consolidated Balance Sheets (unaudited).

7. Property, Plant and Equipment

In 2020, MISO approved NIPSCO's plan to retire the R.M. Schahfer Generating Station in 2023. The December 2019 NIPSCO electric rate case order included approval to create a regulatory asset upon the retirement of the R.M. Schahfer Generating Station. The order allows for the recovery of and on the net book value of the station by the end of 2032. On March 11, 2021, NIPSCO submitted separate Attachment Y Notices for Units 14 and 15 seeking a suspension date of October 1, 2021 for both coal fired units at R.M. Schahfer Generating Station. On May 28, 2021, NIPSCO received approval from MISO to suspend and retire these two units on October 1, 2021. The remaining two units are still scheduled to be retired in 2023.

In connection with MISO's approvals of NIPSCO's planned retirement of the R.M. Schahfer Generating Station, we recorded plant retirement-related charges during 2020 comprised of write downs of certain capital projects that have been cancelled and materials and supplies inventory balances deemed obsolete due to the planned retirement. In addition, during the second quarter of 2021, we recorded $8.6 million of plant retirement-related charges, primarily related to obsolete inventory write downs. These charges are presented within "Operation and maintenance" on the Condensed Statements of Consolidated Income (Loss). At retirement, the net book value of the retired units will be reclassified from "Net Property, Plant and Equipment," to current and long-term “Regulatory Assets.” The total net book value of R.M. Schahfer Generating Station's coal units and other associated plant estimated to be retired was $823.1 million at June 30, 2021.

On April 28, 2021, in response to a Motion filed by certain parties in NIPSCO's quarterly FAC proceeding, the IURC created a sub-docket proceeding in order to receive additional information related to the planned retirements of Units 14 and 15 by the end of 2021 and any resulting cost impacts to customers. NIPSCO does not anticipate that the sub-docket proceeding will impact the planned timing of October 1, 2021 for the unit retirements.

8. Regulatory Matters

COVID-19 Regulatory Filings

In response to COVID-19, we received approvals or directives from the regulatory commissions in the states in which we operate. The ongoing impacts of these approvals or directives are described in the table below:

Jurisdiction	Moratorium in Place?	Regulatory Asset balance as of June 30, 2021 *(in millions)*	Deferred COVID-19 Costs
Columbia of Ohio	No	$ 2.1	Incremental operation and maintenance expenses
NIPSCO	No	$ 6.2	Incremental bad debt expense and the costs to implement the requirements of the COVID-19 related order
Columbia of Pennsylvania	No	$ 7.1	Incremental bad debt expense incurred since March 13, 2020 above levels currently in rates
Columbia of Virginia	Yes	$ 1.2	Incremental incurred costs (including incremental bad debt expense), subject to an earnings test review
Columbia of Maryland	Yes	$ 0.9	Incremental costs (including incremental bad debt expense) incurred to ensure that customers have essential utility service during the state of emergency in Maryland. Such incremental costs must be offset by any benefit received in connection with the pandemic

The Pennsylvania PUC adopted an order on March 11, 2021, and subsequently reaffirmed their stance in a June 23, 2021 order, which lifted its prior pandemic-related moratorium on service terminations for non-payments of utility bills beginning April 1, 2021. Pursuant to that order, Pennsylvania utilities are required to offer payment plans on billing arrearages, with the length of such payment plans depending on customers' income levels. The longest such payment plan would be a maximum of five years for residential customers with incomes below 250% of the Federal Poverty Level.

For Columbia of Virginia, the currently effective legislative and regulatory directives related to the COVID-19 pandemic require utilities to offer payment plans between 6 and 24 months, and suspend service disconnections and late payment fees for customers. According to state law, these directives remain in place until the Governor determines that the economic and public health conditions have improved such that the prohibition does not need to be in place, or until at least 60 days after such declared state of emergency ends, whichever is sooner. The state of emergency ended June 30, 2021.

In conjunction with the order issued by the PSC of Maryland on June 15, 2021, all termination moratoriums will be lifted the later of November 1, 2021 or 30 days after the Maryland Relief Act funds have been applied to customer accounts. Columbia of Maryland received approximately $0.8 million of assistance to be applied to customer accounts and is currently in the process of applying these funds to customer accounts in accordance with the terms of the order. Normal collections procedures are expected to resume by November 1, 2021.

9. Risk Management Activities

We are exposed to certain risks relating to our ongoing business operations, namely commodity price risk and interest rate risk. We recognize that the prudent and selective use of derivatives may help to lower our cost of debt capital, manage our interest rate exposure and limit volatility in the price of natural gas.

Risk management assets and liabilities on our derivatives are presented on the Condensed Consolidated Balance Sheets (unaudited) as shown below:

(in millions)		**June 30, 2021**		December 31, 2020
Risk Management Assets - Current[1]				
Interest rate risk programs	**$**	**—**	$	—
Commodity price risk programs		**7.4**		10.4
Total	**$**	**7.4**	$	10.4
Risk Management Assets - Noncurrent[2]				
Interest rate risk programs	**$**	**—**	$	—
Commodity price risk programs		**5.0**		2.8
Total	**$**	**5.0**	$	2.8
Risk Management Liabilities - Current[3]				
Interest rate risk programs	**$**	**50.6**	$	70.9
Commodity price risk programs		**0.8**		7.3
Total	**$**	**51.4**	$	78.2
Risk Management Liabilities - Noncurrent[4]				
Interest rate risk programs	**$**	**73.4**	$	99.5
Commodity price risk programs		**23.8**		45.1
Total	**$**	**97.2**	$	144.6

[1]Presented in "Prepayments and other" on the Condensed Consolidated Balance Sheets (unaudited).
[2]Presented in "Deferred charges and other" on the Condensed Consolidated Balance Sheets (unaudited).
[3]Presented in "Other accruals" on the Condensed Consolidated Balance Sheets (unaudited).
[4]Presented in "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets (unaudited).

Commodity Price Risk Management

We, along with our utility customers, are exposed to variability in cash flows associated with natural gas purchases and volatility in natural gas prices. We purchase natural gas for sale and delivery to our retail, commercial and industrial customers, and for most customers the variability in the market price of gas is passed through in their rates. Some of our utility subsidiaries offer programs to certain customers whereby variability in the market price of gas is assumed by the respective utility. The objective of our commodity price risk programs is to mitigate the gas cost variability, for us or on behalf of our customers, associated with natural gas purchases or sales by economically hedging the various gas cost components using a combination of futures, options, forwards or other derivative contracts.

NIPSCO received IURC approval to lock in a fixed price for its natural gas customers using long-term forward purchase instruments. The term of these instruments may range from five to 10 years and is limited to 20% of NIPSCO's average annual GCA purchase volume. Gains and losses on these derivative contracts are deferred as regulatory liabilities or assets and are remitted to or collected from customers through NIPSCO's quarterly GCA mechanism. These instruments are not designated as accounting hedges.

Interest Rate Risk Management

As of June 30, 2021, we have two forward-starting interest rate swaps with an aggregate notional value totaling $500.0 million to hedge the variability in cash flows attributable to changes in the benchmark interest rate during the periods from the effective dates of the swaps to the anticipated dates of forecasted debt issuances, which are expected to take place between 2022 and 2024. These interest rate swaps are designated as cash flow hedges. The gains and losses related to these swaps are recorded to AOCI and will be recognized in "Interest expense, net" concurrently with the recognition of interest expense on the associated debt, once issued. If it becomes probable that a hedged forecasted transaction will no longer occur, the accumulated gains or losses on the derivative will be recognized currently in "Other, net" in the Condensed Statements of Consolidated Income (Loss) (unaudited).

There were no amounts excluded from effectiveness testing for derivatives in cash flow hedging relationships at June 30, 2021 and December 31, 2020.

Our derivative instruments measured at fair value as of June 30, 2021 and December 31, 2020 do not contain any credit-risk-related contingent features.

10. Fair Value

A. Fair Value Measurements

Recurring Fair Value Measurements

The following tables present financial assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheets (unaudited) on a recurring basis and their level within the fair value hierarchy as of June 30, 2021 and December 31, 2020:

Recurring Fair Value Measurements June 30, 2021 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2021
Assets				
Risk management assets	$ —	$ 12.4	$ —	$ 12.4
Available-for-sale debt securities	—	166.3	—	166.3
Total	**$ —**	**$ 178.7**	**$ —**	**$ 178.7**
Liabilities				
Risk management liabilities	$ —	$ 148.6	$ —	$ 148.6
Total	**$ —**	**$ 148.6**	**$ —**	**$ 148.6**

Recurring Fair Value Measurements December 31, 2020 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2020
Assets				
Risk management assets	$ —	$ 13.2	$ —	$ 13.2
Available-for-sale debt securities	—	170.9	—	170.9
Total	**$ —**	**$ 184.1**	**$ —**	**$ 184.1**
Liabilities				
Risk management liabilities	$ —	$ 222.8	$ —	$ 222.8
Total	**$ —**	**$ 222.8**	**$ —**	**$ 222.8**

Risk Management Assets and Liabilities. Risk management assets and liabilities include interest rate swaps, exchange-traded NYMEX futures and NYMEX options and non-exchange-based forward purchase contracts.

Level 1- When utilized, exchange-traded derivative contracts are based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore,

nonperformance risk has not been incorporated into these valuations. These financial assets and liabilities are deemed to be cleared and settled daily by NYMEX as the related cash collateral is posted with the exchange. As a result of this exchange rule, NYMEX derivatives are considered to have no fair value at the balance sheet date for financial reporting purposes, and are presented in Level 1 net of posted cash; however, the derivatives remain outstanding and are subject to future commodity price fluctuations until they are settled in accordance with their contractual terms.

Level 2- Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. We use a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability and market-corroborated inputs, (i.e., inputs derived principally from or corroborated by observable market data by correlation or other means). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized within Level 2.

Level 3- Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized within Level 3.

Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures. As of June 30, 2021 and December 31, 2020, there were no material transfers between fair value hierarchies. Additionally, there were no changes in the method or significant assumptions used to estimate the fair value of our financial instruments.

Credit risk is considered in the fair value calculation of each of our forward-starting interest rate swaps, as described in Note 9, "Risk Management Activities." As they are based on observable data and valuations of similar instruments, the hedges are categorized within Level 2 of the fair value hierarchy. There was no exchange of premium at the initial date of the swaps, and we can settle the contracts at any time.

NIPSCO has entered into long-term forward natural gas purchase instruments to lock in a fixed price for its natural gas customers. We value these contracts using a pricing model that incorporates market-based information when available, as these instruments trade less frequently and are classified within Level 2 of the fair value hierarchy. For additional information, see Note 9, “Risk Management Activities.”

Available-for-Sale Debt Securities. Available-for-sale debt securities are investments pledged as collateral for trust accounts related to our wholly owned insurance company. We value U.S. Treasury, corporate debt and mortgage-backed securities using a matrix pricing model that incorporates market-based information. These securities trade less frequently and are classified within Level 2.

At each reporting date, we quantitatively and qualitatively assess available-for-sale debt securities for impairment. For securities in a loss position that we intend to hold, we perform an analysis to determine whether the unrealized loss is related to credit factors. The analysis focuses on a variety of factors that include, but are not limited to, downgrade on ratings of the security, defaults in the current reporting period or projected defaults in the future, the security's yield spread over treasuries, and other relevant market data. If the unrealized loss is not related to credit factors, it is included in other comprehensive income. If the unrealized loss is related to credit factors, the loss is recognized as credit loss expense in earnings during the period, with an offsetting entry to the allowance for credit losses. The amount of the credit loss recorded to the allowance account is limited by the amount at which the security's fair value is less than its amortized cost basis. If the credit losses in the allowance for credit losses are deemed uncollectible, the allowance on the uncollectible portion is charged off, with an offsetting entry to the carrying value of the security. Subsequent improvements to the estimated credit losses of available-for-sale debt securities are recognized immediately in earnings. As of June 30, 2021 and December 31, 2020, we recorded $0.2 million and $0.5 million, respectively, as an allowance for credit losses on available-for-sale debt securities as a result of the analysis described above. Continuous credit monitoring and portfolio credit balancing mitigates our risk of credit losses on our available-for-sale debt securities.

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of available-for-sale securities at June 30, 2021 and December 31, 2020 were:

June 30, 2021 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[1]	Allowance for Credit Losses	Fair Value
Available-for-sale debt securities					
U.S. Treasury debt securities	$ 37.4	$ 0.2	$ (0.1)	$ —	$ 37.5
Corporate/Other debt securities	123.6	5.8	(0.4)	(0.2)	128.8
Total	**$ 161.0**	**$ 6.0**	**$ (0.5)**	**$ (0.2)**	**$ 166.3**

December 31, 2020 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[2]	Allowance for Credit Losses	Fair Value
Available-for-sale debt securities					
U.S. Treasury debt securities	$ 33.7	$ 0.3	$ —	$ —	$ 34.0
Corporate/Other debt securities	130.2	7.7	(0.5)	(0.5)	136.9
Total	**$ 163.9**	**$ 8.0**	**$ (0.5)**	**$ (0.5)**	**$ 170.9**

[1]Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is $25.1 million and $23.5 million, respectively, at June 30, 2021.
[2]Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is $0 million and $13.2 million, respectively, at December 31, 2020.

Realized gains and losses on available-for-sale securities were immaterial for the three and six months ended June 30, 2021 and 2020.

The cost of maturities sold is based upon specific identification. At June 30, 2021, approximately $11.4 million of U.S. Treasury debt securities and approximately $3.4 million of Corporate/Other debt securities have maturities of less than a year.

There are no material items in the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020.

Non-recurring Fair Value Measurements

We measure the fair value of certain assets, including goodwill, on a non-recurring basis, typically annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

In March 2021, we reached an agreement with Eversource regarding the final purchase price, including net working capital adjustments to the October 9, 2020 purchase price of our Massachusetts Business. The working capital amounts were measured at fair value, less costs to sell.

B. Other Fair Value Disclosures for Financial Instruments. The carrying amount of cash and cash equivalents, restricted cash, customer deposits and short-term borrowings is a reasonable estimate of fair value due to their liquid or short-term nature.

The following method and assumptions were used to estimate the fair value of each class of financial instruments.

Purchase Contract Liability. At April 19, 2021, we recorded the purchase contract liability at fair value using a discounted cash flow method and observable, market-corroborated inputs. This value is a reasonable estimate of fair value at June 30, 2021, and has been categorized within Level 2 of the fair value hierarchy. Refer to Note 5, “Equity,” for additional information.

Long-term Debt. Our long-term borrowings are recorded at historical amounts. The fair value of outstanding long-term debt is estimated based on the quoted market prices for the same or similar securities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value. These fair value measurements are classified within Level 2 of the fair value hierarchy. As of June 30, 2021, there was no change in the method or significant assumptions used to estimate the fair value of long-term debt.

The carrying amount and estimated fair values of these financial instruments were as follows:

(in millions)	**Carrying Amount as of June 30, 2021**	**Estimated Fair Value as of June 30, 2021**	Carrying Amount as of Dec. 31, 2020	Estimated Fair Value as of Dec. 31, 2020
Long-term debt (including current portion)	**$ 9,246.9**	**$ 10,577.4**	$ 9,243.1	$ 11,034.2

11. Goodwill

The following presents our goodwill balance allocated by segment as of June 30, 2021:

(in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other	**Total**
Goodwill	$ 1,485.9	$ —	$ —	**$ 1,485.9**

For our annual goodwill impairment analysis performed as of May 1, 2021, we performed a qualitative "step 0" assessment and determined that it was more likely than not that the estimated fair value of the reporting unit substantially exceeded the related carrying value of our reporting unit. For this test, we assessed various assumptions, events and circumstances that would have affected the estimated fair value of the reporting units as compared to their baseline May 1, 2020 "step 1" fair value measurement. There have been no impairments to the carrying value of our goodwill during the periods presented.

12. Income Taxes

Our interim effective tax rates reflect the estimated annual effective tax rates for 2021 and 2020, adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended June 30, 2021 and 2020 were 18.8% and 491.7%, respectively. The effective tax rates for the six months ended June 30, 2021 and 2020 were 17.7% and (14.5)%, respectively. These effective tax rates differ from the federal statutory tax rate of 21% primarily due to increased amortization of excess deferred federal income tax liabilities, as specified in the TCJA, tax credits, state income taxes and other permanent book-to-tax differences. These adjustments have a relative impact on the effective tax rate proportionally to pretax income or loss.

The decrease in the three month effective tax rate of 472.9% in 2021 compared to 2020 is primarily attributable to a discrete item related to the pre-tax book loss recorded for the classification as held for sale of the Massachusetts Business tax effected at statutory tax rates in 2020.

The increase in the six month effective tax rate of 32.2% in 2021 compared to 2020 is primarily attributed to a discrete item related to the pre-tax book loss recorded for the classification as held for sale of the Massachusetts Business tax effected at statutory tax rates in 2020.

There were no material changes recorded in 2021 to our uncertain tax positions recorded as of December 31, 2020.

13. Pension and Other Postretirement Benefits

We provide defined contribution plans and noncontributory defined benefit retirement plans that cover certain of our employees. Benefits under the defined benefit retirement plans reflect the employees' compensation, years of service and age at retirement. Additionally, we provide health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits if they reach retirement age while working for us. The expected cost of such benefits is accrued during the employees' years of service. We determined that, for certain rate-regulated subsidiaries, the future recovery of postretirement benefit costs is probable, and we record regulatory assets and liabilities for amounts that would otherwise have been recorded to expense or accumulated other comprehensive loss. Current rates of rate-regulated companies include postretirement benefit costs, including amortization of the regulatory assets and liabilities that arose prior to inclusion of these costs in rates. For most plans, cash contributions are remitted to grantor trusts.

For the six months ended June 30, 2021, we contributed $2.0 million to our pension plans and $10.2 million to our other postretirement benefit plans.

The following table provides the components of the plans' actuarially determined net periodic benefit cost for the three and six months ended June 30, 2021 and 2020:

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended June 30, *(in millions)*	**2021**	2020	**2021**	2020
Components of Net Periodic Benefit (Income) Cost[1]				
Service cost	**$ 7.5**	$ 8.0	**$ 1.5**	$ 1.6
Interest cost	**7.9**	13.5	**2.5**	3.9
Expected return on assets	**(25.3)**	(28.4)	**(3.8)**	(3.6)
Amortization of prior service credit	**—**	0.2	**(0.6)**	(0.5)
Recognized actuarial loss	**5.5**	8.7	**1.2**	1.3
Settlement loss	**3.3**	—	**—**	—
Total Net Periodic Benefit (Income) Cost	**$ (1.1)**	$ 2.0	**$ 0.8**	$ 2.7

[1]The service cost component and all non-service cost components of net periodic benefit (income) cost are presented in "Operation and maintenance" and "Other, net," respectively, on the Condensed Statements of Consolidated Income (Loss) (unaudited).

	Pension Benefits		Other Postretirement Benefits	
Six Months Ended June 30, *(in millions)*	**2021**	2020	**2021**	2020
Components of Net Periodic Benefit (Income) Cost[1]				
Service cost	**$ 15.1**	$ 16.0	**$ 3.0**	$ 3.2
Interest cost	**15.6**	27.0	**5.0**	7.8
Expected return on assets	**(51.1)**	(56.8)	**(7.6)**	(7.2)
Amortization of prior service credit	**—**	0.4	**(1.2)**	(1.0)
Recognized actuarial loss	**10.8**	17.4	**2.4**	2.6
Settlement loss	**6.6**	—	**—**	—
Total Net Periodic Benefit (Income) Cost	**$ (3.0)**	$ 4.0	**$ 1.6**	$ 5.4

[1]The service cost component and all non-service cost components of net periodic benefit cost (income) are presented in "Operation and maintenance" and "Other, net," respectively, on the Condensed Statements of Consolidated Income (Loss) (unaudited).

During the first quarter of 2021, one of our qualified pension plans met the requirement for settlement accounting. A settlement charge of $3.3 million was recorded during the first quarter of 2021. As a result of the settlement, the pension plan was remeasured, resulting in a decrease to the net pension asset of $5.8 million, a net increase to regulatory assets of $2.1 million, and a net debit to accumulated other comprehensive loss of $0.4 million. Net periodic pension benefit cost for 2021 increased by $4.0 million as a result of the interim remeasurement.

During the second quarter of 2021, the requirements for settlement accounting were also met, resulting in a settlement charge of $3.3 million recorded for the three months ended June 30, 2021.

The following table provides the key assumptions that were used to calculate the pension benefit obligation and the net periodic benefit cost at the interim remeasurement date for the plan that triggered settlement accounting:

	February 28, 2021
Weighted-average Assumption to Determine Benefit Obligation	
Discount rate	2.57 %
Weighted-average Assumptions to Determine Net Periodic Benefit Costs for the period ended	
Discount rate - service cost	2.81 %
Discount rate - interest cost	1.57 %
Expected return on assets	4.80 %

14. Variable Interest Entities

A VIE is an entity in which the controlling interest is determined through means other than a majority voting interest. The primary beneficiary of a VIE is the business enterprise which has the power to direct the activities that most significantly impact the VIE's economic performance. Also, the primary beneficiary either absorbs a significant amount of the VIE's losses or has the right to receive benefits that could be significant to the VIE. We consider these qualitative elements in determining whether we are the primary beneficiary of a VIE, and we consolidate those VIEs for which we are determined to be the primary beneficiary.

Rosewater (a joint venture) owns and operates 102 MW of nameplate capacity wind generation assets. Members of the joint venture are NIPSCO (who is the managing member) and a tax equity partner. Earnings, tax attributes and cash flows are allocated to both NIPSCO and the tax equity partner in varying percentages by category and over the life of the partnership. Once the tax equity partner has earned their negotiated rate of return and we have reached the agreed upon contractual date, NIPSCO has the option to purchase at fair market value from the tax equity partner the remaining interest in the aforementioned joint venture. NIPSCO has an obligation to purchase, through a PPA at established market rates, 100% of the electricity generated by Rosewater.

As the managing member of Rosewater, we control decisions that are significant to its ongoing operations and economic results. Therefore, we have concluded that we are the primary beneficiary of Rosewater and have consolidated Rosewater even though we own less than 100% of the total equity membership interest.

We have applied the HLBV method of attributing income and loss to the noncontrolling interest held by the tax equity partner. HLBV accounting was applied as the allocation of Rosewater's economic results to members differs from the members' relative ownership percentages. Using the HLBV method, our earnings are calculated based on how the partnership would distribute its cash if it were to hypothetically sell all of its assets for their carrying amounts and liquidate at each reporting period. Under HLBV, we calculate the liquidation value allocable to each partner at the beginning and end of each period based on the contractual terms of the related entity's operating agreement and adjust our income for the period to reflect the change in our associated book value.

In March 2021, in exchange for additional respective membership interests in Rosewater, NIPSCO contributed $0.1 million in cash, and the tax equity partner contributed $7.5 million in cash, the second of two contractual cash contributions for each partner, per the equity capital contribution agreement. NIPSCO also assumed an additional obligation of $6.0 million to the developer, which comes due in 2023 and is included in "Other noncurrent liabilities" in the Condensed Consolidated Balance Sheets (unaudited). From the contributed funds, Rosewater paid $7.4 million to the developer of the wind generation assets. The developer of the facility is not a partner in the joint venture for federal income tax purposes and does not receive any share of earnings, tax attributes, or cash flows of Rosewater. With asset construction now complete, NIPSCO and the tax equity partner have made total cash contributions of $0.8 million and $93.6 million, respectively, and NIPSCO has assumed an obligation to the developer of $75.7 million, totaling contributions of $170.1 million for both partners. We did not provide any financial or other support during the year that was not previously contractually required, nor do we expect to provide such support in the future.

At June 30, 2021 and December 31, 2020, $169.2 million and $156.4 million, respectively, in net assets (as detailed in the table below) related to Rosewater and the non-controlling interest attributable to the unrelated tax equity partner of $90.4 million and $85.6 million, respectively, were included in the Condensed Consolidated Balance Sheets (unaudited). Amounts allocated to the tax equity partner were $3.4 million and zero for the three months ended June 30, 2021 and 2020, respectively, and $2.4 million and zero for the six months ended June 30, 2021 and 2020, respectively. These amounts are included in "Net loss attributable to non-controlling interest" on the Condensed Statements of Consolidated Income (Loss) (unaudited).

Our Condensed Consolidated Balance Sheets (unaudited) included the following assets and liabilities associated with Rosewater:

(in millions)		**June 30, 2021**		December 31, 2020
Net Property, Plant and Equipment	**$**	**172.8**	$	175.6
Current assets		**4.8**		1.7
Total assets[1]	**$**	**177.6**	$	177.3
Current liabilities	**$**	**2.7**	$	15.3
Asset retirement obligations		**5.6**		5.5
Other noncurrent liabilities		**0.1**		0.1
Total liabilities	**$**	**8.4**	$	20.9

[1]The assets of Rosewater represent assets of a consolidated VIE that can be used only to settle obligations of the consolidated VIE.

15. Short-Term Borrowings

We generate short-term borrowings through several sources, described in further detail below.

Revolving Credit Facility. We maintain a revolving credit facility to fund ongoing working capital requirements, including the provision of liquidity support for our commercial paper program, provide for issuance of letters of credit and also for general corporate purposes. Our revolving credit facility has a program limit of $1.85 billion and is comprised of a syndicate of banks led by Barclays. We had no outstanding borrowings under this facility as of June 30, 2021 and December 31, 2020.

Commercial Paper Program. Our commercial paper program has a program limit of up to $1.5 billion with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. We had no commercial paper outstanding as of June 30, 2021 and $503.0 million of commercial paper outstanding as of December 31, 2020.

Accounts Receivable Transfer Programs. Columbia of Ohio, NIPSCO and Columbia of Pennsylvania each maintain a receivables agreement whereby they may transfer their customer accounts receivables to third-party financial institutions through wholly owned and consolidated special purpose entities. The three agreements expire between August 2021 and May 2022 and may be further extended if mutually agreed to by the parties thereto.

All receivables transferred to third parties are valued at face value, which approximates fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivables transferred is determined in part by required loss reserves under the agreements.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Condensed Consolidated Balance Sheets (unaudited). As of June 30, 2021, the maximum amount of debt that could be recognized related to our accounts receivable programs is $340.0 million.

We had no short-term borrowings related to the securitization transactions as of June 30, 2021 and December 31, 2020.

For the six months ended June 30, 2021 and 2020, zero and $39.7 million, respectively, were recorded as cash flows used for financing activities related to the change in short-term borrowings due to securitization transactions. For the accounts receivable transfer programs, we pay used facility fees for amounts borrowed, unused commitment fees for amounts not borrowed, and upfront renewal fees. Fees associated with the securitization transactions were $0.4 million and $0.8 million for the three months ended June 30, 2021 and 2020, respectively, and $0.8 million and $1.5 million for the six months ended June 30, 2021 and 2020, respectively. Columbia of Ohio, NIPSCO and Columbia of Pennsylvania remain responsible for collecting on the receivables securitized, and the receivables cannot be transferred to another party.

Total short-term borrowings were as follows:

(in millions)	**June 30, 2021**	December 31, 2020
Commercial paper weighted-average interest rate of 0.27% at December 31, 2020	—	503.0
Total short-term borrowings	**$** —	$ 503.0

Items listed above are presented net in the Condensed Statements of Consolidated Cash Flows (unaudited) as their maturities are less than 90 days.

16. Other Commitments and Contingencies

A. Guarantees and Indemnities. We and certain of our subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries as a part of normal business. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. As of June 30, 2021 and December 31, 2020, we had issued stand-by letters of credit of $14.1 million and $15.2 million, respectively.

We provide guarantees related to our future performance under BTAs for our renewable generation projects. At June 30, 2021, our guarantees for the Rosewater and Indiana Crossroads BTAs totaled $519.5 million. In July 2021, the amount of the guarantees increased to $544.7 million in accordance with the Dunn's Bridge I BTA. The amount of each guaranty will fluctuate upon the completion of the various steps outlined in each BTA. See "- E. Other Matters - Generation Transition," below for more information.

B. Legal Proceedings. On September 13, 2018, a series of fires and explosions occurred in Lawrence, Andover and North Andover, Massachusetts related to the delivery of natural gas by Columbia of Massachusetts (the "Greater Lawrence Incident"). The Greater Lawrence Incident resulted in one fatality and a number of injuries, damaged multiple homes and businesses, and caused the temporary evacuation of significant portions of each municipality. The Massachusetts Governor's Office declared a state of emergency, authorizing the Massachusetts DPU to order another utility company to coordinate the restoration of utility services in Lawrence, Andover and North Andover. The incident resulted in the interruption of gas for approximately 7,500 gas meters, the majority of which served residences and approximately 700 of which served businesses, and the interruption of other utility service more broadly in the area. Columbia of Massachusetts replaced the cast iron and bare steel gas pipeline system in the affected area and restored service. See "- C. Other Greater Lawrence Incident Matters below for more information. On September 1, 2020, the Massachusetts Governor terminated the state of emergency declared following the Greater Lawrence Incident.

We have been subject to inquiries and investigations by government authorities and regulatory agencies regarding the Greater Lawrence Incident. On February 26, 2020, the Company and Columbia of Massachusetts entered into agreements with the U.S. Attorney's Office for the District of Massachusetts to resolve the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident, as described below. The Company and Columbia of Massachusetts entered into an agreement with the Massachusetts Attorney General's Office (among other parties) to resolve the Massachusetts DPU and the Massachusetts Attorney General's Office investigations, that was approved by the Massachusetts DPU on October 7, 2020 as part of the sale of the Massachusetts Business to Eversource.

U.S. Department of Justice Investigation. On February 26, 2020, the Company and Columbia of Massachusetts entered into agreements with the U.S. Attorney's Office to resolve the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident. Columbia of Massachusetts agreed to plead guilty in the United States District Court for the District of Massachusetts (the "Court") to violating the Natural Gas Pipeline Safety Act (the "Plea Agreement"), and the Company entered into a Deferred Prosecution Agreement (the "DPA").

On March 9, 2020, Columbia of Massachusetts entered its guilty plea pursuant to the Plea Agreement, which the Court accepted. Subsequently, Columbia of Massachusetts and the U.S. Attorney's Office modified the Plea Agreement. On June 23, 2020, the Court sentenced Columbia of Massachusetts in accordance with the terms of the modified Plea Agreement. Under the modified Plea Agreement, Columbia of Massachusetts is subject to the following terms, among others: (i) a criminal fine in the amount of $53,030,116; (ii) a three-year probationary period that will terminate early upon a sale of Columbia of Massachusetts or a sale of its gas distribution business to a qualified third-party buyer consistent with certain requirements, but in no event before the end of the one-year mandatory period of probation; (iii) compliance with each of the NTSB recommendations stemming from the Greater Lawrence Incident; and (iv) employment of an in-house monitor until the end of the term of probation or until the sale of Columbia of Massachusetts or its gas distribution business, whichever is earlier. On June 23, 2021, the Court accepted a joint request by Columbia Gas of Massachusetts and the U.S. Attorney's Office to terminate the three-year probation effective immediately, which was at the end of the one-year minimum probationary period, marking the completion of all terms of the modified plea agreement.

Under the DPA, the U.S. Attorney's Office agreed to defer prosecution of the Company in connection with the Greater Lawrence Incident for a three-year period (which three-year period may be extended for twelve (12) months upon the U.S. Attorney's Office's determination of a breach of the DPA) subject to certain obligations of the Company, including, but not limited to, the following: (i) the Company will use reasonable best efforts to sell Columbia of Massachusetts or Columbia of Massachusetts' gas distribution business to a qualified third-party buyer consistent with certain requirements, and, upon the completion of any such sale, the Company will cease and desist any and all gas pipeline and distribution activities in the District of Massachusetts; (ii) the Company will forfeit and pay, within 30 days of the later of the sale becoming final or the date on which post-closing adjustments to the purchase price are finally determined in accordance with the agreement to sell Columbia of Massachusetts or its gas distribution business, a fine equal to the total amount of the profit or gain, if any, from any sale of Columbia of Massachusetts or its gas distribution business, with the amount of profit or gain determined as provided in the DPA; and (iii) the Company agrees as to each of the Company's subsidiaries involved in the distribution of gas through pipeline facilities in Massachusetts, Indiana, Ohio, Pennsylvania, Maryland, Kentucky and Virginia to implement and adhere to each of the recommendations from the NTSB stemming from the Greater Lawrence Incident. Pursuant to the DPA, if the Company complies with all of its obligations under the DPA, including, but not limited to those identified above, the U.S. Attorney's Office will not file any criminal charges against the Company related to the Greater Lawrence Incident. If Columbia of Massachusetts withdraws its plea for any reason, if the Court rejects any aspect of the Plea Agreement, or if Columbia of Massachusetts should fail to perform an obligation under the Plea Agreement prior to the sale of Columbia of Massachusetts or its gas distribution business, the U.S. Attorney's Office may, at its sole option, render the DPA null and void. The sale of the Massachusetts Business was completed on October 9, 2020. The Company was not required to forfeit or pay any funds because the Company did not realize a profit or gain from the sale as provided in the DPA.

Private Actions. Various lawsuits, including several purported class action lawsuits, have been filed by various affected residents or businesses in Massachusetts state courts against the Company and/or Columbia of Massachusetts in connection with the Greater Lawrence Incident.

On July 26, 2019, the Company, Columbia of Massachusetts and NiSource Corporate Services Company, a subsidiary of the Company, entered into a term sheet with the class action plaintiffs under which they agreed to settle the class action claims in connection with the Greater Lawrence Incident. Columbia of Massachusetts agreed to pay $143 million into a settlement fund to compensate the settlement class and the settlement class agreed to release Columbia of Massachusetts and affiliates from all claims arising out of or related to the Greater Lawrence Incident. The following claims are not covered under the proposed settlement because they are not part of the consolidated class action: (1) physical bodily injury and wrongful death; (2) insurance subrogation, whether equitable, contractual or otherwise; and (3) claims arising out of appliances that are subject to the Massachusetts DPU orders. Emotional distress and similar claims are covered under the proposed settlement unless they are secondary to a physical bodily injury. The settlement class is defined under the term sheet as all persons and businesses in the three municipalities of Lawrence, Andover and North Andover, Massachusetts, subject to certain limited exceptions. The motion for preliminary approval and the settlement documents were filed on September 25, 2019. The preliminary approval court hearing was held on October 7, 2019 and the court issued an order granting preliminary approval of the settlement on October 11, 2019. The Court granted final approval of the settlement on March 12, 2020.

With respect to claims not included in the consolidated class action, many of the asserted wrongful death and bodily injury claims have settled, and we continue to discuss potential settlements with remaining claimants. The outcomes and impacts of such private actions are uncertain at this time.

Shareholder Derivative Lawsuit. On April 28, 2020, a shareholder derivative lawsuit was filed by the City of Detroit Police and Fire Retirement System in the United States District Court for the District of Delaware against certain of the Company's current and former directors, alleging state-law claims for breaches of fiduciary duty with respect to the pipeline safety management systems relating to the distribution of natural gas prior to the Greater Lawrence Incident and also including federal-law claims related to our proxy statement disclosures regarding our safety systems. The remedies sought included damages for the alleged breaches of fiduciary duty, corporate governance reforms, and restitution of any unjust enrichment. The defendants filed a motion to dismiss the lawsuit, and oral argument was held on March 2, 2021. On March 9, 2021, the district court granted the defendants' motion to dismiss. It dismissed the federal-law claims with prejudice for failure to state a claim on which relief can be granted and declined to exercise jurisdiction over the state-law claims, which were dismissed without prejudice.

Following the dismissal of the federal court action, on April 29, 2021, the same plaintiff filed a shareholder derivative lawsuit in the Delaware Court of Chancery against certain of our current and former directors. The new complaint alleges a single count for breach of fiduciary duty, and no longer alleges disclosure violations or breaches of federal securities laws. The complaint relates to substantially the same matters as those alleged in the dismissed federal derivative complaint. The remedies sought include damages for the alleged breaches of fiduciary duty, corporate governance reforms, and restitution of compensation by the individual defendants. On May 19, 2021, the defendants filed a motion to dismiss the lawsuit, and on July 2, 2021, they filed their brief in support of the motion. The plaintiff's opposition to the motion is due on August 26, 2021, and the defendants' reply brief is due on September 24, 2021. Because of the preliminary nature of this lawsuit, we are not able to estimate a loss or range of loss, if any, that may be incurred in connection with this matter at this time.

Remaining Claims. Due to the inherent uncertainty of litigation, there can be no assurance that the outcome or resolution of any particular claim, proceeding or investigation related to the Greater Lawrence Incident or otherwise would not have a material adverse effect on our results of operations, financial position or liquidity. Certain matters in connection with the Greater Lawrence Incident have had or may have a material impact as described above. If one or more of such additional or other matters were decided against us, the effects could be material to our results of operations in the period in which we would be required to record or adjust the related liability and could also be material to our cash flows in the periods that we would be required to pay such liability.

We are also party to certain other claims, regulatory and legal proceedings arising in the ordinary course of business in each state in which we have operations, none of which we believe to be individually material at this time.

C. Other Greater Lawrence Incident Matters. In connection with the Greater Lawrence Incident, Columbia of Massachusetts, in cooperation with the Massachusetts Governor's office, replaced the entire affected pipeline system. We invested approximately $258 million of capital spend for the pipeline replacement; this work was completed in 2019. We maintain property insurance for gas pipelines and other applicable property. Columbia of Massachusetts has filed a proof of loss with its property insurer for the pipeline replacement. In January 2020, we filed a lawsuit against the property insurer, seeking payment of our property claim. We are currently unable to predict the timing or amount of any insurance recovery under the property policy.

D. Environmental Matters. Our operations are subject to environmental statutes and regulations related to air quality, water quality, hazardous waste and solid waste. We believe that we are in substantial compliance with the environmental regulations currently applicable to our operations.

It is management's continued intent to address environmental issues in cooperation with regulatory authorities in such a manner as to achieve mutually acceptable compliance plans. However, there can be no assurance that fines and penalties will not be incurred. Management expects a majority of environmental assessment and remediation costs to be recoverable through rates for certain of our companies.

As of June 30, 2021 and December 31, 2020, we had recorded a liability of $93.3 million and $92.6 million, respectively, to cover environmental remediation at various sites. The current portion of this liability is included in "Other accruals" in the Condensed Consolidated Balance Sheets (unaudited). The noncurrent portion is included in "Other noncurrent liabilities." We recognize costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for remediation activities may differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including laws and regulations, the nature and extent of impact and the method of remediation. These expenditures are not currently estimable at some sites. We periodically adjust our liability as information is collected and estimates become more refined.

CERCLA. Our subsidiaries are potentially responsible parties at waste disposal sites under the CERCLA (commonly known as Superfund) and similar state laws. Under CERCLA, each potentially responsible party can be held jointly, severally and strictly liable for the remediation costs as the EPA, or state, can allow the parties to pay for remedial action or perform remedial action themselves and request reimbursement from the potentially responsible parties. Our affiliates have retained CERCLA environmental liabilities, including remediation liabilities, associated with certain current and former operations. These liabilities are not material to the Condensed Consolidated Financial Statements (unaudited).

MGP. We maintain a program to identify and investigate former MGP sites where Gas Distribution Operations subsidiaries or predecessors may have liability. The program has identified 54 such sites where liability is probable. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements.

We utilize a probabilistic model to estimate our future remediation costs related to MGP sites. The model was prepared with the assistance of a third party and incorporates our experience and general industry experience with remediating MGP sites. We complete an annual refresh of the model in the second quarter of each fiscal year. No material changes to the estimated future remediation costs were noted as a result of the refresh completed as of June 30, 2021. Our total estimated liability related to the facilities subject to remediation was $87.1 million and $85.0 million at June 30, 2021 and December 31, 2020, respectively. The liability represents our best estimate of the probable cost to remediate the MGP sites. We believe that it is reasonably possible that remediation costs could vary by as much as $17 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date and experience with similar facilities.

CCRs. On April 17, 2015, the EPA issued a final rule for regulation of CCRs. The rule regulates CCRs under the RCRA Subtitle D, which determines them to be nonhazardous. The rule is implemented in phases and requires increased groundwater monitoring, reporting, recordkeeping and posting of related information to the Internet. The rule also establishes requirements related to CCR management and disposal. The rule allows NIPSCO to continue its byproduct beneficial use program.

To comply with the rule, NIPSCO completed capital expenditures in 2019 to modify its infrastructure and manage CCRs. The CCR rule also resulted in revisions to previously recorded legal obligations associated with the retirement of certain NIPSCO facilities. The actual asset retirement costs related to the CCR rule may vary substantially from the estimates used to record the increased asset retirement obligation due to the uncertainty about the requirements that will be established by environmental authorities, compliance strategies that will be used and the preliminary nature of available data used to estimate costs. As allowed by the rule, NIPSCO will continue to collect data over time to determine the specific compliance solutions and associated costs and, as a result, the actual costs may vary. NIPSCO will also continue to work with EPA and the Indiana Department of Environmental Management to obtain administrative approvals associated with the CCR rule. In the event that the approvals are not obtained, future operations could be impacted. We believe the possibility of such an outcome is remote.

E. Other Matters.

Generation Transition. NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities. NIPSCO's purchase obligation under each respective BTA is dependent on satisfactory approval of the BTA by the IURC, successful execution by NIPSCO of an agreement with a tax equity partner and timely completion of construction. NIPSCO has received IURC approval for all of its BTAs and all but one PPA, which is pending a decision from the IURC. NIPSCO and the tax equity partner are obligated to make cash contributions to the joint venture that acquires the project at the date construction is substantially complete. Once the tax equity partner has earned its negotiated rate of return and we have reached the agreed upon contractual date, NIPSCO has the option to purchase at fair market value from the tax equity partner the remaining interest in the joint venture.

One-Time Employee Separation Benefits. Starting in the third quarter of 2020, we evaluated and continue to evaluate our organizational structure under the auspices of NiSource Next. We recognized the majority of the related severance expense in 2020 when employees accepted severance offers, absent a retention period. In addition, we continue to have separations under our existing severance policies. For employees that have a retention period, expense will be recognized over the remaining service period. The total estimated severance expense for employees is approximately $41 million, with substantially all of it incurred to date. A rollforward of the one-time employee separation benefits accrual for the six months ended June 30, 2021 is presented below:

(in millions)	Balance as of January 1, 2021	Changes Attributable to Costs Incurred[1]	Costs Paid	Adjustments	Balance as of June 30, 2021[2]
One-time Employee Separation Benefits	11.1	7.2	(12.4)	—	5.9

[1]This activity is presented within "Operation and maintenance" in our Condensed Statements of Consolidated Income (Loss) (unaudited).
[2]This activity is presented within "Accrued compensation and employee benefits" in our Condensed Consolidated Balance Sheets (unaudited).

17. Accumulated Other Comprehensive Loss

The following tables display the components of Accumulated Other Comprehensive Loss:

(in millions)	Gains and Losses on Securities[1]	Gains and Losses on Cash Flow Hedges[1]	Pension and OPEB Items[1]	Accumulated Other Comprehensive Loss[1]
Balance as of April 1, 2021	$ 3.5	$ (63.3)	$ (15.7)	$ (75.5)
Other comprehensive income (loss) before reclassifications	0.8	(49.8)	0.1	(48.9)
Amounts reclassified from accumulated other comprehensive loss	0.1	—	0.7	0.8
Net current-period other comprehensive income (loss)	0.9	(49.8)	0.8	(48.1)
Balance as of June 30, 2021	**$ 4.4**	**$ (113.1)**	**$ (14.9)**	**$ (123.6)**

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

(in millions)	Gains and Losses on Securities[1]	Gains and Losses on Cash Flow Hedges[1]	Pension and OPEB Items[1]	Accumulated Other Comprehensive Loss[1]
Balance as of January 1, 2021	$ 6.0	$ (147.9)	$ (14.8)	$ (156.7)
Other comprehensive income (loss) before reclassifications	(1.4)	34.8	(1.3)	32.1
Amounts reclassified from accumulated other comprehensive loss	(0.2)	—	1.2	1.0
Net current-period other comprehensive income (loss)	(1.6)	34.8	(0.1)	33.1
Balance as of June 30, 2021	**$ 4.4**	**$ (113.1)**	**$ (14.9)**	**$ (123.6)**

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

(in millions)	Gains and Losses on Securities[1]	Gains and Losses on Cash Flow Hedges[1]	Pension and OPEB Items[1]	Accumulated Other Comprehensive Loss[1]
Balance as of April 1, 2020	$ (2.1)	$ (210.5)	$ (18.0)	$ (230.6)
Other comprehensive income before reclassifications	6.0	2.7	—	8.7
Amounts reclassified from accumulated other comprehensive loss	(0.3)	—	0.3	—
Net current-period other comprehensive income (loss)	5.7	2.7	0.3	8.7
Balance as of June 30, 2020	$ 3.6	$ (207.8)	$ (17.7)	$ (221.9)

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

(in millions)	Gains and Losses on Securities[1]	Gains and Losses on Cash Flow Hedges[1]	Pension and OPEB Items[1]	Accumulated Other Comprehensive Loss[1]
Balance as of January 1, 2020	$ 3.3	$ (77.2)	$ (18.7)	$ (92.6)
Other comprehensive income (loss) before reclassifications	0.8	(130.6)	0.4	(129.4)
Amounts reclassified from accumulated other comprehensive loss	(0.5)	—	0.6	0.1
Net current-period other comprehensive income (loss)	0.3	(130.6)	1.0	(129.3)
Balance as of June 30, 2020	$ 3.6	$ (207.8)	$ (17.7)	$ (221.9)

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

18. Other, Net

(in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Interest income	**$ 0.7**	$ 1.4	**$ 1.6**	$ 3.1
AFUDC equity	**3.4**	1.4	**4.9**	3.1
Pension and other postretirement non-service benefit	**8.6**	3.1	**17.1**	5.8
Miscellaneous	**(0.3)**	0.6	**(0.7)**	(0.1)
Total Other, net	**$ 12.4**	$ 6.5	**$ 22.9**	$ 11.9

19. Business Segment Information

At June 30, 2021, our operations are divided into two primary reportable segments, the Gas Distribution Operations and Electric Operations segments. Corporate costs and other activities that are not significant on a stand-alone basis to warrant treatment as an operating segment and that do not fit into one of our two segments are aggregated as "Corporate and Other" in the disclosures below. Refer to Note 3, "Revenue Recognition," for additional information on our segments and their sources of revenues.

The following table provides information about our business segments. We use operating income as our primary measurement for each of the reported segments and make decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market, regulated prices or at levels provided for under contractual agreements. Operating income is derived from revenues and expenses directly associated with each segment.

(in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating Revenues				
Gas Distribution Operations				
Unaffiliated	**$ 574.3**	$ 606.3	**$ 1,710.1**	$ 1,834.3
Intersegment	**3.0**	3.0	**6.1**	6.0
Total	**577.3**	609.3	**1,716.2**	1,840.3
Electric Operations				
Unaffiliated	**403.5**	356.2	**806.0**	733.5
Intersegment	**0.2**	0.2	**0.4**	0.4
Total	**403.7**	356.4	**806.4**	733.9
Corporate and Other				
Unaffiliated	**8.2**	0.2	**15.5**	0.4
Intersegment	**117.4**	100.7	**221.3**	207.4
Total	**125.6**	100.9	**236.8**	207.8
Eliminations	**(120.6)**	(103.9)	**(227.8)**	(213.8)
Consolidated Operating Revenues	**$ 986.0**	$ 962.7	**$ 2,531.6**	$ 2,568.2
Operating Income (Loss)				
Gas Distribution Operations	**$ 61.2**	$ 1.7	**$ 408.1**	$ 80.2
Electric Operations	**79.6**	86.9	**167.5**	165.4
Corporate and Other	**1.4**	3.1	**(0.2)**	(5.7)
Consolidated Operating Income	**$ 142.2**	$ 91.7	**$ 575.4**	$ 239.9

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NiSource Inc.

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EXECUTIVE SUMMARY

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("Management's Discussion") includes management's analysis of past financial results and certain potential factors that may affect future results, potential future risks and approaches that may be used to manage those risks. See "Note regarding forward-looking statements" at the beginning of this report for a list of factors that may cause results to differ materially.

Management's Discussion is designed to provide an understanding of our operations and financial performance and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

We are an energy holding company under the Public Utility Holding Company Act of 2005 whose utility subsidiaries are fully regulated natural gas and electric utility companies serving customers in six states. We generate substantially all of our operating income through these rate-regulated businesses, which are summarized for financial reporting purposes into two primary reportable segments: Gas Distribution Operations and Electric Operations.

Refer to the "Business" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 for further discussion of our regulated utility business segments.

Our goal is to develop strategies that benefit all stakeholders as we (i) address changing customer conservation patterns, (ii) align our price structure with our cost structure, and (iii) embark on long-term infrastructure investment and safety programs to better serve our customers. These strategies focus on improving safety and reliability, enhancing customer service, lowering customer bills and reducing emissions while generating sustainable returns. The safety of our customers, communities and employees remains our top priority. The SMS is an established operating model within NiSource. With the continued support and advice from our Quality Review Board (a panel of third parties with safety operations expertise engaged by management to advise on safety matters), we are continuing to mature our SMS processes, capabilities and talent as we collaborate within and across industries to enhance safety and reduce operational risk. Additionally, we continue to pursue regulatory and legislative initiatives that will allow residential customers not currently on our system to obtain gas service in a cost effective manner.

Your Energy, Your Future: Our plan to replace all of our coal generation capacity by the end of 2028 with primarily renewable resources is well underway. As of June 30, 2021, we have executed BTAs and PPAs with a combined nameplate capacity of 1,950 MW and 1,380 MW, respectively, under the plan. We have received IURC approval for all the BTAs and all but one PPA, which is pending a decision from the IURC in the second half of 2021. NIPSCO will refresh its 2018 Integrated Resource Plan in 2021. The 2021 Integrated Resource Plan development is currently underway, and in the second quarter of 2021, we launched an RFP solicitation as part of the IRP's evaluation of resources to meet the future electric needs of our customers. For additional information, see "Results and Discussion of Segment Operation - Electric Operations," in this Management's Discussion.

NiSource Next: We are executing on a defined, comprehensive, multi-year program designed to deliver long-term safety, sustainable capability enhancements and cost optimization improvements. This program is advancing the high priority we place on safety and risk mitigation, further enabling our safety management system, and enhancing the customer experience. NiSource Next is designed to (i) leverage our current scale, (ii) utilize technology, (iii) define clear roles and accountability with our leaders and employees, and (iv) standardize our processes to focus on operational rigor, quality management and continuous improvement.

COVID-19: The safety of our employees and customers, while providing essential services during the COVID-19 pandemic, is paramount. We continue to take a proactive, coordinated approach intended to prevent, mitigate and respond to COVID-19 by utilizing our Incident Command System (ICS). The ICS includes members of our executive council, a medical review professional, and members of functional teams from across our company. The ICS monitors state-by-state conditions and determines steps to conduct our operations safely for employees and customers.

We have implemented procedures designed to protect our employees who work in the field and who continue to work in operational and corporate facilities, including social distancing, wearing face coverings and more frequent cleaning of equipment and facilities. We have also implemented work-from-home policies and practices. As local circumstances permit, we are beginning previously delayed work that requires customer interaction. We continue to employ physical and cybersecurity measures to ensure that our operational and support systems remain functional. Our actions to date have mitigated the spread of COVID-19 amongst our employees and principal field contractors. We are also continuously evaluating changes to CDC guidance, and updating our safety measures accordingly, in order to ensure employee and customer safety during this pandemic.

We are following all federal, state, and local guidelines related to the COVID-19 vaccinations and are encouraging employees to receive the vaccine.

Since the beginning of the COVID-19 pandemic, we have been helping our customers navigate this challenging time. We plan to continue our payment assistance programs and customer education and awareness of energy assistance programs such as the Low Income Home Energy Assistance Program (LIHEAP) to help customers deal with the impact of the pandemic. Regulatory deferrals for certain costs have been allowed by all of our state regulatory commissions.

We continue to monitor how COVID-19 is affecting our workforce, customers, suppliers, operations, financial results and cash flow. The extent of the impact in the future will vary and depend on the duration and severity of the impact on the global, national and local economies. For information on the impacts of COVID-19 for the three and six months ended June 30, 2021, the state-specific suspension of disconnections, and COVID-19 regulatory filings see Note 3, "Revenue Recognition," and Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited).

Summary of Consolidated Financial Results

A summary of our consolidated financial results for the three and six months ended June 30, 2021 and 2020 are presented below:

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions, except per share amounts)	**2021**	2020	Favorable (Unfavorable)	**2021**	2020	Favorable (Unfavorable)
Operating Revenues	**$ 986.0**	$ 962.7	$ 23.3	**$ 2,531.6**	$ 2,568.2	$ (36.6)
Operating Expenses						
Cost of energy	**228.3**	188.4	(39.9)	**705.1**	650.8	(54.3)
Other Operating Expenses	**615.5**	682.6	67.1	**1,251.1**	1,677.5	426.4
Total Operating Expenses	**843.8**	871.0	27.2	**1,956.2**	2,328.3	372.1
Operating Income	**142.2**	91.7	50.5	**575.4**	239.9	335.5
Total Other Deductions, net	**(72.1)**	(90.5)	18.4	**(146.2)**	(178.0)	31.8
Income Taxes	**13.2**	5.9	(7.3)	**75.8**	(9.0)	(84.8)
Net Income (Loss)	**56.9**	(4.7)	61.6	**353.4**	70.9	282.5
Net loss attributable to noncontrolling interest	**(3.4)**	—	3.4	**(2.4)**	—	2.4
Net Income (Loss) Attributable to NiSource	**60.3**	(4.7)	65.0	**355.8**	70.9	284.9
Preferred dividends	**(13.8)**	(13.8)	—	**(27.6)**	(27.6)	—
Net Income (Loss) Available to Common Shareholders	**46.5**	(18.5)	65.0	**328.2**	43.3	284.9
Earnings (Loss) Per Share						
Basic Earnings (Loss) Per Share	**$ 0.12**	$ (0.05)	$ 0.17	**$ 0.84**	$ 0.11	$ 0.73
Diluted Earnings (Loss) Per Share	**$ 0.11**	$ (0.05)	$ 0.16	**$ 0.80**	$ 0.11	$ 0.69

The majority of the cost of energy in both segments are tracked costs that are passed through directly to the customer, resulting in an equal and offsetting amount reflected in operating revenues.

On a consolidated basis, we reported a net income available to common shareholders of $46.5 million, or $0.11 per diluted share for the three months ended June 30, 2021, compared to a net loss available to common shareholders of $18.5 million, or $0.05 per diluted share for the same period in 2020. The increase in income was primarily due to the loss on sale of the Massachusetts business in 2020, as well as lower operating expenses offset by lower operating revenues due to the sale of the Massachusetts business. Additionally, the increase in income was driven by revenue increases from new rates offset by higher employee and administrative expenses and outside services during the three months ended June 30, 2021 compared to the same period in 2020.

For the six months ended June 30, 2021, we reported net income available to common shareholders of $328.2 million, or $0.80 per diluted share compared to net income available to common shareholders of $43.3 million, or $0.11 per diluted share for the same period in 2020. The drivers for this increase were consistent with that of the quarter-to-date period. For additional information on operating income variance drivers see "Results and Discussion of Segment Operation" for Gas and Electric Operations in this Management's Discussion.

Other Deductions, net

Other deductions, net reduced income by $72.1 million during the three months ended June 30, 2021 compared to a reduction in income of $90.5 million in the same period in 2020. This change was primarily driven by lower short-term and long-term debt interest due to lower balances on short-term debt, and lower rates on commercial paper and long-term debt during the three months ended June 30, 2021 compared to the same period in 2020. See Note 15, "Short-Term Borrowings," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for additional information.

Other deductions, net reduced income by $146.2 million during the six months ended June 30, 2021 compared to a reduction in income of $178.0 million in the same period in 2020. The drivers for this change were consistent with that of the quarter-to-date period.

Income Taxes

Refer to Note 12, "Income Taxes," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on income taxes and the change in the effective tax rate.

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

Our operations are divided into two primary reportable segments: Gas Distribution Operations and Electric Operations. We primarily evaluate segment results based on operating income. The remainder of our operations, which are not significant enough on a stand-alone basis to warrant treatment as an operating segment, are presented as "Corporate and Other" within the Notes to the Condensed Consolidated Financial Statements (unaudited) and primarily are comprised of interest expense on holding company debt, and unallocated corporate costs and activities.

NiSource Inc.
Gas Distribution Operations

Financial and operational data for the Gas Distribution Operations segment for the three and six months ended June 30, 2021 and 2020 are presented below:

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2021**	2020	Favorable (Unfavorable)	**2021**	2020	Favorable (Unfavorable)
Operating Revenues	**$ 577.3**	$ 609.2	$ (31.9)	**$ 1,716.2**	$ 1,840.2	$ (124.0)
Operating Expenses						
Cost of energy	**129.0**	119.2	(9.8)	**508.0**	496.6	(11.4)
Operation and maintenance	**243.9**	263.1	19.2	**492.7**	593.2	100.5
Depreciation and amortization	**93.6**	86.8	(6.8)	**186.5**	183.3	(3.2)
Loss on sale of fixed assets and impairments, net	**—**	84.4	84.4	**8.1**	364.6	356.5
Other taxes	**49.6**	54.0	4.4	**112.8**	122.3	9.5
Total Operating Expenses	**516.1**	607.5	91.4	**1,308.1**	1,760.0	451.9
Operating Income	**$ 61.2**	$ 1.7	$ 59.5	**$ 408.1**	$ 80.2	$ 327.9
Revenues						
Residential	**$ 380.8**	$ 410.6	$ (29.8)	**$ 1,163.1**	$ 1,233.9	$ (70.8)
Commercial	**127.4**	124.1	3.3	**400.3**	398.1	2.2
Industrial	**44.4**	48.8	(4.4)	**102.6**	123.3	(20.7)
Off-System	**17.0**	8.0	9.0	**31.4**	26.7	4.7
Other	**7.7**	17.7	(10.0)	**18.8**	58.2	(39.4)
Total	**$ 577.3**	$ 609.2	$ (31.9)	**$ 1,716.2**	$ 1,840.2	$ (124.0)
Sales and Transportation (MMDth)						
Residential	**30.7**	39.8	(9.1)	**149.1**	158.3	(9.2)
Commercial	**27.2**	28.4	(1.2)	**101.5**	102.1	(0.6)
Industrial	**124.7**	124.2	0.5	**261.1**	271.0	(9.9)
Off-System	**6.2**	4.1	2.1	**11.6**	15.3	(3.7)
Other	**—**	—	—	**0.2**	0.2	—
Total	**188.8**	196.5	(7.7)	**523.5**	546.9	(23.4)
Heating Degree Days	**606**	728	(122)	**3,309**	3,168	141
Normal Heating Degree Days	**551**	563	(12)	**3,405**	3,460	(55)
% Colder (Warmer) than Normal	**10 %**	29 %		**(3)%**	(8)%	
Gas Distribution Customers						
Residential				**2,950,269**	3,237,131	(286,862)
Commercial				**252,235**	282,482	(30,247)
Industrial				**4,943**	5,983	(1,040)
Other				**3**	3	—
Total				**3,207,450**	3,525,599	(318,149)

Comparability of operation and maintenance expenses, depreciation and amortization, and other taxes may be impacted by regulatory, depreciation and tax trackers that allow for the recovery in rates of certain costs.

NiSource Inc.
Gas Distribution Operations

Three and Six Months Ended June 30, 2021 vs. June 30, 2020 Operating Income

For the three months ended June 30, 2021, Gas Distribution Operations reported operating income of $61.2 million, an increase of $59.5 million from the comparable 2020 period. For the six months ended June 30, 2021, Gas Distribution Operations reported operating income of $408.1 million, an increase of $327.9 million from the comparable 2020 period.

Operating revenues for the three months ended June 30, 2021 were $577.3 million, a decrease of $31.9 million from the same period in 2020. Operating revenues for the six months ended June 30, 2021 were $1,716.2 million, a decrease of $124.0 million from the same period in 2020.

	Favorable (Unfavorable)	
Changes in Operating Revenues *(in millions)*	**Three Months Ended June 30, 2021 vs 2020**	**Six Months Ended June 30, 2021 vs 2020**
Revenues associated with the Massachusetts Business in 2020	$ (55.6)	$ (178.1)
The effects of colder (warmer) weather in 2021 compared to 2020	(2.1)	13.5
New rates from base rate proceedings, infrastructure replacement programs and Columbia of Ohio's CEP	22.6	60.6
The effects of customer growth	1.3	4.7
Other	3.9	1.8
Change in operating revenues (before cost of energy and other tracked items)	$ (29.9)	$ (97.5)
Operating revenues offset in operating expense		
Higher cost of energy billed to customers	31.9	113.2
Cost of energy associated with the Massachusetts Business in 2020	(22.1)	(101.8)
Operation and maintenance trackers associated with the Massachusetts Business in 2020	(7.1)	(31.2)
Lower operation and maintenance, depreciation, and tax trackers	(4.7)	(6.7)
Total change in operating revenues	**$ (31.9)**	**$ (124.0)**

NiSource Inc.
Gas Distribution Operations

Operating expenses were $91.4 million lower for the three months ended June 30, 2021 and $451.9 million lower for the six months ended June 30, 2021 compared to the same respective periods in 2020.

	Favorable (Unfavorable)	
Changes in Operating Expenses *(in millions)*	**Three Months Ended June 30, 2021 vs 2020**	**Six Months Ended June 30, 2021 vs 2020**
Loss on sale of the Massachusetts Business of zero and $6.9 million in 2021 compared to $84.4 million and $364.6 million in 2020, respectively	$ 84.4	$ 357.7
Operating expenses associated with the Massachusetts Business in 2020	58.6	126.8
Decreased operating expenses primarily related to the impact of COVID-19 in 2020	6.8	8.3
Higher employee and administrative expenses	(19.9)	(13.8)
Higher outside services expenses	(12.4)	(10.1)
Severance and outside services expense related to the NiSource Next initiative	(7.5)	(14.0)
Higher depreciation and amortization expense	(7.2)	(13.0)
Higher property tax expense	(3.2)	(4.5)
Higher environmental costs	(2.1)	(2.6)
Higher corporate insurance costs	(1.8)	(3.5)
Other	(6.3)	(5.9)
Change in operating expenses (before cost of energy and other tracked items)	$ 89.4	$ 425.4
Operating expenses offset in operating revenue		
Higher cost of energy billed to customers	(31.9)	(113.2)
Cost of energy associated with the Massachusetts Business in 2020	22.1	101.8
Operation and maintenance trackers associated with the Massachusetts Business in 2020	7.1	31.2
Lower operation and maintenance, depreciation, and tax trackers	4.7	6.7
Total change in operating expense	**$ 91.4**	**$ 451.9**

Weather

In general, we calculate the weather-related revenue variance based on changing customer demand driven by weather variance from normal heating degree days, net of weather normalization mechanisms. Our composite heating degree days reported do not directly correlate to the weather-related dollar impact on the results of Gas Distribution Operations. Heating degree days experienced during different times of the year or in different operating locations may have more or less impact on volume and dollars depending on when and where they occur. When the detailed results are combined for reporting, there may be weather-related dollar impacts on operations when there is not an apparent or significant change in our aggregated composite heating degree day comparison.

Weather in the Gas Distribution Operations service territories for the three months ended June 30, 2021 was about 10% colder than normal and about 17% warmer than the same period in 2020, leading to decreased operating revenues of $2.1 million for the three months ended June 30, 2021 compared to the same period in 2020.

Weather in the Gas Distribution Operations service territories for the six months ended June 30, 2021 was about 3% warmer than normal and about 4% colder than the same period in 2020, leading to increased operating revenues of $13.5 million for the six months ended June 30, 2021 compared to the same period in 2020.

Throughput

Total volumes sold and transported for the three months ended June 30, 2021 were 188.8 MMDth, compared to 196.5 MMDth for the same period in 2020. This decrease is primarily attributable to the sale of the Massachusetts Business and the effects of warmer weather during the three months ended June 30, 2021 compared to the same period in 2020.

Total volumes sold and transported for the six months ended June 30, 2021 were 523.5 MMDth, compared to 546.9 MMDth for the same period in 2020. This decrease is primarily attributable to the sale of the Massachusetts Business, offset by the effects of colder weather during the six months ended June 30, 2021 compared to the same period in 2020.

Commodity Price Impact

Cost of energy for the Gas Distribution Operations segment is principally comprised of the cost of natural gas used while providing transportation and distribution services to customers. All of our Gas Distribution Operations companies have state-approved recovery mechanisms that provide a means for full recovery of prudently incurred gas costs. These are tracked costs that are passed through directly to the customer, and the gas costs included in revenues are matched with the gas cost expense recorded in the period. The difference is recorded on the Condensed Consolidated Balance Sheets (unaudited) as under-recovered or over-recovered gas cost to be included in future customer billings. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

Certain Gas Distribution Operations companies continue to offer choice opportunities, where customers can choose to purchase gas from a third-party supplier, through regulatory initiatives in their respective jurisdictions. These programs serve to further reduce our exposure to gas prices.

Columbia of Massachusetts Asset Sale

On October 9, 2020, we completed the sale of our Massachusetts Business. In March 2021, we reached an agreement with Eversource regarding the final purchase price, including net working capital adjustments, which resulted in a pre-tax loss for the three and six months ended June 30, 2021 of zero and $6.9 million, respectively. The total loss on the sale as of June 30, 2021 is $419.3 million based on asset and liability balances as of the close of the transaction on October 9, 2020, transaction costs and the final purchase price. The pre-tax loss is presented as "Loss (gain) on sale of assets, net" on the Condensed Statements of Consolidated Income (Loss) (unaudited).

NiSource Inc.
Electric Operations

Financial and operational data for the Electric Operations segment for the three and six months ended June 30, 2021 and 2020 are presented below:

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2021**	2020	Favorable (Unfavorable)	**2021**	2020	Favorable (Unfavorable)
Operating Revenues	**403.7**	$ 356.4	47.3	**806.4**	$ 733.9	$ 72.5
Operating Expenses						
Cost of energy	**99.3**	69.2	(30.1)	**197.1**	154.2	(42.9)
Operation and maintenance	**127.3**	108.0	(19.3)	**246.4**	228.9	(17.5)
Depreciation and amortization	**83.7**	80.6	(3.1)	**167.1**	159.5	(7.6)
Other taxes	**13.8**	11.7	(2.1)	**28.3**	25.9	(2.4)
Total Operating Expenses	**324.1**	269.5	(54.6)	**638.9**	568.5	(70.4)
Operating Income	**$ 79.6**	$ 86.9	$ (7.3)	**$ 167.5**	$ 165.4	$ 2.1
Revenues						
Residential	**$ 131.9**	$ 124.0	$ 7.9	**$ 261.1**	$ 243.2	$ 17.9
Commercial	**129.9**	109.8	20.1	**252.8**	230.0	22.8
Industrial	**119.2**	86.5	32.7	**242.3**	195.6	46.7
Wholesale	**3.1**	2.8	0.3	**6.5**	6.0	0.5
Other	**19.6**	33.3	(13.7)	**43.7**	59.1	(15.4)
Total	**$ 403.7**	$ 356.4	$ 47.3	**$ 806.4**	$ 733.9	$ 72.5
Sales (Gigawatt Hours)						
Residential	**821.0**	834.0	(13.0)	**1,625.6**	1,589.5	36.1
Commercial	**904.2**	831.8	72.4	**1,772.1**	1,710.5	61.6
Industrial	**2,150.8**	1,467.5	683.3	**4,214.1**	3,538.6	675.5
Wholesale	**12.4**	4.9	7.5	**44.5**	76.3	(31.8)
Other	**20.3**	21.5	(1.2)	**47.6**	49.7	(2.1)
Total	**3,908.7**	3,159.7	749.0	**7,703.9**	6,964.6	739.3
Cooling Degree Days	**318**	292	26	**318**	292	26
Normal Cooling Degree Days	**239**	239	—	**239**	239	—
% Warmer than Normal	**33 %**	22 %		**33 %**	22 %	
Electric Customers						
Residential				**420,347**	417,251	3,096
Commercial				**57,637**	57,236	401
Industrial				**2,148**	2,164	(16)
Wholesale				**719**	723	(4)
Other				**2**	2	—
Total				**480,853**	477,376	3,477

Comparability of operation and maintenance expenses and depreciation and amortization may be impacted by regulatory and depreciation trackers that allow for the recovery in rates of certain costs.

Three and Six Months Ended June 30, 2021 vs. June 30, 2020 Operating Income

For the three months ended June 30, 2021, Electric Operations reported operating income of $79.6 million, a decrease of $7.3 million from the comparable 2020 period. For the six months ended June 30, 2021, Electric Operations reported operating income of $167.5 million, an increase of $2.1 million from the comparable 2020 period.

NiSource Inc.
Electric Operations

Operating revenues for the three months ended June 30, 2021 were $403.7 million, an increase of $47.3 million from the same period in 2020. Operating revenues for the six months ended June 30, 2021 were $806.4 million, an increase of $72.5 million from the same period in 2020.

	Favorable (Unfavorable)	
Changes in Operating Revenues *(in millions)*	**Three Months Ended June 30, 2021 vs 2020**	**Six Months Ended June 30, 2021 vs 2020**
Increased customer usage, primarily driven by industrial customers	$ 11.4	$ 16.2
The effects of warmer weather in 2021 compared to 2020	3.3	4.2
New rates from infrastructure improvement and DSM programs	3.2	6.0
The effects of customer growth	1.1	2.1
Increased fuel handling costs	(4.8)	(6.5)
Other	0.6	2.8
Change in operating revenues (before cost of energy and other tracked items)	$ 14.8	$ 24.8
Operating revenues offset in operating expense		
Higher cost of energy billed to customers	30.1	42.9
Higher operation and maintenance and depreciation trackers	2.4	4.8
Total change in operating revenues	$ 47.3	$ 72.5

Operating expenses were $54.6 million higher for the three months ended June 30, 2021 compared to the same period in 2020. Operating expenses were $70.4 million higher for the six months ended June 30, 2021 compared to the same period in 2020.

	Favorable (Unfavorable)	
Changes in Operating Expenses *(in millions)*	**Three Months Ended June 30, 2021 vs 2020**	**Six Months Ended June 30, 2021 vs 2020**
Higher generation-related maintenance expense	$ (8.5)	$ (12.1)
Higher employee and administrative expenses	(8.4)	(4.3)
Higher materials and supplies expenses	(7.9)	(7.6)
Severance and outside services expenses related to the NiSource Next initiative	(3.5)	(5.6)
Increased depreciation primarily due to additional plant placed in service	(1.9)	(5.3)
Decreased operating expenses primarily related to the impact of COVID-19 in 2020	4.3	4.9
Decreased environmental costs	2.3	9.1
Other	1.5	(1.8)
Change in operating expenses (before cost of energy and other tracked items)	$ (22.1)	$ (22.7)
Operating expenses offset in operating revenue		
Higher cost of energy billed to customers	(30.1)	(42.9)
Higher operation and maintenance and depreciation trackers	(2.4)	(4.8)
Total change in operating expense	$ (54.6)	$ (70.4)

Weather

In general, we calculate the weather-related revenue variance based on changing customer demand driven by weather variance from normal heating or cooling degree days. Our composite heating or cooling degree days reported do not directly correlate to the weather-related dollar impact on the results of Electric Operations. Heating or cooling degree days experienced during different times of the year may have more or less impact on volume and dollars depending on when they occur. When the

detailed results are combined for reporting, there may be weather-related dollar impacts on operations when there is not an apparent or significant change in our aggregated composite heating or cooling degree day comparison.

Weather in the Electric Operations' territories for the three months ended June 30, 2021 was about 33% warmer than normal and about 9% warmer than the same period in 2020, leading to increased operating revenues of $3.3 million for the three months ended June 30, 2021 compared to the same period in 2020.

Weather in the Electric Operations' territories for the six months ended June 30, 2021 was about 33% warmer than normal and about 9% warmer than the same period in 2020, leading to increased operating revenues of $4.2 million for the six months ended June 30, 2021 compared to the same period in 2020.

Sales

Electric Operations sales for the three months ended June 30, 2021 were 3,908.7 GWh, an increase of 749.0 GWh compared to the same period in 2020. This increase was primarily attributable to decreased usage by industrial and commercial customers during the three months ended June 30, 2020 due to COVID-19.

Electric Operations sales for the six months ended June 30, 2021 were 7,703.9 GWh, an increase of 739.3 GWh compared to the same period in 2020. This increase was primarily attributable to decreased usage by industrial and commercial customers during the three months ended June 30, 2020 due to COVID-19. There was no significant variance during the first three months of 2021 compared to the same period in 2020.

Commodity Price Impact

Cost of energy for the Electric Operations segment is principally comprised of the cost of coal, related handling costs, natural gas purchased for internal generation of electricity at NIPSCO, and the cost of power purchased from third-party generators of electricity. NIPSCO has a state-approved recovery mechanism that provides a means for full recovery of prudently incurred fuel costs. The majority of these fuel costs are passed through directly to the customer, and the fuel costs included in operating revenues are matched with the fuel cost expense recorded in the period. The difference is recorded on the Condensed Consolidated Balance Sheets (unaudited) as under-recovered or over-recovered fuel cost to be included in future customer billings. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

Electric Supply and Generation Transition

NIPSCO continues to execute on an electric generation transition consistent with the preferred pathway from its 2018 Integrated Resource Plan, which outlines plans to retire all of its remaining coal-fired generation by 2028, to be replaced by lower-cost, reliable and cleaner options. The plan is expected to be a key element of a 90% reduction in NiSource's greenhouse gas emissions by 2030 compared with 2005 levels, and to save NIPSCO electric customers more than $4 billion over 30 years. We expect to have incremental capital investment requirements of approximately $2.0 billion, primarily in 2022 and 2023. On March 11, 2021, NIPSCO submitted separate Attachment Y Notices for Units 14 and 15 seeking a suspension date of October 1, 2021 for both coal fired units at R.M. Schahfer Generating Station. On May 28, 2021, NIPSCO received approval from MISO to suspend and retire these two units on October 1, 2021. The remaining two units are still scheduled to be retired in 2023. Refer to Note 7, "Property, Plant and Equipment," and Note 16-E, "Other Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information.

The current replacement plan primarily includes renewable sources of energy, including wind, solar, and battery storage to be obtained through a combination of NIPSCO ownership and PPAs. NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities.

The following table summarizes the executed PPAs and BTAs from our generation transition:

Project Name	Transaction Type	Technology	Nameplate Capacity (MW)	Storage Capacity (MW)	Submitted to IURC	IURC Approval	Estimated Construction Completion
Jordan Creek	20 year PPA	Wind	400	—	02/01/2019	6/05/2019	In Service (12/10/2020)
Rosewater[1]	BTA	Wind	100	—	02/01/2019	8/07/2019	In Service (12/29/2020)
Indiana Crossroads[2]	BTA	Wind	300	—	10/22/2019	2/19/2020	Q4 2021
Greensboro	20 year PPA	Solar & Storage	100	30	7/17/2020	1/27/2021	Q4 2022
Brickyard	20 year PPA	Solar	200	—	7/17/2020	1/27/2021	Q4 2022
Cavalry[2]	BTA	Solar & Storage	200	60	11/30/2020	5/5/2021	Q4 2023
Dunn's Bridge I[2]	BTA	Solar	265	—	11/30/2020	5/5/2021	Q4 2022
Dunn's Bridge II[2]	BTA	Solar & Storage	435	75	11/30/2020	5/5/2021	Q4 2023
Green River	20 year PPA	Solar	200	—	12/23/2020	5/5/2021	Q2 2023
Gibson	22 year PPA	Solar	280	—	01/29/2021	6/29/2021	Q2 2023
Fairbanks[2]	BTA	Solar	250	—	03/03/2021	6/29/2021	Q3 2023
Indiana Crossroads[2]	BTA	Solar	200	—	03/19/2021	7/28/2021	Q4 2022
Elliot[2]	BTA	Solar	200	—	03/31/2021	7/28/2021	Q2 2023
Indiana Crossroads II	15 year PPA	Wind	200	—	04/30/2021	Pending	Q4 2023

[1]Refer to Note 14, "Variable Interest Entities," for additional information.

[2]Ownership of the facility will be transferred to joint ventures whose members include NIPSCO and an unrelated tax equity partner.

Liquidity and Capital Resources

We continually evaluate the availability of adequate financing to fund our ongoing business operations, working capital and core safety and infrastructure investment programs. Our financing is sourced through cash flow from operations and the issuance of debt and/or equity. External debt financing is provided primarily through the issuance of long-term debt, accounts receivable securitization programs and our $1.5 billion commercial paper program, which is backstopped by our committed revolving credit facility with a total availability from third-party lenders of $1.85 billion. The commercial paper program and credit facility provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves our desired capital structure. We utilize an ATM equity program that allows us to issue and sell shares of our common stock up to an aggregate issuance of $750.0 million through December 31, 2023. On April 19, 2021, we completed the sale of 8.625 million Equity Units, which provided net proceeds of $835.5 million, after underwriting and issuance costs. We intend to use the net proceeds from the offering for renewable generation investments and general corporate purposes, including additions to working capital and repayment of existing indebtedness.

We believe these sources provide adequate capital to fund our operating activities and capital expenditures in 2021 and beyond.

Greater Lawrence Incident: As discussed in Note 16, "Other Commitments and Contingencies," in the Notes to the Condensed Consolidated Financial Statements (unaudited), due to the inherent uncertainty of litigation, there can be no assurance that the outcome or resolution of any particular claim related to the Greater Lawrence Incident will not continue to have an adverse impact on our cash flows. Through income generated from operating activities, amounts available under the short-term revolving credit facility, and our ability to access capital markets, we believe we have adequate capital available to settle remaining anticipated claims associated with the Greater Lawrence Incident.

Operating Activities

Net cash from operating activities for the six months ended June 30, 2021 was $703.0 million, a decrease of $4.7 million compared to the six months ended June 30, 2020. This decrease was primarily driven by $140.7 million of decreased cash inflows related to the under collection of gas and fuel costs. This was offset by a year over year decrease in net payments related to the Greater Lawrence Incident. During 2021, we paid approximately $11.0 million compared to $162.0 million of payments during the same period in 2020.

Investing Activities

Net cash used for investing activities for the six months ended June 30, 2021 was $862.4 million, a decrease of $24.2 million compared to the six months ended June 30, 2020. This decrease was driven by lower capital expenditures associated with the Massachusetts Business in 2020. We project total 2021 capital expenditures to be approximately $1.9 to $2.1 billion.

Regulatory Capital Improvement Programs. In 2021, we continue to move forward on core infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all six states of our operating area.

The following table describes the most recent vintage of our regulatory programs to recover infrastructure replacement and other federally mandated compliance investments currently in rates and those pending commission approval:

(in millions)

Company	Program	Incremental Revenue	Incremental Capital Investment	Investment Period	Costs Covered[1]	Rates Effective
Columbia of Ohio	IRP - 2021	22.2	212.6	1/20-12/20	Replacement of (1) hazardous service lines, (2) cast iron, wrought iron, uncoated steel, and bare steel pipe, (3) natural gas risers prone to failure and (4) installation of AMR devices.	May 2021
Columbia of Ohio	CEP - 2021	18.0	177.2	1/20-12/20	Assets not included in the IRP.	September 2021
NIPSCO - Gas	TDSIC 2	1.8	52.3	7/20-12/20	New or replacement projects undertaken for the purpose of safety, reliability, system modernization or economic development.	July 2021
NIPSCO - Gas[2]	FMCA 6	(2.1)	20.7	10/20-3/21	Project costs to comply with federal mandates.	October 2021
Columbia of Pennsylvania[3]	DSIC - Q4 2020	0.8	25.0	9/20-11/20	Eligible project costs including piping, couplings, gas service lines, excess flow valves, risers, meter bars, meters, and other related capitalized cost, to improve the distribution system.	January 2021
Columbia of Virginia	SAVE - 2021	5.2	46.4	1/21-12/21	Replacement projects that (1) enhance system safety or reliability, or (2) reduce, or potentially reduce, greenhouse gas emissions.	January 2021
Columbia of Kentucky	SMRP - 2021	2.6	40.0	1/21-12/21	Replacement of mains and inclusion of system safety investments.	May 2021
Columbia of Maryland	STRIDE - 2021	1.3	16.9	1/21-12/21	Pipeline upgrades designed to improve public safety or infrastructure reliability.	January 2021
NIPSCO - Electric[4][5]	TDSIC - 8	(2.0)	73.5	8/20-1/21	New or replacement projects undertaken for the purpose of safety, reliability, system modernization or economic development.	August 2021

[1]Programs do not include any costs already included in base rates.
[2]Decrease in incremental revenue due to lower O&M expenses as compared to the prior filing.
[3]Effective January 23, 2021, Columbia of Pennsylvania's DSIC rate was set to zero due to the inclusion of the incremental capital and revenue in base rates following the Pennsylvania PUC's Final Order in the 2020 rate case.
[4]Decrease in incremental revenue is due to lower depreciation expense (pre-2018 base rate case vs. post-2018 base rate case).
[5]On April 1, 2021, NIPSCO filed a notice with the IURC that it intended to terminate its current Electric TDSIC plan effective May 31, 2021. NIPSCO filed for a new electric TDSIC plan on June 1, 2021. An order is expected by the end of 2021.

Financing Activities

Common Stock and Preferred Stock. Refer to Note 5, "Equity," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on common and preferred stock activity.

Short-term Debt and Sale of Trade Accounts Receivables. Refer to Note 15, "Short-Term Borrowings," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on short-term debt activity, including sale of trade accounts receivable.

Equity Unit Sale. Refer to Note 5, "Equity," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on equity units activity.

Non-controlling Interest. Refer to Note 14, "Variable Interest Entities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on contributions from non-controlling interest activity.

Net Available Liquidity. As of June 30, 2021, an aggregate of $2,159.6 million of net liquidity was available, including cash and credit available under the revolving credit facility.

The following table displays our liquidity position as of June 30, 2021 and December 31, 2020:

(in millions)		**June 30, 2021**		December 31, 2020
Current Liquidity				
Revolving Credit Facility	**$**	**1,850.0**	$	1,850.0
Accounts Receivable Program[(1)]		**246.2**		273.3
Less:				
Commercial Paper		**—**		503.0
Letters of Credit Outstanding Under Credit Facility		**14.1**		15.2
Add:				
Cash and Cash Equivalents		**77.5**		116.5
Net Available Liquidity	**$**	**2,159.6**	$	1,721.6

[(1)]Represents the lesser of the seasonal limit or maximum borrowings supportable by the underlying receivables.

Debt Covenants. We are subject to financial covenants under our revolving credit facility, which require us to maintain a debt to capitalization ratio that does not exceed 70%. As of June 30, 2021, the ratio was 58.6%.

Credit Ratings. The credit rating agencies periodically review our ratings, taking into account factors such as our capital structure and earnings profile. The following table includes our and NIPSCO's credit ratings and ratings outlook as of June 30, 2021.

A credit rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision or withdrawal at any time by the assigning rating organization.

	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
NiSource	BBB+	Stable	Baa2	Stable	BBB	Stable
NIPSCO	BBB+	Stable	Baa1	Stable	BBB	Stable
Commercial Paper	A-2	Stable	P-2	Stable	F2	Stable

Certain of our subsidiaries have agreements that contain "ratings triggers" that require increased collateral if our credit rating or the credit ratings of certain of our subsidiaries are below investment grade. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. As of June 30, 2021, the collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $50.3 million. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.

Equity. Our authorized capital stock consists of 620,000,000 shares, $0.01 par value, of which 600,000,000 are common stock and 20,000,000 are preferred stock. As of June 30, 2021, 392,328,441 shares of common stock and 1,302,500 shares of preferred stock were outstanding.

Contractual Obligations. A summary of contractual obligations is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. Other than the purchase contract liability related to our Equity Units, discussed in Note 5, "Equity," in the Notes to the Condensed Consolidated Financial Statements (unaudited), there were no material changes from year-end during the six months ended June 30, 2021.

Guarantees and Indemnities. We and certain of our subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries as a part of normal business. Refer to Note 16, "Other Commitments and Contingencies," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for information on guarantees.

Cost Recovery and Trackers

Comparability of our line item operating results is impacted by regulatory trackers that allow for the recovery in rates of certain costs such as those described below. Increases in the expenses that are subject to approved regulatory tracker mechanisms generally lead to increased regulatory assets, which ultimately result in a corresponding increase in operating revenues and, therefore, have essentially no impact on total operating income results. Certain approved regulatory tracker mechanisms allow for abbreviated regulatory proceedings in order for the operating companies to quickly implement revised rates and recover associated costs.

A portion of the Gas Distribution revenue is related to the recovery of gas costs, the review and recovery of which occurs through standard regulatory proceedings. All states in our operating area require periodic review of actual gas procurement activity to determine prudence and to confirm the recovery of prudently incurred energy commodity costs supplied to customers.

Increased efficiency of natural gas appliances and improvements in home building codes and standards has contributed to a long-term trend of declining average use per customer. As a result, Gas Distribution Operations have pursued changes in rate design to more effectively match recoveries with costs incurred. Columbia of Ohio has adopted a straight fixed variable rate design that closely links the recovery of fixed costs with fixed charges. Columbia of Maryland and Columbia of Virginia have regulatory approval for weather and revenue normalization adjustments for certain customer classes, which adjust monthly revenues that exceed or fall short of approved levels. Columbia of Pennsylvania continues to operate its pilot residential weather normalization adjustment and also has a fixed customer charge. This weather normalization adjustment only adjusts revenues when actual weather compared to normal varies by more than 3%. Columbia of Kentucky incorporates a weather normalization adjustment for certain customer classes and also has a fixed customer charge. In a prior gas base rate proceeding, NIPSCO implemented a higher fixed customer charge for residential and small customer classes moving toward recovering more of its fixed costs through a fixed recovery charge, but has no weather or usage protection mechanism.

A portion of the Electric Operations revenue is related to the recovery of fuel costs to generate power and the fuel costs related to purchased power. These costs are recovered through a FAC, which is updated quarterly to reflect actual costs incurred to supply electricity to customers.

While increased efficiency of electric appliances and improvements in home building codes and standards has similarly impacted the average use per electric customer in recent years, NIPSCO expects a future trend with increases in per customer usage driven by increasing electric applications. Further growth is anticipated as electric vehicles become more prevalent. These ongoing changes in use of electricity will likely lead to development of innovative rate designs, and NIPSCO will continue efforts to design rates that increase the certainty of recovery of fixed costs.

NiSource Inc.
Regulatory and Other Matters

Rate Case Actions

The following table describes current rate case actions as applicable in each of our jurisdictions net of tracker impacts:

(in millions)

Company	Proposed ROE	Approved ROE	Requested Incremental Revenue	Approved Incremental Revenue	Filed	Status	Rates Effective
Columbia of Pennsylvania[1]	9.86 %	9.86 %	$ 76.8	$ 63.5	April 24, 2020	Approved February 19, 2021	January 2021
Columbia of Pennsylvania	10.95 %	In process	$ 98.3	In process	March 30, 2021	Order Expected Q4 2021	December 2021
Columbia of Maryland	10.85 %	In process	$ 4.8	In process	May 14, 2021	Order Expected Q4 2021	December 2021
Columbia of Kentucky	10.30 %	In process	$ 26.7	In process	May 28, 2021	Order Expected Q1 2022	January 2022
Columbia of Ohio	10.95 %	In process	$ 221.4	In process	June 30, 2021	Order Expected Q3 2022	July 2022

[1]The 9.86% ROE and the $76.8 million requested incremental revenue stated above reflect compromise positions taken by Columbia of Pennsylvania during the briefing stages of its 2020 base rate case. In its initial filing on April 24, 2020, Columbia of Pennsylvania proposed an ROE of 10.95% and requested incremental revenue of $100.4 million. A Final Order from the Pennsylvania PUC was received on February 19, 2021 for rates effective retroactive to January 23, 2021. On March 8, 2021, the Pennsylvania Office of Consumer Advocate filed a Petition for Reconsideration, seeking to have the Pennsylvania PUC modify its February 19 Final Order. On April 15, 2021, the Pennsylvania PUC issued an Opinion and Order denying the Office of Consumer Advocate's Petition. Parties have 30 days in which to file an appeal. The OCA did not file a Notice of Appeal by the Commission's May 17, 2021 due date. CPA began back billing customers for usage from January 23, 2021 at the new rates beginning March 20, 2021.

COVID-19 Regulatory Deferrals

In addition to the cost deferred to a regulatory asset as noted in Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited), certain states have permitted us to track lost late and disconnect fee revenues due to the pandemic. While these costs do not qualify as regulatory assets under ASC 980, we will consider seeking recovery of these costs in future regulatory proceedings.

PHMSA Regulations

On December 27, 2020, the Protecting Our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act of 2020 was signed into law reauthorizing funding for federal pipeline safety programs through September 30, 2023. Among other things, the PIPES Act requires that PHMSA revise the pipeline safety regulations to require operators to update, as needed, their existing distribution integrity management plans, emergency response plans, and O&M plans. The PIPES Act also requires PHMSA to adopt new requirements for managing records and updating, as necessary existing district regulator stations to eliminate common modes of failure that can lead to overpressurization. PHMSA must also require that operators implement leak detection and repair programs that meet safety needs and protect the environment, require the use of advance leak detection practices and technologies, and require operators to be able to locate and categorize all leaks that are hazardous to human safety or the environment, or that can become hazardous. Natural gas companies, including the Company, may see increased costs depending on how PHMSA implements the new mandates resulting from the PIPES Act.

Climate Issues

Future legislative and regulatory programs could significantly limit allowed GHG emissions or impose a cost or tax on GHG emissions. Additionally, rules that require further GHG reductions or impose additional requirements for natural gas facilities could impose additional costs.

In February 2021, the United States rejoined the Paris Agreement, an international treaty through which parties set nationally determined contributions to reduce GHG emissions, build resilience, and adapt to the impacts of climate change. Subsequently, the Biden Administration released a target for the United States to achieve a 50%-52% GHG reduction from 2005 levels by 2030, which supports the President's goals to create a carbon-free power sector by 2035 and net zero emissions economy no later than 2050. There are many pathways to reach these goals. We will carefully monitor all climate-related policy as we continue to actively implement our plans to be coal-free by 2028 and achieve our target of 90% GHG reduction, from 2005 levels, by 2030.

On July 8, 2019, the EPA published the final ACE rule, which establishes emission guidelines for states to use when developing plans to limit carbon dioxide at coal-fired electric generating units based on heat rate improvement measures. The U.S. Court of Appeals for the D.C. Circuit vacated and remanded the rule on January 19, 2021. NIPSCO will continue to monitor this matter.

Off-Balance Sheet Arrangements

We, along with certain of our subsidiaries, enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit.

Refer to Note 16, "Other Commitments and Contingencies," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about such arrangements.

Market Risk Disclosures

Risk is an inherent part of our businesses. The extent to which we properly and effectively identify, assess, monitor and manage each of the various types of risk involved in our businesses is critical to our profitability. We seek to identify, assess, monitor and manage, in accordance with defined policies and procedures, the following principal market risks that are involved in our businesses: commodity price risk, interest rate risk and credit risk. We manage risk through a multi-faceted process with oversight by the Risk Management Committee that requires constant communication, judgment and knowledge of specialized products and markets. Our senior management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks. These may include, but are not limited to market, operational, financial, compliance and strategic risk types. In recognition of the increasingly varied and complex nature of the energy business, our risk management process, policies and procedures continue to evolve and are subject to ongoing review and modification.

Commodity Price Risk
We are exposed to commodity price risk as a result of our subsidiaries' operations involving natural gas and power. To manage this market risk, our subsidiaries use derivatives, including commodity futures contracts, swaps, forwards and options. We do not participate in speculative energy trading activity.

Commodity price risk resulting from derivative activities at our rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the ratemaking process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional ratemaking process and may be more exposed to commodity price risk.

Our subsidiaries are required to make cash margin deposits with their brokers to cover actual and potential losses in the value of outstanding exchange traded derivative contracts. The amount of these deposits, some of which are reflected in our restricted cash balance, may fluctuate significantly during periods of high volatility in the energy commodity markets.

Refer to Note 9, "Risk Management Activities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information on our commodity price risk assets and liabilities as of June 30, 2021 or December 31, 2020.

Interest Rate Risk
We are exposed to interest rate risk as a result of changes in interest rates on borrowings under our revolving credit agreement, commercial paper program, accounts receivable programs and now-settled term loan, which have interest rates that are indexed to short-term market interest rates. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by $0.2 million and $1.4 million for the three and six months ended June 30, 2021, and $3.4 million and $7.7 million for the three and six months ended June 30, 2020, respectively. We are also exposed to interest rate risk as a result of changes in benchmark rates that can influence the interest rates of future debt issuances.

Refer to Note 9, "Risk Management Activities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information on our interest rate risk assets and liabilities as of June 30, 2021 and December 31, 2020.

Credit Risk
Due to the nature of the industry, credit risk is embedded in many of our business activities. Our extension of credit is governed by a Corporate Credit Risk Policy. In addition, Risk Management Committee guidelines are in place which document management approval levels for credit limits, evaluation of creditworthiness, and credit risk mitigation efforts. Exposures to credit risks are monitored by the risk management function, which is independent of commercial operations. Credit risk arises due to the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative-related contracts, credit risk arises when counterparties are obligated to deliver or purchase defined commodity units of gas or power to us at a future date per execution of contractual terms and

conditions. Exposure to credit risk is measured in terms of both current obligations and the market value of forward positions net of any posted collateral such as cash and letters of credit.

We closely monitor the financial status of our banking credit providers. We evaluate the financial status of our banking partners through the use of market-based metrics such as credit default swap pricing levels, and also through traditional credit ratings provided by major credit rating agencies.

Certain individual state regulatory commissions instituted regulatory moratoriums in connection with the COVID-19 pandemic that impacted our ability to pursue our credit risk mitigation practices for customer accounts receivable. Following the issuances of these moratoriums, certain of our regulated operations have been authorized to recognize a regulatory asset for bad debt costs above levels currently in rates. We have reinstated our common credit mitigation practices where moratoriums have expired. Refer to Note 8, "Regulatory Matters" in the Notes to Condensed Consolidated Financial Statements (unaudited) for state-specific regulatory moratoriums.

Other Information

Critical Accounting Estimates

Refer to Note 3, "Revenue Recognition," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about management judgment used in determining allowance for credit losses.

Refer to Note 11, "Goodwill," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about management judgment used in the annual goodwill impairment analysis performed as of May 1, 2021.

Refer to Note 14, "Variable Interest Entities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about management judgement used in determining how to account for our variable interest entity.

Recently Issued Accounting Pronouncements

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about recently issued and adopted accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion regarding quantitative and qualitative disclosures about market risk see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures.”

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and our chief financial officer are responsible for evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that financial information was processed, recorded and reported accurately.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting during the most recently completed quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

For a description of our legal proceedings, see Note 16-B, "Legal Proceedings," in the Notes to Condensed Consolidated Financial Statements (unaudited).

ITEM 1A. RISK FACTORS

Please refer to the risk factors set forth in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, as supplemented by the risk factors set forth in Part II, Item 1A of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

NiSource Inc.

(31.1)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
(31.2)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
(32.1)	Certification of Chief Executive Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).*
(32.2)	Certification of Chief Financial Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).*
(101.INS)	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
(101.SCH)	Inline XBRL Schema Document
(101.CAL)	Inline XBRL Calculation Linkbase Document
(101.LAB)	Inline XBRL Labels Linkbase Document
(101.PRE)	Inline XBRL Presentation Linkbase Document
(101.DEF)	Inline XBRL Definition Linkbase Document
(104)	Cover page Interactive Data File (formatted as inline XBRL, and contained in Exhibit 101.)

* Exhibit filed herewith.

SIGNATURE

NiSource Inc.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NiSource Inc.
(Registrant)

Date: August 4, 2021

By: /s/ Gunnar J. Gode
Gunnar J. Gode
Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

Exhibit 31.1

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph Hamrock, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended June 30, 2021;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2021

By: /s/ Joseph Hamrock
Joseph Hamrock
President and Chief Executive Officer

Exhibit 31.2

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Donald E. Brown, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended June 30, 2021;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2021

By: /s/ Donald E. Brown

Donald E. Brown
Executive Vice President, Chief Financial Officer, and
President of NiSource Corporate Services

Exhibit 32.1

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Hamrock, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph Hamrock
Joseph Hamrock
President and Chief Executive Officer

Date: August 4, 2021

Exhibit 32.2

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald E. Brown, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Donald E. Brown

Donald E. Brown
Executive Vice President, Chief Financial Officer, and President of
NiSource Corporate Services

Date: August 4, 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

DE	35-2108964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 East 86th Avenue Merrillville, IN	46410
(Address of principal executive offices)	(Zip Code)

(877) 647-5990
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	NI	NYSE
Depositary Shares, each representing a 1/1,000th ownership interest in a share of 6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, par value $0.01 per share, liquidation preference $25,000 per share and a 1/1,000th ownership interest in a share of Series B-1 Preferred Stock, par value $0.01 per share, liquidation preference $0.01 per share	NI PR B	NYSE
Series A Corporate Units	NIMC	NYSE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.)

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Emerging growth company ☐ Non-accelerated filer ☐ Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $0.01 Par Value: 392,217,046 shares outstanding at April 26, 2021.

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2021

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DEFINED TERMS

The following is a list of frequently used abbreviations or acronyms that are found in this report:

NiSource Subsidiaries, Affiliates and Former Subsidiaries

Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
NIPSCO	Northern Indiana Public Service Company LLC
NiSource ("we," "us" or "our")	NiSource Inc.
Rosewater	Rosewater Wind Generation LLC and its wholly owned subsidiary, Rosewater Wind Farm LLC

Abbreviations and Other

ACE	Affordable Clean Energy
AFUDC	Allowance for funds used during construction
AOCI	Accumulated Other Comprehensive Income (Loss)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	At-the-market
BTA	Build-transfer agreement
CCRs	Coal Combustion Residuals
CEP	Capital Expenditure Program
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
COVID-19 ("the COVID-19 pandemic" or "the pandemic")	Novel Coronavirus 2019
DSIC	Distribution System Improvement Charge
DPU	Department of Public Utilities
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FMCA	Federally Mandated Cost Adjustment
GAAP	Generally Accepted Accounting Principles
GCA	Gas cost adjustment
GHG	Greenhouse gases
GWh	Gigawatt hours
HLBV	Hypothetical Liquidation at Book Value
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
LIBOR	London InterBank Offered Rate
LIFO	Last In, First Out
MA DOR	Massachusetts Department of Revenue
Massachusetts Business	All of the assets sold to, and liabilities assumed by, Eversource pursuant to the Asset Purchase Agreement

DEFINED TERMS

MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator
MMDth	Million dekatherms
MW	Megawatts
MWh	Megawatt hours
NTSB	National Transportation Safety Board
NYMEX	New York Mercantile Exchange
OPEB	Other Postretirement Benefits
PHMSA	Pipeline and Hazardous Materials Safety Administration
PPA	Power Purchase Agreement
PSC	Public Service Commission
PUC	Public Utilities Commission
RCRA	Resource Conservation and Recovery Act
RFP	Request for proposals
SAVE	Steps to Advance Virginia's Energy Plan
SEC	Securities and Exchange Commission
SMRP	Safety Modification and Replacement Program
SMS	Safety Management System
STRIDE	Strategic Infrastructure Development Enhancement
TCJA	An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (commonly known as the Tax Cuts and Jobs Act of 2017)
TDSIC	Transmission, Distribution and Storage System Improvement Charge
VIE	Variable Interest Entity

Note regarding forward-looking statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. Expressions of future goals and expectations and similar expressions, including "may," "will," "should," "could," "would," "aims," "seeks," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," "forecast," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Quarterly Report on Form 10-Q include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of the Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; adverse economic and capital

market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney's Office to settle the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; other matters in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020; and matters related to our Equity Units as set forth in the "Risk Factors" section of this Quarterly Report on Form 10-Q, many of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

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PART I

ITEM 1. FINANCIAL STATEMENTS

NiSource Inc.
Condensed Statements of Consolidated Income (unaudited)

(in millions, except per share amounts)	Three Months Ended March 31, 2021	2020
Operating Revenues		
Customer revenues	**$ 1,506.5**	$ 1,525.9
Other revenues	**39.1**	79.6
Total Operating Revenues	**1,545.6**	1,605.5
Operating Expenses		
Cost of energy	**476.8**	462.4
Operation and maintenance	**361.5**	444.6
Depreciation and amortization	**185.0**	184.3
Loss on sale of assets, net	**8.1**	280.1
Other taxes	**81.0**	85.9
Total Operating Expenses	**1,112.4**	1,457.3
Operating Income	**433.2**	148.2
Other Income (Deductions)		
Interest expense, net	**(84.6)**	(92.9)
Other, net	**10.5**	5.4
Total Other Deductions, Net	**(74.1)**	(87.5)
Income before Income Taxes	**359.1**	60.7
Income Taxes	**62.6**	(14.9)
Net Income	**296.5**	75.6
Net income attributable to noncontrolling interest	**1.0**	—
Net Income attributable to NiSource	**295.5**	75.6
Preferred dividends	**(13.8)**	(13.8)
Net Income Available to Common Shareholders	**281.7**	61.8
Earnings Per Share		
Basic Earnings Per Share	**$ 0.72**	$ 0.16
Diluted Earnings Per Share	**$ 0.72**	$ 0.16
Basic Average Common Shares Outstanding	**392.7**	383.1
Diluted Average Common Shares	**393.9**	384.1

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Statements of Consolidated Comprehensive Income (Loss) (unaudited)

(in millions, net of taxes)	Three Months Ended March 31, **2021**	2020
Net Income	**$ 296.5**	$ 75.6
Other comprehensive income (loss):		
Net unrealized loss on available-for-sale debt securities[1]	**(2.5)**	(5.4)
Net unrealized gain (loss) on cash flow hedges[2]	**84.6**	(133.3)
Unrecognized pension and OPEB benefit (costs)[3]	**(0.9)**	0.7
Total other comprehensive income (loss)	**81.2**	(138.0)
Comprehensive Income (Loss)	**$ 377.7**	$ (62.4)

[1]Net unrealized loss on available-for-sale debt securities, net of $0.7 million and $1.4 million tax benefit in the first quarter of 2021 and 2020, respectively.
[2]Net unrealized gain (loss) on cash flow hedges, net of $28.0 million tax expense and $44.1 million tax benefit in the first quarter of 2021 and 2020, respectively.
[3]Unrecognized pension and OPEB benefit (costs), net of $0.9 million tax expense and $0.3 million tax benefit in the first quarter of 2021 and 2020, respectively.

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Consolidated Balance Sheets (unaudited)

(in millions)	**March 31, 2021**	December 31, 2020
ASSETS		
Property, Plant and Equipment		
Plant	**$ 24,524.7**	$ 24,179.9
Accumulated depreciation and amortization	**(7,688.0)**	(7,560.4)
Net Property, Plant and Equipment[(1)]	**16,836.7**	16,619.5
Investments and Other Assets		
Available-for-sale debt securities (amortized cost of $163.8 and $163.9, allowance for credit losses of $0.3 and $0.5, respectively)	**167.9**	170.9
Other investments	**81.5**	81.1
Total Investments and Other Assets	**249.4**	252.0
Current Assets		
Cash and cash equivalents	**89.1**	116.5
Restricted cash	**7.6**	9.1
Accounts receivable	**848.4**	843.6
Allowance for credit losses	**(53.9)**	(52.3)
Accounts receivable, net	**794.5**	791.3
Gas inventory	**48.1**	191.2
Materials and supplies, at average cost	**145.6**	141.5
Electric production fuel, at average cost	**52.5**	68.4
Exchange gas receivable	**53.7**	34.1
Regulatory assets	**188.9**	135.7
Deferred property taxes	**104.2**	85.6
Prepayments and other	**109.3**	86.0
Total Current Assets[(1)]	**1,593.5**	1,659.4
Other Assets		
Regulatory assets	**1,791.3**	1,794.8
Goodwill	**1,485.9**	1,485.9
Deferred charges and other	**237.7**	228.9
Total Other Assets	**3,514.9**	3,509.6
Total Assets	**$ 22,194.5**	$ 22,040.5

[(1)]Includes $174.2 million and $175.6 million of net property, plant and equipment assets and $4.2 million and $1.7 million of current assets of a consolidated VIE as of March 31, 2021 and December 31, 2020 that may be used only to settle obligations of the consolidated VIE. Refer to Note 15 "Variable Interest Entities" for additional information.

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

NiSource Inc.
Condensed Consolidated Balance Sheets (unaudited) (continued)

(in millions, except share amounts)		**March 31, 2021**		December 31, 2020
CAPITALIZATION AND LIABILITIES				
Capitalization				
Stockholders' Equity				
Common stock - $0.01 par value, 600,000,000 shares authorized; 392,129,866 and 391,760,051 shares outstanding, respectively	**$**	**3.9**	$	3.9
Preferred stock - $0.01 par value, 20,000,000 shares authorized; 440,000 shares outstanding		**880.0**		880.0
Treasury stock		**(99.9)**		(99.9)
Additional paid-in capital		**6,892.9**		6,890.1
Retained deficit		**(1,669.8)**		(1,765.2)
Accumulated other comprehensive loss		**(75.5)**		(156.7)
Total NiSource Stockholders' Equity		**5,931.6**		5,752.2
Noncontrolling interest in consolidated subsidiaries		**94.1**		85.6
Total Stockholders' Equity		**6,025.7**		5,837.8
Long-term debt, excluding amounts due within one year		**9,202.3**		9,219.8
Total Capitalization		**15,228.0**		15,057.6
Current Liabilities				
Current portion of long-term debt		**44.4**		23.3
Short-term borrowings		**520.0**		503.0
Accounts payable		**554.9**		589.0
Dividends payable - common stock		**86.3**		—
Dividends payable - preferred stock		**19.4**		—
Customer deposits and credits		**146.7**		243.3
Taxes accrued		**301.5**		244.1
Interest accrued		**94.6**		104.7
Exchange gas payable		**25.5**		48.5
Regulatory liabilities		**169.6**		161.3
Accrued compensation and employee benefits		**131.2**		141.8
Other accruals		**164.7**		220.4
Total Current Liabilities		**2,258.8**		2,279.4
Other Liabilities				
Deferred income taxes		**1,573.6**		1,470.6
Accrued liability for postretirement and postemployment benefits		**328.9**		336.1
Regulatory liabilities		**1,881.0**		1,904.2
Asset retirement obligations		**479.7**		477.1
Other noncurrent liabilities		**444.5**		515.5
Total Other Liabilities		**4,707.7**		4,703.5
Commitments and Contingencies (Refer to Note 17, "Other Commitments and Contingencies")				
Total Capitalization and Liabilities	**$**	**22,194.5**	$	22,040.5

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

NiSource Inc.
Condensed Statements of Consolidated Cash Flows (unaudited)

Three Months Ended March 31, *(in millions)*		**2021**		2020
Operating Activities				
Net Income	**$**	**296.5**	$	75.6
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:				
Depreciation and amortization		**185.0**		184.3
Deferred income taxes and investment tax credits		**55.2**		(19.9)
Loss on sale of assets		**8.1**		280.2
Other adjustments		**3.5**		7.9
Changes in Assets and Liabilities:				
Components of working capital		**(89.3)**		(147.1)
Regulatory assets/liabilities		**8.4**		12.9
Deferred charges and other noncurrent assets		**(10.7)**		(12.1)
Other noncurrent liabilities		**(8.4)**		(11.9)
Net Cash Flows from Operating Activities		**448.3**		369.9
Investing Activities				
Capital expenditures		**(367.0)**		(452.1)
Cost of removal		**(26.9)**		(34.5)
Purchases of available-for-sale securities		**(16.6)**		(43.5)
Sales of available-for-sale securities		**16.9**		45.4
Payment to renewable generation asset developer		**(7.4)**		—
Other investing activities		**(0.8)**		0.1
Net Cash Flows used for Investing Activities		**(401.8)**		(484.6)
Financing Activities				
Repayments of long-term debt and finance lease obligations		**(5.9)**		(4.1)
Issuance of short-term debt (maturity > 90 days)		**—**		500.0
Change in short-term borrowings, net (maturity ≤ 90 days)		**17.0**		(226.8)
Issuance of common stock, net of issuance costs		**2.8**		3.7
Equity costs, premiums and other debt related costs		**(2.5)**		(5.1)
Contributions from non-controlling interest, net of issuance costs		**7.5**		—
Dividends paid - common stock		**(86.2)**		(80.3)
Dividends paid - preferred stock		**(8.1)**		(8.1)
Net Cash Flows (used for) from Financing Activities		**(75.4)**		179.3
Change in cash, cash equivalents and restricted cash		**(28.9)**		64.6
Cash, cash equivalents and restricted cash at beginning of period		**125.6**		148.4
Cash, Cash Equivalents and Restricted Cash at End of Period	**$**	**96.7**	$	213.0

Supplemental Disclosures of Cash Flow Information

Three Months Ended March 31, *(in millions)*		**2021**		2020
Non-cash transactions:				
Capital expenditures included in current liabilities	**$**	**155.6**	$	150.5
Dividends declared but not paid		**105.7**		99.8
Assets recorded for asset retirement obligations		**—**		69.8
Obligation to developer at formation of joint venture	**$**	**6.0**	$	—

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

NiSource Inc.
Condensed Statements of Consolidated Equity (unaudited)

(in millions)	Common Stock	Preferred Stock[1]	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of January 1, 2021	**$ 3.9**	**$ 880.0**	**$ (99.9)**	**$ 6,890.1**	**$ (1,765.2)**	**$ (156.7)**	**$ 85.6**	**$ 5,837.8**
Comprehensive Income:								
Net income	—	—	—	—	295.5	—	1.0	296.5
Other comprehensive income, net of tax	—	—	—	—	—	81.2	—	81.2
Dividends:								
Common stock ($0.44 per share)	—	—	—	—	(172.6)	—	—	(172.6)
Preferred stock (See Note 5)	—	—	—	—	(27.5)	—	—	(27.5)
Contribution from noncontrolling interest	—	—	—	—	—	—	7.5	7.5
Stock issuances:								
Employee stock purchase plan	—	—	—	1.3	—	—	—	1.3
Long-term incentive plan	—	—	—	(0.5)	—	—	—	(0.5)
401(k) and profit sharing	—	—	—	2.3	—	—	—	2.3
ATM program	—	—	—	(0.3)	—	—	—	(0.3)
Balance as of March 31, 2021	**$ 3.9**	**$ 880.0**	**$ (99.9)**	**$ 6,892.9**	**$ (1,669.8)**	**$ (75.5)**	**$ 94.1**	**$ 6,025.7**

[1]Series A and Series B shares have an aggregate liquidation preference of $400M and $500M, respectively. See Note 5, "Equity" for additional information.

(in millions)	Common Stock	Preferred Stock[1]	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of January 1, 2020	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,666.2**	**$ (1,370.8)**	**$ (92.6)**	**$ —**	**$ 5,986.7**
Comprehensive Income:								
Net income	—	—	—	—	75.6	—	—	75.6
Other comprehensive loss, net of tax	—	—	—	—	—	(138.0)	—	(138.0)
Dividends:								
Common stock ($0.42 per share)	—	—	—	—	(160.7)	—	—	(160.7)
Preferred stock (See Note 5)	—	—	—	—	(27.5)	—	—	(27.5)
Stock issuances:								
Employee stock purchase plan	—	—	—	1.3	—	—	—	1.3
Long-term incentive plan	—	—	—	(0.5)	—	—	—	(0.5)
401(k) and profit sharing	—	—	—	4.5	—	—	—	4.5
Balance as of March 31, 2020	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,671.5**	**$ (1,483.4)**	**$ (230.6)**	**$ —**	**$ 5,741.4**

[1]Series A and Series B shares have an aggregate liquidation preference of $400M and $500M, respectively. See Note 5, "Equity" for additional information.

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Statements of Consolidated Equity (unaudited) (continued)

	Preferred	Common		
Shares *(in thousands)*	**Shares**	**Shares**	**Treasury**	**Outstanding**
Balance as of January 1, 2021	**440**	**395,723**	**(3,963)**	**391,760**
Issued:				
Employee stock purchase plan	—	55	—	55
Long-term incentive plan	—	212	—	212
401(k) and profit sharing	—	103	—	103
Balance as of March 31, 2021	**440**	**396,093**	**(3,963)**	**392,130**

	Preferred	Common		
Shares *(in thousands)*	**Shares**	**Shares**	**Treasury**	**Outstanding**
Balance as of January 1, 2020	**440**	**386,099**	**(3,963)**	**382,136**
Issued:				
Employee stock purchase plan	—	46	—	46
Long-term incentive plan	—	347	—	347
401(k) and profit sharing	—	165	—	165
Balance as of March 31, 2020	**440**	**386,657**	**(3,963)**	**382,694**

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Accounting Presentation

Our accompanying Condensed Consolidated Financial Statements (unaudited) reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with GAAP in the United States of America. The accompanying financial statements include the accounts of us, our majority-owned subsidiaries, and VIEs of which we are the primary beneficiary after the elimination of all intercompany accounts and transactions.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors.

The Condensed Consolidated Financial Statements (unaudited) have been prepared pursuant to the rules and regulations of the SEC. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made in this Quarterly Report on Form 10-Q are adequate to make the information herein not misleading.

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

2. Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

We are currently evaluating the impact of certain ASUs on our Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited), which are described below:

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Statement* ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*	This pronouncement provides temporary optional expedients and exceptions for applying GAAP principles to contract modifications and hedging relationships to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates.	Upon issuance on March 12, 2020, and will apply though December 31, 2022.	We continue to evaluate the temporary expedients and options available under this guidance, and the effects of this pronouncement on our Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited). We are currently identifying and evaluating contracts that may be impacted. As of March 31, 2021, we have not applied any expedients and options available under this ASU.
ASU 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivative and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*	This pronouncement simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Specifically, the ASU "simplifies accounting for convertible instruments by removing major separation models required under current GAAP." In addition, the ASU "removes certain settlement conditions that are required for equity contracts to qualify for it" and "simplifies the diluted earnings per share (EPS) calculations in certain areas."	Annual period beginning after December 15, 2021, and interim periods within those fiscal years.	We continue to evaluate the effects of this pronouncement on our Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited) as it pertains to any relevant future activity. We expect to adopt this ASU on its effective date.

Recently Adopted Accounting Pronouncements

Standard	Adoption
ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*	This pronouncement simplifies the accounting for income taxes by eliminating certain exceptions to the general principles in ASC 740, income taxes. It also improves consistency of application for other areas of the guidance by clarifying and amending existing guidance. We adopted the amendments of this pronouncement as of January 1, 2021 with no material impact to the Condensed Consolidated Financial Statements (unaudited).

3. Revenue Recognition

Revenue Disaggregation and Reconciliation. We disaggregate revenue from contracts with customers based upon reportable segment, as well as by customer class. As our revenues are primarily earned over a period of time and we do not earn a material amount of revenues at a point in time, revenues are not disaggregated as such below. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, and Indiana. We completed the sale of the Massachusetts Business on October 9, 2020. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

The tables below reconcile revenue disaggregation by customer class to segment revenue, as well as to revenues reflected on the Condensed Statements of Consolidated Income (unaudited) for the three months ended March 31, 2021 and March 31, 2020:

Three Months Ended March 31, 2021 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other[2]	Total
Customer Revenues[1]				
Residential	$ 773.5	$ 129.2	$ —	$ 902.7
Commercial	271.4	122.9	—	394.3
Industrial	57.9	122.9	—	180.8
Off-system	14.4	—	—	14.4
Miscellaneous	9.9	4.2	0.2	14.3
Total Customer Revenues	$ 1,127.1	$ 379.2	$ 0.2	$ 1,506.5
Other Revenues	8.7	23.3	7.1	39.1
Total Operating Revenues	$ 1,135.8	$ 402.5	$ 7.3	$ 1,545.6

[1] Customer revenue amounts exclude intersegment revenues. See Note 20, "Business Segment Information," for discussion of intersegment revenues.
[2] Other revenues related to the Transition Services Agreement entered into in connection with the sale of the Massachusetts Business.

Three Months Ended March 31, 2020 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues[1]				
Residential	$ 796.5	$ 119.2	$ —	$ 915.7
Commercial	269.4	120.2	—	389.6
Industrial	74.2	109.1	—	183.3
Off-system	18.7	—	—	18.7
Miscellaneous	12.5	5.9	0.2	18.6
Total Customer Revenues	$ 1,171.3	$ 354.4	$ 0.2	$ 1,525.9
Other Revenues	56.7	22.9	—	79.6
Total Operating Revenues	$ 1,228.0	$ 377.3	$ 0.2	$ 1,605.5

[1] Customer revenue amounts exclude intersegment revenues. See Note 20, "Business Segment Information," for discussion of intersegment revenues.

Customer Accounts Receivable. Accounts receivable on our Condensed Consolidated Balance Sheets (unaudited) includes both billed and unbilled amounts, as well as certain amounts that are not related to customer revenues. Unbilled amounts of accounts receivable relate to a portion of a customer's consumption of gas or electricity from the date of the last cycle billing through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage, customer rates and weather. The opening and closing balances of customer receivables for the three months ended March 31, 2021 are presented in the table below. We had no significant contract assets or liabilities during the period. Additionally, we have not incurred any significant costs to obtain or fulfill contracts.

(in millions)	Customer Accounts Receivable, Billed (less reserve)	Customer Accounts Receivable, Unbilled (less reserve)
Balance as of December 31, 2020	$ 400.0	$ 327.2
Balance as of March 31, 2021	507.4	244.3
Increase (Decrease)	$ 107.4	$ (82.9)

Utility revenues are billed to customers monthly on a cycle basis. We expect that substantially all customer accounts receivable will be collected following customer billing, as this revenue consists primarily of periodic, tariff-based billings for service and usage. We maintain common utility credit risk mitigation practices, including requiring deposits and actively pursuing collection of past due amounts. Our regulated operations also utilize certain regulatory mechanisms that facilitate recovery of bad debt costs within tariff-based rates, which provides further evidence of collectibility. In connection with the COVID-19 pandemic, certain state regulatory commissions instituted regulatory moratoriums that impacted our ability to pursue our

standard credit risk mitigation practices. Following the issuance of these moratoriums, certain of our regulated operations have been authorized to recognize a regulatory asset for bad debt costs above levels currently in rates. We have reinstated our common credit mitigation practices where moratoriums have expired (see Note 8, "Regulatory Matters," for additional information on regulatory moratoriums and regulatory assets). It is probable that substantially all of the consideration to which we are entitled from customers will be collected upon satisfaction of performance obligations.

Allowance for Credit Losses. To evaluate for expected credit losses, customer account receivables are pooled based on similar risk characteristics, such as customer type, geography, payment terms, and related macro-economic risks. Expected credit losses are established using a model that considers historical collections experience, current information, and reasonable and supportable forecasts. Relevant and reliable internal and external inputs used in the model include, but are not limited to, energy consumption trends, revenue projections, actual charge-offs data, recoveries data, shut-off orders executed data, and final bill data. We continuously evaluate available reasonable and supportable information relevant to assessing collectability of current and future receivables. We evaluate creditworthiness of specific customers periodically or when required by changes in facts and circumstances. When we become aware of a specific commercial or industrial customer's inability to pay, an allowance for expected credit losses is recorded for the relevant amount. We also monitor other circumstances that could affect our overall expected credit losses; these include, but are not limited to, creditworthiness of overall population in service territories, adverse conditions impacting an industry sector, and current economic conditions.

At each reporting period, we record expected credit losses using an allowance for credit losses account. When deemed to be uncollectible, customer accounts are written-off. A rollforward of our allowance for credit losses for the three months ended March 31, 2021 are presented in the table below:

Three Months Ended March 31, 2021 (*in millions*)	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Beginning balance	$ 41.8	$ 9.7	$ 0.8	$ 52.3
Current period provisions	5.9	2.9	—	8.8
Write-offs charged against allowance	(9.0)	(2.4)	—	(11.4)
Recoveries of amounts previously written off	4.1	0.1	—	4.2
Ending balance of the allowance for credit losses	$ 42.8	$ 10.3	$ 0.8	$ 53.9

As of March 31, 2021, we have also evaluated the adequacy of our allowance for credit losses in light of the suspension of shut-offs for nonpayment due to the COVID-19 pandemic that remain in effect for certain jurisdictions. Our evaluation included an analysis of customer payment trends in 2020, economic conditions, receivables aging, considerations of past economic downturns and the associated allowance for credit losses and customer account write-offs. In addition, we considered benefits available under governmental COVID-19 relief programs, the impact of unemployment benefits initiatives, and flexible payment plans being offered to customers affected by or experiencing hardship as a result of the pandemic, which could help to mitigate the potential for increasing customer account delinquencies. Based upon this evaluation, we have concluded that the allowance for credit losses as of March 31, 2021 adequately reflected the collection risk and net realizable value for our receivables. We will continue to monitor changing circumstances and will adjust our allowance for credit losses accordingly.

4. Earnings Per Share

Basic EPS is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period. The weighted-average shares outstanding for diluted EPS includes the incremental effects of the various long-term incentive compensation plans and an ATM forward agreement under the Treasury Stock Method when the impact would be dilutive (See Note 5 "Equity"). The computation of diluted average common shares is as follows:

	Three Months Ended March 31,	
(in thousands)	**2021**	2020
Basic average common shares outstanding	**392,657**	383,062
Dilutive potential common shares:		
Shares contingently issuable under employee stock plans	**630**	845
Shares restricted under employee stock plans	**288**	207
Forward Agreement	**337**	—
Diluted Average Common Shares	**393,912**	384,114

5. Equity

ATM Program and Forward Sale Agreement. On February 22, 2021, we entered into six separate equity distribution agreements pursuant to which we are able to sell up to an aggregate of $750.0 million of our common stock.

On February 23, 2021, under the ATM program, we executed a forward agreement, which allows us to issue a fixed number of shares at a price to be settled in the future. From February 24, 2021 to March 17, 2021, we borrowed 6,672,740 shares from third parties, which the dealer sold at a weighted average price of $22.48 per share. We may settle this agreement in shares, cash, or net shares by December 15, 2021. Had we settled all the shares under the forward agreement at March 31, 2021, we would have received approximately $148.5 million, based on a net price of $22.25 per share.

As of March 31, 2021, the ATM program (including the impacts of the forward sale agreement discussed above) had approximately $600.0 million of equity available for issuance. The program expires on December 31, 2023.

Preferred Stock. As of March 31, 2021, we had 20,000,000 shares of preferred stock authorized for issuance, of which 440,000 shares of preferred stock in the aggregate for all series were outstanding. The following table displays preferred dividends declared for the period by outstanding series of shares:

			Three Months Ended March 31,		March 31	December 31,
			2021	2020	2021	2020
(in millions except shares and per share amounts)	Liquidation Preference Per Share	Shares	Dividends Declared Per Share		Outstanding	
5.650% Series A	$ 1,000.00	400,000	28.25	28.25	$ 393.9	$ 393.9
6.500% Series B	$ 25,000.00	20,000	812.50	812.50	$ 486.1	$ 486.1

In addition, 20,000 shares of Series B–1 Preferred Stock, par value $0.01 per share, were outstanding as of March 31, 2021. Holders of Series B–1 Preferred Stock are not entitled to receive dividend payments and have no conversion rights. The Series B–1 Preferred Stock is paired with the Series B Preferred Stock and may not be transferred, redeemed or repurchased except in connection with the simultaneous transfer, redemption or repurchase of the underlying Series B Preferred Stock.

As of March 31, 2021 and 2020, Series A Preferred Stock had $6.7 million of cumulative preferred dividends in arrears, or $16.63 per share, and Series B Preferred Stock had $1.4 million of cumulative preferred dividends in arrears, or $72.23 per share.

6. Gas in Storage

We use both the LIFO inventory methodology and the weighted-average cost methodology to value natural gas in storage. Gas Distribution Operations prices natural gas storage injections at the average of the costs of natural gas supply purchased during the year. For interim periods, the difference between current projected replacement cost and the LIFO cost for quantities of gas temporarily withdrawn from storage is recorded as a temporary LIFO liquidation credit or debit within the Condensed Consolidated Balance Sheets (unaudited). Due to seasonality requirements, we expect interim variances in LIFO layers to be replenished by year end. We had a temporary LIFO liquidation debit of $22.3 million and zero as of March 31, 2021 and December 31, 2020, respectively, for certain gas distribution companies recorded within “Prepayments and other,” on the Condensed Consolidated Balance Sheets (unaudited).

7. Property, Plant and Equipment

In 2020, the MISO approved NIPSCO's plan to retire the R.M. Schahfer Generating Station in 2023. The December 2019 NIPSCO electric rate case order included approval to create a regulatory asset upon the retirement of the R.M. Schahfer Generating Station. The order allows for the recovery of and on the net book value of the station by the end of 2032.

In connection with the MISO's approval of NIPSCO's planned retirement of the R.M. Schahfer Generating Station, we recorded plant retirement-related charges during 2020 comprised of write downs of certain capital projects that have been cancelled and materials and supplies inventory balances deemed obsolete due to the planned retirement. As more information becomes available, the retirement date of the R.M. Schahfer Generating Station will be finalized, and additional plant retirement-related charges may be incurred. An immaterial amount of plant retirement-related charges were included within "Operation and maintenance" in the Condensed Statement of Consolidated Income (unaudited) during the three months ended March 31, 2021. On March 11, 2021, NIPSCO submitted modified Attachment Y Notices to MISO requesting an updated retirement date for two of the four coal fired units at R.M. Schahfer Generating Station. The two units are now expected to be retired by the end of 2021, with the remaining two units still scheduled to be retired in 2023. At retirement, the net book value of the retired units will be reclassified from "Net Property, Plant and Equipment", to current and long-term “Regulatory Assets.” The total net book value of R.M. Schahfer Generating Station's coal units and other associated plant was $861.6 million at March 31, 2021.

On April 28, 2021, in response to a Motion filed by certain parties in NIPSCO's quarterly FAC proceeding, the IURC created a sub-docket proceeding in order to receive additional information related to the planned retirements of Units 14 and 15 by the end of 2021 and any resulting cost impacts to customers. NIPSCO does not anticipate that the sub-docket proceeding will impact the planned timing of end of year 2021 for the unit retirements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

8. Regulatory Matters

COVID-19 Regulatory Filings

In response to COVID-19, we received approvals or directives from the regulatory commissions in the states in which we operate. The ongoing impacts of these approvals or directives are described in the table below:

Jurisdiction	Moratorium in Place?	Regulatory Asset balance as of March 31, 2021 *(in millions)*	Deferred COVID-19 Costs
Columbia of Ohio	No	$ 2.0	Incremental operation and maintenance expenses
NIPSCO	No	$ 12.0	Incremental bad debt expense and the costs to implement the requirements of the COVID-19 related order
Columbia of Pennsylvania	No	$ 7.1	Incremental bad debt expense incurred since March 13, 2020 above levels currently in rates
Columbia of Virginia	Yes	$ 0.1	Incremental incurred costs, subject to an earnings test review
Columbia of Maryland	No	$ 1.1	Incremental costs (including incremental bad debt expense) incurred to ensure that customers have essential utility service during the state of emergency in Maryland. Such incremental costs must be offset by any benefit received in connection with the pandemic

On March 11, 2021, the Pennsylvania PUC adopted an order, which lifted its prior pandemic-related moratorium on service terminations for non-payments of utility bills beginning April 1, 2021. Pursuant to that order, Pennsylvania utilities are required to offer payment plans on billing arrearages, with the length of such payment plans depending on customers' income levels. The longest such payment plan would be a minimum of five years for residential customers with incomes below 250% of the Federal Poverty Level.

For Columbia of Virginia, the currently effective legislative and regulatory directives related to the COVID-19 pandemic require utilities to offer payment plans between 6 and 24 months, and suspend service disconnections and late payment fees for customers. These directives will remain in place until the Governor determines that the economic and public health conditions have improved such that the prohibition does not need to be in place, or until at least 60 days after such declared state of emergency ends, whichever is sooner.

9. Risk Management Activities

We are exposed to certain risks relating to our ongoing business operations, namely commodity price risk and interest rate risk. We recognize that the prudent and selective use of derivatives may help to lower our cost of debt capital, manage our interest rate exposure and limit volatility in the price of natural gas.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Risk management assets and liabilities on our derivatives are presented on the Condensed Consolidated Balance Sheets (unaudited) as shown below:

(in millions)		**March 31, 2021**		December 31, 2020
Risk Management Assets - Current[1]				
Interest rate risk programs	**$**	**—**	$	—
Commodity price risk programs		**1.0**		10.4
Total	**$**	**1.0**	$	10.4
Risk Management Assets - Noncurrent[2]				
Interest rate risk programs	**$**	**—**	$	—
Commodity price risk programs		**3.2**		2.8
Total	**$**	**3.2**	$	2.8
Risk Management Liabilities - Current[3]				
Interest rate risk programs	**$**	**17.1**	$	70.9
Commodity price risk programs		**5.0**		7.3
Total	**$**	**22.1**	$	78.2
Risk Management Liabilities - Noncurrent[4]				
Interest rate risk programs	**$**	**40.6**	$	99.5
Commodity price risk programs		**38.3**		45.1
Total	**$**	**78.9**	$	144.6

[1]Presented in "Prepayments and other" on the Condensed Consolidated Balance Sheets (unaudited).
[2]Presented in "Deferred charges and other" on the Condensed Consolidated Balance Sheets (unaudited).
[3]Presented in "Other accruals" on the Condensed Consolidated Balance Sheets (unaudited).
[4]Presented in "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets (unaudited).

Commodity Price Risk Management

We, along with our utility customers, are exposed to variability in cash flows associated with natural gas purchases and volatility in natural gas prices. We purchase natural gas for sale and delivery to our retail, commercial and industrial customers, and for most customers the variability in the market price of gas is passed through in their rates. Some of our utility subsidiaries offer programs to certain customers whereby variability in the market price of gas is assumed by the respective utility. The objective of our commodity price risk programs is to mitigate the gas cost variability, for us or on behalf of our customers, associated with natural gas purchases or sales by economically hedging the various gas cost components using a combination of futures, options, forwards or other derivative contracts.

NIPSCO received IURC approval to lock in a fixed price for its natural gas customers using long-term forward purchase instruments. The term of these instruments may range from five to 10 years and is limited to 20% of NIPSCO's average annual GCA purchase volume. Gains and losses on these derivative contracts are deferred as regulatory liabilities or assets and are remitted to or collected from customers through NIPSCO's quarterly GCA mechanism. These instruments are not designated as accounting hedges.

Interest Rate Risk Management

As of March 31, 2021, we have two forward-starting interest rate swaps with an aggregate notional value totaling $500.0 million to hedge the variability in cash flows attributable to changes in the benchmark interest rate during the periods from the effective dates of the swaps to the anticipated dates of forecasted debt issuances, which are expected to take place by 2024. These interest rate swaps are designated as cash flow hedges. The gains and losses related to these swaps are recorded to AOCI and will be recognized in "Interest expense, net" concurrently with the recognition of interest expense on the associated debt, once issued. If it becomes probable that a hedged forecasted transaction will no longer occur, the accumulated gains or losses on the derivative will be recognized currently in "Other, net" in the Condensed Statements of Consolidated Income (unaudited).

There were no amounts excluded from effectiveness testing for derivatives in cash flow hedging relationships at March 31, 2021 and December 31, 2020.

Our derivative instruments measured at fair value as of March 31, 2021 and December 31, 2020 do not contain any credit-risk-related contingent features.

10. Fair Value

A. Fair Value Measurements

Recurring Fair Value Measurements

The following tables present financial assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheets (unaudited) on a recurring basis and their level within the fair value hierarchy as of March 31, 2021 and December 31, 2020:

Recurring Fair Value Measurements March 31, 2021 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2021
Assets				
Risk management assets	$ —	$ 4.2	$ —	$ 4.2
Available-for-sale debt securities	—	167.9	—	167.9
Total	**$ —**	**$ 172.1**	**$ —**	**$ 172.1**
Liabilities				
Risk management liabilities	$ —	$ 101.0	$ —	$ 101.0
Total	**$ —**	**$ 101.0**	**$ —**	**$ 101.0**

Recurring Fair Value Measurements December 31, 2020 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2020
Assets				
Risk management assets	$ —	$ 13.2	$ —	$ 13.2
Available-for-sale debt securities	—	170.9	—	170.9
Total	**$ —**	**$ 184.1**	**$ —**	**$ 184.1**
Liabilities				
Risk management liabilities	$ —	$ 222.8	$ —	$ 222.8
Total	**$ —**	**$ 222.8**	**$ —**	**$ 222.8**

Risk Management Assets and Liabilities. Risk management assets and liabilities include interest rate swaps, exchange-traded NYMEX futures and NYMEX options and non-exchange-based forward purchase contracts. When utilized, exchange-traded derivative contracts are based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore, nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. We use a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability and market-corroborated inputs, (i.e., inputs derived principally from or corroborated by observable market data by correlation or other means). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized within Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized within Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures. As of March 31, 2021 and December 31, 2020, there were no material transfers

between fair value hierarchies. Additionally, there were no changes in the method or significant assumptions used to estimate the fair value of our financial instruments.

Credit risk is considered in the fair value calculation of each of our forward-starting interest rate swaps, as described in Note 9, "Risk Management Activities." As they are based on observable data and valuations of similar instruments, the hedges are categorized within Level 2 of the fair value hierarchy. There was no exchange of premium at the initial date of the swaps, and we can settle the contracts at any time.

NIPSCO has entered into long-term forward natural gas purchase instruments to lock in a fixed price for its natural gas customers. We value these contracts using a pricing model that incorporates market-based information when available, as these instruments trade less frequently and are classified within Level 2 of the fair value hierarchy. For additional information, see Note 9, “Risk Management Activities.”

Available-for-Sale Debt Securities. Available-for-sale debt securities are investments pledged as collateral for trust accounts related to our wholly owned insurance company. We value U.S. Treasury, corporate debt and mortgage-backed securities using a matrix pricing model that incorporates market-based information. These securities trade less frequently and are classified within Level 2.

At each reporting date, we quantitatively and qualitatively assess available-for-sale debt securities for impairment. For securities in a loss position that we intend to hold, we perform an analysis to determine whether the unrealized loss is related to credit factors. The analysis focuses on a variety of factors that include, but are not limited to, downgrade on ratings of the security, defaults in the current reporting period or projected defaults in the future, the security's yield spread over treasuries, and other relevant market data. If the unrealized loss is not related to credit factors, it is included in other comprehensive income. If the unrealized loss is related to credit factors, the loss is recognized as credit loss expense in earnings during the period, with an offsetting entry to the allowance for credit losses. The amount of the credit loss recorded to the allowance account is limited by the amount at which the security's fair value is less than its amortized cost basis. If the credit losses in the allowance for credit losses are deemed uncollectible, the allowance on the uncollectible portion is charged off, with an offsetting entry to the carrying value of the security. Subsequent improvements to the estimated credit losses of available-for-sale debt securities are recognized immediately in earnings. As of March 31, 2021 and December 31, 2020, we recorded $0.3 million and $0.5 million, respectively, as an allowance for credit losses on available-for-sale debt securities as a result of the analysis described above. Continuous credit monitoring and portfolio credit balancing mitigates our risk of credit losses on our available-for-sale debt securities.

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of available-for-sale securities at March 31, 2021 and December 31, 2020 were:

March 31, 2021 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[1]	Allowance for Credit Losses	Fair Value
Available-for-sale debt securities					
U.S. Treasury debt securities	$ 37.1	$ 0.2	$ (0.3)	$ —	$ 37.0
Corporate/Other debt securities	126.7	5.3	(0.8)	(0.3)	130.9
Total	**$ 163.8**	**$ 5.5**	**$ (1.1)**	**$ (0.3)**	**$ 167.9**

December 31, 2020 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[2]	Allowance for Credit Losses	Fair Value
Available-for-sale debt securities					
U.S. Treasury debt securities	$ 33.7	$ 0.3	$ —	$ —	$ 34.0
Corporate/Other debt securities	130.2	7.7	(0.5)	(0.5)	136.9
Total	**$ 163.9**	**$ 8.0**	**$ (0.5)**	**$ (0.5)**	**$ 170.9**

[1]Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is $22.1 and $25.7 million, respectively, at March 31, 2021.
[2]Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is $0 million and $13.2 million, respectively, at December 31, 2020.

Realized gains and losses on available-for-sale securities were immaterial for the three months ended March 31, 2021 and 2020.

The cost of maturities sold is based upon specific identification. At March 31, 2021, approximately $6.2 million of U.S. Treasury debt securities and approximately $3.9 million of Corporate/Other debt securities have maturities of less than a year.

There are no material items in the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis as of March 31, 2021 and December 31, 2020.

Non-recurring Fair Value Measurements

We measure the fair value of certain assets, including goodwill, on a non-recurring basis, typically annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

In March 2021, we reached an agreement with Eversource regarding the final purchase price, including net working capital adjustments to the October 9, 2020 purchase price. The working capital amounts were measured at fair value, less costs to sell.

B. Other Fair Value Disclosures for Financial Instruments. The carrying amount of cash and cash equivalents, restricted cash, customer deposits and short-term borrowings is a reasonable estimate of fair value due to their liquid or short-term nature. Our long-term borrowings are recorded at historical amounts.

The following method and assumptions were used to estimate the fair value of each class of financial instruments.

Long-term Debt. The fair value of outstanding long-term debt is estimated based on the quoted market prices for the same or similar securities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value. These fair value measurements are classified within Level 2 of the fair value hierarchy. As of March 31, 2021, there was no change in the method or significant assumptions used to estimate the fair value of long-term debt.

The carrying amount and estimated fair values of these financial instruments were as follows:

(in millions)	**Carrying Amount as of March 31, 2021**	**Estimated Fair Value as of March 31, 2021**	Carrying Amount as of Dec. 31, 2020	Estimated Fair Value as of Dec. 31, 2020
Long-term debt (including current portion)	**$ 9,246.7**	**$ 10,178.0**	$ 9,243.1	$ 11,034.2

11. Transfers of Financial Assets

Columbia of Ohio, NIPSCO and Columbia of Pennsylvania each maintain a receivables agreement whereby they transfer their customer accounts receivables to third-party financial institutions through wholly owned and consolidated special purpose entities. The three agreements expire between August 2021 and May 2022 and may be further extended if mutually agreed to by the parties thereto.

All receivables transferred to third parties are valued at face value, which approximates fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivables transferred is determined in part by required loss reserves under the agreements.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Condensed Consolidated Balance Sheets (unaudited). As of March 31, 2021, the maximum amount of debt that could be recognized related to our accounts receivable programs is $510.0 million.

The following table reflects the gross receivables balance and net receivables transferred, as well as short-term borrowings related to the securitization transactions as of March 31, 2021 and December 31, 2020:

(in millions)	**March 31, 2021**	December 31, 2020
Gross receivables	**$ 630.8**	$ 607.7
Less: Receivables not transferred	**630.8**	607.7
Net receivables transferred	**$ —**	$ —
Short-term debt due to asset securitization	**$ —**	$ —

For the three months ended March 31, 2021 and 2020, zero and $106.2 million, respectively, was recorded as cash flows from financing activities related to the change in short-term borrowings due to securitization transactions. Fees associated with the securitization transactions were $0.4 million and $0.7 million for the three months ended March 31, 2021 and 2020,

respectively. Columbia of Ohio, NIPSCO and Columbia of Pennsylvania remain responsible for collecting on the receivables securitized, and the receivables cannot be transferred to another party.

12. Goodwill

The following presents our goodwill balance allocated by segment as of March 31, 2021:

(in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other	**Total**
Goodwill	$ 1,485.9	$ —	$ —	**$ 1,485.9**

For our annual goodwill impairment analysis performed as of May 1, 2020, we completed a quantitative "step 1" fair value measurement of our reporting units with a goodwill balance. This analysis incorporated the latest available income statement and cash flow projections, including significant, identifiable impacts of COVID-19 on the operations of each of our goodwill reporting units. We also incorporated other significant inputs to our fair value calculations, including discount rate and market multiples, to reflect current market conditions. The step 1 analysis performed indicated that the fair value of each reporting unit that is allocated goodwill significantly exceeded its carrying value. As a result, no impairment charge was recorded as of the May 1, 2020 test date.

13. Income Taxes

Our interim effective tax rates reflect the estimated annual effective tax rates for 2021 and 2020, adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended March 31, 2021 and 2020 were 17.4% and (24.5)%, respectively. These effective tax rates differ from the federal statutory tax rate of 21% primarily due to increased amortization of excess deferred federal income tax liabilities, as specified in the TCJA, tax credits, state income taxes and other permanent book-to-tax differences. These adjustments have a relative impact on the effective tax rate proportionally to pretax income or loss.

The increase in the three month effective tax rate of 41.9% in 2021 compared to 2020 is primarily attributed to a discrete item related to the pre-tax book loss recorded for the classification as held for sale of the Massachusetts Business tax effected at statutory tax rates in 2020 offset by an increase in amortization of excess deferred federal income tax liabilities and deduction for AFUDC equity.

There were no material changes recorded in 2021 to our uncertain tax positions recorded as of December 31, 2020.

14. Pension and Other Postretirement Benefits

We provide defined contribution plans and noncontributory defined benefit retirement plans that cover certain of our employees. Benefits under the defined benefit retirement plans reflect the employees' compensation, years of service and age at retirement. Additionally, we provide health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits if they reach retirement age while working for us. The expected cost of such benefits is accrued during the employees' years of service. We determined that, for certain rate-regulated subsidiaries, the future recovery of postretirement benefit costs is probable, and we record regulatory assets and liabilities for amounts that would otherwise have been recorded to expense or accumulated other comprehensive loss. Current rates of rate-regulated companies include postretirement benefit costs, including amortization of the regulatory assets and liabilities that arose prior to inclusion of these costs in rates. For most plans, cash contributions are remitted to grantor trusts.

For the three months ended March 31, 2021, we contributed $0.7 million to our pension plans and $5.1 million to our other postretirement benefit plans.

The following table provides the components of the plans' actuarially determined net periodic benefit cost for the three months ended March 31, 2021 and 2020:

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended March 31, *(in millions)*	**2021**	2020	**2021**	2020
Components of Net Periodic Benefit (Income) Cost[1]				
Service cost	**$ 7.6**	$ 8.0	**$ 1.5**	$ 1.6
Interest cost	**7.7**	13.5	**2.5**	3.9
Expected return on assets	**(25.8)**	(28.4)	**(3.8)**	(3.6)
Amortization of prior service credit	**—**	0.2	**(0.6)**	(0.5)
Recognized actuarial loss	**5.3**	8.7	**1.2**	1.3
Settlement loss	**3.3**	—	**—**	—
Total Net Periodic Benefit (Income) Cost	**$ (1.9)**	$ 2.0	**$ 0.8**	$ 2.7

[1]The service cost component and all non-service cost components of net periodic benefit (income) cost are presented in "Operation and maintenance" and "Other, net", respectively, on the Condensed Statements of Consolidated Income (unaudited).

During the first quarter of 2021, one of our qualified pension plans met the requirement for settlement accounting. A settlement charge of $3.3 million was recorded during the first quarter of 2021. As a result of the settlement, the pension plan was remeasured, resulting in a decrease to the net pension asset of $5.8 million, a net increase to regulatory assets of $2.1 million, and a net debit to accumulated other comprehensive loss of $0.4 million. Net periodic pension benefit cost for 2021 increased by $4.0 million as a result of the interim remeasurement.

The following table provides the key assumptions that were used to calculate the pension benefit obligation and the net periodic benefit cost at the interim remeasurement date for the plan that triggered settlement accounting:

	February 28, 2021
Weighted-average Assumption to Determine Benefit Obligation	
Discount rate	2.57 %
Weighted-average Assumptions to Determine Net Periodic Benefit Costs for the period ended	
Discount rate - service cost	2.81 %
Discount rate - interest cost	1.57 %
Expected return on assets	4.80 %

15. Variable Interest Entities

A VIE is an entity in which the controlling interest is determined through means other than a majority voting interest. The primary beneficiary of a VIE is the business enterprise which has the power to direct the activities that most significantly impact the VIE's economic performance. Also, the primary beneficiary either absorbs a significant amount of the VIE's losses or has the right to receive benefits that could be significant to the VIE. We consider these qualitative elements in determining whether we are the primary beneficiary of a VIE, and we consolidate those VIEs for which we are determined to be the primary beneficiary.

Rosewater (a joint venture) owns and operates 102 MW of nameplate capacity wind generation assets. Members of the joint venture are NIPSCO (who is the managing member) and a tax equity partner. Earnings, tax attributes and cash flows are allocated to both NIPSCO and the tax equity partner in varying percentages by category and over the life of the partnership. Once the tax equity partner has earned their negotiated rate of return and we have reached the agreed upon contractual date, NIPSCO has the option to purchase at fair market value from the tax equity partner the remaining interest in the aforementioned joint venture. NIPSCO has an obligation to purchase, through a PPA at established market rates, 100% of the electricity generated by Rosewater.

As the managing member of Rosewater, we control decisions that are significant to its ongoing operations and economic results. Therefore, we have concluded that we are the primary beneficiary of Rosewater and have consolidated Rosewater even though we own less than 100% of the total equity membership interest.

We have determined that the use of HLBV accounting is reasonable and appropriate in order to attribute income and loss to the noncontrolling interest held by the tax equity partner. HLBV accounting was selected as the allocation of Rosewater's economic results to members differ from the members' relative ownership percentages. Using the HLBV method, our earnings are calculated based on how the partnership would distribute its cash if it were to hypothetically sell all of its assets for their carrying amounts and liquidate at each reporting period. Under HLBV, we calculate the liquidation value allocable to each partner at the beginning and end of each period based on the contractual terms of the related entity's operating agreement and adjust our income for the period to reflect the change in our associated book value.

In March 2021, in exchange for additional respective membership interests in Rosewater, NIPSCO contributed $0.1 million in cash, and the tax equity partner contributed $7.5 million in cash, the second of two contractual cash contributions for each partner, per the equity capital contribution agreement. NIPSCO also assumed an additional obligation of $6.0 million to the developer, which comes due in 2023 and is included in "Other noncurrent liabilities" in the Condensed Consolidated Balance Sheets (unaudited). From the contributed funds, Rosewater paid $7.4 million to the developer of the wind generation assets. The developer of the facility is not a partner in the joint venture for federal income tax purposes and does not receive any share of earnings, tax attributes, or cash flows of Rosewater. With asset construction now complete, NIPSCO and the tax equity partner have made total cash contributions of $0.8 million and $93.6 million, respectively, and NIPSCO has assumed an obligation to the developer of $75.7 million, totaling contributions of $170.1 million for both partners. We did not provide any financial or other support during the year that was not previously contractually required, nor do we expect to provide such support in the future.

At March 31, 2021 and December 31, 2020, $170.0 million and $156.4 million, respectively, in net assets (as detailed in the table below) related to Rosewater and the non-controlling interest attributable to the unrelated tax equity partner of $94.1 million and $85.6 million, respectively, were included in the Condensed Consolidated Balance Sheets (unaudited). For the quarters ended March 31, 2021 and 2020, $1.0 million and zero were allocated to the tax equity partner and is included in "Net income attributable to non-controlling interest" on the Condensed Statements of Consolidated Income.

Our Condensed Consolidated Balance Sheets (unaudited) included the following assets and liabilities associated with Rosewater:

(in millions)		**March 31, 2021**		December 31, 2020
Net Property, Plant and Equipment	**$**	**174.2**	$	175.6
Current assets		**4.2**		1.7
Total assets[1]	**$**	**178.4**	$	177.3
Current liabilities	**$**	**2.8**	$	15.3
Asset retirement obligations		**5.5**		5.5
Other noncurrent liabilities		**0.1**		0.1
Total liabilities	**$**	**8.4**	$	20.9

[1]The assets of Rosewater represent assets of a consolidated VIE that can be used only to settle obligations of the consolidated VIE.

16. Short-Term Borrowings

We generate short-term borrowings from our revolving credit facility, commercial paper program and accounts receivable transfer programs. Each of these borrowing sources is described further below.

We maintain a revolving credit facility to fund ongoing working capital requirements, including the provision of liquidity support for our commercial paper program, provide for issuance of letters of credit and also for general corporate purposes. Our revolving credit facility has a program limit of $1.85 billion and is comprised of a syndicate of banks led by Barclays. We had no outstanding borrowings under this facility as of March 31, 2021 and December 31, 2020.

Our commercial paper program has a program limit of up to $1.5 billion with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. We had $520.0 million of commercial paper outstanding as of March 31, 2021 and $503.0 million of commercial paper outstanding as of December 31, 2020.

Refer to Note 11, "Transfers of Financial Assets," for additional information on our accounts receivable transfer programs.

Short-term borrowings were as follows:

(in millions)		**March 31, 2021**		December 31, 2020
Commercial paper weighted-average interest rate of 0.19% and 0.27% at March 31, 2021 and December 31, 2020, respectively		**520.0**		503.0
Total Short-Term Borrowings	**$**	**520.0**	$	503.0

Items listed above are presented net in the Condensed Statements of Consolidated Cash Flows (unaudited) as their maturities are less than 90 days.

17. Other Commitments and Contingencies

A. Guarantees and Indemnities. We and certain of our subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries as a part of normal business. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. As of March 31, 2021 and December 31, 2020, we had issued stand-by letters of credit of $15.2 million.

We provide guarantees related to our future performance under BTAs for our renewable generation projects. At March 31, 2021, our guarantees for the Rosewater and Indiana Crossroads BTAs totaled $34.0 million. The amount of each guaranty will fluctuate upon the completion of the various steps outlined in each BTA. See "- D. Other Matters - Generation Transition," below for more information.

B. Legal Proceedings. On September 13, 2018, a series of fires and explosions occurred in Lawrence, Andover and North Andover, Massachusetts related to the delivery of natural gas by Columbia of Massachusetts (the "Greater Lawrence Incident"). The Greater Lawrence Incident resulted in one fatality and a number of injuries, damaged multiple homes and businesses, and caused the temporary evacuation of significant portions of each municipality. The Massachusetts Governor's Office declared a state of emergency, authorizing the Massachusetts DPU to order another utility company to coordinate the restoration of utility services in Lawrence, Andover and North Andover. The incident resulted in the interruption of gas for approximately 7,500 gas meters, the majority of which served residences and approximately 700 of which served businesses, and the interruption of other utility service more broadly in the area. Columbia of Massachusetts replaced the cast iron and bare steel gas pipeline system in the affected area and restored service. See "- D. Other Matters - Greater Lawrence Pipeline Replacement" below for more information. On September 1, 2020, the Massachusetts Governor terminated the state of emergency declared following the Greater Lawrence Incident.

We have been subject to inquiries and investigations by government authorities and regulatory agencies regarding the Greater Lawrence Incident, including the Massachusetts DPU and the Massachusetts Attorney General's Office. On February 26, 2020, the Company and Columbia of Massachusetts entered into agreements with the U.S. Attorney's Office for the District of Massachusetts to resolve the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident, as described below. The Company and Columbia of Massachusetts entered into an agreement with the Massachusetts Attorney General's Office (among other parties) to resolve the Massachusetts DPU and the Massachusetts Attorney General's Office investigations, that was approved by the Massachusetts DPU on October 7, 2020 as part of the sale of the Massachusetts Business to Eversource.

NTSB Investigation. As previously disclosed, the NTSB concluded its investigation into the Greater Lawrence Incident. On November 24, 2020, the NTSB closed NiSource's one remaining open safety recommendation.

U.S. Department of Justice Investigation. On February 26, 2020, the Company and Columbia of Massachusetts entered into agreements with the U.S. Attorney's Office to resolve the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident. Columbia of Massachusetts agreed to plead guilty in the United States District Court for the District of Massachusetts (the "Court") to violating the Natural Gas Pipeline Safety Act (the "Plea Agreement"), and the Company entered into a Deferred Prosecution Agreement (the "DPA").

On March 9, 2020, Columbia of Massachusetts entered its guilty plea pursuant to the Plea Agreement, which the Court accepted. Subsequently, Columbia of Massachusetts and the U.S. Attorney's Office modified the Plea Agreement. On June 23, 2020, the Court sentenced Columbia of Massachusetts in accordance with the terms of the modified Plea Agreement. Under the modified Plea Agreement, Columbia of Massachusetts is subject to the following terms, among others: (i) a criminal fine in the amount of $53,030,116, which has been paid; (ii) a three year probationary period that will terminate early upon a sale of Columbia of Massachusetts or a sale of its gas distribution business to a qualified third-party buyer consistent with certain requirements, but in no event before the end of the one-year mandatory period of probation; (iii) compliance with each of the NTSB recommendations stemming from the Greater Lawrence Incident; and (iv) employment of an in-house monitor until the end of the term of probation or until the sale of Columbia of Massachusetts or its gas distribution business, whichever is earlier. On October 13, 2020, the Court, upon agreement of the U.S. Attorney's Office and Columbia Gas of Massachusetts, modified the terms of probation by ending the term of the in-house monitor.

Under the DPA, the U.S. Attorney's Office agreed to defer prosecution of the Company in connection with the Greater Lawrence Incident for a three-year period (which three-year period may be extended for twelve (12) months upon the U.S. Attorney's Office's determination of a breach of the DPA) subject to certain obligations of the Company, including, but not limited to, the following: (i) the Company will use reasonable best efforts to sell Columbia of Massachusetts or Columbia of Massachusetts' gas distribution business to a qualified third-party buyer consistent with certain requirements, and, upon the completion of any such sale, the Company will cease and desist any and all gas pipeline and distribution activities in the District of Massachusetts; (ii) the Company will forfeit and pay, within 30 days of the later of the sale becoming final or the date on which post-closing adjustments to the purchase price are finally determined in accordance with the agreement to sell Columbia of Massachusetts or its gas distribution business, a fine equal to the total amount of the profit or gain, if any, from any sale of Columbia of Massachusetts or its gas distribution business, with the amount of profit or gain determined as provided in the DPA; and (iii) the Company agrees as to each of the Company's subsidiaries involved in the distribution of gas through pipeline facilities in Massachusetts, Indiana, Ohio, Pennsylvania, Maryland, Kentucky and Virginia to implement and adhere to each of the recommendations from the NTSB stemming from the Greater Lawrence Incident. Pursuant to the DPA, if the Company complies with all of its obligations under the DPA, including, but not limited to those identified above, the U.S. Attorney's Office will not file any criminal charges against the Company related to the Greater Lawrence Incident. If Columbia of Massachusetts withdraws its plea for any reason, if the Court rejects any aspect of the Plea Agreement, or if Columbia of Massachusetts should fail to perform an obligation under the Plea Agreement prior to the sale of Columbia of Massachusetts or its gas distribution business, the U.S. Attorney's Office may, at its sole option, render the DPA null and void. The sale of the Massachusetts Business was completed on October 9, 2020. The Company was not required to forfeit or pay any funds because the Company did not realize a profit or gain from the sale as provided in the DPA.

Private Actions. Various lawsuits, including several purported class action lawsuits, have been filed by various affected residents or businesses in Massachusetts state courts against the Company and/or Columbia of Massachusetts in connection with the Greater Lawrence Incident.

On July 26, 2019, the Company, Columbia of Massachusetts and NiSource Corporate Services Company, a subsidiary of the Company, entered into a term sheet with the class action plaintiffs under which they agreed to settle the class action claims in connection with the Greater Lawrence Incident. Columbia of Massachusetts agreed to pay $143 million into a settlement fund to compensate the settlement class and the settlement class agreed to release Columbia of Massachusetts and affiliates from all claims arising out of or related to the Greater Lawrence Incident. The following claims are not covered under the proposed settlement because they are not part of the consolidated class action: (1) physical bodily injury and wrongful death; (2) insurance subrogation, whether equitable, contractual or otherwise; and (3) claims arising out of appliances that are subject to the Massachusetts DPU orders. Emotional distress and similar claims are covered under the proposed settlement unless they are secondary to a physical bodily injury. The settlement class is defined under the term sheet as all persons and businesses in the three municipalities of Lawrence, Andover and North Andover, Massachusetts, subject to certain limited exceptions. The motion for preliminary approval and the settlement documents were filed on September 25, 2019. The preliminary approval court hearing was held on October 7, 2019 and the court issued an order granting preliminary approval of the settlement on October 11, 2019. The Court granted final approval of the settlement on March 12, 2020.

With respect to claims not included in the consolidated class action, many of the asserted wrongful death and bodily injury claims have settled, and we continue to discuss potential settlements with remaining claimants. The outcomes and impacts of such private actions are uncertain at this time.

Shareholder Derivative Lawsuit. On April 28, 2020, a shareholder derivative lawsuit was filed by the City of Detroit Police and Fire Retirement System in the United States District Court for the District of Delaware against certain of the Company's

current and former directors, alleging state-law claims for breaches of fiduciary duty with respect to the pipeline safety management systems relating to the distribution of natural gas prior to the Greater Lawrence Incident and also including federal-law claims related to our proxy statement disclosures regarding our safety systems. The remedies sought included damages for the alleged breaches of fiduciary duty, corporate governance reforms, and restitution of any unjust enrichment. The defendants filed a motion to dismiss the lawsuit, and oral argument was held on March 2, 2021. On March 9, 2021, the district court granted the defendants' motion to dismiss. It dismissed the federal-law claims with prejudice for failure to state a claim on which relief can be granted and declined to exercise jurisdiction over the state-law claims, which were dismissed without prejudice.

Following the dismissal of the federal court action, on April 29, 2021, the same plaintiff filed a shareholder derivative lawsuit in the Delaware Court of Chancery against certain of our current and former directors. The new complaint alleges a single count for breach of fiduciary duty, and no longer alleges disclosure violations or breaches of federal securities laws. The complaint relates to substantially the same matters as those alleged in the dismissed federal derivative complaint. The remedies sought include damages for the alleged breaches of fiduciary duty, corporate governance reforms, and restitution of compensation by the individual defendants. The case is at an early stage, and a schedule has not yet been entered. Because of the preliminary nature of this lawsuit, we are not able to estimate a loss or range of loss, if any, that may be incurred in connection with this matter at this time.

Financial Impact. Since the Greater Lawrence Incident, we have recorded expenses of approximately $1,040 million for third-party claims and fines, penalties and settlements associated with government investigations. These costs do not include the capital cost of the pipeline replacement. Refer to " - D. Other Matters - Greater Lawrence Incident Restoration," and "- Greater Lawrence Incident Pipeline Replacement," for additional information.

The process for estimating costs associated with third-party claims relating to the Greater Lawrence Incident requires management to exercise significant judgment based on a number of assumptions and subjective factors. As more information becomes known, management's estimates and assumptions regarding the financial impact of the Greater Lawrence Incident may change.

We are also party to certain other claims, regulatory and legal proceedings arising in the ordinary course of business in each state in which we have operations, none of which we believe to be individually material at this time.

Due to the inherent uncertainty of litigation, there can be no assurance that the outcome or resolution of any particular claim, proceeding or investigation related to the Greater Lawrence Incident or otherwise would not have a material adverse effect on our results of operations, financial position or liquidity. Certain matters in connection with the Greater Lawrence Incident have had or may have a material impact as described above. If one or more of such additional or other matters were decided against us, the effects could be material to our results of operations in the period in which we would be required to record or adjust the related liability and could also be material to our cash flows in the periods that we would be required to pay such liability.

C. Environmental Matters. Our operations are subject to environmental statutes and regulations related to air quality, water quality, hazardous waste and solid waste. We believe that we are in substantial compliance with the environmental regulations currently applicable to our operations.

It is management's continued intent to address environmental issues in cooperation with regulatory authorities in such a manner as to achieve mutually acceptable compliance plans. However, there can be no assurance that fines and penalties will not be incurred. Management expects a majority of environmental assessment and remediation costs to be recoverable through rates for certain of our companies.

As of March 31, 2021 and December 31, 2020, we had recorded a liability of $90.6 million and $92.6 million, respectively, to cover environmental remediation at various sites. The current portion of this liability is included in "Other accruals" in the Condensed Consolidated Balance Sheets (unaudited). The noncurrent portion is included in "Other noncurrent liabilities." We recognize costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for remediation activities may differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including laws and regulations, the nature and extent of impact and the method of remediation. These expenditures are not currently estimable at some sites. We periodically adjust our liability as information is collected and estimates become more refined.

CERCLA. Our subsidiaries are potentially responsible parties at waste disposal sites under the CERCLA (commonly known as Superfund) and similar state laws. Under CERCLA, each potentially responsible party can be held jointly, severally and strictly liable for the remediation costs as the EPA, or state, can allow the parties to pay for remedial action or perform remedial action themselves and request reimbursement from the potentially responsible parties. Our affiliates have retained CERCLA environmental liabilities, including remediation liabilities, associated with certain current and former operations. These liabilities are not material to the Condensed Consolidated Financial Statements (unaudited).

MGP. We maintain a program to identify and investigate former MGP sites where Gas Distribution Operations subsidiaries or predecessors may have liability. The program has identified 54 such sites where liability is probable. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements.

We utilize a probabilistic model to estimate our future remediation costs related to MGP sites. The model was prepared with the assistance of a third party and incorporates our experience and general industry experience with remediating MGP sites. We complete an annual refresh of the model in the second quarter of each fiscal year. No material changes to the estimated future remediation costs were noted as a result of the refresh completed as of June 30, 2020. Our total estimated liability related to the facilities subject to remediation was $84.3 million and $85.0 million at March 31, 2021 and December 31, 2020, respectively. The liability represents our best estimate of the probable cost to remediate the MGP sites. We believe that it is reasonably possible that remediation costs could vary by as much as $20 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date and experience with similar facilities.

CCRs. On April 17, 2015, the EPA issued a final rule for regulation of CCRs. The rule regulates CCRs under the RCRA Subtitle D, which determines them to be nonhazardous. The rule is implemented in phases and requires increased groundwater monitoring, reporting, recordkeeping and posting of related information to the Internet. The rule also establishes requirements related to CCR management and disposal. The rule allows NIPSCO to continue its byproduct beneficial use program.

To comply with the rule, NIPSCO completed capital expenditures in 2019 to modify its infrastructure and manage CCRs. The CCR rule also resulted in revisions to previously recorded legal obligations associated with the retirement of certain NIPSCO facilities. The actual asset retirement costs related to the CCR rule may vary substantially from the estimates used to record the increased asset retirement obligation due to the uncertainty about the requirements that will be established by environmental authorities, compliance strategies that will be used and the preliminary nature of available data used to estimate costs. As allowed by the rule, NIPSCO will continue to collect data over time to determine the specific compliance solutions and associated costs and, as a result, the actual costs may vary. NIPSCO will also continue to work with EPA and the Indiana Department of Environmental Management to obtain administrative approvals associated with the CCR rule. In the event that the approvals are not obtained, future operations could be impacted. We believe the possibility of such an outcome is remote.

D. Other Matters.

Generation Transition. NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities. NIPSCO's purchase requirement under the BTAs is dependent on satisfactory approval of the BTA by the IURC, successful execution of an agreement with a tax equity partner and timely completion of construction. NIPSCO and the tax equity partner are obligated to make cash contributions to the partnership at the date construction is substantially complete. Once the tax equity partner has earned their negotiated rate of return and we have reached the agreed upon contractual date, NIPSCO has the option to purchase at fair market value from the tax equity partner the remaining interest in the aforementioned joint venture.

Greater Lawrence Incident Restoration. In addition to the amounts estimated for third-party claims and fines, penalties and settlements associated with government investigations described above, we have recorded expenses for other incident-related costs. Such costs include certain consulting costs, legal costs, vendor costs, claims center costs, labor and related expenses incurred in connection with the incident, and insurance-related loss surcharges. These costs were immaterial for the three months ended March 31, 2021.

Greater Lawrence Pipeline Replacement. In connection with the Greater Lawrence Incident, Columbia of Massachusetts, in cooperation with the Massachusetts Governor’s office, replaced the entire affected pipeline system. We invested approximately $258 million of capital spend for the pipeline replacement; this work was completed in 2019. We maintain property insurance

for gas pipelines and other applicable property. Columbia of Massachusetts has filed a proof of loss with its property insurer for the pipeline replacement. In January 2020, we filed a lawsuit against the property insurer, seeking payment of our property claim. We are currently unable to predict the timing or amount of any insurance recovery under the property policy.

State Income Taxes Related to Greater Lawrence Incident Expenses. As of December 31, 2018, expenses related to the Greater Lawrence Incident were $1,023 million. In the fourth quarter of 2019, we filed an application for Alternative Apportionment with the MA DOR to request an allocable approach to these expenses for purposes of Massachusetts state income taxes, which, if approved, would result in a state deferred tax asset of approximately $50 million, net. The MA DOR issued a denial during the first quarter of 2020. We filed an application for abatement in the second quarter of 2020, which resulted in a denial from the MA DOR in April 2021. We have 60 days to submit an appeal for this decision.

One-Time Employee Separation Benefits. On August 5, 2020, we commenced a voluntary separation program for certain employees. Expense for the voluntary separation program was predominantly recognized in the third quarter of 2020, when the employees accepted the offer, absent a retention period. In addition, we have continued to evaluate our organizational structure under the auspices of NiSource Next, which has resulted in additional separations under our existing severance policies. For employees that have a retention period, expense will be recognized over the remaining service period. The total estimated severance expense for employees is approximately $40 million, with $38.1 million incurred to date. A rollforward of the one-time employee separation benefits accrual for the three months ended March 31, 2021 is presented below:

(in millions)	Balance as of January 1, 2021	Changes Attributable to Costs Incurred[1]	Costs Paid	Adjustments	Balance as of March 31, 2021[2]
One-time Employee Separation Benefits	11.1	4.6	(8.4)	—	7.3

[1]This activity is presented within "Operation and maintenance" in our Condensed Statements of Consolidated Income (unaudited).
[2]This activity is presented within "Accrued compensation and employee benefits" in our Condensed Consolidated Balance Sheets (unaudited).

18. Accumulated Other Comprehensive Loss

The following tables display the components of Accumulated Other Comprehensive Loss:

(in millions)	Gains and Losses on Securities[1]	Gains and Losses on Cash Flow Hedges[1]	Pension and OPEB Items[1]	Accumulated Other Comprehensive Loss[1]
Balance as of January 1, 2021	$ 6.0	$ (147.9)	$ (14.8)	$ (156.7)
Other comprehensive income (loss) before reclassifications	(2.2)	84.6	(1.4)	81.0
Amounts reclassified from accumulated other comprehensive income (loss)	(0.3)	—	0.5	0.2
Net current-period other comprehensive income (loss)	(2.5)	84.6	(0.9)	81.2
Balance as of March 31, 2021	**$ 3.5**	**$ (63.3)**	**$ (15.7)**	**$ (75.5)**

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

(in millions)	Gains and Losses on Securities[1]	Gains and Losses on Cash Flow Hedges[1]	Pension and OPEB Items[1]	Accumulated Other Comprehensive Loss[1]
Balance as of January 1, 2020	$ 3.3	$ (77.2)	$ (18.7)	$ (92.6)
Other comprehensive income (loss) before reclassifications	(5.2)	(133.3)	0.4	(138.1)
Amounts reclassified from accumulated other comprehensive income (loss)	(0.2)	—	0.3	0.1
Net current-period other comprehensive income (loss)	(5.4)	(133.3)	0.7	(138.0)
Balance as of March 31, 2020	$ (2.1)	$ (210.5)	$ (18.0)	$ (230.6)

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

19. Other, Net

Three Months Ended March 31, *(in millions)*	2021	2020
Interest income	**$ 0.9**	$ 1.7
AFUDC equity	**1.5**	1.7
Pension and other postretirement non-service benefit	**8.5**	2.7
Miscellaneous	**(0.4)**	(0.7)
Total Other, net	**$ 10.5**	$ 5.4

20. Business Segment Information

At March 31, 2021, our operations are divided into two primary reportable segments, the Gas Distribution Operations and Electric Operations segments. Corporate costs and other activities that are not significant on a stand-alone basis to warrant treatment as an operating segment and that do not fit into one of our two segments are aggregated as "Corporate and Other" in the disclosures below. Refer to Note 3, "Revenue Recognition," for additional information on our segments and their sources of revenues.

The following table provides information about our business segments. We use operating income as our primary measurement for each of the reported segments and make decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market, regulated prices or at levels provided for under contractual agreements. Operating income is derived from revenues and expenses directly associated with each segment.

	Three Months Ended March 31,	
(in millions)	**2021**	2020
Operating Revenues		
Gas Distribution Operations		
Unaffiliated	**$ 1,135.8**	$ 1,228.0
Intersegment	**3.1**	3.0
Total	**1,138.9**	1,231.0
Electric Operations		
Unaffiliated	**402.5**	377.3
Intersegment	**0.2**	0.2
Total	**402.7**	377.5
Corporate and Other		
Unaffiliated	**7.3**	0.2
Intersegment	**103.9**	106.7
Total	**111.2**	106.9
Eliminations	**(107.2)**	(109.9)
Consolidated Operating Revenues	**$ 1,545.6**	$ 1,605.5
Operating Income (Loss)		
Gas Distribution Operations	**$ 346.9**	$ 78.5
Electric Operations	**87.9**	78.5
Corporate and Other	**(1.6)**	(8.8)
Consolidated Operating Income	**$ 433.2**	$ 148.2

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NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

21. Subsequent Event

On April 19, 2021, we completed the sale of 8.625 million Series A Equity Units ("Equity Units"), initially consisting of Series A Corporate Units ("Corporate Units"), each with a stated amount of $100. The offering generated net proceeds of $835.5 million, after underwriting and estimated issuance expenses. Each Corporate Unit consists of a forward contract to purchase shares of our common stock in the future and a 1/10th, or 10%, undivided beneficial ownership interest in one share of Series C Mandatory Convertible Preferred Stock, par value $0.01 per share, with a liquidation preference of $1,000 per share. The Mandatory Convertible Preferred Stock initially will not bear any dividends. Total annual distributions of the Corporate Units will be 7.75%, consisting of quarterly contract adjustment payments under the forward contract. We may pay the contract adjustment payments in cash, shares of common stock or a combination of cash and shares of common stock, at our election.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NiSource Inc.

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EXECUTIVE SUMMARY

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("Management's Discussion") includes management's analysis of past financial results and certain potential factors that may affect future results, potential future risks and approaches that may be used to manage those risks. See "Note regarding forward-looking statements" at the beginning of this report for a list of factors that may cause results to differ materially.

Management's Discussion is designed to provide an understanding of our operations and financial performance and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

We are an energy holding company under the Public Utility Holding Company Act of 2005 whose subsidiaries are fully regulated natural gas and electric utility companies serving customers in six states. We generate substantially all of our operating income through these rate-regulated businesses, which are summarized for financial reporting purposes into two primary reportable segments: Gas Distribution Operations and Electric Operations.

Refer to the "Business" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 for further discussion of our regulated utility business segments.

Our goal is to develop strategies that benefit all stakeholders as we (i) address changing customer conservation patterns, (ii) align our price structure with our cost structure, and (iii) embark on long-term infrastructure investment and safety programs to better serve our customers. These strategies focus on improving safety and reliability, enhancing customer service, lowering customer bills and reducing emissions while generating sustainable returns. The safety of our customers, communities and employees remains our top priority. The SMS is an established operating model within NiSource. With the continued support and advice from our Quality Review Board (a panel of third parties with safety operations expertise engaged by management to advise on safety matters), we are continuing to mature our SMS processes, capabilities and talent as we collaborate within and across industries to enhance safety and reduce operational risk. Additionally, we continue to pursue regulatory and legislative initiatives that will allow residential customers not currently on our system to obtain gas service in a cost effective manner.

Your Energy, Your Future: Our plan to replace all of our coal generation capacity by the end of 2028 with primarily renewable resources is well underway. In March 2021, we executed three BTAs for 650 MW solar nameplate capacity and a PPA for 200 MW of wind nameplate capacity. The four projects were selected following a comprehensive review of bids submitted through the RFP process that NIPSCO underwent in late 2019. The projects complement previously executed BTAs and PPAs with a combined nameplate capacity of 1,300 MW and 1,180 MW, respectively. NIPSCO will refresh its 2018 Integrated Resource Plan in 2021. For additional information, see "Results and Discussion of Segment Operation - Electric Operations," in this Management's Discussion.

NiSource Next: We have launched a comprehensive, multi-year program designed to deliver long-term safety, sustainable capability enhancements and cost optimization improvements. This program will advance the high priority we place on safety and risk mitigation, further enable our safety management system, and enhance the customer experience. NiSource Next is designed to (i) leverage our current scale, (ii) utilize technology, (iii) define clear roles and accountability with our leaders and employees, and (iv) standardize our processes to focus on operational rigor, quality management and continuous improvement. In the second quarter of 2021, we began to implement enhanced digital tools associated with our customer experience.

COVID-19: The safety of our employees and customers, while providing essential services during the COVID-19 pandemic, is paramount. We continue to take a proactive, coordinated approach intended to prevent, mitigate and respond to COVID-19 by utilizing our Incident Command System (ICS). The ICS includes members of our executive council, a medical review professional, and members of functional teams from across our company. The ICS monitors state-by-state conditions and determines steps to conduct our operations safely for employees and customers.

We have implemented procedures designed to protect our employees who work in the field and who continue to work in operational and corporate facilities, including social distancing, wearing face coverings, temperature checks and more frequent cleaning of equipment and facilities. We have also implemented work-from-home policies and practices. We continue to limit company vehicle occupancy to one person, where possible, and minimize non-essential work that requires an employee to enter a customer premise when infection rates spike in a county and local agencies elevate risk levels. As local circumstances permit, we are beginning previously delayed work that requires customer interaction. We continue to employ physical and cybersecurity measures to ensure that our operational and support systems remain functional. Our actions to date have mitigated the spread of COVID-19 amongst our employees and principal field contractors. We are also continuously evaluating changes

to CDC guidance, and updating our safety measures accordingly, in order to ensure employee and customer safety during this pandemic. We are following all federal, state, and local guidelines related to the COVID-19 vaccinations and are encouraging employees to receive the vaccine when it is available to them.

Since the beginning of the COVID-19 pandemic, we have been helping our customers navigate this challenging time. We suspended disconnections soon after this outbreak began. While the suspension of disconnections has been lifted in most states, suspensions are likely to continue in others. We plan to continue our payment assistance programs and customer education and awareness of energy assistance programs such as the Low Income Home Energy Assistance Program (LIHEAP) to help customers deal with the impact of the pandemic. Regulatory deferrals for certain costs have been allowed by all of our state regulatory commissions. Costs approved for deferral vary by state. For information on the state specific suspension of disconnections and COVID-19 regulatory filings, see Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited).

We continue to monitor how COVID-19 is affecting our workforce, customers, suppliers, operations, financial results and cash flow. The extent of the impact in the future will vary and depend on the duration and severity of the impact on the global, national and local economies. See Note 3, "Revenue Recognition" and Note 8, "Regulatory Matters" for impacts of COVID-19 for the three months ended March 31, 2021.

Summary of Consolidated Financial Results

A summary of our consolidated financial results for the three months ended March 31, 2021 and 2020 are presented below:

	Three Months Ended March 31,		
(in millions, except per share amounts)	**2021**	2020	2021 vs. 2020
Operating Revenues	**$ 1,545.6**	$ 1,605.5	$ (59.9)
Operating Expenses			
Cost of energy	**476.8**	462.4	14.4
Other Operating Expenses	**635.6**	994.9	(359.3)
Total Operating Expenses	**1,112.4**	1,457.3	(344.9)
Operating Income	**433.2**	148.2	285.0
Total Other Deductions, net	**(74.1)**	(87.5)	13.4
Income Taxes	**62.6**	(14.9)	77.5
Net Income	**296.5**	75.6	220.9
Net income attributable to noncontrolling interest	**1.0**	—	1.0
Net Income attributable to NiSource	**295.5**	75.6	219.9
Preferred dividends	**(13.8)**	(13.8)	—
Net Income Available to Common Shareholders	**281.7**	61.8	219.9
Earnings Per Share			
Basic Earnings Per Share	**$ 0.72**	$ 0.16	$ 0.56
Diluted Earnings Per Share	**$ 0.72**	$ 0.16	$ 0.56
Basic Average Common Shares Outstanding	**392.7**	383.1	9.6
Diluted Average Common Shares	**393.9**	384.1	9.8

The majority of the cost of energy in both segments are tracked costs that are passed through directly to the customer, resulting in an equal and offsetting amount reflected in operating revenues.

On a consolidated basis, we reported a net income available to common shareholders of $281.7 million, or $0.72 per diluted share for the three months ended March 31, 2021, compared to a net income available to common shareholders of $61.8 million, or $0.16 per diluted share for the same period in 2020. The increase in income was primarily due to the loss on sale of the Massachusetts business in 2020, as well as lower operating expenses offset by lower operating revenues due to the sale of the Massachusetts business. Additionally, the increase in income was driven by revenue increases from new rates and the effects of colder weather in 2021 compared to 2020 partially offset by higher income taxes in 2021 compared to 2020 (See "Income Taxes" below). For additional information on operating income variance drivers see "Results and Discussion of Segment Operation" for Gas and Electric Operations in this Management's Discussion.

Other Deductions, net

Other deductions, net reduced income by $74.1 million in the first quarter of 2021 compared to a reduction in income of $87.5 million in the prior year. This change was primarily driven by lower short term debt interest due to lower balances and a lower rate on commercial paper in 2021 compared to 2020. See Note 16, "Short-Term Borrowings," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for additional information.

Income Taxes

Refer to Note 13, "Income Taxes," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on income taxes and the change in the effective tax rate.

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

Our operations are divided into two primary reportable segments: Gas Distribution Operations and Electric Operations. We primarily evaluate segment results based on operating income. The remainder of our operations, which are not significant enough on a stand-alone basis to warrant treatment as an operating segment, are presented as "Corporate and Other" within the Notes to the Condensed Consolidated Financial Statements (unaudited) and primarily are comprised of interest expense on holding company debt, and unallocated corporate costs and activities.

NiSource Inc.
Gas Distribution Operations

Financial and operational data for the Gas Distribution Operations segment for the three months ended March 31, 2021 and 2020 are presented below:

	Three Months Ended March 31,		
(in millions)	**2021**	2020	2021 vs. 2020
Operating Revenues	**$ 1,138.9**	$ 1,231.0	$ (92.1)
Operating Expenses			
Cost of energy	**379.0**	377.4	1.6
Operation and maintenance	**248.8**	330.1	(81.3)
Depreciation and amortization	**92.9**	96.5	(3.6)
Loss on sale of fixed assets and impairments, net	**8.1**	280.2	(272.1)
Other taxes	**63.2**	68.3	(5.1)
Total Operating Expenses	**792.0**	1,152.5	(360.5)
Operating Income	**$ 346.9**	$ 78.5	$ 268.4
Revenues			
Residential	**$ 782.3**	$ 823.3	$ (41.0)
Commercial	**272.9**	274.0	(1.1)
Industrial	**58.2**	74.5	(16.3)
Off-System	**14.4**	18.7	(4.3)
Other	**11.1**	40.5	(29.4)
Total	**$ 1,138.9**	$ 1,231.0	$ (92.1)
Sales and Transportation (MMDth)			
Residential	**118.4**	118.5	(0.1)
Commercial	**74.3**	73.7	0.6
Industrial	**136.4**	146.8	(10.4)
Off-System	**5.4**	11.2	(5.8)
Other	**0.2**	0.2	—
Total	**334.7**	350.4	(15.7)
Heating Degree Days	**2,703**	2,440	263
Normal Heating Degree Days	**2,854**	2,897	(43)
% Colder (Warmer) than Normal	**(5)%**	(16)%	
Gas Distribution Customers			
Residential	**2,965,004**	3,233,222	(268,218)
Commercial	**254,188**	283,579	(29,391)
Industrial	**4,965**	6,002	(1,037)
Other	**3**	3	—
Total	**3,224,160**	3,522,806	(298,646)

Cost of energy for the Gas Distribution Operations segment is principally comprised of the cost of natural gas used while providing transportation and distribution services to customers. These are tracked costs that are passed through directly to the customer, resulting in an equal and offsetting amount reflected in operating revenue. In addition, comparability of operation and maintenance expenses, depreciation and amortization, and other taxes may be impacted by regulatory, depreciation and tax trackers that allow for the recovery in rates of certain costs. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

NiSource Inc.
Gas Distribution Operations

Three Months Ended March 31, 2021 vs. March 31, 2020 Operating Income

For the three months ended March 31, 2021, Gas Distribution Operations reported operating income of $346.9 million, an increase of $268.4 million from the comparable 2020 period.

Operating revenues for the three months ended March 31, 2021 were $1,138.9 million, a decrease of $92.1 million from the same period in 2020.

Changes in Operating Revenues *(in millions)*		**Favorable (Unfavorable)**
Revenues associated with the Massachusetts Business in 2020	$	(122.3)
New rates from base rate proceedings, infrastructure replacement programs and Columbia of Ohio's CEP		38.0
The effects of colder weather in 2021 compared to 2020		15.6
The effects of customer growth		3.4
Other		(2.1)
Change in operating revenues (before cost of energy and other tracked items)	$	(67.4)
Operating revenues offset in operating expense		
Higher cost of energy billed to customers		81.3
Cost of energy associated with the Massachusetts Business in 2020		(79.7)
Operation and maintenance trackers associated with the Massachusetts Business in 2020		(24.3)
Lower operation and maintenance, depreciation, and tax trackers		(2.0)
Total change in operating revenues	**$**	**(92.1)**

Operating expenses were $360.5 million lower for the three months ended March 31, 2021 compared to the same period in 2020.

Changes in Operating Expenses *(in millions)*		**Favorable (Unfavorable)**
Loss on sale of the Massachusetts Business of $6.9 million in 2021 compared to $280.2 million in 2020	$	273.3
Operating expenses associated with the Massachusetts Business in 2020		65.6
Lower employee and administrative expenses		4.9
Severance and outside services expense related to NiSource Next initiative		(5.9)
Higher depreciation and amortization expense primarily due to higher capital expenditures placed in service		(5.8)
Other		3.7
Change in operating expenses (before cost of energy and other tracked items)	$	335.8
Operating expenses offset in operating revenue		
Higher cost of energy billed to customers		(81.3)
Cost of energy associated with the Massachusetts Business in 2020		79.7
Operation and maintenance trackers associated with the Massachusetts Business in 2020		24.3
Lower operation and maintenance, depreciation, and tax trackers		2.0
Total change in operating expense	**$**	**360.5**

Weather

In general, we calculate the weather-related revenue variance based on changing customer demand driven by weather variance from normal heating degree days, net of weather normalization mechanisms. Our composite heating degree days reported do not directly correlate to the weather-related dollar impact on the results of Gas Distribution Operations. Heating degree days experienced during different times of the year or in different operating locations may have more or less impact on volume and dollars depending on when and where they occur. When the detailed results are combined for reporting, there may be weather-

related dollar impacts on operations when there is not an apparent or significant change in our aggregated composite heating degree day comparison.

Weather in the Gas Distribution Operations service territories for the first quarter of 2021 was about 5% warmer than normal and about 11% colder than 2020, leading to increased operating revenues of $16.4 million for the quarter ended March 31, 2021 compared to the same period in 2020.

Throughput

Total volumes sold and transported for the three months ended March 31, 2021 were 334.7 MMDth, compared to 350.4 MMDth for the same period in 2020. This decrease is primarily attributable to the sale of the Massachusetts Business, offset by the effects of colder weather in 2021 compared to 2020.

Commodity Price Impact

All of our Gas Distribution Operations companies have state-approved recovery mechanisms that provide a means for full recovery of prudently incurred gas costs. Gas costs are treated as pass-through costs and have no impact on operating income recorded in the period. The gas costs included in revenues are matched with the gas cost expense recorded in the period and the difference is recorded on the Condensed Consolidated Balance Sheets (unaudited) as under-recovered or over-recovered gas cost to be included in future customer billings.

Certain Gas Distribution Operations companies continue to offer choice opportunities, where customers can choose to purchase gas from a third-party supplier, through regulatory initiatives in their respective jurisdictions. These programs serve to further reduce our exposure to gas prices.

Columbia of Massachusetts Asset Sale

On October 9, 2020, we completed the sale of our Massachusetts Business. In March 2021, we reached an agreement with Eversource regarding the final purchase price, including net working capital adjustments, which resulted in a pre-tax loss for the three months ended March 31, 2021 of $6.9 million. The total loss on the sale as of March 31, 2021 is $419.3 million based on asset and liability balances as of the close of the transaction on October 9, 2020, transaction costs and the final purchase price. The pre-tax loss is presented as "Loss on sale of assets, net" on the Condensed Statements of Consolidated Income (unaudited).

NiSource Inc.
Electric Operations

Financial and operational data for the Electric Operations segment for the three months ended March 31, 2021 and 2020 are presented below:

	Three Months Ended March 31,		
(in millions)	**2021**	2020	2021 vs. 2020
Operating Revenues	**402.7**	$ 377.5	25.2
Operating Expenses			
Cost of energy	**97.8**	85.0	12.8
Operation and maintenance	**119.1**	120.9	(1.8)
Depreciation and amortization	**83.4**	78.9	4.5
Other taxes	**14.5**	14.2	0.3
Total Operating Expenses	**314.8**	299.0	15.8
Operating Income	**$ 87.9**	$ 78.5	$ 9.4
Revenues			
Residential	**$ 129.2**	$ 119.2	$ 10.0
Commercial	**122.9**	120.2	2.7
Industrial	**123.1**	109.1	14.0
Wholesale	**3.4**	3.2	0.2
Other	**24.1**	25.8	(1.7)
Total	**$ 402.7**	$ 377.5	$ 25.2
Sales (Gigawatt Hours)			
Residential	**804.6**	755.5	49.1
Commercial	**867.9**	878.7	(10.8)
Industrial	**2,063.3**	2,071.1	(7.8)
Wholesale	**32.1**	71.4	(39.3)
Other	**27.3**	28.2	(0.9)
Total	**3,795.2**	3,804.9	(9.7)
Electric Customers			
Residential	**419,582**	416,501	3,081
Commercial	**57,538**	57,150	388
Industrial	**2,156**	2,160	(4)
Wholesale	**720**	725	(5)
Other	**2**	2	—
Total	**479,998**	476,538	3,460

Cost of energy for the Electric Operations segment is principally comprised of the cost of coal, related handling costs, natural gas purchased for internal generation of electricity at NIPSCO, and the cost of power purchased from third-party generators of electricity. The majority of these are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in operating revenue. In addition, comparability of operation and maintenance expenses and depreciation and amortization may be impacted by regulatory and depreciation trackers that allow for the recovery in rates of certain costs. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

NiSource Inc.
Electric Operations

Three Months Ended March 31, 2021 vs. March 31, 2020 Operating Income

For the three months ended March 31, 2021, Electric Operations reported operating income of $87.9 million, an increase of $9.4 million from the comparable 2020 period.

Operating revenues for the three months ended March 31, 2021 were $402.7 million, an increase of $25.2 million from the same period in 2020.

Changes in Operating Revenues *(in millions)*		**Favorable (Unfavorable)**
Increased customer usage, primarily driven by residential customers	$	4.8
New rates from infrastructure improvement and DSM programs		2.8
The effects of customer growth		1.0
Other		1.4
Change in operating revenues (before cost of energy and other tracked items)	$	10.0
Operating revenues offset in operating expense		
Higher cost of energy billed to customers		12.8
Higher operation and maintenance and depreciation trackers		2.4
Total change in operating revenues	$	25.2

Operating expenses were $15.8 million higher for the three months ended March 31, 2021 compared to the same period in 2020.

Changes in Operating Expenses *(in millions)*		**Favorable (Unfavorable)**
Higher generation-related maintenance	$	(4.2)
Increased depreciation primarily due to additional plant placed in service		(3.4)
Severance and outside services expenses related to the NiSource Next initiative		(2.3)
Decreased environmental costs		6.8
Lower employee and administrative costs		4.3
Other		(1.8)
Change in operating expenses (before cost of energy and other tracked items)	$	(0.6)
Operating expenses offset in operating revenue		
Higher cost of energy billed to customers		(12.8)
Higher operation and maintenance and depreciation trackers		(2.4)
Total change in operating expense	$	(15.8)

Weather

In general, we calculate the weather-related revenue variance based on changing customer demand driven by weather variance from normal heating or cooling degree days. Our composite heating or cooling degree days reported do not directly correlate to the weather-related dollar impact on the results of Electric Operations. Heating or cooling degree days experienced during different times of the year may have more or less impact on volume and dollars depending on when they occur. When the detailed results are combined for reporting, there may be weather-related dollar impacts on operations when there is not an apparent or significant change in our aggregated composite heating or cooling degree day comparison.

Weather in the Electric Operations' territories for the first quarter of 2021 was about 3% warmer than normal and about 7% cooler than in 2020, which had an immaterial impact on operating revenues for the quarter ended March 31, 2021 compared to the same period in 2020.

Sales

Electric Operations sales for the first quarter of 2021 were 3,795.2 GWh, an immaterial decrease compared to the same period in 2020.

Commodity Price Impact

NIPSCO has a state-approved recovery mechanism that provides a means for full recovery of prudently incurred fuel costs. Fuel costs are treated as pass-through costs and have no impact on operating revenues recorded in the period. The fuel costs included in revenues are matched with the fuel cost expense recorded in the period and the difference is recorded on the Condensed Consolidated Balance Sheets (unaudited) as under-recovered or over-recovered fuel cost to be included in future customer billings.

Electric Supply and Generation Transition

NIPSCO continues to execute on an electric generation transition consistent with the preferred pathway from its 2018 Integrated Resource Plan, which outlines plans to retire all of its remaining coal-fired generation by 2028, to be replaced by lower-cost, reliable and cleaner options. The plan is expected to be a key element of a 90% reduction in NiSource's greenhouse gas emissions by 2030 compared with 2005 levels, and to save NIPSCO electric customers more than $4 billion over 30 years. We expect to have incremental capital investment requirements of approximately $2.0 billion, primarily in 2022 and 2023. On March 11, 2021, NIPSCO submitted modified Attachment Y Notices to MISO requesting an updated retirement date for coal-fired units 14 and 15. These units are now expected to be retired by the end of 2021, with the station's remaining two units still on track to be retired by 2023. Refer to Note 7, "Property, Plant and Equipment" and Note 17-D, "Other Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information.

The current replacement plan includes renewable sources of energy, including wind, solar, and battery storage to be obtained through a combination of NIPSCO ownership and PPAs. NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities.

The following table summarizes the executed PPAs and BTAs from our generation transition:

Project Name	Transaction Type	Technology	Nameplate Capacity (MW)	Storage Capacity (MW)	Submitted to IURC	IURC Approval	Estimated Construction Completion
Jordan Creek	20 year PPA	Wind	400	—	02/01/2019	6/05/2019	In Service (12/10/2020)
Rosewater[1]	BTA	Wind	100	—	02/01/2019	8/07/2019	In Service (12/29/2020)
Indiana Crossroads[2]	BTA	Wind	300	—	10/22/2019	2/19/2020	Q4 2021
Greensboro	20 year PPA	Solar & Storage	100	30	7/17/2020	1/27/2021	Q4 2022
Brickyard	20 year PPA	Solar	200	—	7/17/2020	1/27/2021	Q4 2022
Cavalry[2]	BTA	Solar & Storage	200	60	11/30/2020	5/5/2021	Q4 2023
Dunn's Bridge I[2]	BTA	Solar	265	—	11/30/2020	5/5/2021	Q4 2022
Dunn's Bridge II[2]	BTA	Solar & Storage	435	75	11/30/2020	5/5/2021	Q4 2023
Green River	20 year PPA	Solar	200	—	12/23/2020	5/5/2021	Q2 2023
Gibson	22 year PPA	Solar	280	—	01/29/2021	Pending	Q2 2023
Fairbanks[2]	BTA	Solar	250	—	03/03/2021	Pending	Q3 2023
Indiana Crossroads[2]	BTA	Solar	200	—	03/19/2021	Pending	Q4 2022
Elliot[2]	BTA	Solar	200	—	03/31/2021	Pending	Q2 2023
Indiana Crossroads II	15 year PPA	Wind	200	—	04/30/2021	Pending	Q4 2023

[1] Refer to Note 15, "Variable Interest Entities," for additional information.

[2] Ownership of the facility will be transferred to joint ventures whose members include NIPSCO and an unrelated tax equity partner.

Liquidity and Capital Resources

We continually evaluate the availability of adequate financing to fund our ongoing business operations, working capital and core safety and infrastructure investment programs. Our financing is sourced through cash flow from operations and the issuance of debt and/or equity. External debt financing is provided primarily through the issuance of long-term debt, accounts receivable securitization programs and our $1.5 billion commercial paper program, which is backstopped by our committed revolving credit facility with a total availability from third-party lenders of $1.85 billion. The commercial paper program and credit facility provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves our desired capital structure. We utilize an ATM equity program that allows us to issue and sell shares of our common stock up to an aggregate issuance of $750.0 million through December 31, 2023. On April 19, 2021, we completed the sale of 8.625 million Equity Units, which provided net proceeds of $835.5 million, after underwriting and estimated issuance expenses. We intend to use the net proceeds from the offering for renewable generation investments and general corporate purposes, including additions to working capital and repayment of existing indebtedness.

We believe these sources provide adequate capital to fund our operating activities and capital expenditures in 2021 and beyond.

Greater Lawrence Incident: As discussed in Note 17, "Other Commitments and Contingencies," in the Notes to the Condensed Consolidated Financial Statements (unaudited), due to the inherent uncertainty of litigation, there can be no assurance that the outcome or resolution of any particular claim related to the Greater Lawrence Incident will not continue to have an adverse impact on our cash flows. Through income generated from operating activities, amounts available under the short-term revolving credit facility, and our ability to access capital markets, we believe we have adequate capital available to settle remaining anticipated claims associated with the Greater Lawrence Incident.

Operating Activities

Net cash from operating activities for the three months ended March 31, 2021 was $448.3 million, an increase of $78.4 million compared to the three months ended March 31, 2020. This increase was primarily driven by a year over year decrease in net payments related to the Greater Lawrence Incident. During 2021, we paid approximately $6 million compared to $150 million of payments during the same period in 2020. Additionally, we had decreased compensation and employee benefit payments in 2021 compared to 2020. Offsetting these decreased cash outflows are increases related to the under collection of gas and fuel costs.

Investing Activities

Net cash used for investing activities for the three months ended March 31, 2021 was $401.8 million, a decrease of $82.8 million compared to the three months ended March 31, 2020. This decrease was driven by lower capital expenditures associated with the Massachusetts Business in 2020 and timing of growth spend. We project total 2021 capital expenditures to be approximately $1.9 to $2.1 billion.

Regulatory Capital Improvement Programs. In 2021, we continue to move forward on core infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all six states of our operating area.

The following table describes the most recent vintage of our regulatory programs to recover infrastructure replacement and other federally mandated compliance investments currently in rates and those pending commission approval:

(in millions)

Company	Program	Incremental Revenue	Incremental Capital Investment	Investment Period	Costs Covered[1]	Rates Effective
Columbia of Ohio	IRP - 2021	22.2	212.6	1/20-12/20	Replacement of (1) hazardous service lines, (2) cast iron, wrought iron, uncoated steel, and bare steel pipe, (3) natural gas risers prone to failure and (4) installation of AMR devices.	May 2021
Columbia of Ohio	CEP - 2021	18.3	179.2	1/20-12/20	Assets not included in the IRP.	September 2021
NIPSCO - Gas	TDSIC 2	1.8	52.3	7/20-12/20	New or replacement projects undertaken for the purpose of safety, reliability, system modernization or economic development.	July 2021
NIPSCO - Gas	FMCA 5	1.4	42.3	4/20-9/20	Project costs to comply with federal mandates.	April 2021
Columbia of Pennsylvania[2]	DSIC - Q4 2020	0.8	25.0	9/20-11/20	Eligible project costs including piping, couplings, gas service lines, excess flow valves, risers, meter bars, meters, and other related capitalized cost, to improve the distribution system.	January 2021
Columbia of Virginia	SAVE - 2021	5.2	46.4	1/21-12/21	Replacement projects that (1) enhance system safety or reliability, or (2) reduce, or potentially reduce, greenhouse gas emissions.	January 2021
Columbia of Kentucky	SMRP - 2021	2.6	40.0	1/21-12/21	Replacement of mains and inclusion of system safety investments.	May 2021
Columbia of Maryland	STRIDE - 2021	1.3	16.9	1/21-12/21	Pipeline upgrades designed to improve public safety or infrastructure reliability.	January 2021
NIPSCO - Electric[3][4]	TDSIC - 8	(2.0)	73.5	8/20-1/21	New or replacement projects undertaken for the purpose of safety, reliability, system modernization or economic development.	August 2021
NIPSCO - Electric[5]	FMCA - 13	(1.2)	—	9/19-2/20	Project costs to comply with federal mandates.	August 2020

[1]Programs do not include any costs already included in base rates.
[2]Effective January 23, 2021, Columbia of Pennsylvania's DSIC rate was set to zero due to the inclusion of the incremental capital and revenue in base rates following the Pennsylvania PUC's Final Order in the 2020 rate case.
[3]Decrease in incremental revenue is due to lower depreciation expense (pre-2018 base rate case vs post-2018 base rate case).
[4]On April 1, 2021, NIPSCO filed a notice with the IURC that it intends to terminate its current Electric TDSIC plan effective May 31, 2021. NIPSCO expects to file for a new electric TDSIC plan on or soon after June 1, 2021.
[5]Decrease in incremental revenue is inclusive of tracker eligible operations and maintenance expense. No eligible capital investments were made during the investment period.

Financing Activities

Common Stock and Preferred Stock. Refer to Note 5, "Equity," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on common and preferred stock activity.

Short-term Debt. Refer to Note 16, "Short-Term Borrowings," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on short-term debt activity.

Non-controlling Interest. Refer to Note 15, "Variable Interest Entities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on contributions from non-controlling interest activity.

Net Available Liquidity. As of March 31, 2021, an aggregate of $1,866.0 million of net liquidity was available, including cash and credit available under the revolving credit facility.

The following table displays our liquidity position as of March 31, 2021 and December 31, 2020:

(in millions)	**March 31, 2021**	December 31, 2020
Current Liquidity		
Revolving Credit Facility	**$ 1,850.0**	$ 1,850.0
Accounts Receivable Program[(1)]	**462.1**	273.3
Less:		
Commercial Paper	**520.0**	503.0
Accounts Receivable Program Utilized	**—**	—
Letters of Credit Outstanding Under Credit Facility	**15.2**	15.2
Add:		
Cash and Cash Equivalents	**89.1**	116.5
Net Available Liquidity	**$ 1,866.0**	$ 1,721.6

[(1)]Represents the lesser of the seasonal limit or maximum borrowings supportable by the underlying receivables.

Debt Covenants. We are subject to financial covenants under our revolving credit facility, which require us to maintain a debt to capitalization ratio that does not exceed 70%. As of March 31, 2021, the ratio was 62.2%.

Sale of Trade Accounts Receivables. Refer to Note 11, "Transfers of Financial Assets," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on the sale of trade accounts receivable.

Credit Ratings. The credit rating agencies periodically review our ratings, taking into account factors such as our capital structure and earnings profile. The following table includes our and certain of our subsidiaries' credit ratings and ratings outlook as of March 31, 2021. There were no changes to the below credit ratings or outlooks since December 31, 2020.

A credit rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision or withdrawal at any time by the assigning rating organization.

	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
NiSource	BBB+	Stable	Baa2	Stable	BBB	Stable
NIPSCO	BBB+	Stable	Baa1	Stable	BBB	Stable
Columbia of Massachusetts	BBB+	Stable	Baa2	Stable	Not rated	Not rated
Commercial Paper	A-2	Stable	P-2	Stable	F2	Stable

Certain of our subsidiaries have agreements that contain "ratings triggers" that require increased collateral if our credit rating or the credit ratings of certain of our subsidiaries are below investment grade. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. As of March 31, 2021, the collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $54.8 million. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.

Equity. Our authorized capital stock consists of 620,000,000 shares, $0.01 par value, of which 600,000,000 are common stock and 20,000,000 are preferred stock. As of March 31, 2021, 392,129,866 shares of common stock and 440,000 shares of preferred stock were outstanding.

Contractual Obligations. There were no material changes during the three months ended March 31, 2021 to our contractual obligations as of December 31, 2020.

Guarantees and Indemnities. We and certain of our subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries as a part of normal business. Refer to Note 17, "Other Commitments and Contingencies," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for information on guarantees.

NiSource Inc.
Regulatory and Other Matters

Cost Recovery and Trackers

Comparability of our line item operating results is impacted by regulatory trackers that allow for the recovery in rates of certain costs such as those described below. Increases in the expenses that are subject to approved regulatory tracker mechanisms generally lead to increased regulatory assets, which ultimately result in a corresponding increase in operating revenues and, therefore, have essentially no impact on total operating income results. Certain approved regulatory tracker mechanisms allow for abbreviated regulatory proceedings in order for the operating companies to quickly implement revised rates and recover associated costs.

A portion of the Gas Distribution revenue is related to the recovery of gas costs, the review and recovery of which occurs through standard regulatory proceedings. All states in our operating area require periodic review of actual gas procurement activity to determine prudence and to confirm the recovery of prudently incurred energy commodity costs supplied to customers.

A portion of the Electric Operations revenue is related to the recovery of fuel costs to generate power and the fuel costs related to purchased power. These costs are recovered through a FAC, which is updated quarterly to reflect actual costs incurred to supply electricity to customers.

Increased efficiency of natural gas appliances and improvements in home building codes and standards has contributed to a long-term trend of declining average use per customer. While historical rate design at the distribution level has been structured such that a large portion of cost recovery is based upon throughput rather than in a fixed charge, operating costs are largely incurred on a fixed basis and do not fluctuate due to changes in customer usage. As a result, Gas Distribution Operations have pursued changes in rate design to more effectively match recoveries with costs incurred. Each of the states in which Gas Distribution Operations operate has different requirements regarding the procedure for establishing changes to rate design.

Columbia of Ohio has adopted a straight fixed variable rate design that closely links the recovery of fixed costs with fixed charges. Columbia of Maryland and Columbia of Virginia have regulatory approval for weather and revenue normalization adjustments for certain customer classes, which adjust monthly revenues that exceed or fall short of approved levels during specified heating months. Columbia of Pennsylvania continues to operate its pilot residential weather normalization adjustment and also has a fixed customer charge. This weather normalization adjustment only adjusts revenues when actual weather compared to normal varies by more than 3%. Columbia of Kentucky incorporates a weather normalization adjustment for certain customer classes and also has a fixed customer charge. In a prior gas base rate proceeding, NIPSCO implemented a higher fixed customer charge for residential and small customer classes moving toward recovering more of its fixed costs through a fixed recovery charge, but has no weather or usage protection mechanism.

Rate Case Actions
The following table describes current rate case actions as applicable in each of our jurisdictions net of tracker impacts:

(in millions)

Company	Proposed ROE	Approved ROE	Requested Incremental Revenue	Approved Incremental Revenue	Filed	Status	Rates Effective
Columbia of Pennsylvania[(1)]	9.86 %	9.86 %	$ 76.8	$ 63.5	April 24, 2020	Approved February 19, 2021	January 2021
Columbia of Pennsylvania	10.95 %	In process	$ 98.3	In process	March 30, 2021	Order Expected Q4 2021	December 2021

[(1)]The 9.86% ROE and the $76.8 million requested incremental revenue stated above reflect compromise positions taken by Columbia of Pennsylvania during the briefing stages of its 2020 base rate case. In its initial filing on April 24, 2020, Columbia of Pennsylvania proposed an ROE of 10.95% and requested incremental revenue of $100.4 million. A Final Order from the Pennsylvania PUC was received on February 19, 2021 for rates effective retroactive to January 23, 2021. On March 8, 2021, the Pennsylvania Office of Consumer Advocate filed a Petition for Reconsideration, seeking to have the Pennsylvania PUC modify its February 19 Final Order. On April 15, 2021, the Pennsylvania PUC issued an Opinion and Order denying the Office of Consumer Advocate's Petition. Parties have 30 days in which to file an appeal.

In addition to the rate case actions noted in the table above, Columbia of Kentucky has filed a Notice of Intent to file a base rate case on May 28, 2021 or soon thereafter.

NiSource Inc.
Regulatory and Other Matters

COVID-19 Regulatory Deferrals

In addition to the cost deferred to a regulatory asset as noted in Note 8, "Regulatory Matters", in the Notes to Condensed Consolidated Financial Statements (unaudited), certain states have permitted us to track lost late and disconnect fee revenues due to the pandemic. While these costs do not qualify as regulatory assets under ASC 980, we will consider seeking recovery of these costs in future regulatory proceedings.

PHMSA Regulations

On December 27, 2020, the Protecting Our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act of 2020 was signed into law reauthorizing funding for federal pipeline safety programs through September 30, 2023. Among other things, the PIPES Act requires that PHMSA revise the pipeline safety regulations to require operators to update, as needed, their existing distribution integrity management plans, emergency response plans, and O&M plans. The PIPES Act also requires PHMSA to adopt new requirements for managing records and updating, as necessary existing district regulator stations to eliminate common modes of failure that can lead to overpressurization. PHMSA must also require that operators implement leak detection and repair programs that meet safety needs and protect the environment, require the use of advance leak detection practices and technologies, and require operators to be able to locate and categorize all leaks that are hazardous to human safety or the environment, or that can become hazardous. Natural gas companies, including the Company, may see increased costs depending on how PHMSA implements the new mandates resulting from the PIPES Act.

Climate Issues

Future legislative and regulatory programs could significantly limit allowed GHG emissions or impose a cost or tax on GHG emissions. Additionally, rules that require further GHG reductions or impose additional requirements for natural gas facilities could impose additional costs.

In February 2021, the United States rejoined the Paris Agreement, an international treaty through which parties set nationally determined contributions to reduce GHG emissions, build resilience, and adapt to the impacts of climate change. Subsequently, the Biden Administration released a target for the United States to achieve a 50%-52% GHG reduction from 2005 levels by 2030, which supports the President's goals to create a carbon-free power sector by 2035 and net zero emissions economy no later than 2050. There are many pathways to reach these goals. We will carefully monitor all climate-related policy as we continue to actively implement our plans to be coal-free by 2028 and achieve our 90% GHG reduction target by 2030.

On July 8, 2019, the EPA published the final ACE rule, which establishes emission guidelines for states to use when developing plans to limit carbon dioxide at coal-fired electric generating units based on heat rate improvement measures. The U.S. Court of Appeals for the D.C. Circuit vacated and remanded the rule on January 19, 2021. NIPSCO will continue to monitor this matter.

Off-Balance Sheet Arrangements

We, along with certain of our subsidiaries, enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit.

Refer to Note 17, "Other Commitments and Contingencies," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about such arrangements.

Market Risk Disclosures

Risk is an inherent part of our businesses. The extent to which we properly and effectively identify, assess, monitor and manage each of the various types of risk involved in our businesses is critical to our profitability. We seek to identify, assess, monitor and manage, in accordance with defined policies and procedures, the following principal market risks that are involved in our businesses: commodity price risk, interest rate risk and credit risk. We manage risk through a multi-faceted process with oversight by the Risk Management Committee that requires constant communication, judgment and knowledge of specialized products and markets. Our senior management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks. These may include, but are not limited to market, operational, financial, compliance and strategic risk types. In recognition of the increasingly varied and complex nature of the energy business, our risk management process, policies and procedures continue to evolve and are subject to ongoing review and modification.

Commodity Price Risk

We are exposed to commodity price risk as a result of our subsidiaries' operations involving natural gas and power. To manage this market risk, our subsidiaries use derivatives, including commodity futures contracts, swaps, forwards and options. We do not participate in speculative energy trading activity.

Commodity price risk resulting from derivative activities at our rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the ratemaking process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional ratemaking process and may be more exposed to commodity price risk.

Our subsidiaries are required to make cash margin deposits with their brokers to cover actual and potential losses in the value of outstanding exchange traded derivative contracts. The amount of these deposits, some of which are reflected in our restricted cash balance, may fluctuate significantly during periods of high volatility in the energy commodity markets.

Refer to Note 9, "Risk Management Activities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information on our commodity price risk assets and liabilities as of March 31, 2021 or December 31, 2020.

Interest Rate Risk

We are exposed to interest rate risk as a result of changes in interest rates on borrowings under our revolving credit agreement, commercial paper program, accounts receivable programs and now-settled term loan, which have interest rates that are indexed to short-term market interest rates. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by $1.2 million and $4.3 million for the three months ended March 31, 2021, and March 31, 2020, respectively. We are also exposed to interest rate risk as a result of changes in benchmark rates that can influence the interest rates of future debt issuances.

Refer to Note 9, "Risk Management Activities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information on our interest rate risk assets and liabilities as of March 31, 2021 and December 31, 2020.

Credit Risk

Due to the nature of the industry, credit risk is embedded in many of our business activities. Our extension of credit is governed by a Corporate Credit Risk Policy. In addition, Risk Management Committee guidelines are in place which document management approval levels for credit limits, evaluation of creditworthiness, and credit risk mitigation efforts. Exposures to credit risks are monitored by the risk management function, which is independent of commercial operations. Credit risk arises due to the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative-related contracts, credit risk arises when counterparties are obligated to deliver or purchase defined commodity units of gas or power to us at a future date per execution of contractual terms and conditions. Exposure to credit risk is measured in terms of both current obligations and the market value of forward positions net of any posted collateral such as cash and letters of credit.

We closely monitor the financial status of our banking credit providers. We evaluate the financial status of our banking partners through the use of market-based metrics such as credit default swap pricing levels, and also through traditional credit ratings provided by major credit rating agencies.

Certain individual state regulatory commissions instituted regulatory moratoriums in connection with the COVID-19 pandemic that impacted our ability to pursue our credit risk mitigation practices for customer accounts receivable. Following the issuances of these moratoriums, certain of our regulated operations have been authorized to recognize a regulatory asset for bad debt costs above levels currently in rates. We have reinstated our common credit mitigation practices where moratoriums have expired. Refer to Note 8, "Regulatory Matters" in the Notes to Condensed Consolidated Financial Statements (unaudited) for state-specific regulatory moratoriums.

Other Information

Critical Accounting Estimates

Refer to Note 3, "Revenue Recognition," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about management judgment used in determining allowance for credit losses.

Refer to Note 12, "Goodwill," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about management judgment used in the annual goodwill impairment analysis performed as of May 1, 2020.

Refer to Note 15, "Variable Interest Entities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about management judgement used in determining how to account for our variable interest entity.

Recently Issued Accounting Pronouncements

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about recently issued and adopted accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion regarding quantitative and qualitative disclosures about market risk see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures.”

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and our chief financial officer are responsible for evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that financial information was processed, recorded and reported accurately.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting during the most recently completed quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

For a description of our legal proceedings, see Note 17-B, "Legal Proceedings," in the Notes to Condensed Consolidated Financial Statements (unaudited).

ITEM 1A. RISK FACTORS

The risk factors set forth in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 are supplemented with the following risk factors, which should be read in conjunction with the risk factors set forth in the Annual Report on Form 10-K.

Risk Factors Relating to our Equity Units

The trading prices for our Equity Units, initially consisting of Corporate Units, and related treasury units and mandatory convertible preferred stock, are expected to be affected by, among other things, the trading prices of our common stock, the general level of interest rates and our credit quality.

The trading prices of the Equity Units, initially consisting of Corporate Units, which are listed on the New York Stock Exchange, and the related treasury units and mandatory convertible preferred stock in the secondary market, are expected to be affected by, among other things, the trading prices of our common stock, the general level of interest rates and our credit quality. It is impossible to predict whether the price of our common stock or interest rates will rise or fall. The price of our common stock could be subject to wide fluctuations in the future in response to many events or factors, including those discussed in the risk factors herein and in our Annual Report on Form 10-K for the year ended December 31, 2020, as may be supplemented by subsequently filed Quarterly Reports on Form 10-Q, many of which events and factors are beyond our control. Fluctuations in interest rates may give rise to arbitrage opportunities based upon changes in the relative value of the common stock underlying the purchase contracts and of the other components of the Equity Units. Any such arbitrage could, in turn, affect the trading prices of the Corporate Units, treasury units, mandatory convertible preferred stock and our common stock.

The fundamental change early settlement right triggered under certain circumstances by a fundamental change and the supermajority rights of the mandatory convertible preferred stock in connection with certain fundamental change transactions jointly could discourage a potential acquirer.

The fundamental change early settlement right with respect to the purchase contracts triggered under certain circumstances by a fundamental change and the supermajority voting rights of the mandatory convertible preferred stock in connection with certain fundamental change transactions jointly could discourage a potential acquirer, including potential acquirers that would otherwise seek a transaction with us that would be attractive to our investors.

Our Equity Units, initially consisting of Corporate Units, and related mandatory convertible preferred stock, and the issuance and sale of common stock in settlement of the purchase contracts and conversion of mandatory convertible preferred stock, may all adversely affect the market price of our common stock and will cause dilution to our stockholders.

The market price of our common stock is likely to be influenced by our Equity Units, initially consisting of Corporate Units, and related mandatory convertible preferred stock. For example, the market price of our common stock could become more volatile and could be depressed by:

- investors' anticipation of the sale into the market of a substantial number of additional shares of our common stock issued upon settlement of the purchase contracts or conversion of our mandatory convertible preferred stock;
- possible sales of our common stock by investors who view our Equity Units, initially consisting of Corporate Units, or related mandatory convertible preferred stock as a more attractive means of equity participation in us than owning shares of our common stock; and
- hedging or arbitrage trading activity that we expect to develop involving our Equity Units, initially consisting of Corporate Units, or related mandatory convertible preferred stock and our common stock.

In addition, we cannot predict the effect that future issuances or sales of our common stock, if any, including those made upon the settlement of the purchase contracts or conversion of the mandatory convertible preferred stock, may have on the market price for our common stock.

ITEM 1A. RISK FACTORS

NiSource Inc.

Our Equity Units, initially consisting of Corporate Units, and the issuance and sale of substantial amounts of common stock, including issuances and sales upon the settlement of the purchase contracts or conversion of the mandatory convertible preferred stock, could adversely affect the market price of our common stock and will cause dilution to our stockholders.

Operational Risk

A cyber-attack on any of our or certain third-party computer systems upon which we rely may adversely affect our ability to operate and could lead to a loss or misuse of confidential and proprietary information or potential liability.

We are reliant on technology to run our business, which is dependent upon financial and operational computer systems to process critical information necessary to conduct various elements of our business, including the generation, transmission and distribution of electricity; operation of our gas pipeline facilities; and the recording and reporting of commercial and financial transactions to regulators, investors and other stakeholders. In addition to general information and cyber risks that all large corporations face (e.g., malware, unauthorized access attempts, phishing attacks, malicious intent by insiders, third-party software vulnerabilities and inadvertent disclosure of sensitive information), the utility industry faces evolving and increasingly complex cybersecurity risks associated with protecting sensitive and confidential customer and employee information, electric grid infrastructure, and natural gas infrastructure. Deployment of new business technologies, along with maintaining legacy technology, represents a large-scale opportunity for attacks on our information systems and confidential customer and employee information, as well as on the integrity of the energy grid and the natural gas infrastructure. Increasing large-scale corporate attacks in conjunction with more sophisticated threats continue to challenge power and utility companies. Any failure of our computer systems, or those of our customers, suppliers or others with whom we do business, could materially disrupt our ability to operate our business and could result in a financial loss and possibly do harm to our reputation.

Additionally, our information systems experience ongoing, often sophisticated, cyber-attacks by a variety of sources, including foreign sources, with the apparent aim to breach our cyber-defenses. Although we attempt to maintain adequate defenses to these attacks and work through industry groups and trade associations to identify common threats and assess our countermeasures, a security breach of our information systems, or a security breach of the information systems of our customers, suppliers or others with whom we do business, could (i) adversely impact our ability to safely and reliably deliver electricity and natural gas to our customers through our generation, transmission and distribution systems and potentially negatively impact our compliance with certain mandatory reliability and gas flow standards, (ii) subject us to reputational and other harm or liabilities associated with theft or inappropriate release of certain types of information such as system operating information or information, personal or otherwise, relating to our customers or employees, (iii) impact our ability to manage our businesses, and/or (iv) subject us to legal and regulatory proceedings and claims from third parties, in addition to remediation costs, any of which, in turn, could have a material adverse effect on our businesses, cash flows, financial condition, results of operations and/or prospects. Although we do maintain cyber insurance, it is possible that such insurance will not adequately cover any losses or liabilities we may incur as a result of a cybersecurity incident.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

NiSource Inc.

(1.1)	Form of Equity Distribution Agreement (incorporated by reference to Exhibit 1.1 of the NiSource Inc. Form 8-K filed on February 22, 2021).
(1.2)	Form of Master Forward Sale Confirmation (incorporated by reference to Exhibit 1.2 of the NiSource Inc. Form 8-K filed on February 22, 2021).
(3.1)	Certificate of Designations with respect to the Series C Mandatory Convertible Preferred Stock, dated April 19, 2021 (incorporated by reference to Exhibit 3.1 of the NiSource Inc. Form 8-K filed on April 19, 2021).
(4.1)	Purchase Contract and Pledge Agreement, dated April 19, 2021, between NiSource Inc. and U.S. Bank National Association, in its capacity as the purchase contract agent, collateral agent, custodial agent and securities intermediary (incorporated by reference to Exhibit 4.1 of the NiSource Inc. Form 8-K filed on April 19, 2021).
(4.2)	Form of Series A Corporate Units Certificate (incorporated by reference listed under Exhibit 4.1 above).
(4.3)	Form of Series A Treasury Units Certificate (incorporated by reference listed under Exhibit 4.1 above).
(4.4)	Form of Series A Cash Settled Units Certificate (incorporated by reference listed under Exhibit 4.1 above).
(4.5)	Form of Series C Mandatory Convertible Preferred Stock Certificate (incorporated by reference listed under Exhibit 3.1 above).
(31.1)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
(31.2)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
(32.1)	Certification of Chief Executive Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).*
(32.2)	Certification of Chief Financial Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).*
(101.INS)	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
(101.SCH)	Inline XBRL Schema Document
(101.CAL)	Inline XBRL Calculation Linkbase Document
(101.LAB)	Inline XBRL Labels Linkbase Document
(101.PRE)	Inline XBRL Presentation Linkbase Document
(101.DEF)	Inline XBRL Definition Linkbase Document
(104)	Cover page Interactive Data File (formatted as inline XBRL, and contained in Exhibit 101.)

* Exhibit filed herewith.

SIGNATURE

NiSource Inc.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NiSource Inc.
(Registrant)

Date: May 5, 2021

By: /s/ Gunnar J. Gode
Gunnar J. Gode
Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

Exhibit 31.1

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph Hamrock, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended March 31, 2021;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

By: /s/ Joseph Hamrock
Joseph Hamrock
President and Chief Executive Officer

Exhibit 31.2

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Donald E. Brown, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended March 31, 2021;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

By: /s/ Donald E. Brown

Donald E. Brown
Executive Vice President, Chief Financial Officer, and
President of NiSource Corporate Services

Exhibit 32.1

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Hamrock, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph Hamrock
Joseph Hamrock
President and Chief Executive Officer

Date: May 5, 2021

Exhibit 32.2

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald E. Brown, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Donald E. Brown
Donald E. Brown
Executive Vice President, Chief Financial Officer, and President of
NiSource Corporate Services

Date: May 5, 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

DE	35-2108964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 East 86th Avenue Merrillville, IN	46410
(Address of principal executive offices)	(Zip Code)

(877) 647-5990
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	NI	NYSE
Depositary Shares, each representing a 1/1,000th ownership interest in a share of 6.50% Series B		
Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, par value $0.01 per share, liquidation preference $25,000 per share and a 1/1,000th ownership interest in a share of Series B-1 Preferred Stock, par value $0.01 per share, liquidation preference $0.01 per share	NI PR B	NYSE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.)

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Emerging growth company ☐ Non-accelerated filer ☐ Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $0.01 Par Value: 383,212,193 shares outstanding at October 26, 2020.

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

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DEFINED TERMS

The following is a list of frequently used abbreviations or acronyms that are found in this report:

NiSource Subsidiaries, Affiliates and Former Subsidiaries

Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
NIPSCO	Northern Indiana Public Service Company LLC
NiSource ("we," "us" or “our”)	NiSource Inc.

Abbreviations and Other

ACE	Affordable Clean Energy
AFUDC	Allowance for funds used during construction
AOCI	Accumulated Other Comprehensive Income (Loss)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	At-the-market
BTA	Build-transfer agreement
CARES Act	The Coronavirus Aid, Relief and Economic Security Act provides more than $2 trillion to battle COVID-19 and its economic effects, including various types of economic relief for impacted business and industries.
CCRs	Coal Combustion Residuals
CEP	Capital Expenditure Program
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
COVID-19	Novel Coronavirus 2019
DSIC	Distribution System Improvement Charge
DPU	Department of Public Utilities
ELG	Effluent limitations guidelines
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FMCA	Federally Mandated Cost Adjustment
GAAP	Generally Accepted Accounting Principles
GCA	Gas cost adjustment
GCR	Gas cost recovery
GHG	Greenhouse gases
GWh	Gigawatt hours
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
LIBOR	London InterBank Offered Rate
MA DOR	Massachusetts Department of Revenue

DEFINED TERMS

Massachusetts Business	All of the assets sold to, and liabilities assumed by, Eversource pursuant to the Asset Purchase Agreement
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator
MMDth	Million dekatherms
MW	Megawatts
MWh	Megawatt hours
NTSB	National Transportation Safety Board
NYMEX	New York Mercantile Exchange
OPEB	Other Postretirement Benefits
PHMSA	Pipeline and Hazardous Materials Safety Administration
PPA	Power Purchase Agreement
PSC	Public Service Commission
PTC	Production tax credit
PUC	Public Utilities Commission
PUCO	Public Utilities Commission of Ohio
RCRA	Resource Conservation and Recovery Act
RFP	Request for proposals
SAVE	Steps to Advance Virginia's Energy Plan
SEC	Securities and Exchange Commission
SMRP	Safety Modification and Replacement Program
STRIDE	Strategic Infrastructure Development Enhancement
TCJA	An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (commonly known as the Tax Cuts and Jobs Act of 2017)
TSA	Transition Service Agreement
TDSIC	Transmission, Distribution and Storage System Improvement Charge
VSCC	Virginia State Corporation Commission

Note regarding forward-looking statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Quarterly Report on Form 10-Q include, among other things, our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; our ability to execute our growth strategy; changes in general economic, capital and commodity market conditions; pension funding obligations; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; our ability to adapt to, and manage costs related to, advances in technology; any changes in our assumptions regarding the financial implications of the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; potential incidents and other operating risks associated with our business; continuing and potential future impacts from the COVID-19 pandemic; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; any damage to our reputation, including in connection with the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities;

fluctuations in demand from residential, commercial and industrial customers; economic conditions of certain industries; the success of NIPSCO's electric generation strategy; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential impairment of goodwill; changes in taxation and accounting principles; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; construction risks and natural gas costs and supply risks; extreme weather conditions; the attraction and retention of a qualified workforce; the ability of our subsidiaries to generate cash; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; and other matters in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, and in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, many of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

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PART I

ITEM 1. FINANCIAL STATEMENTS

NiSource Inc.
Condensed Statements of Consolidated Income (Loss) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share amounts)	**2020**	2019	**2020**	2019
Operating Revenues				
Customer revenues	**$ 861.5**	$ 891.0	**$ 3,320.1**	$ 3,694.7
Other revenues	**41.0**	40.5	**150.6**	117.0
Total Operating Revenues	**902.5**	931.5	**3,470.7**	3,811.7
Operating Expenses				
Cost of sales (excluding depreciation and amortization)	**143.1**	196.7	**793.9**	1,130.5
Operation and maintenance	**379.9**	393.9	**1,177.6**	995.5
Depreciation and amortization	**180.6**	182.2	**542.4**	535.2
Loss on classification as held for sale	**35.6**	—	**400.2**	—
Loss (gain) on sale of fixed assets and impairments, net	**0.3**	(0.2)	**(0.4)**	(0.1)
Other taxes	**70.2**	67.9	**224.3**	221.9
Total Operating Expenses	**809.7**	840.5	**3,138.0**	2,883.0
Operating Income	**92.8**	91.0	**332.7**	928.7
Other Income (Deductions)				
Interest expense, net	**(95.2)**	(95.9)	**(285.1)**	(285.6)
Other, net	**8.0**	1.3	**19.9**	0.3
Loss on early extinguishment of long-term debt	**(243.4)**	—	**(243.4)**	—
Total Other Deductions, Net	**(330.6)**	(94.6)	**(508.6)**	(285.3)
Income (Loss) before Income Taxes	**(237.8)**	(3.6)	**(175.9)**	643.4
Income Taxes	**(64.9)**	(10.2)	**(73.9)**	121.0
Net Income (Loss)	**(172.9)**	6.6	**(102.0)**	522.4
Preferred dividends	**(13.8)**	(13.8)	**(41.4)**	(41.4)
Net Income (Loss) Available to Common Shareholders	**(186.7)**	(7.2)	**(143.4)**	481.0
Earnings (Loss) Per Share				
Basic Earnings (Loss) Per Share	**$ (0.49)**	$ (0.02)	**$ (0.37)**	$ 1.29
Diluted Earnings (Loss) Per Share	**$ (0.49)**	$ (0.02)	**$ (0.37)**	$ 1.28
Basic Average Common Shares Outstanding	**383.8**	374.1	**383.5**	373.8
Diluted Average Common Shares	**383.8**	374.1	**383.5**	375.2

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Statements of Consolidated Comprehensive Income (Loss) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, net of taxes)	**2020**	2019	**2020**	2019
Net Income (Loss)	**$ (172.9)**	$ 6.6	**$ (102.0)**	$ 522.4
Other comprehensive income (loss):				
Net unrealized gain on available-for-sale debt securities[1]	**1.4**	0.7	**1.7**	5.6
Net unrealized gain (loss) on cash flow hedges[2]	**26.0**	(50.6)	**(104.6)**	(100.4)
Unrecognized pension and OPEB benefit[3]	**0.9**	0.4	**1.9**	1.7
Total other comprehensive income (loss)	**28.3**	(49.5)	**(101.0)**	(93.1)
Comprehensive Income (Loss)	**$ (144.6)**	$ (42.9)	**$ (203.0)**	$ 429.3

[1] Net unrealized gain on available-for-sale debt securities, net of $0.4 million and $0.1 million tax expense in the third quarter of 2020 and 2019, respectively, and $0.5 million and $1.4 million tax expense for the nine months ended 2020 and 2019, respectively.
[2] Net unrealized gain (loss) on cash flow hedges, net of $8.6 million tax expense and $16.7 million tax benefit in the third quarter of 2020 and 2019, respectively, and $34.6 million and $33.2 million tax benefit for the nine months ended 2020 and 2019, respectively.
[3] Unrecognized pension and OPEB benefit, net of $0.2 million and $0.1 million tax expense in the third quarter of 2020 and 2019, respectively, and $0.1 million and $0.6 million tax expense for the nine months ended 2020 and 2019, respectively.

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Consolidated Balance Sheets (unaudited)

(in millions)	**September 30, 2020**	December 31, 2019
ASSETS		
Property, Plant and Equipment		
Utility plant	**$ 20,843.4**	$ 24,502.6
Accumulated depreciation and amortization	**(5,659.0)**	(7,609.3)
Net utility plant	**15,184.4**	16,893.3
Other property, at cost, less accumulated depreciation	**894.6**	18.9
Net Property, Plant and Equipment	**16,079.0**	16,912.2
Investments and Other Assets		
Unconsolidated affiliates	**0.9**	1.3
Available-for-sale debt securities (amortized cost of $156.1 and $150.1, allowance for credit losses of $0.7 and $0, respectively)	**161.8**	154.2
Other investments	**75.3**	74.7
Total Investments and Other Assets	**238.0**	230.2
Current Assets		
Cash and cash equivalents	**58.6**	139.3
Restricted cash	**9.0**	9.1
Accounts receivable	**560.7**	876.1
Allowance for credit losses	**(39.3)**	(19.2)
Accounts receivable, net	**521.4**	856.9
Gas inventory	**203.3**	250.9
Materials and supplies, at average cost	**127.0**	120.2
Electric production fuel, at average cost	**66.2**	53.6
Exchange gas receivable	**24.4**	48.5
Assets held for sale	**1,565.7**	—
Regulatory assets	**132.6**	225.7
Prepayments and other	**112.6**	149.7
Total Current Assets	**2,820.8**	1,853.9
Other Assets		
Regulatory assets	**1,915.6**	2,013.9
Goodwill	**1,485.9**	1,485.9
Deferred charges and other	**162.2**	163.7
Total Other Assets	**3,563.7**	3,663.5
Total Assets	**$ 22,701.5**	$ 22,659.8

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

NiSource Inc.
Condensed Consolidated Balance Sheets (unaudited) (continued)

(in millions, except share amounts)	**September 30, 2020**	December 31, 2019
CAPITALIZATION AND LIABILITIES		
Capitalization		
Stockholders' Equity		
Common stock - $0.01 par value, 600,000,000 shares authorized; 383,114,130 and 382,135,680 shares outstanding, respectively	**$ 3.8**	$ 3.8
Preferred stock - $0.01 par value, 20,000,000 shares authorized; 440,000 shares outstanding	**880.0**	880.0
Treasury stock	**(99.9)**	(99.9)
Additional paid-in capital	**6,684.2**	6,666.2
Retained deficit	**(1,849.6)**	(1,370.8)
Accumulated other comprehensive loss	**(193.6)**	(92.6)
Total Stockholders' Equity	**5,424.9**	5,986.7
Long-term debt, excluding amounts due within one year	**9,208.9**	7,856.2
Total Capitalization	**14,633.8**	13,842.9
Current Liabilities		
Current portion of long-term debt	**21.4**	13.4
Short-term borrowings	**1,388.2**	1,773.2
Accounts payable	**410.3**	666.0
Dividends payable - common stock	**80.5**	—
Dividends payable - preferred stock	**19.4**	—
Customer deposits and credits	**229.2**	256.4
Taxes accrued	**147.1**	231.6
Interest accrued	**95.4**	99.4
Risk management liabilities	**96.9**	12.6
Exchange gas payable	**46.3**	59.7
Regulatory liabilities	**156.0**	160.2
Liabilities held for sale	**451.8**	—
Legal and environmental	**17.2**	20.1
Accrued compensation and employee benefits	**141.7**	156.3
Claims accrued	**26.3**	165.4
Other accruals	**119.1**	131.5
Total Current Liabilities	**3,446.8**	3,745.8
Other Liabilities		
Risk management liabilities	**169.5**	134.0
Deferred income taxes	**1,439.5**	1,485.3
Deferred investment tax credits	**8.8**	9.7
Accrued insurance liabilities	**82.4**	81.5
Accrued liability for postretirement and postemployment benefits	**344.4**	373.2
Regulatory liabilities	**1,936.8**	2,352.0
Asset retirement obligations	**424.8**	416.9
Other noncurrent liabilities	**214.7**	218.5
Total Other Liabilities	**4,620.9**	5,071.1
Commitments and Contingencies (Refer to Note 18, "Other Commitments and Contingencies")	**—**	—
Total Capitalization and Liabilities	**$ 22,701.5**	$ 22,659.8

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

NiSource Inc.
Condensed Statements of Consolidated Cash Flows (unaudited)

Nine Months Ended September 30, *(in millions)*	2020	2019
Operating Activities		
Net Income (Loss)	**$ (102.0)**	$ 522.4
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:		
Loss on early extinguishment of debt	**243.4**	—
Depreciation and amortization	**542.4**	535.2
Deferred income taxes and investment tax credits	**(70.8)**	120.4
Loss on classification as held for sale	**400.2**	—
Other adjustments	**13.3**	18.8
Changes in Assets and Liabilities:		
Components of working capital	**(148.6)**	146.8
Regulatory assets/liabilities	**9.9**	(70.0)
Deferred charges and other noncurrent assets	**(24.6)**	(76.4)
Other noncurrent liabilities	**(4.6)**	34.6
Net Cash Flows from Operating Activities	**858.6**	1,231.8
Investing Activities		
Capital expenditures	**(1,292.2)**	(1,310.0)
Cost of removal	**(102.1)**	(84.5)
Purchases of available-for-sale securities	**(94.8)**	(104.0)
Sales of available-for-sale securities	**88.9**	104.1
Other investing activities	**0.3**	0.6
Net Cash Flows used for Investing Activities	**(1,399.9)**	(1,393.8)
Financing Activities		
Proceeds from issuance of long-term debt	**2,974.0**	750.0
Repayments of long-term debt and finance lease obligations	**(1,616.4)**	(48.5)
Issuance of short-term debt (maturity > 90 days)	**1,350.0**	600.0
Repayment of short-term debt (maturity > 90 days)	**(1,350.0)**	(550.0)
Change in short-term borrowings, net (maturity ≤ 90 days)	**(385.0)**	(412.1)
Issuance of common stock, net of issuance costs	**11.2**	10.9
Equity costs, premiums and other debt related costs	**(246.5)**	(11.9)
Dividends paid - common stock	**(241.1)**	(223.8)
Dividends paid - preferred stock	**(35.7)**	(36.7)
Net Cash Flows from Financing Activities	**460.5**	77.9
Change in cash, cash equivalents and restricted cash	**(80.8)**	(84.1)
Cash, cash equivalents and restricted cash at beginning of period	**148.4**	121.1
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 67.6**	$ 37.0

Supplemental Disclosures of Cash Flow Information

Nine Months Ended September 30, *(in millions)*	2020	2019
Non-cash transactions:		
Capital expenditures included in current liabilities	**$ 159.6**	$ 187.1
Dividends declared but not paid	**99.9**	94.1
Assets recorded for asset retirement obligations	**$ 70.3**	$ 12.8

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

NiSource Inc.
Condensed Statements of Consolidated Equity (unaudited)

(in millions)	Common Stock	Preferred Stock[1]	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of July 1, 2020	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,676.5**	**$ (1,576.7)**	**$ (221.9)**	**$ 5,661.8**
Comprehensive Loss:							
Net loss	—	—	—	—	(172.9)	—	(172.9)
Other comprehensive income, net of tax	—	—	—	—	—	28.3	28.3
Dividends:							
Common stock ($0.21 per share)	—	—	—	—	(80.6)	—	(80.6)
Preferred stock (See Note 5)	—	—	—	—	(19.4)	—	(19.4)
Stock issuances:							
Employee stock purchase plan	—	—	—	1.5	—	—	1.5
Long-term incentive plan	—	—	—	3.2	—	—	3.2
401(k) and profit sharing	—	—	—	3.0	—	—	3.0
Balance as of September 30, 2020	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,684.2**	**$ (1,849.6)**	**$ (193.6)**	**$ 5,424.9**

[1]Series A and Series B shares have an aggregate liquidation preference of $400M and $500M, respectively. See Note 5, "Equity" for additional information.

(in millions)	Common Stock	Preferred Stock[1]	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of January 1, 2020	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,666.2**	**$ (1,370.8)**	**$ (92.6)**	**$ 5,986.7**
Comprehensive Loss:							
Net loss	—	—	—	—	(102.0)	—	(102.0)
Other comprehensive loss, net of tax	—	—	—	—	—	(101.0)	(101.0)
Dividends:							
Common stock ($0.84 per share)	—	—	—	—	(321.7)	—	(321.7)
Preferred stock (See Note 5)	—	—	—	—	(55.1)	—	(55.1)
Stock issuances:							
Employee stock purchase plan	—	—	—	4.2	—	—	4.2
Long-term incentive plan	—	—	—	3.1	—	—	3.1
401(k) and profit sharing	—	—	—	10.7	—	—	10.7
Balance as of September 30, 2020	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,684.2**	**$ (1,849.6)**	**$ (193.6)**	**$ 5,424.9**

[1]Series A and Series B shares have an aggregate liquidation preference of $400M and $500M, respectively. See Note 5, "Equity" for additional information.

NiSource Inc.
Condensed Statements of Consolidated Equity (unaudited) (continued)

(in millions)	Common Stock	Preferred Stock[1]	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of July 1, 2019	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,417.1**	**$ (1,144.0)**	**$ (80.8)**	**$ 5,976.2**
Comprehensive Loss:							
Net income	—	—	—	—	6.6	—	6.6
Other comprehensive loss, net of tax	—	—	—	—	—	(49.5)	(49.5)
Dividends:							
Common stock ($0.20 per share)	—	—	—	—	(74.8)	—	(74.8)
Preferred stock (See Note 5)	—	—	—	—	(19.4)	—	(19.4)
Stock issuances:							
Employee stock purchase plan	—	—	—	1.5	—	—	1.5
Long-term incentive plan	—	—	—	3.6	—	—	3.6
401(k) and profit sharing	—	—	—	4.3	—	—	4.3
Balance as of September 30, 2019	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,426.5**	**$ (1,231.6)**	**$ (130.3)**	**$ 5,848.5**

[1]Series A and Series B shares have an aggregate liquidation preference of $400M and $500M, respectively. See Note 5, "Equity" for additional information.

(in millions)	Common Stock	Preferred Stock[1]	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of January 1, 2019	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,403.5**	**$ (1,399.3)**	**$ (37.2)**	**$ 5,750.9**
Comprehensive Income:							
Net income	—	—	—	—	522.4	—	522.4
Other comprehensive loss, net of tax	—	—	—	—	—	(93.1)	(93.1)
Dividends:							
Common stock ($0.80 per share)	—	—	—	—	(298.6)	—	(298.6)
Preferred stock (See Note 5)	—	—	—	—	(56.1)	—	(56.1)
Stock issuances:							
Employee stock purchase plan	—	—	—	4.2	—	—	4.2
Long-term incentive plan	—	—	—	5.7	—	—	5.7
401(k) and profit sharing	—	—	—	13.1	—	—	13.1
Balance as of September 30, 2019	**$ 3.8**	**$ 880.0**	**$ (99.9)**	**$ 6,426.5**	**$ (1,231.6)**	**$ (130.3)**	**$ 5,848.5**

[1]Series A and Series B shares have an aggregate liquidation preference of $400M and $500M, respectively. See Note 5, "Equity" for additional information.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Statements of Consolidated Equity (unaudited) (continued)

	Preferred	Common		
Shares *(in thousands)*	**Shares**	**Shares**	**Treasury**	**Outstanding**
Balance as of July 1, 2020	**440**	**386,880**	**(3,963)**	**382,917**
Issued:				
Employee stock purchase plan	—	65	—	65
Long-term incentive plan	—	2	—	2
401(k) and profit sharing	—	130	—	130
Balance as of September 30, 2020	**440**	**387,077**	**(3,963)**	**383,114**

	Preferred	Common		
Shares *(in thousands)*	**Shares**	**Shares**	**Treasury**	**Outstanding**
Balance as of January 1, 2020	**440**	**386,099**	**(3,963)**	**382,136**
Issued:				
Employee stock purchase plan	—	171	—	171
Long-term incentive plan	—	381	—	381
401(k) and profit sharing	—	426	—	426
Balance as of September 30, 2020	**440**	**387,077**	**(3,963)**	**383,114**

	Preferred	Common		
Shares *(in thousands)*	**Shares**	**Shares**	**Treasury**	**Outstanding**
Balance as of July 1, 2019	**440**	**377,212**	**(3,963)**	**373,249**
Issued:				
Employee stock purchase plan	—	51	—	51
Long-term incentive plan	—	1	—	1
401(k) and profit sharing	—	146	—	146
Balance as of September 30, 2019	**440**	**377,410**	**(3,963)**	**373,447**

	Preferred	Common		
Shares *(in thousands)*	**Shares**	**Shares**	**Treasury**	**Outstanding**
Balance as of January 1, 2019	**420**	**376,326**	**(3,963)**	**372,363**
Issued:				
Preferred stock	20	—	—	—
Employee stock purchase plan	—	153	—	153
Long-term incentive plan	—	465	—	465
401(k) and profit sharing	—	466	—	466
Balance as of September 30, 2019	**440**	**377,410**	**(3,963)**	**373,447**

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Accounting Presentation

Our accompanying Condensed Consolidated Financial Statements (unaudited) reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with GAAP in the United States of America. The accompanying financial statements contain our accounts and that of our majority-owned or controlled subsidiaries.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors.

The Condensed Consolidated Financial Statements (unaudited) have been prepared pursuant to the rules and regulations of the SEC. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made in this Quarterly Report on Form 10-Q are adequate to make the information herein not misleading.

We continue to monitor how COVID-19 is affecting our workforce, customers, suppliers, operations, financial results and cash flow. The extent of the impact in the future will vary and depend on the duration and severity of the impact on the global, national and local economies. See Note 3, “Revenue Recognition,” Note 9, “Regulatory Matters,” and Note 14, “Income Taxes,” for information on COVID-19.

2. Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

We are currently evaluating the impact of certain ASUs on our Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited), which are described below:

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*	This pronouncement modifies the disclosure requirements for defined benefit pension or other postretirement benefit plans. The guidance removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. The modifications affect annual period disclosures and must be applied on a retrospective basis to all periods presented.	Annual periods ending after December 15, 2020. Early adoption is permitted.	We have held discussions with our third-party specialist and identified the disclosure requirements that will impact our Notes to Condensed Consolidated Financial Statements (unaudited). We will adopt this ASU on its effective date.
ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*	This pronouncement simplifies the accounting for income taxes by eliminating certain exceptions to the general principles in ASC 740, income taxes. It also improves consistency of application for other areas of the guidance by clarifying and amending existing guidance.	Annual periods beginning after December 15, 2020 Early adoption is permitted.	We have evaluated the amendments of this pronouncement and determined it does not have an impact on the Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited). We continue to monitor the guidance as it relates to new activity or transactions that could impact our Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited). We expect to adopt this ASU on its effective date.
ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Statements*	This pronouncement provides temporary optional expedients and exceptions for applying GAAP principles to contract modifications and hedging relationships to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates.	Upon issuance on March 12, 2020, and will apply though December 31, 2022.	We continue to evaluate the temporary expedients and options available under this guidance, and the effects of this pronouncement on our Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited). We are currently identifying and evaluating contracts that may be impacted. As of September 30, 2020, we have not applied any expedients and options available under this ASU.

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivative and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*	This pronouncement simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Specifically, the ASU "simplifies accounting for convertible instruments by removing major separation models required under current GAAP." In addition, the ASU "removes certain settlement conditions that are required for equity contracts to qualify for it" and "simplifies the diluted earnings per share (EPS) calculations in certain areas."	Annual period beginning after December 15, 2021. Early adoption is permitted for annual period beginning after December 15, 2020.	This pronouncement does not impact any securities we currently have on our balance sheet. We will continue to evaluate the effects of this pronouncement on our Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited) as it pertains to any relevant future activity. We are currently evaluating the timing of our adoption of this ASU.

Recently Adopted Accounting Pronouncements

Standard	Adoption
ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*	In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (ASC 326). ASC 326 revised the GAAP guidance on the impairment of most financial assets and certain other instruments that are not measured at fair value through net income. ASC 326 introduces the current expected credit loss (CECL) model that is based on expected losses for instruments measured at amortized cost rather than incurred losses. It also requires entities to record an allowance for available-for-sale debt securities rather than impair the carrying amount of the securities. Subsequent improvements to the estimated credit losses of available-for-sale debt securities will be recognized immediately in earnings, instead of over-time as they would under historic guidance. In 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivative and Hedging, and Topic 825, Financial Instruments. This pronouncement clarified and improved certain areas of guidance related to the recently issued standards on credit losses, hedging, and recognition and measurement. We adopted ASC 326 effective January 1, 2020, using a modified retrospective method. Adoption of this standard did not have material impact on our Condensed Consolidated Financial Statements (unaudited). No adjustments were made to the January 1, 2020 opening balances as a result of this adoption. As required under the modified retrospective method of adoption, results for the reporting periods beginning after January 1, 2020 are presented under ASC 326, while prior period amounts are not adjusted. See Note 3, "Revenue Recognition," and Note 11, "Fair Value," for our discussion of the implementing these standards.
ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326)*	

3. Revenue Recognition

Revenue Disaggregation and Reconciliation. We disaggregate revenue from contracts with customers based upon reportable segment, as well as by customer class. As our revenues are primarily earned over a period of time and we do not earn a material amount of revenues at a point in time, revenues are not disaggregated as such below. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The sale of the Massachusetts Business was completed on October 9, 2020. Refer to Note 6, "Assets and Liabilities Held for Sale," for further details. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

The tables below reconcile revenue disaggregation by customer class to segment revenue, as well as to revenues reflected on the Condensed Statements of Consolidated Income (Loss) (unaudited) for the three and nine months ended September 30, 2020 and September 30, 2019:

Three Months Ended September 30, 2020 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues[1]				
Residential	$ 306.9	$ 164.8	$ —	$ 471.7
Commercial	91.8	132.3	—	224.1
Industrial	42.8	102.7	—	145.5
Off-system	6.0	—	—	6.0
Miscellaneous	6.8	7.2	0.2	14.2
Total Customer Revenues	$ 454.3	$ 407.0	$ 0.2	$ 861.5
Other Revenues[2]	15.8	25.2	—	41.0
Total Operating Revenues	$ 470.1	$ 432.2	$ 0.2	$ 902.5

[1] Customer revenue amounts exclude intersegment revenues. See Note 21, "Business Segment Information," for discussion of intersegment revenues.
[2] Other revenues represent revenue earned under alternative revenue programs.

Three Months Ended September 30, 2019 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues[1]				
Residential	$ 288.3	$ 148.7	$ —	$ 437.0
Commercial	90.9	136.3	—	227.2
Industrial	45.3	151.5	—	196.8
Off-system	16.9	—	—	16.9
Miscellaneous	9.8	3.1	0.2	13.1
Total Customer Revenues	$ 451.2	$ 439.6	$ 0.2	$ 891.0
Other Revenues[2]	12.4	28.1	—	40.5
Total Operating Revenues	$ 463.6	$ 467.7	$ 0.2	$ 931.5

[1] Customer revenue amounts exclude intersegment revenues. See Note 21, "Business Segment Information," for discussion of intersegment revenues.
[2] Other revenues represent revenue earned under alternative revenue programs.

Nine Months Ended September 30, 2020 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues[1]				
Residential	$ 1,518.1	$ 411.5	$ —	$ 1,929.6
Commercial	483.9	365.4	—	849.3
Industrial	165.6	301.1	—	466.7
Off-system	32.7	—	—	32.7
Miscellaneous	24.6	16.6	0.6	41.8
Total Customer Revenues	$ 2,224.9	$ 1,094.6	$ 0.6	$ 3,320.1
Other Revenues[2]	79.5	71.1	—	150.6
Total Operating Revenues	$ 2,304.4	$ 1,165.7	$ 0.6	$ 3,470.7

[1] Customer revenue amounts exclude intersegment revenues. See Note 21, "Business Segment Information," for discussion of intersegment revenues.
[2] Other revenues represent revenue earned under alternative revenue programs.

Nine Months Ended September 30, 2019 *(in millions)*	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues[1]				
Residential	$ 1,638.6	$ 373.4	$ —	$ 2,012.0
Commercial	543.2	370.7	—	913.9
Industrial	181.1	470.6	—	651.7
Off-system	60.4	—	—	60.4
Miscellaneous	39.4	16.7	0.6	56.7
Total Customer Revenues	$ 2,462.7	$ 1,231.4	$ 0.6	$ 3,694.7
Other Revenues[2]	43.5	73.5	—	117.0
Total Operating Revenues	$ 2,506.2	$ 1,304.9	$ 0.6	$ 3,811.7

[1] Customer revenue amounts exclude intersegment revenues. See Note 21, "Business Segment Information," for discussion of intersegment revenues.
[2] Other revenues represent revenue earned under alternative revenue programs.

Customer Accounts Receivable. Accounts receivable on our Condensed Consolidated Balance Sheets (unaudited) includes both billed and unbilled amounts, as well as certain amounts that are not related to customer revenues. Unbilled amounts of accounts receivable relate to a portion of a customer's consumption of gas or electricity from the date of the last cycle billing through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage, customer rates and weather. The opening and closing balances of customer receivables for the nine months ended September 30, 2020 are presented in the table below. We had no significant contract assets or liabilities during the period. Additionally, we have not incurred any significant costs to obtain or fulfill contracts.

(in millions)	Customer Accounts Receivable, Billed (less reserve)	Customer Accounts Receivable, Unbilled (less reserve)
Balance as of December 31, 2019	$ 466.6	$ 346.6
Balance as of September 30, 2020	291.0	178.8
Decrease	$ (175.6)	$ (167.8)

Utility revenues are billed to customers monthly on a cycle basis. We generally expect that substantially all customer accounts receivable will be collected within the month following customer billing, as this revenue consists primarily of monthly, tariff-based billings for service and usage. We maintain common utility credit risk mitigation practices, including requiring deposits and actively pursuing collection of past due amounts. Our regulated operations also utilize certain regulatory mechanisms that facilitate recovery of bad debt costs within tariff-based rates, which provides further evidence of collectibility. In connection with COVID-19, certain state regulatory commissions instituted regulatory moratoriums that impacted our ability to pursue our standard credit risk mitigation practices. Following the issuance of these moratoriums, certain of our regulated operations have been authorized to recognize a regulatory asset for bad debt costs above levels currently in rates. While several of these moratoriums remain in place, we have reinstated our common credit mitigation practices where moratoriums have expired (see Note 9, "Regulatory Matters," for additional information on regulatory moratoriums and regulatory assets). It is probable that substantially all of the consideration to which we are entitled from customers will be collected upon satisfaction of performance obligations.

Allowance for Credit Losses. We adopted ASC 326 effective January 1, 2020. See "Recently Adopted Accounting Pronouncements" in Note 2, "Recent Accounting Pronouncements," for more information about ASC 326.

Each of our business segments pool their customer accounts receivables based on similar risk characteristics, such as customer type, geography, payment terms, and related macro-economic risks. Expected credit loss exposure is evaluated separately for each of our accounts receivable pools. Expected credit losses are established using a model that considers historical collections experience, current information, and reasonable and supportable forecasts. Relevant and reliable internal and external inputs used in the model include, but are not limited to, energy consumption trends, revenue projections, actual charge-offs data, recoveries data, shut-off orders executed data, and final bill data. We continuously evaluate available reasonable and supportable information relevant to assessing collectability of current and future receivables. We evaluate creditworthiness of specific customers periodically or when required by changes in facts and circumstances. When we become aware of a specific commercial or industrial customer's inability to pay, an allowance for expected credit losses is recorded for the relevant amount. We also monitor other circumstances that could affect our overall expected credit losses; these include, but are not limited to, creditworthiness of overall population in service territories, adverse conditions impacting an industry sector, and current economic conditions.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

At each reporting period, we record expected credit losses using an allowance for credit losses account. When deemed to be uncollectible, customer accounts are written-off. A rollforward of our allowance for credit losses for the three and nine months ended September 30, 2020 are presented in the tables below:

Three Months Ended September 30, 2020 (*in millions*)	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Beginning balance	$ 25.4	$ 5.2	$ 0.8	$ 31.4
Current period provisions	8.2	2.3	—	10.5
Write-offs charged against allowance	(4.3)	(0.5)	—	(4.8)
Recoveries of amounts previously written off	2.2	—	—	2.2
Ending balance of the allowance for credit losses	$ 31.5	$ 7.0	$ 0.8	$ 39.3

Nine Months Ended September 30, 2020 (*in millions*)	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Beginning balance[(1)]	9.1	3.1	0.8	13.0
Current period provisions	30.6	6.7	—	37.3
Write-offs charged against allowance	(18.1)	(3.0)	—	(21.1)
Recoveries of amounts previously written off	9.9	0.2	—	10.1
Ending balance of the allowance for credit losses	31.5	7.0	0.8	39.3

[(1)]Total beginning balance differs from that presented in the Condensed Statements of Consolidated Balance Sheet (unaudited) as it excludes Columbia of Massachusetts. Columbia of Massachusetts' customer receivables and related allowance for credit losses are classified as held for sale at September 30, 2020.

As of September 30, 2020, we have also evaluated the adequacy of our allowance for credit losses in light of the suspension of shut-offs for nonpayment due to COVID-19 that remain in effect for certain jurisdictions, as well as the economic downturn. Our evaluation included an analysis of customer payment trends in 2020, economic conditions, receivables aging, and considerations of past economic downturns and corresponding allowance for credit losses and customer account write-offs. In addition, we considered benefits available under governmental COVID-19 relief programs, the impact of unemployment benefits initiatives, and flexible payment plans being offered to customers affected by or experiencing hardship as a result of COVID-19, which could help to mitigate the potential for increasing customer account delinquencies. Based upon this evaluation, we have concluded that the allowance for credit losses as of September 30, 2020 adequately reflected the collection risk and net realizable value for our receivables. We will continue to monitor changing circumstances and will adjust our allowance for credit losses as additional information becomes available.

4. Earnings Per Share

Basic EPS is computed by dividing net income (loss) available to common shareholders by the weighted-average number of shares of common stock outstanding for the period. The weighted-average shares outstanding for diluted EPS includes the incremental effects of the various long-term incentive compensation plans and forward agreements when the impact would be dilutive. The dilutive effects of forward agreements for the nine months ended September 30, 2019 relate to forward agreements settled in the fourth quarter of 2019. The computation of diluted average common shares for the three and nine months ended September 30, 2020 and the three months ended September 30, 2019 is not presented as we had a net loss on the Condensed Statements of Consolidated Income (Loss) (unaudited) during those periods, and any incremental shares would have had an anti-dilutive impact on EPS. The computation of diluted average common shares is as follows:

	Nine Months Ended September 30,
(in thousands)	2019
Denominator	
Basic average common shares outstanding	373,796
Dilutive potential common shares:	
Shares contingently issuable under employee stock plans	919
Shares restricted under employee stock plans	141
Forward Agreements	339
Diluted Average Common Shares	375,195

5. Equity

Common Stock. As of September 30, 2020, we had 600,000,000 shares of common stock authorized for issuance, of which 383,114,130 shares were outstanding.

ATM Program and Forward Sale Agreements. On November 1, 2018, we entered into five separate equity distribution agreements pursuant to which we were able to sell up to an aggregate of $500.0 million of our common stock. Four of these agreements were then amended on August 1, 2019, and one was terminated. Pursuant to the four agreements, as amended, we may sell, from time to time, up to an aggregate of $434.4 million of our common stock.

On August 6, 2020, under the ATM program, we executed a forward agreement, which allows us to issue a fixed number of shares at a price to be settled in the future. From August 7, 2020 to September 3, 2020, 2,809,029 shares were borrowed from third parties and sold by the dealer at a weighted average price of $23.25 per share. We may settle this agreement in shares, cash, or net shares by December 15, 2020. Had we settled all the shares under the forward agreement at September 30, 2020, we would have received approximately $64.6 million, based on a net price of $23.01 per share.

On September 4, 2020, under the ATM program, we executed a separate forward agreement similar to that discussed above. From September 4, 2020 to September 16, 2020, 1,452,102 shares were borrowed from third parties and sold by the dealer at a weighted average price of $22.28 per share. We may settle this agreement in shares, cash, or net shares by December 15, 2020. Had we settled all the shares under the forward agreement at September 30, 2020, we would have received approximately $32.0 million, based on a net price of $22.05 per share.

As of September 30, 2020, the ATM program (including the impacts of the forward sale agreements discussed above) had approximately $103.0 million of equity available for issuance. The program expires on December 31, 2020.

Preferred Stock. As of September 30, 2020, we had 20,000,000 shares of preferred stock authorized for issuance, of which 440,000 shares of preferred stock in the aggregate for all series were outstanding. The following table displays preferred dividends declared for the period by outstanding series of shares:

			Three Months Ended September 30,		Nine Months Ended September 30,		September 30,	December 31,
			2020	2019	2020	2019	2020	2019
(in millions except shares and per share amounts)	Liquidation Preference Per Share	Shares	Dividends Declared Per Share				Outstanding	
5.650% Series A	$ 1,000.00	400,000	28.25	28.25	56.50	56.50	$ 393.9	$ 393.9
6.500% Series B	$ 25,000.00	20,000	406.25	406.25	1,625.00	1,674.65	$ 486.1	$ 486.1

In addition, 20,000 shares of Series B–1 Preferred Stock, par value $0.01 per share, were outstanding as of September 30, 2020. Holders of Series B–1 Preferred Stock are not entitled to receive dividend payments and have no conversion rights. The Series B–1 Preferred Stock is paired with the Series B Preferred Stock and may not be transferred, redeemed or repurchased except in connection with the simultaneous transfer, redemption or repurchase of the underlying Series B Preferred Stock.

As of September 30, 2020, Series A Preferred Stock had $6.7 million of cumulative preferred dividends in arrears, or $16.63 per share, and Series B Preferred Stock had $1.4 million of cumulative preferred dividends in arrears, or $72.23 per share.

6. Assets and Liabilities Held For Sale

On February 26, 2020, NiSource and Columbia of Massachusetts entered into an Asset Purchase Agreement with Eversource (the "Asset Purchase Agreement"). Upon the terms and subject to the conditions set forth in the Asset Purchase Agreement, NiSource and Columbia of Massachusetts agreed to sell to Eversource, with certain additions and exceptions: (1) substantially all of the assets of Columbia of Massachusetts and (2) all of the assets held by any of Columbia of Massachusetts' affiliates that primarily relate to the Massachusetts Business, and Eversource agreed to assume certain liabilities of Columbia of Massachusetts and its affiliates. The liabilities assumed by Eversource under the Asset Purchase Agreement did not include, among others, any liabilities arising out of the Greater Lawrence Incident or liabilities of Columbia of Massachusetts or its affiliates pursuant to civil claims for injury of persons or damage to property to the extent such injury or damage occurs prior to the closing in connection with the Massachusetts Business.

On July 2, 2020, NiSource, Columbia of Massachusetts, Eversource and Eversource Gas Company of Massachusetts, a wholly-owned subsidiary of Eversource ("EGMA"), filed with the Massachusetts DPU a joint petition for the approval of the purchase and sale of the Massachusetts Business ("the Transaction") and a proposed multi-year rate plan. Additionally, the petition sought approval of a settlement agreement executed on July 2, 2020 (the "Settlement Agreement") among, NiSource, Columbia of Massachusetts, Eversource, EGMA, the Massachusetts Attorney General's Office ("Massachusetts AGO"), the Massachusetts Department of Energy Resources ("DOER"), and the Low-Income Weatherization and Fuel Assistance Program Network. Under the terms of the Settlement Agreement, NiSource agreed to make a payment in lieu of penalties in full settlement of all of the pending and potential claims, lawsuits, investigations or proceedings settled by and released by the Settlement Agreement in the amount of $56.0 million. This payment, which was withheld from the proceeds received from Eversource, will be used to create an Energy Relief Fund that will benefit customers of the Massachusetts Business.

The Settlement Agreement was conditioned on its approval in full by the Massachusetts DPU no later than September 30, 2020; however, this deadline was extended to October 7, 2020. The Settlement Agreement was approved by the Massachusetts DPU on October 7, 2020, and the closing of the Transaction occurred on October 9, 2020. On October 9, 2020, NiSource and Columbia of Massachusetts received net proceeds from the sale of $1,112.6 million, which includes the $1,100.0 million purchase price and an estimate of Columbia of Massachusetts' net working capital, net of closing costs and the $56.0 million payment in lieu of penalties. Under the Asset Purchase Agreement, the final net working capital amount will be determined within 120 days from the closing date. In connection with the sale of the Massachusetts Business, NiSource and Eversource entered into a Transition Services Agreement (TSA). See Note 18-B, "Legal Proceedings," and Note 18-D, "Other Matters," for additional information regarding the sale and TSA, respectively.

As of September 30, 2020, the Massachusetts Business continues to meet the requirements under GAAP to be classified as held for sale, and the assets and liabilities of the Massachusetts Business are measured at fair value, less costs to sell. Our estimated

total pre-tax loss on classification as held for sale recorded in the the three and nine months ended September 30, 2020 is $35.6 million and $400.2 million, respectively, based on September 30, 2020 asset and liability balances, estimated net working capital and estimated transaction costs, including the $56.0 million payment in lieu of penalties described above. This estimated pre-tax loss is presented as Loss on Classification as Held for Sale on the Condensed Statements of Consolidated Income (Loss) (unaudited) and is subject to change based on actual transaction costs, net working capital, and asset and liability balances as of the close of the transaction on October 9, 2020.

The Massachusetts Business had the following pretax income (loss) for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2020**	2019	**2020**	2019
Pretax Income (Loss)	($74.1)	($55.2)	($402.9)	$183.5

The pretax income (loss) amounts exclude allocated executive compensation expense and interest expense for intercompany and external debt that was not assumed by Eversource or required to be repaid at closing. The pretax income (loss) amounts for the three and nine months ended September 30, 2020 and 2019 include costs directly related to the Greater Lawrence Incident. In addition, the pretax loss amounts for the three and nine months ended September 30, 2020 include the Loss on Classification as Held for Sale. The major classes of assets and liabilities classified as held for sale on the Condensed Consolidated Balance Sheets (unaudited) at September 30, 2020 were:

(in millions)

Assets Held for Sale	Net Property, Plant and Equipment	Total Current Assets	Total Other Assets	Loss on Classification as Held for Sale[1]	Total Assets Held for Sale
Gas Distribution Operations	1,705.0	161.5	91.8	(392.6)	1,565.7
Liabilities Held for Sale	Long-term Debt, Excluding Amounts Due Within One Year		Total Current Liabilities	Total Other Liabilities	Total Liabilities Held for Sale
Gas Distribution Operations		41.6	60.1	350.1	451.8

[1] Amount differs from that presented in the Condensed Statements of Consolidated Income (Loss) (unaudited) due to cash already paid for certain transaction costs.

7. Property, Plant and Equipment

In the second quarter of 2020, we received approval from MISO to retire the R.M. Schahfer Generating Station in 2023. As a result of this approval, we have reclassified $903.8 million in net book value of certain plant and equipment for the R.M. Schahfer Generating Station from “Net utility plant” to “Other Property, at cost, less accumulated depreciation” on the Condensed Consolidated Balance Sheets (unaudited). The amount of plant and equipment reclassified to other property is based on current estimates of the plant and equipment that will not be utilized at retirement. As more information about plant and equipment that can be utilized beyond 2023 becomes available, additional amounts may be reclassified to other property. Depreciation expense will continue to be recorded at the composite depreciation rate approved by the IURC. See Note 18-D, "Other Matters," for additional information.

8. Asset Retirement Obligations

During 2020, we made revisions to the estimated costs associated with refining the CCR compliance plan. The CCR rule requires the continued collection of data over time to determine the specific compliance solution. The change in estimated costs resulted in an increase to the asset retirement obligation liability of $70.3 million that was recorded in 2020. See Note 18-C, "Environmental Matters," for additional information on CCRs.

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9. Regulatory Matters

Cost Recovery and Trackers

Comparability of our line item operating results is impacted by regulatory trackers that allow for the recovery in rates of certain costs such as those described below. Increases in the expenses that are the subject of trackers generally result in a corresponding increase in operating revenues and, therefore, have essentially no impact on total operating income results.

Certain costs of our operating companies are significant, recurring in nature and generally outside the control of the operating companies. Some states allow the recovery of such costs through cost tracking mechanisms. Such tracking mechanisms allow for abbreviated regulatory proceedings in order for the operating companies to implement charges and recover appropriate costs. Tracking mechanisms allow for more timely recovery of such costs as compared with more traditional cost recovery mechanisms. Examples of such mechanisms include GCR adjustment mechanisms, tax riders, bad debt recovery mechanisms, electric energy efficiency programs, MISO non-fuel costs and revenues, resource capacity charges, federally mandated costs and environmental-related costs.

A portion of the Gas Distribution revenue is related to the recovery of gas costs, the review and recovery of which occurs through standard regulatory proceedings. All states in our operating area require periodic review of actual gas procurement activity to determine prudence and to permit the recovery of prudently incurred costs related to the supply of gas for customers. Our distribution companies have historically been found prudent in the procurement of gas supplies to serve customers.

A portion of the Electric Operations revenue is related to the recovery of fuel costs to generate power and the fuel costs related to purchased power. These costs are recovered through a FAC, a quarterly regulatory proceeding in Indiana.

Infrastructure Replacement and Federally-Mandated Compliance Programs

All of our operating utility companies have completed rate proceedings involving infrastructure replacement or enhancement, and have embarked upon initiatives to replace significant portions of their operating systems that are nearing the end of their useful lives. Each company's approach to cost recovery is unique, given the different laws, regulations and precedent that exist in each jurisdiction.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

The following table describes the most recent vintage of our regulatory programs to recover infrastructure replacement and other federally-mandated compliance investments currently in rates and those pending commission approval:

(in millions)

Company	Program	Incremental Revenue	Incremental Capital Investment	Investment Period	Filed	Status	Rates Effective
Columbia of Ohio	IRP - 2020	32.9	234.4	1/19-12/19	February 28, 2020	Approved April 22, 2020	May 2020
Columbia of Ohio	CEP - 2020	18.0	185.1	1/19-12/19	February 28, 2020	Approved August 12, 2020	September 2020
NIPSCO - Gas	TDSIC 11[2]	(1.7)	38.7	5/19-12/19	February 25, 2020	Approved June 24, 2020	July 2020
NIPSCO - Gas	TDSIC 1	1.3	26.0	1/20-6/20	August 25, 2020	Order Expected December 2020	January 2021
NIPSCO - Gas	FMCA 3[3]	0.3	43.0	4/19-9/19	November 26, 2019	Approved March 31, 2020	April 2020
NIPSCO - Gas	FMCA 4[3]	1.6	43.2	10/19-3/20	May 26, 2020	Approved September 23, 2020	October 2020
Columbia of Virginia	SAVE - 2020	3.8	50.0	1/20-12/20	August 15, 2019	Approved December 6, 2019	January 2020
Columbia of Virginia	SAVE - 2021	5.2	46.4	1/21-12/21	July 24, 2020	Order Expected November 2020	January 2021
Columbia of Kentucky	SMRP - 2020	4.2	40.4	1/20-12/20	October 15, 2019	Approved December 20, 2019	January 2020
Columbia of Kentucky	SMRP - 2021	5.8	50.0	1/21-12/21	October 15, 2020	Order Expected Q1 2021	Q1 2021
Columbia of Maryland	STRIDE - 2020	1.3	15.0	1/20-12/20	January 29, 2020	Approved February 19, 2020	February 2020
Columbia of Maryland	STRIDE - 2021	1.3	16.9	1/21-12/21	October 29, 2020	Order Expected December 2020	January 2021
NIPSCO - Electric	TDSIC - 6	28.1	131.1	12/18-6/19	August 21, 2019	Approved December 18, 2019	January 2020
NIPSCO - Electric	TDSIC - 7[1]	13.0	122.3	7/19-7/20	September 29, 2020	Order Expected January 2021	February 2021
NIPSCO - Electric	FMCA - 12[3]	1.6	4.7	3/19-8/19	October 18, 2019	Approved January 29, 2020	February 2020
NIPSCO - Electric	FMCA - 13[3][4]	(1.2)	—	9/19-2/20	April 15, 2020	Approved July 29, 2020	August 2020
Columbia of Pennsylvania	DSIC - Q1 2020	0.9	28.2	12/19-2/20	April 27, 2020	Approved May 4, 2020	May 2020
Columbia of Pennsylvania	DSIC - Q2 2020	0.8	28.6	3/20-5/20	June 19, 2020	Approved June 29, 2020	July 2020
Columbia of Pennsylvania	DSIC - Q3 2020	2.6	85.0	6/20-8/20	September 18, 2020	Approved September 30, 2020	October 2020

[1]Incremental capital and revenue are net of amounts included in the step 2 rates.
[2]Incremental revenue is net of amounts included in the step 2 rates and reflects a more typical 6-month filing period.
[3]Incremental revenue is inclusive of tracker eligible operations and maintenance expense.
[4]No eligible capital investments were made during the investment period.

Rate Case Actions

The following table describes current rate case actions as applicable in each of our jurisdictions net of tracker impacts:

(in millions)

Company	Requested Incremental Revenue	Approved or Settled Incremental Revenue	Filed	Status	Rates Effective
NIPSCO - Electric[1]	$ 21.4	$ (53.5)	October 31, 2018	Approved December 4, 2019	January 2020
Columbia of Pennsylvania	$ 100.4	in process	April 24, 2020	Order Expected Q1 2021	January 2021
Columbia of Maryland[2]	$ 5.0	$ 2.0	May 15, 2020	Order Expected November 2020	December 2020

[1]Rates were implemented in two steps, with implementation of step 1 rates effective on January 2, 2020 and step 2 rates effective on March 2, 2020.
[2]On October 7, 2020, the Public Utility Law Judge issued a proposed order approving a settlement under which the parties to the case agreed upon the $2.0 million incremental revenue. The proposed order will become a final order on November 7, 2020, unless it is modified or reversed by the Maryland PSC.

COVID-19 Regulatory Filings

In response to COVID-19, we have engaged, or have received directives from, the regulatory commissions in the states in which we operate, as described below.

Columbia of Ohio filed a Deferral Application and a Transition Plan with the PUCO on May 29, 2020. The Deferral Application requested approval to record a regulatory asset for COVID-19 incremental costs, foregone revenue from late payment fees, and bad debt expense from certain classes of customers. An order approving the Deferral Application was received on July 15, 2020. The Transition Plan requested the resumption of activities that were suspended in March 2020, including resumption of disconnects due to non-payment and billing of late payment fees beginning with the August 2020 billing cycle. The PUCO approved the Transition Plan on June 17, 2020. As of September 30, 2020, $1.9 million of incremental COVID-19 related costs were deferred to a regulatory asset. Recovery of the regulatory asset will be addressed in a future regulatory proceeding.

NIPSCO received a COVID-19 order from the IURC on June 29, 2020. This order extended the disconnection moratorium and the suspension of collection of late payment fees, deposits and reconnection fees through August 14, 2020. The order requires utilities to offer payment arrangements of at least six months and requires NIPSCO to provide the IURC with information about NIPSCO's communications with delinquent customers. On August 12, 2020, the IURC issued an order affirming the expiration of the disconnect moratorium after August 14, 2020, while requiring that six month payment plans be offered to all customers and extending the suspension for collection of late payment fees, deposits, and reconnection fees through October 12, 2020 for residential customers only. On October 7, 2020 the Office of Utility Consumer Counselor ("OUCC") filed a motion for the IURC to extend these temporary consumer protections for an additional 60 days. On October 27, the IURC issued a docket entry denying the OUCC's motion. The June 29, 2020 order also authorized NIPSCO to create a regulatory asset for COVID-19 related incremental bad debt expense as well as the costs to implement the requirements of the order. As of September 30, 2020, $4.8 million of incremental bad debt expense and costs to implement the requirements of the order were deferred to a regulatory asset. Recovery of the regulatory asset will be addressed in future base rate proceedings.

Columbia of Pennsylvania received a secretarial letter issued by the Pennsylvania PUC on May 13, 2020 authorizing Pennsylvania utilities to create a regulatory asset for incremental bad debt expense incurred since March 13, 2020, above levels currently in rates. While Columbia of Pennsylvania is not authorized to defer any other incremental costs, it is required to track extraordinary non-recurring costs, and any offsetting benefits received, in connection with COVID-19. On October 13, 2020, the Pennsylvania PUC entered an order modifying its March 13, 2020 emergency order, which established a moratorium on utility service terminations. As modified, the moratorium still applies to residential customers with incomes at or below 300% of the federal poverty income guidelines ("protected customers"). For all other customers, the moratorium will be lifted on November 9, 2020, but utilities must comply with several notice requirements beyond those already in place in Pennsylvania in order to proceed with service terminations. For residential customers who are subject to termination under the revised moratorium, as of November 1, 2020, the standard winter service moratorium will be in effect until April 1, 2021, which will render service termination for delinquent accounts impractical during that period. The Pennsylvania PUC's October 13, 2020 order also includes the following requirements: a utility shall offer a payment arrangement for a period of no less than 18 months to small business customers, as defined by a utility's tariff, with past due amounts; utilities shall waive all connection,

reconnection, late payment fees and deposit fees otherwise required for service for protected customers. Additionally, the October 13, 2020 order authorizes utilities to create a regulatory asset for any incremental expenses incurred above those embedded in rates resulting from the directives contained in the Order. As of September 30, 2020, $1.3 million of incremental bad debt expense was deferred to a regulatory asset. Recovery of any regulatory asset will be addressed in future base rate proceedings.

On March 16, 2020, the VSCC ordered a moratorium on service disconnections for unpaid bills due to the effects of COVID-19, which was subsequently extended through October 5, 2020 to allow the Virginia General Assembly to address the issue. The order also suspended late payment fees, required utilities to offer payment plans of up to 12 months, and required utilities to provide certain information about customer accounts receivables to the VSCC. The VSCC moratorium expired on October 6, 2020; however, the directives requiring utilities to offer payment plans of up to 12 months and suspending service disconnections or charging of late payment fees to customers that are current on such payment plans remain in effect. On October 16, 2020, the Virginia General Assembly passed legislation that would extend the moratorium on service disconnections and late payment fees; action from the Governor on the legislation is pending. Columbia of Virginia continues its suspension of service disconnections and late payment fees until the result of the pending legislation is known. Columbia of Virginia received an order from the VSCC on April 29, 2020 authorizing Columbia of Virginia to create a regulatory asset for incremental bad debt expense, suspended late payment fees, reconnection costs, carrying costs and other incremental prudently incurred costs related to COVID-19. We are evaluating the impact of the order. Recovery of any regulatory asset, when recorded, will be addressed in future base rate proceedings.

On August 31, 2020, with the Maryland governor's executive order prohibiting residential utility service terminations set to expire on September 1, 2020, the Maryland PSC issued an emergency order that prohibited residential service terminations until October 1, 2020. The Maryland PSC's August 31, 2020 emergency order also includes the following requirements: effective October 1, 2020, Maryland utilities may proceed with residential service terminations; utilities must give notice at least 45 days before terminating service on a residential account; structured payment plans offered to applicable residential customers must allow a minimum of 12 months to repay, or 24 months for certified low income customers; utilities are prohibited from collecting or requiring down payments or deposits as a condition of beginning a payment plan by any residential customer; and utilities are prohibited from refusing to negotiate or denying a payment plan to a residential customer due to such customer's failure to meet the terms and conditions of an alternate payment plan during the past 18 months. Columbia of Maryland received an order issued by the Maryland PSC on April 9, 2020, authorizing Maryland utilities to create a regulatory asset for incremental COVID-19 related costs, including incremental bad debt expense, incurred to ensure that customers have essential utility service during the state of emergency in Maryland. Such incremental costs must be offset by any benefit received in connection with COVID-19. As of September 30, 2020, Columbia of Maryland has deferred $0.5 million of incremental bad debt expense and COVID-19 related costs to a regulatory asset. Recovery of the regulatory asset will be addressed in future base rate proceedings.

Columbia of Kentucky received an order from the Kentucky PSC on September 21, 2020 lifting the disconnection moratorium for all customers, effective October 20, 2020. The September 21, 2020 order also lifted the suspension of late payment and reconnection fees for non-residential customers as of October 20, 2020. For residential customers, the moratorium on late payment and reconnection fees is extended to December 31, 2020 and tracking of lost revenue is required. Residential customers with accumulated arrearages for service provided on or after March 16, 2020 through October 1, 2020 will be notified and placed on a default payment plan of equal installments for nine months beginning with the November 2020 billing cycle. Residential customers on a payment plan that default shall be offered another payment plan. Carrying charges may be applied to all arrearages arising during the default payment plan period at a rate no greater than the utility’s long-term debt rate. The Kentucky PSC order allows Columbia of Kentucky to create a regulatory asset for carrying charges on all arrearages arising during the default payment plan period. Recovery of the regulatory asset, when recorded, will be addressed in future base rate proceedings. Columbia of Kentucky is engaged with peer utilities and is working closely with the Kentucky PSC on the implementation of the September 21, 2020 order, including exploring flexible payment plans for customers who need financial assistance in order to mitigate the amount of uncollectible customer receivables and tracking of COVID-19 related costs.

10. Risk Management Activities

We are exposed to certain risks relating to our ongoing business operations, namely commodity price risk and interest rate risk. We recognize that the prudent and selective use of derivatives may help to lower our cost of debt capital, manage our interest rate exposure and limit volatility in the price of natural gas.

Risk management assets and liabilities on our derivatives are presented on the Condensed Consolidated Balance Sheets (unaudited) as shown below:

(in millions)		**September 30, 2020**		December 31, 2019
Risk Management Assets - Current[1]				
Interest rate risk programs	**$**	**—**	$	—
Commodity price risk programs		**13.7**		0.6
Total	**$**	**13.7**	$	0.6
Risk Management Assets - Noncurrent[2]				
Interest rate risk programs	**$**	**—**	$	—
Commodity price risk programs		**6.7**		3.8
Total	**$**	**6.7**	$	3.8
Risk Management Liabilities - Current				
Interest rate risk programs	**$**	**92.1**	$	—
Commodity price risk programs		**4.8**		12.6
Total	**$**	**96.9**	$	12.6
Risk Management Liabilities - Noncurrent				
Interest rate risk programs	**$**	**123.3**	$	76.2
Commodity price risk programs		**46.2**		57.8
Total	**$**	**169.5**	$	134.0

[1]Presented in "Prepayments and other" on the Condensed Consolidated Balance Sheets (unaudited).
[2]Presented in "Deferred charges and other" on the Condensed Consolidated Balance Sheets (unaudited).

Commodity Price Risk Management

We, along with our utility customers, are exposed to variability in cash flows associated with natural gas purchases and volatility in natural gas prices. We purchase natural gas for sale and delivery to our retail, commercial and industrial customers, and for most customers the variability in the market price of gas is passed through in their rates. Some of our utility subsidiaries offer programs to certain customers whereby variability in the market price of gas is assumed by the respective utility. The objective of our commodity price risk programs is to mitigate the gas cost variability, for us or on behalf of our customers, associated with natural gas purchases or sales by economically hedging the various gas cost components using a combination of futures, options, forwards or other derivative contracts.

NIPSCO received IURC approval to lock in a fixed price for its natural gas customers using long-term forward purchase instruments. The term of these instruments may range from five to 10 years and is limited to 20% of NIPSCO's average annual GCA purchase volume. Gains and losses on these derivative contracts are deferred as regulatory liabilities or assets and are remitted to or collected from customers through NIPSCO's quarterly GCA mechanism. These instruments are not designated as accounting hedges.

Interest Rate Risk Management

As of September 30, 2020, we have two forward-starting interest rate swaps with an aggregate notional value totaling $500.0 million to hedge the variability in cash flows attributable to changes in the benchmark interest rate during the periods from the effective dates of the swaps to the anticipated dates of forecasted debt issuances, which are expected to take place by 2024. These interest rate swaps are designated as cash flow hedges. The gains and losses related to these swaps are recorded to AOCI and will be recognized in "Interest expense, net" concurrently with the recognition of interest expense on the associated debt, once issued. If it becomes probable that a hedged forecasted transaction will no longer occur, the accumulated gains or losses

on the derivative will be recognized currently in "Other, net" in the Condensed Statements of Consolidated Income (Loss) (unaudited).

There were no amounts excluded from effectiveness testing for derivatives in cash flow hedging relationships at September 30, 2020 and December 31, 2019.

Our derivative instruments measured at fair value as of September 30, 2020 and December 31, 2019 do not contain any credit-risk-related contingent features.

11. Fair Value

A. Fair Value Measurements

Recurring Fair Value Measurements

The following tables present financial assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheets (unaudited) on a recurring basis and their level within the fair value hierarchy as of September 30, 2020 and December 31, 2019:

Recurring Fair Value Measurements September 30, 2020 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2020
Assets				
Risk management assets	$ —	$ 20.4	$ —	$ 20.4
Available-for-sale debt securities	—	161.8	—	161.8
Total	**$ —**	**$ 182.2**	**$ —**	**$ 182.2**
Liabilities				
Risk management liabilities	$ —	$ 266.4	$ —	$ 266.4
Total	**$ —**	**$ 266.4**	**$ —**	**$ 266.4**

Recurring Fair Value Measurements December 31, 2019 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2019
Assets				
Risk management assets	$ —	$ 4.4	$ —	$ 4.4
Available-for-sale debt securities	—	154.2	—	154.2
Total	**$ —**	**$ 158.6**	**$ —**	**$ 158.6**
Liabilities				
Risk management liabilities	$ —	$ 146.6	$ —	$ 146.6
Total	**$ —**	**$ 146.6**	**$ —**	**$ 146.6**

Risk Management Assets and Liabilities. Risk management assets and liabilities include interest rate swaps, exchange-traded NYMEX futures and NYMEX options and non-exchange-based forward purchase contracts. When utilized, exchange-traded derivative contracts are based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore, nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. We use a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability and market-corroborated inputs, (i.e., inputs derived principally from or corroborated by observable market data by correlation or other means). Where observable inputs are available for substantially

the full term of the asset or liability, the instrument is categorized within Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized within Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures. As of September 30, 2020 and December 31, 2019, there were no material transfers between fair value hierarchies. Additionally, there were no changes in the method or significant assumptions used to estimate the fair value of our financial instruments.

Credit risk is considered in the fair value calculation of each of our forward-starting interest rate swaps, as described in Note 10, "Risk Management Activities." As they are based on observable data and valuations of similar instruments, the hedges are categorized within Level 2 of the fair value hierarchy. There was no exchange of premium at the initial date of the swaps, and we can settle the contracts at any time.

NIPSCO has entered into long-term forward natural gas purchase instruments to lock in a fixed price for its natural gas customers. We value these contracts using a pricing model that incorporates market-based information when available, as these instruments trade less frequently and are classified within Level 2 of the fair value hierarchy. For additional information, see Note 10, “Risk Management Activities.”

Available-for-Sale Debt Securities. Available-for-sale debt securities are investments pledged as collateral for trust accounts related to our wholly-owned insurance company. We value U.S. Treasury, corporate debt and mortgage-backed securities using a matrix pricing model that incorporates market-based information. These securities trade less frequently and are classified within Level 2.

We adopted ASC 326 effective January 1, 2020. See "Recently Adopted Accounting Pronouncements" in Note 2, "Recent Accounting Pronouncements," for more information about ASC 326. Upon adoption of ASC 326, our available-for-sale debt securities impairments are recognized periodically using an allowance approach instead of an 'other than temporary' impairment model. At each reporting date, we utilize a quantitative and qualitative review process to assess the impairment of available-for-sale debt securities at the individual security level. For securities in a loss position, we evaluate our intent to sell or whether it is more-likely-than-not that we will be required to sell the security prior to the recovery of its amortized cost. If either criteria is met, the loss is recognized in earnings immediately, with the offsetting entry to the carrying value of the security. If both criteria are not met, we perform an analysis to determine whether the unrealized loss is related to credit factors. The analysis focuses on a variety of factors that include, but are not limited to, downgrade on ratings of the security, defaults in the current reporting period or projected defaults in the future, the security's yield spread over treasuries, and other relevant market data. If the unrealized loss is not related to credit factors, it is included in other comprehensive income. If the unrealized loss is related to credit factors, the loss is recognized as credit loss expense in earnings during the period, with an offsetting entry to the allowance for credit losses. The amount of the credit loss recorded to the allowance account is limited by the amount at which security's fair value is less than its amortized cost basis. If the credit losses in the allowance for credit losses are deemed uncollectible, the allowance on the uncollectible portion will be charged off, with an offsetting entry to the carrying value of the security. Subsequent improvements to the estimated credit losses of available-for-sale debt securities will be recognized immediately in earnings instead of over-time as they would under historic guidance. During the nine months ended September 30, 2020, we recorded $0.7 million as an allowance for credit losses on available-for-sale debt securities as a result of the analysis described above. Continuous credit monitoring and portfolio credit balancing mitigates our risk of credit losses on our available-for-sale debt securities.

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of available-for-sale securities at September 30, 2020 and December 31, 2019 were:

September 30, 2020 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[1]	Allowance for Credit Losses	Fair Value
Available-for-sale debt securities					
U.S. Treasury debt securities	$ 31.5	$ 0.4	$ —	$ —	$ 31.9
Corporate/Other debt securities	124.6	7.0	(1.0)	(0.7)	129.9
Total	**$ 156.1**	**$ 7.4**	**$ (1.0)**	**$ (0.7)**	**$ 161.8**

December 31, 2019 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[2]	Allowance for Credit Losses	Fair Value
Available-for-sale debt securities					
U.S. Treasury debt securities	$ 31.4	$ 0.1	$ (0.1)	$ —	$ 31.4
Corporate/Other debt securities	118.7	4.2	(0.1)	—	122.8
Total	**$ 150.1**	**$ 4.3**	**$ (0.2)**	**$ —**	**$ 154.2**

[1]Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is $0 and $20.4 million, respectively, at September 30, 2020.
[2]Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is $17.2 million and $12.2 million, respectively, at December 31, 2019.

Realized gains and losses on available-for-sale securities were immaterial for the three and nine months ended September 30, 2020 and 2019.

The cost of maturities sold is based upon specific identification. At September 30, 2020, approximately $7.0 million of U.S. Treasury debt securities and approximately $5.8 million of Corporate/Other debt securities have maturities of less than a year.

There are no material items in the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis as of September 30, 2020 and December 31, 2019.

Non-recurring Fair Value Measurements

We measure the fair value of certain assets on a non-recurring basis, typically annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include goodwill.

As of September 30, 2020, the Massachusetts Business met the requirements under GAAP to be classified as held for sale, and the assets and liabilities of the Massachusetts Business are measured at fair value, less costs to sell. Our estimated total pre-tax loss for the three and nine months ended September 30, 2020 is $35.6 million and $400.2 million, respectively. For additional information, see Note 6, "Assets and Liabilities Held for Sale."

B. Other Fair Value Disclosures for Financial Instruments. The carrying amount of cash and cash equivalents, restricted cash, customer deposits and short-term borrowings is a reasonable estimate of fair value due to their liquid or short-term nature. Our long-term borrowings are recorded at historical amounts.

The following method and assumptions were used to estimate the fair value of each class of financial instruments.

Long-term Debt. The fair value of outstanding long-term debt is estimated based on the quoted market prices for the same or similar securities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value. These fair value measurements are classified within Level 2 of the fair value hierarchy. As of September 30, 2020, there was no change in the method or significant assumptions used to estimate the fair value of long-term debt.

The carrying amount and estimated fair values of these financial instruments were as follows:

(in millions)	**Carrying Amount as of September 30, 2020**	**Estimated Fair Value as of September 30, 2020**	Carrying Amount as of Dec. 31, 2019	Estimated Fair Value as of Dec. 31, 2019
Long-term debt (including current portion)	**$ 9,230.3**	**$ 10,723.5**	$ 7,869.6	$ 8,764.4

12. Transfers of Financial Assets

Columbia of Ohio, NIPSCO and Columbia of Pennsylvania each maintain a receivables agreement whereby they transfer their customer accounts receivables to third-party financial institutions through wholly-owned and consolidated special purpose entities. The three agreements expire between May 2021 and October 2021 and may be further extended if mutually agreed to by the parties thereto.

All receivables transferred to third parties are valued at face value, which approximates fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivables transferred is determined in part by required loss reserves under the agreements.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Condensed Consolidated Balance Sheets (unaudited). As of September 30, 2020, the maximum amount of debt that could be recognized related to our accounts receivable programs is $275.0 million.

The following table reflects the gross receivables balance and net receivables transferred, as well as short-term borrowings related to the securitization transactions as of September 30, 2020 and December 31, 2019:

(in millions)	**September 30, 2020**	December 31, 2019
Gross receivables	**$ 421.7**	$ 569.1
Less: Receivables not transferred	**190.5**	215.9
Net receivables transferred	**$ 231.2**	$ 353.2
Short-term debt due to asset securitization	**$ 231.2**	$ 353.2

For the nine months ended September 30, 2020 and 2019, $122.0 million and $139.1 million, respectively, was recorded as cash flows used for financing activities related to the change in short-term borrowings due to securitization transactions. Fees associated with the securitization transactions were $0.6 million and $0.6 million for the three months ended September 30, 2020 and 2019, respectively and $2.1 million and $2.0 million for the nine months ended September 30, 2020 and 2019, respectively. Columbia of Ohio, NIPSCO and Columbia of Pennsylvania remain responsible for collecting on the receivables securitized, and the receivables cannot be transferred to another party.

13. Goodwill

The following presents our goodwill balance allocated by segment as of September 30, 2020:

(in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other	**Total**
Goodwill	$ 1,485.9	$ —	$ —	**$ 1,485.9**

For our annual goodwill impairment analysis performed as of May 1, 2020, we completed a quantitative "step 1" fair value measurement of our reporting units with a goodwill balance. This analysis incorporated the latest available income statement and cash flow projections, including significant, identifiable impacts of COVID-19 on the operations of each of our goodwill reporting units. We also incorporated other significant inputs to our fair value calculations, including discount rate and market multiples, to reflect current market conditions. The step 1 analysis performed indicated that the fair value of each reporting unit that is allocated goodwill significantly exceeded its carrying value. As a result, no impairment charge was recorded as of the May 1, 2020 test date.

During the fourth quarter of 2019, in connection with the preparation of the year-end financial statements, we assessed the matters related to Columbia of Massachusetts (see Note 18-B, "Legal Proceedings") and determined a quantitative "step 1"

impairment analysis was required for our Columbia of Massachusetts reporting unit. The December 31, 2019 impairment analysis indicated that the fair value of the Columbia of Massachusetts reporting unit was below its carrying value. As a result, we reduced the Columbia of Massachusetts reporting unit goodwill balance to zero and recognized a goodwill impairment charge totaling $204.8 million in 2019.

14. Income Taxes

Our interim effective tax rates reflect the estimated annual effective tax rates for 2020 and 2019, adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended September 30, 2020 and 2019 were 27.3% and 283.3%, respectively. The effective tax rates for the nine months ended September 30, 2020 and 2019 were 42.0% and 18.8%, respectively. These effective tax rates differ from the federal statutory tax rate of 21% primarily due to increased amortization of excess deferred federal income tax liabilities, as specified in the TCJA, tax credits, state income taxes and other permanent book-to-tax differences. These adjustments have a relative impact on the effective tax rate proportionally to pretax income or loss.

The decrease in the three month effective tax rate of 256.0% in 2020 compared to 2019 is primarily attributable to the relative impact of permanent differences on lower pre-tax loss in 2019, offset by increased amortization of excess deferred federal income tax liabilities, as specified in the TCJA, in 2020.

The increase in the nine month effective tax rate of 23.2% in 2020 compared to 2019 is primarily attributed to increased amortization of excess deferred federal income tax liabilities and lower state income taxes, offset by the non-deductible payment in lieu of penalties (see Note 6, "Assets and Liabilities Held for Sale," for additional information on the payment in lieu of penalties).

There were no material changes recorded in 2020 to our uncertain tax positions recorded as of December 31, 2019.

CARES Act Tax Matters. The CARES Act was enacted on March 27, 2020 in response to the COVID-19 pandemic. The CARES Act contains numerous income tax provisions, such as relaxing limitations on the deductibility of interest and the use of net operating losses arising in taxable years beginning after December 31, 2017. Under the provisions of the CARES Act, we have deferred payroll tax payments of approximately $21.7 million through September 30, 2020. We continue to monitor additional guidance to clarify provisions in the CARES Act (as well as under the TCJA) to determine if such guidance could ultimately increase or lessen their impact on our business and financial condition. There are no material income tax impacts on our consolidated financial position, results of operations, and cash flows during the three and nine months ended September 30, 2020.

15. Pension and Other Postretirement Benefits

We provide defined contribution plans and noncontributory defined benefit retirement plans that cover certain of our employees. Benefits under the defined benefit retirement plans reflect the employees' compensation, years of service and age at retirement. Additionally, we provide health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits if they reach retirement age while working for us. The expected cost of such benefits is accrued during the employees' years of service. We determined that, for certain rate-regulated subsidiaries, the future recovery of postretirement benefit costs is probable, and we record regulatory assets and liabilities for amounts that would otherwise have been recorded to expense or accumulated other comprehensive loss. Current rates of rate-regulated companies include postretirement benefit costs, including amortization of the regulatory assets and liabilities that arose prior to inclusion of these costs in rates. For most plans, cash contributions are remitted to grantor trusts.

For the nine months ended September 30, 2020, we contributed $2.1 million to our pension plans and $16.7 million to our other postretirement benefit plans.

The following table provides the components of the plans' actuarially determined net periodic benefit cost for the three and nine months ended September 30, 2020 and 2019:

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended September 30, *(in millions)*	**2020**	2019	**2020**	2019
Components of Net Periodic Benefit Cost[1]				
Service cost	**$ 8.1**	$ 7.3	**$ 1.7**	$ 1.3
Interest cost	**13.1**	18.1	**3.8**	4.8
Expected return on assets	**(28.3)**	(27.2)	**(3.6)**	(3.3)
Amortization of prior service credit	**0.2**	—	**(0.4)**	(0.8)
Recognized actuarial loss	**8.6**	11.3	**1.2**	0.5
Settlement loss	**8.0**	1.9	**—**	—
Total Net Periodic Benefit Cost	**$ 9.7**	$ 11.4	**$ 2.7**	$ 2.5

[1]The service cost component and all non-service cost components of net periodic benefit cost are presented in "Operation and maintenance" and "Other, net", respectively, on the Condensed Statements of Consolidated Income (Loss) (unaudited).

	Pension Benefits		Other Postretirement Benefits	
Nine Months Ended September 30, *(in millions)*	**2020**	2019	**2020**	2019
Components of Net Periodic Benefit Cost[1]				
Service cost	**$ 24.1**	$ 21.9	**$ 4.9**	$ 3.9
Interest cost	**40.1**	54.5	**11.6**	14.4
Expected return on assets	**(85.1)**	(81.6)	**(10.8)**	(9.9)
Amortization of prior service credit	**0.6**	—	**(1.4)**	(2.4)
Recognized actuarial loss	**26.0**	34.1	**3.8**	1.5
Settlement loss	**8.0**	1.9	**—**	—
Total Net Periodic Benefit Cost	**$ 13.7**	$ 30.8	**$ 8.1**	$ 7.5

[1]The service cost component and all non-service cost components of net periodic benefit cost are presented in "Operation and maintenance" and "Other, net", respectively, on the Condensed Statements of Consolidated Income (Loss) (unaudited).

During the third quarter of 2020, three of our qualified pension plans met the requirement for settlement accounting. A settlement charge of $8.0 million was recorded during the third quarter of 2020. These pension plans were remeasured as a result of the settlements of all three plans, as well as the transfer of employees into and out of two qualified pension plans transferred to Eversource at the closing of the sale of the Massachusetts Business. The remeasurements led to a decrease to the net pension asset of $6.1 million, an increase to the pension benefit obligation, net of plan assets, of $0.2 million, a net decrease to regulatory assets of $1.4 million, and a net credit to accumulated other comprehensive loss of $0.2 million. Net periodic pension benefit cost for 2020 decreased by $1.4 million as a result of the interim remeasurement.

The following table provides the key assumptions that were used to calculate the pension benefit obligation and the net periodic benefit cost for the plans that triggered settlement accounting:

	September 30, 2020
Weighted-average Assumption to Determine Benefit Obligation	
Discount rate	2.28 %
Weighted-average Assumptions to Determine Net Periodic Benefit Costs for the period ended	
Discount rate - service cost	3.39 %
Discount rate - interest cost	2.65 %
Expected return on assets	5.20 %

16. Long-Term Debt

On April 13, 2020, we completed the issuance and sale of $1.0 billion of 3.60% senior unsecured notes maturing in 2030, which resulted in approximately $987.8 million of net proceeds after deducting commissions and expenses.

On August 18, 2020, we completed the issuance and sale of $1.25 billion of 0.95% senior unsecured notes maturing in 2025 and $750.0 million of 1.70% senior unsecured notes maturing in 2031, which resulted in approximately $1,980.4 million of net proceeds after deducting commissions and expenses.

In August 2020, we executed tender offers for $969.3 million of outstanding notes consisting of a combination of our 4.45% notes due 2021, 2.65% notes due 2022, 3.85% notes due 2023, 3.65% notes due 2023, 6.25% notes due 2040, and 5.95% notes due 2041. In August and September 2020, we redeemed $609.3 million of outstanding notes representing the remainder of our 4.45% notes due 2021, 2.65% notes due 2022, 3.85% notes due 2023, and 3.65% notes due 2023 and all of our 5.89% notes due 2025. In conjunction with the debt retired, we recorded a $231.7 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums.

In September 2020, Columbia of Massachusetts redeemed $25.0 million of its outstanding 6.26% notes due 2028. In conjunction with the debt retired, Columbia of Massachusetts recorded an $11.7 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums. Under the terms of the Asset Purchase Agreement, Columbia of Massachusetts' net working capital at the closing of the sale of the Massachusetts Business was increased by 50% of the debt extinguishment costs, which was approximately $5.3 million.

17. Short-Term Borrowings

We generate short-term borrowings from our revolving credit facility, commercial paper program, accounts receivable transfer programs and term loan agreement. Each of these borrowing sources is described further below.

We maintain a revolving credit facility to fund ongoing working capital requirements, including the provision of liquidity support for our commercial paper program, provide for issuance of letters of credit and also for general corporate purposes. Our revolving credit facility has a program limit of $1.85 billion and is comprised of a syndicate of banks led by Barclays. We had no outstanding borrowings under this facility as of September 30, 2020 and December 31, 2019.

Our commercial paper program has a program limit of up to $1.5 billion with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. We had $307.0 million of commercial paper outstanding as of September 30, 2020 and $570.0 million of commercial paper outstanding as of December 31, 2019.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Condensed Consolidated Balance Sheets (unaudited). We had $231.2 million in transfers as of September 30, 2020 and $353.2 million in transfers as of December 31, 2019. Refer to Note 12, "Transfers of Financial Assets," for additional information.

On April 1, 2020, we terminated and repaid in full our existing $850.0 million term loan agreement with a syndicate of banks led by MUFG Bank, Ltd. and entered into a new $850.0 million term loan agreement with a syndicate of banks led by KeyBank National Association. Any and all outstanding borrowings under the term loan agreement are due by March 31, 2021. Interest charged on borrowings depends on the variable rate structure we elect at the time of each borrowing. The available variable rate structures from which we may choose are defined in the term loan agreement. Under the agreement, we borrowed $850.0 million on April 1, 2020 with an interest rate of LIBOR plus 75 basis points. On October 14, 2020, we terminated and repaid in full our $850.0 million term loan agreement with proceeds from the sale of the Massachusetts Business.

Short-term borrowings were as follows:

(in millions)		**September 30, 2020**		December 31, 2019
Commercial paper weighted-average interest rate of 0.23% and 2.03% at September 30, 2020 and December 31, 2019, respectively		**307.0**		570.0
Accounts receivable securitization facility		**231.2**		353.2
Term loan interest rate of 0.90% and 2.40% at September 30, 2020 and December 31, 2019, respectively		**850.0**		850.0
Total Short-Term Borrowings	**$**	**1,388.2**	$	1,773.2

Other than for the term loan, revolving credit facility and certain commercial paper borrowings, cash flows related to the borrowings and repayments of the items listed above are presented net in the Condensed Statements of Consolidated Cash Flows (unaudited) as their maturities are less than 90 days.

18. Other Commitments and Contingencies

A. Guarantees and Indemnities. We and certain of our subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries as a part of normal business. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. As of September 30, 2020 and December 31, 2019, we had issued stand-by letters of credit of $10.2 million.

We have provided guarantees related to our future performance under BTAs for our renewable generation projects. At September 30, 2020, our guarantees for the Rosewater and Indiana Crossroads BTAs totaled $195.6 million. The amount of each guaranty will decrease upon the substantial completion of the construction of the facilities. See "- D. Other Matters - NIPSCO 2018 Integrated Resource Plan," below for more information.

B. Legal Proceedings. On September 13, 2018, a series of fires and explosions occurred in Lawrence, Andover and North Andover, Massachusetts related to the delivery of natural gas by Columbia of Massachusetts (the "Greater Lawrence Incident"). The Greater Lawrence Incident resulted in one fatality and a number of injuries, damaged multiple homes and businesses, and caused the temporary evacuation of significant portions of each municipality. The Massachusetts Governor's Office declared a state of emergency, authorizing the Massachusetts DPU to order another utility company to coordinate the restoration of utility services in Lawrence, Andover and North Andover. The incident resulted in the interruption of gas for approximately 7,500 gas meters, the majority of which served residences and approximately 700 of which served businesses, and the interruption of other utility service more broadly in the area. Columbia of Massachusetts has replaced the cast iron and bare steel gas pipeline system in the affected area and restored service to nearly all of the gas meters. See "- D. Other Matters - Greater Lawrence Pipeline Replacement" below for more information. On September 1, 2020, the Massachusetts Governor terminated the state of emergency declared following the Greater Lawrence Incident.

We have been subject to inquiries and investigations by government authorities and regulatory agencies regarding the Greater Lawrence Incident, including the Massachusetts DPU and the Massachusetts Attorney General's Office, as described below. On February 26, 2020, the Company and Columbia of Massachusetts entered into agreements with the U.S. Attorney's Office for the District of Massachusetts to resolve the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident, and on July 2, 2020, the Company and Columbia of Massachusetts entered into an agreement with the Massachusetts Attorney General's Office (among other parties) to resolve the Massachusetts investigations, as described below.

NTSB Investigation. As previously disclosed, the NTSB concluded its investigation into the Greater Lawrence Incident. We have requested closure of one remaining safety recommendation and are awaiting response from the NTSB.

Massachusetts Investigations. Under Massachusetts law, the Massachusetts DPU is authorized to investigate potential violations of pipeline safety regulations and to assess a civil penalty of up to $218,647 for a violation of federal pipeline safety regulations. A separate violation occurs for each day of violation up to $2.2 million for a related series of violations. The Massachusetts DPU also is authorized to investigate potential violations of the Columbia of Massachusetts emergency response plan and to assess penalties of up to $250,000 per violation per day, or up to $20.0 million per related series of violations. Further, as a result of the declaration of emergency by the Governor, the Massachusetts DPU is authorized to investigate

potential violations of the Massachusetts DPU's operational directives during the restoration efforts and assess penalties of up to $1.0 million per violation. The Massachusetts DPU conducted investigations of Columbia of Massachusetts pursuant to these authorities and approved a Settlement Agreement resolving its investigations on October 7, 2020 (defined and further described below).

On October 25, 2019, the Massachusetts DPU issued two orders opening public investigations into Columbia of Massachusetts with respect to the Greater Lawrence Incident. The Massachusetts DPU opened the first investigation under its authority to determine compliance with federal and state pipeline safety laws and regulations, and to investigate Columbia of Massachusetts' responsibility for and response to the Greater Lawrence Incident and its restoration efforts following the incident. The Massachusetts DPU opened the second investigation under its authority to determine whether a gas distribution company has violated established standards regarding acceptable performance for emergency preparedness and restoration of service to investigate efforts by Columbia of Massachusetts to prepare for and restore service following the Greater Lawrence Incident. These investigations were resolved by the Massachusetts DPU order dated October 7, 2020 approving the Settlement Agreement (defined and further described below).

In connection with its investigation related to the Greater Lawrence Incident, on February 4, 2020, the Massachusetts Attorney General's Office issued a request for documents primarily focused on the restoration work following the incident. This investigation was resolved by the Massachusetts DPU order dated October 7, 2020 approving the Settlement Agreement (defined and further described below).

On July 2, 2020, NiSource, Columbia of Massachusetts, Eversource and Eversource Gas Company of Massachusetts, a wholly-owned subsidiary of Eversource ("EGMA"), filed with the Massachusetts DPU a joint petition for the approval of the purchase and sale of the Massachusetts Business (the "Transaction") as contemplated by the Asset Purchase Agreement and a proposed multi-year rate plan. The Asset Purchase Agreement provides for various closing conditions, including the receipt of the approval of the Massachusetts DPU and the final resolution or termination of all pending actions, claims and investigations, lawsuits or other legal or administrative proceedings against Columbia of Massachusetts and its affiliates under the jurisdiction of the Massachusetts DPU and all future actions, claims and investigations, lawsuits or other legal or administrative proceedings against NiSource, Columbia of Massachusetts and their affiliates relating to the Greater Lawrence Incident under the jurisdiction of the Massachusetts DPU, each as determined by NiSource in its reasonable discretion (the "DPU Required Resolution").

The petition included and sought approval of a settlement agreement executed on July 2, 2020 (the "Settlement Agreement") among, NiSource, Columbia of Massachusetts, Eversource, EGMA, the Massachusetts Attorney General's Office ("Massachusetts AGO"), the Massachusetts Department of Energy Resources ("DOER"), and the Low-Income Weatherization and Fuel Assistance Program Network (together with NiSource, Columbia of Massachusetts, Eversource, EGMA, the Massachusetts AGO and the DOER, the "Settling Parties"). The Settlement Agreement was conditioned on its approval by the Massachusetts DPU no later than September 30, 2020; however, this deadline was extended to October 7, 2020. The Settlement Agreement was approved by the Massachusetts DPU on October 7, 2020, and the closing of the Transaction occurred on October 9, 2020.

Set forth below are certain of the descriptions of the provisions of the Settlement Agreement related to the DPU Required Resolution. The Settlement Agreement includes other provisions, including generally provisions related to ratemaking and activities of Eversource and EGMA to occur after the closing of the Transaction and other conditions, as further described in the Settlement Agreement.

Termination of Massachusetts DPU Regulatory Matters. Under the Settlement Agreement, the Settling Parties agreed that the terms of the Settlement Agreement achieve the DPU Required Resolution under the Asset Purchase Agreement. Further, under the Settlement Agreement, Columbia of Massachusetts took responsibility for the Greater Lawrence Incident and agreed not to contest facts in the record sufficient to support the Massachusetts DPU's investigations into pipeline safety and emergency response in the two public investigations that the Massachusetts DPU opened pursuant to the October 25, 2019 orders referenced above (DPU 19-140 and 19-141, respectively). If adjudicated, Columbia of Massachusetts could have been subject to the payment of penalties potentially up to the maximum allowed by law.

The Settling Parties also agreed that, upon the closing of the Transaction, (1) all pending actions, claims, investigations, lawsuits and proceedings against NiSource, Columbia of Massachusetts and their affiliates, and all of the respective directors, officers, employees, agents and representatives of NiSource and Columbia of Massachusetts and their affiliates (such entities and individuals, collectively referred to as the "Discharged Persons"), under the Massachusetts DPU's jurisdiction, shall be

considered settled, resolved, and terminated; and (2) all future actions, claims, investigations, lawsuits and proceedings, whether known or unknown, against the Discharged Persons, in each case, relating to, arising out of, or in connection with the Greater Lawrence Incident (as defined in the Asset Purchase Agreement), under the jurisdiction of the Massachusetts DPU shall be considered settled, resolved, and terminated. This includes the Massachusetts DPU's investigations into pipeline safety and emergency response in DPU 19-140 and 19-141, respectively, as well as any other regulatory matters that could have been raised by the Massachusetts DPU relating to, arising out of, or in connection with the Greater Lawrence Incident.

The Settling Parties also agreed that, upon the closing of the Transaction, all pending actions, claims, investigations, lawsuits, and proceedings against the Discharged Persons, which are the subject of the Consent Order, shall be settled, resolved, and terminated. The "Consent Order" is a consent order the Massachusetts DPU issued on August 14, 2020 in DPU 19-140, which included Compliance Actions (as defined in the Consent Order) that corresponded to the entirety of cases pending before the Massachusetts DPU as of July 2, 2020. The Settling Parties further agreed, upon the closing of the Transaction, that the Consent Order (and the Massachusetts DPU's associated Compliance Actions) addresses all outstanding pipeline safety compliance investigations, inquiries, or ongoing matters, regardless of whether subject to notices of probable violations (NOPVs) or related to the Greater Lawrence Incident, existing as of the execution date of the Settlement Agreement.

Termination of Massachusetts AGO Matters. Under the Settlement Agreement, the Settling Parties agreed that, upon the closing of the Transaction, the Settlement Agreement shall constitute receipt from the Massachusetts AGO of an agreement, settlement, compromise, and consent: (1) to terminate with prejudice all pending actions, claims, lawsuits, investigations, or proceedings under the jurisdiction of the Massachusetts AGO against the Discharged Persons relating, arising out of, or in connection with, the Greater Lawrence Incident; and (2) not to commence on its own behalf any new action, claim, lawsuit, investigation or proceeding against any of the Discharged Persons relating, arising out of, or in connection with, the Greater Lawrence Incident.

Payment in Lieu of Penalties. Under the Settlement Agreement, the Settling Parties agreed that, at the closing of the Transaction, NiSource will make a payment in lieu of penalties in full settlement of all of the pending and potential claims, lawsuits, investigations or proceedings settled by and released by the Settlement Agreement in the amount of $56.0 million. This payment was withheld from the proceeds received from Eversource at the closing of the Transaction on October 9, 2020. See Note 6, "Assets and Liabilities Held for Sale," for additional information.

Energy Relief Fund. Under the Settlement Agreement, the Settling Parties agreed that the funds derived from the NiSource payment described above will be used to create an "Energy Relief Fund," comprised of two components, designated as the "Merrimack Valley Renewal Fund" and the "Arrearage Forgiveness Fund," in each case as further described in the Settlement Agreement. The Merrimack Valley Renewal Fund is jointly administered by the Massachusetts AGO and DOER. The Arrearage Forgiveness Fund is jointly administered by the Massachusetts AGO and Eversource.

U.S. Department of Justice Investigation. On February 26, 2020, the Company and Columbia of Massachusetts entered into agreements with the U.S. Attorney's Office to resolve the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident. Columbia of Massachusetts agreed to plead guilty in the United States District Court for the District of Massachusetts (the "Court") to violating the Natural Gas Pipeline Safety Act (the "Plea Agreement"), and the Company entered into a Deferred Prosecution Agreement (the "DPA").

On March 9, 2020, Columbia of Massachusetts entered its guilty plea pursuant to the Plea Agreement, which the Court accepted. Subsequently, Columbia of Massachusetts and the U.S. Attorney's Office modified the Plea Agreement. On June 23, 2020, the Court sentenced Columbia of Massachusetts in accordance with the terms of the modified Plea Agreement. Under the modified Plea Agreement, Columbia of Massachusetts is subject to the following terms, among others: (i) a criminal fine in the amount of $53,030,116, which has been paid; (ii) a three year probationary period that will terminate early upon a sale of Columbia of Massachusetts or a sale of its gas distribution business to a qualified third-party buyer consistent with certain requirements, but in no event before the end of the one-year mandatory period of probation; (iii) compliance with each of the NTSB recommendations stemming from the Greater Lawrence Incident; and (iv) employment of an in-house monitor until the end of the term of probation or until the sale of Columbia of Massachusetts or its gas distribution business, whichever is earlier. On October 13, 2020, the Court, upon agreement of the U.S. Attorney's Office and Columbia Gas of Massachusetts, modified the terms of probation by ending the term of the in-house monitor.

Under the DPA, the U.S. Attorney's Office agreed to defer prosecution of the Company in connection with the Greater Lawrence Incident for a three-year period (which three-year period may be extended for twelve (12) months upon the U.S. Attorney's Office's determination of a breach of the DPA) subject to certain obligations of the Company, including, but not limited to, the following: (i) the Company will use reasonable best efforts to sell Columbia of Massachusetts or Columbia of Massachusetts' gas distribution business to a qualified third-party buyer consistent with certain requirements, and, upon the completion of any such sale, the Company will cease and desist any and all gas pipeline and distribution activities in the District of Massachusetts; (ii) the Company will forfeit and pay, within 30 days of the later of the sale becoming final or the date on which post-closing adjustments to the purchase price are finally determined in accordance with the agreement to sell Columbia of Massachusetts or its gas distribution business, a fine equal to the total amount of the profit or gain, if any, from any sale of Columbia of Massachusetts or its gas distribution business, with the amount of profit or gain determined as provided in the DPA; and (iii) the Company agrees as to each of the Company's subsidiaries involved in the distribution of gas through pipeline facilities in Massachusetts, Indiana, Ohio, Pennsylvania, Maryland, Kentucky and Virginia to implement and adhere to each of the recommendations from the NTSB stemming from the Greater Lawrence Incident. Pursuant to the DPA, if the Company complies with all of its obligations under the DPA, including, but not limited to those identified above, the U.S. Attorney's Office will not file any criminal charges against the Company related to the Greater Lawrence Incident. If Columbia of Massachusetts withdraws its plea for any reason, if the Court rejects any aspect of the Plea Agreement, or if Columbia of Massachusetts should fail to perform an obligation under the Plea Agreement prior to the sale of Columbia of Massachusetts or its gas distribution business, the U.S. Attorney's Office may, at its sole option, render the DPA null and void. The sale of the Massachusetts Business was completed on October 9, 2020. The Company is not required to forfeit or pay any funds within 30 days of the sale of the Massachusetts Business because the Company did not realize a profit or gain from the sale as provided in the DPA.

U.S. Congressional Activity. On September 30, 2019, the U.S. Protecting Our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act authorizing PHMSA expired. There is no effect on PHMSA's authority. Action on past re-authorization bills has extended past the expiration date and action on this re-authorization is expected to continue into 2021. Pipeline safety jurisdiction resides with the U.S. Senate Commerce Committee and is divided between two committees in the U.S. House of Representatives (Energy and Commerce, and Transportation and Infrastructure). The Senate passed its bill on August 7, 2020. The House of Representatives has yet to reconcile its legislation and act. Certain legislative proposals, if enacted into law, may increase costs for natural gas industry companies, including the Company.

Private Actions. Various lawsuits, including several purported class action lawsuits, have been filed by various affected residents or businesses in Massachusetts state courts against the Company and/or Columbia of Massachusetts in connection with the Greater Lawrence Incident. A special judge has been appointed to hear all pending and future cases and the class actions have been consolidated into one class action. On January 14, 2019, the special judge granted the parties' joint motion to stay all cases until April 30, 2019 to allow mediation, and the parties subsequently agreed to extend the stay until July 25, 2019. The class action lawsuits allege varying causes of action, including those for strict liability for ultra-hazardous activity, negligence, private nuisance, public nuisance, premises liability, trespass, breach of warranty, breach of contract, failure to warn, unjust enrichment, consumer protection act claims, negligent, reckless and intentional infliction of emotional distress and gross negligence, and seek actual compensatory damages, plus treble damages, and punitive damages.

On July 26, 2019, the Company, Columbia of Massachusetts and NiSource Corporate Services Company, a subsidiary of the Company, entered into a term sheet with the class action plaintiffs under which they agreed to settle the class action claims in connection with the Greater Lawrence Incident. Columbia of Massachusetts agreed to pay $143 million into a settlement fund to compensate the settlement class and the settlement class agreed to release Columbia of Massachusetts and affiliates from all claims arising out of or related to the Greater Lawrence Incident. The following claims are not covered under the proposed settlement because they are not part of the consolidated class action: (1) physical bodily injury and wrongful death; (2) insurance subrogation, whether equitable, contractual or otherwise; and (3) claims arising out of appliances that are subject to the Massachusetts DPU orders. Emotional distress and similar claims are covered under the proposed settlement unless they are secondary to a physical bodily injury. The settlement class is defined under the term sheet as all persons and businesses in the three municipalities of Lawrence, Andover and North Andover, Massachusetts, subject to certain limited exceptions. The motion for preliminary approval and the settlement documents were filed on September 25, 2019. The preliminary approval court hearing was held on October 7, 2019 and the court issued an order granting preliminary approval of the settlement on October 11, 2019. The Court granted final approval of the settlement on March 12, 2020.

With respect to claims not included in the consolidated class action, many of the asserted wrongful death and bodily injury claims have settled, and we continue to discuss potential settlements with remaining claimants. In addition, the Commonwealth

of Massachusetts is seeking reimbursement from Columbia of Massachusetts for its expenses incurred in connection with the Greater Lawrence Incident. The outcomes and impacts of such private actions are uncertain at this time.

Shareholder Derivative Lawsuit. On April 28, 2020, a shareholder derivative lawsuit was filed by the City of Detroit Police and Fire Retirement System in the United States District Court for the District of Delaware against certain of the Company's current and former directors, alleging breaches of fiduciary duty with respect to the pipeline safety management systems relating to the distribution of natural gas prior to the Greater Lawrence Incident and also including claims related to the Company's proxy statement disclosures regarding its safety systems. The remedies sought include damages for the alleged breaches of fiduciary duty, corporate governance reforms, and restitution of any unjust enrichment. The defendants have filed a motion to dismiss the lawsuit. The motion to dismiss is fully briefed. Because of the preliminary nature of this lawsuit, the Company is not able to estimate a loss or range of loss, if any, that may be incurred in connection with this matter at this time.

Financial Impact. Since the Greater Lawrence Incident, we have recorded expenses of approximately $1,036 million for third-party claims and fines, penalties and settlements associated with government investigations. We estimate that total costs related to third-party claims and fines, penalties and settlements associated with government investigations resulting from the incident will range from $1,036 million to $1,050 million, depending on the number, nature, final outcome and value of third-party claims. With regard to third-party claims, these costs include, but are not limited to, personal injury and property damage claims, damage to infrastructure, business interruption claims, and mutual aid payments to other utilities assisting with the restoration effort. These costs do not include costs of certain third-party claims and fines, penalties or settlements associated with government investigations that we are not able to estimate. These costs also do not include non-claims related and government investigation-related legal expenses resulting from the incident, the capital cost of the pipeline replacement and the payment in lieu of penalties, which are set forth in " - D. Other Matters - Greater Lawrence Incident Restoration," "- Greater Lawrence Incident Pipeline Replacement," and Note 6, "Assets and Liabilities Held for Sale," respectively.

The process for estimating costs associated with third-party claims relating to the Greater Lawrence Incident requires management to exercise significant judgment based on a number of assumptions and subjective factors. As more information becomes known, management's estimates and assumptions regarding the financial impact of the Greater Lawrence Incident may change.

The aggregate amount of third-party liability insurance coverage available for losses arising from the Greater Lawrence Incident is $800 million. We have collected the entire $800 million. Total expenses related to the incident have exceeded the total amount of insurance coverage available under our policies. Refer to "- D. Other Matters - Greater Lawrence Incident Restoration," below for a summary of third-party claims-related expense activity and associated insurance recoveries recorded since the Greater Lawrence Incident.

We are also party to certain other claims, regulatory and legal proceedings arising in the ordinary course of business in each state in which we have operations, none of which we believe to be individually material at this time.

Due to the inherent uncertainty of litigation, there can be no assurance that the outcome or resolution of any particular claim, proceeding or investigation related to the Greater Lawrence Incident or otherwise would not have a material adverse effect on our results of operations, financial position or liquidity. Certain matters in connection with the Greater Lawrence Incident have had or may have a material impact as described above. If one or more of such additional or other matters were decided against us, the effects could be material to our results of operations in the period in which we would be required to record or adjust the related liability and could also be material to our cash flows in the periods that we would be required to pay such liability.

C. Environmental Matters. Our operations are subject to environmental statutes and regulations related to air quality, water quality, hazardous waste and solid waste. We believe that we are in substantial compliance with the environmental regulations currently applicable to our operations.

It is management's continued intent to address environmental issues in cooperation with regulatory authorities in such a manner as to achieve mutually acceptable compliance plans. However, there can be no assurance that fines and penalties will not be incurred. Management expects a significant portion of environmental assessment and remediation costs to be recoverable through rates for certain of our companies.

As of September 30, 2020 and December 31, 2019, we had recorded a liability of $93.4 million and $104.4 million, respectively, to cover environmental remediation at various sites. The current portion of this liability is included in "Legal and environmental" in the Condensed Consolidated Balance Sheets (unaudited). The noncurrent portion is included in "Other

noncurrent liabilities." We recognize costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for remediation activities may differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including currently enacted laws and regulations, the nature and extent of impact and the method of remediation. These expenditures are not currently estimable at some sites. We periodically adjust our liability as information is collected and estimates become more refined.

Electric Operations' compliance estimates disclosed below are reflective of NIPSCO's Integrated Resource Plan submitted to the IURC on October 31, 2018. Refer to " - D. Other Matters - NIPSCO 2018 Integrated Resource Plan," below for additional information.

Air

Future legislative and regulatory programs could significantly limit allowed GHG emissions or impose a cost or tax on GHG emissions. Additionally, rules that require further GHG reductions or impose additional requirements for natural gas facilities could impose additional costs. NiSource will carefully monitor all GHG reduction proposals and regulations.

ACE Rule. On July 8, 2019, the EPA published the final ACE rule, which establishes emission guidelines for states to use when developing plans to limit carbon dioxide at coal-fired electric generating units based on heat rate improvement measures. The coal-fired units at NIPSCO's R.M. Schahfer Generating Station and Michigan City Generating Station are potentially affected sources, and compliance requirements for these units, which NIPSCO plans to retire by the end of 2023 and 2028, respectively, will be determined by future Indiana rulemaking. The ACE rule notes that states have "broad flexibility in setting standards of performance for designated facilities" and that a state may set a "business as usual" standard for sources that have a remaining useful life "so short that imposing any costs on the electric generating unit is unreasonable." State plans are due by 2022, and the EPA will have six months to determine completeness and then one additional year to determine whether to approve the submitted plan. States have the discretion to determine the compliance period for each source. As a result, NIPSCO will continue to monitor this matter and cannot estimate its impact at this time.

Waste

CERCLA. Our subsidiaries are potentially responsible parties at waste disposal sites under the CERCLA (commonly known as Superfund) and similar state laws. Under CERCLA, each potentially responsible party can be held jointly, severally and strictly liable for the remediation costs as the EPA, or state, can allow the parties to pay for remedial action or perform remedial action themselves and request reimbursement from the potentially responsible parties. Our affiliates have retained CERCLA environmental liabilities, including remediation liabilities, associated with certain current and former operations. These liabilities are not material to the Condensed Consolidated Financial Statements (unaudited).

MGP. A program has been instituted to identify and investigate former MGP sites where Gas Distribution Operations subsidiaries or predecessors may have liability. The program has identified 63 such sites where liability is probable as of September 30, 2020. After the sale of the Massachusetts Business, the retained number of identified sites is 54. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements.

We utilize a probabilistic model to estimate our future remediation costs related to MGP sites. The model was prepared with the assistance of a third party and incorporates our experience and general industry experience with remediating MGP sites. We complete an annual refresh of the model in the second quarter of each fiscal year. No material changes to the estimated future remediation costs were noted as a result of the refresh completed as of June 30, 2020. Our total estimated liability related to the facilities subject to remediation was $88.3 million and $102.2 million at September 30, 2020 and December 31, 2019, respectively. The liability represents our best estimate of the probable cost to remediate the facilities. We believe that it is reasonably possible that remediation costs could vary by as much as $20 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date and experience with similar facilities.

CCRs. On April 17, 2015, the EPA issued a final rule for regulation of CCRs. The rule regulates CCRs under the RCRA Subtitle D, which determines them to be nonhazardous. The rule is implemented in phases and requires increased groundwater monitoring, reporting, recordkeeping and posting of related information to the Internet. The rule also establishes requirements related to CCR management and disposal. The rule allows NIPSCO to continue its byproduct beneficial use program.

To comply with the rule, NIPSCO completed capital expenditures to modify its infrastructure and manage CCRs during 2019. The CCR rule also resulted in revisions to previously recorded legal obligations associated with the retirement of certain NIPSCO facilities. The actual asset retirement costs related to the CCR rule may vary substantially from the estimates used to record the increased asset retirement obligation due to the uncertainty about the requirements that will be established by environmental authorities, compliance strategies that will be used, and the preliminary nature of available data used to estimate costs. As allowed by the rule, NIPSCO will continue to collect data over time to determine the specific compliance solutions and associated costs and, as a result, the actual costs may vary. NIPSCO has filed initial CCR closure plans for R.M. Schahfer Generating Station and Michigan City Generating Station with the Indiana Department of Environmental Management.

Water
ELG. On November 3, 2015, the EPA issued a final rule to amend the ELG and standards for the Steam Electric Power Generating category. Based upon a study performed in 2016 of the final rule, capital compliance costs were expected to be approximately $170 million. On October 13, 2020, the EPA published a final rule that revises the ELG for certain water streams and considers coal unit retirement dates. NIPSCO does not anticipate material ELG compliance costs based on the preferred option announced as part of NIPSCO's 2018 Integrated Resource Plan (discussed below).

D**. Other Matters.**

NIPSCO 2018 Integrated Resource Plan. Multiple factors, but primarily economic ones, including low natural gas prices, advancing cost effective renewable technology and increasing capital and operating costs associated with existing coal plants, have led NIPSCO to conclude in its October 2018 Integrated Resource Plan submission that NIPSCO’s current fleet of coal generation facilities will be retired earlier than previous Integrated Resource Plans had indicated.

The Integrated Resource Plan evaluated demand-side and supply-side resource alternatives to reliably and cost effectively meet NIPSCO customers' future energy requirements over the ensuing 20 years. The preferred option within the Integrated Resource Plan retires the R.M. Schahfer Generating Station by the end of 2023 and the Michigan City Generating Station by the end of 2028. These stations represent 2,080 MW of generating capacity, equal to 72% of NIPSCO’s remaining generating capacity and 100% of NIPSCO's remaining coal-fired generating capacity.

In the second quarter of 2020, the MISO approved NIPSCO's plan to retire the R.M. Schahfer Generating Station in 2023. In accordance with ASC 980-360, the net book value of certain plant and equipment for the R.M. Schahfer Generating Station was reclassified from "Net utility plant" to "Other property, at cost, less accumulated depreciation" on the Condensed Consolidated Balance Sheets (unaudited). The December 2019 NIPSCO electric rate case order included approval to create a regulatory asset upon the retirement of the R.M. Schahfer Generating Station. The order allows for the recovery of and on the net book value of the station by the end of 2032. Refer to Note 7, "Property, Plant and Equipment" for further information.

In connection with the MISO's approval of NIPSCO's planned retirement of the R.M. Schahfer Generating Station, we recorded $4.6 million of plant retirement-related charges in the second quarter of 2020. These charges were comprised of write downs of certain capital projects that have been cancelled and materials and supplies inventory balances deemed obsolete due to the planned retirement. These charges are presented within "Operation and maintenance" on the Condensed Statements of Consolidated Income (Loss). As more information becomes available, the retirement date of the R.M. Schahfer Generating Station will be finalized, and additional plant retirement-related charges may be incurred.

In connection with the planned retirement of the Schahfer Generating Station and the Michigan City Generating Station, the current capacity replacement plan includes lower-cost, reliable, cleaner energy resources to be obtained through a combination of NIPSCO ownership and PPAs. To this effect, NIPSCO has entered into a number of agreements with counterparties, as described below.

In January 2019, NIPSCO executed a 20 year PPA, referred to as the Jordan Creek PPA, to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. The facility supplying the energy will have a nameplate wind capacity of approximately 400 MW. NIPSCO submitted the Jordan Creek PPA to the IURC for approval in February 2019 and the IURC approved the Jordan Creek PPA on June 5, 2019. Payments under the Jordan Creek PPA will not begin until the associated generation facility is constructed by the owner / seller, which is currently scheduled to be complete by the end of 2020. While NIPSCO is monitoring any possible impact the COVID-19 pandemic may have on the expected completion date of this project, we do not expect delays.

Also in January 2019, NIPSCO executed a BTA, referred to as the Rosewater BTA, with a developer to construct a renewable generation facility with a nameplate wind capacity of approximately 100 MW. Ownership of the facility will be transferred to a

joint venture whose members include NIPSCO, the developer and an unrelated tax equity partner. NIPSCO and the tax equity partner are obligated to make cash contributions to the partnership at the date construction is substantially complete. The aforementioned joint venture is expected to be fully owned by NIPSCO after the wind PTCs are monetized from the project. NIPSCO's purchase requirement under the Rosewater BTA is dependent on satisfactory approval of the Rosewater BTA by the IURC, successful execution of an agreement with a tax equity partner and timely completion of construction. NIPSCO submitted the Rosewater BTA to the IURC for approval in February 2019, and the IURC approved the Rosewater BTA on August 7, 2019. The required FERC approvals for the project were received in December 2019. NIPSCO executed an equity capital contribution agreement with a tax equity partner in July 2020. Construction of the facility is scheduled to be completed by the end of 2020; however, this project could experience a construction delay due to the COVID-19 pandemic. While NIPSCO is continuing to monitor the impact the COVID-19 pandemic may have on the expected completion date of this project, we do not expect delays.

On October 1, 2019, NIPSCO announced the opening of its next round of RFP to consider potential resources to meet the future electric needs of its customers. The RFP closed on November 20, 2019, and NIPSCO continues to evaluate the results. NIPSCO is considering all sources in the RFP process and is expecting to obtain adequate resources to facilitate the retirement of the R.M. Schahfer Generation Station by the end of 2023. The planned replacement by the end of 2023 of approximately 1,400 MW from this coal-fired generation station could provide incremental capital investment opportunities for 2022 and 2023. Currently, half of the capacity in the replacement plan is targeted to be owned by joint ventures that will include NIPSCO and unrelated financial investors as the members. The remaining new capacity is expected to be primarily in the form of PPAs. NIPSCO has initiated the appropriate regulatory compliance filings related to the new capacity, starting with two solar PPAs filed with the IURC in July 2020. We expect to continue finalizing agreements with counterparties and initiating regulatory compliance filings into 2021.

In October 2019, NIPSCO executed a BTA, referred to as the Indiana Crossroads BTA, with a developer to construct an additional renewable generation facility with a nameplate wind capacity of approximately 300 MW. Ownership of the facility will be transferred to a joint venture whose members include NIPSCO, the developer and an unrelated tax equity partner. NIPSCO and the tax equity partner are obligated to make cash contributions to the partnership at the date construction is substantially complete. The aforementioned joint venture is expected to be fully owned by NIPSCO after the wind PTCs are monetized from the project. NIPSCO's purchase requirement under the Indiana Crossroads BTA is dependent on satisfactory approval of the Indiana Crossroads BTA by the IURC, successful execution of an agreement with a tax equity partner, and timely completion of construction. NIPSCO submitted the Indiana Crossroads BTA to the IURC for approval on October 22, 2019, and the IURC approved the Indiana Crossroads BTA on February 19, 2020. Required FERC filings are expected to be filed in the fourth quarter of 2020. Construction of the facility is expected to be completed by the end of 2021.

In June 2020, NIPSCO executed three additional 20 year PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. The facilities supplying the energy will have a combined nameplate solar capacity of approximately 500 MW and 30 MW storage capacity. NIPSCO's purchase requirement under the PPAs is dependent on satisfactory approval of the PPAs by the IURC. NIPSCO submitted two of the PPAs to the IURC for approval in July 2020. An IURC order is anticipated by the end of the fourth quarter of 2020. NIPSCO plans to submit the third PPA to the IURC for approval in the fourth quarter of 2020. If approved by the IURC, payments under the PPAs will not begin until the associated generation facilities are constructed by the owner / seller, which is expected to be complete by the second quarter of 2023.

In October 2020, NIPSCO executed three solar BTAs with a developer to construct additional renewable generation facilities with a nameplate solar capacity of approximately 900 MW and 135 MW of storage capacity. Ownership of the facilities will be transferred to joint ventures whose members include NIPSCO and an unrelated tax equity partner. NIPSCO and the tax equity partner are obligated to make cash contributions to the partnerships at the date construction is substantially complete. The aforementioned joint ventures are expected to be fully owned by NIPSCO after the solar ITCs are monetized from the project. NIPSCO's purchase requirement under the BTAs is dependent on satisfactory approval of the BTAs by the IURC, successful execution of an agreement with a tax equity partner, and timely completion of construction. NIPSCO plans to submit the BTAs to the IURC for approval in the fourth quarter of 2020. Construction of the facility with a nameplate capacity of 265 MW is expected to be completed by the end of 2022. Construction of the facilities with a nameplate capacity of 635 MW and 135 of storage capacity are expected to be completed by the end of 2023.

On May 1, 2020, President Donald Trump issued an executive order (the “EO”) prohibiting any transaction initiated after that day that (i) involves bulk-power system equipment designed, developed, manufactured or supplied by persons owned by, controlled by or subject to the jurisdiction or direction of a foreign adversary and (ii) poses an unacceptable risk to national

security. Implementing regulations from the U.S. Secretary of Energy are still pending. The EO also requires the U.S. Secretary of Energy to review the risk of existing bulk-power system equipment sourced from foreign adversaries and to establish a task force to review and recommend federal procurement policies and procedures consistent with the considerations identified in the EO. On July 8, 2020, the U.S. Department of Energy issued a Request for Information ("RFI"), seeking input from industry stakeholders to "understand the energy industry's current practices to identify and mitigate vulnerabilities in the supply chain" for components of bulk-power system equipment. The RFI identifies the following governments as "foreign adversaries": China, Cuba, Iran, North Korea, Russia and Venezuela. The RFI notes that the U.S. Secretary of Energy retains authority to amend this list at any time and such countries have been identified only for the purposes of the EO. In the future, certain bulk-power system equipment owned or operated by NiSource could possibly be considered to be sourced from a foreign adversary within the meaning of the EO.

Greater Lawrence Incident Restoration. In addition to the amounts estimated for third-party claims and fines, penalties and settlements associated with government investigations described above, since the Greater Lawrence Incident, we have recorded expenses of approximately $441 million for other incident-related costs. We estimate that total other incident-related costs will range from $445 million and $455 million, depending on the incurrence of costs associated with resolving outstanding third-party claims discussed above in " - B. Legal Proceedings." Such costs include certain consulting costs, legal costs, vendor costs, claims center costs, labor and related expenses incurred in connection with the incident, and insurance-related loss surcharges. The amounts set forth above do not include the capital cost of the pipeline replacement, which is set forth below.

As discussed in "- B. Legal Proceedings," the aggregate amount of third-party liability insurance coverage available for losses arising from the Greater Lawrence Incident is $800 million. We have collected the entire $800 million. Expenses related to the incident have exceeded the total amount of insurance coverage available under our policies.

The following table summarizes expenses incurred and insurance recoveries recorded since the Greater Lawrence Incident. This activity is presented within "Operation and maintenance" and "Other, net' in our Condensed Statements of Consolidated Income (Loss) (unaudited).

(in millions)	Total Costs Incurred through December 31, 2019	**Costs Incurred during the Three Months Ended September 30, 2020**	**Costs Incurred during the Nine Months Ended September 30, 2020**	Incident to Date
Third-party claims	$ 1,041	**$ (3)**	**$ (5)**	$ 1,036
Other incident-related costs	420	**5**	**21**	441
Total	1,461	**2**	**16**	1,477
Insurance recoveries recorded	(800)	**—**	**—**	(800)
Total costs incurred	$ 661	**$ 2**	**$ 16**	$ 677

Greater Lawrence Pipeline Replacement. In connection with the Greater Lawrence Incident, Columbia of Massachusetts, in cooperation with the Massachusetts Governor's office, replaced the entire affected 45-mile cast iron and bare steel pipeline system that delivers gas to approximately 7,500 gas meters, the majority of which serve residences and approximately 700 of which serve businesses impacted in the Greater Lawrence Incident. This system was replaced with plastic distribution mains and service lines, as well as enhanced safety features such as pressure regulation and excess flow valves at each premise.

We have invested approximately $258 million of capital spend for the pipeline replacement; this work was completed in 2019. We maintain property insurance for gas pipelines and other applicable property. Columbia of Massachusetts has filed a proof of loss with its property insurer for the pipeline replacement. In January 2020, we filed a lawsuit against the property insurer, seeking payment of our property claim. We are currently unable to predict the timing or amount of any insurance recovery under the property policy. This pipeline replacement cost is part of the Massachusetts Business that was classified as held for sale at September 30, 2020. The assets and liabilities of the Massachusetts Business have been recorded at fair value, less costs to sell, which has resulted in a loss being recorded as of September 30, 2020. The sale of the Massachusetts Business was completed on October 9, 2020. See Note 6, "Assets and Liabilities Held for Sale," for additional information.

State Income Taxes Related to Greater Lawrence Incident Expenses. As of December 31, 2018, expenses related to the Greater Lawrence Incident were $1,023 million. In the fourth quarter of 2019, we filed an application for Alternative Apportionment with the MA DOR to request an allocable approach to these expenses for purposes of Massachusetts state

income taxes, which, if approved, would result in a state deferred tax asset of approximately $50 million, net. The MA DOR issued a denial during the first quarter of 2020. We filed an application for abatement in the second quarter of 2020 and believe it is reasonably possible that the application will be accepted or an alternative method will be proposed by the MA DOR within the next three to six months.

Voluntary Separation Program. On August 5, 2020, we commenced a voluntary separation program for certain employees. Expense for the voluntary separation program will be recognized in the period when the employee accepts the offer, absent a retention period. For employees that have a retention period, expense will be recognized over the remaining service period. Employee acceptance under the voluntary separation program is determined by management based on facts and circumstances of the benefits being offered. The total severance expense for employees who were accepted under the voluntary separation program offered in August 2020 is approximately $38 million, which will be recognized over the remaining service period of the applicable employees. For the three and nine months ended September 30, 2020, we recognized $23.4 million in severance expense related to the program, all of which was outstanding at September 30, 2020. This activity is presented within "Operation and maintenance" in our Condensed Statements of Consolidated Income (Loss) (unaudited) and within "Accrued compensation and employee benefits" in our Condensed Consolidated Balance Sheets (unaudited).

Transition Services Agreement. In connection with the sale of the Massachusetts Business, NiSource and Eversource entered into a Transition Services Agreement (TSA). Under the TSA, NiSource will provide Eversource certain finance and accounting, gas operations, customer, human resources, information technology and other specific services, The duration of the TSA varies by service, generally lasting 12 to 24 months from the date of the sale. As the TSA commenced on October 9, 2020, we did not record any revenue for the TSA for the three and nine months ended September 30, 2020.

19. Accumulated Other Comprehensive Loss

The following tables display the components of Accumulated Other Comprehensive Loss:

Three Months Ended September 30, 2020 *(in millions)*	Gains and Losses on Securities[1]	Gains and Losses on Cash Flow Hedges[1]	Pension and OPEB Items[1]	Accumulated Other Comprehensive Loss[1]
Balance as of July 1, 2020	$ 3.6	$ (207.8)	$ (17.7)	$ (221.9)
Other comprehensive income before reclassifications	1.2	26.0	1.0	28.2
Amounts reclassified from accumulated other comprehensive income (loss)	0.2	—	(0.1)	0.1
Net current-period other comprehensive income	1.4	26.0	0.9	28.3
Balance as of September 30, 2020	**$ 5.0**	**$ (181.8)**	**$ (16.8)**	**$ (193.6)**

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

Nine Months Ended September 30, 2020 *(in millions)*	Gains and Losses on Securities[1]	Gains and Losses on Cash Flow Hedges[1]	Pension and OPEB Items[1]	Accumulated Other Comprehensive Loss[1]
Balance as of January 1, 2020	$ 3.3	$ (77.2)	$ (18.7)	$ (92.6)
Other comprehensive income (loss) before reclassifications	2.0	(104.6)	1.4	(101.2)
Amounts reclassified from accumulated other comprehensive income (loss)	(0.3)	—	0.5	0.2
Net current-period other comprehensive income (loss)	1.7	(104.6)	1.9	(101.0)
Balance as of September 30, 2020	**$ 5.0**	**$ (181.8)**	**$ (16.8)**	**$ (193.6)**

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

Three Months Ended September 30, 2019 *(in millions)*	Gains and Losses on Securities[1]	Gains and Losses on Cash Flow Hedges[1]	Pension and OPEB Items[1]	Accumulated Other Comprehensive Loss[1]
Balance as of July 1, 2019	$ 2.5	$ (62.8)	$ (20.5)	$ (80.8)
Other comprehensive income (loss) before reclassifications	0.9	(50.7)	0.2	(49.6)
Amounts reclassified from accumulated other comprehensive income (loss)	(0.2)	0.1	0.2	0.1
Net current-period other comprehensive income (loss)	0.7	(50.6)	0.4	(49.5)
Balance as of September 30, 2019	$ 3.2	$ (113.4)	$ (20.1)	$ (130.3)

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

Nine Months Ended September 30, 2019 *(in millions)*	Gains and Losses on Securities[1]	Gains and Losses on Cash Flow Hedges[1]	Pension and OPEB Items[1]	Accumulated Other Comprehensive Loss[1]
Balance as of January 1, 2019	$ (2.4)	$ (13.0)	$ (21.8)	$ (37.2)
Other comprehensive income (loss) before reclassifications	5.9	(100.5)	0.7	(93.9)
Amounts reclassified from accumulated other comprehensive income (loss)	(0.3)	0.1	1.0	0.8
Net current-period other comprehensive income (loss)	5.6	(100.4)	1.7	(93.1)
Balance as of September 30, 2019	$ 3.2	$ (113.4)	$ (20.1)	$ (130.3)

[1]All amounts are net of tax. Amounts in parentheses indicate debits.

20. Other, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2020**	2019	**2020**	2019
Interest income	**$ 1.3**	$ 2.1	**$ 4.4**	$ 5.4
AFUDC equity	**1.8**	2.9	**4.9**	7.1
Charitable contributions	**(0.3)**	(1.1)	**(0.9)**	(4.0)
Pension and other postretirement non-service cost	**0.6**	(2.8)	**6.4**	(8.7)
Sale of emission reduction credits	**4.6**	—	**4.6**	—
Miscellaneous	**—**	0.2	**0.5**	0.5
Total Other, net	**$ 8.0**	$ 1.3	**$ 19.9**	$ 0.3

21. Business Segment Information

At September 30, 2020, our operations are divided into two primary reportable segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The sale of the Massachusetts Business was completed on October 9, 2020. Refer to Note 6, "Assets and Liabilities Held for Sale," for further details. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

The following table provides information about our business segments. We use operating income as our primary measurement for each of the reported segments and make decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market, regulated prices or at levels provided for under contractual agreements. Operating income is derived from revenues and expenses directly associated with each segment.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2020**	2019	**2020**	2019
Operating Revenues				
Gas Distribution Operations				
Unaffiliated	**$ 470.1**	$ 463.6	**$ 2,304.4**	$ 2,506.2
Intersegment	**3.0**	3.3	**9.0**	9.9
Total	**473.1**	466.9	**2,313.4**	2,516.1
Electric Operations				
Unaffiliated	**432.2**	467.7	**1,165.7**	1,304.9
Intersegment	**0.1**	0.2	**0.5**	0.6
Total	**432.3**	467.9	**1,166.2**	1,305.5
Corporate and Other				
Unaffiliated	**0.2**	0.2	**0.6**	0.6
Intersegment	**120.5**	116.9	**327.9**	342.2
Total	**120.7**	117.1	**328.5**	342.8
Eliminations	**(123.6)**	(120.4)	**(337.4)**	(352.7)
Consolidated Operating Revenues	**$ 902.5**	$ 931.5	**$ 3,470.7**	$ 3,811.7
Operating Income (Loss)				
Gas Distribution Operations	**$ (42.2)**	$ (48.6)	**$ 38.0**	$ 605.8
Electric Operations	**130.0**	140.7	**295.4**	321.4
Corporate and Other	**5.0**	(1.1)	**(0.7)**	1.5
Consolidated Operating Income	**$ 92.8**	$ 91.0	**$ 332.7**	$ 928.7

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NiSource Inc.

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EXECUTIVE SUMMARY

This Management's Discussion and Analysis of Financial Condition and Results of Operations (Management's Discussion) analyzes our financial condition, results of operations and cash flows and those of our subsidiaries. It also includes management's analysis of past financial results and certain potential factors that may affect future results, potential future risks and approaches that may be used to manage those risks. See "Note regarding forward-looking statements" at the beginning of this report for a list of factors that may cause results to differ materially.

Management's Discussion is designed to provide an understanding of our operations and financial performance and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

We are an energy holding company under the Public Utility Holding Company Act of 2005 whose subsidiaries are fully regulated natural gas and electric utility companies serving customers in six states, following the sale of our Massachusetts Business, which closed on October 9, 2020. See "Columbia of Massachusetts Asset Sale" below for additional information. We generate substantially all of our operating income through these rate-regulated businesses, which are summarized for financial reporting purposes into two primary reportable segments: Gas Distribution Operations and Electric Operations.

Refer to the "Business" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 for further discussion of our regulated utility business segments.

Our goal is to develop strategies that benefit all stakeholders as we address changing customer conservation patterns, develop more contemporary pricing structures and embark on long-term investment programs. These strategies are intended to improve reliability and safety, enhance customer service and reduce emissions while generating sustainable returns. Additionally, we continue to pursue regulatory and legislative initiatives that will allow residential customers not currently on our system to obtain gas service in a cost effective manner.

Columbia of Massachusetts Asset Sale: On February 26, 2020, NiSource and Columbia of Massachusetts entered into an Asset Purchase Agreement with Eversource (the "Asset Purchase Agreement"). Upon the terms and subject to the conditions set forth in the Asset Purchase Agreement, we sold the Massachusetts Business to Eversource for net proceeds of $1,112.6 million in cash, subject to adjustment for the final working capital amount. The sale was approved by the Massachusetts DPU on October 7, 2020, and closed on October 9, 2020. As a result of the sale, we have transitioned to executing the TSA with Eversource. For additional information, see Note 6, "Assets and Liabilities Held for Sale," and Note 18-D, "Other Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited).

Your Energy, Your Future: Our plan to replace 80% of our coal generation capacity by the end of 2023 and all of our coal generation by the end of 2028 with primarily renewable resources is well underway. In October 2020, we executed three BTAs for 900 MW solar nameplate capacity and 135 MW of storage capacity. The three projects were selected following a comprehensive review of bids submitted through the RFP process that NIPSCO underwent in late 2019. The projects complement previously executed BTAs and PPAs with a combined nameplate capacity of 400 MW and 1,300 MW, respectively. For additional information, see Note 18-D, "Other Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited).

NiSource Next: We have launched a comprehensive, multi-year program designed to deliver long-term safety, sustainable capability enhancements and cost optimization improvements. This program will advance the high priority we place on safety and risk mitigation, further enable our safety management system ("SMS"), and enhance the customer experience. NiSource Next is designed to leverage our current scale, utilize technology, define clear roles and accountability with our leaders and employees, and standardize our processes to focus on operational rigor, quality management and continuous improvement. An initial step in this program is the voluntary separation program that was announced in August 2020. Total severance expense for employees who were accepted under the voluntary separation program offered in August 2020 is approximately $38.0 million. The majority of these separation costs will be expensed in 2020. For additional information, see Note 18-D, "Other Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited). One of the expected benefits of the NiSource Next initiative, along with the sale of the Massachusetts Business, is a projected reduction in ongoing operation and maintenance costs by approximately 8% in 2021 compared to 2020.

COVID-19: The safety of our employees and customers, while providing essential services during the COVID-19 pandemic, is paramount. Since March 2020, we have taken a proactive, coordinated approach intended to prevent, mitigate and respond to

COVID-19 by utilizing our Incident Command System (ICS). The ICS includes members of our executive council, a medical review professional, and members of functional teams from across our company. The ICS monitors state-by-state conditions and determines steps to conduct our operations safely for employees and customers.

We have implemented procedures designed to protect our employees who work in the field and who continue to work in operational and corporate facilities, including social distancing, wearing face coverings, temperature checks and more frequent cleaning of equipment and facilities. We have also implemented work-from-home policies. We have minimized non-essential work that requires an employee to enter a customer premise and limited company vehicle occupancy to one person, where possible. We continue to employ physical and cyber-security measures to ensure that our operational and support systems remain functional. Our actions to date have mitigated the impact of COVID-19 on our employees. We have had a limited amount of known COVID-19 cases within our company. We will continue to follow CDC guidance and implement safety measures intended to ensure employee and customer safety during this pandemic.

Since the beginning of the COVID-19 pandemic, we have been helping our customers navigate this challenging time. We suspended disconnections soon after this outbreak began. While the suspension of disconnections has been lifted in some states, suspensions are likely to continue in other states through the end of the year. In all states, we plan to continue our payment assistance programs to help customers deal with the impact of COVID-19. Additionally, we continue to have dialogue with the state regulatory commissions for each of our operating companies regarding COVID-19. Regulatory deferrals have been allowed by the state regulatory commissions in all states in which we operate. For information on the state specific suspension of disconnections and COVID-19 regulatory filings, see Note 9, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited). The CARES Act was enacted on March 27, 2020 and provides monetary-relief and financial aid to individuals, business, nonprofits, states and municipalities. We are continuing to promote multiple resources available to customers including benefits from the CARES Act, such as additional funding for both the Low-Income Home Energy Assistance Program and the Community Services Block Grant to help support income-qualified customers. We are sharing energy efficiency tips to help customers save energy at home and promoting our budget plan program, which allows customers to pay about the same amount each month.

While we have experienced lower revenue, higher expenses for personal protective equipment and supplies, and higher bad debt expense, COVID-19 has not materially impacted our results of operation as of September 30, 2020. Refer to "Results and Discussion of Segment Operation" in this Management's Discussion for additional segment specific information. We did experience lower cash flows from operations for the nine months ended September 30, 2020 in comparison to the same period in 2019 due, in part, to slower collections of customer accounts receivable; however, we believe we have sufficient liquidity as a result of the issuance of $1.0 billion notes in April 2020, the remaining cash proceeds received from the sale of the Massachusetts Business in October 2020, the available capacity under our short-term revolving credit facility and accounts receivable securitization facilities, and our anticipated ability to access capital markets. Additionally, we have reduced our expected 2020 capital investments by $145 million. We do not anticipate any other material changes to our capital construction programs or our renewable generation projects. While we have not experienced any significant issues in our supply chain, we are actively managing the materials, supplies, and contract services for our generation, transmission, distribution, and customer services functions.

Our future operating results and liquidity may be impacted by COVID-19, but the extent of the impact is uncertain as we approach the winter months and experience fluctuations in the number of confirmed COVID-19 cases. Such ongoing impact of COVID-19 includes, but is not limited to:

- Lower revenue and cash flow during the fourth quarter of 2020, in comparison to the fourth quarter of 2019, resulting from the decrease in commercial and industrial gas and electric demand as businesses comply with re-opening plans in each state and as businesses experience negative economic impact from COVID-19, potentially offset by higher residential demand.
- Lower revenue and cash flow during the fourth quarter of 2020, in comparison to the fourth quarter of 2019, due to the continuing suspension of late payment and reconnection fees in some jurisdictions.
- A decline in revenue in 2021 due to an increase in customer attrition rates, as well as lower revenue growth if customer additions slow due to a prolonged economic downturn.
- A continued increase in bad debt and decrease in cash flows in the fourth quarter of 2020 and into 2021 resulting from the suspension of shut-offs and the inability of our customers to pay for their gas and electric service due to job loss or other factors, partially offset by regulatory deferral.
- A continued delay in cash flows in 2020 as customers utilized the more flexible payment plans.

- An increase in internal labor costs from higher overtime in the fourth quarter of 2020.
- The impact of the employer payroll tax credit and payroll tax payment deferral under the CARES Act. We believe the deferral of payroll tax payments could provide a cash flow benefit in 2020 by delaying about $30.0 million of payroll tax payments. The IRS continues to provide additional guidance related to the employer tax credit. We do not expect the impact of employer payroll tax credits to be material.

Greater Lawrence Incident: For the three and nine months ended September 30, 2020, we have incurred $2.0 million and $16.0 million of third-party claims and other incident-related costs associated with the Greater Lawrence Incident, respectively. For additional information, see Note 18-B and D, "Legal Proceedings" and "Other Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited).

We have invested approximately $258 million of capital spend for the pipeline replacement; this work was completed in 2019. We maintain property insurance for gas pipelines and other applicable property. Columbia of Massachusetts has filed a proof of loss with its property insurer for the pipeline replacement. In January 2020, we filed a lawsuit against the property insurer, seeking payment of our property claim. We are currently unable to predict the timing or amount of any insurance recovery under the property policy. This pipeline replacement cost is part of the Massachusetts Business that is classified as held for sale at September 30, 2020. The assets and liabilities of the Massachusetts Business have been recorded at fair value, less costs to sell, which has resulted in a loss being recorded as of September 30, 2020. The sale of the Massachusetts Business was completed on October 9, 2020. See Note 6, "Assets and Liabilities Held for Sale," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information.

Refer to Note 18-B and D, "Legal Proceedings" and "Other Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited), "Summary of Consolidated Financial Results," and "Results and Discussion of Segment Operation - Gas Distribution Operations," in this Management's Discussion for additional information related to the Greater Lawrence Incident.

Summary of Consolidated Financial Results

A summary of our consolidated financial results for the three and nine months ended September 30, 2020 and 2019 are presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions, except per share amounts)	**2020**	2019	2020 vs. 2019	**2020**	2019	2020 vs. 2019
Operating Revenues	**$ 902.5**	$ 931.5	$ (29.0)	**$ 3,470.7**	$ 3,811.7	$ (341.0)
Operating Expenses						
Cost of sales (excluding depreciation and amortization)	**143.1**	196.7	(53.6)	**793.9**	1,130.5	(336.6)
Other Operating Expenses	**666.6**	643.8	22.8	**2,344.1**	1,752.5	591.6
Total Operating Expenses	**809.7**	840.5	(30.8)	**3,138.0**	2,883.0	255.0
Operating Income	**92.8**	91.0	1.8	**332.7**	928.7	(596.0)
Total Other Deductions, net	**(330.6)**	(94.6)	(236.0)	**(508.6)**	(285.3)	(223.3)
Income Taxes	**(64.9)**	(10.2)	(54.7)	**(73.9)**	121.0	(194.9)
Net Income (Loss)	**(172.9)**	6.6	(179.5)	**(102.0)**	522.4	(624.4)
Preferred dividends	**(13.8)**	(13.8)	—	**(41.4)**	(41.4)	—
Net Income (Loss) Available to Common Shareholders	**(186.7)**	(7.2)	(179.5)	**(143.4)**	481.0	(624.4)
Basic Earnings (Loss) Per Share	**$ (0.49)**	$ (0.02)	$ (0.47)	**$ (0.37)**	$ 1.29	$ (1.66)
Basic Average Common Shares Outstanding	**383.8**	374.1	9.7	**383.5**	373.8	9.7

Our operations are affected by the cost of sales. Cost of sales (excluding depreciation and amortization) for the Gas Distribution Operations segment is principally comprised of the cost of natural gas used while providing transportation and distribution services to customers. Cost of sales (excluding depreciation and amortization) for the Electric Operations segment is comprised of the cost of coal, related handling costs, natural gas purchased for the internal generation of electricity at NIPSCO and the cost of power purchased from third-party generators of electricity. The majority of the cost of sales (excluding depreciation and amortization) are tracked costs that are passed through directly to the customer, resulting in an equal and offsetting amount reflected in operating revenues.

On a consolidated basis, we reported a net loss available to common shareholders of $186.7 million, or $0.49 per basic share for the three months ended September 30, 2020, compared to a net loss available to common shareholders of $7.2 million, or $0.02 per basic share for the same period in 2019. The increase in loss was primarily due to a loss on early extinguishment of debt in 2020. This was partially offset by higher income tax benefit in the third quarter of 2020 (see "Income Taxes" below).

For the nine months ended September 30, 2020, we reported a net loss available to common shareholders of $143.4 million, or $0.37 per basic share compared to net income available to common shareholders of $481.0 million, or $1.29 per basic share for the same period in 2019. The drivers for this decrease were consistent with that of the quarter-to-date period, with the addition of higher operating expenses due to insurance recoveries recorded in 2019, net of third-party claims and other costs, related to the Greater Lawrence Incident and a loss recorded for the classification as held for sale of the Massachusetts Business during 2020 (see Note 6, "Assets and Liabilities Held for Sale," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for additional information).

Operating Income

For the three months ended September 30, 2020, we reported operating income of $92.8 million compared to operating income of $91.0 million for the same period in 2019.

For the nine months ended September 30, 2020, we reported operating income of $332.7 million compared to operating income of $928.7 million for the same period in 2019. The decrease in operating income was primarily due to the loss recorded for the classification as held for sale of the Massachusetts Business (see Note 6, "Assets and Liabilities Held for Sale," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for additional information) and higher operating expenses due to insurance recoveries recorded in 2019, net of third-party claims and other costs, related to the Greater Lawrence Incident. In addition, COVID-19 impacted our results of operation as we have experienced a decrease in the commercial and industrial demand for gas and electric and incremental COVID-19 related expenses. We also experienced an increase in severance and outside services expenses related to the NiSource Next initiative. These expense increases were partially offset by new rates from regulatory proceedings, as well as an increase in the residential demand for electric primarily due to COVID-19.

Other Deductions, net

Other deductions, net reduced income by $330.6 million in the third quarter of 2020 compared to a reduction in income of $94.6 million in the prior year. This increase was primarily driven by a loss on early extinguishment of debt in 2020, partially offset by income from the sale of emission reduction credits in 2020. See Note 16, "Long-Term Debt," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for additional information on the loss on early extinguishment of debt.

Other deductions, net reduced income by $508.6 million during the nine months ended September 30, 2020 compared to a reduction in income of $285.3 million in the prior year. The drivers for this change were consistent with that of the quarter-to-date period, partially offset by lower non-service pension costs driven by a decrease in the pension benefit obligations.

Income Taxes

For the three months ended September 30, 2020, the increase in income tax benefit from 2019 to 2020 is primarily attributable to the increased loss before income taxes in the third quarter of 2020, as well as a lower effective tax rate in 2020 due to the relative impact of permanent differences on lower pre-tax loss in 2019 compared to 2020.

For the nine months ended September 30, 2020, the change from an income tax expense to an income tax benefit from 2019 to 2020 is primarily attributable to the change from income before income taxes in 2019 to loss before income taxes in 2020, offset by a higher effective tax rate in 2020 due to increased amortization of excess deferred federal income tax liabilities, as specified in the TCJA in 2020 compared to 2019.

Refer to Note 14, "Income Taxes," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on income taxes and the change in the effective tax rate.

Capital Investment

For the nine months ended September 30, 2020, we invested $1,292.2 million in capital expenditures across our gas and electric utilities. These expenditures were primarily aimed at furthering the safety and reliability of our gas distribution system, system modernization projects and maintaining our existing electric generation fleet.

We continue to execute on an estimated $40 billion in total projected long-term regulated utility infrastructure investments and expect to invest a total of approximately $1.7 to $1.8 billion in capital during 2020 as we continue to focus on growth, safety and modernization projects across our operating area.

Liquidity

A primary focus of ours is to ensure the availability of adequate financing to fund our ongoing safety and infrastructure investment programs, which typically involves the issuance of debt and/or equity. During 2020, we took certain actions to enhance our liquidity. In April 2020, we terminated and repaid in full our existing $850.0 million term loan agreement and entered into a new $850.0 million term loan agreement. On October 14, 2020, this term loan was repaid in full with proceeds from the sale of the Massachusetts Business. Also, in April 2020, we completed the issuance and sale of $1.0 billion of senior unsecured notes resulting in approximately $987.8 million of net proceeds.

Through income generated from operating activities, amounts available under our short-term revolving credit facility, commercial paper program, accounts receivable securitization facilities, long-term debt agreements, remaining cash proceeds received from the sale of the Massachusetts Business in October 2020, and our ability to access the capital markets, we expect to have adequate capital available to fund our operating activities, capital expenditures, and the effects of COVID-19 through 2020 and beyond. As of September 30, 2020 and December 31, 2019, we had $1,591.4 million and $1,409.1 million, respectively, of net liquidity available, consisting of cash and available capacity under credit facilities. These factors and other impacts to the financial results are discussed in more detail within the following discussions of "Results and Discussion of Segment Operations" and "Liquidity and Capital Resources."

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

Our operations are divided into two primary reportable segments: Gas Distribution Operations and Electric Operations.

NiSource Inc.
Gas Distribution Operations

Financial and operational data for the Gas Distribution Operations segment for the three and nine months ended September 30, 2020 and 2019 are presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2020**	2019	2020 vs. 2019	**2020**	2019	2020 vs. 2019
Operating Revenues	**$ 473.1**	$ 466.9	$ 6.2	**$ 2,313.3**	$ 2,516.1	$ (202.8)
Operating Expenses						
Cost of sales (excluding depreciation and amortization)	**63.0**	73.0	(10.0)	**559.6**	759.8	(200.2)
Operation and maintenance	**275.2**	289.9	(14.7)	**868.4**	680.9	187.5
Depreciation and amortization	**88.4**	102.6	(14.2)	**271.7**	299.4	(27.7)
Loss on classification as held for sale	**35.6**	—	35.6	**400.2**	—	400.2
Gain on sale of assets	**—**	—	—	**—**	(0.1)	0.1
Other taxes	**53.1**	50.0	3.1	**175.4**	170.3	5.1
Total Operating Expenses	**515.3**	515.5	(0.2)	**2,275.3**	1,910.3	365.0
Operating Income (Loss)	**$ (42.2)**	$ (48.6)	$ 6.4	**$ 38.0**	$ 605.8	$ (567.8)
Revenues						
Residential	**$ 310.1**	$ 289.7	$ 20.4	**$ 1,544.0**	$ 1,645.3	$ (101.3)
Commercial	**93.2**	91.6	1.6	**491.3**	545.9	(54.6)
Industrial	**42.9**	45.5	(2.6)	**166.2**	181.5	(15.3)
Off-System	**6.0**	16.9	(10.9)	**32.7**	60.4	(27.7)
Other	**20.9**	23.2	(2.3)	**79.1**	83.0	(3.9)
Total	**$ 473.1**	$ 466.9	$ 6.2	**$ 2,313.3**	$ 2,516.1	$ (202.8)
Sales and Transportation (MMDth)						
Residential	**15.5**	13.6	1.9	**173.8**	186.5	(12.7)
Commercial	**17.7**	17.4	0.3	**119.8**	131.8	(12.0)
Industrial	**131.9**	133.0	(1.1)	**402.9**	406.5	(3.6)
Off-System	**3.7**	8.5	(4.8)	**19.0**	24.6	(5.6)
Other	**0.1**	—	0.1	**0.3**	0.3	—
Total	**168.9**	172.5	(3.6)	**715.8**	749.7	(33.9)
Heating Degree Days	**91**	13	78	**3,259**	3,409	(150)
Normal Heating Degree Days	**71**	71	—	**3,531**	3,498	33
% Colder (Warmer) than Normal	**28 %**	(82)%		**(8)%**	(3)%	
Gas Distribution Customers						
Residential				**3,232,785**	3,167,742	65,043
Commercial				**281,316**	277,701	3,615
Industrial				**5,967**	5,974	(7)
Other				**3**	3	—
Total				**3,520,071**	3,451,420	68,651

Cost of sales (excluding depreciation and amortization) for the Gas Distribution Operations segment is principally comprised of the cost of natural gas used while providing transportation and distribution services to customers. The cost of sales (excluding depreciation and amortization) are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in operating revenue. In addition, comparability of operation and maintenance expenses, depreciation and amortization, and other taxes may be impacted by regulatory, depreciation and tax trackers that allow for the recovery in rates of certain costs. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

Three Months Ended September 30, 2020 vs. September 30, 2019 Operating Income

For the three months ended September 30, 2020, Gas Distribution Operations reported an operating loss of $42.2 million, a decrease of $6.4 million from the comparable 2019 period.

Operating revenues for the three months ended September 30, 2020 were $473.1 million, an increase of $6.2 million from the same period in 2019. The change in operating revenues was primarily driven by:

- New rates from infrastructure replacement programs and Columbia of Ohio's CEP of $16.7 million.
- The effects of customer growth of $5.3 million.

Partially offset by:

- Lower cost of sales (excluding depreciation and amortization) billed to customers, which is offset in operating expense, of $10.0 million.
- The effects of decreased commercial and industrial usage primarily related to COVID-19 of $2.6 million.
- The effects of decreased late payment and reconnection fees primarily related to COVID-19 of $1.2 million.

Operating expenses were $0.2 million lower for the three months ended September 30, 2020 compared to the same period in 2019. This change was primarily driven by:

- Lower third-party claims and other costs related to the Greater Lawrence Incident of $18.9 million.
- Lower employee and administrative expenses of $16.1 million.
- Lower depreciation and amortization of $14.1 million due to a $15.0 million decrease in depreciation and amortization as a result of classifying the Massachusetts Business as held for sale, offset by a $0.9 million increase in depreciation and amortization primarily due to higher capital expenditures placed in service.
- Lower cost of sales (excluding depreciation and amortization) billed to customers, which is offset in operating revenue, of $10.0 million.
- Lower outside service costs of $5.1 million primarily related to decreased consulting costs in 2020.

Partially offset by:

- Loss on classification as held for sale related to the Massachusetts Business of $35.6 million.
- Severance and outside services expenses related to the NiSource Next initiative of $18.8 million.
- Third-party consulting costs incurred for the separation and transition of the Massachusetts Business to Eversource of $11.0 million.

Nine Months Ended September 30, 2020 vs. September 30, 2019 Operating Income

For the nine months ended September 30, 2020, Gas Distribution Operations reported operating income of $38.0 million, a decrease of $567.8 million from the comparable 2019 period.

Operating revenues for the nine months ended September 30, 2020 were $2,313.3 million, a decrease of $202.8 million from the same period in 2019. The change in operating revenues was primarily driven by:

- Lower cost of sales (excluding depreciation and amortization) billed to customers, which is offset in operating expense, of $200.2 million.
- Lower revenues from the effects of warmer weather in 2020 of $29.4 million.
- Lower regulatory, tax and depreciation trackers, which are offset in operating expense, of $10.9 million.
- The effects of decreased commercial and industrial usage primarily related to COVID-19 of $7.0 million.
- The effects of decreased late payment and reconnection fees primarily related to COVID-19 of $4.3 million.

Partially Offset by:

- New rates from base rate proceedings, infrastructure replacement programs and Columbia of Ohio's CEP of $42.5 million.
- The effects of customer growth of $14.7 million.

NiSource Inc.
Gas Distribution Operations

Operating expenses were $365.0 million higher for the nine months ended September 30, 2020 compared to the same period in 2019. This change was primarily driven by:

- Loss on classification as held for sale related to the Massachusetts Business of $400.2 million.
- Insurance recoveries recorded in 2019, net of third-party claims and other costs, related to the Greater Lawrence Incident of $190.8 million.
- Severance and outside services expenses related to the NiSource Next initiative of $18.8 million.
- Third-party consulting costs incurred for the separation and transition of the Massachusetts Business to Eversource of $16.2 million.
- Increased property taxes of $7.8 million due to higher capital expenditures placed in service.
- Increased bad debt expense primarily related to COVID-19 of $6.7 million.
- Increased expenses primarily due to the impact of COVID-19 related materials & supplies, outside services, and sequestration expenses of $5.6 million.

Partially offset by:

- Lower cost of sales (excluding depreciation and amortization) billed to customers, which is offset in operating revenue, of $200.2 million.
- Lower depreciation and amortization of $27.4 million due to a $35.0 million decrease in depreciation and amortization as a result of classifying the Massachusetts Business as held for sale, offset by a $7.6 million increase in depreciation and amortization primarily due to higher capital expenditures placed in service.
- Lower employee and administrative expenses of $26.0 million.
- Lower regulatory, tax and depreciation trackers, which are offset in operating revenue, of $10.9 million.
- Lower outside service costs of $10.9 million primarily related to decreased consulting costs in 2020.

Weather

In general, we calculate the weather-related revenue variance based on changing customer demand driven by weather variance from normal heating degree days. Our composite heating degree days reported do not directly correlate to the weather-related dollar impact on the results of Gas Distribution Operations. Heating degree days experienced during different times of the year or in different operating locations may have more or less impact on volume and dollars depending on when and where they occur. When the detailed results are combined for reporting, there may be weather-related dollar impacts on operations when there is not an apparent or significant change in our aggregated composite heating degree day comparison.

Weather in the Gas Distribution Operations service territories for the third quarter of 2020 was about 28% colder than normal and about 600% colder than 2019, leading to increased operating revenues of $2.3 million for the quarter ended September 30, 2020 compared to the same period in 2019.

Weather in the Gas Distribution Operations service territories for the nine months ended September 30, 2020 was about 8% warmer than normal and about 4% warmer than 2019, leading to decreased operating revenues of $29.4 million for the nine months ended September 30, 2020 compared to the same period in 2019.

Throughput

Total volumes sold and transported for the three months ended September 30, 2020 were 168.9 MMDth, compared to 172.5 MMDth for the same period in 2019. This decrease is due to decreased usage by industrial customers primarily due to COVID-19.

Total volumes sold and transported for the nine months ended September 30, 2020 were 715.8 MMDth, compared to 749.7 MMDth for the same period in 2019. This decrease is primarily attributable to warmer weather in 2020 compared to 2019 and decreased usage by commercial and industrial customers primarily due to COVID-19.

Economic Conditions

All of our Gas Distribution Operations companies have state-approved recovery mechanisms that provide a means for full recovery of prudently incurred gas costs. Gas costs are treated as pass-through costs and have no impact on operating income recorded in the period. The gas costs included in revenues are matched with the gas cost expense recorded in the period and the

difference is recorded on the Condensed Consolidated Balance Sheets (unaudited) as under-recovered or over-recovered gas cost to be included in future customer billings.

Certain Gas Distribution Operations companies continue to offer choice opportunities, where customers can choose to purchase gas from a third-party supplier, through regulatory initiatives in their respective jurisdictions. These programs serve to further reduce our exposure to gas prices.

Greater Lawrence Incident
Refer to Note 18-B, "Legal Proceedings," and D. "Other Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) and "Executive Summary."

Columbia of Massachusetts Asset Sale
On February 26, 2020, we entered into an Asset Purchase Agreement with Eversource that provided for the sale of the Massachusetts Business to Eversource subject to terms and conditions set forth in the agreement. The sale of the Massachusetts Business was completed on October 9, 2020. For additional information, see Note 6, "Assets and Liabilities Held for Sale," in the Notes to Condensed Consolidated Financial Statements (unaudited).

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NiSource Inc.
Electric Operations

Financial and operational data for the Electric Operations segment for the three and nine months ended September 30, 2020 and 2019 are presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2020**	2019	2020 vs. 2019	**2020**	2019	2020 vs. 2019
Operating Revenues	**$ 432.3**	$ 467.9	$ (35.6)	**$ 1,166.2**	$ 1,305.5	$ (139.3)
Operating Expenses						
Cost of sales (excluding depreciation and amortization)	**80.1**	123.7	(43.6)	**234.3**	370.7	(136.4)
Operation and maintenance	**126.9**	118.4	8.5	**355.8**	363.9	(8.1)
Depreciation and amortization	**80.8**	70.4	10.4	**240.3**	207.8	32.5
Other taxes	**14.5**	14.7	(0.2)	**40.4**	41.7	(1.3)
Total Operating Expenses	**302.3**	327.2	(24.9)	**870.8**	984.1	(113.3)
Operating Income	**$ 130.0**	$ 140.7	$ (10.7)	**$ 295.4**	$ 321.4	$ (26.0)
Revenues						
Residential	**$ 168.3**	$ 148.7	$ 19.6	**$ 411.5**	$ 373.4	$ 38.1
Commercial	**135.4**	136.3	(0.9)	**365.4**	370.8	(5.4)
Industrial	**105.8**	151.8	(46.0)	**301.7**	471.2	(169.5)
Wholesale	**3.9**	3.5	0.4	**9.9**	9.0	0.9
Other	**18.9**	27.6	(8.7)	**77.7**	81.1	(3.4)
Total	**$ 432.3**	$ 467.9	$ (35.6)	**$ 1,166.2**	$ 1,305.5	$ (139.3)
Sales (Gigawatt Hours)						
Residential	**1,145.3**	1,103.2	42.1	**2,734.8**	2,628.7	106.1
Commercial	**996.0**	1,077.3	(81.3)	**2,706.5**	2,862.7	(156.2)
Industrial	**1,909.1**	2,145.5	(236.4)	**5,447.7**	6,525.7	(1,078.0)
Wholesale	**5.3**	0.3	5.0	**81.6**	7.9	73.7
Other	**24.4**	29.6	(5.2)	**74.1**	86.4	(12.3)
Total	**4,080.1**	4,355.9	(275.8)	**11,044.7**	12,111.4	(1,066.7)
Cooling Degree Days	**599**	720	(121)	**891**	940	(49)
Normal Cooling Degree Days	**556**	556	—	**795**	795	—
% Warmer (Colder) than Normal	**8 %**	29 %		**12 %**	18 %	
Electric Customers						
Residential				**417,703**	413,363	4,340
Commercial				**57,241**	56,906	335
Industrial				**2,160**	2,264	(104)
Wholesale				**723**	729	(6)
Other				**2**	2	—
Total				**477,829**	473,264	4,565

Cost of sales (excluding depreciation and amortization) for the Electric Operations segment is principally comprised of the cost of coal, related handling costs, natural gas purchased for internal generation of electricity at NIPSCO, and the cost of power purchased from third-party generators of electricity. The majority of the cost of sales (excluding depreciation and amortization) are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in operating revenue. In addition, comparability of operation and maintenance expenses and depreciation and amortization may be impacted by regulatory and depreciation trackers that allow for the recovery in rates of certain costs. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

NiSource Inc.
Electric Operations

Three Months Ended September 30, 2020 vs. September 30, 2019 Operating Income

For the three months ended September 30, 2020, Electric Operations reported operating income of $130.0 million, a decrease of $10.7 million from the comparable 2019 period.

Operating revenues for the three months ended September 30, 2020 were $432.3 million, a decrease of $35.6 million from the same period in 2019. The change in operating revenues was primarily driven by:

- Lower cost of sales (excluding depreciation and amortization) billed to customers, which is offset in operating expense, of $43.6 million.
- Lower regulatory and depreciation trackers, which are offset in operating expense, of $5.0 million.
- The effects of decreased commercial and industrial usage primarily related to COVID-19 of $4.4 million.

Partially offset by:

- New rates from the recent base rate proceeding and electric transmission projects of $12.4 million.
- The effects of increased residential usage primarily related to COVID-19 of $5.8 million.

Operating expenses were $24.9 million lower for the three months ended September 30, 2020 compared to the same period in 2019. This change was primarily driven by:

- Lower cost of sales (excluding depreciation and amortization) billed to customers, which is offset in operating revenue, of $43.6 million.
- Lower regulatory and depreciation trackers, which are offset in operating revenues, of $5.0 million.
- Lower employee and administrative costs of $4.0 million.

Partially offset by:

- Increased depreciation of $15.5 million primarily attributable to higher depreciation rates from the recent rate case proceeding.
- Severance and outside services expenses related to the NiSource Next initiative of $7.4 million.
- Higher outside service costs of $3.3 million primarily related to higher generation-related maintenance.
- Increased materials and supplies costs of $1.7 million primarily related to higher generation-related maintenance.

Nine Months Ended September 30, 2020 vs. September 30, 2019 Operating Income

For the nine months ended September 30, 2020, Electric Operations reported operating income of $295.4 million, a decrease of $26.0 million from the comparable 2019 period.

Operating revenues for the nine months ended September 30, 2020 were $1,166.2 million, a decrease of $139.3 million from the same period in 2019. The change in operating revenues was primarily driven by:

- Lower cost of sales (excluding depreciation and amortization) billed to customers, which is offset in operating expense, of $136.4 million.
- Lower regulatory and depreciation trackers, which are offset in operating expense, of $20.1 million.
- The effects of decreased commercial and industrial usage primarily related to COVID-19 of $17.5 million.

Partially offset by:

- New rates from the recent base rate proceeding and electric transmission projects of $20.7 million.
- The effects of increased residential usage primarily related to COVID-19 of $12.0 million.
- The effects of customer growth of $3.1 million.

Operating expenses were $113.3 million lower for the nine months ended September 30, 2020 compared to the same period in 2019. This change was primarily driven by:

- Lower cost of sales (excluding depreciation and amortization) billed to customers, which is offset in operating revenue, of $136.4 million.
- Lower regulatory and depreciation trackers, which are offset in operating revenues, of $20.1 million.
- Lower outside services costs of $18.3 million primarily related to lower generation-related maintenance.
- Lower employee and administrative costs of $8.5 million.

Partially offset by:

- Increased depreciation of $46.0 million primarily attributable to higher depreciation rates from the recent rate case proceeding.
- Severance and outside services expenses related to the NiSource Next initiative of $7.4 million.
- Increased expenses primarily due to the impact of COVID-19 related materials and supplies, outside services, and sequestration expenses of $5.2 million.
- Increased materials and supplies costs of $3.8 million
- Higher insurance expense of $2.4 million primarily driven by increased premiums.
- Increased environmental costs of $1.3 million.

Weather
In general, we calculate the weather-related revenue variance based on changing customer demand driven by weather variance from normal heating or cooling degree days. Our composite heating or cooling degree days reported do not directly correlate to the weather-related dollar impact on the results of Electric Operations. Heating or cooling degree days experienced during different times of the year may have more or less impact on volume and dollars depending on when they occur. When the detailed results are combined for reporting, there may be weather-related dollar impacts on operations when there is not an apparent or significant change in our aggregated composite heating or cooling degree day comparison.

Weather in the Electric Operations' territories for the third quarter of 2020 was about 8% warmer than normal and about 17% cooler than in 2019, which had an immaterial impact on operating revenues for the quarter ended September 30, 2020 compared to the same period in 2019.

Weather in the Electric Operations' territories for the nine months ended September 30, 2020 was about 12% warmer than normal and about 5% cooler than in 2019, which had an immaterial impact on operating revenues for the nine months ended September 30, 2020 compared to the same period in 2019.

Sales
Electric Operations sales for the third quarter of 2020 were 4,080.1 GWh, a decrease of 275.8 GWh compared to the same period in 2019. This decrease was primarily attributable to decreased usage by industrial and commercial customers due to COVID-19 and higher self-generation by industrial customers, partially offset by increased usage by residential customers primarily due to COVID-19.

Electric Operations sales for the nine months ended September 30, 2020 were 11,044.7 GWh, a decrease of 1,066.7 GWh compared to the same period in 2019. This decrease was primarily attributable to decreased usage by industrial and commercial customers due to COVID-19 and higher self-generation by industrial customers, partially offset by increased usage by residential customers primarily due to COVID-19.

Economic Conditions
NIPSCO has a state-approved recovery mechanism that provides a means for full recovery of prudently incurred fuel costs. Fuel costs are treated as pass-through costs and have no impact on operating income recorded in the period. The fuel costs included in revenues are matched with the fuel cost expense recorded in the period and the difference is recorded on the Condensed Consolidated Balance Sheets (unaudited) as under-recovered or over-recovered fuel cost to be included in future customer billings.

Electric Supply
NIPSCO 2018 Integrated Resource Plan. Multiple factors, but primarily economic ones, including low natural gas prices, advancing cost effective renewable technology and increasing capital and operating costs associated with existing coal plants,

have led NIPSCO to conclude in its October 2018 Integrated Resource Plan submission that NIPSCO's current fleet of coal generation facilities will be retired earlier than previous Integrated Resource Plan's had indicated.

The Integrated Resource Plan evaluated demand-side and supply-side resource alternatives to reliably and cost effectively meet NIPSCO customers' future energy requirements over the ensuing 20 years. The preferred option within the Integrated Resource Plan retires the R.M. Schahfer Generating Station by the end of 2023 and the Michigan City Generating Station by the end of 2028. These stations represent 2,080 MW of generating capacity, equal to 72% of NIPSCO's remaining capacity and 100% of NIPSCO's remaining coal-fired generating capacity. In the second quarter of 2020, the MISO approved NIPSCO's plan to retire the R.M. Schahfer Generating Station in 2023. The planned replacement by the end of 2023 of approximately 1,400 MW of retiring coal-fired generation station could provide incremental capital investment opportunities of approximately $1.8 to $2.0 billion, primarily in 2022 and 2023. Refer to Note 7, "Property, Plant and Equipment" and Note 18-D, "Other Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information.

The current replacement plan includes lower-cost, reliable, cleaner energy resources to be obtained through a combination of NIPSCO ownership and PPAs. We expect to secure additional agreements with counterparties and initiate regulatory compliance filings into 2021. Refer to Note 18-D, "Other Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information on the NIPSCO Integrated Resource Plan.

Liquidity and Capital Resources

Greater Lawrence Incident: As discussed in the "Executive Summary" and Note 18, "Other Commitments and Contingencies," in the Notes to the Condensed Consolidated Financial Statements (unaudited), due to the inherent uncertainty of litigation, there can be no assurance that the outcome or resolution of any particular claim related to the Greater Lawrence Incident will not continue to have an adverse impact on our cash flows. Through income generated from operating activities, amounts available under the short-term revolving credit facility, and our ability to access capital markets, we believe we have adequate capital available to fund the estimated future incremental costs associated with the Greater Lawrence Incident. Previous costs in excess of insurance recoveries were primarily funded through short-term borrowings. The sale of the Massachusetts Business was completed on October 9, 2020. On October 14, 2020, we used a portion of the proceeds from the Massachusetts Business sale to pay down these short-term borrowings. For more information, see Note 6, "Assets and Liabilities Held for Sale," in the Notes to the Condensed Consolidated Financial Statements (unaudited).

Operating Activities
Net cash from operating activities for the nine months ended September 30, 2020 was $858.6 million, a decrease of $373.2 million compared to the nine months ended September 30, 2019. This decrease was primarily driven by year over year increase in net payments related to the Greater Lawrence Incident. During 2020, we paid approximately $222 million compared to insurance recoveries of $242 million, net of payments, during 2019. Additionally, we had lower accounts receivable collections in 2020 compared to 2019 due to the impact of COVID-19. Offsetting these cash outflows are lower spend on gas inventory due to warmer weather and lower usage in 2020, and an increase in cash from the recent NIPSCO Electric base rate proceeding.

Investing Activities
Net cash used for investing activities for the nine months ended September 30, 2020 was $1,399.9 million, an increase of $6.1 million compared to the nine months ended September 30, 2019. This increase was driven by increased net available-for-sale debt security purchases in 2020.

Our capital expenditures for the nine months ended September 30, 2020 were $1,292.2 million compared to $1,310.0 million for the comparable period in 2019. The decrease was driven primarily by 2019 spend related to the Greater Lawrence Pipeline Replacement and a year-over-year reduction in Electric TDSIC investments, partially offset by an increase in customer growth, NIPSCO Gas tracked investments and IT modernization projects. We project total 2020 capital expenditures to be approximately $1.7 to $1.8 billion.

Our cost of removal expenditures for the nine months ended September 30, 2020 were $102.1 million compared to $84.5 million for the comparable period in 2019. The increase was driven by additional cost of removal projects completed by NIPSCO and Columbia of Ohio.

Financing Activities
Common Stock and Preferred Stock. Refer to Note 5, "Equity," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on common and preferred stock activity.

Long-term Debt. Refer to Note 16, "Long-Term Debt," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on long-term debt activity.

Short-term Debt. Refer to Note 17, "Short-Term Borrowings," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on short-term debt activity.

Net Available Liquidity. As of September 30, 2020, an aggregate of $1,591.4 million of net liquidity was available, including cash and credit available under the revolving credit facility.

The following table displays our liquidity position as of September 30, 2020 and December 31, 2019:

(in millions)	**September 30, 2020**	December 31, 2019
Current Liquidity		
Revolving Credit Facility	**$ 1,850.0**	$ 1,850.0
Accounts Receivable Program[(1)]	**231.2**	353.2
Less:		
Commercial Paper	**307.0**	570.0
Accounts Receivable Program Utilized	**231.2**	353.2
Letters of Credit Outstanding Under Credit Facility	**10.2**	10.2
Add:		
Cash and Cash Equivalents	**58.6**	139.3
Net Available Liquidity	**$ 1,591.4**	$ 1,409.1

[(1)]Represents the lesser of the seasonal limit or maximum borrowings supportable by the underlying receivables.

Debt Covenants. We are subject to financial covenants under our revolving credit facility and term loan agreement, which require us to maintain a debt to capitalization ratio that does not exceed 70%. As of September 30, 2020, the ratio was 66.2%.

Sale of Trade Accounts Receivables. Refer to Note 12, "Transfers of Financial Assets," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on the sale of trade accounts receivable.

Credit Ratings. The credit rating agencies periodically review our ratings, taking into account factors such as our capital structure and earnings profile. The following table includes our and certain of our subsidiaries' credit ratings and ratings outlook as of September 30, 2020. In February 2020, S&P changed the outlook of us and certain of our subsidiaries from Negative to Stable. There were no other changes to the below credit ratings or outlooks since December 31, 2019.

A credit rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision or withdrawal at any time by the assigning rating organization.

	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
NiSource	BBB+	Stable	Baa2	Stable	BBB	Stable
NIPSCO	BBB+	Stable	Baa1	Stable	BBB	Stable
Columbia of Massachusetts	BBB+	Stable	Baa2	Stable	Not rated	Not rated
Commercial Paper	A-2	Stable	P-2	Stable	F2	Stable

Certain of our subsidiaries have agreements that contain "ratings triggers" that require increased collateral if our credit rating or the credit ratings of certain of our subsidiaries are below investment grade. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. As of September 30, 2020, the collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $74.6 million. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.

Equity. Our authorized capital stock consists of 620,000,000 shares, $0.01 par value, of which 600,000,000 are common stock and 20,000,000 are preferred stock. As of September 30, 2020, 383,114,130 shares of common stock and 440,000 shares of preferred stock were outstanding.

Contractual Obligations. Aside from the previously referenced issuances and repayments of long-term debt and payments associated with the Greater Lawrence Incident, there were no material changes during the nine months ended September 30, 2020 to our contractual obligations as of December 31, 2019.

Guarantees and Indemnities. We and certain of our subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries as a part of normal business. Refer to Note 18, "Other

Commitments and Contingencies," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for information on guarantees.

Off Balance Sheet Arrangements

We, along with certain of our subsidiaries, enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit.

Refer to Note 18, "Other Commitments and Contingencies," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about such arrangements.

Market Risk Disclosures

Risk is an inherent part of our businesses. The extent to which we properly and effectively identify, assess, monitor and manage each of the various types of risk involved in our businesses is critical to our profitability. We seek to identify, assess, monitor and manage, in accordance with defined policies and procedures, the following principal market risks that are involved in our businesses: commodity price risk, interest rate risk and credit risk. We manage risk through a multi-faceted process with oversight by the Risk Management Committee that requires constant communication, judgment and knowledge of specialized products and markets. Our senior management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks. These may include, but are not limited to market, operational, financial, compliance and strategic risk types. In recognition of the increasingly varied and complex nature of the energy business, our risk management process, policies and procedures continue to evolve and are subject to ongoing review and modification.

Commodity Price Risk

We are exposed to commodity price risk as a result of our subsidiaries' operations involving natural gas and power. To manage this market risk, our subsidiaries use derivatives, including commodity futures contracts, swaps, forwards and options. We do not participate in speculative energy trading activity.

Commodity price risk resulting from derivative activities at our rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the ratemaking process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional ratemaking process and may be more exposed to commodity price risk.

Our subsidiaries are required to make cash margin deposits with their brokers to cover actual and potential losses in the value of outstanding exchange traded derivative contracts. The amount of these deposits, some of which is reflected in our restricted cash balance, may fluctuate significantly during periods of high volatility in the energy commodity markets.

Refer to Note 10, "Risk Management Activities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information on our commodity price risk assets and liabilities as of September 30, 2020 or December 31, 2019.

Interest Rate Risk

We are exposed to interest rate risk as a result of changes in interest rates on borrowings under our revolving credit agreement, commercial paper program, accounts receivable programs and term loan, which have interest rates that are indexed to short-term market interest rates. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by $3.2 million and $10.9 million for the three and nine months ended September 30, 2020, and $4.7 million and $14.7 million for the three and nine months ended September 30, 2019, respectively. We are also exposed to interest rate risk as a result of changes in benchmark rates that can influence the interest rates of future debt issuances.

Refer to Note 10, "Risk Management Activities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information on our interest rate risk assets and liabilities as of September 30, 2020 and December 31, 2019.

Credit Risk

Due to the nature of the industry, credit risk is embedded in many of our business activities. Our extension of credit is governed by a Corporate Credit Risk Policy. In addition, Risk Management Committee guidelines are in place which document management approval levels for credit limits, evaluation of creditworthiness, and credit risk mitigation efforts. Exposures to credit risks are monitored by the risk management function, which is independent of commercial operations. Credit risk arises due to the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative-related contracts, credit risk arises when counterparties are obligated to deliver or purchase defined commodity units of gas or power to us at a future date per execution of contractual terms and conditions. Exposure to credit risk is measured in terms of both current obligations and the market value of forward positions net of any posted collateral such as cash and letters of credit.

We closely monitor the financial status of our banking credit providers. We evaluate the financial status of our banking partners through the use of market-based metrics such as credit default swap pricing levels, and also through traditional credit ratings provided by major credit rating agencies.

Although certain individual state regulatory commissions have instituted regulatory moratoriums in connection with COVID-19 that continue to impact our ability to pursue our credit risk mitigation practices for customer accounts receivable, we believe this to be temporary, and we expect to reinstate our common credit mitigation practices upon expiration of the state specific moratoriums. See the COVID-19 discussion in the introduction to the "Executive Summary" for risks that have been identified related to COVID-19 and refer to Note 9, "Regulatory Matters" in the Notes to Condensed Consolidated Financial Statements (unaudited) for state specific regulatory moratoriums.

Other Information

Critical Accounting Estimates

Refer to Note 3, "Revenue Recognition," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about management judgment used in determining allowance for credit losses related to COVID-19.

Refer to Note 13, "Goodwill," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about management judgment used in the annual goodwill impairment analysis performed as of May 1, 2020.

Refer to Note 18, "Other Commitments and Contingencies," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about management judgment used in the development of estimates related to the Greater Lawrence Incident.

Recently Issued Accounting Pronouncements

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about recently issued and adopted accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion regarding quantitative and qualitative disclosures about market risk see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures."

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and our chief financial officer are responsible for evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that financial information was processed, recorded and reported accurately.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

For a description of our legal proceedings, see Note 18-B, "Legal Proceedings," in the Notes to Condensed Consolidated Financial Statements (unaudited).

ITEM 1A. RISK FACTORS

Please refer to the risk factors set forth in Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, as supplemented by the Part II, Item 1A of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

NiSource Inc.

(4.1)	Form of 0.950% Notes due 2025 (incorporated by reference to Exhibit 4.1 of the NiSource Inc. Form 8-K filed on August 18, 2020).
(4.2)	Form of 1.700% Notes due 2031 (incorporated by reference to Exhibit 4.2 of the NiSource Inc. Form 8-K filed on August 18, 2020).
(10.1)	Settlement Agreement, dated July 2, 2020, by and among Bay State Gas Company d/b/a Columbia Gas of Massachusetts, NiSource Inc., Eversource Gas Company of Massachusetts, Eversource Energy, the Massachusetts Attorney General's Office, the Massachusetts Department of Energy Resources and the Low-Income Weatherization and Fuel Assistance Program Network (incorporated by reference to Exhibit 10.1 of the NiSource Inc. Form 8-K filed on July 6, 2020).
(10.2)	Amendment to Settlement Agreement by and among Bay State Gas Company d/b/a Columbia Gas of Massachusetts, NiSource Inc., Eversource Gas Company of Massachusetts, Eversource Energy, the Massachusetts Attorney General's Office, the Massachusetts Department of Energy Resources and the Low-Income Weatherization and Fuel Assistance Program Network, dated September 29, 2020.*
(10.3)	Letter Agreement by and among NiSource Inc., Bay State Gas Company d/b/a Columbia Gas of Massachusetts and Eversource Energy Relating to Asset Purchase Agreement, dated October 9, 2020.* **
(10.4)	NiSource Inc. Supplemental Executive Retirement Plan, as amended and restated effective November 1, 2020.*
(10.5)	Pension Restoration Plan for NiSource Inc. and Affiliates, as amended and restated effective November 1, 2020.*
(10.6)	Savings Restoration Plan for NiSource Inc. and Affiliates, as amended and restated effective November 1, 2020.*
(10.7)	NiSource Inc. Executive Severance Policy, as amended and restated effective October 19, 2020.*
(10.8)	NiSource Next Voluntary Separation Program, effective as of August 5, 2020.*
(10.9)	Letter Agreement dated October 19, 2020 by and between NiSource Inc. and Carrie Hightman.*
(31.1)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
(31.2)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
(32.1)	Certification of Chief Executive Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).*
(32.2)	Certification of Chief Financial Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).*
(101.INS)	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
(101.SCH)	Inline XBRL Schema Document
(101.CAL)	Inline XBRL Calculation Linkbase Document
(101.LAB)	Inline XBRL Labels Linkbase Document
(101.PRE)	Inline XBRL Presentation Linkbase Document
(101.DEF)	Inline XBRL Definition Linkbase Document
(104)	Cover page Interactive Data File (formatted as inline XBRL, and contained in Exhibit 101.)

* Exhibit filed herewith.

** Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. NiSource agrees to furnish supplementally a copy of any omitted schedules or exhibits to the SEC upon request.

SIGNATURE

NiSource Inc.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NiSource Inc.
(Registrant)

Date: November 2, 2020

By: /s/ Gunnar J. Gode
Gunnar J. Gode
Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

Exhibit 10.2

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF PUBLIC UTILITIES

Petition of Eversource Energy, NiSource Inc., Eversource Gas Company of Massachusetts and Bay State Gas Company for Approval of Purchase and Sale of Assets Pursuant to General Laws Chapter 164, § 94 and § 96	D.P.U. 20-59

AMENDMENT TO

SETTLEMENT AGREEMENT

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF PUBLIC UTILITIES

Petition of Eversource Energy, NiSource Inc., Eversource Gas Company of Massachusetts and Bay State Gas Company for Approval of Purchase and Sale of Assets Pursuant to General Laws Chapter 164, § 94 and § 96	D.P.U. 20-59

Amendment to settlement agreement

The Settling Parties hereby agree that Section 3.8 of the Settlement Agreement, under the subsection "Article III: Additional Conditions," is amended by striking the section in its entirety and replacing it with the following:

h. The provisions of this Settlement Agreement are not severable. This Settlement Agreement is conditioned on its approval in full by the Department no later than October 7, 2020 ("Requested Approval Date"), and any supporting information or evidence provided to the Department during any proceeding to investigate this settlement shall not interpreted to vary the express terms of this Settlement Agreement. Notwithstanding any of the foregoing provisions, the Attorney General may, in her sole discretion, or DOER may, in its sole discretion, rescind the Settlement Agreement in its entirety prior to the Department's issuance of an order approving the Settlement Agreement; provided that notice of such rescission must be filed, or submitted electronically, in writing with the Department. The Settling Parties agree that the Requested Approval Date of this Settlement Agreement may be extended upon the mutual consent of the Settling Parties and notification of such extension to the Department.

The signatories listed below represent that they are authorized on behalf of their principals to enter into this Amendment to the Settlement Agreement.

Maura Healey,
Commonwealth of Massachusetts
Attorney General

/s/ Rebecca L. Tepper

By: Rebecca L. Tepper
Chief, Office of Ratepayer Advocacy
Office of the Attorney General
One Ashburton Place
Boston, MA 02108-1598
Tel: 617-727-2200

Commonwealth of Massachusetts
department of Energy Resources

/s/ Robert H. Hoagland III

By: Robert H. Hoaglund II
General Counsel
Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114
Tel: 617-626-7318

NiSource Inc.

/s/ Donald E. Brown

By: Donald E. Brown
Executive Vice President,
Chief Financial Officer
801 E. 86th Avenue
Merrillville, IN 46410

Eversource Energy

/s/ John M. Moreira

By: John M. Moreira
Senior Vice President & Treasurer
Eversource Energy
800 Boylston Street
Boston, MA 02109

Bay State Gas Company d/b/a
Columbia Gas of Massachusetts

/s/ Carrie J. Hightman

By: Carrie J. Hightman
Chief Executive Officer
4 Technology Drive
Westborough, MA 01581

Eversource Gas Company
of Massachusetts

/s/ William J. Akley

By: William J. Akley
President
800 Boylston Street
Boston, MA 02109

Low-Income Weatherization and
Fuel Assistance Program Network
By its Attorney,

/s/ Jerrold Oppenheim

Jerrold Oppenheim
57 Middle Street
Gloucester, MA 01930

Tel: 978-283-0897

Dated: September 29, 2020

EXHIBIT 10.3

LETTER AGREEMENT RELATING TO ASSET PURCHASE AGREEMENT

This Letter Agreement, dated as of October 9, 2020 (this "**Letter Agreement**"), is by and among NiSource Inc., a Delaware corporation ("**Seller Parent**"), Bay State Gas Company, a Massachusetts corporation and indirect wholly-owned subsidiary of Seller Parent (the "**Company**" and, together with Seller Parent, "**Seller**"), and Eversource Energy, a Massachusetts voluntary association ("**Buyer**"). Capitalized terms used and not otherwise defined herein have the meanings set forth in the Purchase Agreement (as defined below).

WHEREAS, Seller Parent, the Company and Buyer are parties to that certain Asset Purchase Agreement, dated as of February 26, 2020 (the "**Purchase Agreement**"); and

WHEREAS, the parties hereto desire to make certain modifications to the Purchase Agreement as set forth in this Letter Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, it is hereby agreed by and among Seller Parent, the Company and Buyer as follows:

Section 1. Amendments. The Purchase Agreement is hereby amended as follows:

(a) Section 1.1 of the Purchase Agreement is amended to add the following defined terms:
"**June 30 Forgiveness Credits**" has the meaning given to it in the Settlement Agreement.
"Settlement Agreement" means the Settlement Agreement, executed on July 2, 2020, by and among Buyer, Seller, Eversource Gas Company of Massachusetts, the Massachusetts Attorney General's Office, the Massachusetts Department of Energy Resources and the Low-Income Weatherization and Fuel Assistance Program Network.

(b) Section 4.4 of the Purchase Agreement is amended to add the following after clause (j) thereof:

Notwithstanding anything to the contrary in Section 4.4(j) of this Agreement, but without in any manner qualifying or limiting Seller's representations, covenants and obligations under this Agreement (including Section 2.1(a) hereof), in the event that the Company does not have a valid legal description for any parcel of Owned Real Property set forth on Exhibit B attached hereto (collectively, the "**Exhibit B Owned Real Property**") as of the Closing Date, in lieu of delivering a Deed for any such parcel of Exhibit B Owned Real Property at the Closing, Seller shall (1) deliver a release deed in form and substance substantially similar

to the form of release deed on Exhibit C attached hereto (the "**Release Deed**") for such parcel of Exhibit B Owned Real Property at the Closing, and (2) as applicable:

(i) with respect to any parcel of the Exhibit B Owned Real Property set forth on Exhibit B – Schedule I attached hereto, within sixty (60) days after the Closing Date, subject to extension as mutually agreed to by Seller Parent and Buyer acting reasonably and in good faith, Seller shall deliver to Buyer a Deed with a valid legal description for each such parcel of Exhibit B Owned Real Property;

(ii) with respect to any parcel of the Exhibit B Owned Real Property set forth on Exhibit B – Schedule II attached hereto, within one hundred twenty (120) days after the Closing Date, subject to extension as mutually agreed to by Seller Parent and Buyer acting reasonably and in good faith, Seller shall (A) use its reasonable best efforts to deliver to Buyer a Deed with a valid legal description for each such parcel of Exhibit B Owned Real Property and (B) in the event Seller has not delivered such a Deed for any such parcel of Exhibit B Owned Real Property within such one hundred twenty (120) day period, Seller shall, at its sole cost and expense, commence and use its reasonable best efforts to promptly prosecute to completion a quiet title action for such parcel of Exhibit B Owned Real Property, and promptly following the successful completion of such action for any such parcel of Exhibit B Owned Real Property, Seller shall deliver a Deed with a valid legal description for such parcel of Exhibit B Owned Real Property; and

(iii) with respect to any parcel of the Exhibit B Owned Real Property set forth on Exhibit B – Schedule III attached hereto, within one hundred twenty (120) days after the Closing Date, subject to extension as mutually agreed to by Seller Parent and Buyer acting reasonably and in good faith, Seller shall (A) use its reasonable best efforts to deliver to Buyer a Deed with a valid legal description for each such parcel of Exhibit B Owned Real Property (and concurrently with Seller's delivery of any such Deed to Buyer, Buyer shall return the corresponding Release Deed to Seller, along with written confirmation (which may be by e-mail) that such Release Deed has not been recorded) and (B) in the event Seller has not delivered such a Deed for any such parcel of Exhibit B Owned Real Property within such one hundred twenty (120) day period, Seller shall, at its sole cost and expense, commence and use its reasonable best efforts to promptly prosecute to completion a quiet title action for such parcel of Exhibit B Owned Real Property, and promptly following the successful completion of such action for any such parcel of Exhibit B Owned Real Property, Seller shall deliver a Deed with a valid legal description for such parcel of Exhibit B Owned Real Property (and concurrently with Seller's delivery of any such Deed to Buyer, Buyer shall return the corresponding Release Deed to Seller, along with written confirmation (which may be by e-mail) that such Release Deed has not been recorded).

Seller acknowledges and agrees that nothing herein shall in any manner modify the obligation of Seller to transfer, assign, convey and deliver to Buyer all Owned Real Property free and clear of all Encumbrances (except for Permitted Encumbrances).

(c) A new Section 4.5(f) is added to the Purchase Agreement, immediately following Section 4.5(e) as follows:

(f) Promptly (and in any event within ten (10) Business Days) after the completion of November 2020 billing cycles and the issuance of the June 30 Forgiveness Credits as contemplated by the Settlement Agreement, Buyer shall notify Seller Parent of the final amount of June 30 Forgiveness Credits. If the final amount of June 30 Forgiveness Credits is greater than fifteen million eight-hundred thousand dollars ($15,800,000) (representing the amount of Purchase Price withheld at the Closing in respect of such credits), then Seller Parent shall promptly (and in any event within five (5) Business Days following Buyer's delivery of notice of the final amount of June 30 Forgiveness Credits) pay to Buyer the amount of such surplus. If the final amount of June 30 Forgiveness Credits is less than fifteen million eight-hundred thousand dollars ($15,800,000), then Buyer shall promptly (and in any event within five (5) Business Days following Buyer's delivery of notice of the final amount of June 30 Forgiveness Credits) pay to Seller Parent the amount of such deficit, provided that the amount of such payment to Seller Parent shall in no event exceed eight hundred thousand dollars ($800,000).

(d) A new Section 7.7 is added to the Purchase Agreement, immediately following Section 7.6 of the Purchase Agreement, as follows:

Section 7.7. Surety Bonds. Prior to the Closing, each of Seller and Buyer will, in cooperation with the other, use its and cause its Affiliates to use their reasonable best efforts to obtain all Consents from any Third Parties who are not Governmental Bodies necessary or advisable to transfer the Surety Bond Rights and the Surety Bond Obligations to Buyer as of the Closing. With respect to any Surety Bond for which Consent is obtained prior to Closing in accordance with the immediately preceding sentence, (a) the definition of "Business Indebtedness" in this Agreement shall not include Surety Bond Obligations with respect to such Surety Bond, (b) the definition of "Purchased Assets" in this Agreement shall include Surety Bond Rights with respect to such Surety Bond and (c) the definition of "Assumed Liabilities" in this Agreement shall include Surety Bond Obligations with respect to such Surety Bond. All other surety bonds for which the Company is the principal shall remain "Business Indebtedness" and accordingly, "Excluded Liabilities." For purposes of this Agreement:

"**Surety Bond Obligations**" means all obligations and liabilities of the Company under the Surety Bonds to the extent that such obligations and liabilities arise from a performance failure of the obligor under the Surety Bonds that occurs after the Closing.

"**Surety Bond Rights**" means all rights of the Company under the Surety Bonds to the extent that such rights arise, or relate or are attributable to the period, from and after the Closing.

"**Surety Bonds**" means all surety bonds relating to the Business for which the Company is the principal that are (i) listed on Exhibit D hereto or (ii) entered into on or after the date hereof and prior to the Closing with Buyer's prior written consent.

(e) The references to "Section 8.3(f)" in Section 2.1(d)(xiii)(ii) of the Agreement and Section 2.1(d)(xvii) of the Agreement shall be deleted in their entirety and replaced with "Section 8.3(f) and Section 8.3(h)."

(f) Section 8.3 of the Agreement shall be amended by replacing clause (f) thereof with the following:

(f) Defined Benefit Pension Plan Transfers. In advance of Closing, Seller Parent and the Company (i) shall take all actions necessary to, with respect to all active employees with an accrued pension benefit in the Company Pension Plans who will not be Transferring Employees but whose employment will remain with Seller Parent or an Affiliate of Seller Parent after Closing, with respect to all employees with an accrued pension benefit in the Company Pension Plans who are on a Company-approved leave of absence or disability as of Closing, and with respect to all former employees who are not Former Business Employees, transfer all liabilities for all such accrued pension benefits in the Company Pension Plans to one or more of the Other Seller Pension Plans and (ii) shall take all actions necessary to, with respect to all Transferring Employees with an accrued pension benefit in one or more of the Other Seller Pension Plans, transfer all liabilities for all such accrued pension benefits in the Other Seller Pension Plans to the Company Pension Plans. Following the foregoing and as soon as practicable thereafter to effectuate the dual pension transfers in the previous sentence, Seller Parent and the Company shall take all actions necessary to transfer assets from the subtrust for the Company Pension Plans to the subtrust for the Other Seller Pension Plans and transfer assets from the subtrust for the Other Seller Pension Plans to the subtrust for the Company Pension Plans in accordance with Section 414(l) of the Code and Section 4044 of ERISA; provided, however, that (x) the amount of such transfers shall be adjusted as necessary to (A) reflect any administrative or investment expenses paid from one of the applicable trusts with respect to transferred pension obligations and (B) include interest accruing from

September 30, 2020 until the actual asset transfer date at an interest rate per annum equal to the 30-day LIBOR in effect on September 30, 2020 as reported in *The Wall Street Journal* and (y) the effective date of such transfers shall be September 30, 2020, regardless of the Closing Date. If a Non-Active Employee with an accrued pension benefit in the Company Pension Plans that is transferred to an Other Seller Pension Plan effective as of September 30, 2020 (as described in this clause (f)) returns to become a Transferring Employee, Seller Parent and the Company shall take all actions necessary to, with respect to such Transferring Employee, transfer all liabilities for such accrued pension benefit in the Other Seller Pension Plans to the Company Pension Plans effective as of the first day of the calendar month coincident with or following the date such Transferring Employee returns to active employment (each such transfer, a "**Non-Active Employee Pension Transfer**"). To effectuate each Non-Active Employee Pension Transfer, Seller Parent and the Company shall take all actions necessary to transfer assets from the trust for the Other Seller Pension Plans to the trust for the Company Pension Plans in accordance with Section 414(l) of the Code and Section 4044 of ERISA; provided, however, that the amount of such transfers shall be adjusted as necessary to (x) reflect any administrative or investment expenses paid from one of the applicable trusts with respect to transferred pension obligations and (y) to include interest accruing from the effective date of the pension transfer until the actual asset transfer date at an interest rate per annum equal to the 30-day LIBOR in effect on September 30, 2020 as reported in *The Wall Street Journal*. As of the Closing, Buyer shall assume sponsorship and all responsibility for the Company Pension Plans (except as specifically provided in the Transition Services Agreement). Buyer, the Company and Seller Parent shall take such actions as are necessary and reasonable to cause the transfer of sponsorship of the Company Pension Plans to Buyer as of the Closing and to effect the transfer of the related assets and benefit liabilities of the Company Pension Plans and their trust, including (I) transferring all assets attributable to the Company Pension Plans in the master trust for the Seller Pension Plans to a newly-created trust or an existing trust established by Buyer for the Company Pension Plans (provided that Seller Parent may retain such assets as it determines appropriate to pay administrative and investment expenses of the Company Pension Plans), (II) making all filings related to such action with respect to the Company Pension Plans required under the Code or ERISA, (III) implementing all appropriate communications with participants in the applicable Pension Plans, (IV) transferring appropriate records, (V) providing any notices required under any collective bargaining agreement or the governing documents relating to the applicable Pension Plans, and (VI) taking all such other actions as may be necessary and appropriate to implement the provisions of this Section 8.3(f) in a timely manner. Transferring Employees shall be eligible to continue to participate in the Company Pension Plans following the Closing in accordance with the terms of such Company Pension Plans. After the Closing, neither Seller Parent nor any

of its Affiliates shall retain any liabilities related to the Company Pension Plans other than liabilities associated with the administration of the Company Pension Plans prior to the Closing Date.

(g) Section 8.3 of the Agreement shall be amended by re-lettering clause (h) thereof as clause (j) and inserting the following as clauses (h) and (i):

(h) Spin-off of NiSource Flexible Benefits Plan. Seller shall spin off to Buyer or to its Affiliates, and Buyer shall (or shall cause its Affiliates to) assume, that portion (such portion, the "**Eversource Gas Company/CMA Flexible Benefits Plan**") of the NiSource Flexible Benefits Plan that pertains solely to the Transferring Employees, including all assets and liabilities; provided, however, a Transferring Employee shall not participate in the Eversource Gas Company/CMA Flexible Benefits Plan as of the Closing Date with respect to elections for group health plan coverage sponsored by Buyer or its Affiliates to the extent he or she has elected COBRA continuation coverage for corresponding group health plan coverage under a plan sponsored by Seller or its Affiliates. In connection therewith, and without limiting the generality of the foregoing, Buyer shall, or shall cause its Affiliates to, maintain the Eversource Gas Company/CMA Flexible Benefits Plan as a cafeteria plan that includes, among other things, a healthcare flexible spending account program and a dependent care flexible spending account program as of the Closing (the "**Buyer FSA**") for the benefit of each Business Employee who becomes a Transferring Employee on or before December 31, 2020, and who, in the portion of the calendar year on or prior to the Closing Date, contributed to the corresponding flexible spending account of the NiSource Flexible Benefits Plan (the "**Seller FSA**," and such Transferring Employees who contributed to the Seller FSA, the "**FSA Participants**"). If the aggregate amount withheld from FSA Participants' compensation under the Seller FSA for the plan year in which the Closing occurs exceeds the aggregate amount of reimbursements paid to FSA Participants prior to the Closing Date under the Seller FSA for such plan year, Seller shall transfer (or cause to be transferred) to Buyer within thirty (30) days after the Closing Date a cash payment equal to such excess, if any. If the aggregate amount of reimbursements paid to FSA Participants under the Seller FSA prior to the Closing Date for the plan year in which the Closing occurs exceeds the aggregate amount withheld prior to the Closing Date from the FSA Participants' compensation under the Seller FSA for such plan year, Buyer shall transfer to Seller within thirty (30) days after the Closing Date a cash payment equal to such excess, if any. For the avoidance of doubt, Buyer shall (or shall cause its Affiliates to) assume and be solely responsible for all eligible claims for reimbursement by FSA Participants, whether incurred prior to, on or after the Closing Date, that have not been paid in full as of the Closing Date, which claims shall be paid pursuant to and under the terms of the Buyer FSA. The provisions of this Section 8.3(h) shall also apply to each Non-Active Employee who becomes a Transferring Employee on or before

December 31, 2020, provided that, with respect to each such Transferring Employee, the term "**Transferred Employee Employment Termination Date**" shall be substituted for the term "Closing Date" in each place in which it appears and shall mean the date as of which the Transferred Employee terminates employment with Seller or any of its Affiliates.

(i) Defined Contribution Plan Rollovers. Buyer shall, or shall cause its Affiliates to, maintain or establish, a defined contribution plan that is intended to be tax-qualified (the "**Buyer 401(k) Plan**") and in which the Continuing Employees shall be eligible to participate following the Closing Date, subject to satisfaction of eligibility provisions. Buyer shall, or shall cause its Affiliates to, cause the Buyer 401(k) Plan to accept rollover contributions (including promissory notes related to plan loans) on or around January 1, 2021, to the extent elected by Transferring Employees from any defined contribution plan maintained by Seller or any of its Affiliates that is intended to be tax-qualified.

(h) The following is added to the Purchase Agreement, immediately following Section 8.8 of the Purchase Agreement:

Section 8.9 Methane Emissions. Notwithstanding anything to the contrary contained herein, Seller shall bear 75%, and Buyer shall bear 25%, of any fines or other monetary penalties to the extent arising out of or related to the noncompliance with methane emission limits by the Business during calendar year 2020, as determined by the Massachusetts Department of Environmental Protection. Following the Closing, Buyer shall use commercially reasonable efforts to request and obtain an adjustment to methane emission limits and set asides applicable to the Business for 2020, and Seller shall use commercially reasonable efforts to cooperate with Buyer with respect to the foregoing; provided that nothing in this Section 8.9 shall require either Buyer or Seller to pay any consideration (monetary or otherwise) to, or to concede or provide any right to, any Third Party.

(i) A new Section 13.13(e) is added to the Purchase Agreement, immediately following Section 13.13(d) as follows:

(e) Without limiting the other covenants and obligations of the parties herein, including those contained in Sections 13.13(a)-(d) above, in the event that any Deed, Release Deed or assignment of Easement is rejected by the applicable filing or recording authority, then (i) Seller shall use its reasonable best efforts to correct and revise such instrument as necessary and appropriate to effectuate the transactions contemplated by this Agreement, (ii) Seller shall submit any such revised Deed, Release Deed or assignment of Easement to Buyer for its approval, not to be unreasonably withheld, conditioned or delayed, and (iii) Seller shall be

responsible to pay any and all costs or expenses to the extent such costs or expenses are incurred as a result of such rejected filing or recording.

(j) Section 5.8(a) of the Seller Disclosure Letter is deleted in its entirety and replaced with Exhibit A to this Letter Agreement.

(k) Section 2.1(d) is amended to add the following new Section 2.1(d)(xix):

(xix) any Losses arising from any Encumbrance on the Purchased Assets resulting from the failure of Seller to comply with Massachusetts General Law, Chapter 62C, Section 51.

Section 2. Pre-TSA Costs. The Parties acknowledge that Seller has incurred and anticipates incurring costs and expenses in preparation to comply with its obligations under the Transition Services Agreement, including Section 2.3(d) of the Transition Services Agreement, and information technology system preparation costs to "ring fence" applications supporting the transition services (collectively, "**Pre-TSA Costs**"). Buyer hereby agrees to pay Seller $9,000,000 (nine million dollars) for Pre-TSA Costs, such amount to be paid to NiSource Corporate Services Company at the Closing in full and final satisfaction of Buyer's and its Affiliates' payment obligations with respect to Pre-TSA Costs, including any such obligations arising under Section 2.3(d) of the Transition Services Agreement. Seller shall bear any Pre-TSA Costs in excess of such amount.

Section 3. Assignment. Seller hereby consents to (i) Buyer's assignment, at or prior to the Closing, of Buyer's rights and interest to acquire the Purchased Assets and assume the Assumed Liabilities under the Purchase Agreement to Yankee Energy System, Inc., a Connecticut corporation ("**YES**"), and (ii) YES's assignment, in turn, of its rights and interest (a) to acquire the FCC License Assets to Eversource Energy Service Company, a Connecticut corporation and a direct wholly-owned subsidiary of Buyer, (b) to acquire the LNG Assets and assume the LNG Liabilities to Hopkinton LNG Corp., a Massachusetts corporation and an indirect wholly-owned subsidiary of Buyer, and (z) to acquire the Purchased Assets and assume the Assumed Liabilities (other than the Purchased Assets described in clause (y) of Section 2.1(a) of the Purchase Agreement, the FCC License Assets, the LNG Assets and the LNG Liabilities) to Eversource Gas Company of Massachusetts, a Massachusetts corporation; provided that, in each case, Buyer shall cause any such assignee to remain a wholly-owned direct or indirect subsidiary of Buyer through Closing; and provided further that no such assignment shall relieve Buyer of any of its obligations or liabilities under the Purchase Agreement. As used herein:

"**FCC License Assets**" means the Purchased Assets constituting Federal Communications Commission radio licenses, including those set forth in Section 5.3(b)(ii) of the Seller Disclosure Letter.

"**LNG Assets**" means the Owned Real Property on which the Company's liquefied natural gas and liquefied propane gas facilities, known as the Easton, Lawrence, Ludlow, Marshfield, Meadowlane, Northampton and West Springfield facilities, are situated and the following, to the extent included in the Purchased Assets, all structures, facilities, fixtures, systems, improvements and items of tangible personal property (including liquefied natural gas and liquefied propane gas) located on such Owned Real Property, or attached or appurtenant to such Owned Real Property.

"**LNG Liabilities**" means the Assumed Liabilities to the extent related to the LNG Assets.

Section 4. Miscellaneous.

(a) Except as expressly provided in this Letter Agreement, all of the terms and provisions of the Purchase Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the parties hereto. Without limiting the generality of the foregoing, the amendments contained herein will not be construed as an amendment to or waiver of any other provision of the Purchase Agreement or as a waiver of or consent to any further or future action on the part of any party hereto. On and after the date hereof, each reference in the Purchase Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import, will be deemed a reference to the Purchase Agreement (including the Seller Disclosure Letter) as amended by this Letter Agreement.

(b) All issues and questions concerning the construction, validity, interpretation and enforceability of this Letter Agreement and any claim or legal proceeding relating to or arising out of the transactions contemplated by this Letter Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

(c) This Letter Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(d) Headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Letter Agreement.

(e) This Letter Agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement, and shall become binding when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties hereto.

(f) The amendments set forth in this Letter Agreement shall be effective as of the date set forth in the preamble to this Letter Agreement.

* * * * *

IN WITNESS WHEREOF, the parties have caused this Letter Agreement to be executed as of the date first written above.

NISOURCE INC.

By: /s/ Donald E. Brown
Name: Donald E. Brown
Title: Executive Vice President and Chief Financial Officer

BAY STATE GAS COMPANY

By: /s/ Donald E. Brown
Name: Donald E. Brown
Title: Executive Vice President and Chief Financial Officer

IN WITNESS WHEREOF, the parties have caused this Letter Agreement to be executed as of the date first written above.

EVERSOURCE ENERGY

By: /s/ Philip J. Lembo
Name: Philip J. Lembo
Title: Executive Vice President and Chief Financial Officer

Exhibit 10.4

NISOURCE INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

As Amended and Restated Effective November 1, 2020

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NISOURCE INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

As Amended and Restated Effective November 1, 2020

Article I.

Background and Purpose

i.Background. The NiSource Inc. Supplemental Executive Retirement Plan is maintained to provide deferred compensation for a select group of management or highly compensated employees of NiSource Inc. and participating affiliates. The history of the Plan's amendments and restatements is attached as Exhibit A.

ii.Purpose. The purpose of the Plan is to provide selected key executives and employees with additional security in order to aid the Company (as defined herein and including its predecessors) in retaining its present management and, should circumstances require it, to aid the Company in attracting additions to management. The Company, by providing such additional benefits, expects such key executives and employees to be available for consulting assignments to the Company after retirement, at the Company's request.

It is intended that the Plan be exempt from the reporting and disclosure requirements of Title I of the Employee Retirement Income Security Act of 1974 because it is an unfunded plan maintained by an employer for the purpose of providing benefits for a select group of management or highly compensated employees.

Article II.

Definitions

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Except when otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminology shall include the plural. The headings of Articles and Sections are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

i.Affiliate. Any corporation that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that includes the Company; any trade or business (whether or not incorporated) that is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; any leasing organization, to the extent that its employees are required to be treated as if they were employed by the Company pursuant to Code Section 414(n) and the regulations thereunder; and any other

entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). An entity shall be an Affiliate only with respect to the existing period as described in the preceding sentence.

ii. Benefits Committee. The NiSource Benefits Committee.

iii. Board. The Board of Directors of NiSource Inc.

iv. Code. The Internal Revenue of Code of 1986, as amended.

v. Company. NiSource Inc. and its subsidiaries and affiliates that adopt the Plan for the benefit of key employees, or its successor or successors.

vi. Compensation. As defined in the NiSource Pension Plan, but disregarding the definition of Taxable Compensation and the limitations required by Code Section 401(a)(17), or any successor Section. In addition, for purposes of the Plan, bonuses shall be considered in full as Compensation and not limited to 50% of base pay.

vii. Compensation Committee. The Compensation Committee of the Board, which has certain specific duties with respect to the Plan.

viii. Disability or Disabled. A Participant has a Disability or is Disabled if he or she has a condition that (a) causes a Participant, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, to receive income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or an Affiliate or (b) causes a Participant to be eligible to receive Social Security disability payments.

ix. Early Retirement. Separation from Service for reasons other than death or Disability after the Participant has both attained age 55 and completed at least 10 years of Service, but before the Participant's Normal Retirement, except as otherwise provided.

x. Effective Date. November 1, 2020, the date on which the provisions of this amended and restated Plan become effective, except as otherwise provided herein. The original Effective Date of the Plan was December 23, 1982.

xi. Final Average Compensation. The result obtained by dividing the total Compensation paid to a Participant during a considered period by the number of months for which such Compensation was received. The considered period shall be the 60 consecutive calendar months within the last 120 months of service that produces the highest result.

xii. NiSource Pension Plan. The NiSource Salaried Pension Plan, as amended from time to time.

xiii. Normal Retirement. Separation from Service for reasons other than death or Disability after a Participant has: (1) attained age 62; or (2) attained age 60 and completed at least 25 years of Service, except as otherwise provided.

xiv. Participant. An employee or retiree participating in the Plan in accordance with the provisions of Article III.

xv. Pension Restoration Plan. Pension Restoration Plan for NiSource Inc. and Affiliates, as amended from time to time.

xvi. Plan. NiSource Inc. Supplemental Executive Retirement Plan.

xvii. Plan Administrator. The Benefits Committee, or such delegate of the Benefits Committee delegated to carry out the administrative functions of the Plan.

xviii. Post-2004 Benefit. The portion of a Participant's Supplemental Retirement Pension or Supplemental Retirement Account, as applicable, equal to the present value, determined as of a Participant's date of separation from Service after December 31, 2004, of the excess of such benefit or account balance to which a Participant would be entitled under the Plan if he or she voluntarily separated from Service without cause after December 31, 2004 over his or her Pre-2005 Benefit and received a full payment of benefits from the Plan on the earliest possible date allowed under the Plan following the separation from Service, pursuant to Articles IV and V, calculated from and after January 1, 2005 to the date of separation from Service.

xix. Pre-2005 Benefit. The portion of a Participant's Supplemental Retirement Pension or Supplemental Retirement Account, as applicable, equal to the present value of the benefit or account balance, determined as of December 31, 2004, to which a Participant would be entitled under the Plan if he or she voluntarily separated from Service without cause on December 31, 2004 and received a full payment of benefits from the Plan on the earliest possible date allowed under the Plan following separation from Service, pursuant to Articles IV and V, calculated as of December 31, 2004.

xx. Primary Social Security Benefit. The monthly amount available to a Participant at age 65 (or at Retirement, if later) under the provisions of Title II of the Social Security Act in effect at the time of separation from Service, assuming the following:

(1) The Participant attained age 65 in the year of Retirement, and

(2) The Participant earned maximum taxable wages under Code Section 3121(a)(1) in all years prior to the year of Retirement. A Participant's Primary Social Security Benefit will be deducted in accordance with Article IV, even though he or she may not be receiving or may not be eligible to receive Social Security benefits.

xxi. Qualified Pension Plan. The NiSource Pension Plan and any other tax-qualified defined benefit pension plan maintained by the Company or any Affiliate.

xxii. Retirement. A Participant's Normal or Early Retirement.

xxiii.Service. A Participant's or employee's employment or service with the Company, as defined in the NiSource Pension Plan, or such other employment or service date as determined by the Board.

Article III.

Eligibility and Participation

The Compensation Committee shall select which key employees of the Company will be eligible to participate in the Plan. In accordance with Article I, it is intended that officers and certain other employees be eligible for participation.

After the Compensation Committee approves participation for an individual, the Company or the Benefits Committee shall provide the individual with a notice of participation in the Plan and a description of the Plan.

Article IV.

Supplemental Retirement Pension

i.Applicability. This Article IV shall apply to each Participant or former Participant who first participated in the Plan prior to January 23, 2004.

ii.Supplemental Retirement Pension. Upon Normal Retirement, a Participant shall receive a monthly Supplemental Retirement Pension calculated on a single-life basis equal to the larger of (a) or (b) below, reduced in each case by the accrued benefit (stated in the form of a single-life pension and excluding any supplements related to eligibility for a Social Security benefit) the Participant is eligible to receive under (1) either the FAP Benefit or the AB I or AB II Benefit Option, as applicable, of the NiSource Pension Plan or other Qualified Pension Plan (as such terms are defined in the respective plan) and (2) the Pension Restoration Plan.

(1) The sum of:

(a) 1.7% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 30 years; plus

(b) 0.6% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 30 years.

(2) The sum of:

(a) 3% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 20 years; plus

(b) 0.5% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 20 years, to a maximum of 30 years;

(c) less 5% of the Participant's Primary Social Security Benefit, multiplied by the Participant's Service to a maximum of 20 years.

Upon Early Retirement, a Participant shall receive a monthly Supplemental Retirement Pension in a reduced amount (as described in Section 4.3 below).

iii. Reduction for Early Retirement. A Participant who experiences a separation from Service prior to Normal Retirement, but after Early Retirement, shall receive a monthly Supplemental Retirement Pension in an amount determined in accordance with Section 4.2 above, but reduced as follows: (1) by 6% for each of the first two (2) years and 4% for each of the next five years that commencement of the Participant's Supplemental Retirement Pension precedes the date that the Participant would attain age 62; or (2) if the Participant had completed 25 years of Service at the time of his or her separation, by 6% for the first year and 4% for each of the next four years that commencement of the Participant's Supplemental Retirement Pension precedes the date that the Participant would attain age 60, with a pro rata reduction for any fraction of a year.

Payment of the Participant's monthly reduced Supplemental Retirement Pension shall normally commence within 45 days following a separation from Service, or, if later, within such timeframe permitted under Code Section 409A, and guidance and regulations thereunder. Notwithstanding the preceding sentence, a Participant may elect to defer the commencement of the portion of his or her reduced Supplemental Retirement Pension that constitutes the Pre-2005 Benefit to any date between Early Retirement and attainment of age 62 by a written election delivered to the Plan Administrator on or before the last day of the calendar year preceding the calendar year of Early Retirement. A Participant may elect to defer the commencement of the portion of his or her reduced Supplemental Retirement Pension that constitutes the Post-2004 Benefit to any date between Early Retirement and attainment of age 62 by a written election delivered to the Plan Administrator only if such election (i) constitutes a delay in payment or change in the form of payment, (ii) does not take effect until at least 12 months after the date on which the election is made, (iii) defers the first payment with respect to which such new election is effective for a period of not less than five years from the date such payment would otherwise have been made, and (iv) is not made less than 12 months prior to the date of the first scheduled payment.

iv. Separation from Service Prior to Early Retirement. Upon separation from Service prior to Early Retirement, a Participant shall receive a monthly Supplemental Retirement Pension, calculated on a single-life basis equal to the excess, if any, of the single-life pension the Participant would be eligible to receive under either the FAP Benefit option or the Account Balance Option of the NiSource Pension Plan, or any other Qualified Pension Plan, if the limitations required by Code Sections 401(a)(17) and 415, or any other limitation imposed by the Code, the limitation on bonuses to 50% of base pay and the potential limitations relating to Taxable Compensation were not applied, reduced by the single-life pension the Participant is eligible to receive under (1) either such option of the NiSource Pension Plan, or any other Qualified Pension Plan and (2) the Pension Restoration Plan.

Payment of the Pre-2005 Benefit to a Participant or his or her beneficiary in accordance with this Section shall commence on the same date as the pension under the NiSource Pension Plan or any other Qualified Pension Plan. Payment of the Post-2004 Benefit to a Participant or his or her beneficiary in accordance with this Section, shall commence within 45 days after (i) the Participant attains (or would have attained) age 62, if the Participant has not completed at least 25 years of Service, or (ii) if the Participant has completed at least 25 years of Service, the Participant attains (or would have attained) age 60, or, if later, within such timeframe permitted under Code Section 409A, and guidance and regulations thereunder.

v.Supplemental Disability Pension. If a Participant becomes Disabled while in the active employment of the Company prior to age 65, the Participant shall be eligible for a monthly Supplemental Disability Pension commencing on the date the Disability begins and continuing to the first to occur of the Participant's death or attainment of age 65, calculated on a single-life basis, and equal to the larger of (a) or (b) below, reduced in each case by the basic benefit the Participant is eligible to receive under the long-term group disability insurance coverage provided under any long term disability plan maintained by the Company or any Affiliate.

(1) The sum of:

(a) 1.7% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 30 years, plus

(b) 0.6% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 30 years.

(2) The sum of:

(a) 3% of the Participant's Final Average Compensation multiplied by the Participant's Service to a maximum of 20 years; plus

(b) 0.5% of the Participant's Final Average Compensation multiplied by the Participant's Service in excess of 20 years, to a maximum of 30 years; less

(c) 5% of the Participant's Primary Social Security Benefit, multiplied by the Participant's Service to a maximum of 20 years.

After age 65, the Participant shall be eligible for a monthly Supplemental Retirement Pension in accordance with Section 4.2, based on Service the Participant would have had if the Participant had continued working for the Company or an Affiliate to age 65, the Participant's Final Average Compensation at the time he or she became Disabled, the Primary Social Security Benefit determined at the time the Participant became Disabled, and the single-life pension the Participant is entitled to receive at age 65 from the NiSource Pension Plan, or any other Qualified Pension Plan, and the Pension Restoration Plan, determined at the time he or she became Disabled.

vi. Supplemental Spouse Pension. Upon the death of a Participant in active employment or while receiving a Supplemental Disability Pension, his or her surviving spouse, if any, shall be eligible to receive a monthly Supplemental Spouse Pension equal to the greater of:

(1) 25% of the Participant's Final Average Compensation; or

(2) the monthly amount that would have been payable to such surviving spouse if the Participant had elected payment of his or her monthly Supplemental Retirement Pension in the form of a reduced 50% joint and survivor Pension, with his or her spouse as the contingent annuitant, terminated employment (on the date of his or her actual death) and then died immediately prior to the commencement of payments.

The Supplemental Spouse Pension shall commence in the month next following the month of the Participant's death and continue for the life of such spouse. In the event that the Supplemental Spouse Pension calculated under option (a) of this Section will provide a greater benefit to the spouse immediately following the Participant's death, but option (b) of this Section will provide a greater monthly benefit as of the date the Participant would have attained age 55, the amount of monthly Supplemental Spouse Pension payable to the surviving spouse shall be: (1) calculated and payable under option (a) during the period immediately following the Participant's death; and (2) recalculated and payable according to option (b) beginning on the date the Participant would have attained age 55. Beginning on the earliest date that the surviving spouse could have begun receiving a benefit under the NiSource Pension Plan, or any other Qualified Pension Plan, the Supplemental Spouse Pension payable under this Section shall be reduced by the amount of benefit under the NiSource Pension Plan, or any other Qualified Pension Plan, and the Pension Restoration Plan that the spouse is (or would have been) entitled to receive.

vii. Retiree Death Benefit. Upon the death of a Participant who has reached Retirement (including a former Participant who reached Retirement and was paid his or her benefits under this Plan), a lump sum death benefit equal to 50% of his or her retiree group life insurance coverage shall be paid to such Participant's spouse or other beneficiaries designated with respect to such coverage. The benefit shall be paid in the month next following the month of the Participant's death.

viii. Cost of Living Adjustment. For Participants in the FAP Benefit of the NiSource Pension Plan, the benefits payable under Sections 4.2 through 4.7 shall be increased in the same percentage and at the same time as cost of living adjustments are made to the pensions of salaried employees of the Company or an Affiliate under the NiSource Pension Plan, or any other Qualified Pension Plan.

ix. Separate Agreement. Notwithstanding prior provisions pertaining to Compensation and Service, each Participant who first becomes eligible to participate in the Plan on and after January 1, 2004 and prior to January 23, 2004 shall have his or her Supplemental Retirement Pension determined based upon his or her Service and Compensation as set forth in a separate, written agreement, if any, between the Company and such Participant.

Article V.

Supplemental Retirement Account

i. Applicability. This Article V shall apply to each Participant who first participates in the Plan on and after January 23, 2004.

ii. Supplemental Retirement Account. A Participant's Supplemental Retirement Account is a notional account equal to the sum of his or her Compensation Credits, Supplemental Credits, if any, and Interest Credits. Compensation Credits shall be credited to a Participant's Supplemental Retirement Account as of the last day of each Plan Year beginning on or after January 1, 2004 equal to five percent of the Participant's Compensation for such Plan Year. Supplemental Credits, if any, shall be credited pursuant to Section 5.3. Interest Credits shall be calculated in the same manner and shall be credited to a Participant's Supplemental Retirement Account at the same time as provided under the NiSource Pension Plan or any other Qualified Pension Plan.

iii. Supplemental Credits. The Compensation Committee, subject to approval of the Board, may authorize Supplemental Credits to a Participant's Supplemental Retirement Account in such amounts and at such times, and subject to such specific terms and provisions, as authorized by the Compensation Committee.

iv. Separation from Service. Upon separation from Service, for any reason other than death, with five or more years of Service, unless a shorter period is provided in a separate, written agreement between the Company and the Participant and approved by the Plan Administrator, a Participant shall receive the balance of his or her Supplemental Retirement Account distributed in accordance with Sections 6.1 and 6.2 within 45 days after such separation from Service, or, if later, within such timeframe permitted under Code Section 409A, and guidance and regulations thereunder.

v. Death. Upon the death of a Participant prior to final distribution of his or her Supplemental Retirement Account after completing five or more years of Service, unless a shorter period is provided in a separate, written agreement between the Company and the Participant and approved by the Board, the Participant's beneficiary, designated in such manner as provided by the Plan Administrator, shall receive the balance of the Participant's Supplemental Retirement Account distributed in accordance with Sections 6.1 and 6.2. Such payment shall be made or commence within 45 days after such death.

Article VI.

Distributions

i. Pre-2005 Benefit. This Section 6.1 applies only to a Pre-2005 Benefit.

(1) Form of Payment. Notwithstanding Sections 4.2, 4.3 and 4.4, a Participant shall receive distribution of his or her Pre-2005 Benefit, pursuant to Articles IV or V, in the same form as his or her distribution under the NiSource Pension Plan,

computed in the same manner as in the NiSource Pension Plan, or under any other Qualified Pension Plan, computed in the same manner as in such Qualified Pension Plan. Any election under the NiSource Pension Plan or any other Qualified Pension Plan shall apply to his or her Pre-2005 Benefit pursuant to the preceding sentence only if it is made by written instrument delivered to the Plan Administrator at least 30 days prior to the date of such distribution. If such election is not so made at least 30 days prior to the date of distribution of his or her Pre-2005 Benefit, the Participant's Pre-2005 Benefit shall be paid as a 50% joint and survivor Pension if such Participant is married, or as a single-life Pension if such Participant is unmarried. If a Participant who makes an election pursuant to this subsection 6.1(a) at least 30 days prior to the date of distribution dies prior to distribution pursuant to such election, such election shall be revoked and the provisions of Article IV and subsection 6.1(b) shall apply.

(2) Small Benefit Amounts. At the discretion of the Plan Administrator, the present value of any Pre-2005 Benefit payable under the Plan that does not exceed $5,000 may be paid to the Participant or his or her surviving spouse or other designated beneficiary in quarterly, semi-annual or annual installments, or in a single lump sum.

ii. Post-2004 Benefit. This Section 6.2 applies only to a Post-2004 Benefit.

(1) Form of Payment. The Post-2004 Benefit shall be payable in a form available under the NiSource Pension Plan, computed in the same manner as in the NiSource Pension Plan, or under any other Qualified Pension Plan, computed in the same manner as in such Qualified Pension Plan, as elected by a Participant by written notice delivered to the Plan Administrator on or before December 31, 2005. Notwithstanding the preceding sentence, in the case of an employee who first becomes a Participant on or after January 1, 2005, the aforementioned election with respect to a Post-2004 Benefit shall be made by written notice delivered to the Plan Administrator within 30 days after the date the Participant first becomes eligible to participate in the Plan and such election shall be effective with respect to Compensation related to services to be performed subsequent to the election; provided, however, that a Participant shall not be considered first eligible if, on the date he or she becomes a Participant, he or she participates in any other nonqualified plan of the same category (account balance or nonaccount balance, as applicable), which is subject to Code Section 409A, maintained by the Company or any Affiliate. If payment in the form of an annuity is elected, the annuity type shall be elected by the Participant at the time he or she makes the election described in the first or second sentence of this paragraph from among those annuities available at that time under the NiSource Pension Plan or under any other Qualified Pension Plan. If a Participant fails to timely elect a form of distribution, the Participant's Post-2004 Benefit shall be payable in a lump sum.

If a Participant who makes an election pursuant to this subsection 6.2(a) dies prior to distribution pursuant to such election, such election shall be revoked and the provisions of Article IV and subsection 6.2(b) shall apply.

Any change in an election of a form of distribution available under the NiSource Pension Plan or any other Qualified Pension Plan shall apply to his or her Post-2004 Benefit pursuant to the preceding paragraph only if it is made by written instrument delivered to the Plan Administrator and if (i) such new election does not take effect until at least 12 months after the date on which the election is made, (ii) the first payment with respect to which such new election is effective is deferred for a period of not less than five (5) years from the date such payment would otherwise have been made, and (iii) such new election is not made less than 12 months prior to the date of the first scheduled payment; provided, however, that an election to change from one type of annuity payment to a different, actuarially equivalent, type of annuity payment shall not be considered a change to the method of payment for purposes of applying the restrictions in clauses (i), (ii) and (iii).

Notwithstanding the preceding paragraph of this Section 6.2(a), a Participant may change an election with respect to the form of payment of a Post-2004 Benefit, without regard to the restrictions imposed under the preceding paragraph, on or before December 31, 2006; provided that such election (i) applies only to amounts that would not otherwise be payable in calendar year 2006, and (ii) shall not cause an amount to be paid in calendar year 2006 that would not otherwise be payable in such year. Additionally, a Participant may change an election with respect to the form of payment of a Post-2004 Benefit, without regard to the restrictions imposed under the preceding paragraph, on or before December 31, 2007; provided that such election (i) applies only to amounts that would not otherwise be payable in calendar year 2007, and (ii) shall not cause an amount to be paid in calendar year 2007 that would not otherwise be paid in such year. Additionally, a Participant may change an election with respect to the form of payment of a Post-2004 Benefit, without regard to the restrictions imposed by the preceding paragraph, on or before December 31, 2008; provided that such election (i) applies only to amounts that would not otherwise be payable before January 1, 2009, and (ii) shall not cause an amount to be paid in calendar year 2007 or 2008 that would not otherwise be paid in such years.

(2) Specified Employees. Notwithstanding any other provision of the Plan, in no event can a payment of a Post-2004 Benefit, pursuant to Article IV or Section 5.4, to a Participant who is a Specified Employee of the Company or an Affiliate, at a time during which the Company's capital stock or capital stock of an Affiliate is publicly traded on an established securities market, in the calendar year of his or her separation from Service be made before the date that is six months after the date of the Participant's separation from Service with the Company and all Affiliates, unless such separation is due to his or her death.

A Participant shall be deemed to be a Specified Employee for purposes of this paragraph (b) if he or she is in job category C2 or above with respect to the Company or any Affiliate that employs him or her; provided that if at any time the total number of employees in job category C2 and above is less than 50, a Specified Employee shall include any person who meets the definition of Key Employee set forth in Code Section 416(i) without reference to paragraph (5). A Participant shall be deemed to be a Specified Employee with respect to a calendar year if he or she is a Specified Employee on September 30th of the preceding calendar year. If a Specified Employee will receive payments hereunder in the form of installments or an annuity, the first payment made as of the date six months after the date of the Participant's separation from Service with the Company and all Affiliates shall be a lump sum, paid as soon as practicable after the end of such six-month period, that includes all payments that would otherwise have been made during such six-month period. From and after the end of such six month period, any such installment or annuity payments shall be made pursuant to the terms of the applicable installment or annuity form of payment.

Article VII.

Change in Control

i.Change in Control. A "Change in Control" shall be deemed to take place on the occurrence of either a "Change in Ownership," "Change in Effective Control" or a "Change of Ownership of a Substantial Portion of Assets," as defined below:

(1) Change in Ownership. A Change in Ownership of the Company occurs on the date that any one person, or more than one Person Acting as a Group (as defined below), acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company. However, if any one person or more than one Person Acting as a Group, is considered to own more than 50% of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons is not considered to cause a Change in Ownership of the Company, as applicable (or to cause a Change in Effective Control of the Company). An increase in the percentage of stock owned by any one person, or Persons Acting as a Group, as a result of a transaction in which the Company acquires its stock in exchange for property s be treated as an acquisition of stock. This paragraph (a) applies only when there is a transfer of stock of the Company (or issuance of stock of the Company) and stock in the Company remains outstanding after the transaction.

(2) Change in Effective Control. A Change in Effective Control of the Company occurs on the date that either —

(a) Any one person, or more than one Person Acting as a Group, acquires (or has acquired during the 12-month period ending on the date of the most

recent acquisition by such person or persons) ownership of stock of the Company possessing 35% or more of the total voting power of the stock of the Company; or

(b) a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election,

In the absence of an event described in paragraph (i) or (ii), a Change in Effective Control of the Company will not have occurred.

Acquisition of additional control. If any one person, or more than one Person Acting as a Group, is considered to effectively control the Company, the acquisition of additional control of the Company by the same person or persons is not considered to cause a Change in Effective Control of the Company (or to cause a Change in Ownership of the Company).

(3) Change of Ownership of a Substantial Portion of Assets. A Change of Ownership of a Substantial Portion of Assets occurs on the date that any one person, or more than one Person Acting as a Group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

Transfers to a related person. There is no Change in Control when there is a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer. A transfer of assets by the Company is not treated as a Change of Ownership of a Substantial Portion of Assets if the assets are transferred to —

(a) A shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;

(b) An entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company;

(c) A person, or more than one Person Acting as a Group, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company; or

(d) An entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described in paragraph (iii).

A person's status is determined immediately after the transfer of the assets. For example, a transfer to a corporation in which the Company has no ownership interest before the transaction, but which is a majority-owned subsidiary of the Company after the transaction is not treated as a Change of Ownership of a Substantial Portion of Assets of the Company.

(4) Persons Acting as a Group. Persons shall not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time or as a result of the same public offering. However, persons shall be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

ii. Potential Change in Control. A "Potential Change in Control" shall include any of the following:

(1) The delivery to the Company by any "person," as defined in Section 13(d)(3) of The Securities Exchange Act of 1934 (the "Act"), of a statement containing the information required by Schedule 13-D under the Act, or any amendment to any such statement, that shows that such person has acquired, directly or indirectly, the beneficial ownership of (1) more than twenty percent (20%) of any class of equity security of the Company entitled to vote as a class in the election or removal from office of directors, or (2) more than twenty percent (20%) of the voting power of any group of classes of equity securities of the Company entitled to vote as a single class in the election or removal from office of directors.

(2) The Company becomes aware that preliminary or definitive copies of a proxy statement and information statement or other information have been filed with the Securities and Exchange Commission pursuant to Rule 14a-6, Rule 14c-5 or Rule 14f-1 under the Act relating to a proposed change in control of the Company.

(3) The delivery to the Company pursuant to Rule 14d-3 under the Act of a Tender Offer Statement relating to equity securities of the Company.

(4) The Board adopts a resolution to the effect that for purposes of the Plan a Potential Change in Control has occurred.

iii. Additional Service and Compensation Upon Change in Control. With respect to a Participant who, pursuant to contract with the Company, is entitled to compensation from the Company for an additional 36 months in the event that after a Change in Control the Participant's employment is terminated by the Company or an Affiliate under circumstances described in the contract, such Participant's years of Service under Article II, and Supplemental Retirement Pension under Section 4.2 or Supplemental Retirement Account under Section 5.2, as applicable, shall be calculated as if the Participant had continued in employment with the Company for an additional 36 months at the rate of Compensation in effect immediately prior to his or her employment termination; provided that, in no event shall the counting of a Participant's Compensation during this 36-month period reduce his or her Final Average Compensation figure below its highest level prior to the Participant's separation from Service.

iv. Waiver of Service and Age Requirements Upon Change in Control. A Participant who separates from service within 24 months following a Change in Control for any reason other than a termination by the Company for Good Cause, but prior to Early Retirement, shall be eligible for the Supplemental Retirement Pension specified in Section 4.2, rather than the Supplemental Retirement Pension specified in Section 4.4, commencing at Normal Retirement. Notwithstanding the previous sentence, such a Participant may elect to begin receiving the portion of his or her Supplemental Retirement Pension that constitutes his or her Pre-2005 Benefit pursuant to this Section 7.4 at any time after attaining age 55 years, subject to the reduction specified in Section 4.3. Such election shall have no effect on the distribution of his or her Post-2004 Benefit at his or her Normal Retirement Date.

v. Funding of Plan Benefits Upon Potential Change in Control. Upon a Potential Change in Control, the Plan Administrator shall identify the amount by which the present value of all benefits earned to date under the Plan (after offsets) exceeds the then fair market value of the applicable Trust assets, calculated using the Pension Benefit Guaranty Corporation immediate annuity interest rate as of the date of the Potential Change in Control, the 1983 GAM mortality tables, and the most valuable optional payment form (the "Full Funding Amount"), and the Company shall contribute such Full Funding Amount to the Trust. Each Participant's benefits for purposes of calculating present value shall be the highest benefit the Participant would have under the Plan within the six months following a Potential Change in Control, assuming that the Participant's employment continues for six months at the same rate of Compensation, and that the Participant receives any benefit enhancement provided by the Plan, or any other agreement, upon a Change in Control.

vi. Plan Administration and Amendment Upon a Change in Control. Upon and after a Change in Control, the Company no longer shall have the power to appoint or remove members of the Benefits Committee or Compensation Committee, nor the power to approve legal counsel or actuaries employed by such committees. Upon and after a Change in Control, only the respective committee members shall have the power to appoint or remove members. If, at any time after a Change in Control, all members of the Benefits Committee or Compensation Committee have been removed or resigned, then all of the powers, rights and duties vested in such committee by Article IX below shall be vested in the trustee of the Trust.

vii. Plan Administrator Discretion to Pay Lump Sum After a Change in Control. Upon and after a Change in Control, the Plan Administrator may, in its sole discretion, distribute, or cause the trustee under the Trust to distribute, to a Participant or a surviving spouse, the present value (determined in accordance with the assumptions in Section 12.11) of the Participant's Pre-2005 Benefit, or the portion of Supplemental Disability Pension or the surviving spouse's Supplemental Spouse Pension attributable to his or her Pre-2005 Benefit, payable under the Plan in a lump sum payment. The Plan Administrator shall distribute, or cause the trustee under the Trust to distribute, the present value of the Participant's Post-2004 Benefit.

viii. Lump Sum Election. Each calendar year, a Participant shall have the right to elect to receive the present value (determined in accordance with the assumptions in Section 12.11) of the portion of the Participant's Supplemental Retirement Pension, the balance of the Participant's Supplemental Retirement Account, or the Participant's Supplemental Disability Pension that constitutes the Participant's Pre-2005 Benefit, in a lump sum if:

(1) a Change in Control occurs in the calendar year subsequent to the calendar year in which the election is made; and

(2) (1) within 24 months following the Change in Control any one of the payment triggering conditions set forth in the Change in Control and Termination Agreement between the Company and the Participant shall have occurred; or

(a) if no Change in Control and Termination Agreement is in effect between the Company and the Participant on the date of the Change in Control and within 24 months following the Change in Control the employment of the Participant with the Company is terminated by the Company for any reason other than Good Cause or the Participant terminates his or her employment with the Company for Good Reason.

Such election shall be irrevocable for the calendar year to which it applies. A distribution pursuant to this Section shall be made as soon as practicable following the Participant's separation from Service. Notwithstanding the preceding provisions of this Section, a Participant had the right to make the election set forth in this Section at any time during the first three (3) months of calendar year 2003 with respect to a Change in Control that occurred during the last nine (9) months of calendar year 2003. Any such election was irrevocable for calendar year 2003 and was subject to the other provisions of this Section.

ix. Definitions.

(1) "Good Cause" shall be deemed to exist if, and only if:

(a) the Participant engages in acts or omissions constituting dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing or malfeasance, in each case that results in substantial harm to the Company; or

(b) the Participant is convicted of a criminal violation involving fraud or dishonesty.

(2) "Good Reason" shall be deemed to exist if, and only if:

(a) there is a significant change in the nature or the scope of the Participant's authorities or duties;

(b) there is a significant reduction in the Participant's monthly rate of base salary, his or her opportunity to earn a bonus under an incentive bonus compensation plan maintained by the Company or his or her benefits; or

(c) the Company changes by 100 miles or more the principal location in which the Participant is required to perform services.

Article VIII.

Beneficiary Designation

i. Beneficiary Designation. Each Participant shall have the right, at any time, to designate one or more persons or an entity as Beneficiary (both primary as well as secondary) to whom benefits under the Plan shall be paid in the event of the Participant's death prior to complete distribution of the Participant's interest under the Plan. Each Beneficiary designation shall be in a written form prescribed by the Benefits Committee and shall be effective only when filed with the Benefits Committee during the Participant's lifetime.

If the Participant designates multiple beneficiaries, he or she shall designate the percentage, in whole numbers, allocated to each such beneficiary.

ii. Changing Beneficiary. Any Beneficiary designation may be changed by a Participant without the consent of the previously named Beneficiary by the filing of a new designation with the Benefits Committee. The filing of a new designation shall cancel all designations previously filed.

iii. No Beneficiary Designation. If any Participant fails to designate a beneficiary in the manner provided above, if the designation is void or if the beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's beneficiary shall be the person in the first of the following classes in which there is a survivor:

(1) The Participant's spouse;

(2) The Participant's children in equal shares, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take, by right of representation, the share the parent would have taken if living;

(3) The Participant's estate.

Article IX.

Plan Administration

i. Allocation of Duties to Committees. The Plan shall be administered by the Benefits Committee, as delegated by the Compensation Committee. The Benefits Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration, except as otherwise reserved to the Compensation Committee herein, or by resolution or charter of the respective committees. Members of the Benefits Committee may be Participants under the Plan.

In its discretion, the Plan Administrator may delegate to any division or department of the Company the discretionary authority to make decisions regarding Plan administration, within limits and guidelines from time to time established by the Plan Administrator. The delegated discretionary authority shall be exercised by such division or department's senior officer, or his/her delegate. Within the scope of the delegated discretionary authority, such officer or person shall act in the place of the Plan Administrator and his/her decisions shall be treated as decisions of the Plan Administrator.

ii. Agents. The Plan Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

iii. Information Required by Plan Administrator. The Company shall furnish the Plan Administrator with such data and information as the Plan Administrator may deem necessary or desirable in order to administer the Plan. The records of the Company as to an employee's or Participant's period or periods of employment, separation from Service and the reason therefore, reemployment and Compensation will be conclusive on all persons unless determined to the Plan Administrator's satisfaction to be incorrect. Participants and other persons entitled to benefits under the Plan also shall furnish the Plan Administrator with such evidence, data or information as the Plan Administrator considers necessary or desirable to administer the Plan.

iv. Binding Effect of Decisions. Subject to applicable law, and the provisions of Article X, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Benefits Committee and/or the Compensation Committee (or any duly authorized delegate of either such committee) and made in good faith shall be binding on all persons.

Article X.

Claims Procedure

i. Claim. Claims for benefits under the Plan shall be made in writing to the Plan Administrator. The Plan Administrator shall establish rules and procedures to be followed by Participants and Beneficiaries in filing claims for benefits, and for furnishing and verifying proof

necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article.

ii.Review of Claim. The Plan Administrator shall review all claims for benefits. Upon receipt by the Plan Administrator of such a claim, it shall determine all facts that are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within 90 days of receipt of such claim. If prior to the expiration of the initial 90 day period, the Plan Administrator determines additional time is needed to come to a determination on the claim, the Plan Administrator shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of 180 days from the date the application was received. If the Plan Administrator fails to notify the claimant in writing of the denial of the claim within 90 days after the Plan Administrator receives it, the claim shall be deemed denied.

iii.Notice of Denial of Claim. If the Plan Administrator wholly or partially denies a claim for benefits, the Plan Administrator shall, within a reasonable period of time, but no later than 90 days after receiving the claim (unless extended as provided above), notify the claimant in writing of the denial of the claim. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall in all respects comply with the requirements of ERISA, including but not limited to inclusion of the following:

(1) the specific reason or reasons for denial of the claim;

(2) a specific reference to the pertinent Plan provisions upon which the denial is based;

(3) a description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

(4) an explanation of the Plan's review procedure.

iv.Reconsideration of Denied Claim. Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or within 60 days after the claim is deemed denied as set forth above, if applicable, the claimant or duly authorized representative may file a written request with the Benefits Committee that it conduct a full and fair review of the denial of the claimant's claim for benefits. If the claimant or duly authorized representative fails to request such a reconsideration within such 60 day period, it shall be conclusively determined for all purposes of the Plan that the denial of such claim by the Benefits Committee is correct. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review documents relevant to the benefit claim and may submit issues and comments in writing.

The Benefits Committee shall render a decision on the claim appeal promptly, but not later than 60 days after receiving the claimant's request for review, unless, in the discretion of the Benefits Committee, special circumstances require an extension of time for processing, in which case the 60-day period may be extended to 120 days. The Benefits Committee shall notify

the claimant in writing of any such extension. The notice of decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his duly authorized representative notifies the Benefits Committee within 90 days after the mailing or delivery to the claimant by the Benefits Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Benefits Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery.

Article XI.

Plan Amendment and Termination

i.Plan Amendment. The Compensation Committee or the Board shall have the authority to amend the Plan. The Compensation Committee or the Board shall have the exclusive authority to amend the Plan regarding eligibility for the Plan, the amount or level of benefits awarded under the Plan, and the time and form of payments for benefits from the Plan. In addition, the Compensation Committee or the Board shall also have the exclusive authority to make amendments that constitute a material increase in compensation, any change requiring action or consent by a committee of the Board pursuant to the rules of the Securities and Exchange Commission, the New York Stock Exchange or other applicable law, or such other material changes to the Plan such that approval of the Board is required. Unless otherwise determined by the Compensation Committee, the Benefits Committee shall have the authority to amend the Plan in all respects that are not exclusively reserved to the Compensation Committee or the Board.

The respective committee may at any time amend the Plan by written instrument, notice of which is given to all Participants, and to Beneficiaries receiving installment payments. Notwithstanding the preceding sentence, no amendment shall reduce the amount accrued in any Account prior to the date such notice of the amendment is given.

ii.Plan Termination. The Compensation Committee or the Company may terminate the Plan at any time, except that any benefits that are payable due to a Retirement, death, Disability, or other separation from Service occurring prior to the amendment or termination shall not be reduced or discontinued. No amendment or termination of the Plan shall directly or indirectly deprive any current or former Participant (or surviving spouse) of all or any portion of any Supplemental Retirement Benefit, Supplemental Disability Pension, Supplemental Spouse Pension, or Supplemental Retirement Account, the payment of which has commenced prior to the effective date of such amendment or termination, or which would be payable if the Participant experienced a separation from Service for any reason on such effective date.

Article XII.

Miscellaneous

i. Plan Financing. Except as set forth below in this Section and in Section 7.5, benefits under the Plan shall be paid from the general assets of the Company. To the extent any Participant or surviving spouse or other designated beneficiary acquires a right to receive payments hereunder, such right shall be no greater than the right of any other unsecured creditor of the Company. Notwithstanding the foregoing, the Company has entered into a trust agreement ("Trust Agreement") whereby the Company agrees to contribute to a trust ("Trust") for the purpose of accumulating assets to assist the Company in fulfilling its obligations to Participants and surviving spouses or other designated beneficiaries hereunder. Such Trust includes the provision that all assets of the Trust shall be subject to the creditors of the Company in the event of its insolvency.

ii. Non-Compete and Related Provisions. Benefits under the Plan may be forfeited if:

(1) A Participant, while employed by the Company or within a period of three years after the Participant's separation from Service for any reason, including Retirement (the "Restrictive Period"), engages in activity or employment that directly or indirectly competes with the business of the Company or its Affiliates, including, but not by way of limitation, by directly or indirectly owning, managing, operating, controlling, financing, or by directly or indirectly serving as an employee, officer or director of or consultant to, or by soliciting or inducing, or attempting to solicit or induce, any employee or agent of the Company or its Affiliates to terminate employment with the Company or its Affiliates, and become employed by, any person, firm, partnership, corporation, trust or other entity that provides commodities, products or services to customers of the Company or its Affiliates of the same type as commodities, products or services provided by the Company or its Affiliates (the "Restrictive Covenant"). The foregoing Restrictive Covenant shall not prohibit a Participant from owning directly or indirectly capital stock or similar securities which are listed on a securities exchange or quoted on the National Association of Securities Dealers Automated Quotation System which do not represent more than 1% of the outstanding capital stock of any such entity; or

(2) A Participant performs any action or makes any statement that is detrimental to the Company or its Affiliates, unless such action or statement is retracted to the Company's satisfaction after the Participant is notified regarding such action or statement.

iii. Nonguarantee of Employment. Participation in the Plan does not limit the right of the Company or an Affiliate to discharge any individual with or without cause.

iv. Nonalienation of Benefits. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer,

hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof or rights to, which are expressly declared to be unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Notwithstanding the preceding paragraph, the benefit of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Plan Administrator shall provide for payment in a lump sum from a Participant's benefit to an alternate payee (as defined in Code Section 414(p)(8)) as soon as administratively practicable following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of a benefit that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

v. Indemnification.

(1) Limitation of Liability. Notwithstanding any other provision of the Plan or the Trust, none of the Company, any member of the Benefits Committee or Compensation Committee, nor an individual acting as an employee or agent of any of them, shall be liable to any Participant or former Participant, or any surviving spouse or other designated beneficiary of any Participant or former Participant, for any claim, loss, liability or expense incurred in connection with the Plan or the Trust, except when the same shall have been judicially determined to be due to the willful misconduct of such person.

(2) Indemnity. The Company shall indemnify and hold harmless each member of the Benefits Committee and the Compensation Committee, or any employee of the Company or any individual acting as an employee or agent of either of them (to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement with respect to the Plan or the Trust) from any and all claims, losses, liabilities, costs and expenses (including attorneys' fees) arising out of any actual or alleged act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto with respect to the administration of the Plan or the Trust, except that no indemnification or defense shall be provided to any person with respect to any conduct that has been judicially determined, or agreed by the parties, to have constituted willful misconduct on the part of such person, or to have resulted in his or her receipt of personal profit or advantage to which he or she is not entitled. In connection with the indemnification provided by the preceding sentence, expenses incurred in defending a civil or criminal action, suit or proceeding, or incurred in connection with a civil or criminal investigation, may be paid by the Company in advance of the final disposition of such action, suit, proceeding, or investigation, as authorized by the Plan

Administrator in the specific case, upon receipt of an undertaking by or on behalf of the party to be indemnified to repay such amount unless it shall ultimately be determined that the person is entitled to be indemnified by the Company pursuant to this paragraph.

vi. Severability. Each of the Sections contained in the Plan, and each provision in each Section, shall be enforceable independently of every other Section or provision in the Plan, and the invalidity or unenforceability of any Section or provision shall not invalidate or render unenforceable any other Section or provision contained herein. If any Section or provision in a Section is found invalid or unenforceable, it is the intent of the parties that a court of competent jurisdiction shall reform the Section or provision to produce its nearest enforceable economic equivalent.

vii. Action by Company. Any action required of, or permitted by, the Company under the Plan shall be by resolution of the respective committee identified herein, or by a person or persons authorized by resolution of the such committee.

viii. Protective Provisions. A Participant shall cooperate with the Company by furnishing any and all information requested by the Company and its Affiliates in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Company and its Affiliates may deem necessary and taking such other action as may be requested by the Company and its Affiliates.

ix. Governing Law. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Indiana, except as preempted by federal law.

x. Notice. Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed as given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Plan Administrator shall be directed to the Company's address. Mailed notice to a Participant, a surviving spouse or other designated beneficiary shall be directed to the individual's last known address in the Company's records.

xi. Successors. The provisions of the Plan shall bind and inure to the benefit of the Company, its Affiliates and their successors and assigns. The term successors as used herein shall include any corporate or other business entity that shall, whether by merger, consolidation, purchase, or otherwise, acquire all or substantially all of the business and assets of the Company, and successors of any such corporation or other business entity.

xii. Actuarial Assumptions. Unless otherwise provided in the Plan, all actuarial adjustments necessary to determine the amount, form or timing of any distribution shall be based on the same actuarial assumptions used for the pension a Participant is eligible to receive under the NiSource Pension Plan.

xiii. Tax Savings.

(1) Notwithstanding anything to the contrary contained in the Plan, (1) in the event that the Internal Revenue Service prevails in its claim that benefits under the Plan constitute taxable income to a Participant, his or her spouse or other designated beneficiary, for any taxable year, prior to the taxable year in which such benefits are distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company and the applicable Participant, his or her spouse or other designated beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the Pre-2005 Benefit, to the extent constituting taxable income, shall be immediately distributed to the Participant, his or her spouse or other designated beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or, if based upon an opinion of legal counsel satisfactory to the Company and the Participant, his or her spouse or other designated beneficiary, the Plan fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

(2) Notwithstanding anything to the contrary contained in the Plan, (1) in the event that the Internal Revenue Service prevails in its claim that benefits under the Plan constitute taxable income under Code Section 409A, and guidance and regulations thereunder, to a Participant, his or her spouse or other designated beneficiary, for any taxable year prior to the taxable year in which such benefits are distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company and the applicable Participant, his or her spouse or other designated beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the Post-2004 Benefit or Supplemental Spouse Pension, to the extent constituting taxable income, shall be immediately distributed to the Participant, his or her spouse or other designated beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or, if based upon an opinion of legal counsel satisfactory to the Company and the Participant, his or her spouse or other designated beneficiary, the Plan fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

[signature block follows on next page]

IN WITNESS WHEREOF, the Company has caused this amendment and restatement of the NiSource Inc. Supplemental Executive Retirement Plan to be executed in its name by its duly authorized officer, effective as of November 1, 2020.

NISOURCE INC.

By:

Its:

Date:

i.

History of the Plan

Northern Indiana Public Service Company adopted the Northern Indiana Public Service Company Supplemental Executive Retirement Plan effective as of December 23, 1982. The Plan was amended as of January 1, 1989. The Plan was subsequently adopted by NIPSCO Industries, Inc., the successor to Northern Indiana Public Service Company, effective as of January 1, 1991. The Plan was amended and restated, effective January 1, 1993 and September 1, 1994. Effective June 1, 2002, NiSource Inc., the parent company of NIPSCO Industries, Inc., assumed sponsorship of the Plan and the Plan was further amended and restated to make administrative and technical changes. The Plan was further amended, effective January 1, 2004, to reflect changes in the structure of benefits under the Plan. The Plan was again amended and restated, effective January 1, 2005, to comply with Internal Revenue Code Section 409A with respect to benefits earned under the Plan from and after January 1, 2005. Benefits under the Plan earned and vested prior to January 1, 2005 shall be administered without giving effect to Code Section 409A, and guidance and regulations thereunder. The Plan was again amended and restated, effective January 1, 2008, to incorporate special transition relief under Internal Revenue Service Notice 2007-86 to allow Participants to elect to change the time and form of payment of certain Post-2004 Benefits. The Plan was further amended and restated, effective January 1, 2010, to clarify how certain supplemental death benefits will be paid to Participants who have reached Retirement. The Plan was further amended and restated effective May 13, 2011 to transfer all administrative authority with respect to the Plan (including the authority to render decisions on claims and appeals and make administrative or ministerial amendments) from the Compensation Committee to the Benefits Committee. The Plan was amended and restated again, effective August 10, 2017, to revise the procedures for determining Disability under the Plan.

The Plan is amended and restated again, effective November 1, 2020 to clarify matters relating to the Compensation Committee and certain other matters.

Exhibit 10.5

PENSION RESTORATION PLAN

FOR NISOURCE INC. AND AFFILIATES

As Amended and Restated Effective November 1, 2020

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PENSION RESTORATION PLAN

FOR NISOURCE INC. AND AFFILIATES

As Amended and Restated Effective November 1, 2020

Article I.

BACKGROUND AND PURPOSE

i. **Background**. The Pension Restoration Plan for NiSource Inc. and Affiliates is maintained to provide deferred compensation for a select group of management or highly compensated employees of NiSource Inc. and participating affiliates. The history of the Plan's amendments and restatements is attached as Exhibit A.

ii. **Purpose**. The purpose of the Plan is to provide for the payment of pension restoration benefits to employees of the Employer, whose benefits under the Basic Plans are subject to the Limits, or affected by deferrals into the DCP, so that the total pension benefits of such employees will be determined on the same basis as is applicable to all other employees of the Employer. The Plan is adopted solely (1) for the purpose of providing benefits to Participants in the Plan and their Beneficiaries in excess of the Limits imposed on qualified plans by Code Sections 415 and 401(a)(17), and any other Code Sections, by restoring benefits to such Plan Participants and Beneficiaries that are not available under the Basic Plans as a result of the Limits, and (2) for the purpose of restoring benefits to Plan Participants and Beneficiaries that are no longer available under the Basic Plans as a result of the Participant's deferrals into, the DCP. The provisions of the Plan as stated herein apply only to Participants who actively participate in the Plan on or after the Effective Date. Any Participant who retired or otherwise terminated employment with the Company and Affiliates prior to the Effective Date shall have his or her rights determined under the provision of the Plan, as it existed when his or her employment relationship terminated.

Article II.

DEFINITIONS

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Except when otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminology shall include the plural. The headings of Articles and Sections are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

i. **AB Account**. The hypothetical account created for a Participant under the Plan who has an AB Benefit under a Basic Plan.

ii. **AB Benefit**. A Participant's AB I Benefit or AB II Benefit that is accrued for the benefit of the Participant under a Basic Plan.

iii. **Affiliate**. Any corporation that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that includes the Company; any trade or business (whether or not incorporated) that is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; any leasing organization, to the extent that its employees are required to be treated as if they were employed by the Company pursuant to Code Section 414(n) and the regulations thereunder; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). An entity shall be an Affiliate only with respect to the existing period as described in the preceding sentence.

iv. **Basic Plans**. The tax-qualified defined benefit retirement plan(s) maintained by the Company and Affiliates listed on Exhibit B, attached hereto.

v. **Beneficiary**. The person, persons or entity entitled to receive any plan benefits payable after a Participant's death.

vi. **Benefits Committee**. The NiSource Benefits Committee.

vii. **Code**. The Internal Revenue Code of 1986, as amended.

viii. **Company**. NiSource Inc., a Delaware corporation.

ix. **Compensation Committee**. The Compensation Committee of the Board of Directors of the Company.

x. **DCP**. The Columbia Energy Group Deferred Compensation Plan, on or prior to December 31, 2003, and, thereafter, the NiSource Inc. Executive Deferred Compensation Plan.

xi. **Disability**. A condition that (a) causes a Participant, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, to receive income replacement benefits for a period of not less than three months under an accident and health plan covering Employees of the Company or an Affiliate or (b) causes a Participant to be eligible to receive Social Security disability payments.

xii. **Effective Date**. November 1, 2020, the date on which this amendment and restatement of the Plan is effective.

xiii. **Employee**. Any individual who is employed by an Employer on a basis that involves payment of salary, wages or commissions.

xiv. **Employer**. The Company or any Affiliate who maintains or adopts for its Eligible Employees a Basic Plan.

xv. **ERISA**. The Employee Retirement Income Security Act of 1974, as amended.

xvi. **Limits**. The limits imposed on the payment, accrual or calculation of tax-qualified retirement plans by Code Sections 415 and 401(a)(17) and any other Code Sections.

xvii. **Participant**. Any Employee who is participating in the Plan in accordance with its provisions.

xviii. **Plan**. The Pension Restoration Plan for NiSource Inc. and Affiliates (formerly known as the Pension Restoration Plan for the Columbia Energy Group, formerly known as the Pension Restoration Plan for The Columbia Gas System, Inc.), as set forth herein.

xix. **Plan Administrator**. The Benefits Committee or such delegate of the Benefits Committee delegated to carry out the administrative functions of the Plan.

Article III.

PARTICIPATION AND BENEFIT ACCRUAL

i. **Eligibility for Participation and Accrual of Benefit**. Except as provided in Section 3.2 below, each Employee of an Employer shall be eligible to participate in the Plan as of the date he or she is eligible to participate in a Basic Plan. For purposes of accruing a benefit under the Plan, each employee shall be eligible to accrue a benefit under the Plan for any plan year in which his or her benefits under a Basic Plan are affected by the Limits or by his or her deferrals under the DCP.

The Compensation Committee (or its delegate) shall determine the eligibility of each Employee to participate in the Plan based on information furnished by the Employer. Such determination shall be within the discretion of the Plan Administrator (or its delegate) and shall be conclusive and binding upon all persons as long as such determination is made pursuant to the Plan and applicable law.

ii. **Special Provisions for Participants with Basic Plan Benefits Accrued Prior to 2004.**

(1) Eligibility. As set forth in Exhibit A, prior to January 1, 2004, only Employees of Columbia Energy Group (or its predecessor) who had benefits under a Basic Plan affected by the Limits, or by his or her deferrals under the DCP, participated in the Plan. Pursuant to the extension of participation in the Plan as explained in Exhibit A, on or after January 1, 2004, each Employee meeting the participation requirements set forth in Section 3.1 shall participate in the Plan as of January 1, 2004, and shall be eligible to accrue a benefit under the Plan as of such date or, if later, as of the date that an Employee's benefits under a Basic Plan are affected by the Limits or by his or her deferrals under the DCP.

(2) Benefit Accrual. With respect to any Participant who was first eligible to participate in the Plan on January 1, 2004 in accordance with this Section, but

who had accrued benefits under a Basic Plan prior to such date, such Participant shall have benefits under the Plan calculated in accordance with the Plan's general provisions, except that the Plan shall only consider the Participant's Credited Service, Point Service, Compensation or Accrued Benefit under the Basic Plan earned on or after the date participation in the Plan begins *(i.e.,* January 1, 2004), as further described in Section 4.2, Section 4.4(b), Section 4.5(b) Section 4.6(b) and Section 4.7(b).

iii.**Service Crediting**. A Participant's service used under the Basic Plan for purposes of determining eligibility for any retirement benefit shall also be used for similar purposes under the Plan. For any Participant described in Section 3.2, the Plan shall only consider such Participant's Credited Service (or, if applicable, Point Service) as of the date of participation in the Plan for purposes of calculating the benefit under the Plan; however, the Plan shall continue to consider such Participant's Credited Service (or, if applicable, Point Service) under the Basic Plan for purposes of determining early retirement eligibility or the application of the Pay-Based Credit scale for the Participant as described in Section 4.6.

Article IV.

DETERMINATION OF BENEFIT AMOUNT

i.**Amount of Benefit - General Principle**. The benefit payable under the Plan to a Participant (or to his or her Beneficiary under a Basic Plan) shall be equal to the excess (if any) of the benefit determined under subsection (a) below over the benefit determined under subsection (b) below:

(1) The benefit that would have been payable under a Basic Plan to a Participant, or to his or her Beneficiary, determined under a Basic Plan without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(2) The benefit actually payable to the Participant, or to his or her Beneficiary, determined under a Basic Plan after applying the Limits and considering deferrals into the DCP, if any.

To the extent that the AB Benefit provisions of the Basic Plan apply to a Participant, such Participant shall have an AB Account created and shall have his or her benefit under the Plan calculated in accordance with the provisions of this Article IV. Specifically, such Participant shall be subject to the conversion, Opening Balance, Pay-Based and Interest Credits and Protected Benefit provisions provided under this Article.

ii.**Amount of Benefit For Participant Who Accrued a Benefit under a Basic Plan Prior to Participating in the Plan on January 1, 2004**. Notwithstanding the foregoing, the calculation of the benefit payable under Section 4.1 above shall be limited for any Participant described in Section 3.2. For such Participants, the benefit payable under the Plan shall be determined as follows:

(1) FAP Participant. For a Participant whose Accrued Benefit under a Basic Plan is a FAP Benefit, the benefit payable under the Plan to the Participant, or to his or her Beneficiary under the Basic Plan, shall be equal to the excess (if any) of the benefit determined under paragraph (1) below over the benefit determined under paragraph (2) below:

(a) The benefit that would have been payable under a Basic Plan to a Participant, or to his or her Beneficiary determined under a Basic Plan, considering only the Participant's Credited Service and Compensation from and after the date the Participant first becomes eligible to participate in the Plan, determined without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(b) The benefit actually payable to the Participant, or to his or her Beneficiary determined under a Basic Plan, calculated based upon the Participant's Credited Service and Compensation from and after the date the Participant first becomes eligible to participate in the Plan, determined after applying the Limits and considering deferrals into the DCP, if any.

(2) AB Participant. For a Participant whose Accrued Benefit under a Basic Plan is an AB Benefit, the benefit payable under the Plan to the Participant, or to his or her Beneficiary under a Basic Plan, shall be equal to the excess (if any) of the benefit determined under paragraph (1) below over the benefit determined under paragraph (2) below:

(a) The benefit that would have been payable under a Basic Plan to a Participant or his or her Beneficiary, determined as if the Participant's Opening Balance under the Basic Plan was $0 as of the date the Participant first becomes eligible to participate in the Plan, and considering only the Participant's Pay-Based Credits, Interest Credits and Compensation from and after such date, and determined without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(b) The benefit actually payable under a Basic Plan to the Participant, or to his or her Beneficiary, determined as if the Participant's Opening Balance under the Basic Plan was $0 as of the date the Participant first becomes eligible to participate in the Plan, and considering only the Participant's Pay-Based Credits, Interest Credits and Compensation from and after such date, and determined after applying the Limits and considering deferrals into the DCP, if any.

iii. **Form of Benefit Accrual**. The form of benefit accrual for a Participant in the Plan shall be the form of benefit accrual applicable for such Participant under the relevant Basic Plan.

iv. **Conversion of Benefits.**

(1) In General. Upon the conversion of any Participant's Accrued Benefit in a Basic Plan from a FAP Benefit to an AB II Benefit or from an AB I Benefit to an AB II Benefit, any benefit under the Plan shall, except as provided below, also be converted upon such date according to the conversion procedures set forth in the relevant Basic Plan, including determination of an Opening Balance.

(2) Exception to the General Provision. Notwithstanding the foregoing, with respect to any Participant in the Plan who is described in Section 3.2, such Participant's benefit under the Plan shall be converted according to the conversion procedures in the relevant Basic Plan, provided that any consideration of Credited Service and Compensation in the calculation of the Participant's Opening Balance shall be limited to Credited Service and Compensation earned from and after the date the Participant first becomes eligible to participate in the Plan.

v. **Opening Balance**. For purposes of determining the Opening Balance for Participants in the Plan, the following provisions shall apply:

(1) In General. The Opening Balance shall be calculated using the same methodology and factors as provided in the relevant Basic Plan. The Opening Balance under the Plan shall be determined as the excess of the Opening Balance determined in (1) below over the Opening Balance determined in (2) below:

(a) The Participant's Opening Balance under the Basic Plan determined without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(b) The Participant's Opening Balance under the Basic Plan determined after applying the Limits and considering deferrals into the DCP, if any.

(2) Exception to the General Provision. For the purpose of determining the Opening Balance for any Participant in the Plan who is described in Section 3.2, the Opening Balance under the Plan shall be determined in accordance with Section 4.5(a) above, but considering a calculation of the Opening Balance under the Basic Plan using only the Participant's Credited Service (or, if applicable, Point Service) and Compensation from and after the date the Participant first becomes eligible to participate in the Plan.

vi. **Pay-Based Credits and Interest Credits**. For purposes of determining Pay-Based Credits and Interest Credits under the Plan, the following provisions shall apply:

(1) Pay-Based Credits Generally. Pay-Based Credits under the Plan shall be calculated using the same methodology and factors as provided in the relevant Basic Plan. Pay-Based Credits under the Plan shall be determined as the excess of the Pay-Based Credits determined in (1) below over the Pay-Based Credits determined in (2) below:

(a) The Participant's Pay-Based Credits under the Basic Plan determined without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(b) The Participant's Pay-Based Credits under the Basic Plan determined after applying the Limits and considering deferrals into the DCP, if any.

(2) Exception to the General Pay-Based Credits Provision. For the purpose of determining the Pay-Based Credits for any Participant in the Plan who is described in Section 3.2, the Pay-Based Credits under the Plan shall be determined in accordance with Section 4.6(a) above, but considering a calculation of Pay-Based Credits under the Basic Plan using only Compensation from and after the date the Participant first becomes eligible to participate in the Plan.

(3) Interest Credits. Interest Credits under the Plan shall be calculated using the same methodology and factors as provided in the relevant Basic Plan.

vii. **Protected Benefit**. Effective for any Participant terminating employment with the Employer on or after January 1, 2011, the benefit payable under the Plan may never be less than the benefit set forth in this section. For purposes of determining the Protected Benefit under the Plan, the following provisions shall apply:

(1) Protected Benefit Generally. The Protected Benefit under the Plan shall be calculated using the same methodology and factors as provided in the relevant Basic Plan. The Protected Benefit under the Plan shall be determined as the excess of the benefit determined in (1) below over the benefit determined in (2) below:

(a) The Protected Benefit under the Basic Plan for the Participant, or for his or her Beneficiary, determined without regard to (i) the Limits or (ii) the Participant's deferrals into the DCP, if any.

(b) The Protected Benefit under the Basic Plan for the Participant, or for his or her Beneficiary, determined after applying the Limits and considering deferrals into the DCP, if any.

In accordance with the methodology provided in the applicable Basic Plan, a Participant with an AB Benefit shall be entitled to benefit under the Plan equal to the greater of (1) the AB Account under the Plan or (2) the sum of the AB Account under the Plan (determined without regard to the Opening Balance calculation) *plus* the portion of the FAP Benefit that is calculated in accordance with the Plan as of the date of conversion to the AB Benefit as set forth in Section 4.4.

(2) Exception to the General Protected Benefit Provision. For the purpose of determining the Protected Benefit for any Participant in the Plan who is described

in Section 3.2, the Protected Benefit under the Plan shall be determined in accordance with Section 4.7 above, but considering calculation of the Protected Benefit under the Basic Plan using only Credited Service and Compensation from and after the date the Participant first becomes eligible to participate in the Plan.

Article V.

TIME AND METHOD OF PAYMENT OF BENEFIT

i. **Method of Payment.**

(1) The benefit earned under the Plan shall be payable to a Participant in a form available under the Basic Plan, as elected by the Participant by notice delivered to the Plan Administrator on or before December 31, 2005. Notwithstanding the preceding sentence, in the case of an Employee who becomes a Participant on or after January 1, 2005, the aforementioned election with respect to a benefit shall be made no later than January 31 of the calendar year after the calendar year in which the Participant first becomes eligible to participate in the Plan, and such election shall be effective with respect to Compensation related to services to be performed subsequent to the election; provided, however, that a Participant shall not be considered first eligible if, on the date he or she becomes a Participant, he or she participates in any other nonqualified plan of the same category that is subject to Code Section 409A, maintained by the Company or an Affiliate.

(2) If payment in the form of an annuity is elected, the annuity type shall be elected by the Participant at the time he or she makes the election described in the first or second sentence of subsection (a) above from among those annuities available at that time under the Basic Plan. If a benefit hereunder is paid in an annuity form other than a straight life annuity, the amount of the benefit under the Plan shall be reduced by the Basic Plan's factors in effect at the time of such election for payment in a form other than a straight life annuity. If payment in the form of a lump sum is elected, the lump sum amount payable will be calculated in the same manner and according to the same interest rates and mortality tables as under the Basic Plan at the time of such election.

(3) If the Participant fails to timely elect a form of payment as required under subsections (a) and (b) above, the Participant's benefit shall be payable in a lump sum.

ii. **Timing of Payment**.

(1) Subject to Section 5.4 hereof, a benefit payable in accordance with Section 5.1 will commence within 45 days after: (i) if the Participant qualifies for Early Retirement under a Basic Plan, when the Participant separates from service, or (ii) if the Participant does not qualify for Early Retirement under a Basic Plan, the later of when the Participant separates from service or attains (or would have

attained) age 65, or, if later, within such timeframe permitted under Code Section 409A, and guidance and regulations thereunder.

(2) Automatic Cash-Out. Subject to Section 5.4 of the Plan and notwithstanding any other provision in the Plan, if the benefit payable to a Participant under the Plan at the time distribution begins, when combined with the benefits payable to the Participant under all other arrangements that are required to be considered a single nonqualified deferred compensation plan under Code Section 409A and applicable guidance thereunder, does not exceed the applicable dollar limit under Code Section 402(g)(1)(B), the Employer shall distribute the Participant's Plan benefit (and the Participant's entire interest under any other arrangement that is required to be aggregated with this Plan under Code Section 409A). The form of payment shall be a single lump sum.

iii. **Changes to the Form of Payment**. A Participant cannot change the form of payment of a benefit elected under Section 5.1 or this Section 5.3 unless (i) such election does not take effect until at least 12 months after the date on which the election is made, (ii) in the case of an election related to a payment not due to the Participant's Disability or death, the first payment with respect to which such new election is effective is deferred for a period of not less than five years from the date such payment would otherwise have been made, and (iii) any election related to a payment based upon a specific time or pursuant to a fixed schedule may not be made less than 12 months prior to the date of the first scheduled payment; provided, however, that an election to change from one type of annuity payment to a different, actuarially equivalent, type of annuity payment shall not be considered a change to the form of payment for purposes of applying the restrictions in clauses (i), (ii) and (iii).

Notwithstanding the preceding paragraphs of this Section 5.3, a Participant may change an election with respect to the form of payment of a benefit, without regard to the restrictions imposed under the preceding paragraph, on or before December 31, 2006; provided that such election (i) applies only to amounts that would not otherwise be payable in calendar year 2006, and (ii) shall not cause an amount to be paid in calendar year 2006 that would not otherwise be payable in such year.

iv. **Specified Employees**. Notwithstanding any other provision of the Plan, in no event can a payment of a benefit to a Participant who is a Specified Employee of the Company or an Affiliate, at a time during which the Company's capital stock or capital stock of an Affiliate is publicly traded on an established securities market, in the calendar year of his or her separation from service, be made before the date that is six months after the date of the Participant's separation from service with the Company and all Affiliates, unless such separation is due to his or her death.

A Participant shall be deemed to be a Specified Employee for purposes of this Section 5.4 if he or she is in a job category C2 or above with respect to the Company or Affiliate that employs him or her; provided if at any time the total number of Employees in job category C2 and above is less than 50, a Specified Employee shall include any person who meets the definition of Key Employee set forth in Code Section 416(i) without reference to paragraph (5).

A Participant shall be deemed to be a Specified Employee with respect to a calendar year if he or she is a Specified Employee on September 30th of the preceding calendar year. If a Specified Employee will receive payments hereunder in the form of installments or an annuity, the first payment made as of the date six months after the date of the Participant's separation from service with the Company and all Affiliates shall be a lump sum, paid as soon as practicable after the end of such six-month period, that includes all payments that would otherwise have been made during such six-month period.

From and after the end of such six month period, any such installment or annuity payments shall be made pursuant to the terms of the applicable installment or annuity form of payment.

v. **Interest and Mortality Assumptions**. Determinations under the Plan shall be based on the interest and mortality assumptions used in the applicable Basic Plan on the date of such determination.

Article VI.

ADMINISTRATION OF PLAN

i. **Allocation of Duties to Committees**. The Plan shall be administered by the Benefits Committee, as delegated by the Compensation Committee. The Benefits Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration, except as otherwise reserved to the Compensation Committee herein, or by resolution or charter of the respective committees.

In its discretion, the Plan Administrator may delegate to any division or department of the Company the discretionary authority to make decisions regarding Plan administration, within limits and guidelines from time to time established by the Plan Administrator. The delegated discretionary authority shall be exercised by such division or department's senior officer, or his/her delegate. Within the scope of the delegated discretionary authority, such officer or person shall act in the place of the Plan Administrator and his/her decisions shall be treated as decisions of the Plan Administrator.

ii. **Agents**. The Plan Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

iii. **Information Required by Plan Administrator**. The Company shall furnish the Plan Administrator with such data and information as the Plan Administrator may deem necessary or desirable in order to administer the Plan. The records of the Company as to an employee's or Participant's period or periods of employment, separation from Service and the reason therefore, reemployment and Compensation will be conclusive on all persons unless determined to the Plan Administrator's satisfaction to be incorrect. Participants and other persons entitled to benefits under the Plan also shall furnish the Plan Administrator with such evidence, data or information as the Plan Administrator considers necessary or desirable to administer the Plan.

iv. **Binding Effect of Decisions**. Subject to applicable law, and the provisions of Article VIII, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Benefits Committee and/or the Compensation Committee (or any duly authorized delegate of either such committee) and made in good faith shall be binding on all persons.

Article VII.

CLAIMS PROCEDURE

i. **Claims Procedure**. Claims for benefits under the Plan shall be made in writing to the Plan Administrator. The Plan Administrator shall establish rules and procedures to be followed by Participants and Beneficiaries in filing claims for benefits, and for furnishing and verifying proof necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article.

ii. **Review of Claim**. The Plan Administrator shall review all claims for benefits. Upon receipt by the Plan Administrator of such a claim, it shall determine all facts that are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within 90 days of receipt of such claim. If prior to the expiration of the initial 90 day period, the Plan Administrator determines additional time is needed to come to a determination on the claim, the Plan Administrator shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of 180 days from the date the application was received. If the Plan Administrator fails to notify the claimant in writing of the denial of the claim within 90 days after the Plan Administrator receives it, the claim shall be deemed denied.

iii. **Notice of Denial of Claim**. If the Plan Administrator wholly or partially denies a claim for benefits, the Plan Administrator shall, within a reasonable period of time, but no later than 90 days after receiving the claim (unless extended as noted above), notify the claimant in writing of the denial of the claim. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall in all respects comply with the requirements of ERISA, including but not limited to inclusion of the following:

(1) the specific reason or reasons for denial of the claim;

(2) a specific reference to the pertinent Plan provisions upon which the denial is based;

(3) a description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

(4) an explanation of the Plan’s review procedure.

iv. **Reconsideration of Denied Claim**. Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or within 60 days after the claim is deemed denied as set forth above, if applicable, the claimant or duly authorized representative may file a written request with the Benefits Committee that it conduct a full and fair review of the denial of the claimant's claim for benefits. If the claimant or duly authorized representative fails to request such a reconsideration within such 60 day period, it shall be conclusively determined for all purposes of the Plan that the denial of such claim by the Benefits Committee is correct. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review documents relevant to the benefit claim and may submit issues and comments in writing.

The Benefits Committee shall render a decision on the claim appeal promptly, but not later than 60 days after receiving the claimant's request for review, unless, in the discretion of the Benefits Committee, special circumstances require an extension of time for processing, in which case the 60-day period may be extended to 120 days. The Benefits Committee shall notify the claimant in writing of any such extension. The notice of decision upon review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions upon which the decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his duly authorized representative notifies the Benefits Committee within 90 days after the mailing or delivery to the claimant by the Benefits Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Benefits Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery.

Article VIII.

PLAN AMENDMENT OR TERMINATION

i. **Plan Amendment**. While the Company intends to maintain the Plan in conjunction with the Basic Plans, the Company or the Compensation Committee reserves the right to amend the Plan at any time and from time to time with respect to eligibility for the Plan, the level of benefits awarded under the Plan and the time and form of payment for benefits from the Plan. The Compensation Committee or the Board shall have the authority to amend the Plan. The Compensation Committee or the Board shall have the exclusive authority to amend the Plan regarding eligibility for the Plan, the amount or level of benefits awarded under the Plan, and the time and form of payments for benefits from the Plan. In addition, the Compensation Committee or the Board shall also have the exclusive authority to make amendments that constitute a material increase in compensation, any change requiring action or consent by a committee of the Board pursuant to the rules of the Securities and Exchange Commission, the New York Stock Exchange or other applicable law, or such other material changes to the Plan such that approval of the Board is required. Unless otherwise determined by the Compensation Committee, the

Benefits Committee shall have the authority to amend the Plan in all respects that are not exclusively reserved to the Compensation Committee or the Board.

All amendments to the Plan must be made by written instrument, notice of which is given to all Participants and to Beneficiaries. Notwithstanding the preceding sentence, no amendment shall impair or alter such right to a benefit accrued under the Plan as of the effective date of such amendment to or with respect to any Employee who has become a Participant in the Plan before the effective date of such amendment or with respect to his or her Beneficiary.

ii. **Plan Termination**. The Compensation Committee or the Company may terminate the Plan at any time provided that termination of the Plan shall not impair or alter such right to a benefit accrued under the Plan as of the effective date of such termination to or with respect to any Employee who has become a Participant in the Plan before the effective date of such termination or with respect to his or her Beneficiary

Upon termination of the Plan, distribution of Plan benefits shall be made to Participants, surviving spouses and beneficiaries in the manner and at the time described in Article VI of the Plan. No additional benefits shall be earned after termination of the Plan other than the crediting of Interest until the date of distribution of a Participant's Supplemental Savings Account.

Article IX.

MISCELLANEOUS PROVISIONS

i. **Unsecured General Creditor**. Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of the Company, any other Employer, or any other party for payment of benefits under the Plan. Obligations of the Company and each other Employer under the Plan shall be an unfunded and unsecured promise to pay money in the future.

ii. **Income Tax Payout**. In the event that the Internal Revenue Service prevails in its claim that any amount of a Participant's benefit payable pursuant to the Plan and held in the general assets of the Company or any other Employer constitutes taxable income under Code Section 409A, and guidance and regulations thereunder, to a Participant or his or her Beneficiary for any taxable year prior to the taxable year in which such amount is distributed to him or her, or in the event that legal counsel satisfactory to the Company and the applicable Participant or his or her Beneficiary renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such benefit held in the general assets of the Company or any other Employer, to the extent constituting such taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

iii.**General Conditions**. Except as otherwise expressly provided herein, all terms and conditions of a Basic Plan applicable to a Basic Plan benefit shall also be applicable to a benefit payable hereunder. Any Basic Plan benefit shall be paid solely in accordance with the terms and conditions of the applicable Basic Plan and nothing in the Plan shall operate or be construed in any way to modify, amend or affect the terms and provisions of the Basic Plan. Defined terms used in the Plan that are not defined in this Plan but are defined in the Basic Plans shall have the meanings assigned to them in the Basic Plans.

iv.**No Guaranty of Benefits**. Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other entity or person that the assets of the Company or any other Employer will be sufficient to pay any benefit hereunder.

v.**No Enlargement of Employee Rights**. No Participant or Beneficiary shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment of the Plan shall not be construed to give any Participant or Beneficiary the right to be retained in the service of the Company or any Affiliate.

vi.**Nonalienation of Benefits**. No interest of any person or entity in, or right to receive a benefit under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a benefit be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance, and claims in bankruptcy proceedings.

Notwithstanding the preceding paragraph, the benefit of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in ERISA Section 206(d)(3). The Plan Administrator shall provide for payment of such benefit to an alternate payee (as defined in ERISA Section 206(d)(3)) as soon as administratively possible following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The benefit that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

vii.**Applicable Law**. The Plan shall be construed and administered under the laws of the State of Indiana, except to the extent preempted by applicable federal law.

viii.**Incapacity of Recipient**. If any person entitled to a benefit payment under the Plan is deemed by the Plan Administrator to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until claim therefore shall have been made by a duly appointed guardian or other legal representative of such person, the Plan Administrator may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company, any other Employer, the Plan Administrator and the Plan therefore.

ix. **Unclaimed Benefit**. Each Participant shall keep the Plan Administrator informed of his or her current address and the current address of his or her Beneficiaries. The Plan Administrator shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Plan Administrator within three years after the date on which payment of the Participant's benefit may first be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Participant, the Plan Administrator is unable to locate any Beneficiary of the Participant, then the Plan Administrator shall have no further obligation to pay any benefit hereunder to such Participant, Beneficiary, or any other person and such benefit shall be irrevocably forfeited.

x. **Limitations on Liability**. Notwithstanding any of the preceding provisions of the Plan, none of the Company, any other Employer, any member of the Benefits Committee or the Compensation Committee or any delegate of such committees, or any individual acting as an employee, or agent at the direction of the Company or any other Employer, or any member of the Benefits Committee or the Compensation Committee or any delegate of such committees, shall be liable to any Participant, former Participant, Beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan.

[Signature block follows on next page]

IN WITNESS WHEREOF, NiSource Inc. has caused this amended and restated Pension Restoration Plan for NiSource Inc. and Affiliates to be executed in its name, by its duly authorized officer, effective as of November 1, 2020.

NISOURCE INC.

By:

Its:

Date:

i.

History of the Plan

The Columbia Gas System, Inc. adopted The Pension Restoration Plan for The Columbia Gas System, Inc., as amended and restated effective March 1, 1997. The Plan was amended and restated, effective January 1, 2002, by Columbia Energy Group, successor to Columbia Gas System, Inc., and renamed the Pension Restoration Plan for the Columbia Energy Group. Effective January 1, 2004, NiSource Inc., the parent company of Columbia Energy Group, assumed sponsorship of the Pension Restoration Plan for Columbia Energy Group, renamed the Plan the Pension Restoration Plan for NiSource Inc. and Affiliates, and broadened the Plan to allow participation by employees of NiSource Inc. and Affiliated Companies from and after January 1, 2004. The Plan was further amended and restated, effective January 1, 2005, to comply with Internal Revenue Code Section 409A with respect to benefits earned under the Plan. The Plan was amended and restated again, effective January 1, 2008, to revise certain election procedures. The Plan was further amended and restated, effective January 1, 2010, to clarify the calculation of benefits under the Plan and to reflect Plan benefits parallel to the benefit structures under applicable Basic Plans, including the AB Benefit. The Plan was amended and restated again, effective May 13, 2011 to transfer all administrative authority with respect to the Plan (including the authority to render decisions on claims and appeals and make administrative or ministerial amendments) from the Compensation Committee to the Benefits Committee. The Plan was amended and restated again, effective August 10, 2017, to revise the procedures for determining Disability under the Plan.

The Plan is amended and restated again, effective November 1, 2020 to clarify matters relating to the Compensation Committee and certain other matters.

ii.

Basic Plans

NiSource Salaried Pension Plan

NiSource Subsidiary Pension Plan

Columbia Energy Group Pension Plan

Bay State Gas Company Pension Plan

Exhibit 10.6

SAVINGS RESTORATION PLAN

FOR NISOURCE INC. AND AFFILIATES

As Amended and Restated Effective November 1, 2020

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SAVINGS RESTORATION PLAN

FOR NISOURCE INC. AND AFFILIATES
ARTICLE I.

BACKGROUND AND PURPOSE

i..**Background.** The Savings Restoration Plan for NiSource, Inc. and Affiliates is maintained to provide deferred compensation for a select group of management or highly compensated employees of NiSource, Inc. and participating affiliates. The history of the Plan's amendments and restatements is attached as Exhibit A.

ii..**Purpose**. The purpose of the Plan is to provide for the payment of savings restoration benefits to employees of NiSource Inc. and Affiliates, whose benefits under the Basic Plan are subject to the Limits or affected by deferrals into the DCP, so that the total savings plan benefits of such employees shall be determined on the same basis as is applicable to all other employees of the Company. The Plan is adopted solely (1) for the purpose of providing benefits to Participants in the Plan and their Beneficiaries in excess of the Limits imposed on qualified plans by Code Section 401(a)(17) and any other Code Sections, by restoring benefits to such Plan Participants and Beneficiaries that are no longer available under the Basic Plan as a result of the Limits, and (2) for the purpose of restoring benefits to Plan Participants and Beneficiaries that are no longer available under the Basic Plan as a result of the Participant's deferrals into the DCP.

ARTICLE II.

DEFINITIONS

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Except when otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminology shall include the plural. Defined terms used in the Plan that are not defined in this Article or elsewhere in the Plan but are defined in the Basic Plan shall have the meanings assigned to them in the Basic Plan. The headings of Articles and Sections are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

i..**Account.** The device used by an Employer to measure and determine the amount to be paid under the Plan. Each Account shall be divided into a Pre-2005 Account containing contributions to the Plan earned and vested prior to January 1, 2005, and a Post-2004 Account containing contributions to the Plan earned and/or vested on or after January 1, 2005.

ii..**Affiliate**. Any corporation that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that includes the Company; any trade or business (whether or not incorporated) that is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated

service group (as defined in Code Section 414(m)) that includes the Company; any leasing organization, to the extent that its employees are required to be treated as if they were employed by the Company pursuant to Code Section 414(n) and the regulations thereunder; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). An entity shall be an Affiliate only with respect to the existing period as described in the preceding sentence.

iii. **Basic Plan**. The NiSource Inc. Retirement Savings Plan, as amended and restated effective January 1, 2018, and as further amended from time to time (or as amended and restated for any prior period to the extent the provisions of the Plan refer to such prior period for the Basic Plan).

iv. **Beneficiary**. The person, persons or entity entitled to receive any Plan benefits payable after a Participant's death, as elected by a Participant under the Basic Plan.

v. **Benefits Committee**. The NiSource Benefits Committee.

vi. **Board**. The Board of Directors of NiSource Inc.

vii. **Code**. The Internal Revenue Code of 1986, as amended from time to time.

viii. **Company**. NiSource Inc.

ix. **Compensation**. Compensation as defined under the Basic Plan for purposes of determining Pre-Tax Contributions, Roth Contributions, and Matching Contributions under the Basic Plan. For purposes of calculating Employer credits to Participant Accounts under this Plan, Compensation may exceed the Compensation Limit under Code Section 401(a)(17)(B) and shall not be impacted by any other Limit.

x. **Compensation Committee**. The Compensation Committee of the Board of Directors of the Company.

xi. **DCP**. The Columbia Energy Group Deferred Compensation Plan on or prior to December 31, 2003, and, thereafter, the NiSource Inc. Executive Deferred Compensation Plan, as further amended from time to time.

xii. **Disability**. A condition that (a) causes a Participant, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, to receive income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or an Affiliate or (b) causes a Participant to be eligible to receive Social Security disability payments.

xiii. **Effective Date**. November 1, 2020, the date on which the provisions of this amended and restated Plan become effective, except as otherwise provided herein.

xiv. **Eligible Employee**. An employee who is one of a select group of management or highly compensated employees of the Employer who satisfy the criteria established by the Compensation Committee in accordance with this Plan.

xv. **Employer**. The Company or any Affiliate that maintains or adopts the Basic Plan for the benefit of its eligible Employees.

xvi. **ERISA**. The Employee Retirement Income Security Act of 1974, as amended.

xvii. **In-Service Withdrawal**. A distribution from a Participant's Pre-2005 Account before that Participant's Separation from Service made in accordance with the Participant's written election under Article V of this Plan.

xviii. **Limits**. The limits imposed on tax qualified retirement plans by Code Sections 415 and 401(a)(17) and any other Code Sections.

xix. **Participant**. Any Eligible Employee who is participating in the Plan in accordance with its provisions.

xx. **Plan**. The Savings Restoration Plan for NiSource Inc. and Affiliates (formerly known as the Savings Restoration Plan for the Columbia Energy Group, and before that as the Thrift Restoration Plan for the Columbia Energy Group), as set forth herein and as amended from time to time.

xxi. **Plan Administrator**. The Benefits Committee or such delegate of the Benefits Committee delegated to carry out the administrative functions of the Plan.

xxii. **Plan Year**. The 12-month period commencing each January 1 and ending the following December 31.

xxiii. **Post-2004 Account**. The portion of a Participant's Account equal to the excess of (1) the balance of the Participant's Account determined as of a Participant's date of Separation from Service after December 31, 2004, over (2) the Pre-2005 Account, to which the Participant would be entitled under the Plan if he voluntarily separated from service without cause as of such date and received a full payment of benefits from the Plan on the earliest possible date allowed under the Plan following his Separation from Service.

xxiv. **Pre-2005 Account**. The portion of a Participant's Account determined as of December 31, 2004, adjusted to reflect earnings (or losses) credited to such balance from and after such date.

xxv. **Separation from Service**. A termination of services provided by a Participant to his or her Employer, whether voluntarily or involuntarily, consistent with Code Section 409A and the guidance promulgated thereunder.

xxvi. **Specified Employee**. A Participant who is in job scope level C2 or above with respect to any Employer that employs him or her; provided that if at any time the total number of

employees in job category C2 and above is less than 50, a Specified Employee shall include any employee who meets the definition of "key employee" set forth in Code Section 416(i) (without reference to paragraph 5 of Code Section 416(i)). A Participant shall be deemed to be a Specified Employee with respect to a Separation from Service that occurs during a calendar year if he or she is a Specified Employee on September 30 of the preceding calendar year. The Benefits Committee shall determine which Participants are Specified Employees in accordance with the guidance promulgated under Code Section 409A.

xvii. **Unforeseeable Emergency**. A severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse or a dependent (as defined in Code Section 152(a)), of the Participant, loss of the Participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

xviii. **Valuation Date**. The close of business of each business day.

ARTICLE III.

ELIGIBILITY AND PARTICIPATION

i. **Eligibility**. On and after January 1, 2012, eligibility to participate in the Plan shall be limited to an employee in job scope level C2 or above. On and after October 22, 2012, eligibility to participate in this Plan additionally shall include any employee in job scope level D1 or D2 who completed an election form under the DCP in 2011 to make deferrals related to services performed in the Plan Year beginning January 1, 2012; provided however, that such an employee will be eligible to receive only the Profit Sharing Contribution Credits described in Section 4.2(b) and the Next-Gen Contribution Credits described in Section 4.2(c), to the extent described in such subsections, and will remain eligible to participate in this Plan and receive such contributions after the 2012 Plan Year only if he or she completes an election form under the DCP in each successive Plan Year after 2012 and otherwise remains eligible to continue to participate in the DCP in each successive Plan Year after 2012.

ii. **Participation**. The Plan Administrator shall inform each Employee of his or her eligibility to participate in the Plan as soon as practicable but before the earliest date such Employee's participation could become effective. An Eligible Employee becomes a Participant when the Employer credits the Participant's Account with the Employer credits described in Article IV of this Plan.

iii. **Continuation of Participation**. A Participant shall remain a Participant so long as his or her Account has not been fully distributed to him or her.

iv. **Amendment of Eligibility Criteria.** The Compensation Committee may, in its discretion, change the criteria for eligibility for any reason, provided, however, that no change in the criteria for eligibility shall be effective unless such changes are (a) within guidelines established by the Compensation Committee or (b) approved by the Compensation Committee.

Eligibility for participation in one year does not guarantee eligibility to participate in any future year.

ARTICLE IV.

ACCOUNTS

i..**Account.** The Employer credits, as described in Sections 4.2 and 4.3, and earnings thereon, shall be credited to the Participant's Account. The Account shall be a bookkeeping device utilized for the sole purpose of determining the benefits payable under the Plan and shall not constitute a separate fund of assets.

ii..**Employer Credits.**

(1) Matching Contribution Credits. The amount of Employer credits related to Matching Contributions for a Participant eligible to receive such contributions under Section 3.1 shall equal (1) minus (2) below:

(a) The total amount of Matching Contributions that would otherwise have been contributed to the Basic Plan for the Participant during all years in which the Participant participated in the Basic Plan without regard to the Limits;

(b) The actual amount of Matching Contributions that have been contributed to the Basic Plan for the Participant.

In addition to making the credits related to Matching Contributions described above, the Employer also will make the following true-up credit. If (i) the allocation period under the Basic Plan is shorter than the Plan Year, and (ii) on the last day of the Plan Year, the amount of Matching Contributions under the Basic Plan is less than the amount of Matching Contributions that would have been made had the allocation period for Matching Contributions been the Plan Year, then the Employer will make an additional credit to a Participant's Account. This credit will be in the amount necessary to make the Employer credit related to Matching Contributions equal to the amount of Employer credits related to Matching Contributions that would have been made had the allocation period been the Plan Year. Notwithstanding the foregoing, an Employer shall make this true-up credit only for Participants who are employed with the Employer on the last day of the Plan Year and Participants who experienced a Separation from Service before the last day of the Plan Year due to death, Disability, or retirement.

(2) Profit Sharing Contribution Credits. Employer credits pursuant to this Section 4.2(b) shall be reflected in the Plan for all Participants in the Plan on or after such date, including the following: (1) those who received

Profit Sharing Contributions to the Basic Plan for 2010 or later that were subject to the Limits, or (2) those who otherwise had Profit Sharing Contributions limited or adjusted under the Basic Plan on or after January 1, 2011. The amount of Employer credits related to Profit Sharing Contributions for a Participant shall equal (1) minus (2) below:

(a) The total amount of Profit Sharing Contributions that otherwise would have been contributed to the Basic Plan for the Participant during all years in which the Participant participated in the Basic Plan, as determined by Compensation as defined under this Plan without regards to the Limits;

(b) The actual amount of Profit Sharing Contributions that have been contributed to the Basic Plan for the Participant.

Notwithstanding the foregoing, a Participant who is in job scope level D1 or D2 shall receive an amount of Employer credits related to Profit Sharing Contributions equal to the difference between (1) minus (2) below:

(c) The total amount of Profit Sharing Contributions that otherwise would have been contributed to the Basic Plan for the Participant during all years in which the Participant participated in the Basic Plan, had Profit Sharing Contributions been calculated using this Plan's definition of Compensation;

(d) The actual amount of Profit Sharing Contributions that have been contributed to the Basic Plan for the Participant.

This amount shall be credited to any applicable Participant regardless of whether such Participant has signed a written agreement to participate in this Plan.

(3) Next-Gen Contribution Credits. With respect to a Participant who is classified by the Employer as an "exempt employee" and who is hired or rehired on or after January 1, 2010, the amount of Employer credits for a Participant shall equal (1) minus (2) below:

(a) The total amount of the Employer Contribution that otherwise would have been contributed to the Basic Plan in an amount equal to 3% of the Participant's Compensation (as defined under this Plan) without regard to the Limits;

(b) The actual amount of the Employer Contribution under the Basic Plan that was contributed to the Participant in an amount equal to

3% of the Participant's Compensation (as defined under the Basic Plan).

This amount shall be credited to any applicable Participant in addition to any amounts he or she may be entitled to under Sections 4.2(a) and 4.2 (b) of this Plan and regardless of whether such Participant has signed a written agreement to participate in this Plan.

Notwithstanding the foregoing, a Participant who is in job scope level D1 or D2 shall receive an amount of Employer credits equal to the difference between (1) minus (2) below:

1. The total amount of the Employer Contribution that otherwise would have been contributed to the Basic Plan in an amount equal to 3% of the Participant's Compensation (as defined under this Plan);

2. The actual amount of the Employer Contribution under the Basic Plan that was contributed to the Participant in an amount equal to 3% of the Participant's Compensation (as defined under the Basic Plan).

This amount shall be credited to any applicable Participant regardless of whether such Participant has signed a written agreement to participate in this Plan.

a. **Timing of Credits; Withholding**. The Employer credits shall be made to the Participant's Account annually, at such time determined by the Plan Administrator. Any withholding of taxes or other amounts that is required by federal, state, or local law shall be withheld from the Participant's nondeferred Compensation to the maximum extent possible and any remaining amount shall reduce the amount credited to the Participant's Account.

b. **Determination of Account**. Each Participant's Account as of each Valuation Date shall consist of the balance of the Account as of the immediately preceding Valuation Date, adjusted as follows:

1. New Employer Credits. The Account shall be increased by any Employer credits made in accordance with Sections 4.2 or 4.3, as applicable, since such preceding Valuation Date.

2. Distributions. The Account shall be reduced by any benefits distributed from the Account to the Participant since such preceding Valuation Date.

3. Valuation of Account. The Account shall be increased or decreased by the aggregate earnings, gains and losses on such Account since such preceding

Valuation Date, based on the manner in which the Participant's Account has been hypothetically allocated among the investment options selected by the Participant.

c. **Statement of Account**. The Plan Administrator shall give to each Participant a statement showing the balance in the Participant's Account periodically at such times as may be determined by the Plan Administrator, in written or electronic form.

ARTICLE V.

INVESTMENTS

d. **Investment Options**. Amounts credited hereunder to the Account of a Participant shall be invested as such Participant elects among the investment choices provided to the Participant.

The investment options shall be determined by the Plan Administrator from time to time in its sole and absolute discretion. As necessary, the Plan Administrator may, in its sole discretion, discontinue, substitute or add an investment option. Each such action will take effect on such date established by the Plan Administrator.

e. **Election of Investment Options**. A Participant, in connection with his or her payment election under Article VI of this Plan, shall elect one or more of the previously described investment options, as applicable, to be used to determine the amounts to be credited or debited to his or her Account. If a Participant does not elect any investment options, the Participant's Account shall automatically be allocated into the lowest-risk investment option, as determined by the Plan Administrator, in its sole discretion. The Participant may (but is not required to) elect to add or delete one or more investment options to be used to determine the amounts to be credited or debited to his or her Account, or to change the portion of his or her Account allocated to each previously or newly elected investment option. If an election is made in accordance with the previous sentence, it shall apply as of the first business day deemed reasonably practicable by the Plan Administrator, in its sole discretion, and shall continue thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the previous sentence. Notwithstanding the foregoing, the Plan Administrator, in its sole discretion, may impose limitations on the frequency with which one or more of the investment options elected in accordance with this Section may be added or deleted by such Participant; furthermore, the Plan Administrator, in its sole discretion, may impose limitations on the frequency with which the Participant may change the portion of his or her Account allocated to each previously or newly elected investment option.

f. **Allocation of Investment Options**. In making any election related to investment options, the Participant shall specify, in increments specified by the Plan Administrator, the percentage of his or her Account or investment option, as applicable, to be allocated or reallocated.

g. **No Actual Investment**. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the investment options are to be used for measurement purposes only, and a Participant's election of any such investment option, the allocation of his or her Account thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account shall not be considered or construed in any manner as an actual investment of his or her Account in any such investment option. In the event that the Company, in its own discretion, decides to invest funds in any or all of the investments on which the investment options are based, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company; the Participant shall at all times remain an unsecured creditor of the Company.

ARTICLE VI.

PAYMENTS AND DISTRIBUTIONS

h. **Distributions/Events Generally**. Participants generally will not be entitled to receive a distribution of their Account balance until they experience a Separation from Service with the Employer for any reason. A Participant may receive a distribution before Separation from Service, however, in accordance with this Article VI, upon (1) an Unforeseeable Emergency that occurs before Separation from Service, or (2) a year that has been designated by the Participant only with respect to his Pre-2005 Account balance that occurs before Separation from Service. The distribution events and payment terms provided in this Article VI are summarized in Exhibit B.

i. **In-Service Withdrawals**. This section applies only to a Participant's Pre-2005 Account balance.

4. General Payments. Subject to the limitations of paragraph (b) below, a Participant, by filing a written request with the Plan Administrator, may, while employed by an Employer or an Affiliate, elect to withdraw 33%, 67% or 100% of his or her Pre-2005 Account.

5. Limitation on In-Service Withdrawals. Any In-Service Withdrawal under paragraph (a) of this Section 6.2 shall be subject to a 10% early distribution penalty. In addition, the following conditions shall apply to In-Service Withdrawals:

1. Only one In-Service Withdrawal shall be permitted in any 12-month period.

2. In-Service Withdrawals shall require suspension of Employer credits (but not credits of earnings or losses) under the Plan for a period of time varying with the percentage of the value of the Participant's Pre-2005 Account that is withdrawn, according to the following schedule:

Percentage	Suspension
Up to 33%	2 months
34 - 67%	4 months
68 - 100%	6 months

This suspension shall not affect a Participant's participation in the Basic Plan nor the basis for determining the Employer contributions or Participant Pre-tax Contributions under the Basic Plan.

j. **Distributions After Separation from Service.**

6. Generally. If a Participant experiences a Separation from Service, the provisions of this Section 6.3 shall apply to the distribution of the Participant's Account.

7. Pre-2005 Account.

1. Form of Payment of Pre-2005 Account. The Pre-2005 Account payable under the Plan to a Participant or his or her spouse, Beneficiary, or legal representative shall be paid in the same form under which the Basic Plan benefit is payable to the Participant or his or her spouse, Beneficiary, or legal representative. The Participant's election under the Basic Plan of any optional form of payment of his or her Basic Plan benefit (with the valid consent of his or her surviving spouse where required under the Basic Plan) shall also be applicable to the payment of his or her Pre-2005 Account under the Plan.

2. Timing of Payment of Pre-2005 Account. Payment of the Pre-2005 Account under the Plan to a Participant or his or her spouse, Beneficiary, or legal representative under the Plan shall commence on the same date as payment of the benefit to the Participant or his or her spouse, Beneficiary, or legal representative under the Basic Plan commences. Any election under the Basic Plan made by the Participant with respect to the commencement of payment of his or her benefit under the Basic Plan shall also be applicable with respect to the commencement of payment of his or her Pre-2005 Account under the Plan.

3. Approval by Plan Administrator. Notwithstanding the provisions of paragraphs (i) and (ii) above, an election made by the Participant under the Basic Plan with respect to the form of payment of his or her Pre-2005 Account thereunder (with the valid consent of his or her surviving spouse where required under the Basic Plan), or the date for commencement of payment thereof,

shall not be effective with respect to the form of payment or date for commencement of payment of his or her Pre-2005 Account under the Plan unless such election is expressly approved in writing by the Plan Administrator. If the Plan Administrator shall not approve such election in writing, then the form of payment or date for commencement of payment of the Participant's Pre-2005 Account under the Plan shall be selected by the Plan Administrator at its sole discretion.

8. Post-2004 Account.

4. Form of Payment of Post-2004 Account. The Post-2004 Account shall be payable in a form elected by a Participant no later than December 31, 2005. In the case of an Eligible Employee who becomes a Participant on or after January 1, 2005, an election with respect to the form of payment of a Post-2004 Account shall be made at such time prescribed by the Plan Administrator, which shall end no later than December 31st of the year preceding the Plan Year in which the Participant is first eligible to participate in the Plan.

Payment shall be made in the form elected, from among the following options:

i. If elected before January 1, 2014, the payment options are the following: lump sum, monthly installments, semi-annual installments, and annual installments. Installment payments shall be substantially equal and shall be made over the period of time elected, not greater than 15 years.

ii. If elected on or after January 1, 2014, and before November 1, 2020, the payment options are the following: lump sum or annual installments. Installment payments shall be substantially equal and shall be made over the period of time elected, not greater than 15 years.

iii. If elected on and after November 1, 2020, the payment option shall be one lump sum.

iv. If a Participant has not made a timely and valid election as to the form of payment, payment shall be made in one lump sum.

5. Timing of Payment of Post-2004 Account. Payment of a Post-2004 Account in accordance with this Section 6.3 shall commence within 45 days after the Participant's date of Separation from

Service, or, if later, within such timeframe permitted under Code Section 409A, and guidance and regulations thereunder.

6. Modifications to Time and Form of Payment. A Participant cannot change the time or form of payment of a Post-2004 Account under this Subsection 6.3(c) unless (A) such election does not take effect until at least 12 months after the date the election is made, (B) in the case of an election related to a payment not related to the Participant's Disability or death, the first payment with respect to which such new election is effective is deferred for a period of not less than five years from the date such payment would otherwise have been made, and (C) any election related to a payment based upon a specific time or pursuant to a fixed schedule may not be made less than 12 months prior to the date of the first scheduled payment.

7. Time of Payment for Specified Employees. Notwithstanding any other provision of the Plan, in no event can a payment of a Post-2004 Account to a Participant who is a Specified Employee, at a time during which the Company's capital stock or capital stock of an Affiliate is publicly traded on an established securities market, in the calendar year of his or her Separation from Service be made before the date that is six months after the date of the Participant's Separation from Service, unless such Separation from Service is due to death.

k. **Unforeseeable Emergency Distributions.**

9. Pre-2005 Account. Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Plan Administrator may, in its sole discretion, make distributions from the Participant's Pre-2005 Account. The amount of such a distribution shall be limited to the amount reasonably necessary to meet the Participant's needs resulting from the Unforeseeable Emergency.

Any distribution pursuant to this Subsection shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

10. Post-2004 Account. Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Plan Administrator may, in its sole discretion, make distributions from the Participant's Post-2004 Account and/or suspend Employer credits entirely in accordance with the guidance under Code Section 409A. The amount of such distribution shall be limited to the amount necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of

the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). Any distribution pursuant to this Subsection shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

l. **Automatic Cash-Out**. Subject to Section 6.3(c)(4) of the Plan and notwithstanding any other provision in the Plan, if (1) at the time a distribution begins, the sum of the Participant's Pre-2005 Account and Post-2004 Account does not exceed the applicable dollar limit under code Section 402(g)(1)(B), and (2) this sum is the entirety of the Participant's interest in the Plan and all other arrangements that are considered a single nonqualified deferred compensation plan under Code Section 409A and applicable guidance thereunder, the Employer shall distribute the Participant's entire Pre-2005 Account and Post-2004 Account (and the Participant's entire interest under any other arrangement that is required to be aggregated with this Plan under Code Section 409A). The form of payment of both the Pre-2005 Account and Post-2004 Account shall be a single lump sum.

m. **Special Payment Election by December 31, 2006, for Code Section 409A Transition Relief.** Notwithstanding Section 6.3(c), a Participant may change an election with respect to the time and form of payment of a Post-2004 Account, without regard to the restrictions imposed under paragraph (3) of Section 6.3(c), on or before December 31, 2006; provided that such election (A) applies only to amounts that would not otherwise be payable in calendar year 2006, and (B) shall not cause an amount to be paid in calendar year 2006 that would not otherwise be payable in such year.

n. **Withholding for Taxes**. To the extent required by the law in effect at the time payments are made, an Employer shall withhold from the payments made hereunder any taxes required to be withheld by the federal or any state or local government, including any amounts which the Employer determines is reasonably necessary to pay any generation-skipping transfer tax which is or may become due. A Beneficiary, however, may elect not to have withholding of federal income tax pursuant to Code Section 3405(a)(2).

ARTICLE VII.

BENEFICIARY DESIGNATION

o. **Beneficiary Designation**. Each Participant's Beneficiary (both primary as well as secondary) to whom benefits under the Plan shall be paid in the event of the Participant's death prior to complete distribution of the Participant's Account, shall be the Beneficiary that the Participant has selected under the Basic Plan. A Participant may designate a Beneficiary or change a prior Beneficiary designation only by designating or changing a Beneficiary under the Basic Plan.

p. **No Beneficiary Designation**. If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's Beneficiary shall be the person identified in accordance with the procedures under the Basic Plan.

ARTICLE VIII.

PLAN ADMINISTRATION

q. **Allocation of Duties to Committees**. The Plan shall be administered by the Benefits Committee, as delegated by the Compensation Committee. The Benefits Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration, except as otherwise reserved to the Compensation Committee herein, or by resolution or charter of the respective committees.

In its discretion, the Plan Administrator may delegate to any division or department of the Company the discretionary authority to make decisions regarding Plan administration, within limits and guidelines from time to time established by the Plan Administrator. The delegated discretionary authority shall be exercised by such division or department's senior officer, or his/her delegate. Within the scope of the delegated discretionary authority, such officer or person shall act in the place of the Plan Administrator and his/her decisions shall be treated as decisions of the Plan Administrator.

r. **Agents**. The Plan Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

s. **Information Required by Plan Administrator.** The Company shall furnish the Plan Administrator with such data and information as the Plan Administrator may deem necessary or desirable in order to administer the Plan. The records of the Company as to an employee's or Participant's period or periods of employment, separation from Service and the reason therefore, reemployment and Compensation will be conclusive on all persons unless determined to the Plan Administrator's satisfaction to be incorrect. Participants and other persons entitled to benefits under the Plan also shall furnish the Plan Administrator with such evidence, data or information as the Plan Administrator considers necessary or desirable to administer the Plan.

t. **Binding Effect of Decisions**. Subject to applicable law, and the provisions of Article VIII, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Benefits Committee and/or the Compensation Committee (or any duly authorized delegate of either such committee) and made in good faith shall be binding on all persons.

ARTICLE IX.

CLAIMS PROCEDURE

u. **Claim**. Claims for benefits under the Plan shall be made in writing to the Plan Administrator. The Plan Administrator shall establish rules and procedures to be followed by Participants and Beneficiaries in filing claims for benefits, and for furnishing and verifying proof necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article.

v. **Review of Claim**. The Plan Administrator shall review all claims for benefits. Upon receipt by the Plan Administrator of such a claim, it shall determine all facts that are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within 90 days of receipt of such claim. If prior to the expiration of the initial 90 day period, the Plan Administrator determines additional time is needed to come to a determination on the claim, the Plan Administrator shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of 180 days from the date the application was received. If the Plan Administrator fails to notify the claimant in writing of the denial of the claim within 90 days after the Plan Administrator receives it, the claim shall be deemed denied.

w. **Notice of Denial of Claim**. If the Plan Administrator wholly or partially denies a claim for benefits, the Plan Administrator shall, within a reasonable period of time, but no later than 90 days after receiving the claim (unless extended as noted above), notify the claimant in writing of the denial of the claim. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall in all respects comply with the requirements of ERISA, including but not limited to inclusion of the following:

11. the specific reason or reasons for denial of the claim;

12. a specific reference to the pertinent Plan provisions upon which the denial is based;

13. a description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

14. an explanation of the Plan's review procedure.

x. **Reconsideration of Denied Claim**. Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or within 60 days after the claim is deemed denied as set forth above, if applicable, the claimant or duly authorized representative may file a written request with the Benefits Committee that it conduct a full and fair review of the denial of the claimant's claim for benefits. If the claimant or duly authorized representative fails to request such a reconsideration within such 60 day period, it shall be conclusively determined for all purposes of the Plan that the denial of such claim by the Benefits Committee is correct. In

connection with the claimant's appeal of the denial of his or her benefit, the claimant may review documents relevant to the benefit claim and may submit issues and comments in writing.

The Benefits Committee shall render a decision on the claim appeal promptly, but not later than 60 days after receiving the claimant's request for review, unless, in the discretion of the Benefits Committee, special circumstances require an extension of time for processing, in which case the 60-day period may be extended to 120 days. The Benefits Committee shall notify the claimant in writing of any such extension. The notice of decision upon review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions upon which the decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his duly authorized representative notifies the Benefits Committee within 90 days after the mailing or delivery to the claimant by the Benefits Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Benefits Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery.

y. **Employer to Supply Information**. To enable the Benefits Committee to perform its functions, each Employer shall supply fully and timely information to the Benefits Committee of all matters relating to the retirement, death, or other cause for Separation from Service of all Participants, and such other pertinent facts as the Benefits Committee may require.

ARTICLE X.

PLAN AMENDMENT AND TERMINATION

z. **Plan Amendment**. While the Company intends to maintain the Plan in conjunction with the Basic Plan, the Company or the Compensation Committee reserves the right to amend the Plan at any time and from time to time with respect to eligibility for the Plan, the level of benefits awarded under the Plan and the time and form of payment for benefits from the Plan. The Benefits Committee, the Compensation Committee, or the Board shall have the authority to amend the Plan as described herein. The Compensation Committee or the Board shall have the exclusive authority to amend the Plan regarding eligibility for the Plan, the amount or level of benefits awarded under the Plan, and the time and form of payments for benefits from the Plan. In addition, the Compensation Committee or the Board shall also have the exclusive authority to make amendments that constitute a material increase in Compensation, any change requiring action or consent by a committee of the Board pursuant to the rules of the Securities and Exchange Commission, the New York Stock Exchange or other applicable law, or such other material changes to the Plan such that approval of the Board is required. Unless otherwise determined by the Compensation Committee, the Benefits Committee shall have the authority to amend the Plan in all respects that are not exclusively reserved to the Compensation Committee or the Board.

The respective committee may at any time amend the Plan by written instrument, notice of which is given to all Participants and to Beneficiaries. Notwithstanding the preceding sentence, no amendment shall reduce the amount accrued in any Account prior to the date such notice of the amendment is given.

aa. **Partial Plan Termination**. The Compensation Committee or the Company at any time may partially terminate the Plan provided that such partial termination of the Plan shall not impair or alter any Participant's or Beneficiary's right to the applicable Participant's Account balance as of the effective date of such partial termination. If such a partial termination occurs, no additional Employer credits shall be made after the date of such partial termination other than the crediting of earnings (or losses) until the date of distribution of Participant Account balances. Further, the Plan shall otherwise continue to be administered with respect to Account balances credited before the effective date of such partial termination, and distribution shall be made at such times as specified under this Plan.

ARTICLE XI.

MISCELLANEOUS PROVISIONS

ab. **Unfunded Plan.** The Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other entity or person that the assets of the Company or any other Employer shall be sufficient to pay any benefit hereunder.

ac. **Company and Employer Obligations**. The obligation to make benefit payments to any Participant under the Plan shall be a joint and several liability of the Company and the Employer that employed the Participant.

ad. **Unsecured General Creditor**. Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of the Company, any other Employer, or any other party for payment of benefits under the Plan. Any life insurance policies, annuity contracts or other property purchased by the Employer in connection with the Plan shall remain its general, unpledged and unrestricted assets. Obligations of the Company and each other Employer under the Plan shall be an unfunded and unsecured promise to pay money in the future.

ae. **Trust Fund**. Subject to Section 12.3, the Company may establish separate subtrusts for deferrals by employees of each Employer, pursuant to a trust agreement entered into with such trustees as the Benefits Committee may approve, for the purpose of providing for the payment of benefits owed under the Plan. At its discretion, each Employer may contribute deferrals under the Plan for its employees to the subtrust established with respect to such Employer under such trust agreement. To the extent any benefits provided under the Plan are paid from any such subtrust, the Employer shall have no further obligation to pay them. If not

paid from a subtrust, such benefits shall remain the obligation of the Employer. Although such subtrusts may be irrevocable, their assets shall be held for payment of all the Company's general creditors in the event of insolvency or bankruptcy.

af. **Nonalienation of Benefits**. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof or rights to, which are expressly declared to be unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Notwithstanding the preceding paragraph, the Account of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Plan Administrator shall provide for payment of such portion of an Account to an alternate payee (as defined in Section 206(d)(3) of ERISA) as soon as administratively possible following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of any Account that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

ag. **Indemnification.**

15. Limitation of Liability. Notwithstanding any other provision of the Plan or any trust established under the Plan, none of the Company, any other Employer, any member of the Benefits Committee or the Compensation Committee, nor any individual acting as an employee, or agent or delegate of any of them, shall be liable to any Participant, former Participant, Beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan or any trust established under the Plan, except when the same shall have been judicially determined to be due to the willful misconduct of such person.

16. Indemnity. The Company shall indemnify and hold harmless each member of the Benefits Committee and the Compensation Committee, or any employee of the Company or any individual acting as an employee or agent of either of them (to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement with respect to the Plan or any trust established under the Plan) from any and all claims, losses, liabilities, costs and expenses (including attorneys' fees) arising out of any actual or alleged act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto with respect to the administration of the Plan or any trust established under the Plan, except that no indemnification or defense shall be provided to any person with

respect to any conduct that has been judicially determined, or agreed by the parties, to have constituted willful misconduct on the part of such person, or to have resulted in his or her receipt of personal profit or advantage to which he or she is not entitled. In connection with the indemnification provided by the preceding sentence, expenses incurred in defending a civil or criminal action, suit or proceeding, or incurred in connection with a civil or criminal investigation, may be paid by the Company in advance of the final disposition of such action, suit, proceeding, or investigation, as authorized by the Benefits Committee or the Compensation Committee in the specific case, upon receipt of an undertaking by or on behalf of the party to be indemnified to repay such amount unless it shall ultimately be determined that the person is entitled to be indemnified by the Company pursuant to this paragraph.

ah. **No Enlargement of Employee Rights**. No Participant or Beneficiary shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. The Plan shall not constitute a contract of employment between an Employer and the Participant. Nothing in the Plan shall give any Participant or Beneficiary the right to be retained in the service of an Employer or to interfere with the right of an Employer to discipline or discharge a Participant at any time.

ai. **Protective Provisions**. A Participant shall cooperate with his Employer by furnishing any and all information requested by the Employer in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Employer may deem necessary and taking such other action as may be requested by the Employer.

aj. **Governing Law**. The Plan shall be construed and administered under the laws of the State of Indiana, except to the extent preempted by applicable federal law.

ak. **Validity**. In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

al. **Notice**. Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed as given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Benefits Committee shall be directed to the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in the applicable Employer's records.

am. **Successors**. The provisions of the Plan shall bind and inure to the benefit of the Employers and their successors and assigns. The term successors as used herein shall include any corporate or other business entity that shall, whether by merger, consolidation, purchase, or otherwise, acquire all or substantially all of the business and assets of an Employer, and successors of any such corporation or other business entity.

an. **Incapacity of Recipient**. If any person entitled to a benefit payment under the Plan is deemed by the Plan Administrator to be incapable of personally receiving and giving a valid receipt for such payment, then the Plan Administrator may direct payment to the duly appointed guardian, conservator or other similar legal representative of the Participant or Beneficiary to whom payment is due. In the absence of such a legal representative, the Plan Administrator may, in its sole and absolute discretion, make payment to a person having the care and custody of a minor, incompetent or person incapable of handling the disposition of property upon proof satisfactory to the Plan Administrator of incompetency, status as a minor, or incapacity. Such distribution shall completely discharge the Company, any other Employer, the Plan Administrator, and the Plan from all liability with respect to such benefit.

ao. **Unclaimed Benefit**. Each Participant shall keep the Plan Administrator informed of his or her current address and the current address of his or her Beneficiaries. The Plan Administrator shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Plan Administrator within three years after the date on which payment of the Participant's benefit may first be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed or within three years after the actual death of a Participant, the Plan Administrator is unable to locate any Beneficiary of the Participant, then the Plan Administrator shall have no further obligation to pay any benefit hereunder to such Participant, Beneficiary, or any other person and such benefit shall be irrevocably forfeited.

ap. **Tax Compliance and Payouts.**

17. It is intended that the Plan comply with the provisions of Code Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or Beneficiaries. This Plan shall be construed, administered, and governed in a manner that affects such intent, and neither any Participant, Beneficiary, nor Plan Administrator shall not take any action that would be inconsistent with such intent.

18. Although the Plan Administrator shall use its best efforts to avoid the imposition of taxation, interest and penalties under Code Section 409A, the tax treatment of deferrals under this Plan is not warranted or guaranteed. Neither the Company, the other Affiliates, the Plan Administrator, the Retirement Committee, nor any designee shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant, Beneficiary or other taxpayer as a result of the Plan.

19. Notwithstanding anything to the contrary contained herein, (1) in the event that the Internal Revenue Service prevails in its claim that any amount of a Pre-2005 Account, payable pursuant to the Plan and held in the general assets of the Company or any other Employer, constitutes taxable income to a Participant or his or her Beneficiary for a taxable year prior to the

taxable year in which such amount is distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his or her Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such Pre-2005 Account held in the general assets of the Company or any other Employer, to the extent constituting taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

20. Notwithstanding anything to the contrary contained herein, (1) in the event that the Internal Revenue Service prevails in its claim that any amount of a Post-2004 Account, payable pursuant to the Plan and held in the general assets of the Company or any other Employer, constitutes taxable income under Code Section 409A, and guidance and regulations thereunder, to a Participant or his or her Beneficiary for a taxable year prior to the taxable year in which such amount is distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his or her Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such Post-2004 Account held in the general assets of the Company or any other Employer, to the extent constituting such taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

aq. **General Conditions**. Except as otherwise expressly provided herein, all terms and conditions of the Basic Plan applicable to a Basic Plan benefit shall also be applicable to a benefit payable hereunder. Any Basic Plan benefit shall be paid solely in accordance with the terms and conditions of the Basic Plan and nothing in the Plan shall operate or be construed in any way to modify, amend or affect the terms and provisions of the Basic Plan.

[signature block follows on next page]

IN WITNESS WHEREOF, NiSource Inc. has caused this amended and restated Savings and Restoration Plan for NiSource Inc. and Affiliates to be executed in its name, by its duly authorized officer, effective as of November 1, 2020.

NISOURCE INC.

By:_____

Its:_____

Date:_____

i.

History of the Plan

Prior to January 1, 2004, Columbia Energy Group sponsored the Savings Restoration Plan for Columbia Energy Group for eligible executives of Columbia Energy Group and certain Affiliates. Effective January 1, 2004, NiSource Inc., the parent company of Columbia Energy Group, assumed sponsorship of the Savings Restoration Plan for Columbia Energy Group, renamed the Plan the Savings Restoration Plan for NiSource Inc. and Affiliates, and broadened the Plan to include all employees of NiSource Inc. and Affiliates.

The Plan was amended and restated effective January 1, 2004, and amended effective January 1, 2005. The Plan was then amended and restated again effective January 1, 2005, to comply with Code Section 409A, and guidance and regulations thereunder, with respect to benefits earned under the Plan from and after January 1, 2005. Benefits under the Plan earned and vested prior to January 1, 2005 shall be administered without giving effect to Code Section 409A, and guidance and regulations thereunder. The provisions of the Plan as set forth herein apply only to Participants who actively participate in the Plan on or after January 1, 2005. Any Participant who retired or otherwise terminated employment with the Company and all Affiliates prior to January 1, 2005 shall have his or her rights determined under the provision of the Plan as it existed when his or her employment relationship terminated.

The Plan was further amended and restated, effective January 1, 2008, to provide for mandatory lump sum payments of small account balances in accordance with Code Section 409A. The Plan was amended and restated again, effective January 1, 2010, to contain provisions that eliminate mid-year enrollment into the Plan and to allow Participants who make Roth Contributions to a Basic Plan to participate in this Plan. The plan was further amended and restated, effective January 1, 2010, to restore certain Employer Contributions given to Participants who are classified as “exempt employees” by the Employer and who are hired or rehired on or after January 1, 2010.

The Plan was amended and restated again, effective May 13, 2011, to restore Profit Sharing Contributions that otherwise would have been contributed to Participants under the Basic Plan (if not subject to the Limits, defined below) and to transfer all administrative authority with respect to the Plan (including the authority to render decisions on claims and appeals and make administrative or ministerial amendments) from the Compensation Committee to the Benefits Committee. The Plan was again amended and restated, effective January 1, 2012, to (1) remove the ability of participants to make elective deferrals to the Plan; (2) change eligibility to receive Employer credits under the Plan to those employees who are in job scope level C2 and above; (3) provide for investment options in addition to the fixed interest credits currently available for the crediting of earnings on Accounts under the Plan; and (4) clarify other administrative matters related to the Plan. The Plan was amended and restated again, effective October 22, 2012, to allow certain grandfathered participants in the DCP to receive employer credits to be made under this Plan in 2013 and beyond related to any Profit Sharing Contributions and Next-Gen Contributions that otherwise would have been credited to their

accounts under the Basic Plan but were not credited because their DCP deferrals are excluded from Basic Plan compensation for purposes of such contributions. The Plan was amended and restated again, effective August 10, 2017, to revise the procedures for determining Disability under the Plan.

The Plan is amended and restated as of November 1, 2020, to revise the form of payment of Plan benefits on a prospective basis and to clarify matters relating to the Compensation Committee.

ii.

Summary of Payment Terms
(Attached)

Savings Restoration Plan for NiSource, Inc. and Affiliates -- Summary of Payment Terms

	Pre-2005 Account	Post-2004 Account
After Separation from Service	Form: In the same form the Participant elects for payment of his or her 401(k) Plan account Time: At the same time the Participant elects for payment of his or her 401(k) Plan account	Form: **A.** In the form elected by the Participant, if a timely, valid election was made *Elected before January 1, 2014*: • lump sum or • installments over the period chosen, not greater than 15 years --- ◦ monthly installments, ◦ semi-annual installments, or ◦ annual installments *Elected on or after January 1, 2014 and before November 1, 2020*: • lump sum or • annual installments over the period chosen, not greater than 15 years *For participants first becoming eligible for participation on or after November 1, 2020*: lump sum **B.** If a timely and valid election was not made, lump sum Time: • Participant is not a Specified Employee – within 45 days after Separation from Service • Participant is a Specified Employee – after six months have elapsed from the date of Separation from Service (unless Separation from Service is due to death)
	Pre-2005 Account	**Post-2004 Account**
In-Service Withdrawal Not Due to Unforeseeable Emergency	Form: Lump sum (33%, 67%, or 100%, with 10% penalty) Time: When requested	Not available
In-Service Withdrawal Due to Unforeseeable Emergency	Form: Lump sum (limited to the amount reasonably necessary to meet the need) Time: Within 30 days of determination of unforeseeable emergency	Form: Lump sum (limited to the amount reasonably necessary to meet the need) Time: Within 30 days of determination of unforeseeable emergency
	Form: Lump sum	

Automatic Cashout	Time: If at the time a benefit becomes payable, the balance in the combined Pre-2005 and Post-2004 Accounts, and any other non-qualified account balance plan account, is not greater than the currently-effective 401(k) elective deferral limit, the Plan will pay out the aggregated benefit in one lump sum.

Exhibit 10.7

NiSource

POLICY SUBJECT: Executive Severance Policy (for Employee Job Level D2 and above, including Executives)

REVISED: October 19, 2020

1. Purpose. NiSource Inc. ("NiSource") originally established this policy (as amended and restated herein, the "Policy") in June 2002 to provide severance benefits to certain terminated employees of NiSource and its subsidiaries or affiliate entities (the "Company") that are Job Level D2 and above, which includes executive officers, (the "Policy"). Benefits under this Policy shall be in lieu of any benefits available under the NiSource Severance Policy (for Job Level E and below) or any other severance plan, program or policy maintained by the Company, (e.g., the NiSource Next - Voluntary Separation Program). For employees that have a Change in Control and Termination Agreement with NiSource ("CIC Agreement"), no benefit will be payable under the Policy if the relevant termination of employment results in eligibility for a payment under the CIC agreement. The Policy is amended and restated effective October 19, 2020.

2. Administration. The Policy is administered by the Compensation Committee of the Board of Directors of NiSource or its successor ("Committee"). The Committee has the complete discretion and authority with respect to the Policy and its application. The Committee reserves the right to interpret, prescribe, amend and rescind rules and regulations relating to the Policy, determine the terms and provisions of severance benefits and make all other determinations it deems necessary or advisable for the administration of the Policy. The determination of the Committee in all matters regarding the Policy shall be conclusive and binding on all persons. The Committee hereby delegates to the Chief Human Resources Officer (the "CHRO"), or his or her delegate, the authority to develop and implement administrative guidelines regarding the operation of the Policy and render decisions on initial claims for benefits under the Policy.

3. Scope. The Policy will apply to all full-time or part-time regular, non-union employees of the Company whose job level, as established by the Company, is level D2 (or its equivalent) or above ("Participants"), which includes employees of each of its subsidiaries or affiliated entities (collectively, "Affiliates" and each an "Affiliate"). For the purposes of this Policy, the determination of whether an individual is a full-time or part-time employee of an Affiliate shall be made pursuant to the normal practices and policies of such Affiliate.

4. Eligibility for Severance Pay. A Participant becomes eligible to receive severance pay ("Severance Pay") only if he or she is terminated by the Company for any of the following reasons, provided that such termination event constitutes a "separation from

service" as defined under Section 409A of the Internal Revenue Code of 1986, as amended, and applicable guidance thereunder ("Code Section 409A"), and further provided the conditions described in Section 5 below are met:

(a) The Participant's position is eliminated due to a reduction in force or other restructuring.

(b) The Participant's position is moved to a principal employment location outside of a 50 mile radius from the Participant's principal employment location on the date of termination of employment and such move would result in the Participant having a commute more than 20 miles longer, and provided that the Participant chooses not to relocate to the new location for such position, and such events are considered a "good reason" termination under Code Section 409A.

(c) The Participant's employment is constructively terminated. Constructive termination shall be defined in a manner consistent with the guidance for a "good reason" termination under Code Section 409A, and means (1) the scope of the Participant's position is changed materially (other than in the case of a rotational assignment or its equivalent) or (2) the Participant's base pay is reduced by a material amount or (3) the Participant's opportunity to earn a bonus under any Company short-term cash incentive compensation plan is materially reduced or is eliminated, and, in any such event, the Participant chooses not to remain employed in such position. If a Participant does not assert constructive termination within 14 days of being informed of a change described in (1), (2) or (3) above, in a written instrument delivered to the CHRO, such change will not be deemed a constructive termination. Following any such notice from the Participant, the Company shall have 30 days to cure the change that gives rise to constructive termination and, if uncured during such 30 day period, the Participant must terminate his or her employment within 30 days following the expiration of the 30-day cure period. The decision as to whether such a change constitutes constructive termination shall be made by the Committee or its delegate, not the Participant. If the Participant disagrees, the Participant must follow the claims procedure set forth in Section 15.

5. Conditions to Receipt of Benefits.

(a) Severance Pay is not available to a Participant otherwise eligible for Severance Pay who transfers to another position within the Company.

(b) Severance Pay is not available to a Participant whose position is eliminated due to (1) the sale of the Affiliate or assets of the Affiliate which employs the Participant on the date of termination or (2) the outsourcing of work, where in either such event the purchaser of the Affiliate or assets of the Affiliate or the outsourcing service provider makes an offer of employment to the Participant that, if it were the Company, would not constitute "constructive termination" as described in Section 4(c).

(c) Severance Pay is not available to a Participant whose position is eliminated due to the spin-off of any Affiliate, if the spun-off entity makes an offer of employment to the Participant that, if it were an Affiliate making such an offer, would not constitute "constructive termination" as described in Section 4(c).

(d) A Participant must execute and not revoke the release described in Section 6 below.

(e) During the statutory consideration period under any severance agreement or release described in Section 6, or during such other period as is otherwise agreed to by the Company and the Participant, he or she may be required to complete unfinished business projects and be available for discussions regarding matters relative to the Participant's duties.

(f) A Participant must return all Company property and information.

(g) A Participant must agree to pay all outstanding amounts owed to the Company and authorize the withholding of any outstanding amounts owed from his or her final paycheck and/or Severance Pay.

6. Amount of Severance Pay. The amount of Severance Pay to which a Participant is eligible to receive under the Policy is 52 weeks of base salary at the rate in effect on the date of termination, but excluding the impact of any reduction in base salary giving rise to a constructive termination event under clause (2) of Section 4(c).

Subject to Code Section 409A, a Participant who is receiving benefits under a short term disability plan will be eligible for Severance Pay at the end of the period of payment of short term disability if, and only if, (1) he or she is not then eligible for benefits under a long term disability plan, (2) he or she has been given medical release or approval to work again, and (3) he or she is not offered employment with the Company that, in the discretion of the Committee, is comparable to that held by the Participant at the time the applicable period of short term disability commenced. A Participant will not be eligible for Severance Pay at the end of the period of payment of long term disability.

Severance Pay will be paid to a Participant in one lump sum cash payment as soon as practicable after the date of the Participant's termination of employment, but in no event later than the 15th day of the 3rd month after such date, provided that the Participant has executed a valid release of the Company and its respective officers, directors and employees, from any and all actions, suits, proceedings, claims and demands relating to the Participant's employment and the termination thereof, and the applicable revocation period has expired within this period, with such release becoming effective during the time period specified in the release but not no later than 60 days following the Participant's employment termination date. Severance Pay shall be reduced by applicable amounts necessary to comply with federal, state and local income tax withholding requirements.

A Participant eligible for Severance Pay pursuant to this Policy may seek other employment with the Company. The time period to seek other employment will run concurrently with any statutory period of consideration to execute a severance agreement or a release and will not exceed 45 days. If a Participant accepts other employment with the Company, such Participant shall not receive Severance Pay as provided by Section 5(a).

7. Benefits.

(a) Welfare Benefits. A Participant eligible for Severance Pay shall be eligible to receive, at the time of payment of Severance Pay, a lump sum payment equivalent to 130% of 52-weeks of COBRA (as defined in Section 4980B of the Internal Revenue Code of 1986, as amended, and Sections 601-609 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any successor sections) continuation coverage premiums for the medical, dental, and vision coverage in which the Participant was enrolled immediately before his or her employment end date. Receipt of this lump sum payment does not constitute election of, or enrollment in, COBRA continuation coverage. To elect COBRA continuation coverage, a Participant must follow the enrollment instructions included in the COBRA election notice that such Participant receives shortly after the date of the Participant's termination of employment.

(b) Outplacement Services. A Participant eligible for Severance Pay shall be eligible to receive outplacement services as selected by the Company at its expense, for a period commencing on the date of termination of employment and continuing until the earlier to occur of the Participant accepting other employment or 12 months thereafter.

8. No Re-employment. A Participant who receives benefits pursuant to the Policy shall not be eligible for re-employment, unless the Committee or its delegate provides the Participant with a written waiver of this Section.

9. Independent Contractor Status. A Participant who receives benefits pursuant to the Policy shall not be eligible at any time after termination of employment to enter into a consulting or independent contractor relationship with the Company pursuant to which relationship he or she shall perform the same or similar services, upon the same or similar terms and conditions, as were applicable to such Participant on the date of termination of employment, unless the Committee or its delegate provides the Participant with a written waiver of this Section.

10. Death of Participant. If a Participant dies prior to receiving Severance Pay and the benefits set forth in Section 7(a) to which he or she is eligible under the Policy, payment will be made to the representative of his or her estate.

11. Amendment or Termination.

(a) The Policy may be amended or terminated by the Committee at any time during its term when, in its judgment, such amendment or termination is necessary or desirable. No such termination or amendment will affect the rights of any Participant who has terminated employment prior to such termination or amendment and who, based on such termination, is then eligible for Severance Pay or other benefits under the Policy at the time of such amendment or termination. No agent or other employee, other than an officer of the Company acting on behalf of the Committee, has the authority to change or waive any provision of the Policy.

(b) Any duties delegated by the Committee to a particular officer are hereby delegated to any successor officer who assumes the duties of that officer as part of a corporate function or business realignment.

(c) Severance benefits under the Policy are not intended to be a vested right.

12. Governing Law and Venue. The terms of the Policy shall, to the extent not preempted by applicable federal law, be governed by, and construed and enforced in accordance with, the laws of the State of Indiana, including all matters of construction, validity and performance. In order to benefit Participants under this Policy by establishing a uniform application of law with respect to the administration of the Plan, the provisions of this Section 12 shall apply. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Policy shall be brought in any court of the State of Indiana and of the United States for the Northern District of Indiana. The Company, each Participant, and any related parties irrevocably and unconditionally consent to the exclusive jurisdiction of such courts in any such litigation related to this Policy and any transactions contemplated hereby. Such parties irrevocably and unconditionally waive any objection that venue is improper or that such litigation has been brought in an inconvenient forum.

13. Miscellaneous Provisions.

(a) Severance Pay and other benefits pursuant to the Policy shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge prior to actual receipt by a Participant, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge prior to such receipt shall be void and the Company shall not be liable in any manner for, or subject to, the debts, contracts, liabilities, engagements or torts, of any person eligible for any Severance Pay or other benefits under the Policy.

(b) Nothing contained in the Policy shall confer upon any individual the right to be retained in the service of the Company, nor limit the Company's right to discharge or otherwise deal with any individual without regard to the existence of the Policy.

(c) The Policy shall at all times be entirely unfunded. No provision shall at any time be made with respect to segregating assets of the Company for payment of any Severance Pay or other benefits hereunder. No employee or any other person shall have any interest in any particular assets of the Company by reason of the right to receive Severance Pay or other benefits under the Policy, and any such employee or any other person shall have only the rights of a general unsecured creditor with respect to any rights under the Policy.

14. Claims Procedure. A claim for benefits under the Policy shall be submitted in writing to the CHRO, or his or her delegate at the address provided in Section 16. If a claim for benefits under the Policy by a Participant or his or her beneficiary is denied, either in whole or in part, the CHRO or his or her delegate, will let the claimant know in writing within 90 days. If the claimant does not hear within 90 days, the claimant may treat the claim as if it had been denied. A notice of a denial of a claim will refer to a specific reason or reasons for the denial of the claim; will have specific references to the Policy provisions upon which the denial is based; will describe any additional material or information necessary for the claimant to perfect the claim and explain why such material information is necessary; and will have an explanation of the Policy's review procedure.

The claimant will have 60 days after the date of the denial to ask for a review and a hearing. The claimant must file a written request with the Committee for a review. During this time the claimant may review pertinent documents and may submit issues and comments in writing. The Participant will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his or her claim for benefits. The Committee will have another 60 days in which to consider the claimant's request for review. If special circumstances require an extension of time for processing, the Committee may have an additional 60 days to answer the claimant. The claimant will receive a written notice if the extra days are needed. The claimant may submit in writing any document, issues and comments he or she may wish. The decision of the Committee will tell the claimant the specific reasons for its actions, and refer the claimant to the specific Policy provisions upon which its decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his or her duly authorized representative notifies the Committee within 90 days after the mailing or delivery to the claimant by the Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery

15. Rights Under ERISA. Each Participant in the Policy is entitled to certain rights and protection under the ERISA. ERISA provides that all Participants shall be entitled to:

(a) Examine, without charge, at the Company's office all documents governing the Policy, and a copy of the latest annual report (Form 5500 Series) filed with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

(b) Obtain copies of all documents governing the operation of the Policy and copies of the latest annual report (Form 5500 Series) upon written request to the Committee. The Companymay make a reasonable charge for the copies.

(c) Receive a summary of the Policy's annual financial report. The Committee is required by law to furnish each Participant with a copy of the summary annual report.

In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for the operation of an employee benefit plan. The people who operate the Policy, called "fiduciaries" of the Policy, have a duty to do so prudently and in the interest of the Participants and beneficiaries. No one, including the Company, may fire a Participant or otherwise discriminate against a Participant in any way to prevent him or her from obtaining a benefit or exercising his or her rights under ERISA, If a Participant's claim for a benefit is denied in whole or in part, he or she must receive a written explanation of the reason for the denial. A Participant has the right to have the Committee review and reconsider his or her claim. Under ERISA, there are steps a Participant can take to enforce the above rights. For instance, if a Participant requests from the Committee a copy of the Policy or the latest annual report and does not receive either within thirty (30) days, he or she may file suit in a federal court. In such a case the court may require the Committee to provide the materials and pay the Participant up to $110 a day until the Participant receives the materials, unless the materials were not sent because of reasons beyond the control of the Committee. If a Participant has a claim for benefits, which is denied or ignored, in whole or in part, and if the claims procedures under the Policy have been exhausted, he or she may file suit in a state or federal court. If a Participant is discriminated against for asserting his or her rights, he or she may ask assistance from the United States Department of Labor, or he or she may file suit in a federal court. The court will decide who should pay the court costs and legal fees. If the Participant is successful, the court may order the person he or she has sued to pay these costs and fees. If the Participant loses, the court may order him or her to pay these costs and fees, for example, if it finds his or her claim to be frivolous. If a Participant has questions about the Policy, he or she should contact the Committee. If a Participant has any questions about this statement or about his or her rights under ERISA, he or she should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor (listed in your telephone directory), or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. A Participant may also obtain certain publications about his or her rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

17. Policy Facts.

Plan Sponsor: Address:	NiSource Inc. 801 E, 86th Avenue Merrillville, Indiana 46410
Plan Name:	NiSource Executive Severance Policy (for Employee Job Level D2 and above, including Executives)
Plan Number537	537537
Type of Plan:	Severance PolicyWelfare Benefits Plan
Type of Administration	Self-Administered
Policy Year:	Calendar year
Employer Identification Number (EIN):	35-2108964
Policy Administrator:	Compensation Committee of the Board of Directors of NiSource Inc.
Business Address and Phone Number:	801 E. 86th Avenue Merrillville, Indiana 46410 877-647-5990
Agent for Service of Legal Process:	CHRO
(Address)	801 E. 86th Avenue Merrillville, Indiana 46410
Service of legal process may also be made upon the Compensation Committee of the Board of Directors of NiSource Inc.	

18. Code Section 409A.

The payments to the Participants pursuant to this Policy are intended to be exempt from Code Section 409A to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and each payment hereunder shall be considered a separate payment.

Exhibit 10.8

NiSource Next

Voluntary Separation Program

Effective as of August 5, 2020

NiSource Next

Voluntary Separation Program

Effective as of August 5, 2020

SECTION 1.

INTRODUCTION

i. Purpose

NiSource Inc. has established the NiSource Next Voluntary Separation Program (the "Plan"), a special limited program under the NiSource Inc. Severance Policy, to provide severance benefits to eligible employees who voluntarily terminate employment with NiSource Inc. and its subsidiaries and affiliates (hereinafter collectively the "Company") upon the satisfaction of certain conditions. By participating in the Plan, Participants will not be eligible for any other severance or separation pay benefits as the Participants will be deemed to be participating exclusively in this Plan and will be considered as voluntarily resigning so as to be ineligible for any other separation or severance pay. It is the intent of the Company that the Plan, as set forth herein, constitute an "employee welfare benefit plan" within the meaning of Section 3(1) of the Employee Retirement Income Act of 1974 ("ERISA").

ii. Effective Date, Plan Year.

The effective date of the Plan is August 5, 2020 (the "Effective Date"). A "plan year" is the 12-month period beginning on January 1 and ending on the following December 31. The Plan shall be in effect from the Effective Date until terminated by the Company.

iii. Administration.

The Plan is administered by the NiSource Benefits Committee (the "Committee"). The Committee, as the Plan administrator, is the named fiduciary responsible for the overall operation of the Plan. The Committee has complete discretionary authority to construe and interpret the provisions of the Plan and make factual determinations thereunder, including the power to determine the rights or eligibility of employees or Participants and any other persons, and the amounts of their severance benefits under the Plan, and to remedy ambiguities, inconsistencies or omissions. The Committee, from time to time, may adopt such rules and regulations as may be necessary or desirable for the proper and efficient administration of the Plan and as are consistent with the terms of the Plan. The Committee, from time to time, also may allocate or delegate in writing to any other person or persons (who may but need not be employees of the Company) such powers, rights and duties as the Committee may consider necessary or advisable to properly carry out the administration of the Plan. Each member of the Committee shall be entitled, without further act on such member's part, to indemnity from the Company to the fullest extent permitted under applicable law, in connection with or arising out of any action, suit or

proceeding with respect to the administration of the Plan in which such member may be involved by reason of such member being or having been a member of the Committee, whether or not such member continues to be a member of the Committee at the time of the action, suit or proceeding.

iv. Plan Supplements.

This document must be used in conjunction with the Plan supplement attached hereto that applies to the specific employee group described therein (each a "Supplement"). Together, this document and the applicable Supplement constitute the Plan with respect to the employee group described in the Supplement.

SECTION 2.

ELIGIBILITY

Each domestic employee (including employees who are U.S. expatriates) of the Company shall become eligible to become a Participant in the Plan as of the date the employee meets all of the following requirements:

(1) the employee is employed by the Company on a regular, active, full-time or part-time basis, including employees who are on an approved leave of absence, excluding any employee categorized by the Company as "temporary," "seasonal," or "intern", or any similar term or category, and excluding any employees of Columbia Gas of Massachusetts; and

(2) the employee meets the requirements for participation in the Plan as set forth in the Plan and any applicable Supplement.

For all purposes of the Plan, an individual shall be an "employee" of or be "employed" by the Company for any plan year only if such individual is treated by the Company for such plan year as its employee for purposes of employment taxes and wage withholding for federal income taxes, regardless of any subsequent reclassification by the Company, any governmental agency or court.

An employee shall cease to be an eligible employee in the Plan as of the date on which the employee ceases to meet the foregoing requirements of this Section 2. Eligible employees remain eligible for a specified period of time as determined by the Committee.

SECTION 3.

PARTICIPATION AND PLAN BENEFITS

i. Participation

Subject to the conditions and limitations of subsection 3.2 of the Plan and any applicable Supplement, an eligible employee meeting the requirements of Section 2 shall become a Participant entitled to receive a severance benefit determined under subsection 3.3 of the Plan, provided that the employee:

(1) is employed by a function or department or other classification specified in a Supplement and meets all requirements and conditions described therein;

(2) elects to voluntarily terminate employment with the Company in accordance with terms and conditions to be determined by the Committee or the Company, properly and timely applies for acceptance, and is accepted for such termination by the Committee;

(3) executes (or the executor of the employee's estate in the event of the employee's death) a release and any other separation agreement, which may include restrictive covenants, as provided by the Company and, if appropriate, a deduction authorization, as described in subsection 4.1;

(4) is not otherwise excluded from participation due to the business needs of the Company, including due to any participation caps established for any department or function; and

(5) is certified in writing by the Committee as accepted for severance benefits under the Plan.

Upon such certification by the Committee, an employee shall be considered a "Participant" in the Plan. No individuals other than Participants shall be eligible to receive any severance benefits under the Plan.

ii. Benefits Not Payable.

Notwithstanding any other provision of the Plan or any Supplement, a Participant to whom any of the circumstances described below apply shall not be eligible to receive any severance benefits under the Plan.

(1) A Participant whose employment with the Company is terminated, and who is offered a comparable position with a successor employer to commence promptly following termination. A "successor employer" is any entity that assumes operations or functions formerly carried out by the Company (such as the acquirer of all or any part of the Company or assets of the Company or any entity to which a Company operation or function has been outsourced), or any entity making the employment offer at the request of the Company.

(2) A Participant who has been notified by the Company of a future termination of employment date determined by the Company in its sole

discretion (the "Specified Termination Date") under circumstances which would otherwise entitle the Participant to receive a severance benefit under the Plan, and who voluntarily terminates employment with the Company for any reason prior to such date; provided, however, that in the event a Participant's employment terminates prior to the Participant's Specified Termination Date by reason of the Participant's death, the requirement of this Section 3.2(b) shall not be applicable.

(3) Unless otherwise determined by the Company, a Participant who has entered into a retention agreement or who is providing transition or similar services and who voluntarily terminates employment with the Company for any reason prior to the expiration of such retention agreement or the end date for such transition or similar services. Notwithstanding the foregoing, a Participant who enters into a retention agreement at the time an offering is made pursuant to an applicable Supplement shall not be able to receive a benefit under the Plan. An employee who is providing transition services in connection with the transaction between Columbia Gas of Massachusetts and Eversource Energy shall be eligible to participate in the Plan, provided that such employee otherwise meets the requirements of the Plan and an applicable Supplement and such employee remains employed with the Company through the end date of the transition services period, as determined by the Company.

(4) A Participant who is on an approved leave of absence who fails to return to work prior to their Specified Termination Date.

(5) A Participant who is terminated for cause, as determined by the Company. "Cause" means (1) a violation of the NiSource, Inc. Code of Business Conduct, (2) failure by the Participant to perform such Participant's duties, obligations and responsibilities, or (3) the conviction of the Participant for commission of a felony.

(6) A Participant who fails to timely execute, revokes, or violates, a release or the terms of any separation or other agreement provided by the Company.

(7) A Participant who fails to return to the Company all Company property and information.

(8) A Participant who does not agree to pay all outstanding amounts owed to the Company and authorize the Company to withhold any outstanding amounts from such Participant's final paycheck and/or severance benefit.

The Committee shall have sole discretion to determine whether any of the foregoing circumstances apply to a Participant.

iii. Amount of Benefits.

The amount of a Participant's severance benefits under this Plan shall be determined in accordance with the provisions of the Supplement that applies to the Participant as determined by the Committee.

iv. Benefit Limitation.

It is intended that the payments made to Participant's under this Plan will not exceed the equivalent prescribed under Department of Labor Regulations § 2510.3-2(b)(2)) during the year immediately preceding the termination of the Participant's service.

v. Offset for Other Benefits.

The amount of any severance benefits payable to a Participant under the Plan shall be reduced on a dollar-for-dollar basis by any severance, separation or termination pay benefits that the Company pays or is required to pay to such Participant through insurance or otherwise under any plan of the Company, under any federal or state law, including, without limitation, the U.S. Worker Adjustment and Retraining Notification Act or any state or local "pay in lieu of notice" law or regulation, or under any contract of the Company.

SECTION 4.

PAYMENT OF BENEFITS

i. Release and Deduction Authorization.

No severance benefits under the Plan shall be payable to any Participant until:

(1) such Participant and the Company have executed a release (in a form approved by the Company) of all of such Participant's then existing rights and legal claims against the Company and all affiliates and any of their benefit plans (excluding claims for vested retirement benefits under any tax-qualified plan or worker's compensation benefits) by the Release Deadline, including any other agreement determined to be appropriate by the Company, such as an agreement not to disparage the Company, its affiliates, their employees or their businesses, not to disclose confidential or proprietary information and not to solicit customers or employees of such entities or to engage in competition with such entities; and

(2) if appropriate, such Participant has executed a deduction authorization for amounts to be deducted from severance benefits in accordance with subsection 7.11 of the Plan;

and the payment of severance benefits under the Plan shall be subject to the terms and conditions of such agreements. If a Participant violates any of the provisions of the release or other separation agreement, the Participant shall forfeit such Participant's eligibility to receive any severance benefits under the Plan, and the Company may recover any portion of the severance

benefits already paid to such Participant. The terms and conditions of a Participant's release and separation agreement and deduction authorization with respect to the payment of severance benefits are incorporated by this reference and form a part of the Plan as applied to such Participant.

ii. Release Deadline.

A Participant must submit the release described in Section 4.1 as instructed in the release agreement by no earlier than the Participant's termination of employment. The Participant shall have an established and maximum period of time ("Release Deadline") in which to consider the release, which shall be set forth in the release.

iii. Time and Form of Payment.

Subject to the provisions of Section 4.1, all payments made pursuant to subsection 3.3 of the Plan shall be paid in a lump sum (unless otherwise noted in a Supplement) and completed no later than two and one-half months after the end of the taxable year in which the Participant's voluntary termination of employment occurs.

In the event of a Participant's death before full payment of the Participant's severance benefits payable pursuant to subsection 3.3 of the Plan, any amount remaining to be paid shall be paid in a lump sum to the to the representative of such Participant's estate.

SECTION 5.

FINANCING PLAN BENEFITS

All severance benefits payable under this Plan shall be paid directly by the Company out of its general assets. Except to the extent required by applicable law, the Company shall not be required to segregate on its books or otherwise any amount to be used for the payment of severance benefits under this Plan.

SECTION 6.

REEMPLOYMENT

A Participant who receives severance benefits pursuant to the Plan shall not be eligible for re-employment or engagement as a service provider (as an independent contractor, consultant, or otherwise) with the Company for a period of two (2) years following such Participant's termination of employment pursuant to the Plan, unless the Company provides the Participant with a written waiver of this Section.

SECTION 7.

MISCELLANEOUS

i. Information to be Furnished by Participants.

Each Participant must furnish to the Committee such documents, evidence, data or other information as the Committee considers necessary or desirable for the purpose of administering the Plan. Benefits under the Plan for each Participant are provided on the condition that the Participant furnish full, true and complete data, evidence or other information, and that the Participant will promptly sign any document related to the Plan requested by the Committee.

ii. Employment Rights.

The Plan does not constitute a contract of employment or affect the terminable-at-will character of the employment relationship, and participation in the Plan will not give a Participant or employee the right to be rehired or retained in the employ of the Company on a full-time, part-time or any other basis or to be retrained by the Company, nor will participation in the Plan give any Participant any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. The payment of severance benefits under the Plan does not extend a Participant's employment beyond the date such employment is terminated under circumstances which entitle the Participant to severance benefits under the Plan.

iii. Committee's Decision Final.

Any interpretation of the Plan and any decision on any matter within the discretion of the Committee made by the Committee in good faith is binding on all persons. Any mistake of fact or misstatement of fact shall be corrected when it becomes known and the Committee shall make such adjustment on account thereof as it considers equitable and practicable. The Committee may recover overpayments of benefits made to any Participant or a Participant's estate. The Committee shall not be liable in any manner for any determination of fact made in good faith.

iv. Evidence.

Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the Committee considers pertinent and reliable, and signed, made or presented by the proper party or parties.

v. Uniform Rules.

In administering the Plan, the Committee will apply uniform rules to all Participants similarly situated.

vi. Gender and Number.

Where the context admits, words in the masculine gender shall include the feminine and neutral genders, the plural shall include the singular and the singular shall include the plural.

vii. Controlling Laws and Venue.

The terms of the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Indiana, including all matters of construction, validity and performance to the extent not preempted by applicable federal law. In order to benefit Participants under this Plan by establishing a uniform application of law with respect to the administration of the Plan, the provisions of this Section 7.7 shall apply. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Plan shall be brought in a state and/or federal courts located in the state of the Company office to which such claimant was last assigned. The Company, each Participant, and any related parties irrevocably and unconditionally consent to the exclusive jurisdiction of such courts in any such litigation related to this Plan and any transactions contemplated hereby. Such parties irrevocably and unconditionally waive any objection that venue is improper or that such litigation has been brought in an inconvenient forum.

viii. Interests Not Transferable.

Severance benefits pursuant to the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment pledge, encumbrance or charge prior to actual receipt by a Participant, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge prior to such receipt shall be void and the Company shall not be liable in any manner for, or subject to the debts, contracts, liabilities, engagements or torts of, any person entitled to any severance benefits under the Plan.

ix. Facility of Payment.

When any person entitled to severance benefits under the Plan is under legal disability or in the Committee's opinion is in any way incapacitated so as to be unable to manage his or her affairs, the Committee may cause such person's severance benefits to be paid to such person's legal representative for his or her benefit, or to be applied for the benefit of such person in any other manner consistent with applicable law that the Committee may determine.

x. Severability.

In the event any provision of the Plan shall be held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if such illegal or invalid provisions had never been contained in the Plan.

xi. Withholding and Deduction.

The Company will deduct and withhold from any amounts payable under this Plan all federal, state, city and local taxes as shall be legally required, as well as any other amounts authorized or required by Company policy including, but not limited to, withholding for garnishments and judgments or other court orders and deduction of amounts due to the Company as a result of any outstanding travel and entertainment advances, relocation and moving payments, tax make-up benefits, or, other amounts due to the Company for any other reason and as allowed by law.

xii. Effect on Other Plans or Agreements.

Payments or benefits provided to a Participant under any annual bonus, employer stock, stock appreciation rights, deferred compensation, savings, retirement or other employee benefit plan are governed solely by the terms of such plan, and the benefits paid under the Plan shall not be treated as compensation for purposes of the Plan or any other employee benefit plan except to the extent specifically provided therein. Any obligations or duties of a Participant pursuant to any non-competition or other agreement with the Company shall not be affected by the receipt of severance benefits under this Plan.

xiii. Participating Employers.

Controlled group members of the Company may become participating employers under the Plan if so designated by the Committee on behalf of the Company.

xiv. Code Section 409A.

The Plan is intended to comply with Section 409A of the U.S. Internal Revenue Code of 1986 and the regulations thereunder, as amended from time to time ("Code Section 409A") and the interpretative guidance thereunder, or to be exempt therefrom, including through the exceptions for short-term deferrals, separation pay arrangements, reimbursements, and in-kind distributions, and shall be administered, construed, and interpreted with such intent.

For purposes of the Plan, a Participant's employment with the Company shall be deemed to be terminated when the Participant has a "separation from service" within the meaning of Code Section 409A, and references to termination of employment shall be deemed to refer to such a separation from service. Each payment under the Plan or any Company benefit plan is intended to be treated as one of a series of separate payments for purposes of Code Section 409A. To the extent any reimbursements or in-kind benefit payments under the Plan are subject to Code Section 409A, such reimbursements and in-kind benefit payments will be made in accordance with Treasury Regulation §1.409A-3(i)(1)(iv) (or any similar or successor provisions).

Payment of any severance benefits that are not exempt under Section 409A shall be delayed until the Release Deadline, irrespective of when the Participant executes the release; provided, that where the Participant's termination from employment and the release deadline occur in two separate calendar years, payment may not be made before January 1 of the second year.

Notwithstanding anything in the Plan to the contrary, to the extent a Participant is considered a "specified employee" (as defined in Code Section 409A) and would be entitled to a payment during the six-month period beginning on the Executive's date of termination that is not otherwise excluded under Code Section 409A under the exception for short-term deferrals, separation pay arrangements, reimbursements, in-kind distributions, or any otherwise applicable exemption, the payment will not be made to the Participant until the earlier of the six-month

anniversary of the Participant's date of termination or the Participant's death and will be accumulated and paid on the first day of the seventh month following the date of termination.

The Company may amend the Plan to the minimum extent necessary to satisfy the applicable provisions of Code Section 409A.

The Company cannot guarantee that the severance benefits provided pursuant to the Plan will satisfy all applicable provisions of Code Section 409A.

SECTION 8.

CLAIMS PROCEDURE

The claims and review procedures described in this Section 8 must be exhausted before a legal action is brought with respect to the Plan.

A claimant who believes that such claimant is entitled to a benefit under the Plan must file a written claim for such benefit with the Committee within six months of the earlier of: (i) the claimant's termination of employment; or (ii) the expiration of the Application Deadline that applies to such claimant. The Committee, including a delegate or subcommittee thereof (the "Claims Administrator") shall notify in writing any claimant whose claim for benefits under the Plan has been denied in whole or part within 90 days after receipt of the claim for benefits, or within 180 days of receipt of such claim if the claimant is notified in writing by the Claims Administrator that an extension of time is required for processing the claim and the reason therefore. Such notice of extension shall be furnished to the claimant before the end of the initial ninety (90) day period indicating the date by which the Claim Administrator expects to make a decision. If a claim is neither granted nor denied within 90 days or 180 days, as the case may be, the claim will be considered denied, and the claimant may pursue the review procedure set forth below. Each notice of denial of an application shall be in writing and shall contain the following information: (a) the specific reason or reasons for the denial; (b) specific reference to the pertinent Plan provisions upon which the denial is based; (c) a description of any additional material or information necessary for the applicant to perfect the application and an explanation of why such material or information is necessary; and (d) an explanation of the Plan's review procedures (as described below), including the Participant's right to bring a civil action under ERISA Section 502(a) following a final benefit determination on appeal.

In the event a claim for benefits is denied in whole or in part, the claimant or the claimant's duly authorized representative may request a review of such denial by the Claims Administrator. Each such request for review must be in writing signed by the claimant or the claimant's duly authorized representative, must specify that it is a request for review of a denied claim and must be filed with the Claims Administrator no later than 60 days after receipt by the claimant of the denial of the claim or, if a claim is neither granted nor denied, then within 60 days of the expiration of the applicable 90 or 180-day period described in the previous paragraph. In pursuing such appeal, the claimant or the claimant's duly authorized representative may obtain free of charge, reasonable access to and copies of all documents, records or other

information relevant to the claim. The claimant may submit in writing any documents, issues and comments the claimant may wish.

The Claims Administrator will have 60 days in which to consider the claimant's request for review, except that under special circumstances that require an extension of time for processing, the Claims Administrator may have an additional 60 days to answer the claimant. The claimant will receive a written notice if the extra days are needed. The Claims Administrator will notify the claimant of its decision on review in writing. Such notification will be written in a manner calculated to be understood by the claimant and will contain the following: (a) the specific reason or reasons for the adverse determination, (b) reference to the specific Plan provisions on which the benefit determination is based, (c) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits, and (d) a statement of the claimant's right to bring a civil action under ERISA Section 502(a) following the final benefit determination on appeal. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or the claimant's duly authorized representative notifies the Claims Administrator within 90 days after the mailing or delivery to the claimant by the Claims Administrator of its determination on appeal that claimant intends to institute legal proceedings challenging the determination of the Claims Administrator and actually institutes such legal proceedings within 180 days after such mailing or delivery.

If a member of the Committee or the Claims Administrator is also a Participant in the Plan, such member may not decide or determine any matter or question concerning distributions of any kind to be made to such member or the nature or mode of settlement of such member's severance benefits unless such decision or determination could be made by such member under the Plan if such member were not serving on the Committee or as Claims Administrator. If an appeal is filed by a claimant who reports directly to or has a familial relationship with a Committee member or Claim Administrator, the relevant member shall recuse himself or herself from participating in discussion and decision of such appeal.

SECTION 9.

AMENDMENT AND TERMINATION

i. Amendment and Termination.

The Company reserves the right, acting through the Committee or otherwise, to amend the Plan at any time and to alter, reduce or eliminate any benefit under the Plan (in whole or in part) at any time or to terminate the Plan at any time, as to any class or classes of covered employees, including current employees, former employees, their spouses, dependents and beneficiaries, all without notice. Notwithstanding the foregoing, any such amendment or

termination of the Plan shall not reduce the amount of severance benefits payable to any Participant who has met all requirements for such payment under the terms of the Plan and is receiving or is entitled to receive severance benefits under the Plan.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed this 7th day of August, 2020.

NiSource Inc.

By: /s/ Kenneth E. Keener

Its: SVP, CHRO

OFFERING ONE - SUPPLEMENT

OFFICER AND DIRECTOR LEVEL EMPLOYEES

A. Eligible Group

In addition to other criteria set forth in the Plan, in order to be covered by this Supplement, an employee must meet all of the following criteria provided the employee executes and does not revoke a release agreement (in a form approved by the Company):

1. The employee is actively employed by the Company as of August 5, 2020, and remains actively employed with the Company until the employee's Specified Termination Date.

2. On July 1, 2020, the employee was employed as an officer or employee director of the Company; provided that, any officer and employee director to whom the following applies shall be excluded from participation in the Plan under this Supplement:

    1. Any officer that is a "named executive officer" as defined in Item 402(a) of Regulation SK shall not be eligible to participate in the Plan.

    2. Officers and employee directors who serve as Generation People Leaders.

    3. Directors who serve as Electric T&D Engineering People Leaders.

    4. Directors (including Managing Directors) who serve as Electric System Reliability People Leaders.

3. By 11:59 p.m. Central Time on August 21, 2020 (the "Application Deadline") the employee must have applied to voluntarily terminate employment with the Company and to participate in the Plan and not have revoked such application prior to 11:59 p.m. Central Time on August 21, 2020.

4. The employee is notified by the Committee of such employee's approval to participate in the Plan.

Coverage under this Supplement shall be subject to such participation caps on any department or function as may be established by the Company. In the event the number of employees applying for participation under the Plan exceeds any such cap within a specific department or function, the order of priority for participation in the Plan for that department or function will be determined based on such employees with the greatest number of full and partial years of continuous employment by the Company, commencing on such employee's most recent date of hire by the Company, and ending on August 5, 2020.

In addition, the Company may impose such other limitations on employees covered under this Supplement as it deems appropriate.

B. Severance Benefits

1. Severance Pay

A Participant who is covered by this Supplement and who meets all requirements of the Plan will be entitled to fifteen (15) months of base salary ("Severance Pay").

A "month of base salary" shall be equal to 1/12th of the Participant's annual base salary at the rate in effect at the Participant's date of termination of employment. A Participant's "annual base salary" shall mean the amount a Participant is entitled to receive as wages or salary on an annualized basis payable by the Company as consideration for the Participant's services, including any elective deferral contributions made by the Participant pursuant to Sections 125 or 401(k) of the Internal Revenue Code, and including deferred base salary under any nonqualified deferred compensation plan sponsored by the Company, but excluding all items that are not base salary, such as any bonuses, commissions, overtime pay, fringe benefits and incentive compensation.

2. Medical, Dental and Vision Benefits.

A Participant entitled to Severance Pay shall receive, at the time of payment of Severance Pay, a lump sum payment equivalent to 130% of twelve (12) months of COBRA (as defined in Section 4980B of the Internal Revenue Code of 1986, as amended, and Sections 601-609 of ERISA) continuation coverage premiums under the Company's health plan, vision plan, and dental plan, to the extent the Participant and members of the Participant's family were actively participating in such plans as of the Participant's date of termination of employment. Such amounts shall be determined by reference to the premium rates in effect for the coverage the Participant has in effect as of the date of the Participant's termination of employment. Such payment shall be in lieu of any subsidized COBRA coverage the Company may offer and any COBRA coverage elected by the Participant shall be included as part of the period during which the Participant may elect continued group health coverage under COBRA.

3. Outplacement Services.

A Participant entitled to Severance Pay shall receive outplacement services, selected by the Company at its expense, for a period commencing on the date of termination of employment and continuing until the earlier to occur of the Participant accepting other employment or six (6) months thereafter.

Exhibit 10.9

October 19, 2020

Carrie Hightman

Dear Carrie:

This Letter Agreement confirms our decision concerning your employment status with NiSource, Inc. (the “Company”) and its affiliated entities (collectively, “Affiliates” and each an “Affiliate”) and sets forth our mutual agreement with respect to all matters relating to your separation from the Company and its Affiliates.

1. Transition Period

   You will step down from your role as Chief Executive Officer, Columbia Gas of Massachusetts, effective as of the closing of the sale of substantially all of the assets of Bay State Gas Company d/b/a Columbia Gas of Massachusetts (“CMA”) and certain related assets to Eversource Energy. You will continue to serve as Executive Vice President and Chief Legal Officer through January 29, 2021 or your earlier termination of employment by the Company without Cause (as defined herein) (the “Separation Date”). On the Separation Date or, if applicable, the earlier termination of your employment, you shall relinquish the duties of Executive Vice President and Chief Legal Officer of the Company and any other position you hold with the Company or any of its Affiliates.

   Through the Separation Date or, if applicable, the earlier termination of your employment, you will continue to be paid your current base salary and participate in all employee benefit plans of the Company and any of its Affiliates in which you currently participate through the Separation Date. If you do not resign and are not discharged for Cause prior to your Separation Date, you timely sign and do not revoke this Letter Agreement in the 7-day revocation period and you have signed the Supplemental Release (as defined herein) and not revoked it during the 7-day revocation period, you will be eligible to receive the severance payment described in the Severance Payments section below. For purposes of this paragraph, "Cause" shall mean: a) violation of the Code of Business Conduct; b) your failure to perform your duties, obligations and responsibilities; c) violation of the terms of this Letter Agreement; or d) your conviction for commission of a felony.

2. Business Transition

You agree to cooperate fully to ensure a smooth transition. As part of your transition services before and after the Separation Date, you agree, at the request of the Company's counsel, to prepare for, and provide testimony at trial or deposition in any litigation in which the Company or any of its Affiliates are involved. Your employment, retention and compensation under this Letter Agreement will not be dependent on the outcome of any litigation or the content of any testimony that you provide therein (other than the truthfulness thereof).

3. Severance Benefits

In accordance with the terms of the Severance Policy for Employee Job Level D2 and Above (Certain Directors and above) (the "Policy"), you will be eligible to receive severance payments and benefits pursuant to the Severance Policy for Employee Job Level D2 and Above (Certain Directors and above) (the "Policy"). Provided you have not accepted employment with another Affiliate,
you do not resign and are not discharged for Cause prior to your Separation Date, you have timely signed this Letter Agreement and not revoked it during the 7-day revocation period and you have signed the Supplemental Release and not revoked it during the 7-day revocation period, you will receive no later than sixty (60) days after the Separation Date (a) a lump sum payment in the amount of $500,000 (which is equal to 52 weeks of pay) and (b) a lump sum payment equivalent to 130% of 12 months of COBRA (as described in Paragraph 5), for use by you to pay for continuation coverage premiums for the medical, dental, and vision coverage in which the you were enrolled immediately before your employment end date. For the avoidance of doubt, receipt of the COBRA lump sum payment does not constitute election of, or enrollment in, COBRA continuation coverage. Legally mandated deductions for social security and federal, state and local taxes will be withheld from each lump sum.

4. Other Benefits

Your eligibility to participate in any benefit programs of the Company or any of its Affiliates will be in accordance with the terms of such programs.

Regardless of whether you execute this Letter Agreement, you will: (a) receive a lump sum payment for any accrued and unused vacation pay to which you are entitled as of the Separation Date; and (b) be paid out vacation and floating holidays that have been banked by you (subject to the 640 hour banking maximum). Such payments will be included in your final regular paycheck as an active employee. In either case, the payment will be subject to legally-mandated deductions for social security and federal, state and local taxes.

5. COBRA Coverage

The termination of your employment is a qualifying event for purposes of COBRA (as defined in Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code"), and Sections 601-609 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any successor sections). The Company will notify you and/or your dependents of the insurance coverage which you may continue on a self-pay basis, as provided by COBRA, upon termination of your employment. To elect COBRA continuation coverage, you must follow the enrollment instructions included in that COBRA election notice.

6. NiSource Re-Employment

Notwithstanding Section 8 of the Policy, you shall be eligible for re-employment with the Company; provided that, if you seek re-employment with the Company or any of its Affiliates and are subsequently re-hired within 12 months of your Separation Date, then a pro-rata portion of your severance payment must be repaid as of the rehire date as a condition of re-employment.

If you are rehired and your position is subsequently eliminated, management reserves the right to base any severance payments on your rehire date.

7. Return of Property

You agree to return to the Company and its Affiliates any and all of its property and information, including but not limited to, keys, employee identification or security access cards, telephones, computing equipment, and credit cards on or before your Separation Date.

8. Confidentiality

You acknowledge that during your employment by the Company you had access to confidential information and confidential financial data of the Company and its Affiliates.

You further acknowledge that during your employment you may have developed confidential business information for the Company and one or more of its Affiliates, may have made inventions, and/or may have established relationships with the Company's and one or more of its Affiliates' customers and potential customers.

In order to preserve the property, inventions, business, and goodwill of the Company and each of its Affiliates, you agree that during and after your employment, all knowledge and information not known to the public respecting the Company's or any of its Affiliates' inventions, designs, products, services, machinery, methods, systems, improvements, forecasts, strategic and other plans, financial data, and other confidential information, including customer information such as names and addresses of customers and potential customers, pricing information relating to any services performed or products sold by the Company or any of its Affiliates , and all information relating to the special and particular business needs of the Company or any of its Affiliates or their customers and potential customers, shall remain the exclusive property of the Company and each of its Affiliates, respectively, and shall be regarded by you as strictly confidential and shall not be directly or indirectly used or disclosed without the Company's written permission.

Moreover, you agree that upon termination of your employment, you will promptly deliver to the Company all documentation and other materials relating to the Company's business or the business of any of its Affiliates which are in your possession or under your control, including customer and potential customer lists, product lists, and marketing material, whether in written or electronic data form; and you will delete, destroy or discard all copies of such confidential information remaining in your possession.

You further acknowledge and agree that the Company's remedy in the form of monetary damages for any breach by you of any of the provisions of this section may be inadequate and that, in addition to any monetary damages for such breach, the Company shall be entitled to institute and maintain any appropriate proceeding or proceedings, including an action for specific performance and/or injunction.

9. Release of Claims

In consideration of the payments and benefits described herein, the sufficiency of which is hereby acknowledged, you, your heirs, executors and administrators, do hereby knowingly and voluntarily fully, finally and unconditionally release and forever discharge, to the full extent permitted by law, the Company, and its parent, sister and subsidiary corporations and all their affiliates, partners, shareholders, related entities, their employee benefits plans and the plans' trustees, administrators, and fiduciaries, divisions, predecessors, successors and assigns, representatives, current and former employees, officers, directors and agents and attorneys, in their personal and corporate capacities (collectively referred throughout the remainder of this Letter Agreement as the "the Released Parties"), of and from any and all liabilities, actions, causes of action, claims, rights, obligations, charges, damages, costs, attorneys' fees, suits, re-employment rights and demands of any and every kind, nature and character, known and unknown, asserted and

unasserted, liquidated and unliquidated, absolute and contingent, in law or in equity, enforceable under any local, state, or federal statute or ordinance, or under the common laws of the United States, against the Released Parties occurring or arising prior to you signing this Letter Agreement, including but not limited to, all claims relating to the Age Discrimination in Employment Act of 1967 ("ADEA"), as amended, and the Older Workers Benefits Protection Act ("OWBPA"), 29 U.S.C.§ 621 et seq.; Title VII of the Civil Rights Act of 1964, as amended, 42 U.S. C. § 2000e et seq.; the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. § 1001 et seq. (excluding claims for vested benefits); the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701 et seq.; the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. § 12101 et seq.; the Fair Labor Standards Act, as amended, 29 U.S.C. § 201 et seq. (excluding claims for unpaid wages); the Civil Rights Act of 1866, 42 U.S.C. § 1981 et seq.; the Worker Adjustment Retraining Notification Act, 29 U.S.C. 2101§ et seq.; the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; the Corporate and Criminal Fraud Accountability Act of 2002, 18 U.S.C. §1514A; the Family and Medical Leave Act 29 U.S.C. §2601 et seq; and the State of Indiana's civil rights statutes or any other state or local statute or common law doctrine; any and all claims relative to any agreement relating to your employment with the Released Parties, including any claims under the doctrines of defamation, libel, slander, invasion of privacy, intentional infliction of emotional distress, whistleblowing, interference with contractual relations, retaliatory discharge, breach of contract, wrongful discharge, breach of implied contract or implied covenant of good faith or fair dealing, and any other statute, authority or law, providing a cause of action relating to your employment by or the termination of your employment with the Released Parties; provided, however, that you do not release: (i) any vested benefits or payments to which you are entitled under the terms of any applicable benefit plans of the Company or its Affiliates, (ii) any claim to unemployment insurance or workers' compensation benefits, where applicable, (iii) your rights under this Letter Agreement or (iv) any other claim the law precludes you from waiving by agreement.

You acknowledge and agree that this release is being given only in exchange for consideration to which you are not otherwise entitled.

You represent that you have read and understand the terms of this Release of Claims. You understand that this Release of Claims is applicable to any claims arising prior to the date of this Letter Agreement.

10. Rights Reserved

This Letter Agreement shall not apply to rights or claims that may arise after the effective date of this Letter Agreement, and nothing in this paragraph or this Letter Agreement:

a. Limits any right you may have to enforce this Letter Agreement;

b. Limits any right you have that cannot, by express and unequivocal terms of law, be limited, waived, or extinguished by private

agreement, including claims for (i) unemployment or workers' compensation, (ii) vested rights under ERISA, or (iii) reimbursement of expenses under the Company's expense reimbursement policies;

c. Limits or affects your right to challenge the validity of this Letter Agreement under the ADEA or the OWBPA;

d. Prevents you from, confidentially or otherwise (without informing the Company), filing a charge or complaint with, or from participating in an investigation or proceeding conducted by, the Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, Occupational Safety and Health Administration or any other any federal, state or local agency charged with the enforcement of any laws; or

e. Limits your ability under any federal or state trade secret law, without exposure to criminal or civil liability, to disclose trade secrets: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Notwithstanding your reservation of the foregoing rights, you understand and agree that by signing this Letter Agreement, you are waiving rights to individual relief (including backpay, frontpay, reinstatement or other legal or equitable relief) in any charge, complaint, or lawsuit brought by you or on your behalf, except for any right you may have to receive a payment from a government agency (not the Company or any of its Affiliates) for information provided to the government agency.

11. Affirmations

You affirm that you have not filed, caused to be filed, and are not presently a party to any claim, complaint, or action against any of the Released Parties in any forum or form, or if there are such claims, complaints or actions pending, you agree to withdraw and/or dismiss all such claims, complaints or actions that may be legally withdrawn and/or legally dismissed prior to the receipt of the severance payment. You also affirm that you are not aware of any other claim you may have against the Released Parties. You further affirm that you have reported all hours worked as of the date of this Letter Agreement and have been paid and/or have received all leave (paid or unpaid), compensation, wages, bonuses, commission, and/ or benefits to which you may be entitled and that no other leave (paid or unpaid), compensation,

wages, bonuses, commission and/or benefits are due to you, except as provided in this Letter Agreement. You also affirm that you have no known workplace injuries or occupational diseases. You also represent that you are not aware of any facts on which a claim under the Fair Labor Standards Act, the Attorney Fees in Wage Action Act, or under applicable state minimum wage or leave laws could be brought. Notwithstanding the foregoing, nothing herein is intended to limit any rights you may have pursuant to paragraph 11 of this Letter Agreement.

12. Non-Disparagement

You agree not to make any false or disparaging comments concerning the Company or any of its Affiliates, their management or employees, or their operations, whether orally or in writing, and whether concerning your employment with or separation from the Company or otherwise, to any third party. The Company, in turn, agrees to refer all prospective employment reference inquiries to its third party administrator to verify your last position held and dates of employment, and not to provide any additional information to prospective employers concerning you or your employment, except as specifically authorized by you. Notwithstanding the foregoing, nothing herein is intended to limit any rights you may have pursuant to paragraph 11 of this Letter Agreement.

13. Outstanding Charges and Expenses

You hereby agree to pay the Company and any of its Affiliates any outstanding amounts owed to the Company or any of its Affiliates, and further agree that by signing this Letter Agreement you hereby authorize the Company to deduct any outstanding charges from your final pay check and/or severance payment, as permitted by applicable law.

14. Outplacement Assistance

You will be eligible for a defined package of Company-paid reasonable outplacement assistance services through the consultant of the Company's choice for a period commencing on the date of your termination of employment and continuing until the earlier to occur of you accepting other employment or twelve months thereafter.

15. Governing Law

This Letter Agreement shall be construed in accordance with the laws of the State of Indiana, including all matters of construction, validity and performance, to the extent not preempted by federal law, and that any action

brought by any party hereunder may be instituted and maintained only in the appropriate court having jurisdiction over Lake County, Indiana.

16. Severability

In the event that one or more of the provisions contained in this Letter Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, you and the Company shall have the option to cancel it.

17. Executive Severance Policy Incorporated By Reference

You acknowledge and agree that this Letter Agreement is subject to the terms and conditions of the Policy in effect as of the date of this Letter Agreement. The Policy is available upon request.

18. Supplemental Release

In addition to complying with the terms of this Letter Agreement, as an additional condition precedent to your receipt of the severance benefits set forth in paragraph 3, you also must provide a separately duly signed Waiver and Release Agreement, in the form attached hereto as Exhibit A (the "Supplemental Release"), after the Separation Date, and before the expiration of twenty-one (21) calendar days after such date and not revoke it. The Company shall provide you with a copy of the Supplemental Release on or around the Separation Date.

19. Section 409A of the Internal Revenue Code

The payments pursuant to this Letter Agreement are intended to be exempt from Section 409A of the Code, to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and each payment hereunder shall be considered a separate payment. In furtherance of this intent, this Letter Agreement shall be interpreted, operated and administered in a manner consistent with these intentions.

20. Complete Agreement

You acknowledge that in accepting this Letter Agreement, you have not relied upon any representation or promise other than those expressly stated in this Letter Agreement.

This Letter Agreement and the documents specifically referred to herein constitute the complete understanding between you and the Company

relating to your separation and replaces any and all prior agreements, promises, representations or inducements, no matter their form, concerning your employment with the Company. No promises or agreements made subsequent to the execution of this Letter Agreement by these parties shall be binding unless reduced to writing and signed by authorized representatives of these parties.

21. **Important Information**

You acknowledge and agree that:

a. **You have 21 days from your receipt of this Letter Agreement within which to review and consider signing the Letter Agreement (the "Consideration Period") and any changes made to the Letter Agreement, whether material or immaterial, do not restart the Consideration Period;**

b. **You have been and are hereby advised in writing to consult with an attorney of your choice prior to signing this Letter Agreement;**

c. **You have read and fully understand the terms of this Letter Agreement and have knowingly, voluntarily and of your own free will agreed to those terms for the purpose of fully and finally compromising and settling any and all claims, disputed or otherwise, of any kind or nature that you ever had or may now have against any Released Party arising out of your employment by, and/or separation of employment from, the Company or any of its Affiliates, and arising out of any other matter, whether known or unknown to you at the time of execution of this Letter Agreement, to the extent permitted by law;**

d. **Your acceptance of the terms and conditions outlined in this Letter Agreement is in lieu of any and all other severance programs offered by the Company and any of its Affiliates and you knowingly and voluntarily waive participation in all other severance programs offered by the Company or any of its Affiliates.**

e. **You are not waiving any claims that may arise after the execution of this Letter Agreement under the Age Discrimination in Employment Act, or otherwise; and**

f. **The Company's performance under this Letter Agreement constitutes full and complete payment of all amounts due to you from the Company and provides additional consideration to which**

you are not otherwise entitled as a result of your separation from the Company's employ.

22. Revocation Period

You understand and agree that you have seven days following your execution of this Letter Agreement (the "Revocation Period") to revoke it, and that if you elect to revoke it, this Letter Agreement shall be null and void in its entirety. To effectively revoke this Letter Agreement, you must do so in writing and deliver your notice of revocation, so that it arrives prior to the close of business on the last day of the Revocation Period, to: Ken Keener, SVP & Chief Human Resource Officer, 290 W. Nationwide Boulevard, Columbus, OH 43215.

23. Acceptance and Effective Date

To accept this Letter Agreement, you must sign and date both copies of the Letter Agreement in the space provided below to signify your acceptance, and return the Letter Agreement to Ken Keener, SVP & Chief Human Resource Officer, 290 W. Nationwide Boulevard, Columbus, OH 43215, prior to the close of business (i.e., 5:00 p.m. Eastern time) on the last day of the Consideration Period. This Letter Agreement shall become effective and irrevocable automatically upon the expiration of the Revocation Period if it is not revoked in the manner discussed in the preceding paragraph.

Very truly yours,

Ken Keener
SVP & Chief Human Resource Officer

Acceptance:

I acknowledge that I have read and understand the provisions of this Letter Agreement and represent that the execution of this Letter Agreement constitutes my knowing and voluntary act, made without coercion or intimidation. I understand and agree that this Letter Agreement is not enforceable or binding upon me, my heirs, executors, and administrators unless or until such time that it is signed by me and a representative of the Company below.

/s/ Carrie Hightman

Carrie Hightman

October 19, 2020

Date

/s/ [signature]

WITNESS

FOR THE COMPANY:

/s/ Ken Keener

Ken Keener, SVP & Chief Human Resource Officer
NOTE: TO BE SIGNED AFTER THE EMPLOYEE SIGNS ABOVE.

October 19, 2020

Date

EXHIBIT A
SUPPLEMENTAL RELEASE OF CLAIMS

This Waiver and Release Agreement ("Release") is executed by _____ ("you") on this ____ day of _____, 2021.

1. Release of Claims.

In consideration of the payments and benefits described in the Letter Agreement, dated as of October 16 220, between NiSource, Inc. (the "Company") and you (the "Letter Agreement"), the sufficiency of which is hereby acknowledged, you, your heirs, executors and administrators, do hereby knowingly and voluntarily fully, finally and unconditionally release and forever discharge, to the full extent permitted by law, the Company, and its parent, sister and subsidiary corporations and all their affiliates, partners, shareholders, related entities, their employee benefits plans and the plans' trustees, administrators, and fiduciaries, divisions, predecessors, successors and assigns, representatives, current and former employees, officers, directors and agents and attorneys, in their personal and corporate capacities (collectively referred throughout the remainder of this Release as the "the Released Parties"), of and from any and all liabilities, actions, causes of action, claims, rights, obligations, charges, damages, costs, attorneys' fees, suits, re-employment rights and demands of any and every kind, nature and character, known and unknown, asserted and unasserted, liquidated and unliquidated, absolute and contingent, in law or in equity, enforceable under any local, state, or federal statute or ordinance, or under the common laws of the United States, against the Released Parties occurring or arising prior to you signing this Letter Agreement, including but not limited to, all claims relating to the Age Discrimination in Employment Act of 1967 ("ADEA"), as amended, and the Older Workers Benefits Protection Act ("OWBPA"), 29 U.S.C.§ 621 et seq.; Title VII of the Civil Rights Act of 1964, as amended, 42 U.S. C. § 2000e et seq.; the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. § 1001 et seq. (excluding claims for vested benefits); the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701 et seq.; the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. § 12101 et seq.; the Fair Labor Standards Act, as amended, 29 U.S.C. § 201 et seq. (excluding claims for unpaid wages); the Civil Rights Act of 1866, 42 U.S.C. § 1981 et seq.; the Worker Adjustment Retraining Notification Act, 29 U.S.C. 2101§ et seq.; the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; the Corporate and Criminal Fraud Accountability Act of 2002, 18 U.S.C. §1514A; the Family and Medical Leave Act 29 U.S.C. §2601 et seq; and the State of Indiana's civil rights statutes or any other state or local statute or common law doctrine; any and all claims relative to any agreement relating to your employment with the Released Parties, including any claims under the doctrines of defamation, libel, slander, invasion of privacy, intentional infliction of emotional distress, whistleblowing, interference with contractual relations, retaliatory discharge,

breach of contract, wrongful discharge, breach of implied contract or implied covenant of good faith or fair dealing, and any other statute, authority or law, providing a cause of action relating to your employment by or the termination of your employment with the Released Parties; provided, however, that you do not release: (i) any vested benefits or payments to which you are entitled under the terms of any applicable benefit plans of the Company or its affiliates, (ii) any claim to unemployment insurance or workers' compensation benefits, where applicable, (iii) your rights under the Letter Agreement or (iv) any other claim the law precludes you from waiving by agreement.

You acknowledge and agree that this Release is being given only in exchange for consideration to which you are not otherwise entitled.

You represent that you have read and understand the terms of this Release. You understand that this Release is applicable to any claims arising prior to the date of this Release.

2. Rights Reserved

This Release shall not apply to rights or claims that may arise after the effective date of this Release, and nothing in this paragraph or this Release:

a. Limits any right you may have to enforce the Letter Agreement;

b. Limits any right you have that cannot, by express and unequivocal terms of law, be limited, waived, or extinguished by private agreement, including claims for (i) unemployment or workers' compensation, (ii) vested rights under ERISA, or (iii) reimbursement of expenses under the Company's expense reimbursement policies;

c. Limits or affects your right to challenge the validity of the Letter Agreement or this Release under the ADEA or the OWBPA;

d. Prevents you from, confidentially or otherwise (without informing the Company), filing a charge or complaint with, or from participating in an investigation or proceeding conducted by, the Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, Occupational Safety and Health Administration or any other any federal, state or local agency charged with the enforcement of any laws; or

e. Limits your ability under any federal or state trade secret law, without exposure to criminal or civil liability, to disclose trade secrets: (i) in confidence to a federal, state, or local government

official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Notwithstanding your reservation of the foregoing rights, you understand and agree that by signing this Release, you are waiving rights to individual relief (including backpay, frontpay, reinstatement or other legal or equitable relief) in any charge, complaint, or lawsuit brought by you or on your behalf, except for any right you may have to receive a payment from a government agency (not the Company or any of its affiliates) for information provided to the government agency.

3. Affirmations

You affirm that you have not filed, caused to be filed, and are not presently a party to any claim, complaint, or action against any of the Released Parties in any forum or form, or if there are such claims, complaints or actions pending, you agree to withdraw and/or dismiss all such claims, complaints or actions that may be legally withdrawn and/or legally dismissed prior to the receipt of the severance payment. You also affirm that you are not aware of any other claim you may have against the Released Parties. You further affirm that you have reported all hours worked as of your Separation Date (as defined in the Letter Agreement) and have been paid and/or have received all leave (paid or unpaid), compensation, wages, bonuses, commission, and/ or benefits to which you may be entitled and that no other leave (paid or unpaid), compensation, wages, bonuses, commission and/or benefits are due to you, except as provided in this Letter Agreement. You also affirm that you have no known workplace injuries or occupational diseases. You also represent that you are not aware of any facts on which a claim under the Fair Labor Standards Act, the Attorney Fees in Wage Action Act, or under applicable state minimum wage or leave laws could be brought. Notwithstanding the foregoing, nothing herein is intended to limit any rights you may have pursuant to paragraph 3 of this Release.

4. Governing Law

This Release shall be construed in accordance with the laws of the State of Indiana, including all matters of construction, validity and performance, to the extent not preempted by federal law, and that any action brought by any party hereunder may be instituted and maintained only in the appropriate court having jurisdiction over Lake County, Indiana.

5. Severability

In the event that one or more of the provisions contained in this Release shall for any reason be held to be invalid, illegal or unenforceable in any respect, you and the Company shall have the option to cancel it.

6. **Important Information**

You acknowledge and agree that:

a. **You have 21 days from your receipt of this Release within which to review and consider signing the Release (the "Consideration Period") and any changes made to the Release, whether material or immaterial, do not restart the Consideration Period;**

b. **You have been and are hereby advised in writing to consult with an attorney of your choice prior to signing this Release;**

c. **You have read and fully understand the terms of this Release and have knowingly, voluntarily and of your own free will agreed to those terms for the purpose of fully and finally compromising and settling any and all claims, disputed or otherwise, of any kind or nature that you ever had or may now have against any Released Party arising out of your employment by, and/or separation of employment from, the Company or any of its affiliates, and arising out of any other matter, whether known or unknown to you at the time of execution of this Release, to the extent permitted by law;**

d. **Your acceptance of the terms and conditions outlined in the Letter Agreement is in lieu of any and all other severance programs offered by the Company and any of its affiliates and you knowingly and voluntarily waive participation in all other severance programs offered by the Company or any of its affiliates.**

e. **You are not waiving any claims that may arise after the execution of this Release under the Age Discrimination in Employment Act, or otherwise; and**

f. **The Company's performance under the Letter Agreement constitutes full and complete payment of all amounts due to you from the Company and provides additional consideration to which you are not otherwise entitled as a result of your separation from the Company's employ.**

7. **Revocation Period**

You understand and agree that you have seven days following your execution of this Release (the "Revocation Period") to revoke it, and that if you elect to revoke it, the Letter Agreement and this Release shall be null and void in its entirety. To effectively revoke this Release, you must do so in writing and deliver your notice of revocation, so that it arrives prior to the close of business on the last day of the Revocation Period, to: Ken Keener, SVP & Chief Human Resource Officer, 290 W. Nationwide Boulevard, Columbus, OH 43215.

8. Acceptance and Effective Date

To accept this Release, you must sign and date both copies of the Release in the space provided below to signify your acceptance, and return the Release to Ken Keener, SVP & Chief Human Resource Officer, 290 W. Nationwide Boulevard, Columbus, OH 43215 prior to the close of business (i.e., 5:00 p.m. Eastern time) on the last day of the Consideration Period. This Release shall become effective and irrevocable automatically upon the expiration of the Revocation Period if it is not revoked in the manner discussed in the preceding paragraph.

Very truly yours,

Ken Keener
SVP & Chief Human Resource Officer

Acceptance:

I acknowledge that I have read and understand the provisions of this Release and represent that the execution of this Release constitutes my knowing and voluntary act, made without coercion or intimidation. I understand and agree that this Release is not enforceable or binding upon me, my heirs, executors, and administrators unless or until such time that it is signed by me and a representative of the Company below.

TO BE SIGNED AFTER THE SEPARATION DATE

_____
Carrie Hightman

_____
Date

_____
WITNESS

FOR THE COMPANY:

_____
Ken Keener, SVP & Chief Human Resource Officer
NOTE: TO BE SIGNED AFTER THE EMPLOYEE SIGNS ABOVE.

_____
Date

Exhibit 31.1

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph Hamrock, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2020;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2020

By: /s/ Joseph Hamrock

Joseph Hamrock

President and Chief Executive Officer

Exhibit 31.2

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Donald E. Brown, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2020;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2020

By: /s/ Donald E. Brown

Donald E. Brown

Executive Vice President, Chief Financial Officer, and
President of NiSource Corporate Services

Exhibit 32.1

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Hamrock, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph Hamrock

Joseph Hamrock
President and Chief Executive Officer

Date: November 2, 2020

Exhibit 32.2

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald E. Brown, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Donald E. Brown

Donald E. Brown

Executive Vice President, Chief Financial Officer, and President of
NiSource Corporate Services

Date: November 2, 2020

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-002:

Please supply copies of the Company's balance sheets for each month/quarter for the last two years.

Response:

Please see GAS-ROR-002 Attachment A, which provides the monthly Company balance sheets from December 2019 through November 2021.

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
As of Dec - 2019
FDW Standard Report - For Internal Use Only

	Month: *Dec - 2019*	Previous Month	Variance	Month: *Dec - 2019*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$2,755,558,490.42	$2,720,771,019.43	$34,787,470.99	$2,755,558,490.42	$2,470,071,060.77	$285,487,429.65
Construction Work In Progress	$45,731,782.15	$68,940,447.82	($23,208,665.67)	$45,731,782.15	$47,472,392.48	($1,740,610.33)
Total Utility Plant	**$2,801,290,272.57**	**$2,789,711,467.25**	**$11,578,805.32**	**$2,801,290,272.57**	**$2,517,543,453.25**	**$283,746,819.32**
Accum Prov - Amort and Depr	($489,551,440.66)	($502,691,310.01)	$13,139,869.35	($489,551,440.66)	($463,846,358.44)	($25,705,082.22)
Net Utility Plant	**$2,311,738,831.91**	**$2,287,020,157.24**	**$24,718,674.67**	**$2,311,738,831.91**	**$2,053,697,094.81**	**$258,041,737.10**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,312,470,704.16**	**$2,287,752,029.49**	**$24,718,674.67**	**$2,312,470,704.16**	**$2,054,428,967.06**	**$258,041,737.10**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,283,227.94	$20,214,952.11	$68,275.83	$20,283,227.94	$19,968,120.31	$315,107.63
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$4,752,561.03	$3,679,392.88	$1,073,168.15	$4,752,561.03	$634,282.07	$4,118,278.96
Other Property and Investments	**$25,044,135.46**	**$23,902,691.48**	**$1,141,443.98**	**$25,044,135.46**	**$20,610,748.87**	**$4,433,386.59**
Current and Accrued Assets						
Cash	$2,099,204.84	$410,181.45	$1,689,023.39	$2,099,204.84	$3,928,067.44	($1,828,862.60)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,205.46	($205.46)
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$43,010,056.07	$38,501,029.93	$4,509,026.14	$43,010,056.07	$44,704,353.21	($1,694,297.14)
AR from Associated Cos	$802,216.99	$111,007.59	$691,209.40	$802,216.99	$153,583.67	$648,633.32
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,163,837.48	$1,158,550.74	$5,286.74	$1,163,837.48	$1,040,236.81	$123,600.67
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$48,078,559.27	$59,220,987.16	($11,142,427.89)	$48,078,559.27	$60,321,626.56	($12,243,067.29)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$6,152,017.74	$5,092,243.25	$1,059,774.49	$6,152,017.74	$4,717,578.59	$1,434,439.15
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$2,838,327.35	$1,353,762.91	$1,484,564.44	$2,838,327.35	$234,291.47	$2,604,035.88
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$104,399,769.74**	**$106,103,313.03**	**($1,703,543.29)**	**$104,399,769.74**	**$115,355,493.21**	**($10,955,723.47)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$279,043,933.40	$285,794,016.00	($6,750,082.60)	$279,043,933.40	$292,807,239.64	($13,763,306.24)
Preliminary Surveys	$4,427,002.87	$4,817,638.69	($390,635.82)	$4,427,002.87	$1,766,047.14	$2,660,955.73
Clearing Accounts	$0.00	$1,296.33	($1,296.33)	$0.00	$0.00	$0.00

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
As of Dec - 2019
FDW Standard Report - For Internal Use Only

	Month: *Dec - 2019*	Previous Month	Variance	Month: *Dec - 2019*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,334,213.24	$5,507,955.49	($1,173,742.25)	$4,334,213.24	$5,012,465.63	($678,252.39)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$122,916,021.00	$124,000,822.00	($1,084,801.00)	$122,916,021.00	$130,360,758.00	($7,444,737.00)
Unrecovered Purchase Gas Costs	($830,838.41)	$1,775,504.93	($2,606,343.34)	($830,838.41)	$5,792,437.98	($6,623,276.39)
Deferred Debits	**$409,890,332.10**	**$421,897,233.44**	**($12,006,901.34)**	**$409,890,332.10**	**$435,738,948.39**	**($25,848,616.29)**
Assets and Other Debits	**$2,851,804,941.46**	**$2,839,655,267.44**	**$12,149,674.02**	**$2,851,804,941.46**	**$2,626,134,157.53**	**$225,670,783.93**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$52,889,827.00	$52,889,827.00	$0.00	$52,889,827.00	$52,889,827.00	$0.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$885,402,388.17	$859,124,191.53	$26,278,196.64	$885,402,388.17	$788,379,727.86	$97,022,660.31
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$983,420,015.17**	**$957,141,818.53**	**$26,278,196.64**	**$983,420,015.17**	**$886,397,354.86**	**$97,022,660.31**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$785,515,000.00	$785,515,000.00	$0.00	$785,515,000.00	$705,515,000.00	$80,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$785,515,000.00**	**$785,515,000.00**	**$0.00**	**$785,515,000.00**	**$705,515,000.00**	**$80,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$27,187,702.09	$27,087,751.28	$99,950.81	$27,187,702.09	$28,879,266.00	($1,691,563.91)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$142,035.04	$143,664.60	($1,629.56)	$142,035.04	$113,922.28	$28,112.76
Accum Prov - Pension & Benefit	$2,553,240.14	$5,935,103.46	($3,381,863.32)	$2,553,240.14	$6,164,095.93	($3,610,855.79)
Accum Misc Operating Provision	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$29,882,977.27**	**$33,166,519.34**	**($3,283,542.07)**	**$29,882,977.27**	**$35,157,284.21**	**($5,274,306.94)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$46,517,293.00	$43,680,534.54	$2,836,758.46	$46,517,293.00	$51,512,287.03	($4,994,994.03)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$156,860,863.31	$153,810,659.99	$3,050,203.32	$156,860,863.31	$85,227,080.96	$71,633,782.35
Customer Deposits	$3,522,509.11	$3,406,498.11	$116,011.00	$3,522,509.11	$3,341,168.69	$181,340.42
Taxes Accrued	$11,769,563.75	$18,053,167.79	($6,283,604.04)	$11,769,563.75	$17,076,471.21	($5,306,907.46)
Interest Accrued	$289,931.85	$287,134.10	$2,797.75	$289,931.85	$320,692.87	($30,761.02)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$438,583.95	$156,499.49	$282,084.46	$438,583.95	$501,506.84	($62,922.89)
Misc Current & Accrued Liab	$63,957,232.81	$67,027,441.26	($3,070,208.45)	$63,957,232.81	$60,809,351.05	$3,147,881.76
Obligation Cap Lease - Current	$2,788,851.75	$2,513,265.92	$275,585.83	$2,788,851.75	$1,088,458.01	$1,700,393.74
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$286,144,829.53**	**$288,935,201.20**	**($2,790,371.67)**	**$286,144,829.53**	**$219,877,016.66**	**$66,267,812.87**
Deferred Credits						
Customer Adv. for Construction	$4,206,255.94	$4,225,187.75	($18,931.81)	$4,206,255.94	$4,954,204.27	($747,948.33)
Acc Defd Investment Tax Credit	$1,529,762.00	$1,554,726.00	($24,964.00)	$1,529,762.00	$1,829,330.00	($299,568.00)
Other Deferred Credits	$5,655,894.91	$5,658,059.91	($2,165.00)	$5,655,894.91	$5,734,277.43	($78,382.52)

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
As of Dec - 2019
FDW Standard Report - For Internal Use Only

	Month: *Dec - 2019*	Previous Month	Variance	Month: *Dec - 2019*	December of Previous Year	Variance
Other Regulatory Liabilities	$241,381,620.95	$248,143,965.02	($6,762,344.07)	$241,381,620.95	$267,658,578.41	($26,276,957.46)
Accum Defer Inc Tax - Oth Prop	$506,796,456.70	$510,408,337.70	($3,611,881.00)	$506,796,456.70	$492,715,525.70	$14,080,931.00
Accum Defer Inc Tax - Other	$7,272,128.99	$4,906,451.99	$2,365,677.00	$7,272,128.99	$6,295,585.99	$976,543.00
Deferred Credits	**$766,842,119.49**	**$774,896,728.37**	**($8,054,608.88)**	**$766,842,119.49**	**$779,187,501.80**	**($12,345,382.31)**
Total Liabilities and Equity	**$2,851,804,941.46**	**$2,839,655,267.44**	**$12,149,674.02**	**$2,851,804,941.46**	**$2,626,134,157.53**	**$225,670,783.93**

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
As of Jan - 2020
FDW Standard Report - For Internal Use Only

	Month: *Jan - 2020*	Previous Month	Variance	Month: *Jan - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$2,780,829,527.24	$2,755,558,490.42	$25,271,036.82	$2,780,829,527.24	$2,755,558,490.42	$25,271,036.82
Construction Work In Progress	$52,901,455.47	$45,731,782.15	$7,169,673.32	$52,901,455.47	$45,731,782.15	$7,169,673.32
Total Utility Plant	**$2,833,730,982.71**	**$2,801,290,272.57**	**$32,440,710.14**	**$2,833,730,982.71**	**$2,801,290,272.57**	**$32,440,710.14**
Accum Prov - Amort and Depr	($504,219,450.57)	($489,551,440.66)	($14,668,009.91)	($504,219,450.57)	($489,551,440.66)	($14,668,009.91)
Net Utility Plant	**$2,329,511,532.14**	**$2,311,738,831.91**	**$17,772,700.23**	**$2,329,511,532.14**	**$2,311,738,831.91**	**$17,772,700.23**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,330,243,404.39**	**$2,312,470,704.16**	**$17,772,700.23**	**$2,330,243,404.39**	**$2,312,470,704.16**	**$17,772,700.23**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,355,167.79	$20,283,227.94	$71,939.85	$20,355,167.79	$20,283,227.94	$71,939.85
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$4,938,707.45	$4,752,561.03	$186,146.42	$4,938,707.45	$4,752,561.03	$186,146.42
Other Property and Investments	**$25,302,221.73**	**$25,044,135.46**	**$258,086.27**	**$25,302,221.73**	**$25,044,135.46**	**$258,086.27**
Current and Accrued Assets						
Cash	$2,041,018.20	$2,099,204.84	($58,186.64)	$2,041,018.20	$2,099,204.84	($58,186.64)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$19,753,321.13	$43,010,056.07	($23,256,734.94)	$19,753,321.13	$43,010,056.07	($23,256,734.94)
AR from Associated Cos	$309,774.60	$802,216.99	($492,442.39)	$309,774.60	$802,216.99	($492,442.39)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,154,707.78	$1,163,837.48	($9,129.70)	$1,154,707.78	$1,163,837.48	($9,129.70)
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$34,942,447.56	$48,078,559.27	($13,136,111.71)	$34,942,447.56	$48,078,559.27	($13,136,111.71)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$4,540,338.35	$6,152,017.74	($1,611,679.39)	$4,540,338.35	$6,152,017.74	($1,611,679.39)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$3,067,508.44	$2,838,327.35	$229,181.09	$3,067,508.44	$2,838,327.35	$229,181.09
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$66,064,666.06**	**$104,399,769.74**	**($38,335,103.68)**	**$66,064,666.06**	**$104,399,769.74**	**($38,335,103.68)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$278,228,346.24	$279,043,933.40	($815,587.16)	$278,228,346.24	$279,043,933.40	($815,587.16)
Preliminary Surveys	$4,807,778.71	$4,427,002.87	$380,775.84	$4,807,778.71	$4,427,002.87	$380,775.84
Clearing Accounts	$773.52	$0.00	$773.52	$773.52	$0.00	$773.52

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
As of Jan - 2020
FDW Standard Report - For Internal Use Only

	Month: *Jan - 2020*	Previous Month	Variance	Month: *Jan - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,377,682.63	$4,334,213.24	$43,469.39	$4,377,682.63	$4,334,213.24	$43,469.39
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$118,345,968.00	$122,916,021.00	($4,570,053.00)	$118,345,968.00	$122,916,021.00	($4,570,053.00)
Unrecovered Purchase Gas Costs	($3,683,757.79)	($830,838.41)	($2,852,919.38)	($3,683,757.79)	($830,838.41)	($2,852,919.38)
Deferred Debits	**$402,076,791.31**	**$409,890,332.10**	**($7,813,540.79)**	**$402,076,791.31**	**$409,890,332.10**	**($7,813,540.79)**
Assets and Other Debits	**$2,823,687,083.49**	**$2,851,804,941.46**	**($28,117,857.97)**	**$2,823,687,083.49**	**$2,851,804,941.46**	**($28,117,857.97)**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$52,889,827.00	$52,889,827.00	$0.00	$52,889,827.00	$52,889,827.00	$0.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$909,580,240.27	$885,402,388.17	$24,177,852.10	$909,580,240.27	$885,402,388.17	$24,177,852.10
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,007,597,867.27**	**$983,420,015.17**	**$24,177,852.10**	**$1,007,597,867.27**	**$983,420,015.17**	**$24,177,852.10**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$785,515,000.00	$785,515,000.00	$0.00	$785,515,000.00	$785,515,000.00	$0.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$785,515,000.00**	**$785,515,000.00**	**$0.00**	**$785,515,000.00**	**$785,515,000.00**	**$0.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$27,015,536.49	$27,187,702.09	($172,165.60)	$27,015,536.49	$27,187,702.09	($172,165.60)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$164,246.04	$142,035.04	$22,211.00	$164,246.04	$142,035.04	$22,211.00
Accum Prov - Pension & Benefit	$2,486,207.15	$2,553,240.14	($67,032.99)	$2,486,207.15	$2,553,240.14	($67,032.99)
Accum Misc Operating Provision	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$29,665,989.68**	**$29,882,977.27**	**($216,987.59)**	**$29,665,989.68**	**$29,882,977.27**	**($216,987.59)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$39,055,879.79	$46,517,293.00	($7,461,413.21)	$39,055,879.79	$46,517,293.00	($7,461,413.21)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$125,772,037.74	$156,860,863.31	($31,088,825.57)	$125,772,037.74	$156,860,863.31	($31,088,825.57)
Customer Deposits	$3,490,127.11	$3,522,509.11	($32,382.00)	$3,490,127.11	$3,522,509.11	($32,382.00)
Taxes Accrued	$18,342,094.49	$11,769,563.75	$6,572,530.74	$18,342,094.49	$11,769,563.75	$6,572,530.74
Interest Accrued	$226,561.16	$289,931.85	($63,370.69)	$226,561.16	$289,931.85	($63,370.69)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$495,709.45	$438,583.95	$57,125.50	$495,709.45	$438,583.95	$57,125.50
Misc Current & Accrued Liab	$49,418,808.86	$63,957,232.81	($14,538,423.95)	$49,418,808.86	$63,957,232.81	($14,538,423.95)
Obligation Cap Lease - Current	$2,747,307.95	$2,788,851.75	($41,543.80)	$2,747,307.95	$2,788,851.75	($41,543.80)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$239,548,526.55**	**$286,144,829.53**	**($46,596,302.98)**	**$239,548,526.55**	**$286,144,829.53**	**($46,596,302.98)**
Deferred Credits						
Customer Adv. for Construction	$4,166,105.04	$4,206,255.94	($40,150.90)	$4,166,105.04	$4,206,255.94	($40,150.90)
Acc Defd Investment Tax Credit	$1,504,798.00	$1,529,762.00	($24,964.00)	$1,504,798.00	$1,529,762.00	($24,964.00)
Other Deferred Credits	$5,651,234.91	$5,655,894.91	($4,660.00)	$5,651,234.91	$5,655,894.91	($4,660.00)

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
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	Month: *Jan - 2020*	Previous Month	Variance	Month: *Jan - 2020*	December of Previous Year	Variance
Other Regulatory Liabilities	$236,954,227.35	$241,381,620.95	($4,427,393.60)	$236,954,227.35	$241,381,620.95	($4,427,393.60)
Accum Defer Inc Tax - Oth Prop	$508,649,074.70	$506,796,456.70	$1,852,618.00	$508,649,074.70	$506,796,456.70	$1,852,618.00
Accum Defer Inc Tax - Other	$4,434,259.99	$7,272,128.99	($2,837,869.00)	$4,434,259.99	$7,272,128.99	($2,837,869.00)
Deferred Credits	**$761,359,699.99**	**$766,842,119.49**	**($5,482,419.50)**	**$761,359,699.99**	**$766,842,119.49**	**($5,482,419.50)**
Total Liabilities and Equity	**$2,823,687,083.49**	**$2,851,804,941.46**	**($28,117,857.97)**	**$2,823,687,083.49**	**$2,851,804,941.46**	**($28,117,857.97)**

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
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	Month: *Feb - 2020*	Previous Month	Variance	Month: *Feb - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$2,808,763,864.41	$2,780,829,527.24	$27,934,337.17	$2,808,763,864.41	$2,755,558,490.42	$53,205,373.99
Construction Work In Progress	$45,527,030.77	$52,901,455.47	($7,374,424.70)	$45,527,030.77	$45,731,782.15	($204,751.38)
Total Utility Plant	**$2,854,290,895.18**	**$2,833,730,982.71**	**$20,559,912.47**	**$2,854,290,895.18**	**$2,801,290,272.57**	**$53,000,622.61**
Accum Prov - Amort and Depr	($509,045,720.22)	($504,219,450.57)	($4,826,269.65)	($509,045,720.22)	($489,551,440.66)	($19,494,279.56)
Net Utility Plant	**$2,345,245,174.96**	**$2,329,511,532.14**	**$15,733,642.82**	**$2,345,245,174.96**	**$2,311,738,831.91**	**$33,506,343.05**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,345,977,047.21**	**$2,330,243,404.39**	**$15,733,642.82**	**$2,345,977,047.21**	**$2,312,470,704.16**	**$33,506,343.05**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,423,347.48	$20,355,167.79	$68,179.69	$20,423,347.48	$20,283,227.94	$140,119.54
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$5,124,853.87	$4,938,707.45	$186,146.42	$5,124,853.87	$4,752,561.03	$372,292.84
Other Property and Investments	**$25,556,547.84**	**$25,302,221.73**	**$254,326.11**	**$25,556,547.84**	**$25,044,135.46**	**$512,412.38**
Current and Accrued Assets						
Cash	$2,294,929.88	$2,041,018.20	$253,911.68	$2,294,929.88	$2,099,204.84	$195,725.04
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$38,265,292.79	$19,753,321.13	$18,511,971.66	$38,265,292.79	$43,010,056.07	($4,744,763.28)
AR from Associated Cos	$267,711.74	$309,774.60	($42,062.86)	$267,711.74	$802,216.99	($534,505.25)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,178,016.74	$1,154,707.78	$23,308.96	$1,178,016.74	$1,163,837.48	$14,179.26
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$22,503,254.73	$34,942,447.56	($12,439,192.83)	$22,503,254.73	$48,078,559.27	($25,575,304.54)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$5,197,600.02	$4,540,338.35	$657,261.67	$5,197,600.02	$6,152,017.74	($954,417.72)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$3,237,819.97	$3,067,508.44	$170,311.53	$3,237,819.97	$2,838,327.35	$399,492.62
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$73,200,175.87**	**$66,064,666.06**	**$7,135,509.81**	**$73,200,175.87**	**$104,399,769.74**	**($31,199,593.87)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$277,504,361.76	$278,228,346.24	($723,984.48)	$277,504,361.76	$279,043,933.40	($1,539,571.64)
Preliminary Surveys	$5,248,353.10	$4,807,778.71	$440,574.39	$5,248,353.10	$4,427,002.87	$821,350.23
Clearing Accounts	($2,383.62)	$773.52	($3,157.14)	($2,383.62)	$0.00	($2,383.62)

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
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	Month: *Feb - 2020*	Previous Month	Variance	Month: *Feb - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,383,166.27	$4,377,682.63	$5,483.64	$4,383,166.27	$4,334,213.24	$48,953.03
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$117,827,422.00	$118,345,968.00	($518,546.00)	$117,827,422.00	$122,916,021.00	($5,088,599.00)
Unrecovered Purchase Gas Costs	($8,996,613.68)	($3,683,757.79)	($5,312,855.89)	($8,996,613.68)	($830,838.41)	($8,165,775.27)
Deferred Debits	**$395,964,305.83**	**$402,076,791.31**	**($6,112,485.48)**	**$395,964,305.83**	**$409,890,332.10**	**($13,926,026.27)**
Assets and Other Debits	**$2,840,698,076.75**	**$2,823,687,083.49**	**$17,010,993.26**	**$2,840,698,076.75**	**$2,851,804,941.46**	**($11,106,864.71)**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$52,889,827.00	$52,889,827.00	$0.00	$52,889,827.00	$52,889,827.00	$0.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$942,256,448.64	$909,580,240.27	$32,676,208.37	$942,256,448.64	$885,402,388.17	$56,854,060.47
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,040,274,075.64**	**$1,007,597,867.27**	**$32,676,208.37**	**$1,040,274,075.64**	**$983,420,015.17**	**$56,854,060.47**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$785,515,000.00	$785,515,000.00	$0.00	$785,515,000.00	$785,515,000.00	$0.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$785,515,000.00**	**$785,515,000.00**	**$0.00**	**$785,515,000.00**	**$785,515,000.00**	**$0.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$26,842,644.33	$27,015,536.49	($172,892.16)	$26,842,644.33	$27,187,702.09	($345,057.76)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$154,220.50	$164,246.04	($10,025.54)	$154,220.50	$142,035.04	$12,185.46
Accum Prov - Pension & Benefit	$2,200,007.01	$2,486,207.15	($286,200.14)	$2,200,007.01	$2,553,240.14	($353,233.13)
Accum Misc Operating Provision	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$29,196,871.84**	**$29,665,989.68**	**($469,117.84)**	**$29,196,871.84**	**$29,882,977.27**	**($686,105.43)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$36,533,765.09	$39,055,879.79	($2,522,114.70)	$36,533,765.09	$46,517,293.00	($9,983,527.91)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$118,050,145.16	$125,772,037.74	($7,721,892.58)	$118,050,145.16	$156,860,863.31	($38,810,718.15)
Customer Deposits	$3,570,109.11	$3,490,127.11	$79,982.00	$3,570,109.11	$3,522,509.11	$47,600.00
Taxes Accrued	$26,676,002.92	$18,342,094.49	$8,333,908.43	$26,676,002.92	$11,769,563.75	$14,906,439.17
Interest Accrued	$237,385.53	$226,561.16	$10,824.37	$237,385.53	$289,931.85	($52,546.32)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$321,833.09	$495,709.45	($173,876.36)	$321,833.09	$438,583.95	($116,750.86)
Misc Current & Accrued Liab	$36,986,210.00	$49,418,808.86	($12,432,598.86)	$36,986,210.00	$63,957,232.81	($26,971,022.81)
Obligation Cap Lease - Current	$2,718,690.57	$2,747,307.95	($28,617.38)	$2,718,690.57	$2,788,851.75	($70,161.18)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$225,094,141.47**	**$239,548,526.55**	**($14,454,385.08)**	**$225,094,141.47**	**$286,144,829.53**	**($61,050,688.06)**
Deferred Credits						
Customer Adv. for Construction	$4,158,509.19	$4,166,105.04	($7,595.85)	$4,158,509.19	$4,206,255.94	($47,746.75)
Acc Defd Investment Tax Credit	$1,479,834.00	$1,504,798.00	($24,964.00)	$1,479,834.00	$1,529,762.00	($49,928.00)
Other Deferred Credits	$5,651,234.91	$5,651,234.91	$0.00	$5,651,234.91	$5,655,894.91	($4,660.00)

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
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	Month: *Feb - 2020*	Previous Month	Variance	Month: *Feb - 2020*	December of Previous Year	Variance
Other Regulatory Liabilities	$231,975,773.01	$236,954,227.35	($4,978,454.34)	$231,975,773.01	$241,381,620.95	($9,405,847.94)
Accum Defer Inc Tax - Oth Prop	$510,501,693.70	$508,649,074.70	$1,852,619.00	$510,501,693.70	$506,796,456.70	$3,705,237.00
Accum Defer Inc Tax - Other	$6,850,942.99	$4,434,259.99	$2,416,683.00	$6,850,942.99	$7,272,128.99	($421,186.00)
Deferred Credits	**$760,617,987.80**	**$761,359,699.99**	**($741,712.19)**	**$760,617,987.80**	**$766,842,119.49**	**($6,224,131.69)**
Total Liabilities and Equity	**$2,840,698,076.75**	**$2,823,687,083.49**	**$17,010,993.26**	**$2,840,698,076.75**	**$2,851,804,941.46**	**($11,106,864.71)**

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
As of Mar - 2020
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	Month: *Mar - 2020*	Previous Month	Variance	Month: *Mar - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$2,829,470,441.77	$2,808,763,864.41	$20,706,577.36	$2,829,470,441.77	$2,755,558,490.42	$73,911,951.35
Construction Work In Progress	$45,748,244.96	$45,527,030.77	$221,214.19	$45,748,244.96	$45,731,782.15	$16,462.81
Total Utility Plant	**$2,875,218,686.73**	**$2,854,290,895.18**	**$20,927,791.55**	**$2,875,218,686.73**	**$2,801,290,272.57**	**$73,928,414.16**
Accum Prov - Amort and Depr	($512,518,898.93)	($509,045,720.22)	($3,473,178.71)	($512,518,898.93)	($489,551,440.66)	($22,967,458.27)
Net Utility Plant	**$2,362,699,787.80**	**$2,345,245,174.96**	**$17,454,612.84**	**$2,362,699,787.80**	**$2,311,738,831.91**	**$50,960,955.89**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,363,431,660.05**	**$2,345,977,047.21**	**$17,454,612.84**	**$2,363,431,660.05**	**$2,312,470,704.16**	**$50,960,955.89**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,488,802.69	$20,423,347.48	$65,455.21	$20,488,802.69	$20,283,227.94	$205,574.75
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$5,483,955.66	$5,124,853.87	$359,101.79	$5,483,955.66	$4,752,561.03	$731,394.63
Other Property and Investments	**$25,981,104.84**	**$25,556,547.84**	**$424,557.00**	**$25,981,104.84**	**$25,044,135.46**	**$936,969.38**
Current and Accrued Assets						
Cash	$1,752,172.19	$2,294,929.88	($542,757.69)	$1,752,172.19	$2,099,204.84	($347,032.65)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$511,817.84	$0.00	$511,817.84	$511,817.84	$0.00	$511,817.84
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$14,524,287.94	$38,265,292.79	($23,741,004.85)	$14,524,287.94	$43,010,056.07	($28,485,768.13)
AR from Associated Cos	$94,417,102.81	$267,711.74	$94,149,391.07	$94,417,102.81	$802,216.99	$93,614,885.82
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,160,890.86	$1,178,016.74	($17,125.88)	$1,160,890.86	$1,163,837.48	($2,946.62)
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$15,951,537.81	$22,503,254.73	($6,551,716.92)	$15,951,537.81	$48,078,559.27	($32,127,021.46)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$2,618,353.88	$5,197,600.02	($2,579,246.14)	$2,618,353.88	$6,152,017.74	($3,533,663.86)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$2,254,889.46	$3,237,819.97	($982,930.51)	$2,254,889.46	$2,838,327.35	($583,437.89)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$133,446,602.79**	**$73,200,175.87**	**$60,246,426.92**	**$133,446,602.79**	**$104,399,769.74**	**$29,046,833.05**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$276,824,655.39	$277,504,361.76	($679,706.37)	$276,824,655.39	$279,043,933.40	($2,219,278.01)
Preliminary Surveys	$5,586,568.49	$5,248,353.10	$338,215.39	$5,586,568.49	$4,427,002.87	$1,159,565.62
Clearing Accounts	$6,463.01	($2,383.62)	$8,846.63	$6,463.01	$0.00	$6,463.01

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	Month: *Mar - 2020*	Previous Month	Variance	Month: *Mar - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,364,909.80	$4,383,166.27	($18,256.47)	$4,364,909.80	$4,334,213.24	$30,696.56
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$116,565,540.00	$117,827,422.00	($1,261,882.00)	$116,565,540.00	$122,916,021.00	($6,350,481.00)
Unrecovered Purchase Gas Costs	($9,475,727.81)	($8,996,613.68)	($479,114.13)	($9,475,727.81)	($830,838.41)	($8,644,889.40)
Deferred Debits	**$393,872,408.88**	**$395,964,305.83**	**($2,091,896.95)**	**$393,872,408.88**	**$409,890,332.10**	**($16,017,923.22)**
Assets and Other Debits	**$2,916,731,776.56**	**$2,840,698,076.75**	**$76,033,699.81**	**$2,916,731,776.56**	**$2,851,804,941.46**	**$64,926,835.10**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$52,889,827.00	$55,000,000.00	$107,889,827.00	$52,889,827.00	$55,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$956,893,315.95	$942,256,448.64	$14,636,867.31	$956,893,315.95	$885,402,388.17	$71,490,927.78
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,109,910,942.95**	**$1,040,274,075.64**	**$69,636,867.31**	**$1,109,910,942.95**	**$983,420,015.17**	**$126,490,927.78**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$785,515,000.00	$110,000,000.00	$895,515,000.00	$785,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$785,515,000.00**	**$110,000,000.00**	**$895,515,000.00**	**$785,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$26,663,278.53	$26,842,644.33	($179,365.80)	$26,663,278.53	$27,187,702.09	($524,423.56)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$179,448.84	$154,220.50	$25,228.34	$179,448.84	$142,035.04	$37,413.80
Accum Prov - Pension & Benefit	$2,526,956.42	$2,200,007.01	$326,949.41	$2,526,956.42	$2,553,240.14	($26,283.72)
Accum Misc Operating Provision	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$29,369,683.79**	**$29,196,871.84**	**$172,811.95**	**$29,369,683.79**	**$29,882,977.27**	**($513,293.48)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$32,177,137.82	$36,533,765.09	($4,356,627.27)	$32,177,137.82	$46,517,293.00	($14,340,155.18)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$25,847,672.63	$118,050,145.16	($92,202,472.53)	$25,847,672.63	$156,860,863.31	($131,013,190.68)
Customer Deposits	$3,500,556.11	$3,570,109.11	($69,553.00)	$3,500,556.11	$3,522,509.11	($21,953.00)
Taxes Accrued	$28,842,218.07	$26,676,002.92	$2,166,215.15	$28,842,218.07	$11,769,563.75	$17,072,654.32
Interest Accrued	$249,406.60	$237,385.53	$12,021.07	$249,406.60	$289,931.85	($40,525.25)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	($165,654.57)	$321,833.09	($487,487.66)	($165,654.57)	$438,583.95	($604,238.52)
Misc Current & Accrued Liab	$30,213,250.89	$36,986,210.00	($6,772,959.11)	$30,213,250.89	$63,957,232.81	($33,743,981.92)
Obligation Cap Lease - Current	$2,812,513.10	$2,718,690.57	$93,822.53	$2,812,513.10	$2,788,851.75	$23,661.35
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$123,477,100.65**	**$225,094,141.47**	**($101,617,040.82)**	**$123,477,100.65**	**$286,144,829.53**	**($162,667,728.88)**
Deferred Credits						
Customer Adv. for Construction	$4,101,310.56	$4,158,509.19	($57,198.63)	$4,101,310.56	$4,206,255.94	($104,945.38)
Acc Defd Investment Tax Credit	$1,454,870.00	$1,479,834.00	($24,964.00)	$1,454,870.00	$1,529,762.00	($74,892.00)
Other Deferred Credits	$5,550,035.46	$5,651,234.91	($101,199.45)	$5,550,035.46	$5,655,894.91	($105,859.45)

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	Month: *Mar - 2020*	Previous Month	Variance	Month: *Mar - 2020*	December of Previous Year	Variance
Other Regulatory Liabilities	$228,009,310.46	$231,975,773.01	($3,966,462.55)	$228,009,310.46	$241,381,620.95	($13,372,310.49)
Accum Defer Inc Tax - Oth Prop	$512,354,309.70	$510,501,693.70	$1,852,616.00	$512,354,309.70	$506,796,456.70	$5,557,853.00
Accum Defer Inc Tax - Other	$6,989,212.99	$6,850,942.99	$138,270.00	$6,989,212.99	$7,272,128.99	($282,916.00)
Deferred Credits	**$758,459,049.17**	**$760,617,987.80**	**($2,158,938.63)**	**$758,459,049.17**	**$766,842,119.49**	**($8,383,070.32)**
Total Liabilities and Equity	**$2,916,731,776.56**	**$2,840,698,076.75**	**$76,033,699.81**	**$2,916,731,776.56**	**$2,851,804,941.46**	**$64,926,835.10**

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	Month: *Apr - 2020*	Previous Month	Variance	Month: *Apr - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$2,831,536,709.29	$2,829,470,441.77	$2,066,267.52	$2,831,536,709.29	$2,755,558,490.42	$75,978,218.87
Construction Work In Progress	$54,626,029.82	$45,748,244.96	$8,877,784.86	$54,626,029.82	$45,731,782.15	$8,894,247.67
Total Utility Plant	**$2,886,162,739.11**	**$2,875,218,686.73**	**$10,944,052.38**	**$2,886,162,739.11**	**$2,801,290,272.57**	**$84,872,466.54**
Accum Prov - Amort and Depr	($517,239,836.25)	($512,518,898.93)	($4,720,937.32)	($517,239,836.25)	($489,551,440.66)	($27,688,395.59)
Net Utility Plant	**$2,368,922,902.86**	**$2,362,699,787.80**	**$6,223,115.06**	**$2,368,922,902.86**	**$2,311,738,831.91**	**$57,184,070.95**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,369,654,775.11**	**$2,363,431,660.05**	**$6,223,115.06**	**$2,369,654,775.11**	**$2,312,470,704.16**	**$57,184,070.95**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,486,039.00	$20,488,802.69	($2,763.69)	$20,486,039.00	$20,283,227.94	$202,811.06
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$5,671,351.82	$5,483,955.66	$187,396.16	$5,671,351.82	$4,752,561.03	$918,790.79
Other Property and Investments	**$26,165,737.31**	**$25,981,104.84**	**$184,632.47**	**$26,165,737.31**	**$25,044,135.46**	**$1,121,601.85**
Current and Accrued Assets						
Cash	$1,086,893.66	$1,752,172.19	($665,278.53)	$1,086,893.66	$2,099,204.84	($1,012,311.18)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$375,954.75	$511,817.84	($135,863.09)	$375,954.75	$0.00	$375,954.75
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$73,251,996.45	$14,524,287.94	$58,727,708.51	$73,251,996.45	$43,010,056.07	$30,241,940.38
AR from Associated Cos	$22,533,237.87	$94,417,102.81	($71,883,864.94)	$22,533,237.87	$802,216.99	$21,731,020.88
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,162,473.42	$1,160,890.86	$1,582.56	$1,162,473.42	$1,163,837.48	($1,364.06)
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$19,297,046.83	$15,951,537.81	$3,345,509.02	$19,297,046.83	$48,078,559.27	($28,781,512.44)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$1,949,558.83	$2,618,353.88	($668,795.05)	$1,949,558.83	$6,152,017.74	($4,202,458.91)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$1,930,373.30	$2,254,889.46	($324,516.16)	$1,930,373.30	$2,838,327.35	($907,954.05)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$121,843,085.11**	**$133,446,602.79**	**($11,603,517.68)**	**$121,843,085.11**	**$104,399,769.74**	**$17,443,315.37**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$276,245,854.10	$276,824,655.39	($578,801.29)	$276,245,854.10	$279,043,933.40	($2,798,079.30)
Preliminary Surveys	$5,954,952.94	$5,586,568.49	$368,384.45	$5,954,952.94	$4,427,002.87	$1,527,950.07
Clearing Accounts	$6,817.30	$6,463.01	$354.29	$6,817.30	$0.00	$6,817.30

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	Month: *Apr - 2020*	Previous Month	Variance	Month: *Apr - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$3,973,650.46	$4,364,909.80	($391,259.34)	$3,973,650.46	$4,334,213.24	($360,562.78)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$116,354,470.00	$116,565,540.00	($211,070.00)	$116,354,470.00	$122,916,021.00	($6,561,551.00)
Unrecovered Purchase Gas Costs	($12,094,973.94)	($9,475,727.81)	($2,619,246.13)	($12,094,973.94)	($830,838.41)	($11,264,135.53)
Deferred Debits	**$390,440,770.86**	**$393,872,408.88**	**($3,431,638.02)**	**$390,440,770.86**	**$409,890,332.10**	**($19,449,561.24)**
Assets and Other Debits	**$2,908,104,368.39**	**$2,916,731,776.56**	**($8,627,408.17)**	**$2,908,104,368.39**	**$2,851,804,941.46**	**$56,299,426.93**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$52,889,827.00	$55,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$961,853,600.62	$956,893,315.95	$4,960,284.67	$961,853,600.62	$885,402,388.17	$76,451,212.45
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,114,871,227.62**	**$1,109,910,942.95**	**$4,960,284.67**	**$1,114,871,227.62**	**$983,420,015.17**	**$131,451,212.45**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$895,515,000.00	$0.00	$895,515,000.00	$785,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$895,515,000.00**	**$0.00**	**$895,515,000.00**	**$785,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$26,496,167.61	$26,663,278.53	($167,110.92)	$26,496,167.61	$27,187,702.09	($691,534.48)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$162,286.54	$179,448.84	($17,162.30)	$162,286.54	$142,035.04	$20,251.50
Accum Prov - Pension & Benefit	$2,440,004.30	$2,526,956.42	($86,952.12)	$2,440,004.30	$2,553,240.14	($113,235.84)
Accum Misc Operating Provision	$189,913.76	$0.00	$189,913.76	$189,913.76	$0.00	$189,913.76
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$29,288,372.21**	**$29,369,683.79**	**($81,311.58)**	**$29,288,372.21**	**$29,882,977.27**	**($594,605.06)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$23,118,171.51	$32,177,137.82	($9,058,966.31)	$23,118,171.51	$46,517,293.00	($23,399,121.49)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$24,445,997.85	$25,847,672.63	($1,401,674.78)	$24,445,997.85	$156,860,863.31	($132,414,865.46)
Customer Deposits	$3,506,188.11	$3,500,556.11	$5,632.00	$3,506,188.11	$3,522,509.11	($16,321.00)
Taxes Accrued	$28,721,819.33	$28,842,218.07	($120,398.74)	$28,721,819.33	$11,769,563.75	$16,952,255.58
Interest Accrued	$261,599.04	$249,406.60	$12,192.44	$261,599.04	$289,931.85	($28,332.81)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$138,080.60	($165,654.57)	$303,735.17	$138,080.60	$438,583.95	($300,503.35)
Misc Current & Accrued Liab	$27,590,015.28	$30,213,250.89	($2,623,235.61)	$27,590,015.28	$63,957,232.81	($36,367,217.53)
Obligation Cap Lease - Current	$2,733,983.23	$2,812,513.10	($78,529.87)	$2,733,983.23	$2,788,851.75	($54,868.52)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$110,515,854.95**	**$123,477,100.65**	**($12,961,245.70)**	**$110,515,854.95**	**$286,144,829.53**	**($175,628,974.58)**
Deferred Credits						
Customer Adv. for Construction	$4,069,402.63	$4,101,310.56	($31,907.93)	$4,069,402.63	$4,206,255.94	($136,853.31)
Acc Defd Investment Tax Credit	$1,429,906.00	$1,454,870.00	($24,964.00)	$1,429,906.00	$1,529,762.00	($99,856.00)
Other Deferred Credits	$5,544,785.52	$5,550,035.46	($5,249.94)	$5,544,785.52	$5,655,894.91	($111,109.39)

Columbia Gas of Pennsylvania
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	Month: *Apr - 2020*	Previous Month	Variance	Month: *Apr - 2020*	December of Previous Year	Variance
Other Regulatory Liabilities	$225,696,564.77	$228,009,310.46	($2,312,745.69)	$225,696,564.77	$241,381,620.95	($15,685,056.18)
Accum Defer Inc Tax - Oth Prop	$514,206,934.70	$512,354,309.70	$1,852,625.00	$514,206,934.70	$506,796,456.70	$7,410,478.00
Accum Defer Inc Tax - Other	$6,966,319.99	$6,989,212.99	($22,893.00)	$6,966,319.99	$7,272,128.99	($305,809.00)
Deferred Credits	**$757,913,913.61**	**$758,459,049.17**	**($545,135.56)**	**$757,913,913.61**	**$766,842,119.49**	**($8,928,205.88)**
Total Liabilities and Equity	**$2,908,104,368.39**	**$2,916,731,776.56**	**($8,627,408.17)**	**$2,908,104,368.39**	**$2,851,804,941.46**	**$56,299,426.93**

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	Month: *May - 2020*	Previous Month	Variance	Month: *May - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$2,845,883,335.51	$2,831,536,709.29	$14,346,626.22	$2,845,883,335.51	$2,755,558,490.42	$90,324,845.09
Construction Work In Progress	$57,480,882.09	$54,626,029.82	$2,854,852.27	$57,480,882.09	$45,731,782.15	$11,749,099.94
Total Utility Plant	**$2,903,364,217.60**	**$2,886,162,739.11**	**$17,201,478.49**	**$2,903,364,217.60**	**$2,801,290,272.57**	**$102,073,945.03**
Accum Prov - Amort and Depr	($521,888,715.22)	($517,239,836.25)	($4,648,878.97)	($521,888,715.22)	($489,551,440.66)	($32,337,274.56)
Net Utility Plant	**$2,381,475,502.38**	**$2,368,922,902.86**	**$12,552,599.52**	**$2,381,475,502.38**	**$2,311,738,831.91**	**$69,736,670.47**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,382,207,374.63**	**$2,369,654,775.11**	**$12,552,599.52**	**$2,382,207,374.63**	**$2,312,470,704.16**	**$69,736,670.47**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,509,986.16	$20,486,039.00	$23,947.16	$20,509,986.16	$20,283,227.94	$226,758.22
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$5,859,564.02	$5,671,351.82	$188,212.20	$5,859,564.02	$4,752,561.03	$1,107,002.99
Other Property and Investments	**$26,377,896.67**	**$26,165,737.31**	**$212,159.36**	**$26,377,896.67**	**$25,044,135.46**	**$1,333,761.21**
Current and Accrued Assets						
Cash	$1,135,528.97	$1,086,893.66	$48,635.31	$1,135,528.97	$2,099,204.84	($963,675.87)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$317,961.65	$375,954.75	($57,993.10)	$317,961.65	$0.00	$317,961.65
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$16,793,100.70	$73,251,996.45	($56,458,895.75)	$16,793,100.70	$43,010,056.07	($26,216,955.37)
AR from Associated Cos	$71,345,902.04	$22,533,237.87	$48,812,664.17	$71,345,902.04	$802,216.99	$70,543,685.05
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,174,184.01	$1,162,473.42	$11,710.59	$1,174,184.01	$1,163,837.48	$10,346.53
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$22,302,639.40	$19,297,046.83	$3,005,592.57	$22,302,639.40	$48,078,559.27	($25,775,919.87)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$1,328,279.97	$1,949,558.83	($621,278.86)	$1,328,279.97	$6,152,017.74	($4,823,737.77)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$1,816,105.94	$1,930,373.30	($114,267.36)	$1,816,105.94	$2,838,327.35	($1,022,221.41)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$116,469,252.68**	**$121,843,085.11**	**($5,373,832.43)**	**$116,469,252.68**	**$104,399,769.74**	**$12,069,482.94**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$275,805,984.43	$276,245,854.10	($439,869.67)	$275,805,984.43	$279,043,933.40	($3,237,948.97)
Preliminary Surveys	$6,265,984.67	$5,954,952.94	$311,031.73	$6,265,984.67	$4,427,002.87	$1,838,981.80
Clearing Accounts	$10,113.22	$6,817.30	$3,295.92	$10,113.22	$0.00	$10,113.22

Columbia Gas of Pennsylvania
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	Month: *May - 2020*	Previous Month	Variance	Month: *May - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$3,963,052.21	$3,973,650.46	($10,598.25)	$3,963,052.21	$4,334,213.24	($371,161.03)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$116,148,753.00	$116,354,470.00	($205,717.00)	$116,148,753.00	$122,916,021.00	($6,767,268.00)
Unrecovered Purchase Gas Costs	($11,091,150.36)	($12,094,973.94)	$1,003,823.58	($11,091,150.36)	($830,838.41)	($10,260,311.95)
Deferred Debits	**$391,102,737.17**	**$390,440,770.86**	**$661,966.31**	**$391,102,737.17**	**$409,890,332.10**	**($18,787,594.93)**
Assets and Other Debits	**$2,916,157,261.15**	**$2,908,104,368.39**	**$8,052,892.76**	**$2,916,157,261.15**	**$2,851,804,941.46**	**$64,352,319.69**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$52,889,827.00	$55,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$961,568,704.82	$961,853,600.62	($284,895.80)	$961,568,704.82	$885,402,388.17	$76,166,316.65
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,114,586,331.82**	**$1,114,871,227.62**	**($284,895.80)**	**$1,114,586,331.82**	**$983,420,015.17**	**$131,166,316.65**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$895,515,000.00	$0.00	$895,515,000.00	$785,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$895,515,000.00**	**$0.00**	**$895,515,000.00**	**$785,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$26,320,843.29	$26,496,167.61	($175,324.32)	$26,320,843.29	$27,187,702.09	($866,858.80)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$145,452.54	$162,286.54	($16,834.00)	$145,452.54	$142,035.04	$3,417.50
Accum Prov - Pension & Benefit	$2,354,410.05	$2,440,004.30	($85,594.25)	$2,354,410.05	$2,553,240.14	($198,830.09)
Accum Misc Operating Provision	$487,150.31	$189,913.76	$297,236.55	$487,150.31	$0.00	$487,150.31
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$29,307,856.19**	**$29,288,372.21**	**$19,483.98**	**$29,307,856.19**	**$29,882,977.27**	**($575,121.08)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$30,680,732.46	$23,118,171.51	$7,562,560.95	$30,680,732.46	$46,517,293.00	($15,836,560.54)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$26,603,805.66	$24,445,997.85	$2,157,807.81	$26,603,805.66	$156,860,863.31	($130,257,057.65)
Customer Deposits	$3,520,089.11	$3,506,188.11	$13,901.00	$3,520,089.11	$3,522,509.11	($2,420.00)
Taxes Accrued	$26,644,763.12	$28,721,819.33	($2,077,056.21)	$26,644,763.12	$11,769,563.75	$14,875,199.37
Interest Accrued	$274,131.37	$261,599.04	$12,532.33	$274,131.37	$289,931.85	($15,800.48)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$211,965.99	$138,080.60	$73,885.39	$211,965.99	$438,583.95	($226,617.96)
Misc Current & Accrued Liab	$27,893,790.92	$27,590,015.28	$303,775.64	$27,893,790.92	$63,957,232.81	($36,063,441.89)
Obligation Cap Lease - Current	$2,711,211.18	$2,733,983.23	($22,772.05)	$2,711,211.18	$2,788,851.75	($77,640.57)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$118,540,489.81**	**$110,515,854.95**	**$8,024,634.86**	**$118,540,489.81**	**$286,144,829.53**	**($167,604,339.72)**
Deferred Credits						
Customer Adv. for Construction	$4,041,122.56	$4,069,402.63	($28,280.07)	$4,041,122.56	$4,206,255.94	($165,133.38)
Acc Defd Investment Tax Credit	$1,404,942.00	$1,429,906.00	($24,964.00)	$1,404,942.00	$1,529,762.00	($124,820.00)
Other Deferred Credits	$5,516,801.29	$5,544,785.52	($27,984.23)	$5,516,801.29	$5,655,894.91	($139,093.62)

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	Month: *May - 2020*	Previous Month	Variance	Month: *May - 2020*	December of Previous Year	Variance
Other Regulatory Liabilities	$224,565,317.79	$225,696,564.77	($1,131,246.98)	$224,565,317.79	$241,381,620.95	($16,816,303.16)
Accum Defer Inc Tax - Oth Prop	$515,742,946.70	$514,206,934.70	$1,536,012.00	$515,742,946.70	$506,796,456.70	$8,946,490.00
Accum Defer Inc Tax - Other	$6,936,452.99	$6,966,319.99	($29,867.00)	$6,936,452.99	$7,272,128.99	($335,676.00)
Deferred Credits	**$758,207,583.33**	**$757,913,913.61**	**$293,669.72**	**$758,207,583.33**	**$766,842,119.49**	**($8,634,536.16)**
Total Liabilities and Equity	**$2,916,157,261.15**	**$2,908,104,368.39**	**$8,052,892.76**	**$2,916,157,261.15**	**$2,851,804,941.46**	**$64,352,319.69**

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	Month: *Jun - 2020*	Previous Month	Variance	Month: *Jun - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$2,872,538,371.75	$2,845,883,335.51	$26,655,036.24	$2,872,538,371.75	$2,755,558,490.42	$116,979,881.33
Construction Work In Progress	$59,862,441.97	$57,480,882.09	$2,381,559.88	$59,862,441.97	$45,731,782.15	$14,130,659.82
Total Utility Plant	**$2,932,400,813.72**	**$2,903,364,217.60**	**$29,036,596.12**	**$2,932,400,813.72**	**$2,801,290,272.57**	**$131,110,541.15**
Accum Prov - Amort and Depr	($526,177,224.88)	($521,888,715.22)	($4,288,509.66)	($526,177,224.88)	($489,551,440.66)	($36,625,784.22)
Net Utility Plant	**$2,406,223,588.84**	**$2,381,475,502.38**	**$24,748,086.46**	**$2,406,223,588.84**	**$2,311,738,831.91**	**$94,484,756.93**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,406,955,461.09**	**$2,382,207,374.63**	**$24,748,086.46**	**$2,406,955,461.09**	**$2,312,470,704.16**	**$94,484,756.93**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,548,565.42	$20,509,986.16	$38,579.26	$20,548,565.42	$20,283,227.94	$265,337.48
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$6,049,418.23	$5,859,564.02	$189,854.21	$6,049,418.23	$4,752,561.03	$1,296,857.20
Other Property and Investments	**$26,606,330.14**	**$26,377,896.67**	**$228,433.47**	**$26,606,330.14**	**$25,044,135.46**	**$1,562,194.68**
Current and Accrued Assets						
Cash	$940,849.94	$1,135,528.97	($194,679.03)	$940,849.94	$2,099,204.84	($1,158,354.90)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$229,469.17	$317,961.65	($88,492.48)	$229,469.17	$0.00	$229,469.17
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$17,191,569.88	$16,793,100.70	$398,469.18	$17,191,569.88	$43,010,056.07	($25,818,486.19)
AR from Associated Cos	$26,486,170.79	$71,345,902.04	($44,859,731.25)	$26,486,170.79	$802,216.99	$25,683,953.80
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,171,607.15	$1,174,184.01	($2,576.86)	$1,171,607.15	$1,163,837.48	$7,769.67
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$24,934,792.65	$22,302,639.40	$2,632,153.25	$24,934,792.65	$48,078,559.27	($23,143,766.62)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$1,931,219.27	$1,328,279.97	$602,939.30	$1,931,219.27	$6,152,017.74	($4,220,798.47)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$1,457,908.91	$1,816,105.94	($358,197.03)	$1,457,908.91	$2,838,327.35	($1,380,418.44)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$74,599,137.76**	**$116,469,252.68**	**($41,870,114.92)**	**$74,599,137.76**	**$104,399,769.74**	**($29,800,631.98)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$276,257,211.35	$275,805,984.43	$451,226.92	$276,257,211.35	$279,043,933.40	($2,786,722.05)
Preliminary Surveys	$6,039,183.57	$6,265,984.67	($226,801.10)	$6,039,183.57	$4,427,002.87	$1,612,180.70
Clearing Accounts	$11,392.39	$10,113.22	$1,279.17	$11,392.39	$0.00	$11,392.39

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	Month: *Jun - 2020*	Previous Month	Variance	Month: *Jun - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$3,950,717.36	$3,963,052.21	($12,334.85)	$3,950,717.36	$4,334,213.24	($383,495.88)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$117,260,308.00	$116,148,753.00	$1,111,555.00	$117,260,308.00	$122,916,021.00	($5,655,713.00)
Unrecovered Purchase Gas Costs	($9,897,292.82)	($11,091,150.36)	$1,193,857.54	($9,897,292.82)	($830,838.41)	($9,066,454.41)
Deferred Debits	**$393,621,519.85**	**$391,102,737.17**	**$2,518,782.68**	**$393,621,519.85**	**$409,890,332.10**	**($16,268,812.25)**
Assets and Other Debits	**$2,901,782,448.84**	**$2,916,157,261.15**	**($14,374,812.31)**	**$2,901,782,448.84**	**$2,851,804,941.46**	**$49,977,507.38**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$52,889,827.00	$55,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$956,045,703.95	$961,568,704.82	($5,523,000.87)	$956,045,703.95	$885,402,388.17	$70,643,315.78
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,109,063,330.95**	**$1,114,586,331.82**	**($5,523,000.87)**	**$1,109,063,330.95**	**$983,420,015.17**	**$125,643,315.78**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$895,515,000.00	$0.00	$895,515,000.00	$785,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$895,515,000.00**	**$0.00**	**$895,515,000.00**	**$785,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$26,158,483.88	$26,320,843.29	($162,359.41)	$26,158,483.88	$27,187,702.09	($1,029,218.21)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$122,307.25	$145,452.54	($23,145.29)	$122,307.25	$142,035.04	($19,727.79)
Accum Prov - Pension & Benefit	$2,769,514.69	$2,354,410.05	$415,104.64	$2,769,514.69	$2,553,240.14	$216,274.55
Accum Misc Operating Provision	$790,766.39	$487,150.31	$303,616.08	$790,766.39	$0.00	$790,766.39
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$29,841,072.21**	**$29,307,856.19**	**$533,216.02**	**$29,841,072.21**	**$29,882,977.27**	**($41,905.06)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$35,127,315.48	$30,680,732.46	$4,446,583.02	$35,127,315.48	$46,517,293.00	($11,389,977.52)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$11,534,215.17	$26,603,805.66	($15,069,590.49)	$11,534,215.17	$156,860,863.31	($145,326,648.14)
Customer Deposits	$3,357,092.11	$3,520,089.11	($162,997.00)	$3,357,092.11	$3,522,509.11	($165,417.00)
Taxes Accrued	$23,489,457.83	$26,644,763.12	($3,155,305.29)	$23,489,457.83	$11,769,563.75	$11,719,894.08
Interest Accrued	$232,527.09	$274,131.37	($41,604.28)	$232,527.09	$289,931.85	($57,404.76)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$76,761.98	$211,965.99	($135,204.01)	$76,761.98	$438,583.95	($361,821.97)
Misc Current & Accrued Liab	$30,139,040.38	$27,893,790.92	$2,245,249.46	$30,139,040.38	$63,957,232.81	($33,818,192.43)
Obligation Cap Lease - Current	$2,689,572.89	$2,711,211.18	($21,638.29)	$2,689,572.89	$2,788,851.75	($99,278.86)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$106,645,982.93**	**$118,540,489.81**	**($11,894,506.88)**	**$106,645,982.93**	**$286,144,829.53**	**($179,498,846.60)**
Deferred Credits						
Customer Adv. for Construction	$4,026,125.47	$4,041,122.56	($14,997.09)	$4,026,125.47	$4,206,255.94	($180,130.47)
Acc Defd Investment Tax Credit	$1,379,980.00	$1,404,942.00	($24,962.00)	$1,379,980.00	$1,529,762.00	($149,782.00)
Other Deferred Credits	$6,963,862.50	$5,516,801.29	$1,447,061.21	$6,963,862.50	$5,655,894.91	$1,307,967.59

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	Month: *Jun - 2020*	Previous Month	Variance	Month: *Jun - 2020*	December of Previous Year	Variance
Other Regulatory Liabilities	$223,846,270.09	$224,565,317.79	($719,047.70)	$223,846,270.09	$241,381,620.95	($17,535,350.86)
Accum Defer Inc Tax - Oth Prop	$517,532,251.70	$515,742,946.70	$1,789,305.00	$517,532,251.70	$506,796,456.70	$10,735,795.00
Accum Defer Inc Tax - Other	$6,968,572.99	$6,936,452.99	$32,120.00	$6,968,572.99	$7,272,128.99	($303,556.00)
Deferred Credits	**$760,717,062.75**	**$758,207,583.33**	**$2,509,479.42**	**$760,717,062.75**	**$766,842,119.49**	**($6,125,056.74)**
Total Liabilities and Equity	**$2,901,782,448.84**	**$2,916,157,261.15**	**($14,374,812.31)**	**$2,901,782,448.84**	**$2,851,804,941.46**	**$49,977,507.38**

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	Month: *Jul - 2020*	Previous Month	Variance	Month: *Jul - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$2,886,807,379.24	$2,872,538,371.75	$14,269,007.49	$2,886,807,379.24	$2,755,558,490.42	$131,248,888.82
Construction Work In Progress	$76,783,353.28	$59,862,441.97	$16,920,911.31	$76,783,353.28	$45,731,782.15	$31,051,571.13
Total Utility Plant	**$2,963,590,732.52**	**$2,932,400,813.72**	**$31,189,918.80**	**$2,963,590,732.52**	**$2,801,290,272.57**	**$162,300,459.95**
Accum Prov - Amort and Depr	($530,400,333.90)	($526,177,224.88)	($4,223,109.02)	($530,400,333.90)	($489,551,440.66)	($40,848,893.24)
Net Utility Plant	**$2,433,190,398.62**	**$2,406,223,588.84**	**$26,966,809.78**	**$2,433,190,398.62**	**$2,311,738,831.91**	**$121,451,566.71**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,433,922,270.87**	**$2,406,955,461.09**	**$26,966,809.78**	**$2,433,922,270.87**	**$2,312,470,704.16**	**$121,451,566.71**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,589,437.05	$20,548,565.42	$40,871.63	$20,589,437.05	$20,283,227.94	$306,209.11
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$6,235,564.65	$6,049,418.23	$186,146.42	$6,235,564.65	$4,752,561.03	$1,483,003.62
Other Property and Investments	**$26,833,348.19**	**$26,606,330.14**	**$227,018.05**	**$26,833,348.19**	**$25,044,135.46**	**$1,789,212.73**
Current and Accrued Assets						
Cash	$837,711.77	$940,849.94	($103,138.17)	$837,711.77	$2,099,204.84	($1,261,493.07)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$229,469.17	($229,469.17)	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$23,156,253.16	$17,191,569.88	$5,964,683.28	$23,156,253.16	$43,010,056.07	($19,853,802.91)
AR from Associated Cos	$30,166.07	$26,486,170.79	($26,456,004.72)	$30,166.07	$802,216.99	($772,050.92)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,173,359.67	$1,171,607.15	$1,752.52	$1,173,359.67	$1,163,837.48	$9,522.19
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$31,057,150.22	$24,934,792.65	$6,122,357.57	$31,057,150.22	$48,078,559.27	($17,021,409.05)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$2,198,200.49	$1,931,219.27	$266,981.22	$2,198,200.49	$6,152,017.74	($3,953,817.25)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$1,168,803.66	$1,457,908.91	($289,105.25)	$1,168,803.66	$2,838,327.35	($1,669,523.69)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$59,877,195.04**	**$74,599,137.76**	**($14,721,942.72)**	**$59,877,195.04**	**$104,399,769.74**	**($44,522,574.70)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$276,516,384.92	$276,257,211.35	$259,173.57	$276,516,384.92	$279,043,933.40	($2,527,548.48)
Preliminary Surveys	$6,115,728.89	$6,039,183.57	$76,545.32	$6,115,728.89	$4,427,002.87	$1,688,726.02
Clearing Accounts	$15,976.06	$11,392.39	$4,583.67	$15,976.06	$0.00	$15,976.06

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	Month: *Jul - 2020*	Previous Month	Variance	Month: *Jul - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$3,927,994.56	$3,950,717.36	($22,722.80)	$3,927,994.56	$4,334,213.24	($406,218.68)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$117,799,515.00	$117,260,308.00	$539,207.00	$117,799,515.00	$122,916,021.00	($5,116,506.00)
Unrecovered Purchase Gas Costs	($6,952,121.67)	($9,897,292.82)	$2,945,171.15	($6,952,121.67)	($830,838.41)	($6,121,283.26)
Deferred Debits	**$397,423,477.76**	**$393,621,519.85**	**$3,801,957.91**	**$397,423,477.76**	**$409,890,332.10**	**($12,466,854.34)**
Assets and Other Debits	**$2,918,056,291.86**	**$2,901,782,448.84**	**$16,273,843.02**	**$2,918,056,291.86**	**$2,851,804,941.46**	**$66,251,350.40**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$52,889,827.00	$55,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$951,187,903.49	$956,045,703.95	($4,857,800.46)	$951,187,903.49	$885,402,388.17	$65,785,515.32
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,104,205,530.49**	**$1,109,063,330.95**	**($4,857,800.46)**	**$1,104,205,530.49**	**$983,420,015.17**	**$120,785,515.32**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$895,515,000.00	$0.00	$895,515,000.00	$785,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$895,515,000.00**	**$0.00**	**$895,515,000.00**	**$785,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$25,986,821.83	$26,158,483.88	($171,662.05)	$25,986,821.83	$27,187,702.09	($1,200,880.26)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$118,912.66	$122,307.25	($3,394.59)	$118,912.66	$142,035.04	($23,122.38)
Accum Prov - Pension & Benefit	$2,845,479.85	$2,769,514.69	$75,965.16	$2,845,479.85	$2,553,240.14	$292,239.71
Accum Misc Operating Provision	$1,209,863.42	$790,766.39	$419,097.03	$1,209,863.42	$0.00	$1,209,863.42
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$30,161,077.76**	**$29,841,072.21**	**$320,005.55**	**$30,161,077.76**	**$29,882,977.27**	**$278,100.49**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$40,107,549.14	$35,127,315.48	$4,980,233.66	$40,107,549.14	$46,517,293.00	($6,409,743.86)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$21,881,210.96	$11,534,215.17	$10,346,995.79	$21,881,210.96	$156,860,863.31	($134,979,652.35)
Customer Deposits	$3,355,770.11	$3,357,092.11	($1,322.00)	$3,355,770.11	$3,522,509.11	($166,739.00)
Taxes Accrued	$20,257,342.66	$23,489,457.83	($3,232,115.17)	$20,257,342.66	$11,769,563.75	$8,487,778.91
Interest Accrued	$242,813.09	$232,527.09	$10,286.00	$242,813.09	$289,931.85	($47,118.76)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$31,588.13	$76,761.98	($45,173.85)	$31,588.13	$438,583.95	($406,995.82)
Misc Current & Accrued Liab	$37,464,249.84	$30,139,040.38	$7,325,209.46	$37,464,249.84	$63,957,232.81	($26,492,982.97)
Obligation Cap Lease - Current	$2,791,349.07	$2,689,572.89	$101,776.18	$2,791,349.07	$2,788,851.75	$2,497.32
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$126,131,873.00**	**$106,645,982.93**	**$19,485,890.07**	**$126,131,873.00**	**$286,144,829.53**	**($160,012,956.53)**
Deferred Credits						
Customer Adv. for Construction	$4,002,880.89	$4,026,125.47	($23,244.58)	$4,002,880.89	$4,206,255.94	($203,375.05)
Acc Defd Investment Tax Credit	$1,357,507.00	$1,379,980.00	($22,473.00)	$1,357,507.00	$1,529,762.00	($172,255.00)
Other Deferred Credits	$6,940,335.61	$6,963,862.50	($23,526.89)	$6,940,335.61	$5,655,894.91	$1,284,440.70

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	Month: *Jul - 2020*	Previous Month	Variance	Month: *Jul - 2020*	December of Previous Year	Variance
Other Regulatory Liabilities	$223,385,113.42	$223,846,270.09	($461,156.67)	$223,385,113.42	$241,381,620.95	($17,996,507.53)
Accum Defer Inc Tax - Oth Prop	$519,321,555.70	$517,532,251.70	$1,789,304.00	$519,321,555.70	$506,796,456.70	$12,525,099.00
Accum Defer Inc Tax - Other	$7,035,417.99	$6,968,572.99	$66,845.00	$7,035,417.99	$7,272,128.99	($236,711.00)
Deferred Credits	**$762,042,810.61**	**$760,717,062.75**	**$1,325,747.86**	**$762,042,810.61**	**$766,842,119.49**	**($4,799,308.88)**
Total Liabilities and Equity	**$2,918,056,291.86**	**$2,901,782,448.84**	**$16,273,843.02**	**$2,918,056,291.86**	**$2,851,804,941.46**	**$66,251,350.40**

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	Month: *Aug - 2020*	Previous Month	Variance	Month: *Aug - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$2,937,913,237.18	$2,886,807,379.24	$51,105,857.94	$2,937,913,237.18	$2,755,558,490.42	$182,354,746.76
Construction Work In Progress	$50,866,818.81	$76,783,353.28	($25,916,534.47)	$50,866,818.81	$45,731,782.15	$5,135,036.66
Total Utility Plant	**$2,988,780,055.99**	**$2,963,590,732.52**	**$25,189,323.47**	**$2,988,780,055.99**	**$2,801,290,272.57**	**$187,489,783.42**
Accum Prov - Amort and Depr	($535,906,926.82)	($530,400,333.90)	($5,506,592.92)	($535,906,926.82)	($489,551,440.66)	($46,355,486.16)
Net Utility Plant	**$2,452,873,129.17**	**$2,433,190,398.62**	**$19,682,730.55**	**$2,452,873,129.17**	**$2,311,738,831.91**	**$141,134,297.26**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,453,605,001.42**	**$2,433,922,270.87**	**$19,682,730.55**	**$2,453,605,001.42**	**$2,312,470,704.16**	**$141,134,297.26**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,628,798.91	$20,589,437.05	$39,361.86	$20,628,798.91	$20,283,227.94	$345,570.97
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$6,421,711.07	$6,235,564.65	$186,146.42	$6,421,711.07	$4,752,561.03	$1,669,150.04
Other Property and Investments	**$27,058,856.47**	**$26,833,348.19**	**$225,508.28**	**$27,058,856.47**	**$25,044,135.46**	**$2,014,721.01**
Current and Accrued Assets						
Cash	$862,594.70	$837,711.77	$24,882.93	$862,594.70	$2,099,204.84	($1,236,610.14)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$25,464,021.54	$23,156,253.16	$2,307,768.38	$25,464,021.54	$43,010,056.07	($17,546,034.53)
AR from Associated Cos	$71,087.47	$30,166.07	$40,921.40	$71,087.47	$802,216.99	($731,129.52)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,187,504.56	$1,173,359.67	$14,144.89	$1,187,504.56	$1,163,837.48	$23,667.08
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$38,230,231.06	$31,057,150.22	$7,173,080.84	$38,230,231.06	$48,078,559.27	($9,848,328.21)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$5,564,365.74	$2,198,200.49	$3,366,165.25	$5,564,365.74	$6,152,017.74	($587,652.00)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$292,444.36	$1,168,803.66	($876,359.30)	$292,444.36	$2,838,327.35	($2,545,882.99)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$71,927,799.43**	**$59,877,195.04**	**$12,050,604.39**	**$71,927,799.43**	**$104,399,769.74**	**($32,471,970.31)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$277,002,907.84	$276,516,384.92	$486,522.92	$277,002,907.84	$279,043,933.40	($2,041,025.56)
Preliminary Surveys	$6,216,391.58	$6,115,728.89	$100,662.69	$6,216,391.58	$4,427,002.87	$1,789,388.71
Clearing Accounts	$17,248.46	$15,976.06	$1,272.40	$17,248.46	$0.00	$17,248.46

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	Month: *Aug - 2020*	Previous Month	Variance	Month: *Aug - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$3,877,277.97	$3,927,994.56	($50,716.59)	$3,877,277.97	$4,334,213.24	($456,935.27)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$118,479,938.00	$117,799,515.00	$680,423.00	$118,479,938.00	$122,916,021.00	($4,436,083.00)
Unrecovered Purchase Gas Costs	($2,115,829.39)	($6,952,121.67)	$4,836,292.28	($2,115,829.39)	($830,838.41)	($1,284,990.98)
Deferred Debits	**$403,477,934.46**	**$397,423,477.76**	**$6,054,456.70**	**$403,477,934.46**	**$409,890,332.10**	**($6,412,397.64)**
Assets and Other Debits	**$2,956,069,591.78**	**$2,918,056,291.86**	**$38,013,299.92**	**$2,956,069,591.78**	**$2,851,804,941.46**	**$104,264,650.32**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$52,889,827.00	$55,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$946,082,774.15	$951,187,903.49	($5,105,129.34)	$946,082,774.15	$885,402,388.17	$60,680,385.98
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,099,100,401.15**	**$1,104,205,530.49**	**($5,105,129.34)**	**$1,099,100,401.15**	**$983,420,015.17**	**$115,680,385.98**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$895,515,000.00	$0.00	$895,515,000.00	$785,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$895,515,000.00**	**$0.00**	**$895,515,000.00**	**$785,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$25,814,423.77	$25,986,821.83	($172,398.06)	$25,814,423.77	$27,187,702.09	($1,373,278.32)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$102,976.60	$118,912.66	($15,936.06)	$102,976.60	$142,035.04	($39,058.44)
Accum Prov - Pension & Benefit	$2,767,270.17	$2,845,479.85	($78,209.68)	$2,767,270.17	$2,553,240.14	$214,030.03
Accum Misc Operating Provision	$1,511,188.29	$1,209,863.42	$301,324.87	$1,511,188.29	$0.00	$1,511,188.29
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$30,195,858.83**	**$30,161,077.76**	**$34,781.07**	**$30,195,858.83**	**$29,882,977.27**	**$312,881.56**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$38,538,747.32	$40,107,549.14	($1,568,801.82)	$38,538,747.32	$46,517,293.00	($7,978,545.68)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$58,731,848.17	$21,881,210.96	$36,850,637.21	$58,731,848.17	$156,860,863.31	($98,129,015.14)
Customer Deposits	$3,342,439.11	$3,355,770.11	($13,331.00)	$3,342,439.11	$3,522,509.11	($180,070.00)
Taxes Accrued	$17,061,766.07	$20,257,342.66	($3,195,576.59)	$17,061,766.07	$11,769,563.75	$5,292,202.32
Interest Accrued	$252,755.92	$242,813.09	$9,942.83	$252,755.92	$289,931.85	($37,175.93)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$33,417.11	$31,588.13	$1,828.98	$33,417.11	$438,583.95	($405,166.84)
Misc Current & Accrued Liab	$46,411,616.13	$37,464,249.84	$8,947,366.29	$46,411,616.13	$63,957,232.81	($17,545,616.68)
Obligation Cap Lease - Current	$2,674,810.68	$2,791,349.07	($116,538.39)	$2,674,810.68	$2,788,851.75	($114,041.07)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$167,047,400.51**	**$126,131,873.00**	**$40,915,527.51**	**$167,047,400.51**	**$286,144,829.53**	**($119,097,429.02)**
Deferred Credits						
Customer Adv. for Construction	$3,954,073.71	$4,002,880.89	($48,807.18)	$3,954,073.71	$4,206,255.94	($252,182.23)
Acc Defd Investment Tax Credit	$1,335,034.00	$1,357,507.00	($22,473.00)	$1,335,034.00	$1,529,762.00	($194,728.00)
Other Deferred Credits	$6,932,106.27	$6,940,335.61	($8,229.34)	$6,932,106.27	$5,655,894.91	$1,276,211.36

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	Month: *Aug - 2020*	Previous Month	Variance	Month: *Aug - 2020*	December of Previous Year	Variance
Other Regulatory Liabilities	$223,718,889.62	$223,385,113.42	$333,776.20	$223,718,889.62	$241,381,620.95	($17,662,731.33)
Accum Defer Inc Tax - Oth Prop	$521,110,865.70	$519,321,555.70	$1,789,310.00	$521,110,865.70	$506,796,456.70	$14,314,409.00
Accum Defer Inc Tax - Other	$7,159,961.99	$7,035,417.99	$124,544.00	$7,159,961.99	$7,272,128.99	($112,167.00)
Deferred Credits	**$764,210,931.29**	**$762,042,810.61**	**$2,168,120.68**	**$764,210,931.29**	**$766,842,119.49**	**($2,631,188.20)**
Total Liabilities and Equity	**$2,956,069,591.78**	**$2,918,056,291.86**	**$38,013,299.92**	**$2,956,069,591.78**	**$2,851,804,941.46**	**$104,264,650.32**

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	Month: *Sep - 2020*	Previous Month	Variance	Month: *Sep - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$2,961,074,476.11	$2,937,913,237.18	$23,161,238.93	$2,961,074,476.11	$2,755,558,490.42	$205,515,985.69
Construction Work In Progress	$55,366,326.66	$50,866,818.81	$4,499,507.85	$55,366,326.66	$45,731,782.15	$9,634,544.51
Total Utility Plant	**$3,016,440,802.77**	**$2,988,780,055.99**	**$27,660,746.78**	**$3,016,440,802.77**	**$2,801,290,272.57**	**$215,150,530.20**
Accum Prov - Amort and Depr	($538,084,817.42)	($535,906,926.82)	($2,177,890.60)	($538,084,817.42)	($489,551,440.66)	($48,533,376.76)
Net Utility Plant	**$2,478,355,985.35**	**$2,452,873,129.17**	**$25,482,856.18**	**$2,478,355,985.35**	**$2,311,738,831.91**	**$166,617,153.44**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,479,087,857.60**	**$2,453,605,001.42**	**$25,482,856.18**	**$2,479,087,857.60**	**$2,312,470,704.16**	**$166,617,153.44**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,649,333.06	$20,628,798.91	$20,534.15	$20,649,333.06	$20,283,227.94	$366,105.12
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$5,697,240.53	$6,421,711.07	($724,470.54)	$5,697,240.53	$4,752,561.03	$944,679.50
Other Property and Investments	**$26,354,920.08**	**$27,058,856.47**	**($703,936.39)**	**$26,354,920.08**	**$25,044,135.46**	**$1,310,784.62**
Current and Accrued Assets						
Cash	$683,842.47	$862,594.70	($178,752.23)	$683,842.47	$2,099,204.84	($1,415,362.37)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$27,577,019.61	$25,464,021.54	$2,112,998.07	$27,577,019.61	$43,010,056.07	($15,433,036.46)
AR from Associated Cos	$91,798.98	$71,087.47	$20,711.51	$91,798.98	$802,216.99	($710,418.01)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,163,649.05	$1,187,504.56	($23,855.51)	$1,163,649.05	$1,163,837.48	($188.43)
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$42,620,447.77	$38,230,231.06	$4,390,216.71	$42,620,447.77	$48,078,559.27	($5,458,111.50)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$5,121,732.30	$5,564,365.74	($442,633.44)	$5,121,732.30	$6,152,017.74	($1,030,285.44)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$296,672.27	$292,444.36	$4,227.91	$296,672.27	$2,838,327.35	($2,541,655.08)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$77,810,712.45**	**$71,927,799.43**	**$5,882,913.02**	**$77,810,712.45**	**$104,399,769.74**	**($26,589,057.29)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$276,527,178.60	$277,002,907.84	($475,729.24)	$276,527,178.60	$279,043,933.40	($2,516,754.80)
Preliminary Surveys	$6,497,906.48	$6,216,391.58	$281,514.90	$6,497,906.48	$4,427,002.87	$2,070,903.61
Clearing Accounts	$13,511.76	$17,248.46	($3,736.70)	$13,511.76	$0.00	$13,511.76

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	Month: *Sep - 2020*	Previous Month	Variance	Month: *Sep - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$3,861,451.27	$3,877,277.97	($15,826.70)	$3,861,451.27	$4,334,213.24	($472,761.97)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$120,095,549.00	$118,479,938.00	$1,615,611.00	$120,095,549.00	$122,916,021.00	($2,820,472.00)
Unrecovered Purchase Gas Costs	$490,249.92	($2,115,829.39)	$2,606,079.31	$490,249.92	($830,838.41)	$1,321,088.33
Deferred Debits	**$407,485,847.03**	**$403,477,934.46**	**$4,007,912.57**	**$407,485,847.03**	**$409,890,332.10**	**($2,404,485.07)**
Assets and Other Debits	**$2,990,739,337.16**	**$2,956,069,591.78**	**$34,669,745.38**	**$2,990,739,337.16**	**$2,851,804,941.46**	**$138,934,395.70**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$52,889,827.00	$55,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$937,029,754.89	$946,082,774.15	($9,053,019.26)	$937,029,754.89	$885,402,388.17	$51,627,366.72
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,090,047,381.89**	**$1,099,100,401.15**	**($9,053,019.26)**	**$1,090,047,381.89**	**$983,420,015.17**	**$106,627,366.72**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$895,515,000.00	$0.00	$895,515,000.00	$785,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$895,515,000.00**	**$0.00**	**$895,515,000.00**	**$785,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$25,636,355.08	$25,814,423.77	($178,068.69)	$25,636,355.08	$27,187,702.09	($1,551,347.01)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$123,574.03	$102,976.60	$20,597.43	$123,574.03	$142,035.04	($18,461.01)
Accum Prov - Pension & Benefit	$2,745,876.55	$2,767,270.17	($21,393.62)	$2,745,876.55	$2,553,240.14	$192,636.41
Accum Misc Operating Provision	$1,825,919.83	$1,511,188.29	$314,731.54	$1,825,919.83	$0.00	$1,825,919.83
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$30,331,725.49**	**$30,195,858.83**	**$135,866.66**	**$30,331,725.49**	**$29,882,977.27**	**$448,748.22**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$38,844,986.37	$38,538,747.32	$306,239.05	$38,844,986.37	$46,517,293.00	($7,672,306.63)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$93,966,608.93	$58,731,848.17	$35,234,760.76	$93,966,608.93	$156,860,863.31	($62,894,254.38)
Customer Deposits	$3,359,566.11	$3,342,439.11	$17,127.00	$3,359,566.11	$3,522,509.11	($162,943.00)
Taxes Accrued	$12,983,078.37	$17,061,766.07	($4,078,687.70)	$12,983,078.37	$11,769,563.75	$1,213,514.62
Interest Accrued	$262,659.87	$252,755.92	$9,903.95	$262,659.87	$289,931.85	($27,271.98)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$38,425.36	$33,417.11	$5,008.25	$38,425.36	$438,583.95	($400,158.59)
Misc Current & Accrued Liab	$57,081,927.88	$46,411,616.13	$10,670,311.75	$57,081,927.88	$63,957,232.81	($6,875,304.93)
Obligation Cap Lease - Current	$2,979,776.60	$2,674,810.68	$304,965.92	$2,979,776.60	$2,788,851.75	$190,924.85
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$209,517,029.49**	**$167,047,400.51**	**$42,469,628.98**	**$209,517,029.49**	**$286,144,829.53**	**($76,627,800.04)**
Deferred Credits						
Customer Adv. for Construction	$3,939,022.28	$3,954,073.71	($15,051.43)	$3,939,022.28	$4,206,255.94	($267,233.66)
Acc Defd Investment Tax Credit	$1,312,561.00	$1,335,034.00	($22,473.00)	$1,312,561.00	$1,529,762.00	($217,201.00)
Other Deferred Credits	$6,977,366.50	$6,932,106.27	$45,260.23	$6,977,366.50	$5,655,894.91	$1,321,471.59

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	Month: *Sep - 2020*	Previous Month	Variance	Month: *Sep - 2020*	December of Previous Year	Variance
Other Regulatory Liabilities	$222,993,190.82	$223,718,889.62	($725,698.80)	$222,993,190.82	$241,381,620.95	($18,388,430.13)
Accum Defer Inc Tax - Oth Prop	$522,900,171.70	$521,110,865.70	$1,789,306.00	$522,900,171.70	$506,796,456.70	$16,103,715.00
Accum Defer Inc Tax - Other	$7,205,887.99	$7,159,961.99	$45,926.00	$7,205,887.99	$7,272,128.99	($66,241.00)
Deferred Credits	**$765,328,200.29**	**$764,210,931.29**	**$1,117,269.00**	**$765,328,200.29**	**$766,842,119.49**	**($1,513,919.20)**
Total Liabilities and Equity	**$2,990,739,337.16**	**$2,956,069,591.78**	**$34,669,745.38**	**$2,990,739,337.16**	**$2,851,804,941.46**	**$138,934,395.70**

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	Month: *Oct - 2020*	Previous Month	Variance	Month: *Oct - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$2,990,499,704.79	$2,961,074,476.11	$29,425,228.68	$2,990,499,704.79	$2,755,558,490.42	$234,941,214.37
Construction Work In Progress	$54,286,872.58	$55,366,326.66	($1,079,454.08)	$54,286,872.58	$45,731,782.15	$8,555,090.43
Total Utility Plant	**$3,044,786,577.37**	**$3,016,440,802.77**	**$28,345,774.60**	**$3,044,786,577.37**	**$2,801,290,272.57**	**$243,496,304.80**
Accum Prov - Amort and Depr	($541,812,215.76)	($538,084,817.42)	($3,727,398.34)	($541,812,215.76)	($489,551,440.66)	($52,260,775.10)
Net Utility Plant	**$2,502,974,361.61**	**$2,478,355,985.35**	**$24,618,376.26**	**$2,502,974,361.61**	**$2,311,738,831.91**	**$191,235,529.70**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,503,706,233.86**	**$2,479,087,857.60**	**$24,618,376.26**	**$2,503,706,233.86**	**$2,312,470,704.16**	**$191,235,529.70**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,676,508.64	$20,649,333.06	$27,175.58	$20,676,508.64	$20,283,227.94	$393,280.70
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$5,931,262.95	$5,697,240.53	$234,022.42	$5,931,262.95	$4,752,561.03	$1,178,701.92
Other Property and Investments	**$26,616,118.08**	**$26,354,920.08**	**$261,198.00**	**$26,616,118.08**	**$25,044,135.46**	**$1,571,982.62**
Current and Accrued Assets						
Cash	$956,135.21	$683,842.47	$272,292.74	$956,135.21	$2,099,204.84	($1,143,069.63)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$49,957,614.10	$27,577,019.61	$22,380,594.49	$49,957,614.10	$43,010,056.07	$6,947,558.03
AR from Associated Cos	$105,293.06	$91,798.98	$13,494.08	$105,293.06	$802,216.99	($696,923.93)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,173,850.47	$1,163,649.05	$10,201.42	$1,173,850.47	$1,163,837.48	$10,012.99
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$45,253,908.41	$42,620,447.77	$2,633,460.64	$45,253,908.41	$48,078,559.27	($2,824,650.86)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$5,696,386.81	$5,121,732.30	$574,654.51	$5,696,386.81	$6,152,017.74	($455,630.93)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$503,791.55	$296,672.27	$207,119.28	$503,791.55	$2,838,327.35	($2,334,535.80)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$103,902,529.61**	**$77,810,712.45**	**$26,091,817.16**	**$103,902,529.61**	**$104,399,769.74**	**($497,240.13)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$277,005,732.49	$276,527,178.60	$478,553.89	$277,005,732.49	$279,043,933.40	($2,038,200.91)
Preliminary Surveys	$7,112,916.64	$6,497,906.48	$615,010.16	$7,112,916.64	$4,427,002.87	$2,685,913.77
Clearing Accounts	($286,252.74)	$13,511.76	($299,764.50)	($286,252.74)	$0.00	($286,252.74)

Columbia Gas of Pennsylvania
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	Month: *Oct - 2020*	Previous Month	Variance	Month: *Oct - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$3,846,735.42	$3,861,451.27	($14,715.85)	$3,846,735.42	$4,334,213.24	($487,477.82)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$120,439,818.00	$120,095,549.00	$344,269.00	$120,439,818.00	$122,916,021.00	($2,476,203.00)
Unrecovered Purchase Gas Costs	$1,007,669.05	$490,249.92	$517,419.13	$1,007,669.05	($830,838.41)	$1,838,507.46
Deferred Debits	**$409,126,618.86**	**$407,485,847.03**	**$1,640,771.83**	**$409,126,618.86**	**$409,890,332.10**	**($763,713.24)**
Assets and Other Debits	**$3,043,351,500.41**	**$2,990,739,337.16**	**$52,612,163.25**	**$3,043,351,500.41**	**$2,851,804,941.46**	**$191,546,558.95**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$52,889,827.00	$55,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$937,894,682.95	$937,029,754.89	$864,928.06	$937,894,682.95	$885,402,388.17	$52,492,294.78
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,090,912,309.95**	**$1,090,047,381.89**	**$864,928.06**	**$1,090,912,309.95**	**$983,420,015.17**	**$107,492,294.78**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$895,515,000.00	$0.00	$895,515,000.00	$785,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$895,515,000.00**	**$0.00**	**$895,515,000.00**	**$785,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$25,462,309.66	$25,636,355.08	($174,045.42)	$25,462,309.66	$27,187,702.09	($1,725,392.43)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$105,023.84	$123,574.03	($18,550.19)	$105,023.84	$142,035.04	($37,011.20)
Accum Prov - Pension & Benefit	$2,565,937.94	$2,745,876.55	($179,938.61)	$2,565,937.94	$2,553,240.14	$12,697.80
Accum Misc Operating Provision	$2,177,902.16	$1,825,919.83	$351,982.33	$2,177,902.16	$0.00	$2,177,902.16
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$30,311,173.60**	**$30,331,725.49**	**($20,551.89)**	**$30,311,173.60**	**$29,882,977.27**	**$428,196.33**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$42,040,869.93	$38,844,986.37	$3,195,883.56	$42,040,869.93	$46,517,293.00	($4,476,423.07)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$135,366,648.36	$93,966,608.93	$41,400,039.43	$135,366,648.36	$156,860,863.31	($21,494,214.95)
Customer Deposits	$3,470,654.11	$3,359,566.11	$111,088.00	$3,470,654.11	$3,522,509.11	($51,855.00)
Taxes Accrued	$11,363,285.87	$12,983,078.37	($1,619,792.50)	$11,363,285.87	$11,769,563.75	($406,277.88)
Interest Accrued	$272,315.89	$262,659.87	$9,656.02	$272,315.89	$289,931.85	($17,615.96)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$70,046.13	$38,425.36	$31,620.77	$70,046.13	$438,583.95	($368,537.82)
Misc Current & Accrued Liab	$63,091,594.99	$57,081,927.88	$6,009,667.11	$63,091,594.99	$63,957,232.81	($865,637.82)
Obligation Cap Lease - Current	$3,130,983.96	$2,979,776.60	$151,207.36	$3,130,983.96	$2,788,851.75	$342,132.21
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$258,806,399.24**	**$209,517,029.49**	**$49,289,369.75**	**$258,806,399.24**	**$286,144,829.53**	**($27,338,430.29)**
Deferred Credits						
Customer Adv. for Construction	$3,854,956.74	$3,939,022.28	($84,065.54)	$3,854,956.74	$4,206,255.94	($351,299.20)
Acc Defd Investment Tax Credit	$1,290,088.00	$1,312,561.00	($22,473.00)	$1,290,088.00	$1,529,762.00	($239,674.00)
Other Deferred Credits	$6,959,111.59	$6,977,366.50	($18,254.91)	$6,959,111.59	$5,655,894.91	$1,303,216.68

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	Month: *Oct - 2020*	Previous Month	Variance	Month: *Oct - 2020*	December of Previous Year	Variance
Other Regulatory Liabilities	$223,662,497.60	$222,993,190.82	$669,306.78	$223,662,497.60	$241,381,620.95	($17,719,123.35)
Accum Defer Inc Tax - Oth Prop	$524,689,479.70	$522,900,171.70	$1,789,308.00	$524,689,479.70	$506,796,456.70	$17,893,023.00
Accum Defer Inc Tax - Other	$7,350,483.99	$7,205,887.99	$144,596.00	$7,350,483.99	$7,272,128.99	$78,355.00
Deferred Credits	**$767,806,617.62**	**$765,328,200.29**	**$2,478,417.33**	**$767,806,617.62**	**$766,842,119.49**	**$964,498.13**
Total Liabilities and Equity	**$3,043,351,500.41**	**$2,990,739,337.16**	**$52,612,163.25**	**$3,043,351,500.41**	**$2,851,804,941.46**	**$191,546,558.95**

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	Month: *Nov - 2020*	Previous Month	Variance	Month: *Nov - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,022,167,221.64	$2,990,499,704.79	$31,667,516.85	$3,022,167,221.64	$2,755,558,490.42	$266,608,731.22
Construction Work In Progress	$46,888,432.53	$54,286,872.58	($7,398,440.05)	$46,888,432.53	$45,731,782.15	$1,156,650.38
Total Utility Plant	**$3,069,055,654.17**	**$3,044,786,577.37**	**$24,269,076.80**	**$3,069,055,654.17**	**$2,801,290,272.57**	**$267,765,381.60**
Accum Prov - Amort and Depr	($544,680,567.51)	($541,812,215.76)	($2,868,351.75)	($544,680,567.51)	($489,551,440.66)	($55,129,126.85)
Net Utility Plant	**$2,524,375,086.66**	**$2,502,974,361.61**	**$21,400,725.05**	**$2,524,375,086.66**	**$2,311,738,831.91**	**$212,636,254.75**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,525,106,958.91**	**$2,503,706,233.86**	**$21,400,725.05**	**$2,525,106,958.91**	**$2,312,470,704.16**	**$212,636,254.75**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,715,048.10	$20,676,508.64	$38,539.46	$20,715,048.10	$20,283,227.94	$431,820.16
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$5,767,982.25	$5,931,262.95	($163,280.70)	$5,767,982.25	$4,752,561.03	$1,015,421.22
Other Property and Investments	**$26,491,376.84**	**$26,616,118.08**	**($124,741.24)**	**$26,491,376.84**	**$25,044,135.46**	**$1,447,241.38**
Current and Accrued Assets						
Cash	$1,844,813.26	$956,135.21	$888,678.05	$1,844,813.26	$2,099,204.84	($254,391.58)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$73,263,718.58	$49,957,614.10	$23,306,104.48	$73,263,718.58	$43,010,056.07	$30,253,662.51
AR from Associated Cos	$179,337.60	$105,293.06	$74,044.54	$179,337.60	$802,216.99	($622,879.39)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,181,787.08	$1,173,850.47	$7,936.61	$1,181,787.08	$1,163,837.48	$17,949.60
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$42,207,426.91	$45,253,908.41	($3,046,481.50)	$42,207,426.91	$48,078,559.27	($5,871,132.36)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$5,462,362.51	$5,696,386.81	($234,024.30)	$5,462,362.51	$6,152,017.74	($689,655.23)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$1,955,668.34	$503,791.55	$1,451,876.79	$1,955,668.34	$2,838,327.35	($882,659.01)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$126,350,664.28**	**$103,902,529.61**	**$22,448,134.67**	**$126,350,664.28**	**$104,399,769.74**	**$21,950,894.54**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$276,712,481.83	$277,005,732.49	($293,250.66)	$276,712,481.83	$279,043,933.40	($2,331,451.57)
Preliminary Surveys	$6,809,205.41	$7,112,916.64	($303,711.23)	$6,809,205.41	$4,427,002.87	$2,382,202.54
Clearing Accounts	$57,193.85	($286,252.74)	$343,446.59	$57,193.85	$0.00	$57,193.85

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	Month: *Nov - 2020*	Previous Month	Variance	Month: *Nov - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$3,978,651.40	$3,846,735.42	$131,915.98	$3,978,651.40	$4,334,213.24	($355,561.84)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$119,226,959.00	$120,439,818.00	($1,212,859.00)	$119,226,959.00	$122,916,021.00	($3,689,062.00)
Unrecovered Purchase Gas Costs	$1,241,436.79	$1,007,669.05	$233,767.74	$1,241,436.79	($830,838.41)	$2,072,275.20
Deferred Debits	**$408,025,928.28**	**$409,126,618.86**	**($1,100,690.58)**	**$408,025,928.28**	**$409,890,332.10**	**($1,864,403.82)**
Assets and Other Debits	**$3,085,974,928.31**	**$3,043,351,500.41**	**$42,623,427.90**	**$3,085,974,928.31**	**$2,851,804,941.46**	**$234,169,986.85**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$52,889,827.00	$55,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$949,168,494.79	$937,894,682.95	$11,273,811.84	$949,168,494.79	$885,402,388.17	$63,766,106.62
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,102,186,121.79**	**$1,090,912,309.95**	**$11,273,811.84**	**$1,102,186,121.79**	**$983,420,015.17**	**$118,766,106.62**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$895,515,000.00	$0.00	$895,515,000.00	$785,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$895,515,000.00**	**$0.00**	**$895,515,000.00**	**$785,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$25,287,514.95	$25,462,309.66	($174,794.71)	$25,287,514.95	$27,187,702.09	($1,900,187.14)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$106,379.87	$105,023.84	$1,356.03	$106,379.87	$142,035.04	($35,655.17)
Accum Prov - Pension & Benefit	$2,435,534.99	$2,565,937.94	($130,402.95)	$2,435,534.99	$2,553,240.14	($117,705.15)
Accum Misc Operating Provision	$2,490,910.81	$2,177,902.16	$313,008.65	$2,490,910.81	$0.00	$2,490,910.81
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$30,320,340.62**	**$30,311,173.60**	**$9,167.02**	**$30,320,340.62**	**$29,882,977.27**	**$437,363.35**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$38,705,351.81	$42,040,869.93	($3,335,518.12)	$38,705,351.81	$46,517,293.00	($7,811,941.19)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$162,472,025.30	$135,366,648.36	$27,105,376.94	$162,472,025.30	$156,860,863.31	$5,611,161.99
Customer Deposits	$3,500,935.11	$3,470,654.11	$30,281.00	$3,500,935.11	$3,522,509.11	($21,574.00)
Taxes Accrued	$13,612,883.80	$11,363,285.87	$2,249,597.93	$13,612,883.80	$11,769,563.75	$1,843,320.05
Interest Accrued	$281,884.01	$272,315.89	$9,568.12	$281,884.01	$289,931.85	($8,047.84)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$140,867.70	$70,046.13	$70,821.57	$140,867.70	$438,583.95	($297,716.25)
Misc Current & Accrued Liab	$68,165,461.16	$63,091,594.99	$5,073,866.17	$68,165,461.16	$63,957,232.81	$4,208,228.35
Obligation Cap Lease - Current	$3,086,178.53	$3,130,983.96	($44,805.43)	$3,086,178.53	$2,788,851.75	$297,326.78
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$289,965,587.42**	**$258,806,399.24**	**$31,159,188.18**	**$289,965,587.42**	**$286,144,829.53**	**$3,820,757.89**
Deferred Credits						
Customer Adv. for Construction	$3,843,731.79	$3,854,956.74	($11,224.95)	$3,843,731.79	$4,206,255.94	($362,524.15)
Acc Defd Investment Tax Credit	$1,267,615.00	$1,290,088.00	($22,473.00)	$1,267,615.00	$1,529,762.00	($262,147.00)
Other Deferred Credits	$6,946,447.69	$6,959,111.59	($12,663.90)	$6,946,447.69	$5,655,894.91	$1,290,552.78

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	Month: *Nov - 2020*	Previous Month	Variance	Month: *Nov - 2020*	December of Previous Year	Variance
Other Regulatory Liabilities	$222,396,189.31	$223,662,497.60	($1,266,308.29)	$222,396,189.31	$241,381,620.95	($18,985,431.64)
Accum Defer Inc Tax - Oth Prop	$526,478,785.70	$524,689,479.70	$1,789,306.00	$526,478,785.70	$506,796,456.70	$19,682,329.00
Accum Defer Inc Tax - Other	$7,055,108.99	$7,350,483.99	($295,375.00)	$7,055,108.99	$7,272,128.99	($217,020.00)
Deferred Credits	**$767,987,878.48**	**$767,806,617.62**	**$181,260.86**	**$767,987,878.48**	**$766,842,119.49**	**$1,145,758.99**
Total Liabilities and Equity	**$3,085,974,928.31**	**$3,043,351,500.41**	**$42,623,427.90**	**$3,085,974,928.31**	**$2,851,804,941.46**	**$234,169,986.85**

Columbia Gas of Pennsylvania
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Regulated - Account FERC Hierarchy
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	Month: *Dec - 2020*	Previous Month	Variance	Month: *Dec - 2020*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,041,590,481.48	$3,022,167,221.64	$19,423,259.84	$3,041,590,481.48	$2,755,558,490.42	$286,031,991.06
Construction Work In Progress	$43,992,077.61	$46,888,432.53	($2,896,354.92)	$43,992,077.61	$45,731,782.15	($1,739,704.54)
Total Utility Plant	**$3,085,582,559.09**	**$3,069,055,654.17**	**$16,526,904.92**	**$3,085,582,559.09**	**$2,801,290,272.57**	**$284,292,286.52**
Accum Prov - Amort and Depr	($535,533,696.67)	($544,680,567.51)	$9,146,870.84	($535,533,696.67)	($489,551,440.66)	($45,982,256.01)
Net Utility Plant	**$2,550,048,862.42**	**$2,524,375,086.66**	**$25,673,775.76**	**$2,550,048,862.42**	**$2,311,738,831.91**	**$238,310,030.51**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,550,780,734.67**	**$2,525,106,958.91**	**$25,673,775.76**	**$2,550,780,734.67**	**$2,312,470,704.16**	**$238,310,030.51**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,751,219.06	$20,715,048.10	$36,170.96	$20,751,219.06	$20,283,227.94	$467,991.12
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$15,305,515.98	$5,767,982.25	$9,537,533.73	$15,305,515.98	$4,752,561.03	$10,552,954.95
Other Property and Investments	**$36,065,081.53**	**$26,491,376.84**	**$9,573,704.69**	**$36,065,081.53**	**$25,044,135.46**	**$11,020,946.07**
Current and Accrued Assets						
Cash	$1,846,823.69	$1,844,813.26	$2,010.43	$1,846,823.69	$2,099,204.84	($252,381.15)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$111,116,332.88	$73,263,718.58	$37,852,614.30	$111,116,332.88	$43,010,056.07	$68,106,276.81
AR from Associated Cos	$268,307.17	$179,337.60	$88,969.57	$268,307.17	$802,216.99	($533,909.82)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,214,644.63	$1,181,787.08	$32,857.55	$1,214,644.63	$1,163,837.48	$50,807.15
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$34,531,497.79	$42,207,426.91	($7,675,929.12)	$34,531,497.79	$48,078,559.27	($13,547,061.48)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$5,021,560.26	$5,462,362.51	($440,802.25)	$5,021,560.26	$6,152,017.74	($1,130,457.48)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$3,688,036.76	$1,955,668.34	$1,732,368.42	$3,688,036.76	$2,838,327.35	$849,709.41
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$157,942,753.18**	**$126,350,664.28**	**$31,592,088.90**	**$157,942,753.18**	**$104,399,769.74**	**$53,542,983.44**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$228,744,963.58	$276,712,481.83	($47,967,518.25)	$228,744,963.58	$279,043,933.40	($50,298,969.82)
Preliminary Surveys	$4,574,196.04	$6,809,205.41	($2,235,009.37)	$4,574,196.04	$4,427,002.87	$147,193.17
Clearing Accounts	$0.00	$57,193.85	($57,193.85)	$0.00	$0.00	$0.00

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	Month: *Dec - 2020*	Previous Month	Variance	Month: *Dec - 2020*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,151,476.04	$3,978,651.40	$172,824.64	$4,151,476.04	$4,334,213.24	($182,737.20)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$119,156,394.00	$119,226,959.00	($70,565.00)	$119,156,394.00	$122,916,021.00	($3,759,627.00)
Unrecovered Purchase Gas Costs	($4,202,420.69)	$1,241,436.79	($5,443,857.48)	($4,202,420.69)	($830,838.41)	($3,371,582.28)
Deferred Debits	**$352,424,608.97**	**$408,025,928.28**	**($55,601,319.31)**	**$352,424,608.97**	**$409,890,332.10**	**($57,465,723.13)**
Assets and Other Debits	**$3,097,213,178.35**	**$3,085,974,928.31**	**$11,238,250.04**	**$3,097,213,178.35**	**$2,851,804,941.46**	**$245,408,236.89**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$52,889,827.00	$55,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$971,987,434.78	$949,168,494.79	$22,818,939.99	$971,987,434.78	$885,402,388.17	$86,585,046.61
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,125,005,061.78**	**$1,102,186,121.79**	**$22,818,939.99**	**$1,125,005,061.78**	**$983,420,015.17**	**$141,585,046.61**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$895,515,000.00	$0.00	$895,515,000.00	$785,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$895,515,000.00**	**$0.00**	**$895,515,000.00**	**$785,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$24,900,682.49	$25,287,514.95	($386,832.46)	$24,900,682.49	$27,187,702.09	($2,287,019.60)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$109,678.44	$106,379.87	$3,298.57	$109,678.44	$142,035.04	($32,356.60)
Accum Prov - Pension & Benefit	$2,628,257.44	$2,435,534.99	$192,722.45	$2,628,257.44	$2,553,240.14	$75,017.30
Accum Misc Operating Provision	$2,922,869.92	$2,490,910.81	$431,959.11	$2,922,869.92	$0.00	$2,922,869.92
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$30,561,488.29**	**$30,320,340.62**	**$241,147.67**	**$30,561,488.29**	**$29,882,977.27**	**$678,511.02**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$44,013,087.35	$38,705,351.81	$5,307,735.54	$44,013,087.35	$46,517,293.00	($2,504,205.65)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$185,008,659.77	$162,472,025.30	$22,536,634.47	$185,008,659.77	$156,860,863.31	$28,147,796.46
Customer Deposits	$3,479,442.11	$3,500,935.11	($21,493.00)	$3,479,442.11	$3,522,509.11	($43,067.00)
Taxes Accrued	$23,568,771.88	$13,612,883.80	$9,955,888.08	$23,568,771.88	$11,769,563.75	$11,799,208.13
Interest Accrued	$283,175.62	$281,884.01	$1,291.61	$283,175.62	$289,931.85	($6,756.23)
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$271,374.68	$140,867.70	$130,506.98	$271,374.68	$438,583.95	($167,209.27)
Misc Current & Accrued Liab	$61,938,674.41	$68,165,461.16	($6,226,786.75)	$61,938,674.41	$63,957,232.81	($2,018,558.40)
Obligation Cap Lease - Current	$2,663,606.77	$3,086,178.53	($422,571.76)	$2,663,606.77	$2,788,851.75	($125,244.98)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$321,226,792.59**	**$289,965,587.42**	**$31,261,205.17**	**$321,226,792.59**	**$286,144,829.53**	**$35,081,963.06**
Deferred Credits						
Customer Adv. for Construction	$3,793,774.87	$3,843,731.79	($49,956.92)	$3,793,774.87	$4,206,255.94	($412,481.07)
Acc Defd Investment Tax Credit	$1,245,058.00	$1,267,615.00	($22,557.00)	$1,245,058.00	$1,529,762.00	($284,704.00)

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
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	Month: *Dec - 2020*	Previous Month	Variance	Month: *Dec - 2020*	December of Previous Year	Variance
Other Deferred Credits	$6,553,645.37	$6,946,447.69	($392,802.32)	$6,553,645.37	$5,655,894.91	$897,750.46
Other Regulatory Liabilities	$220,866,696.76	$222,396,189.31	($1,529,492.55)	$220,866,696.76	$241,381,620.95	($20,514,924.19)
Accum Defer Inc Tax - Oth Prop	$485,726,079.70	$526,478,785.70	($40,752,706.00)	$485,726,079.70	$506,796,456.70	($21,070,377.00)
Accum Defer Inc Tax - Other	$6,719,580.99	$7,055,108.99	($335,528.00)	$6,719,580.99	$7,272,128.99	($552,548.00)
Deferred Credits	**$724,904,835.69**	**$767,987,878.48**	**($43,083,042.79)**	**$724,904,835.69**	**$766,842,119.49**	**($41,937,283.80)**
Total Liabilities and Equity	**$3,097,213,178.35**	**$3,085,974,928.31**	**$11,238,250.04**	**$3,097,213,178.35**	**$2,851,804,941.46**	**$245,408,236.89**

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	Month: *Jan - 2021*	Previous Month	Variance	Month: *Jan - 2021*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,059,480,748.34	$3,041,590,481.48	$17,890,266.86	$3,059,480,748.34	$3,041,590,481.48	$17,890,266.86
Construction Work In Progress	$43,611,514.94	$43,992,077.61	($380,562.67)	$43,611,514.94	$43,992,077.61	($380,562.67)
Total Utility Plant	**$3,103,092,263.28**	**$3,085,582,559.09**	**$17,509,704.19**	**$3,103,092,263.28**	**$3,085,582,559.09**	**$17,509,704.19**
Accum Prov - Amort and Depr	($540,281,737.82)	($535,533,696.67)	($4,748,041.15)	($540,281,737.82)	($535,533,696.67)	($4,748,041.15)
Net Utility Plant	**$2,562,810,525.46**	**$2,550,048,862.42**	**$12,761,663.04**	**$2,562,810,525.46**	**$2,550,048,862.42**	**$12,761,663.04**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,563,542,397.71**	**$2,550,780,734.67**	**$12,761,663.04**	**$2,563,542,397.71**	**$2,550,780,734.67**	**$12,761,663.04**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,782,352.64	$20,751,219.06	$31,133.58	$20,782,352.64	$20,751,219.06	$31,133.58
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$15,635,282.81	$15,305,515.98	$329,766.83	$15,635,282.81	$15,305,515.98	$329,766.83
Other Property and Investments	**$36,425,981.94**	**$36,065,081.53**	**$360,900.41**	**$36,425,981.94**	**$36,065,081.53**	**$360,900.41**
Current and Accrued Assets						
Cash	$2,741,679.95	$1,846,823.69	$894,856.26	$2,741,679.95	$1,846,823.69	$894,856.26
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$448,775.96	$253,000.00	$195,775.96	$448,775.96	$253,000.00	$195,775.96
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$127,549,534.38	$111,116,332.88	$16,433,201.50	$127,549,534.38	$111,116,332.88	$16,433,201.50
AR from Associated Cos	$448,835.18	$268,307.17	$180,528.01	$448,835.18	$268,307.17	$180,528.01
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,231,624.82	$1,214,644.63	$16,980.19	$1,231,624.82	$1,214,644.63	$16,980.19
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$25,376,710.83	$34,531,497.79	($9,154,786.96)	$25,376,710.83	$34,531,497.79	($9,154,786.96)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$4,232,061.00	$5,021,560.26	($789,499.26)	$4,232,061.00	$5,021,560.26	($789,499.26)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$4,971,558.16	$3,688,036.76	$1,283,521.40	$4,971,558.16	$3,688,036.76	$1,283,521.40
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$167,003,330.28**	**$157,942,753.18**	**$9,060,577.10**	**$167,003,330.28**	**$157,942,753.18**	**$9,060,577.10**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$227,483,923.61	$228,744,963.58	($1,261,039.97)	$227,483,923.61	$228,744,963.58	($1,261,039.97)
Preliminary Surveys	$5,123,190.22	$4,574,196.04	$548,994.18	$5,123,190.22	$4,574,196.04	$548,994.18
Clearing Accounts	$14,292.83	$0.00	$14,292.83	$14,292.83	$0.00	$14,292.83

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Regulated - Account FERC Hierarchy
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	Month: *Jan - 2021*	Previous Month	Variance	Month: *Jan - 2021*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,121,799.91	$4,151,476.04	($29,676.13)	$4,121,799.91	$4,151,476.04	($29,676.13)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$117,020,626.00	$119,156,394.00	($2,135,768.00)	$117,020,626.00	$119,156,394.00	($2,135,768.00)
Unrecovered Purchase Gas Costs	($11,147,353.13)	($4,202,420.69)	($6,944,932.44)	($11,147,353.13)	($4,202,420.69)	($6,944,932.44)
Deferred Debits	**$342,616,479.44**	**$352,424,608.97**	**($9,808,129.53)**	**$342,616,479.44**	**$352,424,608.97**	**($9,808,129.53)**
Assets and Other Debits	**$3,109,588,189.37**	**$3,097,213,178.35**	**$12,375,011.02**	**$3,109,588,189.37**	**$3,097,213,178.35**	**$12,375,011.02**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$107,889,827.00	$0.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$1,002,160,929.92	$971,987,434.78	$30,173,495.14	$1,002,160,929.92	$971,987,434.78	$30,173,495.14
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,155,178,556.92**	**$1,125,005,061.78**	**$30,173,495.14**	**$1,155,178,556.92**	**$1,125,005,061.78**	**$30,173,495.14**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$895,515,000.00	$0.00	$895,515,000.00	$895,515,000.00	$0.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$895,515,000.00**	**$0.00**	**$895,515,000.00**	**$895,515,000.00**	**$0.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$24,730,369.88	$24,900,682.49	($170,312.61)	$24,730,369.88	$24,900,682.49	($170,312.61)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$123,039.72	$109,678.44	$13,361.28	$123,039.72	$109,678.44	$13,361.28
Accum Prov - Pension & Benefit	$2,500,208.66	$2,628,257.44	($128,048.78)	$2,500,208.66	$2,628,257.44	($128,048.78)
Accum Misc Operating Provision	$2,922,869.92	$2,922,869.92	$0.00	$2,922,869.92	$2,922,869.92	$0.00
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$30,276,488.18**	**$30,561,488.29**	**($285,000.11)**	**$30,276,488.18**	**$30,561,488.29**	**($285,000.11)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$42,558,448.66	$44,013,087.35	($1,454,638.69)	$42,558,448.66	$44,013,087.35	($1,454,638.69)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$172,933,043.30	$185,008,659.77	($12,075,616.47)	$172,933,043.30	$185,008,659.77	($12,075,616.47)
Customer Deposits	$3,450,725.11	$3,479,442.11	($28,717.00)	$3,450,725.11	$3,479,442.11	($28,717.00)
Taxes Accrued	$32,338,322.82	$23,568,771.88	$8,769,550.94	$32,338,322.82	$23,568,771.88	$8,769,550.94
Interest Accrued	$288,162.13	$283,175.62	$4,986.51	$288,162.13	$283,175.62	$4,986.51
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$629,903.20	$271,374.68	$358,528.52	$629,903.20	$271,374.68	$358,528.52
Misc Current & Accrued Liab	$49,464,864.64	$61,938,674.41	($12,473,809.77)	$49,464,864.64	$61,938,674.41	($12,473,809.77)
Obligation Cap Lease - Current	$2,575,680.22	$2,663,606.77	($87,926.55)	$2,575,680.22	$2,663,606.77	($87,926.55)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$304,239,150.08**	**$321,226,792.59**	**($16,987,642.51)**	**$304,239,150.08**	**$321,226,792.59**	**($16,987,642.51)**
Deferred Credits						
Customer Adv. for Construction	$3,725,958.87	$3,793,774.87	($67,816.00)	$3,725,958.87	$3,793,774.87	($67,816.00)
Acc Defd Investment Tax Credit	$1,223,607.00	$1,245,058.00	($21,451.00)	$1,223,607.00	$1,245,058.00	($21,451.00)

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	Month: *Jan - 2021*	Previous Month	Variance	Month: *Jan - 2021*	December of Previous Year	Variance
Other Deferred Credits	$6,536,130.54	$6,553,645.37	($17,514.83)	$6,536,130.54	$6,553,645.37	($17,514.83)
Other Regulatory Liabilities	$219,130,235.09	$220,866,696.76	($1,736,461.67)	$219,130,235.09	$220,866,696.76	($1,736,461.67)
Accum Defer Inc Tax - Oth Prop	$487,829,022.70	$485,726,079.70	$2,102,943.00	$487,829,022.70	$485,726,079.70	$2,102,943.00
Accum Defer Inc Tax - Other	$5,934,039.99	$6,719,580.99	($785,541.00)	$5,934,039.99	$6,719,580.99	($785,541.00)
Deferred Credits	**$724,378,994.19**	**$724,904,835.69**	**($525,841.50)**	**$724,378,994.19**	**$724,904,835.69**	**($525,841.50)**
Total Liabilities and Equity	**$3,109,588,189.37**	**$3,097,213,178.35**	**$12,375,011.02**	**$3,109,588,189.37**	**$3,097,213,178.35**	**$12,375,011.02**

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Regulated - Account FERC Hierarchy
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	Month: *Feb - 2021*	Previous Month	Variance	Month: *Feb - 2021*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,069,754,349.91	$3,059,480,748.34	$10,273,601.57	$3,069,754,349.91	$3,041,590,481.48	$28,163,868.43
Construction Work In Progress	$48,225,887.64	$43,611,514.94	$4,614,372.70	$48,225,887.64	$43,992,077.61	$4,233,810.03
Total Utility Plant	**$3,117,980,237.55**	**$3,103,092,263.28**	**$14,887,974.27**	**$3,117,980,237.55**	**$3,085,582,559.09**	**$32,397,678.46**
Accum Prov - Amort and Depr	($546,009,557.06)	($540,281,737.82)	($5,727,819.24)	($546,009,557.06)	($535,533,696.67)	($10,475,860.39)
Net Utility Plant	**$2,571,970,680.49**	**$2,562,810,525.46**	**$9,160,155.03**	**$2,571,970,680.49**	**$2,550,048,862.42**	**$21,921,818.07**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,572,702,552.74**	**$2,563,542,397.71**	**$9,160,155.03**	**$2,572,702,552.74**	**$2,550,780,734.67**	**$21,921,818.07**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,830,555.54	$20,782,352.64	$48,202.90	$20,830,555.54	$20,751,219.06	$79,336.48
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$15,965,049.64	$15,635,282.81	$329,766.83	$15,965,049.64	$15,305,515.98	$659,533.66
Other Property and Investments	**$36,803,951.67**	**$36,425,981.94**	**$377,969.73**	**$36,803,951.67**	**$36,065,081.53**	**$738,870.14**
Current and Accrued Assets						
Cash	$3,258,634.48	$2,741,679.95	$516,954.53	$3,258,634.48	$1,846,823.69	$1,411,810.79
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$448,775.96	$448,775.96	$0.00	$448,775.96	$253,000.00	$195,775.96
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$134,723,289.56	$127,549,534.38	$7,173,755.18	$134,723,289.56	$111,116,332.88	$23,606,956.68
AR from Associated Cos	$311,102.00	$448,835.18	($137,733.18)	$311,102.00	$268,307.17	$42,794.83
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,226,833.82	$1,231,624.82	($4,791.00)	$1,226,833.82	$1,214,644.63	$12,189.19
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$15,299,547.69	$25,376,710.83	($10,077,163.14)	$15,299,547.69	$34,531,497.79	($19,231,950.10)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$3,364,020.91	$4,232,061.00	($868,040.09)	$3,364,020.91	$5,021,560.26	($1,657,539.35)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$5,435,744.03	$4,971,558.16	$464,185.87	$5,435,744.03	$3,688,036.76	$1,747,707.27
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$164,070,498.45**	**$167,003,330.28**	**($2,932,831.83)**	**$164,070,498.45**	**$157,942,753.18**	**$6,127,745.27**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$227,395,102.14	$227,483,923.61	($88,821.47)	$227,395,102.14	$228,744,963.58	($1,349,861.44)
Preliminary Surveys	$5,699,918.05	$5,123,190.22	$576,727.83	$5,699,918.05	$4,574,196.04	$1,125,722.01
Clearing Accounts	$158,845.63	$14,292.83	$144,552.80	$158,845.63	$0.00	$158,845.63

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	Month: *Feb - 2021*	Previous Month	Variance	Month: *Feb - 2021*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,103,362.40	$4,121,799.91	($18,437.51)	$4,103,362.40	$4,151,476.04	($48,113.64)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$114,444,597.00	$117,020,626.00	($2,576,029.00)	$114,444,597.00	$119,156,394.00	($4,711,797.00)
Unrecovered Purchase Gas Costs	($17,859,086.30)	($11,147,353.13)	($6,711,733.17)	($17,859,086.30)	($4,202,420.69)	($13,656,665.61)
Deferred Debits	**$333,942,738.92**	**$342,616,479.44**	**($8,673,740.52)**	**$333,942,738.92**	**$352,424,608.97**	**($18,481,870.05)**
Assets and Other Debits	**$3,107,519,741.78**	**$3,109,588,189.37**	**($2,068,447.59)**	**$3,107,519,741.78**	**$3,097,213,178.35**	**$10,306,563.43**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$107,889,827.00	$0.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$1,032,034,617.21	$1,002,160,929.92	$29,873,687.29	$1,032,034,617.21	$971,987,434.78	$60,047,182.43
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,185,052,244.21**	**$1,155,178,556.92**	**$29,873,687.29**	**$1,185,052,244.21**	**$1,125,005,061.78**	**$60,047,182.43**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$895,515,000.00	$895,515,000.00	$0.00	$895,515,000.00	$895,515,000.00	$0.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$895,515,000.00**	**$895,515,000.00**	**$0.00**	**$895,515,000.00**	**$895,515,000.00**	**$0.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$24,559,312.59	$24,730,369.88	($171,057.29)	$24,559,312.59	$24,900,682.49	($341,369.90)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$152,950.45	$123,039.72	$29,910.73	$152,950.45	$109,678.44	$43,272.01
Accum Prov - Pension & Benefit	$2,323,657.93	$2,500,208.66	($176,550.73)	$2,323,657.93	$2,628,257.44	($304,599.51)
Accum Misc Operating Provision	$2,922,869.92	$2,922,869.92	$0.00	$2,922,869.92	$2,922,869.92	$0.00
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$29,958,790.89**	**$30,276,488.18**	**($317,697.29)**	**$29,958,790.89**	**$30,561,488.29**	**($602,697.40)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$37,715,302.01	$42,558,448.66	($4,843,146.65)	$37,715,302.01	$44,013,087.35	($6,297,785.34)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$164,423,263.75	$172,933,043.30	($8,509,779.55)	$164,423,263.75	$185,008,659.77	($20,585,396.02)
Customer Deposits	$3,416,009.11	$3,450,725.11	($34,716.00)	$3,416,009.11	$3,479,442.11	($63,433.00)
Taxes Accrued	$29,901,795.54	$32,338,322.82	($2,436,527.28)	$29,901,795.54	$23,568,771.88	$6,333,023.66
Interest Accrued	$291,674.68	$288,162.13	$3,512.55	$291,674.68	$283,175.62	$8,499.06
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$778,172.45	$629,903.20	$148,269.25	$778,172.45	$271,374.68	$506,797.77
Misc Current & Accrued Liab	$33,556,343.36	$49,464,864.64	($15,908,521.28)	$33,556,343.36	$61,938,674.41	($28,382,331.05)
Obligation Cap Lease - Current	$2,607,536.22	$2,575,680.22	$31,856.00	$2,607,536.22	$2,663,606.77	($56,070.55)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$272,690,097.12**	**$304,239,150.08**	**($31,549,052.96)**	**$272,690,097.12**	**$321,226,792.59**	**($48,536,695.47)**
Deferred Credits						
Customer Adv. for Construction	$3,714,044.09	$3,725,958.87	($11,914.78)	$3,714,044.09	$3,793,774.87	($79,730.78)
Acc Defd Investment Tax Credit	$1,200,114.00	$1,223,607.00	($23,493.00)	$1,200,114.00	$1,245,058.00	($44,944.00)

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	Month: *Feb - 2021*	Previous Month	Variance	Month: *Feb - 2021*	December of Previous Year	Variance
Other Deferred Credits	$6,523,944.42	$6,536,130.54	($12,186.12)	$6,523,944.42	$6,553,645.37	($29,700.95)
Other Regulatory Liabilities	$217,273,003.36	$219,130,235.09	($1,857,231.73)	$217,273,003.36	$220,866,696.76	($3,593,693.40)
Accum Defer Inc Tax - Oth Prop	$489,931,963.70	$487,829,022.70	$2,102,941.00	$489,931,963.70	$485,726,079.70	$4,205,884.00
Accum Defer Inc Tax - Other	$5,660,539.99	$5,934,039.99	($273,500.00)	$5,660,539.99	$6,719,580.99	($1,059,041.00)
Deferred Credits	**$724,303,609.56**	**$724,378,994.19**	**($75,384.63)**	**$724,303,609.56**	**$724,904,835.69**	**($601,226.13)**
Total Liabilities and Equity	**$3,107,519,741.78**	**$3,109,588,189.37**	**($2,068,447.59)**	**$3,107,519,741.78**	**$3,097,213,178.35**	**$10,306,563.43**

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	Month: *Mar - 2021*	Previous Month	Variance	Month: *Mar - 2021*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,082,285,878.62	$3,069,754,349.91	$12,531,528.71	$3,082,285,878.62	$3,041,590,481.48	$40,695,397.14
Construction Work In Progress	$58,950,197.16	$48,225,887.64	$10,724,309.52	$58,950,197.16	$43,992,077.61	$14,958,119.55
Total Utility Plant	**$3,141,236,075.78**	**$3,117,980,237.55**	**$23,255,838.23**	**$3,141,236,075.78**	**$3,085,582,559.09**	**$55,653,516.69**
Accum Prov - Amort and Depr	($550,944,713.51)	($546,009,557.06)	($4,935,156.45)	($550,944,713.51)	($535,533,696.67)	($15,411,016.84)
Net Utility Plant	**$2,590,291,362.27**	**$2,571,970,680.49**	**$18,320,681.78**	**$2,590,291,362.27**	**$2,550,048,862.42**	**$40,242,499.85**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,591,023,234.52**	**$2,572,702,552.74**	**$18,320,681.78**	**$2,591,023,234.52**	**$2,550,780,734.67**	**$40,242,499.85**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,859,700.07	$20,830,555.54	$29,144.53	$20,859,700.07	$20,751,219.06	$108,481.01
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$15,267,418.23	$15,965,049.64	($697,631.41)	$15,267,418.23	$15,305,515.98	($38,097.75)
Other Property and Investments	**$36,135,464.79**	**$36,803,951.67**	**($668,486.88)**	**$36,135,464.79**	**$36,065,081.53**	**$70,383.26**
Current and Accrued Assets						
Cash	$3,009,038.80	$3,258,634.48	($249,595.68)	$3,009,038.80	$1,846,823.69	$1,162,215.11
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$48,690.61	$0.00	$48,690.61	$48,690.61	$0.00	$48,690.61
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$448,775.96	($195,775.96)	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$113,880,498.46	$134,723,289.56	($20,842,791.10)	$113,880,498.46	$111,116,332.88	$2,764,165.58
AR from Associated Cos	$9,382,841.14	$311,102.00	$9,071,739.14	$9,382,841.14	$268,307.17	$9,114,533.97
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,231,848.80	$1,226,833.82	$5,014.98	$1,231,848.80	$1,214,644.63	$17,204.17
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$10,843,199.07	$15,299,547.69	($4,456,348.62)	$10,843,199.07	$34,531,497.79	($23,688,298.72)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$3,586,461.42	$3,364,020.91	$222,440.51	$3,586,461.42	$5,021,560.26	($1,435,098.84)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$4,844,468.86	$5,435,744.03	($591,275.17)	$4,844,468.86	$3,688,036.76	$1,156,432.10
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$147,082,597.16**	**$164,070,498.45**	**($16,987,901.29)**	**$147,082,597.16**	**$157,942,753.18**	**($10,860,156.02)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$230,161,634.86	$227,395,102.14	$2,766,532.72	$230,161,634.86	$228,744,963.58	$1,416,671.28
Preliminary Surveys	$6,225,244.72	$5,699,918.05	$525,326.67	$6,225,244.72	$4,574,196.04	$1,651,048.68
Clearing Accounts	$81,763.60	$158,845.63	($77,082.03)	$81,763.60	$0.00	$81,763.60

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	Month: *Mar - 2021*	Previous Month	Variance	Month: *Mar - 2021*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,289,736.59	$4,103,362.40	$186,374.19	$4,289,736.59	$4,151,476.04	$138,260.55
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$112,960,091.00	$114,444,597.00	($1,484,506.00)	$112,960,091.00	$119,156,394.00	($6,196,303.00)
Unrecovered Purchase Gas Costs	($17,824,554.62)	($17,859,086.30)	$34,531.68	($17,824,554.62)	($4,202,420.69)	($13,622,133.93)
Deferred Debits	**$335,893,916.15**	**$333,942,738.92**	**$1,951,177.23**	**$335,893,916.15**	**$352,424,608.97**	**($16,530,692.82)**
Assets and Other Debits	**$3,110,135,212.62**	**$3,107,519,741.78**	**$2,615,470.84**	**$3,110,135,212.62**	**$3,097,213,178.35**	**$12,922,034.27**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$107,889,827.00	$0.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$1,062,084,448.36	$1,032,034,617.21	$30,049,831.15	$1,062,084,448.36	$971,987,434.78	$90,097,013.58
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,215,102,075.36**	**$1,185,052,244.21**	**$30,049,831.15**	**$1,215,102,075.36**	**$1,125,005,061.78**	**$90,097,013.58**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$1,005,515,000.00	$895,515,000.00	$110,000,000.00	$1,005,515,000.00	$895,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$1,005,515,000.00**	**$895,515,000.00**	**$110,000,000.00**	**$1,005,515,000.00**	**$895,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$24,492,075.05	$24,559,312.59	($67,237.54)	$24,492,075.05	$24,900,682.49	($408,607.44)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$150,409.92	$152,950.45	($2,540.53)	$150,409.92	$109,678.44	$40,731.48
Accum Prov - Pension & Benefit	$2,392,055.65	$2,323,657.93	$68,397.72	$2,392,055.65	$2,628,257.44	($236,201.79)
Accum Misc Operating Provision	$1,461,434.96	$2,922,869.92	($1,461,434.96)	$1,461,434.96	$2,922,869.92	($1,461,434.96)
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$28,495,975.58**	**$29,958,790.89**	**($1,462,815.31)**	**$28,495,975.58**	**$30,561,488.29**	**($2,065,512.71)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$42,897,647.51	$37,715,302.01	$5,182,345.50	$42,897,647.51	$44,013,087.35	($1,115,439.84)
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$25,235,723.58	$164,423,263.75	($139,187,540.17)	$25,235,723.58	$185,008,659.77	($159,772,936.19)
Customer Deposits	$3,388,265.11	$3,416,009.11	($27,744.00)	$3,388,265.11	$3,479,442.11	($91,177.00)
Taxes Accrued	$36,996,912.56	$29,901,795.54	$7,095,117.02	$36,996,912.56	$23,568,771.88	$13,428,140.68
Interest Accrued	$294,726.60	$291,674.68	$3,051.92	$294,726.60	$283,175.62	$11,550.98
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$683,705.19	$778,172.45	($94,467.26)	$683,705.19	$271,374.68	$412,330.51
Misc Current & Accrued Liab	$27,073,234.49	$33,556,343.36	($6,483,108.87)	$27,073,234.49	$61,938,674.41	($34,865,439.92)
Obligation Cap Lease - Current	$2,550,285.85	$2,607,536.22	($57,250.37)	$2,550,285.85	$2,663,606.77	($113,320.92)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$139,120,500.89**	**$272,690,097.12**	**($133,569,596.23)**	**$139,120,500.89**	**$321,226,792.59**	**($182,106,291.70)**
Deferred Credits						
Customer Adv. for Construction	$3,703,594.40	$3,714,044.09	($10,449.69)	$3,703,594.40	$3,793,774.87	($90,180.47)
Acc Defd Investment Tax Credit	$1,177,642.00	$1,200,114.00	($22,472.00)	$1,177,642.00	$1,245,058.00	($67,416.00)

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Other Deferred Credits	$6,665,070.92	$6,523,944.42	$141,126.50	$6,665,070.92	$6,553,645.37	$111,425.55
Other Regulatory Liabilities	$212,192,153.78	$217,273,003.36	($5,080,849.58)	$212,192,153.78	$220,866,696.76	($8,674,542.98)
Accum Defer Inc Tax - Oth Prop	$491,291,255.70	$489,931,963.70	$1,359,292.00	$491,291,255.70	$485,726,079.70	$5,565,176.00
Accum Defer Inc Tax - Other	$6,871,943.99	$5,660,539.99	$1,211,404.00	$6,871,943.99	$6,719,580.99	$152,363.00
Deferred Credits	**$721,901,660.79**	**$724,303,609.56**	**($2,401,948.77)**	**$721,901,660.79**	**$724,904,835.69**	**($3,003,174.90)**
Total Liabilities and Equity	**$3,110,135,212.62**	**$3,107,519,741.78**	**$2,615,470.84**	**$3,110,135,212.62**	**$3,097,213,178.35**	**$12,922,034.27**

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	Month: *Apr - 2021*	Previous Month	Variance	Month: *Apr - 2021*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,103,551,704.36	$3,082,285,878.62	$21,265,825.74	$3,103,551,704.36	$3,041,590,481.48	$61,961,222.88
Construction Work In Progress	$66,506,257.41	$58,950,197.16	$7,556,060.25	$66,506,257.41	$43,992,077.61	$22,514,179.80
Total Utility Plant	**$3,170,057,961.77**	**$3,141,236,075.78**	**$28,821,885.99**	**$3,170,057,961.77**	**$3,085,582,559.09**	**$84,475,402.68**
Accum Prov - Amort and Depr	($554,950,092.92)	($550,944,713.51)	($4,005,379.41)	($554,950,092.92)	($535,533,696.67)	($19,416,396.25)
Net Utility Plant	**$2,615,107,868.85**	**$2,590,291,362.27**	**$24,816,506.58**	**$2,615,107,868.85**	**$2,550,048,862.42**	**$65,059,006.43**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,615,839,741.10**	**$2,591,023,234.52**	**$24,816,506.58**	**$2,615,839,741.10**	**$2,550,780,734.67**	**$65,059,006.43**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,883,994.00	$20,859,700.07	$24,293.93	$20,883,994.00	$20,751,219.06	$132,774.94
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$15,529,630.48	$15,267,418.23	$262,212.25	$15,529,630.48	$15,305,515.98	$224,114.50
Other Property and Investments	**$36,421,970.97**	**$36,135,464.79**	**$286,506.18**	**$36,421,970.97**	**$36,065,081.53**	**$356,889.44**
Current and Accrued Assets						
Cash	$2,459,060.12	$3,009,038.80	($549,978.68)	$2,459,060.12	$1,846,823.69	$612,236.43
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$340,871.54	$48,690.61	$292,180.93	$340,871.54	$0.00	$340,871.54
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$86,474,040.00	$113,880,498.46	($27,406,458.46)	$86,474,040.00	$111,116,332.88	($24,642,292.88)
AR from Associated Cos	$18,946,624.68	$9,382,841.14	$9,563,783.54	$18,946,624.68	$268,307.17	$18,678,317.51
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,234,151.94	$1,231,848.80	$2,303.14	$1,234,151.94	$1,214,644.63	$19,507.31
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$15,835,755.05	$10,843,199.07	$4,992,555.98	$15,835,755.05	$34,531,497.79	($18,695,742.74)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$2,694,143.93	$3,586,461.42	($892,317.49)	$2,694,143.93	$5,021,560.26	($2,327,416.33)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$2,844,302.56	$4,844,468.86	($2,000,166.30)	$2,844,302.56	$3,688,036.76	($843,734.20)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$131,084,499.82**	**$147,082,597.16**	**($15,998,097.34)**	**$131,084,499.82**	**$157,942,753.18**	**($26,858,253.36)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$229,647,186.05	$230,161,634.86	($514,448.81)	$229,647,186.05	$228,744,963.58	$902,222.47
Preliminary Surveys	$6,170,502.13	$6,225,244.72	($54,742.59)	$6,170,502.13	$4,574,196.04	$1,596,306.09
Clearing Accounts	$251,417.02	$81,763.60	$169,653.42	$251,417.02	$0.00	$251,417.02

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	Month: *Apr - 2021*	Previous Month	Variance	Month: *Apr - 2021*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,152,296.25	$4,289,736.59	($137,440.34)	$4,152,296.25	$4,151,476.04	$820.21
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$112,722,925.00	$112,960,091.00	($237,166.00)	$112,722,925.00	$119,156,394.00	($6,433,469.00)
Unrecovered Purchase Gas Costs	($13,080,536.86)	($17,824,554.62)	$4,744,017.76	($13,080,536.86)	($4,202,420.69)	($8,878,116.17)
Deferred Debits	**$339,863,789.59**	**$335,893,916.15**	**$3,969,873.44**	**$339,863,789.59**	**$352,424,608.97**	**($12,560,819.38)**
Assets and Other Debits	**$3,123,210,001.48**	**$3,110,135,212.62**	**$13,074,788.86**	**$3,123,210,001.48**	**$3,097,213,178.35**	**$25,996,823.13**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$107,889,827.00	$0.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$1,068,695,668.40	$1,062,084,448.36	$6,611,220.04	$1,068,695,668.40	$971,987,434.78	$96,708,233.62
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,221,713,295.40**	**$1,215,102,075.36**	**$6,611,220.04**	**$1,221,713,295.40**	**$1,125,005,061.78**	**$96,708,233.62**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$1,005,515,000.00	$1,005,515,000.00	$0.00	$1,005,515,000.00	$895,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$1,005,515,000.00**	**$1,005,515,000.00**	**$0.00**	**$1,005,515,000.00**	**$895,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$24,318,265.28	$24,492,075.05	($173,809.77)	$24,318,265.28	$24,900,682.49	($582,417.21)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$160,356.42	$150,409.92	$9,946.50	$160,356.42	$109,678.44	$50,677.98
Accum Prov - Pension & Benefit	$2,637,777.11	$2,392,055.65	$245,721.46	$2,637,777.11	$2,628,257.44	$9,519.67
Accum Misc Operating Provision	$1,461,434.96	$1,461,434.96	$0.00	$1,461,434.96	$2,922,869.92	($1,461,434.96)
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$28,577,833.77**	**$28,495,975.58**	**$81,858.19**	**$28,577,833.77**	**$30,561,488.29**	**($1,983,654.52)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$44,908,670.05	$42,897,647.51	$2,011,022.54	$44,908,670.05	$44,013,087.35	$895,582.70
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$29,195,049.44	$25,235,723.58	$3,959,325.86	$29,195,049.44	$185,008,659.77	($155,813,610.33)
Customer Deposits	$3,393,165.11	$3,388,265.11	$4,900.00	$3,393,165.11	$3,479,442.11	($86,277.00)
Taxes Accrued	$37,311,437.34	$36,996,912.56	$314,524.78	$37,311,437.34	$23,568,771.88	$13,742,665.46
Interest Accrued	$298,820.62	$294,726.60	$4,094.02	$298,820.62	$283,175.62	$15,645.00
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$365,695.76	$683,705.19	($318,009.43)	$365,695.76	$271,374.68	$94,321.08
Misc Current & Accrued Liab	$27,526,396.21	$27,073,234.49	$453,161.72	$27,526,396.21	$61,938,674.41	($34,412,278.20)
Obligation Cap Lease - Current	$2,551,495.96	$2,550,285.85	$1,210.11	$2,551,495.96	$2,663,606.77	($112,110.81)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$145,550,730.49**	**$139,120,500.89**	**$6,430,229.60**	**$145,550,730.49**	**$321,226,792.59**	**($175,676,062.10)**
Deferred Credits						
Customer Adv. for Construction	$3,682,202.58	$3,703,594.40	($21,391.82)	$3,682,202.58	$3,793,774.87	($111,572.29)
Acc Defd Investment Tax Credit	$1,155,170.00	$1,177,642.00	($22,472.00)	$1,155,170.00	$1,245,058.00	($89,888.00)

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Other Deferred Credits	$6,653,935.31	$6,665,070.92	($11,135.61)	$6,653,935.31	$6,553,645.37	$100,289.94
Other Regulatory Liabilities	$210,149,620.24	$212,192,153.78	($2,042,533.54)	$210,149,620.24	$220,866,696.76	($10,717,076.52)
Accum Defer Inc Tax - Oth Prop	$493,146,313.70	$491,291,255.70	$1,855,058.00	$493,146,313.70	$485,726,079.70	$7,420,234.00
Accum Defer Inc Tax - Other	$7,065,899.99	$6,871,943.99	$193,956.00	$7,065,899.99	$6,719,580.99	$346,319.00
Deferred Credits	**$721,853,141.82**	**$721,901,660.79**	**($48,518.97)**	**$721,853,141.82**	**$724,904,835.69**	**($3,051,693.87)**
Total Liabilities and Equity	**$3,123,210,001.48**	**$3,110,135,212.62**	**$13,074,788.86**	**$3,123,210,001.48**	**$3,097,213,178.35**	**$25,996,823.13**

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	Month: *May - 2021*	Previous Month	Variance	Month: *May - 2021*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,123,730,366.17	$3,103,551,704.36	$20,178,661.81	$3,123,730,366.17	$3,041,590,481.48	$82,139,884.69
Construction Work In Progress	$71,274,085.04	$66,506,257.41	$4,767,827.63	$71,274,085.04	$43,992,077.61	$27,282,007.43
Total Utility Plant	**$3,195,004,451.21**	**$3,170,057,961.77**	**$24,946,489.44**	**$3,195,004,451.21**	**$3,085,582,559.09**	**$109,421,892.12**
Accum Prov - Amort and Depr	($558,427,449.18)	($554,950,092.92)	($3,477,356.26)	($558,427,449.18)	($535,533,696.67)	($22,893,752.51)
Net Utility Plant	**$2,636,577,002.03**	**$2,615,107,868.85**	**$21,469,133.18**	**$2,636,577,002.03**	**$2,550,048,862.42**	**$86,528,139.61**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,637,308,874.28**	**$2,615,839,741.10**	**$21,469,133.18**	**$2,637,308,874.28**	**$2,550,780,734.67**	**$86,528,139.61**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,911,355.94	$20,883,994.00	$27,361.94	$20,911,355.94	$20,751,219.06	$160,136.88
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$15,790,570.71	$15,529,630.48	$260,940.23	$15,790,570.71	$15,305,515.98	$485,054.73
Other Property and Investments	**$36,710,273.14**	**$36,421,970.97**	**$288,302.17**	**$36,710,273.14**	**$36,065,081.53**	**$645,191.61**
Current and Accrued Assets						
Cash	$2,238,028.79	$2,459,060.12	($221,031.33)	$2,238,028.79	$1,846,823.69	$391,205.10
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$285,433.74	$340,871.54	($55,437.80)	$285,433.74	$0.00	$285,433.74
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$66,298,390.56	$86,474,040.00	($20,175,649.44)	$66,298,390.56	$111,116,332.88	($44,817,942.32)
AR from Associated Cos	$10,526,506.67	$18,946,624.68	($8,420,118.01)	$10,526,506.67	$268,307.17	$10,258,199.50
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,238,998.75	$1,234,151.94	$4,846.81	$1,238,998.75	$1,214,644.63	$24,354.12
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$26,360,473.73	$15,835,755.05	$10,524,718.68	$26,360,473.73	$34,531,497.79	($8,171,024.06)
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$1,950,632.31	$2,694,143.93	($743,511.62)	$1,950,632.31	$5,021,560.26	($3,070,927.95)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$2,821,242.26	$2,844,302.56	($23,060.30)	$2,821,242.26	$3,688,036.76	($866,794.50)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$111,975,256.81**	**$131,084,499.82**	**($19,109,243.01)**	**$111,975,256.81**	**$157,942,753.18**	**($45,967,496.37)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$229,024,661.47	$229,647,186.05	($622,524.58)	$229,024,661.47	$228,744,963.58	$279,697.89
Preliminary Surveys	$6,708,136.95	$6,170,502.13	$537,634.82	$6,708,136.95	$4,574,196.04	$2,133,940.91
Clearing Accounts	$257,356.48	$251,417.02	$5,939.46	$257,356.48	$0.00	$257,356.48

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Miscellaneous Deferred Debits	$4,347,801.99	$4,152,296.25	$195,505.74	$4,347,801.99	$4,151,476.04	$196,325.95
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$113,046,162.00	$112,722,925.00	$323,237.00	$113,046,162.00	$119,156,394.00	($6,110,232.00)
Unrecovered Purchase Gas Costs	($12,334,100.78)	($13,080,536.86)	$746,436.08	($12,334,100.78)	($4,202,420.69)	($8,131,680.09)
Deferred Debits	**$341,050,018.11**	**$339,863,789.59**	**$1,186,228.52**	**$341,050,018.11**	**$352,424,608.97**	**($11,374,590.86)**
Assets and Other Debits	**$3,127,044,422.34**	**$3,123,210,001.48**	**$3,834,420.86**	**$3,127,044,422.34**	**$3,097,213,178.35**	**$29,831,243.99**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$107,889,827.00	$107,889,827.00	$0.00	$107,889,827.00	$107,889,827.00	$0.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$1,067,046,669.07	$1,068,695,668.40	($1,648,999.33)	$1,067,046,669.07	$971,987,434.78	$95,059,234.29
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,220,064,296.07**	**$1,221,713,295.40**	**($1,648,999.33)**	**$1,220,064,296.07**	**$1,125,005,061.78**	**$95,059,234.29**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$1,005,515,000.00	$1,005,515,000.00	$0.00	$1,005,515,000.00	$895,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$1,005,515,000.00**	**$1,005,515,000.00**	**$0.00**	**$1,005,515,000.00**	**$895,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$24,720,573.20	$24,318,265.28	$402,307.92	$24,720,573.20	$24,900,682.49	($180,109.29)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$145,055.42	$160,356.42	($15,301.00)	$145,055.42	$109,678.44	$35,376.98
Accum Prov - Pension & Benefit	$2,506,294.87	$2,637,777.11	($131,482.24)	$2,506,294.87	$2,628,257.44	($121,962.57)
Accum Misc Operating Provision	$1,461,434.96	$1,461,434.96	$0.00	$1,461,434.96	$2,922,869.92	($1,461,434.96)
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$28,833,358.45**	**$28,577,833.77**	**$255,524.68**	**$28,833,358.45**	**$30,561,488.29**	**($1,728,129.84)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$49,158,078.60	$44,908,670.05	$4,249,408.55	$49,158,078.60	$44,013,087.35	$5,144,991.25
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$33,111,577.99	$29,195,049.44	$3,916,528.55	$33,111,577.99	$185,008,659.77	($151,897,081.78)
Customer Deposits	$3,345,375.11	$3,393,165.11	($47,790.00)	$3,345,375.11	$3,479,442.11	($134,067.00)
Taxes Accrued	$34,769,081.96	$37,311,437.34	($2,542,355.38)	$34,769,081.96	$23,568,771.88	$11,200,310.08
Interest Accrued	$301,765.79	$298,820.62	$2,945.17	$301,765.79	$283,175.62	$18,590.17
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$152,055.19	$365,695.76	($213,640.57)	$152,055.19	$271,374.68	($119,319.49)
Misc Current & Accrued Liab	$26,669,539.35	$27,526,396.21	($856,856.86)	$26,669,539.35	$61,938,674.41	($35,269,135.06)
Obligation Cap Lease - Current	$2,217,975.26	$2,551,495.96	($333,520.70)	$2,217,975.26	$2,663,606.77	($445,631.51)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$149,725,449.25**	**$145,550,730.49**	**$4,174,718.76**	**$149,725,449.25**	**$321,226,792.59**	**($171,501,343.34)**
Deferred Credits						
Customer Adv. for Construction	$3,649,366.63	$3,682,202.58	($32,835.95)	$3,649,366.63	$3,793,774.87	($144,408.24)
Acc Defd Investment Tax Credit	$1,132,698.00	$1,155,170.00	($22,472.00)	$1,132,698.00	$1,245,058.00	($112,360.00)

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	Month: *May - 2021*	Previous Month	Variance	Month: *May - 2021*	December of Previous Year	Variance
Other Deferred Credits	$6,624,100.56	$6,653,935.31	($29,834.75)	$6,624,100.56	$6,553,645.37	$70,455.19
Other Regulatory Liabilities	$209,268,815.69	$210,149,620.24	($880,804.55)	$209,268,815.69	$220,866,696.76	($11,597,881.07)
Accum Defer Inc Tax - Oth Prop	$495,001,364.70	$493,146,313.70	$1,855,051.00	$495,001,364.70	$485,726,079.70	$9,275,285.00
Accum Defer Inc Tax - Other	$7,229,972.99	$7,065,899.99	$164,073.00	$7,229,972.99	$6,719,580.99	$510,392.00
Deferred Credits	**$722,906,318.57**	**$721,853,141.82**	**$1,053,176.75**	**$722,906,318.57**	**$724,904,835.69**	**($1,998,517.12)**
Total Liabilities and Equity	**$3,127,044,422.34**	**$3,123,210,001.48**	**$3,834,420.86**	**$3,127,044,422.34**	**$3,097,213,178.35**	**$29,831,243.99**

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	Month: *Jun - 2021*	Previous Month	Variance	Month: *Jun - 2021*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,144,933,765.46	$3,123,730,366.17	$21,203,399.29	$3,144,933,765.46	$3,041,590,481.48	$103,343,283.98
Construction Work In Progress	$80,418,132.21	$71,274,085.04	$9,144,047.17	$80,418,132.21	$43,992,077.61	$36,426,054.60
Total Utility Plant	**$3,225,351,897.67**	**$3,195,004,451.21**	**$30,347,446.46**	**$3,225,351,897.67**	**$3,085,582,559.09**	**$139,769,338.58**
Accum Prov - Amort and Depr	($564,285,077.16)	($558,427,449.18)	($5,857,627.98)	($564,285,077.16)	($535,533,696.67)	($28,751,380.49)
Net Utility Plant	**$2,661,066,820.51**	**$2,636,577,002.03**	**$24,489,818.48**	**$2,661,066,820.51**	**$2,550,048,862.42**	**$111,017,958.09**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,661,798,692.76**	**$2,637,308,874.28**	**$24,489,818.48**	**$2,661,798,692.76**	**$2,550,780,734.67**	**$111,017,958.09**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,904,640.82	$20,911,355.94	($6,715.12)	$20,904,640.82	$20,751,219.06	$153,421.76
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$16,056,380.47	$15,790,570.71	$265,809.76	$16,056,380.47	$15,305,515.98	$750,864.49
Other Property and Investments	**$36,969,367.78**	**$36,710,273.14**	**$259,094.64**	**$36,969,367.78**	**$36,065,081.53**	**$904,286.25**
Current and Accrued Assets						
Cash	$1,777,296.60	$2,238,028.79	($460,732.19)	$1,777,296.60	$1,846,823.69	($69,527.09)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$175,716.77	$285,433.74	($109,716.97)	$175,716.77	$0.00	$175,716.77
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$9,350,029.00	$0.00	$9,350,029.00	$9,350,029.00	$0.00	$9,350,029.00
Other Accounts Receivable	($9,097,029.00)	$253,000.00	($9,350,029.00)	($9,097,029.00)	$253,000.00	($9,350,029.00)
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$42,115,648.15	$66,298,390.56	($24,182,742.41)	$42,115,648.15	$111,116,332.88	($69,000,684.73)
AR from Associated Cos	$29,056,015.85	$10,526,506.67	$18,529,509.18	$29,056,015.85	$268,307.17	$28,787,708.68
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,235,039.03	$1,238,998.75	($3,959.72)	$1,235,039.03	$1,214,644.63	$20,394.40
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$35,238,444.64	$26,360,473.73	$8,877,970.91	$35,238,444.64	$34,531,497.79	$706,946.85
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$2,457,565.48	$1,950,632.31	$506,933.17	$2,457,565.48	$5,021,560.26	($2,563,994.78)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$2,044,188.82	$2,821,242.26	($777,053.44)	$2,044,188.82	$3,688,036.76	($1,643,847.94)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$114,355,465.34**	**$111,975,256.81**	**$2,380,208.53**	**$114,355,465.34**	**$157,942,753.18**	**($43,587,287.84)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$228,695,543.15	$229,024,661.47	($329,118.32)	$228,695,543.15	$228,744,963.58	($49,420.43)
Preliminary Surveys	$7,051,032.64	$6,708,136.95	$342,895.69	$7,051,032.64	$4,574,196.04	$2,476,836.60
Clearing Accounts	$9,456.57	$257,356.48	($247,899.91)	$9,456.57	$0.00	$9,456.57

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	Month: *Jun - 2021*	Previous Month	Variance	Month: *Jun - 2021*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,326,865.35	$4,347,801.99	($20,936.64)	$4,326,865.35	$4,151,476.04	$175,389.31
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$114,091,731.00	$113,046,162.00	$1,045,569.00	$114,091,731.00	$119,156,394.00	($5,064,663.00)
Unrecovered Purchase Gas Costs	($5,608,601.66)	($12,334,100.78)	$6,725,499.12	($5,608,601.66)	($4,202,420.69)	($1,406,180.97)
Deferred Debits	**$348,566,027.05**	**$341,050,018.11**	**$7,516,008.94**	**$348,566,027.05**	**$352,424,608.97**	**($3,858,581.92)**
Assets and Other Debits	**$3,161,689,552.93**	**$3,127,044,422.34**	**$34,645,130.59**	**$3,161,689,552.93**	**$3,097,213,178.35**	**$64,476,374.58**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$167,889,827.00	$107,889,827.00	$60,000,000.00	$167,889,827.00	$107,889,827.00	$60,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$1,059,456,950.65	$1,067,046,669.07	($7,589,718.42)	$1,059,456,950.65	$971,987,434.78	$87,469,515.87
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,272,474,577.65**	**$1,220,064,296.07**	**$52,410,281.58**	**$1,272,474,577.65**	**$1,125,005,061.78**	**$147,469,515.87**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$1,005,515,000.00	$1,005,515,000.00	$0.00	$1,005,515,000.00	$895,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$1,005,515,000.00**	**$1,005,515,000.00**	**$0.00**	**$1,005,515,000.00**	**$895,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$24,170,400.01	$24,720,573.20	($550,173.19)	$24,170,400.01	$24,900,682.49	($730,282.48)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$170,404.74	$145,055.42	$25,349.32	$170,404.74	$109,678.44	$60,726.30
Accum Prov - Pension & Benefit	$2,706,459.71	$2,506,294.87	$200,164.84	$2,706,459.71	$2,628,257.44	$78,202.27
Accum Misc Operating Provision	$1,461,434.96	$1,461,434.96	$0.00	$1,461,434.96	$2,922,869.92	($1,461,434.96)
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$28,508,699.42**	**$28,833,358.45**	**($324,659.03)**	**$28,508,699.42**	**$30,561,488.29**	**($2,052,788.87)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$47,757,495.51	$49,158,078.60	($1,400,583.09)	$47,757,495.51	$44,013,087.35	$3,744,408.16
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$15,114,701.50	$33,111,577.99	($17,996,876.49)	$15,114,701.50	$185,008,659.77	($169,893,958.27)
Customer Deposits	$3,363,912.11	$3,345,375.11	$18,537.00	$3,363,912.11	$3,479,442.11	($115,530.00)
Taxes Accrued	$29,980,933.55	$34,769,081.96	($4,788,148.41)	$29,980,933.55	$23,568,771.88	$6,412,161.67
Interest Accrued	$305,001.56	$301,765.79	$3,235.77	$305,001.56	$283,175.62	$21,825.94
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$64,330.57	$152,055.19	($87,724.62)	$64,330.57	$271,374.68	($207,044.11)
Misc Current & Accrued Liab	$31,742,188.94	$26,669,539.35	$5,072,649.59	$31,742,188.94	$61,938,674.41	($30,196,485.47)
Obligation Cap Lease - Current	$2,641,795.79	$2,217,975.26	$423,820.53	$2,641,795.79	$2,663,606.77	($21,810.98)
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$130,970,359.53**	**$149,725,449.25**	**($18,755,089.72)**	**$130,970,359.53**	**$321,226,792.59**	**($190,256,433.06)**
Deferred Credits						
Customer Adv. for Construction	$3,624,023.92	$3,649,366.63	($25,342.71)	$3,624,023.92	$3,793,774.87	($169,750.95)
Acc Defd Investment Tax Credit	$1,110,226.00	$1,132,698.00	($22,472.00)	$1,110,226.00	$1,245,058.00	($134,832.00)

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	Month: *Jun - 2021*	Previous Month	Variance	Month: *Jun - 2021*	December of Previous Year	Variance
Other Deferred Credits	$6,723,164.00	$6,624,100.56	$99,063.44	$6,723,164.00	$6,553,645.37	$169,518.63
Other Regulatory Liabilities	$208,360,667.72	$209,268,815.69	($908,147.97)	$208,360,667.72	$220,866,696.76	($12,506,029.04)
Accum Defer Inc Tax - Oth Prop	$496,856,416.70	$495,001,364.70	$1,855,052.00	$496,856,416.70	$485,726,079.70	$11,130,337.00
Accum Defer Inc Tax - Other	$7,546,417.99	$7,229,972.99	$316,445.00	$7,546,417.99	$6,719,580.99	$826,837.00
Deferred Credits	**$724,220,916.33**	**$722,906,318.57**	**$1,314,597.76**	**$724,220,916.33**	**$724,904,835.69**	**($683,919.36)**
Total Liabilities and Equity	**$3,161,689,552.93**	**$3,127,044,422.34**	**$34,645,130.59**	**$3,161,689,552.93**	**$3,097,213,178.35**	**$64,476,374.58**

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	Month: *Jul - 2021*	Previous Month	Variance	Month: *Jul - 2021*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,169,164,926.88	$3,144,933,765.46	$24,231,161.42	$3,169,164,926.88	$3,041,590,481.48	$127,574,445.40
Construction Work In Progress	$87,529,722.16	$80,418,132.21	$7,111,589.95	$87,529,722.16	$43,992,077.61	$43,537,644.55
Total Utility Plant	**$3,256,694,649.04**	**$3,225,351,897.67**	**$31,342,751.37**	**$3,256,694,649.04**	**$3,085,582,559.09**	**$171,112,089.95**
Accum Prov - Amort and Depr	($569,717,633.89)	($564,285,077.16)	($5,432,556.73)	($569,717,633.89)	($535,533,696.67)	($34,183,937.22)
Net Utility Plant	**$2,686,977,015.15**	**$2,661,066,820.51**	**$25,910,194.64**	**$2,686,977,015.15**	**$2,550,048,862.42**	**$136,928,152.73**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,687,708,887.40**	**$2,661,798,692.76**	**$25,910,194.64**	**$2,687,708,887.40**	**$2,550,780,734.67**	**$136,928,152.73**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,935,614.58	$20,904,640.82	$30,973.76	$20,935,614.58	$20,751,219.06	$184,395.52
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$16,317,320.70	$16,056,380.47	$260,940.23	$16,317,320.70	$15,305,515.98	$1,011,804.72
Other Property and Investments	**$37,261,281.77**	**$36,969,367.78**	**$291,913.99**	**$37,261,281.77**	**$36,065,081.53**	**$1,196,200.24**
Current and Accrued Assets						
Cash	$1,953,646.79	$1,777,296.60	$176,350.19	$1,953,646.79	$1,846,823.69	$106,823.10
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$175,716.77	($175,716.77)	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$9,350,029.00	($9,350,029.00)	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	($9,097,029.00)	$9,350,029.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$36,586,208.24	$42,115,648.15	($5,529,439.91)	$36,586,208.24	$111,116,332.88	($74,530,124.64)
AR from Associated Cos	$159,359.27	$29,056,015.85	($28,896,656.58)	$159,359.27	$268,307.17	($108,947.90)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,238,511.64	$1,235,039.03	$3,472.61	$1,238,511.64	$1,214,644.63	$23,867.01
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$47,766,796.82	$35,238,444.64	$12,528,352.18	$47,766,796.82	$34,531,497.79	$13,235,299.03
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$3,230,171.51	$2,457,565.48	$772,606.03	$3,230,171.51	$5,021,560.26	($1,791,388.75)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$1,221,059.98	$2,044,188.82	($823,128.84)	$1,221,059.98	$3,688,036.76	($2,466,976.78)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$92,411,304.25**	**$114,355,465.34**	**($21,944,161.09)**	**$92,411,304.25**	**$157,942,753.18**	**($65,531,448.93)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$228,401,963.93	$228,695,543.15	($293,579.22)	$228,401,963.93	$228,744,963.58	($342,999.65)
Preliminary Surveys	$7,683,751.66	$7,051,032.64	$632,719.02	$7,683,751.66	$4,574,196.04	$3,109,555.62
Clearing Accounts	$160,966.42	$9,456.57	$151,509.85	$160,966.42	$0.00	$160,966.42

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	Month: *Jul - 2021*	Previous Month	Variance	Month: *Jul - 2021*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,413,645.95	$4,326,865.35	$86,780.60	$4,413,645.95	$4,151,476.04	$262,169.91
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$114,366,138.00	$114,091,731.00	$274,407.00	$114,366,138.00	$119,156,394.00	($4,790,256.00)
Unrecovered Purchase Gas Costs	$1,184,306.30	($5,608,601.66)	$6,792,907.96	$1,184,306.30	($4,202,420.69)	$5,386,726.99
Deferred Debits	**$356,210,772.26**	**$348,566,027.05**	**$7,644,745.21**	**$356,210,772.26**	**$352,424,608.97**	**$3,786,163.29**
Assets and Other Debits	**$3,173,592,245.68**	**$3,161,689,552.93**	**$11,902,692.75**	**$3,173,592,245.68**	**$3,097,213,178.35**	**$76,379,067.33**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$167,889,827.00	$167,889,827.00	$0.00	$167,889,827.00	$107,889,827.00	$60,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$1,053,166,409.27	$1,059,456,950.65	($6,290,541.38)	$1,053,166,409.27	$971,987,434.78	$81,178,974.49
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,266,184,036.27**	**$1,272,474,577.65**	**($6,290,541.38)**	**$1,266,184,036.27**	**$1,125,005,061.78**	**$141,178,974.49**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$1,005,515,000.00	$1,005,515,000.00	$0.00	$1,005,515,000.00	$895,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$1,005,515,000.00**	**$1,005,515,000.00**	**$0.00**	**$1,005,515,000.00**	**$895,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$23,999,571.45	$24,170,400.01	($170,828.56)	$23,999,571.45	$24,900,682.49	($901,111.04)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$185,606.07	$170,404.74	$15,201.33	$185,606.07	$109,678.44	$75,927.63
Accum Prov - Pension & Benefit	$2,533,573.20	$2,706,459.71	($172,886.51)	$2,533,573.20	$2,628,257.44	($94,684.24)
Accum Misc Operating Provision	$1,461,434.96	$1,461,434.96	$0.00	$1,461,434.96	$2,922,869.92	($1,461,434.96)
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$28,180,185.68**	**$28,508,699.42**	**($328,513.74)**	**$28,180,185.68**	**$30,561,488.29**	**($2,381,302.61)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$50,735,759.74	$47,757,495.51	$2,978,264.23	$50,735,759.74	$44,013,087.35	$6,722,672.39
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$24,937,465.52	$15,114,701.50	$9,822,764.02	$24,937,465.52	$185,008,659.77	($160,071,194.25)
Customer Deposits	$3,396,638.11	$3,363,912.11	$32,726.00	$3,396,638.11	$3,479,442.11	($82,804.00)
Taxes Accrued	$25,875,892.34	$29,980,933.55	($4,105,041.21)	$25,875,892.34	$23,568,771.88	$2,307,120.46
Interest Accrued	$308,426.60	$305,001.56	$3,425.04	$308,426.60	$283,175.62	$25,250.98
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$100,486.95	$64,330.57	$36,156.38	$100,486.95	$271,374.68	($170,887.73)
Misc Current & Accrued Liab	$39,416,725.13	$31,742,188.94	$7,674,536.19	$39,416,725.13	$61,938,674.41	($22,521,949.28)
Obligation Cap Lease - Current	$2,742,838.39	$2,641,795.79	$101,042.60	$2,742,838.39	$2,663,606.77	$79,231.62
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$147,514,232.78**	**$130,970,359.53**	**$16,543,873.25**	**$147,514,232.78**	**$321,226,792.59**	**($173,712,559.81)**
Deferred Credits						
Customer Adv. for Construction	$3,571,409.49	$3,624,023.92	($52,614.43)	$3,571,409.49	$3,793,774.87	($222,365.38)
Acc Defd Investment Tax Credit	$1,089,795.00	$1,110,226.00	($20,431.00)	$1,089,795.00	$1,245,058.00	($155,263.00)

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	Month: *Jul - 2021*	Previous Month	Variance	Month: *Jul - 2021*	December of Previous Year	Variance
Other Deferred Credits	$6,710,859.46	$6,723,164.00	($12,304.54)	$6,710,859.46	$6,553,645.37	$157,214.09
Other Regulatory Liabilities	$208,530,044.31	$208,360,667.72	$169,376.59	$208,530,044.31	$220,866,696.76	($12,336,652.45)
Accum Defer Inc Tax - Oth Prop	$498,711,461.70	$496,856,416.70	$1,855,045.00	$498,711,461.70	$485,726,079.70	$12,985,382.00
Accum Defer Inc Tax - Other	$7,585,220.99	$7,546,417.99	$38,803.00	$7,585,220.99	$6,719,580.99	$865,640.00
Deferred Credits	**$726,198,790.95**	**$724,220,916.33**	**$1,977,874.62**	**$726,198,790.95**	**$724,904,835.69**	**$1,293,955.26**
Total Liabilities and Equity	**$3,173,592,245.68**	**$3,161,689,552.93**	**$11,902,692.75**	**$3,173,592,245.68**	**$3,097,213,178.35**	**$76,379,067.33**

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	Month: *Aug - 2021*	Previous Month	Variance	Month: *Aug - 2021*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,191,436,760.45	$3,169,164,926.88	$22,271,833.57	$3,191,436,760.45	$3,041,590,481.48	$149,846,278.97
Construction Work In Progress	$96,479,401.51	$87,529,722.16	$8,949,679.35	$96,479,401.51	$43,992,077.61	$52,487,323.90
Total Utility Plant	**$3,287,916,161.96**	**$3,256,694,649.04**	**$31,221,512.92**	**$3,287,916,161.96**	**$3,085,582,559.09**	**$202,333,602.87**
Accum Prov - Amort and Depr	($572,043,440.38)	($569,717,633.89)	($2,325,806.49)	($572,043,440.38)	($535,533,696.67)	($36,509,743.71)
Net Utility Plant	**$2,715,872,721.58**	**$2,686,977,015.15**	**$28,895,706.43**	**$2,715,872,721.58**	**$2,550,048,862.42**	**$165,823,859.16**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,716,604,593.83**	**$2,687,708,887.40**	**$28,895,706.43**	**$2,716,604,593.83**	**$2,550,780,734.67**	**$165,823,859.16**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,967,129.42	$20,935,614.58	$31,514.84	$20,967,129.42	$20,751,219.06	$215,910.36
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$16,578,260.93	$16,317,320.70	$260,940.23	$16,578,260.93	$15,305,515.98	$1,272,744.95
Other Property and Investments	**$37,553,736.84**	**$37,261,281.77**	**$292,455.07**	**$37,553,736.84**	**$36,065,081.53**	**$1,488,655.31**
Current and Accrued Assets						
Cash	$1,068,337.25	$1,953,646.79	($885,309.54)	$1,068,337.25	$1,846,823.69	($778,486.44)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$32,510,456.01	$36,586,208.24	($4,075,752.23)	$32,510,456.01	$111,116,332.88	($78,605,876.87)
AR from Associated Cos	$202,388.61	$159,359.27	$43,029.34	$202,388.61	$268,307.17	($65,918.56)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,183,200.72	$1,238,511.64	($55,310.92)	$1,183,200.72	$1,214,644.63	($31,443.91)
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$56,212,604.92	$47,766,796.82	$8,445,808.10	$56,212,604.92	$34,531,497.79	$21,681,107.13
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$5,167,044.53	$3,230,171.51	$1,936,873.02	$5,167,044.53	$5,021,560.26	$145,484.27
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$3,178,025.42	$1,221,059.98	$1,956,965.44	$3,178,025.42	$3,688,036.76	($510,011.34)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$99,777,607.46**	**$92,411,304.25**	**$7,366,303.21**	**$99,777,607.46**	**$157,942,753.18**	**($58,165,145.72)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$227,974,517.94	$228,401,963.93	($427,445.99)	$227,974,517.94	$228,744,963.58	($770,445.64)
Preliminary Surveys	$8,026,109.57	$7,683,751.66	$342,357.91	$8,026,109.57	$4,574,196.04	$3,451,913.53
Clearing Accounts	$95,023.11	$160,966.42	($65,943.31)	$95,023.11	$0.00	$95,023.11

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	Month: *Aug - 2021*	Previous Month	Variance	Month: *Aug - 2021*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,291,894.80	$4,413,645.95	($121,751.15)	$4,291,894.80	$4,151,476.04	$140,418.76
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$114,750,306.00	$114,366,138.00	$384,168.00	$114,750,306.00	$119,156,394.00	($4,406,088.00)
Unrecovered Purchase Gas Costs	$8,722,982.43	$1,184,306.30	$7,538,676.13	$8,722,982.43	($4,202,420.69)	$12,925,403.12
Deferred Debits	**$363,860,833.85**	**$356,210,772.26**	**$7,650,061.59**	**$363,860,833.85**	**$352,424,608.97**	**$11,436,224.88**
Assets and Other Debits	**$3,217,796,771.98**	**$3,173,592,245.68**	**$44,204,526.30**	**$3,217,796,771.98**	**$3,097,213,178.35**	**$120,583,593.63**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$167,889,827.00	$167,889,827.00	$0.00	$167,889,827.00	$107,889,827.00	$60,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$1,045,733,673.46	$1,053,166,409.27	($7,432,735.81)	$1,045,733,673.46	$971,987,434.78	$73,746,238.68
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,258,751,300.46**	**$1,266,184,036.27**	**($7,432,735.81)**	**$1,258,751,300.46**	**$1,125,005,061.78**	**$133,746,238.68**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$1,005,515,000.00	$1,005,515,000.00	$0.00	$1,005,515,000.00	$895,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$1,005,515,000.00**	**$1,005,515,000.00**	**$0.00**	**$1,005,515,000.00**	**$895,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$23,826,845.58	$23,999,571.45	($172,725.87)	$23,826,845.58	$24,900,682.49	($1,073,836.91)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$204,831.89	$185,606.07	$19,225.82	$204,831.89	$109,678.44	$95,153.45
Accum Prov - Pension & Benefit	$2,639,536.79	$2,533,573.20	$105,963.59	$2,639,536.79	$2,628,257.44	$11,279.35
Accum Misc Operating Provision	$1,461,434.96	$1,461,434.96	$0.00	$1,461,434.96	$2,922,869.92	($1,461,434.96)
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$28,132,649.22**	**$28,180,185.68**	**($47,536.46)**	**$28,132,649.22**	**$30,561,488.29**	**($2,428,839.07)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$51,325,785.10	$50,735,759.74	$590,025.36	$51,325,785.10	$44,013,087.35	$7,312,697.75
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$67,413,061.96	$24,937,465.52	$42,475,596.44	$67,413,061.96	$185,008,659.77	($117,595,597.81)
Customer Deposits	$3,459,032.11	$3,396,638.11	$62,394.00	$3,459,032.11	$3,479,442.11	($20,410.00)
Taxes Accrued	$21,438,084.49	$25,875,892.34	($4,437,807.85)	$21,438,084.49	$23,568,771.88	($2,130,687.39)
Interest Accrued	$313,916.11	$308,426.60	$5,489.51	$313,916.11	$283,175.62	$30,740.49
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$76,403.07	$100,486.95	($24,083.88)	$76,403.07	$271,374.68	($194,971.61)
Misc Current & Accrued Liab	$50,243,632.78	$39,416,725.13	$10,826,907.65	$50,243,632.78	$61,938,674.41	($11,695,041.63)
Obligation Cap Lease - Current	$2,801,387.66	$2,742,838.39	$58,549.27	$2,801,387.66	$2,663,606.77	$137,780.89
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$197,071,303.28**	**$147,514,232.78**	**$49,557,070.50**	**$197,071,303.28**	**$321,226,792.59**	**($124,155,489.31)**
Deferred Credits						
Customer Adv. for Construction	$3,537,103.02	$3,571,409.49	($34,306.47)	$3,537,103.02	$3,793,774.87	($256,671.85)
Acc Defd Investment Tax Credit	$1,069,364.00	$1,089,795.00	($20,431.00)	$1,069,364.00	$1,245,058.00	($175,694.00)

Columbia Gas of Pennsylvania
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	Month: *Aug - 2021*	Previous Month	Variance	Month: *Aug - 2021*	December of Previous Year	Variance
Other Deferred Credits	$6,692,050.64	$6,710,859.46	($18,808.82)	$6,692,050.64	$6,553,645.37	$138,405.27
Other Regulatory Liabilities	$208,827,761.67	$208,530,044.31	$297,717.36	$208,827,761.67	$220,866,696.76	($12,038,935.09)
Accum Defer Inc Tax - Oth Prop	$500,566,507.70	$498,711,461.70	$1,855,046.00	$500,566,507.70	$485,726,079.70	$14,840,428.00
Accum Defer Inc Tax - Other	$7,633,731.99	$7,585,220.99	$48,511.00	$7,633,731.99	$6,719,580.99	$914,151.00
Deferred Credits	**$728,326,519.02**	**$726,198,790.95**	**$2,127,728.07**	**$728,326,519.02**	**$724,904,835.69**	**$3,421,683.33**
Total Liabilities and Equity	**$3,217,796,771.98**	**$3,173,592,245.68**	**$44,204,526.30**	**$3,217,796,771.98**	**$3,097,213,178.35**	**$120,583,593.63**

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	Month: *Sep - 2021*	Previous Month	Variance	Month: *Sep - 2021*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,222,817,639.30	$3,191,436,760.45	$31,380,878.85	$3,222,817,639.30	$3,041,590,481.48	$181,227,157.82
Construction Work In Progress	$98,701,791.54	$96,479,401.51	$2,222,390.03	$98,701,791.54	$43,992,077.61	$54,709,713.93
Total Utility Plant	**$3,321,519,430.84**	**$3,287,916,161.96**	**$33,603,268.88**	**$3,321,519,430.84**	**$3,085,582,559.09**	**$235,936,871.75**
Accum Prov - Amort and Depr	($577,821,039.54)	($572,043,440.38)	($5,777,599.16)	($577,821,039.54)	($535,533,696.67)	($42,287,342.87)
Net Utility Plant	**$2,743,698,391.30**	**$2,715,872,721.58**	**$27,825,669.72**	**$2,743,698,391.30**	**$2,550,048,862.42**	**$193,649,528.88**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,744,430,263.55**	**$2,716,604,593.83**	**$27,825,669.72**	**$2,744,430,263.55**	**$2,550,780,734.67**	**$193,649,528.88**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$20,982,825.93	$20,967,129.42	$15,696.51	$20,982,825.93	$20,751,219.06	$231,606.87
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$16,670,564.68	$16,578,260.93	$92,303.75	$16,670,564.68	$15,305,515.98	$1,365,048.70
Other Property and Investments	**$37,661,737.10**	**$37,553,736.84**	**$108,000.26**	**$37,661,737.10**	**$36,065,081.53**	**$1,596,655.57**
Current and Accrued Assets						
Cash	$1,038,576.20	$1,068,337.25	($29,761.05)	$1,038,576.20	$1,846,823.69	($808,247.49)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$34,220,843.94	$32,510,456.01	$1,710,387.93	$34,220,843.94	$111,116,332.88	($76,895,488.94)
AR from Associated Cos	$280,428.39	$202,388.61	$78,039.78	$280,428.39	$268,307.17	$12,121.22
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,190,666.48	$1,183,200.72	$7,465.76	$1,190,666.48	$1,214,644.63	($23,978.15)
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$67,871,057.71	$56,212,604.92	$11,658,452.79	$67,871,057.71	$34,531,497.79	$33,339,559.92
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$4,573,104.90	$5,167,044.53	($593,939.63)	$4,573,104.90	$5,021,560.26	($448,455.36)
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$3,345,153.87	$3,178,025.42	$167,128.45	$3,345,153.87	$3,688,036.76	($342,882.89)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$112,775,381.49**	**$99,777,607.46**	**$12,997,774.03**	**$112,775,381.49**	**$157,942,753.18**	**($45,167,371.69)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$226,900,940.61	$227,974,517.94	($1,073,577.33)	$226,900,940.61	$228,744,963.58	($1,844,022.97)
Preliminary Surveys	$8,584,611.70	$8,026,109.57	$558,502.13	$8,584,611.70	$4,574,196.04	$4,010,415.66
Clearing Accounts	$161,171.29	$95,023.11	$66,148.18	$161,171.29	$0.00	$161,171.29

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	Month: *Sep - 2021*	Previous Month	Variance	Month: *Sep - 2021*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,284,421.13	$4,291,894.80	($7,473.67)	$4,284,421.13	$4,151,476.04	$132,945.09
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$115,563,392.00	$114,750,306.00	$813,086.00	$115,563,392.00	$119,156,394.00	($3,593,002.00)
Unrecovered Purchase Gas Costs	$15,747,382.52	$8,722,982.43	$7,024,400.09	$15,747,382.52	($4,202,420.69)	$19,949,803.21
Deferred Debits	**$371,241,919.25**	**$363,860,833.85**	**$7,381,085.40**	**$371,241,919.25**	**$352,424,608.97**	**$18,817,310.28**
Assets and Other Debits	**$3,266,109,301.39**	**$3,217,796,771.98**	**$48,312,529.41**	**$3,266,109,301.39**	**$3,097,213,178.35**	**$168,896,123.04**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$167,889,827.00	$167,889,827.00	$0.00	$167,889,827.00	$107,889,827.00	$60,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$1,039,715,648.86	$1,045,733,673.46	($6,018,024.60)	$1,039,715,648.86	$971,987,434.78	$67,728,214.08
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,252,733,275.86**	**$1,258,751,300.46**	**($6,018,024.60)**	**$1,252,733,275.86**	**$1,125,005,061.78**	**$127,728,214.08**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$1,005,515,000.00	$1,005,515,000.00	$0.00	$1,005,515,000.00	$895,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$1,005,515,000.00**	**$1,005,515,000.00**	**$0.00**	**$1,005,515,000.00**	**$895,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$23,652,571.56	$23,826,845.58	($174,274.02)	$23,652,571.56	$24,900,682.49	($1,248,110.93)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$189,907.01	$204,831.89	($14,924.88)	$189,907.01	$109,678.44	$80,228.57
Accum Prov - Pension & Benefit	$2,662,897.72	$2,639,536.79	$23,360.93	$2,662,897.72	$2,628,257.44	$34,640.28
Accum Misc Operating Provision	$1,461,434.96	$1,461,434.96	$0.00	$1,461,434.96	$2,922,869.92	($1,461,434.96)
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$27,966,811.25**	**$28,132,649.22**	**($165,837.97)**	**$27,966,811.25**	**$30,561,488.29**	**($2,594,677.04)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$51,839,217.09	$51,325,785.10	$513,431.99	$51,839,217.09	$44,013,087.35	$7,826,129.74
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$107,796,464.96	$67,413,061.96	$40,383,403.00	$107,796,464.96	$185,008,659.77	($77,212,194.81)
Customer Deposits	$3,548,129.11	$3,459,032.11	$89,097.00	$3,548,129.11	$3,479,442.11	$68,687.00
Taxes Accrued	$17,619,116.46	$21,438,084.49	($3,818,968.03)	$17,619,116.46	$23,568,771.88	($5,949,655.42)
Interest Accrued	$319,726.29	$313,916.11	$5,810.18	$319,726.29	$283,175.62	$36,550.67
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$63,444.35	$76,403.07	($12,958.72)	$63,444.35	$271,374.68	($207,930.33)
Misc Current & Accrued Liab	$66,120,465.57	$50,243,632.78	$15,876,832.79	$66,120,465.57	$61,938,674.41	$4,181,791.16
Obligation Cap Lease - Current	$2,804,831.16	$2,801,387.66	$3,443.50	$2,804,831.16	$2,663,606.77	$141,224.39
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$250,111,394.99**	**$197,071,303.28**	**$53,040,091.71**	**$250,111,394.99**	**$321,226,792.59**	**($71,115,397.60)**
Deferred Credits						
Customer Adv. for Construction	$3,552,508.04	$3,537,103.02	$15,405.02	$3,552,508.04	$3,793,774.87	($241,266.83)
Acc Defd Investment Tax Credit	$1,048,933.00	$1,069,364.00	($20,431.00)	$1,048,933.00	$1,245,058.00	($196,125.00)

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	Month: *Sep - 2021*	Previous Month	Variance	Month: *Sep - 2021*	December of Previous Year	Variance
Other Deferred Credits	$6,768,313.53	$6,692,050.64	$76,262.89	$6,768,313.53	$6,553,645.37	$214,668.16
Other Regulatory Liabilities	$208,442,918.03	$208,827,761.67	($384,843.64)	$208,442,918.03	$220,866,696.76	($12,423,778.73)
Accum Defer Inc Tax - Oth Prop	$502,421,549.70	$500,566,507.70	$1,855,042.00	$502,421,549.70	$485,726,079.70	$16,695,470.00
Accum Defer Inc Tax - Other	$7,548,596.99	$7,633,731.99	($85,135.00)	$7,548,596.99	$6,719,580.99	$829,016.00
Deferred Credits	**$729,782,819.29**	**$728,326,519.02**	**$1,456,300.27**	**$729,782,819.29**	**$724,904,835.69**	**$4,877,983.60**
Total Liabilities and Equity	**$3,266,109,301.39**	**$3,217,796,771.98**	**$48,312,529.41**	**$3,266,109,301.39**	**$3,097,213,178.35**	**$168,896,123.04**

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	Month: *Oct - 2021*	Previous Month	Variance	Month: *Oct - 2021*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,253,255,871.81	$3,222,817,639.30	$30,438,232.51	$3,253,255,871.81	$3,041,590,481.48	$211,665,390.33
Construction Work In Progress	$102,099,802.37	$98,701,791.54	$3,398,010.83	$102,099,802.37	$43,992,077.61	$58,107,724.76
Total Utility Plant	**$3,355,355,674.18**	**$3,321,519,430.84**	**$33,836,243.34**	**$3,355,355,674.18**	**$3,085,582,559.09**	**$269,773,115.09**
Accum Prov - Amort and Depr	($582,526,824.07)	($577,821,039.54)	($4,705,784.53)	($582,526,824.07)	($535,533,696.67)	($46,993,127.40)
Net Utility Plant	**$2,772,828,850.11**	**$2,743,698,391.30**	**$29,130,458.81**	**$2,772,828,850.11**	**$2,550,048,862.42**	**$222,779,987.69**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,773,560,722.36**	**$2,744,430,263.55**	**$29,130,458.81**	**$2,773,560,722.36**	**$2,550,780,734.67**	**$222,779,987.69**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$21,015,937.88	$20,982,825.93	$33,111.95	$21,015,937.88	$20,751,219.06	$264,718.82
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$16,931,504.91	$16,670,564.68	$260,940.23	$16,931,504.91	$15,305,515.98	$1,625,988.93
Other Property and Investments	**$37,955,789.28**	**$37,661,737.10**	**$294,052.18**	**$37,955,789.28**	**$36,065,081.53**	**$1,890,707.75**
Current and Accrued Assets						
Cash	$1,268,035.59	$1,038,576.20	$229,459.39	$1,268,035.59	$1,846,823.69	($578,788.10)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$43,905,689.03	$34,220,843.94	$9,684,845.09	$43,905,689.03	$111,116,332.88	($67,210,643.85)
AR from Associated Cos	($4,494.64)	$280,428.39	($284,923.03)	($4,494.64)	$268,307.17	($272,801.81)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,354,351.28	$1,190,666.48	$163,684.80	$1,354,351.28	$1,214,644.63	$139,706.65
Merchandise	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$76,945,697.38	$67,871,057.71	$9,074,639.67	$76,945,697.38	$34,531,497.79	$42,414,199.59
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$5,430,330.15	$4,573,104.90	$857,225.25	$5,430,330.15	$5,021,560.26	$408,769.89
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$3,063,004.85	$3,345,153.87	($282,149.02)	$3,063,004.85	$3,688,036.76	($625,031.91)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$132,218,163.64**	**$112,775,381.49**	**$19,442,782.15**	**$132,218,163.64**	**$157,942,753.18**	**($25,724,589.54)**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$225,491,117.62	$226,900,940.61	($1,409,822.99)	$225,491,117.62	$228,744,963.58	($3,253,845.96)
Preliminary Surveys	$8,909,982.66	$8,584,611.70	$325,370.96	$8,909,982.66	$4,574,196.04	$4,335,786.62
Clearing Accounts	$43,146.15	$161,171.29	($118,025.14)	$43,146.15	$0.00	$43,146.15

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
As of Oct - 2021
FDW Standard Report - For Internal Use Only

	Month: *Oct - 2021*	Previous Month	Variance	Month: *Oct - 2021*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$4,273,890.97	$4,284,421.13	($10,530.16)	$4,273,890.97	$4,151,476.04	$122,414.93
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$116,078,028.00	$115,563,392.00	$514,636.00	$116,078,028.00	$119,156,394.00	($3,078,366.00)
Unrecovered Purchase Gas Costs	$26,610,717.34	$15,747,382.52	$10,863,334.82	$26,610,717.34	($4,202,420.69)	$30,813,138.03
Deferred Debits	**$381,406,882.74**	**$371,241,919.25**	**$10,164,963.49**	**$381,406,882.74**	**$352,424,608.97**	**$28,982,273.77**
Assets and Other Debits	**$3,325,141,558.02**	**$3,266,109,301.39**	**$59,032,256.63**	**$3,325,141,558.02**	**$3,097,213,178.35**	**$227,928,379.67**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$167,889,827.00	$167,889,827.00	$0.00	$167,889,827.00	$107,889,827.00	$60,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$1,037,715,557.67	$1,039,715,648.86	($2,000,091.19)	$1,037,715,557.67	$971,987,434.78	$65,728,122.89
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,250,733,184.67**	**$1,252,733,275.86**	**($2,000,091.19)**	**$1,250,733,184.67**	**$1,125,005,061.78**	**$125,728,122.89**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$1,005,515,000.00	$1,005,515,000.00	$0.00	$1,005,515,000.00	$895,515,000.00	$110,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$1,005,515,000.00**	**$1,005,515,000.00**	**$0.00**	**$1,005,515,000.00**	**$895,515,000.00**	**$110,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$23,477,513.86	$23,652,571.56	($175,057.70)	$23,477,513.86	$24,900,682.49	($1,423,168.63)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$179,904.62	$189,907.01	($10,002.39)	$179,904.62	$109,678.44	$70,226.18
Accum Prov - Pension & Benefit	$2,536,433.27	$2,662,897.72	($126,464.45)	$2,536,433.27	$2,628,257.44	($91,824.17)
Accum Misc Operating Provision	$1,461,434.96	$1,461,434.96	$0.00	$1,461,434.96	$2,922,869.92	($1,461,434.96)
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$27,655,286.71**	**$27,966,811.25**	**($311,524.54)**	**$27,655,286.71**	**$30,561,488.29**	**($2,906,201.58)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$57,087,129.71	$51,839,217.09	$5,247,912.62	$57,087,129.71	$44,013,087.35	$13,074,042.36
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$148,625,107.39	$107,796,464.96	$40,828,642.43	$148,625,107.39	$185,008,659.77	($36,383,552.38)
Customer Deposits	$3,721,183.11	$3,548,129.11	$173,054.00	$3,721,183.11	$3,479,442.11	$241,741.00
Taxes Accrued	$14,979,794.61	$17,619,116.46	($2,639,321.85)	$14,979,794.61	$23,568,771.88	($8,588,977.27)
Interest Accrued	$325,589.77	$319,726.29	$5,863.48	$325,589.77	$283,175.62	$42,414.15
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$71,961.94	$63,444.35	$8,517.59	$71,961.94	$271,374.68	($199,412.74)
Misc Current & Accrued Liab	$82,993,415.99	$66,120,465.57	$16,872,950.42	$82,993,415.99	$61,938,674.41	$21,054,741.58
Obligation Cap Lease - Current	$2,758,060.16	$2,804,831.16	($46,771.00)	$2,758,060.16	$2,663,606.77	$94,453.39
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$310,562,242.68**	**$250,111,394.99**	**$60,450,847.69**	**$310,562,242.68**	**$321,226,792.59**	**($10,664,549.91)**
Deferred Credits						
Customer Adv. for Construction	$3,496,072.27	$3,552,508.04	($56,435.77)	$3,496,072.27	$3,793,774.87	($297,702.60)
Acc Defd Investment Tax Credit	$1,028,502.00	$1,048,933.00	($20,431.00)	$1,028,502.00	$1,245,058.00	($216,556.00)

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
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	Month: *Oct - 2021*	Previous Month	Variance	Month: *Oct - 2021*	December of Previous Year	Variance
Other Deferred Credits	$6,748,261.20	$6,768,313.53	($20,052.33)	$6,748,261.20	$6,553,645.37	$194,615.83
Other Regulatory Liabilities	$207,891,070.80	$208,442,918.03	($551,847.23)	$207,891,070.80	$220,866,696.76	($12,975,625.96)
Accum Defer Inc Tax - Oth Prop	$504,276,590.70	$502,421,549.70	$1,855,041.00	$504,276,590.70	$485,726,079.70	$18,550,511.00
Accum Defer Inc Tax - Other	$7,235,346.99	$7,548,596.99	($313,250.00)	$7,235,346.99	$6,719,580.99	$515,766.00
Deferred Credits	**$730,675,843.96**	**$729,782,819.29**	**$893,024.67**	**$730,675,843.96**	**$724,904,835.69**	**$5,771,008.27**
Total Liabilities and Equity	**$3,325,141,558.02**	**$3,266,109,301.39**	**$59,032,256.63**	**$3,325,141,558.02**	**$3,097,213,178.35**	**$227,928,379.67**

Columbia Gas of Pennsylvania
Balance Sheet - Regulated
Regulated - Account FERC Hierarchy
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	Month: *Nov - 2021*	Previous Month	Variance	Month: *Nov - 2021*	December of Previous Year	Variance
ASSETS						
Utility Plant						
Utility Plant	$3,283,711,061.37	$3,253,255,871.81	$30,455,189.56	$3,283,711,061.37	$3,041,590,481.48	$242,120,579.89
Construction Work In Progress	$103,631,256.44	$102,099,802.37	$1,531,454.07	$103,631,256.44	$43,992,077.61	$59,639,178.83
Total Utility Plant	**$3,387,342,317.81**	**$3,355,355,674.18**	**$31,986,643.63**	**$3,387,342,317.81**	**$3,085,582,559.09**	**$301,759,758.72**
Accum Prov - Amort and Depr	($586,090,378.16)	($582,526,824.07)	($3,563,554.09)	($586,090,378.16)	($535,533,696.67)	($50,556,681.49)
Net Utility Plant	**$2,801,251,939.65**	**$2,772,828,850.11**	**$28,423,089.54**	**$2,801,251,939.65**	**$2,550,048,862.42**	**$251,203,077.23**
Other Plant Adjustments	-	-	-	-	-	-
Gas Store Underground	$895,339.06	$895,339.06	$0.00	$895,339.06	$895,339.06	$0.00
System Balancing Gas	($163,466.81)	($163,466.81)	$0.00	($163,466.81)	($163,466.81)	$0.00
Gas Store Undergrd_SysBal	$731,872.25	$731,872.25	$0.00	$731,872.25	$731,872.25	$0.00
Utility Plant	**$2,801,983,811.90**	**$2,773,560,722.36**	**$28,423,089.54**	**$2,801,983,811.90**	**$2,550,780,734.67**	**$251,203,077.23**
Other Property and Investments						
Non Utility Other Property	$8,346.49	$8,346.49	$0.00	$8,346.49	$8,346.49	$0.00
Accum Prov - Deprec Oth Plant	-	-	-	-	-	-
Investments in Associated Cos	-	-	-	-	-	-
Investments in Subsidiary Cos	$21,061,532.39	$21,015,937.88	$45,594.51	$21,061,532.39	$20,751,219.06	$310,313.33
Other Investments	-	-	-	-	-	-
Sinking Fund	-	-	-	-	-	-
Other Special Funds	$17,192,445.14	$16,931,504.91	$260,940.23	$17,192,445.14	$15,305,515.98	$1,886,929.16
Other Property and Investments	**$38,262,324.02**	**$37,955,789.28**	**$306,534.74**	**$38,262,324.02**	**$36,065,081.53**	**$2,197,242.49**
Current and Accrued Assets						
Cash	$1,800,966.80	$1,268,035.59	$532,931.21	$1,800,966.80	$1,846,823.69	($45,856.89)
Special Deposits	-	-	-	-	-	-
Working Funds	$2,550.00	$2,550.00	$0.00	$2,550.00	$2,550.00	$0.00
Temp Cash Investments	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Notes Receivable	-	-	-	-	-	-
Customer Accounts Receivable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Accounts Receivable	$253,000.00	$253,000.00	$0.00	$253,000.00	$253,000.00	$0.00
Accum Prov Uncollectible - Cr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NR from Associated Cos	$86,516,838.08	$43,905,689.03	$42,611,149.05	$86,516,838.08	$111,116,332.88	($24,599,494.80)
AR from Associated Cos	$74,464.54	($4,494.64)	$78,959.18	$74,464.54	$268,307.17	($193,842.63)
Fuel Stock	-	-	-	-	-	-
Fuel Stock Expenses Undistrib	-	-	-	-	-	-
Residuals & Extracted Products	-	-	-	-	-	-
Plant Materials & Supplies	$1,315,942.98	$1,354,351.28	($38,408.30)	$1,315,942.98	$1,214,644.63	$101,298.35
Merchandise	$842.71	$0.00	$842.71	$842.71	$0.00	$842.71
Allowances	-	-	-	-	-	-
Stores Exp Undistributed	-	-	-	-	-	-
Gas Stored Underground - Curr	$72,970,483.76	$76,945,697.38	($3,975,213.62)	$72,970,483.76	$34,531,497.79	$38,438,985.97
LNG Stored & Held for Process	-	-	-	-	-	-
Prepayments	$6,667,674.73	$5,430,330.15	$1,237,344.58	$6,667,674.73	$5,021,560.26	$1,646,114.47
Interest & Dividends Rec	-	-	-	-	-	-
Rent Receivable	-	-	-	-	-	-
Accrued Utility Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Misc Current & Accrued Assets	$3,685,391.77	$3,063,004.85	$622,386.92	$3,685,391.77	$3,688,036.76	($2,644.99)
Derivative Instrument Assets	-	-	-	-	-	-
Derivative Assets - Hedging	-	-	-	-	-	-
Current and Accrued Assets	**$173,288,155.37**	**$132,218,163.64**	**$41,069,991.73**	**$173,288,155.37**	**$157,942,753.18**	**$15,345,402.19**
Deferred Debits						
Unamortized Debt Expense	-	-	-	-	-	-
Extraordinary Property Loss	-	-	-	-	-	-
Other Regulatory Asset	$224,073,202.04	$225,491,117.62	($1,417,915.58)	$224,073,202.04	$228,744,963.58	($4,671,761.54)
Preliminary Surveys	$9,471,827.75	$8,909,982.66	$561,845.09	$9,471,827.75	$4,574,196.04	$4,897,631.71
Clearing Accounts	$163,241.86	$43,146.15	$120,095.71	$163,241.86	$0.00	$163,241.86

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	Month: *Nov - 2021*	Previous Month	Variance	Month: *Nov - 2021*	December of Previous Year	Variance
Miscellaneous Deferred Debits	$3,800,423.49	$4,273,890.97	($473,467.48)	$3,800,423.49	$4,151,476.04	($351,052.55)
Research & Development Expense	-	-	-	-	-	-
Unamort Loss Reacquired Debt	-	-	-	-	-	-
Accum Deferred Income Taxes	$114,146,238.00	$116,078,028.00	($1,931,790.00)	$114,146,238.00	$119,156,394.00	($5,010,156.00)
Unrecovered Purchase Gas Costs	$27,023,874.05	$26,610,717.34	$413,156.71	$27,023,874.05	($4,202,420.69)	$31,226,294.74
Deferred Debits	**$378,678,807.19**	**$381,406,882.74**	**($2,728,075.55)**	**$378,678,807.19**	**$352,424,608.97**	**$26,254,198.22**
Assets and Other Debits	**$3,392,213,098.48**	**$3,325,141,558.02**	**$67,071,540.46**	**$3,392,213,098.48**	**$3,097,213,178.35**	**$294,999,920.13**
LIABILITIES AND OTHER CREDITS						
Proprietary Capital						
Common Stock FERC	$45,127,800.00	$45,127,800.00	$0.00	$45,127,800.00	$45,127,800.00	$0.00
Preferred Stock Issued	-	-	-	-	-	-
Capital Stock Subscribed	-	-	-	-	-	-
Premium on Capital Stock	-	-	-	-	-	-
Other Paid-in Capital	$167,889,827.00	$167,889,827.00	$0.00	$167,889,827.00	$107,889,827.00	$60,000,000.00
Capital Stock Expense	-	-	-	-	-	-
Retained Earnings	$1,054,552,365.53	$1,037,715,557.67	$16,836,807.86	$1,054,552,365.53	$971,987,434.78	$82,564,930.75
Unapprop Undistrib Sub Earning	-	-	-	-	-	-
Reqcquired Capital Stock	-	-	-	-	-	-
Accumulated OCI	-	-	-	-	-	-
Proprietary Capital	**$1,267,569,992.53**	**$1,250,733,184.67**	**$16,836,807.86**	**$1,267,569,992.53**	**$1,125,005,061.78**	**$142,564,930.75**
Long Term Debt						
Bonds	-	-	-	-	-	-
Advances from Associated Cos	$985,515,000.00	$1,005,515,000.00	($20,000,000.00)	$985,515,000.00	$895,515,000.00	$90,000,000.00
Other Long Term Debt	-	-	-	-	-	-
Unamortized Premium on LTD	-	-	-	-	-	-
Unamortized Discount on LTD	-	-	-	-	-	-
Long Term Debt	**$985,515,000.00**	**$1,005,515,000.00**	**($20,000,000.00)**	**$985,515,000.00**	**$895,515,000.00**	**$90,000,000.00**
Other Noncurrent Liabilities						
Obligations - Cap Leases - NC	$23,301,667.47	$23,477,513.86	($175,846.39)	$23,301,667.47	$24,900,682.49	($1,599,015.02)
Accum Prov - Property Ins	-	-	-	-	-	-
Accum Prov - Injuries & Damage	$177,897.87	$179,904.62	($2,006.75)	$177,897.87	$109,678.44	$68,219.43
Accum Prov - Pension & Benefit	$2,326,632.17	$2,536,433.27	($209,801.10)	$2,326,632.17	$2,628,257.44	($301,625.27)
Accum Misc Operating Provision	$1,461,434.96	$1,461,434.96	$0.00	$1,461,434.96	$2,922,869.92	($1,461,434.96)
Provision for Rate Refunds	-	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-	-
Other Noncurrent Liabilities	**$27,267,632.47**	**$27,655,286.71**	**($387,654.24)**	**$27,267,632.47**	**$30,561,488.29**	**($3,293,855.82)**
Current and Accrued Liabilities						
Curr Portion of Long-Term Debt	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-
Accounts Payable	$57,037,563.74	$57,087,129.71	($49,565.97)	$57,037,563.74	$44,013,087.35	$13,024,476.39
NP to Associated Cos	-	-	-	-	-	-
AP to Associated Cos	$209,425,927.87	$148,625,107.39	$60,800,820.48	$209,425,927.87	$185,008,659.77	$24,417,268.10
Customer Deposits	$3,870,887.11	$3,721,183.11	$149,704.00	$3,870,887.11	$3,479,442.11	$391,445.00
Taxes Accrued	$19,294,694.47	$14,979,794.61	$4,314,899.86	$19,294,694.47	$23,568,771.88	($4,274,077.41)
Interest Accrued	$331,403.92	$325,589.77	$5,814.15	$331,403.92	$283,175.62	$48,228.30
Dividends Declared	-	-	-	-	-	-
Tax Collections Payable	$274,993.09	$71,961.94	$203,031.15	$274,993.09	$271,374.68	$3,618.41
Misc Current & Accrued Liab	$86,998,855.56	$82,993,415.99	$4,005,439.57	$86,998,855.56	$61,938,674.41	$25,060,181.15
Obligation Cap Lease - Current	$2,685,763.08	$2,758,060.16	($72,297.08)	$2,685,763.08	$2,663,606.77	$22,156.31
Derivative Liability	-	-	-	-	-	-
Derivative Liability - Hedge	-	-	-	-	-	-
Current & Accrued Liabilities	**$379,920,088.84**	**$310,562,242.68**	**$69,357,846.16**	**$379,920,088.84**	**$321,226,792.59**	**$58,693,296.25**
Deferred Credits						
Customer Adv. for Construction	$3,048,274.58	$3,496,072.27	($447,797.69)	$3,048,274.58	$3,793,774.87	($745,500.29)
Acc Defd Investment Tax Credit	$1,008,071.00	$1,028,502.00	($20,431.00)	$1,008,071.00	$1,245,058.00	($236,987.00)

Columbia Gas of Pennsylvania
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Regulated - Account FERC Hierarchy
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	Month: *Nov - 2021*	Previous Month	Variance	Month: *Nov - 2021*	December of Previous Year	Variance
Other Deferred Credits	$6,659,906.39	$6,748,261.20	($88,354.81)	$6,659,906.39	$6,553,645.37	$106,261.02
Other Regulatory Liabilities	$209,224,811.98	$207,891,070.80	$1,333,741.18	$209,224,811.98	$220,866,696.76	($11,641,884.78)
Accum Defer Inc Tax - Oth Prop	$506,162,667.70	$504,276,590.70	$1,886,077.00	$506,162,667.70	$485,726,079.70	$20,436,588.00
Accum Defer Inc Tax - Other	$5,836,652.99	$7,235,346.99	($1,398,694.00)	$5,836,652.99	$6,719,580.99	($882,928.00)
Deferred Credits	**$731,940,384.64**	**$730,675,843.96**	**$1,264,540.68**	**$731,940,384.64**	**$724,904,835.69**	**$7,035,548.95**
Total Liabilities and Equity	**$3,392,213,098.48**	**$3,325,141,558.02**	**$67,071,540.46**	**$3,392,213,098.48**	**$3,097,213,178.35**	**$294,999,920.13**

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-003:

Please provide the bond rating history for the Company and, if applicable, its parent from the major credit rating agencies for the last five years.

Response:

Columbia Gas of Pennsylvania, Inc. (Company) is a wholly owned subsidiary of NiSource Gas Distribution, Inc. (NGD), which is a subsidiary of NiSource Inc. (Parent). Neither the Company nor NGD have bond rating histories that are separate from NiSource Inc.

GAS-ROR-003 Attachment A provides the bond rating history for NiSource Inc. from January 2017 to December 2021.

CREDIT RATINGS MATRIX

NiSource

Moody's	**2021**	**2020**	**2019**	**2018**	**2017**
Issuer Rating	Baa2	Baa2	Baa2	Baa2	Baa2
Commercial Paper	P-2	P-2	P-2	P-2	P-2
Standard & Poor's					
Corporate Credit Rating	BBB+	BBB+	BBB+	BBB+	BBB+
Commercial Paper	A-2	A-2	A-2	A-2	A-2
Fitch					
Issuer Rating	BBB	BBB	BBB	BBB	BBB
Commercial Paper	F-2	F-2	F-2	F-3	F-3

Columbia Gas of Pennsylvania

Moody's	**2021**	**2020**	**2019**	**2018**	**2017**
Issuer Rating	NR	NR	NR	NR	NR
Commercial Paper	NR	NR	NR	NR	NR
Standard & Poor's					
Corporate Credit Rating	NR	NR	NR	NR	NR
Commercial Paper	NR	NR	NR	NR	NR
Fitch					
Issuer Rating	NR	NR	NR	NR	NR
Commercial Paper	NR	NR	NR	NR	NR

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-004:

Please provide copies of all bond rating reports relating to the Company and, if applicable, its parent for the past two years.

Response:

Columbia Gas of Pennsylvania, Inc., (Company) is a wholly owned subsidiary of NiSource Gas Distribution, Inc. (NGD), which is a subsidiary of NiSource Inc. (Parent). Neither the Company nor NGD have bond rating reports that are separate from the Parent.

Attachment A to this response provides the NiSource Inc. bond rating reports for the past two years.

S&P Global
Ratings

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Research Update:

NiSource Inc. Outlook Revised To Stable From Negative On Asset Sale; Ratings Affirmed

February 28, 2020

Rating Action Overview

- NiSource Inc. announced that it has entered into a definitive agreement to sell Columbia Gas of Massachusetts's to Eversource Energy for $1.1 billion.
- We expect NiSource to use the proceeds to pay down debt.
- We are revising our outlook on NiSource and its subsidiaries to stable from negative.
- At the same time, we are affirming our ratings on NiSource and its subsidiaries including our 'BBB+' issuer credit rating (ICR) and senior unsecured issue rating on the company.
- The stable outlook reflects our high degree of certainty that the Bay State Gas sale will close in 2020 and that the company will use the sale proceeds to reduce debt, improving its credit measures. The asset sale will allow NiSource to exit the Massachusetts' market, which increased regulatory risk for the company, and instead focus on its other well performing utilities.

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Rating Action Rationale

The outlook revision reflects the announced sale of the Columbia Gas of Massachusetts assets. We believe the company will likely complete this sale during 2020, using the sale proceeds to reduce debt and improve its financial measures. The asset sale will also allow the company to exit from a regulatory jurisdiction that we viewed as difficult for the company to manage effectively, decreasing the company's business risk.

We are affirming NiSource's ratings including its 'BBB+' issuer credit rating. The affirmation reflects our assessment of NiSource's lower-risk regulated and vertically integrated electric and gas distribution operations, its large customer base, geographic and regulatory diversity, and effective management of regulatory risk in its jurisdictions outside of Massachusetts. We expect that the company will continue to effectively manage regulatory risk across all of its jurisdictions (excluding Massachusetts) and improve cash flow through future rate-case filings and continued use of regulatory riders for distribution, transmission, and environmental costs. We also expect

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the company will replace most of its coal-fired generation by 2023, significantly reducing its environmental risks.

We expect FFO to debt of 14%-15%, consistent with the lower-end of the range for its financial risk profile category. Our base case assumptions include: proceeds from the sale used to reduce leverage; modest customer growth; annual capital spending averaging about $1.8 billion through 2023; continued use of rider mechanisms and rate cases. While we expect the company's financial measures will remain at the lower end of the range for its financial risk profile category, we also expect they will gradually improve, including FFO to debt of about 13% to 14%-15% over the next three years. We assess the comparable rating analysis modifier as negative to account for the company's relatively weak financial measures for the its financial risk profile category.

Outlook

The stable outlook reflects what we view as a high degree of certainty that the company will closethe Columbia Gas of Massachusetts sales transaction and expedite the resolution of all related outstanding legal issues without a further weakening of NiSource's financial measures. This sale will allow NiSource to exit the Massachusetts's gas distribution market, which we viewed as increasing regulatory risk to consolidated NiSource. We anticipate the company will use the sales proceeds to reduce leverage, strengthening its financial measures. The outlook also incorporates our view that NiSource will continue to effectively manage regulatory risk in its remaining regulatory jurisdictions and will continue to execute on its carbon-reduction plan of closing down its coal-fired generation in Indiana.

Downside scenario

We could lower NiSource's credit rating if its ability to manage regulatory risk weakens. Alternatively, we could lower the rating if FFO to debt weakens to consistently below 13%.

Upside scenario

We could raise the ratings if FFO to debt consistently improves to above 16% and the company is able to effectively manage regulatory risks throughout its service territories.

Company Description

NiSource Inc., an energy holding company, operates as a regulated natural gas and electric utility company in the U.S. The company operates in two segments, Gas Distribution Operations and Electric Operations. It provides natural gas service and transportation for residential, commercial, and industrial customers; generates, transmits, and distributes electricity; and wholesale and transmission transaction services. It serves approximately 3.2 million natural gas customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, and Indiana; and 470,000 electricity customers in the northern part of Indiana.

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Liquidity

We assess NiSource's liquidity as adequate because we believe its liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and meet cash outflows even with a 10% decline in EBITDA. The assessment also reflects the company's generally prudent risk management, sound relationships with banks, and a generally satisfactory standing in credit markets.

Principal liquidity sources include:

- Cash balance of $29 million
- An estimated $1.8 billion of credit facility availability
- Cash FFO estimated to be about $1.3 billion
- Proceeds from asset sales of $1.1 billion

Principal liquidity sources include:

- Long term and short term debt maturities of about $1.8 billion
- Capital spending of about $1.8 billion
- Dividends of about $315 million

Issue Ratings - Subordination Risk Analysis

- We rate NiSource's unsecured debt 'BBB+', the same as our long-term issuer credit rating on the company, because the vast proportion of its debt is at the holding company.
- We rate the company's commercial paper program 'A-2', which is consistent with the issuer credit rating.
- We rate NiSource's preferred stock two notches below our issuer credit rating on the company, one notch for deferability and one notch for subordination.

Issue Ratings - Recovery Analysis

Issuer Credit Rating: BBB+/Stable/A-2

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

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Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: a-

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Negative (-1 notch)

Stand-alone credit profile: bbb+

Group credit profile: bbb+

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012

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- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
NiSource Inc.		
Issuer Credit Rating	BBB+/Stable/A-2	BBB+/Negative/A-2
Senior Unsecured	BBB+	
Preferred Stock	BBB-	
Commercial Paper	A-2	
Bay State Gas Co.		
Northern Indiana Public Service Company LLC		
Issuer Credit Rating	BBB+/Stable/--	BBB+/Negative/--
Senior Unsecured	BBB+	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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S&P Global
Ratings

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Issue Ratings - Subordination Risk Analysis

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Related Criteria

NiSource Inc.

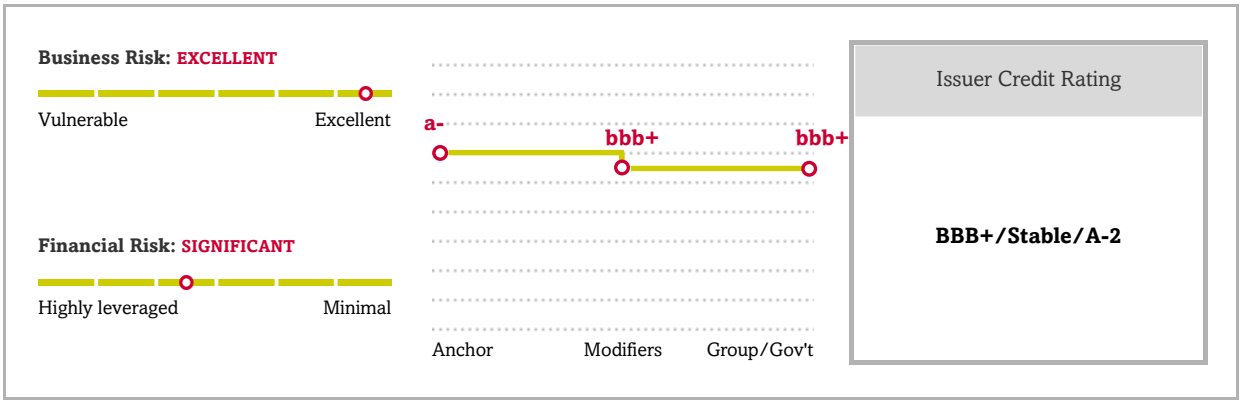

Credit Highlights

Overview

Key strengths	Key risks
Lower-risk regulated and vertically integrated electric and gas distribution operations.	Elevated capital expenditures.
Effective management of regulatory risk in its jurisdictions.	Continued negative discretionary cash flow, indicating external funding needs.
Solid customer base and geographic and regulatory diversity with large service territory across six states.	

The company will likely continue to effectively manage regulatory risk across all its jurisdictions. S&P Global Ratings expects NiSource Inc. will improve cash flow through future rate-case filings and continued use of regulatory riders for distribution, transmission, and environmental costs. We expect the company will replace 80% of its coal-fired generation by 2023, significantly reducing its environmental risks.

We expect the company's financial measures will remain at the lower end of the range for its financial risk profile category. We also expect the company will gradually improve its financial measures, including funds from operations (FFO) to debt of about 13%-15% over the next three years.

Outlook

The stable outlook reflects our view that the sale of Columbia Gas of Massachusetts allowed NiSource to exit the Massachusetts gas distribution market, which we viewed as increasing regulatory risk to consolidated NiSource. The sale also expedited the resolution of all related outstanding legal issues without further weakening NiSource's financial measures. In addition, the outlook incorporates our view that NiSource will continue to effectively manage regulatory risk in its remaining regulatory jurisdictions and will continue to execute on its carbon-reduction plan of closing down its coal-fired generation in Indiana.

Downside scenario

We could lower NiSource's credit rating if its ability to manage regulatory risk weakens or if FFO to debt falls to consistently below 13%.

Upside scenario

We could raise the ratings if FFO to debt consistently rises to above 16% and the company is able to effectively manage regulatory risks throughout its service territories.

Our Base-Case Scenario

Assumptions

- Modest customer growth;
- Company uses proceeds from the sale of Columbia Gas of Massachusetts to reduce leverage;
- Annual capital spending averaging about $2.3 billion through 2023; and
- Continued use of rider mechanisms and rate cases.

Key metrics

	2020e	2021e	2022e
FFO/debt (%)	13-14	14-15	13-14
Debt/EBITDA (x)	5.5-6	5-5.5	5.5-6

All figures are S&P Global Ratings adjusted. e--Estimate. FFO--Funds from operations.

Company Description

NiSource Inc., an energy holding company, operates as a regulated natural gas and electric utility company in the U.S. The company operates in two segments, Gas Distribution Operations and Electric Operations. It provides natural gas service and transportation for residential, commercial, and industrial customers; generates, transmits, and distributes electricity; and wholesale and transmission transaction services. It serves approximately 3.2 million natural gas customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, and Indiana; and about 500,000 electricity customers in northern Indiana.

Peer Comparison

Table 1

NiSource Inc.--Peer Comparison

Industry Sector: Combo

	NiSource Inc.	CenterPoint Energy Inc.	Atmos Energy Corp.	ONE Gas Inc.
Ratings as of Feb. 19, 2021	BBB+/Stable/A-2	BBB+/Negative/A-2	A/Stable/A-1	A/Stable/A-1

Table 1

NiSource Inc.--Peer Comparison (cont.)

	--Fiscal year ended Dec. 31, 2019--	--Fiscal year ended Dec. 31, 2019--	--Fiscal year ended Sept. 30, 2019--	--Fiscal year ended Dec. 31, 2019--
(Mil. $)				
Revenue	5,208.9	11,984.0	2,901.8	1,652.7
EBITDA	1,867.3	2,676.0	1,168.0	493.5
Funds from operations (FFO)	1,470.3	2,041.3	956.4	396.3
Interest expense	415.4	608.9	118.4	68.5
Cash interest paid	386.2	479.7	200.1	67.0
Cash flow from operations	1,564.7	1,302.3	972.9	313.0
Capital expenditure	1,776.2	2,470.0	1,685.8	412.7
Free operating cash flow (FOCF)	(211.5)	(1,167.7)	(713.0)	(99.7)
Discretionary cash flow (DCF)	(558.6)	(1,838.2)	(958.7)	(212.7)
Cash and short-term investments	139.3	1,063.0	24.6	17.9
Debt	10,374.9	15,310.0	4,238.6	1,807.1
Equity	5,546.7	7,959.0	5,750.2	2,129.4
Adjusted ratios				
EBITDA margin (%)	35.8	22.3	40.2	29.9
Return on capital (%)	7.0	8.1	8.2	7.9
EBITDA interest coverage (x)	4.5	4.4	9.9	7.2
FFO cash interest coverage (x)	4.8	5.3	5.8	6.9
Debt/EBITDA (x)	5.6	5.7	3.6	3.7
FFO/debt (%)	14.2	13.3	22.6	21.9
Cash flow from operations/debt (%)	15.1	8.5	23.0	17.3
FOCF/debt (%)	(2.0)	(7.6)	(16.8)	(5.5)
DCF/debt (%)	(5.4)	(12.0)	(22.6)	(11.8)

Business Risk

Our assessment of business risk reflects NiSource's lower-risk, regulated and vertically integrated electric and gas distribution operations, its large customer base, geographic and regulatory diversity, and effective management of regulatory risk in its jurisdictions. We expect the company will continue to effectively manage regulatory risk across all of its jurisdictions and increase cash flow through future rate-case filings and continued use of regulatory riders for distribution, transmission, and environmental costs. We also expect the company will replace 80% of its coal-fired generation by 2023, significantly reducing its environmental risks. However, its business risk is marginally offset by subsidiary Northern Indiana Public Service Co.'s (NIPSCO's) dependence on industrial customers, particularly from the steel industry.

Financial Risk

We assess NiSource's financial risk profile as significant using our medial volatility financial ratio benchmarks. In our base-case scenario, we forecast adjusted FFO to total debt will be in the 13%-15% range over the next few years.

The ratings on NiSource incorporate our assessment of a negative comparable rating analysis modifier, lowering our assessment of the rating on the company by one notch. This reflects the company's financial ratios being at the very low end of the range for its financial risk profile category.

Financial summary

Table 2

NiSource Inc.--Financial Summary

Industry Sector: Combo

	--Fiscal year ended Dec. 31--				
	2019	**2018**	**2017**	**2016**	**2015**
(Mil. $)					
Revenue	5,208.9	5,114.5	4,874.6	4,492.5	4,651.8
EBITDA	1,867.3	1,815.1	1,582.9	1,519.3	1,414.3
Funds from operations (FFO)	1,470.3	1,397.1	1,185.1	1,122.4	984.6
Interest expense	415.4	413.8	405.6	400.6	398.2
Cash interest paid	386.2	414.7	392.3	388.9	408.4
Cash flow from operations	1,564.7	520.0	734.5	800.7	1,197.6
Capital expenditure	1,776.2	1,774.1	1,653.2	1,434.5	1,355.3
Free operating cash flow (FOCF)	(211.5)	(1,254.1)	(918.7)	(633.8)	(157.7)
Discretionary cash flow (DCF)	(558.6)	(1,535.5)	(1,155.0)	(848.7)	(441.5)
Cash and short-term investments	139.3	112.8	29.0	26.4	15.5
Gross available cash	139.3	112.8	29.0	26.4	15.5
Debt	10,374.9	9,875.5	9,296.8	8,378.3	7,403.6
Equity	5,546.7	5,310.9	4,320.1	4,071.2	3,843.5
Adjusted ratios					
EBITDA margin (%)	35.8	35.5	32.5	33.8	30.4
Return on capital (%)	7.0	8.3	7.2	7.5	5.9
EBITDA interest coverage (x)	4.5	4.4	3.9	3.8	3.6
FFO cash interest coverage (x)	4.8	4.4	4.0	3.9	3.4
Debt/EBITDA (x)	5.6	5.4	5.9	5.5	5.2
FFO/debt (%)	14.2	14.1	12.7	13.4	13.3
Cash flow from operations/debt (%)	15.1	5.3	7.9	9.6	16.2
FOCF/debt (%)	(2.0)	(12.7)	(9.9)	(7.6)	(2.1)
DCF/debt (%)	(5.4)	(15.5)	(12.4)	(10.1)	(6.0)

Reconciliation

Table 3

NiSource Inc.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts

	--Fiscal year ended Dec. 31, 2019--								
NiSource Inc. reported amounts (mil. $)									
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Dividends**	**Capital expenditure**
	9,441.3	5,986.7	2,022.6	890.7	378.9	1,867.3	1,583.3	354.6	1,802.4
S&P Global Ratings' adjustments									
Cash taxes paid	--	--	--	--	--	(10.8)	--	--	--
Cash interest paid	--	--	--	--	--	(349.7)	--	--	--
Reported lease liabilities	266.3	--	--	--	--	--	--	--	--
Operating leases	--	--	17.9	2.8	2.8	(2.8)	15.1	--	--
Intermediate hybrids reported as equity	440.0	(440.0)	--	--	7.5	(7.5)	(7.5)	(7.5)	--
Postretirement benefit obligations/deferred compensation	288.1	--	--	--	--	--	--	--	--
Accessible cash and liquid investments	(139.3)	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	26.2	(26.2)	(26.2)	--	(26.2)
Share-based compensation expense	--	--	53.8	--	--	--	--	--	--
Asset-retirement obligations	329.4	--	--	--	--	--	--	--	--
Nonoperating income (expense)	--	--	--	11.3	--	--	--	--	--
Debt: Other	(250.9)	--	--	--	--	--	--	--	--
EBITDA: Other	--	--	(227.0)	(227.0)	--	--	--	--	--
Depreciation and amortization: Impairment charges/(reversals)	--	--	--	414.5	--	--	--	--	--
Total adjustments	933.6	(440.0)	(155.3)	201.6	36.5	(397.0)	(18.6)	(7.5)	(26.2)
S&P Global Ratings' adjusted amounts									
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditure**
	10,374.9	5,546.7	1,867.3	1,092.3	415.4	1,470.3	1,564.7	347.1	1,776.2

Liquidity

Principal liquidity sources

- Cash balance of about $59 million;

- Credit facility availability of about $1.85 billion;
- Cash FFO of about $1.3 billion; and
- Proceeds from asset sales of about $1.1 billion.

Principal liquidity uses

- Long- and short-term debt maturities of about $1.4 billion;
- Working capital outflow of about $40 million;
- Capital spending of about $1.9 million; and
- Dividends of about $415 million.

Environmental, Social, And Governance

As a natural gas and electric utility company, NiSource has developed and is implementing plans to retire 100% of its coal generation by 2028. In addition, the company plans to invest approximately $30 billion to modernize its electric and natural gas infrastructure over the next 20-plus years, which we expect will provide additional environmental and customer benefits. Social and governance factors are consistent with what we see across the industry for other regulated utilities.

Group Influence

Under our group rating methodology, we view NiSource as the parent company of NIPSCO. NiSource's group and stand-alone credit profiles are the same at 'bbb+'.

Issue Ratings - Subordination Risk Analysis

Capital structure

NiSource's capital structure consists of about $10 billion of unsecured notes, $1.5 billion of commercial paper, and $900 million of preferred stock.

Analytical conclusions

- We rate NiSource's unsecured debt 'BBB+', the same as our long-term issuer credit rating on the company, because the vast majority of its debt is at the holding company.
- We rate the company's commercial paper program 'A-2', which is consistent with the issuer credit rating.
- We rate NiSource's preferred stock two notches below our issuer credit rating on the company, one notch for deferability and one notch for subordination.

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Stable/A-2

Business risk: Excellent

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Strong

Financial risk: Significant

- **Cash flow/leverage:** Significant

Anchor: a-

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Negative (-1 notch)

Stand-alone credit profile : bbb+

- **Group credit profile:** bbb+
- **Entity status within group:** Core

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
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- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013

- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	**a-**	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of February 22, 2021)*

NiSource Inc.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	BBB-
Issuer Credit Ratings History	
28-Feb-2020	BBB+/Stable/A-2
18-Sep-2018	BBB+/Negative/A-2
18-Jun-2015	BBB+/Stable/A-2
Related Entities	
Northern Indiana Public Service Co. LLC	
Issuer Credit Rating	BBB+/Stable/NR
Senior Unsecured	BBB+

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- 12-Apr-2021 | 18:25 EDT

NiSource Inc.'s Convertible Equity Units Rated 'BBB-'

NEW YORK (S&P Global Ratings) April 12, 2021--S&P Global Ratings today assigned its 'BBB-' issue-level rating to NiSource Inc.'s (NiSource) proposed equity units. The equity units consist of a purchase contract that obligates the owners of the units to purchase NiSource's common stock as of December 2023 and a remarketable preferred stock. The company intends to use the net proceeds to support its overall capital expenditure plan, repay short-term debt, and for general corporate purposes. We have assigned high equity credit (100% equity treatment) to the issuance because of the mandatory convertible feature that requires the issuance of common equity within three years, the price is not lower than NiSource's share price at the time of the issue and we do not expect the company to undermine the conversion benefit through subsequent stock repurchases. We rate the equity units two notches below our 'BBB+' issuer credit rating on NiSource, reflecting subordination and optional deferability.

Our issuer credit rating on NiSource is 'BBB+' and the outlook is stable (see the full analysis on NiSource published Feb. 22, 2021).

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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INFRASTRUCTURE AND PROJECT FINANCE

MOODY'S
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ISSUER COMMENT
27 February 2020

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RATINGS

NiSource Inc.

Outlook	Stable
Issuer Rating	Baa2
Pref. Shelf	(P)Ba1
Commercial Paper	P-2

Source: Moody's Investors Service

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NiSource Inc.

Sale of Bay State Gas removes Massachusetts regulatory risk overhang

On 26 February 2020, NiSource Inc. (NiSource, Baa2 stable) announced an agreement to sell its Massachusetts gas distribution company, Bay State Gas Company (aka Columbia Gas of Massachusetts, CMA Baa2 stable), to Eversource Energy (Baa1 stable) for $1.1 billion or approximately 1x rate base. The announcement followed an agreement by NiSource to plead guilty to a federal criminal charge that it had violated federal pipeline safety laws related to the September 2018 gas explosions in its Massachusetts service territory (the Greater Lawrence incident). As part of the plea agreement, NiSource agreed to sell CMA and permanently exit its operations in Massachusetts and to pay a $53 million fine.

We view NiSource's impending exit from Massachusetts as positive to the company's credit profile because it removes future risk associated with the company's operations and regulatory relationships in the state. It also allows NiSource to focus more fully on its other jurisdictions and on executing its substantial capital expenditure plan. We do not expect the CMA sale to have a material impact on NiSource's credit metrics.

Prior to the Greater Lawrence incident, CMA contributed approximately 8% of NiSource's operating cash flow. Proceeds from the sale of CMA will eliminate the need for approximately $500-$700 million of equity issuance previously planned for 2020. We expect NiSource to use the remaining sale proceeds to reduce debt, and estimate that the elimination of CMA's contribution to consolidated cash flow and associated dis-synergies will have a slightly negative to neutral impact on debt service coverage metrics. Over the next two years, we expect NiSource to produce a ratio of CFO pre-WC to debt above 13%.

NiSource estimates costs and expenses associated with the Greater Lawrence incident at approximately $1.8 billion, about $800 million of which has been recovered through casualty insurance. The company is in the process of seeking additional recoveries via property insurance (up to $258 million) and could incur additional costs related to third party claims, fines and other ongoing investigations. However, we think the majority of associated costs have already been incurred.

NiSource's credit metrics deteriorated significantly in 2018 as a result of the Greater Lawrence incident and we expect 2019 to show a recovery, including a CFO pre-WC to debt ratio above 13%. The company's credit profile benefits from the size and broad geographic footprint of its operations which offer regulatory diversity and provide a natural hedge against material exposure to a single jurisdiction. We expect the company to focus on safety and operational excellence in all its jurisdictions to prevent any future financial, social and regulatory repercussions similar to what it experienced in Massachusetts. NiSource's

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significant ongoing capital expenditure program, primarily related to improvements in its natural gas infrastructure and planned replacement of its fossil fueled electric generation fleet with renewables, and associated financing plans, will be important to its credit profile going forward.

Headquartered in Merrillville, Indiana, NiSource is a utility holding company with a portfolio of regulated utility subsidiaries. NiSource owns one of the largest local gas distribution (LDC) systems in the US, as well as a vertically integrated electric utility in Indiana.

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INFRASTRUCTURE AND PROJECT FINANCE

MOODY'S
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CREDIT OPINION
29 July 2020

Update

Rate this Research

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NiSource Inc.

Update to credit analysis

Summary

NiSource Inc.'s (NiSource) credit profile reflects the diversity and supportiveness of its multiple regulatory jurisdictions that provide predictable operating cash flows. Theses fully regulated operating utility subsidiaries have low business risk, given their critical infrastructure asset base. Together, these utilities help mitigate a historically weak financial profile driven by the company's high leverage and challenged most recently by the negative cash impacts of tax reform and the 2018 Bay State Gas pipeline explosions (the Greater Lawrence incident).

NiSource's credit profile benefitted from the issuance of about $1.6 billion of equity (including Moody's equity treatment of preferred stock) in 2017 and 2018 together with improved operating cash flow in 2019. The company's cash flow from operations before working capital changes (CFO pre-WC) to debt ratio was 14.8% in 2019, the highest achieved since its separation from Columbia Pipeline Group, Inc. (A3 negative) in 2015 and well within our expected range for the credit. We note that 2019 operating cash flow was helped by insurance recoveries associated with the Greater Lawrence incident. We expect NiSource ratios of cash flow to debt to be around 13% for the next two years, impacted by some negative effects of the economic recession caused by the coronavirus pandemic and dis-synergies associated with the sale of Bay State Gas Company (Baa2 stable).

The rapid spread of the coronavirus outbreak, severe global economic shock, low oil prices, and asset price volatility are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. We think NiSource will be relatively resilient to recessionary pressures related to the coronavirus because of its fully rate regulated operation. However, we expect the effects of the pandemic to result in financial metrics that are temporarily weaker than expected but not reflective of the company's long-term financial or credit profile. We continue to monitor customer usage declines, utility bill payment delinquency, and the regulatory response to counter any negative impacts on earnings and cash flow particularly at subsidiary Northern Indiana Public Service Company's (NIPSCO) electric utility, where about 60% of total margin is generated from commercial and industrial customers.

Exhibit 1

Historical CFO Pre-WC, Total Debt and CFO Pre-WC to Debt ($ MM)

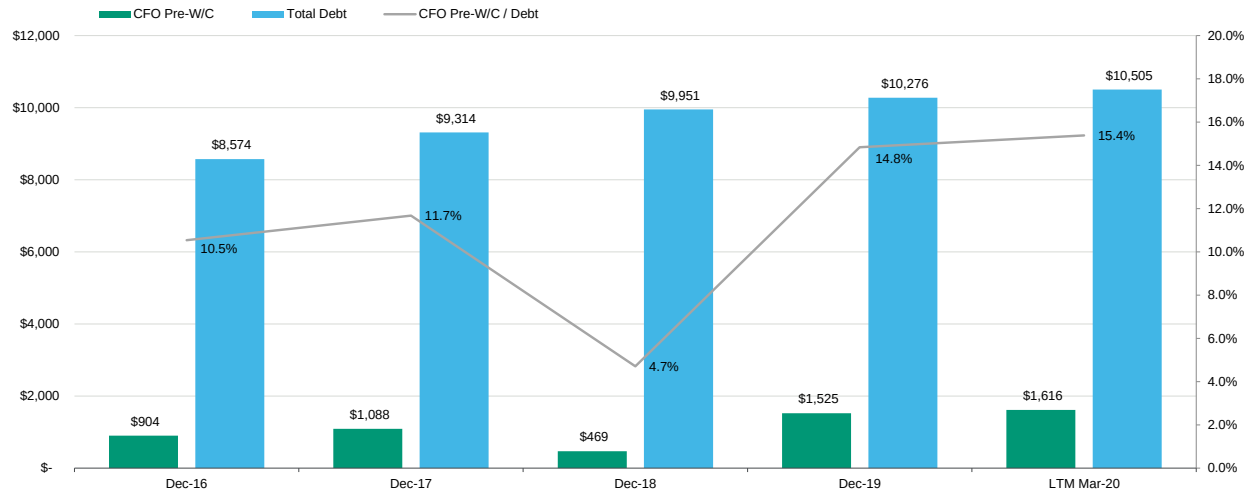

Source: Moody's Financial Metrics

Credit Strengths

» Operations in jurisdictions with attractive cost recovery mechanisms

» Fully regulated utility assets with fundamentally low business risk

» Issuance of common equity and hybrid securities have helped to improve credit metrics

Credit Challenges

» Persistently high debt balance

» Elevated capital expenditures

Rating Outlook

NiSource's stable outlook reflects Moody's view that the company will maintain a CFO pre-WC to debt ratio in the 13-14% range over the next two years. The stable outlook also reflects our view that NiSource's regulated utility capital expenditure plans will be financed with a balanced mix of both debt and equity and that its regulatory jurisdictions will remain supportive.

Factors that Could Lead to an Upgrade

» Improvement in the utility regulatory environments

» A material and sustained increase in the company's credit metrics with cash flow to debt at or above 17% and debt to capitalization below 50%

» A significant reduction in parent company leverage

Factors that Could Lead to a Downgrade

» A decline in the credit supportiveness of it's regulatory environments

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» An adverse change in the company's business mix that increases business risk

» Cash flow pre-working capital to debt sustained below 13%

Key Indicators

NiSource Inc. [1]

	Dec-16	Dec-17	Dec-18	Dec-19	LTM Mar-20
CFO Pre-W/C + Interest / Interest	3.4x	3.9x	2.3x	4.7x	4.9x
CFO Pre-W/C / Debt	10.5%	11.7%	4.7%	14.8%	15.4%
CFO Pre-W/C – Dividends / Debt	8.1%	9.2%	1.9%	11.7%	12.2%
Debt / Capitalization	56.7%	62.7%	60.2%	59.6%	61.1%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics

Profile

NiSource Inc. is a utility holding company with a portfolio of fully regulated utility subsidiaries totaling about $14 billion in rate base. NiSource owns one of the largest LDC systems in the US, with operations in Ohio, Indiana, Pennsylvania, Virginia, Massachusetts, Kentucky, and Maryland providing service to about 4 million customers, as well as a mid-sized vertically integrated electric utility in Indiana. The LDCs account for about 60% of the company's consolidated operating earnings, with the balance coming from the electric utility. Two of NiSource's utility subsidiaries are rated: Bay State Gas Company (Bay State Gas, doing business as Columbia Gas of Massachusetts, Baa2 stable) which is currently pending sale, and Northern Indiana Public Service Company (NIPSCO, Baa1 stable).

Exhibit 3
State Rate Base Exposure

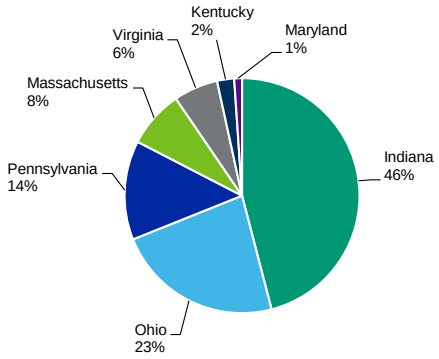

Source: Company's reports

Detailed Credit Considerations

PREDICTABILITY OF CASH FLOWS UNDERPINNED BY SUPPORTIVE REGULATORY CONSTRUCT

The state regulators overseeing NiSource's utilities are generally credit supportive. With the exception of NIPSCO Gas, all of NiSource's LDCs benefits from decoupling mechanisms and/or weather normalization adjustments which reduce earnings volatility. In addition, NiSource has access to a variety of tracker mechanisms across its different jurisdictions that provide for timely recovery of its sizeable infrastructure investment program, with about 75% of its investments beginning recovery within 12 months or less. Similarly, NiSource's electric segment benefits from a broad array of tracker mechanisms providing for timely recovery of operating expenses as well as environmental investments.

Exhibit 4
Capital investments with estimated recovery periods

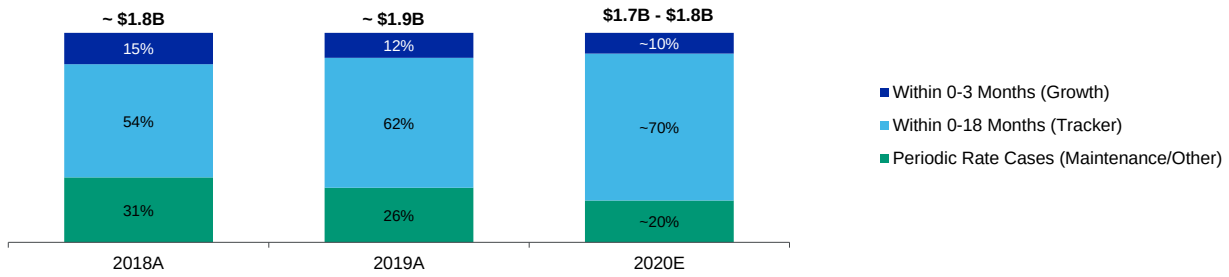

Source: Company presentation

The company's investments across all of its jurisdictions continue to drive an active regulatory calendar. In addition to receiving orders on multiple infrastructure replacement and other tracker filings, NiSource reached credit supportive outcomes in its recent regulatory filings, settling five general rate cases in Indiana, Maryland, Pennsylvania and Virginia in 2018 and 2019 that together represented a total revenue increase of about $190 million.

In December 2019, NIPSCO Electric received IURC approval for a $42.7 million rate increase based on a 9.75% ROE, 47.86% equity capitalization and $4.1 billion rate base. New rates were implemented in two steps effective January 2020 and March 2020 respectively. As part of the rate case order, NIPSCO Electric also received three credit supportive approvals. First, the IURC approved a change in industrial customer rate structure to mitigate the risk of a significant curtailment in usage by industrial customers, which represent over 50% of the utility's total energy sales. Second, the utility received approval for the full recovery of its coal generation investments by 2030. Finally, with respect to tax reform, the IURC approved the return to customers of the protected excess accumulated deferred income tax (ADIT) balance of about $203 million over a period of approximately 26 years based on the average rate assumption method. The unprotected ADIT balance of about $137 million will be amortized annually by $12.2 million until the utility's next rate case when the remainder will be included in the revenue requirement and fully amortized by the end of 2030.

NIPSCO Electric has IURC approval for three wind projects consisting of one PPA and two joint ventures with EDP Renewables North America LLC (unrated) and totaling about 800 MW. Two of the projects are under construction and expected to be in service by the end of 2020 with the third expected online by the end of 2021.

In April 2020, Columbia Gas of Pennsylvania filed a general rate case requesting a revenue increase of $100.4 million based on an ROE of 10.95% and equity capitalization of 54.19%. The rate case is expected to be concluded in the first quarter of 2021. The utility was previously approved a rate increase in 2018 of $26 million in a black box settlement. NiSource also has a rate case pending in Maryland (Columbia Gas of Maryland), expected to be concluded by the end of 2020, for a $6.5 million revenue increase based on a 10.95% ROE and 52.63% equity capitalization.

PERSISTENTLY HIGH DEBT BALANCE AND ELEVATED INVESTMENT SPENDING WEIGH ON FINANCIAL PROFILE

NiSource's credit profile is constrained by its relatively weak financial profile, primarily because of its highly levered capital structure, which we expect will continue to weigh on its debt coverage metrics as the company executes its elevated capital investment plan. Debt to capitalization averaged about 60% for the last three years and we expect the ratio to remain close to 60% over the next three years. Assuming that NiSource's subsidiaries are capitalized at their authorized capital structures, with a 50% debt to capitalization ratio assumed for states with black box settlements, we estimate approximately 30% of consolidated debt at the holding company level.

The company's issuance of about $600 million of common equity via a block issuance, $239 million of equity via an at-the-market (ATM) issuance program and $900 million of preferred equity in 2018 helped to slow down the growth in debt and improve its credit profile. NiSource's 2019 CFO pre-WC to debt ratio of 14.8% benefitted from insurance recoveries associated with the Greater

Lawrence incident. We estimate that without the insurance benefit, the ratio of CFO pre-WC to debt would have been slightly above 13%, an improvement from a historical level around 11% prior to the Greater Lawrence incident in 2018.

NiSource's extensive ongoing capital investment projects under way at each of its utilities also weigh on its financial profile. The company's five year capital expenditure plan totals almost $12 billion, peaking in 2023 when NIPSCO Electric plans to retire four units (1,625 MW in total capacity) of the R.M. Schahfer coal plant and add new renewable generation. The company plans to finance its investments with a mix of debt, equity and hybrid securities, including about $200-$300 million of at-the-market (ATM) equity annually through 2024. A balanced financing approach should allow NiSource to sustain a CFO pre-WC to debt ratio in the low to mid-teens in the near term

SALE OF BAY STATE GAS REMOVES MASSACHUSETTS REGULATORY OVERHANG RISK

On 26 February 2020, NiSource Inc. (NiSource, Baa2 stable) announced an agreement to sell Bay State Gas Company to Eversource Energy (Baa1 stable) for $1.1 billion or approximately 1x rate base. The announcement followed an agreement by NiSource to plead guilty to a federal criminal charge that it had violated federal pipeline safety laws related to the September 2018 Greater Lawrence incident. As part of the plea agreement, NiSource agreed to sell CMA and permanently exit its operations in Massachusetts and to pay a $53 million fine.

We view NiSource's impending exit from Massachusetts as positive to the company's credit profile because it removes future risk associated with the company's operations and regulatory relationships in the state. It also allows NiSource to focus more fully on its other jurisdictions and on executing its substantial capital expenditure plan. Proceeds from the sale of CMA will eliminate the need for approximately $500-$700 million of equity issuance previously planned for 2020 and we estimate that the elimination of CMA's contribution to consolidated cash flow (about 8% prior to the Greater Lawrence incident) and associated dis-synergies will have a slightly negative impact on credit metrics.

NiSource estimates costs and expenses associated with the Greater Lawrence incident at approximately $1.8 billion, about $800 million of which has been recovered through casualty insurance. The company is in the process of seeking additional recoveries via property insurance (up to $258 million) and could incur additional costs related to third party claims, fines and other ongoing investigations. However, we think the majority of associated costs have already been incurred.

REGULATED UTILITY ASSETS EXHIBIT FUNDAMENTALLY LOW BUSINESS RISK

NiSource's seven LDCs represent about 60% of its business, while its fully regulated vertically integrated electric utility segment makes up the difference.

In spite of events such as the Greater Lawrence incident, we view LDCs as having lower business risk than their vertically integrated electric utility counterparts because LDC's are not exposed to the operational, environmental and other risks associated with power-generation assets. NiSource has identified, and taken steps to improve system safety and reliability and to protect against the over-pressurization that caused the Greater Lawrence incident. The size and broad geographic footprint of NiSource's LDC operations offer regulatory diversity and provide a natural hedge against material exposure to a single jurisdiction.

NiSource's electric segment entails more business risk than the LDC's. In addition to its exposure to the risks associated with generation assets, its operations are concentrated in a single, highly industrialized market territory. About 54% of the company's retail electric sales volumes is derived from industrial customers, leaving it particularly sensitive to economic cycles. The electric segment's rate structure does not have the decoupling mechanisms that many of NiSource's LDCs have, further exacerbating potential volatility from the company's electric segment. We expect NiSource's electric segment to be the most negatively impacted financially by the coronavirus pandemic particularly because of its high percentage (albeit lower margin) of industrial customers.

Indiana's regulatory environment is favorable from a credit standpoint and provides the company's electric segment with an attractive suite of cost recovery mechanisms that cover most of its operating and capital expenses. NIPSCO Electric plans to retire nearly 80% of its coal capacity by 2023, and the remaining coal-fired units by 2028, reducing its exposure to more stringent environmental regulations that could require costly investments, a credit positive. The company plans to replace its retired coal capacity post 2020 with lower-cost renewable energy sources such as wind, solar and battery technology.

ESG considerations

Environmental considerations incorporated into our credit analysis for NiSource are primarily related to the company's exposure to carbon regulations. NiSource's LDCs have a much lower carbon transition risk than the electric utility, which owns generation and has moderate carbon transition risk. NiSource's plan to retire all of NIPSCO Electric's coal power plants by 2028 and replace the lost generation with renewable energy will substantially reduce the utility's carbon transition risk.

Social risks are primarily related to demographic trends, safety, customer and regulatory relations. The Greater Lawrence incident in 2018 highlighted the social risks inherent in NiSource's businesses and intensified management's attention to safety. The company's safety efforts have focused on integrating safety, risk management and investment planning, enhancing emergency preparedness and incorporating independent oversight.

Corporate governance considerations, including financial policy and risk management, are key to managing the company's environmental and social risk. As the company executes its substantial capital plan with a goal to reduce its carbon footprint and enhance system safety and integrity, a conservative financial policy will be important to maintaining NiSource's credit quality.

Liquidity Analysis

NiSource's liquidity is adequate and is supported by a $1.85 billion revolving credit facility maturing in 2024. At 31 March 2020, NiSource had $500 million of outstanding borrowings under this facility; at 31 December 2019, there were no outstanding borrowings under the facility. The revolver backs a $1.5 billion commercial paper program and provides funds for ongoing working capital needs. Terms of the facility allow for reliable access to funds by not requiring the company to represent and warrant to any material adverse change at each borrowing. The sole financial covenant is a maximum debt-to-capitalization ratio of 70%. As of 31 March 2020, the ratio was 63.2%.

NiSource also maintains three separate accounts receivables securitization programs totaling $540 million at its operating companies ($459.4 million outstanding as of 31 March 2020). The programs are renewed annually. As of 31 March 2020, NiSource had about $203.8 million of cash on hand as well as $1.1 billion of available capacity under its revolver, after giving effect to $500 million of borrowings outstanding, $237 million of commercial paper outstanding and $10.2 million of LCs. NiSource does not have a material debt maturity until 2022 ($500 million).

For the twelve months ended 31 March 2020, NiSource generated $1.5 billion in operating cash flow, invested $1.9 billion in capital expenditures, and paid $359 million in dividend distributions to common shareholders, resulting in a negative free cash flow position of $706 million. NiSource funded the cash shortfall with long-term debt and $245 million of common stock issuances. Over the next 12-18 months, we expect NiSource to remain free cash flow negative as it executes on its sizeable capital expenditure plan. We anticipate that cash shortfalls will be covered through a balanced mix of debt, equity and equity like instruments.

Rating Methodology and Scorecard Factors

Rating Factors
NiSource Inc.

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current LTM 3/31/2020		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	A	A	A	A
b) Generation and Fuel Diversity	Ba	Ba	Ba	Ba
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.6x	Baa	4x - 4.5x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	10.2%	Ba	12% - 14%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	7.3%	Ba	9% - 11%	Baa
d) Debt / Capitalization (3 Year Avg)	60.9%	Ba	58% - 63%	Ba
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching	0	0	0	0
a) Scorecard-Indicated Outcome		Baa1		Baa1
b) Actual Rating Assigned		Baa2		Baa2

[1]All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 3/31/2020(L)
[3[This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics

Appendix

Exhibit 6

Cash Flow and Credit Metrics [1]

CF Metrics	Dec-16	Dec-17	Dec-18	Dec-19	LTM Mar-20
As Adjusted					
FFO	1,137	1,195	463	1,646	1,723
+/- Other	(233)	(108)	6	(121)	(107)
CFO Pre-WC	904	1,088	469	1,525	1,616
+/- ΔWC	(59)	(57)	104	46	(74)
CFO	845	1,031	573	1,571	1,542
- Div	206	229	277	327	332
- Capex	1,517	1,733	1,858	1,828	1,927
FCF	(877)	(930)	(1,563)	(584)	(717)
(CFO Pre-W/C) / Debt	10.5%	11.7%	4.7%	14.8%	15.4%
(CFO Pre-W/C - Dividends) / Debt	8.1%	9.2%	1.9%	11.7%	12.2%
FFO / Debt	13.3%	12.8%	4.6%	16.0%	16.4%
RCF / Debt	10.9%	10.4%	1.9%	12.8%	13.2%
Revenue	4,493	4,875	5,115	5,209	4,945
Cost of Good Sold	1,359	1,496	1,742	1,526	1,308
Interest Expense	382	379	372	413	410
Net Income	328	203	441	945	856
Total Assets	18,900	20,160	22,000	22,660	22,593
Total Liabilities	14,870	15,911	16,758	17,184	17,362
Total Equity	4,030	4,249	5,242	5,476	5,231

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are Financial Year-End unless indicated. LTM = Last Twelve Months.
Source: Moody's Financial Metrics

Exhibit 7

Peer Comparison Table [1]

	NiSource Inc.			Black Hills Corporation			PPL Corporation			CenterPoint Energy, Inc.		
	Baa2 Stable			Baa2 Stable			Baa2 Stable			Baa2 Negative		
	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM
(in US millions)	Dec-18	Dec-19	Mar-20	Dec-18	Dec-19	Mar-20	Dec-18	Dec-19	Mar-20	Dec-18	Dec-19	Mar-20
Revenue	5,115	5,209	4,945	1,754	1,735	1,674	7,785	7,769	7,744	10,589	12,301	12,239
CFO Pre-W/C	469	1,525	1,616	488	531	524	3,000	2,998	3,116	2,041	2,144	2,265
Total Debt	9,951	10,276	10,505	3,238	3,587	3,553	22,871	23,632	24,124	10,174	16,461	16,605
CFO Pre-W/C / Debt	4.7%	14.8%	15.4%	15.1%	14.8%	14.8%	13.1%	12.7%	12.9%	20.1%	13.0%	13.6%
CFO Pre-W/C – Dividends / Debt	1.9%	11.7%	12.2%	11.8%	11.3%	11.2%	8.1%	7.6%	7.8%	15.2%	8.9%	9.6%
Debt / Capitalization	60.2%	59.6%	61.1%	55.7%	56.2%	54.4%	60.9%	59.2%	59.1%	48.5%	58.9%	63.0%

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics

Ratings

Exhibit 8

Category	Moody's Rating
NISOURCE INC.	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Pref. Stock	Ba1
Commercial Paper	P-2
NISOURCE FINANCE CORPORATION	
Outlook	Stable
Issuer Rating	Baa2
Bkd Senior Unsecured	Baa2
NORTHERN INDIANA PUBLIC SERVICE COMPANY	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
NISOURCE CAPITAL MARKETS, INC.	
Outlook	Stable
Bkd Senior Unsecured	Baa2
BAY STATE GAS COMPANY	
Outlook	Stable
Senior Unsecured	Baa2

Source: Moody's Investors Service

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REPORT NUMBER 1235778

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MOODY'S
INVESTORS SERVICE

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of NiSource Inc.

07 Oct 2020

New York, October 07, 2020 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of NiSource Inc. and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

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Key rating considerations are summarized below.

NiSource Inc.'s (NiSource) Baa2 rating reflects the credit supportiveness and diversity of its regulatory jurisdictions that allow for predictable operating cash flows. The rating also considers the inherently low business risk of its fully regulated operations, as well as its broad geographic footprint and scale. Together, these factors help to mitigate a weak financial profile as the company manages high debt levels and a sizeable capital investment program. We expect the company to produce a cash flow from operations pre-working capital to debt ratio in the 13-14% range over the next 12 to 18 months.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Regulated Electric and Gas Utilities published in June 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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ISSUER COMMENT
28 April 2021

Rate this Research

RATINGS

NiSource Inc.

Outlook	Stable
Issuer Rating	Baa2
Pref. Stock	Ba1
Commercial Paper	P-2

Source: Moody's Investors Service

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NiSource Inc.

Equity units issuance helps maintain credit quality but with little financial flexibility over the near-term

On 19 April 2021, NiSource Inc. (Baa2 stable) completed the issuance of equity units totaling $862.5 million, including the exercise of an overallotment option. The issuance is credit positive for NiSource because it will help the company to maintain key financial metrics within our expectations for its current rating. Nevertheless, we expect the company to continue to have limited financial flexibility, with a ratio of operating cash flow excluding working capital changes (CFO pre-WC) to debt that we project will remain close to our indicated financial metric threshold for a possible downgrade of 13% through the end of 2023.

Each of the recently issued equity units comprises i) a purchase contract which will obligate the holder to purchase a certain number NiSource common shares no later than 1 December 2023 and ii) a beneficial ownership interest in one share of mandatory convertible preferred stock (mandatory convertibles). In Moody's view, the securities have equity-like features that allow them to receive basket "E" treatment, i.e, 100% equity for financial leverage purposes (please refer to Moody's Hybrid Equity Credit methodology published in September 2018). The mandatory convertibles will be remarketed prior to the equity purchase contract settlement and the proceeds used to settle the equity purchase contract on 1 December 2023. Conversion of the remarketed mandatory convertibles to NiSource common shares will occur on 1 March 2024, at which point NiSource will have added approximately $1.7 billion of new common equity on its balance sheet.

NiSource's capital expenditure program is substantial, totaling more than $10 billion over the 2021-2024 period. Capital spending is expected to peak in 2022 and 2023 because of approximately $2 billion in renewable energy investments at subsidiary Northern Indiana Public Service Company (NIPSCO, Baa1 stable), whose electric operations currently represent about 35% of NiSource's rate base. The renewable investments, which NIPSCO expects to start recovering in mid-2023 following a general rate case, coincide with the planned retirement of 80% of NIPSCO's coal generating capacity in 2023. We expect the consolidated company's key financial measures to strengthen beginning in 2024 as cash flow benefits from a full year of renewables investment recovery.

Exhibit 1

Capital expenditure program for 2021-2024

Expected investment recovery period

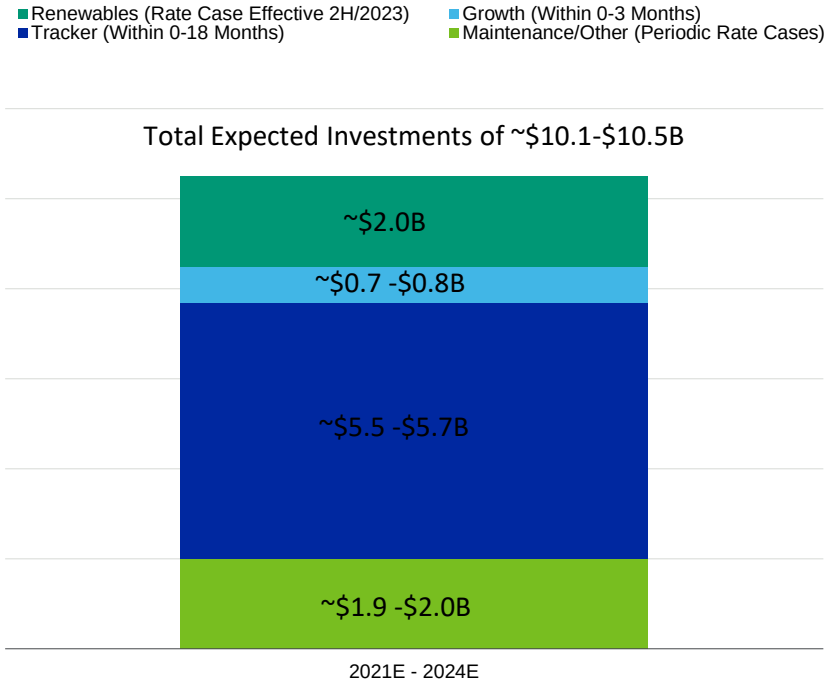

Source: NiSource

NiSource financing plan for its renewable investments, targeting 60% equity financing, had previously included up to $700 million in common equity block issuance, up to $700 million in long-term debt and up to $1 billion in hybrid securities. The recently issued equity units eliminate the need for the block equity financing.

NiSource is a utility holding company with a portfolio of fully regulated utility subsidiaries totaling about $14 billion in rate base. NiSource owns one of the largest LDC systems in the US, with operations in Ohio, Indiana, Pennsylvania, Virginia, Kentucky, and Maryland providing service to about 3.2 million customers. NiSource also owns NIPSCO, a mid-sized vertically integrated electric utility in Indiana that provides service to approximately 479,000 customers. The LDCs account for about 60% of the company's consolidated operating earnings, with the balance coming from the electric utility.

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INFRASTRUCTURE AND PROJECT FINANCE

MOODY'S INVESTORS SERVICE

CREDIT OPINION
27 July 2021

Update

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NiSource Inc.

Update to credit analysis

Summary

NiSource Inc.'s (NiSource) credit profile reflects the diversity and supportiveness of its multiple regulatory jurisdictions that provide predictable operating cash flows. Its fully regulated operating utility subsidiaries have low business risk, given their critical infrastructure asset base. Together, these utilities help mitigate a historically weak financial profile driven by the company's high leverage.

We expect NiSource's financial profile to remain under pressure as the company executes a substantial capital expenditure program which includes significant investments in renewable energy generation at subsidiary Northern Indiana Public Service Company (NIPSCO) to replace the retirement of 80% of the utility's coal generation by 2023. We expect NiSource to maintain a ratio of operating cash flow excluding working capital changes (CFO pre-WC) to debt around 13% over the next two years.

Exhibit 1
Historical CFO Pre-WC, Total Debt and CFO Pre-WC to Debt ($ MM)

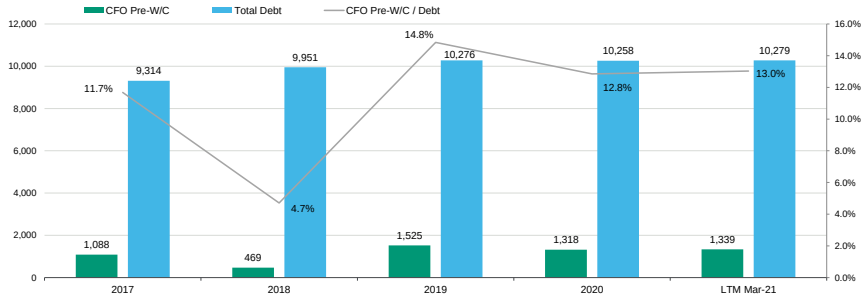

Source: Moody's Financial Metrics

Credit Strengths

» Operations in jurisdictions with attractive cost recovery mechanisms

» Fully regulated utility assets with fundamentally low business risk

» Majority equity financing plan for renewable investments helps to support credit quality

Credit Challenges

» Persistently high debt balance

» Elevated capital expenditures

» Weak metrics for the rating leave little room to absorb unexpected negative events

Rating Outlook

NiSource's stable outlook reflects Moody's view that the company will maintain a CFO pre-WC to debt ratio in the 13-14% range over the next two years. The stable outlook also reflects our view that NiSource's regulated utility capital expenditure plans will be financed with a balanced mix of both debt and equity and that its regulatory jurisdictions will remain supportive.

Factors that Could Lead to an Upgrade

» Improvement in the utility regulatory environments

» A material and sustained increase in the company's credit metrics with cash flow to debt at or above 17% and debt to capitalization below 50%

» A significant reduction in parent company leverage

Factors that Could Lead to a Downgrade

» A decline in the credit supportiveness of it's regulatory environments

» An adverse change in the company's business mix that increases risk

» Cash flow pre-working capital to debt sustained below 13%

Key Indicators

Exhibit 2
NiSource Inc. [1]

	Dec-17	Dec-18	Dec-19	Dec-20	LTM Mar-21
CFO Pre-W/C + Interest / Interest	3.9x	2.3x	4.7x	4.3x	4.4x
CFO Pre-W/C / Debt	11.7%	4.7%	14.8%	12.8%	13.0%
CFO Pre-W/C – Dividends / Debt	9.2%	1.9%	11.7%	9.4%	9.6%
Debt / Capitalization	62.7%	60.2%	59.6%	59.9%	58.9%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics

Profile

NiSource Inc. is a utility holding company with a portfolio of fully regulated utility subsidiaries totaling about $13.6 billion in rate base. NiSource owns one of the largest LDC systems in the US, with operations in Ohio, Indiana, Pennsylvania, Virginia, Kentucky, and Maryland providing service to about 3.2 million customers, as well as a mid-sized vertically integrated electric utility in Indiana providing service to about 479,000 customers. The LDCs account for about 60% of the company's consolidated operating earnings, with the balance coming from the electric utility.

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Exhibit 3
State Rate Base Exposure

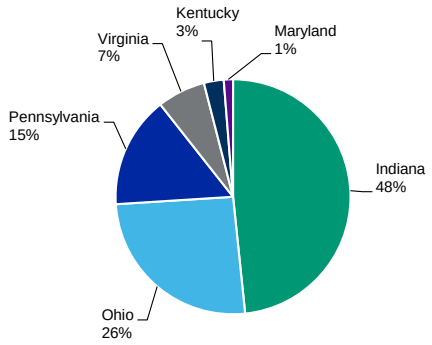

Source: Company's reports

Detailed Credit Considerations

Predictability of cash flow underpinned by supportive regulatory construct

The state regulators overseeing NiSource's utilities are credit supportive. With the exception of NIPSCO Gas, all of NiSource's LDCs benefits from decoupling mechanisms and/or weather normalization adjustments which reduce earnings volatility. In addition, NiSource has access to a variety of tracker mechanisms across its different jurisdictions that provide for timely recovery of its sizeable infrastructure investment program, with more than 75% of its investments beginning recovery within less than 18 months. Similarly, NiSource's electric segment benefits from a broad array of tracker mechanisms providing for timely recovery of operating expenses as well as environmental investments.

Exhibit 4
Capital investments with estimated recovery periods

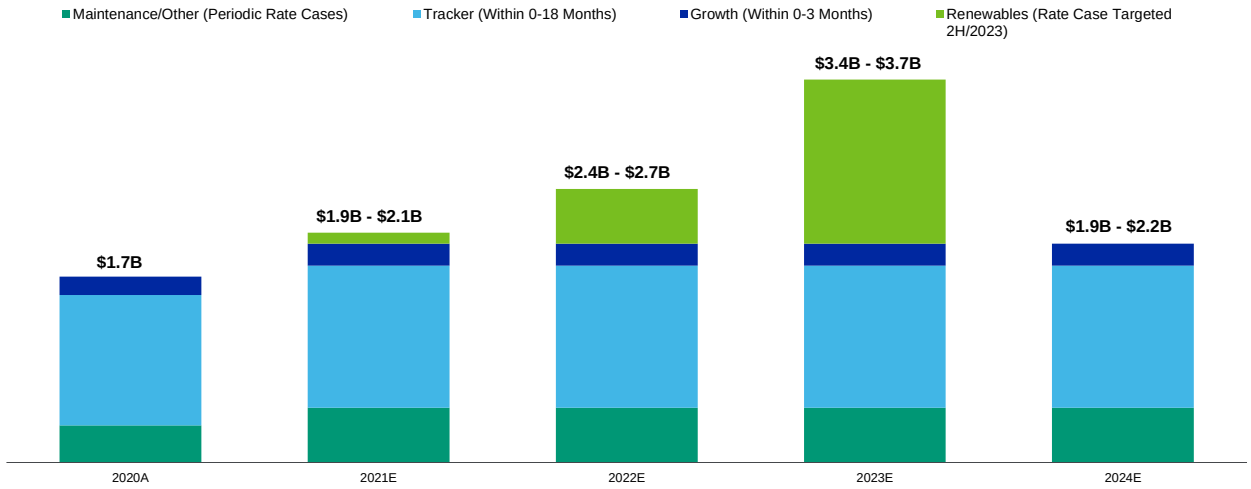

Source: Company presentations

The company's investments across all of its jurisdictions continue to drive an active regulatory calendar. In addition to receiving orders on multiple infrastructure replacement and other tracker filings, NiSource reached credit supportive outcomes in its recent regulatory filings. The company completed five general rate cases in Indiana, Maryland, Pennsylvania and Virginia from 2019 through 2021 year-to-date that together represented a total revenue increase of about $120 million.

Gas operations

NiSource's most frequent significant rate case activity has recently been in Pennsylvania where subsidiary Columbia Gas of Pennsylvania continues to invest in safety and modernization. In March 2021, Columbia Gas of Pennsylvania filed a rate case requesting a revenue increase of $98.3 million based on an ROE of 10.95% and equity capitalization of 54.34%. The rate case is expected to be concluded in the fourth quarter of 2021. The utility's previous rate case was finalized in February 2021 when Columbia Gas of Pennsylvania received regulatory approval for a $63.5 million rate increase based on a 9.86% ROE, 54.19% equity layer and $2.3 billion rate base.

In addition to the rate case pending in Pennsylvania, NiSource has a rate case pending in Ohio, expected to be concluded in the third quarter of 2022, for a $221.4 million revenue increase based on a 10.95% ROE, 50.60% equity capitalization and $3.56 billion rate base. This is Columbia Gas of Ohio's first rate case since 2008 during which period the utility recovered most of its investments through trackers and riders. The current rate increase request reflects an approximately $2.5 billion increase over its last authorized rate base. NiSource also has two pending gas rate cases in Maryland and Kentucky with a total revenue increase request of $33 million. Decisions are expected in the fourth quarter of 2021 and first quarter of 2022 in Maryland and Kentucky respectively.

Electric operations

In 2020, NIPSCO Electric added 500 MW of new wind generation to its generation portfolio, consisting of a 400 MW power purchase agreement (PPA) and a 100 MW joint venture (JV) project. NIPSCO currently has regulatory approval for about 2,465 MW of additional wind, solar and storage PPAs and JV projects all expected to be in service in the 2021-2023 time frame.

NIPSCO Electric's most recent rate case was finalized in December 2019 when the utility received regulatory approval for a $42.7 million rate increase based on a 9.75% ROE, 47.86% equity capitalization and $4.1 billion rate base. New rates were implemented in two steps effective January 2020 and March 2020 respectively. As part of the rate case order, NIPSCO Electric also received three credit supportive approvals. First, the Indiana Utility Regulatory Commission (IURC) approved a change in industrial customer rate structure to mitigate the risk of a significant curtailment in usage by industrial customers, which represent over 50% of the utility's total energy sales. Second, the utility received approval for the full recovery of its coal generation investments by 2030. Finally, with respect to tax reform, the IURC approved the return to customers of the protected excess accumulated deferred income tax (ADIT) balance of about $203 million over a period of approximately 26 years based on the average rate assumption method. The unprotected ADIT balance of about $137 million will be amortized by $12.2 million annually until the utility's next rate case when the remainder will be included in the revenue requirement and fully amortized by the end of 2030.

Regulated utility assets exhibit fundamentally low business risk

NiSource's six LDCs represent about 60% of its business, while its fully regulated vertically integrated electric utility segment makes up the difference. We continue to view NiSource's LDCs as having low business risk in spite of the possible risk to public safety as demonstrated by the Columbia Gas of Massachusetts incident in 2018. NiSource has identified, and taken steps to improve system safety and reliability and to protect against overpressurization. Futhermore, the size and broad geographic footprint of NiSource's LDC operations offer regulatory diversity and provide a natural hedge against material exposure to a single jurisdiction.

NiSource's electric segment entails more business risk than the LDC's. In addition to its exposure to the risks associated with generation assets, its operations are concentrated in a single, highly industrialized market territory. About 51% of the company's retail electric sales volumes is derived from industrial customers, leaving it particularly sensitive to economic cycles. The electric segment's rate structure does not have the decoupling mechanisms that many of NiSource's LDCs have, further exacerbating potential volatility from the company's electric segment. The volatility is somewhat mitigated by the approximately 50%-55% fixed component of NIPSCO Electric's industrial rates.

Indiana's regulatory environment is favorable from a credit standpoint and provides the company's electric segment with an attractive suite of cost recovery mechanisms that cover most of its operating and capital expenses. NIPSCO Electric plans to retire nearly 80% of its coal capacity by 2023, and the remaining coal-fired units by 2028, reducing its exposure to more stringent environmental regulations that could require costly investments, a credit positive. The company plans to replace its retired coal capacity post 2020 with lower-cost renewable energy sources such as wind, solar and battery technology.

Persistently high debt balance and elevated investment spending weigh on financial profile

NiSource's credit profile is constrained by its relatively weak financial profile, primarily because of its highly levered capital structure, which we expect will continue to weigh on its debt coverage metrics as the company executes its elevated capital investment plan. Debt to capitalization averaged about 60% for the last three years and we expect the ratio to remain close to 60% over the next three years. Assuming that NiSource's subsidiaries are capitalized at their authorized capital structures, with a 50% debt to capitalization ratio assumed for states with black box settlements, we estimate approximately 30% of consolidated debt at the holding company level.

NiSource's capital expenditure program is substantial, totaling more than $10 billion over the 2021-2024 period. Capital spending is expected to peak in 2022 and 2023 because of approximately $2 billion in renewable energy investments at NIPSCO. The renewable investments, which NIPSCO expects to start recovering in mid-2023 following a general rate case, coincide with the planned retirement of 80% of NIPSCO's coal generating capacity in 2023. We expect NiSource's key financial measures to strengthen beginning in 2024 as cash flow benefits from a full year of renewable investment recovery.

NiSource's financing plan for its renewable investments, targeting 60% equity financing, had previously included up to $700 million in common equity block issuance, up to $700 million in long-term debt and up to $1 billion in hybrid securities. The company's issuance of $862.5 million ($835.5 million net proceeds) of equity units in April 2021 eliminates the need for the block equity financing. Moody's views the securities as having equity-like features that allow them to receive basket "E" treatment, i.e, 100% equity for financial leverage purposes (please refer to Moody's Hybrid Equity Credit methodology published in September 2018). NiSource's balanced financing approach should allow it to sustain a CFO pre-WC to debt ratio in the low to mid-teens in the near term.

Sale of Bay State Gas removed Massachusetts regulatory overhang risk

On 26 February 2020, NiSource announced an agreement to sell Bay State Gas Company (a.k.a. Columbia Gas of Massachusetts or CMA) to Eversource Energy (Baa1 negative) for $1.1 billion or approximately 1x rate base. The announcement followed an agreement by NiSource to plead guilty to a federal criminal charge that it had violated federal pipeline safety laws related to the September 2018 Greater Lawrence incident. As part of the plea agreement, NiSource agreed to sell CMA and permanently exit its operations in Massachusetts and to pay a $53 million fine. The transaction was closed in October 2020.

We view NiSource's exit from Massachusetts as positive to the company's credit profile because it removes future risk associated with the company's operations and regulatory relationships in the state. It also allows NiSource to focus more fully on its other jurisdictions and on executing its substantial capital expenditure plan. Proceeds from the sale of CMA eliminated the need for approximately $500-$700 million of equity issuance previously planned for 2020.

ESG considerations

NiSource's ESG Credit Impact Score is CIS-3 (moderately negative).

Exhibit 5
ESG Credit Impact Score

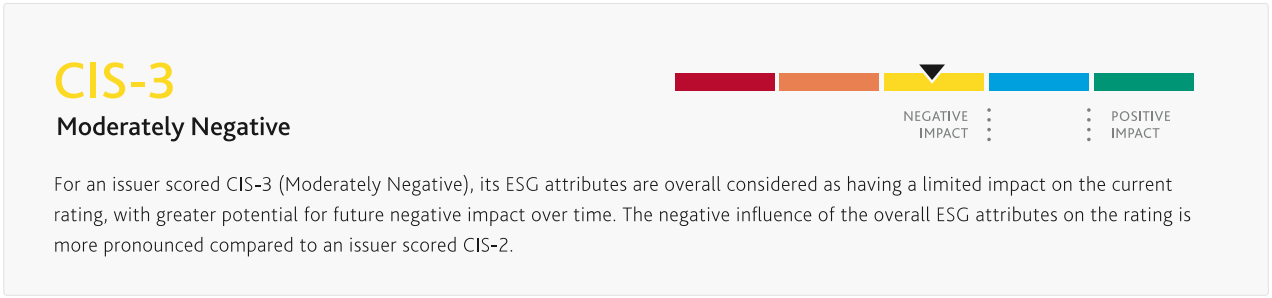

Source: Moody's Investors Service

NiSource's ESG Credit Impact Score is moderately negative (**CIS-3**) because of ESG attributes that we consider as overall having a limited impact on the current rating, with greater potential for future negative impact over time. NiSource's **CIS-3** reflects moderately negative exposure to environmental and social risk but neutral to low exposure to governance risk.

Exhibit 6
ESG Issuer Profile Scores

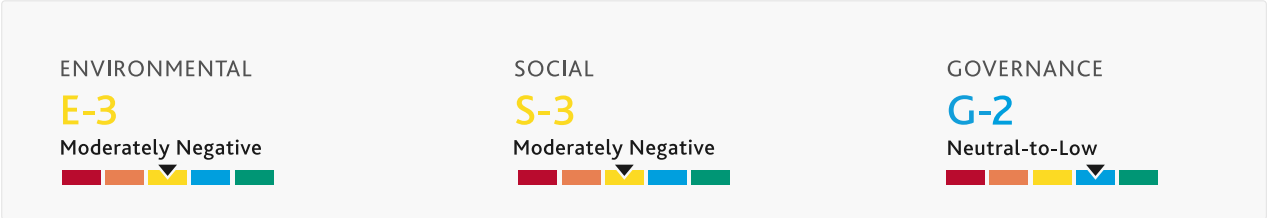

Source: Moody's Investors Service

Environmental

NiSource has moderately negative exposure to environmental risk (**E-3** issuer profile score) primarily because of its exposure to carbon transition risk at both its electric and gas utilities. The company's focus on replacing its coal generation with renewables, while important to reduce carbon transition risk, requires significant capital investments. NiSource is also moderately exposed to physical climate risks, including the risk that extreme or unusual weather events could damage physical assets or negatively impact commodity prices. NiSource's exposure to water management, waste and pollution and natural capital risks is credit neutral.

Social

NiSource's moderately negative exposure to social risks (**S-3** issuer profile score) reflects the risk associated with the regulated utilities sector that public concern over environmental, social or affordability issues could lead to adverse regulatory or political intervention. Furthermore, from a responsible production perspective, NiSource is moderately exposed to the risk to public safety inherent in its gas utility operations. Social risks related to customer relations and human capital are neutral to NiSource's credit profile.

Governance

NiSource's exposure to governance risks is overall credit neutral (**G-2** issuer profile score). The company's inconsistent track record of financial performance is mitigated by its improved financial strategy and risk management as well as neutral to low risk associated with organizational structure, board structure, policies and procedures, and compliance and reporting.

Liquidity Analysis

NiSource's liquidity is adequate and is supported by a $1.85 billion revolving credit facility maturing in 2024. The revolver backs a $1.5 billion commercial paper program and provides funds for ongoing working capital needs. Terms of the facility allow for reliable access to funds by not requiring the company to represent and warrant to any material adverse change at each borrowing. The sole financial covenant is a maximum debt to capitalization ratio of 70%. As of 31 March 2021, the ratio was 62.2%.

NiSource also maintains three separate accounts receivables securitization programs totaling $510 million at its operating companies (no outstanding balance as of 31 March 2021). The programs are renewed annually. As of 31 March 2021, NiSource had about $89.1 million of cash on hand as well as $1.85 billion of available capacity under its revolver, $520 million of commercial paper outstanding and $15.2 million of LCs. NiSource does not have a material debt maturity until 2025 ($1.25 billion).

For the twelve months ended 31 March 2021, NiSource generated $1.2 billion in operating cash flow, invested $1.7 billion in capital expenditures, and paid $383 million in dividend distributions, resulting in a negative free cash flow position of $873 million. NiSource funded the cash shortfall with long-term debt and $211 million of common stock issuances. Over the next 12-18 months, we expect NiSource to remain free cash flow negative as it executes on its sizeable capital expenditure plan. We expect cash shortfalls to be funded with a balanced mix of debt, equity and equity like instruments.

Rating Methodology and Scorecard Factors

Exhibit 7
Methodology Scorecard Factors
NiSource Inc.

Regulated Electric and Gas Utilities Industry Scorecard [1][2]	Current LTM 3/31/2021		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	A	A	A	A
b) Generation and Fuel Diversity	Ba	Ba	Ba	Ba
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.8x	Baa	4.5x - 5x	A
b) CFO pre-WC / Debt (3 Year Avg)	10.7%	Ba	12% - 14%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	7.5%	Ba	9% - 11%	Baa
d) Debt / Capitalization (3 Year Avg)	60.0%	Ba	58% - 61%	Ba
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		Baa1		Baa1
b) Actual Rating Assigned		Baa2		Baa2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 3/31/2021(L)
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics

Appendix

Exhibit 8

Peer Comparison Table [1]

	NiSource Inc. Baa2 (Stable)			Black Hills Corporation Baa2 (Stable)			PPL Corporation Baa2 (Positive)			CenterPoint Energy, Inc. Baa2 (Stable)		
(In US millions)	FYE Dec-19	FYE Dec-20	LTM Mar-21	FYE Dec-19	FYE Dec-20	LTM Mar-21	FYE Dec-19	FYE Dec-20	LTM Mar-21	FYE Dec-19	FYE Dec-20	LTM Mar-21
Revenue	5,209	4,682	4,622	1,735	1,697	1,793	7,769	7,607	7,665	7,564	7,418	7,798
CFO Pre-W/C	1,525	1,318	1,339	531	549	535	2,998	3,216	3,193	2,127	1,801	(433)
Total Debt	10,276	10,258	10,279	3,587	3,819	4,400	23,632	24,868	16,317	16,081	14,239	16,635
CFO Pre-W/C + Interest / Interest	4.7x	4.3x	4.4x	4.8x	4.7x	4.6x	4.0x	4.2x	4.2x	4.6x	4.1x	0.2x
CFO Pre-W/C / Debt	14.8%	12.8%	13.0%	14.8%	14.4%	12.2%	12.7%	12.9%	19.6%	13.2%	12.7%	-2.6%
CFO Pre-W/C – Dividends / Debt	11.7%	9.4%	9.6%	10.8%	10.4%	8.7%	7.6%	7.8%	11.7%	9.0%	9.2%	-5.3%
Debt / Capitalization	59.6%	59.9%	58.9%	56.2%	55.4%	58.3%	59.2%	59.0%	51.6%	57.7%	55.2%	58.1%

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics

Exhibit 9

Cash Flow and Credit Metrics [1]

CF Metrics	Dec-17	Dec-18	Dec-19	Dec-20	LTM Mar-21
As Adjusted					
FFO	**1,195**	**463**	**1,646**	**1,344**	**1,365**
+/- Other	-108	6	-121	-26	-26
CFO Pre-WC	**1,088**	**469**	**1,525**	**1,318**	**1,339**
+/- ΔWC	-57	104	46	-223	-165
CFO	**1,031**	**573**	**1,571**	**1,095**	**1,174**
- Div	229	277	327	349	355
- Capex	1,733	1,858	1,828	1,795	1,710
FCF	**-930**	**-1,563**	**-584**	**-1,049**	**-892**
(CFO Pre-W/C) / Debt	11.7%	4.7%	14.8%	12.8%	13.0%
(CFO Pre-W/C - Dividends) / Debt	9.2%	1.9%	11.7%	9.4%	9.6%
FFO / Debt	12.8%	4.6%	16.0%	13.1%	13.3%
RCF / Debt	10.4%	1.9%	12.8%	9.7%	9.8%
Revenue	4,875	5,115	5,209	4,682	4,622
Interest Expense	379	372	413	401	393
Net Income	203	441	945	458	454
Total Assets	20,160	22,000	22,660	22,041	22,195
Total Liabilities	15,911	16,758	17,184	16,728	16,703
Total Equity	4,249	5,242	5,476	5,312	5,492

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are Financial Year-End unless indicated. LTM = Last Twelve Months.
Source: Moody's Financial Metrics

Exhibit 10

NiSource Inc. Moody's - Adjusted Debt Breakdown

(USD Millions)	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	LTM Mar-21
As Reported Debt	**7,909.3**	**9,002.2**	**9,132.6**	**9,642.8**	**9,746.1**	**9,766.7**
Pensions	414.9	42.4	113.6	57.8	32.1	32.1
Operating Leases	208.0	198.0	196.4	64.8	40.2	40.2
Hybrid Securities	0.0	0.0	440.0	440.0	440.0	440.0
Non-Standard Adjustments	41.6	71.5	68.5	70.5	0.0	0.0
Moody's Ajusted Debt	**8,573.8**	**9,314.1**	**9,951.1**	**10,275.9**	**10,258.4**	**10,279.0**

Based on consolidated financial data of NiSource Inc. All figures are calculated using Moody's estimates and standard adjustments
Source: Moody's Financial Metrics

Ratings

Exhibit 11

Category	Moody's Rating
NISOURCE INC.	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Pref. Stock	Ba1
Commercial Paper	P-2
NISOURCE FINANCE CORPORATION	
Outlook	Stable
Issuer Rating	Baa2
Bkd Senior Unsecured	Baa2
NORTHERN INDIANA PUBLIC SERVICE COMPANY	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
NISOURCE CAPITAL MARKETS, INC.	
Outlook	Stable
Bkd Senior Unsecured	Baa2
BAY STATE GAS COMPANY	
Outlook	Stable
Senior Unsecured	Baa2

Source: Moody's Investors Service

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MOODY'S
INVESTORS SERVICE

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of NiSource Inc.

20 Sep 2021

New York, September 20, 2021 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of NiSource Inc. and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review discussion held on 15 September 2021 in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

NiSource Inc.'s (NiSource) Baa2 rating reflects the diversity and credit supportiveness of the regulatory jurisdictions in which its subsidiaries operate. The rating also considers the low business risk of its fully regulated operations, as well as its broad geographic footprint and scale. Together, these factors help to mitigate a weak financial profile as the company manages elevated debt levels. We expect NiSource's financials to remain under pressure as the company executes a substantial capital expenditure program which includes significant investments in renewable energy generation at subsidiary Northern Indiana Public Service Company (NIPSCO) to replace the retirement of 80% of the utility's coal generation by 2023. We expect the company to produce a cash flow from operations pre-working capital to debt ratio of around 13% over the next two years.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Regulated Electric and Gas Utilities published in June 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

This announcement applies only to EU rated, UK rated, EU endorsed and UK endorsed ratings. Non EU rated, non UK rated, non EU endorsed and non UK endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

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Fitch Ratings: NiSource's Asset Sale is Modestly Credit Negative

Fitch Ratings-New York-02 March 2020: Fitch Ratings believes that NiSource Inc.'s (BBB/Stable) agreement to sell the natural gas assets of Columbia Gas of Massachusetts (CMA) will modestly weaken credit metrics and reduce operating scale. Meanwhile, NiSource will retain CMA's future liabilities related to the series of natural gas distribution fires and explosions that occurred in Massachusetts' Merrimack Valley in 2018. Investigations at the Massachusetts Department of Public Utilities and the Massachusetts Attorney General's Office are ongoing. Nevertheless, the sale removes long-term, prospective risks associated with operating a utility with damaged regulatory and ratepayer relationships in Massachusetts in the wake of the Merrimack Valley disaster.

Fitch expects NiSource to use sale proceeds to reduce debt, obviating issuance of $500 million to $700 million of equity in 2020. However, the debt reduction will not fully neutralize earnings lost from the asset sale and dis-synergies. CMA accounted for approximately 8% of NiSource's earnings prior to the Merrimack Valley event. Fitch estimates that 2021 FFO adjusted leverage could potentially weaken 20bps to 30bps to 5.3x due to the pending transaction. Going forward, NiSource's credit quality will depend on its plan to address the change in operating scale as well as any future liabilities and penalties related to Merrimack Valley in a prudent manner.

On Feb. 26, NiSource announced that it reached an agreement to sell the natural gas assets of CMA to Eversource Energy (BBB+/Stable) for $1.1 billion, roughly the size of CMA's rate base. The sale agreement follows the announcement of a settlement between NiSource and the U.S. government. Under the settlement, NiSource pleaded guilty to violating federal pipeline safety laws and agreed to pay a $53 million fine, sell its Massachusetts utility business, permanently leave Massachusetts and surrender to the U.S. government any profits from the sale. The sale is expected to close in third-quarter 2020.

Costs and expenses related to Merrimack Valley totals approximately $1.8 billion. Through YE 2019, NiSource has received $800 million of casualty insurance proceeds and continues to seek insurance recovery for the pipeline replacement costs under the $300 million property insurance policy.

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RATING ACTION COMMENTARY

Fitch Affirms NiSource at 'BBB'; Outlook Stable

Fri 03 Apr, 2020 - 3:52 PM ET

Fitch Ratings - New York - 03 Apr 2020: Fitch Ratings has affirmed the 'BBB' Long-Term Issuer Default Ratings (IDRs) of NiSource Inc. (NI) and Northern Indiana Public Service Company (NIPSCO). The Rating Outlook is Stable. NI's credit profile is supported by its 100% regulated gas and electric utility operations in six states (excluding Massachusetts). NI's credit metrics have largely recovered from the Merrimack Valley incident. The agreement to sell the natural gas assets in Massachusetts will remove most of the regulatory uncertainties in the state. However, NI will retain residual liabilities and reduce operating scale. NIPSCO's ratings mirror those of NI, as it relies on NI solely for capital access.

KEY RATING DRIVERS

CMA Sale Removes Long-Term Risk

NI's agreement to sell the natural gas assets of Columbia Gas of Massachusetts (CMA) eliminates long-term, prospective risks associated with operating a utility with damaged regulatory relationships in Massachusetts. However, the sale will reduce operating scale, modestly weaken credit metrics and does not remove CMA's liabilities associated with the Merrimack Valley incident. In affirming NI's ratings and Outlook, Fitch assumes the remaining liabilities will be funded in a credit supportive manner.

Fitch expects NI to use the sale proceeds to reduce debt, obviating issuance of $500 million-$700 million of equity in 2020. The debt reduction will not fully neutralize lost earnings and dis-synergies. CMA accounted for approximately 8% of NI's earnings prior to the event. Fitch estimates 2021 FFO-adjusted leverage could potentially weaken by approximately 0.1x-0.2x due to the sale.

In 2018, a series of natural gas distribution fires and explosions occurred in CMA's service territory in Merrimack Valley, MA. On Feb. 26, NI announced it reached an agreement to sell the natural gas assets of CMA to Eversource Energy (BBB+/Stable) for $1.1 billion, roughly the size of CMA's rate base. The agreement follows the announcement of a settlement between NI and the U.S. government. Under the settlement, NI pleaded guilty to violating federal pipeline safety laws and agreed to pay a $53 million fine, sell its Massachusetts utility business, permanently leave Massachusetts and surrender to the U.S. government any profits from the sale. The transaction is expected to close in 3Q20.

The majority of the liabilities and lawsuits have been resolved so far, including the $143 million class action settlement in July 2019 and the $53 million fine imposed by the U.S. Attorney's Office in February 2020. Investigations at the Massachusetts Department of Public Utilities and the Massachusetts Attorney General's Office are ongoing.

Costs and expenses related to Merrimack Valley total approximately $1.8 billion. Through YE 2019, NI received $800 million of casualty insurance

proceeds and continues to seek insurance recovery for the pipeline replacement costs under the $300 million property insurance policy.

Low Business Risk

NI's ratings and Outlook are supported by stable cash flows and earnings from a geographically diverse mix of 100% regulated gas and electric utilities in six states (pro forma the CMA sale). Gas rate base is approximately 66% the total rate base. NI's gas-distribution utilities benefit from more supportive regulation and have less exposure to stringent environmental mandates. Additionally, Fitch considers Indiana, Ohio and Pennsylvania - NI's top three service territories - to be among the most supportive jurisdictions in the U.S. Fitch believes a fully regulated business model primarily with gas-distribution utility operations mitigates relatively high leverage, which has been the case for NI due to its large capex program and legacy debt.

Supportive Regulation

Balanced regulation is important for NI in light of its aggressive gas and electric infrastructure-modernization programs and high leverage. Nearly 80% of total capex in 2020 will be recovered through trackers and other mechanisms and begin earning within 18 months. NI's gas utilities have revenue decoupling in Ohio, Massachusetts, Maryland and Virginia; weather normalization in Pennsylvania, Maryland, Virginia and Kentucky; and straight fixed-variable rates in Ohio. Gas rates in Indiana are nearly 50% fixed for residential and commercial customers. Approximately 65% of the total revenue is nonvolumetric.

All NI's gas utilities use infrastructure trackers on a regular basis, except in Pennsylvania. Columbia Gas of Pennsylvania has an option to file for infrastructure tracker recovery or leverage a forward-looking test year in a base rate case. NIPSCO Gas, CMA and Columbia Gas of Maryland have authorized ROEs of 9.85%, 9.55% and 9.60%, respectively. Other gas utilities do not have specified ROEs. NIPSCO electric's authorized ROE is 9.75%, compared with industry average of 9.5%.

NIPSCO's transmission projects benefited from constructive Federal Energy Regulatory Commission (FERC) regulation, including forward-looking rates and construction work in progress recovery. NIPSCO's ROE under FERC is 10.82%, inclusive of a 50bps adder for participating in the Midcontinent Independent System Operator (MISO) transmission service and wholesale energy market.

In Indiana, the integrated resource plan (IRP) allows utilities to inform the Indiana Utility Regulatory Commission (IURC) of their long-term capital investment plans on a nonbinding basis, years ahead of construction. The IRP process provides transparency before utilities submit their requests for approval to begin construction, a credit positive. The Transmission, Distribution and Storage System Improvement Charge (TDSIC) statute provides for cost recovery outside general rate case proceedings for gas or electric safety, reliability and modernization, and allows pre-approval of a seven-year plan of eligible investments. Up to 80% of eligible costs can be recovered using semiannual trackers.

Indiana legislation allows cost recovery of federally mandated requirements, including modernization or environmental capex. NIPSCO has approval from the IURC to recover environmental costs through an environmental cost tracker, which allows the utility to earn a return on the capital investment, as well as related operating and maintenance expenses once operational. NIPSCO owns and operates 2 gigawatts (GW) of coal generation plants that were fully scrubbed at YE 2015; all comply with sulfur dioxide, nitrogen oxide and Mercury and Air Toxics Standards rules.

High Capex

NI's capex began to ramp up in 2012. Management estimated 2020 capex is approximately $1.8 billion-$1.9 billion. Although the capital investment is sizeable, most of the projects are small, providing flexibility in execution. NI's robust capex program is supported by infrastructure modernization legislation in all its service territories, mitigating regulatory lag. Fitch views rate-base accretive capex favorably. However, it will pressure credit metrics.

Capital investment related to generation transition will ramp up in the next few years. Currently, 70% of NIPSCO's generation capacity is from coal-fired generation plants. NI indicated in September 2018 it will accelerate the retirement of its remaining five coal-fired generation stations (2,094MW capacity). Four units at the R.M. Schahfer station will retire no later than 2023 and one at Michigan City station will retire by 2028, upon which NI will have no coal generation. Fitch expects the capacity to be replaced by renewable energy and battery storage.

IURC approved NI's Jorden Creek purchase power agreement. Fitch expects the project to be in service at YE 2020. IURC also approved two Build-Transfer Agreement applications for the Rosewater wind project (100MW) and the Crossroads wind project (302MW). Rosewater is expected to be in service by YE 2020 and Crossroads is expected to be in service in 2021.

Credit Metrics

In 2018, NI's credit metrics deteriorated substantially, primarily due to cost and expenses associated with Merrimack Valley. FFO-adjusted leverage improved to low 5x in 2019 as NI collected most of the insurance proceeds. Fitch expects NI to continue to manage its FFO-adjusted leverage to be below the downgrade trigger of 5.5x.

Credit-Supportive Initiatives

NI's rating stability will continue to depend upon prudent balance sheet management in light of the large capex program going forward. The company demonstrated its willingness to issue equity or equity-like instruments in the past to preserve its ratings. In 2018, NI issued $886 million equity and $900 million hybrid securities to largely mitigate the impacts of tax reform and the robust capex program. Proceeds were used to redeem near-term debt maturities, eliminating refinancing needs through 2022. Prior to the CMA sale agreement, NI planned to issue $500 million-$700 million equity to shore up the balance sheet. Management indicated it will continue to issue at-the-market equity of $200

million-$300 million per year, and $35 million-$60 million equity per year from employee stock plans.

Coronavirus (COVID-19):

Fitch currently expects the impact from COVID-19 to be manageable for NI. There are not any significant operational concerns at this time, and NI has adequate liquidity. On April 1, 2020, NI refinanced its $850 million term loan, removing a major maturity in 2020. The one-year term loan is expected to be repaid when the CMA transaction is closed. There are no other material maturities until November 2022.

COVID-19 has low impact on gas revenues, as heating season is largely over. Electric industrial customers as a percentage of the total gross margin reduced approximately 8% starting in 2020. Additionally, industrial demand charge provides some stability. Commercial usage will likely decline while partially offset by an increase in residential usage. O&M expenses are expected to decline. Some of NI's gas utilities have decoupling mechanisms, and uncollected expenses tracker. Nevertheless, Fitch applied a reduction in volume in the rating case in 2020 and 2021.

ESG - Customer Welfare

Fitch revised NI's ESG relevance score to '3' from '4' for "Customer Welfare". A relevance score of '3' indicates the ESG issue is credit neutral or have only a minimal credit impact on the entity, either due to the nature or the way in which they are being managed by the entity. A relevance score of '4' was assigned when the Merrimack Valley incident occurred. The incident heightened financial and regulatory risks and was considered relevant to NI's ratings in conjunction with other factors. Since then, NI largely resolved the issues associated with the incident, including pipeline replacement, insurance collection, and major lawsuits with victims and the U.S. government. The pending CMA sale will also remove the damaged regulatory risks associated with operating in Massachusetts. Additionally, NI also implemented a series of safety measure in all its service territories.

Parent Sub Linkage

Fitch generally considers NIPSCO to be stronger than NI due to its lower leverage and lower operating risks as a regulated utility. However, NI's operating subsidiaries, including NIPSCO, rely on NI for liquidity and capital access. As such, NIPSCO's standalone credit profile is not analytically meaningful and its rating reflects NI's consolidated credit profile.

DERIVATION SUMMARY

NI's fully regulated business model provides predictable earnings and cash flow, compared with Southern Company Gas (BBB+/Negative) and National Fuel Gas Company (BBB/Stable), both of which invest in unregulated operations. NI's business model, geographic diversification and supportive regulations mitigate its relatively weak credit metrics. Similar to IPALCO Enterprises, Inc. (BBB-/Stable) which also operates in Indiana, NI's subsidiary NIPSCO has coal generation. However, NI's operation is more diversified and gas focused compared with IPALCO's single-state electric generation. After the Merrimack Valley incident in 2018, NI's credit metrics deteriorated significantly. With insurance collection and balanced financing, Fitch expects NI's FFO-adjusted leverage to be below 5.5x, similar to that of IPALCO.

NIPSCO's gas and electric assets are superior to Indianapolis Power & Light Co.'s (IPL, BBB+/Stable) electric-only operations. Gas utilities generally have lower operating risks and enjoy favorable regulations. NIPSCO and IPL's coal-generation portfolios rely on Indiana's supportive environmental cost-recovery mechanisms. NIPSCO's standalone credit profile is strong. However, its rating is the same as NI, as it depends on NI for funding. IPL's rating is upward constrained by the ownership of IPALCO, which relies on IPL solely to service its debt obligations.

KEY ASSUMPTIONS

-- $6 billion capex for 2020-2022 forecast;

-- At-the-market equity of $200 million-$300 million per year;

-- Removes CMA beginning in 4Q20;

-- Receives $1 billion net sale proceeds in 4Q20;

-- COVID-19-related reduction in customer load in 2020 and 2021.

RATING SENSITIVITIES

Developments That May, Individually or Collectively, Lead to Positive Rating Action

-- NI and NIPSCO could be upgraded if consolidated FFO-adjusted leverage is sustained below 4.5x after the high capex period.

Developments That May, Individually or Collectively, Lead to Negative Rating Action

-- Consolidated FFO-adjusted leverage remains above 5.5x with low probability of recovery;

-- Material penalties from the remaining investigation funded by debt;

-- Relationship with regulators and customers deteriorates substantially, associated with safety issues, over an extended period;

-- Material adverse changes in NI's regulatory construct that result in unexpected lag or disallowance in recovering capital spending.

BEST/WORST CASE RATING SCENARIO

Ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings https://www.fitchratings.com/site/re/10111579.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

ESG issues are credit neutral or have only a minimal credit impact on the entity(ies), either due to their nature or the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		
NiSource Inc.	LT IDR	BBB	Affirmed
	ST IDR	F2	Affirmed

VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

Parent and Subsidiary Rating Linkage (pub. 27 Sep 2019)

Corporates Notching and Recovery Ratings Criteria (pub. 14 Oct 2019) (including rating assumption sensitivity)

Corporate Rating Criteria (pub. 27 Mar 2020) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v7.8.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

NiSource Inc.	EU Endorsed
Northern Indiana Public Service Company	EU Endorsed

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https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

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Energy and Natural Resources Corporate Finance Utilities and Power

US Public Finance North America United States

NiSource Inc. and Northern Indiana Public Service Company

NiSource Inc.'s (NI; BBB/Stable) credit profile is supported by its 100% regulated gas and electric utility operations in six states, excluding Massachusetts. NI's credit metrics have largely recovered from the Merrimack Valley incident. The agreement to sell natural gas assets in Massachusetts will remove most of the regulatory uncertainties in the state. However, NI will retain residual liabilities and reduce operating scale. Northern Indiana Public Service Company's (NIPSCO; BBB/Stable) ratings mirror those of NI, as it relies on NI solely for capital access.

Key Rating Drivers

Sale Removes Long-Term Risk: NI's agreement to sell the natural gas assets of Columbia Gas of Massachusetts (CMA) eliminates long-term, prospective risks associated with operating a utility with damaged regulatory relationships in Massachusetts. However, the sale will reduce operating scale, modestly weaken credit metrics and does not remove CMA's liabilities associated with the Merrimack Valley incident. In affirming NI's ratings and Outlook, Fitch Ratings assumes the remaining liabilities, if any, will be funded in a credit supportive manner.

We expect NI to use the sale proceeds to reduce debt, obviating issuance of $500 million–$700 million of equity in 2020. The debt reduction will not fully neutralize lost earnings and dis-synergies. CMA accounted for approximately 8% of NI's earnings prior to the event. Fitch estimates 2021 FFO-adjusted leverage could potentially weaken by approximately 0.1x–0.2x due to the sale.

A series of natural gas distribution fires and explosions in 2018 occurred in CMA's service territory in Merrimack Valley, MA. NI announced on Feb. 26, 2020 it reached an agreement to sell the natural gas assets of CMA to Eversource Energy (BBB+/Stable) for $1.1 billion, about the size of CMA's rate base.

The agreement follows the announcement of a settlement between NI and the U.S. government. Under the settlement, NI pleaded guilty to violating federal pipeline safety laws and agreed to pay a $53 million fine, sell its Massachusetts utility business, permanently leave the state and surrender any profits from the sale to the U.S. government. The transaction is expected to close in third-quarter 2020.

The majority of the liabilities and lawsuits have been resolved so far, including the $143 million class action settlement in July 2019 and the $53 million fine imposed by the U.S. Attorney's Office in February 2020. Investigations at the Massachusetts Department of Public Utilities and the Massachusetts Attorney General's Office are ongoing.

Costs and expenses related to Merrimack Valley total approximately $1.8 billion. NI received $800 million of casualty insurance proceeds through YE 2019 and continues to seek insurance recovery for the pipeline replacement costs under the $300 million property insurance policy.

Low Business Risk: NI's ratings and Outlook are supported by stable cash flows and earnings from a geographically diverse mix of 100% regulated gas and electric utilities in six states, pro forma the CMA sale. The gas rate base is approximately 66% the total rate base. NI's gas-distribution utilities benefit from more supportive regulation and have less exposure to stringent environmental mandates.

Fitch considers Indiana, Ohio and Pennsylvania, NI's top three service territories, to be among the most supportive jurisdictions in the U.S. We believe a fully-regulated business model, primarily with gas-distribution utility operations, mitigates relatively high leverage, which has been the case for NI due to a large capex program and legacy debt.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB	Stable	Affirmed April 3, 2020
Short-Term IDR	F2	—	Affirmed April 3, 2020
Senior Unsecured	BBB	—	Affirmed April 3, 2020
Preferred Stock	BB+	—	Affirmed April 3, 2020

NiSource Inc.
Click here for full list of ratings
Northern Indiana Public Service Company
Click here for full list of ratings

Applicable Criteria

Corporate Rating Criteria (Effective from March 27, 2020 to May 1, 2020)
Corporate Hybrids Treatment and Notching Criteria (November 2019)
Corporates Notching and Recovery Ratings Criteria (October 2019)
Parent and Subsidiary Rating Linkage (September 2019)

Related Research

Fitch Affirms NiSource at 'BBB'; Outlook Stable (April 2020)
Fitch Ratings 2020 Outlook: North American Utilities Power & Gas (Constructive Regulation Supports Recovery in Credit Metrics) (December 2019)

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Supportive Regulation: Balanced regulation is important for NI in light of aggressive gas and electric infrastructure modernization programs and high leverage. Nearly 80% of total capex in 2020 will be recovered through trackers and other mechanisms and begin earning within 18 months.

NI's gas utilities have revenue decoupling in Ohio, Massachusetts, Maryland and Virginia; weather normalization in Pennsylvania, Maryland, Virginia and Kentucky; and straight fixed-variable rates in Ohio. Gas rates in Indiana are nearly 50% fixed for residential and commercial customers. Approximately 65% of the total revenue is nonvolumetric.

All NI's gas utilities use infrastructure trackers on a regular basis, except in Pennsylvania. Columbia Gas of Pennsylvania has an option to file for infrastructure tracker recovery or leverage a forward-looking test year in a base rate case. NIPSCO Gas, CMA and Columbia Gas of Maryland have authorized ROEs of 9.85%, 9.55% and 9.60%, respectively. Other gas utilities do not have specified ROEs. NIPSCO's electric utility's authorized ROE is 9.75%, compared with an industry average of 9.5%.

NIPSCO's transmission projects benefited from constructive Federal Energy Regulatory Commission (FERC) regulation, including forward-looking rates and construction work in progress recovery. NIPSCO's ROE under FERC is 10.82%, inclusive of a 50bps adder for participating in the Midcontinent Independent System Operator (MISO) transmission service and wholesale energy market.

In Indiana, the integrated resource plan (IRP) allows utilities to inform the Indiana Utility Regulatory Commission (IURC) of long-term capital investment plans on a nonbinding basis, years ahead of construction. The IRP process provides transparency before utilities submit requests for approval to begin construction, a credit positive.

The Transmission, Distribution and Storage System Improvement Charge statute provides for cost recovery outside general rate case proceedings for gas or electric safety, reliability and modernization, and allows pre-approval of a seven-year plan of eligible investments. Up to 80% of eligible costs can be recovered using semiannual trackers.

Indiana legislation allows cost recovery of federally-mandated requirements, including modernization or environmental capex. NIPSCO has approval from the IURC to recover environmental costs through an environmental cost tracker, which allows the utility to earn a return on the capital investment and related operating and maintenance expenses once operational. NIPSCO owns and operates two gigawatts (GW) of coal generation plants that were fully scrubbed at YE 2015. All plants comply with sulfur dioxide, nitrogen oxide and Mercury and Air Toxics Standards rules.

High Capex: NI's capex began to ramp up in 2012. Management estimated 2020 capex is approximately $1.8 billion–$1.9 billion. Although the capital investment is sizeable, most of the projects are small, providing flexibility in execution. NI's robust capex program is supported by infrastructure modernization legislation in all its service territories, mitigating regulatory lag. Fitch views rate-base accretive capex favorably. However, it will pressure credit metrics.

Capital investment related to generation transition will ramp up in the next few years. Currently, 70% of NIPSCO's generation capacity is from coal-fired generation plants. NI indicated in September 2018 it will accelerate the retirement of the remaining five coal-fired generation stations with a total of 2,080MW of capacity or 72% of the remaining capacity after retirement of Bailly Unit 7 and Unit 8.

Four units at the R.M. Schahfer station will retire no later than 2023 and one at the Michigan City station will retire by 2028, upon which NI will have no coal generation. Fitch expects the capacity to be replaced by renewable energy and battery storage.

IURC approved NI's Jorden Creek purchase power agreement. Fitch expects the project to be in service at YE 2020. IURC also approved two Build-Transfer Agreement applications for the Rosewater wind project at 100MW and the Crossroads wind project at 302MW. Rosewater is expected to be in service by YE 2020 and Crossroads is expected to be in service in 2021.

Credit Metrics: NI's credit metrics deteriorated significantly in 2018, primarily due to cost and expenses associated with the Merrimack Valley incident. FFO-adjusted leverage improved to a low 5x in 2019, as NI collected most of the insurance proceeds. Fitch expects NI to continue to manage its FFO-adjusted leverage to below the downgrade trigger of 5.5x. This calculation does not include any liquidity management activities such as pre-funding debt maturities or capital investments.

Credit-Supportive Initiatives: NI's rating stability will continue to depend upon prudent balance sheet management in light of the large capex program in the future. The company demonstrated willingness to issue equity or equity-like instruments in the past to preserve ratings. NI issued $886 million equity and $900 million hybrid securities in 2018 to largely mitigate the effects of tax reform and the robust capex program.

Proceeds were used to redeem near-term debt maturities, eliminating refinancing needs through 2022. Prior to the CMA sale agreement, NI planned to issue $500 million–$700 million equity to shore up the balance sheet. Management indicated it will continue to issue at the market equity of $200 million–$300 million/year, and $35 million–$60 million equity/year from employee stock plans.

Coronavirus: Fitch currently expects coronavirus-related effects to be manageable for NI. There are not any significant operational concerns at this time, and NI has adequate liquidity. NI refinanced its $850 million term loan on April 1, 2020, removing a major maturity in 2020. The one-year term loan is expected to be repaid when the CMA transaction is closed. There are no other material maturities until November 2022.

The coronavirus has a moderate effect on gas revenues, as heating season is largely over. Some of NI's gas utilities have decoupling mechanisms and uncollected expenses trackers. NiSource's electric operations have sizeable exposure to industrial customers, a credit negative. However, industrial margin as a percentage of the total gross margin declined approximately 8% beginning in 2020, as some customers transitioned to the Midcontinent Independent System Operator to purchase loads.

Less reliance on industrial revenue is a credit positive, in Fitch's view. Industrial demand charges provide some stability. Commercial usage will likely decline, while partially offset by an increase in residential usage. O&M expenses are expected to decline. Fitch applied a reduction in volume in the rating case in 2020 and 2021. We believe NI has flexibility to modify its large capex programs, which is not incorporated in our rating case.

ESG – Customer Welfare: Fitch revised NI's Environmental, Social and Governance (ESG) relevance score to '3' from '4' for Customer Welfare. A relevance score of '3' indicates the ESG issue is credit neutral or has only a minimal credit impact on the entity, either due to the nature or the way in which they are being managed by the entity.

A relevance score of '4' was assigned when the Merrimack Valley incident occurred. The incident heightened financial and regulatory risks and was considered relevant to NI's ratings in conjunction with other factors. Since then, NI largely resolved the issues associated with the incident, including pipeline replacement, insurance collection, and major lawsuits with victims and the U.S. government. The pending CMA sale will remove damaged regulatory risks associated with operating in Massachusetts. NI also implemented a series of safety measure in all its service territories.

Parent–Subsidiary Linkage: Fitch generally considers NIPSCO to be stronger than NI, due to its lower leverage and lower operating risks, as a regulated utility. However, NI's operating subsidiaries, including NIPSCO, rely on NI for liquidity and capital access. As such, NIPSCO's Standalone Credit Profile is not analytically meaningful and the rating reflects NI's consolidated credit profile.

Financial Summary

($ Mil., as of Dec. 31)	2016	2017	2018	2019
Gross Revenue	4,493	4,875	5,115	5,209
Operating EBITDAR	1,420	1,500	737	2,038
Cash Flow from Operations (Fitch Defined)	805	742	529	1,512
Capital Intensity (Capex/Revenue) (%)	32.8	34.8	35.6	34.6
Total Adjusted Debt With Equity Credit	8,033	9,184	9,729	10,291
FFO Fixed-Charge Coverage (x)	4.0	3.0	2.2	4.5
FFO-Adjusted Leverage (x)	5.7	8.4	11.4	5.2
Total Adjusted Debt/Operating EBITDAR (x)	5.7	6.1	13.2	5.0

Source: Fitch Ratings, Fitch Solutions.

Rating Derivation Relative to Peers

NI's fully-regulated business model provides predictable earnings and cash flow, compared with Southern Company Gas (BBB+/Negative) and National Fuel Gas Company (BBB/Stable), both of which invest in unregulated operations. NI's business model, geographic diversification and supportive regulations mitigate relatively weak credit metrics. Similar to IPALCO Enterprises, Inc. (BBB–/Stable), which also operates in Indiana, NI's subsidiary NIPSCO has coal generation.

However, NI's operation is more diversified and gas focused compared with IPALCO's single-state electric generation. After the Merrimack Valley incident in 2018, NI's credit metrics deteriorated significantly. Fitch expects NI's FFO-adjusted leverage to be below 5.5x, similar to that of IPALCO, with insurance collection and balanced financing,

NIPSCO's gas and electric assets are superior to Indianapolis Power & Light Co.'s (IPL; BBB+/Stable) electric-only operations. Gas utilities generally have lower operating risks and enjoy favorable regulations. NIPSCO and IPL's coal-generation portfolios rely on Indiana's supportive environmental cost-recovery mechanisms. NIPSCO's standalone credit profile is strong. However, the rating is the same as NI, as it depends on NI for funding. IPL's rating is upwardly constrained by the ownership of IPALCO, which relies on IPL solely to service debt obligations.

Navigator Peer Comparison

Issuer		Business profile							Financial profile			
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Regulation	Market and Franchise	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
Northern Indiana Public Service Company	BBB/Sta	aa	a	a-	bbb+	bbb	bbb+	bbb	bbb	bbb+
Indianapolis Power & Light Co.	BBB+/Sta	aa	a-	a-	bbb+	bbb-	bbb+	bbb	bbb+	bbb+
Indiana Michigan Power Co.	BBB+/Sta	aa	a-	bbb+	bbb	bbb+	bbb+	bbb+	bbb+	bbb+
Source: Fitch Ratings.					Importance	Higher	Moderate	Lower		

Issuer		Business profile							Financial profile			
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Regulation	Market and Franchise	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
Northern Indiana Public Service Company	BBB/Sta	6.0	3.0	2.0	1.0	0.0	1.0	0.0	0.0	1.0
Indianapolis Power & Light Co.	BBB+/Sta	5.0	1.0	1.0	0.0	-2.0	0.0	-1.0	0.0	0.0
Indiana Michigan Power Co.	BBB+/Sta	5.0	1.0	0.0	-1.0	0.0	0.0	0.0	0.0	0.0
Source: Fitch Ratings.				Worse positioned than IDR		In line with IDR		Better positioned than IDR		

Rating Sensitivities

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- NI and NIPSCO could be upgraded if consolidated FFO leverage is sustained below 4.5x after the high capex period.

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- Consolidated FFO leverage remains above 5.5x with a low probability of recovery;
- Material penalties from the remaining investigation funded by debt;
- Relationship with regulators and customers deteriorates substantially, associated with safety issues, over an extended period;
- Material adverse changes in NI's regulatory construct that result in an unexpected lag or disallowance in recovering capital spending.

Liquidity and Debt Structure

Adequate Liquidity Profile: NI has adequate liquidity and currently maintains a $1.85 billion revolving credit facility with a termination date of Feb. 20, 2024. The purpose of the facility is to fund on-going working capital requirements, including liquidity in support of a $1.5 billion CP program, provide for issuance of LOC and for general corporate purposes.

Gas utilities draw the most liquidity as they purchase gas inventory months before heating season approaches, and they reduce borrowing as heating season ends. NI had $570 million in CP and $10.7 million of stand-by LOC outstanding at YE 2019 under the revolving credit facility, leaving $1.269 billion available under the revolver. The company had $139 million in cash. The revolver sets a maximum debt/capitalization ratio of 70% and, as of YE 2019, was 61.7%. The regulated utilities' liquidity is supported by an accounts receivable securitization program of $352 million outstanding.

NI has been actively refinancing debt maturities with longer tenor and lower interest rates. The company refinanced a $850 million term loan on April 1, 2020 and extended the maturity to 2021. NI is expected to receive approximately $1 billion of net proceeds from the CMA transaction in fall of 2020, which Fitch expects will be used to pay down debt. The next material maturity is the $500 million 2.65% long-term notes due in November 2022.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

We revised NI's ESG relevance score to '3' from '4' for Customer Welfare. A relevance score of '3' indicates the ESG issue is credit neutral or has only a minimal credit impact on the entity, either due to the nature or the way in which they are being managed by the entity.

A relevance score of '4' was assigned when the Merrimack Valley incident occurred. The incident heightened financial and regulatory risks and was considered relevant to NI's ratings in conjunction with other factors. Since then, the company largely resolved the issues associated with the incident, including pipeline replacement, insurance collection, and major lawsuits with victims and the U.S. government. The pending CMA sale will remove damaged regulatory risks associated with operating in Massachusetts. NI also implemented a series of safety measure in all its service territories.

For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturity Scenario with No Refinancing

Cash and Maturities

($ Mil., as of Dec. 31)	2018	2019
Total Cash and Cash Equivalents	121	148
Short-Term Investments	0	0
Less: Not Readily Available Cash and Cash Equivalents	8	9
Fitch–Defined Readily Available Cash and Cash Equivalents	**113**	**139**
Availability Under Committed Lines of Credit	1,840	1,840
Total Liquidity	**1,953**	**1,979**
LTM EBITDA After Associates and Minorities	**726**	**1,996**
LTM FCF	**(1,563)**	**(589)**

Source: Fitch Ratings, Fitch Solutions, NiSource Inc., Northern Indiana Public Service Company.

Scheduled Long-Term Debt Maturities

($ Mil.)	12/30/19
2020	0
2021	64
2022	530
2023	600
2024	0
Thereafter	6,545
Total	**7,739**

Source: Fitch Ratings, Fitch Solutions, NiSource Inc., Northern Indiana Public Service Company.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer Include:

- Capex of $6 billion forecast for 2020–2022;
- At the market equity of $200 million–$300 million/year;
- Removes CMA beginning in fourth-quarter 2020;
- Receives $1 billion net sale proceeds in fourth-quarter 2020;
- Fitch assumed some coronavirus-related reduction in customer load in 2020 and 2021.

Financial Data

($ Mil., as of Dec. 31)	2016	2017	2018	2019
Summary Income Statement	4,493	4,875	5,115	5,209
Gross Revenue	(3.4)	8.5	4.9	1.8
Revenue Growth (%)	1,404	1,486	726	1,996
Operating EBITDA (Before Income from Associates)	31.3	30.5	14.2	38.3
Operating EBITDA Margin (%)	1,420	1,500	737	2,038
Operating EBITDAR	31.6	30.8	14.4	39.1
Operating EBITDAR Margin (%)	857	916	126	1,294
Operating EBIT	19.1	18.8	2.5	24.8
Operating EBIT Margin (%)	(355)	(359)	(362)	(375)
Gross Interest Expense	510	443	(231)	507
Pretax Income (Including Associate Income/Loss)				
Summary Balance Sheet	26	29	113	139
Readily Available Cash and Equivalents	7,909	9,074	9,641	9,952
Total Debt with Equity Credit	8,033	9,184	9,729	10,291
Total Adjusted Debt with Equity Credit	7,883	9,045	9,528	9,813
Net Debt				
Summary Cash Flow Statement	1,404	1,486	726	1,996
Operating EBITDA	(338)	(346)	(363)	(346)
Cash Interest Paid	(8)	(6)	(3)	(11)
Cash Tax	0	0	0	0
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	(8)	(394)	130	(32)
Other Items Before FFO	1,051	741	478	1,551
Funds Flow from Operations	23.4	15.2	9.3	29.8
FFO Margin (%)	(246)	1	51	(40)
Change in Working Capital	805	742	529	1,512
Cash Flow from Operations (Fitch Defined)	(1)	0	0	0
Total Non-Operating/Non-Recurring Cash Flow	(1,475)	(1,696)	(1,818)	(1,802)
Capex	32.8	34.8	35.6	34.6
Capital Intensity (Capex/Revenue) (%)	(206)	(229)	(273)	(299)
Common Dividends	(877)	(1,183)	(1,563)	(589)
FCF	0	0	0	0
Net Acquisitions and Divestitures	(112)	(257)	(153)	(123)
Other Investing and Financing Cash Flow Items	986	1,113	75	494
Net Debt Proceeds	14	330	1,724	244
Net Equity Proceeds	11	3	84	27
Total Change in Cash				
Calculations for Forecast Publication	(1,682)	(1,925)	(2,092)	(2,101)
Capex, Dividends, Acquisitions and Other Items Before FCF	(877)	(1,183)	(1,563)	(589)
FCF After Acquisitions and Divestitures	(19.5)	(24.3)	(30.6)	(11.3)
FCF Margin (After Net Acquisitions) (%)	4,493	4,875	5,115	5,209

Coverage Ratios (x)	2016	2017	2018	2019
FFO-Interest Coverage	4.1	3.1	2.3	4.8
FFO Fixed-Charge Coverage	4.0	3.0	2.2	4.5
Operating EBITDAR/Interest Paid + Rents	4.0	4.2	2.0	5.2
Operating EBITDA/Interest Paid	4.2	4.3	2.0	5.8
Leverage Ratios (x)				
Total Adjusted Debt/Operating EBITDAR	5.7	6.1	13.2	5.0
Total Adjusted Net Debt/Operating EBITDAR	5.6	6.1	13.1	5.0
Total Debt with Equity Credit/Operating EBITDA	5.6	6.1	13.3	5.0
FFO-Adjusted Leverage	5.7	8.4	11.4	5.2
FFO-Adjusted Net Leverage	5.7	8.3	11.2	5.1

Source: Fitch Ratings, Fitch Solutions.

Ratings Navigator

FitchRatings

NiSource Inc.

ESG Relevance:

Corporates Ratings Navigator
US Utilities

FitchRatings

NiSource Inc.

Corporates Ratings Navigator
US Utilities

Operating Environment

aa+		Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa		Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
		Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-				
ccc+				

Management and Corporate Governance

aa-		Management Strategy	a	Coherent strategy and good track record in implementation.
a+		Governance Structure	aa	No record of governance failing. Experienced board exercising effective check and balance to management. No ownership concentration.
a		Group Structure	aa	Transparent group structure.
a-		Financial Transparency	a	High quality and timely financial reporting.
bbb+				

Regulation

a		Degree of Transparency and Predictability	bbb	Generally transparent and predictable regulation with limited political interference.
a-		Timeliness of Cost Recovery	a	Minimal lag to recover capital and operating costs.
bbb+		Trend in Authorized ROEs	a	Above-average authorized ROE.
bbb		Mechanisms Available to Stabilize Cash Flows	bbb	Revenues partially insulated from variability in consumption.
bbb-		Mechanisms Supportive of Creditworthiness		n.a.

Market and Franchise

a		Market Structure	a	Well-established market structure with complete transparency in price-setting mechanisms.
a-		Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
bbb+		Customer Mix	a	Favorable customer mix.
bbb		Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bbb-		Supply Demand Dynamics	bbb	Moderately favorable outlook for prices/rates.

Asset Base and Operations

a-		Diversity of Assets	bbb	Good quality and/or reasonable scale diversified assets.
bbb+		Operations Reliability and Cost Competitiveness	bbb	Reliability and cost of operations at par with industry averages.
bbb		Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations.
bbb-		Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bb+				

Commodity Exposure

a		Ability to Pass Through Changes in Fuel	bbb	Limited exposure to changes in commodity costs.
a-		Underlying Supply Mix	bbb	Low variable costs and moderate flexibility of supply.
bbb+		Hedging Strategy	a	Highly captive supply and customer base.
bbb				
bbb-				

Profitability

a-		Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
bbb+		Volatility of Profitability	a	Higher stability and predictability of profits relative to utility peers.
bbb				
bbb-				
bb+				

Financial Structure

a-		Lease Adjusted FFO Gross Leverage	bbb	5.0x
bbb+		Total Adjusted Debt/Operating EBITDAR	bb	4.75x
bbb				
bbb-				
bb+				

Financial Flexibility

a-		Financial Discipline	bbb	Less conservative policy, but generally applied consistently.
bbb+		Liquidity	a	Very comfortable liquidity. Well-spread maturity schedule of debt. Diversified sources of funding.
bbb		FFO Fixed Charge Cover	bbb	4.5x
bbb-				
bb+				

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

NiSource Inc. has 12 ESG potential rating drivers				Overall ESG
	key driver	0	issues	5
Emissions from operations				
	driver	0	issues	4
Fuel use to generate energy and serve load				
Impact of waste from operations	potential driver	12	issues	3
Plants' and networks' exposure to extreme weather				
Product affordability and access	not a rating driver	2	issues	2
Quality and safety of products and services; data security		0	issues	1

Showing top 6 issues

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

NiSource Inc.

Corporates Ratings Navigator
US Utilities

Credit-Relevant ESG Derivation

NiSource Inc. has 12 ESG potential rating drivers

- NiSource Inc. has exposure to emissions regulatory risk but this has very low impact on the rating.
- NiSource Inc. has exposure to energy productivity risk but this has very low impact on the rating.
- NiSource Inc. has exposure to waste & impact management risk but this has very low impact on the rating.
- NiSource Inc. has exposure to extreme weather events but this has very low impact on the rating.
- NiSource Inc. has exposure to access/affordability risk but this has very low impact on the rating.
- NiSource Inc. has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

Overall ESG Scale

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Commodity Exposure; Regulation; Profitability
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Commodity Exposure; Profitability
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Regulation; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Regulation; Profitability
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Regulation; Profitability

E Scale

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Regulation; Profitability; Financial Structure
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulation; Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability
Employee Wellbeing	2	Worker safety and accident prevention	Profitability; Asset Base and Operations
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability

S Scale

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

G Scale

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Priniciples for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

FitchRatings

Northern Indiana Public Service Company

ESG Relevance:

Corporates Ratings Navigator
US Utilities

FitchRatings

Northern Indiana Public Service Company

Corporates Ratings Navigator
US Utilities

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

aa-	Management Strategy	a	Coherent strategy and good track record in implementation.
a+	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
a	Group Structure	aa	Transparent group structure.
a-	Financial Transparency	a	High quality and timely financial reporting.
bbb+			

Regulation

a+	Degree of Transparency and Predictability	a	Track record of transparent and predictable regulation.
a	Timeliness of Cost Recovery	a	Minimal lag to recover capital and operating costs.
a-	Trend in Authorized ROEs	bbb	Average authorized ROE.
bbb+	Mechanisms Available to Stabilize Cash Flows	bbb	Revenues partially insulated from variability in consumption.
bbb	Mechanisms Supportive of Creditworthiness	bbb	Effective regulatory ring-fencing or minimum creditworthiness requirements.

Market and Franchise

a	Market Structure	a	Well-established market structure with complete transparency in price-setting mechanisms.
a-	Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
bbb+	Customer Mix	bbb	Less diversified customer base.
bbb	Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bbb-	Supply Demand Dynamics	bbb	Moderately favorable outlook for prices/rates.

Asset Base and Operations

a-	Diversity of Assets	bbb	Good quality and/or reasonable scale diversified assets.
bbb+	Operations Reliability and Cost Competitiveness	bbb	Reliability and cost of operations at par with industry averages.
bbb	Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations.
bbb-	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bb+			

Commodity Exposure

a	Ability to Pass Through Changes in Fuel	bbb	Limited exposure to changes in commodity costs.
a-	Underlying Supply Mix	bbb	Low variable costs and moderate flexibility of supply.
bbb+	Hedging Strategy	a	Highly captive supply and customer base.
bbb			
bbb-			

Profitability

a-	Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
bbb+	Volatility of Profitability	bbb	Stability and predictability of profits in line with utility peers.
bbb			
bbb-			
bb+			

Financial Structure

a-	Lease Adjusted FFO Gross Leverage	bbb	5.0x
bbb+	Total Adjusted Debt/Operating EBITDAR	bb	4.75x
bbb			
bbb-			
bb+			

Financial Flexibility

a	Financial Discipline	bbb	Less conservative policy, but generally applied consistently.
a-	Liquidity	a	Very comfortable liquidity. Well-spread maturity schedule of debt. Diversified sources of funding.
bbb+	FFO Fixed Charge Cover	a	5.0x
bbb			
bbb-			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

Overall ESG

Northern Indiana Public Service Company has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy and serve load
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

key driver	0	issues	5	
driver	0	issues	4	
potential driver	12	issues	3	
not a rating driver	2	issues	2	
	0	issues	1	

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

Northern Indiana Public Service Company

Corporates Ratings Navigator
US Utilities

Credit-Relevant ESG Derivation

Northern Indiana Public Service Company has 12 ESG potential rating drivers

- Northern Indiana Public Service Company has exposure to emissions regulatory risk but this has very low impact on the rating.
- Northern Indiana Public Service Company has exposure to energy productivity risk but this has very low impact on the rating.
- Northern Indiana Public Service Company has exposure to waste & impact management risk but this has very low impact on the rating.
- Northern Indiana Public Service Company has exposure to extreme weather events but this has very low impact on the rating.
- Northern Indiana Public Service Company has exposure to access/affordability risk but this has very low impact on the rating.
- Northern Indiana Public Service Company has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

key driver	0	issues	
driver	0	issues	
potential driver	12	issues	
not a rating driver	2	issues	
	0	issues	

Overall ESG Scale: 5, 4, 3, 2, 1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Commodity Exposure; Regulation; Profitability
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Commodity Exposure; Profitability
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Regulation; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Regulation; Profitability
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Regulation; Profitability

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Regulation; Profitability; Financial Structure
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulation; Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability
Employee Wellbeing	2	Worker safety and accident prevention	Profitability; Asset Base and Operations
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability

S Scale: 5, 4, 3, 2, 1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

G Scale: 5, 4, 3, 2, 1

How to Read This Page
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The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

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CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational and Debt Structure — NiSource Inc. and NIPSCO
($ Mil., as of Dec. 31, 2019)

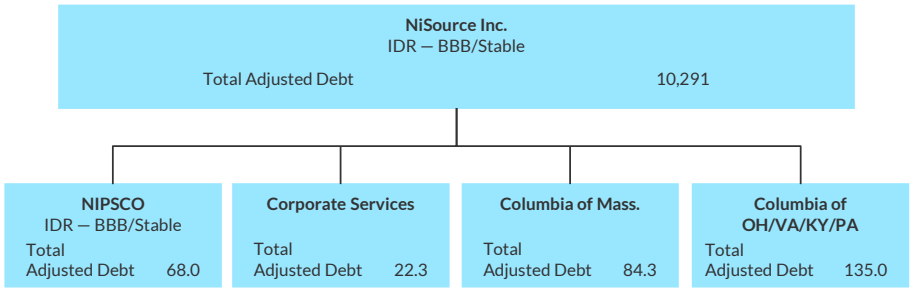

IDR – Issuer Default Rating. NIPSCO – Northern Indiana Public Service Company.
Source: Fitch Ratings, Fitch Solutions, NiSource Inc., Northern Indiana Public Service Company.

Peer Financial Summary

Company	IDR	Financial Statement Date	Gross Revenue ($ Mil.)	Funds Flow From Operations ($ Mil.)	FFO Fixed-Charge Coverage (x)	FFO Adjusted Leverage (x)	Total Adjusted Debt/Operating EBITDAR (x)
NiSource Inc.	BBB						
	BBB	2019	5,209	1,551	4.5	5.2	5.0
	BBB	2018	5,115	478	2.2	11.4	13.2
	BBB	2017	4,875	741	3.0	8.4	6.1
IPALCO Enterprises, Inc.	BBB–						
	BBB–	2018	1,451	390	4.3	5.4	5.8
	BB+	2017	1,350	289	3.4	6.5	6.0
	BB+	2016	1,347	303	3.6	6.2	5.5
Southern Company Gas	BBB+						
	BBB+	2018	3,909	579	3.1	7.4	5.2
	BBB+	2017	3,920	904	5.2	6.4	5.9
	BBB+	2016	3,557	633	4.3	7.4	5.8

IDR – Issuer Default Rating.
Source: Fitch Ratings, Fitch Solutions.

Reconciliation of Key Financial Metrics

($ Mil., as Reported)	12/30/19
Income Statement Summary	
Operating EBITDA	1,996
+ Recurring Dividends Paid to Noncontrolling Interests	0
+ Recurring Dividends Received from Associates	0
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	**1,996**
+ Operating Lease Expense Treated as Capitalized (h)	**42**
= Operating EBITDAR After Associates and Minorities (j)	**2,038**
Debt and Cash Summary	
Total Debt with Equity Credit (I)	9,952
+ Lease-Equivalent Debt	339
+ Other Off-Balance-Sheet Debt (p)	0
= Total Adjusted Debt with Equity Credit (a)	**10,291**
Readily Available Cash [Fitch-Defined]	139
+ Readily Available Marketable Securities [Fitch-Defined]	0
= Readily Available Cash and Equivalents (o)	**139**
Total Adjusted Net Debt (b)	**10,152**
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	(56)
Interest Received	8
+ Interest (Paid) (d)	**(346)**
= Net Finance Charge (e)	**(338)**
FFO (c)	1,551
+ Change in Working Capital [Fitch-Defined]	(40)
= CFFO (n)	**1,512**
Capex (m)	**(1,802)**
Multiple Applied to Capitalized Leases	**8.0**
Gross Leverage (x)	
Total Adjusted Debt/Operated EBITDAR[a] (a/j)	**5.0**
FFO-Adjusted Gross Leverage (a/(c-e+h-f))	**5.2**
Total Adjusted Debt/(FFO – Net Finance Charge + Capitalized Leases – Preferred Dividends Paid)	
Total Debt with Equity Credit/Operating EBITDA[a] (I/k)	**5.0**
Net Leverage (x)	
Total Adjusted Net Debt/Operating EBITDAR[a] (b/j)	**5.0**
FFO-Adjusted Net Leverage (b/(c-e+h-f))	**5.1**
Total Adjusted Net Debt/(FFO – Net Finance Charge + Capitalized Leases – Preferred Dividends Paid)	
Total Net Debt/(CFFO – Capex) ((I-o)/(n+m))	**(33.8)**
Coverage (x)	
Operating EBITDAR/(Interest Paid + Lease Expense)[a] (j/-d+h)	**5.2**
Operating EBITDA/Interest Paid[a] (k/(-d))	**5.8**
FFO Fixed-Charge Cover ((c+e+h-f)/(-d+h-f))	**4.5**
(FFO + Net Finance Charge + Capitalized Leases – Preferred Dividends Paid)/(Gross Interest Paid + Capitalized Leases – Preferred Dividends Paid)	
FFO Gross Interest Coverage ((c+e-f)/(-d-f))	**4.8**
(FFO + Net Finance Charge – Preferred Dividends Paid)/(Gross Interest Paid – Preferred Dividends Paid)	

[a]EBITDA/R after dividends to associates and minorities. CFFO – Cash flow from operations.
Source: Fitch Ratings, Fitch Solutions, NiSource Inc., Northern Indiana Public Service Company.

Fitch Adjustment Reconciliation

($ Mil., as of Dec. 31, 2019)	Reported Values	Sum of Fitch Adjustments	Preferred Dividends, Associates and Minorities Cash Adjustments	Fair Value and Other Debt Adjustments	CORP – Lease Treatment	Other Adjustment	Adjusted Values
Income Statement Summary							
Revenue	5,209	0	0	0	0	0	5,209
Operating EBITDAR	2,038	0	0	0	0	0	2,038
Operating EBITDAR After Associates and Minorities	2,038	0	0	0	0	0	2,038
Operating Lease Expense	16	27	0	0	27	0	42
Operating EBITDA	2,023	(27)	0	0	(27)	0	1,996
Operating EBITDA After Associates and Minorities	2,023	(27)	0	0	(27)	0	1,996
Operating EBIT	1,305	(11)	0	0	(11)	0	1,294
Debt and Cash Summary							
Total Debt with Equity Credit	10,083	(131)	0	71	0	(202)	9,952
Total Adjusted Debt with Equity Credit	10,208	83	0	71	214	(202)	10,291
Lease-Equivalent Debt	125	214	0	0	214	0	339
Other Off-Balance-Sheet Debt	0	0	0	0	0	0	0
Readily Available Cash and Equivalents	139	0	0	0	0	0	139
Not Readily Available Cash and Equivalents	9	0	0	0	0	0	9
Cash-Flow Summary							
Preferred Dividends (Paid)	0	(56)	(56)	0	0	0	(56)
Interest Received	8	0	0	0	0	0	8
Interest (Paid)	(350)	4	0	0	11	(8)	(346)
FFO	1,623	(72)	(56)	0	(16)	0	1,551
Change in Working Capital [Fitch-Defined]	(40)	0					(40)
CFFO	1,583	(72)	(56)	0	(16)	0	1,512
Non-Operating/Nonrecurring Cash Flow	0	0	0	0	0	0	0
Capex	(1,802)	0	0	0	0	0	(1,802)
Common Dividends (Paid)	(299)	0	0	0	0	0	(299)
FCF	(518)	(72)	(56)	0	(16)	0	(589)
Gross Leverage (x)							
Total Adjusted Debt/Operating EBITDAR[a]	5.0	0	0	0	0	0	5.0
FFO-Adjusted Leverage	5.2	0	0	0	0	0	5.2
FFO Leverage	5.1	0	0	0	0	0	5.1
Total Debt With Equity Credit/Operating EBITDA[a]	5.0	0	0	0	0	0	5.0
CFFO-Capex/Total Debt with Equity Credit (%)	(2.2)	0	0	0	0	0	(2.9)
Net Leverage (x)							
Total Adjusted Net Debt/Operating EBITDAR[a]	4.9	0	0	0	0	0	5.0
FFO-Adjusted Net Leverage	5.1	0	0	0	0	0	5.1
FFO Net Leverage	5.1	0	0	0	0	0	5.0
Total Net Debt/(CFFO – Capex)	(45.4)	0	0	0	0	0	(33.8)
CFFO-Capex/Total Net Debt with Equity Credit (%)	(2.2)	0	0	0	0	0	(3.0)
Coverage (x)							
Operating EBITDAR/(Interest Paid + Lease Expense)[a]	5.6	0	0	0	0	0	5.2
Operating EBITDA/Interest Paid[a]	5.8	0	0	0	0	0	5.8
FFO Fixed-Charge Coverage	5.4	0	0	0	0	0	4.5
FFO-Interest Coverage	5.6	0	0	0	0	0	4.8

[a]EBITDAR after dividends to associates and minorities. CFFO – Cash flow from operations.
Source: Fitch Ratings, Fitch Solutions, NiSource Inc., Northern Indiana Public Service Company.

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FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms NiSource Inc. and NIPSCO at 'BBB'; Outlook Stable

Tue 23 Mar, 2021 - 12:00 PM ET

Fitch Ratings - New York - 23 Mar 2021: Fitch Ratings has affirmed the 'BBB' Long-Term Issuer Default Ratings (IDRs) of NiSource Inc. (NI) and Northern Indiana Public Service Company (NIPSCO). The Rating Outlook is Stable. NI's credit profile is supported by its 100% regulated gas and electric utility operations in six states. NI's credit metrics recovered from the Merrimack Valley incident but are expected to remain elevated primarily due to a large capex program. A fully regulated business model with supportive regulation mitigates relatively high leverage, which has been the case for NI due to its large capex program and legacy debt. NIPSCO's ratings mirror those of NI, as it relies on NI solely for capital access.

KEY RATING DRIVERS

CMA Sale Removes Long-Term Risk

NI completed the sale of natural gas assets of Columbia Gas of Massachusetts (CMA) in October 2020 for $1.1 billion, roughly the size of CMA's rate base. NI used the proceeds to pay down the $850 million term loan and other short-term borrowings. The sale eliminated long-term risks associated with operating a utility with damaged regulatory relationship in Massachusetts.

All investigations and claims associated with the 2018 gas explosion in CMA's service territory in Merrimack Valley, Massachusetts have concluded and settled prior to closing. NI continues to seek insurance recovery for the pipeline replacement costs under the $300 million property insurance policy.

Feedback

In February 2020, NI reached settlement with the U.S. government. NI pleaded guilty to violating federal pipeline safety laws and agreed to pay a $53 million fine imposed by the U.S. Attorney's Office in February 2020, sell its Massachusetts utility business, permanently leave Massachusetts and surrender to the U.S. government any profits from the sale. In October 2020, Massachusetts Department of Public Utilities approved a $56 million settlement which concluded the final investigation into the gas explosion event in Merrimack Valley in 2018. NI also settled $143 million class action in July 2019. Costs and expenses related to Merrimack Valley totals approximately $1.461 billion which includes third party claims, government fines, penalties and law suits ($1.04 billion) and other incident-related costs ($420 million). NI received $800 million of casualty insurance proceeds (maximum limit).

Low Business Risk

NI's ratings and Outlook are supported by stable cash flows and earnings from 100% regulated gas and electric utilities in six states. Gas rate base is approximately 63% the total rate base. NI's gas-distribution utilities benefit from more supportive regulation and have less exposure to stringent environmental mandates. Additionally, Fitch considers Ohio, Pennsylvania and Indiana - NI's top three service territories - to be among the most supportive jurisdictions in the U.S. Fitch believes a fully regulated business model primarily with gas-distribution utility operations mitigates relatively high leverage, which has been the case for NI due to its large capex program and legacy debt.

Supportive Regulation

Balanced regulation is important for NI in light of its aggressive gas and electric infrastructure-modernization programs and high leverage. 75% of growth, safety and modernization capex through 2024 can be recovered through trackers and other mechanisms and begin earning within 18 months. NI's gas utilities have revenue decoupling in Ohio, Maryland and Virginia; weather normalization in Pennsylvania, Maryland, Virginia and Kentucky; and straight fixed-variable rates in Ohio. Gas rates in Indiana are nearly 50% fixed for residential and commercial customers. Approximately 50% of the total revenue is nonvolumetric.

All NI's gas utilities use infrastructure trackers on a regular basis, except in Pennsylvania. Columbia Gas of Pennsylvania has an option to file for infrastructure tracker recovery or leverage a forward-looking test year in a base rate case. NIPSCO Gas, Columbia Gas of Pennsylvania and Columbia Gas of Maryland have authorized ROEs of 9.85%, 9.86% and 9.60%, respectively. Other gas utilities have ROE for specific infrastructure or modernization programs ranging from 9.5% to 10.39%. NIPSCO electric's authorized ROE is 9.75%, compared with 2020 industry average of 9.4%.

NIPSCO's transmission projects benefited from constructive Federal Energy Regulatory Commission (FERC) regulation, including forward-looking rates and construction work in progress recovery. NIPSCO's ROE under FERC is 10.82%, inclusive of a 50bps adder for participating in the

Feedback

Midcontinent Independent System Operator (MISO) transmission service and wholesale energy market.

In Indiana, the integrated resource plan (IRP) allows utilities to inform the Indiana Utility Regulatory Commission (IURC) of their long-term capital investment plans on a nonbinding basis, years ahead of construction. The IRP process provides transparency before utilities submit their requests for approval to begin construction, a credit positive. The Transmission, Distribution and Storage System Improvement Charge (TDSIC) statute provides for cost recovery outside general rate case proceedings for gas or electric safety, reliability and modernization, and allows pre-approval of a seven-year plan of eligible investments. Up to 80% of eligible costs can be recovered using semi-annual trackers.

Indiana legislation allows cost recovery of federally mandated requirements, including modernization or environmental capex. NIPSCO has approval from the IURC to recover environmental costs through an environmental cost tracker, which allows the utility to earn a return on the capital investment, as well as related operating and maintenance expenses once operational. NIPSCO owns and operates 2 gigawatts (GW) of coal generation plants that were fully scrubbed at YE 2015; all comply with sulfur dioxide, nitrogen oxide and Mercury and Air Toxics Standards rules.

Constructive Order in Pennsylvania

In February 2021, Columbia Gas of Pennsylvania (CGP) received a constructive rate order from the Pennsylvania Public Utility Commission for its 2020 general rate case. CGP will increase gas distribution rates by 11% or $63.5 million. Authorized ROE is 9.86% and equity ratio is 54.19%, both of which are above sector average. The order rejected the Administrative Law Judge's recommendation to disallow any increase due to COVID-19 and stated that the pandemic shouldn't alter the continued application of standards for traditional rate-making. In April 2020, CGP filed the rate case requesting an increase of $100.4 million based on a ROE of 10.95% and equity capitalization of 54.19% and using a forward test year of 2021. New rates took effect retroactively on Jan. 23. CGP is the second largely gas LDC of NI based on rate base.

Coronavirus (COVID-19)

Impact from COVID-19 is manageable for NI. Usage in 2020 was down by $10 million in total across three customer classes with commercial and industrial usage down by $28 million and residential up by $19 million. Additionally, NI lost revenue on late payment fees and reconnection fees and increased bad debt expenses and other costs. In total, management indicated that gross impact from COVID-19 was $0.1 per share in 2020, which Fitch estimates to be $38.4 million total in earnings which was offset by approximately $ 0.05 per share (or $19 million) of non-safety related cost management and regulatory solutions. NI expects $0.05 per share COVID impact in 2021 (~$20 million).

Feedback

Large Capex

Management executed an average of $1.8 billion capex in the last three years. In the next four years, capex is expected to total approximately $10 billion, or $2.5 billion per year with peak spending in 2022 and 2023. 60% of the capex are invested in gas infrastructure and asset modernization, 20% in electric and 20% in renewables.

Although the capital investment is sizeable, most of the projects are small, providing flexibility in execution. NI's robust capex program is mainly supported by infrastructure modernization legislation and riders in all its service territories, mitigating regulatory lag. Renewable projects are pre-approved, reducing regulatory uncertainties. Rate base will grow 10%-12% CAGR from 2021 to 2024. Fitch views rate-base accretive and pre-approved capex favorably. However, it will pressure credit metrics temporarily.

Cleaner Fleet

NI aims to reduce greenhouse gas emissions by 90% by 2030 (off 2005 baseline), It plans to retire 80% of its coal generation by 2023 and 100% by 2028 and replace the capacity with renewable generation and PPAs. $1.8 billion to $2.0 billion capex through 2023 are invested in renewable projects.

Currently, 72% of NIPSCO's generation capacity is from coal-fired generation plants. NI indicated in September 2018 it will accelerate the retirement of its remaining five coal-fired generation stations (2,080MW capacity). In February 2021, NI announced that it will retire unit 14 and 15 totaling 903 MW at the R.M. Schahfer station at the end of 2021. The remaining two units (722 MW) at Schahfer will retired by 2023, and one at Michigan City station will retire by 2028, upon which NI will have no coal generation.

In October 2020, NI executed three Build-Transfer Agreements (BTA) for 900 MW solar nameplate capacity and 135 MW of storage capacity. In December 2020, Rosewater wind generating plant began operation. NI executed in December 2020 a PPA for an additional 280 MW of solar nameplate capacity. In March 2021, NI executed another BTA for 250 MW of solar nameplate capacity. With these projects, NI now has BTAs and PPAs with a combined nameplate capacity of 1,180 MW and 1,550 MW, respectively.

Feedback

Credit Metrics

In 2018, NI's credit metrics deteriorated substantially, primarily due to cost and expenses associated with Merrimack Valley incident. FFO-leverage improved to low 5x in 2019 as NI collected most of the insurance proceeds. In 2020, the pandemic, sale of CMA, weather and one-time expenses associated with NiSource Next initiative have resulted in the FFO leverage

exceeding 6x in 2020. Going forward, Fitch expects FFO leverage to hover around the downgrade trigger primarily due to the very large capital spending in 2022 and 2023 and rebound thereafter.

Parent Sub Linkage

Fitch generally considers NIPSCO to be stronger than NI due to its lower leverage and lower operating risks as a regulated utility. However, NI's operating subsidiaries, including NIPSCO, rely on NI solely for liquidity and capital access. As such, NIPSCO's standalone credit profile is not analytically meaningful and its IDR reflects NI's consolidated credit profile. NiSource has not issued any new debt at the operating company levels and doesn't plan to do so going forward. The debt balances at the operating subs are largely intercompany loans and small amount of legacy public debt which will be repaid as they mature.

DERIVATION SUMMARY

NI's fully regulated business model provides predictable earnings and cash flow, compared with Southern Company Gas (BBB+/Stable) and National Fuel Gas Company (BBB/Stable), both of which invest in unregulated operations. NI's business model, geographic diversification and supportive regulations mitigate its relatively weak credit metrics. Similar to IPALCO Enterprises, Inc. (BBB-/Stable) which also operates in Indiana, NI's subsidiary NIPSCO has coal generation. However, NI's operation is more diversified and gas focused compared with IPALCO's single-state electric generation. Both NI and IPALCO are executing a large capex program in the next three years. Fitch expects both NI and IPALCO's FFO leverage to be in the high-5x for the next few years.

NIPSCO's gas and electric assets are superior to Indianapolis Power & Light Co.'s (IPL, BBB+/Stable) electric-only operations. Gas utilities generally have lower operating risks and enjoy favorable regulations. NIPSCO and IPL's coal-generation portfolios rely on Indiana's supportive environmental cost-recovery mechanisms. NIPSCO's standalone credit profile is strong. However, its rating is the same as NI, as it depends on NI for funding. IPL's rating is upward constrained by the ownership of IPALCO, which relies on IPL solely to service its debt obligations.

Feedback

KEY ASSUMPTIONS

--Approximately $10 billion capex for 2021-2024 forecast including nearly $2 billion renewable capex;

-- At-the-market equity of $300 million per year;

-- COVID-19-related earnings reduction 2021 ($0.05 EPS or approximately $19 million);

-- Normal weather.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--NI and NIPSCO could be upgraded if consolidated FFO leverage is sustained below 5x.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Consolidated FFO leverage sustains above 5.8x with low probability of recovery;

--Material adverse changes in NI's regulatory construct that result in unexpected lag or disallowance in recovering capital spending.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

Feedback

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by NI and NIPSCO. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
NiSource Inc.	LT IDR	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable
	ST IDR	F2	Affirmed	F2
• senior unsecured	LT	BBB	Affirmed	BBB
• preferred	LT	BB+	Affirmed	BB+
• senior unsecured	ST	F2	Affirmed	F2
Northern	LT	BBB Rating Outlook Stable	Affirmed	BBB Rating

VIEW ADDITIONAL RATING DETAILS

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Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

Corporates Notching and Recovery Ratings Criteria (pub. 14 Oct 2019) (including rating assumption sensitivity)

Parent and Subsidiary Linkage Rating Criteria (pub. 26 Aug 2020)

Corporate Rating Criteria (pub. 21 Dec 2020) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v7.9.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

NiSource Inc.	EU Endorsed, UK Endorsed
Northern Indiana Public Service Company	EU Endorsed, UK Endorsed

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Feedback

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Energy and Natural Resources Corporate Finance Utilities and Power North America

United States

Feedback

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-005:

Please provide a work paper showing the derivation of the Company's current AFUDC rate.

Response:

Attached as Attachment A is the NiSource Inc. notification to Columbia Gas of Pennsylvania, Inc. on the applicable Allowance for Funds Used During Construction (AFUDC) for 2021. The CPA rate is 4.12%.

Attached as Attachment B is the worksheet showing the computation of the current AFUDC rate of 4.12%. Employee names have been redacted.

Number: CL 2021-53
Date: 11/30/2021

2021 Allowance for Funds Used During Construction (AFUDC) Borrowed and Equity Rates

Listed below are the updated AFUDC rates to be used for 2021 shown alongside the rates last published in Controller's Letter 2021-19 (issued May 2021). Interim rates are published to capture significant rate trends prior to year-end.

Please note that due to a FERC order issued in June 2020, some of our reporting units below will be adopting the waiver that allows companies to modify their AFUDC rate by using historical short-term debt rate, in order to mitigate the impact of short-term debt issued during COVID-19 pandemic. The rate calculated using the FERC waiver is applicable from March 1, 2020 to February 28, 2021. In early 2021 FERC extended the waiver for additional seven months, to be effective through September 30, 2021. **In September 2021, FERC approved the joint EEI and AGA request to extend the existing waiver to modify the calculation of the AFUDC rate through March 31, 2022.**

Please follow the instructions below to update rates :
1. TABLE A: Rates published in May 2021. Provided here for reference only
2. TABLE B: Rates calculated with adoption of the FERC waiver (see note below for CMD and CPA exception), please record a cumulative adjustment from Jan 1, 2021 onwards using these rates.

See tab 'AFUDC' for schedules showing the computation of the 2021 AFUDC rates.

TABLE A

	Using 12 Months Ended April 30, 2021			
	Borrowed	Equity	Total	
CPA	1.07%	2.48%	3.55%	[B]

TABLE B

Rates applicable: 1/1/2021 to 12/31/2021

	Using 12 Months Ended October 30, 2021				
	Borrowed	Equity	Total	Chg from Oct	
CPA	1.22%	2.90%	4.12%	0.57%	[B](2)

PeopleSoft 9.1	Account	Cost Ele	Activity Code
Borrowed	43200000	4503	11003
Equity	41910000	4504	

[A] Per Regulatory: CMD rate of 7.16% based upon Case 9644, Exhibit 7. Please note, CMD rate is not impacted by the FERC waiver.
[B] Management made a decision to not adopt the FERC waiver for CPA, rates listed here are without waiver. This is consistent with 2020 year-end and 2021 interim calculation determination.
(1) Decrease in Debt and Equity rates is primarily the result of higher average short-term debt as a percentage of CWIP for these business units.
(2) Increase in Debt and Equity rates is primarily the result of lower average short-term debt as a percentage of CWIP for these business units.

Notes on certain key components of the AFUDC Rate calculation:
ST Debt Interest Rate: Generally, an increase in the ST Debt Interest Rate will increase the AFUDC-Borrowed Rate and have no impact on the AFUDC-Equity Rate. Operating company rates are based on the consolidated rate. The ST Debt Interest Rate is based on Money Pool Borrowings.

Ratio of Average ST Debt to Average CWIP (S/W Ratio): An increase in the S/W Ratio will decrease both the AFUDC-Borrowed Rate and AFUDC-Equity Rate, as the AFUDC formula assumes that ST borrowings are used first for construction before costs of LT debt and equity are factored in. Average ST Debt is based on Money Pool Borrowings. In the event average ST borrowings exceed the average CWIP balance for the period, the AFUDC-Equity Rate will be zero, and the AFUDC-Borrowed Rate will equal the ST borrowing rate.

Cost of Equity Rate: An increase in the Cost of Equity Rate will increase the AFUDC-Equity Rate and have no impact on the AFUDC-Borrowed Rate. The Cost of Equity Rate is based on regulatory filings and is a weighted average rate at the NiSource Consolidated level.

AFUDC Rates	
	CPA037
AFUDC Debt	1.22%
AFUDC Equity	2.90%
Total AFUDC	4.12%

AFUDC Debt = s(S/W)+d(D/(D+P+C)*(1-S/W)	UDC Formula Inpu
AFUDC Equity = (1-S/W)*[(p(P/(D+P+C))*+c(C/(D+P+C))]	
	CPA037
D - LTD	895,515,000
d - LTD Interest Rate (see Note C)	4.86%
P - Preferred Stock (see Note D)	-
p - Preferred Stock Cost Rate (see Note D)	0.00%
C - Common Equity	1,120,605,000
c - Common Equity Cost Rate (see Note A)	9.86%
s - ST Debt Interest Rate	0.18%
S - Average ST Debt	33,240,042
W - Average CWIP	70,485,453
STD/AVCWIP	47.16%

CWIP - Ending Balance		
100129000		CPA037
2020	Oct	55,722,650
2020	Nov	48,294,051
2020	Dec	45,369,840
2021	Jan	44,958,110
2021	Feb	49,686,248
2021	Mar	60,384,485
2021	Apr	67,903,519
2021	May	72,636,240
2021	Jun	82,355,013
2021	Jul	90,767,389
2021	Aug	99,713,336
2021	Sep	102,540,129
2021	Oct	106,711,495
Average CWIP Ending Balance		71,310,962

CWIP - Average Monthly Balance		
		CPA037
2020	Nov	52,008,350
2020	Dec	46,831,946
2021	Jan	45,163,975
2021	Feb	47,322,179
2021	Mar	55,035,367

2021	Apr	64,144,002
2021	May	70,269,879
2021	Jun	77,495,626
2021	Jul	86,561,201
2021	Aug	95,240,362
2021	Sep	101,126,732
2021	Oct	104,625,812
TTM Average CWIP Balance		70,485,453

Interest Expense - Money Pool

700102000		**CPA037**
2020	Nov	21,013
2020	Dec	31,166
2021	Jan	27,168
2021	Feb	17,810
2021	Mar	15,149
2021	Apr	-
2021	May	-
2021	Jun	188
2021	Jul	4
2021	Aug	832
2021	Sep	5,996
2021	Oct	12,009
TTM MP Interest Expense		131,334

Average Daily Balance of Short-term Borrowings (Money Pool)

300203234		**CPA037**
2020	Nov	116,559,594
2020	Dec	156,928,823
2021	Jan	157,526,687
2021	Feb	134,608,275
2021	Mar	112,255,753
2021	Apr	-
2021	May	-
2021	Jun	10,249,781
2021	Jul	124,048
2021	Aug	7,326,777
2021	Sep	45,566,002
2021	Oct	89,252,075
TTM Avg. ST Borrowings		69,199,818

Short-term Borrowings Used for AFUDC Calculation

		CPA037
2020	Nov	52,008,350
2020	Dec	46,831,946

2021	Jan	45,163,975
2021	Feb	47,322,179
2021	Mar	55,035,367
2021	Apr	-
2021	May	-
2021	Jun	10,249,781
2021	Jul	124,048
2021	Aug	7,326,777
2021	Sep	45,566,002
2021	Oct	89,252,075
TTM Avg. ST Borrowings for AFUDC		33,240,042

Interest Expense on ST Borrowings for AFUDC		
		CPA037
2020	Nov	9,376
2020	Dec	9,301
2021	Jan	7,789
2021	Feb	6,261
2021	Mar	7,427
2021	Apr	-
2021	May	-
2021	Jun	188
2021	Jul	4
2021	Aug	832
2021	Sep	5,996
2021	Oct	12,009
TTM MP Interest Expense for AFUDC		59,182

Long-term Debt / Preferred Stock / Common Equity		
2020	**Dec**	**CPA037**
201299000	Long Term Debt (incl. Finance Leases)	894,155,812
300199000	Current Portion of Long Term Debt	21,083,981
300201233	Short-term Debt I/C (see Note J)	-
300129000	Less: Capital Leases in Current LTD	1,083,981
201230225	Less: Unamortized Premium	-
201235226	Less: Unamortized Discount	-
201240000	Less: Interest Rate Swaps	-
201249000	Less: Capital Leases in LTD	18,640,812
Long-term Debt		895,515,000
200299900	Preferred Stock	-
200999000	Total Stock Equity	1,120,605,000
200699000	Less: AOCI	-
200299900	Less: Preferred Stock	-
Total Common Equity		1,120,605,000

Note A - The Common Equity Cost Rates and Preferred Equity Cost Rates (where applicable) for all companies, as well as the AFUDC rates for CMD and NIPSCO

Note B - The consolidated weighted average cost of equity is calculated by using only the companies whose cost of equity (or the calculation to determine the cost

6,513,569,017 Common Equity us

Note C - LTD Interest Rate obtained from Debt Cost Report worksheet obtained from Treasury as of 12/31/20 (NiSource's policy is to use prior year-end debt balances to calculated LTD Interest Rate).

Note D - Per Regulatory, while NiSource had preferred equity as of 12/31/20, most state commissions have not yet approved a preferred equity cost rate. Note to
Note E - Amounts obtained from [redacted] Money Pool Spreadsheet (see tab E).
Note F - NIPSCO Electric/Gas split for ST Borrowings is based on the CWIP Allocation (see note G).
Note G - NIPSCO Electric/Gas split for CWIP was obtained from [redacted], Electric Accounting. Per [redacted] the Electric/Gas split in tab 'G.' is based on FERC financials, whereas NIPSCO consolidated information above is from HFM (GAAP view). Certain months saw $1M to $6M FERC-GAAP differences due to Cloud
Note H - NIPSCO Electric/Gas split for LTD and Common Equity (aka Ratio H)
Note I - An AFUDC Rate for NIPSCO Consolidated is not calculated. NIPSCO Electric rates are calculated individually, and NIPSCO Gas rates are prescribed by the IURC.
Note J - Peoplesoft account 2330000 - Notes Payable Affiliated is mapped to this intercompany short-term debt account in Hyperion. As these balances represent a current portion of long-term debt and not short-term borrowings, account must be included herein. As this account is marked as intercompany, these balances are eliminated in consolidation so there is no missclassification between short-term borrowings and current portion of long-term debt on the consolidated balance sheet. For FERC purposes, the balances are appropriately recorded in a 233 Notes Payable account.
Note K - Amounts from [redacted], Shared Services Center. We manually adjust COH CWIP for IDR Refundable Spend, which is manually tracked by Fixed Asset Accounting. The manual adjustments for COH CWIP began in April 2017. These items will remain in CWIP as cancelled for 7 years according to our IDR agreement with the state of Ohio.
Note M - FERC guidance permits entities to capitalize certain implementation costs associated with cloud computing arrangements whereas under GAAP books these cloud costs are presented as prepaid asset. Due to this difference between GAAP and FERC reporting, management decided to include Cloud implementation balances along with GAAP CWIP balance for each of the jurisdictions, when calculating Average CWIP for AFUDC rates. This change was made in during issuance of November 2020 CL. Inclusion of cloud balances resulted in a slight increase of 0.10% and under to AFUDC rates for each jurisdictions.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-006:

Please supply copies of all presentations by the Company's and, if applicable, its parent's management to securities analysts during the past 2 years. This would include presentations of financial projections.

Response:

Columbia Gas of Pennsylvania, Inc. (Company) is a wholly owned subsidiary of NiSource Gas Distribution, Inc. (NGD), which is a subsidiary of NiSource Inc. (Parent). Neither the Company nor NGD have made presentations to securities analysts separate from the Parent.

Presentations made by the Parent from the past 2 years are included in Attachments A – M.

Segment and Financial Information Fourth Quarter 2019

Supplement to NiSource Fourth Quarter 2019 Earnings Presentation

NiSource®

Fourth Quarter 2019 Operating Earnings - Segment Results (non-GAAP)

NiSource's consolidated operating earnings (non-GAAP) for the fourth quarter of 2019 were $310.6 million, compared to $294.7 million in the comparable 2018 period. Refer to the attached schedules for the items included in 2019 and 2018 GAAP operating income but excluded from operating earnings (non-GAAP).

Operating earnings (non-GAAP) for NiSource's business segments for the three months ended December 31, 2019, are discussed below.

Gas Distribution Operations

For the fourth quarter of 2019, Gas Distribution Operations reported operating earnings of $213.9 million, compared to operating earnings of $212.4 million in the comparable 2018 period.

Net revenues for the fourth quarter of 2019 were $687.5 million, an increase of $13.8 million from the comparable 2018 period. The change in net revenues was primarily driven by:

- New rates from base rate proceedings and infrastructure replacement programs of $24.3 million.

Partially offset by:

- Lower residential, commercial and industrial usage of $8.2 million.

Operating expenses for the fourth quarter of 2019 were $473.6 million, an increase of $12.3 million from the comparable 2018 period. The change in operating expenses was primarily driven by:

- Increased depreciation of $19.3 million due to the regulatory outcome of NIPSCO's gas rate case, an increase in amortization of depreciation previously deferred as a regulatory asset resulting from Columbia of Ohio's CEP, and higher capital expenditures placed in service.

Partially offset by:

- Lower environmental costs of $8.7 million primarily due to regulatory approved deferral of Columbia of Ohio environmental expenses.

Electric Operations

For the fourth quarter of 2019, Electric Operations reported operating earnings of $84.9 million, compared to operating earnings of $83.0 million in the comparable 2018 period.

Net revenues for the fourth quarter of 2019 were $296.7 million, an increase of $13.7 million from the comparable 2018 period. The change in net revenues was primarily driven by:

- New rates from the recent rate case proceeding, incremental capital spend on infrastructure replacement programs, and electric transmission projects of $10.9 million.
- Decreased fuel handling costs of $3.7 million.

Operating expenses for the fourth quarter of 2019 were $211.8 million, an increase of $11.8 million from the comparable 2018 period. The change in operating expenses was primarily driven by:

- Increased outside service costs of $8.1 million due to higher maintenance costs.
- Increased depreciation of $2.3 million due to higher capital expenditures placed in service.

Corporate and Other Operations

For the fourth quarter of 2019, Corporate and Other Operations reported operating earnings of $11.8 million compared to an operating loss of $0.7 million in the comparable 2018 period. This change resulted primarily from unfavorable insurance reserve adjustments recorded in 2018.

Other Income (Deductions)

Other income (deductions) reduced income by $98.8 million for the fourth quarter of 2019 compared to a reduction in income of $101.6 million in the comparable 2018 period.

Income Taxes

The effective tax rate of net operating earnings was 13.5 percent compared to 22.3 percent for the same period last year. This decrease is primarily due to favorable state book-to-return adjustments recorded in 2019.

Twelve months ended December 31, 2019 Operating Earnings - Segment Results (non-GAAP)

NiSource's consolidated operating earnings (non-GAAP) for the twelve months ended December 31, 2019 were $1,046.8 million, compared to $931.2 million in the comparable 2018 period. Refer to the attached schedules for the items included in 2019 and 2018 GAAP operating income but excluded from operating earnings (non-GAAP).

Operating earnings (non-GAAP) for NiSource’s business segments for the twelve months ended December 31, 2019, are discussed below.

Gas Distribution Operations

For the twelve months ended December 31, 2019, Gas Distribution Operations reported operating earnings of $632.0 million, compared to operating earnings of $565.3 million in the comparable 2018 period.

Net revenues for the twelve months ended December 31, 2019 were $2,435.6 million, an increase of $283.7 million from the comparable 2018 period. The change in net revenues was primarily driven by:

- New rates from base rate proceedings and infrastructure replacement programs of $243.2 million.
- Higher regulatory, depreciation, and tax trackers, which are offset in operating expense, of $36.2 million.
- The effects of commercial and residential customer growth of $12.8 million.

Operating expenses for the twelve months ended December 31, 2019 were $1,803.6 million, an increase of $217.0 million from the comparable 2018 period. The change in operating expenses was primarily driven by:

- Increased depreciation of $103.8 million due to the regulatory outcome of NIPSCO's gas rate case, an increase in amortization of depreciation previously deferred as a regulatory asset resulting from Columbia of Ohio's CEP, and higher capital expenditures placed in service.

- Higher employee and administrative expenses of $28.4 million driven by an increase in headcount.
- Higher regulatory, depreciation, and tax trackers, which are offset in net revenues, of $36.2 million.
- Higher property taxes of $22.2 million primarily due to increased amortization of property taxes previously deferred as a regulatory asset resulting from Columbia of Ohio's CEP, as well as higher capital expenditures placed in service.
- Higher outside services of $12.9 million primarily due to increased line location and safety-related work.
- Higher insurance expense of $9.1 million primarily driven by increased premiums.

Electric Operations

For the twelve months ended December 31, 2019, Electric Operations reported operating earnings of $401.5 million, compared to operating earnings of $369.1 million in the comparable 2018 period.

Net revenues for the twelve months ended December 31, 2019 were $1,226.7 million, an increase of $40.9 million from the comparable 2018 period. The change in net revenues was primarily driven by:

- New rates from the recent rate case proceeding, incremental capital spend on infrastructure replacement programs and electric transmission projects of $24.8 million.
- Decreased fuel handling costs of $11.0 million.
- Higher regulatory and depreciation trackers, which are offset in operating expense, of $8.4 million.
- The effects of commercial and residential customer growth of $3.9 million.

Partially offset by:

- Decreased residential, commercial and industrial customer usage of $10.8 million.

Operating expenses for the twelve months ended December 31, 2019 were $825.2 million, an increase of $8.5 million from the comparable 2018 period. The change in operating expenses was primarily driven by:

- Higher regulatory and depreciation trackers, which are offset in net revenues, of $8.4 million.
- Increased depreciation of $8.7 million due to higher capital expenditures placed in service.
- Higher outside services of $2.4 million.

Partially offset by:

- Decreased materials and supplies costs of $7.8 million, primarily related to the retirement of Bailly Generating Station Units 7 and 8 on May 31, 2018.
- Decreased employee and administrative costs of $5.0 million.

Corporate and Other Operations

For the twelve months ended December 31, 2019, Corporate and Other Operations reported operating earnings of $13.3 million compared to an operating loss of $3.2 million in the comparable 2018 period. This change resulted primarily from unrealized losses on the cash surrender value of corporate owned life insurance investments and unfavorable insurance reserve adjustments recorded in 2018.

Other Income (Deductions)

Other income (deductions) reduced income by $383.8 million for the twelve months ended December 31, 2019 compared to a reduction in income of $335.3 million in the comparable 2018 period. This variance is primarily driven by lower actuarial investment returns on pension and other postretirement benefit assets of $34.6 million and an increase in interest expense of $25.6 million driven by decreased regulatory deferrals from Columbia Gas of Ohio's CEP. These unfavorable variances were partially offset by charitable contributions of $19.5 million in 2018.

Income Taxes

The effective tax rate of net operating earnings was 17.1 percent compared to 19.7 percent for the same period last year.

NiSource Inc.

Consolidated Net Operating Earnings Available to Common Shareholders (Non-GAAP) *(unaudited)*

	Three Months Ended December 31,		Twelve Months Ended December 31,	
(in millions, except per share amounts)	**2019**	2018	**2019**	2018
Net Revenues				
Operating Revenues	**$ 1,385.4**	$ 1,453.1	**$ 5,184.1**	$ 5,084.0
Cost of Sales (excluding depreciation and amortization)	**404.3**	499.7	**1,534.8**	1,759.4
Total Net Revenues (Non-GAAP)	**981.1**	953.4	**3,649.3**	3,324.6
Operating Expenses				
Operation and maintenance	**348.9**	360.0	**1,373.4**	1,343.0
Operation and maintenance - trackers	**64.5**	65.2	**214.9**	176.4
Depreciation and amortization	**176.7**	155.4	**693.4**	579.7
Depreciation and amortization - trackers	**5.5**	6.4	**24.0**	19.9
Other taxes	**54.3**	50.5	**222.1**	201.0
Other taxes - trackers	**20.6**	21.2	**74.7**	73.4
Total Operating Expenses	**670.5**	658.7	**2,602.5**	2,393.4
Operating Earnings	**310.6**	**294.7**	**1,046.8**	**931.2**
Other Income (Deductions)				
Interest expense, net	**(93.3)**	(88.1)	**(378.9)**	(353.3)
Other, net	**(4.9)**	(13.1)	**(3.4)**	19.9
Other, net - trackers	**(0.6)**	(0.4)	**(1.5)**	(1.9)
Total Other Deductions, Net	**(98.8)**	(101.6)	**(383.8)**	(335.3)
Operating Earnings Before Income Taxes	**211.8**	193.1	**663.0**	595.9
Income Taxes	**28.5**	43.1	**113.2**	117.6
Net Operating Earnings	**183.3**	150.0	**549.8**	478.3
Preferred dividends	**(13.7)**	(8.1)	**(55.1)**	(15.0)
Net Operating Earnings Available to Common Shareholders (Non-GAAP)	**169.6**	141.9	**494.7**	463.3
Non-GAAP Basic Net Operating Earnings Per Share	**$ 0.45**	$ 0.38	**$ 1.32**	$ 1.30
Basic Average Common Shares Outstanding	**377.2**	369.4	**374.6**	356.5

NiSource Inc.
Segment Operating Earnings (Non-GAAP) *(unaudited)*

Gas Distribution Operations	**Three Months Ended December 31,**		**Twelve Months Ended December 31,**	
(in millions)	**2019**	2018	**2019**	2018
Net Revenues				
Operating revenues	**$ 995.3**	$ 1,056.0	**$ 3,503.2**	$ 3,409.3
Cost of Sales (excluding depreciation and amortization)	**307.8**	382.3	**1,067.6**	1,257.4
Net Revenues (Non-GAAP)	**687.5**	673.7	**2,435.6**	2,151.9
Operating Expenses				
Operation and maintenance	**254.4**	263.2	**1,000.0**	948.0
Operation and maintenance - trackers	**54.6**	54.6	**169.3**	133.0
Depreciation and amortization	**103.2**	83.9	**401.2**	297.4
Depreciation and amortization - trackers	**0.6**	2.1	**2.0**	3.6
Other taxes	**40.2**	36.3	**156.4**	131.2
Other taxes - trackers	**20.6**	21.2	**74.7**	73.4
Total Operating Expenses	**473.6**	461.3	**1,803.6**	1,586.6
Operating Earnings (Non-GAAP)	**$ 213.9**	$ 212.4	**$ 632.0**	$ 565.3

Electric Operations	**Three Months Ended December 31,**		**Twelve Months Ended December 31,**	
(in millions)	**2019**	2018	**2019**	2018
Net Revenues				
Operating Revenues	**$ 393.3**	$ 400.5	**$ 1,694.0**	$ 1,687.9
Cost of Sales (excluding depreciation and amortization)	**96.6**	117.5	**467.3**	502.1
Net Revenues (Non-GAAP)	**296.7**	283.0	**1,226.7**	1,185.8
Operating Expenses				
Operation and maintenance	**121.2**	111.5	**449.4**	453.3
Operation and maintenance - trackers	**9.9**	10.6	**45.6**	43.4
Depreciation and amortization	**64.6**	62.3	**255.3**	246.6
Depreciation and amortization - trackers	**4.9**	4.3	**22.0**	16.3
Other taxes	**11.2**	11.3	**52.9**	57.1
Total Operating Expenses	**211.8**	200.0	**825.2**	816.7
Operating Earnings (Non-GAAP)	**$ 84.9**	$ 83.0	**$ 401.5**	$ 369.1

Corporate and Other Operations	**Three Months Ended December 31,**		**Twelve Months Ended December 31,**	
(in millions)	**2019**	2018	**2019**	2018
Operating Earnings (Loss) (Non-GAAP)	**$ 11.8**	$ (0.7)	**$ 13.3**	$ (3.2)

NiSource Inc.
Segment Volumes and Statistical Data *(unaudited)*

Gas Distribution Operations	Three Months Ended December 31, 2019	2018	Twelve Months Ended December 31, 2019	2018
Sales and Transportation (MMDth)				
Residential	**88.4**	92.4	**274.9**	280.3
Commercial	**57.8**	57.9	**189.6**	187.6
Industrial	**136.0**	138.0	**542.5**	555.7
Off-System	**8.3**	8.1	**32.9**	30.0
Other	**—**	—	**0.3**	—
Total	**290.5**	296.4	**1,040.2**	1,053.6
Weather Adjustment	**(8.6)**	(10.1)	**(17.8)**	(18.5)
Sales and Transportation Volumes - Excluding Weather	**281.9**	286.3	**1,022.4**	1,035.1
Customers				
Residential			**3,221,178**	3,194,662
Commercial			**282,778**	281,517
Industrial			**5,982**	5,833
Other			**3**	3
Total			**3,509,941**	3,482,015
Heating Degree Days	**1,966**	2,064	**5,375**	5,562
Normal Heating Degree Days	**1,954**	2,034	**5,452**	5,610
% Colder (Warmer) than Normal	**1%**	1%	**(1)%**	(1)%

Electric Operations	Three Months Ended December 31, 2019	2018	Twelve Months Ended December 31, 2019	2018
Sales (Gigawatt Hours)				
Residential	**740.8**	780.6	**3,369.5**	3,535.2
Commercial	**897.6**	915.6	**3,760.3**	3,844.6
Industrial	**1,940.4**	2,043.7	**8,466.1**	8,829.5
Wholesale	**0.3**	19.5	**8.2**	114.3
Other	**30.8**	29.2	**117.2**	124.4
Total	**3,609.9**	3,788.6	**15,721.3**	16,448.0
Weather Adjustment	**(3.7)**	(36.0)	**(61.0)**	(265.2)
Sales Volumes - Excluding Weather	**3,606.2**	3,752.6	**15,660.3**	16,182.8
Customers				
Residential			**415,534**	412,267
Commercial			**57,058**	56,605
Industrial			**2,256**	2,284
Wholesale			**726**	735
Other			**2**	2
Total			**475,576**	471,893
Cooling Degree Days			**962**	1,180
Normal Cooling Degree Days			**803**	806
% Warmer than Normal			**20 %**	46 %

NiSource Inc.

Schedule 1 - Reconciliation of Consolidated Net Income (Loss) Available to Common Shareholders to Net Operating Earnings Available to Common Shareholders (Non-GAAP) *(unaudited)*

	Three Months Ended December 31,		Twelve Months Ended December 31,	
(in millions, except per share amounts)	**2019**	2018	**2019**	2018
GAAP Net Income (Loss) Available to Common Shareholders	**$ (153.0)**	$ (19.8)	**$ 328.0**	$ (65.6)
Adjustments to Operating Income (Loss):				
Operating Revenues:				
Weather - compared to normal	**(11.8)**	(10.6)	**(24.8)**	(32.5)
Greater Lawrence Incident[(1)]	**—**	3.9	**—**	3.9
Operating Expenses:				
Plant retirement costs[(2)]	**—**	—	**—**	3.3
Greater Lawrence Incident[(3)]	**(54.2)**	379.0	**(233.6)**	830.6
Franchise rights impairment[(4)]	**209.7**	—	**209.7**	—
Goodwill impairment[(5)]	**204.8**	—	**204.8**	—
Loss on sale of fixed assets and impairments, net	**0.1**	0.8	**—**	1.2
Total adjustments to operating income (loss)	**348.6**	373.1	**156.1**	806.5
Other Income (Deductions):				
Greater Lawrence Incident - charitable contribution[(3)]	**—**	10.4	**—**	20.7
Interest rate swap settlement gain	**—**	(25.0)	**—**	(46.2)
Loss on early extinguishment of long-term debt	**—**	—	**—**	45.5
Income Taxes:				
Tax effect of above items[(6)]	**(90.5)**	(79.8)	**(38.2)**	(180.6)
Income taxes - discrete items[(7)]	**64.5**	(117.0)	**48.8**	(117.0)
Total adjustments to net income (loss)	**322.6**	161.7	**166.7**	528.9
Net Operating Earnings Available to Common Shareholders (Non-GAAP)	**$ 169.6**	$ 141.9	**$ 494.7**	$ 463.3
Basic Average Common Shares Outstanding	**377.2**	369.4	**374.6**	356.5
GAAP Basic Earnings (Loss) Per Share	**$ (0.41)**	$ (0.05)	**$ 0.88**	$ (0.18)
Adjustments to basic earnings (loss) per share	**0.86**	0.43	**0.44**	1.48
Non-GAAP Basic Net Operating Earnings Per Share	**$ 0.45**	$ 0.38	**$ 1.32**	$ 1.30

[(1)] Represents revenues not billed to impacted customers as a result of the Greater Lawrence Incident.
[(2)] Represents costs incurred associated with the retirement of Units 7 and 8 at Bailly Generating Station.
[(3)] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
[(4)]Represents a non-cash impairment of the Columbia of Massachusetts franchise rights as a result of recent events connected with the Greater Lawrence Incident.
[(5)]Represents a non-cash impairment of goodwill attributable to Columbia of Massachusetts as a result of recent events connected with the Greater Lawrence Incident.
[(6)]Income tax effect is calculated using the statutory tax rate by legal entity.
[(7)]2019 activity represents the non-deductible goodwill impairment (see footnote 5 above), non-deductible fines and penalties and adjustments to consolidated state deferred taxes related to the Greater Lawrence Incident. 2018 activity represents adjustments to the impact of the Tax Cuts and Jobs Act of 2017 due to regulatory actions in 2018.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Income (Loss) to Operating Earnings (Loss) (Non-GAAP) *(unaudited)*

Three Months Ended December 31, 2019 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (Loss) (GAAP)	**$ 69.6**	**$ 85.4**	**$ (193.0)**	**$ (38.0)**
Adjustments to Operating Income:				
Operating Revenues:				
Weather - compared to normal	(11.4)	(0.4)	—	**(11.8)**
Operating Expenses:				
Greater Lawrence Incident[(1)]	(54.2)	—	—	**(54.2)**
Franchise rights impairment[(2)]	209.7	—	—	**209.7**
Goodwill impairment[(3)]	—	—	204.8	**204.8**
Loss (Gain) on sale of fixed assets and impairments, net	0.2	(0.1)	—	**0.1**
Total Adjustments to Operating Income	**144.3**	**(0.5)**	**204.8**	**348.6**
Operating Earnings (Non-GAAP)	**$ 213.9**	**$ 84.9**	**$ 11.8**	**$ 310.6**

[(1)] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
[(2)] Represents a non-cash impairment of the Columbia of Massachusetts franchise rights as a result of recent events connected with the Greater Lawrence Incident.
[(3)] Represents a non-cash impairment of goodwill attributable to Columbia of Massachusetts as a result of recent events connected with the Greater Lawrence Incident.

Three Months Ended December 31, 2018 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (Loss) (GAAP)	**$ (159.7)**	**$ 85.7**	**$ (4.4)**	**$ (78.4)**
Adjustments to Operating Income (Loss):				
Operating Revenues:				
Weather - compared to normal	(7.9)	(2.7)	—	**(10.6)**
Greater Lawrence Incident[(1)]	3.9	—	—	**3.9**
Operating Expenses:				
Greater Lawrence Incident[(2)]	375.9	—	3.1	**379.0**
Loss on sale of fixed assets and impairments, net	0.2	—	0.6	**0.8**
Total Adjustments to Operating Income (Loss)	**372.1**	**(2.7)**	**3.7**	**373.1**
Operating Earnings (Loss) (Non-GAAP)	**$ 212.4**	**$ 83.0**	**$ (0.7)**	**$ 294.7**

[(1)] Represents revenues not billed to impacted customers as a result of the Greater Lawrence Incident.
[(2)] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.

Twelve Months Ended December 31, 2019 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (Loss) (GAAP)	**$ 675.4**	**$ 406.8**	**(191.5)**	**$ 890.7**
Adjustments to Operating Income:				
Operating Revenues:				
Weather - compared to normal	(19.6)	(5.2)	—	**(24.8)**
Operating Expenses:				
Greater Lawrence Incident[(1)]	(233.6)	—	—	**(233.6)**
Franchise rights impairment[(2)]	209.7	—	—	**209.7**
Goodwill impairment[(3)]	—	—	204.8	**204.8**
Loss (Gain) on sale of fixed assets and impairments, net	0.1	(0.1)	—	**—**
Total Adjustments to Operating Income	**(43.4)**	**(5.3)**	**204.8**	**156.1**
Operating Earnings (Non-GAAP)	**$ 632.0**	**$ 401.5**	**$ 13.3**	**$ 1,046.8**

[(1)] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
[(2)] Represents a non-cash impairment of the Columbia of Massachusetts franchise rights as a result of recent events connected with the Greater Lawrence Incident.
[(3)] Represents a non-cash impairment of goodwill attributable to Columbia of Massachusetts as a result of recent events connected with the Greater Lawrence Incident.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Income (Loss) to Operating Earnings (Loss) (Non-GAAP) *(unaudited)*

Twelve Months Ended December 31, 2018 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (Loss) (GAAP)	**$ (254.1)**	**$ 386.1**	**$ (7.3)**	**$ 124.7**
Adjustments to Operating Income (Loss):				
Operating Revenues:				
Weather - compared to normal	(12.2)	(20.3)	—	**(32.5)**
Greater Lawrence Incident[1]	3.9	—	—	**3.9**
Operating Expenses:				
Plant retirement costs[2]	—	3.3	—	**3.3**
Greater Lawrence Incident[3]	827.5	—	3.1	**830.6**
Loss on sale of fixed assets and impairments, net	0.2	—	1.0	**1.2**
Total Adjustments to Operating Income (Loss)	**819.4**	**(17.0)**	**4.1**	**806.5**
Operating Earnings (Loss) (Non-GAAP)	**$ 565.3**	**$ 369.1**	**$ (3.2)**	**$ 931.2**

[1] Represents revenues not billed to impacted customers as a result of the Greater Lawrence Incident.
[2] Represents costs incurred associated with the retirement of Units 7 and 8 at Bailly Generating Station.
[3] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.

NiSource Inc.
Consolidated Income Statements (GAAP)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
(in millions, except per share amounts)	**2019**	2018	**2019**	2018
Operating Revenues				
Customer revenues	**$ 1,358.7**	$ 1,436.0	**$ 5,053.4**	$ 4,991.1
Other revenues	**38.5**	25.7	**155.5**	123.4
Total Operating Revenues	**1,397.2**	1,461.7	**5,208.9**	5,114.5
Operating Expenses				
Cost of sales (excluding depreciation and amortization)	**404.3**	501.6	**1,534.8**	1,761.3
Operation and maintenance	**359.2**	804.4	**1,354.7**	2,352.9
Depreciation and amortization	**182.2**	161.8	**717.4**	599.6
Impairment of goodwill and other intangible assets	**414.5**	—	**414.5**	—
Loss on sale of fixed assets and impairments, net	**0.1**	0.8	**—**	1.2
Other taxes	**74.9**	71.5	**296.8**	274.8
Total Operating Expenses	**1,435.2**	1,540.1	**4,318.2**	4,989.8
Operating Income (Loss)	**(38.0)**	(78.4)	**890.7**	124.7
Other Income (Deductions)				
Interest expense, net	**(93.3)**	(88.1)	**(378.9)**	(353.3)
Other, net	**(5.5)**	1.1	**(5.2)**	43.5
Loss on early extinguishment of long-term debt	**—**	—	**—**	(45.5)
Total Other Deductions, Net	**(98.8)**	(87.0)	**(384.1)**	(355.3)
Income (Loss) before Income Taxes	**(136.8)**	(165.4)	**506.6**	(230.6)
Income Taxes	**2.5**	(153.7)	**123.5**	(180.0)
Net Income (Loss)	**(139.3)**	(11.7)	**383.1**	(50.6)
Preferred dividends	**(13.7)**	(8.1)	**(55.1)**	(15.0)
Net Income (Loss) Available to Common Shareholders	**(153.0)**	(19.8)	**328.0**	(65.6)
Earnings (Loss) Per Share				
Basic Earnings (Loss) Per Share	**$ (0.41)**	$ (0.05)	**$ 0.88**	$ (0.18)
Diluted Earnings (Loss) Per Share	**$ (0.41)**	$ (0.05)	**$ 0.87**	$ (0.18)
Basic Average Common Shares Outstanding	**377.2**	369.4	**374.6**	356.5
Diluted Average Common Shares	**378.3**	369.4	**376.0**	356.5

NiSource Inc.
Consolidated Balance Sheets (GAAP)

(in millions)	**December 31, 2019**	December 31, 2018
ASSETS		
Property, Plant and Equipment		
Utility plant	**$ 24,502.6**	$ 22,780.8
Accumulated depreciation and amortization	**(7,609.3)**	(7,257.9)
Net utility plant	**16,893.3**	15,522.9
Other property, at cost, less accumulated depreciation	**18.9**	19.6
Net Property, Plant and Equipment	**16,912.2**	15,542.5
Investments and Other Assets		
Unconsolidated affiliates	**1.3**	2.1
Other investments	**228.9**	204.0
Total Investments and Other Assets	**230.2**	206.1
Current Assets		
Cash and cash equivalents	**139.3**	112.8
Restricted cash	**9.1**	8.3
Accounts receivable (less reserve of $19.2 and $21.1, respectively)	**856.9**	1,058.5
Gas inventory	**250.9**	286.8
Materials and supplies, at average cost	**120.2**	101.0
Electric production fuel, at average cost	**53.6**	34.7
Exchange gas receivable	**48.5**	88.4
Regulatory assets	**225.7**	235.4
Prepayments and other	**149.7**	129.5
Total Current Assets	**1,853.9**	2,055.4
Other Assets		
Regulatory assets	**2,013.9**	2,002.1
Goodwill	**1,485.9**	1,690.7
Intangible assets, net	**—**	220.7
Deferred charges and other	**163.7**	86.5
Total Other Assets	**3,663.5**	4,000.0
Total Assets	**$ 22,659.8**	$ 21,804.0

NiSource Inc.
Consolidated Balance Sheets (GAAP) (continued)

(in millions, except share amounts)	**December 31, 2019**	December 31, 2018
CAPITALIZATION AND LIABILITIES		
Capitalization		
Stockholders' Equity		
Common stock - $0.01 par value, 600,000,000 shares authorized; 382,135,680 and 372,363,656 shares outstanding, respectively	**$ 3.8**	$ 3.8
Preferred stock - $0.01 par value, 20,000,000 shares authorized; 440,000 and 420,000 shares outstanding, respectively	**880.0**	880.0
Treasury stock	**(99.9)**	(99.9)
Additional paid-in capital	**6,666.2**	6,403.5
Retained deficit	**(1,370.8)**	(1,399.3)
Accumulated other comprehensive loss	**(92.6)**	(37.2)
Total Stockholders' Equity	**5,986.7**	5,750.9
Long-term debt, excluding amounts due within one year	**7,856.2**	7,105.4
Total Capitalization	**13,842.9**	12,856.3
Current Liabilities		
Current portion of long-term debt	**13.4**	50.0
Short-term borrowings	**1,773.2**	1,977.2
Accounts payable	**666.0**	883.8
Customer deposits and credits	**256.4**	238.9
Taxes accrued	**231.6**	222.7
Interest accrued	**99.4**	90.7
Exchange gas payable	**59.7**	85.5
Regulatory liabilities	**160.2**	140.9
Legal and environmental	**20.1**	18.9
Accrued compensation and employee benefits	**156.3**	149.7
Claims accrued	**165.4**	114.7
Other accruals	**144.1**	63.8
Total Current Liabilities	**3,745.8**	4,036.8
Other Liabilities		
Risk management liabilities	**134.0**	46.7
Deferred income taxes	**1,485.3**	1,330.5
Deferred investment tax credits	**9.7**	11.2
Accrued insurance liabilities	**81.5**	84.4
Accrued liability for postretirement and postemployment benefits	**373.2**	389.1
Regulatory liabilities	**2,352.0**	2,519.1
Asset retirement obligations	**416.9**	352.0
Other noncurrent liabilities	**218.5**	177.9
Total Other Liabilities	**5,071.1**	4,910.9
Commitments and Contingencies	**—**	—
Total Capitalization and Liabilities	**$ 22,659.8**	$ 21,804.0

NiSource Inc.
Statements of Consolidated Cash Flows (GAAP)

Year Ended December 31, *(in millions)*	2019	2018
Operating Activities		
Net Income (Loss)	**$ 383.1**	$ (50.6)
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:		
Loss on early extinguishment of debt	**—**	45.5
Depreciation and amortization	**717.4**	599.6
Deferred income taxes and investment tax credits	**118.2**	(188.2)
Stock compensation expense and 401(k) profit sharing contribution	**25.9**	28.6
Impairment of goodwill and other intangible assets	**414.5**	—
Amortization of discount/premium on debt	**8.2**	7.5
AFUDC equity	**(8.0)**	(14.2)
Other adjustments	**(0.9)**	1.7
Changes in Assets and Liabilities:		
Accounts receivable	**187.8**	(186.2)
Inventories	**(2.0)**	41.4
Accounts payable	**(299.9)**	268.4
Customer deposits and credits	**16.9**	(25.4)
Taxes accrued	**7.3**	20.2
Interest accrued	**8.8**	(21.7)
Exchange gas receivable/payable	**55.5**	(21.5)
Other accruals	**105.3**	43.5
Prepayments and other current assets	**(33.6)**	(14.5)
Regulatory assets/liabilities	**(85.6)**	(53.2)
Postretirement and postemployment benefits	**(21.1)**	58.2
Deferred charges and other noncurrent assets	**(76.1)**	3.8
Other noncurrent liabilities	**61.6**	(2.8)
Net Cash Flows from Operating Activities	**1,583.3**	540.1
Investing Activities		
Capital expenditures	**(1,802.4)**	(1,818.2)
Cost of removal	**(113.2)**	(104.3)
Purchases of available-for-sale securities	**(140.4)**	(90.0)
Sales of available-for-sale securities	**132.1**	82.3
Other investing activities	**1.5**	4.1
Net Cash Flows used for Investing Activities	**(1,922.4)**	(1,926.1)
Financing Activities		
Issuance of long-term debt	**750.0**	350.0
Repayments of long-term debt and finance lease obligations	**(51.6)**	(1,046.1)
Issuance of short-term debt (maturity > 90 days)	**600.0**	950.0
Repayment of short-term debt (maturity > 90 days)	**(700.0)**	—
Change in short-term borrowings, net (maturity ≤ 90 days)	**(104.0)**	(178.5)
Issuance of common stock, net of issuance costs	**244.4**	848.2
Issuance of preferred stock, net of issuance costs	**—**	880.0
Equity costs, premiums and other debt related costs	**(17.8)**	(46.0)
Acquisition of treasury stock	**—**	(4.0)
Dividends paid - common stock	**(298.5)**	(273.3)
Dividends paid - preferred stock	**(56.1)**	(11.6)
Net Cash Flows from Financing Activities	**366.4**	1,468.7
Change in cash, cash equivalents and restricted cash	**27.3**	82.7
Cash, cash equivalents and restricted cash at beginning of period	**121.1**	38.4
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 148.4**	$ 121.1

COVID-19 Update

April 23, 2020

Forward-Looking Statements

This presentation contains "forward-looking statements" within the meaning of federal securities laws. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. Examples of forward-looking statements in this presentation include, but are not limited to, statements and expectations regarding NiSource's or any of its subsidiaries' plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates, and expectations discussed in this presentation include, among other things the ongoing impact of the coronavirus (COVID-19) pandemic; NiSource's debt obligations; any changes in NiSource's credit rating or the credit rating of certain of NiSource's subsidiaries; NiSource's ability to execute its growth strategy; changes in general economic, capital and commodity market conditions; pension funding obligations; economic regulation and the impact of regulatory rate reviews; NiSource's ability to obtain expected financial or regulatory outcomes; NiSource's ability to adapt to, and manage costs related to, advances in technology; any changes in our assumptions regarding the financial implications of the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney's Office for the District of Massachusetts to settle the U.S. Attorney's Office investigation relating to the Greater Lawrence Incident; the pending sale of the Columbia Gas of Massachusetts business, including the terms and closing conditions under the asset purchase agreement; potential incidents and other operating risks associated with our business; our ability to obtain sufficient insurance coverage; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; any damage to NiSource's reputation, including in connection with the Greater Lawrence Incident; compliance with environmental laws and the costs of associated liabilities; fluctuations in demand from residential and commercial customers; economic conditions of certain industries; the success of NIPSCO's electric generation strategy; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential impairments of goodwill or definite-lived intangible assets; changes in taxation and accounting principles; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; construction risks and natural gas costs and supply risks; extreme weather conditions; the attraction and retention of a qualified work force; the ability of NiSource's subsidiaries to generate cash; NiSource's ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; and other matters set forth in Item 1A, "Risk Factors" section of NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and in our Current Report on Form 8-K filed on April 8, 2020. A credit rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time by the assigning rating organization. In addition, dividends are subject to board approval. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements.

NiSource expressly disclaims any duty to update, supplement or amend any of its forward-looking statements contained in this presentation, whether as a result of new information, subsequent events or otherwise, except as required by applicable law.

NiSource COVID-19 Immediate Actions

- Following CDC (Centers for Disease Control) and local guidelines around social distancing to ensure the health and safety of our employees and customers.

- Activated ***Incident Command Structure (ICS)*** to coordinate strategy, execution and communication across all seven states

- For Customers:
  - Suspended shut-offs for non-payment and are offering flexible payment plans
  - Temporarily suspended all non-essential work that would require our employees to enter customer homes and locations
  - On-going and frequent communications

- For Communities:
  - NiSource foundation donation of $1M to American Red Cross,
  - Nearly $500K donated by the foundation to support operating company initiatives at the local level

- For Employees:
  - ~75% working remotely
  - Sequestering critical operations
  - Completing work that requires little or no potential exposure
  - Temperature checks for employees that need to enter company facilities
  - More frequent cleaning of equipment and buildings
  - Limiting company vehicles to one person

Primary Focus on Customer and Employee Safety and Health

Incident Command Structure (ICS)

Monitoring state by state conditions and determining steps to execute our plans safely for customers and employees

- Assessing COVID cases, conditions and mandates by location
- Implementing employee and customer health and mitigation plans
- Rolling out technology to maximize work from home capabilities
- Securing appropriate personal protective equipment and cleaning facilities
- Coordinating customer, employee and stakeholder messaging
- Monitoring impacts to supply chain and contractor networks

Currently no Significant Impacts to Capital and Operating Plans

COVID-19 Business Implications

Key Areas of Focus:

- Customer – impacts expected to lower revenue and cash flows
  - Sales volume declines (Commercial and Industrial)
  - Increased bad debt expense (due to shut-off moratorium and job losses)
  - Long-term customer attrition

- Supply Chain – no material impacts at this time
  - Contractor availability
  - Utility materials and supplies
  - Generation Strategy (except: Rosewater project could experience some delay)

- State Regulatory Environment – in current dialog across all jurisdictions
  - Vulnerable customers
  - Treatment of COVID-19 incremental expenses
  - Procedural schedules

- Capital Markets and Liquidity – current liquidity remains sufficient for the next 12 – 24 months following recent financing activity with limited additional capital market needs

- Pension Expense and Contributions – well positioned with 98% funded plans at year-end 2019

- CARES (Coronavirus Aid, Relief, and Economic Security Act) Legislation – constructive components to managing cash position

Proactively Assessing and Planning for Potential Impacts to our Strategy and Plan

Customer Demand and Bad Debt

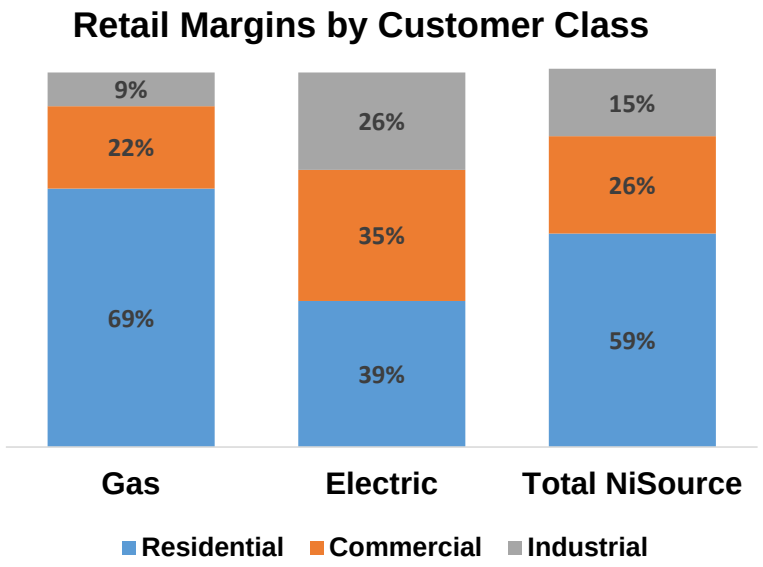

Initial EPS Sensitivity to +/- 1% change in annual sales volumes*		
Customer Class	**Electric**	**Gas**
Residential	$0.01	$0.01
Commercial	$0.01	$0.01
Industrial	$0.01	$ —

- Customer Demand
  - Expect lower commercial and industrial sales
  - Potential for increased residential sales
- Rate Design
  - Gas Segment
    - Residential ~75% Fixed
    - Commercial ~45% Fixed
  - Electric Segment
    - Residential ~20% Fixed
    - Commercial ~25% Fixed
    - Large Industrial ~55% Fixed (includes demand ratcheting)
- Bad Debt
  - Expect higher expense
  - Bad debt primarily recovered in base rates.
  - Additional trackers exist in several states. See Appendix for details.

Rate Design and Periodic Base Rate Cases Mitigate Impacts

* Sensitivity may not be linear for large or prolonged volume changes

Liquidity and Financing Updates ($M)

- No Significant Long-Term Debt Maturities in 2020 or 2021

- Term Loan
  - Refinanced $850M term loan on April 1, 2020

- Debt Issuances
  - Issued $1.0B 10-year notes @ 3.60% on April 13, 2020
  - Expected to satisfy long-term debt capital needs for 2020 and 2021

- Cash proceeds from CMA sale expected Q3 2020

- Investment grade credit with stable outlook
  - Most recent reaffirmation received April 3, 2020

Current Liquidity	Actual 03/31/2020	Maturity
Revolving Credit Facility	$1,850	Feb. 20, 2024
Accounts Receivable Programs*	459	
Less:		
Drawn on Credit Facility	500	
Commercial Paper	237	
Accounts Receivable Programs Utilized	459	
L/C's Outstanding Under Credit Facility	10	
Add:		
Cash & Equivalents	204	
Net Available Liquidity	$1,307	

Limited Additional Capital Market Needs, No Expected Changes to Dividend

Pension Plan

- As of year-end 2019:
  - Funding percentage: 98%
  - Discount rate: 3.12%
  - Expected 2020 contributions: $3M
- Pension expense not impacted until pension plans are remeasured

  Drivers of expense:
  - Discount rate
    - 50bp change in discount rate = +/- ~$1M
  - Asset valuations
    - $100M change in asset valuation = +/- ~$7M
- Plan remeasurement not expected until year-end 2020
- Pension tracker in MA, deferral in OH & PA

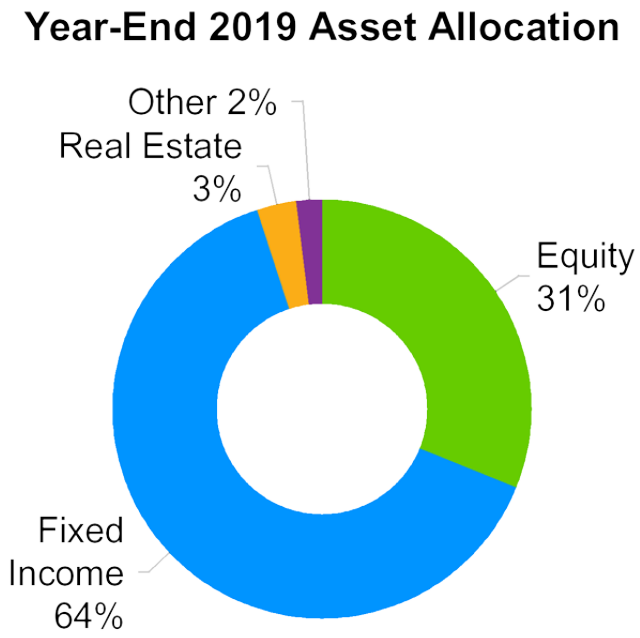

Pension Expense and Contributions Not Impacted Until Remeasurement

Key Takeaways

- Continued Focus on Customer and Employee Safety and Health
- Currently no Significant Impacts to Capital and Operating Plans
- Proactively Assessing and Planning for Potential Impacts to our Long-Term Strategy and Plan
- Rate Design and Periodic Base Rate Cases Mitigate Impacts
- Limited Additional Capital Market Needs Expected During COVID-19 Challenges
- No Changes Expected to the Dividend
- Pension Expense and Contributions Not Impacted Until Remeasurement

Appendix:
COVID-19 Update

Bad Debt Recovery Mechanisms

Company	Bad Debt Expense Included in Base Rates*	Bad Debt Tracker	Tracker Frequency
Gas Distribution			
NIPSCO Gas	Yes	Gas cost only	Quarterly
Columbia Gas of Ohio	Yes	Gas cost and delivery charge	Annual
Columbia Gas of Pennsylvania	Yes	Partial Gas Cost only	Quarterly
Columbia Gas of Massachusetts	Yes	Gas cost only	Semi-annual
Columbia Gas of Virginia	Yes	Gas cost only	Quarterly
Columbia Gas of Maryland	Yes	Gas cost only	Quarterly
Columbia Gas of Kentucky	Yes	Gas cost only	Quarterly
Electric Operations			
NIPSCO Electric	Yes	None	N/A

* Based on historical bad debt of ~1% of gross revenue

Constructive Regulatory Mechanisms

Revenue and Weather Normalization Mechanisms

Company	Revenue Decoupling/ Normalization	Weather Normalization
Gas Distribution		
NIPSCO Gas	None	None
Columbia Gas of Ohio	Straight Fixed Variable Rates for Residential and Small Commercial	None
Columbia Gas of Pennsylvania	None	Yes - Residential
Columbia Gas of Massachusetts	Yes (Decoupling) – All Classes	None
Columbia Gas of Virginia	Yes (RNA*) – Residential	Yes – Residential & Commercial
Columbia Gas of Maryland	Yes (RNA) – Residential	Yes – Residential & Commercial
Columbia Gas of Kentucky	None	Yes – Residential & Commercial
Electric Operations		
NIPSCO Electric	None (Demand Ratcheting Large Industrial Rates)	None

* Revenue Normalization Adjustment

Supplemental Slides
First Quarter 2020 Earnings

May 6, 2020

NiSource

NiSource

Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of federal securities laws. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include among other things, our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; our ability to execute our growth strategy; changes in general economic, capital and commodity market conditions; pension funding obligations; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; our ability to adapt to, and manage costs related to, advances in technology; any changes in our assumptions regarding the financial implications of the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; the pending sale of the Columbia of Massachusetts business, including the terms and closing conditions under the Asset Purchase Agreement; potential incidents and other operating risks associated with our business; potential impacts from the COVID-19 pandemic; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; any damage to our reputation, including in connection with the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; fluctuations in demand from residential and commercial customers; economic conditions of certain industries; the success of NIPSCO's electric generation strategy; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential impairments of goodwill or definite-lived intangible assets; changes in taxation and accounting principles; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; construction risks and natural gas costs and supply risks; extreme weather conditions; the attraction and retention of a qualified workforce; the ability of our subsidiaries to generate cash; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; and other matters in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as supplemented by our Current Report on Form 8-K filed with the SEC on April 8, 2020, and our subsequent SEC filings, including as will be disclosed in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, many of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

Regulation G Disclosure Statement

This presentation includes financial results and guidance for NiSource with respect to net operating earnings available to common shareholders, which is a non-GAAP financial measure as defined by the SEC’s Regulation G. The company includes this measure because management believes it permits investors to view the company’s performance using the same tools that management uses and to better evaluate the company’s ongoing business performance. With respect to such guidance, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

Key Takeaways

- **Focused on providing safe, reliable utility service during COVID-19 pandemic**

- **Non-GAAP Net Operating Earnings Per Share (NOEPS)* of $0.76, vs. $0.82 in 1Q2019**

- **Capital program, liquidity expected to remain strong in 2020**
  - Reduced expected 2020 capital investments by $100M to $1.7B - $1.8B
  - Issued $1.0 billion of 3.6% notes, maturing in May 2030
  - Refinanced $850 million term loan with new maturity date of March 31, 2021
  - CMA asset sale on track to close in Q3 2020, proceeds anticipated to be used to pay down debt
  - Committed to maintaining current investment-grade credit ratings

- **Safety Management System (SMS), pipeline safety enhancements remain a top priority**
  - SMS implementation kicked off in electric business
  - Advanced maturity of risk identification via Corrective Action Program with enhanced analytical insights

- **Gas system safety & infrastructure investments continue**
  - Ongoing infrastructure tracker updates progressing; NIPSCO extension pending
  - Columbia Gas of Pennsylvania files base rate case

- **Electric generation strategy continues to advance in Indiana**
  - Discussions continue with select bidders in latest RFP
  - Incremental capital investment opportunities in 2022 and 2023

Focused on COVID Response and Enhancing Safety, Service and System Reliability

* Net Operating Earnings Per Share (Non-GAAP); For a reconciliation of GAAP to non-GAAP earnings, see Schedule 1 of NiSource's May 6, 2020, Earnings Release

First Quarter 2020 Financial Highlights

Non-GAAP*	2020	2019	Change
Net Operating Earnings Available to Common Shareholders ($M)	$290.9	$307.7	($16.8)
Net Operating Earnings Per Share	$0.76	$0.82	($0.06)

GAAP	2020	2019	Change
Net Income (Loss) Available to Common Shareholders ($M)	$61.8	$205.1	($143.3)
Basic Earnings (Loss) Per Share	$0.16	$0.55	($0.39)

Q1 Results Minimally Impacted by COVID-19

*Net Operating Earnings (non-GAAP). For a reconciliation of GAAP to non-GAAP earnings, see Schedule 1 of NiSource's May 6, 2020, Earnings Release and the supplemental segment and financial information accompanying this presentation available on the investor section of www.nisource.com.

NiSource Debt and Credit Profile

- **Debt level: ~$9.9B as of March 31, 2020**
  - ~$7.7B of long-term debt
    - Weighted average maturity ~17 years
    - Weighted average interest rate of 4.4%

- **Solid liquidity position**
  - ~$1.3B in net available liquidity as of March 31, 2020*
  - ~$2.4B of committed facilities in place as of March 31, 2020
    - ~$1.9B revolving credit facility
    - ~$0.5B accounts receivable securitization facilities **

- **Interest rate hedging position**
  - ~$500M of anticipated debt issuances hedged as of March 31, 2020

- **Committed to investment-grade credit ratings**
  - S&P BBB+ | Moody's Baa2 | Fitch BBB

Solid Financial Foundation to Support Long-Term Infrastructure and Safety Investments

* Consisting of cash and available capacity under credit facilities
** Capacity on accounts receivable securitization facilities changes with seasonality

Financing Plan Update

NiSource Current Financing Plan*		
($ in Millions)	2019 Actual	2020 Estimated
Equity		
Common Equity Block Issuance	None	None Planned
ATM (At-The-Market)	$229	$200 - $300
ESPP/401K/Other	$34	$35 - $60
Long-Term Debt		
Incremental Long-Term Debt	$714	$1,000

Long-term Financing Targets Adj. FFO/Total Debt of ~14%-15%**

* Current financing plan may change based on business developments.
**Adjusted Funds from Operations (FFO); represents Net Income adjusted for depreciation and amortization, loss on early extinguishment of debt and deferred taxes.

Gas Distribution Operations

- Base rate case filed in Pennsylvania
- Safety & Infrastructure tracker update approved in Ohio; extension pending in Indiana
- Supportive orders around COVID-related costs and bad debt in Maryland and Virginia
- Continuing to execute infrastructure modernization designed to enhance system safety, reliability and environmental performance

Key Milestones:

Highlight	Key Components	Status
Columbia Gas of Pennsylvania Base Rate Case	• Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades • Includes $100.4M total annual revenue increase	• Filed Apr. 24, 2020 • Order expected Jan. 2021 • New rates effective Jan. 2021
Columbia Gas of Ohio Infrastructure Replacement Program (IRP) Annual Rider Update	• Order covers ~$234M in 2019 capital investments • IRP rider allows recovery of safety & infrastructure investments in priority mainline pipe and targeted customer service lines • Well-established program authorized through 2022	• Filed Feb. 28, 2020 • Order received Apr. 22, 2020 • New rates effective May 2020
Columbia Gas of Ohio Capital Expenditure Program (CEP) Annual Rider Update	• Application covers ~$185M in 2019 capital investments • CEP rider allows the company to recover capital investments and related deferred expenses that are not recovered through its IRP tracker • Rider first approved by PUCO in 2018	• Filed Feb. 28, 2020 • Order expected Aug. 2020 • New rates effective Sep. 2020
NIPSCO Gas System Modernization Program	• Six year extension to long-term infrastructure modernization program • Covers nearly $950M of capital investments through 2025	• Filed Dec. 31, 2019 • Order expected Jul. 2020
COVID-related Regulatory Updates	• Orders in Maryland and Virginia allow deferral of COVID-related expenses and bad debt for later recovery	• MD order received Apr. 9, 2020 • VA order received Apr. 29, 2020

~$20B in Identified Long-Term Infrastructure Investment Opportunities

Electric Operations

- Discussions continue with select bidders in second RFP for coal replacement capacity
- Incremental capital investment opportunities expected in 2022 and 2023
- Continued execution of seven-year ~$1.2B electric system modernization program

Key Milestones:

Highlight	Key Components	Status
Wind Projects	• Construction continues on Jordan Creek (400MW*) and Rosewater (100MW*) wind projects • BTA application approved for Indiana Crossroads (300MW*), a second joint venture between NIPSCO and EDP Renewables	• Indiana Crossroads CPCN filed Oct. 22, 2019, order received Feb. 19, 2020 • Tax Equity Partnership agreements pending for Rosewater, Indiana Crossroads
Electric System Modernization Program	• Focused on electric transmission and distribution investments designed to improve system reliability and safety • TDSIC 6 semi-annual tracker update covering $131.1M in investments from Dec. 2018 - Jun. 2019	• Filed Aug. 21, 2019 • Order received Dec. 18, 2019 • Rates effective Jan. 2020
Integrated Resource Plan (IRP)	• Outlines NIPSCO's plans for meeting customers' long-term electricity needs • 2018 IRP included plans to retire nearly 80 percent of NIPSCO's coal-fired generation fleet by 2023 and the remaining coal-fired unit by 2028 • Replacement options point toward lower-cost, reliable, cleaner energy resources • Discussions continue with select bidders in second round of RFPs • RFP represents ~2,300MW of replacement capacity	• Submitted Oct. 31, 2018 • Next IRP expected in 2021

~$10B in Identified Long-Term Infrastructure Investment Opportunities

* Represents installed capacity of generation facilities.

Safety Management System (SMS)

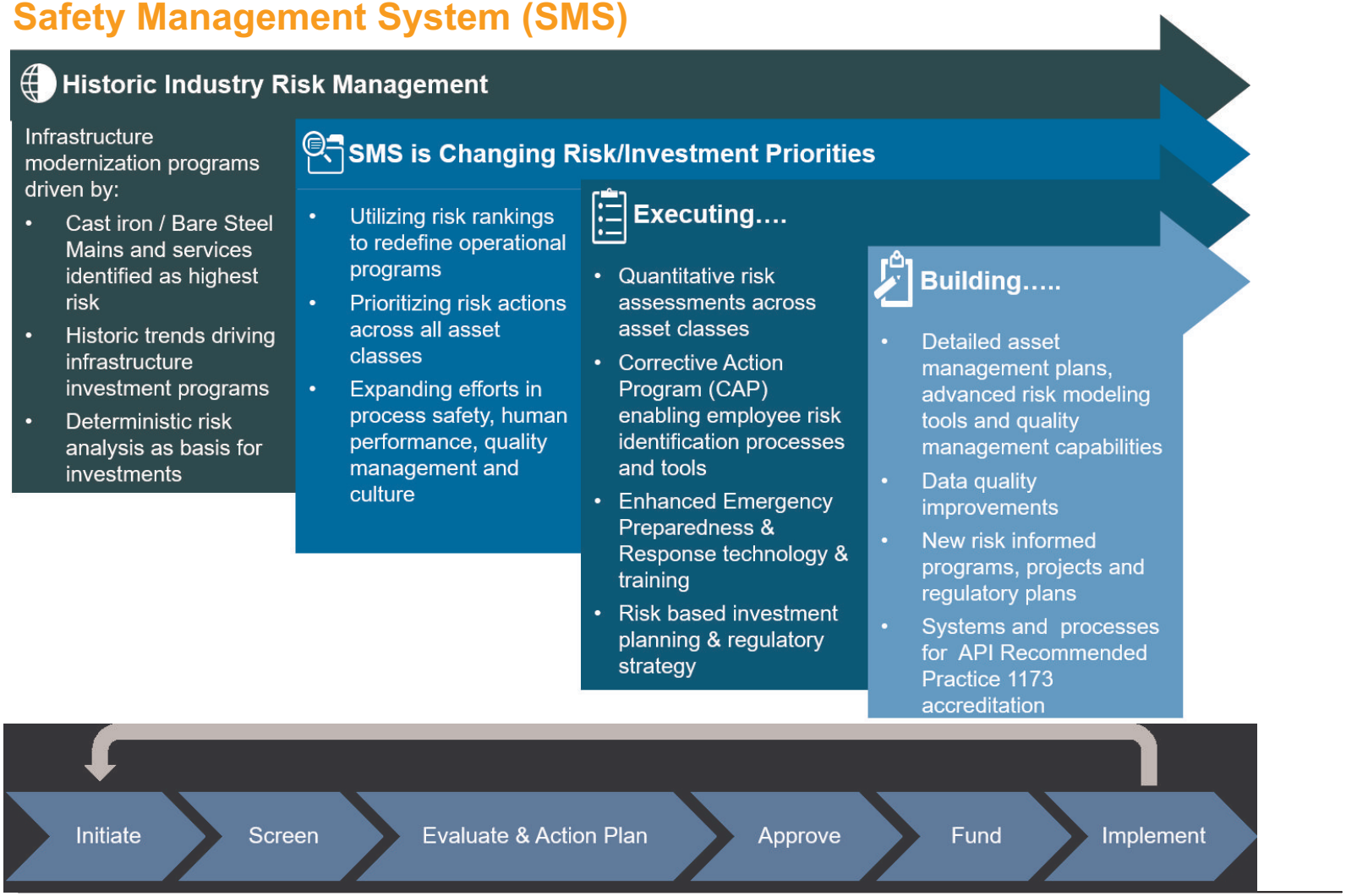

Integrating Safety, Risk Management and Investment Planning

Environmental, Social & Governance (ESG)

Longstanding ESG Program

- NiSource has been reporting on sustainability and ESG for more than a decade
- Climate Report published in 2019 aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework
- Member of the Dow Jones Sustainability North America Index for six years in a row, ranked 3rd of 11 North American utilities evaluated
- Named to the FTSE4Good Index, S&P Global 1200 ESG Index, S&P 500 ESG Index, and S&P US LargeMidCap ESG Index

Environmental

- Goal of 90% greenhouse gas emissions reductions by 2030 from 2005 levels
- Continued GHG emissions reductions in 2019; total decrease of 48% from 2005 levels
- Announced more than 800 MW of new wind projects expected to be in service by 2021
- Founding member of the EPA's Methane Challenge Program in 2016
- Top 20% environmental performance score from Institutional Shareholder Services (ISS)

Social

- Member of the Bloomberg Gender Equality Index since 2018
- Named one of America's Best Large Employers by *Forbes* since 2016

Governance

- Committed to board diversity - Currently 25% female, 33% ethnically diverse
- Environmental, Safety and Sustainability Committee has a focus on ESG

ESG is an Essential Part of NiSource's Strategy

Appendix:
First Quarter 2020 Earnings

COVID-19 Actions

- **Following CDC and local guidelines intended to ensure the health and safety of our employees and customers**

- **Activated Incident Command Structure to coordinate strategy, execution and communication across all seven states**

- **For Customers**
  - Suspended shut-offs for non-payment and are offering flexible payment plans
  - Directed field employees to use social distancing at any customer premise and minimized all non-essential field work that requires entry to customer homes and locations
  - On-going and frequent communications

- **For Communities**
  - NiSource foundation donation of $1M to American Red Cross
  - Nearly $500K donated by the foundation to support operating company initiatives at the local level

- **For Employees**
  - Approximately 75% are working remotely or job site reporting
  - Sequestering employees in critical operations
  - Temperature checks for employees that need to enter critical company facilities
  - More frequent cleaning of equipment and buildings
  - Limiting company vehicle occupancy to one person

Primary Focus on Customer and Employee Safety and Health

COVID-19 Business Implications

- **Customer - impacts expected to lower revenue and cash flows**
  - Sales volume declines (Commercial and Industrial)
  - Increased bad debt expense (due to shut-off moratorium and job losses)
  - Long-term customer attrition

- **Supply Chain - no material impacts at this time**
  - Contractor availability, utility materials and supplies largely unaffected
  - Renewables construction ongoing (Rosewater project could experience some delays)

- **State Regulatory Environment - in current dialogue across all jurisdictions**
  - Protection of vulnerable customers
  - Treatment of COVID-19 incremental expenses (Recent orders in MD, VA allow deferral for later recovery)
  - Monitoring procedural schedules

- **Capital Markets and Liquidity -** we believe current liquidity remains sufficient for the next 12 - 24 months following recent financing activity with limited additional capital market needs

- **Pension Expense and Contributions -** well positioned with 98% funded plans at year-end 2019

- **CARES (Coronavirus Aid, Relief and Economic Security Act) Legislation -** constructive components to managing cash position

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Proactively Assessing and Planning for Potential Impacts to our Strategy and Plan

COVID-19 Customer Demand and Bad Debt

Retail Margins by Customer Class

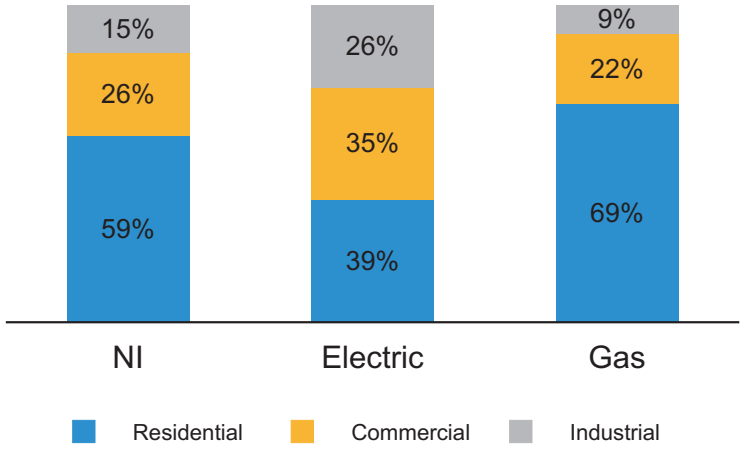

Initial pre-tax operating earnings sensitivity to +/- 1% change in annual sales volumes* ($M)		
Customer Class	Electric	Gas
Residential	$ 3.9	$ 3.8
Commercial	$ 3.9	$ 2.4
Industrial	$ 2.3	$ 1.2

Customer Demand

- Expect lower commercial and industrial sales
- Potential for increased residential sales

Rate Design

- Gas Segment
  - Residential ~75% Fixed
  - Commercial ~45% Fixed
- Electric Segment
  - Residential ~20% Fixed
  - Commercial ~25% Fixed
  - Large Industrial ~55% Fixed (includes demand ratcheting)

Bad Debt

- Expect higher expense
- Bad debt primarily recovered in base rates; additional mechanisms exist in several states on gas/fuel recovery
- Recent orders in MD, VA allow for deferral of COVID-related expenses and bad debt

Rate Design and Periodic Base Rate Cases Mitigate Impacts

* Sensitivity may not be linear for large or prolonged volume changes

Bad Debt Recovery Mechanisms

Company	Bad Debt Expense Included in Base Rates*	Tracked Incremental Expense	Tracked Filing Frequency
Gas Distribution			
NIPSCO Gas	Yes	Gas cost only	Quarterly
Columbia Gas of Ohio	Yes	Gas cost and delivery charge	Annual
Columbia Gas of Pennsylvania	Yes	Partial gas cost only	Quarterly
Columbia Gas of Massachusetts	Yes	Gas cost only	Semi-Annual
Columbia Gas of Virginia	Yes	Gas cost only	Quarterly
Columbia Gas of Maryland	Yes	Gas cost only	Quarterly
Columbia Gas of Kentucky	Yes	Gas cost only	Quarterly
Electric Operation			
NIPSCO Electric	Yes	None	N/A

Constructive Regulatory Mechanisms

* Based on historical bad debt of ~1% of gross revenue

Revenue and Weather Normalization Mechanisms

Company	Revenue Decoupling/ Normalization	Weather Normalization
Gas Distribution		
NIPSCO Gas	None	None
Columbia Gas of Ohio	Straight Fixed Variable Rates for Residential and Small Commercial	None
Columbia Gas of Pennsylvania	None	Yes - Residential
Columbia Gas of Massachusetts	Yes (Decoupling) - All Classes	None
Columbia Gas of Virginia	Yes (RNA*) - Residential	Yes - Residential & Commercial
Columbia Gas of Maryland	Yes (RNA) - Residential	Yes - Residential & Commercial
Columbia Gas of Kentucky	None	Yes - Residential & Commercial
Electric Operation		
NIPSCO Electric	None (Demand Ratcheting Large Industrial Rates)	None

* Revenue Normalization Adjustment

Capital Expenditures

Investments Expected to Deliver Customer Value, Enhance System Safety and Reliability

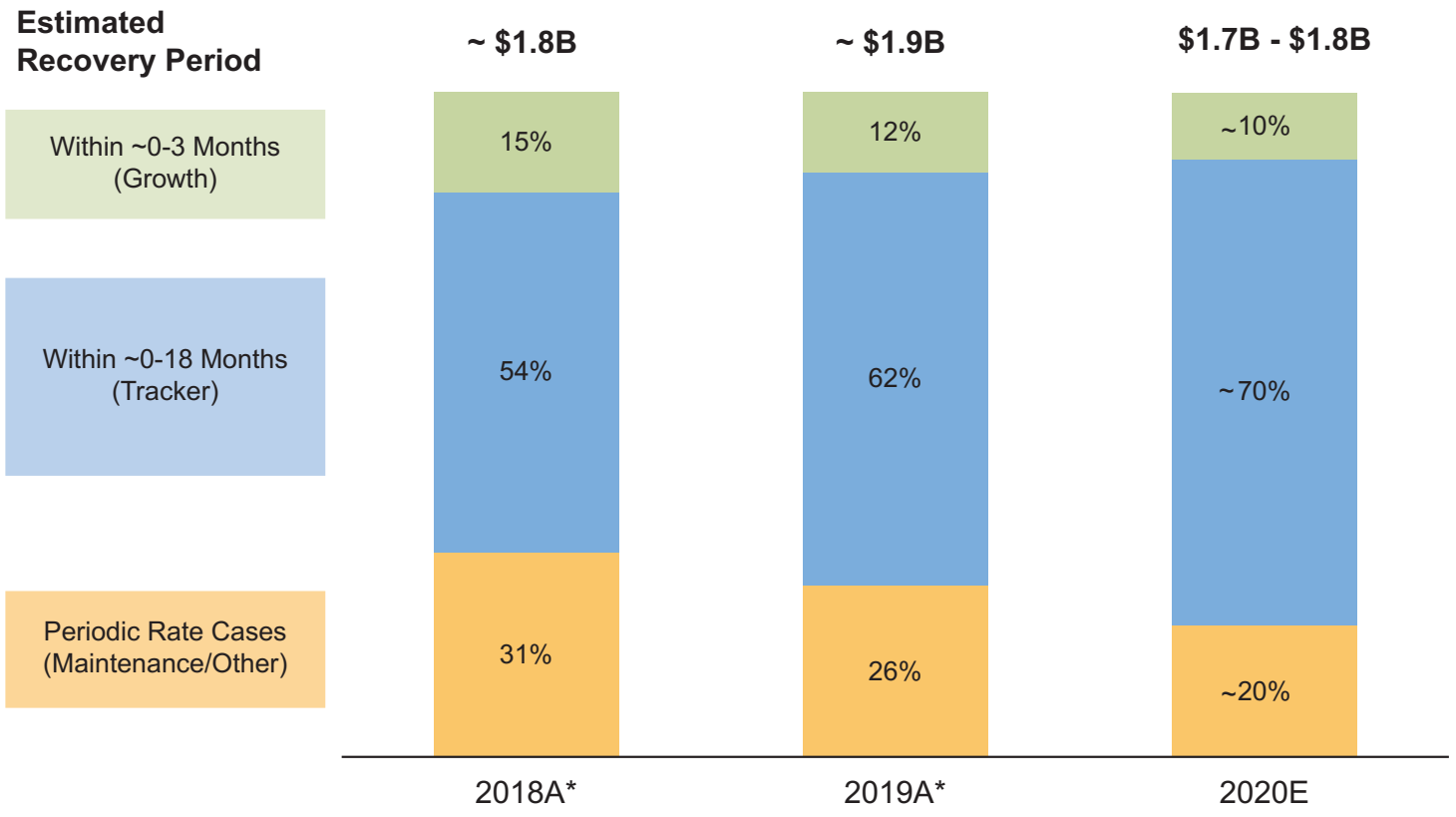

>75% of Capital Investments Begin Earning in Less Than 18 Months

* Greater Lawrence distribution system capital included in maintenance for 2018 and 2019

Liquidity and Capitalization as of First Quarter 2020 ($M)

Current Liquidity	Actual 3/31/2020	Maturity
Revolving Credit Facility	$1,850	Feb. 20, 2024
Accounts Receivable Programs*	459	
Less:		
Drawn on Credit Facility	500	
Commercial Paper	237	
Accounts Receivable Programs Utilized	459	
L/C's Outstanding Under Credit Facility	10	
Add:		
Cash & Equivalents	204	
Net Available Liquidity	$1,307	

Qualified Pension Funding

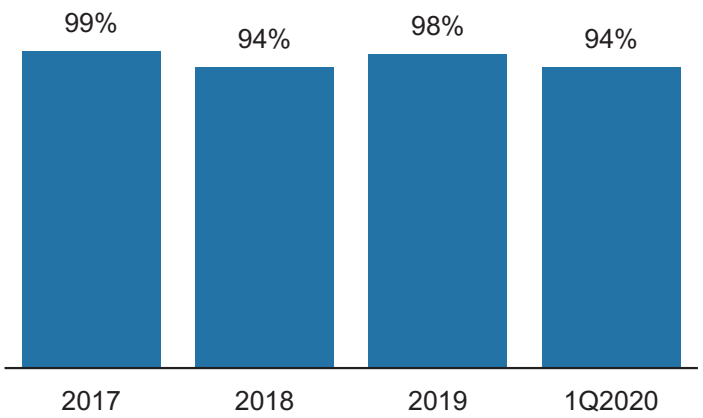

Total Debt/Total Capitalization

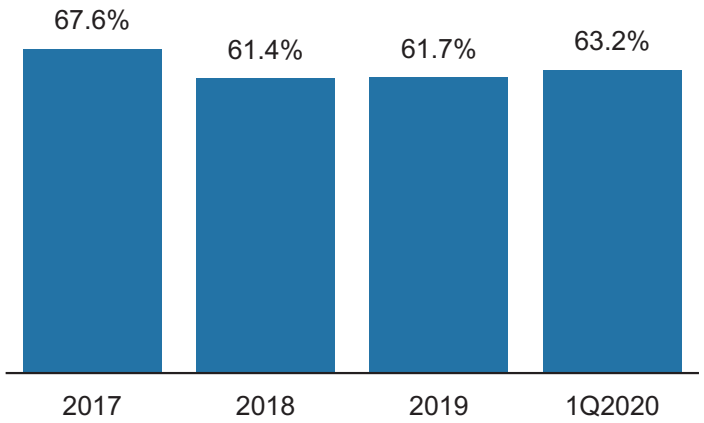

* Represents the lesser of seasonal limit or maximum borrowings supportable by underlying receivables

Long-Term Debt as of First Quarter 2020 ($M)

Debt Detail	Balance	Wtd. Avg. Rate*	Wtd. Avg. Maturity
Long-Term Debt**	$7,739	4.40%	17 years
Revolving Credit Facility	500	2.13%	2.6 months
Commercial Paper	237	2.02%	39 days
A/R Program Borrowings	459	1.23%	1 month
Term Loan***	850	3.25%	0.5 months
Capital Leases, Def Cost & Other	87	N/A	N/A
Total Debt	**$9,872**		

Upcoming Long-term Debt Maturities	2020	2021	2022	2023	2024
NiSource	-	$64	$520	$600	-
NIPSCO	-	-	$10	-	-
Total Long-Term Debt Maturities	**-**	**$64**	**$530**	**$600**	**-**

* Represents coupon or current incremental borrowing rate; does not factor in fees and/or amortization of deferred charges
** Issued $1.0B of 3.6% notes due May 2030 on April 13, 2020
*** Refinanced on April 1, 2020 with new maturity date of March 21, 2021
N/A = Not Applicable

Gas Distribution Operations Infrastructure Programs

Company	Base Case Authorized ROE	Year-End 2019 Rate Base	Total Identified Investments	Modernization Program Investments	Estimated Annual Modernization Program	Recovery Mechanism
Columbia Gas of OH	Not Specified	$3.2B	~$10.4B	~$10.4B	$435M - $550M	Tracked
Columbia Gas of PA	Not Specified	$1.9B	~$5.0B	~$3.9B	$250M - $296M	Rate Case (Forward Test Year)
NIPSCO Gas	9.85%	$1.7B	~$4.9B	~$3.8B	$160M - $180M	Tracked
Columbia Gas of MA	9.55%	$1.1B	~$2.2B	~$1.2B	$75M - $120M	Tracked
Columbia Gas of VA	Not Specified	$850M	~$1.8B	~$540M	$46M - $65M	Tracked
Columbia Gas of KY	Not Specified	$327M	~$1.2B	~$850M	$35M - $40M	Tracked
Columbia Gas of MD	9.60%	$149M	~$212M	~$150M	$18M - $25M	Tracked

Robust Long-Term Investment Programs Deliver Value on $9.2B Rate Base*

* As of Dec. 31, 2019

Electric Operations Investment Programs and Generation Transition

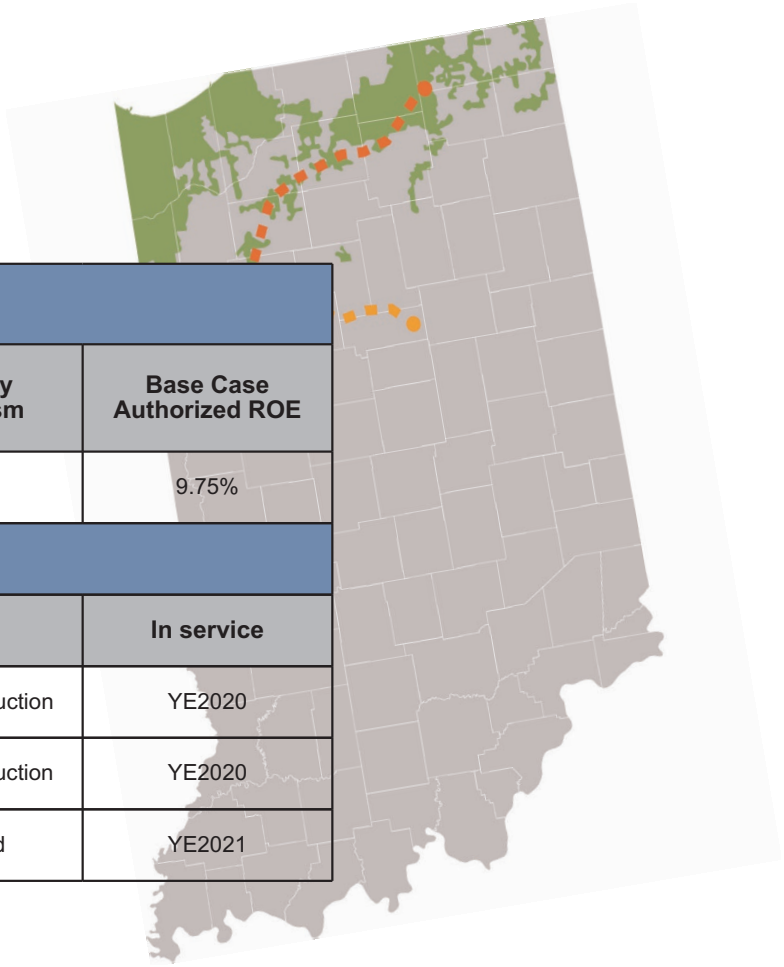

Infrastructure Investment Programs				
Program	**Identified Investments**	**Estimated Annual Investment**	**Recovery Mechanism**	**Base Case Authorized ROE**
Infrastructure Modernization	~$5.9B	~$190M - $240M	Tracked	9.75%
Generation Transition				
Project	**Project Type**	**MW ICAP (UCAP*)**	**Status**	**In service**
Jordan Creek	Purchase Power Agreement	400MW (46MW)	Under Construction	YE2020
Rosewater	Joint Venture	100MW (12MW)	Under Construction	YE2020
Indiana Crossroads	Joint Venture	302MW (35MW)	Approved	YE2021

High-Value Investments on $4.7B Rate Base**

* Represents average estimate, actual UCAP will be based on asset performance
** As of Dec. 31, 2019

Regulatory Update

2020 Rate Case and Program/Project Activity		
Company/Filing	**Summary**	**Timeline**
In Progress		
Columbia Gas of Pennsylvania - Base Rate Case	Requested Increase: $100.4M	Filed: Apr. 24, 2020 Order Expected: Jan. 2021
NIPSCO Gas - TDSIC	Six year extension to long-term infrastructure modernization program	Filed:Dec. 31, 2019 Order Expected: Jul. 2020

Continued Regulatory Execution Drives Growth and Customer Value

Safety and Infrastructure Investment and Tracker Filing Details

Company	Recovery Mechanism	Incremental Investments		Recovery	
		Investment Period	Investment Amount ($M)	Filing Date	Effective Date
Columbia Gas of Ohio	Infrastructure Replacement Program (IRP)	FY 2018	$199.6	Feb 2019	May 2019
		FY 2019	$234.4	Feb 2020	May 2020
Columbia Gas of Ohio	Capital Expenditure Program (CEP)	FY 2018	$121.7	Feb 2019	Sept 2019
		FY 2019	$185.1	Feb 2020	Expected - Sept 2020
Columbia Gas of Pennsylvania	Distribution System Improvement Charge (DSIC)	Dec 2019 - Feb 2020	$28.2	Apr 2020	May 2020
Columbia Gas of Virginia	Steps to Advance Virginia's Energy Plan (SAVE)	FY 2019	$36.0	Aug 2018	Jan 2019
		FY 2020	$50.0	Aug 2019	Jan 2020
Columbia Gas of Kentucky	Safety Modification and Replacement Program (SMRP)	FY 2019	$30.1	Oct 2018	Jan 2019
		FY 2020	$40.4	Oct 2019	Jan 2020
Columbia Gas of Maryland	Strategic Infrastructure Development and Enhancement (STRIDE)	FY 2019	$19.7	Nov 2018	Jan 2019
		FY 2020	$15.0	Jan 2020	Feb 2020
NIPSCO – Gas	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 10: Jul 2018 – Apr 2019	$12.4	Jun 2019	Nov 2019
		TDSIC 11: May 2019 - Dec 2019	$38.7	Feb 2020	Expected - Jul 2020
NIPSCO – Electric	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 5: Jun 2018 – Nov 2018	$58.8	Jan 2019	Jun 2019
		TDSIC 6: Dec 2018 – Jun 2019	$131.1	Aug 2019	Jan 2020

* Incremental capital investment anticipated to be lower than $75.0M for 2020

COVID-19 Supplemental Investor Update

May 26, 2020

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- **Activated Incident Command Structure to coordinate strategy, execution and communication across all seven states**

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- **For Communities**
  - NiSource foundation donation of $1M to American Red Cross
  - Nearly $500K donated by the foundation to support operating company initiatives at the local level

- **For Employees**
  - Approximately 75% are working remotely or reporting directly to job sites
  - Sequestering employees in critical operations
  - Employees who need to enter company facilities are required to submit to temperature checks, adhere to social distancing measures and wear face masks
  - More frequent cleaning and sanitizing of equipment and buildings
  - Generally limiting company vehicle occupancy to one person

Rate Design and Recovery Mechanisms/Trackers Help Mitigate Impacts

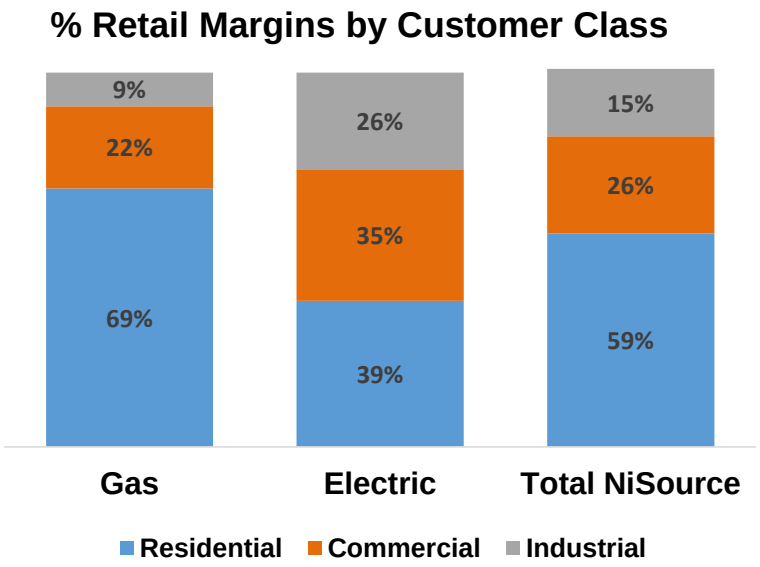

Initial pre-tax operating earnings sensitivity to +/- 1% change in annual sales volumes* ($M)		
Customer Class	Electric	Gas
Residential	$ 3.9	$ 3.8
Commercial	$ 3.9	$ 2.4
Industrial	$ 2.3	$ 1.2

Expected Customer Demand (During State Shutdowns)

- Lower commercial and industrial sales
- Increased residential sales

Rate Design

- Gas Segment
  - Residential ~75% Fixed
  - Commercial ~45% Fixed
- Electric Segment
  - Residential ~20% Fixed
  - Commercial ~25% Fixed
  - Small Industrial ~55% Fixed (demand charge ratcheting)
  - Large Industrial ~50% Fixed (5 year fixed demand charge)

Bad Debt

- Expect higher expense
- Bad debt primarily recovered in base rates; additional mechanisms exist in several states on gas/fuel recovery
- Recent orders in MD, VA and PA allow for deferral of COVID-related expenses and bad debt. Request on file with IN IURC for deferral of expenses and creation of bad debt tracker

* Sensitivity may not be linear for large or prolonged volume changes

COVID-19 Weather Normalized April Volume Impacts

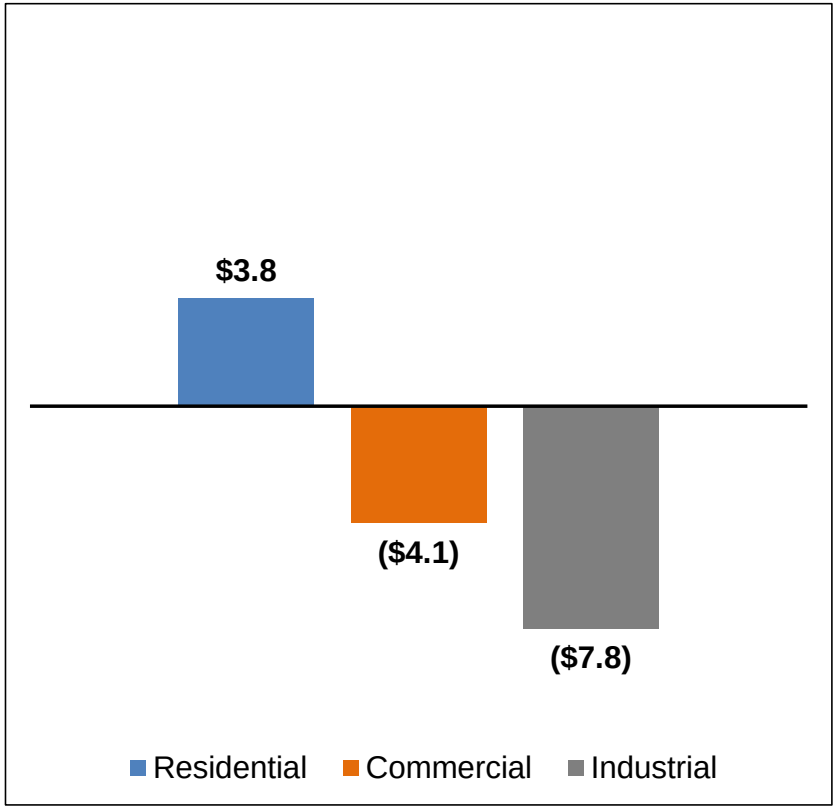

- As an off peak month…April sales volumes are less than 8% of total annual volumes for both gas and electric
- April 2020 sales volume declines vs. prior year (month/annualized):
  - (4%) / (0.3%) Gas Distribution
  - (26%) / (2.3%) Electric Operations
- April volumetric declines were concentrated in the Commercial and Industrial segments, partially offset by increased Residential volumes
- April total margin loss of ($8.1M) reflects the mitigating effects of “decoupled” rate designs across the NiSource utilities
- Trends indicate mid-to-late May volumes beginning to recover from April lows

Demand Trends Show Upward Trajectory Starting in May as States Begin to Reopen

Actions Underway to Mitigate 2020/2021 Headwinds from COVID-19

Estimated COVID Related NOEPS* Impacts	
2020	2021
($0.15 - $0.20)	($0.00 - $0.10)

Estimated NOEPS Impact of Mitigation Efforts Underway	
2020	2021
$0.10 - $0.15	$0.05 - $0.10

Estimated Net NOEPS Impact (Base Case Scenario)	
2020 ($0.00 - $0.10)	2021 ($0.00 - $0.10)

* Net Operating Earnings Per Share (Non-GAAP)

Reopening Progress for Each State of Operation

- May 19: Stay at home no longer an order, only a recommendation
- May 12: retail
- May 15: outdoor dining and personal services
- May 21: indoor dining, campgrounds
- May 26: gyms, outdoor recreation

Pennsylvania

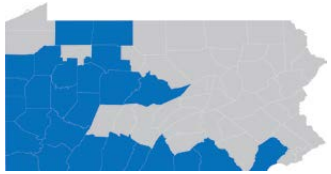

- June 4: Stay at home expires (for part of the state)
- Yellow Phase: 49 counties included – daycare, retail open: 8 more counties May 29, all counties by June 5
- Green Phase: 17 counties will move to green on May 29 – dining, bars, personal services, gyms at 50% capacity

Indiana

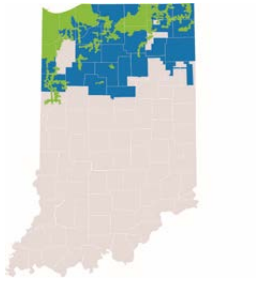

- May 1: Stay at home expired
- May 4: (most counties): public libraries
- May 24: retail at 75% capacity, gyms, community pools, playgrounds
- June 14: retail full capacity, restaurants 75% capacity
- July 4: retail, restaurants, gyms, etc. all full capacity

Gas Service Territory

Electric Service Territory

Virginia

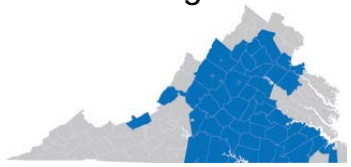

- June 10: Stay at home expires
- Phase 1: May 15 – retail, outdoor dining, worship at 50% capacity, personal services by appt. only
- No dates yet for Phase 2 and beyond

Kentucky

- May 11: professional services, construction, manufacturing
- May 20: retail, worship
- May 22: outdoor dining at 33% capacity
- May 25: personal services
- June 15: childcare services

Maryland

- May 15: Stay at home order expired
- May 15: retail, worship, personal services at 50%, manufacturing

Massachusetts

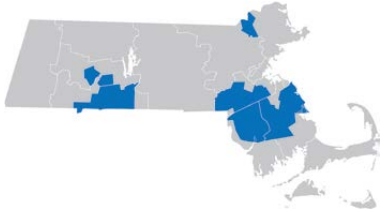

- Four phase approach to new normal
- Phase 1: May 18 – worship, manufacturing, construction
- May 25: Retail, limited personal services
- No dates yet for Phase 2 and beyond

Company	Status
NIPSCO	**Petition filed with IURC** on May 8, 2020 for deferral of expenses and lost revenues, seeking to establish a bad debt tracker. Order requested by July 15th.
Columbia Gas of Ohio	Engaging with peer utilities and PUCO, planning to file for deferrals related to COVID impacts
Columbia Gas of Pennsylvania	**Order received** May 13, 2020 authorizing deferral of incremental bad debt above levels currently in rates
Columbia Gas of Massachusetts	DPU established two working groups to focus on customer and utility concerns
Columbia Gas of Virginia	**Order received** April 29, 2020 allowing deferral of incremental bad debt, reconnection fees, late payment fees suspended, reconnection costs, carrying costs and other incremental incurred costs
Columbia Gas of Maryland	**Order received** April 9, 2020 allowing deferral of incremental costs and suspended late fees
Columbia Gas of Kentucky	Tracking COVID related costs for potential future recovery

Monitoring Health & Economic Indicators to Inform Mitigation Strategy

Public Health

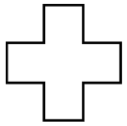

May dictate need to redeploy shelter-in-place (major driver of economic outlook, even regionally)

Health indicators to track:

- COVID-19 cases
- Hospitalizations
- COVID deaths
- Share of population tested

Macroeconomic

Looking for consumer confidence, demand, and business distress to inform trajectory

Consumer indicators to track:

- Unemployment claims
- Consumer spend

Employer indicators to track:

- Consumer demand
- Business bankruptcies / financial distress

Internal perspectives

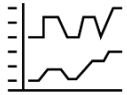

NiSource is well positioned for a current view of economic outlook in our states based on load and gas demand

Internal metrics to track:

- C&I demand and outlook
- Customer arrearages

Rationale: Movement of these indicators over the coming weeks and months will be evidence of economy shifting closer to, or farther from, the base case scenario

NiSource will continue to monitor these metrics, including after shelter-in-place is initially lifted, to assess mitigation strategy and potential impacts to economic outlook

Key Takeaways

- Continued Focus on Customer and Employee Safety and Health
- Currently no Significant Impacts to Supply Chain or Operating Activities
- Proactively Managing Impacts to our Business Plan
  - O&M Reductions Underway
  - Regulatory Solutions – in dialogue across all jurisdictions
  - Organizational Repositioning announced May 21, 2020

Appendix:
COVID-19 Update

Bad Debt Recovery Mechanisms

Company	Bad Debt Expense Included in Base Rates*	Tracked Incremental Expense	Tracked Filing Frequency
Gas Distribution			
NIPSCO Gas	Yes	Gas cost only	Quarterly
Columbia Gas of Ohio	Yes	Gas cost and delivery charge	Annual
Columbia Gas of Pennsylvania	Yes	Partial Gas Cost only	Quarterly
Columbia Gas of Massachusetts	Yes	Gas cost only	Semi-annual
Columbia Gas of Virginia	Yes	Gas cost only	Quarterly
Columbia Gas of Maryland	Yes	Gas cost only	Quarterly
Columbia Gas of Kentucky	Yes	Gas cost only	Quarterly
Electric Operations			
NIPSCO Electric	Yes	None	N/A

* Based on historical bad debt of ~1% of gross revenue

Revenue and Weather Normalization Mechanisms

Company	Revenue Decoupling/ Normalization	Weather Normalization
Gas Distribution		
NIPSCO Gas	None	None
Columbia Gas of Ohio	Straight Fixed Variable Rates for Residential and Small Commercial	None
Columbia Gas of Pennsylvania	None	Yes - Residential
Columbia Gas of Massachusetts	Yes (Decoupling) – All Classes	None
Columbia Gas of Virginia	Yes (RNA*) – Residential	Yes – Residential & Commercial
Columbia Gas of Maryland	Yes (RNA) – Residential	Yes – Residential & Commercial
Columbia Gas of Kentucky	None	Yes – Residential & Commercial
Electric Operations		
NIPSCO Electric	None (Most Industrial Rates include fixed demand or demand ratcheting)	None

* Revenue Normalization Adjustment

Supplemental Slides

Second Quarter 2020 Earnings

August 5, 2020

Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of federal securities laws. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include among other things, our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; our ability to execute our growth strategy; changes in general economic, capital and commodity market conditions; pension funding obligations; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; our ability to adapt to, and manage costs related to, advances in technology; any changes in our assumptions regarding the financial implications of the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; the pending sale of the Columbia of Massachusetts business, including the terms and closing conditions under the Asset Purchase Agreement; potential incidents and other operating risks associated with our business; potential impacts from the COVID-19 pandemic; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; any damage to our reputation, including in connection with the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; fluctuations in demand from residential and commercial customers; economic conditions of certain industries; the success of NIPSCO's electric generation strategy; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential impairments of goodwill or definite-lived intangible assets; changes in taxation and accounting principles; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; construction risks and natural gas costs and supply risks; extreme weather conditions; the attraction and retention of a qualified workforce; the ability of our subsidiaries to generate cash; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; and other matters in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as updated in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and in our subsequent SEC filings, many of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

Regulation G Disclosure Statement

This presentation includes financial results and guidance for NiSource with respect to net operating earnings available to common shareholders, which is a non-GAAP financial measure as defined by the SEC’s Regulation G. The company includes this measure because management believes it permits investors to view the company’s performance using the same tools that management uses and to better evaluate the company’s ongoing business performance. With respect to such guidance, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

Key Takeaways

- **Cost mitigation efforts offset financial impacts of COVID-19 in Q2**
- **Expected 2020 Capex reaffirmed at $1.7 to $1.8B**
- **Columbia Gas of Massachusetts asset sale remains on track**
- **Corporate strategic initiative underway with a focus on cost structure and capabilities**
- **2021 NOEPS* guidance initiated in range of $1.28 to $1.36**
- **Investor Day preview highlights long-term growth opportunities through 2024**
  - Virtual meeting to be held in late September 2020
  - Safety and infrastructure investment programs continue
  - Incremental $1.8 to $2.0B of renewable generation investment opportunities
  - Long-term growth rate and detailed financing plan to be provided
  - Capital investment plan projected to grow rate base by 10% to 12% CAGR
- **Pipeline safety enhancements, electric generation strategy remain top priorities**
  - Base rate cases pending in Pennsylvania and Maryland
  - NIPSCO Gas TDSIC program extension approved
  - New Ohio IRP rider rates effective in May, CEP rider update pending
  - CPCNs filed for 300MW of solar PPAs; commercial agreements advancing on solar + storage BTAs

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Focused on COVID Response and Enhancing Safety, Service and System Reliability

* Net Operating Earnings Per Share (Non-GAAP); For a reconciliation of GAAP to non-GAAP earnings, see Schedule 1 of NiSource's August 5, 2020, Earnings Release

Second Quarter 2020 Financial Highlights

Non-GAAP*	2020	2019	Change
Net Operating Earnings Available to Common Shareholders ($M)	$50.2	$19.1	$31.1
Net Operating Earnings Per Share	$0.13	$0.05	$0.08

GAAP	2020	2019	Change
Net Income (Loss) Available to Common Shareholders ($M)	($18.5)	$283.1	($301.6)
Basic Earnings (Loss) Per Share	($0.05)	$0.76	($0.81)

Impacts of COVID-19 Offset by Cost Mitigation Efforts during 2Q

*Net Operating Earnings (non-GAAP). For a reconciliation of GAAP to non-GAAP earnings, see Schedule 1 of NiSource's August 5, 2020, Earnings Release and the supplemental segment and financial information accompanying this presentation available on the investor section of www.nisource.com.

Second Quarter 2020 Segment Highlights

Gas Distribution Operations ($ millions)	*Q2 2020*	*Q2 2019*	*Change*
Operating Revenues	606.2	608.5	(2.3)
Operating Expenses*	532.8	561.7	28.9
Operating Earnings (Non-GAAP)	**73.4**	**46.8**	**26.6**

* Includes cost of sales net decrease of $17.5M

Electric Operations ($ millions)	*Q2 2020*	*Q2 2019*	*Change*
Operating Revenues	354.3	406.7	(52.4)
Operating Expenses*	264.9	320.9	56.0
Operating Earnings (Non-GAAP)	**89.4**	**85.8**	**3.6**

* Includes cost of sales net decrease of $47.7M

Cost Management More Than Offset COVID Impacts During Q2

COVID-19 Financial Impacts

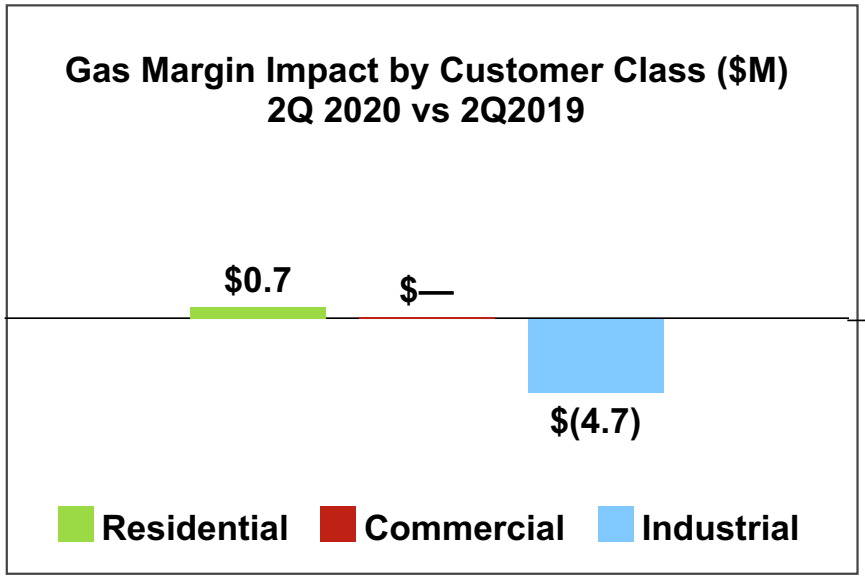

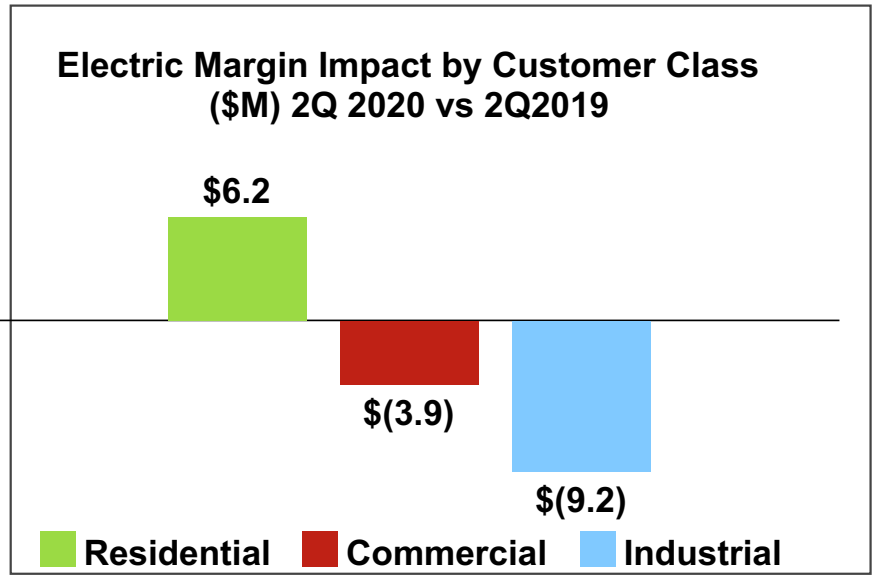

2Q 2020 COVID-19 NOEPS* impact of (~$0.06), offset with cost management and regulatory solutions

- Sales margin loss - see above
- Reduced other revenues - late payment and reconnection fees
- Increased bad debt and other expenses

Midpoint of 2021 "base case" NOEPS* impact of COVID-19 = (~$0.05); included in 2021 guidance range

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COVID Impact Trends Consistent With Base Case Scenario

* Net Operating Earnings Per Share (Non-GAAP)

2021 Guidance Initiated

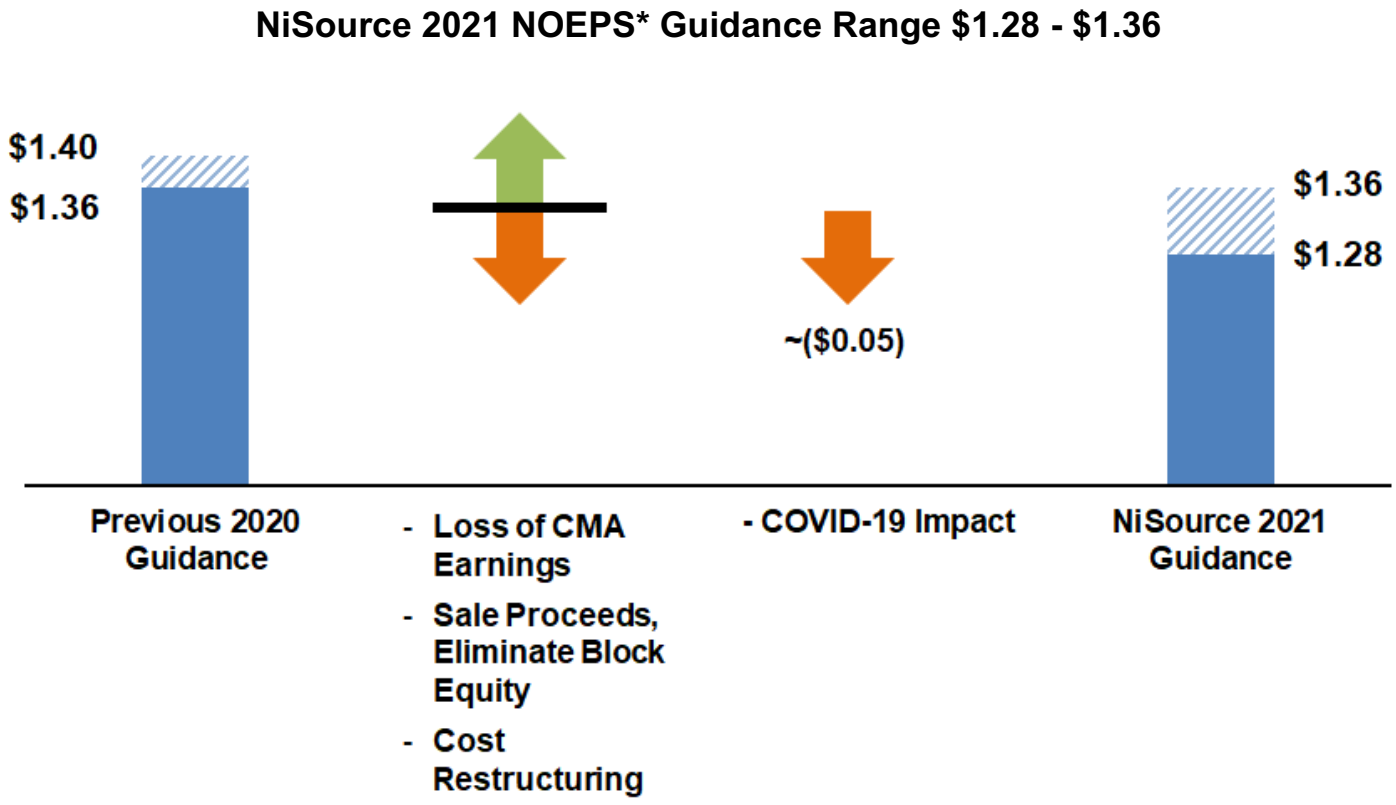

2021 Guidance Establishes the Starting Point for the Long-Term Plan

* Net Operating Earnings Per Share (Non-GAAP)

NiSource Debt and Credit Profile

- **Debt level: ~$10.0B as of June 30, 2020**
  - ~$8.7B of long-term debt
    - Weighted average maturity ~16 years
    - Weighted average interest rate of 4.31%
- **Solid liquidity position**
  - ~$2.0B in net available liquidity as of June 30, 2020*
  - ~$2.2B of committed facilities in place as of June 30, 2020
    - ~$1.9B revolving credit facility
    - ~$0.3B accounts receivable securitization facilities **
- **Interest rate hedging position**
  - ~$500M of anticipated debt issuances hedged as of June 30, 2020
- **Committed to investment-grade credit ratings**
  - S&P BBB+ | Moody's Baa2 | Fitch BBB

Solid Financial Foundation to Support Long-Term Infrastructure and Safety Investments

* Consisting of cash and available capacity under credit facilities
** Capacity on accounts receivable securitization facilities changes with seasonality

Financing Plan Update

NiSource Current Financing Plan*		
($ in Millions)	2019 Actual	2020 Estimated
Equity		
Common Equity Block Issuance	None	None Planned
ATM (At-The-Market)	$229	$200 - $300
ESPP/401K/Other	$34	$35 - $60
Long-Term Debt		
Incremental Long-Term Debt	$714	$1,000 - $1,200

Long-term Financing Targets Adj. FFO/Total Debt of ~14%-15%**

* Current financing plan may change based on business developments.
**Adjusted Funds from Operations (FFO); represents Net Income adjusted for depreciation and amortization, loss on early extinguishment of debt and deferred taxes.

Gas Distribution Operations

- Base rate cases pending in Pennsylvania, Maryland
- Safety & Infrastructure program extension approved in Indiana
- Deferral orders received for COVID-related bad debt in IN, PA, VA, MD and OH
- Continuing to execute infrastructure modernization designed to enhance system safety, reliability and environmental performance

Key Milestones:

Highlight	Key Components	Status
Columbia Gas of Mayland Base Rate Case	• Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades • Requests $6.3M total annual revenue increase; $5.0M net of infrastructure trackers	• Filed May 15, 2020 • Order expected Q4 2020 • New rates effective Dec. 2020
Columbia Gas of Pennsylvania Base Rate Case	• Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades • Requests $100.4M total annual revenue increase	• Filed Apr. 24, 2020 • Order expected Q1 2021 • New rates effective Feb. 2021
Columbia Gas of Ohio Infrastructure Replacement Program (IRP) Annual Rider Update	• Order covers ~$234M in 2019 capital investments • IRP rider allows recovery of safety & infrastructure investments in priority mainline pipe and targeted customer service lines • Well-established program authorized through 2022	• Filed Feb. 28, 2020 • Order received Apr. 22, 2020 • New rates effective May 2020
Columbia Gas of Ohio Capital Expenditure Program (CEP) Annual Rider Update	• Application covers ~$185M in 2019 capital investments • CEP rider allows the company to recover capital investments and related deferred expenses that are not recovered through its IRP tracker • Rider first approved by PUCO in 2018	• Filed Feb. 28, 2020 • Order expected Aug. 2020 • New rates effective Sep. 2020
NIPSCO Gas System Modernization Program	• Six year extension to long-term infrastructure modernization program • Covers nearly $950M of capital investments through 2025	• Filed Dec. 31, 2019 • Order received Jul. 22, 2020
COVID-related Regulatory Updates	• Orders in MD, OH and VA allow deferral of COVID-related expenses and bad debt for later recovery • Order in PA allows deferral of bad debt above amounts in base rates for later recovery • Order in IN allows deferral of suspended fees and bad debt for later recovery	• MD order received Apr. 9, 2020 • VA order received Apr. 29, 2020 • PA order received May 13, 2020 • IN order received Jun. 29, 2020 • OH order received Jul. 15, 2020

~$20B in Identified Long-Term Infrastructure Investment Opportunities

Electric Operations

- New solar projects announced for coal replacement capacity
- $1.8 - $2.0B incremental capital investment opportunities expected in 2022 and 2023
- Continued execution of seven-year ~$1.2B electric system modernization program

Key Milestones:

Highlight	Key Components	Status
Renewable Generation Projects	• Construction continues on Jordan Creek (400MW*) and Rosewater (100MW*) wind projects - expected to go in service by YE 2020 • BTA application approved for Indiana Crossroads (300MW*), a second joint venture between NIPSCO and EDP Renewables • Commercial terms reached on Brickyard Solar (200MW*) and Greensboro Solar (100MW) + storage (30MW*) PPAs filed • Latest RFP represents replacement ~1,400 MW of coal capacity through 2023	• Indiana Crossroads CPCN filed Oct. 22, 2019, order received Feb. 19, 2020 • Tax Equity Partnership agreements reached for Rosewater • Regulatory approval pending for Brickyard and Greensboro Solar
Electric System Modernization Program	• Focused on electric transmission and distribution investments designed to improve system reliability and safety • TDSIC 6 semi-annual tracker update covering $131.1M in investments from Dec. 2018 - Jun. 2019 now in rates	• Filed Aug. 21, 2019 • Order received Dec. 18, 2019 • Rates effective Jan. 2020
Integrated Resource Plan (IRP)	• Outlines NIPSCO's plans for meeting customers' long-term electricity needs • 2018 IRP included plans to retire nearly 80 percent of NIPSCO's coal-fired generation fleet by 2023 and the remaining coal-fired unit by 2028 • Replacement options point toward lower-cost, reliable, cleaner energy resources • Discussions continue with select bidders in second round of RFPs	• Submitted Oct. 31, 2018 • Next IRP expected in 2021

~$10B in Identified Long-Term Infrastructure Investment Opportunities

* Represents installed capacity of generation facilities.

Investor Day Preview - NiSource Long-Term Plan (2021-2024)

Investor Day will highlight strategy and enhanced long-term growth plan (virtual meeting scheduled for September 29, 2020)

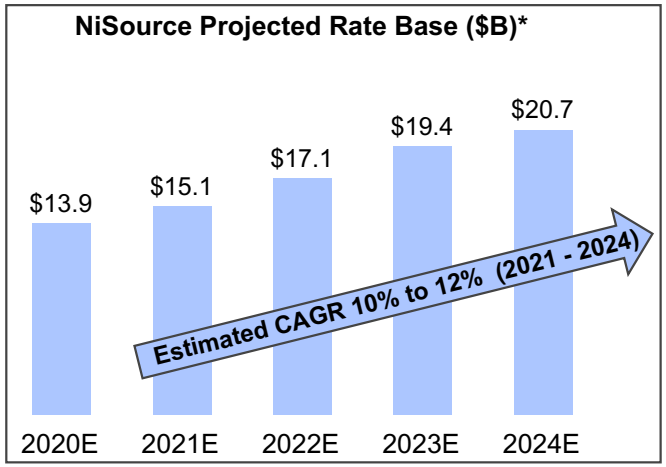

- Business strategy and long-term outlook
  - Updated for gas and electric businesses
- Update on Safety Management System (SMS) progress
- Highlighting on-going safety and infrastructure investment programs through 2024
  - Risk reduction and asset modernization
- Transition from coal to renewables
  - Drives an industry-leading greenhouse gas reduction of 90% by 2030 (from 2005)
  - Represents an additional $1.8- $2.0B of investments through 2023 and additional opportunities through 2028
- Leading ESG profile highlighted
  - Environmental performance, safety leadership and diversity programs underpin sustained commitment
- Financial Outlook Updated
  - Financing plan, cost restructuring and regulatory initiatives outlines to support updated NOEPS** CAGR from 2021- 2024

Robust Rate Base Growth Expected to Drive NOEPS CAGR in Excess of 5 to 7%**

*Excludes MA
* *Net Operating Earnings Per Share (Non-GAAP)

Investor Day Preview - Renewable Investment Opportunity

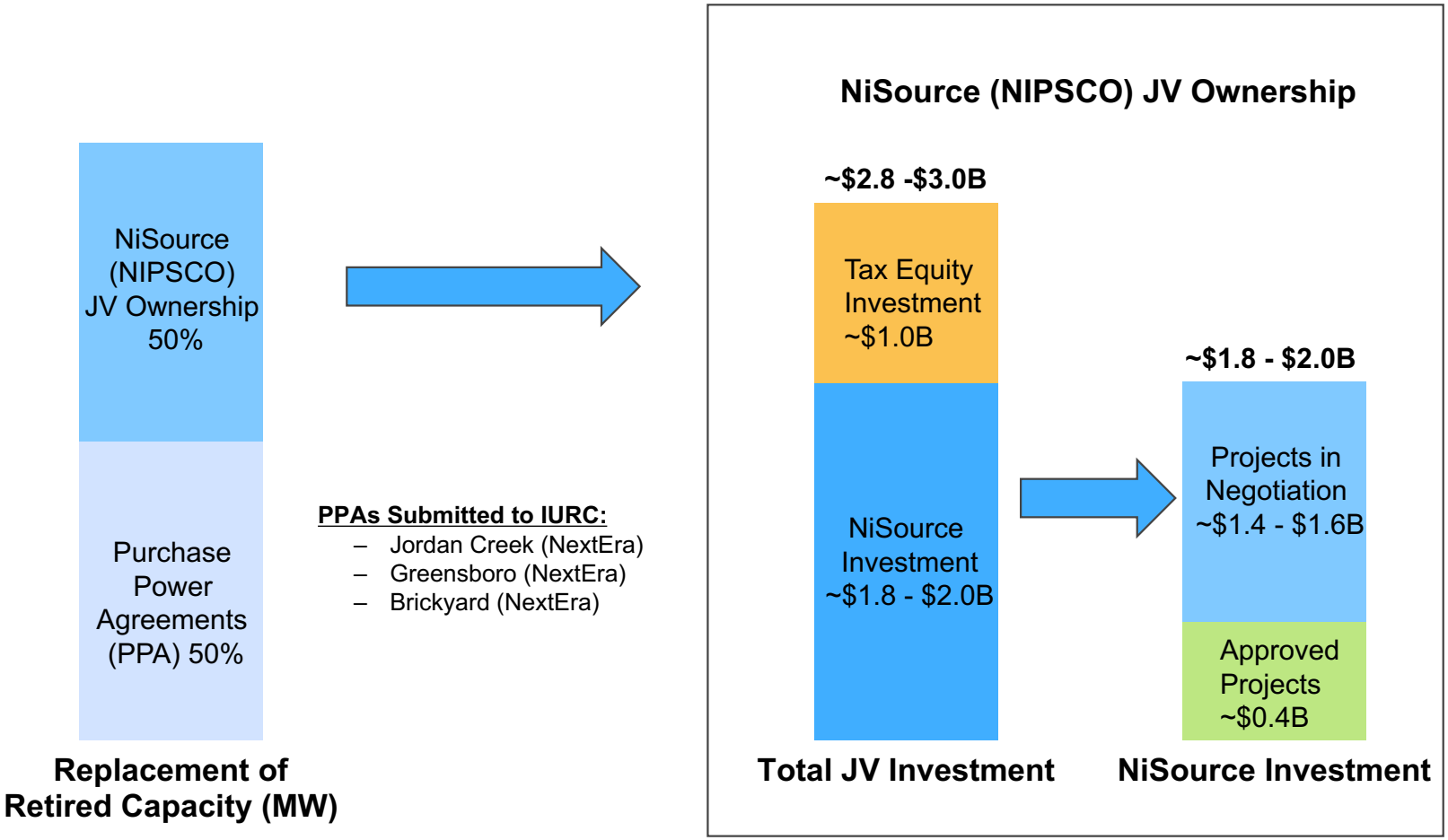

~50% Ownership Drives Customer Benefits and Shareholder Value

Investor Day Preview - Generation Strategy Timeline

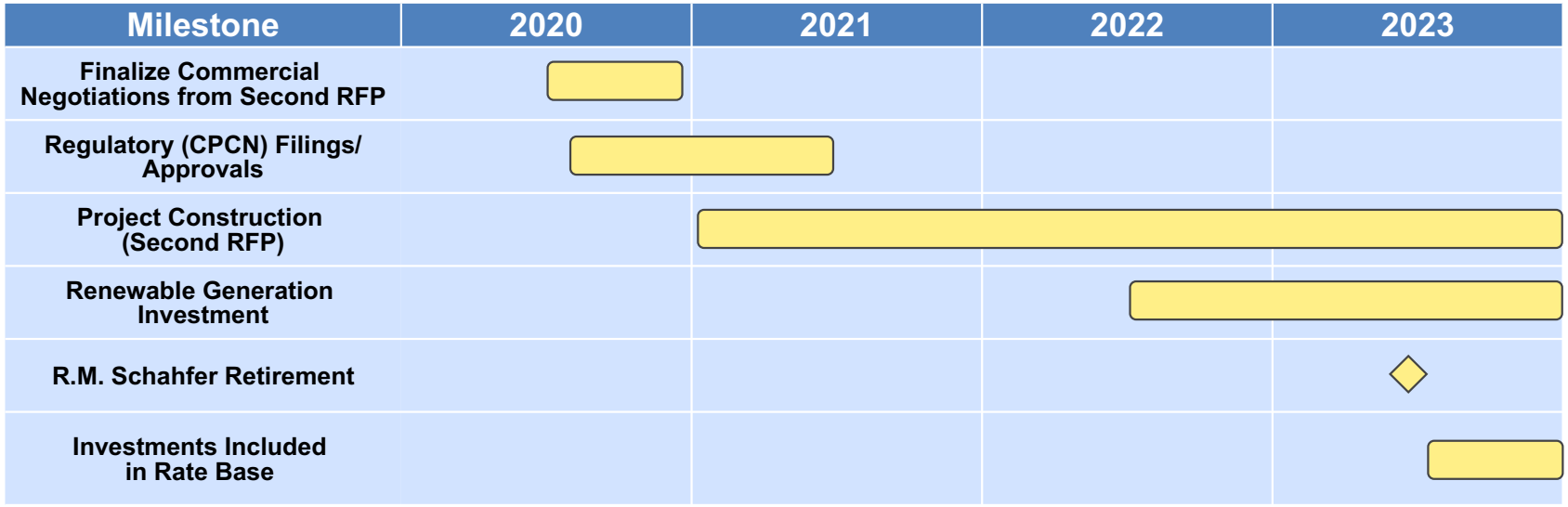

- Renewable replacement plan advancing
  - 2019 Base Rate Case - positioned NIPSCO to move forward with the renewable replacement strategy that provides significant customer benefits and investment opportunity

- Capacity replacement status*

  JV Projects
  - **Rosewater (100MW) -** regulatory approved, tax equity partner (Wells Fargo), under construction, targeted in-service YE2020
  - **Indiana Crossroads (300MW) -** regulatory approved, tax equity partner (TBD), construction begins 2H2020, targeted in-service YE2021
  - **Several Solar Projects -** advanced commercial discussions

  PPA Projects
  - **Jordan Creek (400MW) -** regulatory approved, under construction, targeted in-service YE2020
  - **Brickyard (200MW) -** filed 7/2020, targeted in-service Q22023
  - **Greensboro (130MW) -** filed 7/2020, targeted in-service Q22023

Execution of Generation Strategy Well Underway

* All MW Represent installed capacity of generation facilities.

Appendix:

Second Quarter 2020 Earnings

COVID-19 Actions

- **Following CDC and local guidelines intended to ensure the health and safety of our employees and customers**

- **Operating under Incident Command Structure to coordinate strategy, execution and communication across all seven states**

- **For Customers**
  - Suspended shut-offs for non-payment and are offering flexible payment plans
  - Employees using social distancing at customer premises and minimizing all non-essential field work that requires entry to customer homes and locations
  - On-going and frequent communications

- **For Communities**
  - NiSource foundation donation of $1M to American Red Cross
  - Nearly $500K donated by the foundation to support operating company initiatives at the local level

- **For Employees**
  - Approximately 75% are working remotely or job site reporting
  - Sequestering employees in critical operations when required
  - Temperature checks for employees that need to enter critical company facilities
  - More frequent cleaning of equipment and buildings
  - Limiting company vehicle occupancy to one person

Primary Focus on Customer and Employee Safety and Health

COVID-19 Business Implications

- **Customer - lower revenue and cash flows in Q2, gradual recovery expected into 1H 2021**
  - Sales volume declines (Commercial and Industrial)
  - Increased bad debt expense (due to shut-off moratorium and job losses)
  - Customer attrition

- **Supply Chain - no material impacts at this time**
  - Contractor availability, utility materials and supplies largely unaffected
  - Renewables construction ongoing (Rosewater project could experience some delays)

- **State Regulatory Environment - in current dialogue across all jurisdictions**
  - Protection of vulnerable customers
  - Treatment of certain financial impacts (orders in IN, OH, PA, VA, MD allow deferral for later recovery)
  - Monitoring procedural schedules

- **Capital Markets and Liquidity -** we believe current liquidity remains sufficient for the next 12 - 24 months following recent financing activity and the anticipated proceeds of the CMA sale, with limited additional capital market needs

- **Pension Expense and Contributions -** well positioned with 97% funded plans at June 30, 2020

- **CARES (Coronavirus Aid, Relief and Economic Security Act) Legislation -** constructive components to managing cash position

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Proactively Assessing and Planning for Potential Impacts to our Strategy and Plan

COVID-19 Customer Demand and Bad Debt

Retail Margins by Customer Class

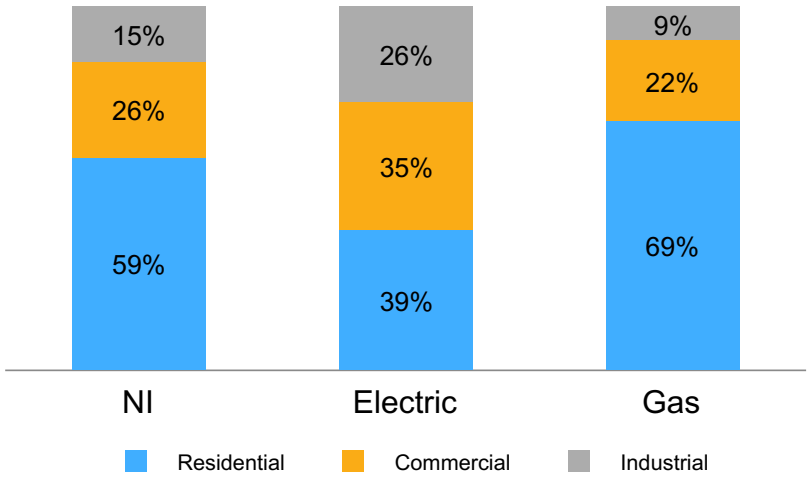

Initial pre-tax operating earnings sensitivity to +/- 1% change in annual sales volumes* ($M)		
Customer Class	Electric	Gas
Residential	$ 3.9	$ 3.8
Commercial	$ 3.9	$ 2.4
Industrial	$ 2.3	$ 1.2

Customer Demand

- Experienced lower commercial and industrial sales
- Partially offset by increased residential sales

Rate Design

- Gas Segment
  - Residential ~75% Fixed
  - Commercial ~45% Fixed
- Electric Segment
  - Residential ~20% Fixed
  - Commercial ~25% Fixed
  - Large Industrial ~55% Fixed (includes demand ratcheting)

Bad Debt

- Expect higher expense
- Bad debt primarily recovered in base rates; additional mechanisms exist in several states on gas/fuel recovery
- Recent orders in OH, IN, PA, VA, MD allow for deferral of COVID-related bad debt

Rate Design and Periodic Base Rate Cases Mitigate Impacts

* Sensitivity may not be linear for large or prolonged volume changes

Bad Debt Recovery Mechanisms

Company	Bad Debt Expense Included in Base Rates*	Tracked Incremental Expense	Tracked Filing Frequency
Gas Distribution			
NIPSCO Gas	Yes	Gas cost only	Quarterly
Columbia Gas of Ohio	Yes	Gas cost and delivery charge	Annual
Columbia Gas of Pennsylvania	Yes	Partial gas cost only	Quarterly
Columbia Gas of Massachusetts	Yes	Gas cost only	Semi-Annual
Columbia Gas of Virginia	Yes	Gas cost only	Quarterly
Columbia Gas of Maryland	Yes	Gas cost only	Quarterly
Columbia Gas of Kentucky	Yes	Gas cost only	Quarterly
Electric Operation			
NIPSCO Electric	Yes	None	N/A

Constructive Regulatory Mechanisms

* Based on historical bad debt of ~1% of gross revenue

Revenue and Weather Normalization Mechanisms

Company	Revenue Decoupling/ Normalization	Weather Normalization
Gas Distribution		
NIPSCO Gas	None	None
Columbia Gas of Ohio	Straight Fixed Variable Rates for Residential and Small Commercial	None
Columbia Gas of Pennsylvania	None	Yes - Residential
Columbia Gas of Massachusetts	Yes (Decoupling) - All Classes	None
Columbia Gas of Virginia	Yes (RNA*) - Residential	Yes - Residential & Commercial
Columbia Gas of Maryland	Yes (RNA) - Residential	Yes - Residential & Commercial
Columbia Gas of Kentucky	None	Yes - Residential & Commercial
Electric Operation		
NIPSCO Electric	None (Demand Ratcheting Large Industrial Rates)	None

* Revenue Normalization Adjustment

Safety Management System (SMS) - Updates Planned for Investor Day

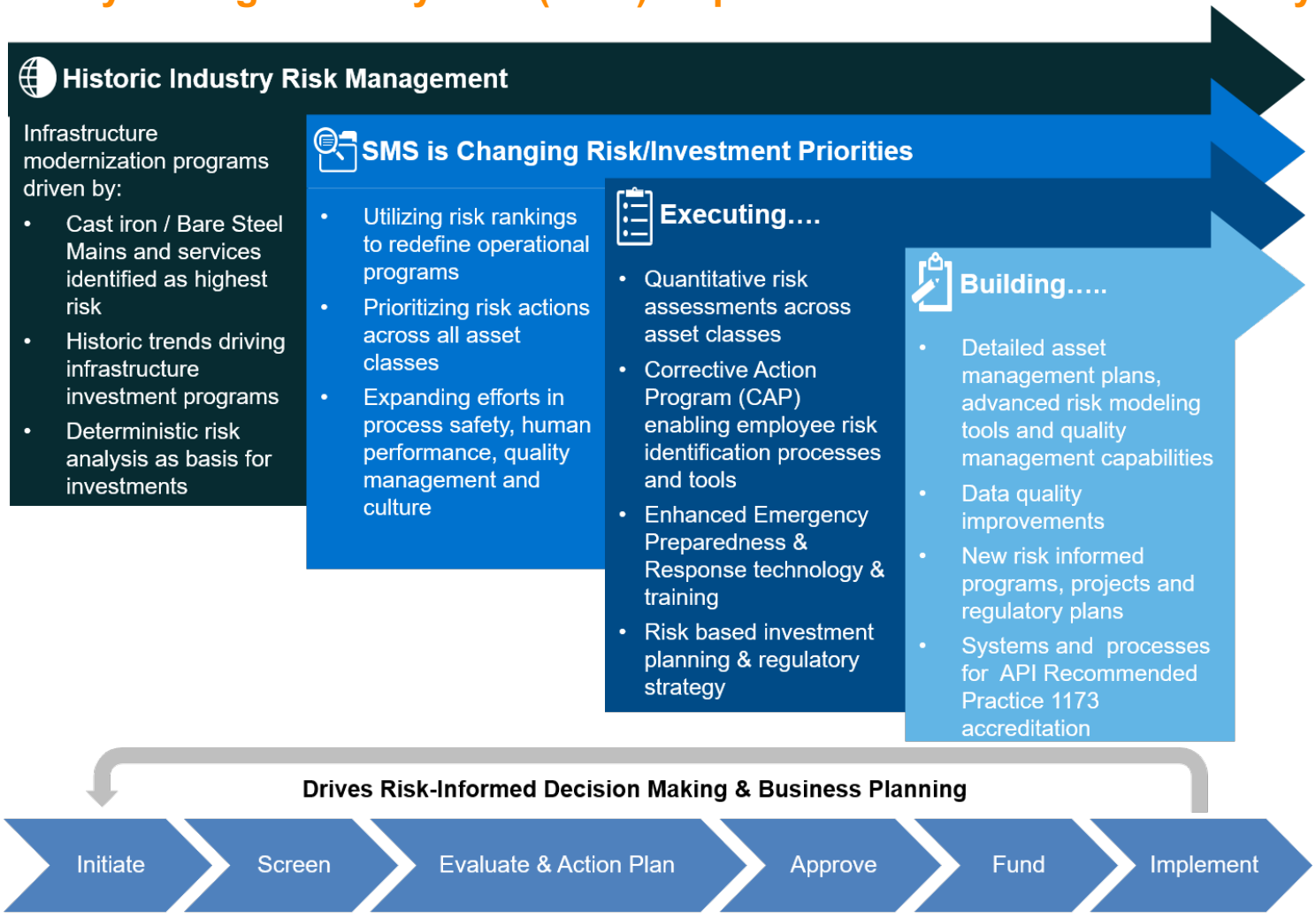

Integrating Safety, Risk Management and Investment Planning

Environmental, Social & Governance (ESG)

Longstanding ESG Program

- NiSource has been reporting on sustainability and ESG for more than a decade
- Climate Report published in 2019 aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework
- Member of the Dow Jones Sustainability North America Index for six years in a row, ranked 3rd of 11 North American utilities evaluated
- Named to the FTSE4Good Index, S&P Global 1200 ESG Index, S&P 500 ESG Index, and S&P US LargeMidCap ESG Index

Environmental

- Goal of 90% greenhouse gas emissions reductions by 2030 from 2005 levels
- Continued GHG emissions reductions in 2019; total decrease of 48% from 2005 levels
- Announced more than 800 MW of new wind projects expected to be in service by 2021
- Founding member of the EPA's Methane Challenge Program in 2016
- Top 20% environmental performance score from Institutional Shareholder Services (ISS)

Social

- Member of the Bloomberg Gender Equality Index since 2018
- Named one of America's Best Large Employers by *Forbes* since 2016

Governance

- Committed to board diversity - Currently 25% female, 33% ethnically diverse
- Environmental, Safety and Sustainability Committee oversees ESG matters

ESG is an Essential Part of NiSource's Strategy

Capital Expenditures

Investments Expected to Deliver Customer Value, Enhance System Safety and Reliability

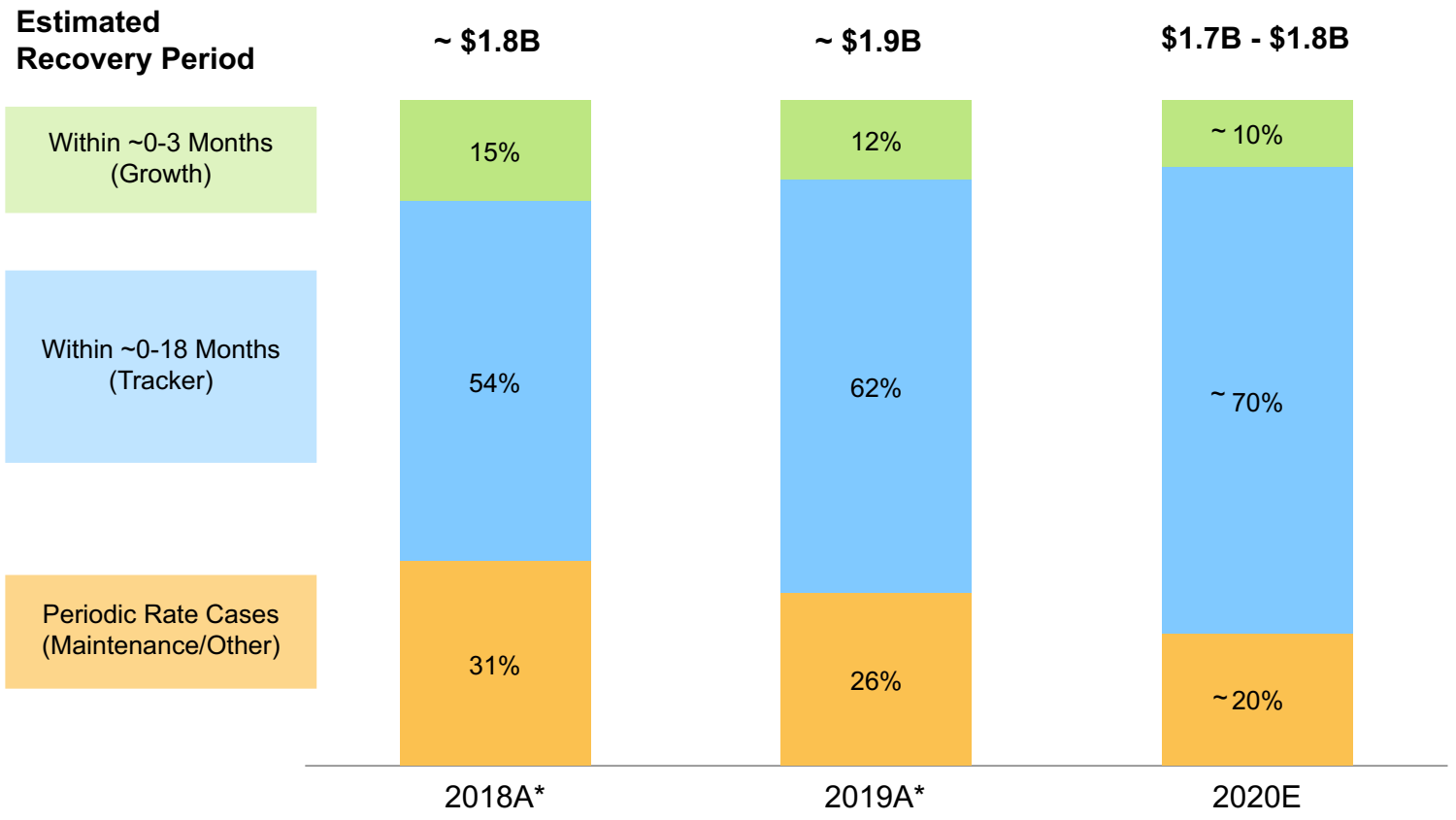

Anticipate >75% of Capital Investments Begin Earning in Less Than 18 Months

* Greater Lawrence distribution system capital included in maintenance for 2018 and 2019

Liquidity and Capitalization as of Second Quarter 2020 ($M)

Current Liquidity	Actual 3/31/2020	Maturity
Revolving Credit Facility	$1,850	Feb. 20, 2024
Accounts Receivable Programs*	314	
Less:		
Drawn on Credit Facility	—	
Commercial Paper	—	
Accounts Receivable Programs Utilized	314	
L/C's Outstanding Under Credit Facility	10	
Add:		
Cash & Equivalents	142	
Net Available Liquidity	$1,982	

Qualified Pension Funding

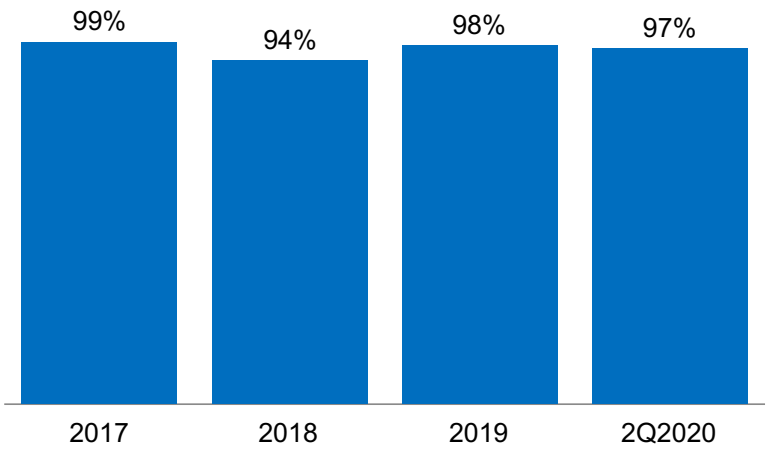

Total Debt/Total Capitalization

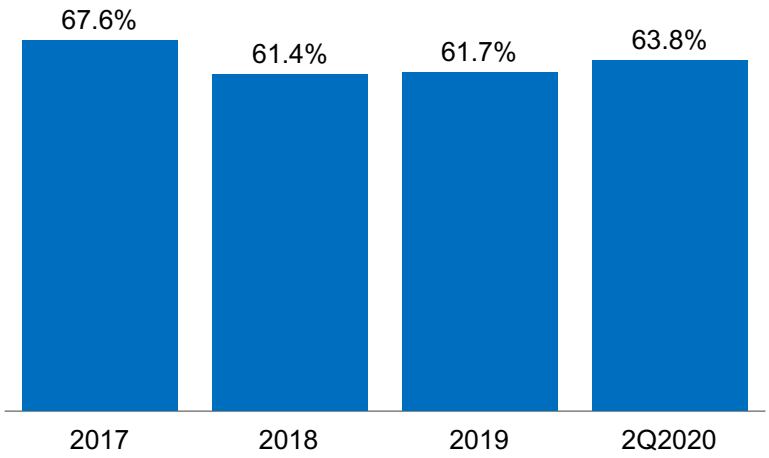

* Represents the lesser of seasonal limit or maximum borrowings supportable by underlying receivables

Long-Term Debt as of Second Quarter 2020 ($M)

Debt Detail	Balance	Wtd. Avg. Rate*	Wtd. Avg. Maturity
Long-Term Debt	$8,739	4.30%	16 years
Revolving Credit Facility	—		
Commercial Paper	—		
A/R Program Borrowings	314	0.50%	1 month
Term Loan	850	0.93%	9 months
Capital Leases, Def Cost & Other	87	N/A	N/A
Total Debt	**$9,990**		

Upcoming Long-term Debt Maturities	2020	2021	2022	2023	2024
NiSource	-	$64	$520	$600	-
NIPSCO	-	-	$10	-	-
Total Long-Term Debt Maturities	**-**	**$64**	**$530**	**$600**	**-**

* Represents coupon or current incremental borrowing rate; does not factor in fees and/or amortization of deferred charges
N/A = Not Applicable

Gas Distribution Operations Infrastructure Programs

Company	Base Case Authorized ROE	Year-End 2019 Rate Base	Total Identified Investments	Modernization Program Investments	Estimated Annual Modernization Program Investment	Recovery Mechanism
Columbia Gas of OH	Not Specified	$3.2B	~$10.4B	~$10.4B	$435M - $550M	Tracked
Columbia Gas of PA	Not Specified	$1.9B	~$5.0B	~$3.9B	$250M - $296M	Rate Case (Forward Test Year)
NIPSCO Gas	9.85%	$1.7B	~$4.9B	~$3.8B	$160M - $180M	Tracked
Columbia Gas of MA	9.55%	$1.1B	~$2.2B	~$1.2B	$75M - $120M	Tracked
Columbia Gas of VA	Not Specified	$850M	~$1.8B	~$540M	$46M - $65M	Tracked
Columbia Gas of KY	Not Specified	$327M	~$1.2B	~$850M	$35M - $40M	Tracked
Columbia Gas of MD	9.60%	$149M	~$212M	~$150M	$18M - $25M	Tracked

Robust Long-Term Investment Programs Deliver Value on $9.2B Rate Base*

* As of Dec. 31, 2019

Electric Operations Investment Programs and Generation Transition

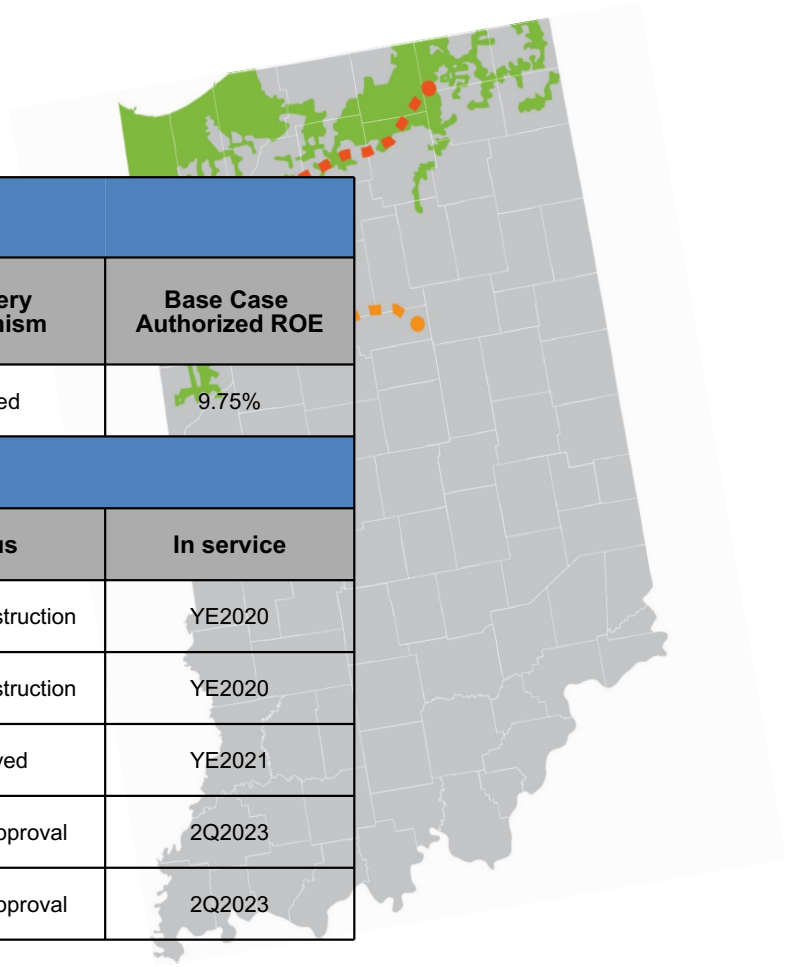

Infrastructure Investment Programs				
Program	**Identified Investments**	**Estimated Annual Investment**	**Recovery Mechanism**	**Base Case Authorized ROE**
Infrastructure Modernization	~$5.9B	~$190M - $240M	Tracked	9.75%

Generation Transition				
Project	**Project Type**	**MW ICAP**	**Status**	**In service**
Jordan Creek	Purchase Power Agreement	400MW	Under Construction	YE2020
Rosewater	Joint Venture	100MW	Under Construction	YE2020
Indiana Crossroads	Joint Venture	300MW	Approved	YE2021
Brickyard Solar	Purchase Power Agreement	200MW	Pending Approval	2Q2023
Greensboro Solar	Purchase Power Agreement	100MW Solar 30MW Battery	Pending Approval	2Q2023

High-Value Investments on $4.7B Rate Base*

* As of Dec. 31, 2019

Regulatory Update

2020 Rate Case and Program/Project Activity		
Company/Filing	**Summary**	**Timeline**
	In Progress	
NIPSCO Electric - Solar Project Filings	20-year PPAs for Brickyard and Greensboro solar projects	Filed: July 17, 2020 Order Expected: December 1, 2020
Columbia Gas of Maryland - Base Rate Case	Requested Increase: $5.0M, net of trackers	Filed: May 15, 2020 Order Expected: Q4 2020
Columbia Gas of Pennsylvania - Base Rate Case	Requested Increase: $100.4M	Filed: April 24, 2020 Order Expected: Q1 2021
	Completed	
NIPSCO Gas - TDSIC	Six year extension to long-term infrastructure modernization program	Filed: December 31, 2019 Order Received: July. 22, 2020

Continued Regulatory Execution Drives Growth and Customer Value

Safety and Infrastructure Investment and Tracker Filing Details

Company	Recovery Mechanism	Incremental Investments		Recovery	
		Investment Period	Investment Amount ($M)	Filing Date	Effective Date
Columbia Gas of Ohio	Infrastructure Replacement Program (IRP)	FY 2018	$199.6	Feb 2019	May 2019
		FY 2019	$234.4	Feb 2020	May 2020
Columbia Gas of Ohio	Capital Expenditure Program (CEP)	FY 2018	$121.7	Feb 2019	Sept 2019
		FY 2019	$185.1	Feb 2020	Expected - Sept 2020
Columbia Gas of Pennsylvania	Distribution System Improvement Charge (DSIC)	Dec 2019 - Feb 2020 March 2020 - May 2020	$28.2 $28.6	Apr 2020 June 2020	May 2020 July 2020
Columbia Gas of Virginia	Steps to Advance Virginia's Energy Plan (SAVE)	FY 2020	$50.0	Aug 2019	Jan 2020
		FY 2020	$46.4	July 2020	Jan 2021
Columbia Gas of Kentucky	Safety Modification and Replacement Program (SMRP)	FY 2019	$30.1	Oct 2018	Jan 2019
		FY 2020	$40.4	Oct 2019	Jan 2020
Columbia Gas of Maryland	Strategic Infrastructure Development and Enhancement (STRIDE)	FY 2019	$19.7	Nov 2018	Jan 2019
		FY 2020	$15.0	Jan 2020	Feb 2020
NIPSCO – Gas	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 10: Jul 2018 – Apr 2019	$12.4	Jun 2019	Nov 2019
		TDSIC 11: May 2019 - Dec 2019	$38.7	Feb 2020	Jul 2020
NIPSCO – Electric	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 5: Jun 2018 – Nov 2018	$58.8	Jan 2019	Jun 2019
		TDSIC 6: Dec 2018 – Jun 2019	$131.1	Aug 2019	Jan 2020

Investor Day

September 29, 2020

NiSource®

This presentation contains “forward-looking statements” within the meaning of federal securities laws. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include among other things, our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; our ability to execute our growth strategy; changes in general economic, capital and commodity market conditions; pension funding obligations; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; our ability to adapt to, and manage costs related to, advances in technology; any changes in our assumptions regarding the financial implications of the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; the pending sale of the Columbia of Massachusetts business, including the terms and closing conditions under the related Asset Purchase Agreement; potential incidents and other operating risks associated with our business; potential impacts from the COVID-19 pandemic; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; any damage to our reputation, including in connection with the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; fluctuations in demand from residential and commercial customers; economic conditions of certain industries; the success of NIPSCO’s electric generation strategy; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential impairments of goodwill or definite-lived intangible assets; changes in taxation and accounting principles; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; construction risks and natural gas costs and supply risks; extreme weather conditions; the attraction and retention of a qualified workforce; the ability of our subsidiaries to generate cash; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; and other matters in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as updated in our Quarterly Report on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020 and in our subsequent SEC filings, many of such risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

Regulation G Disclosure Statement

This presentation includes financial results and guidance for NiSource with respect to net operating earnings available to common shareholders, which is a non-GAAP financial measure as defined by the SEC’s Regulation G. The company includes this measure because management believes it permits investors to view the company’s performance using the same tools that management uses and to better evaluate the company’s ongoing business performance. With respect to such guidance, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

AGENDA

1. WELCOME
   Randy Hulen
2. STRATEGIC OVERVIEW
   Joe Hamrock
3. OPERATIONS & SAFETY FOCUS
   Pablo Vegas
4. GENERATION TRANSITION
   Shawn Anderson
5. FINANCIAL OVERVIEW
   Donald Brown

CLOSING
Joe Hamrock

7. Q&A

Strategic Overview

Joe Hamrock
President, Chief Executive Officer & Director, NiSource

NiSource®

PREMIER REGULATED UTILITY BUSINESS

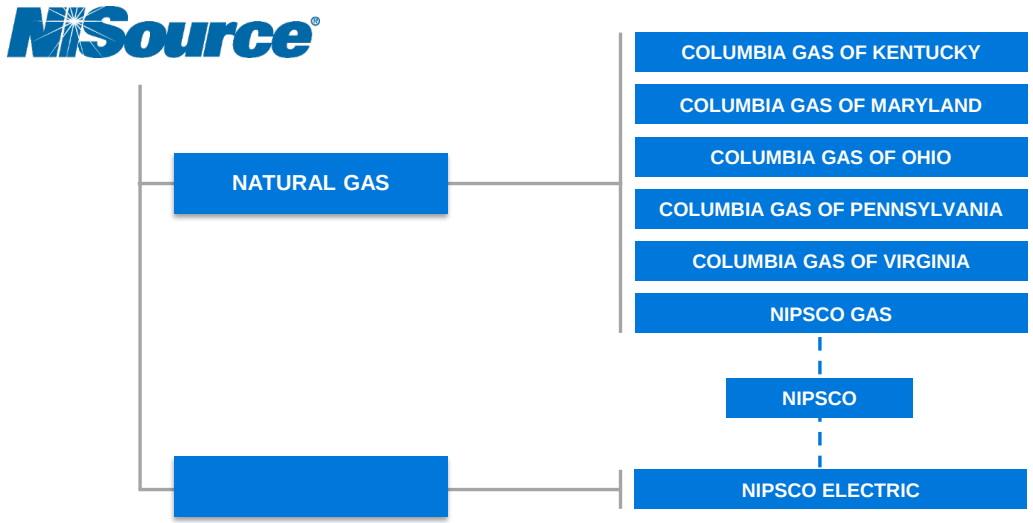

Significant Scale across Six States

~3.2M
Gas Customers

~500K
Electric Customers

NI
LISTED
NYSE

10%–12%
Compelling expected annual total shareholder return proposition 2021-2024*

* Estimated total shareholder return at a constant P/E ratio
Note: Structure is post sale of Columbia Gas of Massachusetts, which is expected to close in October 2020

Safety and environmental leadership will continue to drive customer value and sustainable growth

Strong Foundation

- Regulatory diversity resulting from multiple jurisdictions provides stability
- Significant scale, with ~$14B of regulated electric and gas rate base[1]
- Proximity to abundant, low-cost natural gas resources supports ongoing rate affordability
- Investments and recovery supported by favorable energy policies and constructive regulatory environments

Clear Path to Drive Incremental Growth

- Enhanced ~$40B infrastructure investment opportunity set driving long-term growth
  - Increase of ~$10B from prior expectation
- Well-established capital investment programs with track record of recovery through regulatory trackers
- Driving 10%-12% expected rate base CAGR 2021-2024

Benefiting Customers and Communities

- Accelerated and enhanced implementation of Safety Management System (SMS)
- Generation investments to save customers $4B over 30 years and reduce GHG 90% by 2030[2]
- Investments and focus on organizational efficiency to drive continued customer affordability
- Gas safety and modernization investments advancing environmental benefits

Committed to Shareholder Value

- 100% regulated revenue expected to deliver consistent and predictable earnings growth
- Expected 7%-9% NOEPS[3] CAGR 2021-2024
- Dividend growth to maintain targeted 60%-70% payout ratio
- Balanced financing plan focused on maintaining current investment grade credit ratings and maximizing NOEPS growth

[1]2020E excludes CMA; [2]Compared to 2005 baseline; [3]Net Operating Earnings Per Share (Non-GAAP)

Significant ongoing process

- Realigned executive leadership and integrated key operations functions across the organization
- Accelerated implementation of our Safety Management System (SMS)
- Advancing renewable portfolio with first phase of wind projects expected to be in service by Q4 2020
- Enhanced oversight and guidance on the Quality Review Board and NiSource Board of Directors
- Pending sale of Columbia Gas of Massachusetts

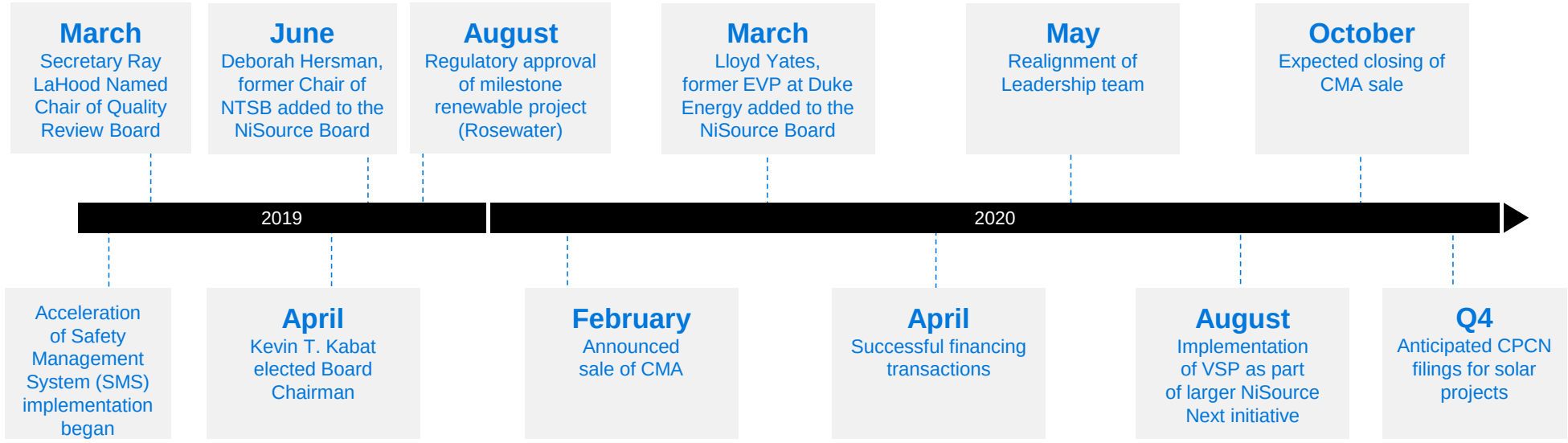

Balanced senior roles and responsibilities support the execution of our long-term strategic priorities

Joe Hamrock

President & CEO

Pablo Vegas

EVP/COO & President, NiSource Utilities

Donald Brown

EVP/CFO & President, NiSource Corporate Services

Violet Sistovaris

EVP & Chief Experience Officer

Shawn Anderson

Chief Strategy & Risk Officer

Carrie Hightman

EVP/CLO, & CEO & President, Columbia Gas of Massachusetts

Chuck Shafer

Chief Safety Officer

Leadership enhancements further advance NiSource's focus on safety, service and value

Diversity of Board experience and expertise is well-aligned with NiSource strategy

Peter J. Altabef
Age: 61
Elected: 2017
Occupation: Chairman & CEO, Unisys Corp.

Theodore H. Bunting Jr.
Age: 61
Elected: 2018
Occupation: Retired Group Pres., Entergy Corp.

Eric I. Butler
Age: 60
Elected: 2017
Occupation: Pres. & CEO, Aswani-Butler Associates

Aristides S. Candris
Age: 69
Elected: 2012
Occupation: Retired Pres. & CEO, Westinghouse

Wayne S. DeVeydt
Age: 50
Elected: 2016
Occupation: Executive Chair of Surgery Partners, Inc.

Joe Hamrock
Age: 57
Elected: 2015
Occupation: Pres. & CEO, NiSource Inc.

Deborah A. Henretta
Age: 59
Elected: 2015
Occupation: Partner G100 Companies

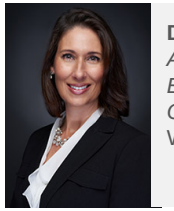

Deborah A. P. Hersman
Age: 50
Elected: 2019
Occupation: Consultant Waymo, LLC

Michael E. Jesanis
Age: 63
Elected: 2008
Occupation: Retired Pres. & CEO National Grid USA

Kevin T. Kabat
Age: 63
Elected: 2015
Occupation: Independent Chairman of the Board, NiSource Inc.; Retired CEO of Fifth Third Bancorp

Carolyn Y. Woo
Age: 66
Elected: 1998
Occupation: Retired Pres. & CEO, Catholic Relief Services

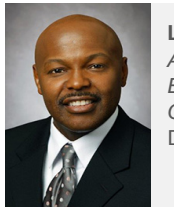

Lloyd M. Yates
Age: 59
Elected: 2020
Occupation: Retired EVP, Duke Energy

* All directors independent other than Joe Hamrock (CEO)

CAPITAL PLAN RESULTING IN EXPECTED LASTING VALUE CREATION

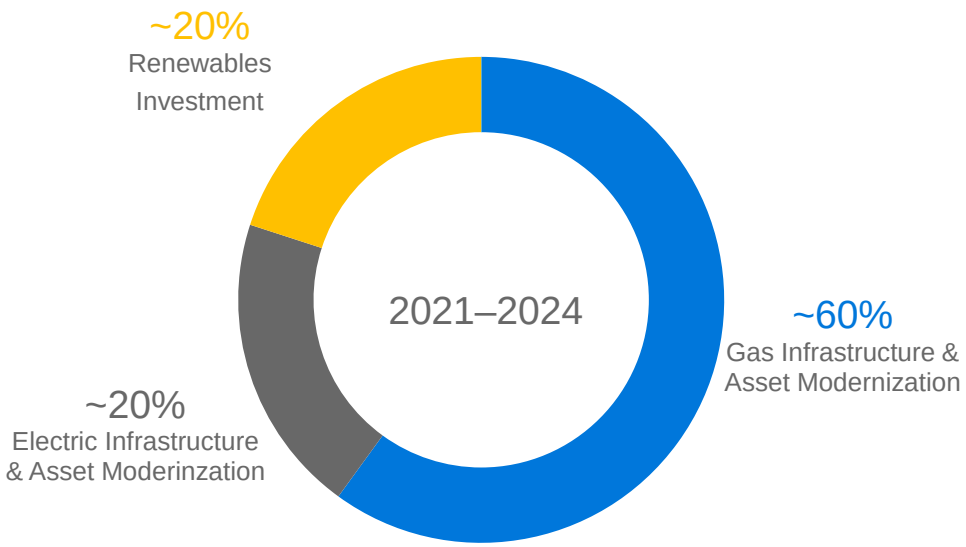

10% to 12%
Expected rate base
CAGR 2021–2024

7% to 9%
Expected NOEPS[1]
CAGR 2021–2024

[1]Net Operating Earnings Per Share (Non-GAAP)

Leveraging our platform through a dedicated investment approach and relentless commitment to safety

- Asset Modernization
- SMS Implementation
- Generation Transition
- Cost-Structure Improvements
- Enhanced Capabilities

- ✓ **Enhanced System Safety**
- ✓ **Customer Affordability and Increased Customer Satisfaction**
- ✓ **Improved Earnings Power**
- ✓ **Sustainable Value Creation over Long-Term Horizon**

Operations & Safety Focus

Pablo Vegas
EVP/COO & President, NiSource Utilities

Energizing the lives of nearly four million customers

~3.2MM
Gas Customers[1]

~$9.0B
Gas Rate Base[1]

~500K
Electric Customers

~$5.0B
Electric Rate Base

$8.1B-$8.5B
Planned Safety & Modernization Investments 2021-2024

$1.8B-$2.0B
Planned Renewable Generation Investments 2021-2023

- Investments supported by favorable energy policies and regulatory frameworks
- SMS enhancing safety culture
- NiSource Next driving business transformation
- Gas and electric safety & asset modernization investments
- Planned renewable generation investments through 2023 with longer-term opportunities thereafter
- Focus on customer safety, reliability and affordability

[1]Based on 2020E operations post the sale of Columbia Gas of Massachusetts, which is expected to close in October 2020

A significant part of our investment portfolio is preplanned, repeatable and tracked for recovery annually

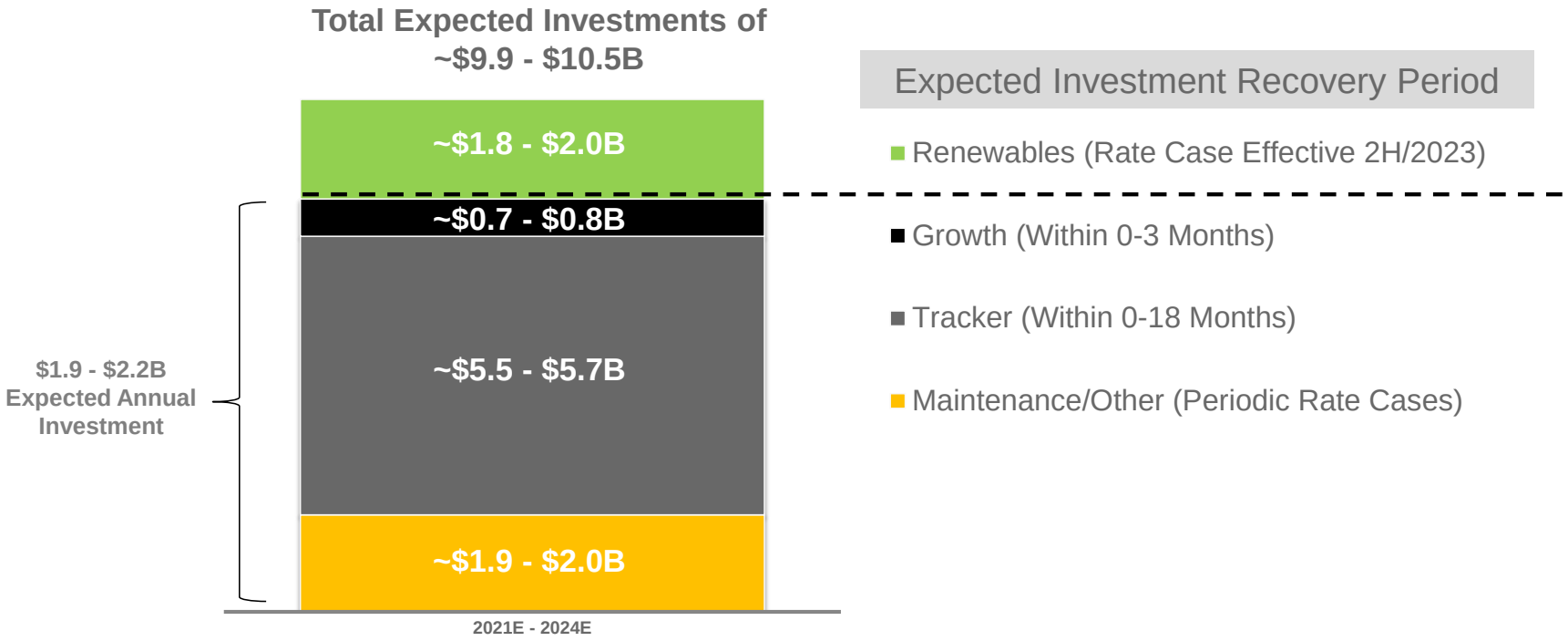

Investment plan supported by established recovery mechanisms in all states that emphasize long-term rate affordability (targets annual rate impacts in the low-to-mid single digits)

SMS ENHANCING SAFETY CULTURE (VIDEO)

NiSource®

- Unwavering Commitment to Safety Leadership
- Achievable Annualized Run Rate Savings Targets
- Flatter Organization, Stronger Teams, Empowered Leaders & Upskilled Employees
- Seamless Customer Service Using Digital Capabilities
- Standard Operations Management Supported by Modern Technology for Improved Speed and Reliability
- Customer Trust and Investor Confidence

NISOURCE NEXT
enhancing our ability to **achieve consistent, stable growth,** while fostering a culture of **leadership, innovation and commitment to continuous improvement by everyone within our organization**

Safely and sustainably operating in the communities we serve continues to be our highest priority

- Significant annual capital investment in natural gas safety and asset modernization programs planned through 2024
  - SMS continues to prioritize investment opportunities focused on system, public and employee safety improvement and risk reduction

Gas Prioritized Investments

- Bare steel & cast iron pipe replacement
- Excess flow & automatic shutoff valves
- Pipeline over pressurization protection
- Inline pipeline inspection upgrades
- Picarro advanced leak detection

Projected Environmental Benefits

50%

Reduction in methane emissions from natural gas pipelines by 2025[1]

[1]Compared to 2005 baseline

ELECTRIC BUSINESS OPERATIONAL HIGHLIGHTS

Delivering customer benefits, improving system reliability and embracing the need for affordable clean energy are driving growth in our electric business

- $400-$600 million of planned annual capital investment in base electric system infrastructure and asset modernization programs planned through 2024
- Incremental $1.8-$2.0 billion in planned generation investment opportunities through 2023
- Well-established and supported plan for electric generation enhances sustainability and diversification of business profile
  - Replacing approximately 1,400 megawatts of retiring coal-fired generation at Schahfer by 2023
  - Incremental opportunities beyond 2024 supporting planned Michigan City plant retirement
- Rate structure supports competitiveness of energy-intense industrial customers and reduces associated risks

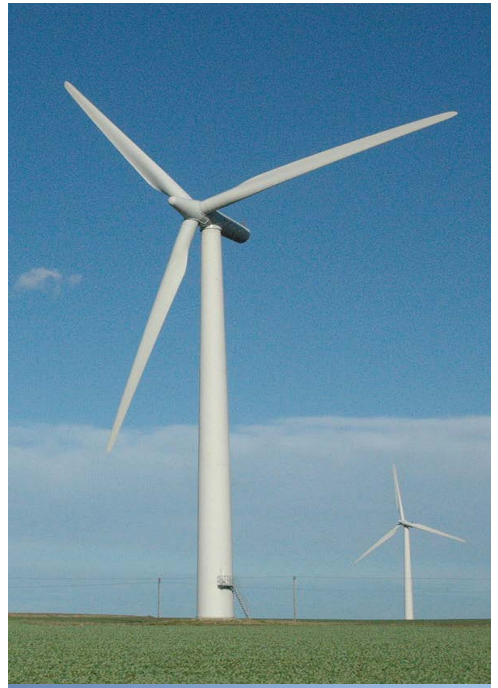

IMPROVING CUSTOMER EXPERIENCE, SATISFACTION AND AFFORDABILITY

- Operational safety and risk management systems driving technology investments to improve the customer experience
- “Know Your Home” campaign launched to better educate customers on their gas infrastructure
- Improved operational efficiency enabling us to become leaner and more efficient while providing more value for customers
- Introduced new payment platforms (PayPal, Venmo) to make bill payment easier
- Continuing payment assistance programs to help customers mitigate COVID-19

“Our customers are at the center of our business …”

Generation Transition Strategy

Shawn Anderson
Chief Strategy & Risk Officer, NiSource

GENERATION TRANSITION STRATEGY FOUNDATIONS

Charting the long-term course for transitioning our generation portfolio

The IRP Process

- The Integrated Resource Plan (IRP) outlines NIPSCO long-term plans to supply electricity to customers
- IRP is required of all electric utilities in Indiana
- Takes into account interests of customers, employees, environment and local economy
- Process includes extensive analysis across a range of generation scenarios
- Broad stakeholder engagement is supported throughout process

Key IRP Planning Considerations

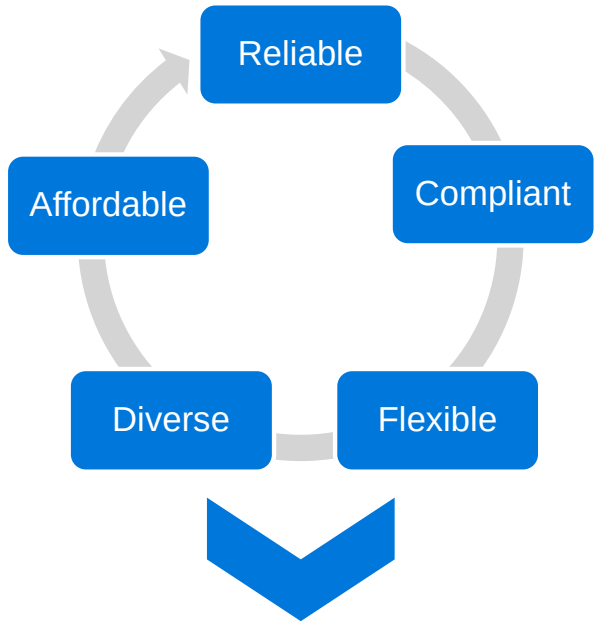

Process leads to generation replacement investment opportunities

GENERATION TRANSITION OUTCOMES

Replacing 80% of coal capacity by 2023 with primarily renewable resources; retiring all coal generation by 2028

~$4B in customer savings over 30 years

11K jobs during construction and $2B in economic activity

$1.8B–$2B of planned investment opportunities through 2023

GHG emissions to be reduced 90% by 2030[1]

[1]Compared to 2005 baseline

DRIVING CUSTOMER AND COMMUNITY BENEFITS

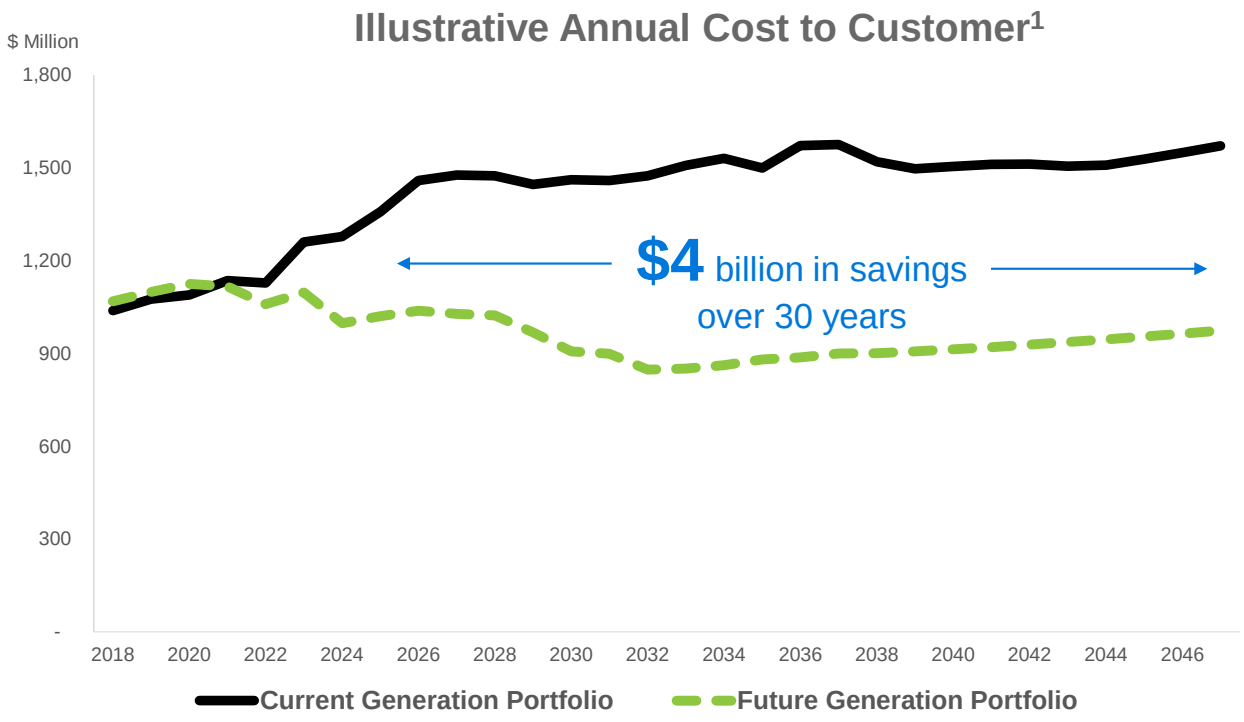

Renewable investments expected to benefit Indiana's economy

- Renewable generation infrastructure estimated to be $5B-$6B by 2023[3]
- ~11k in direct FTEs created during project construction
- ~$2.3B of contribution to Indiana economic output (Gross State Product)
- Significant reinvestment in local tax base

[1]Reflects renewable investments through 2023 and potential considerations for Michigan City replacement
[2]Based on average of 2013 – 2019 fuel costs
[3]Includes JVs and PPAs

DRIVING ENVIRONMENTAL BENEFITS

Driving down other environmental impacts related to coal

Greenhouse Gas
Reductions from 2005 Levels

48%
By 2019

90%
By 2030E

	Reduction 2005 to 2019	Reduction 2005 to 2030E
Nitrogen Oxides (tons)	84%	~100%
Sulfur Dioxide (tons)	97%	~100%
Mercury (pounds)	94%	99%
Water Withdrawal (millions gallons)	89%	99%
Water Discharge (millions gallons)	93%	99%
Coal Ash Generated (tons)	52%	100%

Tax equity partnerships allow for significant reduction in cost to customers and efficient timing of capital deployment

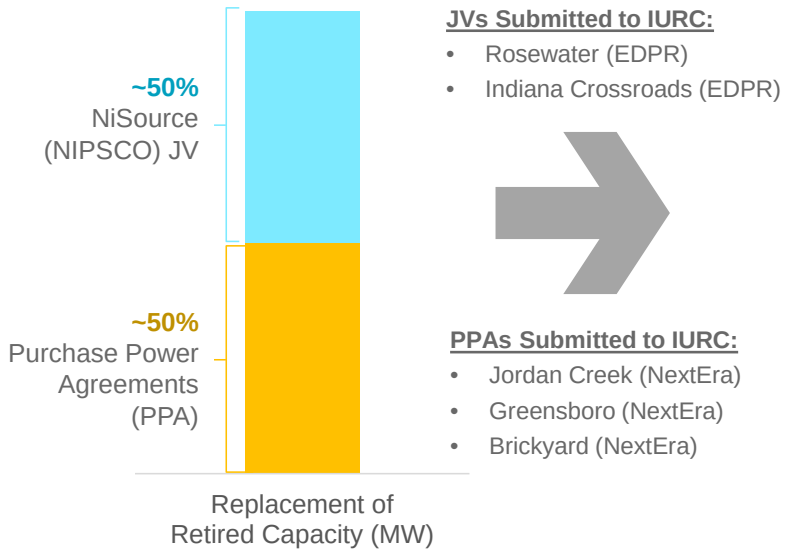

JVs Submitted to IURC:

- Rosewater (EDPR)
- Indiana Crossroads (EDPR)

PPAs Submitted to IURC:

- Jordan Creek (NextEra)
- Greensboro (NextEra)
- Brickyard (NextEra)

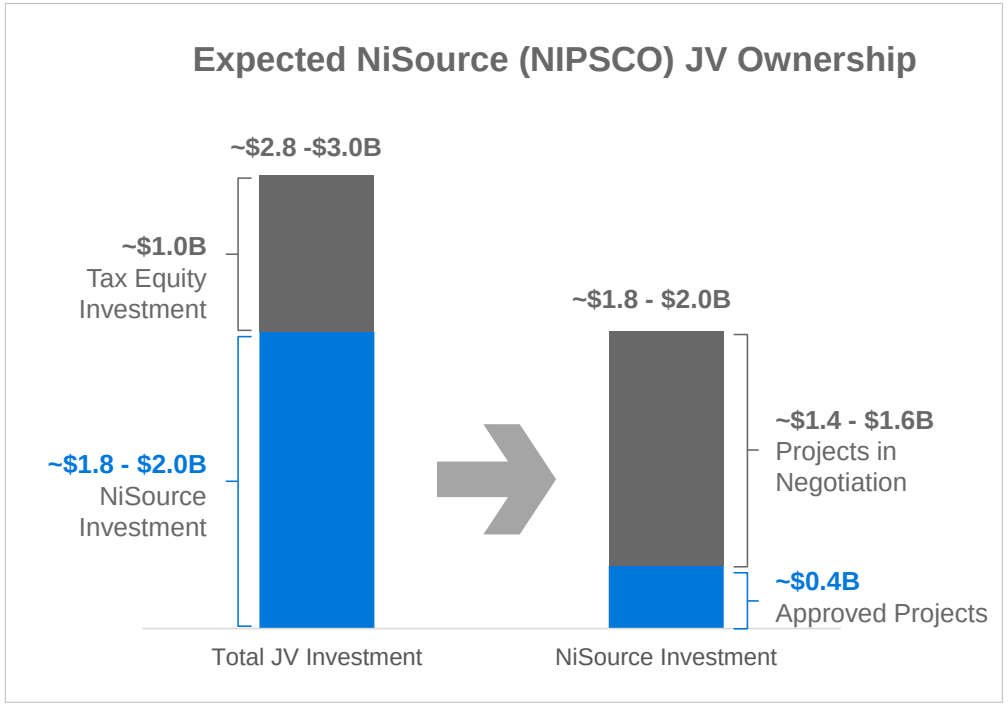

Mix of JVs and PPAs Drives Customer Benefits and Shareholder Value

ROBUST RENEWABLE INVESTMENTS IN INDIANA

Project	Structure	NIPSCO Investment ($M)	In Service	Status
Executed Projects:				
Rosewater Wind *(EDPR)*	JV	~$100	'20	Under Construction
Jordan Creek Wind *(NextEra)*	PPA	N/A	'20	Under Construction
Indiana Crossroads Wind *(EDPR)*	JV	~$300	'21	Under Construction
Brickyard Solar *(NextEra)*	PPA	N/A	'22	Pending Approval
Greensboro Solar + Storage *(NextEra)*	PPA	N/A	'22	Pending Approval
In Process Projects:				
Solar (+ Storage) Projects[1]	JV	~$1,400 – $1,600	'22–'23	Advanced Commercial Negotiations
Solar & Wind Projects	PPA	N/A	'23	Advanced Commercial Negotiations
Total		**$1,800 – $2,000**		

[1]Includes transmission projects included in IRP which will be fully owned by NIPSCO

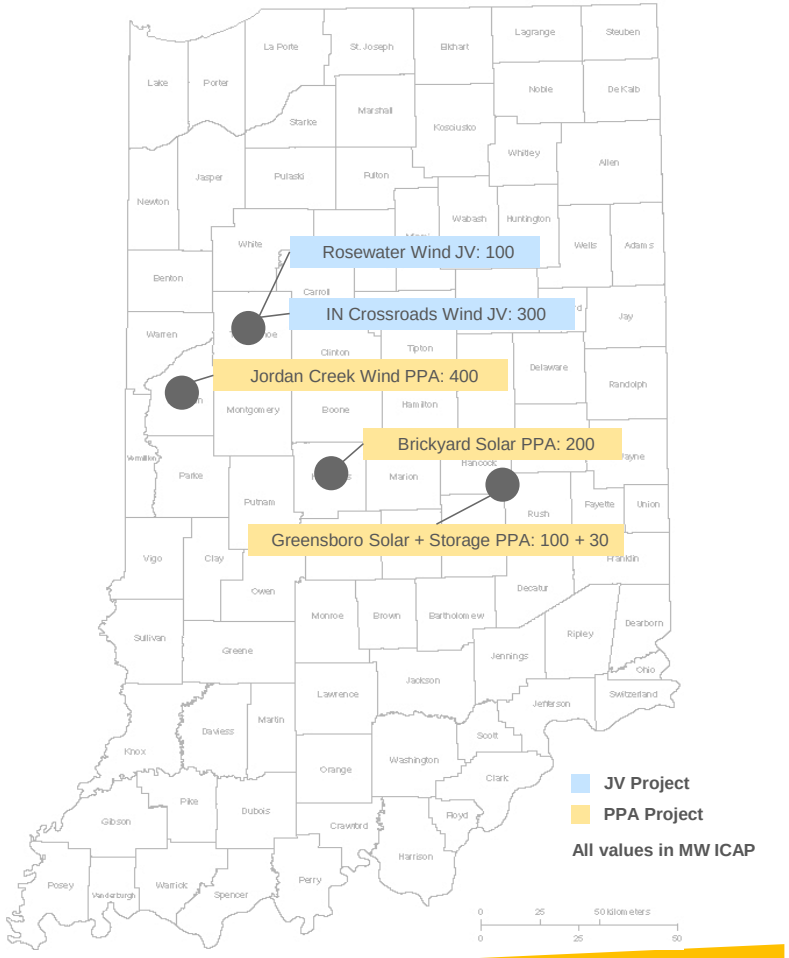

All renewable projects are on time and on budget

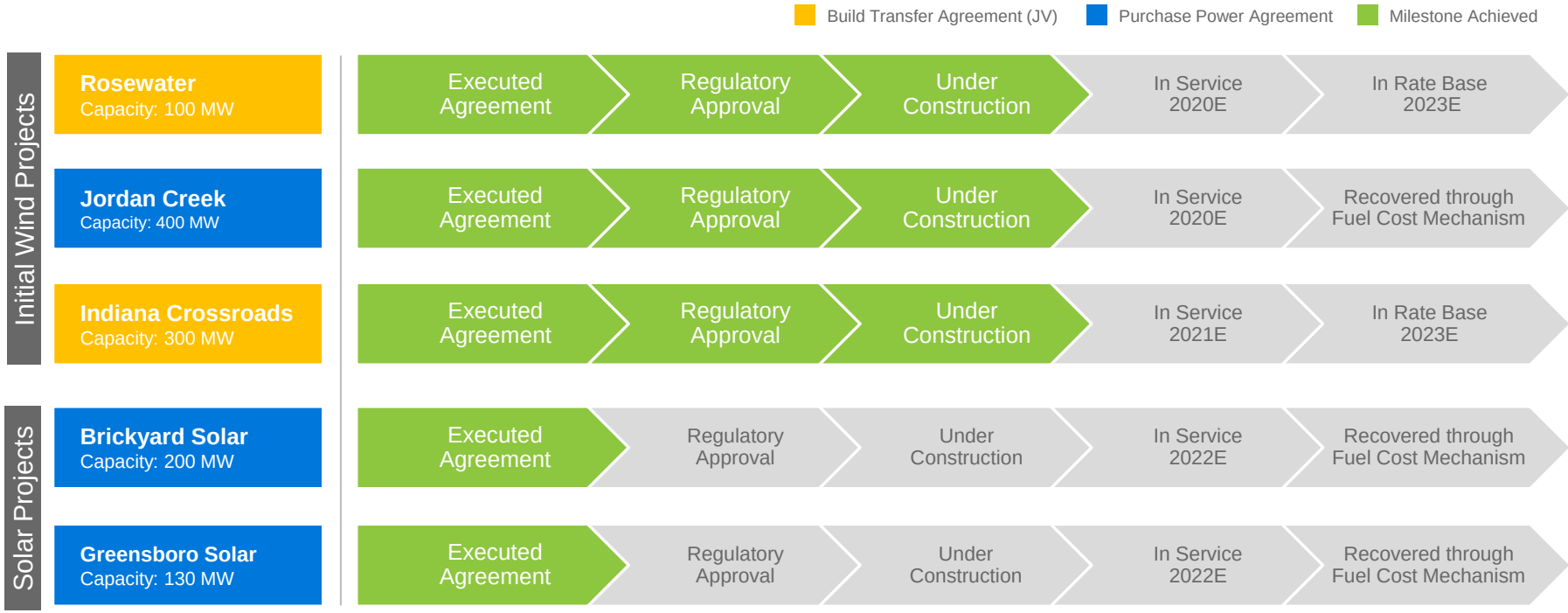

Approximately eight to ten additional projects in advanced commercial negotiations

2018
- Engineering/Design Completed
- Board Approval

2019
- Commercial Agreement Reached January 2019
- Filed CPCN February 2019
- Regulatory Approval Received August 2019

2020
- Closed Tax Equity Financing July 2020
- Expected In-Service 4Q 2020

2023
- Developer Buy-Out
- Addition to rate base

ROSEWATER WIND FARM™

edp renewables

Project Profile

- 100 MW wind project in White County
- 20 Vestas V136 3.6 MW wind turbines
- 5 Vestas V150 4.2 MW wind turbines
- Substation and transmission lines

Tax Equity Structure

- Tax equity partner (Wells Fargo) funding ~55% of $170M project cost with an estimated flip date of 2030

Expected Rate Base Contribution

- ~$90M rate base investment (includes developer carry) to be paid in 2023
- Will be recovered through base rate case

Rate Case planned to add renewable assets to NIPSCO rate base and immediately start passing savings to customers and returns to investors

- **2018 Rate Case set the foundation for execution of the replacement transition**
  - Resolved federal tax reform benefits being passed back to customers
  - Approved changes to depreciation and amortization schedules related to early retirements of coal-fired generation as submitted in the IRP (coal-fired generation to be fully depreciated by 2032)
  - Implemented new rate structure and service flexibility for large industrial customers that provide planning certainty for future capacity needs
- **2023 rate case is expected to transfer CPCN approved renewable investments into rate base (2H/2023)**
  - "Locking in" long-term customer, community and environmental benefits

Illustrative Future Revenue Requirement*

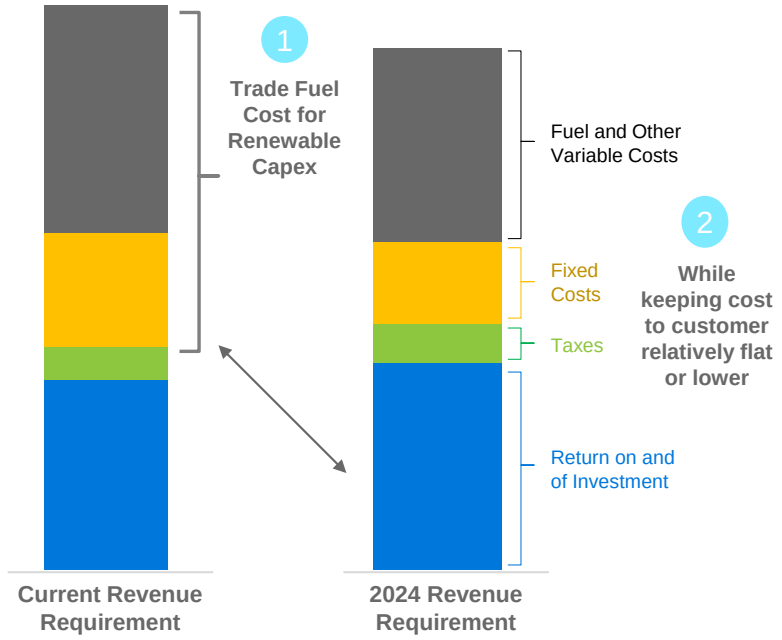

Significant reduction of annual maintenance and fuel costs provides long-term rate benefits to customers

*NIPSCO Generation Only

The 2018 NIPSCO IRP outlines the path to retire 100% of coal assets by 2028 …with replacement capacity pointing primarily to solar resources

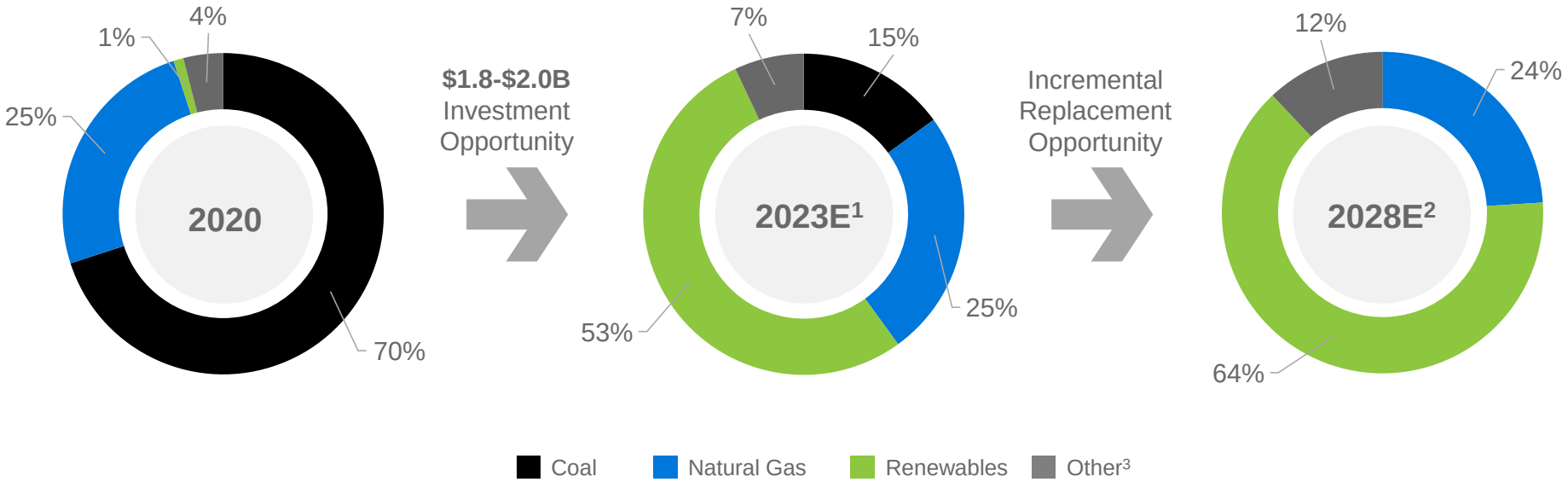

Incremental generation opportunities beyond 2023 will be shaped by future IRPs

[1]Retirement of Schahfer Units 14/15/17/18; [2]Retirement of Michigan City Unit 12; [3]Other includes DSM

RENEWABLE PROJECT (VIDEO)

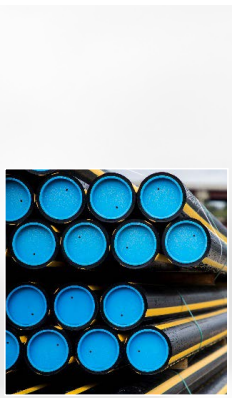

Financial Overview

Donald Brown
EVP/CFO & President, NiSource
Corporate Services

NiSource®

Strong Financial Foundation

- 100% Regulated and Stable Revenue Stream
- Diversified Footprint with Utility Businesses across Six Jurisdictions[1]
- Focused Business Strategy Highlighted by Significant Investment Opportunities
  - $1.9B - $2.2B of Planned Annual Growth, Safety & Modernization investments through 2024
  - $1.8B - $2.0B of Planned Renewable Generation investments primarily across 2022 and 2023
- Solid Liquidity with No Major Debt Maturities through the Planning Horizon

Driving

Expected Value Creation

- Utility Rate Base CAGR of 10%–12% over 2021–2024
- NOEPS[2] CAGR of 7%–9% over 2021–2024
  - 5%–7% Near-Term Annual Growth (2021-2023)
- Annual Dividend Growth
  - Targeting 60%–70% Payout Ratio
- Commitment to Strengthening the Balance Sheet and Maintaining Current Investment Grade Credit Ratings
- Customer Value Advantage Enhanced by Sustainable Plan

[1]Operations are post sale of Columbia Gas of Massachusetts which is expected to close in October 2020; [2]Net Operating Earnings Per Share (Non-GAAP)

Balanced Business Mix

Operating Earnings

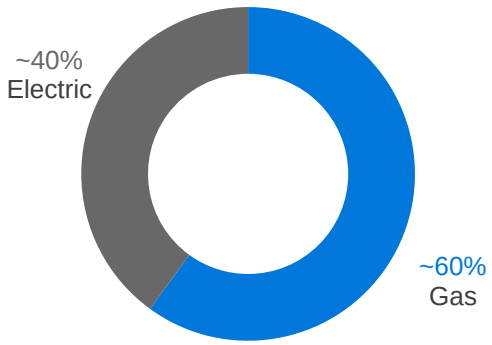

Diversified Revenue Mix

Retail Margins by Customer Class

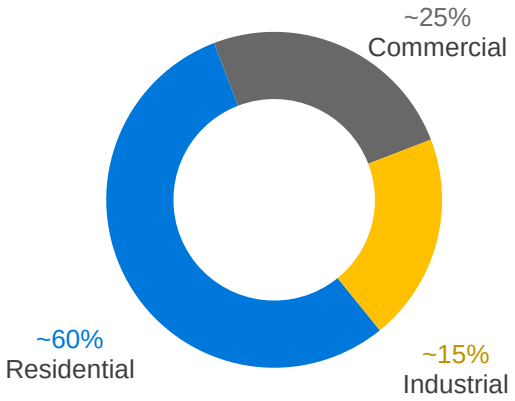

Stable Revenue Profile

Rate Design (Margin)

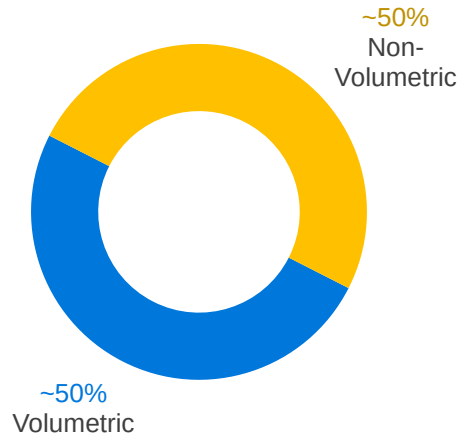

Financial strength driven by strong regulatory constructs and balanced portfolio mix

[1]Data based on 2019 fiscal year results and excludes CMA.

NISOURCE NEXT COST AND CAPABILITY ENHANCEMENTS

- NiSource Next initiatives and CMA sale projected to drive an ~8% reduction in O&M costs in 2021E from 2020E

Cost Initiatives Under Way

- Voluntary Separation Program savings
- Improvements identified
  - Streamlined organizational structure
  - Evolved business services
  - Work standardization
  - Greater field mobility
  - Connected customer experience
- Modernization-driven fuel and cost reductions

Offset to future inflationary pressure

Relatively Flat Annual O&M
(2021-2024)

Investment opportunities expected to enhance system safety and reliability while driving shareholder value

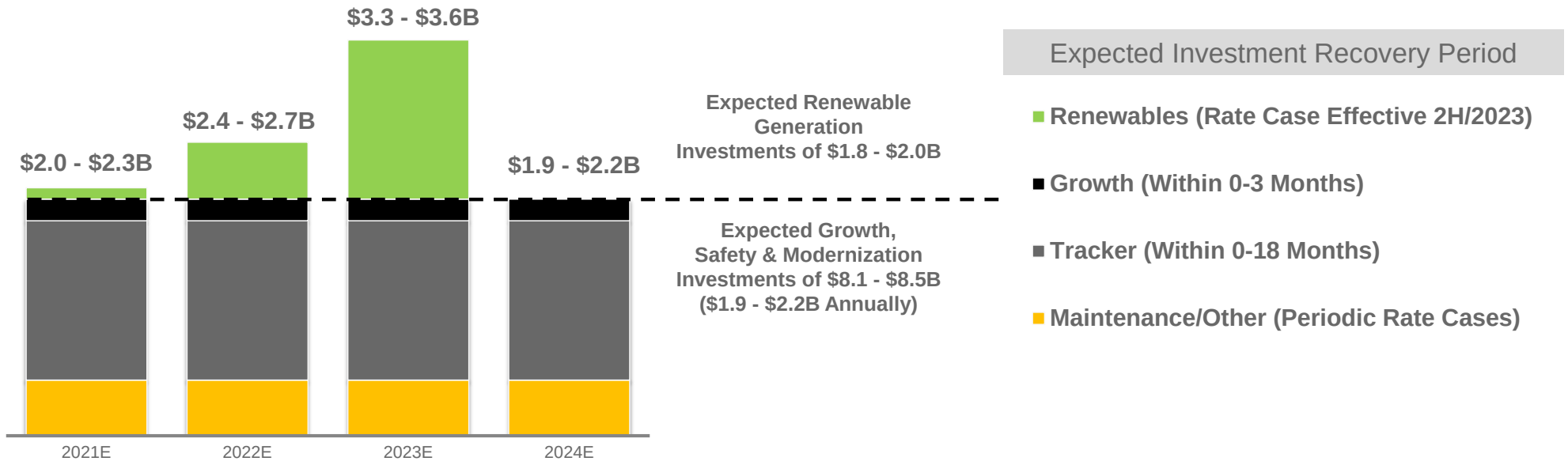

More than 75% of Growth, Safety & Modernization Investments begin earning in less than 18 months

Planned Growth, Safety & Modernization and Renewable investments expected to drive robust rate base growth

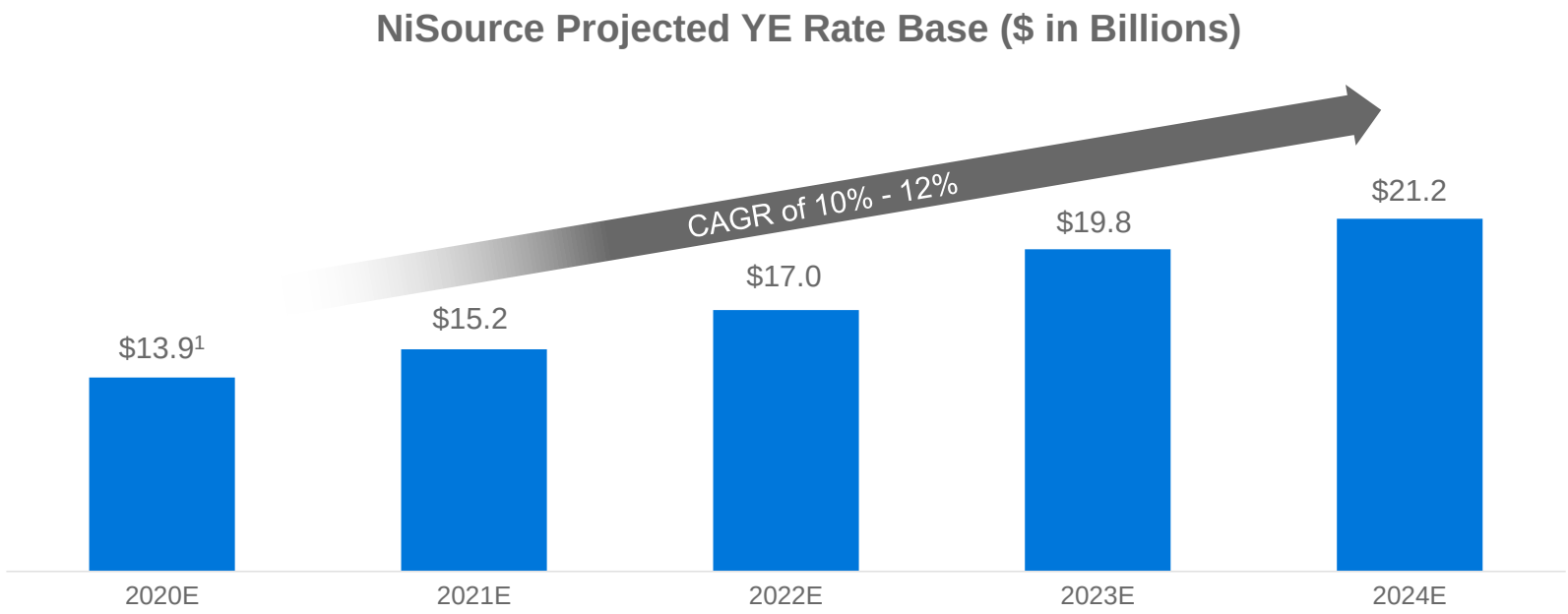

Rate base growth balanced across jurisdictions and between gas and electric businesses

[1]2020E rate base is post sale of Columbia Gas of Massachusetts which is expected to close in October 2020

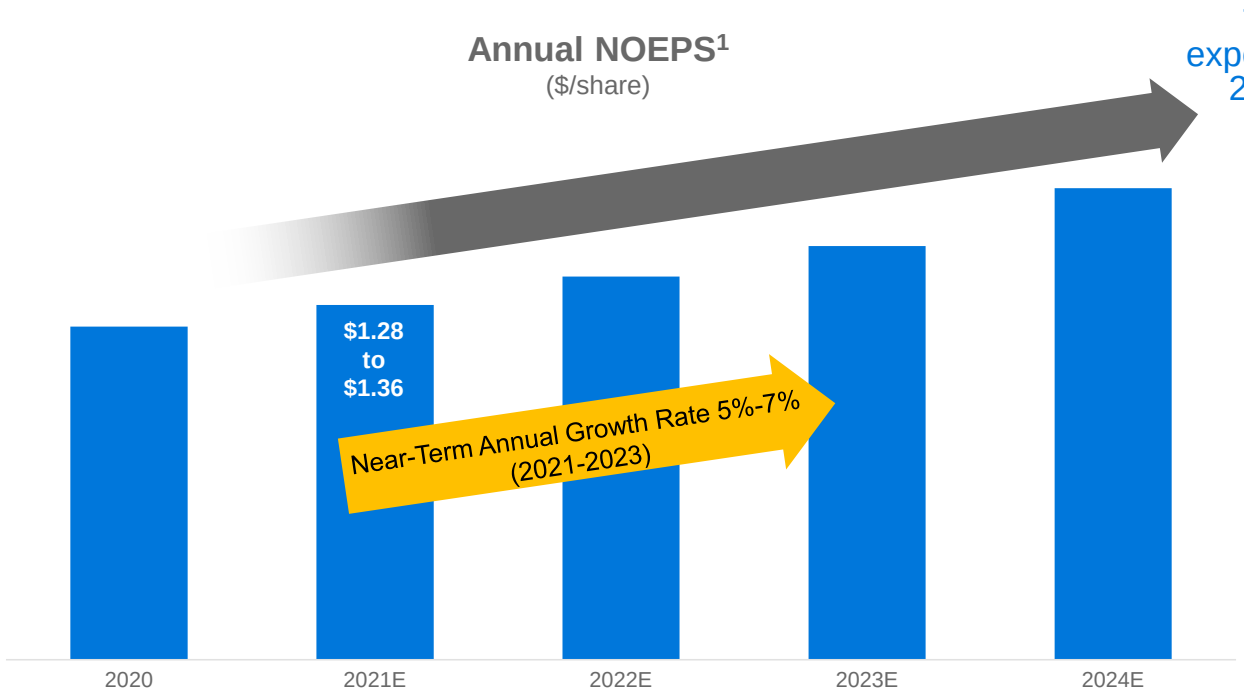

Dividend

Dividend growth to maintain targeted 60%–70% long-term payout ratio[2]

Long-term ~$40B investment opportunity expected to drive continued NOEPS growth beyond 2024

[1]Net Operating Earnings Per Share (Non-GAAP)
[2]Subject to board approval

($ millions)	2021E	2022E	2023E	2024E
Planned Annual Safety & Modernization Investments				
Equity				
ATM (At-the-Market)	$200 - $300 Annually			
ESPP/401K/Other	$30 - $50 Annually			
Long-Term Debt				
Incremental Long-Term Debt		$500 - $700 Annually		
Planned Renewable Generation Investments (Targeting 60% Equity)				
Equity				
Common Equity Block		$500 - $700 Total		
Long-Term Debt				
Incremental Long-Term Debt		$500 - $700 Total		
Other Financing				
Hybrids, Convertibles, etc.	$600 - $1,000 Total			

Current Financing Plan …

- All financing is included on our long-term growth commitments
- Reflects our focus on maintaining current investment grade credit rating
- Targets renewable investment financing (60% Equity / 40% Debt)
- Doesn't include potential portfolio optimization opportunities

Financing strategy targets long-term Adj. FFO[2]/total debt of ~14%-15%

[1]Current financing plan may change based on business developments
[2]Adjusted funds from operations (FFO); represents Net Income adjusted for depreciation and amortization, loss on early extinguishment of debt and deferred taxes

Well positioned to maintain current investment grade credit ratings

NiSource	September 30, 2020 (Estimated)
Total Long-Term Debt (LTD)	$9.1B
Weighted Average Rate (LTD)	3.68%
Weighted Average Maturity (LTD)	15.5 Years
Credit Ratings	Baa2 / BBB+ / BBB
Available Liquidity[1]	$1.5B - $1.6B

No significant refinancing needs through 2024

[1]Defined as cash plus available credit facility capacity.

Closing

Joe Hamrock
President, Chief Executive Officer and Director, NiSource

Environmental

- $1.8B-$2.0B of planned renewable investments through 2023
- Expected to retire 100% of coal assets by 2028 and replace primarily with renewables
- Driving toward 90% reduction[1] in greenhouse gas emissions by 2030

Social

- Transformation focused on customer safety and reliability
- Economically benefiting customers and communities
- Committed to engagement, diversity and inclusion from the boardroom through the organization and supplier network

Governance

- Leadership enhancements support commitment to customer service and safety
- Diverse, skilled and independent Board recently refreshed
- Robust framework for strategy, risk management and oversight

[1]Compared to 2005 baseline

Leveraging our platform through a dedicated investment approach and relentless commitment to safety

- Asset Modernization
- SMS Implementation
- Generation Transition
- Cost-Structure Improvements
- Enhanced Capabilities

- ✓ **Enhanced System Safety**
- ✓ **Customer Affordability and Increased Customer Satisfaction**
- ✓ **Improved Earnings Power**
- ✓ **Sustainable Value Creation over Long-Term Horizon**

Q&A

NiSource®

Appendix

COLUMBIA GAS OF OHIO

- Business Profile
  - Largest LDC in Ohio (~1.5M customers)
  - ~ 20,200 miles of pipe
  - ~ 2,000 miles of bare steel and cast iron
  - ~ $3.2B rate base
- Customer Focus
  - Nationally recognized energy efficiency programs
  - Positive trending customer satisfaction
- Rate Design
  - Straight fixed variable rate design (fully fixed residential distribution rate)
  - Bad debt tracked with full recovery
  - Several other O&M trackers
- Economic Outlook / Customer Growth
  - Stable economic environment with modest customer growth
  - Energy is central to state economy
- Constructive Legislation
  - House Bill 95
    - Utility modernization capital programs authorized
  - House Bill 319
    - Infrastructure cost recovery for up to $25.5M annually for economic development projects
  - Senate Bill 378
    - Underground protection and enforcement
- Regulatory Environment and Growth Strategy
  - Fully tracked annual Infrastructure Replacement Program (IRP) and Capital Expenditure Program (CEP)
  - Ability to defer costs associated with non-tracked investments
  - Public policy provides tools supporting investment for economic development and deferral of pipeline safety costs

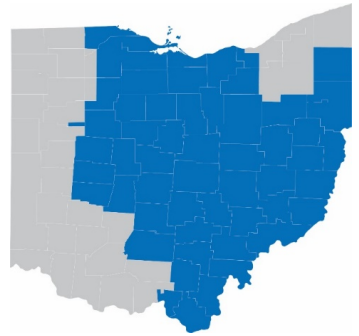

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~$10.6B
Annual Program Investment Range	$540M - $560M
Regulatory Treatment	Tracked
Tracker Filing Period	Historical – 12 months
Tracker Filing Date	February
Recovery Begins	May (IRP Rider), Sept. (CEP Rider)
Weighted Avg Regulatory Lag	< 12 Months
Authorized Program ROE	10.39%

COLUMBIA GAS OF PENNSYLVANIA

- Business Profile
  - Third-Largest LDC in PA (~437K customers)
  - ~ 7,600 miles of pipe
  - ~ 1,200 miles of bare steel and cast iron
  - ~ $1.9B rate base
- Customer Focus
  - State leader in universal services, low-income initiatives, choice and energy efficiency programs
- Rate Design
  - ~ 27% of residential distribution rate fixed (assuming average customer usage)
  - Weather normalization adjustment for residential customers stabilizes revenue
- Economic Outlook / Customer Growth
  - Stable economic environment
  - Tariff program allows for modest customer growth
- Constructive Legislation
  - Act 11
  - Allows a gas utility to file a Distribution Service Improvement Charge (DSIC) and rate case with fully forecasted rate year
  - No limits for rate cases; DSIC increase limited to 5% of billed revenue
- Regulatory Environment and Growth Strategy
  - Recovery of infrastructure and other costs through base rate filings using a fully projected future test year
  - Tariff supports system expansion by providing limited main and service extensions at cost to customers

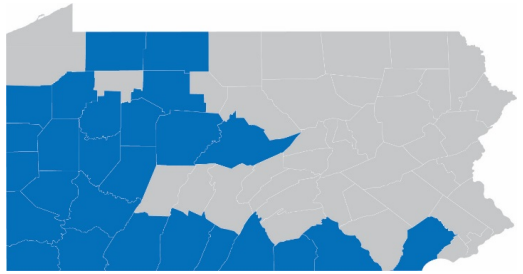

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~$4.1B
Annual Program Investment Range	$275M - $340M
Regulatory Treatment	Base Rate Case
Test Year	Fully Projected Future Test – 12 months
Filing Date	1Q
Recovery Begins	Typically within 9 months of filing
Weighted Avg Regulatory Lag	None
Authorized ROE	Not Specified

NIPSCO GAS (INDIANA)

- Business Profile
  - Largest LDC in Indiana (~839K customers)
  - ~ 17,500 miles of pipe
  - ~ 23 miles of bare steel
  - ~ $1.7B rate base
- Customer Focus
  - Lowest-cost gas provider in Indiana over the last 10 years
  - Fewest customer complaints in Indiana in the last five years
  - Continued rise in J.D. Power customer satisfaction survey
- Rate Design
  - ~ 50% of residential distribution rate fixed
  - Low income program fully tracked
  - Energy efficiency tracker
- Economic Outlook / Customer Growth
  - Typically stable economic environment. NIPSCO continues to work with customers impacted by the pandemic with extended payment plans. Favorable regulatory treatment related to bad debt expense
  - Customer-growth potential through rural extension opportunities
- Constructive Legislation
  - Senate Bill 560
    - Use of forward test year, timely rate cases, infrastructure investment tracking, rural expansion for natural gas
  - House Bill 1470
    - Provides for flexibility for TDSIC plan length from 5 to 7 years, permits IURC to authorize multi-unit projects without specific numbers and locations, terminating a plan prior to expiration with ability to continue TDSIC treatment, and to allow companies to seek a new TDSIC plan.
  - Rate case required during term of each TDSIC plan
  - 2% revenue cap applies to aggregate of TDSIC plans
- Regulatory Environment and Growth Strategy
  - Six-year, $949M Infrastructure Modernization Program with semi-annual tracker filings
  - Four-year $93M capital and $32M expense amounts for the Pipeline Safety Compliance Plan; and five-year $223M capital amount for the PHMSA Compliance Plan in the Federally Mandated Program with semi-annual tracker filings
  - Regulatory construct encourages gas system expansion into rural areas

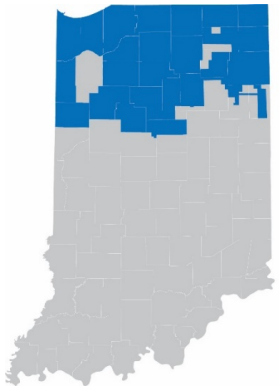

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~ $5.0B
Annual Program Investment Range	TDSIC: $150M - $200M; FMCA $3M - $43M
Regulatory Treatment	Tracked
Tracker Filing Period	Historical – Prior 6 Months
Tracker Filing Cadence	TDSIC Feb. and Aug; FMCA May and Nov
Recovery Begins	TDSIC Jul and Jan; FMCA Apr and Oct
Weighted Avg Regulatory Lag	< 12 Months
Authorized Program ROE	9.85%

COLUMBIA GAS OF VIRGINIA

- Business Profile
  - Third-Largest LDC in VA (~274K customers)
  - ~ 5,300 miles of pipe
  - ~ 140 miles of bare steel
  - ~ $850M rate base
- Customer Focus
  - Broad residential, commercial and industrial portfolio
  - Industry-leading third-party damage rate
  - Top-tier J.D. Power customer satisfaction scores
- Rate Design
  - ~ 38% of residential distribution rate fixed
  - Revenue normalization adjustments provides full residential distribution revenue recovery
  - Energy conservation tracker
- Economic Outlook / Customer Growth
  - Stable economic environment
  - Customer growth opportunities through system expansion
  - Initiatives in place to promote customer conversions and growth
  - Year-over-year customer growth of 1.5%–2.0%
- Constructive Legislation
  - DIMP Act - Allows deferral of incremental O&M costs related to pipeline safety
  - SAVE Act - Allows recovery of investment on infrastructure replacement
  - CARE Act - Provides for energy efficiency programs and a decoupling adjustment
  - NEED Act - Allows deferral of infrastructure expansion costs and recovery of costs associated with upstream natural gas supply infrastructure
  - MAIN Act - Provides cost recovery for infrastructure expansion into unserved certificated areas
- Regulatory Environment and Growth Strategy
  - Forward-looking annual modernization / safety infrastructure investment tracker filings
  - Tracker filings supplemented by rate case filings with forward test year
  - Multi-Family program provides incentives for multi-family building development

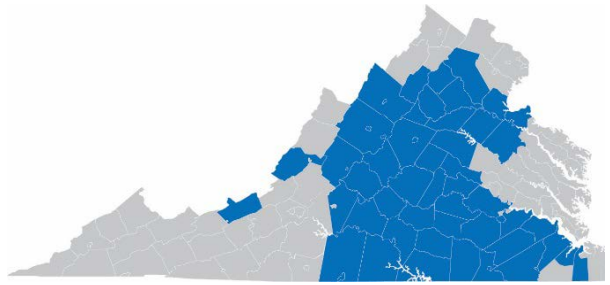

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~ $500M
Annual Program Investment Range	$45M - $70M
Regulatory Treatment	Tracked
Tracker Filing Period	Forward – 12 months
Tracker Filing Date	August
Recovery Begins	January
Weighted Avg Regulatory Lag	None
Authorized Program ROE	9.70%

COLUMBIA GAS OF KENTUCKY

- Business Profile
  - Second-Largest Gas-Only LDC in KY (~137K customers)
  - ~ 2,600 miles of pipe
  - ~ 350 miles of bare steel and cast iron
  - ~ $327M rate base
- Customer Focus
  - Top-tier customer satisfaction levels
- Rate Design
  - ~ 52% of residential distribution rate fixed
  - Weather normalization adjustment for residential and commercial customers stabilizes revenue
- Economic Outlook / Customer Growth
  - Stable economic environment with improving customer growth rates
- Constructive Legislation
  - House Bill 100
    - Governments may create and assess for special energy efficiency project districts
- Regulatory Environment and Growth Strategy
  - Safety Modification Replacement Program
    - Allows for full recovery of eligible pipeline replacement program costs not recovered in existing rates via a rider that permits the use of a forward-looking test year and is reconciled
    - Expanded to include recovery of eligible safety related initiatives beginning in November 2019
    - There is no stated recovery limit on the tracker
  - PSC has authorized economic development extension tariff for high potential sites that require natural gas infrastructure
  - Annual modernization / safety infrastructure investment tracker filings
  - Tracker filings supplemented by rate case filings with forward-looking test year

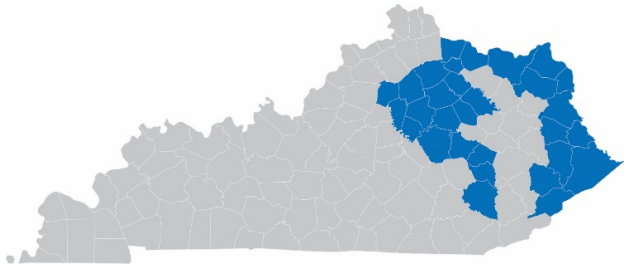

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~ $900M
Annual Program Investment Range	$40M - $50M
Regulatory Treatment	Tracked
Test Year	Forward – 12 months
Tracker Filing Date	October
Recovery Begins	January
Weighted Avg Regulatory Lag	None
Authorized Program ROE	9.50%

COLUMBIA GAS OF MARYLAND

- Business Profile
  - Complementary to PA operations (~34K customers)
  - ~ 650 miles of pipe
  - ~ 51 miles of bare steel & cast iron
  - ~ $149M rate base
- Customer Focus
  - Sustained industry-leading employee and system safety performance
- Rate Design
  - Revenue normalization adjustment provides full residential distribution revenue recovery
  - Energy efficiency tracker
- Economic Outlook / Customer Growth
  - Stable economic environment with modest customer growth
  - Tariff provisions allow for modest customer growth
- Constructive Legislation
  - STRIDE
    - Prospective cost recovery for age and condition investment
    - The surcharge cannot exceed $2 per month on each residential bill
- Regulatory Environment and Growth Strategy
  - Forward-looking annual Infrastructure Replacement and Improvement Surcharge (IRIS) recovers age and condition investment
  - IRIS filings supplemented by periodic rate cases
  - Commission evaluating alternative rate designs

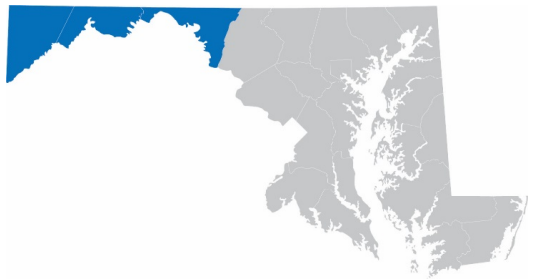

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~ $230M
Annual Program Investment Range	$25M - $35M
Regulatory Treatment	Tracked
Tracker Filing Period	Forward – 12 Months
Tracker Filing Date	November
Recovery Begins	January
Weighted Avg Regulatory Lag	< 12 Months
Authorized Program ROE	9.60%

INDIANA ELECTRIC (NIPSCO)

- Business Profile
  - Third-largest electric utility in Indiana (~ 475K customers)
  - Fully integrated electric utility
  - ~ 3,000 MW of environmentally compliant generation
  - ~10,000 distribution line miles
  - ~ 3,000 transmission line miles
  - ~ $4.7B rate base
- Customer Focus
  - Fewest customer complaints in Indiana in the last five years
  - Rates are below the national average
  - Continued rise in J.D. Power customer satisfaction survey
- Rate Design
  - 100% fuel costs pass-through
  - Industrial customers ~ 40% demand charge weighted
- Economic Outlook
  - Challenging economic environment whereby NIPSCO is working with customers struggling due to the pandemic on extended payment plans and changes in energy demand
- Constructive Legislation
  - Senate Bill 560
    - Use of forward-looking test year, timely rate cases, and infrastructure investment tracking
    - Rate case required within seven years of original TDSIC filing
    - Rider cannot increase customer rates more than 2% of prior 12 months' revenues
  - House Bill 1470
    - Allows more flexibility for TDSIC plans by allowing projects that may rely on future inspections or details not available at the time the plan is first filed
- Regulatory Environment and Growth Strategy
  - Your Energy Your Future generation transition plan to retire nearly 80% of our coal-fired generating units by 2023, and all of them by 2028, replacing them with lower-cost, cleaner energy sources, including wind and solar
  - Seven-Year, ~ $1.25B transmission and distribution infrastructure modernization program with semi-annual tracker filings

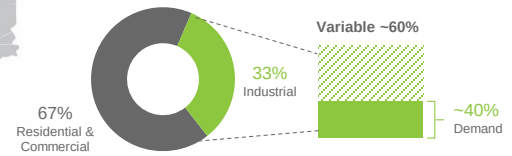

Anticipated Modernization Investment Summary	
Total Investment Opportunities	~ $5B
Annual Program Investment Range	$170M - $230M
Regulatory Treatment	Modernization and Environmental Projects Tracked
Authorized ROE	9.75%

SUPPLEMENTAL SLIDES
THIRD QUARTER 2020 EARNINGS

November 2, 2020

NiSource®

FORWARD-LOOKING STATEMENTS

This presentation contains “forward-looking statements” within the meaning of federal securities laws. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include among other things, our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; our ability to execute our growth strategy; changes in general economic, capital and commodity market conditions; pension funding obligations; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; our ability to adapt to, and manage costs related to, advances in technology; any changes in our assumptions regarding the financial implications of the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; potential incidents and other operating risks associated with our business; potential impacts from the COVID-19 pandemic; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; any damage to our reputation, including in connection with the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; fluctuations in demand from residential, commercial and industrial customers; economic conditions of certain industries; the success of NIPSCO's electric generation strategy; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential impairments of goodwill or definite-lived intangible assets; changes in taxation and accounting principles; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; construction risks and natural gas costs and supply risks; extreme weather conditions; the attraction and retention of a qualified workforce; the ability of our subsidiaries to generate cash; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; and other matters in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as updated in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and in our subsequent SEC filings, many of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

Regulation G Disclosure Statement
This presentation includes financial results and guidance for NiSource with respect to net operating earnings available to common shareholders, which is a non-GAAP financial measure as defined by the SEC’s Regulation G. The company includes this measure because management believes it permits investors to view the company’s performance using the same tools that management uses and to better evaluate the company’s ongoing business performance. With respect to such guidance, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

KEY TAKEAWAYS

- **Non-GAAP Net Operating Earnings Per Share (NOEPS)* of $0.09 vs. $0.00 in 3Q 2019**
  - Cost and regulatory mitigation efforts reduce financial impacts of COVID-19
  - NiSource Next well underway to enhance organizational capabilities and drive efficiencies and continued customer affordability

- **Safety, asset modernization investments remain top priorities**
  - Expected 2020 CapEx reaffirmed at $1.7 to $1.8B

- **2021 and long-term financial commitments reaffirmed**
  - 2021 NOEPS* guidance in range of $1.28 to $1.36, includes ($0.05) of COVID-19 impacts
  - $1.9 to $2.2B in annual growth, safety and asset modernization investments, 2021-2024
  - $1.8 to $2.0B of renewable generation investment opportunities, 2022-2023
  - 7-9% NOEPS* CAGR, 2021-2024 (5-7% 2021 - 2023)

- **Commercial agreements reached on additional renewable generation**
  - Build-Transfer Agreements executed with NextEra for three Indiana solar and storage projects representing $850 million in NIPSCO capital investment

- **Regulatory initiatives support continued capital investment**
  - Settlement reached in Maryland gas rate case
  - Ohio CEP rider update approved

- **Columbia Gas of Massachusetts asset sale closed October 9**

FOCUSED ON ENHANCING SAFETY, SERVICE, SYSTEM RELIABILITY AND ENVIRONMENTAL LEADERSHIP

*Net Operating Earnings Per Share (Non-GAAP); For the GAAP Basic Earnings (Loss) Per Share and the reconciliation of GAAP to non-GAAP earnings per share, see Schedule 1 of NiSource's November 2, 2020 Earnings Release

THIRD QUARTER and YTD CONSOLIDATED FINANCIAL RESULTS

GAAP	Third Quarter			YTD		
	2020	2019	Change	2020	2019	Change
Net Income (Loss) Available to Common Shareholders ($ Millions)	$(186.7)	$(7.2)	$(179.5)	$(143.4)	$481.0	$(624.4)
Basic Income (Loss) Per Share	$(0.49)	$(0.02)	$(0.47)	$(0.37)	$1.29	$(1.66)

Non-GAAP*	Third Quarter			YTD		
	2020	2019	Change	2020	2019	Change
Net Operating Earnings (Loss) Available to Common Shareholders ($ Millions)	$36.3	$(1.7)	$38.0	$377.4	$325.1	$52.3
Net Operating Earnings Per Share	$0.09	$—	$0.09	$0.98	$0.87	$0.11

*Net Operating Earnings (non-GAAP). For a reconciliation of GAAP to non-GAAP earnings, see Schedule 1 of NiSource's November 2, 2020, Earnings Release

EARNINGS IMPACT OF COVID-19 REDUCED BY COST AND REGULATORY MITIGATION

THIRD QUARTER and YTD 2020 SEGMENT NON-GAAP* RESULTS

Gas Distribution Operations ($ Millions)	Third Quarter			YTD		
	2020	2019	Change	2020	2019	Change
Operating Revenues	$472.5	$468.6	$3.9	$2,334.5	$2,507.9	$(173.4)
Operating Expenses**	$462.8	$495.0	$32.2	$1,859.8	$2,089.8	$230.0
Operating Earnings (Loss)*	$9.7	$(26.4)	$36.1	$474.7	$418.1	$56.6

** Includes cost of sales net decrease of $10.0M QTD, $200.2M YTD

Electric Operations ($ Millions)	Third Quarter			YTD		
	2020	2019	Change	2020	2019	Change
Operating Revenues	$427.7	$462.6	$(34.9)	$1,161.0	$1,300.7	$(139.7)
Operating Expenses**	$294.8	$327.2	$32.4	$858.7	$984.1	$125.4
Operating Earnings (Loss)*	$132.9	$135.4	$(2.5)	$302.3	$316.6	$(14.3)

** Includes cost of sales net decrease of $43.6M QTD, $136.4M YTD

*Operating Earnings (non-GAAP). For comparable GAAP results by segment, refer to Part I. Item 2 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020. For a reconciliation of GAAP to non-GAAP earnings, see Schedule 2 of NiSource's Supplemental Financial Information.

CONTINUED FOCUS ON SAFE AND RELIABLE EXECUTION

COVID-19 FINANCIAL IMPACTS

Usage Impact by Customer Class ($ Millions)*

3Q '20 vs. '19	Gas	Electric	Total
Residential	$0.3	$5.8	**$6.1**
Commercial	$(1.8)	$(3.1)	**$(4.9)**
Industrial	$(0.8)	$(1.3)	**$(2.1)**
Total	**$(2.3)**	**$1.4**	**$(0.9)**

YTD '20 vs. '19	Gas	Electric	Total
Residential	$0.9	$12.0	**$12.9**
Commercial	$(1.8)	$(7.0)	**$(8.8)**
Industrial	$(5.2)	$(10.5)	**$(15.7)**
Total	**$(6.1)**	**$(5.5)**	**$(11.6)**

3Q / YTD 2020 COVID-19 NOEPS impact of (~$0.01) / (~$0.07), offset with cost management and regulatory solutions**

- Usage impact - see above
- Reduced other revenues - late payment and reconnection fees
- Increased bad debt and other expenses

Midpoint of 2021 base case NOEPS impact of COVID-19 = (~$0.05); included in 2021 guidance range**

COST MANAGEMENT AND REGULATORY SOLUTIONS REDUCE COVID-19 IMPACT

* Positive figures represent favorable period-over-period variances
* *Net Operating Earnings Per Share (Non-GAAP)

NISOURCE DEBT AND CREDIT PROFILE

- **Debt level: ~$10.6B as of September 30, 2020**
  - ~$9.1B of long-term debt
    - Weighted average maturity ~15 years
    - Weighted average interest rate of 3.68%

- **Solid liquidity position**
  - ~$1.6B in net available liquidity as of September 30, 2020*
  - ~$2.1B of committed facilities in place as of September 30, 2020
    - ~$1.9B revolving credit facility
    - ~$0.2B accounts receivable securitization facilities **

- **Net proceeds of $1.1B from closing of sale of Columbia Gas of Massachusetts used to pay down term loan and other short-term debt in October**

- **Executed liability management transaction in 3Q**
  - Lowered weighted average interest rate by over 60 basis points and removed significant long-term debt refinancing needs through 2024

- **Committed to maintaining current investment-grade credit ratings**
  - S&P BBB+ | Moody's Baa2 | Fitch BBB

SOLID FINANCIAL FOUNDATION TO SUPPORT LONG-TERM INFRASTRUCTURE AND SAFETY INVESTMENTS

* Consisting of cash and available capacity under credit facilities
** Capacity on accounts receivable securitization facilities changes with seasonality

2020 FINANCING PLAN

NiSource Current Financing Plan*		
$ Millions	**2019 Actual**	**2020 Estimated**
Equity		
Common Equity Block Issuance	None	None Planned
ATM (At-The-Market)	$229	$200 - $300
ESPP/401K/Other	$34	$35 - $60
Long-Term Debt		
Incremental Long-Term Debt	$714	~$1,375

* Current financing plan may change based on business developments.
**Adjusted Funds from Operations (FFO); represents Net Income adjusted for depreciation and amortization, loss on early extinguishment of debt and deferred taxes.

LONG-TERM FINANCING TARGETS ADJ. FFO/TOTAL DEBT OF ~14%-15%**

GAS DISTRIBUTION OPERATIONS

- Rate case settlement reached in Maryland, case pending in Pennsylvania
- Continuing to execute infrastructure modernization designed to enhance system safety, reliability and environmental performance

Highlight	Key Components	Status
Columbia Gas of Kentucky Safety Modification and Replacement Program (SMRP) Annual Rider Update	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades ◦ Request covers $50.0M for 2021 capital investments	◦ Filed Oct. 15, 2020 ◦ Order expected Q1 2021 ◦ New rates effective Q1 2021
NIPSCO Gas System Modernization Program	◦ Long-term infrastructure modernization program ◦ TDSIC1 filing covers $26.0M in incremental capital investments made between January and June 2020	◦ Filed Aug. 25, 2020 ◦ Order expected Dec. 2020
Columbia Gas of Virginia Steps to Advance Virginia's Energy (SAVE) Annual Rider Update	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades guided by SMS risk prioritization ◦ Request covers $46.4M for 2021 capital investments	◦ Filed July 24, 2020 ◦ Order expected Nov. 2020 ◦ New rates effective Jan. 2021
Columbia Gas of Maryland Base Rate Case	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades ◦ Settlement includes $3.3M total annual revenue increase; $2.0M net of infrastructure trackers	◦ Filed May 15, 2020 ◦ Order expected Nov. 2020 ◦ New rates effective Dec. 2020
Columbia Gas of Pennsylvania Base Rate Case	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades ◦ Requests $100.4M total annual revenue increase	◦ Filed Apr. 24, 2020 ◦ Order expected Q1 2021 ◦ New rates effective Jan. 2021
Columbia Gas of Ohio Capital Expenditure Program (CEP) Annual Rider Update	◦ Allows for recovery of capital investments and related deferred expenses that are not recovered through IRP tracker ◦ Application covers ~$185M in 2019 capital investments	◦ Filed Feb. 28, 2020 ◦ Order received Aug. 12, 2020 ◦ New rates effective Sep. 2020

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

ELECTRIC OPERATIONS

- Three new solar JV projects announced for coal-fired generation replacement capacity
- $1.8 - $2.0B incremental capital investment opportunities expected in 2022 and 2023
- Continued execution of seven-year ~$1.2B electric system modernization program

Highlight	Key Components	Status
Renewable Generation JV Projects	◦ Construction continues on Rosewater and Indiana Crossroads wind projects ◦ Agreements executed on Dunns Bridge Solar I, Dunns Bridge Solar II and Cavalry Solar	◦ Rosewater expected in service YE2020 ◦ Indiana Crossroads expected in service YE2021 ◦ CPCN filing expected for Dunns / Cavalry Q42020
Renewable Generation PPA Projects	◦ Construction continues on Jordan Creek wind project ◦ Commercial terms reached on Brickyard Solar and Greensboro Solar + storage, PPAs filed with IURC	◦ Jordan Creek expected in service YE2020 ◦ Regulatory approval for Brickyard and Greensboro Solar expected by YE2020
Electric System Modernization Program	◦ Focused on electric transmission and distribution investments designed to improve system safety and reliability ◦ TDSIC 7 semi-annual tracker update covering $122.3M in investments from July 2019 - July 2020	◦ Filed Sep. 29, 2020 ◦ Order expected Jan. 2021 ◦ Rates effective Feb. 2021

* Represents installed capacity of generation facilities.

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

SAFETY AND INFRASTRUCTURE PROGRAMS

Company	Year-End 2019 Rate Base	Authorized Program ROE	Modernization Program Investments	Estimated Annual Modernization Program Investments	Recovery Mechanism
Columbia Gas of OH	$3.2B	10.39%	~$10.6B	$540M - $560M	Tracked
Columbia Gas of PA	$1.9B	N/A	~$4.1B	$275M - $340M	Rate Case (Forward Test Year)
NIPSCO Gas	$1.7B*	9.85%	~$5.0B	$155M - $245M	Tracked
Columbia Gas of VA	$850M	9.70%	~$500M	$46M - $65M	Tracked
Columbia Gas of KY	$327M	9.50%	~$900M	$35M - $40M	Tracked
Columbia Gas of MD	$149M	9.60%	~$230M	$18M - $25M	Tracked
NIPSCO Electric	$4.7B*	9.75%	~$5.0B	$170M - $230M	Tracked

ROBUST LONG-TERM INVESTMENT PROGRAMS DELIVER VALUE ON $12.8B RATE BASE**

* NIPSCO gas and electric rate base includes deferred taxes
** As of Dec. 31, 2019

SAFETY AND INFRASTRUCTURE INVESTMENT AND TRACKER FILING DETAILS

Company	Mechanism	Incremental Investments		Recovery	
		Period	Amount ($ Millions)	Filing Date	Effective Date
Columbia Gas of Ohio	Infrastructure Replacement Program (IRP)	FY 2018	$199.6	Feb 2019	May 2019
		FY 2019	$234.4	Feb 2020	May 2020
Columbia Gas of Ohio	Capital Expenditure Program (CEP)	FY 2018	$121.7	Feb 2019	Sept 2019
		FY 2019	$185.1	Feb 2020	Sept 2020
Columbia Gas of Pennsylvania	Distribution System Improvement Charge (DSIC)	Mar 2020 - May 2020	$28.6	Jun 2020	Jul 2020
		Jun 2020 - Aug 2020	$85.0	Sep 2020	Oct 2020
Columbia Gas of Virginia	Steps to Advance Virginia's Energy Plan (SAVE)	FY 2020	$50.0	Aug 2019	Jan 2020
		FY 2021	$46.4	Jul 2020	Expected - Jan 2021
Columbia Gas of Kentucky	Safety Modification and Replacement Program (SMRP)	FY 2020	$40.4	Oct 2019	Jan 2020
		FY 2021	$50.0	Oct 2020	Expected - Jan 2021
Columbia Gas of Maryland	Strategic Infrastructure Development and Enhancement (STRIDE)	FY 2020	$15.0	Jan 2020	Feb 2020
		FY 2021	$16.9	Oct 2020	Expected - Jan 2021
NIPSCO – Gas	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 11: May 2019 - Dec 2019	$38.7	Feb 2020	Jul 2020
		TDSIC 1: Jan 2020 - Jun 2020	$26.0	Aug 2020	Expected - Jan 2021
NIPSCO – Electric	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 6: Dec 2018 – Jun 2019	$131.1	Aug 2019	Jan 2020
		TDSIC 7: Jul 2019 - Jul 2020	$122.3	Sep 2020	Expected - Feb 2021

RENEWABLE INVESTMENT OPPORTUNITY THROUGH 2023

Tax equity partnerships allow for significant reduction in cost to customers and $1.8-$2B of NiSource capital investment

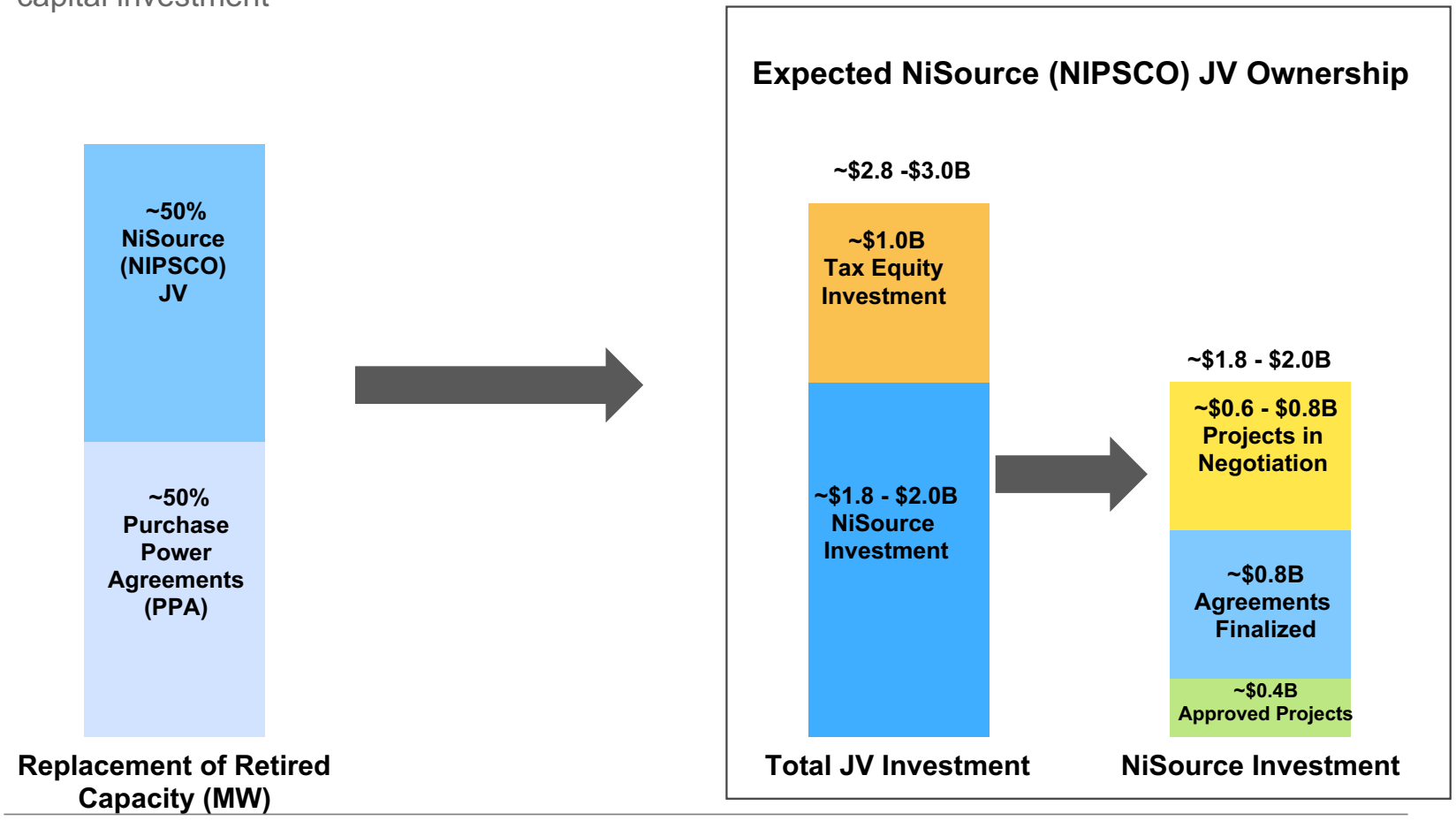

MIX OF JVs AND PPAs DRIVES CUSTOMER BENEFITS AND SHAREHOLDER VALUE

RENEWABLE INVESTMENT PROJECT UPDATE

Project	Structure	NIPSCO Investment ($ Millions)	Anticipated In Service	Status
Projects In Execution:				
Rosewater Wind	JV	~$100	’20	Under Construction
Jordan Creek Wind	PPA	N/A	’20	Under Construction
Indiana Crossroads Wind	JV	~$300	’21	Under Construction
Brickyard Solar	PPA	N/A	‘22	Pending Approval
Greensboro Solar + Storage	PPA	N/A	‘22	Pending Approval
Dunns Bridge I Solar	JV	~$850	’22	Agreement Finalized
Dunns Bridge II Solar + Storage	JV		’23	Agreement Finalized
Cavalry Solar + Storage	JV		’23	Agreement Finalized
In Process Projects:				
Solar (+ Storage) Projects*	JV	~$550 – $750	’22–’23	Advanced Commercial Negotiations
Solar & Wind Projects	PPA	N/A	‘23	Advanced Commercial Negotiations
Total		**$1,800 – $2,000**		

*Includes transmission projects included in IRP which will be fully owned by NIPSCO

APPENDIX

THIRD QUARTER 2020 EARNINGS

NiSource®

LIQUIDITY AND CAPITALIZATION AS OF THIRD QUARTER 2020 ($M)

Current Liquidity	Actual 9/30/2020	Maturity
Revolving Credit Facility	$1,850	Feb. 20, 2024
Accounts Receivable Programs*	231	
Less:		
Drawn on Credit Facility	—	
Commercial Paper	307	
Accounts Receivable Programs Utilized	231	
L/C's Outstanding Under Credit Facility	10	
Add:		
Cash & Equivalents	59	
Net Available Liquidity	$1,591	

* Represents the lesser of seasonal limit or maximum borrowings supportable by underlying receivables

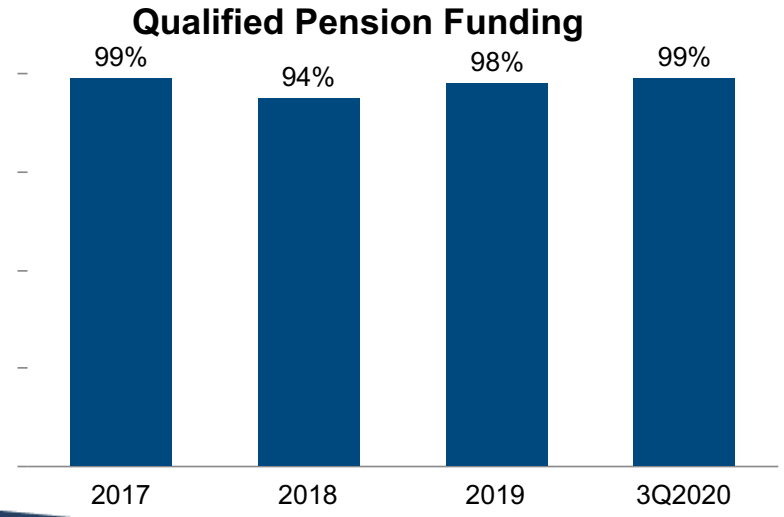

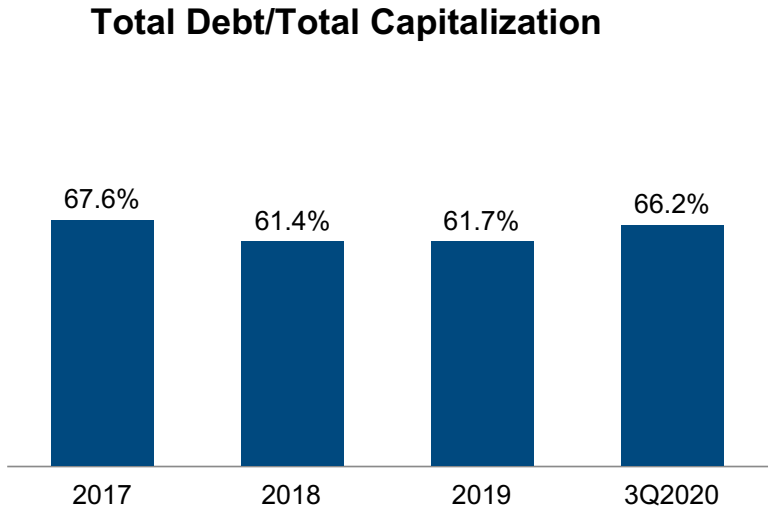

TOTAL DEBT AS OF THIRD QUARTER 2020 ($ Millions)

Debt Detail	Balance	Wtd. Avg. Rate**	Wtd. Avg. Maturity
Long-Term Debt	$9,135	3.7 %	15 years
Revolving Credit Facility	$0		
Commercial Paper	$307	0.23 %	39 days
A/R Program Borrowings	$231	0.66 %	1 month
Term Loan	$850	0.90 %	6 months
Capital Leases, Def Cost & Other	$95	N/A	N/A
Total Debt*	**$10,618**		

* Net proceeds of $1.1B from closing of sale of Columbia Gas of Massachusetts used to pay down term loan and other short-term debt in October
** Represents coupon or current incremental borrowing rate; does not factor in fees and/or amortization of deferred charges
N/A = Not Applicable

NO SIGNIFICANT LONG-TERM DEBT MATURITIES THROUGH 2024

BAD DEBT RECOVERY MECHANISMS

Company	Bad Debt Expense Included in Base Rates*	Tracked Incremental Expense	Filing Frequency
GAS DISTRIBUTION OPERATIONS			
NIPSCO Gas	Yes	Gas cost only	Quarterly
Columbia Gas of Ohio	Yes	Gas cost and delivery charge	Annual
Columbia Gas of Pennsylvania	Yes	Partial gas cost only	Quarterly
Columbia Gas of Virginia	Yes	Gas cost only	Quarterly
Columbia Gas of Maryland	Yes	Gas cost only	Quarterly
Columbia Gas of Kentucky	Yes	Gas cost only	Quarterly
ELECTRIC OPERATIONS			
NIPSCO Electric	Yes	None	N/A

* Based on historical bad debt of ~1% of gross revenue

REVENUE AND WEATHER NORMALIZATION MECHANISMS

Company	Revenue Decoupling / Normalization	Weather Normalization
GAS DISTRIBUTION OPERATIONS		
NIPSCO Gas	None	None
Columbia Gas of Ohio	Straight Fixed Variable Rates for Residential and Small Commercial	None
Columbia Gas of Pennsylvania	None	Yes - Residential
Columbia Gas of Virginia	Yes (RNA*) - Residential	Yes - Residential & Commercial
Columbia Gas of Maryland	Yes (RNA) - Residential	Yes - Residential & Commercial
Columbia Gas of Kentucky	None	Yes - Residential & Commercial
ELECTRIC OPERATIONS		
NIPSCO Electric	None (Demand Ratcheting Large Industrial Rates)	None

* Revenue Normalization Adjustment

APPENDIX
INVESTOR DAY HIGHLIGHTS

NiSource®

THE U.S. REGULATED UTILITY INVESTMENT OF CHOICE

Safety and environmental leadership will continue to drive customer value and sustainable growth

Strong Foundation

- Regulatory diversity resulting from multiple jurisdictions provides stability
- Significant scale, with ~$14B of regulated electric and gas rate base*
- Proximity to abundant, low-cost natural gas resources supports ongoing rate affordability
- Investments and recovery supported by favorable energy policies and constructive regulatory environments

Clear Path to Drive Incremental Growth

- Enhanced ~$40B infrastructure investment opportunity set driving long-term growth
  - Increase of ~$10B from prior expectation
- Well-established capital investment programs with track record of recovery through regulatory trackers
- Driving 10%-12% expected rate base CAGR 2021-2024

Benefiting Customers and Communities

- Accelerated and enhanced implementation of Safety Management System (SMS)
- Generation investments to save customers $4B over 30 years and reduce GHG 90% by 2030**
- Investments and focus on organizational efficiency to drive continued customer affordability
- Gas safety and modernization investments advancing environmental benefits

Committed to Shareholder Value

- 100% regulated revenue expected to deliver consistent and predictable earnings growth
- Expected 7%-9% NOEPS*** CAGR 2021-2024
- Dividend growth to maintain targeted 60%-70% payout ratio
- Balanced financing plan focused on maintaining current investment grade credit ratings and maximizing NOEPS growth

*2020E excludes CMA; **Compared to 2005 baseline; ***Net Operating Earnings Per Share (Non-GAAP)

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

Environmental

- $1.8B-$2.0B of planned renewable investments through 2023
- Expected to retire 100% of coal assets by 2028 and replace primarily with renewables
- Driving toward 90% reduction* in greenhouse gas emissions by 2030

Social

- Transformation focused on customer safety and reliability
- Economically benefiting customers and communities
- Committed to engagement, diversity and inclusion from the boardroom through the organization and supplier network

Governance

- Leadership enhancements support commitment to customer service and safety
- Diverse, skilled and independent Board recently refreshed
- Robust framework for strategy, risk management and oversight

* Compared to 2005 baseline

CAPITAL PLAN RESULTING IN EXPECTED LASTING VALUE CREATION

~$9.9B – $10.5B of Identified Investment Opportunities

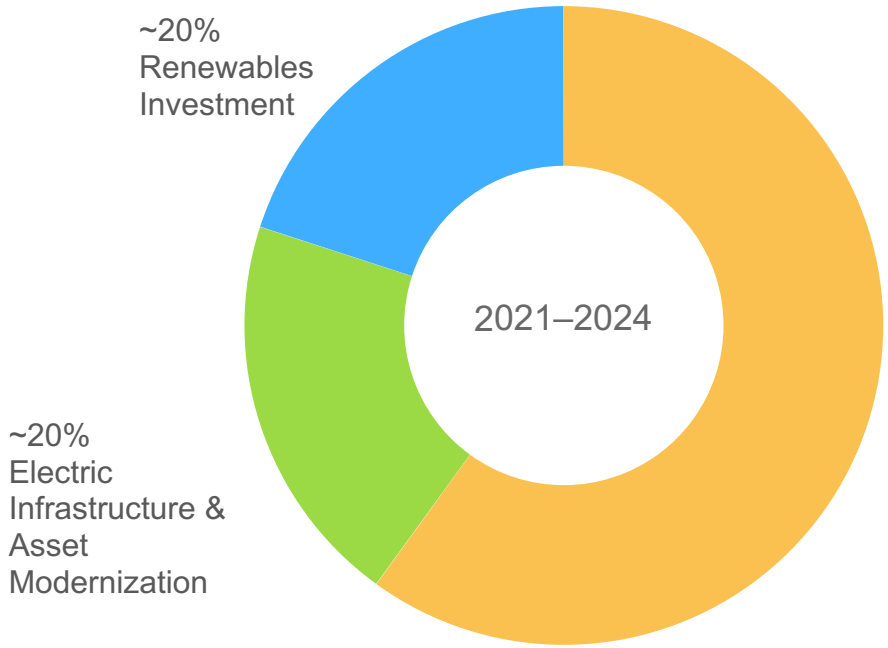

10% to 12%
Expected rate base CAGR 2021–2024

7% to 9%
Expected NOEPS* CAGR 2021–2024

*Net Operating Earnings Per Share (Non-GAAP)

CAPITAL FORECAST

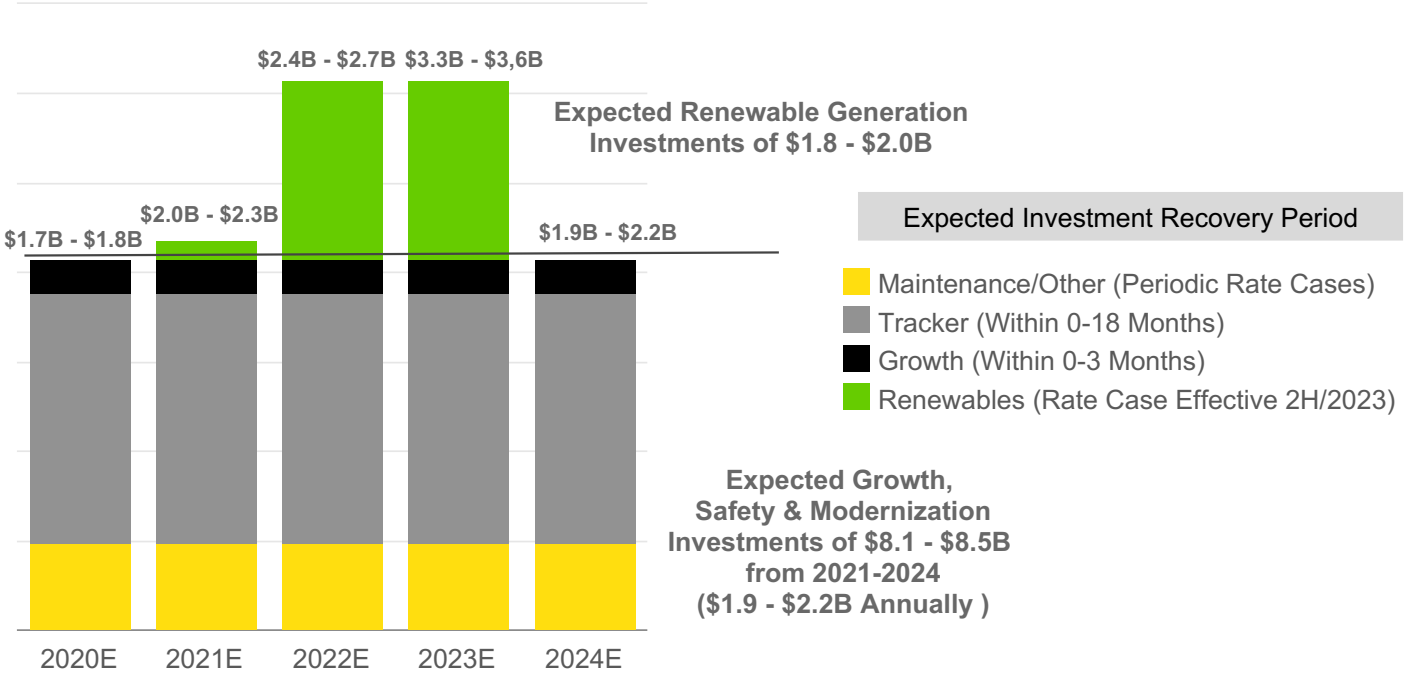

ANTICIPATE >75% OF CAPITAL INVESTMENTS BEGIN EARNING IN LESS THAN 18 MONTHS

CAPITAL INVESTMENT DRIVING ROBUST RATE BASE GROWTH

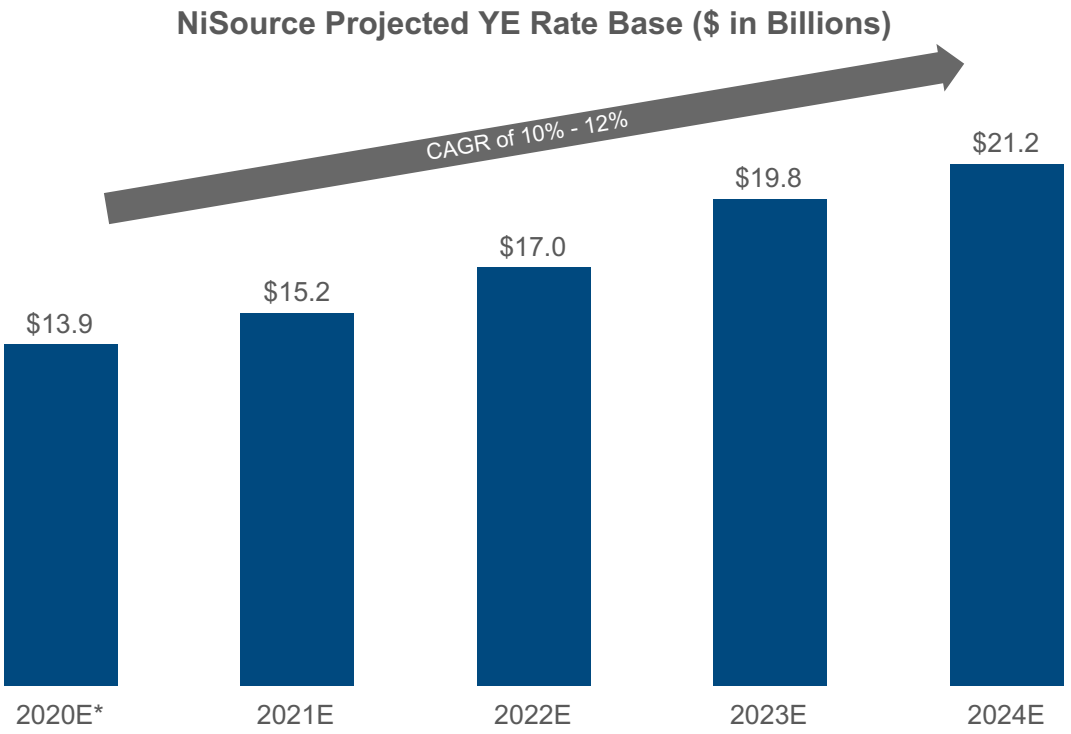

RATE BASE GROWTH BALANCED ACROSS JURISDICTIONS AND BETWEEN GAS AND ELECTRIC BUSINESSES

*2020E rate base is post sale of Columbia Gas of Massachusetts

ROBUST CAPITAL INVESTMENT DRIVING NOEPS* GROWTH

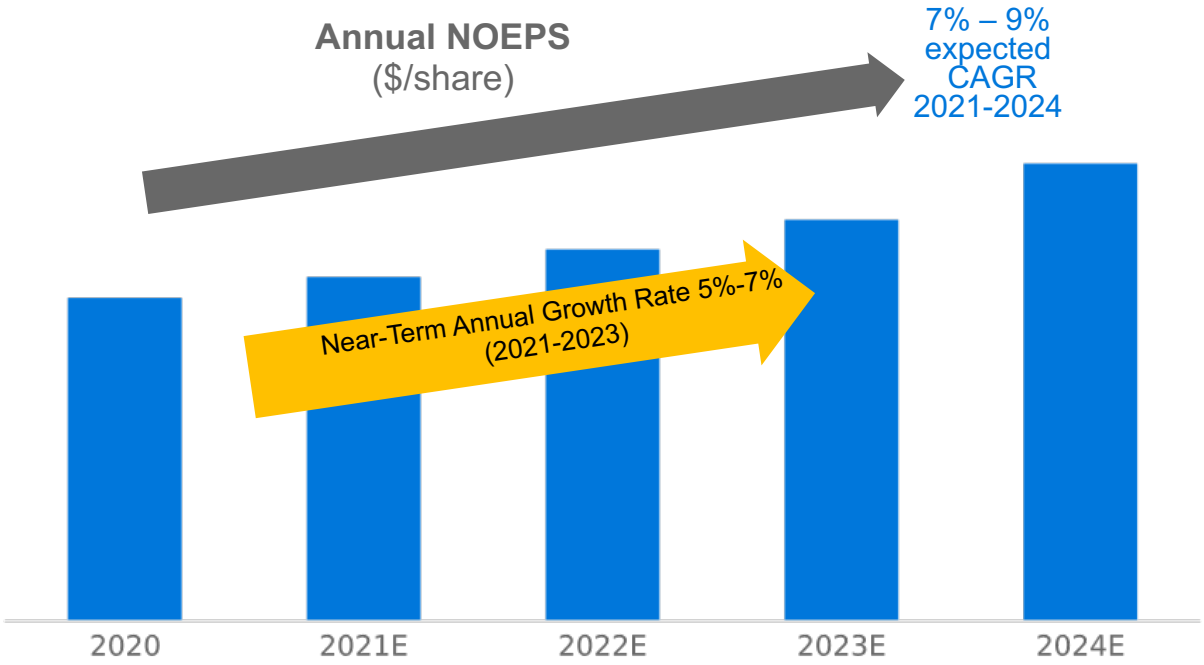

Dividend
Dividend growth to maintain targeted 60%–70% long-term payout ratio**

LONG-TERM ~$40B INVESTMENT OPPORTUNITY EXPECTED TO DRIVE CONTINUED NOEPS GROWTH BEYOND 2024

*Net Operating Earnings Per Share (Non-GAAP)
**Subject to board approval

2021E - 2024E FINANCING STRATEGY*

Financing strategy targets long-term Adj. FFO**/total debt of ~14%-15%

($ millions)	2021E	2022E	2023E	2024E
Planned Annual Safety & Modernization Investments				
Equity				
ATM (At-the-Market)	$200 - $300 Annually			
ESPP/401K/Other	$30 - $50 Annually			
Long-Term Debt				
Incremental Long-Term Debt		$500 - $700 Annually		
Planned Renewable Generation Investments (Targeting 60% Equity)				
Equity				
Common Equity Block		$500 - $700 Total		
Long-Term Debt				
Incremental Long-Term Debt		$500 - $700 Total		
Other Financing				
Hybrids, Convertibles, etc.	$600 - $1,000 Total			

Current Financing Plan

- All financing is included on our long-term growth commitments
- Reflects our focus on maintaining current investment grade credit rating
- Targets renewable investment financing (60% Equity / 40% Debt)
- Doesn't include potential portfolio optimization opportunities

*Current financing plan may change based on business developments
**Adjusted funds from operations (FFO); represents Net Income adjusted for depreciation and amortization, loss on early extinguishment of debt and deferred taxes

ANNOUNCED RENEWABLE PROJECT UPDATES

Wind Projects	Rosewater Capacity: 100MW	Executed Agreement	Regulatory Approval	Under Construction	In Service 2020E	In Rate Base 2023E
	Jordan Creek Capacity: 400MW	Executed Agreement	Regulatory Approval	Under Construction	In Service 2020E	Recovered through Fuel Cost Mechanism
	Indiana Crossroads Capacity: 300MW	Executed Agreement	Regulatory Approval	Under Construction	In Service 2021E	In Rate Base 2023E
Solar Projects	Brickyard Solar Capacity: 200MW	Executed Agreement	Regulatory Approval	Under Construction	In Service 2022E	Recovered through Fuel Cost Mechanism
	Greensboro Solar Capacity: 130MW	Executed Agreement	Regulatory Approval	Under Construction	In Service 2022E	Recovered through Fuel Cost Mechanism
	Dunns Bridge I Solar Capacity: 265MW	Executed Agreement	Regulatory Approval	Under Construction	In Service 2022E	In Rate Base 2023E
	Dunns Bridge II Solar Capacity: 510MW	Executed Agreement	Regulatory Approval	Under Construction	In Service 2023E	In Rate Base 2023E
	Cavalry Solar Capacity: 260MW	Executed Agreement	Regulatory Approval	Under Construction	In Service 2023E	In Rate Base 2023E

ALL RENEWABLE PROJECTS ARE ON TIME AND ON BUDGET

Build Transfer Agreement (JV)

Purchase Power Agreement

Milestone Achieved

SUPPLEMENTAL SLIDES
YEAR END 2020 RESULTS

February 17, 2021

FORWARD-LOOKING STATEMENTS

This presentation contains “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; and other matters set forth in Item 1, “Business,” Item 1A, “Risk Factors” and Part II. Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our annual report on Form 10-K for the year ended December 31, 2020, some of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

Regulation G Disclosure Statement
This presentation includes financial results for NiSource with respect to net operating earnings available to common shareholders and operating earnings which are non-GAAP financial measures as defined by the Securities and Exchange Commission's (SEC) Regulation G. This presentation also includes guidance for NiSource with respect to net operating earnings per share and adjusted funds from operations / total debt. The company includes these measures because management believes they permit investors to view the company’s performance using the same tools that management uses and to better evaluate the company’s ongoing business performance. With respect to such guidance for net operating earnings per share, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis. With respect to such guidance for adjusted funds from operations / total debt it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various adjustments the S&P and Moody's rating agencies apply when calculating their metrics. NiSource is not able to provide a reconciliation of its non-GAAP net operating earnings or adjusted funds from operations / total debt guidance, to their GAAP equivalents without unreasonable efforts.

KEY TAKEAWAYS

- **2020 Non-GAAP Net Operating Earnings Per Share (NOEPS)* of $1.32**
  - Cost and regulatory mitigation efforts reduced financial impacts of COVID-19
- **Safety & asset modernization, renewable generation transition remain top priorities**
- **2021 and long-term financial commitments reaffirmed**
  - 2021 NOEPS* guidance in range of $1.28 to $1.36
  - $1.9 to $2.2B in annual growth, safety and asset modernization investments, 2021-2024
  - $1.8 to $2.0B of renewable generation investment opportunities, 2022-2023
  - 7-9% NOEPS* CAGR, 2021-2024 (5-7% 2021 - 2023)
- **Order in Pennsylvania base rate case expected in Q1 2021**
- **Achieved a number of key milestones in 2020**
  - Maintained safe, reliable service and supported customers through COVID pandemic
  - Invested $1.7B in our gas & electric utilities, primarily on safety & asset modernization
  - Advanced and matured our Safety Management System and safety enhancement initiatives
  - Completed the sale of Columbia Gas of Massachusetts business
  - Completed first two wind projects, and received approval of three other renewable projects
  - Lowered weighted average interest rate on long term debt by 60 basis points
  - Continued automatic shutoff device, remote monitoring deployment, with 70% of LP systems protected
  - Launched transformative NiSource Next initiative to build capabilities, enhance efficiency
  - Added more than 30,000 net new gas customers across diverse six-state footprint

FOCUSED ON ENHANCING SAFETY, SERVICE, SYSTEM RELIABILITY AND ENVIRONMENTAL LEADERSHIP

*Net Operating Earnings Per Share (Non-GAAP); For the GAAP Basic Earnings (Loss) Per Share and the reconciliation of GAAP to non-GAAP earnings per share, see Schedule 1 in the appendix to this presentation

FOURTH QUARTER & YTD CONSOLIDATED FINANCIAL RESULTS

GAAP	FOURTH QUARTER			YTD		
	2020	2019	Change	2020	2019	Change
Net Income (Loss) Available to Common Shareholders ($ in Millions)	$70.7	$(153.0)	$223.7	$(72.7)	$328.0	$(400.7)
Basic Earnings (Loss) Per Share	$0.18	$(0.41)	$0.59	$(0.19)	$0.88	$(1.06)

NON-GAAP*	FOURTH QUARTER			YTD		
	2020	2019	Change	2020	2019	Change
Net Operating Earnings (Loss) Available to Common Shareholders ($ in Millions)	$130.1	$169.6	$(39.5)	$507.5	$494.7	$12.8
Net Operating Earnings Per Share	$0.34	$0.45	$(0.11)	$1.32	$1.32	$—

*Net Operating Earnings (non-GAAP). For a reconciliation of GAAP to non-GAAP earnings, see Schedule 1 in the appendix to this presentation

2020 GAAP RESULTS REFLECT IMPACTS OF MA DIVESTITURE AND EARLY EXTINGUISHMENT OF LONG-TERM DEBT

FOURTH QUARTER & YTD SEGMENT NON-GAAP* RESULTS

GAS DISTRIBUTION OPERATIONS ($ Millions)	FOURTH QUARTER			YTD		
	2020	2019	Change	2020	2019	Change
Operating Revenues	$ 833.9	$ 995.3	$ (161.4)	$ 3,168.4	$ 3,503.2	$ (334.8)
Cost of Energy	$ 234.6	$ 307.8	$ 73.2	$ 794.2	$ 1,067.6	$ 273.4
Tracked Operating Expenses	$ 44.7	$ 75.8	$ 31.1	$ 203.9	$ 246.0	$ 42.1
Other Operating Expenses	$ 361.6	$ 397.8	$ 36.2	$ 1,502.6	$ 1,557.6	$ 55.0
Total Operating Expenses	$ 640.9	$ 781.4	$ 140.5	$ 2,500.7	$ 2,871.2	$ 370.5
Operating Earnings (Loss)*	**$ 193.0**	**$ 213.9**	**$ (20.9)**	**$ 667.7**	**$ 632.0**	**$ 35.7**

ELECTRIC OPERATIONS ($ Millions)	FOURTH QUARTER			YTD		
	2020	2019	Change	2020	2019	Change
Operating Revenues	$ 371.3	$ 393.3	$ (22.0)	$ 1,532.3	$ 1,694.0	$ (161.7)
Cost of Energy	$ 80.9	$ 96.6	$ 15.7	$ 315.2	$ 467.3	$ 152.1
Tracked Operating Expenses	$ 9.7	$ 14.8	$ 5.1	$ 42.4	$ 67.6	$ 25.2
Other Operating Expenses	$ 221.1	$ 197.0	$ (24.1)	$ 812.8	$ 757.6	$ (55.2)
Total Operating Expenses	$ 311.7	$ 308.4	$ (3.3)	$ 1,170.4	$ 1,292.5	$ 122.1
Operating Earnings (Loss)*	**$ 59.6**	**$ 84.9**	**$ (25.3)**	**$ 361.9**	**$ 401.5**	**$ (39.6)**

*Operating Earnings (non-GAAP). For comparable GAAP results by segment, refer to Part II. Item 7 of the Company's Annual Report on Form 10-K for the period ended December 31, 2020. For a reconciliation of GAAP to non-GAAP earnings, see Schedules 2 and 3 in the appendix to this presentation

CONTINUED FOCUS ON SAFE AND RELIABLE EXECUTION

COVID-19 FINANCIAL IMPACTS

USAGE IMPACT BY CUSTOMER CLASS ($ Millions)*

4Q '20 vs. '19	Gas	Electric	Total
Residential	$4.1	$1.6	**$5.7**
Commercial	$(0.2)	$(3.8)	**$(4.0)**
Industrial	$1.0	$(0.7)	**$0.3**
Total	**$4.9**	**$(2.9)**	**$2.0**

YTD '20 vs. '19	Gas	Electric	Total
Residential	$5.0	$13.5	**$18.5**
Commercial	$(2.0)	$(10.9)	**$(12.9)**
Industrial	$(4.2)	$(11.2)	**$(15.4)**
Total	**$(1.2)**	**$(8.6)**	**$(9.8)**

4Q / YTD 2020 COVID-19 NOEPS impact of (~$0.02) / (~$0.10), partially offset with cost management and regulatory solutions**

- Usage impact - see above
- Reduced other revenues - late payment and reconnection fees
- Increased bad debt and other expenses

Midpoint of 2021 base case NOEPS impact of COVID-19 = (~$0.05); included in 2021 guidance range**

COST MANAGEMENT AND REGULATORY SOLUTIONS REDUCE COVID-19 IMPACT

* Positive figures represent favorable period-over-period variances
* *Net Operating Earnings Per Share (Non-GAAP)

NISOURCE DEBT AND CREDIT PROFILE

- **Debt level: ~$9.7B as of December 31, 2020**
  - ~$9.1B of long-term debt
    - Weighted average maturity ~15 years
    - Weighted average interest rate of 3.68%

- **Solid liquidity position**
  - ~$1.7B in net available liquidity as of December 31, 2020*
  - ~$2.1B of committed facilities in place as of December 31, 2020
    - ~$1.9B revolving credit facility
    - ~$0.3B accounts receivable securitization facilities **

- **Net proceeds of $1.1B from closing of sale of Columbia Gas of Massachusetts used to pay down term loan and other short-term debt in October**

- **Executed liability management transaction in 3Q**
  - Lowered weighted average interest rate by over 60 basis points and removed significant long-term debt refinancing needs through 2024

- **Committed to maintaining current investment-grade credit ratings**
  - S&P BBB+ | Moody's Baa2 | Fitch BBB

SOLID FINANCIAL FOUNDATION TO SUPPORT LONG-TERM INFRASTRUCTURE AND SAFETY INVESTMENTS

* Consisting of cash and available capacity under credit facilities
** Capacity on accounts receivable securitization facilities changes with seasonality

CAPITAL FORECAST

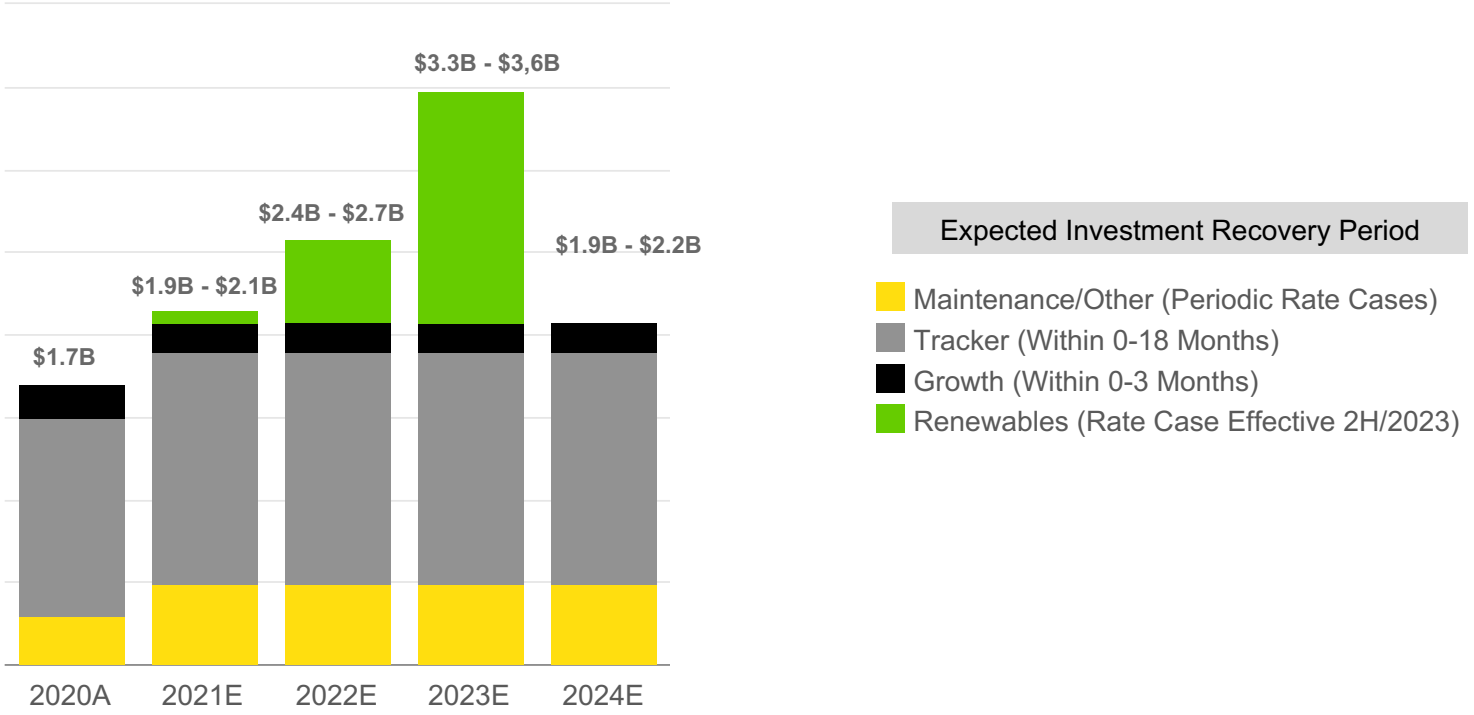

ANTICIPATE >75% OF CAPITAL INVESTMENTS BEGIN EARNING IN LESS THAN 18 MONTHS

2021 - 2024 FINANCING PLAN*

Financing strategy targets long-term Adj. FFO/total debt** of ~14%-15%

($ millions)	2020A	2021E	2022E	2023E	2024E
Planned Annual Safety & Modernization Investments					
Equity					
ATM (At-the-Market)	$ 197	$200 - $300 Annually			
ESPP/401K/Other	$ 28	$30 - $50 Annually			
Long-Term Debt					
Incremental Long-Term Debt	$ 1,374		$500 - $700 Annually		
Planned Renewable Generation Investments (Targeting 60% Equity)					
Equity					
Common Equity Block	$ —		$500 - $700 Total		
Long-Term Debt					
Incremental Long-Term Debt	$ —		$500 - $700 Total		
Other Financing					
Hybrids, Convertibles, etc.	$ —	$600 - $1,000 Total			

Current Financing Plan

- All financing is included in our long-term growth commitments
- Reflects our focus on maintaining current investment grade credit rating
- Targets renewable investment financing (60% Equity / 40% Debt)
- Doesn't include potential portfolio optimization opportunities

*Current financing plan may change based on business developments
**As calculated according to the S&P and Moody's rating agency methodologies

GAS DISTRIBUTION OPERATIONS

- Rate case settlement approved in Maryland, case pending in Pennsylvania
- Continuing to execute infrastructure modernization designed to enhance system safety, reliability and environmental performance

HIGHLIGHT	KEY COMPONENTS	STATUS
Columbia Gas of Kentucky Safety Modification and Replacement Program (SMRP) Annual Rider Update	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades ◦ Request covers $50.0M for 2021 capital investments	◦ Filed Oct. 15, 2020 ◦ Order expected Q2 2021 ◦ New rates effective Q2 2021
NIPSCO Gas System Modernization Program	◦ Long-term infrastructure modernization program ◦ TDSIC1 filing covers $26.0M in incremental capital investments made between January and June 2020	◦ Filed Aug. 25, 2020 ◦ Order received Dec. 23, 2020 ◦ New rates effective Jan. 2021
Columbia Gas of Virginia Steps to Advance Virginia's Energy (SAVE) Annual Rider Update	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades guided by SMS risk prioritization ◦ Request covers $46.4M for 2021 capital investments	◦ Filed July 24, 2020 ◦ Order received Nov. 18, 2020 ◦ New rates effective Jan. 2021
Columbia Gas of Maryland Base Rate Case	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades ◦ Settlement includes $3.3M total annual revenue increase; $2.0M net of infrastructure tracker	◦ Filed May 15, 2020 ◦ Order received Nov. 7, 2020 ◦ New rates effective Dec. 2020
Columbia Gas of Pennsylvania Base Rate Case	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades ◦ Modified request seeks $76.8M total annual revenue increase	◦ Filed Apr. 24, 2020 ◦ Order expected Q1 2021 ◦ New rates retroactive to Jan. 23, 2021

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

ELECTRIC OPERATIONS

- On-time completion of first two wind projects
- Commercial and regulatory progress continues on remaining renewable projects
- $1.8 - $2.0B of capital investment opportunities expected in 2022 and 2023
- Continued execution of seven-year ~$1.2B electric system modernization program

HIGHLIGHT	KEY COMPONENTS	STATUS
Renewable Generation JV Projects	◦ Rosewater wind project placed into service in 2020 ◦ Construction progresses on Indiana Crossroads wind project ◦ CPCNs pending before IURC for Dunns Bridge Solar I, Dunns Bridge Solar II and Cavalry Solar	◦ Indiana Crossroads expected in service YE 2021 ◦ IURC order for Dunns / Cavalry expected Q2 2021
Renewable Generation PPA Projects	◦ Jordan Creek wind project completed in 2020 ◦ PPAs approved by IURC for Brickyard Solar and Greensboro Solar + storage ◦ PPAs filed with IURC for Gibson and Green River solar projects	◦ Regulatory approval for Gibson and Green River expected by Q2 2021
Electric System Modernization Program	◦ Focused on electric transmission and distribution investments designed to improve system safety and reliability ◦ TDSIC 7 semi-annual tracker update covering $122.3M in investments from July 2019 - July 2020	◦ Filed Sep. 29, 2020 ◦ Order received Jan. 27, 2021 ◦ Rates effective Feb. 2021

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

SAFETY AND INFRASTRUCTURE PROGRAMS

COMPANY	YEAR-END 2020 RATE BASE	AUTHORIZED PROGRAM ROE	MODERNIZATION PROGRAM INVESTMENTS	ESTIMATED ANNUAL MODERNIZATION PROGRAM INVESTMENTS	RECOVERY MECHANISM
Columbia Gas of OH	$3.5B	10.39%	~$10.6B	$540M - $560M	Tracked
Columbia Gas of PA	$2.1B	None specified	~$4.1B	$275M - $340M	Rate Case (Forward Test Year)
NIPSCO Gas	$1.8B*	9.85%	~$5.0B	$155M - $245M	Tracked
Columbia Gas of VA	$905M	9.70%	~$500M	$46M - $65M	Tracked
Columbia Gas of KY	$372M	9.50%	~$900M	$35M - $40M	Tracked
Columbia Gas of MD	$173M	9.60%	~$230M	$18M - $25M	Tracked
NIPSCO Electric	$4.8B*	9.75%	~$5.0B	$170M - $230M	Tracked

ROBUST LONG-TERM INVESTMENT PROGRAMS DELIVER VALUE ON $13.6B RATE BASE**

* NIPSCO gas and electric rate base includes deferred taxes
** As of Dec. 31, 2020

SAFETY AND INFRASTRUCTURE INVESTMENT AND TRACKER FILING DETAILS

COMPANY	MECHANISM	INCREMENTAL INVESTMENTS		RECOVERY	
		PERIOD	AMOUNT ($M)	FILING DATE	EFFECTIVE DATE
Columbia Gas of Ohio	Infrastructure Replacement Program (IRP)	FY 2018	$199.6	Feb 2019	May 2019
		FY 2019	$234.4	Feb 2020	May 2020
Columbia Gas of Ohio	Capital Expenditure Program (CEP)	FY 2018	$121.7	Feb 2019	Sept 2019
		FY 2019	$185.1	Feb 2020	Sept 2020
Columbia Gas of Pennsylvania	Distribution System Improvement Charge (DSIC)	Jun 2020 - Aug 2020	$85.0	Sep 2020	Oct 2020
		Sep 2020 - Nov 2020	$25.0	Dec 2020	Jan 2021
Columbia Gas of Virginia	Steps to Advance Virginia's Energy Plan (SAVE)	FY 2020	$50.0	Aug 2019	Jan 2020
		FY 2021	$46.4	Jul 2020	Jan 2021
Columbia Gas of Kentucky	Safety Modification and Replacement Program (SMRP)	FY 2020	$40.4	Oct 2019	Jan 2020
		FY 2021	$50.0	Oct 2020	Expected Q2 2021
Columbia Gas of Maryland	Strategic Infrastructure Development and Enhancement (STRIDE)	FY 2020	$15.0	Jan 2020	Feb 2020
		FY 2021	$16.9	Oct 2020	Jan 2021
NIPSCO – Gas	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 11: May 2019 - Dec 2019	$38.7	Feb 2020	Jul 2020
		TDSIC 1: Jan 2020 - Jun 2020	$26.0	Aug 2020	Jan 2021
NIPSCO – Electric	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 6: Dec 2018 – Jun 2019	$131.1	Aug 2019	Jan 2020
		TDSIC 7: Jul 2019 - Jul 2020	$122.3	Sep 2020	Feb 2021

RENEWABLE INVESTMENT OPPORTUNITY THROUGH 2023

Tax equity partnerships allow for significant reduction in cost to customers and $1.8-$2B of NiSource capital investment

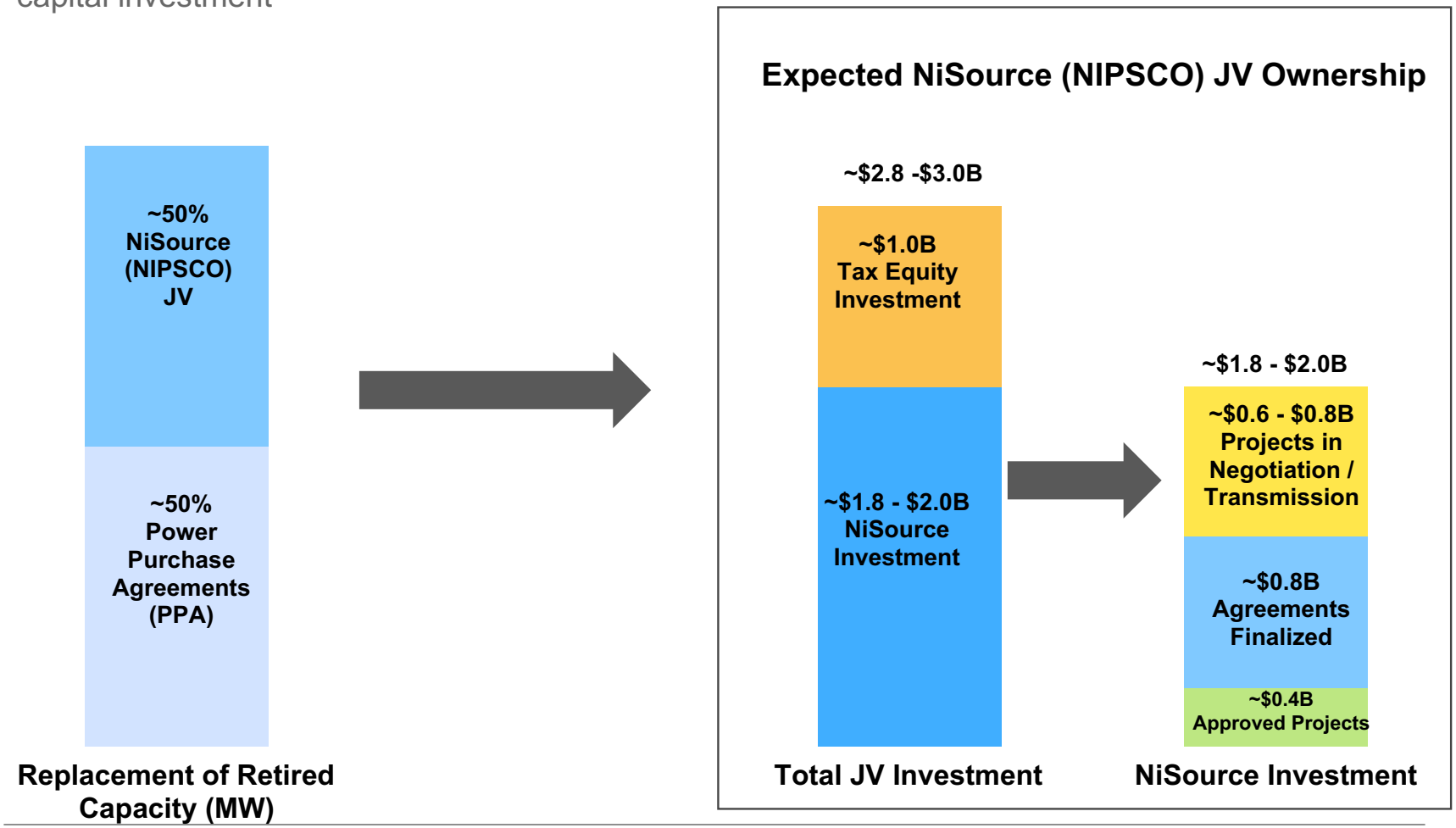

MIX OF JVs AND PPAs DRIVES CUSTOMER BENEFITS AND SHAREHOLDER VALUE

RENEWABLE INVESTMENT PROJECT UPDATE

PROJECT	STRUCTURE	NIPSCO INVESTMENT ($M)	ANTICIPATED IN SERVICE	STATUS
Projects In Execution:				
Rosewater Wind	JV	~$100	’20	Complete
Jordan Creek Wind	PPA	N/A	’20	Complete
Indiana Crossroads Wind	JV	~$300	’21	Under Construction
Brickyard Solar	PPA	N/A	‘22	IURC approved
Greensboro Solar + Storage	PPA	N/A	‘22	IURC approved
Dunns Bridge I Solar	JV	~$240	’22	Pending IURC approval
Dunns Bridge II Solar + Storage	JV	~$420	’23	Pending IURC approval
Cavalry Solar + Storage	JV	~$190	’23	Pending IURC approval
Gibson Solar	PPA	N/A	23	Pending IURC approval
Green River Solar	PPA	N/A	23	Pending IURC approval
In Process Projects:				
Solar Projects*	JV	~$400 – $600	’22–’23	Advanced Commercial Negotiations
Solar & Wind Projects	PPA	N/A	‘23	Advanced Commercial Negotiations
Transmission Projects	NI owned	~ $150	’21–’22	Engineering / Under Construction
Total		**$1,800 – $2,000**		

*Includes transmission projects included in IRP which will be fully owned by NIPSCO

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

Environmental

- $1.8B-$2.0B of planned renewable investments through 2023
- Expected to retire 100% of coal assets by 2028 and replace primarily with renewables
- Driving toward 90% reduction* in greenhouse gas emissions by 2030

Social

- Transformation focused on customer safety and reliability
- Economically benefiting customers and communities
- Committed to engagement, diversity and inclusion from the boardroom through the organization and supplier network

Governance

- Leadership enhancements support commitment to customer service and safety
- Diverse, skilled and independent Board recently refreshed
- Robust framework for strategy, risk management and oversight

* Compared to 2005 baseline

APPENDIX
YEAR END 2020 RESULTS

NiSource®

LIQUIDITY AND CAPITALIZATION AS OF YEAR END 2020 ($M)

CURRENT LIQUIDITY	ACTUAL 12/31/20	MATURITY
Revolving Credit Facility	$1,850	Feb. 20, 2024
Accounts Receivable Programs*	273	
Less:		
Drawn on Credit Facility	—	
Commercial Paper	503	
Accounts Receivable Programs Utilized	—	
L/C's Outstanding Under Credit Facility	15	
Add:		
Cash & Equivalents	117	
Net Available Liquidity	$1,722	

* Represents the lesser of seasonal limit or maximum borrowings supportable by underlying receivables

Qualified Pension Funding

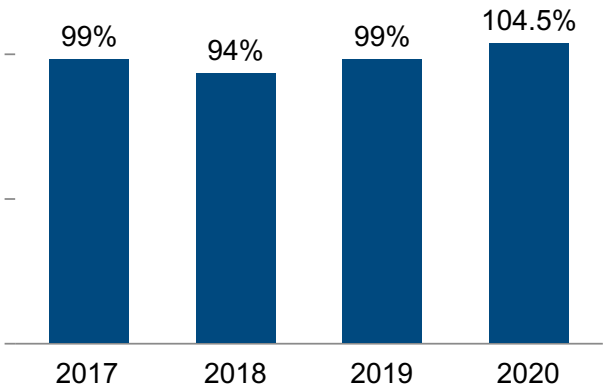

Total Debt/Total Capitalization

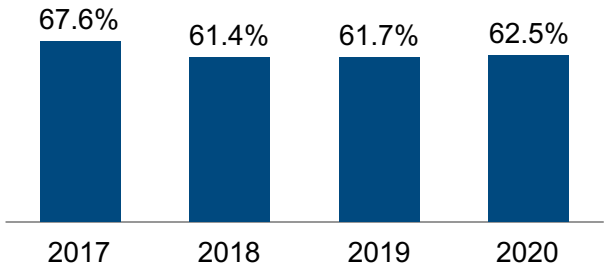

TOTAL DEBT AS OF YEAR END 2020 ($M)

DEBT DETAIL	BALANCE	WTD. AVG. RATE*	WTD. AVG. MATURITY
Long-Term Debt	$9,135	3.7 %	15 years
Commercial Paper	$503	0.27 %	60 days
Finance Leases, Deferred Costs & Other	$108	N/A	N/A
Total Debt*	**$9,746**		

* Represents coupon or current incremental borrowing rate; does not factor in fees and/or amortization of deferred charges

NO SIGNIFICANT LONG-TERM DEBT MATURITIES THROUGH 2024

BAD DEBT RECOVERY MECHANISMS*

COMPANY	BAD DEBT EXPENSE INCLUDED IN BASE RATES**	TRACKED INCREMENTAL EXPENSE	FILING FREQUENCY
GAS DISTRIBUTION OPERATIONS			
NIPSCO Gas	Yes	Gas cost only	Quarterly
Columbia Gas of Ohio	Yes	Gas cost and delivery charge	Annual
Columbia Gas of Pennsylvania	Yes	Partial gas cost only	Quarterly
Columbia Gas of Virginia	Yes	Gas cost only	Quarterly
Columbia Gas of Maryland	Yes	Gas cost only	Quarterly
Columbia Gas of Kentucky	Yes	Gas cost only	Quarterly
ELECTRIC OPERATIONS			
NIPSCO Electric	Yes	None	N/A

* Table below illustrates bad debt recovery mechanisms in place pre-COVID-19 and continue to be in place. In 2020 Indiana, Pennsylvania, Ohio, Maryland and Virginia authorized utilities to defer certain bad debt costs to regulatory assets in response to COVID-19. These COVID-19 authorizations are not reflected in the table.
** Based on historical bad debt of ~1% of gross revenue

REVENUE AND WEATHER NORMALIZATION MECHANISMS

COMPANY	REVENUE DECOUPLING / NORMALIZATION	WEATHER NORMALIZATION
GAS DISTRIBUTION OPERATIONS		
NIPSCO Gas	None	None
Columbia Gas of Ohio	Straight Fixed Variable Rates for Residential and Small Commercial	None
Columbia Gas of Pennsylvania	None	Yes - Residential
Columbia Gas of Virginia	Yes (RNA*) - Residential	Yes - Residential & Commercial
Columbia Gas of Maryland	Yes (RNA) - Residential	Yes - Residential & Commercial
Columbia Gas of Kentucky	None	Yes - Residential & Commercial
ELECTRIC OPERATIONS		
NIPSCO Electric	None (Demand Ratcheting Industrial Rates)	None

* Revenue Normalization Adjustment

NiSource Inc.

Schedule 1 - Reconciliation of Consolidated Net Income (Loss) Available to Common Shareholders to Net Operating Earnings (Loss) Available to Common Shareholders (Non-GAAP) *(unaudited)*

	Three Months Ended December 31,		Twelve Months Ended December 31,	
(in millions, except per share amounts)	**2020**	2019	**2020**	2019
GAAP Net Income (Loss) Available to Common Shareholders	**$ 70.7**	$ (153.0)	**$ (72.7)**	$ 328.0
Adjustments to Operating Income (Loss):				
Operating Revenues:				
Weather - compared to normal	**8.0**	(11.8)	**24.0**	(24.8)
Massachusetts Business transaction revenue[1]	**(9.0)**	—	**(9.0)**	—
Operating Expenses:				
Greater Lawrence Incident[2]	**1.3**	(54.2)	**16.7**	(233.6)
Plant retirement costs[3]	—	—	**4.6**	—
NiSource Next initiative[4]	**19.2**	—	**45.8**	—
Massachusetts Business sale related amounts[5]	**18.9**	414.5	**400.3**	414.5
Loss (Gain) on sale of assets, net	**(1.4)**	0.1	**(1.8)**	—
Total adjustments to operating income (loss)	**37.0**	348.6	**480.6**	156.1
Other Income (Deductions):				
Loss on early extinguishment of long-term debt[6]	**0.1**	—	**243.5**	—
Income Taxes:				
Tax effect of above items[7]	**(10.4)**	(90.5)	**(191.8)**	(38.2)
Income taxes - discrete items[8]	**32.7**	64.5	**47.9**	48.8
Total adjustments to net income (loss)	**59.4**	322.6	**580.2**	166.7
Net Operating Earnings Available to Common Shareholders (Non-GAAP)	**$ 130.1**	$ 169.6	**$ 507.5**	$ 494.7
Basic Average Common Shares Outstanding	**387.0**	377.2	**384.3**	374.6
GAAP Basic Earnings (Loss) Per Share	**$ 0.18**	$ (0.41)	**$ (0.19)**	$ 0.88
Adjustments to basic earnings (loss) per share	**0.16**	0.86	**1.51**	0.44
Non-GAAP Basic Net Operating Earnings Per Share	**$ 0.34**	$ 0.45	**$ 1.32**	$ 1.32

[1]Represents certain reimbursed costs for services rendered as part of the sale of the Massachusetts Business to Eversource that occurred on October 9, 2020.

[2]Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.

[3]Represents costs incurred in connection with the planned retirement of the Schahfer Generating Station. Includes costs for write downs of certain capital projects and materials and supplies inventory balances.

[4]Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.

[5]2020 represents third-party consulting costs incurred for the separation and transition of the Massachusetts Business and the loss on sale to Eversource, offset by depreciation and amortization expense that was ceased for GAAP purposes as a result of classifying the Massachusetts Business as held for sale. 2019 represents a non-cash impairment of the Columbia of Massachusetts franchise rights and of the goodwill attributable to Columbia of Massachusetts as a result of the announced sale to Eversource.

[6]Represents non-recurring costs incurred for the early redemption of $1,603.6 million in long-term notes, consisting primarily of early redemption premiums.

[7]Represents income tax expense calculated using the statutory tax rates by legal entity.

[8]2020 represents non-deductible fines and penalties related to Greater Lawrence Incident and tax discrete adjustments in connection with the sale of the Massachusetts Business, including (i) deferred taxes on a TCJA regulatory liability divested, (ii) consolidated state deferred taxes and (iii) associated valuation allowance related to state net operating loss carryforward. 2019 represents (i) the non-deductible goodwill impairment, (ii) non-deductible fines and penalties and (iii) adjustments to consolidated state deferred taxes, all related to the Greater Lawrence Incident.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Income (Loss) to Operating Earnings (Loss)
(Non-GAAP) *(unaudited)*

Three Months Ended December 31, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (GAAP)	$ 161.1	$ 53.4	$ 3.6	$ 218.1
Adjustments to Operating Income:				
Operating Revenues:				
Weather - compared to normal	7.1	0.9	—	8.0
Massachusetts Business transaction revenue[1]	—	—	(9.0)	(9.0)
Operating Expenses:				
Greater Lawrence Incident[2]	1.3	—	—	1.3
NiSource Next initiative[3]	13.6	5.3	0.3	19.2
Massachusetts Business sale related amounts[4]	9.9	—	9.0	18.9
Loss (Gain) on sale of fixed assets and impairments, net	—	—	(1.4)	(1.4)
Total Adjustments to Operating Income	31.9	6.2	(1.1)	37.0
Operating Earnings (Non-GAAP)	$ 193.0	$ 59.6	$ 2.5	$ 255.1

[1]Represents certain reimbursed costs for services rendered as part of the sale of the Massachusetts Business to Eversource that occurred on October 9, 2020.
[2]Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
[3]Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.
[4]Represents third-party consulting costs incurred for the separation and transition of the Massachusetts Business and the loss on sale to Eversource, offset by depreciation and amortization expense that was ceased for GAAP purposes as a result of classifying the Massachusetts Business as held for sale.

Three Months Ended December 31, 2019 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (Loss) (GAAP)	$ 69.6	$ 85.4	$ (193.0)	$ (38.0)
Adjustments to Operating Income (Loss):				
Operating Revenues:				
Weather - compared to normal	(11.4)	(0.4)	—	(11.8)
Operating Expenses:				
Greater Lawrence Incident[1]	(54.2)	—	—	(54.2)
Massachusetts Business sale related amounts[2]	209.7	—	204.8	414.5
Loss (Gain) on sale of fixed assets and impairments, net	0.2	(0.1)	—	0.1
Total Adjustments to Operating Income (Loss)	144.3	(0.5)	204.8	348.6
Operating Earnings (Non-GAAP)	$ 213.9	$ 84.9	$ 11.8	$ 310.6

[1] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
[2]Represents a non-cash impairment of the Columbia of Massachusetts franchise rights and of the goodwill attributable to Columbia of Massachusetts as a result of the announced sale to Eversource.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Income (Loss) to Operating Earnings (Loss) (Non-GAAP) *(unaudited)*

Twelve Months Ended December 31, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (GAAP)	$ 199.1	$ 348.8	$ 2.9	$ 550.8
Adjustments to Operating Income:				
Operating Revenues:				
Weather - compared to normal	28.3	(4.3)	—	24.0
Massachusetts Business transaction revenue[1]	—	—	(9.0)	(9.0)
Operating Expenses:				
Greater Lawrence Incident[2]	16.7	—	—	16.7
Plant retirement costs[3]	—	4.6	—	4.6
NiSource Next initiative[4]	32.3	12.8	0.7	45.8
Massachusetts Business sale related amounts[5]	391.3	—	9.0	400.3
Loss (Gain) on sale of fixed assets and impairments, net	—	—	(1.8)	(1.8)
Total Adjustments to Operating Income	468.6	13.1	(1.1)	480.6
Operating Earnings (Non-GAAP)	$ 667.7	$ 361.9	$ 1.8	$ 1,031.4

[1]Represents certain reimbursed costs for services rendered as part of the sale of the Massachusetts Business to Eversource that occurred on October 9, 2020.
[2]Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
[3]Represents costs incurred in connection with the planned retirement of the Schahfer Generating Station. Includes costs for write downs of certain capital projects and materials and supplies inventory balances.
[4]Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.
[5]Represents third-party consulting costs incurred for the separation and transition of the Massachusetts Business and the loss on sale to Eversource, offset by depreciation and amortization expense that was ceased for GAAP purposes as a result of classifying the Massachusetts Business as held for sale.

Twelve Months Ended December 31, 2019 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (Loss) (GAAP)	$ 675.4	$ 406.8	$ (191.5)	$ 890.7
Adjustments to Operating Income (Loss):				
Operating Revenues:				
Weather - compared to normal	(19.6)	(5.2)	—	(24.8)
Operating Expenses:				
Greater Lawrence Incident[1]	(233.6)	—	—	(233.6)
Massachusetts Business sale related amounts[2]	209.7	—	204.8	414.5
Loss (Gain) on sale of fixed assets and impairments, net	0.1	(0.1)	—	—
Total Adjustments to Operating Income (Loss)	(43.4)	(5.3)	204.8	156.1
Operating Earnings (Non-GAAP)	$ 632.0	$ 401.5	$ 13.3	$ 1,046.8

[1] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
[2]Represents a non-cash impairment of the Columbia of Massachusetts franchise rights and of the goodwill attributable to Columbia of Massachusetts as a result of the announced sale to Eversource.

NiSource Inc.

Schedule 3 - Reconciliation by Segment of Operating Revenues and Expenses (GAAP) to Operating Revenues and Expenses (Non-GAAP) *(unaudited)*

Three Months Ended December 31, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 826.8	$ 370.4	$ 13.8	$ 1,211.0
Adjustments:				
Weather - compared to normal	7.1	0.9	—	8.0
Massachusetts Business transaction revenue[1]	—	—	(9.0)	(9.0)
Operating Revenues (Non-GAAP)	$ 833.9	$ 371.3	$ 4.8	$ 1,210.0

[1]Represents certain reimbursed costs for services rendered as part of the sale of the Massachusetts Business to Eversource that occurred on October 9, 2020.

Three Months Ended December 31, 2019 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 1,006.7	$ 393.7	$ (3.2)	$ 1,397.2
Adjustments:				
Weather - compared to normal	(11.4)	(0.4)	—	(11.8)
Operating Revenues (Non-GAAP)	$ 995.3	$ 393.3	$ (3.2)	$ 1,385.4

Three Months Ended December 31, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Expenses (GAAP)	$ 665.7	$ 317.0	$ 10.2	$ 992.9
Adjustments:				
Greater Lawrence Incident[1]	1.3	—	—	1.3
NiSource Next initiative[2]	13.6	5.3	0.3	19.2
Massachusetts Business sale related amounts[3]	9.9	—	9.0	18.9
Loss (Gain) on sale of fixed assets and impairments, net	—	—	(1.4)	(1.4)
Operating Expenses (Non-GAAP)	$ 640.9	$ 311.7	$ 2.3	$ 954.9

[1]Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
[2]Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.
[3]Represents third-party consulting costs incurred for the separation and transition of the Massachusetts Business and the loss on sale to Eversource, offset by depreciation and amortization expense that was ceased for GAAP purposes as a result of classifying the Massachusetts Business as held for sale.

Three Months Ended December 31, 2019 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Expenses (GAAP)	$ 937.1	$ 308.3	$ 189.8	$ 1,435.2
Adjustments:				
Greater Lawrence Incident[1]	(54.2)	—	—	(54.2)
Massachusetts Business sale related amounts[2]	209.7	—	204.8	414.5
Loss (Gain) on sale of fixed assets and impairments, net	0.2	(0.1)	—	0.1
Operating Expenses (Non-GAAP)	$ 781.4	$ 308.4	$ (15.0)	$ 1,074.8

[1] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
[2]Represents a non-cash impairment of the Columbia of Massachusetts franchise rights and of the goodwill attributable to Columbia of Massachusetts as a result of the announced sale to Eversource.

Twelve Months Ended December 31, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 3,140.1	$ 1,536.6	$ 5.0	$ 4,681.7
Adjustments:				
Weather - compared to normal	28.3	(4.3)	—	24.0
Massachusetts Business transaction revenue[1]	—	—	(9.0)	(9.0)
Operating Revenues (Non-GAAP)	$ 3,168.4	$ 1,532.3	$ (4.0)	$ 4,696.7

[1]Represents certain reimbursed costs for services rendered as part of the sale of the Massachusetts Business to Eversource that occurred on October 9, 2020.

NiSource Inc.

Schedule 3 - Reconciliation by Segment of Operating Revenues and Expenses (GAAP) to Operating Revenues and Expenses (Non-GAAP) *(unaudited)*

Twelve Months Ended December 31, 2019 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 3,522.8	$ 1,699.2	$ (13.1)	$ 5,208.9
Adjustments:				
Weather - compared to normal	(19.6)	(5.2)	—	(24.8)
Operating Revenues (Non-GAAP)	$ 3,503.2	$ 1,694.0	$ (13.1)	$ 5,184.1

Twelve Months Ended December 31, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Expenses (GAAP)	$ 2,941.0	$ 1,187.8	$ 2.1	$ 4,130.9
Adjustments:				
Greater Lawrence Incident[(1)]	16.7	—	—	16.7
Plant retirement costs[(2)]	—	4.6	—	4.6
NiSource Next initiative[(3)]	32.3	12.8	0.7	45.8
Massachusetts Business sale related amounts[(4)]	391.3	—	9.0	400.3
Loss (Gain) on sale of fixed assets and impairments, net	—	—	(1.8)	(1.8)
Operating Expenses (Non-GAAP)	$ 2,500.7	$ 1,170.4	$ (5.8)	$ 3,665.3

[(1)]Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
[(2)]Represents costs incurred in connection with the planned retirement of the Schahfer Generating Station. Includes costs for write downs of certain capital projects and materials and supplies inventory balances.
[(3)]Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.
[(4)]Represents third-party consulting costs incurred for the separation and transition of the Massachusetts Business and the loss on sale to Eversource, offset by depreciation and amortization expense that was ceased for GAAP purposes as a result of classifying the Massachusetts Business as held for sale.

Twelve Months Ended December 31, 2019 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Expenses (GAAP)	$ 2,847.4	$ 1,292.4	$ 178.4	$ 4,318.2
Adjustments:				
Greater Lawrence Incident[(1)]	(233.6)	—	—	(233.6)
Massachusetts Business sale related amounts[(2)]	209.7	—	204.8	414.5
Loss (Gain) on sale of fixed assets and impairments, net	0.1	(0.1)	—	—
Operating Expenses (Non-GAAP)	$ 2,871.2	$ 1,292.5	$ (26.4)	$ 4,137.3

[(1)] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.
[(2)]Represents a non-cash impairment of the Columbia of Massachusetts franchise rights and of the goodwill attributable to Columbia of Massachusetts as a result of the announced sale to Eversource.

SUPPLEMENTAL SLIDES
1Q 2021 RESULTS

May 5, 2021

NiSource®

FORWARD-LOOKING STATEMENTS

This presentation contains “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. Expressions of future goals and expectations and similar expressions, including "may," "will," "should,“ "could," "would," "aims," "seeks," "expects," "plans," "anticipates," “intends," "believes," "estimates,“ "predicts," "potential," "targets," "forecast," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; any adverse effects related to our equity units; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; and other matters set forth in Item 1, “Business,” Item 1A, “Risk Factors” and Part II. Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our annual report on Form 10-K for the year ended December 31, 2020, and Item 1A, “Risk Factors,” of our quarterly report on Form 10-Q for the quarter ended March 31, 2021, some of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

Regulation G Disclosure Statement

This presentation includes financial results for NiSource with respect to net operating earnings available to common shareholders and operating earnings which are non-GAAP financial measures as defined by the Securities and Exchange Commission's (SEC) Regulation G. This presentation also includes guidance for NiSource with respect to net operating earnings per share and adjusted funds from operations / total debt. The company includes these measures because management believes they permit investors to view the company’s performance using the same tools that management uses and to better evaluate the company’s ongoing business performance. With respect to such guidance for net operating earnings per share, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis. With respect to such guidance for adjusted funds from operations / total debt it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various adjustments the S&P and Moody's rating agencies apply when calculating their metrics. NiSource is not able to provide a reconciliation of its non-GAAP net operating earnings or adjusted funds from operations / total debt guidance, to their GAAP equivalents without unreasonable efforts.

KEY TAKEAWAYS

- **First Quarter 2021 Non-GAAP Diluted Net Operating Earnings Per Share (NOEPS)* of $0.77**
  - Results reflect increased earnings from annual safety & modernization investments and reflect the profile of our business without Columbia Gas of Massachusetts
- **2021 Guidance narrowed and long-term financial commitments reaffirmed**
  - 2021 Diluted NOEPS* guidance narrowed to $1.32 to $1.36
  - $1.9 to $2.2B in annual growth, safety and asset modernization investments, 2021-2024
  - Renewable generation investments now expected to be approximately $2.0B, 2022-2023
  - 7-9% Diluted NOEPS* CAGR, 2021-2024 (5-7% 2021 - 2023)
- **Convertible Issuance resolves all discrete (block) equity needs**
  - $862.5M Convertible Issuance at 7.75% yield
  - 100% equity credit with all three agencies
  - Allows NiSource to retain share price upside and aligns proceeds with renewable investment needs
- **Pennsylvania 2020 base rate case approved with 9.86% ROE and $63.5M revenue increase**
  - CPA files 2021 base rate case, requesting a $98.3M revenue increase to continue to support safety & modernization investments
- **Renewable generation projects advance**
  - There are now a total of 14 renewable energy projects announced as part of NiSource's customer-centric "Your Energy, Your Future" initiative, which includes the generation transition plan at NIPSCO.

FOCUSED ON ENHANCING SAFETY, SERVICE, SYSTEM RELIABILITY AND ENVIRONMENTAL LEADERSHIP

* Diluted Net Operating Earnings Per Share (Non-GAAP); For the GAAP Diluted Earnings Per Share and the reconciliation of GAAP to non-GAAP diluted earnings per share, see Schedule 1 in the appendix to this presentation

FIRST QUARTER CONSOLIDATED FINANCIAL RESULTS

GAAP	FIRST QUARTER		
	2021	2020	Change
Net Income (Loss) Available to Common Shareholders ($ in Millions)	$281.7	$61.8	$219.9
Diluted Earnings (Loss) Per Share	$0.72	$0.16	$0.56

NON-GAAP*	FIRST QUARTER		
	2021	2020	Change
Net Operating Earnings (Loss) Available to Common Shareholders ($ in Millions)	$304.8	$290.9	$13.9
Diluted Net Operating Earnings Per Share	$0.77	$0.76	$0.01

*Net Operating Earnings (non-GAAP). For a reconciliation of GAAP to non-GAAP earnings, see Schedule 1 in the appendix to this presentation

FIRST QUARTER SEGMENT NON-GAAP* RESULTS

GAS DISTRIBUTION OPERATIONS ($ Millions)	FIRST QUARTER		
	2021	2020	Change
Operating Revenues	$ 1,147.3	$ 1,255.8	$ (108.5)
Cost of Energy	$ 379.0	$ 377.4	$ (1.6)
Tracked Operating Expenses	$ 66.3	$ 92.6	$ 26.3
Other Operating Expenses	$ 328.0	$ 394.2	$ 66.2
Total Operating Expenses	$ 773.3	$ 864.2	$ 90.9
Operating Earnings (Loss)*	**$ 374.0**	**$ 391.6**	**$ (17.6)**

Note: 2021 Gas Distribution results exclude CMA impact, CMA sale closed October 2020

ELECTRIC OPERATIONS ($ Millions)	FIRST QUARTER		
	2021	2020	Change
Operating Revenues	$ 403.3	$ 379.0	$ 24.3
Cost of Energy	$ 97.8	$ 85.0	$ (12.8)
Tracked Operating Expenses	$ 12.3	$ 9.9	$ (2.4)
Other Operating Expenses	$ 202.6	$ 204.1	$ 1.5
Total Operating Expenses	$ 312.7	$ 299.0	$ (13.7)
Operating Earnings (Loss)*	**$ 90.6**	**$ 80.0**	**$ 10.6**

*Operating Earnings (non-GAAP). For comparable GAAP results by segment, refer to Part I. Item 2 of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2021. For a reconciliation of GAAP to non-GAAP earnings, see Schedules 2 and 3 in the appendix to this presentation

CONTINUED FOCUS ON SAFE AND RELIABLE EXECUTION

NISOURCE DEBT AND CREDIT PROFILE

- **Debt level: ~$9.8B as of March 31, 2021**
  - ~$9.1B of long-term debt
    - Weighted average maturity ~15 years
    - Weighted average interest rate of 3.68%
- **Solid liquidity position**
  - ~$1.9B in net available liquidity as of March 31, 2021*
  - ~$2.3B of committed facilities in place as of March 31, 2021
    - ~$1.9B revolving credit facility
    - ~$0.4B accounts receivable securitization facilities **
- **Executed $862.5M Equity Unit Issuance**
  - Resolves all the discrete equity needs with remarketing of $862.5M in December of 2023
  - Provides 100% equity credit with all three agencies
  - Allows NiSource to retain share price upside and aligns proceeds with renewable investments
- **Committed to maintaining current investment-grade credit ratings**
  - S&P BBB+ | Moody's Baa2 | Fitch BBB

SOLID FINANCIAL FOUNDATION TO SUPPORT LONG-TERM INFRASTRUCTURE AND SAFETY INVESTMENTS

* Consisting of cash and available capacity under credit facilities
** Capacity on accounts receivable securitization facilities changes with seasonality

2021E – 2024E CAPITAL FORECAST

Investment opportunities expected to enhance system safety and reliability while driving shareholder value

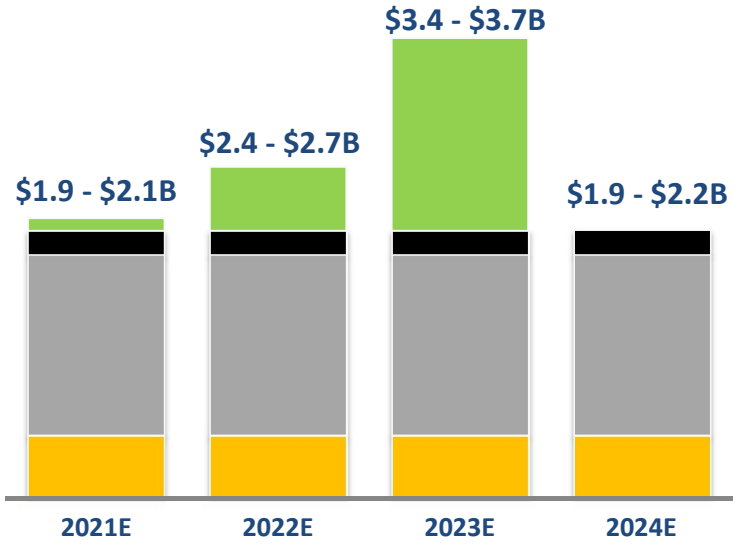

Expected Renewable Generation Investments of ~$2.0B

Expected Investment Recovery Period

- **Renewables (Rate Case Targeted 2H/2023)**
- **Growth (Within 0-3 Months)**
- **Tracker (Within 0-18 Months)**
- **Maintenance/Other (Periodic Rate Cases)**

Anticipate >75% of Capital Investments Begin Earning in Less Than 18 Months

2021 - 2024 FINANCING PLAN*

Financing strategy targets long-term Adj. FFO/total debt** of ~14%-15%

($ millions)	2021E	2022E	2023E	2024E
Planned Annual Safety & Modernization Investments				
Equity				
ATM (At-the-Market)	$200 - $300 Annually		$0 - $150 Total	
ESPP/401K/Other	$30 - $50 Annually			
Long-Term Debt				
Incremental Long-Term Debt		$500 - $700 Annually		
Planned Renewable Generation Investments (Targeting 60% Equity)				
Equity				
Common Equity Block	---------- None Planned ----------			
Long-Term Debt				
Incremental Long-Term Debt		~ $800 Total		
Other Financing				
Equity Unit Issuance	$862.5 Total***			

Current Financing Plan

- All financing is included in our long-term growth commitments
- Reflects our focus on maintaining current investment grade credit rating
- Targets renewable investment financing (60% Equity / 40% Debt)
- Doesn't include potential portfolio optimization opportunities

*Current financing plan may change based on business developments
**As calculated according to the S&P and Moody's rating agency methodologies
*** Remarketing of additional $862.5M in December of 2023

GAS DISTRIBUTION OPERATIONS

- Pennsylvania 2020 rate case approved, new rate case filed
- Continuing to execute infrastructure modernization designed to enhance system safety, reliability and environmental performance

HIGHLIGHT	KEY COMPONENTS	STATUS
Columbia Gas of Kentucky Safety Modification and Replacement Program (SMRP) Annual Rider Update	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades ◦ Approval covers $40.0M for 2021 capital investments	◦ Filed Oct. 15, 2020 ◦ Order received April 30, 2021 ◦ New rates effective May 2021
NIPSCO Gas System Modernization Program	◦ Long-term infrastructure modernization program ◦ TDSIC1 filing covers $26.0M in incremental capital investments made between January and June 2020	◦ Filed Aug. 25, 2020 ◦ Order received Dec. 23, 2020 ◦ New rates effective Jan. 2021
Columbia Gas of Virginia Steps to Advance Virginia's Energy (SAVE) Annual Rider Update	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades guided by SMS risk prioritization ◦ Request covers $46.4M for 2021 capital investments	◦ Filed July 24, 2020 ◦ Order received Nov. 18, 2020 ◦ New rates effective Jan. 2021
Columbia Gas of Pennsylvania 2021 Base Rate Case	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades ◦ Requested initial increase $98.3M	◦ Filed March 30, 2021 ◦ New rates effective Dec 2021
Columbia Gas of Pennsylvania 2020 Base Rate Case	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades ◦ Approved $63.5M total annual revenue increase	◦ Filed Apr. 24, 2020 ◦ Order received Feb 19, 2021 ◦ New rates retroactive to Jan. 23, 2021

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

ELECTRIC OPERATIONS

- Commercial and regulatory progress continues on remaining renewable projects
  - $2.0B of capital investment opportunities expected in 2022 and 2023
- Continued execution of seven-year ~$1.2B electric system modernization program

HIGHLIGHT	KEY COMPONENTS	STATUS
2021 Integrated Resource Plan	◦ Process will include RFP solicitation for new resources, similar to the 2018 IRP	◦ Meetings throughout 2021 ◦ Completion targeted for fall
New 5-Year TDSIC and Termination of 7-Year TDSIC	◦ To include long-term investments in modernizing the company's electric infrastructure with some projects that were previously identified in the latest TDSIC plan and newly identified projects aimed at enhancing service and reliability for customers.	◦ Filed termination notice April 1, 2021 ◦ Expect new filing around June 1, 2021
Renewable Generation JV Projects	◦ Announced new build-transfer agreements for Indiana Crossroads solar park, Fairbanks solar and Elliott solar ◦ Construction progresses on Indiana Crossroads wind project ◦ CPCNs pending before IURC for Dunns Bridge Solar I, Dunns Bridge Solar II and Cavalry Solar	◦ Indiana Crossroads expected in service YE 2021 ◦ IURC order for Dunns / Cavalry expected Q2 2021
Renewable Generation PPA Projects	◦ Announced new PPA for Indiana Crossroads II ◦ PPAs approved by IURC for Brickyard Solar and Greensboro Solar + storage ◦ PPAs filed with IURC for Gibson and Green River solar projects, and Indiana Crossroads II wind project	◦ Regulatory approval for Gibson and Green River expected by Q2 2021 ◦ Regulatory approval for Indiana Crossroads II expected late 2021

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

SAFETY AND INFRASTRUCTURE PROGRAMS

COMPANY	YEAR-END 2020 RATE BASE	AUTHORIZED PROGRAM ROE	MODERNIZATION PROGRAM INVESTMENTS	ESTIMATED ANNUAL MODERNIZATION PROGRAM INVESTMENTS	RECOVERY MECHANISM
Columbia Gas of OH	$3.5B	10.39%	~$10.6B	$540M - $560M	Tracked
Columbia Gas of PA	$2.1B	None specified	~$4.1B	$275M - $340M	Rate Case (Forward Test Year)
NIPSCO Gas	$1.8B*	9.85%	~$5.0B	$155M - $245M	Tracked
Columbia Gas of VA	$905M	9.70%	~$500M	$46M - $65M	Tracked
Columbia Gas of KY	$372M	9.50%	~$900M	$35M - $40M	Tracked
Columbia Gas of MD	$173M	9.60%	~$230M	$18M - $25M	Tracked
NIPSCO Electric	$4.8B*	9.75%	~$5.0B	$170M - $230M	Tracked

ROBUST LONG-TERM INVESTMENT PROGRAMS DELIVER VALUE ON $13.6B RATE BASE**

* NIPSCO gas and electric rate base includes deferred taxes
** As of Dec. 31, 2020

SAFETY AND INFRASTRUCTURE INVESTMENT AND TRACKER FILING DETAILS

COMPANY	MECHANISM	INCREMENTAL INVESTMENTS		RECOVERY	
		PERIOD	AMOUNT ($M)	FILING DATE	EFFECTIVE DATE
Columbia Gas of Ohio	Infrastructure Replacement Program (IRP)	FY 2019	$234.4	Feb 2020	May 2020
		FY 2020	$212.6	Feb 2021	May 2021
Columbia Gas of Ohio	Capital Expenditure Program (CEP)	FY 2019	$185.1	Feb 2020	Sept 2020
		FY 2020	$179.2	Feb 2021	Sept 2021
Columbia Gas of Pennsylvania	Distribution System Improvement Charge (DSIC)	Jun 2020 - Aug 2020	$85.0	Sep 2020	Oct 2020
		Sep 2020 - Nov 2020	$25.0	Dec 2020	Jan 2021
Columbia Gas of Virginia	Steps to Advance Virginia's Energy Plan (SAVE)	FY 2020	$50.0	Aug 2019	Jan 2020
		FY 2021	$46.4	Jul 2020	Jan 2021
Columbia Gas of Kentucky	Safety Modification and Replacement Program (SMRP)	FY 2020	$40.4	Oct 2019	Jan 2020
		FY 2021	$40.0	Oct 2020	May 2021
Columbia Gas of Maryland	Strategic Infrastructure Development and Enhancement (STRIDE)	FY 2020	$15.0	Jan 2020	Feb 2020
		FY 2021	$16.9	Oct 2020	Jan 2021
NIPSCO – Gas	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 1: Jan 2020 - Jun 2020	$26.0	Aug 2020	Jan 2021
		TDSIC 2: July 2020 – Dec 2020	$52.3	Feb 2021	July 2021
NIPSCO – Electric	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 7: Jul 2019 - Jul 2020	$122.3	Sep 2020	Feb 2021
		TDSIC 8: Aug 2020 - Jan 2021	$73.5	Mar 2021	Aug 2021

ROBUST RENEWABLE INVESTMENTS IN INDIANA

Project	Structure	NIPSCO Investment ($M)	In Service	Status
Projects in Execution:				
Rosewater Wind	JV	~$100	'20	Complete
Jordan Creek Wind	PPA	N/A	'20	Complete
Indiana Crossroads Wind	JV	~$300	'21	Under Construction
Brickyard Solar	PPA	N/A	'22	Approved
Greensboro Solar + Storage	PPA	N/A	'22	Approved
Dunns Bridge I Solar	JV	~$240	'22	Pending Approval
Dunns Bridge II Solar + Storage	JV	~$420	'23	Pending Approval
Cavalry Solar + Storage	JV	~$190	'23	Pending Approval
Gibson Solar	PPA	N/A	'23	Pending Approval
Green River Solar	PPA	N/A	'23	Pending Approval
Fairbanks Solar	JV	~$245	'23	Pending Approval
Crossroads II Wind	PPA	N/A	'23	Pending Approval
Crossroads Solar	JV	~$200	'22	Pending Approval
Elliott Solar	JV	~$180	'23	Pending Approval
Transmission Projects	NI owned	~$150	'21–'22	Engineering / Under Construction
Total		**~$2,000**		

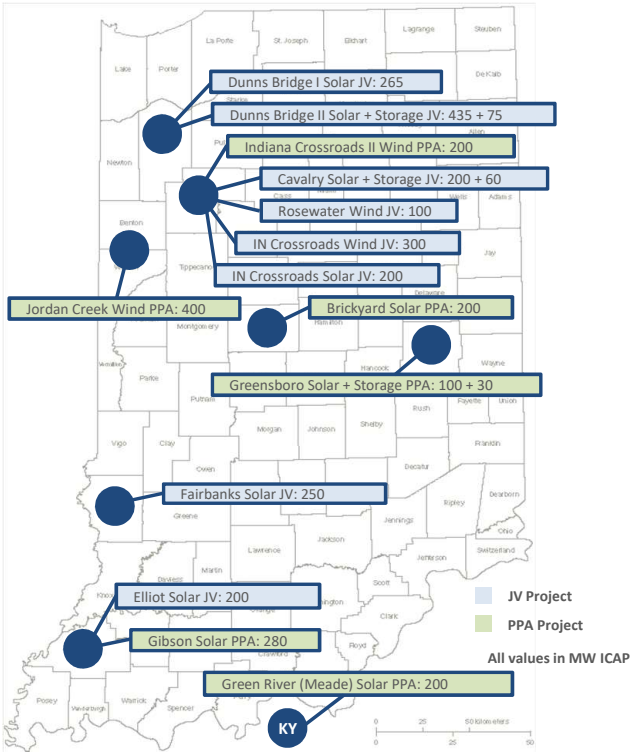

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

Environmental

- $1.8B-$2.0B of planned renewable investments through 2023
- Expected to retire 100% of coal assets by 2028 and replace primarily with renewables
- Driving toward 90% reduction* in greenhouse gas emissions by 2030

Social

- Transformation focused on customer safety and reliability
- Economically benefiting customers and communities
- Committed to engagement, diversity and inclusion from the boardroom through the organization and supplier network

Governance

- Leadership enhancements support commitment to customer service and safety
- Diverse, skilled and independent Board
- Robust framework for strategy, risk management and oversight

* Compared to 2005 baseline

APPENDIX
1Q 2021 RESULTS

NiSource®

LIQUIDITY AND CAPITALIZATION AS OF 1Q 2021 ($M)

CURRENT LIQUIDITY	ACTUAL 3/31/21	MATURITY
Revolving Credit Facility	$1,850	Feb. 20, 2024
Accounts Receivable Programs*	462	
Less:		
Drawn on Credit Facility	—	
Commercial Paper	520	
Accounts Receivable Programs Utilized	—	
L/C's Outstanding Under Credit Facility	15	
Add:		
Cash & Equivalents	89	
Net Available Liquidity	$1,866	

* Represents the lesser of seasonal limit or maximum borrowings supportable by underlying receivables

Qualified Pension Funding

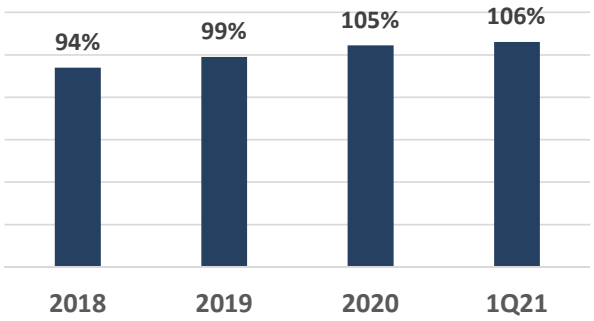

Total Debt/Total Capitalization

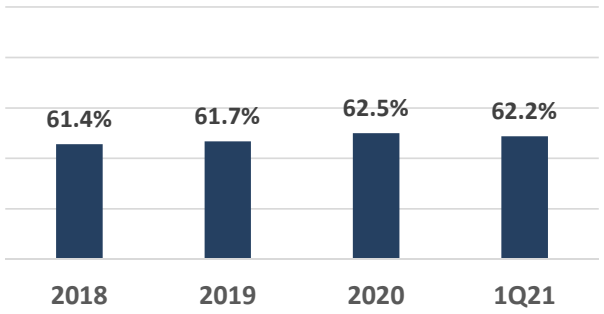

NiSource Inc.

Schedule 1 - Reconciliation of Consolidated Net Income Available to Common Shareholders to Net Operating Earnings Available to Common Shareholders (Non-GAAP) *(unaudited)*

(in millions, except per share amounts)	Three Months Ended March 31, 2021	2020
GAAP Net Income Available to Common Shareholders	**$ 281.7**	$ 61.8
Adjustments to Operating Income:		
Operating Revenues:		
Weather - compared to normal	**9.0**	26.3
Operating Expenses:		
Greater Lawrence Incident[(1)]	**5.8**	8.1
NiSource Next initiative[(2)]	**9.7**	—
Massachusetts Business sale related amounts[(3)]	**6.9**	280.2
Gain on sale of assets, net	**—**	(0.1)
Total adjustments to operating income	**31.4**	314.5
Income Taxes:		
Tax effect of above items[(4)]	**(8.3)**	(85.4)
Total adjustments to net income	**23.1**	229.1
Net Operating Earnings Available to Common Shareholders (Non-GAAP)	**$ 304.8**	$290.9
Average Common Shares Outstanding[(5)]	**393.9**	383.1
GAAP Diluted Earnings Per Share	**$ 0.72**	$ 0.16
Adjustments to diluted earnings per share	**0.05**	0.60
Non-GAAP Diluted Net Operating Earnings Per Share	**$ 0.77**	$ 0.76

[(1)] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident.
[(2)] Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.
[(3)] 2021 represents loss incurred for the Massachusetts Business primarily due to net working capital adjustments on the final purchase price. 202(represents loss recorded as a result of measuring the assets and liabilities of the Massachusetts Business at fair value, less costs to sell.
[(4)] Represents income tax expense calculated using the statutory tax rates by legal entity.
[(5)] Beginning in 2021, we changed our Non-GAAP measure from Basic to Diluted Net Operating Earnings per Share. Diluted Average Common Shares Outstanding would have been 384.1M in 2020 resulting in no change to Non-GAAP Net Operating Earnings per Share of $0.76.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Income (Loss) to Operating Income (Loss) (Non-GAAP) (unaudited)

Three Months Ended March 31, 2021 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (Loss) (GAAP)	**$ 346.9**	**$ 87.9**	**$ (1.6)**	**$ 433.2**
Adjustments to Operating Income (Loss):				
Operating Revenues:				
Weather - compared to normal	8.4	0.6	—	**9.0**
Operating Expenses:				
Greater Lawrence Incident[(1)]	5.8	—	—	**5.8**
NiSource Next initiative[(2)]	6.0	2.1	1.6	**9.7**
Massachusetts Business sale related amounts[(3)]	6.9	—	—	**6.9**
Total Adjustments to Operating Income(Loss)	**27.1**	**2.7**	**1.6**	**31.4**
Operating Income (Non-GAAP)	**$ 374.0**	**$ 90.6**	**$ —**	**$ 464.6**

[(1)]Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident.
[(2)]Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.
[(3)]Represents loss incurred for the Massachusetts Business primarily due to net working capitaladjustments on the final purchase price.

Three Months Ended March 31, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (Loss) (GAAP)	**$ 78.5**	**$ 78.5**	**$ (8.8)**	**$ 148.2**
Adjustments to Operating Income (Loss):				
Operating Revenues:				
Weather - compared to normal	24.8	1.5	—	**26.3**
Operating Expenses:				
Greater Lawrence Incident[(1)]	8.1	—	—	**8.1**
Loss on classification as held for sale[(2)]	280.2	—	—	**280.2**
Gain on sale of fixed assets and impairments, net	—	—	(0.1)	**(0.1)**
Total Adjustments to Operating Income (Loss)	**313.1**	**1.5**	**(0.1)**	**314.5**
Operating Income (Non-GAAP)	**$ 391.6**	**$ 80.0**	**$ (8.9)**	**$ 462.7**

[(1)]Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident.
[(2)]Represents loss recorded as a result of measuring the assets and liabilities of the Massachusetts Business at fair value, less costs to sell.

NiSource Inc.

Schedule 3 - Reconciliation by Segment of Operating Revenues and Expenses (GAAP) to Operating Revenues and Expenses (Non-GAAP) (unaudited)

Three Months Ended March 31, 2021 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	**$ 1,138.9**	**$ 402.7**	**$ 4.0**	**$ 1,545.6**
Adjustments:				
Weather - compared to normal	8.4	0.6	—	**9.0**
Operating Revenues (Non-GAAP)	**$ 1,147.3**	**$ 403.3**	**$ 4.0**	**$ 1,554.6**

Three Months Ended March 31, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	**$ 1,231.0**	**$ 377.5**	**$ (3.0)**	**$ 1,605.5**
Adjustments:				
Weather - compared to normal	24.8	1.5	—	**26.3**
Operating Revenues (Non-GAAP)	**$ 1,255.8**	**$ 379.0**	**$ (3.0)**	**$ 1,631.8**

Three Months Ended March 31, 2021 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Expenses (GAAP)	**$ 792.0**	**$ 314.8**	**$ 5.6**	**$ 1,112.4**
Adjustments:				
Greater Lawrence Incident[(1)]	5.8	—	—	**5.8**
NiSource Next initiative[(2)]	6.0	2.1	1.6	**9.7**
Massachusetts Business sale related amounts[(3)]	6.9	—	—	**6.9**
Operating Expenses (Non-GAAP)	**$ 773.3**	**$ 312.7**	**$ 4.0**	**$ 1,090.0**

[(1)] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident.
[(2)] Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.
[(3)] Represents loss incurred for the Massachusetts Business primarily due to net working capital adjustments on the final purchase price.

Three Months Ended March 31, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Expenses (GAAP)	**$ 1,152.5**	**$ 299.0**	**$ 5.8**	**$ 1,457.3**
Adjustments:				
Greater Lawrence Incident[(1)]	8.1	—	—	**8.1**
Loss on classification as held for sale[(2)]	280.2	—	—	**280.2**
Gain on sale of fixed assets and impairments, net	—	—	(0.1)	**(0.1**
Operating Expenses (Non-GAAP)	**$ 864.2**	**$ 299.0**	**$ 5.9**	**$ 1,169.1**

[(1)] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident.
[(2)] Represents loss recorded as a result of measuring the assets and liabilities of the Massachusetts Business at fair value, less costs to sell.

APPENDIX
EQUITY UNITS

NiSource®

STRUCTURE DIAGRAM OF EQUITY UNIT STRUCTURE

Step 1: **At Inception**
(T = 0)
NiSource receives cash proceeds from offering and agrees to issue a variable number of common shares & pay yield on equity unit

Step 2: **At Remarketing**
(T = 2.5 years)
NiSource receives cash proceeds from remarketing[1] to settle forward equity contract. NiSource issues shares

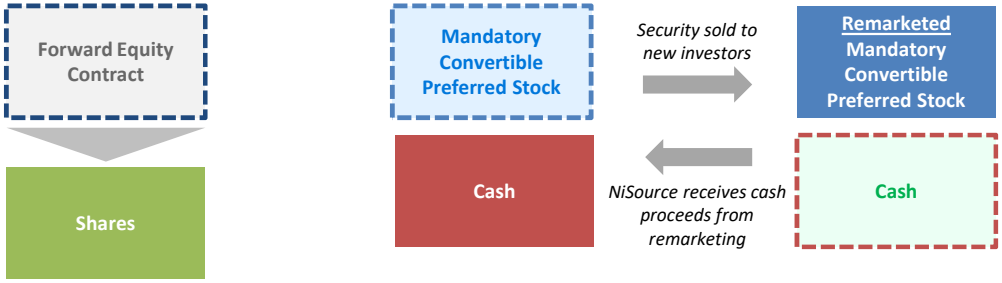

Step 3: **At Conversion of *Remarketed* Mandatory Preferred Stock**
(T = 2.75 years)
Conversion of remarketed mandatory preferred stock into common shares

[1]If remarketing fails, any separated convertible preferred stock may be used to recreate corporate units, and any convertible preferred stock that is part of a corporate unit is used to pay purchase price under forward contract at year 2.5 (i.e. the preferred is returned to NiSource)

2021E – 2024E FINANCING STRATEGY[1]

($ millions)	2021E	2022E	2023E	2024E
Planned Annual Safety & Modernization Investments				
Equity			*Reduced to $0 - $150*	
ATM (At-the-Market)	$200 - $300	$200 - $300	~~$200 - $300~~	
ESPP/401K/Other	$30 - $50 Annually			
Long-Term Debt				
Incremental Long-Term Debt		$500 - $700 Annually		
Planned Renewable Generation Investments: (Targeting 60% Equity)				
Equity			*No Longer Planned*	
Common Equity Block			~~$500 - $700 Total~~	
Long-Term Debt				
Incremental Long-Term Debt			~$800 Total	
Other Financing	*Satisfied*			
Convertible	$600 - $1,000 Total			

Current Financing Plan …

- All financing is included in our long-term growth commitments
- Reflects our focus on maintaining current investment grade credit rating
- Targets renewable investment financing (60% Equity / 40% Debt)
- Doesn't include potential portfolio optimization opportunities
- Financing strategy targets long-term Adj. FFO[2] / Total Debt of ~14%-15%

Expected to satisfy all anticipated discrete equity needs through 2024, and reduces ATM issuance expectations in 2023

[1]Current financing plan may change based on business developments
[2]Adjusted funds from operations (FFO); represents Net Income adjusted for depreciation and amortization, loss on early extinguishment of debt and deferred taxes

SUPPLEMENTAL SLIDES
2Q 2021 RESULTS

August 4, 2021

NiSource®

FORWARD-LOOKING STATEMENTS

This presentation contains “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. Expressions of future goals and expectations and similar expressions, including "may," "will," "should,“ "could," "would," "aims," "seeks," "expects," "plans," "anticipates," “intends," "believes," "estimates,“ "predicts," "potential," "targets," "forecast," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of the Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; any adverse effects related to our equity units; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; and other matters set forth in Part I, Item 1, “Business,” Item 1A, “Risk Factors” and Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our annual report on Form 10-K for the year ended December 31, 2020, and Part II, Item 1A, “Risk Factors,” of our quarterly report on Form 10-Q for the quarter ended March 31, 2021, many of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

Regulation G Disclosure Statement
This presentation includes financial results for NiSource with respect to net operating earnings available to common shareholders and operating earnings which are non-GAAP financial measures as defined by the Securities and Exchange Commission's (SEC) Regulation G. This presentation also includes guidance for NiSource with respect to net operating earnings per share and adjusted funds from operations / total debt. The company includes these measures because management believes they permit investors to view the company’s performance using the same tools that management uses and to better evaluate the company’s ongoing business performance. With respect to such guidance for net operating earnings per share, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis. With respect to such guidance for adjusted funds from operations / total debt it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various adjustments the S&P and Moody's rating agencies apply when calculating their metrics. NiSource is not able to provide a reconciliation of its non-GAAP net operating earnings or adjusted funds from operations / total debt guidance, to their GAAP equivalents without unreasonable efforts.

KEY TAKEAWAYS

- **Second Quarter 2021 Non-GAAP Diluted NOEPS* of $0.13**
  - Results reflect safety & modernization investments and lower COVID impact during the quarter as well as the profile of our business without Columbia Gas of Massachusetts
- **2021 Guidance and long-term financial commitments reaffirmed**
  - 2021 Diluted NOEPS* guidance of $1.32 to $1.36 affirmed
  - $1.9 to $2.2B in annual growth, safety and asset modernization investments, 2021-2024
  - Renewable generation investments expected to be approximately $2.0B, 2022-2023
  - 7-9% Diluted NOEPS* CAGR, 2021-2024 (5-7% 2021 - 2023)
- **Renewable generation transition advancing**
  - Renewable transition remains ahead of original schedule with planned retirements
  - Indiana regulatory approval of all renewable JV projects included in total estimated $2 billion investment
- **2021 Indiana IRP and RFP processes continue**
  - RFP process initiated in May yielded more than 180 total proposals for 78 individual projects across a range of deal structures and technologies
- **New base rate cases filed in Ohio, Kentucky and Maryland; Pennsylvania case continues**

FOCUSED ON ENHANCING SAFETY, SERVICE, SYSTEM RELIABILITY AND ENVIRONMENTAL LEADERSHIP

* Diluted Net Operating Earnings Per Share (Non-GAAP). For the GAAP Diluted Earnings Per Share and the reconciliation of GAAP to non-GAAP diluted earnings per share, see Schedule 1 in the appendix to this presentation

SECOND QUARTER CONSOLIDATED FINANCIAL RESULTS

GAAP	SECOND QUARTER			YTD		
	2021	2020	Change Fav/(Unfav)	2021	2020	Change Fav/(Unfav)
Net Income (Loss) Available to Common Shareholders ($ in Millions)	$46.5	$(18.5)	$65.0	$328.2	$43.3	$284.9
Diluted Earnings (Loss) Per Share	$0.11	$(0.05)	$0.16	$0.80	$0.11	$0.69

NON-GAAP*	SECOND QUARTER			YTD		
	2021	2020	Change Fav/(Unfav)	2021	2020	Change Fav/(Unfav)
Net Operating Earnings (Loss) Available to Common Shareholders ($ in Millions)	$52.6	$50.2	$2.4	$357.4	$341.1	$16.3
Diluted Net Operating Earnings Per Share	$0.13	$0.13	$0.00	$0.88	$0.89	$(0.01)

*Net Operating Earnings (non-GAAP). For a reconciliation of GAAP to non-GAAP earnings, see Schedule 1 in the appendix to this presentation

SECOND QUARTER SEGMENT NON-GAAP* RESULTS

GAS DISTRIBUTION OPERATIONS ($ Millions)	SECOND QUARTER			YTD		
	2021	2020	Change Fav/(Unfav)	2021	2020	Change Fav/(Unfav)
Operating Revenues	$ 576.6	$ 606.2	$ (29.6)	$ 1,723.9	$ 1,862.0	$ (138.1)
Cost of Energy	129.0	119.2	(9.8)	508.0	496.6	(11.4)
Tracked Operating Expenses	30.3	41.7	11.4	96.6	134.3	37.7
Other Operating Expenses	351.4	371.9	20.5	679.4	766.1	86.7
Total Operating Expenses	510.7	532.8	22.1	1,284.0	1,397.0	113.0
Operating Earnings (Loss)*	**$ 65.9**	**$ 73.4**	**$ (7.5)**	**$ 439.9**	**$ 465.0**	**$ (25.1)**

Note: 2021 Gas Distribution results exclude CMA impact, CMA sale closed October 2020

ELECTRIC OPERATIONS ($ Millions)	SECOND QUARTER			YTD		
	2021	2020	Change Fav/(Unfav)	2021	2020	Change Fav/(Unfav)
Operating Revenues	$ 398.3	$ 354.3	$ 44.0	$ 801.6	$ 733.3	$ 68.3
Cost of Energy	99.3	69.2	(30.1)	197.1	154.2	(42.9)
Tracked Operating Expenses	11.6	9.2	(2.4)	23.9	19.1	(4.8)
Other Operating Expenses	202.8	186.5	(16.3)	405.4	390.6	(15.1)
Total Operating Expenses	313.7	264.9	(48.8)	626.4	563.9	(62.5)
Operating Earnings (Loss)*	**$ 84.6**	**$ 89.4**	**$ (4.8)**	**$ 175.2**	**$ 169.4**	**$ 5.8**

*Operating Earnings (non-GAAP). For comparable GAAP results by segment, refer to Part I. Item 2 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2021. For a reconciliation of GAAP to non-GAAP earnings, see Schedule 2 in the appendix to this presentation

CONTINUED FOCUS ON SAFE AND RELIABLE EXECUTION

NISOURCE DEBT AND CREDIT PROFILE

- **Debt level: ~$9.2B as of June 30, 2021**
  - ~$9.1B of long-term debt
    - Weighted average maturity ~15 years
    - Weighted average interest rate of 3.68%
- **Solid liquidity position**
  - ~$2.2B in net available liquidity as of June 30, 2021*
  - ~$2.1B of committed facilities in place as of June 30, 2021
    - ~$1.9B revolving credit facility
    - ~$0.2B accounts receivable securitization facilities **
- **Executed $862.5M Equity Unit Issuance in April**
  - Resolves all the discrete equity needs with remarketing of $862.5M in December of 2023
  - Provides 100% equity credit with all three agencies
  - Allows NiSource to retain share price upside and aligns proceeds with renewable investments
- **Moody's affirmed Baa2 rating with stable outlook in July**
  - Follows affirmations at S&P (BBB+) and Fitch (BBB) early this year and underscores commitment to investment-grade credit ratings

SOLID FINANCIAL FOUNDATION TO SUPPORT LONG-TERM INFRASTRUCTURE AND SAFETY INVESTMENTS

* Consisting of cash and available capacity under credit facilities
** Capacity on accounts receivable securitization facilities changes with seasonality

2021E – 2024E CAPITAL FORECAST

Investment opportunities expected to enhance system safety and reliability while driving shareholder value

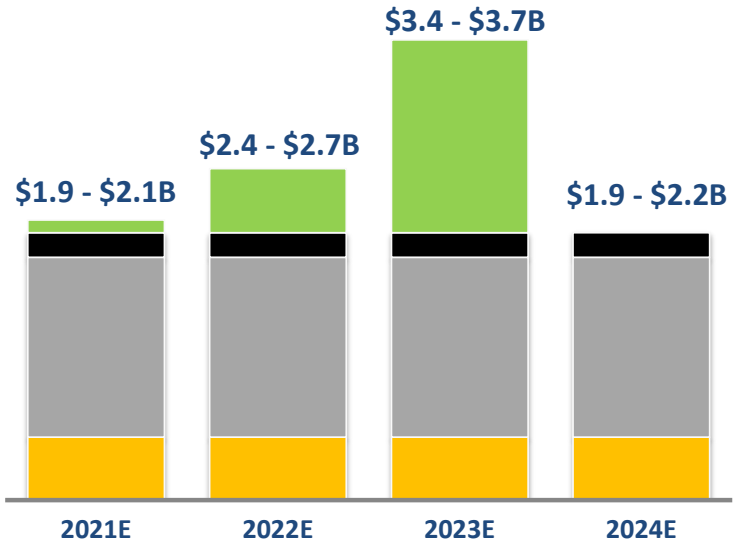

Expected Renewable Generation Investments of ~$2.0B

Expected Investment Recovery Period

- **Renewables (Rate Case Targeted 2H/2023)**
- **Growth (Within 0-3 Months)**
- **Tracker (Within 0-18 Months)**
- **Maintenance/Other (Periodic Rate Cases)**

Anticipate >75% of Capital Investments Begin Earning in Less Than 18 Months

2021 - 2024 FINANCING PLAN*

Financing strategy targets long-term Adj. FFO/total debt** of ~14%-15%

($ millions)	2021E	2022E	2023E	2024E
Planned Annual Safety & Modernization Investments				
Equity				
ATM (At-the-Market)	$200 - $300 Annually		$0 - $150 Total	
ESPP/401K/Other	$30 - $50 Annually			
Long-Term Debt				
Incremental Long-Term Debt		$500 - $700 Annually		
Planned Renewable Generation Investments (Targeting 60% Equity)				
Equity				
Common Equity Block	- - - - - - - - - - - - - - - None Planned - - - - - - - - - - - - - - -			
Long-Term Debt				
Incremental Long-Term Debt		~ $800 Total		
Other Financing				
Equity Unit Issuance	$862.5 Total***			

Current Financing Plan

- All financing is included in our long-term growth commitments
- Reflects our focus on maintaining current investment grade credit rating
- Targets renewable investment financing (60% Equity / 40% Debt)

*Current financing plan may change based on business developments
**As calculated according to the S&P and Moody's rating agency methodologies
*** Remarketing of additional $862.5M in December of 2023

GAS DISTRIBUTION OPERATIONS

- New base rate cases filed in Ohio, Kentucky and Maryland; Pennsylvania case continues
- Continuing to execute infrastructure modernization designed to enhance system safety, reliability and environmental performance

HIGHLIGHT	KEY COMPONENTS	STATUS
Columbia Gas of Ohio Base Rate Case	◦ Requesting $221.4 million, net of the Capital Expenditure Program ("CEP") and Infrastructure Replacement Program ("IRP") Riders; $3.6 billion rate base ◦ Filing requests 10.95% ROE and 50.6% equity capital structure	◦ Filed June 30, 2021 ◦ New rates proposed effective Mid-2022
Columbia Gas of Kentucky Base Rate Case	◦ Requesting $26.7 million net of infrastructure tracker on $446 million forecasted rate base ◦ Filing requests 10.3% ROE and 52.64% equity capital structure	◦ Filed May 28, 2021
Columbia Gas of Maryland Base Rate Case	◦ Requesting $5 million net of infrastructure trackers on $185 million partially forecasted rate base ◦ Filing requests 10.85% ROE and 52.95% equity capital structure	◦ Filed May 14, 2021 ◦ New rates proposed effective December 2021
Columbia Gas of Pennsylvania 2021 Base Rate Case	◦ Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades ◦ Requested initial increase of $98.3M on $2.7 billion forecasted rate base ◦ Filing requests 10.95% ROE and 54.34% equity capital structure	◦ Filed March 30, 2021 ◦ New rates proposed effective December 2021

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

ELECTRIC OPERATIONS

- Regulatory progress continues on remaining 2018 IRP renewable projects
- RFP solicitation generated more than 180 total proposals for 78 individual projects within 2021 IRP process
- New ~$1.6B TDSIC electric system modernization program filed for 2021-2026

HIGHLIGHT	KEY COMPONENTS	STATUS
2021 Integrated Resource Plan & Request for Proposals	◦ RFP solicitation launched in May ◦ More than 180 total proposals for 78 individual projects received across a range of deal structures and technologies	◦ IRP meetings through Oct 2021 ◦ IRP submission to IURC targeted by November
New 5-Year TDSIC	◦ Includes long-term investments in modernizing the company's electric infrastructure with some projects that were previously identified in the latest TDSIC plan ◦ Total $1.64 billion of current and planned investments over the 2021-2026 period	◦ New plan filed June 2021
Renewable Generation JV Projects	◦ CPCNs recently approved for Dunns Bridge I & II, Cavalry Solar, Fairbanks Solar, Crossroads Solar and Elliot ◦ Construction progresses on Indiana Crossroads wind project	◦ Indiana Crossroads expected in service YE 2021
Renewable Generation PPA Projects	◦ PPAs recently approved by IURC for Gibson Solar and Green River ◦ PPA filed with IURC for Crossroads II Wind	◦ Crossroads II Wind IURC decision expected by late September

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

SAFETY AND INFRASTRUCTURE PROGRAMS

COMPANY	YEAR-END 2020 RATE BASE	AUTHORIZED PROGRAM ROE	MODERNIZATION PROGRAM INVESTMENTS	ESTIMATED ANNUAL MODERNIZATION PROGRAM INVESTMENTS	RECOVERY MECHANISM
Columbia Gas of OH	$3.5B	10.39%	~$10.6B	$540M - $560M	Tracked
Columbia Gas of PA	$2.1B	9.86%	~$4.1B	$275M - $340M	Rate Case (Forward Test Year)
NIPSCO Gas	$1.8B*	9.85%	~$5.0B	$155M - $245M	Tracked
Columbia Gas of VA	$905M	9.70%	~$500M	$46M - $65M	Tracked
Columbia Gas of KY	$372M	9.50%	~$900M	$35M - $40M	Tracked
Columbia Gas of MD	$173M	9.60%	~$230M	$18M - $25M	Tracked
NIPSCO Electric	$4.8B*	9.75%	~$5.0B	$170M - $230M	Tracked

ROBUST LONG-TERM INVESTMENT PROGRAMS DELIVER VALUE ON $13.6B RATE BASE**

* NIPSCO gas and electric rate base includes deferred taxes
** As of Dec. 31, 2020

SAFETY AND INFRASTRUCTURE INVESTMENT AND TRACKER FILING DETAILS

COMPANY	MECHANISM	INCREMENTAL INVESTMENTS		RECOVERY	
		PERIOD	AMOUNT ($M)	FILING DATE	EFFECTIVE DATE
Columbia Gas of Ohio	Infrastructure Replacement Program (IRP)	FY 2019	$234.4	Feb 2020	May 2020
		FY 2020	$212.6	Feb 2021	May 2021
Columbia Gas of Ohio	Capital Expenditure Program (CEP)	FY 2019	$185.1	Feb 2020	Sept 2020
		FY 2020	$177.2	Feb 2021	Sept 2021
Columbia Gas of Pennsylvania	Distribution System Improvement Charge (DSIC)	Jun 2020 - Aug 2020	$85.0	Sep 2020	Oct 2020
		Sep 2020 - Nov 2020	$25.0	Dec 2020	Jan 2021
Columbia Gas of Virginia	Steps to Advance Virginia's Energy Plan (SAVE)	FY 2020	$50.0	Aug 2019	Jan 2020
		FY 2021	$46.4	Jul 2020	Jan 2021
Columbia Gas of Kentucky	Safety Modification and Replacement Program (SMRP)	FY 2020	$40.4	Oct 2019	Jan 2020
		FY 2021	$40.0	Oct 2020	May 2021
Columbia Gas of Maryland	Strategic Infrastructure Development and Enhancement (STRIDE)	FY 2020	$15.0	Jan 2020	Feb 2020
		FY 2021	$16.9	Oct 2020	Jan 2021
NIPSCO – Gas	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 1: Jan 2020 - Jun 2020	$26.0	Aug 2020	Jan 2021
		TDSIC 2: July 2020 – Dec 2020	$52.3	Feb 2021	July 2021
NIPSCO – Electric	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 7: Jul 2019 - Jul 2020	$122.3	Sep 2020	Feb 2021
		TDSIC 8: Aug 2020 - Jan 2021	$73.5	Mar 2021	Aug 2021

ROBUST RENEWABLE INVESTMENTS IN INDIANA

Project	Structure	NIPSCO Investment ($M)	In Service	Status
Projects in Execution:				
Rosewater Wind	JV	~$100	'20	Complete
Jordan Creek Wind	PPA	N/A	'20	Complete
Indiana Crossroads Wind	JV	~$300	'21	Under Construction
Brickyard Solar	PPA	N/A	'22	Approved
Greensboro Solar + Storage	PPA	N/A	'22	Approved
Dunns Bridge I Solar	JV	~$240	'22	Approved
Dunns Bridge II Solar + Storage	JV	~$420	'23	Approved
Cavalry Solar + Storage	JV	~$190	'23	Approved
Gibson Solar	PPA	N/A	'23	Approved
Green River Solar	PPA	N/A	'23	Approved
Fairbanks Solar	JV	~$245	'23	Approved
Crossroads II Wind	PPA	N/A	'23	Pending Approval
Crossroads Solar	JV	~$200	'22	Approved
Elliot Solar	JV	~$180	'23	Approved
Transmission Projects	NI owned	~$150	'21–'22	Engineering / Under Construction
Total		**~$2,000**		

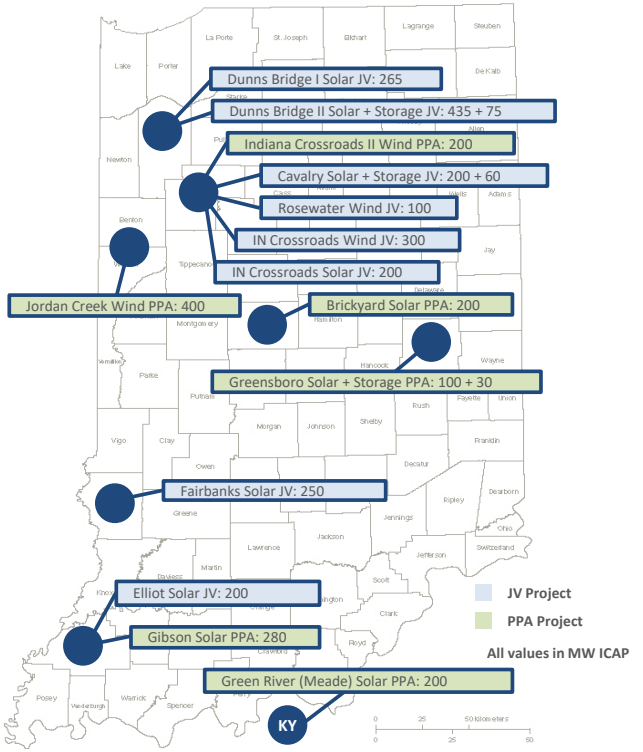

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

Environmental

- $1.8B-$2.0B of planned renewable investments through 2023
- Expected to retire 100% of coal assets by 2028 and replace primarily with renewables
- Driving toward 90% reduction* in greenhouse gas emissions by 2030

Social

- Transformation focused on customer safety and reliability
- Economically benefiting customers and communities
- Committed to engagement, diversity and inclusion from the boardroom through the organization and supplier network

Governance

- Leadership enhancements support commitment to customer service and safety
- Diverse, skilled and independent Board
- Robust framework for strategy, risk management and oversight

* Compared to 2005 baseline

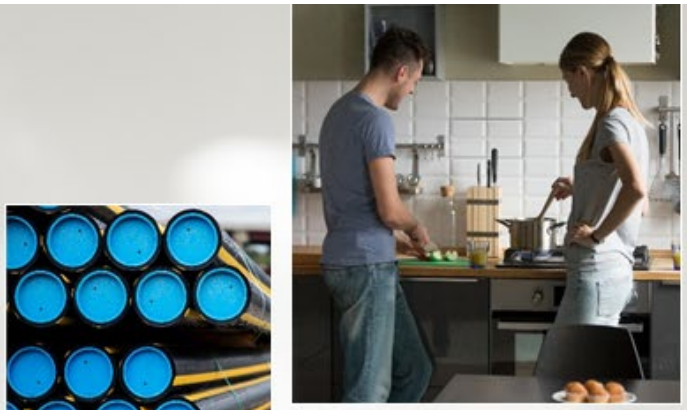

APPENDIX
2Q 2021 RESULTS

NiSource®

LIQUIDITY AND CAPITALIZATION AS OF 2Q 2021 ($M)

CURRENT LIQUIDITY	ACTUAL 6/30/21	MATURITY
Revolving Credit Facility	$1,850	Feb. 20, 2024
Accounts Receivable Programs*	246	
Less:		
Drawn on Credit Facility	—	
Commercial Paper	—	
Accounts Receivable Programs Utilized	—	
L/C's Outstanding Under Credit Facility	14	
Add:		
Cash & Equivalents	78	
Net Available Liquidity	$2,160	

* Represents the lesser of seasonal limit or maximum borrowings supportable by underlying receivables

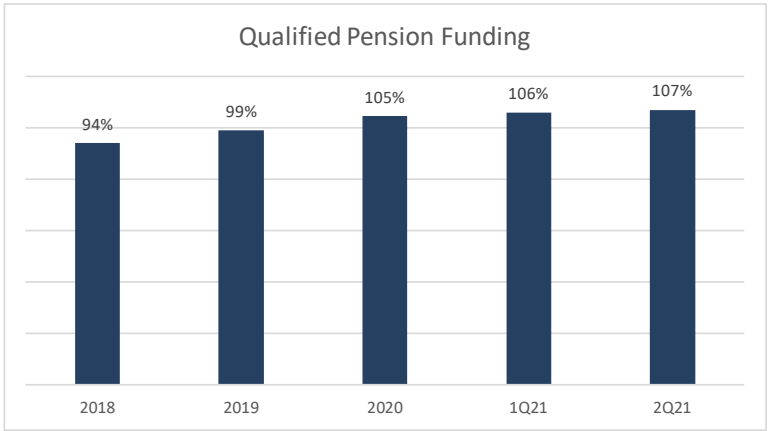

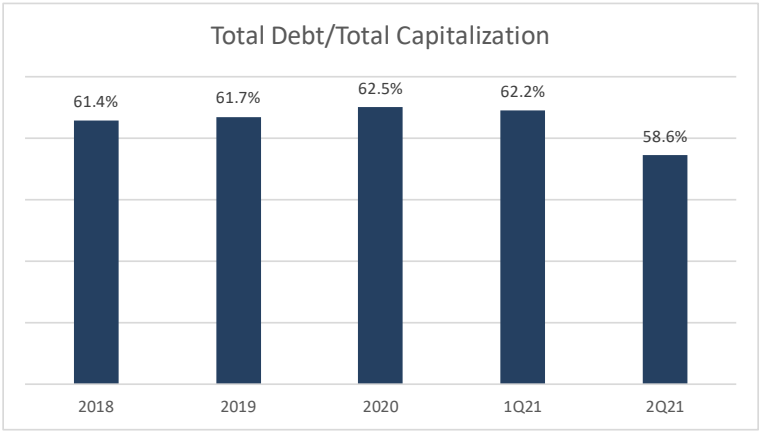

2021 Integrated Resource Planning Process Will Inform Generation Transition Timeline

IRP Process Key Milestones	Timing
▪ Kicked off Public Stakeholder Advisory meetings and engagement	**March**
▪ Issued "all-source" Request for Proposal solicitation	**May**
– *Collect responses (project bids) from vendors*	**June**
▪ Incorporate RFP results into IRP modeling and analysis	**July/ August**
▪ Share IRP modeling analysis and results with stakeholders	**September**
▪ Communicate IRP preferred plan incorporating stakeholder feedback	**October**
– *Submit IRP to Indiana Utility Regulatory Commission*	**November**

2021 IRP Preferred Plan

- The IRP Preferred Plan is designed to select the ***preferred resource/technology mix for NIPSCO***. However the IRP is not making specific assets or project selections
- Once the Preferred Plan is finalized and communicated in October, Preferred Plan execution activities will begin which may include commercial negotiations and further due diligence on specific assets/projects bid into RFP
- Any potential projects and investments that emerge will likely be announced in 2022
- Link to IRP website

NiSource Inc.

Schedule 1 - Reconciliation of Consolidated Net Income Available to Common Shareholders to Net Operating Earnings Available to Common Shareholders (Non-GAAP) *(unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per share amounts)	**2021**	2020	**2021**	2020
GAAP Net Income (Loss) Available to Common Shareholders	**$ 46.5**	$ (18.5)	**$ 328.2**	$ 43.3
Adjustments to Operating Income:				
Operating Revenues:				
Weather - compared to normal	**(6.1)**	(5.1)	**2.9**	21.2
Operating Expenses:				
Greater Lawrence Incident[1]	**1.2**	5.0	**7.0**	13.1
Plant retirement costs[2]	**8.6**	4.6	**8.6**	4.6
NiSource Next initiative[3]	**4.6**	—	**14.3**	—
Massachusetts Business sale related amounts[4]	**—**	69.7	**6.9**	349.9
Gain on sale of assets, net	**—**	(0.6)	**—**	(0.7)
Total adjustments to operating income	**8.3**	73.6	**39.7**	388.1
Income Taxes:				
Tax effect of above items[5]	**(2.2)**	(4.9)	**(10.5)**	(90.3)
Total adjustments to net income (loss)	**6.1**	68.7	**29.2**	297.8
Net Operating Earnings Available to Common Shareholders (Non-GAAP)	**$ 52.6**	$ 50.2	**$ 357.4**	$ 341.1
Diluted Average Common Shares[6]	**422.9**	384.3	**408.5**	384.2
GAAP Diluted Earnings (Loss) Per Share[7]	**$ 0.11**	$ (0.05)	**$ 0.80**	$ 0.11
Adjustments to diluted earnings (loss) per share	**0.02**	0.18	**0.08**	0.78
Non-GAAP Diluted Net Operating Earnings Per Share[7]	**$ 0.13**	$ 0.13	**$ 0.88**	$ 0.89

[1]Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident.

[2]Represents non-recurring unrecoverable costs incurred in connection with the planned retirement of Units 14 and 15 at R.M. Schahfer Generating Station.

[3]Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.

[4]2021 represents loss incurred for the Massachusetts Business primarily due to net working capital adjustments on the final purchase price. 2020 primarily represents loss recorded as a result of measuring the assets and liabilities of the Massachusetts Business at fair value, less costs to sell, including third-party consulting costs incurred for the separation and transition of the Massachusetts Business, offset by depreciation and amortization expense that was ceased for GAAP purposes as a result of classifying the Massachusetts Business as held for sale.

[5]Represents income tax expense calculated using the statutory tax rates by legal entity. 2020 includes adjustment for CMA non-deductible payment in lieu of penalties.

[6]Beginning in 2021, we changed our Non-GAAP measure from Basic to Diluted Net Operating Earnings per Share. Basic Average Common Shares Outstanding were 383.5M and 383.3M for the three and six months ended June 30, 2020. Non-GAAP Net Operating Earnings per Share of $0.13 and $0.89 respectively, remained unchanged.

[7]The Non-GAAP diluted NOEPS numerator for the three and six months ended June 30, 2021 is equal to net operating earnings available to common shareholders adjusted for a $0.4M add-back for interest expense incurred, net of tax, related to the Series A Equity Unit purchase contracts.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Revenues, Expenses (Benefits), and Income (Loss) (GAAP) to Operating Revenues, Expenses (Benefits), and Income (Loss) (Non-GAAP) (unaudited)

Three Months Ended June 30, 2021 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 577.3	$ 403.7	$ 5.0	$ 986.0
Adjustments:				
Weather - compared to normal	(0.7)	(5.4)	—	**(6.1)**
Operating Revenues (Non-GAAP)	$ 576.6	$ 398.3	$ 5.0	$ 979.9
Operating Expenses (GAAP)	$ 516.1	$ 324.1	$ 3.6	$ 843.8
Adjustments:				
Greater Lawrence Incident[1]	1.2	—	—	**1.2**
Plant retirement costs[2]	—	8.6	—	**8.6**
NiSource Next initiative[3]	4.2	1.8	(1.4)	**4.6**
Operating Expenses (Non-GAAP)	$ 510.7	$ 313.7	$ 5.0	$ 829.4
Operating Income (GAAP)	$ 61.2	$ 79.6	$ 1.4	$ 142.2
Total Adjustments to Operating Income	4.7	5.0	(1.4)	**8.3**
Operating Income (Non-GAAP)	$ 65.9	$ 84.6	$ —	$ 150.5

Three Months Ended June 30, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 609.2	$ 356.4	$ (2.9)	$ 962.7
Adjustments				
Weather - compared to normal	(3.0)	(2.1)	—	**(5.1)**
Operating Revenues (Non-GAAP)	$ 606.2	$ 354.3	$ (2.9)	$ 957.6
Operating Expenses (Benefit) (GAAP)	$ 607.5	$ 269.5	$ (6.0)	$ 871.0
Adjustments				
Greater Lawrence Incident[1]	5.0	—	—	**5.0**
Plant retirement costs[2]	—	4.6	—	**4.6**
Massachusetts Business sale related amounts[4]	69.7	—	—	**69.7**
Gain on sale of assets, net	—	—	(0.6)	**(0.6)**
Operating Expenses (Benefit) (Non-GAAP)	$ 532.8	$ 264.9	$ (5.4)	$ 792.3
Operating Income (GAAP)	$ 1.7	$ 86.9	$ 3.1	$ 91.7
Total Adjustments to Operating Income	71.7	2.5	(0.6)	**73.6**
Operating Income (Non-GAAP)	$ 73.4	$ 89.4	$ 2.5	$ 165.3

See footnote descriptions contained with Schedule 1.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Revenues, Expenses (Benefits), and Income (Loss) (GAAP) to Operating Revenues, Expenses (Benefits), and Income (Loss) (Non-GAAP) (unaudited)

Six Months Ended June 30, 2021 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	**$ 1,716.2**	**$ 806.4**	**$ 9.0**	**$ 2,531.6**
Adjustments:				
Weather - compared to normal	7.7	(4.8)	—	**2.9**
Operating Revenues (Non-GAAP)	**$ 1,723.9**	**$ 801.6**	**$ 9.0**	**$ 2,534.5**
Operating Expenses (GAAP)	**$ 1,308.1**	**$ 638.9**	**$ 9.2**	**$ 1,956.2**
Adjustments:				
Greater Lawrence Incident[1]	7.0	—	—	**7.0**
Plant retirement costs[2]	—	8.6	—	**8.6**
NiSource Next initiative[3]	10.2	3.9	0.2	**14.3**
Massachusetts Business sale related amounts[4]	6.9	—	—	**6.9**
Operating Expenses (Non-GAAP)	**$ 1,284.0**	**$ 626.4**	**$ 9.0**	**$ 1,919.4**
Operating Income (Loss) (GAAP)	**$ 408.1**	**$ 167.5**	**$ (0.2)**	**$ 575.4**
Total Adjustments to Operating Income (Loss)	**31.8**	**7.7**	**0.2**	**39.7**
Operating Income (Non-GAAP)	**$ 439.9**	**$ 175.2**	**$ —**	**$ 615.1**

Six Months Ended June 30, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	**$ 1,840.2**	**$ 733.9**	**$ (5.9)**	**$ 2,568.2**
Adjustments:				
Weather - compared to normal	21.8	(0.6)	—	**21.2**
Operating Revenues (Non-GAAP)	**$ 1,862.0**	**$ 733.3**	**$ (5.9)**	**$ 2,589.4**
Operating Expenses (Benefit) (GAAP)	**$ 1,760.0**	**$ 568.5**	**$ (0.2)**	**$ 2,328.3**
Adjustments:				
Greater Lawrence Incident[1]	13.1	—	—	**13.1**
Plant retirement costs[2]	—	4.6	—	**4.6**
Massachusetts Business sale related amounts[4]	349.9	—	—	**349.9**
Gain on sale of assets, net	—	—	(0.7)	**(0.7)**
Operating Expenses (Non-GAAP)	**$ 1,397.0**	**$ 563.9**	**$ 0.5**	**$ 1,961.4**
Operating Income (Loss) (GAAP)	**$ 80.2**	**$ 165.4**	**$ (5.7)**	**$ 239.9**
Total Adjustments to Operating Income (Loss)	**384.8**	**4.0**	**(0.7)**	**388.1**
Operating Income (Loss) (Non-GAAP)	**$ 465.0**	**$ 169.4**	**$ (6.4)**	**$ 628.0**

See footnote descriptions contained with Schedule 1.

NiSource

ESG Update

September/October 2021

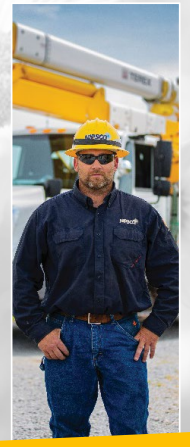

FORWARD-LOOKING STATEMENTS

This presentation contains “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. Expressions of future goals and expectations and similar expressions, including "may," "will," "should,“ "could," "would," "aims," "seeks," "expects," "plans," "anticipates, " "intends," "believes," "estimates,“ "predicts," "potential," "targets," "forecast," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of the Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; any adverse effects related to our equity units; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; and other matters set forth in Part I, Item 1, “Business,” Item 1A, “Risk Factors” and Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our annual report on Form 10-K for the year ended December 31, 2020, and Part II, Item 1A, “Risk Factors,” of our quarterly report on Form 10-Q for the quarter ended March 31,2021, many of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

Regulation G Disclosure Statement

This presentation includes guidance for NiSource with respect to net operating earnings per share and adjusted funds from operations / total debt, which are non-GAAP financial measures as defined by the Securities and Exchange Commission's (SEC) Regulation G. The company includes these measures because management believes they permit investors to view the company’s performance using the same tools that management uses and to better evaluate the company’s ongoing business performance. With respect to such guidance for net operating earnings per share, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis. With respect to such guidance for adjusted funds from operations/ total debt it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various adjustments the S&P and Moody's rating agencies apply when calculating their metrics. NiSource is not able to provide a reconciliation of its non-GAAP net operating earnings or adjusted funds from operations / total debt guidance, to their GAAP equivalents without unreasonable efforts.

PREMIER REGULATED UTILITY BUSINESS

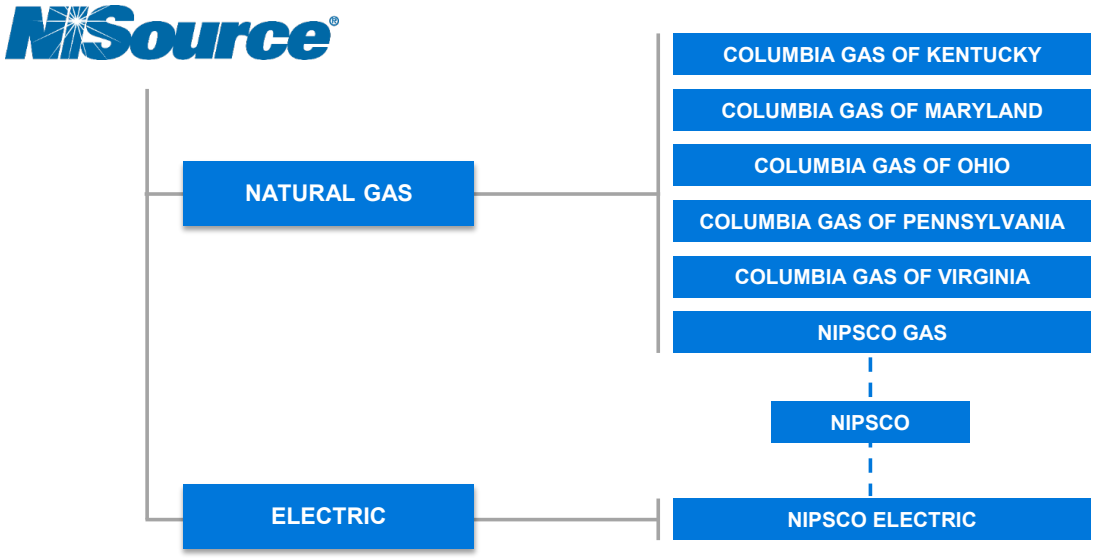

Significant Scale across Six States

~3.2M
Gas Customers

~500K
Electric Customers

NI
LISTED
NYSE

10%–12%
Compelling expected annual total shareholder return proposition 2021-2024*

* Estimated total shareholder return at a constant P/E ratio
Note: Structure is post sale of Columbia Gas of Massachusetts, which closed in October 2020

NiSource's – Long-Term Strategic Aspirations

Aspirations are the pillars through which NiSource can prioritize and deliver on long-term risk-adjusted strategy

Customer –

Achieve top quartile satisfaction, meet customer expectations as they conduct business according to their changing preference, build trusted relationships, ensure safety, reliability, value, and service

Workforce –

We strive to be an employer of choice that attracts, develops and retains people with unique backgrounds and experiences that enables a high performing culture. We will reflect the communities we serve by building an inclusive environment that supports our diverse workforce and creates equity for all.

Safety –

Lead the industry in occupational and public safety performance to fulfill NiSource's customer promise by measurably and efficiently de-risking the business. Exhibit zero tolerance for harm to our employees, contractors, customers, and the public.

Financial –

Deliver industry-leading, risk-adjusted, long-term shareholder value.

Sustainability –

Enable our customers to pursue their energy and sustainability preferences, safely, reliably, and affordably, while meeting the increasing expectations of investors and regulators, and adjusting to the changing dynamics around the energy business. Convene and influence key stakeholders to shape sustainable plans for delivering the energy needs of our communities

.

INVESTMENT HIGHLIGHTS

1. Diverse Portfolio of Sustainable Assets with Significant Renewable Investment Opportunities
2. Proven History of Consistent Earnings and Rate-Base Growth, Supporting Cash Flow Generation
3. Stable and Growing Customer Base with Midwestern Centric Footprint
4. Committed to Maintaining Current Investment Grade Ratings
5. Industry Leading Focus on Safety, Risk Management and Customer Reliability

Key Financial Commitments / Stats

7%-9%
Projected NOEPS* CAGR 2021-2024

5%-7%
Expected Annual Near-Term NOEPS* Growth (2021-2023)

10%-12%
Expected Utility Rate Base Growth CAGR 2021-2024

14%-15%
Long-term FFO**/Debt Target

~$14B
Regulated Electric and Gas Rate Base

$40B
Planned Long-Term Infrastructure Investments
(includes $2B in renewables)

100%
Coal Free by 2028
Driving Toward 90% Reduction in Greenhouse Gas Emissions by 2030

Growing Dividend Targeting 60%-70% Payout Ratio

* Net Operating Earnings Per Share (Non-GAAP)
** Funds from Operations (Non-GAAP)

ELECTRIC OPERATIONS

We are making significant progress accelerating our energy transition to replace existing electrical assets with more renewable alternatives

Progress to Date

2020 – Present: Completed First Two Renewable Projects

- ✓ Rosewater Wind
- ✓ Jordan Creek Wind

2021 – Beyond: Additional Projects in Pipeline

2021

On track to complete **Indiana Crossroads Wind project in 2021**

2022-2023

Received regulatory approval for **eleven more renewable energy projects to be in service in 2022/2023**

2024+

Replacement Capacity for Remaining Coal-Fired Generation has seen significant (primarily renewable) interest following RFP solicitation, generating **182 proposals for 78 projects**

Energy Transition Goals

"Your Energy, Your Future" continues to advance as we work with stakeholders to create a **dependable, affordable, and sustainable energy model**

$2B
in planned renewable energy investments through 2023

90%
reduction in GHG emissions by 2030

$1.6B
TDSIC[1] program electrical system modernization 2021-2026

100%
coal-free by 2028

[1]Transmission, Distribution, Storage Improvement Charge.

NATURAL GAS DISTRIBUTION

Natural gas is critical to the US' diverse energy portfolio - our operations are strategically located adjacent to abundant, low-cost resources

Strategic Investments to Capitalize on Natural Gas with Roadmap to Sustainability

Current – 2024: Safety and Modernization Programs

- **Active Investments are Encouraged through Timely Regulatory Recovery in our Jurisdictions**
- **Enhance System Safety, Reliability, and Environmental Performance**
- **Meeting the Energy Content and Affordability in the Midwest**

Natural gas is the most in-demand and affordable heating source in the Mid-West

30K

new gas customers in 2020

2025 – Beyond: Sustainability of Natural Gas

- Constant improvements to our gas infrastructure will drive further reductions in methane
- Natural gas infrastructure enables us to support the delivery of other environmentally friendly fuel sources, such as renewable natural gas and hydrogen
- Continue to utilize our robust shale resources and policy support, while working closely with regulators in establishing constructive rate case outcomes

Ensure long-term environmental benefits for our Customers

50%

reduction in methane emissions from gas mains and services by 2025

OUR SUSTAINABLE APPROACH TO ESG

Environmental

- Driving toward 90% reduction[1] in greenhouse gas emissions by 2030, inclusive of a 50% reduction in methane emissions from gas mains and services by 2025
- Expected to retire 100% of coal assets by 2028 and replace primarily with renewable generation
- $1.8B-$2.0B of planned renewable investments through 2023

Social

- Transformation focused on customer safety, reliability and affordability
- Economically benefiting customers and communities
- Committed to engagement, diversity, equity and inclusion from the boardroom through the organization and supplier network

Governance

- Leadership enhancements support commitment to customer service and safety
- Diverse, skilled and independent Board recently refreshed
- Robust framework for strategy, risk management and oversight

[1]Compared to 2005 baseline

DRIVING ENVIRONMENTAL BENEFITS

Generation transition to retire 100% of coal by 2028 and pipeline replacements continue to drive improved environmental performance

Cleaner generation mix significantly reducing GHG emissions

Driving down other environmental impacts related to coal

Greenhouse Gas
Reductions from 2005 Levels

63%
By 2020

90%
By 2030

Key Updates

- Generation Transition Advances
  - Received regulatory approval for 14 renewable generation projects to replace coal-fired plant retirement
  - 2021 Integrated Resource Plan (IRP) to address remaining coal-fired generation retirement is well underway
- Replaced 274 miles of priority natural gas pipe in 2020
- Evaluating renewable natural gas opportunities and hydrogen pilot programs
- Detailed planning underway to establish next level targets
- Working to establish a sustainability platform for future financing options
- Joined the Low Carbon Resources Initiative (LCRI) and Energy Capital Ventures (ECV) to help accelerate the development of low-carbon energy technologies

COMMITTED TO CONTINUING TO ENHANCE SOCIAL RESPONSIBILITIES

Continuing to take proactive steps to enhance our social practices

Key Updates

- SMS (Safety Management System) is established and continues to mature as the NiSource core operating model
  - Expanded deployment of advanced leak detection technology for improved risk-informed decision making
  - Leading the effort to establish a natural gas SMS industry collaborative
- Enhancing DE&I initiatives across the organization
  - Hired a DE&I officer
  - Executive leadership team now consists of ~30% women and >40% minorities
- Continuing efforts for economically vulnerable customers through payment assistance programs
- Ongoing support of the NiSource Charitable Foundation and Merrimack Valley

ROBUST GOVERNANCE FRAMEWORK*

Continued enhancements to our best practices governance framework

Key Updates

- Continuing the commitment to an independent and diverse board with the 2020 addition of Lloyd Yates
- Chief Safety Officer has dual reporting relationship to the CEO and the ES&S Committee (per amendments made to the charter in October 2020)
- Added age limit of 72 to board members
- Enhanced alignment of employee and executive incentive programs
  - STI (Short-Term Incentive) includes financial, customer and safety targets…safety weighting was increased from 10% to 30% for 2021
  - The 2021 PSU (Performance-Based Stock Units) include a safety magnifier and an environmental and diversity magnifier

*Please refer to slides on Compensation and Governance Practices in the appendix for additional details

CONTINUING TO FOCUS ON STRENGTHENING NISOURCE DISCLOSURES & REPORTING

Comprehensive NiSource ESG Reporting

- Integrated Annual Report (IAR)
- Form 10-K/10-Q
- Proxy Statement
- LINK https://investors.nisource.com/financial-filings-and-reports/quarterly-and-annual-materials/default.aspx

- SASB (New Reporting – Q3 2021)
- Climate (TCFD) Report (Update – Q4 2021)
- Biodiversity Commitment (New in 2020)
- Edison Electric Institute (EEI)-American Gas Association (AGA) ESG/Sustainability Template
- Global Reporting Initiative (GRI)
- CDP Climate & Water
- Sustainability Scorecard
- Supplemental Sustainability Data
- Published Policies Including Climate Change, EH&S and Sustainability
- LINK https://www.nisource.com/company/sustainability/reports-and-policies

2021 Plan Includes SASB Reporting, Enhanced Climate Report (TCFD) and Updates to the NiSource Climate Change, EH&S, and Sustainability Policies

NISOURCE ESG RATING TRENDS ARE MIXED, GENERALLY FAVORABLE AND NEAR OUR TARGET OF TOP QUARTILE

	Trend	NiSource Rating Information	Where Rating is Used or Audience Able to View Results
S&P Dow Jones Indices (A Division of S&P Global)	↗	One of 7 North American utilities; on index 7 years in a row 73rd percentile in 2020, up from 69th percentile in 2019	Bloomberg Terminals S&P Global website
SUSTAINALYTICS (a Morningstar company)	→	66th percentile (Utilities category), 'Strong' Risk Management	Yahoo Finance, Morningstar, and ESG Risk Ratings Investor Reports
MSCI | MSCI ESG RESEARCH LLC	↗	Upgraded from 'A' to 'AA' rating in June 2021	Barclays, RiskMetrics, RiskManager, MSCI ESG and client platforms
JUST capital	↘	Ranked 32nd of 36 companies in our industry, down from 26th of 37 in 2019	Forbes JUST 100
FTSE Russell FTSE4Good	↗	Constituent of the FTSE4Good Index Series since 2018 84th percentile, up from 82nd percentile in 2020	FTSE Russell Analytics
ISS CORPORATE SOLUTIONS	↘	Environmental - 4th decile (unchanged from 2020) Social - 5th decile (down from 4th decile in 2020) Governance – 3rd decile (down from 1st decile in 2020)	Corporate Analytics

Recent Upgrade

Increasing trends are a result of:

- Environmental improvements
- Enhanced disclosure and communication with raters
- Publication of Biodiversity Commitment

Decreasing trends are a result of:

- Safety performance (Merrimack Valley)
- Existing coal
- Financial returns
- Publicly available information on our cybersecurity program
- Tend to weight lagging indicators

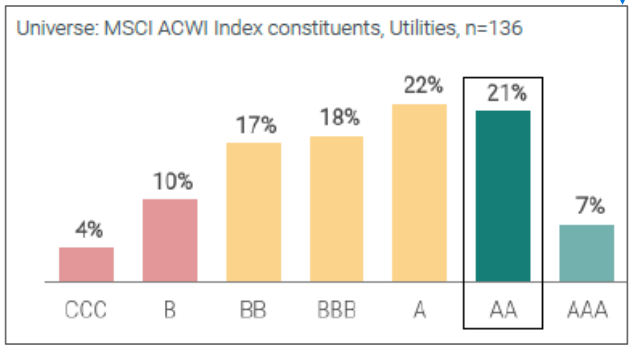

Appendix – additional information

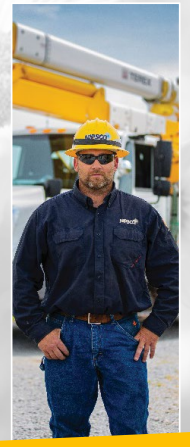

EXECUTIVE SUMMARY

Strategic Framework and Important Actions	Strengthened Commitment to Safety and a Sustainable Strategy for All Stakeholders
Safety and Risk Management	Robust Risk Framework Helps Drive Toward Sustained Industry Leadership in Safety
Environmental Initiatives	Continuing to Build on Foundation of Environmental Stewardship
Diversity, Equity and Inclusion	Prioritizing Diversity, Equity and Inclusion Initiatives and Setting Clear Goals for Progress
Board of Directors	Qualified and Well-Balanced Board Aligned with Company Strategy
Management Team	Appropriate Balance of Skills and Experience to Oversee the Execution of NiSource Strategy
Compensation Overview	Pay-For-Performance Culture Aligned with Strategic Framework to Meet All Stakeholder Commitments
Commitment to Customer Satisfaction	Setting a New Standard in Customer Experience
Cyber Initiatives	Focus on Being Able to Identify, Protect, Detect, Respond and Recover from Incidents
Political Spending	Participating Constructively in the Political Process Where Legal and Appropriate

THE U.S. REGULATED UTILITY INVESTMENT OF CHOICE

Safety and environmental leadership will continue to drive customer value and sustainable growth

Strong Foundation

- Regulatory diversity resulting from multiple jurisdictions provides stability
- Significant scale, with ~$14B of regulated electric and gas rate base[1]
- Proximity to abundant, low-cost natural gas resources supports ongoing rate affordability
- Investments and recovery supported by favorable energy policies and constructive regulatory environments

Clear Path to Drive Incremental Growth

- Enhanced ~$40B infrastructure investment opportunity set driving long-term growth
  - Increase of ~$10B from prior expectation
- Well-established capital investment programs with track record of recovery through regulatory trackers
- Driving 10%-12% expected rate base CAGR 2021-2024

Benefiting Customers and Communities

- Established and maturing Safety Management System (SMS)
- Renewable generation investments to save customers $4B over 30 years and help reduce GHG 90% by 2030[2]
- Investments and focus on organizational efficiency to drive continued customer affordability
- Gas safety and modernization investments advancing environmental benefits

Committed to Shareholder Value

- 100% regulated revenue expected to deliver consistent and predictable earnings growth
- Expected 7%-9% NOEPS[3] CAGR 2021-2024
- Dividend growth to maintain targeted 60%-70% payout ratio
- Balanced financing plan focused on maintaining current investment grade credit ratings and maximizing NOEPS growth

[1]2020E excludes CMA
[2]Compared to 2005 baseline
[3]Net Operating Earnings Per Share (Non-GAAP)

IMPORTANT STRATEGIC ACTIONS AT NISOURCE

Strengthening Commitment to Safety and a Sustainable Strategy for all Stakeholders

- NiSource On-track to Achieve Environment Targets – 90% Reduction in Green House Gas (GHG) by 2030 (from 2005 Levels)
  - Including a 50% reduction in methane emissions from core pipeline replacement programs
  - Executing generation transition that retires 80% of coal-fired generation by 2023 and all coal-fired generation by 2028
  - Evaluating additional renewable natural gas opportunities as well as hydrogen pilot programs
- IRP Milestones Enabling Generation Transition
  - All 2018 IRP renewable generation projects now approved, driving future cleaner energy and significant savings for customers
  - 2021 IRP process underway with new RFP yielding more than 78 individual projects
- NiSource Next Drives Customer Affordability – Executing a multi-year program to deliver long-term safety, sustainable capability enhancements and cost optimization improvements
- Your Energy Your Future Expanding to Gas – Working to broaden existing program focused on generation transition to sustainability initiative across our electric and gas footprint
- Board Includes Significant Industry Experience and Safety Expertise
  - Theodore Bunting, Jr., Lloyd Yates and Michael E. Jesanis bring significant energy industry, regulated and integrated utility experience; Former Chair of the NTSB, Deborah Hersman, adds widely respected safety expertise
- Safety Management System (SMS) Established and Continues to Mature as Core Operating Model
  - SMS is a comprehensive approach to managing safety, emphasizing continual assessment and improvements as well as identifying and mitigating potential risks proactively
- Columbia Gas of Massachusetts Sale Completed in 2020

SAFETY PERFORMANCE AND EMERGENCY RESPONSE

Driving Toward Sustained Industry Leadership in Safety

- Safety Management System (SMS) vision is to lead and exceed anchored by three pillars
  - Culture - all employees are empowered to identify and report risks
  - Asset management - accountability to effectivity evaluate, prioritize and mitigate identified risks
  - Process safety - layers of protection for safe work with a focus on enhanced, consistent standards and processes
- Quality review board (QRB) was established in 2019 and advises management on SMS and Enterprise Risk Management (ERM)
- Established a Corrective Action Program (CAP) tool and process for employees to use to report risks
- Automatic Shut-off devices to protect against over pressurization expected to be added to all low pressure systems by YE2021

Key Performance Category	2020 YE Status	Goal
DART* Rate	**Second Quartile**	**Industry Top Decile**
OSHA Injury Rate	**Top Quartile**	**Industry Top Decile**
Miles of Priority Pipe Replaced	**274**	**> 350 Per Year**
Natural Gas System Leaks Found	**20% Reduction in leaks found (2020 vs. 2019)**	**Continued Reduction**
Emergency Response Time (<45 minutes)	**97%**	**98%**

*Days away, restricted or transferred

CONTINUING TO ENHANCE ENVIRONMENTAL STEWARDSHIP

The ESS Committee Provides Oversight over Environmental Stewardship Initiatives and Execution

Environmental Impact Targets

Eliminating Owned Coal Generation by 2028 and Replacing with Cleaner and Lower-Cost Energy Achieving:

	Emissions Reductions	2020 Reduction*	2030 Reduction Target*	
ALL OPERATIONS	Greenhouse Gas	63%	**90%**	
ELECTRIC BUSINESS	Air Emissions --Nitrogen Oxide --Sulfur Dioxide --Mercury	 89% 98% 96%	**99%**	**$4 Billion in Long-Term Cost Savings Projected for Our Electric Customers**
	Water Withdrawal Water Discharge	91% 95%	**99%**	
	Coal Ash Generated	71%	**100%**	
GAS BUSINESS	Methane from Mains & Services	39%	**>50%**	

*Compared to 2005

Environmental Execution

- Coal retirements reduce greenhouse gas emissions consistent with the goals of the Paris Agreement
- $1.8B-$2.0B planned renewable generation investments in 2021-2023
- Accelerated natural gas pipeline modernization reduces leaks and methane emissions
- Enhanced reporting: Climate Report incorporates TCFD recommendations, EEI-AGA ESG/Sustainability template, plan to report SASB metrics

Environmental/ESG Recognition

- In 2020 named to the Dow Jones Sustainability North America Index for the seventh consecutive year and the FTSE4Good Index Series
- 'AA' Rating from MSCI in June 2021
- Founding member of the EPA's Methane Challenge Program in 2016

ROBUST FRAMEWORK FOR RISK MANAGEMENT AND OVERSIGHT

The Board and Management Have Both Augmented Committees and Structures to Facilitate the Board's Oversight of Senior Management and Risk Management

Board Oversight

The Board sets the strategy for the five-year operating plan and oversees management's execution thereof, including key sustainability and risk management initiatives

The Audit Committee regularly reviews key risks facing the Company and mitigation efforts

- Chief Strategy & Risk Officer provides regular reports on the ERM program and Risk Management Committee activities
- Chaired by Theodore H. Bunting Jr. who joined the board in 2018 and includes Wayne DeVeydt, Deborah Henretta and Carolyn Woo

The Environmental, Safety & Sustainability Committee was founded in 2015 and oversees the programs, performance and risks related to environmental, safety and sustainability matters

- NiSource is one of the few among its peers with a Board committee dedicated to safety and sustainability
- Chaired by Aristides Candris and includes Deborah Hersman, Michael Jesanis and Lloyd Yates
  - Ms. Hersman joined the board in 2019 and formerly Chaired the National Transportation Safety Board

Management Oversight

Senior leaders serve on Risk Management Committee (RMC), which was formed with NiSource's inception in 2000

- Formal bi-monthly meetings with executive leadership to review risks and mitigations
- Committee consists of Executive Leadership Team (ELT) plus the head of internal Audit

NiSource is a leader among peers by having both a dedicated Chief Strategy and Risk Officer (Shawn Anderson) as well as a Chief Safety Officer (Chuck Shafer)

- Chief Strategy Officer reports directly to the CEO
- Chief Safety Officer has dual reporting relationship to the CEO and the ES&S Committee (per amendments made to the charter in October 2020)

Quality Review Board (QRB) was established in 2019 and advises management on SMS and Enterprise Risk Management (ERM)

Announced acceleration of SMS in 2018 using probabilistic risk assessment as a quantitative way to assess risk. SMS continues to mature as the core operating model at NiSource

EXPANDING DIVERSITY, CREATING AN INCLUSIVE CULTURE AND DEVELOPING ENGAGED EMPLOYEES

Prioritizing Inclusion, Equity and Diversity

- Diversity is a critical consideration for NiSource's Board, as evidenced by its current strong representation of diversity, setting expectations from the top
- NiSource added a Chief DE&I Officer (Juan Carlos Ayala) to further advance company focus and efforts
- Management further aligned with diversity efforts in 2021 via new diversity performance goals added to long-term compensation framework
- Supporting Cultural Awareness Initiatives and Development Opportunities for Under-represented Groups
- Developed "Inclusive Index" as part of Annual Employee Survey; Providing Inclusive Leadership Training for all Managers
- NiSource Mentoring Program and Targeted Development for Diverse Talent Program Focused on Traditionally Under-represented Leaders

Engaging Employees

- Annual Employee Surveys Driving "Action Items"
- Employee Resource Groups and Inclusion and Diversity Councils Open to all Employees

Giving Back and Making a Difference in Our Communities

- $7.4M Donated to targeted nonprofit organizations in our communities in 2020
- Provided $10M as part of a 5 year commitment to Merrimack Valley following sale of CMA

Progress/Recognition

- CEO Signed on to the CEO Action for Diversity & Inclusion Pledge in 2017
- Named one of American's Best Large Employers by *Forbes* since 2016
- Member of the Bloomberg Gender Equality index since 2018

BOARD COMPOSITION AND EVALUATION

Diverse, Refreshed Board with a Broad Range of Relevant Experience and Skills

Rigorous Board Evaluation and Selection Process

- Annual and ongoing evaluation of full Board, Board Committees and individual Directors overseen by the Nominating and Governance Committee
- In searching for Director candidates, the Nominating and Governance Committee uses a professional search firm, considers recommendations from current Board members and existing shareholders and hosts interviews of candidates before making its recommendation to the Board
- The Nominating and Governance Committee considers the skills, expertise, experience and qualifications that will best complement the overall mix of skills and expertise of the Board in view of our strategy and the risks and opportunities we face
- Diversity is a critical consideration for NiSource's Board, as evidenced by its current diversity, because a breadth of perspectives is necessary to fully evaluate ideas and challenge the status quo
- The Nominating and Governance Committee also assesses the diversity of the Board as part of its annual self-assessment process
- Retirement policy added in 2021 that requires Board members to retire at age 72

Diverse Composition

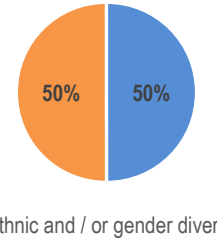

Refreshed Board with Balance of Tenures

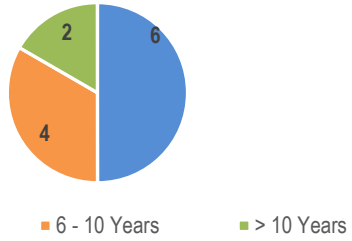

Highly Independent

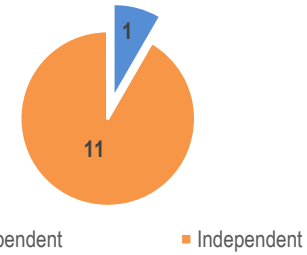

NISOURCE BOARD OF DIRECTORS

Directors with a Wide Range of Experience and Expertise

Peter A. Altabef
Age: 62
Elected: 2017
Occupation: Chairman. & CEO, Unisys Corp.
Board Committees: Finance (C)*, Nom & Gov**

Theodore H. Bunting, Jr.
Age: 62
Elected: 2018
Occupation: Retired Group Pres., Entergy Corp.
Board Committees: Audit (C), Nom & Gov

Eric L. Butler
Age: 61
Elected: 2017
Occupation: Pres. & CEO, Aswani-Butler Associates
Board Committees: Comp (C), Nom & Gov

Aristides S. Candris
Age: 70
Elected: 2012
Occupation: Retired Pres. & CEO, Westinghouse
Board Committees: ESS*** (C), Nom & Gov

Wayne S. DeVeydt
Age: 51
Elected: 2016
Occupation: Executive Chair of Surgery Partners, Inc.
Board Committees: Audit, Finance

Joseph Hamrock
Age: 58
Elected: 2015
Occupation: Pres. & CEO, NiSource Inc.

Deborah A. Henretta
Age: 60
Elected: 2015
Occupation: Partner G100 Companies
Board Committees: Audit, Comp

Deborah A. P. Hersman
Age:51
Elected: 2019
Occupation: Consultant Waymo, LLC
Board Committees: ESS, Finance

Michael E. Jesanis
Age: 65
Elected: 2008
Occupation: Retired Pres. & CEO National Grid USA
Board Committees: Comp, ESS

Kevin T. Kabat
Age: 64
Elected: 2015
Occupation: Independent Chairman of the Board, NiSource Inc.; Retired CEO of Fifth Third Bancorp
Board Committees: Nom & Gov (C)

Carolyn Y. Woo
Age: 67
Elected: 1998
Occupation: Retired Pres. & CEO, Catholic Relief Services
Board Committees: Audit, Finance

Lloyd M. Yates
Age: 60
Elected: 2020
Occupation: Retired EVP, Duke Energy
Board Committees: Comp, ESS

*(C) Chair
** Nominating and Governance
*** Environmental Safety and Sustainability

NISOURCE BOARD OF DIRECTORS

Robust Experience, Independent Perspectives and the Necessary Skills to Support NiSource Strategy

Area of Expertise	% of Directors	Commentary
Industry Experience • Gas Distribution or Transmission • Electricity Distribution, Transmission or Generation • Energy Markets or Technology	 50% 50% 67%	***Ensures Board has the knowledge to keep abreast of industry trends and be a leader in the utilities space***
Operations & Leadership • Other Operations/Customer Service • CEO (current or prior) • Strategic Planning • Technology • Talent Management	 92% 83% 100% 58% 100%	***Provides the Board with the experience to oversee the execution of strategy***
ESG • Environmental, Sustainability, Corporate Responsibility and Ethics • Community Service / Non-Profit Board	 100% 92%	***Ensures that NiSource will consider the concerns of all stakeholders and focus on long-term value creation***
Oversight • Safety • Government and Regulatory • Risk Management	 67% 92% 100%	***Focuses the Board on the most material risks, including safety and regulatory, facing the Company***
Finance • Financial or Capital Markets • Financial Literacy and Expertise	 83% 100%	***Provides the Board with the skills to review strategic alternatives and financing options as well as oversee the auditing process***
Public Company Board Experience	75%	

MANAGEMENT OVERVIEW

Skills and Experience to Lead Commitment to Safety, Customer Experience and Stakeholder Value

Joe Hamrock
- President and CEO since July 1, 2015
- Joined NiSource in 2012, held numerous executive positions with American Electric Power

Pablo Vegas
- EVP/COO & President NiSource Utilities since June 1, 2020
- Joined NiSource in 2016, held various executive positions in utility and consulting industries

Donald Brown
- EVP/CFO & President, NiSource Corporate Services since June 1, 2020
- Joined NiSource in 2015, has more than 20 years of experience, including at UGI Corp., Constellation Energy and Progress Energy.

Violet Sistovaris
- EVP & Chief Experience Officer since June 1, 2020
- Joined NiSource in 1994, has held a variety of leadership and executive positions

Anne-Marie D'Angelo
- EVP, General Counsel & Corporate Secretary of NiSource since Jan 2021
- Joined NiSource in 2019, has held a variety of leadership positions

Shawn Anderson
- Chief Strategy and Risk Officer since June 1, 2020
- Joined NiSource in 2010, has held a variety of leadership positions

Chuck Shafer
- Chief Safety Officer since Oct. 1, 2019
- Joined NiSource in 1989, has 30 years experience in the utility industry

2020 EXECUTIVE COMPENSATION OVERVIEW

Average Say-On Pay Vote for the Last Five Years is 97%

Compensation Committee changes to 2021 incentive programs to better align with long-term ESG initiatives

	Pay Element (% of 2020 CEO / NEOs pay)	Form	Performance Element	Rationale and Link to Strategy
	Base Salary (15% / 28%)	Fixed Cash	• Reviewed annually based on corporate performance relative to business and financial goals, market competitiveness and individual performance relative to the role	• Provides all employees with level of fixed pay that is commensurate with their role and responsibility, enabling us to attract and retain top talent
Variable or "At Risk" (85% / 72%)	Short-term Cash-based Incentive (STI) (18% / 21%)	Performance-Based Cash	• No payout unless an one-year NOEPS performance trigger goal is met • 75% payout based on annual NOEPS performance • 25% payout based on annual performance related to safety and customer care goals	• Directly links compensation to achievement of business and financial objectives over a one-year performance period
	Equity Based Long-Term Incentive (LTI) (67% / 51%)	Performance Stock Units	• No payout unless a three-year cumulative NOEPS performance trigger goal is met • 65% of LTI target opportunity vests based on cumulative NOEPS performance, subject to +/-25% payout modifier based on RTSR performance • 15% of LTI target opportunity vests based on Customer Value Framework performance	• Directly links compensation to achievement of business and financial objectives over a three-year performance period by promoting long-term decision making and driving accountability for safety, customer care, organizational culture improvement and environmental impact performance: the "Customer Value Framework"
		Restricted Stock Units	• 20% of LTI opportunity • Vests based on continued employment over a multi-year period	• Retains our executives by rewarding long-term service

COMPENSATION PRACTICES

Reflects Best Practices

We DO have these practices:

- ✓ Incentive Award Metrics Tied to Key Company Performance Measures
- ✓ Share Ownership Guidelines for Executive Officers and Directors
- ✓ Double-trigger Severance Benefits Upon a Change-in-control
- ✓ Limited perquisites
- ✓ Compensation Recoupment Policy
- ✓ Prohibition Against Pledging Unearned Shares in our Long-term Incentive Plan
- ✓ One-year Minimum Vesting for Equity Awards
- ✓ Annual Say-on-Pay Vote by Stockholders

We DO NOT have these practices:

- X Dividends or Dividend Rights on Unvested Performance Shares or Restricted Stock Units
- X Automatic Single-trigger Equity Vesting Upon a Change-in-control
- X Excise Tax Gross-ups Under Change-in-control Agreements
- X Excessive Severance Benefits
- X Tax Gross-ups for Executive Officers (Other Than Gross-ups Available to All Employees Who Receive Relocation Benefits)
- X Excessive Pension Benefits or Defined Benefit Supplemental Executive Retirement Plans
- X Hedging or Pledging Transactions or Short Sales by Executive Officers or Directors

GOVERNANCE PRACTICES

Reflects Best Practices

We DO have these practices:

- ✓ Majority Vote Standard to Elect Directors
- ✓ Director Resignation Absent Majority Vote
- ✓ Equal Voting Structure (Single Class)
- ✓ Separated Chair and CEO Roles
- ✓ Proxy Access
- ✓ Shareholder Ability to Call Special Meeting

We DO NOT have these practices:

- X Classified Board
- X Supermajority Vote Requirements to Remove Directors
- X Unanimous Written Consent

SETTING A NEW STANDARD IN CUSTOMER EXPERIENCE

Focused on Achieving Top-Tier Customer Satisfaction and Dependable Service

- Fostering a Customer-centric Culture, Enhancing our Processes and Implementing New Technologies to Meet Customers' Changing Expectations
  - Launched a New Customer facing mobile app for Columbia Gas and NIPSCO in August 2021
  - Improved Website functionality by adding ability for customers to digitally Start/Stop/Move service in June 2021
  - Made process and technology improvements to drive Paperless adoption in 2020 and 2021
  - Improved call center productivity without affecting customer experience via enhanced workforce management in 2021
  - Deployed robotic process automations to billing exceptions, automating manual work in 2021
  - Made ongoing improvements to the payment process, including the enablement of PayPal, Venmo, and Amazon Pay
  - Launched New Customer-facing websites for Columbia Gas and NIPSCO during 2019
- Continued Support of Customer Programs to Help Ensure Affordability, Increase Comfort and Reduce Energy Usage
  - Completed an experience audit and used the findings to make customer energy assistance resources more easily accessible to customers, which included direct feedback from customer via NiSource's customer panel
  - Provided customer payment assistance during COVID (before required by law)
  - Requested expanded customer assistance programs in recent rate cases

Key Performance Category	2020 Status	Milestone
Customer Perception (JD Power)	**Second Quartile**	**Industry Top Quartile**
Customer Satisfaction (Post-Interaction Survey)	**90%**	**91%**
Net Promoter Score (New Business)*	**63%**	**57%**

*NPS score represents the question "Would you recommend Columbia Gas/NIPSCO to

NISOURCE CYBER INITIATIVES

- The Chief Information Security Officer and Chief Information Officer Manage Cybersecurity at NiSource and Provide Regular Updates to the Cybersecurity Sub-Committee, Which Then Reports to the Full Risk Management Committee
- The Audit Committee Provides Independent Board Oversight

Identify	• Implementing NIST Cybersecurity Framework (CSF) controls across all of IT • Enhancing control testing for Sarbanes-Oxley (SOX), Personally Identifiable Information (PII) and Payment Card Industry (PCI) • Implementation of Third-Party Risk Management across IT and NERC CIP vendors • Updated IT Policies, Standards, Procedures and Technical Specifications to meet industry best practices and benchmarks
Protect	• Implementation of tools to enhance user access management, Privileged Access Management (PAM), and multi-factor authentication capabilities • Updated security awareness training courses and continuous awareness communications • Implementing controls related to data security across the NiSource environment
Detect	• Maturing cyber capabilities with technology such as log management, security orchestration, automation and response (SOAR), firewall protections, cloud security and endpoint security • Implementing network security tools to monitor baseline activity and anonymous behaviors • Enhancing the vulnerability management program
Response	• Updated incident response plans to follow FEMA Incident Command System (ICS) guidelines • Participated in Cyber Range tabletop exercise to enhance incident response (IR) capabilities and will participate in GridEx in November 2021 • Implementing cyber forensics program including tools and personnel
Recover	• Engaging with Enterprise Risk Management (ERM) and Corporate Insurance to evaluate organizational risk and exposure related to a cyber event • Performing lessons learned exercises after each IR event • Updated cyber recovery plans to align with the IT Disaster Recovery plan

NISOURCE KEY RELATIONSHIPS

NiSource Engages with Various External Organizations and Peers in Order to Share Information and Advance our Cyber Intelligence Program

Information Sharing Partnerships

DNG-ISAC

A DIVISION OF NERC E-ISAC ELECTRICITY INFORMATION SHARING AND ANALYSIS CENTER

UNITE Utility Benchmarking for Continuous Improvement

Government Relationships

THE SPIRIT OF ENTERPRISE U.S. CHAMBER OF COMMERCE

DEPARTMENT OF ENERGY UNITED STATES OF AMERICA

State Reps

U.S. DEPARTMENT OF HOMELAND SECURITY Homeland Security

PUC PUBLIC UTILITY COMMISSION

Industry Associations

EEI Edison Electric INSTITUTE

AGA American Gas Association

Political Engagement

NiSource is Committed to Being a Good Corporate Citizen in the Communities in Which it Conducts Business, Which Includes Participating Constructively in the Political Process Where Legal and Appropriate

Political Spending Policy

- **In January of 2021, NiSource's Executive Leadership Team updated our Political Spending Policy that affirms and supports our long-standing commitment to constructive political involvement**
  - Corporate funds may be used, where legally permissible, for indirect political support and to participate in the election of state and local candidates who share NiSource's public policy views or in support of state and local ballot measures having an impact on our business and industry
  - Contributions to federal candidates may only be made by NiSource Inc. Political Action Committee (NiPAC), a non-profit entity that solicits voluntary contributions from eligible employees in compliance with applicable law
- **NiSource's President and CEO and the Nominating and Governance Committee of the Board are responsible for overseeing corporate political spending**
  - The EVP & Chief Operations Officer must approve all indirect political spending and the EVP & General Counsel reviews political spending with the President & CEO and the Nominating and Governance Committee at least once a year
- **NiSource's political spending is in support of our business plan and is not based on the personal interests or political preference of any of our individual officers, directors or employees**
- **NiSource annually discloses:**
  - Lobbying portion of trade associations dues where dues are greater than $25,000
  - Federal lobbying expenditures
  - List of associations (name only) where some portion of corporate membership dues may be attributed to lobbying
  - Contributions to political parties, committees, ballot measures
  - Total of NiPAC contributions and number of candidates supported
- **Additional detail about NiSource's contributions can be found on our website**

SUPPLEMENTAL SLIDES
3Q 2021 RESULTS

November 3, 2021

NiSource®

FORWARD-LOOKING STATEMENTS

This presentation contains “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. Expressions of future goals and expectations and similar expressions, including "may," "will," "should," "could," "would," "aims," "seeks," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," "forecast," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of the Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; any adverse effects related to our equity units; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; and other matters set forth in Part I, Item 1, “Business,” Item 1A, “Risk Factors” and Part I. Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our annual report on Form 10-K for the year ended December 31, 2020, and in Part II, Item 1A, “Risk Factors,” of our quarterly report on from 10-Q for the quarter ended March 31, 2021, many of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

Regulation G Disclosure Statement

This presentation includes financial results for NiSource with respect to net operating earnings available to common shareholders, diluted net operating earnings per share, and operating income, which are non-GAAP financial measures as defined by the Securities and Exchange Commission's (SEC) Regulation G. This presentation also includes guidance for NiSource with respect to net operating earnings per share and adjusted funds from operations / total debt. The company includes these measures because management believes they permit investors to view the company’s performance using the same tools that management uses and to better evaluate the company’s ongoing business performance. With respect to such guidance for net operating earnings per share, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis. With respect to such guidance for adjusted funds from operations / total debt it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various adjustments the S&P and Moody's rating agencies apply when calculating their metrics. NiSource is not able to provide a reconciliation of its non-GAAP net operating earnings or adjusted funds from operations / total debt guidance, to their GAAP equivalents without unreasonable efforts.

KEY TAKEAWAYS

- **Updating/Reaffirming financial guidance commitments**
  - Targeting the top end of 2021 guidance range of $1.32 to $1.36 NOEPS*
  - Initiating 2022 guidance of $1.42 to $1.48, consistent with 5-7% near-term growth commitment
  - Long-term 7-9% NOEPS guidance through 2024 now based on expected top end of 2021 guidance range, and 5-7% annual rate in 2023 reaffirmed
  - Expect to make capital investments of ~$2.0B in 2021 and $2.4 to $2.7B in 2022
- **Identified Preferred Plan for 2021 NIPSCO IRP**
  - Advances plans for retirement of all coal-fired generation during the 2026-28 period while shifting toward lower-cost, clean and reliable forms of generation
  - Investments of up to $750M will be necessary to replace retiring coal-fired generation, NIPSCO investment to be better understood following further Request for Proposals (RFP) evaluation
- **Regulatory execution progresses with PA & KY settlements, new NIPSCO gas filing**
  - CPA received proposed ALJ order in October recommending approval of settlement
  - CKY filed settlement in late October
  - CMD received ALJ recommendation in late October
  - NIPSCO filed gas base rate case in September
- **Non-GAAP Diluted NOEPS* of $0.11 in 3Q21 vs. $0.09 in 3Q20**
  - Results reflect continued investment in safety & reliability and represent the profile of our business without Columbia Gas of Massachusetts

FOCUSED ON ENHANCING SAFETY, SERVICE, SYSTEM RELIABILITY AND ENVIRONMENTAL LEADERSHIP

*Diluted Net Operating Earnings Per Share (Non-GAAP). For the GAAP Diluted Earnings Per Share and the reconciliation of GAAP to non-GAAP diluted earnings per share, see Schedule 1 in the appendix to this presentation

THIRD QUARTER & YTD CONSOLIDATED FINANCIAL RESULTS

GAAP	THIRD QUARTER			YTD		
	2021	2020	Change Fav/(Unfav)	2021	2020	Change Fav/(Unfav)
Net Income (Loss) Available to Common Shareholders ($ in Millions)	$49.4	$(186.7)	$236.1	$377.6	$(143.4)	$521.0
Diluted Earnings (Loss) Per Share	$0.12	$(0.49)	$0.61	$0.91	$(0.37)	$1.28

NON-GAAP*	THIRD QUARTER			YTD		
	2021	2020	Change Fav/(Unfav)	2021	2020	Change Fav/(Unfav)
Net Operating Earnings (Loss) Available to Common Shareholders ($ in Millions)	$47.1	$36.3	$10.8	$404.5	$377.4	$27.1
Diluted Net Operating Earnings Per Share	$0.11	$0.09	$0.02	$0.98	$0.98	$—

*Net Operating Earnings and Diluted Net Operating Earnings per share (non-GAAP). For a reconciliation of GAAP to non-GAAP earnings, see Schedule 1 in the appendix to this presentation

THIRD QUARTER & YTD SEGMENT NON-GAAP* RESULTS

GAS DISTRIBUTION OPERATIONS ($ Millions)	THIRD QUARTER			YTD		
	2021	2020	Change Fav/(Unfav)	2021	2020	Change Fav/(Unfav)
Operating Revenues	$ 476.0	$ 472.5	$ 3.5	$ 2,199.9	$ 2,334.5	$ (134.6)
Cost of Energy	$ 89.0	$ 63.0	$ (26.0)	$ 597.0	$ 559.6	$ (37.4)
Tracked Operating Expenses	$ 20.2	$ 24.9	$ 4.7	$ 116.8	$ 159.2	$ 42.4
Other Operating Expenses	$ 348.8	$ 374.9	$ 26.1	$ 1,028.2	$ 1,141.0	$ 112.8
Total Operating Expenses	$ 458.0	$ 462.8	$ 4.8	$ 1,742.0	$ 1,859.8	$ 117.8
Non-GAAP Operating Income*	**$ 18.0**	**$ 9.7**	**$ 8.3**	**$ 457.9**	**$ 474.7**	**$ (16.8)**

ELECTRIC OPERATIONS ($ Millions)	THIRD QUARTER			YTD		
	2021	2020	Change Fav/(Unfav)	2021	2020	Change Fav/(Unfav)
Operating Revenues	$ 463.0	$ 427.7	$ 35.3	$ 1,264.6	$ 1,161.0	$ 103.6
Cost of Energy	$ 119.3	$ 80.1	$ (39.2)	$ 316.4	$ 234.3	$ (82.1)
Tracked Operating Expenses	$ 11.7	$ 13.6	$ 1.9	$ 35.6	$ 32.7	$ (2.9)
Other Operating Expenses	$ 201.9	$ 201.1	$ (0.8)	$ 607.3	$ 591.7	$ (15.6)
Total Operating Expenses	$ 332.9	$ 294.8	$ (38.1)	$ 959.3	$ 858.7	$ (100.6)
Non-GAAP Operating Income*	**$ 130.1**	**$ 132.9**	**$ (2.8)**	**$ 305.3**	**$ 302.3**	**$ 3.0**

*Operating Income (non-GAAP). For comparable GAAP results by segment, refer to Part I. Item 2 of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2021. For a reconciliation of GAAP to non-GAAP earnings, see Schedule 2 in the appendix to this presentation

CONTINUED FOCUS ON SAFE AND RELIABLE EXECUTION

NISOURCE DEBT AND CREDIT PROFILE

- **Debt level: ~$9.6B as of September 30, 2021**
  - ~$9.2B of long-term debt
    - Weighted average maturity ~14 years
    - Weighted average interest rate of 3.68%
- **Solid liquidity position**
  - ~$1.7B in net available liquidity as of September 30, 2021*
  - ~$2.1B of committed facilities in place as of September 30, 2021
    - ~$1.9B revolving credit facility
    - ~$0.2B accounts receivable securitization facilities **
- **Committed to maintaining current investment-grade credit ratings**
  - S&P (BBB+), Moody's (Baa2), and Fitch (BBB)
  - All three agencies have completed their annual credit reviews in 2021 with no change to ratings and stable outlooks

SOLID FINANCIAL FOUNDATION TO SUPPORT LONG-TERM INFRASTRUCTURE AND SAFETY INVESTMENTS

* Consisting of cash and available capacity under credit facilities
** Capacity on accounts receivable securitization facilities changes with seasonality

2021E – 2024E CAPITAL FORECAST

Investment opportunities expected to enhance system safety and reliability while driving shareholder value

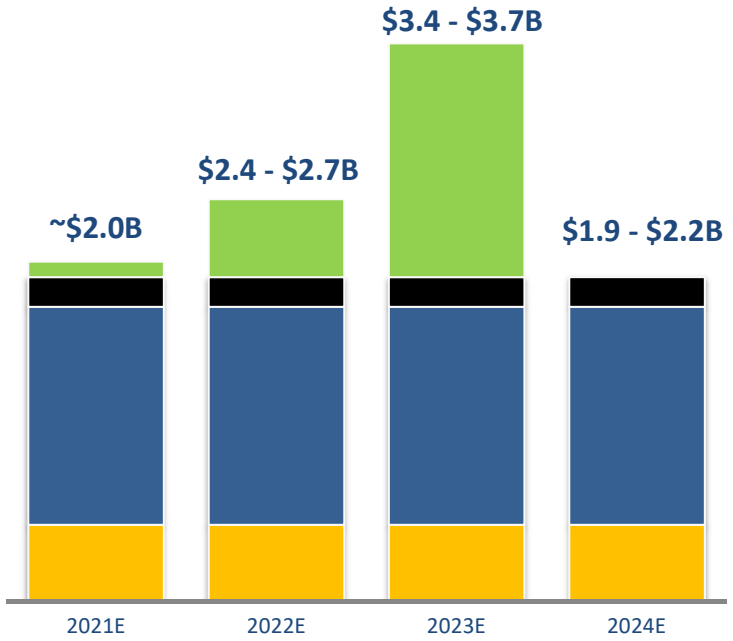

Expected Renewable Generation Investments of ~$2.0B

Expected Investment Recovery Period

- Renewables (Rate Case Effective 2H/2023)
- Growth (Within 0-3 Months)
- Tracker (Within 0-18 Months)
- Maintenance/Other (Periodic Rate Cases)

Anticipate >75% of Capital Investments Begin Earning in Less Than 18 Months

2021 - 2024 FINANCING PLAN*

Financing strategy targets long-term Adj. FFO/total debt** of ~14%-15%

($ millions)	2021E	2022E	2023E	2024E
Planned Annual Safety & Modernization Investments				
Equity				
ATM (At-the-Market)	$200 - $300 Annually		$0 - $150 Total	
ESPP/401K/Other	$30 - $50 Annually			
Long-Term Debt				
Incremental Long-Term Debt		$500 - $700 Annually		
Planned Renewable Generation Investments (Targeting 60% Equity)				
Equity				
Common Equity Block	---------- None Planned ----------			
Long-Term Debt				
Incremental Long-Term Debt		~ $800 Total		
Other Financing				
Equity Unit Issuance	$862.5 Total***			

Current Financing Plan

- All financing is included in our long-term growth commitments
- Reflects our focus on maintaining current investment grade credit rating
- Targets renewable investment financing (60% Equity / 40% Debt)

*Current financing plan may change based on business developments
**As calculated according to the S&P and Moody's rating agency methodologies
*** Remarketing of additional $862.5M in December of 2023

GAS DISTRIBUTION OPERATIONS

- ALJ order recommending settlement in Pennsylvania; Settlement reached in Kentucky; ALJ order received in Maryland; New NIPSCO gas case filed in September
- Continuing to invest in infrastructure to enhance system safety, reliability and environmental performance

HIGHLIGHT	KEY COMPONENTS	STATUS
Columbia Gas of Ohio Base Rate Case	• Requesting $221.4 million, net of the Capital Expenditure Program ("CEP") and Infrastructure Replacement Program ("IRP") Riders; $3.6 billion rate base • Filing requests 10.95% ROE and 50.6% equity capital structure	• Filed June 30, 2021 • New rates proposed effective Mid-2022
Columbia Gas of Kentucky Base Rate Case	• Requesting $26.7 million net of infrastructure tracker on $446 million forecasted rate base • Filing requests 10.3% ROE and 52.64% equity capital structure • Settlement would increase revenue by $18.6 million	• Filed May 28, 2021 • Settlement reached Oct. 27, 2021
Columbia Gas of Maryland Base Rate Case	• Requesting $4.8 million net of infrastructure trackers on $185 million partially forecasted rate base • Filing requests 10.85% ROE and 52.95% equity capital structure	• Filed May 14, 2021 • Received ALJ recommendation in late October • New rates proposed effective December 2021
Columbia Gas of Pennsylvania 2021 Base Rate Case	• Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades • Requested initial increase of $98.3M on $2.7 billion forecasted rate base • Settlement would increase revenue by $58.5 million	• Settlement reached Sept. 7, 2021 • New rates proposed effective December 29, 2021
NIIPSCO Gas 2021 Base Rate Case	• Requesting $115.3 million net of infrastructure trackers on a $2.4 billion forecasted rate base. • Filing requests 10.5% ROE and 57.68% equity capital structure.	• Filed Sept. 29, 2021 • New rates proposed effective September 2022 and March 2023

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

ELECTRIC OPERATIONS

- 2021 IRP Preferred Plan advances plans for retirement of all coal-fired generation by 2026-2028 while shifting towards lower-cost, clean and reliable forms of generation
- Regulatory approval for all 2018 IRP renewable projects

HIGHLIGHT	KEY COMPONENTS	STATUS
2021 Integrated Resource Plan (IRP) & Request for Proposals (RFP)	• Michigan City Generation Station retirement between 2026 and 2028 • Preferred path outlines new generation investment estimated to be up to $750M • RFP solicitation concluded in 3Q21, evaluation continues	• IRP submission to IURC targeted by mid-November • RFP evaluation continues through early 2022
New 5-Year TDSIC	• Includes long-term investments in modernizing the company's electric infrastructure with some projects that were previously identified in the latest TDSIC plan • Total $1.64 billion of current and planned investments over the 2021-2026 period	• New plan filed June 2021 • Final order expected Jan. 2022
Renewable Generation Projects	• Final CPCN approval received for Indiana Crossroads II PPA in September • Construction progresses on Indiana Crossroads wind project	• Indiana Crossroads wind expected in service YE 2021

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

SAFETY AND INFRASTRUCTURE PROGRAMS

COMPANY	YEAR-END 2020 RATE BASE	AUTHORIZED PROGRAM ROE	MODERNIZATION PROGRAM INVESTMENTS	ESTIMATED ANNUAL MODERNIZATION PROGRAM INVESTMENTS	RECOVERY MECHANISM
Columbia Gas of OH	$3.5B	10.39%	~$10.6B	$540M - $560M	Tracked
Columbia Gas of PA	$2.1B	9.86%	~$4.1B	$275M - $340M	Rate Case (Forward Test Year)
NIPSCO Gas	$1.8B*	9.85%	~$5.0B	$155M - $245M	Tracked
Columbia Gas of VA	$905M	9.70%	~$500M	$46M - $65M	Tracked
Columbia Gas of KY	$372M	9.50%	~$900M	$35M - $40M	Tracked
Columbia Gas of MD	$173M	9.60%	~$230M	$18M - $25M	Tracked
NIPSCO Electric	$4.8B*	9.75%	~$5.0B	$170M - $230M	Tracked

ROBUST LONG-TERM INVESTMENT PROGRAMS DELIVER VALUE ON $13.6B RATE BASE**

* NIPSCO gas and electric rate base includes deferred taxes
** As of Dec. 31, 2020

SAFETY AND INFRASTRUCTURE INVESTMENT AND TRACKER FILING DETAILS

COMPANY	MECHANISM	INCREMENTAL INVESTMENTS		RECOVERY	
		PERIOD	AMOUNT ($M)	FILING DATE	EFFECTIVE DATE
Columbia Gas of Ohio	Infrastructure Replacement Program (IRP)	FY 2019	$234.4	Feb 2020	May 2020
		FY 2020	$212.6	Feb 2021	May 2021
Columbia Gas of Ohio	Capital Expenditure Program (CEP)	FY 2019	$185.1	Feb 2020	Sept 2020
		FY 2020	$177.2	Feb 2021	Sept 2021
Columbia Gas of Pennsylvania	Distribution System Improvement Charge (DSIC)	Jun 2020 - Aug 2020	$85.0	Sep 2020	Oct 2020
		Sep 2020 - Nov 2020	$25.0	Dec 2020	Jan 2021
Columbia Gas of Virginia	Steps to Advance Virginia's Energy Plan (SAVE)	FY 2020	$50.0	Aug 2019	Jan 2020
		FY 2021	$46.4	Jul 2020	Jan 2021
Columbia Gas of Kentucky	Safety Modification and Replacement Program (SMRP)	FY 2020	$40.4	Oct 2019	Jan 2020
		FY 2021	$40.0	Oct 2020	May 2021
Columbia Gas of Maryland	Strategic Infrastructure Development and Enhancement (STRIDE)	FY 2020	$15.0	Jan 2020	Feb 2020
		FY 2021	$16.9	Oct 2020	Jan 2021
NIPSCO – Gas	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 1: Jan 2020 - Jun 2020	$26.0	Aug 2020	Jan 2021
		TDSIC 2: July 2020 – Dec 2020	$52.3	Feb 2021	July 2021
NIPSCO – Electric	Transmission, Distribution and Storage System Improvement Charge (TDSIC)	TDSIC 8: Aug 2020 - Jan 2021	$73.5	Mar 2021	Aug 2021
		TDSIC 9: Feb 2021 - May 2021	$42.7	Sep 2021	Feb 2022

Robust Renewable INVESTMENTS in Indiana

Project	Structure	NIPSCO Investment ($M)	Target In Service	Status
Projects in Execution:				
Rosewater Wind	JV	~$100	'20	Complete
Jordan Creek Wind	PPA	N/A	'20	Complete
Indiana Crossroads Wind	JV	~$300	'21	Under Construction
Brickyard Solar	PPA	N/A	'22	Approved
Greensboro Solar + Storage	PPA	N/A	'22	Approved
Dunns Bridge I Solar	JV	~$240	'22	Under Construction
Dunns Bridge II Solar + Storage	JV	~$420	'23	Approved
Cavalry Solar + Storage	JV	~$190	'23	Approved
Gibson Solar	PPA	N/A	'23	Approved
Green River Solar	PPA	N/A	'23	Approved
Fairbanks Solar	JV	~$245	'23	Approved
Crossroads II Wind	PPA	N/A	'23	Approved
Crossroads Solar	JV	~$200	'22	Under Construction
Elliot Solar	JV	~$180	'23	Approved
Transmission Projects	NI owned	~$150	'21–'22	Engineering / Under Construction
Total		**~$2,000**		

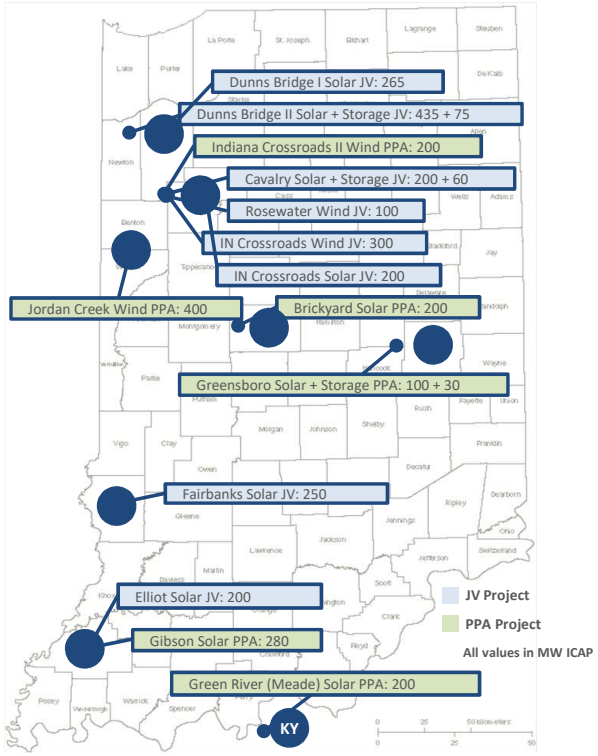

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

Environmental

- Driving toward 90% reduction* in scope 1 greenhouse gas emissions by 2030, inclusive of a 50% reduction in methane emissions by 2025
- Expected to retire 100% of coal-fired generation assets between 2026 and 2028, and replace primarily with renewable generation
- ~$2.0B of planned renewable investments through 2023

Social

- Transformation focused on customer safety, reliability and affordability
- Economically benefiting customers and communities
- Committed to engagement, diversity, equity and inclusion from the boardroom through the organization and supplier network

Governance

- Leadership enhancements support commitment to customer service and safety
- Diverse, skilled and independent Board
- Robust framework for strategy, risk management and oversight

* Compared to 2005 baseline

APPENDIX
3Q 2021 RESULTS

NiSource®

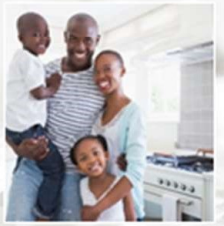

PROCUREMENT PRACTICES HELP MITIGATE SHORT-TERM GAS PRICE VOLATILITY

Generally…residential & commercial gas utility bills are ~1/3 – 1/2 natural gas costs

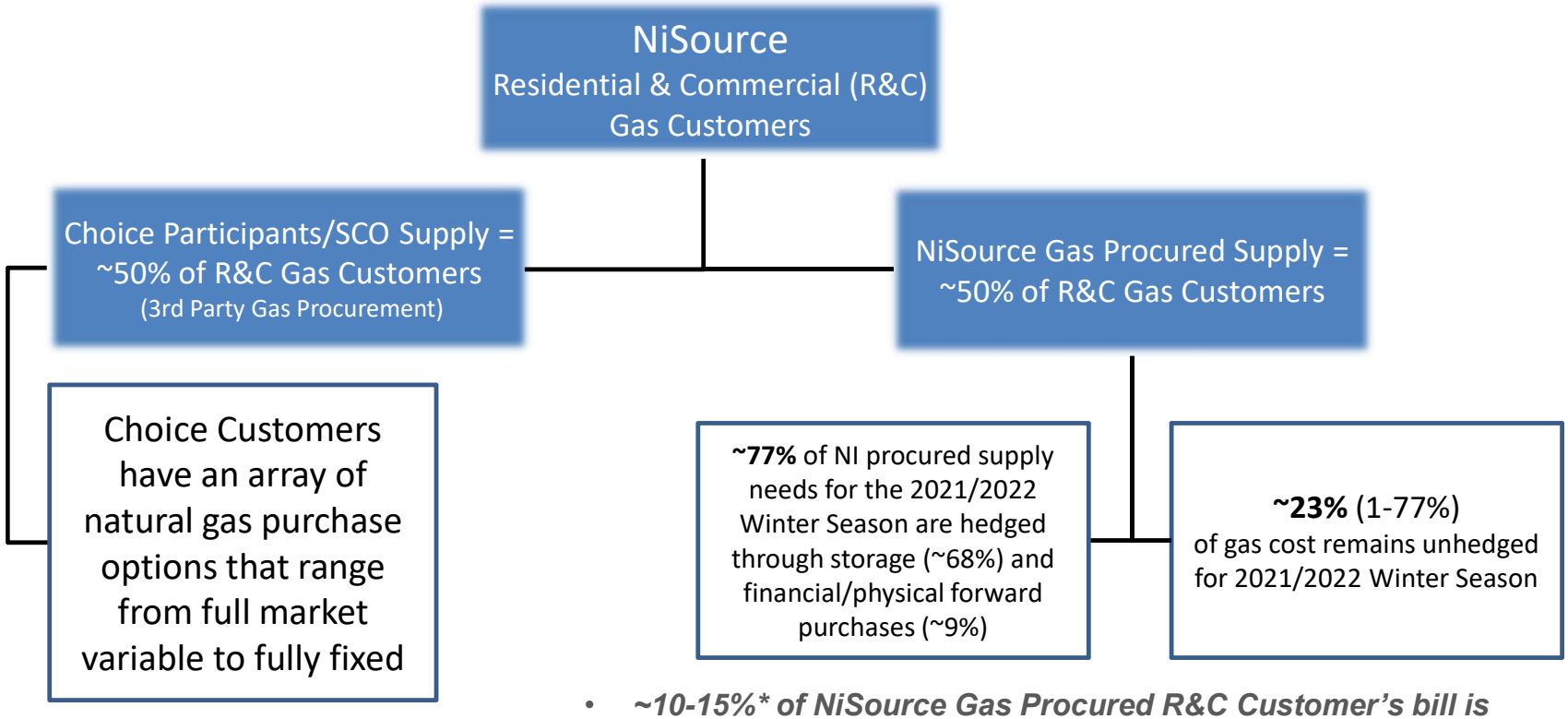

- ***~10-15%* of NiSource Gas Procured R&C Customer's bill is exposed to short-term natural gas price volatility***
- ***Quarterly/Annual Gas Cost Adjustment (GCA) Mechanisms create "smoothing" effect on price changes***

Natural Gas Forward Prices Indicate a Return to "Normal" in the 2H/2022…Bad Debt Recovery Mechanisms Minimize the NI Financial Exposure

*Based on 2021 gas price volatility and its impact on 2021/2022 winter season, not a reflection of year-over-year changes to customer bills

LIQUIDITY AND CAPITALIZATION AS OF 3Q 2021 ($M)

CURRENT LIQUIDITY	ACTUAL 9/30/21	MATURITY
Revolving Credit Facility	$1,850.0	Feb. 20, 2024
Accounts Receivable Programs*	203.9	
Less:		
Drawn on Credit Facility	—	
Commercial Paper	380.0	
Accounts Receivable Programs Utilized	—	
L/C's Outstanding Under Credit Facility	14.1	
Add:		
Cash & Equivalents	38.5	
Net Available Liquidity	$1,698.3	

* Represents the lesser of seasonal limit or maximum borrowings supportable by underlying receivables

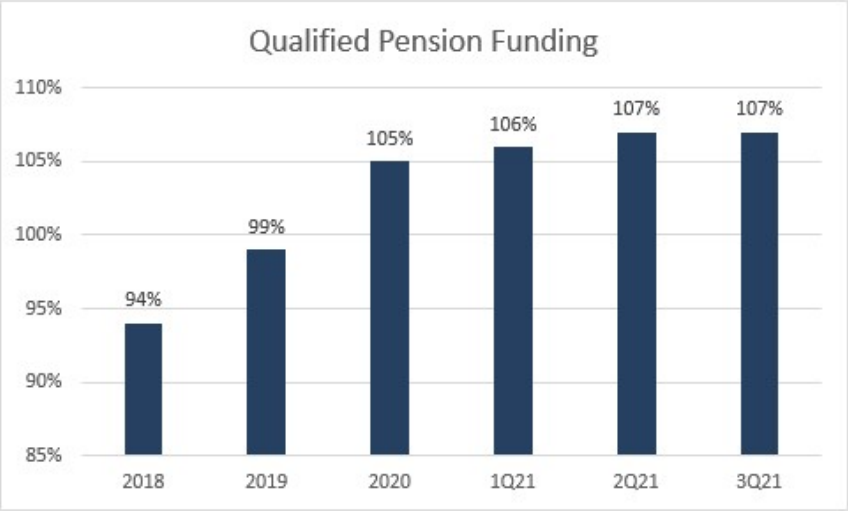

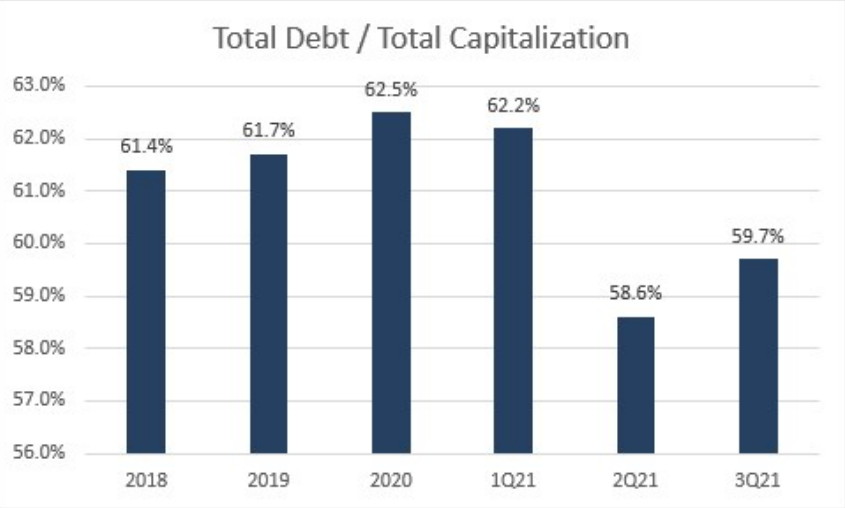

2021 Integrated Resource Planning Process Will Inform Generation Transition Timeline

IRP Process Key Milestones	Timing
• Kicked off Public Stakeholder Advisory meetings and engagement	**March**
• Issued "all-source" Request for Proposal solicitation	**May**
– *Collect responses (project bids) from vendors*	**June**
• Incorporate RFP results into IRP modeling and analysis	**July/ August**
• Shared IRP modeling analysis and results with stakeholders	**September**
• Communicate IRP preferred plan incorporating stakeholder feedback	**October**
– *Submit IRP to Indiana Utility Regulatory Commission*	**November**
• Begin project-specific identification of 2021 preferred pathway	**1st half of 2022**

2021 IRP Preferred Plan

- The IRP Preferred Plan is designed to select the ***preferred resource/technology mix for NIPSCO***. However the IRP is not making specific assets or project selections
- Following Preferred Plan finalization in October, execution activities are beginning and may include commercial negotiations and further due diligence on specific assets/projects bid into RFP
- Any potential projects and investments that emerge will likely begin to be announced in 2022
- Link to IRP website

NIPSCO 2021 IRP October Meeting: Supply Resource Plan And Timing

Timing	Near Term 2022-2025	Mid Term 2026-2028	Long Term 2028 & Beyond
NIPSCO Activity Description	• Complete and place in-service 12 remaining renewables projects filed with the IURC • Complete retirement and shutdown of remaining Schahfer coal units (17, 18) • Begin implementation of MC12-related transmission projects • Actively monitor changing federal/state policy, MISO market rules, and technology advancements • Optimize exact quantities and resource types of portfolio additions	• Full implementation of transmission projects • Retire Schahfer Units 16A/B and Michigan City Unit 12 • Secure approvals for replacement projects • Actively monitor changing federal/state policy, MISO market rules, and technology advancements • Optimize exact quantities and resource types of portfolio additions	• Identify long term pathway for future NIPSCO portfolio to achieve net-zero targets in line with current policy momentum • Monitor market and industry evolution and refine future IRP plans
Retirements	• Schahfer Units 17, 18 (by 2023)	• Schahfer Units 16A/B • Michigan City Unit 12	• N/A
Expected Capacity Additions	• ~2,845 MW*	• ~600-800 MW (ICAP)	
NIPSCO's Preferred Replacement Plan	• Demand Side Management (DSM) • NIPSCO Owned DER (up to 10 MW) • Thermal Contracts (150 MW) • Storage (135-370MW)**	• Sugar Creek Uprate (30-53 MW) • Solar (100-250 MW) • Storage (135-370MW)** • Gas Peaking (up to 300 MW) • Hydrogen Electrolyzer Pilot (20 MW)	• Solar (TBD MW) • Storage (TBD MW) • Sugar Creek Conversion • Other potential resource opportunities
Expected Regulatory Filings	• Approvals for replacement capacity contracts and pilot projects as needed • DSM Plan	• Approvals for replacement capacity resources and pilot projects as needed	• Approvals for replacement capacity projects • Future DSM Plans

*Additions also include replacement ICAP MW for approved renewables projects filed with the IURC
** Exact Storage ICAP MW to be optimized

NiSource Inc.

Schedule 1 - Reconciliation of Consolidated Net Income (Loss) Available to Common Shareholders to Net Operating Earnings Available to Common Shareholders (Non-GAAP) (*unaudited*)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share amounts)	**2021**	2020	**2021**	2020
GAAP Net Income (Loss) Available to Common Shareholders	**$ 49.4**	$ (186.7)	**$ 377.6**	$ (143.4)
Adjustments to Operating Income:				
Operating Revenues:				
Weather - compared to normal	**(15.4)**	(5.2)	**(12.5)**	16.0
Operating Expenses:				
Greater Lawrence Incident[1]	**1.0**	2.3	**8.0**	15.4
Plant retirement costs[2]	**3.6**	—	**12.2**	4.6
NiSource Next initiative[3]	**7.8**	26.6	**22.1**	26.6
Massachusetts Business sale related amounts[4]	**(0.1)**	31.5	**6.8**	381.4
Loss (gain) on sale of assets, net	—	0.3	—	(0.4)
Total adjustments to operating income	**(3.1)**	55.5	**36.6**	443.6
Other Income (Deductions):				
Loss on early extinguishment of long-term debt	—	243.4	—	243.4
Income Taxes:				
Tax effect of above items[5]	**0.8**	(75.9)	**(9.7)**	(166.2)
Total adjustments to net income (loss)	**(2.3)**	223.0	**26.9**	520.8
Net Operating Earnings Available to Common Shareholders (Non-GAAP)	**$ 47.1**	$ 36.3	**$ 404.5**	$ 377.4
Diluted Average Common Shares[6]	**430.3**	384.7	**415.8**	384.4
GAAP Diluted Earnings (Loss) Per Share[7]	**$ 0.12**	$ (0.49)	**$ 0.91**	$ (0.37)
Adjustments to diluted earnings (loss) per share	**(0.01)**	0.58	**0.07**	1.35
Non-GAAP Diluted Net Operating Earnings Per Share[7]	**$ 0.11**	$ 0.09	**$ 0.98**	$ 0.98

[1]Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident.

[2] Represents non-recurring unrecoverable costs incurred in connection with the accelerated partial retirement completed on October 1, 2021 at R.M. Schahfer Generating Station.

[3]Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.

[4]2021 primarily represents final net working capital adjustments to the purchase price for the loss incurred on the sale of the Massachusetts Business. 2020 primarily represents loss recorded as a result of measuring the assets and liabilities of the Massachusetts Business at fair value, less costs to sell, including third-party consulting costs incurred for the separation and transition of the Massachusetts Business, offset by depreciation and amortization expense that was ceased for GAAP purposes as a result of classifying the Massachusetts Business as held for sale

[5]Represents income tax expense calculated using the statutory tax rates by legal entity. 2020 includes adjustment for CMA non-deductible payment in lieu of penalties.

[6]Beginning in 2021, we changed our Non-GAAP measure from Basic to Diluted Net Operating Earnings per Share. Basic Average Common Shares Outstanding were 383.8M and 383.5M for the three and nine months ended September 30, 2020. Non-GAAP Net Operating Earnings per Share of $0.09 and $0.98 respectively, remained unchanged.

[7]The Non-GAAP diluted NOEPS numerator for the three and nine months ended September 30, 2021 is equal to net operating earnings available to common shareholders adjusted for respective $0.6M and $1.0M add-backs for interest expense incurred, net of tax, related to the Series A Equity Unit purchase contracts.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Revenues, Expenses (Benefits), and Income (Loss) (GAAP) to Operating Revenues, Expenses (Benefits), and Income (Loss) (Non-GAAP) (*unaudited*)

Three Months Ended September 30, 2021 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 475.3	$ 479.1	$ 5.0	$ 959.4
Adjustments:				
Weather - compared to normal	0.7	(16.1)	—	(15.4)
Operating Revenues (Non-GAAP)	$ 476.0	$ 463.0	$ 5.0	$ 944.0
Operating Expenses (GAAP)	$ 464.3	$ 338.7	$ 9.3	$ 812.3
Adjustments:				
Greater Lawrence Incident[1]	1.0	—	—	1.0
Plant retirement costs[2]	—	3.6	—	3.6
NiSource Next initiative[3]	5.4	2.2	0.2	7.8
Massachusetts Business sale related amounts[4]	(0.1)	—	—	(0.1)
Operating Expenses (Non-GAAP)	$ 458.0	$ 332.9	$ 9.1	$ 800.0
Operating Income (Loss) (GAAP)	$ 11.0	$ 140.4	$ (4.3)	$ 147.1
Total Revenue and Expense Adjustments to Operating Income (Loss)	7.0	(10.3)	0.2	(3.1)
Operating Income (Loss) (Non-GAAP)	$ 18.0	$ 130.1	$ (4.1)	$ 144.0

Three Months Ended September 30, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 473.1	$ 432.3	$ (2.9)	$ 902.5
Adjustments				
Weather - compared to normal	(0.6)	(4.6)	—	(5.2)
Operating Revenues (Non-GAAP)	$ 472.5	$ 427.7	$ (2.9)	$ 897.3
Operating Expenses (Benefit) (GAAP)	$ 515.3	$ 302.3	$ (7.9)	$ 809.7
Adjustments				
Greater Lawrence Incident[1]	2.3	—	—	2.3
NiSource Next initiative[3]	18.7	7.5	0.4	26.6
Massachusetts Business sale related amounts[4]	31.5	—	—	31.5
Loss on sale of assets, net	—	—	0.3	0.3
Operating Expenses (Benefit) (Non-GAAP)	$ 462.8	$ 294.8	$ (8.6)	$ 749.0
Operating Income (Loss) (GAAP)	$ (42.2)	$ 130.0	$ 5.0	$ 92.8
Total Revenue and Expense Adjustments to Operating Income (Loss)	51.9	2.9	0.7	55.5
Operating Income (Non-GAAP)	$ 9.7	$ 132.9	$ 5.7	$ 148.3

See footnote descriptions contained with Schedule 1.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Revenues, Expenses (Benefits), and Income (Loss) (GAAP) to Operating Revenues, Expenses (Benefits), and Income (Loss) (Non-GAAP) (*unaudited*)

Nine Months Ended September 30, 2021 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 2,191.5	$ 1,285.5	$ 14.0	$ 3,491.0
Adjustments:				
Weather - compared to normal	8.4	(20.9)	—	(12.5)
Operating Revenues (Non-GAAP)	$ 2,199.9	$ 1,264.6	$ 14.0	$ 3,478.5
Operating Expenses (GAAP)	$ 1,772.4	$ 977.6	$ 18.5	$ 2,768.5
Adjustments:				
Greater Lawrence Incident[1]	8.0	—	—	8.0
Plant retirement costs[2]	—	12.2	—	12.2
NiSource Next initiative[3]	15.6	6.1	0.4	22.1
Massachusetts Business sale related amounts[4]	6.8	—	—	6.8
Operating Expenses (Non-GAAP)	$ 1,742.0	$ 959.3	$ 18.1	$ 2,719.4
Operating Income (Loss) (GAAP)	$ 419.1	$ 307.9	$ (4.5)	$ 722.5
Total Revenue and Expense Adjustments to Operating Income (Loss)	38.8	(2.6)	0.4	36.6
Operating Income (Loss) (Non-GAAP)	$ 457.9	$ 305.3	$ (4.1)	$ 759.1

Nine Months Ended September 30, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 2,313.3	$ 1,166.2	$ (8.8)	$ 3,470.7
Adjustments:				
Weather - compared to normal	21.2	(5.2)	—	16.0
Operating Revenues (Non-GAAP)	$ 2,334.5	$ 1,161.0	$ (8.8)	$ 3,486.7
Operating Expenses (Benefit) (GAAP)	$ 2,275.3	$ 870.8	$ (8.1)	$ 3,138.0
Adjustments:				
Greater Lawrence Incident[1]	15.4	—	—	15.4
Plant retirement costs[2]	—	4.6	—	4.6
NiSource Next initiative[3]	18.7	7.5	0.4	26.6
Massachusetts Business sale related amounts[4]	381.4	—	—	381.4
Gain on sale of assets, net	—	—	(0.4)	(0.4)
Operating Expenses (Benefit) (Non-GAAP)	$ 1,859.8	$ 858.7	$ (8.1)	$ 2,710.4
Operating Income (Loss) (GAAP)	$ 38.0	$ 295.4	$ (0.7)	$ 332.7
Total Revenue and Expense Adjustments to Operating Income (Loss)	436.7	6.9	—	443.6
Operating Income (Loss) (Non-GAAP)	$ 474.7	$ 302.3	$ (0.7)	$ 776.3

See footnote descriptions contained with Schedule 1.

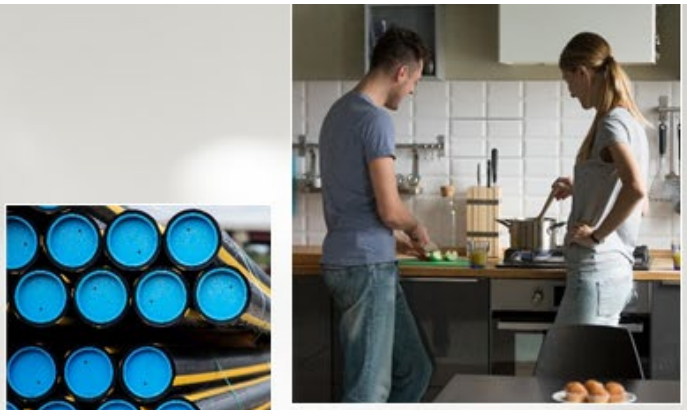

Edison Electric Institute Financial Conference

November 2021

NiSource®

FORWARD-LOOKING STATEMENTS

This presentation contains “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. Expressions of future goals and expectations and similar expressions, including "may," "will," "should," "could," "would," "aims," "seeks," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," "forecast," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this presentation include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of the Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; any adverse effects related to our equity units; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney’s Office to settle the U.S. Attorney’s Office’s investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; and other matters set forth in Part I, Item 1, “Business,” Item 1A, “Risk Factors” and Part I. Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our annual report on Form 10-K for the year ended December 31, 2020, and in Part II, Item 1A, “Risk Factors,” of our quarterly report on from 10-Q for the quarter ended March 31, 2021, many of which risks are beyond our control. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

Regulation G Disclosure Statement

This presentation includes financial results for NiSource with respect to net operating earnings available to common shareholders, diluted net operating earnings per share, and operating income, which are non-GAAP financial measures as defined by the Securities and Exchange Commission's (SEC) Regulation G. This presentation also includes guidance for NiSource with respect to net operating earnings per share and adjusted funds from operations / total debt. The company includes these measures because management believes they permit investors to view the company’s performance using the same tools that management uses and to better evaluate the company’s ongoing business performance. With respect to such guidance for net operating earnings per share, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis. With respect to such guidance for adjusted funds from operations / total debt it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various adjustments the S&P and Moody's rating agencies apply when calculating their metrics. NiSource is not able to provide a reconciliation of its non-GAAP net operating earnings or adjusted funds from operations / total debt guidance, to their GAAP equivalents without unreasonable efforts.

KEY 3Q21 EARNINGS TAKEAWAYS

- **Updating/Reaffirming financial guidance commitments**
  - Targeting the top end of 2021 guidance range of $1.32 to $1.36 NOEPS*
  - Initiating 2022 guidance of $1.42 to $1.48, consistent with 5-7% near-term growth commitment
  - Long-term 7-9% NOEPS guidance through 2024 now based on expected top end of 2021 guidance range, and 5-7% annual rate in 2023 reaffirmed
  - Expect to make capital investments of ~$2.0B in 2021 and $2.4 to $2.7B in 2022
- **Identified Preferred Plan for 2021 NIPSCO IRP**
  - Advances plans for retirement of all coal-fired generation during the 2026-28 period while shifting toward lower-cost, clean and reliable forms of generation
  - Investments of up to $750M will be necessary to replace retiring coal-fired generation, NIPSCO investment to be better understood following further Request for Proposals (RFP) evaluation
- **Regulatory execution progresses with PA & KY settlements, new NIPSCO gas filing**
  - CPA received proposed ALJ order in October recommending approval of settlement
  - CKY filed settlement in late October
  - CMD received ALJ recommendation in late October
  - NIPSCO filed gas base rate case in September
- **Non-GAAP Diluted NOEPS* of $0.11 in 3Q21 vs. $0.09 in 3Q20**
  - Results reflect continued investment in safety & reliability and represent the profile of our business without Columbia Gas of Massachusetts

FOCUSED ON ENHANCING SAFETY, SERVICE, SYSTEM RELIABILITY AND ENVIRONMENTAL LEADERSHIP

*Diluted Net Operating Earnings Per Share (Non-GAAP). For the GAAP Diluted Earnings Per Share and the reconciliation of GAAP to non-GAAP diluted earnings per share, see Schedule 1 in the appendix to this presentation

NiSource is a **100% regulated gas and electric utility** serving customers across six Mid-Western centric states with a focus on **safety and reliability**. NiSource's **well-established history** in a **strong regulatory environment** is expected to provide **consistent earnings and strong cash flows alongside sustainable growth opportunities** for the foreseeable future.

~3.2MM
Gas Customers

~500k
Electric Customers

~$9.0B
Gas Rate Base

~$5.0B
Electric Rate Base

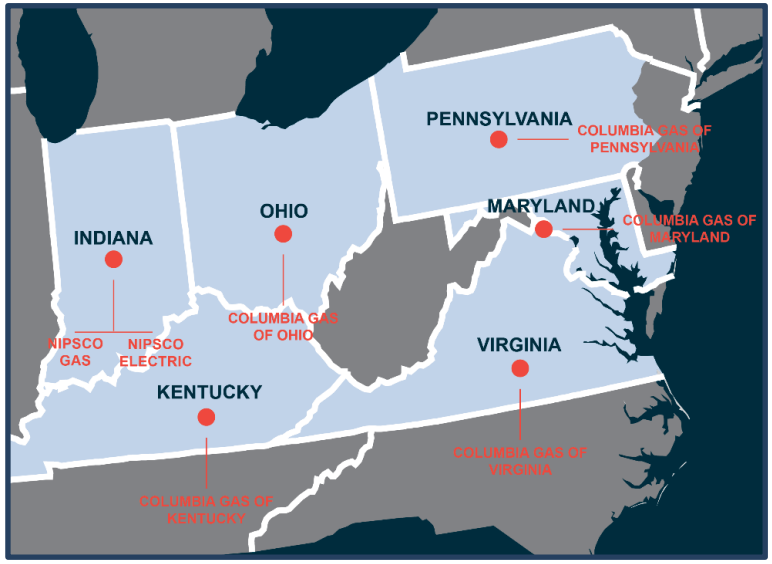

GOLD 2021 STEVIE WINNER AMERICAN BUSINESS AWARDS

2020 Bloomberg Gender-Equality Index

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

INVESTMENT HIGHLIGHTS

1. Diverse Portfolio of Sustainable Assets with Significant Renewable Investment Opportunities
2. Proven History of Consistent Earnings and Rate-Base Growth, Supporting FCF Generation
3. Stable and Growing Customer Base with Midwestern Centric Footprint
4. Committed to Maintaining Current Investment Grade Ratings
5. Industry Leading Focus on Safety, Risk Management and Customer Reliability

Key Financial Commitments / Stats

7%-9%
Projected NOEPS[1] CAGR 2021-2024

5%-7%
Expected Annual 2023 NOEPS Growth

10%-12%
Expected Utility Rate Base Growth CAGR 2021-2024

14%-15%
Long-term FFO[2]/Debt Target

~$14B
Regulated Electric and Gas Rate Base

$40B
Planned Long-Term Infrastructure Investments
(includes $2B in renewables)

100%
Coal Free by 2028
Driving Toward 90% Reduction in Greenhouse Gas Emissions by 2030 from 2005 base level

10%-12% Total Shareholder Return[3] Including Growing Dividend Targeting 60%-70% Payout Ratio

[1]Net Operating Earnings Per Share (Non-GAAP)
[2]Adjusted funds from operations (FFO); represents Net Income adjusted for depreciation and amortization, loss on early extinguishment of debt and deferred taxes
[3]Estimated annual total shareholder return at a constant P/E ratio

FINANCIAL OVERVIEW

Diversified Business Mix

Balanced Business Mix

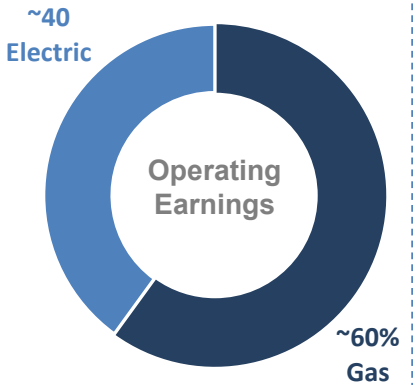

Diversified Revenue Mix

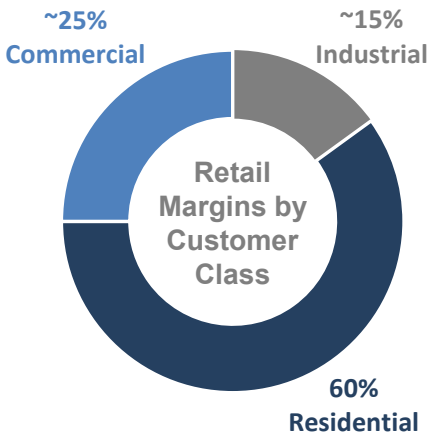

Financial strength driven by strong regulatory constructs and balanced portfolio mix

Capital Investment Driving Growth

Projected YE Rate Base

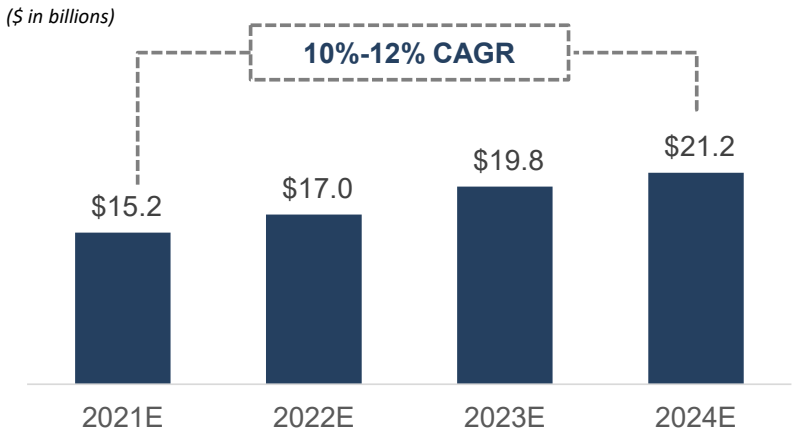

NOEPS[1] Growth

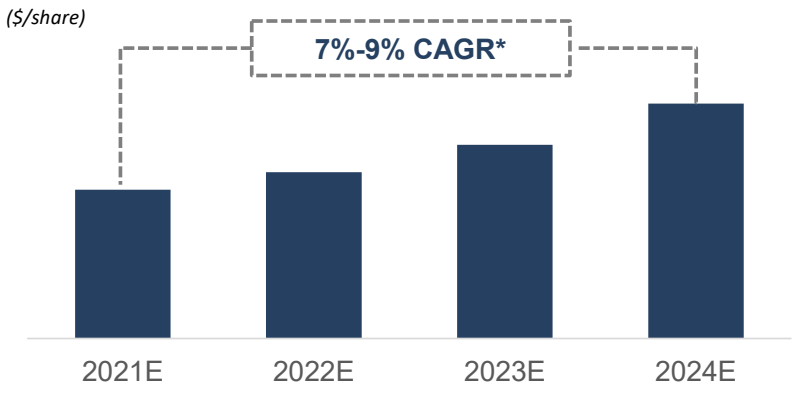

Anticipate >75% of Capital Investments Begin Earning in Less Than 18 Months

[1]Net Operating Earnings Per Share (Non-GAAP)
*CAGR based on midpoint

Robust Renewable INVESTMENTS in Indiana

2018 IRP drives utility customer value

Project	Structure	NIPSCO Investment ($M)	Target In Service	Status
Projects in Execution:				
Rosewater Wind	JV	~$100	'20	Complete
Jordan Creek Wind	PPA	N/A	'20	Complete
Indiana Crossroads Wind	JV	~$300	'21	Under Construction
Brickyard Solar	PPA	N/A	'22	Approved
Greensboro Solar + Storage	PPA	N/A	'22	Approved
Dunns Bridge I Solar	JV	~$240	'22	Under Construction
Dunns Bridge II Solar + Storage	JV	~$420	'23	Approved
Cavalry Solar + Storage	JV	~$190	'23	Approved
Gibson Solar	PPA	N/A	'23	Approved
Green River Solar	PPA	N/A	'23	Approved
Fairbanks Solar	JV	~$245	'23	Approved
Crossroads II Wind	PPA	N/A	'23	Approved
Crossroads Solar	JV	~$200	'22	Under Construction
Elliot Solar	JV	~$180	'23	Approved
Transmission Projects	NI owned	~$150	'21–'22	Engineering / Under Construction
Total		**~$2,000**		

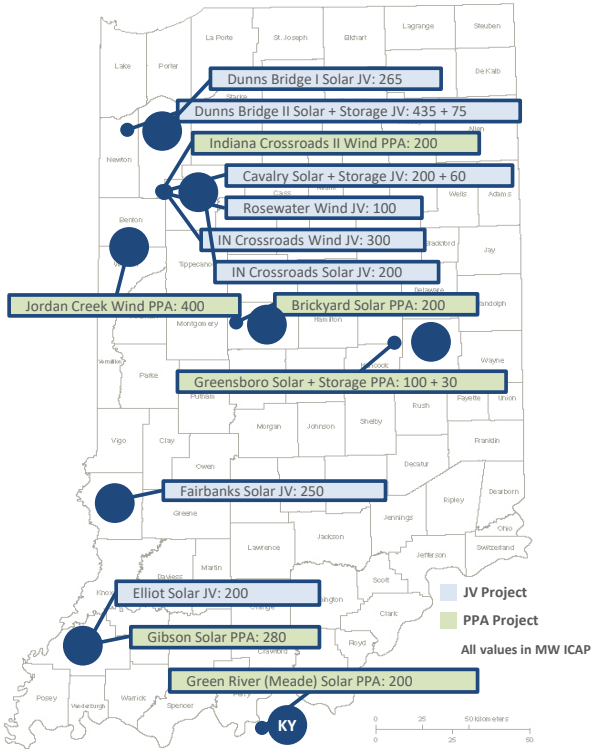

2021 Integrated Resource Planning Process Will Inform Generation Transition Timeline

IRP Process Key Milestones	Timing
• Kicked off Public Stakeholder Advisory meetings and engagement	**March**
• Issued "all-source" Request for Proposal solicitation	**May**
– *Collect responses (project bids) from vendors*	**June**
• Incorporate RFP results into IRP modeling and analysis	**July/ August**
• Shared IRP modeling analysis and results with stakeholders	**September**
• Communicate IRP preferred plan incorporating stakeholder feedback	**October**
– *Submit IRP to Indiana Utility Regulatory Commission*	**November**
• Begin project-specific identification of 2021 preferred pathway	**1st half of 2022**

2021 IRP Preferred Plan

- The IRP Preferred Plan is designed to select the ***preferred resource/technology mix for NIPSCO***. However the IRP is not making specific assets or project selections
- Following Preferred Plan finalization in October, execution activities are beginning and may include commercial negotiations and further due diligence on specific assets/projects bid into RFP
- Any potential projects and investments that emerge will likely begin to be announced in 2022
- Link to IRP website

NIPSCO 2021 IRP October Meeting: Preferred Plan Points To Need For Retirement Timing and Replacement Resource Flexibility

Evolving MISO Market rules changes and federal policy on emissions regulations are key drivers

Retirement Of Michigan City 12 and Schahfer 16AB

- Refine retirement timing of Michigan City Unit 12 to be between 2026 and 2028
- Establish retirement date for vintage peaking units at Schahfer (16A/B) to between 2025 and 2028
- Exact retirement dates will be informed by:
  - System reliability impacts
  - Policy and regulatory considerations
  - Securing replacement resources
- Flexibility in timing allows NIPSCO to optimize retirement timing of vintage peaking units (along with Michigan City 12). NIPSCO can pursue cost-effective resources that cover capacity needs for both assets
- Michigan City Unit 12 and Schahfer 16AB do not have to retire at the same time

Replacement Resources

- Preferred Plan contains a diverse, flexible and scalable mix of incremental resources to add to the NIPSCO portfolio
- Large energy storage and gas peaking resources are attractive replacement options, supplemented by continued DSM[3] expansion, new DER[4] opportunities, and contract options to firm up the capacity position in the short term

Summary MW (ICAP) Range Of Portfolio Additions by 2028	
Sugar Creek Uprate	30 – 53 MW ICAP
Short-Term Capacity Contracts	150 MW ICAP
DSM[3]	~68 MW at summer peak
New Solar	100 – 250[1] MW ICAP
New Storage	135 – 370 MW ICAP
New Gas Peaking[2]	Up to 300 MW ICAP

[1] Top end of range dependent on project sizing
[2] Potentially hydrogen enabled
[3] Demand Side Management
[4] Distributed Energy Resources

NIPSCO 2021 IRP October Meeting: Supply Resource Plan And Timing

Timing	Near Term 2022-2025	Mid Term 2026-2028	Long Term 2028 & Beyond
NIPSCO Activity Description	• Complete and place in-service 12 remaining renewables projects filed with the IURC • Complete retirement and shutdown of remaining Schahfer coal units (17, 18) • Begin implementation of MC12-related transmission projects • Actively monitor changing federal/state policy, MISO market rules, and technology advancements • Optimize exact quantities and resource types of portfolio additions	• Full implementation of transmission projects • Retire Schahfer Units 16A/B and Michigan City Unit 12 • Secure approvals for replacement projects • Actively monitor changing federal/state policy, MISO market rules, and technology advancements • Optimize exact quantities and resource types of portfolio additions	• Identify long term pathway for future NIPSCO portfolio to achieve net-zero targets in line with current policy momentum • Monitor market and industry evolution and refine future IRP plans
Retirements	• Schahfer Units 17, 18 (by 2023)	• Schahfer Units 16A/B • Michigan City Unit 12	• N/A
Expected Capacity Additions	• ~2,845 MW*	• ~600-800 MW (ICAP)	
NIPSCO's Preferred Replacement Plan	• Demand Side Management (DSM) • NIPSCO Owned DER (up to 10 MW) • Thermal Contracts (150 MW) • Storage (135-370MW)**	• Sugar Creek Uprate (30-53 MW) • Solar (100-250 MW) • Storage (135-370MW)** • Gas Peaking (up to 300 MW) • Hydrogen Electrolyzer Pilot (20 MW)	• Solar (TBD MW) • Storage (TBD MW) • Sugar Creek Conversion • Other potential resource opportunities
Expected Regulatory Filings	• Approvals for replacement capacity contracts and pilot projects as needed • DSM Plan	• Approvals for replacement capacity resources and pilot projects as needed	• Approvals for replacement capacity projects • Future DSM Plans

*Additions also include replacement ICAP MW for approved renewables projects filed with the IURC
** Exact Storage ICAP MW to be optimized

NIPSCO 2021 IRP October Meeting: Tranche Summary – Asset Sale Options

Tranche	ICAP (MW)	Heat Rate (Btu/kWh)	First Eligible Start Year**	Asset Sale ($/kW)
Solar A1	1,250		2025	$1,282
Solar A2	1,150		2025	$1,603
Solar + Storage A1	901:305^		2024	$1,346
Solar + Storage A2	549:275^		2025	$1,167
Storage A1	406		2025	$984
Gas Peaking A1	369	11,471	2024	$575
Gas CC A1	650	6,540	2026	$1,100 - $1,300

Notes: **Red-colored** price information shown as a range to protect confidentiality when tranches are composed of a limited number of bids.
^Capacity for Solar + Storage tranches is represented in the format of "Solar:Storage."
**First Eligible Start Year indicates the first year some part of the tranche is expected to be available, although capacity is available to start in subsequent years according to bidder information; this is incorporated in the portfolio modeling.

2021E – 2024E CAPITAL FORECAST

Investment opportunities expected to enhance system safety and reliability while driving shareholder value

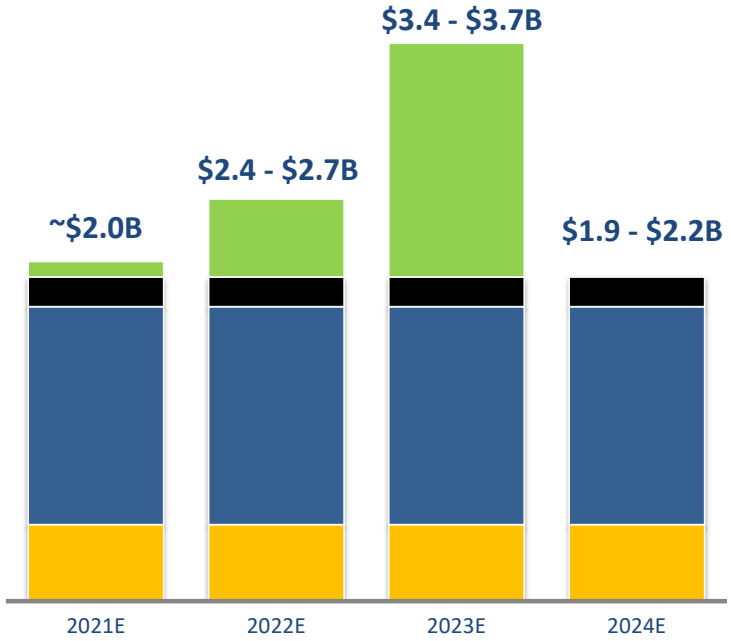

Expected Renewable Generation Investments of ~$2.0B

Expected Investment Recovery Period

- Renewables (Rate Case Effective 2H/2023)
- Growth (Within 0-3 Months)
- Tracker (Within 0-18 Months)
- Maintenance/Other (Periodic Rate Cases)

Anticipate >75% of Capital Investments Begin Earning in Less Than 18 Months

2021 - 2024 FINANCING PLAN*

Financing strategy targets long-term Adj. FFO/total debt** of ~14%-15%

($ millions)	2021E	2022E	2023E	2024E
Planned Annual Safety & Modernization Investments				
Equity				
ATM (At-the-Market)	$200 - $300 Annually		$0 - $150 Total	
ESPP/401K/Other	$30 - $50 Annually			
Long-Term Debt				
Incremental Long-Term Debt		$500 - $700 Annually		
Planned Renewable Generation Investments (Targeting 60% Equity)				
Equity				
Common Equity Block	- - - - - - - - - - - - - - - None Planned - - - - - - - - - - - - - - -			
Long-Term Debt				
Incremental Long-Term Debt		~ $800 Total		
Other Financing				
Equity Unit Issuance	$862.5 Total***			

Current Financing Plan

- All financing is included in our long-term growth commitments
- Reflects our focus on maintaining current investment grade credit rating
- Targets renewable investment financing (60% Equity / 40% Debt)

*Current financing plan may change based on business developments
**As calculated according to the S&P and Moody's rating agency methodologies
*** Remarketing of additional $862.5M in December of 2023

PROCUREMENT PRACTICES HELP MITIGATE SHORT-TERM GAS PRICE VOLATILITY

Generally…residential & commercial gas utility bills are ~1/3 – 1/2 natural gas costs

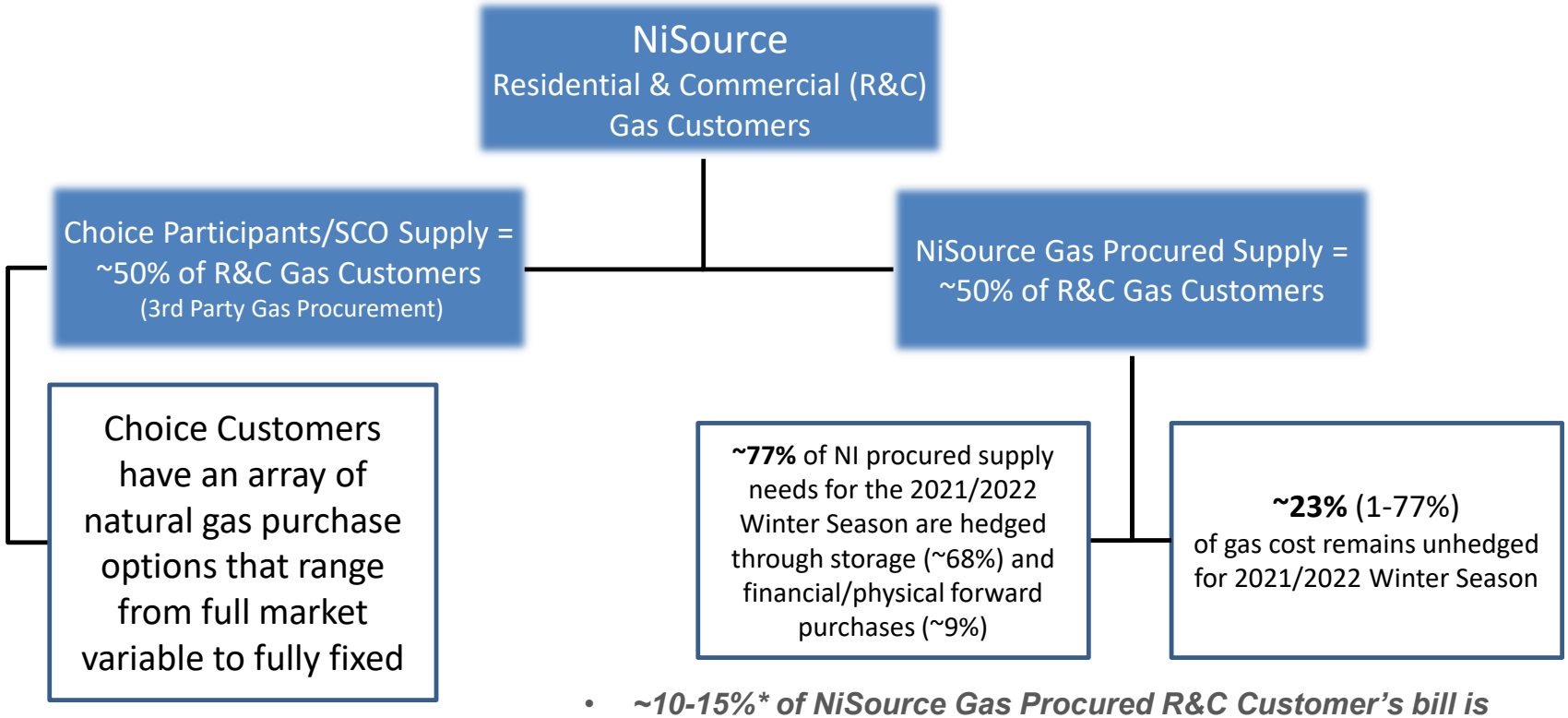

- ***~10-15%* of NiSource Gas Procured R&C Customer's bill is exposed to short-term natural gas price volatility***
- ***Quarterly/Annual Gas Cost Adjustment (GCA) Mechanisms create "smoothing" effect on price changes***

Natural Gas Forward Prices Indicate a Return to "Normal" in the 2H/2022…Bad Debt Recovery Mechanisms Minimize the NI Financial Exposure

*Based on 2021 gas price volatility and its impact on 2021/2022 winter season, not a reflection of year-over-year changes to customer bills

GAS DISTRIBUTION OPERATIONS

- ALJ order recommending settlement in Pennsylvania; Settlement reached in Kentucky; ALJ order received in Maryland; New NIPSCO gas case filed in September
- Continuing to invest in infrastructure to enhance system safety, reliability and environmental performance

HIGHLIGHT	KEY COMPONENTS	STATUS
Columbia Gas of Ohio Base Rate Case	• Requesting $221.4 million, net of the Capital Expenditure Program ("CEP") and Infrastructure Replacement Program ("IRP") Riders; $3.6 billion rate base • Filing requests 10.95% ROE and 50.6% equity capital structure	• Filed June 30, 2021 • New rates proposed effective Mid-2022
Columbia Gas of Kentucky Base Rate Case	• Requesting $26.7 million net of infrastructure tracker on $446 million forecasted rate base • Filing requests 10.3% ROE and 52.64% equity capital structure • Settlement would increase revenue by $18.6 million	• Filed May 28, 2021 • Settlement reached Oct. 27, 2021
Columbia Gas of Maryland Base Rate Case	• Requesting $4.8 million net of infrastructure trackers on $185 million partially forecasted rate base • Filing requests 10.85% ROE and 52.95% equity capital structure	• Filed May 14, 2021 • Received ALJ recommendation in late October • New rates proposed effective December 2021
Columbia Gas of Pennsylvania 2021 Base Rate Case	• Supports continued replacement of aging pipelines and adoption of pipeline safety upgrades • Requested initial increase of $98.3M on $2.7 billion forecasted rate base • Settlement would increase revenue by $58.5 million	• Settlement reached Sept. 7, 2021 • New rates proposed effective December 29, 2021
NIIPSCO Gas 2021 Base Rate Case	• Requesting $115.3 million net of infrastructure trackers on a $2.4 billion forecasted rate base. • Filing requests 10.5% ROE and 57.68% equity capital structure.	• Filed Sept. 29, 2021 • New rates proposed effective September 2022 and March 2023

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

ELECTRIC OPERATIONS

- 2021 IRP Preferred Plan advances plans for retirement of all coal-fired generation by 2026-2028 while shifting towards lower-cost, clean and reliable forms of generation
- Regulatory approval for all 2018 IRP renewable projects

HIGHLIGHT	KEY COMPONENTS	STATUS
2021 Integrated Resource Plan (IRP) & Request for Proposals (RFP)	• Michigan City Generation Station retirement between 2026 and 2028 • Preferred path outlines new generation investment estimated to be up to $750M • RFP solicitation concluded in 3Q21, evaluation continues	• IRP submission to IURC targeted by mid-November • RFP evaluation continues through early 2022
New 5-Year TDSIC	• Includes long-term investments in modernizing the company's electric infrastructure with some projects that were previously identified in the latest TDSIC plan • Total $1.64 billion of current and planned investments over the 2021-2026 period	• New plan filed June 2021 • Final order expected Jan. 2022
Renewable Generation Projects	• Final CPCN approval received for Indiana Crossroads II PPA in September • Construction progresses on Indiana Crossroads wind project	• Indiana Crossroads wind expected in service YE 2021

~$40B IN IDENTIFIED LONG-TERM GAS AND ELECTRIC INFRASTRUCTURE INVESTMENT OPPORTUNITIES

THIRD QUARTER & YTD CONSOLIDATED FINANCIAL RESULTS

GAAP	THIRD QUARTER			YTD		
	2021	2020	Change Fav/(Unfav)	2021	2020	Change Fav/(Unfav)
Net Income (Loss) Available to Common Shareholders ($ in Millions)	$49.4	$(186.7)	$236.1	$377.6	$(143.4)	$521.0
Diluted Earnings (Loss) Per Share	$0.12	$(0.49)	$0.61	$0.91	$(0.37)	$1.28

NON-GAAP*	THIRD QUARTER			YTD		
	2021	2020	Change Fav/(Unfav)	2021	2020	Change Fav/(Unfav)
Net Operating Earnings (Loss) Available to Common Shareholders ($ in Millions)	$47.1	$36.3	$10.8	$404.5	$377.4	$27.1
Diluted Net Operating Earnings Per Share	$0.11	$0.09	$0.02	$0.98	$0.98	$—

*Net Operating Earnings and Diluted Net Operating Earnings per share (non-GAAP). For a reconciliation of GAAP to non-GAAP earnings, see Schedule 1 in the appendix to this presentation

SAFETY AND INFRASTRUCTURE PROGRAMS

COMPANY	YEAR-END 2020 RATE BASE	AUTHORIZED PROGRAM ROE	MODERNIZATION PROGRAM INVESTMENTS	ESTIMATED ANNUAL MODERNIZATION PROGRAM INVESTMENTS	RECOVERY MECHANISM
Columbia Gas of OH	$3.5B	10.39%	~$10.6B	$540M - $560M	Tracked
Columbia Gas of PA	$2.1B	9.86%	~$4.1B	$275M - $340M	Rate Case (Forward Test Year)
NIPSCO Gas	$1.8B*	9.85%	~$5.0B	$155M - $245M	Tracked
Columbia Gas of VA	$905M	9.70%	~$500M	$46M - $65M	Tracked
Columbia Gas of KY	$372M	9.50%	~$900M	$35M - $40M	Tracked
Columbia Gas of MD	$173M	9.60%	~$230M	$18M - $25M	Tracked
NIPSCO Electric	$4.8B*	9.75%	~$5.0B	$170M - $230M	Tracked

ROBUST LONG-TERM INVESTMENT PROGRAMS DELIVER VALUE ON $13.6B RATE BASE**

* NIPSCO gas and electric rate base includes deferred taxes
** As of Dec. 31, 2020

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

Environmental

- Driving toward 90% reduction* in scope 1 greenhouse gas emissions by 2030, inclusive of a 50% reduction in methane emissions by 2025
- Expected to retire 100% of coal-fired generation assets between 2026 and 2028, and replace primarily with renewable generation
- ~$2.0B of planned renewable investments through 2023

Social

- Transformation focused on customer safety, reliability and affordability
- Economically benefiting customers and communities
- Committed to engagement, diversity, equity and inclusion from the boardroom through the organization and supplier network

Governance

- Leadership enhancements support commitment to customer service and safety
- Diverse, skilled and independent Board
- Robust framework for strategy, risk management and oversight

* Compared to 2005 baseline

NiSource Inc.

Schedule 1 - Reconciliation of Consolidated Net Income (Loss) Available to Common Shareholders to Net Operating Earnings Available to Common Shareholders (Non-GAAP) (*unaudited*)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share amounts)	**2021**	2020	**2021**	2020
GAAP Net Income (Loss) Available to Common Shareholders	**$ 49.4**	$ (186.7)	**$ 377.6**	$ (143.4)
Adjustments to Operating Income:				
Operating Revenues:				
Weather - compared to normal	**(15.4)**	(5.2)	**(12.5)**	16.0
Operating Expenses:				
Greater Lawrence Incident[1]	**1.0**	2.3	**8.0**	15.4
Plant retirement costs[2]	**3.6**	—	**12.2**	4.6
NiSource Next initiative[3]	**7.8**	26.6	**22.1**	26.6
Massachusetts Business sale related amounts[4]	**(0.1)**	31.5	**6.8**	381.4
Loss (gain) on sale of assets, net	—	0.3	—	(0.4)
Total adjustments to operating income	**(3.1)**	55.5	**36.6**	443.6
Other Income (Deductions):				
Loss on early extinguishment of long-term debt	—	243.4	—	243.4
Income Taxes:				
Tax effect of above items[5]	**0.8**	(75.9)	**(9.7)**	(166.2)
Total adjustments to net income (loss)	**(2.3)**	223.0	**26.9**	520.8
Net Operating Earnings Available to Common Shareholders (Non-GAAP)	**$ 47.1**	$ 36.3	**$ 404.5**	$ 377.4
Diluted Average Common Shares[6]	**430.3**	384.7	**415.8**	384.4
GAAP Diluted Earnings (Loss) Per Share[7]	**$ 0.12**	$ (0.49)	**$ 0.91**	$ (0.37)
Adjustments to diluted earnings (loss) per share	**(0.01)**	0.58	**0.07**	1.35
Non-GAAP Diluted Net Operating Earnings Per Share[7]	**$ 0.11**	$ 0.09	**$ 0.98**	$ 0.98

[1]Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident.

[2] Represents non-recurring unrecoverable costs incurred in connection with the accelerated partial retirement completed on October 1, 2021 at R.M. Schahfer Generating Station.

[3]Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.

[4]2021 primarily represents final net working capital adjustments to the purchase price for the loss incurred on the sale of the Massachusetts Business. 2020 primarily represents loss recorded as a result of measuring the assets and liabilities of the Massachusetts Business at fair value, less costs to sell, including third-party consulting costs incurred for the separation and transition of the Massachusetts Business, offset by depreciation and amortization expense that was ceased for GAAP purposes as a result of classifying the Massachusetts Business as held for sale

[5]Represents income tax expense calculated using the statutory tax rates by legal entity. 2020 includes adjustment for CMA non-deductible payment in lieu of penalties.

[6]Beginning in 2021, we changed our Non-GAAP measure from Basic to Diluted Net Operating Earnings per Share. Basic Average Common Shares Outstanding were 383.8M and 383.5M for the three and nine months ended September 30, 2020. Non-GAAP Net Operating Earnings per Share of $0.09 and $0.98 respectively, remained unchanged.

[7]The Non-GAAP diluted NOEPS numerator for the three and nine months ended September 30, 2021 is equal to net operating earnings available to common shareholders adjusted for respective $0.6M and $1.0M add-backs for interest expense incurred, net of tax, related to the Series A Equity Unit purchase contracts.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Revenues, Expenses (Benefits), and Income (Loss) (GAAP) to Operating Revenues, Expenses (Benefits), and Income (Loss) (Non-GAAP) (*unaudited*)

Three Months Ended September 30, 2021 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 475.3	$ 479.1	$ 5.0	$ 959.4
Adjustments:				
Weather - compared to normal	0.7	(16.1)	—	(15.4)
Operating Revenues (Non-GAAP)	$ 476.0	$ 463.0	$ 5.0	$ 944.0
Operating Expenses (GAAP)	$ 464.3	$ 338.7	$ 9.3	$ 812.3
Adjustments:				
Greater Lawrence Incident[1]	1.0	—	—	1.0
Plant retirement costs[2]	—	3.6	—	3.6
NiSource Next initiative[3]	5.4	2.2	0.2	7.8
Massachusetts Business sale related amounts[4]	(0.1)	—	—	(0.1)
Operating Expenses (Non-GAAP)	$ 458.0	$ 332.9	$ 9.1	$ 800.0
Operating Income (Loss) (GAAP)	$ 11.0	$ 140.4	$ (4.3)	$ 147.1
Total Revenue and Expense Adjustments to Operating Income (Loss)	7.0	(10.3)	0.2	(3.1)
Operating Income (Loss) (Non-GAAP)	$ 18.0	$ 130.1	$ (4.1)	$ 144.0

Three Months Ended September 30, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 473.1	$ 432.3	$ (2.9)	$ 902.5
Adjustments				
Weather - compared to normal	(0.6)	(4.6)	—	(5.2)
Operating Revenues (Non-GAAP)	$ 472.5	$ 427.7	$ (2.9)	$ 897.3
Operating Expenses (Benefit) (GAAP)	$ 515.3	$ 302.3	$ (7.9)	$ 809.7
Adjustments				
Greater Lawrence Incident[1]	2.3	—	—	2.3
NiSource Next initiative[3]	18.7	7.5	0.4	26.6
Massachusetts Business sale related amounts[4]	31.5	—	—	31.5
Loss on sale of assets, net	—	—	0.3	0.3
Operating Expenses (Benefit) (Non-GAAP)	$ 462.8	$ 294.8	$ (8.6)	$ 749.0
Operating Income (Loss) (GAAP)	$ (42.2)	$ 130.0	$ 5.0	$ 92.8
Total Revenue and Expense Adjustments to Operating Income (Loss)	51.9	2.9	0.7	55.5
Operating Income (Non-GAAP)	$ 9.7	$ 132.9	$ 5.7	$ 148.3

See footnote descriptions contained with Schedule 1.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Revenues, Expenses (Benefits), and Income (Loss) (GAAP) to Operating Revenues, Expenses (Benefits), and Income (Loss) (Non-GAAP) (*unaudited*)

Nine Months Ended September 30, 2021 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 2,191.5	$ 1,285.5	$ 14.0	$ 3,491.0
Adjustments:				
Weather - compared to normal	8.4	(20.9)	—	**(12.5)**
Operating Revenues (Non-GAAP)	$ 2,199.9	$ 1,264.6	$ 14.0	$ 3,478.5
Operating Expenses (GAAP)	$ 1,772.4	$ 977.6	$ 18.5	$ 2,768.5
Adjustments:				
Greater Lawrence Incident[1]	8.0	—	—	**8.0**
Plant retirement costs[2]	—	12.2	—	**12.2**
NiSource Next initiative[3]	15.6	6.1	0.4	**22.1**
Massachusetts Business sale related amounts[4]	6.8	—	—	**6.8**
Operating Expenses (Non-GAAP)	$ 1,742.0	$ 959.3	$ 18.1	$ 2,719.4
Operating Income (Loss) (GAAP)	$ 419.1	$ 307.9	$ (4.5)	$ 722.5
Total Revenue and Expense Adjustments to Operating Income (Loss)	38.8	(2.6)	0.4	36.6
Operating Income (Loss) (Non-GAAP)	$ 457.9	$ 305.3	$ (4.1)	$ 759.1

Nine Months Ended September 30, 2020 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Revenues (GAAP)	$ 2,313.3	$ 1,166.2	$ (8.8)	$ 3,470.7
Adjustments:				
Weather - compared to normal	21.2	(5.2)	—	**16.0**
Operating Revenues (Non-GAAP)	$ 2,334.5	$ 1,161.0	$ (8.8)	$ 3,486.7
Operating Expenses (Benefit) (GAAP)	$ 2,275.3	$ 870.8	$ (8.1)	$ 3,138.0
Adjustments:				
Greater Lawrence Incident[1]	15.4	—	—	**15.4**
Plant retirement costs[2]	—	4.6	—	**4.6**
NiSource Next initiative[3]	18.7	7.5	0.4	**26.6**
Massachusetts Business sale related amounts[4]	381.4	—	—	**381.4**
Gain on sale of assets, net	—	—	(0.4)	**(0.4)**
Operating Expenses (Benefit) (Non-GAAP)	$ 1,859.8	$ 858.7	$ (8.1)	$ 2,710.4
Operating Income (Loss) (GAAP)	$ 38.0	$ 295.4	$ (0.7)	$ 332.7
Total Revenue and Expense Adjustments to Operating Income (Loss)	436.7	6.9	—	443.6
Operating Income (Loss) (Non-GAAP)	$ 474.7	$ 302.3	$ (0.7)	$ 776.3

See footnote descriptions contained with Schedule 1.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-007:

Please provide a listing of all securities issuances for the Company and, if applicable, its parent projected for the next two years. The response should identify for each projected issuance the date, dollar amount, type of security, and effective cost rate.

Response:

Columbia Gas of Pennsylvania, Inc.:

The Company plans on issuing the debt below to meet business needs.

Issue Date		Principal		Coupon		Maturity
June 2022		$40M		3.80%		30 Year
December 2022		$85M		3.95%		30 Year
June 2023		$30M		4.10%		30 Year
December 2023		$95M		4.20%		30 Year

Note: The coupons are based upon U.S. Treasury yield forecasts obtained from Bloomberg L.P. plus NiSource's BBB+ credit spread.

NiSource Gas Distribution Group, Inc. ("NGD"):

NGD does not issue securities.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-008:

Please identify all of the Company's and, if applicable, its parent's publicly underwritten common stock issuances written in the last five years. Identify which such issuances were related to mergers or acquisitions, and which were undertaken to fund facility investments in utility plant and equipment.

Response:

Columbia Gas of Pennsylvania, Inc. (Company) is a wholly owned subsidiary of NiSource Gas Distribution Group, Inc., which is a wholly owned subsidiary of NiSource Inc. (Parent). All equity of the Company is held by the Parent and is not publicly traded.

Response: NiSource Inc.

NiSource Inc. has not issued any shares of its common stock over the last five years (2017-2021) through an underwritten public offering. However, NiSource Inc. has issued 82,679,673 shares of common stock during the time period 2017-2021 by means of the respective types of transactions listed below. None of the proceeds were used to fund mergers or acquisitions. Proceeds were used for investments in utility plant and equipment and other general corporate purposes.

Type	Shares Issued
At the Market Offerings	See Attachment A
Private Placement	
Dividend Reinvestment Plan	
401(k) and other employee benefit plans	

		Shares	
401(k)			
	2017	1,396,115	
	2018	881,929	
	2019	630,393	
	2020	543,576	
	2021	390,809	
		3,842,822	
ESPP			
	2017	206,587	
	2018	222,909	
	2019	201,147	
	2020	236,323	
	2021	208,739	
		1,075,705	
DRIP			
	2017	263,827	
	2018	-	Moved to Open Market Purchases
	2019	-	
	2020	-	
	2021		
		263,827	
Omnibus Plan			
	2017	594,549	
	2018	395,835	
	2019	517,988	
	2020	385,042	
	2021	418,209	
		2,311,623	
ATM 2017			
	2017	11,931,376	
	2018	6,345,860	
		18,277,236	
ATM 2018			
	2018	2,537,154	
	2019	8,422,498	
	2020	8,459,430	
		19,419,082	
ATM 2021			
	2021	12,525,215	
Private Placement			
	2018	24,964,163	
Total Issued		82,679,673	

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-009:

Please identify any plan by the Company to refinance high cost long-term debt or preferred stock.

Response:

There are currently no plans to refinance existing long term debt; debt will be refinanced in normal course at maturity. There are currently no plans to refinance existing preferred stock.

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

Question No. GAS-ROR-010:

Please provide copies of all securities analysts' reports relating to the Company and/or its parent issued within the past 2 years.

Response: Columbia Gas of Pennsylvania, Inc.

Columbia Gas of Pennsylvania, Inc. (Company) is a wholly owned subsidiary of NiSource Gas Distribution, Inc. (NGD), which is a subsidiary of NiSource Inc. (Parent). There are no securities analysts reports that relate to the Company or NGD that are separate from such reports relating to the Parent.

Response: NiSource Inc.

Security analysts' reports issued within the past 2 years are attached in Attachment A – Attachment I.

Year	Attachment	Folder Name	Documents Included
2020	A	1Q	Morningstar 1Q – 2020 Jefferies 1Q – 2020 Barclays 1Q – 2020 Bank of America 1Q – 2020 Goldman Sachs 1Q – 2020 Valueline 1Q – 2020 BMO 1Q - 2020 Morningstar 1Q – 2020 Evercore 1Q – 2020 Wolfe 1Q – 2020 Wolfe 1Q – 2020 Bank of America 1Q – 2020 Wolfe 1Q – 2020
	B	2Q	Barclays 2Q – 2020 Credit Suisse 2Q – 2020 Goldman Sachs 2Q – 2020 Jefferies 2Q – 2020 J.P. Morgan 2Q – 2020 UBS 2Q – 2020 Wells Fargo 2Q – 2020 BMO 2Q - 2020 Evercore 2Q – 2020 Guggenheim 2Q – 2020 Wolfe 2Q – 2020 Bank of America 2Q – 2020 Morningstar 2Q – 2020 Bank of America 2Q – 2020 Jefferies 2Q – 2020 Wolfe 2Q – 2020

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

			Citi 2Q – 2020 J.P. Morgan 2Q – 2020 Argus 2Q – 2020 UBS 2Q – 2020 Guggenheim 2Q – 2020 Bank of America 2Q – 2020 BMO 2Q - 2020 Goldman Sachs 2Q – 2020 UBS 2Q – 2020 Wells Fargo 2Q – 2020 Wolfe 2Q – 2020 Guggenheim 2Q – 2020 Bank of America 2Q – 2020 Wolfe 2Q – 2020 Wells Fargo 2Q – 2020 UBS 2Q – 2020 Goldman Sachs 2Q – 2020 BMO 2Q - 2020
	C	3Q	Goldman Sachs 3Q – 2020 Barclays 3Q – 2020 Bank of America 3Q – 2020 Credit Suisse 3Q – 2020 Goldman Sachs 3Q – 2020 Jefferies 3Q – 2020 J.P. Morgan 3Q – 2020 UBS 3Q – 2020 BMO 3Q - 2020 Guggenheim 3Q – 2020 Wolfe 3Q – 2020 Goldman Sachs 3Q – 2020 Wells Fargo 3Q – 2020 Jefferies 3Q – 2020 J.P. Morgan 3Q – 2020 Bank of America 3Q – 2020 Bank of America 3Q – 2020 Barclays 3Q – 2020 BMO 3Q – 2020 Bank of America 3Q – 2020 Citi 3Q – 2020 Evercore 3Q – 2020 Goldman Sachs 3Q – 2020 Guggenheim 3Q – 2020 J.P. Morgan 3Q – 2020 UBS 3Q – 2020 Wells Fargo 3Q – 2020 Wolfe 3Q – 2020 Bank of America 3Q – 2020 Credit Suisse 3Q – 2020 Credit Suisse 3Q – 2020 Goldman Sachs 3Q – 2020 J.P. Morgan 3Q – 2020 UBS 3Q – 2020 Guggenheim 3Q – 2020

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

			Wells Fargo 3Q – 2020 BMO 3Q – 2020 Evercore 3Q – 2020 Wolfe 3Q – 2020 Bank of America 3Q – 2020 Credit Suisse 3Q – 2020
	D	4Q	Bank of America 4Q – 2020 Evercore 4Q – 2020 Credit Suisse 4Q – 2020 Guggenheim 4Q – 2020 Barclays 4Q – 2020 Goldman Sachs 4Q – 2020 Bank of America 4Q – 2020 BMO 4Q – 2020 Wolfe 4Q – 2020 Wells Fargo 4Q – 2020 UBS 4Q – 2020 Citi 4Q – 2020 Bank of America 4Q – 2020
2021	E	1Q	Bank of America 1Q – 2021 Bank of America 1Q – 2021 Credit Suisse 1Q – 2021 Evercore 1Q – 2021 Goldman Sachs 1Q – 2021 Guggenheim 1Q – 2021 Guggenheim 1Q – 2021 UBS 1Q – 2021 Wells Fargo 1Q – 2021 Wolfe 1Q – 2021 Bank of America 1Q – 2021 Bank of America 1Q – 2021 Credit Suisse 1Q – 2021 Evercore 1Q – 2021 Guggenheim 1Q – 2021 Guggenheim 1Q – 2021 UBS 1Q – 2021 Wells Fargo 1Q – 2021 Wolfe 1Q – 2021 Wolfe 1Q – 2021 Bank of America 1Q – 2021 Barclays 1Q – 2021 BMO 1Q – 2021 Credit Suisse 1Q – 2021 Evercore 1Q – 2021 Goldman Sachs 1Q – 2021 J.P. Morgan 1Q – 2021 Morningstar 1Q – 2021 UBS 1Q – 2021 Wells Fargo 1Q – 2021 Wolfe 1Q – 2021

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

	F	2Q	Barclays 2Q – 2021 Bank of America 2Q – 2021 Goldman Sachs 2Q – 2021 Guggenheim 2Q – 2021 Evercore 2Q – 2021 J.P. Morgan 2Q – 2021 Wells Fargo 2Q – 2021 BMO 2Q – 2021 Morningstar 2Q – 2021 Guggenheim 2Q – 2021 Wolfe 2Q – 2021 Barclays 2Q – 2021 Bank of America 2Q – 2021 Citi 2Q – 2021 Evercore 2Q – 2021 Goldman Sachs 2Q – 2021 Evercore 2Q – 2021 J.P. Morgan 2Q – 2021 J.P. Morgan 2Q – 2021 UBS 2Q – 2021 Wells Fargo 2Q – 2021 Wolfe 2Q – 2021 Wolfe 2Q – 2021 Goldman Sachs 2Q – 2021
	G	3Q	Goldman Sachs 3Q – 2021 Bank of America 3Q – 2021 UBS 3Q – 2021 Wolfe 3Q – 2021 J.P. Morgan 3Q – 2021 Guggenheim 3Q – 2021 Evercore 3Q – 2021 Wolfe 3Q – 2021 BMO 3Q – 2021 Morningstar 3Q – 2021 Goldman Sachs 3Q – 2021 Bank of America 3Q – 2021 UBS 3Q – 2021 Wolfe 3Q – 2021 J.P. Morgan 3Q – 2021 Guggenheim 3Q – 2021 Bank of America 3Q – 2021 Barclays 3Q – 2021 Goldman Sachs 3Q – 2021 Wells Fargo 3Q – 2021
	H	4Q	Barclays 4Q – 2021 BMO 4Q – 2021 Bank of America 4Q – 2021 Bank of America 4Q – 2021 Evercore 4Q – 2021 Goldman Sachs 4Q – 2021 J.P. Morgan 4Q – 2021 J.P. Morgan 4Q – 2021 Wells Fargo 4Q – 2021

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

			Wolfe 4Q – 2021
	I	Misc	Goldman Sachs – 2021 Citi – 2021 Bank of America – 2021 Argus – 2021 Barclays – 2021 BMO -2021 Bank of America – 2021 Bank of America – 2021 Bank of America – 2021 Bank of America – 2021 Citi – 2021 Goldman Sachs – 2021 J.P. Morgan - 2021 Morningstar – 2021 UBS – 2021 Wolfe – 2021 Wolfe – 2021 Wolfe – 2021 Wolfe – 2021 Wolfe – 2021 Wolfe – 2021 Wolfe – 2021 Wolfe – 2021 Wolfe – 2021 Guggenheim – 2021 Guggenheim – 2021 Guggenheim - 2021

NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
25.60 USD	27.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

COVID-19 Likely to Pressure NiSource's C&I Sales and Capital Investment

Updated Forecasts and Estimates from 30 Mar 2020

Charles Fishman, CFA
Equity Analyst
Morningstar

Important Disclosure

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The primary analyst covering this company does not own its stock.

Research as of 30 Mar 2020
Estimates as of 30 Mar 2020
Pricing data as of 30 Mar 2020 10:41
Rating updated as of 30 Mar 2020 10:41

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Business Strategy and Outlook 30 Mar 2020

NiSource completed its separation from Columbia Pipeline Group in 2015 and now derives all of its operating revenue from its regulated electric and natural gas distribution utilities. About 60% of operating income comes from its six natural gas distribution utilities. The remaining 40% comes from its electric utility business in Indiana.

NiSource's utilities have regulatory frameworks that include the automatic rate tracker mechanisms, with almost 80% of planned capital expenditures, providing recovery of investments in less than 18 months. As a result of the favorable regulation, we expect NiSource to step up its capital expenditures to almost $2 billion per year over the next five years. This is an investment level almost double the previous five years.

Over the next 20 years, NiSource plans to invest about $30 billion in infrastructure improvements. Over 50% of these investments are modernization programs for replacing steel and cast-iron pipe with plastic at its natural gas distribution utilities. Almost all of these investments receive rate tracker treatment. This allows NiSource to earn returns on these investments near allowed returns and consistently above its cost of capital.

In September 2018, a natural gas explosion killed one person north of Boston on NiSource's Columbia Gas of Massachusetts system. Insurance should cover roughly one half of the almost $2 billion of claims, penalties and other expenses, but the event was a public relations nightmare. On Feb. 27, 2020, NiSource announced the sale of the Massachusetts utility for $1.1 billion. The transaciton will avoid a planned $500 million block equity issuances.

Although the economic impact from the COVID-19 pandemic will pressure earnings in 2020 and 2021 due in part to NiSource's high percentage of commercial and industrial customers, we expect a rebound in EPS to near the top end of management's 5%-7% target from 2022 to 2024. Dividend growth will likely lag EPS growth due to the lingering impact of COVID-19 and the capital investment acceleration.

Vital Statistics

Market Cap (USD Mil)	9,465
52-Week High (USD)	30.67
52-Week Low (USD)	19.56
52-Week Total Return %	-10.8
YTD Total Return %	-10.3
Last Fiscal Year End	31 Dec 2019
5-Yr Forward Revenue CAGR %	4.6
5-Yr Forward EPS CAGR %	4.8
Price/Fair Value	0.90

Valuation Summary and Forecasts

Fiscal Year:	2018	2019	*2020(E)*	*2021(E)*
Price/Earnings	19.5	21.1	*20.6*	*18.3*
EV/EBITDA	25.6	10.4	*11.5*	*10.8*
EV/EBIT	147.3	16.1	*18.9*	*17.3*
Free Cash Flow Yield %	-13.5	-2.1	*-6.0*	*-2.8*
Dividend Yield %	3.1	2.9	*3.4*	*3.6*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2018	2019	*2020(E)*	*2021(E)*
Revenue	5,115	5,209	*5,407*	*5,675*
Revenue YoY %	4.9	1.9	*3.8*	*5.0*
EBIT	126	1,305	*1,052*	*1,150*
EBIT YoY %	-86.3	936.7	*-19.4*	*9.4*
Net Income, Adjusted	463	495	*468*	*542*
Net Income YoY %	16.0	6.8	*-5.5*	*16.0*
Diluted EPS	1.30	1.32	*1.20*	*1.35*
Diluted EPS YoY %	7.6	1.2	*-8.9*	*12.8*
Free Cash Flow	-1,337	-75	*553*	*32*
Free Cash Flow YoY %	37.7	-94.4	*-841.6*	*-94.2*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.5 million customers in Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana to about 500,000 customers. The regulated electric utility also owns more than 3,000 megawatts of generation capacity, most of which is now coal-fired but is being replaced by natural gas and renewables.

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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
25.60 USD	27.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analysis

NISource's Heavy C&I Customer Exposure Increases Impact Of COVID-19 30 Mar 2020

We are reducing our fair value estimate to $27 per share from $27.50 for NiSource due to the impact of COVID-19 on earnings and capital investment. On Feb. 28, NiSource pulled earnings guidance following the agreement to sell its troubled Columbia Gas of Massachusetts unit. However, management expressed confidence it could achieve 5%-7% EPS growth off a new 2021 base when guidance was reestablished.

We expect earnings growth to rebound to near the top end of guidance from 2022-2024. However, COVID-19 changes our estimate of the 2021 EPS base, which we lowered by $0.08, to $1.35.

Supply chain disruptions and staffing issues will make it difficult for NiSource to fully execute our five-year, $10 billion capital expenditures estimate and we reduced it by 5%, or $500 million. Less investment translates into lower-rate base growth and earnings.

Northern Indiana Public Service Company, contributing about 40% of earnings and heavily dependent on commercial and industrial, or C&I, customers, will experience significantly reduced sales following Indiana's stay-at-home order. In 2019, C&I customers represented about 78% of retail electric sales.

NiSource's gas utilities, about 60% of earnings, will also be affected by stay-at-home orders in Ohio, Pennsylvania, and Indiana. In 2019, C&I sales represented about 70% of sales and transportation volumes.

Bad debt/uncollectible expense will also pressure near-term earnings. On March 19, the Edison Electric Institute announced that all members have suspended electricity disconnections. NiSource is a member of EEI.

Operating expenses will increase as safety measures are instituted. Maintaining minimum staffing levels could be challenging and the increase in overtime costs. We expect most, but not necessarily all, expenses related to COVID-19 to eventually be recovered in rates. If COVID-19 costs become significant, regulators might allow cost-recovery deferrals or securitization, similar to large weather-related expenses.

Fair Value & Profit Drivers 30 Mar 2020

We reduced our fair value estimate to $27 per share from $27.50 due to the impact of COVID-19 on earnings and capital investment. On Feb. 28, NiSource pulled earnings guidance following the agreement to sell its troubled Columbia Gas of Massachusetts unit. However, management expressed confidence it could achieve 5%-7% EPS growth off a new 2021 base when guidance was re-established.

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NiSource's gas utilities, about 60% of earnings, will also be

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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
25.60 USD	27.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

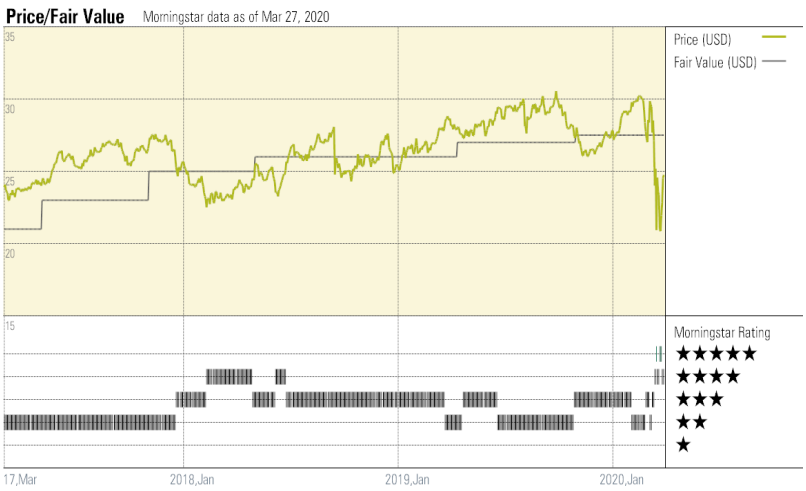

impacted by stay-at-home orders in Ohio, Pennsylvania, and Indiana. In 2019, C&I sales represented about 70% of sales and transportation volumes.

We use a 6% cost of capital in our discounted cash flow valuation, which incorporates a 7.5% cost of equity. Our cost of equity is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above-average regulatory frameworks.

Our pretax cost of debt assumption is 5.8%, as we incorporate a normalized long-term real rate environment and normalized credit spreads. A 2.25% long-term inflation outlook underpins our capital cost assumptions.

Our fair value estimate implies a 20 times multiple on 2021 earnings. This is in line with market valuations for peer combination electric and gas distribution utilities in late March.

Scenario Analysis

Our uncertainty rating is low. If we assume capital expenditures are 25% lower than our estimate during the next five years, then our annual EPS growth would decline about 5% and our fair value estimate would decrease approximately $3 per share. We believe it is unlikely that capital expenditures will materially exceed our estimate.

A 50-basis-point change in our cost of equity assumption changes our fair value estimate by $3 per share.

Economic Moat

Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated utilities. State and federal regulators typically grant regulated utilities exclusive rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital they invest to build, operate, and maintain their infrastructure. In exchange for regulated utilities' service territory monopolies, state and federal regulators set returns at levels that aim to minimize customer costs while offering fair returns for capital providers.

This implicit contract between regulators and capital providers should, on balance, allow NiSource's regulated utilities to achieve at least their costs of capital, though observable returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing.

NiSource derives roughly 60% of its operating earnings from the regulated distribution of natural gas. For natural gas distribution service, regulators set distribution rates and the commodity price for customers purchasing natural gas from NiSource. NiSource recovers its costs for natural gas that it sells with a pass-through charge to customers. Thus, NiSource has no commodity price risk that could weaken its moat. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for

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distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

Electricity generation, which contributes about 40% of operating earnings, is from operations in Indiana and is also regulated. The rates for this service are combined with regulated customer rates for transmission and distribution service. In exchange for its monopoly position, state and federal regulators set NiSource's electric rates.

Moat Trend

We believe NiSource's moat trend is stable. We do not foresee a long-term change to the firm's business as a monopoly provider of natural gas and electricity, nor do we see changes to its compact with regulators. All operating earnings are from FERC-regulated electric transmission and state-regulated natural gas and electric utilities. We think it is unlikely that the FERC or the state regulatory frameworks will change. As with almost all regulated utilities, we believe regulatory caps on revenue and returns preclude NiSource from establishing a wide economic moat.

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Bulls Say/Bears Say

Bulls Say

- We expect annual dividend growth to average near 5% from 2020 to 2024.
- We believe the separation of the Columbia Pipeline Group from NiSource was good shareholder stewardship, as the market valued the individual businesses more highly at the time of the separation.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say

- Industrial customers account for over half of NiSource's electric sales, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- NiSource's electric and natural gas distribution businesses have substantial commercial and industrial customer exposure, increasing the impact of the COVID-19 pandemic.
- NiSource issued almost $2 billion of common and preferred shares in 2018 and 2019. The additional shares will be a headwind to EPS growth.

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Five Year Adjusted Cash Flow Forecast (USD Mil)

	2020(E)	2021(E)	2022(E)	2023(E)	2024(E)
Cash and Equivalents (beginning of period)	148	240	170	202	136
Adjusted Available Cash Flow	433	331	445	359	590
Total Cash Available before Debt Service	581	572	615	561	726
Principal Payments	-542	-266	-755	-598	-809
Interest Payments	-383	-386	-400	-414	-430
Other Cash Obligations and Commitments	—	—	—	—	—
Total Cash Obligations and Commitments	-925	-652	-1,155	-1,012	-1,239

Cumulative Annual Cash Flow Cushion

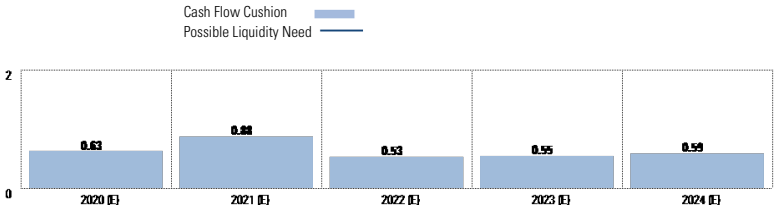

Adjusted Cash Flow Summary

	USD Millions	% of Commitments
Beginning Cash Balance	148	3.0
Sum of 5-Year Adjusted Free Cash Flow	2,158	43.3
Sum of Cash and 5-Year Cash Generation	2,307	46.3
Revolver Availability	1,500	30.1
Asset Adjusted Borrowings (Repayment)	—	—
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	3,807	76.4
Sum of 5-Year Cash Commitments	-4,983	—

Financial Strength

NiSource issued over $1 billion of common and $880 million of preferred shares in 2018 and 2019 because of infrastructure investments, the negative impact of tax reform on its balance sheet, and the Boston tragedy. These issuances strengthened the debt/capital ratio of NiSource's balance sheet to about 61% versus almost 68% at year-end 2017.The company was planning to issue $500 million of equity in 2020, but the sale of the Columbia Gas of Massachusetts eliminated the need for the block equity transaction. We now project that the ratio will remain near 60% over the next five years, owing in large part to the annual at-the-market and employee plan equity issuances of about $300 million and cash from operating earnings. We expect NiSource's EBIT/interest expense ratio will recover to over 3 times over the next five years after sinking to only 0.4 in 2018 because of the impact of the Boston tragedy. This is still slightly below the industry average, but we view it as sufficient, given that NiSource's diversified regulated operations provide fairly consistent earnings and cash flow.NiSource began increasing its dividend in 2012; this marked the first increase in 10 years, following a 2003 dividend cut to strengthen its balance sheet after the Columbia Energy Group acquisition. NiSource reduced its common dividend to $0.62 per share annualized following the separation from CPG, but this represented an 8% total increase for shareholders when combined with the CPG dividend.The company raised its dividend in mid-2016 by 6.5% and again by 6.1% in the first quarter of 2017. NiSource rewarded shareholders with an 11.4% increase in 2018. In 2019, following the Boston gas explosion, the annual increase was only 2.6%. The increase in first-quarter 2020 was 5% and we expect annual increases near this level for the foreseeable future.

Risk & Uncertainty

Regulatory risk remains the key uncertainty; however, NiSource's regulatory exposure is diversified, owing to

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operations in seven states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms that provide for automatic rate increases as infrastructure investments are made.In 2018, NiSource announced it would eliminate all coal-fired generation from its power plant fleet within 10 years. This transition will require signing power purchase agreements for renewable energy; building new gas-fired power plants and solar and wind farms; and making modifications to its electric grid. There is a modest amount of execution risk to this dramatic transition from coal.

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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
JOSEPH HAMROCK	CEO/Director/President,Director	546,233	28 Feb 2020	—
CARRIE J. HIGHTMAN	Chief Legal Officer/Executive VP	346,401	04 Mar 2020	—
MR. DONALD BROWN	Executive VP/CFO	145,309	28 Feb 2020	—
MS. VIOLET G. SISTOVARIS	Executive VP/President, Subsidiary	132,473	28 Feb 2020	—
EILEEN O'NEILL ODUM		97,086	24 Mar 2009	—
MR. PABLO A. VEGAS	Executive VP/President, Divisional	91,627	28 Feb 2020	—
DR. CAROLYN Y. WOO	Director	48,810	07 May 2019	—
DR. ARISTIDES S. CANDRIS	Director	45,429	07 May 2019	—

*Represents the date on which the owner's name, position, and common shares held were reported by the holder or issuer.

Fund Ownership

Top Owners	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
T. Rowe Price Capital Appreciation Fund	4.25	1.16	5,527	29 Feb 2020
T. Rowe Price Equity Income Fund	2.89	1.44	730	29 Feb 2020
Vanguard US Total Market Shares ETF	2.88	0.03	272	29 Feb 2020
Vanguard Total Stock Market Index Fund	2.88	0.03	156	29 Feb 2020
Vanguard Mid-Cap Index Fund	2.56	0.25	12	29 Feb 2020
Concentrated Holders				
FT Dow Target Dividend 1Q 2020	0.01	5.71	1	29 Feb 2020
Maple-Brown Abbott Global Listed Infras	0.30	4.64	—	29 Feb 2020
Renaissance Global Infrastructure Fund	0.47	4.55	—	29 Feb 2020
Miller/Howard - Utilities Plus SMA-UBS	0.00	4.53	0	29 Feb 2020
Maple-Brown Abbott Glb Infras	0.19	4.52	16	29 Feb 2020

Institutional Transactions

Top 5 Buyers	% of Shares Held	% of Fund Assets	Shares Bought/ Sold (k)	Portfolio Date
Newport Trust Co.	2.28	0.64	8,521	29 Feb 2020
Bank of New York Mellon Corp	0.99	0.03	3,697	29 Feb 2020
Equitable Holdings Inc	0.75	0.04	2,790	29 Feb 2020
D. E. Shaw & Co LP	0.98	0.12	2,560	29 Feb 2020
Millennium Management LLC	1.12	0.15	2,318	29 Feb 2020
Top 5 Sellers				
Zimmer Partners LP	1.79	2.57	-8,048	29 Feb 2020
AllianceBernstein L.P.	0.75	0.04	-6,187	29 Feb 2020
Brookfield Asset Management Inc	—	—	-4,857	29 Feb 2020
Brookfield Asset Management Private Institutional Capital Adviser	—	—	-4,857	29 Feb 2020
Capital Research and Management Company	—	—	-4,508	29 Feb 2020

Stewardship 30 Mar 2020

We assign NiSource a Standard stewardship rating. We think management's decision to form Columbia Pipeline Partners and execute CPG's tax-free separation exhibited exemplary stewardship of shareholder capital. However, the CEO who probably drove those decisions left NiSource to go with CPG before he retired.

The National Transportation Safety Board found NiSource responsible for the tragic gas explosion north of Boston. The incident had a negative effect on shareholder value and has been a public relations nightmare. The good news is that management found a buyer for the utility at an attractive purchase price for NiSource shareholders. We expect the transaction to close in the second-half of 2020.

Joe Hamrock became CEO following the separation. He has been with NiSource since 2012 and previously ran the natural gas distribution business. Before joining NiSource, he was with American Electric Power. CFO Donald Brown joined NiSource in April 2015. Previously, he was with UGI Utilities and Constellation Energy. These individuals have significant utility experience, and we believe they will not stray from the strategy that has benefited shareholders.

Most of the members of NiSource's board of directors were involved in the separation of CPG and oversight of investment decisions. Given this, we are confident that the solid stewardship of shareholder capital is likely to continue.

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Analyst Notes

NISource's Heavy C&I Customer Exposure Increases Impact Of COVID-19 30 Mar 2020

We are reducing our fair value estimate to $27 per share from $27.50 for NiSource due to the impact of COVID-19 on earnings and capital investment. On Feb. 28, NiSource pulled earnings guidance following the agreement to sell its troubled Columbia Gas of Massachusetts unit. However, management expressed confidence it could achieve 5%-7% EPS growth off a new 2021 base when guidance was reestablished.

We expect earnings growth to rebound to near the top end of guidance from 2022-2024. However, COVID-19 changes our estimate of the 2021 EPS base, which we lowered by $0.08, to $1.35.

Supply chain disruptions and staffing issues will make it difficult for NiSource to fully execute our five-year, $10 billion capital expenditures estimate and we reduced it by 5%, or $500 million. Less investment translates into lower-rate base growth and earnings.

Northern Indiana Public Service Company, contributing about 40% of earnings and heavily dependent on commercial and industrial, or C&I, customers, will experience significantly reduced sales following Indiana's stay-at-home order. In 2019, C&I customers represented about 78% of retail electric sales.

NiSource's gas utilities, about 60% of earnings, will also be affected by stay-at-home orders in Ohio, Pennsylvania, and Indiana. In 2019, C&I sales represented about 70% of sales and transportation volumes.

Bad debt/uncollectible expense will also pressure near-term earnings. On March 19, the Edison Electric Institute announced that all members have suspended electricity disconnections. NiSource is a member of EEI.

Operating expenses will increase as safety measures are instituted. Maintaining minimum staffing levels could be challenging and the increase in overtime costs. We expect most, but not necessarily all, expenses related to COVID-19 to eventually be recovered in rates. If COVID-19 costs become significant, regulators might allow cost-recovery deferrals or securitization, similar to large weather-related expenses.

Trouble For U.S. Gas Utilities Has Been Simmering; New York Just Made it Worse 29 Mar 2020

Policymakers--not COVID-19 or global energy markets--are becoming the biggest threat for gas distribution utilities.

Earlier this month, New York regulators asked the state's utilities to review ways to reduce or eliminate gas infrastructure. Areas of California have banned new gas service. If anti-gas policies like these spread, it could hurt the industry's long-term growth.

Total returns for U.S. utilities with sizable gas operations are down 19% during the last six months, compared with 14% down for the Morningstar U.S. utilities index. New Jersey Resources, CenterPoint Energy, Atmos Energy, NiSource, and DTE Energy recently traded well below our fair value estimates.

We think states with aggressive clean energy policies are most likely to push customers away from gas. Sixteen states have 100% clean energy targets. We expect renewable energy to grow 8% annually during the next decade.

We believe New Jersey Resources faces the most risk since the bulk of its earnings come from residential gas service in a state with aggressive clean energy policy. New Jersey policymakers support gas use for now, but we anticipate

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Analyst Notes

that could change in the next decade. We recently cut our long-term growth rate assumption for NJR to 3% from 4%, lowering our fair value estimate to $37 per share from $39.

New York City's Consolidated Edison and California utilities Sempra Energy and PG&E also face risk but have larger electric distribution businesses that could benefit from electric growth. We think there is less risk for gas utilities in the Southeast and Midwest where Republicans in five states have proposed legislation that would prohibit gas bans.

Acquisition premiums that had inflated gas utilities' valuations also have faded. Eversource Energy recently paid 24 times earnings for Columbia Gas. This is still rich but below deal values for Piedmont (30 P/E), Peoples Gas (30 P/E), and WGL (26 P/E). M&A premiums don't affect our fair value estimates.

COVID-19 Could Slow Utilities' Near-Term Growth but Long-Term Outlook Still Bright 26 Mar 2020

After assessing COVID-19 data and commentary from utilities this week, we still believe the sector offers buying opportunities for defensive, income-seeking investors. U.S. utilities trade at a median 10% discount to our fair value estimates and 3.5% yield even after rallying 23% on March 24-26.

Although some utilities reaffirmed their outlooks this week, we think 2020 earnings for many utilities will be at the low end or below management guidance ranges due to COVID-19 issues. We expect near-term lower commercial and industrial energy demand, tighter financing, growth project delays, and higher expenses. We are reaffirming our moat and moat trend ratings.

Utilities with a large share of C&I customers, usage-based rates, and less-adaptive ratemaking have the most near-term risk. Among these are Southern Company, Entergy, American Electric Power, Duke Energy, Evergy, and Ameren. Utilities with non-utility businesses such as DTE Energy, CenterPoint, and OGE also could face weaker near-term earnings. Our updates led to 2%-5% fair value estimate cuts.

Utilities with more residential customers, usage-decoupled rates, and forward-looking rate structures are less at risk. These include Edison International, Eversource Energy, NextEra Energy, and American Water Works.

We expect most utilities to shift 5%-10% of their 2020 growth investments into 2021-22 due to tight capital and labor markets. In general, this shift has little or no impact on our fair value estimates or long-term outlooks. We don't believe COVID-19 will impact utilities' policy-based investments in safety, clean energy, and grid modernization that support our long-term growth outlooks.

COVID-19 shutdowns might reduce U.S. C&I electricity demand more than the record 5.5% drop in mid-2009. In China, government data suggests electricity demand is down more than 8% year to date. European countries reported 2%-7% drops in electricity use last week. C&I demand is about 60% of total U.S. electricity use.

With New York City now the epicenter of the COVID-19 outbreak, we cut Consolidated Edison's fair value estimate to $80 per share from $84. We reduced our 2020-24 capital expenditures forecast by 10%, to $18.9 billion, and cut our 2020 EPS estimate to $4.00 from $4.43 after incorporating our expectations for lower C&I electricity use and higher expenses for bad debt, uncollectibles, additional employee safety measures, and extra staffing costs. Con Ed has a strong balance sheet, and we believe its dividend is secure but now expect it to grow only 1%-3% annually for the next

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Analyst Notes

few years.

Our $58 per share fair value estimate for Southern Company is down from $60 after making a 5% cut in our 2020-24 capital investment assumption and a 5% cut in our 2020 earnings estimate due to slack C&I sales, which represent two thirds of Southern's sales. We still consider Southern an attractive buying opportunity at current prices due to its strong balance sheet, secure dividend, and constructive regulation. Its headline project, the Vogtle nuclear plant expansion, continues to move forward with extra COVID-19 precautions, according to comments from CEO Tom Fanning in news reports this week.

We cut our fair value estimate to $105 per share from $110 for Entergy due to the impact of COVID-19 on earnings, investment, and rate base growth.

We cut our fair value estimate for Evergy to $55 per share from $59 based on our assumption of lower C&I demand, which represented 63% of Evergy's retail electric sales in 2019, higher expenses with limited rate recovery until 2022-23 rate cases, and less growth investment. We think Evergy's recently announced $1.5 billion acceleration of its investment plan will be difficult to achieve and now estimate 3% rate base growth, at the low end of management's guidance.

We cut our fair value estimates for both Michigan utilities, CMS Energy and DTE Energy, in part due to their non-utility businesses. Our $114 per share fair value estimate for DTE Energy is down from $123 based on a likely slowdown in its gas storage and pipeline segment earnings. For CMS Energy, weaker bank earnings and lower commercial demand led to our 4% fair value estimate cut to $46 per share.

Other utilities with recent fair value estimate cuts due primarily to lower C&I sales include Sempra Energy ($128 to $125), Duke Energy ($99 to $95), American Electric Power ($86 to $83), WEC Energy ($80 to $79), Alliant Energy ($48 to $47), and Ameren ($74 to $72).

We recently reaffirmed our $70 per share fair value estimate for Edison International, one of our top picks. Despite California's shelter-in-place mandates, we expect Edison's residential-heavy customer base, usage-decoupled rates, and forward-looking rate structures to mitigate any COVID-19 impacts. Most of Edison's growth is based on California's clean energy policies, which we don't expect to change based on COVID-19. We expect California regulators to approve most of its $5 billion annual investment plan later this year. Edison secured its 2020 financing needs with an $800 million term loan on March 20.

With many states declaring emergency precautions, we expect many utilities will seek regulatory approval to recover most, if not all, COVID-19-related costs in future customer rates. If COVID-19 costs become significant, regulators might allow cost recovery deferrals or securitization, similar to treatment for costs related to severe weather events. This would reduce the impact on shareholder value.

We Like NiSource's Decision to Sell Columbia Gas of Massachusetts 28 Feb 2020

We are reaffirming our $27.50 per share fair value estimate after narrow-moat NiSource reported solid 2019 operating EPS, announced the sale of Columbia Gas of Massachusetts, and pulled its 2020 earnings guidance. Eversource Energy is acquiring the Massachusetts gas distribution utility for $1.1 billion, a price we estimate is roughly 24 times normalized earnings and in line with recent natural gas distribution transactions.

However, we doubt the utility has come anywhere near this level of earnings contribution following the tragic natural gas explosion that killed one person north of Boston in

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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
25.60 USD	27.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Analyst Notes

September 2018. The incident has resulted in close to $2 billion of claims, penalties and other expenses (roughly one-half of the costs should be covered by insurance) and has been a significant distraction for management and a public relations nightmare.

In our opinion, the decision to sell the Massachusetts utility was good stewardship of shareholder capital as regulatory, political and customer relationships would likely be strained for years. The roughly $1 billion of proceeds will allow NiSource to forgo a $500 million block equity issuance that had been planned for later this year.

Although pulling earnings guidance, management was confident that the company could return to its long-term target of 5%-7% EPS growth, off a new 2021 earnings base, following the completion of the transaction. Our revised earnings estimates result in approximately 6% EPS growth from 2021-2024.

On January 31, NiSource increased its dividend by 5% and we expect increases in line with EPS growth for the foreseeable future. In our opinion, the dividend is secure and provides a yield of approximately 3% at the February 27 market closing price.

Boston Gas Explosion Costs Finally Firm; Increasing NiSource's Fair Value Estimate 30 Oct 2019
We are increasing our fair value estimate to $27.50 per share from $27 after narrow-moat NiSource reported break even 2019 third-quarter operating EPS, initiated 2020 earnings guidance in line with our estimate, and modestly increased the lower end of its 2020-22 capital expenditure guidance.

The financial impact from the tragic natural gas explosion north of Boston in September 2018 appears to be quantified and was one of the drivers for the $0.50 per share increase in our fair value estimate. For the first time since the tragedy, the estimate of total costs related to the event were unchanged versus last quarter. We reduced our estimate of the costs, net of insurance recovery, to $850 million from our previous estimate of $1 billion.

The increase in our capital expenditure estimate also had a positive impact on our fair value estimate. The $100 million bump in the lower end of the three-year annual capital expenditure guidance range, to $1.7 billion-$2.0 billion, increases our confidence in our estimates that were already above the midpoint of management's previous guidance. We increased our average annual capital expenditures over the next three years by approximately $30 million, to an average of $1.93 billion per year.

We have a high level of confidence that these investments will achieve returns above our 6% estimate of NiSource's weighted average cost of capital since approximately 78% are covered by rate trackers and reflected in rates in 12 months or less after the investment. This favorable regulatory framework reduces regulatory lag, improving returns on invested capital.

The third quarter is normally weak since about two thirds of NiSource's earnings are from natural gas distribution. NiSource's break even third-quarter results compare with $0.10 per share in the same period last year. NiSource reaffirmed its 2019 EPS guidance range of $1.27-$1.33, and our estimate of $1.30 is unchanged.

The Next Battle Royale: Natural Gas Generation vs. Renewable Energy 07 Oct 2019
We are reaffirming our fair value estimates and moat ratings for all U.S. utilities after updating our 2020-30 U.S. power generation forecast.

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Analyst Notes

Our forecast shows natural gas generation expanding its leading market share in the U.S. power generation market through 2030. But our forecast also shows renewable energy moving into second place, overtaking coal, nuclear, and hydropower generation.

We think this sets up a "bloody" fight for market share by the end of the next decade: natural gas vs. renewable energy. Renewable energy has policy momentum and its costs are now competitive with natural gas generation even at today's low gas prices and without tax subsidies. But gas generators offer grid reliability, a key competitive advantage.

We forecast U.S. renewable energy will top 1,000 terawatt-hours by 2030, or 22% of U.S. electricity generation, excluding hydropower. The ramp down in solar and wind tax credits during the next five years won't slow growth as much as others assume. Our 8% CAGR in 2018-30 is higher than global growth rate forecasts and higher than the most recent U.S. Energy Information Administration reference case.

State renewable energy portfolio standards and corporate purchases will fill in any growth gaps related to tax roll-offs. We estimate 32 of the 38 states with renewable energy targets have not met their marks. New York (70% by 2030) and California (60% by 2030) represent one-third of our renewable energy growth forecast.

We forecast natural gas generation will grow 2% annually between 2019 and 2030, reaching 41% of U.S. generation. Coal and nuclear will each fall to 15% market share.

Utilities with large renewable energy investment plans like NextEra Energy and Xcel Energy will continue to benefit from our higher renewable energy growth forecast. We think the market overlooks renewable energy growth potential from wide- and narrow- moat utilities like CMS Energy, NiSource, Edison International, Alliant Energy, and Dominion Energy.

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Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2017	2018	2019	Forecast 2020	Forecast 2021	5-Year Proj. CAGR
Revenue	*5.1*	8.5	4.9	1.9	*3.8*	*5.0*	*4.6*
EBIT	*15.0*	6.9	-86.3	936.7	*-19.4*	*9.4*	*1.7*
EBITDA	*12.9*	5.9	-51.2	178.8	*-15.0*	*7.2*	*2.1*
Net Income	*12.1*	13.8	16.0	6.8	*-5.5*	*16.0*	*7.8*
Diluted EPS	*6.6*	11.2	7.6	1.2	*-8.9*	*12.8*	*4.8*
Earnings Before Interest, after Tax	*18.0*	-10.8	-118.4	-1,098.1	*-17.2*	*8.1*	*2.1*
Free Cash Flow	—	61.4	37.7	-94.4	*-841.6*	*-94.2*	—

Profitability	3-Year Hist. Avg	2017	2018	2019	Forecast 2020	Forecast 2021	5-Year Proj. Avg
Operating Margin %	*15.4*	18.8	2.5	25.1	*19.5*	*20.3*	*20.7*
EBITDA Margin %	*27.8*	30.5	14.2	38.8	*31.8*	*32.5*	*33.1*
Net Margin %	*8.9*	8.2	9.1	9.5	*8.7*	*9.6*	*10.0*
Free Cash Flow Margin %	*-15.8*	-19.9	-26.1	-1.4	*10.2*	*0.6*	*3.3*
ROIC %	*4.1*	6.4	-0.6	6.3	*5.7*	*6.3*	*6.3*
Adjusted ROIC %	*4.5*	7.2	-0.7	6.9	*6.2*	*6.9*	*6.8*
Return on Assets %	*0.6*	0.7	-0.3	1.5	*2.0*	*2.3*	*2.3*
Return on Equity %	*2.7*	3.1	-1.4	6.6	*8.7*	*9.3*	*9.4*

Leverage	3-Year Hist. Avg	2017	2018	2019	Forecast 2020	Forecast 2021	5-Year Proj. Avg
Debt/Capital	*0.64*	0.68	0.61	0.62	*0.59*	*0.58*	*0.58*
Total Debt/EBITDA	*7.80*	6.06	12.59	4.77	*5.52*	*5.31*	*5.18*
EBITDA/Interest Expense	*3.87*	4.21	2.05	5.34	*4.49*	*4.78*	*4.90*

Valuation Summary and Forecasts

	2018	2019	2020(E)	2021(E)
Price/Fair Value	0.98	1.01	—	—
Price/Earnings	19.5	21.1	*20.6*	*18.3*
EV/EBITDA	25.6	10.4	*11.5*	*10.8*
EV/EBIT	147.3	16.1	*18.9*	*17.3*
Free Cash Flow Yield %	-13.5	-2.1	*-6.0*	*-2.8*
Dividend Yield %	3.1	2.9	*3.4*	*3.6*

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	6.0
Long-Run Tax Rate %	25.0
Stage II EBI Growth Rate %	7.0
Stage II Investment Rate %	100.0
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	832	4.1	2.11
Present Value Stage II	—	—	—
Present Value Stage III	19,520	95.9	49.41
Total Firm Value	**20,352**	**100.0**	**51.51**
Cash and Equivalents	448	—	1.14
Debt	-9,643	—	-24.41
Preferred Stock	-880	—	-2.23
Other Adjustments	300	—	0.76
Equity Value	**10,577**	**—**	**26.77**
Projected Diluted Shares	395		
Fair Value per Share (USD)	**27.00**		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

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Morningstar Analyst Forecasts

Income Statement (USD Mil)

Fiscal Year Ends in December	2017	2018	2019	Forecast 2020	Forecast 2021
Revenue	**4,875**	**5,115**	**5,209**	***5,407***	***5,675***
Cost of Goods Sold	1,519	1,761	1,535	*1,695*	*1,779*
Gross Profit	**3,356**	**3,353**	**3,674**	***3,713***	***3,897***
Selling, General & Administrative Expenses	1,612	2,353	1,355	*1,702*	*1,753*
Other Operating Expense (Income)	257	275	297	*291*	*300*
Other Operating Expense (Income)	—	—	—	—	—
Depreciation & Amortization (if reported separately)	570	600	717	*668*	*694*
Operating Income (ex charges)	**916**	**126**	**1,305**	***1,052***	***1,150***
Restructuring & Other Cash Charges	6	1	415	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**911**	**125**	**891**	***1,052***	***1,150***
Interest Expense	353	353	379	*383*	*386*
Interest Income	-114	-2	-5	*10*	*12*
Pre-Tax Income	**443**	**-231**	**507**	***679***	***776***
Income Tax Expense	315	-180	124	*156*	*178*
Other After-Tax Cash Gains (Losses)	0	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	-15	-55	*-55*	*-55*
Net Income	**129**	**-66**	**328**	***468***	***542***
Weighted Average Diluted Shares Outstanding	331	357	376	*390*	*401*
Diluted Earnings Per Share	**0.39**	**-0.18**	**0.87**	***1.20***	***1.35***
Adjusted Net Income	400	463	495	*468*	*542*
Diluted Earnings Per Share (Adjusted)	**1.21**	**1.30**	**1.32**	***1.20***	***1.35***
Dividends Per Common Share	0.70	0.78	0.80	*0.84*	*0.88*
EBITDA	**1,481**	**724**	**1,608**	***1,719***	***1,844***
Adjusted EBITDA	**1,486**	**726**	**2,023**	***1,719***	***1,844***

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Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2017	2018	2019	Forecast 2020	Forecast 2021
Cash and Equivalents	38	121	148	*240*	*170*
Investments	—	—	—	—	—
Accounts Receivable	899	1,059	857	*963*	*1,011*
Inventory	471	423	425	*534*	*560*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	355	453	424	*400*	*425*
Current Assets	**1,763**	**2,055**	**1,854**	***2,137***	***2,167***
Net Property Plant, and Equipment	14,360	15,543	16,912	*17,114*	*18,234*
Goodwill	1,691	1,691	1,486	*1,486*	*1,486*
Other Intangibles	232	221	—	—	—
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	1,625	2,002	2,014	*2,290*	*2,340*
Long-Term Non-Operating Assets	292	293	394	*394*	*394*
Total Assets	**19,962**	**21,804**	**22,660**	***23,421***	***24,620***
Accounts Payable	626	884	666	*696*	*731*
Short-Term Debt	1,490	2,027	1,787	*1,500*	*1,500*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,063	1,126	1,293	*1,350*	*1,450*
Current Liabilities	**3,178**	**4,037**	**3,746**	***3,546***	***3,681***
Long-Term Debt	7,512	7,105	7,856	*8,000*	*8,300*
Deferred Tax Liabilities (Long-Term)	1,293	1,331	1,485	*1,662*	*1,844*
Other Long-Term Operating Liabilities	2,737	2,519	2,352	*2,500*	*2,600*
Long-Term Non-Operating Liabilities	921	1,061	1,234	*1,234*	*1,234*
Total Liabilities	**15,642**	**16,053**	**16,673**	***16,942***	***17,658***
Preferred Stock	—	880	880	*880*	*880*
Common Stock	3	4	4	*4*	*4*
Additional Paid-in Capital	5,529	6,404	6,666	*6,966*	*7,266*
Retained Earnings (Deficit)	-1,073	-1,399	-1,371	*-1,231*	*-1,042*
(Treasury Stock)	-96	-100	-100	*-100*	*-100*
Other Equity	-43	-37	-93	*-41*	*-46*
Shareholder's Equity	**4,320**	**5,751**	**5,987**	***6,478***	***6,962***
Minority Interest	—	—	—	—	—
Total Equity	**4,320**	**5,751**	**5,987**	***6,478***	***6,962***

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Morningstar Analyst Forecasts

Cash Flow (USD Mil)
Fiscal Year Ends in December

	2017	2018	2019	Forecast 2020	Forecast 2021
Net Income	129	-51	383	*523*	*598*
Depreciation	570	600	717	*668*	*694*
Amortization	—	—	—	—	—
Stock-Based Compensation	40	29	26	*43*	*44*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	307	-188	118	*177*	*181*
Other Non-Cash Adjustments	76	42	399	—	—
(Increase) Decrease in Accounts Receivable	-52	-186	188	*-106*	*-48*
(Increase) Decrease in Inventory	19	41	-2	*-109*	*-26*
Change in Other Short-Term Assets	-396	-14	54	*-76*	*-25*
Increase (Decrease) in Accounts Payable	49	268	-300	*30*	*35*
Change in Other Short-Term Liabilities	—	—	—	*57*	*100*
Cash From Operations	**742**	**540**	**1,583**	***1,206***	***1,552***
(Capital Expenditures)	-1,696	-1,818	-1,802	*-1,770*	*-1,814*
Net (Acquisitions), Asset Sales, and Disposals	—	—	—	*1,000*	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-113	-108	-120	*-128*	*50*
Cash From Investing	**-1,809**	**-1,926**	**-1,922**	***-898***	***-1,764***
Common Stock Issuance (or Repurchase)	330	844	244	*300*	*300*
Common Stock (Dividends)	-229	-273	-299	*-328*	*-354*
Short-Term Debt Issuance (or Retirement)	-282	772	-204	*-287*	—
Long-Term Debt Issuance (or Retirement)	1,251	-742	681	*144*	*300*
Other Financing Cash Flows	—	868	-56	*-98*	*-99*
Cash From Financing	**1,069**	**1,469**	**366**	***-268***	***147***
Exchange Rates, Discontinued Ops, etc. (net)	0	0	0	*52*	*-5*
Net Change in Cash	**2**	**83**	**27**	***92***	***-70***

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Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Valuation Analysis

		Price/Earnings			EV/EBITDA			Price/Free Cash Flow			Price/Book			Price/Sales		
Company/Ticker	Price/Fair Value	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)
WEC Energy Group Inc WEC USA	1.13	25.8	24.3	22.4	16.8	14.9	13.3	906.3	NM	NM	—	—	—	3.9	3.6	3.5
CMS Energy Corp CMS USA	1.27	25.2	22.8	21.3	13.7	12.2	11.3	NM	NM	NM	—	—	—	2.6	2.4	2.3
Alliant Energy Corp LNT USA	1.02	23.5	20.9	18.5	14.7	12.9	12.0	NM	NM	40.5	—	—	—	3.7	3.2	3.0
Average		24.8	22.7	20.7	15.1	13.3	12.2	906.3	—	40.5	—	—	—	3.4	3.1	2.9
NiSource Inc NI US	**0.90**	**21.1**	***20.6***	***18.3***	**10.4**	***11.5***	***10.8***	**NM**	***NM***	***NM***	**—**	**—**	**—**	**2.0**	***1.8***	***1.7***

Returns Analysis

		ROIC %			Adjusted ROIC %			Return on Equity %			Return on Assets %			Dividend Yield %		
Company/Ticker	Last Historical Year Total Assets (Mil)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)
WEC Energy Group Inc WEC USA	34,952 USD	5.1	6.7	7.0	5.8	7.6	7.8	11.3	11.1	11.7	3.3	3.2	3.3	2.6	2.8	3.0
CMS Energy Corp CMS USA	26,837 USD	6.0	6.1	5.9	6.0	6.1	5.9	13.9	13.9	13.8	2.7	2.7	2.8	2.4	2.8	3.0
Alliant Energy Corp LNT USA	16,701 USD	6.2	6.5	6.8	6.2	6.5	6.8	11.4	10.2	11.0	3.5	3.2	3.5	2.6	3.1	3.4
Average		5.8	6.4	6.6	6.0	6.7	6.8	12.2	11.7	12.2	3.2	3.0	3.2	2.5	2.9	3.1
NiSource Inc NI US	**22,660** USD	**6.3**	***5.7***	***6.3***	**6.9**	***6.2***	***6.9***	**6.6**	***8.7***	***9.3***	**1.5**	***2.0***	***2.3***	**2.9**	***3.4***	***3.6***

Growth Analysis

		Revenue Growth %			EBIT Growth %			EPS Growth %			Free Cash Flow Growth %			Dividend/Share Growth %		
Company/Ticker	Last Historical Year Revenue (Mil)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)
WEC Energy Group Inc WEC USA	7,523 USD	-2.0	3.7	4.3	4.3	13.2	14.5	7.1	2.2	8.9	-78.4	-844.2	-53.4	6.8	7.2	6.3
CMS Energy Corp CMS USA	6,845 USD	-0.4	2.2	4.0	6.6	13.0	9.1	6.9	2.4	7.3	20.2	-71.1	126.5	7.0	6.5	6.1
Alliant Energy Corp LNT USA	3,648 USD	3.2	1.5	3.9	12.0	4.3	11.6	7.4	-2.3	13.5	17.8	-90.3	-850.3	6.0	5.6	6.7
Average		0.3	2.5	4.1	7.6	10.2	11.7	7.1	0.8	9.9	-13.5	-335.2	-259.1	6.6	6.4	6.4
NiSource Inc NI US	**5,209** USD	**1.9**	***3.8***	***5.0***	**936.7**	***-19.4***	***9.4***	**1.2**	***-8.9***	***12.8***	**-94.4**	***-841.6***	***-94.2***	**2.6**	***5.0***	***5.0***

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
25.60 USD	27.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Profitability Analysis

		Gross Margin %			EBITDA Margin %			Operating Margin %			Net Margin %			Free Cash Flow Margin %		
Company/Ticker	Last Historical Year Net Income (Mil)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)
WEC Energy Group Inc WEC USA	1,135 USD	64.4	64.8	65.4	32.7	35.0	37.6	20.4	22.2	24.4	15.1	14.9	15.6	0.4	-8.3	-6.3
CMS Energy Corp CMS USA	708 USD	58.6	59.4	60.3	32.6	34.7	36.0	18.1	20.0	21.0	10.3	10.5	11.0	-4.6	-3.5	-15.4
Alliant Energy Corp LNT USA	557 USD	59.4	59.3	60.0	36.9	38.2	39.5	21.3	21.9	23.5	15.3	14.9	16.4	-26.9	-3.3	7.5
Average		60.8	61.2	61.9	34.1	36.0	37.7	19.9	21.4	23.0	13.6	13.4	14.3	-10.4	-5.0	-4.7
NiSource Inc NI US	**495** USD	**70.5**	***68.7***	***68.7***	**38.8**	***31.8***	***32.5***	**25.1**	***19.5***	***20.3***	**9.5**	***8.7***	***9.6***	**-4.2**	***-10.4***	***-4.6***

Leverage Analysis

		Debt/Equity %			Debt/Total Cap %			EBITDA/Interest Exp.			Total Debt/EBITDA			Assets/Equity		
Company/Ticker	Last Historical Year Total Debt (Mil)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)
WEC Energy Group Inc WEC USA	12,735 USD	124.2	134.0	140.5	55.4	57.3	58.4	4.9	5.0	4.9	5.2	5.2	5.1	3.4	3.5	3.5
CMS Energy Corp CMS USA	13,171 USD	262.5	259.7	254.6	72.4	72.2	71.8	4.3	4.5	4.6	5.9	5.9	5.8	5.3	5.1	4.9
Alliant Energy Corp LNT USA	6,528 USD	120.8	122.1	120.9	54.7	55.0	54.7	4.9	5.0	5.1	4.9	5.0	4.9	3.1	3.1	3.1
Average		169.2	171.9	172.0	60.8	61.5	61.6	4.7	4.8	4.9	5.3	5.4	5.3	3.9	3.9	3.8
NiSource Inc NI US	**9,643** USD	**161.1**	***146.6***	***140.8***	**61.7**	***59.5***	***58.5***	**5.3**	***4.5***	***4.8***	**4.8**	***5.5***	***5.3***	**3.8**	***3.6***	***3.5***

Liquidity Analysis

		Cash per Share			Current Ratio			Quick Ratio			Cash/Short-Term Debt			Payout Ratio %		
Company/Ticker	Market Cap (Mil)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)	2019	2020(E)	2021(E)
WEC Energy Group Inc WEC USA	28,096 USD	0.12	0.53	0.51	1.50	1.57	1.32	1.33	1.40	1.18	0.02	0.11	0.07	65.9	69.2	67.5
CMS Energy Corp CMS USA	16,549 USD	0.55	1.79	0.55	0.86	0.93	0.83	0.64	0.72	0.61	0.13	0.34	0.10	64.1	63.9	63.2
Alliant Energy Corp LNT USA	11,700 USD	0.07	0.28	1.70	0.43	0.46	0.73	0.32	0.36	0.61	0.02	0.06	0.52	60.9	65.9	61.9
Average		0.25	0.87	0.92	0.93	0.99	0.96	0.76	0.83	0.80	0.06	0.17	0.23	63.6	66.3	64.2
NiSource Inc NI US	**9,465** USD	**0.39**	***0.62***	***0.42***	**0.49**	***0.60***	***0.59***	**0.38**	***0.45***	***0.44***	**0.08**	***0.16***	***0.11***	**91.7**	***70.1***	***65.2***

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Research Methodology for Valuing Companies

Qualitative Equity Research Overview
At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat
The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

2. Estimated Fair Value
Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast
In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

Stage II: Fade
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity
Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

Morningstar Research Methodology for Valuing Companies

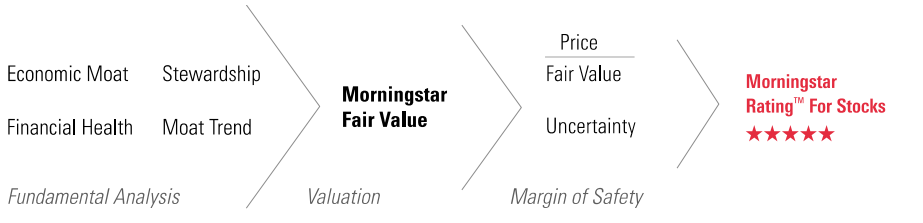

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Research Methodology for Valuing Companies

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

- ► Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- ► Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- ► High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- ► Very High–margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- ► Extreme–margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Equity Research Star Rating Methodology

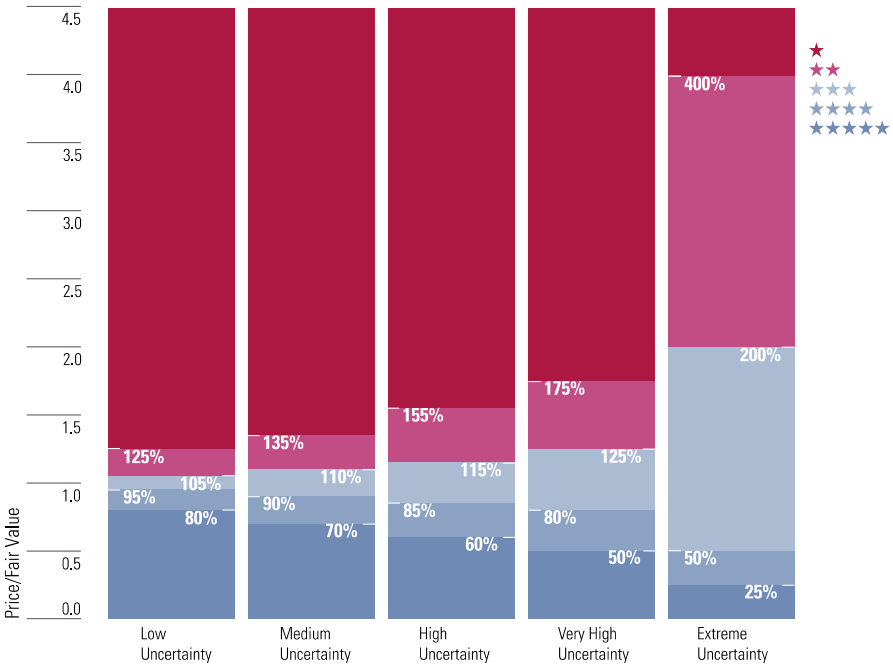

Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

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Research Methodology for Valuing Companies

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Stewardship Rating: Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

Quantitative Valuation: Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ► Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ► Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ► Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
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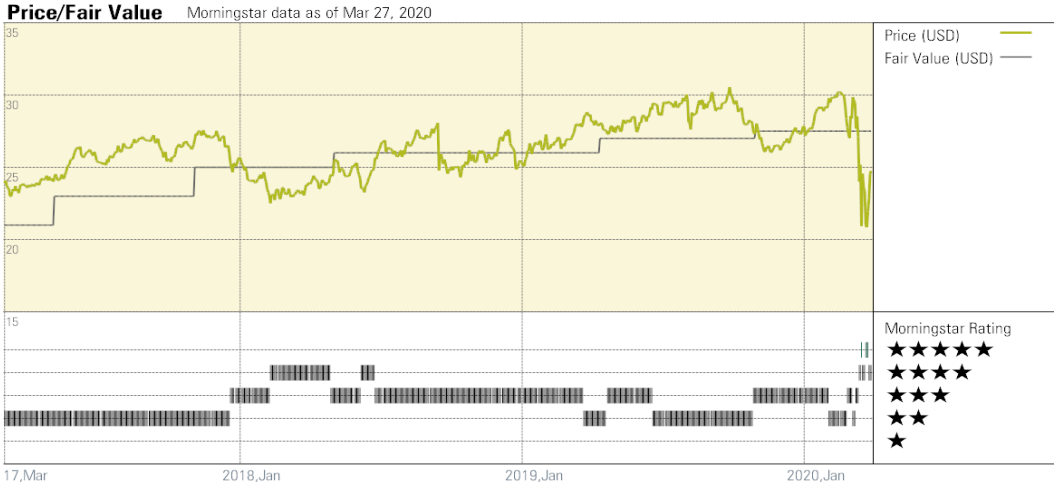

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
25.60 USD	27.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

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USA | Utilities

Utilities

Seeing Value in 'Two Yutes'; Upgrade NI & SWX to Buy

March 18, 2020

Key Takeaway

Covered utilities came under considerable pressure as COVID-19 fears spread, economic repercussions expanded, and indiscriminate selling took hold. We believe many are now attractive as balance sheets are in great shape, liquidity is sufficient, secured, and long-dated, and rate-regulated models insulate earnings/cash flows from economic volatility. We tweak forecasts for all and upgrade NI ($28 PT) & SWX ($72 PT) to Buy, from Hold.

COVID-19 & oil price effects. We expect minimal impact to gas & electric distribution operations stemming from the spread of COVID-19 and various self-quarantine responses adopted in response to it. While winter weather has been mild, most rate designs feature decoupling mechanisms which insulate profits from volumetric impacts. Should the crisis deepen and/or extend longer than we project, utilities may experience elevated bad debt expense, less favorable regulatory outcomes, and higher pension costs resulting from poor asset performance & lower discount rates; however, across our coverage, balance sheets are strong, liquidity is robust, and maturity schedules are long-dated. Moreover, the dramatic decline in crude & product prices should aid fleet vehicle expenses, mild weather eases winter/spring working conditions, and dividend yields are even more attractive in light of the Fed's rate cuts.

NFG. We account for lower oil prices, improved natural gas prices given reduced 'associated' volumes, drilling program changes, and a mild F2Q in PA. Our F20-F21 EPS ests. are $2.94 & $2.74, from $2.88 & $2.94, and our SOP & DCF-derived PT is reduced to $48, from $51; we maintain our Buy rating. NFG has a BBB credit rating, ~$650mm in liquidity, its first debt maturity in Dec. 2021, and offers a 4.3% dividend yield.

NI. We update for 4Q results, the anticipated 3Q sale of Bay State Gas ($1.1B gross proceeds), recent Greater Lawrence related fines, insurance recoveries, regulatory proceedings, and updated funding projections. Our '20-21 EPS forecasts are $1.35 & $1.40, from $1.38 & $1.45, and our PT is maintained at $28; however, we upgrade shares to Buy, from Hold. NI has a BBB+ credit rating, $1.41B in liquidity, a 3.7% dividend yield, and 5-7% LT annual EPS & DPS growth.

OGS. We reflect 4Q results, regulatory updates, and financing plans; our '20-21 EPS ests. are $3.63 & $3.77, from $3.59 & $3.71, and we trim our PT to $80, from $83, due largely to reduced peer multiples. OGS is an A rated credit, has $750mm in liquidity, its earliest maturity is in 2024, and shares offer a 2.9% yield with 5-7% EPS & 6-8% DPS growth.

SWX. We account for 4Q results, '20 guidance, regulatory updates, and financing plans; our '20-21 EPS forecasts (ex-COLI) are $3.66 & $4.11, from $3.71 & $4.10. We trim our PT to $72, from $78, but upgrade to Buy, from Hold. SWX is an BBB+ rated credit, has $410mm in liquidity, and shares offer a 4.1% yield.

UGI. We reflect F1Q results, extremely warm F2Q conditions, and regulatory updates. Our F20-21 EPS ests. are $2.20 & $2.89, from $2.60 & $2.90, and our PT is trimmed to $48, from $54; we maintain our Buy rating. UGI has >$1B in liquidity, shares yield 4.9%, and mgmt guides 6-10% EPS & 4% DPS growth.

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Summary of Changes										
Company	Ticker	Rating	Price	Price Target	EPS Estimates 2019	EPS Estimates 2020	EPS Estimates 2021	P/E 2019	P/E 2020	P/E 2021
National Fuel Gas Company	NFG	BUY	$41.44	↓ $48.00	$3.45	↑ $2.94	↓ $2.74	12.0x	14.1x	15.1x
Previous				*$51.00*	*$3.45*	*$2.88*	*$2.94*			
NiSource Inc.	NI	↑ BUY	$24.57	$28.00	↑ $1.32	↓ $1.35	↓ $1.40	18.7x	18.1x	17.5x
Previous		*HOLD*			*$1.27*	*$1.38*	*$1.45*			
ONE Gas Inc.	OGS	HOLD	$84.74	↓ $80.00	↓ $3.51	↑ $3.63	↑ $3.77	24.2x	23.4x	22.5x
Previous				*$83.00*	*$3.52*	*$3.59*	*$3.71*			
Southwest Gas	SWX	↑ BUY	$59.41	↓ $72.00	↑ $3.61	↓ $3.66	↑ $4.11	16.4x	16.2x	14.5x
Previous		*HOLD*		*$78.00*	*$3.53*	*$3.71*	*$4.10*			
UGI Corporation	UGI	BUY	$27.14	↓ $48.00	$2.21	↓ $2.20	↓ $2.89	12.3x	12.3x	9.4x
Previous				*$54.00*	*$2.21*	*$2.60*	*$2.93*			

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Chart 1 - Weighted Avg. Gas LDC FY2 PE (Trailing 5-yrs) vs. S&P 500

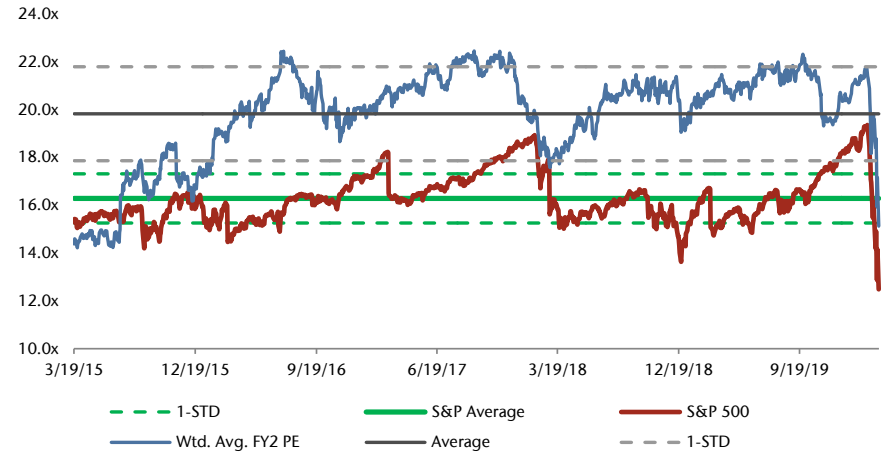

Source: FactSet; Note: Group includes (ATO, NFG, NI, NJR, NWN, OGS, SWX, UGI)

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Exhibit 1 - NFG Consolidated Income Statement

Consolidated Income Statement ($MM)	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1Q	2QE	3QE	4QE	2020E	2021E	2022E	2023E	2024E
Revenues	$1,760.9	$1,452.4	$1,579.9	$419.7	$540.9	$342.9	$289.2	$1,592.7	$490.2	$552.5	$357.2	$293.3	$1,693.3	$444.2	$568.0	$359.8	$293.7	$1,665.7	$1,688.3	$1,762.7	$1,867.0	$1,972.9
OPERATING INCOME by DIVISION																						
Utility	$120.1	$100.1	$98.5	$40.8	$67.3	$17.0	($2.7)	$122.4	$44.3	$65.3	$19.6	($6.9)	$122.3	$45.8	$62.4	$20.1	($8.0)	$120.3	$120.9	$121.7	$123.1	$124.8
Pipeline & Storage	$151.8	$156.2	$139.1	$39.8	$38.9	$35.2	$26.9	$140.9	$36.7	$30.0	$26.2	$24.4	$117.2	$31.3	$30.4	$28.2	$26.2	$116.1	$128.2	$148.8	$149.0	$148.9
Gathering	$58.1	$63.4	$78.2	$16.7	$20.0	$18.6	$19.2	$74.5	$21.3	$19.9	$22.4	$24.7	$88.3	$24.3	$25.3	$24.9	$24.4	$98.9	$101.6	$104.1	$115.2	$122.0
Exploration & Production	$185.2	$223.9	$248.4	$52.4	$47.1	$45.9	$47.0	$192.4	$55.2	$47.7	$48.1	$45.4	$196.4	$48.0	$39.4	$28.7	$32.3	$148.3	$116.7	$140.7	$177.4	$237.5
Energy Marketing / Other	$12.0	$6.4	$1.8	$1.7	$1.0	($0.4)	($1.7)	$0.6	($0.8)	$0.5	($2.1)	($1.5)	($3.9)	$0.3	$1.2	($0.9)	($1.2)	($0.5)	$0.8	$0.8	$2.4	$3.3
Corporate	($12.0)	($10.2)	($13.2)	($2.0)	($2.7)	($2.4)	($4.2)	($11.3)	($1.5)	($3.4)	($2.3)	($3.4)	($10.6)	($1.7)	($2.8)	($2.3)	($3.7)	($10.6)	($10.1)	($9.6)	($10.1)	($9.9)
Total Operating Income	**$515.2**	**$539.7**	**$552.8**	**$149.5**	**$171.6**	**$114.0**	**$84.4**	**$519.5**	**$155.2**	**$160.1**	**$111.8**	**$82.6**	**$509.7**	**$148.0**	**$155.9**	**$98.7**	**$70.0**	**$472.6**	**$458.0**	**$506.6**	**$557.0**	**$626.7**
Depreciation	$336.2	$249.4	$224.2	$55.8	$61.2	$60.8	$63.2	$241.0	$64.3	$65.7	$71.1	$74.7	$275.7	$74.9	$76.8	$76.6	$77.1	$305.4	$315.1	$321.9	$339.9	$351.1
Non-Service Pension & Post-Retirement Costs				($7.5)	($14.9)	($6.2)	($4.0)	($32.6)	($7.4)	($12.4)	($5.7)	($1.8)	($27.3)	($8.2)	($14.8)	($7.1)	($4.1)	($34.2)	($33.3)	($33.6)	($33.4)	($33.5)
Other Income / (Expenses)	$7.9	$11.6	$7.0	$4.0	$1.8	$2.6	$5.2	$13.6	$4.2	$2.7	$2.8	$4.2	$13.8	$6.2	$3.0	$2.8	$2.8	$14.8	$14.3	$14.6	$14.4	$14.5
Interest Expense	($95.4)	($118.6)	($115.7)	($28.6)	($28.4)	($28.2)	($26.5)	($111.7)	($26.5)	($27.1)	($26.5)	($26.7)	($106.8)	($27.0)	($28.6)	($28.2)	($28.6)	($112.5)	($121.1)	($131.2)	($137.1)	($141.2)
Earnings before Taxes	**$427.7**	**$432.7**	**$444.2**	**$117.4**	**$130.1**	**$82.2**	**$59.1**	**$388.8**	**$125.4**	**$123.3**	**$82.4**	**$58.3**	**$389.5**	**$119.0**	**$115.5**	**$66.2**	**$40.0**	**$340.7**	**$317.9**	**$356.4**	**$400.9**	**$466.5**
Income Taxes	($175.2)	($168.7)	($160.7)	($29.7)	($34.3)	($19.2)	($13.1)	($96.2)	($27.9)	($30.4)	($20.6)	($11.3)	($90.2)	($31.6)	($28.9)	($15.9)	($8.8)	($85.2)	($79.5)	($89.1)	($100.2)	($116.6)
Effective Tax Rate	41.0%	39.0%	36.2%	25.3%	26.3%	23.3%	22.1%	24.8%	22.2%	24.7%	25.0%	19.4%	23.2%	*26.6%*	*25.0%*	*24.0%*	*22.0%*	25.0%	*25.0%*	*25.0%*	*25.0%*	*25.0%*
Net Income	$252.5	$263.9	$283.5	$87.7	$95.8	$63.0	$46.0	$292.5	$97.5	$92.9	$61.8	$47.0	$299.2	$87.4	$86.7	$50.3	$31.2	$255.6	$238.5	$267.3	$300.7	$349.9
Recurring Diluted Earnings Per Share	**$2.97**	**$3.10**	**$3.30**	$1.02	$1.11	$0.73	$0.53	**$3.38**	$1.12	$1.07	$0.71	$0.54	**$3.45**	$1.01	$1.00	$0.58	$0.36	**$2.94**	**$2.74**	**$3.06**	**$3.43**	**$3.99**
Average number of diluted shares outstanding	85,016	85,140	86,027	86,326	86,324	86,501	86,651	86,451	86,709	86,768	86,840	86,808	86,781	86,883	86,938	86,988	87,035	86,961	87,164	87,365	87,560	87,750
Average number of basic shares outstanding	84,388	84,848	85,365	85,630	85,809	85,930	85,953	85,831	86,033	86,290	86,306	86,315	86,236	86,378	86,433	86,484	86,530	86,456	86,659	86,861	87,056	87,246
Dividend	$1.56	$1.60	$1.64	$0.42	$0.42	$0.43	$0.43	$1.68	$0.43	$0.43	$0.44	$0.44	$1.72	$0.44	$0.44	$0.45	$0.45	$1.76	$1.80	$1.84	$1.88	$1.92
Payout Ratio	53%	52%	50%	41%	37%	58%	80%	50%	38%	40%	61%	80%	50%	43%	44%	77%	124%	60%	66%	60%	55%	48%
Payout Ratio of Regulated EPS	77%	88%	92%	64%	52%	102%	151%	79%	57%	56%	100%	154%	77%	62%	56%	96%	177%	80%	78%	75%	74%	74%
Payout ex. E&P	1.04%	1.04%	1.24%					1.05%					1.10%					1.25%	1.20%	1.12%	1.16%	1.18%
Dividend Growth (Y/Y)	2.6%	2.6%	2.5%					2.4%					2.4%					2.3%	2.3%	2.2%	2.2%	2.1%
Utility EPS	$0.74	$0.60	$0.55	$0.24	$0.39	$0.05	($0.08)	$0.59	$0.30	$0.41	$0.08	($0.09)	$0.70	$0.31	$0.37	$0.09	($0.10)	$0.66	$0.68	$0.68	$0.70	$0.71
Pipeline & Storage EPS	$0.90	$0.86	$0.77	$0.28	$0.26	$0.24	$0.19	$0.98	$0.29	$0.20	$0.18	$0.18	$0.85	$0.21	$0.21	$0.18	$0.17	$0.77	$0.84	$0.98	$0.95	$0.94
Gathering EPS	$0.37	$0.36	$0.47	$0.12	$0.14	$0.13	$0.17	$0.57	$0.16	$0.15	$0.17	$0.19	$0.67	$0.18	$0.20	$0.19	$0.19	$0.76	$0.78	$0.79	$0.88	$0.93
Energy Marketing EPS	$0.09	$0.05	$0.02	$0.02	$0.01	($0.00)	($0.01)	$0.01	($0.00)	$0.01	($0.02)	($0.01)	($0.02)	$0.00	$0.01	($0.01)	($0.01)	$0.00	$0.01	$0.01	$0.03	$0.03
Exploration & Production EPS	$1.10	$1.20	$1.50	$0.34	$0.32	$0.32	$0.23	$1.21	$0.32	$0.31	$0.30	$0.28	$1.21	$0.28	$0.22	$0.13	$0.15	$0.76	$0.46	$0.62	$0.93	$1.43
Other	($0.23)	$0.03	($0.01)	$0.01	($0.01)	($0.01)	$0.03	$0.03	$0.06	($0.01)	($0.00)	($0.01)	$0.03	$0.03	($0.01)	($0.01)	($0.04)	($0.02)	($0.04)	($0.03)	($0.05)	($0.06)
Total	$3.20	$3.07	$3.30	$1.00	$1.12	$0.74	$0.50	$3.36	$1.07	$1.08	$0.71	$0.55	$3.42	$0.98	$1.01	$0.58	$0.40	$2.96	$2.78	$3.09	$3.49	$4.04
Corporate Depreciation	$1.5	$2.0	$1.4	$0.3	$0.7	$0.8	$0.6	$2.4	$0.5	$0.4	$0.8	$0.2	$1.8	$0.2	$0.4	$0.4	$0.3	$1.2	$1.3	$1.3	$1.3	$1.3
Corporate/ All Other Pension Cost				($0.2)	($0.2)	($0.2)	($0.2)	($0.7)	($0.7)	($0.6)	($0.6)	($0.6)	($2.7)	($0.8)	($0.8)	($0.8)	($0.8)	($3.1)	($3.1)	($3.1)	($3.1)	($3.1)

Source: NFG reports, Jefferies estimates

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Jefferies

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Exhibit 2 - NI Valuation Analysis

Jefferies

NiSource (NI)

Target P/E Analysis	
2021 EPS	$1.40
Average 2021 P/E	17.8x
Implied Price Target	**$25.00**

Target Yield Analysis	
1Q21 Dividend	$0.88
Average 3-Year Yield	2.87%
Target Yield	2.85%
Implied Price Target	**$30.90**

Assumptions	
EPS CAGR 2019-2024	4.3%
Dividend CAGR 2019-2024	5.4%
Terminal Growth Rate	2.25%
Stable Period Payout Ratio	63.1%
Stable Period ROE	9.0%
Implied 2021 EV/EBITDA	9.8x
Implied 2021 P/E	14.9x

WACC Calculations	
Risk Free Rate	2.5%
Beta	0.50
Equity Risk Premium	5.5%
Cost of Equity	5.3%
Cost of New Debt	3.75%
Tax Rate	19.7%
WACC	4.0%

Capital Structure	
Total Debt	$9,629
Market Cap	$8,005
Debt/Cap	54.6%
Equity/Cap	45.4%

Terminal Growth Capex	$525.0
5-Year ROE	8.2%
Implied Contribution	$43.1
2024E EBT + DD&A	$1,849.3
Implied Growth Rate	2.3%

2020E EBIT Composition

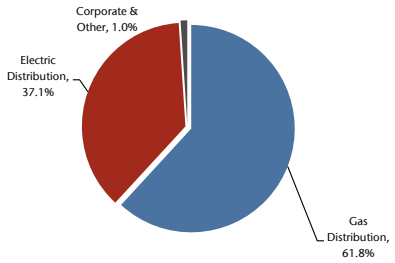

2020 EBIT Contribution		
Gas Distribution	$683.5	61.8%
Electric Distribution	$410.1	37.1%
Corporate & Other	$11.5	1.0%
Total	$1,105.0	100.0%

Terminal WACC Calculations	
Risk Free Rate	3.5%
Adjusted Beta	0.67
Equity Risk Premium	5.5%
Terminal Cost of Equity	7.2%
Terminal Cost of New Debt	5.0%
Terminal WACC	5.4%
Terminal Cash Flow Growth Rate	2.25%
Terminal Dividend Growth Rate	2.50%

Average Price Target	$28.00

Total Return Expectations	
NI Current Price	$20.94
Appreciation to PT	33.7%
Yield over 12-months	4.1%
Total Return Potential	**37.8%**

Dividend Expectations		
2017	$0.70	58%
2018E	$0.78	60%
2019E	$0.80	61%
2020E	$0.84	62%
2021E	$0.88	63%
2022E	$0.93	62%
2023E	$0.98	62%
2024E	$1.04	64%

	Price	PT	3-Yr Avg
2020 P/E	15.5x	20.7x	21.1x
2021 P/E	14.9x	19.9x	
2022 P/E	14.0x	18.7x	

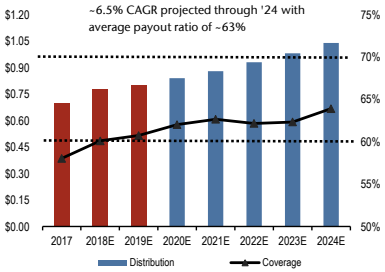

DIVIDEND DISCOUNT MODEL	2020E	2021E	2022E	2023E	2024E
Dividend Per Share	$0.84	$0.88	$0.93	$0.98	$1.04
Payout Ratio	*62.0%*	*62.6%*	*62.2%*	*62.3%*	*63.9%*
Terminal Value					$22.84
PV of Dividends	$0.61	$0.82	$0.82	$0.82	$0.83
Sum of PV of Dividends per Share	$3.91				
PV of Terminal Value	$20.31				
Equity Value per Share	$24.23				
Implied Equity Value per Share*	**$24.50**				

Discounted Cash Flow	2020E	2021E	2022E	2023E	2024E
EBIT	$1,105	$1,176	$1,268	$1,369	$1,483
Other	$3	$6	$1	$3	$3
(Cash Taxes on EBIT)	($18)	($40)	($64)	($93)	($162)
NOPAT	**$1,090**	**$1,142**	**$1,205**	**$1,280**	**$1,324**
D&A	$744	$774	$803	$831	$857
(Capex)	($1,850)	($1,900)	($1,900)	($1,850)	($1,382)
Other & Changes in NWC	$64	($9)	($8)	$2	($5)
Free Cash Flow to the Firm	**$49**	**$7**	**$100**	**$263**	**$794**
Terminal Value					$25,410
PV of Cash Flows	$47.2	$6.6	$88.9	$224.3	$21,723
Implied Enterprise Value	22,090				
(Net Debt. Including Preferred Equity)	(10,360)				
(Pension & Operating Lease)	(245)				
Implied Equity Value	11,485				
Shares Outstanding	374.1				
Implied Equity Value per Share*	**$31.10**				

Source: NI reports, Jefferies estimates

Exhibit 3 - NI Consolidated Income Statement

Consolidated Income Statement	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Revenues	$4,593.6	$4,504.9	$4,902.6	$5,084.0	$1,858.9	$1,011.9	$927.9	$1,385.4	$5,184.1	$1,968.9	$1,056.3	$961.2	$1,407.4	$5,393.8	$1,991.7	$1,078.3	$1,000.3	$1,457.4	$5,527.7	$5,703.7	$5,904.3	$6,115.6
(Cost of Sales)	($1,569.9)	($1,390.2)	($1,518.7)	($1,759.4)	($680.3)	($253.5)	($196.7)	($404.3)	($1,534.8)	($751.0)	($269.9)	($208.3)	($388.6)	($1,617.8)	($750.6)	($267.0)	($210.7)	($395.3)	($1,623.7)	($1,645.6)	($1,682.0)	($1,714.3)
Net Revenue	$3,023.7	$3,114.7	$3,383.9	$3,324.6	$1,178.6	$758.4	$731.2	$981.1	$3,649.3	$1,217.9	$786.3	$752.9	$1,018.7	$3,776.0	$1,241.0	$811.3	$789.6	$1,062.1	$3,904.1	$4,058.1	$4,222.3	$4,401.3
(Operating & Maintenance Expenses)	($1,409.3)	($1,429.1)	($1,589.2)	($1,519.4)	($418.8)	($382.7)	($373.4)	($413.4)	($1,588.3)	($428.2)	($388.1)	($374.0)	($423.9)	($1,614.2)	($432.9)	($392.2)	($378.0)	($428.5)	($1,631.5)	($1,650.3)	($1,670.5)	($1,692.2)
(Depreciation & Amortization)	($524.4)	($547.1)	($570.3)	($599.6)	($175.1)	($177.9)	($182.2)	($182.2)	($717.4)	($184.1)	($184.2)	($186.4)	($189.5)	($744.3)	($191.4)	($191.6)	($193.8)	($196.9)	($773.7)	($802.8)	($830.5)	($857.0)
(Other Taxes)	($256.1)	($244.3)	($257.2)	($274.4)	($87.6)	($66.4)	($67.9)	($74.9)	($296.8)	($92.4)	($72.5)	($69.3)	($78.3)	($312.4)	($93.3)	($73.4)	($74.0)	($81.9)	($322.5)	($337.5)	($352.3)	($368.8)
(Gain on Sale of Assets)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
OPERATING INCOME BY DIVISION																						
Gas Distribution	$567.8	$597.6	$589.7	$561.4	$394.4	$43.5	($26.4)	$213.9	$625.4	$416.1	$54.2	($19.4)	$232.6	$683.5	$423.9	$62.7	($2.6)	$257.7	$741.7	$824.7	$917.5	$1,024.9
Electric Operations	$279.5	$302.3	$375.3	$369.1	$95.2	$85.6	$135.4	$84.9	$401.1	$96.2	$87.4	$139.6	$87.0	$410.1	$98.0	$90.4	$143.3	$90.7	$422.3	$431.6	$440.4	$447.7
Corporate & Eliminations	($13.4)	($5.7)	$2.2	$0.7	$7.5	$2.3	($1.3)	$11.8	$20.3	$0.9	($0.0)	$3.1	$7.5	$11.5	$1.6	$1.1	$3.0	$6.5	$12.3	$11.3	$11.2	$10.6
Total Recurring Operating Income	**$833.9**	**$894.2**	**$967.2**	**$931.2**	**$497.1**	**$131.4**	**$107.7**	**$310.6**	**$1,046.8**	**$513.2**	**$141.5**	**$123.2**	**$327.1**	**$1,105.0**	**$523.5**	**$154.2**	**$143.7**	**$354.9**	**$1,176.3**	**$1,267.5**	**$1,369.1**	**$1,483.2**
Other Income / (Loss)	$25.2	$1.5	($2.8)	$18.0	($0.7)	$0.0	$1.3	($5.5)	($4.9)	$3.5	$5.5	$4.9	($10.5)	$3.4	$4.3	$6.1	$4.9	($9.8)	$5.5	$1.3	$3.4	$3.4
Interest Expense - Net	($417.3)	($349.5)	($353.2)	($353.3)	($95.6)	($94.1)	($95.9)	($93.3)	($378.9)	($98.1)	($99.0)	($96.8)	($93.3)	($387.2)	($97.8)	($97.8)	($97.8)	($97.8)	($391.4)	($416.0)	($444.2)	($494.4)
Pretax Income	$684.2	$546.2	$611.2	$595.9	$400.8	$37.3	$13.1	$211.8	$663.0	$418.6	$48.1	$31.3	$223.3	$721.3	$430.0	$62.5	$50.8	$247.2	$790.5	$852.9	$928.3	$992.3
(Provision)/Benefit for Income Taxes	($250.3)	($195.0)	($212.3)	($117.6)	($79.3)	($4.4)	($1.0)	($28.5)	($113.2)	($87.5)	($8.0)	($4.6)	($44.4)	($144.4)	($97.4)	($11.3)	($8.0)	($52.3)	($169.0)	($173.1)	($194.2)	($211.3)
Effective Tax Rate	*36.6%*	*35.7%*	*34.7%*	*19.7%*	*19.8%*	*11.8%*	*7.6%*	*13.5%*	*17.1%*	*20.9%*	*16.5%*	*14.6%*	*19.9%*	*20.0%*	*22.6%*	*18.0%*	*15.8%*	*21.1%*	*21.4%*	*20.3%*	*20.9%*	*21.3%*
Net Income	$433.9	$351.2	$398.9	$478.3	$321.5	$32.9	$12.1	$183.3	$549.8	$331.1	$40.1	$26.8	$178.9	$576.9	$332.6	$51.2	$42.8	$195.0	$621.5	$679.8	$734.1	$781.0
Preferred Interest				($15.0)	($13.8)	($13.8)	($13.8)	($13.7)	($55.1)	($13.8)	($13.8)	($13.8)	($13.8)	($55.1)	($13.8)	($13.8)	($13.8)	($13.8)	($55.1)	($55.1)	($55.1)	($55.1)
Net Income (from Continuing Operations)	$298.9	$351.2	$398.9	$463.3	$307.7	$19.1	($1.7)	$169.6	$494.7	$317.3	$26.4	$13.0	$165.1	$521.8	$318.8	$37.4	$29.0	$181.2	$566.4	$624.7	$679.0	$725.9
Recurring Diluted EPS	**$0.94**	**$1.09**	**$1.21**	**$1.30**	$0.82	$0.05	($0.00)	$0.45	**$1.32**	$0.83	$0.07	$0.03	$0.42	**$1.35**	$0.80	$0.09	$0.07	$0.44	**$1.40**	**$1.50**	**$1.57**	**$1.63**
Average # of diluted shares outstanding	319.4	323.3	330.7	357.0	374.7	375.2	374.1	378.3	375.6	383.5	383.7	383.9	389.6	385.2	398.1	401.6	404.9	408.2	403.2	417.6	431.8	445.8
Average # of basic shares outstanding	317.8	321.8	329.4	356.5	373.4	373.9	374.1	377.2	374.7	382.4	382.6	382.8	388.5	384.1	397.0	400.5	403.8	407.1	402.1	416.5	430.7	444.7
Dividends per Share	**$0.83**	**$0.64**	**$0.70**	**$0.78**	$0.20	$0.20	$0.20	$0.20	**$0.80**	$0.21	$0.21	$0.21	$0.21	**$0.84**	$0.22	$0.22	$0.22	$0.22	**$0.88**	**$0.93**	**$0.98**	**$1.04**
Payout Ratio	**89%**	**59%**	**58%**	**60%**	24%	393%	-4401%	45%	**61%**	25%	306%	621%	50%	**62%**	27%	236%	307%	50%	**63%**	**62%**	**62%**	**64%**

Source: NI reports; Jefferies estimates

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Exhibit 4 - NI Consolidated Balance Sheet

Consolidated Balance Sheet ($MM)	2014	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	2021E	2022E	2023E	2024E
Cash & equivalents	25	16	26	29	35	68	42	113	113	151	24	28	139	139	28	25	21	24	24	17	17	17	18
Accounts receivable	1,070	660	847	899	974	585	500	1,059	1,059	1,132	870	539	857	857	1,190	871	522	841	841	909	938	971	1,003
Inventory	583	537	494	471	245	337	467	423	423	216	319	449	425	425	248	341	453	338	338	334	338	346	351
Other current assets	788	365	394	364	380	326	360	462	462	417	366	362	433	433	433	433	433	433	433	433	433	433	433
Total current assets	**2,467**	**1,577**	**1,762**	**1,763**	**1,634**	**1,316**	**1,369**	**2,055**	**2,055**	**1,916**	**1,578**	**1,378**	**1,854**	**1,854**	**1,899**	**1,669**	**1,429**	**1,636**	**1,636**	**1,692**	**1,726**	**1,767**	**1,805**
Tangible fixed assets	**16,017**	**12,112**	**13,068**	**14,360**	**14,457**	**14,848**	**15,174**	**15,543**	**15,543**	**15,741**	**16,134**	**16,481**	**16,912**	**16,912**	**17,098**	**17,400**	**16,809**	**17,138**	**17,138**	**18,264**	**19,361**	**20,381**	**21,374**
Goodwill	3,666	1,691	1,691	1,691	1,691	1,691	1,691	1,691	1,691	1,691	1,691	1,691	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486
Other intangible fixed assets	265	254	243	232	229	226	224	221	221	218	215	213	0	0	0	0	0	0	0	0	0	0	0
Investment in affiliates	453	195	200	210	206	204	217	206	206	211	218	220	230	230	230	230	230	230	230	230	230	230	230
Other investments	1,999	1,665	1,729	1,707	1,882	2,024	2,025	2,089	2,089	2,113	2,139	2,150	2,178	2,178	2,203	2,225	2,255	2,286	2,286	2,393	2,501	2,609	2,717
Non-Current Assets	**6,383**	**3,804**	**3,862**	**3,839**	**4,008**	**4,144**	**4,156**	**4,206**	**4,206**	**4,233**	**4,262**	**4,273**	**3,894**	**3,894**	**3,920**	**3,942**	**3,971**	**4,002**	**4,002**	**4,109**	**4,217**	**4,325**	**4,433**
Total assets	**24,866**	**17,493**	**18,692**	**19,962**	**20,099**	**20,308**	**20,699**	**21,804**	**21,804**	**21,890**	**21,974**	**22,132**	**22,660**	**22,660**	**22,916**	**23,011**	**22,209**	**22,776**	**22,776**	**24,065**	**25,305**	**26,473**	**27,612**
Trade payables and other ST liabilities	2,111	1,656	1,601	1,688	1,396	1,363	1,752	2,060	2,060	1,884	1,722	1,714	1,973	1,973	2,063	1,839	1,811	1,859	1,859	1,913	1,939	1,982	2,014
Short term debt	1,844	1,001	1,851	1,490	1,830	1,198	1,660	1,977	1,977	2,131	2,092	1,626	1,773	1,773	1,270	1,270	1,270	1,333	1,333	500	600	0	0
Total current liabilities	**3,955**	**2,658**	**3,452**	**3,178**	**3,226**	**2,560**	**3,411**	**4,037**	**4,037**	**4,015**	**3,814**	**3,340**	**3,746**	**3,746**	**3,333**	**3,109**	**3,081**	**3,192**	**3,192**	**2,413**	**2,539**	**1,982**	**2,014**
Long term debt	8,156	5,949	6,058	7,512	7,287	7,093	7,095	7,105	7,105	7,110	7,110	7,854	7,856	7,856	8,254	8,621	7,771	7,827	7,827	9,178	9,570	10,562	10,942
Debt deemed provisions (e.g. pensions)	676	760	713	337	323	398	383	474	474	462	455	451	455	455	455	455	455	455	455	455	455	455	455
Deferred taxes (Revenue)	3,662	2,365	2,528	1,293	1,397	1,409	1,303	1,342	1,342	1,402	1,483	1,477	1,495	1,495	1,572	1,579	1,583	1,621	1,621	1,751	1,860	1,961	2,049
Other long term liabilities	2,243	1,918	1,869	3,321	3,359	3,386	3,434	3,096	3,096	3,121	3,136	3,163	3,121	3,121	3,068	3,068	3,197	3,197	3,197	3,197	3,197	3,197	3,197
Total liabilities	**18,691**	**13,649**	**14,621**	**15,642**	**15,592**	**14,845**	**15,626**	**16,053**	**16,053**	**16,110**	**15,998**	**16,284**	**16,673**	**16,673**	**16,682**	**16,831**	**16,086**	**16,293**	**16,293**	**16,994**	**17,621**	**18,157**	**18,657**
Common equity	6,175	3,844	4,071	4,320	4,506	5,069	4,680	4,871	4,871	4,900	5,096	4,969	5,107	5,107	5,354	5,300	5,243	5,604	5,604	6,191	6,804	7,436	8,074
Preferred equity	0	0	0	0	0	394	394	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity	**6,175**	**3,844**	**4,071**	**4,320**	**4,506**	**5,463**	**5,074**	**5,751**	**5,751**	**5,780**	**5,976**	**5,849**	**5,987**	**5,987**	**6,234**	**6,180**	**6,123**	**6,484**	**6,484**	**7,071**	**7,684**	**8,316**	**8,954**
Total liabilities and equity	**24,866**	**17,493**	**18,692**	**19,962**	**20,099**	**20,308**	**20,699**	**21,804**	**21,804**	**21,890**	**21,974**	**22,132**	**22,660**	**22,660**	**22,916**	**23,011**	**22,209**	**22,776**	**22,776**	**24,065**	**25,305**	**26,473**	**27,612**
Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Balance Sheet Assumptions	2014	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	2021E	2022E	2023E	2024E
Accounts receivable (as % of EBIT)	85%	77%	95%	93%	236%	477%	375%	376%	112%	228%	662%	495%	281%	82%	230%	592%	408%	266%	76%	77%	74%	71%	67%
Inventory (as % of operating expenses)	28%	38%	35%	30%	61%	93%	142%	99%	28%	52%	83%	120%	103%	27%	58%	88%	121%	80%	21%	20%	20%	21%	21%
Trade payable & other S.T. liabilities (as % of opg. Exp.)	100%	118%	112%	106%	347%	377%	531%	484%	136%	450%	450%	459%	477%	124%	482%	474%	484%	438%	115%	117%	117%	119%	119%
Working Capital	330	(95)	135	46	202.6	(115.2)	(424.3)	(117.0)	(117)	(119.0)	(167.7)	(363.4)	(258.0)	(258)	(192.6)	(194.3)	(402.9)	(246.3)	(246)	(238)	(230)	(232)	(227)
Changes in Working Capital	**(139.5)**	**146.9**	**(292.1)**	**(416.4)**	(73.8)	203.3	364.1	(383.4)	**110.2**	(53.0)	(29.7)	117.7	(110.1)	**(75.1)**	(65.4)	1.7	208.6	(156.6)	**(11.7)**	**(8.8)**	**(7.6)**	**2.5**	**(5.1)**
Average Collection Period	**60**	**52**	**69**	**67**	50	53	52	67	**76**	55	78	53	57	**60**	55	75	50	55	**57**	**60**	**60**	**60**	**60**
Inventory Days	**96**	**125**	**130**	**113**	30	98	193	78	**88**	29	114	210	97	**101**	30	115	200	80	**76**	**75**	**75**	**75**	**75**
Average Payable Period	**346**	**385**	**422**	**406**	173	396	726	379	**427**	249	618	802	449	**469**	250	620	800	440	**420**	**430**	**430**	**430**	**430**

Cash	25	16	26	29	35	68	42	113	113	151	24	28	139	139	28	25	21	24	24	17	17	17	18
Total Debt	9,999	6,950	7,909	9,002	9,117	8,290	8,754	9,083	9,083	9,242	9,201	9,480	9,629	9,629	9,523	9,890	9,040	9,161	9,161	9,678	10,170	10,562	10,942
Total Net Debt	**9,974**	**6,934**	**7,883**	**8,973**	9,082	8,222	8,712	8,970	**8,970**	9,091	9,178	9,452	9,490	**9,490**	9,495	9,866	9,019	9,136	**9,136**	**9,661**	**10,153**	**10,545**	**10,925**
Preferred Securities	0	0	0	0	0	394	394	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880
Shareholders' Equity	6,175	3,844	4,071	4,320	4,506	5,463	5,074	5,751	5,751	5,780	5,976	5,849	5,987	5,987	6,234	6,180	6,123	6,484	6,484	7,071	7,684	8,316	8,954
Net Debt/Capital	**61.8%**	**64.3%**	**65.9%**	**67.5%**	66.8%	58.4%	61.4%	57.5%	**57.5%**	57.7%	57.2%	58.4%	58.0%	**58.0%**	57.2%	58.3%	56.3%	55.4%	**55.4%**	**54.9%**	**54.2%**	**53.4%**	**52.6%**
Invested capital	16,149	10,778	11,954	13,293	13,588	13,685	13,786	14,721	14,721	14,870	15,154	15,300	15,477	15,477	15,730	16,046	15,142	15,620	15,620	16,732	17,837	18,861	19,879
ROIC	8.1%	8.3%	7.9%	7.6%	4.0%	6.8%	6.9%	6.8%	6.8%	3.8%	7.1%	6.8%	6.9%	6.9%	3.5%	6.9%	7.0%	7.1%	7.1%	7.3%	7.3%	7.5%	7.7%
ROE	8.6%	5.3%	9.0%	9.4%	9.9%	9.1%	12.0%	8.9%	8.9%	9.3%	8.9%	10.7%	8.4%	8.4%	8.4%	8.4%	8.6%	11.3%	8.3%	8.4%	8.5%	8.5%	8.4%
EBITDA	1,864	1,384	1,443	1,535	557	267	282	443	1,549	672	309	291	487	1,759	701	331	315	506	1,853	1,956	2,072	2,203	2,344
Net Debt/EBITDA (50% pref equity treatment)	**5.4x**	**4.1x**	**5.5x**	**5.8x**	6.0x	5.7x	5.9x	6.1x	**6.1x**	5.7x	5.6x	5.8x	5.6x	**5.6x**	5.6x	5.7x	5.2x	5.2x	**5.2x**	**5.2x**	**5.1x**	**5.0x**	**4.8x**

Source: NI reports, Jefferies estimates

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Exhibit 5 - NI Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows ($MM)	2014	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	2021E	2022E	2023E	2024E
Operating activities																							
Net income	530	302	332	129	276	25	(340)	(12)	(51)	219	297	7	(139)	383	331	40	27	179	577	622	680	734	781
Depreciation, amortization & decommissioning	606	524	547	570	145	145	149	162	600	175	178	182	182	717	184	184	186	189	744	774	803	831	857
Deferred taxes	299	135	182	307	57	10	(93)	(162)	(188)	52	75	(6)	(2)	118	77	7	4	39	126	129	109	101	87
Net change in working capital	(140)	147	(292)	(416)	(74)	203	364	(383)	110	(53)	(30)	118	(110)	(75)	(65)	2	209	(157)	(12)	(9)	(8)	2	(5)
Other, including changes in provisions and other liabilities	25	348	35	153	(16)	39	37	8	69	7	7	5	421	440	(53)	0	129	0	76	0	0	0	0
Cash from operating activities	**1,320**	**1,457**	**803**	**742**	**388**	**421**	**118**	**(387)**	**540**	**399**	**527**	**306**	**352**	**1,583**	**474**	**233**	**555**	**251**	**1,512**	**1,516**	**1,584**	**1,668**	**1,720**
Investing activities																							
Capital expenditure - tangible fixed assets	(2,029)	(1,361)	(1,475)	(1,696)	(370)	(463)	(464)	(522)	(1,818)	(354)	(490)	(467)	(492)	(1,802)	(370)	(487)	(476)	(518)	(1,850)	(1,900)	(1,900)	(1,850)	(1,850)
Investment in affiliates	(69)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net disposals/(acquisitions)	13	3,803	0	0	0	1	(14)	5	(8)	0	0	0	(8)	(8)	0	0	880	0	880	0	0	0	0
Other investment	(32)	(497)	(108)	(113)	(29)	(10)	(28)	(33)	(100)	(22)	(33)	(29)	(28)	(112)	(26)	(22)	(29)	(31)	(108)	(107)	(109)	(108)	(108)
Cash from investing activities	**(2,117)**	**1,945**	**(1,583)**	**(1,809)**	**(399)**	**(472)**	**(505)**	**(550)**	**(1,926)**	**(375)**	**(523)**	**(496)**	**(529)**	**(1,922)**	**(396)**	**(509)**	**375**	**(549)**	**(1,078)**	**(2,007)**	**(2,009)**	**(1,958)**	**(1,958)**
Financing activities																							
Inc./(dec.) in short term debt	878	(936)	921	(282)	362	(967)	1,011	366	772	103	1	(466)	158	(204)	(503)	0	0	64	(440)	(833)	100	(600)	0
Inc./(dec.) in long term debt	227	(2,092)	65	1,395	(279)	138	(553)	(2)	(696)	(2)	(44)	748	(3)	698	397	367	(850)	57	(29)	1,351	392	992	380
Inc./(dec.) in equity	20	2	14	337	4	600	4	241	848	3	4	4	234	244	5	5	5	283	298	375	375	375	375
Common stock dividends paid	(321)	(263)	(206)	(229)	(66)	(66)	(71)	(71)	(273)	(75)	(75)	(75)	(75)	(299)	(80)	(80)	(80)	(82)	(323)	(354)	(387)	(422)	(462)
Other cash from financing	(9)	(122)	(4)	(152)	(4)	(12)	(31)	(16)	(62)	(4)	(0)	(8)	(6)	(18)	0	0	0	0	0	0	0	0	0
Inc./(dec.) in preffered equity	0	0	0	0	0	394	(0)	486	880	(9)	(19)	(8)	(19)	(56)	(8)	(19)	(8)	(19)	(55)	(55)	(55)	(55)	(55)
Cash from financing activities	**795.6**	**(3,412)**	**791**	**1,068.7**	**17**	**87**	**360**	**1,004**	**1,469**	**16**	**(133)**	**195**	**289**	**366**	**(189)**	**272**	**(934)**	**302**	**(549)**	**483**	**425**	**290**	**238**
Cash flow increase/(decrease) in cash	(1)	(10)	11	2.4	6	36	(27)	67	83	40	(128)	5	111	27.3	(111)	(3)	(4)	3	(115)	(7)	0	0	0
Non-cash movements in cash	0	0	0	0	(0.3)	(3.2)	0.9	4	1	(2)	1	(0)	(0)	(1)	0	0	0	0	0	0	0	0	0
Forex Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net change in cash	**(1)**	**(10)**	**11**	**2.6**	6	33	(26)	71	**84**	38	(127)	4	111	**27**	(111)	(3)	(4)	3	**(115)**	**(7)**	**0**	**0**	**0**
Cash at the beginning of the year	**27**	**25**	**16**	**26**	29	35	68	42	**29**	113	151	24	28	**113**	139	28	25	21	**139**	**24**	**17**	**17**	**17**
Cash at the end of the year	**25**	**16**	**26**	**29**	35	68	42	113	**113**	151	24	28	139	**139**	28	25	21	24	**24**	**17**	**17**	**17**	**18**
Cash paid for income taxes	**19**	**21**	**8**	**6**	4	0	0	(1)	**3**	5	0	0	6	**11**	10	1	1	6	**18**	**40**	**64**	**93**	**124**
Cash Interest paid, net of amount capitalized	**429**	**390**	**338**	**340**	146	42	42	124	**354**	162	47	42	99	**350**	148	43	43	87	**322**	**380**	**385**	**390**	**395**
Accounting Free Cash Flow (CFO-CAPEX-Dividend)	(1030)	(167)	(877)	(1183)	(48)	(107)	(417)	(980)	(1551)	(29)	(37)	(236)	(216)	(518)	16	(353)	(9)	(368)	(716)	(793)	(758)	(659)	(647)
Free Cash Flow (NI+D&A-WC-CAPEX-DIV)	(1075)	(945)	(510)	(810)	59	(563)	(1090)	(59)	(1653)	19	(60)	(470)	(414)	(925)	122	(364)	(559)	(94)	(895)	(905)	(852)	(765)	(724)

Source: NI reports, Jefferies estimates

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Exhibit 6 - OGS Consolidated Income Statement

Income Statement ($MM)	2014	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Gas Sales	$1,680	$1,418	$1,300	$1,409	$1,492	$621.5	$258.6	$216.0	$412.1	$1,508	$588.9	$270.8	$233.4	$450.5	$1,544	$645.6	$286.5	$243.7	$462.3	$1,638	$1,744	$1,833	$1,919
Transportation Revenue	$102	$99	$98	$101	$110	$35.0	$24.0	$23.7	$31.4	$114	$35.8	$24.6	$24.3	$31.9	$117	$36.6	$25.2	$24.9	$32.6	$119	$122	$125	$128
Other revenue	$37	$31	$29	$30	$32	$4.5	$8.0	$8.9	$9.2	$31	$7.2	$8.1	$8.1	$7.6	$31	$6.1	$8.3	$8.7	$8.6	$32	$32	$33	$34
Total Revenue	**$1,819**	**$1,548**	**$1,427**	**$1,540**	**$1,634**	$661.0	$290.6	$248.6	$452.6	**$1,653**	$632.0	$303.5	$265.8	$489.9	**$1,691**	$688.3	$320.0	$277.3	$503.5	**$1,789**	**$1,898**	**$1,991**	**$2,080**
Cost of gas	($992)	($706)	($542)	($615)	($715)	($365.1)	($82.6)	($49.6)	($190.7)	($688)	($322.5)	($86.0)	($58.3)	($219.6)	($686)	($366.4)	($91.2)	($58.4)	($219.7)	($736)	($780)	($821)	($858)
Net Margin	**$827**	**$842**	**$885**	**$925**	**$919**	$295.9	$208.0	$199.0	$261.9	**$965**	$309.5	$217.5	$207.5	$270.3	**$1,005**	$322.0	$228.8	$218.9	$283.9	**$1,053**	**$1,119**	**$1,170**	**$1,223**
(O&M)	($414)	($414)	($417)	($417)	($412)	($108.3)	($101.5)	($100.5)	($118.9)	($429)	($109.9)	($103.0)	($102.0)	($120.7)	($436)	($111.3)	($104.3)	($103.3)	($122.2)	($441)	($448)	($454)	($461)
(D&A)	($133)	($133)	($144)	($152)	($160)	($43.8)	($44.9)	($45.5)	($46.1)	($180)	($46.9)	($47.8)	($48.8)	($49.8)	($193)	($50.7)	($51.6)	($52.7)	($53.7)	($209)	($225)	($241)	($257)
(General Taxes)	($55)	($55)	($55)	($57)	($59)	($16.2)	($14.7)	($14.2)	($14.9)	($60)	($17.0)	($16.5)	($15.1)	($14.5)	($63)	($17.9)	($18.1)	($17.1)	($16.1)	($69)	($76)	($81)	($87)
Operating Income (EBIT)	**$224**	**$239**	**$269**	**$299**	**$288**	$128	$47	$39	$82	**$295**	$136	$50	$42	$85	**$313**	$142	$55	$46	$92	**$335**	**$370**	**$394**	**$417**
Other	($3)	($3)	($0)	$3	($11)	$0.4	($0.9)	($1.4)	($1.1)	($3)	($1.0)	($2.3)	($3.8)	($1.0)	($8)	($1.2)	($2.9)	($4.7)	($1.2)	($10)	($9)	($8)	($7)
(Interest Expense)	($46)	($45)	($44)	($46)	($51)	($15.8)	($15.4)	($15.8)	($15.7)	($63)	($16.1)	($16.0)	($16.1)	($16.9)	($65)	($17.3)	($17.3)	($17.3)	($17.3)	($69)	($74)	($78)	($84)
(Income Taxes)	($68)	($73)	($85)	($93)	($54)	($18.6)	($6.2)	($4.1)	($14.0)	($43)	($20.1)	($6.5)	($4.2)	($14.7)	($46)	($22)	($7)	($5)	($17)	($51)	($59)	($66)	($72)
Net Income	$108	$119	$140	$163	$172	$93.7	$24.5	$17.5	$51.2	$187	$98.5	$25.4	$17.5	$52.8	$194	$101.8	$27.2	$19.0	$56.8	$205	$228	$242	$254
Earnings Per Share (EPS)	**$2.08**	**$2.24**	**$2.65**	**$3.08**	**$3.25**	$1.76	$0.46	$0.33	$0.96	**$3.51**	$1.84	$0.47	$0.33	$0.98	**$3.63**	$1.88	$0.50	$0.35	$1.04	**$3.77**	**$4.14**	**$4.33**	**$4.49**
Shares Outstanding (Diluted)	52.8	53.3	53.0	53.0	53.0	53.2	53.2	53.3	53.3	53.2	53.4	53.5	53.7	53.8	53.6	54.1	54.3	54.4	54.5	54.3	55.1	55.9	56.7
Shares Outstanding (Basic)	52.2	52.6	52.5	52.5	52.7	52.8	52.9	52.9	52.9	52.9	53.0	53.2	53.3	53.4	53.2	53.8	53.9	54.1	54.2	54.0	54.8	55.6	56.3
Dividend - Qtrly	**$1.12**	**$1.20**	**$1.40**	**$1.68**	**$1.84**	$0.50	$0.50	$0.50	$0.50	**$2.00**	$0.54	$0.54	$0.54	$0.54	**$2.16**	$0.58	$0.58	$0.58	$0.58	**$2.32**	**$2.48**	**$2.64**	**$2.80**
Annual Dividend Run Rate	$1.12	7.1% $1.20	16.7% $1.40	20.0% $1.68	9.5% $1.84	$2.00	$2.00	$2.00	$2.00	8.7% $2.00	8.0% $2.16	$2.16	$2.16	$2.16	8.0% $2.16	$0.04 $2.32	$2.32	$2.32	$2.32	7.4% $2.32	6.9% $2.48	6.5% $2.64	6.1% $2.80
EBIT	$224	$239	$269	$299	$288	$128	$47	$39	$82	$295	$136	$50	$42	$85	$313	$142	$55	$46	$92	$335	$370	$394	$417
General Tax Rate	19.7%	18.7%	17.1%	16.0%	17.0%	11.3%	23.8%	26.8%	15.4%	16.9%	11.2%	24.7%	26.7%	14.5%	16.8%	11.2%	24.9%	27.1%	14.9%	17.1%	17.0%	17.1%	17.2%
Income Tax Rate	38.8%	38.0%	37.8%	36.4%	23.7%	16.6%	20.1%	19.2%	21.4%	18.7%	16.9%	20.5%	19.5%	21.8%	19.0%	17.7%	21.2%	20.3%	22.5%	19.8%	20.5%	21.3%	22.1%
Dividend Payout Ratio	**53.8%**	**53.7%**	**52.9%**	**54.6%**	**56.6%**					**57.0%**					**59.6%**					**61.5%**	**59.9%**	**61.0%**	**62.4%**
EBITDA	**$357**	**$372**	**$413**	**$451**	**$449**	$171	$92	$84	$128	**$476**	$183	$98	$90	$135	**$506**	$193	$106	$99	$146	**$543**	**$595**	**$635**	**$675**
Natural Gas Margin	**41.0%**	**50.2%**	**58.3%**	**56.4%**	**52.1%**	41.3%	68.1%	77.0%	53.7%	**54.4%**	45.2%	68.2%	75.0%	51.3%	**55.5%**	43.3%	68.2%	76.0%	52.5%	**55.1%**	**55.3%**	**55.2%**	**55.3%**
Gas Sales Margin Growth	(6.3%)	22.6%	16.2%	(3.3%)	(7.6%)	0.4%	6.7%	2.1%	9.8%	4.3%	4.6%	4.6%	4.3%	3.2%	2.1%	4.0%	5.2%	5.5%	5.0%	(0.8%)	0.4%	(0.2%)	0.2%
Charged Natural Gas Price	**$1.81**	**$1.98**	**$2.17**	**$2.26**	**$1.98**	$1.69	$2.50	$2.78	$1.93	**$2.07**	$1.69	$2.50	$2.78	$1.93	**$2.13**	$1.75	$2.63	$2.92	$2.02	**$2.22**	**$2.34**	**$2.42**	**$2.50**
Rate increase											$0.04	$0.09	$0.11	$0.06	$0.07	$0.04	$0.08	$0.09	$0.05	$0.06	$0.10	$0.06	$0.06
New Rates						$1.69	$2.50	$2.78	$1.93		$1.73	$2.59	$2.88	$1.99		$1.79	$2.71	$3.01	$2.06				
Y/Y Change	-1.6%	9.5%	9.5%	4.2%	-12.5%	*0.1%*	*11.1%*	*1.5%*	*7.6%*	4.5%	*0.0%*	*0.0%*	*0.0%*	*0.0%*	3.1%	*1.3%*	*1.3%*	*1.3%*	*1.3%*	3.9%	5.4%	3.6%	3.5%
Rate Cases																							
Oklahoma	$3.7	$11.0	$30.0	$0.0	$10.0	$2.8	$2.8	$2.8	$2.8	$11.0	$3.0	$3.0	$3.0	$3.0	$12.0	$3.0	$3.0	$3.0	$3.0	$12.0	$27.5	$12.0	$12.0
Kansas	$1.5	$3.5	$2.1	$15.5	$2.9	$7.7	$3.7	$3.3	$6.2	$21.0	$1.0	$1.0	$1.0	$1.0	$4.0	$0.7	$0.7	$0.7	$0.7	$2.8	$2.8	$2.8	$2.8
Texas	$12.1	$11.1	$11.0	$17.6	$6.9	$2.0	$2.0	$2.0	$2.0	$8.0	$2.5	$2.5	$2.5	$2.5	$10.0	$2.0	$2.0	$2.0	$2.0	$8.0	$8.0	$8.0	$8.0
Total Rate Case Settlement	**$17.2**	**$25.6**	**$43.1**	**$33.1**	**$19.8**	$12.5	$8.5	$8.0	$11.0	**$40.0**	$6.5	$6.5	$6.5	$6.5	**$26.0**	$5.7	$5.7	$5.7	$5.7	**$22.8**	**$38.3**	**$22.8**	**$22.8**

Source: OGS reports; Jefferies estimates

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Exhibit 7 - SWX Valuation Analysis

Jefferies

Southwest Gas Corporation (SWX)

Discounted Cash Flow	2020	2021	2022	2023	2024
EBIT	$398	$453	$479	$526	$564
(Cash Taxes on EBIT)	($20)	($34)	($48)	($66)	($99)
NOPAT	$378	$419	$431	$460	$465
DD&A	$332	$349	$363	$376	$387
Capex	($800)	($815)	($780)	($747)	($612)
Changes in NWC	$9	($4)	$2	$4	($2)
Free Cash Flow to the Firm	($80)	($50)	$17	$92	$238
Terminal Cash Flow					$7,553
Total Cash Flows	($80)	($50)	$17	$92	$7,791
PV of Cash Flows	($77)	($46)	$15	$78	$6,289
Implied Asset Value	$6,258				
(Net Debt)	($2,625)				
(Pension & Operating Lease)	($151)				
Cash surrender value of COLI policies	$132				
Implied Equity Value	$3,614				
Shares Outstanding	55.1				
Implied 12-Month Target	**$66.60**				

2019E Net Income Compositon

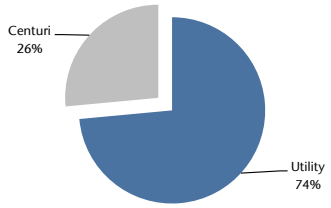

Average Price Target	$72.00

Dividend Discount Model	2020	2021	2022	2023	2024
Dividend Per Share	$2.26	$2.34	$2.42	$2.50	$2.58
Payout Ratio (SWX Convention)	*71%*	*65%*	*66%*	*62%*	*61%*
Terminal Value					$86.92
Present Value of Dividends	$1.66	$2.17	$2.12	$2.07	$2.02
Sum of PV of Dividends per Share	$10.03				
PV of Terminal Value	$61.56				
Equity Value per Share	$71.58				
Implied 12-Month Target	**$72.60**				

WACC Calculation	
New Debt Cost	3.75%
Beta (3yr vs SPX)	0.60
Risk Free Rate	2.5%
Risk Premium	5.5%
Cost of Equity	5.8%
Equity / Cap	52%
Debt / Cap	48%
Tax Rate	24%
WACC	4.4%

SWX Capitalization	
Current Stock Price	$52.27
Market Cap (MM)	$2,878
Total Debt (MM)	$2,675
Total Net Debt (MM)	$2,625
F12M Dividend Yield	4.4%
5yr Dividend CAGR	3.7%
Terminal CF Growth Rate	2.50%
Terminal Dividend Growth	2.75%

Sum of the Parts Analysis

Business Segment	2021E Net Income	Multiple	Value
Gas Utility	$166	18.0x	$2,986
Infrastructure Services	$73	9.0x	$657
		Total Equity Value	$3,643
		Diluted Shares Outstanding	54.3
		Price Target	**$67.10**

Terminal WACC	
Cost of New Debt	5.0%
Adjusted Beta	0.73
Risk Free Rate	3.5%
Risk Premium	5.5%
Cost of Equity	7.5%
Terminal WACC	5.7%

Valuation Multiples	
2020E P/E	14.3x
2021E P/E	12.7x
2022E P/E	12.4x
2020E EV/EBITDA	8.0x
2021E EV/EBITDA	7.6x
2022E EV/EBITDA	7.5x

Target Yield Analysis	
2Q21 Dividend	$0.59
Historical 3-year Average Yield	2.62%
Target Yield	2.85%
Implied 12-Month Target	**$82.80**

Implied Upside	
Current Share Price	$52.27
Price Target	$72.00
Forecasted Yield	4.4%
Total Expected Return	**42.1%**

2019E NI Breakdown	
Utility	73.5%
Centuri	26.5%

Source: SWX reports, Jefferies estimates

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Exhibit 8 - SWX Consolidated Income Statement

Consolidated Statement of Income ($MM)	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Gas Utility Revenues	$1,454.6	$1,321.4	$1,302.3	$1,357.7	$520.7	$258.7	$210.0	$379.6	$1,368.9	$531.5	$266.1	$233.0	$406.4	$1,437.0	$575.3	$300.2	$246.9	$424.0	$1,546.4	$1,603.7	$1,690.3	$1,765.9
Cost of Gas	$563.8	$397.1	$355.0	$419.4	$192.6	$65.2	$35.1	$92.3	$385.2	$196.6	$67.0	$38.9	$98.8	$401.4	$212.8	$75.6	$41.2	$103.1	$432.8	$448.3	$470.3	$492.2
Net Utility Operating Margin	$890.8	$924.3	$947.3	$938.3	$328.1	$193.5	$174.9	$287.3	$983.8	$334.9	$199.0	$194.1	$307.6	$1,035.6	$362.5	$224.6	$205.7	$320.9	$1,113.6	$1,155.3	$1,220.0	$1,273.7
Construction Revenues	$1,009.0	$1,139.1	$1,246.5	$1,522.3	$312.9	$454.3	$515.3	$468.6	$1,751.0	$309.1	$511.7	$558.6	$525.1	$1,904.5	$378.7	$591.1	$634.6	$515.6	$2,120.1	$2,313.5	$2,366.7	$2,455.9
Construction Expenses	$898.8	$1,024.4	$1,149.0	$1,380.8	$300.5	$402.2	$451.6	$419.0	$1,573.2	$294.5	$449.2	$485.4	$465.6	$1,694.7	$363.6	$526.1	$558.5	$453.7	$1,901.9	$2,086.5	$2,133.0	$2,215.1
Net Construction Operating Margin	$110.2	$114.7	$97.5	$141.5	$12.4	$52.1	$63.7	$49.6	$177.8	$14.6	$62.5	$73.2	$59.5	$209.8	$15.1	$65.0	$76.2	$61.9	$218.2	$226.9	$233.7	$240.7
Operation and maintenance	$393.2	$401.7	$412.2	$406.4	$106.2	$105.3	$109.7	$103.0	$424.2	$109.7	$109.1	$113.4	$106.7	$438.9	$111.9	$111.3	$115.6	$108.8	$447.6	$455.4	$463.4	$471.5
Depreciation and amortization	$270.1	$289.1	$251.0	$249.2	$77.5	$70.3	$75.4	$80.0	$303.2	$81.0	$82.5	$83.8	$84.9	$332.2	$85.7	$87.0	$87.9	$88.7	$349.3	$363.2	$375.8	$386.9
Taxes other than income	$49.4	$52.4	$57.9	$59.9	$16.2	$15.1	$15.3	$15.7	$62.3	$16.3	$15.3	$16.9	$16.8	$65.2	$17.8	$17.3	$18.1	$17.6	$70.8	$73.4	$77.7	$81.2
Total Operating Expenses	$712.7	$743.2	$721.1	$715.5	$200.0	$190.8	$200.3	$198.6	$789.7	$206.9	$206.9	$214.1	$208.4	$836.3	$215.5	$215.6	$221.6	$215.1	$867.8	$892.1	$916.9	$939.6
Other Income (Expense)	$2.4	$2.1	$2.8	($14.5)	($0.8)	($2.3)	$0.5	($5.0)	($7.6)	($2.8)	($3.0)	($2.9)	($2.4)	($11.1)	($2.8)	($3.0)	($2.9)	($2.4)	($11.1)	($11.1)	($11.1)	($11.1)
Income before Interest and Taxes	$290.7	$297.8	$326.5	$349.8	$139.7	$52.6	$38.8	$133.2	$364.2	$139.7	$51.7	$50.3	$156.3	$398.0	$159.4	$71.0	$57.3	$165.3	$452.9	$479.0	$525.7	$563.7
Interest Expense	$71.9	$73.7	$78.1	$96.7	$26.4	$26.8	$27.4	$28.6	$109.2	$30.7	$30.7	$31.3	$32.3	$125.0	$34.0	$34.0	$34.0	$34.0	$135.8	$146.0	$155.0	$166.4
Income before Taxes	$218.8	$224.1	$248.4	$253.2	$113.3	$25.7	$11.3	$104.7	$255.0	$109.0	$21.0	$19.0	$124.0	$273.0	$125.4	$37.1	$23.3	$131.3	$317.1	$333.0	$370.7	$397.3
Income Taxes	$79.9	$78.5	$85.1	$64.1	$25.5	$6.4	$3.1	$21.0	$56.0	$24.7	$4.0	$5.4	$30.5	$64.5	$28.6	$10.5	$6.4	$32.4	$77.9	$82.3	$92.2	$99.1
Net Income	**$138.9**	**$145.7**	**$163.3**	**$189.1**	**$87.7**	**$19.4**	**$8.2**	**$83.7**	**$199.0**	**$84.3**	**$17.0**	**$13.6**	**$93.5**	**$208.4**	**$96.9**	**$26.6**	**$16.9**	**$98.9**	**$239.2**	**$250.7**	**$278.5**	**$298.3**
Minority Interests	$1.1	$1.0	($0.1)	($0.8)	$0.6	$0.8	$1.2	$0.2	$2.7	$0.6	$0.8	$1.2	$0.2	$2.7	$0.6	$0.8	$1.2	$0.2	$2.7	$2.7	$2.7	$2.7
Net Income to Common	$137.8	$144.6	$163.4	$189.8	$87.2	$18.6	$7.0	$83.5	$196.3	$83.7	$16.3	$12.5	$93.3	$205.7	$96.3	$25.8	$15.7	$98.7	$236.5	$248.0	$275.8	$295.5
Avg. Diluted Common Shares	47.2	47.8	48.0	49.5	53.4	54.0	54.7	55.1	54.3	55.6	56.1	56.6	56.7	56.3	57.1	57.5	57.9	57.9	57.6	59.1	60.6	62.1
Avg. Basic Common Shares	46.9	47.5	47.7	49.4	53.4	53.9	54.7	55.0	54.2	57.1	57.6	58.1	58.6	57.8	59.1	59.5	59.9	60.3	59.7	61.5	63.6	65.6
Recurring Earnings per share	**$2.92**	**$3.03**	**$3.41**	**$3.84**	**$1.63**	**$0.34**	**$0.13**	**$1.52**	**$3.61**	**$1.50**	**$0.29**	**$0.22**	**$1.65**	**$3.66**	**$1.69**	**$0.45**	**$0.27**	**$1.70**	**$4.11**	**$4.20**	**$4.55**	**$4.76**
Excluded Items (non-recurring or discontinued operations)	($0.5)	$7.4	$10.6	($2.9)	$7.6	$3.4	$0.7	$5.9	$17.7					$0.0					$0.0	$0.0	$0.0	$0.0
EPS impact of excluded items	(0.01)	0.15	0.22	(0.15)	0.14	0.06	0.01	0.11	0.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reported Earnings per share (diluted)	$2.91	$3.18	$3.63	$3.68	$1.77	$0.41	$0.14	$1.62	$3.94	$1.50	$0.29	$0.22	$1.65	$3.66	$1.69	$0.45	$0.27	$1.70	$4.11	$4.20	$4.55	$4.76
Dividends paid per share	**$1.58**	**$1.76**	**$1.94**	**$2.06**	$0.52	$0.55	$0.55	$0.55	**$2.16**	$0.55	$0.57	$0.57	$0.57	**$2.26**	$0.57	$0.59	$0.59	$0.59	**$2.34**	**$2.42**	**$2.50**	**$2.58**
Dividend Growth Rate	**10.9%**	**11.1%**	**10.3%**	**6.2%**		4.8%			**4.9%**		4.6%			**4.6%**		3.5%			**3.8%**	**3.4%**	**3.3%**	**3.2%**
Payout Ratio (on recurring earnings)	**54.1%**	**58.0%**	**56.8%**	**53.6%**					**59.6%**					**61.7%**					**57.0%**	**57.6%**	**54.9%**	**54.2%**
Payout Ratio (on SWX methodology)	**59.7%**	**61.8%**	**54.6%**	**62.1%**					**61.8%**					**70.9%**					**65.0%**	**66.0%**	**62.4%**	**61.5%**
COLI actual and/or assumption	**$0.5**	**$7.4**	**$18.2**	**($2.9)**	$7.6	$3.4	$0.7	$5.9	**$17.7**	$1.3	$1.3	$1.3	$1.3	**$5.0**	$1.3	$1.3	$1.3	$1.3	**$5.0**	**$5.0**	**$5.0**	**$5.0**
Tax Rate	**36.5%**	**35.0%**	**34.2%**	**25.3%**	22.5%	24.7%	27.7%	20.1%	**22.0%**	22.7%	18.9%	28.3%	24.6%	**23.6%**	22.8%	28.2%	27.6%	24.7%	**24.6%**	**24.7%**	**24.9%**	**24.9%**
Change in Net Income	**2%**	**5%**	**12%**	**16%**	11%	-1%	8%	1%	**5%**	-4%	-12%	66%	12%	**5%**	15%	56%	24%	6%	**15%**	**5%**	**11%**	**7%**
Change in Common Equity	**7.1%**	**4.3%**	**9.1%**	**24.2%**	25.1%	25.2%	24.6%	11.3%	**11.3%**					**8.1%**					**8.3%**	**7.7%**	**7.7%**	**7.5%**

Source: SWX reports, Jefferies estimates

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Exhibit 9 - SWX Consolidated Balance Sheet

Consolidated Balance Sheet ($MM)	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020	2021	2022	2023	2024
Cash & Equivalents	36	28	44	65	35	69	85	85	97	38	28	50	50	38	40	38	45	45	45	47	47	48
Accounts Receivable	315	285	347	336	358	348	414	414	429	418	434	474	474	416	470	430	557	557	563	601	606	630
Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Assets	208	220	266	263	303	304	340	340	304	296	303	336	336	336	336	336	336	336	336	336	336	336
Total Current Assets	**558**	**533**	**657**	**664**	**696**	**721**	**840**	**840**	**830**	**752**	**765**	**860**	**860**	**790**	**847**	**805**	**938**	**938**	**944**	**984**	**989**	**1,015**
Tangible Fixed Assets - Net	**3,891**	**4,132**	**4,524**	**4,604**	**4,717**	**4,870**	**5,093**	**5,093**	**5,216**	**5,370**	**5,536**	**5,685**	**5,685**	**5,777**	**5,905**	**6,040**	**6,153**	**6,153**	**6,619**	**7,035**	**7,407**	**7,735**
Goodwill	126	140	179	176	174	176	359	359	364	346	340	343	343	343	343	343	343	343	343	343	343	343
Other intangible fixed assets (Deferred Income Taxes)	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Investment in affiliates	469	432	447	443	426	420	441	441	441	436	430	497	497	497	497	497	497	497	497	497	497	497
Other investments	314	342	428	439	462	467	624	624	717	762	769	784	784	784	784	784	784	784	784	784	784	784
Non-Current Assets	**909**	**916**	**1,056**	**1,059**	**1,063**	**1,064**	**1,425**	**1,425**	**1,523**	**1,545**	**1,539**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**
Total assets	**5,359**	**5,581**	**6,237**	**6,328**	**6,476**	**6,655**	**7,358**	**7,358**	**7,569**	**7,667**	**7,840**	**8,170**	**8,170**	**8,191**	**8,376**	**8,470**	**8,716**	**8,716**	**9,187**	**9,645**	**10,021**	**10,375**
Trade payables and other ST liabilities	498	578	576	555	609	681	754	754	752	690	714	705	705	621	766	741	798	798	800	840	849	872
Short term debt	37	50	240	47	54	32	185	185	223	37	68	375	375	0	0	0	0	0	50	0	0	0
Total current liabilities	**535**	**628**	**816**	**603**	**664**	**713**	**939**	**939**	**974**	**727**	**782**	**1,080**	**1,080**	**621**	**766**	**741**	**798**	**798**	**850**	**840**	**849**	**872**
Long term debt	1,551	1,550	1,799	1,998	2,038	2,124	2,107	2,107	2,106	2,373	2,462	2,300	2,300	2,678	2,708	2,819	2,880	2,880	3,027	3,223	3,304	3,353
Debt deemed provisions (e.g. pensions)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred taxes (Revenue)	769	841	477	500	511	519	529	529	556	563	578	600	600	619	615	612	645	645	694	737	779	807
Other long term liabilities	895	878	1,333	1,350	1,332	1,353	1,449	1,449	1,504	1,501	1,510	1,599	1,599	1,599	1,599	1,599	1,599	1,599	1,599	1,599	1,599	1,599
Total liabilities	**3,750**	**3,897**	**4,425**	**4,451**	**4,544**	**4,709**	**5,024**	**5,024**	**5,140**	**5,164**	**5,332**	**5,580**	**5,580**	**5,517**	**5,688**	**5,771**	**5,922**	**5,922**	**6,169**	**6,400**	**6,531**	**6,631**
Common equity	1,592	1,661	1,812	1,876	1,933	1,946	2,252	2,252	2,347	2,419	2,424	2,506	2,506	2,589	2,603	2,614	2,709	2,709	2,933	3,160	3,405	3,659
Preferred equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority interests	16	23	0	0	0	0	82	82	82	83	84	85	85	85	85	85	85	85	85	85	85	85
Shareholders' Equity	**1,608**	**1,684**	**1,812**	**1,876**	**1,933**	**1,946**	**2,333**	**2,333**	**2,429**	**2,503**	**2,508**	**2,590**	**2,590**	**2,674**	**2,688**	**2,698**	**2,793**	**2,793**	**3,018**	**3,245**	**3,489**	**3,744**
Total liabilities and equity	**5,359**	**5,581**	**6,237**	**6,328**	**6,476**	**6,655**	**7,358**	**7,358**	**7,569**	**7,667**	**7,840**	**8,170**	**8,170**	**8,191**	**8,376**	**8,470**	**8,716**	**8,716**	**9,187**	**9,645**	**10,021**	**10,375**
Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance Sheet Assumptions		93	(125)	(1)	(12)	99	(72)	13	7	(6)	9	(47)	(37)	(26)	91	15	(70)	9	(4)	2	4	(2)
Accounts receivable (as % of EBIT)	108%	96%	106%	267%	737%	970%	297%	118%	307%	794%	1120%	356%	130%	297%	910%	855%	356%	140%	124%	125%	115%	112%
Inventory (as % of operating expenses)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Trade payable & other S.T. liabilities (as % of op. Exp.)	70%	78%	80%	308%	336%	373%	440%	105%	376%	362%	357%	355%	89%	300%	370%	346%	383%	95%	92%	94%	93%	93%
Working Capital	25	(73)	37	43	52	(29)	1	1	(18)	24	23	105	105	131	40	26	96	96	99	97	93	95
Average Collection Period	**47**	**42**	**50**	40	49	48	48	**52**	46	53	55	51	**55**	45	55	50	55	**61**	**56**	**56**	**55**	**55**
Inventory Days				-	-	-	-		-	-	-	-										
Average Payable Period	**124**	**149**	**140**	112	127	141	146	**153**	137	134	135	127	**131**	115	135	130	130	**139**	**125**	**121**	**119**	**118**
Cash	36	28	44	65	35	69	85	85	97	38	28	50	50	38	40	38	45	45	45	47	47	48
Total Debt	1,589	1,600	2,038	2,045	2,092	2,155	2,292	2,292	2,329	2,410	2,530	2,675	2,675	2,678	2,708	2,819	2,880	2,880	3,077	3,223	3,304	3,353
Total Net Debt	**1,553**	**1,572**	**1,995**	**1,980**	**2,057**	**2,086**	**2,207**	**2,207**	**2,232**	**2,371**	**2,502**	**2,625**	**2,625**	**2,641**	**2,668**	**2,781**	**2,836**	**2,836**	**3,032**	**3,176**	**3,257**	**3,305**
Preferred Securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity	1,592	1,661	1,812	1,876	1,933	1,946	2,252	2,252	2,347	2,419	2,424	2,506	2,506	2,589	2,603	2,614	2,709	2,709	2,933	3,160	3,405	3,659
Net Debt/Capital	**49%**	**49%**	**52%**	51%	52%	52%	49%	**49%**	49%	49%	51%	51%	**51%**	50%	51%	52%	51%	**51%**	**51%**	**50%**	**49%**	**47%**
EBIT(1-T)	184	189	212	82	32	26	92	230	107	41	26	97	272	108	39	36	125	311	346	361	396	424
Invested capital	3,145	3,233	3,807	3,857	3,990	4,032	4,459	4,459	4,579	4,791	4,926	5,131	5,131	5,230	5,271	5,395	5,544	5,544	5,965	6,336	6,662	6,964
ROIC	6.4%	5.8%	5.2%	5.2%	5.0%	5.7%	8.9%	5.7%	6.0%	6.0%	5.7%	8.2%	5.6%	10.2%	8.7%	5.3%	8.8%	5.8%	6.0%	5.9%	6.1%	6.2%
ROE	8.7%	8.7%	9.3%	9.9%	9.8%	9.5%	13.6%	9.4%	9.1%	8.5%	8.0%	12.0%	7.8%	14.8%	11.6%	7.4%	11.8%	7.6%	8.1%	7.9%	8.2%	8.2%
EBITDA	561	587	577	188	110	98	203	599	217	123	114	213	667	221	134	134	241	730	802	842	902	951
Net Debt/EBITDA	**2.8x**	**2.7x**	**3.5x**	3.5x	3.5x	3.5x	3.7x	**3.7x**	3.6x	3.7x	3.8x	3.9x	**3.9x**	3.9x	3.9x	4.0x	3.9x	**3.9x**	**3.8x**	**3.8x**	**3.6x**	**3.5x**
EBIT Interest Coverage	*4.0x*	*4.0x*	*4.2x*	*4.0x*	*3.9x*	*3.7x*	*3.6x*	*3.6x*	*3.6x*	*3.5x*	*3.5x*	*3.3x*	*3.3x*	*3.5x*	*3.0x*	*3.1x*	*3.2x*	*3.2x*	*3.3x*	*3.3x*	*3.4x*	*3.4x*
EBITDA Interest Coverage	*7.8x*	*8.0x*	*7.4x*	*7.0x*	*6.7x*	*6.4x*	*6.5x*	*6.2x*	*6.3x*	*6.2x*	*6.2x*	*5.8x*	*6.1x*	*6.3x*	*5.7x*	*5.8x*	*5.8x*	*5.8x*	*5.9x*	*5.8x*	*5.8x*	*5.7x*

Source: SWX results, Jefferies estimates

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Exhibit 10 - SWX Consolidated Cash Flow Statement

Consolidated Statement of Cash Flows ($MM)	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020	2021	2022	2023	2024
Operating activities																						
Net income	139	153	194	78	22	12	69	182	95	23	7	92	217	84	17	14	93	208	239	251	279	298
Depreciation, amortization	270	289	251	62	61	62	63	249	78	70	75	80	303	81	82	84	85	332	349	363	376	387
Deferred taxes	49	69	63	23	10	3	15	51	25	7	14	8	54	19	3	4	24	51	54	49	46	39
Net change in working capital	95	93	(125)	(1)	(12)	99	(72)	13	7	(6)	9	(47)	(37)	(26)	91	15	(70)	9	(4)	2	4	(2)
Other, including changes in provisions and other liabilities	(6)	(5)	(14)	18	(15)	(16)	46	33	(17)	(3)	(5)	(11)	(37)	0	(7)	(7)	9	(6)	(6)	(6)	(4)	(11)
Cash from operating activities	**547**	**598**	**370**	**181**	**66**	**160**	**121**	**529**	**188**	**90**	**100**	**122**	**500**	**158**	**186**	**109**	**142**	**595**	**633**	**660**	**700**	**711**
Investing activities																						
Capital expenditure - tangible fixed assets	(488)	(530)	(624)	(155)	(184)	(221)	(206)	(766)	(211)	(261)	(248)	(219)	(938)	(172)	(210)	(219)	(198)	(800)	(815)	(780)	(747)	(715)
Investment Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net disposals/(acquisitions)	(9)	(17)	(94)	(4)	0	0	(247)	(251)	0	(20)	0	(28)	(48)	0	0	0	0	0	0	0	0	0
Other investment	27	21	17	5	6	4	3	18	3	7	17	6	34	0	0	0	0	0	0	0	0	0
Cash from investing activities	**(470)**	**(526)**	**(701)**	**(154)**	**(178)**	**(217)**	**(450)**	**(999)**	**(207)**	**(273)**	**(231)**	**(241)**	**(952)**	**(172)**	**(210)**	**(219)**	**(198)**	**(800)**	**(815)**	**(780)**	**(747)**	**(715)**
Financing activities																						
Inc./(dec.) in short term debt	13	(163)	360	(303)	111	9	121	(63)	36	(188)	30	181	59	(375)	0	0	0	(375)	50	(50)	0	0
Inc./(dec.) in long term debt	(52)	169	68	314	(62)	85	(10)	327	(1)	265	91	(38)	318	378	30	111	61	580	147	196	81	49
Inc./(dec.) in equity	35	0	41	11	58	23	262	354	26	77	27	29	158	30	30	30	35	125	125	125	125	125
Common stock dividends paid	(74)	(83)	(92)	(24)	(25)	(26)	(26)	(100)	(28)	(29)	(30)	(30)	(116)	(31)	(33)	(33)	(33)	(130)	(140)	(149)	(159)	(169)
Other cash from financing	(1)	(3)	(30)	(3)	(1)	(0)	(2)	(7)	(2)	(1)	2	(2)	(3)	0	0	0	0	0	0	0	0	0
Inc./(dec.) in preferred equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash from financing activities	**(79)**	**(81)**	**346**	**(5)**	**82**	**91**	**345**	**513**	**31**	**124**	**121**	**140**	**415**	**2**	**27**	**108**	**63**	**200**	**182**	**122**	**47**	**5**
Cash flow increase/(decrease) in cash	(2)	(8)	15	22	(30)	34	17	42	12	(59)	(10)	21	(36)	(12)	3	(2)	6	(5)	0	2	0	1
Non-cash movements in cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forex Adjustments	(1)	(0)	0	(0)	(0)	0	(0)	(0)	0	0	(0)	0	0	0	0	0	0	0	0	0	0	0
Net change in cash	**(4)**	**(8)**	**16**	21	(30)	34	16	**42**	12	(59)	(10)	21	**(36)**	(12)	3	(2)	6	**(5)**	**0**	**2**	**0**	**1**
Cash at the beginning of the year	**40**	**36**	**28**	44	65	35	69	**44**	85	97	38	28	**85**	50	38	40	38	**50**	**45**	**45**	**47**	**47**
Cash at the end of the year	**36**	**28**	**44**	65	35	69	85	**85**	97	38	28	50	**50**	38	40	38	45	**45**	**45**	**47**	**47**	**48**
Cash Interest Paid	67	67	72	13	27	9	37	87	16	34	12	40	102	42	23	43	24	133	132	142	151	162
Cash Taxes Paid	43	(19)	6	4	12	2	(17)	1	0	1	(1)	2	3	5	1	1	6	14	24	33	46	60
Free Cash Flow (NI+D&A-WC-CapEx)	(174)	(180)	(54)	(13)	(90)	(245)	(1)	(349)	(45)	(161)	(175)	1	(381)	19	(202)	(137)	50	(269)	(223)	(168)	(96)	(28)
Free Cash Flow Post Dividends	(248)	(264)	(146)	(36)	(115)	(271)	(27)	(449)	(73)	(190)	(205)	(29)	(497)	(12)	(235)	(170)	17	(399)	(362)	(317)	(255)	(197)
Accounting Free Cash Flow (CFO-CapEx)	59	69	(254)	26	(118)	(61)	(84)	(237)	(23)	(171)	(148)	(97)	(438)	(14)	(25)	(110)	(56)	(205)	(182)	(120)	(47)	(4)
Accounting Free Cash Flow Post Dividends	(15)	(14)	(346)	2	(143)	(86)	(110)	(337)	(50)	(200)	(177)	(127)	(554)	(45)	(57)	(143)	(90)	(335)	(321)	(269)	(206)	(173)
Cash Interest Rate	4.3%	4.4%	4.0%	0.7%	1.3%	0.4%	1.7%	4.0%	0.7%	1.4%	0.5%	1.5%	4.1%	1.6%	0.9%	1.6%	0.9%	4.8%	4.4%	4.5%	4.6%	4.9%
Cash Tax Rate	19.8%	-8.5%	2.3%	4.3%	48.5%	15.6%	-15.0%	0.5%	0.4%	5.4%	-12.9%	2.3%	1.1%	5.0%	5.0%	5.0%	5.0%	5.0%	7.5%	10.0%	12.5%	15.0%
Deferred Taxes as % of Book Taxes	61%	88%	74%	96%	186%	78%	48%	80%	98%	109%	454%	38%	97%	78%	74%	82%	80%	79%	69%	60%	50%	40%

Source: SWX reports, Jefferies estimates

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Exhibit 11 - UGI Consolidated Income Statement

Consolidated Income Statement	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1Q	2QE	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Revenues	$6,691.1	$5,685.7	$6,120.7	$7,651.2	$2,200.2	$2,606.1	$1,363.7	$1,150.4	$7,320.4	$2,006.6	$2,334.4	$1,486.1	$1,187.4	$7,014.4	$2,132.9	$2,773.9	$1,555.4	$1,269.9	$7,732.1	$8,143.9	$8,518.5	$8,792.9
(Cost of Sales)	($3,647.6)	($2,529.1)	($2,896.6)	($4,169.7)	($1,308.3)	($1,414.5)	($745.3)	($648.1)	($4,116.2)	($996.4)	($1,170.4)	($812.7)	($598.4)	($3,577.9)	($1,074.6)	($1,424.6)	($853.6)	($669.6)	($4,022.4)	($4,371.0)	($4,603.9)	($4,766.5)
Gross Margin	$3,043.5	$3,156.6	$3,224.1	$3,481.5	$891.9	$1,191.6	$618.4	$502.3	$3,204.2	$1,010.2	$1,164.0	$673.4	$589.0	$3,436.6	$1,058.3	$1,349.3	$701.8	$600.3	$3,709.7	$3,772.8	$3,914.6	$4,026.4
(Operating & Administrative)	($1,751.3)	($1,808.0)	($1,804.9)	($1,982.9)	($503.2)	($535.8)	($460.2)	($431.7)	($1,930.9)	($510.5)	($542.9)	($500.9)	($454.5)	($2,008.9)	($536.5)	($589.5)	($512.1)	($473.7)	($2,111.8)	($2,119.4)	($2,145.8)	($2,192.2)
(Depreciation & Amortization)	($374.1)	($400.9)	($416.3)	($455.1)	($111.2)	($108.9)	($109.9)	($118.1)	($448.1)	($119.4)	($121.6)	($122.5)	($125.0)	($488.5)	($124.4)	($125.9)	($127.2)	($129.1)	($506.6)	($525.8)	($546.1)	($567.8)
Other Income (Loss)	$28.3	$6.6	($2.0)	$31.3	($1.2)	$0.6	$14.8	($15.3)	($1.1)	$24.9	$1.7	$3.0	($19.6)	$10.0	$5.0	$2.4	$3.7	$1.8	$12.9	$12.7	$12.9	$9.7
Operating Income	$946.4	$954.4	$1,000.9	$1,074.8	$276.3	$547.5	$63.1	($62.8)	$824.1	$405.2	$501.2	$52.9	($10.1)	$949.2	$402.3	$636.3	$66.2	($0.7)	$1,104.1	$1,140.3	$1,235.5	$1,276.2
(Income from Equity Investees)	($1.2)	($0.2)	$4.3	$4.3	$1.5	$1.6	$1.5	$4.5	$9.1	$6.5	$2.3	$2.3	$2.2	$13.3	$2.8	$2.8	$2.8	$2.8	$11.1	$22.1	$26.7	$25.9
(Other Items)	$0.0	$0.0	($46.0)	($12.7)	$9.0	$7.3	$0.7	$21.0	$38.0	($11.5)				($11.5)					$0.0	$0.0	$0.0	$0.0
(Interest Expense)	($231.6)	($228.9)	($223.5)	($230.1)	($60.2)	($61.0)	($60.5)	($76.1)	($257.8)	($84.1)	($81.8)	($78.7)	($79.5)	($324.0)	($79.8)	($79.8)	($79.8)	($79.8)	($319.2)	($313.3)	($307.2)	($303.4)
Income before Taxes	$713.6	$725.3	$735.8	$836.3	$226.6	$495.4	$4.8	($113.4)	$613.4	$316.1	$421.6	($23.5)	($87.3)	$626.9	$325.3	$559.3	($10.8)	($77.7)	$796.1	$849.1	$955.1	$998.6
(Income Tax Expense)	($226.7)	($178.6)	($204.5)	($186.3)	($58.5)	($90.2)	($10.1)	($0.1)	($158.9)	($82.1)	($99.1)	$5.5	$20.5	($155.1)	($76.4)	($131.4)	$2.5	$18.3	($187.1)	($199.5)	($224.5)	($234.7)
(Preferred Dividends)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Income before Other Items	$486.9	$546.7	$531.2	$650.0	$168.1	$405.2	($5.3)	($113.6)	$454.5	$234.0	$322.6	($18.0)	($66.8)	$471.8	$248.9	$427.9	($8.3)	($59.5)	$609.0	$649.6	$730.7	$764.0
(Minority Interest, prnc. in AmeriGas)	($133.0)	($181.7)	($126.9)	($164.4)	($24.3)	($151.3)	$31.8	$79.3	($64.5)	$0.0	$0.3	$0.2	($9.6)	($9.2)	($0.1)	$0.5	$0.2	($4.0)	($3.4)	($3.5)	($2.2)	($2.0)
Net Income - Recurring	$353.9	$365.0	$404.3	$485.6	$143.8	$253.9	$26.5	($34.3)	$390.0	$234.0	$322.8	($17.8)	($76.4)	$462.6	$248.7	$428.4	($8.1)	($63.4)	$605.6	$646.1	$728.4	$762.0
EPS (Adjusted Diluted)	**$2.01**	**$2.09**	**$2.29**	**$2.74**	$0.81	$1.43	$0.15	($0.18)	**$2.21**	$1.11	$1.53	($0.09)	($0.37)	**$2.20**	$1.18	$2.04	($0.04)	($0.31)	**$2.89**	**$3.11**	**$3.54**	**$3.74**
Shares Outstanding - Basic	173.1	173.2	173.7	173.9	174.4	174.5	174.8	189.9	178.4	209.4	209.2	209.0	209.0	209.1	208.7	208.5	208.2	208.0	208.3	206.3	204.4	202.6
Shares Outstanding - Diluted	175.7	174.9	176.3	176.9	177.6	177.3	177.3	189.9	180.6	211.3	211.0	209.0	209.0	210.1	210.5	210.3	208.2	208.0	209.3	207.6	205.8	203.9
EBIT	$946.4	$954.4	$1,000.9	$1,074.8	$276.3	$547.5	$63.1	($62.8)	$824.1	$405.2	$501.2	$52.9	($10.1)	$949.2	$402.3	$636.3	$66.2	($0.7)	$1,104.1	$1,140.3	$1,235.5	$1,276.2
EBITDA	$1,320.5	$1,355.2	$1,417.2	$1,529.9	$387.5	$656.4	$173.0	$55.3	$1,272.2	$524.6	$622.7	$175.4	$114.9	$1,437.7	$526.7	$762.2	$193.4	$128.4	$1,610.8	$1,666.1	$1,781.6	$1,844.0

Source: UGI reports, Jefferies estimates

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Jefferies

EQUITY RESEARCH
USA | Utilities

NATIONAL FUEL GAS COMPANY (NFG)

RATING	PRICE	MARKET CAP
BUY	$41.44^	$3.6B
PRICE TARGET (PT)	**UPSIDE SCENARIO PT**	**DOWNSIDE SCENARIO PT**
$48.00 (FROM $51.00)	$60.00	$30.00

^Prior trading day's closing price unless otherwise noted.

Estimates			
USD	2019A	2020E	2021E
EPS	3.45	↑ 2.94	↓ 2.74
Previous		2.88	2.94
Consensus EPS	3.45	↓ 2.90	↓ 2.72
Previous		3.06	3.11
DPS	1.72	1.76	1.80
Previous			
EBITDA (MM)			
Q1	223.6	↑ 229.2	-
Previous		*225.6*	
Q2	228.4	↑ 235.7	-
Previous		*225.5*	
Q3	185.7	↑ 178.1	-
Previous		*175.0*	
Q4	161.5	↓ 149.9	-
Previous		*151.7*	
FY Sep	799.2	↑ 792.8	↓ 787.4
Previous		*777.8*	*820.8*

Valuation			
	2019A	2020E	2021E
FY P/E	12.0x	14.1x	15.1x
EV/EBITDA	7.4x	7.5x	7.6x

The Long View

Scenarios

Base Case

- Appalachian drilling to grow production & reserves over next several years, California to provide free cash flow
- Midstream growth projects to add incremental Utica/ Marcellus takeaway capacity, aiding in-basin firm sale contracts in enabling Seneca production growth
- SOP, which utilizes EV/EBITDA multiples for business segments and reserve valuation for E&P & DCF analysis. F21 EPS: $2.74; F21 EBITDA: $787mm; PT $48

Upside Scenario

- Additional midstream opportunities are secured and progress successfully through regulatory approvals, driving meaningful takeaway options for Seneca and cementing a sustainably profitable net-back
- Stronger than anticipated proved reserve growth and continued improvements in drilling & completion activities, which aid Seneca's profit profile
- Sharp & sustained increase in natural gas and crude oil prices, limited basis issues. Utility experiences sustained cold weather in its PA service territory.
- SOP, which utilizes EV/EBITDA multiples for business segments and reserve valuation for E&P & DCF analysis. F21 EPS: $3.30; F21 EBITDA: $950; PT: $60

Downside Scenario

- Expansion projects in execution encounter cost overruns & time delays; NYSDEC's appeals of recent Northern Access victories are supported, permanently impairing Northern Access
- Production & reserve growth trails our expectations; drilling & completion efficiency gains do not materialize and Seneca's margins are minimized
- Sharp & sustained reduction in oil and natural gas prices, adverse basis differentials hinder realizations
- Mild weather, adverse rate case decisions
- SOP, which utilizes EV/EBITDA multiples for business segments and reserve valuation for E&P & DCF analysis. F21 EPS: $2.40; F21 EBITDA: $700; PT: $30

Investment Thesis / Where We Differ

- Appalachian drilling to grow production & reserves over next several years, California to provide free cash flow
- Midstream growth projects to add incremental Utica/ Marcellus takeaway capacity, aiding in-basin firm sale contracts in enabling Seneca production growth
- SOP, which utilizes EV/EBITDA multiples for business segments and reserve valuation for E&P & DCF analysis. F21 EPS: $2.74; F21 EBITDA: $787mm; PT $48

Catalysts

- Continued action by NFG in the wake of the FERC's decision to rule in favor of NFG as it relates to the NYSDEC waiving its certification authority under section 401 of the Clean Water Act; NYSDEC can appeal against the decision
- Execution of midstream projects & any additional expansions; Transco Zone 6 expected in 2021
- Narrowing of NE basis differentials and the disclosure of additional favorably priced firm sales agreements

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EQUITY RESEARCH
USA | Utilities

NISOURCE INC. (NI)

RATING	PRICE	MARKET CAP
BUY	$24.57^	$9.4B
PRICE TARGET (PT)	**UPSIDE SCENARIO PT**	**DOWNSIDE SCENARIO PT**
$28.00	$30.00	$15.00

^Prior trading day's closing price unless otherwise noted.

Estimates			
USD	2019A	2020E	2021E
EBITDA (MM)	↓ 1,759.3	↓ 1,852.7	↓ 1,955.5
Previous	1,762.9	1,893.2	2,011.3
DPS	0.80	↓ 0.84	↓ 0.88
Previous		0.85	0.91
Consensus EPS	↑ 1.32	↓ 1.36	↓ 1.42
Previous	1.29	1.38	1.46
EPS			
Q1	0.82	0.83	-
Previous			
Q2	0.05	0.07	-
Previous			
Q3	(0.00)	0.03	-
Previous			
Q4	↑ 0.45	0.42	-
Previous	*0.41*		
FY Dec	↑ 1.32	↓ 1.35	↓ 1.40
Previous	*1.27*	*1.38*	*1.45*

Valuation			
	2019A	2020E	2021E
EV/EBITDA	10.7x	10.2x	9.7x
FY P/E	18.7x	18.1x	17.5x

The Long View

Scenarios

Base Case

- Infrastructure modernization programs to generate steady growth & returns across all segments for several decades
- Premium asset footprints and favorable regulatory climates, continuation on tracked infrastructure investments punctuated by rate case activity.
- ~5.4% dividend CAGR from 2019-24; ~4.3% EPS CAGR from 2019-24
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2021 Adj. EPS: $1.40; 2021 dividend: $0.88/share; PT $28

Upside Scenario

- Customer growth grows faster than projected ~0.5% per year assumption and alternative source of regulated revenues are secured
- NI spends above the high-end of its guidance range, growing rate base faster than anticipated
- Cash flow outperformance yields reduced debt load, generating interest cost savings
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2021 Adj. EPS: $1.70; 2021 dividend: $0.91/share; PT $30

Downside Scenario

- Customer growth is slower than projected ~0.5% per year assumption, or negative
- NI spends below the low-end of its guidance range, and rate base growth is slower than anticipated
- Cost overruns and rising debt loads weigh on EPS
- Adverse regulatory and rate case outcomes
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2021 Adj. EPS: $0.85; 2021 dividend: $0.45/share; PT $15

Investment Thesis / Where We Differ

- Infrastructure modernization programs to generate steady growth & returns across all segments for several decades
- Premium asset footprints and favorable regulatory climates, continuation on tracked infrastructure investments punctuated by rate case activity.
- ~5.4% dividend CAGR from 2019-24; ~4.3% EPS CAGR from 2019-24
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2021 Adj. EPS: $1.40; 2021 dividend: $0.88/share; PT $28

Catalysts

- Continued regulatory progress and reduction in regulatory lag could improve earnings growth
- Extension or expansion of modernization programs across any/all service territories
- Increased revenue-normalization efforts and reduction in volumetric sensitivities
- Sale of Columbia Gas of Mass. & removal of the overhang that comes with the Greater Lawrence Incident; NI remains liable for additional costs incurred

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EQUITY RESEARCH
USA | Utilities

ONE GAS INC. (OGS)

RATING	PRICE	MARKET CAP
HOLD	$84.74^	$4.5B
PRICE TARGET (PT)	**UPSIDE SCENARIO PT**	**DOWNSIDE SCENARIO PT**
$80.00 (FROM $83.00)	$95.00	$60.00

^Prior trading day's closing price unless otherwise noted.

Estimates			
USD	2019A	2020E	2021E
EBITDA (MM)	↓ 475.6	↓ 506.2	↓ 543.3
Previous	478.1	520.8	558.4
DPS	2.00	2.16	2.32
Previous			
Consensus EPS	↑ 3.51	↓ 3.61	↓ 3.84
Previous	3.47	3.65	3.85
EPS			
Q1	1.76	1.84	-
Previous			
Q2	0.46	0.47	-
Previous			
Q3	0.33	0.33	-
Previous			
Q4	↓ 0.96	↑ 0.98	-
Previous	*0.97*	*0.94*	
FY Dec	↓ 3.51	↑ 3.63	↑ 3.77
Previous	*3.52*	*3.59*	*3.71*

Valuation			
	2019A	2020E	2021E
EV/EBITDA	13.2x	12.4x	11.5x
FY P/E	24.2x	23.4x	22.5x

The Long View

Scenarios

Base Case

- Customer growth continues at ~1.0% CAGR for several years
- Annual capex spend remains ~$500mm, delivering rate base growth broadly consistent with mgmt's expectations
- OGS continues to earn historical rate increases in KS & annual GRIP filings in TX
- Weather conditions revert to normal for consecutive years.
- Equal-weight valuation using DCF, DDM, Target P/E, and Target Yield methodologies; 2021 EPS: $3.77, 1Q21 DPS: $0.58; Target Yield: 2.8%; PT $80

Upside Scenario

- Customer growth grows faster than projected ~1.0% per year assumption and alternative sources of regulated revenue are secured
- OGS spends at or above the high-end of its guidance range growing its rate base faster than projected
- Mgmt employs cost cutting mechanisms which realizing an ROE closer to the top end of its authorized amount
- Equal-weight valuation using DCF, DDM, Target P/E, and Target Yield methodologies; 2021 EPS: $4.75, 1Q21 DPS: $0.60; Target Yield: ~2.5%; PT $95

Downside Scenario

- Customer growth is slower than projected ~1.0% per year assumption
- OGS spends at or below the low-end of its guidance range, thus its rate base ramp is slower than forecast
- Cost overruns occur and crimp allowed ROE in out-years
- Mild weather occurs in service areas where weather normalization provisions do not exist
- Equal-weight valuation using DCF, DDM, Target P/E, and Target Yield methodologies, 2021 EPS: $3.15, 1Q21 DPS: $0.48; Target Yield: ~3.2%; PT $60

Investment Thesis / Where We Differ

- Customer growth continues at ~1.0% CAGR for several years
- Annual capex spend remains ~$500mm, delivering rate base growth broadly consistent with mgmt's expectations
- OGS continues to earn historical rate increases in KS & annual GRIP filings in TX
- Weather conditions revert to normal for consecutive years.
- Equal-weight valuation using DCF, DDM, Target P/E, and Target Yield methodologies; 2021 EPS: $3.77, 1Q21 DPS: $0.58; Target Yield: 2.8%; PT $80

Catalysts

- Annual true-up regulatory filings across all three states
- With a low interest debt maturity in 2019, increased interest rates could act as a negative catalyst

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EQUITY RESEARCH
USA | Utilities

SOUTHWEST GAS CORPORATION (SWX)

RATING	PRICE	MARKET CAP
BUY	$59.41^	$3.3B
PRICE TARGET (PT)	**UPSIDE SCENARIO PT**	**DOWNSIDE SCENARIO PT**
$72.00 (FROM $78.00)	$95.00	$40.00

^Prior trading day's closing price unless otherwise noted.

Estimates			
USD	2019A	2020E	2021E
EBITDA (MM)	↓ 667.5	↑ 730.2	↑ 802.2
Previous	668.0	719.1	787.9
DPS	2.16	↑ 2.26	↑ 2.34
Previous		2.24	2.32
Consensus EPS	↑ 3.61	↓ 3.80	↓ 4.26
Previous	3.55	4.04	4.44
EPS			
Q1	1.63	1.50	-
Previous			
Q2	0.34	0.29	-
Previous			
Q3	0.13	0.22	-
Previous			
Q4	↑ 1.52	1.65	-
Previous	*1.44*		
FY Dec	↑ 3.61	↓ 3.66	↑ 4.11
Previous	*3.53*	*3.71*	*4.10*

Valuation			
	2019A	2020E	2021E
EV/EBITDA	8.8x	8.1x	7.4x
FY P/E	16.4x	16.2x	14.5x

The Long View

Scenarios

Base Case

- Customer growth continues at a ~1.7%+ annual rate through 2024 and dynamics of natural gas supply and demand trends remain supportive
- Centuri grows as utilities seek to replace & modernize aging infrastructure.
- SWX's regulatory outcomes are generally favorable and its LNG facility begins to contribute to earnings over the course of 2020.
- Equal-weighted DCF, DDM, SOP, and Target Yield approaches. 2Q21E Dividend: 59¢, Target Yield 2.85%, Projected 5-year Dividend CAGR 3.7%, PT $72

Upside Scenario

- Customer accounts grow faster than our baseline forecast and the economies of the AZ, NV, and CA service territories grow faster than anticipated.
- Rate activity is favorable and the LNG facility ramps up quicker than anticipated reaching above forecast utilization
- Centuri growth & profitability is better and Nueco acquisition is more accretive than anticipated, while Centuri's project backlog deepens
- Equal-weighted DCF, DDM, SOP, and Target Yield approaches. 2Q21E Dividend: 60¢, Target Yield 2.5%, Projected 5-year Dividend CAGR 6.5%, PT $95

Downside Scenario

- Weak economic conditions prompt slower than anticipated growth in customer accounts and an uptick in inactive meters
- Adverse future rate case outcomes & LNG facility contribution lower than anticipated
- Centuri backlog wanes & contract bidding becomes more competitive, crimping its growth & profitability
- Treasury yields widen, hindering capital costs
- Equal-weighted DCF, DDM, SOP, and Target Yield approaches. 2Q21E Dividend: 50¢, Target Yield 4.5%, Projected 5-year Dividend CAGR 0%, PT $40

Investment Thesis / Where We Differ

- Customer growth continues at a ~1.7%+ annual rate through 2024 and dynamics of natural gas supply and demand trends remain supportive
- Centuri grows as utilities seek to replace & modernize aging infrastructure.
- SWX's regulatory outcomes are generally favorable and its LNG facility begins to contribute to earnings over the course of 2020.
- Equal-weighted DCF, DDM, SOP, and Target Yield approaches. 2Q21E Dividend: 59¢, Target Yield 2.85%, Projected 5-year Dividend CAGR 3.7%, PT $72

Catalysts

- Dividend raises each Feb; expect a 3.7% 5-yr CAGR
- Additional sector consolidation (value read-through) and/or an accretive acquisition of its own
- Faster than expected increases in interest rates or a reduction of allowed ROEs act as negative catalysts
- Material change in the Arizona PUC with respect to favorable rate case outcomes; decision by the Nevada PUC on the rate case presented to them

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EQUITY RESEARCH
USA | Utilities

UGI CORPORATION (UGI)

RATING	PRICE	MARKET CAP
BUY	$27.14^	$5.7B
PRICE TARGET (PT)	**UPSIDE SCENARIO PT**	**DOWNSIDE SCENARIO PT**
$48.00 (FROM $54.00)	$60.00	$20.00

^Prior trading day's closing price unless otherwise noted.

Estimates			
USD	2019A	2020E	2021E
EBITDA (MM)	1,272.2	↓ 1,437.7	↓ 1,610.8
Previous		1,540.5	1,629.5
Consensus EPS	2.21	↓ 2.69	↓ 2.90
Previous		2.74	2.96
DPS	1.15	1.33	1.38
Previous			
EPS			
Q1	0.81	↑ 1.11A	-
Previous		*1.02*	
Q2	1.43	↓ 1.53	-
Previous		*1.94*	
Q3	0.15	↑ (0.09)	-
Previous		*(0.10)*	
Q4	(0.18)	↓ (0.37)	-
Previous		*(0.27)*	
FY Sep	2.21	↓ 2.20	↓ 2.89
Previous		*2.60*	*2.93*

Valuation			
	2019A	2020E	2021E
EV/EBITDA	9.5x	8.4x	7.5x
FY P/E	12.3x	12.3x	9.4x

The Long View

Scenarios

Base Case

- PennEast pipeline experiences no further delays & is put into service in F1Q22.
- Continued conversion of fuel oil customers
- Normal weather conditions across all regions
- Additional midstream projects are secured and successfully executed upon at a 5-6x multiple
- Equal-weighted DCF, SOP, and Target Yield approaches. F2Q21E Dividend: 33.75¢, Target Yield 3%, Projected 5-year Dividend CAGR 6.2%, PT $48

Upside Scenario

- Projects completed early and under-budget, with utilization ramp faster than anticipated
- Fuel oil customer conversions accelerate in the US and Europe; significantly colder-than-normal winter weather conditions pervade all operating regions
- Additional high-quality midstream projects come into service earlier than expected, at accretive multiples, and backed by long-term fee-based agreements
- Equal-weighted DCF, SOP, and Target Yield approaches. F2Q21E Dividend: 35¢, Target Yield 2.35%, Projected 5-year Dividend CAGR 9.0%, PT $60

Downside Scenario

- Recent NE gathering acquisition doesn't lend itself to the 5-6x bolt-on projects, making the transaction more expensive than originally anticipated
- Projects delayed further and experience cost overruns due to operational issues and drag on total UGI results
- Customer conversions across all delivery platforms slow and European acquisitions dry up
- Significantly warmer than normal temps afflict all operating regions during the winter heating season
- Equal-weighted DCF, SOP, and Target Yield approaches. F2Q21E Dividend: 32.5¢, Target Yield 4.75%, Projected 5-year Dividend CAGR 0%, PT $20

Investment Thesis / Where We Differ

- PennEast pipeline experiences no further delays & is put into service in F1Q22.
- Continued conversion of fuel oil customers
- Normal weather conditions across all regions
- Additional midstream projects are secured and successfully executed upon at a 5-6x multiple
- Equal-weighted DCF, SOP, and Target Yield approaches. F2Q21E Dividend: 33.75¢, Target Yield 3%, Projected 5-year Dividend CAGR 6.2%, PT $48

Catalysts

- Additional M&A in its NE Midstream business as well as announcements regarding expansion projects
- Unusually warm/cold winter weather in PA, due to the lack of weather normalization provisions
- Announcements regarding Penn East progress have the potential to act as a positive catalyst if the regulatory and construction processes are successfully navigated, but also have the potential to act as a negative catalyst if there are further delays in the regulatory and/or construction processes
- International M&A as UGI looks to expand the international propane business

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Company Description

National Fuel Gas Company

National Fuel Gas Company (NYSE: NFG) is a diversified energy holding company which operates in five business segments: Utility, Pipeline & Storage, Gathering, Exploration & Production, and Energy Marketing. The Utility operations are conducted by NFG Distribution Corp., which sells natural gas and provides natural gas and transportation services to ~750,200 customers in western New York and northwestern Pennsylvania. The Pipeline & Storage operations are carried out by NFG Supply Corp. and Empire Pipeline, Inc., which provide interstate natural gas transportation & storage services for affiliated and nonaffiliated companies. The Exploration & Production operates via Seneca Resources Corp., which is engaged in the exploration, development and purchase of natural gas and oil reserves primarily in California and in the Appalachian region. National Fuel Gas was founded on December 8, 1902, is incorporated under the laws of the state of New Jersey, and is headquartered in Williamsville, NY.

NiSource Inc.

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4mm US customers. The Company operates two business segments: Gas Distribution and Electric. The Gas Distribution operations provide natural gas service and transportation to ~3.5mm residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Electric Operations segment provides electric service to ~472,000 customers across 20 counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

ONE Gas Inc.

ONE Gas Inc. (NYSE: OGS) is a Local Distribution Company (LDC), that provides natural gas distribution services to 2.2mm customers and, despite the LDC market being categorized as an extremely fragmented industry, is the largest natural gas distributor in Oklahoma and Kansas and is the third largest in Texas, in terms of customers. OGS is the successor of a company founded in 1906 as Oklahoma Natural Gas Company and is 100% regulated. OGS's customer base includes residential, commercial & industrial, wholesale & public authority, and transportation. OGS has three divisions, Oklahoma Natural Gas, Kansas Gas Service, and Texas Gas Service, that distribute natural gas to ~88%, ~72%, and ~13% of the natural gas distribution customers in Oklahoma, Kansas and Texas, respectively.

Southwest Gas

Southwest Gas Holdings, Inc. (NYSE:SWX) is a holding company with business interests in two major business segments -- Natural Gas Operations and Utility Infrastructure Services. Southwest Gas Corporation purchases, distributes, and transports natural gas in the states of Arizona, Nevada, and California to residential, commercial, and industrial users. It is the largest natural gas distributor in Arizona and Nevada, providing service to the Phoenix, Tucson, and Las Vegas metropolitan regions among others. Southwest Gas also owns Paiute Pipeline Company, which owns and operates an interstate pipeline system that extends from the Idaho-Nevada border to the California-Nevada state line near the north and south ends of Lake Tahoe. Paiute also operates a peak shaving LNG storage facility near Lovelock, Nevada. Centuri Construction Group, Inc. is a comprehensive utility infrastructure services enterprise dedicated to meeting the growing demands of North American utilities, energy, and industrial markets. The Company was founded in March 1931, is incorporated under the laws of the State of California, and is headquartered in Las Vegas, NV.

UGI Corporation

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. UGI distributes natural gas and electricity to approximately 642,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA. In F4Q19, UGI closed the acquisition of all publicly-held APU common units, rendering APU a wholly-owned UGI subsidiary.

Company Valuation/Risks

National Fuel Gas Company

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Our $48 PT and Buy recommendation are derived via DCF and SOP, which includes an E&P reserve valuation & EBITDA multiples for all other segments. Risks: Deviations in reserve growth, commodity prices, interest rates, and midstream expansions.

NiSource Inc.
Our $28 PT and Buy recommendation are derived via Target P/E, Target Yield, DCF, and DDM approaches. Unexpected regulatory outcomes, deviations in customer growth, and project execution present risks to our estimates & PT.

ONE Gas Inc.
Our $80 PT and Hold rating are derived via Target P/E, Target Yield, DCF, and DDM approaches. Risks to our PT include: slower than expected annual customer growth, capex spend below the low-end of the guided range, slowing rate base growth, cost overruns crimping allowed ROE in future years and non-normal weather in service areas impacting top line results.

Southwest Gas
Our $72 PT and Buy recommendation are derived via DCF, DDM, SOP, and Target Yield approaches. Unexpected regulatory outcomes, contracting & execution risk, SW economic conditions, and interest rates all pose risks to our EPS & dividend projections and to our price target.

UGI Corporation
Our $48 PT and Buy recommendation are derived via a combination of DCF, SOP, and Target Yield approaches. Risks include non-normal weather, severe & rapid LPG price fluctuations, project execution, and interest rates.

Analyst Certification:

I, Christopher Sighinolfi, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Vikram Bagri, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Ryan Conlin, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	March 17, 2020 , 19:43 ET.
Recommendation Distributed	March 18, 2020 , 00:00 ET.

Company Specific Disclosures

Jefferies Group LLC makes a market in the securities or ADRs of ONE Gas Inc.

Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.
Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.
Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

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The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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Valuation Methodology

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Rating and Price Target History for: National Fuel Gas Company (NFG) as of 03-16-2020

Rating and Price Target History for: NiSource Inc. (NI) as of 03-16-2020

Rating and Price Target History for: ONE Gas Inc. (OGS) as of 03-16-2020

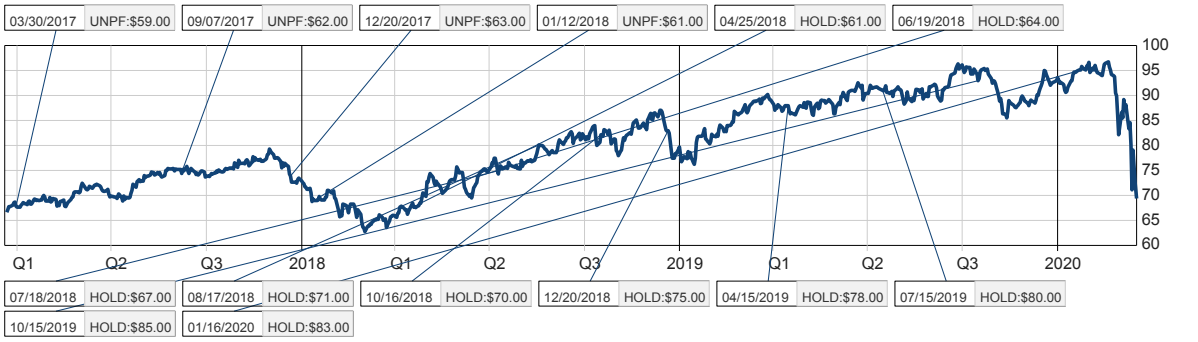

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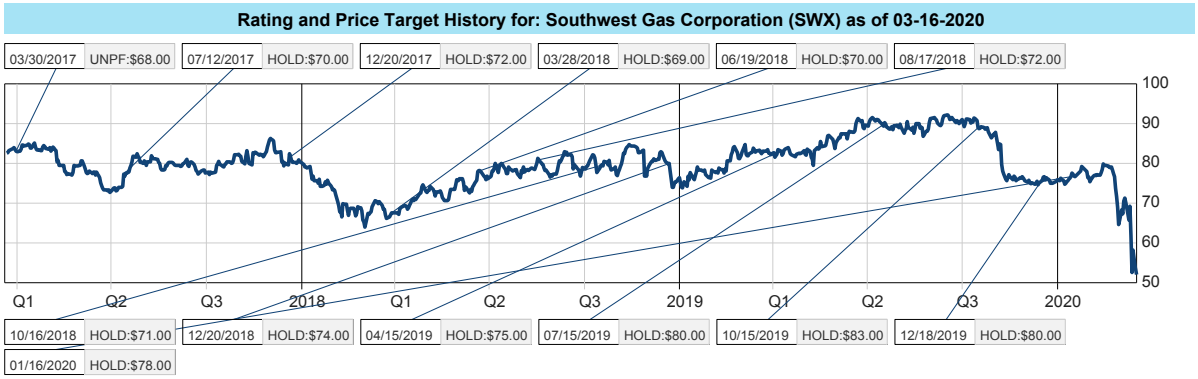

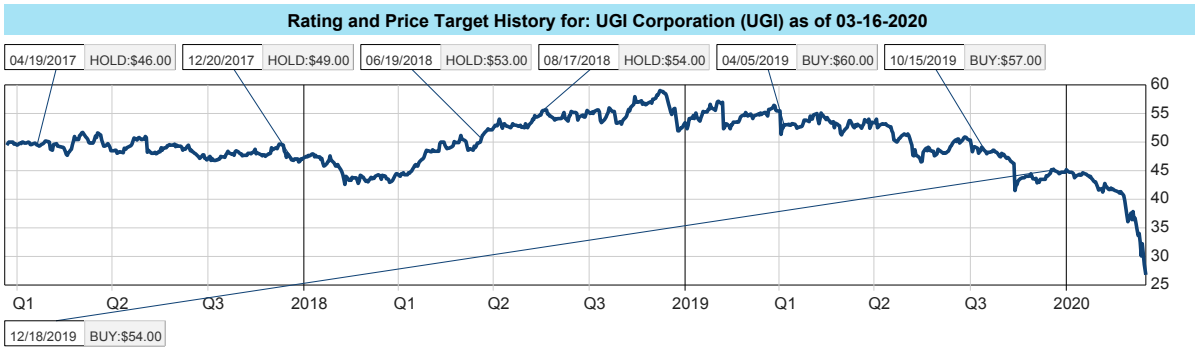

Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.
Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

Distribution of Ratings

Distribution of Ratings						
			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1263	53.29%	113	8.95%	10	0.79%
HOLD	946	39.92%	34	3.59%	5	0.53%
UNDERPERFORM	161	6.79%	1	0.62%	0	0.00%

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CORE

BARCLAYS

Equity Research
12 March 2020

North America Power & Utilities

Repositioning the Portfolio

We are Upgrading PEG and SRE to OW from EW, Upgrading OGE to EW from UW, downgrading DUK, NI and PNW to EW from OW and downgrading WEC to UW from EW: As a result of recent price performance, shifting our valuation framework to 2022 from 2021 estimates and an adjustment to our valuation framework, we believe our ratings changes were merited. We reiterate our overweight ratings on AEP, D, EXC, LNT and FE. We reiterate our underweight ratings on ED, NWE and POR

The macro valuation for the group is attractive to the US 10-year treasury and relative to the S&P500 based on the last 10 years: Based on expectations for slowing growth from the Covid-19 virus along with the anticipation of cuts to the Fed funds rate, the macro setup for the next 3-6 months supports current utility valuations. We reiterate our Neutral Industry View on the North America Power & Utilities sector. For additional context on the sector amidst the volatility, see our note *Taking a Step Back to Gain Perspective*, published March 9, 2020.

We have updated our models to include 2022 estimates and adjusted our valuation framework modestly: Our valuations are still based on our 3 legs of the stool + disruptors. The regulatory (updated ranking included) and geography (updated ranking included) aspects remain unchanged in application. As long-term growth continues to be one of the largest value differentiators, we now apply a discount/premium of up to -/+ 10%. We also apply specific premiums for ESG and significant renewable opportunity (offshore wind or state law changes that are visible but will not hit the forecast period).

2020 Backdrop: Other than the obvious potential impact of the Coronavirus (Covid-19) and the 2020 election process, we see 2020 as a significant year for idiosyncratic issues getting to or near resolution as compared to past years. We believe that many of the names trading at a discount to the group average (or to what we see as their intrinsic value) do so based on idiosyncratic risks, many of which that have persisted over the years. Examples of these risks are: nuclear construction risk (SO), bankruptcy company or subsidiary (PCG, FE), permitting issues for pipelines (D, DUK, NEE), FERC transmission policy, state's rights for compensation for generation attributes (EXC, PEG), market reform proposals (D, PNW) among other issues.

EARNING FORECAST CHANGE

North America Power & Utilities
NEUTRAL
Unchanged

For a full list of our ratings, price target and earnings changes in this report, please see table on page 2.

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Summary of our Ratings, Price Targets and Earnings Changes in this Report (all changes are shown in bold)

Company	Rating		Price	Price Target			EPS FY1 (E)			EPS FY2 (E)		
	Old	New	11-Mar-20	Old	New	%Chg	Old	New	%Chg	Old	New	%Chg
North America Power & Utilities	Neu	Neu										
Alliant Energy Corporation (LNT)	OW	OW	51.59	58.00	**60.00**	3	2.41	**2.46**	2	N/A	**2.61**	-
Ameren Corp. (AEE)	EW	EW	80.87	81.00	**85.00**	5	3.40	**3.41**	0	N/A	**3.71**	-
American Electric Power Company, Inc. (AEP)	OW	OW	89.72	101.00	**107.00**	6	4.44	**4.42**	0	N/A	**4.70**	-
CenterPoint Energy, Inc. (CNP)	EW	EW	17.66	27.00	**20.00**	-26	1.60	**1.36**	-15	N/A	**1.45**	-
CMS Energy Corporation (CMS)	EW	EW	63.25	64.00	**67.00**	5	2.66	**2.67**	0	N/A	**2.86**	-
Consolidated Edison, Inc. (ED)	UW	UW	86.50	88.00	**83.00**	-6	4.49	4.49	-	N/A	**4.69**	-
Dominion Energy (D)	OW	OW	78.95	91.00	**93.00**	2	4.43	**4.47**	1	N/A	**4.63**	-
Duke Energy Corporation (DUK)	OW	**EW**	90.94	98.00	**104.00**	6	5.15	**5.27**	2	N/A	**5.52**	-
Edison International (EIX)	EW	EW	59.74	73.00	**68.00**	-7	4.45	4.45	-	N/A	**4.78**	-
Eversource Energy (ES)	EW	EW	87.79	83.00	**96.00**	16	3.59	**3.68**	3	N/A	**3.99**	-
Exelon Corporation (EXC)	OW	OW	39.81	54.00	**50.00**	-7	3.13	**3.22**	3	3.07	**3.17**	3
FirstEnergy Corp. (FE)	OW	OW	43.13	54.00	54.00	-	2.48	**2.50**	1	N/A	**2.63**	-
NextEra Energy, Inc. (NEE)	EW	EW	241.26	242.00	**269.00**	11	9.04	9.04	-	N/A	**9.87**	-
NiSource, Inc. (NI)	OW	**EW**	27.10	31.00	31.00	-	1.37	**1.39**	1	N/A	**1.41**	-
NorthWestern Corporation (NWE)	UW	UW	70.96	71.00	**73.00**	3	3.55	3.55	-	N/A	**3.70**	-
OGE Energy Corp. (OGE)	UW	**EW**	34.03	39.00	**38.00**	-3	2.30	**2.24**	-3	N/A	**2.44**	-
PG&E Corporation (PCG)	EW	EW	12.04	16.00	**15.00**	-6	4.26	**3.70**	-13	N/A	**4.09**	-
Pinnacle West Capital Corporation (PNW)	OW	**EW**	89.55	98.00	**103.00**	5	4.87	**4.84**	-1	N/A	**5.16**	-
PNM Resources, Inc. (PNM)	EW	EW	45.65	51.00	**52.00**	2	2.18	**2.25**	3	N/A	**2.34**	-
Portland General Electric Company (POR)	UW	UW	54.09	53.00	**55.00**	4	2.56	2.56	-	2.74	2.74	-
Public Service Enterprise Group (PEG)	EW	**OW**	48.75	65.00	**60.00**	-8	3.27	**3.40**	4	N/A	**3.43**	-
Sempra Energy (SRE)	EW	**OW**	122.95	152.00	152.00	-	7.08	**7.28**	3	N/A	**7.81**	-
The Southern Company (SO)	EW	EW	58.18	64.00	**68.00**	6	3.25	**3.18**	-2	N/A	**3.34**	-
WEC Energy Group, Inc. (WEC)	EW	**UW**	97.45	92.00	**97.00**	5	3.69	**3.75**	2	N/A	**3.97**	-
Xcel Energy Inc. (XEL)	EW	EW	66.82	66.00	**70.00**	6	2.78	**2.73**	-2	N/A	**2.97**	-

Source: Barclays Research. Share prices and target prices are shown in the primary listing currency and EPS estimates are shown in the reporting currency.
FY1(E): Current fiscal year estimates by Barclays Research. FY2(E): Next fiscal year estimates by Barclays Research.
Stock Rating: OW: Overweight; EW: Equal Weight; UW: Underweight; RS: Rating Suspended
Industry View: Pos: Positive; Neu: Neutral; Neg: Negative

Group Valuation

The utility group valuation to the relative to the 10 Year Treasury (Figure 1) is at one of the largest discounts observed over the past 20 years. With Coronavirus fears, global rates and likely impacts to GDP, we see the likelihood of a sustained period of low 10 Year rates supporting the current level of utility valuations.

The utility group continues to appreciate and trade to what appears to be a near all-time high relative valuation to the S&P500 (Figure 2). The trend shows this revaluation began approximately a decade ago and has been a steady march to higher relative valuations for the utility group. Additionally, most company estimates for the S&P500 have not been revised to reflect the impact of the Coronavirus. Expectations continue to be for some level of economic disruption which would likely result in lower earnings, meaning that at current levels the p/e ratio of the S&P500 is likely understated making the utility relative valuation seem higher than it actually is.

While the utility group has had an extended period of positive relative performance as compared to the broader market, we expect utilities to maintain their current premium during the predicted Fed easing along with the broad uncertainty of Coronavirus and the pending 2020 elections. The dividend yield, low beta, and comparatively stable and predictable earnings growth for utilities, provides a favourable risk return relative to bonds or the broad market.

FIGURE 1
Relative Utility Yield to 10yr

Source: Bloomberg, Barclays Research

FIGURE 2
Relative P/E to S&P 500

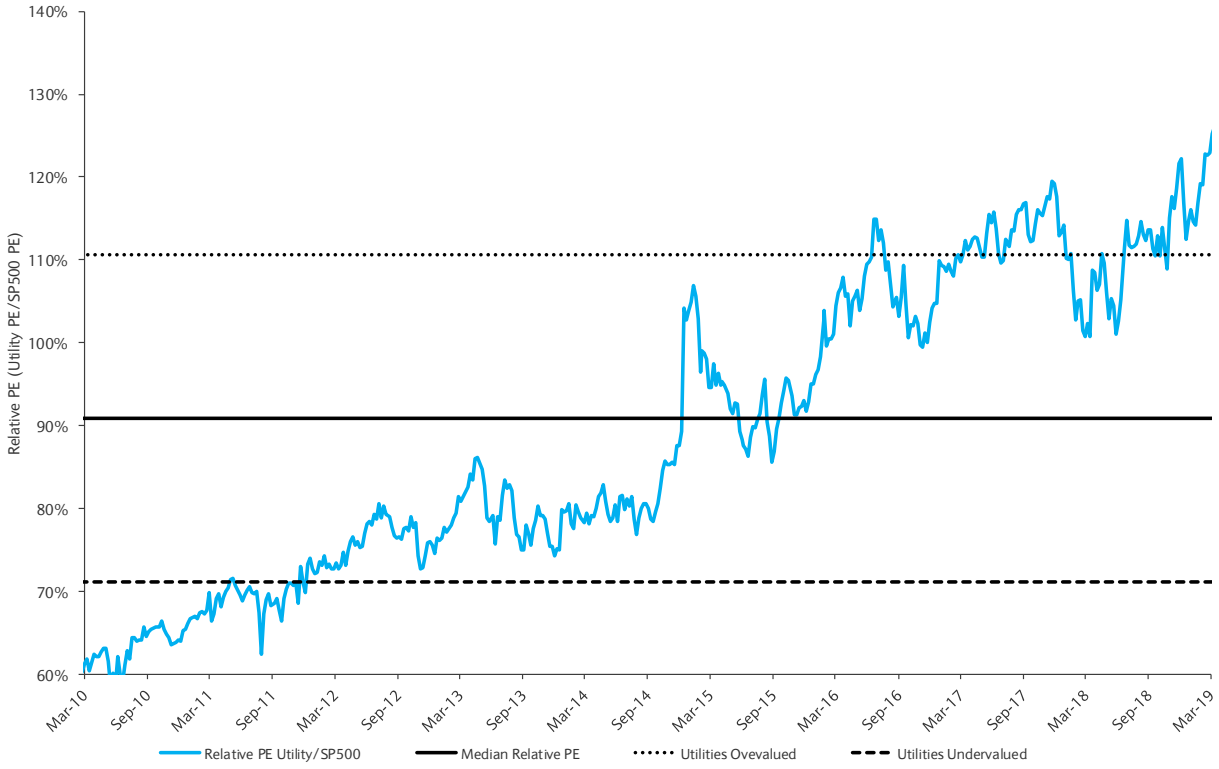

Source: Bloomberg, Barclays Research

Ratings Changes

We have updated price targets to reflect 2022 eps and our calculated premiums and discounts for each name under coverage. Based on expected 12-month total returns we are upgrading PEG and SRE to Overweight from Equal Weight, and upgrading OGE to Equal Weight from Underweight. Also we are downgrading DUK, NI and PNW from Overweight to Equal Weight and downgrading WEC to Underweight from Equal Weight. A brief overview of each rating change follows.

We reiterate our Overweight ratings on AEP, D, EXC, FE and LNT and reiterate our Underweight ratings on ED, NWE, and POR.

We note that names like WEC, ES and NEE which trade at premiums above the 20%, typically seen as the high end of sustainable, can see continued premiums based on momentum and flows.

We also note that our ratings reflect a value bias that has provided middling results at best given the momentum the market observed for the better part of 2019 through the recent correction. Most value names are trading at a discount based on some idiosyncratic issue. 2020 could be the inflection point for many of these names as either issue resolution or enhanced visibility/clarity of the issue is likely prior to year-end. Figure 3 notes the issues

we see as driving discounted valuations and likely events in 2020 that may help resolve these issues.

Upgrades

Public Service Enterprise Group (PEG) – We are upgrading our rating on PEG from Equal Weight to Overweight on valuation. We see value even with the uncertainty surrounding a potential lower ROE on transmission at some point in the future as well as the potential for lower capital investment for the Clean Energy Future program. We use a 5% premium for the utility earnings in our valuation methodology rather than the 10% we previously used to account for the probability of lower regulated earnings. We have also lowered our Power valuation from a 7x EV/EBITDA to a 6x EV/EBITDA to address uncertainty on capacity prices and if the NJ nuclear plants clear, that said the BGS auction has reduced the volatility of Power's earnings as compared to other merchant power companies. We view the quality of the company and the adjustments to our valuation as providing a risk/reward that is more attractive than many of the current utilities.

Sempra Energy (SRE) – We are upgrading SRE to Overweight from Equal Weight as we see the regulated utility opportunity in California and Texas as being even more attractive than previously appreciated following strong outcomes at SDG&E and SoCalGas and capex / rate base guidance revisions higher (details to come at Investor Day). We acknowledge risk around potential equity needs to fund the robust capital program, but still see the regulated growth opportunity as outweighing risks given current valuation. We also see heightened concerns around gas markets and SRE's LNG opportunity as overstated given the relatively small contribution to our SOTP framework. We now conservatively assume an 8.5% WACC for LNG (from 7.5%) and lower the probability of future FIDs to arrive at a $25 price target contribution. We continue to assume a group average multiple for SDG&E (would be higher but for wildfire risk), a 10% premium at SoCalGas, and a 10% premium for Oncor and other TX utility operations. We also conservatively apply a 10% premium to the group average multiple to parent expenses and still see upside to the present valuation.

Downgrades

Duke Energy (DUK) – We are lowering our rating on DUK from Overweight to Equal Weight. While we view the characteristics of DUK as attractive in the current low interest rate environment, we believe the valuation has increased on a relative basis to a fair level. The concerns surrounding the potential outcomes in the DEC and DEP rate cases along with the uncertainty on timing and cost of the Atlantic Coast Pipeline move us to the sidelines. If the DEC and DEP cases are resolved favourably and ACP is completed, we would see upside to our current valuation. If these issues have negative outcomes, we would expect the shares to come under pressure.

WEC Energy, Inc. (WEC) – We are downgrading WEC to Underweight from Equal Weight on valuation. We have updated our estimates and price target to reflect information disclosed on the Q4 call. WEC trades at a premium to names with similar avenues for growth and consistent earnings quality. WEC has expanded beyond what we believe is reasonable, even given strong growth prospects, best in class balance sheet and relatively constructive regulatory environment. While we do not characterize inherent business risks going forward as probable, and we still believe WEC is a premium name, our call is premised on a relocation of WEC valuation closer to that of the other "comfort" names, such as XEL, CMS, AEE.

Risks to WEC share price include earnings changes driven by potential revisions to the Qualified Infrastructure Plant rider in Illinois and a final outcome of the FERC MISO order undermining ATC earnings, which assume a 10.3% ROE going forward. We see continued flight to safety and momentum driving flows to the "comfort" names as a potential risk to

our call that could inhibit downside valuation correction. Other risks to our call include continued investments in nonregulated renewable assets that could provide higher than regulated returns, potential upside to the current capital forecast, and additional cost savings opportunities coming to fruition.

NiSource, Inc. (NI) – We are downgrading NI to Equal Weight from Overweight on valuation. We have updated our estimates to reflect information disclosed on the Q4 call, including slightly lower earnings expectations. We had previously seen NI as undervalued given the overhang from Greater Lawrence Event penalties and costs, which we anticipated would have a minimal impact. Since then, Greater Lawrence Event-related fallout has been put in the rearview as criminal investigations conclude and the sale of Columbia Gas of MA to Eversource is expected to close in Q3. NI is now trading more in line with expectations relative to peers, thus we downgrade to Equal Weight. Risks to the call include the successful recovery of the pending $300m property insurance claim, the ability to maintain fair ratemaking treatment and cost recovery, as well as the ability to execute on cost controls and recover organizational synergies lost with the Columbia Gas of MA divestiture.

Pinnacle West Corp. (PNW) – We are downgrading PNW to Equal Weight from Overweight on valuation. We have updated our estimates and price target to reflect information disclosed on the Q4 call. We had previously seen PNW as undervalued given the attractive risk reward presented by near-term regulatory uncertainty and strong long-term growth opportunities. PNW is now trading more in line with our expectations, reducing the potential upside to valuation, thus the downgrade to Equal Weight.

Uncertainty left on the table comes from regulatory treatment of investments made to further APS' clean energy plan, the possibility of retail competition in AZ and the outcome of the rate case filed on October 31, 2019 (Docket D-E-01345A-19-0236). We see low odds of Arizona implementing retail competition given the arduous process of valuing incumbent assets and implementing the policy. We look to ACC workshops on resource planning, renewables standards, and EE and EV plans as an indication of the commission's willingness to support APS' clean energy plan, which includes 300-500 MW of renewables additions per year. We believe that population growth and the proposed capital budget provide a solid growth profile once regulatory issues are settled.

Valuation

Current price targets are premised upon each company's premium/discount to the 2022 group average PE multiple of 19x applied to each company's 2022 Barclays EPS estimate.

Previous price targets were premised upon each company's premium/discount to the then prevailing 2021 group average PE multiple of 19.5x applied to each company's 2021 Barclays EPS estimate. Companies where we changed valuation methodology are broken out in more detail below.

Upside/downside to current price targets on a price and total return basis are shown in Figure 3.

American Electric Power (AEP)

Our current $107 price target is premised upon a 12.5% premium applied to the 2022 utility group average PE multiple applied to the Barclays 2022 eps estimate. Our 2020-2022 eps estimates include earnings from the North Central Wind acquisition and associated financing.

Our previous $101 price target was premised upon a 10% premium applied to the 2021utility group average PE multiple applied to the Barclays 2021 eps estimate. Our

previous estimates did not include the estimated impact of the North Central Wind acquisition.

CenterPoint Energy (CNP)

Our current $20 price target is premised upon a group average multiple applied to the 2022 utility group average PE multiple against a pro forma Barclays 2022 EPS estimate. Our pro forma 2022 adjustment assumes a downside scenario for ENBL enterprise value where we assume incremental equity needs to finance a $2.4bn write-down for CNP's stake in ENBL and its $1.2bn internal note. We acknowledge that the assumption could be viewed as overly-conservative but do not expect the ENBL overhang to clear in the near term, thus resulting in a more conservative approach to the valuation framework.

Our previous $27 price target was derived using a SOTP framework. We assumed a group average P/E applied to the 2021 utility group average multiple applied to the Barclays 2021 utility EPS estimate of $1.13. We assumed a $1 contribution from Infrastructure and Energy Services businesses (now sold most). We applied a $10/unit value for ENBL, contributing $3.84 to our price target.

Dominion Energy (D)

We moderately alter our framework for D to reflect the enhanced disclosure by business segment. We assign a 10% premium P/E to VEPCO and the Gas LDC business and a 5% premium to the South Carolina segment. We assign a 9.3x EV/EBITDA for D's GT&S segment, which we acknowledge may screen as far too aggressive given recent midstream turmoil, but we note D's 'demand pull' profile where a majority of its pipeline assets are contracted with affiliated end-use utilities and see little incentive to change those contracts given a longer-than-average remaining life on contracts. We assign a 6.9x EV/EBITDA for the contracted generation business, which represents a ~1 turn premium to merchant generation given D's contract with Connecticut EDCs for 50% of Millstone capacity at $49.99 / MWh and the highly-valued PPA contracts for solar. We conservatively apply a 10% premium P/E to parent level drag (highest multiple of all SOTP contributors though debt is allocated across all segments.

Our previous $91 price target was premised on a 10% P/E premium at VEPCO and parent interest, a 5% P/E premium for South Carolina, a 10.5x EV/EBITDA for DEGH, and an 8.8x EV/EBITDA for the contracted generation business.

Consolidated Edison (ED)

Our new price target of $83 is premised upon our updated 2022 EPS estimate of $4.77 applied to a 10% discount to the 2022 group average PE estimate of 19x. We add $1.31 of NPV for recovery of tax equity treatment post-Sempra deal.

Our previous price target of $88 was premised upon our previous 2021 EPS estimate of $4.69 applied to a 5% discount to the 2021 group average PE estimate of 19.5x. We add $1.31 of NPV for recovery of tax equity treatment post-Sempra deal.

Edison International (EIX)

Our $68 price target is premised on a 15% discount to the 2022 group average PE multiple applied to our 2022 pro forma earnings estimate after reducing EIX's updated accounting charge for 2017/2018 wildfire liabilities.

Our previous price target was also premised on a 15% discount, but against the prior 2017/2018 wildfire liability and against our 2021 net income estimate and group average PE multiple.

Eversource (ES)

Our new price target of $96 is premised upon our updated 2022 EPS estimate of $4.23 applied to a 20% premium to the 2022 group average PE estimate of 19x.

Our previous price target of $83 was premised upon our previous 2021 EPS estimate of $3.86 applied to a 10% premium to the 2021 group average PE estimate of 19.5x.

Exelon (EXC)

Our current $50 price target is premised upon a 10% premium applied to the 2022 utility group average PE multiple applied to the Barclays 2022 utility net parent eps estimate, resulting in a $46 valuation for the utility. It should be noted that we assume a 30Year Treasury yield of 130bps which is why our 2022 utility net parent EPS of $2.21 is below the guidance provided by EXC. We then use a 5x EV/EBITDA multiple on 2022 generation EBITDA applied to 75% of the Barclays 2022 generation EBITDA estimate as capacity prices and or fixed resource requirement options in IL are unknown at this time. The generation valuation is $4 combining this with the $46 for the utility results in a $50 sum of the parts valuation.

Our previous $54 price target was premised upon a 10% premium applied to the 2021utility group average PE multiple applied to the Barclays 2021 utility net parent eps estimate, resulting in a $43.50 valuation for the utility. We then used a 6x EV/EBITDA multiple on 2021 generation EBITDA applied to the Barclays 2021 generation EBITDA resulting in a generation valuation is $10.50 combining this with the $43.50 for the utility resulted in a $54 sum of the parts valuation.

NextEra Energy (NEE)

Our new price target of $269 is premised upon a SOTP with our updated 2022 FL utility EPS estimate and a 15% premium to the 2022 group average PE estimate of 19x and a 12x 22E EV/EBITDA for the NEER business – similar to multiples seen by ESG-focused companies like Orsted. We then add $13 for NEP as we take Barclays' $64 NEP price target and flow it through to represent NEE's ownership.

Our previous price target of $242 was premised upon our previous 2021 EPS estimate applied to a 20% premium to the 2021 group average PE estimate of 19.5x.

NiSource (NI)

Our new price target of $31 is premised upon our updated 2022 EPS estimate of $1.51 applied to a 10% premium to the 2022 group average PE estimate of 19x.

Our previous price target of $31 was premised upon our previous 2021 EPS estimate of $1.46 applied to a 10% premium to the 2021 group average PE estimate of 19.5x.

Public Service Enterprise Group (PEG)

Our current $60 price target is premised upon a 5% premium applied to the 2022 utility group average PE multiple applied to the Barclays 2022 utility net parent eps estimate, resulting in a $57 valuation for the utility. We then use a 6x EV/EBITDA multiple on 2022 generation EBITDA applied to the Barclays 2022 generation EBITDA estimate as capacity prices and or fixed resource requirement options in IL are unknown at this time. The generation valuation is $3 combining this with the $57 for the utility results in a $60 sum of the parts valuation.

Our previous $65 price target was premised upon a 10% premium applied to the 2021utility group average PE multiple applied to the Barclays 2021 utility net parent eps estimate, resulting in a $59.50 valuation for the utility. We then used a 7x EV/EBITDA multiple on 2021 generation EBITDA applied to the Barclays 2021 generation EBITDA resulting in a

generation valuation is $5.50 combining this with the $59.50 for the utility resulted in a $65 sum of the parts valuation.

Sempra Energy (SRE)

We continue to assign a $152 price target for SRE, but with changes to the contributors. We update our LNG assumptions to reflect an 8.5% WACC versus 7.5% to reflect a challenging LNG contracting environment as global gas prices remain under pressure. We also change the probability of ECA Phase 1 to 75% (from 50%) given management commentary for a Q1 FID. We *lower* the probability of ECA phase 2 and Cameron Phase 2 to 25% from 33% to reflect the contracting environment, while maintaining Port Arthur FID at 50% (conservative relative to management commentary for a 3Q20 FID). We maintain a group average P/E multiple for SDG&E, a 10% premium for SoCalGas and Texas, and a group average multiple for the parent drag (high multiple given lower valuations outside of regulated utilities). We update our Ienova contribution to reflect Barclays' $103 price target and spot USDMXN to reflect forex translation.

Southern Company (SO)

Our $68 price target is premised on a 5% discount to the 2022 group average PE multiple applied to our 2022 earnings estimate and then add the NPV of the Vogtle earnings uplift of $0.20 and apply the same 5% discount to the group average 2022. We believe including the future Vogtle earnings discounted to 2022 is appropriate given the 5% discount is used to account for Vogtle risk.

Our previous $64 price target was premised on a 10% discount to the 2021 group average PE multiple applied to our 2021 earnings estimate and then add the NPV of the Vogtle earnings uplift of $0.20 and apply the same 10% discount to the group average 2021. We believed including the future Vogtle earnings discounted to 2021 was appropriate given the 10% discount is used to account for Vogtle risk.

WEC Energy (WEC)

Our new price target of $97 is premised upon our updated 2022 EPS estimate of $4.24 applied to a 20% premium to the 2022 group average PE estimate of 19x.

Our previous price target of $92 was premised upon our previous 2021 EPS estimate of $3.95 applied to a 20% premium to the 2021 group average PE estimate of 19.5x.

FIGURE 3
Upside/Downside to Price Target

Ticker	Last Price	Old PT	New PT	Implied Return	Div Yld	Current Rating	New Rating
EXC	39.81	54	**50**	25.6%	3.6%	OW	
FE	43.13	54	**54**	25.2%	3.5%	OW	
PCG	12.04	16	**15**	24.6%	0.0%	EW	
SRE	122.95	152	**152**	23.6%	3.4%	EW	**OW**
PEG	48.75	65	**60**	23.1%	3.9%	EW	**OW**
AEP	89.72	101	**107**	19.3%	3.0%	OW	
D	78.95	91	**93**	17.8%	4.6%	OW	
SO	58.18	64	**68**	16.9%	4.2%	EW	
LNT	51.59	58	**60**	16.3%	2.8%	OW	
PNW	89.55	98	**103**	15.0%	3.3%	OW	**EW**
NI	27.10	31	**31**	14.4%	3.7%	OW	**EW**
DUK	90.94	98	**104**	14.4%	4.1%	OW	**EW**
PNM	45.65	51	**52**	13.9%	2.5%	EW	
EIX	59.74	73	**68**	13.8%	4.1%	EW	
CNP	17.66	27	**20**	13.3%	6.5%	EW	
OGE	34.03	39	**38**	11.7%	4.4%	UW	**EW**
NEE	241.26	242	**269**	11.5%	2.1%	EW	
ES	87.79	83	**96**	9.4%	2.4%	EW	
CMS	63.25	64	**67**	5.9%	2.4%	EW	
AEE	80.87	81	**85**	5.1%	2.4%	EW	
XEL	66.82	66	**70**	4.8%	2.4%	EW	
NWE	70.96	71	**73**	2.9%	3.2%	UW	
POR	54.09	53	**55**	1.7%	2.8%	UW	
WEC	97.45	92	**97**	-0.5%	2.4%	EW	**UW**
ED	86.50	88	**83**	-4.0%	3.4%	UW	

Prices as of 3/11/20 close
Source: Barclays Research, Bloomberg

North America Power & Utilities — **Industry View: NEUTRAL**

Alliant Energy Corporation (LNT)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	3,648	3,709	3,800	3,876	2.0%
EBITDA (adj)	1,345	1,376	1,460	1,530	4.4%
EBIT (adj)	777	758	808	833	2.3%
Pre-tax income (adj)	635	558	588	615	-1.1%
Net income (adj)	556	609	652	682	7.0%
EPS (adj) ($)	2.33	2.46	2.61	2.73	5.4%
Diluted shares (mn)	239.0	247.5	250.0	250.0	1.5%
DPS ($)	1.41	1.52	1.63	1.74	7.2%

Margin and return data					Average
EBITDA (adj) margin (%)	36.9	37.1	38.4	39.5	38.0
EBIT (adj) margin (%)	21.3	20.4	21.3	21.5	21.1
Pre-tax (adj) margin (%)	17.4	15.0	15.5	15.9	15.9
Net (adj) margin (%)	15.3	16.4	17.2	17.6	16.6
ROIC (%)	6.6	6.0	6.2	6.1	6.2
ROA (%)	3.7	3.7	3.8	3.8	3.7
ROE (%)	12.1	11.7	11.4	11.5	11.7

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	13,527	14,309	14,678	15,292	4.2%
Cash and equivalents	16	121	92	86	74.3%
Total assets	16,701	17,613	17,976	18,608	3.7%
Short and long-term debt	6,528	6,944	7,062	7,448	4.5%
Other long-term liabilities	0	0	0	0	N/A
Total liabilities	11,296	11,712	11,830	12,216	2.6%
Shareholders' equity	5,205	5,701	5,946	6,192	6.0%
Net debt/(funds)	6,511	6,823	6,970	7,361	4.2%
Change in working capital	762	-354	-81	851	3.7%
Cash flow from operations	660	1,237	1,314	1,389	28.1%
Capital expenditure	-1,640	-1,425	-1,045	-1,335	N/A
Free cash flow	-1,328	-575	-147	-391	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	22.2	21.0	19.8	18.9	20.5
EV/EBITDA (adj) (x)	14.2	14.1	13.4	13.1	13.7
EV/EBIT (adj) (x)	24.6	25.7	24.3	24.0	24.7
FCF yield (%)	-6.9	-3.0	-0.8	-2.0	-3.1
P/BV (x)	2.4	2.2	2.2	2.1	2.2
Dividend yield (%)	2.7	2.9	3.2	3.4	3.1
Net debt/EBITDA (adj) (x)	4.8	5.0	4.8	4.8	4.8

Selected operating metrics					Average
Payout ratio (%)	60.7	61.8	62.4	63.8	62.2
Interest cover (x)	2.8	2.7	2.8	2.8	2.8
Regulated (%)	92.5	92.5	92.6	100.0	94.4

Price (11-Mar-2020)	**USD 51.59**
Price Target	**USD 60.00**

Why Overweight? We assign an Overweight to LNT given our view that 15% premium to the 22E group average multiple provides significant upside for a name with less than expected equity needs and an improving regulatory profile.

Upside case — **USD 65.00**

Our upside case assumes a 25% premium to the group average 2022 utility P/E multiple, which we believe can be realized if LNT realizes additional renewable capex approval, translate rate base growth to EPS growth more efficiently, or consistently beat guidance for 4-6 quarters.

Downside case — **USD 52.00**

Our downside case assumes a group average multiple, which we believe will occur if LNT runs into renwable project approval delays or future capex and rate base growth does not meet expectations.

Upside/Downside scenarios

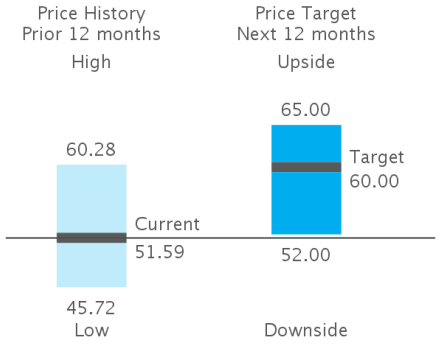

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

North America Power & Utilities — **Industry View: NEUTRAL**

Ameren Corp. (AEE)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	5,910	5,985	6,196	6,309	2.2%
EBITDA (adj)	2,262	2,369	2,553	2,663	5.6%
EBIT (adj)	1,267	1,345	1,498	1,578	7.6%
Pre-tax income (adj)	1,016	1,109	1,224	1,321	9.1%
Net income (adj)	828	851	940	1,014	7.0%
EPS (adj) ($)	3.35	3.41	3.71	3.90	5.2%
Diluted shares (mn)	247.1	249.4	253.4	260.2	1.7%
DPS ($)	1.92	1.98	2.04	2.10	3.0%

Margin and return data					Average
EBITDA (adj) margin (%)	38.3	39.6	41.2	42.2	40.3
EBIT (adj) margin (%)	21.4	22.5	24.2	25.0	23.3
Pre-tax (adj) margin (%)	17.2	18.5	19.8	20.9	19.1
Net (adj) margin (%)	14.0	14.2	15.2	16.1	14.9
ROIC (%)	7.1	7.4	7.7	8.1	7.6
ROA (%)	3.0	2.9	3.0	3.1	3.0
ROE (%)	10.9	10.6	11.2	11.5	11.0

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	24,376	27,381	29,314	31,217	8.6%
Cash and equivalents	16	-527	-655	-769	N/A
Total assets	28,933	31,396	33,200	34,989	6.5%
Short and long-term debt	9,797	9,764	10,628	10,171	1.3%
Other long-term liabilities	9,312	11,444	11,955	13,725	13.8%
Total liabilities	20,732	22,831	24,206	25,519	7.2%
Shareholders' equity	8,059	8,423	8,852	9,327	5.0%
Net debt/(funds)	9,781	10,290	11,283	10,941	3.8%
Change in working capital	80	-101	-133	-566	N/A
Cash flow from operations	2,170	2,388	2,451	2,460	4.3%
Capital expenditure	-2,411	-4,030	-2,988	-2,988	N/A
Free cash flow	-713	-2,136	-1,053	-1,073	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	24.1	23.7	21.8	20.8	22.6
EV/EBITDA (adj) (x)	13.0	12.7	12.2	11.5	12.3
EV/EBIT (adj) (x)	23.3	22.3	20.7	19.4	21.4
FCF yield (%)	-2.4	-7.1	-3.4	-3.5	-4.1
P/BV (x)	2.5	2.4	2.3	2.3	2.4
Dividend yield (%)	2.4	2.4	2.5	2.6	2.5
Net debt/EBITDA (adj) (x)	4.3	4.3	4.4	4.1	4.3

Selected operating metrics					Average
Payout ratio (%)	57.3	58.0	54.9	53.8	56.0
Interest cover (x)	3.3	3.6	3.7	4.0	3.7
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 80.87**
Price Target	**USD 85.00**

Why Equal Weight? AEE is a quality name with 5-7% growth that is visible for an extended period of time and see the name deserving of a 15% premium to the group. As the name is trading near our expected premium we see the shares as fairly valued.

Upside case — **USD 89.00**

Our upside case reflects a 25% premium to the 2021 group average P/E multiple applied to our 2022 EPS estimate.

Downside case — **USD 74.00**

Our downside case reflects the 2022 group average P/E multiple applied to our 2022 EPS estimate.

Upside/Downside scenarios

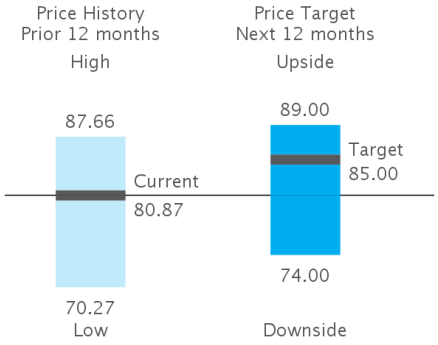

North America Power & Utilities — **Industry View: NEUTRAL**

American Electric Power Company, Inc. (AEP)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	15,602	17,198	17,641	18,173	5.2%
EBITDA (adj)	8,504	5,783	6,179	6,663	-7.8%
EBIT (adj)	5,990	3,165	3,399	3,710	-14.8%
Pre-tax income (adj)	2,009	2,373	2,543	2,812	11.9%
Net income (adj)	2,095	2,190	2,346	2,593	7.4%
EPS (adj) ($)	4.23	4.42	4.70	5.02	5.9%
Diluted shares (mn)	494.9	496.0	499.0	516.4	1.4%
DPS ($)	2.68	2.84	3.01	3.19	6.0%

Margin and return data					Average
EBITDA (adj) margin (%)	54.5	33.6	35.0	36.7	40.0
EBIT (adj) margin (%)	38.4	18.4	19.3	20.4	24.1
Pre-tax (adj) margin (%)	12.9	13.8	14.4	15.5	14.1
Net (adj) margin (%)	13.4	12.7	13.3	14.3	13.4
ROIC (%)	12.9	6.3	6.3	6.3	8.0
ROA (%)	3.0	3.0	3.1	3.2	3.1
ROE (%)	11.0	10.6	11.2	12.0	11.2

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	79,585	85,685	92,215	100,262	8.0%
Cash and equivalents	311	679	771	708	31.6%
Total assets	72,748	76,598	80,440	85,471	5.5%
Short and long-term debt	25,648	29,166	32,478	37,120	13.1%
Other long-term liabilities	19,338	19,338	19,338	19,338	0.0%
Total liabilities	52,076	55,594	58,906	63,548	6.9%
Shareholders' equity	20,672	21,004	21,534	21,923	2.0%
Net debt/(funds)	25,337	28,487	31,708	36,413	12.8%
Change in working capital	776	-238	972	541	-11.3%
Cash flow from operations	5,485	4,937	5,125	5,546	0.4%
Capital expenditure	-6,500	-6,100	-6,530	-8,047	N/A
Free cash flow	-2,341	-2,572	-2,908	-4,149	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	21.2	20.3	19.1	17.9	19.6
EV/EBITDA (adj) (x)	8.2	12.6	12.3	12.1	11.3
EV/EBIT (adj) (x)	11.6	23.0	22.3	21.7	19.7
FCF yield (%)	-3.4	-3.5	-3.8	-5.1	-4.0
P/BV (x)	2.1	2.1	2.1	2.1	2.1
Dividend yield (%)	3.0	3.2	3.4	3.6	3.3
Net debt/EBITDA (adj) (x)	3.0	4.9	5.1	5.5	4.6

Selected operating metrics					Average
Payout ratio (%)	63.3	64.3	64.1	63.6	63.8
Interest cover (x)	5.6	2.6	2.6	2.8	3.4
Regulated (%)	92.9	93.3	92.5	92.3	92.8

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 89.72**
Price Target	**USD 107.00**

Why Overweight? We assign an Overweight rating as we believe AEP should trade at a 12.5% premium to the average regulated utility multiple. This is supported by top-tier EPS growth target of 5-7% with a bias towards the high end.

Upside case — **USD 119.00**

Our upside case reflects a 20% premium to the utility group average P/E multiple , applied to higher earnings driven by additional rate base growth and a favorable rate case outcomes.

Downside case — **USD 91.00**

Our downside case reflects a 5% discount to the utility group average P/E multiple, applied to lower earnings driven by slower rate base growth and unfavorable rate outcomes

Upside/Downside scenarios

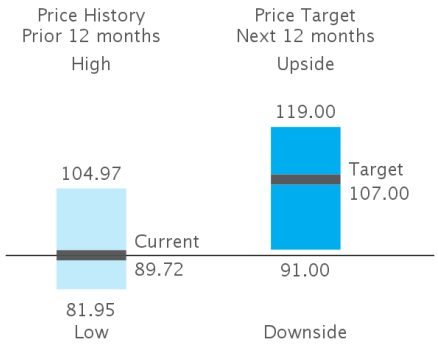

North America Power & Utilities — **Industry View: NEUTRAL**

CenterPoint Energy, Inc. (CNP)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	12,301	7,291	7,372	7,522	-15.1%
EBITDA (adj)	2,513	2,264	2,282	2,380	-1.8%
EBIT (adj)	1,226	1,252	1,209	1,245	0.5%
Pre-tax income (adj)	929	841	928	1,000	2.5%
Net income (adj)	674	716	791	852	8.1%
EPS (adj) ($)	1.33	1.36	1.45	1.56	5.4%
Diluted shares (mn)	505.0	525.0	545.0	545.0	2.6%
DPS ($)	1.15	1.19	1.24	1.29	3.9%

Margin and return data					Average
EBITDA (adj) margin (%)	20.4	31.1	31.0	31.6	28.5
EBIT (adj) margin (%)	10.0	17.2	16.4	16.5	15.0
Pre-tax (adj) margin (%)	7.6	11.5	12.6	13.3	11.2
Net (adj) margin (%)	5.5	9.8	10.7	11.3	9.3
ROIC (%)	5.2	5.1	4.7	4.6	4.9
ROA (%)	1.9	1.8	1.9	1.9	1.9
ROE (%)	8.1	8.1	9.0	9.8	8.8

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	20,945	21,237	21,679	22,002	1.7%
Cash and equivalents	241	1,859	2,868	4,026	155.6%
Total assets	35,439	38,895	41,892	44,919	8.2%
Short and long-term debt	15,112	15,770	17,139	18,508	7.0%
Other long-term liabilities	8,948	10,661	12,375	14,088	16.3%
Total liabilities	27,080	30,039	33,711	37,382	11.3%
Shareholders' equity	8,359	8,792	8,742	8,722	1.4%
Net debt/(funds)	14,871	13,911	14,271	14,482	-0.9%
Change in working capital	-3,764	2,160	683	833	N/A
Cash flow from operations	1,638	1,573	1,700	1,820	3.6%
Capital expenditure	-2,506	-1,304	-1,515	-1,458	N/A
Free cash flow	-1,445	-357	-491	-341	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	13.2	12.9	12.2	11.3	12.4
EV/EBITDA (adj) (x)	9.4	10.1	10.1	9.8	9.9
EV/EBIT (adj) (x)	19.4	18.2	19.1	18.7	18.9
FCF yield (%)	-6.1	-1.6	-2.1	-1.5	-2.8
P/BV (x)	1.1	1.1	1.1	1.1	1.1
Dividend yield (%)	6.5	6.8	7.0	7.3	6.9
Net debt/EBITDA (adj) (x)	5.9	6.1	6.3	6.1	6.1

Selected operating metrics					Average
Payout ratio (%)	86.3	87.5	85.5	82.6	85.5
Interest cover (x)	2.2	1.7	2.0	2.1	2.0
Regulated (%)	N/A	N/A	N/A	N/A	N/A

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 17.66**
Price Target	**USD 20.00**

Why Equal Weight? We see concerns surrounding a writedown and equity need from ENBL , updates on the VVC merger integration and costs to achieve, a distribution cut from Enable and a likely need for equity beyond 2020, resulting in a fair valuation.

Upside case — **USD 26.00**

Our upside case for CNP values the company's Utility business on a 15% premium to the group average multiple for 2022 and utilitzes the Barclays MLP upside case for ENBL.

Downside case — **USD 16.00**

Our downside case for CNP values the Utility business on a 20% discount to the group average multiple for 2022. We use the Barclays MLP team's downside case for ENBL.

Upside/Downside scenarios

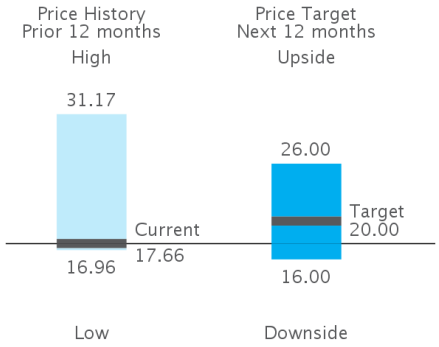

North America Power & Utilities — **Industry View: NEUTRAL**

CMS Energy Corporation (CMS)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	6,845	6,961	7,123	7,284	2.1%
EBITDA (adj)	2,231	2,372	2,558	2,742	7.1%
EBIT (adj)	1,239	1,331	1,457	1,590	8.7%
Pre-tax income (adj)	829	932	1,014	1,100	9.9%
Net income (adj)	708	764	825	893	8.0%
EPS (adj) ($)	2.49	2.67	2.86	3.07	7.2%
Diluted shares (mn)	284.3	286.3	288.6	290.9	0.8%
DPS ($)	1.53	1.64	1.75	1.87	7.0%

Margin and return data					Average
EBITDA (adj) margin (%)	32.6	34.1	35.9	37.6	35.1
EBIT (adj) margin (%)	18.1	19.1	20.5	21.8	19.9
Pre-tax (adj) margin (%)	12.1	13.4	14.2	15.1	13.7
Net (adj) margin (%)	10.3	11.0	11.6	12.3	11.3
ROIC (%)	7.3	7.2	7.7	7.6	7.4
ROA (%)	2.5	2.7	2.8	2.9	2.7
ROE (%)	13.5	13.9	13.8	13.8	13.7

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	18,926	20,085	21,685	22,832	6.5%
Cash and equivalents	157	269	86	185	5.6%
Total assets	26,837	28,108	29,525	30,771	4.7%
Short and long-term debt	11,951	13,005	13,026	14,372	6.3%
Other long-term liabilities	383	383	383	383	0.0%
Total liabilities	21,782	22,606	23,552	24,298	3.7%
Shareholders' equity	5,055	5,502	5,973	6,473	8.6%
Net debt/(funds)	11,794	12,736	12,939	14,187	6.4%
Change in working capital	-217	342	-1,108	699	N/A
Cash flow from operations	1,790	1,807	1,928	2,047	4.6%
Capital expenditure	-2,104	-2,200	-2,700	-2,300	N/A
Free cash flow	-750	-862	-1,278	-798	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	25.4	23.7	22.1	20.6	22.9
EV/EBITDA (adj) (x)	13.3	12.9	12.1	11.7	12.5
EV/EBIT (adj) (x)	24.0	23.0	21.2	20.2	22.1
FCF yield (%)	-2.5	-2.8	-4.1	-2.5	-3.0
P/BV (x)	3.6	3.3	3.1	2.8	3.2
Dividend yield (%)	2.4	2.6	2.8	3.0	2.7
Net debt/EBITDA (adj) (x)	5.3	5.4	5.1	5.2	5.2

Selected operating metrics					Average
Payout ratio (%)	61.4	61.4	61.3	61.1	61.3
Interest cover (x)	2.8	3.1	3.1	3.1	3.0
Regulated (%)	93.1	93.3	93.4	93.6	93.3

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 63.25**
Price Target	**USD 67.00**

Why Equal Weight? CMS deserves a 15% premium valuation to peers given a constructive regulatory jurisdiction, a 10-year capex backlog, and above-average earnings/dividend growth. However, we believe these qualities are fairly reflected in shares at present.

Upside case — **USD 73.00**

Our upside case values CMS at a 25% premium to the regulated utility average multiple applied to our 2022 EPS estimate.

Downside case — **USD 61.00**

Our downside case values CMS at a 5% premium to the regulated utility average multiple applied to our 2022 EPS estimate.

Upside/Downside scenarios

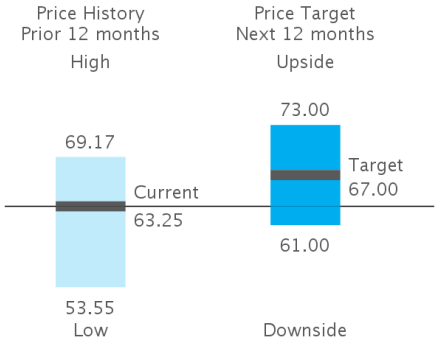

North America Power & Utilities — **Industry View: NEUTRAL**

Consolidated Edison, Inc. (ED)

Stock Rating: UNDERWEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	12,574	13,072	13,511	13,930	3.5%
EBITDA (adj)	4,360	4,828	5,118	5,387	7.3%
EBIT (adj)	6,044	6,748	7,169	7,592	7.9%
Pre-tax income (adj)	1,736	2,045	2,178	2,253	9.1%
Net income (adj)	1,438	1,519	1,623	1,683	5.4%
EPS (adj) ($)	4.36	4.49	4.69	4.77	3.0%
Diluted shares (mn)	329.5	338.7	346.0	352.8	2.3%
DPS ($)	2.96	3.06	3.17	3.28	3.5%

Margin and return data					Average
EBITDA (adj) margin (%)	34.7	36.9	37.9	38.7	37.0
EBIT (adj) margin (%)	21.3	22.2	22.7	22.8	22.3
Pre-tax (adj) margin (%)	13.8	15.6	16.1	16.2	15.4
Net (adj) margin (%)	11.5	12.4	12.7	12.8	12.3
ROIC (%)	7.3	7.3	7.0	6.9	7.1
ROA (%)	2.7	2.8	2.9	2.8	2.8
ROE (%)	8.6	9.0	8.9	8.7	8.8

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	43,889	46,160	48,294	50,129	4.5%
Cash and equivalents	1,217	1,226	1,309	1,586	9.2%
Total assets	58,079	60,359	62,576	64,688	3.7%
Short and long-term debt	18,527	20,290	23,210	24,226	9.4%
Other long-term liabilities	4,993	4,993	4,993	4,993	0.0%
Total liabilities	15,052	15,052	15,052	15,052	0.0%
Shareholders' equity	18,022	19,300	20,574	21,846	6.6%
Net debt/(funds)	17,310	19,064	21,901	22,640	9.4%
Change in working capital	139	160	0	0	-100.0%
Cash flow from operations	3,134	3,536	3,772	3,985	8.3%
Capital expenditure	-3,996	-4,192	-4,185	-4,040	N/A
Free cash flow	-1,028	-1,034	-838	-489	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	19.8	19.3	18.4	18.1	18.9
EV/EBITDA (adj) (x)	10.3	9.7	9.7	9.4	9.8
EV/EBIT (adj) (x)	7.5	6.9	6.9	6.6	7.0
FCF yield (%)	-2.3	-2.2	-1.7	-1.0	-1.8
P/BV (x)	1.6	1.5	1.5	1.4	1.5
Dividend yield (%)	3.4	3.5	3.7	3.8	3.6
Net debt/EBITDA (adj) (x)	4.0	3.9	4.3	4.2	4.1

Selected operating metrics					Average
Payout ratio (%)	67.8	68.3	67.6	68.8	68.1
Interest cover (x)	3.0	3.2	3.0	3.0	3.1
Regulated (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 86.50**
Price Target	**USD 83.00**

Why Underweight? We rate ED Underweight as we believe the current valuation is stretched based on a lack luster rate outcome for CECONY which drives a lower growth profile. We see the lower than group average growth as driving a 10% discount to the 2022 group average multiple.

Upside case — **USD 91.00**

Our upside case reflects the utility group average P/E multiple to portray potentially higher earnings from additional rate base growth and a favorable O&R rate case outcome.

Downside case — **USD 77.00**

Our downside case reflects a 15% discount to the regulated group to reflect potentially lower earnings driven by lower sales growth and investment because of REV.

Upside/Downside scenarios

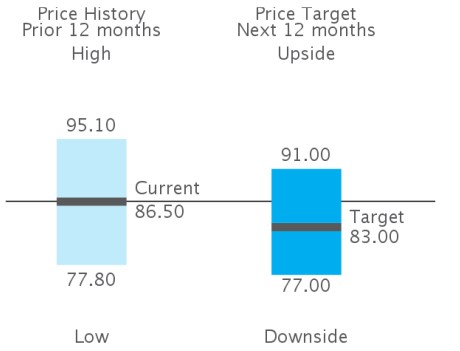

North America Power & Utilities — **Industry View: NEUTRAL**

Dominion Energy (D)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	18,042	18,373	18,992	19,689	3.0%
EBITDA (adj)	5,170	7,805	8,257	8,802	19.4%
EBIT (adj)	2,515	4,966	5,237	5,594	30.5%
Pre-tax income (adj)	1,727	4,754	4,956	5,266	45.0%
Net income (adj)	3,447	3,754	3,913	4,159	6.5%
EPS (adj) ($)	4.26	4.47	4.63	4.84	4.4%
Diluted shares (mn)	655	809	841	845	8.9%
DPS ($)	3.67	3.74	3.82	3.89	2.0%

Margin and return data					Average
EBITDA (adj) margin (%)	28.7	42.5	43.5	44.7	39.8
EBIT (adj) margin (%)	28.7	42.5	43.5	44.7	39.8
Pre-tax (adj) margin (%)	9.6	25.9	26.1	26.7	22.1
Net (adj) margin (%)	19.1	20.4	20.6	21.1	20.3
ROIC (%)	3.6	6.7	6.7	6.8	6.0
ROA (%)	2.0	3.8	3.8	3.9	3.4
ROE (%)	11.1	11.7	11.8	12.2	11.7

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	69,082	73,176	77,378	81,696	5.7%
Cash and equivalents	166	2,163	148	320	24.5%
Total assets	103,840	109,931	112,118	116,608	3.9%
Short and long-term debt	37,897	42,972	44,175	47,542	7.9%
Other long-term liabilities	0	0	0	0	N/A
Total liabilities	N/A	N/A	N/A	N/A	N/A
Shareholders' equity	32,084	33,117	34,101	35,224	3.2%
Net debt/(funds)	37,731	40,809	44,027	47,222	7.8%
Change in working capital	148	320	-5,922	0	-100.0%
Cash flow from operations	5,204	6,594	6,933	7,367	12.3%
Capital expenditure	4,980	6,934	7,222	7,526	14.8%
Free cash flow	-2,745	-3,486	-3,514	-3,504	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	18.5	17.7	17.0	16.3	17.4
EV/EBITDA (adj) (x)	20.1	13.7	13.3	12.9	15.0
EV/EBIT (adj) (x)	41.3	21.5	21.0	20.3	26.0
FCF yield (%)	-2.6	-3.3	-3.2	-3.1	-3.0
P/BV (x)	1.6	1.9	1.9	1.9	1.8
Dividend yield (%)	4.6	4.7	4.8	4.9	4.8
Net debt/EBITDA (adj) (x)	7.3	5.2	5.3	5.4	5.8

Selected operating metrics					Average
Payout ratio (%)	86.1	83.8	82.4	80.4	83.2
Interest cover (x)	1.2	3.1	3.0	3.1	2.6
Regulated (%)	N/A	N/A	N/A	N/A	N/A

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 78.95**
Price Target	**USD 93.00**

Why Overweight? We believe D's highly-regulated earnings base and strong long-term growth outlook driven by renewable development (namely highly-valuable offshore wind in rate base) is being obscured by overly-punitive near-term overhangs. We view this as an attractive entry point given strong dividend support and potential for valuation spread tightening.

Upside case **USD 101.00**

Our upside case assigns a 15% premium to VEPCO, LDC operations, and South Carolina. We apply a premium EBITDA multiple to the GT&S and LNG segment as well. We also apply a 20% premium to Dominion's contracted generation business.

Downside case **USD 85.00**

Our downside case gives no premium to VEPCO (unlikely) and the gas LDC businesses. We also apply a 10% discount to the GT&S and LNG EBITDA multiple to account for increased ACP risk. It also applies a 10% discount to the contracted generation business.

Upside/Downside scenarios

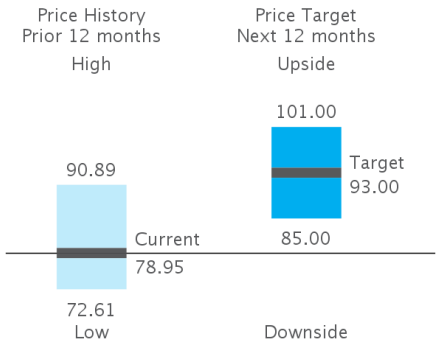

North America Power & Utilities — **Industry View: NEUTRAL**

Duke Energy Corporation (DUK)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	25,079	26,018	26,724	27,792	3.5%
EBITDA (adj)	10,257	10,731	11,391	12,353	6.4%
EBIT (adj)	5,709	6,034	6,502	7,191	8.0%
Pre-tax income (adj)	4,097	4,342	4,753	5,001	6.9%
Net income (adj)	3,707	3,887	4,224	4,429	6.1%
EPS (adj) ($)	5.08	5.27	5.52	5.75	4.2%
Diluted shares (mn)	729.5	737.0	765.1	770.3	1.8%
DPS ($)	3.79	3.97	4.17	4.38	5.0%

Margin and return data					Average
EBITDA (adj) margin (%)	40.9	41.2	42.6	44.4	42.3
EBIT (adj) margin (%)	22.8	23.2	24.3	25.9	24.0
Pre-tax (adj) margin (%)	16.3	16.7	17.8	18.0	17.2
Net (adj) margin (%)	14.8	14.9	15.8	15.9	15.4
ROIC (%)	5.3	5.4	5.7	6.0	5.6
ROA (%)	2.5	2.5	2.6	2.6	2.6
ROE (%)	8.5	8.4	8.7	8.7	8.6

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	146,916	156,091	164,766	173,316	5.7%
Cash and equivalents	276	863	3,422	6,157	181.6%
Total assets	156,797	161,815	167,771	173,990	3.5%
Short and long-term debt	61,947	63,177	63,714	66,277	2.3%
Other long-term liabilities	40,092	41,413	44,746	46,394	5.0%
Total liabilities	110,553	113,104	116,976	121,189	3.1%
Shareholders' equity	46,292	48,781	50,889	52,918	4.6%
Net debt/(funds)	61,671	62,314	60,293	60,120	-0.8%
Change in working capital	95	1,035	3,990	3,101	219.2%
Cash flow from operations	9,086	9,415	9,945	10,422	4.7%
Capital expenditure	-11,100	-10,550	-9,675	-9,050	N/A
Free cash flow	-4,775	-4,064	-2,923	-2,003	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	17.9	17.2	16.5	15.8	16.8
EV/EBITDA (adj) (x)	12.3	11.8	10.9	10.1	11.3
EV/EBIT (adj) (x)	22.1	21.0	19.2	17.3	19.9
FCF yield (%)	-3.8	-3.2	-2.3	-1.6	-2.7
P/BV (x)	1.4	1.4	1.4	1.3	1.4
Dividend yield (%)	4.2	4.4	4.6	4.8	4.5
Net debt/EBITDA (adj) (x)	6.0	5.8	5.3	4.9	5.5

Selected operating metrics					Average
Payout ratio (%)	74.5	75.4	75.6	76.2	75.4
Interest cover (x)	2.6	2.6	2.7	2.7	2.6
Regulated (%)	N/A	N/A	N/A	N/A	N/A

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 90.94**
Price Target	**USD 104.00**

Why Equal Weight? We view DUK as a solid regulated company with a credible long-term investment plan. We see earnings growth rebounding back to the 4-6% range by 2020 and improving thereafter. However, we see risk around ACP and other regulatory determinations balancing the risk/reward and see shares as appropriately valued on a relative basis.

Upside case **USD 114.00**

Our upside case uses a 10% premium to the 2022 group average P/E multiple applied to our 2022 EPS estimate.

Downside case **USD 88.00**

Our downside case uses a 15% discount to the 2022 group average P/E multiple applied to our 2022 estimate.

Upside/Downside scenarios

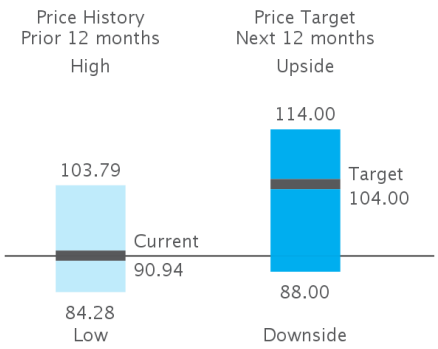

North America Power & Utilities — **Industry View: NEUTRAL**

Edison International (EIX)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	12,347	12,967	13,284	13,626	3.3%
EBITDA (adj)	3,505	4,401	4,755	5,133	13.6%
EBIT (adj)	1,775	2,410	2,609	2,812	16.6%
Pre-tax income (adj)	1,127	1,725	1,869	1,974	20.5%
Net income (adj)	1,284	1,644	1,786	1,895	13.9%
EPS (adj) ($)	4.70	4.45	4.78	5.07	2.6%
Diluted shares (mn)	339.7	369.5	373.4	373.4	3.2%
DPS ($)	2.45	2.55	2.58	2.61	2.2%

Margin and return data					Average
EBITDA (adj) margin (%)	28.4	33.9	35.8	37.7	33.9
EBIT (adj) margin (%)	14.4	18.6	19.6	20.6	18.3
Pre-tax (adj) margin (%)	9.1	13.3	14.1	14.5	12.7
Net (adj) margin (%)	10.4	12.7	13.4	13.9	12.6
ROIC (%)	5.2	6.5	6.6	6.7	6.2
ROA (%)	3.6	3.6	3.7	3.9	3.7
ROE (%)	10.1	10.6	10.5	10.7	10.5

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	54,329	59,229	64,629	70,029	8.8%
Cash and equivalents	68	475	-159	-255	N/A
Total assets	64,382	67,340	69,609	72,247	3.9%
Short and long-term debt	18,893	20,395	21,879	23,620	7.7%
Other long-term liabilities	0	0	0	0	N/A
Total liabilities	48,886	50,388	51,872	53,613	3.1%
Shareholders' equity	15,496	16,951	17,738	18,633	6.3%
Net debt/(funds)	18,825	19,921	22,037	23,875	8.2%
Change in working capital	73	-143	-1,116	36	-21.3%
Cash flow from operations	-307	4,114	4,403	4,682	N/A
Capital expenditure	-4,877	-4,900	-5,400	-5,400	N/A
Free cash flow	-6,115	-1,896	-2,117	-1,838	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	12.7	13.4	12.5	11.8	12.6
EV/EBITDA (adj) (x)	10.9	8.9	8.7	8.4	9.3
EV/EBIT (adj) (x)	21.6	16.3	15.9	15.4	17.3
FCF yield (%)	-16.0	-4.8	-5.1	-4.2	-7.5
P/BV (x)	1.3	1.3	1.3	1.2	1.3
Dividend yield (%)	4.1	4.3	4.3	4.4	4.3
Net debt/EBITDA (adj) (x)	5.4	4.5	4.6	4.7	4.8

Selected operating metrics					Average
Payout ratio (%)	52.1	57.3	54.0	51.5	53.7
Interest cover (x)	2.1	2.7	2.8	2.7	2.6
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 59.74**
Price Target	**USD 68.00**

Why Equal Weight? We assign an Equal Weight rating as we believe questions around Wildfire capex securitization, final net 17/18 liability risk, implementation of improved cost recovery parameters, and equity issuance mean EIX likely continues to trade at 10% discount for next 12 months.

Upside case **USD 95.00**

The upside case applies a group average 2022 P/E multiple and assumes zero wildfire liability for 2017 / 2018 fires.

Downside case **USD 59.00**

Our downside case assumes $3.7bn net 2017 / 2018 wildfire liability and a 20% discount to the group average P/E multiple.

Upside/Downside scenarios

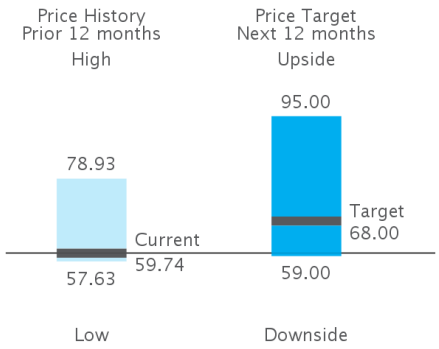

North America Power & Utilities — **Industry View: NEUTRAL**

Eversource Energy (ES)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	8,526	8,935	9,220	9,498	3.7%
EBITDA (adj)	2,671	3,210	3,518	3,746	11.9%
EBIT (adj)	1,590	2,058	2,293	2,448	15.5%
Pre-tax income (adj)	1,190	1,609	1,793	1,914	17.2%
Net income (adj)	917	1,223	1,362	1,455	16.7%
EPS (adj) ($)	3.46	3.68	3.99	4.23	6.9%
Diluted shares (mn)	322.9	330.5	339.7	342.3	2.0%
DPS ($)	2.12	2.27	2.42	2.57	6.7%

Margin and return data					Average
EBITDA (adj) margin (%)	31.3	35.9	38.2	39.4	36.2
EBIT (adj) margin (%)	18.7	23.0	24.9	25.8	23.1
Pre-tax (adj) margin (%)	14.0	18.0	19.4	20.2	17.9
Net (adj) margin (%)	10.7	13.7	14.8	15.3	13.6
ROIC (%)	6.0	7.0	7.5	7.6	7.0
ROA (%)	2.2	2.8	3.0	3.0	2.8
ROE (%)	7.3	9.2	10.1	10.5	9.3

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	30,000	32,512	34,746	36,860	7.1%
Cash and equivalents	15	417	848	1,246	332.2%
Total assets	41,124	43,635	45,870	47,983	5.3%
Short and long-term debt	14,098	15,989	17,186	18,181	8.8%
Other long-term liabilities	9,052	9,202	9,352	9,502	1.6%
Total liabilities	14,027	14,648	15,633	16,937	6.5%
Shareholders' equity	12,630	13,325	13,525	13,825	3.1%
Net debt/(funds)	14,083	15,572	16,338	16,935	6.3%
Change in working capital	96	-1	112	110	4.7%
Cash flow from operations	2,010	2,293	2,505	2,667	9.9%
Capital expenditure	-2,911	-3,071	-2,834	-2,817	N/A
Free cash flow	-1,565	-1,529	-1,150	-1,031	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	25.4	23.9	22.0	20.8	23.0
EV/EBITDA (adj) (x)	15.7	13.5	12.6	11.9	13.4
EV/EBIT (adj) (x)	26.3	21.1	19.3	18.3	21.2
FCF yield (%)	-3.7	-3.5	-2.6	-2.3	-3.0
P/BV (x)	2.2	2.2	2.2	2.2	2.2
Dividend yield (%)	2.4	2.6	2.8	2.9	2.7
Net debt/EBITDA (adj) (x)	5.3	4.9	4.6	4.5	4.8

Selected operating metrics					Average
Payout ratio (%)	61.4	61.7	60.6	60.9	61.1
Interest cover (x)	5.0	5.4	5.4	5.4	5.3
Regulated (%)	100.0	100.0	200.0	200.0	150.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 87.79**
Price Target	**USD 96.00**

Why Equal Weight? We believe ES's diverse, high quality regulated business will grow base earnings at the midpoint of its 5-7% target through the forecast period. We apply a 20% valuation premium to reflect the above average growth, reasonable regulatory mechanisms that are in place, allowing the company to earn a prompt return on its regulatory investing.

Upside case **USD 108.00**

We believe there are a number of large projects that could boost ES's earnings power and growth rate in the medium to long term. Offshore wind projects and grid modernization programs would provide lift to earnings, and comined with elevated ESG fund flows, justify a 35% premium.

Downside case **USD 84.00**

An adverse change in regulation or legislation, while not expected, could result in a discount valuation for ES. We impute a 5% group premium to arrive at our downside case valuation.

Upside/Downside scenarios

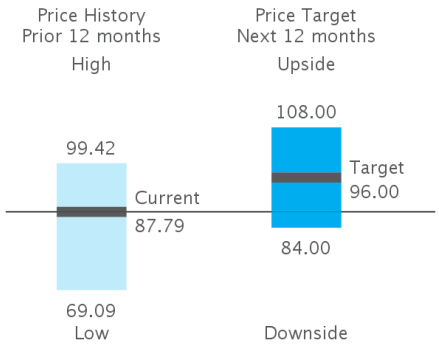

North America Power & Utilities — **Industry View: NEUTRAL**

Exelon Corporation (EXC)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2018A	2019E	2020E	2021E	CAGR
Revenue	36,022	34,337	33,974	33,899	-2.0%
EBITDA (adj)	9,149	8,777	8,774	8,742	-1.5%
EBIT (adj)	4,795	4,528	4,473	4,251	-3.9%
Pre-tax income (adj)	3,159	4,026	3,914	3,661	5.0%
Net income (adj)	3,015	3,134	3,097	2,894	-1.4%
EPS (adj) ($)	3.11	3.22	3.17	2.95	-1.7%
Diluted shares (mn)	969.0	974.0	977.0	980.0	0.4%
DPS ($)	1.38	1.45	1.53	1.61	5.2%

Margin and return data					Average
EBITDA (adj) margin (%)	25.4	25.6	25.8	25.8	25.6
EBIT (adj) margin (%)	13.3	13.2	13.2	12.5	13.1
Pre-tax (adj) margin (%)	8.8	11.7	11.5	10.8	10.7
Net (adj) margin (%)	8.4	9.1	9.1	8.5	8.8
ROIC (%)	7.1	6.7	6.4	6.1	6.6
ROA (%)	2.6	2.6	2.5	2.3	2.5
ROE (%)	10.1	10.5	10.4	9.7	10.2

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	N/A	N/A	N/A	N/A	N/A
Cash and equivalents	1,781	1,122	2,321	3,000	19.0%
Total assets	121,208	124,684	127,249	130,006	2.4%
Short and long-term debt	37,521	38,097	39,867	39,942	2.1%
Other long-term liabilities	43,776	46,676	47,471	50,153	4.6%
Total liabilities	89,076	92,552	95,117	97,874	3.2%
Shareholders' equity	29,857	29,857	29,857	29,857	0.0%
Net debt/(funds)	35,741	36,975	37,546	36,942	1.1%
Change in working capital	2,705	-897	-581	2,555	-1.9%
Cash flow from operations	8,644	6,659	8,760	8,747	0.4%
Capital expenditure	-7,527	-7,344	-7,175	-8,075	N/A
Free cash flow	-215	-2,093	90	-902	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	12.8	12.4	12.6	13.5	12.8
EV/EBITDA (adj) (x)	8.1	8.6	8.7	8.6	8.5
EV/EBIT (adj) (x)	15.5	16.7	17.0	17.7	16.7
FCF yield (%)	-0.3	-2.8	0.1	-1.2	-1.0
P/BV (x)	1.3	1.3	1.3	1.3	1.3
Dividend yield (%)	3.5	3.6	3.8	4.0	3.7
Net debt/EBITDA (adj) (x)	3.9	4.2	4.3	4.2	4.2

Selected operating metrics					Average
Payout ratio (%)	44.3	45.1	48.3	54.4	48.0
Interest cover (x)	3.1	2.9	2.8	2.6	2.8
Regulated (%)	65.0	65.0	65.0	65.0	65.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 39.81**
Price Target	**USD 50.00**

Why Overweight? We believe that utility growth of 6-8% is achievable and will be funded by cash flow from the generation company even with the current forward curves. We also believe that the nuclear plants not achieving cash flow neutrality will be closed.

Upside case — **USD 59.00**

Our upside case assumes a 20% premium to the 2022 group average P/E multiple applied to our 2022 utility net parent EPS estimate with the addition of Exgen EBITDA valued at 7x.

Downside case — **USD 40.00**

Our downside case assumes a 10% discount to the 2022 group average P/E multiple applied to our 2022 utility net parent EPS estimate with the addition of 3/4 Exgen EBITDA valued at 4x.

Upside/Downside scenarios

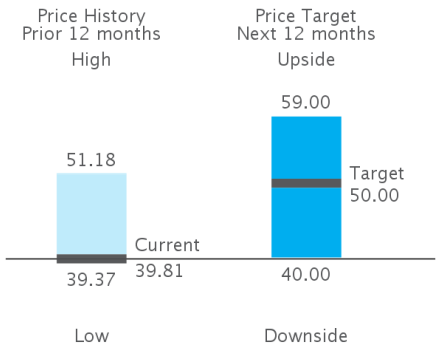

North America Power & Utilities — **Industry View: NEUTRAL**

FirstEnergy Corp. (FE)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	11,035	11,733	12,076	12,365	3.9%
EBITDA (adj)	3,730	4,025	4,261	4,442	6.0%
EBIT (adj)	2,510	2,730	2,883	2,981	5.9%
Pre-tax income (adj)	1,117	1,750	1,838	1,923	19.9%
Net income (adj)	912	1,338	1,408	1,475	17.4%
EPS (adj) ($)	2.58	2.50	2.63	2.73	1.8%
Diluted shares (mn)	535.0	535.0	535.0	540.7	0.4%
DPS ($)	1.46	1.48	1.52	1.52	1.4%

Margin and return data					Average
EBITDA (adj) margin (%)	33.8	34.3	35.3	35.9	34.8
EBIT (adj) margin (%)	22.7	23.3	23.9	24.1	23.5
Pre-tax (adj) margin (%)	10.1	14.9	15.2	15.6	14.0
Net (adj) margin (%)	8.3	11.4	11.7	11.9	10.8
ROIC (%)	9.2	9.4	9.3	9.3	9.3
ROA (%)	5.1	5.0	5.1	5.0	5.1
ROE (%)	13.4	19.4	17.1	16.4	16.6

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	42,421	45,321	48,371	51,441	6.6%
Cash and equivalents	95	313	901	629	87.8%
Total assets	41,454	43,269	45,522	46,852	4.2%
Short and long-term debt	20,400	20,745	21,993	22,249	2.9%
Other long-term liabilities	11,260	11,429	11,647	11,888	1.8%
Total liabilities	34,541	35,055	36,520	37,018	2.3%
Shareholders' equity	6,913	8,214	9,002	9,835	12.5%
Net debt/(funds)	20,305	20,432	21,091	21,620	2.1%
Change in working capital	-148	223	598	-272	N/A
Cash flow from operations	2,139	2,641	2,793	2,943	11.2%
Capital expenditure	-2,952	-2,900	-3,050	-3,070	N/A
Free cash flow	-1,627	-1,094	-1,133	-1,057	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	16.7	17.2	16.4	15.8	16.5
EV/EBITDA (adj) (x)	11.6	10.8	10.3	10.0	10.7
EV/EBIT (adj) (x)	17.2	15.9	15.2	14.9	15.8
FCF yield (%)	-3.8	-2.5	-2.6	-2.4	-2.8
P/BV (x)	3.3	2.8	2.6	2.4	2.8
Dividend yield (%)	3.4	3.4	3.5	3.5	3.5
Net debt/EBITDA (adj) (x)	5.4	5.1	4.9	4.9	5.1

Selected operating metrics					Average
Payout ratio (%)	56.5	59.2	57.8	55.7	57.3
Interest cover (x)	2.4	2.3	2.3	2.4	2.3
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Price (11-Mar-2020)	**USD 43.13**
Price Target	**USD 54.00**

Why Overweight? We assign a 5% premium to the 22E average P/E to reflect a complete separation from FirstEnergy Solutions merchant generation portfolio and diversified and improving fully-regulated operations. We see FE's fully-regulated profile and long-term rate base growth trajectory as deserving of a premium, despite tired concerns on potential equity needs.

Upside case **USD 58.00**

We apply a 15% premium to the group average 22E PE multiple to arrive at $56 in an upside scenario.

Downside case **USD 43.00**

We assume $2.50 22E EPS and a 10% discount to the group average multiple in our downside price scenario.

Upside/Downside scenarios

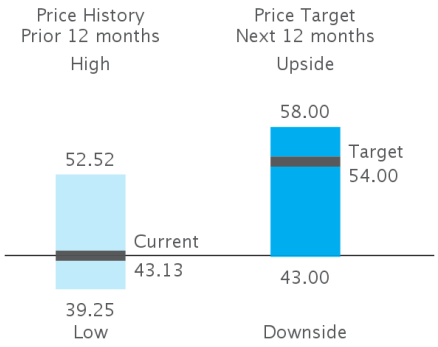

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

North America Power & Utilities — **Industry View: NEUTRAL**

NextEra Energy, Inc. (NEE)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	19,204	19,980	20,501	20,956	3.0%
EBITDA (adj)	10,301	10,495	10,822	11,035	2.3%
EBIT (adj)	6,085	6,346	6,837	7,215	5.8%
Pre-tax income (adj)	4,568	4,629	4,992	5,371	5.5%
Net income (adj)	4,062	4,446	4,855	5,281	9.1%
EPS (adj) ($)	8.38	9.04	9.87	10.73	8.6%
Diluted shares (mn)	485	492	492	492	0.5%
DPS ($)	5.00	5.65	6.38	7.21	13.0%

Margin and return data					Average
EBITDA (adj) margin (%)	53.6	52.5	52.8	52.7	52.9
EBIT (adj) margin (%)	31.7	31.8	33.3	34.4	32.8
Pre-tax (adj) margin (%)	23.8	23.2	24.3	25.6	24.2
Net (adj) margin (%)	21.2	22.3	23.7	25.2	23.1
ROIC (%)	7.1	7.0	6.8	6.6	6.9
ROA (%)	3.9	4.0	4.0	4.1	4.0
ROE (%)	11.9	12.6	12.5	12.4	12.3

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	92,220	104,275	116,420	128,550	11.7%
Cash and equivalents	1,054	1,385	1,950	1,929	22.3%
Total assets	111,836	120,322	129,303	137,854	7.2%
Short and long-term debt	40,506	45,357	50,780	55,855	11.3%
Other long-term liabilities	22,941	22,941	22,941	22,941	0.0%
Total liabilities	71,705	76,556	81,979	87,054	6.7%
Shareholders' equity	35,289	38,924	42,482	45,958	9.2%
Net debt/(funds)	39,452	43,972	48,830	53,926	11.0%
Change in working capital	5,402	449	-834	-21	N/A
Cash flow from operations	7,747	7,158	7,274	7,405	-1.5%
Capital expenditure	-11,945	-11,680	-11,780	-11,780	N/A
Free cash flow	-5,895	-7,677	-8,012	-8,274	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	28.8	26.7	24.4	22.5	25.6
EV/EBITDA (adj) (x)	15.2	15.3	15.3	15.5	15.3
EV/EBIT (adj) (x)	25.7	25.4	24.3	23.7	24.8
FCF yield (%)	-3.8	-4.8	-4.8	-4.8	-4.6
P/BV (x)	3.3	3.0	2.8	2.6	2.9
Dividend yield (%)	2.1	2.3	2.6	3.0	2.5
Net debt/EBITDA (adj) (x)	3.8	4.2	4.5	4.9	4.4

Selected operating metrics					Average
Payout ratio (%)	59.7	62.5	64.7	67.2	63.5
Interest cover (x)	2.4	2.7	2.7	2.9	2.7
Regulated (%)	61.9	63.4	61.9	58.9	61.5

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 241.26**
Price Target	**USD 269.00**

Why Equal Weight? Top industry growth combined with an above-average regulatory environment drive the 15% premium utility valuation. Above-average growth provides for a larger increase to our expected price target, providing a compelling opportunity, however we see shares as fairly priced given outperformance.

Upside case — **USD 307.00**

Our upside case applies a 20% premium multiple to the 2022 EPS estimates for the regulated utilities and a 15x EV/EBITDA for NEER.

Downside case — **USD 229.00**

Our downside case applies an industry average multiple to 2022E earnings and a 10x EV/EBITDA for NEER.

Upside/Downside scenarios

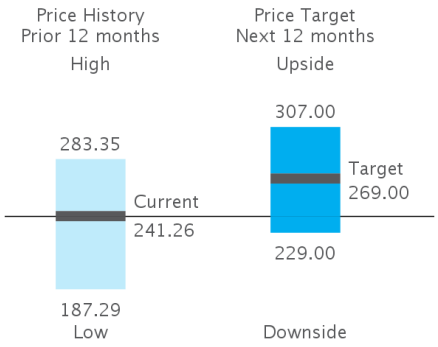

North America Power & Utilities — **Industry View: NEUTRAL**

NiSource, Inc. (NI)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	5,209	5,349	5,324	5,516	1.9%
EBITDA (adj)	2,028	1,917	2,028	2,190	2.6%
EBIT (adj)	1,316	1,167	1,234	1,349	0.9%
Pre-tax income (adj)	507	772	804	871	19.8%
Net income (adj)	495	539	564	616	7.5%
EPS (adj) ($)	1.32	1.39	1.41	1.51	4.6%
Diluted shares (mn)	376.0	388.7	398.8	408.5	2.8%
DPS ($)	0.80	0.85	0.90	0.95	6.0%

Margin and return data					Average
EBITDA (adj) margin (%)	38.9	35.8	38.1	39.7	38.1
EBIT (adj) margin (%)	17.1	21.6	23.0	24.3	21.5
Pre-tax (adj) margin (%)	9.7	14.4	15.1	15.8	13.8
Net (adj) margin (%)	9.5	10.1	10.6	11.2	10.3
ROIC (%)	5.7	7.3	7.3	7.3	6.9
ROA (%)	2.3	2.4	2.5	2.5	2.4
ROE (%)	8.6	9.0	8.7	8.8	8.8

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	16,912	18,120	19,284	20,402	6.5%
Cash and equivalents	139	-749	-319	262	23.4%
Total assets	22,660	22,979	24,573	26,272	5.1%
Short and long-term debt	9,629	9,246	9,756	10,686	3.5%
Other long-term liabilities	5,071	5,189	5,307	5,425	2.3%
Total liabilities	16,673	16,466	17,539	18,695	3.9%
Shareholders' equity	5,987	6,514	7,035	7,577	8.2%
Net debt/(funds)	9,490	9,995	10,075	10,424	3.2%
Change in working capital	89	-24	-14	473	74.2%
Cash flow from operations	1,583	1,493	1,562	1,660	1.6%
Capital expenditure	-1,802	-1,850	-1,850	-1,850	N/A
Free cash flow	-219	-357	-288	-190	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	20.6	19.5	19.2	18.0	19.3
EV/EBITDA (adj) (x)	9.7	10.5	9.9	9.4	9.9
EV/EBIT (adj) (x)	14.9	17.2	16.3	15.2	15.9
FCF yield (%)	-1.1	-1.8	-1.4	-0.9	-1.3
P/BV (x)	1.7	1.6	1.5	1.5	1.6
Dividend yield (%)	3.0	3.1	3.3	3.5	3.2
Net debt/EBITDA (adj) (x)	4.7	5.2	5.0	4.8	4.9

Selected operating metrics					Average
Payout ratio (%)	60.8	61.1	63.6	63.2	62.2
Interest cover (x)	2.4	3.0	3.0	2.9	2.8
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Price (11-Mar-2020)	USD 27.10
Price Target	USD 31.00

Why Equal Weight? We view NI as a quality utility with a well-defined rate base growth strategy from gas and electric infrastructure modernization, which we see as relatively low risk. However, because of premium valuation we do not see material upside to our price target.

Upside case — **USD 37.00**

Our upside case reflects a 25% premium to the 2022 utility group average P/E multiple applied to higher earnings driven by additional rate base growth and favorable rate case outcomes.

Downside case — **USD 26.00**

Our downside case reflects a 5% premium to the 2022 utility group average P/E multiple applied to lower earnings driven by slower rate base growth and unfavorable Maryland and Pennsylvania rate case outcomes.

Upside/Downside scenarios

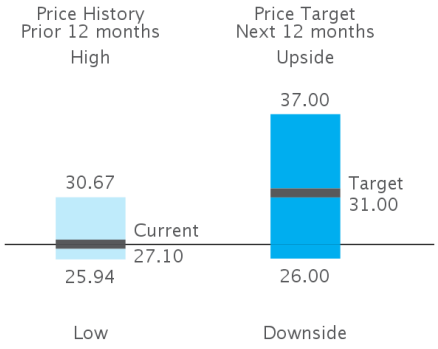

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

North America Power & Utilities — **Industry View: NEUTRAL**

Northwestern Corporation (NWE)

Stock Rating: UNDERWEIGHT

Income statement ($k)	2019A	2020E	2021E	2022E	CAGR
Revenue	1,250,610	1,275,593	1,289,363	1,303,302	1.4%
EBITDA (adj)	442,886	463,413	486,002	507,202	4.6%
EBIT (adj)	246,650	279,160	288,932	299,724	6.7%
Pre-tax income (adj)	174,895	182,367	193,379	205,111	5.5%
Net income (adj)	173,820	180,543	189,511	198,957	4.6%
EPS (adj) ($)	3.42	3.55	3.70	3.87	4.1%
Diluted shares (mn)	50.8	50.9	51.2	51.5	0.5%
DPS ($)	2.30	2.40	2.51	2.63	4.5%

Margin and return data					Average
EBITDA (adj) margin (%)	35.4	36.3	37.7	38.9	37.1
EBIT (adj) margin (%)	19.7	21.9	22.4	23.0	21.8
Pre-tax (adj) margin (%)	14.0	14.3	15.0	15.7	14.8
Net (adj) margin (%)	13.9	14.2	14.7	15.3	14.5
ROIC (%)	4.2	4.1	4.1	4.2	4.2
ROA (%)	3.1	3.1	3.1	3.1	3.1
ROE (%)	8.9	8.9	9.0	9.1	9.0

Balance sheet and cash flow ($k)					CAGR
Tangible fixed assets	N/A	N/A	N/A	N/A	N/A
Cash and equivalents	5,145	5,002	7,560	13,273	37.1%
Total assets	5,910,702	6,126,466	6,339,934	6,499,268	3.2%
Short and long-term debt	2,233,281	2,353,281	2,473,281	2,533,281	4.3%
Other long-term liabilities	N/A	N/A	N/A	N/A	N/A
Total liabilities	3,871,608	4,009,263	4,141,918	4,217,573	2.9%
Shareholders' equity	2,039,094	2,117,203	2,198,016	2,281,694	3.8%
Net debt/(funds)	2,228,136	2,348,279	2,465,721	2,520,008	4.2%
Change in working capital	36,784	-17,798	-10,096	-9,943	N/A
Cash flow from operations	296,720	376,091	395,157	413,490	11.7%
Capital expenditure	-316,016	-398,800	-403,900	-355,500	N/A
Free cash flow	-134,423	-145,143	-137,441	-77,288	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	20.7	20.0	19.2	18.4	19.6
EV/EBITDA (adj) (x)	13.2	12.8	12.5	12.1	12.6
EV/EBIT (adj) (x)	23.6	21.3	21.0	20.4	21.6
FCF yield (%)	-2.3	-2.4	-2.3	-1.3	-2.1
P/BV (x)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	3.2	3.4	3.5	3.7	3.5
Net debt/EBITDA (adj) (x)	5.0	5.1	5.1	5.0	5.0

Selected operating metrics					Average
Payout ratio (%)	67.2	67.8	67.9	68.0	67.7
Interest cover (x)	2.6	2.8	2.9	3.0	2.8
Regulated (%)	100.0	100.0	100.0	200.0	125.0

Price (11-Mar-2020)	**USD 70.96**
Price Target	**USD 73.00**

Why Underweight? We believe a group average multiple is appropriate given below average growth and regulatory (although regulatory is improving). This results in the shares appearing overvalued on a relative basis resulting in our Underweight rating.

Upside case — **USD 84.00**

Our upside case assumes a 15% premium to the group average regulated utility multiple assuming a positive shift in regulatory framework and significant improvement to ratebase growth and visibility driven by self build of generation in support of capacity needs.

Downside case — **USD 62.00**

Our downside case assumes a 15% discount to the group average regulated utility multiple if regulatory issues persist and capacity needs are filled via purchased power contracts and not self build.

Upside/Downside scenarios

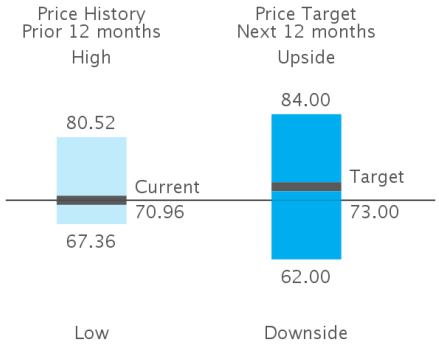

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

North America Power & Utilities — **Industry View: NEUTRAL**

OGE Energy Corp. (OGE)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	2,232	2,282	2,342	2,419	2.7%
EBITDA (adj)	859	909	954	1,015	5.7%
EBIT (adj)	504	534	563	605	6.3%
Pre-tax income (adj)	463	502	558	593	8.6%
Net income (adj)	434	450	489	508	5.4%
EPS (adj) ($)	2.16	2.24	2.44	2.53	5.4%
Diluted shares (mn)	201	201	201	201	0.0%
DPS ($)	1.51	1.59	1.67	1.75	5.1%

Margin and return data					Average
EBITDA (adj) margin (%)	38.5	39.8	40.7	41.9	40.3
EBIT (adj) margin (%)	22.6	23.4	24.0	25.0	23.8
Pre-tax (adj) margin (%)	20.8	22.0	23.8	24.5	22.8
Net (adj) margin (%)	19.4	19.7	20.9	21.0	20.3
ROIC (%)	7.0	7.3	7.6	13.4	8.8
ROA (%)	3.9	4.0	4.3	4.3	4.1
ROE (%)	10.5	10.5	11.1	11.2	10.8

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	9,045	9,244	9,578	9,898	3.1%
Cash and equivalents	0	-73	-235	-433	N/A
Total assets	11,024	11,220	11,398	11,727	2.1%
Short and long-term debt	3,307	3,370	3,420	3,620	3.1%
Other long-term liabilities	3,032	3,032	3,032	0	-100.0%
Total liabilities	6,885	6,948	6,998	7,198	1.5%
Shareholders' equity	4,140	4,273	4,400	4,530	3.0%
Net debt/(funds)	3,307	3,443	3,656	4,053	7.0%
Change in working capital	N/A	N/A	N/A	N/A	N/A
Cash flow from operations	682	821	847	884	9.1%
Capital expenditure	-636	-575	-725	-730	N/A
Free cash flow	46	246	122	154	49.7%

Valuation and leverage metrics					Average
P/E (adj) (x)	15.8	15.2	14.0	13.4	14.6
EV/EBITDA (adj) (x)	11.8	11.3	11.0	10.7	11.2
EV/EBIT (adj) (x)	20.1	19.2	18.6	18.0	19.0
FCF yield (%)	0.5	2.4	1.2	1.4	1.4
P/BV (x)	1.6	1.6	1.6	1.5	1.6
Dividend yield (%)	4.4	4.7	4.9	5.1	4.8
Net debt/EBITDA (adj) (x)	3.8	3.8	3.8	4.0	3.9

Selected operating metrics					Average
Payout ratio (%)	69.9	70.9	68.4	69.2	69.6
Interest cover (x)	5.7	6.0	6.3	6.3	6.1
Regulated (%)	80.8	78.4	74.9	75.8	77.5

Price (11-Mar-2020)	**USD 34.03**
Price Target	**USD 38.00**

Why Equal Weight? The combination of Enable Midstream and Oklahoma Gas and Electric, while synergistic from a utility financing standpoint, is ultimately dilutive to the corporate growth rate. Fair and timely regulatory recovery remains a risk as OG&E's earned returns show a meaningful regulatory lag.

Upside case **USD 44.00**

Our upside case factors in a 10% utility P/E premium based on 2019 utility EPS combined with ENBL valued at $17/share ($9 equity value to OGE).

Downside case **USD 33.00**

Our downside case factors in a 20% discount to the group average at the utility, for higher regulatory risk and uncertainty. We value ENBL at $13 ($7 equity value to OGE).

Upside/Downside scenarios

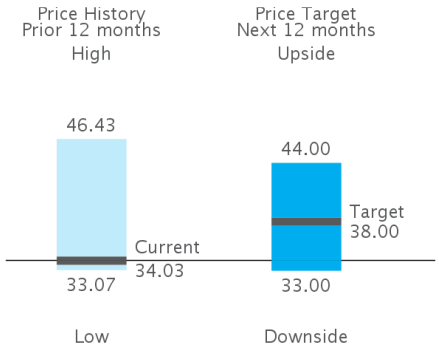

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

North America Power & Utilities — **Industry View: NEUTRAL**

PG&E Corporation (PCG)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	17,129	18,648	19,521	19,754	4.9%
EBITDA (adj)	-6,860	6,450	6,969	7,379	N/A
EBIT (adj)	-10,094	2,927	3,172	3,326	N/A
Pre-tax income (adj)	-11,042	1,977	2,180	2,302	N/A
Net income (adj)	-7,656	1,956	2,159	2,281	N/A
EPS (adj) ($)	3.92	3.70	4.09	4.32	3.3%
Diluted shares (mn)	528	528	528	528	0.0%
DPS ($)	0.00	0.00	0.00	0.00	N/A

Margin and return data					Average
EBITDA (adj) margin (%)	-40.0	34.6	35.7	37.4	16.9
EBIT (adj) margin (%)	-58.9	15.7	16.3	16.8	-2.5
Pre-tax (adj) margin (%)	-64.5	10.6	11.2	11.7	-7.8
Net (adj) margin (%)	-44.7	10.5	11.1	11.5	-2.9
ROIC (%)	-18.1	29.9	23.9	20.6	14.1
ROA (%)	-9.1	3.4	3.5	3.5	0.3
ROE (%)	-59.3	36.3	27.8	23.0	6.9

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	61,635	66,812	71,216	74,863	6.7%
Cash and equivalents	1,570	-170	1	-549	N/A
Total assets	85,196	88,663	93,238	96,335	4.2%
Short and long-term debt	52,046	1,850	3,350	3,350	-59.9%
Other long-term liabilities	21,631	19,901	19,901	19,901	-2.7%
Total liabilities	79,808	27,882	29,382	29,382	-28.3%
Shareholders' equity	5,388	7,760	9,936	12,233	31.4%
Net debt/(funds)	50,476	2,020	3,349	3,899	-57.4%
Change in working capital	-2,060	-1,328	-550	-230	N/A
Cash flow from operations	4,816	5,493	5,969	6,348	9.6%
Capital expenditure	-6,313	-8,700	-8,200	-7,700	N/A
Free cash flow	-1,497	-3,207	-2,231	-1,352	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	3.1	3.2	2.9	2.8	3.0
EV/EBITDA (adj) (x)	-8.3	1.3	1.4	1.4	-1.0
EV/EBIT (adj) (x)	-5.6	2.9	3.1	3.1	0.8
FCF yield (%)	-2.6	-38.2	-22.9	-13.2	-19.2
P/BV (x)	1.2	0.8	0.6	0.5	0.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-7.4	0.3	0.5	0.5	-1.5

Selected operating metrics					Average
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Interest cover (x)	-7.3	6.9	7.1	7.3	3.5
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 12.04**
Price Target	**USD 15.00**

Why Equal Weight? We continue to believe that any investment at this point is likely to involve significant risk. There are numerous potential paths to finalize Chapter 11 that result in significant equity value or very little equity value depending on final dilution.

Upside case — **USD 20.00**

Our upside case uses the same valuation framework but assumes a 14.5x issuance multiple and a $7.5bn individual claimant settlement (PG&E's accounting charge taken to date).

Downside case — **USD 11.00**

Our downside case assumes a $14.5bn tort settlement (settlement reached between tort and bondholder group) and a 12.0x equity issuance multiple.

Upside/Downside scenarios

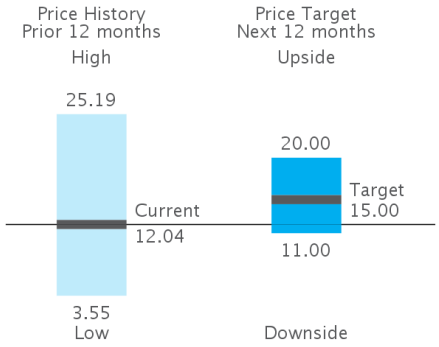

North America Power & Utilities — **Industry View: NEUTRAL**

Pinnacle West Capital Corporation (PNW)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	3,471	3,612	3,755	3,863	3.6%
EBITDA (adj)	1,263	1,427	1,529	1,642	9.2%
EBIT (adj)	672	818	878	949	12.2%
Pre-tax income (adj)	542	657	747	788	13.3%
Net income (adj)	558	567	605	638	4.6%
EPS (adj) ($)	4.77	4.84	5.16	5.44	4.5%
Diluted shares (mn)	113	113	113	114	0.3%
DPS ($)	2.99	3.17	3.36	3.56	6.0%

Margin and return data					Average
EBITDA (adj) margin (%)	36.4	39.5	40.7	42.5	39.8
EBIT (adj) margin (%)	19.4	22.7	23.4	24.6	22.5
Pre-tax (adj) margin (%)	15.6	18.2	19.9	20.4	18.5
Net (adj) margin (%)	16.1	15.7	16.1	16.5	16.1
ROIC (%)	6.3	6.7	6.8	6.7	6.6
ROA (%)	2.9	2.9	2.9	2.9	2.9
ROE (%)	9.5	9.3	9.5	9.6	9.5

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	16,752	17,245	17,967	18,967	4.2%
Cash and equivalents	10	218	380	592	286.1%
Total assets	18,997	19,850	21,039	22,308	5.5%
Short and long-term debt	5,833	7,103	7,593	8,453	13.2%
Other long-term liabilities	N/A	N/A	N/A	N/A	N/A
Total liabilities	12,998	13,618	14,556	15,566	6.2%
Shareholders' equity	5,876	6,109	6,360	6,619	4.0%
Net debt/(funds)	5,822	6,885	7,213	7,861	10.5%
Change in working capital	1,790	-190	915	420	-38.3%
Cash flow from operations	957	1,177	1,255	1,332	11.7%
Capital expenditure	-1,191	-1,331	-1,650	-1,725	N/A
Free cash flow	-504	-513	-776	-798	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	18.8	18.5	17.4	16.5	17.8
EV/EBITDA (adj) (x)	12.6	11.9	11.3	10.9	11.6
EV/EBIT (adj) (x)	23.6	20.7	19.6	18.9	20.7
FCF yield (%)	-3.2	-3.0	-4.5	-4.5	-3.8
P/BV (x)	1.7	1.7	1.6	1.5	1.6
Dividend yield (%)	3.3	3.5	3.8	4.0	3.7
Net debt/EBITDA (adj) (x)	4.6	4.8	4.7	4.8	4.7

Selected operating metrics					Average
Payout ratio (%)	62.7	65.5	65.2	65.5	64.7
Interest cover (x)	5.4	5.5	5.6	5.3	5.4
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 89.55**
Price Target	**USD 103.00**

Why Equal Weight? We rate PNW as Equal Weight based on current relative value within our regulated utility group. The price target is based on the group average multiple 2022 EPS.

Upside case — **USD 114.00**

A 10% premium to the group P/E multiple attributed to potential for above-average earnings and dividend growth, pending regulatory outcomes and economic conditions.

Downside case — **USD 83.00**

A 20% discount to the group P/E premised on lower-than-expected load growth combined with sub-optimal rate case, rooftop solar, and retail competition outcomes.

Upside/Downside scenarios

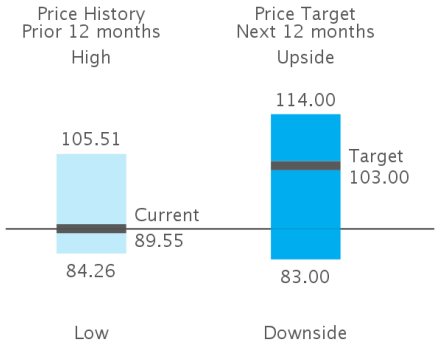

North America Power & Utilities — **Industry View: NEUTRAL**

PNM Resources, Inc. (PNM)

Stock Rating: EQUAL WEIGHT

Income statement ($k)	2019A	2020E	2021E	2022E	CAGR
Revenue	1,458,600	1,518,283	1,602,426	1,671,907	4.7%
EBITDA (adj)	592,681	645,070	718,276	778,072	9.5%
EBIT (adj)	324,873	354,487	400,418	440,389	10.7%
Pre-tax income (adj)	203,857	223,370	258,446	286,689	12.0%
Net income (adj)	172,540	181,536	207,964	229,003	9.9%
EPS (adj) ($)	2.16	2.25	2.34	2.49	5.0%
Diluted shares (k)	79,990	80,588	88,882	91,794	4.7%
DPS ($)	1.18	1.25	1.33	1.41	6.0%

Margin and return data					Average
EBITDA (adj) margin (%)	40.6	42.5	44.8	46.5	43.6
EBIT (adj) margin (%)	22.3	23.3	25.0	26.3	24.2
Pre-tax (adj) margin (%)	14.0	14.7	16.1	17.1	15.5
Net (adj) margin (%)	11.8	12.0	13.0	13.7	12.6
ROIC (%)	6.6	6.4	6.4	6.8	6.5
ROA (%)	2.5	2.5	2.6	2.7	2.6
ROE (%)	10.2	10.8	10.1	9.5	10.2

Balance sheet and cash flow ($k)					CAGR
Tangible fixed assets	N/A	N/A	N/A	N/A	N/A
Cash and equivalents	3,833	18,153	58,867	2,256	-16.2%
Total assets	7,298,774	7,860,511	8,575,367	8,875,073	6.7%
Short and long-term debt	3,192,817	3,384,043	3,734,043	3,934,043	7.2%
Other long-term liabilities	2,060,565	2,060,565	2,060,565	2,060,565	0.0%
Total liabilities	5,557,024	5,748,250	6,098,250	6,298,250	4.3%
Shareholders' equity	1,678,698	2,049,209	2,414,065	2,513,771	14.4%
Net debt/(funds)	3,188,984	3,365,890	3,675,176	3,931,787	7.2%
Change in working capital	-463,542	39,688	690,714	-111,610	N/A
Cash flow from operations	503,163	486,888	540,591	581,455	4.9%
Capital expenditure	-616,273	-838,000	-992,000	-694,000	N/A
Free cash flow	-206,036	-452,665	-570,045	-242,369	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	21.2	20.3	19.5	18.3	19.8
EV/EBITDA (adj) (x)	11.5	10.9	10.2	9.7	10.6
EV/EBIT (adj) (x)	21.0	19.8	18.3	17.2	19.1
FCF yield (%)	-3.0	-6.5	-7.8	-3.2	-5.1
P/BV (x)	2.2	1.8	1.7	1.7	1.8
Dividend yield (%)	2.6	2.7	2.9	3.1	2.8
Net debt/EBITDA (adj) (x)	5.4	5.2	5.1	5.1	5.2

Selected operating metrics					Average
Payout ratio (%)	54.8	55.7	56.8	56.5	55.9
Interest cover (x)	4.9	4.9	5.1	5.1	5.0
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 45.65**
Price Target	**USD 52.00**

Why Equal Weight? We expect average to above-average earnings/dividend growth through 2022, but believe the stock is fairly valued at its current premium (on 2022E EPS) based on our valuation framework.

Upside case — **USD 56.00**

Our upside case assumes that growth proceeds at a faster pace and the regulatory and/or economic landscape in NM improves. PNM could trade at a 15% premium in this environment.

Downside case — **USD 45.00**

Our downside case assumes that growth proceeds at a slower pace and the regulatory and/or economic landscape in NM does not improve. PNM could trade down to a 5% discount in this environment.

Upside/Downside scenarios

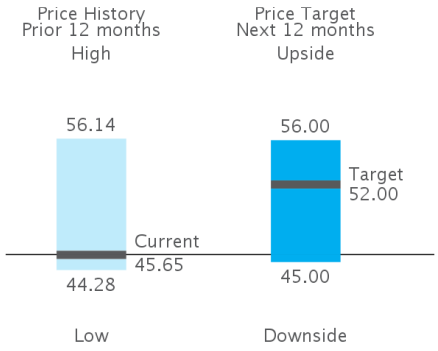

North America Power & Utilities — **Industry View: NEUTRAL**

Portland General Electric Company (POR)

Stock Rating: UNDERWEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	2,123	2,151	2,180	2,221	1.5%
EBITDA (adj)	762	820	835	865	4.3%
EBIT (adj)	353	393	395	410	5.1%
Pre-tax income (adj)	241	277	275	287	6.0%
Net income (adj)	214	229	245	258	6.4%
EPS (adj) ($)	2.39	2.56	2.74	2.89	6.4%
Diluted shares (mn)	89.4	89.4	89.4	89.4	0.0%
DPS ($)	1.52	1.61	1.71	1.81	6.0%

Margin and return data					Average
EBITDA (adj) margin (%)	35.9	38.1	38.3	39.0	37.8
EBIT (adj) margin (%)	16.6	18.3	18.1	18.5	17.9
Pre-tax (adj) margin (%)	11.4	12.9	12.6	12.9	12.4
Net (adj) margin (%)	10.1	10.6	11.2	11.6	10.9
ROIC (%)	6.8	6.9	7.1	7.5	7.1
ROA (%)	2.5	2.6	2.7	2.8	2.6
ROE (%)	8.3	8.6	8.8	9.0	8.7

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	7,661	8,146	8,379	8,625	4.0%
Cash and equivalents	30	52	30	31	1.2%
Total assets	8,394	8,879	9,112	9,358	3.7%
Short and long-term debt	2,597	3,157	2,817	2,587	-0.1%
Other long-term liabilities	1,310	1,310	1,310	1,310	0.0%
Total liabilities	5,803	6,363	6,023	5,793	-0.1%
Shareholders' equity	2,591	2,676	2,769	2,865	3.4%
Net debt/(funds)	2,567	3,105	2,787	2,556	-0.1%
Change in working capital	129	-138	138	1	-79.9%
Cash flow from operations	546	656	686	713	9.3%
Capital expenditure	-606	-890	-695	-700	N/A
Free cash flow	-60	-234	-10	13	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	22.6	21.1	19.7	18.7	20.5
EV/EBITDA (adj) (x)	9.7	9.7	9.1	8.5	9.3
EV/EBIT (adj) (x)	21.0	20.2	19.3	18.0	19.6
FCF yield (%)	-0.8	-3.0	-0.1	0.2	-0.9
P/BV (x)	1.9	1.8	1.7	1.7	1.8
Dividend yield (%)	2.8	3.0	3.2	3.3	3.1
Net debt/EBITDA (adj) (x)	3.4	3.8	3.3	3.0	3.4

Selected operating metrics					Average
Payout ratio (%)	63.4	62.8	62.2	62.6	62.8
Interest cover (x)	2.8	3.0	2.9	3.0	2.9
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 54.09**
Price Target	**USD 55.00**

Why Underweight? Although we see potential for increased capital deployment, the current valuation based on a 2021 group average multiple provides for a price below the current stock valuation.

Upside case — **USD 57.00**

Our upside case reflects a 10% premium to the 2021 utility group average P/E multiple, applied to higher 2021 estimates driven by generation capital deployment opportunities.

Downside case — **USD 47.00**

Our downside case reflects a 10% discount to the 2021 group average multiple applied to lower 2021 EPS based on no capital investment beyond the current company forecasts.

Upside/Downside scenarios

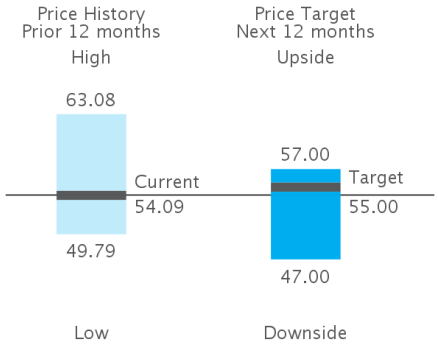

North America Power & Utilities — **Industry View: NEUTRAL**

Public Service Enterprise Group (PEG)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	10,076	9,893	10,008	10,011	-0.2%
EBITDA (adj)	3,191	3,566	3,709	3,839	6.4%
EBIT (adj)	1,943	2,256	2,327	2,386	7.1%
Pre-tax income (adj)	2,008	1,906	1,971	2,006	0.0%
Net income (adj)	1,666	1,729	1,742	1,736	1.4%
EPS (adj) ($)	3.28	3.40	3.43	3.41	1.3%
Diluted shares	508.0	508.0	508.0	509.0	0.1%
DPS ($)	1.88	1.96	2.04	2.12	4.1%

Margin and return data					Average
EBITDA (adj) margin (%)	31.7	36.0	37.1	38.4	35.8
EBIT (adj) margin (%)	19.3	22.8	23.2	23.8	22.3
Pre-tax (adj) margin (%)	19.9	19.3	19.7	20.0	19.7
Net (adj) margin (%)	16.5	17.5	17.4	17.3	17.2
ROIC (%)	12.7	14.1	13.9	13.7	13.6
ROA (%)	3.5	3.4	3.4	3.2	3.4
ROE (%)	10.9	10.8	10.4	10.0	10.5

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	35,868	37,706	39,728	41,604	5.1%
Cash and equivalents	489	1,105	316	1,309	38.8%
Total assets	48,048	50,503	51,735	54,604	4.4%
Short and long-term debt	16,248	16,729	17,409	15,441	-1.7%
Other long-term liabilities	N/A	N/A	N/A	N/A	N/A
Total liabilities	32,779	34,500	35,026	37,238	4.3%
Shareholders' equity	15,269	16,003	16,709	17,365	4.4%
Net debt/(funds)	15,759	15,624	17,093	14,132	-3.6%
Change in working capital	390	773	-503	2,206	78.2%
Cash flow from operations	3,496	3,622	3,707	3,771	2.6%
Capital expenditure	-3,149	-3,115	-3,370	-3,295	N/A
Free cash flow	-608	-489	-700	-603	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	14.9	14.3	14.2	14.3	14.4
EV/EBITDA (adj) (x)	12.7	11.3	11.3	10.1	11.4
EV/EBIT (adj) (x)	20.9	17.9	18.0	16.3	18.3
FCF yield (%)	-1.5	-1.2	-1.7	-1.6	-1.5
P/BV (x)	1.6	1.5	1.5	1.4	1.5
Dividend yield (%)	3.9	4.0	4.2	4.3	4.1
Net debt/EBITDA (adj) (x)	4.9	4.4	4.6	3.7	4.4

Selected operating metrics					Average
Payout ratio (%)	57.3	57.6	59.5	62.2	59.1
Interest cover (x)	5.6	5.7	5.9	5.9	5.8
Regulated (%)	N/A	N/A	N/A	N/A	N/A

Price (11-Mar-2020)	**USD 48.75**
Price Target	**USD 60.00**

Why Overweight? PEG is a quality company that should be able to support 6%+ utility growth based on current capital expenditure projections. The merchant arm while facing low energy prices and uncertain capacity prices for their NJ nuclear plants stands to benefit from offshore wind development going forward.

Upside case **USD 73.00**

This a 20% premium to the 22 group average PE applied to our 22 eps estimate and a 7.5x EBITDA multiple applied to our 22 Power EBITDA

Downside case **USD 54.00**

This a 10% disount to the 22 group average PE applied to our 22 eps estimatediscounted to reflect lower transmission ROE and lower capital spending approved by the BPUestimate and a 6.0x EBITDA multiple applied to our 22 Power EBITDA

Upside/Downside scenarios

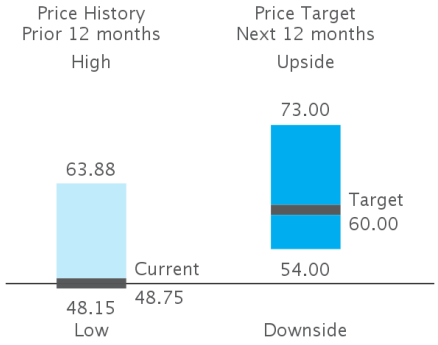

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

North America Power & Utilities — **Industry View: NEUTRAL**

Sempra Energy (SRE)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	10,829	11,350	11,676	11,988	3.4%
EBITDA (adj)	4,380	4,599	4,946	5,239	6.2%
EBIT (adj)	2,811	2,928	3,131	3,303	5.5%
Pre-tax income (adj)	1,734	1,880	2,062	2,201	8.3%
Net income (adj)	2,055	2,147	2,560	2,716	9.7%
EPS (adj) ($)	7.29	7.28	7.81	8.24	4.2%
Diluted shares (mn)	282	295	328	330	5.4%
DPS ($)	3.87	4.20	4.56	4.94	8.5%

Margin and return data					Average
EBITDA (adj) margin (%)	40.4	40.5	42.4	43.7	41.8
EBIT (adj) margin (%)	26.0	25.8	26.8	27.5	26.5
Pre-tax (adj) margin (%)	16.0	16.6	17.7	18.4	17.1
Net (adj) margin (%)	19.0	18.9	21.9	22.7	20.6
ROIC (%)	6.1	6.6	6.6	6.6	6.5
ROA (%)	5.3	5.1	5.1	5.1	5.2
ROE (%)	12.0	10.8	13.6	13.1	12.4

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	36,452	40,348	42,456	44,643	7.0%
Cash and equivalents	108	2	934	1,039	112.7%
Total assets	65,665	68,468	71,932	74,683	4.4%
Short and long-term debt	25,816	25,655	26,605	27,405	2.0%
Other long-term liabilities	0	0	0	0	N/A
Total liabilities	43,860	47,795	48,745	49,545	4.1%
Shareholders' equity	19,929	18,829	20,667	22,619	4.3%
Net debt/(funds)	N/A	N/A	N/A	N/A	N/A
Change in working capital	-1,933	3,338	2,680	303	N/A
Cash flow from operations	3,088	4,301	4,789	5,065	17.9%
Capital expenditure	-3,708	-5,900	-4,005	-4,205	N/A
Free cash flow	-1,755	-2,983	-729	-782	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	16.9	16.9	15.7	14.9	16.1
EV/EBITDA (adj) (x)	23.4	23.2	22.2	21.2	22.5
EV/EBIT (adj) (x)	36.5	36.4	35.1	33.6	35.4
FCF yield (%)	-1.7	-2.8	-0.7	-0.7	-1.5
P/BV (x)	N/A	N/A	N/A	N/A	N/A
Dividend yield (%)	3.1	3.4	3.7	4.0	3.6
Net debt/EBITDA (adj) (x)	5.9	5.6	5.2	5.0	5.4

Selected operating metrics					Average
Payout ratio (%)	53.1	57.7	58.3	60.0	57.3
Interest cover (x)	2.6	2.8	2.9	3.0	2.8
Regulated (%)	N/A	N/A	N/A	N/A	N/A

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 122.95**
Price Target	**USD 152.00**

Why Overweight? We think SRE represents an attractive thematic investment opportunity to invest with a top-tier management team with exposure to the best parts of the North American energy story. We also see the CA utilities' rate case outcomes as constructive to support utility growth and stability. We believe recent sensitivity to weak global LNG prices is overdone.

Upside case — **USD 177.00**

Our upside case assumes all LNG projects are FID'd and applies a 10% premium to SDG&E, and increases the SoCalGas premium to 15%.

Downside case — **USD 117.00**

Our downside case assumes no future LNG projects are FID'd, and lowers SDG&E to a 20% discount, SoCalGas and Texas to a 10% and 15% discount, respectively.

Upside/Downside scenarios

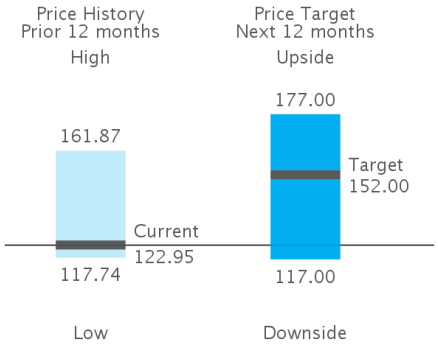

North America Power & Utilities — **Industry View: NEUTRAL**

The Southern Company (SO)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	21,419	21,943	22,410	22,955	2.3%
EBITDA (adj)	10,774	8,469	8,892	9,380	-4.5%
EBIT (adj)	7,736	5,408	5,704	6,053	-7.9%
Pre-tax income (adj)	6,542	3,951	4,147	4,530	-11.5%
Net income (adj)	4,739	3,353	3,520	3,845	-6.7%
EPS (adj) ($)	4.53	3.18	3.34	3.60	-7.4%
Diluted shares (mn)	1,046.0	1,054.0	1,054.0	1,068.4	0.7%
DPS ($)	2.30	2.38	2.46	2.54	3.4%

Margin and return data					Average
EBITDA (adj) margin (%)	50.3	38.6	39.7	40.9	42.4
EBIT (adj) margin (%)	36.1	24.6	25.5	26.4	28.1
Pre-tax (adj) margin (%)	30.5	18.0	18.5	19.7	21.7
Net (adj) margin (%)	N/A	N/A	N/A	N/A	N/A
ROIC (%)	10.8	8.0	7.8	8.0	8.7
ROA (%)	4.7	3.1	3.3	3.5	3.7
ROE (%)	12.2	9.0	9.2	9.5	10.0

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	N/A	N/A	N/A	N/A	N/A
Cash and equivalents	1,978	2,661	1,222	6,714	50.3%
Total assets	109,000	106,002	109,062	113,843	1.5%
Short and long-term debt	29,834	25,295	27,728	27,529	-2.6%
Other long-term liabilities	N/A	N/A	N/A	N/A	N/A
Total liabilities	67,393	63,447	64,038	65,922	-0.7%
Shareholders' equity	37,291	38,301	40,470	43,067	4.9%
Net debt/(funds)	27,856	22,634	26,506	20,815	-9.3%
Change in working capital	-1,567	-3,232	2,779	814	N/A
Cash flow from operations	5,781	6,418	6,711	7,175	7.5%
Capital expenditure	-7,555	-7,200	-6,900	0	N/A
Free cash flow	-181	-3,291	-2,782	0	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	12.8	18.3	17.4	16.2	16.2
EV/EBITDA (adj) (x)	8.0	9.6	9.6	8.5	8.9
EV/EBIT (adj) (x)	11.2	15.1	15.0	13.2	13.6
FCF yield (%)	-0.2	-4.0	-3.3	0.0	-1.9
P/BV (x)	1.6	1.6	1.5	1.4	1.5
Dividend yield (%)	4.0	4.1	4.2	4.4	4.2
Net debt/EBITDA (adj) (x)	2.6	2.7	3.0	2.2	2.6

Selected operating metrics					Average
Payout ratio (%)	50.8	74.8	73.7	70.6	67.5
Interest cover (x)	-6.2	-4.3	-4.4	-4.6	-4.9
Regulated (%)	94.0	94.0	194.0	294.0	169.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 58.18**
Price Target	**USD 68.00**

Why Equal Weight? Southern is a high quality company with an above-average dividend, which based on execution of large projects (Kemper and Vogtle) has traded to a discount. With schedule and cost risks still lessening but not gone, we see SO as an Equal Weight investment .

Upside case — **USD 75.00**

We apply a 10% premium to group average 2022 P/E multiple on our 2022 EPS estimate while including the 2022 Vogtle earnings upon completion discounted back to 2022

Downside case — **USD 54.00**

We apply a 15% discount to the 2022 group average multiple applied to our 2022 EPS estimate.

Upside/Downside scenarios

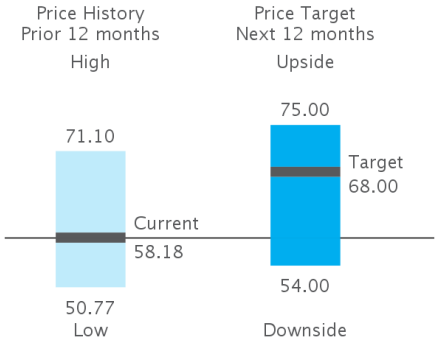

North America Power & Utilities — **Industry View: NEUTRAL**

WEC Energy Group, Inc. (WEC)

Stock Rating: UNDERWEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	7,523	7,864	8,008	8,144	2.7%
EBITDA (adj)	2,458	2,731	2,874	3,007	7.0%
EBIT (adj)	1,531	1,759	1,842	1,918	7.8%
Pre-tax income (adj)	1,260	1,485	1,571	1,680	10.1%
Net income (adj)	1,134	1,187	1,256	1,343	5.8%
EPS (adj) ($)	3.58	3.75	3.97	4.24	5.8%
Diluted shares (mn)	316.7	316.7	316.7	316.7	0.0%
DPS ($)	2.36	2.53	2.68	2.84	6.3%

Margin and return data					Average
EBITDA (adj) margin (%)	32.7	34.7	35.9	36.9	35.1
EBIT (adj) margin (%)	20.4	22.4	23.0	23.5	22.3
Pre-tax (adj) margin (%)	16.7	18.9	19.6	20.6	19.0
Net (adj) margin (%)	15.1	15.1	15.7	16.5	15.6
ROIC (%)	5.0	4.9	4.8	4.9	4.9
ROA (%)	3.4	3.4	3.3	3.3	3.3
ROE (%)	11.6	11.7	12.0	12.3	11.9

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	32,751	35,887	38,801	41,501	8.2%
Cash and equivalents	38	171	324	462	130.9%
Total assets	34,952	38,387	40,507	42,315	6.6%
Short and long-term debt	12,692	13,958	15,169	16,017	8.1%
Other long-term liabilities	10,304	12,197	12,697	13,212	8.6%
Total liabilities	24,838	27,886	29,597	30,961	7.6%
Shareholders' equity	10,113	10,501	10,909	11,354	3.9%
Net debt/(funds)	12,654	13,787	14,845	15,555	7.1%
Change in working capital	-5	-486	203	488	N/A
Cash flow from operations	2,346	2,759	2,889	3,034	9.0%
Capital expenditure	-2,261	-3,136	-2,915	-2,700	N/A
Free cash flow	-660	-1,177	-873	-565	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	27.2	26.0	24.6	23.0	25.2
EV/EBITDA (adj) (x)	17.7	16.3	15.9	15.4	16.3
EV/EBIT (adj) (x)	28.3	25.3	24.7	24.1	25.6
FCF yield (%)	-1.5	-2.6	-1.9	-1.2	-1.8
P/BV (x)	3.1	2.9	2.8	2.7	2.9
Dividend yield (%)	2.4	2.6	2.7	2.9	2.7
Net debt/EBITDA (adj) (x)	5.1	5.0	5.2	5.2	5.1

Selected operating metrics					Average
Payout ratio (%)	65.9	67.4	67.5	66.9	66.9
Interest cover (x)	3.1	3.2	3.1	3.2	3.2
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020) **USD 97.45**
Price Target **USD 97.00**

Why Underweight? We rate WEC as Underweight on its group high valuation, though meaningful dividend growth, significant free cash flow, and steady ratebase growth in a constructive regulatory jurisdiction provide a lower risk profile.

Upside case **USD 105.00**

Our upside case assumes a 30% premium to the 2021 group average P/E multiple applied to our 2022 EPS estimate.

Downside case **USD 89.00**

Our downside case assumes a 10% premium the group average multiple on our 2022 EPS estimate.

Upside/Downside scenarios

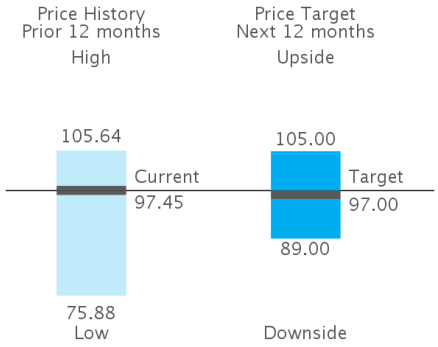

North America Power & Utilities — **Industry View: NEUTRAL**

Xcel Energy Inc. (XEL)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	11,529	11,659	12,003	12,449	2.6%
EBITDA (adj)	4,038	4,161	4,437	4,817	6.1%
EBIT (adj)	2,273	2,251	2,407	2,650	5.2%
Pre-tax income (adj)	1,500	1,434	1,494	1,671	3.7%
Net income (adj)	1,372	1,437	1,584	1,708	7.6%
EPS (adj) ($)	2.64	2.73	2.97	3.15	6.1%
Diluted shares (mn)	533.0	540.7	542.7	0.0	-100.0%
DPS ($)	1.62	1.72	1.82	1.93	6.0%

Margin and return data					Average
EBITDA (adj) margin (%)	35.0	35.7	37.0	38.7	36.6
EBIT (adj) margin (%)	19.7	19.3	20.1	21.3	20.1
Pre-tax (adj) margin (%)	13.0	12.3	12.4	13.4	12.8
Net (adj) margin (%)	11.9	12.3	13.2	13.7	12.8
ROIC (%)	4.1	4.0	4.1	4.0	4.0
ROA (%)	3.0	2.8	2.9	3.0	2.9
ROE (%)	9.5	8.6	9.3	9.0	9.1

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	N/A	N/A	N/A	N/A	N/A
Cash and equivalents	248	1,278	2,287	3,262	136.0%
Total assets	50,448	54,283	57,843	61,844	7.0%
Short and long-term debt	18,704	20,034	21,985	22,845	6.9%
Other long-term liabilities	15,056	16,010	15,417	0	-100.0%
Total liabilities	33,765	37,209	38,767	40,312	6.1%
Shareholders' equity	16,683	17,074	19,075	21,531	8.9%
Net debt/(funds)	18,456	18,756	19,699	19,584	2.0%
Change in working capital	N/A	N/A	N/A	N/A	N/A
Cash flow from operations	3,263	3,358	3,479	3,485	2.2%
Capital expenditure	-4,225	-4,800	-3,940	-4,425	N/A
Free cash flow	-1,753	-2,345	-1,432	-1,984	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	25.3	24.5	22.5	21.2	23.4
EV/EBITDA (adj) (x)	8.6	8.4	7.9	7.2	8.0
EV/EBIT (adj) (x)	15.3	15.5	14.5	13.2	14.6
FCF yield (%)	-5.0	-6.7	-4.1	-5.7	-5.4
P/BV (x)	2.1	2.1	1.9	1.7	1.9
Dividend yield (%)	2.4	2.6	2.7	2.9	2.6
Net debt/EBITDA (adj) (x)	4.6	4.5	4.4	4.1	4.4

Selected operating metrics					Average
Payout ratio (%)	61.3	62.8	61.3	61.1	61.6
Interest cover (x)	2.9	2.8	2.6	2.7	2.8
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (11-Mar-2020)	**USD 66.82**
Price Target	**USD 70.00**

Why Equal Weight? We rate XEL as Equal Weight as XEL is a well-run core large-cap utility whose mix of businesses and locations, coupled with solid operating results and visible growth, supports a 17.5% premium to the group average 2022 P/E multiple. XEL has rerated close to our expected premium.

Upside case — **USD 75.00**

We use a 25% premium to the 2022 group average multiple applied to our 2022 EPS estimate.

Downside case — **USD 66.00**

We use a 10% premium to the 2022 group average multiple applied to our 2022 EPS estimate.

Upside/Downside scenarios

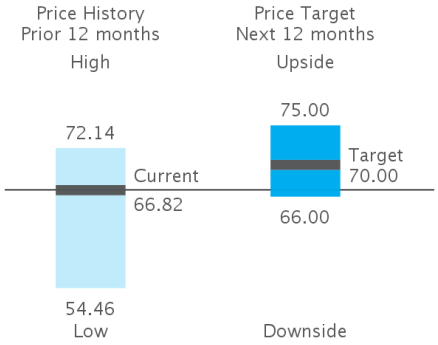

Valuation Methodology and Risks

North America Power & Utilities

Alliant Energy Corporation (LNT)

Valuation Methodology: We utilize a relative target P/E multiple to value LNT shares. We apply a 15% premium to the 19x group average 2022 P/E multiple to reflect LNT's strong track record for execution, visible earnings growth above the group average, attractive rate base growth driven by renewable generation that limit customer bill inflation, and constructive regulatory oversight.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Upside risks to our estimates and price target include better-than-expected regulatory outcomes, defensive equity flows, and increased M&A activity. Downside risks include inflation (commodity and PCE- leading to higher interest rates), adverse regulatory outcomes, project execution issues, or broad economic slowdown in LNT's service territories.

Ameren Corp. (AEE)

Valuation Methodology: Our $85 price target is derived by applying a 15% premium to the group average multiple of 19x to our 2022 EPS estimate of $3.90/share. We believe a premium multiple is appropriate at this time given that favorable regulatory structures AEE operates under in its primary jurisdictions of Missouri and Illinois.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major company risks are: broad economic impact slowing sales growth, inability to gain fair and timely regulatory recovery, Gubernatorial and commission changes impacting regulation and legislation, FERC ROEs, legislation altering the Qualified Infrastructure Plant rider and ability to control costs in order to manage customer bill impacts.

American Electric Power Company, Inc. (AEP)

Valuation Methodology: We use a 12.5% premium to the 2022 group average multiple of 19x applied to our 2022 estimate of $5.02 to reflect above average regulatory and long term growth.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major risks to the company are: fair and timely rate recovery, regional economic impacts resulting in lower-than-expected usage, execution on cost controls to manage customer bill impacts.

CenterPoint Energy, Inc. (CNP)

Valuation Methodology: Our current $20 price target is premised upon a group average multiple applied to the 2022 utility group average PE multiple against a pro forma Barclays 2022 EPS estimate. Our pro forma 2022 adjustment assumes a downside scenario for ENBL enterprise value where we assume incremental equity needs to finance a $2.4bn write-down for CNP's stake in ENBL and its $1.2bn internal note. We acknowledge that the assumption could be viewed as overly-conservative but do not expect the ENBL overhang to clear in the near term, thus resulting in a more conservative approach to the valuation framework.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Equity needs and earnings visibility from ENBL, realizing capex opportunities in IN remain as material upside/downside risks. Broader items that could also impact the shares: 1) economic growth impacting sales growth, 2) constructive gubernatorial and commission changes benefiting regulation and legislation, and 3) cost control to manage customer bill impacts.

CMS Energy Corporation (CMS)

Valuation Methodology: Our $67 price target is derived by applying a 15% premium to the group average multiple of 19x to our 2022 EPS estimate of $3.07. CMS has a constructive regulatory relationship in Michigan and above-average earnings/dividend growth forecast.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major company risks are: broad economic impact slowing sales growth, inability to gain fair and timely regulatory recovery, gubernatorial and commission changes impacting regulation and legislation, Ability to control costs in order to manage customer bill impacts.

Consolidated Edison, Inc. (ED)

Valuation Methodology: We use a -10% discount to the 2022 group average P/E multiple of 19x applied to our 2022 EPS estimate of $4.77 to reflect an average regulatory environment, a more challenged earnings outlook, and low-risk profile. We add $1.31 of NPV for recovery of tax equity treatment post-Sempra deal.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major risks to the upside are: ED being able to achieve the full allowed ROE at CECONY, competition for growing NY transmission opportunities, and competition for behind-the-meter infrastructure based on REV.

Dominion Energy (D)

Valuation Methodology: We arrive at our $93 price target using a sum of the parts valuation framework that assigns a 10% premium to D's VEPCO operating subsidiary and parent ops, a 15% premium to the contracted generation business, a 10% premium EV/EBITDA to the gas transmission and storage segment, and a 5% premium to the Southeast Carolina Group.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Material downside risks include further delays or a cancellation announcement of ACP or adverse regulatory outcomes in Virginia. D will also underperform the broader market if interest rates rise faster than expected (dividend yield and cost of capital impact), credit ratings agencies do not view D's credit strengthening measures as sufficient (unlikely in our view) and downgrade D parent debt, or natural gas market dynamics reduce production in the Marcellus/Utica region.

Duke Energy Corporation (DUK)

Valuation Methodology: We derive our $104 price target for DUK by applying a 5% discount to the group average multiple of 19x to 2022E regulated utility earnings for DUK of $5.75 per share. We believe a discount to the group average multiple is appropriate given the lack of

Valuation Methodology and Risks

earnings growth historically.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major risks to the company are: the ability to obtain fair and timely rate recovery,and recovery of coal ash costs. Completion of ACP is a key issue as well as the ability to maintain credit metrics in order to avoid equity needs, regional economic impacts driving lower-than-expected usage, and legal and regulatory challenges resulting in delays to pipeline projects.

Edison International (EIX)

Valuation Methodology: Our $68 price target is based on a 15% discount to the 2022 group average multiple of 19x applied to an adjusted, post wildfire liability and additional funding for 22E EPS estimate of $4.18. The 15% discount is based upon implementation risk of AB 1054 cost recovery standards and a general perception of wildfire risk in the state.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major upside/downside risks to the company are: final wildfire liability for 17/18 fires, ultimate legislation on inverse condemnation, and regulatory outcomes in pending and future rate cases.

Eversource Energy (ES)

Valuation Methodology: We derive our $96 price target by applying a 20% premium to the group average P/E multiple of 19x, to our 2022 earnings estimate of $4.23 per share. We believe a premium multiple is appropriate at this time given the nature of ES's growth profile, regulatory relationships, accretion from the Columbia Gas of MA acquisition and recovery mechanisms.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: The primary risk to our investment thesis is a change in regulation. We don't expect significant regulatory change in any of ES's jurisdictions at this time.

Exelon Corporation (EXC)

Valuation Methodology: Our $50 price target is derived using a sum-of-the-parts methodology. We value the regulated utilities on a P/E multiple basis and the competitive generation business on an EV/EBITDA basis. Our estimate for utility earnings, net of parent, in 2022 is $2.21 per share. Applying a 10% premium to group average 19x P/E multiple yields $46 of value. Generation is valued $4 per share using 5x 75% of 2022E f EBITDA less debt. Combining both values yields our $50 price target.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major company risks are: power price and capacity price volatility, sales growth, ability to get fair and timely regulatory recovery, and ability to manage O&M costs to keep customer bill impacts acceptable. Currently the 30 year Treasury yield (assumed to be 1.3% longer term is weighing on ComEd earnings. IL legislation on clean energy is a key risk driver.

FirstEnergy Corp. (FE)

Valuation Methodology: Our $54 price target for FE is based on a 5% premium to the group average 2022 multiple of 19x applied to our FY22 EPS estimate. The 5% premium is based on above-average regulatory attributes, below-average geographic attributes, improving long-term growth visibility, and an improving subjective rating based on a complete transition of the business model (fully regulated).

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major company risks are: regulatory recovery in pending and future cases as well as prudency of spending associated with rate riders and formulaic rates; the ability to finance and execute on capital investment plans; broad economic impacts driving customer usage trends; and cost control execution to manage customer bill increases.

NextEra Energy, Inc. (NEE)

Valuation Methodology: We use a 15% premium to the 2021 group average multiple of 19x with an additional $13 per share added to reflect ownership of NEP units (valued @ $64/unit). The 15% premium is used to reflect above-average regulatory exposure and long-term growth.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: The major company risks are: ability to achieve fair and timely rate recovery, competition for renewable energy projects at NEER, federal legislation impacting profitability or competition of renewable generation, and regional economic impacts resulting in lower-than-expected usage.

NiSource, Inc. (NI)

Valuation Methodology: Our $31 price target is derived using a 10% premium to the 2022 regulated utility group average P/E of 19x applied to our 2022 EPS estimate of $1.51. The premium reflects our view that NiSource is a quality utility with a well-defined rate base growth strategy from low-risk gas and electric infrastructure modernization.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major risks to the company are: the ability to obtain fair and timely rate recovery, regional economic impacts driving lower-than-expected usage, cost controls to manage customer rates, and material penalties related to ongoing regulatory investigations

NorthWestern Corporation (NWE)

Valuation Methodology: Our $73 price target is derived using the 2022 regulated utility group average P/E of 19x applied to our 2022 EPS estimate of $3.87. We believe favorable geographic attributes of the state are outweighed by regulatory challenges and uncertainties in Montana.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major risks to the company are: fair and timely rate recovery; regional economic impacts; potential ability to manage customer bill impacts. Upside risks include positive regulatory outcomes and potential for new build of capacity resources in Montana

OGE Energy Corp. (OGE)

Valuation Methodology: We derive our $38 price target by applying a 5% discount to the group average multiple of 19.5x applied to our 2022 utility earnings estimate combined with the current ENBL price unit price of $5 applied to the 111 units that OGE owns. We expect the company to deliver average EPS growth with higher-than-average dividend growth through 2022.

Valuation Methodology and Risks

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: OGE's capital plans impute less than 5% rate base growth. This is lower than the group average and is indicative of a below average regulatory jurisdiction. The upside is that as most companies grow earnings at or below the rate base growth level, OGE has the opportunity to grow regulated earnings in the 4-6% level on solid customer growth combined with potential to close the earned to allowed ROE gap that exists. The key (upside and downside risk) to enhancing growth lies in gaining rider approvals in Oklahoma. As significant generation and environmental spending is winding down, grid modernization, reliability, resiliency and technology are the next set of major spending programs.

PG&E Corporation (PCG)

Valuation Methodology: Our $15 price target is derived from PG&E's equity backstop financing agreement. We assume equity issuance of $12bn at 12x effective P/E multiple to arrive at pro forma EPS. We then apply a 20% discount to the 21E group average P/E multiple and subtract the NPV of ongoing wildfire fund contributions to arrive at our price target.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: There are significant downside risks related to regulatory proceedings that could leave equity value significantly lower than current market value. There is significant upside risk if new equity transacts above a 12x issuance multiple. There is additional downside risk if capital structure changes lead to additional equity, future wildfires occur, or earnings are negatively impacted by regulatory outcomes.

Pinnacle West Capital Corporation (PNW)

Valuation Methodology: Our $103 price target is derived by applying the group average multiple of 19x to our 2022 EPS estimate of $5.44. We expect the company to deliver average EPS and above-average dividend growth through 2022. In our view, the regulatory, geography and long-term growth attributes justify a group average P/E multiple on a 2022 utility earnings.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major company risks to the downside include: 1) poor regulatory outcome of current APS rate case, 2) economic impact of lower sales growth, 3) ability to control costs in order to manage customer bill impacts and potential to allow retail choice.

PNM Resources, Inc. (PNM)

Valuation Methodology: Our $52 price target is derived using a 10% premium to the 2022 regulated utility group average P/E of 19x applied to our PNM 2022 EPS estimate of $2.49. We see average to slightly above average earnings growth, a pickup in the New Mexico economy and signs of real improvement in New Mexico regulation via approved and pending legislation.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Events and outcomes that could result in under performance are: lower than anticipated load growth, a negative outcome in the San Juan abandonment securitization, or negative regulatory reaction to PNM's plan for SJGS replacement power.

Portland General Electric Company (POR)

Valuation Methodology: Our price target is based on a group average 2022 P/E multiple of 19x applied to our 2022 EPS estimate, which assumes additional capital opportunities beyond the base plan provided. The average multiple is based on average regulatory ranking, above-average geographic attribute ranking, average long-term growth visibility, average subjective ranking, and average investor attribute ranking.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Outcomes and events that could drive out-performance in the shares are: POR wins significant capacity or renewable contracts via upcoming RFP process, legislation is introduced that provides capital opportunities, O&M savings exceed expectations and guidance, or there is an acceleration of load growth above current guidance.

Public Service Enterprise Group (PEG)

Valuation Methodology: We use a sum of the parts methodology, where we use a 5% premium to the 2022 group average PE multiple of 19x applied to our 2022 EPS estimate for the utility and parent earnings of $3.01 and apply a 6X EBITDA multiple to the 2022 genco earnings.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Volatility in power prices, changes to the structure of the PJM, NYISO of NEPOOL capacity or energy markets. FERC ROE changes, or NJ BPU approval or changes to the Clean Energy Future capital spending plans.

Sempra Energy (SRE)

Valuation Methodology: We utilize a sum of the parts valuation framework for SRE. We apply a relative P/E multiple to the North American utility businesses using a base of 19x for the group average (15% premium for Texas, 10% for SoCalGas, group average for SDG&E). We utilize the Barclays Ienova Price Target and adjust for SRE ownership and Barclays spot USDMXN for Peso translation. We utilize a probability-weighted DCF approach for the LNG business depending on where each facility is on securing contracting for export capacity.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Risks include incremental equity needs, FIDs at LNG projects, construction problems, and negative regulatory outcomes.

The Southern Company (SO)

Valuation Methodology: We derive our $68 price target by applying a 5% discount to the group average P/E multiple of 19x to our 2022 EPS estimate of $3.60 for SO and then add back the discounted value of Vogtle uplift of $0.20 in 2023 to 2022. The 5% discount is driven by the uncertainty associated with plant Vogtle (the earnings uplift from Vogtle is added back to avoid a using a 5% discount on a 2022 number that does not include the Vogtle uplift)

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major risks to the company are: Adverse regulatory outcomes for Vogtle or the upcoming Georgia rate case; additional, unexpected delays to the plant Vogtle schedule; economic impacts that would drive lower electric usage; competition for renewable and contract generation impacting Southern Power's growth; and

Valuation Methodology and Risks

ability to drive O&M lower in order to earn the allowed ROE in each jurisdiction.

WEC Energy Group, Inc. (WEC)

Valuation Methodology: Our price target of $97 represents a 20% premium valuation relative to the utility peer group P/E multiple of 19x on our 2022 EPS estimate of $4.24. We believe this premium valuation is justified by the strong performance record the company has achieved and our belief that its forward growth goals are both realistic and achievable.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Risks to the upside are: Continued load growth; higher than regulated returns from nonregulated renewable investments; ability to get fair and timely rate recovery; execution on cost controls; continued flight to safety and flows into the "comfort" group of utilities.

Xcel Energy Inc. (XEL)

Valuation Methodology: Our $70 price target is based on a 17.5% premium to the group average multiple of 19x applied to our 2022 EPS estimate of $3.15. We believe this premium valuation fairly reflects the quality, strength, and potential endurance of the company's growth.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Major risks to the company are: ability to obtain fair and timely rate recovery, execution on coal to renewable generation transformation, ability to maintain credit metrics while financing its long-term capital plan, and execution on cost control to manage customer bill impact.

Source: Barclays Research.

ANALYST(S) CERTIFICATION(S):

I, Eric Beaumont, CFA, hereby certify (1) that the views expressed in this research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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Primary Stocks (Ticker, Date, Price)

Alliant Energy Corporation (LNT, 11-Mar-2020, USD 51.59), Overweight/Neutral, A/CE/D/FA/J/K/L/M

Ameren Corp. (AEE, 11-Mar-2020, USD 80.87), Equal Weight/Neutral, CD/CE/D/J/K/L/M

American Electric Power Company, Inc. (AEP, 11-Mar-2020, USD 89.72), Overweight/Neutral, A/CD/CE/D/E/J/K/L/M/N

CenterPoint Energy, Inc. (CNP, 11-Mar-2020, USD 17.66), Equal Weight/Neutral, A/CD/CE/D/J/K/L/M

CMS Energy Corporation (CMS, 11-Mar-2020, USD 63.25), Equal Weight/Neutral, A/CD/CE/D/J/K/L/M

Consolidated Edison, Inc. (ED, 11-Mar-2020, USD 86.50), Underweight/Neutral, A/CD/CE/D/J/K/L/M

Dominion Energy (D, 11-Mar-2020, USD 78.95), Overweight/Neutral, A/CD/CE/D/J/K/L/M

Duke Energy Corporation (DUK, 11-Mar-2020, USD 90.94), Equal Weight/Neutral, A/CD/CE/D/E/J/K/L/M

Edison International (EIX, 11-Mar-2020, USD 59.74), Equal Weight/Neutral, A/CD/CE/D/E/J/K/L/M

Eversource Energy (ES, 11-Mar-2020, USD 87.79), Equal Weight/Neutral, A/CD/CE/D/J/K/L/M

Exelon Corporation (EXC, 11-Mar-2020, USD 39.81), Overweight/Neutral, CD/CE/D/J/K/L/M

FirstEnergy Corp. (FE, 11-Mar-2020, USD 43.13), Overweight/Neutral, A/CD/CE/D/J/K/L/M

NextEra Energy, Inc. (NEE, 11-Mar-2020, USD 241.26), Equal Weight/Neutral, A/CD/CE/D/E/J/K/L/M

NiSource, Inc. (NI, 11-Mar-2020, USD 27.10), Equal Weight/Neutral, CD/CE/FA/J/K/M

NorthWestern Corporation (NWE, 11-Mar-2020, USD 70.96), Underweight/Neutral, CD/CE/J

OGE Energy Corp. (OGE, 11-Mar-2020, USD 34.03), Equal Weight/Neutral, CE/J

PG&E Corporation (PCG, 11-Mar-2020, USD 12.04), Equal Weight/Neutral, CE/D/E/J/K/L/M

Pinnacle West Capital Corporation (PNW, 11-Mar-2020, USD 89.55), Equal Weight/Neutral, CD/CE/D/J/K/L/M

PNM Resources, Inc. (PNM, 11-Mar-2020, USD 45.65), Equal Weight/Neutral, CD/CE/FA/J

Portland General Electric Company (POR, 11-Mar-2020, USD 54.09), Underweight/Neutral, A/CD/CE/D/J/K/L/M

Public Service Enterprise Group (PEG, 11-Mar-2020, USD 48.75), Overweight/Neutral, A/CD/CE/D/J/K/L/M

Sempra Energy (SRE, 11-Mar-2020, USD 122.95), Overweight/Neutral, A/CD/CE/D/E/J/K/L/M

The Southern Company (SO, 11-Mar-2020, USD 58.18), Equal Weight/Neutral, A/CD/CE/D/E/J/K/L/M

WEC Energy Group, Inc. (WEC, 11-Mar-2020, USD 97.45), Underweight/Neutral, A/CD/CE/D/J/K/L/M

Xcel Energy Inc. (XEL, 11-Mar-2020, USD 66.82), Equal Weight/Neutral, A/CD/CE/D/E/J/K/L/M

Unless otherwise indicated, prices are sourced from Bloomberg and reflect the closing price in the relevant trading market, which may not be the

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last available price at the time of publication.

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Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity in a merger or strategic transaction involving the company.

Industry View

Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

North America Power & Utilities

Alliant Energy Corporation (LNT)	Ameren Corp. (AEE)	American Electric Power Company, Inc. (AEP)
Brookfield Infrastructure Partners LP (BIP)	Brookfield Infrastructure Partners LP (BIP_u.TO)	CenterPoint Energy, Inc. (CNP)
CMS Energy Corporation (CMS)	Consolidated Edison, Inc. (ED)	Dominion Energy (D)
DTE Energy (DTE)	Duke Energy Corporation (DUK)	Edison International (EIX)
Eversource Energy (ES)	Exelon Corporation (EXC)	FirstEnergy Corp. (FE)
NextEra Energy, Inc. (NEE)	NiSource, Inc. (NI)	NorthWestern Corporation (NWE)
OGE Energy Corp. (OGE)	PG&E Corporation (PCG)	Pinnacle West Capital Corporation (PNW)
PNM Resources, Inc. (PNM)	Portland General Electric Company (POR)	Public Service Enterprise Group (PEG)
Sempra Energy (SRE)	The Southern Company (SO)	WEC Energy Group, Inc. (WEC)
Xcel Energy Inc. (XEL)		

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Barclays Equity Research has 1619 companies under coverage.

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BARCRES-63852b76

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NiSource Inc

Beantown update: Tweaking ests to better reflect dis-synergies & LT uptick

Reiterate Rating: BUY | PO: 31.00 USD | Price: 29.63 USD

Reflecting the latest guide: Offsetting some dissynergies

We revisit our estimates following our Boston Conference, as mgmt. provided more guidance around estimates after it pulled its guidance and announced Columbia Gas of Mass (CMA) sale (to close this 3Q20). More specifically, mgmt. articulated dissynergies from losing overheard and other shared costs between gas subsidiaries could be up to -8c in '21. As such, we tweak down our '20-'22 estimates -1c to -2c. Note that our EPS revisit still assumes NI can trigger a cost savings initiative and work to mitigate some of this -8c penalty; for example, if '21 was the midpoint of the earning floor ($1.38/sh) with -8c of dissynergies baked in – it would take +3c of cost savings to get to our new estimate of $1.41/sh. Recall that '20 guidance still has not been provided and '21 guidance continues to be an earnings floor of the previous '20 guide of $1.36-1.40/sh. We continue to anticipate an EPS guidance refresh to come late this summer or into fall - perhaps through an Analyst Day, wrapped into EEI, or wrapped into the 3Q call. Note NI will base its 5-7% EPS CAGR off of the new '21 EPS (we model growth off of $1.40/sh - the top of the '21 floor), and we think it is likely that NI extends the CAGR through at least '24 (potentially '25) to capture the 1x step up in '24 estimates coming from NIPSCO's renewable ownership opportunities (as projects will commission year-end '23). Finally, we acknowledge that NI may be higher than its 5-7% range for '24 as it benefits from the rate base increase – and we bake this into our numbers (a $1.74/sh '24 estimate – over the $1.72/sh 7% CAGR off $1.40/sh in '21). We MTM the peer multiple and remove the -1x discount on gas utes, finding a $31/sh PO. Reiterate Buy.

Indiana RFP and credit discussions forthcoming

We expect NI's updated guide to bake in NIPSCO electric's request for proposals (RFPs). As such, we factor in NI and a tax equity partner securing half of the awarded capacity (6-7c of earnings for NI in '24). We also note that NI will likely meet with rating agencies this April to discuss its plans around financing the renewable investments, closing up the coal plants, and meeting both earnings and credit commitments. Our equity assumes NI executes its ATM and stock options, and adds $488mn of equity in '23 to fund the RFP project purchases (indicating $707mn debt); this increases shares by 17.6mn.

Estimates (Dec)

(US$)	2017A	2018A	2019E	2020E	2021E
EPS	1.21	1.30	1.32	1.34	1.41
GAAP EPS	0.39	1.30	1.32	1.34	1.41
EPS Change (YoY)	14.2%	7.4%	1.5%	1.5%	5.2%
Consensus EPS (Bloomberg)			1.30	1.36	1.44
DPS	0.73	0.79	0.83	0.88	0.94

Valuation (Dec)

	2017A	2018A	2019E	2020E	2021E
P/E	24.5x	22.8x	22.4x	22.1x	21.0x
GAAP P/E	76.0x	22.8x	22.4x	22.1x	21.0x
Dividend Yield	2.4%	2.7%	2.8%	3.0%	3.2%
EV / EBITDA*	17.8x	17.2x	15.0x	14.4x	13.5x
Free Cash Flow Yield*	-8.4%	-11.3%	-1.9%	-5.9%	-5.0%

* For full definitions of *IQmethod℠* measures, see page 8.

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Timestamp: 06 March 2020 07:49AM EST

06 March 2020

Equity

Key Changes

(US$)	Previous	Current
Price Obj.	30.00	31.00
2020E EPS	1.35	1.34
2021E EPS	1.43	1.41
2020E EBITDA (m)	1,842.4	1,835.6
2021E EBITDA (m)	1,971.5	1,961.0

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Stock Data

Price	29.63 USD
Price Objective	31.00 USD
Date Established	6-Mar-2020
Investment Opinion	B-1-7
52-Week Range	25.94 USD - 30.67 USD
Mrkt Val (mn) / Shares Out (mn)	11,326 USD / 382.3
Average Daily Value (mn)	114.99 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2019E)	9.9%
Net Dbt to Eqty (Dec-2018A)	156.7%

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iQprofile℠ NiSource Inc

*iQ*method℠ – Bus Performance*

(US$ Millions)	2017A	2018A	2019E	2020E	2021E
Return on Capital Employed	2.6%	3.9%	4.3%	4.1%	4.3%
Return on Equity	9.5%	10.1%	9.9%	9.6%	9.5%
Operating Margin	18.7%	18.3%	20.2%	20.3%	21.1%
Free Cash Flow	(954)	(1,278)	(219)	(663)	(570)

*iQ*method℠ – Quality of Earnings*

(US$ Millions)	2017A	2018A	2019E	2020E	2021E
Cash Realization Ratio	1.9x	1.2x	3.2x	2.3x	2.3x
Asset Replacement Ratio	3.0x	3.0x	2.5x	2.5x	2.4x
Tax Rate	71.0%	19.7%	17.1%	21.0%	21.0%
Net Debt-to-Equity Ratio	207.7%	156.7%	158.6%	142.4%	141.7%
Interest Cover	2.6x	2.6x	2.8x	2.9x	2.9x

Income Statement Data (Dec)

(US$ Millions)	2017A	2018A	2019E	2020E	2021E
Sales	4,875	5,084	5,184	5,391	5,572
% Change	8.5%	4.3%	2.0%	4.0%	3.3%
Gross Profit	3,356	3,325	3,649	3,803	3,959
% Change	8.2%	-0.9%	9.8%	4.2%	4.1%
EBITDA	1,481	1,531	1,764	1,836	1,961
% Change	5.4%	3.4%	15.2%	4.0%	6.8%
Net Interest & Other Income	(468)	(335)	(384)	(379)	(409)
Net Income (Adjusted)	398	463	495	511	554
% Change	15.6%	16.6%	6.8%	3.3%	8.3%

Free Cash Flow Data (Dec)

(US$ Millions)	2017A	2018A	2019E	2020E	2021E
Net Income from Cont Operations (GAAP)	129	463	495	511	554
Depreciation & Amortization	570	600	717	742	783
Change in Working Capital	(415)	110	(75)	(186)	(186)
Deferred Taxation Charge	307	(188)	118	120	129
Other Adjustments, Net	152	(445)	328	0	0
Capital Expenditure	(1,696)	(1,818)	(1,802)	(1,850)	(1,850)
Free Cash Flow	-954	-1,278	-219	-663	-570
% Change	-41.9%	-34.0%	82.9%	-202.7%	14.1%

Balance Sheet Data (Dec)

(US$ Millions)	2017A	2018A	2019E	2020E	2021E
Cash & Equivalents	29	121	148	165	181
Trade Receivables	945	1,147	905	1,092	1,278
Other Current Assets	790	787	800	800	800
Property, Plant & Equipment	14,360	15,543	16,912	17,020	18,087
Other Non-Current Assets	3,839	4,206	3,894	3,894	3,894
Total Assets	19,962	21,804	22,660	22,970	24,239
Short-Term Debt	1,490	2,027	1,787	2,198	2,352
Other Current Liabilities	1,688	2,010	1,959	1,959	1,959
Long-Term Debt	7,512	7,105	7,856	7,163	7,665
Other Non-Current Liabilities	4,951	4,911	5,071	5,191	5,320
Total Liabilities	15,642	16,053	16,673	16,512	17,297
Total Equity	4,320	5,751	5,987	6,458	6,942
Total Equity & Liabilities	19,962	21,804	22,660	22,970	24,239

* For full definitions of *iQ*method℠ measures, see page 8.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

NI's positives including 5-7% earnings/dividend growth via $30bn of infrastructure investments over the next 20+ years and fully regulated subsidiaries with earned ROEs consistently near the allowed. We are starting to see resolution of overhang from the MA incident as the recent DPU Order provides a bookend of potential costs of the state's investigation. Bottom line, given the discount of shares, resolving MA issues, and ratebase upside in NI, we rate NI Buy.

Stock Data

Average Daily Volume	3,880,727

Quarterly Earnings Estimates

	2018	2019
Q1	0.77A	0.82E
Q2	0.08A	0.05E
Q3	0.10A	0E
Q4	0.38A	0.45E

Estimates

We update our estimates to fully bake the RFP in NIPSCO into the electric subsidiary, and we reflect our assumed equity needs in the consolidated shares outstanding as well. Our 41% equity assumption (based off of our FFO assumptions from the NI and D&A gained) indicates a need of $488mn of equity in '23. We also highlight that we include a new EPS growth CAGR below, with guidance of 5-7% off of a $1.40/sh '21 base. We track the 7% CAGR for most years, but are above the range in '24 once the RFP projects would be fully reflected in rate base (as they commission year-end '23 indicating NI would purchase them at that time). We believe that mgmt. update by 3Q/EEI could very well reflect further capex beyond what is in our outlook today including further TDISC-related capex under its Indiana electric rider, extended last year.

Table 1: NI EPS estimates – slightly lower in '21, but see '24 EPS target as increasingly the key to above 5-7%

NI EPS Estimates		2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E
Gas		0.96	0.94	1.02	1.02	1.06	1.13	1.15	1.18	1.21
Electric		0.56	0.60	0.63	0.65	0.67	0.68	0.74	0.84	0.84
Parent/Other		-0.32	-0.23	-0.32	-0.32	-0.32	-0.30	-0.29	-0.28	-0.27
BofA EPS		1.21	1.30	1.32	1.34	1.41	1.50	1.60	1.74	1.78
Previous EPS		1.21	1.30	1.32	1.35	1.43	1.52			
Guidance		1.17-1.20	1.26-1.32	1.27-1.33		Floor: 1.36-1.40				
Consensus		1.19	1.28	1.30	1.36	1.44	1.52	1.62	1.70	
Consensus '19-'23 CAGR	5.7%									
BofA CAGR '19-'23 CAGR	5.0%									
Consensus '20-'24 CAGR	5.8%									
BofA CAGR '20-'24 CAGR	6.7%									
(Prev) 5%-7% CAGR EPS off '19 guidance range	High End			1.33	1.42	1.52	1.63	1.74	1.87	2.00
	Mid-Point			1.30	1.38	1.46	1.55	1.64	1.74	1.85
	Low End			1.27	1.33	1.40	1.47	1.54	1.62	1.70
5%-7% CAGR EPS off '21 guidance range	High End					1.40	1.50	1.60	1.72	1.84
Plus '24 step-up to be described by 3Q/EEI	Mid-Point					1.40	1.48	1.57	1.67	1.77
	Low End					1.40	1.47	1.54	1.62	1.70
BofA DPS		0.73	0.79	0.83	0.88	0.94	0.99	1.05	1.12	1.18
BofA CAGR 2017-2021	6.6%									
Guidance		$0.70								
5%-7% CAGR DPS guidance	High End	0.70	0.75	0.80	0.86	0.92	0.98	1.05		
	Mid-Point	0.70	0.74	0.79	0.83	0.88	0.94	0.99		
	Low End	0.70	0.74	0.77	0.81	0.85	0.89	0.94		
Share Count		329	357	376	381	392	428	428	445	455

Source: BofA Global Research estimates, company report, Bloomberg

Other key take aways from the conference

Existing Massachusetts

Two key milestones were reached recently around Merrimack: The criminal case resolution and the announcement of the sale of Columbia Gas of Massachusetts (CMA) to Eversource (ES). As for remaining items pertaining to Merrimack, NI still is in discussions with the Mass Department of Public Utilities (DPU) and the Attorney General on the process to close the ES deal. It expects the final order on the class action lawsuit from impacted citizens in the next ~week. The DPU has yet to come to the conclusion of its internal investigation, for which we expect roughly a $100mn fine. Finally, NI is awaiting the outcome around its property insurance; NI filed for $255mn, which is not baked into the plan (i.e. if any proceeds were received, they would come back to NI). Settlement timing on insurance is unclear, and could take beyond year-end if litigated. As for moving forward, NI continues to expect its six utilities to operate well and continue to have a ~10-11% rate base growth.

Legislative framework: Could it lead to incremental opportunity beyond '22?
NI has identified it is evaluating grid mod opportunities that we interpret might be incremental to current estimates. Whether or not incremental capex is possible is still yet to be determined - but we see this as a key opportunity that also would help limit lag given that the mechanism of recovery would be through an enhanced TDSIC tracker. The company also looks to explore technological advancements on the natural gas side (e.g. methane detectors, automatic shut-off safety enhancement devices) - and has noted it looks to explore how customers with both gas and electric in the NIPSCO territory could benefit from the same investments (e.g. fiber to benefit electric and gas). While the investment opportunity is not yet known, we would expect any upside to spans 5-10 years and with a potential up-front acceleration of capital.

Gas biz in an ESG world: Working on the combined angle
While some states like New York have implemented gas moratoriums, NI does not expect its jurisdictions to see the same level of gas push back. Even so, we expect NI (along with many other institutions) to at least start exploring the cost-benefit of renewable natural gas (RNG) in an increasingly ESG-conscious investor environment. We also expect it to at least weight the strategic benefits of the NIPSCO subsidiary around electric and gas convergence work (i.e. exploring the benefits of serving the two together). For example, consumers in the future may wish to switch to electric heating yet have a reliable gas back up for extremely cold days; or perhaps consumers will opt to pay a premium for more methane-responsible gas. We stay tuned on this topic, but note discussions seem to be only in early phases.

Valuation

We update the peer multiple to 18.3x (previously 19.9x) for gas and 19.7x (previously 19.1x) for electric. We remove our -1x discount on gas names given the resolved risk around Columbia Gas of MA and expectation that the peer multiple reflects the discount relative to electric already. We find a $31/sh PO. Reiterate Buy.

Table 2: NI SOTP Valuation

NI SOP Valuation									
	Metric	P/E Multiple					Equity Value		
	2022E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas	-	-	18.3x	-	-	-	-	-	-
Group EPS '18-'22 CAGR - Gas	-	-	5.10%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Gas Utilities			19.2x						
Columbia Gas of OH	$0.51	18.2x	19.2x	0.0x	19.2x	20.2x	$9.32	$9.83	$10.35
Columbia Gas of PA	$0.26	18.2x	19.2x	0.0x	19.2x	20.2x	$4.66	$4.92	$5.17
NIPSCO Gas	$0.22	18.2x	19.2x	0.0x	19.2x	20.2x	$3.95	$4.16	$4.38
Columbia Gas of VA	$0.08	18.2x	19.2x	0.0x	19.2x	20.2x	$1.45	$1.53	$1.61
Columbia Gas of KY	$0.04	18.2x	19.2x	0.0x	19.2x	20.2x	$0.82	$0.86	$0.91
Columbia Gas of MD	$0.02	18.2x	19.2x	0.0x	19.2x	20.2x	$0.32	$0.34	$0.36
Group Peer Multiple - Electric			19.7x						
Group EPS '18-'22 CAGR - Electric			5.00%						
Electric Utilities			20.7x						
NIPSCO Electric	$0.68	21.7x	20.7x	2.0x	22.7x	23.7x	$14.68	$15.36	$16.04
Total Utility	$1.80	*19.5x*			*20.5x*	*21.5x*	$35.20	$37.00	$38.81
-Parent EPS Drag (ex-Interest Expense)	-$0.09	19.5x	0.0x		19.8x	20.8x	-$1.76	-$1.78	-$1.87
Total EPS *(incl. debt drag)*	$1.50								
Midpoint of 5-7% EPS	*$1.48*								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out Debt)				-$2,000	50%		-$1,000	-$1,000	-$1,000
(50% P/E multiple on Interest Exp)				5.5%	50%		-$849	-$892	-$935
Grand Total Equity Value							$28.90	$30.57	$32.17
Shares Outstanding 2022E								406	
Total Equity Value							$29.00	$31.00	$32.00
Implied Consolidated P/E									
Current Price								$29.63	
Dividend Yield (2020E)								3.0%	
Total Return								7.6%	

Source: BofA Global Research estimates, company report, Bloomberg

Price objective basis & risk

NiSource Inc (NI)
Our $31 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples of 18.3x for gas utilities and 19.7x for electric utilities with an inline mult for gas utilities and a 2.0x premium for the electric utility's strong growth rates and earned ROEs. We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Atlantica Yield	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Vivint Solar	VSLR	VSLR US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
RSTR				
	El Paso Electric Company	EE	EE US	Julien Dumoulin-Smith
	Pattern Energy Group	PEGI	PEGI US	Julien Dumoulin-Smith

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Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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Important Disclosures

NiSource Inc (NI) Price Chart

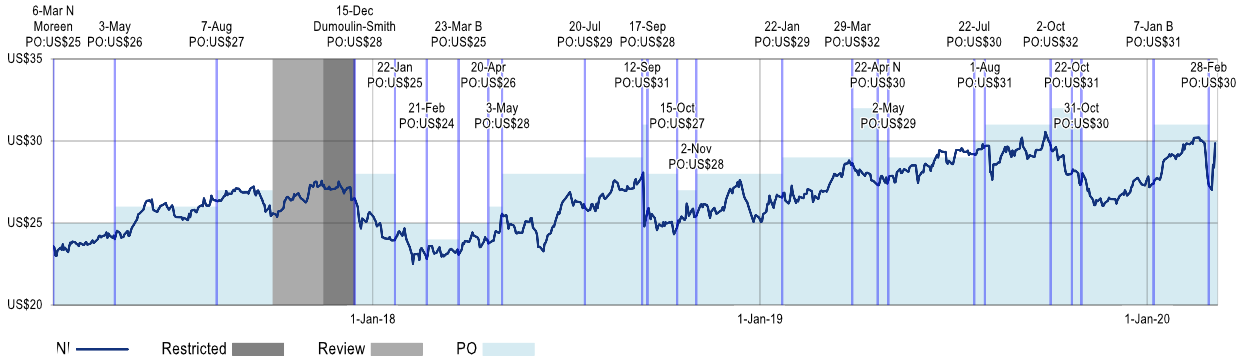

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2019)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	88	54.32%	Buy	72	81.82%
Hold	36	22.22%	Hold	21	58.33%
Sell	38	23.46%	Sell	21	55.26%

Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2019)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	63	44.06%	Buy	44	69.84%
Hold	43	30.07%	Hold	31	72.09%
Sell	37	25.87%	Sell	27	72.97%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2019)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1560	50.49%	Buy	991	63.53%
Hold	717	23.20%	Hold	461	64.30%
Sell	813	26.31%	Sell	415	51.05%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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2 March 2020 | 6:50AM EST

NiSource Inc. (NI): Remain Buy on attractive valuation

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We remain Buy-rated on NiSource (NI) as we continue to view the current ~2x P/2021E discount versus smid-cap peers as unwarranted and see multiple expansion potential. NI currently trades at 19.1x on 2021E compared to smid-cap peers at 20.7x, despite a robust regulated investment pipeline that supports 7% operating income CAGR through 2022 and 5-7% EPS CAGR on a normalized basis. Beyond 2022, we see higher growth potential at NIPSCO Electric from potential ownership of incremental renewable generation similar to the current wind JV on Rosewater/Indiana Crossroad (400 MW - expected in rate base in 2023). Management expects the results from the recent Request for Proposal (RFP) later this year.

Columbus Gas of Massachusetts (CMA) announced sale could change financing needs. Management announced that the $1.1bn proposed CMA sale to Eversource (ES, Neutral) would eliminate the need for the previously-announced $500-$700mn of bulk equity in 2020, although they look to continue issuing $200-$300mn in annual ATM/DRIP equity. Our model continues to embed CMA's utility operations coupled with $1bn of equity in 2020 (including $300mn of ATM), resulting in 14.3%/14.6% FFO/debt in 2021/2022, respectively, above the Moody's threshold of 14%. We do not take a view on the likelihood of a successful completion of the sale.

We adjust our 2020-2021 EPS estimates to $1.36/$1.43 from $1.41/$1.48 and initiate 2022 estimate of $1.51. This reflects several changes to our model, including 1) 4Q2019/2019 actuals, 2) updates to trackers/base rate increases, 3) updated capital spending plans and 4) increase in O&M expense assumption to reflect some shared costs associated with the MA gas utility; our estimates reflect 1.5% O&M CAGR from 2020-2022. Finally, we now incorporate the announced $53mn federal penalty (assumed in 3Q2020) associated with the Merrimack incident, in addition to the $50mn penalty (we currently assume in 4Q2020 but pending investigation conclusion) by the Massachusetts utility commission.

Our $31 12-month target price (from $32 prior) is derived from an electric/gas blended 21.9x P/E multiple on 2021E EPS, which reflects a 16% total return versus 7% for Regulated Utilities. Key risks include (1) legal and regulatory risks, (2) system damages related to the recent MA natural gas incident, (3) higher than expected

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O&M, (4) electricity demand and customer growth, and (5) financing.

NI in Charts

Exhibit 1: We lower our 2020-2021 estimates modestly and initiate 2022 estimate, reflecting 4.7% CAGR from 2019A-2022E...
EPS New vs Old vs Consensus

	EPS Estimates			% Difference	
	GS-New	GS-Old	Cons.	vs. Old	vs. Cons.
2019A	$1.32	$1.29	$1.31	2%	0%
2020E	$1.36	$1.41	$1.38	(3%)	(1%)
2021E	$1.43	$1.48	$1.45	(3%)	(1%)
2022E	$1.51	N/A	$1.53	NA	(1%)
CAGR	4.7%	N/A	5.3%	N/A	(1%)

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 2: ...with strong growth driven by the regulated gas businesses
Operating income by segment ($mn)

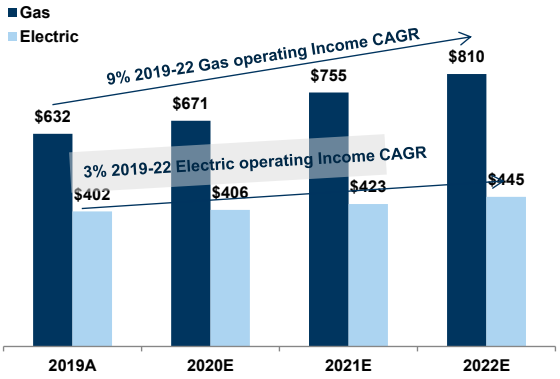

Source: Goldman Sachs Global Investment Research

Exhibit 3: Our financing assumptions still embed bulk equity in 2020, given our model incorporates the MA utility in estimates
Financing by type ($mn) and adjusted FFO/debt

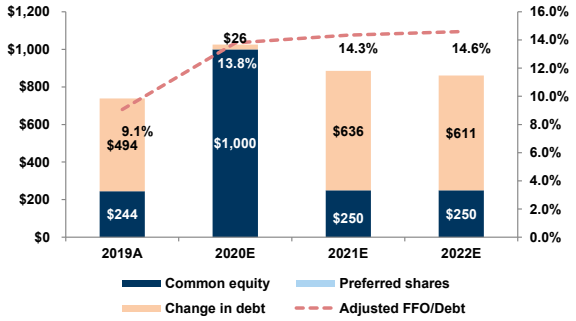

2020 FFO/debt assumes certain one-time adjustments related to the Merrimack incident

Source: Goldman Sachs Global Investment Research

Exhibit 4: We see 16% total return upside and see the current ~2x relative P/2021E discount as unwarranted
NI blended P/E valuation

NI valuation			
Deriving Blended Multiple			
	Gas	Electric	Total
2021 EBIT	754.8	423.4	1,178.3
% 2021 EBIT	64.1%	35.9%	
Target Multiple	23.00x	20.00x	21.9x
Price Target			
2021 EPS			$1.43
Target Multiple			21.9x
Price Target			**$31**
Total Return			**16%**
Regulated Utilities Total Return			**7%**

Source: Goldman Sachs Global Investment Research

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NI	12m Price Target: **$31.00**	Price: **$27.02**	Upside: **14.7%**

Buy

Market cap: $8.8bn
Enterprise value: $19.3bn
3m ADTV: $96.9mn
United States
America-Regulated Utilities
M&A Rank: 3

GS Forecast

	12/19	12/20E	12/21E	12/22E
Revenue ($ mn) New	**5,208.9**	**5,385.6**	**5,658.8**	**5,878.7**
Revenue ($ mn) Old	5,319.3	5,485.6	5,657.6	–
EBITDA ($ mn)	1,608.1	1,878.2	2,038.9	2,182.5
EBIT ($ mn)	890.7	1,114.0	1,212.6	1,294.0
EPS ($) New	**1.32**	**1.36**	**1.43**	**1.51**
EPS ($) Old	1.29	1.41	1.48	–
P/E (X)	21.3	19.8	18.9	17.9
Dividend yield (%)	2.9	3.1	3.3	3.5
Net debt/EBITDA (X)	5.9	5.1	5.0	5.0

	12/19	3/20E	6/20E	9/20E
EPS ($)	0.45	0.88	0.06	0.01

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 28 Feb 2020 close.

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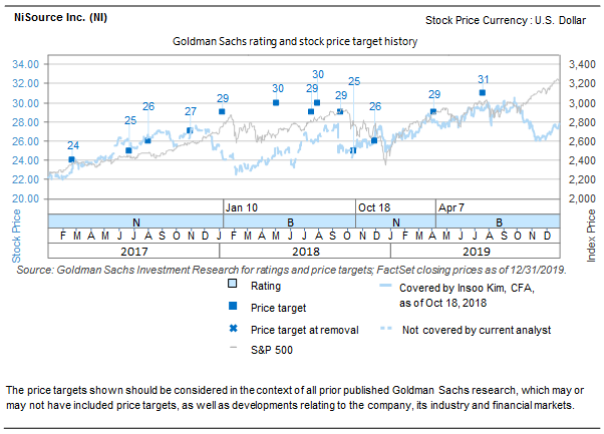

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NISOURCE INC. NYSE-NI

RECENT PRICE **30.21** | P/E RATIO **21.1** (Trailing: 24.2 Median: 20.0) | RELATIVE P/E RATIO **1.17** | DIV'D YLD **2.8%** | **VALUE LINE**

TIMELINESS 3 Lowered 4/5/19
SAFETY 2 Raised 11/29/19
TECHNICAL 4 Lowered 1/31/20
BETA .55 (1.00 = Market)

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$24-$34	$29 (-5%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+30%)	*10%*
Low	30	(Nil)	*3%*

Institutional Decisions

	1Q2019	2Q2019	3Q2019
to Buy	236	227	228
to Sell	184	187	192
Hld's(000)	350564	346571	343395

	15.8	18.0	24.0	26.2	33.5	44.9	49.2	26.9	27.8	28.1	30.7	30.5
High:	7.8	14.1	17.7	22.3	24.8	32.1	16.0	19.0	21.7	22.4	24.7	27.1

LEGENDS
1.20 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession

Target Price Range 2023 2024 2025

% TOT. RETURN 1/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	10.6	7.1
3 yr.	43.2	19.9
5 yr.	-21.6	41.0

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
24.63	28.97	27.37	28.96	32.36	24.02	22.99	21.33	16.31	18.04	20.47	14.58	13.90	14.46	13.74	*14.15*	*14.85*	*15.40*	Revenues per sh	*19.95*
3.47	3.14	3.18	3.20	3.32	2.96	3.19	2.98	3.13	3.41	3.60	2.27	2.71	2.07	2.82	*2.80*	*3.00*	*3.20*	"Cash Flow" per sh	*4.15*
1.62	1.08	1.14	1.14	1.34	.84	1.06	1.05	1.37	1.57	1.67	.63	1.00	.39	1.30	*1.25*	*1.40*	*1.55*	Earnings per sh A	*2.25*
.92	.92	.92	.92	.92	.92	.92	.92	.94	.98	1.02	.83	.64	.70	.78	.80	*.86*	*.92*	Div'd Decl'd per sh B ■	*1.16*
1.91	2.17	2.33	2.88	3.54	2.81	2.88	3.99	4.83	5.99	6.42	4.26	4.57	5.03	4.88	*4.60*	*4.60*	*4.60*	Cap'l Spending per sh	*4.85*
17.69	18.09	18.32	18.52	17.24	17.54	17.63	17.71	17.90	18.77	19.54	12.04	12.60	12.82	13.08	*13.65*	*13.90*	*14.50*	Book Value per sh C	*15.35*
270.63	272.62	273.65	274.18	274.26	276.79	279.30	282.18	310.28	313.68	316.04	319.11	323.16	337.02	372.36	*374.00*	*370.00*	*370.00*	Common Shs Outst'g D	*350.00*
13.0	21.4	19.2	18.8	12.1	14.3	15.3	19.4	17.9	18.9	22.7	37.3	23.2	NMF	19.3	*22.3*	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*16.0*
.69	1.14	1.04	1.00	.73	.95	.97	1.22	1.14	1.06	1.19	1.88	1.22	NMF	1.04	*1.25*			Relative P/E Ratio	*.90*
4.4%	4.0%	4.2%	4.3%	5.7%	7.6%	5.7%	4.5%	3.8%	3.3%	2.7%	3.5%	2.8%	2.8%	3.1%	2.9%			Avg Ann'l Div'd Yield	*4.2%*
6422.0	6019.1	5061.2	5657.3	6470.6	4651.8	4492.5	4874.6	5114.5	*5300*	*5500*	*5700*	Revenues ($mill)	*6985*
294.6	303.8	410.6	490.9	530.7	198.6	328.1	128.6	463.3	*465*	*520*	*575*	Net Profit ($mill)	*785*
32.4%	35.0%	34.4%	34.8%	36.9%	41.6%	35.7%	71.0%	19.7%	*21.0%*	*21.0%*	*21.0%*	Income Tax Rate	*21.0%*
- -	- -	- -	- -	- -	- -	- -	- -	2.9%	*2.0%*	*2.0%*	*2.0%*	AFUDC % to Net Profit	*2.0%*
54.7%	55.6%	55.1%	56.3%	56.9%	60.7%	59.8%	63.5%	55.3%	*55.0%*	*54.0%*	*55.0%*	Long-Term Debt Ratio	*55.0%*
45.3%	44.4%	44.9%	43.7%	43.1%	39.3%	40.2%	36.5%	37.9%	*45.0%*	*46.0%*	*45.0%*	Common Equity Ratio	*45.0%*
10859	11264	12373	13480	14331	9792.0	10129	11832	12856	*14180*	*14460*	*14715*	Total Capital ($mill)	*15040*
11097	11800	12916	14365	16017	12112	13068	14360	15543	*16000*	*16500*	*16750*	Net Plant ($mill)	*17250*
4.5%	4.4%	5.0%	5.2%	5.3%	4.0%	5.0%	2.6%	5.0%	*3.5%*	*3.5%*	*4.0%*	Return on Total Cap'l	*5.0%*
6.0%	6.1%	7.4%	8.3%	8.6%	5.2%	8.1%	3.0%	8.1%	*8.0%*	*8.5%*	*9.0%*	Return on Shr. Equity	*12.5%*
6.0%	6.1%	7.4%	8.3%	8.6%	5.2%	8.1%	3.0%	9.3%	*8.0%*	*8.5%*	*9.0%*	Return on Com Equity	*12.5%*
.8%	.9%	2.5%	3.1%	3.4%	NMF	3.0%	NMF	3.7%	*2.5%*	*3.5%*	*3.5%*	Retained to Com Eq	*5.5%*
87%	85%	67%	62%	61%	NMF	63%	NMF	61%	*70%*	*64%*	*64%*	All Div'ds to Net Prof	*55%*

CAPITAL STRUCTURE as of 9/30/19
Total Debt $9479.8 mill. **Due in 5 Yrs** $2100 mill.
LT Debt $7853.8 mill. **LT Interest** $370 mill.
(Interest cov. earned: 2.2x) (57% of Cap'l)

Leases, Uncapitalized Annual rentals $11.1 mill.
Pension Assets-12/18 $2.1 bill. **Oblig.** $2.0 bill.

Pfd Stock $880 mill. **Pfd Div'd** $28.5 mill.

Common Stock 373,542,659 shs.
as of 10/22/19
MARKET CAP: $11.3 billion (Large Cap)

CURRENT POSITION ($MILL.)	2017	2018	9/30/19
Cash Assets	29.0	112.8	28.0
Other	1734.3	1942.6	1350.3
Current Assets	1763.3	2055.4	1378.3
Accts Payable	625.6	883.8	494.9
Debt Due	1490.0	2027.2	1626.0
Other	1062.8	1125.8	1218.8
Current Liab.	3178.4	4036.8	3339.7
Fix. Chg. Cov.	259%	246%	255%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '16-'18 to '23-'25
Revenues	-7.0%	-5.5%	*6.0%*
"Cash Flow"	-2.5%	-4.5%	*8.5%*
Earnings	-3.0%	-7.5%	*2.5%*
Dividends	-2.5%	-5.5%	*7.5%*
Book Value	-3.5%	-6.5%	*4.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1598.6	990.7	917.0	1368.3	4874.6
2018	1750.8	1007.0	895.0	1461.7	5114.5
2019	1869.8	1010.4	931.5	*1488.3*	*5300*
2020	*1900*	*1100*	*1000*	*1500*	*5500*
2021	*1950*	*1150*	*1050*	*1550*	*5700*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.65	d.14	.04	d.16	.39
2018	.77	.07	.10	.38	1.30
2019	.82	.05	- -	*.38*	*1.25*
2020	*.85*	*.10*	*.10*	*.35*	*1.40*
2021	*.89*	*.13*	*.14*	*.39*	*1.55*

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.155	.155	.165	.165	.64
2017	.175	.175	.175	.175	.70
2018	.195	.195	.195	.195	.78
2019	.200	.200	.200	.200	.80
2020	.21				

BUSINESS: NiSource Inc. is a holding company for Northern Indiana Public Service Company (NIPSCO), which supplies electricity and gas to the northern third of Indiana. Customers: 472,000 electric in Indiana, 3.5 million gas in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland, Massachusetts through its Columbia subsidiaries. Revenue breakdown, 2018: electrical, 33%; gas, 67%; other, less than 1%. Generating sources, 2018: coal, 69.4%; purchased & other, 30.6%. 2018 reported depreciation rates: 2.9% electric, 2.2% gas. Has 8,087 employees. Chairman: Richard L. Thompson. President & Chief Executive Officer: Joseph Hamrock. Incorporated: Indiana. Address: 801 East 86th Ave., Merrillville, Indiana 46410. Tel.: 877-647-5990. Internet: www.nisource.com.

Since our November review, shares of NiSource have risen nicely. Over that time frame, the equity's price advanced more than 16%. We think this recovery reflected investors taking advantage of the near-term weakness in the stock's price.

That said, the public utilities holding company will probably register mixed financial results for 2019. *Note: NiSource was expected to release its fourth-quarter and year-end financials shortly after this report went to press.* On the plus side, solid contributions from the Gas Distribution, Corporate, and Electric operations likely equated to a mid-single-digit revenue gain last year. However, cost overruns, margin compression, and stock issuances probably resulted in a roughly 4% downturn in share net, to $1.25.

We continue to look for earnings to rebound this year. NiSource appears poised to post a roughly 4% rise in revenues in 2020, to $5.5 billion. The primary driver here should be a large chunk of capital expenditures slated to come on line. The company has multiple wind projects and joint ventures in the works in Indiana. Those growth initiatives represent about $1.75 billion in investments. At the same time, once approved, the Maryland base-rate case should add $3.7 million to the top line. Another base-rate case has been filed for NIPSCO electricity, and should help that unit generate about 10% on recent capital improvement projects. These factors may well drive earnings 12% higher, to $1.40 a share. Finally, we have introduced our 2021 top- and bottom-line estimates at $5.7 billion and $1.55 a share, respectively.

The balance sheet is in decent shape. At the end of the third quarter, the last period for which financial information was available, NI's cash reserves sat at $28 million and the long-term debt load represented 57% of total capital.

On balance, these shares do not stand out at this juncture. The recent uptick in NI's quotation places it just inside our Target Price Range, leaving the stock with below-average capital appreciation potential for the pull to 2023-2025. Meanwhile, our Timeliness Ranking System suggests this equity will just mirror the broader market averages in the coming year.

Bryan J. Fong *February 28, 2020*

(A) Dil. EPS. Excl. nonrec. gains (losses): '05, (4¢); gains (losses) on disc. ops.: '05, 10¢; '06, (11¢); '07, 3¢; '08, ($1.14); '15, (30¢); '18, ($1.48). Next egs. report due late May. Qtl'y egs. may not sum to total due to rounding. **(B)** Div'ds historically paid in mid-Feb., May, Aug., Nov. ■ Div'd reinv. avail. **(C)** Incl. intang in '18: $1911.4 million, $5.13/sh. **(D)** In mill. **(E)** Spun off Columbia Pipeline Group (7/15)

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	25
Earnings Predictability	35

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February 19, 2020 | 15:15 ET | 16:20 ET~

NiSource

NI-NYSE	Rating	Price: Feb-14	Target	Total Rtn
	Outperform	$30.21	$32.00	9%

Initiating Coverage at Outperform and $32 Target; Gearing Up for March Madness

Bottom Line: We are initiating coverage of NiSource Inc. (ticker: NI) with an Outperform rating and a target price of $32 per share. Our five-year forecast (2019-23) supports consolidated EPS growth in line with the midpoint of the company's current 5-7% EPS CAGR, but we think this could be biased to the upside. Our estimates are 2020 — $1.40; 2021 — $1.48; 2022 — $1.56; and 2023 — $1.65.

Key Points

NiSource's mid-2015 spin-off of its midstream unit returned NiSource to a pure-play utility story that is two-thirds natural gas distribution and one-third integrated electric utility (by rate base). For the next three years, NI outperformed its utility peers by more than 25% given its premium asset mix and lower-risk growth prospects. Unfortunately, in September 2018 the over-pressurization of distribution lines at its Massachusetts subsidiary and the resulting explosion and fire damage created what has now been a 15-month overhang on the stock.

Concerns over the company's liability to the incident and the associated regulatory uncertainty were compounded by further operational issues in 2019 as well as balance sheet concerns. This has left NI shares trading at a discount not only to the electric group (~2%) but also to the traditionally higher-multiple gas LDC group (~4%). We believe this discount is now unwarranted, and our $32 target price suggests a 9% total return potential in the name. Given clarifying regulatory orders in Massachusetts and Indiana in December, we see a light at the end of this tunnel over the next several months that should enable the stock to move higher.

Our current forecast (2019-23) has consolidated EPS growing at just under 6.0% and only partially reflects the upside in renewables spending given this contribution is late in 2023. With only a 61% payout, our DPS estimate is growing in line with EPS and supporting the slightly higher-than-average 2.8% current yield. We believe that with very visible above-average EPS and DPS growth, as investors gain clarity across the regulatory, financing, and growth sides of the story, the company can easily re-rate back to the 5-10% premium it previously carried.

For further details, please see our industry report.

Please refer to pages 8 to 11 for Important Disclosures, including Analyst's Certification.

IN Depth

BMO Capital Markets

Utilities, Power & Renewables

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Legal Entity: BMO Capital Markets Corp.

Company Data			in $
Dividend	$0.84	Shares O/S (mm)	373.5
Yield	2.8%	Market Cap (mm)	$11,285
P/BV	1.8x	Net Debt (mm)	$9,498

BMO Estimates			in $
(FY- Dec .)	2018A	2019E	2020E
EPS	$1.30	$1.31	$1.40
DPS	$0.78	$0.80	$0.85
EBIT	$949	$1,025	$1,134
EBITDA	1,549	1,656	1,793

Consensus Estimates			
	2018A	2019E	2020E
EPS		$1.30	$1.38

Valuation			
	2018A	2019E	2020E
P/E	23.3x	23.1x	21.5x
Div. Yield (%)	2.6%	2.6%	2.8%

QTR. EPS	Q1	Q2	Q3	Q4
2018A	$0.77	$0.07	$0.10	$0.38
2019E	$0.82a	$0.05a	$0.00a	$0.44
2020E	$0.85	$0.06	$0.05	$0.43

Our Thesis

NI shares are trading at a discount not only to the electric group but also to the traditionally higher-multiple gas LDC group. We believe this discount is now unwarranted, and our $32 target suggests a 9% total return. Given clarifying regulatory orders in MA and IN in December, we see a light at the end of this tunnel over the next several months that should enable the stock to move higher.

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NiSource - Block Summary Model

Income Statement	2018A	2019E	2020E
Electric Operations	369	398	434
Gas Distribution	565	610	683
Parent & Other	(3)	(1)	(1)
Consolidated EBIT	949	1,025	1,134
Depreciation & Amortization	600	631	658
EBITDA	1,549	1,656	1,793
Interest Expense	362	403	430
Income Tax	118	122	140
Income from continuing operations	463	495	558
Weighted Average Shares Outstanding	357	378	398
Diluted Operating EPS	$1.30	$1.31	$1.40
Dividends per Share	$0.78	$0.80	$0.85
Cash Flow Statement	**2018A**	**2019E**	**2020E**
Operating Cash Flow	540	1,230	1,328
Investing Cash Flow	(1,926)	(1,709)	(1,739)
Financing Cash Flow	1,469	477	463
Net Change in Cash Flow	83	(2)	52
EOP Cash on Balance Sheet	121	119	171
Common stock (net)	844	310	1,040
Net debt issued/(repaid)	75	484	375
Dividends paid	(273)	(302)	(337)
Balance Sheet	**2018A**	**2019E**	**2020E**
Common Equity	4,871	5,489	6,880
Preferred Equity	880	880	880
Total Debt	9,133	9,617	9,992
Enterprise Value	$18,451	$20,172	$22,075
Common equity %	32.7%	34.3%	38.8%
Preferred equity %	5.9%	5.5%	5.0%
Total Debt %	61.4%	60.2%	56.3%
Book Value per Share	$16.13	$16.85	$19.50

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

Our $32 target price is the product of a P/E-based sum of the parts. We utilize a regulated average multiple using 2022E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook. For NI, we have removed EPS for its MA gas business from our P/E valuation and instead include only the asset value (1x equity rate base) in our SOTP framework.

Upside Scenario 34.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario 26.00

Our downside scenario reflects the macro risk of a change in the interest rate environment. The retrenchment of the US 10-year Treasury back to the 2.5% level could compress utility multiples to the 17.0x area.

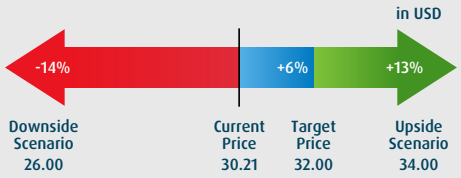

Key Catalysts

Initial indicative pricing in its second renewable RFP in IN in the February/March time frame. Completing the company's stated equity issuance of $500-700mm in 2020. Potentially, capital spending and growth-rate update in 2H20 given clarity in the aforementioned RFP and recent rate orders in MA and IN.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

BMO Capital Markets

Initiating Coverage of NI at Outperform and $32 Target; Gearing Up for March Madness

We are initiating coverage of NiSource Inc. (ticker: NI) with an Outperform rating and a target price of $32 per share. Our five-year forecast (2019-23) supports consolidated EPS growth in line with the midpoint of the company's current 5-7% EPS CAGR, but we think this could be biased to the upside. Our estimates are 2020 — $1.40; 2021 — $1.48; 2022 — $1.56; and 2023 — $1.65.

Investment Thesis: Above-Average Growth at a Discount Plus Catalysts

NiSource's mid-2015 spin-off of its midstream unit, Columbia Pipeline Group, returned NiSource to a pure-play utility story that is two-thirds natural gas distribution and one-third integrated electric utility (by rate base). For the next three years, post-split, NI outperformed its utility peers by more than 25% given its premium asset mix and lower-risk growth prospects (Exhibit 1).

Exhibit 1: NiSource Relative Price Performance

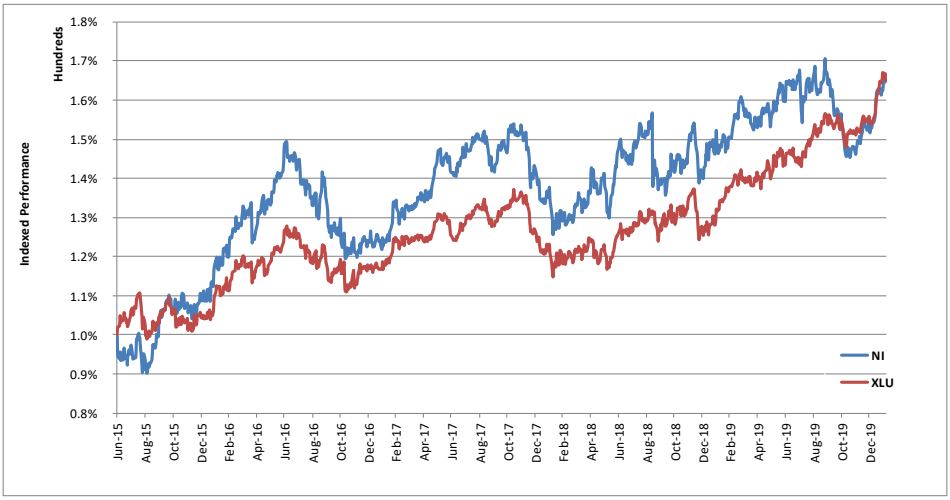

Source: BMO Capital Markets Research, FactSet

Unfortunately, in September 2018 the over-pressurization of distribution lines at its Massachussets subsidary and the resulting explosion and fire damage created what has now been a 15-month overhang on the stock. Concerns over the company's liablity to the incident and the associated regulatory uncertainty were compounded by further operational issues in 2019 as well as balance sheet concerns. This has left NI shares trading at a discount not only to the electric group (2-3%) but also to the traditionally higher-multiple gas LDC group (~4%). We believe this discount is now unwarranted, and our $32 target price suggests a 9% total return in the name. Given clarifying regulatory orders in Massachusetts and Indiana in December, we see a light at the end of this tunnel over the next several months that should enable the stock to move higher.

The IURC adoption of two settlements in December removes rate case risk in the name (ROE declined only 25 bps) and adds necessary clarity to system capacity needs (via the adoption of Rate 831), which will be important to the company's coal replacement strategy. Likewise, we believe that in initially defining only three to four discrete incidents, the December Massachusetts Department of Public Utilities (DPU) order helped remove some of the downside tail risk to the assessment of penalties in the over-pressurization investigation. This clarity, along with the refreshed financials that come with 4Q19

reporting, could allow the company to come to market with its widely anticipated $500-700mm of equity financing (4-6% of S/O) sooner rather than later, removing one of the remaining overhangs in the name.

At the same time, we could also get initial indicative pricing in NIPSCO's second renewable RFP that is being conducted to help replace the forecast shutdowns of its remaining coal plants by the end of 2028. We believe there is a high probability that the competitive renewables pricing environment will favor the execution of another build-own-transfer agreement for NIPSCO, which would add clarity around the company's growth into 2024. This should put management in a good position to potentially address its growth guidance beyond its current 2020-22 timeframe later in the year. With an already healthy inventory of gas infrastructure projects, the potential addition of another $1,100-1,200mm of renewables spending should extend, if not be additive to, the company's current 5-7% growth rate.

Our current forecast (2019-23) has consolidated EPS growing at just under 6.0% and only partially reflects the upside in renewables spending given that its contribution is late in 2023. With only a 61% payout, our DPS is growing in line with EPS and supporting the slightly higher-than-average 2.8% current yield. We believe that with very visible above-average EPS and DPS growth, as investors gain clarity across the regulatory, financing, and growth sides of the story, the company can easily re-rate back to the 5-10% premium it previously carried.

We understand there are a lot of questions regarding the multiple compression witnessed in the gas LDC space and this could clearly pose a risk to our re-rating thesis. That said, with NI trading at discount to the gas LDC average on 2021E and at worst closer to a flat multiple on 2022E, we think it could be more of a headwind versus a downside risk. Moreover, we think the catalysts for the name make it more of an idiosyncratic call, and the addition of the renewables growth and shrinking carbon footprint make it differentiated from its gas LDC peers.

Decarbonizing Indiana — Gearing Up for March Madness

NIPSCO's October 2018 integrated resource plan (IRP) includes plans to retire nearly 80% of its coal-fired generation by 2023 and the other 20% by the end of 2028. The 1,625MW Schahfer plant is scheduled to be decommissioned later in 2023 and its 469MW Michigan City plant in 2028. Its replacement options have focused on cleaner and lower-cost resources beginning with wind. The company's initial RFP resulted in two build-own-transfer JV agreements with EDP Renewables, including the 100MW Rosewater Wind project and the 302MW Crossroads Wind project. NIPSCO received approval for Rosewater in August 2019 and requested approval for Crossroads in February 2020.

The company launched its second RFP in October 2019, adding solar and storage to mix with the company seeking bids for 1,300MW of solar and another 300MW of wind resource. The bids are expected to be available in the February/March timeframe. Given the scale of this RFP and the recent precedent for aggressive IRRs, we expect the pricing to be a compelling replacement for retiring coal resources. Although the EPS impact of these assets will not be a large contributor to our current forecast given a back-half 2023 assumption, we do believe there is high probability that NiSource ultimately will own 50% of the capacity under a build-own-transfer model. In total we see a $1,100-1,200mm capital opportunity for NIPSCO.

We believe the IURC's December order approving the settlement with industrial customers on the application of Rate 831 is important to the company's system capacity planning, including its coal replacement strategy. With an already deep inventory of gas infrastructure projects, this incremental line of sight on the electric side enhances the story and could put management in a position to extend its long-term growth rate beyond its 2022. This would put it more on par with the higher-quality/higher-multiple utilities in the sector. **The upcoming RFP pricing is therefore an important catalyst for the company** as it could both extend clarity for investors and "clean up" the overall profile of the company,

which will become be a completely "non-coal" gas and electric utility. At its current 2-3% discount to the utility group, a 12-13% discount to high-quality electric comps, and even a 2-4% discount to the gas LDC average, we think the risk/return in the name is very favorable, especially with its known catalysts.

Gaining Clarity on Greater Lawrence

In September 2018, excessive pressure in the natural gas lines owned by NiSource's subsidiary, Columbia Gas of Massachusetts, caused a series of explosions in 40 individual homes, 80 individual fires, and one fatality. Residents were asked to evacuate as service to more than 8,000 homes, as well as some electric service to mitigate further ignition risk, was shut off. Governor Baker declared a state of emergency and appointed local utility Eversource to oversee management and restoration efforts as the National Transpiration Safety Board (NTSB) began its root-cause investigation and later the Massachusetts DPU launched its own investigation into the accident.

The ultimate costs to NI of the incident rose steadily throughout the first six to eight months after the accident as liabilities related to property damage, personal injury, infrastructure damage, and mutual aid payments (other utilities) were tallied. As of 9/30/19, NiSource estimates the event costs to be in the $1,680-1,720mm range (see Exhibit 2) before any fines or penalties. To this latter point, the Massachusetts DPU investigation is still ongoing, although in December 2019 the DPU did add some procedural clarity to the proceeding by breaking the incident into distinct events that could help frame potential penalties:

- Event 1. 9/13/18 incident and Bay State's response
- Event 2: Phase 1 restoration (9/21/18–12/16/18)
- Event 3: Improperly abandon services (Grade 1 gas leak on 9/27/19)

The DPU also left the door open to a fourth event related to post-12/16/18 restoration and repair work, as well as additional events pending further investigation. While this proceeding is still ongoing, the narrowing of the "events" is incrementally positive as it allows a more educated estimate of what the penalties liability could total. Management's current view is that precedent suggests a maximum $22mm cost cap with the incident being treated as one event or one series of events. While the final outcome may not be known until 4Q20, we believe we have captured the magnitude of any final assessment in our forecast and valuation given the following: 1) we assume the high end of the company's $500-700mm equity issuance in 2020, which is partially done in support of the gap between claims and insurance coverage; and 2) we assume a rate-base-only valuation for the Massachusetts assets based on our view that the company will have a hard time selling the property or investing any meaningful amount of growth capital given the political current environment. In sum we ascribe ~$1/share of value to these assets.

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Exhibit 2: Latest Cost Estimates for Greater Lawrence

Greater Lawrence Event Costs	Range	
Pipeline Replacement and Restoration	255	260
Third-Party Claims	995	1,020
Other Related Expenses	430	440
Total Cost	**1,680**	**1,720**
Insurance Policy Coverage	**Policy**	**Claims***
Casualty	800	670
Property	300	TBD**
Total	**1,100**	**670**
Estimated Fines & Penalties* **		
* As of 9/30/19		
** Proof of loss has been filed for the full cost of the pipeline replacement		
*** Subject to MA DPU final assessment		

Source: BMO Capital Markets, Company Data

Exhibit 3: Gas LDC Forward P/E

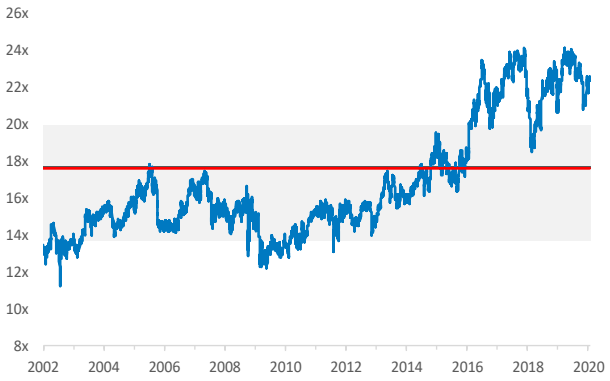

Source: BMO Capital Markets, Company Data

Gas Pains

With coal all but dead, the fight against climate change has turned its sights squarely on natural gas. In June 2019, Berkeley, California, became the first city in the U.S. to ban natural gas in new construction projects starting in 2020. Similar movements have occurred in Massachusetts (due in part to NiSource's Greater Lawrence event) and recently in New Jersey where the issue was discussed in the state's Energy Master Plan. As the drum beats louder, investors are wondering if this has contributed to multiple compression in the pure-play gas LDC stocks (see Exhibit 3). While there could be many factors, as discussed in our sector initiation report, we see natural gas LDC capital expenditures geared primarily toward safety and reliability, including the replacement of miles and miles of sometimes century-old cast iron and, yes, even wooden distribution lines. Most utilities have project inventories that could take one to two decades to complete with labor generally the largest governor. So, while we do not worry about much of this capital being deployed, but we do worry about investor aversion to these business lines (thematically). Regarding our Outperform rating, we believe the company's current discount to both electric and gas utilities, solid catalysts, and decarbonization profile improvement give investors a sufficient margin of safety.

Valuation

Our $32 target price is derived from our sum-of-the-parts valuation consistent with our valuation of the companies in our coverage universe in the diversified utility segment. Our valuation work is highlighted in Exhibit 4. Our base case valuation is derived by our sum-of-the-parts valuation. Our valuation utilizes a 19.9x base P/E multiple to our 2022 earnings estimate from NiSource's electric utility operations. We apply a modestly lower 19.7x base multiple to our 2022 earnings per share estimate from NiSource's gas distribution utilities, which does not include ~$0.10/share for its Massachusetts gas distribution operations. To reflect this in the valuation we use a rate base of $990mm, apply a 47% equity layer, and use a 1x multiple to generate the equity value associated with this subsidiary, which is then divided by 2022E shares to yield a $1/share value to NiSource.

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Exhibit 4: NiSource SOTP Valuation

Regulated, Corporate & Other	Valuation Metric	2022E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Electric Operations	EPS	$0.84	Electric	19.9x	+5%	20.9x	19.6x	$17	20.9x	$18	22.1x	$19
Gas Distribution (Less: MA EPS)	EPS	$1.09	Natural Gas	19.7x	+10%	21.7x	20.4x	$22	21.7x	$24	22.9x	$25
Coporate & Other	EPS	($0.47)	Blend	19.8x	+8%	21.3x	20.1x	($9)	21.3x	($10)	22.6x	($11)
Utility & Parent Value		**$1.46**					20.1x	**$29**	21.3x	**$31**	22.6x	**$33**
		'19 Rate Base	Equity %	Equity								
Columbia Gas of Massachusetts		$990	47%	$465		1.0x	1.0x	$1	1.0x	$1	1.0x	$1
Total NiSource Inc.								**$30**		**$32**		**$34**
Upside/(Downside)								0.7%		6.7%		12.8%
Current Yield								2.9%		2.9%		2.9%
Total Return								**3.6%**		**9.6%**		**15.7%**

Source: BMO Capital Markets Research

Model Summary and Key Assumptions

Exhibit 5: Forecast Segment EPS and ROEs

NI Model Summary	2018	2019	2020	2021	2022	2023	5-Year
EPS By Segment							
Electric Operations	$0.72	$0.74	$0.77	$0.81	$0.84	$0.87	3.9%
Gas Distribution	$0.99	$1.00	$1.07	$1.12	$1.19	$1.27	5.2%
Corporate & Other	($0.41)	($0.43)	($0.44)	($0.45)	($0.47)	($0.50)	3.9%
Consolidated E.P.S.	**$1.30**	**$1.31**	**$1.40**	**$1.48**	**$1.56**	**$1.65**	**4.9%**
Dividend per share	**$0.78**	**$0.80**	**$0.85**	**$0.90**	**$0.95**	**$1.01**	
Payout Ratio total	60.0%	61.1%	60.4%	60.8%	61.1%	61.3%	
Dividend Yield	3.1%	2.9%	2.9%	3.1%	3.3%	3.4%	
Valuation Metrics							
Price to Earnings	19.5x	21.3x	20.9x	19.8x	18.8x	17.8x	
Price to Book Value	1.6x	1.7x	1.5x	1.5x	1.4x	1.4x	
Funding Sources							
Cash Flow from Operations	$540	$1,230	$1,328	$1,288	$1,380	$1,453	21.9%
Total Debt Financings	$350	$525	$375	$500	$1,070	$1,020	
Total Equity Financings	$1,724	$310	$1,040	$335	$335	$335	
Credit Metrics							
Total Debt/Capitilization	61%	60%	56%	56%	55%	54%	
FFO/Total Debt	12%	13%	13%	12%	13%	13%	
Regulated Operations Performance - Realized ROE							
NIPSCO Electric ROE	12.8%	12.1%	12.1%	12.6%	12.8%	13.2%	
Columbia Gas of Ohio ROE	8.8%	8.4%	8.6%	8.7%	8.8%	8.9%	
Columbia Gas of Pennsylvania ROE	8.9%	8.4%	8.6%	8.7%	8.8%	8.9%	
NIPSCO Gas ROE	9.2%	8.4%	8.6%	8.7%	8.8%	8.9%	
Columbia Gas of Massachusetts ROE	9.3%	8.4%	8.6%	8.7%	8.8%	8.9%	
Columbia Gas of Virginia ROE	8.6%	8.4%	8.6%	8.7%	8.8%	8.9%	
Columbia Gas of Kentucky ROE	8.8%	8.3%	8.5%	8.6%	8.6%	8.8%	
Columbia Gas of Maryland ROE	9.3%	8.7%	8.7%	8.8%	8.8%	8.9%	

Source: BMO Capital Markets Research

Exhibit 6: Forecast Capital Expenditures and Rate Base

Key Model Assumptions	2018	2019	2020	2021	2022	2023	5-Year
Total Capital Expenditures by Segment							
Electric Operations	$499	$450	$460	$470	$480	$490	**$2,350**
Gas Distribution	$1,315	$1,250	$1,270	$1,300	$1,300	$1,310	**$6,430**
Consolidated Capital Expenditures	**$1,815**	**$1,700**	**$1,730**	**$1,770**	**$1,780**	**$1,800**	**$8,780**
YE Rate Base Estimates							
NIPSCO Electric	$4,401	$4,856	$5,315	$5,689	$5,886	$6,088	6.7%
Columbia Gas of Ohio	$2,800	$3,122	$3,443	$3,769	$4,085	$4,399	9.5%
Columbia Gas of Pennsylvania	$1,698	$1,893	$2,088	$2,286	$2,477	$2,668	9.5%
NIPSCO Gas	$1,497	$1,669	$1,841	$2,016	$2,185	$2,353	9.5%
Columbia Gas of Massachusetts	$990	$1,104	$1,218	$1,333	$1,445	$1,556	9.5%
Columbia Gas of Virginia	$712	$793	$875	$958	$1,038	$1,117	9.4%
Columbia Gas of Kentucky	$305	$339	$374	$409	$443	$477	9.4%
Columbia Gas of Maryland	$122	$137	$152	$166	$181	$195	9.7%
Total Rate Base	**$12,525**	**$13,912**	**$15,306**	**$16,626**	**$17,739**	**$18,853**	**8.5%**

Source: BMO Capital Markets Research

Risks to Our Target Price and Rating

Downside Risks

We believe that downside risks to our $32 target price and rating for NI include greater-than-expected fines from the Massachusetts DPU than we have incorporated in our model. NiSource has utility operations in seven states. This subjects it to numerous ongoing regulatory and rate matters, and an adverse outcome for the company's utility operations would cause us to reevaluate our target price and estimates.

Upside Risks

Greater-than-expected capital expenditure forecast beyond 2020. The ability for the company to sell its Massachusetts gas LDC for a price that is greater than 1x the rate base.

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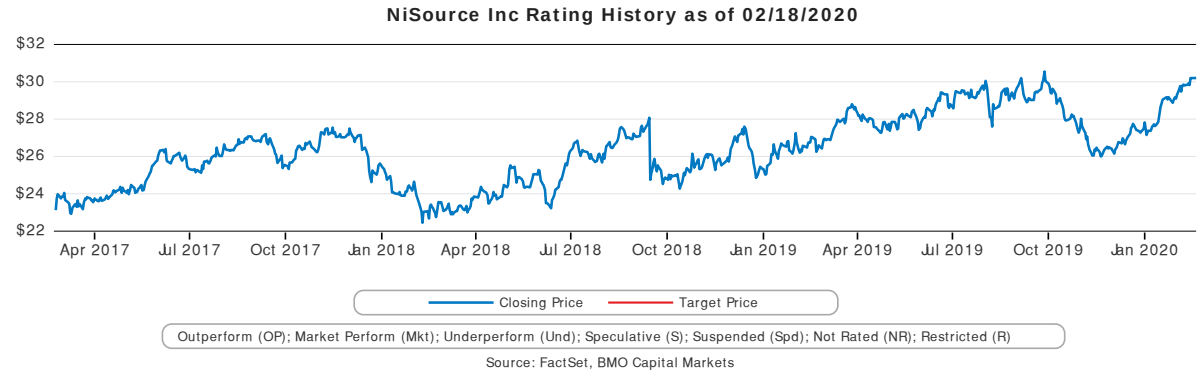

IMPORTANT DISCLOSURES

Analyst's Certification

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Company Specific Disclosures

Disclosure 9B: BMO Capital Markets makes a market in NiSource Inc in United States.

Methodology and Risks to Target Price/Valuation for NiSource Inc (NI-NYSE)

Methodology: Our $32 target price is the product of a P/E-based sum-of-the-parts (SOTP) analysis of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2022E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook. For NI specifically, we have removed the earnings contribution of its Massachusetts gas distribution business from our P/E valuation and instead include only the asset value (1x equity rate base) in our SOTP framework.

Risks: NI's regulated profile exposes the company to business risk including but not limited to federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

Distribution of Ratings (February 18, 2020)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	44.1 %	25.8 %	53.1 %	46.7 %	54.4 %	57.7%
Hold	Market Perform	51.8 %	18.2 %	44.1 %	50.1 %	44.5 %	37.5%
Sell	Underperform	4.0 %	14.3 %	2.7 %	3.1 %	1.1 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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BMO Capital Markets

~ As of April 1, 2019.

Ratings Key (as of October 2016)

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OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis;
Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis;
Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;
(S) = Speculative investment;
Spd = Suspended - Coverage and rating suspended until coverage is reinstated;
NR = No Rated - No rating at this time; and
R = Restricted - Dissemination of research is currently restricted.

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Prior BMO Capital Markets Rating System

(April 2013 - October 2016)
http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

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NiSource Inc NI (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★	29.79 USD	27.50 USD	1.08	2.73	2.82	11.13	Utilities - Regulated Gas	Standard
03 Feb 2020 22:39, UTC	03 Feb 2020	30 Oct 2019 19:51, UTC		03 Feb 2020	03 Feb 2020	03 Feb 2020		

Morningstar Pillars	Analyst	Quantitative
Economic Moat	Narrow	Narrow
Valuation	★★	Fairly Valued
Uncertainty	Low	Low
Financial Health	—	Moderate

Source: Morningstar Equity Research

Quantitative Valuation

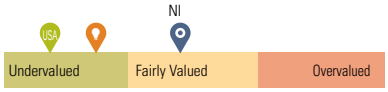

	Current	5-Yr Avg	Sector	Country
Price/Quant Fair Value	1.05	1.05	0.89	0.83
Price/Earnings	23.8	34.0	14.8	20.1
Forward P/E	21.2	—	13.7	13.9
Price/Cash Flow	13.0	9.8	6.5	13.1
Price/Free Cash Flow	—	75.8	13.1	19.5
Trailing Dividend Yield%	2.73	3.16	3.68	2.35

Source: Morningstar

Bulls Say

- We expect annual dividend growth to average 6% from 2020 to 2023.
- We believe the separation of the Columbia Pipeline Group from NiSource was good shareholder stewardship, as the market valued the individual businesses more highly at the time of the separation.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say

- Industrial customers account for over half of NiSource's electric sales, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- Liabilities and fines from the September natural gas explosion in Massachusettes are likely to exceed the amounts covered by insurance and also strain regulatory relationships.
- NiSource's common shares increased 15% and it issued about $900 million of preferred shares in 2017 and 2018. The additional shares will be a headwind to EPS growth.

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Boston Gas Explosion Costs Finally Firm; Increasing NiSource's Fair Value Estimate

Business Strategy and Outlook

Charles Fishman, CFA, Eq. Analyst, 30 October 2019

NiSource completed its separation from Columbia Pipeline Group in 2015 and now derives all of its operating revenue from its regulated electric and natural gas distribution utilities. About two thirds of operating income comes from its seven natural gas distribution utilities. The remaining third comes from its electric utility business in Indiana.

NiSource's utilities have regulatory frameworks that include automatic rate tracker mechanisms for over 75% of planned capital expenditures, providing recovery of investments in less than 12 months. As a result of the favorable regulation, NiSource has stepped up its capital expenditures to almost $2 billion per year over the next five years. This is an investment level almost double the previous five years.

Over the next 20 years, NiSource plans to invest about $30 billion in infrastructure improvements. Over 50% of these investments are modernization programs for replacing steel and cast-iron pipe with plastic at its natural gas distribution utilities. Almost all of these investments receive rate tracker treatment. This allows NiSource to earn returns on these investments near allowed returns and consistently above its cost of capital.

In September 2018, a natural gas explosion killed one person north of Boston on NiSource's Columbia Gas of Massachusetts system. Although the incident was caused by a contractor, the National Transportation Safety Board concluded at a September 2019 hearing that the ultimate responsibility for the incident rests with NiSource. Insurance should cover a significant portion of the costs, but the event was a public-relations nightmare and did have a negative effect on 2018 and 2019 earnings. Still, we expect annual earnings growth to be back to 6% by 2020.

NiSource cut its dividend in 2015 to $0.62 per share annualized after the separation from CPG. The company increased its dividend by 9.4% in 2017 and 11.4% in 2018. However, in part due to the Boston tragedy, dividend growth was only 2.6% in 2019. As earnings recover, we expect 6% annual dividend increases through 2023, at the midpoint of management's target of 5%-7%.

Analyst Note

Charles Fishman, CFA, Eq. Analyst, 30 October 2019

We are increasing our fair value estimate to $27.50 per share from $27 after narrow-moat NiSource reported break even 2019 third-quarter operating EPS, initiated 2020 earnings guidance in line with our estimate, and modestly increased the lower end of its 2020-22 capital expenditure guidance.

The financial impact from the tragic natural gas explosion north of Boston in September 2018 appears to be quantified and was one of the drivers for the $0.50 per share increase in our fair value estimate. For the first time since the tragedy, the estimate of total costs related to the event were unchanged versus last quarter. We reduced our estimate of the costs, net of insurance recovery, to $850 million from our previous estimate of $1 billion.

The increase in our capital expenditure estimate also had a positive impact on our fair value estimate. The $100 million bump in the lower end of the three-year annual capital expenditure guidance range, to $1.7 billion-$2.0 billion, increases our confidence in our estimates that were already above the midpoint of management's previous guidance. We increased our average annual capital expenditures over the next three years by approximately $30 million, to an average of $1.93 billion per year.

We have a high level of confidence that these investments will achieve returns above our 6% estimate of NiSource's weighted average cost of capital since approximately 78% are covered by rate trackers and reflected in rates in 12 months or less after the investment. This favorable regulatory framework reduces regulatory lag, improving returns on invested capital.

The third quarter is normally weak since about two thirds of NiSource's earnings are from natural gas distribution. NiSource's break even third-quarter results compare with

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NiSource Inc NI (XNYS)

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Close Competitors	Currency (Mil)	Market Cap	TTM Sales	Operating Margin	TTM/PE
WEC Energy Group Inc WEC	USD	31,824	7,652	19.05	28.17
CMS Energy Corp CMS	USD	19,438	6,879	17.12	28.65
Alliant Energy Corp LNT	USD	14,306	3,641	19.93	26.67

$0.10 per share in the same period last year. NiSource reaffirmed its 2019 EPS guidance range of $1.27-$1.33, and our estimate of $1.30 is unchanged.

Economic Moat

Charles Fishman, Eq. Analyst, 30 October 2019

Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated utilities. State and federal regulators typically grant regulated utilities exclusive rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital they invest to build, operate, and maintain their infrastructure. In exchange for regulated utilities' service territory monopolies, state and federal regulators set returns at levels that aim to minimize customer costs while offering fair returns for capital providers.

This implicit contract between regulators and capital providers should, on balance, allow NiSource's regulated utilities to achieve at least their costs of capital, though observable returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing.

NiSource derives roughly two thirds of its operating earnings from the regulated distribution of natural gas. For natural gas distribution service, regulators set distribution rates and the commodity price for customers purchasing natural gas from NiSource. NiSource recovers its costs for natural gas that it sells with a pass-through charge to customers. Thus, NiSource has no commodity price risk that could weaken its moat. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

Electricity generation, which contributes about one third of operating earnings, is from operations in Indiana and is also regulated. The rates for this service are combined with regulated customer rates for transmission and distribution service. In exchange for its monopoly position, state and federal regulators set NiSource's electric rates.

Fair Value & Profit Drivers

Charles Fishman, Eq. Analyst, 30 October 2019

We increased our fair value estimate to $27.50 per share from $27 after NiSource reported third-quarter earnings, initiated 2020 earnings guidance in line with our estimate, and modestly increased the lower end of 2020-22 capital expenditure guidance.

The financial impact from the tragic natural gas explosion north of Boston in September 2018 appear now to be quantified and was one of the drivers for the $0.50 per share increase in our fair value estimate. For the first time since the tragedy, the estimate of total costs related to the event were unchanged versus last quarter. We reduced our estimate of the costs, net of insurance recovery, to $850 million from our previous estimate of $1 billion.

The increase in our capital expenditure estimate also had a positive impact on our fair value estimate. The $100 million bump in the lower end of management's three-year annual capital expenditure guidance range, to $1.7 billion-$2 billion, increases our confidence in our estimates that were already above the midpoint of previous guidance. We increased our average annual capital expenditures over the next three years by approximately $30 million, to an average of $1.93 billion per year.

We have a high level of confidence that these investments will achieve returns above our 6% estimate of NiSource's weighted average cost of capital since approximately 78% are covered by rate trackers and reflected in rates in 12 months or less after the investment. This favorable regulatory framework reduces regulatory lag, improving returns on investment.

We use a 6% cost of capital in our discounted cash flow valuation, which incorporates a 7.5% cost of equity. Our cost of equity is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above-average regulatory frameworks.

Our pretax cost of debt assumption is 5.8%, as we incorporate a normalized long-term real rate environment

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and normalized credit spreads. A 2.25% long-term inflation outlook underpins our capital cost assumptions.

Our fair value estimate implies a 20 times multiple on 2020 earnings. This is a discount to market valuations for peer combination electric and gas distribution utilities that we think are overvalued as of late October.

Risk & Uncertainty

Charles Fishman, Eq. Analyst, 30 October 2019

Regulatory risk remains the key uncertainty; however, NiSource's regulatory exposure is diversified, owing to operations in seven states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms that provide for automatic rate increases as infrastructure investments are made.

In 2018, NiSource announced it would eliminate all coal-fired generation from its power plant fleet within 10 years. This transition will require signing power purchase agreements for renewable energy; building new gas-fired power plants and solar and wind farms; and making modifications to its electric grid. There is a modest amount of execution risk to this dramatic transition from coal.

Stewardship

Charles Fishman, Eq. Analyst, 30 October 2019

We assign NiSource a Standard stewardship rating. We think management's decision to form Columbia Pipeline Partners and execute CPG's tax-free separation exhibited exemplary stewardship of shareholder capital. However, the CEO who probably drove those decisions left NiSource to go with CPG before he retired.

The National Transportation Safety Board found NiSource responsible for the tragic gas explosion north of Boston. The incident had a negative effect on shareholder value and has been a public relations nightmare. The good news is that Massachusetts represents less than 10% of operating earnings.

Joe Hamrock became CEO following the separation. He has been with NiSource since 2012 and previously ran the natural gas distribution business. Before joining NiSource, he was with American Electric Power. CFO Donald Brown joined NiSource in April 2015. Previously, he was with UGI Utilities and Constellation Energy. These individuals have significant utility experience, and we believe they will not stray from the strategy that has benefited shareholders.

Most of the members of NiSource's board of directors were involved in the separation of CPG and oversight of investment decisions. Given this, we are confident that the solid stewardship of shareholder capital is likely to continue.

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Analyst Notes Archive

The Next Battle Royale: Natural Gas Generation vs. Renewable Energy

Travis Miller, Strategist, 07 October 2019

We are reaffirming our fair value estimates and moat ratings for all U.S. utilities after updating our 2020-30 U.S. power generation forecast.

Our forecast shows natural gas generation expanding its leading market share in the U.S. power generation market through 2030. But our forecast also shows renewable energy moving into second place, overtaking coal, nuclear, and hydropower generation.

We think this sets up a "bloody" fight for market share by the end of the next decade: natural gas vs. renewable energy. Renewable energy has policy momentum and its costs are now competitive with natural gas generation even at today's low gas prices and without tax subsidies. But gas generators offer grid reliability, a key competitive advantage.

We forecast U.S. renewable energy will top 1,000 terawatt-hours by 2030, or 22% of U.S. electricity generation, excluding hydropower. The ramp down in solar and wind tax credits during the next five years won't slow growth as much as others assume. Our 8% CAGR in 2018-30 is higher than global growth rate forecasts and higher than the most recent U.S. Energy Information Administration reference case.

State renewable energy portfolio standards and corporate purchases will fill in any growth gaps related to tax roll-offs. We estimate 32 of the 38 states with renewable energy targets have not met their marks. New York (70% by 2030) and California (60% by 2030) represent one-third of our renewable energy growth forecast.

We forecast natural gas generation will grow 2% annually between 2019 and 2030, reaching 41% of U.S. generation. Coal and nuclear will each fall to 15% market share.

Utilities with large renewable energy investment plans like NextEra Energy and Xcel Energy will continue to benefit from our higher renewable energy growth forecast. We think the market overlooks renewable energy growth potential from wide- and narrow- moat utilities like CMS Energy, NiSource, Edison International, Alliant Energy, and Dominion Energy.

Boston Gas Explosion Costs Finally Firm; Increasing NiSource's Fair Value Estimate

Charles Fishman, Eq. Analyst, 30 October 2019

We are increasing our fair value estimate to $27.50 per share from $27 after narrow-moat NiSource reported break even 2019 third-quarter operating EPS, initiated 2020 earnings guidance in line with our estimate, and modestly increased the lower end of its 2020-22 capital expenditure guidance.

The financial impact from the tragic natural gas explosion north of Boston in September 2018 appears to be quantified and was one of the drivers for the $0.50 per share increase in our fair value estimate. For the first time since the tragedy, the estimate of total costs related to the event were unchanged versus last quarter. We reduced our estimate of the costs, net of insurance recovery, to $850 million from our previous estimate of $1 billion.

The increase in our capital expenditure estimate also had a positive impact on our fair value estimate. The $100 million bump in the lower end of the three-year annual capital expenditure guidance range, to $1.7 billion-$2.0 billion, increases our confidence in our estimates that were already above the midpoint of management's previous guidance. We increased our average annual capital expenditures over the next three years by approximately $30 million, to an average of $1.93 billion per year.

We have a high level of confidence that these investments will achieve returns above our 6% estimate of NiSource's weighted average cost of capital since approximately 78% are covered by rate trackers and reflected in rates in 12 months or less after the investment. This favorable regulatory framework reduces regulatory lag, improving returns on invested capital.

The third quarter is normally weak since about two thirds of NiSource's earnings are from natural gas distribution. NiSource's break even third-quarter results compare with $0.10 per share in the same period last year. NiSource reaffirmed its 2019 EPS guidance range of $1.27-$1.33, and our estimate of $1.30 is unchanged.

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MORNINGSTAR

NiSource Inc NI ★★★Q

03 Feb 2020 02:00 UTC

Last Close	Fair Value[Q]	Market Cap	Sector	Industry	Country of Domicile
03 Feb 2020	03 Feb 2020 02:00 UTC	03 Feb 2020			
29.79	28.48	10,948.6 Mil	Utilities	Utilities - Regulated Gas	United States

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities. For information regarding Conflicts of Interests, visit http://global.morningstar.com/equitydisclosures

Company Profile

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.5 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana to about 500,000 customers. The regulated electric utility also owns more than 3,000 megawatts of generation capacity, most of which is now coal-fired but is being replaced by natural gas and renewables.

Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	Narrow	98	97	95
Valuation	Fairly Valued	10	24	14
Quantitative Uncertainty	Low	100	99	100
Financial Health	Moderate	77	61	77

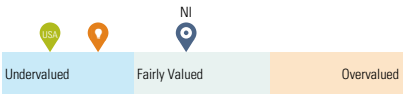

Source: Morningstar Equity Research

Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	1.05	1.05	0.89	0.83
Price/Earnings	23.8	34.0	14.8	20.1
Forward P/E	21.2	—	13.7	13.9
Price/Cash Flow	13.0	9.8	6.5	13.1
Price/Free Cash Flow	—	75.8	13.1	19.5
Trailing Dividend Yield %	2.73	3.16	3.68	2.35
Price/Book	2.2	1.9	1.4	2.4
Price/Sales	2.1	1.7	1.4	2.4

Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	9.6	4.9	9.8	12.9
Return on Assets %	2.2	1.2	3.3	5.2
Revenue/Employee (K)	652.1	597.8	1,274.9	325.9

Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.6	0.6	0.6	0.5
Solvency Score	750.1	—	584.9	552.4
Assets/Equity	3.8	4.4	2.6	1.7
Long-Term Debt/Equity	1.2	1.5	0.7	0.4

Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	4.9	3.2	2.0	-5.4
Operating Income %	-86.4	-46.0	-29.0	-18.0
Earnings %	—	—	—	—
Dividends %	11.4	-2.1	-4.5	-1.6
Book Value %	2.1	2.8	-7.0	-2.7
Stock Total Return %	14.2	12.9	6.6	16.0

Price vs. Quantitative Fair Value

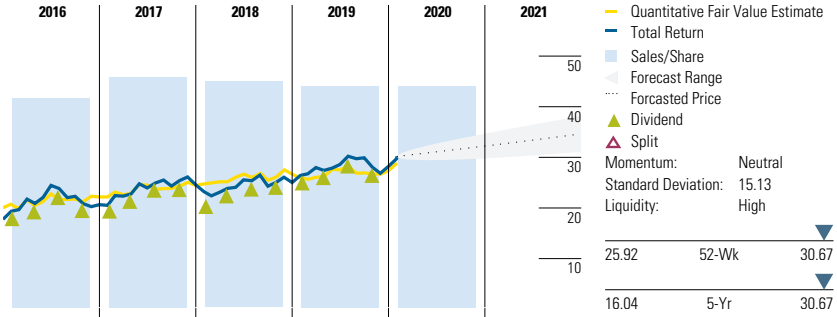

2016	2017	2018	2019	2020	2021	
16.8	19.1	1.8	13.0	7.0		Total Return %
4.3	-2.4	6.8	-18.2	7.0		+/– Market (Morningstar US Index)
2.89	2.73	3.08	2.87	2.73		Trailing Dividend Yield %
2.87	2.73	3.08	2.87	2.73		Forward Dividend Yield %
23.3	31.3	-87.7	22.6	23.8		Price/Earnings
1.7	1.7	1.8	2.0	2.1		Price/Revenue

Morningstar Rating[Q]

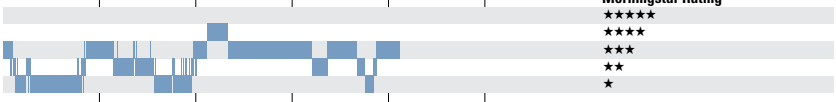

2014	2015	2016	2017	2018	TTM	Financials (Fiscal Year in Mil)
6,471	4,652	4,492	4,875	5,114	5,273	Revenue
14.4	-28.1	-3.4	8.5	4.9	3.1	% Change
1,184	802	857	916	126	851	Operating Income
8.7	-32.3	6.9	6.9	-86.3	575.9	% Change
530	287	332	129	-51	511	Net Income
1,320	1,457	803	742	540	845	Operating Cash Flow
-2,029	-1,361	-1,475	-1,696	-1,818	-1,832	Capital Spending
-709	96	-672	-954	-1,278	-987	Free Cash Flow
-11.0	2.1	-15.0	-19.6	-25.0	-18.7	% Sales
1.67	0.90	1.02	0.39	-0.18	1.23	EPS
-1.8	-46.1	13.3	-61.8	-146.2	—	% Change
-2.47	-1.28	-2.26	-2.47	-1.82	-2.64	Free Cash Flow/Share
1.02	0.83	0.64	0.70	0.78	0.80	Dividends/Share
19.01	11.91	11.79	12.95	12.57	13.30	Book Value/Share
319,110	323,160	337,016	372,364	373,544	373,544	Shares Outstanding (K)
						Profitability
8.8	5.7	8.4	3.1	-1.4	9.6	Return on Equity %
2.2	1.4	1.8	0.7	-0.3	2.2	Return on Assets %
8.2	6.2	7.4	2.6	-1.3	8.8	Net Margin %
0.27	0.22	0.25	0.25	0.24	0.25	Asset Turnover
4.0	4.6	4.6	4.6	4.5	4.5	Financial Leverage
32.6	34.0	36.7	35.8	19.6	34.9	Gross Margin %
18.3	17.2	19.1	18.8	2.5	16.1	Operating Margin %
8,004	5,903	6,058	7,512	7,105	7,854	Long-Term Debt
6,175	3,844	4,071	4,320	5,751	5,848	Total Equity
0.4	0.3	0.4	0.4	0.3	0.3	Fixed Asset Turns

Quarterly Revenue & EPS

Revenue (Mil)	Mar	Jun	Sep	Dec	Total
2019	1,869.8	1,010.4	931.5	—	—
2018	1,750.8	1,007.0	895.0	1,461.7	5,114.5
2017	1,598.6	990.7	917.0	1,368.3	4,874.6
2016	1,436.6	897.6	861.3	1,297.0	4,492.5
Earnings Per Share ()					
2019	0.55	0.75	-0.02	—	—
2018	0.81	0.07	-0.95	-0.05	-0.18
2017	0.65	-0.14	0.04	-0.16	0.39
2016	0.56	0.09	0.08	0.27	1.02

Revenue Growth Year On Year %

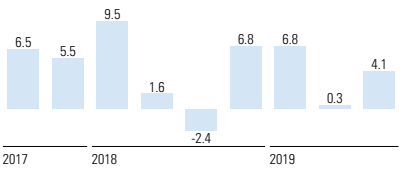

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MORNINGSTAR

Research Methodology for Valuing Companies

Qualitative Equity Research Overview
At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat
The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

2. Estimated Fair Value
Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast
In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

Stage II: Fade
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity
Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

Morningstar Research Methodology for Valuing Companies

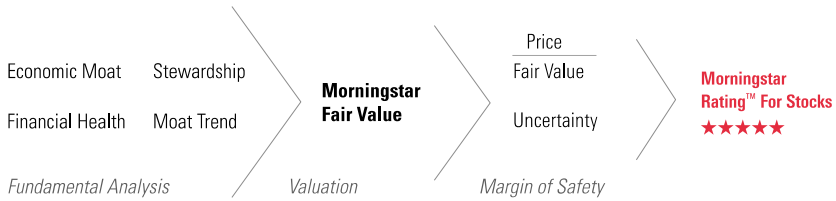

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Research Methodology for Valuing Companies

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very High–margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- Extreme–margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Equity Research Star Rating Methodology

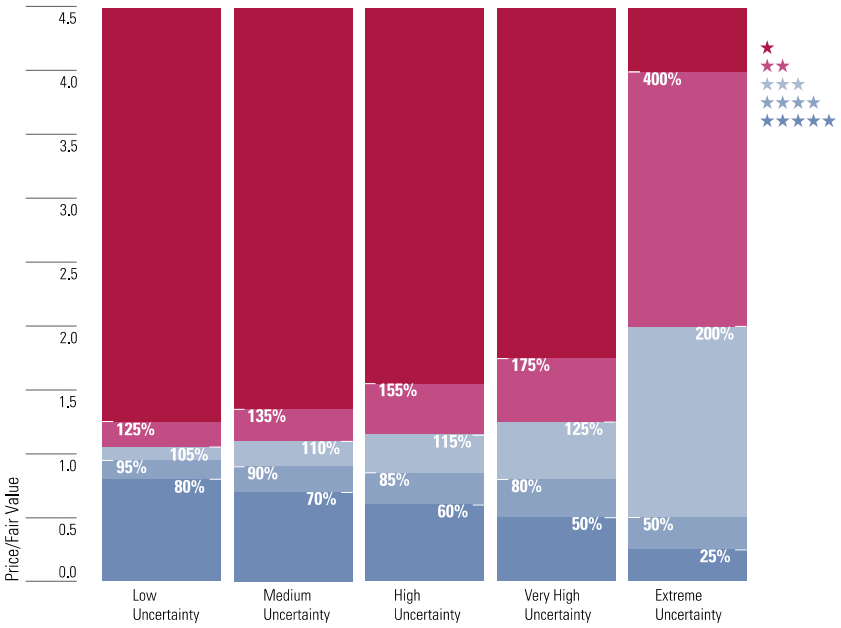

Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

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Research Methodology for Valuing Companies

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Stewardship Rating: Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

Quantitative Valuation: Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ► Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ► Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ► Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

Quantitative Equity Reports Overview

The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of:
(i) Quantitative Fair Value Estimate
(ii) Quantitative Star Rating
(iii) Quantitative Uncertainty
(iv) Quantitative Economic Moat
(v) Quantitative Financial Health
(collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("“Morningstar," "we," "our") calculates Quantitative Ratings for companies whether it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

Quantitative Fair Value Estimate: Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the quantitative fair value estimate using a statistical model derived from the fair value estimate Morningstar's equity analysts assign to companies. Please go to https://shareholders.morningstar.com for information about fair value estimates Morningstar's equity analysts assign to companies.

Quantitative Economic Moat: Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

- ► Narrow: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.
- ► Wide: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.
- ► None: assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

Quantitative Star Rating: Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, and the Quantitative Uncertainty Rating. The rating is expressed as 1-Star, 2-Star, 3-Star, 4-Star, and 5-Star.

★: the stock is overvalued with a reasonable margin of safety.
Log (Quant FVE/Price)<–1*Quantitative Uncertainty

★★: the stock is somewhat overvalued.
Log (Quant FVE/Price) between (–1*Quantitative Uncertainty, –0.5*Quantitative Uncertainty)

★★★: the stock is approximately fairly valued.
Log (Quant FVE/Price) between (–0.5*Quantitative Uncertainty, 0.5*Quantitative Uncertainty)

★★★★: the stock is somewhat undervalued.
Log (Quant FVE/Price) between (0.5*Quantitative Uncertainty, 1*Quantitative Uncertainty)

★★★★★: the stock is undervalued with a reasonable margin of safety. Log (Quant FVE/Price) >1*Quantitative Uncertainty

Quantitative Uncertainty: Intended to represent Morningstar's level of uncertainty about the accuracy of the quantitative fair value estimate. Generally, the lower the quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

- ► Low: the interquartile range for possible fair values is less than 10%.
- ► Medium: the interquartile range for possible fair values is less than 15% but greater than 10%.
- ► High: the interquartile range for possible fair values is less than 35% but greater than 15%.
- ► Very High: the interquartile range for possible fair values is less than 80% but greater than 35%.
- ► Extreme: the interquartile range for possible fair values is greater than 80%.

Quantitative Financial Health: Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

- ► Weak: assigned when Quantitative Financial Health <0.2
- ► Moderate: assigned when Quantitative Financial Health is between 0.2 and 0.7
- ► Strong: assigned when Quantitative Financial Health >0.7

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Research Methodology for Valuing Companies

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- ► Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ► Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ► Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

This Report has not been made available to the issuer of the security prior to publication.

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03 Feb 2020 22:39, UTC	03 Feb 2020	30 Oct 2019 19:51, UTC		03 Feb 2020	03 Feb 2020	03 Feb 2020		

Price/Fair Value Morningstar data as of Feb 03, 2020

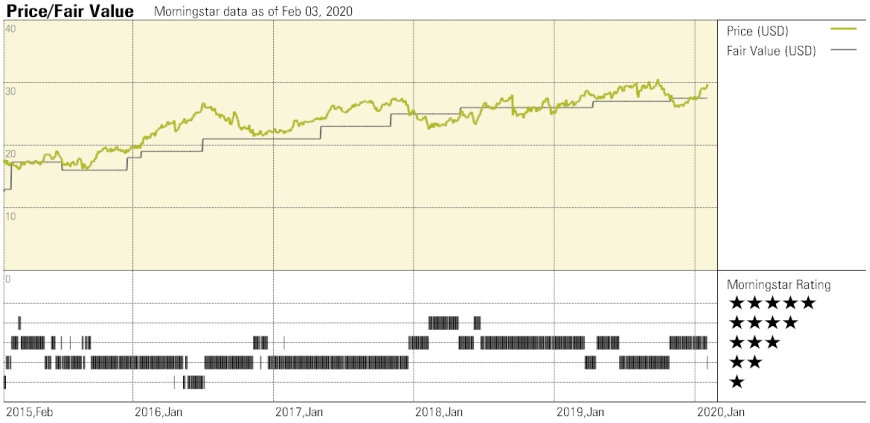

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Energy | Power & Utilities

January 27, 2020

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Rebalancing Our Stock Recommendations & Waving The Yellow Flag On Valuation

We are rolling out '22 EPS forecasts, updating 12-month targets.

Upgrading CNP, DTE and NI From In Line To Outperform. SRE, FE, EXC, AES, VST, and NRG remain Outperform-rated.

Upgrading PNW from Underperform To In Line.

Downgrading CMS, NEE from Outperform To In Line.

Downgrading ES, WEC From In Line To Underperform. HE remains Underperform-rated.

Waving the "yellow flag" on electric utility group valuations: Regulated utility stocks now look fully priced to expensive in all of our valuation models. The "best-in-class" earnings and dividend growth compounders in particular are trading at big premiums on top of the already robust average group valuation. We are consciously tilting to value over quality on the margin in our stock selection.

Absolute valuations on FactSet NTM consensus are at an all-time high; relative valuations vs. the S&P 500 remain elevated. For our regulated universe, P/Es are 22.3x NTM FactSet consensus, an all-time high, and vs. 21.2x at YE '19. The FactSet relative P/E remains elevated at 1.20x and higher than the 1.17x posted at YE '19, though below the max risk-off level of 1.3x+ we saw in December '18, when the market was pricing in recession risk. So for utilities to go higher on a relative basis, the market would have to go incrementally "risk-off."

Our dividend discount model explains assumptions that support the group's robust absolute valuation. If we assume current rate base growth trends are sustainable and authorized ROEs decline, but at a modest rate of change with interest rates continuing to be subdued, one can justify a group valuation of 19.5-20x '22 EPS and even understand the 22-25x '22 EPS valuation accorded to the "best-in-class" companies. But that is increasingly pricing in perfection. We discuss our DDM methodology in detail in this report. We concede that they could stay at these elevated valuations until perspectives on the future levels of interest rates and inflation change (higher) or the perspective on ROE trends changes (lower). However, it is hard to see a lot of upside on either an absolute or a relative valuation basis vs. the market, unless we go to pre-recession "risk-off" levels.

Our bond regression model shows the group is fully priced to the current low level of Treasury and Corporate bond yields. At 1/24/20, the 10yr yield was 1.74% and the Moody's Baa yield was 3.74%. Our bond model reading was 3.7% expensive on '20 dividend yields and 1.6% inexpensive on 12 month out (expected '21) dividend yields. The model discounts corporates at ~3.8% a year out and the 10yr yield at ~1.59%, assuming a historic average spread of 222bp. Every 25 basis points of change in our target corporate bond yield assumptions—all things equal—impacts valuation by a little over half a turn on the P/E multiple.

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Regulated Utilities: 1/27/20—YELLOW FLAG ON VALUATION

Today We Roll Out '22 EPS Estimates, Update Target Prices & Are Rebalancing Ratings.

We Are Upgrading CNP, DTE, NI To Outperform From In Line. SRE, FE, EXC & AES (As Well As NRG and VST) Remain Rated Outperform.

We Are Upgrading PNW To In Line From Underperform.

We Are Downgrading CMS & NEE To In Line From Outperform.

We Are Downgrading ES & WEC to Underperform From In Line. HE Rated Underperform.

Waving The Valuation Yellow Flag! *The Group Is Now Very Full In All Our Models.*

Average Absolute P/E Valuation Is ~22.3x NTM FactSet Consensus, A Peak. Relative P/E Vs. The SP500 Is 1.20x.

Our DDM Shows That Current Valuations Price In The Current Growth / Return Profile Of The Sector With Very Little Downside Risk, Despite Some Fraying On The ROE Front.

In Our Bond Model They Are Fully Priced But Not Overvalued, Given Current Treasury & Corporate Bond Yields. 12-Months Out They Are Discounting A Moody's Baa Corporate Bond Yield Of 3.81% And A 10 Year T-Bond Yield Of 1.59%.

Our Universe: We Cover 26 Regulated Utilities, 3 Diversified Utilities, 2 IPPs

- **Utilities are trading at risk-off P/E multiples, above what we saw in '16 / '17 / '18.**
- **P/E multiples average 22.3x '20, 20.9x '21, and 19.8x '22 EPS.**
  - **All of those P/E multiple averages remove the extreme discounts of three stocks: EIX, PCG, and PPL.**
- **The group peaked in '18 on 12/13/18 at 20.9x '18, 19.7x '19, 18.5x '20.**
- **The group peaked in '17 on 11/14/17 at 21.8x '17, 20.4x '18, and 18.8x '19.**
- **The post-Brexit July '16 highs were 20.5x '16, 19.5x '17 and 18.5x '18.**

- **Within the Regulated Universe, the companies that are considered the safest (the best earnings and dividend growth compounders) are now trading at particularly high absolute and relative valuations.**
  - **Our downgrades of NEE and CMS to IL from OP and ES and WEC from IL to UP don't reflect a view that their fundamental ability to compound returns has changed, but more that they are increasingly fully / over-valued relative to those attributes.**
  - **Our upgrades: We concede that CNP, NI, DTE are cheaper because they are more complex / are seen as more risky but see opportunity. EXC is also a somewhat binary special situation. AES is transforming in to a lower risk more consistent EPS growth vehicle. We see FE as a good relative value vs. other higher priced regulated names. SRE remains—in our view—a differentiated total return story that is under-appreciated.**

Valuation & Earnings Snapshot (Trading Comps)

Regulated Utilities

Ticker	Company Name	1/26/20 Price	ISI Rating	Shares Out	Market Cap	2020 Div Yld	2020 Payout	ISI EPS Estimate 2020	2021	2022	P/E Multiple 2020	2021	2022	'18-'22 EPS Growth	Price to Book	Prem. to Group
NEE	NextEra Energy, Inc.	$263.72	In Line	486	128,168	2.1%	62%	9.15	9.85	10.65	28.8x	26.8x	24.8x	8.4%	3.3x	25%
WEC	WEC Energy Group	$98.96	Underperform	317	31,351	2.5%	67%	3.75	4.05	4.25	26.4x	24.4x	23.3x	6.2%	2.9x	18%
ES	Eversource Energy	$91.81	Underperform	336	30,823	2.5%	62%	3.65	3.85	4.05	25.2x	23.8x	22.7x	5.7%	2.1x	14%
CMS	CMS Energy Corp	$67.49	In Line	291	19,650	2.4%	61%	2.68	2.88	3.08	25.2x	23.4x	21.9x	7.2%	3.2x	11%
XEL	Xcel Energy Inc	$67.17	In Line	527	35,373	2.5%	60%	2.80	2.95	3.10	23.9x	22.8x	21.7x	5.9%	2.4x	9%
EVRG	Evergy	$71.37	In Line	229	16,344	2.9%	67%	3.15	3.30	3.40	22.7x	21.6x	21.0x	6.2%	2.3x	6%
PNM	PNM Resources, Inc.	$53.44	In Line	88	4,705	2.3%	55%	2.20	2.40	2.55	24.3x	22.3x	20.9x	6.3%	2.0x	6%
AEP	American Electric Power Co Inc	$102.16	In Line	497	50,821	2.7%	64%	4.35	4.65	4.95	23.5x	22.0x	20.6x	5.9%	2.4x	4%
ETR	Entergy Corp	$130.73	In Line	200	26,210	2.8%	65%	5.65	6.00	6.35	23.1x	21.8x	20.6x	-3.4%	2.4x	4%
HE	Hawaiian Electric Industries, Inc.	$48.45	Underperform	111	5,361	2.6%	63%	2.05	2.25	2.40	23.7x	21.5x	20.2x	6.7%	2.1x	2%
AEE	Ameren Corp	$80.39	In Line	257	20,637	2.5%	57%	3.45	3.75	4.00	23.3x	21.5x	20.1x	4.4%	2.2x	1%
SO	Southern Company Inc	$69.44	In Line	1,061	73,678	3.7%	79%	3.20	3.30	3.55	21.7x	21.0x	19.6x	3.8%	2.2x	-1%
ED	Consolidated Edison Inc	$93.61	In Line	345	32,281	3.3%	68%	4.50	4.70	4.85	20.8x	19.9x	19.3x	2.9%	1.6x	-3%
SRE	Sempra Energy	$159.76	Outperform	311	49,618	2.6%	59%	6.90	8.10	8.45	23.2x	19.7x	18.9x	11.0%	2.2x	-5%
NI	NiSource Inc	$29.08	Outperform	412	11,993	2.9%	61%	1.38	1.46	1.55	21.1x	19.9x	18.7x	4.6%	2.2x	-5%
AGR	Avangrid Inc.	$52.21	In Line	310	16,159	3.4%	74%	2.40	2.65	2.80	21.8x	19.7x	18.6x	6.1%	1.0x	-6%
FE	FirstEnergy Corp	$50.47	Outperform	544	27,435	3.1%	62%	2.50	2.65	2.75	20.2x	19.1x	18.3x	1.4%	3.4x	-7%
PNW	Pinnacle West Capital Corp	$97.12	In Line	113	11,010	3.3%	65%	4.85	5.00	5.30	20.0x	19.4x	18.3x	3.9%	1.8x	-7%
OGE	OGE Energy Corp	$45.52	In Line	201	9,140	3.5%	69%	2.30	2.40	2.50	19.8x	19.0x	18.2x	4.2%	2.1x	-8%
DTE	DTE Energy Co	$132.76	Outperform	195	25,883	3.1%	62%	6.65	7.00	7.55	20.0x	19.0x	17.6x	4.6%	1.9x	-11%
D	Dominion Resources Inc	$84.00	In Line	821	68,986	4.5%	86%	4.35	4.55	4.80	19.3x	18.5x	17.5x	4.3%	2.3x	-12%
DUK	Duke Energy Corp	$96.28	In Line	770	74,182	4.0%	73%	5.20	5.40	5.65	18.5x	17.8x	17.0x	4.7%	1.5x	-14%
EIX	Edison International	$76.92	In Line	412	31,667	3.2%	54%	4.55	4.45	4.60	16.9x	17.3x	16.7x	2.6%	1.6x	-16%
CNP	CenterPoint Energy Inc	$26.46	Outperform	530	14,023	4.5%	80%	1.50	1.60	1.70	17.6x	16.6x	15.6x	1.5%	1.6x	-21%
PPL	PPL Corp	$36.53	In Line	738	26,950	4.5%	65%	2.54	2.50	2.55	14.4x	14.6x	14.3x	1.6%	1.9x	-28%
PCG	PG&E Corp	$14.27	Rating Suspende	529	7,549	0.0%	0%	4.30	4.65	4.95	3.3x	3.1x	2.9x	5.4%	0.5x	-85%
Regulated Group Average (Excludes PCG for Div Values)						**3.1%**	**65.8%**				**21.1x**	**19.9x**	**18.8x**	**4.7%**	**2.12x**	
Regulated Group Average (Excluding Stocks: PPL, EIX, and PCG)						3.0%	66.3%				22.3x	20.9x	19.8x	4.9%	2.23x	
Regulated Group Max (Excludes PCG for Div Values)						4.5%	86.5%				28.8x	26.8x	24.8x	11.0%	3.4x	
Regulated Group Min (Excludes PCG for Div Values)						2.1%	54.5%				3.3x	3.1x	2.9x	-3.4%	0.5x	

Diversified Utilities

Ticker	Company Name	1/26/20 Price	ISI Rating	Shares Out	Market Cap	2020 Div Yld	2020 Payout	ISI EPS Estimate 2020	2021	2022	P/E Multiple 2020	2021	2022	'18-'22 EPS Growth	Price to Book	Prem. to Group
PEG	Public Service Enterprise Group Inc	$61.66	In Line	507	31,262	3.2%	59%	3.35	3.45	3.55	18.4x	17.9x	17.4x	3.3%	1.9x	-6%
EXC	Exelon Corp	$47.73	Outperform	981	46,839	3.2%	51%	3.00	3.00	3.00	15.9x	15.9x	15.9x	-1.1%	1.3x	-14%
AES	AES Corp	$20.38	Outperform	664	13,532	2.8%	41%	1.40	1.55	1.70	14.5x	13.2x	12.0x	8.2%	3.1x	-35%
Diversified Group Average						**3.1%**	**50%**				**16.3x**	**15.6x**	**15.1x**	**3.5%**	**2.1x**	
Diversified Group Max						3.2%	59%				18.4x	17.9x	17.4x	8.2%	3.1x	
Diversified Group Min						2.8%	41%				14.5x	13.2x	12.0x	-1.1%	1.3x	

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

We Are Updating '19-'21 EPS Estimates & Introducing '22 EPS Forecasts

- **Below is a summary of our updated EPS forecasts for '19-'21 and our mostly new estimates for '22. While we have factored into our analysis the most recent company disclosures, we expect to adjust further over the course of the next several weeks, as companies report FY '19 EPS and give updated medium- and long-term guidance.**

Company	2019 EPS			2020 EPS			2021 EPS			2022 EPS			'19-'22
Ticker	Change	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	CAGR
AEE	0.00	3.28	3.28	0.00	3.45	3.45	0.00	3.75	3.75		4.00	0.00	6.9%
AEP	0.00	4.20	4.20	0.00	4.35	4.35	0.00	4.65	4.65		4.95	0.00	5.6%
AES	0.00	1.31	1.31	-0.02	1.40	1.42	0.03	1.55	1.52		1.70	0.00	9.1%
AGR	0.00	2.28	2.28	-0.06	2.40	2.45	-0.05	2.65	2.70		2.80	0.00	7.2%
CMS	0.00	2.49	2.49	0.00	2.68	2.68	0.00	2.88	2.88		3.08	0.00	7.3%
CNP	0.00	1.70	1.70	-0.15	1.50	1.65	-0.20	1.60	1.80		1.70	0.00	0.0%
D	0.00	4.20	4.20	0.00	4.35	4.35	0.00	4.55	4.55		4.80	0.00	4.5%
DTE	0.00	6.24	6.24	0.00	6.65	6.65	-0.11	7.00	7.10		7.55	0.00	6.6%
DUK	0.00	5.05	5.05	0.05	5.20	5.15	0.04	5.40	5.35		5.65	0.00	3.8%
ED	0.00	4.30	4.30	-0.10	4.50	4.60	-0.05	4.70	4.75		4.85	0.00	4.1%
EIX	0.00	4.75	4.75	-0.20	4.55	4.75	-0.15	4.45	4.60		4.60	0.00	-1.1%
ES	0.00	3.45	3.45	0.00	3.65	3.65	0.00	3.85	3.85		4.05	0.00	5.5%
ETR	0.00	5.35	5.35	0.01	5.65	5.65	0.00	6.00	6.00		6.35	0.00	5.9%
EVRG	0.00	2.85	2.85	0.00	3.15	3.15	0.00	3.30	3.30		3.40	0.00	6.1%
EXC	0.00	3.10	3.10	-0.05	3.00	3.05	0.00	3.00	3.00		3.00	0.00	-1.0%
FE	0.00	2.35	2.35	0.00	2.50	2.50	-0.01	2.65	2.65	0.00	2.75	2.75	5.4%
HE	0.00	1.97	1.97	-0.04	2.05	2.09	-0.05	2.25	2.30		2.40	0.00	6.9%
NEE	0.00	8.32	8.32	0.00	9.15	9.15	-0.01	9.85	9.85		10.65	0.00	8.6%
NI	0.00	1.30	1.30	0.00	1.38	1.38	0.00	1.46	1.46		1.55	0.00	6.2%
OGE	0.00	2.27	2.27	0.00	2.30	2.30	0.00	2.40	2.40		2.50	0.00	3.3%
PCG *	0.00	3.75	3.75	0.00	4.30	4.30	0.00	4.65	4.65	0.00	4.95	4.95	9.7%
PEG	0.00	3.20	3.20	0.00	3.35	3.35	0.00	3.45	3.45		3.55	0.00	3.5%
PNM	0.00	2.08	2.08	-0.01	2.20	2.20	0.00	2.40	2.40		2.55	0.00	7.0%
PNW	0.00	4.70	4.70	0.00	4.85	4.85	0.00	5.00	5.00		5.30	0.00	4.1%
PPL	0.00	2.46	2.46	0.00	2.54	2.54	0.00	2.50	2.50		2.55	0.00	1.3%
SO	0.00	3.12	3.12	0.04	3.20	3.15	0.06	3.30	3.25		3.55	0.00	4.4%
SRE	0.00	6.35	6.35	0.00	6.90	6.90	0.00	8.10	8.10		8.45	0.00	10.0%
WEC	0.00	3.53	3.53	0.00	3.75	3.75	0.00	4.05	4.05		4.25	0.00	6.4%
XEL	0.00	2.62	2.62	0.00	2.80	2.80	0.00	2.95	2.95		3.10	0.00	5.8%

* Before bankruptcy POR dilution. Under the terms of the current bankruptcy POR / equity backstop agreement we currently see a base case of +/-$0.90 of earnings power.

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

Summary Of Rating & Price Target Changes

- **We believe the group is very fully valued. But we set our target prices on a "market agnostic" basis, which means we are using an anchor P/E multiple of ~19.5x '22 EPS so investors can better see where we see good relative value.**
  - **Based on our updated 12-month target prices, the average utility (excluding PCG) should post a total return of 4.8%.**
  - **Our Outperform-rated stocks are expected to post a 12-month total return of 10.5%.**
  - **Our Underperform-rated stocks are expected to post a 12-month total return of (3.6%).**
- **We discuss rating changes over the following pages.**

Company	Rating			Target Price			Dividend	Price	Total
Ticker	Change	New	Old	Change	New	Old	Return	Return	Return
AES		Outperform	Outperform	$4.50	$23.00	$18.50	2.8%	12.9%	15.7%
EXC		Outperform	Outperform	$0.00	$52.50	$52.50	3.2%	10.0%	13.2%
CNP	+	Outperform	In Line	$1.00	$28.00	$27.00	4.6%	5.8%	10.5%
NI	+	Outperform	In Line	$1.00	$31.00	$30.00	2.9%	6.6%	9.5%
SRE		Outperform	Outperform	$10.00	$170.00	$160.00	2.6%	6.4%	9.0%
FE		Outperform	Outperform	$1.00	$53.00	$52.00	3.2%	5.0%	8.2%
DTE	+	Outperform	In Line	$11.00	$139.00	$128.00	3.1%	4.7%	7.8%
EIX		In Line	In Line	$8.00	$80.00	$72.00	3.2%	4.0%	7.2%
AEE		In Line	In Line	$7.00	$84.00	$77.00	2.5%	4.5%	6.9%
D		In Line	In Line	$3.00	$85.00	$82.00	4.5%	1.2%	5.7%
AGR		In Line	In Line	$2.50	$53.00	$50.50	3.4%	1.5%	4.9%
ED		In Line	In Line	$4.00	$95.00	$91.00	3.3%	1.5%	4.8%
DUK		In Line	In Line	$5.00	$97.00	$92.00	4.0%	0.7%	4.7%
CMS	-	In Line	Outperform	$4.50	$69.00	$64.50	2.4%	2.2%	4.7%
OGE		In Line	In Line	$4.00	$46.00	$42.00	3.5%	1.1%	4.5%
PPL		In Line	In Line	$3.50	$36.50	$33.00	4.5%	-0.1%	4.5%
PEG		In Line	In Line	-$1.00	$62.00	$63.00	3.2%	0.6%	3.7%
AEP		In Line	In Line	$7.00	$103.00	$96.00	2.7%	0.8%	3.5%
PNW	+	In Line	Underperform	$8.00	$97.00	$89.00	3.3%	-0.1%	3.1%
SO		In Line	In Line	$5.50	$69.00	$63.50	3.7%	-0.6%	3.0%
EVRG		In Line	In Line	$7.00	$71.00	$64.00	2.9%	-0.5%	2.4%
PNM		In Line	In Line	$3.50	$53.50	$50.00	2.3%	0.1%	2.4%
ETR		In Line	In Line	$7.00	$130.00	$123.00	2.8%	-0.6%	2.3%
NEE	-	In Line	Outperform	$23.00	$263.00	$240.00	2.1%	-0.3%	1.9%
XEL		In Line	In Line	$5.50	$66.50	$61.00	2.5%	-1.0%	1.5%
ES	-	Underperform	In Line	$5.50	$89.00	$83.50	2.5%	-3.1%	-0.6%
WEC	-	Underperform	In Line	$4.00	$95.00	$91.00	2.5%	-4.0%	-1.5%
HE		Underperform	Underperform	$2.00	$43.00	$41.00	2.6%	-11.2%	-8.6%
PCG		Rating Suspended	Rating Suspended	NA	NA	NA	NA	NA	NA
Average (ex-PCG)							**3.1%**	**1.7%**	**4.8%**

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

Upgrading CNP, NI, DTE to Outperform From In Line

CNP – Outperform, TP: $28, ETR: 10.5%: We are raising CNP to Outperform from In Line. CenterPoint has underperformed significantly over the past year, with developments in the Houston Electric rate case plus lower expected results at Enable midstream adding to the balance sheet issues created by CNP overpaying for the Vectren acquisition. The company has said it will provide a "reboot" of its financial outlook and financing plan with its Q4 results. CNP may or may not sell their unregulated businesses (per news reports) which while it would be EPS dilutive could improve its quality of earnings, enhance its risk profile and reduce equity needs because they have to shore up the balance sheet. We expect the company to issue guidance for '20 EPS of $1.50, and $1.45 is not out of the question. Off that reset, we believe they could grow EPS 6% annually through '22 after a repairing of the balance sheet due to above-average rate base growth at the utilities. Our $28 target price is 16.5x our '22 EPS estimate of $1.70 a 16.5% discount to peers at 19.8X '20 EPS which is warranted given midstream exposure and parent leverage.

NI – Outperform, TP: $31, ETR: 9.5%: We are raising NI to Outperform from In Line. NiSource stock has significantly underperformed the last two years and the stock now trades at a discount to peers. The company appears to have (finally) put a firm band around total costs for the Greater Lawrence incident, the cause of that underperformance. There is still some uncertainty regarding fines and penalties with Massachusetts investigations (e.g. Mass. DPU) but potential upside to cash flow with property insurance not included in the plan. Equity issuance announcement is behind them and they still expect to now deliver 5-7% annual EPS growth going forward. We derive a 9% estimated total return from our sum-of-the-parts analysis where, for the electric utility, we assign a 5% premium multiple to our base P/E target multiple of 19.5x '22 EPS. We assign a 5% discount multiple to comparable LDC's for the gas utilities. Our target price of $31 implies a 20X P/E multiple of '22 EPS.

DTE – Outperform, TP: $139, ETR: 7.8%: We are raising DTE to Outperform from In Line. We are upgrading our rating on DTE to Outperform from In Line and raising our price target to $139 from $128. That target price is 18.4X '22 EPS, a 7% discount to peers. DTE is trading at an 11% discount to peers on '22 EPS. We concede that due to DTE's business mix--which is +/-70% utilities but 30% pipeline/midstream, power and industrials, trading--that many investors will argue the stock is not cheap on a "sum of the parts" basis. However, we have heard that before, and DTE has a long history of overcoming that skepticism by over delivering on financial targets and we believe this will continue, with our expectation that DTE will deliver toward the upper end of its 5-7% EPS growth plan, with growth at the utilities and gas storage and pipeline business offsetting the next roll off of Reduced Emissions Fuel Credits in 2022. We expect outperformance over the coming months as investors get more comfortable with DTE's latest gas midstream acquisition and as the company potentially outperforms financial targets Our 2019 and 2020 estimates remain $6.24 and $6.65, respectively. We are lowering our 2021E by a dime to $7.00 and introducing a 2022E of $7.55.

Source: FactSet, Evercore ISI Research

Additional Outperform-Rated Stocks

AES – Outperform, TP: $23, ETR: 15.8%: We are increasing our 12-month target price to $23/sh from $18.5/sh. Rating remains Outperform. The stock currently trades at only ~12x our '22 EPS forecast of $1.70/sh. Given the progress AES is making towards firming up its EPS and FCF growth outlook and improving credit quality, we think the stock deserves a higher valuation albeit it should still trade at a material discount vs. the traditional U.S. utilities. Also their investment in Fluence (a battery JV with Siemens) could be a hidden upside as it is growing rapidly while not contributing to EPS. Our $23/sh target price is ~13.5X our '22 estimate vs. a 19.5x target for the U.S. utility peer group. International utility holding companies like Iberdrola trade at ~15.6X '22 consensus EPS.

EXC – Outperform, TP: $52.5, ETR: 13.4%: There is a lot of risk priced in to EXC shares. The stock is being weighed down by the lack of consideration of IL energy legislation in '19 and the Federal corruption investigation in which EXC has been issued several Grand Jury subpoenas, the first disclosed in a 7/15/19 8K. Investors should also note that ComEd's franchise agreement with the city of Chicago is set to expire at YE '20 and needs to be renewed, which poses another risk. This situation remains unpalatable near term given the uncertain direction and timeline for resolution of this investigation, but we think the risk is more than priced in. At a peer average multiple EXC's core utility business is worth between $42-$48/share at their '22 EPS guidance of $2.15-$2.45/share. We put EXC's utility value at ~$43/share, meaning you are buying ExGen for +/-$4.5/share which is the equivalent of ~4.5x EV/EBITDA, ~2.6X debt/EBITDA, generating cash at a ~20% unlevered FCF yield before any assumption of upside from IL legislation or closing money losing plants. Alternatively if you think ExGen is worth 6X EV/EBITDA you are paying ~17.5x '22 EPS for the utilities. There is over a ~$3.3bn valuation gap. If the IL legislature takes up and passes their energy policy agenda in 2020 that means there is a lot of upside.

FE – Outperform, TP: $53, ETR: 8.2%: Our 12-month target price is $53/sh which is ~19.2x our '22 UPO forecast of $2.75/sh. That is a ~2% discount vs. the average target multiple of 19.5x '22 EPS for our regulated utility coverage universe. Our valuation uses a sum of the parts methodology that takes in to account a risk adjustment for parent leverage and credit metrics being below the average for our coverage universe. For the distribution business, we apply a 19.0x multiple – a ~3% discount vs. what we view fair value for an average utility. For the transmission business, we apply 20.5x multiple, a ~5% premium to the 19.5x multiple that we view as fair value for an average utility due to the transmission segment's higher than average authorized ROE, formula rates, and higher earnings growth profile. The result is a consolidated P/E multiple target of ~19.2x, a slight discount to our group average target multiple. FE is a good investment alternative relative to some of the stocks in our universe trading at more exorbitant premiums currently.

Source: FactSet, Evercore ISI Research

Additional Outperform-Rated Stocks

SRE – Outperform, TP: $170, ETR: 9.2%: We see SRE as a core holding for the next several years as we think they have repositioned the company to exceed consensus EPS growth expectations short to medium term and have significant opportunities to enhance LT value through there LNG export business. We are raising our price target to $170/sh from $160/sh as part of our model rollforward. Our target price puts a 50% weighting on our base and bull case valuations, which results in a target P/E multiple on '22 EPS of 20.1x. Our bull case target price is $177/sh and incorporates some upside from SRE's incremental LNG projects. Our base case target of $163/sh only assumes Cameron trains 1-3 enter service.

- Base case: For SDG&E we apply a 5% premium to the anchor 19.5x multiple on '22 EPS for regulated electrics. Historically, we think investors accorded SRE's California utilities a premium P/E multiple due to their consistent growth outcomes and achieved returns on equity but due to wildfire liability issues associated with inverse condemnation that premium has melted out of the stock price. We value SoCalGas at a 5% discount to the trading value of a group of comparable pure play gas distribution companies. We use the 5% discount because we think the average pure play LDC multiple includes an implied takeover premium. For Oncor we use a 21.5x multiple which is a 10% premium to our base 19.5x multiple, due to the state's strong load growth and stable regulatory environment. For Cameron LNG we use a DCF approach to value ~$12bn in cash distributions over the next 20 years using a 7% discount rate to come up with a current equity value of ~$19/sh. We value IEnova based on SRE's percent ownership (66.5%) of the company's current market value. At the parent we use our "50/50" valuation method to average a P/E multiple approach against parent interest expense and deducting the per share value of parent leverage at YE '22.

- Bull case: We include potential uplift from Cameron trains 4 and 5 (~8 Mtpa) which they have signed an MOU with Total for significant capacity, but not from ECA or Port Arthur. However, using the same rough valuation math that we use for Cameron trains 4 and 5 Port Arthur could be worth ~$8.5/sh too, so our upside case assumptions are fungible as long as SRE executes on a portion of its LNG export growth ambitions. Given the constructive legislative outcome with the passage of the AB 1054 and related legislation in CA, the potential for multiple expansion on the component of SRE's EPS that comes from its CA utilities becomes much more probable, in addition to the upside from other areas of the business.

Source: FactSet, Evercore ISI Research

Downgrading CMS, NEE to In Line From Outperform

CMS – In Line, TP: $69, ETR: 4.8%: We are lowering CMS to In Line from Outperform. We continue to view CMS as a high-quality regulated utility with a top-tier management team and an impressive track record, particularly from an earnings execution standpoint. We also continue to expect CMS to deliver EPS CAGR of 7% through 2022 (well above average for a regulated utility) and at the midpoint of their targeted 6-8% CAGR. However, we expect it will be harder for the company to keep up this level of growth beyond our modeling time horizon. We expect rate base growth to slow as it becomes harder to offset growing depreciation and the anticipated retirement of coal plants (Karn 1 and 2 will retire in 2023 resulting in the loss of $660m in rate base and others could follow), and we also see the risk that authorized ROEs come down further in Michigan, making it harder for the utility to deliver premium earned returns at the electric business in particular. They could offset these headwinds by earning higher incentive based revenues and investing outside the core utilities. But even assuming that the stock is no longer cheap. The stock up almost 7% YTD after being up just under 30% in 2019, we cannot continue to support an Outperform Rating. As a result, we are downgrading our rating on CMS to In Line even as we raise our PT to $69 from $64.50 on a rolled forward and new 2022 EPS estimate of $3.08. This reflects a 22.4x P/E multiple (a 15% premium to our target regulated utility multiple of 19.5x). Meanwhile, our 2019E of $2.50 is up a penny and our 2020 and 2021 EPS forecasts are unchanged at $2.68 and $2.88, respectively.

NEE – In Line, TP: $263, ETR: 2.2%: We are lowering NEE to In Line from Outperform. NextEra is a "best in class" earnings and dividend growth compounder with a lot of visibility for continued growth. The core utility business (FPL) offers a strong rate base and earnings growth profile with significant capex opportunities in a historically stable regulatory environment. NEER is the largest renewable energy developer in the country with a robust backlog of development opportunities that bolsters EPS growth visibility. NEE has been successfully implementing its "playbook" at Gulf Power, driving operating costs lower and rate base higher, setting NextEra up for meaningful accretion this year and next. We have confidence NEE will grow at or near the top end of their long-term 6-8% EPS CAGR guidance through '22. However, it is hard to see material upside in the shares from here with the stock at a ~25x multiple on '22 EPS expectations. So while we have utmost confidence in their ability to deliver on financial results our 12-month total return profile of 2% determined using our sum-of-the-parts supports an In Line rating and comes despite assigning premium multiples across the business lines. We also have to consider there is some risk rate case filings at FPL and Gulf Power (possibly combined) in 2021 and the ongoing need to recycle a lot of capital at NEER to continue driving earnings growth in the renewable energy businesses.

Source: FactSet, Evercore ISI Research

Upgrading PNW to In Line From Underperform

PNW – In Line, TP: $97, ETR: 3.3%: We are raising PNW to In Line from Underperform. PNW has underperformed significantly over the past several months in the midst of a challenging regulatory environment. The APS rate case is likely to extend beyond the November 2020 election of two new commissioners. We acknowledge it is early to tell if there could be a change in the make-up (and tone) of the Arizona commission. That being said, we assume a conservative, below-consensus $5.00 EPS estimate for ’21 which we derive using the Staff position in the pending Tucson Electric rate case. From our conservative ’21 estimate, we assume a return to normal EPS growth and $5.30/share of EPS in ‘22. Our $97/share target price is ~18.3x our ’22 EPS estimate which is a 7% discount to peers. We know there is a long timeline of uncertainty here in the pending rate case and with an election pending but we can no longer justify an Underperform rating at this valuation.

Source: FactSet, Evercore ISI Research

Downgrading ES, WEC To Underperform From In Line

ES – Underperform, TP: $89, ETR: -0.4%: We are lowering ES to Underperform from In Line. ES is up over 7% YTD after rising 34% in 2019, and is now trading at 22.7x 2022 EPS, a 14% premium to the regulated utility group. While we believe ES merits a premium given an ESG friendly business mix, limited rate case related risk, above-average largely T&D driven EPS growth, and an impressive management team execution track record over many years we also worry that the stock has run up too much and too fast and is now already pricing in upside from planned offshore wind investments. That is despite what is still a long road ahead before the projects start generating power and cash flow the current valuation may overly minimize risks in that segment related to permitting and construction. This rating change also has much to do with frothy overall valuations in the regulated utility sector and what we see as an overextended premium being paid for best in class earnings and dividend growth compounders like ES. As a result, we are downgrading our rating to Underperform from In Line even as we raise our price target to $89 from $83.50. We maintain our 2019, 2020, 2021, and 2022 EPS estimates of $3.45, $3.65, $3.85, and $4.05.

WEC – Underperform, TP: $95, ETR: -1.3%: We are lowering WEC to Underperform from In Line. We are downgrading our rating on WEC to Underperform from In Line. While we believe WEC will deliver on targeted EPS growth, very likely at the upper end of their 5-7% range, with the benefit of a highly constructive rate plan in WI (finalized last year and running two years) and no equity needs, we also see the stock as more than pricing in these positive fundamentals, and see more risk of downside than upside, largely from a valuation perspective. WEC is currently trading at a 23.3x P/E multiple on 2022 EPS, representing a 17% premium to the group. We are raising our price target with this note to $95 from $91, as we roll forward our valuation to 2022 and capture another year of above average EPS growth. That said, we still see 4% downside risk (excluding the dividend yield) at our new target. This rating change has much to do with frothy overall valuations in the regulated utility sector and what we see as an overextended premium being paid for best in class earnings and dividend growth compounders like WEC. We maintain our 2019, 2020, 2021 EPS estimates of $3.53, $3.75, and $4.05 and are introducing a 2022E of $4.25.

Source: FactSet, Evercore ISI Research

Additional Underperform-Rated Stocks

HE – Underperform, TP: $43, ETR: -8.6%: We are raising our price target to $43 from $41 as part of our model rollforward. Our target price is based on a SOTP valuation: for the utility we use an 18.7x P/E multiple on our '22 EPS (a ~4% discount to our '22 P/E multiple for the regulated peer group of 19.5x), and apply the same multiple for earnings from Pacific Current (which will technically not reside at the utility). We utilize an equal-weighted methodology on P/E and P/TBV based on a set of comparable banks to derive our ASB valuation, which is ~$12/sh. Although we expect that the structural earned ROE lag at the utilities to diminish over time as HE continues to progress to their triennial rate case cycle, they still face regulatory risk from the ultimate outcome of the performance-based regulation (PBR) proceeding that is currently in Phase II. While the expected Decision and Order from PBR Phase I appeared to be relatively straightforward, and the full PBR proceeding is now expected to be completed in December '20 (after the 1/1/20 deadline laid out by SB 2939), it does appear that the ultimate outcome of the PBR proceeding may be more constructive than we had originally contemplated. However, we continue to believe that the market has taken an overly optimistic view on the PBR proceedings' ultimate impact on the future financial benefits for HE's utilities. At ASB, we expect NIM compression due to headwinds from the low interest rate environment, though this will be partly offset by low-to-mid single digit earning asset growth.

Source: FactSet, Evercore ISI Research

Yellow Flag! The Group Looks Pretty Fully Priced On Most Measures

- YTD regulated utilities are up 5.1%, outperforming the SP500, which is up 2.0%.
  - The top 10 excluding PCG are up 8.1%.
  - The bottom 10 are up 2% excluding VST and NRG.

- On 1/24/20, the FactSet consensus NTM absolute P/E was 22.31x, above the prior all-time high of 21.76x, reached on 9/29/19.
    - The peaks prior to June ’19 were 12/3/17 at 20.84x and 7/15/16 (Post Brexit) at 19.93x.
    - Since ’06 the average NTM absolute P/E is 15.89x. Since ’95 it is 14.35x.

- On 1/24/20, the FactSet consensus NTM relative P/E to the SP500 was 1.20x,
  - Post Brexit vote that number was 1.17x, which we hit again mid-Nov ’18.
  - Since ’06 the average relative P/E has been 1.09x. Since ’95 it has been 0.93x.
  - FactSet consensus NTM relative P/E to the SP500 peaked on 12/13/18 at 1.31x. On 5/1/19 it was 1.17x.
    - So we only likely go higher on relative P/E if the market goes increasingly risk off.
- Utilities are now discounting a ~1.59% UST 10yr yield and a ~3.81% corporate bond yield when looking at expected dividend yields in ‘21 (one year out).
  - So they are fully priced to bond yields staying low.

- Based on our DDM framework they also seem increasingly priced to perfection.

Source: FactSet, Evercore ISI Research

Utilities Stock Performance: Several Utes Laggards From '18 Outpaced the Market In '19

- Utilities underperformed the SP500 in FY 2019 (up 26.5% vs. up 28.9%). However 13 of the 26 stocks in our regulated universe did beat the SP500 return for FY '19. YTD in '20, utilities have outperformed the SP500 (up 5.1% vs. up 2.0%).
- Stock selection matters!
  - In FY '19 the top 5 best regulated performers were up 43.4% whilst the bottom 5 were up 7.7% (excluding PCG). PEG was up 17.1%, EXC was up 4.3%. VST was up 2.6% and NRG was up 0.7%.
  - In terms of group leadership in '19, only 4 were top 10 performers in '18: ETR, NEE, WEC, FE.
  - The regulated names in the top 10 in '19 that were index or worse performers in '18: SO, SRE, EIX, ES, PPL, XEL.

	FY15		FY16		FY17		FY18		FY19		11/12/19-1/24/20		YTD	
1	S&P 500	(0.7%)	Regulated	18.8%	IPPs	75.7%	IPPs	32.2%	S&P 500	28.9%	Index	12.8%	Index	5.2%
2	Regulated	(1.2%)	Index	18.3%	S&P 500	19.4%	Diversified	20.3%	Regulated	26.5%	Regulated	11.5%	Regulated	5.1%
3	Diversified	(17.0%)	Diversified	18.1%	Index	16.1%	Index	7.0%	Index	21.7%	Diversified	8.0%	Diversified	3.8%
4	Index	(5.6%)	S&P 500	9.5%	Regulated	13.9%	Regulated	3.6%	Diversified	20.9%	S&P 500	6.6%	S&P 500	2.0%
5	IPPs	(54.2%)	IPPs	6.2%	Diversified	10.5%	S&P 500	(6.2%)	IPPs	1.7%	IPPs	(8.6%)	IPPs	(4.0%)

	FY15		FY16		FY17		FY18		FY19		11/12/19-1/24/20		YTD	
1	VST	#N/A	VST	#N/A	NRG	133.3%	NRG	39.5%	SO	50.6%	PCG	102.1%	PCG	31.3%
2	NI	22.0%	CNP	39.8%	AGR	38.1%	AES	38.3%	SRE	43.6%	NEE	18.7%	EVRG	9.6%
3	AGR	16.3%	EVRG	36.5%	NEE	34.0%	FE	27.3%	ETR	43.4%	ES	16.6%	ETR	9.1%
4	CMS	7.2%	EXC	32.4%	XEL	21.7%	VST	24.9%	NEE	42.2%	EIX	16.0%	SO	9.0%
5	EVRG	6.3%	OGE	31.5%	PEG	21.3%	OGE	23.2%	AES	41.4%	SO	15.4%	NEE	8.9%
6	PNM	5.9%	DTE	26.7%	PNM	20.8%	EXC	17.9%	EIX	37.2%	AEP	15.4%	AEP	8.1%
7	PPL	5.7%	AES	26.0%	AEP	20.6%	NEE	14.1%	WEC	36.6%	WEC	14.2%	PNW	8.0%
8	XEL	3.5%	AEE	25.3%	CNP	19.4%	AEE	13.7%	ES	34.1%	EVRG	14.0%	ES	7.9%
9	PCG	3.3%	PNW	24.9%	NI	19.1%	EVRG	10.8%	FE	33.5%	ETR	13.8%	CMS	7.4%
10	ED	1.3%	EIX	24.9%	ED	19.0%	ETR	10.1%	PPL	32.5%	PNW	13.4%	WEC	7.3%
11	NEE	0.6%	ED	18.8%	VST	18.2%	CMS	8.0%	XEL	32.1%	CMS	13.3%	XEL	5.8%
12	WEC	0.6%	CMS	18.8%	ES	17.8%	WEC	7.6%	HE	31.5%	HE	13.1%	DUK	5.6%
13	SO	(0.3%)	HE	18.5%	CMS	16.8%	DUK	6.9%	AEP	30.1%	AES	12.8%	SRE	5.5%
14	AEP	(0.5%)	NEE	18.3%	WEC	16.8%	ES	6.1%	CMS	29.6%	XEL	12.3%	PNM	5.4%
15	ES	(1.5%)	WEC	18.2%	AEE	15.8%	XEL	5.6%	PNM	26.2%	PNM	11.6%	EXC	4.7%
16	PNW	(2.1%)	PCG	17.9%	ETR	15.5%	AEP	5.0%	ED	22.2%	NI	11.5%	AEE	4.7%
17	AEE	(2.7%)	PEG	17.7%	EXC	14.7%	HE	4.7%	DTE	21.2%	DUK	11.0%	NI	4.5%
18	PEG	(2.8%)	D	17.4%	DTE	14.5%	PEG	4.6%	D	21.0%	DTE	11.0%	PEG	4.4%
19	DTE	(3.9%)	XEL	17.1%	HE	13.1%	SRE	4.5%	AEE	20.7%	SRE	10.9%	FE	3.8%
20	EIX	(6.9%)	NI	16.8%	DUK	12.9%	PNM	4.2%	EVRG	18.1%	PPL	9.5%	ED	3.5%
21	D	(8.7%)	PNM	15.1%	PNW	12.6%	DTE	4.0%	OGE	17.3%	AGR	9.5%	HE	3.4%
22	HE	(9.8%)	DUK	13.4%	D	9.8%	CNP	3.5%	PEG	17.1%	AEE	9.0%	OGE	3.2%
23	DUK	(10.7%)	ETR	12.5%	SRE	9.5%	PNW	3.3%	NI	13.0%	FE	9.0%	AES	2.4%
24	SRE	(13.1%)	AEP	11.9%	FE	3.5%	AGR	2.5%	DUK	10.0%	EXC	8.5%	DTE	2.2%
25	FE	(14.9%)	ES	11.6%	SO	2.4%	NI	1.8%	PNW	9.1%	ED	8.3%	AGR	2.1%
26	CNP	(17.4%)	SRE	10.3%	OGE	2.1%	PPL	(3.2%)	AGR	5.6%	OGE	7.0%	EIX	2.0%
27	ETR	(18.0%)	SO	9.9%	AES	(2.7%)	SO	(3.7%)	EXC	4.3%	D	6.5%	PPL	1.8%
28	EXC	(21.8%)	NRG	6.2%	EVRG	(3.5%)	EIX	(6.4%)	VST	2.6%	PEG	2.8%	D	1.4%
29	OGE	(23.0%)	PPL	4.2%	PPL	(4.5%)	ED	(6.6%)	NRG	0.7%	NRG	(2.0%)	CNP	(3.0%)
30	AES	(27.6%)	AGR	3.1%	EIX	(9.1%)	D	(7.7%)	CNP	0.7%	CNP	(4.3%)	VST	(3.6%)
31	NRG	(54.2%)	FE	2.1%	PCG	(23.7%)	PCG	(47.0%)	PCG	(54.2%)	VST	(15.2%)	NRG	(4.5%)

Updated as of 1/24/20 close; columns during or after '18 exclude PCG from regulated performance average

Source: FactSet, Evercore ISI Research

Yellow Flag! The Group Is Expensive On P/E Multiples & Fully Priced In Our Bond Regression Model

- Up +/-5% since YE '19, utilities are now trading at 19.8x '22 EPS. above the '22 multiple that we think is fair value in our dividend discount model *if* one risk adjusts for potentially rising interest rates and/or lower ROEs along with a risk adjustment for L-T growth assumptions.

- But we also understand what the market is discounting when it decides to pay 19.5x+ '22 EPS for the average utility stock in our coverage universe.
  - 1) It is pricing in resiliency of rate base growth outlooks, given a persistent lack of inflation in the utility business model.
  - 2) It is pricing in a modest pace of declining authorized ROEs despite persistently low rates, driving a very attractive return over the cost of equity.

- If one adjusts our DDM inputs to capitalize the above-mentioned factors as sustainable longer term, you can justify P/E multiples at current levels and also see why the perceived best-in-class earnings and dividend growth compounders trade at premiums on top of that already-robust valuation.
  - But the group is increasingly priced to perfection.
  - We consider these factors in greater detail on pages 20-21 of this note.

- Our bond regression model tells us that utilities look 3.7% expensive on '20 dividend yields and 1.6% undervalued on 12 month out / '21 dividend yields.
  - On 12/31/19 the group was 2.0% expensive on '20 dividend yields and 3.4% inexpensive on '21 dividend yields
    - The 10yr yield was 1.91% and the Moody's Baa was 3.90%.
  - On 1/24/20 the group was 3.7% expensive on '20 dividend yields and 1.6% inexpensive on '21 dividend yields
    - The 10yr yield was 1.74% and the Moody's Baa was 3.74%.

- A bit over a year ago, on 12/3/18 (just before the peak on 12/13/18) we said that our bond regression model told us that regulated utilities were 23.2% expensive on then current yields and 18.3% expensive 12 months out assuming rates remained unchanged.
  - That elevated reading was just below the readings we saw prior to the '08 recession when the group looked ~25% overvalued.
  - At YE '18, we had rolled our bond yield to dividend yield regression model to reflect updated current and forward dividend yield expectations. So our model began to run off of '19-'20 div. yields for current and 12 month forward valuations vs '18-'19 before that. The roll forward lowered the group valuation vs. bonds by ~5%, all things equal, given estimated annual dividend growth.

- We have now rolled our model forward again to use '20-'21 dividend yields.
  - ~11% of the decline in valuation from 12/3/18 to today is due in part to rolling our model forward to '20 / '21 from '18 / 19.
  - ~24% of the decline in valuation is from the Baa moving from 5.29% on 12/3/18 to 3.74% today.
  - These were offset ~16% by *an increase* in group valuations.
- HERE IS OUR DDM BACKTEST GOING BACK TO 1/1/07 SHOWING WHERE GROUP VALUATION IS TODAY IN OUR BOND REGRESSION MODEL

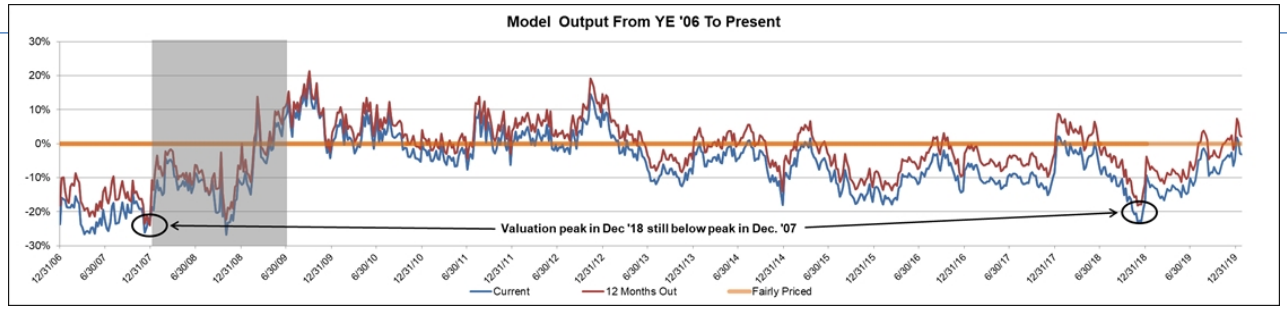

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

Utilities Look Fully Priced Assuming Yields Stay Low For The Next 12 Months

Regulated utilities looked 18.5% expensive on 12/13/18 on then current yields

Utility Valuation 12/13/18			10 YR Baa	2.91% 5.16%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2019 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	2.30%	2.20%	28.9x	65.2%
	2.52%	2.35%	27.0x	54.3%
	2.74%	2.51%	25.3x	44.8%
	2.96%	2.66%	23.9x	36.4%
	3.18%	2.82%	22.6x	29.0%
	3.40%	2.97%	21.4x	22.3%
- 68% Confidence Interval	3.62%	3.12%	20.3x	16.2%
	3.84%	3.28%	19.4x	10.8%
	4.06%	3.43%	18.5x	5.8%
Current Valuation	4.28%	3.59%	17.7x	1.2%
	4.50%	3.74%	17.0x	-2.9%
	4.72%	3.89%	16.3x	-6.8%
	4.94%	4.05%	15.7x	-10.3%
Predicted Valuation	5.16%	4.20%	15.1x	-13.6%
	5.38%	4.36%	14.6x	-16.7%
	5.60%	4.51%	14.1x	-19.5%
	5.82%	4.67%	13.6x	-22.2%
	6.04%	4.82%	13.2x	-24.7%
	6.26%	4.97%	12.8x	-27.0%
+ 68% Confidence Interval	6.48%	5.13%	12.4x	-29.2%
	6.70%	5.28%	12.0x	-31.3%
	6.92%	5.44%	11.7x	-33.2%
	7.14%	5.59%	11.4x	-35.1%
	7.36%	5.75%	11.1x	-36.8%
	7.58%	5.90%	10.8x	-38.5%
+ 95% Confidence Interval	7.80%	6.05%	10.5x	-40.0%

Utility Valuation 1/24/20			10 YR Baa	1.74% 3.74%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2020 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.88%	1.19%	53.2x	158.6%
	1.10%	1.35%	47.1x	128.9%
	1.32%	1.50%	42.2x	105.4%
	1.54%	1.65%	38.3x	86.2%
	1.76%	1.81%	35.0x	70.3%
	1.98%	1.96%	32.3x	56.9%
- 68% Confidence Interval	2.20%	2.12%	29.9x	45.5%
	2.42%	2.27%	27.9x	35.6%
	2.64%	2.43%	26.1x	27.0%
	2.86%	2.58%	24.6x	19.4%
	3.08%	2.74%	23.2x	12.6%
	3.30%	2.89%	21.9x	6.6%
Current Valuation	3.52%	3.04%	20.8x	1.2%
Predicted Valuation	3.74%	3.20%	19.8x	-3.7%
	3.96%	3.35%	18.9x	-8.1%
	4.18%	3.51%	18.1x	-12.2%
	4.40%	3.66%	17.3x	-15.9%
	4.62%	3.82%	16.6x	-19.3%
	4.84%	3.97%	16.0x	-22.4%
+ 68% Confidence Interval	5.06%	4.13%	15.4x	-25.3%
	5.28%	4.28%	14.8x	-28.0%
	5.50%	4.44%	14.3x	-30.5%
	5.72%	4.59%	13.8x	-32.9%
	5.94%	4.74%	13.4x	-35.0%
	6.16%	4.90%	12.9x	-37.1%
+ 95% Confidence Interval	6.38%	5.05%	12.5x	-39.0%

Regulated utilities now look 3.7% expensive on current yields

On 12/13/18 if rates stayed unchanged for 12 months utilities looked 13.6% expensive

Utility Valuation 12/13/18			10 YR Baa	2.91% 5.16%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2020 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	2.30%	2.20%	27.9x	66.2%
	2.52%	2.35%	26.1x	55.3%
	2.74%	2.51%	24.5x	45.8%
	2.96%	2.66%	23.0x	37.3%
	3.18%	2.82%	21.8x	29.8%
	3.40%	2.97%	20.7x	23.1%
- 68% Confidence Interval	3.62%	3.12%	19.6x	17.0%
	3.84%	3.28%	18.7x	11.5%
	4.06%	3.43%	17.9x	6.5%
Current Valuation	4.28%	3.59%	17.1x	1.9%
	4.50%	3.74%	16.4x	-2.3%
	4.72%	3.89%	15.7x	-6.2%
	4.94%	4.05%	15.1x	-9.7%
Predicted Valuation	5.16%	4.20%	14.6x	-13.0%
	5.38%	4.36%	14.1x	-16.1%
	5.60%	4.51%	13.6x	-19.0%
	5.82%	4.67%	13.1x	-21.7%
	6.04%	4.82%	12.7x	-24.2%
	6.26%	4.97%	12.3x	-26.5%
+ 68% Confidence Interval	6.48%	5.13%	12.0x	-28.7%
	6.70%	5.28%	11.6x	-30.8%
	6.92%	5.44%	11.3x	-32.8%
	7.14%	5.59%	11.0x	-34.6%
	7.36%	5.75%	10.7x	-36.4%
	7.58%	5.90%	10.4x	-38.0%
+ 95% Confidence Interval	7.80%	6.05%	10.1x	-39.6%

Utility Valuation 1/24/20			10 YR Baa	1.74% 3.74%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2021 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.88%	1.19%	53.1x	172.7%
	1.10%	1.35%	47.0x	141.4%
	1.32%	1.50%	42.2x	116.6%
	1.54%	1.65%	38.2x	96.4%
	1.76%	1.81%	35.0x	79.6%
	1.98%	1.96%	32.2x	65.5%
- 68% Confidence Interval	2.20%	2.12%	29.9x	53.4%
	2.42%	2.27%	27.8x	43.0%
	2.64%	2.43%	26.1x	33.9%
	2.86%	2.58%	24.5x	25.9%
	3.08%	2.74%	23.1x	18.8%
	3.30%	2.89%	21.9x	12.4%
	3.52%	3.04%	20.8x	6.7%
Predicted AND Current Valuation	3.74%	3.20%	19.8x	1.6%
	3.96%	3.35%	18.9x	-3.1%
	4.18%	3.51%	18.0x	-7.4%
	4.40%	3.66%	17.3x	-11.3%
	4.62%	3.82%	16.6x	-14.9%
	4.84%	3.97%	15.9x	-18.2%
+ 68% Confidence Interval	5.06%	4.13%	15.3x	-21.3%
	5.28%	4.28%	14.8x	-24.1%
	5.50%	4.44%	14.3x	-26.7%
	5.72%	4.59%	13.8x	-29.2%
	5.94%	4.74%	13.3x	-31.5%
	6.16%	4.90%	12.9x	-33.7%
+ 95% Confidence Interval	6.38%	5.05%	12.5x	-35.7%

If rates stay unchanged for the next 12 months, regulated utilities now look 1.6% cheap

- **As we pointed out on the prior page, utilities are still trading at elevated valuations looking at absolute and relative P/E.**
- **They are above the levels we saw at the YE '18 valuation peak.**
- **We are close to fair value in the bond model assuming rates are flat to down over the next 12 months.**
- **Utilities are discounting corporate bond yields at 3.81% 12 months out, implying a 1.59% 10-yr UST yield if corporates and treasuries traded to their historic 222bp spread.**

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

Yellow Flag! NTM FactSet Consensus P/E Has Marched On To New Highs

- On 1/24/20, NTM absolute P/E was 22.31x using FactSet consensus, rising above the prior absolute peak of 21.76x on 9/29/19. Before that, the NTM absolute P/E had peaked on 12/3/17 at 20.84x and on 7/15/16 (post-Brexit) at 19.93x.
- Since '06 the average NTM absolute P/E is 15.89x. Since '95 it is 14.37x.

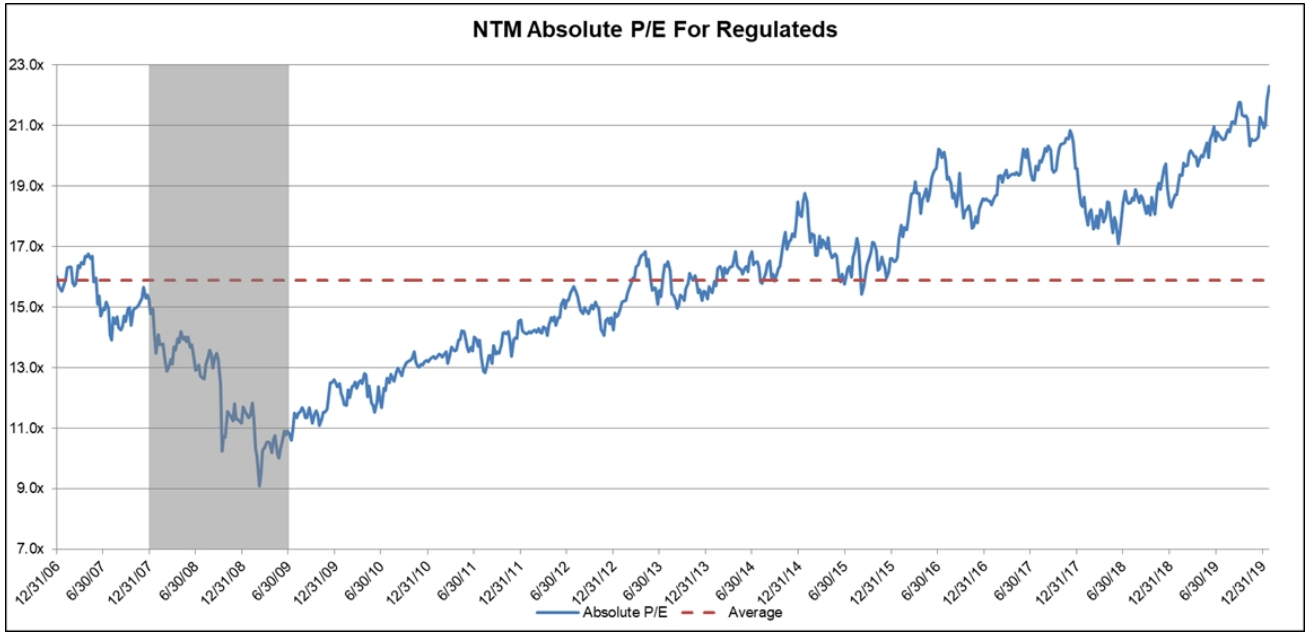

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

NTM FactSet Relative P/E Remains Elevated But Below All-Time Highs

- The average relative P/E since 2006 is 1.09x. Since ’95 it is 0.93x.
- On 1/24/20, the relative P/E was 1.20x, slightly above the 1.17x level at our YE ’19 update.
- The relative P/E post Brexit vote was 1.17x, which we hit again in mid November ’18.
- It was 1.36x on 12/23/18 when we were pricing in recession risk at a high probability.
- So relative P/E going higher would likely require a further “risk-off” move in the market.

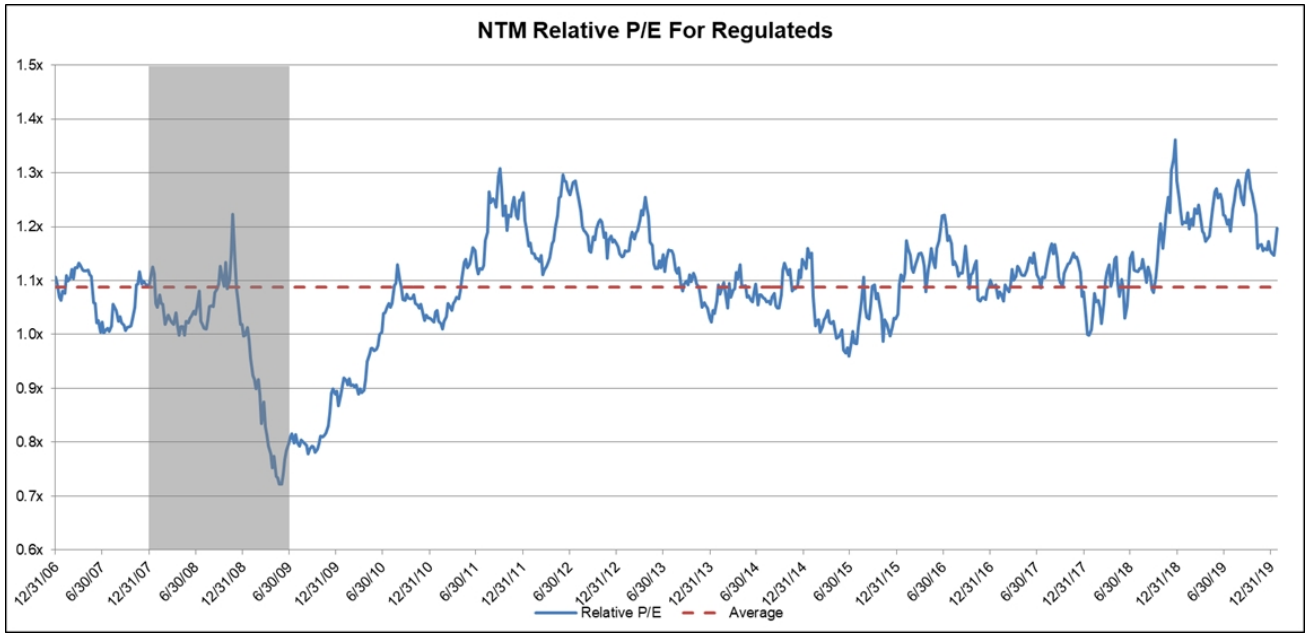

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

Regulated Group P/E Valuations In ’20 Remain At A Pretty Robust Multiple

- With the increase in P/E valuations since our last update at YE ‘19, the group is trading above the defensive P/E premium we saw in the extreme risk-off environments of 7/16 (post Brexit) 11/17, and 12/18. Bond yields were much lower in the first two instances, higher in the third. Remember looking below that the average P/E multiple is really a turn higher when you exclude the low P/E multiples of PPL, EIX and PCG.

- Looking at 12/13/18—the most recent valuation peak—the 10-year was 2.91% and the Moody’s Baa yield average was 5.16% -- a 225bp spread.
  - The utilities were 18.6% expensive on ’19 yields and 13.3% on ’20 yields if bond yields remain unchanged in our bond regression model.

- **On 1/24/20, the 10-year bond yield was 1.74% and the Moody’s Baa corporate bond yield average was 3.74% – a 200bp spread.**
  - **In our bond regression model the group now looks 3.7% expensive based on the expected ’20 dividend yield.**
  - **They are 1.6% cheap on ’21 dividend yields (a year out) if bond yields remain unchanged in our bond regression model.**

- The “breakeven” Baa yield at 12 months from now is ~3.81%, implying a 1.59% 10-year yield at an avg. historic spread of 222bp.

- We understand the argument that the way these stocks are trading in the regression model and vs. our DDM might discount a view that the long end of the curve will be held down by a persistent lack of global inflation and central bank easing. Also there is a pretty good medium-term total return profile for utilities vs. history due to low inflation, and the decline of authorized ROEs at a measured pace. Perhaps a scarcity premium for defensive stocks, as other traditionally-defensive sectors succumb to new competitive pressures is also a factor. But even after taking these factors into account, the group looks priced at close to perfection. On the ROE front, we are starting to see signs that the direction of travel is lower at a faster rate (CNP, the FERC MISO decision).

	Post Brexit Peak 7/15/2016	2017 Top 11/14/2017	Utes Bottom 2/8/2018	2nd Bottom 6/11/2018	Peak 12/13/2018	YE '18 12/31/2018	11/25/2019	YE '19 12/31/2019	Current 1/24/2020
Regulated P/E '16	20.1x								
Regulated P/E '17	19.6x	21.8x							
Regulated P/E '18		20.5x	16.7x	16.9x	19.8x	18.4x			
Regulated P/E '19			15.6x	15.7x	18.6x	17.3x	20.1x	21.0x	
Regulated P/E '20						16.2x	19.0x	19.9x	21.1x
Regulated P/E '21							17.9x	18.7x	19.9x
Regulated P/E '22									18.8x
Relative NTM Reg P/E to S&P500	1.16x	1.15x	1.05x	1.02x	1.30x	1.27x	1.16x	1.17x	1.20x
Regulated Dividend Yield	3.2%	3.1%	3.9%	3.9%	3.3%	3.5%	3.2%	3.1%	3.1%
10 Year Yield	1.59%	2.38%	2.85%	2.96%	2.91%	2.69%	1.77%	1.91%	1.74%
Moody's Baa Bond Yield	4.26%	4.31%	4.48%	4.85%	5.16%	5.14%	3.92%	3.90%	3.74%
Valuation vs. Corporate Bonds*	-5.1%	-9.7%	3.5%	1.1%	-18.6%	-11.4%	-3.9%	-2.0%	1.6%

***Represents upside/downside to predicted valuation using Evercore ISI’s proprietary dividend yield/bond yield regression looking at current yield vs. the corporate bond yields. Column 12/31/18’s valuation vs. corporate bonds is reflective of ’19 dividend yields. All other columns based on ’20 dividend yields.**

Note that P/Es are inclusive of EIX, PCG, and PPL. The P/E multiples shown here for ’18, ’19, and ‘20 would all be approximately 1.0x higher adjusting those three names out. You can see that in the current data on page 3.

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

Utilities Look Pretty Rich Relative To Several Other Defensive Sectors

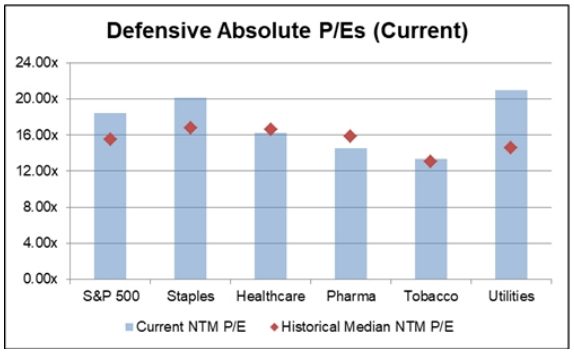

	Current NTM P/E	% Change Since YE '19
S&P 500	18.44x	0.8%
Staples	20.09x	-0.6%
Healthcare	16.26x	0.7%
Pharma	14.56x	-0.3%
Tobacco	13.32x	0.4%
Utilities	21.00x	5.6%

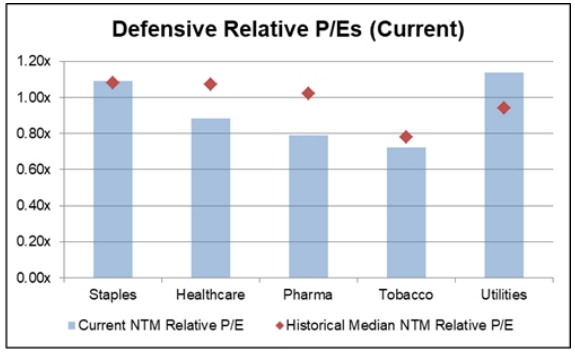

	Current NTM Relative P/E	% Change Since YE '19
Staples	1.09x	-1.4%
Healthcare	0.88x	-0.1%
Pharma	0.79x	-1.1%
Tobacco	0.72x	-0.4%
Utilities	1.14x	4.8%

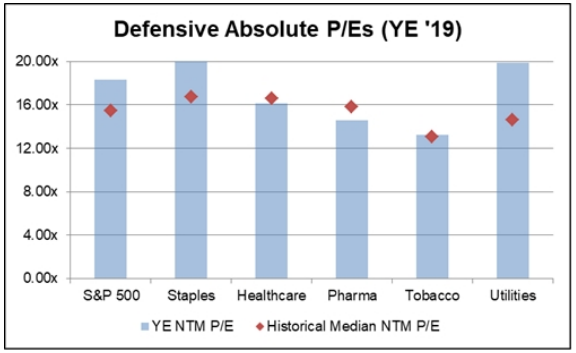

	YE NTM P/E	Historical Median NTM P/E
S&P 500	18.30x	15.5x
Staples	20.21x	16.7x
Healthcare	16.15x	16.6x
Pharma	14.61x	15.8x
Tobacco	13.27x	13.0x
Utilities	19.89x	14.6x

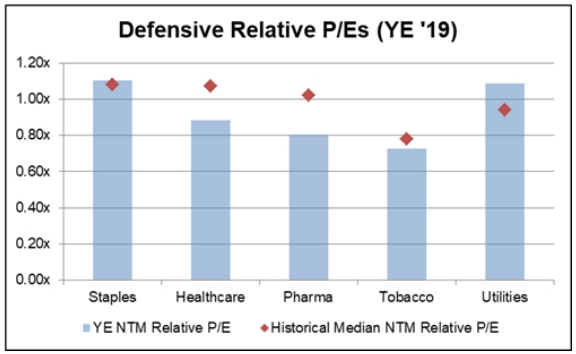

	YE NTM Relative P/E	Historical Median NTM Relative P/E
Staples	1.10x	1.08x
Healthcare	0.88x	1.07x
Pharma	0.80x	1.02x
Tobacco	0.73x	0.78x
Utilities	1.09x	0.94x

Updated as of 1/24/20 close

Source: Bloomberg, Evercore ISI Research

Based On Our Dividend Discount Model Utilities Look Prices Pretty Close To Perfection.

- The forward P/E multiple that utility investors are willing to pay is highly influenced by ROE and cost of capital assumptions, as well as the sustainability of rate base growth, which we can measure and calculate the value of in our proprietary DDM.
  - Up until 9/19 we had been defending the idea that utility stocks are trading above fair value, which we thought closer to ~17.5x '22 EPS. We had been making risk adjustments for potentially declining authorized ROEs, rising rates (a tightening ROE to cost of equity spread) and risk adjustments regarding the sustainability of rate base growth. Those assumptions have proven too conservative.
  - Disinflationary trends in the "cost +" framework by which utility rates are set have continued to drive bill headroom. That has extended the runway for capital spending at rates that supported rate base growth expectations for longer than we would have thought feasible. However, we are starting to hear, on the margin, that cost cutting opportunities may be dwindling for some companies, mainly a few who are mostly T&D infrastructure. The integrated companies that still have large fossil fuel and nuclear fleets seem to still have more headroom.
  - While authorized ROEs have been steadily declining, up until now they were not declining a rapid pace and interest rates have stayed low. However, the recent proposed decision in CNP's pending TX rate case (9.25% ROE, 40% equity ratio), and the FERC's decision in the MISO complaint case to lower the base ROE to 9.88% could be the "canaries in the coal mine" that the direction of travel on authorized ROE's is finally accelerating lower. CNP settled at 9.4%/42.5% and FERC is rehearing the MISO decision.
- If we continue to assume authorized ROEs decline but at a modest rate of change, and interest rates continue to be subdued and rise slower than our prior base case, then it is easy to justify the ~19.5x P/E multiples around where the group is currently trading.
- And on top of that, if you think both authorized ROEs and growth rates stay at "status quo" levels for longer, our DDM model generates valuation outcomes that support the 22-25x P/E multiples at which the perceived "best in class" earnings and dividend growth compounders trade (WEC, NEE, CMS, ES, XEL).
- However we now sit here today with the group trading at pretty close to perfection on these assumptions. So we concede they could stay at these elevated valuations until perspectives on the future level of interest rates and inflation change (higher) or the perspective on ROE trends changes (lower) but it is hard to see a lot of upside on an absolute valuation basis or on a relative valuation basis vs. the market unless we go to pre-recession "risk-off" levels.

Source: Evercore ISI Research

Our DDM Shows Utilities Are Trading At Pretty Full Valuations. It Is Hard To See Big Upside

- **Our historic base case ("case 1") assumed an orderly transition to higher interest rates, with authorized ROEs falling to 9.25% from 9.75%, and 10- year Treasury yields rising over the next several years, resulting at the end in a 2.25% spread between the return on equity and the calculated cost of equity.**
- **When you look at the current valuation of 19.8x '22 it is closer to our "case 2" scenario, which means we are discounting a longer period of low interest rates without a change in the expected direction of travel of authorized ROEs (i.e. they continue to decline but at a modest pace). As we said on the prior page, those assumptions may be fraying around the edges but a clear negative move has been averted so far (in TX and at FERC).**
- **The perceived "best in class" earnings compounders (WEC, NEE, CMS, ES, XEL) trade a multiple that discounts both a more or less status quo authorized ROE regime and a longer runway for sustained rate base growth. That is "case 3".**
- **In our "case 4" scenario we assume authorized ROEs moderate and interest rates rise more rapidly, resulting in a more meaningful near-term reduction in profitability, along with a steeper decline in rate base growth, which drives utilities back to a P/E multiple that is closer to long-term historic averages. This looks unlikely.**
- **We believe the group is very fully valued. But we set our target prices on a "market agnostic" basis, which means we are using an anchor P/E multiple of ~19.5x '22 EPS so investors can better see where we see good relative value.**

DDM Model Summary	Case 1	Case 2	Case 3	Case 4
ROE and Cost of Equity Assumptions	Old Base Case	Rates Low Long Time	Rates Low Long Time	ROEs Fade Rates Rise
ROE (Year 1)	9.75%	9.75%	9.75%	9.75%
Annual ROE Change (+/-)	-0.10%	-0.10%	-0.10%	-0.10%
Final ROE	9.25%	9.25%	9.25%	9.25%
Years Until LT Cost of Equity Spread	5	5	5	5
Implied Annual Cost of Equity Change (+/-)	0.29%	0.19%	0.19%	0.34%
LT ROE / Cost of Equity Spread	2.25%	2.75%	2.75%	2.00%
LT Cost of Equity	7.00%	6.50%	6.50%	7.25%
Growth Assumptions	**Base Case**	**Base Case**	**Higher Growth**	**Lower Growth**
RB Growth (Year 1-5)	5.50%	5.50%	6.50%	4.00%
RB Growth (Year 6-10)	3.50%	3.50%	5.50%	2.00%
RB Growth (Year 11+ and Terminal)	2.50%	2.50%	3.00%	1.25%
Terminal Value (Yes/No)	Yes	Yes	Yes	Yes
35 Year Average Payout Ratio - Implied	71.2%	71.2%	67.5%	82.6%
'21 P/E Multiple	**17.5x**	**19.5x**	**22.0x**	**15.0x**

Source: Evercore ISI Research

EVRISI Technical Analyst Rich Ross On Utilities: Not Clear They Will Reverse Soon

- BIRIUTNV - While the presence of extreme overbought conditions and a modicum of short term exhaustion along with the broader market suggest and inflection lower might be nearing, both trend and pattern remain strong and the ongoing decline in yields an issue for the sector. RSI is like the technicians Valuation, which is to suggest that in isolation it is a poor timing tool and we need to see corroborative evidence from price both in Utes and Yields before we play too aggressively for a countertrend move down.

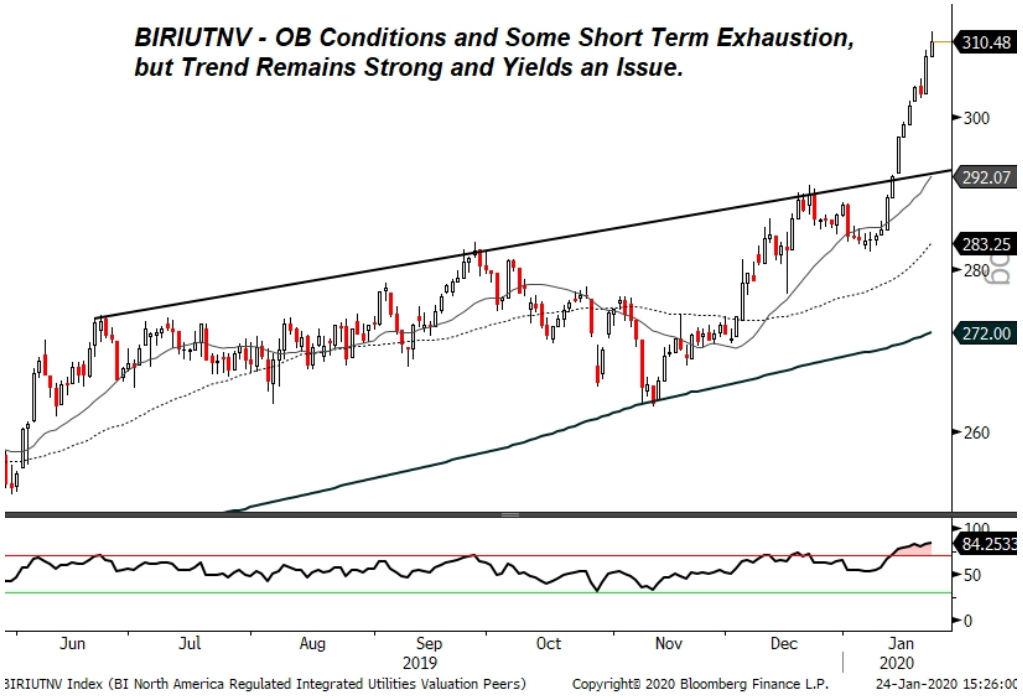

Source: Bloomberg, Evercore ISI Research

EVRISI Technical Analyst Rich Ross On The 10YR UST: Supportive Of Utility Valuation

- 10 Yr. - While I do not expect an outright collapse in yield, they nevertheless remain weak as they test tenuous support after failing into resistance within a downtrend (which is not great). While the recent weakness may be partially attributed to an ephemeral defensive shift in response to the Wuhan virus, we nevertheless cannot pound the table in terms of calling a top in Utes until Yields, Crude and the Dollar (too strong) find some semblance of stabilization.

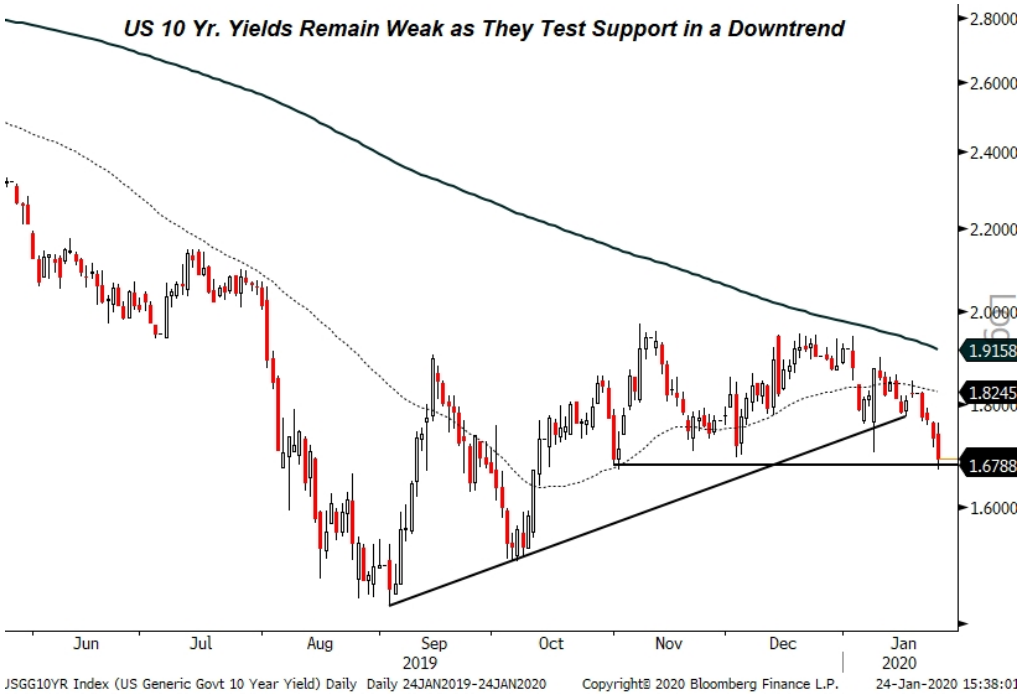

Source: Bloomberg, Evercore ISI Research

Global Monetary Easing Is Supporting Our Macro / Policy Teams' Outlook

EVRISI's overall macro and policy call was cautiously bullish in '19 and continues into '20. Since our regulated update in mid-July '19, our thesis continues to be validated, with the Fed cutting rates in July and October '19 amidst continued trade tensions. In our last regulated update, we continued to note that indicators of dovish monetary policy globally could be a bullish tailwind. Those dovish indicators have continued to materialize post the October '19 interest rate cut. The market continues to grapple with a lower rate environment, as well as the recent uncertainty in China with the coronavirus outbreak. Our macro and policy experts opine on these developments:

While reports of the potential dire impact of the coronavirus on China's GDP are likely suppressing yields, investors should beware of headline-amplified narratives, cautions our Portfolio Strategist Dennis DeBusschere. We do not yet have enough information to declare the coronavirus an epidemic and we cannot know the effect on GDP yet. The MSCI Emerging Markets index has fallen -2.7% since Monday, but tailwinds to EM performance remain. Regional flash PMIs suggest the global PMI will rise to about 51. Almost every major constituent increased M/M. Don't look to rates for a signal. China's PMI isn't out yet, but (as noted on the next page by Ed) the EVRISI Sales to China survey continues to move off of its lows. The coronavirus will likely impact consumption around the Lunar New Year, but the extent to which it is affected is unknown. Currently, the EVRISI Survey Team's work suggests consumption is healthy going into the holiday. We caution investors from overreacting to the move lower in rates, especially with an exogenous X-factor like the coronavirus likely impacting rates as well.

Source: Evercore ISI Research

Global Monetary Easing Is Supporting Our Macro / Policy Teams' Outlook

According to our Chief Economist Ed Hyman, with global short rates declining significantly over the past year, a synchronized global expansion now appears to be unfolding. Over the past six months, there have been 71 EM central bank easings, including most recently by Turkey, South Africa, and Malaysia. Individually, each is relatively unimportant. But as a package, they have been a significant part of the Global Easing Cycle that started about a year ago. Focusing on China, the source of the recent coronavirus impact, our survey of 21 multinationals indicated that China sales has improved over the past six weeks by +2.0, but still to just 42.7. This survey will be a useful gauge of the coronavirus impact, particularly with the Lunar New Year limiting eco data availability. Back in the US, there are a number of positive indicators: consumer confidence surveys indicate remarkable strength and unemployment claims have declined -24k over the past five weeks back into record-low territory; they may be at their lowest possible frictional level.

The Fed is gravitating towards a risk-friendly strategy of low interest rates for longer for inflation purposes, according to our Global Policy Strategist Krishna Guha. In our view, as the FOMC grows more confident that it has done enough to offset trade and global headwinds to growth – which we interpret as depressing the short-run neutral rate of interest consistent with growth around potential – the Committee is increasingly refocusing on the need to re-center inflation and inflation expectations that have slipped uncomfortably below its 2% target after serial undershooting over the past decade. Under this approach the Fed will enter an extended strategic hold and will likely keep rates at their current levels for a long time – through to late-2021 in the base case and quite plausibly beyond that date. We are not expecting any more cuts in the base case. The basic takeaway is that if we are right the emerging Fed approach will be very risk-friendly – a rare occasion on which can plausibly have their cake and eat it, i.e. get confirmation that the expansion phase of the business cycle is continuing, but keep low rates in nominal and in particular real (inflation-adjusted) terms.

Source: Evercore ISI Research

Authorized ROEs Have Come Down, But Much Slower Than Interest Rates, So Far

- **The spread between authorized ROEs and interest rates remains very wide, which has been impacted by the recent interest rate cuts.**
- **But authorized ROEs are starting to reflect lower interest rates, both at the state level and at FERC (see next few pages).**

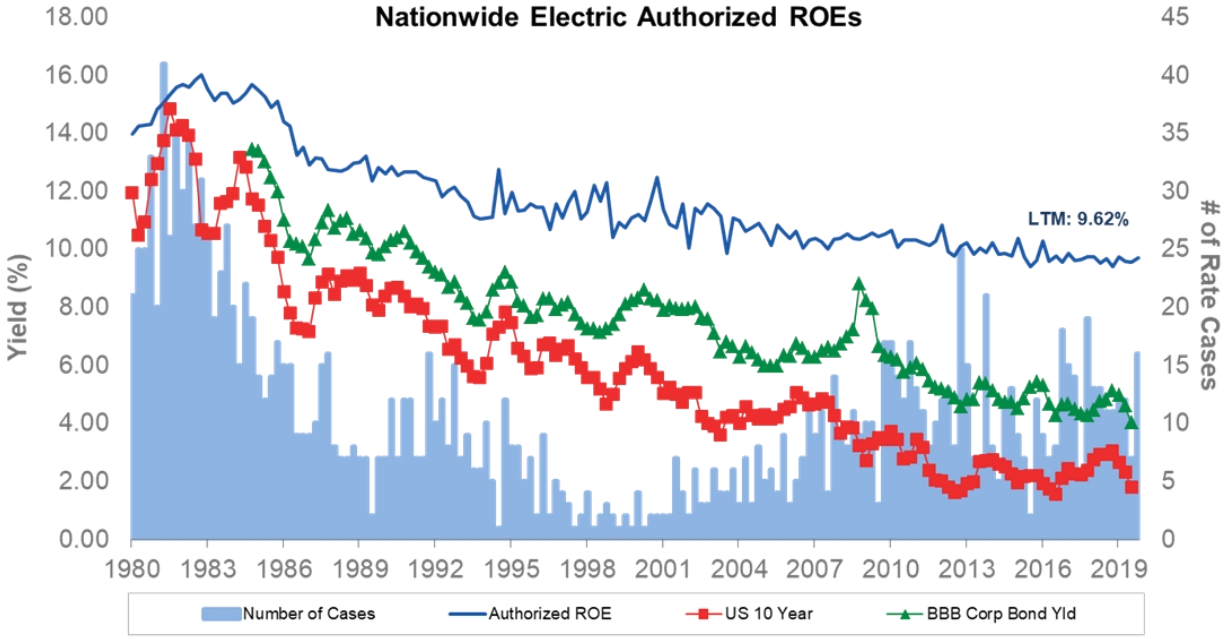

Updated as of 1/24/20 close

Source: SNL Research, FactSet, Evercore ISI Research

Authorized ROEs Look Highly Correlated With Baa Yields

- **ROE risk is definitely a risk to flag regarding longer-term earnings power.**
- **Based on the long-term linear relationship between Baa yields and authorized electric ROEs, the current Baa of 3.74% would imply a "correct" ROE of 9.17%, 45bp lower than the LTM average of 9.62%.**
  - **That is slightly below where the TX PUC was proposing to set the ROE in the still pending CNP rate case!**
  - **In VA and New Orleans, ROEs were also recently set in the low 9% range (see next page).**
- **But that could understate the risk, as the relationship as measured captures the decades-long widening of spreads between authorized ROEs and the cost of capital.**

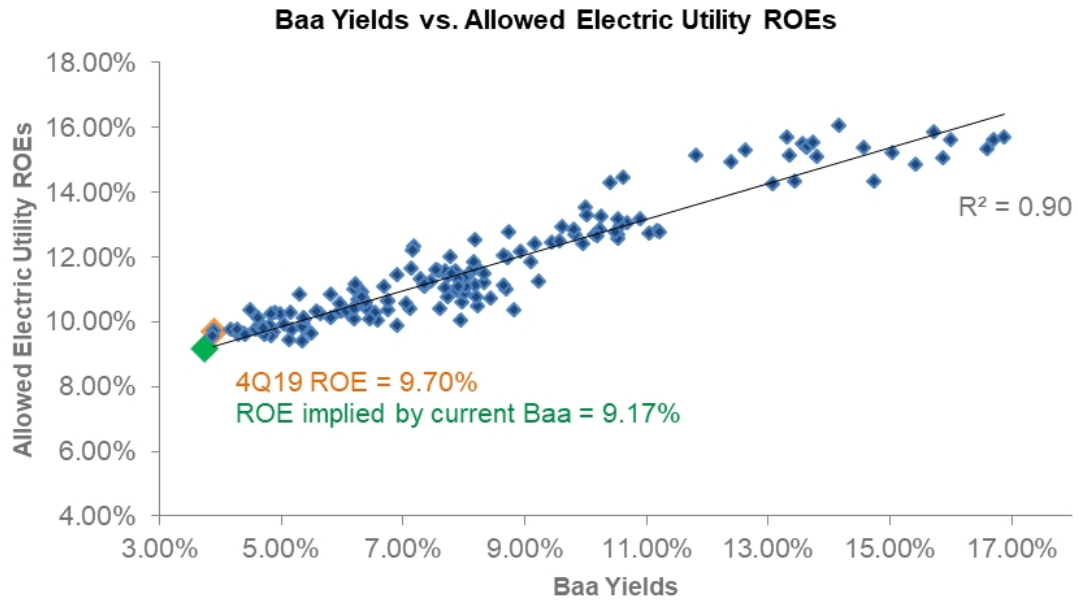

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

Recent State-Level Regulatory Decisions On Electric ROEs

- **Over the last 12 months, the average state-level authorized ROE for electrics (based on 49 regulatory decisions) has been 9.62%. The list of decisions:**

State	Company	Case ID	Rate Case Event Occured	Return on Equity (%)	Common Equity to Total Capital (%)
Iowa	Interstate Power & Light Co.	D-RPU-2019-0001	1/8/2020	10.02%	51.00%
Michigan	Indiana Michigan Power Co.	C-U-20359	1/23/2020	9.86%	46.56%
New Jersey	Rockland Electric Company	D-ER19050552	1/22/2020	9.50%	48.32%
New York	Consolidated Edison Co. of NY	C-19-E-0065	1/16/2020	8.80%	48.00%
Nevada	Sierra Pacific Power Co.	D-19-06002	12/24/2019	9.50%	50.92%
Arkansas	Southwestern Electric Power Co	D-19-008-U	12/20/2019	9.45%	33.71%
California	Pacific Gas and Electric Co.	A-19-04-015	12/19/2019	10.25%	52.00%
California	San Diego Gas & Electric Co.	A-19-04-017 (Elec)	12/19/2019	10.20%	52.00%
California	Southern California Edison Co.	A-19-04-014	12/19/2019	10.30%	52.00%
Georgia	Georgia Power Co.	D-42516	12/17/2019	10.50%	56.00%
Maryland	Baltimore Gas and Electric Co.	C-9610 (EL)	12/17/2019	9.70%	NA
Illinois	Ameren Illinois	D-19-0436	12/16/2019	8.91%	50.00%
Illinois	Commonwealth Edison Co.	D-19-0387	12/4/2019	8.91%	47.97%
Indiana	Northern IN Public Svc Co.	Ca-45159	12/4/2019	9.75%	47.86%
Idaho	Avista Corp.	C-AVU-E-1904	11/29/2019	9.50%	50.00%
Louisiana	Entergy New Orleans LLC	D-UD-18-07 (elec.)	11/7/2019	9.35%	50.00%
Virginia	Virginia Electric & Power Co.	C-PUR-2019-00046 (Rider U)	11/1/2019	9.20%	51.17%
Wisconsin	Wisconsin Electric Power Co.	D-05-UR-109 (WEP-Elec)	10/31/2019	10.00%	52.50%
Wisconsin	Wisconsin Public Service Corp.	D-6690-UR-126 (Elec)	10/31/2019	10.00%	52.50%
Montana	NorthWestern Corp.	D2018.2.12	10/29/2019	9.65%	49.38%
Massachusetts	Massachusetts Electric Co.	DPU-18-150	9/30/2019	9.60%	53.49%
Wisconsin	Northern States Power Co - WI	D- 4220-UR-124 (Elec)	9/4/2019	10.00%	52.52%
Vermont	Green Mountain Power Corp.	C-19-1932-TF	8/29/2019	9.06%	49.46%
Maryland	Potomac Electric Power Co.	C-9602	8/12/2019	9.60%	50.46%
Virginia	Virginia Electric & Power Co.	C-PUR-2018-00195 (Rider E)	8/5/2019	9.20%	51.17%
Virginia	Virginia Electric & Power Co.	C-PUR-2018-00166 (Rider BW)	7/3/2019	10.20%	51.37%
Virginia	Virginia Electric & Power Co.	C-PUR-2018-00167 (Rider US-2)	7/3/2019	9.20%	51.37%
Michigan	Upper Peninsula Power Co.	C-U-20276	5/23/2019	9.90%	NA
Hawaii	Maui Electric Company Ltd	D-2017-0150	5/16/2019	9.50%	57.02%
South Dakota	Otter Tail Power Co.	D-EL18-021	5/14/2019	8.75%	52.92%
South Carolina	Duke Energy Progress LLC	D-2018-318-E	5/8/2019	9.50%	53.00%
Michigan	DTE Electric Co.	C-U-20162	5/2/2019	10.00%	37.94%
Virginia	Appalachian Power Co.	C-PUR-2018-00118 (RAC-EE)	5/2/2019	9.42%	NA
Virginia	Virginia Electric & Power Co.	C-PUR-2017-00168 (Rider DSM)	5/2/2019	9.20%	51.37%
South Carolina	Duke Energy Carolinas LLC	D-2018-319-E	5/1/2019	9.50%	53.00%
Kentucky	Kentucky Utilities Co.	C-2018-00294	4/30/2019	9.73%	NA
Kentucky	Louisville Gas & Electric Co.	C-2018-00295 (elec.)	4/30/2019	9.73%	NA
Virginia	Virginia Electric & Power Co.	C-PUR-2018-00101 (Rider US-3)	4/15/2019	9.20%	51.37%
Florida	Duke Energy Florida LLC	D-20180149	4/2/2019	10.50%	NA
Maryland	Potomac Edison Co.	C-9490	3/22/2019	9.65%	52.82%
New York	Orange & Rockland Utlts Inc.	C-18-E-0067	3/14/2019	9.00%	48.00%
Oklahoma	Public Service Co. of OK	Ca-PUD201800097	3/14/2019	9.40%	NA
New Jersey	Atlantic City Electric Co.	D-ER18080925	3/13/2019	9.60%	49.94%
Virginia	Virginia Electric & Power Co.	C-PUR-2018-00083 (Rider B)	2/27/2019	9.20%	51.37%
Virginia	Virginia Electric & Power Co.	C-PUR-2018-00084 (Rider GV)	2/27/2019	9.20%	51.37%
Virginia	Virginia Electric & Power Co.	C-PUR-2018-00085 (Rider R)	2/27/2019	10.20%	51.37%
Virginia	Virginia Electric & Power Co.	C-PUR-2018-00086 (Rider S)	2/27/2019	10.20%	51.37%
Virginia	Virginia Electric & Power Co.	C-PUR-2018-00087 (Rider W)	2/27/2019	10.20%	51.37%
West Virginia	Appalachian Power Co.	C-18-0646-E-42T	2/27/2019	9.75%	50.16%

Updated as of 1/24/20 close

Source: SNL Research, Evercore ISI Research

FERC Adopted A Revised Methodology And Lowered ROEs For MISO Transmission Owners

On 11/21/19, the FERC adopted a revised methodology for setting electric transmission returns, setting a new base ROE for Midcontinent ISO (MISO) transmission owners of 9.88%. On 1/21/20 the FERC issued a boilerplate order granting rehearing in the MISO transmission ROE dockets. We see the order as another example that the direction of travel for ROEs is down in the US utility industry. The ROE outcome is lower than the 10.32% approved by the FERC in 2016 (the initial order in the same proceeding) and below the 12.38% originally approved well over a decade ago. The average MISO transmission owner will still be able to earn in the mid 10% range with incentive ROE adders, suggesting the FERC is still trying to keep ROEs above those approved at the state level (trending closer to 9.5%-9.6% in the last 12 months, but with CNP looking at a 9.25% ROE in its pending TX case). The decision is notably lower than what FERC was considering at this time last year (around 10.3% base for MISO and 10.4% for NE). The recent rehearing order was expected, with the FERC widely seen by stakeholders as having made errors in judgment in the original November order in the case, because the methodology approved (discussed below) could lead to significantly lower ROEs for all FERC-regulated transmission owners.

Two models instead of four: The new methodology relies on Discounted Cash Flow (DCF) and Capital Asset Pricing (CAPM) Models. This is a departure from and less constructive than the proposed methodology introduced in October 2018. That methodology relied on four models: DCF, CAPM, Expected Earnings, and Risk Premium. The latter two, which were removed from the final product, resulted in higher ROEs.

Incentive cap now at 12.24%. FERC's new methodology results in a zone of reasonableness of 7.52%-12.24%. This means that MISO transmission owners should be able to take advantage of incentive ROE adders. The effective date of the new cap and ROE is Sep. '16.

Most directly relevant for AEE and WEC in our coverage. We see a potential $0.03/sh negative impact to AEE's 2020/2021 EPS. This assumes AEE's transmission ROE will fall from 10.82% (10.32% base + 50 bp adder) to 10.38% (9.88% + 50 bp adder). WEC's long-term forecast for ATC actually assumes a 10.2% ROE so we see this order (implying 10.38% with incentives) as in line to slightly positive (less than a penny of upside to EPS**).**

Decision now pending for New England ROE. FERC did not issue a decision in the outstanding New England transmission ROE case as Commissioner Glick has recused himself, and the commission can't vote with only two commissioners. We estimate this suggests the new ROE in NE could end up in the high 9s as well, with a cap of ~12.5%. This could imply downside of $0.03/sh to ES 2020/2021 EPS (assumes ROE goes from 11.5% to 11.25% all in) and $0.02-$0.03/sh to AGR EPS.

PEG has the highest exposure, but they haven't been called in yet: PSEG's transmission operates under a formula rate plan, with an authorized ROE of 11.68% (including a 50bp incentive adder). Their rate has not been challenged, but we see that as a real risk. PEG's '21 EPS would be $0.15 lower if their FERC ROE was lowered to 9.88% before incentives.

Source: Evercore ISI Research

Sensitizing Our Earnings Estimates To Potential ROE Changes – Near-Term Exposures Measured

- **Below we show regulatory risk by estimating the EPS impact of a 25bp change in authorized/earned ROEs for all utility holding companies that have subsidiaries that are currently undergoing a rate case across our coverage universe.**

- **With interest rates staying pinned at these low levels, we think this persistent lower interest rate environment is becoming a bigger risk as it relates to the potential for lower ROEs in pending rate cases.**

Near-Term Impact Of A 25bp Change In ROEs

Ticker	Company Name	EPS Impact			% EPS Impact		
		2019	2020	2021	2019	2020	2021
AES	The AES Corp	NA	NA	NA	NA	NA	NA
AEE	Ameren	$0.02	$0.02	$0.02	0.49%	0.50%	0.49%
AEP	American Electric Power	$0.02	$0.02	$0.02	0.37%	0.37%	0.37%
AGR	Avangrid	$0.03	$0.03	$0.04	1.29%	1.25%	1.26%
CMS	CMS Energy	$0.02	$0.02	$0.02	0.87%	0.87%	0.86%
CNP	CenterPoint Energy	$0.01	$0.01	$0.02	0.78%	0.78%	0.85%
D	Dominion Energy	$0.04	$0.04	$0.04	0.94%	0.95%	0.97%
DTE	DTE Energy	$0.09	$0.10	$0.11	1.49%	1.54%	1.54%
DUK	Duke Energy	$0.05	$0.05	$0.05	0.97%	0.99%	0.99%
ED	Consolidated Edison	$0.09	$0.10	$0.10	2.09%	2.17%	2.26%
EIX	Edison International	$0.10	$0.12	$0.11	2.12%	2.40%	2.39%
ES	Eversource	$0.00	$0.01	$0.01	0.14%	0.14%	0.14%
ETR	Entergy Corp	$0.11	$0.11	$0.12	2.01%	2.03%	2.10%
EVRG	Evergy	NA	NA	NA	NA	NA	NA
EXC	Exelon Corp	$0.04	$0.05	$0.05	1.39%	1.49%	1.63%
FE	FirstEnergy Corp	NA	NA	NA	NA	NA	NA
HE	Hawaiian Electric Industries, Inc.	$0.04	$0.04	$0.04	1.91%	1.85%	1.84%
NEE	NextEra Energy	NA	NA	NA	NA	NA	NA
NI	NiSource	$0.01	$0.01	$0.02	1.07%	1.10%	1.10%
OGE	OGE Energy	$0.05	$0.05	$0.05	2.12%	2.13%	2.11%
PCG	PG&E Corp	$0.11	$0.11	$0.12	2.84%	2.65%	2.60%
PEG	Public Service Enterprise Group Inc.	NA	NA	NA	NA	NA	NA
PNM	PNM Resources	NA	NA	NA	NA	NA	NA
PNW	Pinnacle West	$0.10	$0.11	$0.12	2.13%	2.16%	2.20%
PPL	PPL Corp (US Utilities)	$0.01	$0.01	$0.01	0.40%	0.40%	0.42%
SO	Southern Company	$0.03	$0.03	$0.03	1.07%	1.08%	1.07%
SRE	Sempra Energy	$0.08	$0.08	$0.09	1.36%	1.29%	1.12%
WEC	WEC Energy Group	$0.05	$0.05	$0.05	1.28%	1.27%	1.29%
XEL	Xcel Energy Inc	$0.04	$0.05	$0.05	1.64%	1.66%	1.66%

Source: Evercore ISI Research

Sensitizing Our Earnings Estimates To ROE Shocks – Theoretical Total Impact

- **Below we show regulatory risk by estimating the EPS impact of a 25bp change in authorized/earned ROEs for all utility holding companies we cover, assuming a 25bp cut in authorized / earned ROEs for all their utility subsidiaries, whether they are in a rate review currently or not.**

Total Theoretical Impact Of A 25bp Change In ROEs

Ticker	Company Name	EPS Impact			% EPS Impact		
		2019	2020	2021	2019	2020	2021
AES	The AES Corp	$0.01	$0.01	$0.01	0.55%	0.52%	0.52%
AEE	Ameren	$0.08	$0.08	$0.09	2.44%	2.42%	2.43%
AEP	American Electric Power	$0.09	$0.10	$0.10	2.17%	2.21%	2.20%
AGR	Avangrid	$0.04	$0.05	$0.05	1.92%	1.83%	1.85%
CMS	CMS Energy	$0.06	$0.07	$0.07	2.57%	2.55%	2.52%
CNP	CenterPoint Energy	$0.03	$0.04	$0.04	2.07%	2.03%	2.06%
D	Dominion Energy	$0.05	$0.05	$0.06	1.18%	1.18%	1.21%
DTE	DTE Energy	$0.12	$0.13	$0.14	1.99%	2.02%	2.05%
DUK	Duke Energy	$0.12	$0.13	$0.14	2.50%	2.53%	2.54%
ED	Consolidated Edison	$0.11	$0.11	$0.11	2.54%	2.51%	2.49%
EIX	Edison International	$0.10	$0.12	$0.11	2.12%	2.40%	2.39%
ES	Eversource	$0.07	$0.07	$0.08	2.05%	2.04%	2.01%
ETR	Entergy Corp	$0.15	$0.16	$0.17	2.85%	2.85%	2.91%
EVRG	Evergy	$0.08	$0.09	$0.09	2.64%	2.80%	2.79%
EXC	Exelon Corp	$0.05	$0.06	$0.06	1.72%	1.84%	2.03%
FE	FirstEnergy Corp	$0.03	$0.03	$0.04	1.44%	1.40%	1.38%
HE	Hawaiian Electric Industries, Inc.	$0.04	$0.05	$0.05	2.27%	2.20%	2.19%
NEE	NextEra Energy	$0.09	$0.10	$0.11	1.13%	1.12%	1.14%
NI	NiSource	$0.04	$0.05	$0.05	3.39%	3.38%	3.30%
OGE	OGE Energy	$0.05	$0.05	$0.05	2.13%	2.15%	2.12%
PCG	PG&E Corp	$0.11	$0.11	$0.12	2.84%	2.65%	2.60%
PEG	Public Service Enterprise Group Inc.	$0.05	$0.06	$0.06	1.71%	1.79%	1.87%
PNM	PNM Resources	$0.06	$0.06	$0.06	2.84%	2.84%	2.66%
PNW	Pinnacle West	$0.10	$0.11	$0.12	2.13%	2.14%	2.18%
PPL	PPL Corp (US Utilities)	$0.03	$0.03	$0.04	1.35%	1.38%	1.47%
SO	Southern Company	$0.06	$0.07	$0.07	2.13%	2.21%	2.21%
SRE	Sempra Energy	$0.13	$0.13	$0.14	2.12%	2.01%	1.74%
WEC	WEC Energy Group	$0.07	$0.08	$0.08	2.02%	2.03%	2.06%
XEL	Xcel Energy Inc	$0.08	$0.08	$0.09	2.93%	2.91%	2.90%

Source: Evercore ISI Research

Utility Stock Price Performance vs. SP500 From YE '17 To Present

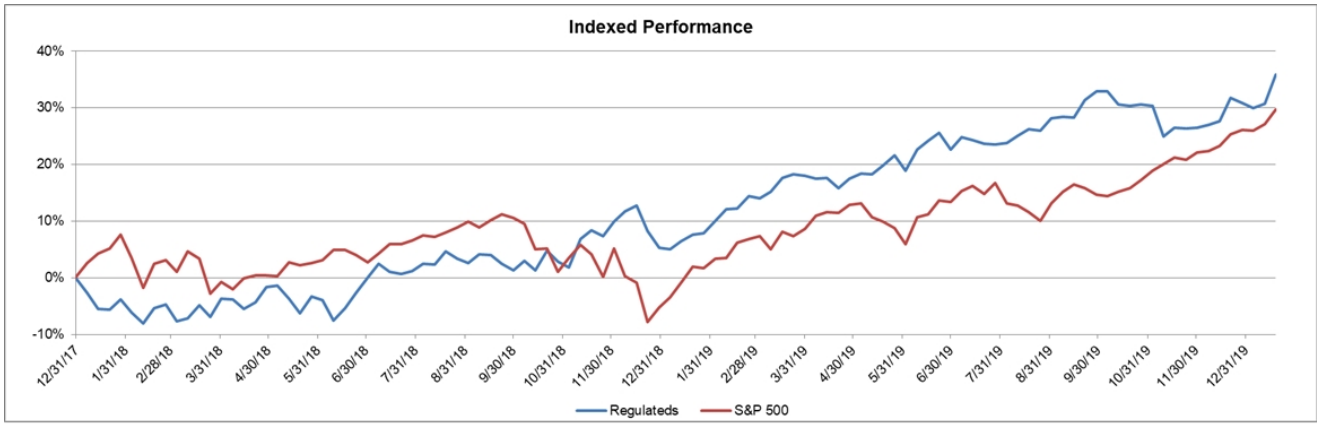

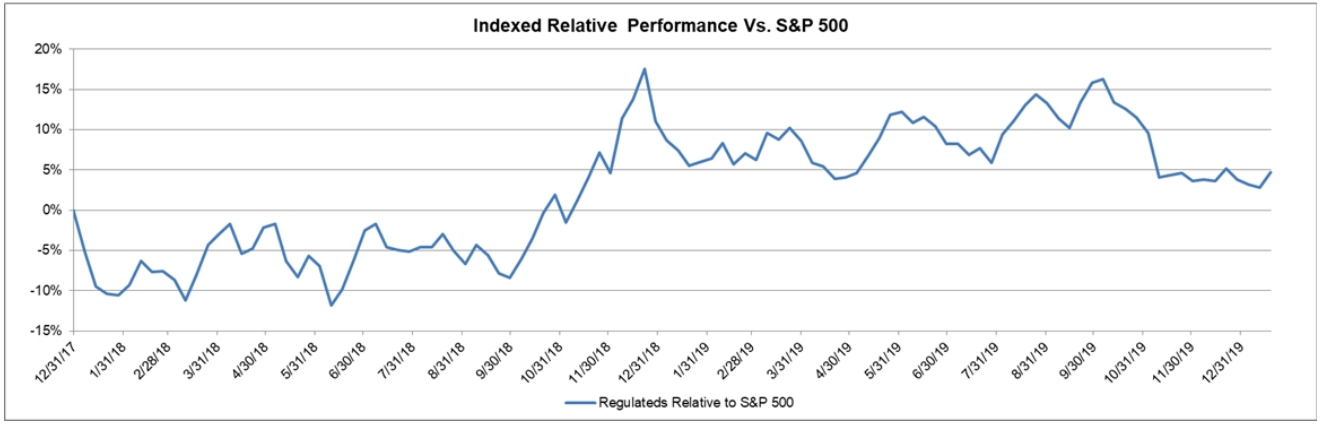

Updated as of 1/24/20 close, compounded return, 7 day intervals

Source: FactSet, Evercore ISI Research

History Lesson: Utilities Outperformed Before The Last Recession, During The Credit Crisis, And Out The Back End

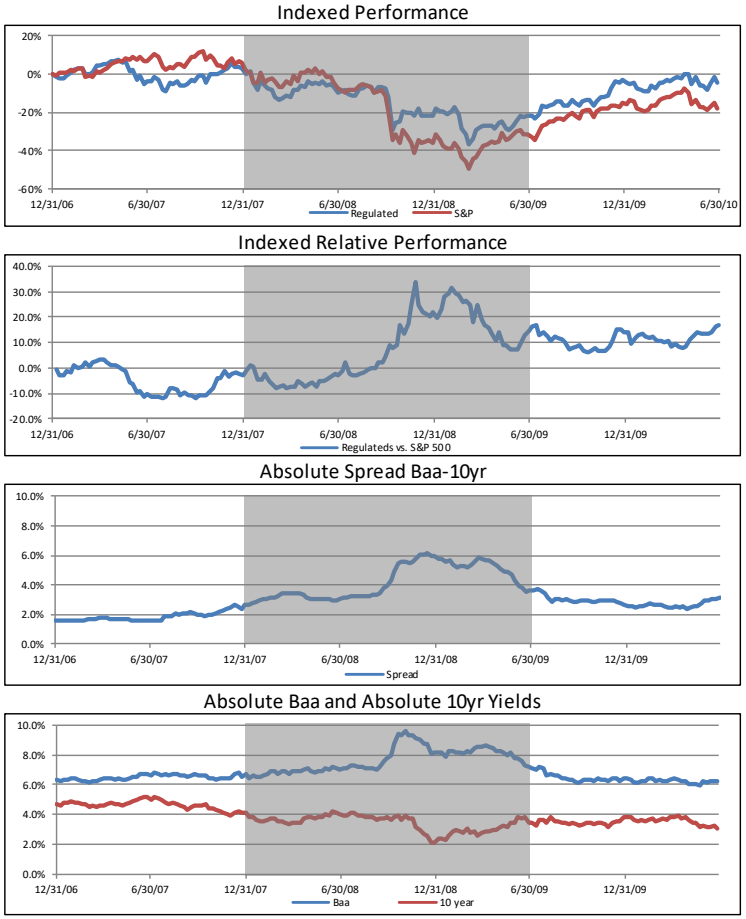

- On the charts to the left we show that regulated utilities outperformed the market in the latter half of '07 when they first peaked in valuation in our bond model (see page 15).
- From 6/30/07 through 12/31/07 utilities were up 6.3% vs. -1.4% for the SP500.
- Then performance tracked somewhat tight to the SP500 until the credit crisis hit a crescendo in late '08 / early '09 and utilities significantly outperformed, hitting very high valuations again in the bond model due to the blowout in Baa Yields (see page 15).
- During the '08 recession (from 12/31/07 until 6/30/09) regulated utility stocks delivered a total return of -23.4% vs. -35.0% for the SP500.
- In the year subsequent to the recession utilities returned 19.9% vs. 14.4% for the SP500.

Source: FactSet, Evercore ISI Research

History Lesson: Utility Stock Price Performance vs. SP500 From 2006 To Present

- This shows the performance of regulated utilities vs. the SP500 from YE '06, through the recession, until present.
- Assuming compounding returns and dividends reinvested, utilities are up 307% vs. 209% for the SP500 from YE '06 to present.

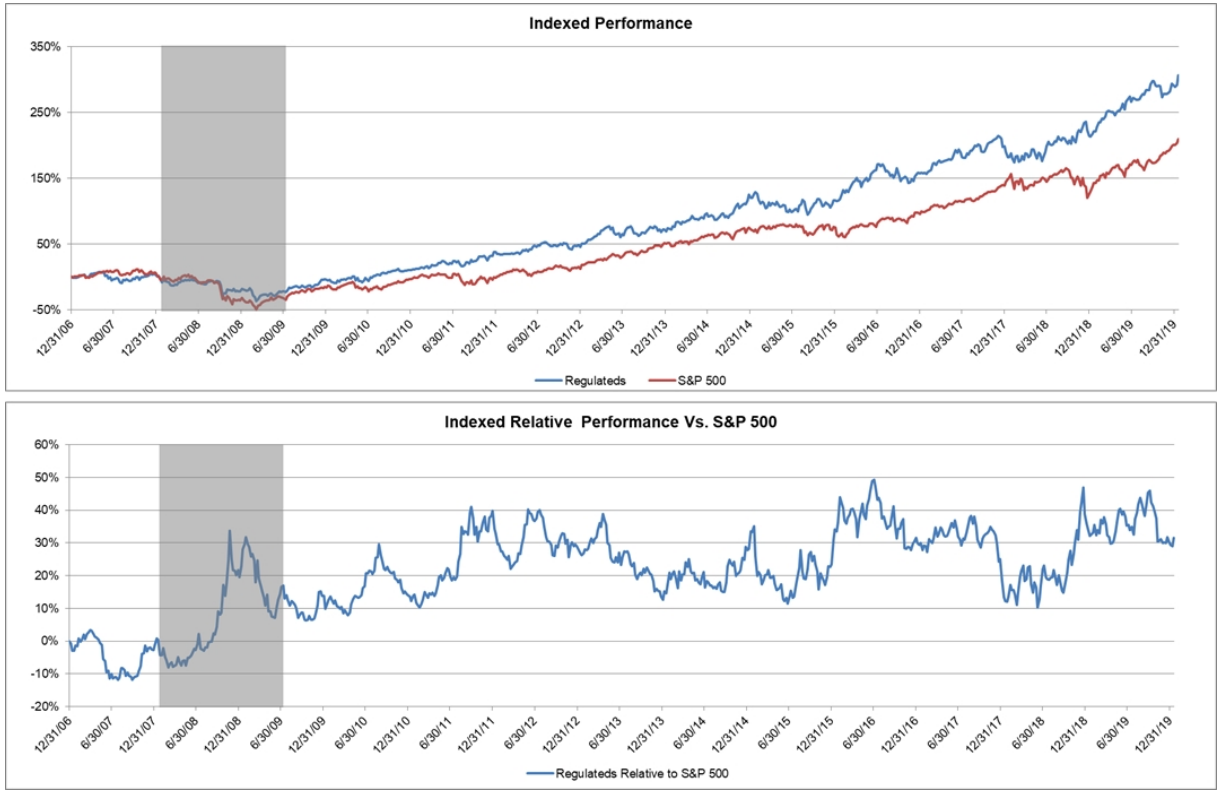

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

Regulated Dividend Yields vs. 10Y UST and Baa Yields Since 2006

- Below we show the dividend yield on regulated utility stocks as compared to the 10-year US Treasury yield and also as compared to the Moody's Baa Corporate Bond Yield Average. The narrowing spread between the utility dividend yields and bond yields is indicative of a moderating valuation due to the perceived risk of a recession / prolonged market downturn. Hence the less expensive reading in our bond regression model.

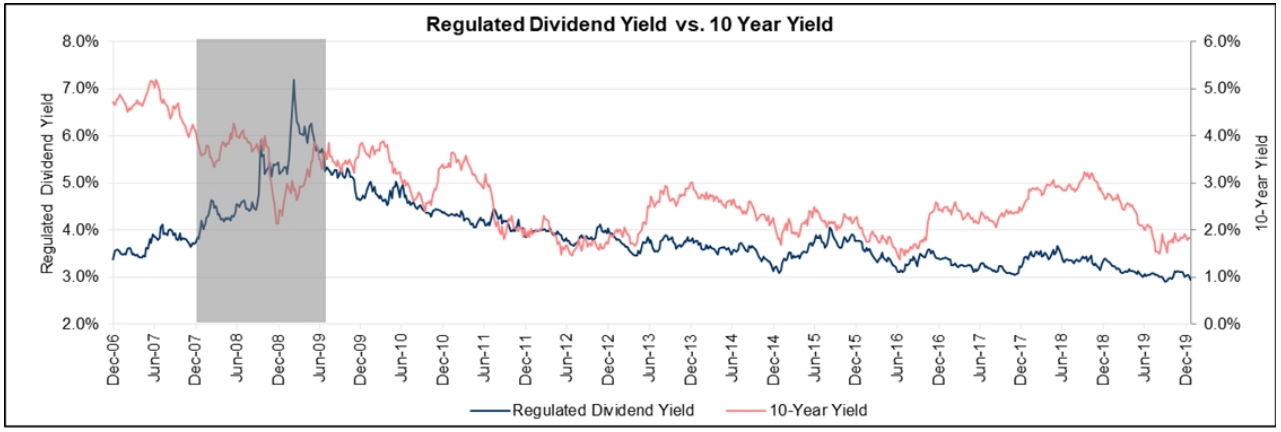

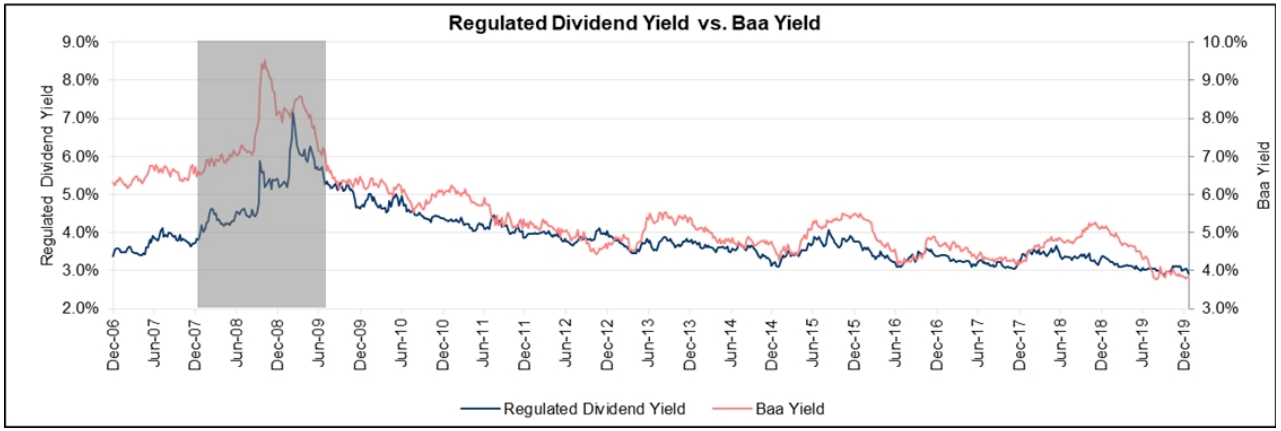

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

The Spread Between Corporates And Treasuries Has Narrowed

- The spread between corporates and Treasuries has averaged 222bp since 1970.
- At the beginning of 2015 the 10-year was ~2.2% and corporates were 4.7%, a spread of 250bp.
- The wide spread between US Treasuries and corporates was the key factor that made utilities look fully priced in our bond model from October 2015 through early April 2016.
- That spread peaked last at 363bp on 2/16/16, with the 10-year yield at 1.74% and corporate bond yield average at 5.37%.
- The tightening spread between corporates and Treasuries in the back half of 2016 was a key factor that allowed utilities to maintain value post the election despite rising inflation expectations.
- On 12/13/18 the spread was 228bp. On 12/31/18 the spread was 245bp. On 1/24/20, the spread was 200bp.

The Spread Between Baa Corporate Bond Yields and the 10 YR Treasury Yield Compressed In 2019

Daily Moody's Baa / 10 Year Spread

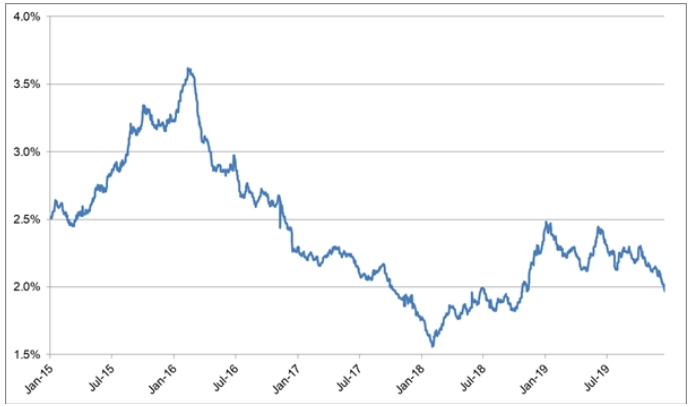

Monthly Moody's BAA / 10 Year Spread

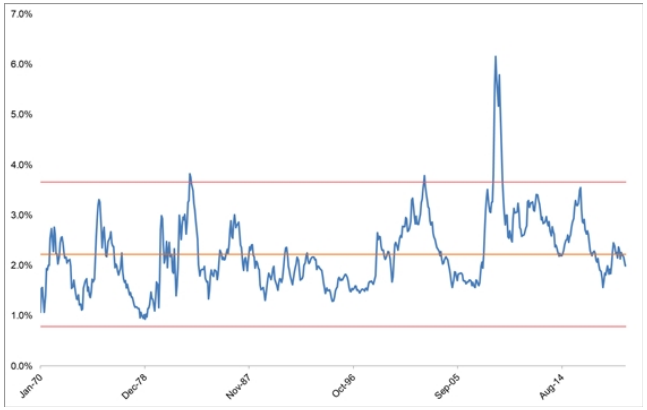

Updated as of 1/24/20 close

Source: FactSet, Evercore ISI Research

TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

Time of dissemination: January 26 2020 08:32

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Current Ratings Definition

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Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage universe
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's universe
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's universe
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.*
Rating Suspended- Evercore ISI has suspended the rating and target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon.*

*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

FINRA requires that members who use a ratings system with terms other than "Buy," "Hold/Neutral" and "Sell" to equate their own ratings to these categories. For this purpose, and in the Evercore ISI ratings distribution below, our Outperform, In Line, and Underperform ratings can be equated to Buy, Hold and Sell, respectively.

Historical Ratings Definitions

Prior to March 2, 2017, Evercore ISI's recommendations were based on a stock's total forecasted return over the next 12 months:

Buy- the total forecasted return is expected to be greater than 10%
Hold- the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 10%

Sell -the total forecasted return is expected to be less than 0%

On October 31, 2014, Evercore acquired International Strategy & Investment Group LLC ("ISI Group") and ISI UK (the "Acquisition") and transferred Evercore Group's research, sales and trading businesses to ISI Group. On December 31, 2015, the combined research, sales and trading businesses were transferred back to Evercore Group in an internal reorganization. Since the Acquisition, the combined research, sales and trading businesses have operated under the global marketing brand name Evercore ISI.

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Prior to October 10, 2014, the ratings system of ISI Group and ISI UK which was based on a 12-month risk adjusted total return:

Strong Buy- Return > 20%
Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return< -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

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Overweight- the stock is expected to outperform the average total return of the analyst's coverage universe over the next 12 months.
Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.
Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

For disclosure purposes, Evercore Group's prior "Overweight," "Equal-Weight" and "Underweight" ratings were viewed as "Buy," "Hold" and "Sell," respectively.

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Long- the stock is a positive holding in the model portfolio; the total forecasted return is expected to be greater than 0%.
Short- the stock is a negative holding in the model portfolio; the total forecasted return is expected to be less than 0%.
No Position- the stock is not included in the model portfolio.
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company, and in certain other circumstances; a stock in the model portfolio is removed.
Rating Suspended - Evercore ISI has suspended the rating and/or target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon; a stock in the model portfolio is removed.

Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal100%.

Stocks assigned ratings under the alternative model portfolio-based coverage system cannot also be rated by Evercore ISI's Current Ratings definitions of Outperform, In Line and Underperform.

FINRA requires that members who use a ratings system with terms other than "Buy," "Hold/Neutral" and "Sell," to equate their own ratings to these categories. For this purpose, and in the Evercore ISI ratings distribution below, our Long, No Position and Short ratings can be equated to Buy, Hold and Sell respectively.

Evercore ISI rating (as of 01/26/2020)

Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	420	52	Buy	95	23
Hold	306	38	Hold	36	12
Sell	48	6	Sell	5	10
Coverage Suspended	17	2	Coverage Suspended	10	59
Rating Suspended	15	2	Rating Suspended	4	27

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Evercore ISI or an affiliate has received compensation from these subject companies CenterPoint Energy and Inc., Eversource Energy, Hawaiian Electric Industries Inc., NextEra Energy Inc, PG&E Corp., PNM Resources, Inc, Southern Co., WEC Energy Group and Inc. for investment banking services in the last 12 months.

Price Charts

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Underweight
Gas/Power Infrastructure – Market Overweight

January 14, 2020

NISOURCE

(NI US Equity – $28.18 – Peer Perform)

Looking past Mass in 2020; upgrade to Outperform

- **Same call, one year later; upgrade to Outperform with $31 PT.** We thought NI could get past the 2018 Mass. gas explosion last year, but more operational concerns and lingering regulatory and B/S issues got in the way. We like the risk/reward here and see 2020 as a de-risking year for NI as it removes equity overhang and resolves lingering MA reviews. But it's not just de-risking – we think NI has upward bias to its 5-7% EPS growth rate long-term, with visibility on renewables opportunities at NIPSCO coming into view later this year. NI currently trades at a full turn discount to the electric average; we see potential to re-rate closer to its historic 5-10% premium as these catalysts play out.

- **De-risking investment story with identifiable catalysts.** We see a big improvement in the risk profile of NI as it moves toward a resolution in MA. The scoping memo of the DPU's investigation was helpful in providing a manageable cap on fines. We sense NI will likely take equity off the table soon, rather than waiting for its property insurance claim to fully resolve. We see the current 5-7% growth rate intact, with an upward bias in the future as NI looks to replace all of its coal with renewables in Indiana across 2023-2028.

- **Risks – decarbonization, hiccup in MA or another safety event.** We see a debate over what the market wants to pay for gas businesses as decarbonization becomes a broader investor focus. Historically LDCs have traded at big premiums to electrics, but the gap has narrowed recently. This is the furthest from anyone's mind in NI's core Midwestern states though, and NI's gas utilities are simply low-risk other than MA. Another risk would be the situation in MA getting worse before it gets better; we expect that the public hearings will be noisy, but manageable given the bookend on fines. Finally, the probability of another major safety event is scary but unlikely given the company's complete overhaul / focus on its safety practices.

- **Raising PT to $31; big disparity in LDC comp group.** We are raising our PT by $2 to $31. We ascribe a 21x multiple on our 2021E – a premium for NI's electric utility and average on its gas LDCs. After digging through the LDC comp universe, we found a big disparity in multiples due to business mix differences. Premium pure-play names trading at 22-24x, discount diversified names at 18-20x – we think NI deserves something in between.

Estimates / Valuation				
(US$)	2019E	2020E	2021E	2022E
EPS	$1.29	$1.37	$1.45	$1.55
Consensus	$1.30	$1.38	$1.46	$1.54
P/E	21.8x	20.6x	19.4x	18.2x
Dividend Yield	2.8%	2.8%	3.0%	3.2%

Trading and Fundamental Data	
Price Target	**$ 31**
Current Price	28.18
52-Week Range	$26-$31
Market Cap. (MM)	10,530
Enterprise Value (MM)	20,910
Shares Out. (MM)	373.5
Dividend Yield	2.84%
Dividend Payout Ratio	61.7%
ROE	-1.4%
Debt to Cap	61.7%
Avg. Daily Vol. (000)	3,477

Price Performance	YTD	LTM
NI US Equity	1%	7%
Utility Index	1%	23%
S&P 500	2%	26%

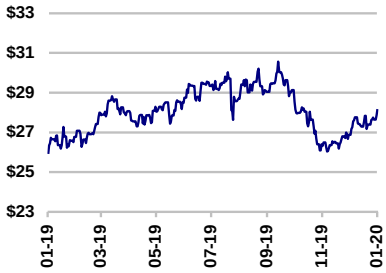

Source: FactSet/Wolfe Research

Key Changes		
	New	Old
Rating	Outperform	Peer Perform
PT	$31	$29

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WOLFE RESEARCH

NiSource

January 14, 2020

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2019E	2020E	2021E	2022E
EPS	$1.29	$1.37	$1.45	$1.55
Diluted Shares Outstanding	$378	$395	420	430
Dividends Per Share	$0.80	$0.85	$0.90	$0.95
Dividend Yield	2.8%	3.0%	3.2%	3.4%
Dividend Payout Ratio	62%	62%	62%	61%
Equity Ratio	39%	42%	43%	44%
FFO/Net Debt	16%	16%	16%	16%
Valuation Metrics				
P/E	21.8x	20.6x	19.4x	18.2x
Price/Book	1.9x	1.7x	1.6x	1.6x
Segment EPS				
Gas Distribution	$1.10	$1.16	$1.23	$1.30
Electric	$0.57	0.57	0.56	0.57
Parent & Other	($0.38)	(0.36)	(0.33)	(0.32)
Total EPS	**$1.29**	**$1.37**	**$1.45**	**$1.55**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2019E	2020E	2021E	2022E
Total Capital Spending by Segment ($M)				
Gas Distribution	$1,295	$1,328	$1,363	$1,363
Electric	455	472	487	487
Parent	25	25	25	25
Total Capex	**$1,775**	**$1,825**	**$1,875**	**$1,875**

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.5 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland and Massachusetts.

Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $30B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. We see NI as a de-risking story in 2020 with an upward bias on rate base / EPS growth due to renewable investment opportunities at NIPSCO Electric.

Valuation

Our $31 price target is derived using a P/E multiple of 21x on our 2021E. This reflects a premium for NI's electric utility and an average for its gas LDCs Risks for NiSource are 1) further issues in MA 2) bad regulatory outcomes and 3) pipeline safety incidents. Upsides are 1) additional growth projects and 2) customer growth

Exhibit 3. 2021E EPS by Segment

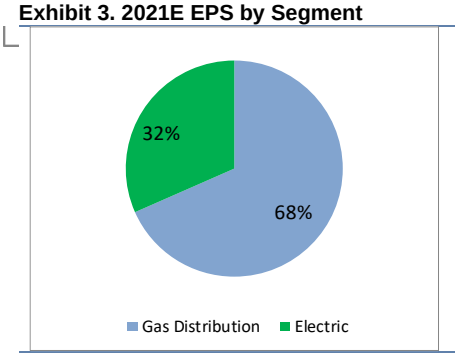

Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart

Source: FactSet

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Path to return to a premium multiple in 2020

The Merrimack Valley explosion in Sept. 2018 was a tough event for NI and the company is still working to fully recover from it. We had hoped a turnaround would happen in 2019, but we downgraded the stock in early August 2019 as more operational concerns arose, the Mass investigations extended and our hope for an exit from the business did not play out. Since then, NI stock has underperformed significantly (see Ex 5 below) but has shown some signs of stabilizing. Despite the MA overhangs, NI made good regulatory progress in its states in 2019 and has made a lot of progress on safety improvements too.

We think the stock is ready to turn the page in 2020. We see a path for NI to creep back to the historical 5-10% premium (vs electric average) that the company enjoyed prior to the Merrimack Valley event. We see a material improvement in the risk profile of the company given the safety overhaul and as NI moves toward a resolution in MA – the recent scoping memo from the DPU was helpful in providing a manageable cap on the level of fines. **At NI's core, the company is a pure-play regulated utility with low business risk**. This has been overshadowed by the MA subsidiary, which only comprises 5-10% of the total company. We ultimately see NI as a de-risking story in 2020 with an upward bias on rate base / EPS growth as opportunities for renewables investment at NIPSCO Electric appear significant across 2023-2028.

Exhibit 5: NI vs the Regulated Average

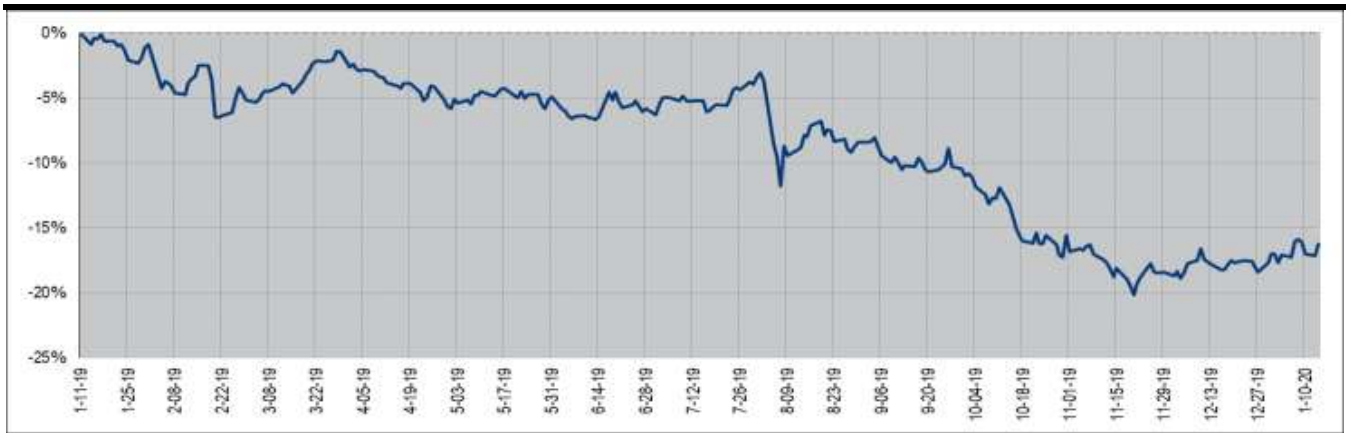

Source: Wolfe Research, FactSet

Identifiable catalysts in 2020

Equity overhang, but likely not for long. We sense that NI will likely remove its $500-700M equity overhang sometime in the first half of the year. We do not believe the company will wait to see the outcome of its property insurance filing, which is still a quarter or two away. Any cash benefit from the property filing could then be reflected by tempering its ~$300M/yr. of ATM / DRIP equity. Once the equity overhang is removed, the market can then focus on the company's de-risking story as the investigations in MA are closer to being resolved.

Upward bias to rate base / EPS growth rate. NI currently targets 5-7% annual EPS growth – this is supported by ~5% rate base growth at NIPSCO Electric and ~10% rate base growth at its gas LDCs. We believe there is an upward bias to rate base growth at NIPSCO Electric as it works to replace its coal generation with renewables across 2023-2028. While this will require incremental external funding, we expect that the rate base investment opportunity is significant enough for NI to be well within its current consolidated EPS growth range with maybe a chance to move the range to 6-8%.

NI's recent rate case outcome in Indiana allows the company to execute on its generation strategy by guaranteeing full recovery of its early coal retirements. NI's Schaefer units will physically retire in 2023 and Michigan City in 2028 – at which time, the company will be coal-free. The Indiana Utility Regulatory Commission's (IURC) approval of NI's JV and

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ownership agreement for Rosewater Wind (102 MW, ~$90M of capex) was a good sign for future renewable ownership opportunities. NI has another pending request with the IURC for a BoT agreement for the Indiana Crossroads project (302 MW). We expect that these projects will be reflected in NI's capex forecast once it rolls forward through 2023. Through subsequent RFPs, we anticipate that NI will seek to procure significant solar / solar + storage capacity to come online in unison with its coal retirements as detailed in its most recent IRP.

What is still left to play out in Massachusetts

DPU Investigations
The Massachusetts DPU will hold two public hearings on Jan. 29th and Feb. 10th concerning its investigations into Columbia Gas for the Merrimack Valley gas explosions. The two investigations are for 1) Columbia's role in and responsibility for the incident as well as its restoration efforts following the incident; and 2) Columbia's preparation for the gas incident and the company's implementation of its emergency response plan. For the scope of the 2nd investigation, the DPU intends to focus on three distinct time frames, with the possibility of a fourth. MA law allows for up to a maximum fine of $20M per time frame. We believe the $80M cap (four time frames) would be manageable.

Criminal Investigation
Both NI and Columbia Gas are subject to a criminal investigation related to the Merrimack Valley incident which is being conducted by the U.S. Attorney's Office for the District of Massachusetts. We believe the criminal investigation has a high bar set to find the company guilty – proof of knowing and willful criminal intent. The NTSB reports did not show anything close to this. While a concern, we hope the investigation is something that can be resolved quietly or settled out of court.

Possible exit?
This was part of our original thesis when sticking with our Outperform rating immediately following the event in MA. We ultimately believe there is a path for NI to exit the state but think there are still issues that need to be cleaned up prior to a sale occurring. The investigations listed above are the most identifiable. A third-party audit report of the gas pipeline replacement work as part of the Merrimack Valley restoration is likely to be available by late Q1 / early Q2. Presumably a clean audit report would give a potential buyer piece-of-mind that the new system was installed / operating correctly.

Risks to our Outperform rating

The natural gas debate. In recent months, we have seen investors focus more on decarbonization and the potential effects on coal, and increasingly gas businesses. Nat gas will likely be a hot debate in 2020 on this topic. We have seen gas LDC multiples compress a bit with this as a potential reason. A few states – CA, NY, MA – have seen towns and municipalities limit new gas service. While we worry on this for all gas businesses, NI is likely one of the least exposed given its large Midwestern footprint where this issue is far from anyone's mind. NI's only higher risk state is MA which is very small and may go away anyway. Bottom line, NI has low-risk pure play utility businesses other than MA and the key issue is keeping them that way by good, safe operations.

Another major safety event. We believe that the probability of this is unlikely given company's complete overhaul / focus on its safety practices. NI's Safety Management System (SMS) is expected to be fully in place around midyear and we have been encouraged by recent Board appointments (e.g. former NTSB chair). If another major event was to occur, we think there would be the potential for major corporate changes at the company that would help limit any downside potential.

Things get worse before they get better in Massachusetts. Given the number of missteps that NI has had since the initial incident, another hiccup in MA would be very bothersome. While we expect that the public hearings will be noisy, the DPU's scoping memo was helpful in providing a bookend on the level of fines NI may ultimately face. We also think the company's focus on safety, as mentioned above, make the possibility of another misstep in MA unlikely.

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Big valuation disparity amongst gas LDCs

We dug through the gas LDC comp universe and found a big disparity in trading multiples due to business mix differences. In exhibit 6 below, we have now separated our LDC comp table to distinguish between pure-play regulated companies and those with diversified (i.e., non-regulated) businesses. The pure-play gas LDC average is 23x whereas the diversified average is 19x on 2021 earnings – we believe NI's LDCs deserve a multiple in the middle (21x) for now. We believe the most comparable LDCs to NI are Atmos Energy (ATO) and ONE Gas (OGS). Both of these are high-quality, high-growth pure plays. We think it is possible that NI's embedded LDC multiple can re-rate higher over time, closer toward ATO (22.5x) and OGS (24x) as its safety practices and track record become more seasoned.

Exhibit 6: Gas LDC Comparables

Company Name	Ticker	Current Price	Mkt Cap ($M)	P/E Multiple 2019E	2020E	2021E	2022E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Atmos Energy	ATO	$112.81	$13,792	25.9x	24.2x	22.5x	21.0x	2.0%	7.3%	49%	2.3x	59%
ONE Gas	OGS	92.88	4,898	26.5x	25.5x	24.1x	22.1x	2.2%	8.2%	59%	2.4x	56%
NiSource	NI	28.18	10,526	21.8x	20.6x	19.4x	18.2x	2.8%	6.3%	62%	2.2x	39%
Northwest Natural Gas	NWN	72.05	2,193	30.2x	28.5x	27.1x	26.4x	2.7%	0.6%	75%	2.7x	44%
Pure-play Average				**26.1x**	**24.7x**	**23.3x**	**21.9x**	**2.4%**	**5.6%**	**62%**	**2.4x**	**50%**
New Jersey Resources	NJR	43.31	4,136	22.1x	20.5x	18.7x	17.6x	2.9%	N/A	59%	2.5x	49%
South Jersey Industries	SJI	31.29	2,891	28.1x	19.8x	18.5x	16.6x	3.8%	4.0%	75%	2.1x	29%
Southwest Gas	SWX	77.67	4,243	20.8x	19.2x	17.5x	NA	2.8%	4.9%	57%	1.8x	50%
Spire Inc.	SR	82.25	4,193	22.1x	21.3x	20.3x	19.1x	3.0%	4.6%	65%	NA	47%
Diversified Average				**23.3x**	**20.2x**	**18.7x**	**17.8x**	**3.1%**	**4.5%**	**64%**	**2.2x**	**44%**
Blended LDC Average				**24.7x**	**22.4x**	**21.0x**	**20.2x**	**2.8%**	**5.1%**	**63%**	**2.3x**	**47%**
Average - electric utilities				*22.5x*	*21.4x*	*20.1x*	*19.1x*	*3.1%*	*5.0%*	*65%*	*2.3x*	*43%*

Source: Wolfe Research, FactSet

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WOLFE RESEARCH

NiSource

January 14, 2020

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Company:	Fundamental Valuation Methodology:
NI US Equity	Forward P/E

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Company:	Risks That May Impede Achievement of the Recommendation, Rating or Target Price:
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NiSource

January 14, 2020

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Underweight
Integrateds – Market Overweight
IPPs – Market Overweight
Gas/Power Infrastructure – Market Overweight

January 7, 2020

UTILITIES & POWER

Top 10 things to watch for 2020

1) **Following a tough 2019, history says utilities may do better in 2020…**The sector trailed the 2019 bull market by 500bps and has ping-ponged between out- and under-performing 6 years in a row, suggesting a bounce may be due in 2020. In years after large market rallies, utilities tend to meet or beat the market the following year.

2) **…but valuations are still high…**Utilities are trading at an 11% premium to the market, which is still well above the 4% average. They trade at nearly 20x 2021 earnings, an all-time high. While 5-6% EPS growth is decent, current valuations are still highly dependent on a low growth, low rate environment.

3) **...and the Presidential election really matters.** We believe the election will dominate investor attention during 2020 and will be the key driver for utility performance. A Democrat win would be a huge relative win for utilities (and particularly renewables) as most other sectors could face new risks and overhangs. A Trump re-election would likely be viewed as a relief for the market relative to utilities.

4) **ESG goes viral; renewables, electrification in focus; nat gas debate.** We see ESG going from mainstream to viral in 2020 and utilities could net benefit. Electricity is the fuel of choice for the new economy. Renewables growth and carbon reduction are accelerating. Coal is largely over and the debate has moved to the future of natural gas. NEE and AWK have been the winners so far, ES could be next.

5) **Renewables – 2020 will be the best year ever**. Wind additions will hit a new peak, solar backlog is accelerating and offshore wind growth is huge on the east coast. NEE/NEP remain the best ways to play it.

6) **De-risking stories the focus for value opportunities – FE, EXC, D, EIX.** Valuation dispersion in utilities has narrowed from the peak but is still quite wide providing opportunities for discount companies that are de-risking their business mix. Our DUTY portfolio (Dogs of the UTY) is another way to play this theme.

7) **California recovery continues in 2020.** The wildfire fund law combined with better regulatory stability (ROE, cap structure, GRC outcomes) sets the stage for a continued CA recovery in 2020. Resolving PCG's bankruptcy will be a key event. We see less chance of a market freak-out in 2020 fire season – it proved wrong in 2019.

8) **ROEs back in focus – key rate cases to watch in 2020.** With low rates and high stock prices, ROEs have crept lower and remain a risk in 2020. Key cases to watch include AGR, AWK, DUK and PNW. Transmission ROEs are also a potential risk as FERC updated its methodology.

9) **Balance sheets and credit remain a key focus; more equity coming.** We thought equity issuance would tail off in 2019 but it stayed flat at $19B. 2020 deals to come include CNP, NI, AEP and of course PCG. Overall, balance sheets look stable.

10) **Power at a crossroads.** After a disappointing 2019, there are more questions than answers. Will investors appreciate IPPs huge free cash flow? What is the future of PJM's capacity market? How will each state react? With the integrateds more regulated and IPPs struggling to find new investors – will this be a public sector?

Exhibit 1: Top Ideas by Theme

Name	Ticker	PT
Regulated Utilities		
Ameren	AEE	78
Edison International	EIX	80
FirstEnergy	FE	53
American Electric Power	AEP	101
Eversource	ES	85
Evergy	EVRG	68
PPL Corp	PPL	37
Gas/Power Infrastructure		
Dominion Energy	D	90
Sempra Energy	SRE	164
Renewables/YieldCos		
NextEra Energy Partners	NEP	61
NextEra Energy	NEE	240
Power Plays		
Exelon	EXC	55
Vistra Energy	VST	34
NRG Energy	NRG	44

Source: Wolfe Research Utilities & Power Research

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2020 outlook – staying underweight utilities, but election key

Following a tough year for utilities in 2019 vs the market, utilities appear due for a defensive bounce especially given how far the market ran over the past year and past decade. But 2020 will be all about the Presidential election. Utilities look like one of the only relative winners if a Democrat is elected with several key sectors of the economy being clear losers in that scenario (health care, tech, financials, energy). On the other hand, there will be little need to own utilities in a Trump re-election scenario.

Utilities valuations are still well above average, an 11% relative premium vs the 4% historic average. We think this valuation already assumes a sustained low rate, low growth environment continuing. We still believe utilities can be helpful as defensive ballast to a portfolio but buying them at a large premium is an offensive bet on a weak environment, not playing defense. We would be more interested in the sector if it gets closer to a market multiple.

Performance Review: 2019

Utilities ended 2019 up 22.2%, a great year on an absolute basis but nothing special in 2019. The S&P 500 ended up 28.9% beating utilities by over 500bps on a total return basis. A unique aspect of 2019 was that utilities underperformed the market despite long-term interest rates falling nearly 100bps. As shown in Exhibit 2, this broke the relationship we have seen between interest rate moves and utilities relative performance. In retrospect, utilities moved ahead of bonds with their strong move in late 2018 and thus had less room to run in 2019.

Exhibit 2: Utilities vs. 10-yr Treasury

Source: FactSet, Wolfe Research

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As shown in Exhibit 3, all the large income sectors underperformed the market in 2019, not surprising amidst a tech-driven bull market. The one exception was Yieldcos which benefitted from better sponsors and increasing investor appetite for renewables. Staples and REITs also slightly beat utilities while Telecom and Pharma trailed. Midstream was all over the map with Midstream C-corps slightly beating utilities for the year, but MLPs trailing all income sectors by a wide margin.

Exhibit 3: Utilities vs. Other Income Sectors

Sector	2019 Price Performance
WR YieldCo Index	30.7%
S&P 500	28.9%
S&P Consumer Staples	24.0%
REIT Index (FNER)	23.9%
Wolfe Midstream C-corp basket	22.8%
S&P Utility	**22.2%**
S&P Telecom	20.1%
S&P Pharma	12.0%
XLE Index	4.7%
WR IPP Index	0.4%
MLP Index (AMZ)	(2.0%)

Source: FactSet, Wolfe Research

Performance Review: long-term

After the weak relative performance in 2019, the long-term utility performance data looks a lot worse than a year ago. Utilities are now underperforming the market on a 1-yr, 3-yr, 5-yr and 10-yr basis. See Exhibit 4 below.

Exhibit 4: Utilities Trailing 1/3/5/10-Year Performance – Price and Total Return

Trailing Performance	Utilities - Price	S&P 500 - Price	Relative - Price	Utilities - TR	S&P 500 - TR	Relative - TR
1 Year	22.2%	28.9%	**-6.6%**	26.3%	31.5%	**-5.1%**
3 Year	33.0%	44.3%	**-11.3%**	47.5%	53.2%	**-5.7%**
5 Year	36.7%	56.9%	**-20.2%**	63.2%	73.9%	**-10.7%**
10 Year	107.8%	189.7%	**-81.9%**	205.3%	256.7%	**-51.3%**

Source: FactSet, Wolfe Research

1) History says utilities may be due for a bounce, but…

Will the ping-pong performance continue?

This was the 6th year in a row that utilities have performed opposite the prior year, ping-ponging between outperforming and underperforming the market (see Exhibit 5 on following page). If this track record continues, utilities are due to outperform in 2020.

While it may not feel like it to investors, utility deviation versus the market has tightened the last five years with no year seeing more than a 1000bp performance deviation.

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Exhibit 5: Utilities Deviation from the Market since 2007 – Total Return

Year	Utility Performance During Year	S&P 500 Performance During Year	Relative Performance
2007	19.4%	5.5%	**13.9%**
2008	-29.0%	-37.0%	**8.0%**
2009	11.9%	26.5%	**-14.6%**
2010	5.5%	15.1%	**-9.6%**
2011	20.0%	2.1%	**17.9%**
2012	1.3%	16.0%	**-14.7%**
2013	13.2%	32.4%	**-19.2%**
2014	29.0%	13.7%	**15.3%**
2015	-4.8%	1.4%	**-6.2%**
2016	16.3%	12.0%	**4.3%**
2017	12.1%	21.8%	**-9.7%**
2018	4.1%	-4.4%	**8.5%**
2019	26.3%	31.5%	**-5.1%**

Source: FactSet, Wolfe Research

How do utilities perform after big stock market rallies?

Given the 29% move in the S&P 500 last year, we thought it would be interesting to look at how utilities perform the year following large market rallies. We looked at every period where the market rose over 25% and how utilities performed the following year. On the surface, the data in Exhibit 6 below shows a mixed bag but the only years where utilities did poorly were during the 1990 tech bubble. Excluding this, utilities have consistently performed in line or better than the market in years following large rallies. This seems to bode well for 2020 performance.

Exhibit 6: Utilities Relative Performance Post Market Up Over 25%

Year Where Market Rose +25%	Utility Performance Following Year	S&P 500 Performance Following Year	Relative Performance
2019	?	?	**?**
2013	24.3%	11.4%	**12.9%**
2003	19.6%	9.0%	**10.6%**
1998	-12.8%	19.5%	**-32.4%**
1997	10.0%	26.7%	**-16.6%**
1995	0.2%	20.3%	**-20.1%**
1991	5.3%	4.5%	**0.9%**
1989	-6.5%	-6.6%	**0.0%**
1985	23.3%	14.6%	**8.7%**
1980	9.2%	-9.7%	**18.9%**
Average			**-1.9%**

*Prior to 1995, Utilities = DUK, ED, EIX, EXC, FE, PCG, PPL, SO

Source: FactSet, Wolfe Research

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2) Valuation Review – still at a decent premium

Utility valuations at 11% premium to market

Even after a pullback in Q4, utility relative P/E ended the year at an 11% premium to the market. This is down from over 20% at YE 2018 but still well above the 4% average premium we have seen post the financial crisis. Utilities have swung between a 9% discount in June 2018 to a 25% premium in mid 2019 – the volatility is pretty insane depending on macro conditions. We would be patient and wait for utilities to get closer to an average relative multiple or discount to buy them.

Exhibit 7: Utility Sector Forward P/E Relative to the S&P 500

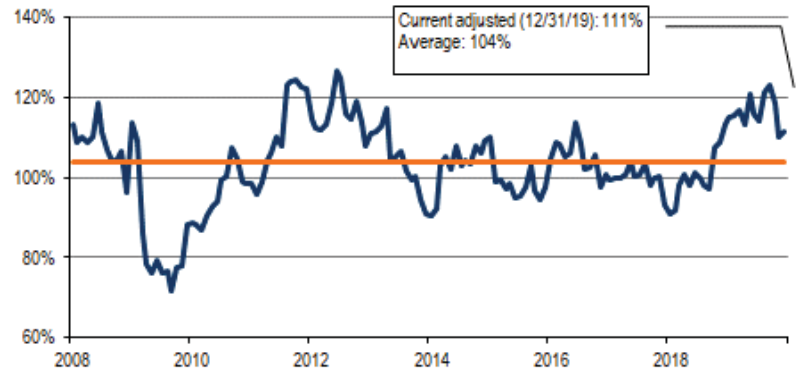

Source: FactSet, Wolfe Research

Absolute valuations also near all-time highs

The current forward P/E of the sector is over 20x forward earnings. This is just below all-time highs. Given that the current is well above the L-T average of 14x and toward the higher end of the recent range, we view current valuations as highly dependent on sustaining the current low rate and strong stock market environment.

Exhibit 8: Utility Sector Forward P/E

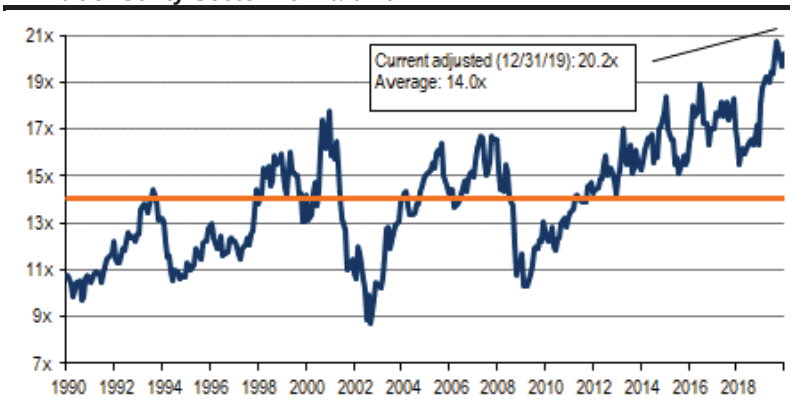

Source: FactSet, Wolfe Research

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Yield valuations

Finally, we show yield valuations in Ex. 9 and 10 below. Utilities still look cheap to Treasuries as an income play (what doesn't!). Compared to the S&P 500, utilities look expensive on a yield basis at only 126bps above the S&P yield vs a historic average of 225bp. Many high-quality utilities now have yields below 3% these days.

Exhibit 9: Utility Dividend Yield vs. 10-Yr Treasury Yield

Source: FactSet, Wolfe Research

Exhibit 10: Utility Dividend Yield vs. S&P 500 Dividend Yield

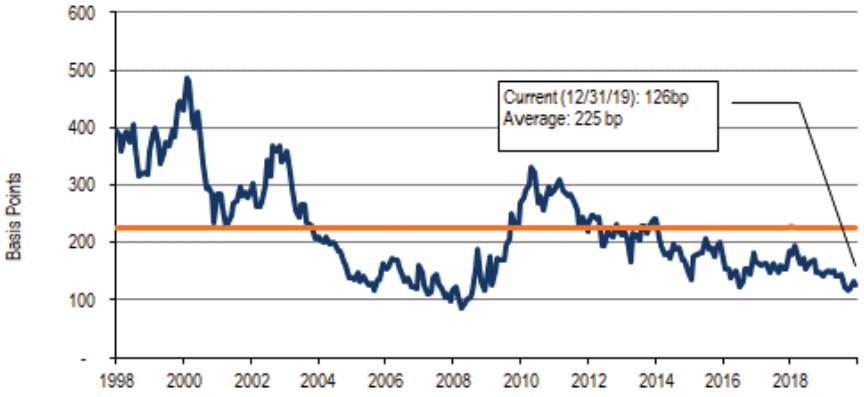

Source: FactSet, Wolfe Research

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Short interest

One of our favorite contrarian indicators for utilities from a near-term trading standpoint continues to be short interest in the Utility ETF (XLU). When it's high, we view it as contrarian bullish. When it's low, we view it as a contrarian bearish signal. Today, the reading is as contrarian bearish as we have seen in the last 5 years with short interest at lows.

Exhibit 11: Utility ETF Short Interest – 38.2M Shares (12/13/19)

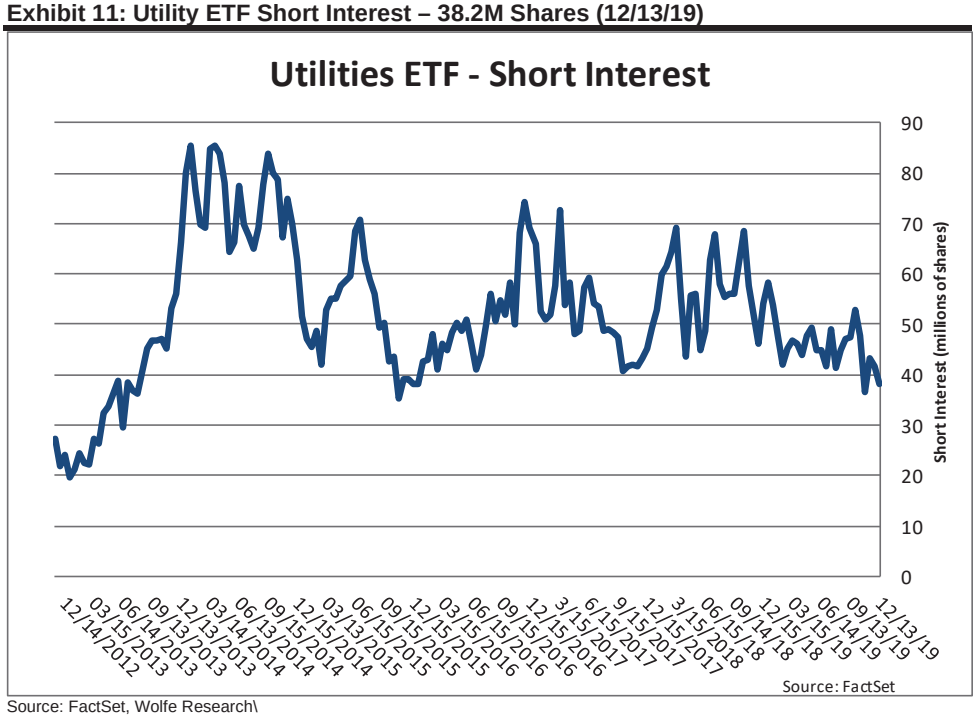

Source: FactSet, Wolfe Research\

Investor poll results

We conducted our yearend investor poll in mid-December. The responses painted a decidedly different sentiment for utilities vs six months prior – 51% think utilities will underperform the market in 2020 (was 29%) and only 26% think utilities will outperform (was 53%). Sentiment jives with the fact that the vast majority (92%) see interest rates staying flat or moving higher. It could also be reflective of expectations for the presidential election – 77% believe President Trump will be re-elected, likely suggesting a belief that the economy will continue to do decent and keep the bull market running. Interestingly, the preference is still to be overweight Regulateds (53%); Power is underweight (59%) for the first time in a while; YieldCos can't seem to catch a bid (60% underweight) despite how well they have performed in 2019.

EXC was the consensus favorite by a lot and we agree. 65% believe EXC will get IL legislation done this year. AEP was also a top long, which we view as a safe pick. shorts were the usual suspects – SO, DUK and ED – though SO more than doubled DUK for the top spot. Consensus' view on Vogtle 3 meeting the Nov. 2021 deadline were unchanged six months later, 75% still believe SO will miss the deadline.

The view on the CA utes was largely unchanged – 54% see them as value traps. This is despite fire season being over and recent constructive outcomes in rate cases. Consensus' view is still that MVP will get done (79%, up from 77%) but less people believe ACP will be completed (46%, down from 55%). Our first polling of Gas vs Electric and which deserves a higher multiple was interesting – 57% believe Electrics should trade higher. Europe's focus on decarbonization seems to be having an impact in the US.

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Exhibit 12: 2020 Outlook Survey Results

	2020 Outlook Poll		
1) Top pick for 2020?	1) EXC 2) AEP 3) D / CNP / EIX		
2) Top short/underweight for 2020?	1) SO 2) DUK 3) ED		
3) Best non-consensus idea for 2020?	Long 1) NI 2) CNP 3) EXC	Short/Underweight 1) SO 2) D / ES / NEE	
4) How will utilities perform vs the market for 2020?	Outperform Underperform In-line	26% 51% 23%	
5) Do you prefer utilities or midstream in 2020?	Utilities Midstream	49% 51%	
6) Subsector views:		Overweight	Underweight
	Power	41%	59%
	Regulateds	53%	47%
	YieldCos	40%	60%
7) Interest rates - 10-yr yields at the end of 2020?	1.5% or less 1.5-2.0% 2.0-2.5% 2.5% or more	6% 54% 38% 2%	
8) California utilities - value plays or value traps?	Value plays Value traps	46% 54%	
9) Best activist candidate?	1) CNP 2) DUK 3) NI		
10) IPPs - do you prefer NRG or VST?	NRG VST	63% 37%	
11) Which company is the best / worst on ESG?	Best 1) NEE 2) AWK	Worst 1) DUK 2) WEC	

Note: These comments have been reproduced in their original form and have not been edited. Poll comments are not necessarily representative of the overall market, should not be attributed to Wolfe Research and are not representative of its views. We received 79 responses for our 2020 outlook poll.

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Exhibit 13: 2020 Outlook Survey Results (cont.)

	2020 Outlook Poll	
12) Do MVP and ACP get completed?	Both	36%
	Neither	11%
	MVP but not ACP	43%
	ACP but not MVP	10%
13) Does EXC get IL clean energy legislation done in 2020?	Yes in 2020	65%
	No	35%
14) Does SO get Vogtle 3 done by November 2021 regulatory deadline?	Yes	25%
	No	75%
15) Who wins the presidential election?	Republican	77%
	Democrat	23%
16) Gas Utilities vs. Electric Utilities - which should trade at a higher multiple?	Gas	43%
	Electric	57%
17) Offshore wind - bullish or bearish?	Bullish	52%
	Bearish	48%

Note: These comments have been reproduced in their original form and have not been edited. Poll comments are not necessarily representative of the overall market, should not be attributed to Wolfe Research and are not representative of its views. We received 79 responses for our 2020 outlook poll.

3) Presidential election is The Event of 2020

We keep coming back to the Presidential election as the key event for 2020 and the key determinant of whether utilities will outperform or underperform the market. The differences between the Republicans and Democrats have widened (even moderates like Biden) to the point where the outcome likely makes a big difference to the market overall and which sectors outperform and underperform.

If a Democrat wins, most key sectors of the economy are likely viewed as net losers. Healthcare has increased cost exposures, Tech has anti-trust issues, Financials have renewed regulatory pressure, and Energy has a negative bias, at least conventional energy. The risk of tax rates rising, especially if Dems also win the Senate, could also be a huge pressure on the market and most sectors. Utilities seem to be relatively neutral to a Dem winning the White House and risk of tax increases. This makes them a big relative winner vs the market and other sectors if a Dem wins the White House. In fact, some utilities could be flat-out beneficiaries such as renewables plays (NEE/NEP), offshore wind (ES), and carbon free power such as nuclear if the Dems pursue climate change actions (EXC).

If Trump wins, not much changes. There would likely be a relief rally in the market especially for areas like health care and financials that are most exposed to Democrat win. Utilities would not be directly hurt, but could be left behind rallies in these other sectors and thus are a relative loser. For renewables plays, the current Administration is at worst neutral. In fact, Congress just passed extension of wind tax credits and offshore wind credits late last year

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Other key events to watch in 2020
In exhibits 14 (below) and 15 (following page), we detail a full list of important events by company for 2020. Some highlights include:

AGR / ES – BOEM is expected to release a supplemental study on offshore wind during Q1; important for both AGR/ES. BOEM expected to rule on permit for Vineyard Wind in Q2; key for AGR.

CNP – Expected to re-issue 2020 guidance and provide an updated growth outlook on YE19 call.

D – VA's legislative session runs from Jan. through mid-March. Legislation to support D's offshore wind plans could be introduced.

DUK – Outcomes of its two NC rate cases around midyear will be key for stock.

D / DUK – ACP's fate should be known by mid-year; oral arguments at the SCOTUS will take place on Feb. 24th, with a final decision due by the end of June. The FWS' biological opinion should be re-issued by the end of Q1 and any challenges should be known by the June timeframe.

EXC – IL legislation potentially supporting state's nuclear and clean energy expected to be proposed in Q2 after primaries; it could slip into veto session in Q4.

NI – The MA DPU's investigation into Columbia Gas was launched last year in October and is expected to last about a year. By fall, we should know the outcome of the investigation and possibly NI's strategy for MA going forward.

PCG – Could emerge from bankruptcy by 6/30 and participate in the CA Wildfire Fund. A large equity issuance to emerge from BK could occur in Q2.

PNW – Staff's initial testimony in APS' rate case is due in May, with the commission hoping for a recommended decision by late November. 3 of the 5 seats at the ACC are up for re-election in the fall.

PPL – Possible Brexit in Q1; Ofgem's RIIO-ED2 sector specific methodologies are expected this summer.

SO – The gap between the company and GaPSC Staff on Vogtle timeline still remains wide; progress in 1H20 will be key.

Exhibit 14: 2020 Key Events

Ticker	Event	Timing
AEE	MO rate case decision	By June
	MO wind acquisitions	Late 2020
AEP	TX rate case decision	January
	IN/MI rate case decisions	By 2Q20
	North Central Wind decisions	2Q20
AES	Possible DP&L rate case filing	1H20
AGR	New York / Maine rate case decisions	1Q20
	BOEM supplemental study on offshore wind	1Q20
	BOEM permit decision on Vineyard Wind	2Q20
AWK	File Pennsylvania rate case	unknown
	File Missouri rate case	unknown
CMS	Electric/gas rate case decisions	2H20
CNP	Final order in CEHE rate case	1/16/2020
	New 2020 guidance	YE19 call

Source: Wolfe Utilities & Power Research

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Exhibit 15: 2020 Key Events (cont.)

Ticker	Event	Timing
D	Virginia legislative session (offshore wind)	1/9/20-mid March
	File rate case for Dominion Energy South Carolina (SCANA)	1Q20
	ACP; biological opinion reissued by Fish & Wildlife Service	1H20
	ACP; oral arguments at US Supreme Court regarding App. Trail crossing	2/24/2020
	ACP; final decision on App. Trail crossing issue	By June 30th
DTE	Electric rate case decision	2Q20
	Gas rate case decision	2H20
DUK	NC rate case decisions	3Q20
	ACP; biological opinion reissued by Fish & Wildlife Service	1H20
	ACP; oral arguments at US Supreme Court regarding App. Trail crossing	2/24/2020
	ACP; final decision on App. Trail crossing issue	By June 30th
EIX	2021-23 GRC decision	possible by YE20
ES	BOEM supplemental study on offshore wind	1Q20
	FERC decision on NEISO transmission ROE	unknown
ETR	TX rate case decision	unknown
	Extension of LA rate plan	unknown
EXC	IL legislation	2Q20 or 4Q20
	Federal investigation	unknown
	PJM Capacity Auction 2022-2023	2H20
FE	FES Bankruptcy emergence	February
	Ohio legislative session - PUCO reform	7/12/2020
FTS	Arizona rate case decision	2Q20
	Alberta transmission decision	1Q20
LNT	Wisconsin rate case decision	2H20
	Wisconsin solar CPCN decision	2H20
NI	File Pennsylvania rate case	unknown
	Expected outcome of DPU's investigation in Mass.	September-October
NRG	ERCOT Summer	July-September
	PJM Capacity Auction 2022-2023	2H20
OGE	File application for grid mod rider in Oklahoma	1Q20
PCG	Possible Equity issuance	2Q20
	Possible emergence from BK	2Q20
PEG	Clean Energy Future Filing	March
PNW	Staff/intervenor initial testimony due in APS rate case (tent.)	5/27/2020
	Arizona Corporation Commission elections (3 of 5 seats open)	11/3/2020
	Recommended opinion and order filed in APS rate case (tent.)	11/25/2020
POR	Oregon PUC decision on 2019 IRP	2/20/2017
PPL	Possible Brexit (hard or soft)	1Q20
	UK RIIO-ED2 sector methodologies	Summer
SO	Vogtle update filing	February
	Vogtle cold hydro testing	Apr-Jun
	Vogtle hot functional testing	Jun-Jul
SRE	Targeted FID of Energia Costa Azul	1Q20
	Sempra Analyst Day	3/24/2020
	Targeted FID of Port Arthur	2Q20
VST	ERCOT Summer	July-September
	PJM Capacity Auction 2022-2023	2H20
XEL	File electric rate case for NSP-MN	November

Source: Wolfe Utilities & Power Research

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4) ESG goes viral; electrification, renewables in focus; the nat gas debate

Last year, we thought ESG focused investing would go from niche to mainstream. We think this clearly played out in 2019. As we enter 2020, we sense that ESG focus will be taken up another notch. We have mixed feelings about this as we think ESG is moving to more of a ratings-based approach that will be subject to a lot of biases. In utilities, for example, the inclination is to focus solely on the "E" and not pay as much attention to the "S" and the "G". Coal is bad no matter how much you have and renewables are good even if you way overpay for them.

That said, we have always been focused on management quality and business sustainability as key drivers to begin with and we hope the ESG trend will only further emphasize this. We also see opportunities to get ahead of the ESG "crowd" by trying to anticipate where they go next. In utilities, NEE and AWK have clearly been the focus names and they trade at the highest premium values in the sector today. We view ES as likely to be the next beneficiary given their long-term track record, T&D focus, lack of coal, and early mover in offshore wind together with ESG darling Ørsted.

In the context of the broader industrial and energy space, we think the utility sector has a good ESG story to tell. Electricity is on the favorable side of the long-term energy trends, especially as decarbonization becomes a bigger focus in more progressive areas like the UK, Europe and states like CA, NY and MA. Electrification of transportation and even home heating are huge long-term opportunities. Utilities are very focused on carbon reduction commitments for their fleet with many targeting 80%+ carbon reduction by 2050. The transition to renewables from conventional energy can provide a growth driver for many utilities as it drives ratebase growth.

In the latter part of 2019, we saw an increasing debate over how natural gas fits into an ESG friendly future. Some view gas as the next to be exposed to the decarbonization trend and thus an ESG risk. Many view natural gas as a critical piece of reducing coal and oil dependence and the most cost effective way to transition to lower carbon future. We have seen gas utility premium values compress from their prior levels and in our recent survey more investors said electrics should trade at a premium to gas utilities than vice versa. We expect this natural gas debate to be a key focus in 2020.

5) Renewables best year ever in 2020 – wind, solar and offshore wind

We expect 2020 to be another banner year for renewables. Wind additions are likely to hit a record peak as developers work to get projects across the line to get the maximum PTC by YE 2020. Solar additions will grow as well but the big story in solar will be backlog acceleration as developers have the full ITC in place through 2023. Finally, offshore wind backlog will continue to grow rapidly, but it will be important to get better visibility on BOEM permitting rules and timing.

Wind and Solar

As we noted in our annual Power Supply report (link), wind and solar additions over the next five years combined to be 63.3 GW – over 20 GW higher than our fall 2018 outlook and easily a record for our annual studies. This is almost triple the amount of forecasted gas new build over the same period. Even more, this is highly likely to be an underestimation given the limited visibility on projects more than 2-3 years out in the future. Most wind and solar farms can be built in under a year, such that the ramp time is much quicker. While tax credits remain a driver, technology improvements have gotten to the point where renewables are economic on their own. Couple that with advancements in storage, renewables are highly competitive with new natural gas.

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Exhibit 16: Forecasted Wind Additions by Year and Region (MWs)

ISO	2019	2020	2021	2022	2023	Total
CA ISO	212	62	0	0	0	**274**
ERCOT	4,035	3,064	0	0	0	**7,099**
MISO	3,976	4,877	577	0	0	**9,430**
NE ISO	32	0	0	400	1,000	**1,432**
NY ISO	0	594	100	288	0	**982**
PJM	783	1,799	182	120	0	**2,884**
Rest of West	1,499	3,339	850	0	47	**5,735**
Southeast	0	236	0	0	0	**236**
SPP	1,454	3,548	1,786	0	0	**6,788**
Total	**11,991**	**17,519**	**3,495**	**808**	**1,047**	**34,861**

Source: Wolfe Utilities & Power Research

Exhibit 17: Forecasted Solar Additions by Year and Region (MWs)

ISO	2019	2020	2021	2022	2023	Total
CA ISO	1,480	937	486	433	400	**3,736**
ERCOT	901	2,636	1,110	0	0	**4,647**
Florida	673	1,172	588	589	347	**3,369**
MISO	8	913	395	149	299	**1,764**
NE ISO	63	91	295	0	50	**499**
NY ISO	43	134	140	620	0	**937**
PJM	359	1,052	501	86	0	**1,998**
Rest of West	980	2,083	1,649	390	1,240	**6,342**
Southeast	1,077	485	1,329	1,000	1,000	**4,891**
SPP	0	0	0	0	250	**250**
Total	**5,583**	**9,503**	**6,493**	**3,267**	**3,586**	**28,432**

Source: Wolfe Utilities & Power Research

Offshore Wind

Offshore wind remains a nascent industry in the US, but there has been a consistent push in this direction from policymakers in the Northeast. The waters off the coast are said to be the best suited for this type of technology and we saw RFPs pop up regularly the past two years.

Offshore wind obviously only impacts a few of our coastal utilities under coverage, but it has gotten a lot of attention, given the size of the investments and earnings potential. The mostly blue-dominated states along the East Coast have set strict renewables/emissions targets while restricting new gas infrastructure, facilitating offshore wind development. States with offshore wind targets through 2035 want over 21,000 MW of new offshore wind. Awards from RFPs to date total less than a third. More RFPs are expected in the future. We generally are wary large project risks. But we believe offshore wind could lead to supplemental earnings growth for those that are disciplined on price and able to manage construction risks.

The US players: US utilities with offshore wind under consideration or development include AGR, D, ES, and PEG. All have teamed up with foreign offshore wind developers, who have years of experience globally, namely Ørsted and Copenhagen Infrastructure Partners. There are a couple of other developers, Equinor and Shell/EDP Renewables who have won some RFPs.

AGR: CIP with AGR through their Vineyard Wind JV currently have 1,604 MW planned for 2022-2025 in CT and MA.

ES: Ørsted has a JV with ES, and they currently have about 1,700 MW of offshore wind projects planned for 2022-24 in CT, NY and RI.

PEG: PEG has an option to take a 25% stake in Ørsted's Ocean Wind project in NJ.

D: D teamed up with Ørsted on a 12 MW project in VA, which has received federal permits from BOEM and should be operational by summer 2020. However, D is eyeing over 2,600 MW of offshore wind development for the mid-2020s, with the investment being proposed for rate base. VA Gov Northam (D) has made offshore wind a priority.

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The growth: The companies have been hesitant on specifying the investment in offshore wind, given the competitive nature of the business. However, D believes the opportunity would be $8B of capex (all in rate base). That's more than D's total enterprise wide annual capex. ES suggests earnings growth could rise from 5-7% to high single digits when its projects fully come online. ES also sees mid-teens ROEs from offshore wind. Investment tax credits support the pending projects, and those were recently extended a year.

The risks: Offshore wind has been successfully deployed in Europe, Asia and other parts of the world. However, it is a relatively nascent industry in the US. Although state policymakers and regulators have been supportive thus far, there are still concerns over impacts to certain constituencies (e.g., fishermen) and to delays/overruns. The Bureau of Ocean Energy Management is currently conducting a supplemental study on offshore wind projects, which could be released this quarter. BOEM is then anticipated to issue a decision on Vineyard Wind's request for permit, likely in 2Q20. This will be a harbinger for the other pending offshore wind projects. And then there is price. The two most recent auction winners have been by bidders who proclaimed their price (i.e., revenue) was the lowest to date in the US or North America. AGR said last month after the release of the latest CT RFP results that its bid "offered at a price lower than any other publicly announced offshore wind project in North America." Earlier last year Shell/EDP made similar comments after their Mayflower project won the latest MA RFP. Below are prices for offshore wind projects (where available):

Exhibit 18: Summary of offshore wind projects and corresponding price data

Developer	Project	MW	Nominal	Levelized	Year	State
Ørsted	Skipjack	120	$171	$132	2022	MD
Ørsted / Eversource	South Fork	130	$137		2022	NY
Avangrid / Copenhagen	Vineyard Wind	800	$65/$74	$65	2022/2023	MA
Ørsted / Eversource	Revolution	400	$98	$74	2023	RI
Ørsted / Eversource	Revolution	300			2023	CT
Ørsted	Ocean Wind	1,100	$98	$86	2024	NJ
Equinor	Empire Wind	816		$87	2024	NY
Ørsted / Eversource	Sunrise	880	$110	$80	2024	NY
Shell/EDP Renewables	Mayflower	800	<$84		2025	MA
Avangrid / Copenhagen	Vineyard Wind	804	lowest price		2025	CT
Dominion	Coastal Virgina	2,640			2024-2026	VA

Source: Wolfe Utilities & Power Research, Company Reports, Department of Energy

1) South Fork starting prices are $160 for 90 MW and $86 for 40 MW; wtd average = $137; escalator averages 2% over 20 yrs

2) Vineyard Wind nominal is $65 for 400 MW and $74 for 400 MW in MA

3) NY Sunrise/Empire levelized is based on $83.36 average between two projects

4) Companies said "long term prices below the original price cap of $84.23/MWh"

5) Vineyard said CT bid "offered at a price lower than any other publicly announced offshore wind project in North America"; no deadline

6) De-risking stories the focus for value opportunities

While the valuation dispersion within the sector has come in from its peak, it is still fairly bifurcated, particularly amongst the companies trading at a discount. In exhibits 19-21 below, we sort the sector on 2021 P/E and show characteristics of each companies such as growth rate, business mix, balance sheet data and unique risks (or lack thereof). Business mix issues and unique project/regulatory risk are clearly the most influential factors that determine where a company trades relative to the sector average.

Within the discount utilities, we see opportunities for certain companies to re-rate higher – FE, EXC, D and EIX. A common theme amongst these companies is an improving / de-risking business mix. For FE, once FES emerges from bankruptcy (February), we believe its relative valuation should improve as investors can fully focus on FE's low-risk T&D utility story. For EXC, we believe there is a good chance for IL legislation to pass in 2020 which could provide L-T certainty to the earnings of the company's merchant nuclear fleet; EXC should also experience a natural re-rating over time as its utilities become a bigger part of its business mix. We hope

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that the market will start to appreciate the steps D has taken to de-risk its business mix once ACP's fate is known around mid-year. The AB 1054 Wildfire Fund provides downside protection for EIX, and we believe 2020 will be a year of stabilization for the CA utilities.

Exhibit 19: Utilities Trading at a Premium

Company Name	2021 P/E Multiple	Market Cap ($M)	EPS Growth Rate	FFO/debt (2021E)	Pure Plays	Project/Regulatory Risk
NextEra Energy	24.6x	$117,927	6-8%	22%		
WEC Energy Group	23.0x	28,828	5-7%	17%	✓	
CMS Energy	21.9x	17,747	6-8%	16%	✓	
Eversource Energy	21.6x	26,971	5-7%	15%	✓	✓
Xcel Energy	21.2x	32,832	5-7%	17%	✓	
Alliant Energy	21.1x	13,147	5-7%	18%	✓	
Median		27,899				
Mean	22.2x					

*Group P/E avg is 19.7x as 1/6/20
Source: Wolfe Utilities & Power Research

Exhibit 20: Utilities Trading Near the Group Average

Company Name	2021 P/E Multiple	Market Cap ($M)	EPS Growth Rate	FFO/debt (2021E)	Pure Plays	Project/Regulatory Risk
Ameren	20.4x	$18,754	6-8%	20%	✓	
American Electric	20.0x	46,278	5-7%	14%	✓	
Entergy	20.0x	23,735	5-7%	16%	✓	
Portland General	19.8x	4,912	4-6%	21%	✓	
Evergy	19.5x	14,445	5-7%	16%	✓	
Fortis	19.1x	24,741	N/A	12%	✓	
Sempra Energy	19.0x	41,959	8-10%	17%		✓
NiSource	18.9x	10,246	5-7%	15%	✓	✓
Avangrid	18.9x	15,701	8-10%	19%		✓
Southern Company	18.8x	65,792	4-6%	16%	✓	✓
Con Edison	18.8x	29,379	N/A	15%		
Median		23,735				
Mean	19.4x					

*Group P/E avg is 19.7x as 1/6/20
Source: Wolfe Utilities & Power Research

Exhibit 21: Utilities Trading at a Discount

Company Name	2021 P/E Multiple	Market Cap ($M)	EPS Growth Rate	FFO/debt (2021E)	Pure Plays	Project/Regulatory Risk
DTE Energy	18.5x	$24,782	5-7%	16%		
OGE Energy	18.4x	8,790	4-6%	22%		
FirstEnergy	18.0x	25,678	5-7%	12%	✓	
Dominion	17.8x	67,798	5%	15%		✓
Pinnacle West	17.3x	10,000	N/A	19%	✓	✓
Duke Energy	16.8x	66,504	4-6%	14%		✓
PSEG	16.7x	29,431	N/A	18%		
CenterPoint	16.2x	13,435	5-7%	15%		✓
Edison International	15.9x	26,895	N/A	23%	✓	✓
Exelon	15.2x	44,333	6-8%	22%		✓
PPL Corp.	14.2x	25,599	5-6%	13%	✓	✓
AES Corp.	12.9x	13,298	7-9%	15%		
Median		25,639				
Mean	16.5x					

*Group P/E avg is 19.7x as 1/6/20
Source: Wolfe Utilities & Power Research

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The 2020 DUTY Portfolio – Dogs of the UTY

Keeping with our theme over the past couple of years, we have compiled a DUTY portfolio for 2020 which comprises some of the worst performers in 2019. Our thesis behind the DUTY portfolio is to buy a basket of the most beaten-up stocks from the prior year on the premise that risks can often be over-discounted by the market, creating value opportunities for investors. The 2020 DUTY portfolio includes the following names: CNP, EXC, AGR, PNW, DUK and NI. Of these names, we like EXC best as we see significant re-valuation potential if IL nuke legislation gets done in 2020. We are still cautious on AGR and PNW – AGR due to a lot of execution risks and PNW due to a very tough rate case and regulatory environment.

Exhibit 22: 2020 DUTY Portfolio

Ticker	2019 Performance
AGR	2.1%
CNP	-3.4%
DUK	5.7%
EXC	1.1%
NI	9.8%
PNW	5.6%
Average	3.5%
S&P Utilities	22.2%
Relative Performance	**-18.8%**

Source: Wolfe Utilities & Power Research

In exhibits 23 and 24 below, we show the performance of our 2019 and 2018 DUTY portfolios. The 2019 DUTY portfolio outperformed the utilities index by 550bps, led by strong years from SO (top performer in the sector), EIX and PPL. The 2018 DUTY portfolio, when excluding the CA utilities due to the historic wildfires, similarly outperformed but by over 1500bps; AES and FE were two of the top four performers in the sector in 2018.

Exhibit 23: 2019 DUTY Portfolio

Ticker	2019 Performance
D	15.9%
ED	18.3%
EIX	32.9%
PPL	26.7%
SO	45.0%
Average	27.8%
S&P Utilities	22.2%
Relative Performance	**5.5%**

Source: Wolfe Research Utilities & Power Research

Exhibit 24: 2018 DUTY Portfolio

Ticker	2018 Performnace
AES	33.5%
EIX	-10.2%
FE	22.6%
PCG	-47.0%
PPL	-8.5%
DUTY Average	-1.9%
S&P Utilities	0.5%
Relative Performance	**-2.4%**
Relative Performance (ex Cali)	***15.4%***

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7) California – we finally see stabilization in 2020

As we entered into 2019, multiyear wildfire liabilities had led CA's biggest utility (PCG) into bankruptcy and threatened junk credit ratings for the other two CA utilities. But by summer the state had enacted wildfire legislation (AB 1054) that provided downside protection for participating utilities: EIX and SRE made an initial contribution into the AB 1054 Wildfire Fund, and PCG plans to once it emerges from bankruptcy; the deadline for PCG is 6/30. The 2019 fire season was the first test under the post-AB 1054 environment. And there was clear overreaction in EIX's stock price to the Oct-Nov fires. But the stock fully recovered by year's end. It also certainly helped to see a constructive rate case decision for SRE, a reasonable outcome in the cost of capital proceeding, and an extension of future rate plans to four from three years; all of which are reflective of the new CPUC leadership. And as 2019 closed, PCG settled a CPUC investigation into 2017-18 wildfires and its 2020-22 GRC.

So the question is, after several years of volatility, can we see stabilization in CA stocks in 2020. We believe yes for EIX and SRE. The CA Gov will determine how PCG trades in the near term, but we ultimately think PCG can stabilize once we learn who will lead the BK exit. We will be watching a few items here…

1) **Gov support for plan to emerge from bankruptcy** – Gov Newsom rejected PCG's POR in December, which included settlements with victims (Torts) and insurers (Subros), both of which were approved in December. He has made several demands, including an option for a state takeover under certain circumstances. The Ad Hoc Noteholders, led by Elliott Management, continue to push their POR for PCG, including meeting Gov Newsom's governance demands and takeover option. But the Gov has yet to side with either proposed plan. To benefit under AB 1054, PCG must emerge from bankruptcy by 6/30/20 deadline. With the CPUC needing several months to review and approve any BK exit plan, we believe the Gov will likely indicate a preference of one plan over another soon.

2) **PCG equity offering** – Regardless of who leads it out of BK, PCG will likely need to issue a significant amount of external equity. We believe the capital will follow once there is certainty on the exit plan. We expect PCG to ramp up an investor outreach throughout 1Q20, with an offering potentially in 2Q20. We will be gauging the investor interest in the offering. If we see traditional utility investors come back to PCG, then we will view that positively for CA names. Once PCG emerges from BK, the AB 1054 Wildfire Fund will have $21B of funding with capacity for more.

3) **Seasonality trade** – The CA utilities have been the ultimate in seasonal trading stocks. The risk profile of owning the stocks today, when there is no fire season, is lower since you can just focus on the fire claims that have already occurred for EIX and the bankruptcy for PCG. On the other hand, despite the Wildfire Fund, it becomes harder to own these stocks into the next fire season given risk of up to nearly $3B of shareholder exposure to new fires (over a three-year period). This was evident last fall. But we are heartened by the ability of EIX stock to recover completely from the Oct-Nov fires by yearend. We think this seasonal trade should moderate over time.

4) **EIX specific items** – EIX still is facing claims from 2017-18 fires. We believe EIX has time on its side to winnow down the gross claims. Given its position, we could see a settlement in past fire claims sometime this year, which would likely be viewed favorably. Regarding EIX's GRC, we expect a reasonable outcome, with a possible settlement by yearend, as we saw with PCG last month. Even without a settlement, we believe SRE's constructive GRC outcome is a positive indicator. Under the CPUC's new leadership, it is evident that proceedings will no longer be unduly delayed, providing regulatory certainty at a time when the state is trying to attract new investment for its clean energy goals.

By the end of 2020, we expect it will have been year of stabilization for CA, with the volatility largely being centered around PCG's BK exit/financing in 1H20.

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8) Low rates puts ROEs back in focus

For the past several years, ROEs at the state level have been relatively sticky despite Treasury yields that have fluctuated. Typically, the spread between these two data points has trended directionally in tandem, though currently it sits near recent highs. This comes as allowed ROEs have averaged ~9.6% for the past 3 years in a row now (See Exhibits 25-26 on the follow page). That said, there have been some recent rate case scares that show this may be changing sooner rather than later. ED saw its allowed ROE fall below 9% in New York and XEL saw an allowed ROE decline of over 50bps in Colorado. The CNP and SO rate cases were other potential examples last year, but CNP is now working through settlement discussions, and SO's final order ended up being constructive. Meanwhile, at the FERC level, the new methodology put forth in November, leaves open the possibility of ROEs moving lower formulaically and setting a blueprint for similar action elsewhere. It's possible FERC and state commissions continue to work the data in such a way that more gradualism is employed, but we are increasingly mindful of this risk.

Exhibit 25: Spread between Allowed Electric Utility ROEs and 10-year Treasury Yields

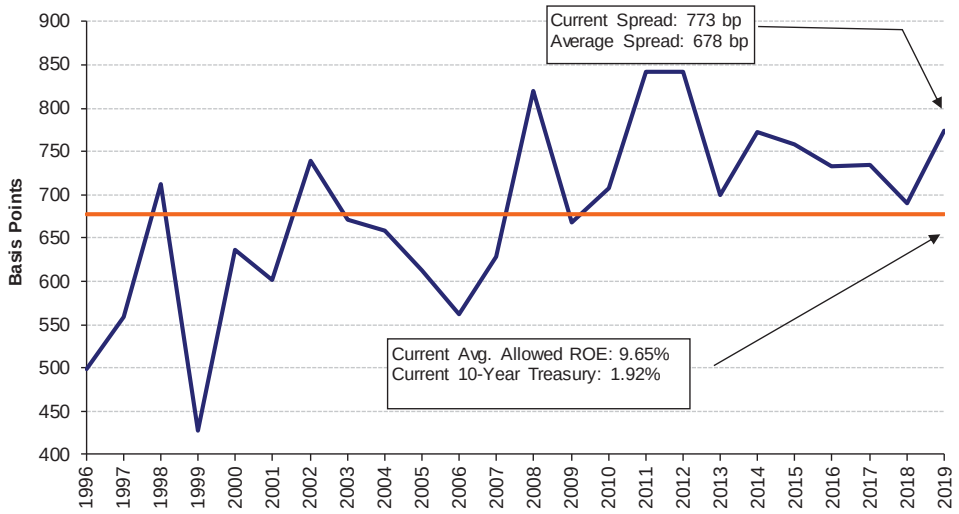

Source: Wolfe Utilities & Power Research; SNL; FactSet

Exhibit 26: Allowed Electric ROE v. 10-year Treasury Yields

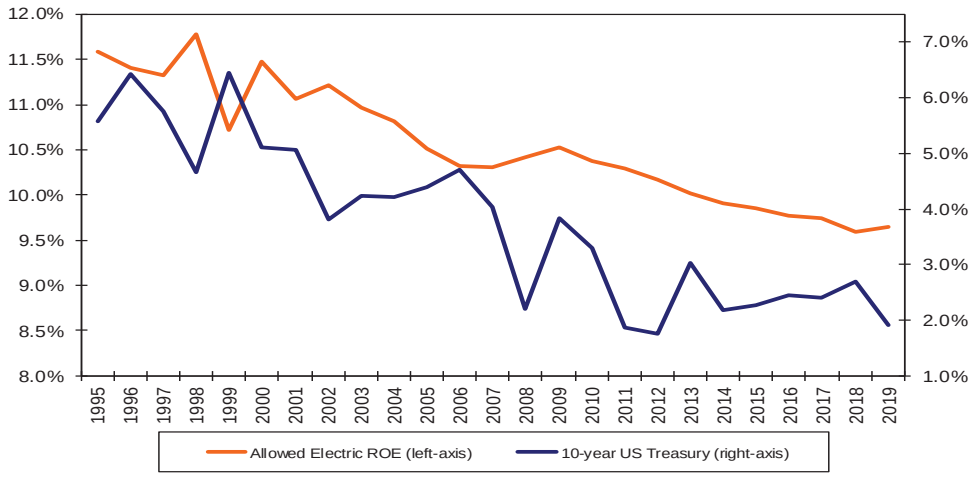

Source: Wolfe Utilities & Power Research; SNL; FactSet

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In Exhibit 27 below, we review near-term rate case risk across our coverage. This includes ROE sensitivities and percentage of rate base by jurisdiction. Some of the companies below file on a fairly regular-basis and have been successful in settlements or otherwise constructive outcomes (LNT, CMS, DTE) – thus we view these cases as less risky. Regulatory situations where we are wary include PNW in Arizona and DUK in the Carolinas. PNW's regulatory situation has fallen apart amidst what has become a hostile situation between the company and commissioners. DUK has big Carolinas and Indiana cases. Looking at this another way, we're finding comfort in some of the names that have minimal rate case risk near-term. Amongst our Outperform-rated names, this includes: FE, ES, EVRG. Peer Perform-rated OGE and PEG also fit the bill.

Exhibit 27: Company Rate Case Exposure by Subsidiary

Ticker	Subsidiary	State	Year Filed or Expected	Type of Case	Subsidiary % of Total Rate Base	Current Allowed ROE	2021E Δ for every 50bps Δ	% of 2021E Total EPS
LNT	**WPL**	**WI**	**2020**	**Electric & Gas**	**39%**	**10.00%**	**$0.05**	**2%**
	AMO	MO	2019	Electric	50%	9.3-9.7%	$0.09	3%
	AIC	IL	Annual FRP	Electric	20%	Avg 30y-UST yield + 580bp	$0.04	1%
AEE							**$0.13**	**4%**
	IN-MI Power	IN	2019	Electric	9%	9.95%	$0.02	0%
	IN-MI Power	MI	2019	Electric	2%	9.90%	$0.00	0%
	AEP TX	TX	2019	Electric	5%	9.96%	$0.01	0%
AEP							**$0.03**	**1%**
	NYSEG	NY	2020	Electric & Gas	30%	9.00%	$0.03	1%
	RGE	NY	2020	Electric & Gas	20%	9.00%	$0.02	1%
AGR							**$0.05**	**2%**
	PA Am. Water	PA	2020	Water	25%	10.00%	$0.05	1%
	NJ Am. Water	NJ	2019	Water	25%	9.60%	$0.04	1%
	MO Am. Water	MO	2020	Water	10%	10.00%	$0.02	0%
AWK							**$0.11**	**3%**
CNP	**CEHE**	**TX**	**2019**	**Electric**	**45%**	**10.00%**	**$0.03**	**2%**
	Consumers	MI	2020	Gas	39%	9.90%	$0.07	2%
	Consumers	MI	2020	Electric	61%	10.00%	$0.11	4%
CMS							**$0.18**	**6%**
D	**DE S.C.**	**SC**	**2020**	**Electric & Gas**	**16%**	**10.30%**	**$0.02**	**0%**
	DTE	MI	2019	Electric	80%	10.00%	$0.30	4%
	DTE	MI	2020	Gas	20%	10.00%	$0.07	1%
DTE							**$0.37**	**5%**
	DEC	IN	2019	Electric	10%	10.50%	$0.03	1%
	DEC	NC	2019	Electric	20%	9.90%	$0.05	1%
	DEP	NC	2019	Electric	14%	9.90%	$0.04	1%
DUK							**$0.12**	**2%**
EIX	**SCE**	**CA**	**2020 CoC**	**Electric**	**81%**	**10.30%**	**$0.21**	**4%**
	ETR-L	LA	Annual FRP	Electric	40%	9.2-10.4%	$0.15	3%
	ETR-MS	MS	Annual PEP	Electric	10%	9.35-11.37%	$0.03	1%
ETR							**$0.18**	**3%**
EXC	**ComEd**	**IL**	**Annual FRP**	**Electric**	**30%**	**Avg 30y-UST yield + 580bp**	**$0.03**	**1%**
FTS	**TEP**	**AZ**	**2019**	**Electric**	**12%**	**9.75%**	**$0.02**	**1%**
NI	**Columbia PA**	**PA**	**2020**	**Gas**	**14%**	**Black box**	**$0.01**	**1%**
PCG	**PG&E**	**CA**	**2020 CoC**	**Electric & Gas**	**77%**	**10.25%**	**$0.04**	**4%**
PNW	**APS**	**AZ**	**2019**	**Electric**	**84%**	**10.00%**	**$0.21**	**4%**
	SoCalGas	CA	2020 CoC	Gas	32%	10.05%	$0.02	0%
	SDG&E	CA	2020 CoC	Electric & Gas	24%	10.20%	$0.02	0%
SRE							**$0.03**	**0%**
SO	**GPC**	**GA**	**2019**	**Electric**	**50%**	**10.0-12.0%**	**$0.08**	**2%**

Source: Wolfe Utilities & Power Research

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We also recently reviewed the new FERC transmission ROE methodology set forth in the November MISO decision. This has garnered a lot of interest, as it may open the door to unintended consequences like future ROE complaints. At the time, FERC and many others, thought this issue would finally be put to bed, but the decision was based on stale 2015 data. Taking into account the continued run in utility valuations, this would undoubtedly pressure future ROE calculations – dividend yields have decreased, earnings growth rates are increased. We attempted to replicate FERC's methodology that unexpectedly shifted to just using DCF and CAPM to determine if the ROE fell outside a zone around the midpoint. We found that ROEs could be headed further south (Transmission ROE Calculator). For this reason, we believe virtually every party filed for rehearing in the MISO transmission case. FERC also has a pending New England transmission complaint that requires another Commissioner (Glick is recused) to decide. At the same time, there is also the broader notice of inquiry (NOI) pending on ROEs. Ultimately, we believe the latter may be the avenue where FERC decides to try and settle this issue once and for all. Our view is that FERC doesn't intend to lower transmission ROEs below nearly every state in the country and also would like to avoid a high frequency of future complaints. How this all plays out will be in focus in 2020.

Exhibit 28: Wolfe Estimate of MISO Transmission ROE on Current Data

DCF Lower	6.41%	DCF Lower - Mid Quartile	8.07%		
DCF Upper	10.83%	DCF Upper - Mid Quartile	9.17%		
CAPM Lower	6.74%	CAPM Lower - Mid Quartile	8.29%		
CAPM Upper	10.88%	CAPM Upper - Mid Quartile	9.33%		
Average Lower	6.57%	Average Lower - Mid Quartile	8.18%	Current ROE	9.88%
Average Upper	10.86%	Average Upper - Mid Quartile	9.25%	Pass or Fail?	Fail
				New ROE	8.72%

Source: Wolfe Utilities & Power Research

Exhibit 29: Utilities with FERC transmission exposure

Company	Ticker	Capex Trans. % of Total 2019-22E	EPS Trans. % of Total 2021E	Base Trans. ROE	$ Δ in 2021 EPS 100bp Δ ROE	% Δ in 2021 EPS 100bp Δ ROE
Alliant Energy	LNT	2%	5%	9.88%	$0.01	0%
Ameren	AEE	17%	21%	9.88%	0.08	2%
American Electric	AEP	23%	26%	9.85-10%	0.11	2%
Avangrid	AGR	20%	23%	10.57%	0.05	2%
Dominion	D	17%	10%	10.90%	0.04	1%
Edison Intl	EIX	16%	21%	10.70%	0.10	2%
Evergy	EVRG	16%	17%	9.80%	0.05	2%
Eversource Energy	ES	27%	38%	10.57%	0.13	3%
Exelon	EXC	20%	18%	10.5-11.5%	0.05	2%
FirstEnergy	FE	40%	38%	10.25%	0.10	4%
Fortis	FTS	26%	38%	9.88%	0.13	5%
OGE Energy	OGE	6%	10%	11.10%	0.02	1%
PG&E	PCG	19%	23%	NA	0.02	2%
Pinnacle West	PNW	16%	20%	10.75%	0.09	2%
PPL Corp.	PPL	18%	14%	11.18%	0.03	1%
PSEG	PEG	39%	37%	11.18%	0.11	3%
Sempra	SRE	10%	11%	10.10%	0.08	1%
WEC Energy Group	WEC	9%	13%	9.88%	0.05	1%

Source: Wolfe Utilities & Power Research
*On AEP, the transmission earnings are only for its Transco. There are other FERC transmission earnings embedded in some of its utility subsidiaries.
**FE base ROE is weighted average
***Some of the utilities in Exhibit 3 do not disclose transmission earnings. We have estimated those based on projected rate base and earned/allowed transmission ROEs.

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9) Balance sheets and credit remain a key focus; more equity coming

We recently published our annual utility financial metrics review (here) which provides insights on utility balance sheets and cash flow metrics. With M&A and no ceiling in sight for utility capital plans, we continue to see a wide differentiation among balance sheets in the sector. In 2019, we saw a large number of utilities back in the market with sizable equity deals ($19B+ in total). This was despite a similar amount of equity completed in 2018 to combat tax reform.

Exhibit 30 below is a summary of the key metrics (unadjusted) that we project for our utility group in 2021. We project the key utility metric, FFO/debt, to stay steady around 17% through 2021. For the first time, we included EV-to-rate base for our coverage and see it at 1.6x in 2021. On average, we see the percentage of regulated earnings rising 1% to 87% through 2021. For companies with material improvement on this front, we view it constructively given that regulated utilities tend to trade at a premium vs the group average.

Exhibit 30: 2021 Summary credit metrics – 2021E (alphabetical order)

Company	Ticker	FFO-to-debt	Parent-to-debt	EV-to-Rate base	EV-to-EBITDA	Debt-to-EBITDA	Equity Ratio	Percent Regulated	Dividend Payout Ratio
Ameren	AEE	20%	16%	1.6x	11.3x	4.3x	45%	100%	54%
American Electric	AEP	14%	16%	1.4x	13.7x	5.8x	39%	93%	63%
The AES Corporation	AES	15%	15%	N/A	8.8x	4.7x	29%	16%	39%
Avangrid	AGR	19%	32%	1.5x	9.9x	4.0x	61%	76%	71%
American Water	AWK	15%	18%	1.9x	14.9x	4.8x	39%	87%	56%
CMS Energy	CMS	16%	17%	1.5x	11.0x	4.4x	30%	96%	61%
CenterPoint	CNP	15%	28%	1.4x	11.2x	5.7x	45%	73%	72%
Dominion	D	15%	31%	N/A	12.7x	5.3x	37%	69%	83%
DTE Energy	DTE	16%	40%	1.2x	12.1x	5.4x	42%	71%	63%
Duke Energy	DUK	14%	26%	1.5x	11.5x	5.7x	45%	95%	73%
Consolidated Edison	ED	15%	5%	1.3x	10.7x	4.5x	48%	90%	67%
Edison International	EIX	23%	18%	1.3x	8.2x	3.4x	40%	100%	55%
Eversource Energy	ES	15%	28%	2.0x	13.7x	5.0x	47%	100%	62%
Entergy	ETR	16%	22%	1.5x	12.5x	5.9x	34%	100%	68%
Evergy	EVRG	16%	15%	1.4x	10.7x	4.6x	44%	100%	68%
Exelon	EXC	22%	17%	1.4x	9.2x	4.3x	48%	73%	53%
FirstEnergy	FE	12%	31%	2.0x	11.9x	5.6x	27%	100%	66%
Fortis	FTS	12%	33%	1.7x	11.4x	6.1x	44%	95%	73%
Alliant Energy	LNT	18%	17%	1.7x	12.1x	4.1x	45%	100%	62%
NextEra Energy	NEE	22%	16%	1.7x	16.0x	5.3x	37%	56%	66%
Nisource	NI	15%	25%	1.4x	10.9x	5.2x	43%	100%	62%
OGE Energy	OGE	22%	4%	1.5x	14.6x	4.3x	56%	77%	70%
PSEG	PEG	18%	17%	1.9x	11.3x	4.3x	47%	79%	58%
Pinnacle West	PNW	19%	9%	1.4x	10.5x	4.2x	49%	100%	66%
Portland General	POR	21%	0%	1.4x	9.8x	3.8x	47%	100%	62%
PPL Corp	PPL	13%	14%	1.6x	10.4x	5.1x	39%	100%	68%
Southern Company	SO	16%	28%	1.5x	10.8x	4.6x	36%	94%	79%
Sempra	SRE	17%	32%	1.4x	13.4x	4.0x	57%	74%	61%
WEC Energy Group	WEC	17%	32%	2.1x	14.9x	5.1x	43%	100%	68%
Xcel Energy	XEL	17%	21%	1.6x	13.1x	5.1x	42%	100%	62%
Avg		**17%**	**21%**	**1.6x**	**11.8x**	**4.8x**	**43%**	**87%**	**64%**

Source: Wolfe Research and company filings

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Credit metrics stabilized, but companies still living on the edge

Over the past two years, utilities have taken action to help stabilize their credit metrics – equity issuances, cost controls, proactive discussions with regulators to help offset lost cash flow. Recognizing this, Moody's moved its outlook for the sector to Stable from Negative toward the tail-end of 2019. In exhibit 31 below we show that average FFO/debt is projected to remain steady over the next couple of years at 17%. That said, many utilities are still living on the edge of their downgrade thresholds. This could become problematic given the capital-intensive nature of the sector and propensity (at least historically) for M&A.

Exhibit 31: FFO-to-debt (ranked from least to most levered in 2021)

Ticker	2018	2019	2020	2021
EIX	21%	16%	21%	23%
OGE	26%	24%	24%	22%
NEE	22%	22%	22%	22%
EXC	25%	23%	23%	22%
POR	24%	22%	20%	21%
AEE	24%	21%	21%	20%
PNW	25%	22%	20%	19%
AGR	28%	21%	20%	19%
PEG	19%	20%	19%	18%
LNT	19%	16%	17%	18%
XEL	18%	18%	17%	17%
SRE	14%	14%	17%	17%
Avg	**18%**	**17%**	**17%**	**17%**
WEC	21%	18%	17%	17%
SO	15%	16%	17%	16%
CMS	19%	19%	17%	16%
ETR	14%	16%	15%	16%
DTE	18%	17%	17%	16%
EVRG	21%	17%	15%	16%
D	14%	14%	15%	15%
AES	13%	14%	14%	15%
ED	14%	16%	15%	15%
ES	14%	13%	15%	15%
NI	13%	15%	15%	15%
AWK	16%	15%	15%	15%
CNP	14%	14%	15%	15%
AEP	17%	18%	15%	14%
DUK	13%	14%	14%	14%
PPL	13%	13%	13%	13%
FTS	11%	11%	12%	12%
FE	8%	11%	12%	12%

Source: Wolfe Research and company filings

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Line of sight to more big equity deals

We counted over $19B of equity issuance in the sector during 2019. We continue to be amazed at how accessible the equity market is for utilities, pricing deals at very little discounts and often upsizing from the original deal size. We have a line of sight for more big equity deals in 2020 – PCG, CNP and NI to name a few, with PCG being the mother of all deals. For most companies, our projections (see exhibit 32 below) reflect ATM / DRIP equity which is used to help fund growing capex plans.

Exhibit 32: Projected equity needs

Ticker	2019	2020	2021	2022	% of Mkt Cap
AEE	650	100	100	100	**5.2%**
AEP	887	100	100	600	**3.7%**
AES	-	-	-	-	**0.0%**
AGR	-	-	-	-	**0.0%**
AWK	-	-	-	250	**1.1%**
CMS	70	130	140	150	**2.8%**
CNP	-	1,400	250	250	**15.2%**
D	2,300	300	300	700	**5.5%**
DTE	1,945	-	250	-	**9.1%**
DUK	3,000	500	500	500	**6.9%**
ED	600	500	500	500	**7.3%**
EIX	2,700	-	-	-	**10.6%**
EVRG	(1,680)	(855)	-	-	**-17.8%**
ES	1,300	-	200	200	**6.5%**
ETR	862	-	297	297	**6.2%**
EXC	105	105	105	105	**1.0%**
FE	120	120	120	600	**3.7%**
FTS	1,488	233	233	233	**11.9%**
LNT	400	250	25	25	**5.4%**
NEE	1,500	-	1,500	-	**2.6%**
NI	298	898	298	298	**17.7%**
OGE	-	-	-	-	**0.0%**
PEG	-	-	-	-	**0.0%**
PNW	-	150	125	125	**4.2%**
POR	-	-	-	-	**0.0%**
PPL	-	100	100	100	**1.2%**
SO	2,305	-	-	-	**3.6%**
SRE	-	-	-	-	**0.0%**
WEC	-	-	-	-	**0.0%**
XEL	830	205	205	80	**4.1%**

Source: Wolfe Research and company filings
*market cap as of 12/11/19

10) Power at a crossroads – what now?

After a strong two-year run over 2017-2018, the power rally hit a road block in 2019. NRG, VST, and EXC all essentially finished the year right where they started – while the market went up almost 30% and the utilities sector went up over 20%. Fundamentally, 2019 was as strong as ever – both VST and NRG are well on track to hit numbers, while proving out their capital allocation flexibility. For VST, the selling shareholder issue was just too much to overcome – exacerbated by Brookfield's 21M share unloading in early-December. NRG may have simply been due for a breather. As we stand at the beginning of 2020, the IPPs have been focused on proving out the sustainability of true terminal value, particularly in a low carbon future. There is a solid case for this. But is anyone listening? Increased investor sponsorship without an obvious identifiable catalyst will be critical.

Commodities pricing in 2019 was mixed. Most regional power prices weakened considerably alongside natural gas. ERCOT was the exception – seeing improvement further out on the curve, after tight summer conditions

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validated that there could be price spikes if intermittent wind failed to show. Entering 2020, ERCOT summer will once again be in focus, as the IPPs are more levered to energy pricing in this region than anywhere else.

PJM capacity market hanging in the balance. Watching state action. At long last, FERC finally ruled in December on the PJM auction and how it will handle subsidized bidding going forward. As expected, the MOPR (minimum offer price rule) was strict, but this is now just the first step in the process. Attention now shifts to the state level, namely Illinois, where legislative efforts will be put forth to employ the FRR (fixed resource requirement) method to procure capacity outside of the traditional PJM construct. If this is unsuccessful, EXC will likely close its nuclear plants. If successful, Illinois/ComEd seems primed to leave the PJM capacity market – leaving questions about what this means for the residual market. There could be a domino effect where New Jersey and Ohio follow suit, given their offshore wind goals and nuclear support respectively. Generators will undoubtedly put up a fight. PJM seems to be stuck in super-limbo at this point. Everything could look very different a year from now. Not to mention that there should be another auction by year-end to determine 2022-2023 revenues over one-year behind schedule, but forecasting that outcome seems impossible at the moment.

More nuclear ZECs potential? This has been going on for a while now, as each year a new state seems to pass legislation that is supportive for nuclear units. Last year it was OH, with FES' two nuclear plants benefitting. PA came up short, but could try again in 2020 (or move closer joining RGGI). More broadly, a potential Democrat President could renew the call for carbon pricing/taxing to address this issue on a larger scale.

Will there be a public power sector left? We highlighted this in our Weekly Mark yesterday. With the IPPs finishing up 2019 lost and forgotten, we wonder how much patience these companies will have with the public markets. The fundamentals remain attractive, but a complicated sector of 2 is proving to be a difficult selling point. We believe in the sustainability of EBITDA and Free Cash Flow, as the companies did a particularly good job of proving out their resiliency with Q3 calls. However, if they continue to trade at high-teens free cash flow yields, this ultimately should become a private equity story. The returns are simply too attractive. Meanwhile, the Integrateds also wrapped up a lukewarm 2019, with investors most receptive to their increasing percentage of regulated earnings. PEG probably should have sold its fossil fleet when it had the chance, and EXC is looking to move toward either a primarily contracted-like structure with its nukes or simply shutting them.

Power supply/demand now all about intermittent renewables. Our annual power supply study wasn't nearly as bullish as a year ago from a pure capacity perspective. But not all capacity is created equal. Baseload supply is effectively decreasing (coal and nuclear shuts continue to offset gas additions), while renewables supply continues to explode. The year-end budget bill featured a one-year wind tax credit extension that should only further bolster the next decade as the "Golden Age of Renewables" takes hold. We summarize our market outlook in Exhibit 33 below. ERCOT is bearing the brunt of the heavy renewables build-out, but as we saw last summer, this intermittent supply can't always be counted on. Reserve margins are still low double-digits, such that if the wind doesn't blow during late-August heat, we could see price spikes to the $9,000/MWh cap once again. In PJM, we'll be monitoring whether any CCGT new builds are able to move forward despite the continued delays in the capacity auction. In New England, we'll be monitoring the build-out of offshore wind in the coming years given the ambitious state goals, and what that means for reliability and pricing.

Exhibit 33: Net Capacity Additions by Fuel Type, ISO over 2019-2023 (MWs)

ISO	Coal	Gas	Nuclear	Solar	Wind	Other	Total	% Increase
CA ISO	(165)	(4,227)	0	3,736	274	913	531	0.8%
ERCOT	(1,544)	(727)	0	4,647	7,099	495	9,970	9.7%
Florida	(1,222)	5,840	0	3,369	0	(1,207)	6,780	
MISO	(9,207)	5,975	(1,426)	1,764	9,430	(123)	6,414	3.5%
NE ISO	(383)	1,467	(688)	499	1,432	(577)	1,750	5.0%
NY ISO	0	1,123	(2,069)	937	982	25	998	2.3%
PJM	(5,433)	10,112	(837)	1,998	2,884	(841)	7,883	3.9%
Rest of West	(6,777)	840	0	6,342	5,735	1,136	7,277	
Southeast	(6,690)	1,504	2,389	4,891	236	0	2,330	
SPP	(724)	142	0	250	6,788	210	6,666	7.6%
Total	(32,145)	22,049	(2,631)	28,432	34,861	31	50,598	

Source: Wolfe Research Utilities & Power Research

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Investment Theses, Catalysts, and Valuations for Buy-rated Stocks

American Electric Power (AEP): The wind at its back to exceed growth target

- **Investment Thesis**. Base EPS and dividend growth of 5-7%, mostly from low-risk T&D investments. North Central Wind project would put growth above 7% by YE22 even with likely equity needs.
- **Catalysts**. Approval of North Central Wind in 1H20. Continuing to execute on T&D investments.
- **Valuation**. Stock trades in-line with regulated peers but warrants premium of 1.5x, given low-risk T&D growth and North Central Wind.

Ameren (AEE): High quality trading at a reasonable price

- **Investment Thesis**. Low risk EPS growth of 6-8%, mostly from investments in jurisdictions with little to no regulatory lag. ROE risk is manageable, with IL electric returns (20% of rate base) directionally proportionate to the 30-year UST bond yield.
- **Catalysts**. MO rate case decision by 2Q20, with a potential settlement in 1Q20. Maintaining above-average EPS growth on Feb earnings call. Continuing to execute on high-single digits rate base growth.
- **Valuation**. Stock trades at a 4% premium to regulated average but warrants a multiple in line with high-quality, low-risk utilities, which trade at 7-16% premiums.

Dominion Energy (D): Attractive with or without Atlantic Coast Pipeline

- **Investment Thesis**. We believe ACP-related overhangs have overshadowed the good work D has done recently to de-risk its business. Further, we believe the stock is attractive with or without ACP and note that D's balance sheet would remain intact even in an abandonment scenario. D also has a unique offshore wind opportunity in Virginia – $8B of potential regulated capex, most of which is outside the current 5-year plan and would help fuel robust rate base growth throughout the decade.
- **Catalysts**. A hearing at the SCOTUS on the App. Trail crossing issue is in late Feb., with a final decision by the end of June; by June, any appeals on the new biological opinion should be known – we should know ACP's fate by mid-year. Virginia's legislative session (Jan. through mid-March) could include legislation that provides a concrete path forward for D's offshore wind plans.
- **Valuation**. We use an equal-weighted scenario analysis around ACP (with and without the project in numbers). We then apply the regulated group average to arrive at our price target.

Edison International (EIX): To live and buy in LA

- **Investment Thesis**. With capped downside to future wildfires and with 2019 fire season relatively much less destructive than 2017-18, stock is a value play as EIX's rate base growth should continue to grow above industry average. Cost of capital certainty and improving CA regulation are positives.
- **Catalysts**. Resolution of wildfire damages from 2017-18. GRC outcome, possibly by yearend. Start of fire season in the fall – despite downside protection, the stock likely will be seasonal, with low utility-caused fire risk in Jan-Aug but higher risk in Sep-Dec.
- **Valuation**. Stock trades at a 4x discount, but that reflects more than both the past 2017-18 net fire damages and the capped potential future fire damages. Discount of 2x is reasonable.

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Evergy (EVRG): Avoiding ROE risk in low-rate environment

- **Investment Thesis**. One of the few companies in our coverage that has 3+ years of regulatory certainty across its jurisdictions, following base rate freeze agreements in Kansas and Missouri. Particularly amidst lower interest rates, mitigates potential ROE risk. Company is growing rate base at a below average clip, but there is potential capex upside in MO from PISA and incremental merger savings opportunities are achievable. All of this while the share repurchase program continues through mid-2020.
- **Catalysts**. Year-end 2019 call should feature update on incremental capex potential, of which the company has already added $150M in Missouri. EVRG also has the opportunity to continue overachieving on merger synergies execution, as it has been tracking ahead of plan thus far.
- **Valuation**. Using slight premium to group average multiple on 2021 EPS given potential for incremental capex and continued technical support from share repurchase program.

Eversource Energy (ES): Solid core growth supplemented by offshore wind, well positioned for ESG

- **Investment Thesis**. Core utility holding, as we see earnings growth of 5-7% on ES' base capital plan, before incremental earnings from offshore wind in the mid-20s. The name is also well positioned for ESG, behind NEE and AWK.
- **Catalysts**. Updated capital plan on YE19 earnings call in Feb. BOEM supplemental study on offshore wind projects in 1Q20 and ultimately approval of permits for ES' projects.
- **Valuation**. Could see stock at one of the highest multiples given core growth, supplemental offshore wind growth and demand for top ESG names.

Exelon (EXC): All about Illinois

- **Investment Thesis**. Regulated investments provide stable predictable utility growth. However, EXC's generation business in IL needs legislative support. The pending federal investigations into IL lawmakers and lobbying activities, including with EXC/ComEd, has been an overhang. But stakeholders in IL have been supportive of capacity market reform.
- **Catalysts**. IL legislation on capacity markets possibly by 5/30 (or in the fall veto session).
- **Valuation**. An average regulated P/E on utility earnings. Plus a 7.5x EBITDA for the merchant business. IL legislation is a cheap option in EXC stock.

FirstEnergy (FE): Full appreciation for fully regulated T&D story

- **Investment Thesis**. Risk/reward skew attractive given discount multiple with minimal risks. High visibility on 5-7% EPS growth outlook through 2023, with dividend growth expected to track closely. FES emergence ends all ties with competitive generation business. Now focused on pure transmission and distribution operations with low-risk capital plan and lack of rate case overhang, particularly in Ohio where there is certainty beyond 2024.
- **Catalysts**. FES emergence from bankruptcy expected in February. Implementation of decoupling in Ohio, which starts in 2020. Any potential incremental capital projects.
- **Valuation**. Using a regulated average multiple on 2020 EPS. While the low-risk T&D operations are attractive, this is somewhat offset by a weaker balance sheet.

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NextEra Energy (NEE): Premier renewables play into election year; high-growth utility, ESG darling

- **Investment Thesis.** Combination of a best in class high-growth utility in a balanced regulatory environment, the dominant renewable development operation in the country, and the capital recycling advantages of NEP. Also has one of the strongest balance sheets in the sector with unused capacity for future value enhancing actions.
- **Catalysts.** Santee Cooper sale process and FP&L/Gulf Power integration. Potential Democratic victory in Presidential election. Continued development of renewables backlog at NEE, as wind PTC has been extended another year.
- **Valuation.** Sum of parts – using premium multiple on the utility operations and a YieldCo valuation of the potential dropdown backlog to NEP.

NextEra Energy Partners (NEP): Best total return and renewables play, particularly in low rate environment

- **Investment Thesis.** NEP remains the best positioned YieldCo with high visibility on 15% distribution growth at least through 2024 supported by a parent that continues to add to its dropdown backlog. No need for external equity or drop-downs until at least next year.
- **Catalysts.** Resolution of PCG bankruptcy could free trapped cash at Desert Sunlight project. Potential Democratic victory in Presidential election. Continued development of renewables backlog at NEE, as wind PTC has been extended another year.
- **Valuation**. Combination of near-term yield and long-term DCF approaches.

NRG Energy (NRG): Cash flow machine offers very strong value

- **Investment Thesis.** NRG has an incumbent generation / retail business that generates relatively steady results and a very attractive mid to high teens FCF yield. The balance sheet is strong and NRG has significant financial flexibility even after paying the stepped-up 3%+ dividend yield.
- **Catalysts.** Specific 2020 capital allocation plans, Texas summer power prices, potential retail acquisitions, PJM and Northeast capacity auctions.
- **Valuation**. Combination of a target 8x EV/EBITDA multiple applied to our 2021E and a target 12% FCF yield.

PPL Corp (PPL): Finally in a position of strength

- **Investment Thesis**. UK regulation and political uncertainty pummeled PPL from mid-2017. But the stock had a solid run at the end of 2019, as the threat from Labour renationalization has been removed and Brexit nears finality. Potential long-term benefits from UK policy on electrification.
- **Catalysts**. Ofgem's frameworks for Electric Distribution Networks on RIIO-2 this summer.
- **Valuation**. Despite a solid run, PPL still trades at a 5.5x discount to the average regulated utility P/E, second lowest after PCG. A 4x discount is reasonable.

Sempra Energy (SRE): Solid growth visibility

- **Investment Thesis**. Growth comes from SRE's utility business (CA and TX) and gas infrastructure investments, including LNG. Cameron online in 2020/21. Growth upsides from ECA, Port Arthur and Cameron Phase in later years.
- **Catalysts**. Anticipate higher utility capex at March 2020 Analyst Day.
- **Valuation**. Sum-of-the-parts values (i) utility segment at $122 using a 10% premium to group utility P/E, (ii) LNG at $26 using 13x EBITDA, and (iii) stake in IEnova at $15. Total value is $164.

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Vistra Energy (VST): Cash generation and allocation story remains compelling

- **Investment Thesis**. Attractive valuation coupled with a compelling capital allocation plan. Strong EBITDA generation ($3B+/year) and conversion to Free Cash Flow (60%+) that drives capital allocation opportunities – debt paydown (2.5x Net Debt / EBITDA by 2020), a dividend policy (2% yield plus 6-8% growth), and share repurchases. Free Cash Flow yield is 20%+ right now.
- **Catalysts**. Another tight summer from a reserve margin perspective in ERCOT with potential for price spikes / curve improvement. Future of PJM auction remains in the balance as it relates to state level proceedings on subsidized unit supply (namely Illinois nuclear). Potential investment grade rating by year-end.
- **Valuation**. Price Target derived using an average of a 12% FCF yield target and 7.5x EV/EBITDA multiple.

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Comparables Tables

Exhibit 34: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2019E	P/E 2020E	P/E 2021E	P/E 2022E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$53.80	245	$13,161	23.4x	22.4x	21.1x	20.0x	2.8%	6.0%	63%	2.7x	44%
Ameren	AEE	76.43	246	18,804	23.5x	22.1x	20.5x	19.3x	2.6%	4.0%	57%	2.4x	46%
American Electric	AEP	93.69	494	46,278	22.3x	21.2x	20.0x	18.8x	3.0%	6.0%	63%	2.4x	41%
Avangrid	AGR	50.57	309	15,626	22.4x	20.2x	18.8x	17.5x	3.5%	2.5%	70%	1.0x	67%
CMS Energy	CMS	62.28	284	17,678	24.9x	23.3x	21.8x	20.3x	2.6%	7.0%	61%	3.7x	27%
Con Edison	ED	87.68	332	29,147	20.3x	19.4x	18.6x	18.1x	3.4%	3.5%	65%	1.6x	47%
Duke Energy	DUK	90.27	733	66,148	17.9x	17.4x	16.7x	16.0x	4.2%	2.5%	73%	1.5x	44%
Edison International	EIX	75.86	359	27,203	15.8x	17.1x	16.1x	15.1x	3.4%	3.0%	58%	2.1x	42%
Entergy	ETR	119.14	199	23,721	22.3x	21.2x	20.0x	18.9x	3.1%	3.0%	66%	2.4x	35%
Evergy	EVRG	63.35	228	14,438	22.3x	20.6x	19.5x	18.7x	3.2%	6.0%	66%	1.6x	47%
Eversource Energy	ES	82.72	324	26,782	24.0x	22.5x	21.5x	20.3x	2.6%	6.0%	58%	2.2x	44%
FirstEnergy	FE	47.52	540	25,676	18.7x	19.1x	18.0x	17.3x	3.3%	6.0%	63%	3.5x	26%
Fortis*	FTS	54.13	458	24,775	21.8x	20.8x	19.2x	18.0x	3.5%	6.0%	73%	1.5x	42%
NiSource	NI	27.64	374	10,323	21.4x	20.2x	19.1x	17.8x	2.9%	2.5%	58%	1.9x	40%
PG&E	PCG	10.58	529	5,599	2.8x	11.5x	11.1x	N/A	0.0%	0.0%	0%	0.3x	84%
Pinnacle West	PNW	88.67	112	9,967	18.9x	18.2x	17.2x	16.4x	3.5%	6.0%	64%	1.8x	50%
Portland General	POR	55.15	89	4,929	23.1x	21.3x	19.9x	19.2x	2.8%	6.5%	59%	1.9x	51%
PPL Corp.	PPL	35.17	723	25,429	14.5x	13.8x	14.1x	N/A	4.7%	1.5%	65%	2.1x	34%
Southern Company	SO	62.62	1,049	65,672	20.1x	19.6x	18.8x	17.4x	4.0%	3.4%	78%	2.4x	39%
WEC Energy Group	WEC	90.96	315	28,692	25.8x	24.4x	22.8x	21.4x	2.8%	7.0%	68%	2.9x	45%
Xcel Energy	XEL	62.46	524	32,753	23.9x	22.5x	21.2x	19.9x	2.6%	6.0%	58%	2.5x	44%
Average					**20.5x**	**19.9x**	**18.9x**	**18.4x**	**3.1%**	**4.5%**	**61%**	**2.1x**	**45%**
Average (ex EIX, PCG, PPL)					**22.0x**	**20.9x**	**19.7x**	**18.6x**	**3.1%**	**5.0%**	**65%**	**2.2x**	**43%**

Source: Wolfe Utilities & Power Research
*Prices as of 1/7/20

Exhibit 35: Gas Power Infrastructure Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2019E	P/E 2020E	P/E 2021E	P/E 2022E	Div Yield	Div Growth	Payout Ratio
The AES Corporation	AES	$20.10	664	$13,344	15.0x	14.1x	12.9x	12.0x	2.7%	5.0%	41%
CenterPoint	CNP	26.87	502	13,495	15.9x	16.5x	16.3x	15.3x	4.3%	1.5%	68%
Dominion	D	82.22	823	67,675	19.5x	18.7x	17.8x	17.0x	4.5%	2.5%	87%
DTE Energy	DTE	128.57	192	24,699	20.7x	19.5x	18.4x	17.2x	3.2%	7.0%	61%
NextEra	NEE	241.33	489	117,956	28.8x	26.7x	24.6x	23.0x	2.1%	13.0%	60%
OGE Energy	OGE	44.05	200	8,818	19.6x	19.3x	18.4x	17.7x	3.5%	6.0%	69%
Sempra	SRE	148.88	282	41,969	23.3x	20.7x	19.0x	17.9x	2.6%	8.0%	61%
Average					**21.3x**	**20.2x**	**19.1x**	**18.0x**	**3.3%**	**7.8%**	**68%**

Source: Wolfe Utilities & Power Research
*Prices as of 1/7/20

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Exhibit 36: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2019E	2020E	2021E	2022E	Div Yield
Clearway Energy	CWEN	19.98	193	3,852	10.7x	9.5x	8.7x	N/A	4.0%
NextEra Energy Partners	NEP	52.26	156	8,153	9.9x	8.5x	9.3x	9.2x	4.0%
Atlantica Yield*	AY	26.47	102	2,689	8.9x	7.8x	7.4x	N/A	6.2%
Pattern Energy*	PEGI	26.75	98	2,628	13.8x	11.3x	11.0x	N/A	6.3%
TerraForm Power*	TERP	15.34	227	3,483	12.4x	11.3x	11.0x	N/A	5.3%
Average					**10.9x**	**8.5x**	**9.3x**	**9.2x**	**5.4%**

Source: Wolfe Utilities & Power Research
*Not covered by Wolfe Research, estimates based on consensus
*Prices as of 1/7/20

Exhibit 37: Integrated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2019E	2020E	2021E	2022E	Implied Genco EV / EBITDA 2019E	2020E	2021E	2022E	Div Yield	Div Growth	Payout Ratio
Exelon	EXC	45.68	972	44,406	14.6x	14.8x	15.2x	14.6x	5.2x	5.5x	5.1x	5.0x	3.2%	5.0%	46%
PSEG	PEG	57.64	506	29,150	17.7x	16.7x	16.5x	16.6x	7.2x	6.9x	7.1x	7.9x	3.3%	4.2%	58%
Average					**16.2x**	**15.7x**	**15.9x**	**15.6x**	**6.2x**	**6.2x**	**6.1x**	**6.5x**	**3.2%**	**4.5%**	**52%**

Source: Wolfe Utilities & Power Research
*Prices as of 1/7/20

Exhibit 38: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2019E	2020E	2021E	2022E	Free Cash Flow Yield 2019E	2020E	2021E	2022E
NRG Energy	NRG	36.87	252	9,276	7.6x	7.2x	7.3x	6.8x	12.8%	15.9%	17.6%	19.0%
Vistra Energy	VST	22.83	487	11,127	6.9x	5.8x	5.7x	5.4x	18.4%	19.7%	20.1%	21.4%
Average					**7.3x**	**6.5x**	**6.5x**	**6.1x**	**15.6%**	**17.8%**	**18.8%**	**20.2%**

Source: Wolfe Utilities & Power Research
*Prices as of 1/7/20

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BofA GLOBAL RESEARCH

BofA SECURITIES

NiSource Inc

Upgrade to Buy: Mass bookend with an Indiana renewables kicker

Rating Change: BUY | PO: 31.00 USD | Price: 27.39 USD

Rerating opportunity as Mass reaching pivot point: Buy

We see a discount to shares entering into 2020 as we see key items in MA and IN start to be resolved. We perceive the stock as undervalued and upgrade to Buy from Neutral: NI vs. the IXU Index is at a 5% premium now (versus 10-20% earlier in '19), which is supported by our view that gas utilities' growth prospects remain intact in the 2020s even though in '19 we saw gas sector valuations at near parity with electric. Further, pertinent to NI's story is the latest de-risking in the quantum of incidents around Merrimack: we see the DPU's recent Order as providing a bookend for state fines forthcoming year-end. Gaining clarity here (as well as through the recently settled NIPSCO ratecase) is critical in providing NI with confidence to determine the amount and timing of its proposed $500-700mn block. We expect the raise in 1H20 as early as end of February and we see this articulation of equity timing as a constructive factor not only an important catalyst but also another reason in support of our rating change given ensuing confidence from mgmt. in what it implies.

Potential upside from gen spend coming with large IRP

Amidst the focus on MA, we think the market underappreciates the largest solar & wind RFP in the Midwest with ratebase opportunity a further upside angle as capex is awarded (none of the awards and/or future awards are in the budget today). We estimate $0.06/sh of EPS from net build-own-transfer (BoT) once projects are dropped into ratebase by '23; this factors in 1.3GW of BOT renewables in RFP 2 on top of the 402MW of wind from RFP 1, as well as tax equity having a 50% stake in this project upon drop and an increase of depreciation from the last ratecase. This brings our '20-'24E CAGR to 6.3% (still squarely in the 5-7% range upon a roll-forward at a future Analyst Day). We raise our PO from $30/sh to $31/sh based on an updated 19.3x / 18.9x gas & electric peer multiple (to which we apply -1x gas / +1x electric premium as well as 1x RAB to $0.750Bn MA utility net of ~$ 80M fine). We see the potential for an investor day in 2H to help articulate this LT earnings power; this could roll forward guidance to '24 (now thru '22) to help roll out updates..

Estimates (Dec)

(US$)	2017A	2018A	2019E	2020E	2021E
EPS	1.21	1.30	1.33	1.37	1.42
GAAP EPS	0.39	1.30	1.33	1.37	1.42
EPS Change (YoY)	14.2%	7.4%	2.3%	3.0%	3.6%
Consensus EPS (Bloomberg)			1.30	1.38	1.46
DPS	0.73	0.79	0.83	0.88	0.94

Valuation (Dec)

	2017A	2018A	2019E	2020E	2021E
P/E	22.6x	21.1x	20.6x	20.0x	19.3x
GAAP P/E	70.2x	21.1x	20.6x	20.0x	19.3x
Dividend Yield	2.6%	2.9%	3.0%	3.2%	3.4%
EV / EBITDA*	17.1x	16.5x	14.4x	13.6x	12.7x
Free Cash Flow Yield*	-9.3%	-12.5%	-5.9%	-5.4%	-5.0%

* For full definitions of *IQmethod℠* measures, see page 10.

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Timestamp: 07 January 2020 06:51AM EST

07 January 2020

Equity

Key Changes

(US$)	Previous	Current
Inv. Opinion	B-2-7	B-1-7
Inv. Rating	NEUTRAL	BUY
Price Obj.	30.00	31.00
2019E EPS	1.31	1.33
2020E EPS	1.36	1.37
2021E EPS	1.41	1.42
2019E EBITDA (m)	1,750.1	1,758.9
2020E EBITDA (m)	1,853.3	1,856.8
2021E EBITDA (m)	1,989.1	1,997.1

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Stock Data

Price	27.39 USD
Price Objective	31.00 USD
Date Established	7-Jan-2020
Investment Opinion	B-1-7
52-Week Range	25.43 USD - 30.67 USD
Mrkt Val (mn) / Shares Out (mn)	10,231 USD / 373.5
Average Daily Value (mn)	104.33 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2019E)	9.7%
Net Dbt to Eqty (Dec-2018A)	156.7%

DPU: Department of Public Utilities

NIPSCO: Northern Indiana Public

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iQprofile℠ NiSource Inc

iQmethod℠ – Bus Performance*

(US$ Millions)	2017A	2018A	2019E	2020E	2021E
Return on Capital Employed	2.6%	3.9%	4.1%	4.1%	4.2%
Return on Equity	9.5%	10.1%	9.7%	9.1%	8.9%
Operating Margin	18.7%	18.3%	20.4%	21.0%	22.2%
Free Cash Flow	(954)	(1,278)	(608)	(557)	(517)

iQmethod℠ – Quality of Earnings*

(US$ Millions)	2017A	2018A	2019E	2020E	2021E
Cash Realization Ratio	1.9x	1.2x	2.3x	2.3x	2.2x
Asset Replacement Ratio	3.0x	3.0x	2.5x	2.4x	2.4x
Tax Rate	71.0%	19.7%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	207.7%	156.7%	151.0%	132.5%	126.4%
Interest Cover	2.6x	2.6x	3.0x	3.1x	3.2x

Income Statement Data (Dec)

(US$ Millions)	2017A	2018A	2019E	2020E	2021E
Sales	4,875	5,084	5,170	5,299	5,470
% Change	8.5%	4.3%	1.7%	2.5%	3.2%
Gross Profit	3,356	3,325	3,605	3,710	3,858
% Change	8.2%	-0.9%	8.4%	2.9%	4.0%
EBITDA	1,481	1,531	1,759	1,857	1,997
% Change	5.4%	3.4%	14.9%	5.6%	7.6%
Net Interest & Other Income	(468)	(335)	(353)	(361)	(380)
Net Income (Adjusted)	**398**	**463**	**502**	**542**	**605**
% Change	**15.6%**	**16.6%**	**8.3%**	**8.0%**	**11.6%**

Free Cash Flow Data (Dec)

(US$ Millions)	2017A	2018A	2019E	2020E	2021E
Net Income from Cont Operations (GAAP)	129	463	502	542	605
Depreciation & Amortization	570	600	702	742	783
Change in Working Capital	(415)	110	(186)	(186)	(186)
Deferred Taxation Charge	307	(188)	118	127	140
Other Adjustments, Net	152	(445)	0	0	0
Capital Expenditure	(1,696)	(1,818)	(1,744)	(1,781)	(1,858)
Free Cash Flow	**-954**	**-1,278**	**-608**	**-557**	**-517**
% Change	**-41.9%**	**-34.0%**	**52.4%**	**8.4%**	**7.3%**

Balance Sheet Data (Dec)

(US$ Millions)	2017A	2018A	2019E	2020E	2021E
Cash & Equivalents	29	121	133	133	133
Trade Receivables	945	1,147	1,333	1,519	1,706
Other Current Assets	790	787	787	787	787
Property, Plant & Equipment	14,360	15,543	16,584	17,624	18,699
Other Non-Current Assets	3,839	4,206	4,206	4,206	4,206
Total Assets	**19,962**	**21,804**	**23,044**	**24,270**	**25,531**
Short-Term Debt	1,490	2,027	2,274	2,302	2,403
Other Current Liabilities	1,688	2,010	2,010	2,010	2,010
Long-Term Debt	7,512	7,105	7,409	7,501	7,831
Other Non-Current Liabilities	4,951	4,911	5,029	5,156	5,296
Total Liabilities	**15,642**	**16,053**	**16,721**	**16,969**	**17,539**
Total Equity	**4,320**	**5,751**	**6,323**	**7,301**	**7,992**
Total Equity & Liabilities	**19,962**	**21,804**	**23,044**	**24,270**	**25,531**

* For full definitions of *iQmethod℠* measures, see page 10.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

NI's positives including 5-7% earnings/dividend growth via $30bn of infrastructure investments over the next 20+ years and fully regulated subsidiaries with earned ROEs consistently near the allowed. We are starting to see resolution of overhang from the MA incident as the recent DPU Order provides a bookend of potential costs of the state's investigation. Bottom line, given the discount of shares, confidence on MA costs and thus NI's forthcoming block, and ratebase upside in NI, we rate NI Buy.

Stock Data

Average Daily Volume	3,809,007

Quarterly Earnings Estimates

	2018	2019
Q1	0.77A	0.82E
Q2	0.08A	0.05E
Q3	0.10A	0E
Q4	0.38A	0.45E

De-risking with renewables upside this year too

We see shares trading at a discount as unwarranted given the de-risking of the final MA cost as well as the strong LT EPS growth opportunity supported by NIPSCO's renewable RFPs to replace coal coming off line in the 2020s. We perceive mgmt's renewed sense of confidence in its total equity raise as critical alongside our growing confidence in owning gas utilities overall. While the uncertainty from Mass is still likely protracted, we reflect both the fine in our estimates as well as only a RAB valuation at 1x on its core $750 Mn (a sober assessment on both) alongside a full $700 mn of further equity and still find shares at a sizable discount. We stress that a sale of the MA business not only likely given the backdrop of a potentially noisy rate case but would help put finality to a lingering and largely negligible earnings contributor to the company overall.

Moreover, we stress our latest stakeholder discussions reflect our growing confidence that NIPSCO could be among few companies in the state able to avoid confrontation with the key coal lobbyists and pursue its solar/wind procurement (given it has already agreed with interveners to accelerate depreciation and retire its *non*-Indiana coal burning generation station at Schaefer). Moreover, it has already been working with the local community to mitigate the tax & jobs impacts and as such perceive less headline risk (although we expect continued headlines throughout the year as NI's peers in the state face challenges still, including principally AES and CNP). Below we include NI vs. the IXU Index – highlighting today's 5% premium versus the 10-20% premium from earlier in 2019 and 2018. While we admittedly could be early as investors are concerned about shares through the course of a likely still noisy 2020, we perceive a wider bid for gas utilities in 2020 alongside a bid for NI with increasing resolution to its MA backdrop and forthcoming Analyst Day as all accruing relatively favorably. Bottom line, we believe financial clarity in 1H should pivot to capex upside in 2H and in turn, an earnings pivot off consistently reduced estimates. We upgrade to Buy.

Exhibit 1: NI vs. the IXU Index

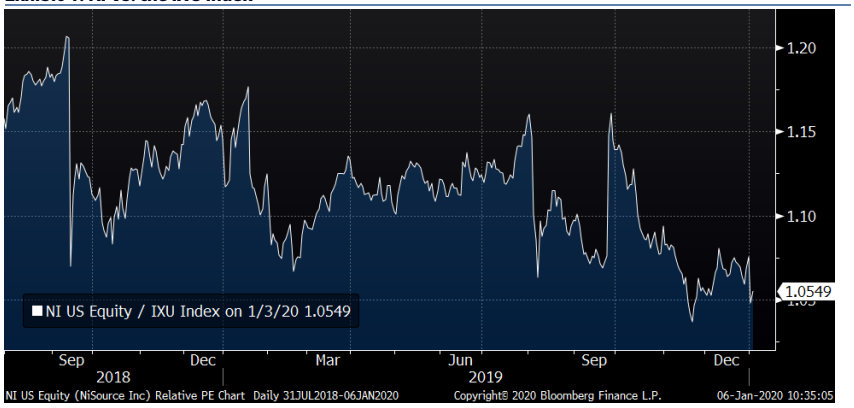

Source: Bloomberg

Massachusetts

NI still has fines outstanding due to the Merrimack incident in 2019; Massachusetts (MA) policy has cost caps associated with events of the like – and after EEI stakeholders did not have a clear view of how many 'events' the Department of Public Utilities (DPU) would be able to argue fit NI's incident. Clarity was gained at the end of 2019, however, as the MA DPU issued a procedural order to characterize Merrimack as at least three events (giving itself the flexibility to determine one or two more in the future).

The DPU Order

The December 23, 2019 order broke the Merrimack incident into at least three 'events': The initial event (i.e. Sept 13, 2018 incident and Bay State response), the Phase I Restoration (i.e. Sept 21 - Dec 16, 2018), and the Improperly Abandoned Services (i.e. Sept 27, 2019 Grade 1 Gas Leak). It directed NI to file the third time frame (i.e. Sept 27,

2019) as a separate event report. It also detailed the scope of investigation, in which the DPU indicated it may investigate a fourth time frame, i.e. the "continued restoration and related repair work that took place after Dec 16, 2018". The commission also gave itself flexibility to add additional events beyond the four aforementioned "should further emergency events related to the restoration and reconstruction...occur".

NI view

NiSource (NI) affirmed and re-affirmed at and after EEI its confidence that the two formal Massachusetts (MA) Department of Public Utilities (DPU) Merrimack investigations should have a maximum $22mn cost cap. Recall NI's $22mn cost cap expectation (split between $2mn for the incident and $20mn for the emergency response) was formed by NI's expectation that the full Merrimack incident would be defined as one "event" or one "series of events". NI used past precedent of electrical outages in helping form its interpretation: Storms damaging multiple poles or causing electrical outages in multiple homes are grouped into a series of events rather than individual events that results in a fine for each individual damage. *We assume four such events in our SOTP; we perceive that this interpretation and total fine could still be negotiated from the most punitive approach we've adopted for the purpose of our SOTP.*

Our view: We assume $700mn of equity forward helps resolve balance sheet uncertainties at last around Mass

While the final DPU decision on the investigations remains outstanding, we see the Order quantifying the 3-5 events positively because it provides more clarity around the maximum fines NI would be responsible for at the state level. NI has been waiting for clarification on a few outstanding items before providing more details on timing and amount of its $500-700mn block expected in 2020 (others include insurance recovery and the federal criminal investigation). With clarification of two major items (a bookend for these DPU fines as well as the NIPSCO ratecase in Indiana), we perceive the company is growing more confident in its equity needs. As such, we anticipate the company enters the market for the block in 1H20, and as early as end of February (since the company is in blackout until its 4Q earnings release). We factor in $700mn of the range into our estimates via a forward – and we factor in $500mn of dilution in 4Q20 and the remaining $200mn in 1Q21. Note that we are still within NI's guidance of 5-7% YOY EPS growth. Bottom line: We find this DPU order as constructive in starting to determine final costs and expect a rerating of shares as this helps de-risk the recovery process.

What's next? Still expecting noise, but greater certainty around all the financial risks as best we can tell

We expect more clarity around state fines only with the DPU investigation resolution – which isn't expected until 3Q/4Q 2020 at the most aggressive of timelines (and potentially pushed out to '21). Note there is still potential this is merged with a ratecase filing. Also note the final number of events will likely be a negotiation topic between NI and the DPU as it works out the investigation and expected ratecase filing. While we await final details on the remaining insurance recovery, we expect this largely to go according to expectations or even provide upside: NI filed for $130mn from casualty coverage (which NI assumes it will receive as it has in other instances) as well as $260mn from property insurance (which NI has not yet factored into assumptions, meaning that receiving this would be upside to guidance). Finally, we highlight that a third party is conducting an independent audit of the system, but this is with regards to a previous MA DPU order and we doubt will result in substantial costs given NI's work ensuring proper abandonment.

Indiana

Factoring in the block equity in 4Q20/1Q21, the Street is paying close attention to NI's roll-forward of EPS and if the company can maintain its 5-7% trajectory. We see NI able to maintain strong long-term earnings – particularly due to the renewable ownership

opportunity in Indiana. When including this opportunity, our CAGR rolling forward '20 into '24 is 6.3% – higher than Consensus' 5.7%.

Round 2 RFP: Building on Rosewater techniques

Following the first round of RFPs, in which NIPSCO secured two build-own-transfer (BOT) wind projects (the 100MW Rosewater and 302MW Crossroads), we see a prime opportunity for NI to own more renewables through its second round of RFPs. This round 2 targets at least 2.6GW of renewable capacity (300MW wind and 1.3GW solar – some with storage) and is ongoing, with details on bids likely to be available this upcoming February. We anticipate these are highly competitive and provide NI with a strong opportunity to replace its retiring coal facilities (Schahfer in '23 and Michigan City in '28) with ratebase-able renewables. Given success in receiving commission approval to own Rosewater in round 1, we anticipate roughly half of the 2.6GW is build-own-transfer projects – in which NI will own 1% of the project originally, buy out the developer's 49% project stake in year 2023 when the company goes in for a ratecase, and then buy out the tax equity (TE) provider's 50% stake upon the tax equity flip (usually around year 7 or 10 for solar or wing projects – once the TE provider makes a 6-7% return).

While the financials & math is not exactly 'normal' for ratebase given the tax equity nuance – and admittedly we do not yet know how much will be awarded to management in terms of RFP quantum – we stress this remains a potential upside to many across the Street.

Modeling in upside

As noted above, we assume NI is able to own roughly half of the second RFP (i.e. 1.3GW of the 2.6GW total) via build-own-transfer agreements with projects starting to be added to ratebase in '23. However, we note that the tax equity provider will have a 50% stake in projects in '23, reducing NI's ownership opportunity in '23 to 650MW. We find $0.06/sh of *net* upside associated with ratebasing these additional projects after we factor out about 50mn of annual increased depreciation (of existing ratebase) from the last ratecase to the next. Note that without this increased depreciation assumption, there would be total $0.08/sh of upside associated with the BOT projects added to ratebase in '23 (factoring in 50% tax equity stake). We include our EPS estimates below – which factors in debt and equity assumptions – as well as our table of assumptions.

Table 1: Renewables Rate Base, via Build-Own-Transfer: 402MW wind from Round 1, and we expect 1.3GW from Round 2 (tax equity has 50% stake)

	2018	2019	2020	2021	2022	2023	2024	2025
Ratebase (YE)	5,119	5,343	5,674	6,009	6,334	6,632	0	0
Beginning Ratebase Additions			0	-50	-100	-150	946	899
Wind Capex			0	0	0	558	0	0
Wind Depreciation (25 yrs)			0	0	0	-22	-22	-22
Solar Capex			0	0	0	636	0	0
Solar Depreciation (25 yrs)			0	0	0	-25	-25	-25
Increase in Depreciation coming off from last ratecase			-50	-50	-50	-50	0	0
Ending Ratebase Additions			-50	-100	-150	946	899	851
Average Ratebase Additions			-25	-75	-125	398	922	875
New Ending Ratebase			5,649	5,934	6,209	7,030	922	875
New Average Ratebase			5,496	5,804	6,109	6,682	3,777	437
Implied Net Income (50% Equity, 9.975% ROE)			-1	-4	-6	19	45	43
BofA Global Research Model Implied NI for NIPSCO Electric			252	273	288	303	316	328
Shares			395	426	440	449	454	457
Incremental shares			0.0	0.0	0.0	17.6	17.6	17.6
Implied EPS			**$0.00**	**-$0.01**	**-$0.01**	**-$0.02**	**$0.06**	**$0.06**
BofA Global Research Model Implied EPS for NIPSCO Electric			$0.64	$0.64	$0.66	$0.68	$0.70	$0.72
Total Earnings Power (NI)			58					
D&A			48					
FFO			106					
						Ratio		

Table 1: Renewables Rate Base, via Build-Own-Transfer: 402MW wind from Round 1, and we expect 1.3GW from Round 2 (tax equity has 50% stake)

	2018	2019	2020	2021	2022	2023	2024	2025
Total Debt			707	59.17% Debt				
Total Equity			488	40.83% Equity				
Project Investment			1,194					

Source: BofA Global Research estimates, company report

Below we include our assumptions. We reiterate that in year 2023 when NI buys the project developer's stake, the tax equity provider still has a 50% stake. As such, we show NI owning half of the RFP 1 opp (201MW of the 100MW Rosewater and 302MW Crossroads) and half of the RFP 2 opp (650MW of the 1.3GW BOT opp – most of which we anticipate is solar). We caution that NIPSCo's procurement will be among the first solar ratebase constructs with meaningful tax equity employed; we anticipate a meaningful further bump in ratebase earnings upon eventual flip.

Table 2: Assumptions

Assumptions (note TE owns 50% until flip at yr 7-10 when NI would then own 100%)	
Wind BOT Capacity Online (MW)	351
Existing Awards	201
New RFP 2 Awards in BOT form	150
Wind ($1,500/kW implied) + 6% buy-out premium	558
Solar BOT Capacity Online (MW) = All from RFP 2, some w/ storage	500
Solar ($1,200/kW implied) + 6% buy-out premium	636
Total Capacity	851
Total Capex	1,194
Equity Ratio	50%
ROE	9.750%
Leverage Multiple (Maintain 15%)	6.7x
Share Price	$27.67
Incremental Shares	**17.6**

Source: BofA Global Research estimates, company report

Estimates

We update our estimates below, updating our block equity issuance total to $700mn, diluting shares in 4Q20 and 1Q21 as well as including the net renewable ownership opportunities in NIPSCO electric hitting in '23 (making sure to account for increase in depreciation since the last ratecase). We stress the uplift through '24 of the full net uplift from the IRP appears to be $0.06 net of the acceleration depreciation and net of the full tax equity impacts. Bottom line, we see a clear cut ability to roll forward the EPS CAGR off '20 and then push to '24 and keep the full 5-7%. Admittedly, using a '19 base would prove at or below the low end of the earlier 5-7% range given the diluted impact of the base year in '20 (this could be yet another factor in accelerating equity; meanwhile we continue to see a forward settlement).

Table 3: NI EPS Estimates: *a bit shy of Street in near-term given equity – but see sustained EPS in longer-term*

NI EPS Estimates		2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Gas		0.96	0.94	1.01	1.05	1.07	1.14	1.20	1.26	1.32
Electric		0.56	0.60	0.63	0.64	0.64	0.66	0.68	0.69	0.70
Electric - BOTs from RFP 1 & 2		0.00	0.00	0.00	0.00	-0.01	-0.01	-0.02	0.06	0.06
Parent/Other		-0.32	-0.23	-0.32	-0.31	-0.29	-0.28	-0.28	-0.27	-0.26
BofA EPS		**1.21**	**1.30**	**1.33**	**1.37**	**1.41**	**1.50**	**1.58**	**1.74**	**1.81**
Previous EPS		1.21	1.30	1.31	1.36	1.41	1.53			
Guidance		**1.17-1.20**	**1.26-1.32**	**1.27-1.33**	**1.36-1.40**					
Consensus		1.19	1.28	1.30	1.38	1.46	1.54			
Consensus '19-'23 CAGR	5.6%									
BofA CAGR '19-'23 CAGR	4.5%									
BofA CAGR '20-'24 CAGR	**6.3%**									
5%-7% CAGR EPS off '19 guidance range	High End			1.33	1.42	1.52	1.63	1.74	1.87	2.00
	Mid-Point			1.30	1.38	1.46	1.55	1.64	1.74	1.85
	Low End			1.27	1.33	1.40	1.47	1.54	1.62	1.70

Table 3: NI EPS Estimates: *a bit shy of Street in near-term given equity – but see sustained EPS in longer-term*

NI EPS Estimates	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E

Source: BofA Global Research estimates, company report

Valuation

Below we include our SOTP Valuation for NI. We break out MA from the rest of the gas utilities and value the subsidiary based on its ratebase. note this contributes less than $1/sh of value to the total price objective. We update the gas and electric peer multiple to 19.3x and 18.9x gas. To this, we apply a 5.1% / 5% CAGR for growth. We continue to apply a -1x gas discount to subsidiaries, but award the NIPSCO Electric subsidiary a +1x premium to reflect the coal retirement and owned renewable replacement opportunity. We arrive at a $31/sh PO and upgrade to Buy based on a 16% potential total return.

We also net out a $80 Mn fine for the purposes of our SOTP as well given the latest developments.

Table 4: NI SOTP Valuation

NI SOP Valuation									
	Metric		P/E Multiple				Equity Value		
	2022E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas			19.3x						
Group EPS '18-'22 CAGR - Gas			5.10%						
Gas Utilities			20.3x						
Columbia Gas of OH	$0.49	18.3x	20.3x	-1.0x	19.3x	20.3x	$8.91	$9.40	$9.88
Columbia Gas of PA	$0.25	18.3x	20.3x	-1.0x	19.3x	20.3x	$4.51	$4.75	$5.00
NIPSCO Gas	$0.20	18.3x	20.3x	-1.0x	19.3x	20.3x	$3.72	$3.93	$4.13
Columbia Gas of VA	$0.07	18.3x	20.3x	-1.0x	19.3x	20.3x	$1.37	$1.44	$1.51
Columbia Gas of KY	$0.04	18.3x	20.3x	-1.0x	19.3x	20.3x	$0.77	$0.81	$0.86
Columbia Gas of MD	$0.02	18.3x	20.3x	-1.0x	19.3x	20.3x	$0.31	$0.32	$0.34
Group Peer Multiple - Electric			18.9x						
Group EPS '18-'22 CAGR - Electric			5.00%						
Electric Utilities			19.8x						
NIPSCO Electric	$0.66	19.8x	19.8x	1.0x	20.8x	21.8x	$13.01	$13.67	$14.32
Total Utility	**$1.73**	*18.9x*			*19.9x*	*20.9x*	**$32.59**	**$34.32**	**$36.04**
-Parent EPS Drag (ex-Interest Expense)	-$0.02	18.9x	0.0x		10.1x	11.1x	-$0.35	-$0.19	-$0.20
Total EPS *(incl. debt drag)*	**$1.50**								
Midpoint of 5-7% EPS	*$1.59*								
	Ratebase		*RAB per Share*			*Cap Struct (Equity)*		*Net Equity*	
Columbia Gas of MA (1x RAB)	$750		$1.71	1.0x		47%	$0.80	$0.80	$0.80
Fine (20*4)	$80							-$0.18	
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out Debt)				-$2,000	50%		-$1,000	-$1,000	-$1,000
(50% P/E multiple on Interest Exp)				5.5%	50%		-$820	-$864	-$907
Grand Total Equity Value							**$28.10**	**$30.51**	**$31.50**
Shares Outstanding 2022E								440	
Total Equity Value							**$28.00**	**$31.00**	**$31.00**
Implied Consolidated P/E									
Current Price								$27.39	
Dividend Yield (2020E)								3.2%	
Total Return								**16.4%**	

Source: BofA Global Research estimates, company report

Price objective basis & risk

NiSource Inc (NI)
Our $31 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples of 19.3x for gas utilities and 18.9x for electric utilities with a -1.0x discount for gas utilities and a 1.0x premium for the electric utility's strong growth rates and earned ROEs. We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We now value Columbia gas of MA using a ratebase methodology to reflect the discounted ratebase of the subsidiary following Merrimack in 2018 and subsequent costs. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Aqua America	WTR	WTR US	Julien Dumoulin-Smith
	Atlantica Yield	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Vivint Solar	VSLR	VSLR US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
UNDERPERFORM				
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Terraform Power	TERP	TERP US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
RSTR				
	El Paso Electric Company	EE	EE US	Julien Dumoulin-Smith
	Pattern Energy Group	PEGI	PEGI US	Julien Dumoulin-Smith

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Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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Important Disclosures

NiSource Inc (NI) Price Chart

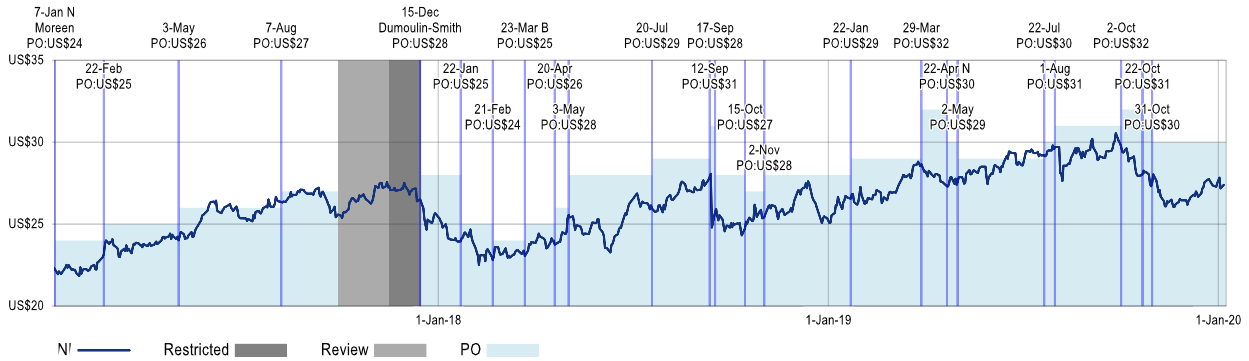

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2019)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	88	54.32%	Buy	72	81.82%
Hold	36	22.22%	Hold	21	58.33%
Sell	38	23.46%	Sell	21	55.26%

Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2019)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	63	44.06%	Buy	44	69.84%
Hold	43	30.07%	Hold	31	72.09%
Sell	37	25.87%	Sell	27	72.97%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2019)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1560	50.49%	Buy	991	63.53%
Hold	717	23.20%	Hold	461	64.30%
Sell	813	26.31%	Sell	415	51.05%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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UTILITIES & POWER

Regulateds – Market Underweight
Integrateds – Market Overweight
IPPs – Market Overweight
Gas/Power Infrastructure – Market Overweight

January 5, 2020

THE UTILITY TRADER

The 2019 recap; introducing the 2020 DUTY portfolio

- **Utilities play ping pong vs the market for 6th year in a row**
  Utilities ended 2019 up 22.2%, a great year on an absolute basis but nothing special in 2019. The S&P 500 ended up 28.9% beating utilities by over 500bps, including dividends. Utilities now trail the market on a 1-yr, 3-yr, 5-yr and 10-yr basis which may be surprising to some. This is the 6th year in a row that utilities have ping-ponged between outperforming and underperforming the S&P 500, highlighting the shifting risk-on, risk-off trade amidst an underlying bull market. A unique aspect to 2019 was the breakdown between utilities relative performance and L-T interest rates. Utilities underperformed despite rates falling almost 100bps. In retrospect, utilities moved ahead of bonds with their strong move in late 2018 and thus had less room to run. While there is a lot to worry on in 2020, including the election, we remain underweight utilities and wait for the current 11% premium to get closer to its historic 4% average.

- **Utilities vs other income sectors – middle of the pack**
  All the large income sectors underperformed the market in 2019 (exhibit 1 on right), not surprising amidst a tech-driven bull market. The one exception was Yieldcos which benefitted from better sponsors and increasing investor appetite for renewables. Staples and REITs also slightly beat utilities while Telecom and Pharma trailed. Midstream was all over the map with Midstream C-corps slightly beating utilities for the year, but MLPs trailing all income sectors by a wide margin.

- **What worked in 2019 – barbell of value and high quality, plus renewables**
  2019 was a year where both low P/E value names and quality premium utilities worked. Low P/E names mainly worked by de-risking – SO, SRE, ETR, AES, EIX, FE, and PPL. High quality names saw multiple expansion on consistent execution and in some cases ESG halo – NEE, AWK, WEC, ES, LNT, XEL, CMS. Renewables exposure benefited the Yieldcos and utility leaders NEE, AES and ES (offshore).

- **What didn't work in 2019 – power, midstream, EPS re-basers, regulatory risk**
  The power names were all near the bottom – NRG, VST, EXC and PEG – as the PJM market overhang and renewables fears offset summer Texas price spikes. Midstream exposed names also performed poorly as investors worried about weaker fundamentals and project risks – CNP, OGE, DTE, and D. Companies that re-based their earnings CAGRs early in the year never caught up – CNP, AGR, DUK, NI, EVRG. Finally, regulatory and event risks became big issues for certain names PNW in AZ, EXC in IL, NI in Mass, and CNP in TX.

- **2019 DUTY outperformed; introducing 2020 DUTY portfolio**
  Our DUTY (Dogs of the UTY) comprises the worst performing utilities of the prior year. The 2019 DUTY portfolio (ex PCG) outperformed by 550bps led by strong years from SO, EIX, and PPL. The 2020 DUTY portfolio includes the following names: CNP, EXC, AGR, PNW, DUK and NI. Of these names, we like EXC best as we see significant revaluation potential if IL nuke legislation gets done in 2020. We are still cautious on AGR and PNW – AGR due to a lot of execution risks and PNW due to a very tough rate case and regulator.

Source for all exhibits in this report: FactSet, Wolfe Research; prices as of 12/31/19.

Ex 1: 2019 Income Sectors Perf

Sector	2019 Performance
WR YieldCo Index	30.7%
S&P 500	28.9%
S&P Consumer Staples	24.0%
REIT Index (FNER)	23.9%
Wolfe Midstream C-corp basket	22.8%
S&P Utility	**22.2%**
S&P Telecom	20.1%
S&P Pharma	12.0%
XLE Index	4.7%
WR IPP Index	0.4%
MLP Index (AMZ)	(2.0%)

Source: FactSet, Wolfe Research

Ex 2: 2019 Utilities Perf

Company	Ticker	YTD Perf
Top 10	**Top 10**	
Southern Co	SO	44.9%
Pattern Energy	PEGI	43.7%
Sempra	SRE	39.9%
NextEra Energy	NEE	39.2%
Entergy Corp.	ETR	39.1%
AES Corp.	AES	37.3%
TerraForm Power	TERP	37.2%
American Water	AWK	35.3%
Atlantica Yield	AY	34.6%
WEC Energy Group	WEC	33.0%
Bottom 10	**Bottom 10**	
Avista Corp.	AVA	13.3%
NiSource	NI	9.7%
Duke Energy	DUK	5.6%
Pinnacle West Cap	PNW	5.4%
Avangrid	AGR	2.0%
Exelon Corp.	EXC	1.1%
Vistra Energy	VST	0.7%
NRG Energy	NRG	0.3%
CenterPoint	CNP	(3.5%)
PG&E Corp.	PCG	(54.5%)

Source: FactSet, Wolfe Research

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S&P Utility Index vs Market

Utilities underperformed the S&P 500 by 665bps in 2019. It was a bit of a seesaw battle during the year, with overall market sentiment largely driven by US/China trade headlines. In late summer, the 2-yr and 10-yr yield briefly inverted, prompting a big utility rally which brought the group ahead of the market by the end of September. The market went on to beat utilities in each of the final three months, due in part to a phase 1 trade resolution with China. Signs of declining allowed returns and a return of large equity deals also caused sentiment on the utility sector to wane.

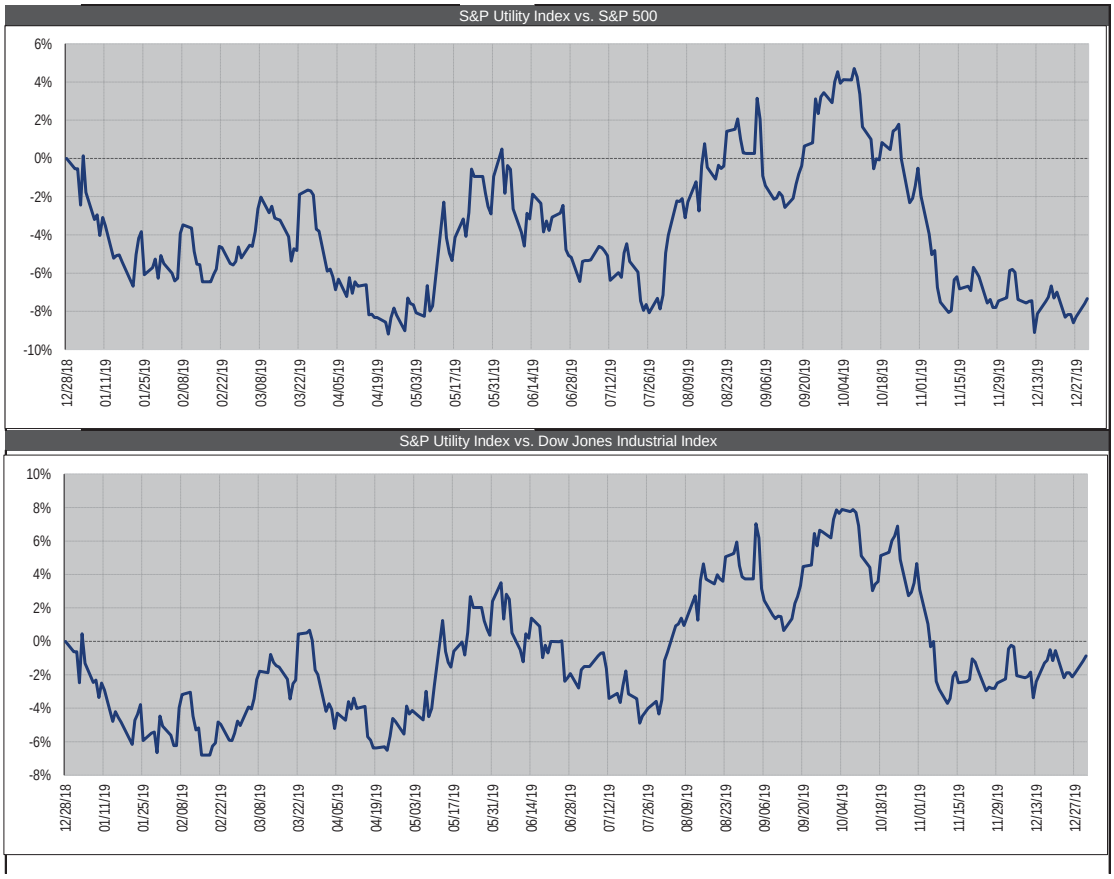

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Utilities vs Other Sectors

Pharma (+6.2%) were one of the top performing income sectors in December. Telecom (+2.9%) and Staples (+2.0%) both underperformed utilities during the month.

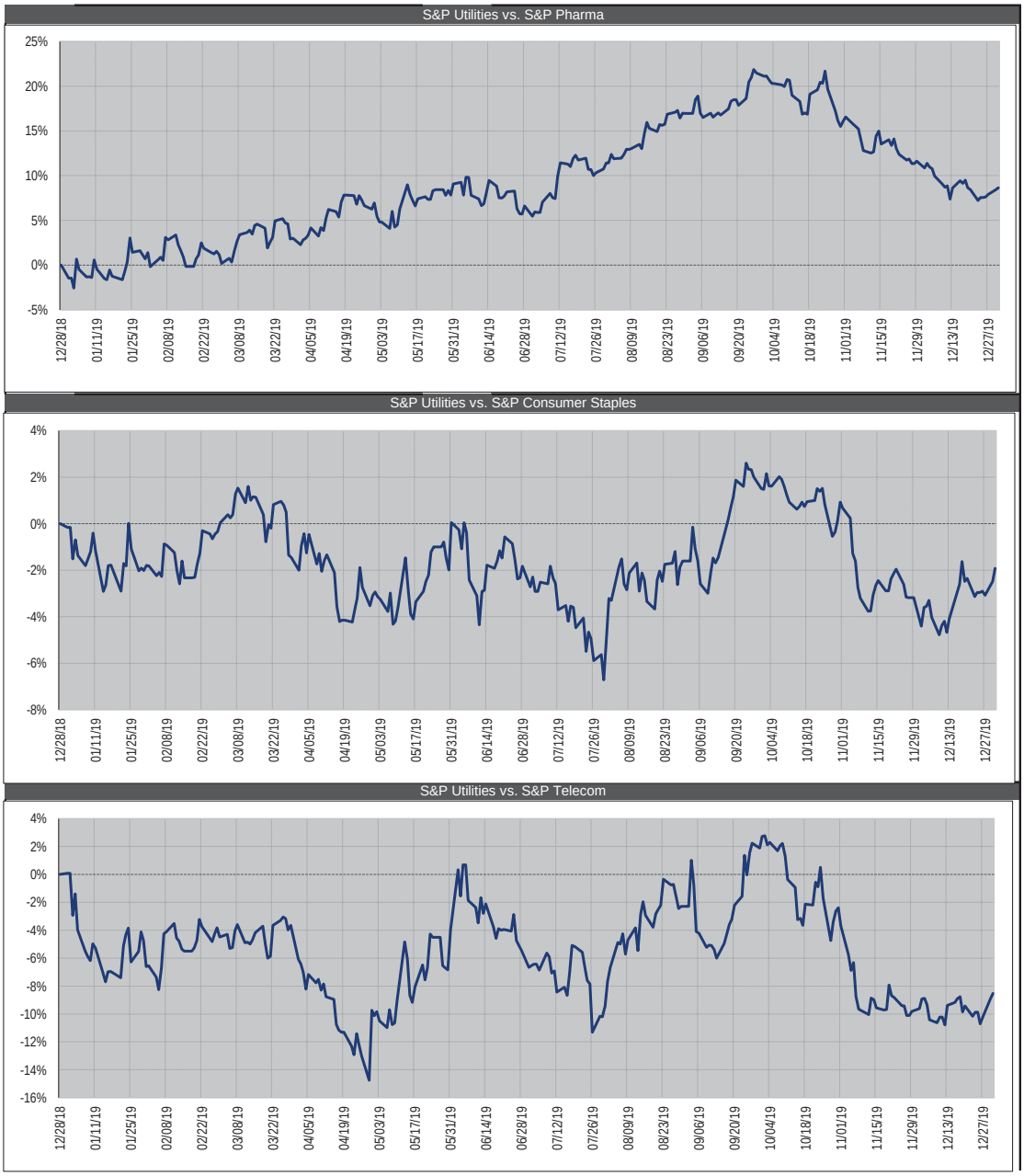

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Utilities vs Other Sectors continued

The MLPs led midstream in December for a change as this year's MLP "Santa" rally led to an 8.4% rebound in the AMZ Index and cut the year's losses to 2.1%. More broadly, midstream stock performance in 2019 was largely characterized by the persistent outperformance by the C-corps, which closed the year outperforming the MLPs by 24.9% on a price-return basis, as structural concerns over the historically preferred MLP structure remain an overhang into 2020.

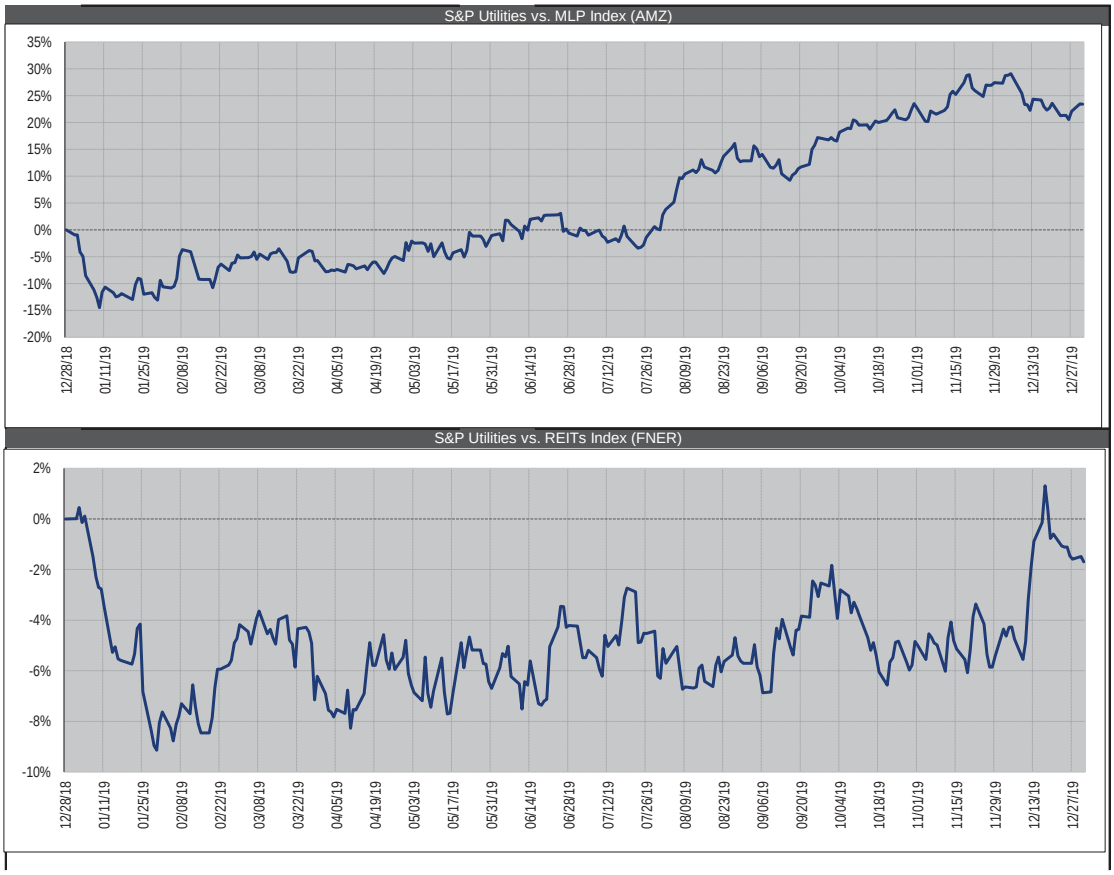

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1/5/2020

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Month to Date and Year to Date performance of income sectors

The Yieldco group finished as the top performing income sector in 2019, edging out the S&P 500 by 200bps. MLPs were the only income sector to finish in the red in 2019 (-2.1%) and were well off Pharma (+12%) which finished second-to-last.

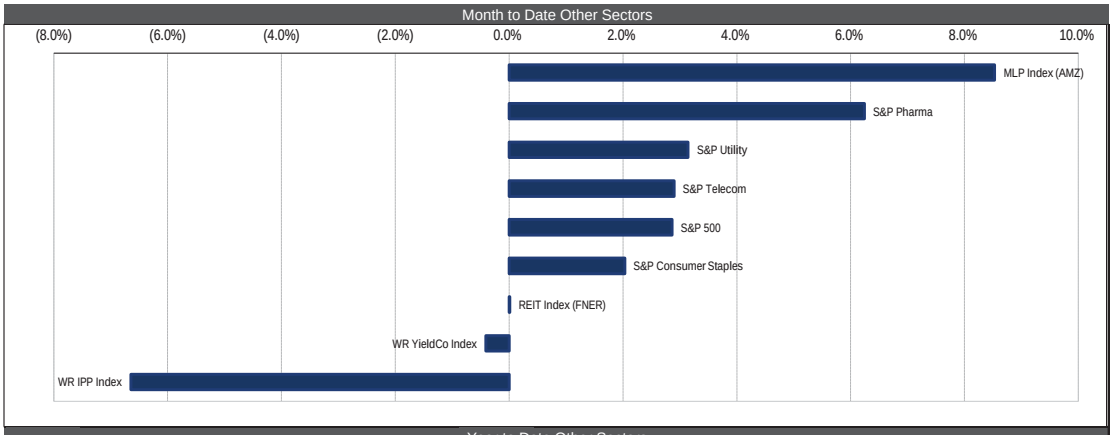

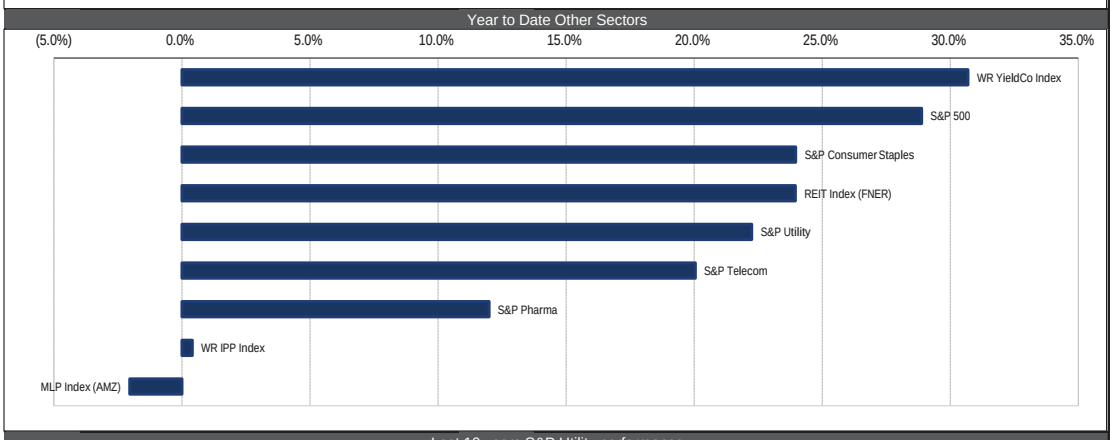

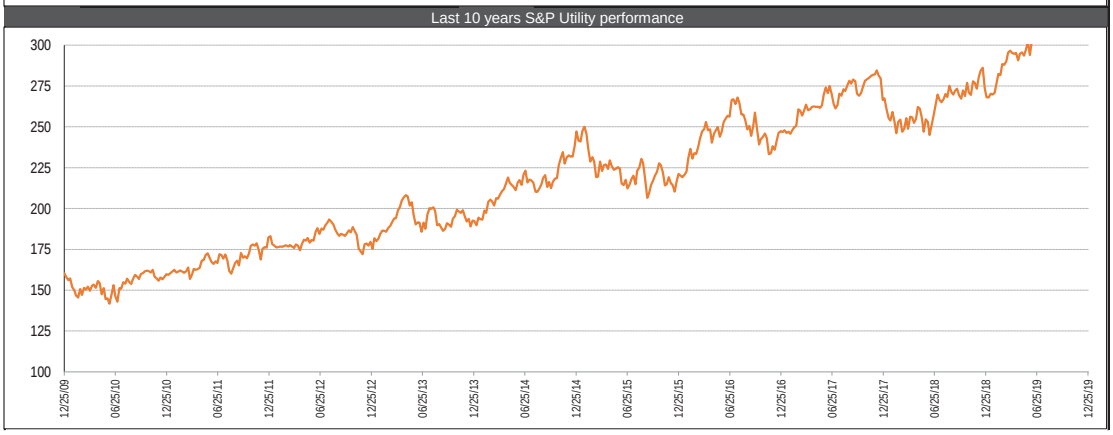

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Month to Date performance of Utilities Group

PCG was the top performer in December. PCG's bankruptcy judge approved settlements between the company and fire victims / insurers; the ruling was a major victory for PCG, putting it back in the driver seat in the bankruptcy process. CNP was also a top performer after the company's TX rate case took a turn for the better – at the PUCT's direction, CNP and key intervenors were able to reach a settlement. EIX fared well as fire season is now in the rearview; the CPUC also finalized the CA cost of capital proceeding where EIX got a 400bps bump in equity layer (in-line w/ other CA utes). VST was the worst performer, coming under pressure at the beginning of the month after Brookfield (top holder) sold over 20M shares (1/3 of its position). Another bearish ERCOT CDR report also aided in VST's weakness (NRG as well). D was weak, likely due to an unexpected $800M perpetual preferred offering early in the month. PEG also underperformed, possibly a reaction to FERC's ruling on PJM's capacity market construct.

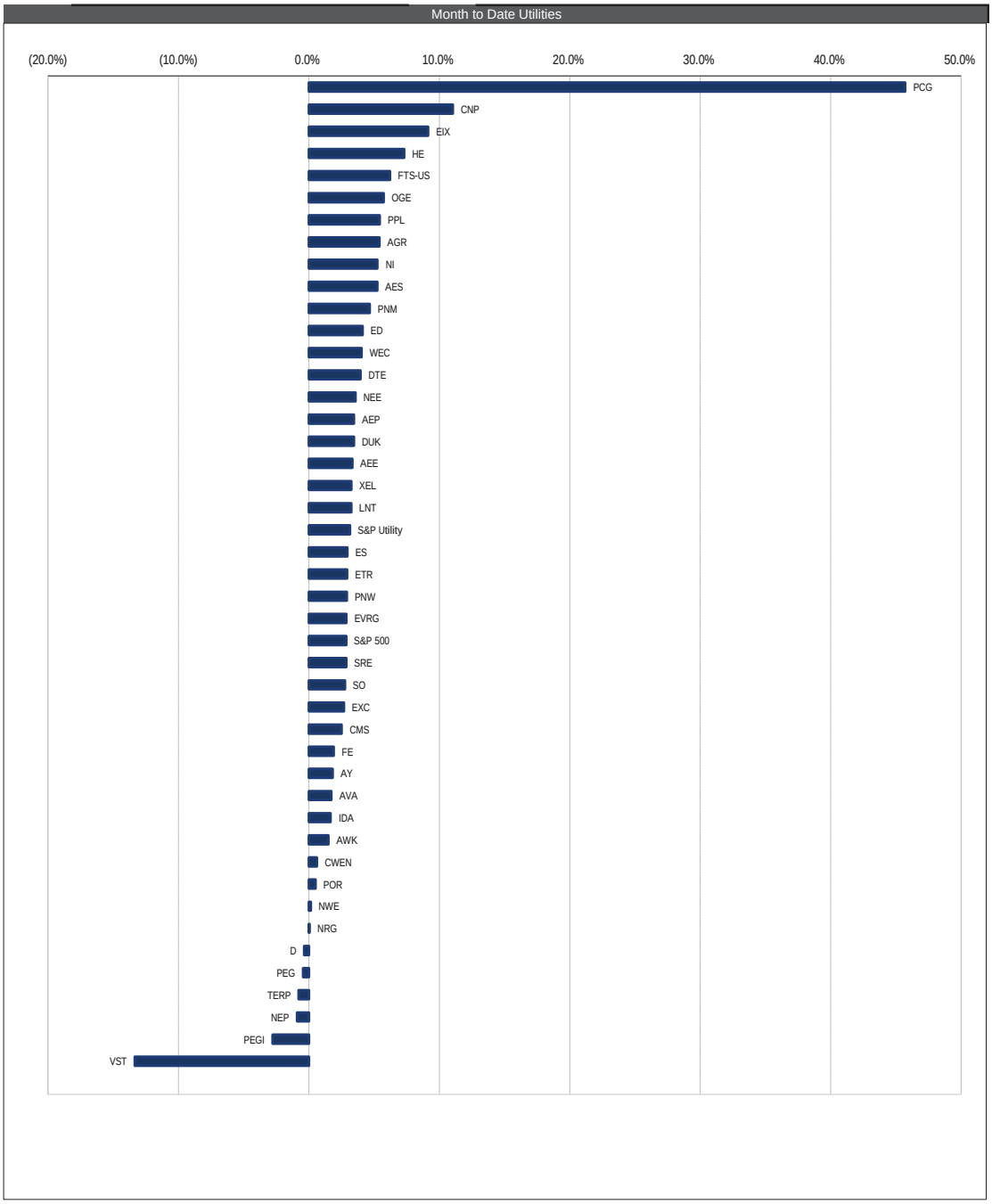

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Year to Date performance of Utilities Group

SO was the top performer in 2019. SO's strength last year was largely tied to optimism for Vogtle's construction schedule throughout the year. SO also received a constructive outcome in its recent GA Power rate case. PEGI was also a top performer; PEGI announced a sale of the company to the Canada Pension Plan Investment Board late in November. SRE executed very well throughout the year on LNG projects, asset sales and the integration of Oncor. ETR's strong performance stems from a midyear guidance/capex raise. Despite a strong finish to the year, PCG was the worst performer by a wide margin due to bankruptcy related issues. CNP and AGR weakness both stem from earnings disappointments, among other issues. EXC was plagued by political issues in Illinois. Both IPPs, NRG and VST, were out of favor – VST struggled with selling shareholder issues and NRG perhaps just took a breather after a strong 2017 & 2018.

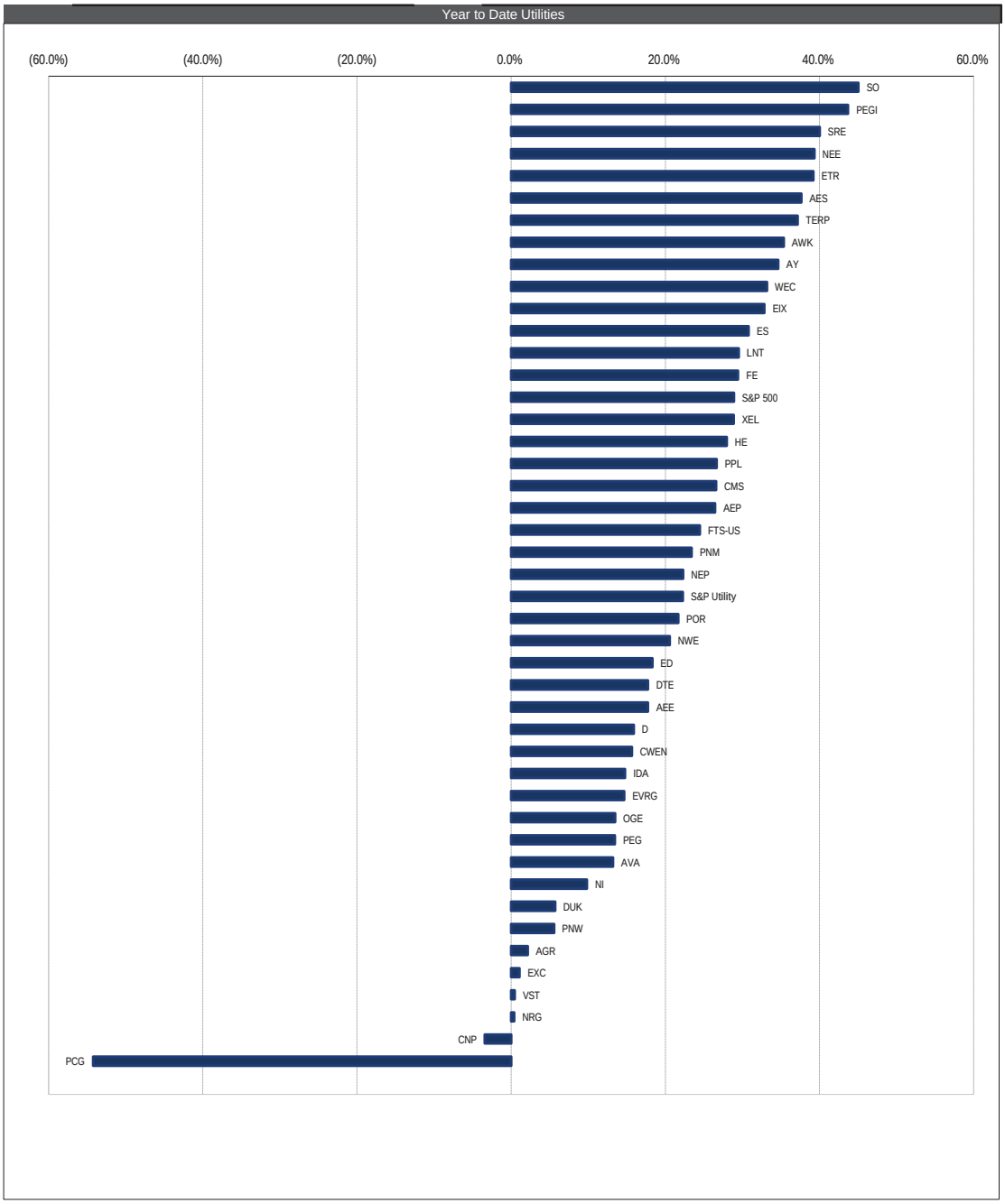

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1/5/2020

WOLFE RESEARCH

Month to Date performance of Regulated Utilities

PCG was the top performing regulated utility in December. PCG's bankruptcy judge approved settlements between the company and fire victims / insurers; the ruling was a major victory for PCG, putting it back in the driver seat in the bankruptcy process. EIX fared well as fire season is now in the rearview. FTS bounced back after a challenging November. AGR also caught a bid, possibly on investors positioning for a rebound in 2020 as 2019 was a bad year for the stock. POR was one of the worst performing regulateds after OPUC Staff filed unsupportive final comments for the company's 2019 IRP. AWK was weak after issuing disappointing 2020 guidance; well-liked CEO Susan Story also announced her retirement. SO underperformed largely due to uncertainty in its GA Power rate case after failing to reach a full settlement (these fears proved overdone as the company ultimately received a constructive outcome).

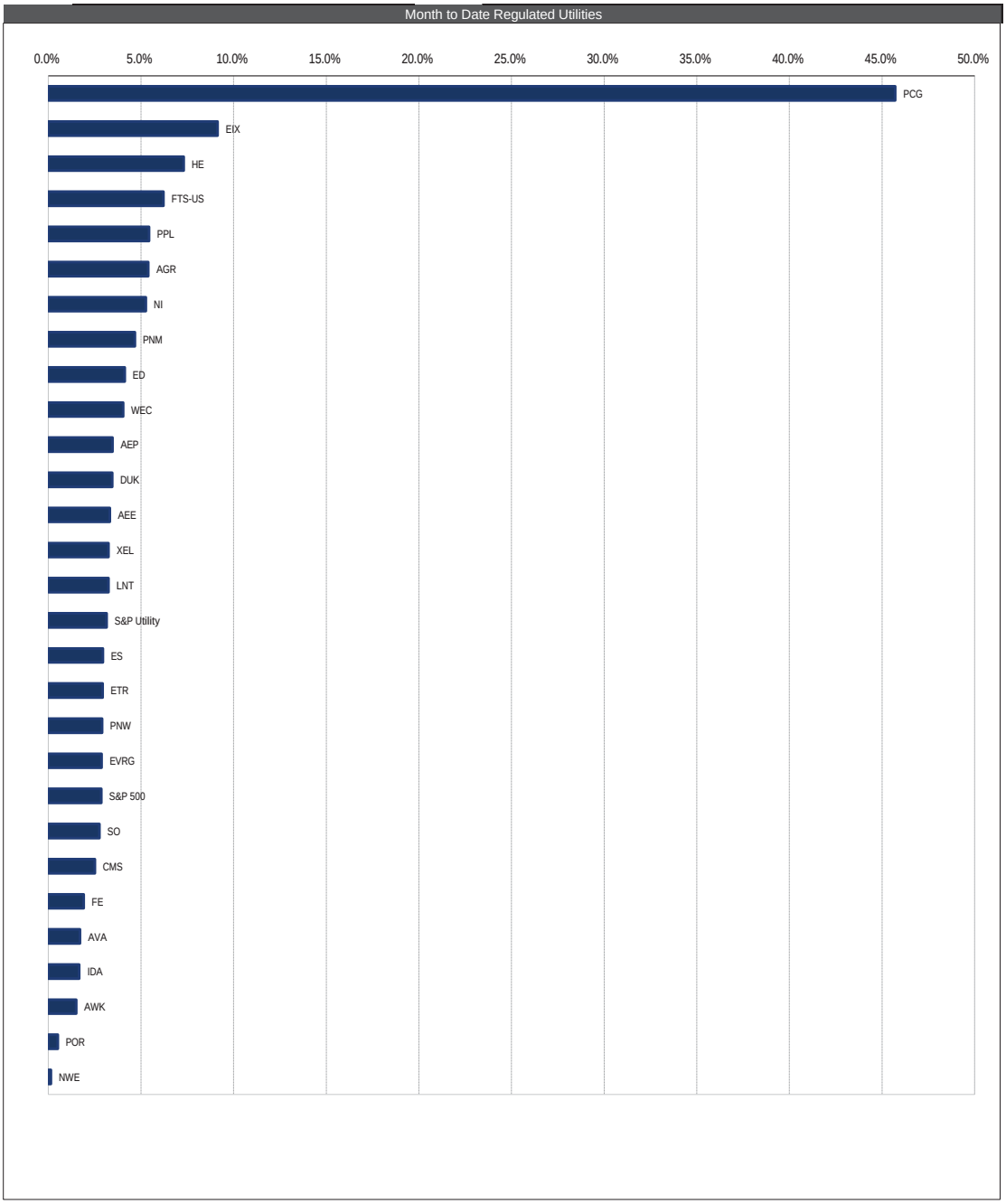

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1/5/2020

WOLFE RESEARCH

Year to Date performance of Regulated Utilities

SO finished as the top regulated in 2019. SO's strength last year was largely tied to optimism on Vogtle's construction schedule as well as execution at its utilities. ETR also fared well, sustaining momentum throughout the 2H of the year after raising EPS / capex guidance in July. High quality / low risk names like AWK and WEC finished toward the top of the pack, due in part to macroeconomic tailwinds (e.g., low interest rates). PCG was the worst performing regulated as the company wrestled with issues tied to its bankruptcy. DUK was mired by a number of issues, incremental equity needs and failed NC legislation being near the top of the list. AGR's weakness stemmed from the company's inability to execute on its financial targets the past four quarters, among other things. PNW was weak due to a tough regulatory environment in Arizona.

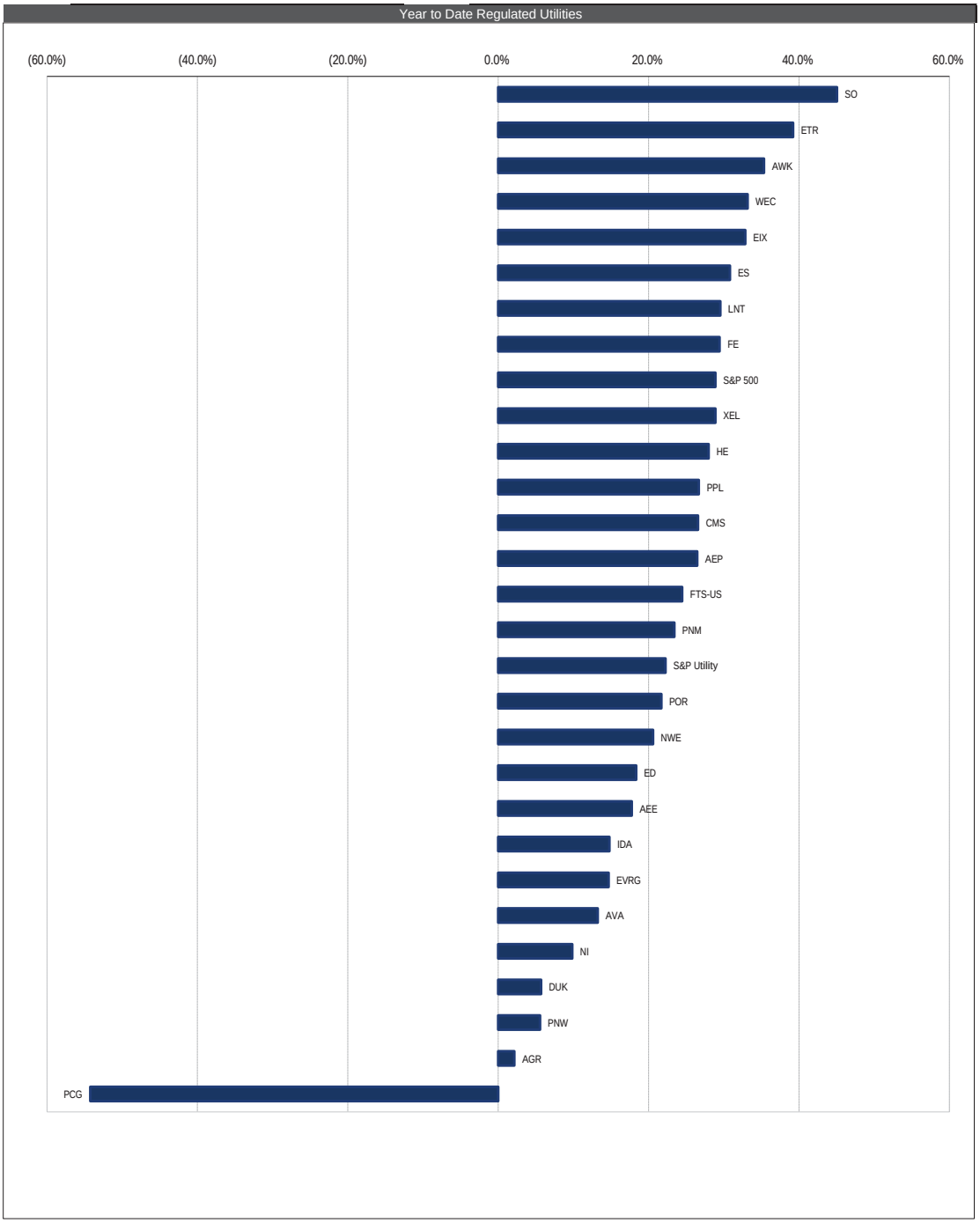

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1/5/2020

WOLFE RESEARCH

Month to Date and Year to Date performance of Gas/Power Infrastructure

CNP was the top performer in December after the company's TX rate case took a turn for the better – at the PUCT's direction, CNP and key intervenors were able to reach a settlement. OGE also fared well despite no notable news; ENBL finished the month up over 8% alongside the MLP rally, potentially explaining some of OGE's performance. AES' momentum from previous months carried forward into December and the stock finished as a top performer in 2019. D was the worst performer in the group in December. We sense most of the weakness stemmed from the company's surprise $800M perpetual preferred offering at the beginning of the month.

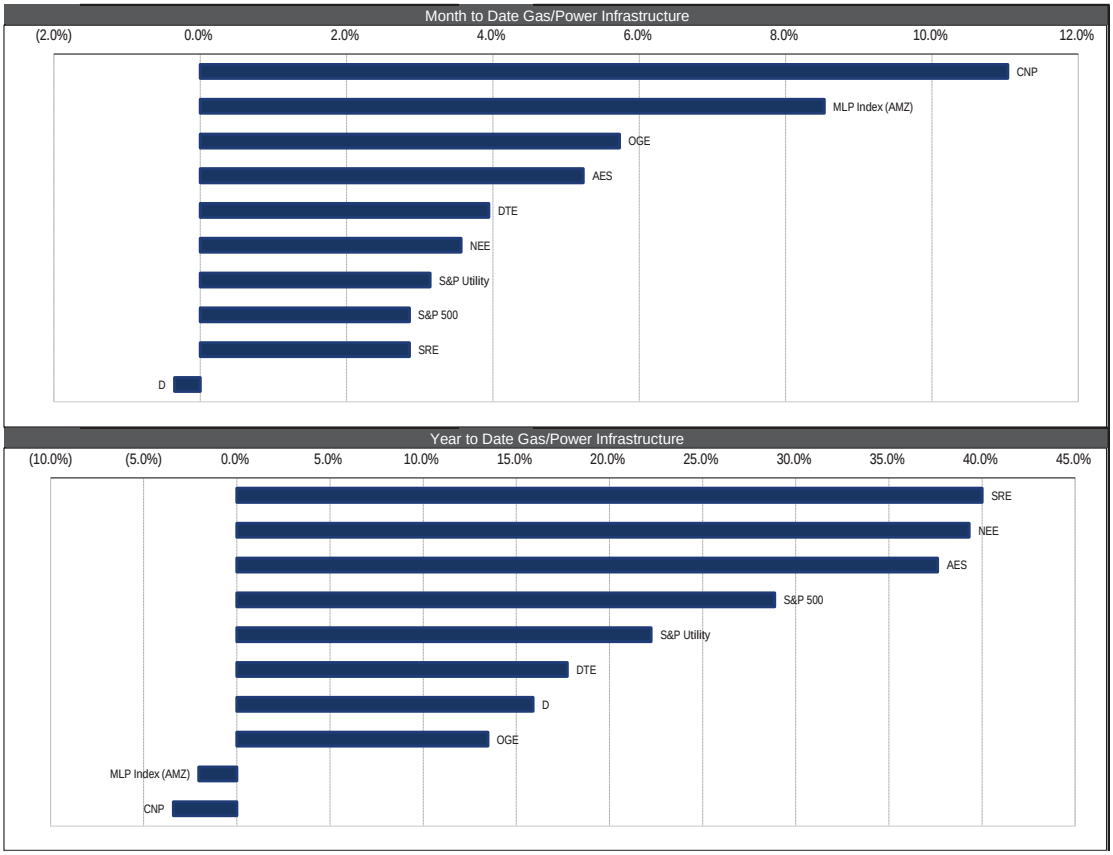

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1/5/2020

WOLFE RESEARCH

Month to Date and Year to Date performance of Integrateds

EXC outperformed lone integrated peer PEG, but both trailed the utility average in December. We believe EXC's outperformance is due to FERC's order on the PJM market auction construct and the likelihood that it prompts IL to pass legislation that would support EXC's merchant nukes. PEG was weak, potentially related to concerns with PEG Power following FERC's order.

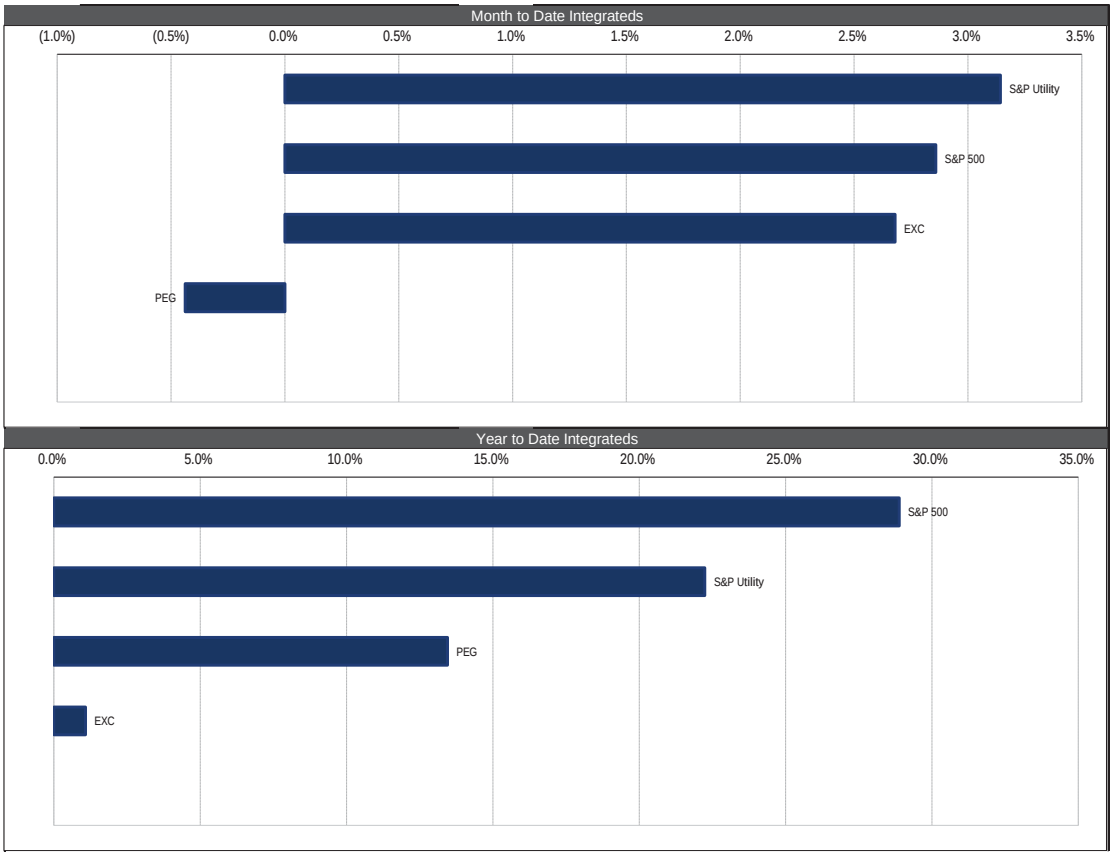

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1/5/2020

Month to Date and Year to Date performance of IPPs

NRG outperformed VST by a wide margin, but both trailed the utility average and overall market during December. VST came under significant pressure at the beginning of the month after Brookfield (top holder) sold over 20M shares (1/3 of its position). Another bearish ERCOT CDR report released during the month hurt both IPPs.

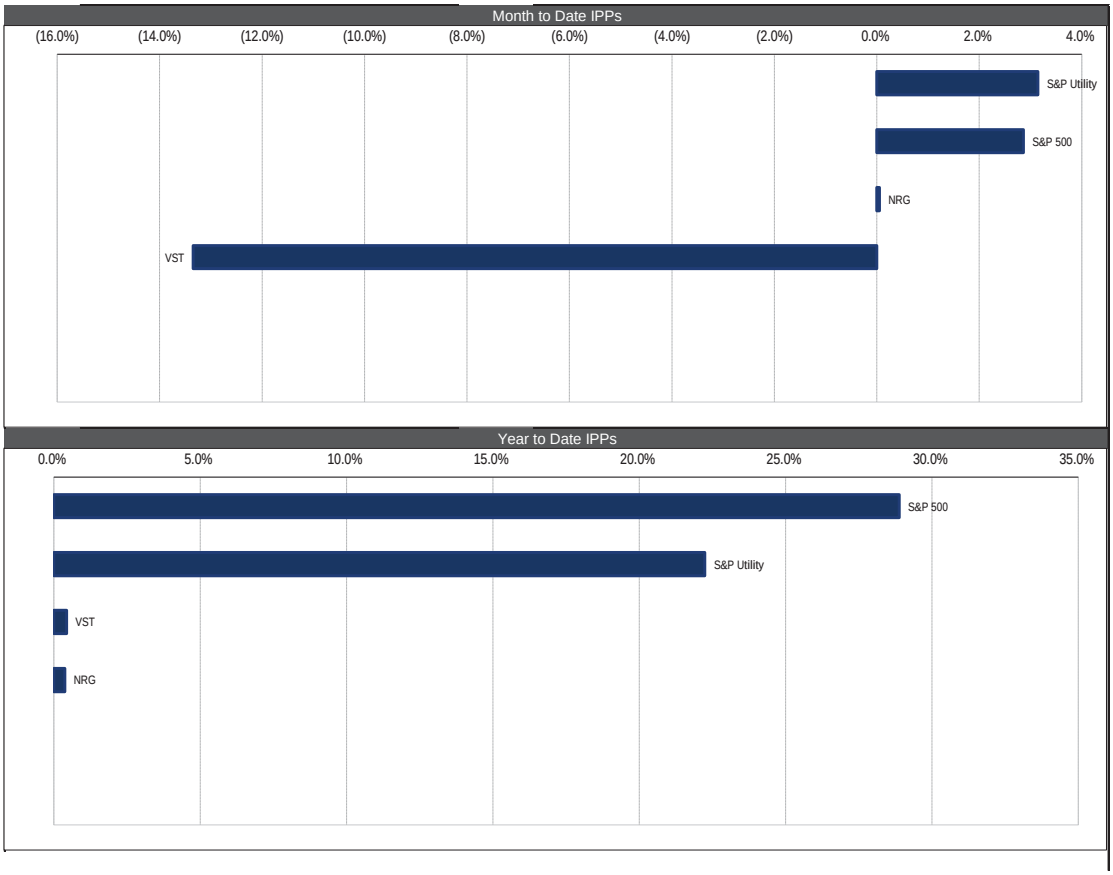

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WOLFE RESEARCH

Month to Date and Year to Date performance of YieldCos

AY was the top performing Yieldco in December, but the entire group trailed both the utility index and overall market. PEGI fell during December but finished as the top performer on the year; for PEGI, 2019 culminated with the November announcement that the company was being sold to the Canada Pension Plan Investment Board. CWEN was the lone Yieldco to underperform the utility average in 2019 as key customer PCG's bankruptcy led to a 40% dividend cut early in the year.

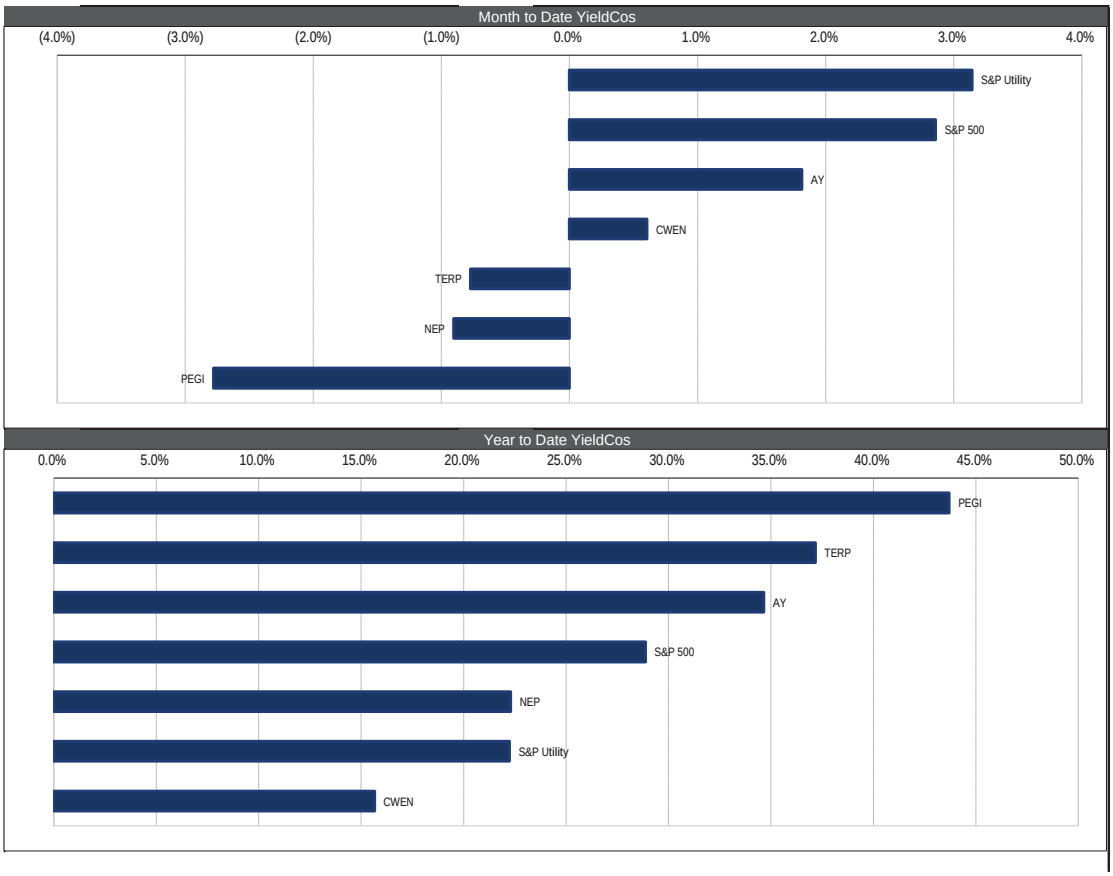

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1/5/2020

WOLFE RESEARCH

Utilities Performance by Market Cap

•Large-caps outperformed the broader utility group in December and finished near the group's 52-week high
•Mid-caps outperformed the broader utility group in December, led by a sharp rebound from CNP
•Small-caps underperformed the group average in December as NWE, POR and AVA were three of the five worst performing regulateds during the month

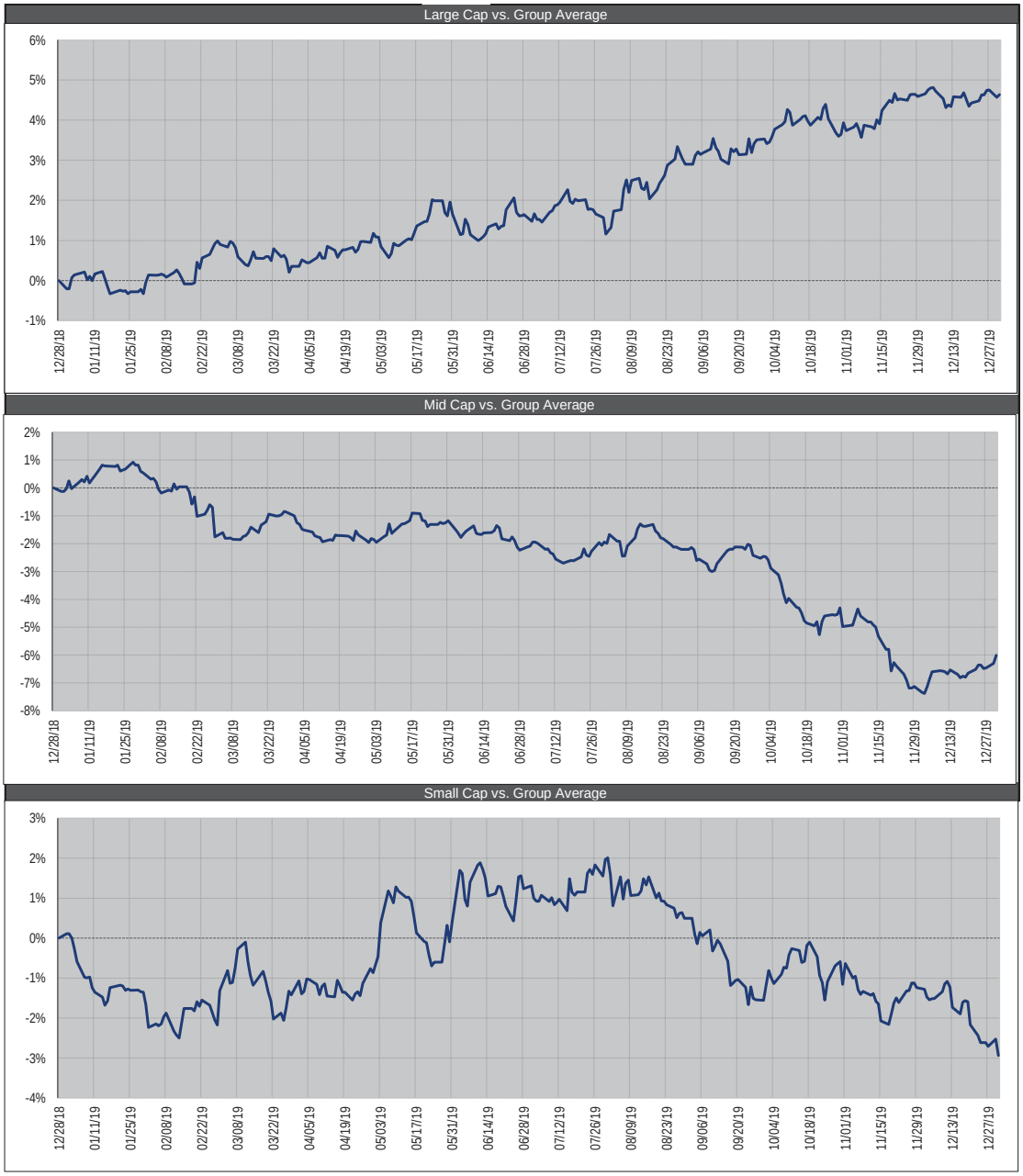

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WOLFE RESEARCH

Utilities Performance by Segment

•Regulateds performed in-line with group average in December
•Integrateds underperformed the broader utility group in December
•The IPPs performed underperformed the utility average in December

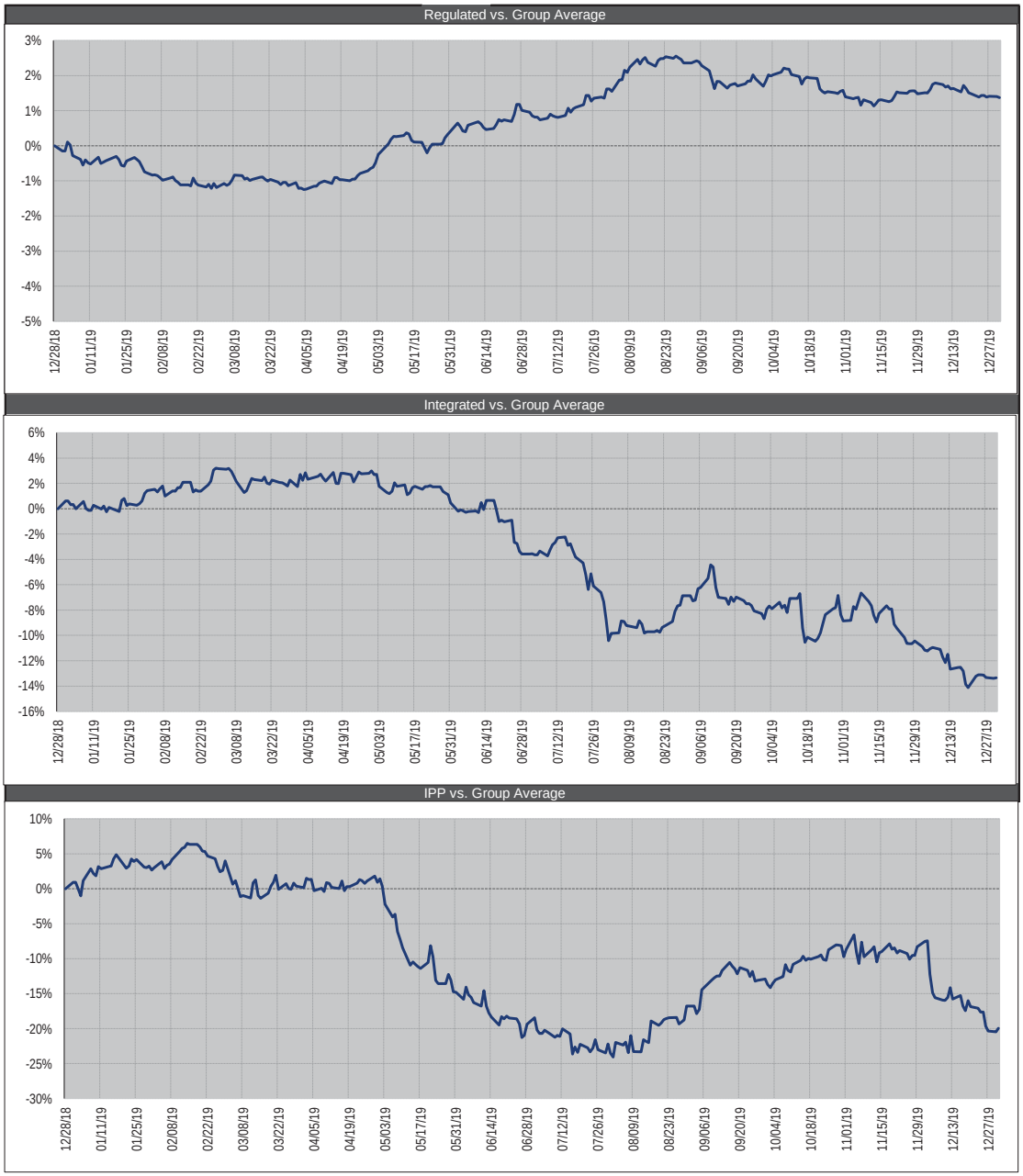

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WOLFE RESEARCH

Atlantica Yield (AY) $26.39, NR

Atlantica Yield had a decent December and a good 2019 as the stock outperformed the market by about 5% for the year.

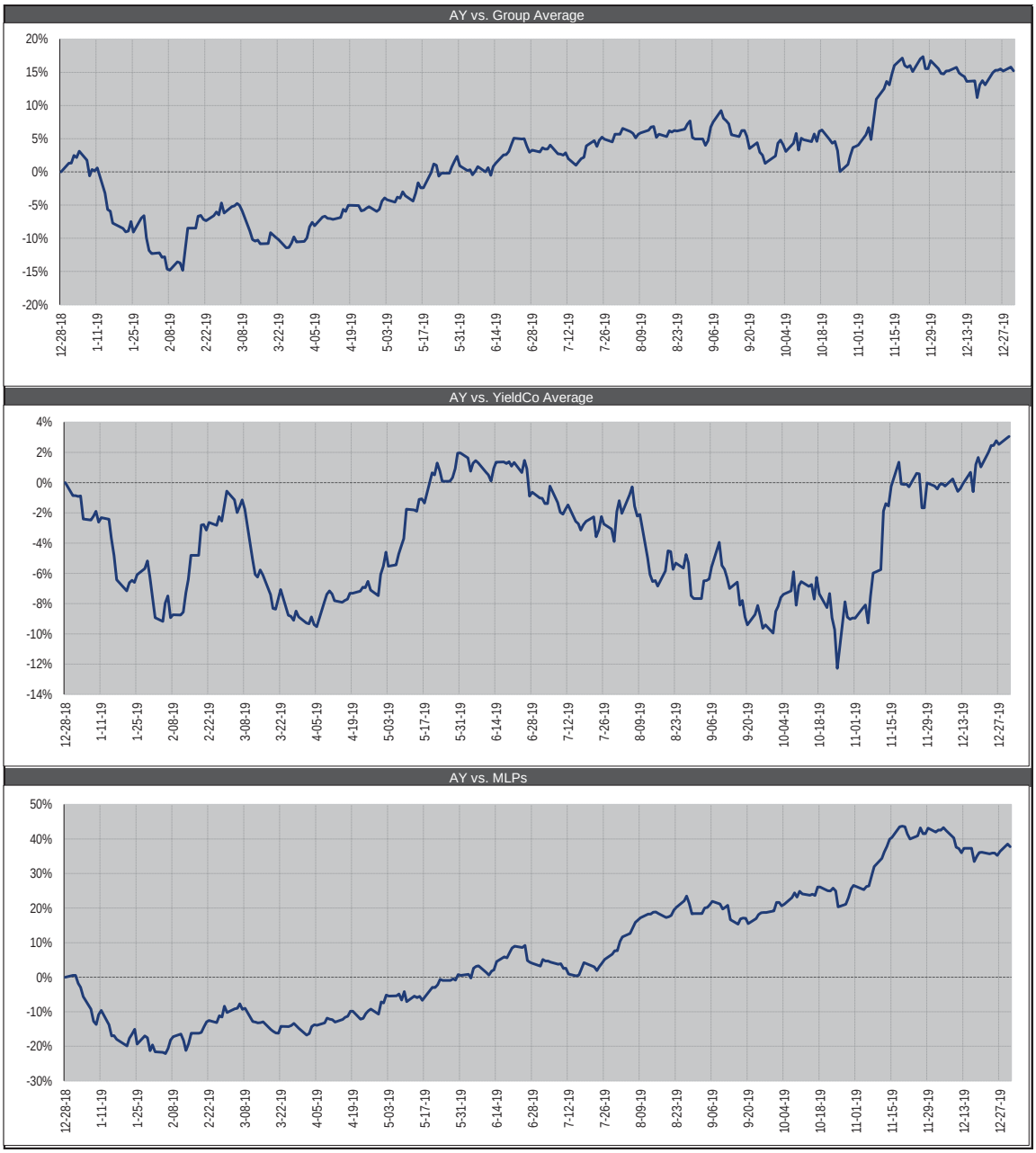

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WOLFE RESEARCH

Ameren (AEE) $76.80, Outperform, $78 PT

AEE modestly outperformed regulateds in Dec but ended the year trailing them, as some investors focused on potential 2020 earnings miss, pending MO rate case, impact from lower FERC ROEs and a 30-yr UST yield implying low 8% ROEs in IL. We see the underperformance as overdone.

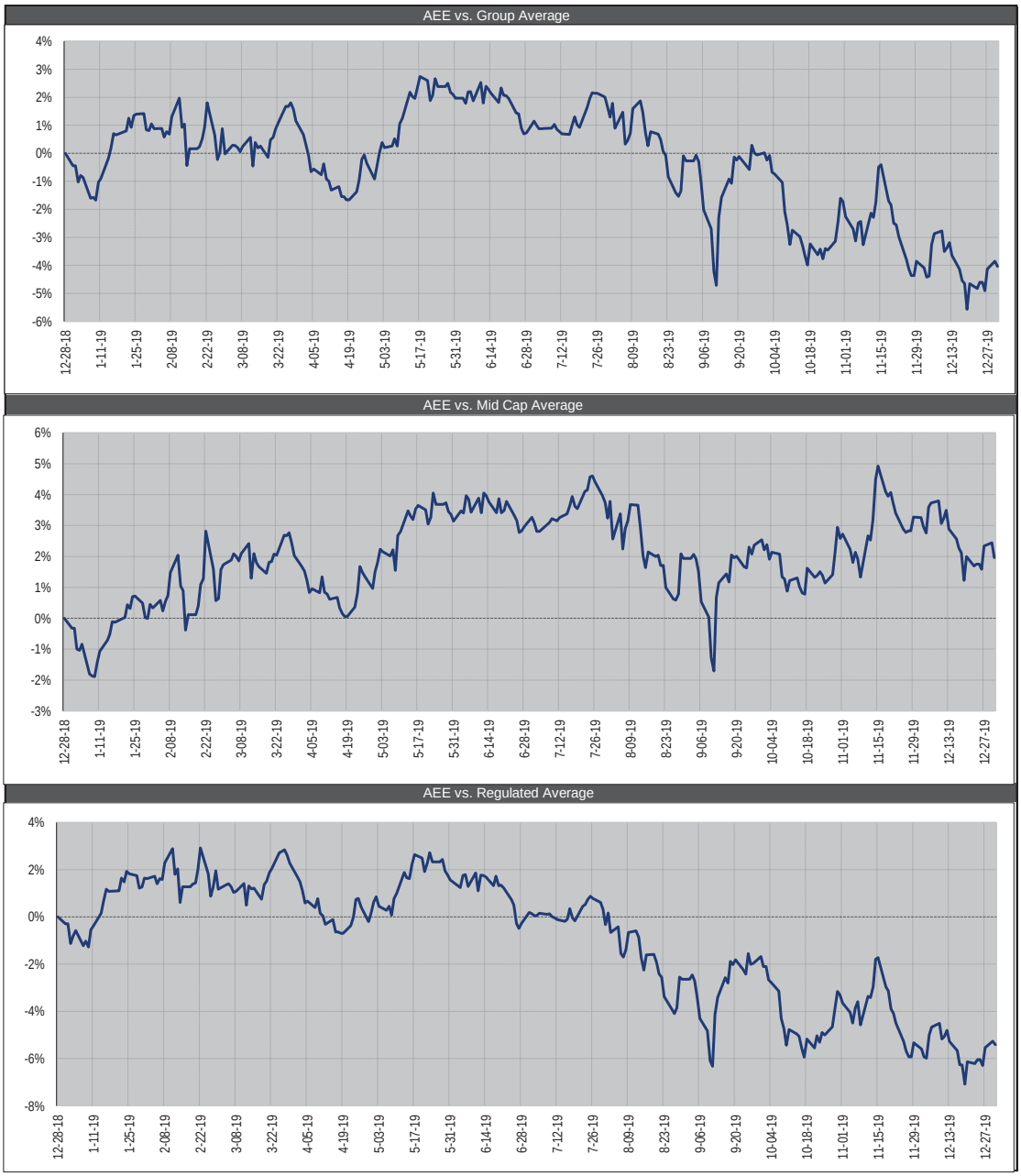

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1/5/2020

WOLFE RESEARCH

American Electric Power (AEP) $94.51, Outperform, $101 PT

AEP slightly outperformed regulateds in Dec, and modestly outperformed them for the year, as EPS growth was affirmed at 5-7%, with potential to hit top end even without a $2B North Central wind project, which looks likely.

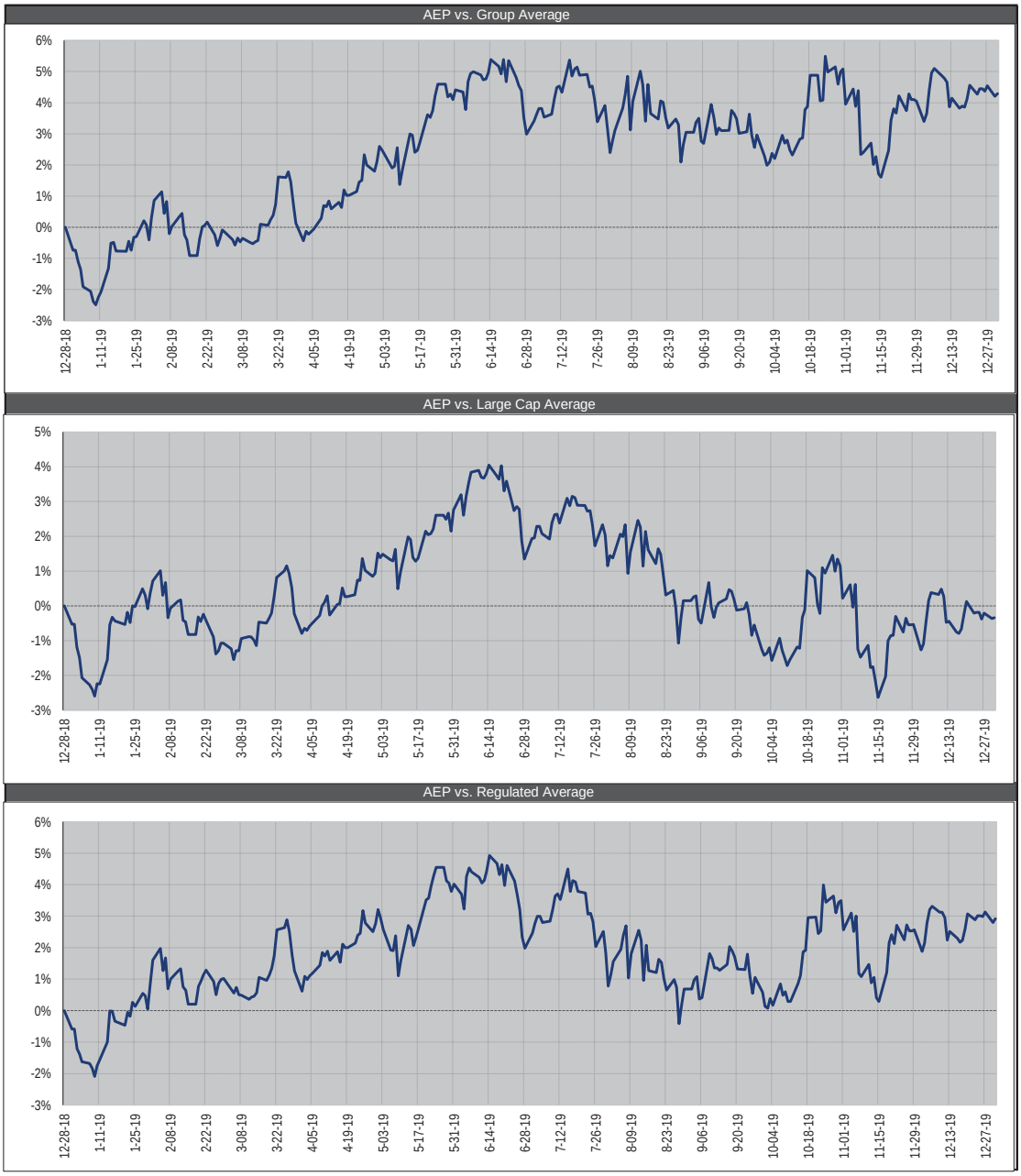

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WOLFE RESEARCH

AES Corporation (AES) $19.90, Peer Perform, $18 PT

AES was one of the top performers in 2019. The company's focus on – 1) deleveraging; 2) renewables development; 3) simplifying the business / selling non-core assets – has continued to resonate well with the market. AES' ability to execute on its financial targets recently has allowed the market to overlook issues this year that might have derailed its stock performance in the past (Argentina, DPL's DMR).

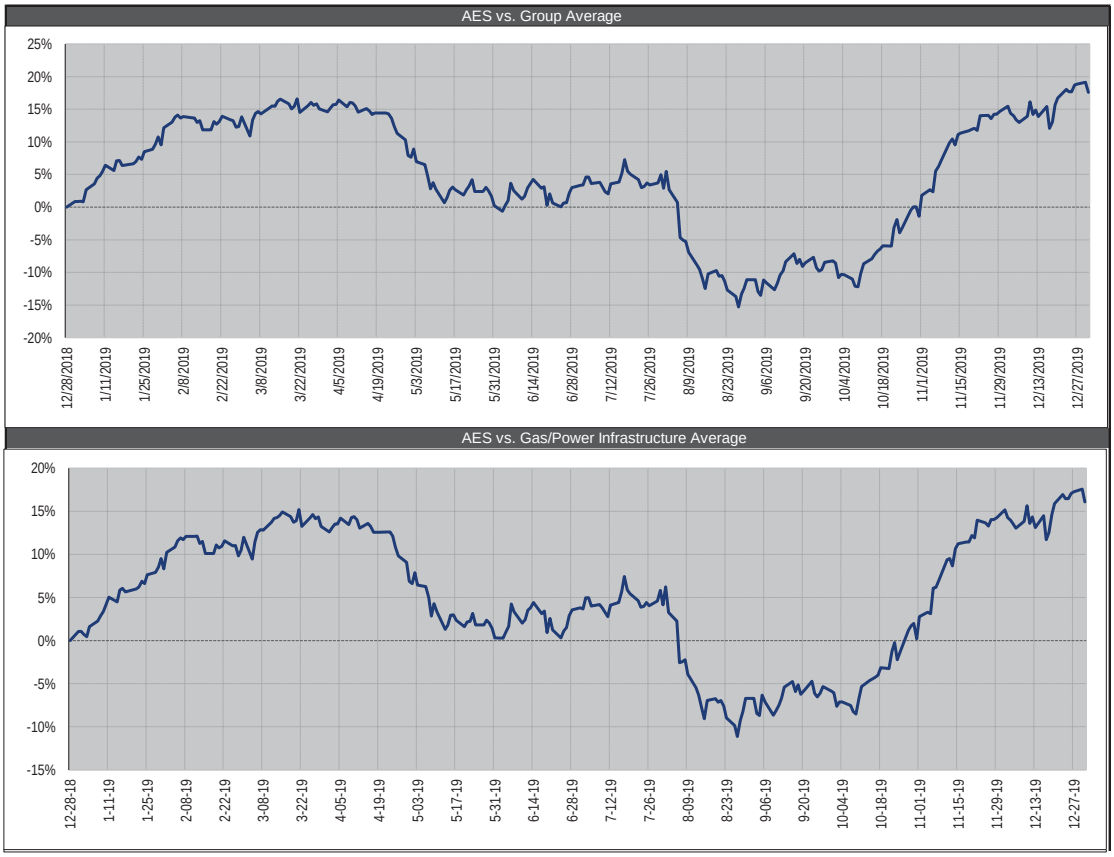

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WOLFE RESEARCH

Avangrid (AGR) $51.16, Underperform, $47 PT

- AGR finished 2019 in an upswing, after what was a very disappointing year. It was the worst-performing regulated in 2019 (excluding PCG), as hitting financial targets and project execution have continued to be a problem. AGR was announced as the winner of the latest Connecticut offshore wind RFP in early-December.

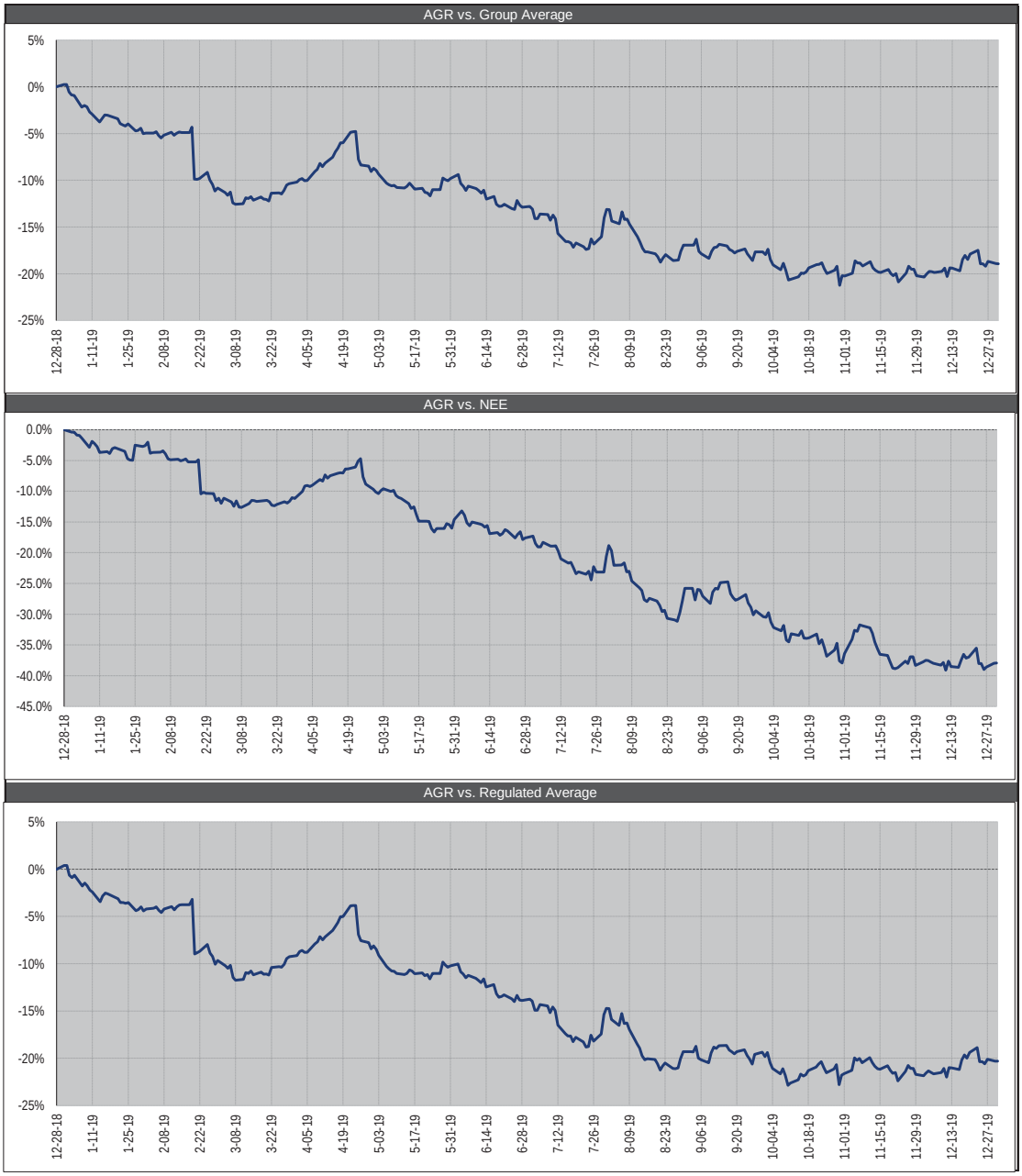

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WOLFE RESEARCH

Avista Corporation (AVA) $48.09, NR

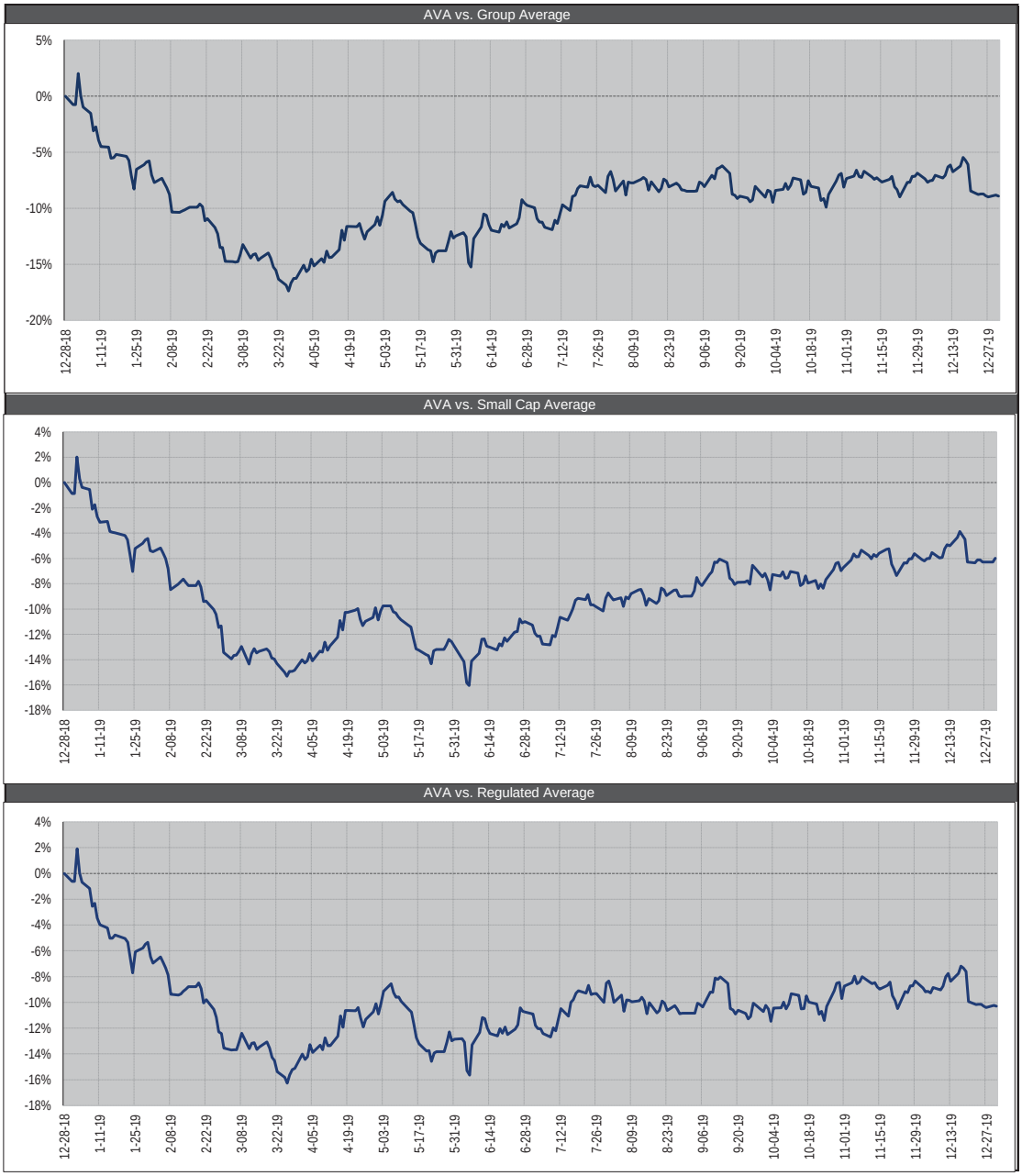

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WOLFE RESEARCH

American Water Works (AWK) $122.85, Peer Perform, $121 PT

AWK was one of the top performing regulated names in 2019. AWK was a primary beneficiary of the high-quality trade that worked for most of the year within the sector. The company is also a favorite of ESG investors, which is a thematic that continues gain momentum. In December, AWK held its annual Analyst Day, which featured a disappointing 2020 guide and the announcement that well-liked CEO Susan Story would retire 4/1/20.

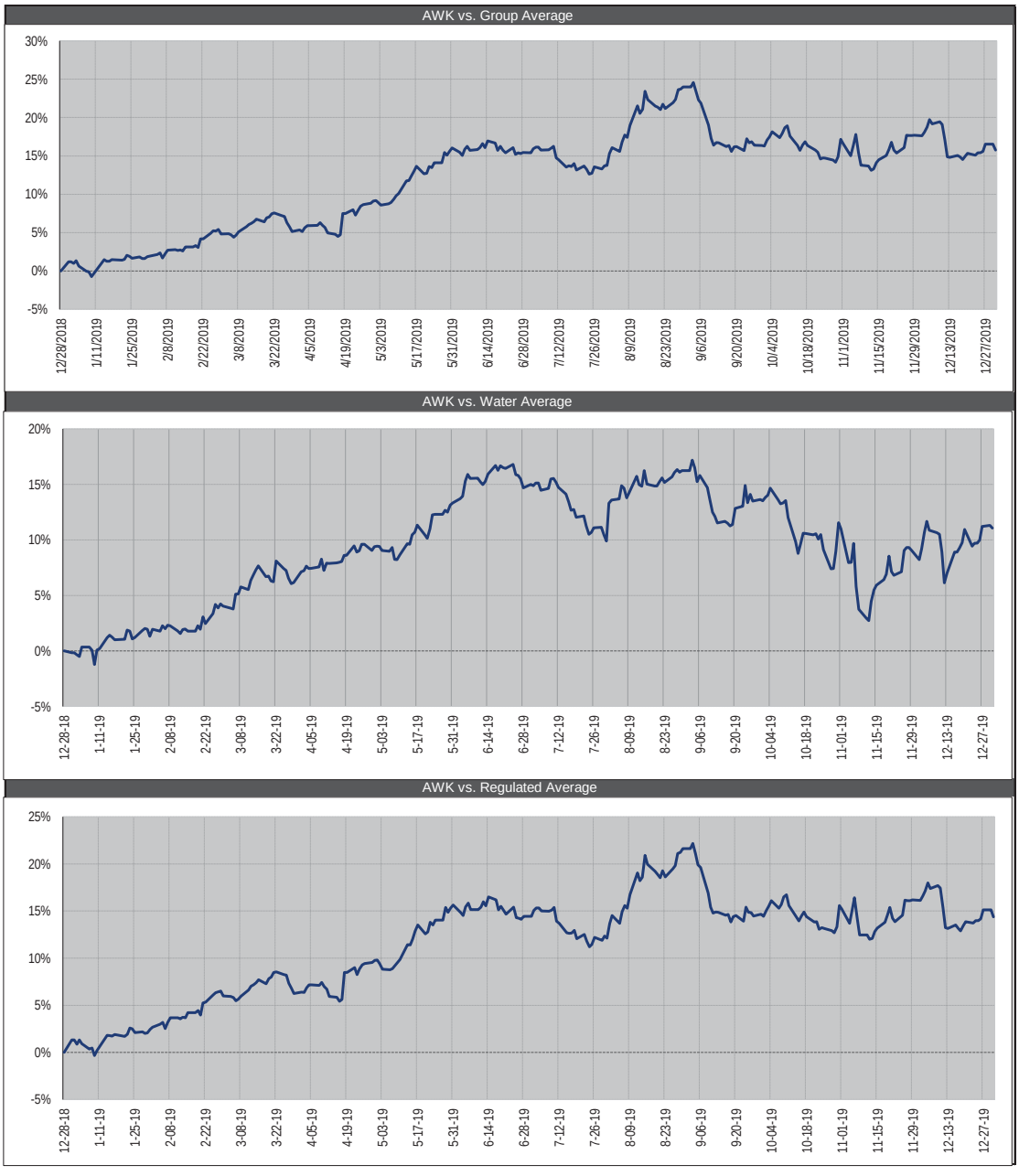

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1/5/2020

WOLFE RESEARCH

CMS Energy (CMS) $62.84, Peer Perform, $66 PT

- CMS underperformed slightly to close the year, but still finished ahead of peers for 2019. CMS filed its latest gas rate case in mid-December, but otherwise has been quiet.

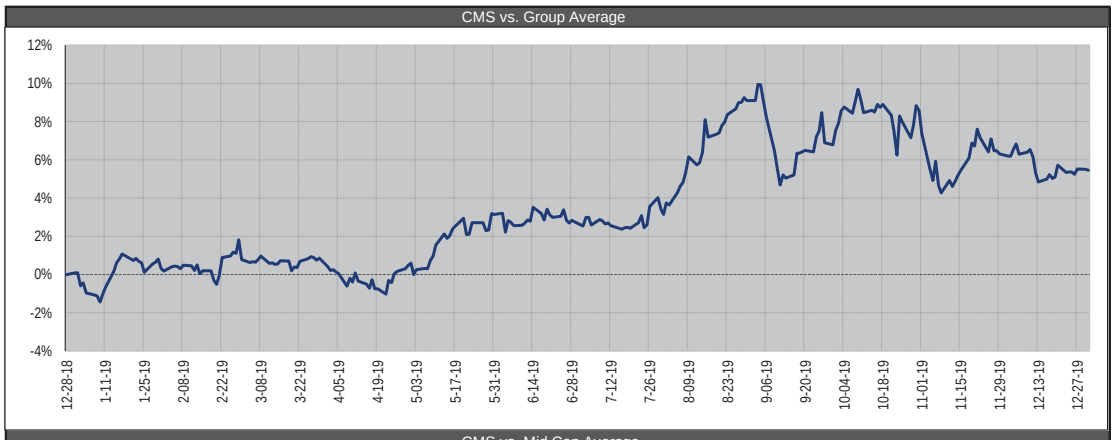

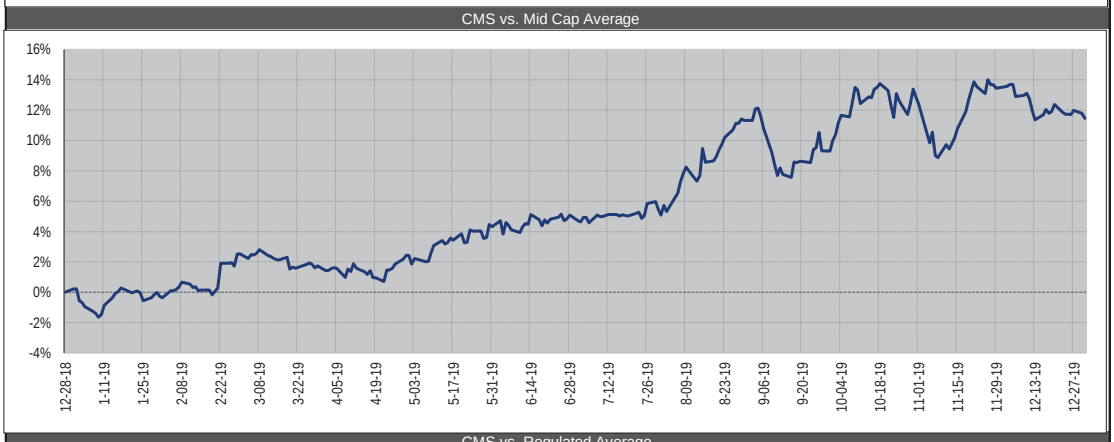

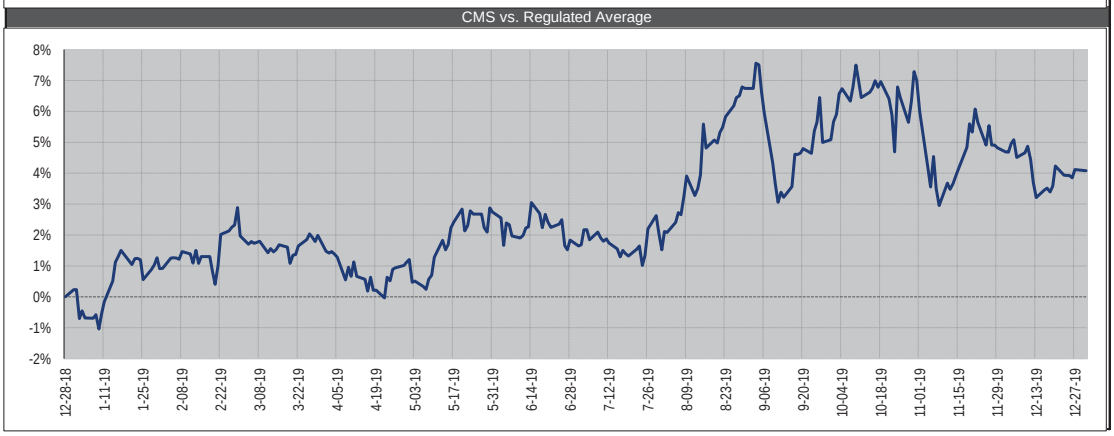

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WOLFE RESEARCH

CenterPoint Energy (CNP) $27.27, Peer Perform, $27 PT

CNP was the worst performer in the utility group in 2019 (ex PCG). The underperformance was due to several earnings disappointments, uncertainty associated with its TX rate case and a realization that the company needed a significant amount of equity in 2020 to stabilize its balance sheet. Fortunately, in December, CNP notified the PUCT that it had reached a settlement with parties in its TX rate case.

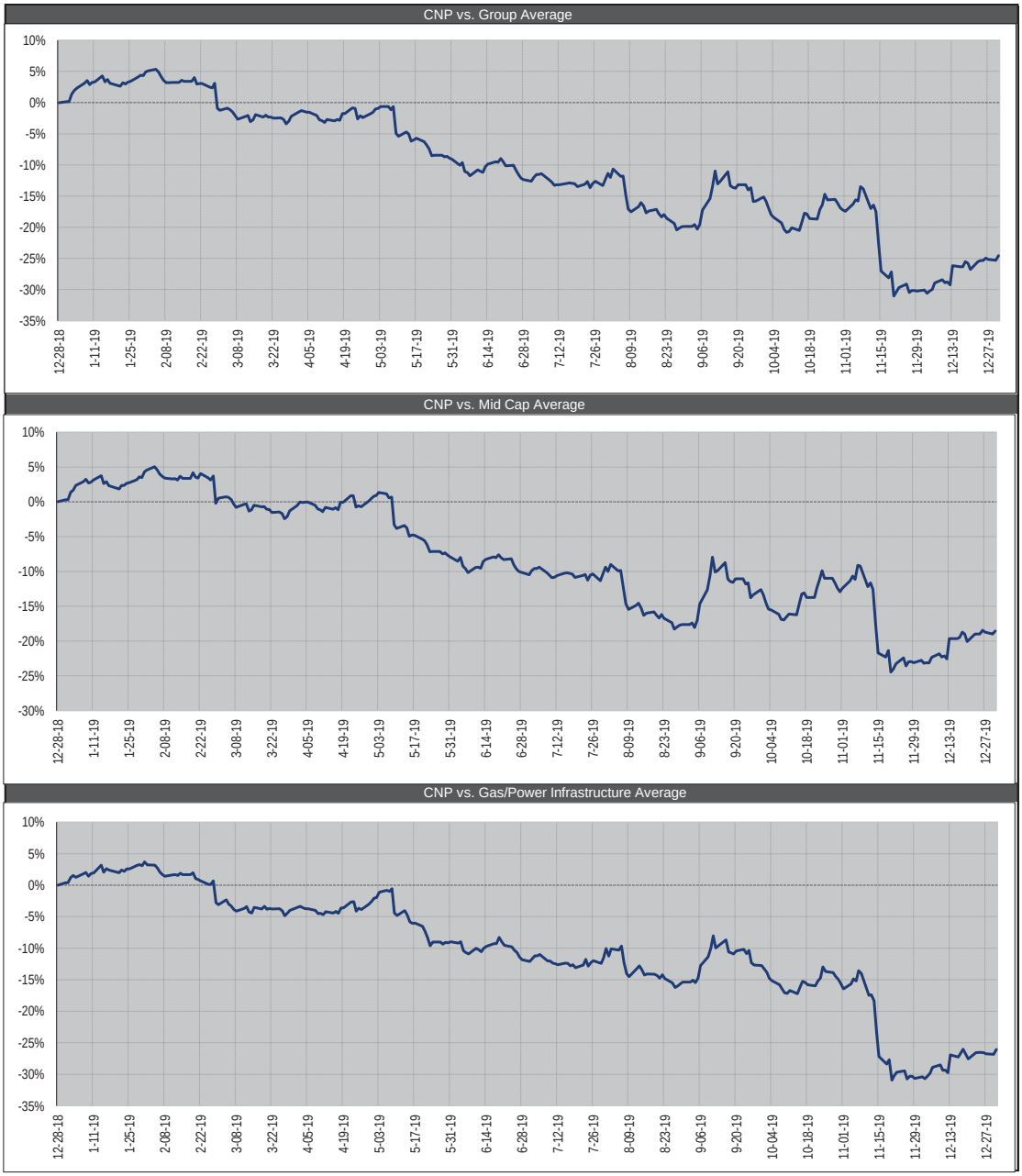

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1/5/2020

WOLFE RESEARCH

Clearway Energy (CWEN) $19.95, Peer Perform, $19 PT

Clearway outperformed YieldCo peers slightly in December but was the worst performing YieldCo on the year rising by 16%. 2019 was all about key customer PG&E whose bankruptcy drove a 40% dividend cut by CWEN in February and continued uncertainty for much of the year. That said, there have been no signs that contracts with PG&E will be broken and CWEN seems poised for a better 2020 if and when PG&E emerges.

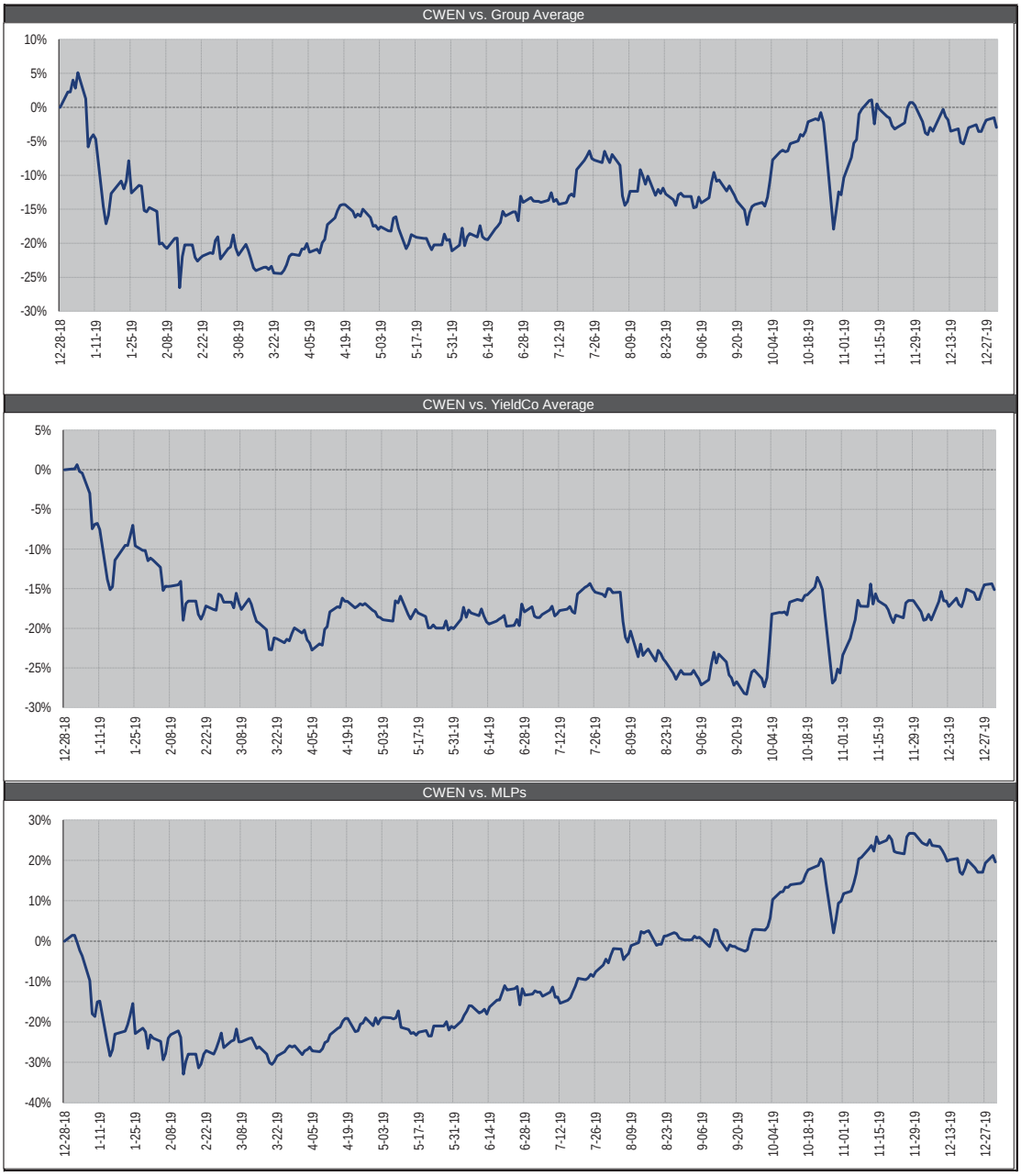

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WOLFE RESEARCH

Dominion Resources (D) $82.82, Outperform, $90 PT

D was one of the worst performers in the group during December. We sense most of the weakness stemmed from the company's surprise $800M perpetual preferred offering at the beginning of the month. D also made a $500M pension contribution using its common stock toward month end. D underperformed most of its large-cap peers in 2019 largely due to ACP related overhangs; we continue to believe D is attractive with or without ACP.

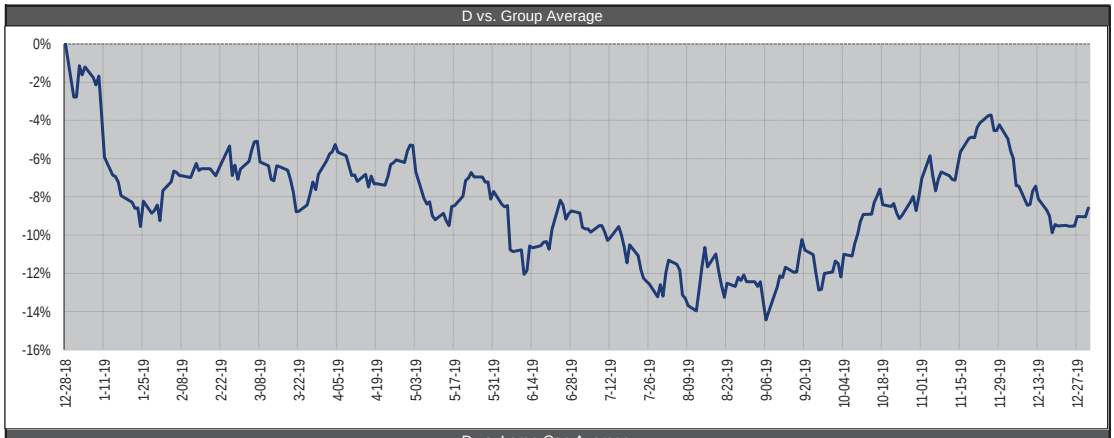

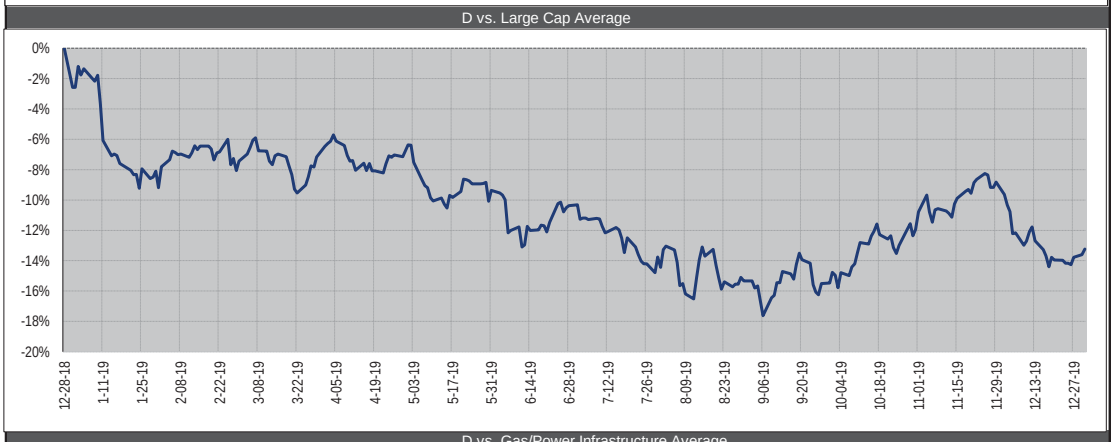

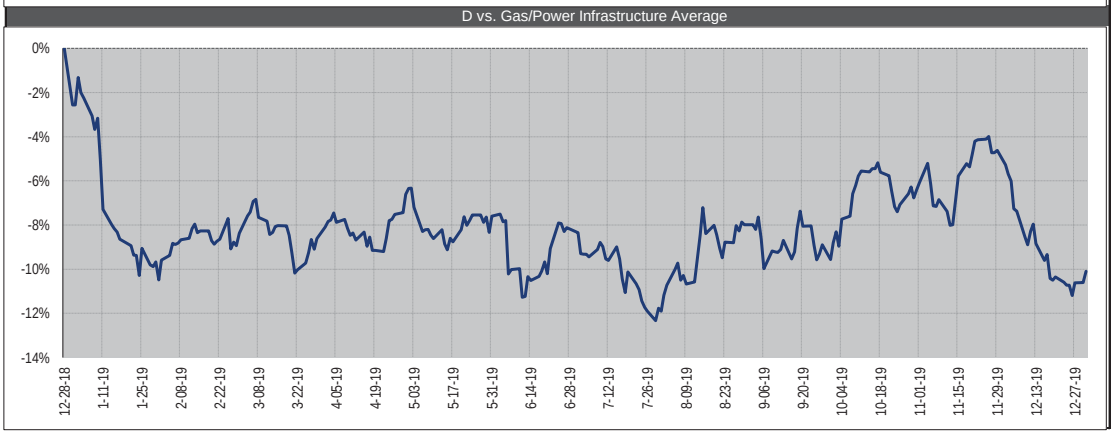

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WOLFE RESEARCH

DTE Energy (DTE) $129.87, Peer Perform, $135 PT

- DTE traded sideways for most of December, to close out what was a disappointing year for stock performance. While the company continues to plan conservatively and hit numbers, the market took a bearish stance on DTE's midstream business – whether it be exposure to the Appalachia were growth has been limited or the big Haynesville gathering deal that caught many by surprise.

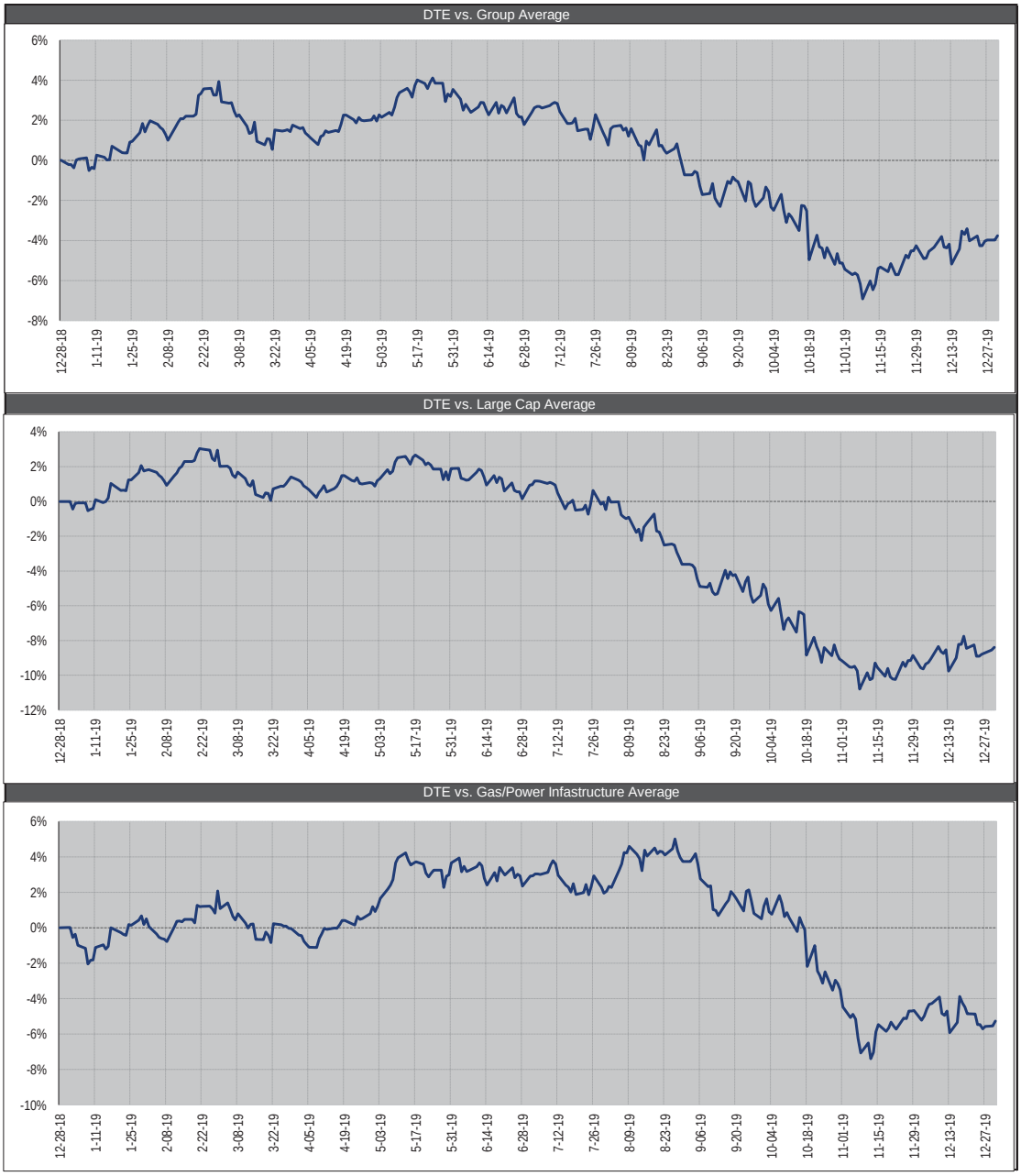

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WOLFE RESEARCH

Duke Energy (DUK) $91.21, Peer Perform, $92 PT

DUK was in line with peers in Dec but was among the worst performing regulateds in 2019, as ACP was delayed, $2.5B of new equity was surprisingly announced, and other factors.

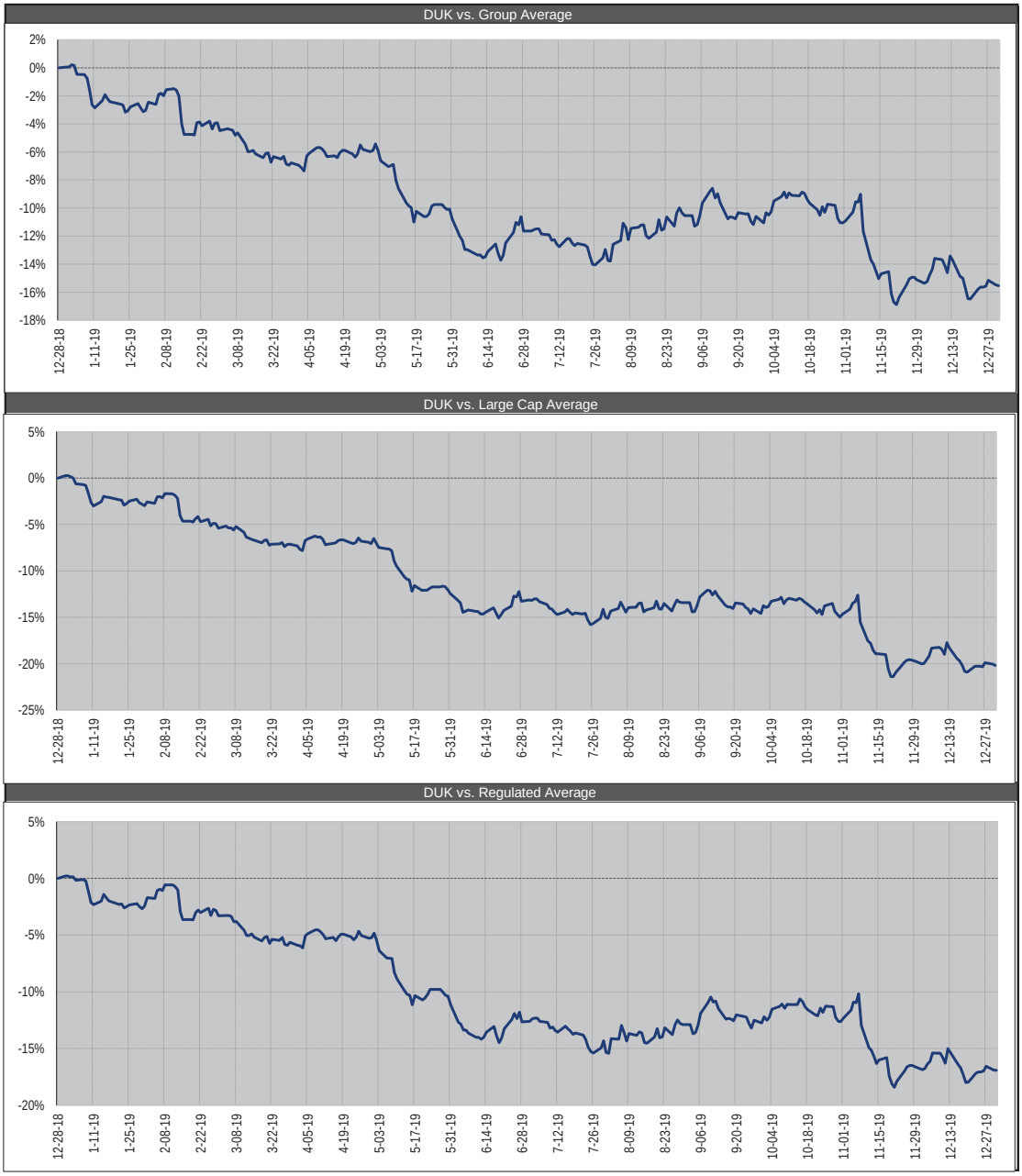

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WOLFE RESEARCH

Consolidated Edison (ED) $90.47, Underperform, $87 PT

ED modestly outperformed the regulated average and its large-cap peers in December; we saw no notable news during the month. ED underperformed most of its regulated peers in 2019 as CECONY's rate case acted as an overhang for much of the year. ED ultimately reached a settlement which featured an 8.80% ROE, the lowest in the country for a major utility.

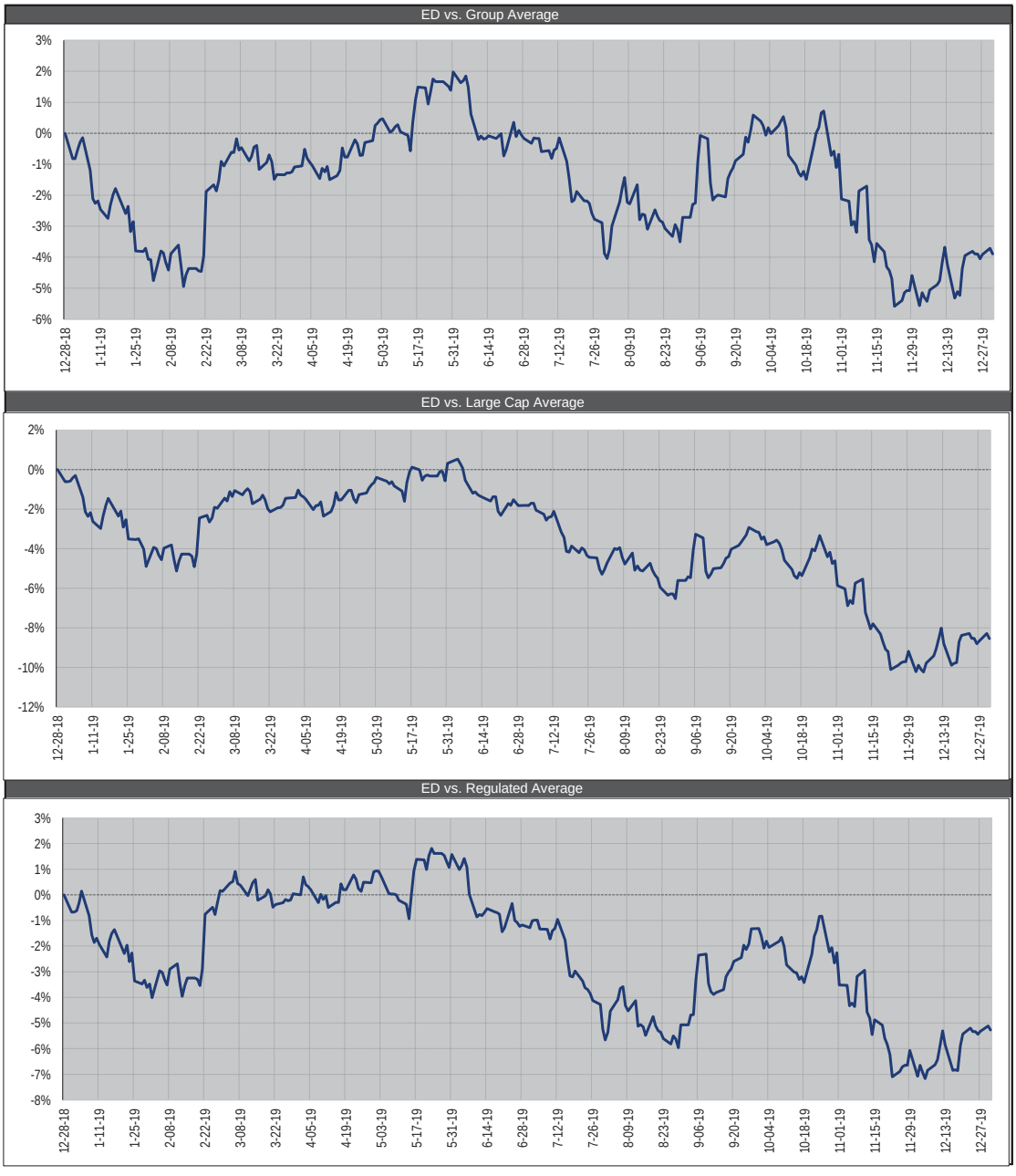

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WOLFE RESEARCH

Edison International (EIX) $75.41, Outperform, $80 PT

For a second straight month, EIX solidly outperformed peers, beating them by roughly 2,000bp since hitting a 52-week low on 10/31 after an overreaction to several SoCal fires; and for 2019, EIX beat regulateds by nearly 1,000bp despite new equity and wildfires.

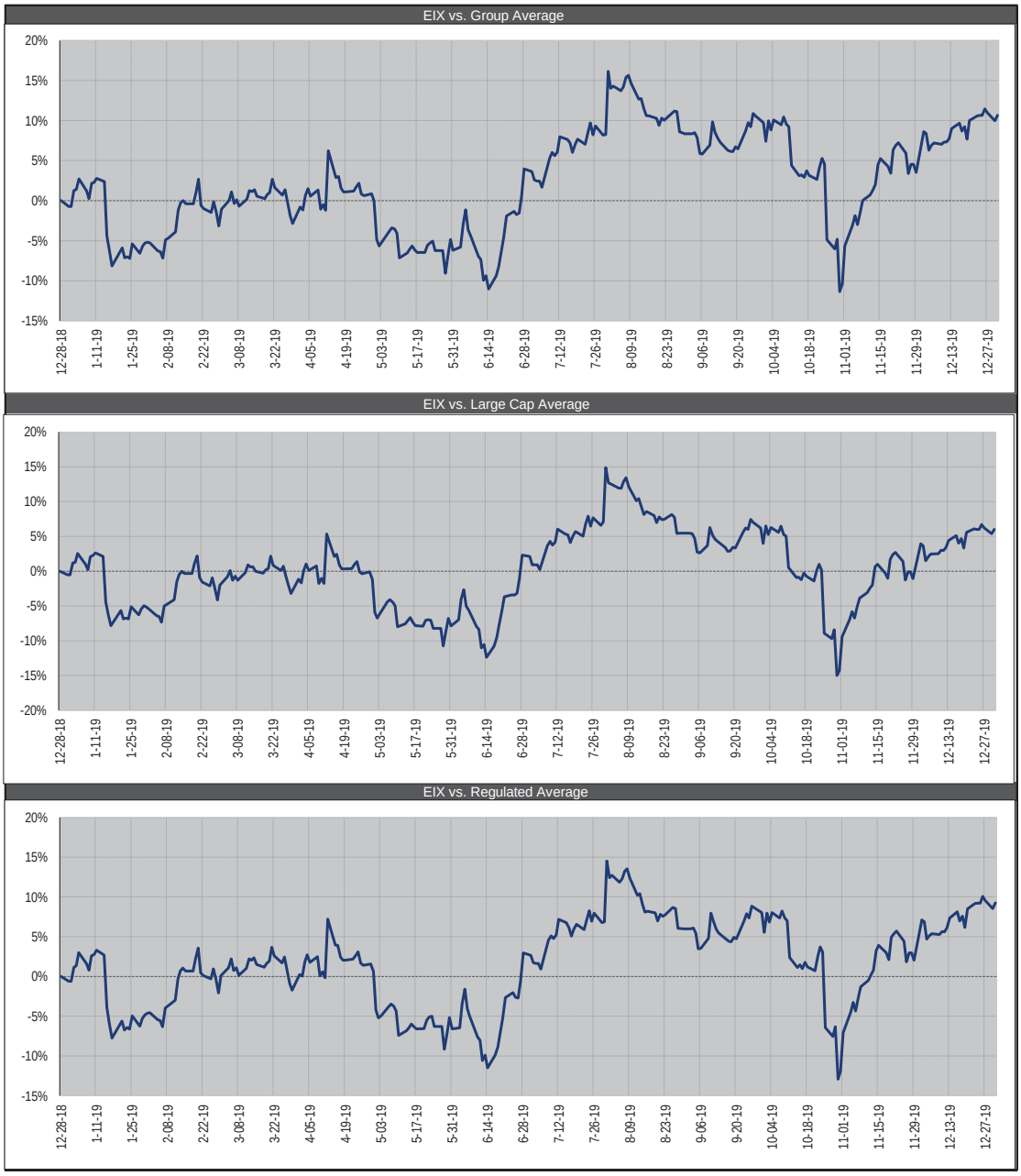

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1/5/2020

WOLFE RESEARCH

Eversource Energy (ES) $85.07, Outperform, $85 PT

ES was in line with peers in Dec but had a good 2019, beating regulateds by around 800bp, given 5-7% growth from the base business, incremental offshore wind opportunities, and increasingly ESG focus.

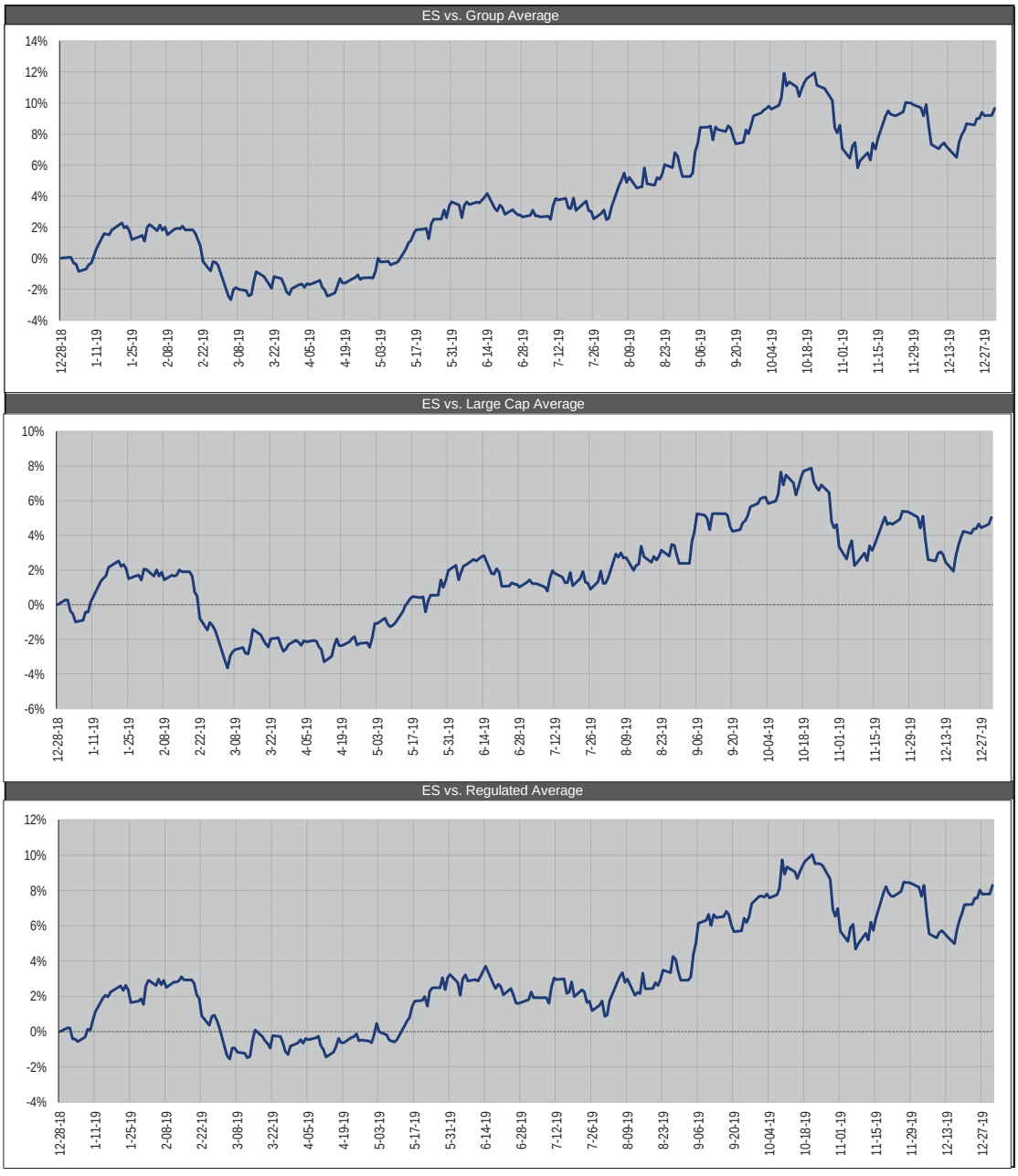

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WOLFE RESEARCH

Entergy (ETR) $119.80, Peer Perform, $119 PT

ETR was in line with peers in Dec but had a stellar 2019, trailing only SO among the best performing regulateds; ETR raised LT guidance midyear and plans to raise its dividend in line with EPS by 2021.

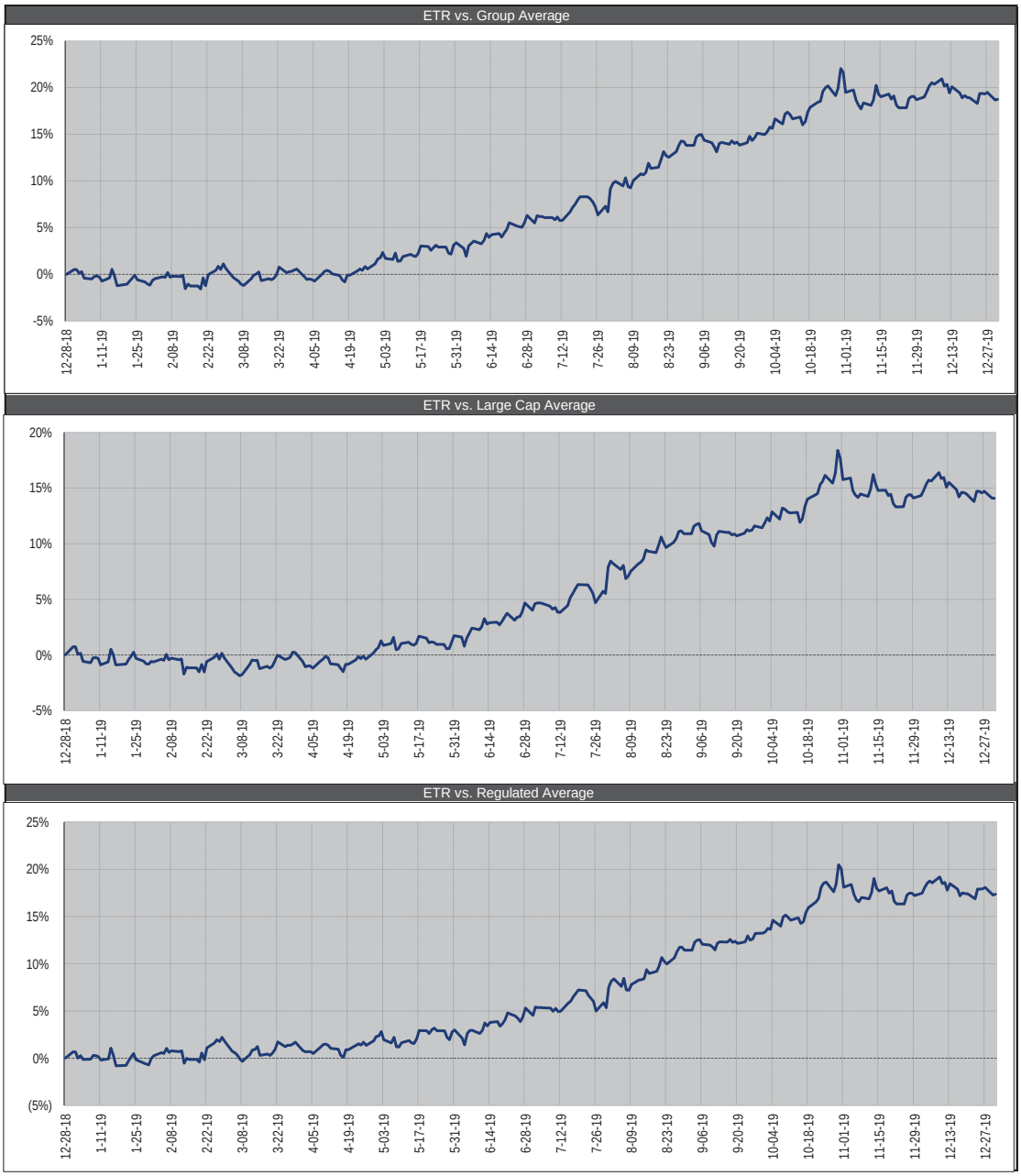

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WOLFE RESEARCH

Evergy (EVRG) $65.09, Outperform, $68 PT

- EVRG continued its late-November underperformance into December and has now completely round-tripped since the positive Q3 update. News has been quiet, as we await incremental updates on capital plan upsides and completion of the buyback program in 2020. For 2019, EVRG underperformed most of its peers.

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WOLFE RESEARCH

Exelon (EXC) $45.59, Outperform, $55 PT

EXC trailed the wider utility group and large caps but bested its only integrated peer (PEG) in Dec. For the year, however, EXC stock was buffeted by federal investigations into IL lawmakers and lobbying activities.

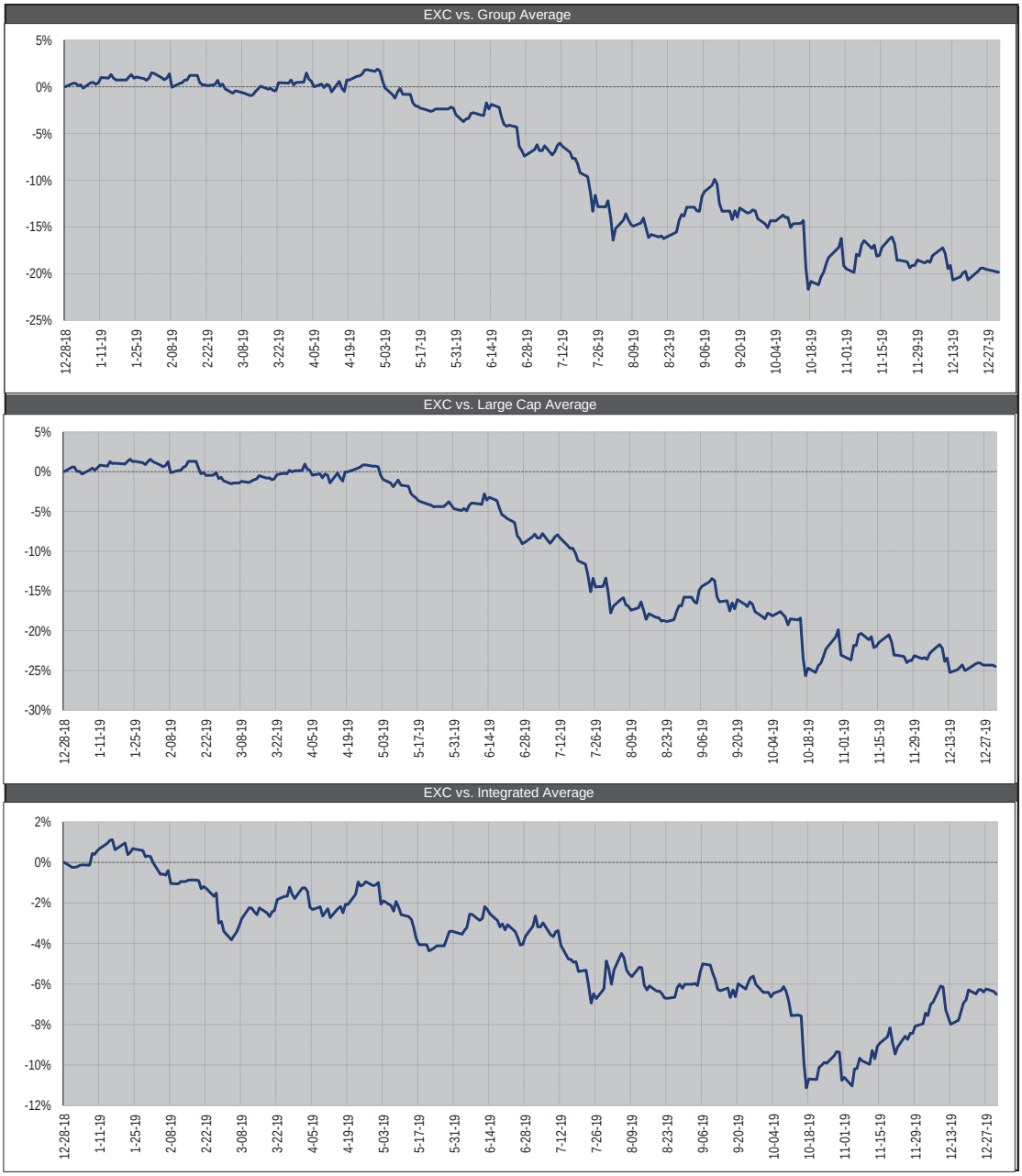

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WOLFE RESEARCH

FirstEnergy (FE) $48.60, Outperform, $53 PT

- FE underperformed most of the group in December, but still finished the year ahead of peers. The company remains focused on its low-risk T&D story, with FES (Energy Harbor) bankruptcy emergence expected in January – fully completing the separation from merchant generation.

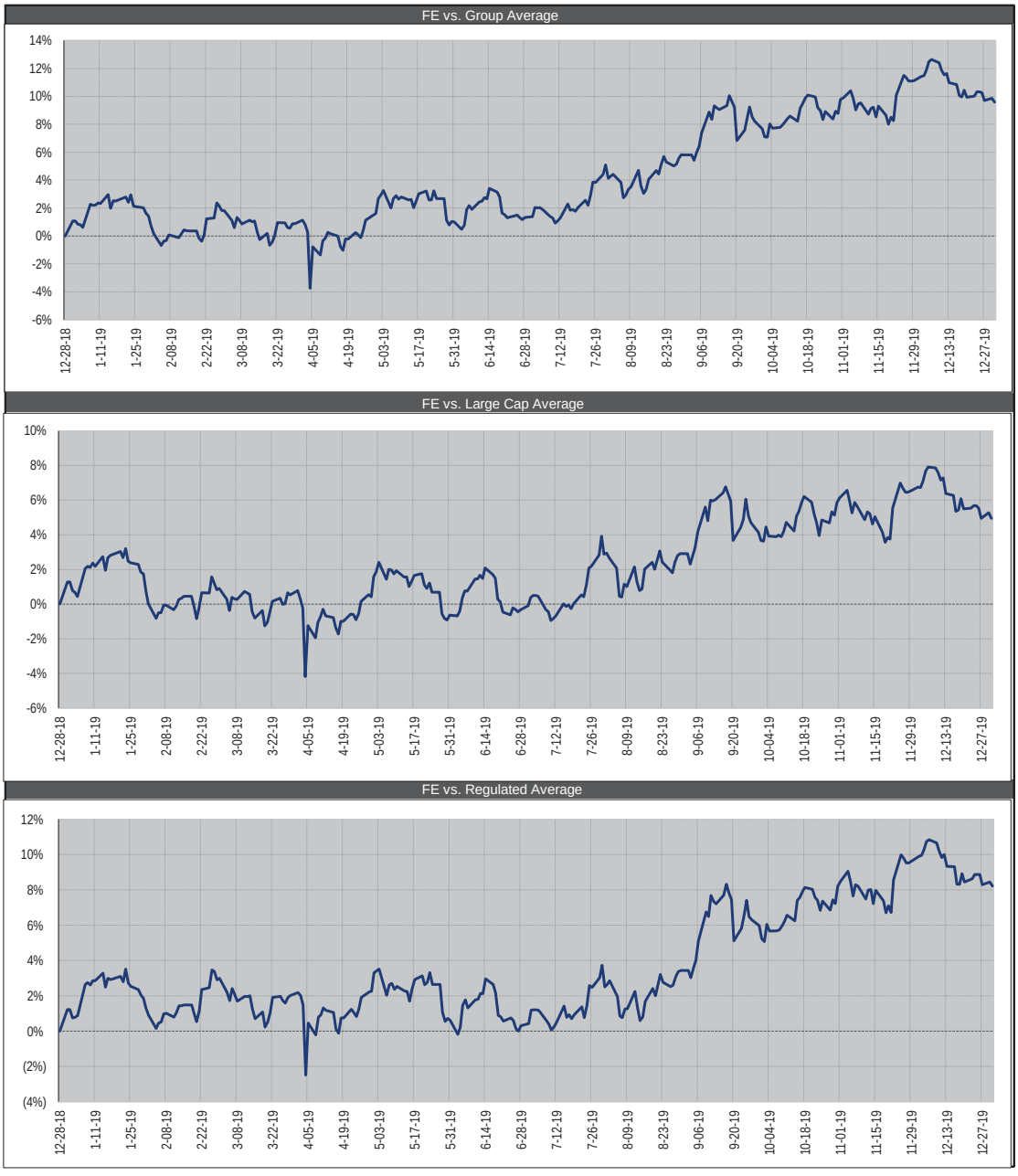

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WOLFE RESEARCH

Fortis (FTS) $41.52, Peer Perform, $41 PT

- FTS bounced back in December after a difficult November – finishing the year in-line with the group. While FERC's ruling on transmission ROEs provided some certainty, the new methodology opens the door to potential future complaints and most parties are now challenging the decision.

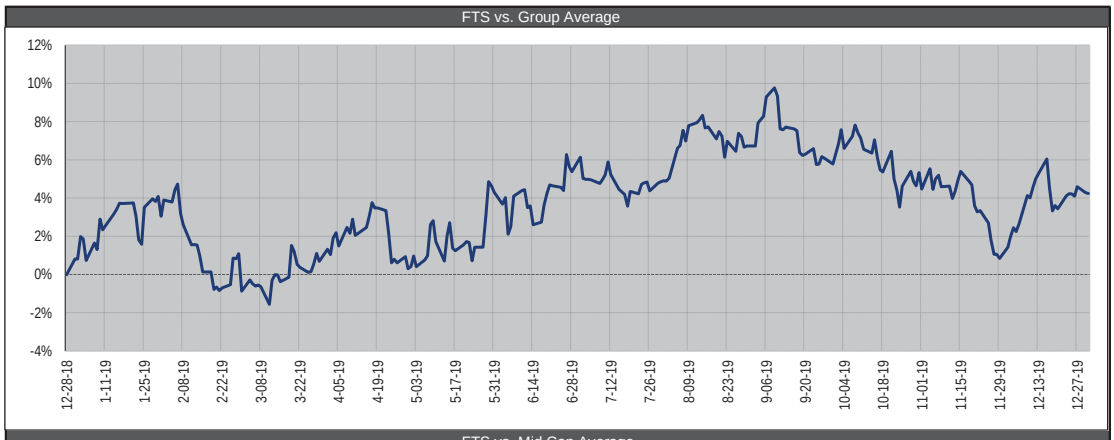

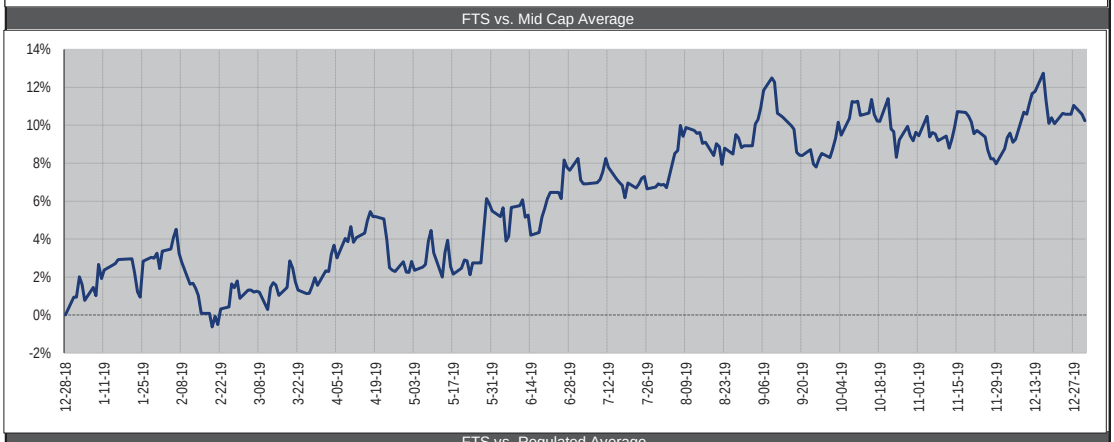

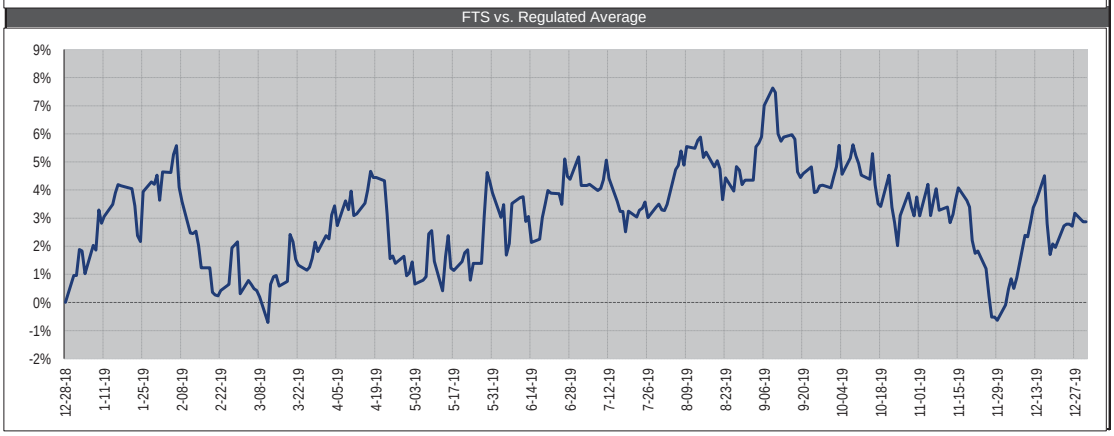

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1/5/2020

WOLFE RESEARCH

Hawaiian Electric (HE) $46.86, NR

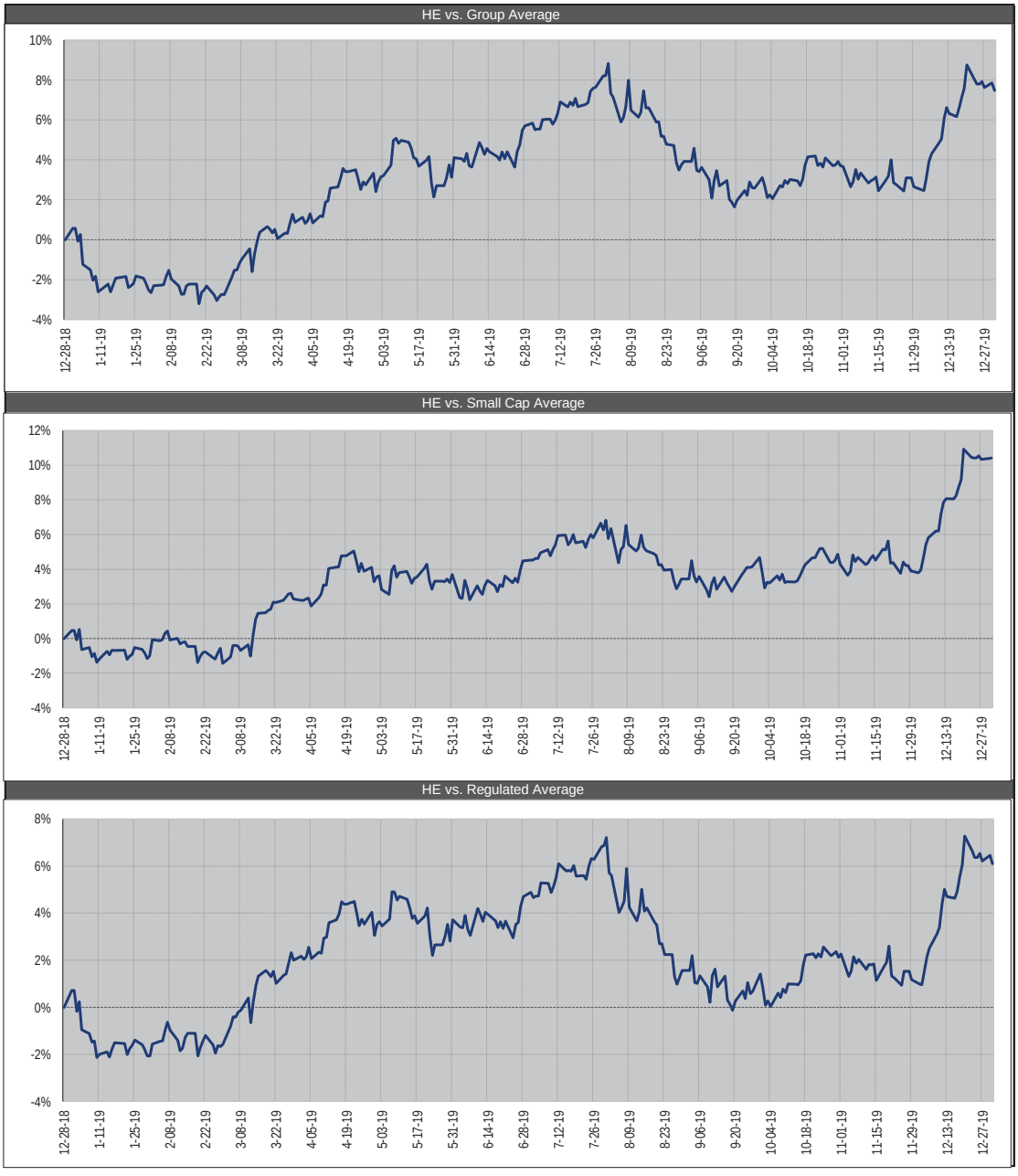

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WOLFE RESEARCH

Alliant Energy (LNT) $54.72, Peer Perform, $53 PT

- LNT traded sideways in December, but still finished 2019 as an outperformer. The company was once again able to achieve constructive regulatory outcomes in Iowa in 2019, while executing at the high-end of its earnings targets.

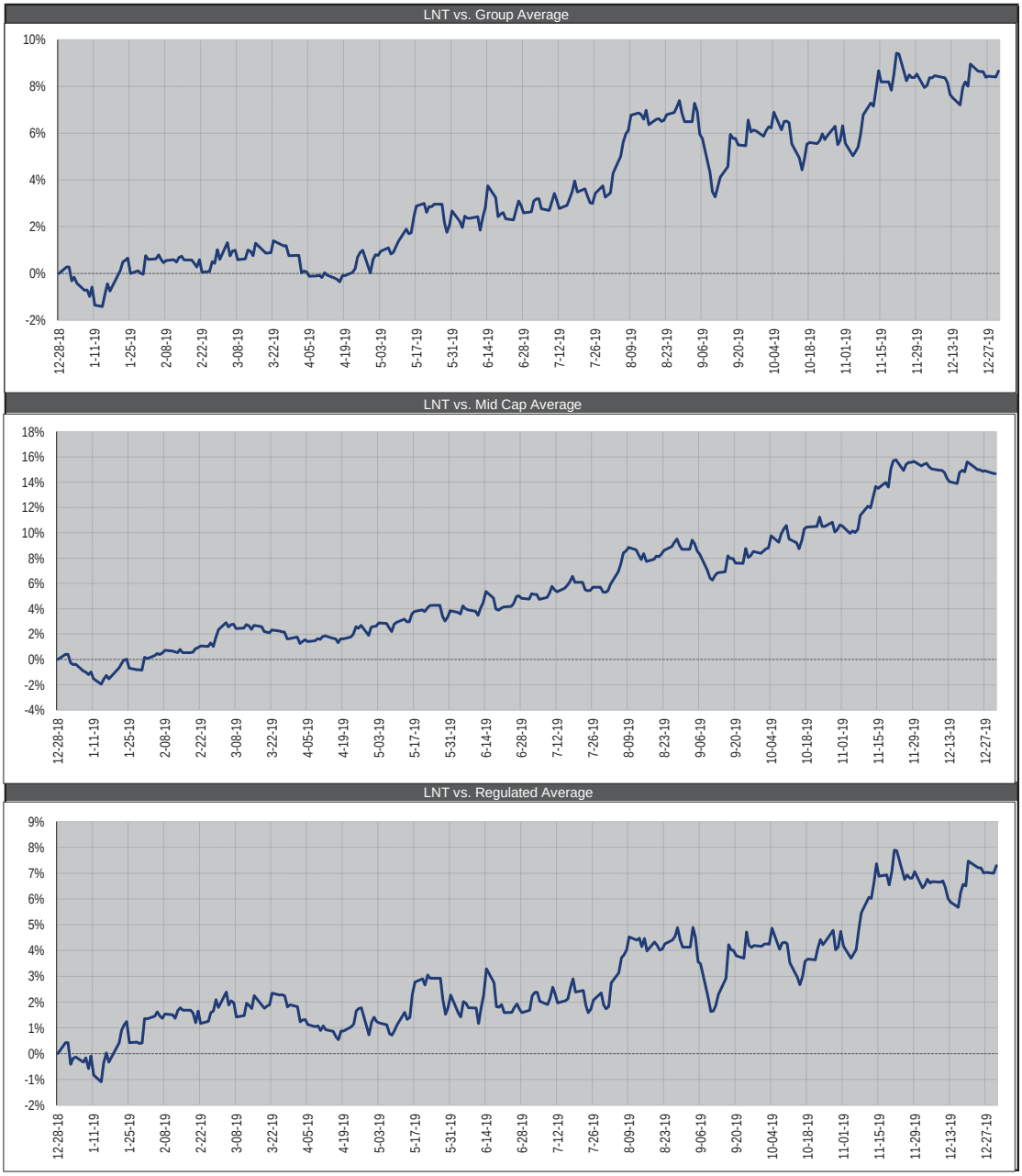

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WOLFE RESEARCH

NextEra Energy (NEE) $242.16, Outperform, $240 PT

- NEE outperformed in December and was one of the top-performers in the sector for 2019. The company furthered its position as the dominant renewables player in the world, as investors increasingly became focused on the potential for cleaner energy policy in the U.S. Disappointingly, the JEA sale process of which NEE was interested, looks to have gotten waylaid for the time being.

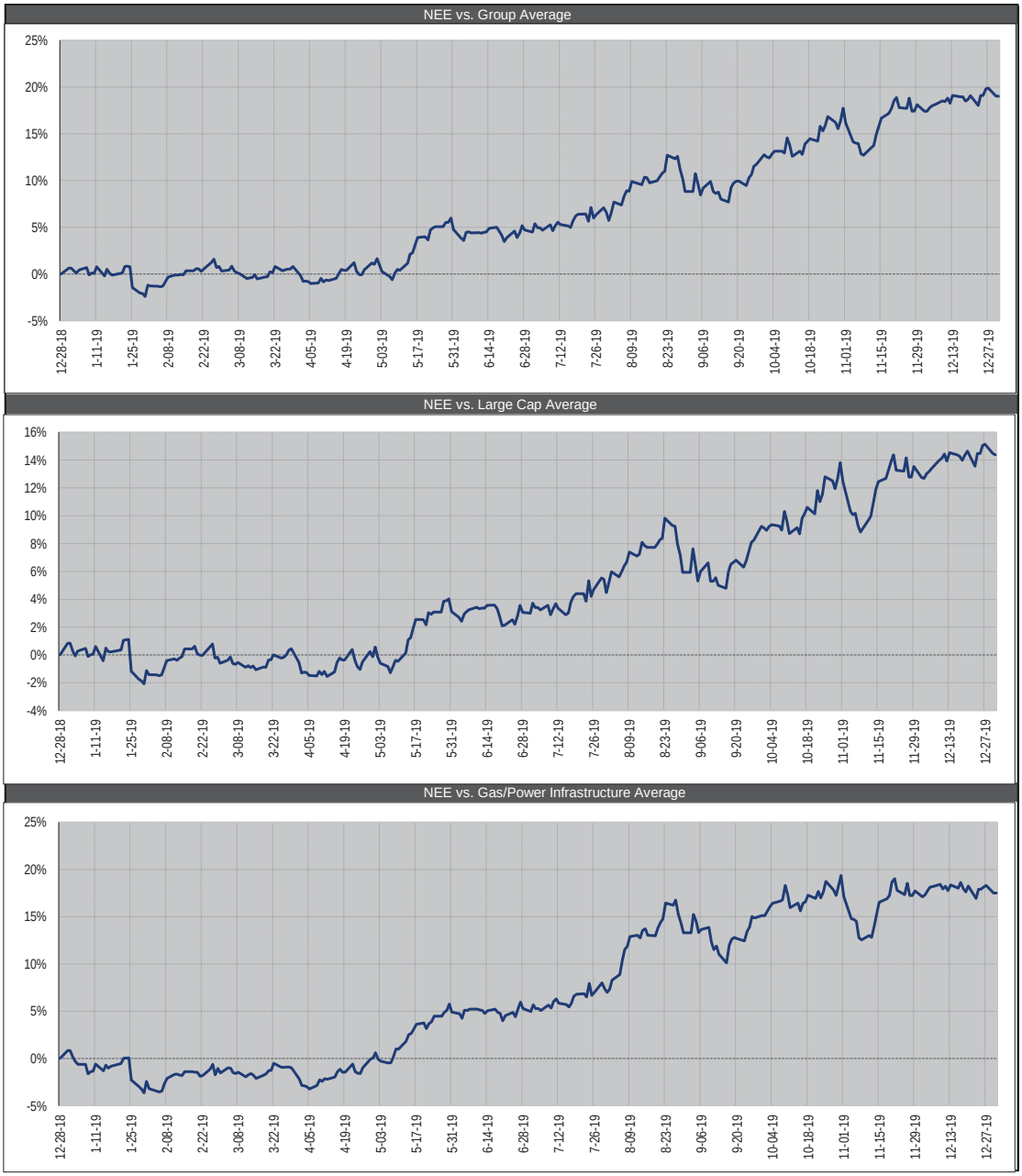

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WOLFE RESEARCH

NextEra Energy Partners (NEP) $52.65, Outperform, $61 PT

- NEP underperformed in December on little news, while also trailing most YieldCo peers in 2019. NEP continues to benefit from premier sponsor NEE, but the latest pipeline deal and portfolio financings may have given some investors pause.

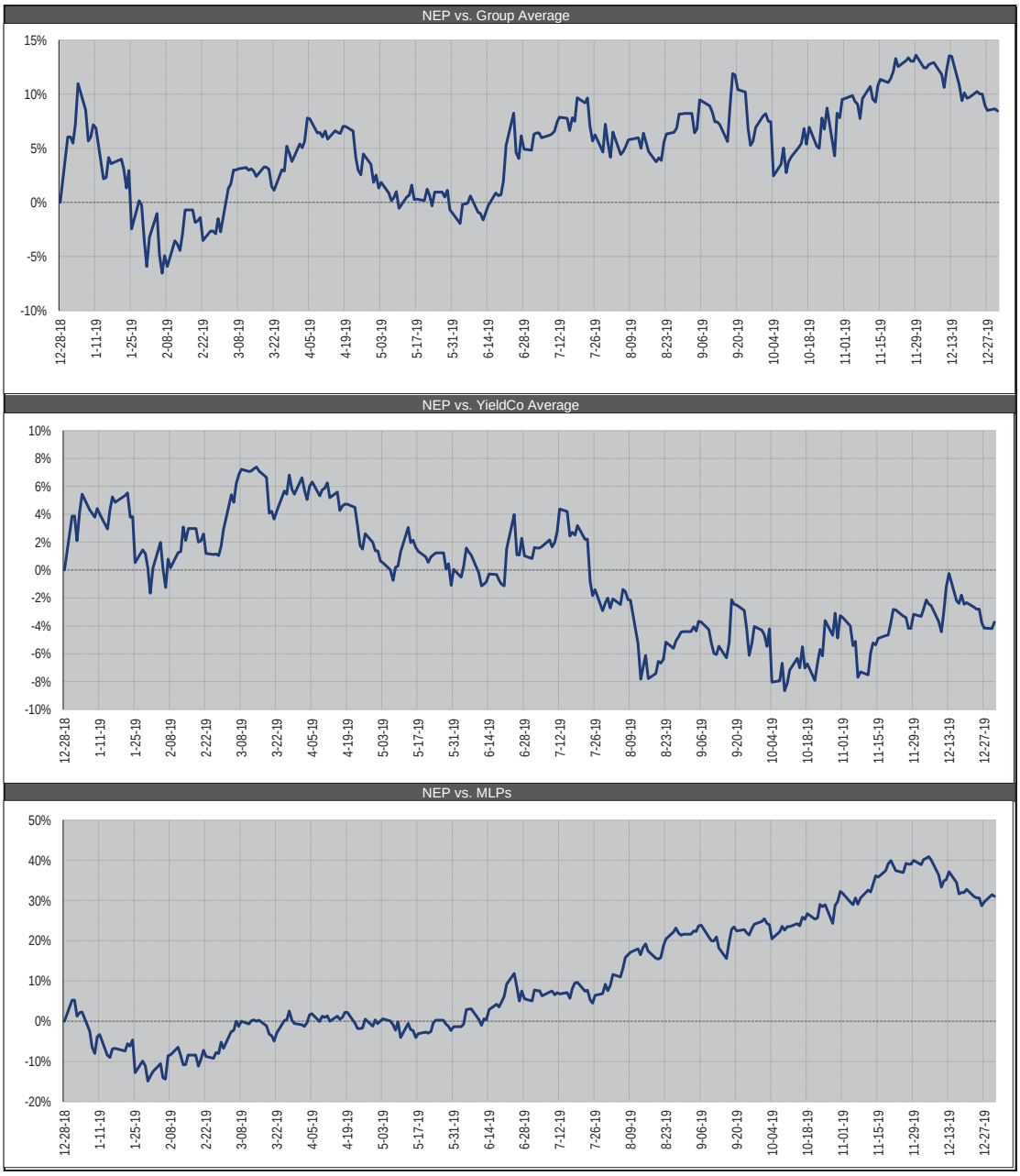

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WOLFE RESEARCH

NiSource (NI) $27.84, Peer Perform, $29 PT

NI was one of the worst performing utilities in 2019. The stock traded up and down in the 1H of the year due to a couple surprise cost estimate increases in MA. The stock then fell apart in August after the company experienced another gas explosion, this time in PA. Additional issues related to MA led to continued pressure on the stock through November until the stock saw a bit of a bounce in December.

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WOLFE RESEARCH

NRG Energy (NRG) $39.75, Outperform, $44 PT

NRG was flattish in December and underperformed the market, although it significantly outperformed VST which had a terrible month. It was another big year for NRG as the company repurchased $1.5B of stock and jacked up its dividend to a 3% yield plus 7-9%/yr growth. Nonetheless, the stock was flattish for the year and greatly underperformed the market in 2019 after more than 200% outperformance over the 2017-18 period.

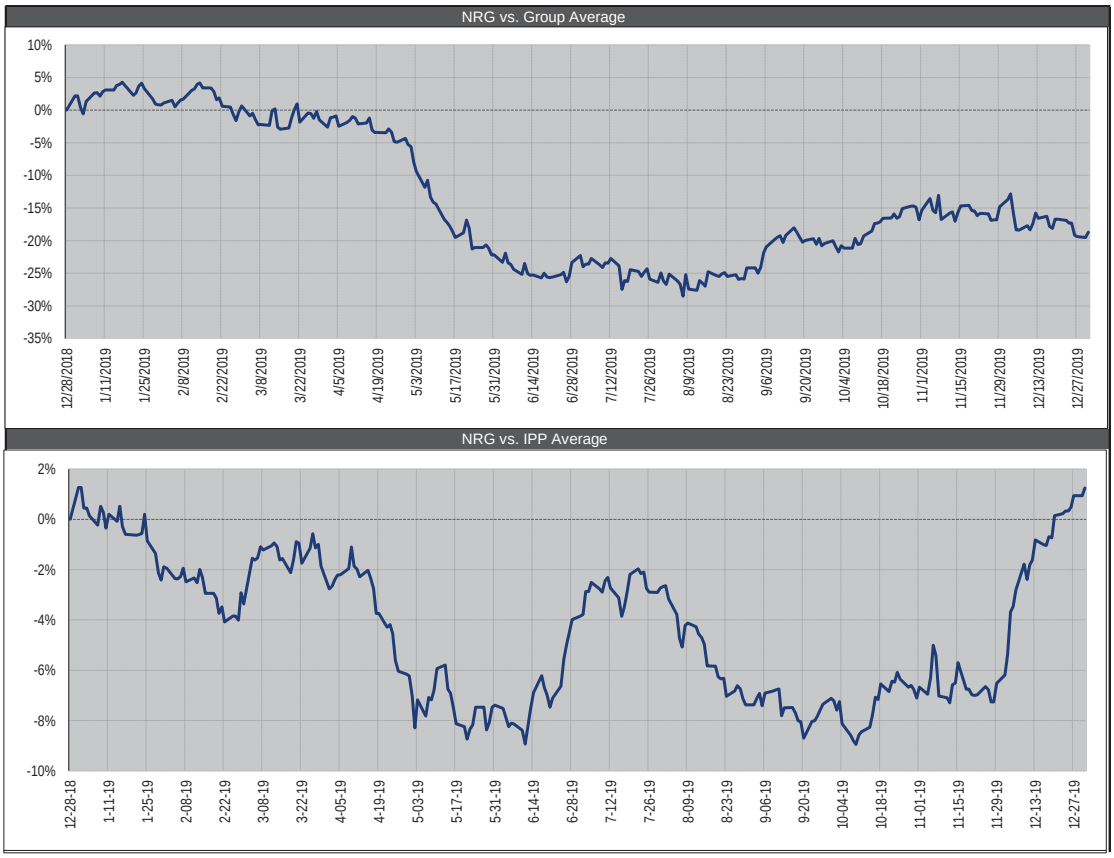

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WOLFE RESEARCH

NorthWestern Corp (NWE) $71.67, NR

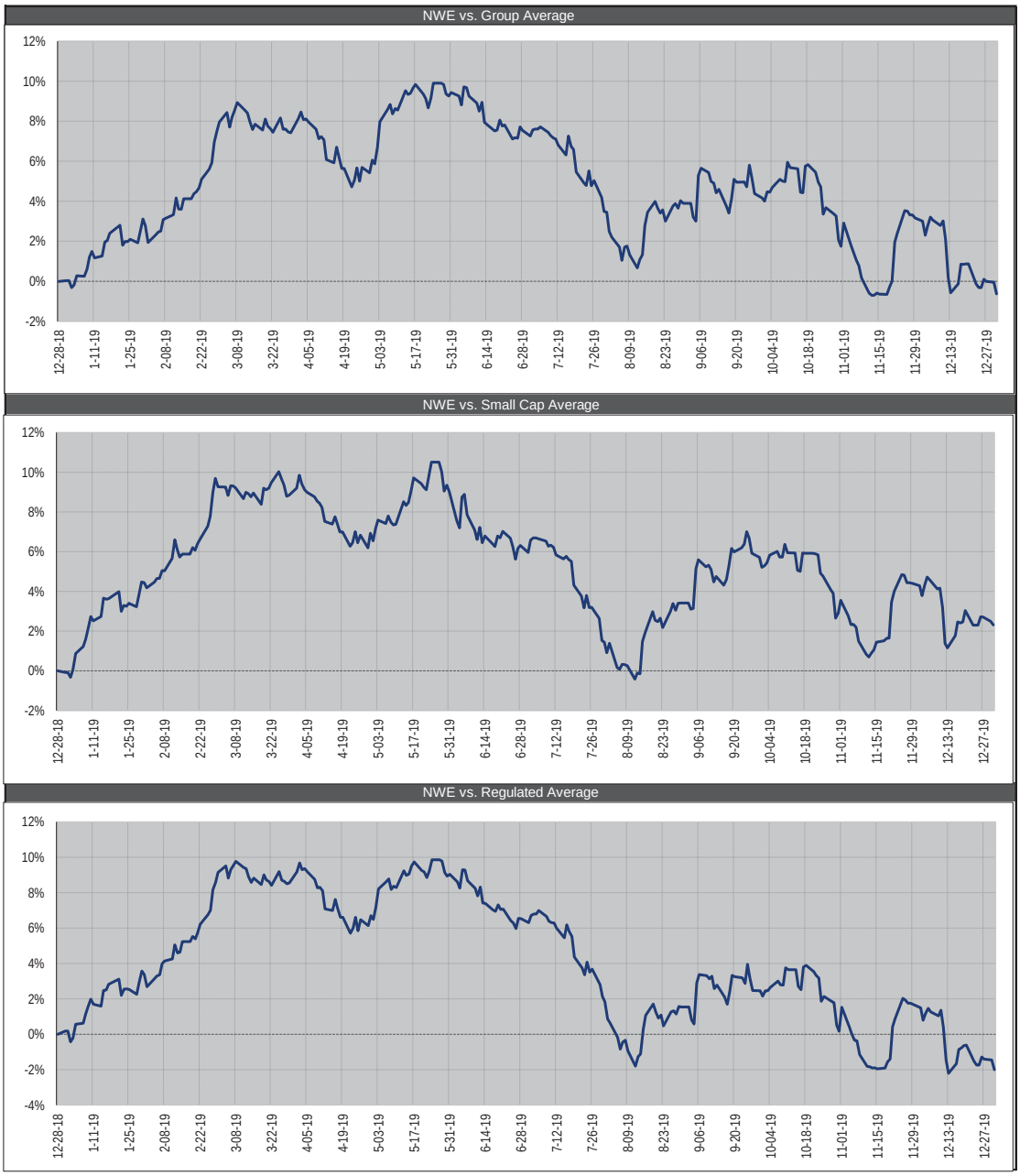

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WOLFE RESEARCH

OGE Energy (OGE) $44.47, Peer Perform, $42 PT

After a strong 2018, OGE underperformed the utility average by a decent margin in 2019. OG&E's Oklahoma rate case acted as a bit of an overhang in the 1H of the year. However, parties were able to reach a settlement which was approved without modifications – another supportive data point for an improving regulatory construct in OK. We believe that most of the OGE's weakness was due to the company's business mix and exposure to ENBL, which finished the year down 25%.

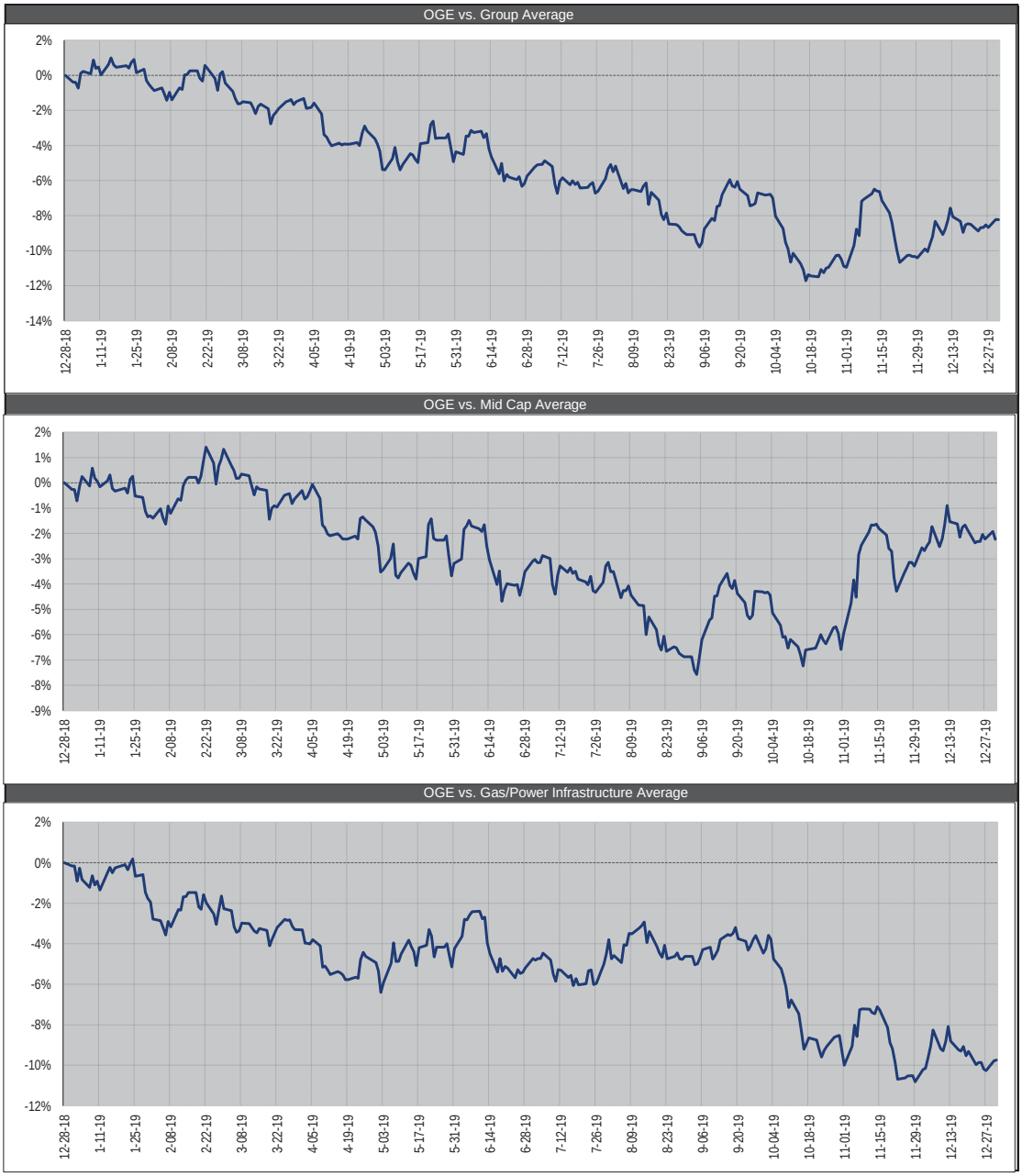

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1/5/2020

WOLFE RESEARCH

PG&E Corporation (PCG) $10.87, Peer Perform, $12 PT

PCG was the best performing utility stock in Dec on favorable court rulings, and an end to 2019 fire season; but for the year, the stock was the worst performer given its Jan bankruptcy filing.

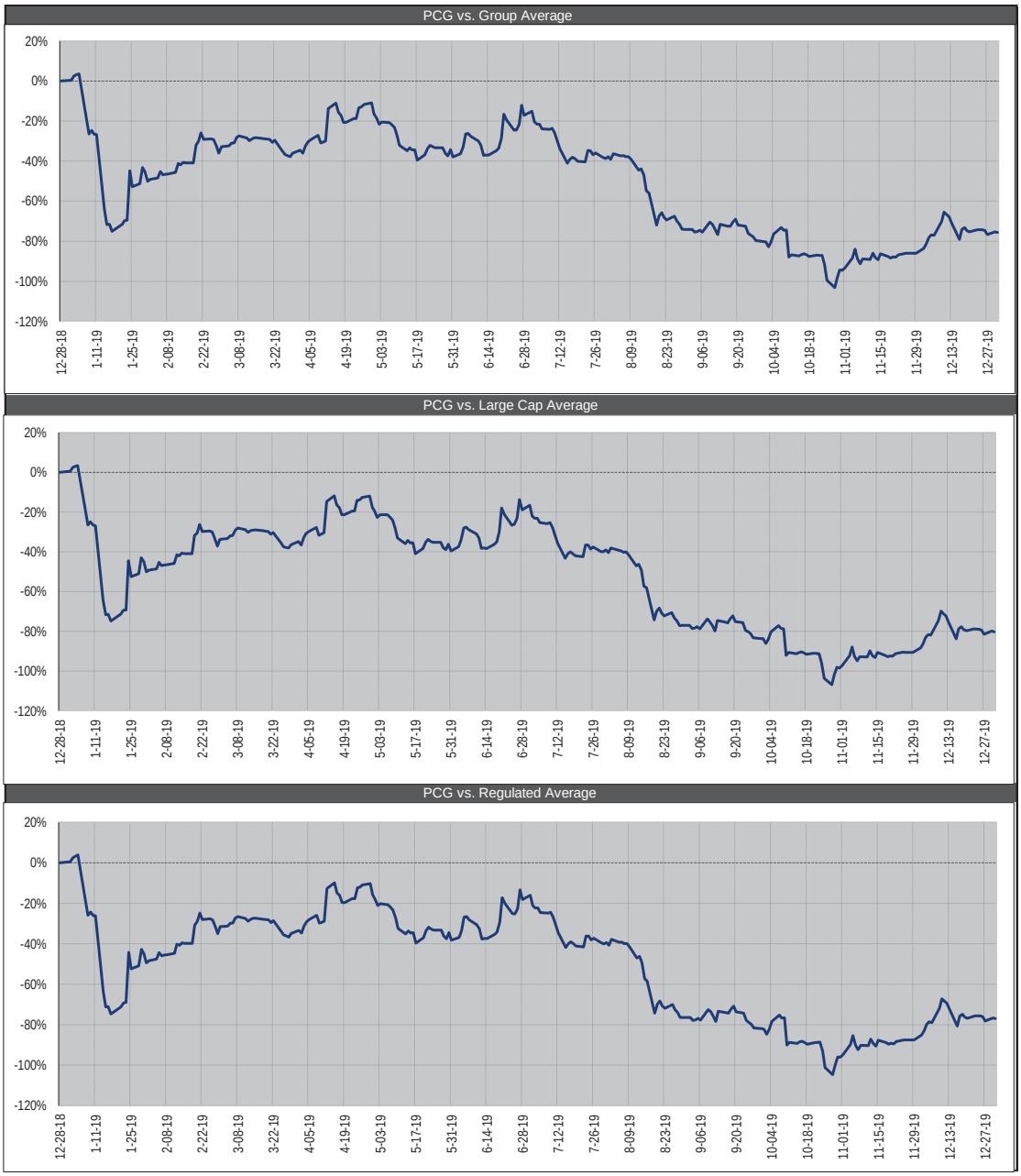

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WOLFE RESEARCH

Public Service Enterprise Group (PEG) $59.05, Peer Perform, $64 PT

PEG underperformed nearly the entire sector in December in what turned out to be a disappointing year. The utility business continued to perform well and New Jersey BPU passed ZECs, but investor sentiment on PEG Power continued to sour. There were some concerns on FERC's recent PJM auction order and its implications for PEG's fleet, but the company seems confident its nukes can get a unit-specific exemption.

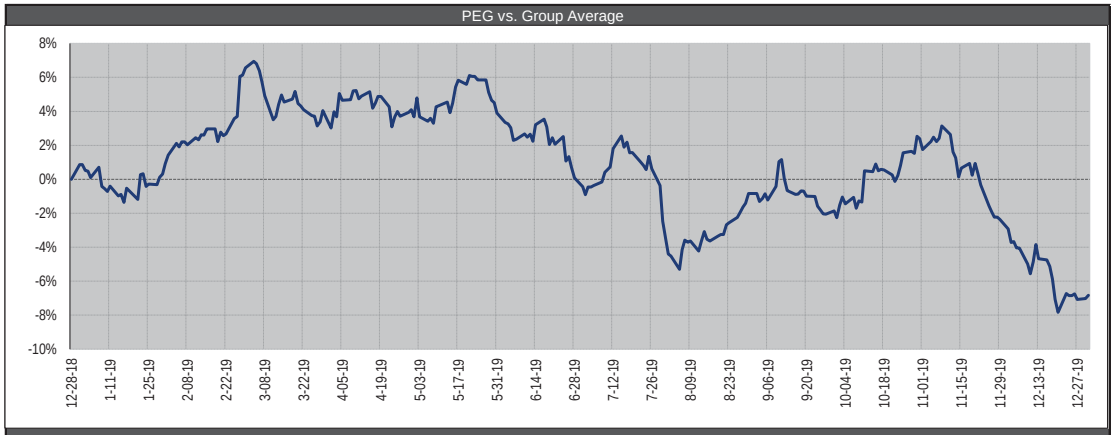

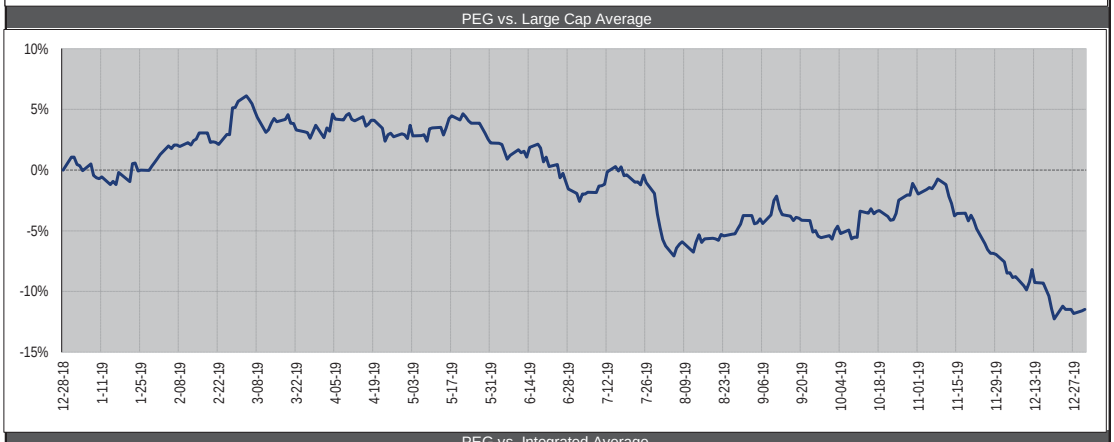

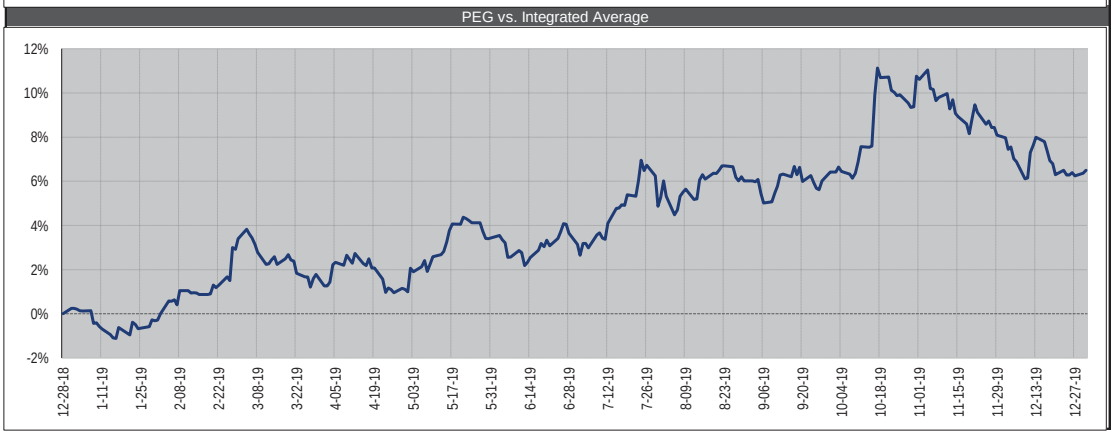

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WOLFE RESEARCH

Pattern Energy (PEGI) $26.76, NR

Pattern had a weak December but still closed out 2019 as the top performing YieldCo, rising by 44%. The year culminated with the announced sale of the company in November to the Canada Pension Plan Investment Board.

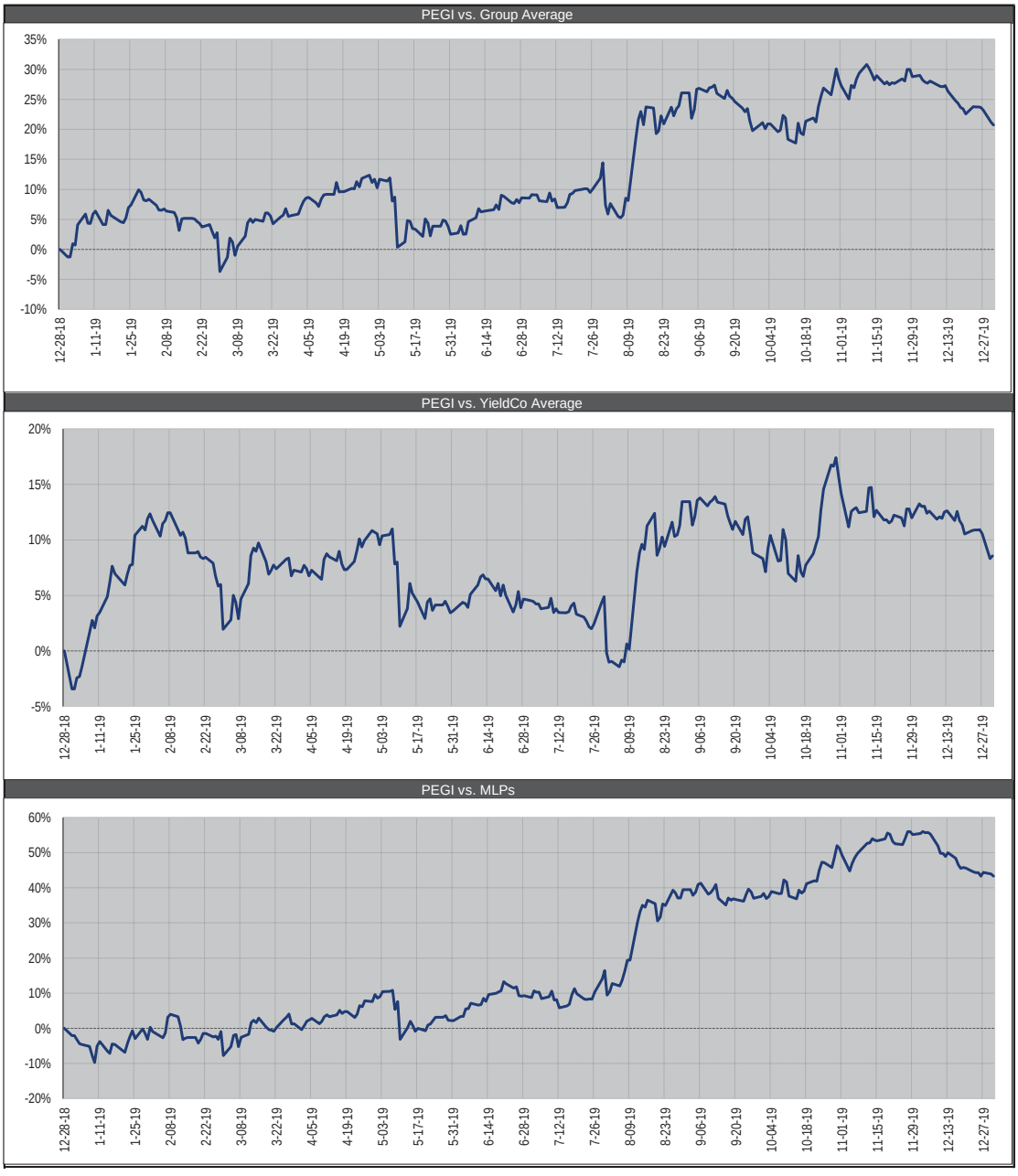

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WOLFE RESEARCH

PNM Resources (PNM) $50.71, NR

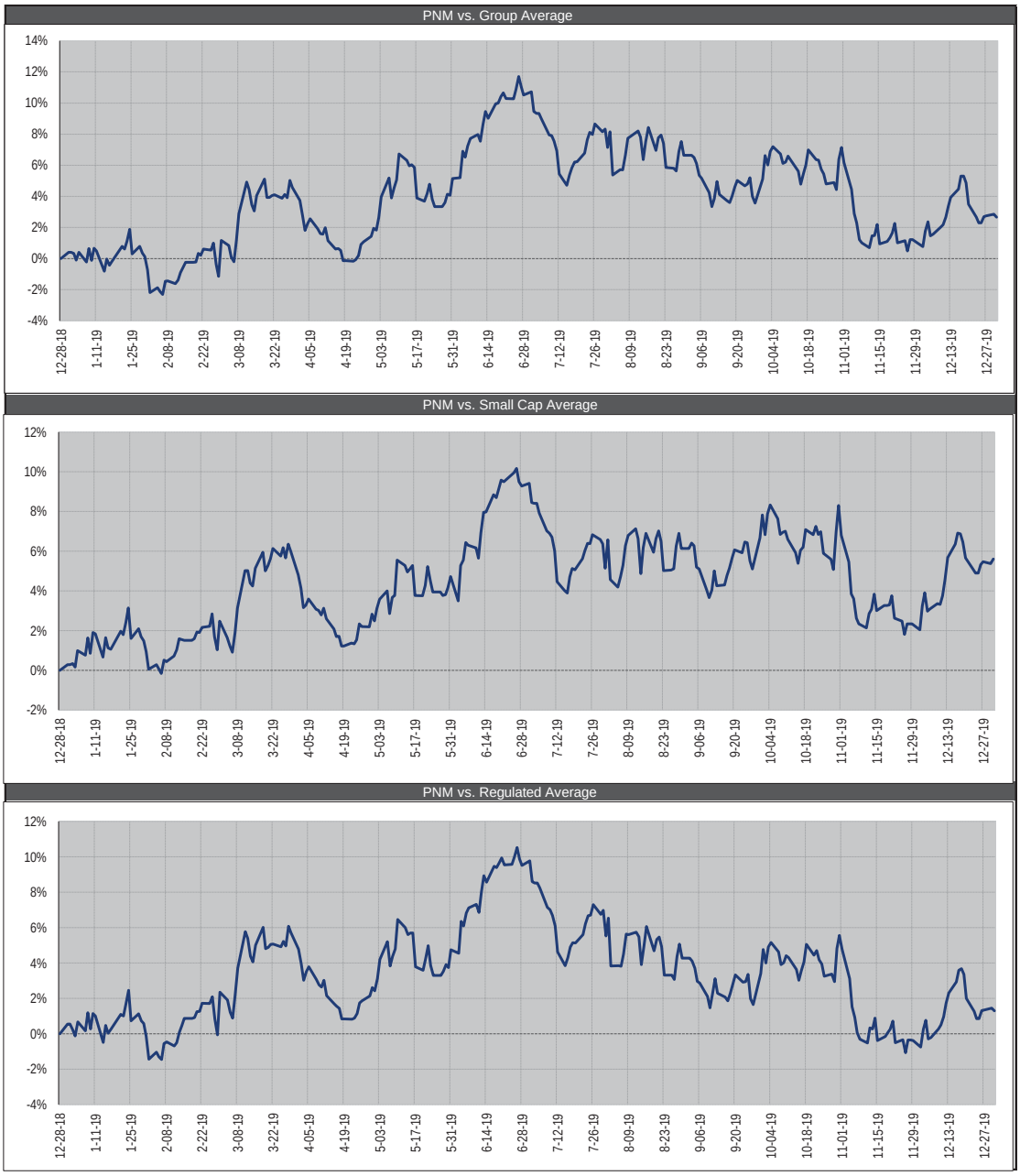

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WOLFE RESEARCH

Pinnacle West Capital (PNW) $89.93, Underperform, $87 PT

PNW was one of the worst performing regulated utilities in 2019. The year was marked by a deterioration of the regulatory environment in Arizona, which ultimately led to the company being called in for a rate case; PNW also dealt with various other issues at the ACC throughout the course of the year. From a financial perspective, the company disclosed on its 3Q call that it did not anticipate meeting its 2019 guidance range, largely due to weather.

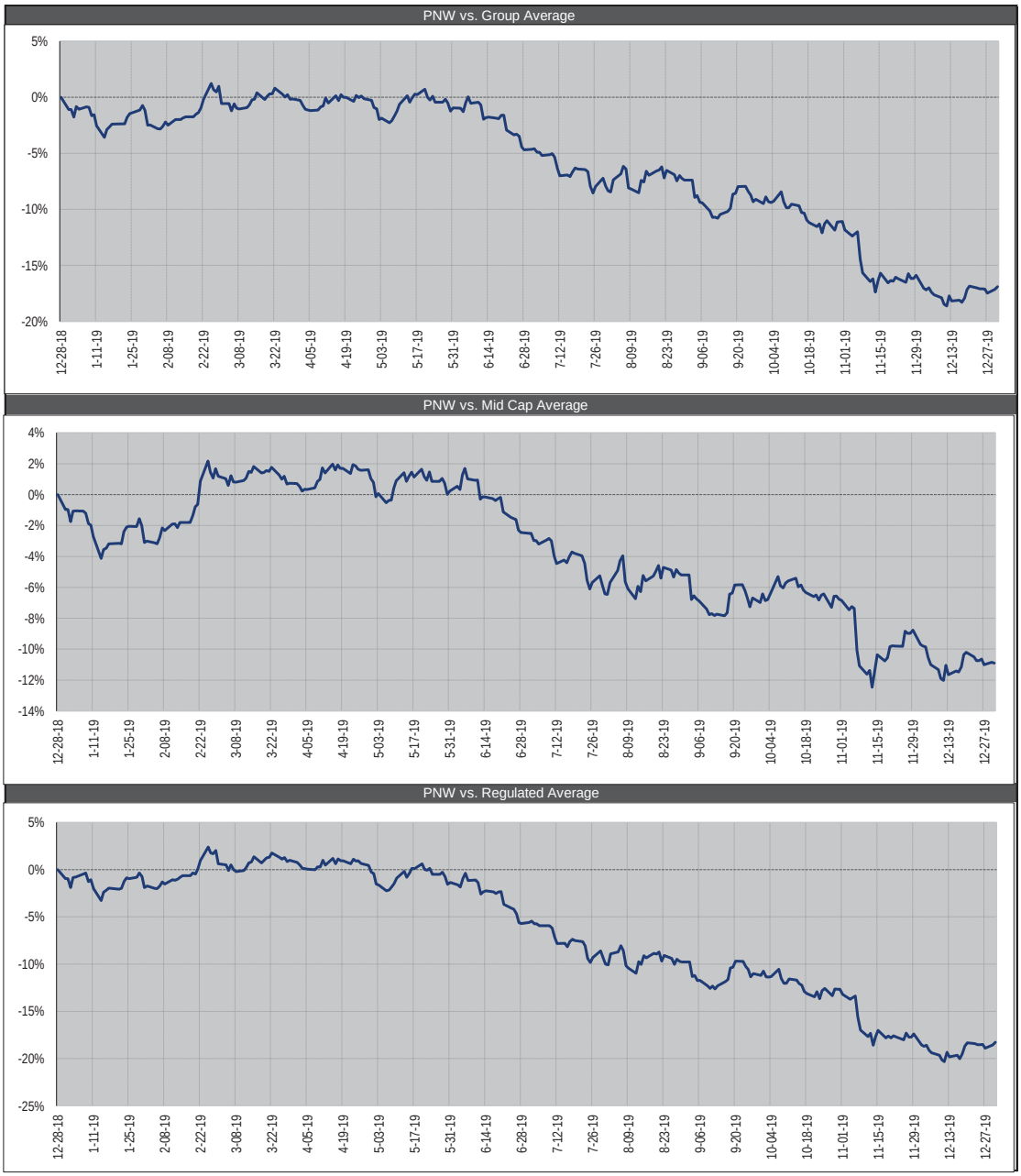

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WOLFE RESEARCH

Portland General (POR) $55.79, Underperform, $55 PT

POR underperformed the utility average and its small-cap peers in December. During the month, OPUC Staff filed final comments on the company's 2019 IRP and found that the proposed renewable/capacity actions were not justified by the company's analysis. For the year, POR finished nearly identical to the utility average.

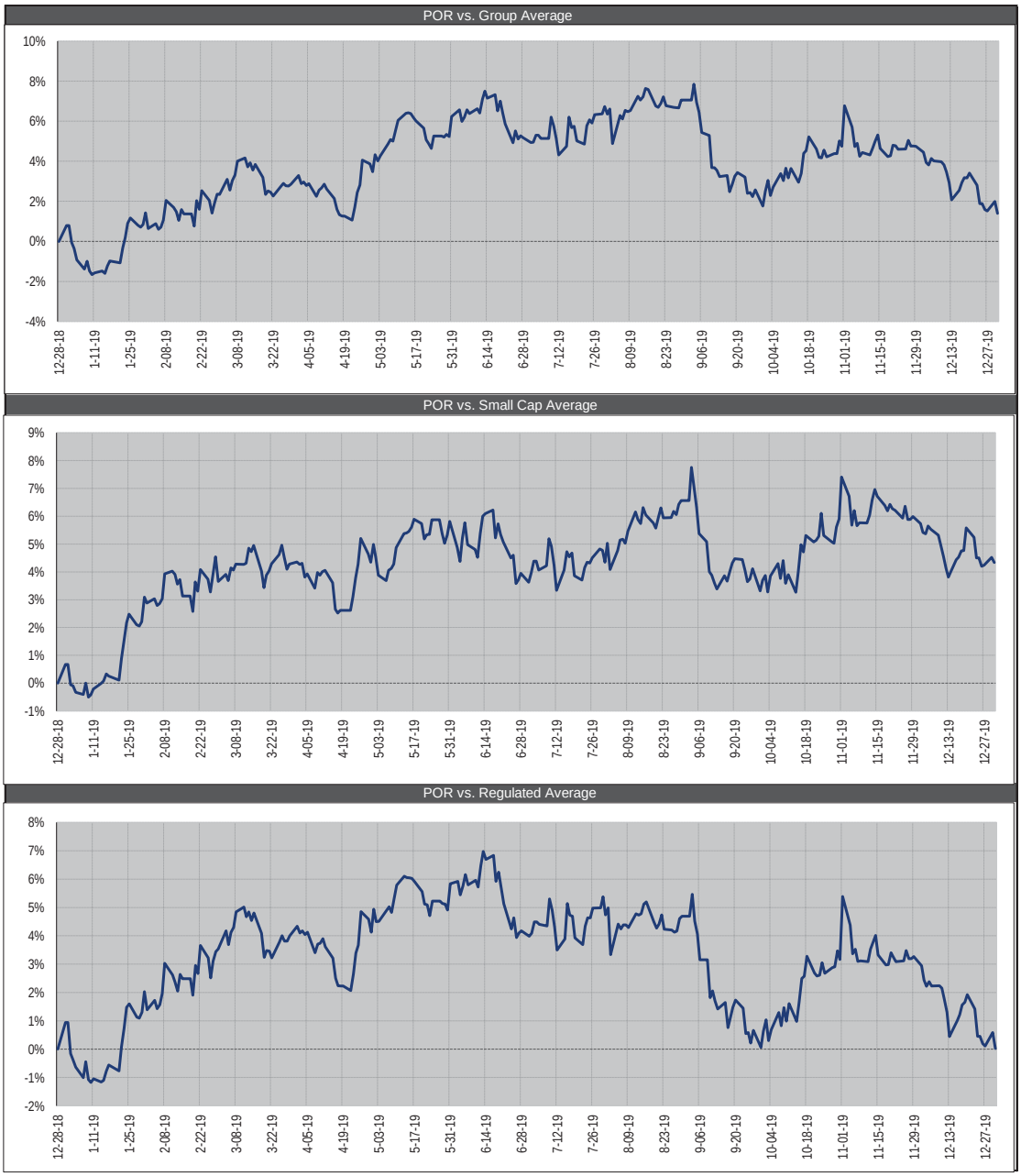

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WOLFE RESEARCH

PPL Corporation (PPL) $35.88, Outperform, $37 PT

PPL continued to strongly outperform peers, likely on the Conservatives victory over Labour (the latter threatened to renationalize utilities). And in what seems like the first year in sometime, PPL relatively outperformed (albeit modestly) regulated peers in 2019.

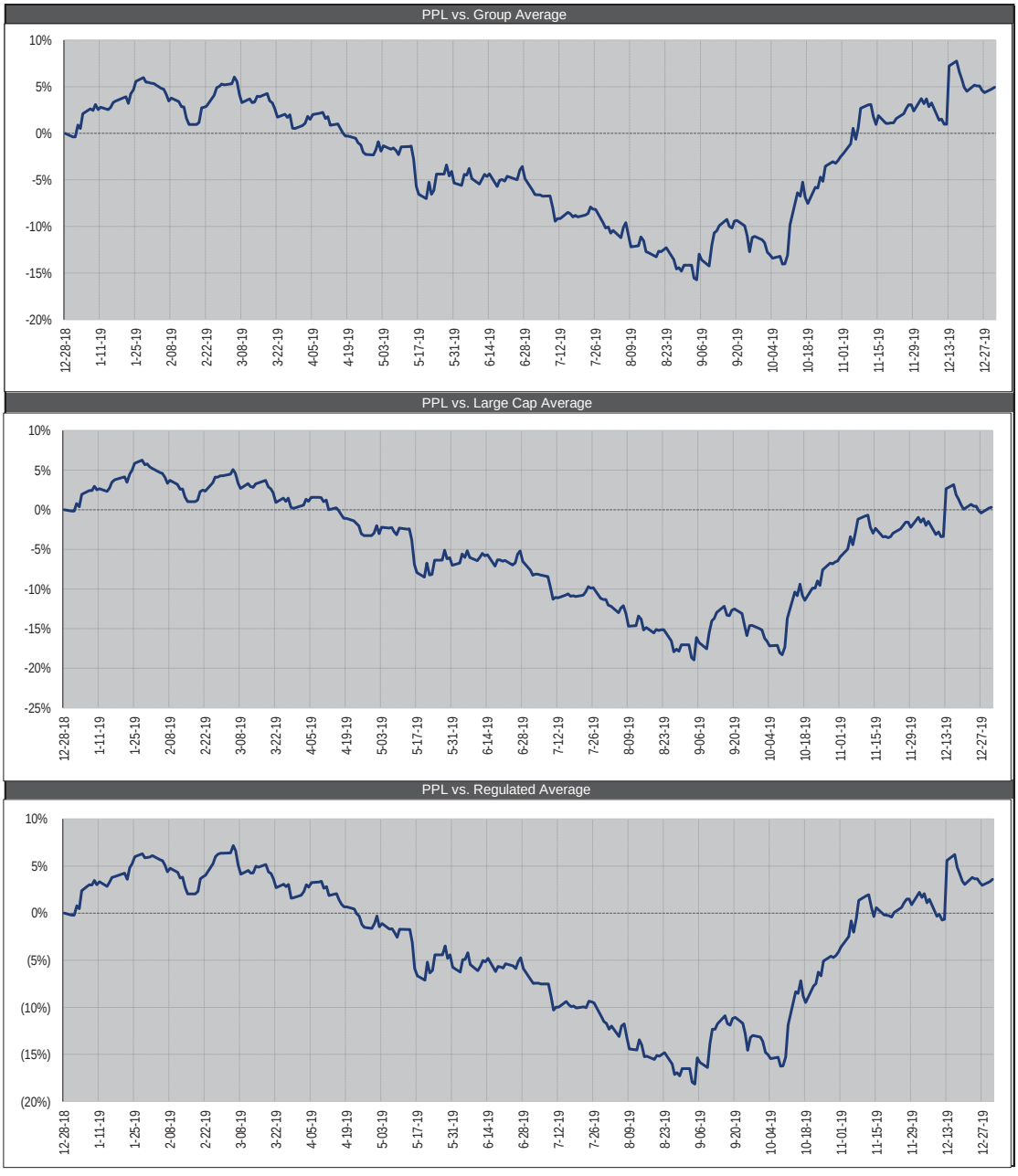

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WOLFE RESEARCH

Southern Company (SO) $63.70, Underperform, $62 PT

Even with a middling Dec, SO had the best calendar year performance among regulateds, rising 45% and besting peers by about 22 percentage points, as progress was made on Vogtle and GA rate case outcome was constructive.

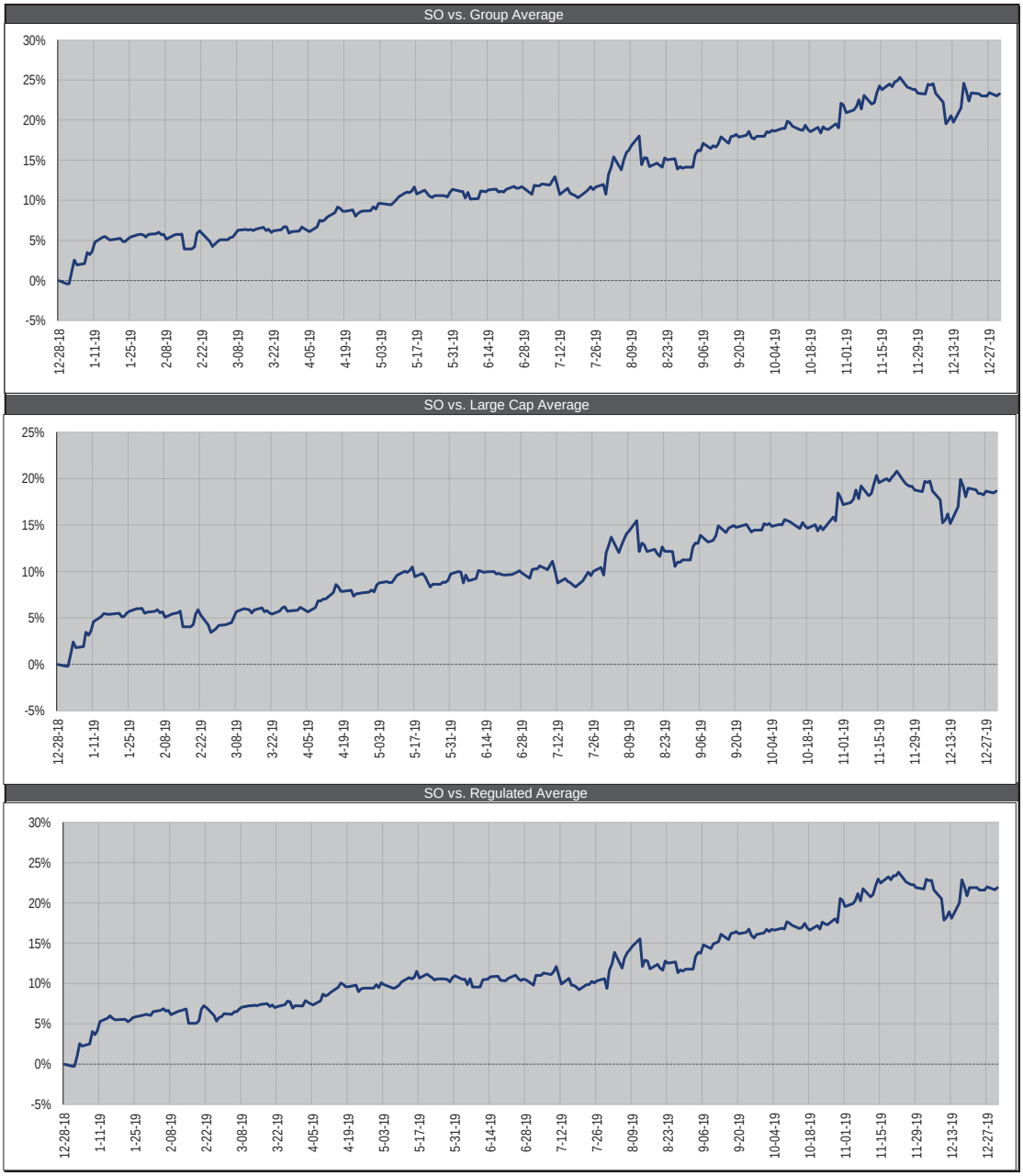

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WOLFE RESEARCH

Sempra Energy (SRE) $151.48, Outperform, $164 PT

SRE rose nearly 3% in December, the second worst performer in the month in the gas/power infrastructure group. However for the year it rose just under 40% and was the group's best performer for the year. This was mainly on the solid execution on the strategy in 2019 including a constructive California rate case outcome, better than expected prices on the South American asset sales, continued upside on rate base growth in Texas, and the startup of Cameron 1.

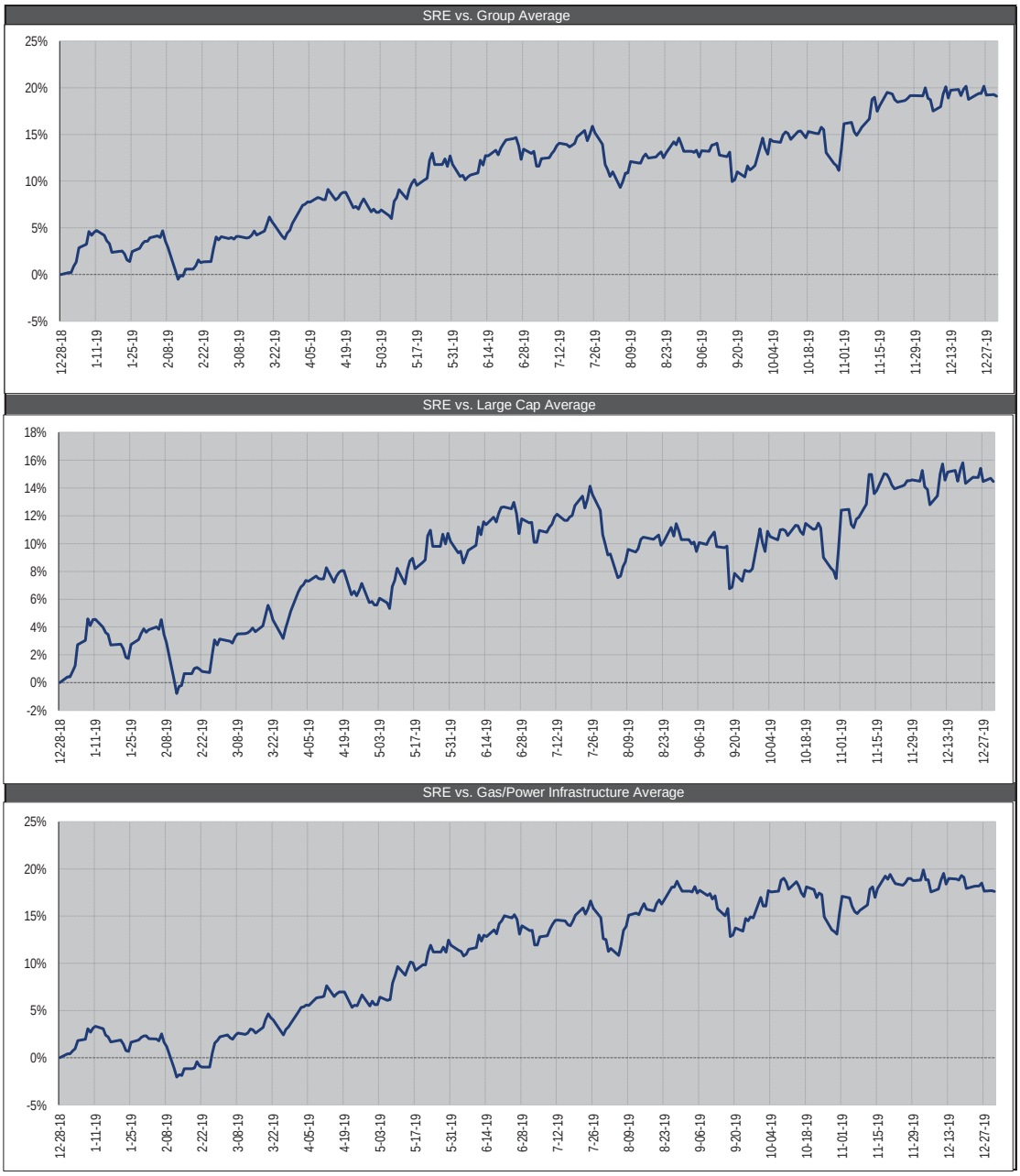

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WOLFE RESEARCH

TerraForm Power (TERP) $15.39, NR

TerraForm Power underperformed in December but still had a very strong 2019 in which the stock nicely outperformed the market. During the year there were news reports that TERP's sponsor Brookfield was interested in acquiring TERP's competitor PEGI and merging the companies.

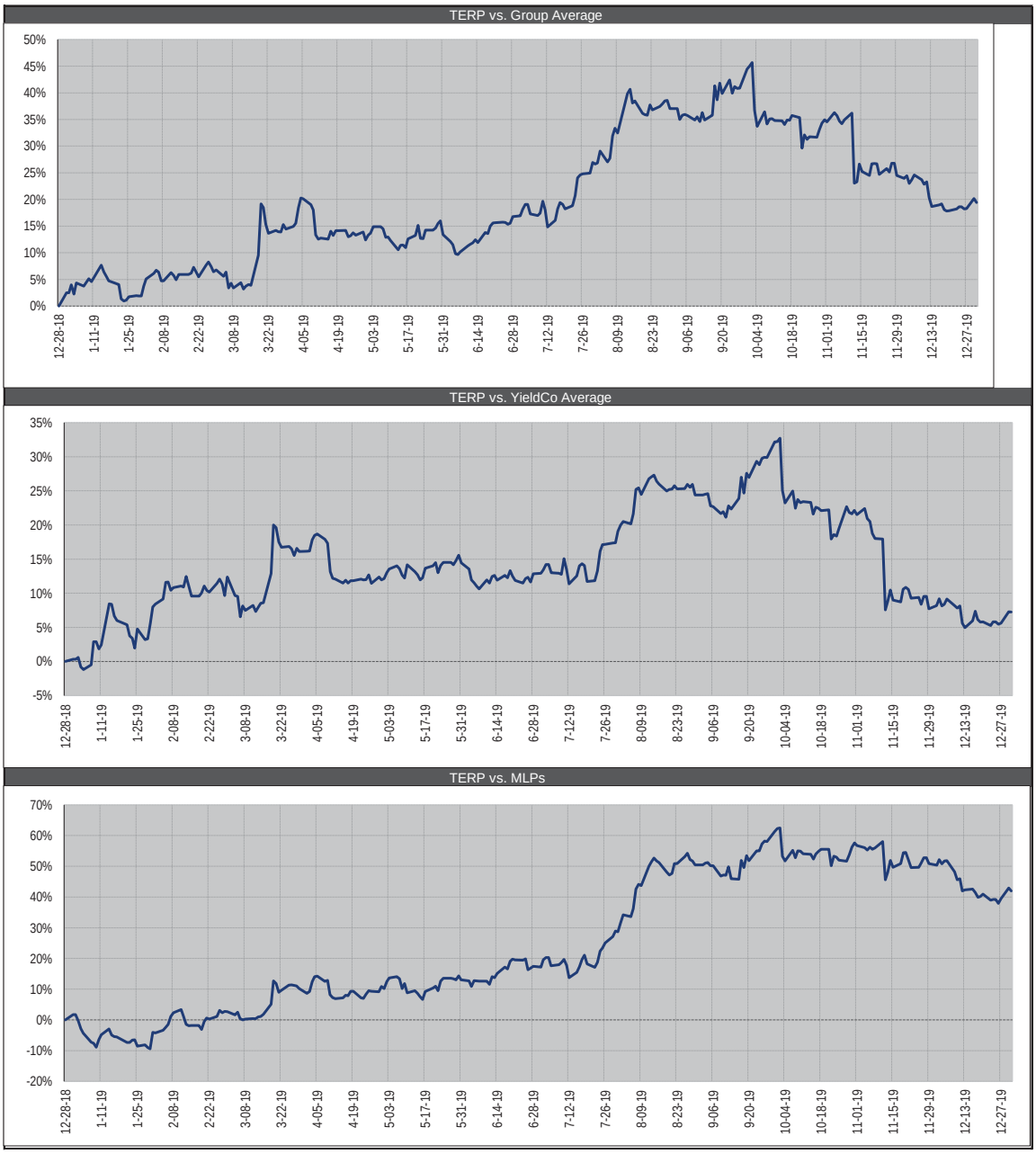

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WOLFE RESEARCH

Vistra Energy (VST) $22.99, Outperform, $34 PT

- VST closed the year with a whimper – significantly underperforming the entire sector and lagging the majority of the group for 2019. The company's top-holder dumped one-third of its position (~21M shares) in early December and the stock traded poorly thereafter. Despite hitting numbers, improving its balance sheet, and seeing tight supply/demand conditions play out in Texas – overcoming exiting shareholders (first Apollo and Oaktree, then Brookfield) ultimately proved to be too much.

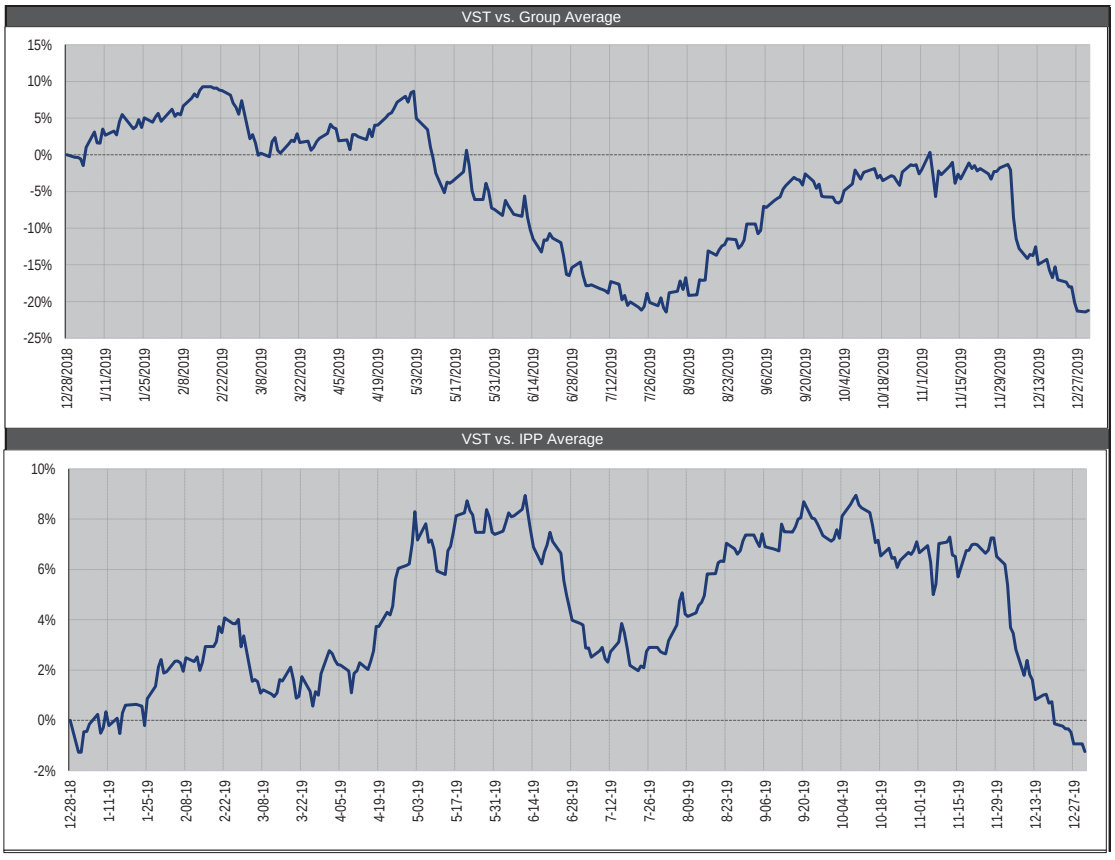

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WOLFE RESEARCH

WEC Energy Group (WEC) $92.23, Underperform, $90 PT

- WEC outperformed in December to finish off a strong 2019. The company beat numbers as always, while also achieved a constructive settlement in its important Wisconsin rate cases.

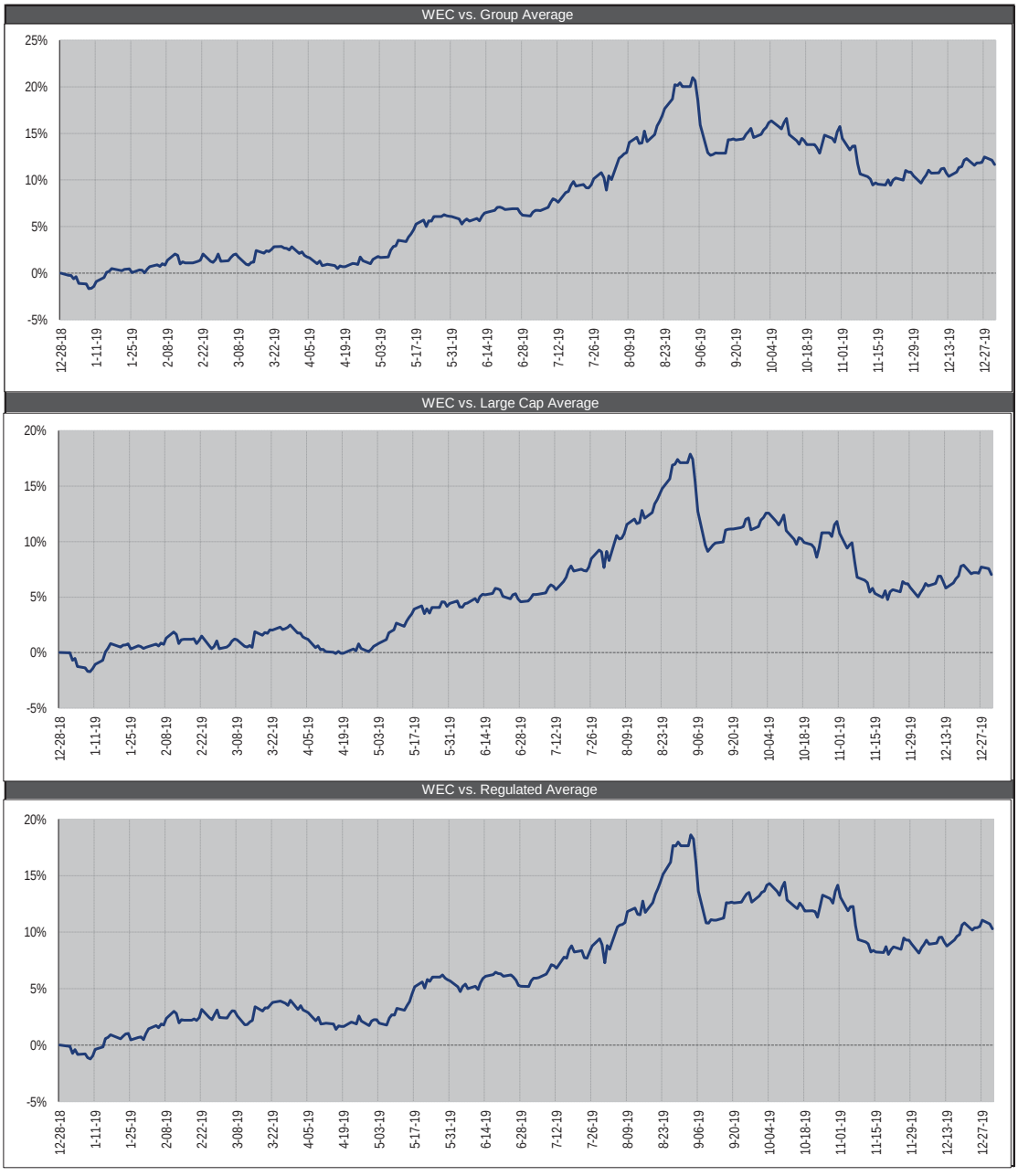

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WOLFE RESEARCH

Aqua America (WTR) $46.94, NR

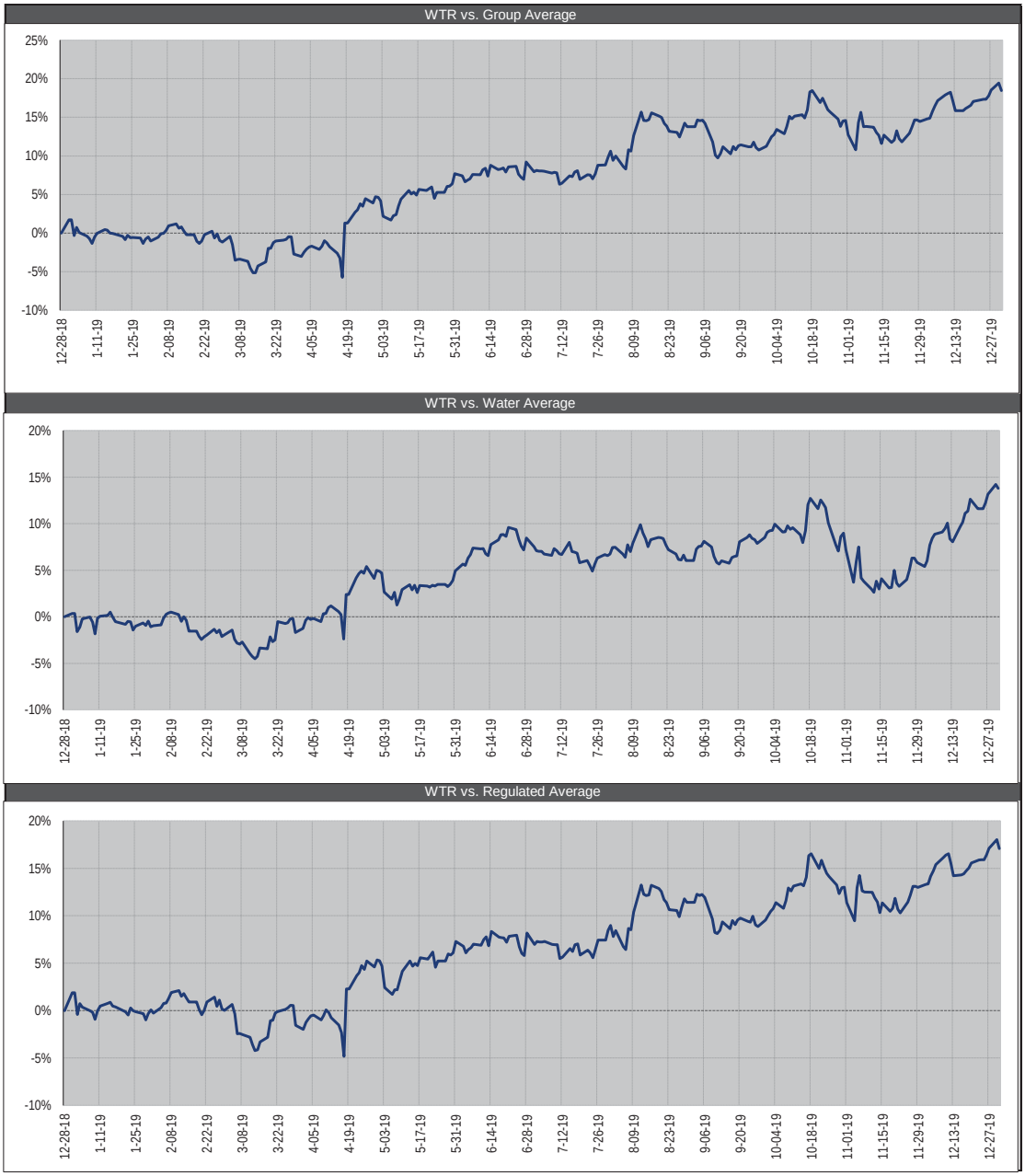

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WOLFE RESEARCH

Xcel Energy (XEL) $63.49, Peer Perform, $65 PT

XEL finished in-line with the regulated average and its large-cap peers in December. XEL received somewhat of a disappointing final order in its CO rate case – the 50bps decrease in ROE was more than expected, but the test-year was an improvement from what historically had been awarded. On the year, XEL outperformed most of its regulated peers largely due to the high-quality trade seen across the sector.

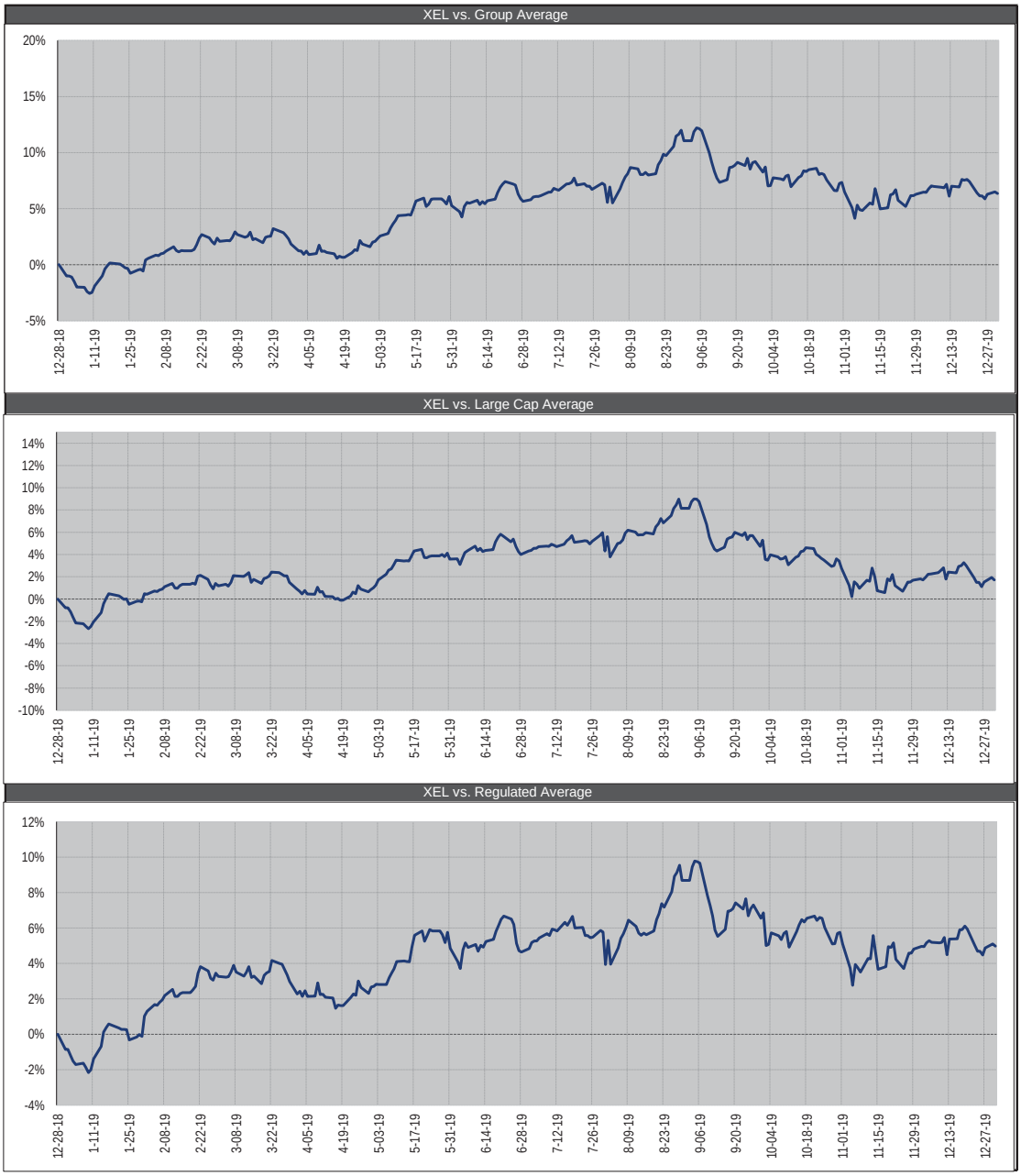

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Comparable Tables

Exhibit 3: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2019E	P/E 2020E	P/E 2021E	P/E 2022E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$54.72	245	$13,386	23.8x	22.8x	21.4x	20.4x	2.6%	6.0%	59%	2.8x	44%
Ameren	AEE	76.80	246	18,895	23.6x	22.3x	20.6x	19.4x	2.6%	4.0%	57%	2.4x	46%
American Electric	AEP	94.51	494	46,683	22.5x	21.4x	20.2x	19.0x	3.0%	6.0%	63%	2.4x	41%
Avangrid	AGR	51.16	309	15,809	22.6x	20.5x	19.0x	17.7x	3.4%	2.5%	70%	1.0x	67%
CMS Energy	CMS	62.84	284	17,837	25.1x	23.5x	22.0x	20.5x	2.4%	7.0%	57%	3.7x	27%
Con Edison	ED	90.47	332	30,075	21.0x	20.0x	19.2x	18.6x	3.3%	3.5%	65%	1.7x	47%
Duke Energy	DUK	91.21	733	66,837	18.1x	17.6x	16.9x	16.2x	4.1%	2.5%	73%	1.5x	44%
Edison International	EIX	75.41	359	27,042	15.7x	17.0x	16.0x	15.0x	3.4%	3.0%	58%	2.1x	42%
Entergy	ETR	119.80	199	23,852	22.4x	21.4x	20.1x	19.0x	3.1%	3.0%	66%	2.4x	35%
Evergy	EVRG	65.09	228	14,834	22.9x	21.1x	20.0x	19.2x	3.1%	7.0%	66%	1.7x	47%
Eversource Energy	ES	85.07	324	27,542	24.7x	23.1x	22.1x	20.9x	2.5%	6.0%	58%	2.3x	44%
FirstEnergy	FE	48.60	540	26,259	19.1x	19.6x	18.4x	17.7x	3.1%	6.0%	61%	3.6x	26%
Fortis*	FTS	53.88	458	24,661	21.7x	20.7x	19.1x	17.9x	3.5%	6.0%	73%	1.5x	42%
NiSource	NI	27.84	374	10,399	21.6x	20.3x	19.2x	18.0x	2.9%	2.5%	58%	1.9x	40%
PG&E	PCG	10.87	529	5,753	2.8x	11.8x	11.4x	N/A	0.0%	0.0%	0%	0.3x	84%
Pinnacle West	PNW	89.93	112	10,109	19.2x	18.4x	17.4x	16.6x	3.5%	6.0%	64%	1.8x	50%
Portland General	POR	55.79	89	4,986	23.3x	21.6x	20.1x	19.4x	2.8%	6.5%	59%	1.9x	51%
PPL Corp.	PPL	35.88	723	25,942	14.8x	14.1x	14.4x	N/A	4.6%	1.5%	65%	2.2x	34%
Southern Company	SO	63.70	1,049	66,804	20.5x	19.9x	19.1x	17.7x	3.9%	3.4%	78%	2.4x	39%
WEC Energy Group	WEC	92.23	315	29,093	26.2x	24.7x	23.2x	21.7x	2.6%	7.0%	63%	2.9x	45%
Xcel Energy	XEL	63.49	524	33,293	24.2x	22.8x	21.5x	20.3x	2.6%	6.0%	58%	2.5x	44%
Average					**20.7x**	**20.2x**	**19.1x**	**18.7x**	**3.0%**	**4.5%**	**61%**	**2.1x**	**45%**
Average (ex EIX, PCG, PPL)					**22.4x**	**21.2x**	**20.0x**	**18.9x**	**3.1%**	**5.0%**	**64%**	**2.3x**	**43%**

Source: Wolfe Utilities & Power Research

Exhibit 4: Gas Power Infrastructure Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2019E	P/E 2020E	P/E 2021E	P/E 2022E	Div Yield	Div Growth	Payout Ratio
The AES Corporation	AES	$19.90	664	$13,211	14.8x	14.0x	12.8x	11.8x	2.7%	5.0%	41%
CenterPoint	CNP	27.27	502	13,696	16.1x	16.7x	16.5x	15.5x	4.2%	1.5%	68%
Dominion	D	82.82	823	68,169	19.6x	18.8x	17.9x	17.1x	4.4%	2.5%	87%
DTE Energy	DTE	129.87	192	24,949	20.9x	19.7x	18.6x	17.4x	3.1%	7.0%	65%
NextEra	NEE	242.16	489	118,362	28.9x	26.8x	24.7x	23.1x	2.1%	13.0%	60%
OGE Energy	OGE	44.47	200	8,902	19.8x	19.5x	18.6x	17.9x	3.5%	6.0%	69%
Sempra	SRE	151.48	282	42,702	23.7x	21.1x	19.3x	18.2x	2.6%	8.0%	61%
Average					**21.5x**	**20.4x**	**19.3x**	**18.2x**	**3.3%**	**7.8%**	**68%**

Source: Wolfe Utilities & Power Research

Exhibit 5: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2019E	EV/EBITDA 2020E	EV/EBITDA 2021E	EV/EBITDA 2022E	Div Yield
Clearway Energy	CWEN	19.95	193	3,846	10.7x	9.5x	8.7x	N/A	4.0%
NextEra Energy Partners	NEP	52.65	156	8,213	9.9x	8.5x	9.3x	9.2x	3.9%
Atlantica Yield*	AY	26.39	102	2,681	8.9x	7.8x	7.4x	N/A	6.2%
Pattern Energy*	PEGI	26.76	98	2,628	13.8x	11.3x	11.0x	N/A	6.3%
TerraForm Power*	TERP	15.39	227	3,494	12.4x	11.3x	11.1x	N/A	5.2%
Average					**10.9x**	**8.5x**	**9.3x**	**9.2x**	**5.4%**

Source: Wolfe Utilities & Power Research
*Not covered by Wolfe Research, estimates based on consensus

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Exhibit 6: Integrated Comparables

Company		Current	Current	Mkt Cap	P/E				Implied Genco EV / EBITDA				Div	Div	Payout
Name	Ticker	Price	Shares	($M)	2019E	2020E	2021E	2022E	2019E	2020E	2021E	2022E	Yield	Growth	Ratio
Exelon	EXC	45.59	972	44,318	14.6x	14.8x	15.2x	14.6x	5.2x	5.5x	5.1x	5.0x	3.2%	5.0%	46%
PSEG	PEG	59.05	506	29,863	18.2x	17.1x	16.9x	17.0x	6.1x	5.9x	5.9x	6.5x	3.2%	4.2%	58%
Average					**16.4x**	**15.9x**	**16.1x**	**15.8x**	**5.6x**	**5.7x**	**5.5x**	**5.8x**	**3.2%**	**4.5%**	**52%**

Source: Wolfe Utilities & Power Research

Exhibit 7: IPP Comparables

Company		Current	Current	Mkt Cap	EV/EBITDA				Free Cash Flow Yield			
Name	Ticker	Price	Shares	($M)	2019E	2020E	2021E	2022E	2019E	2020E	2021E	2022E
NRG Energy	NRG	39.75	252	10,001	8.0x	7.6x	7.7x	7.1x	11.8%	14.7%	16.3%	17.6%
Vistra Energy	VST	22.99	487	11,205	6.9x	5.8x	5.7x	5.5x	18.3%	19.6%	20.0%	21.2%
Average					**7.4x**	**6.7x**	**6.7x**	**6.3x**	**15.1%**	**17.2%**	**18.1%**	**19.4%**

Source: Wolfe Utilities & Power Research

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Group Classifications

Group:
AEE AEP AES ALE AVA CMS CNP CWEN D DTE DUK ED EIX
ES ETR EVRG EXC FE FTS HE IDA LNT NEE NI NRG NWE OGE
PCG PEG PNM PNW POR PPL SO SRE WEC XEL

Large Cap:
AEP D DTE DUK ED EIX ES ETR EXC FE NEE PCG PEG PPL SO SRE
WEC XEL

Mid Cap:
AEE CMS CNP EVRG LNT NI PNW SCG OGE

Small Cap:
ALE AVA EE HE IDA NWE PNM POR

Regulated:
AEE AEP ALE AVA CMS DUK ED EIX ES ETR EVRG FE FTS HE IDA
LNT NI NWE PCG PNM PNW POR PPL SCG SO WEC XEL

Gas/Power Infrastructure:
AES D DTE NEE OGE SRE

Integrated:
EXC PEG

IPPs:
NRG VST

YieldCos:
AY NEP CWEN PEGI TERP

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Peer Perform:	43%	2% Investment Banking Clients
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6 May 2020

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NiSource, Inc.

NI: Too Soon To Tell

Stock Rating/Industry View: Equal Weight/Neutral
Price Target: USD 28.00
Price (05-May-2020): USD 24.53
Potential Upside/Downside: 14%
Tickers: NI

NI reported Q1 earnings and did not reinstate 2020 or 2021 guidance that was pulled at the time of the Columbia Gas of Massachusetts sale announcement. We reiterate our Equal Weight position and $28 price target given the magnitude of the uncertainty that lies ahead.

- NI reported Q1 adj EPS of $0.76, slightly below consensus of $0.81.

- NI expects to initiate 2021 guidance and restate the 5-7% LT growth rate for EPS and dividend growth at the close of the Columbia Gas of MA sale. The sale is expected to be complete by the end of Q3, but some delays are possible due to COVID-19 working arrangements. To date, management sees no risk to LT growth drivers, but noted that given COVID-19 impact, it is too

early to restate the expectation that 2021 will be flat or above original 2020 guidance.

- Management states that Q1 results do not reflect a meaningful COVID-19 impact on load, and April trends are still being calculated. Management does expect to see some impact to load and bad debt, but notes that Q2 is a shoulder period. Historically, ~85% of annual EPS comes from Q1 and Q4 (~60% in Q1).

- NI reduced the 2020 capex plan by $100 million (now $1.7-$1.8 billion) in order to shore up cash flow due to the near term impact of COVID-19. The $100 million will be deferred, but it is too soon to tell in what year that will come back into plans.

- On ESG, NI sets a target of 90% GHG emission reduction (below 2005 levels) by 2030. As of 2020, NI emissions are 48% below 2005 levels. Further emissions reduction will come from the complete retirement of the coal generation portfolio by 2028. About 50% of replacement power will be owned through JV structures, with the rest through PPAs. Replacement power for the 2023 RM Schahfer Generating Station retirement could provide incremental capex opportunities in 2022 and 2023. NIPSCO will begin replacement power filings in 2020 and 2021.

- Currently, VA and MD have orders to defer COVID-19 related expenses, including bad debt, for later recovery.

- Negotiations with bidders in the IN RFP are expected to wrap up in late summer or around the date of Q2 earnings. There will be a mix of PPAs and JV tax equity structures.

- Management believes current $1.3 billion liquidity position will be sufficient for the next 12-24 months with limited additional capital market needs.

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6 May 2020
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NiSource Inc.

1Q20 In-line, Capex Reduced

NI

Target price (12M, US$)
27.00
Outperform

Natural Gas | Research Bulletin

- **Reported 1Q20 in-Line at $0.76 vs CS** $0.77, below cons $0.81, (below 1Q19 $0.82), due mostly to unfavorable mild weather. Minimal impact from COVID19 in Q1. Recall that 2020 guidance of $1.36-$1.40 was pulled in 4Q19 given the pending sale of Columbia Gas of Mass. We estimate that the Mass utility earns ~$0.08 EPS and view the sale as slightly EPS accretive to prior 2021 expectations (including a few pennies improvement in Mass) when including the elimination of a planned block equity sale this year.
- **Capex Reduced.** The company **lowered its capital investment plan by $100M** to **$1.7-$1.8B** for 2020 to conserve cash in order to maintain liquidity.
- **COVID-19 impact to Load**. Management expects lower sales volumes from commercial and industrial customers, partially offset by a potential increase in residential sales volume. Increased bad debt expenses (although recent orders in MD, VA allow for deferring the COVID-related expenses and bad debt), and sustained customer attrition. The company's sensitivity analysis projects that a +/- 1% change in annual sales volumes will affect pre-tax operating earnings from electric residential and commercial customer classes by $3.9M each and industrial by $2.3M and gas residential customer class by $3.8M, commercial by $2.4M and industrial by $1.2M.
- **We previously reduced our 2020 estimate $0.02 to $1.32 vs consensus $1.34 for lower commercial/industrial load from COVID19 pandemic response**. Our 2021 and 2022 estimates are unchanged. Mostly a gas utility system, NI should be less affected from COVID19 load reduction in 2/3Q than its more electric peers.
- **Equity needs: No block equity needed in 2020, nor any going forward,** with unchanged plans for $200-$300M annual ATM and $35-$60M employee plan equity (no plans for use of convertible or hybrid financing). NI is targeting FFO/Debt ~14%-15%. Recall that on the 4Q19 call, prior guidance for $500-$700M block equity guidance for 2020 was pulled out after the announced sale of Columbia Gas of Mass to Eversource (ES). Incremental LT debt for 2020 is estimated to be $1,000M.
- **Current Debt Level is now $9.9B** (as of March 31st). Long term debt is unchanged at ~$7.7B. Weighted average maturity ~17 years and weighted average interest rate is 4.4% as of 3/31. **Net Available Liquidity unchanged at ~$1.3B** as of Mar 31st. Total debt/capitalization is now 63.2% vs 61.7% in 2019
- **NI is in a rare period now with no significant rate activity.** The next major rate filing will probably be in Pennsylvania as there was none in 2019 and this is typically an annual affair. The company received a final order in the Indiana electric ratecase with a 9.75% (vs prior 9.9%) and a new rate structure for industrial customers that allows the utility to manage market purchases in order to keep track of capacity requirements (reduces risk of stranded assets).
- **See our recent reports:** 5/5 1Q20 Earnings Preview, 2/28 Raise to Outperform on Sale of Mass, Elimination of Block Equity Plan, 1/17 2020 Earnings Preview, 2020 Outlook –

Price (5 May 20, US$)	24.53
52-week price range	30.56 - 20.86
Market cap (US$ m)	9,387.22
Enterprise value (US$ m)	18,381

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Companies Mentioned *(Price as of 04-May-2020)*
NiSource Inc. (NI.N, $24.4, OUTPERFORM, TP $27.0)

Disclosure Appendix

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Michael Weinstein, ERP, Maheep Mandloi and Andres Sheppard each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
12-May-17	24.30	25.00	U
27-Jun-17	25.88		*
14-Aug-17	26.64	29.00	O
02-Nov-17	26.94	30.00	
23-Jan-18	24.17	27.00	
06-May-18	25.41	28.00	
23-Jan-19	26.83	29.00	
21-Apr-19	27.56	30.00	
22-Jul-19	29.14	33.00	
07-Aug-19	27.63	29.00	N
21-Oct-19	28.05	30.00	
01-Nov-19	27.65	29.00	
17-Jan-20	29.04	30.00	
28-Feb-20	27.02	31.00	O

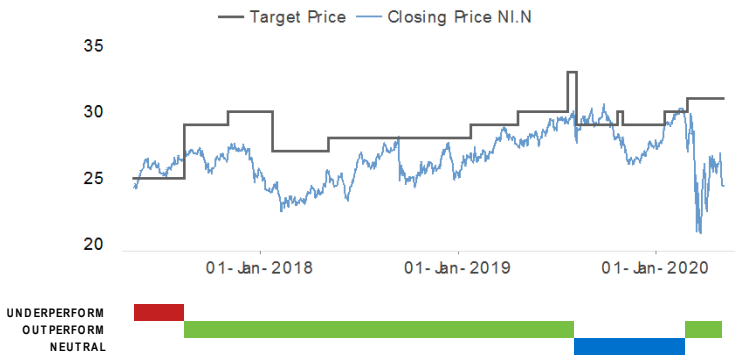

** Asterisk signifies initiation or assumption of coverage.*

As of December 10, 2012 Analysts' stock rating are defined as follows:
Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.
Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.
Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.
**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European (excluding Turkey) ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin America, Turkey and Asia (excluding Japan and Australia), stock ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark (India - S&P BSE Sensex Index); prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.*
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6 May 2020 | 8:19AM EDT

NiSource Inc. (NI): First Take: NI misses GS/consensus largely on weather, lowers 2020 capex due to COVID-19

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NiSource (NI, Buy) reported 1Q20 operating EPS of $0.76 below both GS/FactSet consensus at $0.84/$0.81. We attribute the bulk of the miss versus our estimate to unfavorable weather (16% warmer than normal). NI did not provide any update on 2020 EPS expectation; we note NI withdrew its 2020 guidance of $1.36-$1.40 last quarter given the pending MA gas utility sale to Eversource (ES). Our estimate of $1.30 compares to consensus of $1.34. Finally, the company lowered its 2020 capital investment plan by $100mn to increase liquidity in light of COVID-19. Per our recent note, we see potential near-term earnings pressure for NI given its commercial/industrial exposure for its electric utilities business.

Key takeaways from NI's release include:

- **1Q20 performance miss driven largely by weather-** NI's gas segment reported operating income of $391.6mn vs GS at $414.7mn while electric segment reported operating income of $80.0mn vs GS at $84.2mn. NI's Corp/Other segment reported operating income of ($8.9)mn vs GS at $6.7mn driven by unfavorable insurance reserve adjustments and unrealized losses on the cash surrender value of corporate owned life insurance investments.
- **The company lowered its capital investment plan by $100mn in the light of COVID-19** and now expects to make investments of $1.7 to $1.8 billion in 2020 compared to $1.8-$1.9bn previously disclosed in 4Q2019.
- **Equity issuance plan remains unchanged at $200-$300mn of ATM equity in 2020**. Our model currently assumes $1bn of block/ATM equity issuance in 2020. The company plans to issue around $1bn of long-term debt in 2020 compared to $500mn previously disclosed.
- **NI continues to expect its pending MA gas utility sale to close in Q3 2020** with proceeds anticipated to be used to pay down debt. We note the estimated range for third-party claims, fines, penalties, and settlements remain unchanged at ~$1.04bn-$1.07bn, as well as current insurance recoveries of $800mn through March 2020.
- **Recent orders in MD, VA allow for deferral of COVID-related expenses and bad debt.** Columbia Gas of Maryland and Columbia Gas of Virginia each received orders from their respective state regulatory commissions allowing the utilities to defer incremental COVID-related expenses and bad debt for recovery at a later

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date.

- **The 1Q20 presentation also mentions a possible delay in the Rosewater wind project (100MW)**, currently 2020 COD; we note this build-transfer joint venture is not expected to contribute to earnings for NI until the later years of the asset life, given terms of the ownership structure.

Key topics to monitor on NI's earnings call include (1) additional details on the potential magnitude of electric demand impact by customer class, (2) updates on the MA commission investigation regarding 2018 gas incident, (3) O&M growth expectations in 2020 and beyond, including the portion related to gas safety and COVID-10, and (4) updated view on incremental regulated investment opportunities, including potential upside from replacement generation opportunities in Indiana.

We derive our 12-month target price of $28 using a 20.0x blended P/E multiple on 2021E EPS. Key risks include (1) legal and regulatory risks, (2) system damages related to the 2018 MA natural gas incident, (3) higher than expected O&M, (4) electricity demand and customer growth, and (5) financing.

NI	12m Price Target: **$28.00**	Price: **$24.53**	Upside: **14.1%**

Buy

Market cap: $8.0bn
Enterprise value: $18.5bn
3m ADTV: $104.9mn
United States
America-Regulated Utilities
M&A Rank: 3

GS Forecast

	12/19	12/20E	12/21E	12/22E
Revenue ($ mn)	5,208.9	5,312.7	5,590.0	5,823.4
EBITDA ($ mn)	1,608.1	1,848.6	2,017.3	2,178.0
EBIT ($ mn)	890.7	1,084.3	1,191.0	1,289.6
EPS ($)	1.32	1.30	1.39	1.50
P/E (X)	21.3	18.9	17.7	16.4
EV/EBITDA (X)	13.0	10.8	10.7	10.3
FCF yield (%)	(2.1)	(7.7)	(5.0)	(3.6)
Dividend yield (%)	2.9	3.4	3.7	3.9
Net debt/EBITDA (X)	5.9	5.2	5.1	5.0

	12/19	3/20E	6/20E	9/20E
EPS ($)	0.45	0.84	0.04	0.03

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 5 May 2020 close.

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NiSource Inc. (NI)

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May 6, 2020

Key Takeaway

NI adj 1Q EPS of 76¢ missed our 82¢ forecast & the 80¢ Street mean est.; the miss was driven by weakness in all divisions as Gas posted below-forecast Op Margin, Electric encountered higher than expected costs, and Corp. faced unrealized COLI value decline (unquantified). NI trimmed 2020 capex $100mm, to $1.7B, and expects COVID-19 to result in lower sales, higher bad debt, and sustained customer attrition; the sale of Bay State Gas remains on-track for 3Q.

1Q results. Respective 1Q Adj. EPS & EBITDA of 76¢ and $652mm missed our 82¢ and $699mm forecasts due to a combination of weaker margins (Gas), higher operating costs (Electric) and unfavorable insurance reserves & COLI value declines (Corp.). OCF of $370mm was ~$100mm short of our projection due entirely to a larger WC draw and, with higher period capex ($452mm vs. $370mm JEFe), 1Q net debt was ~$200mm above our forecast. Gas & Electric customer counts grew 0.8% & 0.9% y/y, respectively, though warmer weather and early COVID impacts prompted ~8.3% & 3.5% y/y declines in sales volumes; NI's non-GAAP results adjust for non-normal weather.

Financing & Liquidity. To bolster its financial flexibility, NI announced a $100mm reduction in 2020 capex, to $1.7-$1.8B, and, in April issued $1.0B of 3.6% senior notes due 2030; net proceeds from the debt raise will be used for capital investments, additions to working capital, and to repay existing debt. In addition, NI refinanced its $850mm term loan agreement with a new maturity date of March 31st, 2021; proceeds from the sale of CG of MA later this year are expected to repay the term loan. NI remains committed to its IG credit rating, had ~$1.3B of liquidity at period-end ($1.1B in available capacity & $200mm in cash) and exited 1Q with total debt/capital of 63.2%; currently just ~$64mm of long-term debt maturities exist in 2020-21. Mgmt still anticipates $235-$360mm of 2020 equity through its ATM, ESPP, and 401K programs and continues to target long-term AFFO/Debt of 14-15%.

Regulatory update. In April, CPA filed a base rate increase requesting a $100.4mm annual revenue increase to modernize & fortify the safety of its system; new rates are expected in Jan. 2021. Also in April, the PUCO approved COH's annual IRP tracker adjustment, allowing the company to begin recovery of ~$234mm of infrastructure investments made in 2019; rates are effective this month. COH also filed its latest annual adjustment to its CEP rider which seeks to begin recovery of ~$185mm in capital invested in 2019; an order is expected in Aug. 2020. Separately, construction is underway on both the Rosewater and Jordan Creek wind projects, which are expected to be in-service by YE, however, mgmt flagged that Rosewater could experience delays due to COVID-19.

COVID-19 impacts. NI anticipates lower sales volumes (commercial & industrial), higher bad debt expense, and sustained customer attrition due to COVID-19. Bad debt is primarily covered in base rates and additional mechanisms exist in several states on gas/fuel recovery; recent orders in MD & VA allow deferral of COVID-related expenses & bad debt.

Exhibit 1 offers greater detail on 1Q performance.

FLASH NOTE

USA | Utilities

RATING	**HOLD**
TICKER	**NI**
PRICE	**$24.53^**
PRICE TARGET (PT)	**$28.00**
MARKET CAP	**$9.4B**

^Prior trading day's closing price unless otherwise noted.

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Exhibit 1 - NI 1Q20 Results Review

Operating Income by Division	Actual 1Q20A	Jefferies Expectations 1Q20E		Year-over-Year 1Q19A	
Gas Distribution	$391.6	$416.1	-5.9%	$394.4	-0.7%
Electric Operations	$80.0	$94.8	-15.6%	$95.2	-16.0%
Corporate, Other, and Eliminations	($8.9)	$0.9	NM	$7.5	NM
Total Operating Income	**$462.7**	**$511.7**	**-9.6%**	**$497.1**	**-6.9%**
Depreciation	($184.3)	($184.1)	0.1%	($175.1)	5.3%
Other Income / (Expenses)	$5.4	$3.5	52.8%	($0.7)	-871.4%
Interest Expense	($92.9)	($98.1)	-5.3%	($95.6)	-2.8%
Income Tax Benefit (Expense)	($70.5)	($87.2)	-19.1%	($79.3)	-11.1%
Preferred Dividend	($13.8)	($13.8)	0.2%	$0.0	NM
Recurring Net Income	**$290.9**	**$316.2**	**-8.0%**	**$307.7**	**-5.5%**
Avg Diluted Shares Outstanding	384.1	383.5	0.2%	374.7	2.5%
EPS (Non-GAAP, Diluted)	**$0.76**	**$0.82**	**-8.2%**	**$0.82**	**-7.8%**
EBITDA ($MM)	**$652**	**$699**	**-6.7%**	**$672**	**-2.8%**
Capex & Affiliate Investments ($MM)	**$452**	**$370**	**22.3%**	**$354**	**27.8%**

Source: NI reports, Jefferies estimates; Note: Non-GAAP results normalize for weather and exclude Greater Lawrence Incident costs and asset sale gains/losses.

Company Description

NiSource Inc.

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4mm US customers. The Company operates two business segments: Gas Distribution and Electric. The Gas Distribution operations provide natural gas service and transportation to ~3.5mm residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Electric Operations segment provides electric service to ~472,000 customers across 20 counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Company Valuation/Risks

NiSource Inc.

Our $28 PT and Hold recommendation are derived via Target P/E, Target Yield, DCF, and DDM approaches. Unexpected regulatory outcomes, deviations in customer growth, and project execution present risks to our estimates & PT.

Analyst Certification:

I, Christopher Sighinolfi, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Vikram Bagri, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Ryan Conlin, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	May 6, 2020 , 09:27 ET.
Recommendation Distributed	May 6, 2020 , 09:27 ET.

Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

J.P.Morgan

North America Equity Research
06 May 2020

NiSource Inc.

1Q20 Earnings Miss Estimates; Early COVID-19 Impacts in Focus with Lower Capex

Overweight

NI, NI US
Price: $24.53
05 May 2020

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- **1Q20 EPS misses JPMe/Street.** NiSource's 1Q20 operating EPS of $0.76 missed the $0.83/$0.81 JPM/Street median estimates. Gas Distribution Operation operating earnings remained approximately flat YoY while Electric Operation declined due to lower industrial revenue from a new service structure and lower industrial use. Corporate and Other Operations earnings also declined YoY due to unfavorable insurance reserve adjustments and unrealized losses on the cash surrender value of corporate-owned life insurance investments.

- **2020 capex lowered $100MM in early response to COVID-19.** NI now anticipates 2020 capital investments to total $1.7-1.8Bn, down $100MM from the company's prior plan, as part of initial steps taken in response to COVID-19 impacts. While decreased C&I sales, increased bad debt expense, and customer attrition are all expected to impact 2020 results, we note that NI withdrew its 2020 guidance on 4Q following the announcement of its Columbia Gas of Massachusetts sale. NI's 2021+ outlook remains in focus, and we expect particular attention on management commentary around changes to expectations due to COVID-19, including from capital plan revisions. 2020 planned equity financing since 4Q is unchanged, with expected incremental LT debt revised +$500MM to $1Bn.

- **Conference call details.** NiSource will host a conference call to discuss 1Q20 earnings on Wednesday, May 6, at 9:00 AM EDT. Dial-in: 833-714-0869; PIN: 6268986.

Table 1: NI 1Q20 Results

Income Statement:	Actual 1Q19	Actual 1Q20	JPM 1Q20E	% Chg Y/Y	% Chg vs JPMe
Operating Earnings	497	463	528	-7%	-12%
Net Income	308	291	318	-5%	-8%
Share Count	373	383	384	3%	0%
Operating EPS	**$0.82**	**$0.76**	**$0.83**	**-8%**	**-8%**

Source: Company reports and J.P. Morgan estimates.

See page 2 for analyst certification and important disclosures.
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NiSource Inc. (NI, NI US) Price Chart

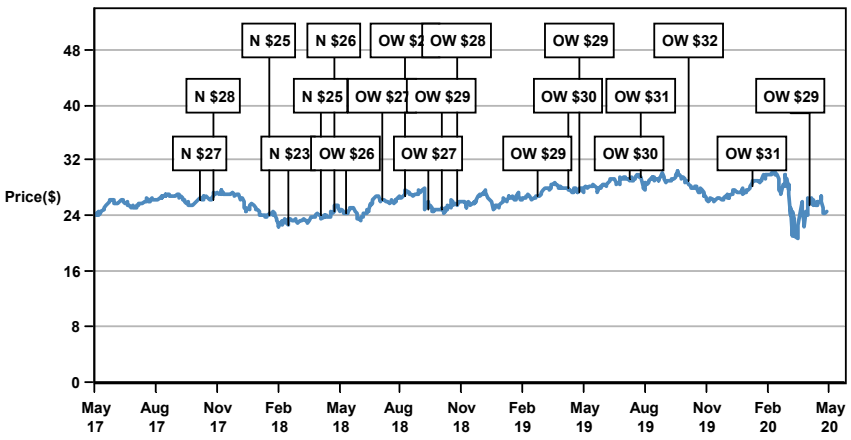

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
12-Oct-17	N	26.42	27
01-Nov-17	N	26.37	28
24-Jan-18	N	24.17	25
22-Feb-18	N	22.80	23
10-Apr-18	N	24.15	25
02-May-18	N	24.52	26
17-May-18	OW	24.40	26
11-Jul-18	OW	26.24	27
15-Aug-18	OW	26.96	28
17-Sep-18	OW	24.79	27
09-Oct-18	OW	25.05	29
01-Nov-18	OW	25.36	28
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31
09-Apr-20	OW	25.47	29

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
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J.P. Morgan Global Equity Research Coverage	46%	40%	14%
IB clients*	52%	49%	37%
JPMS Equity Research Coverage	44%	42%	14%
IB clients*	75%	68%	57%

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UBS | Global Research | 6 May 2020

First Read

NiSource Inc.

1Q20 EPS Miss; Capex Reduced by $100MM

Sensitivity to Changes in Sales Volumes; Liquidity for the Next 12-24 Months

NI reported 1Q20 EPS miss and noted only minimal impact from COVID-19 on 1Q. Notably, NI reduced its 2020 capex guidance by $100MM to $1.7-$1.8B, with the new midpoint of $1.75B below UBSe of $1.8B. NI hasn't provided 2020 EPS guidance but noted that due to COVID-19, management expects lower sales volumes to C&I customers (potential for an increase in residential sales), increase in bad debt expenses and sustained customer attrition. On slide 14, NI provided detailed analysis of the sensitivity to changes in sales volumes by customer type and highlighted fixed % of rates for both gas and electric customers. We see limited impact to gas utility earnings; however, if the COVID-19 lockdown continues into summer months it could impact electric utility as C&I customers represent ~60% of the customer mix. +/-1% change in annual sales to residential/commercial/industrial customers could drive change in op earnings of $3.9MM/$3.9MM/$2.3MM. Roughly 55% of large industrial customer margin is based on fixed rate which we view as a positive. At the end of 1Q20 NI had $1.3B of liquidity and on April 1st NI issued $1B of notes maturing in 2030 and refinanced $850MM of term loan maturing in 2021 which added incremental liquidity. NI estimates that it has liquidity for 12-24 months of operations with limited capital market needs which we view as a positive. Additionally, the sale of Columbia Gas of MA is on track for closing in 3Q20. Overall, we expect investors will remain cautious ahead of summer due to the risk of impact from COVID-19 on 2Q-3Q20.

Results: 1Q20 EPS Below UBSe/Consensus

NI reported 1Q20 EPS of $0.76 below UBSe of $0.82 and Consensus of $0.81. Gas distribution segment op. income was 3.4% below UBSe and Electric Operations segment op. income was 15% below UBSe due to the $12.5MM revenue decline related to the new industrial service structure approved in the last rate case.

Lowering Estimates

To reflect 1Q20 results and lower 2020 capex, we are lowering our 2020/2021 EPS estimates by 3%/2% to $1.27/$1.35, respectively.

Valuation:

We maintain Neutral rating and $27 PT.

Equities

Americas
Gas Utilities

12-month rating	**Neutral**
12m price target	**US$27.00**
Price (05 May 2020)	**US$24.53**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$30.56-20.86
Market cap.	US$9.25bn
Shares o/s	377m (COM)
Free float	99%
Avg. daily volume ('000)	1,202
Avg. daily value (m)	US$31.5
Common s/h equity (12/20E)	US$5.09bn
P/BV (12/20E)	1.9x
Net debt / EBITDA (12/20E)	5.6x

EPS (UBS, diluted) (US$)

	12/20E			
	From	To	% ch	Cons.
Q1E	0.82	0.76	-8	0.80
Q2E	0.06	0.08	34	0.14
Q3E	0.01	0.03	NM	0.04
Q4E	0.41	0.40	-1	0.37
12/20E	1.31	1.27	-3	1.33
12/21E	1.38	1.35	-2	1.41
12/22E	1.45	1.43	-2	1.51

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Highlights (US$m)	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E	12/24E
Revenues	4,905	5,095	5,184	5,084	5,295	5,487	5,685	5,901
EBIT (UBS)	964	942	1,047	1,054	1,099	1,179	1,262	1,356
Net earnings (UBS)	398	463	495	493	538	583	629	685
EPS (UBS, diluted) (US$)	1.21	1.30	1.32	1.27	1.35	1.43	1.51	1.62
DPS (US$)	0.72	0.79	0.84	0.89	0.95	1.01	1.07	1.13
Net (debt) / cash	(8,973)	(9,891)	(10,374)	(9,955)	(10,581)	(11,262)	(11,945)	(12,571)

Profitability/valuation	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E	12/24E
EBIT margin %	19.7	18.5	20.2	20.7	20.8	21.5	22.2	23.0
ROIC (EBIT) %	8.6	7.7	7.9	7.8	7.9	7.9	7.8	7.8
EV/EBITDA (core) x	9.8	10.6	10.6	9.9	9.6	9.4	8.8	8.3
P/E (UBS, diluted) x	20.9	19.4	21.2	19.2	18.2	17.2	16.2	15.2
Equity FCF (UBS) yield %	(11.6)	(14.5)	(1.6)	(5.7)	(10.7)	(149.5)	(3833.9)	(101883.5)
Net dividend yield %	2.9	3.1	3.0	3.6	3.9	4.1	4.3	4.6

Source: Company accounts, Thomson Reuters, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Valuations: based on an average share price that year, (E): based on a share price of US$24.53 on 05 May 2020 19:34 EDT

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Figure 1: 1Q20 Results vs UBS estimates

$ in millions	Actual 1Q20	UBSe 1Q20e	% variance	Actual 1Q19	YoY % change
Financial Data					
Revenues	$1,631.8	$1,887.7	*(13.6%)*	$1,858.9	*(12.2%)*
Cost of Sales	($462.4)	($678.7)	*(31.9%)*	($680.3)	*(32.0%)*
Operating & Maintenance Expenses	($436.5)	($432.6)	*0.9%*	($418.8)	*4.2%*
Depreciation & Amortization	($184.3)	($185.5)	*(0.7%)*	($175.1)	*5.3%*
Total Expenses	($706.7)	($707.4)	*(0.1%)*	($681.5)	*3.7%*
Interest Expense	($92.9)	($96.0)	*(3.2%)*	($95.6)	*(2.8%)*
Net Income	$290.9	$312.7	*(7.0%)*	$307.7	*(5.5%)*
EPS	$0.76	$0.82	*(8.1%)*	$0.82	*(7.8%)*
Diluted Shares Outstanding	$383.1	$379.3	*1.0%*	$373.4	*2.6%*
Dividend Per Share	$0.220	$0.220	*0.0%*	$0.205	*7.3%*
Segment Operating Income					
Gas Distribution	$391.6	$405.4	*(3.4%)*	$397.7	*(1.5%)*
Electric Operations	$80.0	$94.5	*(15.3%)*	$95.4	*(16.1%)*
Total	$462.7	$501.6	*(7.8%)*	$497.1	*(6.9%)*
Operating Data					
Customers (000)					
Gas Utilities Customers	3,522.8	3,526.7	*(0.1%)*	3,494.7	*0.8%*
Electric Customers	476.5	474.8	*0.4%*	472.5	*0.9%*

Source: UBS estimates, Company Reports

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Figure 2: NI Summary Model

NiSource Inc (NI)												
($ in Millions)	2017	2018	2019	1Q20e	2Q20e	3Q20e	4Q20e	2020e	2021e	2022e	2023e	2024e
Operating Data												
Customers (000)												
Gas Utilities Customers	3,455	3,482	3,510	3,523	3,498	3,483	3,542	3,542	3,575	3,608	3,641	3,674
Electric Customers	469	472	476	477	475	476	478	478	480	483	485	488
Income Statement												
Revenues	**$ 4,904.8**	**$ 5,095.1**	**$ 5,184.1**	**$ 1,631.8**	**$ 1,062.4**	**$ 971.3**	**$ 1,418.5**	**$ 5,084.1**	**$ 5,294.9**	**$ 5,487.2**	**$ 5,685.5**	**$ 5,901.4**
Operating costs & expenses												
(Cost of Sales)	$ (1,518.7)	$ (1,759.5)	$ (1,534.8)	$ (462.4)	$ (280.4)	$ (213.9)	$ (414.1)	$ (1,370.8)	$ (1,443.9)	$ (1,493.9)	$ (1,545.3)	$ (1,601.3)
(Operating & Maintenance Expenses)	$ (1,589.2)	$ (1,963.4)	$ (1,588.3)	$ (436.5)	$ (383.6)	$ (374.3)	$ (412.7)	$ (1,607.1)	$ (1,618.1)	$ (1,637.4)	$ (1,656.3)	$ (1,674.9)
(Depreciation & Amortization)	$ (570.3)	$ (596.6)	$ (717.4)	$ (184.3)	$ (182.3)	$ (183.9)	$ (183.8)	$ (734.3)	$ (758.2)	$ (791.0)	$ (825.2)	$ (861.0)
Gain on the Sale of Assets	$ (5.5)	$ (0.7)	$ -	$ -	$ -	$ -	$ (17.8)	$ (17.8)	$ (65.7)	$ (65.7)	$ (65.7)	$ (65.7)
(Other Taxes)	$ (257.2)	$ (275.0)	$ (296.8)	$ (85.9)	$ (67.9)	$ (69.7)	$ (77.0)	$ (300.5)	$ (310.2)	$ (320.7)	$ (331.2)	$ (342.7)
Equity Earnings in Unconsolidated Affiliates	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ (2,422.2)**	**$ (2,835.7)**	**$ (2,602.5)**	**$ (706.7)**	**$ (633.8)**	**$ (627.9)**	**$ (691.3)**	**$ (2,659.7)**	**$ (2,752.2)**	**$ (2,814.7)**	**$ (2,878.3)**	**$ (2,944.2)**
Operating Income By Division												
Gas Distribution	$ 586.9	$ 564.6	$ 632.0	$ 391.6	$ 64.0	$ (5.7)	$ 219.4	$ 669.4	$ 690.9	$ 750.4	$ 809.0	$ 875.3
Transmission & Storage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Electric Operations	$ 376.6	$ 381.2	$ 401.5	$ 80.0	$ 87.0	$ 138.1	$ 84.9	$ 390.0	$ 420.2	$ 446.5	$ 476.5	$ 509.4
Corporate & Eliminations	$ 0.4	$ (3.9)	$ 13.3	$ (8.9)	$ (2.8)	$ (3.0)	$ 8.9	$ (5.8)	$ (12.3)	$ (18.2)	$ (23.7)	$ (28.7)
Total Operating Income	**$ 963.9**	**$ 941.9**	**$ 1,046.8**	**$ 462.7**	**$ 148.2**	**$ 129.4**	**$ 313.2**	**$ 1,053.6**	**$ 1,098.8**	**$ 1,178.6**	**$ 1,261.8**	**$ 1,356.0**
EBITDA	**$ 1,534.2**	**$ 1,538.5**	**$ 1,764.2**	**$ 647.0**	**$ 330.6**	**$ 313.4**	**$ 497.0**	**$ 1,787.9**	**$ 1,857.0**	**$ 1,969.6**	**$ 2,087.0**	**$ 2,216.9**
Other expenses												
Interest Expense	$ (353.2)	$ (353.3)	$ (378.9)	$ (92.9)	$ (94.1)	$ (101.5)	$ (99.0)	$ (387.4)	$ (361.2)	$ (384.1)	$ (410.0)	$ (435.1)
Other Expense (Income)	$ (2.8)	$ (96.5)	$ (5.2)	$ 5.4	$ -	$ -	$ (3.0)	$ 2.4	$ (10.0)	$ (10.0)	$ (10.0)	$ (10.0)
Total Other Expenses	**$ (356.0)**	**$ (449.8)**	**$ (384.1)**	**$ (87.5)**	**$ (94.1)**	**$ (101.5)**	**$ (102.0)**	**$ (385.0)**	**$ (371.2)**	**$ (394.1)**	**$ (420.0)**	**$ (445.1)**
Income from Before Income Taxes	**$ 607.9**	**$ 477.1**	**$ 607.6**	**$ 361.4**	**$ 40.4**	**$ 14.2**	**$ 197.4**	**$ 613.4**	**$ 672.5**	**$ 729.4**	**$ 786.7**	**$ 855.7**
Income Taxes	$ (210.4)	$ (13.8)	$ (112.9)	$ (70.5)	$ (8.1)	$ (2.8)	$ (39.5)	$ (120.9)	$ (134.5)	$ (145.9)	$ (157.3)	$ (171.1)
Effective Tax Rate	34.6%	2.9%	18.6%	19.5%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Net income	**$ 397.5**	**$ 463.3**	**$ 494.7**	**$ 290.9**	**$ 32.3**	**$ 11.4**	**$ 157.9**	**$ 492.5**	**$ 538.0**	**$ 583.5**	**$ 629.4**	**$ 684.6**
Diluted Weighted Avg Number of Common U	$ 329.4	$ 356.4	$ 374.7	$ 383.1	$ 383.1	$ 383.1	$ 392.5	$ 385.5	$ 398.5	$ 407.2	$ 415.1	$ 422.6
EPS	**$ 1.21**	**$ 1.30**	**$ 1.32**	**$ 0.76**	**$ 0.08**	**$ 0.03**	**$ 0.40**	**$ 1.27**	**$ 1.35**	**$ 1.43**	**$ 1.51**	**$ 1.62**
Balance Sheet Summary												
Assets												
Cash and Cash Equivalents	$ 29.0	$ 121.1	$ 148.4	$ 213.0	$ 766.9	$ 178.2	$ 191.9	$ 191.9	$ 156.7	$ 211.8	$ 266.9	$ 322.0
Property, Plant and Equipment	$ 14,359.5	$ 15,542.5	$ 16,912.2	$ 15,587.2	$ 15,837.5	$ 16,086.2	$ 15,235.1	$ 15,235.1	$ 16,326.9	$ 17,485.9	$ 18,660.8	$ 19,799.8
Investment in affiliates	$ 82.0	$ 86.5	$ 163.7	$ 160.2	$ 160.2	$ 160.2	$ 160.2	$ 160.2	$ 160.2	$ 160.2	$ 160.2	$ 160.2
Total Assets	**$ 19,961.7**	**$ 21,804.0**	**$ 22,659.8**	**$ 22,592.7**	**$ 23,396.9**	**$ 23,056.9**	**$ 22,219.5**	**$ 22,219.5**	**$ 23,276.1**	**$ 24,490.2**	**$ 25,720.1**	**$ 26,914.3**
Liabilities & Partners' Capital												
Long Term Debt	$ 7,512.2	$ 7,105.4	$ 7,856.2	$ 7,817.9	$ 9,685.1	$ 9,443.5	$ 8,394.7	$ 8,394.7	$ 8,987.7	$ 9,712.4	$ 10,439.7	$ 11,114.5
Partners' Equity	$ 4,320.1	$ 5,750.9	$ 5,986.7	$ 5,741.4	$ 5,689.2	$ 5,616.1	$ 5,932.5	$ 5,932.5	$ 6,342.9	$ 6,766.1	$ 7,202.3	$ 7,660.2
Total Liabilities & Partners' Capital	**$ 19,961.7**	**$ 21,804.0**	**$ 22,659.8**	**$ 22,592.7**	**$ 23,396.9**	**$ 23,056.9**	**$ 22,219.5**	**$ 22,219.5**	**$ 23,276.1**	**$ 24,490.2**	**$ 25,720.1**	**$ 26,914.3**
Cash Flow Summary												
Changes in Working Capital	$ (56.5)	$ 110.2	$ (75.1)	$ (158.2)	$ -	$ -	$ -	$ (158.2)	$ -	$ -	$ -	$ -
Net cash provided by operating activities	$ 742.2	$ 540.1	$ 1,583.3	$ 369.9	$ 228.4	$ 209.1	$ 355.5	$ 1,162.9	$ 1,351.3	$ 1,429.6	$ 1,509.7	$ 1,600.6
Capital Expenditues	$ (1,695.8)	$ (1,818.2)	$ (1,802.4)	$ (452.1)	$ (432.6)	$ (432.6)	$ (432.6)	$ (1,750.0)	$ (1,850.0)	$ (1,950.0)	$ (2,000.0)	$ (2,000.0)
Net cash provided by investing activities	$ (1,808.5)	$ (1,926.1)	$ (1,922.4)	$ (484.6)	$ (432.6)	$ (432.6)	$ 667.4	$ (682.5)	$ (1,850.0)	$ (1,950.0)	$ (2,000.0)	$ (2,000.0)
Net cash provided by financing activities	$ 1,068.7	$ 1,468.7	$ 366.4	$ 179.3	$ 758.1	$ (365.1)	$ (1,009.1)	$ (436.8)	$ 463.5	$ 575.5	$ 545.4	$ 454.5
Net change in cash	**$ 2.4**	**$ 82.7**	**$ 27.3**	**$ 64.6**	**$ 553.9**	**$ (588.7)**	**$ 13.8**	**$ 43.5**	**$ (35.3)**	**$ 55.1**	**$ 55.1**	**$ 55.1**
Dividend												
Dividend Per Share	**$ 0.72**	**$ 0.79**	**$ 0.84**	**$ 0.22**	**$ 0.22**	**$ 0.22**	**$ 0.23**	**$ 0.89**	**$ 0.95**	**$ 1.01**	**$ 1.07**	**$ 1.13**
Payout Ratio	59.7%	60.9%	63.3%	29.0%	261.6%	743.0%	57.9%	70.0%	70.2%	70.3%	70.4%	69.6%

Source: UBS estimates, Company Reports

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Forecast returns

Forecast price appreciation	+10.1%
Forecast dividend yield	3.7%
Forecast stock return	+13.8%
Market return assumption	5.2%
Forecast excess return	+8.6%

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. We use comparable company multiples in our sum-of-the-parts EV/EBITDA and P/E valuations. Our price target is derived using an average of sum-of-the-parts EV/EBITDA and P/E valuations and DDM.

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May 6, 2020 | Equity Research

WELLS FARGO SECURITIES

NiSource Inc.

NI: Shares Falter On COVID-19 Uncertainty – Buy On Weakness

Overweight/$27

Natural Gas LDCs

Price Target Change

- **Summary.** There were more questions than answers on NI's Q1 call as mgmt. looks to get a better handle on COVID-19 impacts. Mgmt. did not reiterate comments from the YE call that 2021 EPS guidance would be "at or above" the previously withdrawn 2020 range of $1.36-1.40. Mgmt. also noted Q1 weakness in electric load including a 6.5% decline in industrial sales. Lastly, NI lowered 2020 capex by $100mm to conserve cash. In response, shares fell 5.7% (intraday 5/6) vs. the S&P utilities down 2.0%. Despite the lack of near-term visibility, mgmt. is not seeing anything that would impact the long-term outlook. We lower our '20-22E EPS to/from $1.26/1.32, $1.37/1.40 & $1.48/1.50 reflecting near-term sales pressure and lingering regulatory lag. We reiterate our Overweight rating as we continue to view the core utility franchise favorably given constructive regulatory treatment and a long capex runway. Further, valuation appears very reasonable with shares trading at discounts to blended Gas/Electric Utility peers of 1% on '21E and 5% on '22E. We lower our forward price target to $27/sh (19.4X our '21E EPS) from $30/sh primarily based on lower peer group multiples.
- **Grappling with COVID-19.** Mgmt. is working to get a better understanding of the financial implications of the pandemic and economic fallout. The company should have more insight as they close the books on April this week, though mgmt. noted that it is a shoulder month, which may not translate to the full year; for context, Q2 has represented ~5% of NI's full-year EPS over the past five years. As the company grapples with the financial impact, mgmt. acknowledged that there could be some slippage in 2020 and possibly into 2021. As such, NI did not back prior comments regarding 2021 EPS guidance, but did affirm the 5-7% EPS growth target off the 21E base. The company also took $100mm (5%) out of the 2020 capex plan to manage the cash flow impacts of COVID-19, noting that the capital would likely be deployed in future years.
- **Looking Ahead.** On the positive side, there could be upside to 2022 & 2023 capex related to generation resources needed to replace retiring coal capacity in IN including 1,600 MW in 2023. NI is in discussions with bidders for the pending all resource RFP with regulatory filings on new projects expected throughout 2020 and 2021 – roughly half of the capacity is targeted to be owned by NI (JV structure with tax equity). Previously approved projects (400 MW Jordan Creek + 100 MW Rosewater) are underway, though Rosewater could be subject to COVID-related delays. Other events on the horizon include (1) closing the sale of Columbia Gas of MA – on track for Q3'20, (2) regulatory discussions regarding COVID-related costs – deferral orders approved in MD and VA, (3) PA rate case – $100.4mm rate request with order expected January 2021, and (4) ongoing property insurance claims – no update.

$	2019A	2020E		2021E	
EPS		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	0.82	**0.76 A**	**0.82**	NE	
Q2 (June)	0.05	**0.04**	**0.08**	NE	
Q3 (Sep.)	0.00	**0.06**	**0.02**	NE	
Q4 (Dec.)	0.45	0.40	NC	NE	
FY	1.32	**1.26**	**1.32**	**1.37**	**1.40**
CY	1.32	1.26		1.37	
FY P/EPS	17.5x	18.3x		16.8x	
Rev.(MM)	5,184	5,305		5,459	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile
non gaap

Ticker	NI
Price Target/Prior:	**$27/$30**
Price (05/06/2020)	**$23.07**
52-Week Range:	$19-31
Shares Outstanding: (MM)	382.2
Market Cap.: (MM)	$8,817.7
S&P 500:	2,875.41
Avg. Daily Vol.:	2,964,970
Dividend/Yield:	$0.84/3.6%
LT Debt: (MM)	$7,817.9
LT Debt/Total Cap.:	47.4%
ROE:	9.0%
3-5 Yr. Est. Growth Rate:	5.0%
CY 2020 Est. P/EPS-to-Growth:	3.7x
Last Reporting Date:	05/06/2020 Before Open

NC = No Change
Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Please see page 3 for rating definitions, important disclosures and required analyst certifications. All estimates/forecasts are as of 05/06/20 unless otherwise stated. 05/06/20 14:28:13 ET

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Acronyms-
JV – Joint Venture
MW – Megawatt
RFP – Request for Proposal

Price Target

Price Target: $27 from $30

Our price target is based on a P/E multiple analysis (apply a 5% premium to the blended gas/electric peer group multiple of ~18.5X on our '21E EPS) in concert with EV/EBITDA, residual income and dividend discount methodologies. Risks include lower than expected sales growth, unfavorable regulatory developments, and unexpected cost pressures.

Investment Thesis

We rate shares Overweight. We are attracted to NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment.

Company Description

Based in Merrillville, Indiana, NiSource, Inc. is a holding company with regulated gas (64%) and electric (36%) utility operations across seven states. The company's Gas Distribution Operations serve 3.5 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. The Electric Operations consist of a vertically-integrated utility serving approximately 500 thousand customers in northern Indiana. On July 1, 2015, NiSource completed the separation of Columbia Pipeline Group (CPG) from NiSource via the distribution of one share of CPG common stock for every share of NI common stock.

Required Disclosures

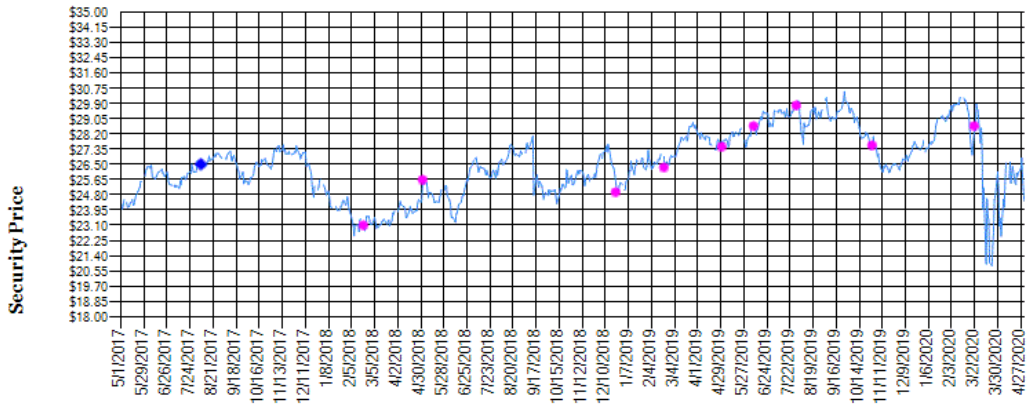

Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
8/9/2017		Akers				
8/9/2017	26.32	1	30	NE	NE	26.38
2/20/2018	22.99	1	26	NE	NE	23.02
5/3/2018	25.38	1	28	NE	NE	25.57
12/24/2018	26.05	1	29	NE	NE	24.89
2/20/2019	26.28	1	30	NE	NE	26.28
5/1/2019	27.41	1	31	NE	NE	27.40
6/9/2019	28.54	1	32	NE	NE	28.54
7/31/2019	29.79	1	33	NE	NE	29.69
10/30/2019	27.29	1	31	NE	NE	27.51
3/2/2020	27.02	1	30	NE	NE	28.56

*Effective December 7, 2019, Wells Fargo Securities' Equity Research modified its ratings definitions. Complete definitions of current ratings can be found below. For information related to prior ratings definitions, please contact equityresearch1@wellsfargo.com.

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Price Target/Val Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ❒ Split Adjustment

Rating Code Key

1	Overweight/Buy	SR	Suspended
2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

Additional Information Available Upon Request

I certify that:
1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

- NiSource Inc. currently is, or during the 12 month period preceding the date of distribution of the research report was, a client of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC provided investment banking services to NiSource Inc..
- Wells Fargo Securities, LLC or its affiliates received compensation for investment banking services from NiSource Inc. in the past 12 months.
- Wells Fargo Securities, LLC or its affiliates received compensation for investment banking services from an affiliate of NiSource Inc. in the past 12 months.

May 06, 2020 | 20:50 ET | 20:50 ET~

NiSource

NI-NYSE	Rating	Price: May-6	Target	Total Rtn
	Outperform	$22.92	$31.00	39%

You Can't Always Get What You Want

Bottom Line: NI shares trailed the sector by 3.2% today as investors didn't find the additional clarity they were looking for regarding the current demand and cost trends impacting the company and its forward earnings outlook. With data still coming in, Management felt it was too early to back a 2021 outlook given the potential impact of the COVID-19. Without guidance for 2021 as an anchor for valuation and forward EPS growth we would expect NI shares could struggle until the company rolls out its revised 2021 EPS in Late 3Q20.

Key Points

We do not get the sense that anything material has changed in managements previous view for its earning power beyond 2020. In fact management continues to be very confident in their 5-7% growth outlook. Instead we believe management is taking an conservative approach to its projections given the uncertain duration and evolving impacts of COVID-19 and a more limited OVERALL contingency buffer post the Greater Merrimack Incident (GMI).

Although management deferred $100M of capital spending for 2020 ($1,700-1,800M) to bolster credit and help mitigate cash flows impacts from COVID-19, the company's forward capital program and associated earnings power remains in place. With the renewable RFPs in hand, management confirmed it's plan to own ~50% of the renewable assets replacing NIPSCOs remaining coal fleet and adding visibility beyond 2022. We believe this will be an important driver behind their 5-7% objective and should allow the company to roll their outlook to 2024 at the same time they re-initiate 2021 guidance which will be the new base year for their LT CAGR.

While the company did not provide detailed assumptions for load trends, like most utilities they do expect a decrease in commercial and industrial sales partially offset with higher residential load. We do not see material exposure for NI's gas operations which has peak demand in 1Q/4Q and a 1c impact for each 1% annualized for resi and other. NI's electric operations however have minimal smoothing mechanisms and C&I represents ~75% of the volumes with an average impact of 1c for each 1% vs residential at 1C but only 25% of volumes.

We reiterate our Buy rating and $31 target price. With the recent pull back in the stock, NI now trades at an attractive 5%/10% discount to the electric and gas LDC group, respectively.

Please refer to pages 4 to 7 for Important Disclosures, including Analyst's Certification.

IN Fact

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Company Data			in $
Dividend	$0.84	Shares O/S (mm)	382.7
Yield	3.7%	Market Cap (mm)	$8,771
P/BV	1.4x	Net Debt (mm)	$9,606

BMO Estimates			in $
(FY- Dec .)	2019A	2020E	2021E
EPS	$1.32	$1.35	$1.42
DPS	$0.80	$0.84	$0.89
EBIT	$1,042	$1,113	$1,197
EBITDA	1,759	1,860	1,970

Consensus Estimates			
	2019A	2020E	2021E
EPS		$1.34	$1.41

Valuation			
	2019A	2020E	2021E
P/E	17.4x	16.9x	16.1x
Div. Yield (%)	3.5%	3.7%	3.9%

QTR. EPS	Q1	Q2	Q3	Q4
2019A	$0.82	$0.05	$0.00	$0.45
2020E	$0.76a	$0.06	$0.05	$0.48
2021E	$0.86	$0.07	$0.05	$0.44

Our Thesis

We like several aspects of the NI following the sale of Columbia Gas of Massachusettes and removal of previously guided $500-700mn equity issuance overhang which we believe meaningfully derisked the story.

BMO Capital Markets

NiSource - Block Summary Model

Income Statement	2019A	2020E	2021E
Electric Operations	402	429	469
Gas Distribution	632	676	720
Parent & Other	13	13	13
Consolidated EBIT	1,042	1,113	1,197
Depreciation & Amortization	717	747	772
EBITDA	1,759	1,860	1,970
Interest Expense	379	399	396
Income Tax	113	125	139
Income from continuing operations	495	524	567
Weighted Average Shares Outstanding	376	388	399
Diluted Operating EPS	$1.32	$1.35	$1.42
Dividends per Share	$0.80	$0.84	$0.89
Cash Flow Statement	**2019A**	**2020E**	**2021E**
Operating Cash Flow	1,750	1,438	1,400
Investing Cash Flow	(1,988)	(630)	(1,770)
Financing Cash Flow	154	(106)	(99)
Net Change in Cash Flow	(84)	702	(469)
EOP Cash on Balance Sheet	37	739	270
Common stock (net)	34	335	335
Net debt issued/(repaid)	494	500	(64)
Dividends paid	(301)	(326)	(355)
Balance Sheet	**2019A**	**2020E**	**2021E**
Common Equity	5,327	6,040	6,667
Preferred Equity	880	880	880
Total Debt	9,643	10,143	10,079
Enterprise Value	$20,207	$20,892	$21,625
Common equity %	33.6%	35.4%	37.8%
Preferred equity %	5.6%	5.2%	5.0%
Total Debt %	60.8%	59.4%	57.2%
Book Value per Share	$16.51	$17.85	$18.92

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

Our $31 target price is the product of a P/E-based sum of the parts. We utilize a regulated average multiple using 2022E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook. For NI, we have removed EPS for its MA gas business from our P/E valuation and instead include only the asset value (1x equity rate base) in our SOTP framework.

Upside Scenario 33.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario 22.00

Our downside scenario reflects a tightening monetary policy and a deceleration of the company's rate base growth.

Key Catalysts

Initial indicative pricing in its second renewable RFP in IN. Completing the sale of Columbia Gas of Massachusetts to Eversource. Potentially, capital spending and growth rate update in 2H20 given clarity in the aforementioned RFP and recent rate orders in MA and IN.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

BMO Capital Markets

Exhibit 1: NI Model Summary

NI Model Summary	2018	2019	2020	2021	2022	2023	5-Year
EPS By Segment							
Electric Operations	$0.72	$0.78	$0.81	$0.88	$0.91	$0.96	*5.3%*
Gas Distribution	$0.99	$1.12	$1.15	$1.14	$1.19	$1.25	*2.8%*
Corporate & Other	($0.41)	($0.58)	($0.61)	($0.59)	($0.57)	($0.59)	*0.4%*
Consolidated E.P.S.	**$1.30**	**$1.32**	**$1.35**	**$1.42**	**$1.53**	**$1.61**	***5.2%***
Dividend per share	**$0.78**	**$0.80**	**$0.84**	**$0.89**	**$0.94**	**$1.00**	
Payout Ratio total	60.0%	60.8%	62.1%	62.6%	61.5%	62.0%	
Dividend Yield	3.1%	2.9%	2.9%	3.0%	3.2%	3.4%	
Valuation Metrics							
Price to Earnings	19.5x	21.2x	21.7x	20.6x	19.1x	18.2x	
Price to Book Value	1.6x	1.7x	1.6x	1.5x	1.5x	1.4x	
Funding Sources							
Cash Flow from Operations	$540	$1,750	$1,438	$1,400	$1,500	$1,564	*23.7%*
Total Debt Financings	$350	$750	$500	$0	$550	$950	
Total Equity Financings	$1,724	$34	$335	$335	$335	$335	
Credit Metrics							
Total Debt/Capitlization	61%	61%	59%	57%	55%	54%	
FFO/Total Debt	12%	14%	14%	14%	15%	15%	

Source: BMO Capital Markets, Company Filings

Exhibit 2: NI Key Model Assumptions

Key Model Assumptions	2018	2019	2020	2021	2022	2023	5-Year
Total Capital Expenditures by Segment							
Electric Operations	$499	$469	$460	$470	$480	$490	**$2,369**
Gas Distribution	$1,315	$1,380	$1,270	$1,300	$1,300	$1,310	**$6,560**
Consolidated Capital Expenditures	**$1,815**	**$1,849**	**$1,730**	**$1,770**	**$1,780**	**$1,800**	**$8,929**
YE Rate Base Estimates							
NIPSCO Electric	$4,401	$4,866	$5,317	$5,682	$5,871	$6,065	*6.6%*
Columbia Gas of Ohio	$2,800	$3,106	$3,401	$3,743	$4,073	$4,403	*9.5%*
Columbia Gas of Pennsylvania	$1,698	$1,883	$2,062	$2,270	$2,470	$2,670	*9.5%*
NIPSCO Gas	$1,497	$1,660	$1,818	$2,001	$2,178	$2,354	*9.5%*
Columbia Gas of Massachusetts	$990	$1,098	$1,203	$0	$0	$0	
Columbia Gas of Virginia	$712	$789	$864	$951	$1,035	$1,119	*9.5%*
Columbia Gas of Kentucky	$305	$338	$369	$407	$442	$478	*9.4%*
Columbia Gas of Maryland	$122	$136	$150	$165	$179	$194	*9.6%*
Total Rate Base	**$12,525**	**$13,876**	**$15,185**	**$15,218**	**$16,248**	**$17,282**	***6.7%***

Source: BMO Capital Markets, Company Filings

Exhibit 3: NI Valuation

							BMO Low Case		BMO Base Case		BMO High Case	
Regulated, Corporate & Other	Valuation Metric	2022E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)
Electric Operations	EPS	$0.91	Electric	17.4x	+7.5%	18.7x	14.4x	$13	18.7x	$17	20.0x	$18
Gas Distribution	EPS	$1.19	Natural Gas	17.5x	+12.5%	19.7x	14.5x	$17	19.7x	$23	20.9x	$25
Coporate & Other	EPS	($0.57)	Blend	17.5x	+10.3%	19.3x	16.3x	($9)	19.3x	($11)	20.5x	($12)
Utility & Parent Value		**$1.53**					13.8x	**$21**	19.3x	**$30**	20.5x	**$31**
		'19 Rate Bas	Equity %	Equity								
Columbia Gas of Massachusetts		$1,100	47%	$517		1.0x	1.0x	$1.26	1.0x	$1.26	1.0x	$1.26
Total NiSource Inc.								**$22**		**$31**		**$33**
Upside/(Downside)								-2.2%		34.4%		42.8%
Current Yield								2.9%		2.9%		2.9%
Total Return								**0.6%**		**37.3%**		**45.6%**

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

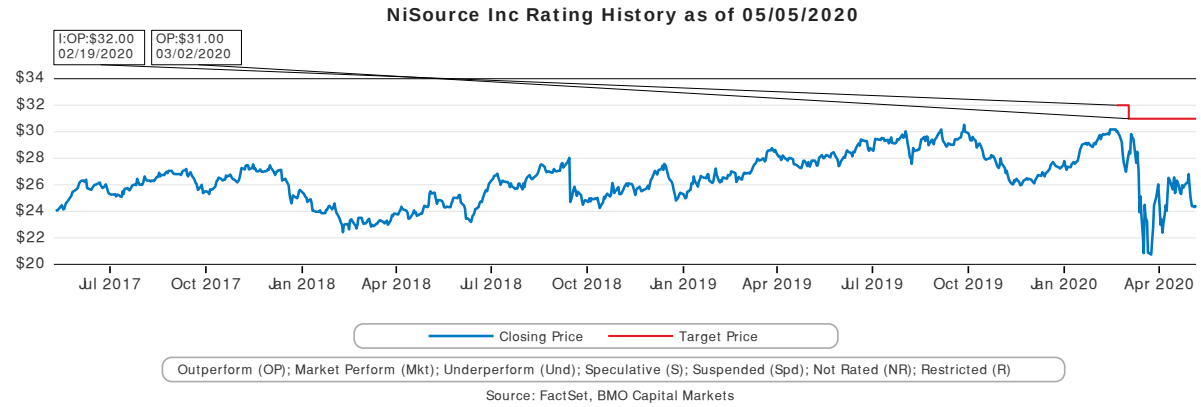

IMPORTANT DISCLOSURES

Analyst's Certification

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Company Specific Disclosures

Disclosure 9B: BMO Capital Markets makes a market in NiSource Inc in United States.

Methodology and Risks to Target Price/Valuation for NiSource Inc (NI-NYSE)

Methodology: Our $31 target price is the product of a P/E-based sum-of-the-parts (SOTP) analysis of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2022E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook.

Risks: NI's regulated profile exposes the company to business risk including but not limited to federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

Distribution of Ratings (May 05, 2020)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	42.3 %	25.7 %	50.4 %	45.1 %	54.6 %	57.7%
Hold	Market Perform	54.9 %	18.4 %	47.0 %	52.2 %	43.9 %	37.5%
Sell	Underperform	2.8 %	20.0 %	2.6 %	2.7 %	1.5 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.

**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.

***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

EVERCORE ISI

Energy | Power & Utilities

May 06, 2020

NiSource Inc

NI | $24.53

Outperform | TARGET PRICE: $28.00 (from $29.00)

Earnings Report

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Company Statistics

Market Capitalization (M)	$11,128
Shares Outstanding (M)	383
Dividend	0.80
Dividend Yield	2.8%
Payout Ratio	60.4%
Expected Total Return	(1.0)%
Fiscal Year End	Dec

Earnings Summary

	2020E	2021E	2022E
EPS	$1.33	$1.42	$1.51
P/E	21.9	20.4	19.2
EPS vs Consensus	(0.9)%	0.7%	0.4%
Consensus EPS	$1.34	$1.41	$1.51
Consensus P/E	21.7	20.6	19.3

1 Year Price History

Source: FactSet

Stock Slips, Trips and Falls on Q1 Results

Lowering target to $28 from $29/sh. Rating remains Outperform.

NiSource reported a Q1'20 EPS miss and lowered '20 capex. NI posted $0.76 in Q1'20 operating EPS vs. consensus of $0.80 and Q1'19 of $0.82. All segments (gas, electric, corporate) reported lower YoY operating earnings for the quarter even though NI saw minimal COVID impacts in the results. NiSource reduced its '20 capex guidance by $100mm to $1.7-1.8Bn to mitigate cash impacts in this environment and did not comment on capex in '21-'22, which was previously expected to be $1.7-2.0Bn per year. NI did say that it expects incremental capex in '22-'23 in electric generation, given its plan to own half of the generation portfolio needed to replace its retiring coal plants. NiSource still did not issue '20 EPS guidance. The company still expects to issue $200-300mm of ATM equity this year plus $35-65mm of employee equity.

NI did not restate its expectation for '21 EPS given COVID uncertainty, raising questions if growth will not return until at least '22. Recall that following the announced sale of Mass., NiSource rescinded its '20 EPS guidance of $1.36-1.40. When the deal closes (still expected in Q3), NI still expects to issue '21 EPS guidance but did not restate its original expectation for '21 EPS to be at or above the withdrawn '20 outlook. The company said it was too early to restate this level of expected EPS amid COVID uncertainty. Off of an uncertain '21 base, NiSource still said it then expects to return to 5-7% EPS growth per year over the long term. NI has struggled with EPS growth since the Massachusetts incident, and on our and consensus estimates, this year could be the second consecutive year of very little growth (1.5% CAGR in '18-'20). Now, '21 EPS remains a question mark. With that said we view the risk reward as relatively attractive here and continue to view NI as a re rate story post asset sales and COVID with an above average long-term growth rate bolstered by capital needs from replacing coal based generation.

We are maintaining our '20-'22 EPS estimates for now. Our '20-'22 forecast remains $1.33 / $1.42 / $1.51. At NIPSCO electric, we assume the company earns its allowed 9.75% ROE over the forecast period. In the gas businesses, we assume NI earns a blended allowed ROE of 10.2% absent Massachusetts over the same time period.

COVID positioning OK: NiSource's sensitivity to load is partly mitigated by fixed rate designs and revenue decoupling/normalization mechanisms but would rank average to above-average sensitivity in our coverage. NI's pension plan is well-funded and benefits from trackers in MA and deferrals in OH and PA. Its bad debt is primarily recovered in base rates, and Columbia Gas of MD and VA each received orders in April to defer incremental COVID expenses and bad debt for later recovery. The $1.1Bn of MA sale proceeds is expected to come in Q3'20. NI says its liquidity is sufficient for 12-24 months. It has no large debt maturities this year.

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COVID-19 Exposure

Sales: NiSource's sensitivity to load is partly mitigated by fixed rate designs and revenue decoupling/normalization mechanisms.

In electric, a 1% change in load results in a total of $10.1mm impact to earnings, which rounds to $0.03 in EPS. Specifically, in residential electric, a 1% change in load impacts earnings by $3.9mm, which rounds to $0.01 in EPS. In commercial electric, a 1% change in load also impacts earnings by $3.9mm, which rounds to $0.01 in EPS. In industrial electric, a 1% change in load impacts earnings by $2.3mm, which rounds to $0.01 in EPS.

In gas, a 1% change in load results in a $7.4mm impact to earnings. Specifically, in residential gas, a 1% change in load impacts earnings by $3.8mm, which rounds to $0.01 in EPS. In commercial gas, a 1% change in load impacts earnings by $2.4mm, which rounds to $0.01 in EPS. In industrial gas, a 1% change in load impacts earnings by $1.2mm, which rounds to $0.00 in EPS.

Note that these sensitivities are not linear for large or prolonged volume changes.

Pension: NI's pension plan was 98% funded as of year-end 2019 with expected $3 mm in contributions this year. The company's pension expense is not impacted until the pension plans are re-measured, which is not expected until year-end 2020. Every 50 basis point change in the discount rate is expected to impact the expense by $1mm. Every $100 mm change in asset valuation is expected to impact expense by $7mm. NiSource benefits from pension trackers in Massachusetts and deferrals in Ohio and Pennsylvania.

Bad debt expense: NiSource bad debt is primarily recovered in base rates. The company has additional tracker mechanisms (quarterly, semi-annual or annual) across its gas jurisdictions but not in electric.

Liquidity and financing: NiSource still expects to issue $200-300mm of ATM equity this year and $35-65mm of employee equity programs. The company does not anticipate any changes to its dividend. As of March 31st, the company had $1.3Bn of net liquidity, including $237mm of commercial paper outstanding. On April 1st, NI refinanced an $850mm term loan. On April 13th, NiSource issued $1.0Bn of 10-year notes that is expected to satisfy long-term debt needs for 2020 and 2021. In both years, NiSource does not have significant debt maturities. Lastly, the $1.1Bn of cash proceeds from the sale of Columbia Gas of Massachusetts is expected to come in Q3'20.

COVID-specific regulatory items: Columbia Gas of Maryland and Columbia Gas of Virginia each received orders from their respective state regulatory commissions in April granting the companies authority to defer incremental COVID-related expenses and bad debt for recovery at a later date. NiSource said it is currently working with regulators in other states to address COVID-related financial impacts.

Estimates and Price Target Derivation

We are maintaining our '20-'22 EPS estimates for now. Our '20-'22 forecast is $1.33 / $1.42 / $1.51. We assume the Columbia Gas of Massachusetts (~$25mm in net income) sale closes the end of Q3'20, as the company expects it to. We model '20 capex at the midpoint of lowered guidance of $1.7-1.8mm and '21-'22 capex of $1.85bn per year. We expect annual issuances of $250mm of ATM equity, $47.5m of employee program equity, and zero block equity. This is the amount of equity that should enable NiSource to achieve its adjusted FFO/debt target of 14-15% over the long term. At NIPSCO Electric, we assume the company earns its allowed 9.75% ROE over the forecast period. In the gas segment, we assume NI earns a blended allowed ROE of 10.2% absent Massachusetts over the same timeframe.

Lowering our price target to $28 from $29/share. To arrive at our $28/share price target, we use a Sum-of-the-Part analysis. On NI's electric EPS we assign a 5% premium to our anchor '22 P/E target multiple of 17.5x. For the gas segment, we apply a 18.1x P/E multiple, a 5% discount to current LDC trading multiples. Gas utilities warrant a premium given a more attractive L-T rate base growth outlook. But the discount for NI's gas utilities reflects its recent

operating problems and an adjustment out of an M&A premium that we think inflates the valuation of the gas peer group. Our NI target price derives a consolidated multiple of 18.2x.

Exhibit 2: SOTP Valuation

Valuation using 5% Discount on Gas and 5% premium on Electric	'22 EPS	P/E	Val/Shr
Gas EPS	$1.19	18.1x	$21.53
Electric EPS	$0.62	18.4x	$11.45
Parent/Other	($0.30)	18.2x	($5.41)
Consolidated 2020 EPS	**$1.51**	18.2x	**$27.56**

Source: EVRISI Research

Recent Developments

Gas Distribution Operations

- **Columbia Gas of Massachusetts asset sale is still expected to close in Q3'20.** In February, NiSource announced the sale of Columbia Gas of Massachusetts to ES for $1.1bn and subsequently withdrew '20 EPS guidance ($1.36-1.40/share) and says it no longer expects to need to issue $500-700mm of common equity block this year. The transaction is expected to close by the end of Q3'20.

- **On April 24th, NiSource filed a base rate case in its Columbia Gas of Pennsylvania jurisdiction,** requesting a $100 mm revenue increase with a 10.95% ROE and 54.19% equity ratio on a rate base of $2.4 billion with a 12/31/21 test year. Columbia Gas of Pennsylvania is currently NI's third largest jurisdiction at $1.9 billion of year-end 2019 rate base, behind Northern Indiana electric ($4.7 billion) and Columbia Gas of Ohio ($3.2 billion). We expect Columbia Gas of PA contribute ~$0.27 of EPS this year, or roughly 20% of our consolidated $1.33 EPS estimate. We believe utilities in rate cases could be more at risk right now for a negative outcome than would otherwise be expected. It is possible that with the 10-year yield now well below 1%, it could be increasingly difficult for utilities to justify maintaining ROEs. Further, regulators could face pressure from consumers to keep bills as low as possible amid COVID-19, which could also pressure ROEs and result in more O&M or rate base disallowances. While this is a risk to consider, we do not view this as a major one given our expectations that the regulators will look for a balanced outcome for both the utility companies and customers during the economic downturn. We note that Pennsylvania is generally considered a constructive regulatory environment. A final decision is expected by year-end 2020. The docket number is D-R-2020-3018835.

- **On April 24th, also in Pennsylvania, NI filed a petition with the PUC requesting authority to implement a temporary program that would make grants to residential customers who are experiencing a loss of income due to COVID, but are not eligible to participate in the company's existing assistance programs.** The company proposed to use a portion of pipeline penalty credits that the PUC has previously approved for hardship funds, matched by a contribution from the NiSource Charitable Foundation, to fund the grants.

- **On April 22nd, the PUC of Ohio approved NiSource's annual IRP tracker adjustment**, and new rates went into effect this month. This order allows the company to begin recovery of $234mm in safety and infrastructure investments made in 2019. This pipeline replacement program, authorized through 2022, covers replacement of priority mainline pipe and targeted customer service lines.

- **On February 28th, also in Ohio, NiSource its latest annual application for adjustment to its Capital Expenditure Program (CEP) rider**. The CEP rider, which was first approved by the PUCO in 2018, allows the company to recover capital investments and related deferred expenses that are not recovered through its IRP. The adjustment application seeks to begin recovery of $185mn in capex in 2019. A final order is expected in August 2020.

- **NIPSCO's application for a six-year extension of its long-term gas infrastructure modernization program remains pending before the Indiana commission**. The proposal includes nearly $950 mm in capital investments through 2025, to be recovered through semi-annual adjustments to the existing gas Transmission, Distribution and Storage Improvement Charge (TDSIC) tracker. The existing gas TDSIC program has been in place since 2014. An final order is expected in July 2020.

- **Columbia Gas of Maryland and Columbia Gas of Virginia each received orders from their respective state regulatory commissions in April granting the companies authority to defer incremental COVID-related expenses and bad debt for recovery at a later date**.

Electric Operations

- **NIPSCO continues to have discussions with a number of commercial bidders who responded to its latest all-source RFP to consider potential resources to meet future electric needs**. The RFP results were consistent with NIPSCO's 2018 IRP, which outlines plans to retire nearly 80% of its remaining coal generation by 2023, and retire all coal by 2028. The plan is expected to drive a 90% reduction in NiSource's greenhouse gas emissions by 2030, and is expected to save NIPSCO electric customers more than $4 billion over 30 years. NIPSCO is considering all sources in the RFP process and is expecting to obtain adequate resources to facilitate the retirement of the R.M. Schahfer Generating Station in 2023. Currently, half of the capacity in the replacement plan is targeted to be owned by joint ventures that will include NIPSCO and unrelated financial investors as the members. The remaining new capacity is expected to be primarily in the form of purchase power agreements. NIPSCO expects to begin regulatory compliance filings related to the new capacity as agreements are finalized with counterparties in 2020 and 2021. The planned replacement in 2023 of 1,600 MW of retiring coal could provide incremental NiSource capex opportunities for 2022 and 2023.

- **Construction is underway on both the Rosewater and Jordan Creek wind projects, which are expected to be in service by the end of this year. The company is monitoring any potential impact that COVID may have on the expected completion dates of these projects**. The Rosewater project could experience a construction delay due to COVID. The IURC on February 19th approved NIPSCO's application for another wind project, Indiana Crossroads, a joint venture with EDP Renewables North America LLC. Indiana Crossroads will have an aggregate nameplate capacity of 302 MW, and is expected to be in operation in Q4'21.

GUGGENHEIM

May 6, 2020

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NI – 1Q20 Miss, Conservative Bend Taken on 2021 Messaging; No Restatement Despite Noncommitment

Key Message: NiSource reported 1Q20 earnings, missing our and consensus estimates. Due to the COVID-19 crisis, mgmt. is pulling back expected capital spend for 2020 to conserve cash. While mgmt.'s noncommitment around 2021 expectations was disconcerting to us, especially after providing some guidance and visibility into next year on the prior YE call, we believe NI was taking a conservative bend towards messaging given past events in MA and COVID-19 (discussed in-depth below). Assuming COVID-19 is not a protracted macro event, we believe management would still be on pace to guide closer to a flattish '21 EPS range vs. the prior '20 guide w/5-7% growth off the '21 base — our updated estimates reflect this scenario and it is supported by our call with NI. Therefore, we do not view mgmt. as walking back prior disclosed expectations despite today's optics. We are lowering our PT to $27 (from $29) given lower EPS estimates; remain BUY on value and muted expectations.

2021: Noncommittal? Yes. Restatement? No. We had a chance to catch up with NI following its earnings call. While it is disappointing that mgmt. deferred and was somewhat noncommittal around 2021 guidance/early outlook, we believe there are other factors at play that may not be structural in nature. As background, on the 4Q call, mgmt. removed 2020 guidance given the pending sale of Columbia Gas of MA, which introduced several moving parts (i.e. interplay with removal of equity needs, sale of an earnings-generating utility, dis-synergies, cost-cutting opportunities, among other moving parts). However, despite the MA asset sale, mgmt. highlighted that 2021 expectations should be flat (or hopefully better) w/the prior removed 2020 EPS guidance range of $1.36-$1.40 on the YE earnings call. But, on today's earnings call, management balked at supporting or even committing to their prior '21 early outlook presented at the YE call, which appears to be the key reason why shares materially underperformed today (by ~300bps vs. UTY). While some may believe that something more structural in nature is at play for their reluctance around discussing 2021 fundamentals, following our call with NI, we attribute mgmt.'s more tempered messaging as taking a more conservative and sensitive tone while COVID-19 plays out. In other words, in a scenario where COVID impact on the macro backdrop is not protracted, we would expect management to guide around 2021 still being flattish to the prior removed 2020 EPS guidance range of 1.36-1.40 in a base case — consistent to what was discussed on the February YE earnings call. That said, in a more protracted COVID scenario, 2021 fundamentals could become impacted until NI could file rate cases and get reprieve from lower sales volumes with various customer classes. At this juncture, nothing leads us to believe the latter scenario will be the case. We will need to monitor the COVID situation as we will with most utilities under our coverage. Mgmt. stated it remains committed to providing 2021 EPS guidance, capex updates and growth through 2022 and beyond at the 3Q call.

NI reported earnings that missed our and Street estimates and lowered its expected 2020 capital spend by $100M. NI reported 1Q20 NOEPS of $0.76 vs. our estimate at $0.80 and Consensus at $0.80. Updating our model for 1Q20 actuals, we are lowering our FY20 EPS estimate to $1.36 from $1.40. We are also lowering our 2021-2023 EPS estimates to $1.37/$1.47/$1.57 from $1.48/$1.56/$1.67. Our estimates now reflect slightly lower O&M levers in the outer years as mgmt. recognizes more in the NT to mitigate a weaker-than-expected macro backdrop as a result of COVID-19. As a reminder, O&M levers were already expected to be used to offset dis-synergies related to the sale of Columbia Gas of MA – i.e., our estimated O&M levers and contingencies are more front-end loaded given NT drags including the COVID-19 macro backdrop and MA asset sale. Mgmt. reaffirmed LT EPS growth of 5-7% off a 2021 base given increased electric generation spend — consistent with our updated estimates.

NI — BUY

NiSource Inc.
Sector: Power, Utilities & Alternative Energy

Earnings Release

Share Price	$22.92
Price Target	$27.00
Prior	*$29.00*

EPS ($) (FY DEC)	1Q	2Q	3Q	4Q	FY
2020	0.76E	0.12E	0.10E	0.39E	1.36E
Prior	*0.80E*	—	—	—	*1.40E*
P/E					16.9x
2021	0.78E	0.11E	0.10E	0.39E	1.37E
Prior	*0.84E*	*0.12E*	*0.11E*	*0.41E*	*1.48E*
P/E					16.7x
2022	0.83E	0.12E	0.11E	0.41E	1.47E
Prior	*0.88E*	*0.14E*	*0.12E*	*0.44E*	*1.56E*
P/E					15.6x

Market Data

52-Week Range	$19.56 - $30.67
Dividend	$0.86
Dividend Yield	3.8%
Market Cap (M)	$8,774
Enterprise Value (M)	$21,092
Shares Out (M)	382.8
ADV (3 mo; 000)	3,986

Provided for the exclusive use of Sara Macioch at NiSource on 07-May-2020 07:58 AM.

In consideration of the COVID-19 crisis, management is lowering FY20 expected capital spend by $100M to $1.7B-$1.8B. The decision to pull back on spending is to help mitigate cash flow impacts from an expected increase in bad debt expense and lower C&I load. A majority of the deferred spend is likely longer-term maintenance/other, which is recovered through periodic rate cases. For 2020, focus will be on spending that is recovered through trackers, etc., and is recoverable within 18 months. **Mgmt. provided earnings sensitivities around a 1% change in annual sales volume for each segment.** For the residential, commercial, and industrial electric segments, a 1% change in annual sales volume would impact earnings by $3.9M, $3.9M, and $2.3M, respectively. For the residential, commercial, and industrial gas segments, a 1% change in annual sales volume would impact earnings by $3.8M, $2.4M, and $1.2M, respectively. Mgmt. expects lower demand from C&I customers but noted the potential for residential demand to increase (**we have seen a similar dynamic with other utilities under our coverage — see our note HERE**). Mgmt. also expects higher bad debt expense, which is, for the most part, recovered in base rates. MD and VA Commissions have recently allowed for deferral of COVID-related expenses and bad debt.

Negotiations with bidders in the IN RFP is ongoing – continue to target 50% ownership. NI is working through negotiations with developers and potential tax equity partners for generation build consistent with the 2018 IRP. Mgmt. continues to target a 50/50 mix of build-transfer and PPA. Tax equity partners would allow for incremental rate base as those partners would divest after recapture period. Mgmt. expects to get through that phase in the coming months and could provide an update as early as the 2Q call followed by the longer-term capex and growth profile that will likely be addressed on the 3Q call.

Liquidity shored up for 12-24 months — limited capital market needs. As of March 31, NI had ~$1.3B in net available liquidity, ~$1.9B in revolving credit facility, and ~$0.5B in accounts receivable securitization facilities. On April 1, NI refinanced their $850M 364-term loan, and on April 13, issued $1B of notes due in 2030 (an increase from the ~$500M in LT debt NI expected to issue at YE). NI LT debt stands at ~$7.7B with no meaningful maturities until 2022. NI still expects to issue $200M-$300M in ATM equity in 2020. Mgmt. reiterated its commitment to an IG credit rating.

EPS($)	1Q	2Q	3Q	4Q	FY
2020E	0.76A	0.12E	0.10E	0.39E	**1.36E**
Prior	*0.80E*	*0.12E*	*0.10E*	*0.39E*	*1.40E*
2021E	0.78E	0.11E	0.10E	0.39E	**1.37E**
Prior	*0.84E*	*0.12E*	*0.11E*	*0.41E*	*1.48E*
2022E	0.83E	0.12E	0.11E	0.41E	**1.47E**
Prior	*0.88E*	*0.14E*	*0.12E*	*0.44E*	*1.56E*
2023E	0.89E	0.14E	0.12E	0.42E	**1.57E**
Prior	*0.93E*	*0.16E*	*0.14E*	*0.45E*	*1.67E*

Source: Guggenheim Securities, LLC

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
Gas/Power Infrastructure – Market Overweight

May 6, 2020

NISOURCE

(NI US Equity – $22.92 – Outperform)

A Cinco de Mayo hangover

- **Noncommittal on 2021, vague on COVID-19 impacts**. NI reported Q1 EPS of $0.76, missing consensus at $0.80 (WRe $0.78). The stock underperformed the utility average by 300bps on the day, primarily due to management's messaging on 2021 EPS – declining to reaffirm the expectation to be at or above prior 2020 guidance of $1.36-1.40 which was pulled on CMA sale announcement. NI also refrained from providing color on sales trends during April, making it tough to handicap an expectation for the full year. Comments about long-term customer attrition likely point to sales pressures spilling over from this year into next as well. NI does have levers to pull on O&M to help offset some sales degradation, but to what degree is a bit unclear.

- **Cutting estimates; remain Outperform.** We are reducing our estimates across the board (see table). We take a more conservative tack on 2021 and now estimate NI to be in the lower half of the prior 2020 guidance. Our new 2021E of $1.36 reflects a spillover of some COVID pressures that we expect are partially offset by cost cuts as well as the $100M capex reduction from 2020. On the capex reduction, we assume this is layered back in over time. Beyond 2021, we see EPS growing toward the top end of NI's 5-7% target. We lower our PT to by $3 to $26 on our lower estimates and lower group multiples. We remain Outperform on the view that the L-T fundamentals remain solid, with big capex upside at NIPSCO electric as opportunities become clearer throughout the year.

- **Meaningful capex upside potential from renewables.** Discussions with bidders from the recent RFP are still ongoing. NI noted that is targeting ownership of about half of the generation needed to replace its retiring Schahfer coal units, most of which is likely renewables. This presents a total opportunity set that could be north of 3 GW of renewable additions by 2023 given the capacity credits (~20% for wind, ~40% for solar). The dramatic shift in generation mix and fact that NI will be coal-free by 2028 is helpful from an ESG perspective. A full capex rollforward / refresh is targeted for the Q3 call.

- **CMA sale on track.** NI still expects the sale of Columbia Gas MA to close in Q3. We still view NI's transition out of MA as an important turning point for the company that meaningfully de-risks the overall business.

Estimates / Valuation				
(US$)	2020E	2021E	2022E	2023E
EPS	$1.30	$1.36	$1.46	$1.57
Consensus	$1.33	$1.41	$1.51	$1.61
P/E	17.6x	16.8x	15.7x	14.6x
Dividend Yield	3.7%	3.9%	4.2%	4.4%

Trading and Fundamental Data	
Price Target	**$ 26**
Current Price	22.92
52-Week Range	$20-$31
Market Cap. (MM)	8,770
Enterprise Value (MM)	19,210
Shares Out. (MM)	382.7
Dividend Yield	3.7%
Dividend Payout Ratio	63.4%
ROE	6.6%
Debt to Cap	61.9%
Avg. Daily Vol. (000)	2,872

Price Performance	YTD	LTM
NI US Equity	-18%	-18%
Utility Index	-14%	-5%
S&P 500	-12%	-3%

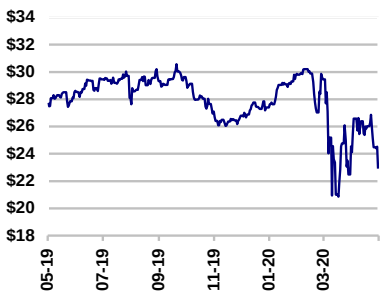

Source: FactSet/Wolfe Research

Key Changes		
Year	New	Old
PT	$26	$29
2020E	$1.30	$1.32
2021E	$1.36	$1.42
2022E	$1.46	$1.52
2023E	$1.57	N/A

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WOLFE RESEARCH

NiSource

May 6, 2020

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2020E	2021E	2022E	2023E
EPS	$1.30	$1.36	$1.46	$1.57
Diluted Shares Outstanding	$387	399	409	420
Dividends Per Share	$0.85	$0.90	$0.95	$1.01
Dividend Yield	3.7%	3.9%	4.2%	4.4%
Dividend Payout Ratio	65%	66%	65%	64%
Equity Ratio	39%	39%	40%	40%
FFO/Net Debt	13%	13%	14%	14%
Valuation Metrics				
P/E	17.6x	16.8x	15.7x	14.6x
Price/Book	1.6x	1.5x	1.4x	1.4x
Segment EPS				
Gas Distribution	$1.06	$1.12	$1.20	$1.27
NIPSCO Electric	0.56	0.56	0.57	0.60
Parent & Other	(0.32)	(0.32)	(0.31)	(0.30)
Total EPS	**$1.30**	**$1.36**	**$1.46**	**$1.57**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2020E	2021E	2022E	2023E
Capital Spending by Segment ($M)				
Gas Distribution	$1,261	$1,446	$1,446	$1,396
Electric	472	487	487	847
Parent	25	25	25	25
Total Capex	**$1,758**	**$1,958**	**$1,958**	**$2,268**
Financings ($M)				
Total Equity Issued/(Repurchased)	$298	$298	$298	$298
Total Debt Issued/(Repurchased)	$150	$500	$550	$750

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.5 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland and Massachusetts.

Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $30B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. We see NI as a de-risking story in 2020 with an upward bias on rate base / EPS growth due to renewable investment opportunities at NIPSCO electric.

Valuation

Our $26 price target is derived using a P/E multiple of 17.5x on our 2022E. This reflects a full-turn premium for NI's electric utility and an average for its gas LDCs. Risks for NiSource are 1) bad regulatory outcomes and 2) pipeline safety incidents. Upsides are 1) additional growth projects and 2) customer growth

Exhibit 3. 2022E EPS by Segment

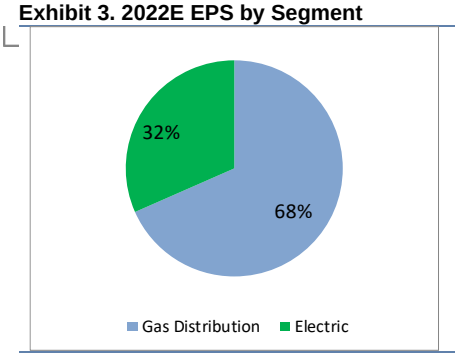

Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart

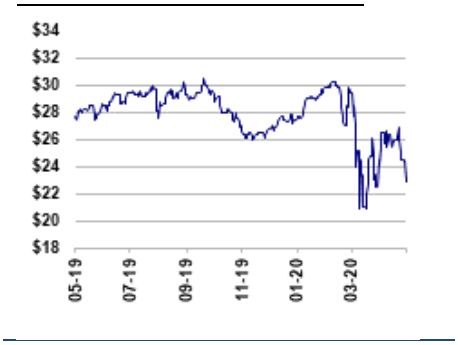

Source: FactSet

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WOLFE RESEARCH

NiSource

May 6, 2020

Investment Conclusion

We are Outperform rated on NiSource. The company's $30B capital investment backlog should drive its 5-7% annual earnings target over the long term. Most of the company's annual capex (~80%) is recovered with minimal lag via tracking mechanisms and the company has built a constructive track record with most of its state regulators. We see exiting from Massachusetts as an inflection point for the stock that should allow NI to re-rate closer to its historic 5-10% premium over time. Further, we see an upward bias on NI's 5-7 EPS growth rate long-term due to renewable opportunities at NIPSCO electric which should come into view later this year.

Exhibit 5: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2020E	P/E 2021E	P/E 2022E	P/E 2023E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$46.34	245	$11,364	19.1x	18.1x	17.2x	16.3x	3.2%	6.0%	62%	2.2x	45%
Ameren	AEE	70.10	247	17,295	20.1x	18.6x	17.4x	16.5x	2.9%	4.0%	59%	2.1x	45%
American Electric	AEP	78.84	495	39,013	18.1x	17.0x	15.9x	15.1x	3.6%	4.5%	64%	2.0x	39%
Avangrid	AGR	41.64	309	12,887	18.5x	16.7x	15.4x	N/A	4.3%	2.5%	80%	0.8x	65%
CMS Energy	CMS	54.79	286	15,682	21.1x	19.3x	17.9x	16.7x	3.0%	6.5%	63%	3.0x	27%
Con Edison	ED	74.55	334	24,898	17.2x	16.3x	15.7x	15.1x	4.1%	3.5%	71%	1.4x	44%
Duke Energy	DUK	80.22	734	58,880	15.5x	14.7x	14.1x	13.4x	4.8%	2.0%	74%	1.3x	43%
Edison International	EIX	54.18	364	19,698	12.1x	11.7x	11.0x	10.3x	4.6%	0.2%	56%	1.5x	38%
Entergy	ETR	92.77	201	18,630	16.5x	15.6x	14.7x	N/A	4.1%	2.2%	68%	1.8x	34%
Evergy	EVRG	54.86	227	12,435	17.8x	16.9x	16.3x	15.5x	3.7%	6.2%	66%	1.5x	46%
Eversource Energy	ES	76.79	330	25,366	20.9x	19.7x	18.6x	17.7x	3.0%	6.1%	62%	2.0x	45%
FirstEnergy	FE	40.12	542	21,732	16.2x	15.2x	14.6x	13.8x	3.9%	2.6%	63%	3.2x	24%
Fortis*	FTS	54.29	464	25,201	21.2x	19.1x	18.0x	17.1x	3.6%	6.0%	75%	1.5x	44%
NiSource	NI	22.92	383	8,771	17.6x	16.8x	15.7x	14.6x	3.7%	6.0%	65%	1.9x	40%
PG&E	PCG	11.56	530	6,122	7.3x	11.2x	9.6x	N/A	0.0%	N/A	0%	1.1x	57%
Pinnacle West	PNW	72.13	112	8,114	14.8x	13.9x	13.2x	12.6x	4.4%	6.0%	65%	1.5x	48%
Portland General	POR	43.50	89	3,893	18.2x	16.7x	15.7x	15.4x	3.5%	1.5%	64%	1.5x	49%
PPL Corp.	PPL	24.36	768	18,709	10.4x	9.9x	9.1x	N/A	6.8%	0.6%	71%	1.4x	36%
Southern Company	SO	53.75	1,056	56,752	17.0x	16.3x	15.0x	13.9x	4.8%	3.2%	81%	2.0x	36%
WEC Energy Group	WEC	85.22	315	26,880	22.8x	21.4x	20.0x	18.8x	3.0%	7.2%	68%	2.6x	45%
Xcel Energy	XEL	61.39	525	32,229	22.1x	20.8x	19.5x	18.4x	2.8%	6.0%	62%	2.4x	39%
Average					**17.4x**	**16.5x**	**15.5x**	**15.3x**	**3.7%**	**4.1%**	**64%**	**1.8x**	**42%**
Average (ex EIX, PCG, PPL)					**18.6x**	**17.4x**	**16.4x**	**15.7x**	**3.7%**	**4.6%**	**67%**	**1.9x**	**42%**

Source: Wolfe Research, FactSet

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Too soon to tell how sales impacted, *even April unclear*

NI mgmt. offered a decidedly cautious update with its Q1 report, notably *not* reaffirming its previous 2021 earnings floor of $1.36-1.40/sh, while maintaining an expectation of 5-7% growth over the long term off unknown 2021 serving as base year. The company acknowledges that sales will be affected by Covid stay-at-home orders, but declined to quantify expectations citing limited data (even Apr was not disclosed) and different re-opening trajectories across the six states that make up its territory. Mgmt. cautioned against using 2008-09 declines as a read-through given different factors in place in the current situation (e.g. shifts in customer mix & industrial rate structure particularly after Rate 831; recovery may be uneven across sectors & geographies). Recall in our recent downgrade of NI we reduced '21 to the bottom end of the earnings floor, see more here.

Cost cuts – how much extra latitude to offset sales?

Mgmt. still expects to close the CMA sale in Q3, on track with previous guidance. As cost cutting was already included in the plan to adjust for dis-synergies of the transaction, Covid thus has potential to create a further headwind on 2020 results. Accordingly we see NI as having relatively less room to make further O&M cuts to offset lost sales and higher expenses including bad debt (both acknowledged on the call but not quantified) – a contrast to utility peers such as WEC who included confident cost cutting outlooks as part of their quarterly update. While specific targets were not included, the company asserts that reducing costs in response to Covid is an additional (& available) short-term lever under review – in contrast to asset sale-related cost reductions which are envisioned as more permanent in nature, cuts in response to lost sales would entail altering the timing of scheduled maintenance and related items. While mgmt. remained light on specifics we perceive latitude here for mitigating short-term impacts.

Lack of disclosure is unique among peers

We see lack of sales details & specifics on cost cuts as concerning given more specific programs from peers already (despite admittedly less exposure given ~half gas LDC). We also voice concern on PA rate case filing against current economic backdrop. Our ests (prev reduced to reflect Covid) and $27 PO remain unchanged. Maintain Neutral rating given discount vs peers.

Estimates (Dec)

(US$)	2018A	2019A	2020E	2021E	2022E
EPS	1.30	1.32	1.29	1.36	1.47
GAAP EPS	1.30	1.32	1.29	1.36	1.47
EPS Change (YoY)	7.4%	1.5%	-2.3%	5.4%	8.1%
Consensus EPS (Bloomberg)			1.33	1.41	1.51
DPS	0.79	0.83	0.88	0.94	0.99

Valuation (Dec)

	2018A	2019A	2020E	2021E	2022E
P/E	17.6x	17.4x	17.8x	16.9x	15.6x
GAAP P/E	17.6x	17.4x	17.8x	16.9x	15.6x
Dividend Yield	3.4%	3.6%	3.9%	4.1%	4.3%
EV / EBITDA*	15.5x	13.4x	13.1x	12.2x	11.5x
Free Cash Flow Yield*	-14.6%	-2.5%	-7.8%	-6.8%	-5.8%

* For full definitions of IQmethod℠ measures, see page 6.

07 May 2020

Equity

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Stock Data

Price	22.92 USD
Price Objective	27.00 USD
Date Established	30-Apr-2020
Investment Opinion	B-2-7
52-Week Range	19.56 USD - 30.67 USD
Mrkt Val (mn) / Shares Out (mn)	8,771 USD / 382.7
Average Daily Value (mn)	73.52 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.2%
Net Dbt to Eqty (Dec-2019A)	158.6%

C&I: Commercial and Industrial

CMA: Columbia Gas of Mass.

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iQprofile℠ NiSource Inc

*iQ*method℠ – Bus Performance*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Return on Capital Employed	3.9%	4.3%	4.1%	4.2%	4.3%
Return on Equity	10.1%	9.9%	9.2%	9.2%	9.5%
Operating Margin	18.3%	20.2%	20.0%	20.8%	21.6%
Free Cash Flow	(1,278)	(219)	(685)	(593)	(510)

*iQ*method℠ – Quality of Earnings*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash Realization Ratio	1.2x	3.2x	2.4x	2.4x	2.3x
Asset Replacement Ratio	3.0x	2.5x	2.5x	2.4x	2.2x
Tax Rate	19.7%	17.1%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	156.7%	158.6%	143.1%	143.1%	142.0%
Interest Cover	2.6x	2.8x	2.8x	2.8x	3.0x

Income Statement Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Sales	5,084	5,184	5,369	5,547	5,731
% Change	4.3%	2.0%	3.6%	3.3%	3.3%
Gross Profit	3,325	3,649	3,780	3,935	4,094
% Change	-0.9%	9.8%	3.6%	4.1%	4.1%
EBITDA	1,531	1,764	1,813	1,936	2,064
% Change	3.4%	15.2%	2.8%	6.8%	6.6%
Net Interest & Other Income	(335)	(384)	(379)	(408)	(415)
Net Income (Adjusted)	463	495	493	535	595
% Change	16.6%	6.8%	-0.3%	8.4%	11.3%

Free Cash Flow Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Net Income from Cont Operations (GAAP)	463	495	493	535	595
Depreciation & Amortization	600	717	742	783	827
Change in Working Capital	110	(75)	(186)	(186)	(186)
Deferred Taxation Charge	(188)	118	116	125	104
Other Adjustments, Net	(445)	328	0	0	0
Capital Expenditure	(1,818)	(1,802)	(1,850)	(1,850)	(1,850)
Free Cash Flow	-1,278	-219	-685	-593	-510
% Change	-34.0%	82.9%	-212.5%	13.4%	14.0%

Balance Sheet Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash & Equivalents	121	148	165	181	197
Trade Receivables	1,147	905	1,092	1,278	1,464
Other Current Assets	787	800	800	800	800
Property, Plant & Equipment	15,543	16,912	17,020	18,087	19,109
Other Non-Current Assets	4,206	3,894	3,894	3,894	3,894
Total Assets	21,804	22,660	22,970	24,239	25,464
Short-Term Debt	2,027	1,787	2,203	2,363	2,511
Other Current Liabilities	2,010	1,959	1,959	1,959	1,959
Long-Term Debt	7,105	7,856	7,180	7,700	8,183
Other Non-Current Liabilities	4,911	5,071	5,187	5,313	5,416
Total Liabilities	16,053	16,673	16,530	17,334	18,070
Total Equity	5,751	5,987	6,440	6,905	7,394
Total Equity & Liabilities	21,804	22,660	22,970	24,239	25,464

* For full definitions of *iQ*method℠ measures, see page 6.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

NI's positives include 5-7% earnings/dividend growth via $30bn of infrastructure investments over the next 20+ years and fully regulated subsidiaries. We have factored in resolution of overhang from the MA incident as the company will likely sell 3Q. However, NI has C&I demand risk from COVID, which will be difficult to offset with O&M cuts due to promises already around cost cuts to balance CMA sale. We see shares valued appropriately and rate Neutral.

Stock Data

Average Daily Volume	3,189,679

Quarterly Earnings Estimates

	2019	2020
Q1	0.82A	0.75E
Q2	0.05A	0.79E
Q3	0A	0.02E
Q4	0.45A	-0.11E

More unknowns in the near term than most

With shares underperforming the XLU by several percentage points following the Q1 call, we perceive investor anxiety around quantifying several known unknowns in the 2020-21 timeframe as NI balances its CMA disposition, Covid response, and preparing to set a baseline for its long-term outlook. Below we summarize the key debates emerging from the Q1 call:

- **April sales trends remain unclear.** We stress that NI is an outlier among utilities in our coverage that have reported so far in that mgmt. did not provide a specific update on sales in the month of April. Electric sales have broadly shown residential sales up mid-to-high single digits with commercial and industrial sales down by double digits – albeit individual utilities' results vary by specific geography and composition of the customer base. As such, we perceive investors were surprised by a lack of an update on this front. With April historically a shoulder month for natural gas sales this is admittedly less of an area of focus. Mgmt. highlighted that Q1 sales (largely unaffected by Covid) were down 6.5% y/y for industrial customers largely because of a rate structure change whereby energy intensive customers purchase directly via the wholesale market.

- **Will 2021 base remain at $1.36-1.40?** In lieu of 2020 earnings guidance resulting from the pending CMA sale, mgmt. had established an "earnings floor" of $1.36-1.40 for 2021 which would serve as the baseline for the long-term 5-7% earnings forecast**.** Mgmt. asserted that it remains early days in terms of measuring the Covid impact on its sales in 2020 and the company continues to assess the earnings and cash flow fallout. Given the ongoing uncertainties mgmt. did not reaffirm the 2021 floor, targeting Q3 for a long-term update including its capex plan beyond 2022.

- **Can capex inflect post-2020?** Mgmt. framed the $100m capex reduction in 2020 as a cash flow management effort in light of the unfolding Covid situation. While long-term spending plans are still being developed and are not expected to be released until Q3 at the earliest, mgmt. stopped short of affirming that the $100m will be delayed into subsequent years. o Given lack of clarity on future years' capex, we keep the prior guidance from 3Q19 in our numbers ($1.7bn - $2.0bn annually for '21-'22 that we extend for future years as well). Recall our FFO/debt reconciliation for '20 and years beyond is in the 13-15% range, slightly lower than the previously targeted 14-15% in the next few years. We see this as a potential sensitivity the company will have to address in future calls as well.

Bottom line: NI mgmt. indicated less clarity into its 2020 earnings (and 2021 guidance) than many utility peers. We don't see this as particularly surprising given the additional consideration of an asset sale and ongoing litigation – though we sense investors are clamoring for sales disclosures covering the first weeks of the Covid shut down at a minimum, in line with those provided by peers. We maintain our Neutral rating.

See our recent research below:

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
NiSource Inc: Downgrade to Neutral: Tapped out on savings at the wrong time?	Julien Dumoulin-Smith	30 April 2020
NiSource Inc: Beantown update: Tweaking ests to better reflect dis-synergies & LT uptick	Julien Dumoulin-Smith	06 March 2020
NiSource Inc: Adjusting earnings to reflect Bay State Sale: Reiterate Buy	Julien Dumoulin-Smith	28 February 2020
NiSource Inc: Results Delayed Amid Boston Official Press Conf: Co. to Sell Columbia Gas	Julien Dumoulin-Smith	26 February 2020

Price objective basis & risk

NiSource Inc (NI)
Our $27 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples of 17.8x for gas utilities and 17.2x for electric utilities with an inline mult for gas utilities with just weather normalization, a 0.5x prem for gas utes with revenue normalization (prev 0x), and a 1.0x premium for the electric utility's strong growth rates (we factor in BOT in '24 EPS) but acknowledgement of industrial risk (prev 2x). We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

NiSource Inc NI (XNYS)

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★★★★	22.92 USD	26.00 USD	0.88	3.58	3.66	8.77	Utilities - Regulated Gas	Standard
06 May 2020 21:49, UTC	06 May 2020	07 May 2020 13:19, UTC		06 May 2020	06 May 2020	06 May 2020		

Morningstar Pillars	Analyst	Quantitative
Economic Moat	Narrow	Narrow
Valuation	★★★★	Fairly Valued
Uncertainty	Low	High
Financial Health	—	Moderate

Source: Morningstar Equity Research

Quantitative Valuation

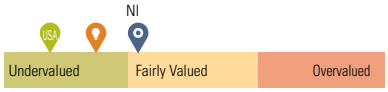

	Current	5-Yr Avg	Sector	Country
Price/Quant Fair Value	0.96	1.05	0.89	0.83
Price/Earnings	26.3	34.0	14.8	20.1
Forward P/E	17.4	—	13.7	13.9
Price/Cash Flow	5.4	9.8	6.5	13.1
Price/Free Cash Flow	—	75.8	13.1	19.5
Trailing Dividend Yield%	3.58	3.16	3.68	2.35

Source: Morningstar

Bulls Say

- We expect annual dividend growth to average near 5% from 2022 to 2024 after the impact of COVID-19 fades.
- We believe the separation of the Columbia Pipeline Group from NiSource was good shareholder stewardship, as the market valued the individual businesses more highly at the time of the separation.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say

- Industrial customers account for over half of NiSource's electric sales, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- NiSource's electric and natural gas distribution businesses have substantial commercial and industrial customer exposure, increasing the impact of the COVID-19 pandemic.
- NiSource issued almost $2 billion of common and preferred shares in 2018 and 2019. The additional shares will be a headwind to EPS growth.

Important Disclosure:

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Safety-Related O&M, COVID-19, and Weak Industrial Demand Pressure NiSource's Earnings Growth

Business Strategy and Outlook

Charles Fishman, CFA, Eq. Analyst, 07 May 2020

NiSource completed its separation from Columbia Pipeline Group in 2015 and now derives all of its operating revenue from its regulated electric and natural gas distribution utilities. About 60% of operating income comes from its six natural gas distribution utilities. The remaining 40% comes from its electric utility business in Indiana.

NiSource's utilities have regulatory frameworks that include the automatic rate tracker mechanisms, with almost 80% of planned capital expenditures, providing recovery of investments in less than 18 months. As a result of the favorable regulation, we expect NiSource to step up its capital expenditures to almost $2 billion per year over the next five years. This is an investment level almost double the previous five years.

Over the next 20 years, NiSource plans to invest about $30 billion in infrastructure improvements. Over 50% of these investments are modernization programs for replacing steel and cast-iron pipe with plastic at its natural gas distribution utilities. Almost all of these investments receive rate tracker treatment. This allows NiSource to earn returns on these investments near allowed returns and consistently above its cost of capital.

In September 2018, a natural gas explosion killed one person north of Boston on NiSource's Columbia Gas of Massachusetts system. Insurance should cover roughly one half of the almost $2 billion of claims, penalties and other expenses, but the event was a public relations nightmare. On Feb. 27, 2020, NiSource announced the sale of the Massachusetts utility for $1.1 billion. The transaciton will avoid a planned $500 million block equity issuances.

Although the economic impact from the COVID-19 pandemic will pressure earnings in 2020 and 2021 due in part to NiSource's high share of commercial and industrial customers, we expect a rebound in EPS to near the midpoint of management's 5%-7% target from 2022 to 2024. We estimate 5% dividend growth from 2022-24 after the impact of COVID-19 and higher saftey-related O&M costs are incorporated in rates.

Analyst Note

Charles Fishman, CFA, Eq. Analyst, 07 May 2020

We are reducing our fair value estimate to $26 per share from $27 after NiSource reported 2020 first-quarter operating EPS of $0.76 versus $0.82 last year, reduced its 2020 capital expenditure forecast by $100 million, and made comments less supportive of future earnings growth.

The weak results were due in large part to higher safety-related operating and maintenance costs, mild weather, and weaker industrial electricity demand. COVID-19-related costs were not material in the recently ended quarter.

In March, we reduced our five-year capital expenditure estimate by $500 million, approximately 5%, to $9.5 billion due to our assumption of the impact of COVID-19 on investment. Driven by the lower 2020 guidance and our assumption of the continuing impact of COVID-19, we reduced our five-year investment forecast by another $250 million, to approximately $9.25 billion.

Although NiSource had previously indicated earnings guidance would not be provided until after the closing of the Columbia of Massachusetts transaction later this year, it was disappointing that management declined to support previous comments that 2021 operating earnings would be at least equal to the lower end of the previous range for 2020, or $1.36 per share.

Driven by lower capital investment and our assumption that higher O&M and weak industrial electricity demand will drag into next year, we reduced our 2021 EPS estimate to $1.30 from $1.35. Management did reaffirm that when 2021 guidance is established later this year, it will be the base for long-term annual EPS growth of 5%-7%. We estimate annual EPS growth of 6% from our new 2021 estimate, in line with this guidance.

However, starting from a lower 2021 earnings base

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Close Competitors	Currency (Mil)	Market Cap	TTM Sales	Operating Margin	TTM/PE
WEC Energy Group Inc WEC	USD	26,793	7,523	20.36	23.09
CMS Energy Corp CMS	USD	15,645	6,650	18.77	21.93
Alliant Energy Corp LNT	USD	11,322	3,648	21.32	19.80

reduces our annual earnings growth for 2019-24 to 3.3% from our previous estimate of 4.8%. This lower earnings growth was the primary driver for our lower fair value estimate.

Economic Moat

Charles Fishman, CFA, Eq. Analyst, 07 May 2020

Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated utilities. State and federal regulators typically grant regulated utilities exclusive rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital they invest to build, operate, and maintain their infrastructure. In exchange for regulated utilities' service territory monopolies, state and federal regulators set returns at levels that aim to minimize customer costs while offering fair returns for capital providers.

This implicit contract between regulators and capital providers should, on balance, allow NiSource's regulated utilities to achieve at least their costs of capital, though observable returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing.

NiSource derives roughly 60% of its operating earnings from the regulated distribution of natural gas. For natural gas distribution service, regulators set distribution rates and the commodity price for customers purchasing natural gas from NiSource. NiSource recovers its costs for natural gas that it sells with a pass-through charge to customers. Thus, NiSource has no commodity price risk that could weaken its moat. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

Electricity generation, which contributes about 40% of operating earnings, is from operations in Indiana and is also regulated. The rates for this service are combined with regulated customer rates for transmission and distribution service. In exchange for its monopoly position, state and federal regulators set NiSource's electric rates.

Fair Value & Profit Drivers

Charles Fishman, CFA, Eq. Analyst, 07 May 2020

We are reducing our fair value estimate to $26 per share from $27 after NiSource reported 2020 first-quarter operating EPS of $0.76 versus $0.82 last year, reduced its 2020 capital expenditure forecast by $100 million, and made comments less supportive of future earnings growth.

In March, we reduced our five-year capital expenditure estimate by $500 million, approximately 5%, to $9.5 billion due to our assumption of the impact of COVID-19 on investment. Driven by the lower 2020 guidance and our assumption of the continuing impact of COVID-19, we reduced our five-year forecast by another $250 million, to approximately $9.25 billion.

Although NiSource had previously indicated earnings guidance would not be provided until after the closing of the CMA transaction later this year, it was disappointing that management declined to support previous comments that 2021 operating earnings would be at least equal to the lower end of the previous range for 2020, or $1.36 per share.

Driven by lower capital investment and our assumption that higher O&M and weak industrial electricity demand will drag into next year, we reduced our 2021 EPS estimate to $1.30 from $1.35. Management did reaffirm that when 2021 guidance is established later this year, it will be the base for long-term annual EPS growth of 5%-7%. We estimate annual EPS growth of 6% from our new 2021 estimate, in line with this guidance.

However, starting from a lower 2021 earnings base reduces our annual earnings growth for 2019-24 to 3.3% from our previous estimate of 4.8%. This lower earnings growth was the primary driver for our lower fair value estimate.

We use a 5.9% cost of capital in our discounted cash flow valuation, which incorporates a 7.5% cost of equity. Our cost of equity is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above-average

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regulatory frameworks.

Our pretax cost of debt assumption is 5.8%, as we incorporate a normalized long-term real rate environment and normalized credit spreads. A 2.25% long-term inflation outlook underpins our capital cost assumptions.

Our fair value estimate implies a 20 times multiple on 2021 earnings. This is in line with market valuations for peer combination electric and gas distribution utilities in early May.

Risk & Uncertainty

Charles Fishman, CFA, Eq. Analyst, 07 May 2020

Regulatory risk remains the key uncertainty; however, NiSource's regulatory exposure is diversified, owing to operations in seven states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms that provide for automatic rate increases as infrastructure investments are made.

In 2018, NiSource announced it would eliminate all coal-fired generation from its power plant fleet within 10 years. This transition will require signing power purchase agreements for renewable energy; building new gas-fired power plants and solar and wind farms; and making modifications to its electric grid. There is a modest amount of execution risk to this dramatic transition from coal.

Stewardship

Charles Fishman, CFA, Eq. Analyst, 07 May 2020

We assign NiSource a Standard stewardship rating. We think management's decision to form Columbia Pipeline Partners and execute CPG's tax-free separation exhibited exemplary stewardship of shareholder capital. However, the CEO who probably drove those decisions left NiSource to go with CPG before he retired.

The National Transportation Safety Board found NiSource responsible for the tragic gas explosion north of Boston. The incident had a negative effect on shareholder value and has been a public relations nightmare. The good news is that management found a buyer for the utility at an attractive purchase price for NiSource shareholders. We expect the transaction to close in late 2020.

Joe Hamrock became CEO following the separation. He has been with NiSource since 2012 and previously ran the natural gas distribution business. Before joining NiSource, he was with American Electric Power. CFO Donald Brown joined NiSource in April 2015. Previously, he was with UGI Utilities and Constellation Energy. These individuals have significant utility experience, and we believe they will not stray from the strategy that has benefited shareholders.

Most of the members of NiSource's board of directors were involved in the separation of CPG and oversight of investment decisions. Given this, we are confident that the solid stewardship of shareholder capital is likely to continue.

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Analyst Notes Archive

We Like NiSource's Decision to Sell Columbia Gas of Massachusetts

Charles Fishman, CFA, Eq. Analyst, 28 February 2020

We are reaffirming our $27.50 per share fair value estimate after narrow-moat NiSource reported solid 2019 operating EPS, announced the sale of Columbia Gas of Massachusetts, and pulled its 2020 earnings guidance. Eversource Energy is acquiring the Massachusetts gas distribution utility for $1.1 billion, a price we estimate is roughly 24 times normalized earnings and in line with recent natural gas distribution transactions.

However, we doubt the utility has come anywhere near this level of earnings contribution following the tragic natural gas explosion that killed one person north of Boston in September 2018. The incident has resulted in close to $2 billion of claims, penalties and other expenses (roughly one-half of the costs should be covered by insurance) and has been a significant distraction for management and a public relations nightmare.

In our opinion, the decision to sell the Massachusetts utility was good stewardship of shareholder capital as regulatory, political and customer relationships would likely be strained for years. The roughly $1 billion of proceeds will allow NiSource to forgo a $500 million block equity issuance that had been planned for later this year.

Although pulling earnings guidance, management was confident that the company could return to its long-term target of 5%-7% EPS growth, off a new 2021 earnings base, following the completion of the transaction. Our revised earnings estimates result in approximately 6% EPS growth from 2021-2024.

On January 31, NiSource increased its dividend by 5% and we expect increases in line with EPS growth for the foreseeable future. In our opinion, the dividend is secure and provides a yield of approximately 3% at the February 27 market closing price.

COVID-19 Could Slow Utilities' Near-Term Growth but Long-Term Outlook Still Bright

Travis Miller, Strategist, 26 March 2020

After assessing COVID-19 data and commentary from utilities this week, we still believe the sector offers buying opportunities for defensive, income-seeking investors. U.S. utilities trade at a median 10% discount to our fair value estimates and 3.5% yield even after rallying 23% on March 24-26.

Although some utilities reaffirmed their outlooks this week, we think 2020 earnings for many utilities will be at the low end or below management guidance ranges due to COVID-19 issues. We expect near-term lower commercial and industrial energy demand, tighter financing, growth project delays, and higher expenses. We are reaffirming our moat and moat trend ratings.

Utilities with a large share of C&I customers, usage-based rates, and less-adaptive ratemaking have the most near-term risk. Among these are Southern Company, Entergy, American Electric Power, Duke Energy, Evergy, and Ameren. Utilities with non-utility businesses such as DTE Energy, CenterPoint, and OGE also could face weaker near-term earnings. Our updates led to 2%-5% fair value estimate cuts.

Utilities with more residential customers, usage-decoupled rates, and forward-looking rate structures are less at risk. These include Edison International, Eversource Energy, NextEra Energy, and American Water Works.

We expect most utilities to shift 5%-10% of their 2020 growth investments into 2021-22 due to tight capital and labor markets. In general, this shift has little or no impact on our fair value estimates or long-term outlooks. We don't believe COVID-19 will impact utilities' policy-based investments in safety, clean energy, and grid modernization that support our long-term growth outlooks.

COVID-19 shutdowns might reduce U.S. C&I electricity demand more than the record 5.5% drop in mid-2009. In China, government data suggests electricity demand is down more than 8% year to date. European countries reported 2%-7% drops in electricity use last week. C&I demand is about 60% of total U.S. electricity use.

Trouble For U.S. Gas Utilities Has Been Simmering; New York Just Made it Worse

Travis Miller, Strategist, 29 March 2020

Policymakers--not COVID-19 or global energy markets--are becoming the biggest threat for gas distribution utilities.

Earlier this month, New York regulators asked the state's

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utilities to review ways to reduce or eliminate gas infrastructure. Areas of California have banned new gas service. If anti-gas policies like these spread, it could hurt the industry's long-term growth.

Total returns for U.S. utilities with sizable gas operations are down 19% during the last six months, compared with 14% down for the Morningstar U.S. utilities index. New Jersey Resources, CenterPoint Energy, Atmos Energy, NiSource, and DTE Energy recently traded well below our fair value estimates.

We think states with aggressive clean energy policies are most likely to push customers away from gas. Sixteen states have 100% clean energy targets. We expect renewable energy to grow 8% annually during the next decade.

We believe New Jersey Resources faces the most risk since the bulk of its earnings come from residential gas service in a state with aggressive clean energy policy. New Jersey policymakers support gas use for now, but we anticipate that could change in the next decade. We recently cut our long-term growth rate assumption for NJR to 3% from 4%, lowering our fair value estimate to $37 per share from $39.

New York City's Consolidated Edison and California utilities Sempra Energy and PG&E also face risk but have larger electric distribution businesses that could benefit from electric growth. We think there is less risk for gas utilities in the Southeast and Midwest where Republicans in five states have proposed legislation that would prohibit gas bans.

Acquisition premiums that had inflated gas utilities' valuations also have faded. Eversource Energy recently paid 24 times earnings for Columbia Gas. This is still rich but below deal values for Piedmont (30 P/E), Peoples Gas (30 P/E), and WGL (26 P/E). M&A premiums don't affect our fair value estimates.

its troubled Columbia Gas of Massachusetts unit. However, management expressed confidence it could achieve 5%-7% EPS growth off a new 2021 base when guidance was reestablished.

We expect earnings growth to rebound to near the top end of guidance from 2022-2024. However, COVID-19 changes our estimate of the 2021 EPS base, which we lowered by $0.08, to $1.35.

Supply chain disruptions and staffing issues will make it difficult for NiSource to fully execute our five-year, $10 billion capital expenditures estimate and we reduced it by 5%, or $500 million. Less investment translates into lower-rate base growth and earnings.

Northern Indiana Public Service Company, contributing about 40% of earnings and heavily dependent on commercial and industrial, or C&I, customers, will experience significantly reduced sales following Indiana's stay-at-home order. In 2019, C&I customers represented about 78% of retail electric sales.

NiSource's gas utilities, about 60% of earnings, will also be affected by stay-at-home orders in Ohio, Pennsylvania, and Indiana. In 2019, C&I sales represented about 70% of sales and transportation volumes.

Bad debt/uncollectible expense will also pressure near-term earnings. On March 19, the Edison Electric Institute announced that all members have suspended electricity disconnections. NiSource is a member of EEI.

Operating expenses will increase as safety measures are instituted. Maintaining minimum staffing levels could be challenging and the increase in overtime costs. We expect most, but not necessarily all, expenses related to COVID-19 to eventually be recovered in rates. If COVID-19 costs become significant, regulators might allow cost-recovery deferrals or securitization, similar to large weather-related expenses.

NISource's Heavy C&I Customer Exposure Increases Impact Of COVID-19

Charles Fishman, CFA, Eq. Analyst, 30 March 2020

We are reducing our fair value estimate to $27 per share from $27.50 for NiSource due to the impact of COVID-19 on earnings and capital investment. On Feb. 28, NiSource pulled earnings guidance following the agreement to sell

Coronavirus and Utilities: Listening For Answers

Andrew Bischof, Sr. Eq. Analyst, 22 April 2020

Utilities' first-quarter earnings rarely offer much excitement, but this year will be different. We expect lively coronavirus commentary from utilities starting this week. We are maintaining our fair value estimates, moats, and moat trends.

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NiSource Inc NI (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★	22.92 USD	26.00 USD	0.88	3.58	3.66	8.77	Utilities - Regulated Gas	Standard
06 May 2020 21:49, UTC	06 May 2020	07 May 2020 13:19, UTC		06 May 2020	06 May 2020	06 May 2020		

We expect to hear commentary from management teams on numerous COVID-19 concerns. Utilities with large commercial-industrial customers could see record-breaking demand drops. Rate structures are critical, and we expect earnings cuts for utilities with usage-based rates. Utilities have issued a surge of debt in March, providing plenty of near-term liquidity, but investors will look to see if it is enough to get them through the year. Dividends appear secure throughout the sector and offer good income value relative to fixed-income alternatives. Capital programs are key drivers for utility growth amid stalled supply chains, workforce shortages, or financing. Renewable energy programs are the least at risk in our view. Finally, higher operating costs will likely affect utilities. The key will be which regulators adapt their natural disaster recovery programs for COVID-19 costs.

We highlight two lists of utilities that investors should watch this earnings season, value and quality. Atypical volatility among utilities stocks during the last month has created a wide spread between the overloved and the underloved. Value stocks could get an outsize lift if management commentary pushes the market toward our more positive outlook. We highlight AES, Edison International, Duke Energy, Vistra Energy, and First Solar as value stocks to watch.

We expect the most consistency from high-quality utilities; if the market were to turn down, like in mid-March, investors should be ready to pounce. We think high-quality Dominion Energy, NextEra Energy, Southern Co., and WEC Energy Group are the best positioned to weather COVID-19.

Safety-Related O&M, COVID-19, and Weak Industrial Demand Pressure NiSource's Earnings Growth

Charles Fishman, CFA, Eq. Analyst, 07 May 2020

We are reducing our fair value estimate to $26 per share from $27 after NiSource reported 2020 first-quarter operating EPS of $0.76 versus $0.82 last year, reduced its 2020 capital expenditure forecast by $100 million, and made comments less supportive of future earnings growth.

The weak results were due in large part to higher safety-related operating and maintenance costs, mild weather, and weaker industrial electricity demand. COVID-19-related costs were not material in the recently ended quarter.

In March, we reduced our five-year capital expenditure estimate by $500 million, approximately 5%, to $9.5 billion due to our assumption of the impact of COVID-19 on investment. Driven by the lower 2020 guidance and our assumption of the continuing impact of COVID-19, we reduced our five-year investment forecast by another $250 million, to approximately $9.25 billion.

Although NiSource had previously indicated earnings guidance would not be provided until after the closing of the Columbia of Massachusetts transaction later this year, it was disappointing that management declined to support previous comments that 2021 operating earnings would be at least equal to the lower end of the previous range for 2020, or $1.36 per share.

Driven by lower capital investment and our assumption that higher O&M and weak industrial electricity demand will drag into next year, we reduced our 2021 EPS estimate to $1.30 from $1.35. Management did reaffirm that when 2021 guidance is established later this year, it will be the base for long-term annual EPS growth of 5%-7%. We estimate annual EPS growth of 6% from our new 2021 estimate, in line with this guidance.

However, starting from a lower 2021 earnings base reduces our annual earnings growth for 2019-24 to 3.3% from our previous estimate of 4.8%. This lower earnings growth was the primary driver for our lower fair value estimate.

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MORNINGSTAR

NiSource Inc NI ★★★Q

07 May 2020 02:00 UTC

Last Close	Fair Value[Q]	Market Cap	Sector	Industry	Country of Domicile
06 May 2020	07 May 2020 02:00 UTC	06 May 2020			
22.92	23.86	8,771.1 Mil	Utilities	Utilities - Regulated Gas	United States

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities. For information regarding Conflicts of Interests, visit http://global.morningstar.com/equitydisclosures

Company Profile

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.5 million customers in Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana to about 500,000 customers. The regulated electric utility also owns more than 3,000 megawatts of generation capacity, most of which is now coal-fired but is being replaced by natural gas and renewables.

Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	Narrow	94	92	89
Valuation	Fairly Valued	9	21	11
Quantitative Uncertainty	High	99	94	98
Financial Health	Moderate	59	26	59

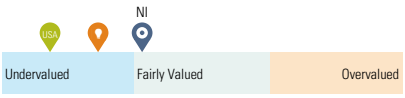

Source: Morningstar Equity Research

Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	0.96	1.05	0.89	0.83
Price/Earnings	26.3	34.0	14.8	20.1
Forward P/E	17.4	—	13.7	13.9
Price/Cash Flow	5.4	9.8	6.5	13.1
Price/Free Cash Flow	—	75.8	13.1	19.5
Trailing Dividend Yield %	3.58	3.16	3.68	2.35
Price/Book	1.7	1.9	1.4	2.4
Price/Sales	1.7	1.7	1.4	2.4

Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	6.6	4.5	9.8	12.9
Return on Assets %	1.5	1.0	3.3	5.2
Revenue/Employee (K)	622.9	605.0	1,274.9	325.9

Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.5	0.6	0.6	0.5
Solvency Score	762.5	—	584.9	552.4
Assets/Equity	3.8	4.3	2.6	1.7
Long-Term Debt/Equity	1.3	1.5	0.7	0.4

Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	1.9	5.1	-0.2	-2.4
Operating Income %	936.7	14.7	10.5	5.0
Earnings %	—	-5.2	1.4	0.4
Dividends %	2.6	7.7	-4.7	-1.4
Book Value %	2.2	2.0	-7.3	-2.7
Stock Total Return %	-14.8	1.0	5.1	14.4

Price vs. Quantitative Fair Value

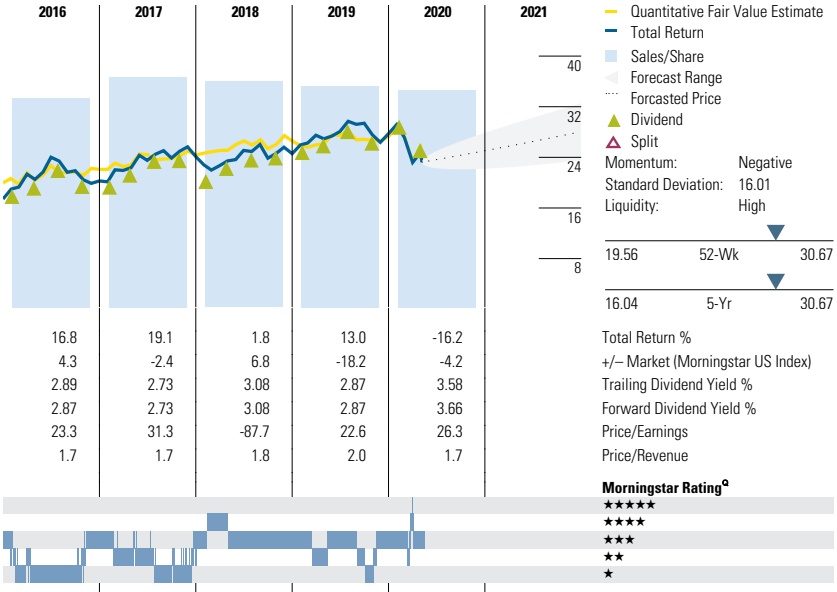

2016	2017	2018	2019	2020	2021	
16.8	19.1	1.8	13.0	-16.2		Total Return %
4.3	-2.4	6.8	-18.2	-4.2		+/– Market (Morningstar US Index)
2.89	2.73	3.08	2.87	3.58		Trailing Dividend Yield %
2.87	2.73	3.08	2.87	3.66		Forward Dividend Yield %
23.3	31.3	-87.7	22.6	26.3		Price/Earnings
1.7	1.7	1.8	2.0	1.7		Price/Revenue

Morningstar Rating[Q]

2015	2016	2017	2018	2019	TTM	Financials (Fiscal Year in Mil)
4,652	4,492	4,875	5,114	5,209	5,209	Revenue
-28.1	-3.4	8.5	4.9	1.8	0.0	% Change
802	857	916	126	1,305	1,305	Operating Income
-32.3	6.9	6.9	-86.3	936.7	0.0	% Change
287	332	129	-51	383	383	Net Income
1,457	803	742	540	1,583	1,583	Operating Cash Flow
-1,361	-1,475	-1,696	-1,818	-1,802	-1,802	Capital Spending
96	-672	-954	-1,278	-219	-219	Free Cash Flow
2.1	-15.0	-19.6	-25.0	-4.2	-4.2	% Sales
0.90	1.02	0.39	-0.18	0.87	0.87	EPS
-46.1	13.3	-61.8	-146.2	—	0.0	% Change
-1.28	-2.26	-2.47	-1.82	-2.64	-0.58	Free Cash Flow/Share
0.83	0.64	0.70	0.78	0.80	0.80	Dividends/Share
11.91	11.79	12.95	12.57	13.00	13.34	Book Value/Share
319,110	323,160	337,016	372,364	382,136	382,683	Shares Outstanding (K)
						Profitability
5.7	8.4	3.1	-1.4	6.6	6.6	Return on Equity %
1.4	1.8	0.7	-0.3	1.5	1.5	Return on Assets %
6.2	7.4	2.6	-1.3	6.3	6.3	Net Margin %
0.22	0.25	0.25	0.24	0.23	0.23	Asset Turnover
4.6	4.6	4.6	4.5	4.4	4.4	Financial Leverage
34.0	36.7	35.8	19.6	44.5	44.5	Gross Margin %
17.2	19.1	18.8	2.5	25.1	25.1	Operating Margin %
5,903	6,058	7,512	7,105	7,856	7,856	Long-Term Debt
3,844	4,071	4,320	5,751	5,987	5,987	Total Equity
0.3	0.4	0.4	0.3	0.3	0.3	Fixed Asset Turns

Quarterly Revenue & EPS

Revenue (Mil)	Mar	Jun	Sep	Dec	Total
2019	1,869.8	1,010.4	931.5	1,397.2	5,208.9
2018	1,750.8	1,007.0	895.0	1,461.7	5,114.5
2017	1,598.6	990.7	917.0	1,368.3	4,874.6
2016	1,436.6	897.6	861.3	1,297.0	4,492.5
Earnings Per Share ()					
2019	0.55	0.75	-0.02	-0.41	0.87
2018	0.81	0.07	-0.95	-0.05	-0.18
2017	0.65	-0.14	0.04	-0.16	0.39
2016	0.56	0.09	0.08	0.27	1.02

Revenue Growth Year On Year %

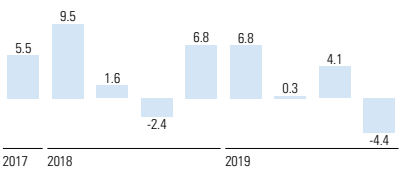

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MORNINGSTAR

Research Methodology for Valuing Companies

Qualitative Equity Research Overview
At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat
The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

2. Estimated Fair Value
Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast
In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

Stage II: Fade
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity
Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

Morningstar Research Methodology for Valuing Companies

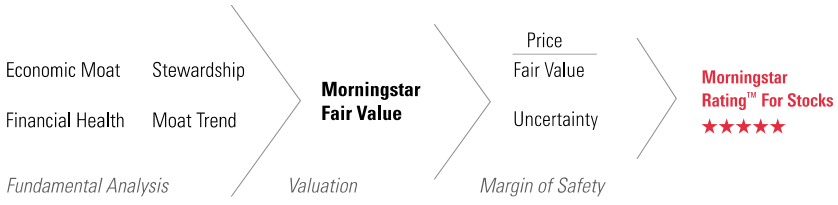

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Research Methodology for Valuing Companies

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very High–margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- Extreme–margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Equity Research Star Rating Methodology

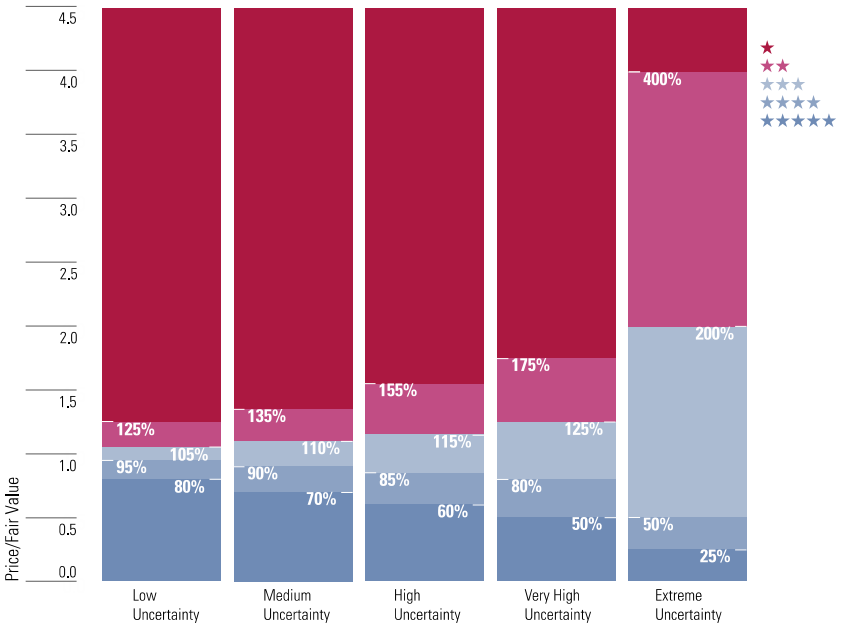

Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

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Research Methodology for Valuing Companies

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Stewardship Rating: Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

Quantitative Valuation: Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ► Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ► Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ► Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

Quantitative Equity Reports Overview

The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of:

(i) Quantitative Fair Value Estimate
(ii) Quantitative Star Rating
(iii) Quantitative Uncertainty
(iv) Quantitative Economic Moat
(v) Quantitative Financial Health

(collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar," "we," "our") calculates Quantitative Ratings for companies whether it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

Quantitative Fair Value Estimate: Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the quantitative fair value estimate using a statistical model derived from the fair value estimate Morningstar's equity analysts assign to companies. Please go to https://shareholders.morningstar.com for information about fair value estimates Morningstar's equity analysts assign to companies.

Quantitative Economic Moat: Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

- ► Narrow: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.
- ► Wide: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.
- ► None: assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

Quantitative Star Rating: Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, and the Quantitative Uncertainty Rating. The rating is expressed as 1-Star, 2-Star, 3-Star, 4-Star, and 5-Star.

★: the stock is overvalued with a reasonable margin of safety.
Log (Quant FVE/Price)<–1*Quantitative Uncertainty

★★: the stock is somewhat overvalued.
Log (Quant FVE/Price) between (–1*Quantitative Uncertainty, –0.5*Quantitative Uncertainty)

★★★: the stock is approximately fairly valued.
Log (Quant FVE/Price) between (–0.5*Quantitative Uncertainty, 0.5*Quantitative Uncertainty)

★★★★: the stock is somewhat undervalued.
Log (Quant FVE/Price) between (0.5*Quantitative Uncertainty, 1*Quantitative Uncertainty)

★★★★★: the stock is undervalued with a reasonable margin of safety. Log (Quant FVE/Price) >1*Quantitative Uncertainty

Quantitative Uncertainty: Intended to represent Morningstar's level of uncertainty about the accuracy of the quantitative fair value estimate. Generally, the lower the quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

- ► Low: the interquartile range for possible fair values is less than 10%.
- ► Medium: the interquartile range for possible fair values is less than 15% but greater than 10%.
- ► High: the interquartile range for possible fair values is less than 35% but greater than 15%.
- ► Very High: the interquartile range for possible fair values is less than 80% but greater than 35%.
- ► Extreme: the interquartile range for possible fair values is greater than 80%.

Quantitative Financial Health: Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

- ► Weak: assigned when Quantitative Financial Health <0.2
- ► Moderate: assigned when Quantitative Financial Health is between 0.2 and 0.7
- ► Strong: assigned when Quantitative Financial Health >0.7

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MORNINGSTAR

NiSource Inc NI (XNYS)

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06 May 2020 21:49, UTC	06 May 2020	07 May 2020 13:19, UTC		06 May 2020	06 May 2020	06 May 2020		

Price/Fair Value Morningstar data as of May 06, 2020

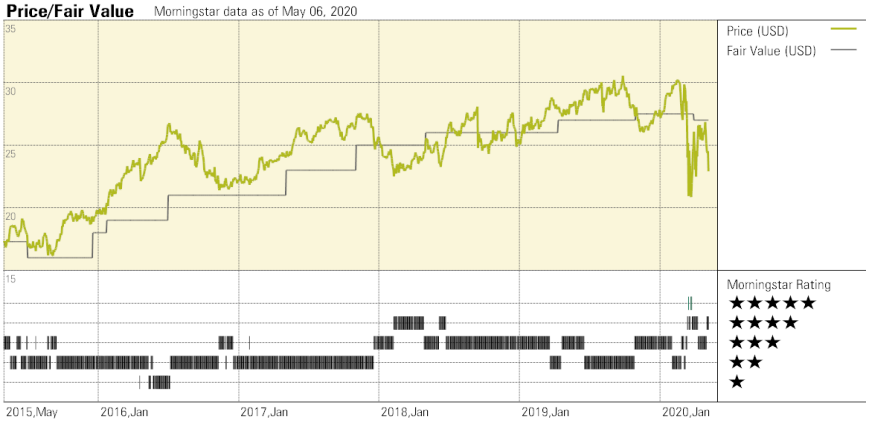

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MORNINGSTAR

Goldman Sachs | Equity Research

7 May 2020 | 1:15PM EDT

NiSource Inc. (NI): Favorable LT growth profile despite near-term electric demand pressure; remain Buy

We reiterate our Buy rating on NiSource (NI) as we view favorably the companies' majority gas utility profile (~65% of consolidated operating income) with constructive regulatory mechanisms, which could help mitigate further demand impacts as we head into low gas/high electric usage months. While we recognize the potential near-term earnings pressure from its electric operations, we expect the company's robust investment pipeline to support largely unchanged 2022 earnings power versus prior to the current COVID-19 environment.

Indiana renewable projects could bolster LT growth. Beyond 2022, we see higher growth potential at NIPSCO Electric from potential ownership of replacement generation — largely renewables — that could bolster NI's 5-7% EPS growth rate. Management forecasts up to 50% ownership of 1.6 GW of capacity required by 2023, which could contribute over $0.10 (or ~8% based on 2022E) of incremental EPS assuming $1,000/kW construction cost. We expect additional clarity on potential ownership levels later this year.

We revise our 2020-2022 EPS estimates to $1.27/$1.38/$1.49 from $1.30/$1.39/$1.50. Our changes reflect 1) 1Q20 actuals, 2) lower capex in 2020 (~$1.8bn), and 3) timing of O&M management, but reflecting ~1% CAGR through 2022. We continue to embed our estimated electric demand impacts from 2020-2022 while not assuming any meaningful changes to gas demand. Finally, our model includes the MA gas utility operations coupled with $1bn of equity in 2020 (including $300mn of ATM), resulting in 14.1%/14.5% FFO/debt in 2021/2022, respectively (versus Moody's stated Baa2 threshold of 14%). Note that the company has recently announced the sale of its MA gas utility operations to Eversource.

Our $28 12-month price target (unchanged) embeds 20x our revised 2021 EPS estimate of $1.38. Our target reflects a 26% total return, with the stock currently trading at a 1.5x P/E discount to smid-cap peers, which we believe is unwarranted. Key risks include (1) legal and regulatory risks, (2) earnings/cash impact due to COVID-19, (3) higher than expected O&M, (4) electricity demand and customer growth, and (5) financing.

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NI in charts

Exhibit 1: We lower our 2020-2022 estimates modestly, reflecting 4.3% CAGR from 2019A-2022E...
EPS New vs Old vs Consensus

	EPS Estimates			% Difference	
	GS-New	GS-Old	Cons.	vs. Old	vs. Cons.
2020E	$1.27	$1.30	$1.34	(2%)	(5%)
2021E	$1.38	$1.39	$1.41	(0%)	(2%)
2022E	$1.49	$1.50	$1.51	(0%)	(1%)
CAGR	4.3%	4.4%	4.8%	N/A	(0%)

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 2: ...with strong growth driven by the regulated gas businesses
Operating income by segment ($mn)

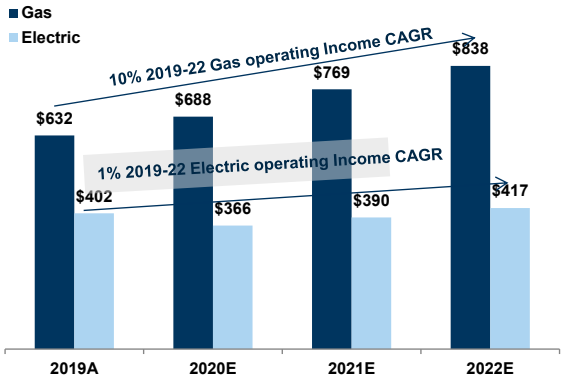

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Our financing assumptions embed bulk equity in 2020, and our model incorporates the MA utility in estimates
Financing by type ($mn) and adjusted FFO/debt

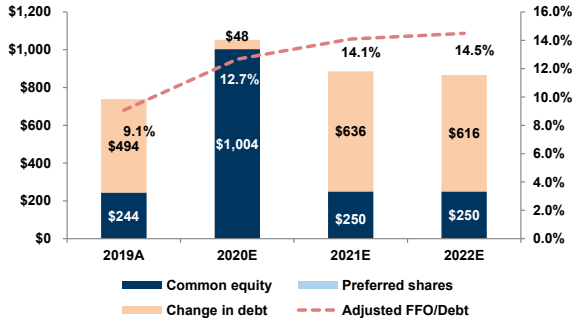

2020 FFO/debt assumes certain one-time adjustments related to the Merrimack incident

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: Our target reflects a 26% total return, and we view the current 1.5x P/E discount to smid-cap peers as unwarranted
NI blended P/E valuation

NI valuation			
Deriving Blended Multiple			
	Gas	Electric	Total
2021 EBIT	768.5	389.5	1,158.1
% 2021 EBIT	66.4%	33.6%	
Target Multiple	20.00x	20.00x	20.0x
Price Target			
2021 EPS			$1.38
Target Multiple			20.0x
Price Target			**$28**
Total Return			**26%**
Regulated Utilities Total Return			**28%**

Source: Goldman Sachs Global Investment Research

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NI	12m Price Target: **$28.00**	Price: **$22.92**	Upside: **22.2%**

Buy

Market cap: $7.5bn
Enterprise value: $17.9bn
3m ADTV: $105.2mn
United States
America-Regulated Utilities
M&A Rank: 3

GS Forecast

	12/19	12/20E	12/21E	12/22E
Revenue ($ mn) New	**5,208.9**	**5,015.9**	**5,257.5**	**5,471.7**
Revenue ($ mn) Old	5,208.9	5,312.7	5,590.0	5,823.4
EBITDA ($ mn)	1,608.1	1,794.2	1,999.1	2,161.2
EBIT ($ mn)	890.7	1,035.7	1,184.0	1,285.1
EPS ($) New	**1.32**	**1.27**	**1.38**	**1.49**
EPS ($) Old	1.32	1.30	1.39	1.50
P/E (X)	21.3	18.0	16.6	15.3
Dividend yield (%)	2.9	3.7	3.9	4.1
Net debt/EBITDA (X)	5.9	5.3	5.1	5.0

	3/20	6/20E	9/20E	12/20E
EPS ($)	0.76	0.06	0.04	0.40

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 6 May 2020 close.

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NiSource Inc. is an energy holding company whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 4.0 million customers in seven states. NiSource is one of the nation's largest natural gas distribution companies, as measured by number of customers. NiSource's principal subsidiaries include NiSource Gas Distribution Group Inc., a natural gas distribution holding company, and NIPSCO, a regulated gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated utilities.

Analyst's Notes

Analysis by Gary Hovis, May 29, 2020

ARGUS RATING: BUY

- Sharply discounted NI shares offer value
- On March 27, NiSource agreed to sell its Columbia Gas of Massachusetts assets to Eversource for $1.1 billion in a transaction expected to close by the end of 3Q20. With the transaction pending, NiSource withdrew its 2020 operating EPS guidance of $1.36-$1.40.
- After the completion of the transaction, the company expects to issue 2021 operating EPS guidance and establish a 5%-7% long-term growth rate with 2021 as the base year.
- On May 6, NiSource posted 1Q20 operating earnings (non-GAAP) of $290.9 million, or $0.76 per share, compared to $307.7 million, or $0.82 per share, for the same period in 2019.
- Our EPS estimates are $1.42 for 2020 and $1.50 for 2021. The company will report 2Q20 EPS on July 29.

INVESTMENT THESIS

Our rating on NiSource Inc. (NYSE: NI) is BUY based on valuation and historical performance. Focusing on its regulated electric and gas utilities, NiSource recently completed a corporate restructuring that resulted in the spinoff of its nonregulated pipeline group. The company keeps a tight rein on expenses as well as capital spending. The shares trade near the midpoint of their historical range on P/E, price/book and price/cash flow. The balance sheet appears stable and, in our view, able to support the current dividend, which yields 3.6%. We think the yield would be attractive to income-oriented investors and are reiterating our BUY rating on NI with a 12-month target price of $32.

Our long-term rating is also BUY.

RECENT DEVELOPMENTS

On May 6, NiSource Inc. (NYSE: NI) announced, on a GAAP basis, net income for 1Q20 of $61.8 million or $0.16 per share, compared with $205.1 million or $0.55 per share in 1Q19. NiSource also posted net operating earnings (non-GAAP) of $290.9 million

Market Data

Pricing reflects previous trading week's closing price.

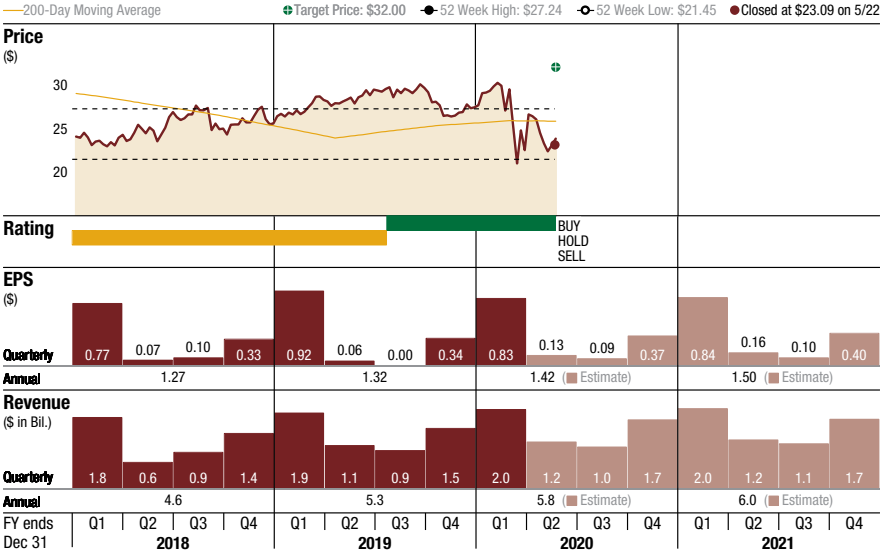

Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	**Market Weight**	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 65% Buy, 35% Hold, 1% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	**$23.83**
Target Price	**$32.00**
52 Week Price Range	**$19.56 to $30.67**
Shares Outstanding	**382.80 Million**
Dividend	**$0.84**

Sector Overview

Sector	**Utility**
Sector Rating	**MARKET WEIGHT**
Total % of S&P 500 Market Cap.	**3.00%**

Financial Strength

Financial Strength Rating	**MEDIUM**
Debt/Capital Ratio	**61.9%**
Return on Equity	**11.2%**
Net Margin	**4.8%**
Payout Ratio	**0.59**
Current Ratio	**0.49**
Revenue	**$4.94 Billion**
After-Tax Income	**$239.80 Million**

Valuation

Current FY P/E	**16.78**
Prior FY P/E	**18.05**
Price/Sales	**1.84**
Price/Book	**1.88**
Book Value/Share	**$12.70**
Market Capitalization	**$9.12 Billion**

Forecasted Growth

1 Year EPS Growth Forecast	**7.58%**
5 Year EPS Growth Forecast	**4.00%**
1 Year Dividend Growth Forecast	**5.00%**

Risk

Beta	**0.96**
Institutional Ownership	**90.78%**

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Analyst's Notes...Continued

or $0.76 per share in 1Q20, compared to $307.7 million or $0.82 per share in 1Q19.

NiSource's 1Q20 GAAP results include a $280.2 million loss due to the re-classification of Columbia Gas of Massachusetts' assets as held for sale resulting from the previously announced sale to Eversource Energy. This pending sales transaction remains on track to close by the end of 3Q20. Note that much of the 1Q20 played out prior to COVID-19 reaching crisis proportions in the U.S. Since then, additional steps have been taken which should position NiSource to manage through the pandemic.

The continued spread of COVID-19 has resulted in impacts on the company' service territory economy and could lead to reduced kilowatt hour sales to commercial and industrial customers. In any case, the company continues to evaluate the range of potential impacts of the pandemic on its natural gas and electric businesses and on its future operating results and liquidity.

After the completion of the transaction, the company expects to issue 2021 operating EPS guidance and establish a 5%-7% long-term growth rate with 2021 as the base year. This new guidance is expected to include significant investments in electric generation and natural gas distribution.

EARNINGS & GROWTH ANALYSIS

Our EPS estimates are $1.42 for 2020 and $1.50 for 2021. The company will report 2Q20 EPS on July 29.

NiSource continues to rely on its utility infrastructure programs for earnings and dividend growth. The company's regulated gas and electric segments will primarily invest in pipelines and in electric transmission projects as well as distribution modernization programs, and we believe the company will benefit from favorable regulation. In all, management expects the company to post operating earnings growth of 5%-7% annually from 2020 through 2023, resulting in total annual returns for shareholders of 6%-7%.

NiSource could also become a buyout target, as larger utilities and private equity firms have purchased smaller utilities because of their stable earnings growth and above-average dividend yields.

FINANCIAL STRENGTH & DIVIDENDS

We believe that NiSource has improved its balance sheet by selling noncore assets, recalibrating capital expenditures, and carefully managing operating expenses and working capital.

NiSource remains committed to maintaining its current investment-grade credit ratings. The company has investment-grade ratings with Fitch Ratings (BBB), Moody's (Baa2) and Standard & Poor's (BBB+). As of March 31, 2020, NiSource had approximately $1.3 billion in net available liquidity, consisting of cash and available capacity under its credit facility and accounts receivable securitization programs.

NiSource recently took a pair of actions to reduce financing risk and increase liquidity. On April 13, the company issued $1 billion of 3.6% notes due 2030, with the net proceeds to be used for general corporate purposes, including financing capital investments, additions to working capital and to repay existing

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2015	2016	2017	2018	2019
Revenue	4,652	4,493	4,875	5,115	5,209
COGS	3,070	2,836	3,120	4,114	2,890
Gross Profit	1,582	1,657	1,754	1,000	2,319
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Operating Income	802	865	927	126	1,305
Interest Expense	379	346	349	347	371
Pretax Income	340	514	443	-231	507
Income Taxes	141	182	315	-180	124
Tax Rate (%)	42	35	71	—	24
Net Income	287	332	129	-51	383
Diluted Shares Outstanding	320	324	331	357	376
EPS	0.90	1.02	0.39	-0.18	0.87
Dividend	0.83	0.64	0.70	0.78	0.80
GROWTH RATES (%)					
Revenue	-12.0	-5.0	7.7	5.5	1.2
Operating Income	1.2	7.9	7.1	-86.4	936.7
Net Income	-45.9	15.7	-61.2	—	—
EPS	-22.2	61.9	-61.8	—	—
Dividend	-18.6	-22.9	9.4	11.4	2.6
Sustainable Growth Rate	3.0	2.7	1.1		3.4
VALUATION ANALYSIS					
Price: High	$49.16	$26.94	$27.76	$28.11	$30.67
Price: Low	$16.04	$19.05	$21.65	$22.44	$24.69
Price/Sales: High-Low	3.4 - 1.1	1.9 - 1.4	1.9 - 1.5	2.0 - 1.6	2.2 - 1.8
P/E: High-Low	54.6 - 17.8	26.4 - 18.7	71.2 - 55.5	— - —	35.3 - 28.4
Price/Cash Flow: High-Low	9.7 - 3.2	10.9 - 7.7	11.3 - 8.8	8.6 - 6.9	13.6 - 10.9

Financial & Risk Analysis

FINANCIAL STRENGTH	2017	2018	2019
Cash ($ in Millions)	29	113	139
Working Capital ($ in Millions)	-1,415	-1,981	-1,892
Current Ratio	0.55	0.51	0.49
LT Debt/Equity Ratio (%)	173.9	145.9	153.8
Total Debt/Equity Ratio (%)	208.4	187.5	188.8
RATIOS (%)			
Gross Profit Margin	36.0	19.6	44.5
Operating Margin	19.0	2.5	25.1
Net Margin	2.6	-1.3	6.3
Return On Assets	0.7	-0.3	1.5
Return On Equity	3.1	-1.4	6.6
RISK ANALYSIS			
Cash Cycle (days)	53.7	42.5	22.7
Cash Flow/Cap Ex	0.4	0.3	0.9
Oper. Income/Int. Exp. (ratio)	2.3	0.3	2.4
Payout Ratio	66.3	84.2	303.9

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Analyst's Notes...Continued

debt.

On April 1, NiSource refinanced its $850 million term loan agreement with a new maturity date of March 31, 2021. Debt associated with the term loan is anticipated to be repaid with proceeds of the Columbia Gas of Massachusetts asset sale.

NiSource pays an annualized dividend of $0.84 per share, for a yield of about 3.6%. Our dividend estimates are $0.84 for 2020 and $0.88 for 2021.

MANAGEMENT & RISKS

The CEO of NiSource is Joseph Hamrock, 53, who assumed the position in July 2015. Mr. Hamrock, who joined NiSource in 2012, previously served as EVP and Group CEO for NiSource's Gas Distribution segment. He also has experience as an executive with American Electric Power. Donald E. Brown is the CFO.

Management is committed to electric and gas service expansion strategies in the company's regulated service territories, and to the expansion of its gas transmission and storage business. We think the company's platform for a return to growth is solid, and we are confident in management's ability to provide shareholders with increased value over the long term.

Key risks for stocks in our electric utility universe include fluctuations in interest rates and commodity prices, the effect of adverse weather on revenue, regulatory issues (especially involving construction cost recovery), and potential environmental and safety liabilities. In addition, the capital-intensive nature of the utility industry creates ongoing liquidity risk that must be actively managed by each company.

COMPANY DESCRIPTION

NiSource Inc. is an energy holding company whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 4.0 million customers in seven states. NiSource is one of the nation's largest natural gas distribution companies, as measured by number of customers. NiSource's principal subsidiaries include NiSource Gas Distribution Group Inc., a natural gas distribution holding company, and NIPSCO, a regulated gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated utilities.

VALUATION

We think that NI shares are favorably valued at current prices near $23-$24, toward the low end of their 52-week range of $20-$31. The shares trade at 16-times our 2021 EPS estimate, below the average P/E of 21.4 for comparable electric and gas utilities. They are also trading at a price/book multiple of 2.2, close to the peer average of 2.3. The price/cash flow ratio is 16.2, below the peer average of 19.5. The shares trade near the midpoint of their historical range on P/E, price/book and price/cash flow. The dividend yield of 3.6% is above the industry average of 2.8%. We are reiterating our BUY rating on NI with a 12-month target price of $32.

Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare NI versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how NI stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how NI might fit into or modify a diversified portfolio.**

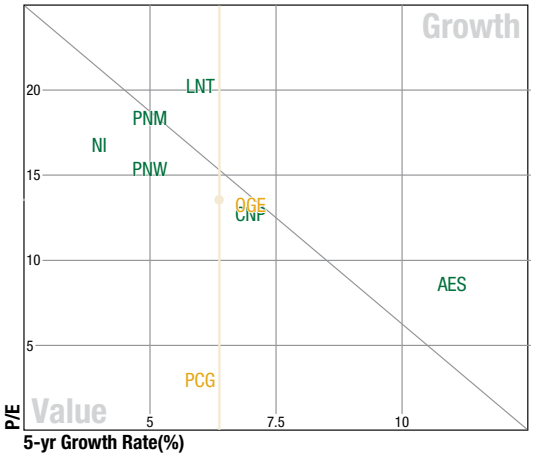

Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
LNT	Alliant Energy Corp.	12,316	6.0	20.2	17.1	6.1	BUY
NI	Nisource Inc. (Holding Co.)	9,122	4.0	16.8	4.8	5.6	BUY
CNP	Centerpoint Energy Inc.	8,936	7.0	12.7	-5.3	3.6	BUY
PNW	Pinnacle West Capital Corp.	8,763	5.0	15.4	16.2	1.8	BUY
AES	AES Corp.	8,305	11.0	8.6	3.0	4.8	BUY
PCG	PG&E Corp.	6,283	6.0	3.0	-42.5	3.5	HOLD
OGE	Oge Energy Corp.	6,269	7.0	13.3	-4.8	3.4	HOLD
PNM	PNM Resources Inc	3,251	5.0	18.4	3.0	3.6	BUY
Peer Average		**7,906**	**6.4**	**13.5**	**-1.1**	**4.1**	

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Analyst's Notes...Continued

On May 29, BUY-rated NI closed at $23.25, up $0.08.

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About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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BofA GLOBAL RESEARCH

BofA SECURITIES

Power & COVID impact: ERCOT recovery & PJM markets

We had previously highlighted signs of a gradual turnaround in U.S. load, with total load bottoming out at -10% vs. pre-COVID expectations and then gradually improving to -8% vs. expectations, with ERCOT in particular showing meaningful growth from its lows after reversal of lockdowns in the state. In recent days, we have seen even further improvement, specifically in ERCOT with a 30% rally in the Jul-Aug '20 contract over the last two days. While this may have been partially driven by shifts in market sentiment around load trends, we *also* highlight weather as driving some of this upward movement. Separately, PJM recently stated it has over 187 GW of installed generation capacity available, relative to its forecast summer peak demand of 148 GW. This forecast compares to PJM's peak demand in 2019 of over 151 GW (i.e. '20 forecast is ~2% lower v. last year). PJM has seen load decline by ~10% as of mid-March due to COVID-related restrictions. We see the trends in ERCOT as only further affirming underlying positive load trends, especially in this the Central region which have proven consistently more resilient.

NI: '21 outlook updated: we see this implying ~$1.35

Seeing mgmt had already announced mitigation efforts to offset the loss of the MA biz largely (and seemingly affirmed), we effectively see the full impact. These are the variances from the last plan – and when at that time it was roughly ~$1.40 in '21 (higher end of $1.36-1.40 range was achievable in '21). Now, you have up to 10c Covid-related impacts off this $1.40, offset by *incremental* cost savings suggest $1.35. The NI load recovery is well under way and seemingly ahead of earlier plan. The 10c impact of Covid impacts appear *half from load degradation* (permanent/long ramp in C&I) as well as incremental expenses (reconnection fees, Covid-related mitigation costs). We see the mitigation efforts as *not entirely* different from the existing mitigation efforts already under way to offset loss of earnings from MA biz sale (principally dis-synergies from allocated SG&A). We note the wide range of expectations may prove offputting to investors upon initial look (albeit the wide range is perhaps the caution, *we* see this as roughly implying $1.35 likely *in-line with the reduced EPS expectations already and close our reduced $1.36 estimate already)*. The critical point is that Covid pressures are entirely under-earning related and should normalize out over time with future rate cases (this is not any reduction in '21 capex for instance after a slight earlier tweak to '20). We note this is the first update across the sector to provide an update on load expectations and cost reductions. We also expect this load update on '21 to kickstart further moderation of EPS ests into next year across the sector. We expect companies to continue to talk *up* the ongoing recovery in load in forthcoming meetings given numerous sellside meetings hosted in coming days (including our own mini-conference tomorrow).

27 May 2020

Equity
North America
Utilities & IPPs

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LNT: acquired 675MW solar portfolio: executing against the expected buildout.. now it's time to watch WI approval

LNT announced to acquire 675MW solar portfolio at a purchase consideration of $900m of which tax equity partner would sponsor 35-40% of the investment outlay with the rest being financed by LNT's Wisconsin subsidiary. The company indicated to purchase tax equity's ownership in the projects within 10 years of operation. LNT expects to file an application with the PUC on the acquisition and anticipates a decision by 1H21. We note that LNT already signed purchase and sale agreements with the developers, subject to pending approval from the regulators, however, none of the projects are currently under construction. The company anticipates 425MW to be placed in service by 2022 and 250MW in 2023. Notably, last week the company announced early retirement of its Edgewater coal facility in Sheboygan in 2022. The latest development is no real surprise to us, given it is part of LNT's stated Clean Energy Blueprint plant for 1GW of solar in Wisconsin and in-line with its previous commentary on accelerating coal retirement with renewables installation to avoid hundreds of millions in long-term costs. Maintain Buy on LNT. *We note positive early indications from stakeholders in the state on regulatory approval prospects.*

Overall, the portfolio is comprised of six solar projects that include 200MW project developed by NEE sub NEER, a 150MW and 75MW facilities in Sheboygan County and Jefferson County, respectively, and developed by Ranger Power, a 150MW and a 50MW solar projects developed by Savion, owned by Macquarie Group Ltd.'s Green Investment Group and located in Wood County and Richland County, respectively, and a 50-MW facility in Rock County developed by National Grid's Geronimo Energy.

NI: rolled out details on COVID impact on EPS; No 20/21 EPS guidance still

NI rolled out supplementary details on COVID impact. While the slides include granular details on COVID 19 impact on operating EPS as well as mitigation measures to offset some of the pandemic impact, however, neither did the company provide 2020 EPS guidance (Recall they pulled it when MASS Sale to ES Was announced) nor did they reiterate 2021 EPS guidance. Specifically, the company quantified the impact to be ($0.15) – ($0.20) for 2020 and ($0.00)-($0.10) for 2021on NI's base case assumptions. However, the company expects mitigation measures initiated in April would likely offset $0.10-$0.15 and $0.05-$0.10 for 2020 and 2021, respectively.

Table 1: COVID 19 impact on net Operating EPS ($) for 2020/2021

$	2020E	2021E
COVID-19 Impact on EPS Base Case	($0.15)-($0.20)	($0.00)-($0.10)
Mitigation Efforts - Initiated in April	$0.10-$0.15	$0.05-$0.10
Estimated Net NOEPS Impact	($0.00)-($0.10)	($0.00)-($0.10)

Source: BofA Global Research, Company report

While the company stressed on non-safety related savings in O&M, recovery for COVID related impacts and improving organization efficiencies by addressing dis-synergies, however, they did not quantify anticipated O&M savings to combat the COVID losses.

Meanwhile, NI outlined the detail on retail margins by customer class, in-addition to providing pre-tax operating earnings sensitivity to 1% change in annual sales volume both by customer class and by segment, besides noting out the COVID 19 impact on weather normalized April 2020 sales volumes as compared to April 2019 (4%/26% decline in Gas Distribution and Electric Operations). $8.1m margin loss booked in April 2020 reflecting the mitigation efforts initiated by the company.

Chart 1: Retail Margins by customer class and by segment

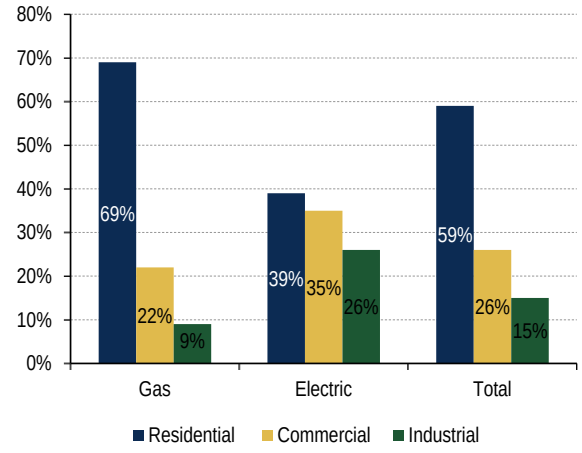

Source: BofA Global Research, Company report

Chart 2: Pre-tax operating income sensitivity to +/- 1% change in sales volumes ($M)

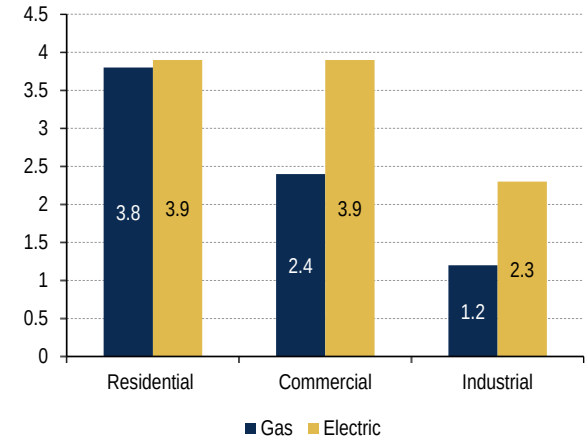

Source: BofA Global Research, Company report

However, the company did mention mid to late May trend in volumes indicated a recovery from April lows. While the company expects a rise in bad debt expense, however, reiterated rate design and availability of bad debt recovery mechanisms in certain states. The company requested IN IURC to create a bad debt tracker, besides deferring bad debt expenses much in-line with the states like MD, VA, and PA, which already allowed deferral of COVID related expenses and bad debt.

Critically, where many co's can use O&M savings to balance impacts, we see this as a greater challenge to NI as it promised it would pursue a program of cost savings to mitigate NT impacts of the CMA sale to ES this 3Q. With 2020 guidance having already been pulled related to the CMA sale, we only have an adj 2021 guide of a $1.36-1.40/sh 'earnings floor' (see this as risk). We previously downgraded NiSource to Neutral from Buy due to our concerns around absorbing lower demand from COVID.

Delaware BK court approved Longview's prepackaged reorganization plan

The U.S. Bankruptcy Court for the District of Delaware has confirmed Longview Power's prepackaged reorganization plan filed in April, effectively transferring company's equity ownership to its senior secured debt holders offsetting its $350m existing debt. The company would receive $40m as term loan to fund its working capital and capex program for next five years upon emergence from bankruptcy. We note the reorganization plan has no impact on the creditors as well as its employees.

NEE: Gulf Power requested FL PSC to allow deferral of bad debt/safety costs

Given anticipation of continuous rise in bad debt expense and safety costs associated with COVID, NEE subsidiary Gulf Power Co. requested Florida PSC (Florida PSC Docket No. 20200151-EI) to allow the company to defer bad debt expenses and safety costs associated with COVID as regulated asset that can be recovered later or to provide any other relief much in-line with states that have already ordered to create some sort of recovery mechanisms either through deferral of bad debt, creation of a regulatory asset, or by recording and tracking costs related to COVID-19. The utility proposed regulators to determine eligibility for bad debt to be deferred as regulated asset by taking the difference between the bad debt expense for a month in 2020 and the average bad debt expense for last three years, besides deferring safety costs by taking actual spending on safety measures related to COVID and as guided by the U.S. Centers for Disease Control and Prevention and the Florida Department of Health.

Stocks mentioned

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
LNT	LNT US	Alliant Energy Corp	US$ 46.91	A-1-7
NEE	NEE US	NextEra Energy	US$ 234.31	A-1-7
NI	NI US	NiSource Inc	US$ 23.39	B-2-7

Source: BofA Global Research

Price objective basis & risk

Alliant Energy Corporation (LNT)
Our $52 PO is based on a sum of the parts analysis employing relative premium and discounts to the large cap regulated peer multiple of 16.3x 2022E P/E. While our PO is on a 1 year basis we note the 2022 P/E multiple reflects a discount back to 2019. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector.

We apply a 2.0x P/E premium on IPL as we see the ratecase overhang being resolved. We apply a 3.0x P/E premium on Eastern Wisconsin Electric Company reflecting 1) low risk investment nature of the state, 2) above average ROEs, 3) higher than average growth runway for investments, and 4) bad debt deferral. At ATC, we reflect a 2.0 x P/E premium on LNT's 16% share in the transmission company. Growth expectations for this segment are high, paired with above average ROEs that we believe face less downward pressure vs. regulated state distribution ROEs. We apply an in line multiple at the parent to account for the blend of numerous businesses some which benefit from long term stable PPAs via intercompany generation.

Risks to our price objective are: 1) adverse rate case outcomes, 2) further equity dilution beyond our estimates, 3) interest rate risk, 4) natural disasters, and 5) lower allowed ROE's

NextEra Energy (NEE)
Our $258 PO is derived using a SOTP approach, with the utilities and parent segment valued on a 2022E P/E basis, and the generation segment valued on a 2022E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of IDRs (DCF, at 7% disc rate). We assign peer multiple of 17.0x (and gross this up by 5% to reflect capital appreciation across the sector) with disc/prem to the assets that reflect the growth/risk profile of the businesses. We provide value for possible regulated M&A announced as one strategy of capital redeployment, albeit weighted at 50% to reflect execution risk. Our valuation reflects the drag from the $5.1bn in new debt. For NEER, we apply a peer EV/EBITDA multiple of 8x, which we adjust depending on asset type. Give contracted renewables 6x prem given fuel type and contracted nature. We apply 2x discount to merchant nuclear (aside from Seabrook), and value contracted nuclear on a DCF approach using a 10% discount rate. We apply a 3x prem multiple to pipelines (2x for MVP), 1x discount to gas infrastructure and 2x discount for supply and trading given lower asset quality, line multiple for contracted gas peakers and 1x discount for merchant peakers (other), again based on asset quality. Downside risks: 1) unfavorable regulatory outcomes in Florida which could negatively affect ability to earn authorized ROE or lower authorized ROE, 2) higher interest rates, 3) changes in commodity prices.

NiSource Inc (NI)
Our $27 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples of 17.8x for gas utilities and 17.2x for electric utilities with an inline mult for gas utilities with just weather normalization, a 0.5x prem for gas utes with revenue normalization (prev 0x), and a 1.0x premium for the electric utility's strong growth rates (we factor in BOT in '24 EPS) but acknowledgement

of industrial risk (prev 2x). We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Atlantica Yield	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Vivint Solar	VSLR	VSLR US	Julien Dumoulin-Smith
NEUTRAL				
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Richard Ciciarelli, CFA
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	South Jersey Industries	SJI	SJI US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RSTR				
	El Paso Electric Company	EE	EE US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Alliant Energy Corp (LNT) Price Chart

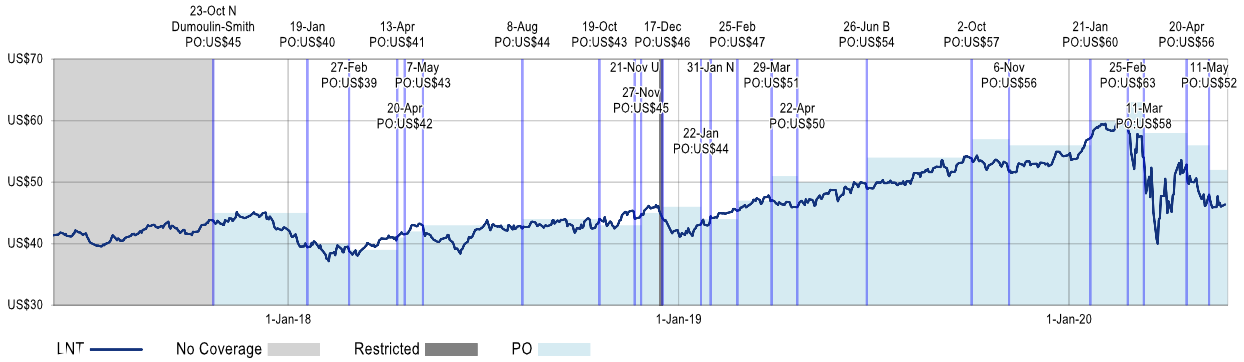

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NextEra Energy (NEE) Price Chart

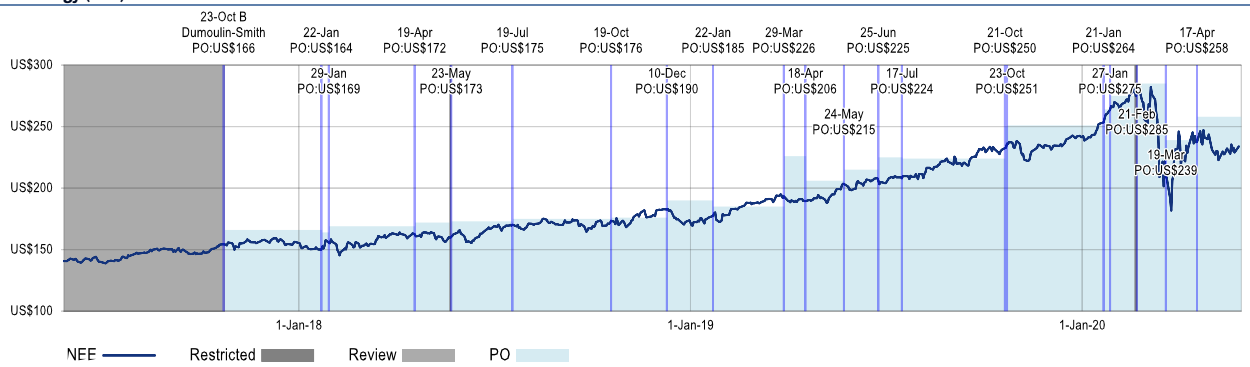

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NiSource Inc (NI) Price Chart

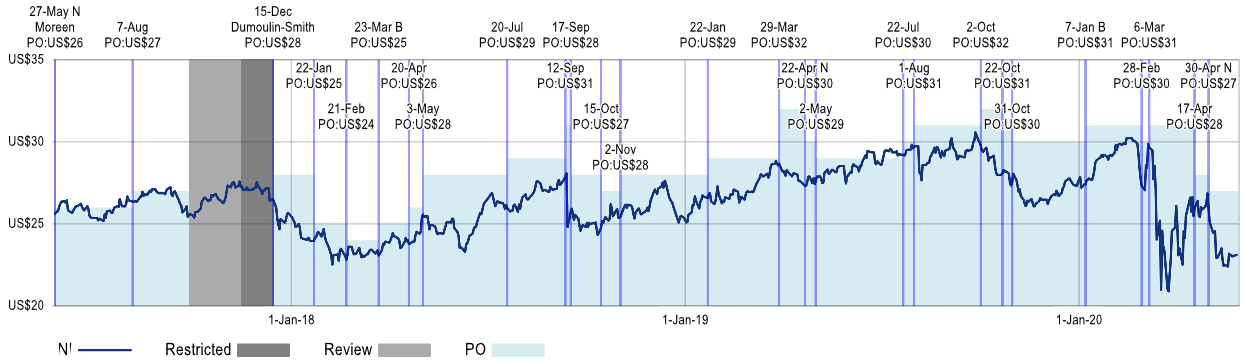

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Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	63	39.13%	Buy	51	80.95%
Hold	51	31.68%	Hold	35	68.63%
Sell	47	29.19%	Sell	26	55.32%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	72	50.35%	Buy	51	70.83%
Hold	38	26.57%	Hold	28	73.68%
Sell	33	23.08%	Sell	24	72.73%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1602	52.15%	Buy	1005	62.73%
Hold	713	23.21%	Hold	463	64.94%
Sell	757	24.64%	Sell	382	50.46%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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5 May 2020
Equity Research
Americas | United States

CREDIT SUISSE

NiSource Inc.

1Q20 Earnings Preview

NI

Target price (12M, US$)
27.00
Outperform

Natural Gas | Decrease Target Price

- **We are expecting a modest 1Q20 miss** at $0.77 vs cons $0.81 due mostly to unfavorably mild weather.
- **We are reducing our 2020 estimate $0.02 to $1.32 vs consensus $1.34 for lower commercial/industrial load from COVID19 pandemic response**. Our 2021 and 2022 estimates are unchanged. Mostly a gas utility system, NI should be less affected from COVID19 load reduction in 2/3Q than its more electric peers. Recall that 2020 guidance of $1.36-$1.40 was pulled in 4Q19 given the pending sale of Columbia Gas of Mass. We estimate that the Mass utility earns ~$0.08 EPS and view the sale as slightly EPS accretive to prior 2021 expectations (including a few pennies improvement in Mass) when including the elimination of a planned block equity sale this year. However, roughly -$0.05 of corporate disynergies are still expected to hit EPS in 2021 that make the full set of planned actions this year overall dilutive to prior expectations (we previously reduced our earlier estimate of $1.46 to $1.42), although management intends to work to reduce or eliminate these costs over time.
- **Equity needs: No block equity needed in 2020, nor any going forward,** with unchanged plans for $200-$300M annual ATM and $35-$60M employee plan equity (no plans for use of convertible or hybrid financing). NI is targeting FFO/Debt ~14%-15%.
- **Valuation:** We are reducing our TP $4 to $27, primarily for lower peer 2021 electric and gas utility P/Es within a SoTP valuation. We continue to apply a 1.5x premium to the gas utilities for favorable regulatory jurisdictions and lower operational risk since the explosive incident in Lawrence Mass in 2018. We continue to value the electric operation in Indiana at a 1.5x premium for excellent operations and supportive regulation. Risks include 1) ROE risk related to the ongoing ratecases, 2) continued approvals relating to infrastructure replacement/grid modernization programs, 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particularly in the non-decoupled jurisdictions, 7) weather risk, 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety, 11) COVID19 pandemic response load reduction, particularly at the electric utility.

Previous target price (12M, US$)	31.00
Price (4 May 20, US$)	24.40
52-week price range	30.56 - 20.86
Market cap (US$ m)	9,337.48
Enterprise value (US$ m)	18,331

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Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
EPS (CS adj.) (US$)	1.32	1.32	1.42	1.52
Prev. EPS (US$)	-	1.34	-	-
Revenue (US$ m)	5,184.1	5,993.7	6,193.6	6,464.1
EBITDA (US$ m)	1,764.2	1,769.7	1,849.6	1,968.5
P/OCF (x)	4.6	5.3	5.2	5.0
EV/EBITDA (current)	10.7	10.6	10.2	9.6
Net debt (US$ m)	9,504	8,994	9,486	9,906
ROIC (%)	5.50	5.22	5.13	5.25
Number of shares (m)	382.68	IC (current, US$ m)		15,490.20
Net debt (Next Qtr., US$ m)	9,485.3	Dividend (current, US$)		0.76
Net debt/tot eq (Next Qtr.,%)	151.0			

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance

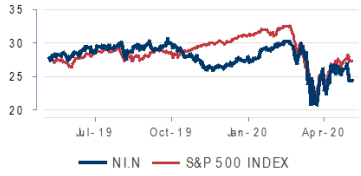

On 04-May-2020 the S&P 500 INDEX closed at 2842.74Daily May06, 2019 - May04, 2020, 05/06/19 = US$27.88

Quarterly EPS	Q1	Q2	Q3	Q4
2019A	0.82	0.05	-0.00	0.45
2020E	0.77	0.07	0.05	0.44
2021E	0.81	0.10	0.07	0.44

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5 May 2020

CREDIT SUISSE

NiSource Inc. (NI)

Price (04 May 2020): **US$24.4**

Target Price: **(from 31.00) 27.00**

Analyst: **Michael Weinstein**

Rating: **Outperform**

Income Statement	12/19A	12/20E	12/21E	12/22E
Revenue (US$ m)	**5,184.1**	**5,993.7**	**6,193.6**	**6,464.1**
EBITDA (US$ m)	**1,764**	**1,770**	**1,850**	**1,968**
Depr. & amort.	(717)	(747)	(775)	(801)
EBIT (US$)	**1,047**	**1,023**	**1,075**	**1,167**
Net interest exp	(377)	(418)	(415)	(444)
PBT (US$)	**608**	**646**	**713**	**779**
Income taxes	(113)	(136)	(150)	(164)
Profit after tax	**495**	**511**	**563**	**615**
Minorities	-0	-0	-0	-0
Net profit (US$)	**495**	**511**	**563**	**615**
Reported net income (US$)	**495**	**511**	**563**	**615**
Other NPAT adjustments	0	0	0	0
Adjusted net income	**495**	**511**	**563**	**615**
Cash Flow	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EBIT	1,047	1,023	1,075	1,167
Net interest	(377)	(418)	(415)	(444)
Change in working capital	(75)	0	0	0
Cash flow from operations	**2,247**	**1,770**	**1,850**	**1,968**
CAPEX	(2,167)	(1,850)	(1,825)	(1,825)
Free cashflow to the firm	**80**	**(80)**	**25**	**143**
Acquisitions	-	-	-	-
Divestments	0	1,100	0	0
Cash flow from investments	**(1,922)**	**(750)**	**(1,825)**	**(1,825)**
Net share issue(/repurchase)	244	295	295	295
Dividends paid	(355)	(292)	(300)	(307)
Changes in Net Cash/Debt	**(484)**	**510**	**(492)**	**(420)**
Balance Sheet (US$)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Assets				
Cash & cash equivalents	139	139	139	139
Account receivables	857	857	857	857
Other current assets	607	607	607	607
Total current assets	**1,854**	**1,854**	**1,854**	**1,854**
Total fixed assets	16,912	16,915	17,966	18,989
Investment securities	-	-	-	-
Total assets	**22,660**	**22,663**	**23,713**	**24,737**
Liabilities				
Total current liabilities	**3,746**	**4,336**	**4,828**	**5,248**
Total liabilities	**16,673**	**16,163**	**16,655**	**17,076**
Shareholder equity	5,987	6,500	7,058	7,661
Total liabilities and equity	**22,660**	**22,663**	**23,713**	**24,737**
Net debt	9,504	8,994	9,486	9,906
Per share	**12/19A**	**12/20E**	**12/21E**	**12/22E**
No. of shares (wtd avg)	375	386	396	406
CS adj. EPS	1.32	1.32	1.42	1.52
Prev. EPS (US$)	-	1.34	-	-
Dividend (US$)	0.76	0.80	0.85	0.90
Free cash flow per share	0.21	(0.21)	0.06	0.35
Earnings	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Sales growth (%)	(6.4)	15.6	3.3	4.4
EBIT growth (%)	12.4	(2.3)	5.1	8.5
Net profit growth (%)	6.8	3.2	10.3	9.3
EPS growth (%)	1.6	0.0	7.6	6.8
EBITDA margin (%)	34.0	29.5	29.9	30.5
EBIT margin (%)	20.2	17.1	17.4	18.1
Pretax margin (%)	11.7	10.8	11.5	12.0
Net margin (%)	9.5	8.5	9.1	9.5
Valuation	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EV/Sales (x)	3.63	3.06	3.04	2.98
EV/EBITDA (x)	10.7	10.6	10.2	9.6
EV/EBIT (x)	18.0	17.9	17.5	16.5
P/E (x)	18.5	18.5	17.2	16.1
Price to book (x)	1.7	1.6	1.5	1.4
Asset turnover	0.2	0.3	0.3	0.3
Returns	**12/19A**	**12/20E**	**12/21E**	**12/22E**
ROE stated-return on (%)	9.6	9.2	9.3	9.2
ROIC (%)	5.5	5.2	5.1	5.2
Gearing	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Net debt/equity (%)	158.7	138.4	134.4	129.3
Interest coverage ratio (X)	2.8	2.4	2.6	2.6
Quarterly EPS	**Q1**	**Q2**	**Q3**	**Q4**
2019A	0.82	0.05	-0.00	0.45
2020E	0.77	0.07	0.05	0.44
2021E	0.81	0.10	0.07	0.44

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

NiSource Inc. is energy holding company whose subsidiaries provide natural gas, electricity & other products & services. It operates in 3 segments: Gas Distribution Operations; Gas Transmission & Storage Operations, & Electric Operations.

Blue/Grey Sky Scenario

Our Blue Sky Scenario (US$) **(from 34.00) 30.00**

In our blue sky scenario we assume favorable regulatory outcomes across NI's jurisdictions, successful execution of their capital plan, and growth of infrastructure replacement program backlog. We assume that capex is at the high end of the $1.8-$1.9B and that NI is able to grow ratebase at the high end of their 8-10% range and grow earnings at the high end of their 5-7% range. We assume a 3.0x premium to the average peer 2021 P/E multiples.

Our Grey Sky Scenario (US$) **(from 26.00) 23.00**

In our grey sky scenario we assume unfavorable regulatory outcomes across NI's jurisdictions, only partial execution of their capital plan, and a decline in the infrastructure replacement program backlog. We assume that capex is at the low end of the $1.8-$1.9B and that NI is able to grow ratebase at the low end of their 8-10% range and grow earnings at the low end of their 5-7% range. We assume a -1.5x discount to the average peer 2021 P/E mult.

Share price performance

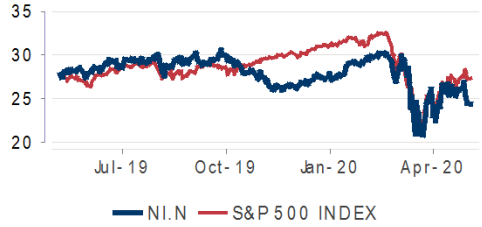

On 04-May-2020 the S&P 500 INDEX closed at 2842.74
Daily May06, 2019 - May04, 2020, 05/06/19 = US$27.88

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Figure 1: NI Earnings Walk 1Q20 vs 1Q19

NI	2018Q4	2019Q1
Prior-year adjusted diluted EPS	**0.38**	**0.82**
Incremental year-over-year		
Gas utilities		
Net Revenues		
Base rates and infrastructure replacement rates - CEP Ohio is fixed and largely ratable per qtr. Also have TDSIC & FMCA trackers in IN, GSEP in MA, SAVE in VA, AMRP in KY, STRIDE in MD. Base rates in IN, PA, VA, MD in flux with volumes	0.05	0.04
Customer growth and usage	-	(0.02)
TCJA adjustments	-	-
Other net revenues (weather norm)	(0.02)	
O&M (non-tracked)	0.02	(0.04)
D&A (non-tracked)	(0.04)	(0.02)
Other taxes (non-tracked)	(0.01)	(0.02)
Charity (left in non-GAAP)	0.04	
Interest expense	(0.01)	(0.01)
Gas utilities - other	0.01	-
Electric utility		
Net Revenues		
Rates - IN TDSC & FMCA and NIPSCO Elec	0.02	0.01
Customer growth and usage	0.01	(0.01)
Other net revenues (weather norm)	(0.00)	-
O&M		
Fuel handling costs	0.01	
Employee and admin costs	0.01	
Gen maintenance	(0.02)	
Outside service costs from retirement of Bailly 7&8 5/31/18	-	
O&M (non-tracked)	(0.02)	
D&A (non-tracked) - running higher since because of IN gas ratecase (Oct 20	(0.00)	
Other taxes (non-tracked)	0.00	
Interest expense - did $750M @2.95% in Aug 2018	(0.00)	
Electric utility - other	0.02	-
Corporate & other		
Preferred dividends	(0.02)	0.00
Corporate & other - other	0.03	0.03
Dilution	(0.01)	(0.01)
YoY Period	**2019Q4**	**2020Q1**
Current-year adjusted EPS/CS Ests	**0.45**	**0.77**
Consensus (prior & current)	**0.45**	**0.81**
TTM	**1.32**	**1.27**
CS Est FY		**1.32**
Consensus FY		**1.34**
Prior Guidance FY 2020 (withdrawn in Feb 2020)		**1.36-1.40**

Source: Company data, Credit Suisse estimates

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Additional Commentary

- **See our recent reports:** 2/28 Raise to Outperform on Sale of Mass, Elimination of Block Equity Plan, 1/17 2020 Earnings Preview, 2020 Outlook – Getting Meaner and Less Defensive, 11/14 EEI 2019 Financial Conference: Full Takeaways, 11/1 New Growth Trajectory after Equitizing, 10/30 3Q Miss with 2020 Guidance a Bit Light, 8/7 Downgrade to Neutral on Gas Operations Risk
- **Equity needs: No block equity needed in 2020, nor any going forward,** with unchanged plans for $200-$300M annual ATM and $35-$60M employee plan equity (no plans for use of convertible or hybrid financing) with management targeting FFO/Debt ~14%-15%. Recall that on the 4Q19 call, prior guidance for $500-$700M block equity guidance for 2020 was pulled out after the announced sale of Columbia Gas of Mass to Eversource (ES). This is in addition to the annual $200-$300M through its ATM program to help fund Lawrence, MA incident expense. ATM for 2019 was $229M. This comes on top of ongoing and unchanged plans for $200-$300M annual ATM and $35-$60M employee plan equity (no plans for use of convertible or hybrid financing) with management targeting FFO/Debt ~14%-15%. Recall also that management had previously stated that they do not need to issue equity in early 2020 to hit their metrics, choosing first to wait for recovery of insurance policies which have a combined limit of $1.1B (Casualty/Property $800m/$300M). Company still expects to make capital investments of $1.8B-$1.9N in 2020.
- **Pension & OPEB. ~98% funded as of yearend 2019, with 52% of pension plan assets in equities (45% of OPEB assets).** A 50 bps decline in the discount rate is expected to result in a $97.7M increase in projected pension obligation and a $31.8M increase in OPEB obligation, as well as a $2.6M increase in net plan expense. For a 50 bps decline in expected long-term rate of return on pension and OPEB plan assets, net expenses are expected to increase $10.1M
- **Decoupling.** Full decoupling in OH, MA, MD, VA. Weather normalization in KY, MD, VA, PA.
- **Bad debt handling.** Clauses for bad debt in KY, OH, MD, PA, VA, MA & IN.
- **Stimulus bill impacts:** management is still evaluating the potential benefits from NOLs and AMT credits.
- **A federal guilty plea and the sale of Columbia Gas of Mass.** On Wednesday, 2/26, the US Department of Justice announced that NI will plead guilty to a criminal violation of the federal Natural Gas Pipeline Safety Act and pay a $53M fine in connection with the Sept 2018 gas explosion incident in Merrimack Valley, Massachusetts. NI has also agreed to sell its operations in Massachusetts to ES for $1.1B and will forfeit any profit earned from the sale (none expected, so retaining the whole $1.1B). A plea hearing has not yet been scheduled. The plea is on a corporate level; no individual officers or employees of the company were charged.
- **Sale of Columbia Gas of Massachusetts to Eversource for $1.1B - with no gains allowed (or expected).** NI has also agreed to sell its operations in Massachusetts to ES and will forfeit any profit earned from the sale. We calculate that ES is purchasing at a 1.0x multiple of ratebase, or 19.7x 2021 P/E at the allowed 9.55% ROE – in line with the group average. However, the elimination of a planned $500-$700M block equity issuance this year brings the combined effect to about breakeven to a modest $0.01 accretion to 2021 expectations before accounting for -$0.05 corporate dissynergies. Among our assumptions illustrated in the figure above: Value for the $1,100M ratebase utility of ~$1,074M at 19.2x 2021 EPS is below ~$1,400 book value. We expect speedier regulatory approvals than is normally the case given the demonstrated desire of state and federal officials for a transfer of ownership. The transaction will require approval from the Massachusetts Department of Public Utilities and the U.S. Justice Department under the Hart-Scott-Rodino Act. "ES and

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Columbia Gas intend to engage with key regulatory stakeholders and consumer advocates over the next 30 days to review the investments needed to operate the system, to minimize rate impacts and review key benefits for customers." Expect the transaction to close by the end of 3Q20.

- **Additional potential penalties – we assume ~$50M later this year in our valuation.** In addition to this latest action, the NTSB issued its final report on the incident in Oct 2019 and two additional investigations are ongoing at the Mass Department of Public Utilities (DPU). Specifically, the DPU is authorized to assess civil penalties up to $219k for a violation of federal pipeline safety regulations up to a maximum $2.2M for a series of violations, as well as $250k per day for violations of its emergency response plan up to a maximum $20M. Furthermore, as a result of the Governor's declaration of emergency, the DPU may also assess a penalty of $1M per violation of the regulator's operational directives during restoration efforts – without any maximum.
- **Higher capex for gas and electric transmission.** Management now guides to annual infrastructure investment $1.8B-$1.9B for 2020 vs prior 2020 update of $1.7B-$1.8B provided in Q3. Capex for 2019 was ~$1.9B vs guided $1.7-$1.8B. Spending categories include gas pipeline transmission capital (Ohio) and higher spending for electric transmission in Indiana to support future renewables. Information Technology upgrades for grid modernization are also included. >75% of capex begins earnings in under 18 months.
- **Current Debt Level is now $9.643B** vs 9.480B in Q3. Long term debt is unchanged at ~$7.7B. Weighted average maturity ~17 years and weighted average interest rate is 4.4% as of 12/31. **Net Available Liquidity unchanged at ~$1.4B** as of Dec 31st. ~$0.4B in accounts receivable securitization facilities as of 12/31 vs ~$0.3B in Q3. **Financing Targets for Adj. FFO/Total Debt still at ~14-15%.**
- **NI is in a rare period now with no significant rate activity.** The next major rate filing will probably be in Pennsylvania as there was none in 2019 and this is typically an annual affair. The company received a final order in the Indiana electric ratecase with a 9.75% (vs prior 9.9%) and a new rate structure for industrial customers that allows the utility to manage market purchases in order to keep track of capacity requirements (reduces risk of stranded assets). Accelerated coal retirement and book value recovery to 2032 was also approved. Orders were also recently issued in MD and KY. We do not expect a filing in Mass until 2021 at the earliest, after two remaining Greater Lawrence investigations at the Department of Public Utilities (DPU) wrap up.
- **Valuation.** We are reducing our TP $4 to $27, primarily for lower peer 2021 electric and gas utility P/Es within a SoTP valuation. We continue to apply a 1.5x premium to the gas utilities for favorable regulatory jurisdictions and lower operational risk since the explosive incident in Lawrence Mass in 2018. We continue to value the electric operation in Indiana at a 1.5x premium for excellent operations and supportive regulation. Risks include 1) ROE risk related to the ongoing ratecases, 2) continued approvals relating to infrastructure replacement/grid modernization programs, 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particularly in the non-decoupled jurisdictions, 7) weather risk, 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety, 11) COVID19 pandemic response load reduction, particularly at the electric utility.

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Figure 2: NI Valuation

		BASE CASE			
	2021 EPS	Prem / Disc	Effective P/E	Equity	Equity / Sh
Electric	$0.59	1.5x	19.2x	$4,337	$11.22
Gas	$0.98	1.5x	19.2x	$7,307	$18.91
Potential DPU penalties				-$50	($0.13)
Other	($0.14)		19.2x	($1,071)	($2.77)
Total EPS	**$1.43**			**$10,523**	**$27.00**
Diluted Shares Outstanding					386.4
Dividend					$0.80
Implied Yield					3.0%
Current Yield					3.3%
Implied P/E					18.9x
Prem / (Disc) To Group					6.7%
Upside/ (Dow nside) to Current Price					10.3%

Source: Company data, Credit Suisse estimates

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Companies Mentioned *(Price as of 05-May-2020)*
Eversource Energy (ES.N, $80.8)
NiSource Inc. (NI.N, $24.4, OUTPERFORM, TP $27.0)

Disclosure Appendix

Analyst Certification

Michael Weinstein, ERP, Maheep Mandloi and Andres Sheppard each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Eversource Energy (ES.N)

ES.N Date	Closing Price (US$)	Target Price (US$)	Rating
05-May-17	59.55	59.00	N
24-Jul-17	60.74	60.00	
29-Sep-17	60.44	63.00	
23-Jan-18	61.12	59.00	U
03-May-18	58.87	61.00	
23-May-18	56.54	58.00	
09-Jul-18	58.46	62.00	N
04-Dec-18	68.95	73.00	O
23-Jan-19	68.30	70.00	
22-Feb-19	70.30	75.00	
21-Apr-19	69.96	76.00	
18-Jul-19	78.40	87.00	
22-Jul-19	76.91	85.00	
05-Aug-19	76.55	84.00	
21-Oct-19	86.14	87.00	
17-Jan-20	88.73	86.00	N
21-Feb-20	95.96	94.00	
28-Feb-20	86.46	92.00	

** Asterisk signifies initiation or assumption of coverage.*

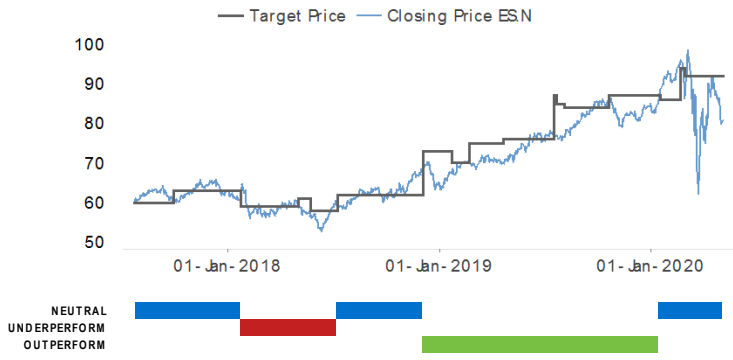

3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
12-May-17	24.30	25.00	U
27-Jun-17	25.88		*
14-Aug-17	26.64	29.00	O
02-Nov-17	26.94	30.00	
23-Jan-18	24.17	27.00	
06-May-18	25.41	28.00	
23-Jan-19	26.83	29.00	
21-Apr-19	27.56	30.00	
22-Jul-19	29.14	33.00	
07-Aug-19	27.63	29.00	N
21-Oct-19	28.05	30.00	
01-Nov-19	27.65	29.00	
17-Jan-20	29.04	30.00	
28-Feb-20	27.02	31.00	O

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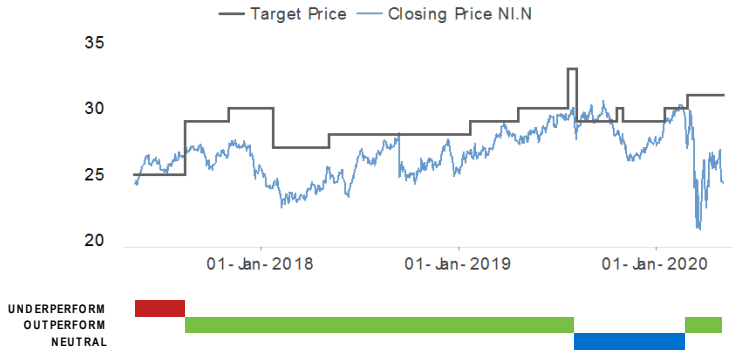

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Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.
Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

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Underperform/Sell*	12%	(22% banking clients)
Restricted	1%	

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Target Price and Rating

Valuation Methodology and Risks: (12 months) for NiSource Inc. (NI.N)

Method: We arrive at our $27 target price for NI by applying a 1.5x premium to the gas segment peer 2021 P/E to reflect the constructive regulatory environments with capex trackers in place in the jurisdictions that NI operates. We also apply a 1.5x premium to the average

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peer electric utility 2021 P/E multiple for NIPSCO Electric utility in Indiana to reflect the favorable ratebase growth profile and regulatory environment in the state. Our OUTPERFORM rating reflects a forecasted total return that is equal the group average.

Risk: Risks to our $27 target price and OUTPERFORM rating are: 1) ROE risk related to the ongoing ratecases 2) continued approvals relating to infrastructure replacement/grid modernization programs 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particulary in the non-decoupled jurisdictions, 7) weather risk, and 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety after the 2018 explosion incident in Mass. 11) COVID19 load reductions

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This research report is authored by:
Credit Suisse Securities (USA) LLC..... Michael Weinstein, ERP ; Maheep Mandloi ; Andres Sheppard

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Quantifying sensitivities: Reduce EPS -4c and downgrade

We downgrade NiSource to Neutral from Buy due to our concerns around absorbing lower demand from COVID and lower our PO to $27 from $28. With peers starting to report neg impacts from at-home data and NI's -3%/-10% drop in commercial/industrial gas sales from '08 to '09 (-2%/-17% for electric), we see impacts as understated. *Critically, where many co's can use O&M savings to balance impacts, we see this as a greater challenge to NI as it promised it would pursue a program of cost savings to mitigate NT impacts of the CMA sale* to ES this 3Q. With 2020 guidance having already been pulled related to the CMA sale, we only have an adj 2021 guide of a $1.36-1.40/sh 'earnings floor' (see this as risk). To reflect sales impacts we reduce our ests -4c in '20 to $1.29/sh and '21 to $1.36/sh (*now to the bottom of the '21 floor*). This equates to a modest -2% change in annual sales volumes for electric and gas C&I, +1% change in electric and gas resi and no further O&M cuts. The impact into '21 reflects commercial billing structure (typically 12-month trailing) and our view revenue will likely be impacted in '21 as well. We have the co recovering through '22 and '23, fully back to normal by '24 – when it should have EPS support from NIPSCO renewable BOTs case. We MtM the peer mult (17.8x gas / 17.2x electric) and update premiums: Electric now 1x (from 2x) to reflect C&I exposure but BOT opp, and OH, VA and MD now 0.5x (from 0x) to reflect revenue normalization. At a $27/sh PO, we see balanced risks; downgrade to Neutral.

Recognizing potential COVID impacts on rate structure

Our ests shift factors in NI's sensitivity, which asserts that a 1% change in demand for electric resi/ C&I and for gas resi/ commercial would each result in a 1c EPS impact. We acknowledge that in NI's favor, a number of subs are revenue decoupled or normalized, that all gas subs have bad debt trackers, that peak winter gas use was before COVID, and that NIPSCO Electric already shed itself of largest industrial cust's through Rate 831. However, there are still some key pressure points that cause our concern: NIPSCO gas and electric are not normalized; KY and PA are only weather normalized for resi (KY for commercial); commercial bills have a lower fixed component (25% electric / 45% gas) compared to resi (20% / 75%); tough timing of the PA rate case in the midst of COVID with a 10.95% ROE ask; and Industrial cust's still represent 26% of Electric margins.

Estimates (Dec)

(US$)	2018A	2019A	2020E	2021E	2022E
EPS	1.30	1.32	1.29	1.36	1.47
GAAP EPS	1.30	1.32	1.29	1.36	1.47
EPS Change (YoY)	7.4%	1.5%	-2.3%	5.4%	8.1%
Consensus EPS (Bloomberg)			1.34	1.42	1.51
DPS	0.79	0.83	0.88	0.94	0.99

Valuation (Dec)

	2018A	2019A	2020E	2021E	2022E
P/E	19.9x	19.6x	20.1x	19.1x	17.6x
GAAP P/E	19.9x	19.6x	20.1x	19.1x	17.6x
Dividend Yield	3.0%	3.2%	3.4%	3.6%	3.8%
EV / EBITDA*	16.2x	14.1x	13.7x	12.8x	12.0x
Free Cash Flow Yield*	-12.9%	-2.2%	-6.9%	-6.0%	-5.1%

* For full definitions of *iQmethod℠* measures, see page 11.

30 April 2020

Equity

Key Changes

(US$)	Previous	Current
Inv. Opinion	B-1-7	B-2-7
Inv. Rating	BUY	NEUTRAL
Price Obj.	28.00	27.00
2020E EPS	1.33	1.29
2021E EPS	1.40	1.36
2022E EPS	1.50	1.47
2020E EBITDA (m)	1,829.8	1,813.2
2021E EBITDA (m)	1,954.7	1,936.3
2022E EBITDA (m)	2,082.4	2,064.2

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Stock Data

Price	25.93 USD
Price Objective	27.00 USD
Date Established	29-Apr-2020
Investment Opinion	B-2-7
52-Week Range	19.56 USD - 30.67 USD
Mrkt Val (mn) / Shares Out (mn)	9,923 USD / 382.7
Average Daily Value (mn)	90.57 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.2%
Net Dbt to Eqty (Dec-2019A)	158.6%

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iQprofile℠ NiSource Inc

*iQ*method℠ – Bus Performance*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Return on Capital Employed	3.9%	4.3%	4.1%	4.2%	4.3%
Return on Equity	10.1%	9.9%	9.2%	9.2%	9.5%
Operating Margin	18.3%	20.2%	20.0%	20.8%	21.6%
Free Cash Flow	(1,278)	(219)	(685)	(593)	(510)

*iQ*method℠ – Quality of Earnings*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash Realization Ratio	1.2x	3.2x	2.4x	2.4x	2.3x
Asset Replacement Ratio	3.0x	2.5x	2.5x	2.4x	2.2x
Tax Rate	19.7%	17.1%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	156.7%	158.6%	143.1%	143.1%	142.0%
Interest Cover	2.6x	2.8x	2.8x	2.8x	3.0x

Income Statement Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Sales	5,084	5,184	5,369	5,547	5,731
% Change	4.3%	2.0%	3.6%	3.3%	3.3%
Gross Profit	3,325	3,649	3,780	3,935	4,094
% Change	-0.9%	9.8%	3.6%	4.1%	4.1%
EBITDA	1,531	1,764	1,813	1,936	2,064
% Change	3.4%	15.2%	2.8%	6.8%	6.6%
Net Interest & Other Income	(335)	(384)	(379)	(408)	(415)
Net Income (Adjusted)	463	495	493	535	595
% Change	16.6%	6.8%	-0.3%	8.4%	11.3%

Free Cash Flow Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Net Income from Cont Operations (GAAP)	463	495	493	535	595
Depreciation & Amortization	600	717	742	783	827
Change in Working Capital	110	(75)	(186)	(186)	(186)
Deferred Taxation Charge	(188)	118	116	125	104
Other Adjustments, Net	(445)	328	0	0	0
Capital Expenditure	(1,818)	(1,802)	(1,850)	(1,850)	(1,850)
Free Cash Flow	-1,278	-219	-685	-593	-510
% Change	-34.0%	82.9%	-212.5%	13.4%	14.0%

Balance Sheet Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash & Equivalents	121	148	165	181	197
Trade Receivables	1,147	905	1,092	1,278	1,464
Other Current Assets	787	800	800	800	800
Property, Plant & Equipment	15,543	16,912	17,020	18,087	19,109
Other Non-Current Assets	4,206	3,894	3,894	3,894	3,894
Total Assets	21,804	22,660	22,970	24,239	25,464
Short-Term Debt	2,027	1,787	2,203	2,363	2,511
Other Current Liabilities	2,010	1,959	1,959	1,959	1,959
Long-Term Debt	7,105	7,856	7,180	7,700	8,183
Other Non-Current Liabilities	4,911	5,071	5,187	5,313	5,416
Total Liabilities	16,053	16,673	16,530	17,334	18,070
Total Equity	5,751	5,987	6,440	6,905	7,394
Total Equity & Liabilities	21,804	22,660	22,970	24,239	25,464

* For full definitions of *iQmethod*℠ measures, see page 11.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

NI's positives include 5-7% earnings/dividend growth via $30bn of infrastructure investments over the next 20+ years and fully regulated subsidiaries. We have factored in resolution of overhang from the MA incident as the company will likely sell 3Q. However, NI has C&I demand risk from COVID, which will be difficult to offset with O&M cuts due to promises already around cost cuts to balance CMA sale. We see shares valued appropriately and rate Neutral.

Stock Data

Average Daily Volume	3,492,787

Quarterly Earnings Estimates

	2019	2020
Q1	0.82A	0.75E
Q2	0.05A	0.79E
Q3	0A	0.02E
Q4	0.45A	-0.11E

How we see the shares

We show NI vs the IXU index below, recognizing that since the end of last year, the company has re-rated ~5%. We stress renewed risks that while split between its gas and electric utility exposure its latest disclosures on rate sensitivity highlight an unusually high gross sensitivity across both businesses vs. peers to changes in load – and more critically – continue to see exposure to the electric side of the business regardless of the heating season closing for its gas businesses. While partially moderated we perceive challenges to finding *additional* cost offsets to the already ambitious cost mitigation efforts (seemingly 8c of SG&A cost allocation need to be overcome with the sale). While management implicitly announced this with the 4Q results recently, we stress the need to find further cuts remains potentially elusive. As such, we could see management shift lower its guidance on '21 (below that it was seeking of a flat guide vs. earlier '20 guide, which was pulled at the time of its sale).

Remember that the SG&A cost allocation issue is one that is trued-up in future rate cases – and should provide more meaningful EPS growth in future years through the subsequent cycle of cases. Further pressures anticipated on the electric side from Covid should conceivably be addressed in the next rate case, but given the already more meaningful hike implemented on (principally residential and commercial) customers in the last case due to re-allocation of customer tariffs we find timeline as likely protracted for recovery: subsequent NIPSCO electric case is still likely tied to future renewable investments. We have seen Indiana as a jurisdiction becoming more difficult in recent periods given outspoken coal interest groups among others and the potential need for further relief to true-up rates could yet add to our concerns (this appears even more painful of a reality for CNP).

While we still see the longer-term story improving, the impact of Covid related costs could not come at a more acute point in time given significant cost cutting effort launched (to be released presumably later this year for NI). The extent of its cautious setup around Covid *only recently* became evident with the disclosure of greater load sensitivities and with further confirmation from adjacent peers (the likes of CMS, DTE, etc) of even more material declines than initial feared (sales have decelerated sharply in the April timeframe overall, in contrast to March).

Net-net, the appeal for a company that remains thoughtful in its approach to both rate cases and broaching renewable rate base additions, we see its premium as adequate.

Exhibit 1: NI vs the IXU Index

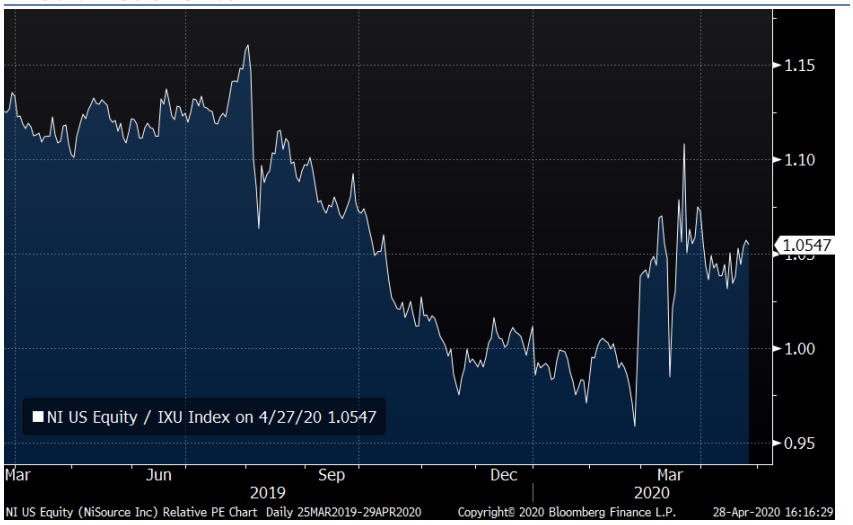

Source: Bloomberg

Why we're cautious with the name

- **2008 performance**: In the tables below, we show revenues ($mn), sales and transportation (MMDth), weather, and customers for both gas and electric distribution operations from 2007 to 2010 from NI's 2009 and 2010 10K's – broken down by class. We calculate simple YoY changes to demonstrate that from '08 to '09 in the last financial crisis, NI gas revenues were impacted -32% in total (but largely -23% for resi, commercial and industrial), and gas sales were impacted -10% in total (-5% for resi, -3% for commercial, and -10% for industrial). For electric from '08 into '09, revenues were impacted -10% in total (-2% for resi, +1% for commercial, and -14% for industrial), and electric sales were impacted -11% in total (-3% for resi, -2% for commercial, and -17% for industrial). Customers stayed largely the same (1-2% less for industrial during this time). Also note that there were 3% fewer heating degree days for gas and 27% fewer cooling degree days for electric. We point out this data and argue that our adjustment downward in estimates (-4c in '20 and '21 based on a 1c per 1% sales change and expectation increase in resi balances decrease in C&I) could be considered conservative.

- **EPS sensitivities**: NI has a decently sized EPS sensitivity for the gas and electric commercial and electric industrial classes. In its last slide deck, NI published that each category (the three above, as well as gas and electric resi classes) are subject to a 1% EPS impact if there is a 1% change in sales volumes (annually, although NI noted this is not linear).

- **O&M cost cuts already**: NI already promised O&M cuts to balance the impact of the Massachusetts subsidiary sale (expected this 3Q). We see this as limiting the degree to which *more* cuts are possible. We make this point because some peers were expecting a YoY *increase* in expenses, and we see names with these increases as having more room to make cuts in 2020. We listen closely to this point in the 1Q call.

Table 1: Gas Distribution Operations

	2007	2008	2009	2010	'07 to '08	'08 to '09	'09 to '10
Revenues ($ in Millions)							
Residential	2,752	3,229	2,508	2,135	17%	-22%	-15%
Commercial	948	1,125	865	708	19%	-23%	-18%
Industrial	284	312	240	215	10%	-23%	-10%
Off-System Sales	630	916	254	295	45%	-72%	17%
Other	256	159	36	315	-38%	-77%	765%
Total	4,870	5,741	3,902	3,668	18%	-32%	-6%
Sales and Transportation (MMDth)							
Residential sales	272	278	265	258	2%	-5%	-3%
Commercial sales	169	174	169	167	3%	-3%	-2%
Industrial sales	376	373	336	386	-1%	-10%	15%
Off-System Sales	88	97	60	72	10%	-38%	20%
Other	1	1	1	1	-29%	-20%	25%
Total	907	923	831	884	2%	-10%	6%
Weather							
Heating Degree Days	5,457	5,771	5,624	5,547	6%	-3%	-1%
Normal Heating Degree Days	5,645	5,664	5,633	5,633	0%	-1%	0%
% Colder (Warmer) than Normal	-3%	2%	0%	-2%			
Customers							
Residential	3,041,634	3,037,504	3,032,597	3,039,874	0%	0%	0%
Commercial	279,468	280,195	279,144	281,473	0%	0%	1%
Industrial	8,061	8,003	7,895	7,668	-1%	-1%	-3%
Other	71	76	79	65	7%	4%	-18%
Total	3,329,234	3,325,778	3,319,715	3,329,080	0%	0%	0%

Source: BofA Global Research estimates, company report

Table 2: Electric Operations

	2007	2008	2009	2010	'07 to '08	'08 to '09	'09 to '10
Revenues ($ in millions)							
Residential	389	368	360	393	-6%	-2%	9%
Commercial	371	365	369	373	-2%	1%	1%
Industrial	512	526	453	509	3%	-14%	12%
Wholesale	54	57	19	30	7%	-66%	58%
Other	38	48	20	90	26%	-58%	352%
Total	1,363	1,363	1,221	1,395	0%	-10%	14%
Sales (Gigawatt Hours)							
Residential	3,544	3,346	3,241	3,626	-6%	-3%	12%
Commercial	3,775	3,916	3,834	3,920	4%	-2%	2%
Industrial	9,444	9,305	7,691	8,459	-1%	-17%	10%
Wholesale	909	737	601	817	-19%	-19%	36%
Other	142	138	159	186	-2%	15%	17%
Total	17,813	17,443	15,526	17,008	-2%	-11%	10%
Weather							
Cooling Degree Days	955	705	515	977	-26%	-27%	90%
Normal Cooling Degree Days	814	808	808	808	-1%	0%	0%
% Warmer (Colder) than Normal	17%	-13%	-36%	21%			
Electric Customers							
Residential	400,991	400,640	400,016	400,522	0%	0%	0%
Commercial	52,815	53,438	53,617	53,877	1%	0%	0%
Industrial	2,509	2,484	2,441	2,432	-1%	-2%	0%
Wholesale	6	9	15	15	50%	67%	0%
Other	755	754	746	740			
Total	457,076	457,325	456,835	457,586	0%	0%	0%

Source: BofA Global Research estimates, company report

- **Rate case activity**: NI previously indicated there could be potential rate case filings in PA and MD in 2020, given the 12-18 month tenor of states' rate case filings. As we saw at the end of last week, NI filed a case in Pennsylvania for a $100.4mn annual revenue request at a 10.95% ROE (a 17-18% resi bill increase & 13-16% C&I bill increase) to be effective 2021. We do acknowledge that PA is only weather normalized rather than revenue normalized so could benefit from a rate case, but we see the timing ultimately challenging given it is in the midst of the pandemic. Note we could see a rate case in MD as well; timing has not been conveyed yet here.

- **Electric bad debt recovery**: Unlike the gas subsidiaries, NIPSCO Electric does not have a bad debt tracker. We wonder how this will impact the company particularly as it just received the result of the last rate case, indicating that it might be difficult to go in sooner to recover.

- **Rate 831 good, but still industrial exposure**: Rate 831 approved in NIPSCO electric's last rate case did shed the company of large industrial risk as these cust's are now purchasing directly from MISO. However, not all industrial exposure was shed. As indicated in NI's last slide deck, mid-sized industrial customers still make up 26% of electric margins.

The ways we see NI as overcoming some challenges

- **Gas use in winter *pre-stay-at-home***: As NI is a gas-heavy name, we admit a benefit being that peak-use during the winter was already largely over before COVID caused many states to issue shut downs. Indeed a mild winter, but NI is largely weather normalized, so weather is not a driver for non-GAAP earnings. Further, gas is mostly residential (i.e. 69% of margins), which indicates some resilience for the company as negative demand impacts are largely at the C&I level (although this limits the positive counterbalance as resi gas is 75% fixed).

- **Quarterly bad debt recovery**: We point out that NI subsidiaries generally have more frequent bad debt recovery than peers. Specifically for NIPSCO Gas, PA, VA, MD, and KY, there are quarterly recoveries. Other subs have annual or semi-annual recoveries, which helps reduce tenor of impact instead of waiting like others for recovery through a rate case.

- **Pension**: At year-end 2019, pension was 98% funded and just 31% equity. Compared to peers, we see NI less exposed to pension concerns.

Estimates

In the estimates below, we adjust our expectations around under-earning versus authorized ROEs. We point out that we discount the utilities without decoupling or revenue normalization (PA, NIPSCO, KY) more than those with it (OH, VA, MD) in '20 and '21.

Table 3: Earned vs Authorized ROE expectations

Earned ROEs	Authorized	2020E	2021E	2022E	2023E	2024E	2025E
Gas Utilities							
Columbia Gas of OH	10.39%	9.89%	9.89%	9.89%	10.14%	10.14%	10.14%
Columbia Gas of PA	10.00%	8.75%	8.75%	9.25%	9.50%	9.75%	9.75%
NIPSCO Gas	9.85%	8.60%	8.60%	8.85%	9.35%	9.60%	9.60%
Columbia Gas of MA	9.55%	1.05%					
Columbia Gas of VA	10.00%	9.25%	9.25%	9.50%	9.50%	9.50%	9.50%
Columbia Gas of KY	9.50%	8.25%	8.25%	8.75%	9.00%	9.25%	9.25%
Columbia Gas of MD	9.70%	8.95%	8.95%	9.45%	9.45%	9.45%	9.45%
Electric Utilities							
NIPSCO Electric	9.75%	9.00%	9.00%	9.25%	9.25%	9.75%	9.75%

Source: BofA Global Research estimates, company report

We find that estimates shift -4c for '20 and '21, -3c in '22, and -1c in '23 before returning to normal in '24 and '25. Our '24 estimates include assumptions for BOT build in NIPSCO Electric associated with round 1 and 2 of build-own-transfers, a key reason why we are higher than Consensus in these outer years.

Table 4: NI EPS Estimates

NI EPS Estimates		2020E	2021E	2022E	2023E	2024E	2025E
Gas		0.99	1.03	1.09	1.14	1.17	1.21
Electric		0.63	0.65	0.68	0.74	0.84	0.84
Parent/Other		-0.32	-0.32	-0.30	-0.29	-0.28	-0.27
BofA EPS		1.29	1.36	1.47	1.59	1.73	1.78
Previous EPS		1.33	1.40	1.50	1.60	1.74	1.78
-							
Guidance			Floor: 1.36-1.40				
Consensus		1.34	1.42	1.51	1.60	1.61	
Consensus '19-'23 CAGR	5.4%						
BofA CAGR '19-'23 CAGR	4.8%						
Consensus '20-'24 CAGR	4.6%						
BofA CAGR '20-'24 CAGR	7.6%						
(Prev) 5%-7% CAGR EPS off '19 guidance range	High End	1.42	1.52	1.63	1.74	1.87	2.00
	Mid-Point	1.38	1.46	1.55	1.64	1.74	1.85
	Low End	1.33	1.40	1.47	1.54	1.62	1.70
5%-7% CAGR EPS off '21 guidance range	High End		1.40	1.50	1.60	1.72	1.84
	Mid-Point		1.38	1.46	1.55	1.64	1.74
	Low End		1.36	1.43	1.50	1.57	1.65
BofA DPS		0.88	0.94	0.99	1.05	1.12	1.18
BofA CAGR 2017-2021	6.6%						
Guidance							
5%-7% CAGR DPS guidance	High End	0.86	0.92	0.98	1.05		
	Mid-Point	0.83	0.88	0.94	0.99		
	Low End	0.81	0.85	0.89	0.94		
Share Count		381	392	428	428	445	455

Source: BofA Global Research estimates, company report, Bloomberg

Valuation

Below we MtM the peer multiple to 17.x8 for gas and 17.2x for electric (17.0x / 17.2x prior). We also adjust our premium assumptions. For Electric, we move the premium down from 2x to 1x because of the underlying sensitivities for both commercial and industrial demand and lack of decoupling. We still award the 1x because of the ratebase opportunity for build-own-transfer projects associated with the RFPs that are not yet factored into long-term guidance. We also shift up premiums from 0x to 0.5x for gas utilities in OH, VA, and MD because of the decoupling and revenue normalization the subs have; our other gas subs keep the 0x premium as they are more sensitive to COVID impacts on demand, although note that the hefty demand portion of 1H20 is already behind us (winter).

With these adjustments, we find just a 7.5% return at a $25/sh PO and we downgrade NI to Neutral from Buy.

Table 5: NI SOTP Valuation

NI SOP Valuation									
	Metric	P/E Multiple					hey		
	2022E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas	-	-	17.8x	-	-	-	-	-	-
Group EPS '18-'22 CAGR - Gas	-	-	5.10%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Gas Utilities			18.7x						
Columbia Gas of OH	$0.51	18.2x	18.7x	0.5x	19.2x	20.2x	$9.22	$9.72	$10.23
Columbia Gas of PA	$0.25	17.7x	18.7x	0.0x	18.7x	19.7x	$4.41	$4.66	$4.90
NIPSCO Gas	$0.20	17.7x	18.7x	0.0x	18.7x	19.7x	$3.53	$3.73	$3.93
Columbia Gas of VA	$0.08	18.2x	18.7x	0.5x	19.2x	20.2x	$1.41	$1.49	$1.56
Columbia Gas of KY	$0.04	17.7x	18.7x	0.0x	18.7x	19.7x	$0.75	$0.79	$0.84
Columbia Gas of MD	$0.02	18.2x	18.7x	0.5x	19.2x	20.2x	$0.32	$0.34	$0.36
Group Peer Multiple - Electric			17.2x						
Group EPS '18-'22 CAGR - Electric			5.00%						
Electric Utilities			18.1x						
NIPSCO Electric	$0.68	18.1x	18.1x	1.0x	19.1x	20.1x	$12.23	$12.90	$13.58
Total Utility	$1.77	*18.0x*			*19.0x*	*20.0x*	$31.87	$33.64	$35.41
-Parent EPS Drag (ex-Interest Expense)	-$0.09	18.0x	0.0x		18.6x	19.6x	-$1.62	-$1.68	-$1.76
Total EPS *(incl. debt drag)*	$1.47								
Midpoint of 5-7% EPS	*$1.46*								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out Debt)				-$2,000	50%		-$1,000	-$1,000	-$1,000
(50% P/E multiple on Interest Exp)				5.5%	50%		-$783	-$826	-$870
Grand Total Equity Value							$25.86	$27.47	$29.04
Shares Outstanding 2022E								406	
Total Equity Value							$26.00	$27.00	$29.00
Implied Consolidated P/E									
Current Price								$25.93	
Dividend Yield (2020E)								3.4%	
Total Return Potential								7.5%	

Source: BofA Global Research estimates, company report, Bloomberg

Price objective basis & risk

NiSource Inc (NI)
Our $27 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples of 17.8x for gas utilities and 17.2x for electric utilities with an inline mult for gas utilities with just weather normalization, a 0.5x prem for gas utes with revenue normalization (prev 0x), and a 1.0x premium for the electric utility's strong growth rates (we factor in BOT in '24 EPS) but acknowledgement of industrial risk (prev 2x). We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Atlantica Yield	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Vivint Solar	VSLR	VSLR US	Julien Dumoulin-Smith
NEUTRAL				
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Richard Ciciarelli, CFA
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA
	South Jersey Industries	SJI	SJI US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RSTR				
	El Paso Electric Company	EE	EE US	Julien Dumoulin-Smith

iQmethod℠ **Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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NiSource Inc (NI) Price Chart

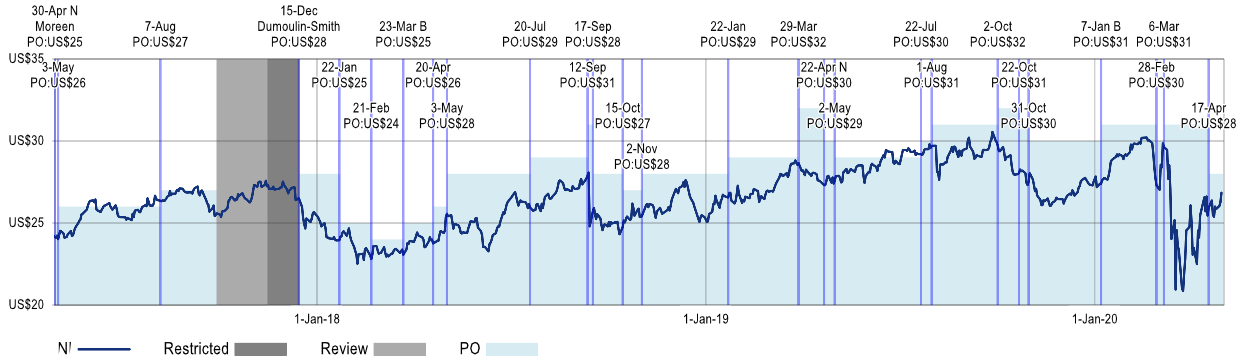

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	63	39.13%	Buy	51	80.95%
Hold	51	31.68%	Hold	35	68.63%
Sell	47	29.19%	Sell	26	55.32%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	72	50.35%	Buy	51	70.83%
Hold	38	26.57%	Hold	28	73.68%
Sell	33	23.08%	Sell	24	72.73%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1602	52.15%	Buy	1005	62.73%
Hold	713	23.21%	Hold	463	64.94%
Sell	757	24.64%	Sell	382	50.46%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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Unusual Winter: Heat Stroke & COVID

April 24, 2020

Key Takeaway

Covered utilities came under considerable pressure as COVID-19 fears spread in March, economic repercussions expanded, and indiscriminate selling took hold. We capitalized on that dislocation with select upgrades, but as the group has now sharply recovered, we downgrade NI ($28 PT) & SWX ($72 PT) to Hold, from Buy. We believe the group's rate-regulated model insulates earnings & cash flows from the economic contraction, but it does not provide total immunity.

COVID-19 impacts to be a focus on 1Q calls. Relative to other areas of our coverage (Refining & Midstream), we expect modest impacts to gas & electric distribution operations stemming from the spread of COVID-19 and various self-quarantine responses adopted in response to it. However, we do not anticipate the utilities will be completely unscathed as the economic toll resulting from such actions will hit demand and customer creditworthiness. For example, data indicates weather-adjusted power demand is off 8-9% in some US markets, with harder-hit regions such as NYC down roughly 16%, though the power load has simultaneously seen a sharp shift from coal to gas-fired generation. Should the crisis deepen and/or extend longer than we project, utilities may experience elevated bad debt expense, less favorable regulatory outcomes, and higher pension costs resulting from poor asset performance & lower discount rates; however, across our coverage, balance sheets are strong, liquidity is robust, and maturity schedules are long dated. Moreover, the dramatic decline in crude and product prices should aid fleet vehicle expenses, mild weather eases winter/spring working conditions, and dividend yields are even more attractive in light of the Fed's rate cuts. We look forward to company-specific updates as each company reports results.

1Q US temperatures ~14% warmer y/y. Under normal weather conditions, 1Q accounts for roughly one-half of annual Heating Degree Days (HDDs) and, nationwide, in 1Q20, HDDs were 14% lower y/y and ~10% below long-term 1Q averages, with only the southwest seeing colder conditions y/y (Chart 1). The proliferation of weather normalization clauses mute the impact of weather variations on profits; however, warmer y/y temperatures present a headwind to those operating volumetric businesses delivering energy services to satisfy space heating loads. UGI publishes weather specific to its various businesses and noted warmer than normal conditions everywhere: vs. normal APU -9%; France -15%, Energy Services -19%, and PA utility -20%.

Downgrading NI & SWX to Hold. Amid the market's indiscriminate sell-off last month, we raised our outlook on NI and SWX to Buy; however, each has rallied sharply off its respective mid-month lows and we no longer see the >15% TR required for a JEF Buy rating. We maintain a $28 price target for NI and a $72 target price for SWX; both are achieved via a combination of SOP, DCF, DDM, and Target Yield approaches. We look forward to 1Q calls for more color on how COVID and economic headwinds are affecting their respective operations.

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Please see analyst certifications, important disclosure information, and information regarding the status of non-US analysts on pages 25 to 32 of this report.

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Jefferies

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Summary of Changes

Company	Ticker	Rating	Price	Price Target	EPS Estimates 2019	EPS Estimates 2020	EPS Estimates 2021	P/E 2019	P/E 2020	P/E 2021
National Fuel Gas Company	NFG	BUY	$40.87	↑ $50.00	$3.45	↓ $2.90	↑ $3.23	11.9x	14.1x	12.6x
Previous				*$48.00*	*$3.45*	*$2.94*	*$2.74*			
NiSource Inc.	NI	↓ HOLD	$25.85	$28.00	$1.32	↓ $1.33	↓ $1.38	19.6x	19.5x	18.7x
Previous		*BUY*			*$1.32*	*$1.35*	*$1.40*			
ONE Gas Inc.	OGS	HOLD	$85.74	↑ $82.00	$3.51	↓ $3.62	↑ $3.78	24.4x	23.7x	22.7x
Previous				*$80.00*	*$3.51*	*$3.63*	*$3.77*			
Southwest Gas	SWX	↓ HOLD	$76.96	$72.00	$3.61	↑ $3.68	↑ $4.13	21.3x	20.9x	18.6x
Previous		*BUY*			*$3.61*	*$3.66*	*$4.11*			
UGI Corporation	UGI	BUY	$28.05	$48.00	$2.21	↓ $2.18	↑ $2.90	12.7x	12.9x	9.7x
Previous					*$2.21*	*$2.20*	*$2.89*			

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Exhibit 1 - Gas Utility 1Q20 Earnings Details

Company Name	Ticker	Earnings Release Date/Time	Adjusted EPS			Projected
			1Q20 JEFe	1Q20E Consensus	1Q19A	Beat / Miss
National Fuel Gas Corp.*	NFG	4.30 -- After Market*	$0.96	$0.97	$1.07	In-Line
NiSource, Inc.	NI	5.06 -- Before Market	$0.82	$0.81	$0.82	In-Line
ONE Gas, Inc.	OGS	4.27-- After Market	$1.84	$1.79	$1.76	In-Line
Southwest Gas Corp.	SWX	5.12 -- After Market*	$1.51	$1.58	$1.63	In-Line
UGI Corp.*	UGI	5.06-- After Market	$1.50	$1.53	$1.43	In-Line

Source: Factset & Jefferies; Note: Jefferies Beat/Miss/In-Line definitions the same as Exhibit 1, *denotes earnings release dates are JEFe or FactSet estimate; NFG & UGI financials represent F2Q20 data

1Q20 HDDs decline ~14% vs. 1Q19

Overall, US heating degree days (HDDs) were down 14% in 1Q20 vs 1Q19 and were ~10% below longer-term 1Q averages. Broadly speaking, warmer y/y weather in 1Q20 was spread throughout the country, with parts of the Midcontinent and mid-Atlantic regions seeing the warmest y/y comparisons (Chart 1). Under normal weather conditions, 1Q accounts for roughly one-half of annual HDDs; while increased use of weather normalization clauses by state utility commissions reduce the impact of weather variations on profits, warmer y/y temperatures should provide a sequential headwind to those operating volumetric businesses delivering energy services to satisfy space heating loads. March HDDs were 22% warmer y/y and 12% below normal, which could exacerbate the load declines stemming from COVID-19 related isolationist responses and the shuttering of regional economies.

According to El Niño Southern Oscillation, or ENSO, reports issued earlier this month, ENSO-neutral conditions remain in place as equatorial sea surface temperatures are near to above average across much of the Pacific. The National Oceanic and Atmospheric Administration (NOAA) looks for ENSO-neutral conditions to continue through the spring and targets a 60% probability that similar conditions will continue through the Northern Hemisphere summer 2020 and likely into the fall.

Chart 1 - Heating Degree Days (HDD) 1Q20 vs. 1Q19

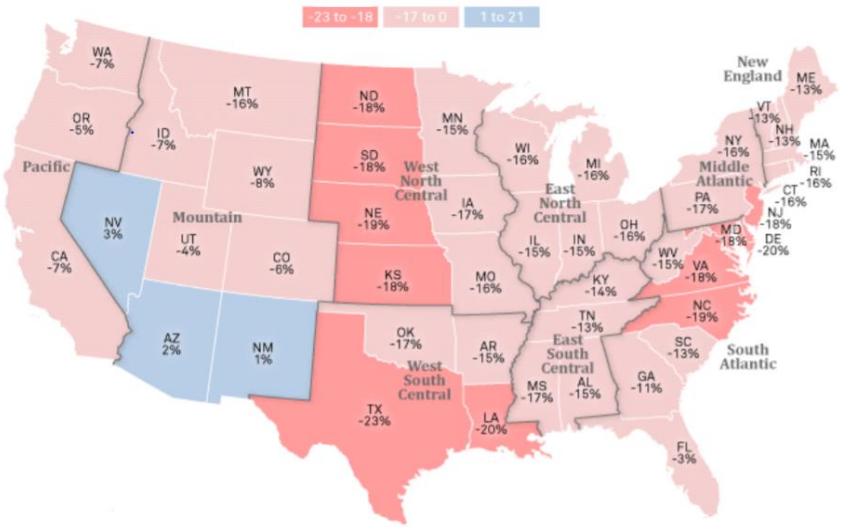

Source: SNL Energy, as of March 31, 2020.

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National Fuel Gas Corp. (NFG)

- We expect NFG to report F2Q EPS of 96¢, in-line with the 97¢ Street mean estimate. We also expect F2Q net production of ~61.3 Bcfe, up ~5% q/q and ~26% y/y.
- With F1Q results, NFG lowered its F20 EPS guidance to $2.95-$3.15, due almost entirely to changes in natural gas price assumptions; at $2.90, JEFe is below the low-end the updated range, but incorporates the recent rout in oil prices. Importantly, ~60% of Seneca's expected F20 natural gas production is locked-in physically & financially at a weighted average price of $2.28/Mcf. Oil patch challenges have prompted a rally in natural gas prices and we lift our PT to $50, from $48, to incorporate higher out-year pricing.
- NFG will move to a single rig development program this summer and defer some of its EDA completion activity to F21; activity will remain focused on the WDA Utica, where existing Marcellus-focused infrastructure allows for capital efficient development while helping to grow Gathering revenue. Due to reduced activity levels, NFG now expects F20 E&P capex to be $375-$410mm; the 1-rig program is not expected to have a material impact on F20 production and NFG has previously cited $250-$300mm in annual capital to maintain flat production.
- On March 11th, NFG's BOD announced the approval of new directors, David Bauer & Barbara Baumann (1-yr term), as well as the election of David Anderson (1-yr term) Jeffrey Shaw (3-yr term), Thomas Skains (3-yr term), and Ron Tanski (3-yr term); Stephen Ewing retired from the board and Jeff Shaw was selected to serve as lead independent director. In addition, a stockholder proposal requesting NFG take steps to declassify the BOD received support from a majority of shares voted.

A Look Back to F1Q20 Results

JEFe F1Q20 EPS: ~$1.01

Street est. F1Q20 EPS: ~94¢

Actual F1Q20 EPS: ~$1.01

Exhibit 2 - NFG F2Q20 Results Preview

Comparative Results	JEFe F2Q20E	Quarter-over-Quarter F1Q20A		Year-over-Year F2Q19A	
E&P Operational Data					
Production (Bcfe)	61.3	58.4	4.9%	48.8	25.6%
Average Realized Natural Gas Price ($/MMBtu)	$2.12	$2.32	-8.5%	$2.58	-17.7%
Average Realized Oil Price ($/Bbl)	$56.34	$62.92	-10.5%	$61.01	-7.7%
Total Unit Cash Costs ($/Mcfe)	$1.26	$1.26	-0.7%	$1.42	-11.6%
Total Unit Costs ($/Mcfe)	$2.00	$2.02	-1.1%	$2.16	-7.3%
Operating Income by Division ($MM)					
Utility	$62.4	$45.8	36.1%	$65.3	-4.5%
Pipeline & Storage	$30.4	$31.3	-2.9%	$30.0	1.5%
Gathering	$25.3	$24.3	4.1%	$19.9	26.9%
Exploration & Production	$35.0	$48.0	-27.0%	$47.7	-26.6%
Energy Marketing / All Other	$1.2	$0.3	NM	$0.5	NM
Corporate	($2.8)	($1.7)	NM	($3.4)	NM
Total Operating Income	**$151.5**	**$148.0**	2.4%	**$160.1**	-5.4%
Depreciation	$76.8	$74.9	2.5%	$65.7	16.9%
Non-Service Pension & Post-Retirement Costs	($14.8)	($8.2)	NM	($12.4)	-18.9%
Other Income / (Expenses)	$3.0	$6.2	-51.1%	$2.7	-14.1%
Interest Expense	($28.6)	($27.0)	-6.1%	($27.1)	-5.9%
Income Tax Benefit (Expense)	($27.8)	($31.6)	NM	($30.4)	8.6%
Recurring Net Income	**$83.4**	**$87.4**	-4.6%	**$92.9**	-10.3%
Avg Diluted Shares Outstanding	86.9	86.9	0.1%	86.8	0.2%
Earnings Per Diluted Share	**$0.96**	**$1.01**	-4.7%	**$1.07**	-10.4%

Source: NFG reports, Jefferies estimates

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NiSource, Inc. (NI)

- We expect NI to report adjusted 1Q EPS and EBITDA of 82¢ & ~$699mm, in-line with the respective 81¢ and ~$694mm Street mean estimates.
- With 4Q results, NI announced a definitive agreement to sell Bay State Gas to Eversource (ES) for $1.1B and, as a result, withdrew its 2020 guidance. NI expects 2021 EPS to be 'at least equal' to its initial $1.36-$1.40 2020 EPS range and sees long-term EPS & DPS growth of 5-7%, with 2021 as the base year. With the sale, NI eliminated its planned 2020 block equity issuance ($500-$700mm), but continues to expect capex of $1.8-$1.9B. On the 4Q call, mgmt noted the loss in Bay State earnings will be mostly offset by the elimination of its block equity issuance with the possibility for some dilution as it de-consolidates the MA franchise.
- In late Feb., NI agreed to pay a $53mm criminal fine as part of a plea agreement with the US Attorney for the District of MA; the MA DPU continues its review of the incident, the company's response, and a Sept. 2019 gas leak while the MA Attorney General's Office continues its investigation of the restoration work. Despite the sale of CG of MA, NI remains liable for any fines imposed as part of criminal proceeding related to the Greater Lawrence incident and/or any civil claims made prior to the close of the transaction; as of YE19, NI cited Pipeline Replacement & Restoration costs of $258mm, 3rd-Party Claims, Fines, Penalties & Settlements of $1.041-$1.065B, and Other Expenses of $450-$460mm.
- We are downgrading NI to Hold, from Buy, as we no longer project >15% total return which is required under the JEF ratings parameters. We maintain our $28 price target, which is derived via P/E, DCF, DDM, and Target Yield approaches.
- On March 17th, NI declared a quarterly cash dividend of 21¢/share (84¢/share annualized), up ~5% y/y, but flat q/q, payable May 20th to shareholders of record on April 30th. We model ~4.8% growth in 2021 and a ~5.7% CAGR for 2021-24 as NI re-establishes its long term 5-7% growth trajectory.

A Look Back to 4Q19 Results

JEFe 4Q19 EPS: 41¢

Street est. 4Q19 EPS: 42¢

Actual 4Q19 EPS: 45¢

Exhibit 3 - NI 1Q20 Results Preview

Operating Income by Division	JEFe 1Q20E	Quarter-over-Quarter 4Q19A		Year-over-Year 1Q19A	
Gas Distribution	$416.1	$213.9	94.5%	$394.4	5.5%
Electric Operations	$94.8	$84.9	11.6%	$95.2	-0.4%
Corporate, Other, and Eliminations	$0.9	$11.8	-92.4%	$7.5	-88.0%
Total Operating Income	**$511.7**	**$310.6**	**64.8%**	**$497.1**	**2.9%**
Depreciation	($184.1)	($182.2)	1.1%	($175.1)	5.2%
Other Income / (Expenses)	$3.5	($5.5)	NM	($0.7)	NM
Interest Expense	($98.1)	($93.3)	5.2%	($95.6)	2.6%
Income Tax Benefit (Expense)	($87.2)	($28.5)	NM	($79.3)	9.9%
Preferred Dividend	($13.8)	($13.7)	0.5%	$0.0	NM
Recurring Net Income	**$316.2**	**$169.6**	**86.4%**	**$307.7**	**2.8%**
Avg Diluted Shares Outstanding	383.5	378.3	1.4%	374.7	2.3%
EPS (Non-GAAP, Diluted)	**$0.82**	**$0.45**	**83.9%**	**$0.82**	**0.4%**
EBITDA ($MM)	**$699**	**$487**	**43.5%**	**$672**	**4.2%**
Capex & Affiliate Investments ($MM)	**$370**	**$492**	**-24.9%**	**$354**	**4.5%**

Source: NI reports, Jefferies estimates

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ONE Gas, Inc. (OGS)

- We expect OGS to report 1Q EPS of $1.84, above the $1.79 mean estimate.
- With 4Q results, OGS affirmed its 2020 guidance, consisting of $186-$198mm in net income, EPS of $3.44-$3.68, and capex of $475mm. Forecasts reflect normal weather, the benefit of new rates, and higher depreciation expense from capital investments; 70% of anticipated 2020 spending is targeted toward system integrity & replacement projects. Mgmt also updated its anticipated 5-year annual EPS, rate base, and dividend growth rates of 5-7%, 7%, and 6-8% respectively, down slightly from the previous ranges of 6-8%, 6-7%, and 7-9%. Annual capital expenditures, including asset removal costs, are expected to range $475-$525mm for 2020-24, up from a previous $450-$500mm range.
- To ensure liquidity during the uncertainty created by COVID-19, OGS took the following steps: 1) on Feb. 26th, it entered into an equity distribution agreement via which it can forward sell up to $250mm of common stock. 2) on April 7th, it entered into a $250mm 364-day revolving unsecured credit facility. OGS also has a $700mm commercial paper program, a $700mm existing credit agreement and a $250mm equity ATM program; as of YE19, it had ~$1B available on existing facilities, Net Debt/EBITDA of 3.8x, and its nearest maturity ($300mm) is in 2024.
- KGS had submitted an application to the KCC for a $4.2mm increase related to its GSRS; in Nov, the KCC approved the increase with rates effective in Dec 2019. In Texas, TGS filed a $15.6mm rate case for all customers in the Central TX & Gulf Coast area while also requesting to consolidate the two service areas; if approved, new rates are expected to take effect in 3Q20.
- With 1Q20 results, we expect OGS to declare a 54¢/share quarterly dividend ($2.16 annualized), flat q/q, but up 8% y/y. We model a 5-year DPS CAGR of 7%, squarely in-line with mgmt updated guidance range.

A Look Back to 4Q19 Results

JEFe 4Q19 EPS: ~97¢

Street est. 4Q19 EPS: ~95¢

Actual 4Q19 EPS: ~96¢

Exhibit 4 - OGS 4Q19 Results Preview

Comparison Metrics	JEFe 1Q20E	Quarter-over-Quarter 4Q19A		Year-over-Year 1Q19A	
Total Revenue	$632.0	$452.6	*39.6%*	$661.0	*-4.4%*
Cost of Gas	($322.5)	($190.7)	*69.1%*	($365.1)	*-11.7%*
Net Margin	$309.5	$261.9	*18.2%*	$295.9	*4.6%*
O&M	($109.9)	($118.9)	*-7.6%*	($108.3)	*1.5%*
D&A	($46.9)	($46.1)	*1.8%*	($43.8)	*7.1%*
General Taxes	($17.0)	($14.9)	*14.3%*	($16.2)	*5.3%*
Total Operating Income (EBIT)	**$135.6**	**$82.0**	*65.4%*	**$127.6**	*6.3%*
Other	($1.0)	($1.1)	*-15.3%*	$0.4	*NM*
Interest & Debt Expense	($16.3)	($15.7)	*3.5%*	($15.8)	*3.0%*
Income Tax Expense	($20.0)	($14.0)	*43.6%*	($18.6)	*7.7%*
Net Income	**$98.4**	**$51.2**	*92.2%*	**$93.7**	*5.0%*
EPS	**$1.84**	**$0.96**	*91.9%*	**$1.76**	*4.7%*
Diluted Shares Outstanding	53.4	53.3	*0.2%*	53.2	*0.3%*
Dividend Per Share	**$0.54**	**$0.50**	*8.0%*	**$0.50**	*8.0%*
Capital Expenditures ($MM)	**$99.4**	**$111.5**	*-10.9%*	**$83.3**	*19.3%*

Source: OGS reports, Jefferies estimates

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Southwest Gas Holdings (SWX)

- We expect recurring diluted 1Q EPS of $1.51, below the Street's $1.58 mean estimate; of note, our EPS excludes the effects of fluctuations in COLI surrender values, which may be in Street projections and can constitute a delta. We expect a punctuated impact from COLI in 1Q given the ~20% equity market decline.
- With 4Q results, mgmt offered a 2020 financial outlook, including EPS of $3.75-$4.00, Utility capex of $650-$700mm, and Infrastructure Services revenue growth of 5-10% ($1.84-$1.93B) with Op. Income 5.5-6.0% of revenues ($101-$116mm). In addition, SWX anticipates $3-$5mm of annual COLI benefit (5-9¢ EPS impact), which we have excluded as it is driven entirely by investment returns and independent of SWX operating performance, resulting in an apples:apples guidance range of $3.70-$3.91 vs $3.68 JEFe.
- Ahead of 1Q results, we expect SWX to announce a cash dividend of 57¢/share ($2.28/share annualized), falt q/q, but up 4.6% y/y. While SWX has posted a trailing 5-year (2014-19) DPS CAGR of ~8.6% we model decelerating growth and see a forward 5-year CAGR (2019-24) of ~3.7%.
- On April 10th, SWX extended the maturity on two of its three credit facilities, from 2022 to 2025, and noted ~$193mm of available liquidity between them; SWX ended 2019 at 3.9x Net Debt/EBITDA, had ~$29mm of cash on hand, and $125mm of 2020-21 maturities.
- Following a ~50% rally off its March lows, we downgrade SWX shares to Hold as our $72 price target no longer implies the >15% return required for Buy ratings. Our price target is achieved via SOP, DCF, DDM, and Target Yield approaches.

A Look Back to 4Q19 Results

JEFe 4Q19 EPS: ~$1.44

Street est. 4Q19 EPS: ~$1.45

Actual 4Q19 EPS: ~$1.55

Exhibit 5 - SWX 1Q20 Results Preview

Operating Results	JEFe 1Q20E	Quarter-over-Quarter 4Q19A		Year-over-Year 1Q19A	
Natural Gas Utility Segment					
Total Revenues	$532	$380	*40.0%*	$521	*2.1%*
Cost of Gas	(196.6)	(92.3)	*113.0%*	(192.6)	*2.1%*
Gross Profit	$334.9	$287.3	*16.6%*	$328.1	*2.1%*
Utility Infrastructure Segment					
Total Revenues	$309.1	$468.6	*-34.0%*	$312.9	*-1.2%*
Construction Expenses	($294.5)	($419.0)	*-29.7%*	($300.5)	*-2.0%*
Gross Profit	$14.6	$49.6	-70.6%	$12.4	*17.5%*
O&M	$109.7	$103.0	*6.5%*	$106.2	*3.2%*
Depreciation & Amortization Expenses	$81.0	$80.0	*1.3%*	$77.5	*4.5%*
Taxes other than income	$16.3	$15.7	*3.7%*	$16.2	*0.3%*
Operating Income	**$142.5**	**$138.2**	*3.1%*	**$140.5**	*1.5%*
Other Income	($2.8)	($5.0)	*-43.8%*	($0.8)	*NM*
Interest Expense	$30.7	$28.6	*7.6%*	$26.4	*16.5%*
Income Taxes	$24.7	$21.0	*17.7%*	$25.5	*-3.2%*
Net Income (Loss)	**$84.3**	**$83.7**	*0.7%*	**$87.7**	*-3.9%*
Average # of Diluted Shares Outstanding	55.5	55.1	*0.8%*	53.4	*3.8%*
Recurring EPS	**$1.51**	**$1.52**	*-0.5%*	**$1.63**	*-7.5%*

Source: SWX reports, Jefferies estimates

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UGI Corp. (UGI)

- We forecast UGI to report a F2Q EPS of $1.50, slightly below the Street's $1.53 mean estimate. Warm F2Q US and European weather, combined with costs associated with its LPG business transformation initiative, are expected to weigh on results. We also anticipate UGI will revise its F20 adj. EPS guidance, as is its custom at the mid-year mark; we currently project F20 EPS of $2.18, but we include LPG-related investment costs that mgmt excludes from its guidance.

- UGI publishes weather specific to its various businesses and noted warmer than normal F2Q conditions everywhere. Compared to long-term average HDDs, APU saw conditions ~9% warmer, France was ~15% warmer, Energy Services ~19% warmer, and the PA utility service territory ~20% warmer.

- In March, UGI published a presentation noting steps it is taking to respond to the economic climate and COVID-19 fallout, including 1) boosting liquidity by $210mm (liquidity totalled $1.15B at 2.29) and 2) reducing F20 capex by >$120mm.

- Effective April 20th, UGI elected Mario Longhi to its Board of Directors; Mr. Longhi retired from US Steel Corporation in 2017, where he served in various capacities including as President and CEO from 2013 to 2017.

- On April 22nd, UGI lifted its quarterly cash dividend to 33¢/share ($1.32 annualized), up 1.5% q/q and ~10% y/y. The raise marks UGI's 33rd consecutive annual increase; it has paid dividends uninterrupted since 1885.

A Look Back to F1Q20 Results

JEFe F1Q20 EPS: $1.02

Street est. F1Q20 EPS: $1.04

Actual F1Q20 EPS: $1.11

Exhibit 6 - UGI F2Q20 Results Preview

Recurring Operating Income	JEFe F2Q20E	Quarter-over-Quarter F1Q20A		Year-over-Year F2Q19A	
Operating Income ($MM)					
AmeriGas Propane	$216.1	$176.9	22.1%	$247.4	-12.6%
Utilities	$102.3	$91.8	11.4%	$119.9	-14.7%
Midstream & Marketing	$73.4	$55.8	31.5%	$51.3	43.0%
International Propane	$119.2	$95.8	24.4%	$126.9	-6.1%
Corporate & Other	($17.3)	($26.6)	-35.0%	$9.4	NM
Total Operating Income	**$493.6**	**$393.7**	**25.4%**	**$554.8**	**-11.0%**
Income (Loss) from Equity Investees & Other	$2.3	$6.5	-65.0%	$1.6	42.2%
Interest Expense	($81.7)	($84.1)	-2.9%	($61.0)	33.9%
Minority Interests	$0.3	$0.0	#DIV/0!	($151.3)	NM
Income Tax Benefit (Expense)	($97.3)	($82.1)	18.6%	($90.2)	7.9%
Recurring Net Income	**$317.1**	**$234.0**	**35.5%**	**$253.9**	**24.9%**
Diluted Shares Outstanding	211.1	211.3	-0.1%	177.3	19.0%
Recurring Earnings Per Share (EPS)	**$1.50**	**$1.11**	35.7%	**$1.43**	4.9%
Capital Expenditures	**$173.7**	**$151.8**	14.4%	**$157.3**	10.4%
Dividend Per Share	**$0.325**	**$0.325**	0.0%	**$0.260**	25.0%

Source: UGI reports, Jefferies estimates; Note: Recurring results exclude the impact of one-time and/or unrealized items.

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Exhibit 7 - NFG Consolidated Income Statement

Consolidated Income Statement ($MM)	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1Q	2QE	3QE	4QE	2020E	2021E	2022E	2023E	2024E
Revenues	$1,760.9	$1,452.4	$1,579.9	$419.7	$540.9	$342.9	$289.2	$1,592.7	$490.2	$552.5	$357.2	$293.3	$1,693.3	$444.2	$563.6	$356.0	$297.3	$1,661.1	$1,746.7	$1,804.3	$1,892.1	$1,983.8
OPERATING INCOME by DIVISION																						
Utility	$120.1	$100.1	$98.5	$40.8	$67.3	$17.0	($2.7)	$122.4	$44.3	$65.3	$19.6	($6.9)	$122.3	$45.8	$62.4	$20.1	($8.0)	$120.3	$120.9	$121.7	$123.1	$124.8
Pipeline & Storage	$151.8	$156.2	$139.1	$39.8	$38.9	$35.2	$26.9	$140.9	$36.7	$30.0	$26.2	$24.4	$117.2	$31.3	$30.4	$28.2	$26.2	$116.1	$128.2	$148.8	$149.0	$148.9
Gathering	$58.1	$63.4	$78.2	$16.7	$20.0	$18.6	$19.2	$74.5	$21.3	$19.9	$22.4	$24.7	$88.3	$24.3	$25.3	$24.9	$24.4	$98.9	$101.6	$104.1	$115.2	$122.0
Exploration & Production	$185.2	$223.9	$248.4	$52.4	$47.1	$45.9	$47.0	$192.4	$55.2	$47.7	$48.1	$45.4	$196.4	$48.0	$35.0	$25.1	$35.8	$143.8	$173.6	$181.2	$201.9	$248.1
Energy Marketing / Other	$12.0	$6.4	$1.8	$1.7	$1.0	($0.4)	($1.7)	$0.6	($0.8)	$0.5	($2.1)	($1.5)	($3.9)	$0.3	$1.2	($0.9)	($1.2)	($0.5)	$0.8	$0.8	$2.4	$3.3
Corporate	($12.0)	($10.2)	($13.2)	($2.0)	($2.7)	($2.4)	($4.2)	($11.3)	($1.5)	($3.4)	($2.3)	($3.4)	($10.6)	($1.7)	($2.8)	($2.3)	($3.7)	($10.6)	($10.1)	($9.6)	($10.1)	($9.9)
Total Operating Income	**$515.2**	**$539.7**	**$552.8**	**$149.5**	**$171.6**	**$114.0**	**$84.4**	**$519.5**	**$155.2**	**$160.1**	**$111.8**	**$82.6**	**$509.7**	**$148.0**	**$151.5**	**$95.0**	**$73.4**	**$468.0**	**$514.9**	**$547.1**	**$581.5**	**$637.3**
Depreciation	$336.2	$249.4	$224.2	$55.8	$61.2	$60.8	$63.2	$241.0	$64.3	$65.7	$71.1	$74.7	$275.7	$74.9	$76.8	$76.6	$77.1	$305.4	$315.1	$321.9	$339.9	$351.1
Non-Service Pension & Post-Retirement Costs				($7.5)	($14.9)	($6.2)	($4.0)	($32.6)	($7.4)	($12.4)	($5.7)	($1.8)	($27.3)	($8.2)	($14.8)	($7.1)	($4.1)	($34.2)	($33.3)	($33.6)	($33.4)	($33.5)
Other Income / (Expenses)	$7.9	$11.6	$7.0	$4.0	$1.8	$2.6	$5.2	$13.6	$4.2	$2.7	$2.8	$4.2	$13.8	$6.2	$3.0	$2.8	$2.8	$14.8	$14.3	$14.6	$14.4	$14.5
Interest Expense	($95.4)	($118.6)	($115.7)	($28.6)	($28.4)	($28.2)	($26.5)	($111.7)	($26.5)	($27.1)	($26.5)	($26.7)	($106.8)	($27.0)	($28.6)	($28.2)	($28.7)	($112.6)	($120.2)	($127.7)	($131.7)	($134.5)
Earnings before Taxes	**$427.7**	**$432.7**	**$444.2**	**$117.4**	**$130.1**	**$82.2**	**$59.1**	**$388.8**	**$125.4**	**$123.3**	**$82.4**	**$58.3**	**$389.5**	**$119.0**	**$111.2**	**$62.5**	**$43.5**	**$336.1**	**$375.8**	**$400.3**	**$430.8**	**$483.7**
Income Taxes	($175.2)	($168.7)	($160.7)	($29.7)	($34.3)	($19.2)	($13.1)	($96.2)	($27.9)	($30.4)	($20.6)	($11.3)	($90.2)	($31.6)	($27.8)	($15.0)	($9.6)	($83.9)	($94.0)	($100.1)	($107.7)	($120.9)
Effective Tax Rate	41.0%	39.0%	36.2%	25.3%	26.3%	23.3%	22.1%	24.8%	22.2%	24.7%	25.0%	19.4%	23.2%	26.6%	*25.0%*	*24.0%*	*22.0%*	25.0%	*25.0%*	*25.0%*	*25.0%*	*25.0%*
Net Income	$252.5	$263.9	$283.5	$87.7	$95.8	$63.0	$46.0	$292.5	$97.5	$92.9	$61.8	$47.0	$299.2	$87.4	$83.4	$47.5	$33.9	$252.1	$281.9	$300.2	$323.1	$362.8
Recurring Diluted Earnings Per Share	**$2.97**	**$3.10**	**$3.30**	$1.02	$1.11	$0.73	$0.53	**$3.38**	$1.12	$1.07	$0.71	$0.54	**$3.45**	$1.01	$0.96	$0.55	$0.39	**$2.90**	**$3.23**	**$3.44**	**$3.69**	**$4.13**
Average number of diluted shares outstanding	85,016	85,140	86,027	86,326	86,324	86,501	86,651	86,451	86,709	86,768	86,840	86,808	86,781	86,883	86,932	86,981	87,027	86,956	87,158	87,361	87,556	87,745
Average number of basic shares outstanding	84,388	84,848	85,365	85,630	85,809	85,930	85,953	85,831	86,033	86,290	86,306	86,315	86,236	86,378	86,427	86,476	86,522	86,451	86,653	86,856	87,051	87,240
Dividend	$1.56	$1.60	$1.64	$0.42	$0.42	$0.43	$0.43	$1.68	$0.43	$0.43	$0.44	$0.44	$1.72	$0.44	$0.44	$0.45	$0.45	$1.76	$1.80	$1.84	$1.88	$1.92
Payout Ratio	53%	52%	50%	41%	37%	58%	80%	50%	38%	40%	61%	80%	50%	43%	45%	82%	114%	61%	56%	54%	51%	46%
Payout Ratio of Regulated EPS	77%	88%	92%	64%	52%	102%	151%	79%	57%	56%	100%	154%	77%	62%	56%	96%	177%	80%	78%	75%	74%	74%
Payout ex. E&P	1.04%	1.04%	1.24%					1.05%					1.10%					1.24%	1.21%	1.11%	1.14%	1.16%
Dividend Growth (Y/Y)	2.6%	2.6%	2.5%					2.4%					2.4%					2.3%	2.3%	2.2%	2.2%	2.1%
Utility EPS	$0.74	$0.60	$0.55	$0.24	$0.39	$0.05	($0.08)	$0.59	$0.30	$0.41	$0.08	($0.09)	$0.70	$0.31	$0.37	$0.09	($0.10)	$0.66	$0.68	$0.68	$0.70	$0.71
Pipeline & Storage EPS	$0.90	$0.86	$0.77	$0.28	$0.26	$0.24	$0.19	$0.98	$0.29	$0.20	$0.18	$0.18	$0.85	$0.21	$0.21	$0.18	$0.17	$0.77	$0.84	$0.98	$0.95	$0.94
Gathering EPS	$0.37	$0.36	$0.47	$0.12	$0.14	$0.13	$0.17	$0.57	$0.16	$0.15	$0.17	$0.19	$0.67	$0.18	$0.20	$0.19	$0.19	$0.76	$0.78	$0.79	$0.88	$0.93
Energy Marketing EPS	$0.09	$0.05	$0.02	$0.02	$0.01	($0.00)	($0.01)	$0.01	($0.00)	$0.01	($0.02)	($0.01)	($0.02)	$0.00	$0.01	($0.01)	($0.01)	$0.00	$0.01	$0.01	$0.03	$0.03
Exploration & Production EPS	$1.10	$1.20	$1.50	$0.34	$0.32	$0.32	$0.23	$1.21	$0.32	$0.31	$0.30	$0.28	$1.21	$0.28	$0.18	$0.10	$0.18	$0.72	$0.97	$0.99	$1.16	$1.55
Other	($0.23)	$0.03	($0.01)	$0.01	($0.01)	($0.01)	$0.03	$0.03	$0.06	($0.01)	($0.00)	($0.01)	$0.03	$0.03	($0.01)	($0.01)	($0.04)	($0.02)	($0.05)	($0.02)	($0.03)	($0.03)
Total	$3.20	$3.07	$3.30	$1.00	$1.12	$0.74	$0.50	$3.36	$1.07	$1.08	$0.71	$0.55	$3.42	$0.98	$0.97	$0.55	$0.43	$2.92	$3.29	$3.45	$3.72	$4.17
Corporate Depreciation	$1.5	$2.0	$1.4	$0.3	$0.7	$0.8	$0.6	$2.4	$0.5	$0.4	$0.8	$0.2	$1.8	$0.2	$0.4	$0.4	$0.3	$1.2	$1.3	$1.3	$1.3	$1.3
Corporate/ All Other Pension Cost				($0.2)	($0.2)	($0.2)	($0.2)	($0.7)	($0.7)	($0.6)	($0.6)	($0.6)	($2.7)	($0.8)	($0.8)	($0.8)	($0.8)	($3.1)	($3.1)	($3.1)	($3.1)	($3.1)

Source: NFG reports, Jefferies estimates

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Exhibit 8 - NI Valuation Analysis

Jefferies

NiSource (NI)

Target P/E Analysis	
2021 EPS	$1.38
Average 2021 P/E	19.2x
Implied Price Target	**$26.60**

Target Yield Analysis	
1Q21 Dividend	$0.88
Average 3-Year Yield	2.89%
Target Yield	2.90%
Implied Price Target	**$30.30**

Assumptions	
EPS CAGR 2019-2024	4.1%
Dividend CAGR 2019-2024	5.4%
Terminal Growth Rate	2.25%
Stable Period Payout Ratio	63.9%
Stable Period ROE	8.9%
Implied 2021 EV/EBITDA	10.8x
Implied 2021 P/E	18.6x

WACC Calculations	
Risk Free Rate	2.5%
Beta	0.50
Equity Risk Premium	5.5%
Cost of Equity	5.2%
Cost of New Debt	3.75%
Tax Rate	19.7%
WACC	4.1%

Capital Structure	
Total Debt	$9,629
Market Cap	$9,832
Debt/Cap	49.5%
Equity/Cap	50.5%

Terminal Growth Capex	$525.0
5-Year ROE	8.2%
Implied Contribution	$43.1
2024E EBT + DD&A	$1,836.0
Implied Growth Rate	2.3%

2020E EBIT Composition

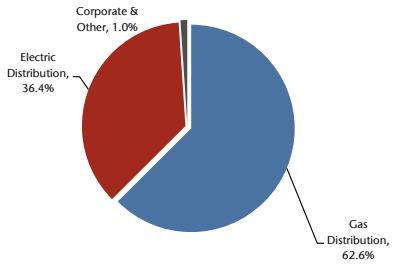

2020 EBIT Contribution		
Gas Distribution	$683.5	62.6%
Electric Distribution	$397.7	36.4%
Corporate & Other	$11.5	1.0%
Total	$1,092.6	100.0%

Terminal WACC Calculations	
Risk Free Rate	3.5%
Adjusted Beta	0.66
Equity Risk Premium	5.5%
Terminal Cost of Equity	7.1%
Terminal Cost of New Debt	5.0%
Terminal WACC	5.6%
Terminal Cash Flow Growth Rate	2.25%
Terminal Dividend Growth Rate	2.50%

Average Price Target	$28.00

Total Return Expectations	
NI Current Price	$25.72
Appreciation to PT	8.9%
Yield over 12-months	3.3%
Total Return Potential	**12.2%**

Dividend Expectations		
2017	$0.70	58%
2018E	$0.78	60%
2019E	$0.80	61%
2020E	$0.84	63%
2021E	$0.88	64%
2022E	$0.93	63%
2023E	$0.98	63%
2024E	$1.04	65%

	Price	PT	3-Yr Avg
2020 P/E	19.4x	21.1x	21.1x
2021 P/E	18.6x	20.2x	
2022 P/E	17.4x	19.0x	

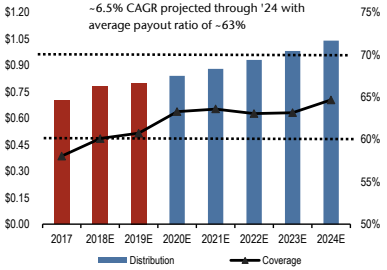

DIVIDEND DISCOUNT MODEL	2020E	2021E	2022E	2023E	2024E
Dividend Per Share	$0.84	$0.88	$0.93	$0.98	$1.04
Payout Ratio	*63.3%*	*63.6%*	*63.1%*	*63.1%*	*64.7%*
Terminal Value					$22.93
PV of Dividends	$0.61	$0.82	$0.82	$0.83	$0.83
Sum of PV of Dividends per Share	$3.92				
PV of Terminal Value	$20.39				
Equity Value per Share	$24.31				
Implied Equity Value per Share*	**$24.80**				

Discounted Cash Flow	2020E	2021E	2022E	2023E	2024E
EBIT	$1,093	$1,165	$1,256	$1,358	$1,472
Other	$3	$6	$1	$3	$3
(Cash Taxes on EBIT)	($18)	($39)	($63)	($92)	($160)
NOPAT	**$1,078**	**$1,132**	**$1,195**	**$1,270**	**$1,315**
D&A	$744	$774	$803	$831	$857
(Capex)	($1,850)	($1,900)	($1,900)	($1,850)	($1,382)
Other & Changes in NWC	$63	($10)	($8)	$2	$3
Free Cash Flow to the Firm	**$36**	**($4)**	**$90**	**$253**	**$793**
Terminal Value					$24,236
PV of Cash Flows	$34.9	($4.0)	$80.4	$217.1	$20,655
Implied Enterprise Value	20,983				
(Net Debt. Including Preferred Equity)	(10,360)				
(Pension & Operating Lease)	(245)				
Implied Equity Value	10,378				
Shares Outstanding	374.1				
Implied Equity Value per Share*	**$28.30**				

Source: NI reports, Jefferies estimates

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Exhibit 9 - NI Consolidated Income Statement

Consolidated Income Statement	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Revenues	$4,593.6	$4,504.9	$4,902.6	$5,084.0	$1,858.9	$1,011.9	$927.9	$1,385.4	$5,184.1	$1,966.8	$1,048.0	$955.3	$1,405.3	$5,375.4	$1,989.5	$1,072.1	$994.3	$1,455.4	$5,511.4	$5,687.3	$5,887.8	$6,099.0
(Cost of Sales)	($1,569.9)	($1,390.2)	($1,518.7)	($1,759.4)	($680.3)	($253.5)	($196.7)	($404.3)	($1,534.8)	($750.4)	($267.4)	($206.6)	($388.1)	($1,612.5)	($750.0)	($265.2)	($209.0)	($394.8)	($1,619.0)	($1,640.9)	($1,677.3)	($1,709.6)
Net Revenue	$3,023.7	$3,114.7	$3,383.9	$3,324.6	$1,178.6	$758.4	$731.2	$981.1	$3,649.3	$1,216.4	$780.6	$748.7	$1,017.3	$3,762.9	$1,239.5	$806.9	$785.3	$1,060.6	$3,892.4	$4,046.4	$4,210.5	$4,389.4
(Operating & Maintenance Expenses)	($1,409.3)	($1,429.1)	($1,589.2)	($1,519.4)	($418.8)	($382.7)	($373.4)	($413.4)	($1,588.3)	($428.2)	($388.1)	($374.0)	($423.9)	($1,614.2)	($432.9)	($392.2)	($378.0)	($428.5)	($1,631.5)	($1,650.3)	($1,670.5)	($1,692.2)
(Depreciation & Amortization)	($524.4)	($547.1)	($570.3)	($599.6)	($175.1)	($177.9)	($182.2)	($182.2)	($717.4)	($184.1)	($184.2)	($186.4)	($189.5)	($744.3)	($191.4)	($191.6)	($193.8)	($196.9)	($773.7)	($802.8)	($830.5)	($857.0)
(Other Taxes)	($256.1)	($244.3)	($257.2)	($274.4)	($87.6)	($66.4)	($67.9)	($74.9)	($296.8)	($92.3)	($72.2)	($69.1)	($78.2)	($311.8)	($93.2)	($73.2)	($73.8)	($81.8)	($322.0)	($337.0)	($351.7)	($368.3)
(Gain on Sale of Assets)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
OPERATING INCOME BY DIVISION																						
Gas Distribution	$567.8	$597.6	$589.7	$561.4	$394.4	$43.5	($26.4)	$213.9	$625.4	$416.1	$54.2	($19.4)	$232.6	$683.5	$423.9	$62.7	($2.6)	$257.7	$741.7	$824.7	$917.5	$1,024.9
Electric Operations		$302.3	$375.3	$369.1	$95.2	$85.6	$135.4	$84.9	$401.1	$94.8	$81.8	$135.5	$85.5	$397.7	$96.5	$86.2	$139.2	$89.2	$411.2	$420.4	$429.1	$436.4
Corporate & Eliminations	($13.4)	($5.7)	$2.2	$0.7	$7.5	$2.3	($1.3)	$11.8	$20.3	$0.9	($0.0)	$3.1	$7.5	$11.5	$1.6	$1.1	$3.0	$6.5	$12.3	$11.3	$11.2	$10.6
Total Recurring Operating Income	**$554.4**	**$894.2**	**$967.2**	**$931.2**	**$497.1**	**$131.4**	**$107.7**	**$310.6**	**$1,046.8**	**$511.7**	**$136.0**	**$119.2**	**$325.7**	**$1,092.6**	**$522.1**	**$150.0**	**$139.7**	**$353.5**	**$1,165.2**	**$1,256.3**	**$1,357.8**	**$1,471.9**
Other Income / (Loss)	$25.2	$1.5	($2.8)	$18.0	($0.7)	$0.0	$1.3	($5.5)	($4.9)	$3.5	$5.5	$4.9	($10.5)	$3.4	$4.3	$6.1	$4.9	($9.8)	$5.5	$1.3	$3.4	$3.4
Interest Expense - Net	($417.3)	($349.5)	($353.2)	($353.3)	($95.6)	($94.1)	($95.9)	($93.3)	($378.9)	($98.1)	($99.0)	($96.9)	($93.5)	($387.6)	($98.0)	($98.0)	($98.0)	($98.0)	($392.1)	($417.1)	($445.8)	($496.4)
Pretax Income	$684.2	$546.2	$611.2	$595.9	$400.8	$37.3	$13.1	$211.8	$663.0	$417.2	$42.5	$27.1	$221.7	$708.5	$428.3	$58.1	$46.6	$245.6	$778.6	$840.6	$915.4	$979.0
(Provision)/Benefit for Income Taxes	($250.3)	($195.0)	($212.3)	($117.6)	($79.3)	($4.4)	($1.0)	($28.5)	($113.2)	($87.2)	($7.0)	($4.0)	($44.1)	($142.3)	($97.0)	($10.5)	($7.4)	($51.9)	($166.8)	($171.0)	($191.8)	($208.8)
Effective Tax Rate	*36.6%*	*35.7%*	*34.7%*	*19.7%*	*19.8%*	*11.8%*	*7.6%*	*13.5%*	*17.1%*	*20.9%*	*16.5%*	*14.6%*	*19.9%*	*20.1%*	*22.6%*	*18.0%*	*15.8%*	*21.1%*	*21.4%*	*20.3%*	*21.0%*	*21.3%*
Net Income	$433.9	$351.2	$398.9	$478.3	$321.5	$32.9	$12.1	$183.3	$549.8	$330.0	$35.5	$23.2	$177.6	$566.2	$331.3	$47.6	$39.2	$193.7	$611.8	$669.5	$723.6	$770.1
Preferred Interest				($15.0)	($13.8)	($13.8)	($13.8)	($13.7)	($55.1)	($13.8)	($13.8)	($13.8)	($13.8)	($55.1)	($13.8)	($13.8)	($13.8)	($13.8)	($55.1)	($55.1)	($55.1)	($55.1)
Net Income (from Continuing Operations)	$298.9	$351.2	$398.9	$463.3	$307.7	$19.1	($1.7)	$169.6	$494.7	$316.2	$21.7	$9.4	$163.8	$511.1	$317.5	$33.8	$25.4	$179.9	$556.7	$614.4	$668.5	$715.0
Recurring Diluted EPS	**$0.94**	**$1.09**	**$1.21**	**$1.30**	$0.82	$0.05	($0.00)	$0.45	**$1.32**	$0.82	$0.06	$0.02	$0.42	**$1.33**	$0.80	$0.08	$0.06	$0.44	**$1.38**	**$1.47**	**$1.55**	**$1.61**
Average # of diluted shares outstanding	319.4	323.3	330.7	357.0	374.7	375.2	374.1	378.3	375.6	383.5	383.6	383.8	389.2	385.0	397.3	400.6	404.0	407.3	402.3	416.7	430.7	444.6
Average # of basic shares outstanding	317.8	321.8	329.4	356.5	373.4	373.9	374.1	377.2	374.7	382.4	382.5	382.7	388.1	383.9	396.2	399.5	402.9	406.2	401.2	415.6	429.6	443.5
Dividends per Share	**$0.83**	**$0.64**	**$0.70**	**$0.78**	$0.20	$0.20	$0.20	$0.20	**$0.80**	$0.21	$0.21	$0.21	$0.21	**$0.84**	$0.22	$0.22	$0.22	$0.22	**$0.88**	**$0.93**	**$0.98**	**$1.04**
Payout Ratio	**89%**	**59%**	**58%**	**60%**	24%	393%	-4401%	45%	**61%**	25%	372%	857%	50%	**63%**	28%	261%	350%	50%	**64%**	**63%**	**63%**	**65%**

Source: NI reports; Jefferies estimates

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Exhibit 10 - NI Consolidated Balance Sheet

Consolidated Balance Sheet ($MM)	2014	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	2021E	2022E	2023E	2024E
Cash & equivalents	25	16	26	29	35	68	42	113	113	151	24	28	139	139	28	25	21	24	24	17	17	17	18
Accounts receivable	1,070	660	847	899	974	585	500	1,059	1,059	1,132	870	539	857	857	1,189	864	519	840	840	906	935	968	992
Inventory	583	537	494	471	245	337	467	423	423	216	319	449	425	425	247	338	449	337	337	333	337	345	350
Other current assets	788	365	394	364	380	326	360	462	462	417	366	362	433	433	433	433	433	433	433	433	433	433	433
Total current assets	**2,467**	**1,577**	**1,762**	**1,763**	**1,634**	**1,316**	**1,369**	**2,055**	**2,055**	**1,916**	**1,578**	**1,378**	**1,854**	**1,854**	**1,897**	**1,659**	**1,422**	**1,635**	**1,635**	**1,688**	**1,722**	**1,763**	**1,793**
Tangible fixed assets	**16,017**	**12,112**	**13,068**	**14,360**	**14,457**	**14,848**	**15,174**	**15,543**	**15,543**	**15,741**	**16,134**	**16,481**	**16,912**	**16,912**	**17,098**	**17,400**	**16,809**	**17,138**	**17,138**	**18,264**	**19,361**	**20,381**	**21,374**
Goodwill	3,666	1,691	1,691	1,691	1,691	1,691	1,691	1,691	1,691	1,691	1,691	1,691	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486
Other intangible fixed assets	265	254	243	232	229	226	224	221	221	218	215	213	0	0	0	0	0	0	0	0	0	0	0
Investment in affiliates	453	195	200	210	206	204	217	206	206	211	218	220	230	230	230	230	230	230	230	230	230	230	230
Other investments	1,999	1,665	1,729	1,707	1,882	2,024	2,025	2,089	2,089	2,113	2,139	2,150	2,178	2,178	2,203	2,225	2,255	2,286	2,286	2,393	2,501	2,609	2,717
Non-Current Assets	**6,383**	**3,804**	**3,862**	**3,839**	**4,008**	**4,144**	**4,156**	**4,206**	**4,206**	**4,233**	**4,262**	**4,273**	**3,894**	**3,894**	**3,920**	**3,942**	**3,971**	**4,002**	**4,002**	**4,109**	**4,217**	**4,325**	**4,433**
Total assets	**24,866**	**17,493**	**18,692**	**19,962**	**20,099**	**20,308**	**20,699**	**21,804**	**21,804**	**21,890**	**21,974**	**22,132**	**22,660**	**22,660**	**22,915**	**23,001**	**22,202**	**22,775**	**22,775**	**24,061**	**25,301**	**26,469**	**27,600**
Trade payables and other ST liabilities	2,111	1,656	1,601	1,688	1,396	1,363	1,752	2,060	2,060	1,884	1,722	1,714	1,973	1,973	2,061	1,822	1,797	1,856	1,856	1,907	1,933	1,976	2,009
Short term debt	1,844	1,001	1,851	1,490	1,830	1,198	1,660	1,977	1,977	2,131	2,092	1,626	1,773	1,773	1,270	1,270	1,270	1,333	1,333	500	600	0	0
Total current liabilities	**3,955**	**2,658**	**3,452**	**3,178**	**3,226**	**2,560**	**3,411**	**4,037**	**4,037**	**4,015**	**3,814**	**3,340**	**3,746**	**3,746**	**3,331**	**3,092**	**3,066**	**3,189**	**3,189**	**2,407**	**2,533**	**1,976**	**2,009**
Long term debt	8,156	5,949	6,058	7,512	7,287	7,093	7,095	7,105	7,105	7,110	7,110	7,854	7,856	7,856	8,255	8,634	7,789	7,841	7,841	9,203	9,605	10,608	10,990
Debt deemed provisions (e.g. pensions)	676	760	713	337	323	398	383	474	474	462	455	451	455	455	455	455	455	455	455	455	455	455	455
Deferred taxes (Revenue)	3,662	2,365	2,528	1,293	1,397	1,409	1,303	1,342	1,342	1,402	1,483	1,477	1,495	1,495	1,572	1,578	1,581	1,620	1,620	1,747	1,855	1,956	2,042
Other long term liabilities	2,243	1,918	1,869	3,321	3,359	3,386	3,434	3,096	3,096	3,121	3,136	3,163	3,121	3,121	3,068	3,068	3,197	3,197	3,197	3,197	3,197	3,197	3,197
Total liabilities	**18,691**	**13,649**	**14,621**	**15,642**	**15,592**	**14,845**	**15,626**	**16,053**	**16,053**	**16,110**	**15,998**	**16,284**	**16,673**	**16,673**	**16,681**	**16,827**	**16,089**	**16,302**	**16,302**	**17,009**	**17,646**	**18,192**	**18,693**
Common equity	6,175	3,844	4,071	4,320	4,506	5,069	4,680	4,871	4,871	4,900	5,096	4,969	5,107	5,107	5,353	5,294	5,234	5,593	5,593	6,172	6,775	7,398	8,027
Preferred equity	0	0	0	0	0	394	394	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity	**6,175**	**3,844**	**4,071**	**4,320**	**4,506**	**5,463**	**5,074**	**5,751**	**5,751**	**5,780**	**5,976**	**5,849**	**5,987**	**5,987**	**6,233**	**6,174**	**6,114**	**6,473**	**6,473**	**7,052**	**7,655**	**8,278**	**8,907**
Total liabilities and equity	**24,866**	**17,493**	**18,692**	**19,962**	**20,099**	**20,308**	**20,699**	**21,804**	**21,804**	**21,890**	**21,974**	**22,132**	**22,660**	**22,660**	**22,915**	**23,001**	**22,202**	**22,775**	**22,775**	**24,061**	**25,301**	**26,469**	**27,600**
Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Balance Sheet Assumptions	2014	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	2021E	2022E	2023E	2024E
Accounts receivable (as % of EBIT)	85%	114%	95%	93%	236%	477%	375%	376%	112%	228%	662%	495%	281%	82%	231%	610%	418%	267%	77%	77%	74%	71%	67%
Inventory (as % of operating expenses)	28%	38%	35%	30%	61%	93%	142%	99%	28%	52%	83%	120%	103%	27%	58%	87%	120%	80%	21%	20%	20%	21%	21%
Trade payable & other S.T. liabilities (as % of opg. Exp.)	100%	118%	112%	106%	347%	377%	531%	484%	136%	450%	450%	459%	477%	124%	481%	470%	480%	438%	115%	117%	117%	118%	119%
Working Capital	330	(95)	135	46	202.6	(115.2)	(424.3)	(117.0)	(117)	(119.0)	(167.7)	(363.4)	(258.0)	(258)	(192.4)	(187.4)	(395.3)	(245.4)	(245)	(236)	(228)	(230)	(234)
Changes in Working Capital	**(139.5)**	**146.9**	**(292.1)**	**(416.4)**	(73.8)	203.3	364.1	(383.4)	**110.2**	(53.0)	(29.7)	117.7	(110.1)	**(75.1)**	(65.6)	(5.0)	207.9	(149.9)	**(12.6)**	**(9.8)**	**(7.6)**	**2.4**	**3.3**
Average Collection Period	**60**	**52**	**69**	**67**	50	53	52	67	**76**	55	78	53	57	**60**	55	75	50	55	**57**	**60**	**60**	**60**	**60**
Inventory Days	**96**	**125**	**130**	**113**	30	98	193	78	**88**	29	114	210	97	**101**	30	115	200	80	**77**	**75**	**75**	**75**	**75**
Average Payable Period	**346**	**385**	**422**	**406**	173	396	726	379	**427**	249	618	802	449	**469**	250	620	800	440	**421**	**430**	**430**	**430**	**430**

Cash	25	16	26	29	35	68	42	113	113	151	24	28	139	139	28	25	21	24	24	17	17	17	18
Total Debt	9,999	6,950	7,909	9,002	9,117	8,290	8,754	9,083	9,083	9,242	9,201	9,480	9,629	9,629	9,525	9,904	9,059	9,174	9,174	9,703	10,205	10,608	10,990
Total Net Debt	**9,974**	**6,934**	**7,883**	**8,973**	9,082	8,222	8,712	8,970	**8,970**	9,091	9,178	9,452	9,490	**9,490**	9,497	9,880	9,038	9,150	**9,150**	**9,686**	**10,188**	**10,590**	**10,972**
Preferred Securities	0	0	0	0	0	394	394	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880
Shareholders' Equity	6,175	3,844	4,071	4,320	4,506	5,463	5,074	5,751	5,751	5,780	5,976	5,849	5,987	5,987	6,233	6,174	6,114	6,473	6,473	7,052	7,655	8,278	8,907
Net Debt/Capital	**61.8%**	**64.3%**	**65.9%**	**67.5%**	66.8%	58.4%	61.4%	57.5%	**57.5%**	57.7%	57.2%	58.4%	58.0%	**58.0%**	57.2%	58.3%	56.4%	55.4%	**55.4%**	**55.0%**	**54.4%**	**53.6%**	**52.9%**
Invested capital	16,149	10,778	11,954	13,293	13,588	13,685	13,786	14,721	14,721	14,870	15,154	15,300	15,477	15,477	15,730	16,054	15,152	15,623	15,623	16,738	17,843	18,868	19,879
ROIC	8.1%	8.3%	7.9%	7.6%	4.0%	6.8%	6.9%	6.8%	6.8%	3.8%	7.1%	6.8%	6.9%	6.9%	3.5%	6.8%	7.0%	7.0%	7.0%	7.2%	7.3%	7.4%	7.6%
ROE	8.6%	5.3%	9.0%	9.4%	9.9%	9.1%	12.0%	8.9%	8.9%	9.3%	8.9%	10.7%	8.4%	8.4%	8.4%	8.3%	8.4%	11.1%	8.2%	8.2%	8.4%	8.4%	8.3%
EBITDA	1,864	1,104	1,443	1,535	557	267	282	443	1,549	672	309	291	487	1,759	699	326	311	505	1,840	1,944	2,060	2,192	2,332
Net Debt/EBITDA (50% pref equity treatment)	**5.4x**	**4.1x**	**5.5x**	**5.8x**	6.0x	5.7x	5.9x	6.1x	**6.1x**	5.7x	5.6x	5.8x	5.6x	**5.6x**	5.6x	5.7x	5.2x	5.2x	**5.2x**	**5.2x**	**5.2x**	**5.0x**	**4.9x**

Source: NI reports, Jefferies estimates

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Exhibit 11 - NI Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows ($MM)	2014	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	2021E	2022E	2023E	2024E
Operating activities																							
Net income	530	302	332	129	276	25	(340)	(12)	(51)	219	297	7	(139)	383	330	35	23	178	566	612	670	724	770
Depreciation, amortization & decommissioning	606	524	547	570	145	145	149	162	600	175	178	182	182	717	184	184	186	189	744	774	803	831	857
Deferred taxes	299	135	182	307	57	10	(93)	(162)	(188)	52	75	(6)	(2)	118	77	6	3	39	125	128	108	100	86
Net change in working capital	(140)	147	(292)	(416)	(74)	203	364	(383)	110	(53)	(30)	118	(110)	(75)	(66)	(5)	208	(150)	(13)	(10)	(8)	2	3
Other, including changes in provisions and other liabilities	25	348	35	153	(16)	39	37	8	69	7	7	5	421	440	(53)	0	129	0	76	0	0	0	0
Cash from operating activities	**1,320**	**1,457**	**803**	**742**	**388**	**421**	**118**	**(387)**	**540**	**399**	**527**	**306**	**352**	**1,583**	**472**	**221**	**550**	**256**	**1,498**	**1,504**	**1,573**	**1,657**	**1,717**
Investing activities																							
Capital expenditure - tangible fixed assets	(2,029)	(1,361)	(1,475)	(1,696)	(370)	(463)	(464)	(522)	(1,818)	(354)	(490)	(467)	(492)	(1,802)	(370)	(487)	(476)	(518)	(1,850)	(1,900)	(1,900)	(1,850)	(1,850)
Investment in affiliates	(69)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net disposals/(acquisitions)	13	3,803	0	0	0	1	(14)	5	(8)	0	0	0	(8)	(8)	0	0	880	0	880	0	0	0	0
Other investment	(32)	(497)	(108)	(113)	(29)	(10)	(28)	(33)	(100)	(22)	(33)	(29)	(28)	(112)	(26)	(22)	(29)	(31)	(108)	(107)	(109)	(108)	(108)
Cash from investing activities	**(2,117)**	**1,945**	**(1,583)**	**(1,809)**	**(399)**	**(472)**	**(505)**	**(550)**	**(1,926)**	**(375)**	**(523)**	**(496)**	**(529)**	**(1,922)**	**(396)**	**(509)**	**375**	**(549)**	**(1,078)**	**(2,007)**	**(2,009)**	**(1,958)**	**(1,958)**
Financing activities																							
Inc./(dec.) in short term debt	878	(936)	921	(282)	362	(967)	1,011	366	772	103	1	(466)	158	(204)	(503)	0	0	64	(440)	(833)	100	(600)	0
Inc./(dec.) in long term debt	227	(2,092)	65	1,395	(279)	138	(553)	(2)	(696)	(2)	(44)	748	(3)	698	399	379	(845)	51	(16)	1,362	403	1,002	382
Inc./(dec.) in equity	20	2	14	337	4	600	4	241	848	3	4	4	234	244	5	5	5	283	298	375	375	375	375
Common stock dividends paid	(321)	(263)	(206)	(229)	(66)	(66)	(71)	(71)	(273)	(75)	(75)	(75)	(75)	(299)	(80)	(80)	(80)	(81)	(323)	(353)	(386)	(421)	(461)
Other cash from financing	(9)	(122)	(4)	(152)	(4)	(12)	(31)	(16)	(62)	(4)	(0)	(8)	(6)	(18)	0	0	0	0	0	0	0	0	0
Inc./(dec.) in preffered equity	0	0	0	0	0	394	(0)	486	880	(9)	(19)	(8)	(19)	(56)	(8)	(19)	(8)	(19)	(55)	(55)	(55)	(55)	(55)
Cash from financing activities	**795.6**	**(3,412)**	**791**	**1,068.7**	**17**	**87**	**360**	**1,004**	**1,469**	**16**	**(133)**	**195**	**289**	**366**	**(188)**	**284**	**(929)**	**297**	**(535)**	**496**	**436**	**302**	**241**
Cash flow increase/(decrease) in cash	(1)	(10)	11	2.4	6	36	(27)	67	83	40	(128)	5	111	27.3	(111)	(4)	(4)	3	(115)	(7)	0	0	0
Non-cash movements in cash	0	0	0	0	(0.3)	(3.2)	0.9	4	1	(2)	1	(0)	(0)	(1)	0	0	0	0	0	0	0	0	0
Forex Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net change in cash	**(1)**	**(10)**	**11**	**2.6**	6	33	(26)	71	**84**	38	(127)	4	111	**27**	(111)	(4)	(4)	3	**(115)**	**(7)**	**0**	**0**	**0**
Cash at the beginning of the year	**27**	**25**	**16**	**26**	29	35	68	42	**29**	113	151	24	28	**113**	139	28	25	21	**139**	**24**	**17**	**17**	**17**
Cash at the end of the year	**25**	**16**	**26**	**29**	35	68	42	113	**113**	151	24	28	139	**139**	28	25	21	24	**24**	**17**	**17**	**17**	**18**
Cash paid for income taxes	**19**	**21**	**8**	**6**	4	0	0	(1)	**3**	5	0	0	6	**11**	10	1	1	6	**18**	**39**	**63**	**92**	**122**
Cash Interest paid, net of amount capitalized	**429**	**390**	**338**	**340**	146	42	42	124	**354**	162	47	42	99	**350**	148	43	43	87	**322**	**380**	**385**	**390**	**395**
Accounting Free Cash Flow (CFO-CAPEX-Dividend)	(1030)	(167)	(877)	(1183)	(48)	(107)	(417)	(980)	(1551)	(29)	(37)	(236)	(216)	(518)	14	(366)	(14)	(363)	(729)	(804)	(769)	(669)	(649)
Free Cash Flow (NI+D&A-WC-CAPEX-DIV)	(1075)	(945)	(510)	(810)	59	(563)	(1090)	(59)	(1653)	19	(60)	(470)	(414)	(925)	122	(362)	(562)	(102)	(904)	(913)	(861)	(774)	(742)

Source: NI reports, Jefferies estimates

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Exhibit 12 - OGS Consolidated Income Statement

Income Statement ($MM)	2014	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Gas Sales	$1,680	$1,418	$1,300	$1,409	$1,492	$621.5	$258.6	$216.0	$412.1	$1,508	$588.9	$270.8	$233.4	$450.5	$1,544	$645.6	$286.5	$243.7	$462.3	$1,638	$1,744	$1,833	$1,919
Transportation Revenue	$102	$99	$98	$101	$110	$35.0	$24.0	$23.7	$31.4	$114	$35.8	$24.6	$24.3	$31.9	$117	$36.6	$25.2	$24.9	$32.6	$119	$122	$125	$128
Other revenue	$37	$31	$29	$30	$32	$4.5	$8.0	$8.9	$9.2	$31	$7.2	$8.1	$8.1	$7.6	$31	$6.1	$8.3	$8.7	$8.6	$32	$32	$33	$34
Total Revenue	**$1,819**	**$1,548**	**$1,427**	**$1,540**	**$1,634**	$661.0	$290.6	$248.6	$452.6	**$1,653**	$632.0	$303.5	$265.8	$489.9	**$1,691**	$688.3	$320.0	$277.3	$503.5	**$1,789**	**$1,898**	**$1,991**	**$2,080**
Cost of gas	($992)	($706)	($542)	($615)	($715)	($365.1)	($82.6)	($49.6)	($190.7)	($688)	($322.5)	($86.0)	($58.3)	($219.6)	($686)	($366.4)	($91.2)	($58.4)	($219.7)	($736)	($780)	($821)	($858)
Net Margin	**$827**	**$842**	**$885**	**$925**	**$919**	$295.9	$208.0	$199.0	$261.9	**$965**	$309.5	$217.5	$207.5	$270.3	**$1,005**	$322.0	$228.8	$218.9	$283.9	**$1,053**	**$1,119**	**$1,170**	**$1,223**
(O&M)	($414)	($414)	($417)	($417)	($412)	($108.3)	($101.5)	($100.5)	($118.9)	($429)	($109.9)	($103.0)	($102.0)	($120.7)	($436)	($111.3)	($104.3)	($103.3)	($122.2)	($441)	($448)	($454)	($461)
(D&A)	($133)	($133)	($144)	($152)	($160)	($43.8)	($44.9)	($45.5)	($46.1)	($180)	($46.9)	($47.8)	($48.8)	($49.8)	($193)	($50.7)	($51.6)	($52.7)	($53.7)	($209)	($225)	($241)	($257)
(General Taxes)	($55)	($55)	($55)	($57)	($59)	($16.2)	($14.7)	($14.2)	($14.9)	($60)	($17.0)	($16.5)	($15.1)	($14.5)	($63)	($17.9)	($18.1)	($17.1)	($16.1)	($69)	($76)	($81)	($87)
Operating Income (EBIT)	**$224**	**$239**	**$269**	**$299**	**$288**	$128	$47	$39	$82	**$295**	$136	$50	$42	$85	**$313**	$142	$55	$46	$92	**$335**	**$370**	**$394**	**$417**
Other	($3)	($3)	($0)	$3	($11)	$0.4	($0.9)	($1.4)	($1.1)	($3)	($1.0)	($2.3)	($3.8)	($1.0)	($8)	($1.2)	($2.9)	($4.7)	($1.2)	($10)	($9)	($8)	($7)
(Interest Expense)	($46)	($45)	($44)	($46)	($51)	($15.8)	($15.4)	($15.8)	($15.7)	($63)	($16.3)	($16.1)	($16.3)	($17.0)	($66)	($17.3)	($17.3)	($17.3)	($17.3)	($69)	($74)	($78)	($84)
(Income Taxes)	($68)	($73)	($85)	($93)	($54)	($18.6)	($6.2)	($4.1)	($14.0)	($43)	($20.0)	($6.5)	($4.2)	($14.7)	($45)	($22)	($7)	($5)	($17)	($51)	($59)	($66)	($72)
Net Income	$108	$119	$140	$163	$172	$93.7	$24.5	$17.5	$51.2	$187	$98.4	$25.3	$17.4	$52.7	$194	$101.8	$27.2	$19.0	$56.8	$205	$228	$242	$254
Earnings Per Share (EPS)	**$2.08**	**$2.24**	**$2.65**	**$3.08**	**$3.25**	$1.76	$0.46	$0.33	$0.96	**$3.51**	$1.84	$0.47	$0.32	$0.98	**$3.62**	$1.88	$0.50	$0.35	$1.04	**$3.78**	**$4.15**	**$4.34**	**$4.50**
Shares Outstanding (Diluted)	52.8	53.3	53.0	53.0	53.0	53.2	53.2	53.3	53.3	53.2	53.4	53.5	53.6	53.7	53.5	54.0	54.2	54.3	54.4	54.2	55.0	55.8	56.6
Shares Outstanding (Basic)	52.2	52.6	52.5	52.5	52.7	52.8	52.9	52.9	52.9	52.9	53.0	53.1	53.3	53.4	53.2	53.7	53.8	53.9	54.1	53.9	54.6	55.5	56.2
Dividend - Qtrly	**$1.12**	**$1.20**	**$1.40**	**$1.68**	**$1.84**	$0.50	$0.50	$0.50	$0.50	**$2.00**	$0.54	$0.54	$0.54	$0.54	**$2.16**	$0.58	$0.58	$0.58	$0.58	**$2.32**	**$2.48**	**$2.64**	**$2.80**
		7.1%	16.7%	20.0%	9.5%					8.7%	8.0%				8.0%	$0.04				7.4%	6.9%	6.5%	6.1%
Annual Dividend Run Rate	$1.12	$1.20	$1.40	$1.68	$1.84	$2.00	$2.00	$2.00	$2.00	$2.00	$2.16	$2.16	$2.16	$2.16	$2.16	$2.32	$2.32	$2.32	$2.32	$2.32	$2.48	$2.64	$2.80
EBIT	$224	$239	$269	$299	$288	$128	$47	$39	$82	$295	$136	$50	$42	$85	$313	$142	$55	$46	$92	$335	$370	$394	$417
General Tax Rate	19.7%	18.7%	17.1%	16.0%	17.0%	11.3%	23.8%	26.8%	15.4%	16.9%	11.2%	24.7%	26.7%	14.5%	16.8%	11.2%	24.9%	27.1%	14.9%	17.1%	17.0%	17.1%	17.2%
Income Tax Rate	38.8%	38.0%	37.8%	36.4%	23.7%	16.6%	20.1%	19.2%	21.4%	18.7%	16.9%	20.5%	19.5%	21.8%	19.0%	17.7%	21.2%	20.3%	22.5%	19.8%	20.5%	21.3%	22.1%
Dividend Payout Ratio	**53.8%**	**53.7%**	**52.9%**	**54.6%**	**56.6%**					**57.0%**					**59.6%**					**61.4%**	**59.8%**	**60.9%**	**62.2%**
EBITDA	**$357**	**$372**	**$413**	**$451**	**$449**	$171	$92	$84	$128	**$476**	$183	$98	$90	$135	**$506**	$193	$106	$99	$146	**$543**	**$595**	**$635**	**$675**
Natural Gas Margin	**41.0%**	**50.2%**	**58.3%**	**56.4%**	**52.1%**	41.3%	68.1%	77.0%	53.7%	**54.4%**	45.2%	68.2%	75.0%	51.3%	**55.5%**	43.3%	68.2%	76.0%	52.5%	**55.1%**	**55.3%**	**55.2%**	**55.3%**
Gas Sales Margin Growth	(6.3%)	22.6%	16.2%	(3.3%)	(7.6%)	0.4%	6.7%	2.1%	9.8%	4.3%	4.6%	4.6%	4.3%	3.2%	2.1%	4.0%	5.2%	5.5%	5.0%	(0.8%)	0.4%	(0.2%)	0.2%
Charged Natural Gas Price	**$1.81**	**$1.98**	**$2.17**	**$2.26**	**$1.98**	$1.69	$2.50	$2.78	$1.93	**$2.07**	$1.69	$2.50	$2.78	$1.93	**$2.13**	$1.75	$2.63	$2.92	$2.02	**$2.22**	**$2.34**	**$2.42**	**$2.50**
Rate increase											$0.04	$0.09	$0.11	$0.06	$0.07	$0.04	$0.08	$0.09	$0.05	$0.06	$0.10	$0.06	$0.06
New Rates						$1.69	$2.50	$2.78	$1.93		$1.73	$2.59	$2.88	$1.99		$1.79	$2.71	$3.01	$2.06				
Y/Y Change	-1.6%	9.5%	9.5%	4.2%	-12.5%	*0.1%*	*11.1%*	*1.5%*	*7.6%*	4.5%	*0.0%*	*0.0%*	*0.0%*	*0.0%*	3.1%	*1.3%*	*1.3%*	*1.3%*	*1.3%*	3.9%	5.4%	3.6%	3.5%

Source: OGS reports, Jefferies estimates

Exhibit 13 - SWX Valuation Analysis

Jefferies

Southwest Gas Corporation (SWX)

Discounted Cash Flow	2020	2021	2022	2023	2024
EBIT	$398	$453	$479	$526	$564
(Cash Taxes on EBIT)	($20)	($34)	($48)	($66)	($99)
NOPAT	$378	$419	$431	$460	$465
DD&A	$332	$349	$363	$376	$387
Capex	($800)	($815)	($780)	($747)	($612)
Changes in NWC	$9	($4)	$2	$4	$4
Free Cash Flow to the Firm	($80)	($50)	$17	$92	$244
Terminal Cash Flow					$6,983
Total Cash Flows	($80)	($50)	$17	$92	$7,228
PV of Cash Flows	($78)	($47)	$15	$78	$5,823
Implied Asset Value	$5,792				
(Net Debt)	($2,625)				
(Pension & Operating Lease)	($151)				
Cash surrender value of COLI policies	$132				
Implied Equity Value	$3,148				
Shares Outstanding	55.1				
Implied 12-Month Target	**$58.80**				

2019E Net Income Compositon

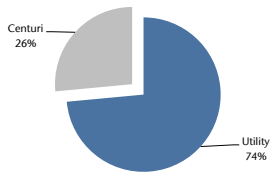

Average Price Target	$72.00

Dividend Discount Model	2020	2021	2022	2023	2024
Dividend Per Share	$2.26	$2.34	$2.42	$2.50	$2.58
Payout Ratio (SWX Convention)	*71%*	*65%*	*65%*	*62%*	*60%*
Terminal Value					$86.92
Present Value of Dividends	$1.66	$2.17	$2.12	$2.07	$2.02
Sum of PV of Dividends per Share	$10.03				
PV of Terminal Value	$61.56				
Equity Value per Share	$71.58				
Implied 12-Month Target	**$73.60**				

WACC Calculation	
New Debt Cost	3.75%
Beta (3yr vs SPX)	0.60
Risk Free Rate	2.5%
Risk Premium	5.5%
Cost of Equity	5.8%
Equity / Cap	61%
Debt / Cap	39%
Tax Rate	24%
WACC	4.7%

SWX Capitalization	
Current Stock Price	**$76.50**
Market Cap (MM)	$4,212
Total Debt (MM)	$2,675
Total Net Debt (MM)	$2,625
F12M Dividend Yield	3.0%
5yr Dividend CAGR	3.7%
Terminal CF Growth Rate	2.50%
Terminal Dividend Growth	2.75%

Terminal Growth Capex	$225.0
Trailing 5-Yr ROIC	6.0%
Implied Contribution	$13.5
2024E EBIT	$564
Implied Growth Rate	2.4%

Sum of the Parts Analysis

Business Segment	2021E Net Income	Multiple	Value
Gas Utility	$166	19.5x	$3,235
Infrastructure Services	$73	10.0x	$731
		Total Equity Value	$3,965
		Diluted Shares Outstanding	54.3
		Price Target	**$73.00**

Terminal WACC	
Cost of New Debt	5.0%
Adjusted Beta	0.73
Risk Free Rate	3.5%
Risk Premium	5.5%
Cost of Equity	7.5%
Terminal WACC	6.1%

Valuation Multiples	
2020E P/E	20.8x
2021E P/E	18.5x
2022E P/E	18.1x
2020E EV/EBITDA	9.8x
2021E EV/EBITDA	9.3x
2022E EV/EBITDA	9.1x

3-Yr Avg	
P/E	22.3x
EV/EBITDA	10.3x

Target Yield Analysis	
2Q21 Dividend	$0.59
Historical 3-year Average Yield	2.65%
Target Yield	2.90%
Implied 12-Month Target	**$81.30**

Implied Upside	
Current Share Price	$76.50
Price Target	$72.00
Forecasted Yield	3.0%
Total Expected Return	**-2.9%**

2019E NI Breakdown	
Utility	73.5%
Centuri	26.5%

Source: SWX reports, Jefferies estimates

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Exhibit 14 - SWX Consolidated Income Statement

Consolidated Statement of Income ($MM)	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Gas Utility Revenues	$1,454.6	$1,321.4	$1,302.3	$1,357.7	$520.7	$258.7	$210.0	$379.6	$1,368.9	$531.5	$266.1	$233.0	$406.4	$1,437.0	$575.3	$300.2	$246.9	$424.0	$1,546.4	$1,603.7	$1,690.3	$1,765.9
Cost of Gas	$563.8	$397.1	$355.0	$419.4	$192.6	$65.2	$35.1	$92.3	$385.2	$196.6	$67.0	$38.9	$98.8	$401.4	$212.8	$75.6	$41.2	$103.1	$432.8	$448.3	$470.3	$492.2
Net Utility Operating Margin	$890.8	$924.3	$947.3	$938.3	$328.1	$193.5	$174.9	$287.3	$983.8	$334.9	$199.0	$194.1	$307.6	$1,035.6	$362.5	$224.6	$205.7	$320.9	$1,113.6	$1,155.3	$1,220.0	$1,273.7
Construction Revenues	$1,009.0	$1,139.1	$1,246.5	$1,522.3	$312.9	$454.3	$515.3	$468.6	$1,751.0	$309.1	$511.7	$558.6	$525.1	$1,904.5	$378.7	$591.1	$634.6	$515.6	$2,120.1	$2,313.5	$2,366.7	$2,455.9
Construction Expenses	$898.8	$1,024.4	$1,149.0	$1,380.8	$300.5	$402.2	$451.6	$419.0	$1,573.2	$294.5	$449.2	$485.4	$465.6	$1,694.7	$363.6	$526.1	$558.5	$453.7	$1,901.9	$2,086.5	$2,133.0	$2,215.1
Net Construction Operating Margin	$110.2	$114.7	$97.5	$141.5	$12.4	$52.1	$63.7	$49.6	$177.8	$14.6	$62.5	$73.2	$59.5	$209.8	$15.1	$65.0	$76.2	$61.9	$218.2	$226.9	$233.7	$240.7
Operation and maintenance	$393.2	$401.7	$412.2	$406.4	$106.2	$105.3	$109.7	$103.0	$424.2	$109.7	$109.1	$113.4	$106.7	$438.9	$111.9	$111.3	$115.6	$108.8	$447.6	$455.4	$463.4	$471.5
Depreciation and amortization	$270.1	$289.1	$251.0	$249.2	$77.5	$70.3	$75.4	$80.0	$303.2	$81.0	$82.5	$83.8	$84.9	$332.2	$85.7	$87.0	$87.9	$88.7	$349.3	$363.2	$375.8	$386.9
Taxes other than income	$49.4	$52.4	$57.9	$59.9	$16.2	$15.1	$15.3	$15.7	$62.3	$16.3	$15.3	$16.9	$16.8	$65.2	$17.8	$17.3	$18.1	$17.6	$70.8	$73.4	$77.7	$81.2
Total Operating Expenses	$712.7	$743.2	$721.1	$715.5	$200.0	$190.8	$200.3	$198.6	$789.7	$206.9	$206.9	$214.1	$208.4	$836.3	$215.5	$215.6	$221.6	$215.1	$867.8	$892.1	$916.9	$939.6
Other Income (Expense)	$2.4	$2.1	$2.8	($14.5)	($0.8)	($2.3)	$0.5	($5.0)	($7.6)	($2.8)	($3.0)	($2.9)	($2.4)	($11.1)	($2.8)	($3.0)	($2.9)	($2.4)	($11.1)	($11.1)	($11.1)	($11.1)
Income before Interest and Taxes	$290.7	$297.8	$326.5	$349.8	$139.7	$52.6	$38.8	$133.2	$364.2	$139.7	$51.7	$50.3	$156.3	$398.0	$159.4	$71.0	$57.3	$165.3	$452.9	$479.0	$525.7	$563.7
Interest Expense	$71.9	$73.7	$78.1	$96.7	$26.4	$26.8	$27.4	$28.6	$109.2	$30.7	$30.7	$31.3	$32.3	$125.0	$33.9	$33.9	$33.9	$33.9	$135.8	$145.9	$154.8	$165.9
Income before Taxes	$218.8	$224.1	$248.4	$253.2	$113.3	$25.7	$11.3	$104.7	$255.0	$109.0	$21.0	$19.0	$124.0	$273.0	$125.4	$37.1	$23.3	$131.3	$317.1	$333.1	$370.9	$397.8
Income Taxes	$79.9	$78.5	$85.1	$64.1	$25.5	$6.4	$3.1	$21.0	$56.0	$24.7	$4.0	$5.4	$30.5	$64.5	$28.6	$10.5	$6.4	$32.4	$77.9	$82.4	$92.2	$99.2
Net Income	**$138.9**	**$145.7**	**$163.3**	**$189.1**	**$87.7**	**$19.4**	**$8.2**	**$83.7**	**$199.0**	**$84.3**	**$17.0**	**$13.6**	**$93.5**	**$208.4**	**$96.9**	**$26.6**	**$16.9**	**$98.9**	**$239.3**	**$250.8**	**$278.7**	**$298.6**
Minority Interests	$1.1	$1.0	($0.1)	($0.8)	$0.6	$0.8	$1.2	$0.2	$2.7	$0.6	$0.8	$1.2	$0.2	$2.7	$0.6	$0.8	$1.2	$0.2	$2.7	$2.7	$2.7	$2.7
Net Income to Common	$137.8	$144.6	$163.4	$189.8	$87.2	$18.6	$7.0	$83.5	$196.3	$83.7	$16.3	$12.5	$93.3	$205.7	$96.3	$25.8	$15.7	$98.7	$236.6	$248.1	$276.0	$295.9
Avg. Diluted Common Shares	47.2	47.8	48.0	49.5	53.4	54.0	54.7	55.1	54.3	55.5	55.9	56.3	56.3	56.0	56.8	57.2	57.6	57.6	57.3	58.5	59.7	60.9
Avg. Basic Common Shares	46.9	47.5	47.7	49.4	53.4	53.9	54.7	55.0	54.2	57.0	57.4	57.8	58.2	57.6	58.7	59.1	59.5	60.0	59.3	61.0	62.6	64.2
Recurring Earnings per share	**$2.92**	**$3.03**	**$3.41**	**$3.84**	**$1.63**	**$0.34**	**$0.13**	**$1.52**	**$3.61**	**$1.51**	**$0.29**	**$0.22**	**$1.66**	**$3.68**	**$1.70**	**$0.45**	**$0.27**	**$1.71**	**$4.13**	**$4.24**	**$4.62**	**$4.86**
Excluded Items (non-recurring or discontinued operations)	($0.5)	$7.4	$10.6	($2.9)	$7.6	$3.4	$0.7	$5.9	$17.7					$0.0					$0.0	$0.0	$0.0	$0.0
EPS impact of excluded items	(0.01)	0.15	0.22	(0.15)	0.14	0.06	0.01	0.11	0.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reported Earnings per share (diluted)	$2.91	$3.18	$3.63	$3.68	$1.77	$0.41	$0.14	$1.62	$3.94	$1.51	$0.29	$0.22	$1.66	$3.68	$1.70	$0.45	$0.27	$1.71	$4.13	$4.24	$4.62	$4.86
Dividends paid per share	**$1.58**	**$1.76**	**$1.94**	**$2.06**	$0.52	$0.55	$0.55	$0.55	**$2.16**	$0.55	$0.57	$0.57	$0.57	**$2.26**	$0.57	$0.59	$0.59	$0.59	**$2.34**	**$2.42**	**$2.50**	**$2.58**
Dividend Growth Rate	**10.9%**	**11.1%**	**10.3%**	**6.2%**		4.8%			**4.9%**		4.6%			**4.6%**		3.5%			**3.8%**	**3.4%**	**3.3%**	**3.2%**
Payout Ratio (on recurring earnings)	**54.1%**	**58.0%**	**56.8%**	**53.6%**					**59.6%**					**61.4%**					**56.7%**	**57.1%**	**54.1%**	**53.1%**
Payout Ratio (on SWX methodology)	**59.7%**	**61.8%**	**54.6%**	**62.1%**					**61.8%**					**70.6%**					**64.6%**	**65.4%**	**61.5%**	**60.2%**
COLI actual and/or assumption	**$0.5**	**$7.4**	**$18.2**	**($2.9)**	$7.6	$3.4	$0.7	$5.9	**$17.7**	$1.3	$1.3	$1.3	$1.3	**$5.0**	$1.3	$1.3	$1.3	$1.3	**$5.0**	**$5.0**	**$5.0**	**$5.0**
Tax Rate	**36.5%**	**35.0%**	**34.2%**	**25.3%**	22.5%	24.7%	27.7%	20.1%	**22.0%**	22.7%	18.9%	28.3%	24.6%	**23.6%**	22.8%	28.2%	27.6%	24.7%	**24.6%**	**24.7%**	**24.9%**	**24.9%**
Change in Net Income	**2%**	**5%**	**12%**	**16%**	11%	-1%	8%	1%	**5%**	-4%	-12%	66%	12%	**5%**	15%	56%	24%	6%	**15%**	**5%**	**11%**	**7%**
Change in Common Equity	**7.1%**	**4.3%**	**9.1%**	**24.2%**	25.1%	25.2%	24.6%		**11.3%**					**8.1%**					**8.3%**	**7.8%**	**7.8%**	**7.6%**

Source: SWX reports, Jefferies estimates

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Exhibit 15 - SWX Consolidated Balance Sheet

Consolidated Balance Sheet ($MM)	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020	2021	2022	2023	2024
Cash & Equivalents	36	28	44	65	35	69	85	85	97	38	28	50	50	38	40	38	45	45	45	47	47	48
Accounts Receivable	315	285	347	336	358	348	414	414	429	418	434	474	474	416	470	430	557	557	563	601	606	625
Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Assets	208	220	266	263	303	304	340	340	304	296	303	336	336	336	336	336	336	336	336	336	336	336
Total Current Assets	**558**	**533**	**657**	**664**	**696**	**721**	**840**	**840**	**830**	**752**	**765**	**860**	**860**	**790**	**847**	**805**	**938**	**938**	**944**	**984**	**989**	**1,009**
Tangible Fixed Assets - Net	**3,891**	**4,132**	**4,524**	**4,604**	**4,717**	**4,870**	**5,093**	**5,093**	**5,216**	**5,370**	**5,536**	**5,685**	**5,685**	**5,777**	**5,905**	**6,040**	**6,153**	**6,153**	**6,619**	**7,035**	**7,407**	**7,735**
Goodwill	126	140	179	176	174	176	359	359	364	346	340	343	343	343	343	343	343	343	343	343	343	343
Other intangible fixed assets (Deferred Income Taxes)	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Investment in affiliates	469	432	447	443	426	420	441	441	441	436	430	497	497	497	497	497	497	497	497	497	497	497
Other investments	314	342	428	439	462	467	624	624	717	762	769	784	784	784	784	784	784	784	784	784	784	784
Non-Current Assets	**909**	**916**	**1,056**	**1,059**	**1,063**	**1,064**	**1,425**	**1,425**	**1,523**	**1,545**	**1,539**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**	**1,625**
Total assets	**5,359**	**5,581**	**6,237**	**6,328**	**6,476**	**6,655**	**7,358**	**7,358**	**7,569**	**7,667**	**7,840**	**8,170**	**8,170**	**8,191**	**8,376**	**8,470**	**8,716**	**8,716**	**9,187**	**9,645**	**10,021**	**10,369**
Trade payables and other ST liabilities	498	578	576	555	609	681	754	754	752	690	714	705	705	621	766	741	798	798	800	840	849	872
Short term debt	37	50	240	47	54	32	185	185	223	37	68	375	375	0	0	0	0	0	50	0	0	0
Total current liabilities	**535**	**628**	**816**	**603**	**664**	**713**	**939**	**939**	**974**	**727**	**782**	**1,080**	**1,080**	**621**	**766**	**741**	**798**	**798**	**850**	**840**	**849**	**872**
Long term debt	1,551	1,550	1,799	1,998	2,038	2,124	2,107	2,107	2,106	2,373	2,462	2,300	2,300	2,678	2,708	2,819	2,880	2,880	3,025	3,220	3,299	3,338
Debt deemed provisions (e.g. pensions)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred taxes (Revenue)	769	841	477	500	511	519	529	529	556	563	578	600	600	619	615	612	645	645	694	737	779	807
Other long term liabilities	895	878	1,333	1,350	1,332	1,353	1,449	1,449	1,504	1,501	1,510	1,599	1,599	1,599	1,599	1,599	1,599	1,599	1,599	1,599	1,599	1,599
Total liabilities	**3,750**	**3,897**	**4,425**	**4,451**	**4,544**	**4,709**	**5,024**	**5,024**	**5,140**	**5,164**	**5,332**	**5,580**	**5,580**	**5,517**	**5,688**	**5,771**	**5,922**	**5,922**	**6,168**	**6,397**	**6,526**	**6,616**
Common equity	1,592	1,661	1,812	1,876	1,933	1,946	2,252	2,252	2,347	2,419	2,424	2,506	2,506	2,589	2,603	2,614	2,709	2,709	2,935	3,163	3,410	3,668
Preferred equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority interests	16	23	0	0	0	0	82	82	82	83	84	85	85	85	85	85	85	85	85	85	85	85
Shareholders' Equity	**1,608**	**1,684**	**1,812**	**1,876**	**1,933**	**1,946**	**2,333**	**2,333**	**2,429**	**2,503**	**2,508**	**2,590**	**2,590**	**2,674**	**2,688**	**2,699**	**2,794**	**2,794**	**3,020**	**3,248**	**3,495**	**3,753**
Total liabilities and equity	**5,359**	**5,581**	**6,237**	**6,328**	**6,476**	**6,655**	**7,358**	**7,358**	**7,569**	**7,667**	**7,840**	**8,170**	**8,170**	**8,191**	**8,376**	**8,470**	**8,716**	**8,716**	**9,187**	**9,645**	**10,021**	**10,369**
Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance Sheet Assumptions		93	(125)	(1)	(12)	99	(72)	13	7	(6)	9	(47)	(37)	(26)	91	15	(70)	9	(4)	2	4	4
Accounts receivable (as % of EBIT)	108%	96%	106%	267%	737%	970%	297%	118%	307%	794%	1120%	356%	130%	297%	910%	855%	356%	140%	124%	125%	115%	111%
Inventory (as % of operating expenses)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Trade payable & other S.T. liabilities (as % of op. Exp.)	70%	78%	80%	308%	336%	373%	440%	105%	376%	362%	357%	355%	89%	300%	370%	346%	383%	95%	92%	94%	93%	93%
Working Capital	25	(73)	37	43	52	(29)	1	1	(18)	24	23	105	105	131	40	26	96	96	99	97	93	89
Average Collection Period	**47**	**42**	**50**	40	49	48	48	**52**	46	53	55	51	**55**	45	55	50	55	**61**	**56**	**56**	**55**	**54**
Inventory Days				-	-	-	-		-	-	-	-										
Average Payable Period	**124**	**149**	**140**	112	127	141	146	**153**	137	134	135	127	**131**	115	135	130	130	**139**	**125**	**121**	**119**	**118**
Cash	36	28	44	65	35	69	85	85	97	38	28	50	50	38	40	38	45	45	45	47	47	48
Total Debt	1,589	1,600	2,038	2,045	2,092	2,155	2,292	2,292	2,329	2,410	2,530	2,675	2,675	2,678	2,708	2,819	2,880	2,880	3,075	3,220	3,299	3,338
Total Net Debt	**1,553**	**1,572**	**1,995**	**1,980**	**2,057**	**2,086**	**2,207**	**2,207**	**2,232**	**2,371**	**2,502**	**2,625**	**2,625**	**2,641**	**2,668**	**2,780**	**2,835**	**2,835**	**3,030**	**3,173**	**3,252**	**3,290**
Preferred Securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity	1,592	1,661	1,812	1,876	1,933	1,946	2,252	2,252	2,347	2,419	2,424	2,506	2,506	2,589	2,603	2,614	2,709	2,709	2,935	3,163	3,410	3,668
Net Debt/Capital	**49%**	**49%**	**52%**	51%	52%	52%	49%	**49%**	49%	49%	51%	51%	**51%**	50%	51%	52%	51%	**51%**	**51%**	**50%**	**49%**	**47%**
EBIT(1-T)	184	189	212	82	32	26	92	230	107	41	26	97	272	108	39	36	125	311	346	361	396	424
Invested capital	3,145	3,233	3,807	3,857	3,990	4,032	4,459	4,459	4,579	4,791	4,926	5,131	5,131	5,230	5,271	5,395	5,544	5,544	5,965	6,336	6,662	6,958
ROIC	6.4%	5.8%	5.2%	5.2%	5.0%	5.7%	8.9%	5.7%	6.0%	6.0%	5.7%	8.2%	5.6%	10.2%	8.7%	5.3%	8.8%	5.8%	6.0%	5.9%	6.1%	6.2%
ROE	8.7%	8.7%	9.3%	9.9%	9.8%	9.5%	13.6%	9.4%	9.1%	8.5%	8.0%	12.0%	7.8%	14.8%	11.6%	7.4%	11.8%	7.6%	8.1%	7.9%	8.2%	8.2%
EBITDA	561	587	577	188	110	98	203	599	217	123	114	213	667	221	134	134	241	730	802	842	902	951
Net Debt/EBITDA	**2.8x**	**2.7x**	**3.5x**	3.5x	3.5x	3.5x	3.7x	**3.7x**	3.6x	3.7x	3.8x	3.9x	**3.9x**	3.9x	3.9x	4.0x	3.9x	**3.9x**	**3.8x**	**3.8x**	**3.6x**	**3.5x**

Source: SWX reports, Jefferies estimates

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Exhibit 16 - SWX Consolidated Cash Flow Statement

Consolidated Statement of Cash Flows ($MM)	2015	2016	2017	1Q	2Q	3Q	4Q	2018	1Q	2Q	3Q	4Q	2019	1QE	2QE	3QE	4QE	2020	2021	2022	2023	2024
Operating activities																						
Net income	139	153	194	78	22	12	69	182	95	23	7	92	217	84	17	14	93	208	239	251	279	299
Depreciation, amortization	270	289	251	62	61	62	63	249	78	70	75	80	303	81	82	84	85	332	349	363	376	387
Deferred taxes	49	69	63	23	10	3	15	51	25	7	14	8	54	19	3	4	24	51	54	49	46	40
Net change in working capital	95	93	(125)	(1)	(12)	99	(72)	13	7	(6)	9	(47)	(37)	(26)	91	15	(70)	9	(4)	2	4	4
Other, including changes in provisions and other liabilities	(6)	(5)	(14)	18	(15)	(16)	46	33	(17)	(3)	(5)	(11)	(37)	0	(7)	(7)	9	(6)	(6)	(6)	(4)	(11)
Cash from operating activities	**547**	**598**	**370**	**181**	**66**	**160**	**121**	**529**	**188**	**90**	**100**	**122**	**500**	**158**	**186**	**109**	**142**	**595**	**633**	**660**	**700**	**718**
Investing activities																						
Capital expenditure - tangible fixed assets	(488)	(530)	(624)	(155)	(184)	(221)	(206)	(766)	(211)	(261)	(248)	(219)	(938)	(172)	(210)	(219)	(198)	(800)	(815)	(780)	(747)	(715)
Investment Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net disposals/(acquisitions)	(9)	(17)	(94)	(4)	0	0	(247)	(251)	0	(20)	0	(28)	(48)	0	0	0	0	0	0	0	0	0
Other investment	27	21	17	5	6	4	3	18	3	7	17	6	34	0	0	0	0	0	0	0	0	0
Cash from investing activities	**(470)**	**(526)**	**(701)**	**(154)**	**(178)**	**(217)**	**(450)**	**(999)**	**(207)**	**(273)**	**(231)**	**(241)**	**(952)**	**(172)**	**(210)**	**(219)**	**(198)**	**(800)**	**(815)**	**(780)**	**(747)**	**(715)**
Financing activities																						
Inc./(dec.) in short term debt	13	(163)	360	(303)	111	9	121	(63)	36	(188)	30	181	59	(375)	0	0	0	(375)	50	(50)	0	0
Inc./(dec.) in long term debt	(52)	169	68	314	(62)	85	(10)	327	(1)	265	91	(38)	318	378	30	111	61	579	146	195	79	39
Inc./(dec.) in equity	35	0	41	11	58	23	262	354	26	77	27	29	158	30	30	30	35	125	125	125	125	125
Common stock dividends paid	(74)	(83)	(92)	(24)	(25)	(26)	(26)	(100)	(28)	(29)	(30)	(30)	(116)	(31)	(33)	(33)	(33)	(130)	(139)	(148)	(157)	(166)
Other cash from financing	(1)	(3)	(30)	(3)	(1)	(0)	(2)	(7)	(2)	(1)	2	(2)	(3)	0	0	0	0	0	0	0	0	0
Inc./(dec.) in preferred equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash from financing activities	**(79)**	**(81)**	**346**	**(5)**	**82**	**91**	**345**	**513**	**31**	**124**	**121**	**140**	**415**	**2**	**27**	**108**	**63**	**200**	**182**	**122**	**47**	**(2)**
Cash flow increase/(decrease) in cash	(2)	(8)	15	22	(30)	34	17	42	12	(59)	(10)	21	(36)	(12)	3	(2)	6	(5)	0	2	0	1
Non-cash movements in cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forex Adjustments	(1)	(0)	0	(0)	(0)	0	(0)	(0)	0	0	(0)	0	0	0	0	0	0	0	0	0	0	0
Net change in cash	**(4)**	**(8)**	**16**	21	(30)	34	16	**42**	12	(59)	(10)	21	**(36)**	(12)	3	(2)	6	**(5)**	**0**	**2**	**0**	**1**
Cash at the beginning of the year	**40**	**36**	**28**	44	65	35	69	**44**	85	97	38	28	**85**	50	38	40	38	**50**	**45**	**45**	**47**	**47**
Cash at the end of the year	**36**	**28**	**44**	65	35	69	85	**85**	97	38	28	50	**50**	38	40	38	45	**45**	**45**	**47**	**47**	**48**
Cash Interest Paid	67	67	72	13	27	9	37	87	16	34	12	40	102	42	23	43	24	133	132	142	151	162
Cash Taxes Paid	43	(19)	6	4	12	2	(17)	1	0	1	(1)	2	3	5	1	1	6	14	24	33	46	60
Free Cash Flow (NI+D&A-WC-CapEx)	(174)	(180)	(54)	(13)	(90)	(245)	(1)	(349)	(45)	(161)	(175)	1	(381)	19	(202)	(137)	50	(269)	(223)	(168)	(96)	(33)
Free Cash Flow Post Dividends	(248)	(264)	(146)	(36)	(115)	(271)	(27)	(449)	(73)	(190)	(205)	(29)	(497)	(12)	(234)	(169)	17	(399)	(362)	(316)	(253)	(199)
Accounting Free Cash Flow (CFO-CapEx)	59	69	(254)	26	(118)	(61)	(84)	(237)	(23)	(171)	(148)	(97)	(438)	(14)	(25)	(110)	(56)	(205)	(182)	(120)	(47)	3
Accounting Free Cash Flow Post Dividends	(15)	(14)	(346)	2	(143)	(86)	(110)	(337)	(50)	(200)	(177)	(127)	(554)	(45)	(57)	(143)	(89)	(334)	(320)	(268)	(204)	(163)
Cash Interest Rate	4.3%	4.4%	4.0%	0.7%	1.3%	0.4%	1.7%	4.0%	0.7%	1.4%	0.5%	1.5%	4.1%	1.6%	0.9%	1.6%	0.9%	4.8%	4.4%	4.5%	4.6%	4.9%
Cash Tax Rate	19.8%	-8.5%	2.3%	4.3%	48.5%	15.6%	-15.0%	0.5%	0.4%	5.4%	-12.9%	2.3%	1.1%	5.0%	5.0%	5.0%	5.0%	5.0%	7.5%	10.0%	12.5%	15.0%
Deferred Taxes as % of Book Taxes	61%	88%	74%	96%	186%	78%	48%	80%	98%	109%	454%	38%	97%	78%	74%	82%	80%	79%	69%	60%	50%	40%

Source: SWX reports, Jefferies estimates

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Exhibit 17 - UGI Consolidated Income Statement

Consolidated Income Statement	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1Q	2QE	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Revenues	$6,691.1	$5,685.7	$6,120.7	$7,651.2	$2,200.2	$2,606.1	$1,363.7	$1,150.4	$7,320.4	$2,006.6	$2,318.2	$1,467.8	$1,185.9	$6,978.5	$2,139.5	$2,778.8	$1,554.5	$1,262.0	$7,734.8	$8,121.5	$8,481.2	$8,752.4
(Cost of Sales)	($3,647.6)	($2,529.1)	($2,896.6)	($4,169.7)	($1,308.3)	($1,414.5)	($745.3)	($648.1)	($4,116.2)	($996.4)	($1,161.8)	($794.6)	($597.1)	($3,549.9)	($1,081.7)	($1,434.8)	($853.0)	($662.0)	($4,031.4)	($4,355.3)	($4,573.5)	($4,732.9)
Gross Margin	$3,043.5	$3,156.6	$3,224.1	$3,481.5	$891.9	$1,191.6	$618.4	$502.3	$3,204.2	$1,010.2	$1,156.4	$673.2	$588.8	$3,428.6	$1,057.9	$1,344.1	$701.5	$600.0	$3,703.4	$3,766.1	$3,907.7	$4,019.4
(Operating & Administrative)	($1,751.3)	($1,808.0)	($1,804.9)	($1,982.9)	($503.2)	($535.8)	($460.2)	($431.7)	($1,930.9)	($510.5)	($542.9)	($500.9)	($454.5)	($2,008.9)	($536.5)	($589.5)	($512.1)	($473.7)	($2,111.8)	($2,119.4)	($2,145.8)	($2,192.2)
(Depreciation & Amortization)	($374.1)	($400.9)	($416.3)	($455.1)	($111.2)	($108.9)	($109.9)	($118.1)	($448.1)	($119.4)	($121.6)	($122.5)	($125.0)	($488.5)	($124.4)	($125.9)	($127.2)	($129.1)	($506.6)	($525.8)	($546.1)	($567.8)
Other Income (Loss)	$28.3	$6.6	($2.0)	$31.3	($1.2)	$0.6	$14.8	($15.3)	($1.1)	$24.9	$1.7	$3.0	($19.6)	$10.0	$5.0	$2.4	$3.7	$1.8	$12.9	$12.7	$12.9	$9.7
Operating Income	$946.4	$954.4	$1,000.9	$1,074.8	$276.3	$547.5	$63.1	($62.8)	$824.1	$405.2	$493.6	$52.8	($10.3)	$941.2	$401.9	$631.1	$65.9	($1.0)	$1,097.9	$1,133.6	$1,228.7	$1,269.2
(Income from Equity Investees)	($1.2)	($0.2)	$4.3	$4.3	$1.5	$1.6	$1.5	$4.5	$9.1	$6.5	$2.3	$2.3	$2.2	$13.3	$2.8	$2.8	$2.8	$2.8	$11.1	$22.1	$26.7	$25.9
(Other Items)	$0.0	$0.0	($46.0)	($12.7)	$9.0	$7.3	$0.7	$21.0	$38.0	($11.5)				($11.5)					$0.0	$0.0	$0.0	$0.0
(Interest Expense)	($231.6)	($228.9)	($223.5)	($230.1)	($60.2)	($61.0)	($60.5)	($76.1)	($257.8)	($84.1)	($81.7)	($78.3)	($78.5)	($322.6)	($78.3)	($78.3)	($78.3)	($78.3)	($313.0)	($307.0)	($300.7)	($296.7)
Income before Taxes	$713.6	$725.3	$735.8	$836.3	$226.6	$495.4	$4.8	($113.4)	$613.4	$316.1	$414.2	($23.3)	($86.6)	$620.4	$326.4	$555.6	($9.6)	($76.5)	$796.0	$848.7	$954.7	$998.4
(Income Tax Expense)	($226.7)	($178.6)	($204.5)	($186.3)	($58.5)	($90.2)	($10.1)	($0.1)	($158.9)	($82.1)	($97.3)	$5.5	$20.3	($153.6)	($76.7)	($130.6)	$2.2	$18.0	($187.1)	($199.4)	($224.3)	($234.6)
(Preferred Dividends)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Income before Other Items	$486.9	$546.7	$531.2	$650.0	$168.1	$405.2	($5.3)	($113.6)	$454.5	$234.0	$316.9	($17.8)	($66.2)	$466.8	$249.7	$425.1	($7.3)	($58.5)	$608.9	$649.3	$730.3	$763.7
(Minority Interest, prnc. in AmeriGas)	($133.0)	($181.7)	($126.9)	($164.4)	($24.3)	($151.3)	$31.8	$79.3	($64.5)	$0.0	$0.3	$0.2	($9.6)	($9.2)	($0.1)	$0.5	$0.2	($4.0)	($3.4)	($3.5)	($2.2)	($2.0)
Net Income - Recurring	$353.9	$365.0	$404.3	$485.6	$143.8	$253.9	$26.5	($34.3)	$390.0	$234.0	$317.1	($17.7)	($75.9)	$457.6	$249.6	$425.6	($7.1)	($62.5)	$605.5	$645.8	$728.1	$761.8
EPS (Adjusted Diluted)	**$2.01**	**$2.09**	**$2.29**	**$2.74**	$0.81	$1.43	$0.15	($0.18)	**$2.21**	$1.11	$1.50	($0.08)	($0.36)	**$2.18**	$1.19	$2.02	($0.03)	($0.30)	**$2.90**	**$3.12**	**$3.55**	**$3.75**
Shares Outstanding - Basic	173.1	173.2	173.7	173.9	174.4	174.5	174.8	189.9	178.4	209.4	209.2	209.0	209.1	209.2	208.7	208.4	208.1	207.8	208.2	205.9	203.8	201.7
Shares Outstanding - Diluted	175.7	174.9	176.3	176.9	177.6	177.3	177.3	189.9	180.6	211.3	211.1	209.0	209.1	210.1	210.5	210.2	208.1	207.8	209.1	207.3	205.1	203.1
EBIT	$946.4	$954.4	$1,000.9	$1,074.8	$276.3	$547.5	$63.1	($62.8)	$824.1	$405.2	$493.6	$52.8	($10.3)	$941.2	$401.9	$631.1	$65.9	($1.0)	$1,097.9	$1,133.6	$1,228.7	$1,269.2
EBITDA	$1,320.5	$1,355.2	$1,417.2	$1,529.9	$387.5	$656.4	$173.0	$55.3	$1,272.2	$524.6	$615.1	$175.3	$114.7	$1,429.7	$526.3	$757.0	$193.2	$128.1	$1,604.5	$1,659.4	$1,774.8	$1,837.0

Source: UGI reports, Jefferies estimates

Jefferies

EQUITY RESEARCH
USA | Midstream & Refining

NATIONAL FUEL GAS COMPANY (NFG)

RATING	PRICE	MARKET CAP
BUY	**$40.87^**	**$3.5B**
PRICE TARGET (PT)	**UPSIDE SCENARIO PT**	**DOWNSIDE SCENARIO PT**
$50.00 (FROM $48.00)	**$60.00**	**$30.00**

^Prior trading day's closing price unless otherwise noted.

Estimates				
USD	2019A	2020E	2021E	2022E
EPS	3.45	↓ 2.90	↑ 3.23	↑ 3.44
Previous		2.94	2.74	3.06
Consensus EPS	3.45	↑ 2.92	↓ 2.62	↓ 2.59
Previous		2.90	2.72	2.89
DPS	1.72	1.76	1.80	1.84
Previous				
EBITDA (MM)				
Q1	223.6	229.2	-	-
Previous				
Q2	228.4	↓ 231.4	-	-
Previous		*235.7*		
Q3	185.7	↓ 174.5	-	-
Previous		*178.1*		
Q4	161.5	↑ 153.3	-	-
Previous		*149.9*		
FY Sep	799.2	↓ 788.3	↑ 844.3	↑ 883.6
Previous		*792.8*	*787.4*	*843.1*

Valuation				
	2019A	2020E	2021E	2022E
FY P/E	11.9x	14.1x	12.6x	11.9x
EV/EBITDA	7.4x	7.5x	7.0x	6.7x

The Long View

Scenarios

Base Case

- Appalachian drilling to grow production & reserves over next several years, California to provide free cash flow
- Midstream growth projects to add incremental Utica/ Marcellus takeaway capacity, aiding in-basin firm sale contracts & enabling Seneca production growth
- SOP, which utilizes EV/EBITDA multiples for business segments and reserve valuation for E&P & DCF analysis. F21 EPS: $2.90; F21 EBITDA: $788mm; PT $50

Upside Scenario

- Additional midstream opportunities are secured and progress successfully through regulatory approvals, driving meaningful takeaway options for Seneca and cementing a sustainably profitable net-back
- Stronger than anticipated proved reserve growth and continued improvements in drilling & completion activities, which aid Seneca's profit profile
- Sharp & sustained increase in natural gas and crude oil prices, limited basis issues. Utility experiences sustained cold weather in its PA service territory.
- SOP, which utilizes EV/EBITDA multiples for business segments and reserve valuation for E&P & DCF analysis. F21 EPS: $3.30; F21 EBITDA: $950; PT: $60

Downside Scenario

- Expansion projects in execution encounter cost overruns & time delays; NYSDEC's appeals of recent Northern Access victories are supported, permanently impairing Northern Access
- Production & reserve growth trails our expectations; drilling & completion efficiency gains do not materialize and Seneca's margins are minimized
- Sharp & sustained reduction in oil and natural gas prices, adverse basis differentials hinder realizations
- Mild weather, adverse rate case decisions
- SOP, which utilizes EV/EBITDA multiples for business segments and reserve valuation for E&P & DCF analysis. F21 EPS: $2.40; F21 EBITDA: $700; PT: $30

Investment Thesis / Where We Differ

- Appalachian drilling to grow production & reserves over next several years, California to provide free cash flow
- Midstream growth projects to add incremental Utica/ Marcellus takeaway capacity, aiding in-basin firm sale contracts & enabling Seneca production growth
- SOP, which utilizes EV/EBITDA multiples for business segments and reserve valuation for E&P & DCF analysis. F21 EPS: $2.90; F21 EBITDA: $788mm; PT $50

Catalysts

- Continued action by NFG in the wake of the FERC's decision to rule in favor of NFG as it relates to the NYSDEC waiving its certification authority under section 401 of the Clean Water Act; NYSDEC can appeal against the decision
- Execution of midstream projects & any additional expansions; Transco Zone 6 expected in 2021
- Narrowing of NE basis differentials and the disclosure of additional favorably priced firm sales agreements
- F2Q20 earnings out post-close on 4.30.20

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NISOURCE INC. (NI)

RATING	PRICE	MARKET CAP
↓ HOLD	$25.85^	$9.9B
PRICE TARGET (PT)	**UPSIDE SCENARIO PT**	**DOWNSIDE SCENARIO PT**
$28.00	$30.00	$15.00

^Prior trading day's closing price unless otherwise noted.

Estimates				
USD	2019A	2020E	2021E	2022E
EBITDA (MM)	1,759.3	↓ 1,840.3	↓ 1,944.4	↓ 2,060.5
Previous		1,852.7	1,955.5	2,071.7
DPS	0.80	0.84	0.88	0.93
Previous				
Consensus EPS	1.32	↓ 1.34	1.42	1.51
Previous		1.36		
EPS				
Q1	0.82	↓ 0.82	-	-
Previous		*0.83*		
Q2	0.05	↓ 0.06	-	-
Previous		*0.07*		
Q3	(0.00)	↓ 0.02	-	-
Previous		*0.03*		
Q4	0.45	0.42	-	-
Previous				
FY Dec	1.32	↓ 1.33	↓ 1.38	↓ 1.47
Previous		*1.35*	*1.40*	*1.50*

Valuation				
	2019A	2020E	2021E	2022E
EV/EBITDA	11.0x	10.5x	10.0x	9.4x
FY P/E	19.6x	19.5x	18.7x	17.5x

The Long View

Scenarios

Base Case

- Infrastructure modernization programs to generate steady growth & returns across all segments for several decades
- Premium asset footprints and favorable regulatory climates, continuation on tracked infrastructure investments punctuated by rate case activity.
- ~5.4% dividend CAGR from 2019-24; ~4.1% EPS CAGR from 2019-24
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2021 Adj. EPS: $1.38; 2021 dividend: $0.88/share; PT $28

Upside Scenario

- Customer growth grows faster than projected ~0.5% per year assumption and alternative source of regulated revenues are secured
- NI spends above the high-end of its guidance range, growing rate base faster than anticipated
- Cash flow outperformance yields reduced debt load, generating interest cost savings
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2021 Adj. EPS: $1.70; 2021 dividend: $0.91/share; PT $30

Downside Scenario

- Customer growth is slower than projected ~0.5% per year assumption, or negative
- NI spends below the low-end of its guidance range, and rate base growth is slower than anticipated
- Cost overruns and rising debt loads weigh on EPS
- Adverse regulatory and rate case outcomes
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2021 Adj. EPS: $0.85; 2021 dividend: $0.45/share; PT $15

Investment Thesis / Where We Differ

- Infrastructure modernization programs to generate steady growth & returns across all segments for several decades
- Premium asset footprints and favorable regulatory climates, continuation on tracked infrastructure investments punctuated by rate case activity.
- ~5.4% dividend CAGR from 2019-24; ~4.1% EPS CAGR from 2019-24
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2021 Adj. EPS: $1.38; 2021 dividend: $0.88/share; PT $28

Catalysts

- Continued regulatory progress and reduction in regulatory lag could improve earnings growth
- Extension or expansion of modernization programs across any/all service territories
- Increased revenue-normalization efforts and reduction in volumetric sensitivities
- Sale of Columbia Gas of Mass. & removal of the overhang that comes with the Greater Lawrence Incident; NI remains liable for additional costs incurred
- 1Q20 earnings out pre-market on 5.06.20

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ONE GAS INC. (OGS)

RATING	PRICE	MARKET CAP
HOLD	**$85.74^**	**$4.5B**
PRICE TARGET (PT)	**UPSIDE SCENARIO PT**	**DOWNSIDE SCENARIO PT**
$82.00 (FROM $80.00)	**$95.00**	**$60.00**

^Prior trading day's closing price unless otherwise noted.

Estimates				
USD	2019A	2020E	2021E	2022E
EBITDA (MM)	475.6	506.2	543.3	595.0
Previous				
DPS	2.00	2.16	2.32	2.48
Previous				
Consensus EPS	3.51	↓ 3.60	↑ 3.85	4.13
Previous		3.61	3.84	
EPS				
Q1	1.76	1.84	-	-
Previous				
Q2	0.46	0.47	-	-
Previous				
Q3	0.33	↓ 0.32	-	-
Previous		*0.33*		
Q4	0.96	0.98	-	-
Previous				
FY Dec	3.51	↓ 3.62	↑ 3.78	↑ 4.15
Previous		*3.63*	*3.77*	*4.14*

Valuation				
	2019A	2020E	2021E	2022E
EV/EBITDA	13.3x	12.5x	11.6x	10.6x
FY P/E	24.4x	23.7x	22.7x	20.7x

The Long View

Scenarios

Base Case

- Customer growth continues at ~1.0% CAGR for several years
- Annual capex spend remains ~$500mm, delivering rate base growth broadly consistent with mgmt's expectations
- OGS continues to earn historical rate increases in KS & annual GRIP filings in TX
- Weather conditions revert to normal for consecutive years.
- Equal-weight valuation using DCF, DDM, Target P/E, and Target Yield methodologies; 2021 EPS: $3.78, 1Q21 DPS: $0.58; Target Yield: 2.6%; PT $82

Upside Scenario

- Customer growth grows faster than projected ~1.0% per year assumption and alternative sources of regulated revenue are secured
- OGS spends at or above the high-end of its guidance range growing its rate base faster than projected
- Mgmt employs cost cutting mechanisms which realizing an ROE closer to the top end of its authorized amount
- Equal-weight valuation using DCF, DDM, Target P/E, and Target Yield methodologies; 2021 EPS: $4.75, 1Q21 DPS: $0.60; Target Yield: ~2.25%; PT $95

Downside Scenario

- Customer growth is slower than projected ~1.0% per year assumption
- OGS spends at or below the low-end of its guidance range, thus its rate base ramp is slower than forecast
- Cost overruns occur and crimp allowed ROE in out-years
- Mild weather occurs in service areas where weather normalization provisions do not exist
- Equal-weight valuation using DCF, DDM, Target P/E, and Target Yield methodologies, 2021 EPS: $3.15, 1Q21 DPS: $0.48; Target Yield: ~3.2%; PT $60

Investment Thesis / Where We Differ

- Customer growth continues at ~1.0% CAGR for several years
- Annual capex spend remains ~$500mm, delivering rate base growth broadly consistent with mgmt's expectations
- OGS continues to earn historical rate increases in KS & annual GRIP filings in TX
- Weather conditions revert to normal for consecutive years.
- Equal-weight valuation using DCF, DDM, Target P/E, and Target Yield methodologies; 2021 EPS: $3.78, 1Q21 DPS: $0.58; Target Yield: 2.6%; PT $82

Catalysts

- Annual true-up regulatory filings across all three states
- With a low interest debt maturity in 2019, increased interest rates could act as a negative catalyst
- 1Q20 earnings out post-close on 4.27.20

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SOUTHWEST GAS CORPORATION (SWX)

RATING	PRICE	MARKET CAP
↓ HOLD	$76.96^	$4.2B
PRICE TARGET (PT)	**UPSIDE SCENARIO PT**	**DOWNSIDE SCENARIO PT**
$72.00	$95.00	$40.00

^Prior trading day's closing price unless otherwise noted.

Estimates				
USD	2019A	2020E	2021E	2022E
EBITDA (MM)	667.5	730.2	802.2	842.2
Previous				
DPS	2.16	2.26	2.34	2.42
Previous				
Consensus EPS	3.61	↓ 3.77	↓ 4.23	4.37
Previous		3.80	4.26	
EPS				
Q1	1.63	↑ 1.51	-	-
Previous		*1.50*		
Q2	0.34	0.29	-	-
Previous				
Q3	0.13	0.22	-	-
Previous				
Q4	1.52	↑ 1.66	-	-
Previous		*1.65*		
FY Dec	3.61	↑ 3.68	↑ 4.13	↑ 4.24
Previous		*3.66*	*4.11*	*4.20*

Valuation				
	2019A	2020E	2021E	2022E
EV/EBITDA	10.3x	9.4x	8.6x	8.1x
FY P/E	21.3x	20.9x	18.6x	18.2x

The Long View

Scenarios

Base Case

- Customer growth continues at a ~1.7%+ annual rate through 2024 and dynamics of natural gas supply and demand trends remain supportive
- Centuri grows as utilities seek to replace & modernize aging infrastructure.
- SWX's regulatory outcomes are generally favorable and its LNG facility begins to contribute to earnings over the course of 2020.
- Equal-weighted DCF, DDM, SOP, and Target Yield approaches. 2Q21E Dividend: 59¢, Target Yield 2.9%, Projected 5-year Dividend CAGR 3.7%, PT $72

Upside Scenario

- Customer accounts grow faster than our baseline forecast and the economies of the AZ, NV, and CA service territories grow faster than anticipated.
- Rate activity is favorable and the LNG facility ramps up quicker than anticipated reaching above forecast utilization
- Centuri growth & profitability is better and Nueco acquisition is more accretive than anticipated, while Centuri's project backlog deepens
- Equal-weighted DCF, DDM, SOP, and Target Yield approaches. 2Q21E Dividend: 60¢, Target Yield 2.5%, Projected 5-year Dividend CAGR 6.5%, PT $95

Downside Scenario

- Weak economic conditions prompt slower than anticipated growth in customer accounts and an uptick in inactive meters
- Adverse future rate case outcomes & LNG facility contribution lower than anticipated
- Centuri backlog wanes & contract bidding becomes more competitive, crimping its growth & profitability
- Treasury yields widen, hindering capital costs
- Equal-weighted DCF, DDM, SOP, and Target Yield approaches. 2Q21E Dividend: 50¢, Target Yield 4.5%, Projected 5-year Dividend CAGR 0%, PT $40

Investment Thesis / Where We Differ

- Customer growth continues at a ~1.7%+ annual rate through 2024 and dynamics of natural gas supply and demand trends remain supportive
- Centuri grows as utilities seek to replace & modernize aging infrastructure.
- SWX's regulatory outcomes are generally favorable and its LNG facility begins to contribute to earnings over the course of 2020.
- Equal-weighted DCF, DDM, SOP, and Target Yield approaches. 2Q21E Dividend: 59¢, Target Yield 2.9%, Projected 5-year Dividend CAGR 3.7%, PT $72

Catalysts

- Dividend raises each Feb; expect a 3.7% 5-yr CAGR
- Additional sector consolidation (value read-through) and/or an accretive acquisition of its own
- Faster than expected increases in interest rates or a reduction of allowed ROEs act as negative catalysts
- Material change in the Arizona PUC with respect to favorable rate case outcomes; decision by the Nevada PUC on the rate case presented to them
- 1Q20 earnings out post-close on 5.12.20 (JEFe)

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UGI CORPORATION (UGI)

RATING	PRICE	MARKET CAP
BUY	**$28.05^**	**$5.8B**
PRICE TARGET (PT)	**UPSIDE SCENARIO PT**	**DOWNSIDE SCENARIO PT**
$48.00	**$60.00**	**$20.00**

^Prior trading day's closing price unless otherwise noted.

Estimates				
USD	2019A	2020E	2021E	2022E
EBITDA (MM)	1,272.2	↓ 1,429.7	↓ 1,604.5	↓ 1,659.4
Previous		1,437.7	1,610.8	1,666.1
Consensus EPS	2.21	↓ 2.49	↓ 2.88	↓ 3.10
Previous		2.69	2.90	3.16
DPS	1.15	↓ 1.31	↓ 1.35	↓ 1.40
Previous		1.33	1.38	1.43
EPS				
Q1	0.81	1.11A	-	-
Previous				
Q2	1.43	↓ 1.50	-	-
Previous		*1.53*		
Q3	0.15	↑ (0.08)	-	-
Previous		*(0.09)*		
Q4	(0.18)	↑ (0.36)	-	-
Previous		*(0.37)*		
FY Sep	2.21	↓ 2.18	↑ 2.90	↑ 3.12
Previous		*2.20*	*2.89*	*3.11*

Valuation				
	2019A	2020E	2021E	2022E
EV/EBITDA	9.6x	8.6x	7.6x	7.4x
FY P/E	12.7x	12.9x	9.7x	9.0x

The Long View

Scenarios

Base Case

- PennEast pipeline experiences no further delays & is put into service in F1Q22.
- Continued conversion of fuel oil customers
- Normal weather conditions across all regions
- Additional midstream projects are secured and successfully executed upon at a 5-6x multiple
- Equal-weighted DCF, SOP, and Target Yield approaches. F2Q21E Dividend: 33¢, Target Yield 3%, Projected 5-year Dividend CAGR 5.8%, PT $48

Upside Scenario

- Projects completed early and under-budget, with utilization ramp faster than anticipated
- Fuel oil customer conversions accelerate in the US and Europe; significantly colder-than-normal winter weather conditions pervade all operating regions
- Additional high-quality midstream projects come into service earlier than expected, at accretive multiples, and backed by long-term fee-based agreements
- Equal-weighted DCF, SOP, and Target Yield approaches. F2Q21E Dividend: 35¢, Target Yield 2.35%, Projected 5-year Dividend CAGR 7.5%, PT $60

Downside Scenario

- Recent NE gathering acquisition doesn't lend itself to the 5-6x bolt-on projects, making the transaction more expensive than originally anticipated
- Projects delayed further and experience cost overruns due to operational issues and drag on total UGI results
- Customer conversions across all delivery platforms slow and European acquisitions dry up
- Significantly warmer than normal temps afflict all operating regions during the winter heating season
- Equal-weighted DCF, SOP, and Target Yield approaches. F2Q21E Dividend: 32.5¢, Target Yield 4.75%, Projected 5-year Dividend CAGR 0%, PT $20

Investment Thesis / Where We Differ

- PennEast pipeline experiences no further delays & is put into service in F1Q22.
- Continued conversion of fuel oil customers
- Normal weather conditions across all regions
- Additional midstream projects are secured and successfully executed upon at a 5-6x multiple
- Equal-weighted DCF, SOP, and Target Yield approaches. F2Q21E Dividend: 33¢, Target Yield 3%, Projected 5-year Dividend CAGR 5.8%, PT $48

Catalysts

- Additional M&A in its NE Midstream business as well as announcements regarding expansion projects
- Unusually warm/cold winter weather in PA, due to the lack of weather normalization provisions
- Announcements regarding Penn East progress have the potential to act as a positive catalyst if the regulatory and construction processes are successfully navigated, but also have the potential to act as a negative catalyst if there are further delays in the regulatory and/or construction processes
- International M&A as UGI looks to expand the international propane business
- F2Q20 earnings out post-close on 5.06.20

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Company Description

National Fuel Gas Company

National Fuel Gas Company (NYSE: NFG) is a diversified energy holding company which operates in five business segments: Utility, Pipeline & Storage, Gathering, Exploration & Production, and Energy Marketing. The Utility operations are conducted by NFG Distribution Corp., which sells natural gas and provides natural gas and transportation services to ~750,200 customers in western New York and northwestern Pennsylvania. The Pipeline & Storage operations are carried out by NFG Supply Corp. and Empire Pipeline, Inc., which provide interstate natural gas transportation & storage services for affiliated and nonaffiliated companies. The Exploration & Production operates via Seneca Resources Corp., which is engaged in the exploration, development and purchase of natural gas and oil reserves primarily in California and in the Appalachian region. National Fuel Gas was founded on December 8, 1902, is incorporated under the laws of the state of New Jersey, and is headquartered in Williamsville, NY.

NiSource Inc.

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4mm US customers. The Company operates two business segments: Gas Distribution and Electric. The Gas Distribution operations provide natural gas service and transportation to ~3.5mm residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Electric Operations segment provides electric service to ~472,000 customers across 20 counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

ONE Gas Inc.

ONE Gas Inc. (NYSE: OGS) is a Local Distribution Company (LDC), that provides natural gas distribution services to 2.2mm customers and, despite the LDC market being categorized as an extremely fragmented industry, is the largest natural gas distributor in Oklahoma and Kansas and is the third largest in Texas, in terms of customers. OGS is the successor of a company founded in 1906 as Oklahoma Natural Gas Company and is 100% regulated. OGS's customer base includes residential, commercial & industrial, wholesale & public authority, and transportation. OGS has three divisions, Oklahoma Natural Gas, Kansas Gas Service, and Texas Gas Service, that distribute natural gas to ~88%, ~72%, and ~13% of the natural gas distribution customers in Oklahoma, Kansas and Texas, respectively.

Southwest Gas

Southwest Gas Holdings, Inc. (NYSE:SWX) is a holding company with business interests in two major business segments -- Natural Gas Operations and Utility Infrastructure Services. Southwest Gas Corporation purchases, distributes, and transports natural gas in the states of Arizona, Nevada, and California to residential, commercial, and industrial users. It is the largest natural gas distributor in Arizona and Nevada, providing service to the Phoenix, Tucson, and Las Vegas metropolitan regions among others. Southwest Gas also owns Paiute Pipeline Company, which owns and operates an interstate pipeline system that extends from the Idaho-Nevada border to the California-Nevada state line near the north and south ends of Lake Tahoe. Paiute also operates a peak shaving LNG storage facility near Lovelock, Nevada. Centuri Construction Group, Inc. is a comprehensive utility infrastructure services enterprise dedicated to meeting the growing demands of North American utilities, energy, and industrial markets. The Company was founded in March 1931, is incorporated under the laws of the State of California, and is headquartered in Las Vegas, NV.

UGI Corporation

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. UGI distributes natural gas and electricity to approximately 642,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA. In F4Q19, UGI closed the acquisition of all publicly-held APU common units, rendering APU a wholly-owned UGI subsidiary.

Company Valuation/Risks

National Fuel Gas Company

Our $50 PT and Buy recommendation are derived via DCF and SOP, which includes an E&P reserve valuation & EBITDA multiples for all other segments. Risks: Deviations in reserve growth, commodity prices, interest rates, and midstream expansions.

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NiSource Inc.
Our $28 PT and Hold recommendation are derived via Target P/E, Target Yield, DCF, and DDM approaches. Unexpected regulatory outcomes, deviations in customer growth, and project execution present risks to our estimates & PT.

ONE Gas Inc.
Our $82 PT and Hold rating are derived via Target P/E, Target Yield, DCF, and DDM approaches. Risks to our PT include: slower than expected annual customer growth, capex spend below the low-end of the guided range, slowing rate base growth, cost overruns crimping allowed ROE in future years and non-normal weather in service areas impacting top line results.

Southwest Gas
Our $72 PT and Hold recommendation are derived via DCF, DDM, SOP, and Target Yield approaches. Unexpected regulatory outcomes, contracting & execution risk, SW economic conditions, and interest rates all pose risks to our EPS & dividend projections and to our price target.

UGI Corporation
Our $48 PT and Buy recommendation are derived via a combination of DCF, SOP, and Target Yield approaches. Risks include non-normal weather, severe & rapid LPG price fluctuations, project execution, and interest rates.

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(Article 3(1)e and Article 7 of MAR)

Recommendation Published	April 24, 2020 , 03:22 ET.
Recommendation Distributed	April 24, 2020 , 03:22 ET.

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20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.
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Other Companies Mentioned in This Report

- National Fuel Gas Company (NFG: $40.87, BUY)
- NiSource Inc. (NI: $25.85, HOLD)
- ONE Gas Inc. (OGS: $85.74, HOLD)
- Southwest Gas Corporation (SWX: $76.96, HOLD)
- UGI Corporation (UGI: $28.05, BUY)

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Rating and Price Target History for: National Fuel Gas Company (NFG) as of 04-23-2020

Rating and Price Target History for: NiSource Inc. (NI) as of 04-23-2020

Rating and Price Target History for: ONE Gas Inc. (OGS) as of 04-23-2020

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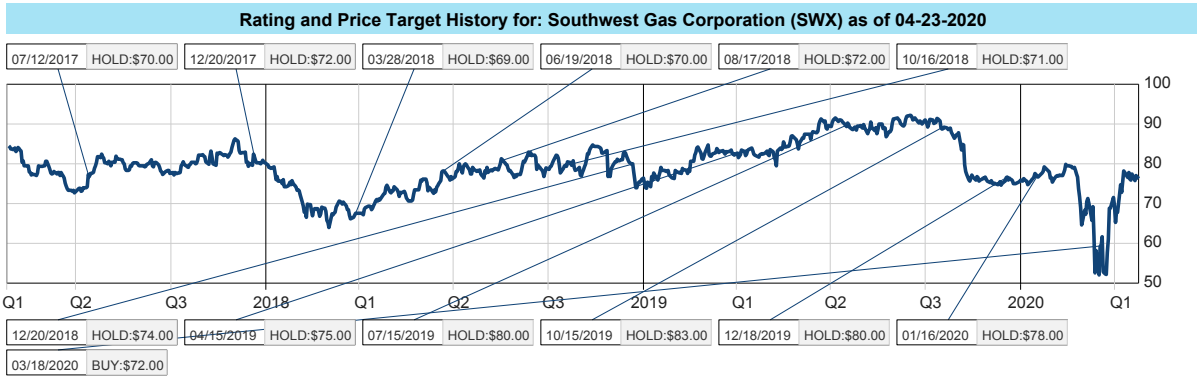

Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.
Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

Distribution of Ratings

Distribution of Ratings						
			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1322	54.63%	107	8.09%	12	0.91%
HOLD	943	38.97%	34	3.61%	2	0.21%
UNDERPERFORM	155	6.40%	1	0.65%	0	0.00%

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Weight
Gas/Power Infrastructure – Market Overweight

April 23, 2020

NISOURCE

(NI US Equity – $25.85 – Outperform)

Core investment story intact; mgmt. Fireside Chat

- **Near term uncertainty but the long term sounds great.** We hosted a fireside chat with NiSource CEO Joe Hamrock and CFO Donald Brown today to discuss potential impacts of COVID-19. Both Joe and Donald were candid in saying that the impacts weren't clear cut and a lot depends on the duration of state shutdowns and how quickly respective economies can recover. Fortunately, mgmt's sense is that their core Midwestern states (OH, IN and PA) look poised to be among the first to return to work. More broadly, the L-T investment proposition remains solid – long runway of robust rate base growth opportunities coupled with a much lower business risk profile post CMA. We are lowering our PT by $4 to $29, reflective of lower group multiples and maintain our Outperform rating. See a full replay of the call here.

- **Decent C&I exposure.** NI provided EPS sensitivities for a 1% change in sales. Gas = $0.01 each for residential and commercial; electric = $0.01 each for residential, commercial, and industrial. The impact on Q1 sounded manageable and NI is moving into shoulder months for both businesses.

- **Constructive mechanisms for bad debts.** NI has bad debt trackers for gas costs at all of its LDCs (OH includes delivery charge too). MD has authorized a deferral for incremental costs related to COVID and NI is in active discussions with its other state regulators to obtain similar mechanisms.

- **CMA sale still on track; no impact to capital plan.** NI still expects the sale of CMA to close in Q3. The DPU's investigation is moving forward in sync with the sale process. NI hasn't had any issues executing on its capital plan thus far and noted it is ahead of schedule due to the warm winter.

- **Liquidity and credit solid.** NI had $1.3B of liquidity available as of 3/31 and has no L-T debt needs through 2021. NI most recently had its stable outlook at Fitch affirmed earlier this month.

- **Upside ahead for the capex plan.** NI is in the final stages of evaluating the results of its recent generation RFP. The likely outcome sounds like a big deployment of renewables in 2023-24 to replace the bulk of company's remaining coal units. Incremental capex for grid mod under NI's TDISC program is likely too. NI has also identified incremental investments on the gas side for reliability and safety purposes. A full update is expected later this year.

Estimates / Valuation			
(US$)	2020E	2021E	2022E
EPS	$1.32	$1.42	$1.52
Consensus	$1.35	$1.42	$1.51
P/E	19.6x	18.3x	17.0x
Dividend Yield	3.3%	3.5%	3.7%

Trading and Fundamental Data	
Price Target	**$ 29**
Current Price	25.85
52-Week Range	$20-$31
Market Cap. (MM)	9,890
Enterprise Value (MM)	20,330
Shares Out. (MM)	382.7
Dividend Yield	3.28%
Dividend Payout Ratio	62.8%
ROE	6.6%
Debt to Cap	61.9%
Avg. Daily Vol. (000)	2,882

Price Performance	YTD	LTM
NI US Equity	-7%	-5%
Utility Index	-9%	2%
S&P 500	-13%	-4%

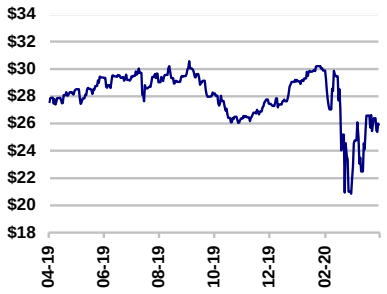

Source: FactSet/Wolfe Research

Key Changes		
Year	New	Old
PT	$29	$33

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WOLFE RESEARCH

NiSource

April 23, 2020

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2020E	2021E	2022E
EPS	$1.32	$1.42	$1.52
Diluted Shares Outstanding	$387	397	407
Dividends Per Share	$0.85	$0.90	$0.95
Dividend Yield	3.3%	3.5%	3.7%
Dividend Payout Ratio	64%	63%	63%
Equity Ratio	38%	39%	40%
FFO/Net Debt	13%	14%	14%
Valuation Metrics			
P/E	19.6x	18.3x	17.0x
Price/Book	1.8x	1.7x	1.6x
Segment EPS			
Gas Distribution	$1.06	$1.15	$1.23
NIPSCO Electric	0.57	0.58	0.59
Parent & Other	(0.32)	(0.31)	(0.30)
Total EPS	**$1.32**	**$1.42**	**$1.52**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2020E	2021E	2022E
Capital Spending by Segment ($M)			
Gas Distribution	$1,361	$1,396	$1,396
Electric	472	487	487
Parent	25	25	25
Total Capex	**$1,858**	**$1,908**	**$1,908**
Financings ($M)			
Total Equity Issued/(Repurchased)	$298	$298	$298
Total Debt Issued/(Repurchased)	$250	$450	$500

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.5 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland and Massachusetts.

Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $30B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. We see NI as a de-risking story in 2020 with an upward bias on rate base / EPS growth due to renewable investment opportunities at NIPSCO electric.

Valuation

Our $29 price target is derived using a P/E multiple of 18.5x (full turn premium) for NI's electric business and 19x (average) for NI's gas businesses on 2022 estimated earnings. Risks for NiSource are 1) bad regulatory outcomes and 2) pipeline safety incidents. Upsides are 1) additional growth projects and 2) customer growth

Exhibit 3. 2022E EPS by Segment

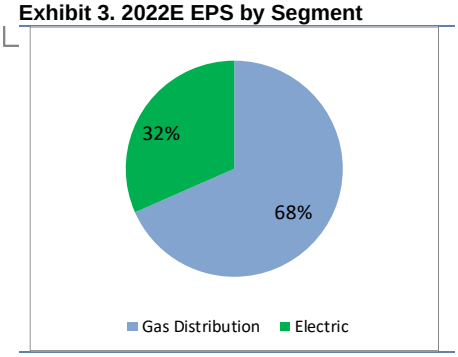

Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart

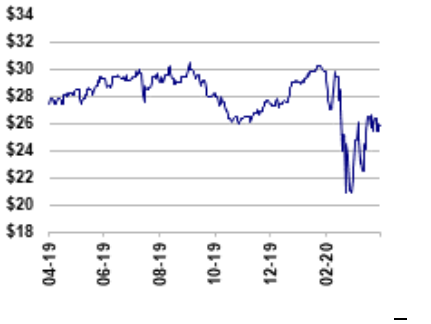

Source: FactSet

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NiSource

April 23, 2020

Investment Conclusion

We are Outperform rated on NiSource. The company's $30B capital investment backlog should drive its 5-7% annual earnings target well into the future. Most of the company's annual capex (~80%) is recovered with minimal lag via tracking mechanisms and the company has built a constructive track record with most of its state regulators. We view the sale announcement of Columbia Gas MA as an inflection point for the stock that should allow NI to re-rate closer to its historic 5-10% premium over time. Further, we see an upward bias on NI's 5-7% EPS growth rate long-term due to renewable and grid mod opportunities at NIPSCO electric which should come into view later this year.

Exhibit 5: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2020E	P/E 2021E	P/E 2022E	P/E 2023E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$50.09	245	$12,283	20.6x	19.6x	18.6x	17.6x	3.0%	6.0%	62%	2.4x	45%
Ameren	AEE	74.19	247	18,305	21.3x	19.7x	18.5x	17.4x	2.8%	4.0%	59%	2.3x	45%
American Electric	AEP	83.02	495	41,081	19.1x	17.9x	16.7x	15.9x	3.4%	4.5%	64%	2.1x	39%
Avangrid	AGR	44.98	309	13,899	19.9x	18.1x	16.7x	N/A	4.1%	2.5%	82%	0.9x	65%
CMS Energy	CMS	59.24	284	16,836	22.2x	20.8x	19.3x	18.0x	2.8%	6.5%	61%	3.4x	27%
Con Edison	ED	81.78	334	27,313	18.8x	17.9x	17.2x	16.5x	3.7%	3.5%	71%	1.5x	44%
Duke Energy	DUK	85.12	734	62,481	16.4x	15.6x	14.9x	14.2x	4.5%	2.0%	74%	1.4x	43%
Edison International	EIX	58.23	363	21,115	13.0x	12.5x	11.8x	11.1x	4.3%	0.2%	56%	1.6x	40%
Entergy	ETR	96.97	201	19,473	17.3x	16.3x	15.4x	N/A	3.9%	2.2%	68%	1.9x	34%
Evergy	EVRG	57.79	227	13,099	18.7x	17.8x	17.1x	16.3x	3.5%	6.2%	66%	1.5x	46%
Eversource Energy	ES	86.56	330	28,594	23.6x	22.2x	21.0x	19.9x	2.6%	6.1%	62%	2.3x	45%
FirstEnergy	FE	43.03	542	23,311	17.4x	16.3x	15.6x	N/A	3.6%	2.6%	63%	3.3x	25%
Fortis*	FTS	53.19	464	24,691	20.4x	18.7x	17.6x	16.7x	3.6%	6.0%	74%	1.5x	44%
NiSource	**NI**	**25.85**	**383**	**9,892**	**19.6x**	**18.3x**	**17.0x**	**N/A**	**3.3%**	**6.0%**	**64%**	**1.9x**	**40%**
PG&E	PCG	11.00	530	5,828	7.1x	10.6x	9.1x	N/A	0.0%	N/A	0%	1.1x	17%
Pinnacle West	PNW	75.82	112	8,529	15.5x	14.6x	13.9x	13.2x	4.2%	6.0%	65%	1.6x	48%
Portland General	POR	48.43	89	4,333	18.7x	17.5x	16.9x	16.6x	3.3%	6.5%	63%	1.7x	48%
PPL Corp.	PPL	25.19	768	19,350	10.1x	10.1x	9.7x	N/A	6.6%	0.6%	66%	1.5x	36%
Southern Company	SO	56.80	1,057	60,038	18.0x	17.2x	15.9x	14.7x	4.5%	3.2%	81%	2.3x	36%
WEC Energy Group	WEC	94.39	315	29,774	25.3x	23.7x	22.2x	20.8x	2.7%	7.2%	68%	2.9x	44%
Xcel Energy	XEL	64.38	525	33,801	23.2x	21.8x	20.5x	19.3x	2.7%	6.0%	62%	2.6x	39%
Average					**18.4x**	**17.5x**	**16.5x**	**16.6x**	**3.5%**	**4.4%**	**63%**	**2.0x**	**41%**
Average (ex EIX, PCG, PPL)					**19.8x**	**18.5x**	**17.5x**	**16.9x**	**3.5%**	**4.8%**	**67%**	**2.1x**	**42%**

Source: Wolfe Research, FactSet

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Exhibit 6: NI vs the Regulated Average

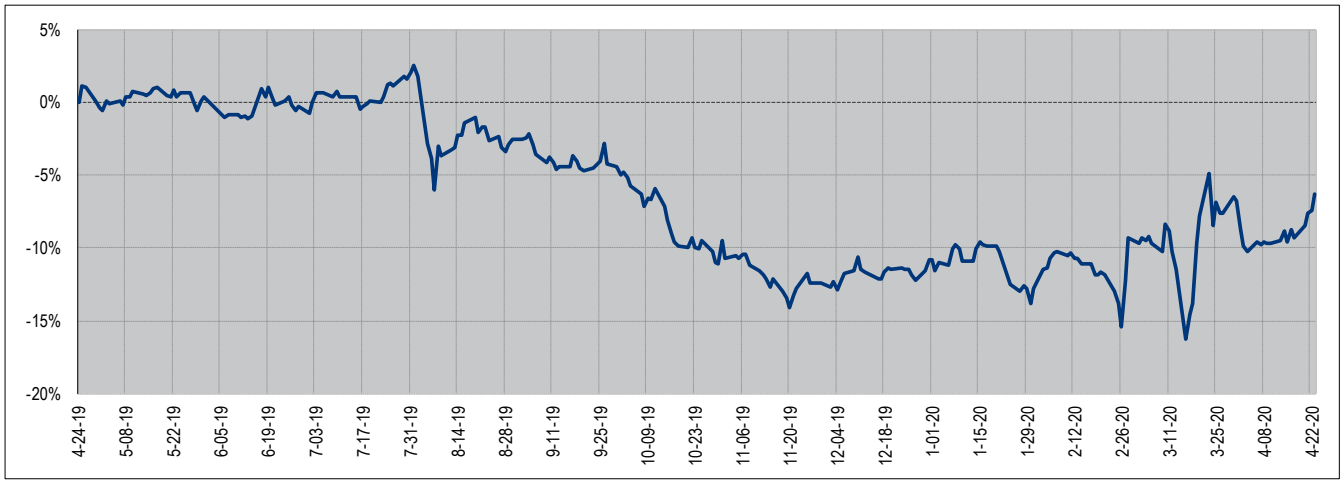

Source: Wolfe Research, FactSet

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WOLFE RESEARCH

NiSource

April 23, 2020

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Important Disclosures:

Price Chart with Ratings and Target Price History

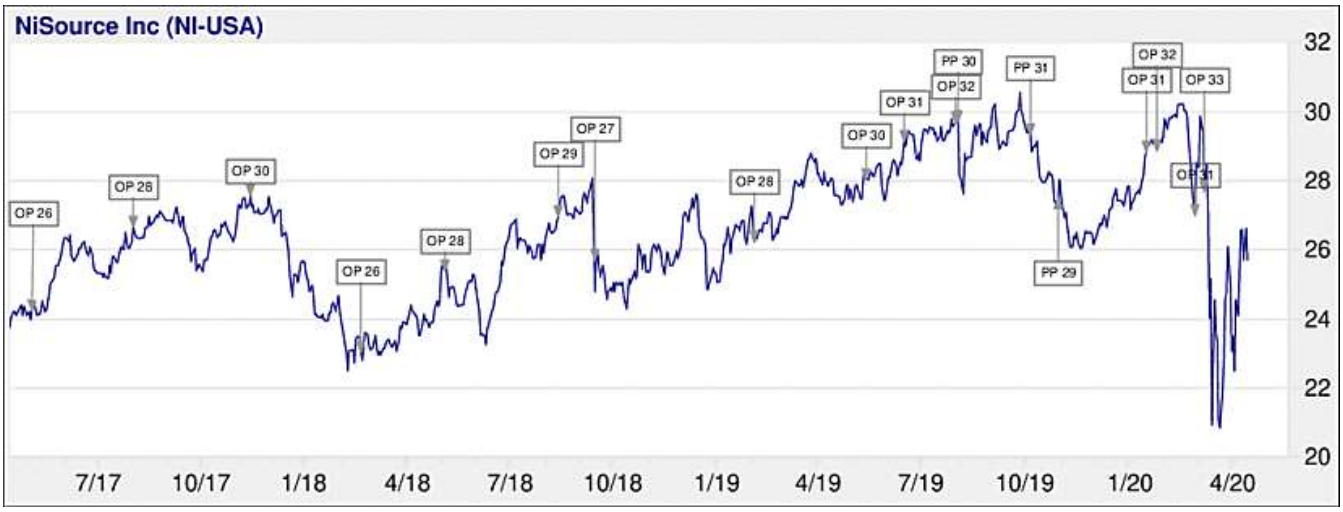

Note: OP = Outperform; PP = Peer Perform; UP = Underperform

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Forward P/E

Wolfe Research, LLC Fundamental Recommendation, Rating and Target Price Risks:

Company:	Risks That May Impede Achievement of the Recommendation, Rating or Target Price:
NI US Equity	Economy, regulatory outcomes, project execution, pipeline safety accidents

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

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WOLFE RESEARCH

NiSource

April 23, 2020

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Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

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Outperform:	45%	2% Investment Banking Clients
Peer Perform:	44%	1% Investment Banking Clients
Underperform:	11%	0% Investment Banking Clients

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Pipelines & Gas Utilities
North America | United States

NiSource Inc (NI)

Updating Our Model

- **Estimate revisions:** We updated our model for the announced asset sale to Eversource, recent results, and current business outlook.
- **Price Target:** We are lowering our price target by $1.00 to reflect current interest rates and equity risk premiums, and lower comparable company trading multiples. Our approach is unchanged.

- Target Price Change
- Estimate Change

Neutral	2
Price (22 Apr 20 12:25)	US$25.97
Target price	US$29.00
from US$30.00	
Expected share price return	11.7%
Expected dividend yield	3.1%
Expected total return	14.8%
Market Cap	US$9,938M

Price Performance
(RIC: NI.N, BB: NI US)

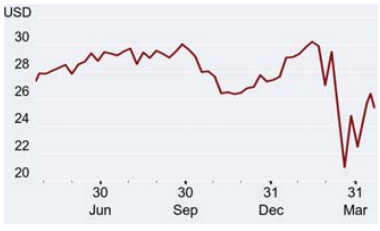

EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2019A	0.82A	0.06A	0.00A	0.45A	1.32A	1.32A	0.88A
2020E	0.80E	0.12E	0.08E	0.38E	1.35E	1.34E	1.30E
Previous	0.72E	0.14E	0.18E	0.34E	1.37E	na	na
2021E	na	na	na	na	1.45E	1.42E	1.40E
Previous	na	na	na	na	1.45E	na	na
2022E	na	na	na	na	1.55E	1.51E	1.50E
Previous	na	na	na	na	1.56E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.
Click here for Visible Alpha consensus data

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Prepared for Sara Macioch

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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NI.N: Fiscal year end 31-Dec — Price: US$25.97; TP: US$29.00; Market Cap: US$9,938m; Recomm: Neutral

Profit & Loss (US$m)	2018	2019	2020E	2021E	2022E
Sales revenue	5,115	5,209	5,266	4,991	5,200
Cost of sales	-2,361	-2,252	-2,067	-1,905	-1,989
Gross profit	2,754	2,957	3,199	3,085	3,211
Gross Margin (%)	53.8	56.8	60.7	61.8	61.7
EBITDA (Adj)	724	1,275	1,793	1,885	2,059
EBITDA Margin (Adj) (%)	14.2	24.5	34.0	37.8	39.6
Depreciation	-600	-717	-554	-562	-624
Amortisation	0	0	0	0	0
EBIT (Adj)	125	557	1,238	1,323	1,434
EBIT Margin (Adj) (%)	2.4	10.7	23.5	26.5	27.6
Net interest	-353	-379	-386	-386	-415
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	44	-5	-22	-22	-22
Pre-tax profit	-185	173	831	915	997
Tax	180	-56	-256	-284	-311
Extraord./Min.Int./Pref.div.	-15	-55	-55	-55	-55
Reported net profit	-20	63	520	576	631
Net Margin (%)	-0.4	1.2	9.9	11.5	12.1
Core NPAT	462	495	520	576	631
Per share data	**2018**	**2019**	**2020E**	**2021E**	**2022E**
Reported EPS ($)	-0.06	0.17	1.35	1.45	1.55
Core EPS ($)	1.29	1.32	1.35	1.45	1.55
DPS ($)	0.78	0.80	0.83	0.84	0.86
CFPS ($)	1.64	3.51	2.76	2.92	3.12
FCFPS ($)	-3.45	-1.29	-1.97	-1.75	-1.43
BVPS ($)	13.67	13.63	14.61	15.57	16.56
Wtd avg ord shares (m)	347	366	376	386	397
Wtd avg diluted shares (m)	357	376	385	396	406
Growth rates	**2018**	**2019**	**2020E**	**2021E**	**2022E**
Sales revenue (%)	4.9	1.8	1.1	-5.2	4.2
EBIT (Adj) (%)	-86.3	346.8	122.3	6.8	8.4
Core NPAT (%)	16.2	7.3	4.9	10.9	9.5
Core EPS (%)	6.9	1.9	2.3	7.8	6.8
Balance Sheet (US$m)	**2018**	**2019**	**2020E**	**2021E**	**2022E**
Cash & cash equiv.	121	148	148	148	148
Accounts receivables	1,059	857	737	766	800
Inventory	423	425	373	385	400
Net fixed & other tangibles	17,631	19,090	19,257	20,545	21,771
Goodwill & intangibles	1,911	1,486	1,486	1,486	1,486
Financial & other assets	659	654	626	633	641
Total assets	21,804	22,660	22,627	23,964	25,245
Accounts payable	884	666	498	507	515
Short-term debt	2,027	1,787	1,012	1,200	1,307
Long-term debt	7,105	7,856	8,356	8,956	9,556
Provisions & other liab	6,037	6,364	6,266	6,271	6,276
Total liabilities	16,053	16,673	16,133	16,934	17,655
Shareholders' equity	5,751	5,987	6,495	7,030	7,590
Minority interests	0	0	0	0	0
Total equity	5,751	5,987	6,495	7,030	7,590
Net debt (Adj)	9,012	9,494	9,220	10,007	10,715
Net debt to equity (Adj) (%)	156.7	158.6	142.0	142.3	141.2

Valuation ratios	2018	2019	2020E	2021E	2022E
PE (x)	20.1	19.7	19.3	17.9	16.7
PB (x)	1.9	1.9	1.8	1.7	1.6
EV/EBITDA (x)	31.0	18.1	12.9	12.4	11.7
FCF yield (%)	-13.3	-5.0	-7.6	-6.7	-5.5
Dividend yield (%)	3.0	3.1	3.2	3.2	3.3
Payout ratio (%)	60	61	62	58	55
ROE (%)	-0.4	1.3	9.7	9.8	9.8
Cashflow (US$m)	**2018**	**2019**	**2020E**	**2021E**	**2022E**
EBITDA	724	1,275	1,793	1,885	2,059
Working capital	110	-75	-66	-36	-42
Other	-249	118	-664	-692	-748
Operating cashflow	586	1,318	1,063	1,158	1,268
Capex	-1,818	-1,802	-1,822	-1,850	-1,850
Net acq/disposals	-104	-113	1,100	0	0
Other	-4	-7	0	0	0
Investing cashflow	-1,926	-1,922	-722	-1,850	-1,850
Dividends paid	-273	-299	-320	-349	-380
Financing cashflow	1,480	423	-295	738	628
Net change in cash	140	-182	46	46	46
Free cashflow to s/holders	-1,233	-485	-759	-692	-582

For definitions of the items in this table, please click here.

Prepared for Sara Macioch

NiSource Inc

Company description

NiSource Inc (NI) is primarily a regulated utility with an integrated network of gas distribution in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana. The company serves around 4 million customers across seven states through its two main business segments, including: 1) Gas Distribution, which delivers natural gas in several states; 2) Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCO).

Investment strategy

We rate the shares of NiSource (NI) Neutral (2). We believe NI's long-term earnings are relatively stable due to diverse operations areas and constructive regulatory jurisdictions. Our estimates do not include: 1) Substantial industrial load growth at the utilities; 2) Colder-than-normal weather and faster than average customer growth; or 3) Slower than typical timeline in regulatory filing and approval process for new infrastructure projects and cost recovery mechanisms.

Valuation

We average multiple valuation methodologies to derive our $29 target price. Our NAV yields a value of $23. We value regulated assets at a multiple of 1.3x rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at $36 per share. Our P/E and EV/EBITDA analyses yield values of $28 per share.

Risks

The key risks to our investment thesis are (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates (2) Weather – Changes in weather impact the stability of earnings (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. (4) Capital Markets — Access to cheap capital markets could be limited due to the size of the company. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target. (5) There is a risk that there will be negative political, financial, and regulatory backlash from the recent events in New England.

Prepared for Sara Macioch

Appendix A-1

Analyst Certification

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by "AC" in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or rating history tables for that issuer shown below. Each of these analysts certify, with respect to the sections of the report for which they are responsible: (1) that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc. and its affiliates; and (2) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

NiSource Inc (NI)

Ratings and Target Price History
Fundamental Research

Analyst: Ryan Levine
Covered since March 27 2018

	Date	Rating	Target Price	Closing Price
1	03-May-17 20:43:41	1	*28.00	24.01
2	17-Nov-17 13:17:37	1	*31.00	27.08
3	27-Mar-18 05:03:46	*2	*25.00	23.79
4	28-Nov-18 16:01:00	2	*26.00	25.76
5	03-May-19 06:40:08	2	*28.00	27.86
6	23-Oct-19 22:00:00	2	*30.00	28.15

*Indicates Change

Rating/target price changes above reflect Eastern Time

Due to Citi advising NiSource Inc (the 'Company') on the spin-off of off its pipeline & midstream assets into a publicly traded company,Columbia Pipeline Group,Citi Research suspended its rating and target price on 28 September 2014 (the suspension date). Please note that the Company price chart that appears in this report and is available on Citi Research's disclosure website does not reflect that Citi Research did not have a rating or target price between the Suspension Date and 19 April 2015 when Citi Research resumed full coverage.

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Prepared for Sara Macioch

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J.P.Morgan

North America Equity Research
09 April 2020

NiSource Inc.

Model Update

Overweight

NI, NI US
Price (09 Apr 20): $26.58

▼ **Price Target (Dec-20): $29.00**
Prior (Dec-20): $31.00

We are updating our model to account for Q4 earnings results and recent events. Please see changes below.

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Key Changes (FYE Dec)

	Prev	Cur
Adj. EPS - 20E ($)	1.36	1.34

Quarterly Forecasts (FYE Dec)

Adj. EPS ($)

	2019A	2020E	2021E
Q1	0.82	0.83	
Q2	0.05	0.08	
Q3	(0.00)	0.03	
Q4	0.45	0.41	
FY	1.32	1.34	1.42

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	44	39	43	35	1
Growth	24	54	79	79	69
Momentum	70	54	49	72	30
Quality	54	81	93	42	80
Low Vol	33	63	55	42	56
ESGQ	79	92	31	28	84

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

See page 5 for analyst certification and important disclosures.
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North America Equity Research
09 April 2020

J.P.Morgan

Price Performance

	YTD	1m	3m	12m
Abs	-4.5%	-4.0%	-4.2%	-4.9%
Rel	10.4%	3.5%	11.3%	-8.3%

Company Data

Shares O/S (mn)	375
52-week range ($)	30.67-19.56
Market cap ($ mn)	9,956.87
Exchange rate	1.00
Free float(%)	99.5%
3M - Avg daily vol (mn)	4.03
3M - Avg daily val ($ mn)	108.1
Volatility (90 Day)	65
Index	S&P 500
BBG BUY|HOLD|SELL	12|4|0

Key Metrics (FYE Dec)

$ in millions	FY19A	FY20E	FY21E	FY22E
Financial Estimates				
Revenue	5,184	5,553	5,603	5,735
Adj. EBITDA	1,759	1,843	1,876	1,990
Adj. EBIT	1,042	1,130	1,174	1,259
Adj. net income	495	522	566	611
Adj. EPS	1.32	1.34	1.42	1.51
BBG EPS	1.30	1.35	1.42	1.51
Cashflow from operations	1,583	1,405	1,322	1,460
FCFF	95	(121)	(227)	(68)
Margins and Growth				
Revenue growth	2.0%	7.1%	0.9%	2.4%
EBITDA margin	33.9%	33.2%	33.5%	34.7%
EBITDA growth	13.6%	4.8%	1.8%	6.1%
EBIT margin	20.1%	20.4%	21.0%	21.9%
Net margin	9.5%	9.4%	10.1%	10.7%
Adj. EPS growth	1.6%	1.8%	5.9%	5.9%
Ratios				
Adj. tax rate	17.1%	23.1%	23.9%	23.8%
Interest cover	4.6	4.8	5.2	5.2
Net debt/Equity	1.6	1.5	1.3	1.3
Net debt/EBITDA	5.4	5.1	5.0	5.0
ROCE	5.7%	5.5%	5.5%	5.7%
ROE	8.4%	8.3%	8.4%	8.5%
Valuation				
FCFF yield	1.0%	(1.2%)	(2.1%)	(0.6%)
Dividend yield	3.0%	3.2%	3.3%	3.6%
EV/EBITDA	9.3	9.2	8.8	8.7
Adj. P/E	20.1	19.8	18.7	17.6

Summary Investment Thesis and Valuation

NiSource's heavy capital investment program drives rate base growth of at least ~7.5% over the next 3 years, with upside should the mid-or-high end of the capex guided ranges materialize. Declining O&M spending versus current elevated levels should improve earned ROE's at the utilities over coming quarters and additional cost discipline could further support growth. With an agreement in place to divest Bay State Gas, NI has reduced 2020 equity funding needs and will reestablish LT growth guidance post 2021. NiSource continues to offer top-tier rate base growth, which we see supporting long term earnings growth of 5-7% through 2022.

Our December 2020 price target of $29/per share is based on a sum-of-the-parts analysis and uses our 2021 electric and gas segment EPS forecasts. We value the gas and electric segments using 20.8x and 20.5x P/E multiples respectively, in line with LDC and Electric peer multiples.

Performance Drivers

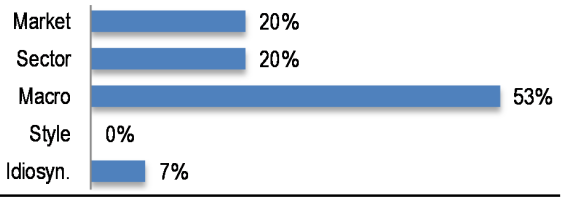

Factors	6M Corr	1Y Corr
Market: MSCI US	0.88	0.83
Sect: Utilities	0.91	0.87
Ind: Utilities	0.91	0.87
Macro:		
US 10yr yield	-0.71	-0.68
Crude Oil	-0.08	-0.11
Credit Spread	-0.17	-0.09
Quant Styles:		
Value	-0.60	-0.52
Momentum	0.61	0.43
LowVol	0.43	0.43

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg and J.P. Morgan estimates for all other tables.

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Investment Thesis, Valuation and Risks

NiSource Inc. *(Overweight; Price Target: $29.00)*

Investment Thesis

NiSource's heavy capital investment program drives rate base growth of at least ~7.5% over the next 3 years, with upside should the mid-or-high end of the capex guided ranges materialize. Declining O&M spending versus current elevated levels should improve earned ROE's at the utilities over coming quarters and additional cost discipline could further support growth. With an agreement in place to divest Bay State Gas, NI has reduced 2020 equity funding needs and will reestablish LT growth guidance post 2021. NiSource continues to offer top-tier rate base growth, which we see supporting long term earnings growth of 5-7% through 2022.

Valuation

We lower our December 2020 price target to $29/share versus prior $31/share. Our price target is based on a sum-of-the-parts analysis and uses our 2021 electric and gas segment EPS forecasts. We value the gas and electric segments using 20.8x and 20.5x P/E multiples respectively, in line with LDC and Electric peer multiples. Our lower price target is due to lower peer group multiples versus prior.

Risk to Rating and Price Target

- Regulated electric transmission and distribution earnings are vulnerable to mild weather, as regulated revenues are calculated based on energy volumes sold. Extreme or mild temperatures may cause future earnings to differ materially from our current forecasts.
- Achievement of NiSource's long-term rate base and EPS CAGR targets are heavily dependent on robust capital investments, regulatory support, and favorable ratemaking mechanism. Any deferral of spending could put the company at risk of falling short of the LT rate base and earnings growth CAGR in any one year.
- Regulated electric and gas utilities are subject to federal and state regulations, including determinations of allowed revenues. Positive or negative changes to the regulatory environments may cause future earnings potential to differ materially from current expectations.

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North America Equity Research
09 April 2020

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NiSource Inc.: Summary of Financials

Income Statement - Annual	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	**5,084**	**5,184**	**5,553**	**5,603**	**5,735**
COGS	(1,759)	(1,535)	(1,760)	(1,760)	(1,760)
Gross profit	**3,325**	**3,649**	**3,793**	**3,844**	**3,976**
SG&A	(1,794)	(1,885)	**(1,950)**	**(1,968)**	**(1,986)**
Adj. EBITDA	**1,549**	**1,759**	**1,843**	**1,876**	**1,990**
D&A	(600)	(717)	(713)	(702)	(731)
Adj. EBIT	**949**	**1,042**	**1,130**	**1,174**	**1,259**
Net Interest	(353)	(379)	(380)	(358)	(384)
Adj. PBT	**596**	**663**	**750**	**816**	**874**
Tax	(118)	(113)	(174)	(195)	(208)
Minority Interest	(15)	(55)	(55)	(55)	(55)
Adj. Net Income	**463**	**495**	**522**	**566**	**611**
Reported EPS	1.30	1.32	1.34	1.42	1.51
Adj. EPS	**1.30**	**1.32**	**1.34**	**1.42**	**1.51**
DPS	**0.78**	**0.80**	**0.84**	**0.89**	**0.94**
Payout ratio	60.0%	60.6%	62.5%	62.6%	62.6%
Shares outstanding	357	375	388	398	406

Income Statement - Quarterly	1Q20E	2Q20E	3Q20E	4Q20E
Revenue	**1,939**	**1,107**	**989**	**1,517**
COGS	(725)	(313)	(222)	(500)
Gross profit	**1,214**	**794**	**767**	**1,017**
SG&A	(511)	(464)	(463)	(512)
Adj. EBITDA	**703**	**330**	**305**	**505**
D&A	(175)	(177)	(179)	(181)
Adj. EBIT	**528**	**153**	**126**	**324**
Net Interest	(94)	(94)	(97)	(95)
Adj. PBT	**434**	**58**	**29**	**229**
Tax	(102)	(12)	(5)	(54)
Minority Interest	(14)	(14)	(14)	(14)
Adj. Net Income	**318**	**32**	**10**	**162**
Reported EPS	0.83	0.08	0.03	0.41
Adj. EPS	**0.83**	**0.08**	**0.03**	**0.41**
DPS	**0.21**	**0.21**	**0.21**	**0.21**
Payout ratio	25.4%	251.9%	833.3%	50.9%
Shares outstanding	384	387	390	392

Balance Sheet & Cash Flow Statement	FY18A	FY19A	FY20E	FY21E	FY22E
Cash and cash equivalents	121	148	0	0	0
Accounts receivable	1,059	857	857	857	857
Other current assets	876	849	940	1,031	1,122
Current assets	**2,055**	**1,854**	**1,796**	**1,887**	**1,979**
PP&E	15,543	16,912	18,017	19,136	20,226
Other non current assets	4,206	3,894	3,806	2,756	2,756
Total assets	**21,804**	**22,660**	**23,620**	**23,780**	**24,960**
Short term borrowings	1,977	1,773	1,795	879	1,379
Payables	884	666	666	666	666
Other short term liabilities	1,176	1,307	1,718	1,293	1,293
Current liabilities	**4,037**	**3,746**	**4,180**	**2,839**	**3,338**
Long-term debt	7,105	7,856	7,670	8,520	8,520
Other long term liabilities	4,911	5,071	5,245	5,440	5,648
Total liabilities	**16,053**	**16,673**	**17,094**	**16,798**	**17,506**
Shareholders' equity	5,751	5,987	6,526	6,982	7,455
Minority interests	-	-	-	-	-
Total liabilities & equity	**21,804**	**22,660**	**23,620**	**23,780**	**24,960**
BVPS	**15.44**	**15.67**	**16.57**	**17.38**	**18.21**
y/y Growth	*20.5%*	*1.4%*	*5.8%*	*4.9%*	*4.8%*
Net debt/(cash)	8,962	9,481	9,465	9,399	9,899
Cash flow from operating activities	**540**	**1,583**	**1,405**	**1,322**	**1,460**
o/w Depreciation & amortization	600	717	713	702	731
o/w Changes in working capital	110	(75)	(91)	(91)	(91)
Cash flow from investing activities	**(1,926)**	**(1,922)**	**(1,818)**	**(721)**	**(1,821)**
o/w Capital expenditure	(1,818)	(1,802)	(1,818)	(1,821)	(1,821)
as % of sales	*35.8%*	*34.8%*	*32.7%*	*32.5%*	*31.8%*
Cash flow from financing activities	**1,469**	**366**	**243**	**315**	**(139)**
o/w Dividends paid	(273)	(299)	(327)	(355)	(384)
o/w Net debt issued/(repaid)	75	494	225	425	0
Net change in cash	**83**	**27**	**(171)**	**916**	**(500)**
Adj. Free cash flow to firm	**(995)**	**95**	**(121)**	**(227)**	**(68)**
y/y Growth	*37.6%*	*(109.6%)*	*(227.3%)*	*87.1%*	*(69.8%)*

Ratio Analysis	FY18A	FY19A	FY20E	FY21E	FY22E
Gross margin	65.4%	70.4%	68.3%	68.6%	69.3%
EBITDA margin	30.5%	33.9%	33.2%	33.5%	34.7%
EBIT margin	18.7%	20.1%	20.4%	21.0%	21.9%
Net profit margin	9.1%	9.5%	9.4%	10.1%	10.7%
ROE	9.2%	8.4%	8.3%	8.4%	8.5%
ROA	2.2%	2.2%	2.3%	2.4%	2.5%
ROCE	5.5%	5.7%	5.5%	5.5%	5.7%
SG&A/Sales	35.3%	36.4%	35.1%	35.1%	34.6%
Net debt/equity	1.6	1.6	1.5	1.3	1.3
P/E (x)	20.5	20.1	19.8	18.7	17.6
P/BV (x)	1.7	1.7	1.6	1.5	1.5
EV/EBITDA (x)	10.1	9.3	9.2	8.8	8.7
Dividend Yield	2.9%	3.0%	3.2%	3.3%	3.6%
Sales/Assets (x)	0.2	0.2	0.2	0.2	0.2
Interest cover (x)	4.4	4.6	4.8	5.2	5.2
Operating leverage	(33.9%)	496.0%	119.6%	423.2%	305.4%
Revenue y/y Growth	3.7%	2.0%	7.1%	0.9%	2.4%
EBITDA y/y Growth	1.1%	13.6%	4.8%	1.8%	6.1%
Tax rate	19.7%	17.1%	23.1%	23.9%	23.8%
Adj. Net Income y/y Growth	16.6%	6.8%	5.4%	8.6%	8.0%
EPS y/y Growth	7.7%	1.6%	1.8%	5.9%	5.9%
DPS y/y Growth	11.4%	2.6%	5.0%	6.0%	6.0%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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NiSource Inc. (NI, NI US) Price Chart

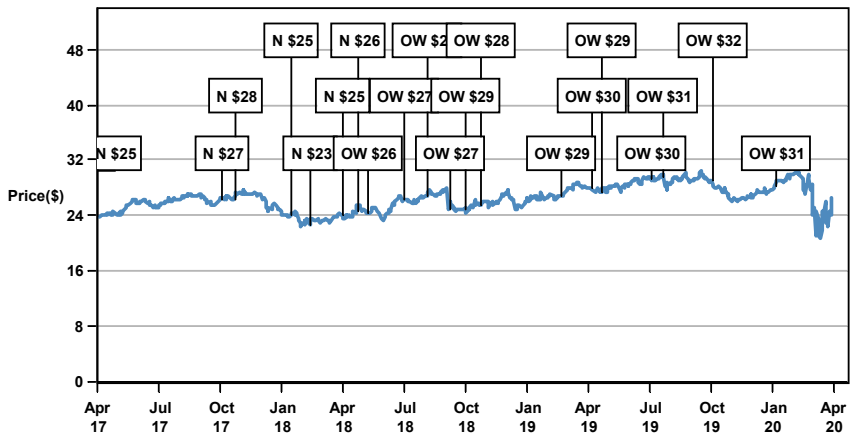

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
11-Apr-17	N	23.74	25
12-Oct-17	N	26.42	27
01-Nov-17	N	26.37	28
24-Jan-18	N	24.17	25
22-Feb-18	N	22.80	23
10-Apr-18	N	24.15	25
02-May-18	N	24.52	26
17-May-18	OW	24.40	26
11-Jul-18	OW	26.24	27
15-Aug-18	OW	26.96	28
17-Sep-18	OW	24.79	27
09-Oct-18	OW	25.05	29
01-Nov-18	OW	25.36	28
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31

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NiSource Inc. is an energy holding company whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 4.0 million customers in seven states. NiSource is one of the nation's largest natural gas distribution companies, as measured by number of customers. NiSource's principal subsidiaries include NiSource Gas Distribution Group Inc., a natural gas distribution holding company, and NIPSCO, a regulated gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated utilities.

Analyst's Notes

Analysis by Gary Hovis, April 6, 2020

ARGUS RATING: BUY

- Sharply discounted NI shares offer value
- On March 27, NiSource agreed to sell its Columbia Gas of Massachusetts assets to Eversource for $1.1 billion in a transaction expected to close by the end of 3Q20. With the transaction pending, NiSource withdrew its 2020 operating EPS guidance of $1.36-$1.40.
- After the completion of the transaction, the company expects to issue 2021 operating EPS guidance and establish a 5%-7% long-term growth rate with 2021 as the base year.
- On February 27, NiSource posted 2019 non-GAAP operating earnings of $494.7 million or $1.32 per share, compared to $463.3 million or 1.30 per share in 2018.
- Our EPS estimates are $1.42 for 2020 and $1.50 for 2021. The company will report 1Q20 EPS on April 29.

INVESTMENT THESIS

Our rating on NiSource Inc. (NYSE: NI) is BUY based on valuation and historical performance. Focusing on its regulated electric and gas utilities, NiSource recently completed a corporate restructuring that resulted in the spinoff of its nonregulated pipeline group. The company keeps a tight rein on expenses as well as capital spending. The shares trade near the midpoint of their historical range on P/E, price/book and price/cash flow. The balance sheet appears stable and, in our view, able to support the current dividend, which yields an above-industry-average 3.6%. We think the yield could be attractive to income-oriented investors during the coronavirus crisis. We are reiterating our BUY rating on NI with a 12-month target price of $32.

Our long-term rating is also BUY.

RECENT DEVELOPMENTS

Over the past three months, NI shares have fallen 17%, compared to a decline of 20% for the S&P 500. Over the past 52 weeks, the shares have fallen 19%, compared to decline

Market Data

Pricing reflects previous trading week's closing price.

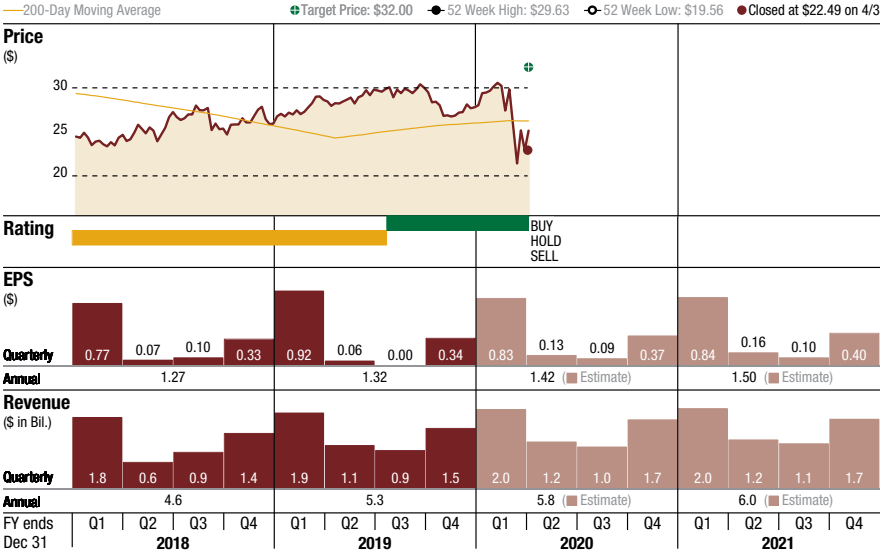

Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	**Market Weight**	Over Weight

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The distribution of ratings across Argus' entire company universe is: 64% Buy, 35% Hold, 1% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	**$22.49**
Target Price	**$32.00**
52 Week Price Range	**$19.56 to $30.67**
Shares Outstanding	**382.26 Million**
Dividend	**$0.84**

Sector Overview

Sector	**Utility**
Sector Rating	**MARKET WEIGHT**
Total % of S&P 500 Market Cap.	**3.00%**

Financial Strength

Financial Strength Rating	**MEDIUM**
Debt/Capital Ratio	**61.9%**
Return on Equity	**9.9%**
Net Margin	**7.4%**
Payout Ratio	**0.59**
Current Ratio	**0.49**
Revenue	**$5.21 Billion**
After-Tax Income	**$383.10 Million**

Valuation

Current FY P/E	**15.84**
Prior FY P/E	**17.04**
Price/Sales	**1.65**
Price/Book	**1.68**
Book Value/Share	**$13.36**
Market Capitalization	**$8.60 Billion**

Forecasted Growth

1 Year EPS Growth Forecast
7.58%
5 Year EPS Growth Forecast
4.00%
1 Year Dividend Growth Forecast
5.00%

Risk

Beta	**0.90**
Institutional Ownership	**90.85%**

Please see important information about this report on page 4

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Analyst's Notes...Continued

of 9% for the index. Over the last five years, NI shares have advanced 33% versus a 26% gain for the S&P 500.

On February 27, NiSource posted 2019 non-GAAP operating earnings of $494.7 million or $1.32 per share, compared to $463.3 million or 1.30 per share in 2018. It posted 4Q operating earnings of $169.6 million or $0.45 per share, compared to $141.9 million or $0.38 per share in 4Q18. During 2019, the company focused on reliability and its electric generation and natural gas strategies, with nearly $1.9 billion in capital infrastructure investments.

On March 27, NiSource agreed to sell its Columbia Gas of Massachusetts assets to Eversource for $1.1 billion in a transaction expected to close by the end of 3Q20. With the transaction pending, NiSource withdrew its 2020 operating EPS guidance of $1.36-$1.40. However, the company continues to project capital investments of $1.8-$1.9 billion in 2020.

After the completion of the transaction, the company expects to issue 2021 operating EPS guidance and establish a 5%-7% long-term growth rate with 2021 as the base year. This new guidance is expected to include significant investments in electric generation and natural gas distribution.

EARNINGS & GROWTH ANALYSIS

On a stand-alone basis, our EPS estimates are $1.42 for 2020 and $1.50 for 2021. The company will report 1Q20 EPS on April 29.

NiSource continues to rely on its utility infrastructure programs for earnings and dividend growth. The company's regulated gas and electric segments will primarily invest in pipelines and in electric transmission lines as well as distribution modernization programs, and we believe the company will benefit from favorable regulation. In all, management expects the company to post operating earnings growth of 5%-7% annually from 2020 through 2023, resulting in total annual returns for shareholders of 6%-7%.

NiSource could also become a buyout target, as larger utilities and private equity firms have purchased smaller utilities because of their stable earnings growth and above-average dividend yields.

FINANCIAL STRENGTH & DIVIDEND

NiSource expects to complete capital investments of $1.8-$1.9 billion in 2020. The company remains committed to maintaining its current investment-grade credit ratings with Fitch (BBB), Moody's (Baa2), and Standard & Poor's (BBB+). As of December 31, 2019, NiSource had $1.5 billion in net available liquidity, consisting of cash and available capacity under its credit facility and accounts receivable securitization programs.

We believe that NiSource has improved its balance sheet by selling noncore assets, recalibrating capital expenditures, and carefully managing operating expenses and working capital.

NiSource pays an annualized dividend of $0.84 per share, for a yield of about 3.6%. Our dividend estimates are $0.84 for 2020 and $0.88 for 2021.

MANAGEMENT & RISKS

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2015	2016	2017	2018	2019
Revenue	4,652	4,493	4,875	5,115	5,209
COGS	3,070	2,836	3,120	4,114	2,890
Gross Profit	1,582	1,657	1,754	1,000	2,319
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Operating Income	802	865	927	126	1,305
Interest Expense	379	346	349	347	371
Pretax Income	340	514	443	-231	507
Income Taxes	141	182	315	-180	124
Tax Rate (%)	42	35	71	—	24
Net Income	287	332	129	-51	383
Diluted Shares Outstanding	320	324	331	357	376
EPS	0.90	1.02	0.39	-0.18	0.87
Dividend	0.83	0.64	0.70	0.78	0.80
GROWTH RATES (%)					
Revenue	-12.0	-5.0	7.7	5.5	1.2
Operating Income	1.2	7.9	7.1	-86.4	936.7
Net Income	-45.9	15.7	-61.2	—	—
EPS	-22.2	61.9	-61.8	—	—
Dividend	-18.6	-22.9	9.4	11.4	2.6
Sustainable Growth Rate	3.0	2.7	1.1		3.4
VALUATION ANALYSIS					
Price: High	$49.16	$26.94	$27.76	$28.11	$30.67
Price: Low	$16.04	$19.05	$21.65	$22.44	$24.69
Price/Sales: High-Low	3.4 - 1.1	1.9 - 1.4	1.9 - 1.5	2.0 - 1.6	2.2 - 1.8
P/E: High-Low	54.6 - 17.8	26.4 - 18.7	71.2 - 55.5	— - —	35.3 - 28.4
Price/Cash Flow: High-Low	9.7 - 3.2	10.9 - 7.7	11.3 - 8.8	8.6 - 6.9	13.6 - 10.9

Financial & Risk Analysis

FINANCIAL STRENGTH	2017	2018	2019
Cash ($ in Millions)	29	113	139
Working Capital ($ in Millions)	-1,415	-1,981	-1,892
Current Ratio	0.55	0.51	0.49
LT Debt/Equity Ratio (%)	173.9	145.9	153.8
Total Debt/Equity Ratio (%)	208.4	187.5	188.8
RATIOS (%)			
Gross Profit Margin	36.0	19.6	44.5
Operating Margin	19.0	2.5	25.1
Net Margin	2.6	-1.3	6.3
Return On Assets	0.7	-0.3	1.5
Return On Equity	3.1	-1.4	6.6
RISK ANALYSIS			
Cash Cycle (days)	53.7	42.5	22.7
Cash Flow/Cap Ex	0.4	0.3	0.9
Oper. Income/Int. Exp. (ratio)	2.2	0.4	2.4
Payout Ratio	66.3	84.2	303.9

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Please see important information about this report on page 4

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Analyst's Notes...Continued

The CEO of NiSource is Joseph Hamrock, 53, who assumed the position in July 2015. Mr. Hamrock, who joined NiSource in 2012, previously served as EVP and Group CEO for NiSource's Gas Distribution segment. He also has experience as an executive with American Electric Power. Donald E. Brown is the CFO.

Management is committed to electric and gas service expansion strategies in the company's regulated service territories, and to the expansion of its gas transmission and storage business. We think the company's platform for a return to growth is solid, and we are confident in management's ability to provide shareholders with increased value over the long term.

Key risks for stocks in our electric utility universe include fluctuations in interest rates and commodity prices, the effect of adverse weather on revenue, regulatory issues (especially involving construction cost recovery), and potential environmental and safety liabilities. In addition, the capital-intensive nature of the utility industry creates ongoing liquidity risk that must be actively managed by each company.

COMPANY DESCRIPTION

NiSource Inc. is an energy holding company whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 4.0 million customers in seven states. NiSource is one of the nation's largest natural gas distribution companies, as measured by number of customers. NiSource's principal subsidiaries include NiSource Gas Distribution Group Inc., a natural gas distribution holding company, and NIPSCO, a regulated gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated utilities.

VALUATION

We think that NI shares are favorably valued at current prices near $23, toward the low end of their 52-week range of $20-$31. The shares trade at 15-times our 2021 EPS estimate, below the average P/E of 21.7 for comparable electric and gas utilities. They are also trading at a price/book multiple of 2.2, close to the peer average of 2.3. The price/cash flow ratio is 16.2, above the peer average of 14.9. The shares trade near the midpoint of their historical range on P/E, price/book and price/cash flow. The dividend yield of 3.6% is above the industry average of 2.8%. We are reiterating our BUY rating on NI with a 12-month target price of $32.

On April 6 at midday, BUY-rated NI traded at $24.69, up $2.20.

Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare NI versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how NI stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how NI might fit into or modify a diversified portfolio.**

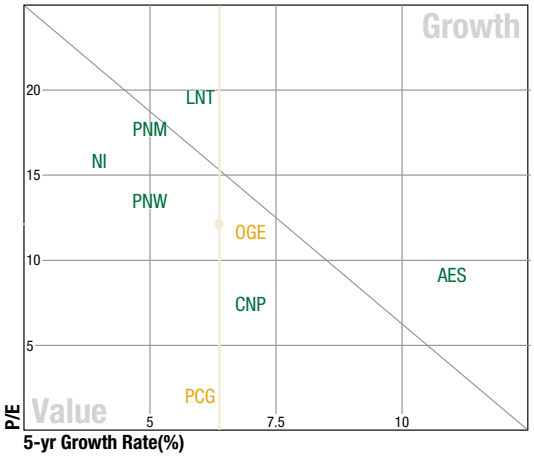

Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
LNT	Alliant Energy Corp.	11,063	6.0	19.6	15.6	3.9	BUY
NI	Nisource Inc. (Holding Co.)	8,597	4.0	15.8	7.4	5.6	BUY
AES	AES Corp.	8,137	11.0	9.1	3.0	8.2	BUY
PNW	Pinnacle West Capital Corp.	7,667	5.0	13.5	15.5	1.8	BUY
CNP	Centerpoint Energy Inc.	6,755	7.0	7.5	6.4	8.3	BUY
OGE	Oge Energy Corp.	5,321	7.0	11.7	19.4	5.3	HOLD
PCG	PG&E Corp.	4,197	6.0	2.0	-44.6	6.2	HOLD
PNM	PNM Resources Inc	3,035	5.0	17.7	5.3	3.3	BUY
Peer Average		**6,846**	**6.4**	**12.1**	**3.5**	**5.3**	

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About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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UBS

First Read

NiSource Inc.

NI Provides Update on COVID-19 Impact

NI Sees $0.00-$0.10/share negative EPS impact from COVID-19 in 2020/2021
Tonight, NI published a presentation with details on the impact from the pandemic and guided ($0.15-$0.20) negative EPS impact in 2020 and ($0.00-$0.10) in 2021.That said, management initiated mitigation efforts, including O&M and regulatory deferrals of COVID-19 expenses. As a result, NI sees overall ($0.00-$0.10) per year negative EPS impact in 2020 & 2021. We highlight that NI withdrew its 2020 guidance earlier this year. That said, 2020 EPS Cons of $1.33 is above UBSe of $1.27 and up from $1.32 in 2019 and likely doesn't reflect the negative impact from COVID-19. Overall, the guided impact is less than 5% of annual earnings in 2020 and should not be a surprise for investors; however, negative impact on 2021 was likely not expected. We will closely monitor the recovery of electric demand into summer as it is likely an important factor in the provided range.

Consumption Trends in April/May
NI noted that in April total margin declined $8.1MM as residential margin increased by $3.8MM but was more than offset by lower commercial ($4.1MM) and industrial (7.8MM) margin. That said, NI highlighted mid-to-late May volumes started to recover from the bottom in April. NI also provided reopening plan for each state in which it operates.

Equities

Americas

Gas Utilities

12-month rating	**Neutral**
12m price target	**US$27.00**
Price (26 May 2020)	**US$23.39**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$30.56-20.86
Market cap.	US$8.95b
Shares o/s	383m (COM)
Free float	99%
Avg. daily volume ('000)	1,243
Avg. daily value (m)	US$31
Common s/h equity(12/20E)	US$5.09b
P/BV(12/20E)	1.7x
Net debt to EBITDA(12/20E)	5.6x

EPS (UBS, diluted) (US$)

	12/20E	
	UBS	Cons.
Q1	0.76	0.76
Q2E	0.08	0.14
Q3E	0.03	0.05
Q4E	0.40	0.38
12/20E	1.27	1.32
12/21E	1.35	1.39
12/22E	1.43	1.49

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Highlights (US$m)	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E	12/24E
Revenues	4,905	5,095	5,184	5,084	5,295	5,487	5,685	5,901
EBIT (UBS)	964	942	1,047	1,054	1,099	1,179	1,262	1,356
Net earnings (UBS)	398	463	495	493	538	583	629	684
EPS (UBS, diluted) (US$)	1.21	1.30	1.32	1.27	1.35	1.43	1.51	1.61
DPS (net) (US$)	0.72	0.79	0.84	0.89	0.95	1.01	1.07	1.13
Net (debt) / cash	(8,973)	(9,892)	(10,374)	(9,955)	(10,581)	(11,262)	(11,945)	(12,672)
Profitability/valuation	**12/17**	**12/18**	**12/19**	**12/20E**	**12/21E**	**12/22E**	**12/23E**	**12/24E**
EBIT (UBS) margin %	19.7	18.5	20.2	20.7	20.8	21.5	22.2	23.0
ROIC (EBIT) %	8.6	7.7	7.9	7.8	7.9	7.9	7.8	7.8
EV/EBITDA (UBS core) x	9.8	10.6	10.6	9.7	9.4	9.2	8.7	8.2
P/E (UBS, diluted) x	20.9	19.4	21.2	18.1	17.1	16.2	15.3	14.3
Equity FCF (UBS) yield %	(11.6)	(14.5)	(1.6)	(5.9)	(11.1)	(154.5)	(3,962.0)	(105,287.4)
Dividend yield (net) %	2.9	3.1	3.0	3.9	4.1	4.4	4.6	4.9

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 23.39 on 26-May-2020

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Forecast returns

Forecast price appreciation	+15.4%
Forecast dividend yield	3.9%
Forecast stock return	+19.4%
Market return assumption	5.2%
Forecast excess return	+14.2%

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. We use comparable company multiples in our sum-of-the-parts EV/EBITDA and P/E valuations. Our price target is derived using an average of sum-of-the-parts EV/EBITDA and P/E valuations and DDM.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	48%	32%
Neutral	FSR is between -6% and 6% of the MRA.	40%	28%
Sell	FSR is > 6% below the MRA.	13%	20%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2020.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
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Company Name	Reuters	12-month rating	Price	Price date
NiSource Inc.[16]	NI.N	Neutral	US$23.39	26 May 2020

Source: UBS. All prices as of local market close
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date
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NiSource Inc. (US$)

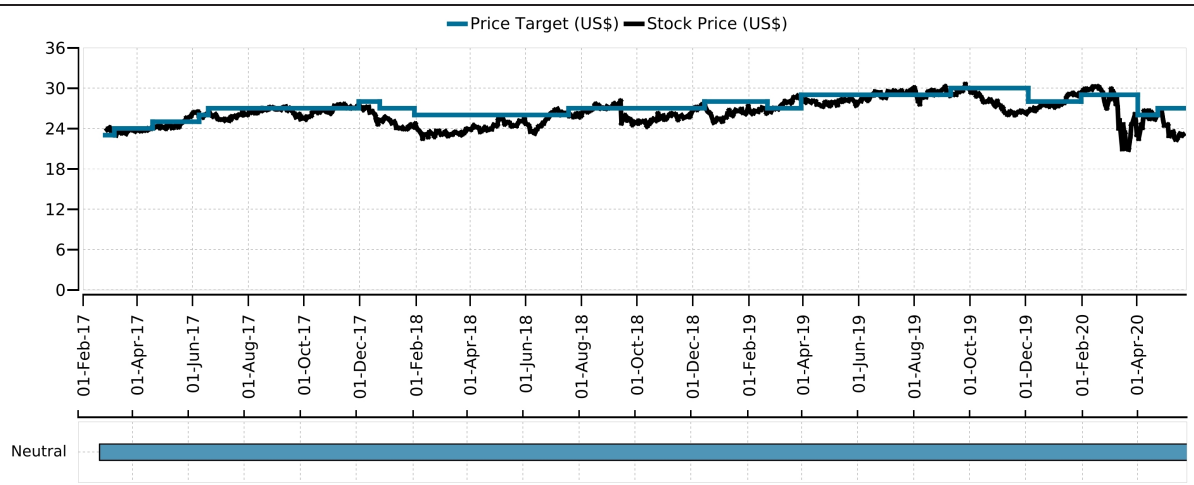

Date	Stock Price (US$)	Price Target (US$)	Rating
2017-02-24	24.01	23.00	Neutral
2017-03-06	23.58	24.00	Neutral
2017-04-17	24.02	25.00	Neutral
2017-06-07	26.44	26.00	Neutral
2017-06-17	26.06	27.00	Neutral
2017-11-29	27.17	28.00	Neutral
2017-12-22	25.28	27.00	Neutral
2018-01-29	24.22	26.00	Neutral
2018-07-17	26.12	27.00	Neutral
2018-12-13	27.62	28.00	Neutral
2019-02-20	26.28	27.00	Neutral
2019-03-29	28.66	29.00	Neutral
2019-09-09	28.91	30.00	Neutral
2019-12-03	26.41	28.00	Neutral
2020-01-30	29.10	29.00	Neutral
2020-04-01	23.06	26.00	Neutral
2020-04-23	25.85	27.00	Neutral

Source: UBS; as of 26-May-2020

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GUGGENHEIM

FLASH NOTE

May 27, 2020

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NI – Management Meetings; Impacts Defined, Increased Visibility Should Quell Investor Concerns; Price Action Overreaction

Key Message: COVID impact manageable, conservative messaging builds buffer and contingencies; Mgmt. sees opportunities to pull incremental levers while 2021 EPS guidance should be in "proximity" with the prior 2020 EPS guidance range (i.e. $1.38 guidance midpoint vs. Guggenheim at $1.37) with potential to come in stronger with incremental levers and/or COVID backdrop coming in better than Mgmt's. conservative assumptions. Post 2021, we continue to model (and the message today reinforced this notion) ~6-7% EPS growth off our 2021 base EPS estimate of $1.37 – growth drivers will include generation spend in Indiana, rate cases, further cost measure etc.

Main Takeaway: Ahead of our client hosted Mgmt. meetings with CEO, CFO and others at NiSource held early AM today, the company released updated slides detailing and quantifying the impact of COVID and the offsetting mitigation measures – providing clarity we were hoping to receive on the Q1. Mitigation efforts include O&M reductions and regulatory deferral for incremental COVID expenses and bad debt expense. **Key point – Mgmt. in good spot to provide 2021 EPS guidance in Q3 that should be close to flattish versus the prior pulled 2020 guidance range of ~$1.38 (midpoint) following the CMA sale announcement.** Further, Mgmt. **sees supplementary opportunities to pull additional mitigation levers that could potentially put '21 EPS guidance slightly ahead of '20's prior pulled guide.** In our view, investor concerns surrounding the 2021 impact are overstated (shares have underperformed UTY by ~100-150bps throughout the trading day) as Mgmt. has taken a conservative bend, managing expectations and messaging and creating contingencies should they need to be realized. **No change to our estimates through our '23 trajectory as today's message reconfirmed our thesis**. Potential catalysts: Q2 update around generation spending plan in IN and Q3 updated CapEx, growth trajectory through '24 off of the new 2021 EPS midpoint, 2021 EPS guidance range as well as new financing needs.

Improved visibility – flat EPS in 2021 from initial 2020 guidance back in view despite conservative bend taken on COVID impact. Mgmt. released slides (HERE) and further detailed on our client hosted calls (8am and 9am) volume and expense impacts from COVID and strong mitigation factors including O&M reductions and regulatory mechanisms for 2020/2021. Overall, mgmt. expects ($0.00-$0.10) of EPS impacts in 2020 and 2021 **but '21 could come in better if NI is able to utilize incremental mitigation levers which they are currently assessing – i.e. "flat-to-better" '21 language presented at the YE call could still stand.** While some investors are apprehensive on the 2021 impact, **we feel the concerns are unfounded as mgmt. is taking a very conservative bend on sales and bad debt expense** - i.e. the estimated impact assumes gradual mean reversion to normal loads in 1H21 compared to other utilities that are assuming recovery to normal loads in 4Q20. Volumes have already started to rebound from April lows with industrial customers in the Midwest, specifically the auto industry, beginning to reopen. Mgmt., quantified mitigation measures including O&M reductions and regulatory approvals/actions. More specifically on the bad debt expense side, NI has received regulatory deferrals/recovery of COVID related expenses and bad debt above normal levels in MD, PA, and VA while working with other commissions to receive similar treatments. **The current plan does not include any regulatory treatment for the incremental expenses in IN and OH which is further potential upside.** Mgmt. noted increased bad debt expense could impact 2021 EPS by ($0.05), but we feel confident that NI will receive the mechanisms to offset the impact. **We expect the maximum downside on 2021 EPS to be ~ ($0.05) from the initial 2020 guidance of $1.36-$1.40 IF incremental levers are not able to be utilized.** Mgmt. will provide updates on expected impact throughout the year and the range will likely tighten over time. **Given mgmt's conservative stance on 2021 and the potential for incremental**

NI BUY

NiSource Inc.
Sector: Power, Utilities & Alternative Energy

Company Update

Share Price	$23.39

Market Data

52-Week Range	$19.56 - $30.67
Dividend	$0.86
Dividend Yield	3.7%
Market Cap (M)	$8,954
Enterprise Value (M)	$21,092
Shares Out (M)	382.8
ADV (3 mo; 000)	4,246

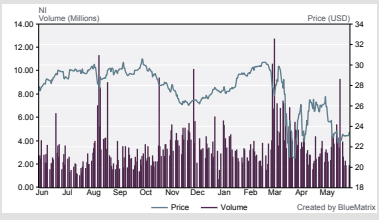

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levers, we continue to model 2021 EPS of $1.37 and 5-7% LT EPS CAGR off a 2021 base (2022/23 EPS of $1.47/$1.57).

Mitigation efforts are extensive with a mix of perpetual and ST O&M reductions. Mgmt. quantified mitigation measures of $0.10 - $0.15 in 2020 and $0.05 - $0.10 in 2021. Employee and administrative expenses and the deferral of some non-essential field work make up the bulk of the cost cutting. **The mix of O&M reductions will be more short-term in 2020 and permanent in 2021.** Like we have seen with other utilities, NI has a better view on prioritization of work allowing crews to work more effectively, efficiently, and productively as a result of the pandemic. Cuts to offset the dis-synergies related to the sale of CMA will happen regardless of volume trends. Direct costs related to CMA will be eliminated while more structural items from shared services across the company will be addressed in 2021. **Mgmt. is still identifying incremental levers but is focused on stepping through the regulatory items and managing expenses.**

Core business investment remains strong despite lowering at 1Q call – renewable investment opportunities are robust. The core capital plan remains strong with modernization trackers and other mechanisms to support investment; renewable additions represent incremental capex. As a reminder, NI lowered its expected 2020 capital spend by $100M at the 1Q call to shore up cash flow due to the pandemic. **Discussions with parties on the RFP in IN are ongoing with 50/50 owned and PPA still expected and upside to their CapEx guidance which Mgmt. will update during the all-important Q3 earnings call.** Mgmt. noted owning projects is competitive because of their high credit quality. The tax equity market remains healthy from mgmt.'s view. NI expects to file CPCNs in the summer, and we continue to look for an extensive update on the investment opportunity on the 3Q call. There has not been an impact on the 2021 IRP from the virus. Investment in renewables drives the outlook for 2022 and beyond.

Limited capital market needs for 2020 outside of ATM equity – thinking long-term, incremental renewable investments will be financed with a mix of debt and equity while still supporting the 5-7% growth trajectory. NI still expects to issue $200M-$300M in ATM equity in 2020 to support core investments. As a reminder, NI pulled forward a debt issuance in 1Q to help shore up liquidity and does not expect substantial debt financing for the remainder of 2020. **Renewable investment stemming from the RFP will be financed with a mix of debt and equity that will maintain credit metrics and support the current 5-7% growth trajectory.** Mgmt. expects to roll out an updated financing plan along with the investment opportunity on the 3Q call which will also come with an extended growth rate likely through '23/'24 as well as a formal '21 EPS guidance range.

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Valuation: We apply an 18x multiple on the electric utility and 21x multiple on the gas LDCs. We arrive at our valuation utilizing a sum-of-the parts analysis, based on: (1) ~$10/share for the regulated electric utility; (2) ~$20/share value for the regulated gas segment given the limited spread from LDCs after recent market volatility; and (3) (~$-3)/share for other adjustments for Corp and Other. We use this sum of the parts to arrive at our $27 valuation.

Risk: The primary risk on the regulated utility encompass the traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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ENERGY & POWER

NISOURCE INC. **May 27, 2020**

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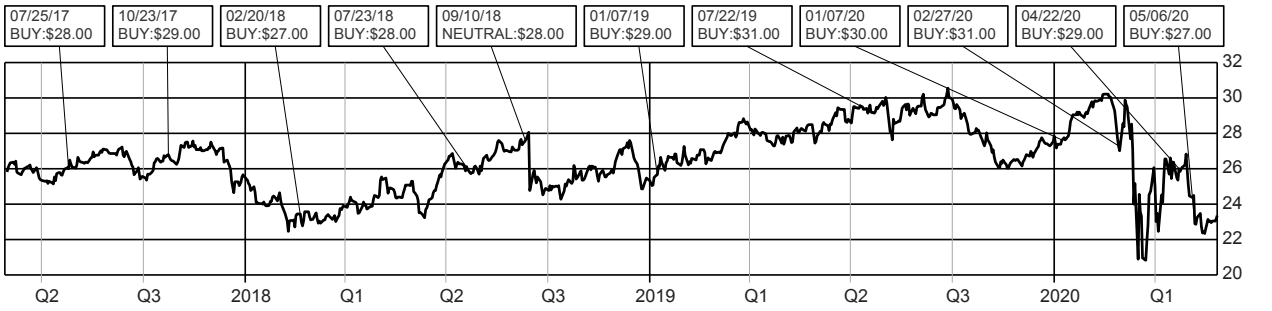

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BofA GLOBAL RESEARCH

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North American Utilities & IPPs

Power Points: ERCOT & PJM, NiSource, LNT Solar, Longview, NEE in FL

Industry Overview

Power & COVID impact: ERCOT recovery & PJM markets

We had previously highlighted signs of a gradual turnaround in U.S. load, with total load bottoming out at -10% vs. pre-COVID expectations and then gradually improving to -8% vs. expectations, with ERCOT in particular showing meaningful growth from its lows after reversal of lockdowns in the state. In recent days, we have seen even further improvement, specifically in ERCOT with a 30% rally in the Jul-Aug '20 contract over the last two days. While this may have been partially driven by shifts in market sentiment around load trends, we *also* highlight weather as driving some of this upward movement. Separately, PJM recently stated it has over 187 GW of installed generation capacity available, relative to its forecast summer peak demand of 148 GW. This forecast compares to PJM's peak demand in 2019 of over 151 GW (i.e. '20 forecast is ~2% lower v. last year). PJM has seen load decline by ~10% as of mid-March due to COVID-related restrictions. We see the trends in ERCOT as only further affirming underlying positive load trends, especially in this the Central region which have proven consistently more resilient.

NI: '21 outlook updated: we see this implying ~$1.35

Seeing mgmt had already announced mitigation efforts to offset the loss of the MA biz largely (and seemingly affirmed), we effectively see the full impact. These are the variances from the last plan – and when at that time it was roughly ~$1.40 in '21 (higher end of $1.36-1.40 range was achievable in '21). Now, you have up to 10c Covid-related impacts off this $1.40, offset by *incremental* cost savings suggest $1.35. The NI load recovery is well under way and seemingly ahead of earlier plan. The 10c impact of Covid impacts appear *half from load degradation* (permanent/long ramp in C&I) as well as incremental expenses (reconnection fees, Covid-related mitigation costs). We see the mitigation efforts as *not entirely* different from the existing mitigation efforts already under way to offset loss of earnings from MA biz sale (principally dis-synergies from allocated SG&A). We note the wide range of expectations may prove offputting to investors upon initial look (albeit the wide range is perhaps the caution, *we* see this as roughly implying $1.35 likely *in-line with the reduced EPS expectations already and close our reduced $1.36 estimate already).* The critical point is that Covid pressures are entirely under-earning related and should normalize out over time with future rate cases (this is not any reduction in '21 capex for instance after a slight earlier tweak to '20). We note this is the first update across the sector to provide an update on load expectations and cost reductions. We also expect this load update on '21 to kickstart further moderation of EPS ests into next year across the sector. We expect companies to continue to talk *up* the ongoing recovery in load in forthcoming meetings given numerous sellside meetings hosted in coming days (including our own mini-conference tomorrow).

27 May 2020

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North America
Utilities & IPPs

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Refer to important disclosures on page 7 to 10. Analyst Certification on page 5. Price Objective Basis/Risk on page 4.
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Timestamp: 27 May 2020 08:38AM EDT

LNT: acquired 675MW solar portfolio: executing against the expected buildout.. now it's time to watch WI approval

LNT announced to acquire 675MW solar portfolio at a purchase consideration of $900m of which tax equity partner would sponsor 35-40% of the investment outlay with the rest being financed by LNT's Wisconsin subsidiary. The company indicated to purchase tax equity's ownership in the projects within 10 years of operation. LNT expects to file an application with the PUC on the acquisition and anticipates a decision by 1H21. We note that LNT already signed purchase and sale agreements with the developers, subject to pending approval from the regulators, however, none of the projects are currently under construction. The company anticipates 425MW to be placed in service by 2022 and 250MW in 2023. Notably, last week the company announced early retirement of its Edgewater coal facility in Sheboygan in 2022. The latest development is no real surprise to us, given it is part of LNT's stated Clean Energy Blueprint plant for 1GW of solar in Wisconsin and in-line with its previous commentary on accelerating coal retirement with renewables installation to avoid hundreds of millions in long-term costs. Maintain Buy on LNT. *We note positive early indications from stakeholders in the state on regulatory approval prospects.*

Overall, the portfolio is comprised of six solar projects that include 200MW project developed by NEE sub NEER, a 150MW and 75MW facilities in Sheboygan County and Jefferson County, respectively, and developed by Ranger Power, a 150MW and a 50MW solar projects developed by Savion, owned by Macquarie Group Ltd.'s Green Investment Group and located in Wood County and Richland County, respectively, and a 50-MW facility in Rock County developed by National Grid's Geronimo Energy.

NI: rolled out details on COVID impact on EPS; No 20/21 EPS guidance still

NI rolled out supplementary details on COVID impact. While the slides include granular details on COVID 19 impact on operating EPS as well as mitigation measures to offset some of the pandemic impact, however, neither did the company provide 2020 EPS guidance (Recall they pulled it when MASS Sale to ES Was announced) nor did they reiterate 2021 EPS guidance. Specifically, the company quantified the impact to be ($0.15) – ($0.20) for 2020 and ($0.00)-($0.10) for 2021on NI's base case assumptions. However, the company expects mitigation measures initiated in April would likely offset $0.10-$0.15 and $0.05-$0.10 for 2020 and 2021, respectively.

Table 1: COVID 19 impact on net Operating EPS ($) for 2020/2021

$	2020E	2021E
COVID-19 Impact on EPS Base Case	($0.15)-($0.20)	($0.00)-($0.10)
Mitigation Efforts - Initiated in April	$0.10-$0.15	$0.05-$0.10
Estimated Net NOEPS Impact	**($0.00)-($0.10)**	**($0.00)-($0.10)**

Source: BofA Global Research, Company report

While the company stressed on non-safety related savings in O&M, recovery for COVID related impacts and improving organization efficiencies by addressing dis-synergies, however, they did not quantify anticipated O&M savings to combat the COVID losses.

Meanwhile, NI outlined the detail on retail margins by customer class, in-addition to providing pre-tax operating earnings sensitivity to 1% change in annual sales volume both by customer class and by segment, besides noting out the COVID 19 impact on weather normalized April 2020 sales volumes as compared to April 2019 (4%/26% decline in Gas Distribution and Electric Operations). $8.1m margin loss booked in April 2020 reflecting the mitigation efforts initiated by the company.

Chart 1: Retail Margins by customer class and by segment

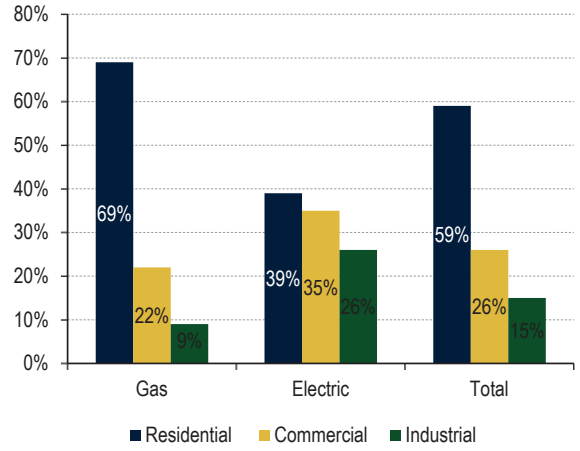

Source: BofA Global Research, Company report

Chart 2: Pre-tax operating income sensitivity to +/- 1% change in sales volumes ($M)

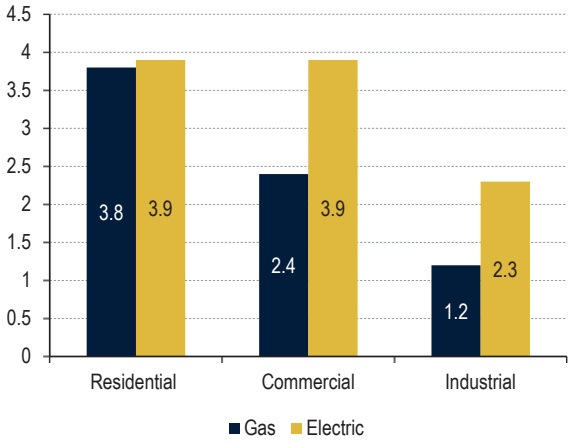

Source: BofA Global Research, Company report

However, the company did mention mid to late May trend in volumes indicated a recovery from April lows. While the company expects a rise in bad debt expense, however, reiterated rate design and availability of bad debt recovery mechanisms in certain states. The company requested IN IURC to create a bad debt tracker, besides deferring bad debt expenses much in-line with the states like MD, VA, and PA, which already allowed deferral of COVID related expenses and bad debt.

Critically, where many co's can use O&M savings to balance impacts, we see this as a greater challenge to NI as it promised it would pursue a program of cost savings to mitigate NT impacts of the CMA sale to ES this 3Q. With 2020 guidance having already been pulled related to the CMA sale, we only have an adj 2021 guide of a $1.36-1.40/sh 'earnings floor' (see this as risk). We previously downgraded NiSource to Neutral from Buy due to our concerns around absorbing lower demand from COVID.

Delaware BK court approved Longview's prepackaged reorganization plan

The U.S. Bankruptcy Court for the District of Delaware has confirmed Longview Power's prepackaged reorganization plan filed in April, effectively transferring company's equity ownership to its senior secured debt holders offsetting its $350m existing debt. The company would receive $40m as term loan to fund its working capital and capex program for next five years upon emergence from bankruptcy. We note the reorganization plan has no impact on the creditors as well as its employees.

NEE: Gulf Power requested FL PSC to allow deferral of bad debt/safety costs

Given anticipation of continuous rise in bad debt expense and safety costs associated with COVID, NEE subsidiary Gulf Power Co. requested Florida PSC (Florida PSC Docket No. 20200151-EI) to allow the company to defer bad debt expenses and safety costs associated with COVID as regulated asset that can be recovered later or to provide any other relief much in-line with states that have already ordered to create some sort of recovery mechanisms either through deferral of bad debt, creation of a regulatory asset, or by recording and tracking costs related to COVID-19. The utility proposed regulators to determine eligibility for bad debt to be deferred as regulated asset by taking the difference between the bad debt expense for a month in 2020 and the average bad debt expense for last three years, besides deferring safety costs by taking actual spending on safety measures related to COVID and as guided by the U.S. Centers for Disease Control and Prevention and the Florida Department of Health.

Stocks mentioned

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
LNT	LNT US	Alliant Energy Corp	US$ 46.91	A-1-7
NEE	NEE US	NextEra Energy	US$ 234.31	A-1-7
NI	NI US	NiSource Inc	US$ 23.39	B-2-7

Source: BofA Global Research

Price objective basis & risk

Alliant Energy Corporation (LNT)
Our $52 PO is based on a sum of the parts analysis employing relative premium and discounts to the large cap regulated peer multiple of 16.3x 2022E P/E. While our PO is on a 1 year basis we note the 2022 P/E multiple reflects a discount back to 2019. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector.

We apply a 2.0x P/E premium on IPL as we see the ratecase overhang being resolved. We apply a 3.0x P/E premium on Eastern Wisconsin Electric Company reflecting 1) low risk investment nature of the state, 2) above average ROEs, 3) higher than average growth runway for investments, and 4) bad debt deferral. At ATC, we reflect a 2.0 x P/E premium on LNT's 16% share in the transmission company. Growth expectations for this segment are high, paired with above average ROEs that we believe face less downward pressure vs. regulated state distribution ROEs. We apply an in line multiple at the parent to account for the blend of numerous businesses some which benefit from long term stable PPAs via intercompany generation.

Risks to our price objective are: 1) adverse rate case outcomes, 2) further equity dilution beyond our estimates, 3) interest rate risk, 4) natural disasters, and 5) lower allowed ROE's

NextEra Energy (NEE)
Our $258 PO is derived using a SOTP approach, with the utilities and parent segment valued on a 2022E P/E basis, and the generation segment valued on a 2022E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of IDRs (DCF, at 7% disc rate). We assign peer multiple of 17.0x (and gross this up by 5% to reflect capital appreciation across the sector) with disc/prem to the assets that reflect the growth/risk profile of the businesses. We provide value for possible regulated M&A announced as one strategy of capital redeployment, albeit weighted at 50% to reflect execution risk. Our valuation reflects the drag from the $5.1bn in new debt. For NEER, we apply a peer EV/EBITDA multiple of 8x, which we adjust depending on asset type. Give contracted renewables 6x prem given fuel type and contracted nature. We apply 2x discount to merchant nuclear (aside from Seabrook), and value contracted nuclear on a DCF approach using a 10% discount rate. We apply a 3x prem multiple to pipelines (2x for MVP), 1x discount to gas infrastructure and 2x discount for supply and trading given lower asset quality, line multiple for contracted gas peakers and 1x discount for merchant peakers (other), again based on asset quality. Downside risks: 1) unfavorable regulatory outcomes in Florida which could negatively affect ability to earn authorized ROE or lower authorized ROE, 2) higher interest rates, 3) changes in commodity prices.

NiSource Inc (NI)
Our $27 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples of 17.8x for gas utilities and 17.2x for electric utilities with an inline mult for gas utilities with just weather normalization, a 0.5x prem for gas utes with revenue normalization (prev 0x), and a 1.0x premium for the electric utility's strong growth rates (we factor in BOT in '24 EPS) but acknowledgement

of industrial risk (prev 2x). We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Atlantica Yield	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Vivint Solar	VSLR	VSLR US	Julien Dumoulin-Smith
NEUTRAL				
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Richard Ciciarelli, CFA
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	South Jersey Industries	SJI	SJI US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RSTR				
	El Paso Electric Company	EE	EE US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Alliant Energy Corp (LNT) Price Chart

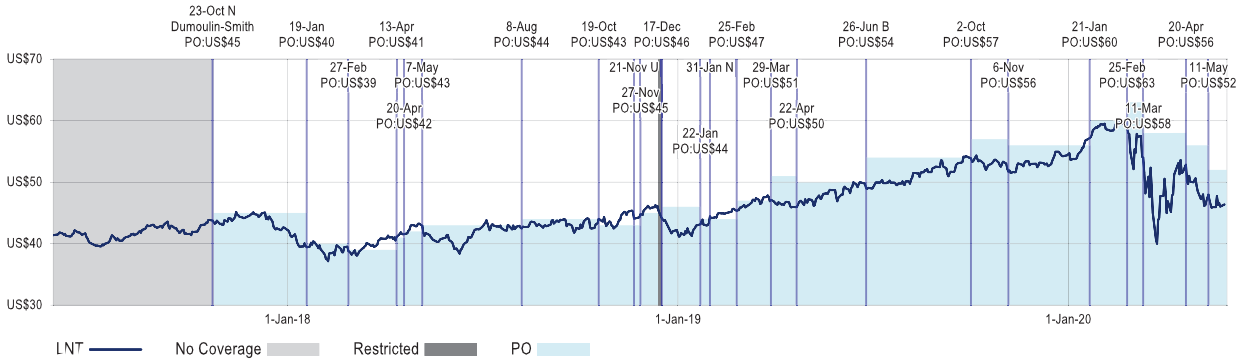

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

NextEra Energy (NEE) Price Chart

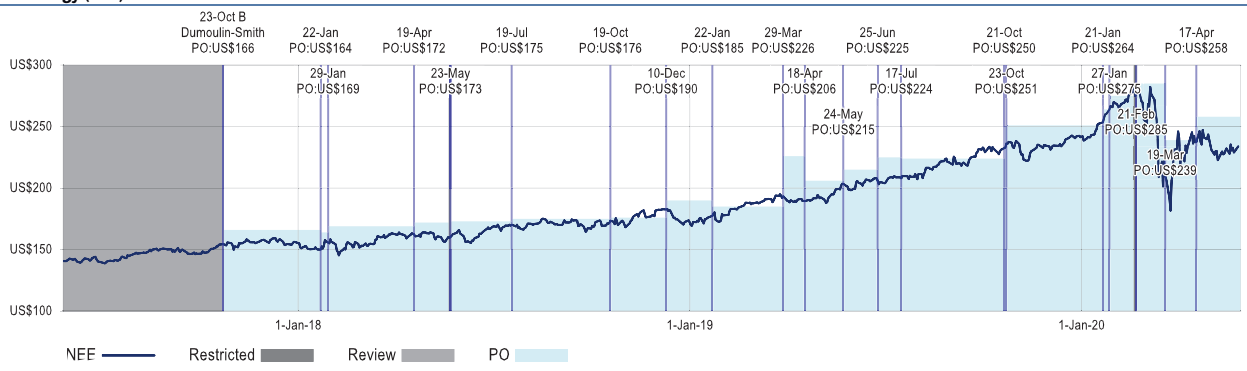

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NiSource Inc (NI) Price Chart

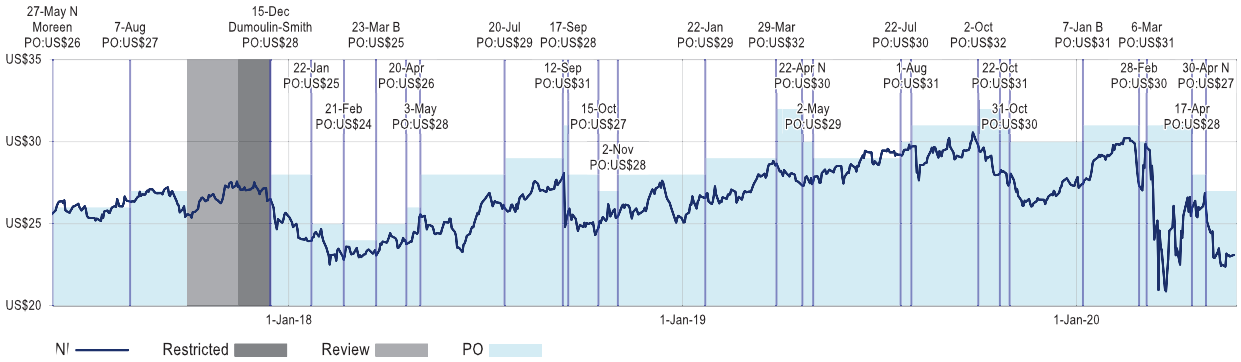

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Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	63	39.13%	Buy	51	80.95%
Hold	51	31.68%	Hold	35	68.63%
Sell	47	29.19%	Sell	26	55.32%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	72	50.35%	Buy	51	70.83%
Hold	38	26.57%	Hold	28	73.68%
Sell	33	23.08%	Sell	24	72.73%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1602	52.15%	Buy	1005	62.73%
Hold	713	23.21%	Hold	463	64.94%
Sell	757	24.64%	Sell	382	50.46%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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May 26, 2020 | 22:57 ET | 22:57 ET~

NiSource

NI-NYSE	Rating	Price: May-22	Target	Total Rtn
	Outperform	$23.09	$27.00	21%

Incrementally Incremental

Bottom Line: NiSource released an investor update including management's current forecast for the net impact to 2020 and 2021 earnings from the COVID-19 pandemic.

Overall, we believe the update will be viewed as modestly disappointing and will likely raise incremental questions on what the company is seeing regarding the lingering COVID-19 and cost impacts embedded in the company's 2021 impact. That said, we believe the stock's nearly 500 bps under-performance (since 4/29) and current multiple (3% discount) largely reflects these uncertainties.

We reiterate our Outperform rating and $27 target price.

Key Points

In front of investor meetings this week, NiSource released an incremental COVID-19 update including a base case that calls for roughly a $30-40mm margin reduction in 2020 and $0-25mm margin reduction in 2021. Including other COVID-19 costs, total unmitigated non-GAAP costs are estimated to range from ($0.15-0.20)/share in 2020 and ($0-0.10)/share in 2021.

Management believes it can mitigate up to $0.10-0.15/share in 2020 and $0.05-0.10/share in 2021 through cost control, regulatory mechanisms and organizational repositioning efforts.

Although the net impact could suggest only an incremental $0.05 of potential EPS drag, management seems to be striking a more cautious stance suggesting a $0.0-0.10/share impact for both 2020 and 2021 and a recovery that extends into at least the first half of 2021. We believe the company's range likely includes some flexibility regarding the potential timing of regulatory recovery as well as financing costs associated with bridging lower operating cash flows.

We are reducing our 2020-22 EPS estimates to $1.30, $1.33 and $1.45, respectively, to reflect a more conservative sales outlook and a slightly longer time frame to execute its organizational repositioning efforts post the upcoming sale of Columbia Gas Massachusetts (CGM) in 3Q20.

Acknowledging the near-term uncertainties, we continue to find NI share attractive relative to the company's above-average 5-7% long-term EPS CAGR. In addition, the company has several positive catalysts upcoming in the Fall, including the completion of its sale of CGM to Eversource in 3Q20 as well as the company re-initiating its 2021 EPS guidance, which will serve as a base for its 5-7% above-average EPS CAGR.

Key Changes		
Estimates	**2020E**	**2021E**
EPS	$1.30	$1.33
Previous	*$1.35*	*$1.40*
EBIT	$1,087	$1,155
Previous	*$1,113*	*$1,188*

Please refer to pages 6 to 9 for Important Disclosures, including Analyst's Certification.

IN Fact

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Company Data			in $
Dividend	$0.84	Shares O/S (mm)	382.8
Yield	3.6%	Market Cap (mm)	$8,839
P/BV	1.4x	Net Debt (mm)	$9,606

BMO Estimates			in $
(FY- Dec .)	**2019A**	**2020E**	**2021E**
EPS	$1.32	$1.30↓	$1.33↓
DPS	$0.80	$0.84	$0.89
EBIT	$1,042	$1,087↓	$1,155↓
EBITDA	1,759	1,834↓	1,927↓

Consensus Estimates			
	2019A	**2020E**	**2021E**
EPS		$1.33	$1.40

Valuation			
	2019A	**2020E**	**2021E**
P/E	17.5x	17.8x	17.3x
Div. Yield (%)	3.5%	3.6%	3.9%

QTR. EPS	Q1	Q2	Q3	Q4
2019A	$0.82	$0.05	$0.00	$0.45
2020E	$0.76a	$0.06	$0.05	$0.43
2021E	$0.81	$0.06	$0.05	$0.41

Our Thesis

We like several aspects of the NI following the sale of Columbia Gas of Massachusettes and removal of previously guided $500-700mm equity issuance overhang, which we believe meaningfully de-risked the story.

BMO Capital Markets

NiSource - Block Summary Model

Income Statement	2019A	2020E	2021E
Electric Operations	402	403	427
Gas Distribution	632	676	720
Parent & Other	13	13	13
Consolidated EBIT	1,042	1,087	1,155
Depreciation & Amortization	717	747	772
EBITDA	1,759	1,834	1,927
Interest Expense	379	399	396
Income Tax	113	120	132
Income from continuing operations	495	503	532
Weighted Average Shares Outstanding	376	388	399
Diluted Operating EPS	$1.32	$1.30	$1.33
Dividends per Share	$0.80	$0.84	$0.89
Cash Flow Statement	**2019A**	**2020E**	**2021E**
Operating Cash Flow	1,750	1,417	1,365
Investing Cash Flow	(1,988)	(630)	(1,770)
Financing Cash Flow	154	(106)	(99)
Net Change in Cash Flow	(84)	681	(504)
EOP Cash on Balance Sheet	37	718	214
Common stock (net)	34	335	335
Net debt issued/(repaid)	494	500	(64)
Dividends paid	(301)	(326)	(355)
Balance Sheet	**2019A**	**2020E**	**2021E**
Common Equity	5,327	6,019	6,611
Preferred Equity	880	880	880
Total Debt	9,643	10,143	10,079
Enterprise Value	$20,207	$20,913	$21,681
Common equity %	33.6%	35.3%	37.6%
Preferred equity %	5.6%	5.2%	5.0%
Total Debt %	60.8%	59.5%	57.4%
Book Value per Share	$16.51	$17.79	$18.78

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

Our $27 target price is the product of a P/E-based sum of the parts. We utilize a regulated average multiple using 2022E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook. For NI, we have removed EPS for its MA gas business from our P/E valuation and instead include only the asset value (1x equity rate base) in our SOTP framework.

Upside Scenario 29.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario 20.00

Our downside scenario reflects a tightening monetary policy and a deceleration of the company's rate base growth.

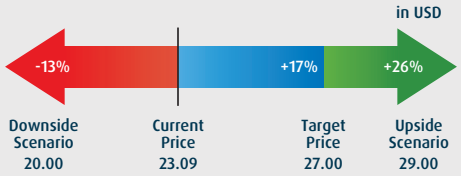

Key Catalysts

Initial indicative pricing in its second renewable RFP in IN. Completing the sale of Columbia Gas of Massachusetts to Eversource. Potentially, capital spending and growth rate update in 2H20 given clarity in the aforementioned RFP and recent rate orders in MA and IN.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

BMO Capital Markets

Take 2… "Action"

In front of investor meetings this week, NiSource released an investor update including management's current forecast for the net impact to 2020 and 2021 earnings from the COVID-19 pandemic.

Overall, we believe the update will be viewed as modestly disappointing and will likely raise incremental questions on what the company is seeing regarding the lingering COVID-19 and cost impacts embedded in the company's 2021 impact report. That said, we believe the stock's nearly 500 bps underperformance (since 4/29) and current multiple (3% discount) largely reflects these uncertainties and investors will now likely look to management for incremental details behind the company's additional disclosures for comfort.

For the month of April (which could prove to be the worst for the year), management estimates a net impact of $8.1 million pre-tax or just under 2c/share with gas distribution sales down 4% reflecting decoupling (0.3% annualized) and electric operation sales down 26% (2.3% annualized).

Although management indicated volumes had begun to recover by mid- to late-May off April lows, assuming a non-specified gradual recovery that extends into 1H21 and an assumption of favorable regulatory treatment on COVID-19 related costs (primarily at NIPSCO), **management's base case calls for roughly a $30-40 million margin reduction in 2020 and $0-25 million margin reduction in 2021**. When including other COVID-19 costs including bad debt, lost late payment fees and other operational expenses, total unmitigated non-GAAP costs are estimated to range from ($0.15-0.20)/share in 2020 and ($0-0.10)/share in 2021.

Partially offsetting these impacts and in an effort to mitigate the unallocated costs associated with the company's pending sale of Columbia Gas Massachusetts (CGM) to Eversource, **management believes it can mitigate up to $0.10-0.15/share in 2020 and $0.05-0.10/share in 2021 through cost control**, regulatory mechanisms and organizational repositioning efforts.

Although the net impacts above would suggest only an incremental $0.05 of potential EPS drag relative to its previous, pre-COVID-19 expectation that 2021 would be "at or above" 2020's initial $1.36-1.40/share guidance (issued on 3Q19 call but withdrawn with its 4Q19 release) **management seems to be striking a more cautious stance suggesting a $0.0-0.10/share** impact in both years and a recovery that extends into at least the first half of 2021. We believe the company's range likely includes some flexibility regarding the potential timing of regulatory recovery as well as financing costs associated with bridging lower operating cash flows.

We would hope to get more clarity on the cadence and magnitude of the demand recovery embedded in the company's current outlook as well as a better sense of the incremental costs and recovery assumptions, especially at NIPSCO. While not precise, we see bad debt and other costs ranging from $40-55 million in 2020 to $0-$22 million in 2021, which would imply a full-year sales reduction at NIPSCO in the lower-single-digit range (Exhibit 1).

Exhibit 1: Net Margin & Cost Impacts for 2020 & 2021

	2020		2021	
	Low	High	Low	High
COVID Base Case EPS Impact	**($0.15)**	**($0.20)**	**$0.00**	**($0.10)**
Pre/Tax Revenue	($70)	($94)	$0	($47)
Base-Case Margin Impact	($30)	($40)	$0	($25)
Implied Bad-Debt & Other Costs	($40)	($54)	$0	($22)
Mitigation Efforts	**$0.10**	**$0.15**	**$0.05**	**$0.10**
Net Impacts	**($0.05)**	**($0.10)**	**($0.05)**	**($0.10)**

* Assumes primary impact at NIPSCO

Source: BMO Capital Markets

The company filed a petition with the Indiana commission (IURC) in early May for the ability to defer lost revenue and costs and the establishment of a bad debt tracker. Management has asked for the commission to respond by July 15th.

We are reducing our 2020-22 EPS estimates to $1.30, $1.33 and $1.45, respectively, to reflect a more conservative sales outlook and a slightly longer time frame to execute its organizational repositioning efforts post the sale of CGM.

We Reiterate Our Outperform Rating and $27 Target Price

Acknowledging the near-term uncertainties, we continue to find NI shares attractive relative to the company's above-average 5-7% long-term EPS CAGR, which is supported by a visible $30 billion investment backlog at both its natural gas and electric operations with minimal regulatory lag (75-80% converted to earnings within 12-18 months).

The company has several positive catalysts upcoming in the Fall, including the completion of its sale of Columbia Gas Massachusetts to Eversource in 3Q20 as well as the company re-initiating its 2021 EPS guidance, which will serve as a base for its 5-7% EPS CAGR.

We also see a bias to the upper end of this 5-7% growth range as the company finalizes its renewable RFPs to replace its retiring coal fleet at NIPSCO as well as other capex opportunities including grid modernization spending. Management should have visibility on both these opportunities in the Fall also and as such, we would look for the company to extend its 5-7% growth through 2024 (from 2022) to incorporate these new growth drivers.

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Sum-of-the-Parts Valuation

Exhibit 2: NiSource Inc. Sum-of-the-Parts Valuation

Regulated, Corporate & Other	Valuation Metric	2022E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Electric Operations	EPS	$0.83	Electric	16.2x	+0.0%	16.2x	13.2x	$11	16.2x	$13	17.2x	$14
Gas Distribution	EPS	$1.19	Natural Gas	17.3x	+5.0%	18.2x	14.3x	$17	18.2x	$22	19.2x	$23
Coporate & Other	EPS	($0.57)	Blend	16.8x	+0.0%	16.8x	16.8x	($10)	16.8x	($10)	17.8x	($10)
Utility & Parent Value		**$1.45**					12.7x	**$18**	17.6x	**$25**	18.6x	**$27**
		'19 Rate Bas	Equity %	Equity								
Columbia Gas of Massachusetts		$1,100	47%	$517		1.0x	1.0x	$1.26	1.0x	$1.26	1.0x	$1.26
Total NiSource Inc.								**$20**		**$27**		**$28**
Upside/(Downside)								-16.2%		14.1%		20.3%
Current Yield								2.9%		2.9%		2.9%
Total Return								**-13.3%**		**16.9%**		**23.1%**

Source: BMO Capital Markets

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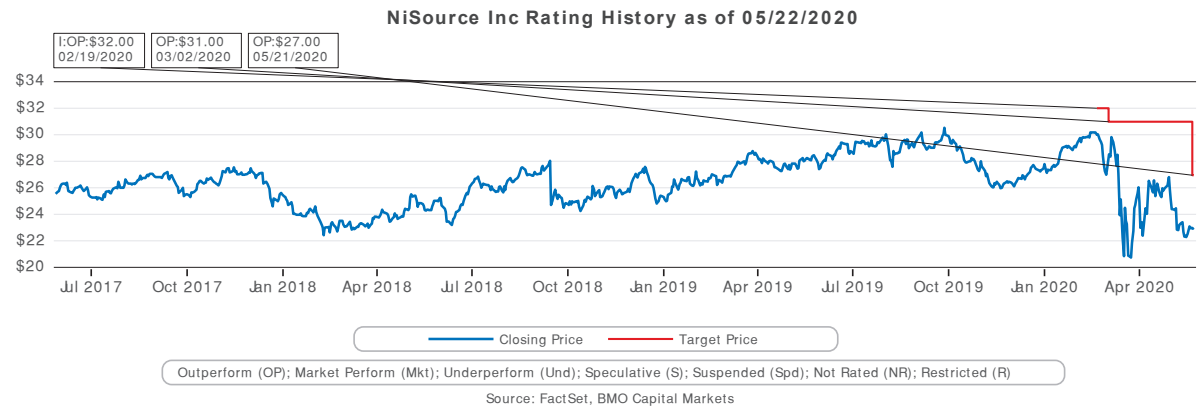

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Methodology and Risks to Target Price/Valuation for NiSource Inc (NI-NYSE)

Methodology: Our $27 target price is the product of a P/E-based sum-of-the-parts (SOTP) analysis of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2022E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook.

Risks: NI's regulated profile exposes the company to business risk including but not limited to federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

Distribution of Ratings (May 25, 2020)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	42.9 %	25.9 %	50.9 %	45.3 %	54.6 %	57.7%
Hold	Market Perform	54.3 %	18.7 %	46.5 %	52.0 %	43.5 %	37.5%
Sell	Underperform	2.8 %	20.0 %	2.6 %	2.7 %	1.9 %	4.8%

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~ As of April 1, 2019.

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(April 2013 - October 2016)
http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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Goldman Sachs | Equity Research

27 May 2020 | 7:07PM EDT

NiSource Inc. (NI): 2021 uncertainty a near-term overhang but continue to see favorable LT growth; Buy

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We reiterate our Buy rating on NiSource (NI) after our virtual meeting with senior management. While we recognize concerns related to a lack of clarity on 2021 earnings power (guidance expected with 3Q20 results), we view current valuations somewhat accounting for a potentially bearish scenario and believe normalizing demand and robust investment pipeline support a relatively unchanged 2022 earnings profile. Our 2020-2022 EPS estimates of $1.27/$1.38/$1.49 remain unchanged, which already incorporate our forecasted -$0.09 and -$0.05 net impact (2020/2021) from COVID-19 that fall within the company's guidance impact range.

Below are the key takeaways from our virtual meeting:

- **Cost mitigation includes sustainable efficiencies.** While some cost controls (especially in 2020) reflect more short-term timing of various expenses, management noted that a bulk of the items stem from items planned prior to the 2018 gas incident, including corporate function consolidation and ongoing cost structure adjustments. NI's 2021 mitigation plan of $0.05-$0.10 accounts for certain delays in 2020 expenses.
- **NI expects a constructive outcome on COVID cost deferral proposals.** With Pennsylvania, Virginia, and Maryland already having approved incremental bad debt deferral and/or other COVID related costs, management looks to receive a similar decision in the proposal for Indiana and Ohio. In the $0.00 to -$0.10 net EPS impact guidance, they assume constructive outcomes at both jurisdictions.
- **While NI did not provide formal 2020/2021 guidance, prior management commentary serves as a guide.** On the 4Q19 earnings call, management pulled their 2020 EPS guidance range of $1.36-$1.40 given the announced sale of its MA gas utility, but commented that 2021 earnings could be at or above the prior 2020 guidance range. They still view this as a fair base to assess the ultimate COVID-19 impact and hope to provide formal 2021 guidance with 3Q20 earnings.
- **No bulk equity needed until renewable financing.** NI's financing plans through 2021 do not incorporate any assumed recovery of the $300mn in property insurance associated with the MA gas incident. They also do not expect a need to issue bulk equity unless to finance the purchase of owned renewables, either from the recent Indiana RFP or the 50% future ownership of the Rosewood (100 MW) and Crossroads (300 MW) wind plants (expected in 2023).

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They continue to view RFP-based generation ownership potential as incremental upside, consisting of up to 50% of the 1.6 GW capacity opportunity. We note NI would need to file a base rate case to add any generation into rate base.

Our $28 12-month price target (unchanged) embeds 20x our 2021 EPS estimate of $1.38. Our target reflects a 24% total return, with the stock currently trading at a 1.0x P/E discount to smid-cap peers. Key risks include (1) legal and regulatory risks, (2) earnings/cash impact due to COVID-19, (3) higher than expected O&M, (4) electricity demand and customer growth, and (5) financing.

NI	12m Price Target: **$28.00**	Price: **$23.32**	Upside: **20.1%**

Buy

Market cap: $7.6bn
Enterprise value: $18.1bn
3m ADTV: $101.6mn
United States
America-Regulated Utilities
M&A Rank: 3

GS Forecast

	12/19	12/20E	12/21E	12/22E
Revenue ($ mn)	5,208.9	4,968.9	5,187.4	5,409.0
EBITDA ($ mn)	1,608.1	1,792.4	1,998.9	2,160.7
EBIT ($ mn)	890.7	1,033.9	1,183.8	1,284.7
EPS ($)	1.32	1.27	1.38	1.49
P/E (X)	21.3	18.4	16.9	15.6
EV/EBITDA (X)	13.0	10.9	10.5	10.1
FCF yield (%)	(2.1)	(7.7)	(4.7)	(3.3)
Dividend yield (%)	2.9	3.6	3.8	4.0
Net debt/EBITDA (X)	5.9	5.3	5.1	5.0

	3/20	6/20E	9/20E	12/20E
EPS ($)	0.76	0.07	0.02	0.42

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 27 May 2020 close.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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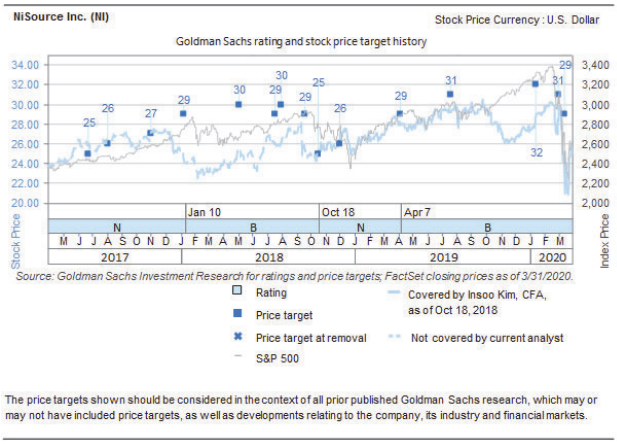

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UBS

Global Research | 28 May 2020

First Read

NiSource Inc.

Catching up with the C-Suite

Equities

Americas
Gas Utilities

12-month rating	**Neutral**
12m price target	**US$27.00**
Price (27 May 2020)	**US$23.32**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$30.56-20.86
Market cap.	US$8.93b
Shares o/s	383m (COM)
Free float	99%
Avg. daily volume ('000)	1,218
Avg. daily value (m)	US$30.3
Common s/h equity(12/20E)	US$5.09b
P/BV(12/20E)	1.8x
Net debt to EBITDA(12/20E)	5.6x

EPS (UBS, diluted) (US$)

	12/20E	
	UBS	Cons.
Q1	0.76	0.76
Q2E	0.08	0.14
Q3E	0.03	0.05
Q4E	0.40	0.37
12/20E	1.27	1.32
12/21E	1.35	1.38
12/22E	1.43	1.49

Key Takeaways

Earlier today, we hosted a Virtual Investor Update Meeting with NiSource's CEO Joe Hamrock and CFO Donald Brown. NI published its expected impact from COVID-19 (click here) and some were surprised with $0.00-$0.10 per share negative impact on 2021 EPS. Management clarified that they tried to be conservative and that they see a recovery in margin from April lows and they expect full recovery by the end of the year. 2021 EPS will be a base year for future 5-7% long term growth and NI plans to provide 2021 EPS guidance on the 3Q20 earnings call together with an update on the long-term outlook. Management remains focused on cost reduction to mitigate the impact of COVID-19 on revenues and highlighted that they look at traditional cost management but also some structural changes could by under way and they could be more long term in nature.

Other Tidbits

Despite strong liquidity post recent debt issuance and planned asset sale, management sees a need for issuance on ATM to get to targeted FFO/Debt metrics. NI maintained its previously provided $200-$300MM range of ATM equity issuance in 2020. Sale of Columbia Gas of MA remains on track, with close expected by the end of 3Q20. Management doesn't see a risk to 2021 capex due to COVID-19 at this time. An increase in bad debt has not been material so far.

Regulatory Update

Earlier in May, NIPSCO filed for a deferral of COVID-19 expenses and NI plans to file for deferral in OH. Despite the lockdown, NI filed rate cases in Pennsylvania and Maryland with new rates expected in 2021. NI requested a $100.4MM rate increase in PA (based on ROE of 10.95% and equity/capital structure of 54.19%) and a $6.5MM rate increase in Maryland (based on ROE of 10.95% and equity/capital structure of 52.63%).

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Highlights (US$m)	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E	12/24E
Revenues	4,905	5,095	5,184	5,084	5,295	5,487	5,685	5,901
EBIT (UBS)	964	942	1,047	1,054	1,099	1,179	1,262	1,356
Net earnings (UBS)	398	463	495	493	538	583	629	684
EPS (UBS, diluted) (US$)	1.21	1.30	1.32	1.27	1.35	1.43	1.51	1.61
DPS (net) (US$)	0.72	0.79	0.84	0.89	0.95	1.01	1.07	1.13
Net (debt) / cash	(8,973)	(9,892)	(10,374)	(9,955)	(10,581)	(11,262)	(11,945)	(12,672)

Profitability/valuation	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E	12/24E
EBIT (UBS) margin %	19.7	18.5	20.2	20.7	20.8	21.5	22.2	23.0
ROIC (EBIT) %	8.6	7.7	7.9	7.8	7.9	7.9	7.8	7.8
EV/EBITDA (UBS core) x	9.8	10.6	10.6	9.7	9.4	9.2	8.7	8.2
P/E (UBS, diluted) x	20.9	19.4	21.2	18.3	17.3	16.3	15.4	14.5
Equity FCF (UBS) yield %	(11.6)	(14.5)	(1.6)	(6.0)	(11.1)	(154.9)	(3,973.9)	(105,603.4)
Dividend yield (net) %	2.9	3.1	3.0	3.8	4.1	4.3	4.6	4.8

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 23.32 on 27-May-2020

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Forecast returns

Forecast price appreciation	+15.8%
Forecast dividend yield	3.9%
Forecast stock return	+19.7%
Market return assumption	5.2%
Forecast excess return	+14.5%

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. We use comparable company multiples in our sum-of-the-parts EV/EBITDA and P/E valuations. Our price target is derived using an average of sum-of-the-parts EV/EBITDA and P/E valuations and DDM.

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Neutral	FSR is between -6% and 6% of the MRA.	40%	28%
Sell	FSR is > 6% below the MRA.	13%	20%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2020.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
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Company Name	Reuters	12-month rating	Price	Price date
NiSource Inc.[16]	NI.N	Neutral	US$23.32	27 May 2020

Source: UBS. All prices as of local market close
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NiSource Inc. (US$)

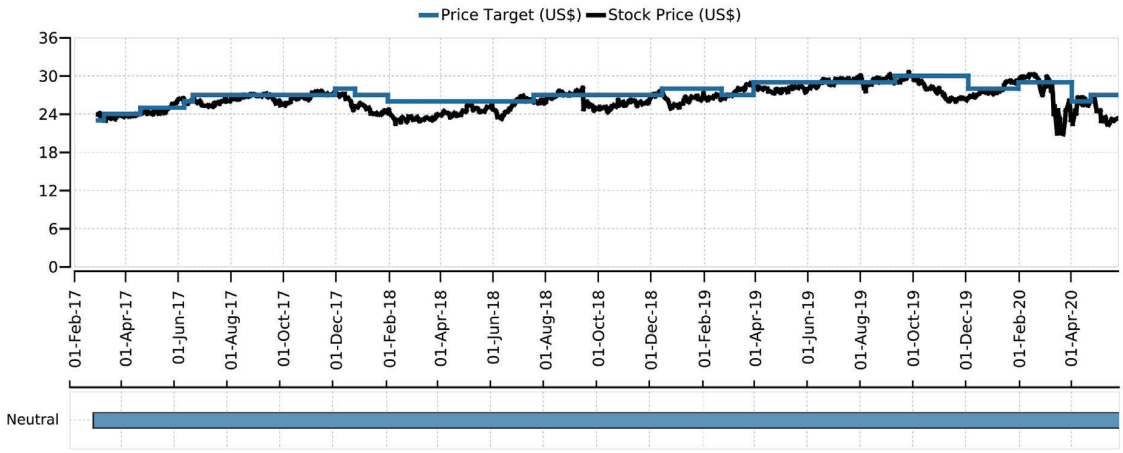

Date	Stock Price (US$)	Price Target (US$)	Rating
2017-02-27	23.80	23.00	Neutral
2017-03-06	23.58	24.00	Neutral
2017-04-17	24.02	25.00	Neutral
2017-06-07	26.44	26.00	Neutral
2017-06-17	26.06	27.00	Neutral
2017-11-29	27.17	28.00	Neutral
2017-12-22	25.28	27.00	Neutral
2018-01-29	24.22	26.00	Neutral
2018-07-17	26.12	27.00	Neutral
2018-12-13	27.62	28.00	Neutral
2019-02-20	26.28	27.00	Neutral
2019-03-29	28.66	29.00	Neutral
2019-09-09	28.91	30.00	Neutral
2019-12-03	26.41	28.00	Neutral
2020-01-30	29.10	29.00	Neutral
2020-04-01	23.06	26.00	Neutral
2020-04-23	25.85	27.00	Neutral

Source: UBS; as of 27-May-2020

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May 28, 2020 | Equity Research

Flash Comment

Utilities

Utility & Infrastructure Daily

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Quick thoughts from Wells Fargo Securities, LLC Utility & Infrastructure Team:

Utilities

NiSource Inc. (NI/Overweight) (Akers) – Since COVID-19 fears hit the US market, shares of NI have underperformed Gas Utility peers by nearly 7% and lagged the S&P Utilities by 3% (from 2/21/20 close). Most recently, shares reacted to the lack of affirmative guidance on the Q1 call and, subsequently, disclosures this week outlining a potential net impact from COVID of ($0.00-0.10) in each 2020 and 2021. Based on our conversation with NI mgmt. yesterday (5/27), we feel incrementally better about the story. Mgmt. highlighted opportunities to drive both structural cost savings and general process improvements; the company also expects more temporary cost reductions in 2020. O&M is likely to go down in 2021 on account of the sale of MA and trend flat or better off that base. The biggest determinant as to where the company lands in the ($0.00-0.10) COVID impact range is sales. The company currently expects gas/electric sales to be down 2.5%/4%, respectively, in 2020 with a margin impact of $30-40mm ($8mm of which was experienced in April), or $0.06-0.08 per share after-tax, and $0-20mm, or $0.00-0.04 in 2021. Within the industrial customer base, exposure to the auto supply chain and steel industry has weighed on volumes. That said, mgmt. is starting to see a recovery and noted that industrial customers continue to pay their bills. The commercial recovery remains murky as states are in the process of phased re-openings.

Regarding the growth rate, the 5-7% appears intact off of a normalized 2021 base as any lingering COVID impacts in 2021 would eventually be reconciled through a natural rebound and/or rate cases. Further, the 5-7% is supported by annual capex of ~$1.8B with renewable opportunities at NIPSCO offering potential upside to those levels in 2022 and 2023. The company outlined a 1,300-1,400 MW generation need in 2023 (three wind projects representing ~800 MW already announced). NI would look to procure half of the needs through power purchase agreements (PPA) and own the other half, which would be financed with the help of tax equity and likely require incremental equity beyond the ATM and ongoing programs. Reiterate Overweight.

American Electric Power (AEP/Overweight) (Kalton) – It's a go. On 5/27, the Louisiana Public Service Commission (LPSC) approved SWEPCO-LA's portion of North Central Wind, a 1,485 MW regulated wind project located in OK. The LPSC also approved a flex-up option in the event the Public Utility Commission of Texas (PUCT) does not approve the SWEPCO-TX allocation. As a result of the LPSC approval plus prior approvals in AR (including flex-up) and OK, AEP has secured approvals sufficient to proceed with the entire project regardless of the PUCT's final decision. Our EPS outlook already incorporates the $2B North Central Wind project with a full year contribution beginning in '22. Upon completion, we estimate North Central will add ~$0.10 to annual EPS power assuming a 9.0-9.5% ROE, 45-50% equity ratio and $1.0-1.3B of new equity in '21, which is consistent with AEP's guidance of 50-66% equity financing for the project. Our 20-24E EPS

Please see page 3 for rating definitions, important disclosures and required analyst certifications.
All estimates/forecasts are as of 05/28/20 unless otherwise stated. 05/28/20 05:30:42 ET

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remain $4.30, $4.70, $5.10, $5.40 & $5.70, which results in a 7% CAGR off the original mid-point of '19 guidance ($4.10). Our take: not a surprise, but an incremental positive nonetheless and increases our confidence in AEP's ability to achieve a '20-24 EPS CAGR in the upper half of the 5-7% guidance range.

American Electric Power Company, Inc. (AEP)/Overweight
Price as of 5/27/2020: $81.44
FY 20 EPS: $4.30
FY 21 EPS: $4.70
Shares Out.: 494.8 MM
Market Cap.: $40,296.51 MM

NiSource Inc. (NI)/Overweight
Price as of 5/27/2020: $23.32
FY 20 EPS: $1.26
FY 21 EPS: $1.37
Shares Out.: 382.2 MM
Market Cap.: $8,912.9 MM

Rating Basis Information:
AEP Thesis: We are attracted to AEP’s strong EPS and dividend growth prospects, organic investment opportunities and regulatory diversity.

NI Thesis: We rate shares Overweight. We are attracted to NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment.

DISCLOSURE APPENDIX

Required Disclosures

American Electric Power Company, Inc. (AEP) 3-yr. Price Performance

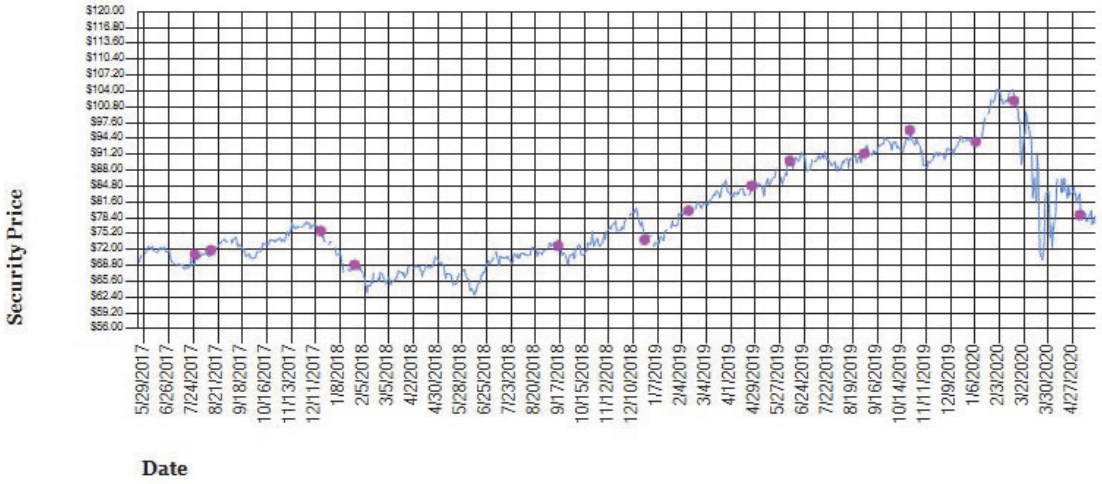

Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
5/22/2017		Kalton				
5/22/2017	NA	1	NE	NE	NE	69.42
7/27/2017	70.67	1	78	NE	NE	70.67
8/15/2017	71.05	1	81	NE	NE	71.52
12/18/2017	76.54	1	85	NE	NE	75.50
1/26/2018	69.70	1	77	NE	NE	68.75
9/16/2018	72.60	1	81	NE	NE	72.60
12/24/2018	76.43	1	85	NE	NE	73.55
2/13/2019	80.30	1	89	NE	NE	79.55
4/26/2019	84.83	1	93	NE	NE	84.71
6/9/2019	89.54	1	100	NE	NE	89.54
9/2/2019	91.15	1	101	NE	NE	91.15
10/24/2019	95.85	1	103	NE	NE	95.72
1/8/2020	93.41	1	104	NE	NE	93.41
2/21/2020	102.38	1	115	NE	NE	101.71
5/6/2020	79.78	1	93	NE	NE	78.82

*Effective December 7, 2019, Wells Fargo Securities' Equity Research modified its ratings definitions. Complete definitions of current ratings can be found below. For information related to prior ratings definitions, please contact equityresearch1@wellsfargo.com.

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Symbol Key

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- ▲ Rating Upgrade
- ● Price Target/Val Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ⊓ Split Adjustment

Rating Code Key

1	Overweight/Buy	SR	Suspended
2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

NiSource Inc. (NI) 3-yr. Price Performance

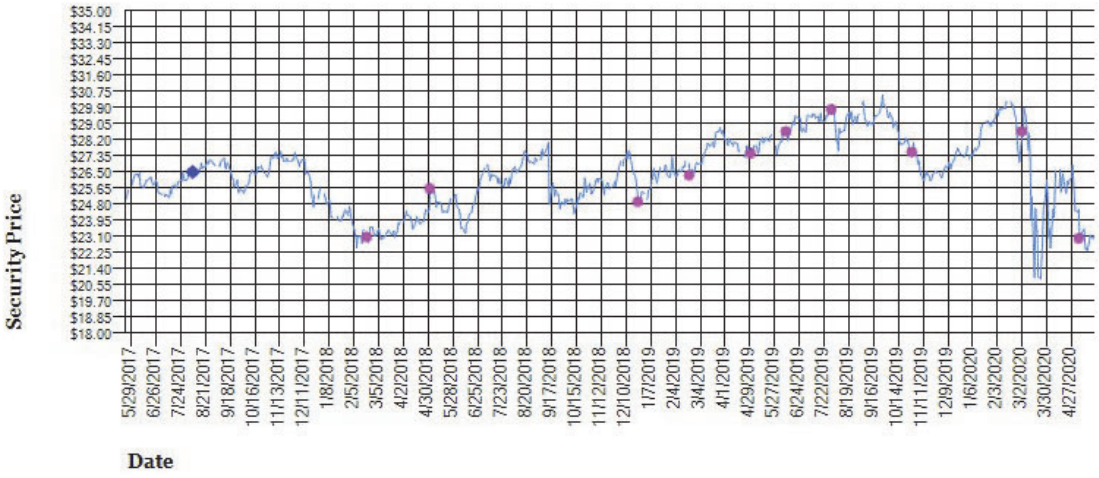

Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
8/9/2017		Akers				
8/9/2017	26.32	1	30	NE	NE	26.38
2/20/2018	22.99	1	26	NE	NE	23.02
5/3/2018	25.38	1	28	NE	NE	25.57
12/24/2018	26.05	1	29	NE	NE	24.89
2/20/2019	26.28	1	30	NE	NE	26.28
5/1/2019	27.41	1	31	NE	NE	27.40
6/9/2019	28.54	1	32	NE	NE	28.54
7/31/2019	29.79	1	33	NE	NE	29.69
10/30/2019	27.29	1	31	NE	NE	27.51
3/2/2020	27.02	1	30	NE	NE	28.56
5/6/2020	23.07	1	27	NE	NE	22.92

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Symbol Key

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Rating Code Key

1	Overweight/Buy	SR	Suspended
2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

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As of: May 28, 2020

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
Gas/Power Infrastructure – Market Overweight

May 27, 2020

NISOURCE

(NI US Equity – $23.32 – Outperform)

Thinkin' of a master plan

- **Planning to mitigate COVID impact, CMA dis-synergies.** We hosted several members of NI's mgmt. team, including CEO Joe Hamrock and CFO Donald Brown, for a virtual meeting today. The punchline was that mgmt. is hopeful to offset impacts from COVID and dis-synergies from the CMA sale when looking out to 2021, with the goal of crafting a plan to still meet the $1.36-1.40 range that was pointed to on the YE19 call. This was encouraging to hear given commentary on the Q1 call less than a month ago where NI was noncommittal on expectations for 2021, which will be the basis for its 5-7% growth thereafter. Our 2021E is at the bottom of that range ($1.36), which assumes some spillover of COVID pressures/dis-synergies that aren't fully offset. We remain Outperform rated with a $26 PT as LT fundamentals remain solid and the plan post-CMA should be a lot easier to execute on.

- **Base scenario = ($0.00-0.10) EPS impact on 2021.** The base scenario that was outlined for 2021 assumes modest customer attrition/load declines, resulting in ($0-25M) of estimated margin reduction. Other potential impacts include incremental bad debts and financing expenses as well as the timing of regulatory activities. Mitigation efforts are underway, namely permanent structural changes and cost reductions catalyzed by the CMA sale. Importantly, lingering impacts stemming from COVID next year will be trued up through rate cases ultimately to where NI should get back on track LT.

- **Signs that sales are beginning to recover.** April sales data showed gas down (4%) and electric down (26%)! NI has started to see improvement off April-lows as C&I customers for both gas/electric (who are most impacted by the autos) have started to ramp back up. On the B/S, NI feels it is in good shape for 2020 as its $100M capex deferral was done largely to buffer cash.

- **Generation strategy.** NI's generation strategy in Indiana will start to piece together this summer as CPCN filings are made at the IURC, with a full update targeted for Q3. All capex will be incremental and result in a step-up in EPS growth in the 2022/2023 timeframe. Financing is TBD but will include equity that could come via a forward or hybrids to minimize any dilutive impacts until the capex is rolled into rates.

- **CMA sale on track.** NI still expects the CMA sale to close in Q3.

Estimates / Valuation				
(US$)	2020E	2021E	2022E	2023E
EPS	$1.30	$1.36	$1.46	$1.57
Consensus	$1.32	$1.39	$1.49	$1.56
P/E	18.0x	17.1x	16.0x	14.9x
Dividend Yield	3.6%	3.9%	4.1%	4.3%

Trading and Fundamental Data	
Price Target	**$ 26**
Current Price	23.32
52-Week Range	$20-$31
Market Cap. (MM)	8,930
Enterprise Value (MM)	19,470
Shares Out. (MM)	382.8
Dividend Yield	3.63%
Dividend Payout Ratio	64%
ROE	6.6%
Debt to Cap	63.2%
Avg. Daily Vol. (000)	2,425

Price Performance	YTD	LTM
NI US Equity	-16%	-18%
Utility Index	-11%	-3%
S&P 500	-6%	7%

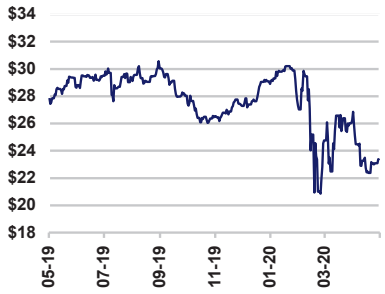

Source: FactSet/Wolfe Research

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WOLFE RESEARCH

NiSource

May 27, 2020

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2020E	2021E	2022E	2023E
EPS	$1.30	$1.36	$1.46	$1.57
Diluted Shares Outstanding	$387	399	409	420
Dividends Per Share	$0.85	$0.90	$0.95	$1.01
Dividend Yield	3.6%	3.9%	4.1%	4.3%
Dividend Payout Ratio	65%	66%	65%	64%
Equity Ratio	39%	39%	40%	40%
FFO/Net Debt	13%	13%	14%	14%
Valuation Metrics				
P/E	18.0x	17.1x	16.0x	14.9x
Price/Book	1.6x	1.5x	1.5x	1.4x
Segment EPS				
Gas Distribution	$1.06	$1.12	$1.20	$1.27
NIPSCO Electric	0.56	0.56	0.57	0.60
Parent & Other	(0.32)	(0.32)	(0.31)	(0.30)
Total EPS	**$1.30**	**$1.36**	**$1.46**	**$1.57**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2020E	2021E	2022E	2023E
Capital Spending by Segment ($M)				
Gas Distribution	$1,261	$1,446	$1,446	$1,396
Electric	472	487	487	847
Parent	25	25	25	25
Total Capex	**$1,758**	**$1,958**	**$1,958**	**$2,268**
Financings ($M)				
Total Equity Issued/(Repurchased)	$298	$298	$298	$298
Total Debt Issued/(Repurchased)	$150	$500	$550	$750

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.5 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland and Massachusetts.

Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $30B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. We see NI as a de-risking story in 2020 with an upward bias on rate base / EPS growth due to renewable investment opportunities at NIPSCO electric.

Valuation

Our $26 price target is derived using a P/E multiple of 17.5x on our 2022E. This reflects a full-turn premium for NI's electric utility and an average for its gas LDCs. Risks for NiSource are 1) bad regulatory outcomes and 2) pipeline safety incidents. Upsides are 1) additional growth projects and 2) customer growth

Exhibit 3. 2022E EPS by Segment

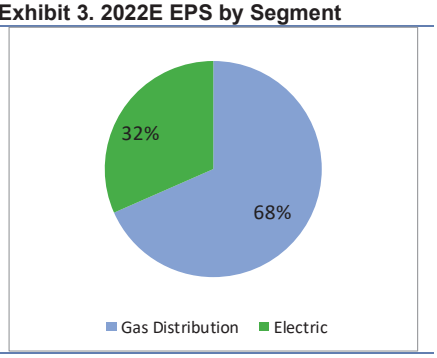

Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart

Source: FactSet

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WOLFE RESEARCH

NiSource

May 27, 2020

Investment Conclusion

We are Outperform rated on NiSource. The company's $30B capital investment backlog should drive its 5-7% annual earnings target over the long term. Most of the NI's annual capex (~80%) is recovered with minimal lag via tracking mechanisms and the company has built a constructive track record with most of its state regulators. Post the CMA sale, we believe the company's plan is a lot easier to execute on. Incremental capex is on the horizon from renewable opportunities in Indiana, which will provide a step-up in EPS growth in the 2022/2023 timeframe. NI's generation strategy in Indiana should start to come together over the summer, with a full update targeted for its 3Q20 call. The dramatic shift toward renewables and fact that NI will be coal-free by 2028 is also helpful from an ESG perspective. We see exiting MA as a turning point that should allow NI to re-rate closer to its historic 5-10% premium over time as it proves out its ability to execute going forward.

Exhibit 5: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2020E	P/E 2021E	P/E 2022E	P/E 2023E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$47.33	250	$11,809	19.7x	18.5x	17.6x	16.7x	3.2%	7.0%	63%	2.1x	47%
Ameren	AEE	70.51	247	17,408	20.5x	18.9x	17.6x	16.7x	2.9%	4.0%	60%	2.2x	44%
American Electric	AEP	81.44	496	40,360	19.2x	17.6x	16.5x	15.6x	3.4%	4.5%	66%	2.0x	37%
Avangrid	AGR	42.90	309	13,256	19.0x	17.2x	15.9x	N/A	4.2%	2.5%	80%	0.9x	65%
CMS Energy	CMS	55.97	286	16,020	21.6x	19.7x	18.3x	17.0x	2.9%	6.5%	63%	3.1x	27%
Con Edison	ED	71.25	334	23,805	16.8x	15.6x	15.0x	14.4x	4.3%	3.5%	72%	1.3x	44%
Duke Energy	DUK	83.72	735	61,522	16.1x	15.3x	14.7x	14.0x	4.6%	2.0%	74%	1.4x	42%
Edison International	EIX	57.05	378	21,562	12.8x	12.3x	11.6x	10.9x	4.3%	0.2%	56%	1.6x	38%
Entergy	ETR	99.47	200	19,910	18.0x	16.8x	15.9x	N/A	3.8%	2.2%	69%	1.9x	33%
Evergy	EVRG	60.93	227	13,815	20.2x	18.8x	18.1x	17.2x	3.4%	6.2%	68%	1.6x	45%
Eversource Energy	ES	77.47	336	26,064	21.1x	19.9x	18.8x	17.9x	2.9%	6.1%	62%	2.0x	46%
FirstEnergy	FE	41.36	542	22,407	16.7x	15.7x	15.0x	14.2x	3.8%	2.6%	63%	3.3x	24%
Fortis*	FTS	52.05	464	24,167	20.3x	18.3x	17.2x	16.4x	3.7%	6.0%	75%	1.3x	44%
NiSource	NI	23.32	383	8,927	18.0x	17.1x	16.0x	14.9x	3.6%	6.0%	65%	1.9x	40%
PG&E	PCG	10.93	530	5,791	6.9x	10.8x	9.5x	N/A	0.0%	N/A	0%	1.1x	57%
Pinnacle West	PNW	75.50	112	8,493	15.7x	15.0x	14.5x	13.6x	4.2%	6.0%	66%	1.6x	47%
Portland General	POR	44.76	89	4,006	18.7x	17.2x	16.1x	15.8x	3.4%	1.5%	64%	1.5x	49%
PPL Corp.	PPL	26.74	769	20,557	11.4x	10.9x	9.9x	N/A	6.2%	0.6%	71%	1.6x	36%
Southern Company	SO	55.01	1,056	58,088	17.4x	16.6x	15.4x	14.2x	4.7%	3.2%	81%	2.1x	36%
WEC Energy Group	WEC	85.90	315	27,096	23.0x	21.6x	20.2x	18.9x	2.9%	7.2%	68%	2.6x	45%
Xcel Energy	XEL	61.73	525	32,410	22.2x	20.9x	19.7x	18.7x	2.8%	6.2%	62%	2.4x	39%
Average					**17.9x**	**16.9x**	**15.9x**	**15.7x**	**3.6%**	**4.2%**	**64%**	**1.9x**	**42%**
Average (ex EIX, PCG, PPL)					**19.1x**	**17.8x**	**16.8x**	**16.0x**	**3.6%**	**4.6%**	**68%**	**2.0x**	**42%**

Source: Wolfe Research, FactSet

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Exhibit 6: NI vs the Regulated Average

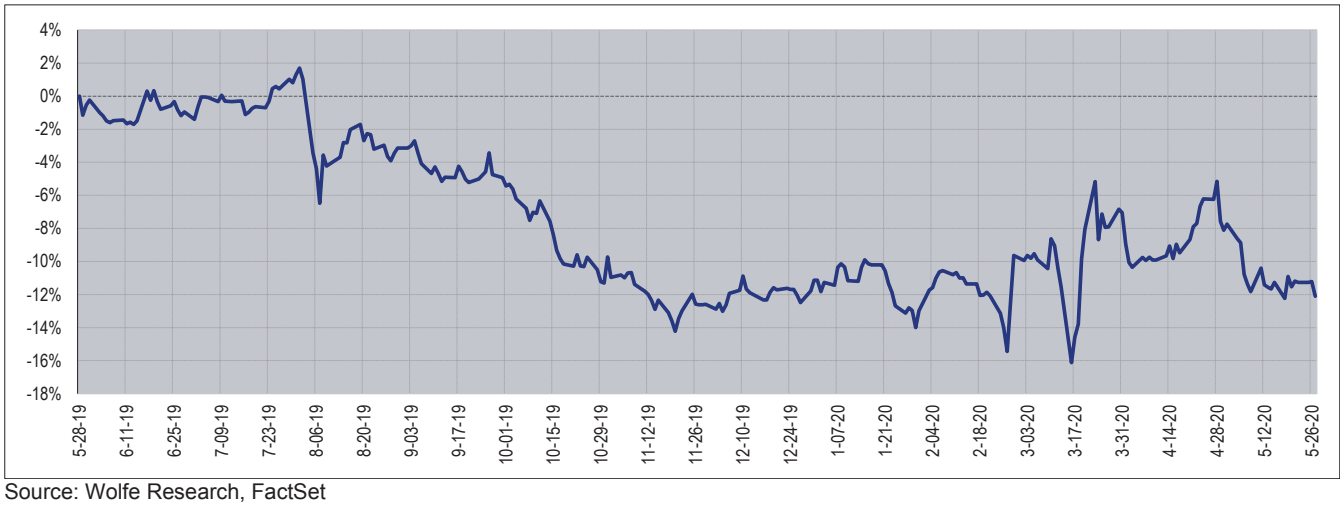

Source: Wolfe Research, FactSet

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WOLFE RESEARCH

NiSource

May 27, 2020

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Company:	Fundamental Valuation Methodology:
NI US Equity	Forward P/E

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WOLFE RESEARCH

NiSource

May 27, 2020

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FLASH NOTE

May 27, 2020

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NI – Management Meetings; Impacts Defined, Increased Visibility Should Quell Investor Concerns; Price Action Overreaction

Key Message: COVID impact manageable, conservative messaging builds buffer and contingencies; Mgmt. sees opportunities to pull incremental levers while 2021 EPS guidance should be in "proximity" with the prior 2020 EPS guidance range (i.e. $1.38 guidance midpoint vs. Guggenheim at $1.37) with potential to come in stronger with incremental levers and/or COVID backdrop coming in better than Mgmt's. conservative assumptions. Post 2021, we continue to model (and the message today reinforced this notion) ~6-7% EPS growth off our 2021 base EPS estimate of $1.37 – growth drivers will include generation spend in Indiana, rate cases, further cost measure etc.

Main Takeaway: Ahead of our client hosted Mgmt. meetings with CEO, CFO and others at NiSource held early AM today, the company released updated slides detailing and quantifying the impact of COVID and the offsetting mitigation measures – providing clarity we were hoping to receive on the Q1. Mitigation efforts include O&M reductions and regulatory deferral for incremental COVID expenses and bad debt expense. **Key point – Mgmt. in good spot to provide 2021 EPS guidance in Q3 that should be close to flattish versus the prior pulled 2020 guidance range of ~$1.38 (midpoint) following the CMA sale announcement.** Further, Mgmt. **sees supplementary opportunities to pull additional mitigation levers that could potentially put '21 EPS guidance slightly ahead of '20's prior pulled guide.** In our view, investor concerns surrounding the 2021 impact are overstated (shares have underperformed UTY by ~100-150bps throughout the trading day) as Mgmt. has taken a conservative bend, managing expectations and messaging and creating contingencies should they need to be realized. **No change to our estimates through our '23 trajectory as today's message reconfirmed our thesis**. Potential catalysts: Q2 update around generation spending plan in IN and Q3 updated CapEx, growth trajectory through '24 off of the new 2021 EPS midpoint, 2021 EPS guidance range as well as new financing needs.

Improved visibility – flat EPS in 2021 from initial 2020 guidance back in view despite conservative bend taken on COVID impact. Mgmt. released slides (HERE) and further detailed on our client hosted calls (8am and 9am) volume and expense impacts from COVID and strong mitigation factors including O&M reductions and regulatory mechanisms for 2020/2021. Overall, mgmt. expects ($0.00-$0.10) of EPS impacts in 2020 and 2021 **but '21 could come in better if NI is able to utilize incremental mitigation levers which they are currently assessing – i.e. "flat-to-better" '21 language presented at the YE call could still stand.** While some investors are apprehensive on the 2021 impact, **we feel the concerns are unfounded as mgmt. is taking a very conservative bend on sales and bad debt expense** - i.e. the estimated impact assumes gradual mean reversion to normal loads in 1H21 compared to other utilities that are assuming recovery to normal loads in 4Q20. Volumes have already started to rebound from April lows with industrial customers in the Midwest, specifically the auto industry, beginning to reopen. Mgmt., quantified mitigation measures including O&M reductions and regulatory approvals/actions. More specifically on the bad debt expense side, NI has received regulatory deferrals/recovery of COVID related expenses and bad debt above normal levels in MD, PA, and VA while working with other commissions to receive similar treatments. **The current plan does not include any regulatory treatment for the incremental expenses in IN and OH which is further potential upside.** Mgmt. noted increased bad debt expense could impact 2021 EPS by ($0.05), but we feel confident that NI will receive the mechanisms to offset the impact. **We expect the maximum downside on 2021 EPS to be ~ ($0.05) from the initial 2020 guidance of $1.36-$1.40 IF incremental levers are not able to be utilized.** Mgmt. will provide updates on expected impact throughout the year and the range will likely tighten over time. **Given mgmt's conservative stance on 2021 and the potential for incremental**

NI BUY

NiSource Inc.
Sector: Power, Utilities & Alternative Energy

Company Update

Share Price	$23.39

Market Data

52-Week Range	$19.56 - $30.67
Dividend	$0.86
Dividend Yield	3.7%
Market Cap (M)	$8,954
Enterprise Value (M)	$21,092
Shares Out (M)	382.8
ADV (3 mo; 000)	4,246

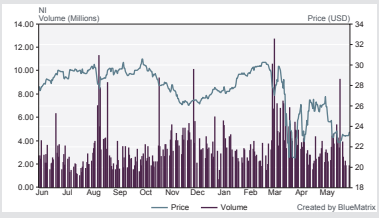

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levers, we continue to model 2021 EPS of $1.37 and 5-7% LT EPS CAGR off a 2021 base (2022/23 EPS of $1.47/$1.57).

Mitigation efforts are extensive with a mix of perpetual and ST O&M reductions. Mgmt. quantified mitigation measures of $0.10 - $0.15 in 2020 and $0.05 - $0.10 in 2021. Employee and administrative expenses and the deferral of some non-essential field work make up the bulk of the cost cutting. **The mix of O&M reductions will be more short-term in 2020 and permanent in 2021.** Like we have seen with other utilities, NI has a better view on prioritization of work allowing crews to work more effectively, efficiently, and productively as a result of the pandemic. Cuts to offset the dis-synergies related to the sale of CMA will happen regardless of volume trends. Direct costs related to CMA will be eliminated while more structural items from shared services across the company will be addressed in 2021. **Mgmt. is still identifying incremental levers but is focused on stepping through the regulatory items and managing expenses.**

Core business investment remains strong despite lowering at 1Q call – renewable investment opportunities are robust. The core capital plan remains strong with modernization trackers and other mechanisms to support investment; renewable additions represent incremental capex. As a reminder, NI lowered its expected 2020 capital spend by $100M at the 1Q call to shore up cash flow due to the pandemic. **Discussions with parties on the RFP in IN are ongoing with 50/50 owned and PPA still expected and upside to their CapEx guidance which Mgmt. will update during the all-important Q3 earnings call.** Mgmt. noted owning projects is competitive because of their high credit quality. The tax equity market remains healthy from mgmt.'s view. NI expects to file CPCNs in the summer, and we continue to look for an extensive update on the investment opportunity on the 3Q call. There has not been an impact on the 2021 IRP from the virus. Investment in renewables drives the outlook for 2022 and beyond.

Limited capital market needs for 2020 outside of ATM equity – thinking long-term, incremental renewable investments will be financed with a mix of debt and equity while still supporting the 5-7% growth trajectory. NI still expects to issue $200M-$300M in ATM equity in 2020 to support core investments. As a reminder, NI pulled forward a debt issuance in 1Q to help shore up liquidity and does not expect substantial debt financing for the remainder of 2020. **Renewable investment stemming from the RFP will be financed with a mix of debt and equity that will maintain credit metrics and support the current 5-7% growth trajectory.** Mgmt. expects to roll out an updated financing plan along with the investment opportunity on the 3Q call which will also come with an extended growth rate likely through '23/'24 as well as a formal '21 EPS guidance range.

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Valuation: We apply an 18x multiple on the electric utility and 21x multiple on the gas LDCs. We arrive at our valuation utilizing a sum-of-the parts analysis, based on: (1) ~$10/share for the regulated electric utility; (2) ~$20/share value for the regulated gas segment given the limited spread from LDCs after recent market volatility; and (3) (~$-3)/share for other adjustments for Corp and Other. We use this sum of the parts to arrive at our $27 valuation.

Risk: The primary risk on the regulated utility encompass the traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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ENERGY & POWER

NISOURCE INC. **May 27, 2020**

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Rating and Price Target History for: NiSource Inc. (NI) as of 05-26-2020

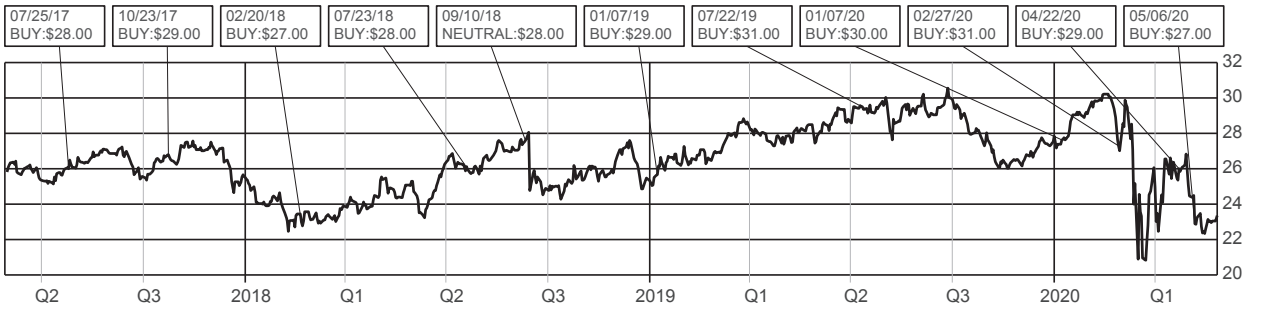

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Reducing estimates slightly: Lag & rate case timing

Following our fireside chat last week with mgmt., we adjust our ests to reflect expanded COVID impacts into '21, cont'd lag into '22 based on rate case timing (i.e. a protracted period of underearning) and a jump in '24 when NIPSCO BOT renewables are brought into ratebase fully. NI continued to provide a 0-10c range of impacts for '20 and '21, as uncertainties still lie in sales and what exactly economic recovery will look like. Without a '20 guide, we specifically drop our '21 est to $1.35/sh, which assumes NI is subject to the midpoint of its anticipated '21 impact (i.e. -5c) off of an initially predicted $1.40/sh (the top end of the co's $1.36-1.40/sh guidance floor that was put into effect after the CMA sale was announced). Even though this is a downward adjustment of -1c from our prior est, we see NI as one of the first to share foresight into '21 impacts, and we expect more peers to follow suit in the coming months. We also tweak down '22 ests -1c to account for anticipated lag. Our estimates are now towards the low end of the previously updated 5-7% EPS CAGR guidance off '21 earnings (we'd expect this means off the $1.36-1.40/sh floor) for '22, but then start to recover towards the high end in '23 as NIPSCO renewables are completed by mid-year '23 and fully reflected in rates in '24. Our '24 est peaks at high end of EPS CAGR targets as such. We MtM the peer mult to 17.3x gas / 16.9x electric (17.8x / 17.2x before) driving $27/sh PO. Reiterate Neutral after earlier downgrade (here). *We see NI as among the first companies to formalize views on '21 & has both wider range and raises more concern on under-earnings.*

Indiana: Balancing rate casing timing with renewables

Our ests fully bake in what portion of the NIPSCO RFPs we expect NI can own via BOT, and the dilution we anticipate NI will need to endure for equity financing. We expect NI and partners are awarded half of the RFPs, and that tax equity would own 50% of wind projects (30% of solar) until flips at year 7-10. This means in '23, we'd expect NI to own 276MW wind and 805MW solar with '24 having the first full yr of impact. Net income would be based on a 50% equity ratio and 9.75% ROE, and equity financing needing ~21 incremental shares. While NI will likely encounter costs from COVID and bad debt, we still expect the rate case isn't filed until YE23 when the BOT projects are brought in.

Estimates (Dec)

(US$)	2018A	2019A	2020E	2021E	2022E
EPS	1.30	1.32	1.28	1.35	1.46
GAAP EPS	1.30	1.32	1.28	1.35	1.46
EPS Change (YoY)	7.4%	1.5%	-3.0%	5.5%	8.1%
Consensus EPS (Bloomberg)			1.32	1.38	1.48
DPS	0.79	0.83	0.88	0.94	0.99

Valuation (Dec)

	2018A	2019A	2020E	2021E	2022E
P/E	18.3x	18.1x	18.6x	17.7x	16.3x
GAAP P/E	18.3x	18.1x	18.6x	17.7x	16.3x
Dividend Yield	3.3%	3.5%	3.7%	3.9%	4.2%
EV / EBITDA*	15.7x	13.6x	13.3x	12.5x	11.7x
Free Cash Flow Yield*	-14.0%	-2.4%	-7.6%	-6.6%	-5.6%

* For full definitions of *IQmethod*℠ measures, see page 9.

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01 June 2020

Equity

Key Changes

(US$)	Previous	Current
2020E EPS	1.29	1.28
2021E EPS	1.36	1.35
2022E EPS	1.47	1.46
2020E EBITDA (m)	1,813.2	1,804.7
2021E EBITDA (m)	1,936.3	1,927.0
2022E EBITDA (m)	2,064.2	2,059.8

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BofAS

Stock Data

Price	23.83 USD
Price Objective	27.00 USD
Date Established	30-Apr-2020
Investment Opinion	B-2-7
52-Week Range	19.56 USD - 30.67 USD
Mrkt Val (mn) / Shares Out (mn)	9,122 USD / 382.8
Average Daily Value (mn)	82.93 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.1%
Net Dbt to Eqty (Dec-2019A)	158.6%

NIPSCO: Northern Indiana Public Service Co
BOT: Build Own Transfer
CMA: Columbia Gas of Massachusetts

iQprofile℠ NiSource Inc

*iQ*method℠ – Bus Performance*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Return on Capital Employed	3.9%	4.3%	4.0%	4.2%	4.3%
Return on Equity	10.1%	9.9%	9.1%	9.1%	9.5%
Operating Margin	18.3%	20.2%	19.8%	20.7%	21.5%
Free Cash Flow	(1,278)	(219)	(693)	(602)	(513)

*iQ*method℠ – Quality of Earnings*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash Realization Ratio	1.2x	3.2x	2.4x	2.4x	2.3x
Asset Replacement Ratio	3.0x	2.5x	2.5x	2.4x	2.2x
Tax Rate	19.7%	17.1%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	156.7%	158.6%	143.4%	143.6%	142.6%
Interest Cover	2.6x	2.8x	2.8x	2.8x	3.0x

Income Statement Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Sales	5,084	5,184	5,360	5,537	5,726
% Change	4.3%	2.0%	3.4%	3.3%	3.4%
Gross Profit	3,325	3,649	3,772	3,925	4,090
% Change	-0.9%	9.8%	3.4%	4.1%	4.2%
EBITDA	1,531	1,764	1,805	1,927	2,060
% Change	3.4%	15.2%	2.3%	6.8%	6.9%
Net Interest & Other Income	(335)	(384)	(379)	(408)	(415)
Net Income (Adjusted)	463	495	487	527	592
% Change	16.6%	6.8%	-1.6%	8.4%	12.3%

Free Cash Flow Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Net Income from Cont Operations (GAAP)	463	495	487	527	592
Depreciation & Amortization	600	717	742	783	827
Change in Working Capital	110	(75)	(186)	(186)	(186)
Deferred Taxation Charge	(188)	118	115	124	103
Other Adjustments, Net	(445)	328	0	0	0
Capital Expenditure	(1,818)	(1,802)	(1,850)	(1,850)	(1,850)
Free Cash Flow	-1,278	-219	-693	-602	-513
% Change	-34.0%	82.9%	-216.2%	13.2%	14.6%

Balance Sheet Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash & Equivalents	121	148	165	181	197
Trade Receivables	1,147	905	1,092	1,278	1,464
Other Current Assets	787	800	800	800	800
Property, Plant & Equipment	15,543	16,912	17,020	18,087	19,109
Other Non-Current Assets	4,206	3,894	3,894	3,894	3,894
Total Assets	21,804	22,660	22,970	24,239	25,464
Short-Term Debt	2,027	1,787	2,205	2,367	2,516
Other Current Liabilities	2,010	1,959	1,959	1,959	1,959
Long-Term Debt	7,105	7,856	7,186	7,713	8,199
Other Non-Current Liabilities	4,911	5,071	5,186	5,310	5,413
Total Liabilities	16,053	16,673	16,537	17,348	18,088
Total Equity	5,751	5,987	6,433	6,891	7,376
Total Equity & Liabilities	21,804	22,660	22,970	24,239	25,464

* For full definitions of *iQ*method℠ measures, see page 9.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

NI's positives include 5-7% earnings/dividend growth via $30bn of infrastructure investments over the next 20+ years and fully regulated subsidiaries. We have factored in resolution of overhang from the MA incident as the company will likely sell 3Q. However, NI has C&I demand risk from COVID, which will be difficult to offset with O&M cuts due to promises already around cost cuts to balance CMA sale. We see shares valued appropriately and rate Neutral.

Stock Data

Average Daily Volume	3,480,172

Quarterly Earnings Estimates

	2019	2020
Q1	0.82A	0.74E
Q2	0.05A	0.79E
Q3	0A	0.01E
Q4	0.45A	-0.12E

Rate case timing

We focused on rate case updates in key states of OH, IN, and PA since these jurisdictions represent 80% of the gas biz and 100% of the electric biz (i.e. in NIPSCO). As anticipated, NiSource will have to will have to come in for an Ohio case next year, and in PA, the company is roughly in nearly every year. This leaves Indiana as key, where NIPSCO will likely time its rate case with electric – important as the company will have expanded rate base through its two request for proposals (RFPs) to replace retiring coal. These projects will likely commission between end of '22 to mid-year '23, and as such, we'd expect an Indiana rate proceeding by the end of '23.

Particularly with Indiana, we'd expect Covid pressures leave the company subject to some underearning from now through a potential rate case filed in '23. As such, we'd expect these pressures to normalized out over time with future rate cases. We adjust our anticipated earned ROEs and estimates to reflect this, as seen in the ROE table below. *The question is can mgmt continue to see improving earned ROE trends in '22, or will both '22 & '23 prove pronounced without a rate case in NIPSCo. We perceive downside bias to both years in our ests.*

Improving trends in earned ROEs is likely to feature prominently in any re-based overall EPS CAGR on its outlook.

Table 1: BofA estimated earned ROEs

Earned ROEs	Authorized	2020E	2021E	2022E	2023E	2024E	2025E
Gas Utilities							
Columbia Gas of OH	10.39%	9.89%	9.89%	9.89%	10.14%	10.14%	10.14%
Columbia Gas of PA	10.00%	8.75%	8.75%	9.25%	9.50%	9.75%	9.75%
NIPSCO Gas	9.85%	8.60%	8.60%	8.85%	8.85%	9.60%	9.60%
Columbia Gas of MA	9.55%	1.05%					
Columbia Gas of VA	10.00%	9.25%	9.25%	9.50%	9.50%	9.50%	9.50%
Columbia Gas of KY	9.50%	8.25%	8.25%	8.75%	9.00%	9.25%	9.25%
Columbia Gas of MD	9.70%	8.95%	8.95%	9.45%	9.45%	9.45%	9.45%
Electric Utilities							
NIPSCO Electric	9.75%	8.75%	8.75%	9.15%	9.15%	9.75%	9.75%

Source: BofA Global Research estimates, company report

RFP 2: Tweaking our assumptions

We include our build own transfer (BOT) assumptions for NI below, factoring in both RFPs 1 and 2. Recall NI has two wind projects already approved from the first RFO (100MW Rosewater and 302MW Crossroads). In the second 2.6GW round (with 300MW slated to be wind and 1.3GW solar), we assume NI and partners will win half through BOTs and the other half through power purchase agreements (PPAs). The purchase of the projects will happen upon completion ('22-'23) with a rate case likely thereafter – meaning that in '24, NI would see the full impact of rates in place.

On the call, mgmt. noted that for wind, funding level for BOT projects will be 50% from NI and 50% from a tax equity partner. However, for solar, this would be 70% from NI and 30% tax equity. For the equity to debt break down for the project investment, we assume a leverage multiple of 6.7x. Finally, we'd anticipate NI's implied net income off of the project would correspond with its NIPSCO equity layer and ROE.

We adjust below based off these assumptions, but note that clarity around true ownership potential will come out this summer – around when we expect the first series of CPCNs (certificates of public convenience and necessity) to be filed for some for the projects. A fuller view on long-term capex and rate case plans through '24 will likely be updated on the 3Q call.

Table 2: NIPSCO Renewables rate Base

	2020	2021	2022	2023	2024	2025
Ratebase (YE)	5,789	6,167	6,522	6,852	7,157	7,435
Beginning Ratebase Additions	0	-50	-100	-150	1,204	1,146
Wind Capex	0	0	0	439	0	0
Wind Depreciation (25 yrs)	0	0	0	-18	-18	-18
Solar Capex	0	0	0	1,024	0	0
Solar Depreciation (25 yrs)	0	0	0	-41	-41	-41
Increase in Depreciation coming off from last ratecase	-50	-50	-50	-50	0	0
Ending Ratebase Additions	-50	-100	-150	1,204	1,146	1,087
Average Ratebase Additions	-25	-75	-125	527	1,175	1,117
New Ending Ratebase	5,739	6,067	6,372	8,056	8,303	8,522
New Average Ratebase	5,583	5,928	6,269	7,289	7,577	7,840
Implied Net Income (50% Equity, 9.975% ROE)	-1	-4	-6	26	57	54
BofA Global Research Model Implied NI for NIPSCO Electric	234	247	272	322	384	395
Shares (Incremental shares baked in)	381	392	407	423	450	460
Incremental shares				21.6	21.6	21.6
Implied EPS impact (net of dilution)	$0.00	-$0.01	-$0.01	-$0.02	$0.09	$0.08
BofA Global Research Model Implied EPS for NIPSCO Electric	$0.61	$0.63	$0.67	$0.76	$0.85	$0.86

Total Earnings Power (NI)	71	
D&A	59	
FFO	130	
		Ratio
Total Debt	865	59.2% Debt
Total Equity	597	40.8% Equity
Project Investment	1,463	
Assumptions (note TE owns 30-50% until flip at yr 7-10 when NI would then own 100%)		
Wind BOT Capacity (MW)	276	
Existing Awards	201	
New RFP 2 Awards in BOT form	75	
Wind ($1,500/kW implied) + 6% buy-out premium	439	
Solar BOT Capacity (MW) = From RFP 2, some w/ storage	805	
Solar ($1,200/kW implied) + 6% buy-out premium	1024	
Total Capacity	1,081	
Total Capex	1,463	
Equity Ratio	50%	
ROE	9.750%	
Leverage Multiple (Maintain 15%)	6.7x	
Share Price	$27.67	
Incremental Shares (Factored in on Consolidated)	21.6	

Source: BofA Global Research estimates

More details on '21 outlook updated

While mgmt had already announced mitigation efforts to offset the loss of the MA biz largely, the company updated its drivers for the year noting up to 10c Covid-related impacts, offset by incremental cost savings. We continue to expect that NI load recovery is well under way and seemingly ahead of earlier plan. The 10c impact of Covid impacts appear half from load degradation (permanent/long ramp in C&I) as well as incremental expenses (reconnection fees, Covid-related mitigation costs). We see the mitigation efforts as not entirely different from the existing mitigation efforts already under way to offset loss of earnings from MA biz sale (principally dis-synergies from allocated SG&A). The critical point is that Covid pressures are entirely under-earning related and should normalize out over time with future rate cases (this is not any reduction in '21 capex for instance after a slight earlier tweak to '20).

We note this is the first '21 update across the sector to provide an update on load expectations and cost reductions. We also expect this load update on '21 to kickstart further moderation of EPS ests into next year across the sector. We expect companies

to continue to talk up the ongoing recovery in load in forthcoming meetings. As for 2020, NI has still not provided EPS guidance (Recall they pulled it when MASS Sale to ES Was announced).

Estimates

Below we tweak our estimates to reflect updates made to underearning expectations at NIPSCO until a rate case filing is made as well as the updates made to the renewables ownership potential that largely kicks in in '24. While the company sees clear pressure in the next two to three years, we expect in the long-run it returns to its 5-7% EPS CAGR.

Table 3: BofA NI EPS Estimates: below Street on both '21 and '22 with some risk s to both still in our view as load appears to be cautious still

NI EPS Estimates		2020E	2021E	2022E	2023E	2024E	2025E
Gas		0.99	1.03	1.09	1.14	1.16	1.20
Electric		0.61	0.63	0.67	0.75	0.85	0.86
Parent/Other		-0.32	-0.31	-0.30	-0.29	-0.27	-0.27
BofA EPS		1.28	1.35	1.46	1.60	1.74	1.79
Previous EPS		1.29	1.36	1.47	1.60	1.74	1.78
Guidance			Floor: 1.36-1.40				
Consensus		1.32	1.38	1.48	1.57	1.66	
Consensus '19-'23 CAGR	4.9%						
BofA CAGR '19-'23 CAGR	5.1%						
Consensus '20-'24 CAGR	5.9%						
BofA CAGR '20-'24 CAGR	8.1%						
(Prev) 5%-7% CAGR EPS off '19 guidance range	High End	1.42	1.52	1.63	1.74	1.87	2.00
	Mid-Point	1.38	1.46	1.55	1.64	1.74	1.85
	Low End	1.33	1.40	1.47	1.54	1.62	1.70
5%-7% CAGR EPS off prior '21 guidance range	High End		1.40	1.50	1.60	1.72	1.84
	Mid-Point		1.38	1.46	1.55	1.64	1.74
	Low End		1.36	1.43	1.50	1.57	1.65
BofA DPS		0.88	0.94	0.99	1.05	1.12	1.18
BofA CAGR 2017-2021	6.6%						
Guidance							
5%-7% CAGR DPS guidance	High End	0.86	0.92	0.98	1.05		
	Mid-Point	0.83	0.88	0.94	0.99		
	Low End	0.81	0.85	0.89	0.94		
Share Count		381	392	407	423	450	460

Source: BofA Global Research estimates, company report, Bloomberg

Valuation

Below, we find the same PO of $27/sh and we maintain our Neutral rating. Note this reflects the latest peer multiple of 17.3x for gas and 16.9x for electric. Our premiums awarded stay the same per subsidiary. Total return is at 17% using current multiples as it would appear Street has lost confidence in mgmt's ability to temper Covid impacts. We appreciate the series of rate cases in OH & PA, but much more critically uncertainty on timeline to resolve lag and/or level of leg in '22 (or even depth of under-earning possible) as enabling outsized discount vs peers. We perceive better upside than downside at current valuation levels although degree of uncertainty holds us back.

Table 4: NI SOTP Valuation

NI SOP Valuation									
	Metric		P/E Multiple						
	2022E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas	-	-	17.3x	-	-	-	-	-	-
Group EPS '18-'22 CAGR - Gas	-	-	5.10%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Gas Utilities		-	18.2x	-	-	-	-	-	-
Columbia Gas of OH	$0.51	17.7x	18.2x	0.5x	18.7x	19.7x	$8.94	$9.45	$9.96
Columbia Gas of PA	$0.25	17.2x	18.2x	0.0x	18.2x	19.2x	$4.27	$4.52	$4.77
NIPSCO Gas	$0.20	17.2x	18.2x	0.0x	18.2x	19.2x	$3.43	$3.63	$3.83
Columbia Gas of VA	$0.08	17.7x	18.2x	0.5x	18.7x	19.7x	$1.37	$1.44	$1.52
Columbia Gas of KY	$0.04	17.2x	18.2x	0.0x	18.2x	19.2x	$0.73	$0.77	$0.81
Columbia Gas of MD	$0.02	17.7x	18.2x	0.5x	18.7x	19.7x	$0.31	$0.33	$0.35
Group Peer Multiple - Electric			16.9x						
Group EPS '18-'22 CAGR - Electric			5.00%						
Electric Utilities			17.7x						
NIPSCO Electric	$0.67	17.7x	17.7x	1.0x	18.7x	19.7x	$11.87	$12.54	$13.21
Total Utility	$1.76	*17.6x*			*18.6x*	*19.6x*	$30.92	$32.68	$34.44
-Parent EPS Drag (ex-Interest Expense)	-$0.09	17.6x	0.0x		18.2x	19.2x	-$1.58	-$1.63	-$1.72
Total EPS *(incl. debt drag)*	$1.46								
Midpoint of 5-7% EPS	*$1.46*								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out Debt)				-$2,000	50%		-$1,000	-$1,000	-$1,000
(50% P/E multiple on Interest Exp)				5.5%	50%		-$763	-$807	-$850
Grand Total Equity Value							$25.01	$26.61	$28.17
Shares Outstanding 2022E								407	
Total Equity Value							$25.00	$27.00	$28.00

Source: BofA Global Research estimates, company report, Bloomberg

Price objective basis & risk

NiSource Inc (NI)
Our $27 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples of 17.8x for gas utilities and 17.2x for electric utilities with an inline mult for gas utilities with just weather normalization, a 0.5x prem for gas utes with revenue normalization (prev 0x), and a 1.0x premium for the electric utility's strong growth rates (we factor in BOT in '24 EPS) but acknowledgement of industrial risk (prev 2x). We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Atlantica Yield	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Vivint Solar	VSLR	VSLR US	Julien Dumoulin-Smith
NEUTRAL				
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Richard Ciciarelli, CFA
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	South Jersey Industries	SJI	SJI US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RSTR				
	El Paso Electric Company	EE	EE US	Julien Dumoulin-Smith

iQmethod℠ **Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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Disclosures

Important Disclosures

NiSource Inc (NI) Price Chart

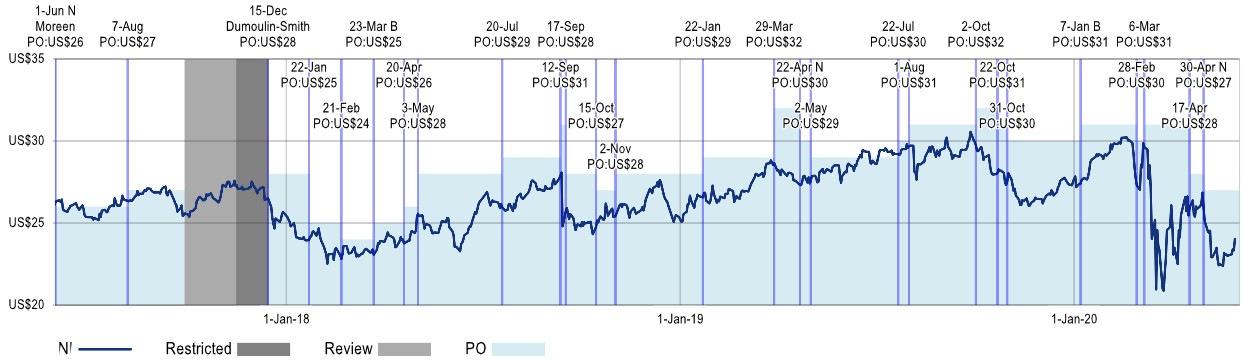

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	63	39.13%	Buy	51	80.95%
Hold	51	31.68%	Hold	35	68.63%
Sell	47	29.19%	Sell	26	55.32%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	72	50.35%	Buy	51	70.83%
Hold	38	26.57%	Hold	28	73.68%
Sell	33	23.08%	Sell	24	72.73%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1602	52.15%	Buy	1005	62.73%
Hold	713	23.21%	Hold	463	64.94%
Sell	757	24.64%	Sell	382	50.46%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

***INCOME RATINGS*, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend.** *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price charts for the securities referenced in this research report are available at https://pricecharts.baml.com, or call 1-800-MERRILL to have them mailed.
BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: NiSource Inc.
BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: NiSource Inc.
The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: NiSource Inc.
BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: NiSource Inc.
The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: NiSource Inc.
BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: NiSource Inc.
BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: NiSource Inc.
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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
Gas/Power Infrastructure – Market Overweight

May 27, 2020

NISOURCE

(NI US Equity – $23.32 – Outperform)

Thinkin' of a master plan

- **Planning to mitigate COVID impact, CMA dis-synergies.** We hosted several members of NI's mgmt. team, including CEO Joe Hamrock and CFO Donald Brown, for a virtual meeting today. The punchline was that mgmt. is hopeful to offset impacts from COVID and dis-synergies from the CMA sale when looking out to 2021, with the goal of crafting a plan to still meet the $1.36-1.40 range that was pointed to on the YE19 call. This was encouraging to hear given commentary on the Q1 call less than a month ago where NI was noncommittal on expectations for 2021, which will be the basis for its 5-7% growth thereafter. Our 2021E is at the bottom of that range ($1.36), which assumes some spillover of COVID pressures/dis-synergies that aren't fully offset. We remain Outperform rated with a $26 PT as LT fundamentals remain solid and the plan post-CMA should be a lot easier to execute on.
- **Base scenario = ($0.00-0.10) EPS impact on 2021.** The base scenario that was outlined for 2021 assumes modest customer attrition/load declines, resulting in ($0-25M) of estimated margin reduction. Other potential impacts include incremental bad debts and financing expenses as well as the timing of regulatory activities. Mitigation efforts are underway, namely permanent structural changes and cost reductions catalyzed by the CMA sale. Importantly, lingering impacts stemming from COVID next year will be trued up through rate cases ultimately to where NI should get back on track LT.
- **Signs that sales are beginning to recover.** April sales data showed gas down (4%) and electric down (26%)! NI has started to see improvement off April-lows as C&I customers for both gas/electric (who are most impacted by the autos) have started to ramp back up. On the B/S, NI feels it is in good shape for 2020 as its $100M capex deferral was done largely to buffer cash.
- **Generation strategy.** NI's generation strategy in Indiana will start to piece together this summer as CPCN filings are made at the IURC, with a full update targeted for Q3. All capex will be incremental and result in a step-up in EPS growth in the 2022/2023 timeframe. Financing is TBD but will include equity that could come via a forward or hybrids to minimize any dilutive impacts until the capex is rolled into rates.
- **CMA sale on track.** NI still expects the CMA sale to close in Q3.

Estimates / Valuation				
(US$)	2020E	2021E	2022E	2023E
EPS	$1.30	$1.36	$1.46	$1.57
Consensus	$1.32	$1.39	$1.49	$1.56
P/E	18.0x	17.1x	16.0x	14.9x
Dividend Yield	3.6%	3.9%	4.1%	4.3%

Trading and Fundamental Data	
Price Target	**$ 26**
Current Price	23.32
52-Week Range	$20-$31
Market Cap. (MM)	8,930
Enterprise Value (MM)	19,470
Shares Out. (MM)	382.8
Dividend Yield	3.63%
Dividend Payout Ratio	64%
ROE	6.6%
Debt to Cap	63.2%
Avg. Daily Vol. (000)	2,425

Price Performance	YTD	LTM
NI US Equity	-16%	-18%
Utility Index	-11%	-3%
S&P 500	-6%	7%

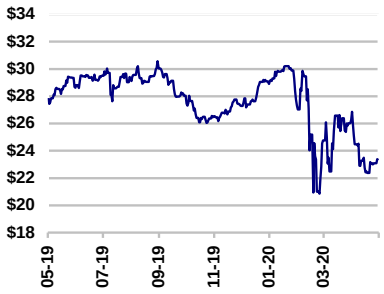

Source: FactSet/Wolfe Research

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WOLFE RESEARCH

NiSource

May 27, 2020

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2020E	2021E	2022E	2023E
EPS	$1.30	$1.36	$1.46	$1.57
Diluted Shares Outstanding	$387	399	409	420
Dividends Per Share	$0.85	$0.90	$0.95	$1.01
Dividend Yield	3.6%	3.9%	4.1%	4.3%
Dividend Payout Ratio	65%	66%	65%	64%
Equity Ratio	39%	39%	40%	40%
FFO/Net Debt	13%	13%	14%	14%
Valuation Metrics				
P/E	18.0x	17.1x	16.0x	14.9x
Price/Book	1.6x	1.5x	1.5x	1.4x
Segment EPS				
Gas Distribution	$1.06	$1.12	$1.20	$1.27
NIPSCO Electric	0.56	0.56	0.57	0.60
Parent & Other	(0.32)	(0.32)	(0.31)	(0.30)
Total EPS	**$1.30**	**$1.36**	**$1.46**	**$1.57**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2020E	2021E	2022E	2023E
Capital Spending by Segment ($M)				
Gas Distribution	$1,261	$1,446	$1,446	$1,396
Electric	472	487	487	847
Parent	25	25	25	25
Total Capex	**$1,758**	**$1,958**	**$1,958**	**$2,268**
Financings ($M)				
Total Equity Issued/(Repurchased)	$298	$298	$298	$298
Total Debt Issued/(Repurchased)	$150	$500	$550	$750

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.5 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland and Massachusetts.

Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $30B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. We see NI as a de-risking story in 2020 with an upward bias on rate base / EPS growth due to renewable investment opportunities at NIPSCO electric.

Valuation

Our $26 price target is derived using a P/E multiple of 17.5x on our 2022E. This reflects a full-turn premium for NI's electric utility and an average for its gas LDCs. Risks for NiSource are 1) bad regulatory outcomes and 2) pipeline safety incidents. Upsides are 1) additional growth projects and 2) customer growth

Exhibit 3. 2022E EPS by Segment

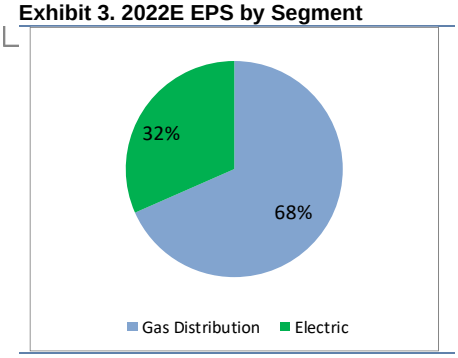

Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart

Source: FactSet

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WOLFE RESEARCH

NiSource

May 27, 2020

Investment Conclusion

We are Outperform rated on NiSource. The company's $30B capital investment backlog should drive its 5-7% annual earnings target over the long term. Most of the NI's annual capex (~80%) is recovered with minimal lag via tracking mechanisms and the company has built a constructive track record with most of its state regulators. Post the CMA sale, we believe the company's plan is a lot easier to execute on. Incremental capex is on the horizon from renewable opportunities in Indiana, which will provide a step-up in EPS growth in the 2022/2023 timeframe. NI's generation strategy in Indiana should start to come together over the summer, with a full update targeted for its 3Q20 call. The dramatic shift toward renewables and fact that NI will be coal-free by 2028 is also helpful from an ESG perspective. We see exiting MA as a turning point that should allow NI to re-rate closer to its historic 5-10% premium over time as it proves out its ability to execute going forward.

Exhibit 5: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2020E	P/E 2021E	P/E 2022E	P/E 2023E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$47.33	250	$11,809	19.7x	18.5x	17.6x	16.7x	3.2%	7.0%	63%	2.1x	47%
Ameren	AEE	70.51	247	17,408	20.5x	18.9x	17.6x	16.7x	2.9%	4.0%	60%	2.2x	44%
American Electric	AEP	81.44	496	40,360	19.2x	17.6x	16.5x	15.6x	3.4%	4.5%	66%	2.0x	37%
Avangrid	AGR	42.90	309	13,256	19.0x	17.2x	15.9x	N/A	4.2%	2.5%	80%	0.9x	65%
CMS Energy	CMS	55.97	286	16,020	21.6x	19.7x	18.3x	17.0x	2.9%	6.5%	63%	3.1x	27%
Con Edison	ED	71.25	334	23,805	16.8x	15.6x	15.0x	14.4x	4.3%	3.5%	72%	1.3x	44%
Duke Energy	DUK	83.72	735	61,522	16.1x	15.3x	14.7x	14.0x	4.6%	2.0%	74%	1.4x	42%
Edison International	EIX	57.05	378	21,562	12.8x	12.3x	11.6x	10.9x	4.3%	0.2%	56%	1.6x	38%
Entergy	ETR	99.47	200	19,910	18.0x	16.8x	15.9x	N/A	3.8%	2.2%	69%	1.9x	33%
Evergy	EVRG	60.93	227	13,815	20.2x	18.8x	18.1x	17.2x	3.4%	6.2%	68%	1.6x	45%
Eversource Energy	ES	77.47	336	26,064	21.1x	19.9x	18.8x	17.9x	2.9%	6.1%	62%	2.0x	46%
FirstEnergy	FE	41.36	542	22,407	16.7x	15.7x	15.0x	14.2x	3.8%	2.6%	63%	3.3x	24%
Fortis*	FTS	52.05	464	24,167	20.3x	18.3x	17.2x	16.4x	3.7%	6.0%	75%	1.3x	44%
NiSource	NI	23.32	383	8,927	18.0x	17.1x	16.0x	14.9x	3.6%	6.0%	65%	1.9x	40%
PG&E	PCG	10.93	530	5,791	6.9x	10.8x	9.5x	N/A	0.0%	N/A	0%	1.1x	57%
Pinnacle West	PNW	75.50	112	8,493	15.7x	15.0x	14.5x	13.6x	4.2%	6.0%	66%	1.6x	47%
Portland General	POR	44.76	89	4,006	18.7x	17.2x	16.1x	15.8x	3.4%	1.5%	64%	1.5x	49%
PPL Corp.	PPL	26.74	769	20,557	11.4x	10.9x	9.9x	N/A	6.2%	0.6%	71%	1.6x	36%
Southern Company	SO	55.01	1,056	58,088	17.4x	16.6x	15.4x	14.2x	4.7%	3.2%	81%	2.1x	36%
WEC Energy Group	WEC	85.90	315	27,096	23.0x	21.6x	20.2x	18.9x	2.9%	7.2%	68%	2.6x	45%
Xcel Energy	XEL	61.73	525	32,410	22.2x	20.9x	19.7x	18.7x	2.8%	6.2%	62%	2.4x	39%
Average					**17.9x**	**16.9x**	**15.9x**	**15.7x**	**3.6%**	**4.2%**	**64%**	**1.9x**	**42%**
Average (ex EIX, PCG, PPL)					**19.1x**	**17.8x**	**16.8x**	**16.0x**	**3.6%**	**4.6%**	**68%**	**2.0x**	**42%**

Source: Wolfe Research, FactSet

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Exhibit 6: NI vs the Regulated Average

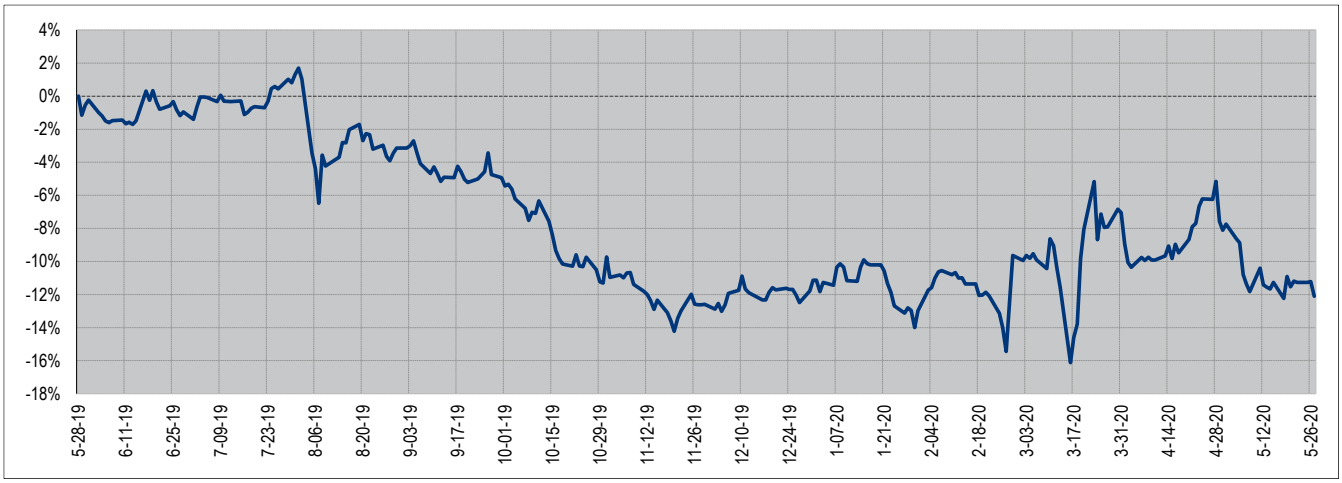

Source: Wolfe Research, FactSet

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WOLFE RESEARCH

NiSource

May 27, 2020

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Price Chart(s) with Ratings and Target Price History

Note: OP = Outperform; PP = Peer Perform; UP = Underperform

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Forward P/E

Wolfe Research, LLC Fundamental Recommendation, Rating and Target Price Risks:

Company:	Risks That May Impede Achievement of the Recommendation, Rating or Target Price:
NI US Equity	Economy, regulatory outcomes, project execution, pipeline safety accidents

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

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Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
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WOLFE RESEARCH

NiSource

May 27, 2020

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Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

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Outperform:	45%	3% Investment Banking Clients
Peer Perform:	45%	1% Investment Banking Clients
Underperform:	10%	0% Investment Banking Clients

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May 28, 2020 | Equity Research

Flash Comment

Utilities

Utility & Infrastructure Daily

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Sarah Akers, CFA, Senior Analyst (314) 875-2040
Jonathan Reeder, Senior Analyst (314) 875-2052
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Quick thoughts from Wells Fargo Securities, LLC Utility & Infrastructure Team:

Utilities

NiSource Inc. (NI/Overweight) (Akers) – Since COVID-19 fears hit the US market, shares of NI have underperformed Gas Utility peers by nearly 7% and lagged the S&P Utilities by 3% (from 2/21/20 close). Most recently, shares reacted to the lack of affirmative guidance on the Q1 call and, subsequently, disclosures this week outlining a potential net impact from COVID of ($0.00-0.10) in each 2020 and 2021. Based on our conversation with NI mgmt. yesterday (5/27), we feel incrementally better about the story. Mgmt. highlighted opportunities to drive both structural cost savings and general process improvements; the company also expects more temporary cost reductions in 2020. O&M is likely to go down in 2021 on account of the sale of MA and trend flat or better off that base. The biggest determinant as to where the company lands in the ($0.00-0.10) COVID impact range is sales. The company currently expects gas/electric sales to be down 2.5%/4%, respectively, in 2020 with a margin impact of $30-40mm ($8mm of which was experienced in April), or $0.06-0.08 per share after-tax, and $0-20mm, or $0.00-0.04 in 2021. Within the industrial customer base, exposure to the auto supply chain and steel industry has weighed on volumes. That said, mgmt. is starting to see a recovery and noted that industrial customers continue to pay their bills. The commercial recovery remains murky as states are in the process of phased re-openings.

Regarding the growth rate, the 5-7% appears intact off of a normalized 2021 base as any lingering COVID impacts in 2021 would eventually be reconciled through a natural rebound and/or rate cases. Further, the 5-7% is supported by annual capex of ~$1.8B with renewable opportunities at NIPSCO offering potential upside to those levels in 2022 and 2023. The company outlined a 1,300-1,400 MW generation need in 2023 (three wind projects representing ~800 MW already announced). NI would look to procure half of the needs through power purchase agreements (PPA) and own the other half, which would be financed with the help of tax equity and likely require incremental equity beyond the ATM and ongoing programs. Reiterate Overweight.

American Electric Power (AEP/Overweight) (Kalton) – It's a go. On 5/27, the Louisiana Public Service Commission (LPSC) approved SWEPCO-LA's portion of North Central Wind, a 1,485 MW regulated wind project located in OK. The LPSC also approved a flex-up option in the event the Public Utility Commission of Texas (PUCT) does not approve the SWEPCO-TX allocation. As a result of the LPSC approval plus prior approvals in AR (including flex-up) and OK, AEP has secured approvals sufficient to proceed with the entire project regardless of the PUCT's final decision. Our EPS outlook already incorporates the $2B North Central Wind project with a full year contribution beginning in '22. Upon completion, we estimate North Central will add ~$0.10 to annual EPS power assuming a 9.0-9.5% ROE, 45-50% equity ratio and $1.0-1.3B of new equity in '21, which is consistent with AEP's guidance of 50-66% equity financing for the project. Our 20-24E EPS

Please see page 3 for rating definitions, important disclosures and required analyst certifications.
All estimates/forecasts are as of 05/28/20 unless otherwise stated. 05/28/20 05:30:42 ET

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remain $4.30, $4.70, $5.10, $5.40 & $5.70, which results in a 7% CAGR off the original mid-point of '19 guidance ($4.10). Our take: not a surprise, but an incremental positive nonetheless and increases our confidence in AEP's ability to achieve a '20-24 EPS CAGR in the upper half of the 5-7% guidance range.

American Electric Power Company, Inc. (AEP)/Overweight
Price as of 5/27/2020: $81.44
FY 20 EPS: $4.30
FY 21 EPS: $4.70
Shares Out.: 494.8 MM
Market Cap.: $40,296.51 MM

NiSource Inc. (NI)/Overweight
Price as of 5/27/2020: $23.32
FY 20 EPS: $1.26
FY 21 EPS: $1.37
Shares Out.: 382.2 MM
Market Cap.: $8,912.9 MM

Rating Basis Information:
AEP Thesis: We are attracted to AEP’s strong EPS and dividend growth prospects, organic investment opportunities and regulatory diversity.

NI Thesis: We rate shares Overweight. We are attracted to NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment.

DISCLOSURE APPENDIX

Required Disclosures

American Electric Power Company, Inc. (AEP) 3-yr. Price Performance

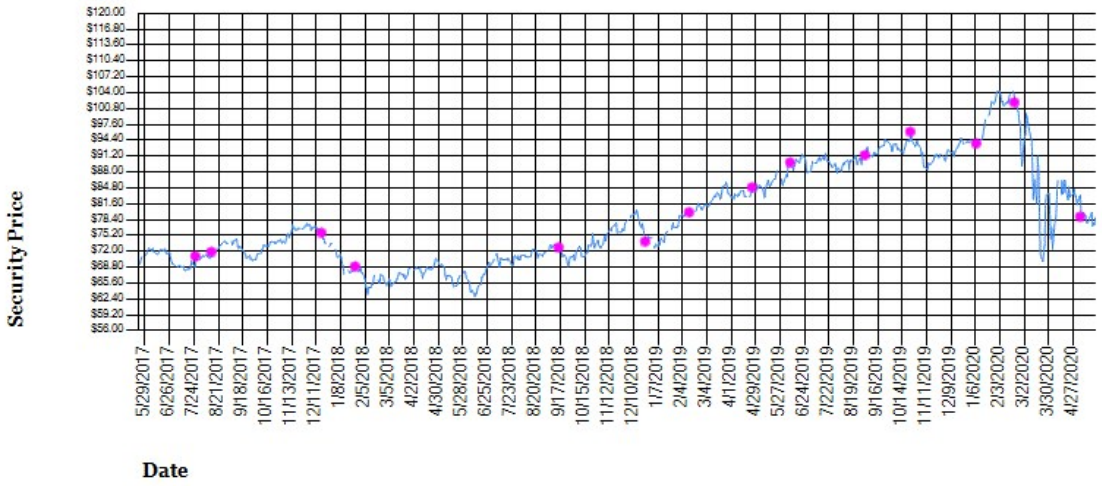

Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
5/22/2017		Kalton				
5/22/2017	NA	1	NE	NE	NE	69.42
7/27/2017	70.67	1	78	NE	NE	70.67
8/15/2017	71.05	1	81	NE	NE	71.52
12/18/2017	76.54	1	85	NE	NE	75.50
1/26/2018	69.70	1	77	NE	NE	68.75
9/16/2018	72.60	1	81	NE	NE	72.60
12/24/2018	76.43	1	85	NE	NE	73.55
2/13/2019	80.30	1	89	NE	NE	79.55
4/26/2019	84.83	1	93	NE	NE	84.71
6/9/2019	89.54	1	100	NE	NE	89.54
9/2/2019	91.15	1	101	NE	NE	91.15
10/24/2019	95.85	1	103	NE	NE	95.72
1/8/2020	93.41	1	104	NE	NE	93.41
2/21/2020	102.38	1	115	NE	NE	101.71
5/6/2020	79.78	1	93	NE	NE	78.82

*Effective December 7, 2019, Wells Fargo Securities' Equity Research modified its ratings definitions. Complete definitions of current ratings can be found below. For information related to prior ratings definitions, please contact equityresearch1@wellsfargo.com.

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Price Target/Val Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ⊓ Split Adjustment

Rating Code Key

1	Overweight/Buy	SR	Suspended
2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

NiSource Inc. (NI) 3-yr. Price Performance

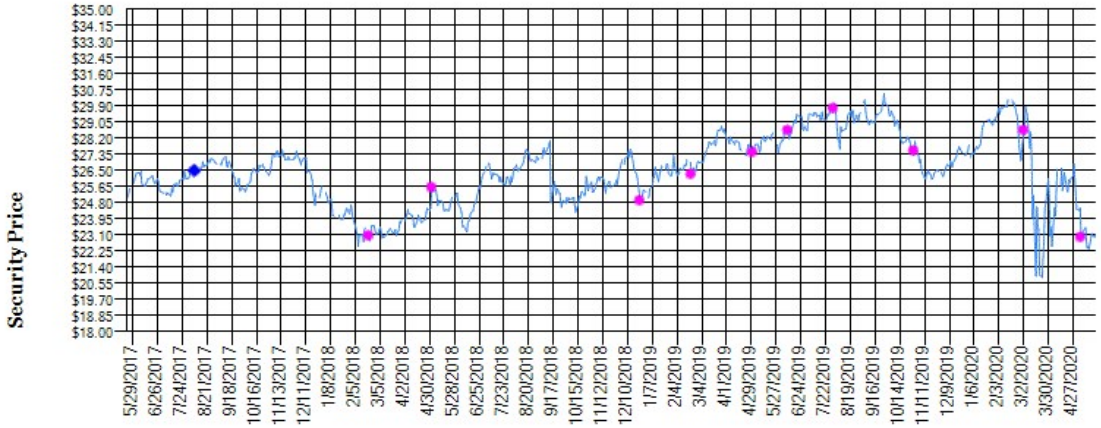

Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
8/9/2017		Akers				
8/9/2017	26.32	1	30	NE	NE	26.38
2/20/2018	22.99	1	26	NE	NE	23.02
5/3/2018	25.38	1	28	NE	NE	25.57
12/24/2018	26.05	1	29	NE	NE	24.89
2/20/2019	26.28	1	30	NE	NE	26.28
5/1/2019	27.41	1	31	NE	NE	27.40
6/9/2019	28.54	1	32	NE	NE	28.54
7/31/2019	29.79	1	33	NE	NE	29.69
10/30/2019	27.29	1	31	NE	NE	27.51
3/2/2020	27.02	1	30	NE	NE	28.56
5/6/2020	23.07	1	27	NE	NE	22.92

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Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- Rating Downgrade
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- Analyst Change
- Split Adjustment

Rating Code Key

1	Overweight/Buy	SR	Suspended
2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

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2=Equal Weight: Total return on stock expected to be 0-10% over the next 12 months. HOLD
3=Underweight: Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. SELL

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V=A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: May 28, 2020

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UBS

Global Research | 28 May 2020

First Read

NiSource Inc.

Catching up with the C-Suite

Equities

Americas

Gas Utilities

12-month rating	**Neutral**
12m price target	**US$27.00**
Price (27 May 2020)	**US$23.32**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$30.56-20.86
Market cap.	US$8.93b
Shares o/s	383m (COM)
Free float	99%
Avg. daily volume ('000)	1,218
Avg. daily value (m)	US$30.3
Common s/h equity(12/20E)	US$5.09b
P/BV(12/20E)	1.8x
Net debt to EBITDA(12/20E)	5.6x

EPS (UBS, diluted) (US$)

	12/20E	
	UBS	Cons.
Q1	0.76	0.76
Q2E	0.08	0.14
Q3E	0.03	0.05
Q4E	0.40	0.37
12/20E	1.27	1.32
12/21E	1.35	1.38
12/22E	1.43	1.49

Key Takeaways

Earlier today, we hosted a Virtual Investor Update Meeting with NiSource's CEO Joe Hamrock and CFO Donald Brown. NI published its expected impact from COVID-19 (click here) and some were surprised with $0.00-$0.10 per share negative impact on 2021 EPS. Management clarified that they tried to be conservative and that they see a recovery in margin from April lows and they expect full recovery by the end of the year. 2021 EPS will be a base year for future 5-7% long term growth and NI plans to provide 2021 EPS guidance on the 3Q20 earnings call together with an update on the long-term outlook. Management remains focused on cost reduction to mitigate the impact of COVID-19 on revenues and highlighted that they look at traditional cost management but also some structural changes could by under way and they could be more long term in nature.

Other Tidbits

Despite strong liquidity post recent debt issuance and planned asset sale, management sees a need for issuance on ATM to get to targeted FFO/Debt metrics. NI maintained its previously provided $200-$300MM range of ATM equity issuance in 2020. Sale of Columbia Gas of MA remains on track, with close expected by the end of 3Q20. Management doesn't see a risk to 2021 capex due to COVID-19 at this time. An increase in bad debt has not been material so far.

Regulatory Update

Earlier in May, NIPSCO filed for a deferral of COVID-19 expenses and NI plans to file for deferral in OH. Despite the lockdown, NI filed rate cases in Pennsylvania and Maryland with new rates expected in 2021. NI requested a $100.4MM rate increase in PA (based on ROE of 10.95% and equity/capital structure of 54.19%) and a $6.5MM rate increase in Maryland (based on ROE of 10.95% and equity/capital structure of 52.63%).

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Highlights (US$m)	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E	12/24E
Revenues	4,905	5,095	5,184	5,084	5,295	5,487	5,685	5,901
EBIT (UBS)	964	942	1,047	1,054	1,099	1,179	1,262	1,356
Net earnings (UBS)	398	463	495	493	538	583	629	684
EPS (UBS, diluted) (US$)	1.21	1.30	1.32	1.27	1.35	1.43	1.51	1.61
DPS (net) (US$)	0.72	0.79	0.84	0.89	0.95	1.01	1.07	1.13
Net (debt) / cash	(8,973)	(9,892)	(10,374)	(9,955)	(10,581)	(11,262)	(11,945)	(12,672)
Profitability/valuation	**12/17**	**12/18**	**12/19**	**12/20E**	**12/21E**	**12/22E**	**12/23E**	**12/24E**
EBIT (UBS) margin %	19.7	18.5	20.2	20.7	20.8	21.5	22.2	23.0
ROIC (EBIT) %	8.6	7.7	7.9	7.8	7.9	7.9	7.8	7.8
EV/EBITDA (UBS core) x	9.8	10.6	10.6	9.7	9.4	9.2	8.7	8.2
P/E (UBS, diluted) x	20.9	19.4	21.2	18.3	17.3	16.3	15.4	14.5
Equity FCF (UBS) yield %	(11.6)	(14.5)	(1.6)	(6.0)	(11.1)	(154.9)	(3,973.9)	(105,603.4)
Dividend yield (net) %	2.9	3.1	3.0	3.8	4.1	4.3	4.6	4.8

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 23.32 on 27-May-2020

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Forecast returns

Forecast price appreciation	+15.8%
Forecast dividend yield	3.9%
Forecast stock return	+19.7%
Market return assumption	5.2%
Forecast excess return	+14.5%

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. We use comparable company multiples in our sum-of-the-parts EV/EBITDA and P/E valuations. Our price target is derived using an average of sum-of-the-parts EV/EBITDA and P/E valuations and DDM.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	48%	32%
Neutral	FSR is between -6% and 6% of the MRA.	40%	28%
Sell	FSR is > 6% below the MRA.	13%	20%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2020.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS Securities LLC: Aga Zmigrodzka, CFA, Brian Reynolds, Shneur Z. Gershuni, CFA.

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Company Name	Reuters	12-month rating	Price	Price date
NiSource Inc.[16]	NI.N	Neutral	US$23.32	27 May 2020

Source: UBS. All prices as of local market close
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date
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NiSource Inc. (US$)

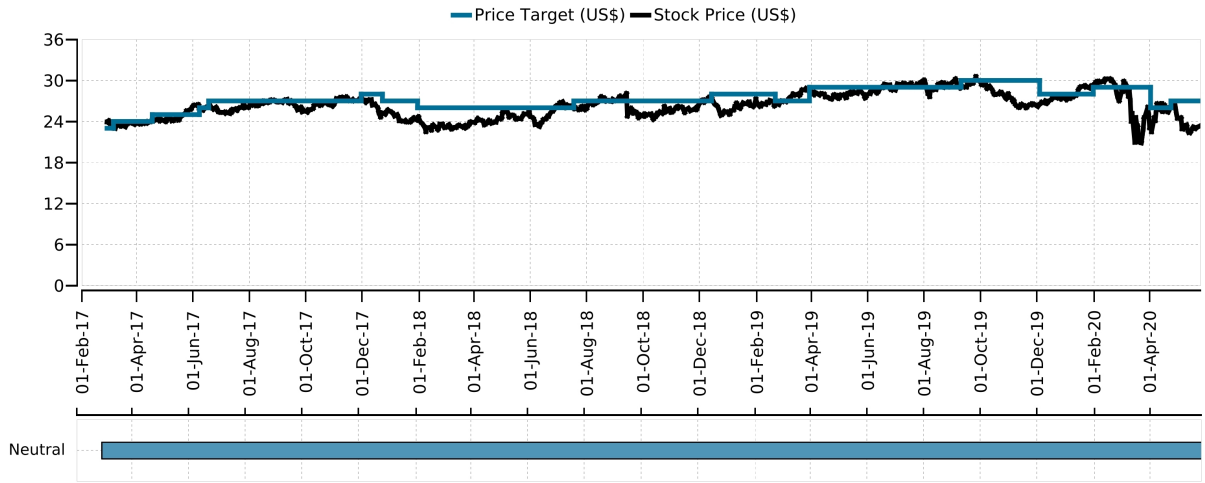

Date	Stock Price (US$)	Price Target (US$)	Rating
2017-02-27	23.80	23.00	Neutral
2017-03-06	23.58	24.00	Neutral
2017-04-17	24.02	25.00	Neutral
2017-06-07	26.44	26.00	Neutral
2017-06-17	26.06	27.00	Neutral
2017-11-29	27.17	28.00	Neutral
2017-12-22	25.28	27.00	Neutral
2018-01-29	24.22	26.00	Neutral
2018-07-17	26.12	27.00	Neutral
2018-12-13	27.62	28.00	Neutral
2019-02-20	26.28	27.00	Neutral
2019-03-29	28.66	29.00	Neutral
2019-09-09	28.91	30.00	Neutral
2019-12-03	26.41	28.00	Neutral
2020-01-30	29.10	29.00	Neutral
2020-04-01	23.06	26.00	Neutral
2020-04-23	25.85	27.00	Neutral

Source: UBS; as of 27-May-2020

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Goldman Sachs | Equity Research

27 May 2020 | 7:07PM EDT

NiSource Inc. (NI): 2021 uncertainty a near-term overhang but continue to see favorable LT growth; Buy

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We reiterate our Buy rating on NiSource (NI) after our virtual meeting with senior management. While we recognize concerns related to a lack of clarity on 2021 earnings power (guidance expected with 3Q20 results), we view current valuations somewhat accounting for a potentially bearish scenario and believe normalizing demand and robust investment pipeline support a relatively unchanged 2022 earnings profile. Our 2020-2022 EPS estimates of $1.27/$1.38/$1.49 remain unchanged, which already incorporate our forecasted -$0.09 and -$0.05 net impact (2020/2021) from COVID-19 that fall within the company's guidance impact range.

Below are the key takeaways from our virtual meeting:

- **Cost mitigation includes sustainable efficiencies.** While some cost controls (especially in 2020) reflect more short-term timing of various expenses, management noted that a bulk of the items stem from items planned prior to the 2018 gas incident, including corporate function consolidation and ongoing cost structure adjustments. NI's 2021 mitigation plan of $0.05-$0.10 accounts for certain delays in 2020 expenses.
- **NI expects a constructive outcome on COVID cost deferral proposals.** With Pennsylvania, Virginia, and Maryland already having approved incremental bad debt deferral and/or other COVID related costs, management looks to receive a similar decision in the proposal for Indiana and Ohio. In the $0.00 to -$0.10 net EPS impact guidance, they assume constructive outcomes at both jurisdictions.
- **While NI did not provide formal 2020/2021 guidance, prior management commentary serves as a guide.** On the 4Q19 earnings call, management pulled their 2020 EPS guidance range of $1.36-$1.40 given the announced sale of its MA gas utility, but commented that 2021 earnings could be at or above the prior 2020 guidance range. They still view this as a fair base to assess the ultimate COVID-19 impact and hope to provide formal 2021 guidance with 3Q20 earnings.
- **No bulk equity needed until renewable financing.** NI's financing plans through 2021 do not incorporate any assumed recovery of the $300mn in property insurance associated with the MA gas incident. They also do not expect a need to issue bulk equity unless to finance the purchase of owned renewables, either from the recent Indiana RFP or the 50% future ownership of the Rosewood (100 MW) and Crossroads (300 MW) wind plants (expected in 2023).

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They continue to view RFP-based generation ownership potential as incremental upside, consisting of up to 50% of the 1.6 GW capacity opportunity. We note NI would need to file a base rate case to add any generation into rate base.

Our $28 12-month price target (unchanged) embeds 20x our 2021 EPS estimate of $1.38. Our target reflects a 24% total return, with the stock currently trading at a 1.0x P/E discount to smid-cap peers. Key risks include (1) legal and regulatory risks, (2) earnings/cash impact due to COVID-19, (3) higher than expected O&M, (4) electricity demand and customer growth, and (5) financing.

NI	12m Price Target: **$28.00**	Price: **$23.32**	Upside: **20.1%**

Buy

Market cap: $7.6bn
Enterprise value: $18.1bn
3m ADTV: $101.6mn
United States
America-Regulated Utilities
M&A Rank: 3

GS Forecast

	12/19	12/20E	12/21E	12/22E
Revenue ($ mn)	5,208.9	4,968.9	5,187.4	5,409.0
EBITDA ($ mn)	1,608.1	1,792.4	1,998.9	2,160.7
EBIT ($ mn)	890.7	1,033.9	1,183.8	1,284.7
EPS ($)	1.32	1.27	1.38	1.49
P/E (X)	21.3	18.4	16.9	15.6
EV/EBITDA (X)	13.0	10.9	10.5	10.1
FCF yield (%)	(2.1)	(7.7)	(4.7)	(3.3)
Dividend yield (%)	2.9	3.6	3.8	4.0
Net debt/EBITDA (X)	5.9	5.3	5.1	5.0

	3/20	6/20E	9/20E	12/20E
EPS ($)	0.76	0.07	0.02	0.42

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 27 May 2020 close.

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Price target and rating history chart(s)

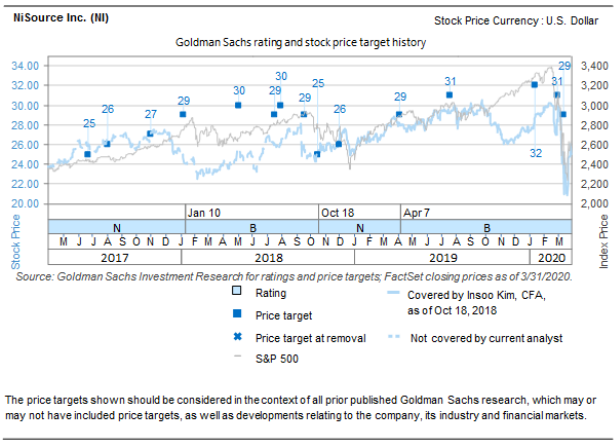

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May 26, 2020 | 22:57 ET | 22:57 ET~

NiSource

NI-NYSE	Rating	Price: May-22	Target	Total Rtn
	Outperform	$23.09	$27.00	21%

Incrementally Incremental

Bottom Line: NiSource released an investor update including management's current forecast for the net impact to 2020 and 2021 earnings from the COVID-19 pandemic.

Overall, we believe the update will be viewed as modestly disappointing and will likely raise incremental questions on what the company is seeing regarding the lingering COVID-19 and cost impacts embedded in the company's 2021 impact. That said, we believe the stock's nearly 500 bps under-performance (since 4/29) and current multiple (3% discount) largely reflects these uncertainties.

We reiterate our Outperform rating and $27 target price.

Key Points

In front of investor meetings this week, NiSource released an incremental COVID-19 update including a base case that calls for roughly a $30-40mm margin reduction in 2020 and $0-25mm margin reduction in 2021. Including other COVID-19 costs, total unmitigated non-GAAP costs are estimated to range from ($0.15-0.20)/share in 2020 and ($0-0.10)/share in 2021.

Management believes it can mitigate up to $0.10-0.15/share in 2020 and $0.05-0.10/share in 2021 through cost control, regulatory mechanisms and organizational repositioning efforts.

Although the net impact could suggest only an incremental $0.05 of potential EPS drag, management seems to be striking a more cautious stance suggesting a $0.0-0.10/share impact for both 2020 and 2021 and a recovery that extends into at least the first half of 2021. We believe the company's range likely includes some flexibility regarding the potential timing of regulatory recovery as well as financing costs associated with bridging lower operating cash flows.

We are reducing our 2020-22 EPS estimates to $1.30, $1.33 and $1.45, respectively, to reflect a more conservative sales outlook and a slightly longer time frame to execute its organizational repositioning efforts post the upcoming sale of Columbia Gas Massachusetts (CGM) in 3Q20.

Acknowledging the near-term uncertainties, we continue to find NI share attractive relative to the company's above-average 5-7% long-term EPS CAGR. In addition, the company has several positive catalysts upcoming in the Fall, including the completion of its sale of CGM to Eversource in 3Q20 as well as the company re-initiating its 2021 EPS guidance, which will serve as a base for its 5-7% above-average EPS CAGR.

Key Changes			
	Estimates	2020E	2021E
	EPS	$1.30	$1.33
	Previous	*$1.35*	*$1.40*
	EBIT	$1,087	$1,155
	Previous	*$1,113*	*$1,188*

Please refer to pages 6 to 9 for Important Disclosures, including Analyst's Certification.

IN Fact

BMO Capital Markets

Utilities, Power & Renewables

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Company Data			in $
Dividend	$0.84	Shares O/S (mm)	382.8
Yield	3.6%	Market Cap (mm)	$8,839
P/BV	1.4x	Net Debt (mm)	$9,606

BMO Estimates			in $
(FY- Dec .)	2019A	2020E	2021E
EPS	$1.32	$1.30↓	$1.33↓
DPS	$0.80	$0.84	$0.89
EBIT	$1,042	$1,087↓	$1,155↓
EBITDA	1,759	1,834↓	1,927↓

Consensus Estimates			
	2019A	2020E	2021E
EPS		$1.33	$1.40

Valuation			
	2019A	2020E	2021E
P/E	17.5x	17.8x	17.3x
Div. Yield (%)	3.5%	3.6%	3.9%

QTR. EPS	Q1	Q2	Q3	Q4
2019A	$0.82	$0.05	$0.00	$0.45
2020E	$0.76a	$0.06	$0.05	$0.43
2021E	$0.81	$0.06	$0.05	$0.41

Our Thesis

We like several aspects of the NI following the sale of Columbia Gas of Massachusettes and removal of previously guided $500-700mm equity issuance overhang, which we believe meaningfully de-risked the story.

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NiSource - Block Summary Model

Income Statement	2019A	2020E	2021E
Electric Operations	402	403	427
Gas Distribution	632	676	720
Parent & Other	13	13	13
Consolidated EBIT	1,042	1,087	1,155
Depreciation & Amortization	717	747	772
EBITDA	1,759	1,834	1,927
Interest Expense	379	399	396
Income Tax	113	120	132
Income from continuing operations	495	503	532
Weighted Average Shares Outstanding	376	388	399
Diluted Operating EPS	$1.32	$1.30	$1.33
Dividends per Share	$0.80	$0.84	$0.89
Cash Flow Statement	**2019A**	**2020E**	**2021E**
Operating Cash Flow	1,750	1,417	1,365
Investing Cash Flow	(1,988)	(630)	(1,770)
Financing Cash Flow	154	(106)	(99)
Net Change in Cash Flow	(84)	681	(504)
EOP Cash on Balance Sheet	37	718	214
Common stock (net)	34	335	335
Net debt issued/(repaid)	494	500	(64)
Dividends paid	(301)	(326)	(355)
Balance Sheet	**2019A**	**2020E**	**2021E**
Common Equity	5,327	6,019	6,611
Preferred Equity	880	880	880
Total Debt	9,643	10,143	10,079
Enterprise Value	$20,207	$20,913	$21,681
Common equity %	33.6%	35.3%	37.6%
Preferred equity %	5.6%	5.2%	5.0%
Total Debt %	60.8%	59.5%	57.4%
Book Value per Share	$16.51	$17.79	$18.78

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

Our $27 target price is the product of a P/E-based sum of the parts. We utilize a regulated average multiple using 2022E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook. For NI, we have removed EPS for its MA gas business from our P/E valuation and instead include only the asset value (1x equity rate base) in our SOTP framework.

Upside Scenario 29.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario 20.00

Our downside scenario reflects a tightening monetary policy and a deceleration of the company's rate base growth.

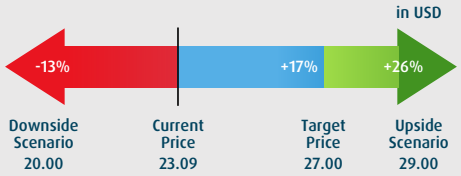

Key Catalysts

Initial indicative pricing in its second renewable RFP in IN. Completing the sale of Columbia Gas of Massachusetts to Eversource. Potentially, capital spending and growth rate update in 2H20 given clarity in the aforementioned RFP and recent rate orders in MA and IN.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

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Take 2… "Action"

In front of investor meetings this week, NiSource released an investor update including management's current forecast for the net impact to 2020 and 2021 earnings from the COVID-19 pandemic.

Overall, we believe the update will be viewed as modestly disappointing and will likely raise incremental questions on what the company is seeing regarding the lingering COVID-19 and cost impacts embedded in the company's 2021 impact report. That said, we believe the stock's nearly 500 bps underperformance (since 4/29) and current multiple (3% discount) largely reflects these uncertainties and investors will now likely look to management for incremental details behind the company's additional disclosures for comfort.

For the month of April (which could prove to be the worst for the year), management estimates a net impact of $8.1 million pre-tax or just under 2c/share with gas distribution sales down 4% reflecting decoupling (0.3% annualized) and electric operation sales down 26% (2.3% annualized).

Although management indicated volumes had begun to recover by mid- to late-May off April lows, assuming a non-specified gradual recovery that extends into 1H21 and an assumption of favorable regulatory treatment on COVID-19 related costs (primarily at NIPSCO), **management's base case calls for roughly a $30-40 million margin reduction in 2020 and $0-25 million margin reduction in 2021**. When including other COVID-19 costs including bad debt, lost late payment fees and other operational expenses, total unmitigated non-GAAP costs are estimated to range from ($0.15-0.20)/share in 2020 and ($0-0.10)/share in 2021.

Partially offsetting these impacts and in an effort to mitigate the unallocated costs associated with the company's pending sale of Columbia Gas Massachusetts (CGM) to Eversource, **management believes it can mitigate up to $0.10-0.15/share in 2020 and $0.05-0.10/share in 2021 through cost control**, regulatory mechanisms and organizational repositioning efforts.

Although the net impacts above would suggest only an incremental $0.05 of potential EPS drag relative to its previous, pre-COVID-19 expectation that 2021 would be "at or above" 2020's initial $1.36-1.40/share guidance (issued on 3Q19 call but withdrawn with its 4Q19 release) **management seems to be striking a more cautious stance suggesting a $0.0-0.10/share** impact in both years and a recovery that extends into at least the first half of 2021. We believe the company's range likely includes some flexibility regarding the potential timing of regulatory recovery as well as financing costs associated with bridging lower operating cash flows.

We would hope to get more clarity on the cadence and magnitude of the demand recovery embedded in the company's current outlook as well as a better sense of the incremental costs and recovery assumptions, especially at NIPSCO. While not precise, we see bad debt and other costs ranging from $40-55 million in 2020 to $0-$22 million in 2021, which would imply a full-year sales reduction at NIPSCO in the lower-single-digit range (Exhibit 1).

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Exhibit 1: Net Margin & Cost Impacts for 2020 & 2021

	2020		2021	
	Low	High	Low	High
COVID Base Case EPS Impact	**($0.15)**	**($0.20)**	**$0.00**	**($0.10)**
Pre/Tax Revenue	($70)	($94)	$0	($47)
Base-Case Margin Impact	($30)	($40)	$0	($25)
Implied Bad-Debt & Other Costs	($40)	($54)	$0	($22)
Mitigation Efforts	**$0.10**	**$0.15**	**$0.05**	**$0.10**
Net Impacts	**($0.05)**	**($0.10)**	**($0.05)**	**($0.10)**

* Assumes primary impact at NIPSCO

Source: BMO Capital Markets

The company filed a petition with the Indiana commission (IURC) in early May for the ability to defer lost revenue and costs and the establishment of a bad debt tracker. Management has asked for the commission to respond by July 15th.

We are reducing our 2020-22 EPS estimates to $1.30, $1.33 and $1.45, respectively, to reflect a more conservative sales outlook and a slightly longer time frame to execute its organizational repositioning efforts post the sale of CGM.

We Reiterate Our Outperform Rating and $27 Target Price

Acknowledging the near-term uncertainties, we continue to find NI shares attractive relative to the company's above-average 5-7% long-term EPS CAGR, which is supported by a visible $30 billion investment backlog at both its natural gas and electric operations with minimal regulatory lag (75-80% converted to earnings within 12-18 months).

The company has several positive catalysts upcoming in the Fall, including the completion of its sale of Columbia Gas Massachusetts to Eversource in 3Q20 as well as the company re-initiating its 2021 EPS guidance, which will serve as a base for its 5-7% EPS CAGR.

We also see a bias to the upper end of this 5-7% growth range as the company finalizes its renewable RFPs to replace its retiring coal fleet at NIPSCO as well as other capex opportunities including grid modernization spending. Management should have visibility on both these opportunities in the Fall also and as such, we would look for the company to extend its 5-7% growth through 2024 (from 2022) to incorporate these new growth drivers.

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Sum-of-the-Parts Valuation

Exhibit 2: NiSource Inc. Sum-of-the-Parts Valuation

Regulated, Corporate & Other	Valuation Metric	2022E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Electric Operations	EPS	$0.83	Electric	16.2x	+0.0%	16.2x	13.2x	$11	16.2x	$13	17.2x	$14
Gas Distribution	EPS	$1.19	Natural Gas	17.3x	+5.0%	18.2x	14.3x	$17	18.2x	$22	19.2x	$23
Coporate & Other	EPS	($0.57)	Blend	16.8x	+0.0%	16.8x	16.8x	($10)	16.8x	($10)	17.8x	($10)
Utility & Parent Value		**$1.45**					12.7x	**$18**	17.6x	**$25**	18.6x	**$27**
		'19 Rate Bas	Equity %	Equity								
Columbia Gas of Massachusetts		$1,100	47%	$517		1.0x	1.0x	$1.26	1.0x	$1.26	1.0x	$1.26
Total NiSource Inc.								**$20**		**$27**		**$28**
Upside/(Downside)								-16.2%		14.1%		20.3%
Current Yield								2.9%		2.9%		2.9%
Total Return								**-13.3%**		**16.9%**		**23.1%**

Source: BMO Capital Markets

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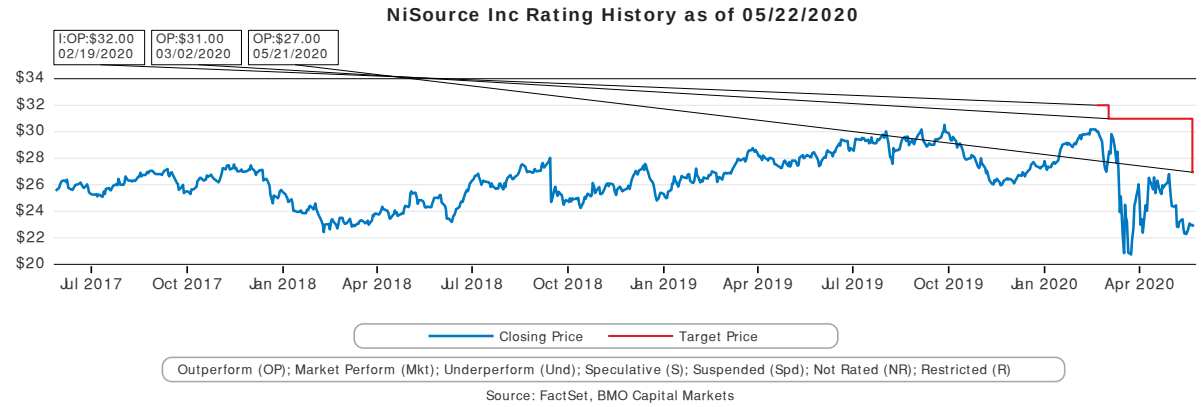

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Disclosure 9B: BMO Capital Markets makes a market in NiSource Inc in United States.

Methodology and Risks to Target Price/Valuation for NiSource Inc (NI-NYSE)

Methodology: Our $27 target price is the product of a P/E-based sum-of-the-parts (SOTP) analysis of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2022E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook.

Risks: NI's regulated profile exposes the company to business risk including but not limited to federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

Distribution of Ratings (May 25, 2020)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	42.9 %	25.9 %	50.9 %	45.3 %	54.6 %	57.7%
Hold	Market Perform	54.3 %	18.7 %	46.5 %	52.0 %	43.5 %	37.5%
Sell	Underperform	2.8 %	20.0 %	2.6 %	2.7 %	1.9 %	4.8%

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Ratings Key (as of October 2016)

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Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;
(S) = Speculative investment;
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Prior BMO Capital Markets Rating System

(April 2013 - October 2016)
http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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9 July 2020 | 5:51PM EDT

Americas Utilities: Recent CMA transaction settlement details multi-year rate plan for ES

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On July 2, NiSource (NI, Buy) and Eversource (ES, Neutral), along with several state agencies including the MA Attorney General's Office and MA Department of Energy Resources, filed a settlement agreement regarding the proposed NI sale of Columbia Gas of Massachusetts (CMA) to ES for $1.1bn. The signatories have requested that the MA Department of Public Utilities (DPU) issue its final decision by September 30.

For NI, the agreement calls for the company to pay $56mn (in lieu of penalties) to finalize all remaining issues related to the 2018 Merrimack incident, with any current/future lawsuits, claims, and other proceedings considered resolved and terminated.

For ES, the agreement includes a multi-year rate plan (Docket #20-59) for its proposed ownership of CMA, with the following key items:

- **8-year rate case stay-out** ending 10/31/2028.
- **Rate base (at close of transaction):** $995mn after a downward adjustment from the $1.13bn rate base calculated on 12/31/2019 test year.
- **Cost of capital:** 9.7% ROE and 53.25% equity ratio, consistent with settlement terms filed in CMA's 2018 rate case (subsequently withdrawn); earnings sharing at above 12% earned ROE.
- **Capital spend:** ~$3bn from 2021-2030 - representing ~10% CAGR - with around 2/3 eligible for recovery through Gas System Enhancement Program (GSEP) rider.
- **Rate base true-up:** Once on 11/1/2024 and the other on 11/1/2027, to include into rate base non-GSEP capital while inserting GSEP assets into base rates.

Our $28 12-month price target for NI embeds 20x our 2021 EPS estimate of $1.38. Our target reflects a 24% total return, with the stock currently trading at a 1.0x P/E discount to smid-cap peers. Key risks include (1) legal and regulatory risks, (2) earnings/cash impact due to COVID-19, (3) higher than expected O&M, (4) electricity demand and customer growth, and (5) financing.

Our $88 12-month price target for ES is based on a 22.5x P/E applied to our 2021 EPS. Key upside risks include improved offshore wind return forecasts, reduced

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permitting/construction hurdles, indications of additional rate base investments. Key downside risks include ineffective cost management, slowing rate base growth, dilutive acquisitions, and delays/cost overruns in ES's offshore wind investments.

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Disclosure Appendix

Reg AC

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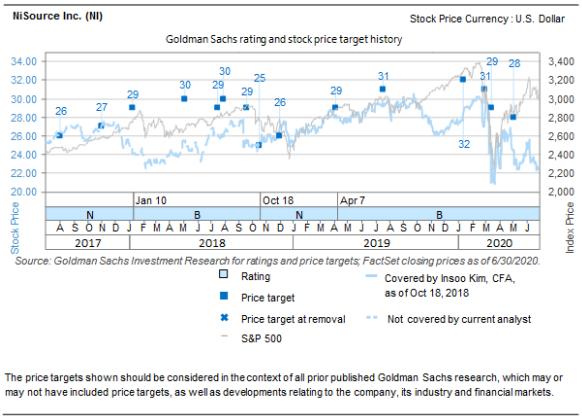

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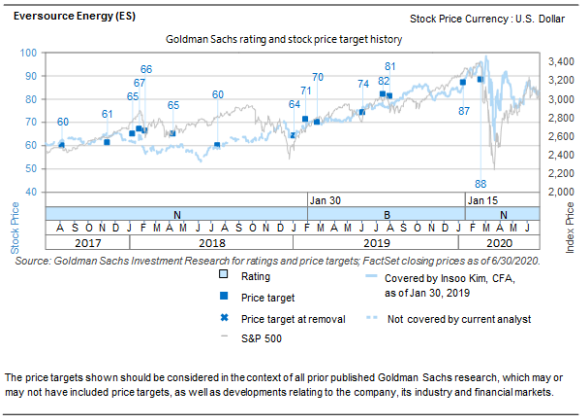

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NiSource, Inc.

NI: Opportunity for Earnings Acceleration

Stock Rating/Industry View: Equal Weight/Positive
Price Target: USD 24.00
Price (04-Aug-2020): USD 24.15
Potential Upside/Downside: -1%
Tickers: NI

NI provided Q2 results, set 2021 guidance, and provided insight into LT earnings trajectory on the call. We reiterate our Equal Weight rating and $24 price target as the company looks to finalize the Columbia Gas of MA sale and reignite long-term growth with a slate of renewable investments.

- **Q2 adj EPS of $0.13 (vs consensus and Barclays $0.07).**

- **Management set 2021 adj EPS guidance of $1.28 to $1.36.** While this figure is lower than previously pulled FY20 guidance of $1.36-$1.40, the new FY21 guidance includes a base case ~-$0.05 impact from COVID-19, based on the assumption that a gradual recovery will continue into 1H 2021.

- **COVID-19 impact in Q2 was -$0.06**, or $30 million, with most of the demand impact in April. This headwind was completely offset by non-SMS related O&M reductions in the quarter. Management states

BofA GLOBAL RESEARCH

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NiSource Inc

In Excess of its Prior EPS CAGR: Watch the Details Now into September

Maintain Rating: NEUTRAL | PO: 25.00 USD | Price: 24.15 USD

Projected rate base growth better than expected

Projected ratebase CAGR of +10-12% through '24 inclusive of renewables (off '21 base) was provided by the company for the first time, as a preview into newly announced September Investor Day. Overall ratebase appears better than expected to the tune of ~$0.7 Bn by '24 (and ratably higher in interim years). For instance, '22 ratebase is ~$0.4Bn higher than what we were modeling. While the $1.8-1.9bn annual capex range is maintained and extended (admittedly is without CMA and hence implicitly a tad higher), the company expects incremental an $1.8-2.0bn primarily in 2022 and 2023 related to electric generation strategy replacing coal with renewables (expect 50% ownership of replacement capacity). This incremental renewable capex is higher than our estimate of roughly $1.5bn. In turn, we note the guidance stresses that the EPS CAGR is now in excess of the previously articulated +5-7% (off 2019 this would have implied *better than* $1.87 vs our est of $1.74 by '24). We estimate with additional renewables that EPS would be closer to high end, but not necessarily above (~$1.80-1.85 range). Look for further details on call. Maintain Neutral as we see execution challenges against higher guidance. Balanced risk/reward. Expect positive reaction.

Initiated '21 EPS guidance is a bit weaker

NI initiated 2021 adj. EPS guidance of $1.28-1.36 (vs our / consensus $1.35 / $1.36) implying 2% negative revisions (-4c) to consensus at the mid-point. We note the '21 guidance range is below the company's '21 guidance floor of $1.36-1.40 put into effect following the CMA sale announcement pre-COVID. Mgmt. highlights the new '21 guidance includes its COVID base case scenario (-5c net EPS impact in '21) outlined in its last investor presentation. This '21 guidance comes earlier than expected as NI previously disclosed it would likely wait to announce '21 guidance until the 3Q update or shortly thereafter. Despite the higher ratebase projections, ongoing lag from COVID remains an overhang on the shares and we see risks to '22 EPS given lower than anticipated '21 EPS guidance. However, the new LT EPS growth range above its previous commitment of +5-7% EPS growth should help quell these concerns on near-term execution. Ultimately, pressure on '21 and '22 will see earned ROE pressures but are transient in nature, in our view. '23 into '24 should see a full year of new rates with step-up of ratebase.

Financing remains the focus; don't expect blocks until '23

Mgmt. anticipates providing a more explicit update by 9/29 Analyst Day, at which point the company will publish commercial deals on almost all committed renewables. We note mgmt. does not anticipate more block equity issuance but for a potential convert prior to the '23 capex uplift to pay for additional renewables. Overall, reason for uplift to this total amount of presumed award for ownership under NI renewable deal is higher than previously contemplated. Recall, NI previously noted that new wind build-own-transfer (BOT) JVs would include 50% tax equity partner while Solar BOT JVs would include a 30% tax equity partner: the latest update suggests that the tax equity would only be ~33% of total capital structure, a key part of the reason behind positive ratebase revisions (without knowing wind/solar balance yet).

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Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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05 August 2020

Equity

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Stock Data

Price	24.15 USD
Price Objective	25.00 USD
Date Established	21-Jul-2020
Investment Opinion	B-2-7
52-Week Range	19.56 USD - 30.67 USD
Mrkt Val (mn) / Shares Out (mn)	9,245 USD / 382.8
Average Daily Value (mn)	72.52 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.1%
Net Dbt to Eqty (Dec-2019A)	158.6%

Price objective basis & risk

NiSource Inc (NI)
Our $25 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples of 15.5x for gas utilities and 16.9x for electric utilities with an inline mult for gas utilities with just weather normalization, a 0.5x prem for gas utes with revenue normalization (prev 0x), and a 1.0x premium for the electric utility's strong growth rates (we factor in BOT in '24 EPS) but acknowledgement of industrial risk (prev 2x). We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

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NiSource Inc (NI) Price Chart

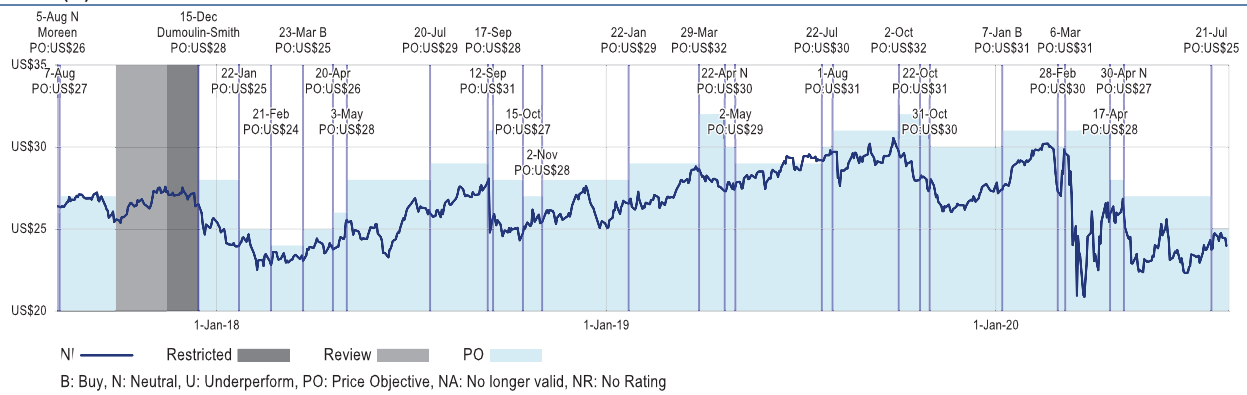

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Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	69	43.40%	Buy	52	75.36%
Hold	48	30.19%	Hold	34	70.83%
Sell	42	26.42%	Sell	24	57.14%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	76	51.01%	Buy	56	73.68%
Hold	33	22.15%	Hold	22	66.67%
Sell	40	26.85%	Sell	29	72.50%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1632	52.21%	Buy	1031	63.17%
Hold	711	22.74%	Hold	444	62.45%
Sell	783	25.05%	Sell	407	51.98%

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5 August 2020
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NiSource Inc.

2Q20 Beat, 2021 Guidance Initiated

NI

Target price (12M, US$)
26.00
Outperform

Natural Gas | Research Bulletin

- **NI reported a 2Q20 adj. EPS Beat at $0.13** vs. cons $0.08, CS $0.05, and 2Q19 $0.05 driven by cost mitigation efforts and partially offset by financial impacts of COVID19. The company also projects $0.10-$0.15 cost savings this year to offset COVID19 effects (not as front loaded).
- **2021 Guidance Initiated at $1.28-$1.36** (CS $1.33 vs consensus $1.36) that includes the positive impact of new electric generation in Indiana and a (~$0.05) drag from COVID19, and drag from temporary overhead remaining from Columbia Gas of Mass).
- **Columbia Gas of Massachusetts sale remains on track.** On July 2, NI announced that it will pay $56M to settle and resolve the state's investigation into the 2018 Greater Lawrence incident.
- **Cost management and regulatory solutions offset COVID's impact to customer class (~$0.06) in Q2.** Gas margin impact by customer class saw a $0.7M increase in residential and a $4.7M decrease in industrial (vs 2Q19). Electric margin impacts saw a $9.2M and $3.9M decreases to industrial and commercial load respectively, partially offset with a $6.2M increase in residential vs 2Q19. COVID's impact are trending with the company's base case scenario.
- **Base rate filing at Columbia Gas of PA** on 4/24/2020 to support continued replacement of aging pipelines as well as adoption of safety upgrades. The filing includes a $100.4M total annual revenue increase. An order is expected with new rates effective in Jan or Feb 2021. This filing was not a surprise as there was none in 2019 despite typically an annual schedule in PA.
- **Base rate filing at Columbia Gas of MD** filed on May 15th requesting a $6.3M total annual revenue increase ($5M net of infrastructure trackers) in response to replacing aging pipelines and upgrade safety measures. An order is expected on 4Q20 with new rates effective in Dec 2020.
- **2020 Capex Plan Reaffirmed at $1.7B-$1.8B**. Recall the company previously reduced its capital investment plan by $100M to $1.7-$1.8B for 2020 to conserve cash in order to maintain liquidity.
- **No block equity needed in 2020, nor any going forward,** with unchanged plans for $200-$300M annual ATM and $35-$60M employee plan equity (no plans for use of convertible or hybrid financing). Estimated incremental long-term debt for 2020 is $1B-$1.2B. NI continues to target FFO/Debt ~14%-15%.
- **Liquidity Update.** NI's net liquidity available is ~$2B as of June 30th, with ~$2.2B of committed facilities in place which include a ~$1.9B revolving credit facility and ~$0.3B accounts receivable securitization facilities. Debt level is ~$10B as of June 30th and includes ~$8.7B of long-term debt with a weighted average maturity of ~16 years and interest rate of 4.31%. Total debt/total capitalization stands at 63.8% in Q2 vs 61.7% in

Price (4 Aug 20, US$)	24.15
52-week price range	30.56 - 20.86
Enterprise value (US$ m)	18,427

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2019.

- **Virtual Investor's Day** scheduled for September 29th in which NI expects to discuss details of long-term growth strategy.
- **See our recent reports:** 7/20 2Q20 Earnings Preview, 5/26 Left Behind but Holding Up Well, 5/11 Covid19 Adds Near-Term Uncertainty, but Long-Term Fundamentals Remain Strong, 5/5 1Q20 Earnings Preview, 2/28 Raise to Outperform on Sale of Mass, Elimination of Block Equity Plan, 1/17 2020 Earnings Preview, 2020 Outlook – Getting Meaner and Less Defensive, 11/14 EEI 2019 Financial Conference: Full Takeaways, 11/1 New Growth Trajectory after Equitizing, 10/30 3Q Miss with 2020 Guidance a Bit Light, 8/7 Downgrade to Neutral on Gas Operations Risk
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Companies Mentioned *(Price as of 02-Aug-2020)*
NiSource Inc. (NI.N, $24.45, OUTPERFORM, TP $26.0)

Disclosure Appendix

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3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
14-Aug-17	26.64	29.00	O
02-Nov-17	26.94	30.00	
23-Jan-18	24.17	27.00	
06-May-18	25.41	28.00	
23-Jan-19	26.83	29.00	
21-Apr-19	27.56	30.00	
22-Jul-19	29.14	33.00	
07-Aug-19	27.63	29.00	N
21-Oct-19	28.05	30.00	
01-Nov-19	27.65	29.00	
17-Jan-20	29.04	30.00	
28-Feb-20	27.02	31.00	O
05-May-20	24.53	27.00	
20-Jul-20	23.75	26.00	

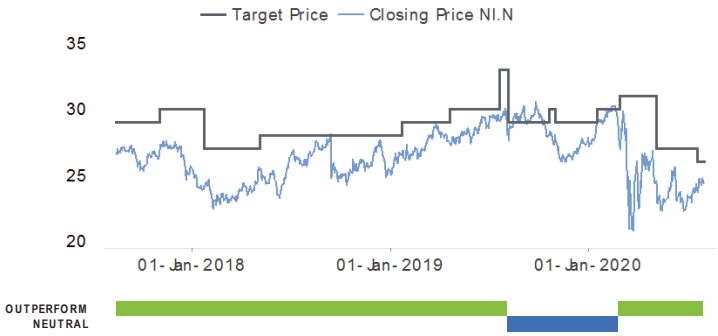

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Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.
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Target Price and Rating
Valuation Methodology and Risks: (12 months) for NiSource Inc. (NI.N)

Method: We arrive at our $26 target price for NI by applying a 1.5x premium to the gas segment peer 2021 P/E to reflect the constructive regulatory environments with capex trackers in place in the jurisdictions that NI operates. We also apply a 1.5x premium to the average peer electric utility 2021 P/E multiple for NIPSCO Electric utility in Indiana to reflect the favorable ratebase growth profile and regulatory environment in the state. Our OUTPERFORM rating reflects a forecasted total return that is equal the group average.

Risk: Risks to our $26 target price and OUTPERFORM rating are: 1) ROE risk related to the ongoing ratecases 2) continued approvals relating to infrastructure replacement/grid modernization programs 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particulary in the non-decoupled jurisdictions, 7) weather risk, and 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety after the 2018 explosion incident in Mass. 11) COVID19 load reductions

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This research report is authored by:

Credit Suisse Securities (USA) LLC..... Michael Weinstein, ERP ; Maheep Mandloi ; Andres Sheppard

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Goldman Sachs | Equity Research

5 August 2020 | 8:14AM EDT

NiSource Inc. (NI): First Take: 2Q20 beat; 2021 guidance disappoints but highlights robust renewable investments

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NiSource (NI, Buy) reported 2Q20 operating EPS of $0.13, above both GS/FactSet consensus at $0.07/$0.08, driven largely by better cost management. The company also initiated 2021 guidance in the range of $1.28-$1.36 (midpoint $1.32), below GS/FactSet consensus at $1.38/$1.36. From this new base, NI expects 10-12% rate base CAGR through 2024 and EPS CAGR exceeding the previous 5-7% forecast boosted by incremental $1.8-$2bn renewable investments, although we note the company moved away from an annual EPS growth guidance given timing of the bulky generation projects.

Key takeaways: We find the 2021 guidance somewhat disappointing, given prior commentary that implied a range closer to the now-removed 2020 guidance range of $1.36-$1.40. That said, the incremental renewable investment levels are higher than our initial expectations. We expect management clarity on trajectory of EPS growth, as well as equity financing thoughts through 2023.

Key takeaways from NI's release include:

- **The company reiterated its capital investment plan of $1.7-$1.8bn for 2020** and introduced expectation of $1.8-$1.9bn in capital spending for 2021. NI also anticipates incremental capital investment opportunities related to its renewable generation strategy of approximately $1.8 to $2.0 billion, primarily in 2022 and 2023, which represents around 50% ownership of planned replacement for retiring coal capacity.
- **NI reaffirmed its expectations to complete the Columbia Gas of Massachussets (CMA) sale by end of 3Q2020.**
- **NI launched a multi-year initiative** to improve costs and efficiencies of its businesses, with initial expected savings embedded into the company's 2021 guidance.
- **2Q20 performance beat driven largely by cost management which offset COVID-19 related impact**, which totaled -$0.06 for the quarter. The electric segment (Indiana), which makes up ~1/3 of the consolidated company earnings, recorded residential/commercial/industrial load of 13.8%/-6.6%/-32% YoY for 2Q20, or a -$0.01 to -$0.02 EPS impact. NI cited lower late payment/reconnection fees and increased bad debt expenses making up the

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other total related costs.

Key topics to monitor on NI's earnings call include (1) additional details on the potential magnitude of electric demand impact by customer class, (2) additional color on the $1.8-$2bn planned renewable investments in Indiana, (3) O&M growth expectations in 2020 and beyond, and (4) trajectory of EPS growth expectations through 2024.

We derive our 12-month target price of $28 which embeds 20.0x blended P/E multiple on 2021E EPS estimate of $1.38. Key risks include (1) legal and regulatory risks, (2) earnings/cash impact due to COVID-19, (3) higher than expected O&M, (4) electricity demand and customer growth, and (5) financing.

NI	12m Price Target: **$28.00**	Price: **$24.15**	Upside: **15.9%**

Buy

Market cap: $7.9bn
Enterprise value: $18.3bn
3m ADTV: $76.0mn
United States
America-Regulated Utilities
M&A Rank: 3

GS Forecast

	12/19	12/20E	12/21E	12/22E
Revenue ($ mn)	5,208.9	4,968.9	5,187.4	5,409.0
EBITDA ($ mn)	1,608.1	1,792.4	1,998.9	2,160.7
EBIT ($ mn)	890.7	1,033.9	1,183.8	1,284.7
EPS ($)	1.32	1.27	1.38	1.49
P/E (X)	21.3	19.0	17.5	16.2
EV/EBITDA (X)	13.0	11.1	10.7	10.3
FCF yield (%)	(2.1)	(7.5)	(4.6)	(3.2)
Dividend yield (%)	2.9	3.5	3.7	3.9
Net debt/EBITDA (X)	5.9	5.3	5.1	5.0

	3/20	6/20E	9/20E	12/20E
EPS ($)	0.76	0.07	0.02	0.42

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 4 Aug 2020 close.

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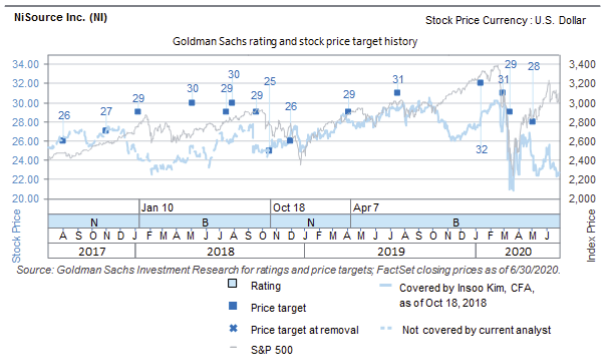

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Jefferies

EQUITY RESEARCH
NiSource Inc. (NI)

NiSource Inc.

Cost Control Propels 2Q, Eyes on Sept. Investor Day

August 5, 2020

Key Takeaway

NI adj 2Q EPS of 13¢ handedly exceeded our 6¢ forecast & the 8¢ Street mean est.; the beat vs. JEFe touched all divisions & was primarily fueled by sharp opex reductions. NI affirmed its $1.7-$1.8B 2020 capex guidance, announced a virtual Investor Day for Sept. 29th, and initiated $1.28-$1.36 2021 non-GAAP EPS guidance (vs. $1.36 Street mean), which includes an estimated 5¢ COVID-related headwind. The sale of Bay State Gas remains on-track for a 3Q/4Q close.

2Q results. Respective 2Q adj. EPS & EBITDA of 13¢ and $369mm surpassed our 6¢ and $325mm forecasts due primarily to sharp reductions in operating expense; Gas opex declined ~7% y/y while Electric opex dropped ~16% to its lowest quarterly level since 4Q11. Mgmt estimates 6¢ of COVID-related headwinds were absorbed in the period, but offset by non-safety related expense reductions. OCF of $338mm exceeded JEFe by ~ $80mm, due in part to a larger WC benefit (+$40mm), while capex fell short of our forecast ($367mm vs. $460mm JEFe). 2Q Gas segment volumes rose 0.8% y/y (+24% y/y among residential customers), while Electric segment load compressed ~17% y/y (+14% among residential, down ~32% with industrial customers); we believe these are the best high-level representations of COVID's demand impacts across NI's portfolio.

Sept. 29 Virtual Investor Day. Mgmt will host a virtual meeting to detail its business strategy and LT outlook. A preview of the agenda includes 1) the transition from coal to renewable power will deliver a ~90% reduction in NI's GHG emissions (2005-30) and $1.8-$2.0B of incremental 2021-23 renewable investment opportunities remain under evaluation; 2) capex plans will underpin a 10-12% 2021-24 rate base CAGR; 3) 2021 non-GAAP EPS guidance of $1.28-$1.36, including 5¢ of COVID impacts, and a 2021-24 EPS CAGR 'in excess of' its previous 5-7% rate; and 4) updates on its SMS and strategic realignment initiatives.

Regulatory updates. CG of PA's $100.3mm rate case, filed in April, remains before the PA PUC and new rates are expected in Feb. 2021. In May, CG of MD filed for a $6.3mm revenue increase, including $1.3mm of current tracker revenue; new rates are expected in Dec. In July, the IURC approved a 6-year extension of NIPSCO's $950mm gas infrastructure modernization program, with semi-annual TDSIC recovery, and NI secured tax equity financing with WFC for the Rosewater project. Separately, the Bay State sale remains on-track to receive regulatory approval by quarter end and is expected to close shortly thereafter; in lieu of penalties, NI has agreed to pay $56mm into an Energy Relief Fund to settle & resolve all pending matters.

Financing & Liquidity. NI affirmed its $1.7-$1.8B 2020 capital program and expects to use Bay State sale proceeds to repay its $850mm term loan, which expires in March 2021. It ended 2Q with ~$2.0B of liquidity and a total debt/capital ratio of 61.5%; while a goodwill test was performed in 2Q, it did not result in any impairments. Mgmt still anticipates $235-$360mm of 2020 equity through its ATM, ESPP, and 401K programs, implying $227-$352mm to be raised in 2H, and continues to target LT AFFO/Debt of 14-15%.

Exhibit 1 offers greater detail on 2Q performance.

FLASH NOTE

USA | Utilities

RATING	**HOLD**
TICKER	**NI**
PRICE	**$24.15^**
PRICE TARGET (PT)	**$26.00**
MARKET CAP	**$9.2B**

^Prior trading day's closing price unless otherwise noted.

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Exhibit 1 - NI 2Q20 Results Review

Operating Income by Division	Actual 2Q20A	Jefferies Expectations 2Q20E		Year-over-Year 2Q19A	
Gas Distribution	$73.4	$62.8	16.8%	$43.5	68.7%
Electric Operations	$89.4	$71.2	25.5%	$85.6	4.4%
Corporate, Other, and Eliminations	$2.5	($0.0)	NM	$2.3	NM
Total Operating Income	**$165.3**	**$134.0**	**23.3%**	**$131.4**	**25.8%**
Depreciation	($197.4)	($184.9)	6.7%	($177.9)	11.0%
Other Income / (Expenses)	$6.5	$5.5	17.5%	$0.0	NM
Interest Expense	($97.0)	($95.7)	1.3%	($94.1)	3.1%
Income Tax Benefit (Expense)	($10.8)	($7.3)	49.0%	($4.4)	145.5%
Preferred Dividend	($13.8)	($13.8)	0.2%	$0.0	NM
Recurring Net Income	**$50.2**	**$22.8**	**120.1%**	**$19.1**	**162.8%**
Avg Diluted Shares Outstanding	384.5	384.3	0.1%	375.2	2.5%
EPS (Non-GAAP, Diluted)	**$0.13**	**$0.06**	**120.0%**	**$0.05**	**156.5%**
EBITDA ($MM)	**$369**	**$325**	**13.8%**	**$309**	**19.4%**
Capex & Affiliate Investments ($MM)	**$367**	**$460**	**-20.2%**	**$490**	**-25.0%**

Source: NI reports, Jefferies estimates; Note: Non-GAAP results normalize for weather and exclude Greater Lawrence Incident costs, asset sale gains/losses, and Bay State sale impacts.

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NiSource Inc.

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Company Valuation/Risks

NiSource Inc.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	August 5, 2020 , 11:27 ET.
Recommendation Distributed	August 5, 2020 , 11:27 ET.

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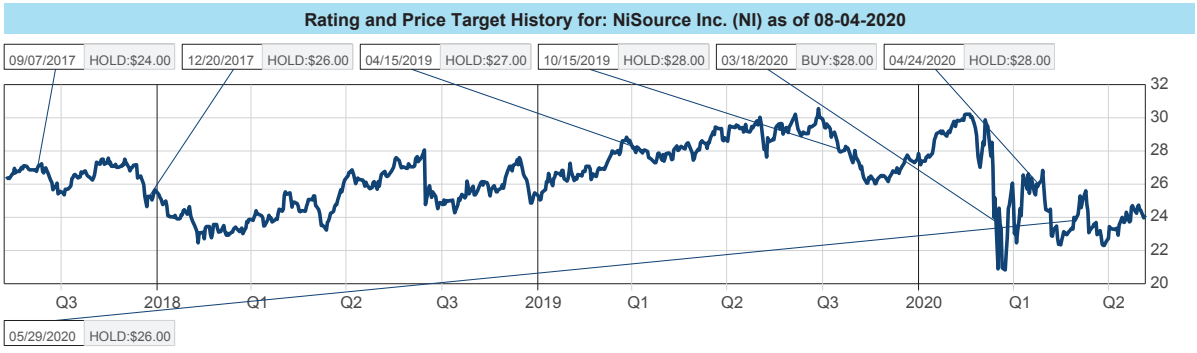

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Legend:

I: Initiating Coverage

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B: Buy

H: Hold

UP: Underperform

Distribution of Ratings

Distribution of Ratings						
			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1398	55.15%	116	8.30%	10	0.72%
HOLD	987	38.93%	27	2.74%	5	0.51%
UNDERPERFORM	150	5.92%	0	0.00%	0	0.00%

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North America Equity Research
05 August 2020

NiSource Inc.

LT Outlook Previewed with Significant Renewables-Driven Investment; 2021 EPS Guidance Initiated

Overweight

NI, NI US
Price: $24.15
04 Aug 2020

- **2Q20 EPS beats estimates on COVID offsets.** NI's 2Q20 operating EPS of $0.13 exceeded JPMe/Street median estimates of $0.08/$0.07, respectively. O&M savings and new rates from infrastructure replacement programs & Columbia of Ohio's CEP more than offset 2Q20 combined electric and gas COVID-19 impacts totaling -6c. NI's corporate segment also includes a benefit from unrealized gains on the cash surrender value of COLI investments.
- **2021 Operating EPS guide introduced.** NI introduced 2021 operating EPS guidance in the range of $1.28-1.36, inclusive of -5c of COVID-19 impacts, below JPMe $1.41 but comparable at the high end ex COVID vs our estimate. This range establishes a base for NI's LT growth. We remain positive on NI's long-term earnings growth outlook and await the full plan refresh at the company's planned Sept Investor Day.
- **Sept Investor Day previewed with $1.8-2.0bn renewables investments.** NI highlighted several updates in advance of the company's Sept 29 Investor Day, including 1) 2021 capital spending expected to return to the $1.8-1.9bn range, 2) incremental renewables investments through 2023 totaling $1.8-2.0bn, 3) a targeted 10-12% rate base CAGR through 2024, and 4) plan supportive of annual EPS growth expected to exceed 5-7%. NI will discuss these updates and the company's financial outlook through 2024 at its Sept 29 Investor Day. The investor day preview largely focuses on plans to retire 80% of NIPSCO's coal-fired generation by 2023, and the $1.8-2.0bn incremental investment opportunity outlined by NI represents ~50% ownership of renewable replacement capacity in the form of JV's with tax equity partners.
- **Conference call details.** NI will host a conference call to discuss 2Q20 results on Wednesday, August 5 at 9:00 AM EDT.

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Table 1: NI 2Q20 Results

Income Statement:	Actual 2Q19	Actual 2Q20	JPM 2Q20E	% Chg Y/Y	% Chg vs JPMe	YoY Drivers
Operating Earnings	131	165	151	26%	9%	New rates from infrastructure replacement programs and Columbia of Ohio's CEP.
Net Income	19	50	30	163%	66%	O&M savings offsetting COVID impacts.
Share Count	374	384	385	3%	0%	
Operating EPS	**$0.05**	**$0.13**	**$0.08**	**156%**	**67%**	

Source: Company reports and J.P. Morgan estimates.

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NiSource Inc. (NI, NI US) Price Chart

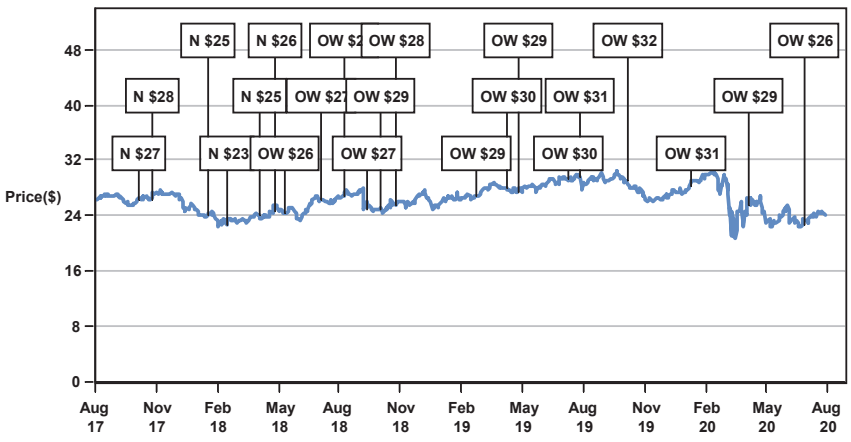

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
12-Oct-17	N	26.42	27
01-Nov-17	N	26.37	28
24-Jan-18	N	24.17	25
22-Feb-18	N	22.80	23
10-Apr-18	N	24.15	25
02-May-18	N	24.52	26
17-May-18	OW	24.40	26
11-Jul-18	OW	26.24	27
15-Aug-18	OW	26.96	28
17-Sep-18	OW	24.79	27
09-Oct-18	OW	25.05	29
01-Nov-18	OW	25.36	28
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31
09-Apr-20	OW	25.47	29
01-Jul-20	OW	22.74	26

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IB clients*	53%	49%	38%
JPMS Equity Research Coverage	43%	42%	15%
IB clients*	75%	70%	58%

*Percentage of subject companies within each of the "buy," "hold" and "sell" categories for which J.P. Morgan has provided investment banking services within the previous 12 months. Please note that the percentages might not add to 100% because of rounding.
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UBS | Global Research | 5 August 2020

First Read

NiSource Inc.

Renewable Generation Capex Above UBSe

Equities

Americas
Gas Utilities

12-month rating	**Neutral**
12m price target	**US$27.00**
Price (04 Aug 2020)	**US$24.15**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$30.56-20.86
Market cap.	US$9.24bn
Shares o/s	383m (COM)
Free float	99%
Avg. daily volume ('000)	943
Avg. daily value (m)	US$22.1
Common s/h equity (12/20E)	US$5.05bn
P/BV (12/20E)	1.8x
Net debt / EBITDA (12/20E)	5.4x

EPS (UBS, diluted) (US$)

	12/20E			
	From	To	% ch	Cons.
Q1	0.76	0.76	0	0.76
Q2	0.05	0.13	NM	0.08
Q3E	0.03	0.03	NM	0.04
Q4E	0.39	0.40	1	0.43
12/20E	1.24	1.32	7	1.30
12/21E	1.37	1.37	NM	1.37
12/22E	1.46	1.45	-1	1.47

NI Provided 2021 Guidance and Long Term Rate Base Growth

NI reported strong 2Q despite the pandemic driven by lower O&M (see details below). Management provided 2021 EPS guidance of $1.28-$1.36, with midpoint at $1.32 vs UBSe/Cons of $1.37; however, it includes $0.05/share impact from COVID. At this stage we don't include impact from COVID and we will look for more colour during the call today on the pace of recovery from the pandemic and lockdowns. Notably, NI provided $1.8-$2B capex related to renewable investments in 2022-2023 above UBSe of $1B-$1.5B and noted additional investments through 2028. The new investments to transition from coal to renewables will reduce GHG emissions by 90% by 2030 (from 2005). Additionally, management revised higher rate base growth to 10-12% up from 9% and noted that strong rate base growth will drive EPS CAGR in excess of prior long term guidance of 5-7% (vs. UBSe of '21-'24 EPS CAGR of 7.2%). Management plans to provide more details on investments and growth through 2024 during the virtual Analyst Day scheduled for Sept 29th. We expect investors will react positively to strong quarter and long term positive outlook despite modestly disappointing 2021 EPS outlook.

Results: 2Q20 EPS Above UBSe/Consensus

NI reported 2Q20 adj. EPS of $0.13 above Consensus of $0.08 and UBSe of $0.05. The beat was driven by lower O&M and higher net margin from Gas Distribution segment. Electric segment operating income was roughly inline with UBSe. NI received deferral orders to recover increases in bad debt due to the COVID in following states: IN, PA, VA, MD and OH.

Adjusting Estimates

To reflect 2Q20 results, we are increasing our 2020 EPS estimates by 7% to $1.32, while we are maintaining 2021 EPS estimates roughly unchanged. We also increased 2022-2023 capex to reflect higher than expected renewable investments of $1.8-$2B vs. UBSe of $1.0B-1.5B. We also increased 2024 EPS to reflect higher recovery from invested capital.

Valuation:

We maintain Neutral rating and $27 PT.

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Highlights (US$m)	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E	12/24E
Revenues	4,905	5,095	5,184	4,984	5,309	5,519	5,779	6,060
EBIT (UBS)	964	942	1,047	1,066	1,113	1,203	1,330	1,469
Net earnings (UBS)	398	463	495	510	546	596	663	745
EPS (UBS, diluted) (US$)	1.21	1.30	1.32	1.32	1.37	1.45	1.56	1.71
DPS (US$)	0.72	0.79	0.84	0.89	0.95	1.01	1.07	1.13
Net (debt) / cash	(8,973)	(9,891)	(10,374)	(9,890)	(10,411)	(11,584)	(12,695)	(13,321)
Profitability/valuation	**12/17**	**12/18**	**12/19**	**12/20E**	**12/21E**	**12/22E**	**12/23E**	**12/24E**
EBIT margin %	19.7	18.5	20.2	21.4	21.0	21.8	23.0	24.2
ROIC (EBIT) %	8.6	7.7	7.9	7.9	8.1	8.0	7.8	7.9
EV/EBITDA (core) x	9.8	10.6	10.6	9.6	9.2	9.1	8.4	7.8
P/E (UBS, diluted) x	20.9	19.4	21.2	18.3	17.6	16.7	15.5	14.1
Equity FCF (UBS) yield %	(11.6)	(14.5)	(1.6)	(4.2)	14.4	477.5	13043.1	347387.6
Net dividend yield %	2.9	3.1	3.0	3.7	3.9	4.2	4.4	4.7

Source: Company accounts, Thomson Reuters, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Valuations: based on an average share price that year, (E): based on a share price of US$24.15 on 04 Aug 2020 19:34 EDT

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Figure 1: 2Q20 Results vs UBS estimates

$ in millions	Actual 2Q20	UBSe 2Q20e	% variance	Actual 2Q19	YoY % change
Financial Data					
Revenues	$957.4	$1,035.5	*(7.5%)*	$1,011.9	*(5.4%)*
Cost of Sales	($188.4)	($274.4)	*(31.3%)*	($253.5)	*(25.7%)*
Operating & Maintenance Expenses	($338.1)	($380.2)	*(11.1%)*	($382.7)	*(11.7%)*
Depreciation & Amortization	($197.4)	($182.3)	*8.3%*	($177.9)	*11.0%*
Total Expenses	($603.7)	($628.0)	*(3.9%)*	($627.0)	*(3.7%)*
Interest Expense	($97.0)	($94.1)	*3.1%*	($94.1)	*3.1%*
Net Income	$50.2	$20.2	*148.5%*	$19.1	*162.8%*
EPS	$0.13	$0.05	*148.9%*	$0.05	*157.1%*
Diluted Shares Outstanding	$383.5	$383.1	*0.1%*	$373.9	*2.6%*
Dividend Per Share	$0.220	$0.220	*0.0%*	$0.205	*7.3%*
Segment Operating Income					
Gas Distribution	$73.4	$48.9	*50.1%*	$46.8	*56.8%*
Electric Operations	$89.4	$87.0	*2.7%*	$85.8	*4.2%*
Total	$165.3	$133.1	*24.2%*	$131.4	*25.8%*

Source: UBS estimates, Company Reports

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Figure 2: NI Summary Model

NiSource Inc (NI)												
($ in Millions)	2017	2018	2019	1Q20	2Q20	3Q20e	4Q20e	2020e	2021e	2022e	2023e	2024e
Operating Data												
Customers (000)												
Gas Utilities Customers	3,455	3,482	3,510	3,523	3,526	3,483	3,542	3,542	3,575	3,608	3,641	3,674
Electric Customers	469	472	476	477	477	476	478	478	480	483	485	488
Income Statement												
Revenues	**$ 4,904.8**	**$ 5,095.1**	**$ 5,184.1**	**$ 1,631.8**	**$ 957.4**	**$ 971.3**	**$ 1,423.1**	**$ 4,983.6**	**$ 5,309.5**	**$ 5,518.8**	**$ 5,779.3**	**$ 6,060.3**
Operating costs & expenses												
(Cost of Sales)	$ (1,518.7)	$ (1,759.5)	$ (1,534.8)	$ (462.4)	$ (188.4)	$ (213.9)	$ (415.2)	$ (1,280.0)	$ (1,429.1)	$ (1,483.3)	$ (1,550.5)	$ (1,624.9)
(Operating & Maintenance Expenses)	$ (1,589.2)	$ (1,963.4)	$ (1,588.3)	$ (436.5)	$ (338.1)	$ (368.3)	$ (408.6)	$ (1,551.4)	$ (1,580.3)	$ (1,599.8)	$ (1,618.9)	$ (1,637.5)
(Depreciation & Amortization)	$ (570.3)	$ (596.6)	$ (717.4)	$ (184.3)	$ (197.4)	$ (192.9)	$ (192.8)	$ (767.4)	$ (804.7)	$ (839.5)	$ (875.8)	$ (913.8)
Gain on the Sale of Assets	$ (5.5)	$ (0.7)	$ -	$ -	$ -	$ -	$ (17.8)	$ (17.8)	$ (65.7)	$ (65.7)	$ (65.7)	$ (65.7)
(Other Taxes)	$ (257.2)	$ (275.0)	$ (296.8)	$ (85.9)	$ (68.2)	$ (70.6)	$ (76.6)	$ (301.3)	$ (316.5)	$ (327.5)	$ (338.1)	$ (349.6)
Equity Earnings in Unconsolidated Affilates	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ (2,422.2)**	**$ (2,835.7)**	**$ (2,602.5)**	**$ (706.7)**	**$ (603.7)**	**$ (631.8)**	**$ (695.8)**	**$ (2,638.0)**	**$ (2,767.1)**	**$ (2,832.5)**	**$ (2,898.4)**	**$ (2,966.6)**
Operating Income By Division												
Gas Distribution	$ 586.9	$ 564.6	$ 632.0	$ 391.6	$ 73.4	$ (3.7)	$ 218.7	$ 680.0	$ 714.4	$ 780.0	$ 837.9	$ 903.2
Transmission & Storage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Electric Operations	$ 376.6	$ 381.2	$ 401.5	$ 80.0	$ 89.4	$ 132.3	$ 84.5	$ 386.2	$ 406.3	$ 436.9	$ 512.3	$ 590.8
Corporate & Eliminations	$ 0.4	$ (3.9)	$ 13.3	$ (8.9)	$ 2.5	$ (3.0)	$ 8.9	$ (0.4)	$ (7.5)	$ (13.9)	$ (19.8)	$ (25.2)
Total Operating Income	**$ 963.9**	**$ 941.9**	**$ 1,046.8**	**$ 462.7**	**$ 165.3**	**$ 125.6**	**$ 312.1**	**$ 1,065.7**	**$ 1,113.2**	**$ 1,203.0**	**$ 1,330.4**	**$ 1,468.8**
EBITDA	**$ 1,534.2**	**$ 1,538.5**	**$ 1,764.2**	**$ 647.0**	**$ 362.7**	**$ 318.5**	**$ 504.9**	**$ 1,833.1**	**$ 1,917.9**	**$ 2,042.5**	**$ 2,206.2**	**$ 2,382.6**
Other expenses												
Interest Expense	$ (353.2)	$ (353.3)	$ (378.9)	$ (92.9)	$ (97.0)	$ (95.1)	$ (98.0)	$ (383.0)	$ (356.8)	$ (383.9)	$ (426.5)	$ (460.7)
Other Expense (Income)	$ (2.8)	$ (96.5)	$ (5.2)	$ 5.4	$ 6.5	$ -	$ (3.0)	$ 8.9	$ (10.0)	$ (10.0)	$ (10.0)	$ (10.0)
Total Other Expenses	**$ (356.0)**	**$ (449.8)**	**$ (384.1)**	**$ (87.5)**	**$ (90.5)**	**$ (95.1)**	**$ (101.0)**	**$ (374.1)**	**$ (366.8)**	**$ (393.9)**	**$ (436.5)**	**$ (470.7)**
Income from Before Income Taxes	**$ 607.9**	**$ 477.1**	**$ 607.6**	**$ 361.4**	**$ 61.0**	**$ 16.7**	**$ 197.4**	**$ 636.5**	**$ 691.3**	**$ 754.0**	**$ 838.8**	**$ 943.0**
Income Taxes	$ (210.4)	$ (13.8)	$ (112.9)	$ (70.5)	$ (10.8)	$ (3.5)	$ (41.4)	$ (126.3)	$ (145.2)	$ (158.3)	$ (176.1)	$ (198.0)
Effective Tax Rate	34.6%	2.9%	18.6%	19.5%	17.7%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net income	**$ 397.5**	**$ 463.3**	**$ 494.7**	**$ 290.9**	**$ 50.2**	**$ 13.2**	**$ 155.9**	**$ 510.2**	**$ 546.2**	**$ 595.6**	**$ 662.6**	**$ 745.0**
Diluted Weighted Avg Number of Common U	$ 329.4	$ 356.4	$ 374.7	$ 383.1	$ 383.5	$ 383.5	$ 392.9	$ 385.8	$ 398.9	$ 411.8	$ 426.0	$ 435.8
EPS	**$ 1.21**	**$ 1.30**	**$ 1.32**	**$ 0.76**	**$ 0.13**	**$ 0.03**	**$ 0.40**	**$ 1.32**	**$ 1.37**	**$ 1.45**	**$ 1.56**	**$ 1.71**
Balance Sheet Summary												
Assets												
Cash and Cash Equivalents	$ 29.0	$ 121.1	$ 148.4	$ 213.0	$ 153.6	$ 149.1	$ 162.8	$ 162.8	$ 136.8	$ 191.9	$ 247.0	$ 302.1
Property, Plant and Equipment	$ 14,359.5	$ 15,542.5	$ 16,912.2	$ 15,587.2	$ 15,772.4	$ 16,044.8	$ 15,217.4	$ 15,217.4	$ 16,212.7	$ 18,073.2	$ 19,897.4	$ 21,083.6
Investment in affiliates	$ 82.0	$ 86.5	$ 163.7	$ 160.2	$ 163.1	$ 163.1	$ 163.1	$ 163.1	$ 163.1	$ 163.1	$ 163.1	$ 163.1
Total Assets	**$ 19,961.7**	**$ 21,804.0**	**$ 22,659.8**	**$ 22,592.7**	**$ 22,436.5**	**$ 22,704.4**	**$ 21,890.7**	**$ 21,890.7**	**$ 22,859.9**	**$ 24,775.5**	**$ 26,654.8**	**$ 27,896.2**
Liabilities & Partners' Capital												
Long Term Debt	$ 7,512.2	$ 7,105.4	$ 7,856.2	$ 7,817.9	$ 8,810.2	$ 9,320.8	$ 8,295.4	$ 8,295.4	$ 8,800.9	$ 9,974.2	$ 11,089.8	$ 11,765.1
Partners' Equity	$ 4,320.1	$ 5,750.9	$ 5,986.7	$ 5,741.4	$ 5,661.8	$ 5,590.6	$ 5,905.2	$ 5,905.2	$ 6,324.3	$ 6,956.1	$ 7,614.9	$ 8,119.6
Total Liabilities & Partners' Capital	**$ 19,961.7**	**$ 21,804.0**	**$ 22,659.8**	**$ 22,592.7**	**$ 22,436.5**	**$ 22,704.4**	**$ 21,890.7**	**$ 21,890.7**	**$ 22,859.9**	**$ 24,775.5**	**$ 26,654.8**	**$ 27,896.2**
Cash Flow Summary												
Changes in Working Capital	$ (56.5)	$ 110.2	$ (75.1)	$ (158.2)	$ 72.3	$ -	$ -	$ (85.9)	$ -	$ -	$ -	$ -
Net cash provided by operating activities	$ 742.2	$ 540.1	$ 1,583.3	$ 369.9	$ 337.8	$ 219.9	$ 362.5	$ 1,290.1	$ 1,406.0	$ 1,490.2	$ 1,593.5	$ 1,713.8
Capital Expenditures	$ (1,695.8)	$ (1,818.2)	$ (1,802.4)	$ (452.1)	$ (367.2)	$ (465.4)	$ (465.4)	$ (1,750.0)	$ (1,800.0)	$ (2,700.0)	$ (2,700.0)	$ (2,100.0)
Net cash provided by investing activities	$ (1,808.5)	$ (1,926.1)	$ (1,922.4)	$ (484.6)	$ (402.0)	$ (465.4)	$ 634.7	$ (717.3)	$ (1,800.0)	$ (2,700.0)	$ (2,700.0)	$ (2,100.0)
Net cash provided by financing activities	$ 1,068.7	$ 1,468.7	$ 366.4	$ 179.3	$ 4.8	$ 240.9	$ (983.4)	$ (558.4)	$ 368.0	$ 1,264.9	$ 1,161.6	$ 441.3
Net change in cash	**$ 2.4**	**$ 82.7**	**$ 27.3**	**$ 64.6**	**$ (59.4)**	**$ (4.5)**	**$ 13.8**	**$ 14.4**	**$ (26.1)**	**$ 55.1**	**$ 55.1**	**$ 55.1**
Dividend												
Dividend Per Share	**$ 0.72**	**$ 0.79**	**$ 0.84**	**$ 0.22**	**$ 0.22**	**$ 0.22**	**$ 0.23**	**$ 0.89**	**$ 0.95**	**$ 1.01**	**$ 1.07**	**$ 1.13**
Payout Ratio	59.7%	60.9%	63.3%	29.0%	168.1%	639.0%	58.6%	67.5%	69.0%	69.5%	68.5%	65.8%

Source: UBS estimates, Company Reports

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Forecast returns	
Forecast price appreciation	+11.8%
Forecast dividend yield	3.9%
Forecast stock return	+15.7%
Market return assumption	5.1%
Forecast excess return	+10.6%

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. We use comparable company multiples in our sum-of-the-parts EV/EBITDA and P/E valuations. Our price target is derived using an average of sum-of-the-parts EV/EBITDA and P/E valuations and DDM.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	49%	32%
Neutral	FSR is between -6% and 6% of the MRA.	39%	30%
Sell	FSR is > 6% below the MRA.	13%	20%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 June 2020.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
NiSource Inc.[16]	NI.N	Neutral	N/A	US$24.15	04 Aug 2020

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date
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NiSource Inc. (US$)

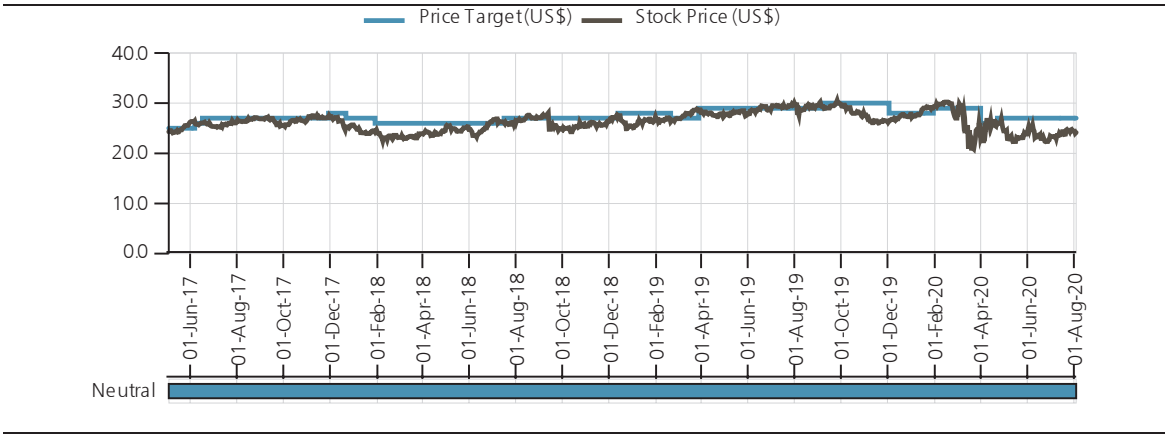

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Date	Stock Price (US$)	Price Target (US$)	Rating
2017-05-04	24.28	25.0	Neutral
2017-06-07	26.44	26.0	Neutral
2017-06-17	26.06	27.0	Neutral
2017-11-29	27.17	28.0	Neutral
2017-12-22	25.28	27.0	Neutral
2018-01-29	24.22	26.0	Neutral
2018-07-17	26.12	27.0	Neutral
2018-12-13	27.62	28.0	Neutral
2019-02-20	26.28	27.0	Neutral
2019-03-29	28.66	29.0	Neutral
2019-09-09	28.91	30.0	Neutral
2019-12-03	26.41	28.0	Neutral
2020-01-30	29.1	29.0	Neutral
2020-04-01	23.06	26.0	Neutral
2020-04-23	25.85	27.0	Neutral

Source: UBS; as of 04 Aug 2020

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August 05, 2020 | 21:27 ET | 21:27 ET~

NiSource

NI-NYSE	Rating	Price: Aug-5	Target	Total Rtn
	Outperform	$24.36	$27.00	14%

NI 2Q20 - Initiates 2021 Guidance, Early Preview of September 29 Investor Day

Bottom Line: NI reported a nice 2Q20 beat of $0.13 vs. the street's $0.08 and our own $0.08. 2Q19 comp was $0.05. The primary drivers of the better results include the company's cost mitigation efforts which were only partially offset by 1H20 financing activity and demand/cost impacts of COVID19. For the full year management is targeting $0.10-$0.15 COVID-19 cost mitigation benefits.

Management moved forward the initiation of its 2021 guidance range of $1.28-1.36 which will be used as the new base year for its long-term growth rate.

Key Points

The midpoint of the $1.28-$1.36 range was in line with our own $1.33 estimate and just shy of the implied range the company had discussed in its May meetings. The guidance includes the midpoint of the $0-0.10/share estimated impact of COVID-19. **We are lowering our 2022 EPS to $1.38/share to reflect the slightly higher retention of TSA-related costs under the agreement to sell Columbia Gas Massachusetts, a more gradual path in cost mitigation activities and higher financing costs.**

Management gave an early preview of its upcoming analyst day scheduled for September 29th. Management provided year-by-year rate base guidance for the consolidated entity which shows a rate base CAGR of 10-12% for the four-year period of '20-24. **Although management did not disclose the discrete EPS growth rate associated with its rate base CAGR, it did suggest that over the four-year forecast period the EPS growth rate would exceed its current 5-7% LT growth rate (currently through 2022) through the new 2024 time-frame and then revert back to the initial 5-7% EPS CAGR.**

While the growth rate will be a function of the both the timing and financing vehicles utilized, its new cost management program and timely rate relief, we would expect the 18-20c of incremental earnings associated with its renewable investments would be additive to earnings in the 2H23 (concurrent with the retirement of the Schafer Plant) with a full year in 2024. **Our initial cut is the company's new growth rate ('21-24), albeit back-end loaded could be in the range of 8-9%.**

We'd expect the new investments will be financed with ~60% equity and with the bulk of spending to occur in late 2022 and 2023 we'd expect the company to likely synchronize its equity financing strategy with the cadence of the spending.

We reiterate our Outperform rating and $27 target price.

Please refer to pages 6 to 9 for Important Disclosures, including Analyst's Certification.

IN Fact

BMO Capital Markets

Utilities, Power & Renewables

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Company Data			in $
Dividend	$0.84	Shares O/S (mm)	382.8
Yield	3.4%	Market Cap (mm)	$9,325
P/BV	1.5x	Net Debt (mm)	$9,606

BMO Estimates (FY- Dec .)	2019A	2020E	2021E
EPS	$1.32	$1.30	$1.33
DPS	$0.80	$0.84	$0.89
EBIT	$1,042	$1,087	$1,155
EBITDA	1,759	1,834	1,927

Consensus Estimates	2019A	2020E	2021E
EPS		$1.28	$1.36

Valuation	2019A	2020E	2021E
P/E	18.5x	18.8x	18.3x
Div. Yield (%)	3.3%	3.4%	3.7%

QTR. EPS	Q1	Q2	Q3	Q4
2019A	$0.82	$0.05	$0.00	$0.45
2020E	$0.76a	$0.13a	$0.05	$0.36
2021E	$0.81	$0.06	$0.05	$0.41

Our Thesis

We like several aspects of the NI following the sale of Columbia Gas of Massachusettes and removal of previously guided $500-700mm equity issuance overhang, which we believe meaningfully de-risked the story.

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NiSource - Block Summary Model

Income Statement	2019A	2020E	2021E
Electric Operations	402	403	427
Gas Distribution	632	676	720
Parent & Other	13	13	13
Consolidated EBIT	1,042	1,087	1,155
Depreciation & Amortization	717	747	772
EBITDA	1,759	1,834	1,927
Interest Expense	379	399	396
Income Tax	113	120	132
Income from continuing operations	495	503	532
Weighted Average Shares Outstanding	376	388	399
Diluted Operating EPS	$1.32	$1.30	$1.33
Dividends per Share	$0.80	$0.84	$0.89
Cash Flow Statement	**2019A**	**2020E**	**2021E**
Operating Cash Flow	1,750	1,417	1,365
Investing Cash Flow	(1,988)	(630)	(1,770)
Financing Cash Flow	154	(106)	(99)
Net Change in Cash Flow	(84)	681	(504)
EOP Cash on Balance Sheet	37	718	214
Common stock (net)	34	335	335
Net debt issued/(repaid)	494	500	(64)
Dividends paid	(301)	(326)	(355)
Balance Sheet	**2019A**	**2020E**	**2021E**
Common Equity	5,327	6,019	6,611
Preferred Equity	880	880	880
Total Debt	9,643	10,143	10,079
Enterprise Value	$20,207	$20,913	$21,681
Common equity %	33.6%	35.3%	37.6%
Preferred equity %	5.6%	5.2%	5.0%
Total Debt %	60.8%	59.5%	57.4%
Book Value per Share	$16.51	$17.79	$18.78

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

Our $27 target price is the product of a P/E-based sum of the parts. We utilize a regulated average multiple using 2022E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook. For NI, we have removed EPS for its MA gas business from our P/E valuation and instead include only the asset value (1x equity rate base) in our SOTP framework.

Upside Scenario 30.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario 19.00

Our downside scenario reflects a tightening monetary policy and a deceleration of the company's rate base growth.

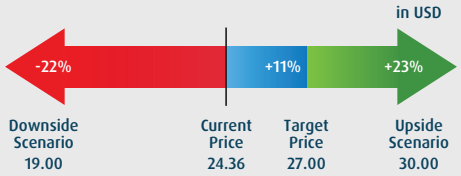

Key Catalysts

Initial indicative pricing in its second renewable RFP in IN. Completing the sale of Columbia Gas of Massachusetts to Eversource. Potentially, capital spending and growth rate update in 2H20 given clarity in the aforementioned RFP and recent rate orders in MA and IN.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

2Q20 Results

NI reported a nice 2Q20 beat of $0.13 vs. the street's $0.08 and our own $0.08. 2Q19 comp was $0.05. The primary drivers of the better results include the company's cost mitigation efforts which were only partially offset by 1H20 financing activity and demand/cost impacts of COVID19. For the full year management is targeting $0.10-$0.15 COVID-19 cost mitigation benefits.

Management move forward the initiation of its 2021 guidance range which will be used as the new base year for its long-term growth rate. The midpoint of the $1.28-$1.36 range was in line with our own $1.33 estimate and just shy of the implied range the company had discussed in its May meetings. The guidance includes the midpoint of the $0-0.10/share estimated impact of COVID-19, a roughly a $0.05 drag from retained TSA costs associated with the sale of Columbia Gas Massachusetts, and the positive impact of investment at NIPSCO.

We are lowering our 2022 EPS to $1.38/share to reflect the slightly higher retention of TSA-related costs under the agreement to sell Columbia Gas Massachusetts, a more gradual path in cost mitigation activities and higher financing costs. Our 2023 number remains unchanged for now as we plan to update this as the company rolls out its multi-year financing plan at its September Analyst Day and updates investors on the cost and capital efficiencies that come out of its strategic initiative program. We also intend to roll out our 2024 estimate at that time which should include a full year impact from coal plant replacement investments in renewable supply.

Analyst Day Sneak Peak

Management gave an early preview of its upcoming analyst day scheduled for September 29th. Management provided year-by-year rate base guidance for the consolidated entity which shows a rate base CAGR of 10-12% for the four-year period of '20-24. Consistent with scope and cost savings in its 2018 IRP, managements rate base forecast includes an estimated range of $1,800-2,000mm for its share of renewable investment to replace the retirement of coal plants through 2023. The company will file an IRP in 2021 to outline the replacement of the its final coal plant (Michigan City plant) in 2028.

Although management did not disclose the discrete EPS growth rate associated with its rate base CAGR, it did suggest that over the four-year forecast period the EPS growth rate would exceed its current 5-7% LT growth rate (currently through 2022) through the new 2024 timeframe and then revert back to the initial 5-7% EPS CAGR. While the growth rate will be a function of the both the timing and financing vehicles utilized, its new cost management program and timely rate relief, we would expect the 18-20c of incremental earnings associated with its renewable investments would be additive to earnings in the 2H23 (concurrent with the retirement of the Schafer Plant) with a full year in 2024. Our initial cut is the company's new growth rate ('21-24), albeit back-end loaded could be in the range of 8-9%.

We expect the new investments will be financed with 60% equity content and will likely include both common equity as well as the use of an equity unit product. **With the bulk of spending to occur in late 2022 and 2023 we would expect the company to likely synchronize its equity financing strategy with the cadence of the spending**. However, we would not rule out an earlier deployment of equity units given the current market environment. Finally, the company has targeted an FFO/adjusted Debt target of 14-15% which we think it will aim to managed though the 2022-2023 construction schedule through its recently announced strategic initiative program which targets both O&M and capital efficiencies.

Other Updates

Columbia Gas of Massachusetts sale remains on track with a settlement filed by Eversource on July 2nd, and a concurrent announcement from NiSource that it will pay $56M to settle the state's investigation into the 2018 Greater Lawrence incident. Hearings are scheduled for August 25th and 27th and the transaction is still on target to close at the end of September. We assume the $1,100mm cash proceeds will be used to retire any short-term debt and fund general corporate purposes.

Columbia Gas - PA Rate: The company filed for new base rates on 4/24 for the continued replacement of aging pipelines as well as adoption of safety upgrades. The $100mm revenue request if approved would allow new rates effective early 2021

Columbia Gas - MD Rate: The company filed for new base rates on 5/15 requesting a $6.3mm revenue increase with new rates effective in Dec 2020

Outlook

With the 2021 outlook and renewable development de-risked, we think the risk return going into the September 29th analyst day is favorable and **we reiterate our Outperform rating and $27 target price.**

Exhibit 1: Model Summary

NI Model Summary	2018	2019	2020	2021	2022	2023
EPS By Segment						
Electric Operations	$0.72	$0.78	$0.76	$0.79	$0.79	$0.82
Gas Distribution	$0.99	$1.12	$1.15	$1.14	$1.16	$1.32
Corporate & Other	($0.41)	($0.58)	($0.61)	($0.59)	($0.57)	($0.59)
Consolidated E.P.S.	**$1.30**	**$1.32**	**$1.30**	**$1.33**	**$1.38**	**$1.55**
Dividend per share	**$0.78**	**$0.80**	**$0.84**	**$0.89**	**$0.94**	**$1.00**
Payout Ratio total	60.0%	60.8%	64.7%	66.8%	68.2%	64.6%
Dividend Yield	3.1%	2.9%	2.9%	3.0%	3.2%	3.4%
Valuation Metrics						
Price to Earnings	19.5x	21.2x	22.6x	22.0x	21.2x	18.9x
Price to Book Value	1.6x	1.7x	1.6x	1.6x	1.5x	1.4x
Funding Sources						
Cash Flow from Operations	$540	$1,750	$1,417	$1,365	$1,439	$1,537
Total Debt Financings	$350	$750	$500	$0	$550	$950
Total Equity Financings	$1,724	$34	$335	$335	$335	$335
Credit Metrics						
Total Debt/Capitlization	61%	61%	60%	57%	55%	54%
FFO/Total Debt	12%	14%	14%	14%	14%	15%
Regulated Operations Performance - Realized ROE						
NIPSCO Electric ROE	12.8%	12.6%	11.5%	11.4%	11.3%	11.6%
Columbia Gas of Ohio ROE	8.8%	9.4%	9.1%	9.6%	9.2%	9.9%
Columbia Gas of Pennsylvania ROE	8.9%	9.4%	9.1%	9.6%	9.2%	9.9%
NIPSCO Gas ROE	9.2%	9.4%	9.1%	9.6%	9.2%	9.9%
Columbia Gas of Massachusetts ROE	9.3%	9.4%	9.1%	0.0%	0.0%	0.0%
Columbia Gas of Virginia ROE	8.6%	9.4%	9.1%	9.6%	9.2%	9.9%
Columbia Gas of Kentucky ROE	8.8%	9.3%	8.9%	9.5%	9.2%	9.9%
Columbia Gas of Maryland ROE	9.3%	9.7%	9.2%	9.4%	9.1%	9.8%

Source: BMO Capital Markets, Company Filings

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Exhibit 2: Model Assumptions

Key Model Assumptions	2018	2019	2020	2021	2022	2023	5-Year
Total Capital Expenditures by Segment							
Electric Operations	$499	$469	$460	$470	$480	$490	**$2,369**
Gas Distribution	$1,315	$1,380	$1,270	$1,300	$1,300	$1,310	**$6,560**
Consolidated Capital Expenditures	**$1,815**	**$1,849**	**$1,730**	**$1,770**	**$1,780**	**$1,800**	**$8,929**
YE Rate Base Estimates							
NIPSCO Electric	$4,401	$4,866	$5,317	$5,682	$5,871	$6,065	*6.6%*
Columbia Gas of Ohio	$2,800	$3,106	$3,401	$3,743	$4,073	$4,403	*9.5%*
Columbia Gas of Pennsylvania	$1,698	$1,883	$2,062	$2,270	$2,470	$2,670	*9.5%*
NIPSCO Gas	$1,497	$1,660	$1,818	$2,001	$2,178	$2,354	*9.5%*
Columbia Gas of Massachusetts	$990	$1,098	$1,203	$0	$0	$0	
Columbia Gas of Virginia	$712	$789	$864	$951	$1,035	$1,119	*9.5%*
Columbia Gas of Kentucky	$305	$338	$369	$407	$442	$478	*9.4%*
Columbia Gas of Maryland	$122	$136	$150	$165	$179	$194	*9.6%*
Total Rate Base	**$12,525**	**$13,876**	**$15,185**	**$15,218**	**$16,248**	**$17,282**	***6.7%***

Source: BMO Capital Markets, Company Filings

Exhibit 3: SOTP Valuation

Regulated, Corporate & Other	Valuation Metric	2022E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Electric Operations	EPS	$0.79	Electric	17.4x	+5.0%	18.3x	14.4x	$11	18.3x	$14	20.3x	$16
Gas Distribution	EPS	$1.16	Natural Gas	17.1x	+5.0%	18.0x	14.1x	$16	18.0x	$21	20.0x	$23
Coporate & Other	EPS	($0.57)	Blend	17.2x	+0.0%	17.2x	17.2x	($10)	17.2x	($10)	19.2x	($11)
Utility & Parent Value		**$1.38**					13.0x	**$18**	18.4x	**$26**	20.4x	**$28**
		'19 Rate Bas	Equity %	Equity								
Columbia Gas of Massachusetts		$1,100	47%	$517		1.0x	1.0x	$1.26	1.0x	$1.26	1.0x	$1.26
Total NiSource Inc.								**$19**		**$27**		**$30**
Upside/(Downside)								-20.4%		10.9%		22.4%
Current Yield								2.9%		2.9%		2.9%
Total Return								**-17.5%**		**13.8%**		**25.2%**

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

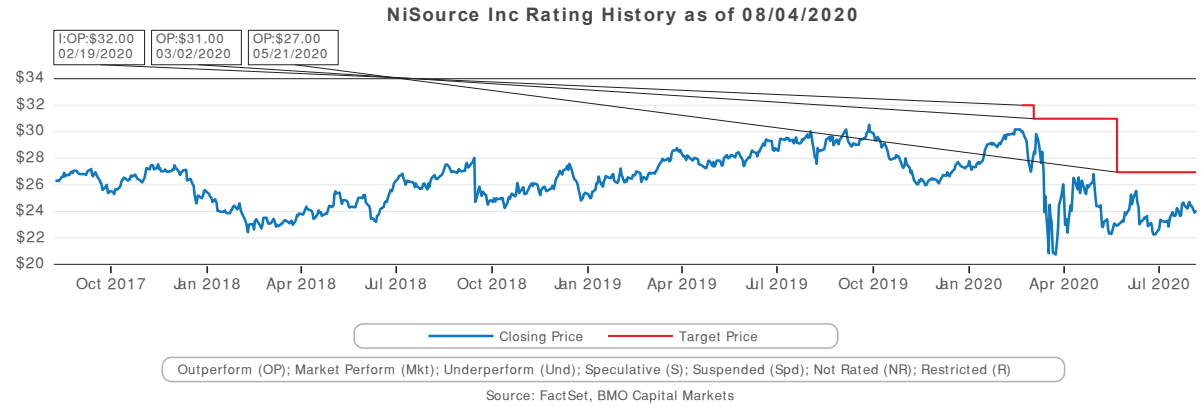

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Disclosure 9B: BMO Capital Markets makes a market in NiSource Inc in United States.

Methodology and Risks to Target Price/Valuation for NiSource Inc (NI-NYSE)

Methodology: Our $27 target price is the product of a P/E-based sum-of-the-parts (SOTP) analysis of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2022E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook.

Risks: NI's regulated profile exposes the company to business risk including but not limited to federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

Distribution of Ratings (August 04, 2020)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	44.1 %	26.2 %	52.9 %	46.6 %	57.7 %	57.7%
Hold	Market Perform	52.9 %	18.4 %	44.5 %	50.8 %	41.2 %	37.5%
Sell	Underperform	2.9 %	18.8 %	2.5 %	2.6 %	1.1 %	4.8%

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August 5, 2020

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NI – 2Q Earnings Beat; Investor Day Preview Brings with It Incremental Capex, Upside to Previous Growth Rate

NI BUY

NiSource Inc.
Sector: Power, Utilities & Alternative Energy

Earnings Release

Share Price	$24.35
Price Target	$27.00

EPS ($) (FY DEC)	1Q	2Q	3Q	4Q	FY
2020	0.76	0.13	0.04E	0.39E	1.31E
Prior	—	*0.07*	*0.07E*	*0.42E*	—
P/E					18.6x
2021	0.75E	0.14E	0.06E	0.40E	1.35E
Prior	*0.76E*	*0.10E*	*0.09E*	*0.43E*	*1.37E*
P/E					18.1x
2022	0.80E	0.17E	0.08E	0.44E	1.48E
Prior	*0.81E*	*0.11E*	*0.10E*	*0.46E*	*1.47E*
P/E					16.5x

Market Data

52-Week Range	$19.56 - $30.67
Dividend	$0.74
Dividend Yield	3.0%
Market Cap (M)	$9,245
Enterprise Value (M)	$21,092
Shares Out (M)	382.8
ADV (3 mo; 000)	3,215

Key Message: NiSource reported 2Q20 earnings, beating Guggenheim and consensus estimates. Mgmt. initiated FY21 earnings guidance, removing some uncertainty from the picture. Renewable generation spending related to the 2018 IRP was defined and was higher than previous estimates, driving top-tier rate base growth over the forecast period. Mgmt. noted rate base growth and improved cost structure will lead to top-quartile EPS growth, and we will have more specifics during the investor day in Sep. FY20 financing and capital plan remain on track.

Key takeaways: NI reported 2Q20 adj. EPS of $0.13 vs Guggenheim at $0.07 and Street at $0.08 driven mainly by lower employee and administrative expenses YoY. **Mgmt., with more clarity around the CMA sale and COVID-19 impacts, initiated FY21 guidance of $1.28 to $1.36 – consistent with our prior thoughts that it could come in slightly lower than prior 2020 guide, which is better than some of the more draconian bear arguments we heard. We still believe 2021 could prove conservative.** The range is the starting point for mgmt.'s expected 10-12% rate base growth driven by renewable generation spending of between $1.8B to $2.0B through 2024, a significant increase from mgmt.'s initial estimates. Customer bills will not be impacted significantly as NI retires O&M intensive coal and replaces it with O&M light renewables. **Mgmt. expects rate base growth and improved cost structure to drive EPS growth in excess of 5-7%.** We await further detail on the long-term forecast of the business during the investor day in late Sep. The CMA settlement was filed early last month and is on track for regulatory approval in 3Q and closure shortly after. ATM equity financing is still expected by mgmt. to be between $200M-$300M for 2020. Liquidity and balance sheet remain strong. Updates on the regulatory side include deferral of COVID-related bad debt in IN, PA, VA, MD, and OH and NIPSCO Gas System Modernization Program extension.

A preview of what's to come… mgmt. lays the groundwork for a robust update on the capital plan and growth trajectory during its investor day in Sep. Mgmt. previewed its investor day by giving specifics on expected capital spending on renewables, estimated rate base CAGR, and expected earnings growth through 2024. Spending on renewables is estimated to be in the range of $1.8B-$2.0B through the forecast period, an increase from mgmt.'s initial estimates of $1.0B-$1.5B. NI will own ~50% of the new generation capacity, which is in line with the 2018 IRP. The renewables spending paired with continued investment in safety and reliability will drive rate base growth of 10-12% from 2021-2024. As of today, NI has $0.4B in approved projects with $1.4B-$1.6B in projects still in negotiations. The tax equity investment totals ~$1.0B and will be additive to rate base over time as the tax equity partners farm out the benefits. The earnings associated with the increased investment will be back-end loaded as projects are completed and added to rates. Customer bill impact is targeted in the low single digits supported by the retirement of O&M intensive coal. **2021 IRP could potentially support an extended runway of renewable generation spending.** The upcoming 2021 IRP could support additional renewable spending in years outside of the forecast as NI moves to retire its remaining coal capacity by 2028. Mgmt. also highlighted its goal to decrease GHG emissions by 90% from 2005 levels by 2030.

Earnings guidance for 2021 initiated, removing some angst from the picture. Mgmt. initiated FY21 EPS guidance of $1.28-$1.36 with more clarity on the CMA sale and the impact of COVID-19. **The range is consistent with our previous thoughts that 2021 guidance could come in lower than the original 2020 guidance and it is better than some of the more draconian bear arguments we heard… we still believe 2021 could prove conservative.** As a reminder, mgmt. removed FY20 guidance of $1.36-$1.40 when the CMA sale was announced. The loss of CMA earnings is offset by eliminating the need for block equity and cost restructuring. Mgmt. forecasts a conservative ~($0.05) impact from

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COVID-19 in 2021. 2021 will be the base year and the starting point for the new long-term plan.

Managing the COVID-19 impact through cost cutting and regulatory support. The impacts of COVID-19 in 2Q were in line with mgmt.'s expectations. YoY for the second quarter, residential, commercial, and industrial gas margins were $0.7M, flat, and ($4.7M) while residential, commercial, and industrial electric margins were $6.2M, ($3.9M), and ($9.2M). The impact of COVID-19 on 2Q20 EPS was ~($0.06), offset with cost cutting and regulatory support. Mgmt. still expects a gradual recovery of the economy into 2021. NI has received orders to defer COVID-related bad debt in IN, PA, VA, MD, and OH. MD, OH, and VA also allow for deferral of other COVID-related costs.

NI still expects to issue $200M-$300M in ATM equity in 2020. Incremental long-term debt financing for FY20 stands at $1.0B-$1.2B. NI's net available liquidity position as of Jun. 30, 2020 was ~$2.0B. Mgmt. reiterated its commitment to an IG credit rating and long-term FFO/ Debt target of ~14-15%.

NI reported 2Q20 adj. EPS of $0.13 vs $0.05 in 2Q19. Gas segment operating earnings were up ~$27M YoY driven by lower employee and administrative expenses and higher revenue from safety and modernization investments slightly offset by a reduction in C&I demand, increased bad debt, and reduced late payment and reconnect fees. Electric segment operating earnings were up ~$4M driven by lower employee and administrative expenses, lower generation maintenance expense, and higher resi demand offset partially by lower C&I demand, increased bad debt expense, and reduced late payment and reconnect fees.

We are lowering our 2021 EPS estimate to account for the initiated guidance and greater impact to the electric segment and slightly raising our 2022 and 2023 EPS estimates to account for increased capital spending.

EPS($)	1Q	2Q	3Q	4Q	FY
2020E	0.76A	0.13A	0.04E	0.39E	**1.31E**
Prior	*0.76E*	*0.07E*	*0.07E*	*0.42E*	*1.31E*
2021E	0.75E	0.14E	0.06E	0.40E	**1.35E**
Prior	*0.76E*	*0.10E*	*0.09E*	*0.43E*	*1.37E*
2022E	0.80E	0.17E	0.08E	0.44E	**1.48E**
Prior	*0.81E*	*0.11E*	*0.10E*	*0.46E*	*1.47E*
2023E	0.86E	0.19E	0.10E	0.45E	**1.61E**
Prior	*0.85E*	*0.12E*	*0.12E*	*0.47E*	*1.57E*

Source: CompanyFilings, Guggenheim Securities, LLC estimates

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Valuation

We apply a 19x multiple (from 18x) on the electric utility to account for upside to the capital plan and 21x multiple on the gas LDCs. We arrive at our valuation utilizing a sum-of-the parts analysis, based on: (1) ~$10/share for the regulated electric utility; (2) ~$20/share value for the regulated gas segment given the limited spread from LDCs after recent market volatility; and (3) (~$-3)/share for other adjustments for Corp and Other. We use this sum of the parts to arrive at our $27 valuation.

Risk

The primary risks on the regulated utility encompass the traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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POWER, UTILITIES & ALTERNATIVE ENERGY

NISOURCE INC. **August 5, 2020**

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
Gas/Power Infrastructure – Market Overweight

August 5, 2020

NISOURCE

(NI US Equity – $24.36 – Outperform)

Does ESG have room for an LDC?

- **2021 guidance light, but L-T EPS CAGR now above 5-7%.** NI initiated 2021 guidance of $1.28-1.36 which missed prior consensus of $1.36 (prev. WRe $1.34), but nonetheless removed a key overhang for the stock. The range includes dilution from the CMA sale/dis-synergies which are largely expected to be offset by NI's cost restructuring program. The bogey between consensus and the midpoint is ~$0.05 of COVID related headwinds as NI's base case assumes modest impacts through the 1H of 2021. NI also gave a preview of L-T growth opportunities which will be discussed in detail at its Sept. 29th Analyst Day – $1.8-2.0B of incremental renewable capex, which will drive rate base growth of 10-12% and an EPS CAGR in excess of 5-7% through 2024 (off 2021). NI outperformed the UTY index by 220bps on the day.

- **New EPS growth likely lumpy, financing considerations.** The renewable investments will take place primarily in 2022 & 2023. But timing and financing costs will ultimately determine how much regulatory lag NI faces as the projects are build transfer (i.e., no AFUDC) and are not expected to be rolled into rates until mid-2023. Our sense is that NI will work to minimize lag in 2022, targeting projects for in-service near the tail end of the year. For financing, NI plans to use equity content consistent with its targeted consolidated cap structure (60% equity); NI might look to use a forward, hybrids or converts (likely a mix). NI will work to smooth the growth trajectory by leveraging O&M through its cost restructuring program.

- **Model update**. We have refreshed our model, making several assumptions around the timing of capex deployment, financings and when NIPSCO will have new rates. We assume 1/3 of the $1.9B is deployed in late-2022, with the remaining staggered in the 1H of 2023. As of now, we are financing with $1.1B of common equity which is deployed in-sync with the investments. We target new rates in place at NIPSCO in the July/August timeframe of 2023. Our new 2022-23E imply 9% and 5% EPS growth, respectively – see a summary of our changes in the table on the right. We see 2024 EPS of $1.70, which implies a ~8.5% CAGR once the renewables are fully reflected

- **PT to $27; Outperform.** We raise our PT by $1 to $27 due to higher utility multiples. We stay Outperform rated and like the direction NI is headed via its renewables program; post-CMA, the ability to execute should be a lot easier.

Estimates / Valuation				
(US$)	2020E	2021E	2022E	2023E
EPS	$1.30	$1.33	$1.45	$1.52
Consensus	$1.28	$1.35	$1.46	$1.58
P/E	18.8x	18.4x	16.8x	16.0x
Dividend Yield	3.5%	3.7%	3.9%	4.1%

Trading and Fundamental Data	
Price Target	**$ 27**
Current Price	24.36
52-Week Range	$20-$31
Market Cap. (MM)	9,320
Enterprise Value (MM)	19,860
Shares Out. (MM)	382.8
Dividend Yield	3.48%
Dividend Payout Ratio	66.1%
ROE	6.6%
Debt to Cap	63.2%
Avg. Daily Vol. (000)	2,261

Price Performance	YTD	LTM
NI US Equity	-13%	-18%
Utility Index	-6%	1%
S&P 500	3%	13%

Source: FactSet/Wolfe Research

Key Changes		
Year	New	Old
PT	$27	$26
2021E	$1.33	$1.34
2022E	$1.45	$1.46
2023E	$1.52	$1.57

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WOLFE RESEARCH

NiSource

August 5, 2020

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2020E	2021E	2022E	2023E
EPS	$1.30	$1.33	$1.45	$1.52
Diluted Shares Outstanding	$388	399	414	452
Dividends Per Share	$0.85	$0.90	$0.95	$1.01
Dividend Yield	3.5%	3.7%	3.9%	4.1%
Dividend Payout Ratio	65%	68%	66%	66%
Equity Ratio	39%	39%	40%	41%
FFO/Net Debt	13%	13%	13%	13%
Valuation Metrics				
P/E	18.8x	18.4x	16.8x	16.0x
Price/Book	1.7x	1.6x	1.4x	1.3x
Segment EPS				
Gas Distribution	$1.05	$1.09	$1.20	$1.22
NIPSCO Electric	0.56	0.55	0.56	0.59
Parent & Other	(0.32)	(0.32)	(0.31)	(0.28)
Total EPS	**$1.30**	**$1.33**	**$1.45**	**$1.52**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2020E	2021E	2022E	2023E
Capital Spending by Segment ($M)				
Gas Distribution	$1,311	$1,496	$1,621	$1,621
Electric	455	455	1,082	1,745
Parent	25	25	25	25
Total Capex	**$1,791**	**$1,976**	**$2,728**	**$3,391**
Financings ($M)				
Total Equity Issued/(Repurchased)	$298	$298	$698	$1,048
Total Debt Issued/(Repurchased)	$150	$550	$850	$1,150

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.5 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland and Massachusetts.

Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $30B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. We see NI as a de-risking story in 2020 with solid growth prospects through its base capex program and renewable investment opportunities at NIPSCO.

Valuation

Our $27 price target is derived using a P/E multiple of 18x on NI's electric earnings and 18.5x on its gas LDC earnings – both averages. Risks for NiSource are 1) bad regulatory outcomes; 2) pipeline safety incidents. Upsides are 1) additional growth projects and 2) customer and sales growth

Exhibit 3. 2022E EPS by Segment

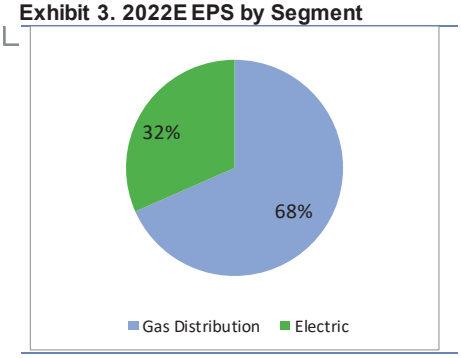

Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart

Source: FactSet

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Investment Conclusion

We are Outperform rated on NiSource. Most of the NI's annual capex (~80%) is recovered with minimal lag via tracking mechanisms and the company has built a constructive track record with most of its state regulators. Post the sale of Columbia Gas of Massachusetts, we believe the company's plan will be a lot easier to execute on. Further, $1.8-2.0B of incremental renewable capex has now been identified for deployment across 2022 and 2023, which will help drive rate base growth of 10-12% and EPS growth in excess of 5-7%, on average, through 2024 (off 2021 base year). The dramatic shift toward renewables and fact that NI will be coal-free by 2028 is also helpful from an ESG perspective. We ultimately see exiting Massachusetts as a turning point for the company that should allow NI to re-rate closer to its historic 5-10% premium over time as it proves out the ability to execute.

Exhibit 5: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2020E	P/E 2021E	P/E 2022E	P/E 2023E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$52.87	250	$13,191	22.0x	20.7x	19.7x	18.6x	2.9%	7.0%	63%	2.4x	47%
Ameren	AEE	80.45	247	19,862	23.4x	21.5x	20.1x	19.0x	2.6%	4.0%	60%	2.5x	44%
American Electric	AEP	84.83	496	42,040	20.0x	18.3x	17.1x	16.3x	3.3%	4.5%	66%	2.2x	37%
Avangrid	AGR	48.33	309	14,934	21.4x	19.4x	17.9x	N/A	3.6%	0.0%	78%	1.0x	65%
CMS Energy	CMS	62.35	286	17,850	23.5x	21.9x	20.3x	19.0x	2.6%	6.5%	61%	3.5x	26%
Con Edison	ED	73.66	334	24,610	17.4x	16.1x	15.5x	14.9x	4.2%	3.5%	72%	1.3x	44%
Dominion	D	79.71	839	66,897	23.0x	20.7x	19.5x	18.3x	3.2%	6.0%	65%	2.4x	44%
Duke Energy	DUK	83.51	735	61,368	16.7x	16.2x	15.5x	14.5x	4.6%	2.0%	77%	1.4x	42%
Edison International	EIX	53.61	378	20,276	11.9x	11.7x	11.0x	10.2x	4.6%	0.2%	55%	1.4x	40%
Entergy	ETR	100.36	200	20,088	18.0x	16.9x	15.9x	15.2x	3.8%	2.2%	68%	1.9x	33%
Evergy	EVRG	53.53	227	12,137	17.7x	16.5x	15.9x	15.1x	3.8%	6.2%	68%	1.4x	45%
Eversource Energy	ES	88.18	343	30,206	24.2x	22.5x	21.1x	19.9x	2.6%	6.1%	62%	2.2x	46%
FirstEnergy	FE	28.94	542	15,678	11.7x	11.0x	10.5x	10.0x	5.4%	6.0%	63%	2.3x	24%
Fortis*	FTS	53.79	464	24,975	20.7x	18.9x	17.8x	16.8x	3.6%	6.0%	74%	1.4x	44%
NiSource	NI	24.36	383	9,325	18.8x	18.4x	16.8x	16.0x	3.5%	6.0%	65%	1.9x	40%
PG&E	PCG	8.88	1,941	17,240	5.5x	8.9x	7.9x	7.3x	0.0%	N/A	0%	0.9x	8%
Pinnacle West	PNW	79.74	112	8,970	16.6x	15.8x	15.3x	14.4x	4.0%	6.0%	66%	1.6x	47%
Portland General	POR	41.63	90	3,726	17.4x	16.0x	15.2x	14.7x	3.7%	1.5%	64%	1.4x	46%
PPL Corp.	PPL	26.61	769	20,457	11.3x	10.8x	9.9x	N/A	6.2%	0.6%	71%	1.5x	36%
Southern Company	SO	53.40	1,056	56,397	16.9x	16.2x	14.9x	13.8x	4.8%	3.2%	81%	2.0x	36%
WEC Energy Group	WEC	93.31	315	29,433	24.9x	23.4x	21.9x	20.5x	2.7%	7.2%	68%	2.8x	45%
Xcel Energy	XEL	69.79	525	36,664	25.1x	23.6x	22.3x	21.1x	2.5%	6.2%	62%	2.7x	37%
Average					**18.6x**	**17.5x**	**16.5x**	**15.8x**	**3.6%**	**4.3%**	**64%**	**1.9x**	**40%**
Average (ex EIX, PCG, PPL)					**20.0x**	**18.6x**	**17.5x**	**16.6x**	**3.5%**	**4.7%**	**68%**	**2.0x**	**42%**

Source: Wolfe Research, FactSet

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Exhibit 6: NI vs the Regulated Average

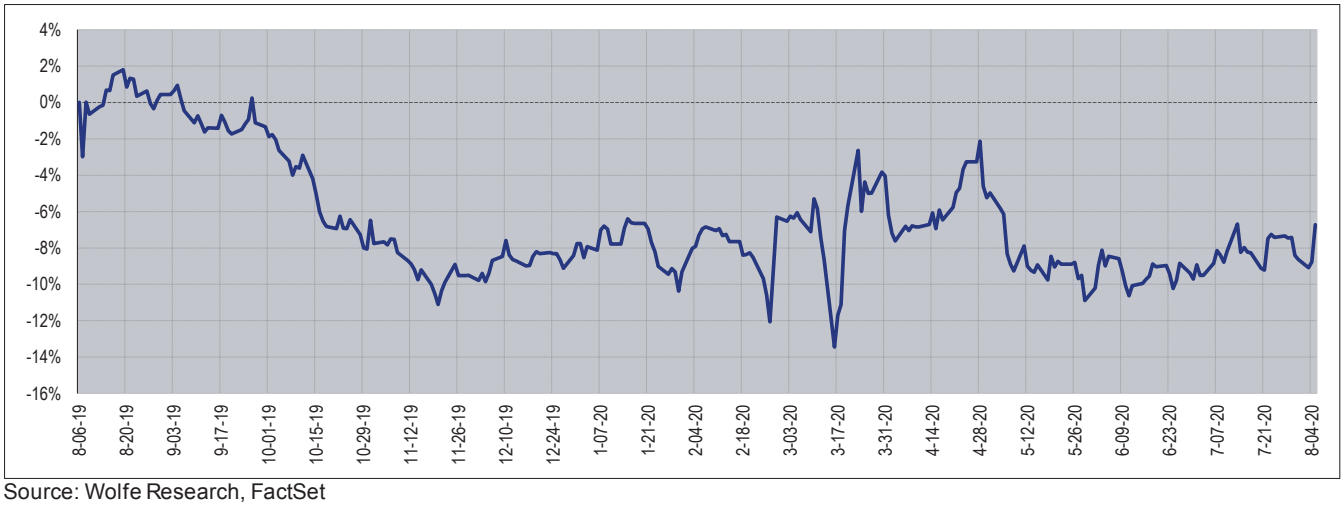

Source: Wolfe Research, FactSet

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WOLFE RESEARCH

NiSource

August 5, 2020

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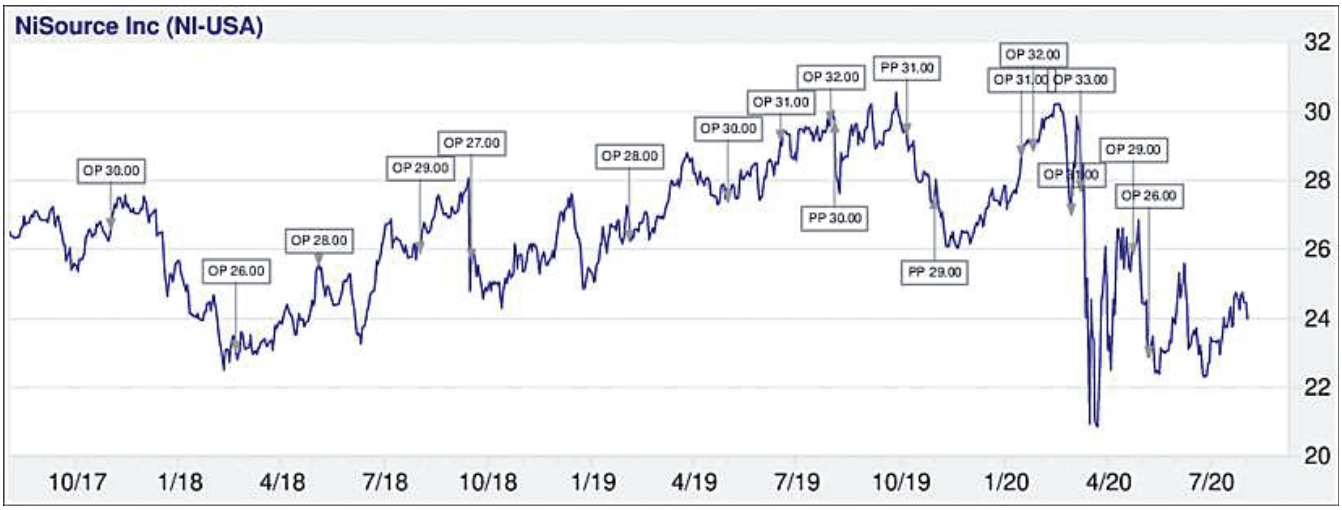

Note: OP = Outperform; PP = Peer Perform; UP = Underperform

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Forward P/E

Wolfe Research, LLC Fundamental Recommendation, Rating and Target Price Risks:

Company:	Risks That May Impede Achievement of the Recommendation, Rating or Target Price:
NI US Equity	Economy, regulatory outcomes, project execution, pipeline safety accidents

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

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WOLFE RESEARCH

NiSource

August 5, 2020

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Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

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Outperform:	48%	2% Investment Banking Clients
Peer Perform:	40%	1% Investment Banking Clients
Underperform:	12%	0% Investment Banking Clients

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BofA GLOBAL RESEARCH

BofA SECURITIES

NiSource Inc

Renewable light at the end of the tunnel

Reiterate Rating: NEUTRAL | PO: 26.00 USD | Price: 24.36 USD

New LT rate base growth CAGR better than expected...

Alongside reporting a 2Q beat, NI initiated '21 EPS guidance of $1.28-1.36 (vs consensus of $1.36) and a '21-'24 LT rate base growth CAGR of +10-12%, inclusive of the company's renewable strategy (50% BOT JVs funded with ~33% tax equity) adding an incremental $1.8-2.0bn of capex in '22 and '23 (vs our prior assumption of $1.5bn). Mgmt. further highlighted the new rate base CAGR translates into LT EPS growth '21-'24 in *excess* of the company's previous +5-7% EPS CAGR (using the new '21 guidance as the base yr). On our new estimates, the new rate base CAGR does imply an impressive +11.6% EPS CAGR '21-'24, but we stress that this is shorter than the typical 5-yr CAGR. While much more detail is expected on the company's renewable strategy at the 9/29 investor day with most renewable commercial deals will be completed by then, we highlight NI likely uses equity linked hybrids to finance part of the deal (we assume $500mn in converts issued in '22 and converted in '25) in addition to common equity to support NI's '22 and '23 incremental renewable capex. Critically, we expect an explicit EPS growth CAGR to be disclosed at the investor day with potential outlook beyond '24.

...but partially offset by lower '21 guide & '22 implications

While we applaud NI for providing further clarity into '21 by establishing new '21 guidance, we stress the new guidance implied negative EPS revisions to '21 and '22 even with base case COVID impact of (-$0.05) baked into the guide. Assuming this negative impact rolls off completely in '22, the guidance also suggests '22 consensus is likely too high. Although the rate base CAGR guidance along with EPS growth >5-7% '21-'24 are both positive for NI, we perceive the implied negative revisions to EPS for the next two years mostly offsets this as the majority of the uptick in forecasted rate base and EPS occurs outside of most investors' valuation window (typically 2022). Hence, we lower our '20 / '21 / '22 EPS estimates by about 4 cents/yr, while raising '23/'24 EPS by 3 / 6 cents to account for higher than previously contemplated BOT renewables where we expect NI to earn a full yr of earnings starting in '24 (~14c per year vs prior 10c). Reit Neutral given NT uncertainty and revision risk & raise PO to $26 (from $25) as mtm and raise premiums in SOTP for both gas and electric.

Estimates (Dec)

(US$)	2018A	2019A	2020E	2021E	2022E
EPS	1.30	1.32	1.24	1.31	1.42
GAAP EPS	1.30	1.32	1.24	1.31	1.42
EPS Change (YoY)	7.4%	1.5%	-6.1%	5.6%	8.4%
Consensus EPS (Bloomberg)			1.28	1.36	1.46
DPS	0.79	0.83	0.88	0.94	0.99

Valuation (Dec)

	2018A	2019A	2020E	2021E	2022E
P/E	18.7x	18.5x	19.6x	18.6x	17.2x
GAAP P/E	18.7x	18.5x	19.6x	18.6x	17.2x
Dividend Yield	3.2%	3.4%	3.6%	3.9%	4.1%
EV / EBITDA*	15.8x	13.7x	13.5x	12.6x	11.7x
Free Cash Flow Yield*	-13.7%	-2.3%	-6.5%	-6.6%	-13.7%

* For full definitions of *iQmethod*℠ measures, see page 8.

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06 August 2020

Equity

Key Changes

(US$)	Previous	Current
Price Obj.	25.00	26.00
2020E EPS	1.28	1.24
2021E EPS	1.35	1.31
2022E EPS	1.46	1.42
2020E EBITDA (m)	1,804.7	1,795.1
2021E EBITDA (m)	1,927.0	1,918.7
2022E EBITDA (m)	2,059.8	2,059.2

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Stock Data

Price	24.36 USD
Price Objective	26.00 USD
Date Established	6-Aug-2020
Investment Opinion	B-2-7
52-Week Range	19.56 USD - 30.67 USD
Mrkt Val (mn) / Shares Out (mn)	9,330 USD / 383.0
Average Daily Value (mn)	75.22 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.0%
Net Dbt to Eqty (Dec-2019A)	158.6%

iQprofile℠ NiSource Inc

iQmethod℠ – Bus Performance*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Return on Capital Employed	3.9%	4.3%	4.0%	4.2%	4.2%
Return on Equity	10.1%	9.9%	9.0%	9.0%	9.2%
Operating Margin	18.3%	20.2%	19.7%	20.5%	21.5%
Free Cash Flow	(1,278)	(219)	(602)	(612)	(1,274)

iQmethod℠ – Quality of Earnings*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash Realization Ratio	1.2x	3.2x	2.4x	2.4x	2.3x
Asset Replacement Ratio	3.0x	2.5x	2.4x	2.4x	3.2x
Tax Rate	19.7%	17.1%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	156.7%	158.6%	142.4%	143.1%	141.5%
Interest Cover	2.6x	2.8x	2.8x	2.8x	3.0x

Income Statement Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Sales	5,084	5,184	5,351	5,529	5,726
% Change	4.3%	2.0%	3.2%	3.3%	3.6%
Gross Profit	3,325	3,649	3,762	3,917	4,089
% Change	-0.9%	9.8%	3.1%	4.1%	4.4%
EBITDA	1,531	1,764	1,795	1,919	2,059
% Change	3.4%	15.2%	1.8%	6.9%	7.3%
Net Interest & Other Income	(335)	(384)	(379)	(410)	(417)
Net Income (Adjusted)	**463**	**495**	**479**	**519**	**590**
% Change	**16.6%**	**6.8%**	**-3.2%**	**8.4%**	**13.7%**

Free Cash Flow Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Net Income from Cont Operations (GAAP)	463	495	479	519	590
Depreciation & Amortization	600	717	742	783	827
Change in Working Capital	110	(75)	(186)	(186)	(186)
Deferred Taxation Charge	(188)	118	113	122	103
Other Adjustments, Net	(445)	328	0	0	0
Capital Expenditure	(1,818)	(1,802)	(1,750)	(1,850)	(2,609)
Free Cash Flow	**-1,278**	**-219**	**-602**	**-612**	**-1,274**
% Change	**-34.0%**	**82.9%**	**-174.9%**	**-1.6%**	**-108.3%**

Balance Sheet Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash & Equivalents	121	148	165	181	197
Trade Receivables	1,147	905	1,092	1,278	1,464
Other Current Assets	787	800	800	800	800
Property, Plant & Equipment	15,543	16,912	16,921	17,987	19,769
Other Non-Current Assets	4,206	3,894	3,894	3,894	3,894
Total Assets	**21,804**	**22,660**	**22,871**	**24,140**	**26,124**
Short-Term Debt	2,027	1,787	2,185	2,350	2,600
Other Current Liabilities	2,010	1,959	1,959	1,959	1,959
Long-Term Debt	7,105	7,856	7,120	7,658	8,471
Other Non-Current Liabilities	4,911	5,071	5,184	5,306	5,409
Total Liabilities	**16,053**	**16,673**	**16,449**	**17,274**	**18,439**
Total Equity	**5,751**	**5,987**	**6,421**	**6,866**	**7,685**
Total Equity & Liabilities	**21,804**	**22,660**	**22,871**	**24,140**	**26,124**

* For full definitions of *iQmethod℠* measures, see page 8.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

NI's positives include 5-7% dividend growth and >5-7% EPS growth via $30bn of infrastructure investments over the next 20+ years and fully regulated subsidiaries. We have factored in resolution of overhang from the MA incident as the company will likely sell 3Q. However, NI has C&I demand risk from COVID, which will be difficult to offset with O&M cuts due to promises already around cost cuts to balance CMA sale. We see shares valued appropriately and rate Neutral.

Stock Data

Average Daily Volume	3,087,733

Quarterly Earnings Estimates

	2019	2020
Q1	0.82A	0.76A
Q2	-0.75A	0.13A
Q3	0A	-0.03E
Q4	1.24A	-1.50E

Reconciling new LT rate base and EPS growth

NiSource announced an impressive LT rate base growth CAGR of +10-12% for 2021-2024 as the company provided more details around its evolving renewable strategy. The increase in the rate base CAGR is attributed to NiSource's renewable strategy where it plans to spend an incremental $1.8-2.0bn of capex on build-own-transfer renewable JVs in '22 and '23, and additional opportunities through 2028. This compares to our previous assumption for incremental renewable capex added to rate base of $1.5bn in '22 and '23. The higher capex assumption in the out years equates to higher EPS from renewables in '24 where we now model about $0.14/year of EPS generated by renewables in '24 and beyond. Note we estimate '24 is the first full year of renewable earnings. Note NI expects the BOT JV ownership to be composed of roughly 33% tax equity investment or ~$1bn of tax equity investment compared to NI's $1.8-2.0bn investment – a lower percentage tax equity than anticipated driving RB estimates higher. This also implies the remaining renewable RFPs awarded are likely Solar given the capital structure solar has a lower proportion owned by tax equity (30%) vs wind at 50%.

We forecast that the higher rate base CAGR of +10-12% through 2024 will translate to similar EPS growth of +11.3% over the same time period. Excluding the BOT renewable capex, we estimate an EPS CAGR '21-'23 of about 8.4%, about 300bps below the former. As of today, consensus is only reflecting 6.8% LT EPS growth as some of the street likely have yet to incorporate the incremental renewable capex. See the table below for comparison. Also, see estimate section below to compare rate base growth vs EPS growth compared to guidance.

Table 1: EPS estimates and CAGR including Renewables vs excluding renewables vs consensus

	2020	2021	2022	2023	2024	2025
Incremental EPS from Renewables RFPs	$0.00	$0.00	($0.01)	$0.06	$0.14	$0.14
EPS - Including Renewables BOT from RFP 1 & 2	$1.24	$1.31	$1.42	$1.63	$1.80	$1.84
EPS - Excluding Renewables BOT from RFP 1 & 2	$1.24	$1.31	$1.44	$1.58	$1.67	$1.70
EPS CAGR - Including Renewables RFPs - 2021-2024					*11.3%*	
EPS CAGR - Excluding Renewables - 2021-2024					*8.4%*	
Consensus EPS CAGR - 2021-2024					6.8%	

Source: BofA Global Research estimates, company report, Bloomberg

Estimates: Lower EPS in near term, but raise in long term

We lower our EPS estimates in '20 / '21 / '22 given the newly initiated lower than expected '21 guidance, but raise our EPS in '23 and '24 to account for incremental renewable capex (~$1.8-2.0bn) added to electric rate base that is higher than our previous assumption of roughly $1.5bn. After adjusting our estimates, our implied '21-'24 EPS CAGR comes out to 11.3%, which is well in excess of NI's previously articulated 5-7% EPS CAGR. We do emphasize that this 11.3% is a shorter 3-yr CAGR and we do not foresee this as a sustainable rate over the long term as the company will benefit from a significant uptick in EPS from the renewable program beginning in 2024 off of a lower base coming out of COVID. With the 5c negative COVID impact added back to the midpoint of the new '21 EPS guidance and assuming our 2024 EPS estimate of 1.80, this equates to a 9.6% EPS CAGR from '21-'24 – still strong, but again padded by the one-time uptick of $1.8-2.0bn of renewable capex in '22/'23 translating to EPS in '24.

In the EPS estimates table below, we include a number of LT EPS CAGRs below to compare the LT growth off different base years. We would highlight that '19-'23 and '19-'24 still fall within NI's previous LT EPS growth CAGR of +5-7%, albeit the latter CAGR is towards the high end. With these CAGRs below off the '19 base still consistent with the previous EPS CAGR guidance of +5-7%, we question why NI chose to re-base.

Table 2: NI EPS estimates/CAGRs vs Rate Base estimates/CAGRs

NI EPS Estimates	2019A	2020E	2021E	2022E	2023E	2024E	2025E
Gas	1.04	1.04	1.11	1.14	1.16	1.19	1.24
Electric	0.59	0.52	0.51	0.58	0.75	0.88	0.86
Electric - BOTs from RFP 1 & 2	0.00	0.00	0.00	-0.01	0.06	0.14	0.14

Table 2: NI EPS estimates/CAGRs vs Rate Base estimates/CAGRs

NI EPS Estimates		2019A	2020E	2021E	2022E	2023E	2024E	2025E
Parent/Other		-0.32	-0.32	-0.31	-0.30	-0.28	-0.27	-0.26
BofA EPS		**1.32**	**1.24**	**1.31**	**1.42**	**1.63**	**1.80**	**1.84**
Previous EPS		1.32	1.28	1.35	1.46	1.60	1.74	1.78
Guidance		**1.27-1.33**		**1.28-1.36**				
Consensus		1.30	1.28	1.36	1.45	1.57	1.66	
Consensus '21-'24 EPS CAGR	6.9%							
BofA '21-'24 EPS CAGR	11.3%							
BofA '20-'24 EPS CAGR	9.8%							
BofA '19-'23 EPS CAGR	5.6%							
BofA '19-'24 EPS CAGR	6.5%							
New Guidance '21-24 EPS CAGR	>5-7%							
Previous Guidance off '19 guidance range	5-7%							
Prior +5%-7% EPS CAGR off new '21 guidance range	High End			1.36	1.46	1.56	1.67	1.78
	Mid-Point			1.32	1.40	1.48	1.57	1.67
	Low End			1.28	1.34	1.41	1.48	1.56
Share Count (mn shares)		**376**	**386**	**397**	**415**	**439**	**464**	**479**

NI Rate Base Growth		2019	2020E	2021E	2022E	2023E	2024E	2025E
Gas Rate Base		9,197	9,032	10,065	11,126	12,135	13,160	13,969
Electric Rate Base		4,935	4,872	5,027	5,977	7,262	7,535	7,601
Total Rate Base (year-end)		**14,132**	**13,904**	**15,091**	**17,103**	**19,397**	**20,694**	**21,570**
Guidance excluding MA (year-end)			13,900	15,100	17,100	19,400	20,700	
BofA Implied CAGR ('21-'24)	*11.1%*							
Guidance excluding MA ('21-'24)	*10-12%*							

Source: BofA Global Research estimates, company report, Bloomberg

Valuation

We raise our PO to $26 (from $25) as we mark to market our SOTP valuation with peer multiples of 15.8x (from 15.5x) for gas and 16.9x (unchanged) for electric. We also raise our electric premium by 1x to 2x to account for incremental renewable earnings growth long-term, and now capitalize all of NI's gas subsidiaries at a 1x premium to account for mitigated COVID concern with improved visibility into '21. We do note that under our SOTP valuation, which capitalizes '22 EPS across the subsidiaries, NiSource's incremental renewable capex and EPS currently lands *outside* of the valuation window.

Clear uncertainty remains in the near term with 2020 EPS guidance suspended, and lack of clarity on '21 lag (with subsequent gyrations around '22) as keeping premiums to peers relatively modest. We perceive a positive backdrop for shares into the coming months update, with '24 EPS the key metric (even '23 will be partially impacted by lag and remains relatively opaque). Expect more explicit guidance of what this '24 outlook will be (once benefitting from FY run-rate of EPS uplift with renewable investment and next rate case to earn ROE once more).

Meanwhile, given the large investments and backdrop of recent larger rate case, expect bill headroom and pressure to remain a relevant factor to consider in execution of proposed plan.

We raise our PO to $26 (from $25) and maintain our Neutral rating. We perceive a clear positive backdrop, but with our ests still below Street on '21/'22 and with ambiguity on '23 don't expect a re-rating to the 'next' ESG stock. Perceive consistency in execution on O&M plan to limit future EPS revisions is key (after numerous quarters of consecutive gyrations in expectations).

Table 3: NI SOTP Valuation

NI SOP Valuation		
	Metric	P/E Multiple

Table 3: NI SOTP Valuation

NI SOP Valuation									
	2022E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas	-	-	15.8x	-	-	-	-	-	-
Group EPS '18-'22 CAGR - Gas	-	-	5.10%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Gas Utilities			16.6x						
Columbia Gas of OH	$0.52	16.6x	16.6x	1.0x	17.6x	18.6x	$8.69	$9.22	$9.74
Columbia Gas of PA	$0.26	16.6x	16.6x	1.0x	17.6x	18.6x	$4.36	$4.63	$4.89
NIPSCO Gas	$0.21	16.6x	16.6x	1.0x	17.6x	18.6x	$3.46	$3.67	$3.88
Columbia Gas of VA	$0.08	16.6x	16.6x	1.0x	17.6x	18.6x	$1.38	$1.46	$1.54
Columbia Gas of KY	$0.05	16.6x	16.6x	1.0x	17.6x	18.6x	$0.75	$0.80	$0.85
Columbia Gas of MD	$0.02	16.6x	16.6x	1.0x	17.6x	18.6x	$0.32	$0.34	$0.35
Group Peer Multiple - Electric			16.9x						
Group EPS '18-'22 CAGR - Electric			5.00%						
Electric Utilities			17.7x						
NIPSCO Electric	$0.58	18.7x	17.7x	2.0x	19.7x	20.7x	$10.86	$11.44	$12.02
Total Utility	**$1.72**	*17.3x*			*18.3x*	*19.3x*	**$29.83**	**$31.55**	**$33.27**
-Parent EPS Drag (ex-Interest Expense)	-$0.09	17.3x	0.0x		17.7x	18.7x	-$1.53	-$1.56	-$1.64
Total EPS *(incl. debt drag)*	**$1.42**								
Midpoint of 5-7% EPS	*$1.40*								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out Debt)				-$2,000	50%		-$1,000	-$1,000	-$1,000
(50% P/E multiple on Interest Exp)				5.5%	50%		-$753	-$796	-$840
Grand Total Equity Value							**$24.08**	**$25.67**	**$27.19**
Shares Outstanding 2022E								415	
Total Equity Value							**$24.00**	**$26.00**	**$27.00**
Implied Consolidated P/E									
Current Price								$24.36	
Dividend Yield (2020E)								3.6%	
Total Expected Return								**10.4%**	

Source: BofA Global Research estimates, company report, Bloomberg

Price objective basis & risk

NiSource Inc (NI)
Our $26 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples of 15.8x for gas utilities and 16.9x for electric utilities with a 1x premium for gas utilities given partially mitigated COVID impact and visibility into '21, and a 2.0x premium for the electric utility's strong growth rates and increamental renewable buildout with capex beginning in '22, but acknowledgendustrial risk (prev 1x). We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Atlantica Yield	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Richard Ciciarelli, CFA
	Northwest Natural Holdings	NWN	NWN US	Richard Ciciarelli, CFA

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	South Jersey Industries	SJI	SJI US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RSTR				
	Vivint Solar	VSLR	VSLR US	Julien Dumoulin-Smith

iQmethod℠ **Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod℠is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase® is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

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Disclosures

Important Disclosures

NiSource Inc (NI) Price Chart

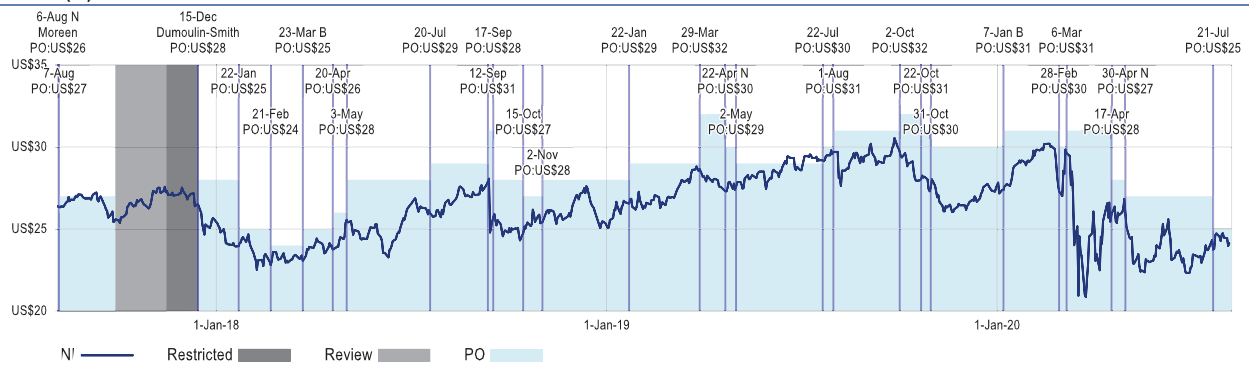

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	69	43.40%	Buy	52	75.36%
Hold	48	30.19%	Hold	34	70.83%
Sell	42	26.42%	Sell	24	57.14%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	76	51.01%	Buy	56	73.68%
Hold	33	22.15%	Hold	22	66.67%
Sell	40	26.85%	Sell	29	72.50%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1632	52.21%	Buy	1031	63.17%
Hold	711	22.74%	Hold	444	62.45%
Sell	783	25.05%	Sell	407	51.98%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Underperform	N/A	≥ 20%

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Pipelines & Gas Utilities
North America | United States

NiSource Inc (NI)

Ahead of Columbia Deal Closing and Analyst Day, New '21 Guidance and Renewable Spending Plan Revealed

- **Analyst Day Preview:** Unexpectedly, NiSource previewed its 10-12% rate base and 5-7% EPS growth guidance for the next planning period. Formal Virtual Analyst Day is in late September and likely after the Columbia sale is expected to close.
- **2021 EPS Guidance Announced Ahead of Schedule:** Into the release, we were expecting NiSource to highlight different sensitivities around 2021 EPS but not provide a formal 2021 guidance until the virtual analyst day in September. We along with the Street were expecting ~$1.37/share guide, but investor feedback was the Street was too high into the announcement. On the release, management guided 2021 EPS of $1.28 to $1.36 (or $1.33 to $1.41 adjusted for COVID-19) which establishes a new bar. In our view, this is a positive development as it reduces investor uncertainty even though the EPS range was below our and Street's expectations largely on the very conservative COVID-19 assumption.
- **New Renewable Investments Plan:** NiSource announced a 50/50 ownership / PPA plan for renewables, which includes a planned NiSource $1.8-2.0B renewable investment plan ($2.8-$3.0B with tax equity). Of this plan, ~$0.4B is already approved by regulators and an addition $1.4-1.6B in the regulatory filings but hasn't been formally approved yet.
- **Financing Plan:** NiSource indicated that they have strong liquidity for the next 1-2 years, but a formal financing plan will be announced at analyst day in September.
- **Q2 Result:** EPS of $0.13 modestly beat Citi's $0.11 as COVID-19 impacts of ~$0.06 were largely offset by cost management and regulatory solutions in Q2.
- **Estimate Revisions:** We updated our estimates for Q2 actuals, guidance, and current business outlook.

■ Estimate Change

Neutral	**2**
Price (05 Aug 20 16:00)	US$24.36
Target price	US$24.00
Expected share price return	-1.5%
Expected dividend yield	3.3%
Expected total return	**1.8%**
Market Cap	US$9,325M

Price Performance
(RIC: NI.N, BB: NI US)

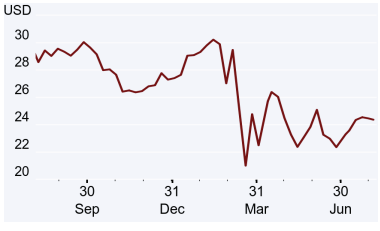

EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2019A	0.82A	0.06A	0.00A	0.45A	1.32A	1.32A	0.87A
2020E	**0.76A**	**0.13A**	**0.06E**	**0.36E**	**1.32E**	**1.29E**	**1.32E**
Previous	0.76A	0.11E	0.06E	0.36E	1.27E	na	na
2021E	**na**	**na**	**na**	**na**	**1.39E**	**1.36E**	**1.37E**
Previous	na	na	na	na	1.37E	na	na
2022E	**na**	**na**	**na**	**na**	**1.48E**	**1.46E**	**1.45E**
Previous	na	na	na	na	1.46E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus. Click here for Visible Alpha consensus data

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NI.N: Fiscal year end 31-Dec						Price: US$24.36; TP: US$24.00; Market Cap: US$9,325m; Recomm: Neutral					
Profit & Loss (US$m)	**2018**	**2019**	**2020E**	**2021E**	**2022E**	**Valuation ratios**	**2018**	**2019**	**2020E**	**2021E**	**2022E**
Sales revenue	5,115	5,209	4,793	4,835	5,035	PE (x)	18.8	18.5	18.5	17.5	16.4
Cost of sales	-2,361	-2,252	-1,935	-1,868	-1,948	PB (x)	1.8	1.8	1.9	1.8	1.7
Gross profit	2,754	2,957	2,859	2,967	3,087	EV/EBITDA (x)	30.2	17.6	15.5	12.4	11.7
Gross Margin (%)	53.8	56.8	59.6	61.4	61.3	FCF yield (%)	-14.2	-5.3	-9.9	-6.0	-4.7
EBITDA (Adj)	**724**	**1,275**	**1,453**	**1,837**	**2,002**	Dividend yield (%)	3.2	3.3	3.4	3.5	3.5
EBITDA Margin (Adj) (%)	14.2	24.5	30.3	38.0	39.8	Payout ratio (%)	60	61	63	61	58
Depreciation	-600	-717	-674	-594	-652	ROE (%)	-0.4	1.3	5.6	10.6	10.6
Amortisation	0	0	0	0	0	**Cashflow (US$m)**	**2018**	**2019**	**2020E**	**2021E**	**2022E**
EBIT (Adj)	**125**	**557**	**779**	**1,243**	**1,350**	EBITDA	724	1,275	1,453	1,837	2,002
EBIT Margin (Adj) (%)	2.4	10.7	16.3	25.7	26.8	Working capital	110	-75	-638	-34	-40
Net interest	-353	-379	-388	-385	-410	Other	-249	118	-81	-632	-685
Associates	0	0	0	0	0	**Operating cashflow**	**586**	**1,318**	**733**	**1,170**	**1,278**
Non-Op/Except/Other Adj	44	-5	25	26	26	Capex	-1,818	-1,802	-1,668	-1,750	-1,750
Pre-tax profit	**-185**	**173**	**416**	**884**	**966**	Net acq/disposals	-104	-113	1,033	0	0
Tax	180	-56	-79	-273	-301	Other	-4	-7	-1	0	0
Extraord./Min.Int./Pref.div.	-15	-55	-55	-55	-55	**Investing cashflow**	**-1,926**	**-1,922**	**-635**	**-1,750**	**-1,750**
Reported net profit	**-20**	**63**	**282**	**555**	**610**	Dividends paid	-273	-299	-325	-352	-385
Net Margin (%)	-0.4	1.2	5.9	11.5	12.1	**Financing cashflow**	**1,480**	**423**	**55**	**643**	**536**
Core NPAT	462	495	511	555	610	**Net change in cash**	**140**	**-182**	**153**	**64**	**64**
Per share data	**2018**	**2019**	**2020E**	**2021E**	**2022E**	**Free cashflow to s/holders**	**-1,233**	**-485**	**-935**	**-580**	**-472**
Reported EPS ($)	-0.06	0.17	0.73	1.39	1.48						
Core EPS ($)	1.29	1.32	1.32	1.39	1.48						
DPS ($)	0.78	0.80	0.83	0.84	0.86						
CFPS ($)	1.64	3.51	1.90	2.93	3.11						
FCFPS ($)	-3.45	-1.29	-2.42	-1.45	-1.15						
BVPS ($)	13.67	13.63	12.89	13.71	14.57						
Wtd avg ord shares (m)	347	366	377	390	402						
Wtd avg diluted shares (m)	357	376	387	400	411						
Growth rates	**2018**	**2019**	**2020E**	**2021E**	**2022E**						
Sales revenue (%)	4.9	1.8	-8.0	0.9	4.1						
EBIT (Adj) (%)	-86.3	346.8	39.8	59.5	8.6						
Core NPAT (%)	16.2	7.3	3.1	8.7	10.0						
Core EPS (%)	6.9	1.9	0.1	5.2	6.8						
Balance Sheet (US$m)	**2018**	**2019**	**2020E**	**2021E**	**2022E**						
Cash & cash equiv.	121	148	154	154	154						
Accounts receivables	1,059	857	734	763	795						
Inventory	423	425	386	398	412						
Net fixed & other tangibles	17,631	19,090	17,318	18,474	19,572						
Goodwill & intangibles	1,911	1,486	1,486	1,486	1,486						
Financial & other assets	659	654	2,087	2,094	2,101						
Total assets	**21,804**	**22,660**	**22,165**	**23,368**	**24,519**						
Accounts payable	884	666	498	507	515						
Short-term debt	2,027	1,787	737	832	853						
Long-term debt	7,105	7,856	9,060	9,660	10,260						
Provisions & other liab	6,037	6,364	6,007	6,011	6,016						
Total liabilities	**16,053**	**16,673**	**16,302**	**17,010**	**17,645**						
Shareholders' equity	5,751	5,987	5,863	6,357	6,874						
Minority interests	0	0	0	0	0						
Total equity	**5,751**	**5,987**	**5,863**	**6,357**	**6,874**						
Net debt (Adj)	**9,012**	**9,494**	**9,643**	**10,339**	**10,960**						
Net debt to equity (Adj) (%)	156.7	158.6	164.5	162.6	159.4						

For definitions of the items in this table, please click here.

NiSource Inc

Company description

NiSource Inc (NI) is primarily a regulated utility with an integrated network of gas distribution in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana. The company serves around 4 million customers across seven states through its two main business segments, including: 1) Gas Distribution, which delivers natural gas in several states; 2) Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCO).

Investment strategy

We rate the shares of NiSource (NI) Neutral (2). We believe NI's long-term earnings are relatively stable due to diverse operations areas and constructive regulatory jurisdictions. Our estimates do not include: 1) Substantial industrial load growth at the utilities; 2) Colder-than-normal weather and faster than average customer growth; or 3) Slower than typical timeline in regulatory filing and approval process for new infrastructure projects and cost recovery mechanisms.

Valuation

We average multiple valuation methodologies to derive our $24 target price. Our NAV yields a value of $21. We value regulated assets at a multiple of 1.3x rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at $30 per share. Our P/E and EV/EBITDA analyses yield values of $23 per share.

Risks

The key risks to our investment thesis are: (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates. (2) Weather – Changes in weather impact the stability of earnings. (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. (4) Capital Markets — Access to cheap capital markets could be limited due to the size of the company. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target. (5) There is a risk that there will be negative political, financial, and regulatory backlash from the recent events in New England.

Appendix A-1

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NiSource Inc (NI)

Ratings and Target Price History
Fundamental Research

Analyst: Ryan Levine
Covered since March 27 2018

	Date	Rating	Target Price	Closing Price
1	17-Nov-17 13:17:37	1	*31.00	27.08
2	27-Mar-18 05:03:46	*2	*25.00	23.79
3	28-Nov-18 16:01:00	2	*26.00	25.76
4	03-May-19 06:40:08	2	*28.00	27.86
5	23-Oct-19 22:00:00	2	*30.00	28.15
6	23-Apr-20 03:00:00	2	*29.00	25.85
7	01-Jul-20 14:08:34	2	*24.00	23.46

*Indicates Change

Rating/target price changes above reflect Eastern Time

Due to Citi advising NiSource Inc (the 'Company') on the spin-off of off its pipeline & midstream assets into a publicly traded company,Columbia Pipeline Group,Citi Research suspended its rating and target price on 28 September 2014 (the suspension date). Please note that the Company price chart that appears in this report and is available on Citi Research's disclosure website does not reflect that Citi Research did not have a rating or target price between the Suspension Date and 19 April 2015 when Citi Research resumed full coverage.

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NiSource Inc NI (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★	23.96 USD	27.00 USD	0.89	3.41	3.45	9.33	Utilities - Regulated Gas	Standard
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Morningstar Pillars	Analyst	Quantitative
Economic Moat	Narrow	Narrow
Valuation	★★★★	Fairly Valued
Uncertainty	Low	Medium
Financial Health	—	Moderate

Source: Morningstar Equity Research

Quantitative Valuation

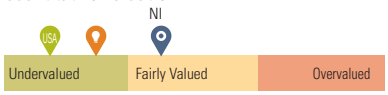

	Current	5-Yr Avg	Sector	Country
Price/Quant Fair Value	1.01	1.05	0.89	0.83
Price/Earnings	50.8	34.0	14.8	20.1
Forward P/E	19.1	—	13.7	13.9
Price/Cash Flow	5.9	9.8	6.5	13.1
Price/Free Cash Flow	—	75.8	13.1	19.5
Trailing Dividend Yield%	3.41	3.16	3.68	2.35

Source: Morningstar

Bulls Say

- We expect annual dividend growth to accelerate to about 7% after the impact of COVID-19 fades and earnings increase from renewable energy and gas pipeline investment.
- We believe the separation of Columbia Pipeline Group from NiSource was good shareholder stewardship, as the market valued the individual businesses more highly at the time of the separation.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say

- Industrial customers account for over half of NiSource's electric sales, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- NiSource's electric and natural gas distribution businesses have substantial commercial and industrial customer exposure, increasing the impact of the COVID-19 pandemic.
- NiSource issued almost $2 billion of common and preferred shares in 2018 and 2019. The additional shares will be a headwind to EPS growth.

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NiSource Plans to Increase Renewable Energy Investment by $2 Billion

Business Strategy and Outlook

Charles Fishman, CFA, Eq. Analyst, 06 August 2020

NiSource completed its separation from Columbia Pipeline Group in 2015 and now derives all of its operating revenue from its regulated electric and natural gas distribution utilities. About 60% of operating income comes from its six natural gas distribution utilities. The remaining 40% comes from its electric utility business in Indiana.

NiSource's utilities have regulatory frameworks that include automatic rate tracker mechanisms, with almost 80% of planned capital expenditures, providing recovery of investments in less than 18 months. As a result of the favorable regulation, we expect NiSource to step up its capital expenditures to almost $2 billion per year over the next five years. This is an investment level almost double the previous five years.

Over the next 20 years, NiSource plans to invest about $30 billion in infrastructure improvements. Over 50% of these investments are modernization programs for replacing steel and cast-iron pipe with plastic at its natural gas distribution utilities. Almost all of these investments receive rate tracker treatment. This allows NiSource to earn returns on these investments near allowed returns and consistently above its cost of capital.

In September 2018, a natural gas explosion killed one person north of Boston on NiSource's Columbia Gas of Massachusetts system. Insurance should cover roughly one half of the almost $2 billion of claims, penalties and other expenses, but the event was a public relations nightmare. On Feb. 27, 2020, NiSource announced the sale of the Massachusetts utility for $1.1 billion. The transaction will avoid a planned $500 million of equity issuances.

Although the economic impact from the COVID-19 pandemic will pressure earnings in 2020 due in large part to NiSource's high share of commercial and industrial customers, we expect a rebound in average annual earnings per share growth of 7.3% from 2021 to 2024, in line with management's target. We estimate dividend growth accelerating to 7% per year in 2023 and 2024 after the economic impact of COVID-19 dissipates and investments in renewables and safety-related capital investments are incorporated into rates.

Analyst Note

Charles Fishman, CFA, Eq. Analyst, 06 August 2020

We are increasing our fair value estimate to $27 per share from $26 after NiSource reported 2020 second-quarter operating earnings per share of $0.13 versus $0.05 last year, initiated 2021 earnings guidance, and announced plans to invest an additional $1.8 billion-$2 billion in renewable energy through 2023.

The results were solid in what is normally a weak quarter for a utility that derives over 60% of its operating earnings from natural gas distribution.

We increased our five-year capital expenditure forecast by $2.9 billion, to $12.1 billion, based in large part on NiSource's projecting that its combined gas and electric rate base will increase to $20.7 billion by 2024 from $13.9 billion at the end of this year. We are a little more conservative than management and estimate a 2024 year-end rate base of $19.9 billion, but this would still represent an impressive average annual growth rate of 9.4% over the four-year period.

NiSource management had previously announced it would close its last Indiana coal-fired power plant in 2028, but the almost $2 billion investment in renewable energy through 2024 was more than we had anticipated. We had assumed the majority of the needed generating capacity to replace the retiring coal units would come from purchased power agreements. However, NiSource plans to have joint venture ownership in 50% of the additional renewable capacity, requiring the larger investment and driving rate base growth.

NiSource initiated a 2021 EPS guidance range of $1.28-$1.36, with a midpoint higher than our estimate of $1.30. We increased our 2021 EPS estimate to $1.32, the midpoint of the range, and also increased our 2022-24 estimates by $0.02-$0.09 per share. The increase in our

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Close Competitors	Currency (Mil)	Market Cap	TTM Sales	Operating Margin	TTM/PE
Xcel Energy Inc XEL	USD	36,664	11,208	18.60	26.11
WEC Energy Group Inc WEC	USD	29,433	7,254	22.27	25.19
CMS Energy Corp CMS	USD	17,850	6,648	19.60	23.64
Alliant Energy Corp LNT	USD	13,191	3,576	22.07	21.14

earnings estimates were due to the higher rate base projections and was the primary driver of our higher fair value estimate.

Economic Moat

Charles Fishman, Eq. Analyst, 06 August 2020

Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated utilities. State and federal regulators typically grant regulated utilities exclusive rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital they invest to build, operate, and maintain their infrastructure. In exchange for regulated utilities' service territory monopolies, state and federal regulators set returns at levels that aim to minimize customer costs while offering fair returns for capital providers.

This implicit contract between regulators and capital providers should, on balance, allow NiSource's regulated utilities to achieve at least their costs of capital, though observable returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing.

NiSource derives roughly 60% of its operating earnings from the regulated distribution of natural gas. For natural gas distribution service, regulators set distribution rates and the commodity price for customers purchasing natural gas from NiSource. NiSource recovers its costs for natural gas that it sells with a pass-through charge to customers. Thus, NiSource has no commodity price risk that could weaken its moat. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

Electricity generation, which contributes about 40% of operating earnings, is from operations in Indiana and is also regulated. The rates for this service are combined with regulated customer rates for transmission and distribution service. In exchange for its monopoly position, state and federal regulators set NiSource's electric rates.

Fair Value & Profit Drivers

Charles Fishman, Eq. Analyst, 06 August 2020

We increased our fair value estimate to $27 per share from $26 after NiSource reported second-quarter operating earnings per share of $0.13 versus $0.05 last year, initiated 2021 earnings guidance, and announced plans to invest an additional $1.8 billion-$2 billion in renewable energy through 2023.

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NiSource initiated a 2021 EPS guidance range of $1.28-$1.36, with a midpoint higher than our estimate of $1.30. We increased our 2021 earnings estimate to $1.32 per share, the midpoint of the range, and also increased our 2022-24 estimates by $0.02-$0.09 per share.

We use a 6% cost of capital in our discounted cash flow valuation, which incorporates a 7.5% cost of equity. Our cost of equity is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above-average regulatory frameworks.

Our pretax cost of debt assumption is 5.8%, as we incorporate a normalized long-term real rate environment and normalized credit spreads. A 2.25% long-term

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inflation outlook underpins our capital cost assumptions.

Our fair value estimate implies a 20.5 times multiple on 2021 earnings. This is a modest discount to peer electric and gas distribution utilities trading at price/earnings ratios of about 22 times in early August.

Risk & Uncertainty

Charles Fishman, Eq. Analyst, 06 August 2020

Regulatory risk remains the key uncertainty; however, NiSource's regulatory exposure is diversified, owing to operations in seven states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms that provide for automatic rate increases as infrastructure investments are made.

In 2018, NiSource announced it would eliminate all coal-fired generation from its power plant fleet within 10 years. This transition will require signing power purchase agreements for renewable energy, building new solar and wind farms, and making modifications to its electric grid. There is a modest amount of execution risk to this dramatic transition from coal.

Stewardship

Charles Fishman, Eq. Analyst, 06 August 2020

We assign NiSource a Standard stewardship rating. We think management's decision to form Columbia Pipeline Partners and execute Columbia Pipeline Group's tax-free separation exhibited Exemplary stewardship of shareholder capital. However, the CEO who probably drove those decisions left NiSource to go with CPG before he retired.

The National Transportation Safety Board found NiSource responsible for the gas explosion north of Boston. The incident had a negative effect on shareholder value and has been a public relations nightmare. The good news is that management found a buyer for the utility at an attractive purchase price. We believe this was good stewardship of shareholder capital following a tragic accident. We expect the transaction to close in late 2020.

Joe Hamrock became CEO following the separation. He has been with NiSource since 2012 and previously ran the natural gas distribution business. Before joining NiSource, he was with American Electric Power. CFO Donald Brown joined NiSource in April 2015. Previously, he was with UGI Utilities and Constellation Energy. These individuals have significant utility experience, and we believe they will not stray from the strategy that has benefited shareholders.

Most of the members of NiSource's board of directors were involved in the separation of CPG and oversight of investment decisions. Given this, we are confident that the solid stewardship of shareholder capital is likely to continue.

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Analyst Notes Archive

We Like NiSource's Decision to Sell Columbia Gas of Massachusetts

Charles Fishman, Eq. Analyst, 28 February 2020

We are reaffirming our $27.50 per share fair value estimate after narrow-moat NiSource reported solid 2019 operating EPS, announced the sale of Columbia Gas of Massachusetts, and pulled its 2020 earnings guidance. Eversource Energy is acquiring the Massachusetts gas distribution utility for $1.1 billion, a price we estimate is roughly 24 times normalized earnings and in line with recent natural gas distribution transactions.

However, we doubt the utility has come anywhere near this level of earnings contribution following the tragic natural gas explosion that killed one person north of Boston in September 2018. The incident has resulted in close to $2 billion of claims, penalties and other expenses (roughly one-half of the costs should be covered by insurance) and has been a significant distraction for management and a public relations nightmare.

In our opinion, the decision to sell the Massachusetts utility was good stewardship of shareholder capital as regulatory, political and customer relationships would likely be strained for years. The roughly $1 billion of proceeds will allow NiSource to forgo a $500 million block equity issuance that had been planned for later this year.

Although pulling earnings guidance, management was confident that the company could return to its long-term target of 5%-7% EPS growth, off a new 2021 earnings base, following the completion of the transaction. Our revised earnings estimates result in approximately 6% EPS growth from 2021-2024.

On January 31, NiSource increased its dividend by 5% and we expect increases in line with EPS growth for the foreseeable future. In our opinion, the dividend is secure and provides a yield of approximately 3% at the February 27 market closing price.

COVID-19 Could Slow Utilities' Near-Term Growth but Long-Term Outlook Still Bright

Travis Miller, Strategist, 26 March 2020

After assessing COVID-19 data and commentary from utilities this week, we still believe the sector offers buying opportunities for defensive, income-seeking investors. U.S. utilities trade at a median 10% discount to our fair value estimates and 3.5% yield even after rallying 23% on March 24-26.

Although some utilities reaffirmed their outlooks this week, we think 2020 earnings for many utilities will be at the low end or below management guidance ranges due to COVID-19 issues. We expect near-term lower commercial and industrial energy demand, tighter financing, growth project delays, and higher expenses. We are reaffirming our moat and moat trend ratings.

Utilities with a large share of C&I customers, usage-based rates, and less-adaptive ratemaking have the most near-term risk. Among these are Southern Company, Entergy, American Electric Power, Duke Energy, Evergy, and Ameren. Utilities with non-utility businesses such as DTE Energy, CenterPoint, and OGE also could face weaker near-term earnings. Our updates led to 2%-5% fair value estimate cuts.

Utilities with more residential customers, usage-decoupled rates, and forward-looking rate structures are less at risk. These include Edison International, Eversource Energy, NextEra Energy, and American Water Works.

We expect most utilities to shift 5%-10% of their 2020 growth investments into 2021-22 due to tight capital and labor markets. In general, this shift has little or no impact on our fair value estimates or long-term outlooks. We don't believe COVID-19 will impact utilities' policy-based investments in safety, clean energy, and grid modernization that support our long-term growth outlooks.

COVID-19 shutdowns might reduce U.S. C&I electricity demand more than the record 5.5% drop in mid-2009. In China, government data suggests electricity demand is down more than 8% year to date. European countries reported 2%-7% drops in electricity use last week. C&I demand is about 60% of total U.S. electricity use.

Trouble For U.S. Gas Utilities Has Been Simmering; New York Just Made it Worse

Travis Miller, Strategist, 29 March 2020

Policymakers--not COVID-19 or global energy markets--are becoming the biggest threat for gas distribution utilities.

Earlier this month, New York regulators asked the state's

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MORNINGSTAR

NiSource Inc NI (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★	23.96 USD	27.00 USD	0.89	3.41	3.45	9.33	Utilities - Regulated Gas	Standard
06 Aug 2020 15:59, UTC	06 Aug 2020	06 Aug 2020 15:53, UTC		06 Aug 2020	06 Aug 2020	06 Aug 2020		

utilities to review ways to reduce or eliminate gas infrastructure. Areas of California have banned new gas service. If anti-gas policies like these spread, it could hurt the industry's long-term growth.

Total returns for U.S. utilities with sizable gas operations are down 19% during the last six months, compared with 14% down for the Morningstar U.S. utilities index. New Jersey Resources, CenterPoint Energy, Atmos Energy, NiSource, and DTE Energy recently traded well below our fair value estimates.

We think states with aggressive clean energy policies are most likely to push customers away from gas. Sixteen states have 100% clean energy targets. We expect renewable energy to grow 8% annually during the next decade.

We believe New Jersey Resources faces the most risk since the bulk of its earnings come from residential gas service in a state with aggressive clean energy policy. New Jersey policymakers support gas use for now, but we anticipate that could change in the next decade. We recently cut our long-term growth rate assumption for NJR to 3% from 4%, lowering our fair value estimate to $37 per share from $39.

New York City's Consolidated Edison and California utilities Sempra Energy and PG&E also face risk but have larger electric distribution businesses that could benefit from electric growth. We think there is less risk for gas utilities in the Southeast and Midwest where Republicans in five states have proposed legislation that would prohibit gas bans.

Acquisition premiums that had inflated gas utilities' valuations also have faded. Eversource Energy recently paid 24 times earnings for Columbia Gas. This is still rich but below deal values for Piedmont (30 P/E), Peoples Gas (30 P/E), and WGL (26 P/E). M&A premiums don't affect our fair value estimates.

NISource's Heavy C&I Customer Exposure Increases Impact Of COVID-19

Charles Fishman, Eq. Analyst, 30 March 2020

We are reducing our fair value estimate to $27 per share from $27.50 for NiSource due to the impact of COVID-19 on earnings and capital investment. On Feb. 28, NiSource pulled earnings guidance following the agreement to sell its troubled Columbia Gas of Massachusetts unit. However, management expressed confidence it could achieve 5%-7% EPS growth off a new 2021 base when guidance was reestablished.

We expect earnings growth to rebound to near the top end of guidance from 2022-2024. However, COVID-19 changes our estimate of the 2021 EPS base, which we lowered by $0.08, to $1.35.

Supply chain disruptions and staffing issues will make it difficult for NiSource to fully execute our five-year, $10 billion capital expenditures estimate and we reduced it by 5%, or $500 million. Less investment translates into lower-rate base growth and earnings.

Northern Indiana Public Service Company, contributing about 40% of earnings and heavily dependent on commercial and industrial, or C&I, customers, will experience significantly reduced sales following Indiana's stay-at-home order. In 2019, C&I customers represented about 78% of retail electric sales.

NiSource's gas utilities, about 60% of earnings, will also be affected by stay-at-home orders in Ohio, Pennsylvania, and Indiana. In 2019, C&I sales represented about 70% of sales and transportation volumes.

Bad debt/uncollectible expense will also pressure near-term earnings. On March 19, the Edison Electric Institute announced that all members have suspended electricity disconnections. NiSource is a member of EEI.

Operating expenses will increase as safety measures are instituted. Maintaining minimum staffing levels could be challenging and the increase in overtime costs. We expect most, but not necessarily all, expenses related to COVID-19 to eventually be recovered in rates. If COVID-19 costs become significant, regulators might allow cost-recovery deferrals or securitization, similar to large weather-related expenses.

Coronavirus and Utilities: Listening For Answers

Andrew Bischof, Sr. Eq. Analyst, 22 April 2020

Utilities' first-quarter earnings rarely offer much excitement, but this year will be different. We expect lively coronavirus commentary from utilities starting this week. We are maintaining our fair value estimates, moats, and moat trends.

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We expect to hear commentary from management teams on numerous COVID-19 concerns. Utilities with large commercial-industrial customers could see record-breaking demand drops. Rate structures are critical, and we expect earnings cuts for utilities with usage-based rates. Utilities have issued a surge of debt in March, providing plenty of near-term liquidity, but investors will look to see if it is enough to get them through the year. Dividends appear secure throughout the sector and offer good income value relative to fixed-income alternatives. Capital programs are key drivers for utility growth amid stalled supply chains, workforce shortages, or financing. Renewable energy programs are the least at risk in our view. Finally, higher operating costs will likely affect utilities. The key will be which regulators adapt their natural disaster recovery programs for COVID-19 costs.

We highlight two lists of utilities that investors should watch this earnings season, value and quality. Atypical volatility among utilities stocks during the last month has created a wide spread between the overloved and the underloved. Value stocks could get an outsize lift if management commentary pushes the market toward our more positive outlook. We highlight AES, Edison International, Duke Energy, Vistra Energy, and First Solar as value stocks to watch.

We expect the most consistency from high-quality utilities; if the market were to turn down, like in mid-March, investors should be ready to pounce. We think high-quality Dominion Energy, NextEra Energy, Southern Co., and WEC Energy Group are the best positioned to weather COVID-19.

Safety-Related O&M, COVID-19, and Weak Industrial Demand Pressure NiSource's Earnings Growth

Charles Fishman, Eq. Analyst, 07 May 2020

We are reducing our fair value estimate to $26 per share from $27 after NiSource reported 2020 first-quarter operating EPS of $0.76 versus $0.82 last year, reduced its 2020 capital expenditure forecast by $100 million, and made comments less supportive of future earnings growth.

The weak results were due in large part to higher safety-related operating and maintenance costs, mild weather, and weaker industrial electricity demand. COVID-19-related costs were not material in the recently ended quarter.

In March, we reduced our five-year capital expenditure estimate by $500 million, approximately 5%, to $9.5 billion due to our assumption of the impact of COVID-19 on investment. Driven by the lower 2020 guidance and our assumption of the continuing impact of COVID-19, we reduced our five-year investment forecast by another $250 million, to approximately $9.25 billion.

Although NiSource had previously indicated earnings guidance would not be provided until after the closing of the Columbia of Massachusetts transaction later this year, it was disappointing that management declined to support previous comments that 2021 operating earnings would be at least equal to the lower end of the previous range for 2020, or $1.36 per share.

Driven by lower capital investment and our assumption that higher O&M and weak industrial electricity demand will drag into next year, we reduced our 2021 EPS estimate to $1.30 from $1.35. Management did reaffirm that when 2021 guidance is established later this year, it will be the base for long-term annual EPS growth of 5%-7%. We estimate annual EPS growth of 6% from our new 2021 estimate, in line with this guidance.

However, starting from a lower 2021 earnings base reduces our annual earnings growth for 2019-24 to 3.3% from our previous estimate of 4.8%. This lower earnings growth was the primary driver for our lower fair value estimate.

NiSource Plans to Increase Renewable Energy Investment by $2 Billion

Charles Fishman, Eq. Analyst, 06 August 2020

We are increasing our fair value estimate to $27 per share from $26 after NiSource reported 2020 second-quarter operating earnings per share of $0.13 versus $0.05 last year, initiated 2021 earnings guidance, and announced plans to invest an additional $1.8 billion-$2 billion in renewable energy through 2023.

The results were solid in what is normally a weak quarter for a utility that derives over 60% of its operating earnings from natural gas distribution.

We increased our five-year capital expenditure forecast

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by $2.9 billion, to $12.1 billion, based in large part on NiSource's projecting that its combined gas and electric rate base will increase to $20.7 billion by 2024 from $13.9 billion at the end of this year. We are a little more conservative than management and estimate a 2024 year-end rate base of $19.9 billion, but this would still represent an impressive average annual growth rate of 9.4% over the four-year period.

NiSource management had previously announced it would close its last Indiana coal-fired power plant in 2028, but the almost $2 billion investment in renewable energy through 2024 was more than we had anticipated. We had assumed the majority of the needed generating capacity to replace the retiring coal units would come from purchased power agreements. However, NiSource plans to have joint venture ownership in 50% of the additional renewable capacity, requiring the larger investment and driving rate base growth.

NiSource initiated a 2021 EPS guidance range of $1.28-$1.36, with a midpoint higher than our estimate of $1.30. We increased our 2021 EPS estimate to $1.32, the midpoint of the range, and also increased our 2022-24 estimates by $0.02-$0.09 per share. The increase in our earnings estimates were due to the higher rate base projections and was the primary driver of our higher fair value estimate.

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NiSource Inc NI ★★★Q

06 Aug 2020 02:00 UTC

Last Close	Fair Value[Q]	Market Cap	Sector	Industry	Country of Domicile
05 Aug 2020	06 Aug 2020 02:00 UTC	05 Aug 2020			
24.36	24.23	9,330.4 Mil	Utilities	Utilities - Regulated Gas	United States

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities. For information regarding Conflicts of Interests, visit http://global.morningstar.com/equitydisclosures

Company Profile

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.5 million customers in Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana to about 500,000 customers. The regulated electric utility also owns more than 3,000 megawatts of generation capacity, most of which is now coal-fired but is being replaced by natural gas and renewables.

Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	Narrow	91	91	91
Valuation	Fairly Valued	17	17	26
Quantitative Uncertainty	Medium	100	96	98
Financial Health	Moderate	60	27	60

Source: Morningstar Equity Research

Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	1.01	1.05	0.89	0.83
Price/Earnings	50.8	34.0	14.8	20.1
Forward P/E	19.1	—	13.7	13.9
Price/Cash Flow	5.9	9.8	6.5	13.1
Price/Free Cash Flow	—	75.8	13.1	19.5
Trailing Dividend Yield %	3.41	3.16	3.68	2.35
Price/Book	1.9	1.9	1.4	2.4
Price/Sales	1.9	1.7	1.4	2.4

Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	3.8	4.5	9.8	12.9
Return on Assets %	0.8	1.0	3.3	5.2
Revenue/Employee (K)	591.2	605.0	1,274.9	325.9

Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.5	0.6	0.6	0.5
Solvency Score	764.3	—	584.9	552.4
Assets/Equity	3.8	4.3	2.6	1.7
Long-Term Debt/Equity	1.3	1.5	0.7	0.4

Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	1.9	5.1	-0.2	-2.4
Operating Income %	936.7	14.7	10.5	5.0
Earnings %	—	-5.2	1.4	0.4
Dividends %	2.6	7.7	-4.7	-1.4
Book Value %	2.2	2.0	-7.3	-2.7
Stock Total Return %	-10.4	0.4	10.8	13.8

Price vs. Quantitative Fair Value

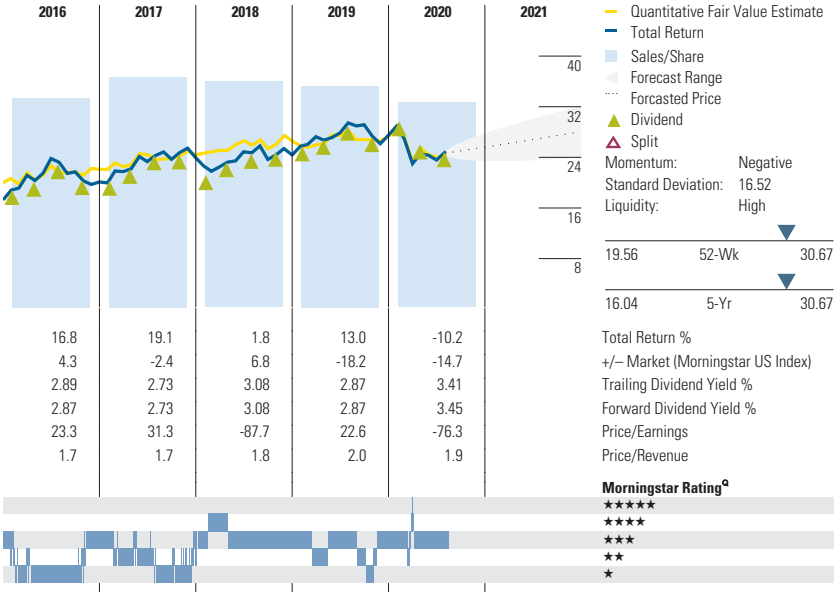

2016	2017	2018	2019	2020	2021	
16.8	19.1	1.8	13.0	-10.2		Total Return %
4.3	-2.4	6.8	-18.2	-14.7		+/– Market (Morningstar US Index)
2.89	2.73	3.08	2.87	3.41		Trailing Dividend Yield %
2.87	2.73	3.08	2.87	3.45		Forward Dividend Yield %
23.3	31.3	-87.7	22.6	-76.3		Price/Earnings
1.7	1.7	1.8	2.0	1.9		Price/Revenue

Morningstar Rating[Q]

2015	2016	2017	2018	2019	TTM	Financials (Fiscal Year in Mil)
4,652	4,492	4,875	5,114	5,209	4,897	Revenue
-28.1	-3.4	8.5	4.9	1.8	-6.0	% Change
802	857	916	126	1,305	1,071	Operating Income
-32.3	6.9	6.9	-86.3	936.7	-17.9	% Change
287	332	129	-51	383	-62	Net Income
1,457	803	742	540	1,583	1,365	Operating Cash Flow
-1,361	-1,475	-1,696	-1,818	-1,802	-1,778	Capital Spending
96	-672	-954	-1,278	-219	-413	Free Cash Flow
2.1	-15.0	-19.6	-25.0	-4.2	-8.4	% Sales
0.90	1.02	0.39	-0.18	0.87	-0.32	EPS
-46.1	13.3	-61.8	-146.2	—	-136.8	% Change
-1.28	-2.26	-2.47	-1.82	-2.64	-0.92	Free Cash Flow/Share
0.83	0.64	0.70	0.78	0.80	0.82	Dividends/Share
11.91	11.79	12.95	12.57	13.00	12.70	Book Value/Share
319,110	323,160	337,016	372,364	382,136	383,023	Shares Outstanding (K)
						Profitability
5.7	8.4	3.1	-1.4	6.6	-2.4	Return on Equity %
1.4	1.8	0.7	-0.3	1.5	-0.5	Return on Assets %
6.2	7.4	2.6	-1.3	6.3	-2.4	Net Margin %
0.22	0.25	0.25	0.24	0.23	0.22	Asset Turnover
4.6	4.6	4.6	4.5	4.4	4.7	Financial Leverage
34.0	36.7	35.8	19.6	44.5	42.8	Gross Margin %
17.2	19.1	18.8	2.5	25.1	21.9	Operating Margin %
5,903	6,058	7,512	7,105	7,856	8,810	Long-Term Debt
3,844	4,071	4,320	5,751	5,987	5,662	Total Equity
0.3	0.4	0.4	0.3	0.3	0.3	Fixed Asset Turns

Quarterly Revenue & EPS

Revenue (Mil)	Mar	Jun	Sep	Dec	Total
2020	1,605.5	962.7	—	—	—
2019	1,869.8	1,010.4	931.5	1,397.2	5,208.9
2018	1,750.8	1,007.0	895.0	1,461.7	5,114.5
2017	1,598.6	990.7	917.0	1,368.3	4,874.6
Earnings Per Share ()					
2020	0.16	-0.05	—	—	—
2019	0.55	0.75	-0.02	-0.41	0.87
2018	0.81	0.07	-0.95	-0.05	-0.18
2017	0.65	-0.14	0.04	-0.16	0.39

Revenue Growth Year On Year %

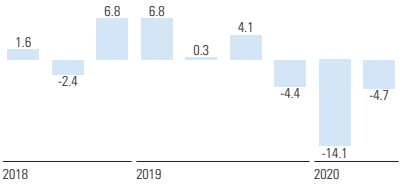

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MORNINGSTAR

Research Methodology for Valuing Companies

Qualitative Equity Research Overview
At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat
The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

2. Estimated Fair Value
Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast
In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

Stage II: Fade
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity
Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

Morningstar Research Methodology for Valuing Companies

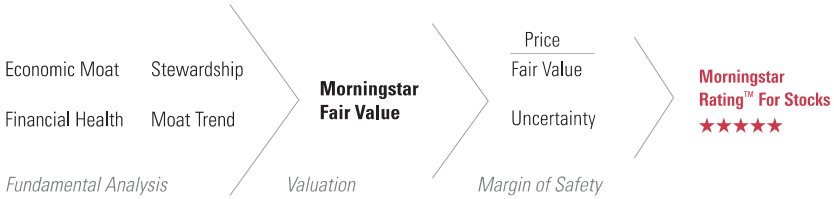

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Research Methodology for Valuing Companies

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very High–margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- Extreme–margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Equity Research Star Rating Methodology

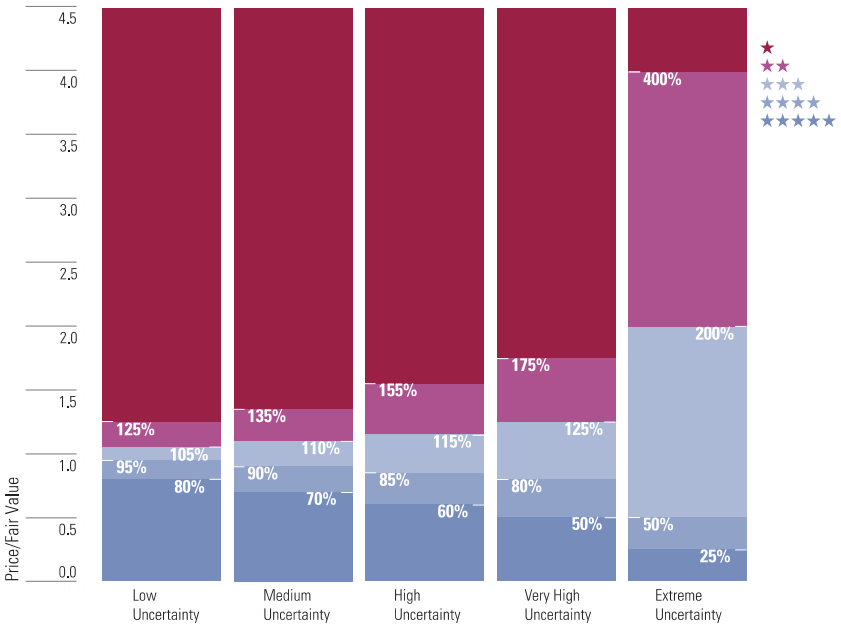

Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

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Research Methodology for Valuing Companies

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Stewardship Rating: Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

Quantitative Valuation: Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

Quantitative Equity Reports Overview

The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of:
(i) Quantitative Fair Value Estimate
(ii) Quantitative Star Rating
(iii) Quantitative Uncertainty
(iv) Quantitative Economic Moat
(v) Quantitative Financial Health
(collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("“Morningstar," "we," "our") calculates Quantitative Ratings for companies whether it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

Quantitative Fair Value Estimate: Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the quantitative fair value estimate using a statistical model derived from the fair value estimate Morningstar's equity analysts assign to companies. Please go to https://shareholders.morningstar.com for information about fair value estimates Morningstar's equity analysts assign to companies.

Quantitative Economic Moat: Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

- Narrow: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.
- Wide: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.
- None: assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

Quantitative Star Rating: Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, and the Quantitative Uncertainty Rating. The rating is expressed as 1-Star, 2-Star, 3-Star, 4-Star, and 5-Star.

★: the stock is overvalued with a reasonable margin of safety.
Log (Quant FVE/Price)<–1*Quantitative Uncertainty

★★: the stock is somewhat overvalued.
Log (Quant FVE/Price) between (–1*Quantitative Uncertainty, –0.5*Quantitative Uncertainty)

★★★: the stock is approximately fairly valued.
Log (Quant FVE/Price) between (–0.5*Quantitative Uncertainty, 0.5*Quantitative Uncertainty)

★★★★: the stock is somewhat undervalued.
Log (Quant FVE/Price) between (0.5*Quantitative Uncertainty, 1*Quantitative Uncertainty)

★★★★★: the stock is undervalued with a reasonable margin of safety. Log (Quant FVE/Price) >1*Quantitative Uncertainty

Quantitative Uncertainty: Intended to represent Morningstar's level of uncertainty about the accuracy of the quantitative fair value estimate. Generally, the lower the quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

- Low: the interquartile range for possible fair values is less than 10%.
- Medium: the interquartile range for possible fair values is less than 15% but greater than 10%.
- High: the interquartile range for possible fair values is less than 35% but greater than 15%.
- Very High: the interquartile range for possible fair values is less than 80% but greater than 35%.
- Extreme: the interquartile range for possible fair values is greater than 80%.

Quantitative Financial Health: Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

- Weak: assigned when Quantitative Financial Health <0.2
- Moderate: assigned when Quantitative Financial Health is between 0.2 and 0.7
- Strong: assigned when Quantitative Financial Health >0.7

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Research Methodology for Valuing Companies

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- Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

This Report has not been made available to the issuer of the security prior to publication.

Risk Warning

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A change in the fundamental factors underlying the quantitative equity ratings can mean that the valuation is subsequently no longer accurate.

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NiSource Inc NI (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★	23.96 USD	27.00 USD	0.89	3.41	3.45	9.33	Utilities - Regulated Gas	Standard
06 Aug 2020 15:59, UTC	06 Aug 2020	06 Aug 2020 15:53, UTC		06 Aug 2020	06 Aug 2020	06 Aug 2020		

Price/Fair Value Morningstar data as of Aug 05, 2020

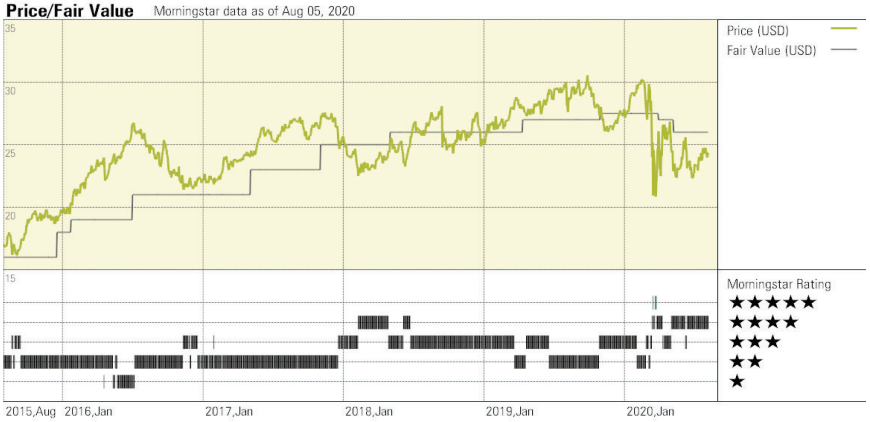

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MORNINGSTAR

7 August 2020
Equity Research
Americas | United States

CREDIT SUISSE

NiSource Inc.

Turning Indiana Green

NI

Target price (12M, US$)
26.00
Outperform

Natural Gas | Forecast Reduction

- **2021 Guidance initiated at $1.28-$1.36** (CS $1.33 vs consensus $1.36) after NI reported a 2Q20 adj. EPS Beat at $0.13 vs CS/consensus $0.05/$0.08, driven by cost mitigation to offset the financial impact of COVID19**.** Our 2020 and 2021 estimates are unchanged but **we are reducing our 2022 estimate $0.07 (to $1.39) for expected drag from equity issuance and investment in Indiana renewables** that will not benefit from AFUDC nor receive a rate increase until 2024. We expect the company to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024 once these projects are in service. Ratebase growth is also expected to grow at a 10%-12% CAGR from $13.9B in 2020 to $20.7B in 2024.
- **Investor day (virtual) planned for 9/29.** The plan is to review strategy and long-term outlook, an update on Safety Management System (SMS) progress, the transition from coal to renewables in Indiana, including $1.8-$2.0B of incremental investment in 2022/23 plus additional opportunities through 2028, an updated financial outlook and financing plans, and an ESG profile.
- **No block equity needed in 2020 and liquidity is ample for 2021, but we expect some equity in 2022 and 2023 for Indiana renewables.** Equity plans for 2020 remain $200-$300M annual ATM plus $35-$60M employee plans (no convertible or hybrid financing). We expect ~60% of $1.8-$2.0B of incremental Indiana plant investment in 2022/23 to be financed with equity, which will neither result in AFUDC (turnkey projects) nor earn a return until a forward test year ratecase is filed around early 2023 for rates effective 2024. Estimated incremental long-term debt for 2020 is $1B-$1.2B. NI continues to target FFO/Debt ~14%-15%. **2020 Capex reaffirmed at $1.7B-$1.8B**.
- **Valuation:** Our $26 TP is unchanged and based on peer 2021 P/E multiples within a SoTP. Our TP includes the value of $0.05 uplift in 2022 from the expected elimination of temporary COVID19/Columbia Gas disynergy impacts in 2021. Risks include regulatory, capital plan execution, interest rates.

Price (6 Aug 20, US$)	24.34
52-week price range	30.56 - 20.86
Enterprise value (US$ m)	18,434

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Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
EPS (CS adj.) (US$)	1.32	1.32	1.33	1.39
Prev. EPS (US$)	-	-	-	1.46
Revenue (US$ m)	5,184.1	6,112.6	6,219.7	6,513.9
EBITDA (US$ m)	1,764.2	1,805.6	1,836.9	1,966.3
P/OCF (x)	4.6	4.5	5.2	5.1
EV/EBITDA (current)	10.9	10.6	10.4	9.7
Net debt (US$ m)	9,504	9,111	9,503	9,728
ROIC (%)	5.50	5.51	5.10	5.15
Number of shares (m)	383.02	IC (current, US$ m)		15,490.20
Net debt (Next Qtr., US$ m)	10,097.8	Dividend (current, US$)		0.76
Net debt/tot eq (Next Qtr.,%)	177.8			

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance

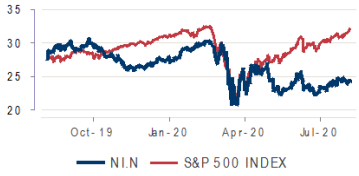

On 06-Aug-2020 the S&P 500 INDEX closed at 3349.16Daily Aug08, 2019 - Aug06, 2020, 08/08/19 = US$28.8

Quarterly EPS	Q1	Q2	Q3	Q4
2019A	0.82	0.05	-0.00	0.45
2020E	0.76	0.13	0.04	0.39
2021E	0.77	0.07	0.04	0.46

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7 August 2020

CREDIT SUISSE

NiSource Inc. (NI)

Analyst: **Michael Weinstein**

Price (06 Aug 2020): **US$24.34**

Target Price: **26.00**

Rating: **Outperform**

Income Statement	12/19A	12/20E	12/21E	12/22E
Revenue (US$ m)	**5,184.1**	**6,112.6**	**6,219.7**	**6,513.9**
EBITDA (US$ m)	**1,764**	**1,806**	**1,837**	**1,966**
Depr. & amort.	(717)	(779)	(812)	(843)
EBIT (US$)	**1,047**	**1,027**	**1,025**	**1,123**
Net interest exp	(377)	(418)	(415)	(444)
PBT (US$)	**608**	**636**	**664**	**733**
Income taxes	(113)	(126)	(139)	(154)
Profit after tax	**495**	**510**	**524**	**579**
Minorities	-0	-0	-0	-0
Net profit (US$)	**495**	**510**	**524**	**579**
Reported net income (US$)	**495**	**510**	**524**	**579**
Other NPAT adjustments	0	0	0	0
Adjusted net income	**495**	**510**	**524**	**579**
Cash Flow	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EBIT	1,047	1,027	1,025	1,123
Net interest	(377)	(418)	(415)	(444)
Change in working capital	(75)	(86)	0	0
Cash flow from operations	**2,247**	**2,061**	**1,837**	**1,966**
CAPEX	(2,167)	(2,036)	(1,725)	(2,200)
Free cashflow to the firm	**80**	**24**	**112**	**(234)**
Acquisitions	-	-	-	-
Divestments	0	1,100	0	0
Cash flow from investments	**(1,922)**	**(717)**	**(1,725)**	**(2,200)**
Net share issue(/repurchase)	244	155	295	867
Dividends paid	(355)	(335)	(299)	(314)
Changes in Net Cash/Debt	**(484)**	**393**	**(392)**	**(225)**
Balance Sheet (US$)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Assets				
Cash & cash equivalents	139	142	142	142
Account receivables	857	546	546	546
Other current assets	607	2,059	2,059	2,059
Total current assets	**1,854**	**2,860**	**2,860**	**2,860**
Total fixed assets	16,912	15,206	16,119	17,475
Investment securities	-	-	-	-
Total assets	**22,660**	**21,870**	**22,783**	**24,140**
Liabilities				
Total current liabilities	**3,746**	**3,591**	**3,983**	**4,209**
Total liabilities	**16,673**	**16,038**	**16,430**	**16,656**
Total liabilities and equity	**22,660**	**21,870**	**22,783**	**24,140**
Net debt	9,504	9,111	9,503	9,728
Per share	**12/19A**	**12/20E**	**12/21E**	**12/22E**
No. of shares (wtd avg)	375	385	395	415
CS adj. EPS	1.32	1.32	1.33	1.39
Prev. EPS (US$)	-	-	-	1.46
Dividend (US$)	0.76	0.80	0.85	0.90
Free cash flow per share	0.21	0.06	0.28	(0.56)
Earnings	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Sales growth (%)	(6.4)	17.9	1.8	4.7
EBIT growth (%)	12.4	(1.9)	(0.2)	9.6
Net profit growth (%)	6.8	3.1	2.9	10.3
EPS growth (%)	1.6	0.3	0.3	4.9
EBITDA margin (%)	34.0	29.5	29.5	30.2
EBIT margin (%)	20.2	16.8	16.5	17.2
Pretax margin (%)	11.7	10.4	10.7	11.2
Net margin (%)	9.5	8.3	8.4	8.9
Valuation	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EV/Sales (x)	3.63	3.02	3.03	2.92
P/E (x)	18.4	18.4	18.3	17.5
Price to book (x)	1.7	1.8	1.7	1.5
Asset turnover	0.2	0.3	0.3	0.3
Returns	**12/19A**	**12/20E**	**12/21E**	**12/22E**
ROE stated-return on (%)	9.6	9.7	9.5	9.1
ROIC (%)	5.5	5.5	5.1	5.2
Gearing	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Net debt/equity (%)	158.7	156.2	149.6	130.0
Interest coverage ratio (X)	2.8	2.5	2.5	2.5
Quarterly EPS	**Q1**	**Q2**	**Q3**	**Q4**
2019A	0.82	0.05	-0.00	0.45
2020E	0.76	0.13	0.04	0.39
2021E	0.77	0.07	0.04	0.46

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

NiSource Inc. is energy holding company whose subsidiaries provide natural gas, electricity & other products & services. It operates in 3 segments: Gas Distribution Operations; Gas Transmission & Storage Operations, & Electric Operations.

Blue/Grey Sky Scenario

Our Blue Sky Scenario (US$) **(from 28.00) 30.00**

In our blue sky scenario we assume favorable regulatory outcomes across NI's jurisdictions, successful execution of their capital plan, and growth of infrastructure replacement program backlog. We assume that capex is at the high end of the $1.8-$1.9B and that NI is able to grow ratebase at the high end of their 8-10% range and grow earnings at the high end of their 5-7% range. We assume a 5.0x premium to the average peer 2021 P/E multiples.

Our Grey Sky Scenario (US$) **(from 21.00) 20.00**

In our grey sky scenario we assume unfavorable regulatory outcomes across NI's jurisdictions, only partial execution of their capital plan, and a decline in the infrastructure replacement program backlog. We assume that capex is at the low end of the $1.8-$1.9B and that NI is able to grow ratebase at the low end of their 8-10% range and grow earnings at the low end of their 5-7% range. We assume a -1.5x discount to the average peer 2021 P/E mult.

Share price performance

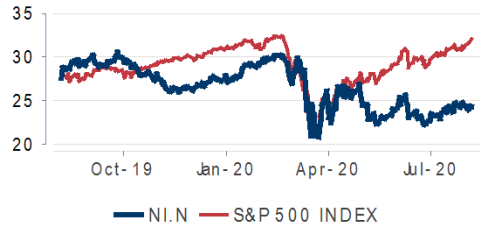

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- **See our recent reports:** 7/20 2Q20 Earnings Preview, 5/26 Left Behind but Holding Up Well, 5/11 Covid19 Adds Near-Term Uncertainty, but Long-Term Fundamentals Remain Strong, 5/5 1Q20 Earnings Preview, 2/28 Raise to Outperform on Sale of Mass. Elimination of Block Equity Plan, 1/17 2020 Earnings Preview, 2020 Outlook – Getting Meaner and Less Defensive, 11/14 EEI 2019 Financial Conference: Full Takeaways, 11/1 New Growth Trajectory after Equitizing, 10/30 3Q Miss with 2020 Guidance a Bit Light, 8/7 Downgrade to Neutral on Gas Operations Risk
- **NI reported a 2Q20 adj. EPS Beat at $0.13** vs. cons $0.08, CS $0.05, and 2Q19 $0.05 driven by cost mitigation efforts and partially offset by financial impacts of COVID19**.** The company also projects $0.10-$0.15 cost savings this year to offset COVID19 effects.

Figure 1: NI 2Q20 Earning Drivers

Gas Distribution Operations ($M)	2Q20	2Q19	Dif
Operating Revenues	606.2	608.5	-2.3
Operating Expenses	532.8	561.7	28.9
Total Adj. Earnings	**73.4**	**46.8**	**26.6**

Electric Operations ($M)	2Q20	2Q19	Dif
Operating Revenues	354.3	406.7	-52.4
Operating Expenses	264.9	320.9	56.0
Total Adj. Earnings	**89.4**	**85.8**	**3.6**

Source: Company data, Credit Suisse estimates

- **Cost management and regulatory solutions offset COVID's $30M (or ~$0.06) impact in Q2.** Gas margin impact by customer class saw a $0.7M increase in residential and a $4.7M decrease in industrial (vs 2Q19). Electric margin impacts saw a $9.2M and $3.9M decreases to industrial and commercial load respectively, partially offset with a $6.2M increase in residential vs 2Q19. COVID's impact are trending with the company's base case scenario.

Figure 2: COVID's Impact to NI in Q2

COVID impact to Gas Margin (2Q20 v 2Q19)	$(M)
Residential	0.7
Commercial	0.0
Industrial	-4.7

COVID impact to Electric Margin (2Q20 v 2Q19)	$(M)
Residential	6.2
Commercial	-3.9
Industrial	-9.2

Source: Company data, Credit Suisse estimates

- **COVID-19 annual impact to load**. Management expects lower sales volumes from commercial and industrial customers, partially offset by a potential increase in residential sales volume. Increased bad debt expenses (although recent orders in MD, VA allow for deferring the COVID-related expenses and bad debt), and sustained customer attrition. The company's sensitivity analysis continues to project that a +/- 1% change in annual sales volumes, will result in pre-tax operating earnings of $3.9M, $3.9M and $2.3M to residential, commercial and industrial on the electric side respectively, and $3.8M, $2.4M and $1.2M to residential, commercial and industrial on the Gas side respectively. The

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residential customer class represents 39% and 69% of the retail margins in electric and gas respectively, with commercial at 35% and 22% in electric and gas respectively.

Figure 3: COVID19 Impact to Nisource Load

Pre-tax Operating Earnings Sensitivity to +/- 1% CHG in annual sales volume	Electric	Retail Margins %
Residential	$3.9	59%
Commercial	$3.9	26%
Industrial	$2.3	15%
Total	**$10.1**	**100%**

Pre-tax Operating Earnings Sensitivity to +/- 1% CHG in annual sales volume	Gas	Retail Margins %
Residential	$3.8	69%
Commercial	$2.4	22%
Industrial	$1.2	9%
Total	**7.40**	**100%**

Source: Company data, Credit Suisse estimates

- **2020 Capex Plan Reaffirmed at $1.7B-$1.8B**. Recall the company previously reduced its capital investment plan by $100M to $1.7-$1.8B for 2020 to conserve cash in order to maintain liquidity. Recall the company lowered its capital investment plan by $100M to $1.7-$1.8B for 2020 in Q1, to conserve cash in order to maintain liquidity. Also recall that in 4Q19 management had guided annual infrastructure investment $1.8B-$1.9B for 2020 vs prior 2020 update of $1.7B-$1.8B provided in Q3. Capex for 2019 was ~$1.9B vs guided $1.7-$1.8B. Spending categories include gas pipeline transmission capital (Ohio) and higher spending for electric transmission in Indiana to support future renewables. Information Technology upgrades for grid modernization are also included. >75% of capex begins earnings in under 18 months.
- **Liquidity Update.** NI's net liquidity available is ~$2B as of June 30th, with ~$2.2B of committed facilities in place which include a ~$1.9B revolving credit facility and ~$0.3B accounts receivable securitization facilities. Debt level is ~$10B as of June 30th and includes ~$8.7B of long-term debt with a weighted average maturity of ~16 years and interest rate of 4.31%. Total debt/total capitalization stands at 63.8% in Q2 vs 61.7% in 2019.
- **COVID-related regulatory updates.** Orders received in Maryland (4/9/2020), in Virginia (4/29/2020), in Pennsylvania (5/13/2020), in Indiana (6/29/2020) and in Ohio (7/15/2020). Orders in MD, OH and VA allow deferral of COVID19 related expenses and bad debt for later recovery. Order in PA allows deferral of bad debt above amounts in base rates for later recovery, and order in IN allows deferral of suspended fees and bad debt for later recovery.
- **Columbia Gas of Massachusetts sale remains on track for regulatory approval in Q3.** On July 2, NI announced that it will pay $56M to settle and resolve the state's investigation into the 2018 Greater Lawrence incident.
  - **A federal guilty plea and the sale of Columbia Gas of Mass.** On Wednesday, 2/26, the US Department of Justice announced that NI will plead guilty to a criminal violation of the federal Natural Gas Pipeline Safety Act and pay a $53M fine in connection with the Sept 2018 gas explosion incident in Merrimack Valley, Massachusetts. NI has also agreed to sell its operations in Massachusetts to ES for $1.1B and will forfeit any profit earned from the sale (none expected, so retaining the whole $1.1B). The plea is on a corporate level; no individual officers or employees of the company were charged.
  - **Sale of Columbia Gas of Massachusetts to Eversource for $1.1B - with no gains allowed (or expected).** NI has also agreed to sell its operations in Massachusetts to ES and will forfeit any profit earned from the sale. We calculate that ES is purchasing at a 1.0x multiple of ratebase, or 19.7x 2021 P/E at the allowed 9.55% ROE – in line with the group average. However, the elimination of a previously

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planned $500-$700M block equity issuance in 2020 brings the combined effect to about breakeven to a modest $0.01 accretion to 2021 expectations before accounting for -$0.05 corporate disynergies. Expect the transaction to close by the end of 3Q20. See our 7/31 ES 2Q earnings note for further detail.

- **Emphasis on safety. More updates expected at the 9/29 Investor Day.** The company continues to emphasize reducing the operational risk and enhancing gas systems safety through the implementation of the Safety Management System (SMS) and new safety system installations across all NI gas service territories. NI has rolled out a corrective action program with the hopes of providing a very clear process and technology for employees and more than 1,000 automatic shut-off devices have now been installed. NiSource is looking to advance safety new technologies, leakage sensing, smoke detectors, safety performance, and predictable models where human error could create risks.
- **Pension & OPEB. 97% funded in 2Q20** vs 94% in1Q20, and ~98% as of yearend 2019 with 52% of pension plan assets in equities (45% of OPEB assets). A 50 bps decline in the discount rate is expected to result in a $97.7M increase in projected pension obligation and a $31.8M increase in OPEB obligation, as well as a $2.6M increase in net plan expense. For a 50 bps decline in expected long-term rate of return on pension and OPEB plan assets, net expenses are expected to increase $10.1M
- **Decoupling.** Full decoupling in OH, MA, MD, VA. Weather normalization in KY, MD, VA, PA. **Bad debt handling.** Clauses for bad debt in KY, OH, MD, PA, VA, MA & IN.
- **Stimulus bill impacts:** management is still evaluating the potential benefits from NOLs and AMT credits.

Regulatory Updates

- **Gas Distribution Operations.** NI has identified ~$20B in Long-Term Infrastructure Investment Opportunities.
  - **Columbia Gas of MD** filed a new base rate case on 5/15 requesting $6.3M total revenue increase; $5M net of infrastructure trackers which supports continued replacement of aging pipelines and safety upgrades. The final order is expected in 4Q20 with new rates effective in Dec 2020.
  - **Columbia Gas of PA.** Filed a base rate case 4/24/2020 which supports continued replacement of aging pipelines as well as adoption of safety upgrades. Ratecase includes $100.4M total annual revenue increase. Order is expected in 1Q21 with new rates effective in Feb 2021.
  - **Columbia Gas of Ohio. Infrastructure Replacement Program (IRP) Annual Rider update.** Filed 2/28/2020 and order was received on 4/22/2020 and rates became effective in May. Order includes ~$234M in 2019 capital investments and IRP rider allows recovery of safety and infrastructure investments. Recall that a 2017 settlement allowing COH to continue the IRP tracker through 2022 was previously approved in Jan 2018. The IRP program covers the replacement of priority mainline pipes and targeted customer service lines.
  - **Columbia Gas of Ohio. Capital Expense Program (CEP) Annual rider update.** Filed 2/28/2020 and order is expected in 8/2020. Application includes ~185M in 2019 capital investments. The CEP rider allows recovery capital investments and deferred expenses that are related but not covered through IRP tracker. New rates expected to become effective 9/2020.
  - **NIPSCO Gas System Indiana.** Filed application on 12/31 with Indiana Utility Commission for 6-year extension to the company's long-term gas infrastructure modernization program. Proposal includes ~$950M in capex through 2025 to be recovered through semi-annual adjustments. Order is expected in July 2020.

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- **Clarity from legislation in Indiana drives filing of a new gas TDSIC plan**. While the company continues to execute its approved TDSIC plans businesses through 2020 and 2022 for gas and electric, respectively, the passage of the H.B. 1470 provides clearer guidelines on items that can be included in a TDSIC plan. As result, management filed and received approval on Oct 16, 2019 for gas TDSIC10 covering $12.4M incremental capital between July 2018 and April 2019.

- **Electric Operations.** NI has identified ~10B in Long-Term Infrastructure Investment Opportunities and plans continued execution of a seven-year, ~$1.2B modernization program for electric system. New solar projects have been announced for coal replacement capacity and the company expects $1.8B-$2B incremental capital investment opportunities in 2022 and 2023.
  - **Settlement and order in Indiana ratecase for rates effective 1Q20.** A final order approving two settlements in NIPSCO's electric ratecase was issued on Dec 4, 2019, including a 9.75% authorized ROE on 47.86% equity for a $4.116B ratebase that resulted in a two-step revenue increase of $42.7M. The case was filed in Oct 2018 in conjunction with a new long-term Integrated Resource Plan (IRP). The settled portion of the case includes a revenue requirement and accelerated depreciation schedule related to early retirement of coal plants, including an agreement to reduce the book lives of $1.5B coal ratebase to match retirement plans at an average 2032 vs the prior 2030s-2040s. Non-protected accumulated deferred income tax passback amortization has also been agreed at a comfortable 10-year amortization period. It also includes a new rate structure for industrial customers that allows the utility to manage market purchases in order to keep track of capacity requirements (reduces risk of stranded assets).
  - **Renewable Generation Projects. Construction continues on Jordan Creek (400 MW) and Rosewater (100 MW) – expected to go in service by year-end**. Recall CPCN filings were made on Feb 1st, 2019 seeking approvals to develop 3 wind farms consistent with the IRP filed in the fall of 2018. Orders approving the PPAs on these filings were received on June 5, 2019 and the wind farms are expected to be built by yearend 2020. On Oct 22, 2019, a Build-Transfer Agreement BTA was filed for Indiana Crossroads (300MW) JV between NIPSCO and EDP Renewables (302 MW). FERC approved order on 2/19/2020 for sections 203 and 205 applications for Rosewater. BTA application was approved for Indiana Crossroads (300MW), a second joint venture between NIPSCO and EDP Renewables. Commercial terms reached on Brickyard Solar (200MW) and Greensboro Solar (100MW) + storage (30MW) PPAs filed. Latest RFP represents replacement ~1,400MW of coal capacity through 2023. **Tax equity partnership reached for Rosewater, Indiana Crossroads. Regulatory approval pending for Brickyard and Greensboro Solar. Altogether, the company expects about $1.0B of tax equity financing to help capitalize ~$2.8-$3.0B of JV renewable projects in Indiana from 2022-2023. The remaining $1.8-$2.0B of NI ratebase investment is expected to be financed with ~60% equity/40% debt.**
  - **Electric System Modernization** focused on electric transmission and distribution investments aimed at improving safety and reliability of system was filed 8/21/2019, final order was received on Dec 18th 2019 and rates became effective in Jan 2020. TDSIC 6 semi-annual tracker update covering $131.1M in investments from Dec 2018 – June 2019 now in rates. The program originally approved in 2016, contains ~$1.2 billion of electric infrastructure investments expected to be made through 2022. The company's latest tracker update request, covering $131.1 million in incremental capital investments made from December 2018 through June 2019 was approved by the IURC on 2/1 and rates became effective Jan 2020.

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- **Integrated Resource Plan (IRP)** submitted in Oct 2018 called for 100% coal retirements by 2028 (vs. prior plan for 50% by 2023), replaced with renewables rather than natural gas. The IRP calls for retirement of 80% of the coal fleet by 2023 and 100% by 2028 (vs. prior plan 50% by 2023). The plan also points toward rapidly declining-cost renewables (wind, solar, batteries) rather than the gas-fired replacements that were planned within the last 2016 IRP. With much of the new generation in service in 2023 and beyond, the ratecase is less important as a near-term earnings driver. The rate filing also includes changes to the depreciation schedules for the IRP's planned early retirements of coal, along with rate design changes to provide more tariff flexibility to industrial customers. Discussions continue with select bidders in second round of RFPs. **Next IRP expected in 2021.**

Valuation

- **Valuation.** Our $26 TP is unchanged and based on peer 2021 P/E multiples within a SoTP. Our 2020 and 2021 estimates are unchanged but we are reducing our 2022 estimate $0.07 for expected drag from equity issuance and investment in Indiana renewables that will not benefit from AFUDC and will not receive a rate increase until 2024. We expect the company to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024. Our TP includes the value of $0.05 uplift in 2022 from the expected elimination of temporary COVID19/Columbia Gas disynergy impacts in 2021. Risks include regulatory, capital plan execution, interest rates. We continue to apply a 1.5x premium to the gas utilities for favorable regulatory jurisdictions and lower operational risk since the explosive incident in Lawrence Mass in 2018. We continue to value the electric operation in Indiana at a 1.5x premium for excellent operations and supportive regulation. Risks include 1) ROE risk related to the ongoing ratecases, 2) continued approvals relating to infrastructure replacement/grid modernization programs, 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particularly in the non-decoupled jurisdictions, 7) weather risk, 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety, 11) COVID19 pandemic response load reduction, particularly at the electric utility.

Figure 4: NI Valuation

		BASE CASE			
	2021 EPS	Prem / Disc	Effective P/E	Equity	Equity / Sh
Electric	$0.56	2.0x	19.3x	$4,161	$10.81
Gas	$0.85	2.0x	18.5x	$6,027	$15.66
COVID19 EPS recovery in 2022 (discounted to 2021)	$0.05		18.8x	$335	$0.87
Other	($0.08)		18.8x	($579)	($1.51)
Total EPS	**$1.33**			**$9,944**	**$26.00**
Diluted Shares Outstanding					384.9
Dividend					$0.80
Implied Yield					3.1%
Current Yield					3.3%
Implied P/E					19.6x
Prem / (Disc) To Group					18.6%
Upside/ (Dow nside) to Current Price					6.7%
Total retirn					10.0%

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Companies Mentioned *(Price as of 06-Aug-2020)*
NiSource Inc. (NI.N, $24.34, OUTPERFORM, TP $26.0)

Disclosure Appendix

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3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
14-Aug-17	26.64	29.00	O
02-Nov-17	26.94	30.00	
23-Jan-18	24.17	27.00	
06-May-18	25.41	28.00	
23-Jan-19	26.83	29.00	
21-Apr-19	27.56	30.00	
22-Jul-19	29.14	33.00	
07-Aug-19	27.63	29.00	N
21-Oct-19	28.05	30.00	
01-Nov-19	27.65	29.00	
17-Jan-20	29.04	30.00	
28-Feb-20	27.02	31.00	O
05-May-20	24.53	27.00	
20-Jul-20	23.75	26.00	

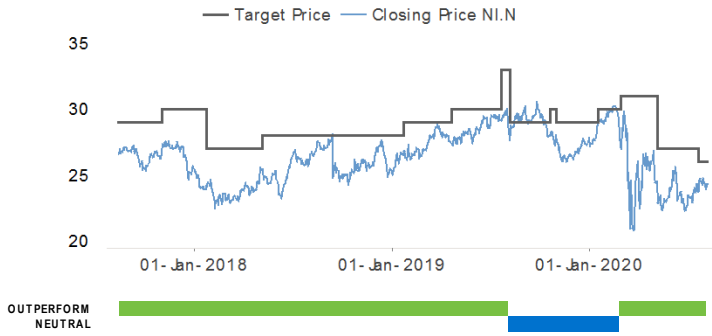

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Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.
Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.
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Target Price and Rating
Valuation Methodology and Risks: (12 months) for NiSource Inc. (NI.N)

Method: We arrive at our $26 target price for NI by applying a 1.5x premium to the gas segment peer 2021 P/E to reflect the constructive regulatory environments with capex trackers in place in the jurisdictions that NI operates. We also apply a 1.5x premium to the average peer electric utility 2021 P/E multiple for NIPSCO Electric utility in Indiana to reflect the favorable ratebase growth profile and regulatory environment in the state. Our OUTPERFORM rating reflects a forecasted total return that is equal the group average.

Risk: Risks to our $26 target price and OUTPERFORM rating are: 1) ROE risk related to the ongoing ratecases 2) continued approvals relating to infrastructure replacement/grid modernization programs 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particulary in the non-decoupled jurisdictions, 7) weather risk, and 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety after the 2018 explosion incident in Mass. 11) COVID19 load reductions

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Goldman Sachs | Equity Research

10 August 2020 | 1:07AM EDT

NiSource Inc. (NI): Remain cautiously optimistic on robust LT growth plan; Buy

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We reiterate our Buy rating on NiSource (NI) after 2Q20 earnings, as we view favorably the company's renewable investment pipeline that could bolster above-average growth through 2024, albeit more back-weighted and with lower-than-expected 2021 earnings power. We remain cautiously optimistic on NI's ability to achieve consistent execution in the post-MA gas incident era, while awaiting additional details at the September virtual Analyst Day.

Robust capital from renewables to boost earnings growth…with some regulatory lag. Beyond the near 1 GW of wind projects currently planned via PPAs and JV ownership, NI expects to invest in over 2 GW of incremental renewable capacity (primarily solar) to replace the 2023 planned retirement of the 1,400 MW Schahfer coal plant, supporting an EPS CAGR above the 5-7% CAGR guided (using 2021 guidance mid-point of $1.32 as the base). Assuming 50% ownership, the company expects to spend another $1.4-$1.6bn through 2023 under this plant, or $0.15-$0.17 of EPS (~10% of 2022E EPS) assuming 9.5% ROE/48% equity ratio at NIPSCO Electric. However, we note the lack of a renewable rider mechanism combined with a potential equity/debt financing in 2022/2023 for the build/transfer projects could pressure earnings growth through mid-2023 until placed into rates via a general rate case. Our estimates currently do not embed any bulk equity in 2022 beyond the annual $250mn of ATM.

We revise our 2020-2022 EPS estimates to $1.28/$1.34/$1.43 from $1.27/$1.38/$1.49. Our changes reflect: 1) 2Q20 actuals, 2) moderate adjustments to electric demand recovery, 3) increased debt financing, and 3) timing of O&M management, reflecting ~0.7% CAGR through 2022. Finally, our model continues to include the MA gas utility operations coupled with $1bn of equity in 2020 (including $300mn of ATM), resulting in 14.0%/14.3% FFO/debt in 2021/2022, respectively (versus Moody's stated Baa2 threshold of 14%). We note that the company is in the process of selling its MA gas utility operations to Eversource.

Our $27, 12-month price target (from $28 prior) embeds 20x our revised 2021 EPS estimate of $1.34, reflecting a 13% total return versus 11% for Regulated Utilities. Our target reflects a 13% total return, with the stock currently trading at a 1x P/E (7%) discount to smid-cap peers. Key risks include (1) legal and regulatory risks, (2) earnings/cash impact due to COVID-19, (3) higher-than-expected O&M, (4)

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electricity demand and customer growth, and (5) financing.

NI in Exhibits

Exhibit 1: We lower our 2021-2022 estimates, reflecting a 3.4% CAGR from 2020A-2022E...
EPS New vs Old vs Consensus

	EPS Estimates			% Difference	
	GS-New	GS-Old	Cons.	vs. Old	vs. Cons.
2020E	$1.28	$1.27	$1.28	1%	0%
2021E	$1.34	$1.38	$1.35	(3%)	(1%)
2022E	$1.43	$1.49	$1.46	(4%)	(2%)
CAGR	3.6%	5.5%	4.5%	(2%)	(1%)

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 2: ...with strong growth driven by the regulated gas businesses, although we expect planned renewable additions to bolster Electric growth beyond 2022
Operating Income by Segment ($mn)

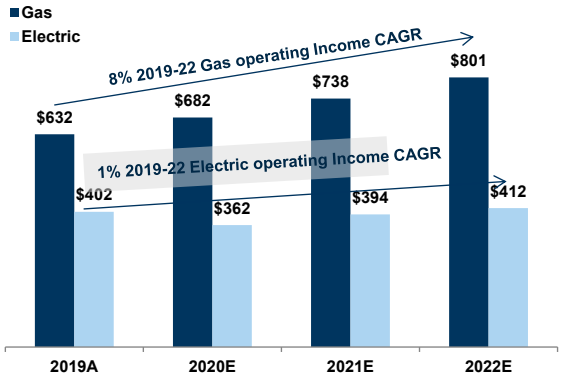

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Our model currently embeds the MA utility in estimates, along with bulk equity assumed in 2020
Financing by type ($mn) and adjusted FFO/debt

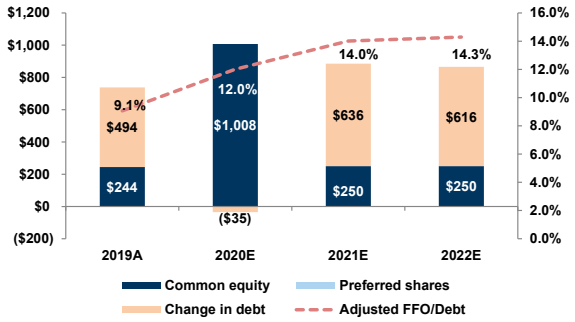

2020 FFO/debt assumes certain one-time adjustments related to the Merrimack incident

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: We lower our price target to $27 from $28 given our lowered estimates
NI blended P/E Valuation

NI valuation			
Deriving Blended Multiple			
	Gas	Electric	Total
2021 EBIT	738.2	393.6	1,131.8
% 2021 EBIT	65.2%	34.8%	
Target Multiple	20.00x	20.00x	20.0x
Price Target			
2021 EPS			$1.34
Target Multiple			20.0x
Price Target			**$27**

Source: Goldman Sachs Global Investment Research

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NI	12m Price Target: **$27.00**	Price: **$24.75**	Upside: **9.1%**

Buy

Market cap: $8.1bn
Enterprise value: $18.4bn
3m ADTV: $75.4mn
United States
America-Regulated Utilities
M&A Rank: 3

GS Forecast

	12/19	12/20E	12/21E	12/22E
Revenue ($ mn) New	**5,208.9**	**4,912.0**	**5,123.6**	**5,346.8**
Revenue ($ mn) Old	5,208.9	4,968.9	5,187.4	5,409.0
EBITDA ($ mn)	1,608.1	1,782.5	1,976.4	2,123.1
EBIT ($ mn)	890.7	1,034.5	1,161.3	1,247.0
EPS ($) New	**1.32**	**1.28**	**1.34**	**1.43**
EPS ($) Old	1.32	1.27	1.38	1.49
P/E (X)	21.3	19.3	18.5	17.4
Dividend yield (%)	2.9	3.4	3.6	3.8
Net debt/EBITDA (X)	5.9	5.3	5.1	5.1

	3/20	6/20E	9/20E	12/20E
EPS ($)	0.76	0.13	(0.01)	0.39

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 7 Aug 2020 close.

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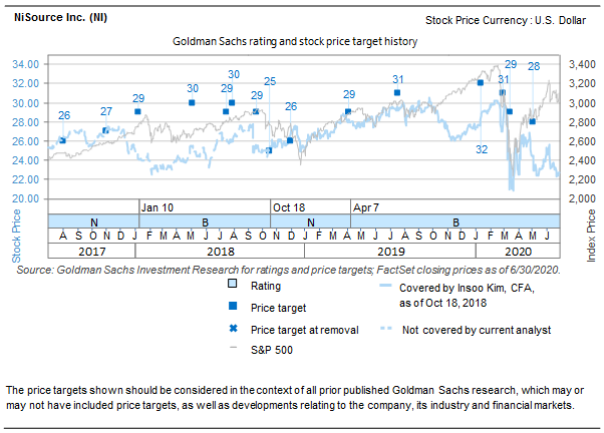

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August 9, 2020 | Equity Research

WELLS FARGO SECURITIES

Utilities

Gas LDC Round Up (Part 2): NI, NJR, NWN & SWX

$	Rating		Price	FY EPS 2020E		FY EPS 2021E		Price Target	
Ticker	Curr.	Prior	08/07/20	Curr.	Prior	Curr.	Prior	To	From
Natural Gas LDCs									
NI	1	NC	24.75	1.26	NC	1.32	1.34	28.00	NC
NJR	2	NC	32.37	2.06	2.10	2.22	2.25	35.00	33.00
NWN	3	NC	54.96	2.30	2.35	2.62	NC	57.00	54.00
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1= Overweight, 2 = Equal Weight, 3 = Underweight, V = Volatile
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- **Summary.** The Gas LDC earnings season wrapped up on 8/7 with three of our covered companies hosting conference calls including Equal Weight-rated NJR and Underweight-rated NWN and SWX. We provide details on each herein along with Overweight-rated NI (reported on 8/5). NJR, NWN and SWX affirmed 2020 EPS guidance with NJR and NWN suggesting results could come in toward the lower end of the ranges due to pipeline delays (NJR) and COVID (NWN). NI initiated 2021 EPS guidance and provided a bullish long-term growth outlook helped by renewable capex at the electric utility. We increase our price targets for NJR, NWN and SWX on higher peer group multiples and update our EPS outlooks (SWX higher, slightly lower near-term for NI, NJR and NWN).

- **NI.** NI initiated 2021 EPS guidance of $1.28-1.36, which includes ~$0.05 of lingering COVID-19 impacts. While this was light relative to our $1.34 estimate and consensus of $1.36, the "miss" was overshadowed by the unveiling of a ***10-12% rate base CAGR, which is expected to drive EPS growth in excess of the prior 5-7% target*** (off the '21 base through '24). The disclosures served as a preview to the company's Analyst Day planned for late September and represents a positive step in reshaping the narrative. Our '20E EPS remains $1.26 and we update our '21E & '22E to/from $1.32/1.34, $1.42/1.46; our EPS CAGR through '24E (off the '21E base) is 7.0% and we see upside to our earned ROE assumptions in the high 8% range. With shares trading in-line with blended gas/electric utility peers, we ***reiterate our Overweight rating*** and $28/sh price target (19.6X our '22E).

  NI provided more color on the renewable opportunity, which is premised on a 50% ownership approach (50% PPA) using JVs whereby NI's actual investment would be ~$1.8-2.0B in 2022-2023 (tax equity assumed to contribute another ~$1.0B). Of the $1.8-2.0B, approximately $0.4B is approved with another $1.4-1.6B under negotiations (stay tuned). We expect more details on how NI intends to finance the spending plans at the Analyst Day – we currently assume 2021-2024 equity issuances totaling ~$2B, though we expect NI would strongly consider preferred and convertible structures as well. ***(Comments continue on page 2...)***

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Please see page 5 for rating definitions, important disclosures and required analyst certifications. All estimates/forecasts are as of 08/09/20 unless otherwise stated. 08/09/20 18:13:37 ET

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(...NI continued) Nearer-term: (1) the CMA sale is nearing the finish line (approval expected in Q3); (2) the company has pending rate cases in PA (seeking $100.4mm) and MD ($6.3mm); (3) implementation of the Safety Management System (SMS) is ongoing with a more detailed update planned for September; and (4) NI is managing COVID-related headwinds. On the COVID front, the company saw a ($0.06) gross EPS impact in Q2, which was offset with cost management and regulatory mechanisms (deferral orders for bad debt expense in IN, PA, VA, MD and OH).

- **NJR.** The company continues to face a number of ***challenges related to pipeline approvals*** and gas marketing conditions. The latest pipeline issue resides at the utility (NJNG) where permits were suspended on the Southern Reliability Link (SRL) following inadvertent return incidents (drilling fluid spilled out of the surface). NJR has presented a risk mitigation strategy and awaits a decision from the NJ DEP. For context, over 75% of construction is complete on the $250-270mm project and the company targets a 2021 in-service date. Rounding out the pipeline projects are Adelphia Gateway, which is experiencing permitting delays at the PA DEP and still requires a Notice to Proceed from FERC (still target 2021 in-service date but capex shifted from '20 to '21) and PennEast, which awaits a FERC decision on the bifurcation request following a supportive EA; PennEast also has a pending appeal with SCOTUS (waiting to see if case is taken up), but that relates to the NJ phase, which we have removed from our model. As a result of the various delays, we are updating our '20-22E to/from $2.06/2.10 (mgmt. pointed to lower end of $2.05-2.15 range), $2.22/2.25 & $2.40/2.40. We increase our price target to $35/sh (15.6X our ex-CEV '22E EPS of $1.93 plus $4-6/sh for CEV) from $33/sh; remain Equal Weight.

  Other Updates: (1) Utility - Mgmt. expects to fall short of the targeted 9,800 customer additions this year due to COVID, but continues to expect robust service territory growth long-term. On the regulatory front, NJNG is preparing an energy efficiency proposal to be filed with the BPU in late September and we expect a rate case next year aligned with the in-service date of SRL. Lastly, ***COVID-related financial impacts have been immaterial*** to date. (2) Energy Services – NJR further revised the 2020 earnings contribution to (3)-(5)% from 0-(5)%. The company continues to take steps to reduce the risk profile and improve profitability, which should be helped by the seasonal spread opportunity into the winter months. (3) CEV – Mgmt. discussed the addition of three commercial solar projects representing 32 MW during fiscal Q3 including the acquisition of CEV's first operational project (NJ Oak), which the company plans to upgrade/drive efficiencies. Finally, NJR disclosed a 48% SREC hedge position for fiscal 2023 at similar prices to '20/21 hedges in the high $190s.

- **NWN.** The company affirmed 2020 EPS guidance of $2.25-2.45 and continues to ***point to the lower end of the range considering COVID-related impacts.*** In Q2, the company experienced a $0.12 hit from COVID tied to lower commercial/industrial sales, lower fee revenue, higher bad debt expense and accelerated debt financings to improve liquidity. This contributed to a $0.17 loss in the quarter vs. EPS of $0.07 in Q2'19. Of note, NWN has pending applications for COVID-related cost deferrals. We lower our '20E EPS to $2.30 from $2.35 and maintain our '21E & '22E of $2.62 & $2.64, respectively. We are attracted to NWN's modern gas distribution system and above-average customer growth; further, we consider the OR rate case settlement to be constructive (details below). Our Underweight rating solely reflects valuation considerations. We increase our price target to $57/sh from $54/sh on higher peer group multiples.

  Other updates: (1) **OR Rate Case** – On 7/31, parties filed a stipulation including a $45.8mm rate increase (vs. $71.4mm request), 50% equity ratio and 9.4% ROE. Assuming final approval, rates will go into effect 11/1/20. (2) **RNG** – OR finalized the rulemaking related to SB 98, which allows NWN to procure RNG on behalf of customers and sets voluntary targets for gas utilities (15% in 2030, 20% in 2035 and 30% in 2050); the law is inclusive of renewable hydrogen. The company is focused on pursuing the lowest cost projects, which could potentially include rate base opportunities. (3) **Water Strategy** – Mgmt. remains energized about the opportunity to roll-up water systems, but noted that M&A activity has slowed in the wake of COVID (appears related to travel restrictions and other temporary challenges).

- **SWX.** The company reported ***strong Q2 EPS of 0.68*** (vs. our $0.64 estimate) ***reflecting record Q2 earnings at Centuri (construction) and a $0.22 COLI gain*** (strong performance of underlying securities). Mgmt. affirmed 2020 EPS guidance of $3.75-4.00 along with most of the underlying assumptions – the only adjustments related to lower interest expense at Centuri ($10-11mm down from $12.5-13.5mm) and slightly higher capex of ~$700mm (from $650-700mm). We viewed the Q2 update favorably, particularly the strong results at Centuri given the challenging economic backdrop. We increase our '20-22E EPS to/from $3.92/3.85, $4.40/4.35 & $4.50/4.45. We also increase our price target to $76/sh (16.3X our '22E EPS blended with our SOTP) from $72/sh; remain Underweight on valuation considerations in concert with the construction exposure (25-30% of consolidated earnings) and below-average regulatory treatment vs. LDC peers.

  SWX's post-2020 earnings power is largely dependent on the outcome ***pending rate cases in AZ, NV*** and CA (in order of size), which are all expected to conclude by year-end. We consider the staff positions in AZ ($66.6mm vs. $90.6mm request) and NV ($21.5mm vs. $38.5mm) to be very reasonable. In CA, parties reached a settlement on 8/3 calling for a $6.4mm rate increase (vs. $12.8mm request).

Acronyms-
BPU – Board of Public Utilities
CEV – Clean Energy Ventures
CMA – Columbia Gas of Massachusetts
DEP – Department of Environmental Protection
EA – Environmental Assessment
FERC – Federal Energy Regulatory Commission
JV – Joint Venture
MW - Megawatt
NJNG – New Jersey Natural Gas
O&M – Operations and Maintenance
PPA – Power Purchase Agreement
RNG – Renewable Natural Gas
SB – Senate Bill
SREC – Solar Renewable Energy Credit

Rating Basis Information:

NI Thesis: We rate shares Overweight. We are attracted to NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment.

NJR Thesis: We are attracted to NJR's high quality utility franchise and gas infrastructure growth opportunities. Our Equal Weight rating reflects valuation considerations in concert with non-utility risks.

NWN Thesis: We are attracted to NWN's conservative gas and water infrastructure strategy, growing service territory, and modern distribution system. Our Underweight rating solely reflects valuation considerations as shares trade at meaningful premiums to utility peers on 2020E & 2021E EPS with, at best, an in-line growth rate.

SWX Thesis: Our Underweight rating reflects valuation considerations in concert with both construction and regulatory risks. With 25-30% of consolidated earnings derived from the construction business, which we consider to be lower quality than gas utility operations, we believe a meaningful discount to gas and electric utility peers is warranted.

Price Target Information:

NI Basis and Risks: Our price target is based on a P/E multiple analysis (apply a 5-7% premium to the blended gas/electric peer group multiple of 18.5X on our '22E EPS). Risks include lower than expected sales growth, unfavorable regulatory developments, and unexpected cost pressures.

NJR Basis and Risks: Our price target is based on sum-of-the-parts analysis ($4-6/share for CEV and $33/share for the remaining segments based on an 15-20% discount to the LDC median of ~19X applied to our ex-CEV '22E of $1.93). Key risks include negative regulatory developments, risk of project delays/cancellations (PennEast and Adelphia Gateway), and competitive risks at the renewables and energy marketing segments including SREC price risk and counterparty risk.

NWN Basis and Risks: Our price target is based on our P/E multiple analysis (apply a 15% premium to the LDC peer group median of ~19X on our '22E EPS). Risks include onerous regulatory outcomes, Mist Expansion execution risks, exposure to unregulated storage operations, and inflationary cost pressures.

SWX Basis and Risks: Our price target is based on a combination of our P/E (apply a 13% discount to the '21E LDC median of ~19X on our '22E EPS) and SOTP (3-5% P/E discount to LDC peers for the regulated operations and 7.5% EV/EBITDA premium to construction comps for Centuri) analyses. Key risks include regulatory risk (rate cases in AZ, CA and NV), competitive and cyclical risks at Centuri, and risks related to high construction customer concentration.

Required Disclosures

NiSource Inc. (NI) 3-yr. Price Performance

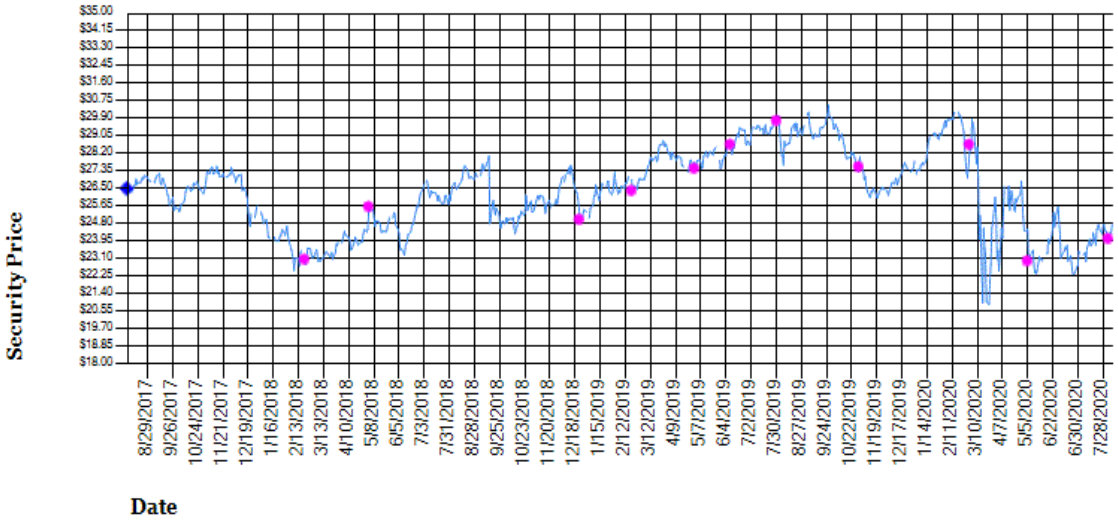

	Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
	8/9/2017		Akers				
◆	8/9/2017	26.32	1	30	NE	NE	26.38
●	2/20/2018	22.99	1	26	NE	NE	23.02
●	5/3/2018	25.38	1	28	NE	NE	25.57
●	12/24/2018	26.05	1	29	NE	NE	24.89
●	2/20/2019	26.28	1	30	NE	NE	26.28
●	5/1/2019	27.41	1	31	NE	NE	27.40
●	6/9/2019	28.54	1	32	NE	NE	28.54
●	7/31/2019	29.79	1	33	NE	NE	29.69
●	10/30/2019	27.29	1	31	NE	NE	27.51
●	3/2/2020	27.02	1	30	NE	NE	28.56
●	5/6/2020	23.07	1	27	NE	NE	22.92
●	8/3/2020	23.98	1	28	NE	NE	23.98

*Effective December 7, 2019, Wells Fargo Securities' Equity Research modified its ratings definitions. Complete definitions of current ratings can be found below. For information related to prior ratings definitions, please contact equityresearch1@wellsfargo.com.

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Price Target/Val Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ❒ Split Adjustment

Rating Code Key

1	Overweight/Buy	SR	Suspended
2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

New Jersey Resources Corporation (NJR) 3-yr. Price Performance

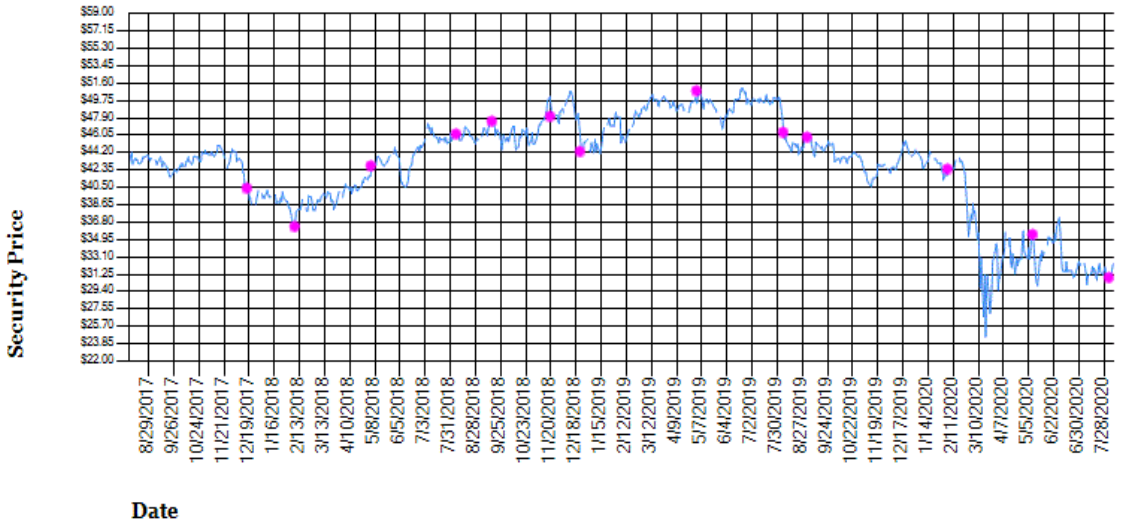

Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
8/7/2017		Akers				
8/7/2017	NA	2	44	NE	NE	42.80
12/18/2017	40.95	2	41	NE	NE	40.30
2/8/2018	36.85	2	38	NE	NE	36.25
5/4/2018	42.60	2	41	NE	NE	42.60
8/7/2018	45.65	2	45	NE	NE	46.05
9/16/2018	47.40	2	47	NE	NE	47.40
11/21/2018	49.03	2	50	NE	NE	47.85
12/24/2018	47.68	2	47	NE	NE	44.22
5/3/2019	50.67	2	51	NE	NE	50.67
8/6/2019	46.24	2	48	NE	NE	46.24
9/2/2019	45.74	2	46	NE	NE	45.74
2/6/2020	42.32	2	45	NE	NE	42.32
5/10/2020	35.31	2	38	NE	NE	35.31
8/3/2020	30.80	2	33	NE	NE	30.80

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Rating Code Key

1	Overweight/Buy	SR	Suspended
2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

Northwest Natural Holding Co. (NWN) 3-yr. Price Performance

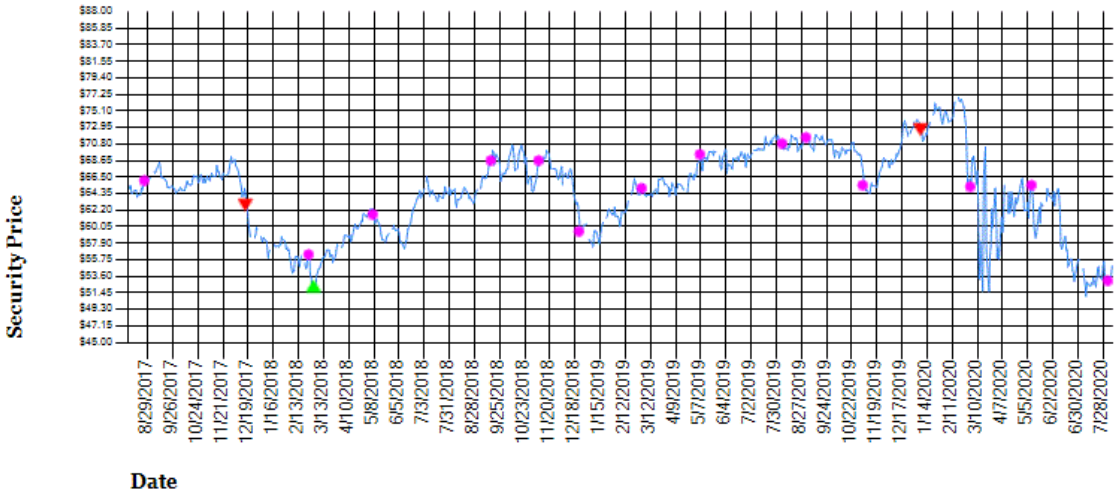

	Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
	8/7/2017		Akers				
	8/7/2017	NA	2	67	NE	NE	64.75
●	8/27/2017	65.75	2	68	NE	NE	65.75
▼●	12/18/2017	65.05	3	62	NE	NE	62.50
●	2/25/2018	56.30	3	52	NE	NE	56.30
▲	3/4/2018	51.95	2	52	NE	NE	51.95
●	5/8/2018	61.40	2	58	NE	NE	61.40
●	9/16/2018	68.45	2	65	NE	NE	68.45
●	11/8/2018	68.00	2	66	NE	NE	68.46
●	12/24/2018	63.09	2	65	NE	NE	59.17
●	3/3/2019	64.90	2	67	NE	NE	64.90
●	5/7/2019	69.32	2	69	NE	NE	69.32
●	8/6/2019	70.74	2	67	NE	NE	70.74
●	9/2/2019	71.36	2	68	NE	NE	71.36
●	11/5/2019	64.00	2	64	NE	NE	65.24
▼●	1/8/2020	72.36	3	66	NE	NE	72.36
●	3/3/2020	66.27	3	63	NE	NE	65.02
●	5/10/2020	65.16	3	60	NE	NE	65.16
●	8/3/2020	52.90	3	54	NE	NE	52.90

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❒ Split Adjustment

Rating Code Key

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2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

Southwest Gas Holdings, Inc. (SWX) 3-yr. Price Performance

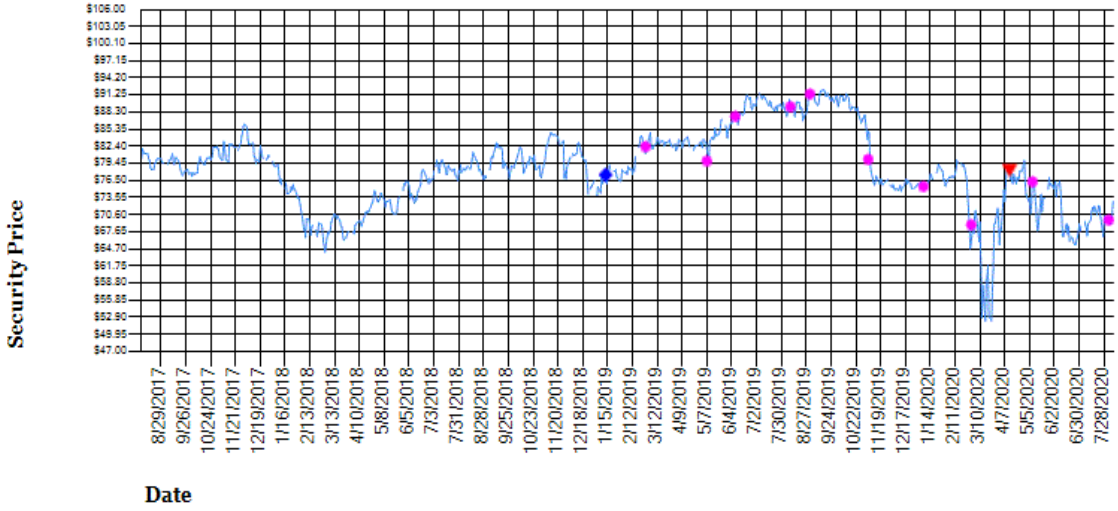

	Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
	1/15/2019		Akers				
◆	1/15/2019	75.93	2	83	NE	NE	77.04
●	2/28/2019	81.94	2	87	NE	NE	81.94
●	5/9/2019	79.59	2	88	NE	NE	79.59
●	6/9/2019	87.39	2	92	NE	NE	87.39
●	8/11/2019	89.05	2	90	NE	NE	89.05
●	9/2/2019	91.23	2	93	NE	NE	91.23
●	11/7/2019	79.73	2	86	NE	NE	79.73
●	1/8/2020	75.12	2	80	NE	NE	75.12
●	3/2/2020	64.68	2	71	NE	NE	68.47
▼●	4/14/2020	76.64	3	73	NE	NE	77.82
●	5/10/2020	76.05	3	75	NE	NE	76.05
●	8/3/2020	69.30	3	72	NE	NE	69.30

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NI: Risks include lower than expected sales growth, unfavorable regulatory developments, and unexpected cost pressures.
NJR: Key risks include negative regulatory developments, risk of project delays/cancellations (PennEast and Adelphia Gateway), and competitive risks at the renewables and energy marketing segments including SREC price risk and counterparty risk.
NWN: Risks include onerous regulatory outcomes, Mist Expansion execution risks, exposure to unregulated storage operations, and inflationary cost pressures.
SWX: Key risks include regulatory risk (rate cases in AZ, CA and NV), competitive and cyclical risks at Centuri, and risks related to high construction customer concentration.

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2=Equal Weight: Total return on stock expected to be 0-10% over the next 12 months. HOLD
3=Underweight: Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. SELL

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V=A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: August 9, 2020

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Jefferies

EQUITY RESEARCH
NiSource Inc. (NI)

NiSource Inc.
Poised for a Positive Pivot, Upgrade to Buy

September 23, 2020

Key Takeaway

NI will hold an Investor Day 9.29, its first since 2017, to discuss strategic initiatives, review operations, and profile guidance. With the TCJA, Greater Lawrence Incident, and COVID-19 providing recent challenges, we expect a future-focused pivot with discussion of system modernizations & renewable energy investments. In Aug., NI offered $1.28-$1.36 2021 EPS guidance & noted a 2021-24 CAGR above its prior 5-7% rate. With >17% TR, we upgrade to Buy, from Hold.

Event goals. We expect the Investor Day agenda includes exploring 1) NIPSCO's renewable transition as $1.8-$2.0B of incremental 2021-23 investment opportunities remain under evaluation and the conversion from coal will deliver an estimated ~90% reduction in NI's 2005-30 GHG emissions; 2) capex plans which underpin a 10-12% 2021-24 rate base CAGR; 3) its $1.28-$1.36 2021 non-GAAP EPS guidance, including COVID impacts, and the unveiling of a new 2021-24 EPS CAGR; and 4) updating its SMS & strategic realignment initiatives.

Moving past MA incident with sale to Eversource. In Sept. 2018, excessive pressure in gas lines owned by Columbia Gas of MA (CGMA) caused a series of explosions and fires in the Greater Lawrence Area which resulted in one fatality, a number of injuries, evacuations, and the interruption of service for ~7500 meters. NI replaced the cast iron & bare steel lines in the system and restored service to the region, pled guilty to violating the Natural Gas Pipeline Safety Act, recorded ~$1.73B in total incident-related costs to date, implemented a slew of safety-related changes, and, in Feb., agreed to sell CGMA to Eversource for $1.1B in cash. The deal is set to close soon and, we hope, will allow NI to move past the incident.

Differentiated renewable investment opportunities. In 2020, US gas utilities have been swept up in the anti-hydrocarbon sentiment which earlier infected upstream & midstream valuation dynamics, producing a swift compression in group multiples. Amid this backdrop, NI has an opportunity to shine by focusing on the significant renewable investments opportunity it has in transitioning NIPSCO's generation portfolio fully away from coal by 2028. With system & generation modernization, NI has identified ~$10B on LT infrastructure investment opportunities.

Updating growth forecasts, affirming the value proposition. While the combination of the Tax Cuts & Jobs Act (TJCA), Greater Lawrence Incident, and COVID-19 negatively impacted NI's growth profile, leaving 2018-21 EPS essentially flat at the 2021 outlook mid-point, the sale of CGMA & punctuated renewable spending opportunity allow investors to refocus on the future. Mgmt has noted its new 2021-24 EPS CAGR will accelerate from its prior 5-7% range, underpinned by a projected 10-12% rate base CAGR.

Upgrading to Buy. At current price, NI implies ~16.5x 2021 consensus EPS, an approx. 2 STD (3x) discount to its trailing 5-yr avg. and its ~3.8% dividend yield is ~2.5 STD above its 5-yr avg. despite the YTD crash in rates. With accelerating EPS growth through 2024 (~7.1% JEFe CAGR), the pending CGMA sale, significant renewable investment opportunities, and a BBB+ rated BS, we see an attractive entry & upgrade to Buy.

Rating | Target | Estimate Change

USA | Utilities

RATING	↑ BUY (FROM HOLD)
PRICE	$22.20^
MARKET CAP	$8.5B
PRICE TARGET (PT)	$25.00 (FROM $26.00)
UPSIDE SCENARIO PT	$30.00
DOWNSIDE SCENARIO PT	$15.00

^Prior trading day's closing price unless otherwise noted.

FY Dec USD	2019A	2020E	2021E	2022E
EPS	1.32	↑1.28	1.35	↓1.42
Prev.		*1.26*		*1.43*
FY P/E	16.9x	17.4x	16.4x	15.6x

Exhibit 1 - NIPSCO Generation Transition

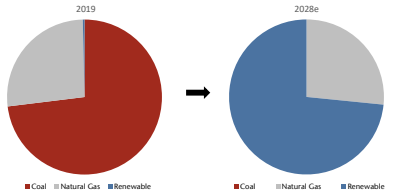

Source: JEFe, assuming all planned coal retirements are replaced with renewables.

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Please see analyst certifications, important disclosure information, and information regarding the status of non-US analysts on pages 16 to 21 of this report.

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NISOURCE INC. (NI)

Estimates				
USD	2019A	2020E	2021E	2022E
EBITDA (MM)	1,759.3	↑ 1,838.2	↑ 1,922.8	↑ 2,058.0
Previous		1,785.3	1,879.9	2,011.7
DPS	0.80	0.84	0.88	0.93
Previous				
Consensus EPS	1.32	↑ 1.31	↓ 1.34	↓ 1.43
Previous		1.30	1.36	1.46
EPS				
Q1	0.82	0.76A	-	-
Previous				
Q2	0.05	↑ 0.13A	-	-
Previous		*0.06*		
Q3	(0.00)	↓ 0.00	-	-
Previous		*0.03*		
Q4	0.45	↓ 0.39	-	-
Previous		*0.42*		
FY Dec	1.32	↑ 1.28	1.35	↓ 1.42
Previous		*1.26*		*1.43*

Valuation				
	2019A	2020E	2021E	2022E
EV/EBITDA	10.7x	10.2x	9.8x	9.1x
FY P/E	16.9x	17.4x	16.4x	15.6x

Market Data	
52-Week Range:	$30.67 - $19.56
Total Entprs. Value	$18.8B
Avg. Daily Value MM (USD)	67.01
Float (%)	99.5%

Financial Summary	
Net Debt/Capital	61.2%
Long-Term Debt (MM)	$8,810.2
Dividend Yield	3.9%

The Long View

Scenarios

Base Case

- Infrastructure modernization programs to generate steady growth & returns across all segments for several decades
- CGMA sale, NIPSCO renewable investments & a continuation of tracked infrastructure investments punctuated by rate case activity.
- ~5.8% dividend CAGR from 2019-24; ~4.7% EPS CAGR from 2019-24
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2022 Adj. EPS: $1.42; 2021 dividend: $0.88/ share; PT $25

Upside Scenario

- Customer growth grows faster than projected ~0.5% per year assumption and alternative source of regulated revenues are secured
- NI spends above the high-end of its guidance range, growing rate base faster than anticipated
- Cash flow outperformance yields reduced debt load, generating interest cost savings
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2022 Adj. EPS: $1.50; 2021 dividend: $0.90/ share; PT $30

Downside Scenario

- Customer growth is slower than projected ~0.5% per year assumption, or negative
- NI spends below the low-end of its guidance range, and rate base growth is slower than anticipated
- Cost overruns and rising debt loads weigh on EPS
- Adverse regulatory and rate case outcomes
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2022 Adj. EPS: $1.30; 2021 dividend: $0.45/ share; PT $15

Investment Thesis / Where We Differ

- Infrastructure modernization programs to generate steady growth & returns across all segments for several decades
- CGMA sale, NIPSCO renewable investments & a continuation of tracked infrastructure investments punctuated by rate case activity.
- ~5.8% dividend CAGR from 2019-24; ~4.7% EPS CAGR from 2019-24
- Combination of Target P/E, Target Yield, DDM, and DCF Analysis. 2022 Adj. EPS: $1.42; 2021 dividend: $0.88/ share; PT $25

Catalysts

- 2020 Investor Day (Sept. 29th)
- Continued regulatory progress and reduction in regulatory lag could improve earnings growth
- Extension or expansion of modernization programs across any/all service territories
- Increased revenue-normalization efforts and reduction in volumetric sensitivities
- Sale of Columbia Gas of Mass. & removal of the overhang that comes with the Greater Lawrence Incident; NI remains liable for additional costs incurred
- Evidence of cost mitigation efforts in response to COVID-19 demand destruction in-line with guidance.

By the Numbers

With 2Q results, NI affirmed its $1.7-$1.8B 2020 capital program and plans to use Columbia Gas of MA sale proceeds to repay its $850mm term loan, expiring in March. As of June 30th, NI had ~$2.0B of net liquidity and a total debt/capital ratio of 63.8%; while a goodwill test was performed in 2Q, it did not result in any impairments. Management still anticipates $235-$360mm of 2020 equity through its ATM, ESPP, and 401K programs, implying $227-$352mm to be raised in 2H, and continues to target long-term AFFO/Debt of 14-15%.

NI expects to execute on an estimate $30B in total long-term regulated utility infrastructure investments and we expect a ramp-up in annual 2021-23 spending as NIPSCO renewable investments are pursued. Financing will be provided by operating cash flow (~$1.5-$1.7B/year JEFe), a combination of new debt and equity issuances, and project-level tax equity investments. Management estimates it will begin earning on >75% of its capital investments within 18 months and has historically identified $235-$360mm of annual common equity placement via its ATM, ESPP, DRIP, and 401K programs, to be opportunistically supplemented by common, preferred, or forward-sale equity placements, as needed. We flag NI's $1.25B issuance of 0.95% 5-year Senior Notes and $750mm placement of 1.70% 10-year Senior Notes last month as evidence of its open and attractively-priced access to credit capital markets. Excluding the sale of Columbia Gas of MA, NI expects its capital investments to drive an estimated 10-12% 2021-24 rate base CAGR, with projected 2024 rate base approaching $21B.

Chart 1 - NI Projected Rate Base ($B)

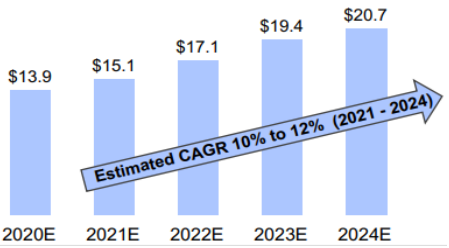

Source: NI reports; Note: Excludes CGMA given pending sale to Eversource

In August, management guided 2021 non-GAAP EPS of $1.28-$1.36, which includes 5¢ of anticipated COVID-related headwinds, and noted that its updated 2021-24 EPS CAGR, to be unveiled at the Investor Day, would exceed its previous 5-7%. We formally model 2021 EPS of $1.35 and a 2021-24 EPS CAGR of ~7.1%, with 2021-24 DPS of 6.4%, and $1.225B of aggregate 2021-24 equity issuance. Given a reduction in peer multiples and a continued rise in regressed beta, we trim our price target, derived via a combination of DCF, DDM, P/E, and Target Yield approaches, to $25, from $26; however, we upgrade shares to Buy, from Hold, as we see ~17% total return potential.

A Differentiated Renewable Investment Opportunity

With its 2018 Integrated Resource Plan, NI outlined an initiative to retire NIPSCO's fleet of coal-fired electric generation facilities on an accelerated schedule, with its R.M. Schahfer Generation Station being retired by 2023 and its Michigan City Generating Station shuttered by 2028. In aggregate these units represent over 70% of NIPSCO's generation capacity and all of its remaining coal-fired output. During the second quarter, the Midcontinent Independent System Operator (MISO) approved NIPSCO's plan to retire the R.M. Schahfer units in 2023, which constitute 1.4 GW of capacity, creating the opportunity to deploy an incremental $1.8-$2.0B on replacement renewable generation, primarily in 2022-23.

NI has estimated the transition of NIPSCO's generation portfolio from coal to renewable sources will drive an industry-leading 90% reduction in greenhouse gas emission from 2005-2030. Management has outlined plans to tackle its replaced generation needs via a combination of Purchase Power Agreements (PPAs), in which it simply purchases power from 3rd-party owned facilities, and Build Transfer Agreements (BTAs), in which it constructs renewable assets via a JV with developers and tax equity investors, and then takes full ownership once the tax credits of the facility are fully monetized.

Thus far, NI has entered into the following capacity replacement agreements:

- **PPAs:**
  - **Jordan Creek:** 400 MW approved wind facility, under construction, with a YE20 targeted in-service.
  - **Brickyard:** 200 MW solar facility, filed July 2020, 2Q23 targeted in-service
  - **Greensboro:** 130 MW solar facility, filed July 2020, 2Q23 targeted in-service
- **BTAs:**
  - **Rosewater:** 100 MW approved wind facility with WFC as tax-equity partner, under construction, with a YE20 in-service target.
  - **Indiana Crossroads**: 300 MW approved wind facility with construction beginning 2H20 and in-service targeted for YE21.

Exhibit 2 - NI Renewable Investment Opportunity

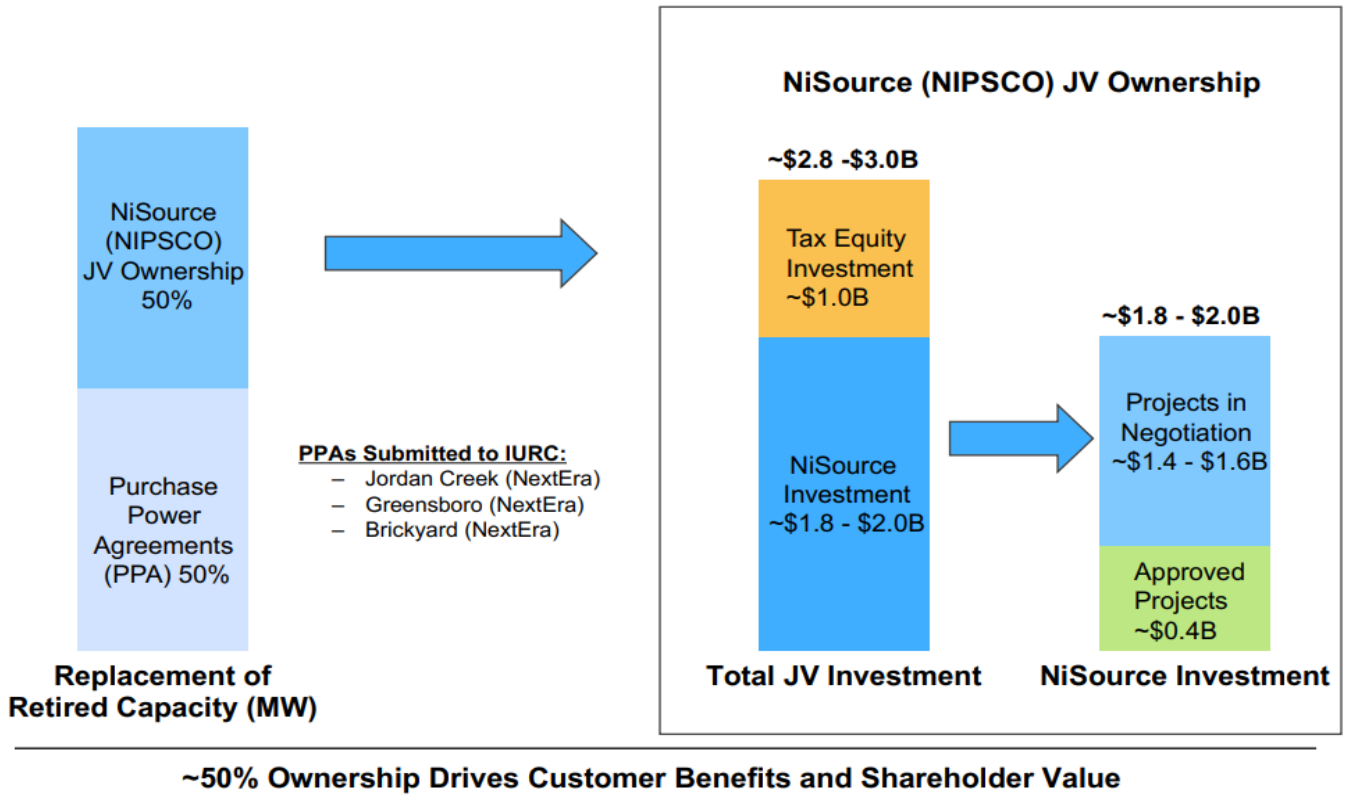

Source: Company presentations

Though shareholders would likely prefer NIPSCO's replacement generation needs all be met with BTAs, given the opportunity to eventually fully own the asset, management must be mindful of the cadence of its generation needs, its ability to finance large-scale and chucky renewable investments given other committed investments across its portfolio, and the impact on customer bills. We expect a detailed discussion of these dynamics, as well as its environmental impact targets, as management explores additional opportunities at next week's event.

Exhibit 3 - NI Environmental Impact Targets

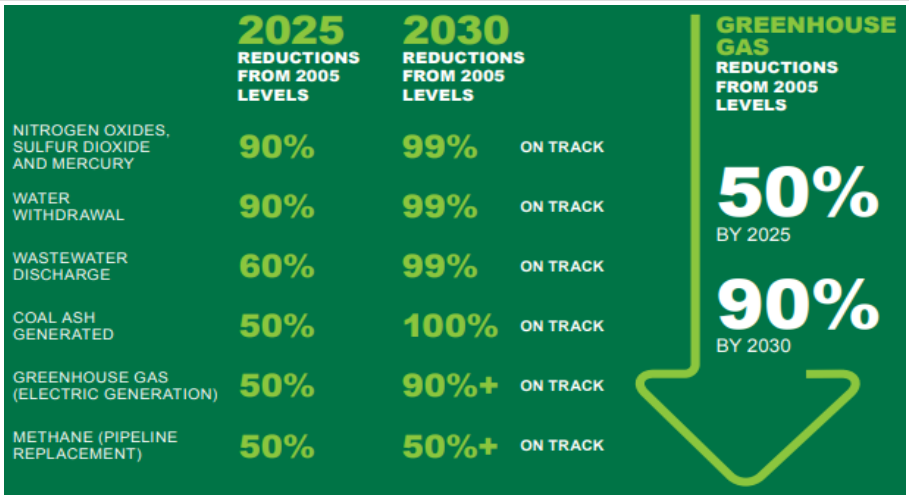

Source: NI 2019 Annual Report

Finally, we expect a detailed discussion of how NI's Safety Management System (SMS) is evolving to reshape operational programs and better prioritize risks across its portfolio. If good ultimately comes from the Greater Lawrence Incident and management's efforts to rebuild stakeholder trust, we think it is most likely to appear in its enhanced risk modeling tools and more dynamic approach to infrastructure replacement than the traditional FIFO or materials-based approach. In 2019, NI formed a Quality Review Board, chaired by former Secretary of Transportation Ray LaHood, to provide oversight and governance of the company's SMS implementation; as next week's event is the first Investor Day in several years, it provides management an ideal forum to showcase the impact of the QRB on its SMS refresh.

LDC Headwinds: Rising Betas & Hydrocarbon Bucketing

For those of us who regularly update financial models, and assess the reasonableness of assumptions embedded in various valuation frameworks, including calculated capital costs, the significant jump in regressed betas (vs. the S&P 500) across the utility group in recent months has stood out. We suspect COVID-19 and the increasing market weight of technology and biotechnology stocks is largely to blame, as normal human activity has been severely upended during the pandemic, visibility regarding a return to 'normal' life remains elusive, and instead we are all stuck at home reliant on technology and thinking about potential pandemic-ending vaccines. As the WSJ flagged in a mid-July article, the average beta of the technology sector dropped from 1.37 to 1.10 over the spring while the beta of the NYSE Arca Pharmaceutical Index fell to 0.81, from 1.11, over the same period. Meanwhile, the average betas of the real estate and utilities sectors of the S&P 500 have risen to 1.16 and 1.05 this year, respectively, from 0.43 and 0.27 in 2019. For NI specifically, its adjusted regressed one-year beta of 1.11 vs. the S&P 500 is far higher than its five-year mark of 0.85.

As elevated betas magnify the equity risk premium in a Capital Asset Pricing Model (CAPM), they raise the calculated costs of equity capital and weighted average costs of capital (WACC) for the utility names we cover, which in turn lowers discounted cash flow and dividend valuations. Many of our price target revisions for covered utilities YTD, including

for NI, have been impacted by this dynamic. Add this to the litany of things which appear upside down in a COVID world: at least as represented by regressed betas, biotech stocks appear safe/defensive while regulated, IG-rated monopolistic utilities now appear risky.

In addition, US gas utilities have been swept up this year in the anti-hydrocarbon sentiment which earlier infected upstream & midstream valuation dynamics, producing a swift compression in group multiples. To some extent this is logical: if investors penalize E&P companies for producing hydrocarbons and midstream companies for enabling the E&Ps to do so, then why omit the penalty for utilities which distribute methane for end-use consumption? While gas utilities have several avenues to soften the anti-hydrocarbon rhetoric now stacking against them (renewable natural gas, clean hydrogen) the pathways are not seemingly straightforward or immediate. Hence, we believe NI has an opportunity to shine by focusing on the significant renewable investments opportunity it has in transitioning NIPSCO's generation portfolio fully away from coal by 2028. Though this focus on cleaner electric generation does nothing to diminish the hydrocarbon challenges of its gas franchise, it provides a more potent environmental talking point than its peers as the natural gas solutions materialize. With system and generation modernization, NI has identified ~$10B of LT infrastructure investment opportunities.

Current Valuation Indicates >2 STD Moves

At current price, NI shares implies ~16.5x 2021 consensus EPS, an approximate 2 standard deviation (or 3x) discount to its trailing 5-year average and its ~3.8% dividend yield is ~2.5 standard deviations above its 5-year average despite the YTD crash in rates. With accelerating EPS growth through 2024 (~7.1% JEFe CAGR), the pending Columbia Gas of MA sale, significant renewable investment opportunities, a BBB+ rated balance sheet, a ~97% funded qualified pension, and Federal Reserve plans to leave rates low for the foreseeable future, we see an attractive entry point.

Chart 2 - NI FY2 PE vs. UTY FY2 PE (5-Years)

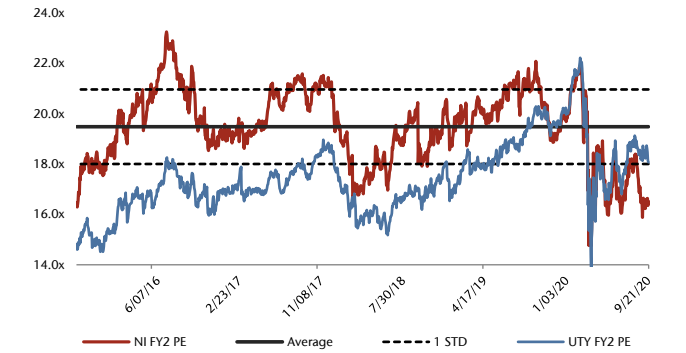

Source: FactSet

Chart 3 - NI Dividend Yield (5-Years)

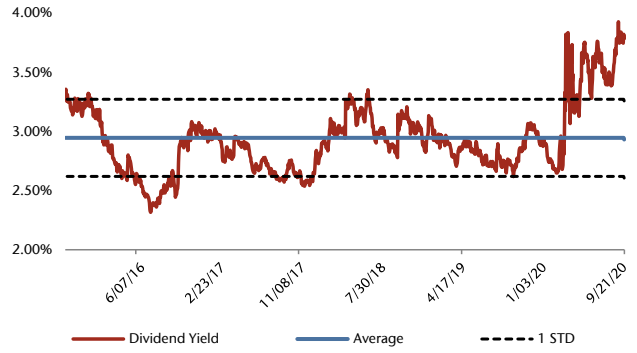

Source: FactSet

COVID Update

Despite their defensive, rate-regulated business models, utilities are not fully insulated from COVID-19 related impacts. In May, NI provided an update on the operating climate, warning investors that weakness in commercial and industrial demand would be only partially offset by increased residential sales and that increased bad debt expense due to job loss and the moratorium on disconnects could further weigh on results. Fortunately, over the subsequent months, NI has received orders from regulators in MD, VA, PA, IN

and OH allowing some form of COVID-related deferral for later recovery (COVID-related expenses, bad debt, suspended fees, etc.). That said, the COVID-related 2Q EPS impact was 6¢ as lower sales, reduced other revenues, such as late payment and reconnection fees, and increased expenses weighed on performance. In addition, with 2Q results, mgmt initiated 2021 EPS guidance at $1.28-1.36, including 5¢ related to COVID-19 (midpoint) as NI's base case continues to contemplate a gradual recovery in demand into 1H21. Separately, NI has seen minimal impact to its supply chain and/or modernization programs and does not expect the capital markets to present a problem given recent financing activity and proceeds from the Columbia Gas of MA transaction, though the potential for a slight delay to the Rosewater project was flagged.

NI's Gas & Electric Business Mix

NiSource derives substantially all of its revenues and earnings from its two rate-regulated businesses, NiSource Gas Distribution, a natural gas distribution holding company, and Northern Indiana Public Service Company (NIPSCO), a gas and electric company.

Exhibit 4 - NI Distribution Operations

Source: Company reports

NiSource Gas Distribution

NiSource Gas Distribution (NGD) provides supplies of domestic natural gas to more than 3.5 million residential, commercial, & industrial customers through ~60K miles of pipeline & related facilities. It owns various subsidiaries that operate independently within each state: Columbia Gas of Kentucky, Columbia Gas of Maryland, Columbia Gas of Ohio, Columbia Gas of Massachusetts, Columbia Gas of Pennsylvania, Columbia Gas of Virginia, and NIPSCO (Northern Indiana Public Service Co.). NIPSCO is an Indiana utility providing both natural gas and electricity distribution services to the northern part of the state. NiSource's

Gas Distribution segment is collectively one of the largest distributors in the US. As of YE19, more than 3.2 million of NGD's ~3.5 million customers were residential rate payers, though this group compromises only ~26% of total volume. In contrast, industrial users comprise only ~6K of NGD's customers, but represent more than 50% of total gas volumes sold. Commercial customers comprise the remaining ~280K customers and ~20% of sales. Of note, we have included statistics for Columbia Gas of Massachusetts as it is still formally part of the NiSource portfolio; however, earlier this year NiSource agreed to sell the business to Eversource for $1.1B in cash and the transaction is expected to close soon. Columbia Gas of MA represents ~9% of NGD's customer count and approximately 12% of its rate base.

Modernization Programs, Rate Cases, Normalization Mechanisms & More. NGD has a platform for sustainable earnings growth through a variety of infrastructure replacement programs across its seven jurisdictions.

- Indiana (~$1.7B rate base): Northern Indiana Public Supply's (NIPSCO) gas division has an estimated $1.7B rate base with a six-year, $950mm infrastructure replacement program extending through 2025. The latest replacement program was approved in July 2020 and allows for recovery through semi-annual adjustments to the existing TDSIC tracker, which has been in place since 2014. NIPSCO does not partake in any sort of revenue decoupling, including weather normalization.
- Kentucky (~$327mm rate base): Columbia Gas of Kentucky, headquartered in Lexington, provides services to 30 counties, has >135K customers and an estimated $327mm rate base. On Nov. 7th, 2019, CG of KY received approval from the Kentucky PSC to amend and expand its AMRP (now SMRP) to include for recovery of system safety investments, including low-pressure project spend; CG of KY's tracker program was approved in 2009 and any investments related to SMRP are reflected in rate base through an annual fixed monthly rate rider filed in Oct. Most recently, on Dec. 20th, 2019, CG of KY received an order covering $40.4mm for 2020 capital investments related to its SMRP; new rates are effective Jan. 2020 and CG of KY expects to invest $35-$40mm annually in its modernization program. Separately, CG of KY enjoys a weather normalization mechanism for its residential and commercial customers.
- Maryland (~$149mm rate base): Columbia Gas of Maryland, headquartered in Canonsburg, PA, has >33K customers, an estimated $149mm rate base and expects to invest $18-$25mm annually in its modernization program. CG of MD's 5-year STRIDE plan renewal for 2019-2023 is focused on replacing 1) existing cast iron and bare steel mains, 2) associated services and meters and 3) identified prone-to-failure vintage plastic piping. The STRIDE program became possible when the Governor of MD signed Senate Bill 8 into law on May 2nd, 2013, authorizing gas companies to accelerate recovery of eligible infrastructure replacement through an annual surcharge (IRIS) as approved by the MD PSC. On May 15th, 2020, CG of MD filed a base rate case requesting an additional $6.3mm in annual revenue, $5mm net of infrastructure trackers; the order is expected in 4Q20 and new rates would be effective Dec. 2020. Separately, CG of MD has a revenue normalization adjustment in place for residential customers

and a weather normalization mechanism in place for residential and commercial customers.

- Massachusetts (~$1.1B rate base): Columbia Gas of Massachusetts, headquartered in Westborough, has ~320K customers, an estimated $1.1B rate base and expects to invest $75-$120mm annually in its modernization program; CG of MA has had the ability to leverage its tracker program (GSEP) since 2015. On Sept. 19th, 2018, CG of MA withdrew its most recent rate case filing, a $43.8mm rate base increase, to focus solely on the restoration efforts required after the Greater Lawrence incident; rate case activity has remained on hold since that time. Separately, CG of MA has enacted revenue decoupling across all customers, but has no weather normalization program in place.

  In February, NI announced a definitive agreement to sell Columbia Gas of MA to Eversource (ES) for $1.1B; mgmt noted the loss in CGMA earnings will be mostly offset by the elimination of its block equity issuance ($500-$700mm) with the possibility for some dilution as it de-consolidates the MA franchise. On July 2nd, 2020, NI and ES filed a joint petition with the MA DPU seeking approval for the transaction while also proposing a settlement with the Attorney General's Office and the Dept. of Energy Resources of all remaining state investigations related to the 2018 Greater Lawrence event; in lieu of penalties, NI has agreed to pay $56mm into an Energy Relief Fund to settle & resolve all pending matters. According to the transaction details, NI does remain liable for any fines imposed as part of criminal proceedings related to the Greater Lawrence incident and/or any civil claims made prior to the close of the transaction; in its most recent 10-Q, NI cited Pipeline Replacement & Restoration costs of $258mm, 3rd-Party Claims, Fines, Penalties & Settlements of $1.04-$1.055B, and Other Expenses of $445-$455mm. That said, as of 2Q earnings, the sale remains on-track to receive regulatory approval by quarter end and is expected to close thereafter; proceeds from the sale are expected to repay NI's $850mm term loan due March 21st, 2021.

- Ohio (~$3.2B rate base): Columbia Gas of Ohio, headquartered in Columbus, is NI's largest service territory with ~1.4mm customers, a ~$3.2B rate base and an estimated $435-$550mm in annual tracker program investments. CG of OH last received approval for its 5-year IRP plan on Jan. 31st, 2018, authorizing the program through 2022, while the CEP, which allows the company to recover capex and related deferred expenses not included in its IRP tracker, was first approved in late 2018. Annual rider updates for the IRP and CEP were filed on Feb 28th, 2020; the IRP received an order on April 22nd, covering ~$243mm in 2019 capex, while the CEP, which filed a ~$185mm application related to its 2019 capital investments, expected an order in Aug. CG of OH incorporates straight fixed variable rates for residential and small commercial customers, but does not use a weather normalization mechanism.

- Pennsylvania (~$1.9B rate base) – Columbia Gas of Pennsylvania, headquartered in Canonsburg, has ~436K customers, a ~$1.9B rate base and an estimated $250-$296mm in annual tracker program investments. CG of PA's DSIC was established on April 1st, 2013, is authorized to recover the cost of eligible capex associated with repair, replacement or improvement that was not previously reflected in rate base and has been placed in service during the applicable 3-month period, is

updated quarterly and cannot exceed 5% of distribution revenues. Most recently, CG of PA had an outstanding rate case requesting an annual revenue increase of $100.4mm; the order is expected in 1Q21 and new rates effective Feb. 2021. Separately, CG of PA leverages weather normalization for residential customers but has no other revenue decoupling measures in place.

- Virginia (~$850mm rate base) - Columbia Gas of Virginia, headquartered in Chesterfield County, has >265K customers, a ~$850mm rate base and an estimated $46-$65mm in annual tracker program investments. CG of VA's current 5-year SAVE plan was approved by the VSCC in 2016, amended in 2017 for the years 2016-2020 and amended in 2019 for 2020; the SAVE modernization program has been in effect since 2010. Recent rate activity includes a unanimous settlement for $9.5mm in incremental annual revenue, $1.3mm net of infrastructure trackers, with rates effective July 2019. Separately, CG of VA has a revenue normalization adjustment in place for residential customers and a weather normalization mechanism in place for residential and commercial customers.

NiSource Electric Operations

The NiSource Electric Operations segment houses the electricity business of NIPSCO and serves ~476,000 customers across 20 counties in Northern Indiana. The segment's overall operations include power generation, transmission, and local distribution which are part of the Midcontinent Independent System Operator (MISO) transmission organization in the Midwestern portion of the United States. The supply assets incorporate traditional and renewable generation equipment, including natural gas, hydroelectric, CCGT, and coal generated supplies with a total system generation capability of 2,847 MW. Residential customers represent ~87% of NIPSCO's total electric customers, but account for only ~26% of total GWh volumes. Industrial customers comprise <1% of the customer base, but are responsible for ~46% of volumes. Commercial customers represent 12% of total customers but ~26% of total usage. Wholesale users comprise the remainder of both the customer base and transportation volumes.

Modernization & Tracker Programs. Similar to NIPSCO's gas distribution business, the electric operations also have long term infrastructure modernization and expense tracker programs:

- TDSIC: On April 30th, 2013, the Indiana Governor signed Senate Enrolled Act 560, known as the TDSIC statute, into law, allowing public utilities to recover costs outside of a base rate proceeding for new/replacement electric and gas transmission, distribution & storage projects that are intended for safety, reliability, system modernization or economic development. Revisions related to the TDSIC statute became effective July 1st, 2019, which, among other things, permits flexibility in TDSIC Plans between 5 & 7 years in length, requires the utility to file a base rate case at some point during the term of each TDSIC plan and provides that the 2% revenue cap applies to the aggregate of approved TDSIC Plans. NIPSCO electrics most recent semi-annual tracker update covered $131.1mm in capital investments from Dec. 2018 - June 2019; the order was received Dec. 18th, 2019 and rates went into effect Jan. 2020.

Exhibit 5 - NIPSCO Service Territory

Source: NIPSCO website

- ECRM: NIPSCO received approval from the IURC to recover certain environmental related costs, including 1) AFUDC and a return on the capital spent to implement environmental compliance plan projects and 2) related O&M and depreciation expense once the environmental facilities enter service.
- FMCA: Provides for the recovery of costs, outside of a base rate proceeding, for projected federally mandated costs, including a return on investment, mandated O&M expenses, depreciation and property taxes. Once a plan is approved by the IURC, 80% of eligible costs can be recovered using a periodic rate adjustment mechanism while the remaining 20% are deferred for future recovery in NIPSCO's next general rate case.

Jefferies

EQUITY RESEARCH
NiSource Inc. (NI)

Exhibit 6 - NI Valuation Analysis

Jefferies

NiSource (NI)

Target P/E Analysis	
2022 EPS	$1.42
Average 2022 P/E	17.2x
Implied Price Target	**$24.40**

Target Yield Analysis	
4Q21 Dividend	$0.88
Average 5-Year Yield	2.95%
Target Yield	3.50%
Implied Price Target	**$25.10**

Assumptions	
EPS CAGR 2019-2024	4.7%
Dividend CAGR 2019-2024	5.8%
Terminal Growth Rate	2.25%
Stable Period Payout Ratio	64.6%
Stable Period ROE	10.2%
Implied 2021 EV/EBITDA	10.2x
Implied 2021 P/E	15.9x

WACC Calculations	
Risk Free Rate	2.5%
Beta	1.05
Equity Risk Premium	5.0%
Cost of Equity	7.8%
Cost of New Debt	3.75%
Tax Rate	18.5%
WACC	5.1%

Capital Structure	
Total Debt	$10,439
Market Cap	$8,235
Debt/Cap	55.9%
Equity/Cap	44.1%

Terminal Growth Capex	$525.0
5-Year ROE	8.2%
Implied Contribution	$43.1
2024E EBT + DD&A	$1,884.1
Implied Growth Rate	2.3%

2020E EBIT Composition

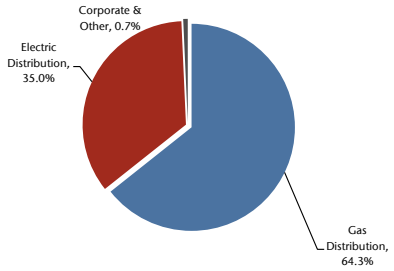

2020 EBIT Contribution		
Gas Distribution	$674.3	64.3%
Electric Distribution	$366.4	35.0%
Corporate & Other	$7.4	0.7%
Total	$1,048.2	100.0%

Terminal WACC Calculations	
Risk Free Rate	3.5%
Adjusted Beta	0.90
Equity Risk Premium	5.0%
Terminal Cost of Equity	8.0%
Terminal Cost of New Debt	5.0%
Terminal WACC	5.8%
Terminal Cash Flow Growth Rate	2.25%
Terminal Dividend Growth Rate	3.00%

Average Price Target	$25.00

Total Return Expectations	
NI Current Price	$21.50
Appreciation to PT	16.3%
Yield over 12-months	4.0%
Total Return Potential	**20.3%**

Dividend Expectations		
2016	$0.64	59%
2017	$0.70	58%
2018	$0.78	60%
2019	$0.80	61%
2020E	$0.84	66%
2021E	$0.88	65%
2022E	$0.93	65%
2023E	$0.99	65%
2024E	$1.06	64%

	Price	PT	3-Yr Avg
2020 P/E	16.8x	19.5x	20.7x
2021 P/E	15.9x	18.5x	
2022 P/E	15.1x	17.6x	

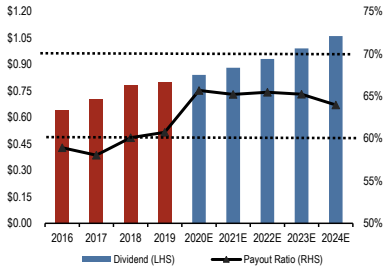

DIVIDEND DISCOUNT MODEL	2020E	2021E	2022E	2023E	2024E
Dividend Per Share	$0.84	$0.88	$0.93	$0.99	$1.06
Payout Ratio	*65.7%*	*65.2%*	*65.5%*	*65.2%*	*63.9%*
Terminal Value					$21.84
PV of Dividends	$0.21	$0.82	$0.81	$0.80	$0.79
Sum of PV of Dividends per Share	$3.43				
PV of Terminal Value	$19.26				
Equity Value per Share	$22.69				
Implied Equity Value per Share*	**$23.50**				

Discounted Cash Flow	2020E	2021E	2022E	2023E	2024E
EBIT	$1,048	$1,099	$1,207	$1,332	$1,471
Other	$12	$8	$5	$8	$7
(Cash Taxes on EBIT)	($10)	($18)	($24)	($35)	($132)
NOPAT	**$1,049**	**$1,089**	**$1,188**	**$1,305**	**$1,346**
D&A	$778	$815	$846	$878	$905
(Capex)	($1,750)	($1,850)	($2,100)	($2,050)	($1,430)
Other & Changes in NWC	$457	($13)	($5)	($4)	$1
Free Cash Flow to the Firm	**$534**	**$42**	**($71)**	**$129**	**$822**
Terminal Value					$23,638
PV of Cash Flows	$521.3	$38.6	($62.3)	$108.5	$19,779
Implied Enterprise Value	20,385				
(Net Debt. Including Preferred Equity)	(10,431)				
(Pension & Operating Lease)	(245)				
Implied Equity Value	9,709				
Shares Outstanding	391.2				
Implied Equity Value per Share*	**$25.70**				

Source: NI reports & JEF ests; Note: 2022 Target P/E is blend of gas & electric utility avgs. Target Yield is ~50 bps wide of trailing 3-yr avg, and we assume a ~15% terminal cash tax rate.

Exhibit 7 - NI Consolidated Income Statement

Consolidated Income Statement	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1Q	2Q	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Revenues	$4,593.6	$4,504.9	$4,902.6	$5,084.0	$1,858.9	$1,011.9	$927.9	$1,385.4	$5,184.1	$1,631.8	$957.4	$955.9	$1,403.0	$4,948.1	$1,678.0	$1,011.3	$992.4	$1,452.4	$5,134.1	$5,303.2	$5,506.2	$5,744.5
(Cost of Sales)	($1,569.9)	($1,390.2)	($1,518.7)	($1,759.4)	($680.3)	($253.5)	($196.7)	($404.3)	($1,534.8)	($462.4)	($188.4)	($204.4)	($392.5)	($1,247.7)	($490.0)	($219.9)	($207.5)	($401.8)	($1,319.2)	($1,327.4)	($1,351.5)	($1,398.0)
Net Revenue	$3,023.7	$3,114.7	$3,383.9	$3,324.6	$1,178.6	$758.4	$731.2	$981.1	$3,649.3	$1,169.4	$769.0	$751.4	$1,010.6	$3,700.4	$1,188.0	$791.4	$784.9	$1,050.6	$3,814.9	$3,975.8	$4,154.7	$4,346.5
(Operating & Maintenance Expenses)	($1,409.3)	($1,429.1)	($1,589.2)	($1,519.4)	($418.8)	($382.7)	($373.4)	($413.4)	($1,588.3)	($436.5)	($338.1)	($374.0)	($423.9)	($1,572.5)	($434.9)	($345.3)	($378.0)	($428.5)	($1,586.7)	($1,595.1)	($1,601.5)	($1,610.2)
(Depreciation & Amortization)	($524.4)	($547.1)	($570.3)	($599.6)	($175.1)	($177.9)	($182.2)	($182.2)	($717.4)	($184.3)	($197.4)	($197.0)	($199.8)	($778.5)	($201.2)	($204.0)	($203.7)	($206.6)	($815.5)	($846.4)	($877.9)	($904.5)
(Other Taxes)	($256.1)	($244.3)	($257.2)	($274.4)	($87.6)	($66.4)	($67.9)	($74.9)	($296.8)	($85.9)	($68.2)	($69.4)	($77.8)	($301.2)	($88.2)	($70.6)	($73.8)	($81.1)	($313.6)	($327.6)	($343.3)	($360.9)
(Gain on Sale of Assets)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
OPERATING INCOME BY DIVISION																						
Gas Distribution	$567.8	$597.6	$589.7	$561.4	$394.4	$43.5	($26.4)	$213.9	$625.4	$388.6	$73.4	($17.7)	$230.0	$674.3	$385.0	$79.6	($2.4)	$252.5	$714.7	$804.0	$908.0	$1,030.1
Electric Operations	$279.5	$302.3	$375.3	$369.1	$95.2	$85.6	$135.4	$84.9	$401.1	$79.8	$89.4	$125.7	$71.5	$366.4	$78.5	$91.6	$128.8	$75.4	$374.3	$394.6	$415.4	$433.0
Corporate & Eliminations	($13.4)	($5.7)	$2.2	$0.7	$7.5	$2.3	($1.3)	$11.8	$20.3	($5.7)	$2.5	$3.1	$7.5	$7.4	$0.2	$0.3	$3.0	$6.5	$10.1	$8.2	$8.5	$7.8
Total Recurring Operating Income	**$833.9**	**$894.2**	**$967.2**	**$931.2**	**$497.1**	**$131.4**	**$107.7**	**$310.6**	**$1,046.8**	**$462.7**	**$165.3**	**$111.0**	**$309.1**	**$1,048.2**	**$463.7**	**$171.6**	**$129.4**	**$334.4**	**$1,099.1**	**$1,206.7**	**$1,332.0**	**$1,470.8**
Other Income / (Loss)	$25.2	$1.5	($2.8)	$18.0	($0.7)	$0.0	$1.3	($5.5)	($4.9)	$5.4	$6.5	$4.9	($5.3)	$11.5	$4.9	$6.4	$4.9	($8.1)	$8.2	$4.9	$8.2	$7.1
Interest Expense - Net	($417.3)	($349.5)	($353.2)	($353.3)	($95.6)	($94.1)	($95.9)	($93.3)	($378.9)	($92.9)	($97.0)	($99.8)	($95.9)	($385.6)	($91.9)	($93.1)	($95.0)	($96.0)	($375.8)	($409.1)	($460.5)	($498.4)
Pretax Income	$684.2	$546.2	$611.2	$595.9	$400.8	$37.3	$13.1	$211.8	$663.0	$375.2	$74.8	$16.2	$207.9	$674.1	$376.8	$85.0	$39.4	$230.3	$731.5	$802.6	$879.7	$979.6
(Provision)/Benefit for Income Taxes	($250.3)	($195.0)	($212.3)	($117.6)	($79.3)	($4.4)	($1.0)	($28.5)	($113.2)	($70.5)	($10.8)	($2.4)	($41.4)	($125.0)	($73.5)	($12.9)	($5.5)	($43.8)	($135.7)	($151.1)	($167.9)	($188.9)
Effective Tax Rate	*36.6%*	*35.7%*	*34.7%*	*19.7%*	*19.8%*	*11.8%*	*7.6%*	*13.5%*	*17.1%*	*18.8%*	*14.4%*	*14.6%*	*19.9%*	*18.5%*	*19.5%*	*15.2%*	*13.9%*	*19.0%*	*18.6%*	*18.8%*	*19.1%*	*19.3%*
Net Income	$433.9	$351.2	$398.9	$478.3	$321.5	$32.9	$12.1	$183.3	$549.8	$304.7	$64.0	$13.8	$166.6	$549.1	$303.3	$72.0	$33.9	$186.5	$595.8	$651.5	$711.8	$790.7
Preferred Interest				($15.0)	($13.8)	($13.8)	($13.8)	($13.7)	($55.1)	($13.8)	($13.8)	($13.8)	($13.8)	($55.2)	($13.8)	($13.8)	($13.8)	($13.8)	($55.1)	($55.1)	($55.1)	($55.1)
Net Income (from Continuing Operations)	$298.9	$351.2	$398.9	$463.3	$307.7	$19.1	($1.7)	$169.6	$494.7	$290.9	$50.2	$0.0	$152.8	$493.9	$289.5	$58.3	$20.1	$172.8	$540.7	$596.4	$656.7	$735.6
Recurring Diluted EPS	**$0.94**	**$1.09**	**$1.21**	**$1.30**	$0.82	$0.05	($0.00)	$0.45	**$1.32**	$0.76	$0.13	$0.00	$0.39	**$1.28**	$0.73	$0.15	$0.05	$0.43	**$1.35**	**$1.42**	**$1.52**	**$1.66**
Average # of diluted shares outstanding	319.4	323.3	330.7	357.0	374.7	375.2	374.1	378.3	375.6	384.1	384.5	384.7	391.2	386.1	398.7	398.9	399.1	405.8	400.6	419.8	432.7	443.8
Average # of basic shares outstanding	317.8	321.8	329.4	356.5	373.4	373.9	374.1	377.2	374.7	383.1	383.5	383.7	390.2	385.1	397.7	397.9	398.1	404.8	399.6	418.8	431.7	442.8
Dividends per Share	**$0.83**	**$0.64**	**$0.70**	**$0.78**	$0.20	$0.20	$0.20	$0.20	**$0.80**	$0.21	$0.21	$0.21	$0.21	**$0.84**	$0.22	$0.22	$0.22	$0.22	**$0.88**	**$0.93**	**$0.99**	**$1.06**
Payout Ratio	**89%**	**59%**	**58%**	**60%**	24%	393%	-4401%	45%	**61%**	28%	161%	288866%	54%	**66%**	30%	151%	436%	52%	**65%**	**65%**	**65%**	**64%**

Source: NI reports; Jefferies estimates

Exhibit 8 - NI Consolidated Balance Sheet

Consolidated Balance Sheet ($MM)	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1Q	2Q	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Cash & equivalents	16	26	29	113	151	24	28	139	139	204	142	43	47	47	46	42	43	47	47	47	48	48
Accounts receivable	660	847	899	1,059	1,132	870	539	857	857	717	546	519	839	839	932	556	539	868	868	872	905	942
Inventory	537	494	471	423	216	319	449	425	425	254	312	467	405	405	272	362	451	415	415	436	444	458
Other current assets	365	394	364	462	417	366	362	433	433	2,051	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860
Total current assets	**1,577**	**1,762**	**1,763**	**2,055**	**1,916**	**1,578**	**1,378**	**1,854**	**1,854**	**3,225**	**2,860**	**2,889**	**3,150**	**3,150**	**3,110**	**2,820**	**2,893**	**3,190**	**3,190**	**3,215**	**3,257**	**3,308**
Tangible fixed assets	**12,112**	**13,068**	**14,360**	**15,543**	**15,741**	**16,134**	**16,481**	**16,912**	**16,912**	**15,587**	**15,772**	**16,025**	**15,427**	**15,427**	**15,646**	**15,888**	**16,162**	**16,462**	**16,462**	**17,715**	**18,888**	**19,783**
Goodwill	1,691	1,691	1,691	1,691	1,691	1,691	1,691	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486
Other intangible fixed assets	254	243	232	221	218	215	213	0	0	0	163	163	163	163	163	163	163	163	163	163	163	163
Investment in affiliates	195	200	210	206	211	218	220	230	230	212	229	229	229	229	229	229	229	229	229	229	229	229
Other investments	1,665	1,729	1,707	2,089	2,113	2,139	2,150	2,178	2,178	2,082	1,926	1,955	1,967	1,967	1,994	2,026	2,055	2,074	2,074	2,183	2,291	2,399
Non-Current Assets	**3,804**	**3,862**	**3,839**	**4,206**	**4,233**	**4,262**	**4,273**	**3,894**	**3,894**	**3,780**	**3,805**	**3,834**	**3,845**	**3,845**	**3,873**	**3,904**	**3,933**	**3,952**	**3,952**	**4,061**	**4,169**	**4,277**
Total assets	**17,493**	**18,692**	**19,962**	**21,804**	**21,890**	**21,974**	**22,132**	**22,660**	**22,660**	**22,593**	**22,437**	**22,748**	**22,423**	**22,423**	**22,629**	**22,612**	**22,987**	**23,604**	**23,604**	**24,992**	**26,314**	**27,368**
Trade payables and other ST liabilities	1,656	1,601	1,688	2,060	1,884	1,722	1,714	1,973	1,973	2,108	1,599	1,778	2,026	2,026	1,824	1,691	1,804	2,052	2,052	2,073	2,111	2,162
Short term debt	1,001	1,851	1,490	1,977	2,131	2,092	1,626	1,773	1,773	2,054	1,629	1,537	1,600	1,600	1,537	1,537	1,537	1,537	1,537	600	0	0
Total current liabilities	**2,658**	**3,452**	**3,178**	**4,037**	**4,015**	**3,814**	**3,340**	**3,746**	**3,746**	**4,162**	**3,228**	**3,314**	**3,626**	**3,626**	**3,361**	**3,228**	**3,341**	**3,589**	**3,589**	**2,673**	**2,111**	**2,162**
Long term debt	5,949	6,058	7,512	7,105	7,110	7,110	7,854	7,856	7,856	7,818	8,810	9,103	7,951	7,951	8,145	8,281	8,595	8,512	8,512	10,157	11,379	11,731
Debt deemed provisions (e.g. pensions)	760	713	337	474	462	455	451	455	455	442	437	437	437	437	437	437	437	437	437	437	437	437
Deferred taxes (Revenue)	2,365	2,528	1,293	1,342	1,402	1,483	1,477	1,495	1,495	1,461	1,487	1,488	1,525	1,525	1,589	1,599	1,604	1,642	1,642	1,769	1,902	2,037
Other long term liabilities	1,918	1,869	3,321	3,096	3,121	3,136	3,163	3,121	3,121	2,969	2,814	2,814	2,943	2,943	2,943	2,943	2,943	2,943	2,943	2,943	2,943	2,943
Total liabilities	**13,649**	**14,621**	**15,642**	**16,053**	**16,110**	**15,998**	**16,284**	**16,673**	**16,673**	**16,851**	**16,775**	**17,156**	**16,481**	**16,481**	**16,474**	**16,487**	**16,919**	**17,123**	**17,123**	**17,978**	**18,770**	**19,308**
Common equity	3,844	4,071	4,320	4,871	4,900	5,096	4,969	5,107	5,107	4,861	4,782	4,712	5,062	5,062	5,275	5,245	5,188	5,601	5,601	6,134	6,663	7,180
Preferred equity	0	0	0	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity	**3,844**	**4,071**	**4,320**	**5,751**	**5,780**	**5,976**	**5,849**	**5,987**	**5,987**	**5,741**	**5,662**	**5,592**	**5,942**	**5,942**	**6,155**	**6,125**	**6,068**	**6,481**	**6,481**	**7,014**	**7,543**	**8,060**
Total liabilities and equity	**17,493**	**18,692**	**19,962**	**21,804**	**21,890**	**21,974**	**22,132**	**22,660**	**22,660**	**22,593**	**22,437**	**22,748**	**22,423**	**22,423**	**22,629**	**22,612**	**22,987**	**23,604**	**23,604**	**24,992**	**26,314**	**27,368**
Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Balance Sheet Assumptions	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1Q	2Q	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Accounts receivable (as % of EBIT)	77%	95%	93%	112%	228%	662%	495%	281%	82%	153%	318%	448%	276%	79%	199%	312%	401%	266%	78%	72%	68%	64%
Inventory (as % of operating expenses)	38%	35%	30%	28%	52%	83%	120%	103%	27%	58%	92%	125%	96%	26%	63%	105%	119%	97%	26%	27%	28%	28%
Trade payable & other S.T. liabilities (as % of opg. Exp.)	118%	112%	106%	136%	450%	450%	459%	477%	124%	483%	473%	475%	478%	129%	419%	490%	477%	479%	129%	130%	132%	134%
Working Capital	(95)	135	46	(117)	(119.0)	(167.7)	(363.4)	(258.0)	(258)	914.1	1,118.8	1,068.4	1,077.6	1,078	1,240.3	1,086.7	1,046.1	1,090.6	1,091	1,095	1,099	1,098
Changes in Working Capital	**146.9**	**(292.1)**	**(416.4)**	**110.2**	(53.0)	(29.7)	117.7	(110.1)	**(75.1)**	(158.2)	72.3	50.4	(9.2)	**(44.7)**	(162.7)	153.6	40.5	(44.4)	**(13.0)**	**(4.6)**	**(3.6)**	**0.7**
Average Collection Period	**52**	**69**	**67**	**76**	55	78	53	57	**60**	40	52	50	55	**62**	50	50	50	55	**62**	**60**	**60**	**60**
Inventory Days	**125**	**130**	**113**	**88**	29	114	210	97	**101**	50	151	210	95	**119**	50	150	200	95	**115**	**120**	**120**	**120**
Average Payable Period	**385**	**422**	**406**	**427**	249	618	802	449	**469**	415	772	800	475	**594**	335	700	800	470	**568**	**570**	**570**	**566**

Cash	16	26	29	113	151	24	28	139	139	204	142	43	47	47	46	42	43	47	47	47	48	48
Total Debt	6,950	7,909	9,002	9,083	9,242	9,201	9,480	9,629	9,629	9,872	10,439	10,639	9,551	9,551	9,682	9,817	10,132	10,049	10,049	10,757	11,379	11,731
Total Net Debt	**6,934**	**7,883**	**8,973**	**8,970**	9,091	9,178	9,452	9,490	**9,490**	9,668	10,297	10,597	9,504	**9,504**	9,636	9,775	10,089	10,002	**10,002**	**10,710**	**11,331**	**11,682**
Preferred Securities	0	0	0	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880	880
Shareholders' Equity	3,844	4,071	4,320	5,751	5,780	5,976	5,849	5,987	5,987	5,741	5,662	5,592	5,942	5,942	6,155	6,125	6,068	6,481	6,481	7,014	7,543	8,060
Net Debt/Capital	**64.3%**	**65.9%**	**67.5%**	**57.5%**	57.7%	57.2%	58.4%	58.0%	**58.0%**	59.4%	61.2%	62.1%	58.2%	**58.2%**	57.8%	58.3%	59.2%	57.6%	**57.6%**	**57.6%**	**57.4%**	**56.6%**
	4%	2%	2%	-15%					1%					0%					-1%	0%	0%	-1%
Invested capital	10,778	11,954	13,293	14,721	14,870	15,154	15,300	15,477	15,477	15,410	15,959	16,188	15,446	15,446	15,791	15,900	16,157	16,483	16,483	17,723	18,874	19,742
ROIC	8.3%	7.9%	7.6%	6.8%	3.8%	7.1%	6.8%	6.9%	6.9%	3.6%	6.8%	6.7%	6.7%	6.7%	3.7%	6.7%	6.9%	6.9%	6.9%	7.1%	7.3%	7.7%
ROE	5.3%	9.0%	9.4%	8.9%	9.3%	8.9%	10.7%	8.4%	8.4%	8.1%	8.8%	8.9%	12.0%	8.6%	8.4%	8.4%	8.6%	12.1%	8.7%	8.8%	9.0%	9.4%
EBITDA	1,384	1,443	1,535	1,549	672	309	291	487	1,759	652	369	313	504	1,838	670	382	338	533	1,923	2,058	2,218	2,382
Net Debt/EBITDA (50% pref equity treatment)	**4.1x**	**5.5x**	**5.8x**	**6.1x**	5.7x	5.6x	5.8x	5.6x	**5.6x**	5.8x	6.0x	6.1x	5.4x	**5.4x**	5.4x	5.5x	5.6x	5.4x	**5.4x**	**5.4x**	**5.3x**	**5.1x**

Source: NI reports, Jefferies estimates

Exhibit 9 - NI Consolidated Cash Flow Statement

Consolidated Statement of Cash Flows ($MM)	2015	2016	2017	2018	1Q	2Q	3Q	4Q	2019	1Q	2Q	3QE	4QE	2020E	1QE	2QE	3QE	4QE	2021E	2022E	2023E	2024E
Operating activities																						
Net income	302	332	129	(51)	219	297	7	(139)	383	76	(5)	14	167	251	303	72	34	187	596	652	712	791
Depreciation, amortization & decommissioning	524	547	570	600	175	178	182	182	717	184	178	197	200	759	201	204	204	207	815	846	878	905
Deferred taxes	135	182	307	(188)	52	75	(6)	(2)	118	(20)	9	2	36	27	64	11	4	38	117	127	133	135
Net change in working capital	147	(292)	(416)	110	(53)	(30)	118	(110)	(75)	(158)	72	50	(9)	(45)	(163)	154	41	(44)	(13)	(5)	(4)	1
Other, including changes in provisions and other liabilities	348	35	153	69	7	7	5	421	440	288	84	0	129	501	0	0	0	0	0	0	0	0
Cash from operating activities	**1,457**	**803**	**742**	**540**	**399**	**527**	**306**	**352**	**1,583**	**370**	**338**	**263**	**522**	**1,493**	**406**	**440**	**283**	**387**	**1,516**	**1,620**	**1,719**	**1,831**
Investing activities																						
Capital expenditure - tangible fixed assets	(1,361)	(1,475)	(1,696)	(1,818)	(354)	(490)	(467)	(492)	(1,802)	(452)	(367)	(450)	(481)	(1,750)	(420)	(446)	(477)	(507)	(1,850)	(2,100)	(2,050)	(1,800)
Investment in affiliates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net disposals/(acquisitions)	3,803	0	0	(8)	0	0	0	(8)	(8)	2	(2)	0	879	879	0	0	0	0	0	0	0	0
Other investment	(497)	(108)	(113)	(100)	(22)	(33)	(29)	(28)	(112)	(34)	(33)	(29)	(12)	(108)	(27)	(32)	(28)	(19)	(107)	(109)	(108)	(108)
Cash from investing activities	**1,945**	**(1,583)**	**(1,809)**	**(1,926)**	**(375)**	**(523)**	**(496)**	**(529)**	**(1,922)**	**(485)**	**(402)**	**(479)**	**386**	**(979)**	**(447)**	**(478)**	**(506)**	**(526)**	**(1,957)**	**(2,209)**	**(2,158)**	**(1,908)**
Financing activities																						
Inc./(dec.) in short term debt	(936)	921	(282)	772	103	1	(466)	158	(204)	273	(883)	(93)	64	(639)	(64)	0	0	0	(64)	(937)	(600)	0
Inc./(dec.) in long term debt	(2,092)	65	1,395	(696)	(2)	(44)	748	(3)	698	(4)	996	293	(1,152)	133	195	135	315	(83)	562	1,645	1,222	352
Inc./(dec.) in equity	2	14	337	848	3	4	4	234	244	4	4	5	285	298	5	5	5	335	350	325	300	250
Common stock dividends paid	(263)	(206)	(229)	(273)	(75)	(75)	(75)	(75)	(299)	(80)	(80)	(81)	(82)	(323)	(87)	(88)	(88)	(89)	(352)	(389)	(427)	(469)
Other cash from financing	(122)	(4)	(152)	(62)	(4)	(0)	(8)	(6)	(18)	(5)	(13)	0	0	(18)	0	0	0	0	0	0	0	0
Inc./(dec.) in preffered equity	0	0	0	880	(9)	(19)	(8)	(19)	(56)	(8)	(20)	(8)	(19)	(55)	(8)	(19)	(8)	(19)	(55)	(55)	(55)	(55)
Cash from financing activities	**(3,412)**	**791**	**1,068.7**	**1,469**	**16**	**(133)**	**195**	**289**	**366**	**179**	**5**	**116**	**(905)**	**(604)**	**40**	**33**	**224**	**144**	**442**	**589**	**440**	**77**
Cash flow increase/(decrease) in cash	(10)	11	2.4	83	40	(128)	5	111	27.3	65	(59)	(100)	4	(90)	(1)	(4)	1	4	1	0	0	1
Non-cash movements in cash	0	0	0	1	(2)	1	(0)	(0)	(1)	(0)	(2)	0	0	(2)	0	0	0	0	0	0	0	0
Forex Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net change in cash	**(10)**	**11**	**2.6**	**84**	38	(127)	4	111	**27**	64	(62)	(100)	4	**(93)**	(1)	(4)	1	4	**1**	**0**	**0**	**1**
Cash at the beginning of the year	**25**	**16**	**26**	**29**	113	151	24	28	**113**	139	204	142	43	**139**	47	46	42	43	**47**	**47**	**47**	**48**
Cash at the end of the year	**16**	**26**	**29**	**113**	151	24	28	139	**139**	204	142	43	47	**47**	46	42	43	47	**47**	**47**	**48**	**48**
Cash paid for income taxes	**21**	**8**	**6**	**3**	5	0	0	6	**11**	5	0	0	5	**10**	9	2	1	6	**18**	**24**	**35**	**54**
Cash Interest paid, net of amount capitalized	**390**	**338**	**340**	**354**	162	47	42	99	**350**	171	50	37	82	**339**	142	37	33	77	**290**	**354**	**369**	**385**
Accounting Free Cash Flow (CFO-CAPEX-Dividend)	(167)	(877)	(1183)	(1551)	(29)	(37)	(236)	(216)	(518)	(163)	(110)	(275)	(60)	(635)	(109)	(113)	(290)	(229)	(741)	(924)	(814)	(493)
Free Cash Flow (NI+D&A-WC-CAPEX-DIV)	(945)	(510)	(810)	(1653)	19	(60)	(470)	(414)	(925)	(114)	(347)	(378)	(207)	(1074)	152	(431)	(376)	(178)	(832)	(1042)	(939)	(630)

Source: NI reports, Jefferies estimates

Company Description

NiSource Inc.

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to roughly 4mm US customers. The Company operates two business segments: Gas Distribution and Electric. The Gas Distribution operations provide natural gas service and transportation to ~3.5mm residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts; NI has agreed to sell its Massachusetts operations to Eversource for $1.1B, a transaction expected to close in 2H20. The Electric Operations segment provides electric service to ~480K customers across 20 counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Company Valuation/Risks

NiSource Inc.

Our $25 PT and Buy recommendation are derived via Target P/E, Target Yield, DCF, and DDM approaches. Unexpected regulatory outcomes, deviations in customer growth, and project execution present risks to our estimates & PT.

Analyst Certification:

I, Christopher Sighinolfi, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	September 23, 2020 , 04:15 ET.
Recommendation Distributed	September 23, 2020 , 04:15 ET.

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Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

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The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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Other Companies Mentioned in This Report

- NiSource Inc. (NI: $22.20, BUY)

Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.
Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

Distribution of Ratings

Distribution of Ratings						
			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1443	56.48%	129	8.94%	11	0.76%
HOLD	965	37.77%	25	2.59%	5	0.52%
UNDERPERFORM	147	5.75%	0	0.00%	0	0.00%

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North America Equity Research
21 September 2020

NiSource Inc.

Model Update

Overweight

NI, NI US
Price (18 Sep 20): $21.98

▼ **Price Target (Dec-21): $25.00**
Prior (Dec-20): $26.00

We are updating our model to account for 2Q earnings results. Please see changes below.

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Key Changes (FYE Dec)

	Prev	Cur
Adj. EPS - 20E ($)	1.27	1.30
Adj. EPS - 21E ($)	1.41	1.36

Quarterly Forecasts (FYE Dec)

Adj. EPS ($)	2019A	2020E	2021E
Q1	0.82	0.76A	
Q2	0.05	0.13A	
Q3	(0.00)	0.01	
Q4	0.45	0.39	
FY	1.32	1.30	1.36

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	45	56	53	55	11
Growth	64	56	85	81	71
Momentum	76	40	37	32	89
Quality	67	35	55	49	54
Low Vol	9	3	11	7	97
ESGQ	14	82	94	11	8

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

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North America Equity Research
21 September 2020

J.P.Morgan

Price Performance

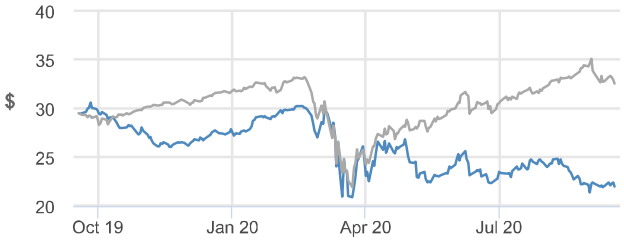

	YTD	1m	3m	12m
Abs	-21.0%	-6.8%	-7.4%	-25.4%
Rel	-23.7%	-4.7%	-14.0%	-35.8%

Company Data

Shares O/S (mn)	383
52-week range ($)	30.67-19.56
Market cap ($ mn)	8,420.54
Exchange rate	1.00
Free float(%)	99.5%
3M - Avg daily vol (mn)	2.99
3M - Avg daily val ($ mn)	69.6
Volatility (90 Day)	27
Index	S&P 500
BBG BUY|HOLD|SELL	9|5|0

Key Metrics (FYE Dec)

$ in millions	FY19A	FY20E	FY21E	FY22E
Financial Estimates				
Revenue	5,184	5,066	5,563	5,693
Adj. EBITDA	1,759	1,801	1,842	1,984
Adj. EBIT	1,042	1,070	1,141	1,254
Adj. net income	495	501	545	608
Adj. EPS	1.32	1.30	1.36	1.47
BBG EPS	1.30	1.29	1.34	1.43
Cashflow from operations	1,583	1,346	1,289	1,449
FCFF	95	(61)	(259)	(74)
Margins and Growth				
Revenue growth	2.0%	(2.3%)	9.8%	2.3%
EBITDA margin	33.9%	35.5%	33.1%	34.9%
EBITDA growth	13.6%	2.3%	2.3%	7.7%
EBIT margin	20.1%	21.1%	20.5%	22.0%
Net margin	9.5%	9.9%	9.8%	10.7%
Adj. EPS growth	1.6%	(1.8%)	4.6%	8.8%
Ratios				
Adj. tax rate	17.1%	19.7%	23.6%	23.4%
Interest cover	4.6	4.8	5.2	5.1
Net debt/Equity	1.6	1.4	1.5	1.5
Net debt/EBITDA	5.4	4.7	5.2	5.0
ROCE	5.7%	5.7%	5.8%	5.9%
ROE	8.4%	8.4%	8.8%	9.2%
Valuation				
FCFF yield	1.2%	(0.7%)	(2.9%)	(0.8%)
Dividend yield	3.6%	3.8%	4.1%	4.3%
EV/EBITDA	9.3	8.9	9.1	8.8
Adj. P/E	16.6	17.0	16.2	14.9

Summary Investment Thesis and Valuation

NiSource's heavy capital investment program drives rate base growth of at least ~7.5% over the next 3 years, with upside should the mid-or-high end of the capex guided ranges materialize. Declining O&M spending versus current elevated levels should improve earned ROE's at the utilities over coming quarters and additional cost discipline could further support growth. With an agreement in place to divest Bay State Gas, NI has reduced 2020 equity funding needs and will reestablish LT growth guidance post 2021. NiSource continues to offer top-tier rate base growth, which we see supporting long term earnings growth of 5-7% through 2022.

We base our December 2021 price target of $25/per share on a sum-of-the-parts analysis using our 2022 electric and gas segment EPS forecasts. We value the gas and electric segments using 15.4x and 19.5x P/E multiples, respectively.

Performance Drivers

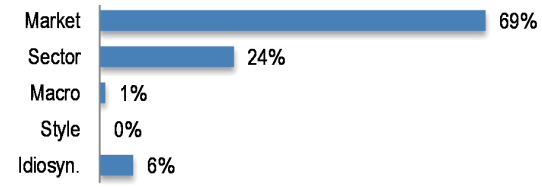

Factors	6M Corr	1Y Corr
Market: MSCI US	0.86	0.83
Sect: Utilities	0.89	0.87
Ind: Utilities	0.89	0.87
Macro:		
US 10yr yield	-0.47	-0.45
Crude Oil	-0.46	-0.40
Economic Surprise	-0.07	-0.06
Quant Styles:		
Growth	-0.31	-0.18
LowVol	-0.01	0.08
Value	0.13	-0.01

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg and J.P. Morgan estimates for all other tables.

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Investment Thesis, Valuation and Risks

NiSource Inc. *(Overweight; Price Target: $25.00)*

Investment Thesis

NiSource's heavy capital investment program drives rate base growth of at least ~7.5% over the next 3 years, with upside should the mid-or-high end of the capex guided ranges materialize. Declining O&M spending versus current elevated levels should improve earned ROEs at the utilities over coming quarters and additional cost discipline could further support growth. With an agreement in place to divest Bay State Gas, NI has reduced 2020 equity funding needs and will reestablish LT growth guidance post 2021. NiSource continues to offer top-tier rate base growth, which we see supporting long term earnings growth of 5-7% through 2022.

Valuation

We introduce our December 2021 price target of $25/share. We base our price target on a sum-of-the-parts analysis using our 2022 electric and gas segment EPS forecasts. We value the gas and electric segments using 15.4x and 19.5x P/E multiples, respectively. The electric multiple is a slight premium to peers on account of NI's coal generation transition, incremental renewables investment, and above average growth as a result. The gas multiple is in line with LDC peers.

Risk to Rating and Price Target

- Regulated electric transmission and distribution earnings are vulnerable to mild weather, as regulated revenues are calculated based on energy volumes sold. Extreme or mild temperatures may cause future earnings to differ materially from our current forecasts.
- Achievement of NiSource's long-term rate base and EPS CAGR targets are heavily dependent on robust capital investments, regulatory support, and favorable ratemaking mechanism. Any deferral of spending could put the company at risk of falling short of the LT rate base and earnings growth CAGR in any one year.
- Regulated electric and gas utilities are subject to federal and state regulations, including determinations of allowed revenues. Positive or negative changes to the regulatory environments may cause future earnings potential to differ materially from current expectations.

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NiSource Inc.: Summary of Financials

Income Statement - Annual	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	**5,084**	**5,184**	**5,066**	**5,563**	**5,693**
COGS	(1,759)	(1,535)	(1,373)	(1,760)	(1,760)
Gross profit	**3,325**	**3,649**	**3,693**	**3,803**	**3,933**
SG&A	(1,794)	(1,885)	**(1,904)**	**(1,931)**	**(1,949)**
Adj. EBITDA	**1,549**	**1,759**	**1,801**	**1,842**	**1,984**
D&A	(600)	(717)	(731)	(700)	(730)
Adj. EBIT	**949**	**1,042**	**1,070**	**1,141**	**1,254**
Net Interest	(353)	(379)	(377)	(357)	(389)
Adj. PBT	**596**	**663**	**693**	**785**	**865**
Tax	(118)	(113)	(136)	(185)	(202)
Minority Interest	(15)	(55)	(55)	(55)	(55)
Adj. Net Income	**463**	**495**	**501**	**545**	**608**
Reported EPS	1.30	1.32	1.30	1.36	1.47
Adj. EPS	**1.30**	**1.32**	**1.30**	**1.36**	**1.47**
DPS	**0.78**	**0.80**	**0.84**	**0.89**	**0.94**
Payout ratio	60.0%	60.6%	64.8%	65.7%	64.0%
Shares outstanding	357	375	386	402	412

Income Statement - Quarterly	1Q20A	2Q20A	3Q20E	4Q20E
Revenue	**1,632A**	**957A**	**987**	**1,489**
COGS	(462)A	(188)A	(222)	(500)
Gross profit	**1,169A**	**769A**	**765**	**989**
SG&A	(522)A	(406)A	(466)	(509)
Adj. EBITDA	**652A**	**369A**	**299**	**480**
D&A	(184)A	(197)A	(179)	(170)
Adj. EBIT	**468A**	**172A**	**120**	**309**
Net Interest	(93)A	(97)A	(99)	(89)
Adj. PBT	**375A**	**75A**	**22**	**221**
Tax	(71)A	(11)A	(3)	(52)
Minority Interest	(14)A	(14)A	(14)	(14)
Adj. Net Income	**291A**	**50A**	**5**	**155**
Reported EPS	0.76A	0.13A	0.01	0.39
Adj. EPS	**0.76A**	**0.13A**	**0.01**	**0.39**
DPS	**0.21A**	**0.21A**	**0.21**	**0.21**
Payout ratio	27.7%A	160.4%A	1700.3%	53.2%
Shares outstanding	383A	384A	386	393

Balance Sheet & Cash Flow Statement	FY18A	FY19A	FY20E	FY21E	FY22E
Cash and cash equivalents	121	148	0	0	0
Accounts receivable	1,059	857	546	546	546
Other current assets	876	849	2,205	2,296	2,387
Current assets	**2,055**	**1,854**	**2,751**	**2,842**	**2,933**
PP&E	15,543	16,912	16,313	17,434	18,525
Other non current assets	4,206	3,894	2,586	2,636	2,636
Total assets	**21,804**	**22,660**	**21,650**	**22,911**	**24,094**
Short term borrowings	1,977	1,773	598	819	1,336
Payables	884	666	403	403	403
Other short term liabilities	1,176	1,307	2,071	1,646	1,646
Current liabilities	**4,037**	**3,746**	**3,071**	**2,867**	**3,385**
Long-term debt	7,105	7,856	7,832	8,682	8,682
Other long term liabilities	4,911	5,071	4,792	4,977	5,179
Total liabilities	**16,053**	**16,673**	**15,696**	**16,526**	**17,246**
Shareholders' equity	5,751	5,987	5,954	6,385	6,848
Minority interests	-	-	-	-	-
Total liabilities & equity	**21,804**	**22,660**	**21,650**	**22,911**	**24,094**
BVPS	**15.44**	**15.67**	**15.02**	**15.69**	**16.41**
y/y Growth	*20.5%*	*1.4%*	*(4.1%)*	*4.4%*	*4.6%*
Net debt/(cash)	8,962	9,481	8,430	9,501	10,019
Cash flow from operating activities	**540**	**1,583**	**1,346**	**1,289**	**1,449**
o/w Depreciation & amortization	600	717	711	700	730
o/w Changes in working capital	110	(75)	(130)	(91)	(91)
Cash flow from investing activities	**(1,926)**	**(1,922)**	**(677)**	**(1,821)**	**(1,821)**
o/w Capital expenditure	(1,818)	(1,802)	(1,710)	(1,821)	(1,821)
as % of sales	*35.8%*	*34.8%*	*33.7%*	*32.7%*	*32.0%*
Cash flow from financing activities	**1,469**	**366**	**(252)**	**311**	**(145)**
o/w Dividends paid	(273)	(299)	(353)	(359)	(390)
o/w Net debt issued/(repaid)	75	494	(186)	425	0
Net change in cash	**83**	**27**	**417**	**(221)**	**(517)**
Adj. Free cash flow to firm	**(995)**	**95**	**(61)**	**(259)**	**(74)**
y/y Growth	*37.6%*	*(109.6%)*	*(163.7%)*	*328.3%*	*(71.5%)*

Ratio Analysis	FY18A	FY19A	FY20E	FY21E	FY22E
Gross margin	65.4%	70.4%	72.9%	68.4%	69.1%
EBITDA margin	30.5%	33.9%	35.5%	33.1%	34.9%
EBIT margin	18.7%	20.1%	21.1%	20.5%	22.0%
Net profit margin	9.1%	9.5%	9.9%	9.8%	10.7%
ROE	9.2%	8.4%	8.4%	8.8%	9.2%
ROA	2.2%	2.2%	2.3%	2.4%	2.6%
ROCE	5.5%	5.7%	5.7%	5.8%	5.9%
SG&A/Sales	35.3%	36.4%	37.6%	34.7%	34.2%
Net debt/equity	1.6	1.6	1.4	1.5	1.5
P/E (x)	16.9	16.6	17.0	16.2	14.9
P/BV (x)	1.4	1.4	1.5	1.4	1.3
EV/EBITDA (x)	10.1	9.3	8.9	9.1	8.8
Dividend Yield	3.5%	3.6%	3.8%	4.1%	4.3%
Sales/Assets (x)	0.2	0.2	0.2	0.2	0.2
Interest cover (x)	4.4	4.6	4.8	5.2	5.1
Operating leverage	(33.9%)	496.0%	(116.4%)	68.4%	423.0%
Revenue y/y Growth	3.7%	2.0%	(2.3%)	9.8%	2.3%
EBITDA y/y Growth	1.1%	13.6%	2.3%	2.3%	7.7%
Tax rate	19.7%	17.1%	19.7%	23.6%	23.4%
Adj. Net Income y/y Growth	16.6%	6.8%	1.3%	8.7%	11.6%
EPS y/y Growth	7.7%	1.6%	(1.8%)	4.6%	8.8%
DPS y/y Growth	11.4%	2.6%	5.0%	6.0%	6.0%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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NiSource Inc. (NI, NI US) Price Chart

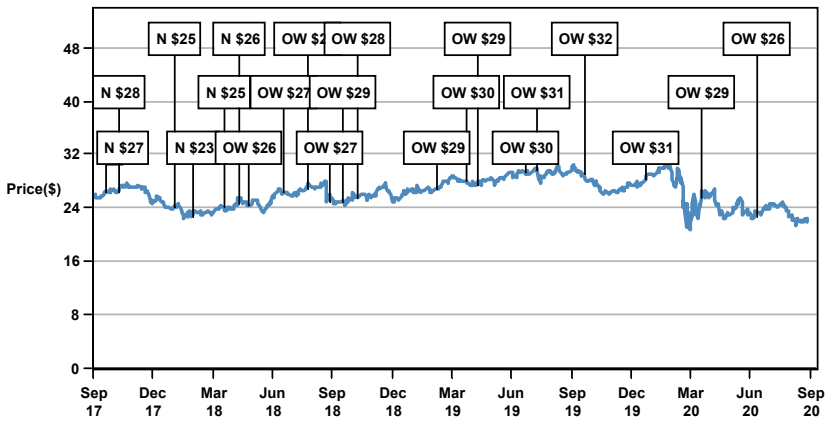

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
12-Oct-17	N	26.42	27
01-Nov-17	N	26.37	28
24-Jan-18	N	24.17	25
22-Feb-18	N	22.80	23
10-Apr-18	N	24.15	25
02-May-18	N	24.52	26
17-May-18	OW	24.40	26
11-Jul-18	OW	26.24	27
15-Aug-18	OW	26.96	28
17-Sep-18	OW	24.79	27
09-Oct-18	OW	25.05	29
01-Nov-18	OW	25.36	28
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31
09-Apr-20	OW	25.47	29
01-Jul-20	OW	22.74	26

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Completed 20 Sep 2020 11:35 PM EDT Disseminated 21 Sep 2020 01:06 AM EDT
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BofA GLOBAL RESEARCH

BofA SECURITIES

NiSource Inc

What is the Street really fearing at these levels?

Reiterate Rating: NEUTRAL | PO: 25.00 USD | Price: 22.59 USD

Stock U/P excessive vs revisions; revisit equity financing

Until yesterday, where NI outperformed (NI +4.2% vs gas LDCs +2.0%; XLU +3.1%), NI shares were -12.2% since its 2Q update on 8/5, considerably lagging gas LDCs (-6.7%) and XLU (-2.5%) over that timeframe. We acknowledge NI's new 2021 EPS guidance implied about 3% negative revisions to consensus at midpt and gas utility de-rating (gas now ~2x discount vs electrics), but the stock's underperformance still seems excessive relative to both revisions and gas peers. While we stress there has been no change to NI's messaging since the 2Q update, we conservatively revisit the assumptions in our model *given perceived risk of over-equitization vs expectations* or possibly earlier than expected equity financing for the renewables build out. Hence, we tweak the equity capital structure slightly higher for the $1.8-2.0bn of renewables financing to reflect about 60% equity/40% debt, lowering our EPS estimates by just ~1c in '23 and 2c in '24. This reflects a higher equity capital structure compared to what the broader company historically tracked given the different risk profile of renewables vs traditional electric and gas utilities. After mtm our SOTP with peers at 14.9x (from 16.2x) for gas and 16.8x (from 17.0x) for electric, our PO decreases to $25 (from $26). Despite 16.2% total return (incl. 4% div yield) implied by our SOTP, we reiterate Neutral given near-term uncertainty with regard to the equity overhang and light '22/'23 on an earned ROE basis.

Clarity coming via Sept 29 investor day; favorable Indiana

We expect the upcoming Investor day (9/29) to yield clarity around NI's renewables financing plan in Indiana as concerns around timing of equity and over-equitization linger. We still assume the timing of the equity issuance to be in line with our assumption of renewable capex deployment (40% in 2022 and 60% in 2023). Further, we expect NI likely uses equity-linked hybrids to finance part of the deal with $500mn in converts issued in '22 and converted in '25 in addition to common equity. Critically, we expect an explicit EPS growth CAGR to be disclosed at the investor day with potential outlook beyond '24. Lastly, we highlight our recent conversations with Indiana stakeholders indicate coal retirements and renewable RFPs in Indiana are largely intact for NI and even CNP. We note recent outperformance of CNP likely a positive read to NI.

Estimates (Dec)

(US$)	2018A	2019A	2020E	2021E	2022E
EPS	1.30	1.32	1.25	1.32	1.43
GAAP EPS	1.30	1.32	1.25	1.32	1.43
EPS Change (YoY)	7.4%	1.5%	-5.3%	5.6%	8.3%
Consensus EPS (Bloomberg)			1.29	1.36	1.44
DPS	0.79	0.83	0.88	0.94	0.99

Valuation (Dec)

	2018A	2019A	2020E	2021E	2022E
P/E	17.4x	17.1x	18.1x	17.1x	15.8x
GAAP P/E	17.4x	17.1x	18.1x	17.1x	15.8x
Dividend Yield	3.5%	3.7%	3.9%	4.2%	4.4%
EV / EBITDA*	15.3x	13.3x	13.2x	12.6x	11.8x
Free Cash Flow Yield*	-14.8%	-2.5%	-6.9%	-7.0%	-14.9%

* For full definitions of *IQmethod℠* measures, see page 8.

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03 September 2020

Equity

Key Changes

(US$)	Previous	Current
Price Obj.	26.00	25.00
2022E EBITDA (m)	1,996.2	1,997.2

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Stock Data

Price	22.59 USD
Price Objective	25.00 USD
Date Established	3-Sep-2020
Investment Opinion	B-2-7
52-Week Range	19.56 USD - 30.67 USD
Mrkt Val (mn) / Shares Out (mn)	8,652 USD / 383.0
Average Daily Value (mn)	61.19 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.0%
Net Dbt to Eqty (Dec-2019A)	158.6%

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iQprofile℠ NiSource Inc

iQmethod℠ – Bus Performance*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Return on Capital Employed	3.9%	4.3%	3.9%	3.9%	4.0%
Return on Equity	10.1%	9.9%	9.0%	9.1%	9.2%
Operating Margin	18.3%	20.2%	19.5%	19.7%	20.7%
Free Cash Flow	(1,278)	(219)	(599)	(606)	(1,286)

iQmethod℠ – Quality of Earnings*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash Realization Ratio	1.2x	3.2x	2.4x	2.4x	2.3x
Asset Replacement Ratio	3.0x	2.5x	2.4x	2.4x	3.2x
Tax Rate	19.7%	17.1%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	156.7%	158.6%	142.3%	142.9%	137.8%
Interest Cover	2.6x	2.8x	2.9x	3.1x	3.4x

Income Statement Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Sales	5,084	5,184	5,337	5,469	5,664
% Change	4.3%	2.0%	2.9%	2.5%	3.6%
Gross Profit	3,325	3,649	3,748	3,857	4,027
% Change	-0.9%	9.8%	2.7%	2.9%	4.4%
EBITDA	1,531	1,764	1,781	1,858	1,997
% Change	3.4%	15.2%	1.0%	4.3%	7.5%
Net Interest & Other Income	(335)	(384)	(362)	(344)	(348)
Net Income (Adjusted)	**463**	**495**	**481**	**524**	**596**
% Change	**16.6%**	**6.8%**	**-2.7%**	**8.8%**	**13.7%**

Free Cash Flow Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Net Income from Cont Operations (GAAP)	463	495	481	524	596
Depreciation & Amortization	600	717	742	783	827
Change in Working Capital	110	(75)	(186)	(186)	(186)
Deferred Taxation Charge	(188)	118	114	123	104
Other Adjustments, Net	(445)	328	0	0	0
Capital Expenditure	(1,818)	(1,802)	(1,750)	(1,850)	(2,626)
Free Cash Flow	**-1,278**	**-219**	**-599**	**-606**	**-1,286**
% Change	**-34.0%**	**82.9%**	**-173.6%**	**-1.2%**	**-112.1%**

Balance Sheet Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash & Equivalents	121	148	165	181	197
Trade Receivables	1,147	905	1,092	1,278	1,464
Other Current Assets	787	800	800	800	800
Property, Plant & Equipment	15,543	16,912	16,921	17,987	19,786
Other Non-Current Assets	4,206	3,894	3,894	3,894	3,894
Total Assets	**21,804**	**22,660**	**22,871**	**24,140**	**26,141**
Short-Term Debt	2,027	1,787	2,184	2,348	2,574
Other Current Liabilities	2,010	1,959	1,959	1,959	1,959
Long-Term Debt	7,105	7,856	7,118	7,652	8,386
Other Non-Current Liabilities	4,911	5,071	5,185	5,308	5,411
Total Liabilities	**16,053**	**16,673**	**16,447**	**17,267**	**18,331**
Total Equity	**5,751**	**5,987**	**6,424**	**6,873**	**7,810**
Total Equity & Liabilities	**21,804**	**22,660**	**22,871**	**24,140**	**26,141**

* For full definitions of *iQmethod℠* measures, see page 8.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

NI's positives include 5-7% dividend growth and >5-7% EPS growth via $30bn of infrastructure investments over the next 20+ years and fully regulated subsidiaries. We have factored in resolution of overhang from the MA incident as the company will likely sell 3Q. However, NI has C&I demand risk from COVID, which will be difficult to offset with O&M cuts due to promises already around cost cuts to balance CMA sale. We see shares valued appropriately and rate Neutral.

Stock Data

Average Daily Volume	2,708,582

Quarterly Earnings Estimates

	2019	2020
Q1	0.82A	0.76A
Q2	-0.75A	0.13A
Q3	0A	-0.02E
Q4	1.24A	-1.48E

Framing the debate from here...

Against the backdrop of a consistently cautious set of datapoints in recent months, and with concerns still lingering on interim years of its latest EPS CAGR (focus shifting from weakness on '21 to '22 and '23, prior to big uptick in '24 with new renewables), shares have underperformed. While investors remain fearful of yet another weak set of updates, we find it difficult for this to be the case. The higher equity than earlier contemplated is admittedly a bit cautious (but just a tad); timing of the equity could indeed prove another cautious element to these interim years ('22 & '23) as cash flow expectations could also drive a slightly accelerated need for equity as well. Looking through all of this, we find a positive skew to estimates and expectations with shares offering some of the best EPS growth cumulatively through '24 and trading with a slight discount today at current levels vs. hybrid electric/gas peer group. With sale of its Mass gas LDC biz poised to close imminently and updates on renewables, we find it difficult for shares to prove further discounted off already cautious investor expectations. We view challenges ahead as possible in Indiana, but with Centerpoint (CNP) already trading back up despite this more acute overhang (which more directly impacts their generation replacement strategy rather than NI), the read-through here remains appealing to us. Finally, we appreciate that recent under-performance represents more than just lower confidence on EPS and balance sheet, but rather a wider concern on mgmt. execution. On balance reiterate Neutral, reduce EPS and PO a tad, and see a positive setup into 9/29 Analyst Day.

EPS estimates: equity focus remains lingering question

We update by adjusting our assumption of the equity capital structure higher for the renewables financing to 60% equity and 40% debt, our EPS estimates were driven slightly lower in '23-'25. We see the 60% 'over-equitization' as potentially a bit akin to how AEP has framed its own equity needs for its similar large Build-own-transfer renewable project.

Since we assume the equity issuances take place at the end of '22 and '23, the EPS impact of incremental equity with higher equity capital structure flows through in '23 and '24. We continue to believe '21 EPS guidance of $1.28-1.36 is de-risked following the recent debt refinancing that was pulled forward as our '21 EPS estimate still lands at the midpoint.

On our updated EPS estimates, our implied '21-'24 EPS CAGR comes out to 10.5% (vs previous 11%), We emphasize that this 10.5% is a shorter 3-yr CAGR and we do not foresee this as a sustainable long term rate as the company benefits from a significant uptick in EPS from the renewable program beginning in 2024 off of a lower base coming out of COVID-19. With the 5c negative base case COVID-19 impact added back to the midpoint of the '21 EPS guidance announced alongside 2Q and assuming our 2024 EPS estimate of 1.77, this would equate to a 9.1% EPS CAGR from '21-'24 – still strong, but again padded by the one-time uptick of $1.8-2.0bn of renewable capex in '22/'23 translating to EPS in '24.

We look for more timing around the incoming renewable capex and associated earnings on the 9/29 investor day. We currently assume 40% of the capex hits in '22 and the remaining 60% is in '23. We estimate this renewable capex generates $0.06 of EPS in '23 and roughly $0.14 of EPS in '24. See our estimates below vs guidance and consensus. We also include a number of CAGRs to compare along with our rate base estimates vs guidance.

Table 1: NiSource (NI) EPS Estimates

NI EPS Estimates		2019A	2020E	2021E	2022E	2023E	2024E	2025E
Gas		1.04	1.04	1.11	1.14	1.15	1.17	1.21
Electric		0.59	0.53	0.52	0.59	0.75	0.87	0.85
Electric - BOTs from RFP 1 & 2 (incl. in Electric EPS)		0.00	0.00	0.00	-0.03	0.02	0.11	0.11
Parent/Other		-0.32	-0.32	-0.31	-0.30	-0.28	-0.26	-0.25
BofA EPS		**1.32**	**1.25**	**1.32**	**1.43**	**1.62**	**1.78**	**1.81**
% Growth		1.2%	-5.3%	5.9%	8.6%	13.0%	10.0%	1.8%
Previous EPS		1.32	1.25	1.32	1.43	1.63	1.80	1.84
Guidance		**1.27-1.33**		**1.28-1.36**				
Consensus		1.30	1.29	1.36	1.44	1.55	1.66	
Consensus '21-'24 EPS CAGR	6.9%							
BofA '21-'24 EPS CAGR	10.5%							
BofA '20-'24 EPS CAGR	9.3%							
BofA '19-'23 EPS CAGR	5.3%							
BofA '19-'24 EPS CAGR	6.2%							
New Guidance '21-24 EPS CAGR	>5-7%							
Previous Guidance off '19 guidance range	5-7%							
Prior +5%-7% EPS CAGR off new '21 guidance range	High End			1.36	1.46	1.56	1.67	1.78
	Mid-Point			1.32	1.40	1.48	1.57	1.67
	Low End			1.28	1.34	1.41	1.48	1.56
Share Count (mn shares)		**376**	**386**	**397**	**416**	**445**	**474**	**490**

Source: BofA Global Research estimates, company report, Bloomberg

Valuation

Our PO is lowered to $25 (from $26) as we mark to market our SOTP valuation only slightly higher with peer multiples of 14.9x (from 16.2x) for gas and 16.8x (from 17.0x) for electric. We assign a 2x premium to our electric peers to account for incremental renewable earnings growth long-term. Also, we capitalize all of NI's gas subsidiaries at a 1x premium to account for mitigated COVID-19 concern with improved visibility into '21.

Note in our SOTP valuation, which capitalizes '22 EPS across all the subsidiaries, the company's incremental renewable capex and EPS currently lands outside of the valuation window. With '21 largely de-risked given refinancing '21 consensus EPS mostly reset with lower than expected guidance, '22 EPS is in focus and equity timing will be critical.

We see a positive backdrop for shares into the September 29th investor day update, with '24 EPS being the key metric (even '23 will be partially impacted by lag and remains relatively opaque). We still expect more explicit guidance of what this '24 outlook will be (benefitting from FY run-rate of EPS uplift with renewable investment and next rate case to earn ROE once more). Meanwhile, given the large investments and backdrop of recent larger rate case, we expect bill headroom and pressure to remain a relevant factor to consider in execution of proposed plan. We see an improving overall backdrop for NI, but with our estimates still slightly below Street on '21/'22 and with ambiguity on '23 with timing and size of equity, we still do not expect a re-rating to the 'next' ESG stock. We think the Analyst Day should prove constructive vs expectations, but still watch closely commentary on interim years reflected within the CAGR.

Table 2: NI SOTP Valuation: attractive into Analyst Day, but risks on '22/23 linger

NI SOP Valuation									
	Metric	P/E Multiple							
	2022E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas	-	-	14.9x	-	-	-	-	-	-
Group EPS '18-'22 CAGR - Gas	-	-	5.10%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Gas Utilities	-	-	15.7x	-	-	-	-	-	-
Columbia Gas of OH	$0.52	15.7x	15.7x	1.0x	16.7x	17.7x	$8.18	$8.70	$9.22
Columbia Gas of PA	$0.27	15.7x	15.7x	1.0x	16.7x	17.7x	$4.17	$4.44	$4.70
NIPSCO Gas	$0.21	15.7x	15.7x	1.0x	16.7x	17.7x	$3.25	$3.46	$3.67
Columbia Gas of VA	$0.08	15.7x	15.7x	1.0x	16.7x	17.7x	$1.30	$1.38	$1.46
Columbia Gas of KY	$0.05	15.7x	15.7x	1.0x	16.7x	17.7x	$0.71	$0.76	$0.80
Columbia Gas of MD	$0.02	15.7x	15.7x	1.0x	16.7x	17.7x	$0.30	$0.32	$0.34
Group Peer Multiple - Electric			16.8x						
Group EPS '18-'22 CAGR - Electric			5.00%						
Electric Utilities			17.6x						
NIPSCO Electric	$0.59	18.6x	17.6x	2.0x	19.6x	20.6x	$10.93	$11.52	$12.10
Total Utility	**$1.73**	*16.7x*			*17.7x*	*18.7x*	**$28.84**	**$30.57**	**$32.30**
-Parent EPS Drag (ex-Interest Expense)	-$0.09	16.7x	0.0x		17.0x	18.0x	-$1.46	-$1.49	-$1.58
Total EPS *(incl. debt drag)*	**$1.43**								
Midpoint of 5-7% EPS	*$1.40*								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out Debt)				-$2,000	50%		-$1,000	-$1,000	-$1,000
(50% P/E multiple on Interest Exp)				5.5%	50%		-$724	-$768	-$811
Grand Total Equity Value							**$23.22**	**$24.82**	**$26.36**
Shares Outstanding 2022E								416	
Total Equity Value							**$23.00**	**$25.00**	**$26.00**
Implied Consolidated P/E									
Current Price								$22.27	
Dividend Yield (2020E)								4.0%	
Total Return								**16.2%**	

Source: BofA Global Research estimates, company report, Bloomberg

Price objective basis & risk

NiSource Inc (NI)
Our $25 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples of 14.9x for gas utilities and 16.8x for electric utilities with a 1x premium for gas utilities given partially mitigated COVID impact and visibility into '21, and a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex beginning in '22, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Atlantica Yield	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Richard Ciciarelli, CFA
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Richard Ciciarelli, CFA

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Northwest Natural Holdings	NWN	NWN US	Richard Ciciarelli, CFA
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	South Jersey Industries	SJI	SJI US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RSTR				
	Vivint Solar	VSLR	VSLR US	Julien Dumoulin-Smith

iQmethod℠ **Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod℠is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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Disclosures

Important Disclosures

NiSource Inc (NI) Price Chart

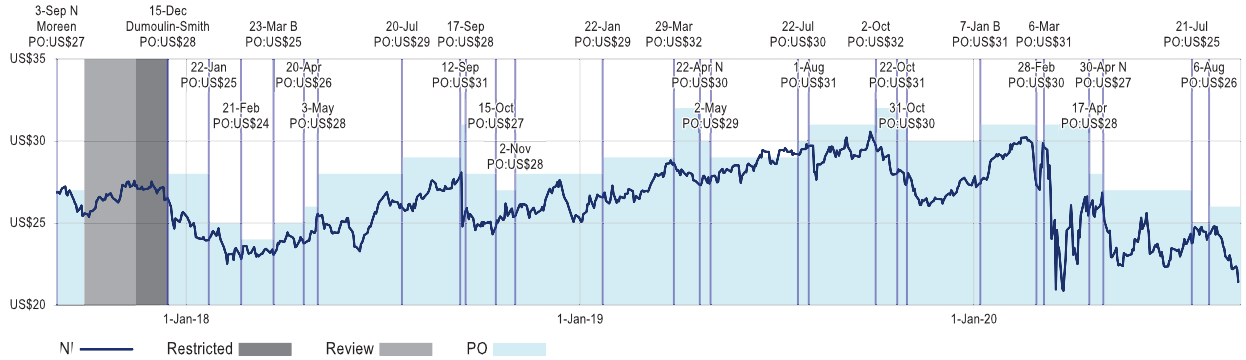

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	69	43.40%	Buy	52	75.36%
Hold	48	30.19%	Hold	34	70.83%
Sell	42	26.42%	Sell	24	57.14%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	76	51.01%	Buy	56	73.68%
Hold	33	22.15%	Hold	22	66.67%
Sell	40	26.85%	Sell	29	72.50%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1632	52.21%	Buy	1031	63.17%
Hold	711	22.74%	Hold	444	62.45%
Sell	783	25.05%	Sell	407	51.98%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. *VOLATILITY RISK RATINGS*, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. *INVESTMENT RATINGS* reflect the analyst's assessment of a stock's: (i) absolute total return potential and (ii) attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

***INCOME RATINGS*, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend.** *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price charts for the securities referenced in this research report are available at https://pricecharts.baml.com, or call 1-800-MERRILL to have them mailed.
BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: NiSource Inc.
BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: NiSource Inc.
The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: NiSource Inc.
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NiSource Inc

How Much Can a Debt Refi Clear the Path for the September Investor Day?

Reiterate Rating: NEUTRAL | PO: 26.00 USD | Price: 24.35 USD

Debt refinancing adds confidence in '21 EPS outlook

NiSource (NI) announced cash tender offers for certain outstanding notes and a $2bn debt issuance ($1.25bn of 0.95% 2025 notes + $750mn 1.7% 2031 notes) where we estimate NI will use the newly issued debt to redeem about $1.6bn of certain notes outstanding at a roughly $200mn premium. This equates to about $1.8mn total use of proceeds for tender offers with a remaining $200mn used for general corporate purposes. The tender offer includes any and all of the total $1.164bn of more near term notes –2021 4.45% notes, 2.65% 2022 notes, and 2023 notes (3.85% and 3.65% notes). In addition, the tender also includes up to $150mn maximum aggregate repurchase of its outstanding 6.25% 2040 notes due 2040, 5.95% 2041 notes, 5.80% 2042 notes, 5.65% 2045 notes and 5.25% 2043 notes. Given the lower interest rates on the new debt, we estimate these transactions will generate roughly $35mn of annualized interest expense savings, which equates to around $0.07 of EPS next year without adjustments. We stress this refinancing was already baked into NI's '21 guidance and long term plan, but likely is a bit pulled forward in terms of timing, which helps cleanup the '21 guide and puts focus on cost mitigation. We tweak our interest expense $35mn lower to reflect refinancing, and increase EPS slightly in '20-'22. Despite estimates slightly higher and this announcement somewhat de-risking '21 EPS guidance (and adds some '22 clarity), we retain Neutral given near term uncertainty from COVID-19 and cost mitigation execution risk. PO stays at $26 after mtm with peers at 16.2x (from 15.8x) for gas and 17.0x (from 16.9x) for electric.

Removes refinancing risk thru the new gen planning cycle

We highlight that NI's completion of this debt refinancing will be positive for the company to have in the rearview (tender offers expire 8/18 and 9/9). This removes refinancing risk ahead of the company's upcoming new renewable financing planning cycle and leaves plenty of time for mgmt. to strategize ahead of the 9/29 renewables-focused investor day – expect an explicit LT EPS CAGR announced here (vs ambiguous of above 5-7% CAGR noted on 2Q call). Additionally, although this refinancing was included in the NI latest guidance, we perceive the sooner than later timing makes for a cleaner '21 with all focus on cost mitigation and renewable strategy.

Estimates (Dec)

(US$)	2018A	2019A	2020E	2021E	2022E
EPS	1.30	1.32	1.25	1.32	1.43
GAAP EPS	1.30	1.32	1.25	1.32	1.43
EPS Change (YoY)	7.4%	1.5%	-5.3%	5.6%	8.3%
Consensus EPS (Bloomberg)			1.29	1.36	1.44
DPS	0.79	0.83	0.88	0.94	0.99

Valuation (Dec)

	2018A	2019A	2020E	2021E	2022E
P/E	18.7x	18.4x	19.5x	18.4x	17.0x
GAAP P/E	18.7x	18.4x	19.5x	18.4x	17.0x
Dividend Yield	3.2%	3.4%	3.6%	3.9%	4.1%
EV / EBITDA*	15.8x	13.7x	13.6x	13.0x	12.1x
Free Cash Flow Yield*	-13.7%	-2.3%	-6.4%	-6.5%	-13.6%

* For full definitions of *IQmethod℠* measures, see page 8.

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14 August 2020

Equity

Key Changes

(US$)	Previous	Current
2020E EPS	1.24	1.25
2021E EPS	1.31	1.32
2022E EPS	1.42	1.43
2020E EBITDA (m)	1,795.1	1,781.1
2021E EBITDA (m)	1,918.7	1,858.3
2022E EBITDA (m)	2,059.2	1,996.2

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Stock Data

Price	24.35 USD
Price Objective	26.00 USD
Date Established	6-Aug-2020
Investment Opinion	B-2-7
52-Week Range	19.56 USD - 30.67 USD
Mrkt Val (mn) / Shares Out (mn)	9,327 USD / 383.0
Average Daily Value (mn)	72.13 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.0%
Net Dbt to Eqty (Dec-2019A)	158.6%

iQprofile℠ NiSource Inc

iQmethod℠ – Bus Performance*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Return on Capital Employed	3.9%	4.3%	3.9%	3.9%	4.0%
Return on Equity	10.1%	9.9%	9.0%	9.1%	9.3%
Operating Margin	18.3%	20.2%	19.5%	19.7%	20.6%
Free Cash Flow	(1,278)	(219)	(599)	(606)	(1,269)

iQmethod℠ – Quality of Earnings*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash Realization Ratio	1.2x	3.2x	2.4x	2.4x	2.3x
Asset Replacement Ratio	3.0x	2.5x	2.4x	2.4x	3.2x
Tax Rate	19.7%	17.1%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	156.7%	158.6%	142.3%	142.9%	141.1%
Interest Cover	2.6x	2.8x	2.9x	3.1x	3.4x

Income Statement Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Sales	5,084	5,184	5,337	5,469	5,663
% Change	4.3%	2.0%	2.9%	2.5%	3.5%
Gross Profit	3,325	3,649	3,748	3,857	4,026
% Change	-0.9%	9.8%	2.7%	2.9%	4.4%
EBITDA	1,531	1,764	1,781	1,858	1,996
% Change	3.4%	15.2%	1.0%	4.3%	7.4%
Net Interest & Other Income	(335)	(384)	(362)	(344)	(348)
Net Income (Adjusted)	**463**	**495**	**481**	**524**	**595**
% Change	**16.6%**	**6.8%**	**-2.7%**	**8.8%**	**13.5%**

Free Cash Flow Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Net Income from Cont Operations (GAAP)	463	495	481	524	595
Depreciation & Amortization	600	717	742	783	827
Change in Working Capital	110	(75)	(186)	(186)	(186)
Deferred Taxation Charge	(188)	118	114	123	103
Other Adjustments, Net	(445)	328	0	0	0
Capital Expenditure	(1,818)	(1,802)	(1,750)	(1,850)	(2,609)
Free Cash Flow	**-1,278**	**-219**	**-599**	**-606**	**-1,269**
% Change	**-34.0%**	**82.9%**	**-173.6%**	**-1.2%**	**-109.4%**

Balance Sheet Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash & Equivalents	121	148	165	181	197
Trade Receivables	1,147	905	1,092	1,278	1,464
Other Current Assets	787	800	800	800	800
Property, Plant & Equipment	15,543	16,912	16,921	17,987	19,769
Other Non-Current Assets	4,206	3,894	3,894	3,894	3,894
Total Assets	**21,804**	**22,660**	**22,871**	**24,140**	**26,124**
Short-Term Debt	2,027	1,787	2,184	2,348	2,596
Other Current Liabilities	2,010	1,959	1,959	1,959	1,959
Long-Term Debt	7,105	7,856	7,118	7,652	8,460
Other Non-Current Liabilities	4,911	5,071	5,185	5,308	5,411
Total Liabilities	**16,053**	**16,673**	**16,447**	**17,267**	**18,427**
Total Equity	**5,751**	**5,987**	**6,424**	**6,873**	**7,696**
Total Equity & Liabilities	**21,804**	**22,660**	**22,871**	**24,140**	**26,124**

* For full definitions of iQmethod℠ measures, see page 8.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

NI's positives include 5-7% dividend growth and >5-7% EPS growth via $30bn of infrastructure investments over the next 20+ years and fully regulated subsidiaries. We have factored in resolution of overhang from the MA incident as the company will likely sell 3Q. However, NI has C&I demand risk from COVID, which will be difficult to offset with O&M cuts due to promises already around cost cuts to balance CMA sale. We see shares valued appropriately and rate Neutral.

Stock Data

Average Daily Volume	2,908,509

Quarterly Earnings Estimates

	2019	2020
Q1	0.82A	0.76A
Q2	-0.75A	0.13A
Q3	0A	-0.02E
Q4	1.24A	-1.48E

Estimates: see a positive skew, but how much expected?

After adjusting our interest expense lower to account for the refinancing, our earned ROEs are driven slightly *higher* and our EPS estimates move slightly higher as we add a penny of EPS to each '20, '21, and '22 (likely *more*, but unclear how this jives with prior cost cutting efforts). Our 2021 EPS estimate now lands exactly at the mid-point of NI's recently initiated '21 EPS guidance of $1.28-1.36 as we perceive '21 EPS is incrementally de-risked with the debt refinancing pulled forward. Given our specific concerns on lag until new rates in '24, we see the refinancing of corporate debt (which is subsequently allocated down to utility subsidiaries given its financing structure) should enable a step-change in reduced lag. This is among the most critical EPS drivers into '21. Given the step-change from '20 onwards, we still anticipate the cadence from '21 into '22 and '23 (the further critical years with lag) will prove relatively *unchanged.*

As we update estimates, our implied '21-'24 EPS CAGR comes out to 11.0%, which continues to be well in excess of NI's previously articulated 5-7% EPS CAGR (although the new baseline is *critical* to keep in mind). We emphasize that this 11.0% is a shorter three-year CAGR and we do not foresee this as a sustainable rate over the long term as the company will benefit from a significant uptick in EPS from the renewable program beginning in 2024 off of a lower base coming out of COVID-19. With the 5c negative base case COVID-19 impact added back to the midpoint of the new '21 EPS guidance and assuming our 2024 EPS estimate of 1.80, this would equate to a 9.6% EPS CAGR from '21-'24 – still strong, but again padded by the one-time uptick of $1.8-2.0bn of renewable capex in '22/'23 translating to EPS in '24.

We look for more timing around the incoming renewable capex and associated earnings on the 9/29 investor day. We currently assume 40% of the capex hits in '22 and the remaining 60% is in '23. We estimate this renewable capex generates $0.06 of EPS in '23 and roughly $0.14 of EPS in '24.

See our estimates below vs guidance and consensus. We also include a number of CAGRs to compare along with our rate base estimates vs guidance.

Table 1: NiSource (NI) EPS Estimates: it's difficult to tell just how much of a tailwind this provides... but clearly is a big part of meeting the delta

NI EPS Estimates		2019A	2020E	2021E	2022E	2023E	2024E	2025E
Gas		1.04	1.04	1.11	1.15	1.16	1.19	1.24
Electric		0.59	0.53	0.52	0.59	0.75	0.88	0.86
Electric - BOTs from RFP 1 & 2 (incl. in Electric EPS)		0.00	0.00	0.00	-0.01	0.06	0.14	0.14
Parent/Other		-0.32	-0.32	-0.31	-0.30	-0.28	-0.27	-0.26
BofA EPS		**1.32**	**1.25**	**1.32**	**1.43**	**1.63**	**1.80**	**1.84**
% Growth		1.2%	-5.3%	5.9%	8.7%	13.9%	10.4%	1.8%
Previous EPS		1.32	1.24	1.31	1.42	1.63	1.80	1.84
Guidance		**1.27-1.33**		**1.28-1.36**				
Consensus		1.30	1.29	1.36	1.44	1.55	1.66	
Consensus '21-'24 EPS CAGR	6.9%							
BofA '21-'24 EPS CAGR	11.0%							
BofA '20-'24 EPS CAGR	9.7%							
BofA '19-'23 EPS CAGR	5.6%							
BofA '19-'24 EPS CAGR	6.5%							
New Guidance '21-24 EPS CAGR	>5-7%							
Previous Guidance off '19 guidance range	5-7%							
Prior +5%-7% EPS CAGR off new '21 guidance range	High End			1.36	1.46	1.56	1.67	1.78
	Mid-Point			1.32	1.40	1.48	1.57	1.67
	Low End			1.28	1.34	1.41	1.48	1.56
Share Count (mn shares)		**376**	**386**	**397**	**415**	**439**	**464**	**479**

NI Rate Base Growth		2019	2020E	2021E	2022E	2023E	2024E	2025E
Gas Rate Base		9,197	9,032	10,065	11,126	12,135	13,160	13,969
Electric Rate Base		4,935	4,872	5,027	5,977	7,262	7,535	7,601
Total Rate Base (year-end)		**14,132**	**13,904**	**15,091**	**17,103**	**19,397**	**20,694**	**21,570**
Guidance excluding MA (year-end)			13,900	15,100	17,100	19,400	20,700	
BofA Implied CAGR ('21-'24)	*11.1%*							
Guidance excluding MA ('21-'24)	*10-12%*							

Source: BofA Global Research estimates, company report, Bloomberg

Valuation

Our PO stays at $26 as we mark to market our SOTP valuation only slightly higher with peer multiples of 16.2x (from 15.8x) for gas and 17.0 x (from 16.9x) for electric. We assign a 2x premium to our electric peers to account for incremental renewable earnings growth long-term. Also, we capitalize all of NI's gas subsidiaries at a 1x premium to account for mitigated COVID-19 concern with improved visibility into '21. We do note that under our SOTP valuation, which capitalizes '22 EPS across the subsidiaries, NiSource's incremental renewable capex and EPS currently lands outside of the valuation window.

Clear uncertainty remains in the near term with 2020 EPS guidance suspended, but lack of clarity on '21 lag is somewhat improved with refinancing in place providing more support into '22. We perceive a positive backdrop for shares into the coming months update, with '24 EPS the key metric (even '23 will be partially impacted by lag and remains relatively opaque). Expect more explicit guidance of what this '24 outlook will be (once benefitting from FY run-rate of EPS uplift with renewable investment and next rate case to earn ROE once more).

Meanwhile, given the large investments and backdrop of recent larger rate case, we expect bill headroom and pressure to remain a relevant factor to consider in execution of proposed plan.

We perceive a clear positive backdrop, but with our estimates still below Street on '21/'22 and with ambiguity on '23, we do not expect a re-rating to the 'next' ESG stock. Additionally, we see consistency in execution on O&M plan to limit future EPS revisions as key (after numerous quarters of consecutive gyrations in expectations). We think the Analyst Day should prove constructive vs expectations, but watch closely commentary on *interim years reflected within the CAGR.*

Table 2: NI SOTP Valuation: attractive into Analyst Day, but risks on '22/23 linger

NI SOP Valuation	Metric	P/E Multiple						
	2022E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas	-	-	16.2x	-	-	-	-	-	-
Group EPS '18-'22 CAGR - Gas	-	-	5.10%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Gas Utilities			17.0x						
Columbia Gas of OH	$0.52	17.0x	17.0x	1.0x	18.0x	19.0x	$8.91	$9.44	$9.96
Columbia Gas of PA	$0.27	17.0x	17.0x	1.0x	18.0x	19.0x	$4.55	$4.81	$5.08
NIPSCO Gas	$0.21	17.0x	17.0x	1.0x	18.0x	19.0x	$3.55	$3.76	$3.96
Columbia Gas of VA	$0.08	17.0x	17.0x	1.0x	18.0x	19.0x	$1.41	$1.50	$1.58
Columbia Gas of KY	$0.05	17.0x	17.0x	1.0x	18.0x	19.0x	$0.77	$0.82	$0.86
Columbia Gas of MD	$0.02	17.0x	17.0x	1.0x	18.0x	19.0x	$0.32	$0.34	$0.36
Group Peer Multiple - Electric			17.0x						
Group EPS '18-'22 CAGR - Electric			5.00%						
Electric Utilities			17.9x						
NIPSCO Electric	$0.59	18.9x	17.9x	2.0x	19.9x	20.9x	$11.05	$11.63	$12.22
Total Utility	**$1.73**	*17.6x*			*18.6x*	*19.6x*	**$30.56**	**$32.30**	**$34.03**
-Parent EPS Drag (ex-Interest Expense)	-$0.09	17.6x	0.0x		18.0x	19.0x	-$1.55	-$1.58	-$1.67
Total EPS *(incl. debt drag)*	**$1.43**								
Midpoint of 5-7% EPS	*$1.40*								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out Debt)				-$2,000	50%		-$1,000	-$1,000	-$1,000
(50% P/E multiple on Interest Exp)				5.5%	50%		-$767	-$810	-$853
Grand Total Equity Value							**$24.75**	**$26.35**	**$27.89**
Shares Outstanding 2022E								415	
Total Equity Value							**$25.00**	**$26.00**	**$28.00**
Implied Consolidated P/E									
Current Price								$24.35	
Dividend Yield (2020E)								3.6%	
Total Return								**10.4%**	

Source: BofA Global Research estimates, company report, Bloomberg

Price objective basis & risk

NiSource Inc (NI)
Our $26 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples of 16.2x for gas utilities and 17.0x for electric utilities with a 1x premium for gas utilities given partially mitigated COVID impact and visibility into '21, and a 2.0x premium for the electric utility's strong growth rates and increamental renewable buildout with capex beginning in '22, but acknowledgendustrial risk (prev 1x). We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Atlantica Yield	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Richard Ciciarelli, CFA
	Northwest Natural Holdings	NWN	NWN US	Richard Ciciarelli, CFA

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	South Jersey Industries	SJI	SJI US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RSTR				
	Vivint Solar	VSLR	VSLR US	Julien Dumoulin-Smith

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Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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Important Disclosures

NiSource Inc (NI) Price Chart

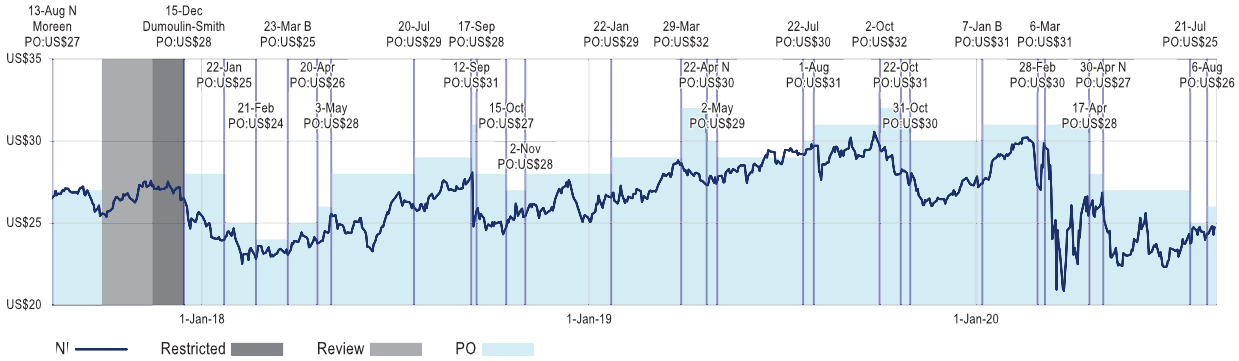

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	69	43.40%	Buy	52	75.36%
Hold	48	30.19%	Hold	34	70.83%
Sell	42	26.42%	Sell	24	57.14%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	76	51.01%	Buy	56	73.68%
Hold	33	22.15%	Hold	22	66.67%
Sell	40	26.85%	Sell	29	72.50%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1632	52.21%	Buy	1031	63.17%
Hold	711	22.74%	Hold	444	62.45%
Sell	783	25.05%	Sell	407	51.98%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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30 September 2020

NiSource, Inc.

A Post-Investor Day Recap

At its Investor Day, NI rolled forward its capital plan and established guidance through 2024. Management established a 2021-2024 CAGR for adj EPS in the range of 7–9%, with interim targets in the range of 5–7% annual growth for 2021-2023. Under our new methodology, we give NI a 5% premium to the group average PE multiple to reflect our new expectations of above-average growth. We update our price target to $25 and reiterate our Equal Weight rating.

Our refreshed rate base math exercise now reflects a 7.6% 2021-2024 CAGR (vs. 7.1% under the previous iteration), before considering any incremental O&M flexibility, thus supporting management commentary. Updates include slight revisions to rate base guidance vs. the Q2 call (+$500m in 2024) and the expectation that financing for the $1.8-$2.0bn in renewables generation will have a 60% equity ratio (vs. 50% under the previous analysis).

Risks: Downside risks include federal policies to limit fracking that could inflate natural gas prices, tax reform that could impact customer bill headroom, a higher proportion of renewable generation through PPAs than anticipated, and higher-than-expected financing costs. Upside risks include cash from litigation of the pending property insurance claim that could offset equity needs, and the ability of NI to sustain an above-average growth trajectory in the long term.

NI: Quarterly and Annual EPS (USD)

	2019	2020			2021			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2020	2021
Q1	0.82A	0.76A	0.76A	0.76A	N/A	N/A	0.81E	-7%	N/A
Q2	0.05A	0.07E	0.13A	0.13A	N/A	N/A	0.29E	160%	N/A
Q3	0.00A	0.05E	0.03E	0.02E	N/A	N/A	0.07E	3%	N/A
Q4	0.42A	0.45E	0.41E	0.38E	N/A	N/A	0.42E	-2%	N/A
Year	1.32A	1.33E	1.33E	1.29E	1.33E	1.33E	1.35E	0.76%	0%
P/E	16.7		16.5			16.5			

Source: Barclays Research.
Consensus numbers are from Bloomberg received on 29-Sep-2020; 12:50 GMT

Stock Rating	EQUAL WEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	USD 25.00 raised 4% from USD 24.00

Price (29-Sep-2020)	USD 21.96
Potential Upside/Downside	+13.8%
Tickers	NI

Market Cap (USD mn)	8411
Shares Outstanding (mn)	383.02
Free Float (%)	99.53
52 Wk Avg Daily Volume (mn)	3.5
Dividend Yield (%)	3.83
Return on Equity TTM (%)	-2.37
Current BVPS (USD)	12.49

Source: Bloomberg

Price Performance — Exchange-NYSE
52 Week range — USD 30.46-19.56

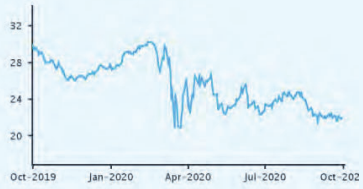

Source: IDC; Link to Barclays Live for interactive charting

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Completed: 29-Sep-20, 23:41 GMT Released: 30-Sep-20, 04:10 GMT Restricted - External

North America Power & Utilities — **Industry View: POSITIVE**

NiSource, Inc. (NI)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	5,209	5,355	5,303	5,485	1.7%
EBITDA (adj)	2,028	1,929	1,998	2,160	2.1%
EBIT (adj)	1,316	1,180	1,204	1,319	0.1%
Pre-tax income (adj)	507	769	790	857	19.2%
Net income (adj)	495	516	532	582	5.5%
EPS (adj) ($)	1.32	1.33	1.33	1.42	2.7%
Diluted shares (mn)	376.0	388.7	398.8	408.5	2.8%
DPS ($)	0.80	0.85	0.90	0.95	6.0%

Margin and return data					Average
EBITDA (adj) margin (%)	38.9	36.0	37.7	39.4	38.0
EBIT (adj) margin (%)	17.1	21.8	22.5	23.9	21.3
Pre-tax (adj) margin (%)	9.7	14.4	14.9	15.6	13.7
Net (adj) margin (%)	9.5	9.6	10.0	10.6	9.9
ROIC (%)	5.7	7.2	7.4	7.4	6.9
ROA (%)	2.3	2.3	2.3	2.4	2.3
ROE (%)	8.6	8.6	8.2	8.3	8.4

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	16,912	18,120	19,284	20,402	6.5%
Cash and equivalents	139	-362	-874	-326	N/A
Total assets	22,660	23,367	24,019	25,684	4.3%
Short and long-term debt	9,629	9,656	9,256	10,186	1.9%
Other long-term liabilities	5,071	5,189	5,307	5,425	2.3%
Total liabilities	16,673	16,876	17,039	18,195	3.0%
Shareholders' equity	5,987	6,491	6,981	7,489	7.7%
Net debt/(funds)	9,490	10,018	10,130	10,512	3.5%
Change in working capital	89	364	-956	439	69.9%
Cash flow from operations	1,583	1,471	1,531	1,627	0.9%
Capital expenditure	-1,802	-1,850	-1,850	-1,850	N/A
Free cash flow	-219	-379	-319	-223	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	16.7	16.5	16.5	15.4	16.3
EV/EBITDA (adj) (x)	8.7	9.4	9.2	8.7	9.0
EV/EBIT (adj) (x)	13.4	15.4	15.2	14.2	14.6
FCF yield (%)	-1.2	-2.1	-1.7	-1.2	-1.6
P/BV (x)	1.4	1.3	1.3	1.2	1.3
Dividend yield (%)	3.6	3.9	4.1	4.3	4.0
Net debt/EBITDA (adj) (x)	4.7	5.2	5.1	4.9	5.0

Selected operating metrics					Average
Payout ratio (%)	60.8	63.8	67.4	66.9	64.7
Interest cover (x)	2.4	3.0	3.0	2.9	2.8
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (29-Sep-2020)	**USD 21.96**
Price Target	**USD 25.00**

Why Equal Weight? We view NI as a quality utility with a well-defined rate base growth strategy from gas and electric infrastructure modernization, which we see as relatively low risk. However, because of premium valuation we do not see material upside to our price target.

Upside case — **USD 27.00**

Our upside case reflects a 10% premium to the 2022 utility group average P/E multiple applied to higher earnings driven by additional rate base growth and favorable rate case outcomes and reduced financing needs.

Downside case — **USD 20.00**

Our downside case reflects a 15% discount to the 2022 utility group average P/E multiple applied to lower earnings driven by slower rate base growth, unfavorable rate case outcomes, and capital restrictions due to a lack of customer bill headroom.

Upside/Downside scenarios

What We Learned

We summarize our key takeaways from the Investor Day in the following bullets:

- 7% to 9% adj EPS CAGR from 2021-2024; 10-12% rate base CAGR
  - 5% to 7% target for annual growth from 2021-2023
- Expected to finance renewables capex at a 60% equity / 40% debt split
- 8% O&M reduction in 2021 relative to 2020; "relatively flat" from 2021-2024
- $40 billion infrastructure investment opportunity set (up from previous $30bn)
- $9.9-$10.5 billion investment pipeline from 2021-2024 (20% renewables, 20% electric infrastructure mod, 60% gas infrastructure mod)
  - $1.9-$2.2 billion annual capex in growth, safety & modernization (75% gas, 25% electric) through 2024
  - Incremental $1.8-$2.0bn capex over 2021-2023 for renewables generation
- The NI Next initiative strives to achieve cost savings, efficiency and digitization, a flatter organization with more empowered middle management, annual run rate savings targets, and improved customer trust and interactions

Our Rate Base Math, Refreshed

Our previous exercise in rate base math, found last week's note "*A Preliminary Investor Day Analysis*" (9/24/20), resulted in a 7.1% CAGR from 2021-2024, before considering the impact of any incremental O&M flexibility. We refresh our math to account for the following changes to rate base guidance at the investor day vs the Q2 call:

FIGURE 1
Rate Base Guidance Refresh ($bn)

	2020	2021	2022	2023	2024
Q2 Earnings Call	13.9	15.1	17.1	19.4	20.7
9/29 Investor Day	13.9	15.2	17.0	19.8	21.2
Δ	0	0.1	(0.1)	0.4	0.5

Source: Barclays Research, Company Reports

After incorporating this update to rate base guidance *and* the expectation that financing will be done with 60% equity (vs. our previous 50% assumption), the same exercise in rate base math results in a 7.6% CAGR from 2021-2024. Thus, we have confidence NI can achieve an EPS CAGR within the stated 7-9% range, particularly when we consider additional cost contingencies available that were not included in this guidance. See our previously referenced note for more information regarding this analysis.

Valuation

We revise our methodology to incorporate a 5% premium to the group average P/E multiple in order to reflect our new expectations of above-average growth in the medium-term driven by rate base investments for RM Schahfer replacement power.

Our current $25 price target is premised upon a 5% premium to the group average P/E multiple of 17x applied to the Barclays 2022E EPS estimate of $1.42.

Our previous $24 price target is premised upon the group average P/E multiple of 17x applied to the Barclays 2022E EPS estimate of $1.42.

Future Focus

We highlight the following drivers for future focus:

- Financing – timing and methods
- RFP negotiations and approval
- Proportion of Build-Transfer Agreements vs. PPAs
- Information on cost savings following RM Schahfer retirement
- The impact to bill headroom from potential Biden Administration policies (e.g. higher corporate taxes and restrictions on fracking that could inflate natural gas prices)
- The appearance of legislation in Indiana that would prolong the life of coal generation
    - Alternatively, the appearance of policy in Indiana to increase the Renewable Portfolio Standard
- The extent to which renewables replacement power increases the opportunity for reliability or T&D spending

September 29, 2020 | 20:57 ET | 20:57 ET~

NiSource Inc

NI-NYSE	Rating	Price: Sep-29	Target	Total Rtn
	Outperform	$21.96	$24.00	13%

NI's Analyst Day Post View: Visible Growth at a Reasonable Price

Bottom Line:

NI held its virtual analyst day on September 29, which, as expected, included the extension of its financial outlook through 2024 to incorporate its renewable investment plan at NIPSCO. The company's outlook was mostly in line with expectations with a NOEPS CAGR of 5-7% from 2021 to 2023, rising to 7-9% including the full-year impact of its renewable investment in the rate base in 2024. Our base case 2021, 2022, and 2023 EPS estimates are $1.33, $1.38, and $1.52, respectively, and we introduce our 2024 estimate of $1.66, which suggests a comparable 7.7% CAGR.

Key Points

Growth and drivers in line with expectations. As discussed in our Preview, with its expected 2021-24 rate base outlook already previewed on the 2Q20 conference call (+10-12% CAGR), the primary drivers behind the company's long-term growth will be the cadence of capital additions, timing of rate relief, cost control (including that to facilitate new investment), and financing plan. **Management laid out its expectations for a NOEPS CAGR of 5-7% from 2021 to 2023 and a 7-9% NOEPS CAGR for 2021-24 including the full-year impact of renewable investments in the rate base in 2024.** This multi-year outlook was supported by a slightly higher baseline investment, 70%+ tracked investment recovery, periodic GRCs in PA, OH, and IN, a new cost control program, and a flexible financing program. Our estimates assume two-step rate increases at NIPSCO in 2023-24.

Baseline growth rate supported by higher spending. NI outlined a baseline capital program of ~$1.9-2.2bn underpinning its safety and asset modernization programs, up modestly from the $1.8-1.9bn trend seen in 2018-20, and supports the 5-7% base growth outlook through 2023 (guidance toward midpoint). Included in this annual outlook is roughly $400-600mm of spending at NIPSCO electric (nonrenewables) and ~ $1,400-1,700mm at gas infrastructure.

New cost control program to support growth. Management launched the NiSource Next initiative, which is expected to contribute to an approximately 8% reduction in O&M costs in 2021 and will offset future inflationary pressure to keep O&M costs relatively flat through 2024, enabling rate headroom.

Financing plan removes near-term fear and incorporates flexibility. Management expects to issue total equity of approximately $1.2bn from 2021 to 2024 to finance ~60% of the $1.8-2.0bn investment in renewables. Our base case now assumes $600mm in hybrids in 2021 and $300mm of block equity in 2022 and 2023.

We maintain our Outperform rating and $24 target price.

Key Changes		
Estimates	2020E	2021E
EBIT	$1,102	$1,172
Previous	*$1,087*	*$1,155*

Please refer to pages 5 to 8 for Important Disclosures, including Analyst's Certification.

IN Fact

BMO Capital Markets

Utilities, Power & Renewables

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Legal Entity: BMO Capital Markets Corp.

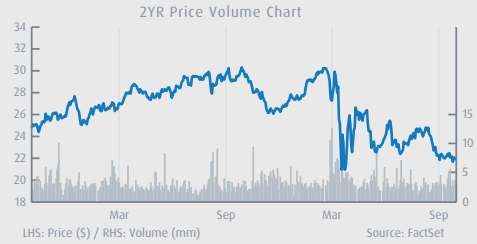

Company Data			in $
Dividend	$0.84	Shares O/S (mm)	383.0
Yield	3.8%	Market Cap (mm)	$8,411
P/BV	1.7x	Net Debt (mm)	$9,606

BMO Estimates (FY-Dec.)	2019A	2020E	2021E
EPS	$1.32	$1.30	$1.33
DPS	$0.80	$0.84	$0.89
EBIT	$1,042	$1,102↑	$1,172↑
EBITDA	1,759	1,849↑	1,945↑

Consensus Estimates	2019A	2020E	2021E
EPS		$1.29	$1.34

Valuation	2019A	2020E	2021E
P/E	16.7x	16.9x	16.5x
Div. Yield (%)	3.6%	3.8%	4.1%

QTR. EPS	Q1	Q2	Q3	Q4
2019A	$0.82	$0.05	$0.00	$0.45
2020E	$0.76a	$0.13a	$0.05	$0.36
2021E	$0.81	$0.06	$0.05	$0.41

Our Thesis

We like several aspects of NI following the sale of Columbia Gas of Massachusetts and removal of the previously guided $500-700mm equity issuance overhang, which we believe meaningfully de-risked the story.

BMO Capital Markets

NiSource - Block Summary Model

Income Statement	2019A	2020E	2021E
Electric Operations	402	418	440
Gas Distribution	632	676	723
Parent & Other	13	13	13
Consolidated EBIT	1,042	1,102	1,172
Depreciation & Amortization	717	747	773
EBITDA	1,759	1,849	1,945
Interest Expense	379	411	408
Income Tax	113	123	135
Income from continuing operations	495	503	533
Weighted Average Shares Outstanding	376	388	400
Diluted Operating EPS	$1.32	$1.30	$1.33
Dividends per Share	$0.80	$0.84	$0.89
Cash Flow Statement	**2019A**	**2020E**	**2021E**
Operating Cash Flow	1,750	1,417	1,366
Investing Cash Flow	(1,988)	(670)	(2,050)
Financing Cash Flow	154	519	513
Net Change in Cash Flow	(84)	1,266	(171)
EOP Cash on Balance Sheet	37	1,303	1,132
Common stock (net)	34	360	948
Net debt issued/(repaid)	494	500	(64)
Dividends paid	(301)	(326)	(356)
Balance Sheet	**2019A**	**2020E**	**2021E**
Common Equity	5,327	6,044	7,249
Preferred Equity	880	880	880
Total Debt	9,643	10,143	10,079
Enterprise Value	$20,207	$20,353	$20,800
Common equity %	33.6%	35.4%	39.8%
Preferred equity %	5.6%	5.2%	4.8%
Total Debt %	60.8%	59.4%	55.4%
Book Value per Share	$16.51	$17.84	$20.33

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

Our $24 target price is the product of a P/E-based sum of the parts. We utilize a regulated average multiple using 2022E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook. For NI, we have removed EPS for its MA gas business from our P/E valuation and instead include only the asset value (1x equity rate base) in our SOTP framework.

Upside Scenario $27.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario $17.00

Our downside scenario reflects a tightening monetary policy and a deceleration of the company's rate base growth.

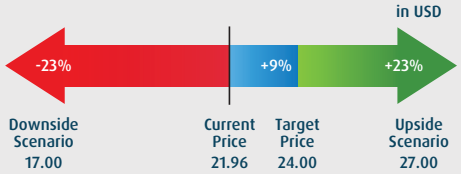

Key Catalysts

Initial indicative pricing in its second renewable RFP in IN. Completing the sale of Columbia Gas of Massachusetts to Eversource. Potentially, capital spending and growth rate update in 2H20 given clarity in the aforementioned RFP and recent rate orders in MA and IN.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

BMO Capital Markets

Exhibit 1: Model Summary

NI Model Summary	2019	2020	2021	2022	2023	2024	5-Year
EPS By Segment							
Electric Operations	$0.78	$0.79	$0.81	$0.87	$0.97	$1.12	*7%*
Gas Distribution	$1.12	$1.15	$1.14	$1.18	$1.18	$1.20	*1%*
Corporate & Other	($0.58)	($0.64)	($0.62)	($0.66)	($0.64)	($0.65)	*2%*
Consolidated E.P.S.	**$1.32**	**$1.30**	**$1.33**	**$1.38**	**$1.52**	**$1.66**	***5%***
Dividend per share	**$0.80**	**$0.84**	**$0.89**	**$0.94**	**$1.00**	**$1.06**	
Payout Ratio total	60.8%	64.8%	66.8%	68.3%	66.0%	63.7%	
Dividend Yield	2.9%	2.9%	3.0%	3.2%	3.4%	3.6%	
Valuation Metrics							
Price to Earnings	21.2x	22.6x	22.0x	21.2x	19.3x	17.6x	
Price to Book Value	1.7x	1.6x	1.4x	1.3x	1.3x	1.3x	
Funding Sources							
Cash Flow from Operations	$1,750	$1,417	$1,366	$1,447	$1,577	$1,834	*0.9%*
Total Debt Financings	$750	$500	$0	$1,300	$700	$600	
Total Equity Financings	$34	$360	$948	$648	$648	$348	

Source: BMO Capital Markets, Company Filings

Exhibit 2: Model Assumptions

Key Model Assumptions	2019	2020	2021	2022	2023	2024	5-Year
Total Capital Expenditures by Segment							
Electric Operations	$469	$500	$500	$500	$500	$500	**$2,500**
Gas Distribution	$1,380	$1,270	$1,400	$1,400	$1,700	$1,500	**$7,270**
Consolidated Capital Expenditures	**$1,849**	**$1,770**	**$1,900**	**$1,900**	**$2,200**	**$2,000**	**$9,770**
YE Rate Base Estimates							
NIPSCO Electric	$4,866	$5,357	$5,901	$6,704	$8,038	$8,188	*11.0%*
Columbia Gas of Ohio	$3,106	$3,401	$3,782	$4,150	$4,632	$5,003	*10.0%*
Columbia Gas of Pennsylvania	$1,883	$2,062	$2,293	$2,517	$2,808	$3,034	*10.0%*
NIPSCO Gas	$1,660	$1,818	$2,022	$2,219	$2,476	$2,675	*10.0%*
Columbia Gas of Massachusetts	$1,098	$1,203	$0	$0	$0	$0	
Columbia Gas of Virginia	$789	$864	$961	$1,055	$1,177	$1,271	*10.0%*
Columbia Gas of Kentucky	$338	$369	$411	$451	$503	$543	*10.0%*
Columbia Gas of Maryland	$136	$150	$166	$183	$204	$220	*10.1%*
Total Rate Base	**$13,876**	**$15,224**	**$15,536**	**$17,279**	**$19,838**	**$20,933**	***8.6%***

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

Exhibit 3: SOTP Valuation

Regulated, Corporate & Other	Valuation Metric	2022E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Electric Operations	EPS	$0.87	Electric	17.4x	+5.0%	18.3x	14.4x	$13	18.3x	$16	20.3x	$18
Gas Distribution	EPS	$1.18	Natural Gas	14.1x	+5.0%	14.8x	11.1x	$13	14.8x	$17	16.8x	$20
Coporate & Other	EPS	($0.66)	Blend	15.5x	+0.0%	15.5x	15.5x	($10)	15.5x	($10)	17.5x	($12)
Utility & Parent Value		**$1.38**					11.1x	**$15**	16.7x	**$23**	18.7x	**$26**
		'19 Rate Base	Equity %	Equity								
Columbia Gas of Massachusetts		$1,100	47%	$517		1.0x	1.0x	$1.24	1.0x	$1.24	1.0x	$1.24
Total NiSource Inc.								**$17**		**$24**		**$27**
Upside/(Downside)								-24.7%		10.5%		23.1%
Current Yield								2.9%		2.9%		2.9%
Total Return								**-21.9%**		**13.3%**		**25.9%**

Source: BMO Capital Markets, Company Filings

NiSource Inc

Indeed, What We Expected On First Look: A Conservative EPS to Reset Their Cred

Maintain Rating: NEUTRAL | PO: 23.00 USD | Price: 21.85 USD

Analyst Day yields 7-9% EPS outlook with 5-7% interim

As expected from 2Q disclosures mgmt. guided to 7-9% EPS growth from '21-'24 with interim target of 5-7% in '22 and '23. While admittedly less than our bottoms up EPS forecast, we perceive this as largely tied to financing costs in the interim to achieve (previously stated) 11% ratebase growth CAGR. While not surprising as an outcome, we look to understand the pieces reconciling to this EPS outlook, particularly considering commitment to flat non-fuel O&M thru forecast period off '21 levels as well as 12% and 16% jumps in ratebase in '22 and '23, respectively. While we appreciate added lag from non-recovery of renewables at NISPCO electric until the subsequent rate case results in full-year benefit in '24, 5-7% commitment remains conservative in our view as *other* gas utilities appear to be able to & projected to earn their ROE. *Bottom line, it would appear a clearly conservative update as it would appear that even if you took the 5c impact from Covid, once could still hold the 7-9% EPS (our EPS of $1.76 in '24 implies 10.3% or even 9% without the -5c hit as baseline of $1.32 vs $1.37 for '21).* We see rebuild conservative mantra in EPS targets as behind the lower EPS outlook in near-term. Maintain our Neutral rating and $23 PO and would like more clarity on reconciling the 5-7% EPS outlook. Expect the stock to have a in-line reaction today on this news.

Equity is another key point of focus too in plan

Total equity disclosures were predictably on higher end given pressures otherwise with common equity block range of $500-700 Mn in '22/'23 time period along with $600Mn-$1Bn convertible raise in the 2021 period. While we had already reflected $800 Mn convert, the equity block is admittedly $200 Mn higher than anticipated (slight negative) but not unexpected given slightly lower EPS outlook than we had forecast as well. We also note this appears slightly more than Street expected as well. This all reconciles as well with the 14-15% FFO/debt note that the $600-$1Bn convertible placeholder could be preferred issuance such that equity dilution is not necessarily at he full mid-point of $1.4 Bn otherwise implied. *This would appear a key point of flexibility in the plan & a critical point for shares to inflect off of next year depending on financing approach taken for this issuance. Coupon, tenor, and equity treatment (whether convertible or preferred) remain of critical importance beyond just addressing capital market 'overhang' into '21.*

More definition of renewables coming too

While capex is unchanged on total renewable opportunity, mgmt. remains confident on total build. The specific projects appear on track be detailed in short order. We see continued execution on novel tax equity structure for renewables in ratebase as critical to industry development of solar at large: *as such a key point to watch for industry positioning on ratebase prospects.*

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29 September 2020

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Stock Data

Price	21.85 USD
Price Objective	23.00 USD
Date Established	15-Sep-2020
Investment Opinion	B-2-7
52-Week Range	19.56 USD - 30.46 USD
Mrkt Val (mn) / Shares Out (mn)	8,369 USD / 383.0
Average Daily Value (mn)	66.21 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.1%
Net Dbt to Eqty (Dec-2019A)	158.6%

Price objective basis & risk

NiSource Inc (NI)
Our $23 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2022 forward P/E multiples (disc. back to '21) of 14.2x for gas utilities and 16.3x for electric utilities with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex beginning in '22, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Citi Research
Equities

29 Sep 2020 18:53:01 ET | 11 pages

Pipelines & Gas Utilities
North America | United States

NiSource Inc (NI)

Signals Openness to LDC Sale at Virtual Analyst Day

- **Citi Take:** During the Virtual Analyst Day, NiSource reiterated its 10-12% rate base CAGR, 7-9% EPS CAGR for 2021-2024 (5-7% CAGR for 2021-2023), and 60-70% payout ratio. NI expects an 8% decline in O&M in 2021 (sale expected to close in October) and then relatively flat O&M costs through 2024. More importantly, NiSource provided details on its renewable investments plan and associated financing plan, and signaled an openness to monetizing LDC assets at the right price.

- **Strategic Alternatives Signaled:** NiSource made an effort to signal to the market that it is open to selling part of its LDC portfolio for the right price. This is a bullish signal for the electric utility industry and bearish for the LDC space given NiSource's unique portfolio (remember they sold pipeline business a few years ago).

- **Flexible Financing Plan:** The current financing plan is flexible around strategic alternative decision-making with $500-$700M of block equity as a placeholder and 7-9% EPS growth in base plan. At the midpoint, management expects $1.2B of total equity-linked financing for '22-23 to coincide with renewable capex and credit metrics.

- **New Renewable Investments Plan:** NiSource is targeting a $1.8-2.0B renewable investment plan for 2021-2023 with most capex weighted towards late 2022- early 2023 ($2.8-$3.0B with tax equity for the PPA JV ownership plan). $0.4B already has regulatory approval and an additional $1.4-$1.6B was filed but not yet formally approved. The project relies on ~$1.0B of tax equity at ~7% IRRs, which seems likely given sponsor, and consists of Rosewater's $94M, Crossroad's $250M and ~$700M for future solar JVs (~30% tax equity). Solar, storage, and wind projects are in late stage negotiations. NI plans a 2H23 GRC to recover renewable investment.

- **Capex Guidance:** NiSource is targeting $9.9-$10.5B of capex investments from 2021-2024. Aside from $1.8-$2.0B of renewable investments through 2023, NI guides $1.9-$2.2B of annual capex for planned safety & modernization investments. Management expects to start recovery of ~75% of investments within 18 months with customer bill impact of low to mid-single digits per year.

EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2019A	0.82A	0.06A	0.00A	0.45A	1.32A	1.32A	0.87A
2020E	**0.76A**	**0.13A**	**0.06E**	**0.36E**	**1.32E**	**1.29E**	**1.15E**
Previous	0.76A	0.13A	0.06E	0.36E	1.32E	na	na
2021E	**na**	**na**	**na**	**na**	**1.39E**	**1.34E**	**1.35E**
Previous	na	na	na	na	1.39E	na	na
2022E	**na**	**na**	**na**	**na**	**1.48E**	**1.43E**	**1.43E**
Previous	na	na	na	na	1.48E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus. Click here for Visible Alpha consensus data

Neutral	**2**
Price (29 Sep 20 16:00)	US$21.96
Target price	US$24.00
Expected share price return	9.3%
Expected dividend yield	3.7%
Expected total return	**12.9%**
Market Cap	US$8,411M

Price Performance
(RIC: NI.N, BB: NI US)

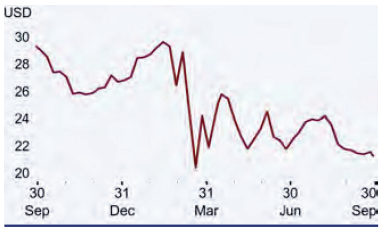

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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NI.N: Fiscal year end 31-Dec						Price: US$21.96; TP: US$24.00; Market Cap: US$8,411m; Recomm: Neutral					
Profit & Loss (US$m)	**2018**	**2019**	**2020E**	**2021E**	**2022E**	**Valuation ratios**	**2018**	**2019**	**2020E**	**2021E**	**2022E**
Sales revenue	5,115	5,209	4,793	4,835	5,035	PE (x)	17.0	16.7	16.6	15.8	14.8
Cost of sales	-2,361	-2,252	-1,935	-1,868	-1,948	PB (x)	1.6	1.6	1.7	1.6	1.5
Gross profit	2,754	2,957	2,859	2,967	3,087	EV/EBITDA (x)	28.9	16.9	14.9	11.9	11.2
Gross Margin (%)	53.8	56.8	59.6	61.4	61.3	FCF yield (%)	-15.7	-5.9	-11.0	-6.6	-5.2
EBITDA (Adj)	**724**	**1,275**	**1,453**	**1,837**	**2,002**	Dividend yield (%)	3.6	3.6	3.8	3.8	3.9
EBITDA Margin (Adj) (%)	14.2	24.5	30.3	38.0	39.8	Payout ratio (%)	60	61	63	61	58
Depreciation	-600	-717	-674	-594	-652	ROE (%)	-0.4	1.3	5.6	10.6	10.6
Amortisation	0	0	0	0	0	**Cashflow (US$m)**	**2018**	**2019**	**2020E**	**2021E**	**2022E**
EBIT (Adj)	**125**	**557**	**779**	**1,243**	**1,350**	EBITDA	724	1,275	1,453	1,837	2,002
EBIT Margin (Adj) (%)	2.4	10.7	16.3	25.7	26.8	Working capital	110	-75	-638	-34	-40
Net interest	-353	-379	-388	-385	-410	Other	-249	118	-81	-632	-685
Associates	0	0	0	0	0	**Operating cashflow**	**586**	**1,318**	**733**	**1,170**	**1,278**
Non-Op/Except/Other Adj	44	-5	25	26	26	Capex	-1,818	-1,802	-1,668	-1,750	-1,750
Pre-tax profit	**-185**	**173**	**416**	**884**	**966**	Net acq/disposals	-104	-113	1,033	0	0
Tax	180	-56	-79	-273	-301	Other	-4	-7	-1	0	0
Extraord./Min.Int./Pref.div.	-15	-55	-55	-55	-55	**Investing cashflow**	**-1,926**	**-1,922**	**-635**	**-1,750**	**-1,750**
Reported net profit	**-20**	**63**	**282**	**555**	**610**	Dividends paid	-273	-299	-325	-352	-385
Net Margin (%)	-0.4	1.2	5.9	11.5	12.1	**Financing cashflow**	**1,480**	**423**	**55**	**643**	**536**
Core NPAT	462	495	511	555	610	**Net change in cash**	**140**	**-182**	**153**	**64**	**64**
Per share data	**2018**	**2019**	**2020E**	**2021E**	**2022E**	**Free cashflow to s/holders**	**-1,233**	**-485**	**-935**	**-580**	**-472**
Reported EPS ($)	-0.06	0.17	0.73	1.39	1.48						
Core EPS ($)	1.29	1.32	1.32	1.39	1.48						
DPS ($)	0.78	0.80	0.83	0.84	0.86						
CFPS ($)	1.64	3.51	1.90	2.93	3.11						
FCFPS ($)	-3.45	-1.29	-2.42	-1.45	-1.15						
BVPS ($)	13.67	13.63	12.89	13.71	14.57						
Wtd avg ord shares (m)	347	366	377	390	402						
Wtd avg diluted shares (m)	357	376	387	400	411						
Growth rates	**2018**	**2019**	**2020E**	**2021E**	**2022E**						
Sales revenue (%)	4.9	1.8	-8.0	0.9	4.1						
EBIT (Adj) (%)	-86.3	346.8	39.8	59.5	8.6						
Core NPAT (%)	16.2	7.3	3.1	8.7	10.0						
Core EPS (%)	6.9	1.9	0.1	5.2	6.8						
Balance Sheet (US$m)	**2018**	**2019**	**2020E**	**2021E**	**2022E**						
Cash & cash equiv.	121	148	154	154	154						
Accounts receivables	1,059	857	734	763	795						
Inventory	423	425	386	398	412						
Net fixed & other tangibles	17,631	19,090	17,318	18,474	19,572						
Goodwill & intangibles	1,911	1,486	1,486	1,486	1,486						
Financial & other assets	659	654	2,087	2,094	2,101						
Total assets	**21,804**	**22,660**	**22,165**	**23,368**	**24,519**						
Accounts payable	884	666	498	507	515						
Short-term debt	2,027	1,787	737	832	853						
Long-term debt	7,105	7,856	9,060	9,660	10,260						
Provisions & other liab	6,037	6,364	6,007	6,011	6,016						
Total liabilities	**16,053**	**16,673**	**16,302**	**17,010**	**17,645**						
Shareholders' equity	5,751	5,987	5,863	6,357	6,874						
Minority interests	0	0	0	0	0						
Total equity	**5,751**	**5,987**	**5,863**	**6,357**	**6,874**						
Net debt (Adj)	**9,012**	**9,494**	**9,643**	**10,339**	**10,960**						
Net debt to equity (Adj) (%)	156.7	158.6	164.5	162.6	159.4						

For definitions of the items in this table, please click here.

Takeaways

Below we highlight three key investor slide from the analyst day this morning.

Key Slides:

Figure 1. JV Ownership Details

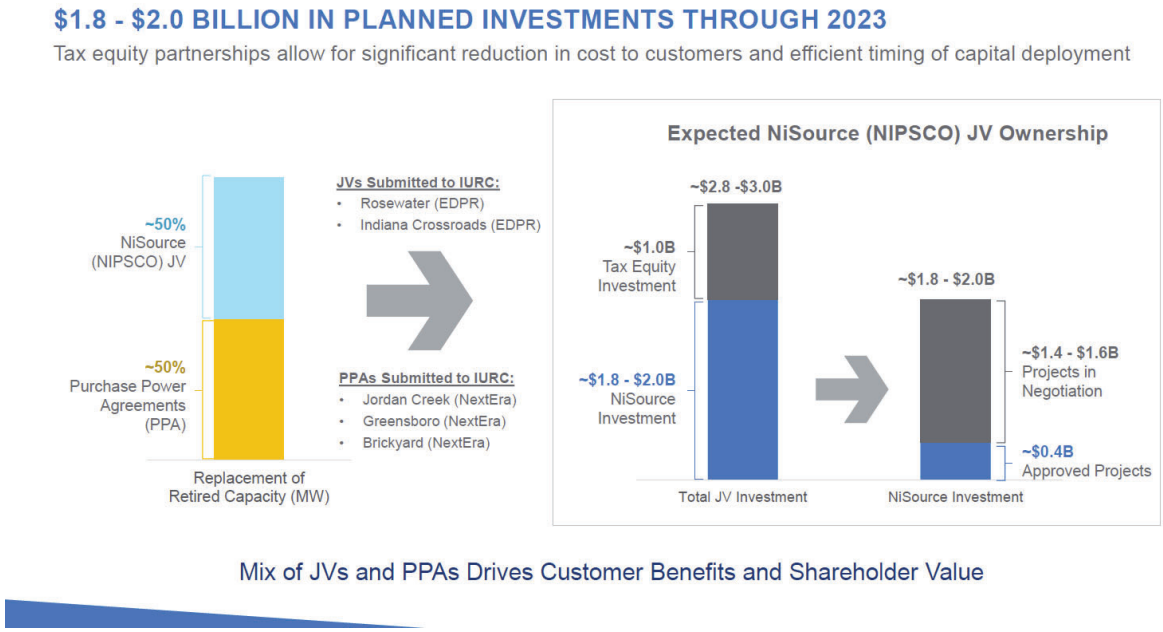

Source: NI Presentation

Figure 2. Renewable Investments

ROBUST RENEWABLE INVESTMENTS IN INDIANA

Project	Structure	NIPSCO Investment ($M)	In Service	Status
Executed Projects:				
Rosewater Wind *(EDPR)*	JV	~$100	'20	Under Construction
Jordan Creek Wind *(NextEra)*	PPA	N/A	'20	Under Construction
Indiana Crossroads Wind *(EDPR)*	JV	~$300	'21	Under Construction
Brickyard Solar *(NextEra)*	PPA	N/A	'22	Pending Approval
Greensboro Solar + Storage *(NextEra)*	PPA	N/A	'22	Pending Approval
In Process Projects:				
Solar (+ Storage) Projects[1]	JV	~$1,400 – $1,600	'22–'23	Advanced Commercial Negotiations
Solar & Wind Projects	PPA	N/A	'23	Advanced Commercial Negotiations
Total		**$1,800 – $2,000**		

[1]Includes transmission projects included in IRP which will be fully owned by NIPSCO

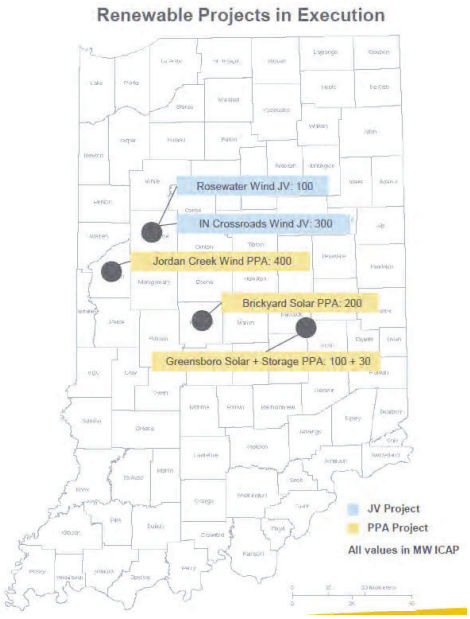

Source: NI Presentation

Figure 3. Financing Strategy

2021E – 2024E FINANCING STRATEGY[1]

($ millions)	2021E	2022E	2023E	2024E
Planned Annual Safety & Modernization Investments				
Equity				
ATM (At-the-Market)	$200 - $300 Annually			
ESPP/401K/Other	$30 - $50 Annually			
Long-Term Debt				
Incremental Long-Term Debt		$500 - $700 Annually		
Planned Renewable Generation Investments (Targeting 60% Equity)				
Equity				
Common Equity Block		$500 - $700 Total		
Long-Term Debt				
Incremental Long-Term Debt		$500 - $700 Total		
Other Financing				
Hybrids, Convertibles, etc.	$600 - $1,000 Total			

Current Financing Plan …

- All financing is included on our long-term growth commitments
- Reflects our focus on maintaining current investment grade credit rating
- Targets renewable investment financing (60% Equity / 40% Debt)
- Doesn't include potential portfolio optimization opportunities

Financing strategy targets long-term Adj. FFO[2]/total debt of ~14%-15%

[1]Current financing plan may change based on business developments
[2]Adjusted funds from operations (FFO); represents Net Income adjusted for depreciation and amortization, loss on early extinguishment of debt and deferred taxes

Source: NI Presentation

NiSource Inc

Company description

NiSource Inc (NI) is primarily a regulated utility with an integrated network of gas distribution in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana. The company serves around 4 million customers across seven states through its two main business segments, including: 1) Gas Distribution, which delivers natural gas in several states; 2) Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCO).

Investment strategy

We rate the shares of NiSource (NI) Neutral (2). We believe NI's long-term earnings are relatively stable due to diverse operations areas and constructive regulatory jurisdictions. Our estimates do not include: 1) Substantial industrial load growth at the utilities; 2) Colder-than-normal weather and faster than average customer growth; or 3) Slower than typical timeline in regulatory filing and approval process for new infrastructure projects and cost recovery mechanisms.

Valuation

We average multiple valuation methodologies to derive our $24 target price. Our NAV yields a value of $21. We value regulated assets at a multiple of 1.3x rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at $30 per share. Our P/E and EV/EBITDA analyses yield values of $23 per share.

Risks

The key risks to our investment thesis are: (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates. (2) Weather – Changes in weather impact the stability of earnings. (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. (4) Capital Markets — Access to cheap capital markets could be limited due to the size of the company. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target. (5) There is a risk that there will be negative political, financial, and regulatory backlash from the recent events in New England.

Appendix A-1

Analyst Certification

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by "AC" in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or rating history tables for that issuer shown below. Each of these analysts certify, with respect to the sections of the report for which they are responsible: (1) that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc. and its affiliates; and (2) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in this report.

EVERCORE ISI

Energy | Power & Utilities

September 29, 2020

NiSource Inc

NI | $21.85

Outperform | TARGET PRICE: $26.00

Company Update

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Company Statistics

Market Capitalization (M)	$11,128
Shares Outstanding (M)	383
Dividend	0.80
Dividend Yield	2.8%
Payout Ratio	63.6%
Expected Total Return	(7.8)%
Fiscal Year End	Dec

Earnings Summary

	2020E	2021E	2022E
EPS	$1.26	$1.34	$1.41
P/E	23.1	21.7	20.7
EPS vs Consensus	(5.9)%	(5.0)%	(6.7)%
Consensus EPS	$1.34	$1.41	$1.51
Consensus P/E	21.7	20.6	19.3

1 Year Price History

Source: FactSet

The Eagle Has Landed

Maintaining Outperform rating and price target of $26/share.

Today's Investor Day update sets a solid foundation for higher than expected long term growth. NiSource announced $40 billion in infrastructure investment opportunities over the next 20 years, an increase of $10 billion over previous expectations. The company outlined a $9.9-10.5 billion capital plan in 2021 through 2024, which is expected to drive 10-12% rate base CAGR and a back-end loaded 7-9% EPS CAGR. Notably, the annual EPS growth is forecasted to be 5-7% in 2021 through 2023. The five-year EPS growth outlook was expected to be back-end loaded and greater than 5-7%, but the 7-9% CAGR announced today is higher than our expectations and materially above industry average projected EPS growth rate of 5%. NiSource continues to target long-term 14-15% FFO to debt, as expected. The company's newly disclosed financing plan includes $200-300 million of ATM equity annually in 2021-2023, $500-700 million of total block equity in 2022-2023, $600-1,000 million of hybrids/convertibles/other in 2021, plus employee equity programs and long-term debt (see inside for more detail). The planned $1.8-2.0 billion of renewables replacement power capex was reaffirmed today, and is expected to be financed with 60% equity, with recovery of investment sought through a 2023 rate case. The amount of equity in the financing plan to achieve its targeted credit metrics was largely to be expected given that we see NI trending towards 13% FFO to debt this year. NiSource said the financing plan does not include any potential "portfolio optimization" opportunities to enhance shareholder value or $300 million of potential property insurance from the Mass. incident. NiSource now projects an 8% reduction in O&M costs in 2021 from 2020 levels with subsequent O&M expected to be "relatively flat" in 2021 through 2024. The sustainable outlook for O&M savings is positive news given that some of the COVID mitigation measures for the near term are expected to be one-time in nature. NiSource anticipates moderate annual rate increases in the low-to-mid single digits thanks to the O&M management and a changing supply mix (i.e. renewables replacing coal). The company is targeting a 60-70% dividend pay-out ratio over the long term; we are at 68% this year. Lastly, the Columbia Gas of Massachusetts divestiture is on track to close in October this year.

We now see even more support for a compelling re-rate story. NI has struggled with EPS growth since the Massachusetts incident and EPS is expected to be essentially flat between 2018 and 2021. We expect the stock to re-rate with the Massachusetts divestiture soon behind NiSource and now that strong growth expectations have been reset off of a 2021 baseline. NI has historically traded at a premium (call it merger-related or gas LDC) and is now at a ~10% discount.

Risk / reward is palatable. We are maintaining our 2020-2022 EPS forecast of $1.26 / $1.34 / $1.41 and our price target of $26/share using our SOTP analysis inside. We believe the underperformance in the stock the last five months presents an attractive entry point with a total return profile of ~20% at our price target. Our bear case derives a $21 target (close to current trading price) while our bull case is $28/share.

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2020 Investor Day Highlights

EPS growth and dividend forecast: NiSource now expects to deliver a back-end loaded 7-9% net operating EPS CAGR in 2021 through 2024. Notably, the annual EPS growth is forecasted to be 5-7% in 2021 through 2023. The company is targeting a long-term 60-70% dividend pay-out ratio.

Capital program and rate base growth: NiSource announced $40 billion in infrastructure investment opportunities over 20 years, an increase of $10 billion over prior expectations. The company outlined a $9.9-10.5 billion capital plan in 2021 through 2024, which is expected to drive a 10-12% rate base CAGR. Gas currently represents roughly 65% of rate base while electric is 35%, but the mix is expected to shift more towards electric over the coming years with $400-600 million of base electric investments and $1.8-2.0 billion of renewable generation opportunities primarily in 2022 and 2023. The capital forecast is comprised of 60% gas infrastructure & asset modernization, 20% renewable investments and 20% electric infrastructure & asset modernization. Specifically, NI's capex forecast for 2021-2024 is $2.0-2.3 / $2.4-2.7 / $3.3-3.6 / $1.9-2.2 billion, which has a meaningful increase in 2023 due to the renewable investments. Roughly $5.5-5.7 billion is expected to be recovered through tracker mechanisms in less than 18 months, $1.9-2.0 billion on maintenance/other to be recovered through periodic rate cases and $0.7-0.8 billion of growth investment to be recovered in less than 3 months. The renewables investment is expected to be recovered in a 2023 electric rate case with rates anticipate to be effective in 2H 2023.

O&M forecast: NiSource's "Next" initiative and the Columbia Gas of Massachusetts sale are projected to drive an 8% reduction in O&M costs in 2021 from 2020. Subsequently, O&M is expected to be "relatively flat" in 2021 through 2024. Cost initiatives under way include voluntary separation program savings and the following improvements identified: streamlined organization structure, evolved business services, work standardization, greater field mobility and connected customer experience. Modernization-driven fuel and cost reductions are also under way.

Rate increases: NiSource is targeting moderate annual rate increases in the low-to-mid single digit percentage thanks to O&M management and the changing generation mix (i.e. replacing coal with renewables).

Financing strategy: NiSource continues to target a long-term adjusted FFO to debt of 14-15% through a combination of block equity, ATM equity, employee equity, hybrid/convertibles and long-term debt in 2021-2024. The company is targeting renewable investment financing at 60% equity. There are no major debt maturities through the planning horizon in 2021-2024.

Exhibit 1: NiSource financing plan

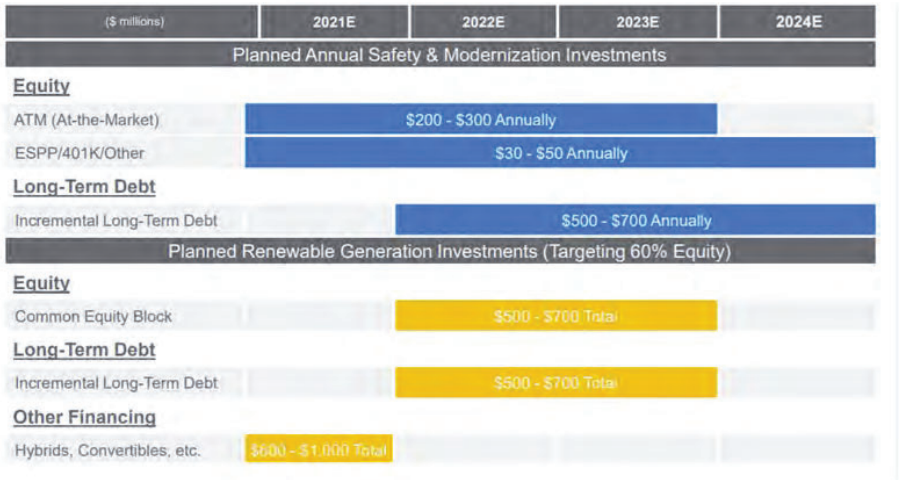

Source: NiSource Analyst Day 2020 Presentation, 9/29/20

Long-term supply mix: As outlined in the 2018 IRP, NiSource is targeting a replacement of 80% of coal capacity by 2023, primarily with renewables, and plans to retire all coal by 2028. The company's current generation mix includes 70% coal, 25% gas, 4% other (includes DSM) and 1% renewables. By 2023, NiSource plans to transform the mix to 15% coal, 25% gas, 7% other (includes DSM) and 53% renewables. By 2028, the mix is expected to be comprised of 0% coal, 24% gas and 12% other (includes DSM). The retirement of coal and the mix of renewable joint ventures and purchase power agreements are expected to drive $4 billion of customer savings over 30 years, including a $105 in average annual savings per household. Roughly $400 million of the $1.8-2.0 billion renewable investments planned through 2023 are approved projects with the remaining $1.4-1.6 billion under negotiation. Greenhouse gas emissions are anticipated to be reduced by 90% by 2030 when compared to a 2005 baseline.

Estimates and Price Target Derivation

Maintaining our 2020-2022 EPS estimates and price target: Our 2020-2022 EPS forecast remains $1.26 / $1.34 / $1.41. Recall that NiSource rescinded 2020 EPS guidance with the sale of Massachusetts and has not reissued it. Our 2021 EPS estimate is slightly above the midpoint of $1.28-1.36 guidance and our 2022 EPS forecast is within the 5-7% annual growth forecast through 2023. Specifically, we assume NIPSCO electric takes the brunt of the COVID impact and earns an 8.9% ROE this year, increasing to 9.4% next year before modestly under-earning its authorized 9.75% by 2022. For the gas segment, we assume the company modestly under-earns its blended ~10% ROE in 2020 through 2022.

Our price target of $26/share is unchanged. Our bear case derives a $21 target (close to current trading price) while our bull case is $28/share. Below is a summary of our base, bull and bear case scenarios. See Exhibit 2 on the next page.

- Our base case assumes 2022 EPS of $1.41/share. For the electric business, we assign a 10% premium to our anchor 2022 P/E target multiple of 17.5x. For the gas segment, we apply a 17.7x P/E multiple, an in line multiple current comparable LDC trading multiples. We apply a blended multiple for parent drag.
- Our bull case assumes 2022 EPS of $1.46/share, which is 7% growth over the high end of 2021 guidance. For the electric business, we continue to apply a 10% premium multiple to our anchor 2022 P/E target multiple of 17.5x. For the gas segment, we apply a 19.5x multiple, a 10% premium to current comparable LDC trading multiples. We apply a blended multiple for parent drag.
- Our bear case assumes 2022 EPS of $1.34/share, which is 5% growth over the low end of 2021 guidance. For the electric business, we apply an in line multiple to our anchor 2022 P/E target multiple of 17.5x. For the gas segment, we apply a 14.4x multiple, an in line multiple with a broader group of LDC trading multiples. We apply a blended multiple for parent drag.

Exhibit 2: SOTP Valuation: Base, Bull and Bear Cases

Base Case	'22 EPS	P/E	Val/Shr
Gas EPS	$1.16	17.7x	$20.55
Electric EPS	$0.59	19.3x	$11.37
Parent/Other	($0.34)	18.2x	($6.24)
Consolidated 2022 EPS	**$1.41**	18.2x	**$25.67**

Bull Case	'22 EPS	P/E	Val/Shr
Gas EPS	$1.19	19.5x	$23.21
Electric EPS	$0.61	19.3x	$11.67
Parent/Other	($0.34)	19.4x	($6.64)
Consolidated 2022 EPS	**$1.46**	19.4x	**$28.23**

Bear Case	'22 EPS	P/E	Val/Shr
Gas EPS	$1.12	14.4x	$16.07
Electric EPS	$0.57	17.5x	$9.96
Parent/Other	($0.34)	15.4x	($5.29)
Consolidated 2022 EPS	**$1.34**	15.4x	**$20.74**

Source: EVRISI Research

Goldman Sachs | Equity Research

29 September 2020 | 7:52AM EDT

NiSource Inc. (NI): First Take: Analyst Day details robust growth plan; Buy

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NiSource (NI, Buy) released its Analyst Day presentation this morning ahead of the 11am event, with the company guiding to a 7%-9% adjusted EPS CAGR from 2021-2024. We view this as largely in-line with our expectations highlighted in our preview note.

We list below some key highlights from the slides:

- **EPS growth trajectory:** 5-7% CAGR from 2021-2023, 7-9% from 2021-2024. We note management had previously discussed growth through 2024 as relatively back-end loaded given the financing/regulatory lag associated with the incremental ~$1.4-$1.6bn of renewable investments.
- **Financing:** 2021: **$600mn-$1bn** of hybrids/convertibles; 2022-2023: **$500-$700mn** of block equity. Management targets 60% equity financing of future projects, with the financing plan included in the EPS growth forecast. We had anticipated equity in the ~$750mn range; we see NI's plan moderately higher from an "equity credit" perspective.
- **O&M growth:** Expect 8% lower O&M in 2021 vs 2020, and flat O&M CAGR from 2021-2024.
- **Annual capital investments:** 2021: $2.0-$2.3bn, 2022: $2.4-$2.7bn, 2023: $3.3-$3.6bn, 2024: $1.9-$2.2bn.
- **NIPSCO Indiana rate case preview:** Expects revenue requirement in the 2023 rate case to be flat or lower versus current rates, with increased rate base from renewables offset by lower fuel/variable costs and fixed costs.
- **Other items (reiterated from 2Q earnings):** 10-12% rate base CAGR, $1.4-$1.6bn of incremental renewable investments (excluding $400mn of approved projects),

We expect the discussion and Q&A to focus on EPS growth expectations in 2022, additional thoughts on mix of financing for the renewable investments, and long-term strategic thoughts on its gas utility businesses.

Our $27, 12-month price target embeds our industry base target P/E multiple of 20x to 2021 EPS estimate of $1.34. Key risks include (1) legal and regulatory risks, (2) earnings/cash impact due to COVID-19, (3) higher-than-expected O&M, (4)

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electricity demand and customer growth, and (5) financing.

Financial advidory disclosures

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NI	12m Price Target: **$27.00**	Price: **$21.85**	Upside: **23.6%**

Buy

Market cap: $7.1bn
Enterprise value: $17.5bn
3m ADTV: $69.1mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/19	12/20E	12/21E	12/22E
Revenue ($ mn)	5,208.9	4,912.0	5,123.6	5,346.8
EBITDA ($ mn)	1,608.1	1,782.5	1,976.4	2,123.1
EBIT ($ mn)	890.7	1,034.5	1,161.3	1,247.0
EPS ($)	1.32	1.28	1.34	1.43
P/E (X)	21.3	17.0	16.3	15.3
EV/EBITDA (X)	13.0	10.6	10.3	9.9
FCF yield (%)	(2.1)	(6.1)	(5.2)	(3.9)
Dividend yield (%)	2.9	3.8	4.1	4.3
Net debt/EBITDA (X)	5.9	5.3	5.1	5.1

	3/20	6/20E	9/20E	12/20E
EPS ($)	0.76	0.13	(0.01)	0.39

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 28 Sep 2020 close.

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GUGGENHEIM

FLASH NOTE

September 29, 2020

NI Investor Day – Robust Update, Though Mostly In Line with Expectations

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NI BUY

NiSource Inc.
Sector: Power, Utilities & Alternative Energy

Company Update

Share Price	$21.96

Market Data

52-Week Range	$19.56 - $30.46
Dividend	$0.74
Dividend Yield	3.4%
Market Cap (M)	$8,411
Enterprise Value (M)	$21,092
Shares Out (M)	383.0
ADV (3 mo; 000)	2,984

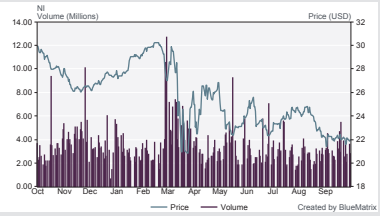

Key Message: NiSource held an investor day building off of the second quarter announcement of the results of NIPSCO's RFP. The LT EPS CAGR guidance was updated and will now be top decile among peers as renewable investments are rolled into rates. The update to growth guidance should not be a surprise to many as mgmt. had previously provided rate base CAGR and forecasted investment allowing investors to extrapolate a range of growth figures. Mgmt. updated the capital plan to include the renewables dictated by the IRP as well as continued investments in the core business. Mgmt. also updated their financing plan, adding necessary issuances for renewables and the base spend. We remain BUY-rated ($27 PT) given robust earnings growth and favorable valuation. Though NI is trading at a ~1.5x premium to regulated gas peers, it is trading at a ~1x discount to regulated electric peers and an even larger discount to those with similar growth.

LT EPS CAGR guidance up to 7-9% – well within investors' expectations given the second quarter preview of rate base CAGR and capital spending on renewables pursuant to the goals outlined in the 2018 IRP. Though robust, the market was pricing in an increase in the growth rate of this magnitude, i.e., step function increase through the current trajectory (only outperforming UTY by 57bps). Mgmt. expects growth will remain at the pre-CMA sale rate of 5-7% from 2021-2023 but plans to file a rate case in 2022 to roll renewable investments into rates in 2023. They expect the new rates drive growth of 7-9% from 2021-2024. Mgmt. updated their 2021-2024 capital plan to include $1.8B-$2.0B in spending on wind, solar, and storage through 2023 and provided insight on LT capital spending opportunities, $40B over 20 years or ~3x current rate base. Eight to ten renewables projects are in advanced negotiations and a majority are 80-90% through the process. We expect an update on the negotiations on the third quarter call. Mgmt. plans to finance the renewables investment with 60% equity and 40% debt, equating to roughly $1.2B in equity through block issuance and equity-like issuances (i.e., convertible, hybrid, etc.). Though the plan does not include any assumptions on portfolio optimization, mgmt. continuously evaluates opportunities to create shareholder value, in our view, potentially through further LDC sales or non-core segment divestitures. Mgmt. announced "NiSource Next" initiatives that build on the SMS program adding focus on streamlined organizational structure and business services, operational work standardization, field mobility, and better leveraging scale. These initiatives coupled with fuel and maintenance cost savings from the retirement of Schahfer Generating Station drive mgmt.'s expectation of relatively flat O&M from 2021-2024.

Why the step change in growth rate after rolling forward to 2024? Two-stage growth driven by the need for a rate case to roll in robust investment in renewables. Mgmt. refreshed its capital plan that now totals ~$9.9B-$10.5B from 2021-2024 vs. our current live estimate of $6.8B from 2021-2023. Most of the $1.8B-$2.0B in spending on renewables will take place in late 2022 and early 2023 to prepare for Schahfer's retirement in mid-2023. Mgmt. expects to file a rate case in 2022 with a 2023 test year to include all of the spending on renewables in rates and pass O&M savings to customers. We do not expect the rate case to be contentious as NI receives regulatory approval for the projects through a CPCN prior to starting construction. Mgmt. targets customer bill increases in the low-to-mid single digits supported by cost structure improvements. **Mgmt. expects EPS CAGR from 2021-2023 and 2021-2024 will be in the range of 5-7% and 7-9%, respectively, with the step change driven by new rates.**

No new projects were announced during this update – eight to ten projects in advanced negotiations. NI has $0.4B in approved projects with $1.4B-$1.6B in projects still in negotiations. The tax equity investment totals ~$1.0B and will be additive to rate base over time as the tax equity partners farm out the benefits. Since the 2Q20 call,

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Indiana Crossroads, the 300 MW build transfer wind project, has commenced construction. Rosewater and Jordan Creek are still under construction and mgmt. expects them to be in-service by the end of the year. Brickyard Solar, 200 MW PPA, and Greensboro Solar, 130 MW, are still awaiting regulatory approval. There are eight to ten projects in advanced negotiations, mostly solar, and NI is 80-90% through the process with a majority of them. We look forward to an update on additional projects during the 3Q20 call.

2021 IRP could potentially support an extended runway of renewable generation spending. The upcoming 2021 IRP could support additional renewable spending in years outside of the forecast as NI moves to retire its remaining coal capacity at Michigan City Generating Station by 2028. The IRP process will kick off in the spring of 2021 and mgmt. expects it will conclude in Oct. 2021. While mgmt. thought it premature to speculate on the content of the IRP, we believe that it is likely to include incremental renewables as the state advances its clean energy goals. Mgmt. forecasts a generation mix of 53% renewables, 25% natural gas, 15% coal, and 7% other by 2023 moving to 64% renewables, 24% natural gas, and 12% other by 2028. Mgmt. also highlighted its goal to decrease GHG emissions by 90% from 2005 levels by 2030 supported by the retirement of 80% of NIPSCO's coal by 2023 and the remaining 20% by 2028.

Base capital plan remains strong, with a majority of the investment recovered within 18 months. The updated capital plan includes spending on safety and modernization of $8.1B-$8.5B from 2021-2024, or $1.9B-$2.2B annually vs. our estimate of $1.8B. Over 75% of these investments start earning in less than 18 months due to favorable regulatory mechanisms in NI's service territories.

Financing plan put together with investment grade credit metrics in mind – flexibility built into plan. Mgmt. updated its financing plan, breaking down capital needs between core investments in safety and modernization and investments in renewables. Mgmt. assumes issuing $230M-$350M annually between 2021 and 2023 through ATM and ESPP/401K/Other and $500M-$700M in LT debt annually from 2022-2024 to support core capex. The renewables investments will be funded by $600M-$1,000M in hybrids, convertibles, etc. in 2021, block equity issuance of $500M-$700M total in 2022-2023, and LT debt of $500M-700M total in 2022-2023. Though the midpoints of the renewables equity stipulate $1.4B, mgmt. confirmed that they are targeting $1.2B, or ~60%. The capital structure of the issuances gives us some insight into what NI may ask for in the 2023 rate case. **Mgmt. stated they have flexibility in the financing plan to potentially look at a forward equity issuance to remove the pricing overhang.** LT adj. FFO/total debt target ~14-15% and investment grade credit metrics continue to be a focus for mgmt. Liquidity is sufficient and there are no significant refinancing needs over the plan.

What about portfolio optimization? Mgmt. continuously reviews its assets and would not be opposed to divesting additional LDCs if it is accretive for shareholders. Mgmt. does not assume any portfolio optimization in its financing plan but additional LDC and noncore asset sales could offset some financing needs. Mgmt. stated that any sale would have to be value-add to shareholders and, in our view, this may be a tall task given where LDCs trade at this time, however, certain players may be willing to pay up. If mgmt. were to divest any of its gas operations, they would essentially be swapping gas for electric which could be multiple accretive in this market. **CMA transaction to close "very soon," according to mgmt.** As a reminder, both companies targeted Oct. for the closing date.

Streamlining and optimizing operations while maintaining safety and reliability the focal point of NiSource Next. The Voluntary Separation Program and the CMA sale are the main drivers behind mgmt.'s expectation of an ~8% reduction in O&M costs in 2021. From 2021-2024, mgmt. forecasts relatively flat annual O&M driven by fuel and maintenance cost reductions from the retirement of the Schahfer Generating Station. Other initiatives build on the SMS program adding focus on streamlined organizational structure and business services, operational work standardization, field mobility, and better leveraging scale.

Additional opportunities for decarbonizing the gas segment? Mgmt. is keeping a close eye on hydrogen and RNG while focusing on more near-term efforts like leak mitigation. Mgmt. touched briefly on the opportunity for blending natural gas with RNG and hydrogen. They are expecting to learn a lot more about these opportunities in the coming years. In the meantime, mgmt. is continuing to focus on bare steel and cast iron pipe replacement, excess flow and automatic shutoff valves, pipeline over pressurization protection, inline pipeline inspections upgrades, and Picarro advanced leak detection. These efforts advance safety and sustainability, a core focus for mgmt.

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Rating and Price Target History for: NiSource Inc. (NI) as of 09-28-2020

Created by: BlueMatrix

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BUY (B) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

NEUTRAL (N) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of between plus 10% and minus 10% within a 12-month period.

SELL (S) - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Guggenheim Securities, LLC policies.

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Price targets are assigned for Buy- and Sell-rated stocks. Price targets for Neutral-rated stocks are provided at the discretion of the analyst.

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J.P.Morgan

North America Equity Research
29 September 2020

NiSource Inc.

Investor Day Takeaways: It's Good to be Green as Generation Transition, New Renewables Drive Attractive Growth Outlook

Overweight

NI, NI US
Price: $21.96
29 Sep 2020

Today, NiSource hosted its 2020 investor day, refreshing the company's 2021-2024 outlook for substantial new renewable generation investments and continued system safety & modernization upgrades initially previewed during 2Q earnings. Raised growth targets now include 7-9% annual NOEPS growth and a 10-12% rate base CAGR through 2024. Plan elements incorporate an implied back-end weighting to earnings under 5-7% near-term growth expectations and up to $1.2bn equity needs for renewables investments. Growth, however, remains attractive relative to peers and subject to manageable execution risk as NI seeks CPCNs for new renewables under its 2018 IRP. We remain constructive on NI's long-term outlook and relative positioning vs LDC peers and reiterate our OW rating.

- **Attractive growth outlook with manageable execution risk under NI's generation transition.** NI's new $9.9-10.5bn five year capital plan includes $1.8-2.0bn of renewables capex initially previewed during 2Q20 earnings. Targeted 7-9% annual NOEPS growth and 10-12% rate base CAGR stand at the high end of SMID peers and appear to bake in conservative funding outcomes across base capex and renewables-related equity. While work remains to secure NI's remaining $1.4-1.6bn of renewables subject to commercial negotiations and commission CPCNs for final investment, we see initial steps from the company's 2018 IRP and 2018 rate case boosting efforts and expect steady de-risking as individual projects progress through commercial and regulatory hurdles. We note that NI expects timing elements to limit near-term growth to 5-7% until the full benefit of targeted new renewables boosts earnings in 2023-2024.

- **Funding plan retains some flexibility despite significant equity for renewables, with portfolio optimization upside.** Plan equity includes $200-300mm annual ATM funding through 2023, $500-700mm block equity in 2022 or 2023, and a $600-1,000mm equity-like hybrids or converts issuance in 2021 to support targeted 14-15% FFO/debt. We see the company retaining adequate flexibility to complete associated financing before final 2023 rate base investment despite significant equity for targeted 60%/40% equity/debt funding of NI's renewables investment, or $1.2bn of equity at the top end of the $1.8-2.0bn opportunity. While management commentary indicated no active portfolio optimization efforts, potential opportunities could mitigate a significant amount of plan equity and further de-risk financing needs.

- **Overall positioning is unique with renewables-driven growth in 'LDC bucket'.** With renewables driving ~20% of the five-year capex plan, NI's 'green growth' stands unique among LDCs. We expect this dynamic to capture increased attention going forward should LDC weakness persist and electric vs gas multiples continue to diverge. Additionally, potential portfolio optimization efforts could accelerate a relative re-weighting toward NI's electric operations should the company divest a smaller LDC jurisdiction to fund renewables investment. This represents a powerful tool despite standing outside NI's current plan.

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UBS

Global Research | 29 September 2020

First Read

NiSource Inc.

Highlights from NI's Long-Term Growth Strategy

Equities

Americas

Gas Utilities

12-month rating	**Neutral**
12m price target	**US$27.00**
Price (28 Sep 2020)	**US$21.85**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$30.21-20.86
Market cap.	US$8.38b
Shares o/s	384m (COM)
Free float	99%
Avg. daily volume ('000)	889
Avg. daily value (m)	US$20.6
Common s/h equity(12/20E)	US$5.05b
P/BV(12/20E)	1.7x
Net debt to EBITDA(12/20E)	5.4x

EPS (UBS, diluted) (US$)

	12/20E	
	UBS	Cons.
Q1	0.76	0.76
Q2	0.13	0.13
Q3E	0.03	0.02
Q4E	0.40	0.20
12/20E	1.32	1.29
12/21E	1.37	1.34
12/22E	1.45	1.43

NI Sees Strong Growth with $40B of Investments Over the Next 20 years

NI published its long-term growth strategy and presentation ahead of the Investor Day call at 11am ET. NI expects '21-'24 EPS growth of 7-9% (roughly in line with UBSe of 7.7%) driven by 10-12% rate base growth. We expect investors will appreciate the higher growth rate (above historical growth profile of 5-7%) and it compares favorably to the EPS growth profile of its gas utility peer group at 5.7%. That said, we note that the EPS growth is back loaded with near-term EPS growth of 5-7% through 2023 and an acceleration in mid-2023/2024 as NI expects rate case to recover its renewable capex effective in mid-2023. Management also announced a $40B capex opportunity over the next 20 years, with $9.9-10.5B over 2021-2024 (above UBSe of $9.3B) fueling the view that growth can continue beyond the forecast period. That said, to fund the renewable capex NI is targeting 60% equity and an incremental $500-700MM of equity in 2022-2023 above the typical $200-300MM annual ATM program (roughly $550MM of annual equity in '22-'23 above UBSe of $450MM). NI also expects $600-1,000MM of hybrids/convertibles in '21. Notably, management announced NiSource Next initiatives to identify cost efficiency improvements and NI expects to reduce O&M costs by 8% in 2021 vs. 2020 and expects to keep costs roughly flat through 2024. Overall, we believe cost reductions will be well received by investors as, together with modernization & safety capex, they should drive near-term earnings growth and offset the dilution from funding of renewable capex before the earnings acceleration in 2023-2024.

What Do We Expect During the Call?

During the call at 11am ET, management will likely provide more details on the funding plan of the accelerated capex. Based on the slides, NI expects long-term adj FFO/debt of 14-15%. We also expect discussion on the cost savings and renewable generation transition (100% coal generation to be retired by 2028). Due to the pipeline replacement program, NI expects to reduce its methane emissions from natgas pipelines by 50% by 2025 vs 2005 base.

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Highlights (US$m)	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E	12/24E
Revenues	4,905	5,095	5,184	4,984	5,309	5,519	5,779	6,060
EBIT (UBS)	964	942	1,047	1,066	1,113	1,203	1,330	1,469
Net earnings (UBS)	398	463	495	510	546	596	663	745
EPS (UBS, diluted) (US$)	1.21	1.30	1.32	1.32	1.37	1.45	1.56	1.71
DPS (net) (US$)	0.72	0.79	0.84	0.89	0.95	1.01	1.07	1.13
Net (debt) / cash	(8,973)	(9,892)	(10,374)	(9,890)	(10,411)	(11,584)	(12,695)	(13,321)
Profitability/valuation	**12/17**	**12/18**	**12/19**	**12/20E**	**12/21E**	**12/22E**	**12/23E**	**12/24E**
EBIT (UBS) margin %	19.7	18.5	20.2	21.4	21.0	21.8	23.0	24.2
ROIC (EBIT) %	8.6	7.7	7.9	7.9	8.1	8.0	7.8	7.9
EV/EBITDA (UBS core) x	9.8	10.6	10.6	9.2	8.8	8.6	8.0	7.4
P/E (UBS, diluted) x	20.9	19.4	21.2	16.7	16.2	15.3	14.2	13.0
Equity FCF (UBS) yield %	(11.6)	(14.5)	(1.6)	(4.6)	15.9	526.8	14,389.7	383,253.4
Dividend yield (net) %	2.9	3.1	3.0	4.0	4.3	4.5	4.8	5.1

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 21.85 on 28-Sep-2020

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Forecast returns	
Forecast price appreciation	+23.6%
Forecast dividend yield	4.3%
Forecast stock return	+27.8%
Market return assumption	5.1%
Forecast excess return	+22.7%

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. We use comparable company multiples in our sum-of-the-parts EV/EBITDA and P/E valuations. Our price target is derived using an average of sum-of-the-parts EV/EBITDA and P/E valuations and DDM.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	49%	32%
Neutral	FSR is between -6% and 6% of the MRA.	39%	30%
Sell	FSR is > 6% below the MRA.	13%	20%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 June 2020.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. In some cases, this yield may be based on accrued dividends. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

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September 29, 2020 | Equity Research

WELLS FARGO SECURITIES

NiSource Inc.

NI: Investor Day Provides Roadmap For Growth

Overweight/$25

Natural Gas LDCs

Company Note

- **Summary.** NI rolled out a robust growth plan at the 9/29 Investor Day including the newly unveiled 7-9% EPS CAGR through '24E (off the '21E base). Despite the top decile growth rate, shares trade at 4% P/E discounts to blended gas/electric peers, which we think reflects a combination of execution risk and an equity overhang. We see a path to positive re-rating should management deliver on near-term financial targets and begin executing the financing plan. We reiterate our Overweight rating and $25/share price target (apply a 5% premium to the gas/electric '21 P/E of ~17.5X on our '22E). Our '20-22E EPS remain $1.26, $1.32 & $1.40; we increase our '23E & '24E EPS to/from $1.50/1.47 & $1.66/1.62.
- **Execution is Key.** NI's 7-9% EPS growth plan is well above the group average of ~6%. That said, we believe the company's recent track record has been disappointing as EPS has not grown since 2018 due, in large part, to costs stemming from the September 2018 Merrimack Valley incident. The new plan, which uses 2021 as the base year, looks to resume growth including a 5-7% annual trajectory through '23 with a meaningful step up in '24 resulting in a 7-9% CAGR overall. Management also commented that if the '21E guidance base of $1.28-1.36 was adjusted to exclude an anticipated ~$0.05 COVID hit, the company would still feel comfortable in the 7-9% range, which suggests a high degree of confidence. That sentiment is backed by the numbers, in our view, as we see a path to a nearly 10% CAGR (our '24E of $1.66 implies an earned ROE of 8.9% on a rate base that is $450mm shy of NI's forecast – could prove conservative).
- **Equity Overhang Persists.** NI provided details on baseline equity needs along with plans to fund the renewable investment, which are designed to maintain a 14-15% FFO/Debt ratio. Consistent with prior communications, the base plan includes $200-300mm annual ATM issuances along with $30-50mm/year via retirement and other plans. Further, the company intends to finance 60% of the $1.8-2.0B renewable spend with equity. That includes $600-1,000mm of hybrids/convertibles in 2021 (we assume $600mm of perpetual preferred equity and $300mm of convertibles) along with a $500-700mm common offering during the period 2022-2023 (we assume 2022; could also utilize a forward). By 2024, our model results in $1.2B of equity content tied to the renewables assuming full conversion and 50% equity content for the perpetual preferreds. Of note, the company specified that the financing plan does not include potential portfolio optimization opportunities, which we expect leaves the door open for small LDC sales. For context, the company's three smallest gas systems are MD, KY and VA (followed by MA, which is targeted to close in October).
- **Comments continue on page 2.**

$ EPS	2019A	2020E Curr.	2020E Prior	2021E Curr.	2021E Prior
Q1 (Mar.)	0.82	0.76 A	NC	NE	
Q2 (June)	0.05	0.13 A	NC	NE	
Q3 (Sep.)	0.00	0.02	NC	NE	
Q4 (Dec.)	0.45	0.35	NC	NE	
FY	1.32	1.26	NC	1.32	NC
CY	1.32	1.26		1.32	
FY P/EPS	16.6x	17.4x		16.6x	
Rev.(MM)	5,184	5,283		5,101	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile
non gaap

Ticker	NI
Price Target/Prior:	**$25/NC**
Price (09/29/2020)	**$21.96**
52-Week Range:	$19-31
Shares Outstanding: (MM)	382.8
Market Cap.: (MM)	$8,406.3
S&P 500:	3,335.47
Avg. Daily Vol.:	3,239,640
Dividend/Yield:	$0.84/3.8%
LT Debt: (MM)	$8,810.2
LT Debt/Total Cap.:	53.3%
ROE:	9.0%
3-5 Yr. Est. Growth Rate:	7.0%
CY 2020 Est. P/EPS-to-Growth:	2.5x
Last Reporting Date:	08/06/2020 Before Open

NC = No Change
Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Please see page 4 for rating definitions, important disclosures and required analyst certifications. All estimates/forecasts are as of 09/29/20 unless otherwise stated. 09/29/20 21:04:05 ET

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Together we'll go far

- **Other Takeaways.** (1) Cost Controls – Following a projected 8% decline in O&M in '21E (helped by the sale of CMA), NI expects to keep O&M largely flat through '24. (2) Rate Increases – Mgmt. forecasts rate increases in the low to mid-single digits during the planning period. (3) Renewable Projects – NIPSO has already secured regulatory approval for two build-transfer projects representing ~$400mm of direct investment; the company is in advanced commercial negotiations for another $1.4-1.6B of investments along with PPA agreements – we expect announcements to commence in the near future. (4) Electric Rate Case – The company plans to file a 2023 test year rate case (aligns with both renewable projects and savings from R.M. Schahfer coal retirement) with new rates effective in 2H'23. (5) Post-2024 – NI will go through the IRP process again in 2021, which could shed light on replacement plans for the 2028 Michigan City coal retirement, which we expect will include another round of renewable projects. On that note, NI updated the company-wide 20-year investment opportunity to $40B, a $10B increase from the prior outlook.
- **Environmental Plan.** On the electric side (~40% of business), NI is on track to retire all coal assets by 2028 in support of a 90% reduction in GHGs by 2030 (from 2005 levels). On the gas side (~60%), the immediate focus is on lower leaks (50% reduction in methane from pipes by 2025 vs. 2005 levels) via pipe replacement/new equipment and advanced leak detection. Mgmt. indicated that the company is closely watching developments on new technologies and alternative gas streams, noting that there is a chapter beyond leak reduction including RNG and, possibly, hydrogen.

Acronyms
ATM – At-the-Meter
CMA – Columbia Gas of Massachusetts
GHG – Greenhouse Gas
FFO – Funds from Operations
IRP – Integrated Resource Plan
LDC – Local Distribution Company
PPA – Power Purchase Agreement
RNG – Renewable Natural Gas

Price Target

Price Target: $25 from NC

Our price target is based on a P/E multiple analysis (apply a 5% premium to the blended gas/electric peer group multiple of ~17.5X on our '22E EPS). Risks include lower than expected sales growth, unfavorable regulatory developments, and unexpected cost pressures.

Investment Thesis

We rate shares Overweight. We are attracted to NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment.

Company Description

Based in Merrillville, Indiana, NiSource, Inc. is a holding company with regulated gas (64%) and electric (36%) utility operations across seven states. The company's Gas Distribution Operations serve 3.5 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. The Electric Operations consist of a vertically-integrated utility serving approximately 500 thousand customers in northern Indiana. On July 1, 2015, NiSource completed the separation of Columbia Pipeline Group (CPG) from NiSource via the distribution of one share of CPG common stock for every share of NI common stock.

Utilities & Power

Regulateds – Market Overweight
Gas/Power Infrastructure – Market Overweight

September 29, 2020

NiSource

(NI US Equity – $21.96 – Outperform)

No debate on NI growth potential; Analyst Day takeaways

Analyst Day solid as expected; all about execution. The punchline of the AD was a more defined EPS CAGR of 7-9% through 2024 (off 2021), expectation for annual EPS growth of 5-7% in the interim (2021-23) and more color on financing plans for NIPSCO's renewable investments. The 7-9% EPS CAGR is underpinned by a 10-12% rate base CAGR, placing NI among the best growth stories in the sector. These updates were in-line with our expectation which we detailed in a preview note last week (here). From here, the ability for NI's stock to re-rate back toward a sector average or its historic premium is dependent on management's ability to execute under the new plan. We ultimately believe this is achievable over time as the path forward post-CMA is much lower risk – reiterate Outperform and $25 PT.

Likely some cushion in EPS target. We believe NI's 7-9% EPS CAGR is pretty doable using fairly conservative assumptions, which includes 30-40bps of lag across NI's businesses. We see 2024 EPS of $1.68, which implies a CAGR slightly above NI's midpoint. An important variable is the price/cost of financings for the renewables. While this could cut both ways, we would argue a bias toward their being potential upside to our numbers as NI is currently trading at a ~2x discount which is well below where it has traded historically. This of course is predicated on NI's ability to execute going forward.

More color on the renewables financing plan. NI is targeting ~60% equity financing for the $1.8-2.0B of renewables capex. The first tranche is expected in 2021 where NI plans to issue $600M-$1B of hybrids or converts. The second tranche is $500-700M of common equity through a block in 2022 or 2023. All the financing is baked into guidance under several scenarios and mgmt. noted that it remains flexible in terms of what shape it ultimately takes. We were encouraged to hear that mgmt. is also open to asset sales as a potential financing alternative; we believe swapping gas LDC rate base for renewables would be value enhancing in an ESG-focused world.

Rate impact from renewables build out will be modest. This was encouraging to hear given the importance of the 2023 rate case as fuel savings are expected to mostly offset the return on the renewable investments.

Tweaking estimates. A summary is listed in the table on the right. This comes after revising our capex and financing assumptions to match NI's update.

View Full Note [PDF]

View Full Note [PDF]

View NI US Equity Model [XLS]

Trading and Fundamental Data	
Price Target	**$ 25**
Current Price	21.96
52-Week Range	$20-$31
Market Cap. (MM)	8,410
Enterprise Value (MM)	19,130
Shares Out. (MM)	383.0
Dividend Yield	3.86%
Dividend Payout Ratio	65.6%
ROE	6.6%
Debt to Cap	63.8%
Avg. Daily Vol. (000)	3,136

Price Performance	YTD	LTM
NI US Equity	-21%	-27%
Utility Index	-7%	-7%
S&P 500	3%	13%

Source: FactSet/Wolfe Research

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BofA GLOBAL RESEARCH

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NiSource Inc

Could an inflection come in '21?

Reiterate Rating: NEUTRAL | PO: 23.00 USD | Price: 21.96 USD

Affirming higher EPS confidence at Analyst Day

Following an Investor Day update largely in line with expectations, NI closed +0.5% slightly outperforming XLU (flat) and Gas LDC peers (-0.1%). As we expected, NI guided to a +7-9% EPS CAGR ('21-'24) with near-term ('21-'23) EPS CAGR of +5-7%. This compares to its reiterated +10-12% rate base CAGR ('21-'24) – a 3% delta b/w EPS and rate base growth (in line vs history). We perceive these EPS CAGRs are explicitly conservative given the '21 base year has a -5c COVID impact baked into guidance, and '24 is buoyed by one-time EPS step up from renewables. Both of our comparable EPS CAGRs fall within the guidance ranges if the -5c COVID added back to '21, but above high-end when baked in (see inside for CAGR comparisons). Hence, we believe NI's rather conservative EPS outlook combined with an enhanced implementation of its Safety Management System is in attempt re-gain investor credibility; a prudent angle by mgmt. Critically, mgmt.'s ultimate decision on the type of equity-linked hybrid issuance next year to finance renewables (i.e. converts or perpetual preferreds) alongside completing the '21 Indiana legislative session (largely cautious headlines expected) will be key to de-risking outlook and may present inflection. Reiterate Neutral. We lower '22 / '23 EPS slightly as adjust capex /RB in line with guidance and increase parent drag on financing costs of converts. Added confidence to '24 EPS of $1.76 (way above guided range). After mtm SOTP with peers on '23 EPS (vs prior '22) at 13.2x for gas and 15.3x for electric, our PO remains at $23. We assign a +2x premium to the electric utility to account for renewable EPS growth outside the valuation window. Lastly, NI's 100% coal retirement by 2028 target will also create incremental renewable beyond 2024.

$1.2bn equity overhang, but have some flexibility

NI was clear the $1.8-2bn renewables strategy would be funded with 60% equity, which is a maximum of $1.2bn of equity with guided flexibility of $600-1,000mn of equity-linked hybrids and $500-700mn of traditional equity. We assume $700mn converts (issue/convert '21/'24) and $500mn traditional equity in 2023. If NI chooses converts over preferreds (both 50% equity treatment), this adds to eventual dilution, but presumably due to confidence on outlook. Tweaks EPS modestly.

Estimates (Dec)

(US$)	2018A	2019A	2020E	2021E	2022E
EPS	1.30	1.32	1.25	1.32	1.42
GAAP EPS	1.30	1.32	1.25	1.32	1.42
EPS Change (YoY)	7.4%	1.5%	-5.3%	5.6%	7.6%
Consensus EPS (Bloomberg)			1.29	1.35	1.43
DPS	0.79	0.83	0.88	0.94	0.99

Valuation (Dec)

	2018A	2019A	2020E	2021E	2022E
P/E	16.9x	16.6x	17.6x	16.6x	15.5x
GAAP P/E	16.9x	16.6x	17.6x	16.6x	15.5x
Dividend Yield	3.6%	3.8%	4.0%	4.3%	4.5%
EV / EBITDA*	15.1x	13.1x	12.9x	12.4x	11.5x
Free Cash Flow Yield*	-15.2%	-2.6%	-4.9%	-8.5%	-12.0%

* For full definitions of *IQmethod℠* measures, see page 9.

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Refer to important disclosures on page 10 to 12. Analyst Certification on page 7. Price Objective Basis/Risk on page 7. 12193174

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30 September 2020

Equity

Key Changes

(US$)	Previous	Current
2022E EPS	1.47	1.42
2021E EBITDA (m)	1,862.3	1,863.5
2022E EBITDA (m)	2,044.3	2,013.4

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Stock Data

Price	21.96 USD
Price Objective	23.00 USD
Date Established	15-Sep-2020
Investment Opinion	B-2-7
52-Week Range	19.56 USD - 30.46 USD
Mrkt Val (mn) / Shares Out (mn)	8,411 USD / 383.0
Average Daily Value (mn)	68.82 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.1%
Net Dbt to Eqty (Dec-2019A)	158.6%

iQprofile℠ NiSource Inc

iQmethod℠ – Bus Performance*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Return on Capital Employed	3.9%	4.3%	4.0%	3.9%	4.0%
Return on Equity	10.1%	9.9%	9.1%	9.2%	9.6%
Operating Margin	18.3%	20.2%	19.5%	19.9%	21.1%
Free Cash Flow	(1,278)	(219)	(412)	(712)	(1,009)

iQmethod℠ – Quality of Earnings*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash Realization Ratio	1.2x	3.2x	2.8x	2.7x	2.6x
Asset Replacement Ratio	3.0x	2.5x	2.4x	2.7x	3.1x
Tax Rate	19.7%	17.1%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	156.7%	158.6%	139.3%	141.7%	147.9%
Interest Cover	2.6x	2.8x	2.9x	3.1x	3.3x

Income Statement Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Sales	5,084	5,184	5,326	5,439	5,632
% Change	4.3%	2.0%	2.7%	2.1%	3.6%
Gross Profit	3,325	3,649	3,738	3,827	3,996
% Change	-0.9%	9.8%	2.4%	2.4%	4.4%
EBITDA	1,531	1,764	1,782	1,863	2,013
% Change	3.4%	15.2%	1.0%	4.6%	8.0%
Net Interest & Other Income	(335)	(384)	(362)	(344)	(364)
Net Income (Adjusted)	**463**	**495**	**482**	**528**	**596**
% Change	**16.6%**	**6.8%**	**-2.5%**	**9.5%**	**12.8%**

Free Cash Flow Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Net Income from Cont Operations (GAAP)	463	495	482	528	596
Depreciation & Amortization	600	717	742	783	827
Change in Working Capital	110	(75)	0	0	0
Deferred Taxation Charge	(188)	118	114	124	104
Other Adjustments, Net	(445)	328	0	0	0
Capital Expenditure	(1,818)	(1,802)	(1,750)	(2,147)	(2,535)
Free Cash Flow	**-1,278**	**-219**	**-412**	**-712**	**-1,009**
% Change	**-34.0%**	**82.9%**	**-88.1%**	**-72.8%**	**-41.6%**

Balance Sheet Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash & Equivalents	121	148	148	898	148
Trade Receivables	1,147	905	905	905	905
Other Current Assets	787	800	800	800	800
Property, Plant & Equipment	15,543	16,912	16,921	18,284	19,992
Other Non-Current Assets	4,206	3,894	3,894	3,894	3,894
Total Assets	**21,804**	**22,660**	**22,668**	**24,782**	**25,740**
Short-Term Debt	2,027	1,787	2,137	2,499	2,587
Other Current Liabilities	2,010	1,959	1,959	1,959	1,959
Long-Term Debt	7,105	7,856	6,963	8,141	8,430
Other Non-Current Liabilities	4,911	5,071	5,185	5,309	5,412
Total Liabilities	**16,053**	**16,673**	**16,244**	**17,908**	**18,389**
Total Equity	**5,751**	**5,987**	**6,424**	**6,874**	**7,351**
Total Equity & Liabilities	**21,804**	**22,660**	**22,668**	**24,782**	**25,740**

* For full definitions of iQmethod℠ measures, see page 9.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

NI's positives include 5-7% dividend growth and >5-7% EPS growth via $30bn of infrastructure investments over the next 20+ years and fully regulated subsidiaries. We have factored in resolution of overhang from the MA incident as the company will likely sell 3Q. However, NI has C&I demand risk from COVID, which will be difficult to offset with O&M cuts due to promises already around cost cuts to balance CMA sale. We see shares valued appropriately and rate Neutral.

Stock Data

Average Daily Volume	3,133,902

Quarterly Earnings Estimates

	2019	2020
Q1	0.82A	0.76A
Q2	-0.75A	0.13A
Q3	0A	-0.02E
Q4	1.24A	-1.47E

Exhibit 1: NI FY1 P/E relative to IXU

Source: BofA Global Research, Bloomberg

On our '22 EPS, NI is currently trading roughly 1x higher than the average of its Gas LDC peer group, but about a 1x below the average electric utility group. With more clarity around financing its $1.8-2.0bn (plus $1bn of tax equity) renewable strategy through 2023, NI provided the path to becoming even more of a hybrid between a gas LDC and an electric utility, which is illustrated by its relative multiple. NI's current valuation is seemingly balanced given it is trading almost exactly between the two peer groups and considering its roughly 40%/60% mix of electric/gas earnings with the mix shifting more towards electric over time via renewables. Shares continue to trade at discount to the broader utility group (IXU) given the de-rating of gas utilities over the last six months, but we do see potential for NI to re-rate higher over time as NI grows its electric earnings mix, which can be capitalized at a higher multiple.

Could more divestments emerge too?

Meanwhile among the angles to fund growth raised (surprisingly) is further divestment of gas LDCs effectively to fund its growing electric biz. With an equity raise bordering on 30% of its market cap, we perceive any range of smaller LDCs as eligible to fit this spending program. Recall NI has smaller gas utilities (as measured in ratebase) in Kentucky (~$300 Mn), Virginia (~$700 Mn), and Maryland (~$100 MN). It remains unclear just what kind of a *premium* to RAB can be realized in any sale, seeing few gas LDCs transactions of late. A sale would accelerate upside & our perceptions of an inflection as this would seemingly immediately alleviate convertible/2021 financing needs. We presume the lack of definition around *just how* 2021 needs are funded ties back into this potential sale dynamic.

Awaiting the renewable details soon on the first batch

While we note NI has not announced any new renewable commercial deals since July, management highlighted the company is currently in advanced negotiations on about 8-10 solar projects. We question whether difficulty finding sufficient tax equity investors may be hurdle in closing these deals, but we believe NI will eventually complete this renewable procurement this year. We look for NI shares to potentially inflect next year pending the company's choice around its $600-1,000mn equity-linked hybrids (i.e. converts or perpetual preferreds) along with putting the (hopefully successful) '21 Indiana legislative session in the rearview. If mgmt. chooses converts over perpetual preferreds, we perceive this would be a positive read into mgmt.'s confidence in the earnings outlook such that it can offset the ultimate dilution in 2024.

But don't confuse the next round of procurement too coming up

Also, in the long term, NI will have incremental renewable generation opportunities in the queue to replace the retirement of its Michigan City coal plant. Look for another RFP

in the coming year (by this time next year) presumably enabling another round of investment in the 2026-2028 period.

Another positive we would point out is NI's new '21-'24 capex excluding renewables strategy of $1.9-2.2bn actually added incremental capex vs NI's previous '21/'22 guidance of $1.7-2.0bn/yr, We viewed this as a constructive datapoint particularly after guiding down '20 capex in 1Q20. Bottom line, although we perceive the Investor Day update to be largely constructive, we remain on the sidelines at Neutral due to the equity overhang and limited total return at 8.8% (including 4% div yield.

Renewable opportunity after '24 & portfolio optimization

Under NI's current renewable strategy, the company will retire 80% of its coal capacity by 2023 (1,400 MW) and replace the lost capacity with the current renewable procurement for 3,500 MW (roughly 1,700 BOT Capacity; 33% tax equity owned) that is underway. By 2028, NiSource plans to retire 100% of the company's coal capacity through the retirement of its 469 MW Michigan City coal plant. Albeit a smaller amount of coal capacity to replace, NI does have line of sight to incremental renewable (rate base) opportunities beyond '24.

Also, we would emphasize management commentary around portfolio optimization. The company's current financing strategy does not include potential portfolio optimization opportunities, but any asset sale would intuitively replace a portion of the equity financing. Recall, NI has a track record of portfolio optimization such as the company's spin-off of its pipeline business in 2015 and the recent sale of Columbia Gas of Massachusetts to Eversource. Management stated it will always look to optimize the portfolio to enhance shareholder value. Note NI has a number of small non-core gas utilities such as Columbia Gas of VA, KY, and MD, which have current rate base values of about $850mn, $330mn, and $149mn, respectively. If NiSource were to sell one of these assets it would effectively be swapping gas for electric rate base. We believe a gas LDC asset sale would potentially pull forward an inflection in shares and help break through the current '21 equity overhang.

Estimates & Comparing EPS CAGRs

On our updated EPS estimates, when the -5c COVID impact backed into '21 guidance is added back to the base year, both our '21-'23 and '21-'24 EPS CAGRs land within the guidance ranges of 5-7% and 7-9%, respectively. However, when using the '21 EPS guidance midpoint as the base year, we derive a '21-'23 EPS CAGR of 8.3% and '21-'24 EPS CAGR of 10.3%. See all of the EPS CAGRs compared in the table below. We also lay out the implied EPS guidance by year on the new EPS CAGR guidance of +7-9%. This compares to NI's rate base CAGR guidance of 10-12% ('21-'24). Our rate base estimates are included below our earnings estimates table.

We would highlight that using the mid-point of the near-term 5-7% EPS CAGR ('21-'23) off of '21 guidance (base year) implies '23 EPS of only $1.48. This is far lighter than consensus / BofAe $1.54 / $1.55 as we perceive NI will be earning nearly at its authorized ROE across most of its gas utilities in '22 and '23 given the timing of its rate cases. We expect to see the most lag this year, slightly better in '21 (lag spread about evenly across the utilities with those lacking decoupling being hit slightly harder), and then lag should generally recover in 2022 where we expect NI to earn nearly at its authorized ROE aside from slight incremental parent interest drag from higher coupon rate on the assumed converts. Following regulatory lag plus some timing lag from renewables in '23 and a portion remaining in '24, we expect NIPSCO electric to recover earning close to the authorized beyond 2024.

We adjusted the timing of our capex estimates and rate base growth cadence to better align with company guidance. Additionally, we added incremental parent drag to account for incremental financing costs of the equity-linked hybrid issuance expected next year (we assume $700mn of converts). After these adjustments our EPS estimates are mostly unchanged aside from a 5c decrease in 2022 and 2023 *entirely from higher parent, which*

is more about a parent 'placeholder' of higher expense reconcile with their updated view rather than anything fundamentally concerned around utilities. We now firmly see a positive bias to both near-term and longer-term EPS estimates, assuming execution at core utilities. We believe our '24 EPS offers the most indicative earnings power of the company and as such increasingly see greater validity for a premium valuation on '22/'23 EPS regardless of perceived credibility in execution relative to the group.

We stress clear upside to EPS estimates as we perceive management as capable of hitting (well above) its guidance range. While the Analyst Day could be perceived cautiously given the very low bar established, we reaffirm our underlying confidence on ultimate '24 EPS upon realization of full earnings potential from renewables (and no lag from delayed financing to address accelerated spend).

Table 1: NiSource EPS Estimates: tweaking lower '22 & '23 on higher parent 'placeholder': we're still above top end of guide… keeping '24 intact

NI EPS Estimates		2019A	2020E	2021E	2022E	2023E	2024E	2025E
Gas		1.04	1.02	1.14	1.22	1.24	1.24	1.30
Electric		0.59	0.54	0.54	0.61	0.67	0.85	0.86
Parent/Other		-0.33	-0.32	-0.36	-0.40	-0.37	-0.33	-0.27
BofA EPS		**1.32**	**1.25**	**1.32**	**1.42**	**1.55**	**1.76**	**1.88**
Previous EPS		1.32	1.25	1.32	1.47	1.60	1.76	
Guidance		**1.27-1.33**		**1.28-1.36**				
Consensus		1.30	1.29	1.35	1.43	1.54	N/A	
BofA '21-'24 EPS CAGR (including negative COVID impact in base yr)	10.2%							
BofA '21-'24 EPS CAGR (adding back -5c COVID impact in '21 guidance)	8.8%							
New Guidance '21-24 EPS CAGR	7-9%							
BofA '21-'23 EPS CAGR (including negative COVID impact in base yr)	8.3%							
BofA '21-'23 EPS CAGR (adding back -5c COVID impact in '21 guidance)	6.3%							
New Near Term Guidance '21-'23 EPS CAGR	5-7%							
Previous Guidance off '19 guidance range	5-7%							
BofA '20-'24 EPS CAGR	9.1%							
BofA '19-'23 EPS CAGR	4.1%							
BofA '19-'24 EPS CAGR	6.0%							
Implied EPS Guidance by Yr given New +7-9% EPS CAGR ('21-'24)	High End			1.36	1.48	1.62	1.76	1.92
	Mid-Point			1.32	1.43	1.54	1.66	1.80
	Low End			1.28	1.37	1.47	1.57	1.68
Share Count (mn shares)		**376**	**387**	**400**	**419**	**455**	**500**	**514**

Source: BofA Global Research estimates, company report, Bloomberg

Table 2: NiSource Rate Base Growth Estimates vs guidance

NI Rate Base Growth		2019	2020E	2021E	2022E	2023E	2024E	2025E
Gas Rate Base		9,197	9,032	10,125	11,266	12,465	13,640	14,449
Electric Rate Base		4,935	4,872	5,084	5,740	7,335	7,558	7,624
Total Rate Base (year-end)		**14,132**	**13,904**	**15,208**	**17,006**	**19,800**	**21,197**	**22,073**
Guidance excluding MA (year-end)			13,900	15,200	17,000	19,800	21,200	
BofA Implied CAGR ('21-'24)	*11.7%*							
Guidance excluding MA ('21-'24)	*10-12%*							

Source: BofA Global Research estimates, company report

Valuation: seeing more of a positive skew emerging

Our PO stays at $23 as we mark to market our SOTP valuation on peer '23 multiples (vs previous '22) of 13.2x for gas and 15.3x for electric. We assign a 2x premium to our electric peers to account for incremental renewable earnings growth long-term. In addition, we net out 50% the incremental assumed converts (and interest) associated with the renewables strategy by including it in the netting out of parent debt and interest expense in our SOTP below. Reiterate neutral as limited upside in our SOTP valuation of 8.8% (including a 4% dividend yield) and near term equity uncertainties offset the strong EPS growth through the forecast period via the renewable strategy.

Table 3: NiSource SOTP Analysis

NI SOTP Valuation									
	Metric	P/E Multiple							
	2023E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas	-	-	13.2x	-	-	-	-	-	-
Group EPS '18-'22 CAGR - Gas	-	-	5.10%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Gas Utilities			13.9x						
Columbia Gas of OH	$0.57	12.9x	13.9x	0.0x	13.9x	14.9x	$7.30	$7.87	$8.44
Columbia Gas of PA	$0.29	12.9x	13.9x	0.0x	13.9x	14.9x	$3.69	$3.98	$4.27
NIPSCO Gas	$0.23	12.9x	13.9x	0.0x	13.9x	14.9x	$3.02	$3.25	$3.49
Columbia Gas of VA	$0.09	12.9x	13.9x	0.0x	13.9x	14.9x	$1.12	$1.21	$1.30
Columbia Gas of KY	$0.05	12.9x	13.9x	0.0x	13.9x	14.9x	$0.63	$0.68	$0.73
Columbia Gas of MD	$0.02	12.9x	13.9x	0.0x	13.9x	14.9x	$0.25	$0.27	$0.28
Group Peer Multiple - Electric			15.3x						
Group EPS '18-'22 CAGR - Electric			5.00%						
Electric Utilities			16.1x						
NIPSCO Electric	$0.67	17.1x	16.1x	2.0x	18.1x	19.1x	$11.47	$12.15	$12.82
Total Utility	**$1.92**	*14.3x*			*15.3x*	*16.3x*	**$27.50**	**$29.42**	**$31.33**
-Parent EPS Drag (ex-Interest Expense)	-$0.15	14.3x	0.0x		14.6x	15.6x	-$2.12	-$2.16	-$2.31
Total EPS *(incl. debt drag)*	**$1.42**								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out parent debt + assumed converts)				-$2,300	50%		-$1,150	-$1,150	-$1,150
(50% P/E multiple on Interest Exp)				5.6%	50%		-$730	-$781	-$831
Grand Total Equity Value							**$21.25**	**$23.01**	**$24.67**
Shares Outstanding 2023E								455	
Total Equity Value							**$21.00**	**$23.00**	**$25.00**
Implied Consolidated P/E									
Current Price								$21.96	
Dividend Yield (2020E)								4.0%	
Total Expected Return								**8.8%**	

Source: BofA Global Research estimates, company report, Bloomberg

Price objective basis & risk

NiSource Inc (NI)
Our $23 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples of 13.2x for gas utilities and 15.3x for electric utilities with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex beginning in '22, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% / 5.1% to reflect capital appreciation across the sector. We strip value from Columbia Gas of MA given the pending sale to close in 3Q20. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

30 September 2020
Equity Research
Americas | United States

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NiSource Inc.

Investor Day Takeaways

NI

Target price (12M, US$)
26.00
Outperform

Natural Gas | Company Update

- **Investor day (virtual) takeaways.** NI hosted its investor day on Tuesday 9/29, which was mostly in-line with our previewed expectations. Among the biggest takeaways, the company reiterated 7%-9% EPS CAGR with a jump in 2024 (only 5%-7% through 2023) after Indiana renewables come in service (build-own-transfer so no AFUDC). The 2024 ratebase projection of $21.2B is $0.5B higher than the prior forecast. Equity: $500-$700M in 2022/23 for 60% of $1.8-$2.0B renewables capex (in line with CS). Flat annual O&M. FFO/D target unchanged at 14-15%. Broadly, the company discussed long-term growth strategy, cost structure refinements, equity needs, renewable generation including transition from coal to renewables, as well as updates to their Safety Management System (SMS) progress. We expect the company to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024 after renewables are in service.
- **2021 Guidance Reaffirmed.** The company reaffirmed its 2021 NOEPS guidance of $1.28- $1.36 (CS $1.33 vs. consensus $1.34), which includes $0.00-$0.10 improvement from COVID-19 drag and Columbia Gas synergy impacts in 2020.
- **~$9.9B- $10.5B capital plan 2021-2024.** NI identified total expected investment opportunities of ~$9.9B- $10.5B from 2021-2024 of which ~20% is expected for renewables Investment, ~20% for electric infrastructure and asset modernization, and ~60% for gas infrastructure and asset modernization. This includes $1.9-$2.2B of growth, safety & modernization investments, with 75% of this covered by rates within 18 months. Longer-term, the company notes ~$40B incremental investment opportunity beyond 2024.
- **No block equity needed in 2020 and liquidity is ample for 2021, but equity is planned for 2022 and 2023 for Indiana renewables.** Equity plans for 2020 remain $200-$300M annual ATM plus $30-50M employee plans (no convertible or hybrid financing). Columbia Gas of Massachusetts sale to ES expected to close in October.
- **Valuation:** Our estimates and $26 TP are unchanged and based on peer 2022 P/E multiples within a SoTP. Our TP includes the discounted value of $0.19 uplift in 2024 (worth $3/sh) from expected earnings from Indiana renewables. Risks include regulatory, capital plan execution, interest rates.

Price (29 Sep 20, US$)	21.96
52-week price range	30.21 - 20.86
Enterprise value (US$ m)	17,522

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Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
EPS (CS adj.) (US$)	1.32	1.32	1.33	1.39
Prev. EPS (US$)	-	-	-	-
Revenue (US$ m)	5,184.1	6,112.6	6,219.7	6,513.9
EBITDA (US$ m)	1,764.2	1,805.6	1,836.9	1,966.3
P/OCF (x)	4.6	4.1	4.7	4.6
EV/EBITDA (current)	10.3	10.1	9.9	9.3
Net debt (US$ m)	9,504	9,111	9,503	9,728
ROIC (%)	5.50	5.51	5.10	5.15
Number of shares (m)	383.02	IC (current, US$ m)		15,490.20
Net debt (Next Qtr., US$ m)	10,097.8	Dividend (current, US$)		0.76
Net debt/tot eq (Next Qtr.,%)	177.8			

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance

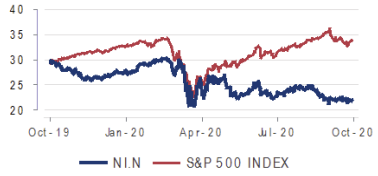

On 29-Sep-2020 the S&P 500 INDEX closed at 3335.47Daily Sep30, 2019 - Sep29, 2020, 09/30/19 = US$29.92

Quarterly EPS	Q1	Q2	Q3	Q4
2019A	0.82	0.05	-0.00	0.45
2020E	0.76	0.13	0.04	0.39
2021E	0.77	0.07	0.04	0.46

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NiSource Inc. (NI)

Price (29 Sep 2020): **US$21.96**

Target Price: **26.00**

Analyst: **Michael Weinstein**

Rating: **Outperform**

Income Statement	12/19A	12/20E	12/21E	12/22E
Revenue (US$ m)	**5,184.1**	**6,112.6**	**6,219.7**	**6,513.9**
EBITDA (US$ m)	**1,764**	**1,806**	**1,837**	**1,966**
Depr. & amort.	(717)	(779)	(812)	(843)
EBIT (US$)	**1,047**	**1,027**	**1,025**	**1,123**
Net interest exp	(377)	(418)	(415)	(444)
PBT (US$)	**608**	**636**	**664**	**733**
Income taxes	(113)	(126)	(139)	(154)
Profit after tax	**495**	**510**	**524**	**579**
Minorities	-0	-0	-0	-0
Net profit (US$)	**495**	**510**	**524**	**579**
Reported net income (US$)	**495**	**510**	**524**	**579**
Other NPAT adjustments	0	0	0	0
Adjusted net income	**495**	**510**	**524**	**579**
Cash Flow	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EBIT	1,047	1,027	1,025	1,123
Net interest	(377)	(418)	(415)	(444)
Change in working capital	(75)	(86)	0	0
Cash flow from operations	**2,247**	**2,061**	**1,837**	**1,966**
CAPEX	(2,167)	(2,036)	(1,725)	(2,200)
Free cashflow to the firm	**80**	**24**	**112**	**(234)**
Acquisitions	-	-	-	-
Divestments	0	1,100	0	0
Cash flow from investments	**(1,922)**	**(717)**	**(1,725)**	**(2,200)**
Net share issue(/repurchase)	244	155	295	867
Dividends paid	(355)	(335)	(299)	(314)
Changes in Net Cash/Debt	**(484)**	**393**	**(392)**	**(225)**
Balance Sheet (US$)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Assets				
Cash & cash equivalents	139	142	142	142
Account receivables	857	546	546	546
Other current assets	607	2,059	2,059	2,059
Total current assets	**1,854**	**2,860**	**2,860**	**2,860**
Total fixed assets	16,912	15,206	16,119	17,475
Investment securities	-	-	-	-
Total assets	**22,660**	**21,870**	**22,783**	**24,140**
Liabilities				
Total current liabilities	**3,746**	**3,591**	**3,983**	**4,209**
Total liabilities	**16,673**	**16,038**	**16,430**	**16,656**
Total liabilities and equity	**22,660**	**21,870**	**22,783**	**24,140**
Net debt	9,504	9,111	9,503	9,728
Per share	**12/19A**	**12/20E**	**12/21E**	**12/22E**
No. of shares (wtd avg)	375	385	395	415
CS adj. EPS	1.32	1.32	1.33	1.39
Prev. EPS (US$)	-	-	-	-
Dividend (US$)	0.76	0.80	0.85	0.90
Free cash flow per share	0.21	0.06	0.28	(0.56)
Earnings	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Sales growth (%)	(6.4)	17.9	1.8	4.7
EBIT growth (%)	12.4	(1.9)	(0.2)	9.6
Net profit growth (%)	6.8	3.1	2.9	10.3
EPS growth (%)	1.6	0.3	0.3	4.9
EBITDA margin (%)	34.0	29.5	29.5	30.2
EBIT margin (%)	20.2	16.8	16.5	17.2
Pretax margin (%)	11.7	10.4	10.7	11.2
Net margin (%)	9.5	8.3	8.4	8.9
Valuation	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EV/Sales (x)	3.46	2.87	2.88	2.78
P/E (x)	16.6	16.6	16.5	15.8
Price to book (x)	1.6	1.6	1.5	1.3
Asset turnover	0.2	0.3	0.3	0.3
Returns	**12/19A**	**12/20E**	**12/21E**	**12/22E**
ROE stated-return on (%)	9.6	9.7	9.5	9.1
ROIC (%)	5.5	5.5	5.1	5.2
Gearing	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Net debt/equity (%)	158.7	156.2	149.6	130.0
Interest coverage ratio (X)	2.8	2.5	2.5	2.5
Quarterly EPS	**Q1**	**Q2**	**Q3**	**Q4**
2019A	0.82	0.05	-0.00	0.45
2020E	0.76	0.13	0.04	0.39
2021E	0.77	0.07	0.04	0.46

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

NiSource Inc. is energy holding company whose subsidiaries provide natural gas, electricity & other products & services. It operates in 3 segments: Gas Distribution Operations; Gas Transmission & Storage Operations, & Electric Operations.

Blue/Grey Sky Scenario

Our Blue Sky Scenario (US$) **32.00**

In our blue sky scenario we assume favorable regulatory outcomes across NI's jurisdictions, successful execution of their capital plan, and growth of infrastructure replacement program backlog. We assume that capex is at the high end of the $1.8-$1.9B and that NI is able to grow ratebase at the high end of their 8-10% range and grow earnings at the high end of their 5-7% range. We assume a 5.0x premium to the average peer 2021 P/E multiples.

Our Grey Sky Scenario (US$) **18.00**

In our grey sky scenario we assume unfavorable regulatory outcomes across NI's jurisdictions, only partial execution of their capital plan, and a decline in the infrastructure replacement program backlog. We assume that capex is at the low end of the $1.8-$1.9B and that NI is able to grow ratebase at the low end of their 8-10% range and grow earnings at the low end of their 5-7% range. We assume a -1.5x discount to the average peer 2021 P/E mult.

Share price performance

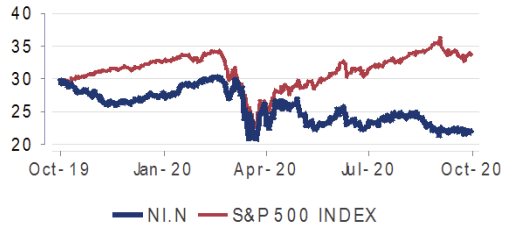

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Additional commentary

- **See our recent reports:** 9/27 Investor Day Preview, 8/7 Indiana Turning Green, 5/26 Left Behind but Holding Up Well, 5/11 COVID-19 Adds Near-Term Uncertainty, but Long-Term Fundamentals Remain Strong, 5/5 1Q20 Earnings Preview, 2/28 Raise to Outperform on Sale of Mass, Elimination of Block Equity Plan, 2020 Outlook – Getting Meaner and Less Defensive, 11/14 EEI 2019 Financial Conference: Full Takeaways,
- **Capital plan 2021-2024.** NI plans to deploy ~$9.9B- $10.5B from 2021-2024 in already identified capital investment opportunities, of which ~20% is expected for renewables Investment, ~20% for electric infrastructure and asset modernization, and ~60% for gas infrastructure and asset modernization. NI plans annual Growth, Safety & Modernization investments of $1.9B-$2.2B through 2024 (total $8.1B-$8.5B from 2021-2024) of which >75% of capex begins earnings in under 18 months. Renewable Generation investments of $1.8B -$2.0B occur in Indiana, primarily across 2022 and 2023. For the electric utility, NI plans $400M-$600M of annual capital investment in base electric system infrastructure and asset modernization programs through 2024.
- **Retiring coal and replacing with renewables.** NI is targeting to replacing 80% of coal capacity by 2023 with primarily renewable resources and retiring 100% of coal assets by 2028. The company targets to achieve 90% reduction in greenhouse gas emissions by 2030.
- **Rosewater and Jordan Creek to go in service by year-end.** Rosewater Wind (100 MW JV project) and Jordan Creek (400 MW JV project) are both expected to go in service by year-end. PPA projects Indiana Crossroads (300MW), Brickyard Solar (200MW) and Greensboro Solar (130) MW are expected to go in service by 2021, 2022 and 2022 respectively. Additionally, 8-10 additional projects in advanced commercial negotiations. Recall CPCN filings were made on 2/1/19 seeking approvals to develop the wind farm consistent with the IRP filed in the fall of 2018. Regulatory approvals were received in August 2019 and tax equity financing was closed in July 2020. NI expects ~$90M rate base investment (includes developer carry) to be paid in 2023 which will be recovered through base rate case.
- **Financing the renewables.** Equity plans for 2020 remain $200-$300M annual ATM plus $30-$50M employee plans (no convertible or hybrid financing). However, we expect ~60% of $1.8-$2.0B of incremental Indiana plant investment in 2022/23 to be financed with equity (we model half in 2022 and remaining half in 2023. However, this neither results in AFUDC (turnkey projects) nor earn a return until a forward test year ratecase is filed around early 2023 for rates effective 2024. Note that this only represents the utility's initial investment in the Indiana projects, with an additional $1.0B financed with tax equity for the benefit of utility customers. Of the $1.8-$2.0B to be financed by the utility, only $0.4B has been approved to date, with the remaining projects still in negotiation. On the debt side of the ledger, the company plans incremental long term debt of $500M-$700M annually from 2022-2024 for the Indiana renewable generation investments. NI also plans $600M-$1,000M in hybrids and convertibles financing in 2021. The current plan targets renewable investment financing (60% Equity / 40% Debt) and long-term Adj. FFO/total debt of ~14%-15%.
- **Rate base and NOEPS.** Ratebase growth is expected to grow at a 10%-12% CAGR from $13.9B in 2020 to $21.2B in 2024. The company reaffirmed 2021 NOEPS guidance of $1.28- $1.36 (CS $1.33 vs. consensus $1.34), which includes $0.00-$0.10 improvement from COVID-19 drag and Columbia Gas synergy impacts in 2020. NOEPS is expected to grow at 7% to 9% CAGR 2021–2024, with a near term annual growth of 5%-7% in 2021-2023. Further, the company expects long-term ~$40B investment opportunity to drive continued NOEPS growth beyond 2024.

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Figure 1: Capital Plan and Rate base

Capex & Rate Base ($B)	2021	2022	2023	2024
Capex	2.0-2.3	2.4-2.7	3.3-3.6	1.9-2.2
Rate base	15.2	17.0	19.8	21.2

Source: Company data, Credit Suisse estimates

- **Liquidity update.** NI's net liquidity available is $1.5B-$1.6B as of Sep 30th (vs. ~$2B on June 30th). Total long term debt is $9.1B with a weighted average maturity of 15.5 years and a 3.68% interest rate as of September 30th vs the prior update in June which included a ~$10B debt level, with ~$8.7B of long-term debt, with a weighted average maturity of ~16 years and a 4.31% interest rate. Additionally, the company expects no significant refinancing needs through 2024.
- **Nisource Next initiative and Columbia Gas of Massachusetts sale to drive ~8% O&M reduction in 2021.** The company has undertaken various cost initiatives including voluntary separation program savings, operational processes improvements and modernization driven fuel and cost reductions. NI expects annual O&M for 2021-2024 to remain "relatively flat".

Previous Relevant Commentary

- **Our unchanged 2022 estimate of $1.39 includes about -$0.04 expected drag from equity issuance for investment in Indiana renewables** that will not benefit from AFUDC nor receive a rate increase until 2024. We expect the company to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024 once these projects are in service. Ratebase growth is also expected to grow at a 10%-12% CAGR from $13.9B in 2020 to $20.7B in 2024. Recall that 2021 Guidance was initiated in August at $1.28-$1.36 (CS $1.33 vs. consensus $1.34), which includes $0.00-$0.10 improvement from COVID-19 drag and Columbia Gas disynergy impacts in 2020.
- **COVID-related regulatory updates.** Orders received in Maryland (4/9/2020), in Virginia (4/29/2020), in Pennsylvania (5/13/2020), in Indiana (6/29/2020) and in Ohio (7/15/2020). Orders in MD, OH and VA allow deferral of COVID-19 related expenses and bad debt for later recovery. Order in PA allows deferral of bad debt above amounts in base rates for later recovery, and order in IN allows deferral of suspended fees and bad debt for later recovery.
- **Columbia Gas of Massachusetts sale remains on track for regulatory approval in Q3.** On July 2, NI announced that it will pay $56M to settle and resolve the state's investigation into the 2018 Greater Lawrence incident.
    - **A federal guilty plea and the sale of Columbia Gas of Mass.** On Wednesday, 2/26, the US Department of Justice announced that NI will plead guilty to a criminal violation of the federal Natural Gas Pipeline Safety Act and pay a $53M fine in connection with the Sept 2018 gas explosion incident in Merrimack Valley, Massachusetts. NI has also agreed to sell its operations in Massachusetts to ES for $1.1B and will forfeit any profit earned from the sale (none expected, so retaining the whole $1.1B). The plea is on a corporate level; no individual officers or employees of the company were charged.
    - **Sale of Columbia Gas of Massachusetts to Eversource for $1.1B - with no gains allowed (or expected).** NI has also agreed to sell its operations in Massachusetts to ES and will forfeit any profit earned from the sale. We calculate that ES is purchasing at a 1.0x multiple of ratebase, or 19.7x 2021 P/E at the allowed 9.55% ROE – in line with the group average. However, the elimination of a previously planned $500-$700M block equity issuance in 2020 brings the combined effect to about breakeven to a modest $0.01 accretion to 2021 expectations before accounting for -$0.05 corporate disynergies. Expect the

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transaction to close in October. See our 7/31 ES 2Q earnings note for further detail.

- **Emphasis on safety and leak reduction.** The company continues to emphasize reducing the operational risk and enhancing gas systems safety through the implementation of the Safety Management System (SMS) and new safety system installations across all NI gas service territories. NI has rolled out a corrective action program with the hopes of providing a very clear process and technology for employees and more than 1,000 automatic shut-off devices have now been installed. NiSource is looking to advance safety new technologies, leakage sensing, smoke detectors, safety performance, and predictable models where human error could create risks. The company is projecting a 50% reduction in methane emissions from natural gas pipelines by 2025.
- **Pension & OPEB. 97% funded in 2Q20** vs. 94% in1Q20, and ~98% as of year-end 2019 with 52% of pension plan assets in equities (45% of OPEB assets). A 50 bps decline in the discount rate is expected to result in a $97.7M increase in projected pension obligation and a $31.8M increase in OPEB obligation, as well as a $2.6M increase in net plan expense. For a 50 bps decline in expected long-term rate of return on pension and OPEB plan assets, net expenses are expected to increase $10.1M.
- **Decoupling.** Full decoupling in OH, MA, MD, VA. Weather normalization in KY, MD, VA, PA. **Bad debt handling.** Clauses for bad debt in KY, OH, MD, PA, VA, MA & IN.
- **Stimulus bill impacts:** management is still evaluating the potential benefits from NOLs and AMT credits.
- **Cost management and regulatory solutions offset COVID's $30M (or ~$0.06) impact in Q2.** Gas margin impact by customer class saw a $0.7M increase in residential and a $4.7M decrease in industrial (vs 2Q19). Electric margin impacts saw a $9.2M and $3.9M decreases to industrial and commercial load respectively, partially offset with a $6.2M increase in residential vs. 2Q19. COVID's impact are trending with the company's base case scenario.

Figure 2: COVID's Impact to NI in Q2

COVID impact to Gas Margin (2Q20 v 2Q19)	$(M)
Residential	0.7
Commercial	0.0
Industrial	-4.7

COVID impact to Electric Margin (2Q20 v 2Q19)	$(M)
Residential	6.2
Commercial	-3.9
Industrial	-9.2

Source: Company data, Credit Suisse estimates

- **COVID-19 annual impact to load**. Management expects lower sales volumes from commercial and industrial customers, partially offset by a potential increase in residential sales volume. Increased bad debt expenses (although recent orders in MD, VA allow for deferring the COVID-related expenses and bad debt), and sustained customer attrition. The company's sensitivity analysis continues to project that a +/- 1% change in annual sales volumes, will result in pre-tax operating earnings of $3.9M, $3.9M and $2.3M to residential, commercial and industrial on the electric side respectively, and $3.8M, $2.4M and $1.2M to residential, commercial and industrial on the Gas side respectively. The residential customer class represents 39% and 69% of the retail margins in electric and gas respectively, with commercial at 35% and 22% in electric and gas respectively.

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Figure 3: COVID-19 Impact to Nisource Load

Pre-tax Operating Earnings Sensitivity to +/- 1% CHG in annual sales volume	Electric	Retail Margins %
Residential	$3.9	59%
Commercial	$3.9	26%
Industrial	$2.3	15%
Total	**$10.1**	**100%**

Pre-tax Operating Earnings Sensitivity to +/- 1% CHG in annual sales volume	Gas	Retail Margins %
Residential	$3.8	69%
Commercial	$2.4	22%
Industrial	$1.2	9%
Total	**7.40**	**100%**

Source: Company data, Credit Suisse estimates

Regulatory Updates

- **Gas Distribution Operations.**
  - **Columbia Gas of MD** filed a new base rate case on 5/15 requesting $6.3M total revenue increase; $5M net of infrastructure trackers which supports continued replacement of aging pipelines and safety upgrades. The final order is expected in 4Q20 with new rates effective in Dec 2020.
  - **Columbia Gas of PA.** Filed a base rate case 4/24/2020 which supports continued replacement of aging pipelines as well as adoption of safety upgrades. Ratecase includes $100.4M total annual revenue increase. Order is expected in 1Q21 with new rates effective in Feb 2021.
  - **Columbia Gas of Ohio. Infrastructure Replacement Program (IRP) Annual Rider update.** Filed 2/28/2020 and order was received on 4/22/2020 and rates became effective in May. Order includes ~$234M in 2019 capital investments and IRP rider allows recovery of safety and infrastructure investments. Recall that a 2017 settlement allowing COH to continue the IRP tracker through 2022 was previously approved in Jan 2018. The IRP program covers the replacement of priority mainline pipes and targeted customer service lines.
  - **Columbia Gas of Ohio. Capital Expense Program (CEP) Annual rider update.** Filed 2/28/2020 and order is expected in 8/2020. Application includes ~185M in 2019 capital investments. The CEP rider allows recovery capital investments and deferred expenses that are related but not covered through IRP tracker. New rates expected to become effective 9/2020.
  - **NIPSCO Gas System Indiana.** Filed application on 12/31 with Indiana Utility Commission for 6-year extension to the company's long-term gas infrastructure modernization program. Proposal includes ~$950M in capex through 2025 to be recovered through semi-annual adjustments. Order is expected in July 2020.
    - **Clarity from legislation in Indiana drives filing of a new gas TDSIC plan**. While the company continues to execute its approved TDSIC plans businesses through 2020 and 2022 for gas and electric, respectively, the passage of the H.B. 1470 provides clearer guidelines on items that can be included in a TDSIC plan. As result, management filed and received approval on Oct 16, 2019 for gas TDSIC10 covering $12.4M incremental capital between July 2018 and April 2019.
- **Electric Operations.** New solar projects have been announced for coal replacement capacity and the company expects $1.8B-$2B incremental capital investment opportunities in 2022 and 2023.

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- **Settlement and order in Indiana ratecase for rates effective 1Q20.** A final order approving two settlements in NIPSCO's electric ratecase was issued on Dec 4, 2019, including a 9.75% authorized ROE on 47.86% equity for a $4.116B ratebase that resulted in a two-step revenue increase of $42.7M. The case was filed in Oct 2018 in conjunction with a new long-term Integrated Resource Plan (IRP). The settled portion of the case includes a revenue requirement and accelerated depreciation schedule related to early retirement of coal plants, including an agreement to reduce the book lives of $1.5B coal ratebase to match retirement plans at an average 2032 vs. the prior 2030s-2040s. Non-protected accumulated deferred income tax passback amortization has also been agreed at a comfortable 10-year amortization period. It also includes a new rate structure for industrial customers that allows the utility to manage market purchases in order to keep track of capacity requirements (reduces risk of stranded assets).
- **Renewable Generation Projects. Construction continues on Jordan Creek (400 MW) and Rosewater (100 MW) – expected to go in service by year-end**. Recall CPCN filings were made on Feb 1st, 2019 seeking approvals to develop 3 wind farms consistent with the IRP filed in the fall of 2018. Orders approving the PPAs on these filings were received on June 5, 2019 and the wind farms are expected to be built by yearend 2020. On Oct 22, 2019, a Build-Transfer Agreement BTA was filed for Indiana Crossroads (300MW) JV between NIPSCO and EDP Renewables (302 MW). FERC approved order on 2/19/2020 for sections 203 and 205 applications for Rosewater. BTA application was approved for Indiana Crossroads (300MW), a second joint venture between NIPSCO and EDP Renewables. Commercial terms reached on Brickyard Solar (200MW) and Greensboro Solar (100MW) + storage (30MW) PPAs filed. Latest RFP represents replacement ~1,400MW of coal capacity through 2023.
- **Tax equity partnership reached for Rosewater, Indiana Crossroads.** Regulatory approval pending for Brickyard and Greensboro Solar. Altogether, the company expects about $1.0B of tax equity financing to help capitalize ~$2.8-$3.0B of JV renewable projects in Indiana from 2022-2023. The remaining $1.8-$2.0B of NI ratebase investment is expected to be financed with ~60% equity/40% debt.
- **Electric System Modernization** focused on electric transmission and distribution investments aimed at improving safety and reliability of system was filed 8/21/2019, final order was received on Dec 18th 2019 and rates became effective in Jan 2020. TDSIC 6 semi-annual tracker update covering $131.1M in investments from Dec 2018 – June 2019 now in rates. The program originally approved in 2016, contains ~$1.2 billion of electric infrastructure investments expected to be made through 2022. The company's latest tracker update request, covering $131.1 million in incremental capital investments made from December 2018 through June 2019 was approved by the IURC on 2/1 and rates became effective Jan 2020.
- **Integrated Resource Plan (IRP)** submitted in Oct 2018 called for 100% coal retirements by 2028 (vs. prior plan for 50% by 2023), replaced with renewables rather than natural gas. The IRP calls for retirement of 80% of the coal fleet by 2023 and 100% by 2028 (vs. prior plan 50% by 2023). The plan also points toward rapidly declining-cost renewables (wind, solar, batteries) rather than the gas-fired replacements that were planned within the last 2016 IRP. With much of the new generation in service in 2023 and beyond, the ratecase is less important as a near-term earnings driver. The rate filing also includes changes to the depreciation schedules for the IRP's planned early retirements of coal, along with rate design changes to provide more tariff flexibility to industrial customers. Discussions continue with select bidders in second round of RFPs. **Next IRP expected in 2021.**

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Valuation

- **Valuation.** Our $26 TP is unchanged and based on peer 2022 P/E multiples within a SoTP. Our TP includes the discounted value of $0.19 uplift in 2024 (worth $3/sh) from expected earnings from $1.8-$2.0B Indiana renewables that will not benefit from AFUDC and will not receive a rate increase until 2024. Meanwhile, our 2022 estimate includes -$0.04 drag from equity issued for these projects (~60% of the ratebase, with half issued in 2022 and half in 2023). We expect the company to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024. We continue to apply a 2.0x premium to the gas utilities for favorable regulatory jurisdictions and lower operational risk since the explosive incident in Lawrence Mass in 2018. We continue to value the electric operation in Indiana at a 2.0x premium for excellent operations and supportive regulation. Risks include 1) ROE risk related to the ongoing ratecases, 2) continued approvals relating to infrastructure replacement/grid modernization programs, 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particularly in the non-decoupled jurisdictions, 7) weather risk, 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety, 11) COVID-19 pandemic response load reduction, particularly at the electric utility.

Figure 4: NI Valuation

		BASE CASE			
	2022 EPS	Prem / Disc	Effective P/E	Equity	Equity / Sh
Electric	$0.54	2.0x	17.6x	$3,634	$9.44
Gas	$0.91	2.0x	16.0x	$5,613	$14.58
Earnings on renewables in 2024 (discounted to 2022) - need to account here as equity dilution hits first in 2022/23 but no AFUDC as these are turnkey projects	$0.19		16.6x	$1,238	$3.22
Other	($0.06)		16.6x	($368)	($0.96)
Total EPS	**$1.39**			**$10,118**	**$26.00**
Diluted Shares Outstanding					384.9
Dividend					$0.80
Implied Yield					3.1%
Current Yield					3.6%
Implied P/E					18.7x
Prem / (Disc) To Group					33.3%
Upside/ (Downside) to Current Price					17.4%
Total retirn					21.1%

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Valuation, Methodology and Risks

Target Price and Rating
Valuation Methodology and Risks: (12 months) for NiSource Inc. (NI.N)

Method: We arrive at our $26 target price for NI by applying a 2.0x premium to the gas segment peer 2021 P/E to reflect the constructive regulatory environments with capex trackers in place in the jurisdictions that NI operates. We also apply a 2.0x premium to the average peer electric utility 2021 P/E multiple for NIPSCO Electric utility in Indiana to reflect the favorable ratebase growth profile and regulatory environment in the state. Our OUTPERFORM rating reflects a forecasted total return that is equal the group average.

Risk: Risks to our $26 target price and OUTPERFORM rating are: 1) ROE risk related to the ongoing ratecases 2) continued approvals relating to infrastructure replacement/grid modernization programs 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particulary in the non-decoupled jurisdictions, 7) weather risk, and 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety after the 2018 explosion incident in Mass. 11) COVID19 load reductions

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2 November 2020
Equity Research
Americas | United States

CREDIT SUISSE

NiSource Inc.

3Q20 Beat, 2021 Guidance Reaffirmed

NI

Target price (12M, US$)
26.00
Outperform

Natural Gas | Research Bulletin

- **Reported a 3Q20 adj. EPS beat at $0.09 vs cons/CS** $0.02/$0.03 (and vs 3Q19 $0.00) driven by cost and regulatory mitigation which reduced COVID's impact.
- **2021 Guidance Reaffirmed $1.28-$1.36.** The company reaffirmed its 2021 NOEPS guidance of $1.28- $1.36 (CS $1.33 vs. consensus $1.34), which includes $0.00-$0.10 improvement from COVID-19 drag and Columbia Gas synergy impacts in 2020.
- **No change to equity plans: No block equity needed in 2020 and liquidity is ample for 2021, but equity is planned for 2022 and 2023 for Indiana renewables.** Equity plans for 2020 remain $200-$300M annual ATM plus $35-60M employee plans (no convertible or hybrid financing). For 2021, $600-$1,000M for hybrids/convertible are expected for planned renewable generation investments and $500-$700M common block equity in 2022/23 for 60% of $1.8-$2.0B renewables capex (in line with CS).
- **Investor day takeaways.** NI hosted its investor day on Tuesday 9/29, which was mostly in-line with our previewed expectations. Among the biggest takeaways, the **company reiterated 7%-9% EPS CAGR** with a jump in 2024 (only 5%-7% through 2023) after Indiana renewables come in service (build-own-transfer so no AFUDC). We expect the company to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024 after renewables are in service.
- **Columbia Gas of Massachusetts sale to ES closed Oct 9.** Net proceeds of $1.1B will be used to pay down term loan and company's short term debt. Recall, on July 2, NI announced that it will pay $56M to settle and resolve the state's investigation into the 2018 Greater Lawrence incident.
- **2020 Capital reaffirmed at $1.7-$1.8B and its 5yr plan (2021-2024) left unchanged at ~$9.9B- $10.5B.** NI reaffirmed its 2020 expected capex at $1.7B-$1.8B and continues to identify total expected investment opportunities of ~$9.9B- $10.5B from 2021-2024 of which ~20% is expected for renewables Investment, ~20% for electric infrastructure and asset modernization, and ~60% for gas infrastructure and asset modernization.
- **Additional Renewable Generation.** NI executed Build-Transfer Agreements with NextEra (NEE) for three solar and storage projects in Indiana which represent $850M in NIPSCO capital investment.
- **Gas Regulatory Update:** Rate case settlement reached in Maryland which includes $3.3M total increase in annual revenue ($2M net of infrastructure trackers). Final order is expected in Nov with new rates becoming effective in Dec. Additionally, final orders are still expected for Pennsylvania, Kentucky, NIPSCO's modernization program and Virginia's Energy (SAVE) Annual Rider Update.
- **Rosewater and Indiana Crossroads remain on track** and they are expected to be in service YE2020 and YE2021 respectively. Jordan Creek is also on track and in service date remains YE2020.

Price (30 Oct 20, US$)	22.97
52-week price range	30.21 - 20.86
Enterprise value (US$ m)	17,909

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- **Liquidity update.** NI's net liquidity available is ~$1.6B as of Sep 30th (vs. ~$2B on June 30th). Total long term debt is ~$9.1B with a weighted average maturity of ~15 years and a 3.68% interest rate as of September 30th vs the prior update in June which included a ~$10B debt level, with ~$8.7B of long-term debt, with a weighted average maturity of ~16 years and a 4.31% interest rate. Additionally, the company expects no significant refinancing needs through 2024.
- **See our recent reports:** 10/15 Earnings Preview, 9/30 Investor Day Takeaways, 9/27 Investor Day Preview, 8/7 Indiana Turning Green, 5/26 Left Behind but Holding Up Well, 5/11 COVID-19 Adds Near-Term Uncertainty, but Long-Term Fundamentals Remain Strong, 5/5 1Q20 Earnings Preview, 2/28 Raise to Outperform on Sale of Mass, Elimination of Block Equity Plan, 2020 Outlook – Getting Meaner and Less Defensive,
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Valuation, Methodology and Risks

Target Price and Rating
Valuation Methodology and Risks: (12 months) for NiSource Inc. (NI.N)

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Companies Mentioned *(Price as of 31-Oct-2020)*
NiSource Inc. (NI.N, $22.97, OUTPERFORM, TP $26.0)

Disclosure Appendix

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Michael Weinstein, ERP, and Maheep Mandloi each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
02-Nov-17	26.94	30.00	O
23-Jan-18	24.17	27.00	
06-May-18	25.41	28.00	
23-Jan-19	26.83	29.00	
21-Apr-19	27.56	30.00	
22-Jul-19	29.14	33.00	
07-Aug-19	27.63	29.00	N
21-Oct-19	28.05	30.00	
01-Nov-19	27.65	29.00	
17-Jan-20	29.04	30.00	
28-Feb-20	27.02	31.00	O
05-May-20	24.53	27.00	
20-Jul-20	23.75	26.00	

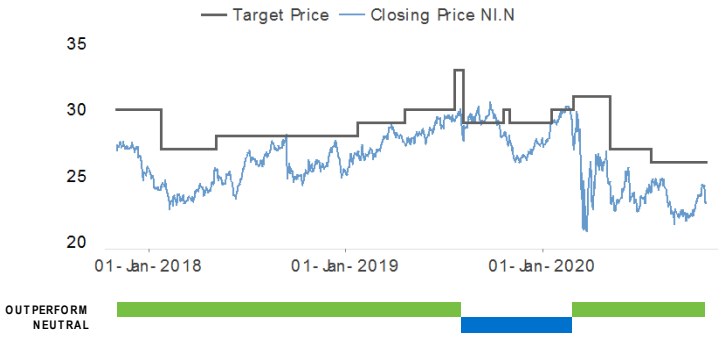

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Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.
Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.
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Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.
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Restricted	1%	

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This research report is authored by:
Credit Suisse Securities (USA) LLC..... Michael Weinstein, ERP ; Andres Sheppard ; Maheep Mandloi

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Goldman Sachs | Equity Research

2 November 2020 | 7:57AM EST

NiSource Inc. (NI): First Take: 3Q20 beat on cost control; 2021 and LT guidance reiterated

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NiSource (NI, Buy) reported 3Q20 operating EPS of $0.09, above both GS/FactSet consensus at $0.00/$0.03, driven largely by cost and regulatory mitigation efforts at both gas and electric segments. The company also reiterated 2021 guidance in the range of $1.28-$1.36 (midpoint $1.32) versus GS/consensus of $1.33/$1.34. NI continues to expect EPS to grow 7 to 9% from 2021-2024 and 5 to 7% through 2023 as highlighted at its September investor day; our current estimates reflect a 7.1% CAGR from 2021-2024.

Key takeaways from NI's release and slides include:

- **EPS growth trajectory reaffirmed:** 5-7% CAGR from 2021-2023, 7-9% from 2021-2024. We note management had previously discussed growth through 2024 as relatively back-end loaded given the financing/regulatory lag associated with the ~$1.8-$2.0bn of renewable investments in Indiana. Our estimates reflect a 7.1% EPS CAGR from 2021-2024.
- **NI completed the sale of Columbia Gas of Massachusetts (CMS)** on October 9th, with the $1.1bn in proceeds utilized to pay down its term loan and other short-term debt.
- **NI in October announced 900 MW of additional renewable generation** in Indiana as part of the forecasted $1.8 to $2.0 billion renewable investment plan through 2023. This joint venture brings the total NI investmental to $1.25bn, with $0.6-$0.8bn in other projects currently in negotiation.
- **3Q20 performance beat was largely driven by cost management which offset COVID-19 related impact**, which totaled -$0.01 for the quarter and -$0.07 YTD.

Key topics to monitor on NI's earnings call include (1) strategic thoughts on one or more of its gas utility businesses, (2) updated thoughts on timing of hybrid/equity issuance, (3) additional color on O&M trajectory, and (4) update on potential for property insurance recovery related to the MA gas incident

Our $27, 12-month price target embeds our industry base target P/E multiple of 20x to 2021 EPS estimate of $1.34. Key risks include (1) legal and regulatory risks, (2) earnings/cash impact due to COVID-19, (3) higher-than-expected O&M, (4) electricity demand and customer growth, and (5) financing.

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NI	12m Price Target: **$27.00**	Price: **$22.97**	Upside: **17.5%**

Buy

Market cap: $8.8bn
Enterprise value: $18.9bn
3m ADTV: $72.3mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/19	12/20E	12/21E	12/22E
Revenue ($ mn)	5,208.9	4,905.9	4,829.8	5,038.5
EBITDA ($ mn)	1,608.1	1,777.0	1,903.8	2,078.7
EBIT ($ mn)	890.7	1,034.3	1,089.1	1,192.2
EPS ($)	1.32	1.30	1.33	1.41
P/E (X)	21.3	17.7	17.3	16.3
EV/EBITDA (X)	13.0	10.7	10.4	10.2
FCF yield (%)	(2.1)	(5.4)	(7.5)	(11.1)
Dividend yield (%)	2.9	3.7	3.9	4.1
Net debt/EBITDA (X)	5.9	5.2	5.3	5.4

	6/20	9/20E	12/20E	3/21E
EPS ($)	0.13	(0.00)	0.41	0.74

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 30 Oct 2020 close.

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Disclosure Appendix

Reg AC

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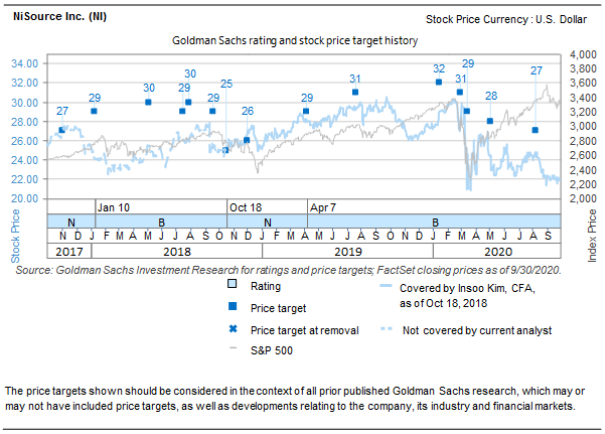

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North America Equity Research
02 November 2020

NiSource Inc.

3Q20 Earnings Surpass Estimates; Renewables, Cost Savings Remain in Focus for 2021-2024 Plan

Overweight

NI, NI US
Price: $22.97
30 Oct 2020

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- **3Q20 EPS well ahead of estimates on cost savings.** 3Q20 operating EPS of $0.09 beat JPMe/Street median estimates of $0.01/$0.03, respectively. COVID-19 impacts moderated to -1c from 2Q20's -6c, before cost savings, for a -7c YTD drag. Gas distribution operating earnings increased +$36.1mm and electric operating earnings decreased -$2.5mm. Drivers include new rates from infrastructure replacement programs and CEP (+$16.7mm), net cost savings (+$20.2mm), and COVID-19 impacts (-$2.4mm, including +$5.8mm increased residential usage benefit). NI also realized YoY benefits from the sale of emission reduction credits and a favorable insurance reserve adjustment.

- **Quiet release as expected following Sept Investor Day, Oct renewables project update.** NI reaffirmed its $1.7-1.8bn 2020 capex, $1.28-1.36 2021 NOEPS guidance, 7-9% 2021-24 EPS CAGR, and associated 10-12% average annual rate base growth, consistent with the company's Sept 29 Investor Day update. We also note NI's Oct 21 announcement of three finalized build transfer agreements to acquire the Dunns Bridge I Solar (265MW), Dunns Bridge II Solar (510MW) and Cavalry Solar (260MW) projects as part of planned $1.8-2.0bn renewables investments. The projects represent an $850mm NIPSCO investment and have 2022-23 expected in-service dates (subject to IURC approval; 4Q20 CPCN filing expected). NIPSCO has now executed total agreements of ~$1.25bn. Given the relatively quiet release, we expect attention on management commentary around post-CMA sale cost savings, NI's recently announced renewables investments, potential portfolio optimization efforts to offset equity financing needs, and anticipated 4Q20 COVID-19 impacts.

- **Outlook remains constructive.** We continue to see growth as attractive relative to peers and subject to manageable execution risk, with the potential to accelerate a re-weighting toward the company's electric operations through portfolio optimization representing a powerful tool despite standing outside NI's current plan.

- **Conference call details.** NI will host a conference call to discuss 3Q20 results on Monday, November 2, at 11:00 AM EST. Webcast link here.

Table 1: NI 3Q20 Results

Income Statement:	Actual 3Q19	Actual 3Q20	JPM 3Q20E	% Chg Y/Y	% Chg vs JPMe	YoY Drivers
Operating Earnings	108	148	120	38%	23%	Infra replacement programs new rates ($16.7mm), net cost savings ($20.2mm)
Net Income	(2)	36	5	N/A	661%	Higher Other Income (sale of emission reduction credits)
Share Count	374	384	386	3%	-1%	
Operating EPS	**$0.00**	**$0.09**	**$0.01**	**N/A**	**665%**	

Source: Company reports and J.P. Morgan estimates.

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NiSource Inc. (NI, NI US) Price Chart

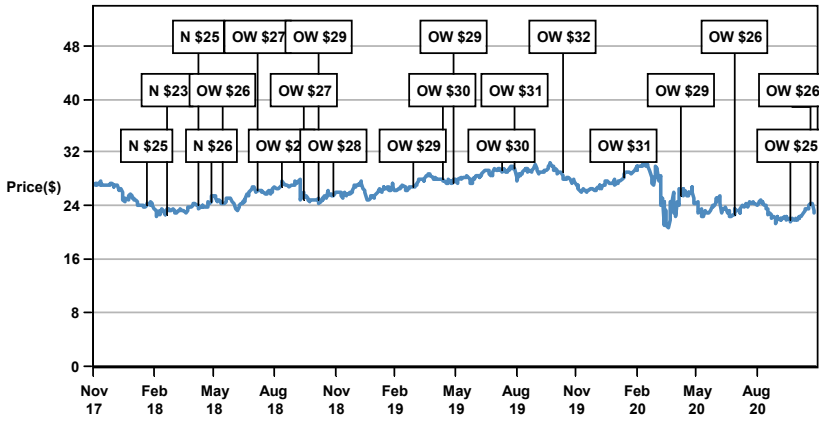

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
24-Jan-18	N	24.17	25
22-Feb-18	N	22.80	23
10-Apr-18	N	24.15	25
02-May-18	N	24.52	26
17-May-18	OW	24.40	26
11-Jul-18	OW	26.24	27
15-Aug-18	OW	26.96	28
17-Sep-18	OW	24.79	27
09-Oct-18	OW	25.05	29
01-Nov-18	OW	25.36	28
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31
09-Apr-20	OW	25.47	29
01-Jul-20	OW	22.74	26
21-Sep-20	OW	21.98	25
23-Oct-20	OW	24.04	26

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Completed 02 Nov 2020 08:47 AM EST Disseminated 02 Nov 2020 08:47 AM EST
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UBS

First Read

NiSource Inc.

Lower Costs Drive the Beat

Strong 3Q and Guidance Reaffirmed
NI reported strong 3Q EPS driven by lower O&M. NI maintained its 2020 capex guidance of $1.7B-$1.8B and 2021 adj EPS guidance of $1.28-$1.36 (incl. $0.05/share impact from COVID). Management noted some modest C&I load impacts from the pandemic which are partially offset by higher residential vols. Additionally, lower costs help mitigate the negative impacts on revenues. During the call, we will listen for an update on the potential impact on gas utility from the pandemic during the heating season and changes in bad debt. On its recent Investor Day, management discussed the hybrid financing of its capex in 2021 and we expect the focus on the call will be on timing and what options is management reviewing. On Oct 21st, NIPSCO announced it will add an incremental 900MWs of renewable generation as part of its transition strategy. NI finalized $850MM of build-transfer agreements with NextEra for 3 Indiana solar & storage projects. During the call, we will also listen for an update on pending regulatory filings, in particular $100.4MM revenue increase request in PA. New rates are expected in January 2021. We expect strong 3Q will be well received by investors.

Results: 3Q EPS Above UBSe/Consensus
NI reported 3Q adj EPS of $0.09 above UBSe of $0.02 and Consensus of $0.03. The beat was primarily driven by lower O&M in Gas Distribution segment. Gas Distribution operating income of $9.7MM was above UBSe of ($9.1MM) loss, while Electric Utility segment op. income was $132.9MM, 3% above UBSe. On Oct 9th, NI completed the sale of the Columbia of MA.

Increasing Estimates
To reflect 3Q earnings, we are increasing 2020E EPS by 5% to $1.37. We are maintaining our 2021/2022E EPS roughly unchanged.

Valuation:
We maintain Neutral rating and $25 PT.

Equities

Americas

Gas Utilities

12-month rating	**Neutral**
12m price target	**US$25.00**
Price (30 Oct 2020)	**US$22.97**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$30.21-20.86
Market cap.	US$8.81b
Shares o/s	384m (COM)
Free float	99%
Avg. daily volume ('000)	919
Avg. daily value (m)	US$21
Common s/h equity(12/20E)	US$4.87b
P/BV(12/20E)	1.8x
Net debt to EBITDA(12/20E)	5.7x

EPS (UBS, diluted) (US$)

	12/20E			
	From	To	%ch	Cons.
Q1	0.76	0.76	0	0.76
Q2	0.13	0.13	0	0.13
Q3E	0.02	0.09	491	0.03
Q4E	0.40	0.38	-3	0.38
12/20E	1.30	1.37	5	1.29
12/21E	1.39	1.39	0	1.34
12/22E	1.46	1.46	0	1.43

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Highlights (US$m)	12/17	12/18	12/19	12/20E	12/21E	12/22E	12/23E	12/24E
Revenues	4,905	5,095	5,184	4,910	5,293	5,507	5,775	6,059
EBIT (UBS)	964	942	1,047	1,088	1,184	1,286	1,432	1,586
Net earnings (UBS)	398	463	495	529	589	659	741	826
EPS (UBS, diluted) (US$)	1.21	1.30	1.32	1.37	1.39	1.46	1.58	1.71
DPS (net) (US$)	0.72	0.79	0.84	0.89	0.95	1.01	1.07	1.13
Net (debt) / cash	(8,973)	(9,892)	(10,374)	(10,649)	(10,648)	(11,494)	(13,170)	(13,664)
Profitability/valuation	**12/17**	**12/18**	**12/19**	**12/20E**	**12/21E**	**12/22E**	**12/23E**	**12/24E**
EBIT (UBS) margin %	19.7	18.5	20.2	22.2	22.4	23.3	24.8	26.2
ROIC (EBIT) %	8.6	7.7	7.9	7.9	8.2	8.0	7.9	7.9
EV/EBITDA (UBS core) x	9.8	10.6	10.6	9.3	8.9	8.5	7.9	7.2
P/E (UBS, diluted) x	20.9	19.4	21.2	16.8	16.5	15.7	14.6	13.4
Equity FCF (UBS) yield %	(11.6)	(14.5)	(1.6)	(5.0)	(12.8)	(145.8)	(3,597.6)	(95,199.7)
Dividend yield (net) %	2.9	3.1	3.0	3.9	4.1	4.4	4.6	4.9

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 22.97 on 30-Oct-2020

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Figure 1: 3Q Results vs UBSe

$ in millions	Actual 3Q20	UBSe 3Q20e	% variance	Actual 3Q19	YoY % change
Financial Data					
Revenues	$897.5	$971.3	*(7.6%)*	$927.9	*(3.3%)*
Cost of Sales	($143.1)	($213.9)	*(33.1%)*	($196.7)	*(27.2%)*
Operating & Maintenance Expenses	($340.1)	($377.2)	*(9.8%)*	($373.4)	*(8.9%)*
Depreciation & Amortization	($195.8)	($192.9)	*1.5%*	($182.2)	*7.5%*
Total Expenses	($606.1)	($640.7)	*(5.4%)*	($623.5)	*(2.8%)*
Interest Expense	($95.2)	($95.1)	*0.1%*	($95.9)	*(0.7%)*
Net Income	$36.3	$6.1	*491.2%*	($1.7)	*(2235%)*
EPS	$0.09	$0.02	*490.7%*	($0.00)	*(2181%)*
Diluted Shares Outstanding	$383.8	$383.5	*0.1%*	$374.1	*2.6%*
Dividend Per Share	$0.220	$0.220	*0.0%*	$0.205	*7.3%*
Segment Operating Income					
Gas Distribution	$9.7	($9.1)	*NA*	($26.4)	*(136.7%)*
Electric Operations	$132.9	$128.7	*3.2%*	$135.4	*(1.8%)*
Total	$148.3	$116.7	*27.1%*	$107.7	*37.7%*

Source: UBS estimates, Company Reports

Figure 2: NI Summary Model

NiSource Inc (NI)											
($ in Millions)	2018	2019	1Q20	2Q20	3Q20e	4Q20e	2020e	2021e	2022e	2023e	2024e
Operating Data											
Customers (000)											
Gas Utilities Customers	3,482	3,510	3,523	3,526	3,520	3,542	3,542	3,575	3,608	3,641	3,674
Electric Customers	472	476	477	477	478	478	478	480	483	485	488
Income Statement											
Revenues	**$ 5,095.1**	**$ 5,184.1**	**$ 1,631.8**	**$ 957.4**	**$ 897.5**	**$ 1,423.1**	**$ 4,909.8**	**$ 5,292.7**	**$ 5,507.2**	**$ 5,775.3**	**$ 6,059.1**
Operating costs & expenses											
(Cost of Sales)	$ (1,759.5)	$ (1,534.8)	$ (462.4)	$ (188.4)	$ (143.1)	$ (415.2)	$ (1,209.1)	$ (1,415.2)	$ (1,470.3)	$ (1,538.9)	$ (1,613.6)
(Operating & Maintenance Expenses)	$ (1,963.4)	$ (1,588.3)	$ (436.5)	$ (338.1)	$ (340.1)	$ (408.6)	$ (1,523.3)	$ (1,504.0)	$ (1,515.9)	$ (1,521.6)	$ (1,526.8)
(Depreciation & Amortization)	$ (596.6)	$ (717.4)	$ (184.3)	$ (197.4)	$ (195.8)	$ (192.8)	$ (770.3)	$ (807.6)	$ (842.5)	$ (878.9)	$ (916.9)
Gain on the Sale of Assets	$ (0.7)	$ -	$ -	$ -	$ -	$ (17.8)	$ (17.8)	$ (65.7)	$ (65.7)	$ (65.7)	$ (65.7)
(Other Taxes)	$ (275.0)	$ (296.8)	$ (85.9)	$ (68.2)	$ (70.2)	$ (76.6)	$ (300.9)	$ (316.2)	$ (327.4)	$ (338.1)	$ (349.7)
Equity Earnings in Unconsolidated Affilates	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ (2,835.7)**	**$ (2,602.5)**	**$ (706.7)**	**$ (603.7)**	**$ (606.1)**	**$ (695.8)**	**$ (2,612.3)**	**$ (2,693.5)**	**$ (2,751.4)**	**$ (2,804.2)**	**$ (2,859.1)**
Operating Income By Division											
Gas Distribution	$ 564.6	$ 632.0	$ 391.6	$ 73.4	$ 9.7	$ 218.7	$ 693.4	$ 761.6	$ 833.1	$ 902.5	$ 979.6
Transmission & Storage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Electric Operations	$ 381.2	$ 401.5	$ 80.0	$ 89.4	$ 132.9	$ 84.5	$ 386.8	$ 422.1	$ 459.5	$ 543.3	$ 626.8
Corporate & Eliminations	$ (3.9)	$ 13.3	$ (8.9)	$ 2.5	$ 5.7	$ 8.9	$ 8.2	$ 0.2	$ (7.1)	$ (13.8)	$ (19.9)
Total Operating Income	**$ 941.9**	**$ 1,046.8**	**$ 462.7**	**$ 165.3**	**$ 148.3**	**$ 312.1**	**$ 1,088.4**	**$ 1,183.9**	**$ 1,285.5**	**$ 1,432.1**	**$ 1,586.5**
EBITDA	**$ 1,538.5**	**$ 1,764.2**	**$ 647.0**	**$ 362.7**	**$ 344.1**	**$ 504.9**	**$ 1,858.7**	**$ 1,991.5**	**$ 2,128.0**	**$ 2,311.0**	**$ 2,503.4**
Other expenses											
Interest Expense	$ (353.3)	$ (378.9)	$ (92.9)	$ (97.0)	$ (95.2)	$ (103.9)	$ (389.0)	$ (372.8)	$ (386.4)	$ (429.2)	$ (475.4)
Other Expense (Income)	$ (96.5)	$ (5.2)	$ 5.4	$ 6.5	$ 8.1	$ (3.0)	$ 17.0	$ (10.0)	$ (10.0)	$ (10.0)	$ (10.0)
Total Other Expenses	**$ (449.8)**	**$ (384.1)**	**$ (87.5)**	**$ (90.5)**	**$ (87.1)**	**$ (106.9)**	**$ (372.0)**	**$ (382.8)**	**$ (396.4)**	**$ (439.2)**	**$ (485.4)**
Income from Before Income Taxes	**$ 477.1**	**$ 607.6**	**$ 361.4**	**$ 61.0**	**$ 47.4**	**$ 191.4**	**$ 661.2**	**$ 746.0**	**$ 834.0**	**$ 937.8**	**$ 1,046.0**
Income Taxes	$ (13.8)	$ (112.9)	$ (70.5)	$ (10.8)	$ (11.1)	$ (40.2)	$ (132.6)	$ (156.7)	$ (175.1)	$ (196.9)	$ (219.7)
Effective Tax Rate	2.9%	18.6%	19.5%	17.7%	23.4%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net income	**$ 463.3**	**$ 494.7**	**$ 290.9**	**$ 50.2**	**$ 36.3**	**$ 151.2**	**$ 528.6**	**$ 589.3**	**$ 658.8**	**$ 740.9**	**$ 826.3**
Diluted Weighted Avg Number of Common Uni	$ 356.4	$ 374.7	$ 383.1	$ 383.5	$ 383.8	$ 393.2	$ 385.9	$ 423.6	$ 450.2	$ 470.4	$ 482.4
EPS	**$ 1.30**	**$ 1.32**	**$ 0.76**	**$ 0.13**	**$ 0.09**	**$ 0.38**	**$ 1.37**	**$ 1.39**	**$ 1.46**	**$ 1.58**	**$ 1.71**
Balance Sheet Summary											
Assets											
Cash and Cash Equivalents	$ 121.1	$ 148.4	$ 213.0	$ 153.6	$ 67.6	$ 151.4	$ 151.4	$ 123.9	$ 179.0	$ 234.1	$ 289.2
Property, Plant and Equipment	$ 15,542.5	$ 16,912.2	$ 15,587.2	$ 15,772.4	$ 16,079.0	$ 15,244.0	$ 15,244.0	$ 16,586.4	$ 18,293.9	$ 20,865.0	$ 21,998.0
Investment in affiliates	$ 86.5	$ 163.7	$ 160.2	$ 163.1	$ 162.2	$ 162.2	$ 162.2	$ 162.2	$ 162.2	$ 162.2	$ 162.2
Total Assets	**$ 21,804.0**	**$ 22,659.8**	**$ 22,592.7**	**$ 22,436.5**	**$ 22,701.5**	**$ 21,950.3**	**$ 21,950.3**	**$ 23,265.2**	**$ 25,027.8**	**$ 27,654.0**	**$ 28,842.2**
Liabilities & Partners' Capital											
Long Term Debt	$ 7,105.4	$ 7,856.2	$ 7,817.9	$ 8,810.2	$ 9,208.9	$ 8,962.5	$ 8,962.5	$ 8,991.1	$ 9,866.3	$ 11,496.9	$ 12,052.0
Partners' Equity	$ 5,750.9	$ 5,986.7	$ 5,741.4	$ 5,661.8	$ 5,424.9	$ 5,734.7	$ 5,734.7	$ 7,023.5	$ 7,829.8	$ 8,669.7	$ 9,253.2
Total Liabilities & Partners' Capital	**$ 21,804.0**	**$ 22,659.8**	**$ 22,592.7**	**$ 22,436.5**	**$ 22,701.5**	**$ 21,950.3**	**$ 21,950.3**	**$ 23,265.2**	**$ 25,027.8**	**$ 27,654.0**	**$ 28,842.2**
Cash Flow Summary											
Changes in Working Capital	$ 110.2	$ (75.1)	$ (158.2)	$ 72.3	$ (82.0)	$ -	$ (167.9)	$ -	$ -	$ -	$ -
Net cash provided by operating activities	$ 540.1	$ 1,583.3	$ 369.9	$ 337.8	$ 150.9	$ 357.8	$ 1,216.4	$ 1,452.1	$ 1,556.4	$ 1,674.9	$ 1,798.4
Capital Expenditues	$ (1,818.2)	$ (1,802.4)	$ (452.1)	$ (367.2)	$ (472.9)	$ (457.8)	$ (1,750.0)	$ (2,150.0)	$ (2,550.0)	$ (3,450.0)	$ (2,050.0)
Net cash provided by investing activities	$ (1,926.1)	$ (1,922.4)	$ (484.6)	$ (402.0)	$ (513.3)	$ 642.2	$ (757.7)	$ (2,150.0)	$ (2,550.0)	$ (3,450.0)	$ (2,050.0)
Net cash provided by financing activities	$ 1,468.7	$ 366.4	$ 179.3	$ 4.8	$ 276.4	$ (916.2)	$ (455.7)	$ 670.4	$ 1,048.7	$ 1,830.2	$ 306.7
Net change in cash	**$ 82.7**	**$ 27.3**	**$ 64.6**	**$ (59.4)**	**$ (86.0)**	**$ 83.8**	**$ 3.0**	**$ (27.5)**	**$ 55.1**	**$ 55.1**	**$ 55.1**
Dividend											
Dividend Per Share	**$ 0.79**	**$ 0.84**	**$ 0.22**	**$ 0.22**	**$ 0.22**	**$ 0.23**	**$ 0.89**	**$ 0.95**	**$ 1.01**	**$ 1.07**	**$ 1.13**
Payout Ratio	60.9%	63.3%	29.0%	168.1%	232.6%	60.5%	65.2%	67.9%	68.7%	67.6%	65.7%

Source: UBS estimates, Company Reports

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Forecast returns	
Forecast price appreciation	+8.8%
Forecast dividend yield	4.0%
Forecast stock return	+12.9%
Market return assumption	5.2%
Forecast excess return	+7.7%

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. Our price target is derived using a sum-of-the-parts P/E valuation.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	50%	31%
Neutral	FSR is between -6% and 6% of the MRA.	38%	29%
Sell	FSR is > 6% below the MRA.	12%	19%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 September 2020.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
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KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. In some cases, this yield may be based on accrued dividends. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

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Company Name	Reuters	12-month rating	Price	Price date
NiSource Inc.[16]	NI.N	Neutral	US$22.97	30 Oct 2020

Source: UBS. All prices as of local market close
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date
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NiSource Inc. (US$)

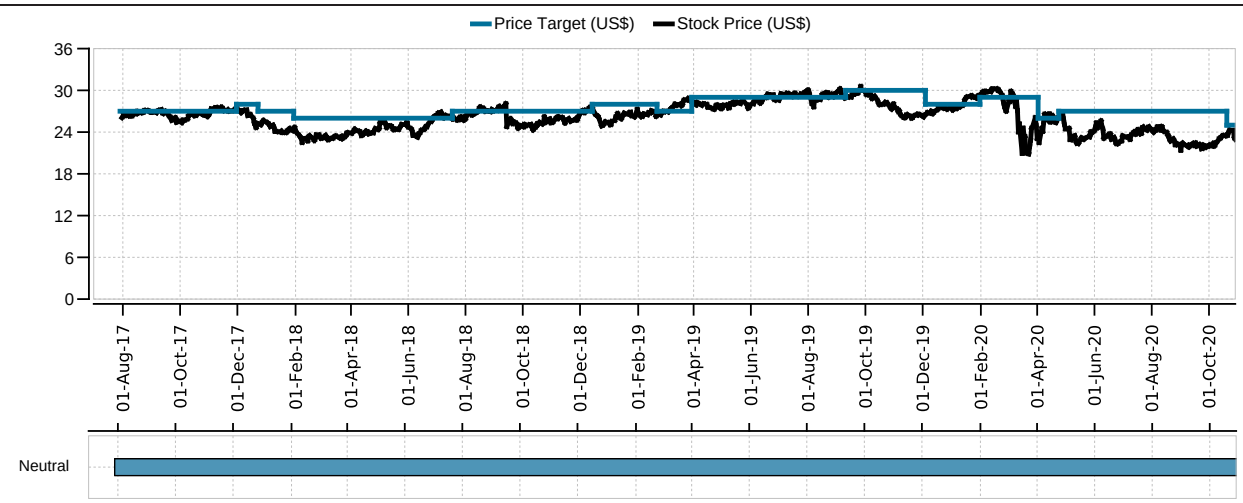

Date	Stock Price (US$)	Price Target (US$)	Rating
2017-07-28	26.07	27.00	Neutral
2017-11-29	27.17	28.00	Neutral
2017-12-22	25.28	27.00	Neutral
2018-01-29	24.22	26.00	Neutral
2018-07-17	26.12	27.00	Neutral
2018-12-13	27.62	28.00	Neutral
2019-02-20	26.28	27.00	Neutral
2019-03-29	28.66	29.00	Neutral
2019-09-09	28.91	30.00	Neutral
2019-12-03	26.41	28.00	Neutral
2020-01-30	29.10	29.00	Neutral
2020-04-01	23.06	26.00	Neutral
2020-04-23	25.85	27.00	Neutral
2020-10-19	23.47	25.00	Neutral

Source: UBS; as of 30-Oct-2020

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November 2, 2020

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NI – 3Q Earnings Beat; Renewables Projects Taking Shape, COVID Remains Factor to Watch Headed into Heating Season

Key Message: NiSource reported 3Q20 earnings, beating Guggenheim and consensus estimates. Mgmt. reiterated LT EPS growth, FY21 EPS guidance, and capital spending that were updated at the investor day a month ago. Mgmt. continues to make progress on its renewable generation additions at NIPSCO – three more projects were announced with more coming before yearend. Mgmt. continues to forecast conservatively for FY21 EPS guidance, and COVID impacts during the heating season in 4Q will give us a better sense of FY21.

Key takeaways: NI reported 2Q20 adj. EPS of $0.09 vs. Guggenheim at $0.04 and Street at $0.03 driven mainly by higher operating earnings at the gas distribution segment and roughly flat operating earnings at the electric segment YoY. **Mgmt. reiterated the FY20 capital spending guidance of $1.7B-$1.8B, EPS growth of 5-7% and 7-9% from 2021-2023 and 2021-2024, respectively, and FY21 EPS guidance of $1.28-$1.36 – all consistent with our model.** Three more build transfer solar and storage projects were announced on Oct. 21 and represent $850M of investment in capital investment – NI has announced $1.25B of the $1.8B-$2.0B in renewable investment and the announced projects are working through their respective regulatory processes. There are still five to seven projects in advanced negotiations and we expect more clarity on these projects before yearend – potentially through an 8K. Financing plan reaffirmed with block equity needs in 2022-2023 related to the renewables spending. **When asked about asset sales to mitigate the equity needs, Mgmt.'s commentary around potential portfolio optimization was unchanged – they would look to monetize assets if it were accretive to shareholders. That said, we aren't sure LDC sales could make sense in this environment given the sector's current depressed trading multiples – in other words, we aren't certain whether selling an LDC, that is earnings accretive and a perpetual cashflow generator, at trough multiples to simply mitigate some NT equity needs is the most efficient use of capital.**

Continued progress on renewable projects at NIPSCO – three more projects announced recently with $550M-$750M in projects still under negotiation. NI has $0.4B in approved projects, $850M in projects awaiting approval and $550M-$750M in projects in advanced commercial negotiations. The tax equity investment totals ~$1.0B and will be additive to rate base over time as the tax equity partners farm out the benefits. Since the 2Q20 call, Indiana Crossroads, the 300 MW build transfer wind project, has commenced construction. Rosewater and Jordan Creek are still under construction and mgmt. expects them to be in-service by the end of the year. Brickyard Solar, 200 MW PPA, Greensboro Solar, 130 MW PPA, Dunns Bridge I Solar, 265 MW build transfer, Dunns Bridge II Solar, 510 MW build transfer, and Cavalry Solar, 260 MW build transfer are still awaiting regulatory approval. There are five to seven projects in advanced negotiations, mostly solar. We look forward to an update on additional projects before yearend.

Base capital plan remains strong with a majority of the investment recovered within 18 months. The updated capital plan includes spending on safety and modernization of $8.1B-$8.5B from 2021-2024, or $1.9B-$2.2B annually. Over 75% of these investments start earning in less than 18 months due to favorable regulatory mechanisms in NI's service territories.

Managing the COVID-19 impact through cost cutting and regulatory support. The impacts of COVID-19 in 3Q were mostly in line with mgmt.'s expectations. YoY for the third quarter, residential, commercial, and industrial gas margins were $0.3M, $(1.8M), and $(0.8M) while residential, commercial, and industrial electric margins were $5.8M, $(3.1M), and $(1.3M). The impact of COVID-19 on 3Q20 EPS was ~$(0.01), offset with cost cutting

NI **BUY**

NiSource Inc.
Sector: Power, Utilities & Alternative Energy

Earnings Release

Share Price	$22.97
Price Target	$27.00

EPS ($) (FY DEC)	1Q	2Q	3Q	4Q	FY
2020	0.76	0.13	0.09	0.35E	1.32E
Prior	—	—	*0.04*	*0.39E*	*1.31E*
P/E					17.4x
2021	0.80E	0.14E	0.03E	0.38E	1.35E
Prior	*0.77E*	*0.12E*	*0.06E*	*0.40E*	—
P/E					17.1x
2022	0.86E	0.16E	0.05E	0.41E	1.47E
Prior	*0.82E*	*0.14E*	*0.08E*	*0.44E*	—
P/E					15.7x

Market Data

52-Week Range	$19.56 - $30.46
Dividend	$0.89
Dividend Yield	3.9%
Market Cap (M)	$8,798
Shares Out (M)	383.0
ADV (3 mo; 000)	3,117

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and regulatory support. Mgmt. still expects a gradual recovery of the economy into 2021. **Mgmt. still expects ~$(0.05) of COVID-19 impact into 2021 – roughly $0.03 gas and $0.02 electric.** The impacts will be critical to keep an eye on as we move through the winter heating season. **Mgmt. has not seen an impact to date in the fourth quarter**. NI has bad debt or incremental COVID-19 expense trackers in most states and is not pursuing any more regulatory support, but that may change depending on the impact of the pandemic.

Financing plan put together with investment grade credit metrics in mind – flexibility built into plan. Mgmt. reiterated its financing plan that was updated at the investor day. As a reminder, mgmt. broke down capital needs between core investments in safety and modernization and investments in renewables. Mgmt. assumes issuing $230M-$350M annually between 2021 and 2023 through ATM and ESPP/401K/Other and $500M-$700M in LT debt annually from 2022-2024 to support core capex. The renewables investments will be funded by $600M-$1,000M in hybrids, convertibles, etc., in 2021, block equity issuance of $500M-$700M total in 2022-2023, and LT debt of $500M-700M total in 2022-2023. **Though the midpoints of the renewables equity stipulate $1.4B, mgmt. confirmed that they are targeting $1.2B, or ~60%.** The capital structure of the issuances gives us some insight into what NI may ask for in the 2023 rate case. **Mgmt. stated they have flexibility in the financing plan to potentially look at a forward equity issuance to remove the pricing overhang.** LT adj. FFO/total debt target ~14-15% and investment grade credit metrics continue to be a focus for mgmt. Liquidity is sufficient and there are no significant refinancing needs over the plan.

What about portfolio optimization? Messaging unchanged from the analyst day… Mgmt. continuously reviews its assets and said it would not be opposed to divesting additional LDCs if it is accretive for shareholders. Mgmt. does not assume any portfolio optimization in its financing plan but additional LDC and noncore asset sales could offset some financing needs. Mgmt. stated that any sale would have to be value-add to shareholders and, in our view, this may be a tall task given where LDCs trade at this time; however, certain players may be willing to pay up. If mgmt. were to divest any of its gas operations, they would essentially be swapping gas for electric, which could be multiple accretive in this market. **The CMA transaction was closed on Oct. 9.**

NI reported 3Q20 adj. EPS of $0.09 vs. $0.00 in 2019. Gas segment operating earnings were up ~$36.1M YoY driven by new rates from infrastructure replacement programs and Columbia of Ohio's CEP, customer growth, lower employee and administrative expenses, and lower outside service costs partially offset by the effect of lower C&I demand, and decreased late payment fees and reconnection fees. Electric segment earnings were lower by ~$2.5M YoY driven by the effect of lower C&I usage, higher depreciation rates, higher outside service costs, and increased material and supplies cost partially offset by new rates from the base rate proceeding and higher residential demand.

We are raising our FY20 EPS estimate to account for 3Q actuals. We maintain our FY21-FY23 estimates.

EPS($)	1Q	2Q	3Q	4Q	FY
2020E	0.76A	0.13A	0.09A	0.35E	**1.32E**
Prior	*0.76A*	*0.13A*	*0.04E*	*0.39E*	*1.31E*
2021E	0.80E	0.14E	0.03E	0.38E	**1.35E**
Prior	*0.77E*	*0.12E*	*0.06E*	*0.40E*	*1.35E*
2022E	0.86E	0.16E	0.05E	0.41E	**1.47E**
Prior	*0.82E*	*0.14E*	*0.08E*	*0.44E*	*1.47E*
2023E	0.89E	0.19E	0.09E	0.42E	**1.59E**
Prior	*0.86E*	*0.17E*	*0.11E*	*0.45E*	*1.59E*

Source: Guggenheim Securities, LLC estimates, company filings

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Valuation

We apply an 18x multiple on the electric utility and 21x multiple on the gas LDCs. We arrive at our valuation utilizing a sum-of-the parts analysis, based on: (1) ~$10/share for the regulated electric utility; (2) ~$20/share value for the regulated gas segment given the limited spread from LDCs after recent market volatility; and (3) (~$-3)/share for other adjustments for Corp and Other. We use this sum of the parts to arrive at our $27 valuation.

Risks

The primary risk on the regulated utility encompass the traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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POWER, UTILITIES & ALTERNATIVE ENERGY

NISOURCE INC. **November 2, 2020**

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Rating and Price Target History for: NiSource Inc. (NI) as of 10-30-2020

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NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Guggenheim Securities, LLC policies.

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NEUTRAL	140	35.81%	6	4.29%
SELL	6	1.53%	0	0.00%

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November 2, 2020 | Equity Research

WELLS FARGO SECURITIES

NiSource Inc.

NI: Rebuilding The Track Record

Overweight / $27

Natural Gas LDCs

Price Target Change

- Summary. In the month since NI's 9/29 Investor Day (takeaways here), the company has announced progress on multiple fronts. First and foremost, NI and ES closed on the CMA transaction on 10/9, which also resolves the state investigations into the 2018 Greater Lawrence event. Further, on 10/21, the company announced three renewable build-transfer agreements with NEE. While both of these items are consistent with the plan, we are encouraged to see progress; we view the re-building of the company's track record as one of the key drivers to our positive thesis. Moving forward, we look for NI to (1) execute on near-term financial targets including 2021 EPS guidance of $1.28-1.36, (2) secure approvals for announced renewable projects, (3) finalize agreements related to outstanding renewable capex plans and, last but certainly not least, (4) secure equity financing and/or execute on asset sales to mitigate equity needs – could be a multi-year process.

  We reiterate our Overweight rating as we see a path for NI to garner a premium multiple relative to gas/electric peers (versus the current 2-3% discount) supported by above-average EPS growth prospects and supportive regulatory constructs. No change to our '20-24E EPS of $1.26, $1.32, $1.40, $1.50 & $1.66, respectively. We increase our price target to $27/sh (19X on our `22E) from $25/sh on higher peer group multiples since our last update. Key risks to our thesis include a greater than expected COVID impacts on sales in the winter heating season, operational/event risk (pipe incidents), unexpected cost pressures, and negative regulatory/political developments (pushback on renewable proposals, anti-gas policies, etc.).

- Renewable Additions. Since the analyst day update, NI announced plans to add 900 MWs of renewables via the Dunns Bridge I, Dunns Bridge II and Cavalry Solar Energy Centers. The company executed build-transfer agreements with NEE and the projects are to be operational in the 2022-2023 time frame. NI will own the projects, which total ~$850mm of capital investment for the company, via JV tax equity arrangements. NI plans to submit regulatory filings for the new projects by year-end. As a reminder, NI targets $1.8-2.0B of renewable investment through 2023 (net of JV/tax equity financing) – $0.4B has been approved, $0.8B is backed by finalized agreement subject to regulatory approval, and $0.6-0.8B remain in the negotiation phase.

- Comments Continue on Page 2.

$	2019A	2020E		2021E	
EPS		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	0.82	0.76 A	NC	NE	
Q2 (June)	0.05	0.13 A	NC	NE	
Q3 (Sep.)	0.00	0.09 A	0.02	NE	
Q4 (Dec.)	0.45	0.28	0.35	NE	
FY	1.32	1.26	NC	1.32	NC
CY	1.32	1.26		1.32	
FY P/EPS	17.7x	18.6x		17.7x	
Rev.(MM)	5,184	5,283		5,101	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile
non gaap

Ticker	NI
Price Target/Prior:	$27/$25
Price (11/02/2020)	$23.41
52-Week Range:	$19-31
Shares Outstanding: (MM)	383.0
Market Cap.: (MM)	$8,966.0
S&P 500:	3,298.59
Avg. Daily Vol.:	3,415,090
Dividend/Yield:	$0.84/3.6%
LT Debt: (MM)	$9,208.9
LT Debt/Total Cap.:	54.4%
ROE:	9.0%
3-5 Yr. Est. Growth Rate:	8.0%
CY 2020 Est. P/EPS-to-Growth:	2.3x
Last Reporting Date:	11/02/2020 Before Open

NC = No Change
Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Please see page 3 for rating definitions, important disclosures and required analyst certifications. All estimates/forecasts are as of 11/02/20 unless otherwise stated. 11/02/20 15:23:02 ET

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- COVID Comments. YTD, COVID has had an EPS impact of negative $0.07 *before* cost and regulatory offsets. While we are encouraged by the company's ability to manage the impacts thus far, NI highlighted that the financial implications on gas sales have not yet been observed in the winter months – further, many of the LDCs have residential decoupling (and/or high fixed charges), which suggests that higher residential sales will not necessarily provide a meaningful offset to lower C&I volumes. Mgmt. continues to forecast a $0.05 COVID impact in 2021.
- Equity Needs. NI affirmed previously communicated equity financing plans including $600-1,000mm of hybrids/convertibles in '21E and $500-700mm of aggregate block equity during the period '22-23E on top of ongoing plans ($200-300mm annually under the ATM '21-23E and $30-50mm annually under employee/other programs). The company is in the process of assessing the lowest cost sources of equity, which could include asset/system sales. Management clarified that portfolio optimization is not new to the story and will be considered in the context of what is optimal for shareholder value and credit quality.

Acronyms
ATM – At-the-Market
C&I – Commercial & Industrial
CMA – Columbia Gas of MA
JV – Joint Venture
MW – Megawatt

Price Target

Price Target: $27 from $25

Our price target is based on a P/E multiple analysis (apply a 5-7% premium to the blended gas/electric peer group multiple of ~18X on our '22E EPS). Risks include lower than expected sales growth, unfavorable regulatory developments, and unexpected cost pressures.

Investment Thesis

We rate shares Overweight. We are attracted to NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment.

Company Description

Based in Merrillville, Indiana, NiSource, Inc. is a holding company with regulated gas (64%) and electric (36%) utility operations across seven states. The company's Gas Distribution Operations serve 3.5 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. The Electric Operations consist of a vertically-integrated utility serving approximately 500 thousand customers in northern Indiana. On July 1, 2015, NiSource completed the separation of Columbia Pipeline Group (CPG) from NiSource via the distribution of one share of CPG common stock for every share of NI common stock.

Required Disclosures

NiSource Inc. (NI) 3-yr. Price Performance

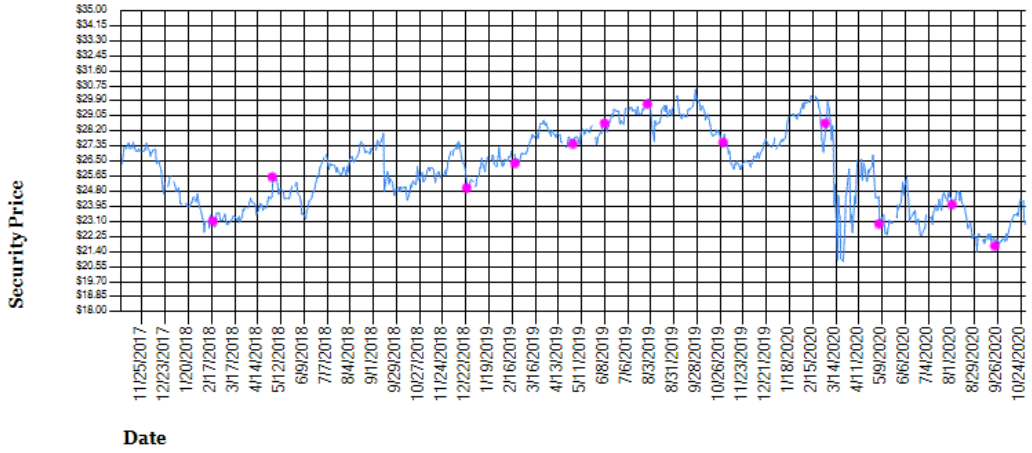

Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
10/30/2017		Akers				
10/30/2017	NA	1	30	NE	NE	26.25
2/20/2018	22.99	1	26	NE	NE	23.02
5/3/2018	25.38	1	28	NE	NE	25.57
12/24/2018	26.05	1	29	NE	NE	24.89
2/20/2019	26.28	1	30	NE	NE	26.28
5/1/2019	27.41	1	31	NE	NE	27.40
6/9/2019	28.54	1	32	NE	NE	28.54
7/31/2019	29.79	1	33	NE	NE	29.69
10/30/2019	27.29	1	31	NE	NE	27.51
3/2/2020	27.02	1	30	NE	NE	28.56
5/6/2020	23.07	1	27	NE	NE	22.92
8/3/2020	23.98	1	28	NE	NE	23.98
9/24/2020	21.61	1	25	NE	NE	21.65

*Effective December 7, 2019, Wells Fargo Securities' Equity Research modified its ratings definitions. Complete definitions of current ratings can be found below. For information related to prior ratings definitions, please contact equityresearch1@wellsfargo.com.

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Price Target/Val Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ◨ Split Adjustment

Rating Code Key

1	Overweight/Buy	SR	Suspended
2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

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As of: November 2, 2020

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November 2, 2020 | 19:56 ET | 19:56 ET~

NiSource Inc

NI-NYSE	Rating	Price: Nov-2	Target	Total Rtn
	Outperform	$23.45	$27.00	19%

Let the Sunshine IN

Bottom Line:

NiSource reported 3Q20 adjusted EPS of $0.09 vs. our/Street's estimate of $0.03. Management reaffirmed 2021 EPS guidance of $1.28-1.36, inclusive of $0.05 of COVID-19 impacts. The company's outlook remains unchanged from its recent investor day in September with a NOEPS CAGR of 5-7% from 2021 to 2023, rising to 7-9% including the full-year impact of its renewable investment in the rate base in 2024 at NIPSCO. **In October, NiSource finalized build transfer agreements with NextEra for three solar and storage projects totaling 900MWs, representing capital investment at NIPSCO of $850mm.**

Key Points

During the quarter, NIPSCO announced it finalized three build transfer agreements with NextEra Energy Resources (NEE; $75.13; Outperform) for 900MWs of solar and storage projects totalling a capital investment of $850mm. The three projects, Dunns Bridge I (265MW, in-service 2022E), Dunns Bridge II (510MW, in-service 2023E), and Cavalary Solar (260MW, in-service 2023E) are expected to begin construction in 2022 and be recovered through rate base in 2023. **Management continues to expect total renewable investments of $1.8-2B at NIPSCO through 2023 with expectations for additional capital investments of $550-750mm.**

With the third quarter a not a meaningful contributor for NiSource (our estimate of ~7% of annual earnings this year), the YoY beat was driven by successful cost and regulatory mitigation efforts. **Year to date, NiSource has largely offset $0.07 of COVID-19 impacts through cost and regulatory mitigation efforts and continues to expect COVID-19 to impact 2021 EPS by $0.05, which is currently reflected in the company's base case guidance of $1.28-1.36.**

The financing plan update given during its September analyst day remains unchanged with expectations to issue total equity of approximately $1.2B from 2021 to 2024 to finance ~60% of the $1.8-2.0B investment in renewables. Our base case assumes $600mm in hybrids in 2021 and $300mm of block equity in 2022 and 2023.

Despite its decarbonizing profile and visible gas infrastructure growth, we acknowledge the valuations for pure-play gas distribution companies continue to come under pressure, which will create a headwind for the re-rating of the stock. **We reiterate our Outperform rating and $27 target price, which reflects our longer-term view that with consistent execution and the company's above-average growth profile, NiSource still represents an attractive relative value opportunity.**

Key Changes		
	Estimates	Q4 / 20E
	EPS	$0.32
	Previous	*$0.38*

Please refer to pages 5 to 8 for Important Disclosures, including Analyst's Certification.

IN Fact

BMO Capital Markets

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Company Data			in $
Dividend	$0.84	Shares O/S (mm)	383.0
Yield	3.6%	Market Cap (mm)	$8,982
P/BV	1.7x	Net Debt (mm)	$9,606

BMO Estimates (FY-Dec.)	2019A	2020E	2021E
EPS	$1.32	$1.30	$1.33
DPS	$0.80	$0.84	$0.89
EBIT	$1,042	$1,102	$1,172
EBITDA	1,759	1,849	1,945

Consensus Estimates	2019A	2020E	2021E
EPS		$1.29	$1.34

Valuation	2019A	2020E	2021E
P/E	17.8x	18.1x	17.6x
Div. Yield (%)	3.4%	3.6%	3.8%

QTR. EPS	Q1	Q2	Q3	Q4
2019A	$0.82	$0.05	$0.00	$0.45
2020E	$0.76a	$0.13a	$0.09a	$0.32
2021E	$0.81	$0.06	$0.05	$0.41

Our Thesis

We like several aspects of NI following the sale of Columbia Gas of Massachusetts and removal of the previously guided $500-700mm equity issuance overhang, which we believe meaningfully de-risked the story.

BMO Capital Markets

NiSource - Block Summary Model

Income Statement	2019A	2020E	2021E
Electric Operations	402	418	440
Gas Distribution	632	676	723
Parent & Other	13	13	13
Consolidated EBIT	1,042	1,102	1,172
Depreciation & Amortization	717	747	773
EBITDA	1,759.30	1,848.93	1,944.64
Interest Expense	379	411	408
Income Tax	113	123	135
Income from continuing operations	495	503	533
Weighted Average Shares Outstanding	376	388	400
Diluted Operating EPS	$1.32	$1.30	$1.33
Dividends per Share	$0.80	$0.84	$0.89
Cash Flow Statement	**2019A**	**2020E**	**2021E**
Operating Cash Flow	1,750	1,417	1,366
Investing Cash Flow	(1,988)	(670)	(2,050)
Financing Cash Flow	154	519	513
Net Change in Cash Flow	(84)	1,266	(171)
EOP Cash on Balance Sheet	37	1,303	1,132
Common stock (net)	34	360	948
Net debt issued/(repaid)	494	500	(64)
Dividends paid	(301)	(326)	(356)
Balance Sheet	**2019A**	**2020E**	**2021E**
Common Equity	5,326.5	6,044.0	7,249.5
Preferred Equity	880.0	880.0	880.0
Total Debt	9,643	10,143	10,079
Enterprise Value	$20,207	$20,353	$20,800
Common equity %	33.6%	35.4%	39.8%
Preferred equity %	5.6%	5.2%	4.8%
Total Debt %	60.8%	59.4%	55.4%
Book Value per Share	$16.51	$17.84	$20.33

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

Our $27 target price is the product of a P/E-based sum of the parts. We utilize a regulated average multiple using 2022E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook. For NI, we have removed EPS for its MA gas business from our P/E valuation and instead include only the asset value (1x equity rate base) in our SOTP framework.

Upside Scenario $29.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario $19.00

Our downside scenario reflects a tightening monetary policy and a deceleration of the company's rate base growth.

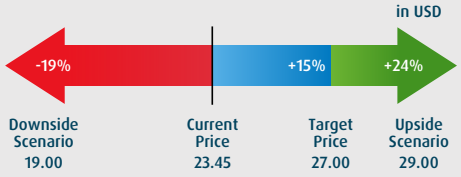

Key Catalysts

Initial indicative pricing in its second renewable RFP in IN. Potentially, capital spending and growth rate update in 2H20 given clarity in the aforementioned RFP and recent rate orders in MA and IN.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

November 2, 2020

BMO Capital Markets

Exhibit 1: Model Summary

NI Model Summary	2019	2020	2021	2022	2023	2024
EPS By Segment						
Electric Operations	$0.78	$0.79	$0.81	$0.87	$0.97	$1.12
Gas Distribution	$1.12	$1.15	$1.14	$1.18	$1.18	$1.20
Corporate & Other	($0.58)	($0.64)	($0.62)	($0.66)	($0.64)	($0.65)
Consolidated E.P.S.	**$1.32**	**$1.30**	**$1.33**	**$1.38**	**$1.52**	**$1.66**
Dividend per share	**$0.80**	**$0.84**	**$0.89**	**$0.94**	**$1.00**	**$1.06**
Payout Ratio total	60.8%	64.8%	66.8%	68.3%	66.0%	63.7%
Dividend Yield	2.9%	2.9%	3.0%	3.2%	3.4%	3.6%
Valuation Metrics						
Price to Earnings	21.2x	22.6x	22.0x	21.2x	19.3x	17.6x
Price to Book Value	1.7x	1.6x	1.4x	1.3x	1.3x	1.3x
Funding Sources						
Cash Flow from Operations	$1,750	$1,417	$1,366	$1,447	$1,577	$1,834
Total Debt Financings	$750	$500	$0	$1,300	$700	$600
Total Equity Financings	$34	$360	$948	$648	$648	$348

Source: BMO Capital Markets, Company Filings

Exhibit 2: Key Assumptions

Key Model Assumptions	2019	2020	2021	2022	2023	2024	5-Year
Total Capital Expenditures by Segment							
Electric Operations	$469	$500	$500	$500	$500	$500	**$2,500**
Gas Distribution	$1,380	$1,270	$1,400	$1,400	$1,700	$1,500	**$7,270**
Consolidated Capital Expenditures	**$1,849**	**$1,770**	**$1,900**	**$1,900**	**$2,200**	**$2,000**	**$9,770**
YE Rate Base Estimates							
NIPSCO Electric	$4,866	$5,357	$5,901	$6,704	$8,038	$8,188	*11.0%*
Columbia Gas of Ohio	$3,106	$3,401	$3,782	$4,150	$4,632	$5,003	*10.0%*
Columbia Gas of Pennsylvania	$1,883	$2,062	$2,293	$2,517	$2,808	$3,034	*10.0%*
NIPSCO Gas	$1,660	$1,818	$2,022	$2,219	$2,476	$2,675	*10.0%*
Columbia Gas of Massachusetts	$1,098	$1,203	$0	$0	$0	$0	
Columbia Gas of Virginia	$789	$864	$961	$1,055	$1,177	$1,271	*10.0%*
Columbia Gas of Kentucky	$338	$369	$411	$451	$503	$543	*10.0%*
Columbia Gas of Maryland	$136	$150	$166	$183	$204	$220	*10.1%*
Total Rate Base	**$13,876**	**$15,224**	**$15,536**	**$17,279**	**$19,838**	**$20,933**	***8.6%***

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

Exhibit 3: SOTP Valuation

Regulated, Corporate & Other	Valuation Metric	2022E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Electric Operations	EPS	$0.87	Electric	18.9x	+5.0%	19.8x	15.9x	$14	19.8x	$17	21.8x	$19
Gas Distribution	EPS	$1.18	Natural Gas	15.8x	+5.0%	16.6x	12.8x	$15	16.6x	$19	18.6x	$22
Coporate & Other	EPS	($0.66)	Blend	17.1x	+0.0%	17.1x	17.1x	($11)	17.1x	($11)	19.1x	($13)
Utility & Parent Value		**$1.38**					12.7x	**$18**	18.4x	**$25**	20.4x	**$28**
		'19 Rate Base	Equity %	Equity								
Columbia Gas of Massachusetts		$1,100	47%	$517		1.0x	1.0x	$1.24	1.0x	$1.24	1.0x	$1.24
Total NiSource Inc.								**$19**		**$27**		**$29**
Upside/(Downside)								-20.0%		13.7%		25.5%
Current Yield								2.9%		2.9%		2.9%
Total Return								**-17.1%**		**16.5%**		**28.3%**

Source: BMO Capital Markets, Company Filings

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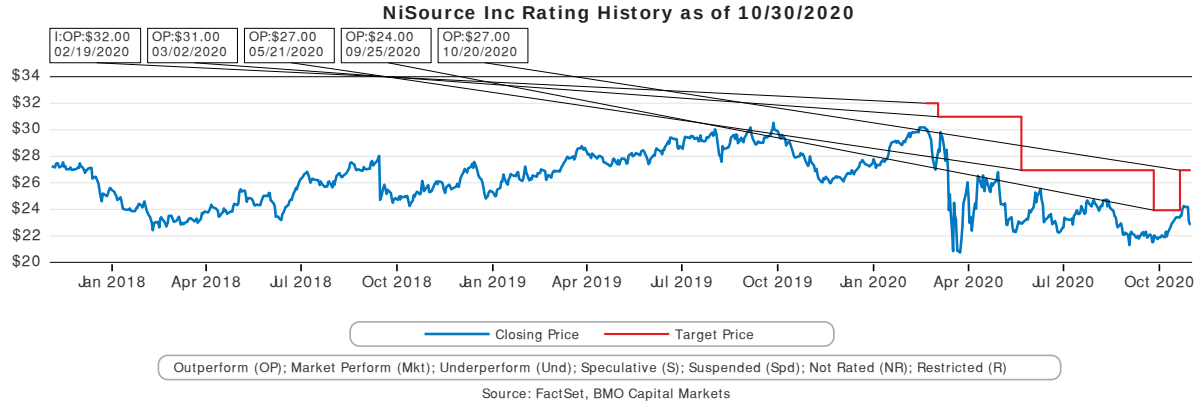

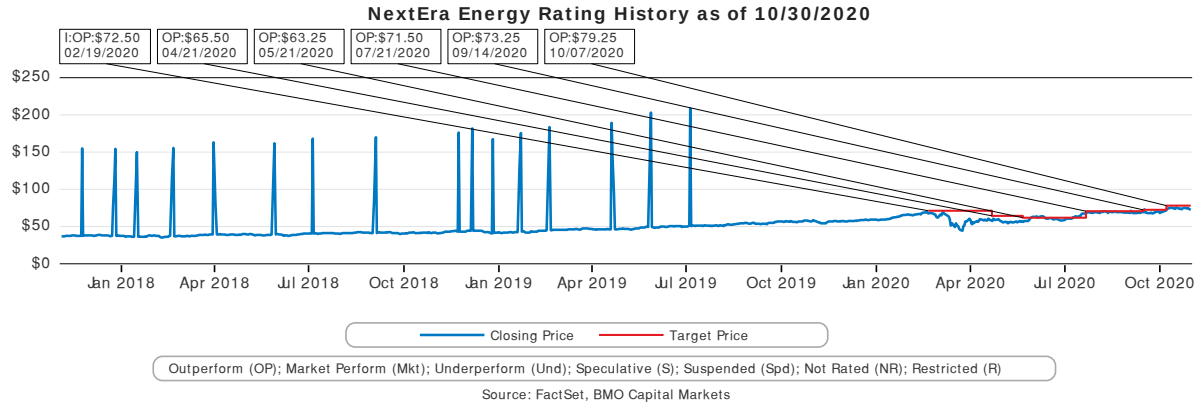

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Methodology and Risks to Target Price/Valuation for (NEE-NYSE)

Methodology: Our $317 target price is arrived at using a sum-of-the-parts methodology. Our framework begins with the relevant sector average P/E and EBITDA multiple using 2022E EPS as a base, which we then adjust (premium, discount, or no change) to reflect the relative fundamentals of that segment.

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Risks: NEE's regulated electric and gas distribution companies are subject to numerous state and federal regulatory agencies that determine the rates they can charge for their services. Utility businesses are highly correlated to interest rate movements. NEE's development of solar and wind generation assets are often dependent on the presence of Federal and State Tax incentives that may not be renewed. NEE owns and operates multiple nuclear generation assets that are subject to Federal and State regulatory on operational and safety standards.

Methodology and Risks to Target Price/Valuation for NiSource Inc (NI-NYSE)

Methodology: Our $27 target price is the product of a P/E-based sum-of-the-parts (SOTP) analysis of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2022E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook.

Risks: NI's regulated profile exposes the company to business risk including but not limited to federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

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Buy	Outperform	47.2 %	28.2 %	53.5 %	49.0 %	56.4 %	57.7%
Hold	Market Perform	50.5 %	21.8 %	44.2 %	48.6 %	42.2 %	37.5%
Sell	Underperform	2.3 %	25.0 %	2.3 %	2.3 %	1.4 %	4.8%

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(April 2013 - October 2016)
http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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EVERCORE ISI

Energy | Power & Utilities

November 02, 2020

NiSource Inc

NI | $22.97

Outperform | TARGET PRICE: $26.00

Earnings Report

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Company Statistics

Market Capitalization (M)	$11,128
Shares Outstanding (M)	383
Dividend	0.80
Dividend Yield	2.8%
Payout Ratio	63.6%
Expected Total Return	(7.8)%
Fiscal Year End	Dec

Earnings Summary

	2020E	2021E	2022E
EPS	**$1.26**	**$1.34**	**$1.41**
P/E	**23.1**	**21.7**	**20.7**
EPS vs Consensus	**(5.9)%**	**(5.0)%**	**(6.7)%**
Consensus EPS	**$1.34**	**$1.41**	**$1.51**
Consensus P/E	**21.7**	**20.6**	**19.3**

1 Year Price History

Source: FactSet

Compelling Re-Rate Story

Strong Q3 adjusted EPS beat. NI posted $0.09 in Q3'20 operating EPS versus consensus of $0.03 and our estimate of $0.05/share. Earnings increased $0.09/share YoY driven by cost management and regulatory mitigation efforts. Note that the third quarter does not contribute significantly to NI's full-year EPS results (we estimate 7% of our total estimate this year) because it occurs in the off-peak months of gas demand. NiSource maintained its 2021 EPS guidance of $1.28-1.36/share, which includes -$0.05 impact from COVID. As expected, the company reaffirmed all of its long-term EPS, capex and financing guidance in 2021 through 2024 that it announced at its recent Investor Day on Sept. 29th. Recall NiSource recently announced build transfer agreements with NEE for three Indiana solar projects, representing capex of $850mm, which had already been contemplated in its plan. The projects are expected to be under construction by 2022 and placed into service in 2022 and 2023. The company is also in advanced negotiations for another 5-7 renewable projects that are expected to complete the remaining $550-750mm of its renewable capex plans through 2024. Announcements on projects are likely to come as they progress between now and year-end. Separately, as previously announced, NI closed on its sale of MA assets on Oct. 9th, with net proceeds of $1.1bn used to pay down its term loan and other short-term debt. Lastly, NiSource did not comment meaningfully on asset sales, a topic that has gained investor interest since NI pointed out at its Analyst Day that its financing plan does not include any "portfolio optimization."

We see NI benefitting from a potential tax rate increase under Biden. Biden's tax proposal calls for raising federal income tax (FIT) rate from 21% to 28%. NI is a 100% regulated utility, so a higher FIT rate doesn't lower profitability and should be passed through to customers in the form of higher rates. This increase in tax collections would raise holding company cash flow. This will lower parent financing costs and strengthen credit metrics. A higher FIT rate results in lower parent because of a larger tax shield. In our Biden note we estimated increase in the FIT rate under a potential Biden presidency could result in 3.0% EPS accretion in 2022 (vs group average of 0.7% accretion).

We continue to see support for a compelling re-rate story. NI has struggled with EPS growth since the Massachusetts incident and EPS is expected to be essentially flat between 2018 and 2021. We expect the stock to re-rate with the Massachusetts divestiture now behind NiSource and now that strong growth expectations have been reset off of a 2021 baseline. NI has historically traded at a premium (call it merger-related or gas LDC) and is now at a ~10% discount. As we pointed out earlier we see NI as a relative winner under a potential Biden administration.

Risk/reward is palatable. We are maintaining our 2020-2022 EPS forecast of $1.26 / $1.34 / $1.41 and our price target of $26 using our SOTP. We believe the stock underperformance the last six months presents an attractive entry point with a total return profile of >15% at our target. Our bear case derives a $21 target while our bull is $28.

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2020 Investor Day Highlights

EPS growth and dividend forecast: NiSource now expects to deliver a back-end loaded 7-9% net operating EPS CAGR in 2021 through 2024. Notably, the annual EPS growth is forecasted to be 5-7% in 2021 through 2023. The company is targeting a long-term 60-70% dividend pay-out ratio.

Capital program and rate base growth: NiSource announced $40 billion in infrastructure investment opportunities over 20 years, an increase of $10 billion over prior expectations. The company outlined a $9.9-10.5 billion capital plan in 2021 through 2024, which is expected to drive a 10-12% rate base CAGR. Gas currently represents roughly 65% of rate base while electric is 35%, but the mix is expected to shift more towards electric over the coming years with $400-600 million of base electric investments and $1.8-2.0 billion of renewable generation opportunities primarily in 2022 and 2023. The capital forecast is comprised of 60% gas infrastructure & asset modernization, 20% renewable investments and 20% electric infrastructure & asset modernization. Specifically, NI's capex forecast for 2021-2024 is $2.0-2.3 / $2.4-2.7 / $3.3-3.6 / $1.9-2.2 billion, which has a meaningful increase in 2023 due to the renewable investments. Roughly $5.5-5.7 billion is expected to be recovered through tracker mechanisms in less than 18 months, $1.9-2.0 billion on maintenance/other to be recovered through periodic rate cases and $0.7-0.8 billion of growth investment to be recovered in less than 3 months. The renewables investment is expected to be recovered in a 2023 electric rate case with rates anticipate to be effective in 2H 2023.

O&M forecast: NiSource's "Next" initiative and the Columbia Gas of Massachusetts sale are projected to drive an 8% reduction in O&M costs in 2021 from 2020. Subsequently, O&M is expected to be "relatively flat" in 2021 through 2024. Cost initiatives under way include voluntary separation program savings and the following improvements identified: streamlined organization structure, evolved business services, work standardization, greater field mobility and connected customer experience. Modernization-driven fuel and cost reductions are also under way.

Rate increases: NiSource is targeting moderate annual rate increases in the low-to-mid single digit percentage thanks to O&M management and the changing generation mix (i.e. replacing coal with renewables).

Financing strategy: NiSource continues to target a long-term adjusted FFO to debt of 14-15% through a combination of block equity, ATM equity, employee equity, hybrid/convertibles and long-term debt in 2021-2024. The company is targeting renewable investment financing at 60% equity. There are no major debt maturities through the planning horizon in 2021-2024.

Exhibit 1: NiSource financing plan

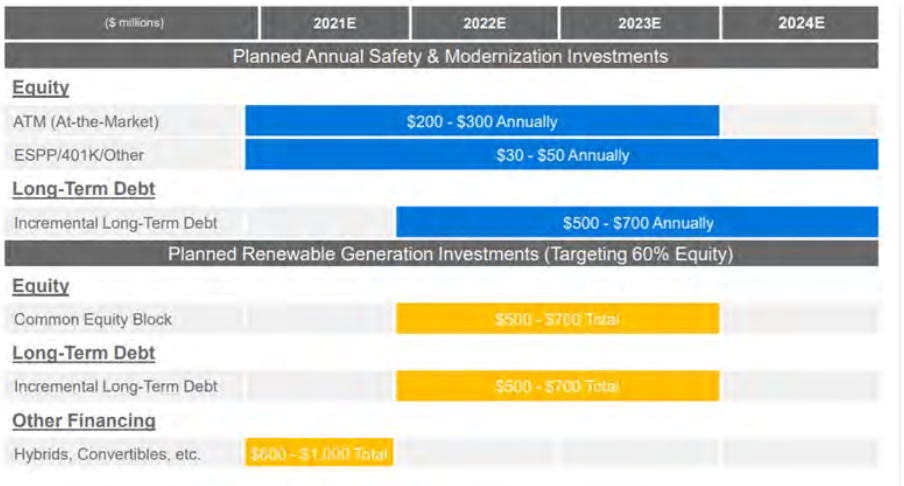

Source: NiSource Analyst Day 2020 Presentation, 9/29/20

Long-term supply mix: As outlined in the 2018 IRP, NiSource is targeting a replacement of 80% of coal capacity by 2023, primarily with renewables, and plans to retire all coal by 2028. The company's current generation mix includes 70% coal, 25% gas, 4% other (includes DSM) and 1% renewables. By 2023, NiSource plans to transform the mix to 15% coal, 25% gas, 7% other (includes DSM) and 53% renewables. By 2028, the mix is expected to be comprised of 0% coal, 24% gas and 12% other (includes DSM). The retirement of coal and the mix of renewable joint ventures and purchase power agreements are expected to drive $4 billion of customer savings over 30 years, including a $105 in average annual savings per household. Roughly $400 million of the $1.8-2.0 billion renewable investments planned through 2023 are approved projects with the remaining $1.4-1.6 billion under negotiation. Greenhouse gas emissions are anticipated to be reduced by 90% by 2030 when compared to a 2005 baseline.

Estimates and Price Target Derivation

Maintaining our 2020-2022 EPS estimates and price target: Our 2020-2022 EPS forecast remains $1.26 / $1.34 / $1.41. Recall that NiSource rescinded 2020 EPS guidance with the sale of Massachusetts and has not reissued it. Our 2021 EPS estimate is slightly above the midpoint of $1.28-1.36 guidance and our 2022 EPS forecast is within the 5-7% annual growth forecast through 2023. Specifically, we assume NIPSCO electric takes the brunt of the COVID impact and earns an 8.9% ROE this year, increasing to 9.4% next year before modestly under-earning its authorized 9.75% by 2022. For the gas segment, we assume the company modestly under-earns its blended ~10% ROE in 2020 through 2022.

Our price target of $26/share is unchanged. Our bear case derives a $21 target while our bull case is $28/share. Below is a summary of our base, bull and bear case scenarios. See Exhibit 2 on the next page.

- Our base case assumes 2022 EPS of $1.41/share. For the electric business, we assign a 10% premium to our anchor 2022 P/E target multiple of 17.5x. For the gas segment, we apply a 17.9x P/E multiple, an in line multiple current comparable LDC trading multiples. We apply a blended multiple for parent drag.
- Our bull case assumes 2022 EPS of $1.46/share, which is 7% growth over the high end of 2021 guidance. For the electric business, we continue to apply a 10% premium multiple to our anchor 2022 P/E target multiple of 17.5x. For the gas segment, we apply a 19.5x multiple, a 10% premium to current comparable LDC trading multiples. We apply a blended multiple for parent drag.
- Our bear case assumes 2022 EPS of $1.34/share, which is 5% growth over the low end of 2021 guidance. For the electric business, we apply an in line multiple to our anchor 2022 P/E target multiple of 17.5x. For the gas segment, we apply a 14.4x multiple, an in line multiple with a broader group of LDC trading multiples. We apply a blended multiple for parent drag.

Exhibit 2: SOTP Valuation: Base, Bull and Bear Cases

Base Case	'22 EPS	P/E	Val/Shr
Gas EPS	$1.16	17.7x	$20.55
Electric EPS	$0.59	19.3x	$11.37
Parent/Other	($0.34)	18.2x	($6.24)
Consolidated 2022 EPS	**$1.41**	18.2x	**$25.67**

Bull Case	'22 EPS	P/E	Val/Shr
Gas EPS	$1.19	19.5x	$23.21
Electric EPS	$0.61	19.3x	$11.67
Parent/Other	($0.34)	19.4x	($6.64)
Consolidated 2022 EPS	**$1.46**	19.4x	**$28.23**

Bear Case	'22 EPS	P/E	Val/Shr
Gas EPS	$1.12	14.4x	$16.07
Electric EPS	$0.57	17.5x	$9.96
Parent/Other	($0.34)	15.4x	($5.29)
Consolidated 2022 EPS	**$1.34**	15.4x	**$20.74**

Source: EVRISI Research

COVID-19 Exposure

COVID impacts: NiSource has guided to net COVID impacts (after mitigation measures) of $0.00-0.10 EPS hit for both 2020 and 2021. Specifically, the company expects a negative $0.15-0.20 EPS impact in 2020 to be partially offset with mitigation measures of +$0.10-0.15. NiSource expects to cut O&M by 8% next year.

NiSource's sensitivity to load is partly mitigated by fixed rate designs and revenue decoupling/normalization mechanisms.

In electric, a 1% change in load results in a total of $10.1mm impact to earnings, which rounds to $0.03 in EPS. Specifically, in residential electric, a 1% change in load impacts earnings by $3.9mm, which rounds to $0.01 in EPS. In commercial electric, a 1% change in load also impacts earnings by $3.9mm, which rounds to $0.01 in EPS. In industrial electric, a 1% change in load impacts earnings by $2.3mm, which rounds to $0.01 in EPS.

In gas, a 1% change in load results in a $7.4mm impact to earnings. Specifically, in residential gas, a 1% change in load impacts earnings by $3.8mm, which rounds to $0.01 in EPS. In commercial gas, a 1% change in load impacts earnings by $2.4mm, which rounds to $0.01 in EPS. In industrial gas, a 1% change in load impacts earnings by $1.2mm, which rounds to $0.00 in EPS.

Note that these sensitivities are not linear for large or prolonged volume changes.

Pension: NI's pension plan was 99% funded as of September 30th versus 97% as of June 30th. The company's pension expense is not impacted until the pension plans are re-measured, which is not expected until year-end 2020. Every 50 basis point change in the discount rate is expected to impact the expense by $1mm. Every $100 mm change in asset valuation is expected to impact expense by $7mm. NiSource benefits from pension trackers in Massachusetts and deferrals in Ohio and Pennsylvania.

Bad debt expense: NiSource bad debt is primarily recovered in base rates. The company has additional tracker mechanisms (quarterly, semi-annual or annual) across its gas jurisdictions but not in electric.

COVID-specific regulatory items: NiSource received orders in IN, PA, VA, MD and OH allow for deferral of COVID-related expenses and bad debt. Orders in MD, OH and VA allow deferral of COVID-related expenses and bad debt for later recovery. The order in PA allows deferral of bad debt above amounts in base rates for later recovery. The order in IN allows deferral of suspended fees and bad debt for later recovery.

VALUATION METHODOLOGY

To arrive at our $26/share price target we use a SOTP analysis described above.

RISKS

Risks to our thesis include an inability to deploy capital at the company's expected rate resulting in a lower rate base and regulatory pressure resulting in lower allowed ROEs.

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Symbol	Company	Rating	Price (2020-02-11)	Evercore ISI Target
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AEP	American Electric Power	Outperform	$89.93	$95.00
AES	The AES Corporation	Outperform	$19.50	$20.00
AWK	American Water Works Company, Inc.	Outperform	$150.51	$129.00
AWR	American States Water Company	Underperform	$74.69	$60.00
CMS	CMS Energy Corp.	In Line	$63.33	$63.00
CNP	CenterPoint Energy, Inc.	In Line	$21.13	$18.00
CWEN	Clearway Energy	In Line	$28.16	$22.00
CWT	California Water Service Group	In Line	$44.57	$40.00
D	Dominion Energy, Inc	In Line	$80.34	$77.00
DTE	DTE Energy Co.	In Line	$123.42	$121.00
DUK	Duke Energy Corp.	In Line	$92.11	$89.00
ED	Consolidated Edison Inc.	In Line	$78.49	$80.00
EIX	Edison International	In Line	$56.04	$72.00
ES	Eversource Energy	In Line	$87.27	$91.00
ETR	Entergy Corp.	In Line	$101.22	$106.00
EVRG	Evergy	Outperform	$55.20	$62.00
EXC	Exelon Corp.	Outperform	$39.89	$45.00
FE	FirstEnergy Corp.	In Line	$29.72	$41.00
HE	Hawaiian Electric Industries Inc.	Underperform	$33.04	$34.00
NEE	NextEra Energy Inc	In Line	$73.21	$277.00
NI	NiSource Inc	Outperform	$22.97	$26.00
NRG	NRG Energy Inc.	Outperform	$31.62	$40.00
OGE	OGE Energy Corp	Outperform	$30.77	$35.00
PCG	PG&E Corp.	Rating Suspended	$9.56	
PEG	Public Service Enterprise Group	In Line	$58.15	$53.00
PNW	Pinnacle West Capital Corp.	In Line	$81.57	$85.00
PPL	PPL Corp.	In Line	$27.50	$31.00
SJW	SJW Group	In Line	$60.69	$60.00
SO	Southern Co.	In Line	$57.45	$59.00
SRE	Sempra Energy	Outperform	$125.36	$138.00
VST	Vistra Energy Corp	Outperform	$17.37	$27.00
WEC	WEC Energy Group, Inc.	In Line	$100.55	$93.00
WTRG	Essential Utilities Inc.	In Line	$41.20	$42.00
XEL	Xcel Energy Inc.	In Line	$70.03	$65.00

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In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's universe
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's universe
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.*
Rating Suspended- Evercore ISI has suspended the rating and target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon.*

*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

FINRA requires that members who use a ratings system with terms other than "Buy," "Hold/Neutral" and "Sell" to equate their own ratings to these categories. For this purpose, and in the Evercore ISI ratings distribution below, our Outperform, In Line, and Underperform ratings can be equated to Buy, Hold and Sell, respectively.

Historical Ratings Definitions

Prior to March 2, 2017, Evercore ISI's recommendations were based on a stock's total forecasted return over the next 12 months:

Buy- the total forecasted return is expected to be greater than 10%

Hold- the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 10%
Sell -the total forecasted return is expected to be less than 0%

On October 31, 2014, Evercore Partners acquired International Strategy & Investment Group LLC ("ISI Group") and ISI UK (the "Acquisition") and transferred Evercore Group's research, sales and trading businesses to ISI Group. On December 31, 2015, the combined research, sales and trading businesses were transferred back to Evercore Group in an internal reorganization. Since the Acquisition, the combined research, sales and trading businesses have operated under the global marketing brand name Evercore ISI.

ISI Group and ISI UK:

Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

Strong Buy- Return > 20%
Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return< -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

Evercore Group:

Prior to October 10, 2014, the rating system of Evercore Group was based on a stock's expected total return relative to the analyst's coverage universe over the following 12 months. Stocks under coverage were divided into three categories:

Overweight- the stock is expected to outperform the average total return of the analyst's coverage universe over the next 12 months.
Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.
Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

For disclosure purposes, Evercore Group's prior "Overweight," "Equal-Weight" and "Underweight" ratings were viewed as "Buy," "Hold" and "Sell," respectively.

Ratings Definitions for Portfolio-Based Coverage

Evercore ISI utilizes an alternate rating system for companies covered by analysts who use a model portfolio-based approach to determine a company's investment recommendation. Covered companies are included or not included as holdings in the analyst's Model Portfolio, and have the following ratings:

Long- the stock is a positive holding in the model portfolio; the total forecasted return is expected to be greater than 0%.
Short- the stock is a negative holding in the model portfolio; the total forecasted return is expected to be less than 0%.
No Position- the stock is not included in the model portfolio.
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Rating Suspended - Evercore ISI has suspended the rating and/or target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon; a stock in the model portfolio is removed.

Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal100%.

Stocks assigned ratings under the alternative model portfolio-based coverage system cannot also be rated by Evercore ISI's Current Ratings definitions of Outperform, In Line and Underperform.

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Evercore ISI rating (as of 11/02/2020)

Coverage Universe			Investment Banking Services I Past 12 Months		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	405	52	Buy	127	31
Hold	298	38	Hold	48	16
Sell	42	5	Sell	5	12
Coverage Suspended	22	3	Coverage Suspended	9	41
Rating Suspended	13	2	Rating Suspended	4	31

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Price Charts

Ratings Key

B	Buy	OP	Outperform	L	Long	CS	Coverage Suspended
H	Hold	IL	In Line	NP	No Position	RS	Rating Suspended
S	Sell	UP	Underperform	S	Short		

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
Gas/Power Infrastructure – Market Overweight

November 2, 2020

NISOURCE

(NI US Equity – $23.45 – Outperform)

Discount on 2022, super cheap on 2024

- **Q3 beats; all recent Analyst Day disclosures reaffirmed**. NI reported 3Q20 non-GAAP EPS of $0.09, ahead of us/cons at $0.03. The beat was driven mostly by strong performance at the gas business, particularly on lower O&M. NI doesn't have official 2020 guidance but is $0.11 ahead of last year YTD. NI reaffirmed its 2021 guidance of $1.28-1.36, which embeds $0.05 of drag related to COVID. 4Q will be NI's first test dealing with COVID during a winter heating season, hence why management is keeping a cautious view on potential impacts to 2021. Capex, rate base forecasts and NI's financing plans were are all reaffirmed. This was one of the more uneventful earnings calls for NI in a while, which we view as a good thing. The focus now is on executing under the plan laid out at the late-September Analyst Day.
- **Not in a rush to do renewable financings, still open to asset sales.** NI's 2021-24 financing strategy as it relates to its renewable investments was unchanged – $500-700M of block equity in 2022 or 2023 and $600-1B of preferreds and/or converts in 2021. On the hybrids, we don't believe NI is in any rush and will likely complete them closer toward YE21. NI is still targeting equity content of 60% for the renewables program which is expected to total $1.8-2.0B. We currently assume $600M of block equity at the tail end of 2022 and $400M each of preferreds (50% equity content) and converts late next year. We still think it makes a lot of sense to consider asset sales as a potential financing alternative. Management remains open to the idea, though it doesn't sound that anything is imminent.
- **CPCN filings on deck, more renewable announcements by YE.** Next steps for the Dunns Bridge I/II (265 MW/510 MW) and Cavalry (260 MW) Solar projects will be CPCN filings at the IURC. These are expected to be filed later this month or in Dec. That is typically a 6-8-month process where the IURC will effectively deem the projects as prudent (not a guarantee of cost recovery). NI expects to announce 5-7 additional projects by yearend, which will fill out the remaining $600-800M of capital investment from the renewables program.
- **Tweaking estimates, PT to $26; Outperform.** We are raising our 2020-22E by $0.01 each after updating our financing and regulatory lag assumptions. Our PT moves up by $1 to 26, mostly reflective of higher utility multiples. We remain Outperform rated and believe a re-rating back to at least a group average (2x gap on 2022E) is attainable as NI executes on its new plan.

Estimates / Valuation				
(US$)	2020E	2021E	2022E	2023E
EPS	$1.30	$1.33	$1.43	$1.51
Consensus	$1.29	$1.34	$1.43	$1.56
P/E	18.1x	17.6x	16.4x	15.6x
Dividend Yield	3.6%	3.8%	4.1%	4.3%

Trading and Fundamental Data	
Price Target	**$ 26**
Current Price	23.45
52-Week Range	$20-$30
Market Cap. (MM)	8,980
Enterprise Value (MM)	19,700
Shares Out. (MM)	383.0
Dividend Yield	3.61%
Dividend Payout Ratio	65.5%
ROE	6.6%
Debt to Cap	63.8%
Avg. Daily Vol. (000)	3,319

Price Performance	YTD	LTM
NI US Equity	-16%	-15%
Utility Index	1%	2%
S&P 500	2%	9%

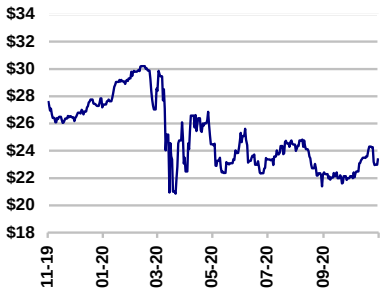

Source: FactSet/Wolfe Research

Key Changes		
Year	New	Old
Price Target	$26	$25
2020E	$1.30	$1.29
2021E	$1.33	$1.32
2022E	$1.43	$1.42

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WOLFE RESEARCH

NiSource

November 2, 2020

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2020E	2021E	2022E	2023E
EPS	$1.30	$1.33	$1.43	$1.51
Diluted Shares Outstanding	$389	401	413	449
Dividends Per Share	$0.85	$0.90	$0.95	$1.01
Dividend Yield	3.6%	3.8%	4.1%	4.3%
Dividend Payout Ratio	65%	67%	67%	67%
Equity Ratio	39%	42%	44%	41%
FFO/Net Debt	13%	14%	14%	14%
Valuation Metrics				
P/E	18.1x	17.6x	16.4x	15.6x
Price/Book	1.6x	1.6x	1.4x	1.4x
Segment EPS				
Gas Distribution	$1.05	$1.08	$1.21	$1.23
NIPSCO Electric	0.57	0.56	0.59	0.61
Parent & Other	(0.31)	(0.31)	(0.37)	(0.34)
Total EPS	**$1.30**	**$1.33**	**$1.43**	**$1.51**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2020E	2021E	2022E	2023E
Capital Spending by Segment ($M)				
Gas Distribution	$1,311	$1,535	$1,535	$1,535
Electric	455	590	990	1,890
Parent	25	25	25	25
Total Capex	**$1,791**	**$2,150**	**$2,550**	**$3,450**
Financings ($M)				
Total Equity Issued/(Repurchased)	$298	$290	$890	$290
Total Hybrids Issued/(Repurchased)	$0	$800	$0	$0
Total Debt Issued/(Repurchased)	$50	$0	$650	$1,400

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.5 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland and Massachusetts.

Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $40B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. We see NI as a de-risking story in 2020 with solid growth prospects through its base capex program and renewable investment opportunities at NIPSCO.

Valuation

Our $26 price target is derived by using a full-turn premium (18.5 x) on NI's electric earnings and an average (17.5x) on its gas LDC earnings in 2022. Risks for NiSource are 1) bad regulatory outcomes; 2) pipeline safety incidents. Upsides are 1) additional growth projects and 2) customer and sales growth

Exhibit 3. 2022E EPS by Segment

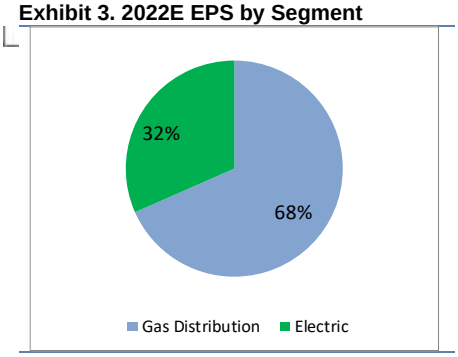

Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart

Source: FactSet

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WOLFE RESEARCH

NiSource

November 2, 2020

Investment Conclusion

We are Outperform rated on NiSource. Most of the NI's annual capex (~75%) is recovered with minimal lag via tracking mechanisms and the company has built a constructive track record with most of its state regulators. Post the sale of Columbia Gas of Massachusetts, we believe the company's plan will be a lot easier to execute on. Further, $1.8-2.0B of incremental renewable capex has now been identified for deployment across 2022 and 2023, which will help drive rate base growth of 10-12% and EPS growth of 7-9%, on average, through 2024 (off 2021 base year). The dramatic shift toward renewables and fact that NI will be coal-free by 2028 is also helpful from an ESG perspective. We see exiting MA as a turning point for the company that should allow NI to re-rate closer to a group average over time as it proves out the ability to execute.

Exhibit 6: Gas LDC Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E Multiple 2020E	2021E	2022E	2023E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Atmos Energy	ATO	$95.51	123	$11,782	20.3x	19.0x	17.7x	16.6x	2.4%	7.4%	49%	2.0x	59%
ONE Gas	OGS	71.49	53	3,783	20.1x	18.6x	17.2x	16.5x	3.0%	7.4%	65%	1.8x	54%
NiSource	**NI**	**23.45**	**383**	**8,982**	**18.1x**	**17.6x**	**16.4x**	**15.6x**	**3.6%**	**5.3%**	**69%**	**1.8x**	**38%**
Northwest Natural Gas	NWN	45.35	31	1,385	20.0x	17.8x	17.3x	16.6x	4.2%	0.6%	84%	1.6x	46%
Pure-play Average					**19.6x**	**18.2x**	**17.2x**	**16.3x**	**3.3%**	**5.2%**	**67%**	**1.8x**	**49%**
New Jersey Resources	NJR	30.89	96	2,963	14.9x	13.4x	12.9x	12.3x	4.1%	5.8%	61%	1.8x	49%
South Jersey Industries	SJI	20.05	101	2,017	12.9x	12.0x	12.1x	11.1x	6.0%	2.7%	77%	1.3x	30%
Southwest Gas	SWX	67.67	56	3,784	17.5x	15.6x	15.1x	NA	3.4%	6.0%	62%	1.5x	47%
Spire Inc.	SR	57.02	51	2,936	15.3x	14.1x	13.4x	12.7x	4.4%	5.3%	67%	1.3x	47%
Diversified Average					**15.2x**	**13.8x**	**13.4x**	**12.0x**	**4.4%**	**5.0%**	**67%**	**1.5x**	**43%**
Average - electric utilities (ex PCG, EIX and PPL)					*21.3x*	*19.5x*	*18.4x*	*17.3x*	*3.4%*	*5.0%*	*70%*	*2.1x*	*41%*

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 7: NI vs the Regulated Average

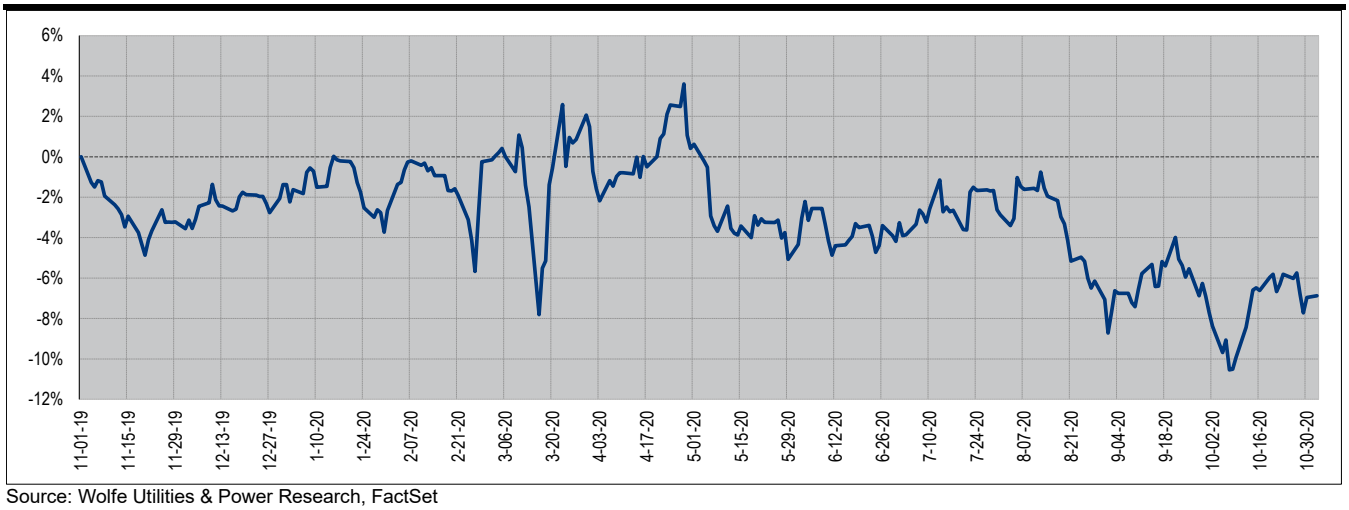

Source: Wolfe Utilities & Power Research, FactSet

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WOLFE RESEARCH

NiSource

November 2, 2020

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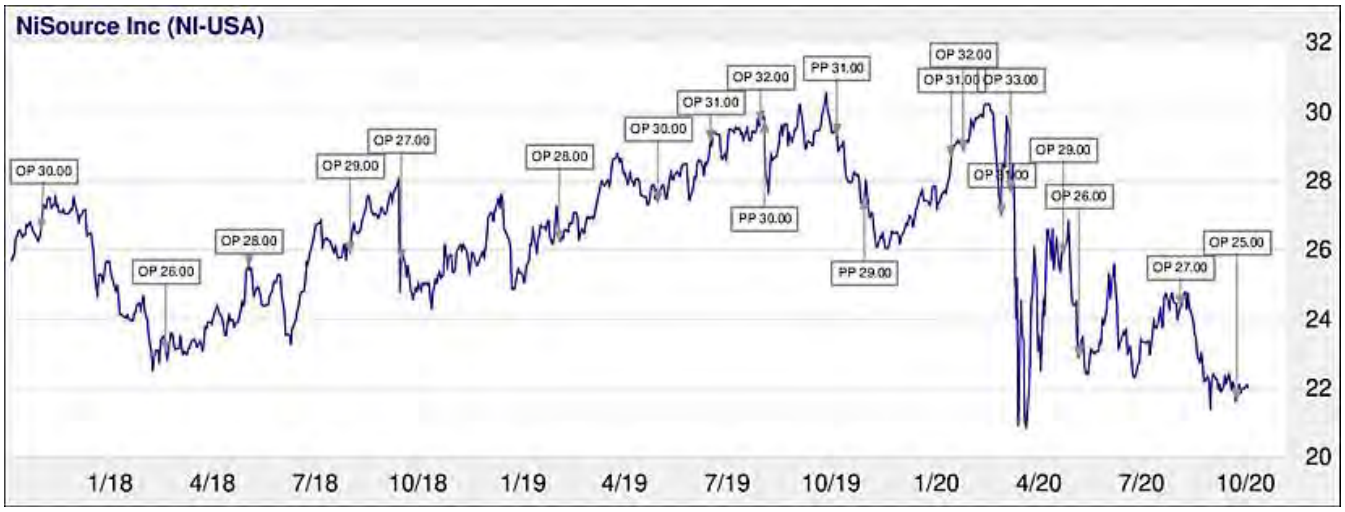

Note: OP = Outperform; PP = Peer Perform; UP = Underperform

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Forward P/E

Wolfe Research, LLC Fundamental Recommendation, Rating and Target Price Risks:

Company:	Risks That May Impede Achievement of the Recommendation, Rating or Target Price:
NI US Equity	Weak economy/sales, negative regulatory outcomes, pipeline safety accidents

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NI US Equity	None

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November 2, 2020

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BofA SECURITIES

Solid 3Q, winter execution is key & renewables on track

Despite posting a 3Q beat and reaffirming '21 guidance/long term plan, NI shares closed +2.1% vs Gas LDC peers +3.3% and XLU +2.2%. With COVID only driving a -1c EPS impact in 3Q, NI reaffirmed its 2021 EPS guidance of $1.28-1.32, which includes a -5c EPS impact due to COVID. We perceive this guidance likely screens conservative (yet prudent) given COVID -7c EPS impact YTD, but we monitor NI's execution this winter heating season on the gas side as it was not exposed to COVID last yr – we still model the midpoint of '21 guide (below consensus). Regarding the renewable strategy, no new commercial deals were announced, although NI disclosed capex on the recent solar and solar+ storage BoT JVs of $850mn (assuming 70/30 JV this implies ~$1,200/kW). NI expects to announce a total of 5-7 remaining renewable deals, with the next set of agreements likely before YE20 (~$550-750mn of remaining capex associated with BoT JVs net to NIPSCO) – see our IN renewables tracker inside. Our EPS estimates remain unchanged pending execution this winter heating season. Even on our unchanged and relatively conservative estimates vs consensus, we still arrive at a PO of $26 (+14.6% potential total return incl. div yield of 3.6%) after we mtm NI with peer utility multiples of 13.9x (from 14.2x) for gas and 16.5x (from 16.8x) for electric. Reiterate Buy as we believe NI shares continue to present a unique play on the wide relative discount in Gas LDCs with M&A optionality, renewables upside in rate base, and potential for positive revisions.

Portfolio optimization at top of mind

Mgmt. did *not* provide any specific timing around the $600-1,000mn of equity-linked hybrid issuance outside of by YE21, but we perceive mgmt. could still be evaluating potential portfolio optimization to possibly replace a portion of the equity needs to fund the renewable strategy, albeit an asset sale is not baked into the current plan. We stress any range of potential buyers exists after NI acknowledged it would evaluate a sale of its smaller subsidiaries. Admittedly, mgmt. commentary suggested NI's Gas LDCs are all earning close to their authorized, providing less attractive opportunities for potential buyers in the utility space.

Estimates (Dec)

(US$)	2018A	2019A	2020E	2021E	2022E
EPS	1.30	1.32	1.25	1.32	1.42
GAAP EPS	1.30	0.87	1.25	1.32	1.42
EPS Change (YoY)	7.4%	1.5%	-5.3%	5.6%	7.6%
Consensus EPS (Bloomberg)			1.29	1.34	1.43
DPS	0.79	0.83	0.88	0.94	0.99

Valuation (Dec)

	2018A	2019A	2020E	2021E	2022E
P/E	18.0x	17.8x	18.8x	17.8x	16.5x
GAAP P/E	18.0x	27.0x	18.8x	17.8x	16.5x
Dividend Yield	3.4%	3.6%	3.8%	4.0%	4.2%
EV / EBITDA*	15.4x	14.7x	13.3x	12.7x	11.8x
Free Cash Flow Yield*	-14.2%	-2.4%	-4.6%	-7.9%	-11.3%

* For full definitions of *iQmethod℠* measures, see page 9.

03 November 2020

Equity

Key Changes

(US$)	Previous	Current
2021E EBITDA (m)	1,866.3	1,866.5
2022E EBITDA (m)	2,007.8	2,008.1

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Stock Data

Price	23.45 USD
Price Objective	26.00 USD
Date Established	19-Oct-2020
Investment Opinion	B-1-7
52-Week Range	19.56 USD - 30.46 USD
Mrkt Val (mn) / Shares Out (mn)	8,986 USD / 383.2
Average Daily Value (mn)	77.93 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.1%
Net Dbt to Eqty (Dec-2019A)	158.6%

BoT = Build-own-Transfer

LDC = Local Distribution Company

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iQprofile℠ NiSource Inc

*iQ*method℠ – Bus Performance*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Return on Capital Employed	3.9%	3.3%	4.0%	3.9%	4.0%
Return on Equity	10.1%	9.9%	9.1%	9.2%	9.5%
Operating Margin	18.3%	17.1%	19.6%	20.0%	21.1%
Free Cash Flow	(1,278)	(219)	(412)	(709)	(1,011)

*iQ*method℠ – Quality of Earnings*

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash Realization Ratio	1.2x	3.2x	2.8x	2.7x	2.6x
Asset Replacement Ratio	3.0x	2.5x	2.4x	2.7x	3.1x
Tax Rate	19.7%	24.4%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	156.7%	158.6%	139.3%	141.6%	147.8%
Interest Cover	2.6x	2.4x	2.9x	3.1x	3.3x

Income Statement Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Sales	5,084	5,209	5,302	5,407	5,592
% Change	4.3%	2.5%	1.8%	2.0%	3.4%
Gross Profit	3,325	3,674	3,714	3,795	3,955
% Change	-0.9%	10.5%	1.1%	2.2%	4.2%
EBITDA	1,531	1,608	1,782	1,867	2,008
% Change	3.4%	5.0%	10.8%	4.7%	7.6%
Net Interest & Other Income	(335)	(384)	(362)	(344)	(362)
Net Income (Adjusted)	463	495	482	530	593
% Change	16.6%	6.8%	-2.5%	9.9%	11.9%

Free Cash Flow Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Net Income from Cont Operations (GAAP)	463	328	482	530	593
Depreciation & Amortization	600	717	742	783	827
Change in Working Capital	110	(75)	0	0	0
Deferred Taxation Charge	(188)	118	114	124	103
Other Adjustments, Net	(445)	495	0	0	0
Capital Expenditure	(1,818)	(1,802)	(1,750)	(2,147)	(2,535)
Free Cash Flow	-1,278	-219	-412	-709	-1,011
% Change	-34.0%	82.9%	-88.1%	-72.1%	-42.5%

Balance Sheet Data (Dec)

(US$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash & Equivalents	121	148	148	848	148
Trade Receivables	1,147	905	905	905	905
Other Current Assets	787	800	800	800	800
Property, Plant & Equipment	15,543	16,912	16,921	18,284	19,992
Other Non-Current Assets	4,206	3,894	3,894	3,894	3,894
Total Assets	21,804	22,660	22,668	24,732	25,740
Short-Term Debt	2,027	1,787	2,137	2,486	2,587
Other Current Liabilities	2,010	1,959	1,959	1,959	1,959
Long-Term Debt	7,105	7,856	6,963	8,101	8,429
Other Non-Current Liabilities	4,911	5,071	5,185	5,309	5,413
Total Liabilities	16,053	16,673	16,244	17,856	18,388
Total Equity	5,751	5,987	6,424	6,876	7,352
Total Equity & Liabilities	21,804	22,660	22,668	24,732	25,740

* For full definitions of *iQ*method℠ measures, see page 9.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

Our Buy rating on NI is underpinned by 1) likely positive revisions given ultra conservative EPS CAGR guidance baked into consensus, 2) gas LDC M&A optionality acute to NI, 3) renewable rate base upside, and 4) the ability to re-rate higher following any gas LDC asset sale.

Stock Data

Average Daily Volume	3,323,138

Quarterly Earnings Estimates

	2019	2020
Q1	0.82A	0.76A
Q2	0.05A	0.13A
Q3	0A	0.09A
Q4	0.45A	0.26E

Watching the divestiture angle

While NI reiterated its renewable financing strategy does not include any asset sales, mgmt. still included the same portfolio optimization language in the 3Q investor presentation. Mgmt. made clear it would always evaluate opportunities to maximize shareholder value, which could include divestiture opportunities. We continue to perceive the divestiture route for funding a portion/all of the renewable strategy replacing some/all of the equity needs as potentially quite attractive for the NI narrative, and broader Gas LDC subsector. We would argue that a sale of a Gas LDC could drive a re-rating higher for NI shares, and the broader Gas LDC peer group as we perceive unique sensitivity for the wider sector to any M&A. Recall, in our recent upgrade, our theoretical scenario analysis indicated that a potential asset sale of its three smaller Gas LDCs could offset most of its renewable equity financing in the current plan in a likely accretive manner, on our assumptions. We continue to think the most feasible assets considered for sale by NI would likely be the company's smaller Gas LDCs in Virginia (~$700mn rate base), Kentucky (~$300mn RB), and Maryland (~$100mn RB), as discussed in our recent scenario analysis.

With a sale of any Gas LDC, NI would effectively be replacing gas rate base with renewable electric rate base. That said, when the company was asked if NI's subsidiaries were earning their authorized return, mgmt.'s answer seemed to imply that the subs are earning close to or at their authorized returns. From a buyer's perspective, this would make the gas LDC subsidiaries less attractive candidates given potentially accretive deals are harder to find if the target is already earning at its authorized ROE. If this implication is valid, this might present more difficulty finding a willing buyer should the company seek to sell one or more of these assets, but we would still see a potential divestiture as creating a more streamlined and balanced (gas vs electric) portfolio at NI. At the same time, the steep relative discount of gas utilities, could present accretive acquisition targets (depending on the premium) from a valuation perspective. We also contemplate whether a Midstream player might be interested in NI's Gas LDC assets to diversify away from the more volatile gathering & processing business, particularly midstream companies that have overlapping footprints with the Gas LDCs may drive synergies.

Renewable deals on track & awaiting next set before YE20

While we did not get any new commercial renewable deals on the 3Q update, NI disclosed that the capex associated with the recent Solar and Solar+Storage Build-own-Transfer (BoT) JVs announced a couple weeks ago is a total of $850mn. Assuming these three projects are 70/30 NIPSCO/Tax Equity partner, this implies NIPSCO is spending roughly $1,200/kW. This compares to its wind BoT JVs (Rosewater and IN Crossroads), which equate to roughly $2,000+/kW. Recall, at the investor day, NI noted it is currently in advanced negotiations on about 8-10 solar projects, implying roughly 5-7 project announcements could be remaining following this recent update. Mgmt. highlighted on the earnings call that it expects to have more commercial renewable deals announced before YE20.

Table 1: NIPSCO Electric Commercial Renewables Deal Tracker

Project	Project Type	Gen type	Total MW	JV % NIPSCO	Total MW net to NIPSCO	Total Capex net to NIPSCO ($mn)	Capex net to NIPSCO ($/kW)	Expected In-service	Regulatory Approved
Jordan Creek	PPA	Wind	400	N/A	400	N/A		YE2020	Yes
Rosewater	JV	Wind	100	45%	45	100	2,222	YE2020	Yes
Indiana Crossroads	JV	Wind	300	50%	150	300	2,000	YE2021	Yes
Brickyard Solar	PPA	Solar	200	N/A	200	N/A		2022	Filed 7/2020
Greensboro Solar	PPA	Solar	130	N/A	130	N/A		2022	Filed 7/2020
Dunns Bridge Solar	JV	Solar	265	70%	186	218	1,173	2022	CPCN filing expected in 4Q20
Dunns Bridge Solar II	JV	Solar+Storage	510	70%	357	419	1,173	2023	CPCN filing expected in 4Q20
Cavalry Solar	JV	Solar+Storage	260	70%	182	214	1,173	Late 2023	CPCN filing expected in 4Q20
Total			2,165		1,650	1,250			
Guidance/Estimated Target			3,500		2,895	1,800-2,000			

Source: BofA Global Research estimates, company report, Bloomberg

Renewables financing strategy reaffirmed

Along with reaffirming guidance across the board, NI reaffirmed its plan to finance its renewable strategy. Recall, NI's renewable financing strategy consists of $1.8-2.0bn of capex at NIPSCO electric funded with 60% equity. This implies a maximum of $1.2bn of equity with guided flexibility of $600-1,000mn of equity-linked hybrids and $500-700mn of traditional equity. We continue to model $700mn of converts (issued/converted '21/'24) as the equity-linked hybrids and $500mn of traditional equity issued in 2023. Even excluding an asset sale, we continue to look for NI shares to potentially inflect next year pending the company's choice around its $600-1,000mn equity-linked hybrids (i.e. converts or perpetual preferreds) along with putting the '21 Indiana legislative session in the rearview. We believe if mgmt. chooses converts over perpetual preferreds, this would be a positive read into mgmt.'s confidence in the earnings outlook such that it could offset the ultimate dilution in 2024.

Estimates

Our EPS estimates are unchanged following the 3Q update. Note our estimates continue to assume an equity issuance share price of $23.00 in 2021 and beyond (vs shares trading at $23.45 today). Our 2021 EPS estimate remains in line with the midpoint of NI's 2021 guidance of $1.28-1.36, in which the company includes a 5c negative EPS impact from COVID at the midpoint. Note our conservative '21 EPS estimate due to our reservations about the gas utility's execution amid COVID this winter heating season actually inflates our EPS CAGRs vs consensus given it creates a lower base year.

Our EPS estimates imply EPS CAGRs above both NI's guided ranges of +5-7% EPS CAGR (-21-'23) and +7-9% EPS CAGR ('21-'24). However, when the -5c COVID impact baked into '21 guidance at the midpoint is added back to the base year, both our '21-'23 and '21-'24 EPS CAGRs still land within the guidance ranges of 5-7% and 7-9%, respectively. While consensus would imply lower EPS CAGRs over these timeframes, we would also critically note that 2023 consensus EPS only is composed of four EPS estimates and 2024 consensus EPS is only composed of two estimates. We think the Street is failing to capture that NI will be presumably earning close to its authorized in '22 and '23 at the gas utilities in addition to the renewables EPS upside in '24.

Even not assuming an asset sale as part of the renewable financing, which we think could be accretive vs current equity financing in our estimates (as we highlighted in our recent upgrade), we continue to emphasize clear upside to EPS estimates as we perceive management is capable of hitting above its guidance range given the conservatism baked into the base year ('21). If the negative 5c EPS impact is excluded from the base year of '21 guidance, the new +7-9% EPS CAGR ('21-'24) would imply positive revisions in the out years ('23/'24). While the reaffirmed guidance from the recent Investor Day could be perceived cautiously given the implied conservatism embedded, we reaffirm our underlying confidence on '24E EPS upon realization of full earnings potential from renewables (and no lag from delayed financing to address accelerated spend).

Table 2: NI EPS Estimates: we see clear upward bias within '21 range - reaffirmed by mgmt.

NI EPS Estimates		2019A	2020E	2021E	2022E	2023E	2024E	2025E
Gas		1.04	1.02	1.14	1.22	1.25	1.26	1.32
Electric		0.59	0.54	0.54	0.59	0.67	0.81	0.85
Electric Renewables - BOTs from RFP 1 & 2 (incl. in Electric EPS)					0.00	0.07	0.16	0.17
Parent/Other		-0.33	-0.32	-0.35	-0.39	-0.36	-0.30	-0.28
BofA EPS		1.32	1.25	1.32	1.42	1.56	1.78	1.88
Previous EPS		1.32	1.25	1.32	1.42	1.56	1.78	1.88
Guidance		1.27-1.33		1.28-1.36				
Consensus		1.30	1.30	1.36	1.43	1.54	1.66	
BofA '21-'24 EPS CAGR (adding back -5c COVID impact in '21 guidance)	8.9%							
BofA '21-'24 EPS CAGR	10.3%							
Guidance '21-24 EPS CAGR	7-9%							
Consensus '21-'24 EPS CAGR	6.8%							
BofA '21-'23 EPS CAGR (adding back -5c COVID impact in '21 guidance)	6.5%							
BofA '21-'23 EPS CAGR	8.5%							
Near Term Guidance '21-'23 EPS CAGR	5-7%							
Consensus '21-'23 EPS CAGR	4.3%							
Implied EPS Guidance by Yr given New +7-9% EPS CAGR ('21-'24)	High End			1.36	1.48	1.62	1.76	1.92
	Mid-Point			1.32	1.43	1.54	1.66	1.80
	Low End			1.28	1.37	1.47	1.57	1.68
BofA DPS		0.83	0.88	0.94	0.99	1.05	1.12	1.18
Share Count (mn shares)		376	387	400	418	453	496	509

Source: BofA Global Research estimates, company report, Bloomberg

Valuation

Our PO of $26 (unchanged) is based on the recent mark to market of our SOTP valuation on peer '23 multiples of 13.9x for gas (from 14.2x) and 16.5x for electric (from 16.8x).

As noted in our recent report, we now assign a 3x M&A premium (20-25%) to the VA, KY and MD gas utilities. It remains unclear what kind of a premium to rate base could be realized in any sale, as we have seen such few gas LDCs transactions of late. Historically over the last 15 years, utility M&A deals have garnered roughly a 25% premium on average. Also, we assign a 0.5x premium on OH, PA and NIPSCO gas for their embedded re-rating potential following a hypothetical sale.

At the electric utility (NIPSCO Electric), we assign a 2x premium to our electric peer group multiple to account for incremental renewable earnings growth long-term.

Lastly, we net out 50% of the incremental assumed converts (and interest) associated with the renewables strategy by including it in the netting out of parent debt and interest expense in our SOTP below.

Table 3: NI SOTP Valuation

NI SOTP Valuation	Metric	P/E Multiple							
	2023E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas	-	-	13.9x	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas	-	-	5.00%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Gas Utilities			14.6x						
Columbia Gas of OH	$0.57	14.1x	14.6x	0.5x	15.1x	16.1x	$8.04	$8.61	$9.18
Columbia Gas of PA	$0.29	14.1x	14.6x	0.5x	15.1x	16.1x	$4.07	$4.35	$4.64
NIPSCO Gas	$0.24	14.1x	14.6x	0.5x	15.1x	16.1x	$3.36	$3.60	$3.83
Columbia Gas of VA	$0.09	16.6x	14.6x	3.0x	17.6x	18.6x	$1.46	$1.55	$1.63
Columbia Gas of KY	$0.05	16.6x	14.6x	3.0x	17.6x	18.6x	$0.82	$0.87	$0.92
Columbia Gas of MD	$0.02	16.6x	14.6x	3.0x	17.6x	18.6x	$0.33	$0.35	$0.37
Group Peer Multiple - Electric			16.5x						
Group EPS '18-'22 CAGR - Electric			5.00%						
Electric Utilities			17.3x						
NIPSCO Electric	$0.67	18.3x	17.3x	2.0x	19.3x	20.3x	$12.20	$12.86	$13.53
Total Utility	$1.92	*15.8x*			*16.8x*	*17.8x*	$30.27	$32.19	$34.11
-Parent EPS Drag (ex-Interest Expense)	-$0.14	15.8x	0.0x		16.1x	17.1x	-$2.15	-$2.19	-$2.33
Total EPS *(incl. debt drag)*	$1.56								
Midpoint of 5-7% EPS	*$1.43*								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out parent debt + assumed converts)				-$2,300	50%		-$1,150	-$1,150	-$1,150
(50% P/E multiple on Interest Exp)				5.6%	50%		-$802	-$853	-$904
Preferreds									
(50% Netting out Notional)				-$900	50%				
(50% P/E multiple on Dividend)				6.1%	50%				
Grand Total Equity Value							$23.81	$25.57	$27.24
Shares Outstanding 2023E								453	
Total Equity Value							$24.00	$26.00	$27.00
Implied Consolidated P/E									
Current Price								$23.45	
Dividend Yield (2020E)								3.8%	
Total Return								14.6%	

Source: BofA Global Research estimates, company report, Bloomberg

Price objective basis & risk

NiSource Inc (NI)
Our $26 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples of 13.9x for gas utilities and 16.6x for electric utilities with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex beginning in '22, but acknowledge industrial risk. Also, we now assign a 3x M&A premium to the VA, KY and MD gas utilities and a 0.5x premium on OH, PA and NIPSCO gas utilities to account for their embedded re-rating potential following any hypothetical sale. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Richard Ciciarelli, CFA
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	New Jersey Resources Corp	NJR	NJR US	Richard Ciciarelli, CFA
	Northwest Natural Holdings	NWN	NWN US	Richard Ciciarelli, CFA
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	South Jersey Industries	SJI	SJI US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

iQmethod℠ **Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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NiSource Inc (NI) Price Chart

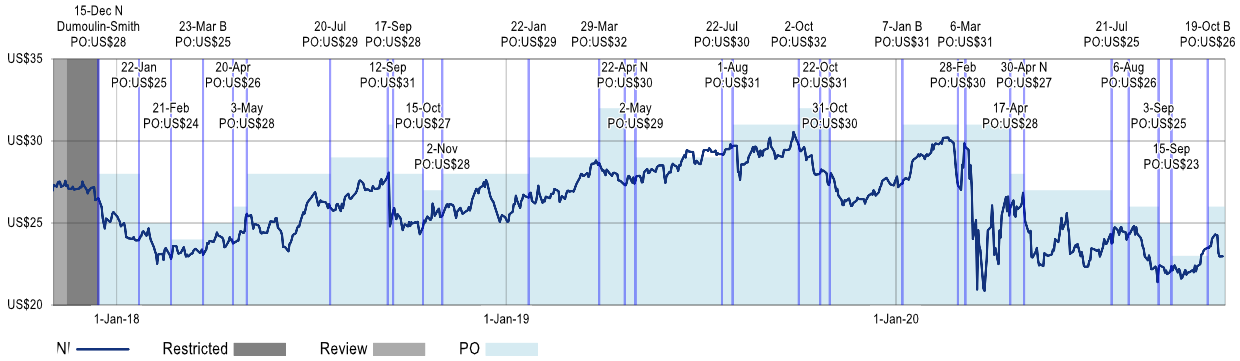

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Energy Group (as of 30 Sep 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	87	53.70%	Buy	64	73.56%
Hold	35	21.60%	Hold	26	74.29%
Sell	40	24.69%	Sell	21	52.50%

Equity Investment Rating Distribution: Utilities Group (as of 30 Sep 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	79	51.63%	Buy	59	74.68%
Hold	36	23.53%	Hold	24	66.67%
Sell	38	24.84%	Sell	25	65.79%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1749	54.79%	Buy	1114	63.69%
Hold	677	21.21%	Hold	415	61.30%
Sell	766	24.00%	Sell	386	50.39%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Underperform	N/A	≥ 20%

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3 November 2020
Equity Research
Americas | United States

CREDIT SUISSE

NiSource Inc.

Clean Infrastructure Plans Progressing

NI

Target price (12M, US$)
28.00
Outperform

Natural Gas | Increase Target Price

- **2021 Guidance Reaffirmed $1.28-$1.36.** The company reaffirmed 2021 NOEPS guidance of $1.28- $1.36 (CS $1.33 vs. consensus $1.34) from the recent analyst day, which includes $0.00-$0.10 improvement from COVID-19 drag and Columbia Gas synergy impacts in 2020. For the quarter, NI reported a 3Q20 adj. EPS beat at $0.09 vs cons/CS $0.02/$0.03 (and vs 3Q19 $0.00) driven by cost and regulatory mitigation which reduced COVID impact. Additionally, the company **reiterated 7%-9% EPS CAGR** through 2024, with a jump in 2024 (only 5%-7% through 2023) after Indiana renewables come in service (build-own-transfer, so no AFUDC). We expect NI to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024 after renewables are in service.
- **Columbia Gas of Massachusetts sale to ES closed Oct 9.** Net proceeds of $1.1B were used to pay down term loan and company's short-term debt in October.
- **No change to equity plans**: Equity plans for 2020-2023 remain unchanged at $200-$300M annual ATM plus $30-50M employee plans (no convertible or hybrid financing) plus $500-$700M block equity in 2022/23 for 60% of $1.8-$2.0B renewables capex.
- **Additional Renewable Generation in Indiana represents $850M in NIPSCO utility capital investment.** NI executed Build-Transfer Agreements (JVs) with NextEra (NEE) for three new solar and storage projects: Dunns Bridge I (265MW), Dunns Bridge II (510MW), and Cavalry Solar (260MW) and will file for a CPCN in 4Q.
- **2020 Capex reaffirmed at $1.7-$1.8B and 5yr plan (2021-2024) left unchanged.** NI reaffirmed its 2020 expected capex at $1.7B-$1.8B and continues to identify total expected investment opportunities of ~$9.9B- $10.5B (2021-2024) of which ~20% is expected for renewables Investment, ~20% for electric infrastructure and asset modernization, and ~60% for gas infrastructure and asset modernization.
- **Valuation:** Our estimates are unchanged, but we raise the TP $2 to $28 for higher peer 2022 P/E multiples within a SoTP. Our TP includes the discounted value of $0.19 uplift in 2024 (worth $3/sh) from expected earnings from Indiana renewables. Risks include regulatory, capital plan execution.

Previous target price (12M, US$)	26.00
Price (2 Nov 20, US$)	23.45
52-week price range	30.21 - 20.86
Enterprise value (US$ m)	18,570

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Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
EPS (CS adj.) (US$)	1.32	1.32	1.33	1.39
Prev. EPS (US$)	-	-	-	-
Revenue (US$ m)	5,184.1	6,109.9	6,244.2	6,539.0
EBITDA (US$ m)	1,764.2	1,800.3	1,813.3	1,937.6
P/OCF (x)	4.6	4.1	5.1	5.0
EV/EBITDA (current)	10.7	10.5	10.4	9.7
Net debt (US$ m)	9,504	9,588	9,988	10,224
ROIC (%)	5.50	5.42	4.96	4.99
Number of shares (m)	383.02	IC (current, US$ m)		15,490.20
Net debt (Next Qtr., US$ m)	10,559.9	Dividend (current, US$)		0.76
Net debt/tot eq (Next Qtr.,%)	194.7			

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance

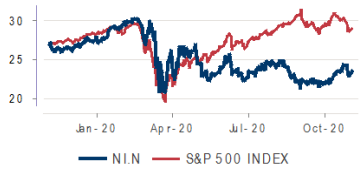

On 02-Nov-2020 the S&P 500 INDEX closed at 3310.24Daily Nov04, 2019 - Nov02, 2020, 11/04/19 = US$27.31

Quarterly EPS	Q1	Q2	Q3	Q4
2019A	0.82	0.05	-0.00	0.45
2020E	0.76	0.13	0.09	0.34
2021E	0.77	0.12	0.04	0.41

DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, LEGAL ENTITY DISCLOSURE AND THE STATUS OF NON-US ANALYSTS. US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

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3 November 2020

CREDIT SUISSE

NiSource Inc. (NI)

Price (02 Nov 2020): **US$23.45** Target Price: **(from 26.00) 28.00**

Analyst: **Michael Weinstein**
Rating: **Outperform**

Income Statement	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Revenue (US$ m)	**5,184.1**	**6,109.9**	**6,244.2**	**6,539.0**
EBITDA (US$ m)	**1,764**	**1,800**	**1,813**	**1,938**
Depr. & amort.	(717)	(775)	(805)	(836)
EBIT (US$)	**1,047**	**1,025**	**1,009**	**1,102**
Net interest exp	(377)	(418)	(415)	(444)
PBT (US$)	**608**	**636**	**662**	**725**
Income taxes	(113)	(127)	(139)	(152)
Minorities	-0	-0	-0	-0
Net profit (US$)	**495**	**509**	**523**	**573**
Reported net income (US$)	**495**	**509**	**523**	**573**
Other NPAT adjustments	0	0	0	0
Adjusted net income	**495**	**509**	**523**	**573**
Cash Flow	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EBIT	1,047	1,025	1,009	1,102
Net interest	(377)	(418)	(415)	(444)
Change in working capital	(75)	(168)	0	0
Cash flow from operations	**2,247**	**2,183**	**1,813**	**1,938**
CAPEX	(2,167)	(2,239)	(1,725)	(2,200)
Free cashflow to the firm	**80**	**(56)**	**88**	**(262)**
Acquisitions	-	-	-	-
Divestments	0	1,100	0	0
Cash flow from investments	**(1,922)**	**(758)**	**(1,725)**	**(2,200)**
Net share issue(/repurchase)	244	85	295	867
Dividends paid	(355)	(350)	(297)	(312)
Changes in Net Cash/Debt	**(484)**	**(85)**	**(399)**	**(237)**
Balance Sheet (US$)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Assets				
Cash & cash equivalents	139	59	59	59
Account receivables	857	521	521	521
Other current assets	607	2,038	2,038	2,038
Total current assets	**1,854**	**2,821**	**2,821**	**2,821**
Total fixed assets	16,912	15,239	16,160	17,524
Investment securities	-	-	-	-
Total assets	**22,660**	**21,862**	**22,782**	**24,146**
Liabilities				
Total current liabilities	**3,746**	**3,575**	**3,974**	**4,211**
Total liabilities	**16,673**	**16,305**	**16,704**	**16,941**
Total liabilities and equity	**22,660**	**21,862**	**22,782**	**24,146**
Net debt	9,504	9,588	9,988	10,224
Per share	**12/19A**	**12/20E**	**12/21E**	**12/22E**
No. of shares (wtd avg)	375	384	392	413
CS adj. EPS	1.32	1.32	1.33	1.39
Prev. EPS (US$)	-	-	-	-
Dividend (US$)	0.76	0.80	0.85	0.90
Free cash flow per share	0.21	(0.14)	0.23	(0.64)
Earnings	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Sales growth (%)	(6.4)	17.9	2.2	4.7
EBIT growth (%)	12.4	(2.0)	(1.6)	9.2
Net profit growth (%)	6.8	2.8	2.8	9.5
EPS growth (%)	1.6	0.3	0.6	4.0
EBITDA margin (%)	34.0	29.5	29.0	29.6
EBIT margin (%)	20.2	16.8	16.2	16.8
Pretax margin (%)	11.7	10.4	10.6	11.1
Net margin (%)	9.5	8.3	8.4	8.8
Valuation	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EV/Sales (x)	3.57	3.04	3.04	2.94
P/E (x)	17.8	17.7	17.6	16.9
Price to book (x)	1.7	1.8	1.7	1.5
Asset turnover	0.2	0.3	0.3	0.3
Returns	**12/19A**	**12/20E**	**12/21E**	**12/22E**
ROE stated-return on (%)	9.6	9.9	10.0	9.5
ROIC (%)	5.5	5.4	5.0	5.0
Gearing	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Net debt/equity (%)	158.7	172.5	164.3	141.9
Interest coverage ratio (X)	2.8	2.5	2.4	2.5
Quarterly EPS	**Q1**	**Q2**	**Q3**	**Q4**
2019A	0.82	0.05	-0.00	0.45
2020E	0.76	0.13	0.09	0.34
2021E	0.77	0.12	0.04	0.41

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

NiSource Inc. is energy holding company whose subsidiaries provide natural gas, electricity & other products & services. It operates in 3 segments: Gas Distribution Operations; Gas Transmission & Storage Operations, & Electric Operations.

Blue/Grey Sky Scenario

Our Blue Sky Scenario (US$) **(from 32.00) 33.00**

In our blue sky scenario we assume favorable regulatory outcomes across NI's jurisdictions, successful execution of their capital plan, and growth of infrastructure replacement program backlog. We assume that capex is at the high end of the $1.8-$1.9B and that NI is able to grow ratebase at the high end of their 8-10% range and grow earnings at the high end of their 5-7% range. We assume a 5.0x premium to the average peer 2021 P/E multiples.

Our Grey Sky Scenario (US$) **(from 18.00) 20.00**

In our grey sky scenario we assume unfavorable regulatory outcomes across NI's jurisdictions, only partial execution of their capital plan, and a decline in the infrastructure replacement program backlog. We assume that capex is at the low end of the $1.8-$1.9B and that NI is able to grow ratebase at the low end of their 8-10% range and grow earnings at the low end of their 5-7% range. We assume a -1.5x discount to the average peer 2021 P/E mult.

Share price performance

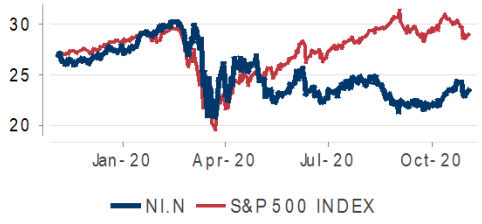

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- **See our recent reports:** 10/15 Earnings Preview, 9/30 Investor Day Takeaways, 9/27 Investor Day Preview, 8/7 Indiana Turning Green, 5/26 Left Behind but Holding Up Well, 5/11 COVID-19 Adds Near-Term Uncertainty, but Long-Term Fundamentals Remain Strong, 5/5 1Q20 Earnings Preview, 2/28 Raise to Outperform on Sale of Mass, Elimination of Block Equity Plan, 2020 Outlook – Getting Meaner and Less Defensive,
- **2021 Guidance Reaffirmed $1.28-$1.36.** The company reaffirmed its 2021 NOEPS guidance of $1.28- $1.36 (CS $1.33 vs. consensus $1.34), which includes $0.00-$0.10 improvement from COVID-19 drag and Columbia Gas synergy impacts in 2020. 2021 Guidance also assumes $1.9-$2.2B in annual growth, safety and asset modernization investments (2021-2024), $1.8B-$2B of renewable investment opportunities (2022-2023) and 7%-9% NOEPS CAGR (2021-2024), with 5%-7% from 2021-2023. 2021 NOEPS guidance also includes (~$0.05) impact of COVID-19 at the midpoint of 2021 base case. We expect the company to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024 after renewables are in service. Recall that 2021 Guidance was initiated in August.
- **No change to equity plans: No block equity needed in 2020 and liquidity is ample for 2021, but equity is planned for 2022 and 2023 for Indiana renewables.** Equity plans for 2020 remain $200-$300M annual ATM plus $35-60M employee plans (no convertible or hybrid financing). For 2021, $600-$1,000M for hybrids/convertible are expected for planned renewable generation investments and $500-$700M common block equity in 2022/23 for 60% of $1.8-$2.0B renewables capex (in line with CS). Equity needs through 2023 also include the $200-$300M annual ATM plus $30-$50M employee plans.
    - **Financing the renewables.** We expect ~60% of $1.8-$2.0B of incremental Indiana plant investment in 2022/23 to be financed with equity. We model half in 2022 and remaining half in 2023. However, this neither results in AFUDC (turnkey projects) nor earn a return until a forward test year ratecase is filed around early 2023 for rates effective 2024. Note that this only represents the utility's initial investment in the Indiana projects, with an additional $1.0B financed with tax equity for the benefit of utility customers. Of the $1.8-$2.0B to be financed by the utility, only $0.4B has been approved to date, with ~0.8B agreements finalized, and the remaining projects (~$0.6-$0.8B) still in negotiation.
- **Columbia Gas of Massachusetts sale to ES closed Oct 9.** Net proceeds of $1.1B will be used to pay down term loan and company's short-term debt. Recall, on July 2, NI announced that it will pay $56M to settle and resolve the state's investigation into the 2018 Greater Lawrence incident.
- **Additional Renewable Generation.** NI executed Build-Transfer Agreements (JVs) with NextEra (NEE) for three solar and storage projects in Indiana, which represent $850M in NIPSCO capital investment. The three new projects are Dunns Bridge I (265MW), Dunns Bridge II (510MW), and Cavalry Solar (260MW) which are expected to go in service by end of 2022, 2023 and 2023 respectively.
- **Investor day takeaways.** NI hosted its investor day on Tuesday 9/29, which was mostly in-line with our previewed expectations. Among the biggest takeaways, the company reiterated 7%-9% EPS CAGR with a jump in 2024 (only 5%-7% through 2023) after Indiana renewables come in service (build-own-transfer so no AFUDC). The 2024 ratebase projection of $21.2B is $0.5B higher than the prior forecast. Additionally, NI expects annual O&M for 2021-2024 to remain "relatively flat". FFO/D target unchanged at 14-15%. Broadly, the company discussed long-term growth strategy, cost structure refinements, equity needs, renewable generation including transition from coal to renewables, as well as updates to their Safety Management System (SMS) progress.
- **Reported a 3Q20 adj. EPS beat at $0.09 vs cons/CS** $0.02/$0.03 (and vs 3Q19 $0.00) driven by cost and regulatory mitigation which reduced COVID's impact.

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Figure 1: NI 3Q20 Earning Drivers

Gas Distribution Operations ($M)	3Q20	3Q19	Dif
Operating Revenues	472.5	468.6	3.9
Operating Expenses	462.8	495.0	32.2
Total Adj. Earnings	**9.7**	**-26.4**	**36.1**

Electric Operations ($M)	3Q20	3Q19	Dif
Operating Revenues	427.7	462.6	-34.9
Operating Expenses	294.8	327.2	32.4
Total Adj. Earnings	**132.9**	**135.4**	**-2.5**

Source: Company data, Credit Suisse estimates

- **2020 Capex reaffirmed at $1.7-$1.8B and its 5yr plan (2021-2024) left unchanged at ~$9.9B- $10.5B.** NI reaffirmed its 2020 expected capex at $1.7B-$1.8B and continues to identify total expected investment opportunities of ~$9.9B- $10.5B from 2021-2024 of which ~20% is expected for renewables Investment, ~20% for electric infrastructure and asset modernization, and ~60% for gas infrastructure and asset modernization. As seen in table below, NI's capital forecast stands at $2.0B-$2.3B in 2021, $2.4B-$2.7B in 2022, $3.3B-$3.6B in 2023, and $1.9B-$2.2B in 2024.

Figure 2: NI's Capex and Rate Base Growth

Capex & Rate Base	2020E	2021E	2022E	2023E	2024E
Capex ($B)	1.7 - 1.8	2.0 - 2.3	2.4 - 2.7	3.3 - 3.6	1.9 - 2.2
Rate Base Growth ($B)	13.9	15.2	17.0	19.8	21.2

Source: Company data, Credit Suisse estimates

- **Ratebase growth** is expected to grow at a 10%-12% CAGR from $13.9B in 2020 to $21.2B in 2024. The 2024 ratebase projection of $21.2B is $0.5B higher than the prior forecast.
- **Our unchanged 2022 estimate of $1.39 includes about -$0.04 expected drag from equity issuance for investment in Indiana renewables** that will not benefit from AFUDC nor receive a rate increase until 2024.
- **Gas Regulatory Update:** Rate case settlement reached in Maryland which includes $3.3M total increase in annual revenue ($2M net of infrastructure trackers). Final order is expected in Nov with new rates becoming effective in Dec. Additionally, final orders are still expected for Pennsylvania, Kentucky, NIPSCO's modernization program and Virginia's Energy (SAVE) Annual Rider Update.
- **COVID's Impact to Load was (-$0.9M), or a (~$0.01) drag to EPS in Q3.** Residential customer class saw a positive impact of $6.1M (Gas + Electric) YoY in 3Q20, while commercial and industrial customer class both saw a combined reduction of $4.9M and $2.1M (vs. 3Q19) respectively. YTD, NI has seen an overall reduction of (-$11.6M) which is comprised of (-$8.8M) and (-$15.7M) reductions in commercial and industrial respectively, partially offset by a $12.9M increase in residential. **YTD, NI has seen a gross (~$0.07) drag to EPS 2020** which has been offset by cost management and regulatory solutions.

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Figure 3: NI's COVID Impact to Load in Q3

COVID impact to Gas Margin (3Q20 v 3Q19)	$(M)
Residential	0.3
Commercial	-1.8
Industrial	-0.8
Total	**-2.3**

COVID impact to Electric Margin (3Q20 v 3Q19)	$(M)
Residential	5.8
Commercial	-3.1
Industrial	-1.3
Total	**1.4**

Total Impact to Load in Q3 (Gas + Electric) ($M)	-0.9

Source: Company data, Credit Suisse estimates

- **COVID-19 annual impact to load**. Management expects lower sales volumes from commercial and industrial customers, partially offset by a potential increase in residential sales volume. Increased bad debt expenses (although recent orders in MD, VA allow for deferring the COVID-related expenses and bad debt), and sustained customer attrition. The company's sensitivity analysis continues to project that a +/- 1% change in annual sales volumes, will result in pre-tax operating earnings of $3.9M, $3.9M and $2.3M to residential, commercial and industrial on the electric side respectively, and $3.8M, $2.4M and $1.2M to residential, commercial and industrial on the Gas side respectively. The residential customer class represents 39% and 69% of the retail margins in electric and gas respectively, with commercial at 35% and 22% in electric and gas respectively.

Figure 4: COVID-19 Impact to NiSource Load

Pre-tax Operating Earnings Sensitivity to +/- 1% CHG in annual sales volume	Electric	Retail Margins %
Residential	$3.9	59%
Commercial	$3.9	26%
Industrial	$2.3	15%
Total	**$10.1**	**100%**

Pre-tax Operating Earnings Sensitivity to +/- 1% CHG in annual sales volume	Gas	Retail Margins %
Residential	$3.8	69%
Commercial	$2.4	22%
Industrial	$1.2	9%
Total	**7.40**	**100%**

Source: Company data, Credit Suisse estimates

- **Liquidity update.** NI's net liquidity available is ~$1.6B as of Sep 30th (vs. ~$2B on June 30th). Total long term debt is ~$9.1B with a weighted average maturity of ~15 years and a 3.68% interest rate as of September 30th vs the prior update in June (which included a ~$10B debt level, with ~$8.7B of long-term debt, and a weighted average maturity of ~16 years and a 4.31% interest rate). Additionally, the company expects no significant refinancing needs through 2024. Dividend growth is expected to remain at targeted 60%-70% LT payout ratio.
- **Pension 99% funded in 3Q20** vs. 97% in 2Q20, and ~98% as of year-end 2019 with 52% of pension plan assets in equities.
- **Rosewater and Jordan Creek to go in service by year-end.** Rosewater Wind (100 MW JV project) and Jordan Creek (400 MW JV project) are both expected to go in service by year-end. JV project Indiana Crossroads (300MW), and PPA projects Brickyard Solar (200MW) and Greensboro Solar (130) MW are expected to go in service by 2021, 2022 and 2022 respectively. Recall CPCN filings were made on 2/1/19 seeking approvals to

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develop the wind farm consistent with the IRP filed in the fall of 2018. Regulatory approvals were received in August 2019 and tax equity financing was closed in July 2020.

- **Retiring coal and replacing with renewables.** NI is targeting to replacing 80% of coal capacity by 2023 with primarily renewable resources and retiring 100% of coal assets by 2028. The company targets to achieve 90% reduction in greenhouse gas emissions by 2030.

Regulatory Update - Gas

- **Columbia Gas of MD** filed a new base rate case on 5/15 requesting $6.3M total revenue increase; $5M net of infrastructure trackers, which supports continued replacement of aging pipelines and safety upgrades. Rate case settlement reached in Maryland, which includes $3.3M total increase in annual revenue ($2M net of infrastructure trackers). Final order is expected in Nov with new rates becoming effective in Dec.
- **Columbia Gas of PA.** Filed a base rate case 4/24/2020 which supports continued replacement of aging pipelines as well as adoption of safety upgrades. Ratecase includes $100.4M total annual revenue increase. Order is expected in 1Q21 with new rates effective in Jan 2021.
- **Columbia Gas of Kentucky** Safety Modification and Replacement Program (SMRP) Annual Rider Update was filed on 10/15 and is requesting $50M for 2021 capital investments to support continued replacement of aging pipelines and adoption of pipeline safety upgrades. Order is expected on Q1 2021, with rates effective from Q1 2021.
- **NIPSCO Gas System Modernization Program** was filed on 8/25 and covers $26M in incremental capital investments made between Jan-Jun 2020. An order is expected in December 2020.
- **Columbia Gas of Virginia Steps to Advance Virginia's Energy (SAVE)** Annual Rider update was filed on 7/24 and covers $46.4M for 2021 capex in order to continue support and adoption of pipeline safety upgrades under SMS. A final order is expected in November 2020, with rates effective January 2021.
- **Columbia Gas of Ohio Capital Expenditure Program (CEP)** Annual Rider Update filed on 2/28, received order on 8/12, and new rates became effective in September. Recall application included ~185M in 2019 capital investments. The CEP rider allows recovery capital investments and deferred expenses that are related but not covered through IRP.

Regulatory Update – Electric Operations

- **Electric Operations.** Three new solar JV projects have been announced for coal replacement capacity: Dunns Bridge I (265MW), Dunns Bridge II (510MW), and Cavalry Solar (260MW). They are expected to go in service by end of 2022, 2023 and 2023 respectively. Additionally, the company expects $1.8B-$2B incremental capital investment opportunities in 2022 and 2023. The company expects continued execution of 7yr ~$1.2B electric system modernization program. Brickyard Solar and Greensboro Solar + Storage are pending regulatory approval.
- **CPCN filing in 4Q20.** CPCN filing is expected for Dunns Bridge I, Dunns Bridge II and Cavalry in Q4.
- **Electric System Modernization Program** filed on 9/29 and focuses on electric transmission and distribution investments to improve reliability. The TDSIC 7 semi-annual tracker filed for $122.3M in investments from July 2019-July 2020. A final order is expected in Jan 2021, with rates becoming effective on February.
- **Renewable Generation Projects. Construction continues on Jordan Creek (400 MW) and Rosewater (100 MW) – expected to go in service by year-end**. Recall CPCN filings were made on Feb 1st, 2019 seeking approvals to develop 3 wind farms

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consistent with the IRP filed in the fall of 2018. Orders approving the PPAs on these filings were received on June 5, 2019 and the wind farms are expected to be built by yearend 2020.

- **Indiana Crossroads Wind under construction and expected to be in-service by end of 2021**. Recall that on Oct 22, 2019, a Build-Transfer Agreement BTA was filed for Indiana Crossroads (300MW) JV between NIPSCO and EDP Renewables (302 MW). FERC approved order on 2/19/2020 for sections 203 and 205 applications for Rosewater. Commercial terms reached on Brickyard and Greensboro Solar PPAs filed. Latest RFP represents replacement ~1,400MW of coal capacity through 2023.
- **Tax equity partnership reached for Rosewater, Indiana Crossroads.** Regulatory approval pending for Brickyard Solar (200MW) and Greensboro Solar (100MW) + storage (30MW). Altogether, the company expects about $1.0B of tax equity financing to help capitalize ~$2.8-$3.0B of JV renewable projects in Indiana from 2022-2023. The remaining $1.8-$2.0B of NI ratebase investment is expected to be financed with ~60% equity/40% debt. Next IRP expected in 2021.
- **Settlement and order in Indiana ratecase for rates effective 1Q20.** A final order approving two settlements in NIPSCO's electric ratecase was issued on Dec 4, 2019, including a 9.75% authorized ROE on 47.86% equity for a $4.116B ratebase that resulted in a two-step revenue increase of $42.7M. The case was filed in Oct 2018 in conjunction with a new long-term Integrated Resource Plan (IRP). The settled portion of the case includes a revenue requirement and accelerated depreciation schedule related to early retirement of coal plants, including an agreement to reduce the book lives of $1.5B coal ratebase to match retirement plans at an average 2032 vs. the prior 2030s-2040s. Non-protected accumulated deferred income tax passback amortization has also been agreed at a comfortable 10-year amortization period. It also includes a new rate structure for industrial customers that allows the utility to manage market purchases in order to keep track of capacity requirements (reduces risk of stranded assets).

Previous Relevant Commentary

- **Next initiative and Columbia Gas of Massachusetts sale to drive ~8% O&M reduction in 2021.** The company has undertaken various cost initiatives including voluntary separation program savings, operational processes improvements and modernization driven fuel and cost reductions. NI expects annual O&M for 2021-2024 to remain "relatively flat".
- **Columbia Gas of Massachusetts sale to ES closed Oct 9.** Net proceeds of $1.1B will be used to pay down term loan and company's short term debt. On July 2, NI announced that it will pay $56M to settle and resolve the state's investigation into the 2018 Greater Lawrence incident.
    - **A federal guilty plea and the sale of Columbia Gas of Mass.** On Wednesday, 2/26, the US Department of Justice announced that NI will plead guilty to a criminal violation of the federal Natural Gas Pipeline Safety Act and pay a $53M fine in connection with the Sept 2018 gas explosion incident in Merrimack Valley, Massachusetts. NI has also agreed to sell its operations in Massachusetts to ES for $1.1B and will forfeit any profit earned from the sale (none expected, so retaining the whole $1.1B). The plea is on a corporate level; no individual officers or employees of the company were charged.
    - **Sale of Columbia Gas of Massachusetts to Eversource for $1.1B - with no gains allowed (or expected).** NI has also agreed to sell its operations in Massachusetts to ES and will forfeit any profit earned from the sale. We calculate that ES is purchasing at a 1.0x multiple of ratebase, or 19.7x 2021 P/E at the allowed 9.55% ROE – in line with the group average. However, the elimination of

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a previously planned $500-$700M block equity issuance in 2020 brings the combined effect to about breakeven to a modest $0.01 accretion to 2021 expectations before accounting for -$0.05 corporate disynergies. Expect the transaction to close in October. See our 7/31 ES 2Q earnings note for further detail.

- **Emphasis on safety and leak reduction.** The company continues to emphasize reducing the operational risk and enhancing gas systems safety through the implementation of the Safety Management System (SMS) and new safety system installations across all NI gas service territories. NI has rolled out a corrective action program with the hopes of providing a very clear process and technology for employees and more than 1,000 automatic shut-off devices have now been installed. NiSource is looking to advance safety new technologies, leakage sensing, smoke detectors, safety performance, and predictable models where human error could create risks. The company is projecting a 50% reduction in methane emissions from natural gas pipelines by 2025.
- **COVID-related regulatory updates.** Orders received in Maryland (4/9/2020), in Virginia (4/29/2020), in Pennsylvania (5/13/2020), in Indiana (6/29/2020) and in Ohio (7/15/2020). Orders in MD, OH and VA allow deferral of COVID-19 related expenses and bad debt for later recovery. Order in PA allows deferral of bad debt above amounts in base rates for later recovery, and order in IN allows deferral of suspended fees and bad debt for later recovery.
- **Decoupling.** Full decoupling in OH, MA, MD, VA. Weather normalization in KY, MD, VA, PA. **Bad debt handling.** Clauses for bad debt in KY, OH, MD, PA, VA, MA & IN.

Valuation

- **Valuation.** Our estimates are unchanged, but we raise the TP $2 to $28 for higher peer 2022 P/E multiples within a SoTP. Our TP includes the discounted value of $0.19 uplift in 2024 (worth $3/sh) from expected earnings from $1.8-$2.0B Indiana renewables that will not benefit from AFUDC and will not receive a rate increase until 2024. Meanwhile, our 2022 estimate includes -$0.04 drag from equity issued for these projects (~60% of the ratebase, with half issued in 2022 and half in 2023). We expect the company to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024. We continue to apply a 2.0x premium to the gas utilities for favorable regulatory jurisdictions and lower operational risk since the explosive incident in Lawrence Mass in 2018. We continue to value the electric operation in Indiana at a 2.0x premium for excellent operations and supportive regulation. Risks include 1) ROE risk related to the ongoing ratecases, 2) continued approvals relating to infrastructure replacement/grid modernization programs, 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particularly in the non-decoupled jurisdictions, 7) weather risk, 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety, 11) COVID-19 pandemic response load reduction, particularly at the electric utility.

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Figure 5: NI Valuation

		BASE CASE			
	2022 EPS	Prem / Disc	Effective P/E	Equity	Equity / Sh
Electric	$0.72	2.0x	18.9x	$5,250	$13.67
Gas	$1.21	2.0x	17.5x	$8,136	$21.19
Earnings on renew ables in 2024 (discounted to 2022) - need to account here as equity dilution hits first in 2022/23 but no AFUDC as these are turnkey projects	$0.19		18.0x	$1,349	$3.51
Other	($0.58)		18.0x	($3,987)	($10.39)
Total EPS	**$1.39**			**$10,748**	**$28.00**
Diluted Shares Outstanding					383.9
Dividend					$0.80
Implied Yield					2.9%
Current Yield					3.4%
Implied P/E					20.2x
Prem / (Disc) To Group					30.2%
Upside/ (Dow nside) to Current Price					19.4%
Total retirn					22.8%

Source: Company data, Credit Suisse Estimates

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Valuation, Methodology and Risks

Target Price and Rating
Valuation Methodology and Risks: (12 months) for NiSource Inc. (NI.N)

Method: We arrive at our $28 target price for NI by applying a 2.0x premium to the gas segment peer 2021 P/E to reflect the constructive regulatory environments with capex trackers in place in the jurisdictions that NI operates. We also apply a 2.0x premium to the average peer electric utility 2021 P/E multiple for NIPSCO Electric utility in Indiana to reflect the favorable ratebase growth profile and regulatory environment in the state. Our OUTPERFORM rating reflects a forecasted total return that is equal the group average.

Risk: Risks to our $28 target price and OUTPERFORM rating are: 1) ROE risk related to the ongoing ratecases 2) continued approvals relating to infrastructure replacement/grid modernization programs 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particulary in the non-decoupled jurisdictions, 7) weather risk, and 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety after the 2018 explosion incident in Mass. 11) COVID19 load reductions

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Companies Mentioned *(Price as of 02-Nov-2020)*
NiSource Inc. (NI.N, $23.45, OUTPERFORM, TP $28.0)

Disclosure Appendix

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3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
02-Nov-17	26.94	30.00	O
23-Jan-18	24.17	27.00	
06-May-18	25.41	28.00	
23-Jan-19	26.83	29.00	
21-Apr-19	27.56	30.00	
22-Jul-19	29.14	33.00	
07-Aug-19	27.63	29.00	N
21-Oct-19	28.05	30.00	
01-Nov-19	27.65	29.00	
17-Jan-20	29.04	30.00	
28-Feb-20	27.02	31.00	O
05-May-20	24.53	27.00	
20-Jul-20	23.75	26.00	

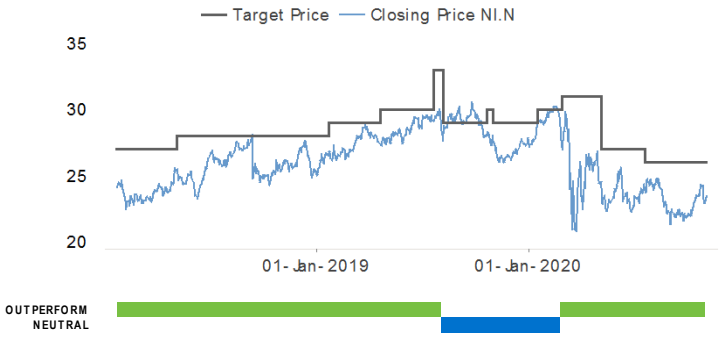

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Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.
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3 November 2020

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NiSource Inc

Upgrade to Buy: a unique gas utility play w/ both M&A & renewables upside

Rating Change: BUY | PO: 26.00 USD | Price: 23.50 USD

Raise to Buy as quantify EPS & gas LDC sale upside too

We upgrade NI to Buy as it presents a unique way to position for the wide discount in gas LDCs with 1) asset sale upside that reduces equity overhang by 5c+ in EPS on '25 run-rate basis (sale in '21), 2) rate base renewables upside – unique among gas LDC peers, and 3) positive est revisions *still* post Investor Day – reiterate our confidence in our well above Street EPS on '24. We see clear upside as an LDC sale could remove equity overhang. NI has differentiated itself as the only Gas LDC adding renewables to rate base to date, and now has potential to sell smaller Gas LDCs (VA, KY or MD) to replace a portion (or close to all) of the $1.2bn of equity financing behind its renewable strategy per mgmt. at Investor Day. This gas LDC M&A upside is still under-appreciated in our view, and we perceive a strategic action like this could drive a re-rating higher for NI, along with the broader Gas LDC group given the potential for an M&A premium. We stress NI's proven track record of divestitures including the recent CMA sale to ES and the successful spin of its pipeline business in '15. We still favor transitioning utility portfolios like NI, which provide upside to renewables in rate base yielding an improving screen to ESG fund flows. Street EPS is missing the extent of the conservatism baked into NI's CAGR guide.

A Gas LDC sale could be more accretive vs current plan

If NI could execute an asset sale that implies more EPS accretion vs current financing, we perceive it could pursue the divestiture route. The question is, what premium can Gas LDCs garner in the current market? On our estimates, a 3x (20-25%) M&A premium to peers on '23 EPS for NI's VA, KY & MD gas utilities equals $2.76/share of total value (net equity proceeds of ~$1.1bn). We estimate asset sales would be 5c/5c accretive to our '24/'25 EPS vs current financing plan (see inside). Last, we raise '23/'24 EPS as our equity issuance price/share increases to $23 (vs $22) implying fewer shares outstanding. After mtm SOTP on slightly higher ests w/ peers of 13.9x for gas (from 13.2x) & 16.6x for electric (from 15.3x), we arrive at a PO of $26 (from $23). We now apply 3x M&A premium to VA, KY & MD and a 0.5x premium on OH, PA and NIPSCO gas for ability to re-rate.

Estimates (Dec)

(US$)	2018A	2019A	2020E	2021E	2022E
EPS	1.30	1.32	1.25	1.32	1.42
GAAP EPS	1.30	1.32	1.25	1.32	1.42
EPS Change (YoY)	7.4%	1.5%	-5.3%	5.6%	7.6%
Consensus EPS (Bloomberg)			1.29	1.34	1.43
DPS	0.79	0.83	0.88	0.94	0.99

Valuation (Dec)

	2018A	2019A	2020E	2021E	2022E
P/E	18.1x	17.8x	18.8x	17.8x	16.5x
GAAP P/E	18.1x	17.8x	18.8x	17.8x	16.5x
Dividend Yield	3.4%	3.6%	3.8%	4.0%	4.2%
EV / EBITDA*	15.4x	13.4x	13.3x	12.7x	11.8x
Free Cash Flow Yield*	-14.2%	-2.4%	-4.6%	-7.9%	-11.2%

* For full definitions of IQmethod℠ measures, see page 11.

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Timestamp: 19 October 2020 06:57AM EDT

19 October 2020

Equity

Key Changes

(US$)	Previous	Current
Inv. Opinion	B-2-7	B-1-7
Inv. Rating	NEUTRAL	BUY
Price Obj.	23.00	26.00
2021E EBITDA (m)	1,863.5	1,866.3
2022E EBITDA (m)	2,013.4	2,007.8

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Stock Data

Price	23.50 USD
Price Objective	26.00 USD
Date Established	19-Oct-2020
Investment Opinion	B-1-7
52-Week Range	19.56 USD - 30.46 USD
Mrkt Val (mn) / Shares Out (mn)	9,001 USD / 383.0
Average Daily Value (mn)	81.33 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.1%
Net Dbt to Eqty (Dec-2019A)	158.6%

LDC = Local Distribution Company

CMA = Columbia Gas of Massachusetts

iQprofile℠ NiSource Inc

*iQ*method℠ – Bus Performance*					
(US$ Millions)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Return on Capital Employed	3.9%	4.3%	4.0%	3.9%	4.0%
Return on Equity	10.1%	9.9%	9.1%	9.2%	9.5%
Operating Margin	18.3%	20.2%	19.6%	20.0%	21.1%
Free Cash Flow	(1,278)	(219)	(412)	(709)	(1,011)

*iQ*method℠ – Quality of Earnings*					
(US$ Millions)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Cash Realization Ratio	1.2x	3.2x	2.8x	2.7x	2.6x
Asset Replacement Ratio	3.0x	2.5x	2.4x	2.7x	3.1x
Tax Rate	19.7%	17.1%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	156.7%	158.6%	139.3%	141.6%	147.8%
Interest Cover	2.6x	2.8x	2.9x	3.2x	3.3x

Income Statement Data (Dec)					
(US$ Millions)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Sales	5,084	5,184	5,302	5,407	5,592
% Change	4.3%	2.0%	2.3%	2.0%	3.4%
Gross Profit	3,325	3,649	3,714	3,795	3,955
% Change	-0.9%	9.8%	1.8%	2.2%	4.2%
EBITDA	1,531	1,764	1,782	1,866	2,008
% Change	3.4%	15.2%	1.0%	4.7%	7.6%
Net Interest & Other Income	(335)	(384)	(362)	(344)	(361)
Net Income (Adjusted)	**463**	**495**	**482**	**530**	**593**
% Change	**16.6%**	**6.8%**	**-2.5%**	**9.9%**	**11.9%**

Free Cash Flow Data (Dec)					
(US$ Millions)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Net Income from Cont Operations (GAAP)	463	495	482	530	593
Depreciation & Amortization	600	717	742	783	827
Change in Working Capital	110	(75)	0	0	0
Deferred Taxation Charge	(188)	118	114	124	103
Other Adjustments, Net	(445)	328	0	0	0
Capital Expenditure	(1,818)	(1,802)	(1,750)	(2,147)	(2,535)
Free Cash Flow	**-1,278**	**-219**	**-412**	**-709**	**-1,011**
% Change	**-34.0%**	**82.9%**	**-88.1%**	**-72.1%**	**-42.5%**

Balance Sheet Data (Dec)					
(US$ Millions)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Cash & Equivalents	121	148	148	848	148
Trade Receivables	1,147	905	905	905	905
Other Current Assets	787	800	800	800	800
Property, Plant & Equipment	15,543	16,912	16,921	18,284	19,992
Other Non-Current Assets	4,206	3,894	3,894	3,894	3,894
Total Assets	**21,804**	**22,660**	**22,668**	**24,732**	**25,740**
Short-Term Debt	2,027	1,787	2,137	2,486	2,587
Other Current Liabilities	2,010	1,959	1,959	1,959	1,959
Long-Term Debt	7,105	7,856	6,963	8,101	8,429
Other Non-Current Liabilities	4,911	5,071	5,185	5,309	5,413
Total Liabilities	**16,053**	**16,673**	**16,244**	**17,856**	**18,388**
Total Equity	**5,751**	**5,987**	**6,424**	**6,876**	**7,352**
Total Equity & Liabilities	**21,804**	**22,660**	**22,668**	**24,732**	**25,740**

* For full definitions of *iQ*method℠ measures, see page 11.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

Our Buy rating on NI is underpinned by 1) likely positive revisions given ultra conservative EPS CAGR guidance baked into consensus, 2) gas LDC M&A optionality acute to NI, 3) renewable rate base upside, and 4) the ability to re-rate higher following any gas LDC asset sale.

Stock Data

Average Daily Volume	3,460,675

Quarterly Earnings Estimates

	2019	2020
Q1	0.82A	0.76A
Q2	-0.75A	0.13A
Q3	0A	0.05E
Q4	1.24A	0.31E

Why are we making the move *now*?

We upgrade shares to Buy now given our perception that management has effectively lowered the bar after what we perceive was a bit of an awkward update. Our '24 EPS estimates are still high, despite initial guidance provided a few weeks back that confusingly suggests meaningfully lower outlook as we could see no reason to adjust them. Our confidence on upside to the outlook is even stronger and even upside to our estimates, which are already higher than the street with a further 5-7c of EPS accretion by '25 from any contemplated asset selldown of gas LDCs. For those focused on operational issues, we stress estimates appear to allow ample room for disappointment and *still* beat mgmt. guidance and their own guidance. We emphasize the outlook is de-risked given the awkward update (pushing down Street expectations a step lower) and following close of previously announced Mass LDC (CMA) acquisition by ES.

In our view, the LDC divestment angle is among the most intriguing and emerging angles for the wider gas LDC sector following their statements affirming a strategic review at their latest Analyst Day. While historically this may have immediately triggered a shift in sentiment by investors, the latest framing of EPS trajectory masked this focus, at least initially. With valuations at multi-year relative lows for gas vs. the wider utilities (electric) group, we perceive unique sensitivity for the wider sector to any M&A. We suspect NI shares could be particularly well positioned to see any *further* divestment re-rate shares given improved business mix – and driving a bid back into the sector. We presume this interest is driven principally by financial buyers (rather than necessarily strategics) following many earlier utility sales. To this end, we see no fundamental reason as to why utilities are perceived at such a wide valuation discrepancy – and see scope for NI to potentially become a key bell-weather around *where gas LDCs could trade?*

We note some downside risks. First off, we perceive the election backdrop as less than ideal for perceived gas LDCs (and NI's blended multiple). While deceleration of rate base growth remains protracted, we acknowledge we may be early to upgrade more gas LDCs. Second, we stress the IN legislative session next year could add some (very limited) concerns to execution. Third & most critically, equity overhang – both form and timing heading into '21 depresses need to act now. That said, a gas LDC asset sale and step-function change lower in equity needs is a real potential shift in expectations with surprisingly few investors we speak to focused on this angle thus far.

That said, we see NI as particularly attractive given gyrations in EPS estimates: where our confidence remains intact. We see renewable repositioning as indeed attractive despite the execution challenges. Confidence from CNP likely ahead with 3Q should bolster prospects to see through NI's own program (despite legislative backdrop of threats to stem renewables growth). Meanwhile, we could well see further announcements of specific renewable build-own-transfer (BoT) projects to firm up the specifics of the solar plan too (vs. placeholders for now) with 3Q/EEI results in near-term.

Intriguing divestiture angle: just what NI & gas LDCs need

At the recent investor day, management made clear that its renewable strategy financing plan did *not* assume any portfolio optimization. However, mgmt. also emphasized that it is always looking to evaluate opportunities to maximize incremental long term shareholder value, and if that involved selling an LDC it would take a look at that opportunity. Note a potential asset sale could offset some or all of its renewable equity financing in the current plan in a likely accretive manner. In our view, the most realistic assets that could be considered for sale by NI could be the company's smaller Gas LDCs in Virginia (~$700mn rate base), Kentucky (~$300mn RB), and Maryland (~$100mn RB).

If NI were to consider the sale of one or more of these assets, NI would effectively replacing gas rate base with renewable electric rate base. We would argue that a sale of

any one or combination of these assets could drive a re-rating higher for NI shares, and the broader Gas LDC peer group. With gas utilities down 26% on average YTD (vs XLU -1%), now trading at almost a -3x discount to electric utilities, NI's smaller gas LDCs could present attractive options for hybrid (gas + electric) utilities that trade at much higher P/E multiples. Additionally, the remaining NI equity after this hypothetical asset sale could present a much more streamlined and balanced (electric vs gas) portfolio, in our view. For the hypothetical remaining NI equity, the earnings mix would be more weighted toward renewables (with more opportunities in the future), which also has the tailwind of the Biden bid and ESG fund flows. In the long term, NI will also have incremental renewable generation opportunities in the queue to replace the retirement of its Michigan City coal plant. Look for another RFP by this time next year presumably enabling another round of investment in the 2026-2028 period.

Quantifying the accretion from an asset sale vs current equity financing plan
If NI can capture an asset sale price that is more accretive to EPS compared to its current equity financing plan, we believe the company may consider whether to pursue the gas LDC divestitures to fund its renewable strategy (assuming it can find a willing buyer). The question is, in such a scenario, what premium could a small Gas LDC garner in the current market? On our estimates, we apply a 3x (~20-25%) M&A premium as a base case to peer gas multiples on '23 EPS for the VA, KY and MD gas utilities. This would equate to $2.76/share of total equity value for the three small gas utilities or net equity proceeds of ~$1-1.1bn if NI were to sell all three assets (including 10% tax leakage assumption). This implies NI would only have to issue ~$130mn of supplemental equity to finance the renewable strategy. If NI were to execute the sale of these three gas LDCs, we forecast this asset sale financing route could be roughly +5c/+5c accretive to our current '24/'25 EPS estimates, which currently bakes in $700mn of converts (issued/converted in '21/'24) and $500mn of traditional equity issued in 2023. Recall, NI has stated that its $1.8-2bn renewables strategy would be funded with 60% equity, which implies a maximum of $1.2bn of equity with guided flexibility of $600-1,000mn of equity-linked hybrids and $500-700mn of traditional equity.

Shape of earnings would shift with a sale between timeline of deal & converts
We assume the divestitures occur in 2021, and the supporting equity issuance occurs in mid-2023. Note the EPS accretion in 2023 is sensitive to the timing of the supporting equity in that year. Admittedly, the bulk of the accretion comes in 2024 as that is the year our assumed converts issued in 2021 convert into equity in '24, and under this asset sale scenario, we remove this $700mn of assumed coverts. Management has noted that it is looking at a number of different equity-linked hybrid securities, all of which would receive 50% equity treatment from the credit agencies. This includes even perpetual preferreds, which would not imply the same amount of accretion given no incremental dilution in 2024 from our assumed converts.

Asset sales, even with taxes, are likely better than convertible option
Bottom line, under what we believe is the most likely financing scenario of some type of convertible (issued/converted in 2021/2024), our analysis suggests an asset sale of the three small gas LDCs could drive more accretion on our estimates compared to this assumed financing plan. *While we see our +3x P/E multiple as a bit of a placeholder for admittedly much more robust historical sale multiples, we see some degree of uncertainty on whether mgmt. follows through on any sale and see the +3x P/E as effectively a weighted upside on any sale. Further at just ~1.4x P/RAB multiple, this would appear quite conservative vs any historical transaction too – seeing electric utilities in the US trading at 1.5x or better in many instances even without a merger premium.*

Other considerations on any sale include: 1) tax leakage – no disclosure on any of the smaller (3) gas LDCs on tax basis: we just reflect ~10% of equity proceeds as a placeholder; 2) timeline & whether a deal can get closed – even if marginally more accretive is it *worth* it given the challenges on execution & reduction in biz scale for NI .

No obvious buyers – but the point is would affirm willingness to review LDCs…
While KY, MD, and VA have no obvious buyers from adjacent entities as publically disclosed – we see any number of utilities as still open to acquisitions to backfill earnings & ratebase growth generically. Whether they are open to gas LDC acquisitions as incremental platforms to drive earnings growth (given the sharp pullback in WTRG performance after its downturn post its own LDC acquisition is notable warning to the balance of the sector – although potentially driven in part by wider de-rating of water utilities too).

Table 1: Scenario analysis: Asset sale of VA, KY, and MD EPS accretion vs current plan assumed of converts + equity financing for renewable strategy

		P/E Multiples			Equity Value Per Share
	2023E EPS	Peer	Prem/ Discount		
Group Peer Multiple - Gas		13.9x			
Group EPS '19-'23 CAGR - Gas		5.00%			
Gas Utilities		14.6x			
Columbia Gas of VA	$0.09	14.6x	3.0x	17.6x	$1.55
Columbia Gas of KY	$0.05	14.6x	3.0x	17.6x	$0.87
Columbia Gas of MD	$0.02	14.6x	3.0x	17.6x	$0.35
Total VA, KY & MD	**$0.16**				**$2.76**
					x
2023 shares excluding renewable equity financing (mn shares)					430
					=
Total Equity Value ($mn)					1,189
Tax (assume 10%)					(119)
Net Equity Proceeds					**1,070**
Funding gap for assumed supporting equity issuance in 2023					130
Renewables Equity-linked Hybrids+Equity Financing Guidance ($mn)					1,200
Columbia Gas of VA (Avg RB) BofA Estimate					890
Columbia Gas of KY (Avg RB) BofA Estimate					378
Columbia Gas of MD (Avg RB) BofA Estimate					144
Total Average Rate Base 2021 (VA + KY + MD)					1,412
Equity Cap Structure (Wtd Avg as % of total VA, KY & MD rate base)					40%
Total Debt Value ($mn)					843
Total Equity Value ($mn)					1,189
Total Debt Value ($mn)					843
Total Transaction Value					**2,032**
Implied Rate Base Multiple					*1.44x*
2024 EPS Accretion (under asset sale scenario instead of assumed converts + equity)					**$0.05**
2025 EPS Accretion (under asset sale scenario instead of assumed converts + equity)					**$0.05**
Other Assumptions:					
Total Capex Reduction for VA, KY & MD ($mn/yr)					(170)
Total D&A Reduction for VA, KY & MD ($mn/yr)					(70)

Source: BofA Global Research estimates, company report

Estimates – setup for (clearly) positive revisions for years

We slightly raise our '23/'24 EPS estimates as we raise our assumed equity raise share price to $23 (from $22) in the out years vs current shares trading at $23.50 implying a lower share count in the out years. Our 2020 and 2021 EPS estimates remain unchanged with our 2021 EPS estimate in line with the midpoint of guidance.

Despite our higher EPS estimates, when the -5c COVID impact baked into '21 guidance is added back to the base year, both our '21-'23 and '21-'24 EPS CAGRs still land within the guidance ranges of 5-7% and 7-9%, respectively. However, when using the '21 EPS guidance midpoint as the base year, we derive a '21-'23 EPS CAGR of 8.5% and '21-'24 EPS CAGR of 10.3%. While consensus would imply lower EPS CAGRs over these timeframes, we would critically note that 2023 consensus EPS only is composed of four

EPS estimates and there are only two EPS estimates in 2024 consensus EPS. We perceive the street is failing to capture that NI will be presumably earning close to its authorized in '22 and '23 at the gas utilities in addition to the renewables upside to EPS in '24.

We expect to see the most lag this year, slightly better in '21 (lag spread about evenly across the utilities with those lacking decoupling being hit slightly harder), and then lag should generally recover in 2022 where we expect NI to earn nearly at its authorized ROE aside from slight incremental parent interest drag from higher coupon rate on the assumed converts. Following regulatory lag plus some timing lag from renewables in '23 and a portion remaining in '24, we expect NIPSCO electric to recover earning close to the authorized beyond 2024.

Even not assuming an asset sale as part of the renewable financing, which we perceive could be accretive vs current equity financing in our estimates (as mentioned above), we continue to emphasize clear upside to EPS estimates as we perceive management as capable of hitting (well above) its guidance range given the conservatism baked into the base year ('21) with a 5c COVID impact built into the '21 guidance range of $1.28-1.36. If this 5c impact is excluded from the base year of '21, the new +7-9% EPS CAGR ('21-'24) implies positive revisions in the out years ('23/'24). While the recent Investor Day could be perceived cautiously given the very low bar established, we reaffirm our underlying confidence on ultimate '24 EPS upon realization of full earnings potential from renewables (and no lag from delayed financing to address accelerated spend).

Table 2: NiSource (NI) EPS estimates: mgmt. is at the upper end of its range, even on more ambitious baseline.. not sure fully appreciated:

NI EPS Estimates		2019A	2020E	2021E	2022E	2023E	2024E	2025E
Gas		1.04	1.02	1.14	1.23	1.25	1.26	1.32
Electric		0.59	0.54	0.54	0.59	0.67	0.81	0.85
Electric Renewables - BOTs from RFP 1 & 2 (incl. in Electric EPS)					0.00	0.07	0.16	0.17
Parent/Other		-0.33	-0.32	-0.35	-0.39	-0.36	-0.30	-0.28
BofA EPS		**1.32**	**1.25**	**1.32**	**1.42**	**1.56**	**1.78**	**1.88**
Previous EPS		1.32	1.25	1.32	1.42	1.55	1.76	
Guidance		**1.27-1.33**		**1.28-1.36**				
Consensus		1.30	1.29	1.34	1.43	1.54	1.66	
BofA '21-'24 EPS CAGR (including negative COVID impact in base yr)	10.3%							
BofA '21-'24 EPS CAGR (adding back -5c COVID impact in '21 guidance)	8.9%							
New Guidance '21-24 EPS CAGR	7-9%							
Consensus '21-'24 EPS CAGR	7.3%							
BofA '21-'23 EPS CAGR (including negative COVID impact in base yr)	8.5%							
BofA '21-'23 EPS CAGR (adding back -5c COVID impact in '21 guidance)	6.5%							
New Near Term Guidance '21-'23 EPS CAGR	5-7%							
Consensus '21-'23 EPS CAGR	5.1%							
BofA '20-'24 EPS CAGR	9.3%							
BofA '19-'23 EPS CAGR	4.3%							
BofA '19-'24 EPS CAGR	6.2%							
Implied EPS Guidance by Yr given New +7-9% EPS CAGR ('21-'24)	High End			1.36	1.48	1.62	1.76	1.92
	Mid-Point			1.32	1.43	1.54	1.66	1.80
	Low End			1.28	1.37	1.47	1.57	1.68
BofA DPS		**0.83**	**0.88**	**0.94**	**0.99**	**1.05**	**1.12**	**1.18**
Share Count (mn shares)		**376**	**387**	**400**	**418**	**452**	**496**	**509**

Source: BofA Global Research estimates, company report, Bloomberg

3Q20 EPS walk

Previewing 3Q20, we forecast adjusted 3Q20 EPS of $0.05 vs consensus of $0.03 and adjusted 3Q19 EPS of $0.00.

- **Key Drivers**: Positive Y/Y rate/rider implementation at Columbia Gas of OH (+0.02), NIPSCO Electric (+0.01) lower pension expense (+0.01), lower gas utility O&M (+0.05), and lower electric utility O&M (+0.03). This is partially offset by higher D&A

at the gas utilities (-0.01) and electric utility (-0.02) in addition to a negative COVID impact of (-0.03).

- **Wildcards/Unknowns**: The largest unknown on the quarter is how much COVID impact NI will be able to offset with O&M cost controls. Recall, in 2Q, NI was able to offset -6c of COVID impact with cost management and regulatory solutions. Mgmt.'s 2020 base case includes a negative COVID impact of (-0.15-0.20) partially offset by $0.10-0.15 of mitigation efforts. 3Q is generally a slower quarter for NI given shoulder season for the gas utilities. Focus on the call will be more around financing renewable strategy and EPS driver updates into 2021.

Table 3: NI 3Q20 EPS walk

NI 3Q20 Earnings Walk	EPS
NI 3Q19 EPS	0.00
Weather - normalize from 3Q19	0.00
Weather - 3Q20	0.00
Gas Utilities	**0.06**
Rate/Rider Implementation:	
NIPSCO Gas	0.00
Columbia Gas of OH	0.02
Columbia Gas of PA	0.00
Columbia Gas of VA	0.00
Columbia Gas of MD	0.00
Columbia Gas of KY	0.00
D&A	-0.01
O&M	0.05
Electric Utility	**0.02**
Rate Implementation:	
NIPSCO Electric	0.01
D&A	-0.02
O&M	0.03
Parent & Other	**-0.02**
Intr expense	0.00
Pension expense (some favorability)	0.01
Dilution	0.00
Other/COVID impact	-0.03
3Q20 BofAe Adjusted EPS	**0.05**
Consensus	0.03
BofAe 2020 EPS	1.25
Guidance - cancelled original guide of 1.36-1.40	N/A
2020 Consensus	1.29
Shares Outstanding (3Q20)	384
Shares Outstanding (3Q19)	374
Tax Rate	21%

Source: BofA Global Research estimates, Bloomberg, Company Reports

Awaiting more commercial renewable deals

Leading into the 3Q call we will be looking for an update on NI's commercial renewable deals to complete its ongoing renewable build out. Management highlighted at the investor day that the company is currently in advanced negotiations on about 8- 10 solar projects. We believe NI will complete its renewable procurement this year. Even excluding a potential asset sale, we still expect NI shares to likely inflect next year pending the company's choice around its $600-1,000mn equity-linked hybrids (i.e. converts or perpetual preferreds) along with putting the (hopefully successful) '21 Indiana legislative session in the rearview. If mgmt. chooses converts over perpetual preferreds, we perceive this would be a positive read into mgmt.'s confidence in the earnings outlook such that it can offset the ultimate dilution in 2024. That said, we still believe replacing some (or all) of the equity-linked hybrids/traditional equity financing with an asset sale would provide the most upside to EPS.

Valuation

Our PO increases to $26 (from $23) as we mark to market our SOTP valuation on peer '23 multiples of 13.9x for gas (from 13.2x) and 16.6x for electric (from 15.3x).

We now assign a 3x M&A premium (20-25%) to the VA, KY and MD gas utilities. It remains unclear what kind of a premium to rate base could be realized in any sale, as we have seen such few gas LDCs transactions of late. Historically over the last 15 years, utility M&A deals have garnered roughly a 25% premium on average. Also, we now assign a 0.5x premium on OH, PA and NIPSCO gas for their embedded re-rating potential following a hypothetical sale.

At the electric utility (NIPSCO Electric), we assign a 2x premium to our electric peer group multiple to account for incremental renewable earnings growth long-term.

Lastly, we net out 50% of the incremental assumed converts (and interest) associated with the renewables strategy by including it in the netting out of parent debt and interest expense in our SOTP below.

Table 4: NI SOTP Valuation analysis

NI SOTP Valuation									
	Metric	P/E Multiple							
	2023E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas			13.9x						
Group EPS '19-'23 CAGR - Gas			5.00%						
Gas Utilities			14.6x						
Columbia Gas of OH	$0.57	14.1x	14.6x	0.5x	15.1x	16.1x	$8.04	$8.61	$9.18
Columbia Gas of PA	$0.29	14.1x	14.6x	0.5x	15.1x	16.1x	$4.07	$4.36	$4.64
NIPSCO Gas	$0.24	14.1x	14.6x	0.5x	15.1x	16.1x	$3.36	$3.60	$3.83
Columbia Gas of VA	$0.09	16.6x	14.6x	3.0x	17.6x	18.6x	$1.46	$1.55	$1.63
Columbia Gas of KY	$0.05	16.6x	14.6x	3.0x	17.6x	18.6x	$0.82	$0.87	$0.92
Columbia Gas of MD	$0.02	16.6x	14.6x	3.0x	17.6x	18.6x	$0.33	$0.35	$0.37
Group Peer Multiple - Electric			16.6x						
Group EPS '18-'22 CAGR - Electric			5.00%						
Electric Utilities			17.4x						
NIPSCO Electric	$0.67	18.4x	17.4x	2.0x	19.4x	20.4x	$12.27	$12.94	$13.60
Total Utility	**$1.92**	*15.8x*			*16.8x*	*17.8x*	**$30.35**	**$32.27**	**$34.19**
-Parent EPS Drag (ex-Interest Expense)	-$0.14	15.8x	0.0x		16.1x	17.1x	-$2.15	-$2.20	-$2.33
Total EPS *(incl. debt drag)*	**$1.56**								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out parent debt + assumed converts)				-$2,300	50%		-$1,150	-$1,150	-$1,150
(50% P/E multiple on Interest Exp)				5.6%	50%		-$804	-$855	-$906
Grand Total Equity Value							**$23.87**	**$25.64**	**$27.31**
Shares Outstanding 2023E								452	
Total Equity Value							**$24.00**	**$26.00**	**$27.00**
Implied Consolidated P/E									
Current Price								$23.50	
Dividend Yield (2020E)								3.8%	
Total Return								**14.4%**	

Source: BofA Global Research estimates, company report

Price objective basis & risk

NiSource Inc (NI)
Our $26 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples of 13.9x for gas utilities and 16.6x for electric utilities with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex beginning in '22, but acknowledge industrial risk. Also, we now assign a 3x M&A premium to the VA, KY and MD gas utilities and a 0.5x premium on OH, PA and NIPSCO gas utilities to account for their embedded re-rating potential following any hypothetical sale. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Richard Ciciarelli, CFA
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Richard Ciciarelli, CFA
	Northwest Natural Holdings	NWN	NWN US	Richard Ciciarelli, CFA
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	South Jersey Industries	SJI	SJI US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

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Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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NiSource Inc (NI) Price Chart

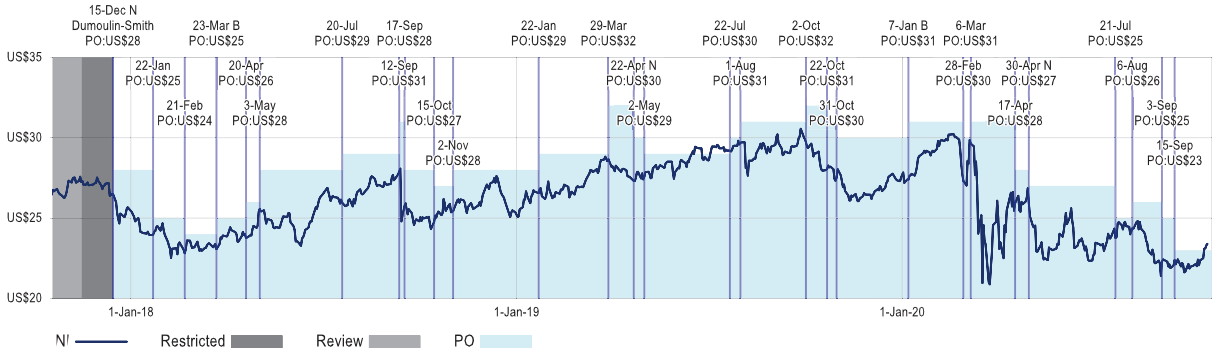

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Energy Group (as of 30 Sep 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	87	53.70%	Buy	64	73.56%
Hold	35	21.60%	Hold	26	74.29%
Sell	40	24.69%	Sell	21	52.50%

Equity Investment Rating Distribution: Utilities Group (as of 30 Sep 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	79	51.63%	Buy	59	74.68%
Hold	36	23.53%	Hold	24	66.67%
Sell	38	24.84%	Sell	25	65.79%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1749	54.79%	Buy	1114	63.69%
Hold	677	21.21%	Hold	415	61.30%
Sell	766	24.00%	Sell	386	50.39%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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Energy | Power & Utilities

October 15, 2020

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Staging a Comeback, Q3 Preview

Staging a comeback. After lagging the S&P500 for most of the year, utilities started making a comeback the past few weeks. In fact since Sep 1 uts are up +8.2%, materially outperforming S&P500 -0.4%. Strong Q2 prints (despite COVID headwinds most companies met/exceeded expectations and our coverage universe earnings grew 5% year over year helped by favorable weather and cost management), attractive relative/absolute valuations, Biden's extended lead in the polls and reports around M&A/portfolio optimization amongst other things have in part contributed to the recent outperformance. Since Mid Q2, as we saw COVID trends stabilizing we have made the case for a comeback in utility valuations, see note here. Our view was (is) that group fundamentals remain intact and a strong economic rebound could ultimately drive valuations towards case 2 of our valuation framework (page 37), where the group was trading pre-COVID (19x '22 EPS). With strong performance past few weeks our coverage universe now trades at 18.1x '22 EPS, in between our case 1 & 2 in our DDM used to set our anchor multiples. While the group has closed the valuation gap, from being ~20% cheap in our bond model in May to ~7% inexpensive on expected '21 dividend yields, there is still room to run with positive catalysts being strong Q3 season and a potential presidential change which we described in our 'What Would Biden Bring?' note.

We are expecting another strong earnings season. Our conversations with ~40 companies in our coverage universe centered upon COVID impacts, weather, regulatory updates and M&A in the space. Generally speaking, most companies saw COVID related demand headwinds improving although still a net drag year-over-year. Across the US, weather was generally favorable in July/August versus normal and YoY, but September was unfavorable year over year though favorable versus normal; we show cooling degree days for the quarter, and our dialogue with companies suggest more of a tailwind but for some to a lesser extent when compared to last year. Helped by weather and COVID trends improving, we expect DTE and PNW to raise 2020 earnings expectations on the call. Going into earnings starting next week, we are positive on CMS, DTE, NI and PNW and cautious on ED and OGE.

Valuations look less attractive in our bond model, but there is still room to run. While the group has closed the valuation gap, from being ~20% cheap in our bond model in May to ~7% inexpensive on expected '21 dividend yields (as of 10/13), there is still room to run with positive catalysts being strong Q3 season and a potential presidential change**.** Specifically, on 10/13/20, the 10yr yield was 0.73% and the Moody's Baa yield was 3.39%. Our bond model reading was 6% cheap on '20 dividend yields and 7% inexpensive on expected '21 dividend yields. The model discounts corporates at 3.76% in '21 and the 10yr yield at 1.54%, assuming a historical spread of 222bp. The discount on NTM relative P/E appears to be much larger (page 40).

Within, we include company-specific tear sheets with our / consensus second quarter EPS estimates along with discussion on key investor debates going into earnings.

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Outperform **TP $20**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EPS Bridge:** We project year-over-year EPS to decrease $0.03 (or ~6%) primarily driven by reversal of $0.05 insurance benefit in 3Q19, $0.02 covid related impacts, and $0.02 related to DPL/Argentina rate reductions partially offset by $0.02 benefit related to organic growth including Southland project, $0.01-$0.02 cost savings and favorable weather and other items. We think AES is tracking in-line with its updated FY20 EPS guidance range of $1.32-$1.42/sh.

- **What to look for in the earnings report (Key debates/themes):**
  - **Fluence Transaction:** On the last earnings call, management confirmed that they are on track to monetize Fluence, a battery storage JV with Siemens, by the year-end '20. Investors will focus on the progress of this transaction and would like to better understand economics of a potential deal.
  - **ESG Transition:** AES recently divested its coal plants in India and DR and moved closer to its goal of achieving 30% (or less) generation from coal by the year end '20. This is very important, as AES is becoming one of the most transformational ESG stories under our coverage universe.
  - **Balance Sheet / Credit Metrics:** AES is expected to secure a second investment grade upgrade in 2H20. Investors will focus on recent conversations with rating agencies and their views.
  - **Covid Impacts:** On the last earnings call, management reduced its FY20 guidance by $0.07 or ~5% due to foreign currencies and commodities exposure ($0.03), higher interest expense ($0.02) and lower electricity demand at US utilities ($0.07) partially offset by cost cuts ($0.05). Management incorporated an extended u-shaped recovery in its assumptions and didn't anticipate returning to pre-crisis levels until 2021 at that time. Given we have experienced a v-shaped recovery, we think their assumptions could be conservative. Also, it would be interesting to hear how company's world-wide operations are performing during the global pandemic especially in South America.
  - **Regulatory Agenda:** DPL filed for SEET test in April and expects to secure a final decision in early 2021. Recall, the company plans to invest $300m of equity to modernize T&D infrastructure in OH.

- **Positioning into Qtr : Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$1.36**	**$0.29**	**$0.25**	**$0.45**	**$1.37**	**$1.55**	**$1.70**
Consensus		0.29	0.25	0.47	1.38	1.55	1.68
% diff.				*-4%*	*-1%*	*0%*	*1%*

Source: Evercore ISI, Factset as of 10/12/20

Outperform **TP $84**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year over year EPS to grow $0.05 to $1.52/share. Weather was $0.05 favorable last year in 3Q19. We assume a +$0.07 EPS pick-up this quarter from new rates in Missouri. We anticipate a roughly -$0.03 COVID impact in the quarter due to lower Missouri sales volumes. Missouri O&M is expected to be lower as Ameren mitigates the impact of COVID; we estimate a +$0.07 benefit. AEE will see a negative YoY impact from lack of Missouri energy efficiency incentives (-$0.03), and we expect the COLI contribution to be relatively flat. In Ameren Transmission, we estimate a +$0.02-0.03 benefit from increased infrastructure investments. In Illinois gas, we expect a +$0.02 pick-up from increased infrastructure investments with 50% qualifying for the QIP rider. In Illinois electric, we anticipate a -$0.01-0.02 EPS hit due to the lower 30-year treasury rate outweighing the benefit of increased investment. Lastly, we anticipate higher interest expense to contribute -$0.02 issuances and a tax adjustment to have a -$0.01 impact. All numbers are rounded to the nearest penny.

- **What to look for in the earnings report (Key debates/themes):**
  - **Coronavirus sales impacts**: this impacts only Missouri given that it has no decoupling and a lack of formulaic / FERC rates in the jurisdiction. Ameren has been assuming a gradual recovery in sales in Q3/Q4. However, the COVID sales remain a big unknown and will be difficult to predict going forward as Missouri continues to see a rise in COVID cases. Ameren currently assumes a -$0.05 YoY impact from sales in Missouri in Q3-Q4.
  - **O&M management**: AEE has maintained its 2020 EPS guidance of $3.40-3.60 this year under the assumption that it can cut O&M to offset the impact of COVID.
  - **Narrowing of 2020 EPS guidance**: Ameren has a history of narrowing current year guidance with Q3 results.
  - **AEE typically updates its long-term capex, rate base and earnings growth rates with Q4 results in February.**
  - **Thoughts on Missouri IRP**: In late September, AEE filed its triennial Missouri Integrated Resource Plan. We estimate that the newly filed IRP could add roughly ~$1 billion of incremental investment (~6% increase) to the current five-year $16 billion plan, greater than $3 billion incremental capex (~8% increase) to the current ten-year $36 billion plan and roughly $6.5 billion incremental investment through 2040. As mentioned, Ameren typically updates its five-year capital plan in February each year and includes in it what it has high confidence in achieving. We expect Ameren to file Certificates of Convenience and Necessities (CCNs) in piecemeal fashion for each renewable project through 2040 as it has done with its wind projects to date; the approval process for each CCN typically takes 4-5 months.
  - **Missouri rate case**: AEE has said it expects to file a rate case in the first half of 2021 to incorporate the wind projects and COVID impacts.
  - **Missouri wind projects**: with the Missouri IRP update, Ameren announced that another $100mm of wind projects would be delayed until early 2021. Now roughly $1.0bn of Missouri wind investment is expected in service in 2020 and $200mm in early 2021. There is a limited financial impact given the PTC extension.
  - **Downstate Clean Energy Affordability Act in Illinois**: this was legislation not brought up in the most recent session but could be in special or veto sessions or next year. It could represent +$0.07 annual EPS update from a revision in ROE formula, plus has potential upside with renewable and electric vehicle investments.
  - **FERC transmission incentive update**: Comments were filed this summer. An increase in the RTO adder to 100bps from 50bps would result in +$0.04 annual EPS benefit. Recall in May 2020, FERC established a new base ROE methodology and set new base ROE of 10.02% (resulting in ROE of 10.52% including 50 bps adder).

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$3.35**	**$0.59**	**$0.98**	**$1.52**	**$3.50**	**$3.75**	**$4.00**
Consensus				1.53	3.47	3.76	4.01
% diff.				*0%*	*1%*	*0%*	*0%*

Source: Evercore ISI, FactSet as of 10/12/20

Outperform **TP $95**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year-over-year EPS to increase $0.02 to $1.48 driven by rate increases, and lower O&M. Weather in the quarter was favorable but to a lesser degree when compared to prior year ($0.12 EPS benefit). We expect these items to be partially offset by higher depreciation, transmission true-ups and load declines from COVID.

- **What to look for in the earnings report (Key debates/themes):**
  - **OH related risks/HB 6 Investigation**. In late July local news agencies reported that AEP contributed to campaigns that supported the passage of Ohio HB6. Subsequently, AEP put out a statement denying any wrongdoing. AEP said that it has not been approached by the authorities in the Ohio House Bill 6 (HB6) investigation and none of the wrongful activities in the criminal complaint involve AEP or its subsidiaries. The company further stated that neither AEP nor any of its subsidiaries made any contributions to Generation Now, the group charged in the federal criminal complaint involving First Energy (see our note here). We foresee no meaningful near-term earnings impact with repeal of HB6. Investor concerns are around the risk of potential fines if the authorities decide to investigate AEP.
  - **North Central Project**. During the second quarter, the Louisiana Public Service Commission approved the settlement AEP reached regarding the North Central Wind project. The PSC also approved the flex-up option, ensuring that the $2Bn project can move forward in full, despite Texas rejection. We see the LA decision as a positive for AEP and expect the North Central Wind project to ultimately be $0.04/sh accretive to our 2022E, all else equal. This assumes 2/3rd equity financing ($1.3B) and issuance around the current stock price. We will look for additional color and size/timing of equity on the call.
  - **Ongoing rate cases.** We will look for an update on the status of ongoing rate case in OH ($41MM rate increase request), where a final decision is expected by mid-2021. The company also expects a final commission decision in VA rate case ($38MM revenue increase requested) next month with rates going into effect in early 2021.

- **Positioning into Qtr : Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**4.24**	**1.02**	**1.08**	**1.48**	**4.30**	**4.65**	**4.95**
Consensus		1.02	1.08	1.46	4.27	4.64	4.98
% diff.		*0%*	*0%*	*1%*	*1%*	*0%*	*-1%*

Source: Evercore ISI, Factset as of 7/14/20

In Line **TP $46**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EPS Bridge:** We project year-over-year EPS to increase $0.02 to $0.42 driven by rate increases at Networks and new wind assets placed into service along with associated PTC's within the renewable segment. We expect these items to be partially offset by higher depreciation and interest expenses as well as potentially higher O&M expenses related to storm activity in 3Q20 across AGR's footprint.

- **What to look for in the earnings report (Key debates/themes):**
  - **NY Rate Settlement**. AGR filed a settlement in their ongoing NY rate case, the settlement proposal. In our view, this is a positive development as some investors were skeptical on a rate increase request granted to the company amid COVID in 2020. With that said the proposed capex/RB is below our projections and if approved would be ~$0.05 (or 2%) EPS hit to our '22 EPS projection and the company has yet to receive a final order which was expected in early/mid 2020.
  - **Vineyard Wind:** The Bureau of Ocean Energy Management (BOEM) released a draft supplemental to its Environmental Impact Statement (EIS) on June 12th concerning Vineyard Wind. The final EIS expected to be released in November with approval decision to follow in December. This is consistent with prior expectations -- Covid-19 has not delayed the BOEM's work. In terms of bringing Vineyard Wind online, AGR continues to believe it will be no earlier than 2023, with Iberdrola recently pointing to 2024.
  - **New England Clean Energy Connect:** AGR is close to compiling all the permits it needs for its ~$1Bn NECEC transmission line project in ME. The company was successful in its appeal of ballot referendum in ME courts and now expecting to secure presidential permit by the year-end.
  - **New LT outlook expected in 4Q**: Consistent with previous commentary, AGR expects to hold an Investor Day in concert with majority owner Iberdrola on November 5th. Long-term EPS CAGR targets, updated rate base and capex, and renewable business capacity factor disclosures are expected.
  - **Updates from new CEO:** We are looking forward to learn about Dennis' priorities for near and long term future of the company. In our view, leadership change is an instrumental step forward and will bring an opportunity to improve AGR's operations across its regulated as well as renewable businesses and deliver long aspired financial results.

- **Positioning into Qtr : Neutral**.

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$2.58**	**$0.76**	**$0.32**	**$0.42**	**$2.25**	**$2.40**	**$2.60**
Consensus		0.76	0.32	0.41	2.18	2.40	2.64
% diff.				*3%*	*3%*	*0%*	*-1%*

Source: Evercore ISI, Factset as of 10/13/20

CenterPoint Energy

In Line **TP $18**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year-over-year EPS to decline by $0.22 to $0.31/share driven by a negative rate case outcome in Houston Electric, a reduction in midstream earnings contribution, COVID sales impacts, higher deprecation/property taxes and increased share count. We expect these items to be partially offset by higher customer growth in both the electric and gas businesses, Houston Electric TCOS recovery, reduced O&M, a small CAREs Act benefit, and rate relief.

- **What to look for in the earnings report (Key debates/themes):**
  - **Coronavirus sales update and cost management:** CenterPoint has said it expects a $0.04-0.09 EPS impact from COVID in the second half of this year after a $0.06 impact in the second quarter. The company is targeting $40mm of O&M reductions this year, already having reduced O&M by 4% QoQ in the second quarter.
  - **New CEO and CFO messaging:** On the second quarter conference call, new CEO David Lesar spoke impressively about the potential for incremental capex and a focus on long-term capital structure that would allow the utility business to increase its EPS growth rate. He also spoke about several of the strategic priorities of the Business Review and Evaluation Committee. He is considered a growth-oriented deal-maker. Investor reception has been positive since his hiring even though he does not have utility experience having joined CNP after a long career in oil services at Halliburton. CenterPoint also recently announced Jason Wells as its new CFO, which became effective on September 28th. Wells brings a wealth of utility experience, most recently serving as CFO at PCG.
  - **Business Review and Evaluation Committee potential update:** CNP has said the Committee would make strategic recommendations to the Board later this month in October 2020 and would follow that up with an Analyst Day before the end of 1Q21. Lesar is said to be eager to move forward with a new strategy and will not do that without updating the investor community, so we expect any decisions from the BREC committee to be announced as they happen, before the Analyst Day. We do not anticipate much to be decided on by the November 5th earnings release date, however, given that it will likely take the Board some time to make its decisions following the recommendations.
  - **ENBL update:** All options are said to be on the table for a shift in strategy at CNP, but one Lesar's major focuses is a review of ENBL amid the challenges facing the oil & gas industry. We would expect Lesar to not sit idle on Enable. We would also note that former Anadarko Petroleum CEO Al Walker and President Robert Gwin have recently been added as representatives for CenterPoint on Enable's GP board.
  - **Customer growth:** CNP continued to see very strong customer growth in the second quarter (+2.4% electric and +2.0% gas YoY).

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$1.79**	**$0.65**	**$0.21**	**$0.31**	**$1.30**	**$1.35**	**$1.50**
Consensus				0.29	1.30	1.35	1.46
% diff.				*6%*	*0%*	*0%*	*3%*

Source: Evercore ISI, Factset as of 10/12/20

Clearway Energy

In Line **TP $22**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EPS Bridge:** We project year over year Adj. EBITDA to grow $19m or ~6% due contribution from growth projects and reversal of renewable energy performance vs. median expectations, especially giving challenging renewable environment in California. We expect Adj. EBITDA and CAFD will come in line in with management's sensitivity ranges, albeit at the lower end.

- **What to look for in the earnings report (Key debates/themes):**
  - **PCG Bankruptcy.** Management will share latest developments related to PCG bankruptcy. They will also discuss next steps as it relates to trapped cash at PCG. Recall half of trapped cash was released in 2Q and remaining balance expected to be released by the year-end.
  - **Growth Projects and FY21 Guidance.** We expect management to provide update on previously disclosed growth projects including a 1.2GW of renewable pipeline. We also expect management will provide FY21 EBITDA and CAFD guidance on the earnings call.
  - **COVID impacts**. CWEN has pay or take PPA contracts with its counterparties and don't expect material impact from Covid-19. However investors will focus on growth prospects and how they are going to be impacted in the post-covid world.

- **Positioning into Qtr: Neutral**

Adj. EBITDA	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$963**	**$225**	**$316**	**$319**	**$1,100**	**$1,130**	**$1,200**
Consensus		225	316	321	1,123	1,159	1,182
% diff.				*-1%*	*-2%*	*-2%*	*2%*

Source: Evercore ISI, Factset as of 10/12/20

In Line **TP $63**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year over year EPS to decrease $0.01 to $0.72/share on a rounded basis. Last year, in 3Q19, weather was $0.05 favorable and CMS received a $0.05 gain on sale of transmission assets. This year, in 3Q20, we expect weather to be +$0.10 favorable in total, with CMS having disclosed $0.10 in July and our expectation that August/September were neither favorable nor unfavorable. We expect new electric and gas rates to contribute a total of +$0.04 (+$0.02 each) and O&M reductions to drive a +$0.08 benefit. We anticipate a lower effective tax rate from wind tax credits to be a +$0.02 benefit. Conversely, we expect higher D&A, property taxes and interest expense at the utility to result in a -$0.06-0.07 hit. We anticipate a reduction in sales from COVID to have a -$0.02-0.03 contribution and higher COVID-related expenses to be a -$0.01 hit. A write-off from the Ray gas incident disallowed recovery of $7mm (-$0.02). We expect Enterprises should result in a reduction in EPS of -$0.01 with Enerbank's contribution flat. Increased debt at the parent should result in a -$0.03 reduction to EPS with dilution a -$0.01 impact. All numbers are rounded to the nearest penny.

- **What to look for in the earnings report (Key debates/themes):**
  - **COVID sales update**: Recall that CMS does not have decoupling and has higher sensitivity to C&I load than many peers, on our estimates. The company expects a $0.025/share EPS hit for every 1% decline in C&I demand in a given year. Like other utilities, CMS is more sensitive to changes in residential load, with 1% decline or increase in residential demand translating to a +$0.03/share increase in EPS. For the full-year 2020, total weather-normalized electric sales are expected to be down -4-6% YoY, with residential up +5%, more than offset by lower commercial -7-12% and reduced industrial -14-18%. Year-to-date through Q2, total weather-normalized electric sales are down -5% with residential up +4% YoY while commercial is down -7% and industrial is down -18%. On the August 3rd third quarter conference call, CMS said it has been seeing a recovery in C&I sales and said was looking at levels that are 90-95% of pre-pandemic amounts.
  - **O&M management**: CMS has said it plans to offset second half 2020 sales margin impacts of flat to 0.07/share of EPS and additional COVID-related expenses of $0.02/share. The company has identified up to $0.10/share of cost offsets in total through the CE Way, supply chain benefits, work optimization and other initiatives.
  - **Historically, CMS has introduced forward year's EPS guidance in Q3 and narrowed its current year outlook**. We expect another year of 7% YoY EPS growth. CMS does not typically update its capex forecast until it releases Q4 results.
  - **Rate case update**: CMS currently has ongoing electric rate case and we expect updated thoughts on developments there. In June, Commission Staff issued its recommendation and a revised revenue increase in August. An ALJ recommendation is expected shortly with a final decision expected by year-end.
  - **Enerbank and Enterprises**: At Enerbank, CMS has said it is on track for $0.18-0.20/share of EPS for the full year. The bank has continued to see good origination volumes across most of the projects that it provides financing for, and June was a historic month of loan approvals and loan originations. Enterprises is on track for $0.08-0.10/share of EPS this year.

- **Positioning into Qtr: Positive.** Our YoY earnings bridge drives $0.72/share, which is 8% above current consensus, though the Street estimates come up between now and when the company announces results.

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$2.49**	**$0.86**	**$0.49**	**$0.72**	**$2.66**	**$2.85**	**$3.06**
Consensus				0.67	2.66	2.86	3.06
% diff.				*8%*	*0%*	*0%*	*0%*

Source: Evercore ISI and FactSet as of 10/12/20

conEdison

In Line **TP $80**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year over year EPS to decline $0.02 to $1.52/share driven by the suspension of late/other fees during COVID, higher reserves for un-collectibles and increased depreciation / property taxes / interest expense, partially offset by the benefit of new rates at CECONY electric and gas. We expect O&M to be relatively flat, as Con Ed offsets its original expectation for higher expense with the pull forward of future cost savings plans amid the pandemic. The Clean Energy business (CEBs) should also be relatively flat with no new projects coming online and ConEd Transmission (CET) should also be the same.

- **What to look for in the earnings report (reminder that ED does not host a conference call):**
  - **Reserve for un-collectibles and suspension of late fees**: Recall that, with 1Q20 results, Con Ed lowered its 2020 EPS guidance from $4.30-4.50 to $4.15-4.35/share with first quarter results because of an increase in the reserve for un-collectibles and the suspension of late/other fees amid COVID (and also unfavorable steam weather). Con Ed has still not reinstated late fees as NYC continues the process of re-opening. The steam weather in Q3 is not impactful given that the majority of steam revenues come in the winter from heating.
  - **Equity needs:** ED has said that it still plans to issue up to $600mm of equity this year. The company has given itself flexibility around the timing of issuances with updates to its credit facility.
  - **CECONY performance incentives:** we do not expect them to achieve any of their performance incentives at CECONY this year because most of the incentives are based on customer-sited activities (amid the pandemic), such as energy efficiency and distributed generation. In terms of reliability/operational performance, ED does not have many incentives but rather just penalties if performance is subpar.
  - **Cost management:** Con Ed has spoken about accelerating future O&M reduction plans into 2020 amid the pandemic.
  - **Mountain Valley Pipeline**: the Mountain Valley Pipeline is greater than 90% complete. Recall that Con Ed has capped its investment in MVP at $530mm (currently ~12%).
  - **ESG:** we expect Con Ed to continue to push its ESG story following its Investor Day, which is compelling to us but has not gotten as much traction as it should, in our view. The company is purely T&D at the Utilities, has the second largest solar portfolio in the US and invests heavily in energy efficiency. The only mark against ED from an ESG-perspective is its gas distribution/transmission exposure, but that is small when compared to the size of electric T&D.
  - **Potential gas transmission asset sales:** Con Ed signaled at its ESG day that it would consider monetizing gas transmission assets at the right time and price.
  - **Renewables supply chain**: we will be looking to see if the company has procured the necessary materials/supplies for its 2021 CEB capex program.
  - **CEO transition**: CEO John McAvoy is retiring at the end of the year and Tim Cawley will be taking over. Cawley has been president of CECONY and was previously president and CEO of O&R.

- **Positioning into Qtr: Negative.** ED stock has outperformed significantly over the last several weeks (Since Sep 1 up +19% vs group +9%) and we do not expect any particular good (or bad) to come out this quarter, but believe it could be a sell the news event.

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$4.38**	**$1.35**	**$0.57**	**$1.52**	**$4.25**	**$4.60**	**$4.75**
Consensus				1.52	4.24	4.53	4.74
% diff.				*0%*	*0%*	*2%*	*0%*

Source: Evercore ISI, Factset as of 10/12/20

Dominion Energy

In Line **TP $77**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EPS Bridge:** We project year over year EPS decrease of $0.22 or ~19% driven by sale of Gas Business, Covid-19 related impacts, Millstone capacity prices and other items, partially offset by investments in regulated businesses and O&M management. On the last earnings call, management provided Q'3 operating EPS guidance range of $0.85-$1.05.

- **What to look for in the earnings call (Key debates/themes):**
  - **Business Strategy / Vision Update:** We expect management will provide an update on the sale of the gas business to Berkshire Hathaway. In addition, we expect they will talk about their vision and how they are trying to become mostly regulated ESG focused utility. It is important that management clearly articulates its long-term strategy and how they are going to achieve it. They also need to talk about their improved balance sheet and favorable regulatory framework in VA that would allow them to grow 6%+ annually for many years to come.
  - **Covid Impacts:** YTD, Dominion has not experienced covid-19 related sales decline in VA, however SC sales were down significantly. In our view, management took a conservative approach when they re-affirmed their guidance for FY20. As we have seen better than expected economic recovery, we think D would be well positioned and print stronger than expected results related to Covid-19.
  - **Capex Updated / ACP replacement:** Investors will be interested to know if Dominion decides to update their LT capital program and provide details around their future growth opportunities. Given the company rebased their financial guidance we feel comfortable about updated outlook.
  - **Offshore EIS:** In June, the Bureau of Ocean and Energy Management (BOEM) released a long-awaited supplemental environmental impact statement (SEIS) and the cumulative impact of the build out of offshore wind in New England. The SEIS came out a bit earlier than expectations, indicating the BOEM was still on track for a final EIS in November and a Record of a Decision in December. The SEIS reviews the environmental impact of the future proposed offshore projects.

- **Positioning into Qtr : Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$4.24**	**$1.09**	**$0.82**	**$0.96**	**$3.50**	**$3.85**	**$4.12**
Consensus		1.09	0.82	1.01	3.51	3.87	4.12
% diff.				*-5%*	*0%*	*-1%*	*0%*

Source: Evercore ISI, Factset as of 10/12/20

DTE

In Line **TP $120**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge**: We project year over year EPS to grow $0.24 to $2.15. For the electric utility, recall that last year in 3Q19 there was $0.18 of favorable weather. Weather in 3Q20 is expected to be very favorable and we assume +$0.29 for its contribution. We expect new electric rates to add +$0.19. COVID savings net of sales is expected to be a positive +$0.05. We expect higher depreciation, property taxes and interest expense to drive a -$0.05 drag. On the gas utility side, weather last year in 3Q19 was $0.01 unfavorable. IRM revenue should contribute a +$0.02 benefit while higher D&A, property taxes and interest expense to result in a -$0.03 drag. The GSP and Energy Trading businesses are trending towards the high end of 2020 EPS guidance and we assume the balance of expected Q3-Q4 earnings is split evenly between Q3-Q4. For the P&I segment, we assume the company delivers the midpoint of guidance this year with better earnings in Q3 than Q4 due to higher REF volumes. We assume an "other" negative impact of $0.08. Lastly, we expect the corporate segment to deliver the midpoint of 2020 guidance this year and assume the remaining balance is split evenly between Q3-Q4.

- **What to look for in the earnings report (Key debates/themes):**
  - **COVID sales impact**: as of Q2, electric sales were trending better-than-expected, driven by higher-than-forecasted residential and slightly better commercial/industrial.
  - **Contingency plans**: despite better electric sales, DTE has thus far maintained its $120-130mm after-tax contingency plans, most of which is expected to be one-time.
  - **Bloomberg reported on Oct. 7th that DTE is considering a sale or spinoff of its non-utility businesses**: We do not expect the company to comment much on this.
  - **Potential update to 2020 EPS guidance and introduction of 2021 EPS guidance:** Historically, in the third quarter, DTE has sometimes updated 2020 EPS guidance and also typically issues 2021 EPS guidance. Recall that DTE Electric, GSP and Energy Trading are trending towards the high end of 2020 guidance.
  - **Longer-term capital, earnings and financing projections expected to come at EEI.**
  - **DTE Electric, GSP and Energy Trading trending to high end of guidance**: with second quarter results, DTE said it is targeting the high end of 2020 electric utility earnings guidance of $759-773mm. The company also expects to achieve the high end of 2020 Gas Storage & Pipeline earnings guidance of $277-293mm. Lastly, DTE is also targeting the high end of 2020 Energy Trading earnings guidance of $15-25mm.
  - **Gas Storage & Pipeline update**: We expect a status update on oil & gas producer activity and volumes. The gas basins that DTE's producers operate in have not seen the same level of scale back in activity as more oily basins. DTE has consistently spoken about a long-term future for gas midstream and added assets in recent years, which is why the Bloomberg report of a potential sale or spinoff comes as a surprise. The company has highlighted its better positioning and potential expansion opportunities for Link and Nexus. That being said, the market continues to assign low values to these assets and investor appetite for ESG continues to accelerate.
  - **Equity needs**: guidance is the midpoint of $100-300mm this year.
  - **Quiet regulatory calendar:** the near-term regulatory calendar is limited with the electric and gas rate cases now behind DTE plus an approved stay-out for next year. The voluntary renewables docket remains open.

- **Positioning into Qtr: Positive.** Due to favorable weather in Q3 and strong first half results, we expect DTE to raise 2020 EPS guidance.

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$6.30**	**$1.66**	**$1.53**	**$2.15**	**$6.70**	**$7.05**	**$7.40**
Consensus				1.94	6.68	7.12	7.50
% diff.				*11%*	*0%*	*-1%*	*-1%*

Source: Evercore ISI and FactSet as of 10/12/20

In Line **TP $89**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year over year EPS to increase +$0.09 to $1.88/share driven by favorable weather. Recall that in 3Q19 last year, Duke had $0.15 of favorable weather. This year, in 3Q20, weather was favorable in July and August and returned to more normal levels in September. DUK has said it expects a $0.25-0.35 impact from electric load declines this year but there is possible upside given that load trends came in better-than-expected in Q2. We expect electric riders to contribute a modest YoY benefit and a partial quarter of new DEP/DEC rates to also have a modest impact. Depreciation, property tax and interest expense should impact EPS by over a nickel. Through the second quarter, DUK has achieved ~40% of its full-year cost mitigation goal of $350-450mm and we expect the remaining amount to be achieved equally in Q3-Q4. On the gas side, the new Piedmont rates are expected to add an insignificant amount as most of its contribution comes in Q1/Q4. The cancelation of ACP will drive a YoY reduction of -$0.04 to earnings. We anticipate the Commercial Renewables segment to have an insignificant higher contribution with the Rambler solar project coming online in July but with a smoothed, long tenor earnings profile. At the parent, we expect the higher financing costs to be a -$0.02 drag and quarterly DRIP and ATM dilution to impact EPS by -$0.01.

- **What to look for in the earnings report (Key debates/themes):**
  - **COVID sales update**: DUK has continued to anticipate a range of $0.25-0.35 EPS impact from 3-5% lower retail sales this year, with possible upside based on favorable residential trends.
  - **Cost management**: as of the second quarter, DUK has achieved ~40% of its full-year cost mitigation goal of $350-450mm.
  - **WSJ report on NextEra takeover**: the WSJ recently reported that NextEra made a takeover approach to DUK that was rebuffed. We do not expect Duke to comment on this rumor, other than to say they are heavily focused on their organic plan and feel good about the momentum they have been getting with the recently filed Carolina IRPs.
  - **Coal ash recovery**: final decisions in DEC and DEP rate cases are expected by year-end 2020 and early 2021, respectively. A potential Supreme Court opinion on the 2017 rate case treatment (fully recovery and return) could come in mid-December. The company has said no return on coal ash could be a $0.05-0.10 EPS hit and impact FFO to debt by 100 basis points, potentially prompting credit rating downgrades. DUK has baked in a range of assumptions into its 2021 guidance and long-term 4-6% growth outlook.
  - **Credit metrics**: Duke still expects AMT credits and cost control to support FFO/Debt of 15% this year but, as mentioned, an unfavorable decision on coal ash could lead to downgrades in credit ratings.

- **Positioning into Qtr : Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$5.06**	**$1.14**	**$1.08**	**$1.88**	**$5.15**	**$5.15**	**$5.40**
Consensus				1.80	5.08	5.21	5.48
% diff.				*4%*	*1%*	*-1%*	*-2%*

Source: Evercore ISI and FactSet as of 10/12/20

In Line **TP $106**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EPS Bridge:** We project year over year EPS to decline $0.12 (~5%) to $2.40 driven by COVID related lower sales and higher uncollectable expense as well as Hurricane Laura impacts which would be partially offset by previously announced reduction in non-fuel O&M. Q3 19 also had $0.06 unfavorable weather impact and $0.26 dilution impact that we expect would reverse to some extent this quarter. We assume previously articulated revenue drives will come in as expected and O&M savings would be major drivers of Earnings volatility.

- **What to look for in the earnings report (Key debates/themes):**

  - **Analyst Day Feedback:** Investors had time to digest ETR's analyst day disclosures. We expect more questions around their financing plan, especially equity issuance going forward. We also expect management will provide update on Hurricane Delta as well as Hurricane Laura.
  - **Update on SERI Complaint**: The company filed briefs on exceptions to the initial decision, so investors would like to know about the details of the filing and latest thought process on the case. On the last earnings call, management said potential downside could be around $0.15-$0.20, which they expect to fully offset with internal levers.
  - **COVID Impacts:** COVID impacts to earnings and cash flow recall that company estimated $120m-$140m revenue impact to be offset by $100m spending reduction for 2020. During early Covid-19 days, ETR was penalized for its commercial and industrial load exposure as investors thought that particular customer class would be largely impacted by early shutdown efforts. As we have seen robust economic recovery, we expect C&I load to pick up faster than expected, which could show up in Q'3 results.
  - **Regulatory Agenda:** The Company filed for renewal and extension of their FRP filings in AR and LA. These regulatory mechanisms ensure timely and efficient recoveries of capital spend.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$5.40**	**$1.14**	**$1.37**	**$2.40**	**$5.65**	**$6.00**	**$6.35**
Consensus		1.14	1.37	2.43	5.59	5.95	6.32
% diff.				*-1%*	*1%*	*1%*	*0%*

Source: Evercore ISI and FactSet as of 10/13/20

EVERSOURCE

In Line **TP $91**
Analyst: Durgesh Chopra / Tulkin Niyazaov

- **Q3 EPS Bridge:** We project year-over-year EPS to increase $0.04 to $1.02 driven by rate increases at state utilities and transmission investments. We expect these items to be partially offset by higher depreciation, interest and taxes. COVID impacts are relatively muted for ES with the benefits of revenue decoupling for over 90% of its business and constructive mechanisms that allow for more immediate recovery of everything from certain capital expenditures to pension and bad debt expense.

- **What to look for in the earnings report (Key debates/themes):**
  - **CT Legislation on storm preparedness**. On 10/02/20, Connecticut Governor Ned Lamont signed a legislation (HB7006) that addresses utilities' storm preparation and response. The bill (here) lays out new requirements as well as penalties regarding utilities' performance in event of a storm. More specifically, The Connecticut Public Utilities Regulatory Authority (PURA) has to initiate a proceeding that would enable performance based regulation framework by mid-2022. Under the bill, the electric distribution companies have to give $25-per-day credit for any outage that last longer than four days. Utilities would not be able to recover those costs through rates. Moreover, Utilities would have to compensate their customers' up-to $250 for any spoiled food or medication. Going forward, The PURA will determine minimum staffing level standards related to particular storm event and utilities have to report their preparation efforts and staffing preparedness. ES and AGR's United Illuminating sub would be subject to this new law. In our view the potential of increased/new penalties are negative all things considered. Separately PURA is doing its procedural investigation of company's response to Tropical Storm Isais which could result in additional fines/penalties up to $0.05-$0.06 potential EPS headwind in 2021.
  - **Offshore wind**. Earlier in the year, ES indicated that its South Fork Wind project is unlikely to enter service before 2023 due to its BOEM application being put on pause and a delay in the NY PSC approval process due to Covid. Previously, South Fork was targeted for a YE 2022 in-service. They still target a YE'23 in-service for Revolution Wind with a BOEM filing made in March but indicated that survey work on Sunrise Wind had been delayed and they will know whether this could impact the YE'24 in-service date later this summer. In June, the Bureau of Ocean and Energy Management (BOEM) released a long-awaited supplemental environmental impact statement (SEIS) and the cumulative impact of the build out of offshore wind in New England. The SEIS came out a bit early than expectations, indicating the BOEM was still on track for a final EIS in November and a Record of a Decision in December. The SEIS reviews the environmental impact of the future proposed offshore projects.
  - **Columbia Gas of Massachusetts Acquisition:** On 10/09/20, ES and NI consummated the Columbia gas of MA acquisition after receiving approval from the state commission in line with expectation of early Q4 close. Recall that on July 2nd, NiSource and Eversource filed with the MA Department of Public Utilities a joint petition for the approval of the $1.1B transaction and a proposed multi-year rate plan.

- **Positioning into Qtr : Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**3.45**	**1.02**	**0.76**	**1.02**	**3.65**	**3.90**	**4.15**
Consensus		1.02	0.76	1.03	3.65	3.89	4.13
% diff.		*0%*	*0%*	*-1%*	*0%*	*0%*	*1%*

Source: Evercore ISI, Factset as of 10/13/20

Outperform **TP $62**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** we project year over year EPS to grow $0.04 to $1.61/share, driven the most by O&M cost reductions, plus share accretion from buybacks and higher COLI income. This will be partially offset by reduced electric sales from COVID and higher depreciation, property taxes and interest expense. Recall that weather was $0.09 favorable last year in 3Q19 and we expect it to be modestly unfavorable in this year's 3Q20 quarter. Last year's 3Q19 numbers also had a one-time -$0.05 adjustment for Sibley/Jeffrey.

- **What to look for in the earnings report (Key debates/themes):**
  - **Sales trends:** EVRG is more exposed than our average company to sales decline as it does not have decoupling and, on our estimates, just 13% of EPS comes from FERC assets. The company has said every 1% change in residential load is expected to have a $10mm earnings impact ($0.04 of EPS). Every 1% change in commercial load is expected to have an $8mm earnings impact ($0.03 of EPS). Every 1% change in industrial is expected to have a $2mm earnings impact ($0.01 of EPS). Weather-adjusted total retail sales in Q2 were down -7% YoY, driven by -13% lower commercial and -12% lower industrial sales, partially offset by +5% higher residential. Sales improved over the course of the second quarter, and Evergy's outlook has assumed a slow and steady recovery throughout Q3 and Q4. Cases have continued to rise in Kansas and Missouri in recent weeks.
  - **Cost management:** EVRG is now guiding to 8-11% lower adjusted O&M this year after having achieved $150mm net merger synergies through 2019 since deal closure. Through 2Q20, the company has reduced O&M by another $87mm this year.
  - **Sustainability Transformation Plan (STP) update**: with Q2 results, Evergy raised and extended its EPS CAGR forecast from 5-7% in 2019 through 2023 to 6-8% through 2024. EVRG is expecting to deliver the low end of the range through 2022 while earning near or at its allowed ROEs between rate cases through cost management and the top end of the range in 2022-2024 with new Missouri (2023) and Kansas (2024) rates. EVRG also raised its capex program through 2024 by $1.4 billion, or 19%, to $8.9 billion with no plans to issue equity. The higher spending is now expected to support a rate base growth outlook of 5-6% CAGR from 2019 through 2024 versus 3-4% previously, while limiting bill increases through 2024 averaging 2% per year across the jurisdictions (incl. FERC), with Missouri above that level but comfortably inside the PISA 3% cap and Kansas (where regulators have been concerned about high rates) very manageably below 2%. Evergy now expects to lower 2020 adjusted O&M by a sharper 8-11% (vs. prior 6-9%) and by an additional 9% by 2024. Evergy continues to target CO2 reductions of 80% by 2050 but sees potential for more rapid de-carbonization (and associated capex): up to 85% by 2030.
  - **Securitization**: we believe concerns about securitization are overblown and will be addressed on the Q3 call. In its five-year outlook, Evergy is currently assuming securitization for one ~500 MW coal plant in 2024, for which we estimate a book value of $300mm and a $0.07 - $0.10 ongoing EPS contribution (<3% of our '22EPS projection) that we believe could be offset with the backlog of investments or through additional cost cutting. EVRG said up to 3,000 MW of coal plant retirements beyond the current five-year plan carry enough asset value on the books that they would require legislation, such as securitization. The retirements could be pulled forward with passage of the law.
  - **KCC and MPSC investigation into STP:** We expect Evergy to provide updated thoughts on the ongoing Kansas and Missouri commission STP investigations. The Missouri Staff report is expected mid-November. In Kansas, the timeline is not as clear yet as a procedural schedule still needs to be set. The investigations are likely to extend into 2021.
  - **Long-term Energy Plan (LTEP):** Evergy is working with stakeholders to better inform the level and timing of future renewables and coal retirements beyond 2024. A Missouri IRP is expected to be filed April 1, 2021 and a Kansas IRP is expected to be filed July 1, 2021.
  - **CEO search**: on Aug. 27th, Terry Bassham announced his retirement. EVRG is looking to hire his replacement by year-end with an internal or external candidate.

- **Positioning into Qtr : Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$2.89**	**$0.41**	**$0.68**	**$1.61**	**$3.00**	**$3.25**	**$3.40**
Consensus				1.61	3.01	3.25	3.41
% diff.				*0%*	*0%*	*0%*	*0%*

Source: Evercore ISI and FactSet as of 10/12/20

Exelon.

Outperform **TP $45**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EPS Bridge:** We project year over year EPS to decline $0.06 (~7%) to $0.86 driven by COVID related lower sales and higher uncollectable expense and decreased in power prices and lower volumes impacting generation business which would be partially offset by previously announced reduction in non-fuel O&M and higher interest rates impacting ComEd ROEs. On the last earnings call, management provided Q'3 operating EPS guidance range of $0.80-$0.90.

- **What to look for in the earnings report (Key debates/themes):**

  - **Utility/GenCo Split:** It was recently reported that management hired outside advisors to consider splitting generation and regulated utility businesses. We think a transaction could unlock value but could be challenging to execute, see our note here.
  - **Generation Business**: We expect low power prices and volumes impact ExGen margins. However, management was transparent about generation headwinds (including their retail exposure to C&I customer class), so it shouldn't come in as a surprise to the investors.
  - **IL's FRR Bill:** Investors continue to focus on IL legislation that could provide financial support to EXC's nuclear fleet.
  - **COVID Impacts:** Previously management assumed C&I load to decrease by 2-6% and Residential load to be flat to down 2% by Q'4 due to Covid-19. To mitigate these headwinds, management announced $250m of cost savings and $125m of ExGen capex reduction in 2020. All in all, management expected -$0.10 impact on each ExGen and utilities FY20 earnings after netting against cost saving initiatives. They also expected $100m cash flow hit on ExGen.
  - **Regulatory Agenda:** There are multiple rate cases pending across EXC utilities. Investors are also focused on PJM Capacity market revision, which is pending at FERC. IL legislation considering an FRR option is very important factor as well. We look forward to get more clarity and update on these regulatory matters.

- **Positioning into Qtr: Neutral**.

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**3.22**	**$0.87**	**$0.55**	**$0.86**	**$3.00**	**$3.00**	**$3.00**
Consensus		0.85	0.55	0.86	2.96	2.95	3.01
% diff.				*1%*	*1%*	*2%*	*0%*

Source: Evercore ISI and FactSet as of 10/14/20

FirstEnergy

In Line **TP $41**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EPS Bridge:** We project year over year EPS to increase $0.04 (~5%) to $0.80 driven by favorable weather (vs. normal), riders at Distribution business and margin increase at Transmission business partially offset by COVID related lower sales and higher uncollectable expense and higher depreciation and interest expenses. Q3 19 had $0.05 favorable weather impact vs. normal. On the last earnings call, management provided 3Q operating EPS guidance range of $0.73-$0.83/sh.

- **What to look for in the earnings report (Key debates/themes):**

  - **Ohio Investigation:** Investors will focus on the latest developments in OH related to bribery investigation and what the next steps are. It would be interesting to know management's thoughts on House Bill 6 (HB6).
  - **Business Update:** Management will continue to highlight its fully regulated strategy and how it is resilient during economic slowdown. Debates around balance sheet and credit metrics will linger, but with rating agencies continues support we think they are in decent shape at least in near-term. We don't expect the company to provide FY21 guidance on the earnings call as they have previously.
  - **COVID Impacts:** COVID impacts to earnings and cash flow recall that management estimated 6% system-wide load reduction in April y/y. At the same time, management was seeing increased load from residential customer class. Recall, 68% of base distribution revenues come from residential customer class, hence FE is better positioned to weather Covid-19 impacts.
  - **Regulatory Agenda:** Investors will focus on the pending rate case in NJ. FE also plans to file an IRP in WV by the year-end.

- **Positioning into Qtr: Neutral**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$2.58**	**$0.66**	**$0.57**	**$0.80**	**$2.50**	**$2.65**	**$2.75**
Consensus		0.66	0.57	0.76	2.50	2.63	2.76
% diff.				*5%*	*0%*	*1%*	*0%*

Source: Evercore ISI and FactSet as of 10/12/20

Underperform **TP $34**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year over year EPS to be down $0.08 to $0.50/share. On the positive side, we expect higher RAM revenues, increased revenue from recovery of the West Loch project and Grid Modernization projects under the MPIR mechanism, reduced interest expense from debt re-financings and lower O&M. We anticipate these benefits to be more than offset from increased bank provisioning for credit losses, increased depreciation and lower AFUDC.

- **What to look for in the earnings report (Key debates/themes):**
  - **ASB provisioning and net interest margin:** recall that HE rescinded 2020 bank EPS guidance due to uncertainty with provisioning for credit losses. Separately, ASB's net interest margin has continued to come under pressure in recent quarters amid low interest rates.
  - **Hawaiian economy / tourism:** the Hawaiian economy is very dependent on tourism, which has obviously taken a huge hit recently. We expect an update on the current state of the economy and outlook for the remainder of the year and beyond. On the utility side, HE received approval on June 30th from the Hawaiian commission to defer COVID costs (the company assumes $22mm of deferrals in its guidance this year). The utilities are also revenue decoupled, which insulates them from declines in sales volumes. The economic fallout has obvious implications for the creditworthiness of the bank customers.
  - **Regulatory lag:** HE has suffered from chronic regulatory lag. We have been assuming structural lag between the utilities' authorized and earned ROE (running at ~130bp in TTM) compresses by 50bp by 2022 and constructive outcomes in the PBR proceeding lead to an additional 50bp of PIMs upside by 2022.
  - **Status of cost savings:** HE has plans to achieve $25 million of cost savings by YE 2022. Cost savings are expected to be 80% capital and 20% O&M. As of 2Q20, Hawaiian said it has already started to deliver savings.
  - **Performance Based Rates proceedings:** the Performance Based Rate proceeding has been said to be on track for a December commission decision. In August, parties filed reply statements of position in the Performance Based Rates Phase 2 proceeding.
  - **Renewable RFP third party project timing and status of Stage 2:** COVID may affect Stage 1 RFP third party project timing; the next mandated RPS requirement is 40% by 2030. Per Hawaiian, this provides sufficient runway to make adjustments, if needed. However, 3rd party force majeure notices indicate potential COVID-related delays may impact HE's 2022 target of 50%. For the Stage 2 RFP, 16 projects were selected in May 2020. PPA negotiation and community engagement phases have been underway. To qualify for full value of the PIMs, renewable and storage contracts were due in September. Hawaiian filed eight PPAs and also two self-build storage projects.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$1.99**	**$0.31**	**$0.45**	**$0.50**	**$1.70**	**$1.95**	**$2.10**
Consensus				0.50	1.67	1.88	2.02
% diff.				*1%*	*2%*	*4%*	*4%*

Source: Evercore ISI, FactSet as of 10/12/20

In Line **TP $277**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We expect year-over-year EPS to grow $0.21 to $2.60/share. We anticipate that Florida Power & Light will utilize its depreciation reserve ($736mm balance) to offset sales declines and any weather impacts to earn the top end of its 9.6-11.6% allowed ROE band on rate base growth of 9%. At Gulf Power, we expect COVID sales declines (only $0.01 EPS impact in Q2) to be offset by planned O&M reductions as Gulf moves to earn the top half of its 9.25-11.25% ROE (it earned 10.4% last quarter). Hurricane Sally caused power outages to 60% of Gulf's service territory, but they were restored within five days; storm cost recovery is subject to PSC approval. Note that Gulf Power is only one-tenth the size of FPL. In the Energy Resources segment, we anticipate growth to be driven by new projects added, plus existing projects, though wind resource could be weaker YoY after a strong 3Q19 at 104%. NextEra permanently retired the Duane Arnold nuclear plant during the quarter. Recall that NEET has been reclassified under NEER as of 4Q19 results and NextEra closed the Transbay Cable acquisition in July 2019. It is important to note that last year in 3Q19 NextEra had a one-time $0.10 write-off of transmission assets and that the Customer Supply & Trading business did not have as strong a second half last year as it did during the first half last year.

- **What to look for in the earnings report (Key debates/themes):**
  - **Sales trends amid COVID and amount of utilization of FPL's depreciation reserve:** Recall that FPL has the depreciation reserve that it can use to offset the negative sales impact on earnings. NEE had a robust $736mm reserve balance as of the end of the second quarter. Every 1% impact to sales is roughly a $70mm annual hit to FPL revenue. The company has previously said that they have sufficient depreciation reserve to earn the top end of their allowed 9.6-11.6% ROE band through 2021, after which new rates are expected to go into effect from an upcoming rate case filing. At Gulf Power, where there is no depreciation reserve, every 1% change in Gulf Power sales volumes results in a $0.008/share annualized impact to EPS.
  - **Gulf Power integration:** NEE is guiding to $0.15 and $0.20/share accretion to EPS from the Gulf Power acquisitions in 2020 and 2021, respectively.
  - **M&A:** The WSJ reported that NextEra reportedly made a takeover approach to Duke Energy that was rebuffed. NEE is reportedly still interested in pursuing a deal. We show multiple scenarios inside this note that generate 24-34% accretion to 2022 consolidated EPS and $14-43/share or 5-16% accretion to our price target of $277. We found a potential deal to be moderately or significantly credit negative depending on the scenario. We do not expect NEE to comment much on DUK but anticipate they will say (as always) they are interested in regulated acquisitions in the Southeast or Midwest in constructive jurisdictions where a deal would be immediately accretive.
  - **MVP and gas transmission assets:** Mountain Valley Pipeline is over 90% complete and has received all the permits it needs to continue forward, with an in-service date expected early 2021. Recall that MVP is anticipated to contribute only $0.07-0.09 of annual EPS. Separately, we believe there could be more commentary on the future role that gas transmission assets could play at NEE given the increased focus of ESG and increasing challenges facing the value / development of midstream.
  - **Rate case details:** NextEra plans to file a combined FPL-Gulf Power rate case in early 2021 for rates effective in 2022.
  - **Capital projects and NEER supply chain:** NEE has said that all capital projects on track this year and that it is not currently experiencing any significant equipment or labor issues for the 5,000 MW of wind/solar projects that it expects to complete in 2020. We believe NEE's extensive experience, scale, and relationships with customer suppliers, contractors and financers separates it from smaller developers who have less buying power and access to tax equity.
  - **FERC electric transmission**: NEE announced the $660mm GridLiance acquisition including debt in late September. This follows NEE's $1 billion acquisition of Transbay Cable in 2019. NextEra has said electric transmission could play an increased role in its portfolio going forward given the nationwide expansion of renewables.
  - **Hydrogen**: NEE announced a $65mm renewable hydrogen pilot subject to Florida PSC approval. The company anticipates hydrogen to play a significant role beyond 2030.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$8.37**	**$2.38**	**$2.61**	**$2.60**	**$9.15**	**$9.85**	**$10.65**
Consensus				2.58	9.14	9.94	10.75
% diff.				*1%*	*0%*	*-1%*	*-1%*

Source: Evercore ISI, FactSet as of 10/12/20, numbers pre 4:1 stock split which will begin trading on Oct. 27th

NiSource

Outperform **TP $26**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year over year EPS to grow $0.05 to $0.05/share. Recall that NI adjusts weather out of its non-GAAP EPS results. We expect infrastructure modernization to contribute a +$0.03 benefit and O&M reductions to add +$0.06, partially offset by -$0.04 a reduction to sales volumes from COVID.

- **What to look for in the earnings report (Key debates/themes):**
  - **Quiet quarter given recent Analyst Day:** NiSource provided a comprehensive update on its Investor Day on Sept. 29th, so we expect a quiet quarter in terms of business updates**.** At its Investor Day, NI announced $40Bn in infrastructure investment opportunities over the next 20 years, an increase of $10 billion over previous expectations. The company outlined a $9.9-10.5 billion capital plan in 2021 through 2024, which is expected to drive 10-12% rate base CAGR and a back-end loaded 7-9% EPS CAGR. Notably, the annual EPS growth is forecasted to be 5-7% in 2021 through 2023. Prior to its Analyst Day, NiSource had said its five-year EPS growth outlook would be greater than 5-7%, but the 7-9% CAGR that was announced at the event was higher than our expectations and materially above industry average projected EPS growth rate of 5%. NiSource continues to target long-term 14-15% FFO to debt, as expected. The company's newly disclosed financing plan includes $200-300 million of ATM equity annually in 2021-2023, $500-700 million of total block equity in 2022-2023, $600-1,000 million of hybrids/convertibles/other in 2021, plus employee equity programs and long-term debt. The planned $1.8-2.0 billion of renewables replacement power capex was reaffirmed, and is expected to be financed with 60% equity, with recovery of investment sought through a 2023 rate case. The amount of equity in the financing plan to achieve its targeted credit metrics was largely to be expected given that we see NI trending towards 13% FFO to debt this year. NiSource now projects an 8% reduction in O&M costs in 2021 from 2020 levels with subsequent O&M expected to be "relatively flat" in 2021-2024. The sustainable outlook for O&M savings is positive news given that some of the COVID mitigation measures for the near term are expected to be one-time in nature. NI anticipates moderate annual rate increases in the low-to-mid single digits thanks to the O&M management and a changing supply mix (i.e. renewables replacing coal). The company is targeting a 60-70% dividend pay-out ratio over the long term.
  - **COVID update and mitigation measures:** We expect NiSource to provide an update on sales volumes and estimated COVID-related EPS impacts. The company has guided to COVID impacts of $0.15-0.20 in 2020, to be partially offset with mitigation measures of +$0.10-0.15 this year.
  - **O&M reductions**: NI has mitigation measures in place for +$0.10-0.15 this year and is also guiding to 8% lower next year and relatively flat O&M beyond in 2021-2024.
  - **Columbia Gas of Massachusetts divestiture closing:** On 10/09/20, ES and NI consummated the Columbia gas of MA acquisition after receiving approval from the state commission, in line with expectation of early Q4 close. Recall that on July 2nd, NiSource and Eversource filed with the MA Department of Public Utilities a joint petition for the approval of the $1.1B transaction and a proposed multi-year rate plan.
  - **M&A**: NI said at its Analyst Day that its financing plan does not include any potential "portfolio optimization" opportunities to enhance shareholder value, leading many to believe the company is evaluating opportunities.
  - **Property insurance in Massachusetts:** NI has not had any update to date on its filing $300mm of property insurance, which would represent upside to the company's current plan. NiSource has received all its $800mm of casualty insurance.
  - **Rate case updates**: NI currently has pending rate cases in Pennsylvania and Maryland. PA is a much larger jurisdiction, which we expect to contribute $0.25-0.30 of EPS this year, or roughly 20% of our consolidated $1.26 EPS estimate. In contrast, we expect Maryland to contribute just a few pennies in 2020.
  - **Update on renewable projects:** we could see an update on commercial negotiations.

- **Positioning into Qtr: Positive.** We expect NI to deliver a strong quarter above current consensus estimates aided by strong performance on cost reductions.

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$1.32**	**$0.76**	**$0.13**	**$0.05**	**$1.26**	**$1.34**	**$1.41**
Consensus				0.02	1.29	1.34	1.44
% diff.				*114%*	*-3%*	*0%*	*-2%*

Source: Evercore ISI, FactSet as of 10/12/20

Outperform **TP $40**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EBITDA Bridge:** We project year over year Adj. EBITDA to decrease by $53m or ~77% driven by Covid-19 headwinds at both generation and retail businesses, partially offset by the higher revenues from margin enhancement, strong economic recovery especially in TX and other items.

- **What to look for in the earnings call (Key debates/themes):**

  - **Direct Energy Acquisition:** We expect management will provide latest updates regarding Direct Energy acquisition. Investors will also focus on financing plan and integration synergies.
  - **Resiliency of Hybrid Business Model.** NRG will continue to highlight resiliency of its fully integrated business model. They will try to make a case that hot summer with potentially volatile / higher power prices in TX shouldn't have significant impact on their earnings given increased supply cost at their retail business would be offset with higher margins at generation business. It would be interesting to get management's view on merchant solar in TX.
  - **COVID Impacts:** Previously, management talked about $50m of incremental bad debt expense related to COVID-19, which they expect to fully offset and remain inside of the guidance range. Given we have seen robust economic recovery across the US and in TX particular; these assumptions could turn out to be too conservative. Admittedly, management said an IG upgrade could be pushed back by six months or so due to COVID-19.
  - **Capital Allocation Priorities:** NRG needs to stay disciplined with its capital allocation priorities. Investors will continue to demand share buy-backs, investment grade credit metrics, stable and growing dividends.

- **Positioning into Qtr: Neutral.**

Adj. EBITDA	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$1,977**	**$349**	**$574**	**$739**	**$1,925**	**$1,850**	**$1,825**
Consensus		349	574	785	1,976	2,161	1,956
% diff.				*-6%*	*-3%*	*-14%*	*-7%*

Source: Evercore ISI, Factset as of 10/12/20

OGE

Outperform **TP $35**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year over year EPS to decline -0.29 to $0.96/share driven the most by unfavorable weather and lower ENBL contribution. Recall that last year in 3Q19 weather was favorable by $0.06. This year in 2Q20, we expect weather to be unfavorable by -$0.10 with cooling degree days 16% below normal. We expect OGE's degradation in load due to COVID to be fully offset with O&M reductions. OG&E is not expected to materially benefit from any new assets in service. We estimate depreciation / property taxes to be a -$0.05 drag and higher interest expense from new debt issuances to contribute -$0.02. We expect Enable to contribute -$0.05-0.06 lower earnings YoY, assuming the company delivers the balance of its full-year guidance equally between Q3-Q4.

- **What to look for in the earnings report (Key debates/themes):**
  - **COVID load impacts**: OGE has said weather-normalized load in the first half of this year was down 3% compared to 2019. About half of the company's margin comes from residential load, which has increased, and the other half is commercial/industrial, which has declined. Every 1% change in total load is expected to result in a $0.05 annual EPS impact.
    Cost management: OGE has said it expects to mitigate load impacts from COVID this year through cost control. The company cut O&M by $11mm in O&M in first half and expect similar reductions in the back half of the year.
  - **ENBL**: We expect commentary on oil & gas producer activity. Given the headwinds facing the oil & gas industry, CenterPoint CEO Lesar is considering Enable as a major priority in his strategic review. Naturally, OGE's options for ENBL have been a popular topic. The company is likely not going to comment on strategic options for ENBL but is thought to be more aligned with CNP in its approach to ENBL than it has been ever before.
  - **Oklahoma Grid Enhancement Filing Plan settlement**: On Oct. 5th, OGE reached a unanimous settlement in its Oklahoma Grid Enhancement mechanism filing. The mechanism establishes a revenue requirement cap of $7mm for 2020 projects and another $7mm cap for 2021 projects. The projects need to be placed in service in 2020 and 2021 and will be limited to investment in grid automation and related communication and technology systems. Return will be based on the 9.5% ROE and 53% equity ratio approved in the last rate case. No O&M expense is included in the mechanism, which will terminate at the issuance of a final order in the next rate case or Oct. 31, 2022, whichever comes first. A final decision is expected by YE 2020. OGE is has not changed its full capex program and is expected to seek reauthorization of this mechanism when it files its next rate case. We believe this is a positive development in a historically challenging jurisdiction that will enable avoidance of more regular rate cases and also helps solidify LT utility 5% EPS growth. It is another indication of an improving regulatory environment in OK that follows balanced outcomes in the last two rate cases.
  - **2021 EPS guidance and a refresh of five-year capital plan and long-term EPS growth rate likely to come in February with Q4 results, based on history.** It is possible that 2020 guidance could be updated with Q3 results though.
  - **Customer growth**: Customer growth has continued to be strong and was +1.1% YoY in the second quarter.

- **Positioning into Qtr : Negative.** Our YoY earnings bridge brings us materially below consensus projections for the quarter in good part due to unfavorable weather.

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$2.16**	**$0.23**	**$0.51**	**$0.96**	**$2.13**	**$2.18**	**$2.31**
Consensus				1.19	2.14	2.21	2.26
% diff.				*-19%*	*0%*	*-1%*	*2%*

Source: Evercore ISI, FactSet as of 10/12/20

PNM Resources

In Line **TP $44**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year over year EPS to decrease $0.03 to $1.25/share. The company recently increased 2020 EPS guidance by $0.05-0.07, which it attributed to hot Q3 weather and lower interest expense for the third quarter. This came after PNM had previously said it expected roughly ~54% of prior $2.16-2.26 guidance to come during the quarter. Adding these two data points together we get to $1.25/share for our Q3 estimate.

- **What to look for in the earnings report (Key debates/themes):**
  - **COVID update**: we expect to see an update on weather-normalized load trends to date and what the expectation is going forward.
  - **Ballot initiative:** There is a ballot initiative in November 2020 to change the New Mexico commission from elected to appointed and reduce the number of commissioners from five to three. PNM said historically ~85% of ballot initiatives have passed in the state. The company has said it does not have a preference for five versus three commissioners. If the ballot initiative passes by a simple majority, 1) the legislature defines the nominating committee and the requirements for the commissioners; 2) the terms for commissioners elected in Districts 1 and 3 in 2020 will be for a two-year term ending in 2022 as the terms in Districts 2, 4 and 5 already expire in 2022; and 3) three appointed commissioners would begin new staggered terms on January 1, 2023.
  - **O&M management:** given favorable weather in Q2-Q3, it will be interesting to hear if PNM will scale back its O&M management or move full speed ahead with COVID mitigation plans.
  - **More details on the recent increase to 2020 EPS guidance:** on October 1st, PNM increased its 2020 EPS guidance from $2.16-2.26 to $2.23-2.31/share to reflect higher residential loads resulting from COVID and hotter summer temperatures, along with interest savings from refinancing of debt.
  - **Reaffirmation of long-term EPS growth rate**: on October 1st, PNM also reiterated its 5-6% EPS CAGR outlook for 2019-2023.
  - **Roll out of investment plans and earnings power to incorporate 2024.** PNM has already announced that it plans to provide an update to incorporate 2024 into its investment plans and earnings power estimates. We expect a robust backlog of T&D investments in a transmission-constrained New Mexico to support a solid capital program and continued growth in earnings power.
  - **2021 guidance and updated dividend outlook likely coming in mid-December**. PNM typically updates its forward-year guidance and dividend outlook after its Board meeting in December.
  - **New Mexico decoupling filing update:** As testimony was filed and parties prepared for hearings in the decoupling case, some questions were raised on the legal interpretation of the law amended in 2019 (Efficient Use of Energy Act) that serves as the basis for PNM's decoupling filing. PNM subsequently asked the hearing examiner to stay the schedule and asked the commission to provide an order on how it interprets the law. PNM is hoping to get the issues cleared up before its next planned rate case filing in mid-2021. Previously, a decision in the decoupling case was expected by year-end 2020.
  - **ESG story**: we expect PNM to continue to push an underappreciated, compelling ESG story that targets emissions-free energy by 2040 versus many other company goals of net zero in the 2040 or 2050 timeframe.

- **Positioning into Qtr: Neutral.** PNM just raised its 2020 EPS guidance and reaffirmed its long-term EPS growth outlook on October 1st, so we view the quarter as neutral given the outlook has already been refreshed ahead of the quarter. The introduction of 2024 does present opportunities for an extended outlook though.

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$2.16**	**$0.18**	**$0.55**	**$1.25**	**$2.20**	**$2.35**	**$2.55**
Consensus				1.23	2.21	2.33	2.52
% diff.				*1%*	*-1%*	*1%*	*1%*

Source: Evercore ISI, FactSet as of 10/12/20

PINNACLE WEST CAPITAL CORPORATION

In Line **TP $85**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year over year EPS to grow $0.33 to $3.10/share. Recall that weather last year in 3Q19 was relatively normal. This year, Pinnacle has posted very favorable weather data in the third quarter on its website (we assume a $0.45/share pick-up). Weather-normalized load recovery has also been strong since mid-May and cost management has been effective. We assume a continuation of the pension benefit for Pinnacle West that we saw in Q1-Q2. The LFCR and TCA riders should collectively contribute a modest positive, with other operating expense (D&A and TOTI) and higher interest expense as modest headwinds. Recall that historically 56% of Pinnacle's earnings come in Q3 due to air conditioning loads in the hottest months in Arizona.

- **What to look for in the earnings report (Key debates/themes):**
  - **Electric sales and cost management**: Last quarter, given the impact of COVID, Pinnacle reduced its 2020 weather-normalized YoY sales growth expectations from 1-2% growth to flat to negative 1%, but added that it believes this is a conservative given that its electric sales have been recovering. PNW has continued to see weather-normalize load improve and it is actually up +1% YoY in May 13th-Aug 31st, with C&I down -5% and residential up +6%. Recall that historically 56% of earnings come in Q3 due to air conditioning loads in the hottest months in Arizona. PNW has reaffirmed 2020 EPS guidance of $4.75-4.95 with the expectation that cost control would offset the impacts of COVID this year.
  - **Rate case thoughts following Staff / intervener testimony**: On Oct. 2nd, Arizona commission Staff/interveners filed testimony in Pinnacle West's Arizona rate case. While Staff recommended an ROE of 9.4%, which is well below the proposed 10.15% and the current 10.0%, it is close to the national average of 9.45% and above the 9.28% recommended by Staff in the Tucson Electric case. Staff also recommended an equity ratio of 54.67%, in line with the request (as expected) of 54.70% but below existing 55.80%. In addition, Staff proposed two alternatives (0.0% and 0.3%) for return on fair value increment that are both below request (1.0%) and current (0.8%); but we did not expect much on that, Staff also recommended an original cost rate base of 8,788mm and a fair value rate base of 12,225mm, both similar to the request of $8,873mm and $12,310mm, respectively. Lastly, Staff is proposing revenue decreases of -$38.8mm on original cost rate base, -$39.1mm on fair value alternative 1 and -$25.3mm on fair value alternative 2, versus APS' revenue increase request of +$22.9mm on original cost rate base and +$68.6mm on fair value rate base. We view this update positively primarily because Staff's proposed ROE is above that Staff proposed for Tucson electric and in line with national averages in a challenging jurisdiction. We do not expect a settlement in the APS rate case given the current commission's recent history. PNW has said it expects a final decision mid-2021.
  - **Revisit of 2020 EPS guidance:** Historically, PNW revisits current year EPS guidance in the third quarter. We believe it is possible 2020 EPS guidance could be increased after a very hot third quarter and strong beat in the second quarter on weather and in the first quarter on cost control.
  - **We do not expect PNW to introduce 2021 EPS guidance despite historically announcing forward year guidance in Q3.** Given the pending rate case, we do not expect 2021 EPS guidance until that rate case is concluded, likely in mid-2021.
  - **Hydrogen pilot:** Palo Verde is collaborating on a pilot project in 2020-2022 to explore the production of hydrogen at Palo Verde Generating Station.
  - **Deregulation proceeding thoughts:** No workshops are currently scheduled. We view the likelihood of deregulation in the state as a low probability outcome given that it was previously deemed unconstitutional and support of it does not seem very strong. Commissioner Olson and Burns have been pushing for it, and Burns' term will end this year.
  - **Commission election**: It is an election year for the Arizona commission and three seats will be filled with one incumbent on the ballot (Lea Marquez Peterson). PNW has said they are relatively agnostic to the make-up of the commission and believes they are well-positioned for both a Republican or Democratic majority.

- **Positioning into Qtr : Positive.** We expect PNW to raise 2020 EPS guidance with a strong Q3 EPS beat following strong Q1-Q2 results.

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$4.77**	**$0.27**	**$1.71**	**$3.10**	**$4.85**	**$5.10**	**$5.40**
Consensus				2.69	4.86	5.01	5.27
% diff.				*15%*	*0%*	*2%*	*3%*

Source: Evercore ISI, Factset as of 10/12/20

In Line **TP $31**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EPS Bridge:** We project year over year EPS to increase by $0.04 (~6%) to $0.65 driven by favorable FX position vs. last year, warmer than normal weather and organic growth across PPL's platform, partially offset by Covid-19 impacts and share dilution. 3Q19 Adj. EPS was $0.61/sh. We are also refining our FY20 EPS estimate to $2.45/sh from $2.50/sh taking into account YTD performance which reflects lower sales driven by Covid-19 impacts and unfavorable weather in Q'1.

- **What to look for in the earnings report (Key debates/themes):**

  - **Strategic Alternatives:** We expect management will update investor community on their progress to sell the UK business. Most of the questions will center around potential deal economics and future of the company. More specifically, it would be interesting to know what management plans to do with investment proceeds and their latest thinking around financing/capex programs going forward.
  - **Timeline for the RIIO-2 process is long-dated.** In August '19, the UK utility regulator (Ofgem) kicked off the review process for electric distribution companies. Ofgem is expected to reach an initial determination for Distribution Networks Operators (DNOs) in June '22 and a final determination by YE '22, with rates effective April '23.
  - **PPL's exposure to FX risk:** As of 2Q20, PPL is 95% hedged against the pound in '20 at $1.47, 8% hedged in '21 at $1.32, and unhedged in '22. The company uses options in their hedging strategy, which represents one-third of their hedge portfolio for '20. Currency volatility creates potential headwinds.
  - **COVID Impacts:** Management expected (-$0.03)-(-$0.04) monthly EPS impact based on April's shutdown primarily in UK and Kentucky. Most of this decline in sales volume. They expect to recover lost revenue through UK decoupling mechanism albeit with two year lag.
  - **Regulatory Agenda:** The company plans to file a rate case in Kentucky later this year. This could slip to next year due to Covid-19 related impacts and super low interest rates. ROE Complaint related to PA operations at FERC will also be point of discussion. Also, Investors would like to get an update on the Ofgem RIIO-2 Draft Determinations for Transmission, Gas Distribution and Electricity System Operator.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	1Q20A	2Q20E	3Q20E	2020E	2021E	2022E
EVR ISI	**2.45**	**$0.67**	**$0.55**	**$0.65**	**$2.45**	**$2.50**	**$2.60**
Consensus		0.67	0.55	0.61	2.42	2.47	2.59
% diff.		*0%*	*0%*	*7%*	*1%*	*1%*	*0%*

Source: Evercore ISI, Factset as of 10/09/20

PSEG
We make things work for you.

In Line **TP $53**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EPS Bridge:** We project year over year EPS to decline $0.03 (~3%) to $0.95 driven mostly by higher O&M related to storm activities, Covid-19 impacts, and weakness at generation business partially offset by organic growth at utilities and higher capacity revenues at generation business. We expect management will continue to pull O&M levers, especially at generation business, to offset Covid-19 related impacts. Although we have seen continues reduction in forward power prices, the company is almost fully hedged for '20 and shouldn't experience significant volatility in power segment. Increased PJM capacity prices for DY20/21 could partially offset re-contracting / volume degradation.

- **What to look for in the earnings report (Key debates/themes):**

  - **Progress on separating the GenCo business:** In the last earnings preview note we said: 'As power prices continues to stay low and ESG theme becoming more prevalent we expect management would address its GenCo strategy going forward'. Indeed on the last earnings call management announced a process to separate its generation business. We think Q'3 call will be focused on the progress so far and future of standalone utility business.
  - **COVID Impacts:** COVID impacts to earnings and cash flow. Recall, PEG's transmission and residential segments of distribution contribute 75% of total utility margin. Transmission revenues are fixed and 60% of distribution margin comes from residential customer class, which was expected to increase during the shutdown period. The company has electric bad debt expense recovered through the social benefits clause, while gas distribution has weather normalization clause.
  - **Regulatory Agenda:** BPU recently approved PEG's EE filing, a 1$bn program for three years. The filing also included a decoupling like mechanism that would help PEG offset lost load. We think investors would be interested to know more about the details of approved filing. Decision on PJM Capacity Market is still pending at FERC. A new docket reviewing the FRR option at NJ is ongoing; we think investor would like to get more color on that docket and potential implications as it relates to the offshore wind project. Concerns around FERC transmission ROE could also be discussed on the call.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$3.29**	**$1.03**	**$0.79**	**$0.95**	**$3.35**	**$3.40**	**$3.55**
Consensus		1.03	0.79	0.96	3.39	3.39	3.45
% diff.				*-1%*	*-1%*	*0%*	*3%*

Source: Evercore ISI, FactSet as of 10/12/20

Sempra Energy®

Outperform **TP $138**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EPS Bridge:** We project year over year EPS to decline $0.06 (~4%) to $1.44 driven by asset sale (Peru and Chile), FX headwinds, higher depreciation and interest expenses and other partially offset by continues rate base growth at CA utilities, favorable weather in TX and LNG and Mexico Sub contributions.

- **What to look for in the earnings report (Key debates/themes):**

  - **COVID Impacts:** The company is fully decoupled at its California utilities but has exposure in Texas. That said, revenues have been holding up better than expected in Texas, as residential demand has increased, offsetting the impacts from lower C&I sales.
  - **Non-utility exposure:** SRE sees limited volumetric exposure at Ienova or Cameron LNG as most of their contracts are take-or-pay. That said capital spending at the Mexican business could be delayed due to Covid-19. On that front, the ECA LNG export permit has been delayed as the Mexican government has been understandably more focused on responding to Covid than in issuing permit.
  - **Texas looking better than expected.** With CA decoupled, investors have been more concerned with how TX demand would hold up during Covid-19 and as a result of the sell-off in oil prices. Interestingly, electric demand actually increased 1% in 1Q in Texas and the utility added 18k new customers. Most utilities saw demand declines in 1Q led by weather. Further, SRE is still seeing significant demand from drillers in west Texas to move from stand by generation to the grid, despite a declining rig count and the commodity backdrop. Overall, Management still expects weather to be a more important variable than Covid on TX this year.
  - **CA franchise agreement.** The city charter in San Diego requires a competitive bid to renew its franchise agreement. The city council is actively involved in this process and Mayor's office expected to issue invitation to bid this month. SRE plans to fully engage in the process and submit its bid in the second half of October and a final decision is expected by year end, we will look for additional color from management on this front.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$6.78**	**$3.08**	**$1.65**	**$1.44**	**$7.60**	**$8.00**	**$8.25**
Consensus		3.08	1.65	1.48	7.61	8.03	8.43
% diff.				*-3%*	*0%*	*0%*	*-2%*

Source: Evercore ISI, FactSet as of 10/12/20

Southern Company

In Line **TP $59**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year over year EPS to decrease $0.14 to $1.20/share versus guidance of $1.15/share. In 3Q19, weather was $0.15 favorable. This year, in 3Q20, we expect weather to be modestly beneficial versus normal (we estimate +$0.03). Mitigated COVID impacts (lower sales coupled partially offset by reduced O&M) are expected to have a -$0.04 impact, while increased interest expense is anticipated to contribute a -$0.02 drag at the parent with share dilution contributing -$0.01. At the regulated businesses, the rate action net of D&A and interest expense is expected to be a +$0.02 benefit YoY. We expect Southern Power to add an additional +$0.01 with a couple new wind farms this year driving the increase. All numbers are rounded to the nearest penny.

- **What to look for in the earnings report (Key debates/themes):**
  - **COVID sales impact update**: SO has been forecasting a weather-normalized retail sales decline of 2-5%, resulting in a $250-$400mm hit to revenues. They expect to offset this impact with cuts to O&M expense. Through June, the company said the COVID impact on retail revenues has been lower than anticipated. Retail sales have seen improving trends since May. We note that COVID cases are lower in Georgia and staying low while cases are higher and staying high in Alabama and Mississippi.
  - **Cost management:** Southern has previously said that it expects to offset $0.20-0.30/share of EPS impacts from coronavirus with O&M reductions. Cost control was very strong in the first half of the year and if SO is well-positioned in the fourth quarter we suspect it could pull forward some 2021 O&M.
  - **Potential narrowing of range of 2020 EPS guidance:** SO has historically narrowed its current-year EPS guidance during its third quarter call and we expect the same this year. We see more tailwinds than headwinds to guidance with electric sales trending better than originally expected and modestly favorable weather in Q3 after an unfavorable first half that saw the company still maintain its guidance with effective cost control.
  - **Guidance for 2021 and a refresh to the long-term outlook is not expected until February, as per typical.** Recall that the company is currently targeting a long-term EPS growth rate of 4-6% on the back of a five-year capex program of $40 billion.
  - **Vogtle update**: Southern is on track for cold hydro testing in October before the third quarter conference call. Southern continues to work toward fuel load occurring in 2020; however, this milestone is not required to be achieved until later in 2021 to support the approved in-service dates. The current in-service dates for Units 3 and 4 remain Nov 2021 and Nov 2022 at an unchanged capital cost of $8.4Bn, respectively.

- **Positioning into Qtr: Neutral**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$3.11**	**$0.78**	**$0.78**	**$1.20**	**$3.20**	**$3.30**	**$3.55**
Consensus				1.23	3.16	3.32	3.54
% diff.				*-2%*	*1%*	*0%*	*0%*

Source: Evercore ISI, FactSet as of 10/12/20

Outperform **TP $27**
Analyst: Durgesh Chopra / Tulkin Niyazov

- **Q3 EPS Bridge:** We project year over year Adj. EBITDA to decrease by $14m or ~1% due to higher fuel cost at retail business and Covid-19 related headwinds partially offset by the acquisition of Ambit and Crius retail businesses, resilient power market environment at ERCOT, and OPI contributions.

- **What to look for in the earnings report (Key debates/themes):**

  - **Texas Summer.** We think management will discuss FY20 summer takeaways and provide their updated hedging disclosure which would impact their next year EBITDA and FCF metrics.
  - **Merchant Solar Investment:** We expect management will address investor concerns around solar economics in TX and why they think it is attractive avenue of growth.
  - **Capital Allocation:** VST recently hosted a virtual analyst day where they discussed two main themes: 1) Capital Allocation. 2) Portfolio Transition. At the end of the day, VST has to put up cash flows that are in fact somewhat resilient to wholesale price declines. They understand this and that is part of the reason for the LT Outlook. They must also maintain capital discipline by keeping capex low sticking to conservative debt/EBITDA targets, and buying back stock, and keep optimizing their fleet. We also need to see some evidence that power market and capacity market conditions will stabilize.

- **Positioning into Qtr: Neutral.** We expect Q'3 Adj. EBITDA will come in at $1,050m vs. consensus estimate of $1,102m. We do think our estimates are conservative even after incorporating Covid related impacts on Retail as well as Wholesale businesses. More importantly, a load demand (and economy in general) in TX continues to be strong benefitting VST's generation/retail load match portfolio.

Adj. EBITDA	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$3,325**	**$850**	**$916**	**$1,050**	**$3,500**	**$3,200**	**$3,200**
Consensus		850	916	1,102	3,520	3,250	3,086
% diff.				*-5%*	*-1%*	*-2%*	*4%*

Source: Evercore ISI, FactSet of 10/12/20

WEC Energy Group

In Line **TP $93**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year-over-year EPS to increase $0.03 to $0.77 due to favorable weather and cost reductions mainly. Our projection is a penny higher than the company's Q3 guidance range of $0.74 - $0.76 due to better than expected weather in Aug/Sep.

- **What to look for in the earnings report (Key debates/themes):**
  - **Five year capex**. We will look for update to WEC's five year capex plan through 2025. The company has been signaling accelerated coal retirements, we expect the capex plan to include higher % of generation capex currently at 15%.
  - **More opportunities possible in the infrastructure segment**. WEC has been buying gas storage and renewable projects outside their utility in recent years and noted on the previous call that there might be opportunities to invest more in this segment than initially planned. These opportunities may arise as other companies need to raise cash in an economic downturn.
  - **M&A**. With the premium valuation being ascribed to WEC (rightfully deserved given the execution) and wider dispersion in utility multiples within our coverage universe, we expect continued investor debate around M&A and possible consolidation opportunities.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**3.58**	**1.43**	**0.76**	**0.77**	**3.75**	**4.05**	**4.25**
Consensus		1.43	0.76	0.76	3.73	3.98	4.25
% diff.		*0%*	*0%*	*1%*	*0%*	*2%*	*0%*

Source: Evercore ISI, Factset as of 7/14/20

Xcel Energy

In Line **TP $65**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q3 EPS Bridge:** We project year over year EPS to grow $0.08 to $1.09/share. Weather last year in 3Q19 was $0.04 beneficial and weather this year in 3Q20 is also expected to be $0.04 favorable. The YoY increase is driven the benefit of Minnesota rate case stay-out (+$0.05), O&M cuts (+$0.04), new rates in Colorado (+$0.02) and New Mexico (+$0.01) and Texas (+$0.03), capital rider recovery (+$0.02) and AFUDC equity (+$0.02). The benefit of these items will be partially offset by higher depreciation expense (-$0.07), increased interest expense (-$0.02), higher property taxes (-$0.01) and dilution (-$0.01).

- **What to look for in the earnings report (Key debates/themes):**
  - **COVID sales impact:** Weather-normal retail electric sales have tracked better than XEL's base case and were down 9.6% in April, 6.7% in May, -4.7% in June, up 0.4% in July and down -2.3% in August (preliminary). Every 100bp change in electric sales has a $25mm pre-tax impact. Xcel's base case assumes total sales decline 4% this year. Its base case also assumes up to a $0.17 EPS impact from COVID in 2020, with its mild case scenario a $0.11 impact and its severe case scenario a $0.37 impact. The company expects to deliver 2020 guidance in its base case through O&M management and deferral of some incremental COVID expenses.
  - **O&M management:** XEL has thus far been on track to reduce O&M by 4-5% (base case) this year. Every 100bp change in O&M has a $23mm pre-tax impact.
  - **Minnesota Relief and Recovery investment plan**: we expect investors to inquire about the expected timing of decisions as well as the financing of the investment plan. About half of the $3 billion proposed plan would be incremental to the five-year capital budget and the other half would be accelerated into the plan. The R&R filings / planned filings are in three pieces 1) grid investment plan with incremental EV spending, 2) wind repowering for 800-1,000MW of owned & PPAs, 3) solar generation with storage, incremental investment for 460MW. We would expect Xcel to finance any incremental capex above its base plan with 40-42% equity, with the remainder debt.
  - **Expect XEL to issue a series of updated forecasts for capex in 2021-2025, rate base growth, financing plan, credit metrics. They are also expected to issue 2021 EPS guidance.**
  - **PPA buyouts and status of wind projects:** additional PPA buyouts represent upside beyond XEL's current plan. Separately, the company has said there are potential delays in two wind projects into 2021, though that is not expect to have an impact from a financial standpoint because of the extension of safe harbor.
  - **Equity forward settlement:** We expect the company to indicate that it still plans to settle the $740mm equity forward priced in 2019 in 4Q20.
  - **Other regulatory updates:** XEL has filed for wildfire and advanced gird riders in Colorado in lieu of filing a full rate case. The company has an outstanding Minnesota resource plan and is expected to make a resource plan filing in Colorado in 2021. In the Minnesota R&R filing, Xcel outlined a stay-out plan. Separately, the company is required to file a rate case in TX and NM, expected in 1Q21. In July, XEL reached a settlement with all parties in the Colorado Gas rate case.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	1Q20A	2Q20A	3Q20E	2020E	2021E	2022E
EVR ISI	**$2.64**	**$0.56**	**$0.54**	**$1.09**	**$2.80**	**$2.95**	**$3.10**
Consensus				1.09	2.78	2.97	3.16
% diff.				*0%*	*1%*	*-1%*	*-2%*

Source: Evercore ISI, FactSet as of 10/12/20

Q3 EPS Estimates vs. Consensus and Positioning for the Quarter

We believe consensus numbers are likely to change as more sell-side analysts update their estimates. Below is how our estimates compare to current consensus.

Q3'20 EPS Estimates vs. Consensus

Ticker	Evercore ISI	Consensus	% Diff	Positioning for Q3	
AEE	1.52	1.53	-0.5%	Neutral	
AEP	1.48	1.46	1.6%	Neutral	
AES	0.45	0.47	-4.2%	Neutral	
AGR	0.42	0.41	3.5%	Neutral	
CMS	0.72	0.67	7.9%	Positive	✓
CNP	0.31	0.29	6.0%	Neutral	
D	0.96	1.01	-4.8%	Neutral	
DTE	2.15	1.94	11.1%	Positive	✓
DUK	1.88	1.80	4.2%	Neutral	
ED	1.52	1.52	0.2%	Negative	✓
ES	1.02	1.03	-1.0%	Neutral	
ETR	2.40	2.43	-1.2%	Neutral	
EVRG	1.61	1.61	0.2%	Neutral	
EXC	0.86	0.86	0.6%	Neutral	
FE	0.80	0.76	5.4%	Neutral	
HE	0.50	0.50	0.0%	Neutral	
NEE	2.60	2.58	0.7%	Neutral	
NI	0.05	0.02	114.3%	Positive	✓
OGE	0.96	1.19	-19.0%	Negative	✓
PEG	0.95	0.96	-0.7%	Neutral	
PNM	1.25	1.23	1.5%	Neutral	
PNW	3.10	2.69	15.3%	Positive	✓
PPL	0.65	0.61	7.0%	Neutral	
SO	1.20	1.23	-2.2%	Neutral	
SRE	1.44	1.48	-2.6%	Neutral	
WEC	0.77	0.76	1.8%	Neutral	
XEL	1.09	1.09	-0.4%	Neutral	
Average			**5.4%**		

Q3'20 EBITDA Estimates vs. Consensus ($mm)

Ticker	Evercore ISI	Consensus	% Diff	Positioning for Q2
CWEN	319	321	-0.6%	Neutral
NRG	739	785	-5.9%	Neutral
VST	1,050	1102	-4.7%	Neutral
Average			**-3.7%**	

Updated as of 10/12/20

Source: FactSet, Evercore ISI Research

Q3 Weather Data in the US by Region

Region	July heating 2020 actual	July heating 2019 actual	July heating norm	% change vs. year-ago	% change vs. norm
New England	296	273	230	8%	29%
Middle Atlantic	360	316	275	14%	31%
NE Central	343	329	265	4%	29%
NW Central	339	317	310	7%	9%
South Atlantic	494	475	453	4%	9%
SE Central	469	432	426	9%	10%
SW Central	584	538	559	9%	4%
Mountain	370	387	390	-4%	-5%
Pacific	200	201	239	0%	-16%
United States	**386**	**370**	**355**	**4%**	**9%**

Region	Aug. cooling 2020 actual	Aug. cooling 2019 actual	Aug. cooling norm	% change vs. year-ago	% change vs. norm
New England	221	170	146	30%	51%
Middle Atlantic	278	232	205	20%	36%
NE Central	219	189	197	16%	11%
NW Central	256	234	255	9%	0%
South Atlantic	449	444	393	1%	14%
SE Central	396	417	376	-5%	5%
SW Central	566	613	527	-8%	7%
Mountain	402	387	302	4%	33%
Pacific	291	264	193	10%	51%
United States	**345**	**330**	**290**	**5%**	**19%**

Region	Sept. cooling 2020 actual	Sept. cooling 2019 actual	Sept. cooling norm	% change vs. year-ago	% change vs. norm
New England	60	29	22	107%	173%
Middle Atlantic	79	79	59	0%	34%
NE Central	53	132	60	-60%	-12%
NW Central	76	198	87	-62%	-13%
South Atlantic	289	376	259	-23%	12%
SE Central	242	390	209	-38%	16%
SW Central	321	520	345	-38%	-7%
Mountain	208	210	167	-1%	25%
Pacific	211	152	125	39%	69%
United States	**179**	**237**	**155**	**-24%**	**15%**

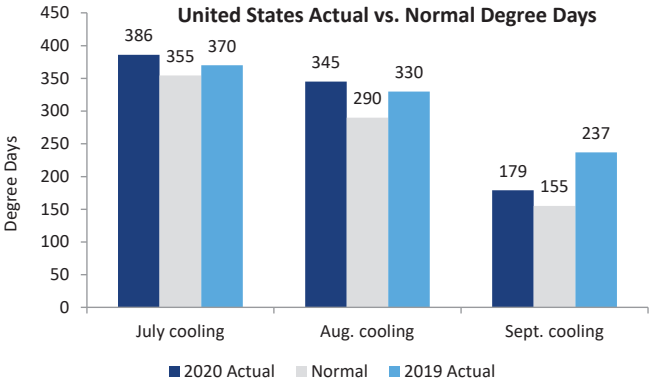

Updated as of 10/12/20

Source: NOAA, Evercore ISI Research

Short Interest as Percentage of Float

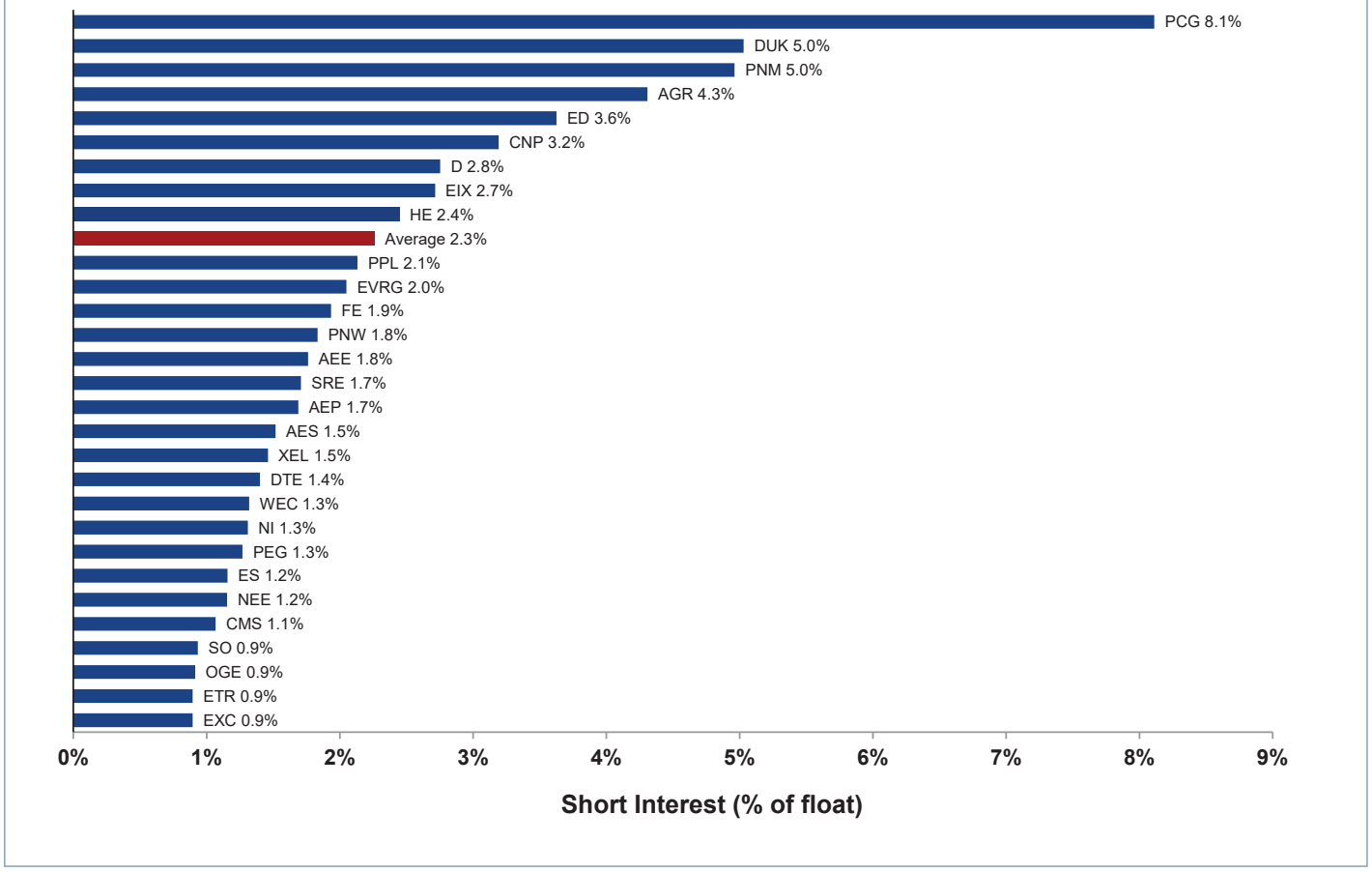

Updated as of 10/13/20

Source: FactSet, Evercore ISI Research

Coverage Ratio (Days)

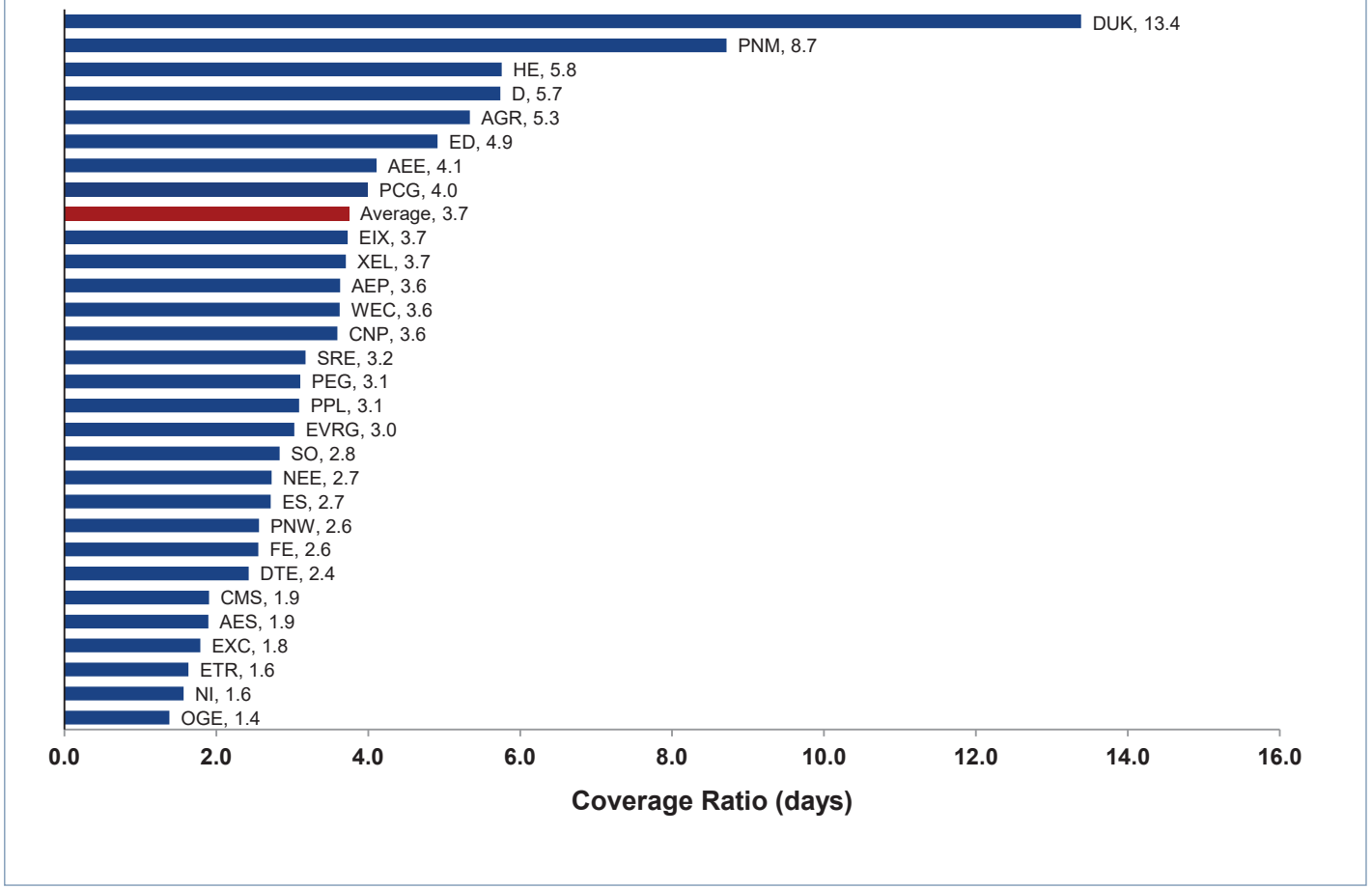

Updated as of 10/13/20

Source: FactSet, Evercore ISI Research

Regulated Utility Valuation at 18.1x '22EPS

Regulated Utilities

Ticker	Company Name	10/13/20 Price	ISI Rating	Shares Out	Market Cap	2020 Div Yld	2020 Payout	ISI EPS Estimate 2020	2021	2022	P/E Multiple 2020	2021	2022	'18-'22 EPS Growth	Price to Book	Prem. to Group
NEE	NextEra Energy, Inc.	$301.47	In Line	492	148,233	1.9%	61%	9.15	9.85	10.65	33.0x	30.6x	**28.3x**	8.4%	3.9x	56%
XEL	Xcel Energy Inc	$73.00	In Line	529	38,614	2.3%	60%	2.80	2.95	3.10	26.0x	24.8x	**23.5x**	5.9%	2.7x	30%
WEC	WEC Energy Group	$99.10	In Line	317	31,385	2.4%	64%	3.75	4.05	4.25	26.4x	24.5x	**23.3x**	6.2%	2.9x	28%
ES	Eversource Energy	$92.66	In Line	341	31,604	2.4%	62%	3.65	3.90	4.15	25.4x	23.8x	**22.3x**	6.3%	2.1x	23%
AGR	Avangrid Inc.	$55.53	In Line	310	17,189	3.2%	78%	2.25	2.40	2.60	24.7x	23.1x	**21.4x**	4.1%	1.1x	18%
CMS	CMS Energy Corp	$64.76	In Line	291	18,874	2.5%	61%	2.66	2.85	3.06	24.3x	22.7x	**21.2x**	7.0%	3.1x	17%
AEE	Ameren Corp	$81.15	Outperform	257	20,826	2.4%	57%	3.50	3.75	4.00	23.2x	21.7x	**20.3x**	4.4%	2.1x	12%
D	Dominion Resources Inc	$81.57	In Line	806	65,738	4.2%	99%	3.50	3.85	4.12	23.3x	21.2x	**19.8x**	0.5%	2.6x	9%
AEP	American Electric Power Co Inc	$89.23	Outperform	498	44,429	3.1%	65%	4.30	4.65	4.95	20.7x	19.2x	**18.0x**	5.9%	2.1x	-1%
PNM	PNM Resources, Inc.	$45.50	In Line	85	3,879	2.7%	56%	2.20	2.35	2.55	20.7x	19.3x	**17.8x**	6.3%	1.8x	-2%
ED	Consolidated Edison Inc	$82.32	In Line	347	28,580	3.7%	72%	4.25	4.60	4.75	19.4x	17.9x	**17.3x**	2.4%	1.4x	-4%
DUK	Duke Energy Corp	$92.92	In Line	772	71,775	4.1%	74%	5.15	5.15	5.40	18.1x	18.0x	**17.2x**	3.5%	1.4x	-5%
ETR	Entergy Corp	$106.48	In Line	201	21,390	3.5%	67%	5.65	6.00	6.35	18.9x	17.7x	**16.8x**	-3.4%	1.9x	-8%
SO	Southern Company Inc	$58.34	In Line	1,067	62,249	4.4%	79%	3.20	3.30	3.55	18.2x	17.7x	**16.4x**	3.8%	1.9x	-9%
NI	NiSource Inc	$23.11	Outperform	397	9,186	3.6%	67%	1.26	1.34	1.41	18.4x	17.2x	**16.4x**	2.0%	1.8x	-9%
HE	Hawaiian Electric Industries, Inc.	$34.31	Underperform	110	3,782	3.8%	78%	1.70	1.95	2.10	20.2x	17.6x	**16.3x**	3.2%	1.5x	-10%
DTE	DTE Energy Co	$119.07	In Line	195	23,234	3.4%	61%	6.70	7.05	7.40	17.8x	16.9x	**16.1x**	4.1%	1.8x	-11%
EVRG	Evergy	$52.92	Outperform	228	12,039	3.8%	67%	3.00	3.25	3.40	17.6x	16.3x	**15.6x**	6.2%	1.6x	-14%
SRE	Sempra Energy	$126.55	Outperform	314	39,686	3.2%	54%	7.60	8.00	8.25	16.6x	15.8x	**15.3x**	10.3%	1.8x	-15%
PNW	Pinnacle West Capital Corp	$80.73	In Line	114	9,189	3.9%	66%	4.85	5.10	5.40	16.7x	15.8x	**15.0x**	4.4%	1.5x	-18%
CNP	CenterPoint Energy Inc	$20.82	In Line	608	12,658	3.6%	57%	1.30	1.35	1.50	16.0x	15.4x	**13.9x**	-1.7%	1.8x	-23%
OGE	OGE Energy Corp	$31.14	Outperform	200	6,234	5.1%	74%	2.13	2.18	2.31	14.6x	14.3x	**13.5x**	2.2%	1.6x	-26%
EIX	Edison International	$56.28	In Line	410	23,098	4.4%	56%	4.45	4.40	4.60	12.6x	12.8x	**12.2x**	2.6%	1.2x	-33%
FE	FirstEnergy Corp	$31.31	In Line	545	17,072	5.0%	62%	2.50	2.65	2.75	12.5x	11.8x	**11.4x**	1.4%	2.1x	-37%
PPL	PPL Corp	$28.47	In Line	773	22,007	5.8%	66%	2.50	2.50	2.60	11.4x	11.4x	**10.9x**	2.1%	1.6x	-40%
PCG	PG&E Corp	$10.32	Rating Suspended	529	5,459	0.0%	0%	4.30	4.65	4.95	2.4x	2.2x	**2.1x**	5.4%	0.3x	-89%
Regulated Group Average (Excludes PCG for Div Values)						**3.5%**	**66.5%**				**19.2x**	**18.1x**	**17.0x**	**4.0%**	**1.90x**	
Regulated Group Average (Excluding Stocks: PPL, EIX, and PCG)						3.4%	67.0%				20.6x	19.3x	18.1x	4.1%	2.02x	
Regulated Group Max (Excludes PCG for Div Values)						5.8%	98.7%				33.0x	30.6x	28.3x	10.3%	3.9x	
Regulated Group Min (Excludes PCG for Div Values)						1.9%	53.9%				2.4x	2.2x	2.1x	-3.4%	0.3x	

Diversified Utilities

Ticker	Company Name	10/13/20 Price	ISI Rating	Shares Out	Market Cap	2020 Div Yld	2020 Payout	ISI EPS Estimate 2020	2021	2022	P/E Multiple 2020	2021	2022	'18-'22 EPS Growth	Price to Book	Prem. to Group
PEG	Public Service Enterprise Group Inc	$57.92	In Line	507	29,365	3.4%	58%	3.35	3.40	3.55	17.3x	17.1x	**16.3x**	3.3%	1.8x	-2%
EXC	Exelon Corp	$40.98	Outperform	980	40,175	3.7%	51%	3.00	3.00	3.00	13.7x	13.7x	**13.7x**	-1.1%	1.1x	-18%
AES	AES Corp	$19.55	Outperform	665	12,999	2.9%	42%	1.37	1.55	1.70	14.3x	12.6x	**11.5x**	8.2%	3.0x	-31%
Diversified Group Average						**3.3%**	**50%**				**15.1x**	**14.4x**	**13.8x**	**3.5%**	**2.0x**	
Diversified Group Max						3.7%	58%				17.3x	17.1x	16.3x	8.2%	3.0x	
Diversified Group Min						2.9%	42%				13.7x	12.6x	11.5x	-1.1%	1.1x	

Updated as of 10/13/20

Source: FactSet, Evercore ISI Research

Utilities are trading modestly above our Case 1. Post COVID valuations should appreciate towards Case 2.

- Our historic base case ("case 1") assumed an orderly transition to higher interest rates, with authorized ROEs falling to 9.25% from 9.75%, and 10- year Treasury yields rising over the next several years, resulting at the end in a **2.25%** spread between the return on equity and the calculated cost of equity.
  - When you look at the current valuation of 18.1x '22, it is modestly above our "case 1" scenario of 17.5x, which as described above implies moderation in authorized ROEs and gradual increase in treasury yields.
- The perceived "best in class" earnings compounders and COVID-19 immune names (WEC, NEE, ES, XEL, CMS) trade a multiple that discounts both a more or less status quo authorized ROE regime and a longer runway for sustained rate base growth. That is "case 3".
- In our "case 4" scenario we assume authorized ROEs moderate and interest rates rise more rapidly, resulting in a more meaningful near-term reduction in profitability, along with a steeper decline in rate base growth, which drives utilities back to a P/E multiple that is closer to long-term historic averages.
- We believe the group is modestly overvalued barring severe recession related to COVID-19 or significant economic recovery. We set our target prices on "market-agnostic" basis using an anchor P/E multiple of ~17.5x '22 EPS so investors can better see where we see good relative value. Near term we could see some pressure on multiples if spreads widen, long term we see multiples diverging back towards Case 2 (or 19.5x) as the economy recovers.

	Case 1	Case 2	Case 3	Case 4
DDM Model ROE and Cost of Equity Assumptions	**Base Case**	**Rates Low Long Time**	**Rates Low Long Time**	**ROEs Fade Rates Rise**
ROE (Year 1)	9.75%	9.75%	9.75%	9.75%
Annual ROE Change (+/-)	-0.10%	-0.10%	-0.10%	-0.10%
Final ROE	9.25%	9.25%	9.25%	9.25%
Years Until LT Cost of Equity Spread	5	5	5	5
Implied Annual Cost of Equity Change (+/-)	0.53%	0.43%	0.43%	0.58%
LT ROE / Cost of Equity Spread	2.25%	2.75%	2.75%	2.00%
LT Cost of Equity	7.00%	6.50%	6.50%	7.25%
DDM Model Growth Assumptions	**Base Case**	**Base Case**	**Higher Growth**	**Lower Growth**
RB Growth (Year 1-5)	5.50%	5.50%	6.50%	4.00%
RB Growth (Year 6-10)	3.50%	3.50%	5.50%	2.00%
RB Growth (Year 11+ and Terminal)	2.50%	2.50%	3.00%	1.25%
Terminal Value (Yes/No)	Yes	Yes	Yes	Yes
35 Year Average Payout Ratio - Implied	71.2%	71.2%	67.5%	82.6%
'22 P/E Multiple	**17.5x**	**19.5x**	**22.0x**	**15.0x**

Source: Evercore ISI Research

Utilities Look Moderately Cheap Assuming Yields Remain Unchanged

Utility Valuation			10 YR	0.73%
10/13/20			Baa	3.39%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2020 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.60%	1.04%	61.7x	210.1%
	0.82%	1.19%	53.8x	170.3%
	1.04%	1.35%	47.7x	139.5%
	1.26%	1.50%	42.8x	115.0%
	1.48%	1.65%	38.8x	95.1%
	1.70%	1.81%	35.5x	78.5%
- 68% Confidence Interval	1.92%	1.96%	32.7x	64.6%
	2.14%	2.11%	30.4x	52.6%
	2.36%	2.27%	28.3x	42.3%
	2.58%	2.42%	26.5x	33.3%
	2.80%	2.58%	24.9x	25.4%
	3.02%	2.73%	23.5x	18.3%
	3.24%	2.88%	22.3x	12.0%
Predicted Valuation	3.46%	3.04%	21.2x	6.4%
Current Valuation	3.68%	3.19%	20.1x	1.2%
	3.90%	3.34%	19.2x	-3.4%
	4.12%	3.50%	18.4x	-7.7%
	4.34%	3.65%	17.6x	-11.5%
	4.56%	3.80%	16.9x	-15.1%
+ 68% Confidence Interval	4.78%	3.96%	16.2x	-18.4%
	5.00%	4.11%	15.6x	-21.4%
	5.22%	4.26%	15.1x	-24.3%
	5.44%	4.42%	14.5x	-26.9%
	5.66%	4.57%	14.1x	-29.4%
	5.88%	4.72%	13.6x	-31.6%
+ 95% Confidence Interval	6.10%	4.88%	13.2x	-33.8%

Regulated utilities now look ~6% inexpensive on current yields

Utility Valuation			10 YR	0.73%
10/13/20			Baa	3.39%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2021 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.60%	1.04%	58.6x	212.0%
	0.82%	1.19%	51.1x	171.9%
	1.04%	1.35%	45.3x	140.9%
	1.26%	1.50%	40.7x	116.3%
	1.48%	1.65%	36.9x	96.3%
	1.70%	1.81%	33.8x	79.6%
- 68% Confidence Interval	1.92%	1.96%	31.1x	65.6%
	2.14%	2.11%	28.9x	53.6%
	2.36%	2.27%	26.9x	43.2%
	2.58%	2.42%	25.2x	34.1%
	2.80%	2.58%	23.7x	26.1%
	3.02%	2.73%	22.4x	19.0%
	3.24%	2.88%	21.2x	12.7%
Predicted Valuation	3.46%	3.04%	20.1x	7.0%
Current Valuation	3.68%	3.19%	19.1x	1.8%
	3.90%	3.34%	18.3x	-2.8%
	4.12%	3.50%	17.5x	-7.1%
	4.34%	3.65%	16.7x	-11.0%
	4.56%	3.80%	16.1x	-14.6%
+ 68% Confidence Interval	4.78%	3.96%	15.4x	-17.9%
	5.00%	4.11%	14.9x	-21.0%
	5.22%	4.26%	14.3x	-23.8%
	5.44%	4.42%	13.8x	-26.5%
	5.66%	4.57%	13.4x	-28.9%
	5.88%	4.72%	12.9x	-31.2%
+ 95% Confidence Interval	6.10%	4.88%	12.5x	-33.4%

If rates stay unchanged for the next 12 months, regulated utilities now look ~7% inexpensive

Updated as of 10/13/20

Source: FactSet, Evercore ISI Research

Utility valuation has a ~4.0x potential downside to reach historical average

- On 10/13/20, NTM absolute P/E was **20.11x** using FactSet consensus. The NTM absolute P/E had peaked on 02/16/20 at ~22.9x and on 7/15/16 (post-Brexit) at 19.93x.
- Since '06 the average NTM absolute P/E is ~16.0x. Since '95 it is ~14.4x.

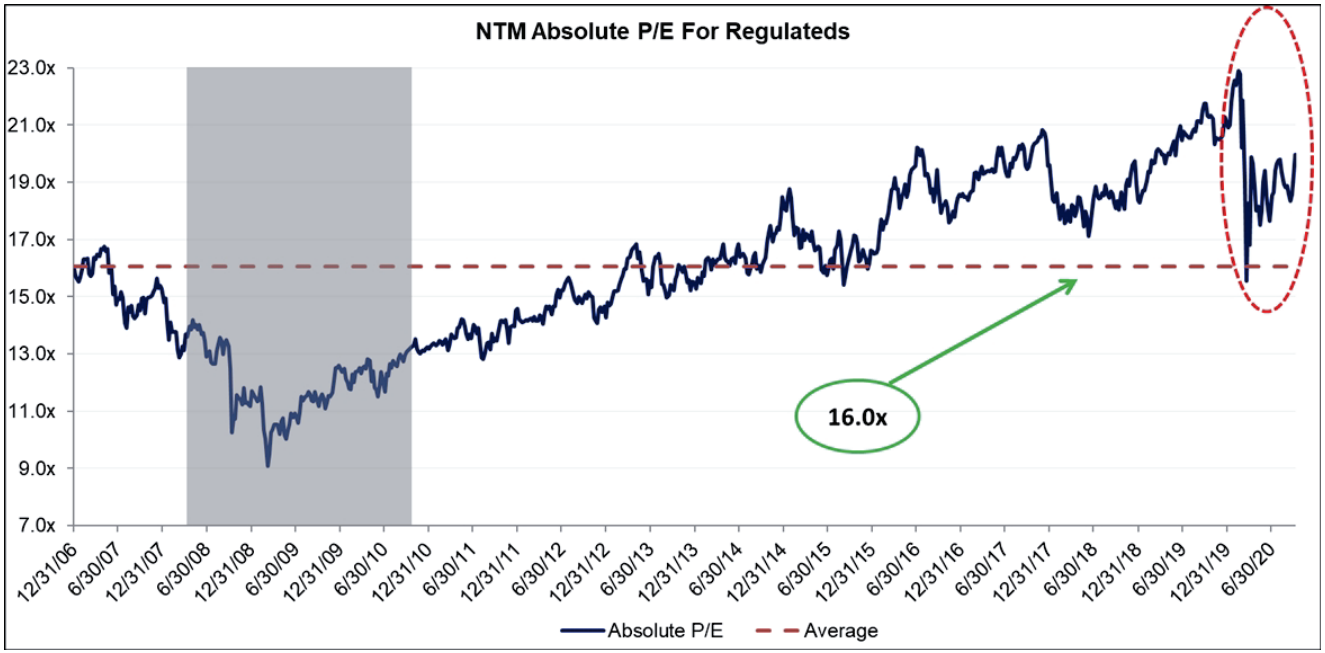

Updated as of 10/13/20

Source: FactSet, Evercore ISI Research

NTM Relative P/E Below Historical Average

- The average relative P/E since 2006 is 1.09x. Since '95 it is 0.93x.
- On 10/13/20, the relative P/E was **0.90x** vs. the 1.17x level at YE '19.
- The relative P/E post Brexit vote was 1.17x, which we hit again in mid November '18.
- It was 1.36x on 12/23/18 when we were pricing in recession risk at a high probability.

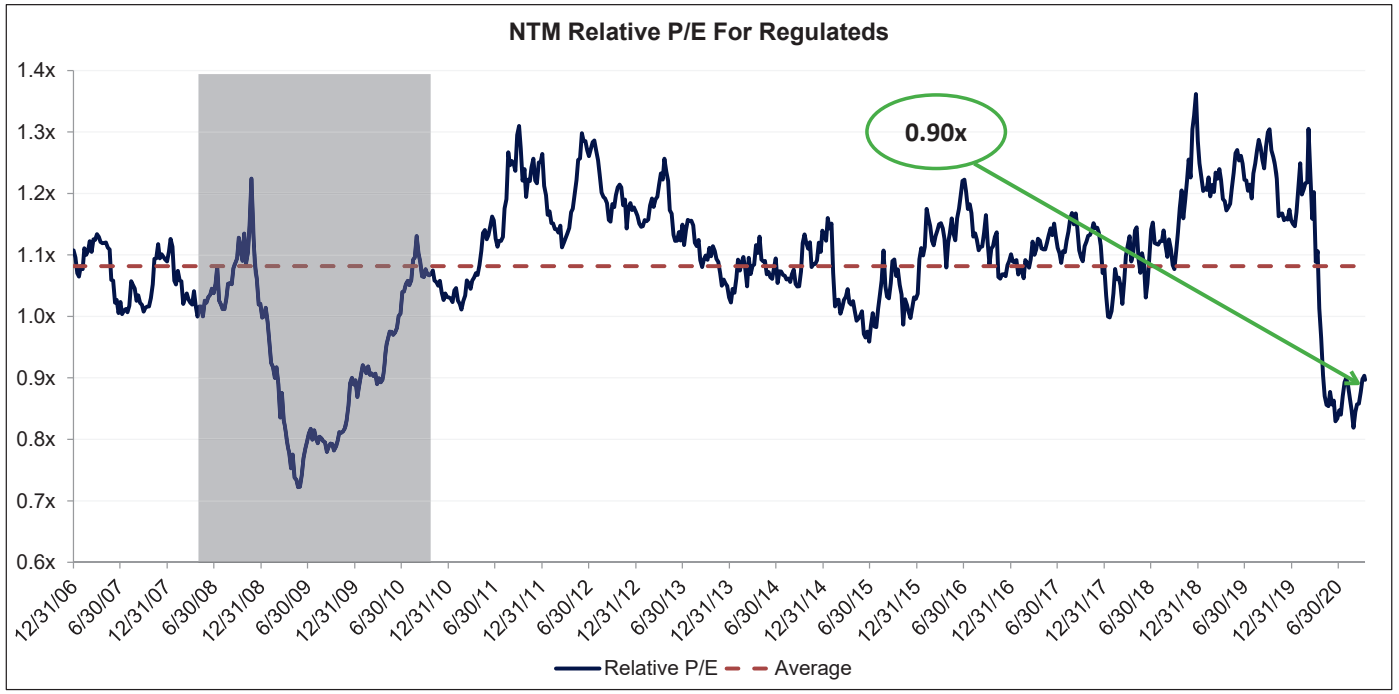

Updated as of 10/13/20

Source: FactSet, Evercore ISI Research

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Time of dissemination: October 14 2020 04:57 PM ET

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Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage universe
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's universe
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's universe
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.*
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Sell -the total forecasted return is expected to be less than 0%

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Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

Strong Buy- Return > 20%
Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return< -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

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Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.
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Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

For disclosure purposes, Evercore Group's prior "Overweight," "Equal-Weight" and "Underweight" ratings were viewed as "Buy," "Hold" and "Sell," respectively.

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Stocks assigned ratings under the alternative model portfolio-based coverage system cannot also be rated by Evercore ISI's Current Ratings definitions of Outperform, In Line and Underperform.

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Evercore ISI rating (as of 10/14/2020)

Coverage Universe			Investment Banking Services I Past 12 Months		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	401	52	Buy	118	29
Hold	297	38	Hold	51	17
Sell	42	5	Sell	4	10
Coverage Suspended	20	3	Coverage Suspended	8	40
Rating Suspended	14	2	Rating Suspended	5	36

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Price Charts

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15 October 2020
Equity Research
Americas | United States

CREDIT SUISSE

NiSource Inc.

3Q20 Earnings Preview

NI

Target price (12M, US$)
26.00

Outperform

Natural Gas | Earnings

- **We expect 3Q20 EPS in-line at $0.03** vs consensus $0.02 (vs 3Q19 $0.00) driven by electric grid modernization rate increases with any remaining COVID impacts from this year offset with O&M savings. **Columbia Gas of Massachusetts sale to ES is now closed.**
- **Investor day (virtual) takeaways.** NI hosted its investor day on Tuesday 9/29, which was mostly in-line with our previewed expectations. Among the biggest takeaways, the company reiterated 7%-9% EPS CAGR with a jump in 2024 (only 5%-7% through 2023) after Indiana renewables come in service (build-own-transfer so no AFUDC). The 2024 ratebase projection of $21.2B is $0.5B higher than the prior forecast. Flat annual O&M. FFO/D target unchanged at 14-15%. We expect the company to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024 after renewables are in service.
- **2021 Guidance Reaffirmed.** The company reaffirmed its 2021 NOEPS guidance of $1.28- $1.36 (CS $1.33 vs. consensus $1.34), which includes $0.00-$0.10 improvement from COVID-19 drag and Columbia Gas synergy impacts in 2020.
- **~$9.9B- $10.5B capital plan 2021-2024.** NI identified total expected investment opportunities of ~$9.9B- $10.5B from 2021-2024 of which ~20% is expected for renewables Investment, ~20% for electric infrastructure and asset modernization, and ~60% for gas infrastructure and asset modernization.
- **No block equity needed in 2020 and liquidity is ample for 2021, but equity is planned for 2022 and 2023 for Indiana renewables.** Equity plans for 2020 remain $200-$300M annual ATM plus $30-50M employee plans (no convertible or hybrid financing). Columbia Gas of Massachusetts sale to ES expected to close in October. $500-$700M in 2022/23 for 60% of $1.8-$2.0B renewables capex (in line with CS).
- **Valuation:** Our estimates and $26 TP are unchanged and based on peer 2022 P/E multiples within a SoTP. Our TP includes the discounted value of $0.19 uplift in 2024 (worth $3/sh) from expected earnings from Indiana renewables. Risks include regulatory, capital plan execution, interest rates.

Price (14 Oct 20, US$)	23.30
52-week price range	30.21 - 20.86
Enterprise value (US$ m)	18,035

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Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
EPS (CS adj.) (US$)	1.32	1.32	1.33	1.39
Prev. EPS (US$)	-	-	-	-
Revenue (US$ m)	5,184.1	6,112.6	6,219.7	6,513.9
EBITDA (US$ m)	1,764.2	1,805.6	1,836.9	1,966.3
P/OCF (x)	4.6	4.4	5.0	4.9
EV/EBITDA (current)	10.6	10.4	10.2	9.5
Net debt (US$ m)	9,504	9,111	9,503	9,728
ROIC (%)	5.50	5.51	5.10	5.15
Number of shares (m)	383.02	IC (current, US$ m)		15,490.20
Net debt (Next Qtr., US$ m)	10,103.7	Dividend (current, US$)		0.76
Net debt/tot eq (Next Qtr.,%)	178.1			

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance

On 14-Oct-2020 the S&P 500 INDEX closed at 3488.67Daily Oct16, 2019 - Oct14, 2020, 10/16/19 = US$27.97

Quarterly EPS	Q1	Q2	Q3	Q4
2019A	0.82	0.05	-0.00	0.45
2020E	0.76	0.13	0.03	0.41
2021E	0.77	0.07	0.04	0.46

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Provided for the exclusive use of Sara Macioch at NiSource on 15-Oct-2020 10:21 AM.

15 October 2020

CREDIT SUISSE

NiSource Inc. (NI)

Price (14 Oct 2020): **US$23.3**

Target Price: **26.00**

Analyst: **Michael Weinstein**

Rating: **Outperform**

Income Statement	12/19A	12/20E	12/21E	12/22E
Revenue (US$ m)	**5,184.1**	**6,112.6**	**6,219.7**	**6,513.9**
EBITDA (US$ m)	**1,764**	**1,806**	**1,837**	**1,966**
Depr. & amort.	(717)	(779)	(812)	(843)
EBIT (US$)	**1,047**	**1,027**	**1,025**	**1,123**
Net interest exp	(377)	(418)	(415)	(444)
PBT (US$)	**608**	**636**	**664**	**733**
Income taxes	(113)	(126)	(139)	(154)
Minorities	-0	-0	-0	-0
Net profit (US$)	**495**	**510**	**524**	**579**
Reported net income (US$)	**495**	**510**	**524**	**579**
Other NPAT adjustments	0	0	0	0
Adjusted net income	**495**	**510**	**524**	**579**
Cash Flow	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EBIT	1,047	1,027	1,025	1,123
Net interest	(377)	(418)	(415)	(444)
Change in working capital	(75)	(86)	0	0
Cash flow from operations	**2,247**	**2,061**	**1,837**	**1,966**
CAPEX	(2,167)	(2,036)	(1,725)	(2,200)
Free cashflow to the firm	**80**	**24**	**112**	**(234)**
Acquisitions	-	-	-	-
Divestments	0	1,100	0	0
Cash flow from investments	**(1,922)**	**(717)**	**(1,725)**	**(2,200)**
Net share issue(/repurchase)	244	155	295	867
Dividends paid	(355)	(335)	(299)	(314)
Changes in Net Cash/Debt	**(484)**	**393**	**(392)**	**(225)**
Balance Sheet (US$)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Assets				
Cash & cash equivalents	139	142	142	142
Account receivables	857	546	546	546
Other current assets	607	2,059	2,059	2,059
Total current assets	**1,854**	**2,860**	**2,860**	**2,860**
Total fixed assets	16,912	15,206	16,119	17,475
Investment securities	-	-	-	-
Total assets	**22,660**	**21,870**	**22,783**	**24,140**
Liabilities				
Total current liabilities	**3,746**	**3,591**	**3,983**	**4,209**
Total liabilities	**16,673**	**16,038**	**16,430**	**16,656**
Total liabilities and equity	**22,660**	**21,870**	**22,783**	**24,140**
Net debt	9,504	9,111	9,503	9,728
Per share	**12/19A**	**12/20E**	**12/21E**	**12/22E**
No. of shares (wtd avg)	375	385	395	415
CS adj. EPS	1.32	1.32	1.33	1.39
Prev. EPS (US$)	-	-	-	-
Dividend (US$)	0.76	0.80	0.85	0.90
Free cash flow per share	0.21	0.06	0.28	(0.56)
Earnings	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Sales growth (%)	(6.4)	17.9	1.8	4.7
EBIT growth (%)	12.4	(1.9)	(0.2)	9.6
Net profit growth (%)	6.8	3.1	2.9	10.3
EPS growth (%)	1.6	0.3	0.3	4.9
EBITDA margin (%)	34.0	29.5	29.5	30.2
EBIT margin (%)	20.2	16.8	16.5	17.2
Pretax margin (%)	11.7	10.4	10.7	11.2
Net margin (%)	9.5	8.3	8.4	8.9
Valuation	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EV/Sales (x)	3.55	2.95	2.96	2.86
P/E (x)	17.6	17.6	17.5	16.7
Price to book (x)	1.6	1.7	1.6	1.4
Asset turnover	0.2	0.3	0.3	0.3
Returns	**12/19A**	**12/20E**	**12/21E**	**12/22E**
ROE stated-return on (%)	9.6	9.7	9.5	9.1
ROIC (%)	5.5	5.5	5.1	5.2
Gearing	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Net debt/equity (%)	158.7	156.2	149.6	130.0
Interest coverage ratio (X)	2.8	2.5	2.5	2.5
Quarterly EPS	**Q1**	**Q2**	**Q3**	**Q4**
2019A	0.82	0.05	-0.00	0.45
2020E	0.76	0.13	0.03	0.41
2021E	0.77	0.07	0.04	0.46

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

NiSource Inc. is energy holding company whose subsidiaries provide natural gas, electricity & other products & services. It operates in 3 segments: Gas Distribution Operations; Gas Transmission & Storage Operations, & Electric Operations.

Blue/Grey Sky Scenario

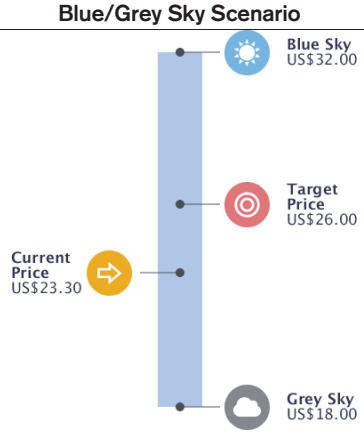

Our Blue Sky Scenario (US$) **32.00**

In our blue sky scenario we assume favorable regulatory outcomes across NI's jurisdictions, successful execution of their capital plan, and growth of infrastructure replacement program backlog. We assume that capex is at the high end of the $1.8-$1.9B and that NI is able to grow ratebase at the high end of their 8-10% range and grow earnings at the high end of their 5-7% range. We assume a 5.0x premium to the average peer 2021 P/E multiples.

Our Grey Sky Scenario (US$) **18.00**

In our grey sky scenario we assume unfavorable regulatory outcomes across NI's jurisdictions, only partial execution of their capital plan, and a decline in the infrastructure replacement program backlog. We assume that capex is at the low end of the $1.8-$1.9B and that NI is able to grow ratebase at the low end of their 8-10% range and grow earnings at the low end of their 5-7% range. We assume a -1.5x discount to the average peer 2021 P/E mult.

Share price performance

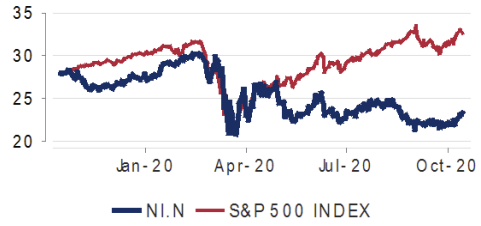

On 14-Oct-2020 the S&P 500 INDEX closed at 3488.67
Daily Oct16, 2019 - Oct14, 2020, 10/16/19 = US$27.97

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Figure 1: NI Earnings Walk 3Q20 vs 3Q19

NI	2019Q1	2019Q2	2019Q3
Prior-year adjusted diluted EPS	**0.82**	**0.05**	**-**
Incremental year-over-year			
Gas utilities			
Net Revenues			
Base rates and infrastructure replacement rates - CEP Ohio is fixed and largely ratable per qtr. Also have TDSIC & FMCA trackers in IN, GSEP in MA, SAVE in VA, AMRP in KY, STRIDE in MD. Base rates in IN, PA, VA, MD in flux with volumes	0.03	0.03	0.03
Customer growth and usage	0.01	(0.02)	-
COVID19 drag		(0.04)	(0.02)
TCJA adjustments		-	-
Other net revenues (weather norm)	(0.02)	0.03	
O&M (non-tracked)	(0.03)	0.05	0.01
D&A (non-tracked)	0.00	(0.02)	(0.02)
Other taxes (non-tracked)	(0.01)	(0.00)	(0.00)
Charity (left in non-GAAP)			
Interest expense	0.01	-	-
Gas utilities - other	0.02	0.02	0.01
Electric utility			
Net Revenues			
Rates - IN TDSC & FMCA and NIPSCO Elec	0.03	0.01	0.03
Customer growth and usage	(0.01)		-
COVID19 drag		(0.03)	(0.01)
New Industrial service structure approved in base rate proceeding	(0.03)		
Other net revenues (weather norm)	0.01	(0.01)	-
O&M			
Fuel handling costs		0.01	
Employee and admin costs	(0.01)		
Gen maintenance	0.01		
Outside service costs from retirement of Bailly 7&8 5/31/18			
O&M (non-tracked)	(0.01)	0.05	0.03
D&A (non-tracked) - running higher since because of IN gas ratecase (Oct 20	(0.03)	(0.03)	(0.03)
Other taxes (non-tracked)	0.00	(0.00)	
Interest expense - did $750M @2.95% in Aug 2018	0.00		
Electric utility - other	0.01	0.04	0.02
Corporate & other			
Preferred dividends	-	-	-
Corporate & other - other	(0.04)	0.01	(0.01)
Dilution	(0.02)	(0.00)	(0.01)
YoY Period	**2020Q1**	**2020Q2**	**2020Q3**
Current-year adjusted EPS/CS Ests	**0.76**	**0.13**	**0.03**
Consensus (prior & current)	**0.76**	**0.13**	**0.02**
TTM	**1.26**	**1.34**	**1.37**
CS Est FY			**1.32**
Consensus FY			**1.29**

Source: Company data, Credit Suisse estimates

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Additional commentary

- **See our recent reports:** 9/30 Investor Day Takeaways, 9/27 Investor Day Preview, 8/7 Indiana Turning Green, 5/26 Left Behind but Holding Up Well, 5/11 COVID-19 Adds Near-Term Uncertainty, but Long-Term Fundamentals Remain Strong, 5/5 1Q20 Earnings Preview, 2/28 Raise to Outperform on Sale of Mass, Elimination of Block Equity Plan, 2020 Outlook – Getting Meaner and Less Defensive,
- **2021 Guidance Reaffirmed.** The company has reaffirmed its 2021 NOEPS guidance of $1.28- $1.36 (CS $1.33 vs. consensus $1.34), which includes $0.00-$0.10 improvement from COVID-19 drag and Columbia Gas synergy impacts in 2020. We expect the company to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024 once these projects are in service. Ratebase growth is also expected to grow at a 10%-12% CAGR from $13.9B in 2020 to $20.7B in 2024.
- **Capital plan 2021-2024.** NI plans to deploy ~$9.9B- $10.5B from 2021-2024 in already identified capital investment opportunities, of which ~20% is expected for renewables Investment, ~20% for electric infrastructure and asset modernization, and ~60% for gas infrastructure and asset modernization. NI plans annual Growth, Safety & Modernization investments of $1.9B-$2.2B through 2024 (total $8.1B-$8.5B from 2021-2024) of which >75% of capex begins earnings in under 18 months. Renewable Generation investments of $1.8B -$2.0B occur in Indiana, primarily across 2022 and 2023. For the electric utility, NI plans $400M-$600M of annual capital investment in base electric system infrastructure and asset modernization programs through 2024.
- **No block equity needed in 2020 and liquidity is ample for 2021, but equity is planned for 2022 and 2023 for Indiana renewables.** Equity plans for 2020 remain $200-$300M annual ATM plus $30-50M employee plans (no convertible or hybrid financing). Columbia Gas of Massachusetts sale to ES expected to close in October. $500-$700M in 2022/23 for 60% of $1.8-$2.0B renewables capex (in line with CS).
- **Columbia Gas of Massachusetts sale now closed.** We expect some comments on closing of CMA sale on this call. Proceeds will be used to pay down term loan and company's short term debt. Recall, on July 2, NI announced that it will pay $56M to settle and resolve the state's investigation into the 2018 Greater Lawrence incident.
- **Retiring coal and replacing with renewables.** NI is targeting to replacing 80% of coal capacity by 2023 with primarily renewable resources and retiring 100% of coal assets by 2028. The company targets to achieve 90% reduction in greenhouse gas emissions by 2030.
- **Financing the renewables.** Equity plans for 2020 remain $200-$300M annual ATM plus $30-$50M employee plans (no convertible or hybrid financing). However, we expect ~60% of $1.8-$2.0B of incremental Indiana plant investment in 2022/23 to be financed with equity (we model half in 2022 and remaining half in 2023. However, this neither results in AFUDC (turnkey projects) nor earn a return until a forward test year ratecase is filed around early 2023 for rates effective 2024. Note that this only represents the utility's initial investment in the Indiana projects, with an additional $1.0B financed with tax equity for the benefit of utility customers. Of the $1.8-$2.0B to be financed by the utility, only $0.4B has been approved to date, with the remaining projects still in negotiation. On the debt side of the ledger, the company plans incremental long term debt of $500M-$700M annually from 2022-2024 for the Indiana renewable generation investments. NI also plans $600M-$1,000M in hybrids and convertibles financing in 2021. The current plan targets renewable investment financing (60% Equity / 40% Debt) and long-term Adj. FFO/total debt of ~14%-15%.
- **Rate base and NOEPS.** Ratebase growth is expected to grow at a 10%-12% CAGR from $13.9B in 2020 to $21.2B in 2024. The company reaffirmed 2021 NOEPS guidance of $1.28- $1.36 (CS $1.33 vs. consensus $1.34), which includes $0.00-$0.10 improvement from COVID-19 drag and Columbia Gas synergy impacts in 2020. NOEPS is

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expected to grow at 7% to 9% CAGR 2021–2024, with a near term annual growth of 5%-7% in 2021-2023. Further, the company expects long-term ~$40B investment opportunity to drive continued NOEPS growth beyond 2024.

Figure 2: Capital Plan and Rate base

Capex & Rate Base ($B)	2021	2022	2023	2024
Capex	2.0-2.3	2.4-2.7	3.3-3.6	1.9-2.2
Rate base	15.2	17.0	19.8	21.2

Source: Company data, Credit Suisse estimates

- **Liquidity update.** NI's net liquidity available is $1.5B-$1.6B as of Sep 30th (vs. ~$2B on June 30th). Total long term debt is $9.1B with a weighted average maturity of 15.5 years and a 3.68% interest rate as of September 30th vs the prior update in June which included a ~$10B debt level, with ~$8.7B of long-term debt, with a weighted average maturity of ~16 years and a 4.31% interest rate. Additionally, the company expects no significant refinancing needs through 2024.
- **Next initiative and Columbia Gas of Massachusetts sale to drive ~8% O&M reduction in 2021.** The company has undertaken various cost initiatives including voluntary separation program savings, operational processes improvements and modernization driven fuel and cost reductions. NI expects annual O&M for 2021-2024 to remain "relatively flat".
- **Rosewater and Jordan Creek to go in service by year-end.** Rosewater Wind (100 MW JV project) and Jordan Creek (400 MW JV project) are both expected to go in service by year-end. PPA projects Indiana Crossroads (300MW), Brickyard Solar (200MW) and Greensboro Solar (130) MW are expected to go in service by 2021, 2022 and 2022 respectively. Additionally, 8-10 additional projects in advanced commercial negotiations.
- **COVID-19 annual impact to load**. Management expects lower sales volumes from commercial and industrial customers, partially offset by a potential increase in residential sales volume. Increased bad debt expenses (although recent orders in MD, VA allow for deferring the COVID-related expenses and bad debt), and sustained customer attrition. The company's sensitivity analysis continues to project that a +/- 1% change in annual sales volumes, will result in pre-tax operating earnings of $3.9M, $3.9M and $2.3M to residential, commercial and industrial on the electric side respectively, and $3.8M, $2.4M and $1.2M to residential, commercial and industrial on the Gas side respectively. The residential customer class represents 39% and 69% of the retail margins in electric and gas respectively, with commercial at 35% and 22% in electric and gas respectively.

Figure 3: COVID-19 Impact to Nisource Load

Pre-tax Operating Earnings Sensitivity to +/- 1% CHG in annual sales volume	Electric	Retail Margins %
Residential	$3.9	59%
Commercial	$3.9	26%
Industrial	$2.3	15%
Total	**$10.1**	**100%**

Pre-tax Operating Earnings Sensitivity to +/- 1% CHG in annual sales volume	Gas	Retail Margins %
Residential	$3.8	69%
Commercial	$2.4	22%
Industrial	$1.2	9%
Total	**7.40**	**100%**

Source: Company data, Credit Suisse estimates

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Regulatory Updates

- **Columbia Gas of MD** filed a new base rate case on 5/15 requesting $6.3M total revenue increase; $5M net of infrastructure trackers which supports continued replacement of aging pipelines and safety upgrades. The final order is expected in 4Q20 with new rates effective in Dec 2020.
- **Columbia Gas of PA.** Filed a base rate case 4/24/2020 which supports continued replacement of aging pipelines as well as adoption of safety upgrades. Ratecase includes $100.4M total annual revenue increase. Order is expected in 1Q21 with new rates effective in Jan 2021.

Valuation

- **Valuation.** Our $26 TP is unchanged and based on peer 2022 P/E multiples within a SoTP. Our TP includes the discounted value of $0.19 uplift in 2024 (worth $3/sh) from expected earnings from $1.8-$2.0B Indiana renewables that will not benefit from AFUDC and will not receive a rate increase until 2024. Meanwhile, our 2022 estimate includes -$0.04 drag from equity issued for these projects (~60% of the ratebase, with half issued in 2022 and half in 2023). We expect the company to attain at least the midpoint of a 5%-7% EPS CAGR (vs 2021) by 2024. We continue to apply a 2.0x premium to the gas utilities for favorable regulatory jurisdictions and lower operational risk since the explosive incident in Lawrence Mass in 2018. We continue to value the electric operation in Indiana at a 2.0x premium for excellent operations and supportive regulation. Risks include 1) ROE risk related to the ongoing ratecases, 2) continued approvals relating to infrastructure replacement/grid modernization programs, 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particularly in the non-decoupled jurisdictions, 7) weather risk, 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety, 11) COVID-19 pandemic response load reduction, particularly at the electric utility.

Figure 4: NI Valuation

		BASE CASE			
	2022 EPS	Prem / Disc	Effective P/E	Equity	Equity / Sh
Electric	$0.54	2.0x	17.6x	$3,634	$9.44
Gas	$0.91	2.0x	16.0x	$5,613	$14.58
Earnings on renew ables in 2024 (discounted to 2022) - need to account here as equity dilution hits first in 2022/23 but no AFUDC as these are turnkey projects	$0.19		16.6x	$1,238	$3.22
Other	($0.06)		16.6x	($368)	($0.96)
Total EPS	**$1.39**			**$10,118**	**$26.00**
Diluted Shares Outstanding					384.9
Dividend					$0.80
Implied Yield					3.1%
Current Yield					3.6%
Implied P/E					18.7x
Prem / (Disc) To Group					33.3%
Upside/ (Dow nside) to Current Price					17.4%
Total retirn					21.1%

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Valuation, Methodology and Risks

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Eversource Energy (ES.N)

Method: Our UNDERPERFORM rating and $81 target price for ES are based on a sum-of-the-parts valuation on average peer utility 2021 P/E multiples. For the distribution segment, we apply a 1.0x premium for CL&P and NSTAR. We use a 1.0x premium for the Transmission segment as well. The Transmission segment deserves a premium multiple over average Electric Distribution because being FERC-regulated, the business is not subjected to local state regulation and enjoys a higher ROE for its investments. In our model, we assume a base ROE of 10% plus various incentives for transmission projects. We rate the stock NEUTRAL as we expect its total return to be in line with peers.

Risk: Risks to our $81 target price and UNDERPERFORM rating for ES are: Company Specific Risks from the potential for higher ROEs from the upcoming transmission ROE review, lower-than-expected costs and higher returns for offshore wind, and other risks:1) regulatory risk, 2) legislative risk, 3) commodity risk, 4) interest rate risk, 5) derivate risk, 6) load growth risk, 7) weather risk, 8) environmental and climate change risk, and 9) physical infrastructure and cyber security risk.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for NiSource Inc. (NI.N)

Method: We arrive at our $26 target price for NI by applying a 2.0x premium to the gas segment peer 2021 P/E to reflect the constructive regulatory environments with capex trackers in place in the jurisdictions that NI operates. We also apply a 2.0x premium to the average peer electric utility 2021 P/E multiple for NIPSCO Electric utility in Indiana to reflect the favorable ratebase growth profile and regulatory environment in the state. Our OUTPERFORM rating reflects a forecasted total return that is equal the group average.

Risk: Risks to our $26 target price and OUTPERFORM rating are: 1) ROE risk related to the ongoing ratecases 2) continued approvals relating to infrastructure replacement/grid modernization programs 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particulary in the non-decoupled jurisdictions, 7) weather risk, and 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety after the 2018 explosion incident in Mass. 11) COVID19 load reductions

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Companies Mentioned *(Price as of 15-Oct-2020)*
Eversource Energy (ES.N, $91.83)
NiSource Inc. (NI.N, $23.3, OUTPERFORM, TP $26.0)

Disclosure Appendix

Analyst Certification

Michael Weinstein, ERP, and Maheep Mandloi each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Eversource Energy (ES.N)

ES.N Date	Closing Price (US$)	Target Price (US$)	Rating
23-Jan-18	61.12	59.00	U
03-May-18	58.87	61.00	
23-May-18	56.54	58.00	
09-Jul-18	58.46	62.00	N
04-Dec-18	68.95	73.00	O
23-Jan-19	68.30	70.00	
22-Feb-19	70.30	75.00	
21-Apr-19	69.96	76.00	
18-Jul-19	78.40	87.00	
22-Jul-19	76.91	85.00	
05-Aug-19	76.55	84.00	
21-Oct-19	86.14	87.00	
17-Jan-20	88.73	86.00	N
21-Feb-20	95.96	94.00	
28-Feb-20	86.46	92.00	
06-May-20	76.26	81.00	
12-May-20	75.67	76.00	
20-Jul-20	86.61	81.00	U

** Asterisk signifies initiation or assumption of coverage.*

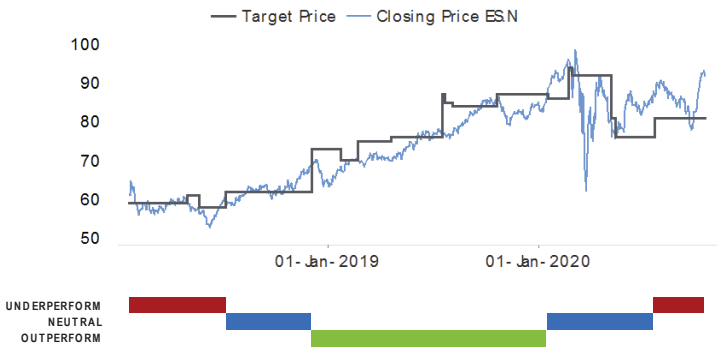

3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
18-Oct-17	26.43	29.00	O
02-Nov-17	26.94	30.00	
23-Jan-18	24.17	27.00	
06-May-18	25.41	28.00	
23-Jan-19	26.83	29.00	
21-Apr-19	27.56	30.00	
22-Jul-19	29.14	33.00	
07-Aug-19	27.63	29.00	N
21-Oct-19	28.05	30.00	
01-Nov-19	27.65	29.00	
17-Jan-20	29.04	30.00	
28-Feb-20	27.02	31.00	O
05-May-20	24.53	27.00	
20-Jul-20	23.75	26.00	

** Asterisk signifies initiation or assumption of coverage.*

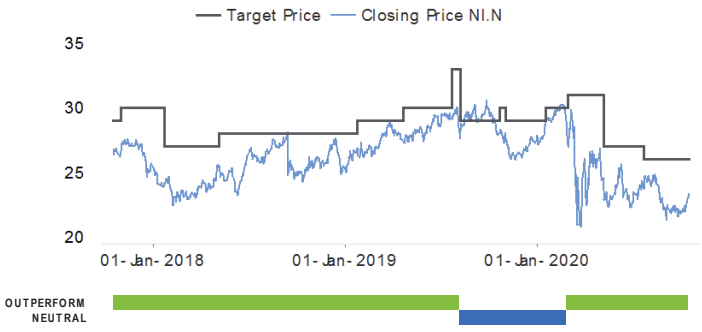

As of December 10, 2012 Analysts' stock rating are defined as follows:
Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.
Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.
Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

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**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European (excluding Turkey) ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin America, Turkey and Asia (excluding Japan and Australia), stock ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark (India - S&P BSE Sensex Index); prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.*

Restricted (R) : In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Not Rated (NR) : Credit Suisse Equity Research does not have an investment rating or view on the stock or any other securities related to the company at this time.

Not Covered (NC) : Credit Suisse Equity Research does not provide ongoing coverage of the company or offer an investment rating or investment view on the equity security of the company or related products.

Volatility Indicator [V] : A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation:

Overweight : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

**An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.*

Credit Suisse's distribution of stock ratings (and banking clients) is:

Global Ratings Distribution

Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	50%	(33% banking clients)
Neutral/Hold*	36%	(28% banking clients)
Underperform/Sell*	12%	(20% banking clients)
Restricted	1%	

Please click here to view the MAR quarterly recommendations and investment services report for fundamental research recommendations.

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GUGGENHEIM

Power, Utilities & Alternative Energy November 10, 2020

Guggenheim EEI Takeaways - Day Two

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Ticker	Price	Rating
AEP	90.26	Sell
ALE	57.87	Buy
CMS	66.14	Neutral
D	84.02	Buy
DTE	128.81	Buy
DUK	95.40	Buy
FE	29.52	Neutral
NI	24.11	Buy
OGE	32.66	Buy
PCG	10.42	Coverage Suspended
PNW	87.94	Buy
PPL	28.75	Buy

Monday Day 2: We met DUK, OGE, PNW, DTE, CMS, PPL, FE, AEP, D, NI, ALE, and PCG senior management. We'll recap key themes from our 2nd day of meetings at EEI below and go into company-specific topics further in the note. Discussions have centered largely around gives/takes with respect to each individual company's growth outlook, with a specific focus on the sustainability of capex into the 2020s; otherwise, **the key commonality across discussions with companies was the impact of COVID going into 2021, renewables opportunities, regulatory proceedings, potential M&A/ strategic opportunities, and the impact of the election.**

As a reminder, Day 3 (Tuesday) will include 1-on-1 meetings with EVRG, NEE, EXC, PEG, SO, ES, AEE, LNT, and NWE; and **Day 4 (Wednesday)** will include 1-on-1 meetings with ED, POR, SRE, and AVA.

Items worth noting from our management meetings include (see note for full details):

DUK - We met with DUK Chairman, CEO, and President, Lynn Good, for a discussion on the Carolinas IRP, NC rate cases, recently updated capex, the guide to the top-end of the growth range, and initial 2021 thoughts. DUK is set up well going into 2021 as it clears the remaining NC rate case hurdle, receives more clarity around potential legislation stemming from Gov. Cooper's working groups, and starts to execute its robust capital plan focused on the transition to clean energy.

OGE - We met with the full OGE leadership team, including CEO Sean Trauschke. OGE continues to recover through a tough weather and sales year in 2020, with 2021 looking like a return to normal. Capex plan reiterated, underpinning a 4-6% regulated growth story and the position on ENBL ownership remains the same (i.e., maximizing shareholder value).

DTE - We met with CEO, Gerry Norcia, CFO Dave Ruud and other leadership of DTE. The biggest focus for DTE is execution on the DTE Midstream spin-off, while recent updates including EEI provided an increasingly improving capex and financing plan supportive of the high end of 5-7% EPS long term growth.

CMS - We met with CFO Reggi Hayes, Garrick Rochow EVP of operations and the CMS leadership team. CMS continues its industry-leading performance on cost management and growth. No deviations from prior strategy as mgmt. continues to execute the "CE Way" for cost optimization and deliver a "firm 7%" growth rate.

PNW - We met with the full PNW leadership team, including CEO Jeff Guldner and CFO Ted Geisler. Rate case outcomes and the regulatory relationship remain key focus areas as the ACC looks set to change in '21, but long-term growth and decarbonization provide strong foundations regardless.

PPL - We met with PPL's CEO, Vince Sorgi and Kent Blake, CFO of the Kentucky utilities to discuss thoughts on strategic optionality around the WPD sale process and the more straightforward outlook for regulatory activity in Kentucky and at FERC.

FE - We met with the full FE leadership team, including CEO Steve Strah and CFO Jon Taylor and other senior executives. Management continues to work through the fallout of the HB6 investigation and the subsequent executive terminations, including building balance sheet flexibility into its 2021 plans. Details on the internal and external processes were unsurprisingly sparse.

AEP - We met with AEP Chairman, CEO, and President, Nick Akins, incoming Executive VP and COO, Lisa Barton, and other members of the AEP mgmt. team to discuss 2021 EPS guidance, the new capital plan that contains upside for renewables, an update on North Central Wind, rate cases, and other regulatory proceedings, views around the OH policy environment and HB6, and potential portfolio rotation/optimization.

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D - We met with D CEO and President, Bob Blue, and EVP and CFO, Jim Chapman. Post GT&S sale, D is in execution mode – there is a defined strategy and now mgmt. must focus on moving through the regulatory processes and building projects on time and on budget.

NI - We met with NI President and CEO, Joe Hamrock, EVP, CFO, CAO, and Controller, Donald Brown, Chief Strategy & Risk Officer, Shawn Anderson, and other members of the senior management team. Portfolio optimization to offset equity needs related to the renewables investment was top-of-mind for investors and mgmt. provided some incremental color on how they are thinking about asset sales.

ALE - We met with the full ALE leadership team, including CEO Bethany Owen, CFO Bob Adams, Controller/CAO Steve Morris, and other members of senior leadership. Management was fresh off its 3Q20 call earlier in the morning, with NT growth challenges disclosed on that call our main focus, in addition to regulatory and customer considerations at MN Power.

PCG - We met with CEO Bill Smith and interim CFO Chris Foster and the PCG leadership team. PCG is in progress of leadership transition, working through post-bankruptcy challenges and wildfire mitigation improvements. We touched on several moving pieces on the overhangs to what moves towards a 10% rate base CAGR utility.

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GUGGENHEIM POWER & UTILITIES COMP SHEET

Figure 1: Guggenheim's Power & Utility Comp Sheet

Updated as of 11/9/2020

									Guggenheim						Consensus		
									Earnings Per Share			Price / Earnings			Price / Earnings		
Regulated Electric Utilities [1]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'20E	'21E	'22E	'20E	'21E	'22E	'20E	'21E	'22E
AEE	Ameren	20.5	Buy	$88	$83.04	2.5%	54%	247	3.45	3.83	4.06	24.1	21.7	20.5	24.0	22.0	20.7
AEP	American Electric Power	44.8	Sell	$78	$90.26	3.3%	64%	496	4.32	4.63	5.03	20.9	19.5	17.9	20.9	19.4	18.1
ALE	ALLETE	3.0	Buy	$62	$57.87	4.6%	72%	52	3.33	3.68	4.04	17.4	15.7	14.3	17.4	16.1	14.6
AVA	Avista	2.5	Sell	$28	$35.89	4.8%	82%	69	1.84	2.08	2.26	19.5	17.3	15.9	19.4	17.5	16.1
CMS	CMS Energy	18.9	Neutral	$63	$66.14	2.6%	61%	286	2.67	2.86	3.06	24.8	23.1	21.6	24.8	23.2	21.6
D	Dominion	68.5	Buy	$89	$84.02	3.0%	65%	816	3.54	3.88	4.15	23.7	21.7	20.2	23.8	21.7	20.4
DUK	Duke Energy	70.2	Buy	$102	$95.40	4.2%	75%	736	5.10	5.25	5.56	18.7	18.2	17.2	18.7	18.3	17.4
ED	Consolidated Edison	26.5	Neutral	$73	$79.28	3.9%	69%	335	4.24	4.50	4.75	18.7	17.6	16.7	18.7	17.6	16.8
EIX	Edison International*	23.0	Suspended	NA	$60.76	NA	NA	379	NA	NA	NA	NA	NA	NA	13.5	13.4	12.9
ES	Eversource Energy	32.1	Neutral	$91	$93.53	2.6%	62%	343	3.65	3.89	4.13	25.6	24.0	22.6	25.7	24.0	22.6
ETR	Entergy	21.9	Buy	$119	$109.15	3.6%	65%	200	5.66	5.97	6.34	19.3	18.3	17.2	19.5	18.4	17.3
EVRG	Evergy	13.2	Buy	$61	$57.99	3.8%	69%	227	3.03	3.22	3.43	19.1	18.0	16.9	19.3	17.9	17.0
FE	FirstEnergy	16.0	Neutral	NA	$29.52	5.5%	61%	542	2.56	2.66	2.79	11.5	11.1	10.6	11.6	11.3	10.7
HE	Hawaiian Electric	3.9	Neutral	$34	$35.62	3.9%	73%	109	1.70	1.90	1.99	21.0	18.7	17.9	21.2	18.6	17.3
LNT	Alliant Energy	14.1	Buy	$62	$56.63	2.9%	63%	250	2.43	2.57	2.70	23.3	22.0	21.0	23.3	21.9	20.8
NWE	NorthWestern	2.9	Neutral	$54	$57.34	4.3%	69%	51	3.30	3.60	3.77	17.4	15.9	15.2	17.2	16.0	15.1
PCG	PG&E Corporation*	20.7	Suspended	NA	$10.42	NA	NA	1985	NA	NA	NA	NA	NA	NA	6.5	10.3	9.3
PNW	Pinnacle West	9.9	Buy	$92	$87.94	3.8%	66%	113	5.11	5.11	5.40	17.2	17.2	16.3	17.5	17.5	16.7
POR	Portland General Electric	3.8	Buy	$43	$42.64	3.9%	67%	90	1.45	2.52	2.70	29.4	16.9	15.8	27.3	16.5	15.7
PPL	PPL Corporation	22.1	Buy	$31	$28.75	5.9%	68%	769	2.43	2.50	2.62	11.8	11.5	11.0	11.9	11.7	11.1
SO	Southern Company	65.8	Neutral	$57	$62.32	4.2%	78%	1056	3.21	3.35	3.57	19.4	18.6	17.5	19.6	18.8	17.6
WEC	WEC Energy	32.8	Neutral	$91	$103.83	2.6%	67%	315	3.75	3.98	4.26	27.7	26.1	24.4	27.7	25.9	24.3
****Average (Excl. PPL for P/E)***						**3.7%**	**67.5%**					**21.0**	**19.0**	**17.9**	**20.9**	**19.1**	**17.9**
Regulated Gas Utilities [2]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'20E	'21E	'22E	'20E	'21E	'22E	'20E	'21E	'22E
CPK	Chesapeake Utilities	1.8	Neutral	$95	$102.74	1.7%	37%	17	4.08	4.58	4.95	25.2	22.4	20.8	25.0	22.8	21.5
NI	NiSource	9.2	Buy	$27	$24.11	3.8%	67%	383	1.32	1.35	1.47	18.3	17.9	16.4	18.5	17.9	16.8
NJR	New Jersey Resources	3.2	Neutral	$29	$33.34	4.1%	61%	96	2.05	2.24	2.37	16.3	14.9	14.1	16.1	14.4	13.9
NWN	NW Natural Gas	1.4	Sell	$39	$46.97	4.1%	76%	31	2.28	2.55	2.64	20.6	18.4	17.8	20.7	18.4	17.9
OGS	ONE Gas	3.9	Neutral	$77	$73.50	3.2%	60%	53	3.58	3.87	4.16	20.5	19.0	17.7	20.4	19.1	17.6
SJI	South Jersey Industries	2.2	Buy	$27	$21.54	5.6%	72%	101	1.57	1.67	1.79	13.7	12.9	12.0	13.8	12.9	12.7
SR	Spire	3.2	Neutral	$57	$61.73	4.3%	66%	51	3.73	4.04	4.24	16.5	15.3	14.6	16.5	15.2	14.5
Average						**3.8%**	**62.7%**					**17.7**	**16.4**	**15.4**	**17.7**	**16.3**	**15.6**
Integrated Utilities [3]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'20E	'21E	'22E	'20E	'21E	'22E	'20E	'21E	'22E
EXC	Exelon	42.3	Neutral	$42	$43.32	3.8%	55%	976	3.10	2.96	2.97	14.0	14.6	14.6	14.1	14.6	14.3
PEG	PSEG	30.5	Buy	$65	$60.38	3.4%	61%	506	3.45	3.40	3.49	17.5	17.8	17.3	17.7	17.8	17.5
Average						**3.6%**	**58%**					**15.7**	**16.2**	**15.9**	**15.9**	**16.2**	**15.9**
Independent Power Producers (IPPs) [4]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'20E	'21E	'22E	'20E	'21E	'22E	'20E	'21E	'22E
NRG	NRG Energy	7.8	Buy	$45	$31.92	4.1%	-	244	1,995	1,949	1,890	6.2	5.9	5.8	6.7	6.3	6.4
VST	Vistra Energy	9.2	Buy	$34	$18.91	3.0%	-	489	3,595	3,238	3,304	5.1	5.4	5.1	5.2	5.7	5.7
Average												**5.6**	**5.7**	**5.4**	**6.0**	**6.0**	**6.0**
Multi-Industry Utilities [5]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'20E	'21E	'22E	'20E	'21E	'22E	'20E	'21E	'22E
CNP	CenterPoint	12.9	Buy	$26	$23.73	2.6%	44%	545	1.35	1.42	1.51	17.6	16.7	15.7	17.9	17.5	16.4
DTE	DTE Energy	24.9	Buy	$138	$128.81	3.3%	59%	194	7.05	7.25	7.59	18.3	17.8	17.0	18.4	18.1	17.6
NEE	NextEra	147.9	Buy	$335	$75.51	7.6%	57%	1959	9.18	10.06	10.88	8.2	7.5	6.9	33.0	30.2	27.9
OGE	OGE Energy	6.5	Buy	$36	$32.66	5.2%	76%	200	2.04	2.24	2.34	16.0	14.6	14.0	15.7	14.8	14.1
SRE	Sempra Energy	37.6	Buy	$155	$130.39	3.5%	56%	288	7.69	8.17	8.73	17.0	16.0	14.9	17.1	16.2	15.4
Average						**4.5%**	**58.5%**					**15.4**	**14.5**	**13.7**	**20.4**	**19.4**	**18.3**
Other		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'20E	'21E	'22E	'20E	'21E	'22E	'20E	'21E	'22E
AWK	American Water Works	29.4	Neutral	$141	$162.33	1.4%	55%	181	3.91	4.26	4.65	41.5	38.1	34.9	41.9	38.3	35.5
		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'20E	'21E	'22E	'20E	'21E	'22E	'20E	'21E	'22E
ARRY	Array Technologies	5.3	Buy	$54	$42.00	-	-	127	157	168	190	36.6	33.8	29.9	34.7	32.3	28.4
CWEN	Clearway Energy	6.8	Suspended	NA	$29.30	NA	-	183	NA	NA	NA	NA	NA	NA	11.3	10.9	10.4
NEP	NextEra Energy Partners	4.3	Buy	$71	$65.87	4.0%	-	73	1,294	1,532	1,660	6.9	6.7	6.3	11.8	10.8	10.6

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
(5) Mult-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addtion to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).
Source: Bloomberg, Guggenheim Securities, LLC estimates.

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DUKE ENERGY (DUK)

We met with DUK Chairman, CEO, and President, Lynn Good, for a discussion on the Carolinas IRP, NC rate cases, recently updated capex, the guide to the top-end of the growth range, and initial 2021 thoughts. DUK is set up well going into 2021 as it clears the remaining NC rate case hurdle, receives more clarity around potential legislation stemming from Gov. Cooper's working groups, and starts to execute its robust capital plan focused on the transition to clean energy.

- **We met with DUK Chairman, CEO, and President, Lynn Good. DUK is on a path to resolve the remaining uncertainties around the story by early next year, most notably the NC rate cases, and is set up well to start delivering on its robust plan going into 2021, in our view.** Mgmt. has been highly visible in the past few months and messaging was consistent with our recent investor group call with CEO Lynn Good (see our note HERE), the ESG Investor Day (see our note HERE), and the third quarter call (see our note HERE). **Mgmt. is looking forward to a clean 2021 where they will ramp up capital investment in the grid and renewables, potentially see incremental policy/regulatory support, and a recovery of the economy coming out of the pandemic.**

- **LT EPS growth of 6% *per annum* driven by solid ~7% rate base growth is strong, sustainable, and still contains some upside.** Mgmt. highlighted the stable profile of the plan and its ability to deliver 6% EPS growth per year driven by modular, low-risk projects with no binary projects or lumpy spending years. **There are still incremental opportunities – mgmt. highlighted the need for additional investment in distribution that is perpetual and the cancelation of ACP has left DUK short gas in their NC territory.** Mgmt. included ~$750M of gas LDC expansion capital in their 2Q update to support new customers in their Piedmont territory in East NC. The spend does not need regulatory approval and mgmt. is still cementing the types of projects that will be targeted. On the electric side, the IRP assumes there is ample gas supply and DUK is reviewing their options – one option is tying into MVP but it is dependent on the risk/reward of where the project stands and how that project fits into their timeline.

- **Drivers in 2021 set up to deliver EPS guidance in excess of the conservative $5.15 number laid out in the past two earnings calls.** The $5.15 EPS number for 2021 is a floor and assumes a less constructive outcome in the Carolinas rate case (i.e., no recovery on coal ash), and does not give credit for O&M levers that can be sustained into 2021 among other items including incremental upside from GRC filings, NC legislative initiatives, and ACP substitution spend. There are multiple items that still need to be resolved to be able to issue firm guidance and we should have more clarity leading up to the year-end call in Feb. (i.e. rate case outcome at the end of the year/early next year and Gov. Cooper's working group report before year-end).

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- **Strong interest around a 70% carbon reduction path in NC and momentum behind offshore wind is building.** Mgmt. indicated they are seeing more support around the 70% carbon reduction goal by 2030 and noted they are looking to find the balance between environment, reliability, and price. The Gov. has set the goal of 70% carbon reduction, and the carbon policy group plans to issue a report by year-end. **Offshore wind seems like the most likely path.** Mgmt. stated there is enthusiasm and momentum around the prospects of offshore wind and, at this time, the technology is far ahead of SMR. Even though the SMR path has a lower revenue requirement, the resource is still in its infancy stage. As a reminder, the NC, MD, and VA Governors recently signed an MOU to drive the advancement of offshore wind in the Mid-Atlantic **(see our daily take HERE). Gas is an important portion of the IRP and stakeholders are generally in support of the fuel given DUK's analysis.** The "no new gas" path requires coal to operate for longer which caused environmentalists to realize the importance of the generation resource in the transition to clean energy.

- **What about alternate regulation in NC? Gov. Cooper's working groups to release a report by year-end that could spring legislation next session – more timely recovery of expenditures or other support could move LT EPS growth north of the current range.** Gov. Cooper's Clean Energy Plan includes instruction to look at regulatory options to enable and incent the transition to clean energy. The alternate regulation group is expected to issue a report and recommendation by year-end that could help inform legislation next year. The group is looking at a balanced solution that incentivizes investment while maintaining customer affordability. **Mgmt. believes that regulatory reform that would accelerate investment and recovery could be potential upside to the top end of the 4-6% guidance range.** It is unclear what this legislation and regulation may look like, but mgmt. mentioned multi-year rate plans, performance-based rates, decoupling, etc.

- **No surprise from the post-hearing briefs filed in the DEC rate cases last week.** Mgmt. expected the positions presented in the post-hearing briefs and is now awaiting direction from the commission and an order by the end of this year/early next year for DEC with DEP expected by mgmt. shortly after. **Coal ash will remain contentious at least until the NC Supreme Court provides directive in Dec. – hearings spur the analysis of alternative recovery options.** A settlement prior to the Dec. 11 date when we expect the NC Supreme Court to release its opinion on the coal ash recovery issue is still highly unlikely. DUK responded to the commission's request to provide alternate recovery scenarios positively, in mgmt.'s view, and believes the commission is doing its due diligence in exploring all options available **(see our daily take on the alternative options HERE)**. As a reminder, recovery of but no return on coal ash expenditures would cause the ratings agencies' calculation of FFO/Debt to drop 100bps which would be below the downgrade threshold. DUK would not attempt to fight the downgrade with more equity but rather

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operate at the lower rating with increased financing costs passed to customers. **Mgmt. is still assessing how the ratings agencies would view a debt-like return on coal ash (rather than the current WACC return).**

- **Optimism around the approval of the FL Clean Energy Connection program – a number of stakeholders are at the table in support.** Mgmt. displayed confidence in the approval of a voluntary solar program, the Clean Energy Connection Program, for DEF stating a number of intervenors in the case have voiced their support. The program would expand renewables in the state and has a low income element making it non-contentious for most parties. As a reminder, there is a hearing scheduled on the case on Nov. 17. **DEF is still working through the items that will be included in the multi-year rate plan that will be filed next year, but it should include ongoing investment toward aging infrastructure, energy storage, and the CEC program while the Storm Protection Program will cover the infrastructure hardening and resiliency.** The filing will be made around the end of 1Q21 and will set DEF up for the next 2-3 years.

- **DUK continues to monitor COVID-19 and assumes a 1-2% recovery in sales in 2021.** The sales guide for 2021 is conservative in our view and does not assume a full recovery to 2019 levels. The bottom line impact from the pandemic has been consistent with plan as the customer class mix has shifted. Mgmt. noted that they are watching the potential for increased lockdowns given the election results.

- **Moody's outlook revision comes as no surprise – the agency assesses their outlook annually in the fall.** As a reminder, Moody's revised Duke Energy Corp (Baa1), Duke Energy Carolinas (A1), and Duke Energy Progress (A2) ratings outlook to negative from stable driven by substantial capex coupled with the potential for a negative outcome on coal ash recovery in DEC and DEP's ongoing rate cases. The revision was expected as Moody's was hinting at it earlier this year and the timing makes sense given the agency reviews their outlook annually in the fall. No change on equity messaging – DUK will take the notch downgrade if the coal ash outcome is negative and operate at the same rating as a lot of their peers – i.e., will not issue equity to support the current ratings.

- **Compelling standalone plan and growth program delivers value to shareholders, making a sale of the business unlikely, in our view.** Mgmt. is building on their position to deliver a robust dividend and visible low-risk returns… further regulatory initiatives and an acceleration of the transition to clean energy would only strengthen their position causing us to believe that a sale is highly unlikely (see our note on the NEE/DUK merger headlines HERE).

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OGE ENERGY (OGE)

We met with the full OGE leadership team including CEO Sean Trauschke. OGE continues to recover through a tough weather and sales year in 2020, with 2021 looking like a return to normal. Capex plan reiterated, underpining a 4-6% regulated growth story and the position on ENBL ownership remains the same (i.e., maximizing shareholder value).

- **We met with the full OGE leadership team, including CEO Sean Trauschke, catching up on Covid recovery in Oklahoma, long-term prospects for regulated growth and strategic positioning around ENBL.** OG&E utilities remain fundamentally sounds, with good customer growth as a leading indicator of load recovery. Mgmt. remained guarded on strategic options for ENBL but ensured that the company always looks to maximize shareholder value.

- **Tough 2020, but ex-weather would trend top end of guidance; 2021 setting up for a cleaner year.** In terms of economic recovery post-Covid, OGE noted that on a monthly basis commercial has started to see first months that show growth year over year, which if sustained is a constructive indicator for 2021. **OGE has continued adding customers year over year,** so assuming average load per customer doesn't change (no reason to assume it would), the fundamentals remain intact. The one customer class still waiting for recovery is public authorities like schools which are on delayed reopening schedule. All things said, OGE acknowledged that excluding weather in 2020, results would be trending at or above the top end of the original guidance, so a return to normal weather and ~$20M of recurring cost savings would bring 2021 back in line with the original 4-6% trajectory.

- **For OGE mgmt., views on ENBL have not changed – mgmt. will pursue value for shareholders but does not necessarily think about the business as anything other than a regulated utility.** OGE remains in a different strategic position on ENBL than its partner CNP, who is taking an "everything on the table" approach to business review. OGE has no parent leverage on ENBL ownership (implicit or explicit), credit metrics remain strong (north of 18% FFO/D) and the investment is treated purely as a cash-on-cash source (i.e., no control, no mgmt. capacity drain). **When asked, mgmt. commented on the past ROFO as just a strategic attempt to get CNP out of the partnership at the time**, but OGE expressed it had and has no interest in owning more ENBL. The relationship with partners has improved since then and mgmt. does not feel the need to make any sporadic strategic decisions. Tax basis is a hurdle, and any potential alternatives have a lot of complexity as scenarios are weaved; with OGE not having any public stance other than shareholder value maximization, mgmt. feels no need to discuss.

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- **4-6% growth underpinned by constructive regulatory environment; more frequent discrete filings set up well for incremental capex deployment.** OGE noted a good cadence of regulatory filings in Oklahoma, which is done by design with smaller, simpler cases. This type of filing strategy is moving similar to a formula rate construct but with incremental steps. Mgmt. does not see it helpful in the regulatory arena to put forward lumpy capex plans of billion dollar projects, noting the goal is to limit the amount of large filings, but **working with regulators every year at reassessing system needs – mgmt. sees potential to ratchet up individual programs.** Overall, OGE sees investment opportunity as various investment programs roll forward.

- **Future capex mix – OGE prefers wires T&D.** OGE noted that after the recent environmental and generation investments, the utility wants to minimize investments in generation needs and would rather spend on customer facing projects (i.e., wires). While the approval establishing Grid Mod was not what OGE wanted (reduced scope and timeframe), it does help get a foot in the door with regulators to **prove the concept and subsequently grow into a larger Grid Mod program** in future years. Additionally, OGE called out **system hardening, which could be a beneficial program to expand capex** given the recent weather events and would be covered under a rider mechanism. The 9.5% ROE settled in the prior rate case was initially viewed as low but is now seen as more balanced given the rate environment; while intervenors can argue lower, **OGE has not seen messaging from commission on wanting a lower ROE**. Lastly, on the remaining generation opportunities, OGE will look for some marginal MWh of renewables volumes but reminded investors that there are still capacity obligations which are not well satisfied with intermittent resources.

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DTE ENERGY (DTE)

We met with CEO, Gerry Norcia, CFO Dave Ruud and other leadership of DTE. The biggest focus for DTE is execution on the DTE Midstream spin-off, while recent updates including EEI provided an increasingly improving capex and financing plan supportive of the high end of 5-7% EPS long term growth.

- **We met with CEO, Gerry Norcia, CFO Dave Ruud and other leadership of DTE.** DTE continues to show constructive signals on the core regulated business and building contingency for 2021, with a 3Q capex raise and the new EEI financing plan showing lower equity needs. The DTE Midstream segment is performing well, with opportunities for accretive growth investments and mgmt. believes will set up for a successful spin out.

- **How will DTE Energy look post-spin: 90-10 regulated mix, with P&I rounding out the mix and still complementary to the core business, but not precluding further optimization.** The decision for the spin has been long-contemplated as far as before the Haynesville asset acquisitions, which mgmt. bought with the commodity improvement and scale-building thesis, both of which played out to mgmt. expectations. While DTE and the board contemplated both a sale and spin, the spin was more efficient for tax leakage, allow current shareholders to participate in the rebound from the bottom of the business cycle for midstream as well as the business expansion that is embedded in the GS&P business plan. Overall, DTE mgmt. is currently planning to reach 8-10% dividend growth through post spin (2021-2022) on an equivalent basis for "remain co" and "spin co". Since the transaction was contemplated for ~2 years, mgmt. noted a variety of investor feedback including existing shareholders, but offered no visibility on activist involvement or current activist economic interest. **Speaking to the "core" status of the remaining unregulated business (P&I), mgmt. believes there are some complementary qualities**, but did not preclude further optimization or providing more in-depth disclosure to highlight earnings quality and fit.

- **Strong 2020 year, reinvestment and recurring O&M flex setting up for strong 2021 regulated base year. DTE provided insight into current economic dynamics for the service territory, citing c**ommercial and industrial customers that are adjusting well to Covid operations with less reported transmission than bars and restaurants. There are no new orders on shutdowns from the governor, so the balance of the year looks stable. Residential load continues to drive earnings benefits due to higher segment margins**. Mgmt. also does not see a lot of moderation for residential load going into 2021 as people are generally expected to stay home** as employers keep

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remote work plans active. DTE is building contingency into 2021, probably more than 2020 per mgmt. as strong 3Q weather allows for reinvestment, with recurring benefits from 2020 starting to allow for pull forwards out of 2022.

- **Post spin 5-7% growth for utilities and P&I; potentially at high end in the near term.** DTE sees the 2021 post spin regulated growth around 7.4%, with some slight drag from equity converts, REF earnings decline and near term dis-synergies form the spin, but reaching a more steady state in the second half of the 5 year plan. Most shared services costs are already allocated to GS&P and mgmt. will transfer those along with the spin, with any remaining costs / capacity absorbed by the "remain co" growth. In the end, **DTE is confident in providing investors with LT 5-7% EPS growth, but there is a historical level of contingency embedded, so if is not activated, that takes EPS closer to the 7% mark**; mgmt. noting that the back end of the plan is conservative. The near term drag from declining REF earnings is likewise being addressed at the P&I segment with a handful of projects on DTE's desk for final approval; mgmt. expects to fill the $15M backfill target for 2021, noting the 3-5 year cash payback on the projects.

- **Capex visibility and updates? Mgmt. always looking to add to the tail end. Time for an Analyst day? Not yet…** The post Spin capex allocation is predominantly regulated utility spend, executing on the $17B (+$2B added on 3Q) capex plan. Visibility on existing and incremental capex remains high, even as DTE added a lot of electric capex like substations, transmission and distribution rebuilds. **Mgmt. looks forward to potential investment on the gas side such as compressor rebuilds and large diameter high pressure replacement as the assets are starting to reach 60+ years of age,** but would need to get creative in terms of headroom on rates before any formal plan inclusion. Mgmt. elaborated on the MPSC support for these programs as they have been a part of the annual filings and have received positive reception from Staff as long as rates are managed to a 2-3% increase. **The associated financing needs are being negated through credit metric accretion of improved business mix**; credit agencies looking to lower metric thresholds from 18% to 16% FFO/Debt. The equity plan presented at EEI is lowered from $100-400M to $0-200M for 2021, with another $0-200 in 2023. While tax reform outcomes are far from determined, higher tax certainly lowers equity needs, but also puts some pressure on customer rates.

- **Decarbonization at DTE – Michigan is supportive but currently moving pieces beyond plan.** While the remaining coal assets were proposed to be retired in 2030 and 2040, the MPSC order on the IRP required DTE to analyze accelerated retirement, which will be addressed in the 2023 plan. Mgmt noted the analysis is in progress, and while 2023 will be the next formal filing, the new plan could come sooner. From a statewide perspective, DTE is active in the MI Healthy Climate Plan, providing feedback to the stakeholder council and the plan lines up well

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with DTEs net zero goals. **Future decarbonization opportunities include hydrogen and DTE sees hydrogen value likely in the electric utility value chain** as complementing gas supply is more speculative (due to heat value and technical requirements). Mgmt noted feasibility studies for carbon sequestration and regulatory constructs will determine the involvement going forward.

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CMS ENERGY (CMS)

We met with CFO Reggi Hayes, Garrick Rochow EVP of operations and the CMS leadership team. CMS continues its industry-leading performance on cost management and growth. No deviations from prior strategy as mgmt. continues to execute the "CE Way" for cost optimization and deliver a "firm 7%" growth rate.

- **We met with CFO Reggi Hayes, Garrick Rochow EVP of operations and the CMS leadership team to catch up on 2020 recovery, inputs into 2021 and some of the longer term considerations for CMS capex plans and opportunities on decarbonization.** Fundamentals remain strong and consistent execution continues to keep CMs on track for a perpetual 6-8% growth with conservatism (i.e., "firm 7%). On the strategic side, CMs is comfortable with the 90% regulated mix, with the balance being Enerbank (serving affluent construction loans) and Enterprises (long term contracted assets). On the question of value of Enerbank, mgmt. noted the segment has manageable beta and no reason to seek strategic options at the bottom of the rate cycle.

- **Trending to a strong finish to 2020, reinvesting 2021, mgmt. appeared confident in a "firm 7% NT growth".** 2020 recovery has been tracking well, CMS noting economic activity very close to pre pandemic level: companies are able to follow CDC guidelines and have seen good resilience in supply chains and activities. CMS has seen continued growth across the service territory in consumer goods manufacturing, auto related manufacturing investment, corporate offices expansion and new homebuilding (up 2%). Residential energy use has introduced a new dynamic and CMS noted a number of companies anticipate a portion of workforce to remain at home, creating sustained residential load. Given the rates were set in February 2020, there is likely to be benefits of the residential load in 2021 before rates are rebalanced in the next rate case. **Building on the fundamental recovery are CMS contingency actions, namely the ~$100M saved in 2020, that mgmt. expects to be ~50% recurring** in 2021. The benefits of a strong 2020 likewise have enabled some reinvestment to start, creating further contingency against 2021 headwinds.

- **CMS previously presented one of the longest investment outlooks among peers: 5 year distribution plan, 10 year gas plan, 20 year IRP. Our meeting reinforced the capex runway and clarified the trigger points for incremental opportunities – balance sheet and affordability.** CMS already identified a $3-5B capex upside, with mgmt. highlighting that those numbers include only bottom up projects with high visibility, noting that CMS does not have a need to "find capex", the needs are already there. The constraint for increasing capex is balance sheet and affordability; as CMS sees cost savings, those can be reinvested. Energy waste reduction (i.e., EE) is another way to make

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room for investment as the programs lower customer bill and wallet share due to lower usage. This approach has resonated with the MPSC as the conversation with MPSC staff is always about efficiency of new capital deployment and CMS has quantifiable examples to such effect. **Mgmt. noted the unseen element of building capex plans in that every plan that gets presented is built on monthly meetings with Staff to show the why and how of the end results.**

- **Accelerating renewables? – yes, but ride the cost curve down.** CMS agreed with the thesis of increased renewables penetration as economics become more advantageous, but there is no step function change in investment. **CMS would rather integrate renewables gradually and realize benefits of a downward slipping cost curve over time.** CMS has multiple voluntary renewables tariffs and could include some expansion of the access programs as well as a potential filing for more RNG integration. Mgmt noted that the **energy storage play is a big difference going into the next IRP** as prices come down. Likewise, the next IRP would look at some early retirements at Campbell 1-2 (depending on replacement resources and balance sheet implications, securitization, etc.). On the contracted renewables ownership, CMS prefers a "crawl before you walk" type of investment; no appetite for billion-dollar projects, looking more for existing customer relationships on PPAs and supporting those needs.

- **Long term growth remains a 6-8% story with a bias to a "firm 7%", helped by above authorized ROE incentives, equity needs modest.** The capex plan continues to support the LT 6-8% growth with a "strong bias to the midpoint", although as we note continued O&M flex has allowed for execution at or above that target. **CMS has mechanisms of earning above authorized ROEs which help drive some incremental growth in EPS, but not beyond the "firm 7%".** CMs earns a renewables incentive 10.7% on investment towards MI RPS, energy efficiency incentive that provides ~30-40bp above authorized; demand response ~5-10bp and ~5bp for earning on PPAs. There has been no indication from the governor or legislature on any changes to energy policy or incentives. **The equity needs on the back end are not huge compare to peers' ~6% of capex and mgmt. does not envision any steady-state changes.** The tax reform recipe is already in place in MI from a regulatory standpoint based on the TCJA tax cuts, so the effects would likely be easy to flow through, in our view. CMS OCF went down around ~$200M and lost 150-200bp of FFO/debt; going to a 28% tax rate would reverse roughly half of the effects. Bill impacts were ~3% and reversal would bring back around 1.5% increase, but CMS would plan to negate the bill impacts through O&M offsets.

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PINNACLE WEST (PNW)

We met with the full PNW leadership team, including CEO Jeff Guldner and CFO Ted Geisler. Rate case outcomes and the regulatory relationship remain key focus areas as the ACC looks set to change in '21, but long-term growth and decarbonization provide strong foundations regardless

- **Our meeting with PNW management, which included CEO Jeff Guldner and CFO Ted Geisler, focused heavily on the ongoing rate case and efforts to improve relations with both the ACC and other stakeholders like the Navajo Nation.** Rebuttal testimony was filed only this past Friday, and while management was understandably limited in what it could discuss regarding specific details of the case, they did indicate that they saw Staff's previous initial testimony as constructive. We asked about the potential for a settlement given hearings are next month and the window of opportunity is potentially shrinking, with management acknowledging that while they continue to seek opportunities for compromise with other parties, the prospects get more challenging as parties get further into the testimony preparation phase ahead of hearings. **The Rebuttal testimony includes a renewables tracker proposal, robust transition assistance for the Navajo Nation, and some tampered asks on metrics – injecting interesting dynamics into the process.** Management indicated in our meeting that it is keenly watching for feedback on the tracker proposal. Synergistic to that is the Navajo transition plan, which includes a suite of financial and labor assistance to the Nation as Four Corners' deactivation approaches. The support of the tribe going forward for things like the tracker could be an important driver as the current case progresses in our view, and also as proposals like securitization of undepreciated balances come up in the future. On that latter item, securitization, management noted in our conversation that there is precedent in the past for regulatory assets for retired plants and that it remains open to looking at it given the existing opportunities to recycle the capital into decarbonization growth. Management also emphasized that it sees value in the transition proposal from a de-risking standpoint, as it removes potential unknown costs from the planned coal exit. Finally, on a more specific note, we also asked about bid-ask on the fair value increment, with management generally of the view that it takes a holistic approach to its revenue requirement, and while the FV increment can decline, other aspects of the requirement build up could prove constructive.

- **New faces coming to the ACC but Republicans appear headed for control… Marquez Peterson could become a key swing vote…** With greater clarity on a likely Republican majority in 2021 and beyond, management was of the view, supported by other reports we have seen (e.g., HERE), that the election sets up Marquez Peterson to serve as an interesting vote to watch on many policy issues. **Specifically, management was of the view that Commissioner Olson and**

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Commissioner-elect O'Connor are generally skeptical of specific renewables mandates, while Marquez Peterson has voted for zero carbon targets while voicing trepidation on resource-specific mandates and policies like retail competition. On the question of whether a Chair Olson could mark a strong departure from Chair Burns, management did not have a strong view, and instead reiterated its commitment to work with all parties. Finally, we asked on how the previously-filed IRP could be viewed by the new commission, with management highlighting that the currently-proposed energy rules package includes a more formal process that would have the ACC actually approve an IRP vs. just acknowledge. The company remains supportive of that change given the clarity and investment policy alignment it brings.

- **2021 drivers, next rate case timing, equity needs, and the 4Q capex roll all have linkages to the current case…** While management is understandably withholding 2021 guidance while it continues to work through the current rate case, we asked whether the pull forward of O&M from 2021 to 2020 discussed on the 3Q20 call could have read through to how we should be thinking about general guardrails for the upcoming year. Here management emphasized that while the shift helps de-risk for mild weather in 2021, it should not be thought of as a 1 for 1 reduction in costs. The outcome and timing of the case will also have implications for when management files again and potentially issues equity, with the company again reiterating the potential for $300-400mm before the next case to keep the equity layer in line with the ask. We asked about a preferred method, but management indicated that it depends on timing and market levels. The current proposal in rebuttal testimony for a renewables tracker (the Advanced Energy Mechanism) could also have an impact on management's timing and need to file in late 2021. Without it, the robust renewables buildout could require frequent filing to avoid lag. **Turning to the capex program, based on our broader conversation, we expect storage could continue to feature prominently in future rolls,** especially as the company gains comfort with the resource over the course of its *current* 300MW/year deployment program. **Finally, we also touched on the investment program at Bright Canyon, which management expects to remain a minor contributor to net income.** The group continues to pursue incremental opportunities, like microgrids and renewables, that align with PNW's existing core competencies.

- **Economic growth remains strong despite COVID, drivers are more diverse versus prior downturns… EIM membership continues to drive savings and bill headroom…** The strength of the AZ economy in the face of COVID remains an area of interest for investors, and PNW continues to see robust growth from a diverse base of residential and commercial economic growth. For example, data centers continue to come into the West Valley region, further diversifying versus prior cycles that were highly dependent on things like residential construction. Finally, we note that management remains pleased with how the EIM

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has afforded APS the ability to pass savings on to customers, with the concurrent benefit of bill headroom and more flexibility on investment opportunities. While the products and offerings of the EIM may evolve in the coming years, management still does not envision an evolution to a full-blown RTO – not a major surprise.

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PPL (PPL)

We met with PPL's CEO, Vince Sorgi and Kent Blake, CFO of the Kentucky utilities to discuss thoughts on strategic optionality around the WPD sale process and the more straightforward outlook for regulatory activity in Kentucky and at FERC

- **WPD sale continues to run on schedule, management strikes a positive tone on the process to date.** While management was understandably limited on what it could say regarding specifics, they did note that sale process to date has been going according to the initial high expectations, with the bidders exhibiting a high degree of quality. Contrary to some medial reports, the process is not yet at a point where PPL is getting indications of value, however they laid out several items of note that they see as supportive of things from a high level. These include the broad interest from infrastructure funds in assets like WPD's, and the domestic improvements both on the regulatory and political sides. The CMA's earlier decision on Ofwat's returns was one example, as were the government's upcoming decarbonization whitepaper and Ofgem's upcoming GT/ET/GD final determinations.

- **Transaction logistics like timeline to close, hedging of proceeds, and other details remain in flux…** Management indicated that a 1H21 close remains the target, with the timing therein partially dependent upon the acquirer's own closing timeframe. Management pointed to its own 30 day close on Central Networks as an instructive example, with a clean buyer potentially able to replicate that time frame – meaning an announcement in 2Q21 and a close by the end of the quarter. Ownership of existing assets in the UK could potentially slow the process slightly, but management was generally of the view that it does not envision closing conflicts. On the question of hedging, the company indicated that it continues to work through the logistics. Options here are generally the same as the normal course of handling WPD earnings today, including options, forwards, or some combination of the two. Management also pointed out that the possibility of a US asset swap would also change the need for potential hedging scenarios. On the subject of a swap, management noted that it does not envision a like-kind exchange given WPD is a foreign asset.

- **Use of proceeds? Management has a base case, but possibilities open up from there.** As noted on the 3Q and earlier conversations, management's base case remains a delevering of the remainCo to FFO/debt in the mid-teens, with holdco debt below ~30% of total. The remainder of any WPD proceeds would then be put towards buybacks. The company indicated it is also open to alternatives that present better value, including acquiring US utilities. What does this mean? Management indicated that its initial preference is for electric utilities given its current mix and decarbonization, but electric/gas utilities also present opportunities, as do renewables. On the subject of gas LDCs, management noted that they are not a top choice, but they are also not

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excluding them as a possibility. We did not get a sense that there were particular regions or constructs that management would target, with management emphasizing instead it looks for opportunities to bring its operational excellence playbook to bear. Midstream and competitive generation remain out of bounds, but some expansion at the Safari Energy subsidiary (primarily C&I solar) is also under consideration. **Finally, we also asked about the dividend policy for the remainCo,** with management responding that it will continue to target its 60-70% payout, but otherwise it is still too early to predict given there are still many possibilities for what remainCo actually looks like (i.e., stateside M&A). In the event there were not concurrent M&A, management indicated it would adjust to the base case and proceed from there.

- **Rate case filing and IRP process point to an active 2021 regulatory cycle in Kentucky…** As discussed on the 3Q call, the Kentucky utilities are expected to file a rate case on or about November 25th for rates that would begin 7/1/2021. The request would be based on revenues for a year begging that day. Given the filing has not been formally made yet, management was hesitant to provide detailed specifics, but in line with its notice the filing is expected to include another request for AMI deployment. Management indicated that investors should be on the lookout for additional details around mid-late November in advance of the formal filing. Importantly, the proposal will include a credit to customers to return over the course of a year some accrued regulatory liabilities. This will have a dampening effect on the rate impact for the first year of the proposed increase, which management sees as important for a customer base still expected to be emerging from the repercussions of COVID. The IRP meanwhile will be filed in October of next year, with a 15 year look forward. Given the time frames in question there will be little interaction with the current case, although management expects to see ongoing discussions around portfolio optionality. The company remains very aware of the ESG implications of the KY coal fleet in our view, with noted enthusiasm for potentially planning around generation replacement in the state in the future. We asked about the status and past usage of securitization, with management noting that would require a legislative change for the commission, as it does currently not have the authority.

- **FERC transmission complaint continues to grind through the process…** PPL also continues to work through the ongoing ROE complaint at FERC, with no new updates during our meetings on the process. As we expected, their view of a potential settlement was muted given the gulf between the complainant and their current allowed. Management reiterated its confidence in the strength of its case should it need to present it, while also noting that it also looks on the potential for new incentives as a positive. Per the company, a ~25bps change in ROE equates to ~$0.01/share. Finally, management also noted that 1) it could look to convert to formula rates to provide a modest offset to any

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potential ROE reduction, and 2) that these processes tend to run for a significant amount of time (e.g. 2022 and beyond in this case).

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FIRSTENERGY (FE)

We met with the full FE leadership team, including CEO Steve Strah and CFO Jon Taylor and other senior executives. Management continues to work through the fallout of the HB6 investigation and the subsequent executive terminations, including building balance sheet flexibility into its 2021 plans. Details on the internal and external processes were unsurprisingly sparse.

- **As expected, the bulk of our conversation focused heavily on the ongoing HB6 investigations – both internal and external.** Management was unsurprisingly limited in what it could and could not say with several investigations ongoing, and mostly pointed to comments made in conjunction with last week's earnings call and the 8K Monday morning on the 'separations' of the Chief Legal and Risk officers from the company. Per management, the internal investigation remains ongoing, with the ratings agencies briefed on this morning's announcement. **Stay tuned for potential updates with 4Q results in February.**

- **On the question of mitigation levers for potential fines in 2021, we discussed management's planning processes to date and came away with more detail on potential O&M and capex reductions that were first discussed on the 3Q call last week...** To that end, management indicated that it continues to look at both O&M and capex reductions, with management of the view that the $250mm in capex cuts discussed on the 3Q call could be prudent from a shareholder's perspective given where shares currently trade (i.e., not sure if that additional $250mm on a $3bn plan would transplant in the share price right now). On the O&M side, management indicated that of a ~$2bn program ~$600-700mm is recovered formulaically/annually, leaving another $1.3-1.4bn to evaluate for savings. To support this, management noted that it has begun standing up several internal planning teams to look at options and will be bringing in consultants to provide a third party perspective. While management was asked about potential noncore asset sales, we came away with the impression that this is not under consideration at this time – not a surprise to us given this exercise was just completed under the genco separation in 2018.

- **Balance sheet planning continues to target gradual FFO/debt improvement, dividend growth on hold through '21, while potential tax reform provides some potential benefits…** Management continues to target the same gradual improvements in its credit metrics it had envisioned before this summer's events, with a trend towards the ~12.5% range through it planning period still the goal. Management indicated it remains committed to investment grade despite recent governance-related actions by the agencies. We asked how the dividend fits into this given management has growth on hold for '21, with the team generally of the view that it still has to see more of the current situation unfold before evolving its strategy. The board generally meets in the

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second half of the year to discuss future plans, with management sounding a positive tone on the role of the aforementioned flexibility adjustments with regard to the dividend. Finally, on the subject of the balance sheet, we note that management also provided some high level thoughts on the potential for tax reform to provide cash flow relief, in the event a higher corporate rate were to make it through the post-election house and senate. Specifically, management sees a $0.04-0.05/share benefit from the holdco interest tax shield, while a higher rate could also add up to $200mm a year in incremental cash flows to the utilities. Much would depend on the specifics though, with GAAP vs. tax earnings, the AMT, and NOL utilization changes presenting scenarios in which there could be *negative* cash flow implications.

- **Too early to say on PUCO processes…** The readthrough to FE's relationships at PUCO remains a developing situation in our view, with management speaking at a high level to its desire to mend fences and move forward. The company has been cooperating to the extent that it can and needs to. Beyond the initial investigation in spending the PUCO it is now also investigating the separation process at FE in 2017-19, and the Ohio utilities continue to work through the finalization of prior SEET tests. We asked about the potential for modifications to the SEET calculation by PUCO, with management highlighting that it is enshrined in legislation.

- **Normal utility updates? West Virginia IRP upcoming, while management looks to finish formula rate conversions at transmission business.** Management will seek to file its IRP in WV in the next 5-6 weeks, with an expectation that it will be consistent with the climate goals the company recently announced (carbon neutral by 2050). Management indicated that it expects to see a slight capacity shortage in the latest filing, as was the case in the previous iteration. Looking forward, there could be a potential for new solar investments based on our conversation, with utilities allowed to rate base ~200MWs across ~50MW tranches. On the transmission side the recently announced KatCo conversion will essentially finish the conversion of FE's transmission segment to formulaic rates.

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AMERICAN ELECTRIC POWER (AEP)

We met with AEP Chairman, CEO, and President, Nick Akins, incoming Executive VP and COO, Lisa Barton, and other members of the AEP mgmt. team to discuss 2021 EPS guidance, the new capital plan that contains upside for renewables, an update on North Central Wind, rate cases, and other regulatory proceedings, views around the OH policy environment and HB6, and potential portfolio rotation/optimization.

- **We met with AEP Chairman, CEO, and President, Nick Akins, incoming Executive VP and COO, Lisa Barton, and other members of the AEP mgmt. team to discuss a number of moving pieces into 2021 and beyond, including EPS guidance, capital plan and renewables, O&M, OH policy, North Central Wind, and ongoing rate cases and regulatory items.** Our first topic, however, centered on the recent mgmt. transitions that were announced last week – EVP of Utilities, Lisa Barton, appointed to EVP and COO, SVP of Treasury & Risk, Julie Sloat, appointed to EVP and CFO, and EVP and CFO, Brian Tierney, appointed to EVP of strategy. The succession planning has been in the works for years with a focus on development of top leaders. Incoming EVP and COO, Lisa Barton, will now look at the company as a whole and drive efficiencies across all business segments rather than just the utilities – Lisa is a very familiar face for investors. Brian has been CFO for over ten years and Julie appears ready and able to take on his role so he can focus on AEP's portfolio and development. The board will focus on succession planning at the CEO level at the right time with Lisa clearly being a strong candidate in time, in our view.

- **FY21 EPS guidance lighter than expected? Mgmt. taking a conservative view on drivers and COVID heading into next year.** Mgmt. forecasts a 0.6% growth in sales YoY in 2021 driven by sustained higher-than-normal load in residential, a bounce back in industrial load, and a challenged commercial load until a vaccine is made widely available. The customer class mix will be an important factor to monitor given different margin profiles of each (i.e., higher margin in residential than commercial and industrial). Mgmt. will continue to update forecasts as they receive more clarity on the impacts of the virus. Rate cases and preparation for North Central Wind also play a factor into 2021.

- **Updated capital plan continues the trend of heavy investment in wires and includes some investment in renewables – there is potential upside to the plan, and we expect to receive more clarity as the pipeline builds.** The updated capital plan of $37B is allocated 71% in wires and 14% in renewables (8% regulated and 6% contracted). Investors may have expected more investment in renewables (i.e., AEP would be the key ESG story of EEI which may have fallen short on expectations to some) on the roll forward of the plan, but there are incremental opportunities in replacement generation related to the lease expiration of Rockport 2 (1,310 MW coal-fired) in 2022 and the retirement of Pirkey (580 MW coal-fired) in 2023. Mgmt. also announced the

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retirement of Welsh 1 & 3 (1,053 MW coal-fired) in 2028. These retirements will lower O&M and free up capital… *for every $1 saved in O&M, $8 of capital can be deployed.* The renewables pipeline will continue to develop, however mgmt. noted the timing issue of pulling investments forward into the current plan. **The plan calls out incremental distribution opportunities – mgmt. is looking to have supportive regulatory mechanisms in place to be able to upsize their current investment.** Distribution plans cover ten years and are focused on reliability and resiliency, however there is opportunity to upsize the current plan if regulatory support (i.e., riders and trackers) are implemented. Mgmt. wants the distribution construct in its states to be as positive as the transmission construct in terms of recovery.

- **Contrary to the views of multiple OH lobbyists and policy experts that we have hosted for client calls, mgmt. would be surprised if HB6 is repealed… more likely we could see a restructuring to address renewable energy and energy efficiency.** Mgmt. noted there is still support for the nuclear units in the state as it looks to transition to clean energy, therefore, it may be hard to repeal HB6, rather there may be augmenting legislation/restructuring that further supports the clean energy push. This view contrasts with policy experts that we hosted for client calls that were sure the bill would be repealed **(see our notes HERE and HERE).** If there is support for nuclear, AEP would like to see support for renewables and energy efficiency. As a reminder, a repeal of HB6 would not materially impact AEP – AEP had several years of recovery for the OVEC units prior to the passage of HB6 and has not booked any of the recovery of OVEC under HB6. AEP is also mostly decoupled in OH and mgmt. has stated in the past that they will continue to look to enter into a bilateral solar agreement regardless of any HB6 outcome. The investigation in the state has not impact AEP's relationship with PUCO, and AEP continues to have constructive dialogue with regulators and legislators on policy. **AEP has still not been contacted by authorities for its minor role in HB6.** Mgmt. continues to state that all donations to 501(c)(4) organizations were lawful and ethical and, as a result of the investigation, mgmt. has increased the disclosure of donations to these types of organizations – i.e., doesn't expect the external investigations to bleed into AEP nor do they see any impacts internally with Mgmt. structure, governance etc.

- **North Central Wind remains on track – timeline range for Traverse into 1Q22 is a worst-case scenario.** The timeline for the Traverse project was widened to Dec. 2021-Apr. 2022, from Dec. 2021 on the 3Q call due to delays in the permitting process as offices were closed due to the pandemic. Mgmt. stated the developer is still aiming for Dec. 2021 but added the range given the unanticipated challenges. Mgmt. does not expect an impact to financials as the project is acquired after completion. We note mgmt. has included spending of a little over $1.2B in 2022 for Traverse. Foundation work has started on the Sundance project that is expected by mgmt. to be completed in 1Q21 and final site preparation is underway on the Maverick and Traverse projects. **Financing for the**

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project remains 2/3 equity, or ~$1.3B, financed through ATM, block, or asset rotation close to the date of the commercial operation and transfer of projects. What about asset rotation? All assets are on the table – mgmt. evaluates each utility individually to identify those that are underperforming. The underperforming utilities may be up for potential divestment to mitigate some potential equity needs as well as other non-core assets.

- **Rate cases at AEP Ohio, APCo VA, KPCo, and SWEPCO TX continue to churn through the process.** At AEP Ohio, mgmt. expects the procedural schedule sometime this month. Mgmt. is disappointed with the position that the SCC Staff and the AG took in there APCo VA rate case that looked to prove that APCo VA was earning within its range and therefore not allowed to ask for a rate increase. Mgmt. has confidence in the commission letting them earn their allowed return. There is a hearing scheduled for Nov. 17 in the contested KPCo rate case and mgmt. expects a decision by year-end. As a reminder, KPCo was in a stayout until June of this year which meant that they were unable to cure the load lost in the state leading to low earned ROEs. SWEPCO TX is focused on a number of base investments and making sure there is adequate storm reserve. **Regulatory activity into 2021? Rate cases to fix equity layer and additional support for distribution investment (i.e., riders and trackers)**

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DOMINION ENERGY (D)

We met with D CEO and President, Bob Blue, and EVP and CFO, Jim Chapman. Post GT&S sale, D is in execution mode – there is a defined strategy and now mgmt. must focus on moving through the regulatory processes and building projects on-time and on-budget.

- **We met with D CEO and President, Bob Blue, and EVP and CFO, Jim Chapman, to discuss renewable investments under the VCEA, T&D investment related to the transition to clean energy, regulatory processes in SC and VA, resiliency in D's service territories to the impact of the pandemic, and the stock buyback programs progress to date and execution through the remainder of the year.** Post the sale of the GT&S segment, D is a pure-play regulated electric and gas utility in growing states with top-tier regulatory constructs and, in VA, an aggressive push toward renewables and storage.

- **Confidence in the buildout of offshore wind continues from the third quarter call as mgmt. has the experience of working through the federal permitting process.** Some of the issues that offshore wind projects face in the Northeast are not present in VA, i.e., the fishing interest is not as much of a hurdle, and mgmt. feels confident in the COP that they will file with BOEM by the end of the year as they communicate with the Coast Guard, environmental groups, and other stakeholders. Though we have seen some Northeast projects face delays in receiving review schedules from BOEM, mgmt. stated that one cannot translate one project to another and restated their confidence in the schedule. There is a unified, bipartisan effort in the state to push for clean energy and offshore wind is a major component of the plan.

- **Solar and storage development is ramping up rapidly – mix will shift to more owned generation from PPA over time.** D just filed for 500 MW of solar PPA and noted that the project mix will likely be more PPA focused in the near-term followed by a larger amount of owned generation over the longer-term. Project development is ramping up significantly – D is securing land for these projects and seeking approval for 600 MW of solar per year. **The investment in renewables will be recovered under riders that are trued-up annually.**

- **T&D investment could shift from aging infrastructure to more enablement of new generation resources.** Mgmt. noted there is upside to the investment in T&D but also wants to be mindful of customer bill impacts. Currently, investment in T&D is $0.8B-$1.0B annually and is mostly focused on aging infrastructure but mgmt. stated the mix could shift to more enablement of new renewable generation in time. The investment in transmission will also depend on the siting of the renewables project so it is hard to quantify the exact amount of investment needed. **All-in, customer bills are expected by mgmt. to increase by less than 3% per year before O&M efficiencies.** D is also starting from a very low base when compared to Mid-Atlantic peers and

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other RGGI states. Overall, the bill impacts are manageable and reasonable.

- **SC rate case is straightforward, but mgmt. finds it unlikely that they will be able to settle.** D completed its merger obligations with SCANA to file the first SC base rate case for the business since 2012. Discovery and initial testimony is underway, and hearings are scheduled to begin in early 2021 before a decision in Feb. 2021. Mgmt. believes the filing is well supported and solid but, given the new commission and political environment, finds reaching a settlement to be unlikely. **Triennial review process for the years 2017-2020 to start in Mar. and conclude in Nov. – levers are available to offset overearning.** As a reminder, DEV's earned return will be measured vs. an authorized return of 9.9% (9.2% base with a 70bps collar) and any overearning will be either refunded to customers or invest in grid mod or renewables (Customer Credit Reinvestment Offset). There is very little risk in the approval of the CCROs as they are investments that would have been approved by the commission prior to the triennial review. The commission can decide to lower rates at the review, but they cannot lower them by more than $50M which, if enacted, would impact 2022. Mgmt. noted base rates as a percentage of total rates will gradually become smaller as D invests capital under the riders. **Other regulatory processes just include filings related to renewables.**

- **V-shaped recovery? DEV never saw a decline and has proved resilient throughout the pandemic while DESC is trending positively.** Sales in VA have remained strong despite COVID-19 – as DEV saw an increase in weather-normalized retail sales of 1.4% vs. 2018/19 average in the third quarter. Driving the resiliency is DEV's large data center component (~30% of commercial volumes) – data center sales are up 19% YTD. DESC has been more challenged with the pandemic but saw a strong bounce back in the third quarter – weather-normalized retail sales were 0.8% lower than the 2018/2019 average in the 3Q vs 4.8% lower than the same average from Mar.-Jun. of 2020. The total nine-month impact of COVID-19 is $0.05 which D has been able to offset with O&M.

- **Stock buyback post sale of GT&S gives D a clean slate starting in 2021...** There is $700M in stock left to be bought back since the third quarter update. Mgmt. stated they are still working through their options but it could be completed through open market purchases, another accelerated share repurchase agreement, or a tender. As a reminder, the stock buyback program was upsized given conservative cash tax assumptions and is set to be complete by year end. As of the end of the third quarter, mgmt. completed the purchase of ~$900M in stock and executed $1.5B in accelerated share repurchase agreements. The program was upsized $100M to $3.1B – mgmt. previously guided to the potential for the stock buyback to be upsized in the range of $0-$200M given conservative cash tax assumptions. The program being completed

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by year-end clears some concern that the process would leak into 2021 given a portion of the sale was shifted to 2021.

- Mgmt. stated that it will be turning on the DRIP program in 2021 followed by modest ATM issuances starting in 2022 and ramping up through 2024 because it is supportive of the current metrics. **Dialogue with the ratings agencies has been constructive and quiet.** The ratings agencies have been positive on D's improved metrics and business risk profiles – Moody's revised the FFO/Debt upgrade threshold to 17% from 18% directly after the sale and S&P revised their outlook as positive. Mgmt. noted it will take some time for the dust to settle but could see further lowering of the threshold.

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NISOURCE (NI)

We met with NI President and CEO, Joe Hamrock, EVP, CFO, CAO, and Controller, Donald Brown, Chief Strategy & Risk Officer, Shawn Anderson, and other members of the senior management team. Portfolio optimization to offset equity needs related to the renewables investment was top of mind for investors, and mgmt. provided some incremental color on how they are thinking about asset sales.

- **We met with NI President and CEO, Joe Hamrock, EVP, CFO, CAO, and Controller, Donald Brown, Chief Strategy & Risk Officer, Shawn Anderson, and other members of the senior management team to discuss potential asset sales, thoughts around the valuation of the LDC space, NIPSCO renewables projects, and COVID-19.** NI is set up well with a robust base capital plan that is highly tracked paired with large investments in renewables projects driving top-tier growth from 2021-2024. Mgmt. feels good about its ability to execute on the plan and has the sale of Columbia Gas of MA behind them.

- **Swap gas for electric? Asset sales would lead to lower equity needs to support the robust investment in renewables.** When assessing a potential asset rotation, mgmt. looks at the fundamentals of the business, specifically, is the asset contributing on an earnings standpoint as a percentage of capital allocation. Mgmt. noted it is important to view the earnings profile that is being given up and cost structure leading us to believe that larger utilities would be more difficult to offload. **If NI looks to sell and investors attempt to triangulate on which assets NI could be willing to sell, they will likely target their smaller utilities which would come with less dis-synergies and less dilution that would need to be backfilled.** Mgmt. could also utilize NOLs, which could be material, to offset the tax leakage that would arise from a sale given the very low basis on the utility assets. If mgmt. were to divest any of its gas operations, they would essentially be swapping gas for electric, which could be multiple accretive in this market.

- **We note mgmt.'s comments on the value of LDCs in the current market seemed obstructive to a potential sale, i.e. in our view, mgmt. believes LDC valuations are at somewhat of a trough…** the fundamentals of the business are sound. Mgmt. stated that depressed valuations are an overreaction given robust customer growth, strong regulatory support for safety and reliability, and no real substitutes. *The only pushback mgmt. has seen from their service territories is that they are not expanding enough…* Electrification is not viable in many service territories and decarbonization will more likely be achieved through RNG and hydrogen over the longer-term.

- **Continued progress on renewable projects at NIPSCO – $550M-$750M in projects still under negotiation.** NI has $0.4B in approved projects, $850M in projects awaiting approval and $550M-$750M in projects in advanced commercial negotiations. The tax equity investment

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totals ~$1.0B and will be additive to rate base over time as the tax equity partners farm out the benefits. Indiana Crossroads, the 300 MW build transfer wind project, has commenced construction. Rosewater and Jordan Creek are still under construction, all material is on-site relieving supply chain issues from the pandemic, and mgmt. expects them to be in-service by the end of the year. Brickyard Solar, 200 MW PPA, Greensboro Solar, 130 MW PPA have been filed with the commission and are awaiting approval while Dunns Bridge I Solar, 265 MW build transfer, Dunns Bridge II Solar, 510 MW build transfer, and Cavalry Solar, 260 MW build transfer will be filed before the end of the year. There are five to seven projects in advanced negotiations, mostly solar. The projects are locked in with their bid and are all safe-harbored otherwise they would not be competitive. We look forward to an update on additional projects before year-end.

- **Stepping through another IRP to address the retirement of Michigan City… all coal will be replaced with renewable generation.** NI will conduct another IRP process in 2021 that will inform more on the retirement of Michigan City (currently scheduled for retirement in 2028) and any replacement generation needed to fill the gap. Mgmt. noted that solar-plus-storage is outpacing wind on economics, so we expect the replacement generation needed when Michigan City is up for retirement will look similar to the renewables projects recently announced with NEE.

- **MD rate case settlement was approved today.** The settlement stipulated a 9.6% ROE and 52.63% equity layer which is much lower than the ask of 10.95% ROE but in line with utility averages and consistent with what we model. New rates are effective in Dec. **PA rate case still working through the process but settlement talks are solid and the case is ripe for decision.** The deadline for approval is Feb. 25, but rates are to be effective in late Jan.

- **Conservative view on FY21 EPS guidance unchanged… mgmt. expects ~$(0.05) of COVID-19 impact into 2021** – roughly $0.03 gas and $0.02 electric. The impacts will be critical to keep an eye on as we move through the winter heating season. As a reminder, the gas businesses have a more fixed rate structure on the residential side so the impact will come from the C&I customers. NI has bad debt or incremental COVID-19 expense trackers in most states and is not pursuing any more regulatory support, but that may change depending on the impact of the pandemic.

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ALLETE (ALE)

We met with the full ALE leadership team, including CEO Bethany Owen, CFO Bob Adams, Controller/CAO Steve Morris, and other members of senior leadership. Management was fresh off its 3Q20 call earlier in the morning, with NT growth challenges disclosed on that call our main focus, in addition to regulatory and customer considerations at MN Power

- **Headwinds across the business complex and a conservative team lead to lower NT growth expectations of ~4% in the near term, with the LT 5-7% still targeted…** Management lowered its near term growth expectations in the 2020-2025 time period to approximately 4% using 2019 as a base year, citing the impacts of COVID and customer impacts at MN Power, in addition to pressure on project returns at ACE and the impact on accretion from potentially using equity at ALE's current stock price. We see this as in character for ALE's management team, who have not shied from making similar capital allocation decisions in the past (e.g. holding individual segments to their return thresholds).

- **At ACE in particular, management noted that it has been seeing pricing pressures in the renewables space creep into its operating niche within the segment** – namely smaller wind projects. Management attributed the pressures primarily to ongoing degradation in the outer years of consultant's forward curves, which in the most recent forecasts have fallen some 20%. This is important for ACE because a 30-year project may only be contracted for the first 15-20, leaving the second half subject to the curves. In the case of most recent consultant forecasts, management sees the decline lowering project IRRs by some 150bps on its own. Beyond the curves management's caution is reinforced by the different accretion it sees from issuing small amounts of wind-supportive equity at *current* stock levels, in addition to pressure from customers who have been looking for contracts at pricing that brings projected IRRs *below* management's thresholds. As a result, management expects to tamper its prior new project cadence of 2-3 per year, and while there will still be NT growth, the prospects for the longer term have dimmed.

- **So what's next? More to come in 2021, but management is working through different investment theses, including M&A and complementary products and services at ACE.** Focusing on ACE's repositioning first, management noted that segments of opportunity include solar, storage, grid resiliency, and even moving slightly within the development chain (e.g. selling projects). Specifically, on the latter pivot we note that management is still not interested in doing greenfield development. Management also minced no word emphasizing that it will exit businesses that don't achieve their return thresholds – in line with many of our prior conversations. **With regard to diversifying the broader business thesis, management indicated that this includes adding other regulated business, which could even include gas LDCs**. Here management emphasized that any target would have to possess a good growth profile, which could be challenging in the case of

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some gas systems. Still management sounded an open tone to a variety of options across the business complex as it continues to evaluate its options.

- **2021 rate case looking like a November event as MN Power files for a lost revenue tracker and taconite customers resume full production.** Management indicated that last week it filed for a deferral of lost revenues associated with the idling of Keetac [NYSE: X] and Verso Paper's [NYSE: VRS] mill. On an annualized basis this would be approximately $30mm or revenue, however we note that Keetac appears to be in the process of resuming full production. Management's update on the Verso mill indicates a more uncertain outcome, with the company still trying to find a buyer or restart thesis. Importantly, the deferral request would essentially supplant the need to file a case in March 2021, meaning management's preferred November 2021 timing would be intact. As it stands management plans to file for a 2022 test year, which would align well with the start of the Manitoba Hydro [PRIVATE] PPA. We also asked about any updated thoughts on ROEs in light of some of the risks unique to MN Power, with management pointing to other recently-filed cases seeking ~10% ROEs as potentially instructive for its own process next fall. Finally, we note that management remains enthusiastic on its current IRP process (running through February), with the Boswell coal units (~800MW) of particular interest to all parties. Per management the interest has been strong because the units are the last in the state to not have set retirement dates. Their retirement, and the associated loss of northern MN baseload, could require substantial renewables and T&D investment to preserve reliability for large industrial customers, in management's view.

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PG&E CORP (PCG)

We met with CEO Bill Smith and interim CFO Chris Foster and the PCG leadership team. PCG is in progress of leadership transition, working through post-bankruptcy challenges and wildfire mitigation improvements. We touched on several moving pieces on the overhangs to what moves towards a 10% rate base CAGR utility.

- **We met with CEO Bill Smith and interim CFO Chris Foster and the PCG leadership team**. The main focus of our meeting was a recap of the multiple hurdles that PCG is working to address post-bankruptcy, some color on leadership structure and CEO search, and work being done to mitigate wildfire risk.

- **PCG's CEO search is broad reaching but likely to require utility experience, while a supporting leadership team of CRO and CIO have been assigned.** In our meeting we heard some thoughts on the prospective CEO search and some of the past C-level positions that have been filled to date. Outgoing CEO Bill Smith provided some color on what he believes will make for a good fit CEO as the board moves through the broad reaching candidate process – in short pointing to **someone who understands the utility space, but maybe comes with external experience, i.e., able to bring new perspective to PCG.** Bill Smith was not shy in acknowledging the need for improvement across the organization (hence the need for new perspective), but noted valiant efforts being made to date including a new Chief Risk Officer, Sumeet Singh and new Chief Information Officer, Ajay Waghray. The appointments will look to improve PCG's performance in risk mitigation on the most effective dollars per risk mitigated basis and help improve information systems consolidation and efficiency improvements.

- **Any strategic considerations post-bankruptcy? No immediate benefit, as operational improvements are needed across the enterprise.** CEO Bill Smith noted that there was some consideration of a company split driven by the idea that PCG was "too big to manage efficiently", but the process was not well thought out in his view. Pulling on prior experience Bill lead a multinational organization of ~100k, so from a practical sense there was no reason why a single-state enterprise of ~20k could not drive improvement internally. Mgmt noted that there are certainly issues with technology and efficiency (as is evident to some degree across the sector) with too many different and legacy systems being used between gas and electric utilities. Likewise, improvements in work management systems and manual entry processes have paved a path for much of the internal improvement which have been chipped away under current management (but perhaps held back by the bankruptcy process). **Overall, in mgmt.'s view there is no need to have any kind of strategic reorg to realize improvements**, especially since a company split will not likely result in two more efficient companies.

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- **Technical overhang from Wildfire Victims trust ownership (24% ownership per FactSet) is managed with communication, alignment, registration and demand rights provisions.** The fire victims trust owns ~478M shares (per FactSet) which presents a technical overhang for PCG, especially as the lockup period has expired. The registration rights agreement has provisions for blackout periods which is 120 days for MNPI. If the trust wants to go through an underwritten offering, the trust will give the company awareness. Makes sure that the offering doesn't overstress the market. Mgmt. noted that at a high-level interest is aligned between CPG and the largest shareholder. **Can the trust DRIP the shares to market? – yes, they can have a small program**, but mgmt. not sure if that is tactically necessary. PCG is making sure to keep the trust in the loop on growth plans and strategy to make sure both sides don't mis-manage information.

- **PCG is building confidence with regulatory and by virtue of legal settlement has reached alignment with stakeholders.** PCG sees current status quo on CPUC and stakeholder alignment better than before, as everybody took the most aggressive swings during bankruptcy and the new stage now has set up a lot of transparency. There is now a process for quarterly operational feedback, enhanced oversight from the CPUC, access for the governor and administrative team to have an operational overseer of the company. This type of structure is having full reach into the enterprise which is unusual but good for alignment, and PCG does not mind that this is forced alignment through legal agreements.

- **Wildfire Risk Mitigation is in plan and working, but the proof of construct will require time.** PCG noted that the intent of the legislature and the governor was clear – resolve asymmetric risk, and they believe that has been accomplished. While the question came up on a demonstration of the process from start to finish, mgmt. noted that would require a massive wildfire with imprudent management, which is not a case that anyone wants to see for any utility (especially as the process could take years). What PCG seeks to offer is operational improvements, wildfire mitigation plan certification and managing risk through wildfire season. PCG noted that retroactive analysis of power shutoffs has shown many instances of foreign debris on de-energized lines and current protocols have worked well, including new sectionalization, which helped limit the extent of the outages.

- **Securitization process remains a hurdle, PCG notes constructive signs from intervenors.** Intervenors filed positions in mid-October which had a range of issues, but PCG notes that even historically opposing stakeholders have recognized the need for securitization as a low cost financing option for wildfire resolution. PCG noted a focus of stakeholder goals being the customer credit trust ability to deliver on keeping rates flat, which is aided by the low interest rate environment. **In an adverse scenario of not receiving the level of securitization PCG**

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asked for, PCG maintains a 5 year capital structure waiver at the CPUC which will allow for some flexibility in managing the overhang. The resolution is important to the fire victim trust payouts so the January 22, 2021 date will be important for ALJs to take ~90 days for a proposed decision, and another ~30 for a final CPUC commissioner decision vote (peg mgmt.); this takes the process for financing resolution to 2Q20 as PCG mentioned on 3Q earnings.

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COMPANY VALUATION/RISKS

DUK

Valuation: We utilize our regulated electric utilities multiple of 18.0x and apply a 2.0x premium to account for incremental distribution spending not yet in plan. We then apply this 20x multiple to our $5.25 2021 EPS estimate to arrive at our $102 valuation.

Risks: Risks to our rating and to achieving our price target for DUK mainly encompass traditional risk factors inherent with all electric utilities including: 1) rate case risk, 2) lower capex outlook, and 3) interest rate changes above what we account for in our regression mode.

OGE

Valuation: We arrive at our valuation utilizing a sum-of-the-parts analysis, which is composed of: (1) ~$35/share for the regulated electric utility, using our base regulated multiple of 18x P/E, and (2) ~ $2/ share for OGE's ~26% ownership of ENBL's LP units using ENBL stock price. Adding the segments, we arrive at our $36 PT.

Risks: Outside of noise around ENBL, downside risks include (1) negative rate case outcomes (e.g., regulatory risk including AR), (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

PNW

Valuation: We take our target multiple of 18x, which we derive from our regression model, which uses the correlation between electric utility valuations and forward interest rate expectations over the past 30+ years, and apply it to our 2021 EPS estimate of $5.11 to arrive at our $92 PT.

Risks: Risks to our thesis for Pinnacle West mainly encompass traditional risk factors inherent with all electric utilities including: (1) rate case risk, (2) lower CapEx outlook, and (3) interest rate changes above what we account for in our regression model.

DTE

Valuation: We arrive at our valuation utilizing a sum-of-the-parts analysis based on an 18x P/E base regulated multiple and a 2x premium. Our SOTP analysis is comprised of: (1) ~$87 for DTE Electric utilizing our target multiple; (2) ~$21 for DTE Gas utilizing our target multiple; (3) ~$15 for Power & Industrial Projects; (4) ~$26 for Gas Storage and Pipelines; (5) ~$2 of value for Energy Trading; and (6) -$13 for corporate drag. Adding the DTE segments we arrive at our $138PT.

Risks: DTE downside risks mainly encompass traditional risk factors inherent with all electric utilities, including: 1) rate case risk, 2) lower capex outlook, 3)

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interest rate changes above what we account for in our regression model, 4) decline in allowed ROE, and 5) risks associated with the contemplated spin-off of the GS&P segment.

CMS

Valuation: We arrive at our valuation utilizing a sum-of-the-parts analysis based on an 18x P/E base regulated multiple and a 4x premium for CMS's constructive regulatory environment and strong organic growth. The SOTP is composed of: (1) $68/sh for the Consumers Electric and Gas utilities and (2) -$5/share for the Enterprises merchant generation and Corp. & Other segment. We then arrive at our consolidated SOTP $63 PT.

Risks: CMS risks mainly encompass traditional risk factors inherent with all electric utilities, including: 1) rate case risk, 2) lower/higher capex outlook, and 3) interest rate changes above/below what we account for in our regression model. Additional risk factors include: Executing and implementing the Michigan Energy law and commodity risk exposure through CMS' Enterprises segment - a decrease/increase in power prices and spark spreads can negatively/positively impact the merchant generation business.

PPL

Valuation: We apply our regulated utility group target multiple 18x to our 2021 EPS estimate of $1.29 for PPL's US utility franchises (i.e., PA and KY utilities) to arrive at a ~$23 valuation; we combine this with the ~$8bn equity value we estimate for PPL's UK franchise above (~$11/ share) and subtract ~$2/share of holding company drag to arrive at our $31 12-month price target.

Risks: Downside risks include: PPL's UK segment performance, which accounts for a portion of consolidated results, can be impacted by fluctuations on FX rates between USD/GBP as well as potential deterioration in regulatory construct and actions outside of the US. Outside of the UK segment, risks to estimates for PPL Corp mainly encompass traditional risk factors inherent with all electric and gas utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

FE

Valuation: We use a sum-of-the-parts analysis to value FE shares. We maintain our NEUTRAL rating but do not ascribe a price target while we await additional clarity on the ongoing investigation.

Risks: Beyond the potential for large fines stemming from the DOJ and SEC's investigations, downside risks mainly encompass traditional risk factors inherent with all electric utilities, including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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Upside risks include: (1) improved regulatory constructs; (2) higher capex outlook; (3) if interest rates fall lower.

AEP

Valuation: Our $78 PT is derived by applying a target multiple of 17x (a discount to our regulated group multiple of 18x given balance sheet and equity needs vs. utility peers and adjusting for externalities created by the current market dynamics) to our 2021 EPS estimate of $4.63.

Risks: Upside risks: AEP could breach our estimates/valuation if capital investments exceed our modeling assumptions, or with interest rate changes below those reflected in our regression model.

D

Valuation: We utilize our regulated electric utilities multiple of 18x including a 5x premium to account for spending not in plan and constructive regulatory environments and apply this multiple to our 2021 EPS estimate of $3.88 to arrive at our $89 valuation.

Risks: Risks to our thesis for D mainly encompass traditional risk factors inherent with all electric utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

NI

Valuation: We apply an 18x multiple on the electric utility and 21x multiple on the gas LDCs. We arrive at our valuation utilizing a sum-of-the parts analysis, based on: (1) ~$10/share for the regulated electric utility; (2) ~$20/share value for the regulated gas segment given the limited spread from LDCs after recent market volatility; and (3) (~$-3)/share for other adjustments for Corp and Other. We use this sum of the parts to arrive at our $27 valuation.

Risks: The primary risk on the regulated utility encompass the traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

ALE

Valuation: We value ALE using a sum of the parts valuation. To the entire business excluding ACE, we take our regulated group multiple of 18x and apply a two-turn discount, which is applied to our 2021 EPS (ex-ACE) estimate of $2.85 for an equity value of ~$46. We then apply a 20x premium to our 2021 ACE EPS of $0.18 for an equity value of ~$17. The combination of the two parts equals our $62 price target.

Risks: Outside of the smaller base of large industrial customers and weak industrial demand, downside risks to achieving our PT for ALE mainly

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encompass traditional risk factors inherent with regulated utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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KEY RESEARCH

1. Li-Ion the End-All-Be-All Battery Storage Solution? Not in Our Book – Zinc-Based Battery Presents Compelling Alternative
2. Ohio Policy Call Part Two – Federal and Political, Not State and Regulatory
3. Ohio Policy Call Part One – Investigation Churns On
4. Guggenheim Call Series: Power Gen Economics Expert Confirms Robust Solar/Wind Demand as Tech Moves to Parity with Fossil
5. FERC - Life's Absolutes: Death, Taxes, and Transmission ROE Complaints
6. 2020 LCOE Update – Nothing Is Constant but Change: Renewable Economics Point to Persistent Disruptions
7. FERC: Commission Revisits Base ROE Methodology, Boosts MISO Allowed
8. ERCOT: Another CDR to Take with a Grain of Salt
9. Utility and IPP 1Q20 Model Sweep: Price Target and EPS Adjustments
10. PJM: Proposed Auction Timeline Features State Policy Accommodation
11. FERC ROE Policy Call: Different Commissioner, Similar Expectations
12. FERC ROEs: Former Commissioner Policy Call Points to No Easy Answers
13. Illinois Policy Call: Too Clean to Drain the Swamp? Will Springfield Lawmakers Reach Criticality? Still Too Early to Say…
14. PJM: As Fluid as It Gets - Expert Call Highlights Still-Challenging Auction Dynamics
15. Two-Way Better Than One-Way: Open Dialogue With MO, GA Commissioners – Fruitful Discussion
16. '20 Utility Outlook: Ride the Cyclical Wave as It Crashes Through Bond Proxies – Be Selective, Pick Your Names Wisely
17. PJM: Does MOPR-Ex Bring Closure? Not Quite…
18. Quick Take: Win for Wind – PTC Gets Potential One-Year Extension… Modest Positive for Utilities
19. ERCOT: Another CDR Points to Looser Reserve Margins, But Take With a Grain of Salt
20. EEI: So Where Did We Shake Out? The Good, the Bad and the Not So Ugly
21. Guggenheim EEI Takeaways - Day Three
22. Guggenheim EEI Takeaways - Day Two
23. Guggenheim EEI Takeaways - Day One
24. PJM: Not So Fast - FERC Puts the Brakes on August Auction
25. Utility and IPP 2Q19 Model Sweep
26. ERCOT: Guggenheim Texas Power Market Luncheon Recap

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Key Company Research

1. SRE NDR: Catch Up With SRE Mgmt. Puts Light on Commitment to Value and NorAm Strategy
2. CPK – 3Q Beat; Strategy Remains Nimble, Opportunistic Expansions, Balance Sheet Strengthening
3. ED – 3Q Miss as Covid Lingers, Impacts Could Carry Into 2021; Fundamental LT Trajectory Reiterated
4. SJI – 3Q20 Earnings Beat; Inflection Point Starting to Come Around While Investor Experience Grounded
5. NWN – No Surprises in Off-Season Quarter as 2020 Still Tracking to Low End of Guide
6. SRE 3Q: Earnings Miss, but 2020 Remains Strong; Oncor Capex Raised, Catalyst Opportunities Remain in The Mix
7. D – 3Q Solid; Simplicity the Best Form of Flattery; Clear Cut Beat, Confidence in OSW
8. AWK: Heat and Demand Drive 3Q Beat as 2020 Remains On Track
9. PPL: Waiting for WPD… Few New Details as Sale Process Continues
10. AEE – 3Q Miss; FY20 Guidance Narrowed But '21 Drivers Point to a Solid Year Ahead
11. DUK – Solid Beat; Shifting Focus to '21 – Conservative Plan & All "Good" in the Carolinas
12. OGE: 3Q Miss on Weather; Fundamentals Remain Intact, Looking Forward to a Solid 2021 Base
13. CNP 3Q: Priming the Pump? More Like Firing on All Cylinders… We See A "Webb" of Event-Driven Catalysts Ahead
14. NRG – Financing Tweaks Eliminate Equity as Transformation Moves Along, Solar Delays Slightly Cloud '21
15. EVRG – Solid Print; No Material Updates as We Expected; Holding Pattern with STP Updates, IRPs and CEO Search
16. AVA – 3Q Miss; 2020 Capex Raise On New Customer Connects
17. VST – Consistent Message as Integrated Model Weathers 2020 Well
18. ES – 3Q Earnings; Upside Remains in Plan; OSW Update Within Our Expectations
19. LNT – 3Q Beat, 2020 Narrowed and LT 5-7% Growth Intact Following Capex Roll
20. WEC – Klappa/Fletcher 2020: 4 More Years… and a Growth Rate You Can Count On
21. EXC – Integrated Platform Increasingly Endangered as Exelon "Formally" Announces Strategic Review
22. OGS 3Q – Earnings Beat, Customer Growth, Transport Volumes Bring Back 2020 Fundamentals to "Top-End"
23. NEP: 2020 KKR Deal; New Assets Accretive to Growth, Cheap Financing Deal Sets Up 4x Investment Capacity
24. NI – 3Q Earnings Beat; Renewables Projects Taking Shape, COVID Remains Factor to Watch Headed into Heating Season
25. FE – Darkest Before the Dawn? A New Day Will Come…
26. PNW – No Surprises as Summer Heat Drives Beat

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27. POR – Putting a Rough Quarter to Rest – Update Checks Most Boxes
28. PEG – 3Q In-line; PSE&G Growth Set to 7-8%; Strategic Shuffle Continues on Fossil, Offshore Wind
29. POR – Putting a Rough Quarter to Rest – Update Checks Most Boxes
30. PNW – No Surprises as Summer Heat Drives Beat
31. FE: CEO and Two Other Executives Terminated over Internal Investigation
32. NWE – Colstrip Transaction Terminated; What's Next? NWE Is Left Severely Short of Peak
33. CMS – 3Q Earnings Beat, O&M Flex Sets Up Reinvestment Into 2021-22; Firm "7%" Visibility Continues
34. ETR – 3Q EPS Beat; Boring? Not Quite; ETR Shows Strong Core Growth, Working Through Hurricanes and COVID Recovery
35. DTE 3Q20 – GSP Spin Announcement Could Unlock SOTP Value, DTE New-Co Undervalued vs. Peers
36. EXC: Downgrading to Neutral, Lowering PT – Taking the Spring out of Springfield
37. AEP – 3Q Earnings; Sound Print Driven by Better-Than-Expected Load, Cost Mgmt.
38. NWE – 3Q Solid; Finally Moving to EPS Guidance, Healthy Start w/ Incremental Opportunities
39. NEE/NEP: NEE EPS Beats, NEER Sets Records; Credit Metrics Loosened, Balance Sheet Flexible for Growth
40. SRE– Franchise "Sale" Saga Next Step? San Diego Releases ITB Q&A, City Maintains Strict Tone, No Upsets Yet, in Our View
41. ETR NDR – C Suite Event Highlights Conservative Planning & Incremental Opportunities; "Premium" View Reinforced
42. DUK – CEO Group Call; Alignment with Stakeholders Driving Capital Growth While Setting Manageable Expectations
43. FE: Incremental Details on DOJ Probe Emerge; Energy Harbor Executives in Focus
44. AEE – CEO Client Event; Environmental Stewardship in MO; Navigating the Policy Environment in IL
45. FE: Incremental Details on DOJ Probe Emerge; Energy Harbor Executives in Focus
46. DUK – ESG Investor Day; A Win-Win for ESG and Fundamental Investors
47. NEE-DUK: "Spreadsheet Exercises" Aside – Easily EPS Accretive, But Value/Credit Risk, Regulatory Hurdles Are High Risk
48. ES - CT House Passes Bill in Special Session to Reform Utilities' Construct
49. OGS NDR – Simple Story, Covid Recovery, Supportive Jurisdictions and Capex Ahead of Plan; RNG, Hydrogen on the Radar
50. NI Investor Day – Robust Update, Though Mostly In Line with Expectations
51. VST: A Platform Evolves, a Platform Matures
52. EVRG NDR: Smooth Sailing to 2024? Standalone Course to Top Tier Growth Follows Well-Worn Routes
53. AEE – MO IRP Brings Step Function Increase in Renewable Energy Investments
54. ETR Analyst Day– Expanding Capex with Equity Needs; EPS Growth Remains 5-7%, but ETR May Become a "Premium" Utility
55. SRE – Cat Out of the Bag: San Diego Issues ITB, Minimum Fee, Balanced by City's Right to Reject; No Upsets at This Point
56. SRE – San Diego Franchise Deep Dive; Competitive Process? Yes; Benefits to Transfer? No! Downside Risk Appears Minimal

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57. POR NDR: Upgrading to BUY on CEO Conversations; Clarity on Wildfires Implies Sound Entry Point
58. ED – Upgrade to NEUTRAL; COVID Bites a Hole in the Big Apple; ED's Return to Normal Limits Downside From Here
59. POR: Where There Is Smoke, There Is Fire, But Not Likely in This Case – Additional Fire Details
60. EVRG: KCC Staff file Report and Recommendation Regarding Evergy's Pre-STP Capital Plan
61. AWK NDR: Thirst Quencher - Top Tier Growth Platform Built to Last
62. EXC: No Pressure, No Diamonds…
63. POR: CAISO's Collateral Damage - Losses Contained, L-T Fundamentals Intact Post Mgmt. Call
64. ES – Downgrading to NEUTRAL on Valuation; Want Offshore Wind Exposure? Try Dominion…
65. EXC: Neutrons Starting to Flow in Springfield; Criticality Still Far from Certain
66. OGE – Anticipated Alignment of Views on ENBL Causes Us to Upgrade; Strategic Optionality Becoming More Apparent
67. PPL: The Long Goodbye – PPL Initiates WPD Sale Process
68. EVRG – Robust Plan but Needs Buy-In from Commissions, Investors, and Legislators: Will Take Time to Prove Out
69. WEC – Straightforward Update Underscores WEC's Consistency and Top End Growth Trajectory – The Gale Way
70. EXC – Preexisting Conditions Back in Focus; IL Resolution on the Horizon
71. EVRG: Nothing Ceases to Amaze Us
72. DUK – DEC & DEP Settlement with Staff; Healthy ROE and GIP Deferral, Coal Ash Remains Contentious
73. EXC: Illinois Probe Concludes; Fallout for Madigan and Energy Policy Still Coming into Focus
74. PNW: Door to Settlement Remains Open as Commissioner Peterson Lays Out Issues for Parties
75. FE: Optics Worsen for FE Linkages as Additional Details on HB6 Scandal Emerge; Downgrading to Neutral
76. SRE NDR – Post Guidance Raise and Capital Rotation, Regulated Fundamentals Remain Strong, LNG Remains Opportunistic

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GUGGENHEIM'S EEI CONFERENCE AGENDA

GUGGENHEIM

Save the Date: 55th EEI Financial Conference

Dates

November 8-11, 2020

The Guggenheim Utilities Research Team will be hosting virtual meetings with company management

Guggenheim Hosted Utilities Investor Discussion Panel

Wednesday, November 11, 2020

4:30 p.m. | Virtual

Company Meetings

Sunday, November 8th	
Time	*Co.*
1:00PM	HE
2:00PM	WEC
3:00PM	CNP
4:00PM	ETR

Monday, November 9th	
Time	*Co.*
8:00AM	DUK
9:00AM	OGE
10:00AM	PNW
11:00AM	DTE
12:00PM	CMS
1:00PM	PPL
2:00PM	FE
3:00PM	AEP
4:00PM	D
5:00PM	NI
6:00PM	ALE
7:00PM	PCG

Tuesday, November 10th	
Time	*Co.*
8:00AM	EVRG
10:00AM	NEE
11:00AM	EXC
12:00PM	PEG
1:00PM	SO
3:00PM	ES
4:00PM	AEE
5:00PM	LNT
6:00PM	NWE

Wednesday, November 11th	
Time	*Co.*
8:00AM	ED
11:00AM	POR
12:00PM	SRE
1:00PM	AVA

Participating Guggenheim Analyst

Shar Pourreza, *Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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SELL	6	1.53%	0	0.00%

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ES

- The most significant read-through from the Vineyard Wind cumulative EIS would be any judgement on spacing/transit lanes that differs from previous 1x1 nautical mile guidance. Subsequently, any required efforts to mitigate the impact to commercial fishing will be in focus. No significant changes from the Draft EIS are expected.

- Management anticipates awards in the NY offshore wind RFP to be announced by EOY. There is opportunity for ES to invest in transmission upgrades along Cape Cod to support the interconnection of offshore wind generation. ISO-NE recently initiated its cluster transmission study of the Cape, and whether onshore transmission upgrades fall to the offshore wind developer or to ES is yet to be determined.

- Management views the regulatory outcomes at NSTAR Gas and ES Gas Co. of MA as constructive frameworks which include ROE sharing bands, ten- and eight-year respective stay outs, and a performance based rates-esque design for rate increases.

NI

- Replacement power from the recent RFP is on track for the same PPA/BTA mix as anticipated from the 2018 IRP. To date, NI has executed contracts for $1.25 billion of the $1.8 billion planned renewables investment.

- The impact of COVID-19 on gas load in the winter heating months remains a close focus. Management anticipates it will be similar to that of electric, though gas load may be stickier in that vacant buildings still need heat to prevent burst pipes.

- Despite investor concerns regarding the potential for electrification of heating to diminish future gas need, management notes they have not sensed a similar tone from regulators. Management believes that the need for gas in NI service territory will continue to be strong and the potential for electrification of heating to reduce gas demand is overstated due to economic and technological constraints.

- Tax equity markets remain liquid, and investors may find the opportunities for regulated PPA deals are attractive. Management has no concerns regarding future access to tax equity financing.

NWE

NWE initiated $3.40-$3.60 2021 adjusted EPS guidance. The range is a bit wider than 2020 given COVID-19-

Goldman Sachs | Equity Research

11 November 2020 | 1:27AM EST

Utilities: Tidbits and takeaways from EEI

PM Summary

We come away from our 2020 Edison Electric Institute (EEI) meetings with management with two major themes:

1. **Clean energy transition and lowering emissions:** Companies remain focused on transitioning their generation fleet towards renewables, reducing emissions while supporting increased investments. Both state policy (Renewable Portfolio Standards) and federal tax credits (ITCs/PTCs) along with declining renewable costs are driving the transition.
2. **Shrink to grow opportunities:** Corporate simplification - either announced or in consideration - are driving many of the Diversified Utilities (CNP, DTE, EXC, PPL) as management teams seek to simplify the story and close valuation discounts.

We remain positive on utilities despite recent upticks in share prices and valuations as the sector still trades at a discount to the S&P500 versus a historical 20%-25% premium in a similar low-rate environment. Additionally, utility yields continue to screen favorably in comparison to IG bonds and the UST 10-year. Our top picks include renewable/green names such as NEP and WTRG (both Buy-rated and on the CL), while attractive generation fleet transformation plays include AEE, DUK, and PNW. For more value opportunities, we also see compelling upside in Buy-rated value names FE and PCG, along with Diversified Utilities with SOTP discounts like Buy-rated DTE, EXC and SRE (on CL).

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Exhibit 1: Utilities currently trade at a discount to the S&P 500, at a 20%-25% discount to what history would imply in a low rate environment
Utilities FY2 P/E premium/(discount) to the S&P vs UST 10-year yields

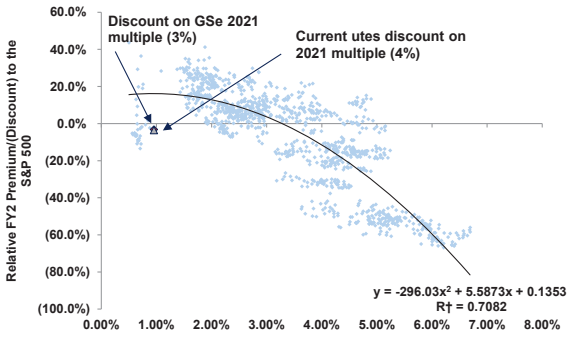

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 2: Utilities continue to trade above average yield spreads in relation to IG bonds and US 10-year treasuries
Utilities yield vs IG bonds vs UST 10 year

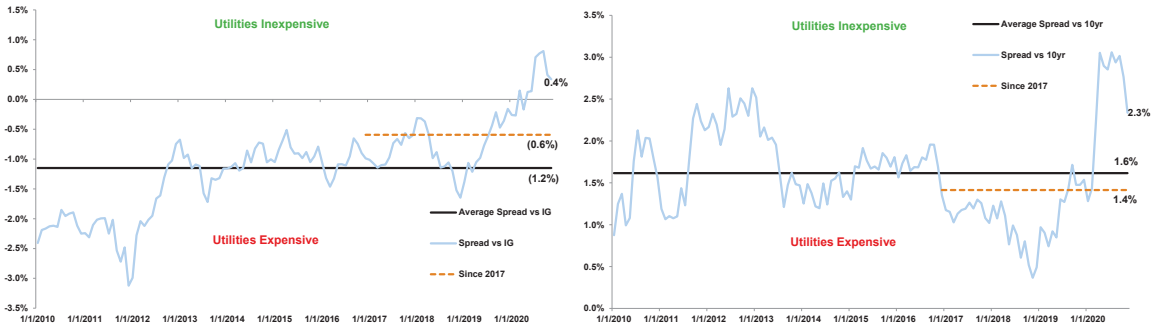

Source: FactSet

Top 10 Takeaways from EEI

1. **WTRG expects increased municipal water system acquisition opportunities,** driven by potential increased focus on water quality at both the federal and state levels.
2. **SRE appears still super bullish LNG growth** and financing options for developing new LNG without needing sizable contributions from SRE to fund construction.
3. **Securitization and the wildfire certificate process could drive relief rallies in PCG** – as PCG does not seem significantly concerned on receiving the wildfire safety certificate in the near term and securitizing debt in the longer term.
4. **EVRG maintains high conviction in its Sustainable Transformation Plan (STP)** — recognizing though that new state legislation in KS/MO is the key driver to this, with no clarity coming before early 2021.
5. **D highlights its sizable clean energy related growth at its core regulated VA**

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electric utility - but recognizes permitting hurdles and rate making in VA (longer term) and SC (near term) present risks.

6. **EXC remains a sum of the parts story - and the company does not embed a "carbon value"** in its assessment of its ExGen subsidiary's potential value.
7. **CNP continues to see upside to its regulated growth plan,** at both the electric and gas utilities, while continuing to assess options to reduce its midstream exposure as expeditiously as possible.
8. **PNW remains confident in its robust renewable/storage investment plans,** which should achieve both de-carbonization and long-term customer rate benefit, while looking for a constructive clean energy recovery mechanism.
9. **DTE's 2021 guidance includes more contingency than normal.** Management indicated that given the ongoing pandemic and the uncertainty related to load and margin mix, they believe that they incorporated more than the typical level of conservatism in their initial guidance.
10. **More settlements in Michigan?** With both DTE/CMS announcing rate case settlements this year, the management teams indicated that the new MPSC composition coupled with significant multi-year filings approving large chunks of capex ahead of time could bode well for more settled rate cases in the future.

Company Takeaways

We hosted meetings at the fall EEI (Edison Electric Institute) conference - an industry conference for US utilities. We highlight the following company updates:

- **PPL expects to compare all options against simply reducing debt and buying back shares with potential UK sale proceeds**, but debt reduction remains key post sale to elevate FFO/debt target ~15%-16% from current ~12%-13% level - as detailed in our prior note on this topic. The company hopes, once becoming a pure play US utility, to trade more in line with peer levels post the sale. Likely a federal cash tax payer soon, diversifying into renewables may allow PPL to utilize tax credits and we note management prefers solar over wind from a competitive perspective. Upside may exist to rate base growth in Kentucky — but not till 2022 or later - as they plan to file an Integrated Resource Plan (IRP) in the state to outline gradual generation fleet changes in this coal heavy state.
- **With AZ commission elections complete, PNW remains confident in medium-term renewables/storage investment plans with conviction in ability to demonstrate cost competitiveness.** The company continues to target procurement of utility scale solar coupled with storage aggressively and believes higher clean energy in resource mix creates significant fuel savings despite initial bill impacts. In the ongoing APS rate case, PNW proposed in the recent rebuttal testimony the Advanced Energy Mechanism (AEM), which would provide rider recovery of renewable/storage investments. If not approved in the rate case, the company looks to push the proposal separately, reducing rate case filings while

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aligning clean energy investment goals. On the financing side, while the outcome of the rate case would give additional clarity on the timing/magnitude of equity issuance (current forecast at around $300-$400mn), management expects issuance timing as prior to the next rate case filing, while noting that an approval of a clean energy rider could help push back such a filing and/or mitigate the amount.

- **CMS remains well positioned to continue executing with supportive regulation and a constant eye on operational improvements.** Management reiterated the low hanging fruit of fuel (Palisades; MCV) and O&M (Karn 1&2 and defined contribution vs benefit) tailwinds benefiting the customer over the current 5 year plan. However, CMS emphasized that the real value continues to come from operational cost improvements that heighten the quality of experience for both customers and employees as ways to benefit all stakeholders in MI. The state remains focused on decarbonizing and CMS believes that their current targets and plans already remain on track or exceed those goals while offering significant growth. However, management did note that energy storage remains an area where the next IRP could see more investment sooner and the coal Campbell Units 1 &2 could potentially retire earlier. Management sees multi-year filings as providing support for potentially settling rate cases given more known and already agreed upon factors during future rate cases, but noted the ongoing electric rate case is already far along given the PFD. CMs does not view longer-term trackers as likely, preferring the flexibility with annual or near annual filings, indicating that performance based ratemaking has come up and is already evident in energy efficiency and RPS spend.
- **ETR sees, as part of its multi year guidance, modest under earning levels continuing — and sizable rate base growth as well - but regulatory risk remains.** The company anticipates earning 9%-9.5% RoE levels - below authorized - given rate increase caps or regulatory lag in a few jurisdictions like AR, MS and LA. The FERC docket for its SERI segment could present downside - they've highlighted $0.15+ of EPS at risk, largely to finance refunds, but believe they could potentially mitigate this. Recent 2020 storms likely cost roughly $2bn - they hope to securitize these, based on precedents in Louisiana and Texas - otherwise financing this could weigh on earnings slightly. Low utility rates relative to other utilities remains a tailwind for rate base growth - they seek to add $1.4bn of renewables to the system over the next few years and could add emerging technologies (a new CCGT that is hydrogen capable) as well - RFP processes, especially for its Texas utility, remain key for investors to monitor. Finally, the company - while not a large coal fired generator - still owns the sizable White Bluffs facility in Arkansas with plans to retire in the late 2020s - an earlier expected retirement, being evaluated now, could add to rate base and earnings growth.
- **AGR remains confident in its offshore wind timeline, in addition to its growth through PNM and NECEC.** On Vineyard Wind, the company is expecting final environmental impact statement (EIS) this week and final approval by end of year, but notes an approval delayed until 1Q2021 would not alter their 2024 COD target. Given this timeline, AGR would still qualify for 18% ITCs, while looking to take advantage of any extensions/changes to offshore wind ITC rules if appropriate. The

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company also reiterated its interest in onshore transmission for future offshore wind projects, which is not embedded in the current capital plan. On the New England Clean Energy Connect (NECEC) transmission project, AGR continues to monitor the Maine citizens' initiative as the group plans for a 2nd referendum in opposition, but management believes the project's clean energy and economic benefits to the state will outweigh the opposition arguments. Despite the hurdles to overcome with a project of this magnitude, management expressed interest in considering other future large-scale transmission projects to route clean energy to the NY/NE area to meet clean energy targets. Regarding the company's balance sheet forecast, while AGR looks for Moody's to relax the downgrade threshold for post the PNM acquisition, the guided 14.5%+ FFO/debt from 2022-2025 embeds a potential one-notch downgrade at Moody's.

- **The Florida utilities remain a growth engine for NEE while seeing only modest rate case risk - the renewable segment benefits from massive tailwinds and advantages.** NEE anticipates filling a joint rate case for FP&L and Gulf Power in Florida, where 4 of the current 5 PSC commissioners will oversee the 2021 rate case process. While they likely will seek a rate increase, they recognize RoE risks exist - but they also see potential for continued lower costs going forward that would create headroom for higher rate base growth. The company still sees buyer power, financing advantages, lower O&M costs, site selection skills and economies of scale as their biggest advantages in renewables given their status as the biggest US operator - and an extension of renewable tax credits would not change this, if the new administration in Washington pushes for this. Hydrogen grabs a lot of mind share today - they do not see this as a major near term (2021-25) contributor to earnings, but like energy storage 8-10 years ago, see this as worth monitoring as cost curves improve.
- **CNP sees incremental capital spend spread across its electric/gas jurisdictions,** with 2/3 of the $3bn incremental plan expected at the electric utilities (TX/IN). Electric items include transmission connections for increasing solar build in TX, investments to support customer growth (2-2.5% in TX, 1% in Indiana), while gas investments primarily consist of accelerated gas pipe replacements. Management expects the guided 1-2% annual O&M reductions through 2025 driven by unearthing sustainable O&M savings, conversion from coal to natural gas/renewables, and utilizing technology to improve efficiencies. CNP looks to shift to a majority electric utility profile - partly driving its plan to divest one or two of its regulated gas utilities - while continuing to assess options to reduce its midstream exposure as expeditiously as possible.
- **WEC benefits from a favorable service territory - especially for gas utility service - and believes the current state administration will back its recently announced fleet transformation plan**. With Governor Evers' climate task force still underway, WEC does not fully know the impact of any proposals that will emerge - but they believe retiring older coal/gas units and replacing with solar and storage, along with new gas capacity, will fit in well with broader policy objectives. Cost management could continue in the coming years — while 2020 benefited from greater than originally anticipated levels, more integration could drive even lower

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costs. As a utility in a cash tax paying status, WEC could continue buying renewable projects and keeping the tax benefits - a competitive advantage versus others who need tax equity.

- **DTE maintains outsized regulated growth and contingency in its initial 2021 guidance, noting more cost headroom over time translates to more investment from their substantial backlog of opportunities.** The current 5-year plan assumes regulated net income growth in excess of 7-8%/9% at DTE Electric/Gas, offsetting REF roll-offs and equity conversion headwinds during 2022-2023. While the current capital expenditure forecast implies slower levels during the back half of the 5-year plan, if management can find more cost savings they can pull forward more distribution and potentially renewable capex into the plan. DTE noted that given the uncertainty related to the ongoing pandemic, their initial 2021 guidance implies more than their typical 1 standard deviation below normal load in cushion. Other topics included an expectation to assess retiring the Belle River (2030) and Monroe (2040) coal plants earlier in the next IRP, which could require more capex in 2024/2025 to replace the Belle River capacity but would also require accelerated depreciation of the rate base. Management believes that providing more granularity on a standalone GSP/DTE Midstream company will create value for shareholders, highlighting the strength of their platform and opportunities for growth – especially in the Haynesville as well as the Nexus/Link platforms.
- **Potential corporate structure changes - as initially outlined by EXC in its 3Q2020 release - drove a sizable portion of our discussion with EXC,** as the company evaluates a possible separation of ExGen from the regulated businesses. Realizing higher valuation levels remains a key aspect of the decision making process - but regulatory approvals at state/federal levels remain key as well to whether they move forward or not with any changes. They do not "price in" or assume a value for carbon or a carbon tax when assessing the company's largely nuclear ExGen fleet — as they do not seem overly optimistic of a national carbon regime emerging soon - but see this as a "call option" not embedded in their base case. The company reiterated plans to meet its regulated utility EPS growth guidance given out previously - despite the impact of weak demand driven partially by COVID 19.
- **For AEP, while earned RoE's may decline, higher equity layers could offset this partially.** In our chat with management, they discussed that guidance assumes a low 9% range for earned RoE's - driven by regulatory lag in jurisdictions like Oklahoma and Louisiana - but hope to offset this with increased investment in projects with trackers and with higher equity layers in rates. The new 5-year capital spending plan incorporates not just the North Central wind project, but other smaller scale renewable spend as well as incremental transmission investment.
- **Dominion faces limited regulatory risk in the near term, but acknowledges longer term risk still exists.** The 2021 triennial earnings review in Virginia creates limited risk given the $50mn cap on revenue reductions, but the company did recognize that (1) risk in Virginia exists in the 2024 review, where no revenue reduction caps exist and (2) the ongoing South Carolina rate case may see

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intervenor testimony that seeks a far lower rate increase than sought by Dominion. Potential changes at the state utility regulatory commission remain worth monitoring in Virginia. D stays positive on gas utilities given trackers that exist in markets like Ohio, paired with opportunities to grow renewable natural gas and even do its first small scale hydrogen pilot test in Utah. D also iterated that it does not expect change in the company's views on its remaining contracted assets like Cove Point LNG or Millstone nuclear in CT.

- **SRE remains very bullish its mix of US utilities and infrastructure businesses - and expects positive LNG related news in the coming months.** With SRE having sold its Latin American utilities and its US renewable business in the last year, the company's new simplified structure should prove easier for investors to understand going forward. Rate base growth remains material in California given the transition to clean energy - and even with a potential risk to authorized RoE's for 2022 there, authorized levels remain above national averages. Texas remains a growth opportunity - they just raised rate base growth projections by $300mn and could see another $775m+ upside in the coming years - and do not expect an overly contentious rate case proceeding in 2021. On the LNG front, Sempra expects to FID the Costa Azul LNG project - and assume limited construction risk — with only $250m of Sempra's equity capital used to finance this project - and still see Port Arthur LNG as one of the few US facilities potentially moving forward in the coming years.
- **WTRG highlights increasing water quality focus as a potential catalyst to support municipal water acquisitions.** While increased federal funding for water infrastructure, if implemented, could deter certain acquisition opportunities, management expects smaller systems to continue to face funding shortages, especially when combined with potential increase in water quality standards. On its recently acquired Peoples Gas system, WTRG expects pipeline replacement to fuel robust rate base growth at Peoples, while its low pressure systems and above-ground checkpoints enhancing its operational safety.
- **ED continues to face uncertainty related to COVID-related costs and storm response,** while reiterating its equity issuance plan (up to $600mn in 2020, $1.1bn total from 2021-2022) with an update expected with 4Q2020 earnings. At CECONY, ED sees potential investment opportunities to improve grid reliability, including potential for additional undergrounding of its distribution system. ED also looks to continue growing its renewable footprint, although offshore wind remains above its risk tolerance level except for associated onshore transmission investments. Finally, management reiterated its view that its midstream equity stakes in Mountain Valley Pipeline (MVP) and Stagecoach are non-core while looking to mitigate the exposure.
- **DUK anticipates trying to put together a coalition to seek electricity related state legislation in N Carolina** – seeking (1) revised rate making – including multi-year plans, decoupling and/or trackers, (2) policy support for a timeline around coal plant retirements, (3) detailed emission reduction targets and (4) policy support for offshore wind. Cognizant of managing the rate impact, which remains key to get industrial customers on board, the company may need to agree to annual or multi-year rate caps. However, we note their IRP (Integrated Resource Plan) base

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case assumes ~1% annual rate change and the more aggressive no carbon plan assumes ~2.5% annual increases - so none that appear overly material or that would drive rate concerns for customers. Increased spend at the gas utilities will help drive overall rate base growth - they still see these businesses as attractive growth opportunities - as would higher solar related spend at the Florida electric utility. Florida remains worth monitoring given (1) a proposal to add 750 MWs of community solar, which will go before the PSC in late 2020 and (2) next year's rate case, where DUK will likely seek small rate increase levels.

- **The regulatory front and wildfire recovery will drive EIX from here**. EIX remains bullish regarding changes in California utility regulation — they see faster regulatory decisions as showing the state utility commission wants to work in a more expedited approval process. Recent approvals on securitization, insurance cost recovery, COVID 19 cost deferral and recovery, and wildfire spend recovery (2018-2020), show the state continues to see utilities as necessary "partners" in moving to a cleaner energy economy. They view the cost estimates for 2020 wildfires as likely falling within insurance recovery levels and continue to work to resolve claims related to the 2017/2018 wildfires, after reaching settlements with public entities and the subrogation claims holders. EIX still plans to issue $1bn in common equity - more likely doing so after wildfire season ends in late 2020 and as they get closer to reaching settlements with claimants from prior wildfires — and can utilize $800mn of insurance to pay out claims for now on the 2018 wildfires.
- **XEL looks to continue its robust renewable investment pipeline,** while ITC/PTC extensions - if realized - could support incremental renewable PPA buyout opportunities. Along with the renewable theme, XEL highlighted its commitment to support EV infrastructure and increased EV adoption, with $500mn of planned investments across its various jurisdictions. Finally, XEL expects to be able to grow at the upper half of 5-7% EPS growth guidance with just its base capital plan, while the proposed $1.4bn in incremental wind/solar investments could pad the growth toward the upper end of the guidance range, supported by a flattish base O&M CAGR through the mid-2020's.
- **In our discussion with PG&E Corp's (PCG) interim president and other officers, the company highlighted skills sought in incoming CEO/CFO** level personnel - with announcements likely in the months ahead on who will fill these seats. Operational experience, political and regulatory expertise remain key to the skillset needed for PCG's incoming CEO — while the CFO search focuses on individuals with strong investor relations skill sets as well as in balancing capital spend goals with the impact on customer rate levels. The company did not seem overly concerned regarding the Wildfire Safety Certificate process - they view the delay as more of a technical issue - and hope to get resolution soon. The 2019 certificate remains in place unless the state regulator outright rejects their 2020 application. PCG still anticipates $625m of costs related to the 2019 wildfire - but upside to this may exist and certainty may not emerge for another 1-2 years. They remain optimistic about cost savings opportunities as well as on securitization - they hope to finalize the regulatory docket by late spring 2021 and utilize securitization proceeds to pay down temporarily issued debt in the near term (up to $6bn), with

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plans to pay down $3bn of outstanding holding company debt over the next 2-3 years. Upside may exist to rate base forecast levels - but risks to the authorized RoE for 2022 remains given the state's cost of capital mechanism.

- **Grid infrastructure investment remains top of mind for AEE, while continuing its fleet transition initiatives.** In Illinois, while management continues to pursue passage of the proposed legislation to extend formula rate-making (expiring in 2022) while opening the doors for renewable investments, they view traditional rate-making as relatively constructive as well given a future test year and de-coupling. In Missouri, the utility noted positive feedback and reception from all stakeholders on the recently filed Integrated Resource Plan (IRP) which, combined with ongoing grid investments in the state, should provide robust long-term rate base growth. Management noted that an extension of renewable tax credits - if implemented, could warrant further acceleration of its renewable growth plan.
- **EVRG remains focused on the state legislative front in Kansas and Missouri - outcomes next year likely will significantly impact earnings growth** and realizing EPS targets. The company still believes, as outlined at 2Q2020 earnings, that retiring up to 500 MWs of coal generation earlier than planned - and securitizing these costs - and redeploying the proceeds into new renewables remains, along with raising transmission/distribution investment, the best growth strategy available. They believe strong support exists for energy transition planning in Kansas — and will seek consensus backing on this in Missouri next year - but risks exist that other low cost alternatives, besides simply company owned generation in rate base, could emerge and present a modest risk to their goals of adding more renewables to rate base. Higher transmission spend comes with limited lag — they anticipated higher levels for multiple years to help Kansas integrate wind capacity, but actually see a bit of an uptick in its smaller segment in Missouri (Missouri West). EVRG does not see asset sales as likely needed or leading to lower costs - early retirements remain the core driver.
- **AWK spoke on opportunities to address water contaminants even in the absence of a federal water quality mandate,** which could drive both organic and inorganic growth via continued acquisitions of small municipal water and wastewater systems. While private capital is present in larger systems, AWK is best positioned to do tuck-in deals with 20,000 customers or less, as they can provide investment and improved service while spreading costs across the entire AWK business. The company still expects the NY utility sale to close in early 2021, with NY commission approval the only outstanding condition. AWK continues to replace water pipes within its system, and is targeting a 100-year replacement cycle versus 120-130 years currently compared to many municipal systems at 200 years. AWK's military business continues to see good traction, with numerous opportunities and proposals currently in the works while the Homeowner Services Business has seen some headwind from COVID-19 in 2020 but margins should be stable moving forward ex-COVID.
- **NI continues to see both electric and gas utilities as integral components of the US energy mix.** Management sees an attractive growth trajectory for both types of Utilities, noting that the recent pressure on regulated natural gas valuations

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in the public markets does not appear to reflect the fundamental value they deliver for customers that is not easily replaced. The company does see opportunities to decarbonize on the natural gas side through infrastructure replacement as well as RNG, especially given Ohio and Indiana offer attractive RNG resource – noting this will represent a small amount of volume. On the electric side, management highlighted that potential renewable tax credit extensions could potentially support further acceleration of coal retirements, pulling Michigan City earlier than 2028. Separately, NI reiterated that management remains comfortable with current guidance, incorporating ~$0.05 of impact related to COVID.

- **POR continues to see state-driven clean energy goals supporting on-going renewable/storage investments in Oregon,** as well a growing focus on EV infrastructure opportunities, especially for industrial customer base. With the recent state wildfires mostly contained, POR continues to assess the overall cost from an expense/capital standpoint, although they see the levels as largely manageable and supported by the approved cost deferrals from the state commission. POR in 4Q2020 earnings looks to provide an update on both the wildfire cost estimate as well as thoughts on timing of the next base rate case; for 2021, the company looks to grow earnings (using 2019 as the base and 4-6% long-term growth forecast) driven by cost management, benefit from the completion of the Wheatridge renewable facility, and lower costs associated with the retired Boardman coal plant.
- **OGE focuses on maintaining and growing its regulated electric utility profile, primarily through continued transmission & distribution investments at its Oklahoma/Arkansas jurisdictions, supported by improving regulatory frameworks through certain investment recovery mechanisms.** While fleet de-carbonization is not a primary investment driver near-term, OGE does see select solar opportunities that could combine with gas-fired generation in replacing retiring coal plants. Finally, management views the growth of its regulated utilities as the primary use of any capital allocation opportunities.

Valuation and Key risks

PPL Corp. (PPL, Neutral): $31/sh 12 month target price is based on a sum of the parts analysis. Key risks include regulatory risk, power demand and financing.

Pinnacle West Capital Corp. (PNW, Buy): $94, 12-month price target based on 19.5x P/E multiple on 2021 EPS. Key downside risks include 1) APS rate case outcome corresponding to our bear-case scenario that could pressure valuation multiples in the near-to-medium term, 2) realized electric demand is worse than expected, impacting earnings and cash flows, 3) the November 2020 election results in a non-constructive commission, and 4) PNW is unable to secure much ownership in future renewable generation build-out, limiting rate base growth.

CMS Energy Corp. (CMS, Buy): $69, 12-month price target based on 24x 2021 P/E multiple. Key risks include regulation, legislation, cost management, and financing.

Entergy Corp. (ETR, Buy): $119, 12 month target price based on a sum of the parts analysis. Primary risks include regulatory risks, power demand and financing.

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Avangrid Inc. (AGR, Sell): $45, 12-month price target based on a sum-of-the-parts analysis. Key upside risks for AGR include 1) AGR receives approvals to defer all COVID-19 related costs, mitigating the earnings impact, 2) incremental O&M savings help offset other EPS headwinds, and 3) U.S. government extends federal renewable tax credits, which improve future renewable investment return profiles for AGR's renewable business.

NextEra Energy Inc. (NEE, Neutral): $74, 12-month price target based on a sum-of-the-parts analysis. Key risks include Florida utility regulation, renewable development, tax credit legislation, and operating cost management levels.

Centerpoint Energy Inc. (CNP, Neutral): $22, 12-month price target is based on a sum-of-the-parts valuation. Key risks include customer demand/growth, COVID-related costs, and financing.

WEC Energy Group (WEC, Sell): $88, 12-month target price based a 22x P/E multiple on our 2021 EPS. Key risks to our view include higher than expected capital spend and rate base growth for 2021+, lower than expected operating costs and improved demand.

DTE Energy Co. (DTE, Buy): $142, 12 month price target derived from a sum-of-the-parts valuation. Multiple risks exist to our current view of DTE: (1) Unlike a sale, spinoff valuation remains an unknown for shareholders, if midstream valuations change due to adjustments in legislation, taxes, or supply and demand balances in a negative way, this could impact DTE's valuation. (2) The regulated asset base – representing ~70% of earnings today and theoretically 90% post spin-off – maintains a single state regulatory environment. If MI sees significant changes in regulatory quality – especially the ability to earn timely recovery on investment as well as authorized returns — this could impact our view. (3) Similarly, demand, cost, and investment trends in the state remain critical. (4) DTE currently offers a substantial regulated growth profile, in order to finance this DTE may require equity beyond our forecasts or debt financing costs ahead of our expectations.

Exelon Corp. (EXC, Buy): $53, 12-month price target based off a SOTP analysis. Key risks include retail MWh sales, power prices, generation output, and utility regulation.

American Electric Power (AEP, Neutral): $90, 12-month target price based on SOTP. Key risks include power demand, rate case and regulatory risks, as well as financing.

Dominion Energy Inc. (D, Neutral): $84, 12-month target price based on SOTP. Key risks include regulation, project execution, power demand and financing.

Sempra Energy (SRE, Buy on CL): $150, 12-month price target derived using SOTP. Key risks include project awards, regulatory approvals, construction, and financing.

Essential Utilities (WTRG, Buy on CL): $51, 12-month price target based on SOTP. Key risks include regulation, municipal water system acquisition approvals, and longer-term growth concerns about the gas utility weighing on valuation.

ConEdison (ED, Sell): $78, 12-month price target based on 18x P/E on 2021 EPS. Risks

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include NY utility commission authorization of COVID-19 related costs and bad debt expense, NY economic conditions, renewable segment growth.

Duke Energy (DUK, Buy): $99, 12-month price target based on 19x P/E on 2021 EPS. Key risks include utility regulation, power demand and coal ash related issues.

Edison International (EIX, Buy): $74, 12-month price target based on 17x P/E on 2022 earnings discounted back to 2021. Key risks include wildfire related costs, litigation claims, utility regulation and financing.

Xcel Energy (XEL, Neutral): $71, 12-month price target based on 20x P/E on 2021 EPS. Key risks include upward revisions to rate base/EPS growth, O&M savings, renewable tax credit extension, negative rate case outcomes, less generation in rate base, materialization of PPA buyouts, COVID-19 related cash drag.

PG&E Corp. (PCG, Buy): $15, 12-month price target based on 14x P/E on 2022 EPS discounted back to 2021, and DDM. Key risks include wildfire risk, continued underearning due to legacy holding costs, financing risk and trading risk.

Ameren Corp. (AEE, Buy): $93, 12-month price target based on 24.5x P/E on 2021 EPS. Key risks include regulation, project awards, and financing.

Evergy, Inc. (EVRG, Neutral): $58, 12-month price target based on 18x P/E on 2021 EPS. Key risks include utility regulation, power demand and cost management.

American Water Works (AWK, Buy): $166, 12-month price target based on 39x P/E on 2021 EPS. Key risks include water quality issues, cost management, regulatory environment, growth at non-regulated segments, reduced ESG fund flows.

NiSource (NI, Buy): $27, 12-month price target based on 20x P/E on 2021 EPS. Key risks include Indiana regulatory approvals for renewables, earnings/cash impacts due to COVID-19, higher than expected O&M, electricity demand and customer growth, and financing.

Portland General Electric (POR, Sell): $39, 12-month price target based on 16x P/E on 2021 EPS. Key risks include COVID-19 impacts on earnings/cash, level of COVID/wildfire related cash drag, renewable ownership, and M&A target risk.

OGE Energy (OGE, Neutral): $35, 12-month price target based on 18.5x P/E on 2021 EPS. Key risks include upsized rate base growth, the company could be a target of a take-out, customer and demand growth, further distribution cuts at ENBL, COVID-19 headwinds.

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Disclosure Appendix

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We, Michael Lapides, Insoo Kim, CFA, David Fishman, CFA, Rebecca Yuan and Adam Williams, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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The latest trends at this year's virtual mega conference

We provide our latest day of conference takeaways with our most substantive set of meetings on Tuesday. We include takes from AEE, AES, ALE, AVA, AWK, BKH, CMS, D, EVRG, FTS, IDA, NI, NWE, OGE, PEG, PNM, PNW, POR, WEC, and XEL. While there are few substantive updates we continue to stress several key themes: 1) rate cases are to be avoided as much as possible – we see delay efforts across the sector to limit scrutiny of authorized returns: examples include BKH, XEL, WEC among a litany of others that have been successful in avoiding these outcomes. 2) Expansion of contracted renewables remains a key point of discussion as this is increasingly affording latitude for companies to backfill their EPS growth with undefined project acquisitions as ratebase otherwise slows or is unable to meet the 5-7% growth contemplated. 3) Continued elevated residential trends, and *especially* sustained cost cuts from 2020 into 2021 provide substantive latitude in earnings. While we've remarked before at just how confident companies are already within their stated or implied '21 EPS guidance ranges, we reiterate this focus. By contrast, those with challenges to achieve '21 EPS appear outliers and the greater risks for performance vs utility peers. 4) Debate on sector valuations remains clear, with substantial focus on just whether there is value in gas LDCs. On balance near every executive agrees on LDC merits – in northern latitudes and central geographies so dependent on winter heating – and hence we see clear bias for consolidation whether driven by strategics or financial sponsors. See our earlier takes from Day 1 and Day 2. AVA PO to $38 (from $35) on mtm of17.3x for electric (from 16.5x) and 15.5x for gas (from 13.8x); POR to $48 (from $42) on mtm (from 16.2x).

So what about company specifics? Some high points

AES remains among the best meetings of the conference given continued discussion of positive EPS factors driving extension of EPS CAGR, further divestments, constructive sales prices on recent sales, and ultimately upside surprise on other smaller start-ups (Uplight). We saw NEE as among the better Day 1 meetings as well. A few of the key points from our meetings: AEE doesn't see '20 EPS as intermediating on its '21+ outlook; this is important to consider given recent pressures. AES see even more latitude than we realized (out to '25) and could see further halving of its coal capacity by end of '21. BKH quite confident on its ability to scale incrementally still – more upside on the come despite constructive '21 guide release. D aspires to provide *consistent* 6.5% EPS growth despite lumpy nature of its growth; see some modest positive tailwinds as roll its outlook ever deeper into the core of its offshore upside (expect ratebase likely still 7-8% if not higher). EVRG offered some caution on earned ROE trends heading into '21/'22, but affirmed updates on new executives would be forthcoming well before 4Q roll; appears confident on getting approval for ratebase wind investment of 700MW with clarity likely by YE21 to bolster confidence in stand-alone plan. NI divestment remains a key focus of debate – appears to be still interested, but not entirely clear. PNW has put together an intriguing rider package for clean energy recovery tied to economic support for impacted native American communities: positive update, but *how much* can it address lag? Finally XEL appears poised to kick out rate cases in its two core geographies – and sustain its current level too. *See company specific write-ups enclosed.*

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Timestamp: 11 November 2020 12:29PM EST

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Ameren (AEE)

Shares of Ameren experienced weakness following the company's Q3 report and reduction in the top end of its guidance range. Without a significant update as part of its EEI release, mgmt. reiterated its focus on executing its updated resource plan in Missouri as well as ongoing efforts to extend IL formula rates as its top priorities. Maintain Neutral on Ameren.

Focus on 6-8% growth with MO rate review filing expected by mid-2021

Mgmt flagged its upcoming MO rate filings for both its electric and gas utilities as key H1 items on the regulatory agenda, with the filing at the electric utility intended to capture the $1.2B of wind entering service by the end of 2020. We perceive some sensitivity to the overall trajectory of O&M reductions as well given the test year period for an electric filing is ongoing, and accordingly are less concerned about the 2020 guidance reduction as a sign of persistent execution issues. The bulk of 2020 Covid impacts affected the MO Electric business, mgmt. indicated that the majority of offsets were undertaken at that utility rather than across the enterprise. Looking ahead some investors are identifying natural gas demand in the key Q1 period as a potential tail wind for non-decoupled gas distribution utilities, similar to the boost seen in residential electric demand from Covid-related changes in usage patterns. AEE mgmt. see this as less of a consideration given that its larger gas business is in IL (decoupled) with a relatively small number of gas customers in MO (120k).

Constructive on ROEs, Liberty not a blueprint, Formula Rates key in IL

The MO Electric rate settlement received earlier in 2020 is seen constructively by mgmt. (and indeed led to upward estimate revisions and enthusiasm around AEE shares), though the precise ROE and equity remain part of the black box settlement. Mgmt. does not expect that the Liberty Utilities decision from earlier in the year serves as a leading indicator for the path of ROEs in MO broadly (a view echoed by other stakeholders in our previous conversations). Generally we believe that the commission maintains a constructive stance toward AEE Electric and see a pathway to a potential settlement in the upcoming 2021 filing as well. In Illinois, the extension of formula rates and corresponding increase in adder from 580 to 680 bps remains top priority – mgmt. indicates that formula-based ROEs today are lower than would otherwise be expected under a traditional rate case process, though the advantages of the formula rates in terms of stability and procedural simplification are seen as key. Remains constructive on *eventual* resolution of lingering IL extension question.

Latitude to move up coal retirements, but currently key part of gen mix

Mgmt. did not rule out further acceleration of coal plant retirements in Missouri after the resource filing in September moved forward planned shut downs at Sioux, Rush Island, and Labadie. Mgmt. sees the current planned lives of the facilities as appropriate given the plants' capacity factors, which remain high (unlike EVRG's KS facilities). Also worth noting is the significant rate base associated with coal generation at AEE's Missouri facilities – mgmt. indicated a preference for accelerating depreciation of these assets (Merrimac will be nearly depreciated when retired in 2022) over securitization, which remains uncertain at this point. While stakeholder conversations indicate a degree of momentum and support for securitization, AEE mgmt. is not indicating that the legislation is a key component of its coal strategy – we continue to see this as more of a factor for Evergy.

AES Corp (AES)

Watch Fluence Selldown with Developments Imminent

After an S&P upgrade to Investment Grade and coming off of a positive 3Q report last week, discussions with management continued to highlight pending developments around Fluence – the battery storage JV with Siemens - as the company looks to do a capital raise to establish a value marker for the biz and drive continued investment ahead of an IPO in two or three years. We continue to perceive the most likely construct as a 5% sell down each of AES/Siemens' 50% stakes. While R&D has kept the business about a $0.02 drag on AES consolidated results, latest discussions continued to stress the company as margin positive with management guiding to a 45% revenue CAGR ($500Mn in 2020) as a base case to grow to ~$3Bn in five years. Current expectations under base forecasts are for the company to yield positive earnings in a couple of years. That said, conversations suggested potential for accelerated growth given the scope of possibilities for energy storage in transmission – which could push out inflection in earnings contribution while further driving longer term value. It remains to be seen just how elevated a valuation the company can achieve with the initial sell down and how the recent acquisition of AMS contributes to driving interest and margin potential over time.

Divestments continuing and could even *accelerate* too

Meanwhile, we expect potential for additional asset sale announcements through year end to further clean the portfolio after announcing last week that that it has signed an agreement to sell a 35% interest in the Southland repowering for $424Mn (meaningfully more than our prior valuation and translating to 14x+ EV/EBITDA multiple), pushing total announced asset sales this year to $650Mn and above their full year target of $550Mn. Look for further divestments of coal by year-end and substantively more even in 2021. We could see a further halving of total coal exposure over 18-months. While EPS dilution from sales remains a clear risk.

Uplight: another efficiency emerging biz within the AES family

While likely more protracted, watch any developments overtime around Uplight – with the biz currently driving 20% top line growth and our model only incorporating the equity invested in the valuation - and other potential partnerships that could yet materialize in coming months. This remains another emerging angle to the story; we value it at book value in our SOTP. Admittedly this could see some growing enthusiasm.

Poised to Extend 7-9% EPS CAGR: *growing clarity*

Overall, we see the company as well positioned to extend their 7-9% EPS CAGR with their typical roll forward early next year to '24. While only 15% of the biz, we expect the utilities to be a key driver of EPS post 2022 with management guiding to high single digit rate base growth for DP&L and mid-single digit rate base growth for IP&L. Recall the company recently reached a constructive settlement in Ohio and has a 1.2GW renewable RFP in Indiana emerging as a potential contributor of EPS through 2025: we see potential for half of the 1.2GW to ultimately make its way in to rate base with participation through a build-own-transfer. While Panama opportunities appear the most immediate, management remains optimistic around LNG prospects broadly with potential additional contribution from the DR in the near term; Vietnam appears a bit more protracted with COD in early 2025 (more then offsets other headwinds in this year) but management sees five cents of earnings upside from LNG in the nearer term (we believe we largely reflect this already).

Meanwhile, with the change in administration, we could see potential extensions of tax credits to help further push renewables domestically – and any extension to applying the tax credits for storage could drive further benefits. With a much greater international exposure, we see renewable subsidies as less critical for AES as they look to deploy 2-3GW annually. Look for possible additional disclosures with the full year results to include a comprehensive disclosure of earnings tied to renewables across its disparate businesses. We see this as yet another angle.

We reiterate our Buy rating ahead of key upcoming catalysts.

Allete (Not Covered)

FY20 headwinds on COVID impacts, but maintaining long-term trajectory
With C&I customer exposure, discussions focused on COVID load impacts. Although ALE has only seen ~5c EPS impact through 3Q on reduced C&I load, mgmt expects 15c impact for FY20 with 4Q impact as US Steel's Keetac and Verso Paper will be idle (Keetac restarting in Dec) coupled with broader C&I load slippage. The company expects COVID impacts to have a lingering effect into 2021. As such, EPS growth for 2020 YTD is ~4% relative to FY19 EPS, below long-term EPS guidance of 5-7%. FY20 utility growth is ~3% while Allete Clean Energy (ACE) growth was ~30%. Despite FY20 headwind, ALE maintained 5-7% long-term EPS growth off 2019 as base for CAGR, 4-5% high-visibility regulated utility earnings growth and 15%+ growth from energy infrastructure & related services.

Upcoming Feb 2021 IPR filing to focus on remaining coal retirements
Discussions also focused on early expectations into the upcoming Feb 2021 IRP filing at the Minnesota Power utility subsidiary. Mgmt expressed a focus on accelerating coal unit retirements, with 7 units already retired. Only Boswell 3 and 4 coal units are remaining without defined retirement dates. As such, mgmt expects the IRP filing to also focus on most cost effective ways to retire the two remaining coal baseload units, expressing additional T&D solar, wind, storage, DSM, and gas as all within discussions. In terms of PPA vs ratebase investments for clean energy, mgmt expressed that while low cost is a priority for regulators, ratebase may get an advantage as well given state focus on local economy benefits.

Clean Energy segment facing pressured wind development returns, akin to solar
For its ACE business segment, mgmt emphasized wind energy development competition and forward curve prices pressuring return profiles. With increasingly shorter contracted PPA tenors towards 10-15 years relative to 30-yr PPA asset life, merchant pricing curves have become more critical for the return profile. Mgmt emphasized focus on a return profile of a few 100bps spread relative to its CoC. That said, with merchant curves having declined ~20% in last 12 months, mgmt expresses a 100-150bps impact on IRRs. In terms of key markets with attractive wind development still, mgmt highlighted MISO, where it holds an advantage as a Midwest utility as well as PJM. Mgmt expressed shifting from wind development into complementary renewable energy spaces including solar and storage, including coupling these at wind sites. In particular, existing commercial customers have asked to add storage to wind projects, which helps support higher returns. Mgmt expects to provide greater details in coming quarters. We view compressing wind development returns and increasingly shorter contracted tenors expressed by mgmt as unsurprising and largely in-line with similar trends across utility-scale solar development.

Avista Corp (AVA)

Our meetings with AVA discussed a range of topics from the recently filed rate case to the ongoing wildfire investigations, M&A, and the IRP. We perceive the WA rate case request to be palatable although watch the tax credit flow-back for multi-jurisdictional approval and impacts to equity needs. On wildfires, the $135-150mn of liability insurance (not wildfire specific) should be adequate to cover any damages, although we wouldn't expect an update from the Department of Natural Resources (DNR) investigation anytime soon. With the IRP filing expected in WA in fall '21, we continue to remain somber on ownership opportunities given AVA cannot take advantage of in WA (state law) and smaller developers requiring lower rate of returns making competition a higher hurdle; Purchase Power Agreements (PPAs) would allow for the ability to earn on the payment stream. Some of the more interesting commentary came from the strategic side where mgmt. acknowledged that once it achieves *earned ROEs near authorized levels it could capitulate and noted that its current size/scale was challenging; from a consolidation standpoint mgmt. was not interested in further Gas LDC exposure, although continues to evaluate Alaskan assets. Net-net we reiterate our Neutral rating given several moving pieces and unresolved items. Our PO moves to $38 (from $35) as we mark-to-market our SOTP valuation with peer multiples on '23 EPS at 17.3x for electric (from 16.5x) and 15.5x for gas (from 13.8x).*

Some interesting M&A commentary

While mgmt. continues to remain committed to improving its earned ROE toward authorized levels, it acknowledged that once it achieves this feat it could entertain those options. We think this is likely because mgmt. feels its current P/E implies a lower earnings power than what it can eventually achieve; although given more fixer-upper type deals tend to get through the finish line, we wonder if a more substantial premium offered could get mgmt. to the table. Mgmt. also acknowledged that not having the scale is challenging because it can't spread costs over a larger customer base, and that it could look for partnership opportunities on the Social side to more align with the ESG trends. While the company was previously involved in M&A in the past through the eventually failed Hydro One deal, we wonder if more attention will come its way on this front.

What about gas LDCs or Alaska?

We perceive mgmt. continues to like its gas LDC assets given the cost considerations in the NW relative to electric despite the electrification trends. Despite some of these assets being on the market (i.e. CNP and NI both disclosing it intends to divest), mgmt. did not seem interested in gaining more exposure here. Rather, similar to meetings in the past, the company highlighted that it continues to look for opportunities in Alaska and has evaluated some of TransAlta's assets, although has yet to pull the trigger.

Puts and takes of the WA rate case filing

On the regulatory front, mgmt. recently filed its rate case in WA requesting a $44.2mn increase for electric (8.3%) and $12.8mn increase for gas (7.9%) with an overall flat increase in customer bills as it requested to accelerate the flow back of the Tax Customer Credit by 2yrs (to 10yrs) to offset the increase. Mgmt. highlighted that feedback from stakeholders has been limited so far, and it would need approval from all commissioners (WA, ID, and OR) for the accounting changes to flow-back tax credits. To that end, mgmt. feels confident in the request as the accounting change is an IRS acceptable method. While mgmt. would get the earnings uplift (assuming commissioners agree to this solution), there would be a cash flow impact, potentially impacting the company's equity needs in '21 (which have typically ranged from $50-70mn/yr). We also note that mgmt. has requested to recover $165mn of Advanced Meter Initiative (AMI), acknowledging it needs 100% recovery of this compared to 50-60% in the past (although has had dialogue with the commission prior to this request). Net-net, while WA has been somewhat challenging in the past we perceive the overall request as palatable yet slightly cautious.

DNR fire investigation ongoing; $135-150mn insurance

AVA continues to have an open dialogue with the Department of Natural Resources (DNR), which is currently investigating the fires where AVA's equipment was involved in early September. AVA previously disclosed that the fires were caused by extremely high winds, but to date, the company has not found any evidence that the fires were caused by any deficiencies in its equipment, maintenance activities or vegetation management practices. Although there is no statutory timeline around the DNR's investigation, mgmt. reiterated that it believes the company followed protocols and was prudent. In terms of wildfire insurance, mgmt. noted that wildfires fall under its general liability insurance coverage where AVA has total coverage of $135-150mn. We expect the wildfire associated insurance costs likely trend higher going forward, especially following this recent worse than normal fire season. We would highlight that in AVA's recently filed WA rate case, the company included an O&M tracker of $5.4mn. This O&M tracker incorporated higher insurance costs along with all the other costs embedded in O&M. Wildfires are not necessarily new to the area, and we note that AVA filed a wildfire resiliency plan prior to occurrence of these recent fires. That said, given the uncertainty around regulatory treatment as it pertains to wildfires across AVA's footprint, we believe this dynamic will add an overhang for shares in the near term.

Renewable RFPs related to IRP likely lack self-build

AVA management noted it is going to have additions related to wind, solar and additional hydro upgrades associated with its latest Integrated Resource Plan (IRP). However, we think most of these will be PPAs rather than self-build. Recall, AVA issued a renewable Request for Proposal (RFP) in June for 120 MW that did not consider self-build. In its next renewable RFP, AVA noted self-build options could be again limited highlighting that there are certain tax credits AVA cannot take advantage of in its WA jurisdiction given state law and smaller developers requiring lower rate of returns makes competition more fierce. We believe further extension of tax credits would likely further limit the ability for AVA to seek self-build options in its IRP, although we could see some hydro plant upgrade opportunities. We also note there is ability to earn on PPAs in WA through legislation recently enacted that will be based on the payment stream (rather than capital deployed) of these contracts). Look for an IRP filing in the fall of 2021 in its WA jurisdiction, although we continue to remain more somber on substantial earnings opportunities from the capacity replacement needs.

American Water Works (AWK)

Ahead of their upcoming 2021 guidance, investment, and outlook roll forward, discussions with AWK management highlighted confidence across their business and their ability to execute on their strategy through both COVID and the longer term. Despite the pandemic, latest disclosures with their 3Q update brought the midpoint of full year 2020 guidance back to the original adjusted 2020 guidance on an adjusted basis – and we see the company as poised to extend expectations another year: We don't perceive a pivot from the strategy with management seemingly committed to their growth triangle and the largely regulated portfolio: *don't expect any changes to outlook with the 4q roll forward of their 5-year outlook and '21 guide.*

Muni & Legislative Tailwinds Continue Unabated

Across the US, favorable legislation continues to materialize for the water sector with particular highlights including HB254 and HB1131 in Indiana for recovery without full rate cases and fair market value, HF2452 in Iowa to allow systems to qualify as a distressed system when they don't have a certified operator and establishing a 180 day timeline to approve acquisitions, S831 in Virginia to establish FMV and authorize a water or sewer public utility acquiring a system to establish rate base through FMV, and S551 in West Virginia to allow for expanded asset valuation, combined water and wastewater ratemaking, and the expansion of how munis can utilize proceeds from the sale of a system. Across their footprint, the company now enjoys FMV legislation in ten states, consolidated tariffs in 12, and water quality accountability legislation in three.

Despite the steep discounts in valuations between AWK and even water peers, we perceive less appetite for public water acquisitions given the constructive legislation and elevated number of muni opportunities in and of itself. We see the latest pressures put on munis from the ongoing pandemic as only further accelerating consolidation in the industry.

Meanwhile, management remains confident around their ability to execute on the pending sale of NYAW to Liberty Utilities despite a somewhat protracted process on the margin and amid the latest legislation introduced in New York to hold utilities accountable – and expectations are to close on the transaction in early 2021. Despite other regulatory setbacks such as the latest decoupling developments in California, we see management as largely committed to the rest of their regulated portfolio.

While Military Wins Continue to Materialize

Recall Joint Base San Antonio and US Military Academy at West Point became operational in June with Joint-Base Lewis-McChord further awarded in September. After the latest win, the company has now won 17 military bases across the footprint with active engagement for another four military solicitations - with two expected to be awarded in the near term. After largely being driven by the Air Force and Army, interest from the Navy could yet drive further opportunities and management alluded to potential for ~70 opportunities over the next bunch of years.

Related to home services biz, mgmt. remains confident it can scale this biz further too based principally on expanding its reach through a variety of channels including its military efforts. Bottom line, no concerns on slowing on even this angle of the biz too. Limited expansion of products it would appear. Focus on owning the customer is an expanding theme in our coverage.

Overall, management continues to look to have market-based business contribute 1-2% of their EPS growth over the current plan.

We maintain our Underperform rating given the steep valuation premium.

Black Hills Corp (BKH)

Contemplating Trajectory after Latest Updates and Prior Concerns

After an early guidance cut against the uncertainty of the pandemic, management re-raised 2020 guidance to $3.60-$3.70 (with the midpoint back to the same level as the original guidance of $3.55-$3.75) and latest discussions continued to suggest confidence around their ability to navigate COVID despite the latest surge in virus cases throughout the US. While the 2021 guidance assumes no material net impact from COVID for the year despite the latest spike, management has thus far been able to execute (even aside from some favorable weather) and we stress the large resi nature of their gas biz (~55%) as likely to limit any potential headwinds as we go in to peak heating season and with moratoriums now lifted in all of their jurisdictions except for Arkansas. Rate relief, Corriedale, and rider recovery should help drive y/y earnings into 2021.

Meanwhile, we expect disclosed equity needs to be financed through the ATM next year after the successful block acceleration in 2020, with the bulk coming through in 2Q and beyond.

While FERC recently approved the Wygen PPA after a rather protracted process - helping to de-risk longer dated estimates - and the company scored a political win in Pueblo earlier this year, we critically watch prospects for higher rate base and add'l recovery mechanisms against lower potential ROEs - and if the overwhelming franchise vote at CO electric and the new aligned leadership strategy can translate to a more constructive outcome with their re-filed rate case in the state. Recall the company opted to forego consolidation after earlier pushback and re-filed a new rate review and separate docket for an integrity rider in September. While there is potential to combine the two, we ultimately expect both processes to play out over 9-10 months, putting resolution at the middle of next year (no procedural docket has been established around the outstanding items). Meanwhile, we have less concern around NE following the recent constructive settlement and hearing.

With a relatively depressed currency and given the more complicated portfolio vs. SMID-peers, we wouldn't expect the company to be too active around M&A – but we nonetheless highlight the overlap in the Arkansas jurisdiction for CNP's LDC assets given their recently noted desire to divest some of their gas assets.

Will Renewables Materialize in Rate Base with Scale?

Under the current status quo, management doesn't anticipate being a cash tax payer until 2027 or 2028. While seemingly less likely under a split government, a partial reversal of tax reform could somewhat expedite this process – accelerating any appetite for renewables. We see further extension of tax credits as more likely under current government composition expectations. Recall the latest previously announced 200MW of renewables in Colorado is being done through a PPA, but management remains confident in ability to participate in more renewables in the future. We await further developments around transition to cleaner sources following the recently released sustainability report and amid CO's (& other states outside BKH's jurisdictions) recent moves to look into gas utilities' role in de-carbonization.

Overall, we see risk/reward as balanced. Maintain Neutral.

CMS Energy (CMS)

Clear-cut confidence on positioning into '21 with reinvestment de-risking in 4Q
Mgmt emphasized strong confidence in FY20 earnings, in particular with more than substantial earnings cushion from ~$100mn cost savings (~28c) realized through 3Q, well above prior historic record of 15c cost saving EPS offset. Rather, discussions focused on ability to drive reinvestment pull-ahead spend in 4Q to de-risk '21. Further, FY21 earnings are not impacted by any pending regulatory outcomes following the upcoming Dec '20 electric order that will be in effect Jan 2021 and with the latest gas case settled with a filing stay-out through Dec '21. Mgmt expressed optimism for FY21 trajectory given leeway to manage negative weather and without full extent of COVID load impacts, with its guidance of $2.82-$2.86, *reflecting long term EPS CAGR of 6-8%*, typically rebasing off year-end results. We continue to view CMS mgmt's best-in-class ability to manage earnings, even in a pandemic-impacted year without decoupling, as underscoring confidence in shares and the forward trajectory. Reiterate Buy.

Cost savings sustained into '21+ with focus driving rate headroom as well
With cost savings materialized through FY20, mgmt emphasizes roughly half of savings is driven by the CE Way, focused on waste elimination (~$50mn), which is fully recurring savings. Additionally leveraging O&M resources during outages or when not being used for full capacity and applying it to capital projects provided another ~$20mn of savings. Additionally, non-operating savings through refinancing further provided cost savings among others. Among other cost levers highlighted include leaner supply chain and remote work by employees expected to continue to an extent post-COVID as well. Overall, mgmt emphasized sustainable cost reduction and management systems, supporting customer bill head-room to continue supporting incremental investments, with support from MPSC in proceedings around capex spend proposed. Bottom-line, mgmt emphasized O&M cost reductions as still merely scratching the surface, expecting to continue ~4% run-rate annual cost reductions.

Incremental to the broader O&M cost reduction trajectory, mgmt emphasized further ability to drive headroom through costs with ~$150mn in cost savings from the roll-off of Palisades PPA (~$90mn) along with MCV PPA expiration in 2025 (based expected extension through 2030 at lower capacity price). Additionally, mgmt expects ~$30mn O&M savings from retirements of Karn 1 and 2, among other opportunities.

IRP filing in 2Q21 to focus on acceleration in coal retirements, renewables
With its upcoming IRP filing in 2Q21, discussions express likely focus on accelerating coal retirements with Campbell 1 and 2 scheduled for 2031 and Campbell 3 scheduled for 2039 given latest state emission targets set could drive incremental renewables spend. In terms of replacing capacity with accelerated retirements, mgmt expressed IRP filing to focus upon incremental renewables beyond 6GW of solar through 2030 already approved in the last IRP as well as on battery energy storage deployment, and demand-side management. Although CMS is only required to file an IRP every 5 years, mgmt expressed a preference in filing more frequently with a voluntarily submission every 3 years, given the clarity provided from tri-annual IRP filing cycles around capital spend around resource planning. Additionally, CMS expects to propose a higher level of earning on the PPA adder towards S&P's methodology rather than weighted average cost of capital. With an IRP approval in Jun '22, we could potentially see an update for the 10-Yr capital outlook in 3Q22, albeit mgmt noting such an update requires material change.

Strategically – don't expect *anything*
With DTE pursuing a substantially back to basics effort, it appears CMS is very much set on status quo. Having achieved an excellent risk rating already despite ownership of an IPP gas asset and a bank, we see no rating agency 'upside'. Focus remains on staying the course with additional spend likely to backstop its outlook by early next year.

Dominion Energy (D)

We had a generally constructive meeting with D mgmt. where the company exuded confidence in its offshore wind permitting timeline (~27 months vs Orsted at 30 months), cost and capital expenditure timeline ($1bn in '22/23 with more substantial chunk in '24-26. Given a large part of this spending initiative will be included in mgmt.'s roll-fwd outlook on the 4Q call, we could see potential upside to VA rate base growth of 7-8% (at a min reinforcing confidence in this trajectory). Related, mgmt. remains adamant that its 6.5% annual EPS growth will indeed be consistent despite the potential lumpiness of its forthcoming Offshore build – managing other elements including cost structure through their in-service to smooth trajectory. While we do not anticipate a fully defined 10yr capex outlook, we expect mgmt. to provide some parameters on how to think about spending into the 2H of that 5yr window. Moreover, we see tailwinds to the '21 guidance range given execution of the share repurchase program and '20 tracking at the high-end of the range.

Additionally, we wouldn't expect further sell down of Cove Point LNG, despite some peers looking to go this route and interest from private capital as mgmt. likes its current 50% passive stake after executing on sales previously. Lastly, we highlight that the S.C. rate case is likely to be noisy with intervenor testimony this week where we could see recommendations for sub-9% ROEs; while this rate case remains critical to watch, mgmt. continues to bake in conservative assumptions in its outlook. Net-net, we maintain our Neutral rating as shares appear fairly valued at these levels based on our SOTP analysis.

Offshore wind angles: confidence continues

Mgmt. continues to highlight confidence in its offshore wind permitting process with a Construction of Operation Plan (COP) expected to be filed shortly with a Bureau of Ocean Management (BOEM) filing thereafter with total timeline of roughly 27 months. (~24months for the BOEM permit). Further, despite challenges faced by projects in the NE, mgmt. continues to highlight commercial shipping, fishing, environmentalist (whale migration from Nov-March), and coast guards shouldn't provide much as an impediment given the engagement with these stakeholders and project in federal waters. In terms of capex, mgmt. expects roughly $1bn of spend between late '22/23 with the more substantial chunk to occur in years '24-26 (we currently assume $5.9bn total from '22-25). On the cost front, mgmt. continues to point to slightly less than ~3% annual bill inflation, and we stress that potential for offshore wind tax credit extensions could further help with the customer bill impact. At the end of the day, we view the permitting timeline as generally in-line with Orsted (D's 3 months tighter slightly) with cost considerations largely manageable as best we can tell at this point.

What to expect on the 4Q call update?

With mgmt.'s upcoming 4Q call we expect to get the roll-forward view of the outlook ro years 2021-2025 as well as capex by year and by program (i.e. offshore wind, battery storage, solar, transmission, nuclear relicensing, S.C. spend, gas pipeline replacement, etc.) In addition, we expect to see rate base growth (potentially annually but more likely a CAGR). While we do not anticipate a fully defined 10yr capex outlook, we expect mgmt. to provide some parameters on how to think about spending into the 2H of that 5yr window. Given a large chunk of offshore wind will be included in this capex outlook, we could see potential upside to rate base growth in VA (vs. guidance of 7-8%).

Where is 2021 guidance shaping? Positive tailwinds

While '21 guidance is expected to equate to 10-11% growth, we could see some slight tailwinds to the $3.85-3.90 guidance with 2020 trending toward the top-end of guidance ($3.37-$3.63). Further given the weighted average price of the share repurchase program for the $2.1bn executed upon was done at the $77-79 range with the remaining amount likely at higher levels (shares currently trading near $85/sh), this could also create a modest tailwind. We would expect to see a clean share count from '21 going forward as buybacks are in the rear-view. Lastly, mgmt. expects to grow at 6.5% annually thereafter despite some lumpiness with capex more back half weighted through

O&M levers to help smooth out the growth trajectory. We think this would be viewed constructively similar to many of D's more aspirational peers (i.e. WEC, CMS, AEE, etc.).

Watching South Carolina: expecting some noise ahead

With the single digit rate increase requested (7.75%) in South Carolina, we perceive the case to be palatable, albeit political considerations are likely to come in the mix given the first rate request since D purchased SCANA. We would not be surprised to see a sub 9% ROE in upcoming Staff/Intervenor testimony (potentially 53% recommended cap structure) given the more consumer friendly Office of Regulatory Staff (ORS) and emotional connection from past nuclear transgressions in the state. That said, mgmt. sees a relatively straightforward case with $3bn of grid hardening related investments, equating to just 1% annualized bill inflation and continues to remain conservative in its guidance assumptions. We stress D is on track to earn low 8% ROEs this year. We also expect mgmt. to provide a full update in its SC spending on the 4Q call despite the rate case process ongoing as it has already filed its IRP in the state and continues to see grid hardening needs.

Federal renewable procurement: early, but nice exposure

Following recent Presidential elections, one potential avenue that we perceive could be a tailwind for D is through federal procurement of renewables (i.e. the President mandating federal buildings to procure renewable generation). Given D's close proximity to these buildings in VA, this could present a potential opportunity. While mgmt. highlighted it is still too early to quantify the impact, it highlighted that 10% of its sales are from government entities and continues to have conversations with its federal customers.

Evergy Inc. (EVRG)

Following recent media reports that EVRG once again rebuffed NEE's offer, mgmt. pointed out the statement in response to Elliott, highlighting that it evaluated the stand-alone plan (STP) and elected to go that route with the activist at that time. Mgmt. went further to say that it doesn't believe they are fairly valued and there is no process going on or offers in front of them. Instead, most of our meetings focused on the stand-alone plan where mgmt. discussed potential securitization with legislation in Jan., an IRP filing in April and July for MO and KS, respectively, that will provide a parallel path with the legislation, and how it intends to execute on renewable ownership, and earning its allowed ROEs while combating rate inflation in order to execute against the 6-8% growth targets. While we note the confidence from mgmt. in its ability to execute against its own targets, we wonder whether the ~13% implied premium (from the $15bn reported offer) relative to EVRG's current stock price (or ~18.8x P/E multiple) can be achieved on a stand-alone basis. Transitioning to a new CEO (internal?) by YE could potentially lead to capitulation. Still we see stand-alone prospects as attractive at current levels and look for more tangible data points in early Jan. with the MO response to the STP on 1/29 (pushed from 11/13) and securitization progress, although do acknowledge potential downside to our estimates in '21/22 to reflect lag dynamics. Maintain Buy on shares.

Securitization process marching forward

Mgmt. continues to expect securitization bill to be filed in early Jan., putting it on a parallel path with its IRP filings in MO and KS (April 1 and July 1, respectively) where the company intends to provide a path w/ and w/o securitization. Given the engaged stakeholder process with other key players in the state, including AEE, the NRDC, Sierra Club, and Staff, commissioners we continue to see momentum on this front.

Targeting 500MW of retirement w/ potential for more through securitization

In the IRP, mgmt. will likely target 500MW of coal to retire that has a modest remaining un-amortized balance that would have minimal financial impact through the loss of rate base earnings. We believe this could be La Cygne given it fits that profile. With securitization mgmt. could accelerate retirements over the next 10 years that would

normally be slated for retirement in the 2030-2040 timeframe. Mgmt. further highlighted that maintenance spend for these plants are below depreciation rates so it continues to work down the life of these assets. Given the potential cost savings from these retirements and the reinvestment of proceeds into rate base renewables (700MW expected with IRP) this would likely alleviate any material earnings divot.

Rate case considerations: expect some lag in '21/22

While mgmt. expects to file a rate case in 2022 and 2023 for MO and KS, respectively, earning its authorized ROE in the interim through cost savings, we would expect some lag to build in '21 and 22 in MO and KS prior to the filings. Additionally, given EVRG does not have a rider for the contemplated renewables, it wouldn't be able to earn on these assets until placed in rates in '23/24. While our initial assumptions were that mgmt. could execute on cost savings into the rate case, we believe there could be some additional lag ahead of the ~40bps we assume for Evergy Metro, ~50bps in MO west, and ~75bps in KS Central (we had earlier thought cost synergies from the closed Westar integration could well minimize lag vs historical levels). That said, we appreciate that there is a delicate balance here and perceive this as a trade-off to ensure more constructive regulatory treatment. On balance, we see strategic updates including CEO role as key over next few months *prior* to 4Q.

Cadence of updates: 4Q expectations

While mgmt. provided capex and O&M trajectory updates at an unusual time in the past given the activist involvement, we expect 4Q will be back to the 'regularly scheduled program'. Look for a 5yr capex program to coordinate with the IRPs but not necessarily a roll forward of the 6-8% EPS growth rate. This will be perceived awkwardly potentially – a new CEO remains critical to providing the latest view forward.

Fortis (FTS)

Can Upside Materialize after Latest Roll Forward?

Latest discussions with management followed the recent roll forward at their Fall update when the company laid out a $19.6Bn investment plan over the next five years, translating to a slightly lower ~6% rate base CAGR (vs. ~7% previously through '24) – and as the company continues to await key regulatory updates. Commentary suggested confidence in the positioning of the company under the incoming administration, particularly given efforts around clean energy and with AZ in a prime position to capitalize on the renewable push. The company has highlighted an opportunity of $4-$6Bn at UNS from the 2020 TEP IRP while we perceive the ~6% rate base growth at ITC as potentially conservative under a Biden administration if some of his clean energy policies are able to materialize (with a small amount of associated transmission interconnection in the plan). We await further details around large-scale transmission opportunities beyond reaffirming its longer-term aspirations. Meanwhile, we view any pursuit of contract renewables to be more nimble on the margin as opposed to a larger focus area as the company is now largely T&D.

Risk from Reg Agenda Still Lingers

Management continues to anticipate a final decision in the outstanding TEP rate case in late 2020 and is awaiting next steps from FERC's notice of proposed rulemaking on incentives. With latest results weighed down by the regulatory lag as we await new rates in AZ, this remains the key data point to watch into elections and the end of the year. We continue to perceive confidence from management around a resolution in the TEP rate case for new rates to be ready to take effect in January. Recall the company's last ask was a 10% ROE (vs. 9.75% currently) compared to staff at a recommendation of 9.28% - with a further bump from the Fair Value Increment Adjustment. While we see downward bias to the current 9.75%, favorable weather has provided some further relief more recently given changing weather patterns in AZ - and we assume this could continue going forward.

While earlier action from FERC around methodology for establishing base ROEs helped de-risk returns at ITC, the future of just what the all-in returns for the biz will be are still unclear with a NOPR on incentives still outstanding. With the latest ruling, FTS's all in ROE at ITC is currently 10.77% – with the 10.02% base, 50bps for RTO participation and a 25bp independence adder. The initial NOPR contemplates a potential elimination of their independence adder – while boosting RTO participation an additional 50bp. If ultimately adopted, we see a 25bp net benefit under new incentives not currently reflected in estimates. It remains to be seen what the future of FERC just may look like under a Biden administration.

In New York, the company filed a rate case in August 2020 with the NYPSC requesting an electric rate increase of US$33 million and gas delivery rate increase of US$14 million, with a decision expected in mid-2021. Given the scrutiny in the state as of late and the recent efforts by Cuomo to hold utilities more accountable, we could yet see pressure here.

Meanwhile, the Alberta Utility Commission issued a decision in November 2020 rescinding the September 2019 order with Fortis Alberta retaining ~$400 million in transmission investments in rate base.

We reiterate our Underperform rating, seeing regulatory risk and a lack of clear cut EPS trajectory as underappreciated at the current valuation.

IDACORP (IDA)

Ratebase Growth – Robust upside opportunities ahead drives confidence

Discussions emphasized robust rate base growth with upside opportunities not included within IDA's current 5-Yr forecast including Hells Canyon re-licensing, increasing ownership of the Boardman-to-Hemingway (B2H) transmission line, and additional distribution system modernization. Additionally, mgmt emphasized that its strong balance sheet should limit any equity needs. Recall the potential for Idaho Power to acquire Bonneville Power Administration's ownership share – which would result in Idaho Power owning up to 45% of the transmission line with a normal return on the capital investment.

Mgmt expressed that they will continue to evaluate whether or not to file for a ratecase annually after having stayed out since 2011. That said, with potential for a meaningful increase in spend within a couple of years as highlighted, we see a rate case as more likely than not over the next couple of years despite the strong growth.

Overall, we remain constructive about further future rate base upside and see IDA as well positioned to execute on their NT plan. We probability-weight rate base upside opportunities from Hells Canyon relicensing and B2H ownership expansion at 75% and 50%, respectively. Reiterate Buy.

Customer load growth trends – remains elevated at 2.6% TTM

Mgmt noted load growth into Idaho from other states with increasing population due to work-from-home flexibility. In terms of customer growth trends, resi remains elevated (+3%) as with most utilities given work-from-home. Agriculture/irrigation load has been stronger this year (+1%), but mostly as a result of a return to normalized weather (colder and weather in prior years). That said, smaller commercial load has been hit harder, while large C&I load was hit earlier but has largely returned. Nonetheless, we stress overall load growth trends of 2.6% TTM even against the pandemic backdrop.

NiSource (NI)

We came away from our NI meeting with increased confidence that mgmt. is evaluating potential portfolio optimization options (i.e. Gas LDC sales) to replace a portion (or all) of the planned equity/equity-linked financing behind its renewables strategy (this remains a key debate after earlier stating it was a prospect at its Analyst Day and holding back on affirming this intention in recent weeks at it 3Q call). However, it is clear to us mgmt. does not believe the discount where Gas LDCs are currently trading is warranted. Additionally, NiSource is not in a rush to get a deal done as the company indicated its equity-linked hybrids issuance (the first portion of its renewable strategy equity financing) can be anytime in 2021. We continue to view the divestiture route as quite attractive for the NI narrative along with the broader Gas LDC subsector. We believe any M&A in the depressed subsector likely brings a re-rating higher for both NI shares and the group. We reiterate our Buy rating as we believe NI shares continue to present a unique opportunity on the wide relative discount in Gas LDCs with M&A optionality, renewables upside in rate base, and potential for positive revisions.

Portfolio optimization still an option – potential smaller Gas LDC sales in focus

Considering mgmt. commentary regarding portfolio optimization to maximize shareholder value, we think it is apparent mgmt. is looking closely at potential asset sales such as it smaller Gas LDCs in lieu of some (or all) of the equity financing behind its renewable strategy. With a sale of any Gas LDC, NI would effectively be replacing gas rate base with renewable electric rate base. Mgmt. does not agree with where Gas LDCs are currently trading (~3x discount vs electric utilities) highlighting that electrification cannot replace gas particularly in the colder climates. We continue to argue that a sale of a Gas LDC could drive the group (and specifically NI) to re-rate higher and drive a material inflection in shares. We perceive unique sensitivity for the wider sector to any M&A. Also, even excluding a potential asset sale, we flag that with NI shares now at ~$25/share, each move higher only implies less dilution in the out years, assuming it can hold these levels into next year and '22.

On the flip side, we note mgmt. affirmed during our meeting that all its Gas LDCs are earning close/at their authorized ROEs (as mentioned on the EPS call last week) – likely screening less attractive for potential buyers. Just in the last week, CNP announced its Gas LDCs are up for sale and the asset sales are baked into its financing plan. We note this is quite different from NI financing strategy, which does not include any asset sales. With the timing of NI's equity-linked hybrids issuance slated for anytime in '21, the company has a wide window of time to get a deal done (likely wider than CNP) to offset some of this financing. Note in our recent NI upgrade, our theoretical scenario analysis indicated that a potential asset sale of NI's three smaller Gas LDCs (VA, KY & MD) could offset most of the renewable equity financing in a likely accretive manner.

Renewables financing: equity-linked hybrid options with 50% equity treatment

Excluding any potential asset sale, more than half ($600-1,000mn) of NI's $1.2bn equity financing of the renewable strategy will be comprised of equity-linked hybrid securities. NiSource reiterated that the primary requirement of these equity-linked hybrids is that the company receives at least 50% equity treatment by the credit rating agencies. Mgmt. outlined that the two main types of securities under consideration at this juncture include: 1) mandatory convertibles, and 2) perpetual preferreds.

Equity-linked Hybrids: Mandatory Converts vs Perpetual Preferreds

NI noted that mandatory converts would look similar to the securities recently issued by Dominion. When assessing a utility's debt metrics, Moody's treats mandatory converts as 50% equity pre-conversion while S&P treats mandatory converts as 100% equity. For perpetual preferreds, the credit rating agencies all use 50% equity treatment. NI has issued perpetual preferreds before at 6.5% and 5.65%, but mgmt. believes it could price perpetual preferreds today at ~200bps lower rates. While perpetual preferreds obviously have greater earnings drag and lack tax deductibility, NI believes the benefit of avoided

equity dilution outweigh the income statement friendly mandatory converts. Meanwhile, NI will also have to assess the balance sheet implications when looking at the more favorable equity treatment under the mandatory converts. That said, we believe it is still early stages to make a decision here on the hybrid equity financing strategy considering that any portfolio optimization and the stock price in the interim can influence subsequent decisions.

7-9% EPS growth ('21-'24) with or without the -5c COVID impact in '21(base yr)
Mgmt. noted that that the base year (2021) of the +7-9% EPS CAGR (2021-2024) may include or exclude the -5c COVID EPS impact baked into the mid-point of 2021 EPS guidance of $1.28-1.36. This indicates that the mid-point or roughly the high-end of the guidance range can be used as the base year for the +7-9% EPS CAGR, effectively implying a wider range of EPS outcomes in the out years.

How does guidance commentary reconcile with our EPS CAGRs?
We model 2021 EPS (base year) at $1.32 (the midpoint of guidance including -5c COVID impact). Off of our 2021 EPS estimate at the midpoint of guidance, our implied EPS CAGR ('21-'24) is 10.3%, which is above NI's +7-9% EPS CAGR. However, when the -5c of COVID impact is added back to our base year estimate of $1.32, our implied '21-'24 EPS CAGR is 8.9%, which lands inside NI's +7-9% EPS CAGR. Bottom line, while mgmt. color around the LT EPS CAGR points to a wider perceived range, we believe there is a clear bias to the upside of the range given the conservatism baked into the base year guidance range. Pending execution this winter heating season, this provides potential for positive estimate revisions.

Northwestern Energy (NWE)

2021 Shy of Street but Add'l Spend on the Way

Ahead of upcoming EEI meetings, NWE reaffirmed full year 2020 EPS of $3.30-$3.45 while launching 2021 guidance of $3.40-$3.60. The initial 2021 guidance came in line with our model, but below Street estimates of $3.60 – with the midpoints of '20 and '21 implying 4% growth y/y. Drivers include 1% volumetric growth and less of an impact from COVID, with O&M largely flattish y/y. We perceive the hope from management is to tighten the range in February when we have a bit more clarity around COVID implications and how the pandemic recovery plays out over the next couple of months. Given the fluidity of the pandemic backdrop and latest spike in cases, it remains to be seen how even 4Q will shape up: recall latest load expectations factored into full year guide are +2% resi, -4% commercial, and -9% industrial. Meanwhile, we estimate another nickel at risk if the company isn't able to get a constructive outcome around COVID expense recovery. Look for an outcome in the next month or so.

With the latest update, the company also refined and rolled forward its capex forecast, adding $317Mn through '24 and an initial investment wedge of $400Mn in 2025: we estimate about ~80% of capital is T&D driven as we await clarity around potential generation spend in MT and given what we expect to be some repairs tax eligible spend, we see downward pressure to the tax rate relative to that previously communicated for 2023. Look for more clarity with full year results.

The company continues to target a 3-6% EPS growth over time after latest messaging on the 3Q call: discussions from our meeting clarified expectations for it to be somewhat lumpy with earnings on the lower end without rate relief, and rate cases to provide support to the 4-5% level. We suspect a constructive outcome around generation efforts in MT as necessary to achieve the top end of the range.

Are Cost Cuts Sustainable & Contemplating Equity Needs

We see less concern on the margin around using 2020 as a test year given what is seemingly more sustainability around the cost cuts than feared. That said, we still see a pre-approval filing as more likely if the company is ultimately able to win some

generation in Montana. A firm decision around a rate case will likely be communicated with 1Q21 results.

Meanwhile, we await clarity around timing and magnitude of equity needs which we think is likely to come in February after resolution of the ongoing MT RFP. Overall, management continues to allude to the ~14% FFO/Debt threshold to keep credit metrics intact. While outcomes in MT have been more constructive over the years, we stress the Colstrip challenges and PCAM developments more recently as more concerning – and critically wait to see how the regulatory dynamics change under latest commission developments.

We maintain our Underperform rating on shares, stressing limited growth prospects without rate relief and meaningful generation spend longer term.

OGE Energy (OGE)

Following the recent 3Q update last week where OGE lowered FY20 consolidated EPS guidance to $2.00-2.06 (from $2.08-2.18) due to milder weather (-0.09 EPS impact YTD), our EEI meeting was centered mostly on strategy and the moving pieces into '21. Mgmt. continues to provide no comment on any strategic action as it relates to ENBL. We expect an update on ENBL at CNP's Analyst Day on December 7th with OGE now aligned with CNP in terms of strategic decisions at the shared Midstream entity. We flag that excluding the weather impact YTD (i.e. adding the 9c weather impact back to new guide), this implies 2021 consolidated EPS is roughly $2.16 +/- 3c at the high and low end, potentially indicating slight downside to consensus. Perhaps more importantly, mgmt. remains committed to its organic growth profile with Gas LDCs not very high on its list and do not screen well from an ESG standpoint. We maintain our Buy rating as we think OGE continues to present one of the only stocks we cover with such a pristine balance sheet (22% 2020E FFO/debt) where we can apply a 1x discount vs peers, and still arrive at such substantial upside in our SOTP.

+4-6% growth off '19 normalized EPS implies 2021EPS of ~$2.16 (cons = $2.21)
During the meeting, mgmt. reiterated that weather normalized 2019 EPS at OGE utility of $1.65 should be used as the base year for OGE's LT EPS CAGR guidance of +4-6%. Assuming midstream (ENBL) EPS in 2021 is flat y/y at the midpoint of 2020 midstream EPS guidance of $0.32-0.36 and HoldCo 2021 EPS is flat y/y at breakeven, this implies 2021 consolidated EPS is roughly $2.16 +/- 3c at the high and low end. Hence, we suspect there may be more negative estimates revisions to come given 2021 consensus EPS is currently at $2.21 and OGE's long history of providing relatively conservative guidance. We expect OGE to provide 2021 guidance alongside its 4Q update in early 2021 per typical reporting cadence. Note in 3Q, OGE reduced O&M by $20mn to offset load impacts from COVID and milder summer weather. Most of this O&M reduction will carry through into 2021 providing operating leverage tailwind into next year. However, this will be partially offset by some deferred costs that that OGE pushed out, but will have to eventually incur. Bottom line, despite potential negative revisions on the margin, we continue to expect solid execution at the utility into next year as OGE notes it is seeing improvement in its service area economy in terms of load and remains disciplined on costs.

Focus is on electric: Gas LDC M&A seems unlikely
With a number of utilities looking to monetize their gas LDCs and considering OGE's balance sheet strength, it would seem OGE could be a potential acquirer as the company was previously in the gas distribution business and some of the assets for sale are adjacent to its service territory. There is also the question of whether a Gas LDC sale at CNP would be tied into a strategic action with ENBL at OGE and CNP. Recall, Bloomberg Headlines recently stated that OGE is joining CNP in putting its ENBL stake up for sale. While mgmt. emphasized that it would never say never, the company noted its focus is on the electric business and gas LDCs would not be high on their list of potential acquisition targets. Additionally, mgmt. highlighted that Gas LDCs do not screen well

from a de-carbonization standpoint – a key consideration now at OGE. We would highlight the Gas utilities continue to trade at record-wide discounts to electric utilities. Recall, CNP stated outright on the 3Q call, that it is putting the company's gas LDCs up for sale. NI has also noted it would consider portfolio optimization via the monetization of smaller Gas LDCs to replace a portion of its equity financing of the renewables.

Renewables: Favor solar over wind – 2021 IRP filing likely includes renewables
As OGE looks to build new generation while also off-setting its carbon footprint, mgmt. noted it prefers to build solar over wind. To date, the company has built four solar farms to date and is adding a fifth in 2021, including its first in Arkansas. While OGE recognizes it needs to align with de-carbonization trends, mgmt. made clear it wants to balance this with keeping its rates at the lowest vs peers across the nation. We perceive OGE's upcoming 2021 IRP likely lends its self to more renewable generation, specifically solar, providing potential incremental capex opportunities. In the past, OGE has noted it prefers solar due to higher capacity factors and the company already has a tracker for solar. We will keep our eye out for stakeholder discussions around the upcoming IRP filing.

Public Service Enterprise Group (PEG)

We remain confident on PEG's power pivot with prospects of capturing the ESG premium (admittedly not yet seen in shares) with the divestment of its non-nuclear power business by YE-2021 in addition to a shift out of coal to be finalized by July '21 with Bridgeport Harbor's closure. While investors may voice concerns on the nuclear side (particularly given recent scrutiny of nuclear subsidies in IL and OH), we see some possibility around lower ZEC pricing but overall perceive a different regulatory backdrop in NJ, along with clear necessity for supporting clean energy targets. With election-related uncertainty largely set to the side for now, mgmt will likely make an announcement on its involvement in Orsted's 1100 MW Ocean Wind project (we anticipate a 25% equity stake). It appears that NJ Senate regulators have resolved disagreements with Orsted around economic benefits to NJ communities. At the utilities, the remaining $1bn CEF (AMI, EV, ES) will be the focus with resolutions by end of Q1 (AMI may come slightly earlier of the three). Longer term, we see potential for capex at the utilities driven by infrastructure improvements to spur NJ's economy. Maintain Buy.

Power asset sales & ESG premium

Mgmt expects to start marketing its non-nuclear assets later this year with a deal targeted by YE-2021. While not seen just yet, we continue to perceive this as a re-rating opportunity from an ESG angle. The exit from coal by July 2021 should also help benefit ESG ratings. We further highlight the benefit from improvement in FFO/debt metrics from the current ~20%; mgmt has been in multiple discussions with the rating agencies and feel comfortable in their estimates. The question will be valuation; while PEG has noted meaningful investor interest in the assets, we note the historical trend of declining transaction multiples (albeit admittedly few in recent years for comparison purposes). Separately, we note the possibility of PEG considering sale of the nuclear plants, as well, if insufficient regulatory support is received for the assets.

Offshore decision to come by end of November

PEG expects to reach a decision on a potential ~25% equity stake in Orsted's Ocean Wind project by the end of the month, with the election trajectory adding more certainty around the project. Recall that NJ Senate President Steve Sweeney and two other regulators had requested that the BPU suspend approval of Ocean Wind, arguing that Orsted had not delivered sufficient benefits to state and local communities. We believe that this disagreement between Orsted and regulators has since been resolved, and Orsted has enhanced their commitment; while Orsted had planned for more assembly to take place in Europe, they are now committed to shifting more of the work to NJ.

Nuclear, subsidies, and the clean energy transition

Mgmt continued to voice confidence in the need for the state to consider FRR (Fixed Resource Requirement) election given the alternative of paying twice for capacity under a MOPR construct in the PJM market, if offshore wind enters the mix. However, we note that given the critical role of offshore wind, any FRR election would be on a longer dated timeline (with offshore wind COD ~2025). Mgmt stated they would assume any FRR would be at least for a five-year period, for planning purposes. The further question will be whether the FERC changes/adds seats under a Biden administration and consequently makes FRR considerations less necessary. Meanwhile, the NJ BPU expects to make a final decision on ZECs in April '21; we see a range of outcomes possible between $0/MWh and $10/MWh vs. the prior round which only offered a binary outcome.

Utilities: CEF and other capex opportunities

Mgmt remains focused on the remaining $1bn CEF ($600mn AMI, $300mn EV, $100mn ES) and expects resolution by end of Q1 (AMI could come sooner, however – even by year-end, albeit likely more early '21, in our view). Longer term, we see potential for capex from infrastructure improvements in order to stimulate job growth given the state's economic circumstances. Gas distribution has potential to grow further.

PNM Resources (PNM)

Our meeting focused on the anticipated AGR/PNM merger including renewable prospects and transaction risks as well as latest NM political developments such as the ballot initiative. While PNM has never owned any wind and only has some small solar projects in rate base, their ability to own future renewable generation remains a critical question and likely a key strategy for AGR. Non-PPA renewables will be a key focus in NM and TX given limited presence of AGR at present. While we see room to expand further particularly in New Mexico, the question in our view will be whether AGR will be able to successfully navigate the RFP process in the state as PNM was recently rebuffed on its efforts to pursue ratebase investments. Key considerations for the RFP process going forward will likely be reliability (likely a greater issue now following San Juan) and cost. AGR should have a cost-of-capital advantage in addition to their expertise in development with likely lower costs. We also note opportunities for export out of New Mexico, which AGR would be in a better position to do. We note a number of regulatory hurdles including NMPRC (8-14 mo), PUCT (6-8 mo), FERC (3-6 mo), Hart-Scott Rodino (1 mo), CFIUS (3 mo), FCC (1 mo), and NRC (6-8 mo). Given a cash deal, the risk is the lack of a breakup fee for PNM in the event of a shareholder vote rejection (although a breakup fee would apply in certain other circumstances).

PinnacleWest (PNW)

We continue to view PNW as facing elevated risks associated with its pending rate case. That said it has been taking efforts to minimize the impact of the outcome. The recently-filed rebuttal testimony's inclusion of an Advanced Energy Mechanism (AEM) rider addresses questions about recovery of a significant portion of 2021-22 capex, though stakeholder and staff support for inclusion remains uncertain and in our view affects prospects for a subsequent case filing. We note the bundling of multiple revenue recoveries at once (including an economic angle to soften impacts to native communities) as particularly key to gaining support of the commission. Approval of renewables rider and recovery of environmental spend is tied to economic support to these regions. When coupled with potential for further O&M (expecting flat) into '21, this could help minimize our real lag concerns heading into next year.

While the AZ commission election points to a 3-2 Republican majority, we acknowledge uncertainty about rate case outcome persists while recent amendments to Energy Rules have largely clarified the outlook from a state policy perspective. If anything emerging anew is a (concern) around retail competition. We see this as having limited traction, but perceive this could once more gain some attention to little outcome (given the colorful, and cautious history in Western US). Maintain Underperform on PNW.

Coal commitment added in concert with AEM rider mechanism

Rebuttal testimony include a proposal for the AEM, a rider which would allow for concurrent recovery of renewable energy investments while also consolidating the existing Demand Side Management Adjustment, Renewable Energy Standard, and Lost Fixed Cost Recovery mechanisms. Among the key nuances with the proposal for the rider is the expectation for the case process to proceed to a fully litigated outcome – the previous AZ Sun renewable rider serves as a template for the new proposal, however that rider was included as part of a settlement. We think that were the AEM to not be included in the final order, the timing of the *subsequent* filing could be moved up in order to speed recovery of $600m of clean generation spend included in the 2021 spending plan. PNW is framing the inclusion of a further proposal for the Four Corners Coal Community Transition as working in concert with its AEM, with $100m in commitments to support the Navajo Nation economy impacted by the scheduled retirement of the Four Corners facility. With the inclusion of financial support for the key Native American stakeholder groups in the state, mgmt. expressed confidence in garnering support for its AEM rider along with the scrubber recovery which remains a significant portion of the rate case revenue requirement ask. We note that at this stage of the rate case process it remains unclear whether staff will support additions of these mechanisms (or whether a petition outside of the case process may be needed).

Election outcome sees Republican majority intact at 3-2

The incoming Democrat commissioner Anna Tovar received the largest individual share of votes, potentially driven by name recognition having served as mayor of Tolleson. Incumbent Rep commissioner Lea Marquez Peterson recently supported an amendment to state energy rules that calls for a transition to zero carbon – this aligns with PNW's own decarbonization goals and is a key nuance relative to the other proposals which would have required a 100% renewable goal, and overall supportive of PNW's goal to include Palo Verde as an ongoing component of its generation fleet. The third elected commissioner is Republican Jim O'Connor who waged a successful write in campaign – while his specific policy leanings remain uncertain we perceive some likelihood of alignment with Commissioner Olson. While Olson's position as in line for the title of chair suggests that the topic of retail competition may receive renewed attention in the coming months with the potential for additional proposals and workshops, we note that support among the other three commissioners is unclear given lack of majority support from the current bench (and we perceive incoming Dem Tovar is not a natural ally). Mgmt additionally noted the closing of the rate tool docket as an indicator that the relationship with the commission is improving – we look to the next round of testimony submitted by staff in response to the latest PNW proposals as the next key data point.

Portland General Electric (POR)

Trends Continue to Improve after Conservative Scale Back

After introducing 2019 as a base year for their 4-6% LT EPS CAGR with 3Q results, discussions with management continued to suggest confidence around the long term trajectory of the company despite the challenging year. Commentary noted robust opportunity from both in-migration and grid upgrades, and we continue to expect the remaining delta in capex after earlier cuts as likely to re-materialize over the next several months (recall $100Mn was added back to the plan with the 3Q update after a $180Mn cut between the first couple of quarters).

While management will launch 2021 guidance with full year results, both loads and the economy have been much better than expected and we suspect an expectation to get back to more normalized levels with trends across the board coming in above management's more conservative forecasts. We see the current base capex plan as translating to the lower end of the 4-6% LT CAGR with additional spend resulting from customer growth, generation, and electrification and storage opportunities longer term as driving a growth rate elevated from the low end of the range.

Although management hasn't clarified any rate case plans, we see less concern around their current equity layer after the trading loss shifted their capital structure – and management doesn't anticipate any equity needs under the current plan.

Recall POR also recently announced that it has permanently shuttered its Boardman Generating Station in Eastern Oregon's Morrow County, fulfilling the previous agreement with stakeholders in 2010 to significantly reduce air emissions from power production in Oregon by ending operations at Boardman 20 years ahead of schedule and transitioning to cleaner energy resources. Following the closing, their partial ownership in Colstrip (non-operating) is their only remaining coal exposure and we see potential to exit before 2030 given the latest developments.

Our PO moves to $48 (from $42) as we mark-to-market our SOTP valuation with peer electric utility multiples on '23 EPS at 17.3x (from 16.2x). We also lower the discount to 1x (from 2x) as wildfire risks dampen given seasonal change.

Board Review Still Pending Resolution

Meanwhile, we await developments from the ongoing Board Special Committee review of the energy trading losses and company procedures and controls related to trading. While a subsequent investigation following any outcome internally could still be initiated by the commission, we stress constructive developments from the OR PUC with deferral dockets around both COVID and wildfire related expenses.

We reiterate our Buy rating: we see a constructive setup after a challenging year given the deep discounted valuation and positive developments.

WEC Energy (WEC)

WEC's rolled-forward update focused on continued support for robust growth of its regulated electric and gas asset base, targeting ~7% growth in rate base through 2025, along with a meaningful acceleration of the Energy Infrastructure spending planned over the coming 5 years to $2.2B. While the non-regulated infrastructure segment remains the fastest growing at the company, mgmt. reiterated that it sees an EPS contribution of ~8% by 2025 and no more than 10% over the long run. Perhaps more meaningfully, mgmt. reiterated the opportunity to rate base its infra renewables as a way to offset the Point Beach PPA which is set to roll off in the early 2030s. We continue to see WEC as offering one of the more high-quality and low-volatility earnings profiles in the space, with both factors reflected in shares' meaningful premium to the rest of the sector. Maintain Underperform on WEC.

Framing the expanded Energy Infrastructure capex plan

The $2.2B targeted spend at the infrastructure business is evenly spread through the out years of 2022-25 as those years represent mostly whitespace spend. We note that while the *initial* iteration of the previous spending plan also included largely evenly-distributed investments, projects were largely pulled-forward into 2020. While mgmt. did not comment on specific projects it intends to announce, the company has consistently discussed to expended opportunity set seen in its pipeline of attractive investment opportunities of late. While investments have thus far focused on wind, we see potential latitude for adding solar or battery storage over time as well. Geographic mix has been largely focused on the Midwest US, and while an expansion to other regions is possible we do not expect significant expansion beyond WEC's existing territory (i.e. CA less likely). Mgmt continues to flag ~3% EPS contribution in 2020 with an expectation of the segment accounting for ~8% of consolidated EPS by 2025. *Bottom line, unclear precisely to what the investments in energy infra will be tied, but stress this appears a key component of overall growth objectives. We see this as a lingering uncertain element within mgmt's historically specific EPS targets. Mgmt appears to suggest earnings growth from energy infra will remain relatively consistent, albeit see capex bias as accelerated towards initial years suggesting front-end loaded growth. We bias towards seeing largely wind investments in upper Midwest, but could well shift to solar here too.*

Gas LDC business seen as a key in Upper Midwest
WEC's updated carbon reduction goal calls for 55% cuts vs 2005 baseline levels by 2025, while reaching 70% in 2030. Importantly, the updated emissions goals *do not* contemplate an early retirement of the Power the Future (PTF) assets which earn ROEs of 12.7% with 53% and 55% authorized equity capital – mgmt. continues to see these as a key part of the portfolio and among the most efficient coal generating facilities in the US, with coal assets in particular fully scrubbed. With the Wisconsin Governor's energy task force set to announce the recommendations of its climate plan soon, WEC mgmt. is confident that its plan will align well with state-level goals. The gas LDC business remains a key component of the long-term strategy given the cold weather states that make up WEC's service territory, electrification and more marginal solutions such as heat pumps are not seen as replacements for gas distribution over the intermediate term. The company continues to evaluate inorganic growth opportunities within the context of its 3 key criteria for M&A.

Sales forecast reduced at the margin, still see +1% or better through '25
The long-term sales guidance for electric and gas was reduced in the rolled forward 2021-25 forecast to 1.0-1.3% for electric and for gas, down from 1.2-1.5% previously. Mgmt highlights ongoing development in the SE Wisconsin industrial corridor as a key component underpinning its updated forecast – with $900m in targeted investment by industrials in the area growing to $1.3B in the current year. Also of note, the load growth forecast includes announced projects only and does not account for potential halo effects of second-order projects clustered around large development zones such as Foxconn. Transmission remains an opportunity for enhanced spend as well – though WEC reflects its pro-rata portion of ATC's investment profile which is tapered through 2025 – as WEC mgmt. sees potential need for additional buildout following the significant renewable generation put in service in recent years. *On balance, despite the shift in sales forecast, numerous levers persist to avoid a rate case in 2021. We see further delays of regulatory risk ensure their relative premium.*

Xcel Energy (XEL)

XEL's rolled-forward update focused on the incremental opportunities to its five-year regulated capex program which now targets $24B in investment through 2025, with the increment representing stimulus spend targeted at wind repowering and solar generation in MN. On the policy front, we see XEL as largely aligned with state-level initiatives in its key MN, WI, and CO jurisdictions. Over the long run we expect that XEL will be among the more aggressive utilities in terms of decarbonizing its gas LDC business, though mgmt. indicates that meaningful investments are expected on a 10-15 year timeframe, notable because of the northern US service territory which makes alternatives such as heat pumps difficult to scale. Maintain Neutral on XEL.

Election impacts in MN and NM; tax credit angle for further renewables
At the state level, MN's local elections resulted in a split state government with both the state house and senate in Republican control. We view this as largely preserving status quo in the state in terms of energy policy – while stakeholders we had previously spoken with expressed some expectation of renewable portfolio standard legislation passing, this is now more of a remote prospect given the split government. XEL has been involved in the stakeholder process around the WI governor's energy task force as well, with those recommendations expected to be published soon (company sees its strategies aligned). Last week's elections had a meaningful impact on New Mexico with that state's commission moving to an appointed from an elected body – while this is a constructive development its impact on XEL should be muted given EPS exposure (sub-5%) in the state. XEL is not making assumptions about federal policy as it relates to renewable tax credits – some proposals have been floated including cash up front in exchange for credits generated by renewables – with the principal concern around potentially accelerating more coal retirements and renewable build in its MN and CO

jurisdictions centered around customer bill impacts – watch the MN resource process which is expected to take 6-9 months to conclude.

MN stayout decision due soon, CO lag seen as manageable

The MN commission is expected to rule on XEL's proposal for an extension of its current rates sometime in December. The components of the request seen as key to an extension remain the continuation of the sale true up provision, nuclear decommissioning costs, and property tax deferral. *We see a further extension of rate case need as adding to de-risking backdrop to the company heading into 2021.* The Colorado electric utility last had rates approved in Dec 2019 with an approved ROE of 9.3%; given that filing's use of a historical 2018-19 test year there is a degree of lag relative to the filing that is expected to remain through the duration of the forecast period. Among the key open issues in Colorado is the wildfire rider which seeks ~$130m of incremental wildfire investment recovery through 2025 with the commission decision expected in mid 2021. We expect that XEL will be able to maintain earned ROEs *with a relatively consistent level of earnings lag relative to the 9.3% authorized (we est 8.8% in '21). We perceive an ability to stay out of rate case here is a key element of sustaining its outlook with less risk.*

Gas LDC a key part of the business mix, exploring RNG and hydrogen

XEL expects to make meaningful investments in reducing the emissions profile of its gas distribution business within the coming 10-15 years, seeing the overall opportunity as akin to the company's decision to embrace wind generation. While significant emissions reduction is not a major part of the spending plan right now the company is exploring hydrogen and RNG applications. Partnering with suppliers in addressing upstream emissions issues is a key area of focus as well. With additional gas LDC systems potentially for sale in contiguous territories, the company has not ruled out inorganic growth as well.

Holdco debt seen manageable, below 25% of total

XEL's $24B of capex through 2025 is underpinned by a financing strategy whereby holdco debt remains at 22-23% of total company debt through the forecast period (we see 2c increase in parent interest expense through '23); note the upper bound from Moody's perspective is 25%, leaving XEL latitude on its forecast.

Table 1: Stocks mentioned

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AES	AES US	AES Corp	US$ 21.36	B-1-7
AEE	AEE US	Ameren Corp	US$ 83.19	A-2-7
AWK	AWK US	American Water	US$ 164.98	B-3-7
AVA	AVA US	Avista Corp	US$ 37.66	B-2-7
BKH	BKH US	Black Hills	US$ 63.94	B-2-7
CMS	CMS US	CMS Energy	US$ 67.31	B-1-7
D	D US	Dominion Energy	US$ 86.16	A-2-8
EVRG	EVRG US	Evergy	US$ 57.50	B-1-7
FTS	FTS US	Fortis	US$ 42.34	A-3-7
YFTS	FTS CN	Fortis	C$ 55.35	A-3-7
IDA	IDA US	Idacorp	US$ 94.69	B-1-7
NI	NI US	NiSource Inc	US$ 24.66	B-1-7
NWE	NWE US	NorthWestern Corp	US$ 59.05	B-3-7
OGE	OGE US	OGE Energy Corp	US$ 34.15	B-1-7
PNW	PNW US	Pinnacle West Capit	US$ 91.35	B-3-7
PNM	PNM US	PNM Resources Inc.	US$ 49.24	-6-
POR	POR US	Portland General	US$ 44.56	B-1-7
PEG	PEG US	Public Service	US$ 60.81	B-1-7
WEC	WEC US	WEC Energy Group Inc	US$ 105.28	B-3-7
XEL	XEL US	Xcel Energy	US$ 75.07	B-2-7

Source: BofA Global Research

Price objective basis & risk

AES (AES)
Our price objective is $23 and is based on a sum of the parts analysis applying a blended valuation approach, the summation of 1) EV/EBITDA approach across global generation assets. We use an 8.0x group multiple for US IPPs and apply a 5.0x premium for US distributed generation for further growth expectations. Meanwhile, we value the DevCo using a 15% discount on 2.5GW of annual renewables beyond '22. In Asia, we apply various multiples based upon jurisdiction risk across the rest of the portfolio. We use mark-to-market value of publicly listed LATAM subs as well as apply a P/E methodology for US regulated utilities of 16.5x including a 1x premium multiple at IPALCO and at DPL. We also credit the company with Vietnam and its $114Mn investment in Uplight. We further apply a 5x P/Sales our '21E for AES share of Fluence.

Downside risks to our price objective are negative regulatory outcomes in the US, international currencies devaluing against the US dollar, and expensive M&A acquisitions impacting value and a reduction in emerging market power demand growth.

Ameren Corporation (AEE)
Our $88 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2023E ratebase weighted peer multiple of 16.6x for electric. We apply a 3.0x premium to peers at AEE Missouri to account for the improving prospects of capital spend, supplemented by a regulatory jurisdiction becoming more favorable - but lack of decoupling. We apply a 3.0x premium to peers at AEE Illinois to account for decoupling on the distribution business which aids in earnings predictability. The overall business is expected to grow at a more meaningful clip than that of peers - we see a 10% EPS CAGR at IL 2020-2024. At ATXI, we apply a 2x premium to peers to reflect the FERC ROEs. At the Parent, we assume 2.5x multiple premium reflecting average of the subs and given the healthy debt metrics with FFO/Debt at 17%+. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. The upside (downside) risks to our price objective are the utilities earning their allowed returns or better (worse), a significant increase (decrease) in 30-year U.S. Treasury bond yields, and positive (adverse) regulatory outcomes that could impact mgmt's ability to earn its allowed return

American Water Works (AWK)
Our PO for American Water Works is $139. We apply the sector average 25.7x to American Water's 2023E earnings based on the water peer multiple and a 8.1% group EPS CAGR for '18-'23E. We think this multiple is justified as in our view AWK largely drives the peer multiple as the largest publicly traded water utility. We ascribe a 3x premium for NJ, PA, and IL, and a -3x discount to the military biz. Meanwhile, we ascribe a 12x multiple to the non-regulated Retail biz. Also a -1x P/E for Cali utility. no prem/discount for 'Other' segment with smaller state exposures.

Risks to the downside are increase in market interest rates, potential impact of tax reform on utilities, operational errors, changes in valuation levels for water utilities. Risks to the upside are accelerating muni acquisitions, multiple expansion, and constructive legislation in regulatory jurisdictions.

Avista (AVA)
Avista (AVA) Our $38 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the large cap electric group multiple of 17.3x and the gas regulated multiple of 15.5x. Both electric and gas peer P/E multiples are grossed to reflect the group's 5% CAGR to reflect capital appreciation across the sector. We then use a blended electric and gas multiple of 77% and 23%, respectively, for AVA's WA and ID jurisdictions given the

composition of its rate base. We apply the gas multiple to its OR jurisdiction as it is entirely comprised of natural gas distribution assets. Meanwhile, we apply an electric multiple to its Alaska subsidiary, AEL&P, as it is a vertically integrated electric utility. We apply a 12.0x multiple to AVA's Corp & Other businesses as we cannot apply a full utility multiple given it consists of investment funds with a lack of visibility in earnings relative to utilities. We stress that AVA does not have any HoldCo. debt, thus no need to net out debt. Lastly, we now apply a 2x discount to all AVA's utilities to capture increased uncertainty associated with fire risk. Risks to achieving our price objective are 1) execution risk, 2) improving regulatory relationships, 3) decrease in interest rates, 4) ability to deploy incremental capital spend, 5) constructive rate case outcomes in any of the jurisdictions.

Black Hills Corporation (BKH)
Our $64 PO is based on a SoTP valuation.Gas Utilities: We apply a 1x discount to the 14.2x peer P/E multiple on 2023E EPS. Electric Utilities: We apply a 1x discount to the 16.8 peer P/E multiple on 2023E EPS. Both electric and gas peer P/E multiples are grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. Coal Mine: We apply an 8x peer EV/EBITDA multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a discount/prem multiple to that portion of the mine. IPP Assets: We use the recent sale price and '23/EVEBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag and debt.

Downside risks: operational errors, increasing interest rates, and difficult regulatory environments.
Upside risks: favorable weather, favorable regulatory outcomes, higher capex deployment

CMS Energy (CMS)
Our PO of $69 is based on a SotP relying on 2023E forward P/E multiples for the utility and banking business and a 2023E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 5.0x prem to the avg regulated multiple P/E of 16.5x for the electric seg and of 14.7x for the gas seg, with the 10-yr capex update providing clear sight on ratebase growth and further upside, as well as cont'd favorable regulatory environment, and finally historically proven ability to consistently perform at the high end of guidance range. Both electric and gas peer P/E multiples are grossed up to 2020 by 5% to reflect capital appreciation across the sector. For CMS' merchant business we apply a 8x EV/EBITDA multiple, in line with current market value of CMS power plants (specifically DIG), moreover DIG has relatively favorable contracts for the near future which strengthen plant earnings. Finally, we apply a 15.5x P/E multiple on CMS' consumer lending subsidiary Enerbank, in line with forward P/Es other smaller regional banks with similar growth profile.

Risks are: 1) earned ROEs declining which reduce CMS utility earnings 2) execution risk on capex and cost cutting which would primarily affect the utility earnings, 3) negatives changes to market energy prices which could affect the DIG plant's ability to re-contract at the assumed prices.

Dominion Energy (D)
We use SOTP to derive our $86/sh PO. Utilities: We value VEPCO at 4x prem multiple to elec. peers of 16.6x '23 P/E and 13.9x w/ 2x prem on '23 P/E to D's portfolio of gas LDCs (East Ohio, Hope Gas (WVa), and Questar (UT)). Mults are grossed up to by 5% to reflect capital appreciation. We value Wexpro at 10x disc to gas utility peers for declining rate base/ROEs and reg. risks. We ascribe a 2x premium multiple for SCANA legacy utility assets, and a 2x disc. for the NND asset. We also net out NPV of ongoing bill credits.

Merchant: We apply an 8x FCF multiple for Millstone and separately apply a 100% wt to our NPV est of the ZCP cash flows. We include the full EBITDA from the contracted renewables with a 11x '23 EV/EBITDA multi w/ 3x prem in line with peers. Cove Point: We apply an NPV approach with to our DCF adjusted for the 50% sell-down in the facility. For remaining debt beyond that allocated to state utilities, we incl a 50% wt towards a str netting of leverage, with the remaining 50% using a P/E multiple on associated interest expense, in line with the methodology employed for more highly levered diversified utilities.

Downside risks: increase in rates, capex below assumptions, unconstructive regulatory outcomes, delays and/or cancellation of key projects vs our expectation.

Evergy, Inc (EVRG)
Our $62 price objective for EVRG shares is based on sum of the parts valuation, applying an in-line utility peer 2023E P/E of 16.6x. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. We further apply a -1.0x turn discount across the Kansas Central subsidiary based on our perception of a slightly more punitive regulatory stance toward electric utilities ahead of further stakeholder engagement on the standalone plan.

Downside risks to our price objective are adverse regulatory outcomes in rate cases, higher interest rate environments, adverse and unexpected risks associated with operating a nuclear facility, the possibility that the strategic review committee does not result in a transaction recommendation and that a modified standalone plan disappoints in rate base and earnings growth when presented later in 2020.

Upside risks to our price objective are favorable regulatory outcomes in rate cases, lower interest rate environments, higher than anticipated O&M benefits and merger synergies, ability to recover capital tied to retired coal plant.

Fortis (YFTS / FTS)
Our PO is C$53 / US$39.85. We assign a 2023E forward base peer P/E multiple of 16.2x to the US utility business with a premium of 2.0x for UNS Energy (AZ), a 1.5x premium for ITC, and an in line multiple for Central Hudson (NY).
For Canadian utilities, we assign a base peer 2023E P/E multiple of 15.4x. Lower ratebase growth profiles and generally lower authorized equity layers/ROEs, paired with a more challenging regulatory environment, will continue to warrant a discount to US peers, in our view.
At Caribbean utilities, we apply 60% ownership share to the publicly listed subsidiaries' current market cap.
We assign an 8.0x EV/EBITDA multiple to FTS's non-regulated segment seeing the contracted nature of its non-regulated segment positively offset lower growth opportunities. We account for FX upside based on current spot prices

Upside risks are: 1) favorable weather 2) higher USD/CAD exchange rate given FTS has substantial unhedged exposure to the US 3) favorable regulatory actions

Downside risks are: 1)unfavorable weather 2) lower USD/CAD exchange rate given FTS has substantial unhedged exposure to the US 3) unfavorable regulatory actions

Idacorp (IDA)
Our $104 PO is based on a sum-of-the-part valuation (SOTP) of the utility and parent segments.

Our utility valuation is based on applying a 16.3x peer P/E multiple to our 2023 EPS estimates. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. We apply a 3.0x premium to Idaho Power to

account for acquisition premiums and ROE floor mechanism. We factor in probability-weighted opportunities for more ratebase from Hells Canyon & large-scale transmission ownership announced at EEI.

Upside risks to our PO are getting additional capital approved on expedited basis. Downsides risks are regulatory shifts or using up ADITC bank which ensures consistent ROE and earnings floor.

NiSource Inc (NI)
Our $26 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples of 13.9x for gas utilities and 16.6x for electric utilities with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex beginning in '22, but acknowledge industrial risk. Also, we now assign a 3x M&A premium to the VA, KY and MD gas utilities and a 0.5x premium on OH, PA and NIPSCO gas utilities to account for their embedded re-rating potential following any hypothetical sale. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

NorthWestern Corporation (NWE)
Our $57 price objective is based on a 3.0x discounted multiple to the 2023E peer multiple of 16.6x on our 2023E EPS given higher risk and slower growth. We note that electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector.

Downside risks to our price objective are 1) adverse regulatory outcomes, 2) inability to recover costs via the traditional mechanisms, 3) changes in the Commission constructs, and 4) further equity dilution. Upside risks are 1) improvement in regulatory environment 2) capex increases.

OGE Energy Corp (OGE)
We value OGE at $35/share based on a sum of the parts, separating the utility business from the Enable stake. For the utility business we apply the peer multiple of 16.6x on 2023E EPS. Electric peer P/E multiple is grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector. Note we apply a 1x discount vs peers to be conservative accounting for risks in Oklahoma reopening the state more aggressively. For the Enable Midstream stake we rely on the current market price of ENBL multiplied by the number of the shares owned by OGE to determine the equity value. We attribute no value to the GP shares, as we don't anticipate IDRs materializing over the next three years.

Downside risks are further declines in the regulatory environment possibly resulting in lower ROEs or other hurdles hindering OGE's ability to earn its authorized return. While not as exposed due to low parent interest, we see interest rate hikes as another potential downside risk. Finally, execution risk on existing capex schedule could put further pressure on earnings growth. Declines in value of ENBL share could also provide downside to our valuation.
Upside risks are shifts towards a more favorable Oklahoma regulatory environment, which could ease OGEs ability to earn its authorized return in the jurisdiction and

possibly increase capex plan as management views prospects in the state more positively. Improvements in value of ENBL share.

Pinnacle West (PNW)
Our price objective of $76 is based on a peer utility 2023E P/E multiple of 16.1x with a -2.5x discount to account for PNW's risk around its pending rate case as well as headline risk related to disconnect policy review. Electric and gas peer P/E mult is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. We ascribe an in-line premium despite clear renewable capex backdrop given ongoing regulatory risk associated with the company's upcoming rate filing and 2020 election risk.

Upside risks: 1) Regulatory relationships/outcomes could improve, including changes at the elected commission 2) load growth in territory above expectations 3) Riders and capital trackers could help achieve ROE 4) positive weather helps earnings 5) interest rate risk changes cost of capital - lower rates could improve 6) Consumer advocates or utility staff could become focused on issues that improve ROE

Downside risks: 1) Regulatory relationships/outcomes could decline, including changes at the elected commission 2) load growth in territory below expectations 3) Riders and capital trackers could hurt ROE 4) negative weather hurts earnings 5) interest rate risk changes cost of capital - higher rates could worsen 6) Consumer advocates or utility staff could become focused on issues that hurt ROE 7) Solar advocates in the state have engaged in public confrontations with the utility, which could change public relations in the future.

PNM Resources Inc. (PNM)
We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

Portland General Electric Company (POR)
Our $48 price objective is based on our 2023E EPS estimate discounted back to '21. We value shares based on a 2023E P/E methodology applying a 2.0x discount multiple to the 2023 regulated utility PE multiple of 17.3x. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. Our 1.0x discount multiple is based off the near time uncertainty and lack of clarity on trajectory and negative sentiment following the Aug 2020 reported energy trading loss. While our PO is a 12-month forward projection, we use a 2023 multiple, which is reflective of a discount back to 2021.

Downside risks are 1) the ability to secure commission approval for future wind builds, 2) power market risk due to the Power Cost Adjustment Mechanism (PCAM), 3) liabilities under a negligence standard for current or future fires caused by POR equipment.
Upside risks are 1) continuation of small/midcap regulated rally, 2) better than expected weather adjusted load growth, 3) further strengthening of company balance sheet, 4) power market risk due to the PCAM.

Public Service Enterprise Group (PEG)
Our $63 PO is derived from our SOTP valuation. For the utility we use a 2x premium to the 16.3x our 23E group multiple to value the regulated and parent side of the business. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector. PSE&G has meaningful growth capex planned, and while pressure on earned ROEs exists, the regulatory environment is favorable.
Downside risks to PO 1) interest rate increases, 2) unfavorable regulatory outcome, and 3) weather, all of which could lower PEG's earnings ability, 4) we caution dilutive asset sales, capacity auction uncertainty, and overall power headwinds as potential overhangs on the stock 5) BPU approvals.

WEC Energy Group Inc (WEC)
Our $87 PO is based on a 2023E SoTP analysis, based on the large cap electric group multiple of 16.8x and the gas regulated multiple of 14.2x. Both electric and gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector.

We apply a 4.0x premium to WEC's WI electric & gas subs to compensate for surety in earnings growth for the next two years following the Commission's affirmation of the recent settlement on above average ROE's of 10%+. We apply a 1x premium to the gas utilities, incl IL's Peoples Gas and North Shore Gas with the Gas System Modernization Program (GSMP) and capex forecasts de-risked following the ICC order. We ascribe a 2x premium vs. the group at ATC to account for the steady nature of earnings growth as well as above average ROE's that are set at a federal level by FERC. We give Power the Future (PTF) a 1.0x premium multiple given the ROE is set indefinitely on historical and new investments. We ascribe an in line multiple for the parent accounting for the interest expense which finances overall utility operations. For the HoldCo adjustment to debt, we net out 50% of HoldCo debt from equity valuation and adjust to add back the parent drag on interest exp.

Upside risks are stronger than expected execution and accelerating capital oppt'y. Downside risks are inability to achieve historical track record on cost cutting and ability to cont. to scale regulated investments given growing portion from contracted renewables.

Xcel Energy Inc (XEL)
Our PO is $72. We value Xcel Energy using a sum of the parts (SOTP) approach. Given the difference in geography, earnings strength, growth opportunity and risk profile, we divide the segments by subsidiary.

We use 2023E forward P/E multiples to derive a value for the different business segments, including the parent segment. We use a peer multiple of 16.6x . Electric peer P/E multiple is then grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. We apply a 4x premium to most subsidiaries except in MN and CO where we apply a 5.0x due to additional stimulus upside. We see this multiple as appropriate as the company has growth opportunities, resolving regulatory drag and resolving uncertainty around rate cases. We stripped Mankato as a non-reg asset in our SOTP due to the sale. We also net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage.

Downside risks are interest rate increases, regulatory risk such as lower authorized ROEs or less favorable riders/trackers for renewables and transmission, interest rate risk, execution delays, and weather anomalies.

Analyst Certification

We, Julien Dumoulin-Smith and Richard Ciciarelli, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Richard Ciciarelli, CFA
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	New Jersey Resources Corp	NJR	NJR US	Richard Ciciarelli, CFA
	Northwest Natural Holdings	NWN	NWN US	Richard Ciciarelli, CFA
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	South Jersey Industries	SJI	SJI US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 30 Sep 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	87	53.70%	Buy	64	73.56%
Hold	35	21.60%	Hold	26	74.29%
Sell	40	24.69%	Sell	21	52.50%

Equity Investment Rating Distribution: Utilities Group (as of 30 Sep 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	79	51.63%	Buy	59	74.68%
Hold	36	23.53%	Hold	24	66.67%
Sell	38	24.84%	Sell	25	65.79%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1749	54.79%	Buy	1114	63.69%
Hold	677	21.21%	Hold	415	61.30%
Sell	766	24.00%	Sell	386	50.39%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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November 11, 2020 | 03:26 ET | 03:26 ET~

Utilities, Power & Renewables

EEI 55th Financial Conference Takeaways

Bottom Line:
Similar to Presidential election there are still some votes to count as we finish our meetings at EEI tomorrow. **However, after two days and 18 meetings we found the conference updates from CNP, ETR and PEG to positive relative to our expectations**. And while we did not uncover any material negative surprises this year, **we believe the expectations surrounding AEP's renewable capital program and the lack of incremental clarity on AEE's own capital refresh (4Q20) and sales mix questions are likely to disappoint**. Inside we outline in more detail the broad sector themes coming out of the conference as well brief summaries of the takeaways from our meetings through today.

Key Points

We continued to be impressed by CNP's newly assembled management team in rapidly restoring investor confidence in an improving outlook. We look forward to the company's upcoming December 7th analyst day for its plans with respect to its 54% ownership in ENBL, which remains the last key piece to the re-rating of the story.

ETR continues to be one of our preferred GARP oriented names in the sector and our EEI meeting further solidified our already positive view that despite unique challenges within its service territory (Storms, Load Growth) its management team remains positioned to deliver on its 5-7% EPS growth outlook through 2023 as its cost management efforts can be tailored to near-term challenges.

We thought our meeting with PEG was one of the better meetings we had at this year's conference. The concrete steps the company has taken to resemble other premium utility companies is a result of the favorable regulatory outcomes at the BPU (recent $1 billion CEF – energy efficiency program approval) and decisive action the company has taken (planned sale of non-nuclear generation). Post asset sales, PEG may be in a position to give longer term EPS guidance that will be underpinned by 6-8% rate base growth and may result in addition improvement of its multiple.

For AEE, we had hoped to get some additional clarity on the company's 4Q20 capital refresh including the impact of the company's 2020 IRP filing. The integration of the company's 2020 IRP plan in MO added $3,000mm to its 2020-2029 pipeline of capital investments. In addition to the 700MW/$1,200mm included in its 2017 RFP, AEE sees an additional 950MW by 2024 in its preferred plan which it believes is also its least cost plan. Negotiations are ongoing as management assesses individual project attributes including cost, where they are in MISO queue, transmission interconnections, and PTC qualifications. AEE will give a full 5-year refresh to its capital expenditure program on its 4Q conference call.

Although in aggregate AEP's EEI update was largely in line with our current forecast and 6.3% EPS CAGR, after much excitement regarding its renewable spending program we think investors came away disappointed by the update and a small miss at the midpoint of its 2021 guidance. The company has included 450MW via RFP at I&M (300MW owned) to replace a portion of the capacity associated with the Rockport 2 lease. Given the net length at I&M we now do not expect the remaining capacity to be replaced but the $144mm of lease payments should provide ample headroom for future investments.

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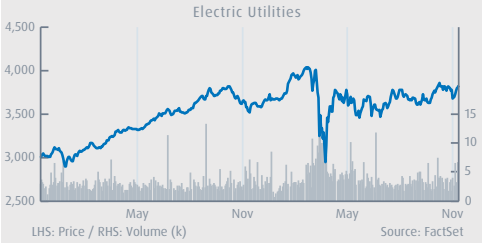

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BMO Capital Markets

Key Sector Themes – 55th EEI Financial Conference

1. Incremental expansion of renewable strategies across the sector as utilities seek to improve their profiles and grow regulated earnings with lower cost supply.

2. Refinancing opportunities will be a tailwind in the near-term given the sharp move lower in rates. In addition to continuous cost saving programs and the residual flow back of unprotected ADIT, this should position utilities well in aggregate to minimize rate case activity as COVID weighs on the economy and interest rates remain a risk to allowed ROEs.

3. Sales mix outlook remains robust for most into the 1H21- strength in residential sales should be a tailwind for the next few quarters but most expect this to taper into the back half of the year.

4. Lean cost practices have become a way of life and portions of the 1H20 COVID-related cost mitigation is likely to be reversed in 4Q as managements pivot to derisking 2021 and adding to headroom.

5. M&A is in headlines again, but most managements appear to prefer their own stand-alone strategies at 1x rate base relative to time-consuming, higher risk acquisitions at 1.5-2.0x. Although some see tuck-in acquisitions of gas distribution as possible, most view it on an opportunistic basis and prefer to grow their electric franchises and carbon-friendly non-regulated businesses. CNP's upcoming divestiture should prove to be an interesting valuation marker for the subsector.

6. The future of gas distribution and its associated multiple remains a debate. Although most do not see materially adding to this exposure especially inorganically, winter-peaking utilities continue be comfortable with their gas operations given heating penetration and much of the capital spending is related to reliability and safety.

7. Green hydrogen remains all the buzz and is finding its place as a more scalable storage alternative, but most agree this is likely still at least 5-10 years from a large-scale commercial roll out.

8. Corporate tax policy remains topical post the election but still viewed as potentially 12-months away. Impacts on customer bills (including EDIT balances) and marginal impacts rate base growth are the negatives while the improvement to cash flow and an associated benefit to credit metrics are the positive offsets.

9. The consensus remains that utility investment in wind, solar and battery storage should continue to grow as renewables cost come down. Tax equity is starting to play a larger role in management's ability to make the transition to cleaner supply affordable to customers.

AEE – (Outperform, $89 Price Target)

- We had hoped to get some additional clarity on the company's 4Q20 capital refresh including the impact of the company's 2020 IRP filing. The integration of the company's September 2020 IRP plan in MO added $3,000mm to its 2020-2029 pipeline of capital investments. In addition to the 700MW/$1,200mm included in its 2017 RFP, AEE sees an additional 950MW by 2024 in its preferred plan which it believes is also its least cost plan. Negotiations are ongoing as management assesses individual project attributes including cost, where they are in MISO queue, transmission interconnections, and PTC qualifications. The use of tax equity is also a consideration in this evaluation as a way to manage overall cost. As previously discussed, AEE will give a full 5-year refresh to its capital expenditure program on its 4Q conference call.
- Management still feels comfortable with rate headroom under the MO cap given the ~4% cumulative reduction in rates from the change in corporate taxes (3%) and decrease in its 2020 rate case (1%) relative to the 2.8% annual cap which began in April 2017. New renewables would be able to utilize recovery through the state's PISA mechanism (85%) but not the RESRAM mechanism (15%) as that applies only to compliance expenditures under the 2008 legislation. We will be watching for future updates from the company on what the Y-O-Y rate increases will be within the current rate cap mechanism.
- Despite management's solid operating and regulatory execution this year, the company's relative sales mix in 3Q was not as robust as some of its peers and weather reduced the end of its outlook for the year. We look to its 4Q update for a formal update on its retail sales expectations including the outlook for commercial sales impact on retail sales.

AEP – (Outperform, $99 Price Target)

- Although in aggregate the company's EEI update was largely in line with our current forecast and 6.3% EPS CAGR, after much speculation around a more robust renewable spending program we think investors came away disappointed by the incremental renewable capital plan and a small miss at the midpoint of its 2021 guidance.
- A 2021 outlook was initiated at $4.51-4.71 ($4.61 midpoint). This was a bit shy of our $4.65 estimate and represents a 6.0% increase off the midpoint of its 2020 range of $4.35 and at the top end of the company long-term CAGR. Of note, 2021 guidance assumes retail Load is 5c drag reflecting the impact of a more negative mix in 2021.
- Management sees its '21-25 capital plan at $37.4bn which is up $2.5bn from its most recent 5-year forecast. The primary changes underlying this update include $700mm in regulated renewables, $500mm at generation and $600mm in transmission. Rate base is now expected to grow at 7.4% ('19-25).
- Important to the '21-25 forecast, the Pirkey Plant will be shut down in 2023 and the turn back of the Rockport 2 lease will add the need for 450MW of capacity in the intermediate-term. The company has only specifically included ~450MW of planned replacement via an RFP at I&M (300MW of owned solar and 150MW of PPA wind) in its capital plan related to the Rockport 2 capacity.
    - Given the company's net resource length at I&M we do not expect the remaining 850MW of capacity to be replaced but the $144mm of lease payments should provide ample headroom for future investments.

  - At SWEPCO, the Pirkey and Welch retirements in 2023 and 2028 represent ~$700mm of net book value which should be replaced partially through the addition of North Central Wind, the company's IRP and incremental transmission spending.

- Management outlined a slightly higher CFO outlook 21-23 while equity timing has shifted due to the timing of the Traverse acquisition. CFO is up ~ $200mm, net due to fine tuning of working capital, D&A and fuel. Although the total equity over the three- year planning horizon is still ~$2,100mm, the weighting has shifted from $1,300mm in 2022 to $1,400mm in '23 to reflect the timing of the Traverse acquisition.

AES (Not Rated)

- Our EEI meeting with AES was positive. We see the company's narrowed America's (U.S. + Latin America and Caribbean) focused strategy combined with one of the industry's most robust renewable pipeline as an attractive potential energy transition leader. The company remains focused on furthering progress to unlock value as the company still trades at a meaningful discount to pure-play U.S. utilities despite its strength across Energy Storage, Solar and Wind in multiple countries.

- Unlocking value may get a kickstart with sale of a small minority stake (10%, AES ~ 5%) of the company's Fluence energy storage business (Co-owned with Siemens AG), likely some time before year-end. Buyer will likely be a financial player that share's AES and Siemens long-term vision to continue to grow the business which will see revenues grow 40% per annum the next several years. Proceeds from salle will be reinvested into Fluence with a longer-term eye to a potential IPO as company's growth while impressive may not translate into substantial earnings that utility focus investors tend to focus on. That said for now company likes the marriage of its various renewable development arms (sPower, AES DE, etc.) with its traditional electric distribution and conventional generation businesses and investments in new energy technologies (Uplight, 5B)

- AES has numerous opportunities to leverage its extensive experience and presence in key Central and South American and Caribbean and is positive about the potential for LNG and CCGT development in Viet Nam. That said, we came away with the impression that growth in the U.S. as well as continuing to grow its 2 U.S. T&D businesses organically remains front and center in terms of management priorities as it works to become a bigger energy transition player and helps increase confidence in 7-9% EPS growth.

- AES is clearly following a road map set out by ESG investors like Norges Bank as evidenced of its de-carbonization efforts via coal shut-downs globally. We think as a result AES could start making its way into more ESG focused baskets which could provide an additional tailwind.

CMS – (Outperform, $70 Price Target)

- Management remains confident in their 6-8% LT EPS CAGR guidance given its strong capital backlog, favorable regulatory construct, and high visibility. With commercial sales continuing to slowly improve and positive sales mix remaining persistent off early 2Q20 lows, management believes sales could be upside in their plan.

- CMS doesn't anticipate any material changes to the upcoming IRP in 2Q21. Over the next five years Consumers' reliability and efficiency-based rate base growth will be supplemented by a ramping renewables investment plan funded in part by the roll-off of the Palisades Nuclear PPA in 2022 ($90mm) and savings from the retirement of Karn Units 1 &2 ($30mm). Post 2025, the expiration of the company's contract with MCV will create incremental headroom

($50-60mm) in addition to savings from the retirement of the larger Campbell units 1 & 2 (255MW and 364MW, respectively). Management continue to evaluate the cost effectiveness of energy storage opportunities which if economic could accelerate renewable development and retirements of fossil assets. If the retirement of fossil unit benefits customer affordability and reliability, management will consider other options outside of securitizing the retired assets.

- CMS's has shown its ability to identify O&M efficiency and savings through energy waste reduction of ~2% YoY as well as identifying incremental O&M and possible fuel savings from the retirement of its older fossil fleet. Management feels comfortable and optimistic about their organic capital investment opportunities and aren't likely to pursue M&A opportunities despite the recent market noise.

CNP (Market Perform, $23 Price Target)

- Our EEI meeting with CNP was positive. We continued to be impressed by CNP's newly assembled management team in rapidly restoring investor confidence in an improving outlook. We look forward to the company's upcoming December 7th analyst day for its plans with respect to its 54% ownership in ENBL, which remains the last key piece to the re-rating of the story. We are most curious on the transaction structure CNP will pursue given the current tax basis in ENBL (-$1.8 billion).

- Starting point helps. We note that the O&M savings the company is targeting will be key to help provide the necessary headroom to help facilitate its robust rate base investment CAGR of 10%/year. However, we see a few factors that will work to CNP's advantage. Investment in renewables prior to the current Indiana IRP had not been made at the legacy Vectren business and allows for lower O&M at conventional plants that will be replaced by renewable generation. Cost structure particularly in terms of supply chain management following the close of CNP's acquisition of Vectren had never really been brought to bear and likely is low hanging fruit in our opinion. Finally, operational improvements in terms of number of trips into the field are improved along with customer service should also drive costs lower. We view these as all tangible steps unlike some other cost cutting initiatives that have been more amorphous.

- Company likes its gas LDC business, but increased investment will be geared towards the electric business. The company's recently announced $3 billion increase to its 2021-2025 capital expenditure program will be geared towards its electric utilities (2/3). Although success in the upcoming Indiana IRP process will help facilitate cost savings and a more ESG friendly story it's not an overly large part of the growing electric investment. Rather we see investment in the grid and reliability as being larger components.

- Financing focus on reducing parent leverage. With the company's very limited equity needs going forward ($75MM/year starting in 2022) as being one of the takeaways we highlighted in our 3Q recap, we see CNP management turning towards reducing its prior reliance on debt at the parent level. This along with a potential divestiture of ENBL could allow CNP to eventually to enjoy a lower FFO/debt downgrade threshold.

D – (Outperform, $88 Price Target)

- Management expects a noisier rate case in South Carolina give it's the long timeframe between cases and nearly $3bn in investment associated with the case. However, the company continues to believe the outcome will not have a major impact on its 2021 earnings guidance. Above average population and economic growth in South Carolina provides

Dominion with the opportunity to pursue robust investments in grid hardening and solar in region, which we'd expect to be recovered through a rate case review occurrence approximately every 1-2 years.

- Following the sale of it's GT&S assets to Berkshire, management can now narrow its focus on the execution of growing it's primarily regulated businesses and transition to an ESG leader in the sector.
- As it had already started a methane reduction program years ago for its LDC business, management thinks LDCs with relatively lower emissions will play an integral role in supporting the clean energy expansion
- With two large partnerships focusing of agriculture renewable natural gas, management believes there's opportunity for up to $2bn in RNG capital investments through 2025.
- Dominion is pursuing pilot hydrogen projects in 1Q21 at it's mock training town to test the level of hydrogen blend that could be used in it's existing systems. If the pilot is successful, Dominion plans to take the project into an actual town the following year. Management expects it can blend up to 5-10% of hydrogen in it's existing systems before having to make modifications to reach up to a 30% blend.

DTE – (Market Perform, $130 Price Target)

- Following the announcement of the spinoff of its midstream assets, DTE's focus turns to its regulated gas and electric businesses which now account for ~90% of earnings power and future growth. With a slightly elevated capex up front, the 7-8% growth guided to at DTE Electric and the ~9% growth at DTE Gas assumed in its 5-year forecast will be skewed higher the first few years, offsetting the dilution from equity converts in 2022. Management continues to believe the current capital plan and expected rate base growth positions DTE towards the high end of the guidance range.
- Following the spin transaction, management reduced its FFO/debt target to 16% from 18%. The lower threshold is more in-line with its purely regulated peers and it's been noted by credit agencies that this transaction is credit enhancing, supporting this lower threshold. In line with our pro-forma estimates, parent leverage is expected to decrease to 30% from 40% prior to the transaction announcement and we'd expect it to trend near that level.
- Management believes post spin its midstream business could trade in a range of 8-10x EV/EBITDA reflecting its conservative 4x leverage, 2x coverage, low maintenance capex, visible Haynesville growth profile and solid northeastern footprint. Coverage should provide some flexibility to grow its dividend but DTE also sees growth through low cost expansion capex as well as medium sized inorganic growth. Its Form 10 should be filed in the spring 2021 and this should provide some additional color on the company's outlook for initial DCF outlook that will incorporate the maintenance capex and interest expense cost of its external debt financing.
- Management continues to see its P&I and T&M as solid businesses in the portfolio post spin. RNG growth of around $7-8mm of net income per year is in line with the company's risk appetite. Although trading & marketing business not a core focus for DTE, it provides a risk management tool and generates ~$50mm/year in cash without the need to post material collateral given a facility in place to support the business.

ES – (Outperform, $99 Price Target)

- In February we expect ES to update its capital plan which should push growth to the top end of its 5-7% LT EPS CAGR guidance. Management continues to exclude $1bn of AMI (MA & CT) as well as solar opportunities in MA in capital plan. We'd expect incremental investment opportunity to be funded with similar equity levels as in the past ~50% equity.
- CT political rhetoric has cooled since the legislation passed
- Regarding its offshore wind program, all eyes will be on the Vineyard Wind permitting updates next week. Investors will also be watching the upcoming offshore solicitation in NY where ES and Orsted submitted a bid in the 2500MW solicitation with winners determined by the end of December.
- Management sees plenty of room over next few years to earn within sharing bands in MA (electric and gas) and CT given its multi-year rate deals. O&M will provide some help we do not expect it to be as large of a driver going forward. Returns in MA are expected to be a bit more back end loaded given their historic test years vs CT's forward test year.

ETR (Outperform, $124 Price Target)

- Our EEI meeting with ETR was positive. ETR continues to be one of our preferred GARP oriented names in the sector and our EEI meeting further solidified our already positive view that despite unique challenges within its service territory (Storms, Load Growth Slowed vs Initial Estimates) that its management team remains positioned to deliver on its 5-7% EPS growth outlook through 2023 as its cost management efforts can be tailored to near-term challenges. Given that the management only recently concluded a comprehensive Analyst Day presentation with a refreshed 5-year outlook we did not expect or see much new at EEI.
- The company remains confident with respect to its upcoming Arkansas FRP extension. ETR sees talks with the Arkansas PSC staff potentially picking up ahead of a December 4th settlement deadline, particularly given that the company just settled its last FRP filing under the current FRP regime and now the focus returns towards the potential of an extension. The company remined us that this is the first-time regulators in Arkansas have had an opportunity to evaluate an extension after the initial move to FRP process so some of the noise and fits and starts to the process were expected.
- Louisiana FRP also remains on track despite the apparent need for a run-off election for 1 of 2 LAPSC commissioners who was up for re-election. ETR indicated to us that despite the need for Commissioner Eric Skrmetta (Republican) to face a run-off against Democratic challenger Allen Borne that it's sees no impact on timing of the LAPSC to take up the FRP extension.
- FFO/Debt metric path back to 15% by mid-2022 remains on track with cadence towards reaching goal determined by when storm securitization process is finalized.

EXC (Outperform, $52 Price Target)

- Our EEI meeting with EXC was neutral. Given EXC is in the midst of its process to potentially separate its EXC Generation business (we think via spin) there was not too much we gleamed in terms of incremental financial information on what the pro-forma companies may look like, particularly with respect to credit. Having said, that we think that a separation of EXC

Generation is very likely. Company will provide update on 4Q call on where the process stands.

- Company tone on IL legislation but timing or outcome will not determine fate of EXC Gen separation in our view. EXC expects energy legislation may find a new sense of urgency for Governor Prtizker since his other key legislative initiative (progressive state income tax) was defeated. In addition, company has not closed the door on the FRR option as eventually finding more support in Illinois. That said legislation will not be taken up until the start of the next legislative session and will not feature in Veto session in November/December.
- Pending CENG Put Option will not present meaningful issue in separation evaluation. Timing on resolution of the exercise price of EDF's put of its interests in its co-owned nuclear plants with EXC in MD and NY remains outstanding but company has run scenarios with and without completion of the put option and also doesn't see it as major complicating factor in evaluating EXC gen as a viable standalone entity.

LNT – (Not Rated)

- Management continues to execute its Phase 1 Clean Energy Blueprint in Wisconsin (2019) and Iowa (2020). The focus in Phase 1 has been on an evaluation of the company's whole generation fleet and distribution system. LNT management sees their Blueprint model as an iterative strategy that can be updated as they approach future retirements and to reflect the future changes in the cost of clean supply. Phase 2 will focus on repowering, storage and transmission. Its 5-year forecast assumes no equity to fund its regulated growth which drives its outlook for a consistent 6% EPS CAGR. In WI this has resulted in the addition of 1000MW of new solar through the end of 2023 (in addition to its 500MW of owned wind), incremental battery storage and the retirement of the 414MW Edgewater Station by the end of 2022. The company field in May for recovery of the six project, 670MW tranche with a 2Q21 order expected.
- In IA, the company sees adding up to 400MW of solar by 2023 (in addition to its 1,300MW of owned wind), adding incremental battery storage, the retirement of the 275MW Lansing Station, and the conversion of its Burlington Station from coal to natural gas. LNT will utilize tax equity for its 400MW of IA solar implying 60-65% of the project cost will be reflected in rate base. Looking forward, the use of tax equity should help bring forward additional retirements given the lower impact to customer.
- Management continues to work on taking costs out of the system with nearly $60mm achieved and driving headroom in rates for future investments. In IA $30mm has be taken out through lower energy efficiency costs and other $30mm from the mitigation of COVID-19 impacts and the recent Derecho as well as its transformation process which has been using automation/technology and headcount attrition (5-10%) to lower its cost structure. Looking forward LNT expects annual O&M to decline 3-5% off a $500mm base as its technology investment and distribution enhancements return efficiencies.

NEE – (Outperform, $79.25 Price Target); NEP (Outperform, $70 Price Target)

- Although NEP didn't need the assets dropdown from NEER to drive its distribution growth, we view the dropdown and deal with KKR as a win-win for all parties, allowing NEP to recapitalize while simultaneously better positioning itself for future growth. With a mandate of clean energy assets with long term contracts with credit worthy parties, we don't expect NEP to pursue incremental pipeline assets especially given their shorter expected lifespan.

- At NEE, management remains very interested in transmission assets acquisitions given their favorable regulatory treatment and the long-term opportunity to support renewables development growth.
- With Hydrogen projects Management highlights hydrogen as the last leg to get to zero carbon emissions with the largest opportunities coming from the power generation industries push to decarbonize, followed by the transportation industry and industrial parties feeling the pressure from ESG investors.

NI – (Outperform, $27 Price Target)

- NiSource reaffirmed their 2021-'24 growth plan that drives an estimated EPS CAGR of 7-9% fueled by renewable investments replacing the retirement of fossil units.
- Management believes the compression of the LDC valuation is overdone given the support it provides to further decarbonization. Although management will continue to look at capital rotation opportunities we do not see the company actively pursuing the sale of any of its smaller LDCs at this time. If the company would undergo a strategic review of its gas distribution franchise we would look at VA, KY and MD as the most likely sale candidates.
- NiSource's current capital investment plan includes ~$1.8-2bn renewable investments which would be funded by approximately 60% equity. Timing of the dilution remains aligned with the assets in-service dates through the end of 2023. The company still expects to fund equity portion with $600-1,000mm of hybrid/mandatory convert in 2021 and the balance to be topped off with block equity sales in 2022 & 2023. Management noted that it has already received several revers inquires on the 2021 financing but has not gotten firm commitments or discussed the coupon on the product. It is expected that any structure would support at least 50% equity credit which favors a preferred host structure as well as treasury accounting to avoid dilution.

PEG (Market Perform, $61 Price Target)

- Our EEI meeting with PEG was positive. We thought our meeting with PEG was one of the better meetings we had at this year's EEI conference. The concrete steps the company has taken to resemble other premium utility companies is a result of the favorable regulatory outcomes at the BPU (recent $1 billion CEF – energy efficiency program approval) and decisive action the company has taken (planned sale of non-nuclear generation). PEG once it completes its asset sale may be in a position to give longer term EPS guidance that will be underpinned by 6-8% rate base growth and may result in addition improvement of its valuation multiple.
- Asset sale on track for close by 2H of 2021. Given the size of the portfolio, softness in gas gen sale comps and the company's receptiveness to sale of pieces of the portfolio to likely at least 2 or more buyers we had thought there could be a scenario where PEG could end up retaining some of the fossil generation assets but that is not something management is entertaining and is determined to move towards more regulated operations.
- Some noise around extension of NJ ZEC for next 3-year is possible. PEG is in the process of attempting to secure a 3-year extension of ZEC payments for its NJ nuclear plants and also advocating for an increase to the current $10/MWh payment with management keenly aware of the potential for some initial potential for blowback. However, given recent favorable outcomes and the importance for these assets to reach the state's ambitious carbon reduction goals we remain optimistic that at the least an extension is secured. The final BPU decision is

due in April of 2021 but we are waiting for a preliminary decision next month to see where the starting point will be for final negotiations. The transparency of the timing and the procedural schedule is in stark contrast to what we have seen in Illinois and what transpired in Ohio. While PEG echoed its previous statement that it felt like maintaining ownership of the nuclear assets as they request an extension of ZEC payments was the "right thing" to do by the state, we think that should an opportunity or need later down the road to re-think continued ownership, PEG would consider a sale.

- Offshore wind the wait continues but we think the company will ultimately proceed with Orsted on Ocean Wind and likely participate in other offshore solicitations in the mid-Atlantic. We had anticipated that one of the potential big reveals in an EEI conference year short of them would be PEG's formal announcement it is moving forward with its option to invest in Ocean Wind, Orsted's winning bid in the first NJ offshore wind solicitation. However, the company continues to exercise its full allotment of time for due diligence.

SRE – (Market Perform, $138 Price Target)

- We believe management is moving closer to a partial monetization or alternative structure around its LNG business – will "give update on 4Q call or before." The message to investors is management remains very committed to the LNG business and believe there is incremental value to shareholders in the platform

- Any transaction is about sourcing lowest cost of capital in market. Feel very good about LNG developments and strategy and looking at lowest cost of capital to grow business, strengthen balance sheet and highlight LNG value. Although credit rating agencies have noted that if SRE were to expand its LNG exposure in a meaningful way that it could be negative to credit quality, SRE believes that Cameron as example, has no commodity exposure and no volume exposure which offset pressures from other credit negative implications. This would be done with the purpose to grow its business, strengthen the balance sheet and crystalize the value of its LNG program. Any proceeds would not be used for the $2bn buyback authorization. This authorization remains a placeholder for opportunistic buybacks.

- SRE will provide more details of its 5-yr capital plan at the investor day in March. Management noted Oncor has the scope to increase CAPEX at least another $1bn above its $12.2Bn 5-year plan. With 100GWs of renewables in que in TX, there's plenty of opportunities to deploy capital. Even with its increases capital plan, Oncor is still expected to have the lowest rates in TX

WEC – (Not Rated)

- Management taking advantage of low interest rates to refinance $1,650mm of debt at holding company. $950mm of this was called early. In addition to extending the maturities, WEC reduced its coupon from 3.3% to 1.6% and left the $20mm+ of prepayment costs in 2020 EPS guidance while still expecting to be at the top end of the $3.74-3.76 range.

- Day-to-day cost savings initiative continuing to pay dividends with 2021 forecast calling for a 4% reduction off a ~$1,100mm base and in line with a similar decrease (~3.4%) off its 2019 base of $1,140mm.

- WI rate case cycle calls for spring 2021 filing with rates effective 1/1/22. Management is continuing to work on a strategy to potentially stay out of this upcoming case through unprotected ADIT, and cost savings and CAPEX-related deferrals. Rates have increased ~1% since 2019 and management expects a small increase should they file in 2021,

- In addition to the 1,100MW of scheduled retirement's at Oak Creek (units 5-6 2023 and units 7-8 2024), WEC sees an additional 300MW of retirements to be identified in the next year. Its 5-year ESG plan includes ~$600mm of undepreciated book balance which represents ~2% of total assets and ~5% of WI rate base.

XEL – (Market Perform, $70 Price Target)

- Management remains very comfortable with the 5-7% LT EPS CAGR range. The incremental capex from its MN R&R proposal could drive above the range but management remains mindful of its credit position and will fund any increase with the appropriate amount of equity.
- With the possibility of several LDCs hitting the market in the next year, we think it's more likely the company will focus on organic opportunities rather than M&A. Management noted they have benefited from a higher than average P/E multiple given their focusing on growing organically and the ability to build at ~1x rate base vs purchasing at 1.5-2x rate base. Management does believe scale and consolidation led by premium companies will take place, but it remains difficult due to social and regulatory issues.
- Entering 2020 XEL forecasted a modest increase in O&M which is now down YoY led by initiatives to offset COVID-19 impacts. Management believes their O&M efforts to combat COVID-19 impacts have likely brought forward their cost program and with technology they would expect it to pay dividends long-term. YoY we should expect to see a flattish O&M profile.

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Buy	Outperform	47.9 %	29.7 %	56.1 %	49.4 %	57.7 %	57.7%
Hold	Market Perform	49.6 %	21.3 %	41.7 %	48.0 %	41.0 %	37.5%
Sell	Underperform	2.3 %	25.0 %	2.3 %	2.3 %	1.4 %	4.8%

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
Integrateds – Market Overweight
IPPs – Market Overweight
Gas/Power Infrastructure – Market Overweight

November 11, 2020

UTILITIES & POWER

EEI takeaways – more conviction in bullish views

- **Premium utilities remain strong and the laggards are catching up fast**
  Nearly all of our meetings at EEI were positive this year. Rate base growth keeps rising, regulation has stayed broadly constructive and earnings growth rates are seeing upward bias – NEE, NI, CNP, SO, DUK – among others have all suggested higher EPS growth. The premium ESG friendly utility stories keep getting better. And the discount value names are becoming more and more investable. Diversified utilities are de-risking their business mix (D, PEG, PPL, EXC, DTE, CNP). Project and regulatory risk companies like SO, DUK and SRE have better visibility. The CA utilities (EIX, PCG) are nearing the end of a manageable fire season. Even the gas LDCs finally got some positive datapoints with CNP's plan to sell some of theirs and positive tone from owners and potential buyers at the conference. **Utilities have been led by the high quality ESG leaders, but it feels like the pack is starting to catch up.**
- **Is the GREEN trade still good? Yes**
  The transition to renewables from coal continues unabated. We had several announcements at EEI and earnings – AEP, WEC, LNT, etc. The GREEN trade is spreading to a broader group of companies and becoming a key part of most utilities' plans. Most see a Biden Administration and Congress being supportive even with no blue wave with potential for renewables tax credit extensions at the very least. NEE sees acceleration of general business credits as N-T stimulus driver and NEE/FTS highlight transmission as another driver of more renewables. Offshore wind will also be a key growth area for ES, D, AGR and maybe PEG – even if BOEM siting somehow goes bad this week (11/13 decision), there is a Biden "put" once he takes office.
- **Business mix de-risking a bullish theme – PEG, EXC, DTE, CNP**
  DTE and EXC both announced plans to separate their non-utility businesses this earnings season. This follows D, PEG and PPL in Q2. CNP/OGE are a matter of time and SRE is considering small steps for LNG. We are bullish as we see multiple expansion as these transactions come to fruition. PEG, DTE and D all had very positive stories at EEI. EXC is a bit early but likely has the most upside and we came away more confident they will take action on the YE call. CNP has been an amazing turnaround story even before any ENBL action which we think is just a matter of time.
- **Gas LDC debate, CA utilities, FE, and NEE/EVRG**
  The tone on gas LDCs has improved. CNP plans to sell some of theirs, which many thought was not feasible a month ago. High quality utes like XEL and WEC speak constructively of theirs and XEL said willing to buy if overlapping. This is constructive for names like NI and CNP. EIX and PCG stories sounded constructive as fire season has been noisy but with limited damage – see our PCG upgrade note. To the negative, our FE meeting left us expecting more shoes to drop – see our note here. EVRG had another noisy conference with the quickly squashed NEE merger story. And investors are getting dizzy from the monthly NEE merger rumor.
- **Ideas: EXC, PEG, EIX/PCG, CNP, NI for value; D, NEE, DTE, ES for growth**
  We see EXC and PEG re-rating as they execute on their de-risking transactions in 2021. CA is nearing the end of fire season and we think it's the right time to buy EIX and PCG. CNP continues to be a great turnaround and NI is low-risk and cheap. On the quality side, we like the growth and clean energy plays at NEE/NEP, D and ES.

Please see full report for individual company takeaways

Exhibit 1: Top Ideas

Name	Ticker	PT
High Quality / ESG		
Ameren	AEE	91
Dominion Energy	D	91
NextEra Energy Partners	NEP	78
NextEra Energy	NEE	82
DTE Energy	DTE	143
Eversource	ES	99
American Electric Power	AEP	100
Value Plays		
CenterPoint Energy	CNP	26
Edison International	EIX	73
PSEG	PEG	64
Exelon	EXC	51
NiSource	NI	27
PG&E Corp.	PCG	15
NRG Energy	NRG	47
FirstEnergy	FE	33
PPL Corp	PPL	31
Vistra Energy	VST	33
Sempre Energy	SRE	147

Source: Wolfe Utilities & Power Research

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EEI – What's Hot and What's Not

What's Hot

EEI from home – got my weekend back
Becoming pure play utilities; business mix de-risking
Everyone's an ESG winner
Gas LDCs – not going away, weakness overdone
Storage and Hydrogen
IRPs and RFPs are bigger events than rate cases
Offshore wind – concerns and delays but it's not stopping anyone
EVs and electrification
Equity needs – more to come in 2021 – NI, ETR, AEP, ED, EIX, NEE, PCG, AGR

What's Not

NEE merger stories with someone
FE and Ohio
Midstream
Diversification
Big financial impacts from COVID

EEI takeaways – one line per company

AEE – Solid story, we think EPS growth of 6-8% into mid-decade, renewables upside possible
AEP – A lot of talk on renewables opportunities; but still unclear how much will be owned
AES – Management saying all of the right things; story sounds promising, watching financial discipline
AGR – Still a lot of work to do to build credibility; financing uncertainty, weak credit metrics; worried on offshore returns
AWK – Fundamental growth story with no end in sight; recent rate case execution was key
CMS – Impressive cost cutting in '20, continued cushion in hitting numbers; committed to growth in LDC biz
CNP – Story sounds awesome; new management team making a world of difference
D – Solid meeting; management understands that consistent execution is key to re-rating the stock higher
DTE – Not missing a beat post midstream spin; still targeting high-end of 5-7% EPS growth with strong B/S
DUK – Confident tone on NC legislation; several data points coming up in the next month or two
ED – Still not much to get excited about; Midstream separation seems inevitable, timing lot less clear
EIX – Bullish tone on CA, solid defense of the stock and clear messaging
ES – EPS growth of 5-7% from core biz intact; BOEM, offshore delays NT overhang but Biden tailwind
ETR – Constructive outcomes expected from the AR and LA FRP extension requests
EVRG – Messy meeting in the midst of Elliott/NEE noise; sticking with standalone plan, but investors hesitant on STP process
EXC – Constructive tone on IL legislation in '21; our sense is ExGen spin decision will be made by YE call
FE – Downbeat meeting; seem to be bracing for more shoes to drop; confident in liquidity, but no assurances on regulatory front
FTS – Lots to like with leverage to transmission buildout around renewables in Midwest; regulatory resolution in Alberta, soon in AZ
LNT – Capex sweet spot with no equity needs and 5-7% EPS growth; lots of rate-based renewables
NEE/NEP – Ideal election outcome, focused on renewables-related policy changes in Biden admin.; more bullish on NEP; little more guarded on M&A
NI – Talked down potential LDC sale; 7-9% growth on track, confident on financing, execution
OGE – Frustratingly shy on details about ENBL
PEG – Upbeat meeting, confidence in regulated growth and asset sale execution; offshore wind decision coming soon
PCG – Reasonable job so far during wildfire season; new leadership to be announced soon
PNW – A lot of things to like but still cautious on AZ regulation

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POR – Board review of trading losses still pending; will there be an equity need next year?
PPL – Announcement on UK sale in 1H21 appears on track; use of proceeds remains unknown
SO – Confident on Vogtle schedule; sees 6% EPS growth once past near-term Vogtle penalties
SRE – utility growth a highlight, comfortable with LNG/Mexico strategy, LNG financing appearing more likely
WEC – Solid as always; stepping up fleet transition with big coal to renewables shift
XEL – Rate case stay-out and capex upside in MN look promising; supportive commentary of gas LDCs

Estimate and Price Target Updates

Exhibit 2: Wolfe Research Earnings Estimates vs. Consensus

		2020E		2021E		2022E		2023E	
Company Name	Ticker	New	Prior	New	Prior	New	Prior	New	Prior
American Electric Power	AEP	$4.35	$4.34	$4.62	$4.68	$5.00	$5.03	N/A	N/A

Source: Wolfe Utilities & Power Research

Price target changes reflect premiums/discounts to the average sector multiple of 19x in 2022; this is up from 18.5x prior.

Exhibit 3: Wolfe Research Earnings Estimates vs. Consensus

Company Name	Ticker	Price	New PT	Old PT	Rating
AES Corp.	AES	$21.29	$21	$21	Peer Perform
Alliant Energy	LNT	$57.42	$57	$56	Peer Perform
Ameren	AEE	$82.37	$91	$89	Outperform
American Electric Power	AEP	$91.15	$100	$98	Outperform
American Water	AWK	$164.37	$165	$160	Peer Perform
Avangrid	AGR	$51.44	$47	$46	Underperform
Clearway Energy	CWEN	$30.64	$29	$29	Peer Perform
CMS Energy	CMS	$67.01	$67	$65	Peer Perform
CenterPoint Energy	CNP	$24.07	$26	$25	Outperform
Con Edison	ED	$81.72	$77	$75	Underperform
Dominion Energy	D	$85.68	$91	$90	Outperform
DTE Energy	DTE	$130.06	$143	$140	Outperform
Duke Energy	DUK	$97.31	$98	$95	Peer Perform
Edison Int'l	EIX	$62.90	$73	$70	Outperform
Entergy	ETR	$109.83	$116	$113	Peer Perform
Evergy	EVRG	$57.30	$59	$58	Peer Perform
Eversource	ES	$94.42	$99	$97	Outperform
Exelon	EXC	$43.84	$51	$50	Outperform
FirstEnergy	FE	$29.79	$33	$40	Outperform
Fortis	FTS	$42.10	$44	$41	Peer Perform
NextEra Energy	NEE	$77.54	$82	$80	Outperform
NextEra Energy Partners	NEP	$66.21	$78	$78	Outperform
NiSource	NI	$24.64	$27	$26	Outperform
NRG Energy	NRG	$32.22	$47	$47	Outperform
OGE Energy	OGE	$33.95	$38	$37	Peer Perform
PG&E	PCG	$10.71	$15	$11	Outperform
Pinnacle West	PNW	$89.59	$84	$80	Underperform
Portland General	POR	$44.57	$45	$43	Peer Perform
PPL Corp.	PPL	$29.41	$31	$31	Outperform
PSEG	PEG	$60.88	$64	$61	Outperform
Sempra Energy	SRE	$133.64	$147	$147	Peer Perform
Southern Company	SO	$63.92	$62	$61	Peer Perform
WEC Energy Group	WEC	$104.43	$101	$99	Underperform
Xcel Energy	XEL	$74.69	$73	$70	Peer Perform

Source: Wolfe Utilities & Power Research

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WOLFE RESEARCH

UTILITIES & POWER

November 11, 2020

Q3 Results Takeaways; Sales Growth Update

Q3 reporting rolled right into EEI so we combine our Q3 results and sales growth data in here. Earnings for the quarter YoY ended up 3.8% better than our estimate of about flat. See Exhibit 4-5 for quarters vs. expectation and guidance changes by companies. See the actual and weather normalized sales data in Exhibits 6-7.

Exhibit 4: Wolfe Research Earnings Estimates vs. Consensus

		Q3 2020		Q3 2019A		Q3 2020		2020 Midpt	2020E		Guidance Updates
Company Name	Ticker	Actual	Variance	Actual	Growth	WR	Cons	Guidance	WR	Cons	
The AES Corporation	AES	$0.42	-5%	$0.48	-8%	$0.44	$0.44	$1.37	$1.41	$1.38	Pointing to the top-end of 2020 guidance
Alliant Energy	LNT	0.94	7%	0.94	0%	0.88	0.88	2.43	2.43	2.43	Narrowed and raised 2020 guidance, 2021 guidance in-line and continued 5-7% growth
Ameren	AEE	1.47	-2%	1.47	0%	1.47	1.50	3.48	3.47	3.46	Lowered top end of 2020 guidance by $0.05 to $3.40-3.55
American Electric	AEP	1.47	0%	1.46	1%	1.51	1.46	4.35	4.34	4.33	2021 guidance $4.51-4.71 vs $4.68 then-consensus
American Water	AWK	1.36	-2%	1.33	2%	1.39	1.38	3.89	3.90	3.88	Raised 2020 guidance on strong weather YTD
Avangrid	AGR	0.32	-21%	0.40	-20%	0.39	0.40	1.95	1.99	2.04	2020, 2021, and 2022 guidance all missed consensus; 2021/2022 matched our estimates
CenterPoint	CNP	0.34	12%	0.53	-36%	0.27	0.30	1.16	1.29	1.32	Raised the low-end of 2020 utility guidance; targeting annual utility EPS growth at top end of 5-7% target
CMS Energy	CMS	0.77	11%	0.73	5%	0.75	0.69	2.66	2.66	2.67	2021 guidance in-line and continued 6-8% growth
Con Edison	ED	1.48	-2%	1.54	-4%	1.50	1.51	4.23	4.22	4.23	Lowered the top-end of 2020 gudiance
Dominion	D	1.08	9%	1.18	-8%	1.00	0.99	3.50	3.57	3.53	
DTE Energy	DTE	2.61	28%	1.91	37%	2.15	2.03	7.00	6.98	7.00	Raised 2020 guidance, 2021 guidance in-line and 7% growth off original 2020 guidance
Duke Energy	DUK	1.87	4%	1.79	4%	1.73	1.80	5.13	5.12	5.10	Lowered 2020 guidance to $5.05-5.20 from $5.05-5.45
Edison Int'l	EIX	1.67	15%	1.50	11%	1.47	1.45	4.55	4.56	4.49	Raised low end of 2020 guidance by $0.10 to $4.47-4.62
Entergy	ETR	2.44	1%	2.52	-3%	2.38	2.41	5.65	5.59	5.61	Raised, narrowed 2020 guidance to $5.60-5.70 from $5.45-5.75
Evergy	EVRG	1.73	10%	1.57	10%	1.58	1.58	3.03	3.02	3.01	Raised low-end of 2020 guidance
Eversource Energy	ES	1.02	0%	0.98	4%	1.00	1.02	3.65	3.65	3.64	
Exelon	EXC	1.04	20%	0.92	13%	0.86	0.87	3.10	3.03	3.07	Raised 2020 guidance to $3.00-3.20 from $2.80-3.10
FirstEnergy	FE	0.84	8%	0.76	11%	0.78	0.78	2.50	2.52	2.53	
Fortis	FTS	0.65	-1%	0.66	-2%	0.67	0.66	N/A	2.55	2.56	
NextEra Energy	NEE	0.67	2%	0.60	11%	0.66	0.65	2.24	2.30	2.29	
NiSource	NI	0.09	215%	0.00	N/A	0.03	0.03	N/A	1.30	1.30	
OGE Energy	OGE	1.04	-7%	1.25	-17%	1.03	1.12	2.03	2.04	2.09	Lowered 2020 utility guidance due to unfavorable weather
PG&E	PCG	0.22	-22%	1.11	-80%	0.26	0.28	1.62	1.61	1.61	
Pinnacle West	PNW	3.07	8%	2.77	11%	3.13	2.85	5.05	5.10	5.03	Raised 2020 guidance on record summer heat
Portland General	POR	(0.19)	57%	0.61	-131%	(0.27)	(0.45)	1.50	1.55	1.56	Expecting 2020 to finish in the top half of the range
PPL Corp	PPL	0.58	-6%	0.61	-5%	0.59	0.62	2.45	2.40	2.43	Lowered 2020 guidance to $2.40-2.50 from $2.40-2.60
PSEG Corp	PEG	0.96	-1%	0.98	-2%	0.99	0.97	3.43	3.42	3.42	Raised low-end of 2020 guidance
Sempra Energy	SRE	1.31	-16%	1.50	-13%	1.46	1.56	7.50	7.72	7.65	Expecting to be at upper end of $7.20-$7.80 for 2021, reiterated 2021 of $7.50-$8.10
Southern Co.	SO	1.22	1%	1.34	-9%	1.20	1.21	3.16	3.22	3.19	Raised 2020 guidance to $3.22 from $3.10-3.22
WEC Energy Group	WEC	0.84	10%	0.74	14%	0.76	0.76	3.75	3.76	3.75	Narrowed and raised 2020 guidance, pointing to top-end
Xcel Energy	XEL	1.14	6%	1.01	13%	1.06	1.07	2.78	2.78	2.78	Narrowed 2020 guidance range, targeting the same midpoint; initial 2021 guidance in-line

Source: Wolfe Utilities & Power Research
*Q3 WR and cons estimates are what was published in our Q3 earnings preview on 10/20/20

Exhibit 5: Wolfe Research EBITDA Estimates vs. Consensus

		Q3 2020		Q3 2019A		Q3 2020		2020 Midpt	2020E		Guidance Updates
Company Name	Ticker	Actual	Variance	Actual	Growth	WR	Cons	Guidance	WR	Cons	
Clearway Energy	CWEN	$312	-2%	$300	4%	$305	$320	$1,120	$1,105	$1,114	Initial 2021 guidance a little light on new project ramp up timing
NextEra Energy Partners	NEP	312	-6%	315	-1%	325	332	1,313	1,355	1,301	
NRG Energy	NRG	752	-4%	792	-5%	770	779	2,000	2,065	2,007	2021 EBITDA tracking to lower half of range on solar delays
Vistra Energy Corp.	VST	1,185	11%	1,064	11%	1,098	1,072	3,585	3,552	3,578	

Source: Wolfe Utilities & Power Research
*Q3 WR and cons estimates are what was published in our Q3 earnings preview on 10/20/20

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Exhibit 6: Nominal and Weather-adjusted Sales Growth (3Q20 vs. 3Q19)

Company	Ticker	Residential	Commercial	Industrial	Total Retail	Residential Weather Adjusted	Commercial Weather Adjusted	Industrial Weather Adjusted	Total Retail Weather Adjusted	Decoupling
Alliant Energy	LNT	2.2%	(4.6%)	(2.7%)	(1.5%)					No
Ameren Corp	AEE	(4.4%)	(8.2%)	(5.5%)	(6.2%)					No
American Electric Power	AEP	(1.0%)	(7.7%)	(9.4%)	(5.7%)	3.8%	(4.6%)	(7.8%)	(2.6%)	No
Centerpoint - CEHE	CNP	0.1%			(1.2%)					No
Centerpoint - Indiana Electric	CNP	(4.2%)			(8.6%)					No
CMS Energy	CMS	8.6%	(3.8%)	(11.7%)	(0.8%)	6.1%	(3.9%)	(11.7%)	(1.8%)	Yes
Consolidated Edison	ED	8.5%	(7.2%)	(7.2%)	(7.0%)					Yes
Dominion Energy	D									No
DTE Energy	DTE	10.1%	(6.1%)	(9.2%)	(0.5%)	8.7%	(6.4%)	(11.7%)	(2.5%)	Yes
Duke Energy	DUK	3.4%	(5.7%)	(7.4%)	(4.4%)	4.1%	(5.3%)	(7.5%)	(2.1%)	No
Entergy Corp	ETR	0.1%	(8.3%)	(6.7%)	(4.1%)	1.6%	(7.5%)	(6.7%)	(4.1%)	No
Evergy	EVRG	(2.5%)	(6.4%)	(4.2%)	(4.4%)					No
Exelon - ComEd	EXC									Yes
Exelon - PECO	EXC	9.0%	(8.4%)	(7.7%)	(1.6%)	6.4%	(9.4%)	(8.3%)	(3.2%)	No
FirstEnergy	FE	5.1%	(5.5%)	(6.3%)	(1.7%)	5.3%	(5.5%)	(6.4%)	(1.8%)	No
NextEra Energy - FPL	NEE	7.6%	(3.5%)	5.9%	2.9%				3.0%	No
NextEra Energy - Gulf	NEE	(5.2%)	(9.1%)	(9.6%)	(7.1%)				(1.0%)	No
NiSource	NI	3.8%	(7.5%)	(11.0%)	(6.3%)				(4.7%)	No
Pinnacle West	PNW	11.5%	(0.2%)	(0.2%)	6.0%	5.6%	(3.5%)	(3.5%)	1.3%	No
Portland General	POR	11.3%	(3.8%)	11.2%	5.0%	11.0%	(5.0%)	9.0%	4.0%	Partial
PPL - Kentucky	PPL					7.1%	(6.7%)	(6.7%)	(1.9%)	No
PPL - Pennsylvania	PPL					4.9%	(4.0%)	(4.0%)	(0.5%)	No
PSEG	PEG	9.0%	(5.0%)	(5.0%)	0.0%					No
Southern Company	SO	(4.1%)	(8.8%)	(7.3%)	(6.7%)	3.5%	(5.1%)	(7.3%)	(3.0%)	No
WEC Energy Group	WEC	7.1%	(2.5%)	(5.4%)	(0.3%)	4.2%	(3.3%)	(5.4%)	(1.5%)	No
Xcel Energy	XEL	9.1%	(5.0%)	(5.0%)	(0.9%)	3.7%	(4.8%)	(4.8%)	(2.4%)	Partial
Average		**3.9%**	**(5.9%)**	**(5.2%)**	**(2.5%)**	**5.4%**	**(5.4%)**	**(5.9%)**	**(1.5%)**	

Source: Wolfe Utilities & Power Research

Exhibit 7: Nominal and Weather-adjusted Sales Growth (YTD20 vs. YTD19)

Company	Ticker	Residential	Commercial	Industrial	Total Retail	Residential Weather Adjusted	Commercial Weather Adjusted	Industrial Weather Adjusted	Total Retail Weather Adjusted	Decoupling
Alliant Energy	LNT	1.0%	(4.9%)	(3.8%)	(2.8%)					No
Ameren Corp	AEE	(1.6%)	(8.2%)	(6.8%)	(5.5%)					No
American Electric Power	AEP	(0.5%)	(6.2%)	(7.3%)	(4.6%)	2.6%	(4.9%)	(7.0%)	(3.0%)	No
Centerpoint - CEHE	CNP	2.6%			(0.2%)					No
Centerpoint - Indiana Electric	CNP	10.9%			1.7%					No
CMS Energy	CMS	7.3%	(4.9%)	(18.9%)	(3.8%)	4.8%	(5.8%)	(19.1%)	(5.0%)	Yes
Consolidated Edison	ED	5.3%	(5.7%)	(5.7%)	(5.8%)					Yes
Dominion Energy	D									No
DTE Energy	DTE	9.2%	(7.8%)	(17.4%)	(3.9%)	7.7%	(7.9%)	(18.9%)	(5.6%)	Yes
Duke Energy	DUK	(0.8%)	(6.9%)	(7.5%)	(5.0%)	2.7%	(5.9%)	(7.5%)	(2.8%)	No
Entergy Corp	ETR	(0.8%)	(7.6%)	(2.3%)	(3.2%)	(2.5%)	(7.1%)	(2.3%)	(2.1%)	No
Evergy	EVRG	(0.4%)	(7.4%)	(5.5%)	(4.4%)					No
Exelon - ComEd	EXC									Yes
Exelon - PECO	EXC	2.9%	(9.8%)	(9.2%)	(5.2%)	4.5%	(8.4%)	(8.9%)	(4.2%)	No
FirstEnergy	FE	1.8%	(9.0%)	(6.9%)	(4.2%)	5.4%	(7.1%)	(6.8%)	(2.4%)	No
NextEra Energy - FPL	NEE	6.3%	(3.9%)	3.3%	1.7%				0.7%	No
NextEra Energy - Gulf	NEE	(1.8%)	(7.0%)	(8.7%)	(4.7%)				(1.1%)	No
NiSource	NI	4.1%	(5.5%)	(16.5%)	(8.8%)				(8.4%)	No
Pinnacle West	PNW	11.2%	(1.3%)	(1.3%)	4.8%	4.5%	(3.5%)	(3.5%)	0.4%	No
Portland General	POR	3.6%	(6.5%)	9.4%	0.7%	6.0%	(6.0%)	7.0%	1.6%	Partial
PPL - Kentucky	PPL									No
PPL - Pennsylvania	PPL									No
PSEG	PEG	5.0%	(7.0%)	(7.0%)	(3.0%)					No
Southern Company	SO	(3.5%)	(8.4%)	(7.8%)	(6.6%)	3.7%	(5.9%)	(7.8%)	(3.4%)	No
WEC Energy Group	WEC	6.0%	(4.4%)	(7.1%)	(2.1%)	3.6%	(5.3%)	(7.9%)	(3.4%)	No
Xcel Energy	XEL	5.8%	(5.2%)	(5.2%)	(2.2%)	3.2%	(5.5%)	(5.5%)	(3.1%)	Partial
Average		**3.3%**	**(6.4%)**	**(6.6%)**	**(3.0%)**	**3.8%**	**(6.1%)**	**(7.3%)**	**(2.8%)**	

Source: Wolfe Utilities & Power Research

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Company Summaries

AEE: Waiting on MO RFP

- **2021 guidance, 2021-25 capital plan, rate base and EPS growth expected on Feb call.** AEE's 2020-24 capital plan of $16B implies 8.7% rate base growth and drives 6-8% EPS growth. However, the utility sees over $39B of investment opportunities in 2020-29. On the YE20 call in Feb, AEE will provide 2021-25 capex. AEE's preferred option in its MO Integrated Resource Plan calls for 1.2 GW of solar/wind by YE25, but whether that would be additive to its rate base and EPS growth outlook remains to be seen. Regardless, AEE's investment opportunities suggest at least 6-8% EPS growth into mid-decade.
- **MO RFP for solar/wind.** AEE currently is conducting a RFP for its solar/wind needs, considering not only the lowest cost to customers, but also execution risks, deals with landowners, MISO interconnections and other factors. AEE expects to negotiate with the bidders and will provide an update on the YE20 call, but management suggested it may be too early by then to incorporate RFP-related investments, if any. AEE does not need to wait for PSC approval of its IRP to determine which option to pursue.
- **MO rate case in 1H21 but recent regulatory outcomes have been constructive.** AEE plans to file MO rate cases sometime in 1H21, with the 700 MW ($1.2B) of wind projects expected in-service by 2Q21. AEE's last two rate cases were settled, as were other regulatory proceedings, including CCNs for said wind projects. MO constitutes just under half of AEE's rate base and over 8% rate base growth through at least 2024.
- **IL formulaic framework has provided stability but low ROEs.** The current 30Y Treasury yield is a headwind on electric distribution ROEs (every 50bp = $0.04) under IL's formulaic framework, but management believes it can mitigate the impact. Despite the low ROEs, the framework has provided stability. AEE proposed legislation that included an extension of the framework beyond its YE22 sunset and an increase in the ROE formula by 100bp. However, comprehensive energy legislation is unlikely this year. Still, AEE expects the state to address energy legislation next year, given the priorities of policymakers. Even if the framework ends, IL electric utilities have decoupling, bad debt recovery and allowed ROEs that could be in the mid-9s vs the mid-7s implied today.

AEP: What comes after the precipice?

- **Still would be disappointed if not on the upper half of 5-7% EPS growth target.** AEP introduced 2021 guidance of $4.51-4.71 vs then-consensus of $4.65, and provided 2021-25 capex of $37B, implying 7.4% rate base growth. AEP repeated that it would be disappointed if it does not achieve the upper half of 5-7% EPS growth, despite the midpoint of 2021 guidance implying 6% growth off the expected 2020E of $4.35. North Central Wind ($2B of rate base) is expected to be completely in-service by early 2022, slightly slipping from YE21 target. We updated our 2020-23E to reflect the latest disclosures; our 2020-23E are now $4.35/4.62/5.00/5.29 vs $4.34/4.68/5.03/5.29 previously.
- **AEP expects to own majority of renewables additions to system.** CEO Nick Akins last month said AEP is on the "precipice of transformational change to renewable resources." AEP now projects 8,029 MW of wind/solar resource additions onto its system in 2021-30. AEP sees the majority of those opportunities being owned by AEP, including NCW's 1,485 MW and other identified renewables projects totaling 475 MW.
- **Leadership changes reflective of strategic execution and portfolio optimization goals.** AEP recently shuffled senior management, with Lisa Barton becoming COO (from her EVP of Utilities role), Brian Tierney becoming EVP of Strategy (from his CFO role) and Julie Sloat becoming CFO (from her SVP of Treasury & Risk role). CEO Nick Akins said he plans on being around for a while, but the changes are part of a years-long succession planning. AEP believes the new leadership roles will facilitate execution on its strategy and manage/optimize

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the portfolio. We anticipate underperforming subs, such as Kentucky Power, could be used to mitigate the equity needs for NCW in late 2021, early 2022.

- **Transmission needs.** Given the fleet transition and move to renewables, more transmission will be needed. AEP's transmission business is its largest segment after growing in the double-digits since 2016, and robust growth is expected to continue.
- **AEP confident that FE issues won't have negative implications on OH regulation.** Despite the headlines out of OH this year, AEP believes it is in good shape. AEP has not seen any impact on the regulatory environment or in its ongoing rate case in OH.

AES: Saying all of the right things

- **A leader in the transition to a clean energy future.** Over the past few years, AES has aggressively ramped up its growth capabilities in renewables and through other clean energy / digitization investments. Management's messaging has been extremely effective, in our view, and we think there could be more upside if the company can continue to execute and create tangible benefits through its strategic alliance with Google, investment in Uplight, etc. The one thing we remain a little wary of is financial discipline given just how much growth AES has/is pursuing and in a relatively short period of time.
- **Fluence value marker still expected by yearend.** Fluence is in the midst of a capital raise where both AES and Siemens intend to sell down a 5% stake in the company. The idea being, to provide a value marker for investors and set Fluence on the path toward an IPO in a few years. On the latter, AES mentioned adding an independent financial investor to the Board of Fluence would be beneficial from a governance standpoint and help establish Fluence as a standalone company. We recently updated our S-O-P to include value for Fluence and ascribe $1/sh. for AES' 50% stake in the company.
- **Positioned well out of the election.** Heading into the election, AES had pitched itself as a big beneficiary in the event of a Democrat sweep. For now, that doesn't appear to be the outcome, but AES still sees a lot of potential under a Biden administration. Specifically, management thinks it is likely to see an extension of the PTC/ITC and is hopeful for an ITC on standalone storage. This could all culminate in helping accelerate the adoption of renewables where AES sees itself as a big beneficiary. AES recently bought a wind team located in the US to better position itself to take advantage of future growth opportunities in both solar and now wind.
- **In the final stages of IPL's RFP.** IPL is toward the tail-end of the RFP/IRP process in Indiana where there is the potential to add 600 MW of renewables to replace retiring coal units. AES is hopeful to do most of this through rate base and expects to have clarity by the Q4 call in February.
- **Making some progress on LNG.** AES is close to signing contracts for an additional 20% of its excess LNG capacity in the Dominican Republic (another 20% remains, with more under construction). This could be worth as much as $0.02 of EPS, which would likely contribute to earnings starting in 2023. We expect to hear more hear on the Q4 call when AES rolls forward its guidance through 2024.

AGR: Big new plan, but still lacking visibility

- **Last week's Analyst Day set new 6-8% EPS growth trajectory through 2025, but funding plan uncertain.** AGR laid this out in detail just a week ago, with new CEO Dennis Arriola highly focused on execution and setting a track record of hitting financial targets. The long-term growth plan factors in accretion from the PNM deal (3%), where there was at least some transparency on assumed financing ($3.6B equity / $700M debt). However, the lack of visibility on the long-term funding plan was odd. Mgmt. seemed to indicate there would be some level of equity issuances, but was reluctant to commit to an amount.
- **Weaker credit metrics also not comforting.** AGR is targeting 14.5%+ FFO/Debt on a pro forma basis while maintaining solid investment grade credit ratings. While the PNM merger

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helps move the company toward being 85% regulated, we view that as a relatively weak balance sheet for a diversified company pursuing offshore wind in a meaningful way. Mgmt. hopeful that other ratings agencies adopt S&P approach and view AGR as core holding of Iberdrola with tethered rating.

- **Focused on improving earned ROEs.** This is a key focus area after underearning in recent years. The New York rate case settlement is expected to be approved by year-end, with rate relief a big driver of growth, and vegetation management helping to deal with storms. In Maine, CMP has been under a 100bps ROE penalty, but is currently hitting all its metrics to see this lifted in September 2021. The final NECEC permit from the Army Corps was a positive and construction is expected to start imminently.
- **Offshore wind process finally set to move forward.** Unclear if BOEM issues a timely EIS later this week (11/13) or COP next month (12/18), but believe there is wide support for 1x1 nautical mile spacing and nascent industry is set to get off the ground. We're a little worried on potential returns given delays and bid prices, however improvement in turbine technology and site synergies between Vineyard/Park City helps offset. Mgmt. pointed to targeting unlevered returns that are shy of regulated rate base ROEs, but on a levered-basis would be in the 'teens.
- **Dividend growth still on hold.** AGR has been holding its dividend flat as it remains above its payout ratio target. Mgmt. is hopeful to potentially revisit growth around after the 2022 time frame.

AWK: Fundamental growth story with no end in sight

- **More upside to go?** Despite trading near all-time highs on a relative and absolute basis, management sees even more room for upside. Underpinning their confidence is decades of investment needs that support AWK's 7-10% EPS CAGR as well as a burgeoning appetite from ESG focused investors to own the stock. This is the reason that AWK has elected to hold off on issuing the $500M of equity that isn't needed until the middle of its 5-year plan.
- **Recent rate case execution has been impressive.** Heading into 2020, this was the biggest question for AWK's stock with rate cases pending in its three largest states – NJ, PA, and MO. Over the past couple of weeks AWK has made a lot of progress on this front by getting a settlement approved in NJ and reaching a settlement in PA. Through the settlements, AWK has been able to maintain its allowed ROEs and even increase its equity ratio in NJ. This hasn't been the norm for most utilities given the low rate environment.
- **M&A preference is muni acquisitions.** With a P/E multiple a lot higher than even other water utilities, we were curious to get management's view on M&A. AWK said it looks at all options, including other IOUs, but thinks the most efficient use of capital is through its municipal tuck-in strategy. While these transactions typically take 2-5 years to close from start to finish, our sense is that the pipeline could continue to grow and potentially accelerate post COVID as a lot of struggling municipalities may find themselves in need of support.
- **Watching NY sale process.** There continues to be noise around AWK's sale of its NY subsidiary to Liberty Utilities (Algonquin). This was ratcheted further by Gov. Cuomo's proposed legislation which would require the NY PSC to do a public takeover study. AWK maintains the belief that the sale will close in 1Q21 and the recent noise shouldn't derail the process.

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CMS: Cost savings and capital plan upside

- **Record level O&M savings in 2020 helps build cushion.** Set to achieve $100M in operating savings in 2020, which more than offsets any COVID-related headwinds. Sets the company up to enter reinvestment mode in Q4 and build further cushion for 2021. Leveraging the "CE Way" lean operating system that still has a long runway for future cost cutting opportunities.
- **Michigan regulatory backdrop remains constructive.** Settled gas rate case earlier this year. Electric case currently pending, though ALJ recently recommended higher ROE than recent decisions (10.0% vs. 9.9%). Like being a regular rate case filer, as it gives ability to toggle based on latest sales and O&M trends.
- **Capital plan refresh coming with year-end call.** Will refresh 5-year plan with the Q4 call. Still lots of opportunity for upside spend. Somewhat limited by customer bill. Still see no need for block equity, though possible annual issuance ticks up above the previous $150M/year projection.
- **Fleet transition continues, comfortable with gas business.** Set to add 1,100 MWs of solar by 2024 and 6 GWs by 2040. Will submit next IRP in June 2021, where there could be an opportunity to further accelerate coal shutdowns and add storage to the plan. Not concerned about future of gas LDC business in Michigan – electrification is too expensive for home heating//cooking. Could also look at using gas system and storage fields for RNG and hydrogen in the future. Actually see mix of rate base shifting further to gas (40% from 35%) over time, but seem very comfortable with this.

CNP: Christmas come early

- **The dream team.** Wow, what a difference a new management team can do for a company. We continue to be very impressed with what we hear from CEO Dave Lesar, CFO Jason Wells as well as Special Advisor Tom Webb. Lesar highlighted his background managing companies with a lot more complexity than CNP, which gives him high confidence in being able to hit the top end of the 5-7% EPS growth target year after year. We can't help but recognize some of Tom Webb's blueprint from his days at CMS, which in part facilitated an environment for continuous improvement to help harvest meaningful cost savings over time. We see CNP in a position to unlock a lot of value with this management team at the helm.
- **EPS growth target contemplates a range of potential headwinds.** One of the more impressive things out of Q3 earnings/EEI is that CNP expects to grow 7% off wherever 2020 EPS lands. Our previous thought was that EPS growth would be more muted in 2021 due to equity dilution. However, CNP noted that the opportunity set to cut O&M next year is robust after seeing what the team was able to accomplish this year. Most importantly, CNP's expectation to be at the top end of its 5-7% target annually includes the ability to absorb any corporate overhead/debt that is currently allocated to ENBL.
- **Actively working on gas LDC sale(s).** CNP noted that it had received reverse inquiries with respect to its LDC sale process. The company has engaged advisors and is targeting a sale(s) to close toward the end of 2021 or early 2022. CNP will disclose which property(s) it plans to sell on December 7th. Our sense after talking to XEL is that it would not be opposed to owning an LDC property adjacent to where it currently serves (i.e., MN gas); WEC also provided a similar view.
- **ENBL process might take time.** CNP held all the details on next steps for ENBL until the December 7th Analyst Day**.** Management did caution that the process could take time given that ENBL is a standalone public company. We interpreted this to mean that an actual transaction could likely be a little way away still.
- **Confident on renewable investments.** $1.3B of CNP's new $16B capital plan relates to renewables in Indiana. Of the $3B of capex that was added to the prior 5-yr plan, a little over $500M relates to IRP capital. Management has already had a lot of dialogue with the IURC

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and is very confident in getting Commission approval. Our sense is CNP will enter into contracts later this year to kick off the CPCN process at the Commission early next year.

D: Building the foundation for consistent execution

- **Focus going forward is on execution**. Management understands that for D to trade in-line with the highest quality utilities, a consistent track record of execution is needed. CFO Jim Chapman noted that under his purview, the financial outlook includes cushion such that meeting or exceeding annual guidance should be well within reach. We were encouraged to hear that management understands the importance given that, in our view, this is the one missing item D needs to move into the mega premium group.
- **Virginia capital plan is unique.** While not new, it is worth highlighting again – D's clean energy capital program in VA is the best in the sector. The reason being is because the VA Clean Economy Act was prescriptive in what amount of the offshore wind, solar and storage would be owned by D in rate base. The $34-43B of rider eligible capex over the next 15 years has all been deemed in the public interest, meaning there shouldn't be much ambiguity when D goes in for cost recovery at the SCC.
- **Confident in outcome of triennial review.** The one knock we hear on D is some concern over the 2021 and 2024 triennial reviews in VA. On the former, D will file its review next year in March and a decision will be rendered in November. Management is confident it will file a case where no refund is warranted; recall, there is a $50M rate reduction cap in place. The 2024 triennial review won't impact numbers until 2025 and we will be watching the review next year closely for any readthroughs given that there is no rate reduction cap in place at that time. That said, D has long demonstrated an ability to manage the regulatory environment in VA effectively.
- **DESC rate case data point coming.** Intervenor testimony in DESC's rate case was due on 11/10. As of this writing, it has yet to be posted given the government holiday. D maintains that it filed a very defensible case and that once new rates are finalized in March of next year, it will be close to earning its allowed return. Longer-term, D see opportunities to implement a coal transition plan similar to what is taking place in VA right now.

DTE: Not missing a beat post midstream split

- **Still targeting 5-7% EPS growth on pro-forma basis through 2025, focused on hitting high-end.** DTE believes it can continue to grow 5-7% at the remaining pure play utility company following the midstream spin. This is off a pro forma 2020 base, which merely excludes the midstream earnings contribution, and no material expected dis-synergies. Part of this is because DTE already allocated interest and other costs to the midstream segment. This seemed to quell some investor fears. Furthermore, mgmt. pointed to its track record of historically hitting the high-end of 5-7% EPS growth and hopes to continue this going forward. 2020 would mark the 12th consecutive year of exceeding original guidance.
- **Utilities are actually growing faster than 5-7%.** Sees electric operating earnings growth of 7-8% and gas growth of 9%. This exceeds earnings growth, but in the near-term is offset some by the REF roll-off and already issued equity convert ($1.3B). Capex plan largely supported by distribution and renewables investment – hoping to pull forward additional investment. May actually look at potentially accelerated remaining coal plant retirements – currently set Belle River for 2030 and Monroe for 2040.
- **Midstream spin set for mid-2021**. Believe business will be better valued on a standalone basis (as will the utility business). Didn't want to constrain midstream growth potential by trying to hold 70/30 utility/non-utility business mix. Will file Form 10 next year and then see when-issued trading, before official listing. Believe 4x leverage target screens well versus peers. Combined dividend growth of 8-10% post-spin is better than prior plan of 6%. Could do some type of Analyst Day for the RemainCo following the spin.

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- **Sticking with P&I business, seeing growth in RNG/cogen**. Cogen business is all 10-15 year agreements with fixed fees and pass-through commodities exposure. Achieving higher returns compared to utilities. Renewables natural gas business is a mix of long-term offtake agreements, hedged low-carbon fuel standard/RINs (~3 years), and some open to market. Expected to achieving 3-5 year simple cash payback.
- **Balance sheet will remain strong.** At the prevailing utilities business DTE plans to maintain a strong balance sheet. Sees minimal equity needs in the 5-year plan post-2022. Currently targeting 18% FFO/Debt, but believe business mix improving to 90% regulated will allow for threshold to be relaxed to ~16%.

DUK: We just got to wait, NC

- **All eyes are on NC.** DUK is currently awaiting decisions in rate cases, a state Supreme Court ruling on coal ash, progress on its NC IRP, and reports on clean energy that could ultimately result in constructive legislation.
- **NC rate cases and coal ash.** DUK expects decisions in its DEC and DEP rate cases in early Jan and Feb, with the NCUC likely approving the settled items (e.g., 9.6% ROE) and ruling on coal ash cost recovery and accelerated D&A. The hearings went well. In a decision earlier this year, the NCUC allowed a return of coal ash spend but not a return on for Dominion. Relatedly, on 12/11 or later the NC Supreme Court is expected to issue a ruling on NCUC's 2018 decision allowing DUK a return on coal ash, which was appealed by the NC AG and NCUC Public Staff.
- **2021, equity plans intact regardless of outcome on NC coal ash.** DUK sees $0.08-0.10 of earnings if no return is allowed on coal ash. But DUK's 2021 guidance midpoint of $5.15 already reflects no return on coal ash. DUK committed to no new equity issuances beyond its plan to chase any credit downgrade, as at least one rating agency has suggested no return on coal ash would reduce its FFO/Debt metric. DUK may issue incremental ATM/DRIP (beyond the $500M/yr through 2022) depending on capital plans.
- **Confident that NC Clean Energy Plan will result in legislation.** Last year, NC Gov Cooper (D) set out clean energy plan goals, including a target of 70% greenhouse gas emissions reduction by 2030 and carbon neutrality by 2050. A two-prong Clean Energy Plan initiative (carbon policy and regulatory reform) is being conducted, with reports expected around yearend or early next. DUK is confident legislation will follow in the 2021 session, even with a divided statehouse in NC, and expects to have significant capex opportunities. Last month DUK raised its 2020-24 rate base growth to 6.5% and its 2025-29 growth to 7%, assuming any scenario under its NC IRP. On DUK's Feb call, management will provide an update on the Clean Energy Plan initiative and legislative proposals.

ED: Not much to get excited about

- **Working to own utility-scale renewables in NY.** ED is working behind the scenes to be able to rate base renewables at CECONY. Management pitched it similar to its effort on energy efficiency and EV infrastructure where initially the utility didn't have a role but is now able to earn a return. This would be a big deal for ED as the state of NY needs 2,500 MW of renewables annually to meet its 70% renewable target by 2030. ED said it has started to get some traction with stakeholders, though nothing is firm, and noted that the pace at which the renewable need to be added make the most compelling argument for ED. This would need NY PSC approval and there is no active document currently exploring the idea. ED said to watch the Reforming Energy Vision (REV) docket as that would be the most likely avenues. Ultimately, it didn't sound like this would come to a head in 2021 and the process would be a bit more long dated.
- **Midstream separation seems inevitable, but timing less clear.** ED said that both MVP and Stagecoach fall in the same category as assets that have since been sold – non-core – as the

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political landscape has changed dramatically for gas infrastructure investments. ED does a review of these businesses at least annually and noted that a potential transaction doesn't necessarily need to include both assets. On MVP, ED sounds keen to wait until the project is complete to maximize the value it would receive. Since Stagecoach is a JV with Crestwood Equity Partners, they would be entitled to a right of first offer; there is no contractual limitations to exiting Stagecoach.

- **Capital recycling opportunities in renewables business.** Unlike Midstream, ED sees its renewables development business as core and will continue investing there for the long haul. In the future, ED intends to fund more projects with tax equity given the amount of non-monetized tax credits that it still has to work through. ED mentioned that it would be selling projects over the next 3-5 years to recycle capital and improve returns.
- **Watching COVID impact on NY, Gov. Cuomo legislation.** Customers in arrears greater than 60 days has amounted to a $320M increase vs normal in aged receivables. ED took steps to bolster liquidity earlier in the year and the enhanced cash drag is expected to impact equity plans in 2020 (still up to $600M of block equity by YE). The earnings drag is primarily from foregone late fees that are included in its revenue requirement. This could continue into 2021, so we will be watching this closely. Gov. Cuomo recently proposed legislation which would remove caps for fines related to storm response. A second aspect was to lay out a process for potentially revoking the utilities' franchise agreements.

EIX: Bullish tone on California

- **Stock overreaction to fires given less destruction, liability caps.** EIX sounded bullish on CA, given policy-driven investments in the grid and limited wildfire risk. EIX was surprised by the stock reaction on reports of any fire in its service area, noting that the corresponding decline in the market cap assumes the fire was started by EIX's equipment, damages would exceed insurance and the reimbursement to the Wildfire Fund would equal the decline in market cap. In other words, EIX sees AB 1054 as mitigating fire risk, and the market still doesn't understand that.
- **Bobcat and Silverado fires.** EIX suggested damages from these two fires this fall would be covered by its roughly $1B of insurance. CAL Fire and the USFS continue investigations into Silverado and Bobcat, respectively.
- **Rate base growth of 7%, storage could be modest upside.** EIX projects 6.5-7.6% rate base growth through 2023. Storage could be modest upside, as the state accelerates the onset of additional storage. EIX has some EV (Charge Ready 2) in its plan and would participate in more if available. Electrification is the long-term driver of potential investment opportunities.
- **GRC decision expected early 2021.** EIX suggested the SCE GRC was relatively predictable. The contested items include speed and amount of overhead conductors, wildfire insurance, D&A and incentive comp. EIX expects the CPUC to issue a proposed decision after the new year, with a final decision in 1Q21.
- **Dividend payout 45-55% of SCE earnings; FFO/Debt expected to be 15-17%.** EIX still sees the dividend within 45-55% of SCE earnings. EIX sees only minimal equity needs beyond its $1B related to 2017-18 fire damages. The recent approvals of some of EIX's memo accounts was good to see from a cashflow perspective. The FFO/Debt projections should be within 15-17%.

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ES: Take a load off(shore)

- **ES sees 6% EPS growth from core business, Columbia should help.** ES feels good about its 5-7% EPS growth target through 2024, and has indicated growth could be 6% just from the core business. The recent Columbia Gas acquisition should improve growth within the range. There could be upside from AMI in MA and ultimately CT, though unlikely by the YE20 call in Feb, when ES provides 2021 guidance and new 5yr capital plan. ES' growth target excludes any earnings from its offshore wind venture with Ørsted; the 50/50 JV is developing offshore wind projects in New England and NY.
- **Offshore is main focus, given delays and BOEM's final EIS on Vineyard Wind this week.** We and investors asked several questions about ES/Ørsted's 1,704 MW of projects, given the one-year delay in South Fork (130 MW) to YE23 and delays in Revolution (704 MW) and Sunrise (800 MW) to at least 2024-25. Relatedly, on 11/13 the Bureau of Ocean Energy Management is expected to issue a final EIS for AGR's Vineyard Wind offshore wind project, which will include the spacing of wind projects; developers want 1x1 nautical miles, whereas fisheries want more. The USCG is supportive of the developers' proposals. BOEM will also issue a decision next month on Vineyard Wind's COP filing, which will also have implications on ES' projects.
- **Biden administration should be more constructive on offshore; ES to continue bidding**. Under a Biden Administration, ES expects are more supportive BOEM. But offshore wind is driven by state policy, and policymakers in New England and Northeast are supportive. ES said the JV bid into the NY RFP last month; but it will only proceed with projects if ROEs are in the "mid-teens."
- **CT noise has quieted down, performance-based rates fair.** There was a lot of political pushback in CT, following the a spike in customer bills and ES' response to Tropical Storm Isaias. The CT legislature passed a bill that included refunds/penalties, but it was not as bad as feared. The bill directed CT regulators (the PURA) to implement performance-based ratemaking by mid-2021. ES' next CT rate case is expected to be filed sometime in 2H21, and ES will incorporate PBR into its filing.

ETR: Après le déluge, recovery

- **History of storm cost recovery, securitzation.** With several Hurricanes hitting ETR's region this summer/fall, storm costs will top $2B, mostly in LA. ETR expects securitization and has a lot flexibility. ETR would like to roll up all the costs and go through one proceeding. No major opposition is expected, given the history of storm cost recovery. ETR noted its customer rates are the lowest in the country, and the bulk of the storm costs are in LA, which has the lowest rates among ETR's subs. Securitization probably adds less than 1% rate increase. The rating agencies appear to understand the temporary hit to FFO/Debt.
- **Settlements on FRP extensions expected.** ETR is in settlement talks in both AR and LA for extension of the formula-rate plans. ETR anticipates some puts and takes but is confident the parties ultimately settle. In AR, the parties will file an update by 12/4. In LA, an update is expected this month or next. Final decisions are expected in 1Q21.
- **Equity needs beginning in 2H21; preferreds possible**. ETR's needs are just over 10% of 2020-24 capex, with the first issuance in 2H21. Through 2024, equity needs are expected to total $2.5B. ETR said it plans to get shareholder approval in May 2021 to authorize convertible preferreds, which ultimately become equity.
- **Continuous improvement to create headroom for accelerated capex.** ETR is focused on creating headroom for incremental capex among other things. ETR previously said $2B of post 2024 capex could be accelerated into its 2020-24 plan.

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EVRG: Eventful couple of days, but sticking with the standalone plan

- **Committed to standalone STP, despite recent M&A/Elliott headlines.** We met with EVRG mgmt. latter in the day Tuesday, after a number of news headlines had hit. First on Monday, Reuters reported that EVRG rejected a recent $15B bid from NextEra. This was followed up by an Elliott statement pre-market on Tuesday, indicating that as one of EVRG's largest investors, the Board must immediately reengage with NextEra to explore the possibility of a transaction. EVRG subsequently responded to this with a statement that its Board unanimously believes the STP is the best path forward, there's been no change in circumstance, and there is currently no offer or bid for the company.
    - EVRG caveated all this that it is always open to ideas that enhance shareholder value. However, in our meeting it was very clear that the current mgmt. team believes that the Sustainability Transformation Plan is the best risk-adjusted path forward. As of this writing, we've yet to see a further response from Elliott, but it seems likely that this becomes a hostile situation. Though without an active bid for the company, it's not clear what can be done.
- **CEO search still in process and expected to conclude by year-end.** Looking at both internal and external candidates. Current CEO Terry Bassham not planning to leave until a replacement is named. New CEO not expected to revisit STP strategy and don't believe Elliott presence is impacting search.
- **STP process kicking off with no official approvals needed.** There are dockets related to the STP underway in both Kansas and Missouri. While no formal approvals are needed or expected in this process, EVRG views this as a way to get feedback on its plan. Alongside this, EVRG will file IRPs in both states next year (MO on 4/1 and KS on 7/1), which will be more focused on the future generation outlook. Primary stakeholder focus likely to be on rate levels, with EVRG planning to keep below inflation at 2%. Encouraged that KCC Staff found overall capex plan is still in the lower half of utilities.
- **Legislative initiatives focused on securitization and investment deployment.** As part of its longer-term focus, EVRG is planning to transition from its sizable amount of coal in rate base to more renewables. This will require securitization, which will be proposed in early-2021. Mgmt. believes there is stakeholder buy-in, though the near-term plan isn't reliant on this and there is capital plan flexibility from a timing perspective. Moreover, EVRG is focused not just on the cash proceeds from securitization, but being able to use this to fund any future investment growth, so as to mitigate any regulatory lag or earnings shortfall.

EXC: Separation (review) anxiety

- **Update on separation review expected in Feb.** EXC has teams reviewing a potential separation. There are many considerations and it is a complex situation. EXC will have to deal with all of its stakeholders. And the decision will have meaningful implications. Still, EXC suggested a decision is likely by the YE20 call in Feb.
- **IL energy legislation expected in 2021, not a gating issue for decision on separation.** There were 25 working group meetings on clean energy this fall. Although the veto session this month and next has been canceled, EXC expects energy legislation next year. And there is a good chance that EXC's preferred FRR option will be included, given it remains the best way to factor in carbon, which stakeholders want addressed. IL Gov Pritzker (D) had originally opposed a FRR option, but his office has not proposed an alternative. Regardless of the IL legislation, EXC does not see it as a gating issue for making a decision on separation.
- **Biden still focused on climate; but FERC unlikely to change PJM MOPR any time soon**. Biden's top four priorities include climate; that could result in clean energy provisions in a stimulus bill, given the potential for infrastructure and job creation. Under Biden, FERC is still unlikely to have a Democratic majority until after Comm Chatterjee's term ends in June. And

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even then, it would take time for FERC to reverse PJM's capacity market rules assuming a presumptive-Chair Glick were to pursue that.

- **Utility segment still solid.** EXC still feels good about its utility businesses, which are wires only and generally operate under reasonable regulatory environments. Multiyear rate plans are expected in MD and DC. IL is the exception for now, given the ComEd DPA. But the regulatory model is formulaic through YE22 for now.
- **IL formulaic framework has provided stability but low ROEs.** The current 30Y Treasury yield is a headwind on ComEd ROEs under IL's formulaic framework. Still, the framework has provided stability. EXC noted the positive benefits to stakeholders, including being one of the largest employers and taxpayers in IL. Even if the framework ends, IL electric utilities have forward test years, decoupling, bad debt recovery and allowed ROEs that could be in the mid-9s vs the mid-7s implied today.

FE: This sounds like it will stay messy; waiting for more shoes to drop

- **Downbeat meeting overall.** In the wake of the termination of former CEO Chuck Jones, this meeting clearly struck a negative tone. Just hours before we met with management an 8K was filed disclosing that the top 2 legal executives at the company were "separated". No color was given on the reasoning or the difference between "termination" and separation". Mgmt. committed to provide updates in the ongoing investigations (both internal and external) and regulatory proceedings, but many investor questions simply couldn't be commented on. The independent Board review will continue to look at oversight and governance. To the positive, there was some comfort given that Acting CEO Steve Strah had distance between himself and what ultimately resulted in the termination of Chuck.
- **Taking steps to maintain financial flexibility.** Pulling back on capex and opex, while holding the dividend flat. Will reevaluate after investigations conclude. Still targeting 5-7% EPS growth through 2023. Delayed 10Q filings as company works through disclosure process – hopes to have it filed by Monday.
- **Feel good about liquidity in various scenarios.** Liquidity stands at $3.4B. Confident will be able to get any necessary waiver from bank group should anti-corruption provisions on debt be triggered. Have history of working with bank groups, including through FES bankruptcy, and believe they remain supportive. If downgraded again by ratings agencies, would see 25bps step-up provision on $4B of debt, but earnings impact is very modest.
- **Numerous proceedings pending at PUCO.** Corporate separation audit will see report published on April 21 2021. Looking at November 2016 thru October 2020 period. Been through audits like this before. Also pending 2018/2019 SEET and Quadrennial review. Continue to have discussions with regulators. Current rate deal (ESP) remains in effect through May 2024 and believe it is good for customers, but could be called in at any time.
- **Ohio legislature looking at HB6 repeal and repeal/replace.** Unclear what ultimately happens here (repeal or repeal and replace) or what the timing will be. However, for FE the loss of decoupling is manageable. Don't expect any blowback from Energy Harbor impacts – bankruptcy emergence wasn't dependent on nuke subsidies and FE only has guarantees around environment liabilities and surety bonds – worth just over $200M. Move to consolidated SEET filings was done through budget bill, but seems unlikely to impact much if reversed either – never been above Safe Harbor threshold.

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FTS: No change in outlook under new CEO, strong organic growth prospects

- **Managing well through pandemic year, new 5-year outlook reflects organic growth.** Capital plan fully on track and most of sales protected by regulatory mechanisms or residential (82%). Recently unveiled new 5-year capex plan (~$20B up $800M YoY) and in process of CEO transition from Barry Perry to Dave Hutchens. Remain focused on organic growth with less interest in M&A.
- **Renewables transition and Democratic FERC should be supportive of transmission.** Seeing massive amounts of renewables sitting in MISO/SPP interconnection queues that presents big opportunity for transmission buildout. Could see changes to RTO planning process and potential for advancement of large portfolios of projects (similar to MISO MVP process). Believe focus could shift more towards incentive policies. Like their strategic location of transmission business, given incumbency and where best wind resources are.
- **Expecting Arizona rate case resolution by year-end, then attention shifts to renewables transition.** Waiting on ALJ recommended order any day now. Expecting final decision at ACC open meeting in December. Delays in case have caused regulatory lag this year, but this has been more than offset by favorable weather. Over the summer, filed IRP that laid out transition out of coal (by 2032) and significant renewables buildout. Hoping to establish renewables rider similar to what PNW has proposed in its rate case to help in recovery and avoid lag, while sharing fuel/O&M savings. Overall viewed ACC election results as a good balance (3-2 Republican majority) with continued focus on energy rules, which should align with the IRP.
- **Alberta jurisdiction turning the corner.** Pleased with recent order on transmission-related rate base (saves ~$0.03/sh). Also constructive to see cost of capital proceeding pushed out until next year.

LNT: Rate based renewables buildout continues

- **New capital plan features continued fleet transition.** Refreshed its 5-year capital plan along with Q3/EEI, with more spend continuing to be directed towards renewables as coal plants are shutdown. Mgmt. excited about the new Clean Energy Blueprint in Iowa – featuring 400 MWs of solar, 275 MW coal shutdown, and up to 100 MWs of storage. Still targeting $1.2-1.4B/year in capex (~7-8% rate base growth), which supports 5-7% EPS growth without the need for equity beyond the DRIP (~$25M/year). Indicating there is still a backlog of more renewables to add beyond the Iowa plan and 1 GW of solar in Wisconsin, in addition to ample distribution-related spend.
- **Strong 2020 results despite COVID and record storm in Iowa.** Sales metrics starting to bounce back towards pre-COVID levels now, particularly in Iowa. Derecho storm in Iowa as the worst in company's history, but negligible political/regulatory backlash. Built some conservativism around COVID sales into 2021 guidance. Pursued a number of cost cutting initiatives to hit numbers in 2020 and offset headwinds.
- **Deferred Wisconsin rate case this year and planning to file in 2021.** Pushed out planned 2020 rate filing, using tax/fuel savings to offset needed rate relief for wind and gas investments. Will file in Wisconsin next year, but period of 1-3 years (forward test-year) is still to be determined. Will address recovery of solar additions, retirement of Edgewater coal plant. Have long track record of settlements. Expecting only mid-single-digit rate increase. In Iowa, have renewables rider to recover wind investment, but similar mechanism is not yet in place for solar (though both get advanced ratemaking with higher ROEs).

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NEE: Ideal election outcome, strong renewables growth tailwinds; measured M&A commentary

- **Constructive federal and state election outcomes.** Fans of divided government. Biden Presidency sets up positive tailwinds for renewables business. Focused on 3 main issues with new administration: getting rid of renewables tariffs, transmission reform at FERC, renewables/hydrogen tax ideas. Believes there will be bipartisan support for much of this. At the state level, believe Republican majority at House/Senate and PSC sets up for constructive regulatory environment.
    - Addressing unutilized tax credits via general business credits is top of the list in terms of doable bipartisan change. Hydrogen support with something like a PTC is likely longer-term. Standalone battery storage credit is also possible, but more of a "nice to have". Lots of commentary on FERC transmission – NEE likes the Texas format (CREZ) in terms of ISO reform, cost allocation. ERCOT much more efficient than MISO and SPP
    - Biden winning is bad for Mountain Valley Pipeline, but still feel good that biological opinion prevails and project is ultimately built.
- **Renewables business as good as ever.** Scale, pipeline, interconnects, customers, financing – all best in class. Still see mid-teens solar and high-teens/low-20s returns for wind. Not having any construction issues during pandemic.
- **Utility rate case coming next year.** Feel good about FPL as best run utility. Will ask for performance adder. Will try to settle at some point during the process next year.
- **More bullish than ever on NEP.** Recent deal acquired good assts for NEP and allowed NEE capital recycling through KKR. Convertible equity portfolio financing at 6.75% pre-tax IRR is a cheap form of equity.
- **M&A commentary.** Love organic growth prospects and don't have to do M&A. Same rhetoric on requirements: would have to be significantly accretive, doable, and regulatory environment that is constructive or where NEE can make a difference in. Acknowledged not easy to do and will be disciplined. Also acknowledged that following DUK merger stories became more sensitive to shrinking the renewables component of its business mix given the embedded higher valuation it garners. Note: we met with mgmt. prior to the EVRG story.

NI: Ability to execute is well within reach

- **Making the case for NI post-CMA.** With the Columbia Gas MA sale now complete, management is confident in the investment case for NI moving forward. Notably, all of NI's other subsidiaries have continued to execute despite the noise in MA over the last two years. NI highlighted all the safety enhancements that have been made since, a realignment of its management team and a robust dialogue with its revamped Board to ensure that the ability to execute going forward is well within reach. The kicker now is an expansive renewable buildout program in Indiana which is expected to help drive 7-9% EPS CAGR through 2024.
- **Portfolio optimization**. If CNP is successful in selling one or two of its gas LDCs at an attractive price, we believe this will be a nice catalyst for LDCs as a whole and a potential blueprint for NI. At this point, NI doesn't appear to be committed to asset sales in lieu of issuing equity for its renewable investments, though it is open to the idea. We continue to believe asset sales make sense given the size of equity NI needs over the next few years (~25% of current market cap).
- **Flexibility in renewables financing strategy.** Management mentioned that it has received reverse inquiries from parties that are interested in supplying capital for NI's renewable program. This level of interest gives NI confidence in its financing plan. NI does not intend to issue the hybrid financing ($600M-1B) before yearend and noted that it has a lot flexibility for when it needs to actually complete the financing in 2021.

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- **Renewables plan looks locked and loaded.** We expect to see CPCN filings at the IURC for NI's recent renewable announcements over the next month or two. NI reiterated that the blueprint for the renewable additions has already been laid out – the early retirement of its Schaefer and Michigan City units were already approved in NIPSCO's last rate case and the IURC has already approved CPCNs for other renewable JV projects.

OGE: Waiting for clarity on ENBL

- **Keeping thoughts on ENBL close to the vest.** Similar to the Q3 call, management refrained from entertaining too many hypotheticals on ENBL but reiterated the recognition of investor preference for pure-play utilities. In a scenario for OGE didn't have ENBL, the sense is that OGE could target FFO/D of 15-18% to maintain the same credit. In general, management does not view a stock buyback as an ideal use of capital in the event that there were to be proceeds available from a sale of ENBL units; ideally that capital would be redeployed into rate base investments.
- **Adding an LDC seems like a non-starter**. In the spirit of theoretical scenarios where OGE had sale proceeds from ENBL and additional balance sheet capacity, we were curious to get management's thoughts on M&A – specifically gas LDCs since CNP has publicly stated the intention to sell one or two properties that would make geographic sense for OGE. Management was clear that LDCs would not be high on its list given sentiment from an ESG standpoint. OGE's focus is on growing the electric business.
- **Ice storm could lead to additional capex.** The recent ice storms that came through Oklahoma were far and away the worst in OGE's history. While the expected cost of the storm hasn't been disclosed yet, OGE has the ability to defer the capital costs and recover the O&M portion through a tracker. When asked on potential capex opportunities in grid resiliency, OGE said it was possible to see some incremental work there in light of the storm; stay tuned for the Q4 refresh. Management mentioned that the political response has generally been supportive of the company.
- **Bullish on L-T load growth.** OGE sees a lot of future sales growth being driven by the industrial sector, particularly defense/aerospace and steel mills. What is also beneficial is that it has the lowest rates in the country, helping attract a variety of businesses to the Oklahoma City area. Weather adjusted load growth north of 1% on an annual basis is still the expectation once we get beyond the impacts from COVID.

PEG: Offshore wind decision soon, confidence in regulated growth and asset sale execution

- **Decision on offshore wind is extremely close.** Originally expected to make decision by now on 25% option in Ørsted's 1.1 GW Ocean Wind project, but continuing due diligence while there have been some BOEM delays. Sees project risk with returns "sufficient, not celebratory". Would only participate if part of a bigger long-term growth opportunity, which seems likely given the direction of public policy, particularly in New Jersey.
- **Regulated growth opportunities still ample.** Sees potential incremental and accelerated capex as part of economic stimulus in state. Strong support for continued gas business investment as part of GSMP program. Recently approved energy efficiency program likely to be extended and is long-term commitment by the state. Drives 7-8% rate base growth. Only limitation seems to be customer bill.
- **Constructive tone on asset sales.** Already seeing interest for the entire portfolio of fossil and solar assets, but will launch sale process in coming weeks. Offer prices have been reasonable. No specifics, but indicating that any earnings dilution from asset sales would be very modest. Once beyond the sale, planning to give long-term earnings growth rate for regulated pure play business.

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- **Transmission ROE discussion in a holding pattern.** Very small gap between company and BPU and ratepayer advocate, but have been in similar position for a while now. Bid-ask spread on ROE seems to be 9.6-10.0%. If an agreement can't be reached, expect a complaint to be filed. Seems like chances of settlement have fallen on the margin.
- **ZEC process to play out in coming months.** Recently filed second application. Believe nukes need more than $10/MWh. State unlikely to let plants shutdown, but seems possible there is a negative preliminary decision from BPU Staff in December, followed by ultimately a constructive final decision next April.

PCG: New leadership to be announced soon; like risk/reward skew

- **We are upgrading our PCG rating to Outperform from Peer Perform, as we now like the risk/reward skew.** See our accompanying upgrade note.
- **Announcement on new CEO expected soon.** PCG plans to announce the new CEO by yearend, and he or she will have a say on filling in the COO (utility president) and CFO positions. We think the selection will have utility experience. PCG's Board envisions the new CEO will pursue a back to basics approach and implement more technology into operations.
- **Good job so far this wildfire season, notwithstanding Zogg.** PCG has only had its equipment implicated in one fire – Zogg. This is notable, given all the fires this year in CA and PCG emerging from bankruptcy this past summer. There is still a few weeks left in the fire season, but the weather forecast so far is cooperating.
- **Safety certificate expected soon.** The CPUC has yet to issue a decision on PCG's 2020 wildfire safety certificate. However, PCG expects to receive a decision soon, and the 2019 certificate remains in place until the CPUC issues a decision.
- **Equity needs in 2021.** PCG sees $450-750M of equity needs, with the potential for the low end if the company is successful in some noncore asset sales. PCG said its securitization proceeding is on track and expects resolution and issuance by 2Q21.

PNW: A lot to like but still worried about AZ regulation

- **ACC election results finalized.** After sorting through several hundred thousand votes post-election day, it appears that the ACC election races have been called. There were no changes from what the results showed initially – Lea Marquez Peterson (R) won re-election, Anna Tovar (D) and Jim O'Connor (R) are the newcomers. PNW believes the results were constructive as the Republicans maintain a 3/2 majority at the ACC. It is expected that Commissioner Olson will be named Chairman, which means it is likely there will be more discussion directed on retail competition; Jim O'Connor is likely to be aligned with Commissioner Olson on that topic. There is still more work needed to finalize the clean energy rules – we will be watching to see if the new Commission steps back from the renewable portfolio standard that was tentatively agreed to by the current Commission.
- **Approval of Advanced Energy Mechanism is key**. PNW filed its rebuttal testimony in APS' rate case last week and, in our view, the most important aspect was the request for a renewable rider – Advanced Energy Mechanism (AEM). It sounded like support from Staff might be a tough ask, but the Navajo Nation agreed to support the request as part of the Coal Community Transition plan for Four Corners. Surebuttal testimony will be filed on 11/20 where will be interested to see where other parties stand. Absent approval of a renewable rider, PNW would become a serial rate case filer. Related to the rate case, prospect of a settlement still seems unlikely and PNW continues to operate down a fully litigated path.
- **A lot of opportunity for investments in renewables.** PNW is still intent on meeting its 45% renewable target by 2030. This will require the addition of 300-400 MW of wind/solar annually and 350 MW of storage annually (starting in 2022). Ownership opportunities will be decided through all-source RFPs which PNW expects to conduct annually going forward. PNW's current 6-7% rate base growth forecast includes renewable additions but there could

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potentially be upside down the road once fossil units retire and the fuel savings can be used to effectively pay for the investments in renewables.

- **Load growth underpinned by robust economy.** PNW continues to expect 1-2% customer growth annually which is expected to lead to weather adjusted load growth of 0.5-1.5% each year. This is a key tenant of PNW's investment proposition as the local economy in the Phoenix area continues to grow even despite COVID challenges. Any load contribution from data centers remains upside to these numbers as well.

POR: Board review of trading losses still outstanding

- **Moving on from Q3 trading losses.** POR is unsure of when the Board's review of its energy trading losses will conclude. That said, management isn't sitting on their hands as is working to get out ahead of what might be in the report – Power Operations is now overseen by CFO Jim Lobdell (Brett Sims, VP of Strategy, Regulation and Energy Supply will take over when he retires), the former Chief Risk Officer from EXC was brought on board to help lead risk management, among other things.
- **Noncommittal on potential for equity next year.** We continue to believe that POR will file a rate case in February next year along with its Q4 earnings report. In doing so, we currently assume POR will issue ~$100M of equity to repair its balance sheet after the energy trading losses to keep its 50% authorized equity layer. Management didn't confirm or deny if this was required, saying that "it's not a black and white calculation…it's a negotiation".
- **Renewable RFP coming in the 1H of 2021.** POR will issue an RFP(s) for 150 MWa of new renewables and up to 600 MW of non-emitting capacity resources. Any capex from the RFP(s) would be upside to POR's current capex program and we expect there to be some excitement around the stock when the process nears an end in early 2022.
- **Well-aligned with the OPUC.** Management touted that the company's relationship with the OPUC, pointing to their swift action in approving their deferral request for Wildfire related costs. Further, POR said it received a lot of kudos in its handling of the Wildfires suggesting that there good be some political goodwill stored with the state.

PPL: Still don't know Union Jack about UK sale but will in 1H21

- **Mum on UK bids; sale announcement expected in 1H21.** Management did not have much to say on its UK sale process but remains optimistic based on the competitiveness and quality of potential buyers. Over the next month or so, UK's CMA will issue a final ruling, the Government will issue a White Paper that could suggest more capex for WPD, and Ofgem will give final determinations in the gas/transmission RIIO-2 and sector specific methodologies for ED. These could give positive momentum to the WPD sale. PPL still expects an announcement in 1H21, with a quick closing, and sees the sale immediately creating shareholder value and setting the company up for longer term growth, with a stronger B/S.
- **Use of proceeds**. PPL's base case with the use of proceeds is a share buyback. But management remains interested in acquiring utility assets, either directly or through a swap with a WPD buyer**.** Electric utilities remain the preferred target, but electric/gas combos would also work. And renewables could fit, especially given PPL's cash taxpayer status after the WPD sale and PPL's ESG profile.
- **KY fleet transition to take time.** The biggest fleet transition opportunity for PPL is in KY; however, the timing is not imminent. The coal plants, which came online in the 70s and early 80s have useful lives of 55 years or more. One coal plant is relatively new and efficient. and PPL will file a KY rate case this month. Parties have a history of settling rate cases.

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SO: Southern charm offensive

- **SO was as charming as always and told a solid story to boot.** Continuing where it left off last month on its 3Q20 call, SO talked about its 4-6% EPS growth. SO said EPS growth is 6%, excluding temporary Vogtle penalties, and that should continue beyond 2024. SO will formalize its updated LT EPS growth target in Feb. And with the $800M of excess cash flow from Vogtle once fully in rates, SO could raise the fund incremental utility growth, raise the dividend faster, paydown debt, or buyback shares. Overall, SO sounded confident in its financial outlook.
- **High degree of confidence on Vogtle completion.** SO's next and second to last major milestone is Hot Functional Testing. SO expects to start HFT on Unit 3 in January. The test will take 45 days (including ramp down). SO expects to update investors on both the start and end of HFT. SO then has many filings (i.e., ITACs) with the NRC; the regulatory agency has suggested quick turnaround, maybe a couple of weeks, on the ITACs. From there, SO can move to fuel load for Unit 3. SO is confident Unit 3 will be in-service in 3Q21.
- **GaPSC Staff likely still adversarial.** SO still expects the GaPSC Staff to be adversarial in its 11/24 testimony in the VCM 23 proceeding. Last June, the Staff said SO's meeting the Nov 21/22 regulatory deadlines for Unit 3 and 4 is "highly unlikely." The upcoming hearings should also shed light on Staff and its experts' concerns over schedule and/or cost.
- **GaPSC commissioners could remain unchanged when prudency review.** With incumbent Comm Shaw winning reelection, and incumbent Comm McDonald in a runoff on 1/5, the likelihood is high that the Vogtle prudency review after Unit 3 is online will be heard by the same currently-seated five commissioners. Recall $3.5B of Vogtle costs have already been deemed prudent. And $2.2B on top of that is presumed prudent. Costs above $5.7B will still have to be shown prudent.

SRE – Executing well, defending diversified biz; LNG financing appears increasingly likely

- **Executing across the footprint.** Management highlighted its execution on strategic initiatives over the past couple years, including the S. American utility and renewable asset sales and successful completion of Cameron 1-3. It has also beat LT guidance numbers.
- **Utility growth is a highlight.** California momentum continues under the 5-year rate deal that gives certainty on growth investment and return for along time. On the LDC side, Sempra remains upbeat on the RNG and hydrogen opportunity as well as the need for natural gas to complement renewables penetration. At Oncor, there continues to be a lot of investment opportunity in a growing service territory. On the TX 2021 rate case, while 2020 will be an unusual test year, the company believes it is in good shape and pointed to recent earnings surveillance reports showing low-9% ROEs.
- **Comfortable with diversified strategy; talking financing alternatives for growth.** While other diversified companies are in the process of divesting their nonutility operations SRE management was clear that it sees value in the LNG and Mexico businesses with natural gas playing a big role in global energy for a long time. That said management continued to suggest the potential for a financing of the LNG operations to highlight the value disconnect between what it sees as embedded in its stock price and recent private market valuations (Cove Point, CQP). Timing and specifics remain unclear.

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WEC: Upping the ante on ESG

- **Deeming new capital plan as "ESG".** Focused on efficiency, sustainability, and growth. New $16.1B capex plan over 5 years is up $1.1B versus last year's iteration and supports 7% asset base growth without the need for equity. Significant shift in resource mix – 800 MWs solar, 100 MWs wind, 600 MWs storage being added plus 100 MWs RICE gas; shutting 1,400 MWs coal and 400 MW older gas. Sees storage as more economic now and will help address peak demand periods. Targeting $1B in customer savings from O&M and fuel over 20 years from the fleet transition.
- **Still seeing strong economic growth.** Economic activity has rebounded sharply out of the pandemic. Long-term sales growth outlook down modestly from last year's iteration (1.0-1.3% over 2022-2025 vs. 1.2.1-5% over 2022-2024). However, companies like Haribo are an example of strong economic growth. Also seeing continued customer growth, particularly in the gas business. Importantly, sees very little connection between sales growth outlook and what ultimately happens with Foxconn.
- **Same M&A criteria, not ruling out LDCs.** WEC has the same view on M&A: accretive in year 1, no meaningful balance sheet degradation, EPS growth rate same of better. The latter is the most gating criteria. Wouldn't rule out interest in gas LDCs, but jurisdiction would matter. On it's own LDCs, WEC sees a long runway for the business. Natural gas heating is still necessary given the climates in its states and electrification would be meaningfully more expensive.
- **Infrastructure segment opportunities, but capped at 10%.** Seeing continued potential for contracted renewables – strong cash returns and accretive to credit metrics. Won't let it grow to more than 10% of asset base. Longer-term, could potentially rate base these assets, as WEC looks toward the huge investment need to replace the carbon-free power of the Point Beach nuclear contract in 2030/2023.

XEL: Capex upside in Minnesota looks promising; supportive of gas LDCs

- **Confident in Minnesota.** Management believes it has a pretty good shot in getting another rate case stay-out in MN. Same thing for their relief & recovery proposal that could lead to $1.4B of incremental capex for wind repowerings and solar. A decision on the stay-out request and wind repowerings is expected concurrently in mid-December. A decision on the solar proposal likely won't be until 2Q21.
- **Open to adding a gas LDC**. In light of CNP's announcement to sell one or two gas LDCs, we were interested to get management's view of potentially adding another gas LDC. XEL noted that if the price is right and the ability to get it over any regulatory hurdles was feasible, then management thinks it makes sense. More broadly, XEL doesn't believe gas LDCs are going anywhere anytime soon, particularly in their service territories as it would be prohibitively expensive to electrify home heating.
- **2021 – the year of IRPs.** Two significant IRPs will be in focus next year for XEL – MN and CO. The former has already been filed and a Commission decision is expected in Q1 or Q2. The headline in MN is a full exit of coal by 2030 and a significant amount of renewable additions (3.5 GW of solar, 2.3 GW of wind) in the back half of the decade. In CO, XEL intends to file its IRP in Q1, in which a similar picture is expected to be painted – potential accelerated retirement of the remaining coal and plans for the next renewable buildout in the state.
- **Potential rate case in Colorado next year.** XEL is hopeful to be able to stay out of an electric rate case in CO next year. However, given an ALJ's recent decision to deny its Advanced Grid Rider application, a rate case might be necessary. We expect to get a final decision on the strategy here on XEL's Q4 call in February.

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Comparables Tables

Exhibit 8: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2020E	P/E 2021E	P/E 2022E	P/E 2023E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$57.42	250	$14,341	23.6x	22.3x	21.1x	20.0x	2.6%	7.0%	63%	2.5x	46%
Ameren	AEE	82.37	247	20,362	23.7x	21.9x	20.5x	19.3x	2.5%	4.0%	59%	2.4x	44%
American Electric	AEP	91.15	496	45,246	21.0x	19.5x	18.1x	17.2x	3.1%	4.5%	65%	2.2x	38%
Avangrid	AGR	51.44	309	15,895	25.8x	22.9x	21.5x	20.2x	3.5%	2.5%	91%	1.0x	63%
CMS Energy	CMS	67.01	286	19,187	25.2x	23.6x	21.9x	20.4x	2.4%	6.5%	61%	3.6x	26%
Con Edison	ED	81.72	335	27,365	19.4x	18.1x	17.2x	16.5x	3.7%	3.5%	73%	1.5x	44%
Dominion	D	85.68	816	69,899	24.0x	22.1x	20.8x	19.5x	2.9%	6.0%	65%	2.9x	41%
Duke Energy	DUK	97.31	736	71,616	19.0x	18.9x	17.9x	16.9x	4.0%	2.0%	75%	1.6x	41%
Edison International	EIX	62.90	379	23,809	13.8x	14.0x	13.4x	12.5x	3.9%	0.2%	54%	1.7x	38%
Entergy	ETR	109.83	200	21,992	19.6x	18.5x	17.4x	16.7x	3.5%	2.2%	68%	2.0x	33%
Evergy	EVRG	57.30	227	12,997	19.0x	17.6x	16.6x	15.4x	3.6%	6.2%	68%	1.5x	46%
Eversource Energy	ES	94.42	343	32,369	25.9x	24.1x	22.6x	21.3x	2.4%	6.1%	62%	2.3x	46%
FirstEnergy	FE	29.79	542	16,149	11.8x	11.4x	10.9x	10.3x	5.2%	0.0%	62%	2.3x	24%
Fortis*	FTS	55.02	465	25,584	21.5x	19.3x	18.1x	17.1x	3.5%	6.0%	76%	1.5x	43%
NiSource	NI	24.64	383	9,442	19.0x	18.5x	17.2x	16.4x	3.4%	6.0%	65%	1.9x	40%
PG&E	PCG	10.71	1,985	21,255	6.7x	10.7x	9.5x	8.8x	0.0%	N/A	0%	1.0x	34%
Pinnacle West	PNW	89.59	113	10,088	17.6x	17.8x	17.1x	16.1x	3.5%	6.1%	62%	1.7x	46%
Portland General	POR	44.57	90	3,989	28.7x	17.0x	16.4x	15.9x	3.5%	1.5%	99%	1.5x	45%
PPL Corp.	PPL	29.41	769	22,611	12.3x	12.0x	11.0x	N/A	5.6%	0.6%	69%	1.7x	36%
Southern Company	SO	63.92	1,056	67,515	19.9x	19.4x	17.9x	16.6x	4.0%	4.1%	80%	2.4x	35%
WEC Energy Group	WEC	104.43	315	32,941	27.8x	26.2x	24.5x	23.0x	2.4%	7.2%	67%	3.2x	45%
Xcel Energy	XEL	74.69	525	39,246	26.9x	25.3x	23.7x	22.3x	2.3%	6.2%	62%	2.8x	38%
Average					**20.6x**	**19.1x**	**18.0x**	**17.3x**	**3.3%**	**4.2%**	**66%**	**2.1x**	**41%**
Average (ex EIX, PCG, PPL)					**22.1x**	**20.2x**	**19.0x**	**17.9x**	**3.3%**	**4.6%**	**70%**	**2.2x**	**41%**

Source: Wolfe Utilities & Power Research
*Current price shown in CAD

Exhibit 9: Gas/Power Infrastructure Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2020E	P/E 2021E	P/E 2022E	P/E 2023E	Div Yield	Div Growth	Payout Ratio
The AES Corporation	AES	$21.29	665	$14,161	15.1x	13.7x	12.7x	N/A	2.8%	5.0%	43%
CenterPoint	CNP	24.07	545	13,114	18.7x	18.1x	16.5x	15.4x	2.6%	0.9%	49%
DTE Energy	DTE	130.06	194	25,174	18.6x	18.3x	17.4x	16.3x	3.4%	7.0%	63%
NextEra Energy	NEE	77.54	1,959	151,907	33.8x	30.7x	28.7x	26.6x	2.0%	9.7%	69%
OGE Energy	OGE	33.95	200	6,791	16.7x	15.0x	14.3x	13.7x	4.8%	5.6%	80%
Sempra	SRE	133.64	288	38,551	17.3x	16.6x	15.7x	15.1x	3.4%	8.0%	58%
Average (ex AES)					**21.0x**	**19.8x**	**18.5x**	**17.4x**	**3.2%**	**6.2%**	**64%**

Source: Wolfe Utilities & Power Research

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Exhibit 10: YieldCos Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2020E	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	Div Yield
Clearway Energy	CWEN	30.64	193	5,907	12.0x	11.6x	11.0x	N/A	4.2%
NextEra Energy Partners	NEP	66.21	156	10,329	9.6x	10.1x	9.6x	N/A	3.6%
Atlantica Yield*	AY	33.87	102	3,441	10.8x	9.8x	9.4x	8.3x	5.0%
Average					**10.8x**	**10.5x**	**9.6x**	**N/A**	**4.3%**

Source: Wolfe Utilities & Power Research; *Not covered by Wolfe Research, estimates based on consensus

Exhibit 11: Integrated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2020E	P/E 2021E	P/E 2022E	P/E 2023E	Implied Genco EV / EBITDA 2020E	Implied Genco EV / EBITDA 2021E	Implied Genco EV / EBITDA 2022E	Implied Genco EV / EBITDA 2023E	Div Yield	Div Growth	Payout Ratio
Exelon	EXC	43.84	976	42,764	14.5x	14.9x	14.0x	N/A	3.0x	2.4x	3.4x	N/A	3.5%	5.0%	50%
PSEG	PEG	60.88	506	30,796	17.8x	17.7x	17.5x	N/A	5.2x	6.1x	6.6x	N/A	3.2%	4.3%	57%
Average					**16.1x**	**16.3x**	**15.8x**	**N/A**	**4.1x**	**4.2x**	**5.0x**	**N/A**	**3.3%**	**4.6%**	**54%**

Source: Wolfe Utilities & Power Research

Exhibit 12: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2020E	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	Free Cash Flow Yield 2020E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E
NRG Energy	NRG	32.22	244	7,869	6.4x	6.3x	6.2x	N/A	18.3%	19.9%	20.8%	N/A
Vistra Corp	VST	19.64	489	9,607	5.2x	5.4x	5.4x	N/A	24.3%	22.1%	23.8%	N/A
Average					**5.8x**	**5.9x**	**5.8x**	**N/A**	**21.3%**	**21.0%**	**22.3%**	**N/A**

Source: Wolfe Utilities & Power Research

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Exhibit 13: Wolfe Research EPS Estimates for Regulated Utilities vs. Consensus

		2020E		2021E		2022E		2023E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Alliant Energy	LNT	$2.43	$2.43	$2.58	$2.59	$2.73	$2.70	$2.87	$2.87
Ameren	AEE	3.47	3.46	3.76	3.77	4.01	4.02	4.26	4.33
American Electric	AEP	4.34	4.33	4.68	4.65	5.03	4.99	5.29	5.29
American Water	AWK	3.90	3.88	4.24	4.24	4.57	4.57	4.90	4.95
Avangrid	AGR	1.99	2.04	2.24	2.31	2.40	2.51	2.55	2.70
CMS Energy	CMS	2.66	2.67	2.84	2.85	3.07	3.06	3.29	3.27
Consolidated Edison	ED	4.22	4.23	4.53	4.50	4.76	4.71	4.95	4.95
Dominion	D	3.57	3.53	3.88	3.88	4.12	4.13	4.39	4.40
Duke Energy	DUK	5.12	5.10	5.16	5.21	5.42	5.47	5.77	5.79
Edison International	EIX	4.56	4.49	4.50	4.53	4.68	4.70	5.02	4.89
Entergy	ETR	5.59	5.61	5.95	5.95	6.30	6.32	6.59	6.72
Evergy	EVRG	3.02	3.01	3.26	3.25	3.46	3.42	3.73	3.66
Eversource Energy	ES	3.65	3.64	3.92	3.90	4.18	4.13	4.42	4.37
FirstEnergy	FE	2.52	2.53	2.62	2.62	2.74	2.75	N/A	2.87
Fortis*	FTS	2.55	2.56	2.85	2.84	3.04	3.01	3.22	3.22
NiSource	NI	1.30	1.30	1.33	1.35	1.43	1.43	1.51	1.56
PG&E	PCG	1.61	1.61	1.00	1.01	1.13	1.13	1.21	1.23
Pinnacle West	PNW	5.10	5.03	5.03	5.03	5.22	5.26	5.55	5.70
Portland General	POR	1.55	1.56	2.62	2.59	2.72	2.72	2.81	2.83
PPL Corp.	PPL	2.40	2.43	2.46	2.36	2.68	2.59	N/A	2.7
Southern Company	SO	3.22	3.19	3.30	3.32	3.57	3.55	3.85	3.81
WEC Energy Group	WEC	3.76	3.75	3.99	4.00	4.26	4.27	4.55	4.55
Xcel Energy	XEL	2.78	2.78	2.96	2.97	3.15	3.17	3.34	3.37

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 14: Wolfe Research EPS Estimates for Gas/Power Infrastructure Utilities v. Consensus

		2020E		2021E		2022E		2023E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
The AES Corporation	AES	$1.41	$1.38	$1.56	$1.55	$1.68	$1.68	N/A	$1.80
CenterPoint	CNP	1.29	1.32	1.33	1.36	1.46	1.44	1.56	$1.51
DTE Energy	DTE	6.98	7.00	7.09	7.12	7.47	7.31	7.96	$7.51
NextEra Energy	NEE	2.30	2.29	2.53	2.50	2.70	2.71	2.92	$2.88
OGE Energy	OGE	2.04	2.09	2.26	2.21	2.37	2.31	2.48	$2.41
Sempra	SRE	7.72	7.65	8.05	8.03	8.49	8.45	8.88	$8.82

Source: Wolfe Utilities & Power Research, FactSet

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Exhibit 15: Wolfe Research EPS Estimates for YieldCos v. Consensus

		2020E		2021E		2022E		2023E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Clearway Energy	CWEN	$1,105	$1,114	$1,155	$1,142	$1,200	$1,176	N/A	N/A
NextEra Energy Partners	NEP	1,355	1,301	1,428	1,400	$1,622	1,524	N/A	1,643
Atlantica Yield*	AY		828		916		952		1,082

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 16: Wolfe Research EPS Estimates for Integrateds v. Consensus

		2020E		2021E		2022E		2023E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Exelon	EXC	3.03	3.07	2.95	2.97	3.12	3.03	N/A	3.09
PSEG	PEG	3.42	3.42	3.44	3.40	3.48	3.46	N/A	3.59

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 17: Wolfe Research EBITDA Estimates for IPPs v. Consensus

	2020E		2021E		2022E		2023E	
Company Name	WR	Cons	WR	Cons	WR	Cons	WR	Cons
NRG Energy	2,065	2,007	1,955	2,109	1,870	2,035	N/A	2,256
Vistra Corp	3,552	3,578	3,263	3,241	3,082	3,133	N/A	3,141

Source: Wolfe Utilities & Power Research, FactSet

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Global Research | 11 November 2020

First Read

Gas Distribution

Virtual EEI Conf Takeaways on CNP & NI

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Key Topics and Recent Market Dynamics
Earlier this week, we hosted virtual meetings with CNP & NI management teams and investors during the Virtual EEI Financial Conference. The investor focus was on potential divestitures of gas utilities to fund electric utility & renewable growth capex. NI also discussed potential impact on its gas utilities during the heating season as most of its residential volumes are decoupled (fixed margin) and it likely would not be able to offset potential declines in C&I volumes with higher residential volumes. That said, since the vaccine news were announced on Monday we have seen some rotation to LDCs as with the potential vaccine later this year the risk of the lower earnings due to the COVID has deteriorated. Additionally, with a potential for a GOP majority in Senate the pace of energy transition may be slower than some anticipated in the "blue wave" scenario.

Takeaways from NI Meeting
During the call with NI's management team, investors asked about the COVID impact, cost reductions and if management would consider selling a gas utility instead of previously discussed hybrid financing and equity funding. NI noted that it will evaluate all options. Management continues to monitor the COVID impact, but noted that C&I sales have been back to normal and they haven't seen any material impact on its C&I customers from any financial distress. Bad debt has increased YOY, but NI has recovery mechanisms in place if the level is above normal, but that could have near -term cash flow impact. Management spent a lot of time talking about its renewable investments, cost reductions (flat O&M going forward) and safety initiatives (also including AI).

Takeaways from CNP Meeting
During the meeting with CNP's CEO, the investor focus was on recently announced plan to sell 1-2 gas utilities to fund $3B of incremental capex without a need for an equity block offering. CNP didn't specify which LDCs they would sell but they plan to provide more colour on which LDCs they are targeting, potential tax leakage and how the post sale balance sheet would look like during the Investor Day on December 7th. Notably, management also plans to use DRIP and ATM to fund future capex. Management noted that it continues to evaluate the options with Enable, but the potential sale would not impact the announced EPS growth range. CNP emphasized strong organic growth at Houston Electric and that it continues to work on improving its relationships with Texas PUC. CNP targets 14-15% FFO/debt and it works with credit rating agencies to rebuild the credibility as it executes on its sensibly funded capital program. See changes to CNP estimates on page 2.

Figure 1: Gas Utility Comp Sheet

Ticker	UBS Rating	Unit Price Current	Unit Price Target	Mkt Cap ($MM)	Enterprise Value	Current Dividend	Dividend Yield	DPS CAGR 3-Yr Hist	DPS CAGR 3-Yr Fwd	20-'23 EPS CAGR	P/E 2019	P/E 2020	P/E 2021	EV/EBITDA 2019	EV/EBITDA 2020	EV/EBITDA 2021	UBS PEG 2021	Rate Base CAGR
ATO	Buy	$100.52	$113.00	$12,400	$17,162	$2.10	2.2%	7.5%	8.8%	7.3%	23.1x	21.4x	20.0x	15.1x	13.6x	12.4x	2.7x	13.7%
CNP	Neutral (CBE)	$24.09	$24.00	$13,125	$27,944	$1.15	2.5%	4.2%	-19.0%	6.3%	13.5x	17.9x	17.1x	11.1x	11.7x	10.5x	2.7x	10.0%
NI	Neutral	$24.57	$25.00	$9,416	$21,053	$0.80	3.4%	-1.8%	6.4%	4.8%	18.6x	17.9x	17.7x	11.9x	11.3x	10.6x	3.7x	11.0%
NWN	Neutral	$50.21	$48.00	$1,535	$2,772	$1.90	3.7%	0.5%	0.6%	6.6%	20.9x	22.3x	19.2x	11.5x	11.3x	10.2x	2.9x	5.0%
OGS	Buy	$77.30	$83.00	$4,104	$6,027	$2.00	2.8%	15.3%	7.3%	6.6%	22.0x	21.4x	20.2x	12.7x	12.1x	11.3x	3.0x	7.0%
SWX	Buy	$72.50	$78.00	$4,094	$7,080	$2.18	3.1%	8.7%	4.4%	6.0%	18.4x	18.4x	16.5x	10.3x	9.6x	8.8x	2.7x	8.6%
UGI	Buy (CBE)	$36.37	$45.00	$7,577	$14,055	$1.15	3.5%	5.0%	8.7%	7.7%	16.0x	14.4x	12.9x	13.1x	9.9x	8.7x	1.7x	11.5%
Average							3.0%	5.6%	2.5%	6.5%	18.9x	19.1x	17.6x	12.2x	11.4x	10.4x	2.8x	9.5%

Source: UBS estimates, Company Reports

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Updating Estimates

We are updating CNP estimates with 10Q and recent announcement of incremental $3B of capex in 2020-2025. As a result, we are increasing our estimates and price target to $24 from $23. Our price target is based on 2022 estimates and sum-of-the parts valuation.

Figure 2: Changes to Estimates

	Price Target		2020e EPS			2021e EPS			2022e EPS		
Ticker	New	Old	New	Old	% Change	New	Old	% Change	New	Old	% Change
CNP	$24	$23	$1.34	$1.37	-2%	$1.41	$1.37	3%	$1.52	$1.45	5%

Source: UBS estimates, Company Reports

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Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. We use SOTP of P/E multiples for Regulated Assets and EV/EBITDA for non-regulated assets to calculate our price targets.

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Neutral	FSR is between -6% and 6% of the MRA.	38%	29%
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Source: UBS. Rating allocations are as of 30 September 2020.
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Company Name	Reuters	12-month rating	Price	Price date
CenterPoint Energy Inc[4,16,20]	CNP.N	Neutral (CBE)	US$24.10	10 Nov 2020

Source: UBS. All prices as of local market close
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CenterPoint Energy Inc (US$)

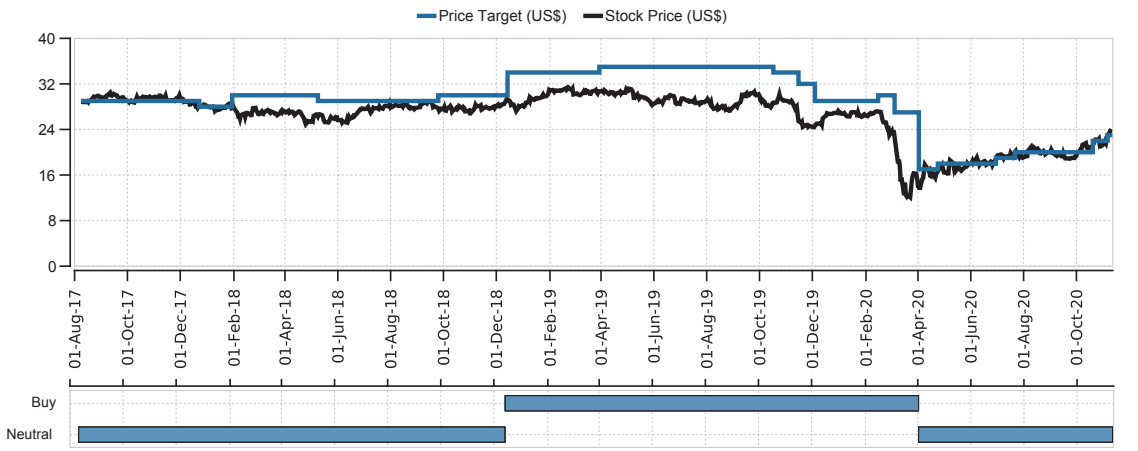

Date	Stock Price (US$)	Price Target (US$)	Rating
2017-08-10	29.13	29.00	Neutral
2017-12-22	28.07	28.00	Neutral
2018-01-29	27.73	30.00	Neutral
2018-05-08	26.55	29.00	Neutral
2018-09-24	27.82	30.00	Neutral
2018-12-13	29.34	34.00	Buy
2019-03-29	30.70	35.00	Buy
2019-10-16	28.62	34.00	Buy
2019-11-14	26.69	32.00	Buy
2019-12-03	24.40	29.00	Buy
2020-02-14	27.18	30.00	Buy
2020-03-04	23.82	27.00	Buy
2020-04-01	14.12	17.00	Neutral
2020-04-23	16.42	18.00	Neutral
2020-06-29	18.62	19.00	Neutral
2020-07-21	19.40	20.00	Neutral
2020-10-19	20.80	22.00	Neutral

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Date	Stock Price (US$)	Price Target (US$)	Rating
2020-11-05	22.67	23.00	Neutral

Source: UBS; as of 10-Nov-2020

Additional Prices: ONE Gas Inc, US$77.57 (10 Nov 2020); NiSource Inc., US$25.07 (10 Nov 2020); UGI Corp, US$37.15 (10 Nov 2020); NW Natural, US$51.45 (10 Nov 2020); Enable Midstream Partners LP, US$5.01 (10 Nov 2020); Kinder Morgan Inc, US$12.89 (10 Nov 2020); Atmos Energy Corp, US$102.45 (10 Nov 2020); Southwest Gas Holdings, US$74.74 (10 Nov 2020); Source: UBS. All prices as of local market close.

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Citi Research
Equities

12 Nov 2020 06:43:21 ET | 14 pages

Diversified Utilities
North America

2020 Virtual EEI Financial Conference

Days 3 and 4 Key Takeaways from EEI Meetings

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- Over the last four days we hosted interesting investor meetings with management teams from 16 utilities. In this note, we address key takeaways from days 3 and 4: we met with ED, PPL, NI, CNP, PNM, CMS, ES and ETR. For days 1 & 2 takes, see 2020 Virtual EEI Conference Day 2(Monday) Takeaways & Kicking Off EEI Meetings.

- **Sentiment Is Positive on Gas Utilities, Although Several Assets Are for Sale:** In our meetings with both electric and gas utility management teams, there was overarching theme that the bearish LDC thesis and selloff was overstated. The end LDC customers switching (to electric) timeline is very slow. The LDCs can adopt to hydrogen market via continued investment in pipe replacement. The recent selloff of the LDCs is more driven by ESG priorities than fundamentals.

- **Active M&A Market:** We came away thinking that the potential PPL deal(s) has a lot of execution risks which may be difficult to manage. As the announced PNM acquisition heads toward Feb shareholder vote, a higher bid has potential but not our base case. CenterPoint's has made process in its LDC sale process which leverages the Vectren tax position, VUHI debt, and could announce more details at analyst day for the $1.0 to $1.5B deal. The 2nd CenterPoint LDC sale is unlikely, in our view. In our view, ConEd isn't likely to sell its midstream asset anytime soon given the MVP COD isn't likely until 2022 (mgmt. guidance is 1H21) and Stagecoach partners have ROFR/ROFOs but not great balance sheets. Nisource continues to consider LDC asset sales to avoid equity capital raise, but hasn't decided yet what to do. Lastly, CenterPoint is looking to structure its midstream exit in a manner that addresses allocated corporate debt to avoid rebasing the utility EPS.

- **Election Implications:** Interestingly, the setup for offshore wind permitting is improving as Biden is likely to better staff BOEM as the E&P permitting rush slows (E&Ps rushed for permits ahead of election) – incrementally positive for Eversource and ConEd in our view. Outside of wind, PNM benefited from the ballot initiative in NM and the Biden victory. ETR remains exposed to the runoff election in Louisiana.

- **Interesting Stock Takeaways from Day 3/4:** ConEd reiterates it still plans to raise $600M of equity by YE20 despite few days left. CenterPoint's O&M plan seems credible but the $1B bonus capex (above the $3B raise) is aspirational. CMS was seeing some sign of upside to its load forecast due to indoor agriculture. Entergy may have some opportunities for PPA buyouts (why does it still have a PPA from 1968?) even though the $2B storm cost recovery was focus. NiSource's $0.05 2021 EPS COVID impact may be conservative as the new vaccine improves load outlook.

- **Stocks:** We came away marginally more positive on CNP and NI, but slightly more concerned about PPL and ED. Our meetings earlier in the week left us positive on PCG despite increased concern about the safety certificate, and more positive on DTE.

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Consolidated Edison

- **Midstream Portfolio Likely to Be Monetized but Not a Near-Term Decision:** Seems more a question of when than if. The ED team highlighted that they are waiting for the right market environment to execute on a deal, at these valuations a midstream deal doesn't seem likely. We hosted a call with regulatory expert, Brandon Barnes (Senior Energy Analyst – Litigation, Bloomberg Intelligence), today about MVP and left with the view that the earliest this could be in service is 2H 2021 but was not likely to be finished until 2022 (optimistic that it would reach completion). Until MVP is in service, we doubt ConEd would sell as it would be hard to get a good price. For Stagecoach, Crestwood, backed by First Reserve, has draft along and tag along rights for that asset. Crestwood don't have the balance sheet to buy Stagecoach currently and it is not a great market to sell to another party. If MVP sale isn't likely for a couple years, ED is in no rush to sell Stagecoach (would still be a pipeline owner).

- **Offshore Wind Transmission in Long Island:** ED submitted a bid to construct underwater transmission infrastructure for Sunrise wind 1 and onshore transmission infrastructure for Sunrise 2 as part of the NYSERDA RFP in October. ConEd is taking a conservative approach to wind development. In our research note, Global Offshore Wind - Change is in the Air, we highlight that return expectations are likely come down for off shore wind developers.

- **NYS Challenging Business Environment:** Recently, the NYS Governor issued language on utility reform. In short, the proposed legislation would remove caps on utility fines and penalties, create salary caps on executive compensation and allow for municipalization of utility infrastructure. Shareholders would be compensated to the amount of invested equity capital if a utility loses its franchise.

- **COV 19 Impact:** ED continues to fund under collections from customers via commercial paper and will issue $600m of planned equity sometime this quarter. To the degree that they cannot be made whole on the ~$200m of bad debts they would likely come to market and issue incremental equity at the regulated cap structure levels ~48%, which would likely come in 2022. Current financing plan calls for $1,100m of equity over 2021/22.

- **RNG Pilot Program and Hydrogen:** Con Ed is running a pilot program with RNG in their gas LDC. When we asked about the potential to support hydrogen, they indicated it is early days and would need to replace pipes with polyethylene.

- **Electric Vehicles:** Con Ed is allowed to have the meters and hookups in place to serve charging stations, however legislation would need to pass in order for ED to own the charging infrastructure.

CenterPoint Energy

- **BREC Objectives:** High level BREC objectives include being oriented towards electric and regulated business, 1-2% O&M decline outlook, $3B of new capex, 10% rav growth, ~7% earnings growth, and steps to improve regulatory relations. It also plans to reduce the midstream exposure and narrows its footprint by selling 1-2 LDCs.

Prepared for Sara Macioch

- **Selling 1-2 LDCs for $1.0-1.5B in Tax Efficient Manner:** CNP identified one asset for sale but is staying vague to attract a good amount of inbound interest and reverse inquiries for its LDC assets in the marketplace as part of its BREC process, which should introduce more price discovery for various LDCs within its portfolio. There is little concern for the regulatory approval process towards the utility LDC M&A as management thinks the selected LDC resides in a friendly M&A regulatory environment. There will be some tax leakage expected but CNP will try to address that with strategic tax planning as the legacy Vectren assets have a higher trapped tax basis which could be used to offset tax leakage. The VUHI (Vectren Utility Holdings Inc.) debt restructuring is also part of the strategy. Remember, restructuring the VUHI was been an obstacle that CNP hasn't been successful in restructuring since the VVC deal. In our view, the PG&E restructuring was much more complex and CNP should be able to address given the new financial management. Management expects to reveal more details on the sale specifics in the upcoming December analyst day.

- **More Details on O&M Cost Reduction Plan:** CNP guided 1-2% annual O&M decline with a list of discreet and long-term opportunities to lower costs. CNP is on track to achieve a 1% cost reduction objective this year. CNP has identified a targeted list this year to lower costs. For example, conversion from coal to cleaner gas and renewables could drive lower O&M. There are also technology related cost levers to pull such as installing new grid and switch technology for the Houston electric. They were new hires including a new head of supply. Overall, management feels confident on the 1-2% reduction on costs on a yoy basis.

- **$3B Incremental Capex and Related Funding:** CNP plans a $3B incremental capex plan with a $1B additional capex, which will be included if CNP runs into challenges. CNP sees $1B additional capex as an insurance plan in case it needs to put more capex into the system, for either electric or gas side. $2B is weighted towards electric with $1B towards gas capex. With a strong regulatory approval backdrop, under $2.5B capex is subject to capital recovery mechanism and only $0.5B of Indiana IRP capex requires commission approval in 2021. Half of $3B capex will be funded through regular company debt. Sub-$1B could come from selling LDCs (selling for greater than book value). CNP plans to use DRIP and ATM issuance for $300mn over 5 years. The rest will be funded through internal CF. There will be no block equity.

- **Midstream Debt Impacts to Utility EPS:** CNP is looking at a few strategies to address the two issues such as negative tax basis and absorbing legacy debt. The allocated debt to midstream would need to be addressed as it could hurt utility earnings. CNP will try to find a solution to grow and address re-baseline utility earnings growth.

- **Capital Structure:** CNP plans to continue to shore up the balance sheet and be in a better place for the capital structure. It targets 20% parent company to total debt ratio and 14-15% AFFO to debt goal.

- **Hydrogen:** Despite being in the early days, CNP has dipped toes into renewable hydrogen pilots. CNP is planning for a few hydrogen pilots in MN and MS for the next few years (though 2023). For the LDC pipe, CNP believes the system could blend in hydrogen in the low single digit percentage. CNP will be studying and monitoring the hydrogen initiative as it replaces old vintage LDC pipes.

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NiSource

- **LDC Valuation Defended:** NiSource continues to consider LDC sales, although not a foregone conclusion, and is part of its financing plan. In our meeting, NI management defended LDC valuation and its defensiveness into a low carbon future. Management argued the negative sentiment and depressed valuation for LDC is overdone with valuation disconnected from fundamentals. LDCs remain ripe for additional opportunities and investment, with RNG in the medium term and hydrogen in the long term. NI still has NOLs through mid-2020s to help with cash tax leakage and sale economics.

- **Load Forecast:** 2021 EPS guidance includes 5 cents of COVID impact, due to bad debt expense, load and O&M. ~60% of the $0.05 is from the gas business and 40% from the electric business. The gas business is less exposed to load impact in the winter than the electric business in the summer.

- **Hydrogen:** NI management thinks there are unknowns on the safety concern front. Its current view is 10-20% hydrogen blending in a modernized system to ensure safety and reliability. Plastics are relatively better positioned to blend in hydrogen, but there are no current plan to build hydrogen electrolyzers. The current focus is to understand hydrogen technology, all in cost structure and economics.

- **Election Impact:** Management views NiSource is well positioned regardless of DC policies. There is room for incremental renewable and hydrogen investment. NI plans to refresh IRP for Indiana in 2021 and 2024.

- **Guidance Reiterated:** NiSource reiterated its 2020 capex guidance of $1.7-$1.8B, and its 2021 EPS guidance of $1.28-$1.36 per share (including $0.05 COVID impact). NI continues to expect its 7-9% EPS CAGR for 2021-2024 (5-7% CAGR for 2021-2023), $1.9-$2.2B of annual capex and $1.8-$2.0B of renewable investments through 2023.

PPL Corp

- **Execution Risk with WPD Divestiture and Use of Proceeds:** In our view, there is significant execution for PPL given they need to find a buy(ers) for WPD, get regulatory approval in 30-60 days so deal closes ahead of RIIO-2, and find a US regulated utility(ies) to acquire, get approvals, and close on that deal without a large timing lag as it become expensive for shareholders to be underlevered for a period of time. There are a large number of potential acquisition targets but management indicated that they would be more inclined to buy an LDC if it is associated with an electric T&D business.

- **Tax Position** – A Biden tax plan unlikely goes through before the closing of the UK business. The management team did point out that the tax basis in the asset is not high, however they will utilize their $1.5B of NOLs and a to-be-disclosed tax strategy to mitigate the tax leakage of the proposed deal.

- **WPD Sale Plan if Standalone Event:** PPL discussed the benefits of a broadly marketed sale of WPD, highlighting the creativity that financial buyers and strategics could offer as consideration. The use of proceeds will likely include buying back equity if there are no other viable alternatives. The hurdle rate of value creation, from management's perspective, is the ability to derive accretion

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beyond a stock buy- back. The math would ultimately determine whether or not they pursue an acquisition post close. Management opined that they would not be interested in a special dividend at this time. Additionally, PPL would have to make whole ~$1B of callable hybrid debt and $750m of other debt maturing in 2022/24 time frame.

- **Pension Funded Status:** The under-funded status of the pension overall remains unchanged from YE'2019 given the changes in interest rates and broader market dynamics. We would note that the UK pension would part from PPL with the respective UK assets once the transaction closes.

- **Growth Strategy in Kentucky:** A primary objective for the Kentucky business is to transition away from coal to alternative energy. PPL will file its 15-year IRP in Kentucky likely in Q3'2021. Additional opportunities for growth in Kentucky are AMI and grid modernization.

- **UK Regulatory Regime:** CMA decision on water was recently announced. There remains RIIO developments before year end and energy whitepaper for OFGEM. These data points will help inform the buyer universe.

- **Talen Montana Litigation:** Not much new to report. There remains a deposition in Delaware and timing of any settlement is uncertain.

PNM Resources

- **Citi's Take:** We think the value of the PNM business increased since the deal was announced (Biden, NM ballot initiative, vaccine news, etc) and there is a possibility of a new buyer stepping in to top the existing offer ahead of the February 2021 shareholder vote but it is unclear if any strategic will step up. There are a lot of potential US acquisition targets (CNP's LDC, NI assets?, AEP Kentucky, etc) so not clear if strategics involved in the PNM process earlier in 2020 would still be interested. Management continues to work toward the closing of this transaction, believes it is likely to get approval from regulators and shareholders, and selected the AGR offer on the table because it was cash, credible, and had a lower risk of closing.

- **Reason for the Sale of the Company:** We discussed in depth the rationale for the sale of the business. The company continues to point out the balance sheet weakness and its heavy dependence on the equity capital markets to fund its growth, and the advancement of ESG.

- **Why Sell to AGR?** The attractiveness of the offer on the table came down to a perceived ability of the buyer (AGR) to close on the deal. AGR has a strong balance sheet, sponsor support, track record in New Mexico and Texas which some add synergies, the buyer's management experience with Sempra, and the deal being viewed as credit positive for the business. We were concerned that it was negative signal that PNM accepted a cash offer over stock, but management discussed the buyer's preferences and the motivation of their sponsor, which led to this deal structure.

- **Regulatory Approvals Risk:** In our view, there is some risk that the deal closes with the two states, New Mexico and Texas. New Mexico is a net customer benefit state and there is history of approvals with El Paso. The recent ballot initiative and future changes at the commission, in theory, should not impact the decision making process but practically there might be some new risks. We

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would expect to see some noise with interveners and other parties. Also in New Mexico, there is a 600MW project owned by the buyer but that should not matter from a market power perspective. In Texas, we have more concern given PUCT history with M&A, preference for local ownership, Texas utility industry history with bankruptcies, and ring fences issues the past. This deal has unique elements but Texas isn't always the easiest market to navigate.

- **Dividends Likely to Increase:** One attribute of the deal for the sellers is that PNM could potentially raise its dividend in 2021 consistent with prior guidance despite the deal being as cash deal.

CMS Energy

- **Long-term Load Expectations:** CMS continues to guide long term load as flat to down. There are wildcards to this thesis such as electric vehicle adoption and indoor agriculture. The state of Michigan recently passed legislation allowing for commercial grow operations of marijuana. There is implication on both of these fronts for future electricity demand.

- **Political Landscape of Michigan:** Post the election, the political environment of Michigan remains largely unchanged with the same split in the legislature. The Governor has two years left in her term. Management believes it to be unlikely that we see any major infrastructure bill in 2021, as the political agenda is more focused on roads, schools and public works.

- **Rate Design in Michigan:** CMS will file its electric rate case in Q1 next year. The rate case is predicated on a forward test year, in this instance it will model rates for 2022. This a positive, given the challenging environment of 2020. Additionally CMS has decoupling on the gas side of the business for about 4 months of the year, this does not occur in the peak months of gas utilization.

- **Aviator Deal – New Customers Coming:** The Aviator Wind acquisition earlier this year was sourced with existing relationship and there is a line of sight to growth with new customers.

- **Early Days Is an Understatement for Hydrogen:** CMS views the hydrogen campaign as something 10- 20 years away. In order to implement use of 100% hydrogen gas, virtually all customers would need to convert their furnaces, hot water heaters and other home utilities. Management believes the more expeditious way to decarbonize and use less natural gas is through incentivizing 95% efficient furnaces and insulating residences with newer windows and doors.

- **Hosting Meeting with Utility Commission:** We are hosting a meeting with the Michigan Public Service Commission please reach out to your respective sales contact to attend.

Eversource

- **US Election Implications:** Ahead of the election, BOEM was busy with offshore E&P permitting as the gulf of Mexico E&P producers were accelerating permit application in fear of a Biden executive order. This was slowing down the permitting timeline for off shore wind. Now that the election is over, the E&P related workload

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for BOEM is likely to slow which increase capacity for BOEM to handle off shore wind project. In addition, the Biden administration is likely to improve the resourcing for BOEM, which is also positive. This dynamic is positive for Eversource in our view.

- **Solar to Be Added to Rate Base at NSTAR Electric:** Recent legislation in MA will allow for rate based solar generation at NSTAR. ES plans to add 230MW of solar which is budgeted to be ~$400-$500m investment and will take place over the next 4-5 years. We would note that the legislation has not yet been signed into law but has been approved by both the House and Senate in the Commonwealth.

- **International Oil Companies (IOCs) Enter Offshore Wind Conversation, ES Pledges Discipline:** The recent NYS RFP included bids from AGR, ES and Equinor. In our premium research report (Global Offshore Wind - Change is in the Air), we argue that the competition is likely to drive down returns for all offshore wind developers. In our meeting with ES management, they reiterated their disciplined approach and they are not going to bid for the sake of gaining market share. The Vineyard wind decision due this Friday will be a good read through for ES projects. In 2021 management is hopeful they get NOIs for Revolution and Sunrise Wind projects.

- **Supply Chain Considerations and the Jones Act:** Offshore construction will involve a combination of European construction vessels while using US barges for material deliveries from the Deepwater Port in New London. The sea floor lease is also ~70 miles from the port of New London, which is closer proximity relative to competitor leases. As for the turbine technology, the wind turbines will likely be upgraded to 11MW turbines from the originally planned 6MW.

- **MA Gas Economics** – There is good visibility for earnings power at MA Gas. As part of the transaction approval process, the regulator approved rate increases in Nov. 2021 and 2022 as well as a true-up to rate base in 2024.

Entergy

- **Company-Wide Storm Costs ~$2B YTD:** The bulk of the $2B is in LA, some is from Zeta, a small amount is in Texas and very small amount is in Arkansas and Mississippi. ETR is in the process of collecting invoices and gathering information around the damages of Hurricanes Laura and Zeta. By Q1'21 they will file for approval for recovery of these damages in hopes to securitize the costs and minimize the impact to customer bills. As it stands now, storm escrow accounts in LA have been used up and will need to be replenished. In the near term the storm escrows are being replenished with callable debt issuances, so that they may be taken out once securitization is in place. In Texas it will likely be the case that ETR seeks cost recovery through T&D riders.

- **Equity Plan – ATM Focused Future:** ETR's financing plan does not call for equity until the end of 2021. Traditionally they have issued equity in blocks but they intend to issue ATM on their next issue. They will also be soliciting shareholders via proxy to seek approval for preferred or hybrid issuances in the future.

- **Louisiana PSC Election:** The biggest impact of the Election is the in Louisiana were a runoff remains. District 1 - Incumbent Eric Skrmetta (Republican) will face off Allen Borne Jr (Democrat) in a run-off election on Dec. 5.

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- **PPA Buyouts:** While it has not been talked about for ETR, peers are buying out high cost PPAs. Our view is that rate basing legacy PPAs could prove to be a viable option of growing their business while keeping customer bills low. Below we detail the legacy PPA projects. It might not drive material accretion for ETR, but we wonder why they have a PPA in service since 1968.

Figure 1. Entergy Legacy PPAs

PPA Projects - Pre 2020

Plant	Capacity (MW)	In Service
Toledo Bend (LA)	41.0	1968
Vidalia Hydro (LA)	114.0	1990
Agrilectric (biomass) (LA)	9.0	2013
Rain CII (waste heat) (LA)	27.0	2013
Montauk (biomass) (LA)	3.0	2014
Blakely Degray Hydro (AR)	160.0	2016
Stuttgart Solar (AR)	81.0	2017

Source: Citi Research, Company Filings

- **Hydrogen Is Real Commercial Opportunity for Entergy:** Given the industry user base in the USGC, it is logical that the industrial customers in ETR service territory are inclined to exposure increased consumption of hydrogen.

- **Cost Management through Challenging Load Environment:** ETR highlighted their ability to manage load decline through cost management and the various levers they can pull to achieve their earnings targets. Some of these levers they included are the continuity of remote through June of 2021 and deferrals of plant outages. Recall that on the Q1'20 earnings call the management team illustrated $100m of O&M savings for 2020. Management believes the majority of these savings to be sustainable.

- **Rating Agency Discussions:** Following the storms, ETR had discussions with the rating agencies. Moody's has opined that they do not expect ETR to hit target credit ratios until 2022, while S&P upgraded their business risk profile and lowered FFO/Debt threshold to 13% from 14%.

- **Renewal of FRP** – ETR benefits from forward test years and true-up mechanisms in ARK and LA through their annual Formula Rate Plan Filings. In Arkansas, they plan to file a settlement for new rates by Dec. 4th. There remains a run-off election for a seat on LA public service commission and that has delayed the FRP process. The commission will rule in February on the FRP, once the election has concluded.

Covered companies mentioned: (CMS.N; US$67.01; 2; 11 Nov 20; 16:00); (CNP.N; US$24.07; 2; 11 Nov 20; 16:00); (DTE.N; US$130.06; 1; 11 Nov 20; 16:00); (ED.N; US$81.72; 2; 11 Nov 20; 16:00); (ES.N; US$94.42; 2; 11 Nov 20; 16:00); (ETR.N; US$109.83; 2; 11 Nov 20; 16:00); (NI.N; US$24.64; 2; 11 Nov 20; 16:00); (PCG.N; US$10.71; 1H; 11 Nov 20; 16:00); (PNM.N; US$49.09; 1; 11 Nov 20; 16:00); (PPL.N; US$29.41; 2; 11 Nov 20; 16:00); (AEP.O; US$91.15; 2; 11 Nov 20; 16:00)

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Appendix A-1

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NiSource Inc

Awaiting key PA rate case outcome & other renewable strategy updates

Reiterate Rating: BUY | PO: 25.00 USD | Price: 22.22 USD

PA rate case order possible this Thurs (2/4)

We are flagging that an order may be issued on NI's PA rate case (Columbia Gas of PA) at the PA PUC meeting this Thurs. (2/4) – look for Thursday's official PA PUC agenda released on Weds (2/3) after 3pm ET. If the order is *not* issued on Thurs, it will likely be announced at the Feb. 25th meeting, subsequent to NI's 4Q EPS call on Feb 17th, barring a settlement. Hence, we perceive mgmt. is likely pushing to have this case resolved ahead of the EPS call driving or a resolution sooner than later (at Thursday's meeting or via settlement). To recap the latest on the PA case: after the ALJ's recent denial of NI's rate increase request in PA, which was a essentially a broad statement against raising rates amid a pandemic, NI filed an exception letter with the PUC rebutting the ALJ's denial rec. NI's exception letter offered a softened request, including a 9.86% ROE (vs 10.95% ROE requested inclusive of 20bps mgmt. performance adder) and added the phasing in of rates in '21 (50% in Jan & 50% in July) to appease the ALJ's concerns around a rate hike all at once amid COVID. NI also included an alternative revenue program, allowing revenue bookings in line with the total revenue requirement despite the phase in of rates creating no EPS impact, but small CF impact. Bottom line, NI's revised rate request in the exception letter is roughly in line with Staff's original rec of $76mn rate increase, which Staff reinforced by also submitting its own exception letter to the commission reiterating Staff's previous rec. Critically, other utilities such as UGI and AWK have had rate increases authorized in PA in 2020 during the pandemic.

$50-60mn rate increase baked into '21 guide

We continue to estimate ~$50-60mn rate increase is baked into NI's '21 guidance (vs original $100mn requested & Staff's $76mn rec) given NI's history of receiving 50-60% of rate requests in PA rate cases. However, we acknowledge that if the commission's order aligns with the ALJ there would be clear risk to '21 EPS – a maximum of 10c of '21 EPS at risk excluding likely O&M partial offsets vs '21 EPS guidance midpoint of $1.32 (every $5mn less of revenue requirement = -1c of EPS ex offsets). This implies a risk of up to 9% negative revisions to consensus EPS estimates. Note PUC has four commissioners with two republicans and two democrats. Net net, we still believe the fact pattern favors NI in this rate case. Reiterate Buy as we believe NI shares continue to present a differentiated play on the wide relative discount in Gas LDCs with M&A optionality, and renewables upside in rate base. We still arrive at >17% total return potential in our SOTP where we apply 2x discount (vs. peers) to Columbia Gas of PA to account for ongoing rate case risk.

1st two renewable projects online & await more BOT JVs

Separately, we highlight NI's subsidiary, NIPSCO Electric announced that it's first two wind projects in IN are online – Rosewater Wind (102MW BoT JV with EDP Renewables and TE) and Jordan Creek Wind (400MW 20-yr PPA). NIPSCO now has seven remaining renewables projects to bring online as part of the renewable strategy plus those yet to be announced. Note NI has procured a total of 2,445 MW (1,930MW net to NIPSCO), and we estimate this equates to ~$1.25bn in capex net to NIPSCO out of the guided $1.8-2.0bn of renewable strategy capex implying several renewable projects (primarily BOT JVs) likely announced in the coming months (potentially some ahead of 4Q call).

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02 February 2021

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Stock Data

Price	22.22 USD
Price Objective	25.00 USD
Date Established	29-Jan-2021
Investment Opinion	B-1-7
52-Week Range	19.56 USD - 30.46 USD
Mrkt Val (mn) / Shares Out (mn)	8,515 USD / 383.2
Average Daily Value (mn)	68.30 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2020E)	9.4%
Net Dbt to Eqty (Dec-2019A)	158.6%

PA PUC = Pennsylvania Public Utility Commission

NIPSCO = Northern Indiana Public Service Company

Price objective basis & risk

NiSource Inc (NI)
Our $25 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples of 14.3 for gas utilities and 16.2x for electric utilities with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex beginning in '22, but acknowledge industrial risk. Also, we now assign a 3x M&A premium to the VA, KY and MD gas utilities to account for their M&A premium. We apply a -2x discount to PA to account for rate case risk in the next few weeks after ALJ denied the company's request late last year. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

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NiSource Inc (NI) Price Chart

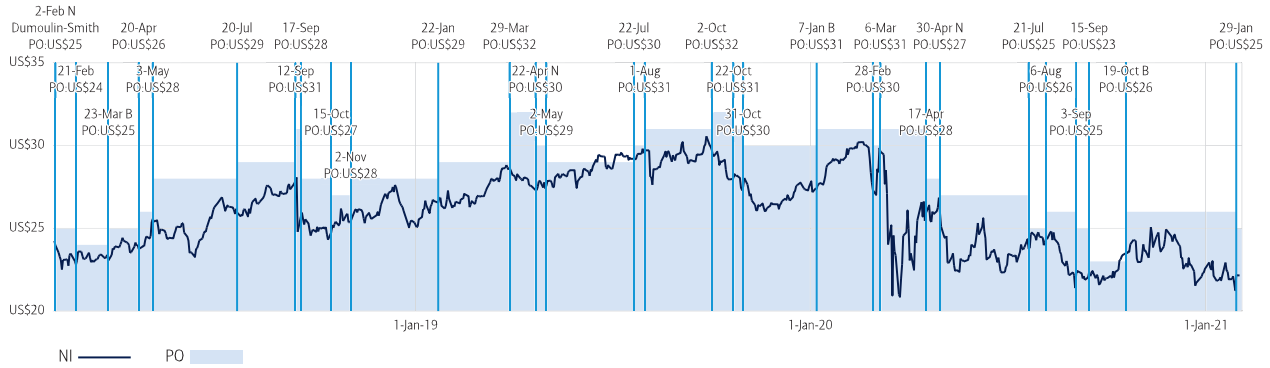

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	90	57.69%	Buy	69	76.67%
Hold	37	23.72%	Hold	24	64.86%
Sell	29	18.59%	Sell	15	51.72%

Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	80	51.61%	Buy	58	72.50%
Hold	37	23.87%	Hold	28	75.68%
Sell	38	24.52%	Sell	22	57.89%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1863	56.90%	Buy	1185	63.61%
Hold	686	20.95%	Hold	426	62.10%
Sell	725	22.14%	Sell	358	49.38%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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What stood out from Day 1 of Virtual AGA?

We present our takeaways from Day 1 of the Virtual American Gas Association (AGA) conference, including **AEE, D, DTE, ED, MDU, MGEE, NJR, NWE, SJI, SO, WEC, WTRG and UTL**. Among the key concerns quelled at the conference was around the effects of inflationary pressures on its core business. Considering the fixed wages under existing labor contracts, and relatively elevated prevailing wage rates, mgmts. from across the industry exhibited clear comfort in addressing these potential opex pressures. Further, commodity related inflation appears also modest given long lead time for procurement of many items- as well as corresponding ability to defer capex projects to maintain an appropriate bill trajectory. We stress gas Local Distribution Company (LDC) focus on replacing steel with plastics also helps to mitigate potential concerns. Meanwhile, load considerations across the sector remain robust – with many reaffirming the positive statements from 1Q. We see a clear bias that despite inflationary pressure elsewhere in the economy, results could very well prove *better* than otherwise perceived heading into 2Q & for FY21 guidance. Overall tone for sector was surprisingly positive. Among most constructive meetings were **AEE**, **MDU**, and **WTRG**.

Load growth strong while inflation at bay

AEE continues to work with key stakeholders on a comprehensive energy legislation bill in IL, with the May 31 legislative session deadline fast approaching – we note greater focus on the electric side of things suggests less risk on balance for **WEC**'s gas business. **DTE** continues to work toward the spin of its midstream business by mid-year, with revolving credit lines and a note issuance in the works, while near-term sustained residential sales should get a boost from quickly recovering industrial and commercial load. **ED** likewise forecasts higher demand y/y, with the possibility of a rate filing at its Steam business next year along with the triennial filings for electric and gas at its NYC opco. **MDU** awaits FERC action on gas pipeline expansions with permits for its North Bakken Expansion still pending, with expectations for sustained margins at its construction businesses suggesting inflationary pressures held broadly in check. In Wisconsin, **WEC** and **MGEE** are likely to announce additional collaborations on generation assets (possibly including storage) over time to backfill lost Columbia generation; while WEC is in a rate stayout until 2022 we expect MGEE's latest rate filing to receive a constructive reception given renewable expansion and modest rate increases. **NJR** continues to work through the early stages of its rate case and is not seeing any impact of inflation on its solar business because materials are procured through '22. **SO**'s meeting was spent entirely on the delay of Hot Functional Testing (HFT) and the shift in COD timeline to 1Q22 – the company is in a key testing phase; we see scope for continued volatility through this process on any small concerns. Meanwhile, successful testing would be a positive catalyst for a rerate. SJI built on the plan outlined during the investor day at the beginning of the month and added more detail on its expansion into Renewable Natural Gas (RNG). We see the potential for shares to rerate in time based on execution of the plan. **UTL** plans to outline a path for decarbonization this year and sees strong recovery across its service territory.

20 May 2021

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South Jersey	SJI
Southern Company	SO
Unitil Corp	UTL
WEC Energy Group Inc	WEC

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Our meeting with AEE mgmt covered upside from Midcontinent Independent System Operator (MISO) transmission planning, the latest on IL legislation, and the latest passage of securitization in Missouri. We maintain our Buy rating on AEE.

MISO planning key to transmission future

We continue to view Ameren as among the best-positioned utilities in our coverage universe to capture upside from what is expected to be a multi-year acceleration in transmission spend. The MISO Transmission Expansion Planning (MTEP) process remains key to the long-run upside, in our view, with the Future 1-3 scenarios pegging potential investment opportunities at between $30-100B. The bulk of transmission investment upside is expected to accrue in the second half of the decade given long run planning involved. Further details including just what projects will be included in MISO's latest MTEP iteration will likely be detailed later in the year – note Ameren's mgmt team expressed confidence that at least some of the projects included under the Future 1 scenario will be included given regional needs, particularly given the need to interconnect renewable generation projects.

In particular, we see North-South integration as among the key factors to watch into 2022 as part of wider MTEP integration given considerable congestion issues in recent years as part of Entergy integration into MISO. We stress this large-scale project is likely among the most pressing of the wider review process. Related we see considerable east-west integration across its service territory to interconnect renewables.

IL legislation remains a work in progress ahead of May 31

Work continues by IL lawmakers on several competing energy bills – AEE mgmt affirmed that the downstate bill is the best solution for its ratepayers. We see a possibility that a comprehensive energy bill may not be established during the current session. Further possibilities in the calendar include a special session or potentially a veto session (typically in Nov following election day). On the most recent earnings call mgmt talked down the potential for a "grand bargain" whereby the several competing bills are reconciled into one. We continue to see state labor unions as a key constituency as well, and perceive the union-backed bill as more palatable than proposals such as the Clean Energy Jobs Act (CEJA) from Ameren's perspective given implications for ratepayers.

While management was less than outspoken on implications we see this as a relatively constructive backdrop for shares considering implications for future rate cases. We remain constructive on shares heading into summer months ahead. Further, still not clear what legislation could entail with respect to further ratebase opportunities as well in IL.

Sep next milestone for MO rate case; securitization a plus

With IL rate making an open question, the next key data points in Ameren's MO rate case will likely come in September with the filing of intervener and staff testimony. On balance we view this as a generally constructive jurisdiction for utilities, with AEE's last rate order issued in early 2020 resulting in an earnings uplift. With the SR intervener testimony providing a recent data point – staff came in 60 bps below the company's ask on ROE with unchanged cap structure – we view the backdrop as constructive on balance. Furthermore, the state's proposed securitization bill was signed in to law, giving the company an additional tool in continuing its efforts to transform its coal-heavy generation fleet. Note that Ameren has consistently characterized securitization as not key to its resource plan in MO, but rather a useful tool in mitigating bill impacts. On balance an incremental positive.

A further twist? Note that the securitization legislation in Missouri would allow the company to avoid a separate parallel certificates of convenience and necessity (CCNs) filing for related renewable build to replace any contemplated coal plant retirements. This is a small de-risking factor to consider – effectively creating a process to streamline replacement and securitization in one.

Dominion Energy (D; A-1-8; PO: $86.00)

Our meeting with D mgmt. including EVP, CFO, & Treasurer Jim Chapman, EVP & COO Diane Leopold, and other members of the mgmt. team centered around D's execution on its industry-leading decarbonization plan, offshore wind development, the VA triennial review and rider filings, strong load trends, contracted asset strategy, and inflationary pressures. Management remains substantially on track regarding its earlier and narrow 6.5% EPS growth despite some gyrations therein. We look for critical input on July 30th form Staff on its triennial review, which could well show a relatively wider spread on recommended outcomes on how to apply the audit to the historical period. We remain relatively less concerned considering earlier failure to amend process in legislature as well as bounded outcomes in the VCEA. Items to offset income remain our focus.

As far as SC is concerned, its other jurisdiction ahead with a key case following earlier nuclear challenges remains promising too to de-risk its backdrop into a mid-July update on its rate case docket. Given this is the first case since its acquisition, this remains key in establishing the new norm in SC. Further, no securitization legislation was passed in session this year– while the company is not opposed, risks have been side-stepped here too around proposal to amend its existing nuclear regulatory asset. On balance, upcoming months remain to key de-risk the backdrop on this still new acquisition for D.

Finally, consistent with peers, load trends remain an interesting backdrop to support its overall EPS backdrop. While already assuming a relatively healthy 1.5% in its 5-yr outlook this too would appear to provide nascent support as offset to other factors. We remain relatively surprised that further renewable filings for corporate & government counterparties remains a relatively modest potential. We maintain our Buy with key debates ahead this summer.

Triennial review key to watch this year as await Staff this summer

The triennial review continues to move through the regulatory process with key milestones being respondent testimony on July 30, staff report on Aug. 16, company rebuttal on Aug. 30, evidentiary hearing on Sep. 20, and a final order in Nov. We continue to believe that the filing showing no need for customer refund is well-bounded by the VCEA. As a reminder, the triennial review filing details FY17-FY20 performance and reflects base rate revenues matched closely with cost to provide service. The filing reflects Earned ROE of 10.04% after removing the uncollected revenue related to customer arrears forgiveness, and 10.85% including uncollected revenue related to customer arrears forgiveness.

The SCC only reviews the base portion of DEV's operations and assets keeping VA riders outside the scope of the proceeding. D forecasts a $19M annual revenue deficiency with a requested base ROE of 10.8%. Importantly, we think the triennial review will become less of a factor over time because D is rapidly expanding its rider base at around 18% CAGR through 2025E while base investment is only growing at around 6%. As base rates become a smaller % of the total, D will be less exposed to an unfavorable outcome in a triennial review.

Related we look for a fall update to its Integrated Resource Plan (IRP) this fall which could very well provide the latest perspective on its coal transition – and related amortizations to which to apply to future such reviews. We anticipate this could receive growing attention as a risk mitigant.

Renewables progress ongoing

D provided an update on its industry-leading de-carbonization plan, admittedly among the most ambitious authorized for its large-cap peers largely in ratebase. We stress its inaugural filing therein, CE1 for initial solar build was approved. CVOW receives the most attention from investors given it is the largest single project in DEV's plan (even though the aggregate investment opportunity for solar, onshore wind, and storage is much

larger). Mgmt. is positive on the progress that the project has made, and we believe the Biden Administration's advocacy for the industry will be supportive of the timeline. Currently, the FAST 41 published target date for BOEM notice of intent is scheduled for June 2021, which would kick off a two-year review process before BOEM issues its record of decision in June 2023. DEV now expects to file the CPCN/Rider in fall of 2021 which is ahead of previous expectations of the beginning of 2022 - we expect to see more detail on capacity factor assumptions, suppliers, transmission planning, etc. when the filing is made.

The SCC recently approved DEV's most recent clean energy filing for 500 MW of solar (80 MW utility-owned). DEV issued another RFP for 1000 MW of solar and onshore wind, 100 MW of storage, 100 MW of small-scale solar, and 8 MW of solar to support the community solar program. It is important to note that renewables procurement will lean more toward PPA vs utility-owned in the early part of the plan before switching in the latter half of the plan to more utility-owned as DEV works to the allowed 65% target for solar, onshore wind, and storage. These investments will be rider-eligible which is key when assessing the risk of a triennial review (see section above). DEV put another 30k acres under option for solar buildout, bringing the total to 100k, which is enough to support 10GW of solar.

DTE Energy (DTE; B-3-7; PO:$131.00)

Our meeting with DTE mgmt focused on the pending spin of the midstream segment, potential to accelerate coal retirements beyond those articulated previously, dynamics around the Renewable Natural Gas (RNG) business, and growth in demand as well as for its voluntary renewables product. We maintain our Underperform rating on DTE.

Latitude to accelerate coal retirements?

After 2022, DTE is currently scheduled to keep its remaining coal assets including its 80% stake in Belle River (1,000 MW) and Monroe (3,100 MW) operating until 2030 and 2040, respectively. We note that the company has recently indicated a willingness to speed its exit from coal, most recently with the acceleration of River Rouge to 2021. Following our latest meeting with mgmt. we see some latitude to potentially accelerate one or both of the later retirement dates. Moreover, the decisions to potentially retire coal plants could be linked to forthcoming infrastructure legislation including proposed tax incentives for renewable generation. On balance we are not entirely surprised that DTE mgmt is considering moving forward the retirement dates of one or both of its large coal plants as the company has stood out among peers with its plans to continue operating multi thousand-MW coal-burning generation for up to two more decades.

Midstream spin is on track for midyear

DTE mgmt affirmed that it continues to target midyear for the spin of its midstream business, DT Midstream. The company announced the private placement of $2.1B of notes to fund the new spin, the proceeds of which will be used to pay off short term DTE holdco debt. Additionally DT Midstream recently established a term loan facility of up to $1B and a revolver of $750m, which will further go to paying off DTE parent debt and also to pay a dividend to DTE. Growth opportunities at DT Midstream are expected to principally come in the form of expansions and compression on existing lines including the LEAP pipeline in the Haynesville basin which could potentially expand capacity from the current 1 bcf to as much as 2 bcf. Overall the portfolio remains well contracted with no material roll offs in the near term.

RNG remains core to non-reg side of the business

Despite growing investor enthusiasm of late around the growth prospects for RNG and biofuels, we do not expect a material acceleration in DTE's business in the near term. Mgmt. indicated that it remains happy with the current pace of project additions whereby the company invests in new projects annually that generate approximately $7-10m of new earnings annually. While acknowledging that RNG could comprise a larger share of its overall non-regulated Power & Industrial business, mgmt reaffirmed that it expects the segment to account for around 10% of earnings over the long run. Returns per project are currently in the mid teens on an unlevered basis, providing strong cash flows and payback periods in the 3-4 year range. The key short term factor affecting earnings in the segment will be a loss of Reduced Emissions Fuel (REF) credits at the end of 2021, after which we expect the segment to return to an around10% earnings contribution over time as new projects are added on both the RNG and cogeneration side.

Consolidated Edison (ED; A-2-7; PO:$76)

Our meeting with ED mgmt focused on key regulatory concerns including the company's ongoing relationship with the New York Public Service Commission (PSC) and recent filing for recovery of lost fee income stemming from COVID, as well as future regulated and non-regulated investment opportunities. While management's attitude around the new PSC was still preliminary we remain more upbeat on potential new start for an improved regulatory backdrop. We maintain our Neutral rating on ED.

Stagecoach update expected soon

We expect ED to provide an update on its strategic process for its share of the Stagecoach gas storage JV sometime during Q2. Mgmt. indicated at our meeting that of the sale proceeds, approximately ~$500m would be earmarked for the retirement of project-level debt with any remaining proceeds allocated for general corporate purposes. We assume in turn this is likely slightly dilutive. On recent Clean Energy Business (CEB) renewable sales mgmt. reaffirmed no change in its strategy with the expectation of continuing to invest in new projects, with an expected pivot toward additional design-build-transfer opportunities given robust demand for renewables nationally.

Lost income filing driven by length of pandemic impact

ED recently filed with the PSC for a special accounting treatment to defer for eventual recovery the lost fee income associated with late payments and disconnects that has not been charged since the outbreak of the COVID pandemic. Recall that initially the company had talked down the prospects of recovering this lost income given its rate plan Change in Law provision is intended for expenses and not revenues. However, given the duration of the pandemic and aggregate financial impact, ED mgmt. affirmed that filing for a recovery was in the company's best interest. Note we do not perceive recent changes at the PSC as driving the timing or the decision to file based on mgmt's comments.

Steam recovery following most demand-sensitive quarter

Company mgmt struck a cautiously optimistic note regarding the Steam business. Although smaller than both Gas and Electric, the Steam business experienced disproportionate declines in demand for most of 2020 due to its lack of decoupling, first in Q1 as a result of historically mild weather and followed by lost demand due to COVID. Notable in mgmt.'s comments on the business was the constructive stance taken around its emissions profile – among the most efficient when viewed on an emissions per unit of energy generated; in keeping with the company's ESG-leading stance of late. Mgmt. also suggested a possible filing for new rates in the steam business, likely at the same time as the electric and gas filing if indeed the company goes ahead.

MDU Resources (MDU; B-1-7; PO: $39.00)

Our meeting with MDU mgmt focused on the impact of inflation on the company's diversified businesses – particularly Construction Services and Materials, as well as key regulatory updates centered around the recent WA rate case decision and its pending application for the North Bakken expansion. Look for updates today at the FERC meeting on pipeline policy. We maintain our Buy rating on MDU.

North Bakken not on agenda, but other expansions are

The North Bakken Expansion project is not part of the May Federal Energy Regulatory Commission (FERC) agenda, increasing the risk that the project's in-servicing date gets pushed to late 2021 or early 2022. We note that MDU mgmt. has already petitioned the FERC for expedited consideration of its permit request, thus the timing around when it gets considered remains an open question at this point. The core issue appears to be the FERC's consideration of greenhouse gas (GHG) emissions as part of its EIS for new projects – note Bakken Expansion should screen well on this metric from an upstream perspective given its demonstrated impact on Bakken gas flaring, though how the FERC determines the downstream impact remains a key consideration. Note two expansion projects on the May 20 agenda should give an indication to the FERC's sentiment, if not a direct read-through.

On balance, new FERC policy is unclear on pipelines. We look critically at these upcoming meetings to establish further direction on just how stringent of a GHG review will be established. We see this as likely more of a delay than a fundamental impediment to the project.

Inflationary pressures not showing up in construction biz

MDU mgmt. affirmed its expectation for keeping margins at its Construction Services and Construction Materials businesses at or better than last year's levels, in-line with its full-year guidance. Despite inflationary pressures, the mgmt team sees multiple pathways to maintaining or growing its margins. On the Services side, contracts could be structured as cost-plus of fixed cost, though in the instance of the latter some allowance for inflation could be built in to the initial bid. At the materials business Q2 is the key quarter for bidding activities – thus we see mgmt's affirmation as coming halfway through the quarter as informed by the bids seen thus far.

All in, given MDU's diversified construction business we remain less concerned about inflationary pressures in 2021, particularly given the strong start to the year in both segments.

Cascade revenue reduction makes new filing likely

Reduction of $0.4m relative to an increase in annual revenues of $7.4m which was requested and which represented a +2.8% increase in base rates. The commission maintained Cascade's existing equity ratio at 49.1% and authorized ROE at 9.4%. While the commission accepted pro forma adjustments to base rates reflecting investment through Oct 2020, it rejected additions for projects coming in service at a later date citing "longstanding" commission principles. The order also rejected recovery of 2021 wage increases through rates indicating that these are not yet known and measurable. On the latter point we note mgmt. indicated that it has good visibility into its authorized pay increases for 2021. On balance we expect the order to likely lead to the filing of a new rate case in Washington in relatively short order in order to resolve both the wage increase issue and to add projects that had been completed since the Oct 2020 cutoff. Note we do not expect the order to materially alter the company's outlook on 2021 (having increased guidance already post Q1), as the annualized impact of the full increase requested would result in a ~3c EPS contribution

New Jersey Resources (NJR; B-2-7 PO:$43)

Our meeting with NJR mgmt. including SVP & CFO Pat Migliaccio, SVP & COO (Non-Regulated) Amy Cradic, and Manager – Investor Relations Mark Aydin follows the 2Q update where NJR raised guidance for the second time this year. CEV's pipeline is well insulated from inflationary impacts with materials procured through '22, and expansion into other states continues at returns that are generally consistent with NJ. NJNG rate case is progressing with staff testimony the next item to watch for likely in late-Jun./early-Jul. Mgmt. is very conservative on the RNG/Hydrogen opportunity with no capital in plan outside of two pilot projects. We reiterate our Neutral rating as we still perceive ability to execute at Clean Energy Ventures as a risk, especially with expansion out of NJ and a pending transition of the current Transition Renewable Energy Certificates (TREC) program. Valuation also reinforces our Neutral rating as shares appear fairly priced on a SOTP analysis.

CEV protected from inflationary impacts

Mgmt. does not foresee any inflationary impact to Clean Energy Ventures' (CEV) pipeline given materials have been contracted through '22 – mgmt. sees more positive impact from the ITC extension (that was passed after NJR outlined its plan for CEV). As a reminder, the capital plan shifted modestly as certain in-service dates for Clean Energy Ventures (CEV) projects shift to FY22 given permitting and production delays related to the pandemic. Mgmt. now expects to spend between $96M and $118M in CEV vs prior expectation of ~$165M. CEV is also beginning to expand out of NJ in line with mgmt.'s plan announced during the Nov. 2020 Investor Day. CEV completed a solar project in CT and 1/3 of the FY21 & FY22 project pipeline capacity is expected by mgmt. to be out-of-state. Mgmt. sees out-of-state returns through PPAs that are similar to those of NJ's Transition Renewable Energy Certificate (TREC) program.

NJNG rate case remains key to watch in '21

We stress that the New Jersey Natural Gas (NJNG) rate cases through 2024 will be critical to the outlook as mgmt. is looking to recover 14c in IT spend, 27c related to the SRL pipeline, and 41c of maintenance, and cost of removal expenses. The '21 case is largely focused on recovery of the Southern Reliability Link (SRL) pipe. NJNG filed for a proposed rate base of $2.3B which excludes $308M related to SRL. SRL will be filed as a post-test year adjustment within six months of an order, but mgmt. noted the project could be completed by the time an order is received and be included in normal rate base. We believe there will be little contention on the pipe as it has received approval from the Board of Public Utilities (BPU) already and NJR has worked with the commission throughout the construction. A constructive outcome on this front is likely critical to helping assuage regulatory risks, in our view.

PennEast will likely remain upside until all items needed for Phase 1 are secured

NJR continues to exclude PennEast from its plan as the project's path forward is still uncertain (partners SJI and UGI still include at least phase one). We are more comfortable with the case in front of the Supreme Court on state's rights and eminent domain following support from the Biden Administration and the Solicitor General. The high court is expected to rule on the case by the end of June, and a FERC bifurcation decision is expected to follow – PennEast would also need Delaware River Basin approval for Phase One. We do not see mgmt. adding Phase One of PennEast back into plan until these items are secured. We note the project is already removed from guidance, so to the extent the project moves forward it could be a modest positive to EPS.

On energy services, the company highlighted that the assets that drove the outperformance this year were storage assets and not transportation assets, and suggested to take out the outperformance years to get a more normalized expectation – a Net Financial Earnings (NFE or adj. earnings) contribution of $18-22m.

NorthWestern Corp (NWE; B-2-7PO: $71)

We found our meeting with NWE to be especially interesting given the resource adequacy challenges of the West. While wildfires could very well pressure shares of smid-caps regionally once more this year, we see the backdrop of shortages across the reason and NWE's sharp lack of owned resources suggest potential for inflationary pressures to future procurement activity. Look for more robust discussion in coming months around impacts from Uri as well as Western activity. Nascent sales recovery trends appear a positive for shares with among the highest load sensitivity. On balance, given still modest ratebase growth, we maintain our Neutral rating but see an upward bias – offset by risk of acute forthcoming wildfire focus.

On track after strong 1Q and Generation Win

Latest discussions with management stressed confidence in its plan after both previously firming up the formal capex plan and with winning incremental spend from the MT generation RFP: We see the company on track following the strong start to the year to achieve their full year results of $3.40-$3.60. Management noted that new connections are up substantially with strong customer growth across their jurisdictions, but we see some lag still from C&I driven by a labor shortage as opposed to more discrete COVID concerns.

MT Preapproval Filing Imminent

We expect an imminent filing for preapproval in MT following the earlier RFP results for 325MW of dispatchable capacity – with the filing to include both the 175MW Laurel Generating Station Rice unit plant to be owned by NWE and the 50MW battery storage PPA. Recall the additional investment by the company is expected to drive an incremental $250Mn of spend over their current five year plan (with incremental equity of around $125Mn likely to keep credit ratings intact): we see the spend largely in '22-23 with in service likely towards the beginning of '24. If ultimately approved, this should elevate the company's 4-5% rate base growth and put NWE more comfortably in the 3-6% EPS growth target longer term. The filing is expected to exclude the five year hydro PPA that was the third component of the latest capacity RFP. Following the filing, the commission has 45 days to determine if the application is adequate – with potential for up to nine months until resolution: management is looking for an answer by the end of the year. If approved, we see the additional hydro and battery projects as further improving sentiment around NWE's carbon footprint in addition to the more quantitative benefits from the higher spend.

Our conversations this week further stressed the broader need for capacity in the state – particularly against the Colstrip uncertainty – and we see additional upside to owned generation out of subsequent RFPs as the critical question. We see governmental support for state owned generation, with forward prices up and expensive capacity in the broader Pacific Northwest. The thesis on capacity transition has been out there for some time; the question is whether we are on the edge of seeing a capacity 'catchup' be authorized in MT.

Outside of the pending preapproval filing, we further highlight regulatory efforts in connection with both adjustments to their PCAM and further delaying the implementation of their fixed cost recovery mechanism pilot in their Montana jurisdiction for another year until July 2022 (or beyond). While we see less concern around Colstrip after legislative efforts to revise coal fired generation laws in MT were tabled in committee earlier, watch the arbitration process for Colstrip too as it plays out.

We maintain our Neutral rating on shares, seeing a balanced risk/reward at the current valuation.

South Jersey Industries (SJI; B-1-7; PO: $27)

We met with SJI mgmt. including President & CEO Mike Renna, SVP & CFO Steve Cocchi, and other members of the executive team to dive deeper on a litany of items following SJI's update at its recent investor day. Mgmt. provided additional detail on how investors should be thinking about the robust nonregulated investment opportunity in RNG and fuel cells as well as an update on regulatory items including the Infrastructure Investment Program (IIP) and Liquified Natural Gas (LNG) redundancy project. We reiterate our Buy rating and continue to see a positive revision to shares as SJI begins to execute on its new plan.

Path toward an infrastructure company w/ utility at core

SJI's new long-term plan with significant investments in RNG expecting to spend $500M on RNG through its five-year forecast broken down by $280M in SJI's RNG DevCo to develop dairy farms and the remaining capital used to acquire more equity in REV LNG as it reaches EBITDA milestones. Mgmt. expects to own 100% of REV LNG by 2025 based on EBITDA growth forecasts. To the extent that REV is able to meet its EBITDA targets sooner than forecasted, SJI could see a positive revision in EPS given, contractually, the acquisition of more equity would be automatic once the threshold is hit (i.e. there is no discretion timing). Mgmt. is confident in its strategy on RNG given the market is not saturated and compared the RNG to the shale boom in the Marcellus – rig count climbed sharply and the market became saturated quickly whereas RNG has longer lead times and more steps before being able to bring fuel to market. SJI's strategy at its core will remain focused on the utility, but believes there are ample opportunities to invest in projects that provide returns well in excess of regulated returns and SJI is positioned well to capitalize on the opportunities.

What about legislation? A Senate Bill, S3526, in NJ would allow for rate basing of RNG at the utility. Mgmt. was very positive on the support that the bill has seen so far with two influential sponsors behind it. We note that it could be difficult to get the bill passed this session given the volume of other bills that are in front of the legislature. Mgmt. again highlighted that if the bill were to pass, it would reassess the amount of capital being deployed in unregulated projects and potentially shift some over to the regulated business. Mgmt. is cognizant of the delta between regulated and unregulated returns and will have to wait and see final bill language and regulatory implementation to make that decision. It is possible that mgmt. would have both regulated and unregulated investment. We will also be watching how the end markets for RNG grow and evolve. To be seen.

Fuel Cell investment will be the focus for renewables

Priority on the renewables business will be on fuel cells with a contract structure similar to NY's Value of Distributed Energy Resources (VDER) program with a counterparty that is willing to take the technology risk. SJI's fuel cell investment in 2020 has 75% of its revenues contracted under the VDER program and SJI's counterparty (Bloom) has guaranteed 95% availability. Mgmt continues to emphasize that the primary driver for investment in the space is to align with NJ state and local clean energy goals.

We anticipate the partnership with BE could very well prove upsized and could see further investments under this NY state structure. We note Bloom has announced multiple project partners under this program. We look to understand the nature of SJI's potentially expanded role with BE in coming months.

IIP and LNG redundancy remain key to watch from regulatory perspective

South Jersey Gas' (SJG) pending $742.5mn 5yr Infrastructure Investment Program (IIP) filing is still ongoing before the NJ Board of Public Utilities (BPU), and we model 60% of ask vs. SJI implied 50%. We think we could potentially see a higher approval % given the state's advocacy for safety and reliability investment as well as the need for supportive programs in the wake of the pandemic. As a reminder, SJG and Elizabethtown Gas (ETG) were recently approved for $133mn and $83mn, respectively, of energy efficiency over a three year period (nearly 80% of request). In total, 50% of utility investment earns a timely return. The LNG redundancy project is included in plan now that mgmt. has a clearer line of sight to commission approval by year-end and start of construction by the end of '22. Mgmt. noted recent events in TX and with the Colonial Pipeline strengthen their case for the project as they have limited connection points for supply.

Southern Company (SO; B-1-7; PO: $72)

Our meeting with SO mgmt. including EVP & CFO Drew Evans, SVP Finance & Treasurer Robin Boren, and Director of IR Scott Gammill revolved almost entirely around the progress at Vogtle Unit 3 following SO's announcement of a three week delay in HFT at Vogtle Unit 3 and the shift of the expected in-service date to 1Q22. We maintain our Buy rating as we see upside potential to our SOTP valuation, and see potential for further capex through fleet transition at core utilities. The company is in a key testing phase; we see scope for continued volatility through this process on any small concerns. Meanwhile, successful testing would be a positive catalyst for a rerate.

Delay in HFT; goal posts for completion shifted

Our meeting centered on the recent testimony from Southern Company (SO) in front of the Georgia Public Service Commission (GA PSC) on VCM 24. As a reminder, SO provided an update on the progress with Hot Functional Testing (HFT) at the hearing, and due to concerns of pipe spacing to structural support with thermal expansion, HFT has been delayed three weeks which in turn pushes fuel load to Sep. (from Aug.) and expected Commercial Operation Date (COD) officially into Jan '22 though this is assuming no more delays in the project – mgmt., more realistically, expects COD at some point in 1Q22. SO has taken temperature back down to be able to put up scaffolding, remove insulation, and reconfigure the structural support for the pipes to allow more room for thermal expansion. Though SO did not see thermal expansion outside of the limit, it is focused on completing work correctly rather than quickly and preemptively decided on the fix. After work is completed, SO will have to take the temperature back up again, but will not have to spend as much time at each threshold because data has already been collected. The plant will have to remain at the ~550 degree level for two weeks before the test can be deemed complete – as a point of reference, SO was operating at about half of that before taking the temperature down to make the adjustments for thermal expansion.

Some work on peripheral items (coating, HVAC, etc.) will be pulled forward while the thermal expansion fix takes place. SO has fully funded Unit 3 through the end of Dec., so each month COD is delayed after Dec. would add an incremental $25M to the project cost.

Another reason for the delay was the need to update control system logic for the reactor coolant pumps (RCP). SO had successfully ran each RCP individually, but when all were turned on, there was an issue with having them operate in tandem. The work took 5-6 days and has already been completed.

What about the spent fuel pond leak? SO will not be able to take delivery of any more fuel until the leak is repaired (1/3 of the fuel is currently on site), and site engineers believe they have identified the issue as a welding problem and have scheduled work to be completed by June, well in advance of the start of fuel load in Sep. What's next to track? Staff testimony on VCM 24 is due June 7 before a hearing on June 24. Staff will likely provide a timely update during the hearing on where SO stands in HFT. This appears the next critical timeline of relevant discussion for the project, especially with June 24th aligning roughly with current HFT completion timeline.

ITAAC NRC requirements appear more of an outcome of HFT than a risk themselves...

ITAAC completion is less of a concern for us at this point. The process at the Nuclear Regulatory Commission (NRC) only takes 2-3 weeks, and SO only submits an ITAAC if it fits within the parameters of the test – all but one ITAAC has been returned to SO for adjustment to date. Approx. 25% of the remaining ITAACs deal with HFT, while the remaining deal with fuel load or auxiliary items (i.e. HVAC, security, etc.).

After HFT and leading up to fuel load (currently scheduled for Aug.), what are the next critical items to watch? Work related to nuclear fuel and support systems (i.e. HVAC, communications, security, etc.). While there is still risk in completing these processes on time, only 10% or less of the work required between HFT and fuel load is safety-related

and complex vs 60% for the work leading up to the start of HFT. SO has budgeted 130 days for fuel load but is aiming to complete the process in 110 days (vs Chinese fastest of around 112 days) - this could provide some extra buffer to the new expected COD though we note again SO's focus on completing work correctly rather than quickly.

Inflation more of a concern over the LT

What about concerns on inflation? Mgmt. is watching it very closely for the LT. In the near-term, there is less of a concern because the materials that are needed for Vogtle construction are on site and workers are already paid top decile wages. Mgmt. pointed to an example of a longer term impact in coal ash expenditures – SO has long-term assumptions for spending programs like coal ash, and any shift in inflation would impact that assumption.

WEC Energy (WEC; B-3-7; PO: $95.00) and MGE Energy (MGEE; A-3-7; PO: $69.00)

We held separate meetings with the mgmt. teams of WEC and MGEE and present our consolidated takeaways below given both companies' exposure to the state of Wisconsin and collaboration on generation + storage projects. We maintain our Underperform rating on both MGEE and WEC given high valuations we view as unsupported by each company's respective fundamentals.

Different rate review approaches in WI

MGEE and WEC recently made their latest rate filings, reflecting different cycles (and levels of reg risk in our view). WEC remains the most de-risked of the WI utilities having filed a stay-out through next year with status-quo ROEs (10.0% electric, 10.2% gas) and authorized equity at 50-55%, while reducing its earnings sharing band by 20 bps for 2022 only. MGEE recently filed a 2-year rate application with a 5.9% electric base rate increase and 3% for gas in 2022. Note the MGEE filing also includes a reopener for 2023 given several renewable generation projects are pending approval at the commission – we expect the reopener to be utilized upon approval of projects with an in-service target date in 2023 – these include the Paris Solar-Battery and Darien Solar-Battery projects, which in aggregate are expected to account for $88m of capex for MGEE. Note that given WEC's stayout filing, we expect its rate application filed in 2022 to include the same projects given its 90% stake, with MGEE a 10% partner.

Still runway for gen investment following Columbia

Both WEC and MGEE are partners in the Columbia coal plant which is scheduled to retire its Units 1 and 2 in 2023 and 2024. In contrast to WEC which has articulated a multi-year plan of generating capacity additions, MGEE has not disclosed its plans for generation needs beyond the projects that have been announced to date. Note that the four projects announced in late 2020 and early 2021 that are co-owned between WEC and MGEE account for ~120 MW of the 217 MW that account for MGEE's share of Columbia, leaving meaningful runway left for additional projects. MGEE's mgmt. has also discussed retiring its 50 MW combustion turbines and 100 MW Blount facility – while the time frame is not certain we note these extend the pathway for future renewable investments. While MGEE has not exercised its West Riverside option for a 50 MW stake and has until 2025 to do so, we see a clear preference for renewables given the company's track record over the past several years.

Inflation risks relatively muted for renewables

WEC's mgmt. sees little exposure to inflationary pressures – both from a labor and a materials standpoint – in its nonregulated Energy Infrastructure renewables projects. Contracts with developers are done on a fixed price, turnkey basis, with the developers bearing most risks from inflationary pressures. Note this largely echoes commentary across our coverage indicating inflationary pressures being generally in check.

Essential Utilities (WTRG; B-1-7; PO: $54)

We had a very constructive meeting with WTRG, focused on reconciling both its near-term debates as well as more critically understanding the company's hesitations around providing a 5-year view (akin to many of its peers) vs 3-years despite its de-risked backdrop. We see this simply as a matter of transition for CEO Franklin who has been in the role since 2015. Following years of transition with repairs tax and integration of the Peoples gas utility business, we see a period of relatively lower risk approaching. Specifically, we see few noticeable resets in earnings outside of potential gyrations in earned ROEs near authorized levels. We stress transitioning to a 5-year program would appear more of a discussion around simply developing a longer-term perspective on capital spending than addressing any core issues. We believe next Peoples Gas case could very well serve to provide this latest certainty on ROE at among its largest segments. We viewed this conversation as our most constructive of the conference despite no specific timeline on offering an extended view on its 5-7% EPS growth.

Muni Acquisition Opportunity Robust despite Protracted DELCORA process

Latest discussions with management continued to highlight the robust magnitude of municipal tuck in acquisition opportunities - and we do not see any slowdown in discussions despite potential for some federal relief. Pending transactions currently contemplate ~$450Mn of rate base with signed APAs expected to generate ~$22.5Mn of incremental annual earnings potential (with one additional deal that they have been selected as the winning bidder and are working to sign an APA). The magnitude of opportunities should limit concerns around the protracted DELCORA process, with resolution seemingly less likely by the end of the year. That said, we do expect management to pull on their equity forward that is coming due in August to finance the additional acquisitions with or without clarity around DELCORA. Despite the legal setbacks, management remains firmly confident around their ability to see the transaction to close.

The current acquisition pipeline outlined by the company contemplates pursuit of ~395K customers – with the majority municipal wastewater systems. While WTRG already enjoys FMV legislation across their entire water footprint, we think we could yet see expansion beyond the current states in which they operate: we see an appetite to potentially expand to KY given their gas operations in the state and constructive legislation that was just passed similarly allowing the company to buy assets at 1x rate base (with discussions suggesting other states too as possibly providing an attractive initial entry point given the backdrop). Meanwhile, we highlight legislation in PA similar to the Water Accountability Act in NJ that would put muni's under the Pennsylvania Utility Commission if they are out of compliance. Other states to watch for developments in coming months include OH with a new team in place and TX given a backdrop of robust growth (albeit with a bit more competitive of a dynamic).

While we do not see a particular desire from management to offer up a longer guidance trajectory than their current three year outlook, we nonetheless see a long tailwind of acquisition opportunities further supporting the long term growth outlook.

Watch PFAs Developments too under the new administration

We see potential developments from the Biden administration around a maximum level of PFAs with current status quo only contemplating a health advisory (as opposed to a strict enforceable standard) in place at the federal level of 70ppt. WTRG has already put in a stricter standard across their jurisdictions of 13ppt – the standard in New Jersey at the state level. While it remains less clear how quickly the EPA will act for a firmer threshold nationally, we see stricter standards and the burden on smaller utilities as only further driving acquisition opportunities for muni tuck ins.

We reiterate our Buy rating on shares of WTRG with increasing conviction in management's ability to consistently deliver and see the company as a prime beneficiary of further consolidation across the water industry. Meanwhile, we struggle to reconcile

the sharp discount to peer AWK and stress the pipeline of water opp's to further dilute gas as a percentage of their biz. With a growing focus on ESG – and mgmt.'s proactive action around PFAs and emission reductions – we see this an underappreciated angle not reflected at the current valuation.

Unitil Corporation (UTL; B-3-7; PO: $49)

We met with UTL mgmt. including Chairman, President, and CEO Tom Meissner, SVP, Treasurer, and CFO Bob Hevert, and Director of Finance Todd Diggins to discuss the important electric and gas rate cases in NH, decarbonization across the footprint, and strategic opportunities. We reiterate our Underperform despite positive data points given very premium valuation – our impression is there is an M&A premium built into shares, however find any transaction to be challenging during a rate case.

Positive on NH rate cases, key to watch into '22

On the regulatory front, UTL is active with a multi-year rate case ongoing at its NH electric business, Unitil Energy Systems (UES), with new rates expected to be effective in 1H22. Mgmt. highlighted stipulation on temporary rates of $4.45m (vs ask of $5.8M). There has been a positive and complimentary response to the rate case, in particular with the transparency and clarity with all the effort to reduce bill impact. The staff overall feel positive about the case, with no unexpected or contentious on top of the usual technical issues associated with rate base or cost of capital. On UTL's NH gas business, Northern Utilities NH (NU NH), an earlier timeframe than 2H21 and simpler case with fewer issues is expected.

From a regulatory standpoint, UTL believes the focus right now is firstly – in terms of decoupling – by the time the rates are in effect, around 80% of their meters will be decoupled, and around 75% of their non-growth related capital investments will be recovered over the next three years, either through a tracking mechanism or though multiyear rate plans. They are therefore trying to obtain more certainty on cash flow and accelerate the recovery of their capital investments – in order to reduce the lag and difference between rate base growth and earnings growth over time. With regards to the multi-year rate plan, UTL believes this is a much quicker and more efficient process than filing serial rate cases, however they highlight one consideration with the plan where the incremental revenue requirements are limited to 2.5% of prior year's revenue.

No specific incremental investments on capital plan; growth rates on high-end

In respect to the capital plan, no specific incremental investments were called out so far but the company is looking at opportunities in renewable energy and sustainability. UTL highlighted their corporate goals for greenhouse gas emissions, with plans discussed for 2030-2050, and the investments required such as decarbonization of their fleet, their buildings and electricity usage etc. These investments are not currently reflected in their current capital plan which they aim to fully develop as part of their sustainability strategy in 2021.

Speaking about the range in growth rates (5-7% EPS/6.5-8.5% rate base growth), UTL highlights that they mostly expect growth rates on the higher-end of the range in the short-term through a combination of the recovery from the pandemic, increase in customer count, and improved recovery of rate base investments. Customer growth has been strong particularly in gas, with organic growth in in new construction and projects being permitted creating a pipeline for several years. Beyond this, UTL sees a lot of scope for gas conversions, especially in Maine, where 75% of the population are still using fuel oil or propane, and UTL intent to ramp up these conversions as well as expand into new cities going forward.

Decarbonization through RNG; work continues on legislative and regulatory front

UTL highlighted their commitment to use natural gas and RNG as part of their future energy supply considering the environmental benefits (especially vs fuel oil and propane). Electrification remains economically challenged in UTL's service territories given already high electricity costs – mgmt. highlighted studies that show 35 degrees is the breakeven point at which electrification matches the economics of fuel oil, however noted that electricity prices would have upward pressure if electrification were to expand causing the breakeven point to increase.

UTL expects to be able to implement long range supply planning to address the supply of RNG and to also ensure appropriate review and recovery of costs through legislation and/or regulation. Before UTL would look at potential investments in RNG (regulated or nonregulated), UTL would want implementation of tariffs to allow for recovery of supply costs. Once mechanisms are established UTL would then look into investing and developing these projects. There is a bill pending in Maine that may or may not go forward in the current legislative session that would enable them to move forward with this.

Consolidation remains a possibility in time; private money looks more willing to stomach high valuations

We note a unique fact pattern with respect to Caisse de Depot et Placement du Quebec (CDP), a Quebec government pension fund, owning ~6.3% of UTL as well as adjacent Vermont Gas (under its wider ownership of Energir, the Montreal based parent which also runs the Gas Metro LDC in Montreal).

We caution against immediate expectations around what this latest stake (December disclosure) implies. We see any further consolidation between these two entities as challenging to carry out during its more meaningful pending NH electric rate case given the process and drag on earned ROEs presumably.

Again, UTL expects new rates expected to be effective in 1H22 for UES and 2H22 for NU NH, so we think it could be difficult to conduct anything strategic until the processes are complete. A good example of this dynamic is with the failed Avista and Hydro One deal. It will likely take Avista until 2023, four years after the termination of the deal, to return closer to their authorized ROE. On the other hand, we have seen private interest in the space tick up with Summit Utilities acquisition of Centerpoint's (CNP) Oklahoma and Arkansas gas utilities and GIC's minority stake acquisition of Duke Energy Indiana so some puts and takes indeed. We do not see UTL as a buyer at recent high valuations.

In terms of the targeted dividend payout ratio (55-65%), UTL is comfortable with that range as well as maintaining the dividend growth rate and capital investment plan currently in place. As for FFO/Debt metrics, UTL is focused on this and has some incremental equity in plan though the vehicle for the equity is still undecided.

Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AEE	AEE US	Ameren Corp	US$ 84.21	A-1-7
ED	ED US	Consolidated Edison	US$ 77.98	A-2-7
D	D US	Dominion Energy	US$ 76.98	A-1-8
DTE	DTE US	DTE Energy	US$ 138.8	B-3-7
WTRG	WTRG US	Essential Utilities	US$ 46.42	B-1-7
MDU	MDU US	MDU Resources	US$ 33.53	B-1-7
MGEE	MGEE US	MGE Energy	US$ 74.74	A-3-7
NJR	NJR US	New Jersey Resources	US$ 42.51	B-2-7
NWE	NWE US	NorthWestern Corp	US$ 62.96	B-2-7
SJI	SJI US	South Jersey	US$ 25.74	B-1-7
SO	SO US	Southern Company	US$ 63.98	B-1-7
UTL	UTL US	Unitil Corp	US$ 55.63	B-3-7
WEC	WEC US	WEC Energy Group Inc	US$ 94.87	B-3-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Ameren Corporation (AEE)

Our $91 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2023E ratebase weighted peer multiple of 17.9x for electric.

We apply a 2.0x premium to peers at AEE Missouri to account for the improving prospects of capital spend, supplemented by a regulatory jurisdiction becoming more favorable - but lack of decoupling.

We apply a 2.0x premium to peers at AEE Illinois to account for decoupling on the distribution business which aids in earnings predictability. The overall business is expected to grow at a more meaningful clip than that of peers - we see a 10% EPS CAGR at IL 2020-2024. At ATXI, we apply a 4.0x premium to peers to reflect the FERC ROEs.

At the Parent, we assume 2.0x multiple premium reflecting average of the subs and given the healthy debt metrics with FFO/Debt at 17%+. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector.

The risks to our price objective are the utilities earning their allowed returns or worse, a significant change in 30-year U.S. Treasury bond yields, and adverse regulatory outcomes that could impact mgmt's ability to earn its allowed return

Consolidated Edison (ED)

Our $76 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 18.0x/16.5x for electric/gas respectively with a -3.0x disc. to Electric, Steam, & Gas to reflect Covid recovery overhang and Steam for lack of decoupling. Both electric and gas peer P/E multiples are grossed up to 2023E by 5% to reflect capital appreciation across the sector. We further apply an EV/EBITDA approach on 2023E EBITDA to the CEB business using a 10.0x multiple for both the legacy portfolio and the renewables portfolio seeing it as having higher quality returns. Downside risks: ED, like all utility stocks, is also sensitive to changes in the market level of interest rates. Utilities historically underperform if bond yields rise, and outperform when they fall. Further downside risks are the inability to recontract storage, adverse

regulatory outcomes, a deteriorating regulatory environment, or unforeseen disasters such as the Harlem gas explosion, the SRE transaction not being completed. Customer inflation is also a downside risk. PCG related counterparty exposure is among the nearest exposures to watch.

Dominion Energy (D)
We use SOTP to derive our $86/sh PO. Utilities: We value VEPCO at 4x prem multiple to elec. peers of 18.1x '23 P/E and 16.5x w/ 3x prem on our '23E P/E to D's portfolio of gas LDCs (East Ohio, Hope Gas (WVa), and Questar (UT)). Mults are grossed up to by 5% to reflect capital appreciation. We value Wexpro at 10x disc to gas utility peers for declining rate base/ROEs and reg. risks. We ascribe a 3x premium multiple for SCANA legacy utility assets, and a 2x disc. for the NND asset. We also net out NPV of ongoing bill credits. Merchant: We apply an 8x FCF multiple for Millstone and separately apply a 100% wt to our NPV est of the ZCP cash flows. We include the full EBITDA from the contracted renewables with a 16x '23 EV/EBITDA multi in line with peers. Cove Point: We apply an NPV approach with to our DCF adjusted for the 50% sell-down in the facility. For remaining debt beyond that allocated to state utilities, we incl a 50% wt towards a str netting of leverage, with the remaining 50% using a P/E multiple on associated interest expense, in line with the methodology employed for more highly levered diversified utilities.

Downside risks: increase in rates, capex below assumptions, unconstructive regulatory outcomes, delays and/or cancellation of key projects vs our expectation.

DTE Energy (DTE)
We value DTE Energy at $131 using an SOTP approach.
We value the utility segment on a 2023E forward P/E multiple basis and the non-utility seg. on a 2023E forward EV/EBITDA multiple basis. For the utility segment we apply a 3x premium to both our reg. electric and gas utility peer multiples (of 17.9x and 16.4x, respectively). Both electric and gas peer P/E multiples are grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector. We subtract out Corp & Other expense excl. interest rate.
For GSP we use a midstream peer group multiple of 9.0x. P&I, we apply an 8x EV/EBITDA multiple, despite the lower quality of these earnings and opaque disclosures, as mgmt has been able to execute on new project origination. We value the reduced emissions fuel (REF) tax credits separately using a DCF methodology at 6% discount rate.

Upside risks to our PO are capex expansions, higher authorized ROEs, and strong performance in the ET segment. Downside risks are interest rate hikes, execution risk on organic growth initiatives at the nonregulated business, and less favorable regulatory environment.

Essential Utilities (WTRG)
Our price objective is $54 based on our SOTP approach, applying a peer multiple to the water utility and gas utility, respectively and accounting for expected growth for each sector. These peer multiples are 28.2x and 16.5x. We apply a 3.0x premium to Peoples Gas given the organic growth opportunities, while applying a variety of premiums to its water (2x previously) subsidiaries: +4x to PA, +3x to IL, +2x to OH, +2x for TX, +2x for OH, and no premium for balance of biz. We net out parent debt and parent interest expense associated with parent debt 50/50 weighed basis.

Risks to the downside are acquisition risk, deteriorating regulatory outcomes, and risks from a lower rerating following the diversification into gas.

MDU Resources Group, Inc. (MDU)

Our $39 PO is derived from SOTP. At the regulated electric and gas utilities, we use a P/E approach on our 2023 estimates and use peer multiples of 18.0x for electric and 16.5x for gas, respectively with a -1.0x discount for each reflecting below-peer rate base growth of 5% through 2025, we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO. We value the Construction Materials business using a '23 EV/EBITDA estimate, applying a multiple of 9.7x based on an average of several publicly-traded peers in the cement, asphalt, and aggregates business. We value the Construction Services business using a '23 EV/EBITDA estimate, applying a multiple of 9.7x based on an average of several publicly-traded specialty construction services peers. We also apply a -1.0x valuation discount reflecting the high level of competition in the space. We value the Pipeline business using a '23 EV/EBITDA est., applying a multiple of 10.0x based on an average of several publicly-traded midstream peers. We also apply a -1.0x valuation discount reflecting execution risk around the North Bakken expansion which is slated for construction in 2021. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Upside risks are higher utility capex, improving margins at the construction business, and infrastructure stimulus. Downside risks are a macro downturn pressuring construction margins, and rate case outcomes.

MGE Energy (MGEE)

Our $69 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples (18.2x/16.7x for electric/gas respectively) with a 3.0x premium on WI regulated gas and electric to reflect the constructive regulatory mechanism, and a 3.0x premium on Transmission assets. We note that both electric and gas peer P/E multiples are grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector. We apply utility premiums to the non-regulated Elm Road and West Campus assets as these are leased under long-term contractual arrangements. Downside risks: MGEE, like all utility stocks, is sensitive to changes in the market level of interest rates. Utilities historically underperform if bond yields rise, and outperform when they fall. Further downside risks are the inability to secure further renewable rate base investments, adverse regulatory outcomes, a deteriorating regulatory environment, or adverse weather leading to less consumption of electricity and gas. Upside risks are acceleration of renewable gen investment, legacy coal asset early retirement, and enactment of further pro-renewable state policies.

New Jersey Resources Corp (NJR)

Our $43 PO is off our 2023E SOTP, based on gas peers of 16.5x. For non-reg biz, we apply a 12.0x multiple plus a 1.0x premium to account for the derisked nature of the AMAs. For Midstream, we capitalize EBITDA at 9.0x while weighting PennEast by 0% given uncertainty on full project execution (as mgmt. has removed this from its outlook). For CEV, we value CEV PowerCo for existing assets and DevCo assets to be deployed separately. We separately value DevCo assets to be deployed for '21 through '25 at NPV of unlevered FCF including upfront system install cost and ITC value for new deployment. We also value SREC balance that CEV has yet to monetize. We apply a 4.5% unlevered discount rate to project level CFs in-line with our discount rate for resi solar service providers. We incl. three additional years of DevCo NPV ('26-'29) with terminal value based on post-ITC step-down trough volumes/economics in '29 ('27 prior) and maintain our 4x terminal value. We also attribute a 75% weighting for the full value of DevCo NPV for '24+. We assume 75% based on a likelihood of some action on ITCs. For parent, we apply a 50/50 weighting for holdco debt/interest expense for re-capitalization purposes.

Upside risks: Constructive regulatory outcomes, decrease in interest rates, incremental capex opportunities, and extension of subsidies

Downside risks: Poor regulatory outcomes, increase in interest rates, and lower capex.

NorthWestern Corporation (NWE)
Our $71 price objective is based on a 1.0x discounted multiple to the 2023E peer multiple of 17.9x on our 2023E EPS given higher risk and slower growth. We note that electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector.

Downside risks to our price objective are 1) adverse regulatory outcomes, 2) inability to recover costs via the traditional mechanisms, 3) changes in the Commission constructs, and 4) further equity dilution. Upside risks are 1) improvement in regulatory environment 2) capex increases.

South Jersey Industries (SJI)
Our $27 PO is premised upon our SOTP analysis where we utilize a 16.5x peer Gas LDC utility P/E to SJG and ETG on '23E EPS. We apply a 12x P/E to SJEG/SJES non-regulated earnings stream given variability and limited transparency. For the solar investments we utilize a NPV of investment tax credits at a 4.5% discount rate (in line with peers) to capture the transitory nature and eventual roll-off. We apply a 9x EV/EBITDA to PennEast and assume full project economics in our EPS assumptions, although net out 50% weighting. We utilized a DCF for RNG with NPV of cash flows at 7.4% discount rate. For parent debt we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Downside risks: Interest rates move higher, poor regulatory outcomes, lower capex levels.
Upside risks: Interest rates move lower, constructive regulatory outcomes, incremental capex opportunities, further credit latitude.

Southern Company (SO)
Our $72 PO is derived from a SOTP. We use a P/E val approach on 2023 and use peer multiples of 17.8x for electric and 16.4x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO. We subtract 50% of the 2023 parent interest expense multiple by an electric P/E peer multiple to reflect parent lev supporting the utilities. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector.

Upside risks are: 1) Regulatory outcomes or RO's could be better vs expectations, as exposed to multiple state jurisdictions 2) Additional riders and capital trackers can help the company achieve better than expected ROE, but failure to get riders would hurt SO 3) The nat. gas related biz are relatively new and could prove more or less able to earn an ROE in line with or different from their allowed ROE, 4) high capital forecasts and subsequent earnings streams vs our assumptions.

Downside risks are: 1) Regulatory outcomes or ROE's could be worse than expectations, particularly since exposed to mult. state jurisdictions, 2) SO has exposure to Vogtle which could shift earnings, 3) Weather patterns could influence usage or natural disasters could affect system reliability 4) Utilities are subject to interest rate risk.

Unitil Corporation (UTL)
We value UTL at a $49 PO based on a 2023e forward P/E basis using a utility group multiple of 17.8x for electric and 16.3x for gas. Also, we apply a 1x premium to our weighted peer multiples to align with MA comps and capture electrification upside. Both electric and gas peer P/E multiples are grossed up for a year to 2023 by 5% each to reflect capital appreciation across the sector.

Risks to our price objective on the upside are capex updates around MA gas pipeline

replacement, regulatory asks around ROEs, and M&A. On the downside, risks are interest rate risk which could reduce the appetite for M&A, regulatory challenges and mild weather.

WEC Energy Group Inc (WEC)
Our $95 PO is based on 2023E SoTP, with a large cap electric group multiple of 18.2x and gas regulated multiple of 16.7x. Electric and gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector. We apply a 3.0x premium to WEC's WI electric & gas subs for surety in earnings growth for the next two years following the Commission's recent settlement on above avg ROEs of 10%+. We apply a 1x premium to the gas utilities, incl IL's Peoples Gas and North Shore Gas with the Gas System Modernization Program (GSMP) and capex forecasts de-risked following the ICC order. We ascribe a 3x premium vs. the group at ATC to account for steady earnings growth as well as above avg ROE's that are set at a federal level by FERC. We give Power the Future (PTF) a 1.0x premium multiple as the ROE is set indefinitely on historical and new investments. We ascribe an in line multiple for the parent accounting for the interest expense which finances overall utility operations. We value Energy Infrastructure investments on a net present value basis using a WACC of 3.5%, in line with other renewable asset operators. We net out 50% of HoldCo debt from equity valuation and adjust to add back the parent drag on interest exp. Upside risks: stronger than expected execution and accelerating capital oppty. Downside risks: inability to achieve historical track record on cost cutting and to scale regulated investments given growing portion from contracted renewables.

Analyst Certification

We, Julien Dumoulin-Smith and Dariusz Lozny, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
NEUTRAL				
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RSTR				
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	48.43%	Buy	56	72.73%
Hold	43	27.04%	Hold	31	72.09%
Sell	39	24.53%	Sell	23	58.97%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1909	58.54%	Buy	1218	63.80%
Hold	653	20.02%	Hold	395	60.49%
Sell	699	21.44%	Sell	356	50.93%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. *VOLATILITY RISK RATINGS*, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. *INVESTMENT RATINGS* reflect the analyst's assessment of both a stock's: absolute total return potential as well as its attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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What stood out from Day 2 of Virtual AGA?

We present detailed takeaways from Day 1 of the Virtual American Gas Association (AGA) conference, including presentations by **AQN, ATO, AVA, BKH, CMS, DUK, ES, NWN, OGS, SR, SWX, UGI & XEL**. Notably positive meetings included **BKH, SR** as well as confidence from **ES** on an improving backdrop in CT, if not with the PURA directly. We still see numerous challenges and need to see execution confidence, but we see the overall tone yesterday as an improvement. See our report on Day 1 takeaways including: **AEE, D, DTE, ED, MDU, MGEE, NJR, NWE, SJI, SO, WEC, WTRG** and **UTL.** We expect additional positive 2Q updates to drive FY21 guidance higher after clear success in 1Q.

Load growth strong while inflation at bay - continues

CMS reiterated that it sees '21 as off to a very strong start with meaningful upside vs. its plan with latitude to de-risk '22; in the near term the much-anticipated resource plan is expected in June with expectations for additional renewables and accelerated coal. **XEL** indicated improving and constructive regulatory relationships, with the expectation of filing a rate case in CO along with constructive staff testimony in its pending NM rate review; look also for additional data points on MISO transmission upside later in the year. **DUK** again addressed the challenges of Elliott's proposal to split the company into three publically traded holdcos, including regulatory concerns, credit implications and the need for incremental equity, the dis-synergies, and the impact on the dividend. Mgmt. continues to see positive momentum on comprehensive energy legislation in NC – look to the summer to see something introduced. For **ATO** and **OGS**, focus near-term is on the successful passage of securitization in TX. The TX Senate Committee on Natural Resources & Economic Development heard HB1520 yesterday evening and plans to vote on the bill in the lt. governor's press room at 9:00AM CT today. We expect the bill to pass through committee given positive commentary during the hearing. **AVA** provided an update on the Department of Natural Resources report on the Babb Road Fire, and mgmt. was not surprised by the Staff recommendation in its Washington rate case – this case, and others, will be key for AVA's near-term guidance. **NWN** continues to assess RNG projects in Oregon pursuant to SB98 and is conservative in what it bakes into its capital plan. There is clear upside to mgmt.'s target, but by how much? We continue to await more clarity and more on the strategy for water expansion. **SR** received the staff recommendation in its Missouri rate case that we believe sets them up well for settlement negotiations. We will be watching the strategy for RNG expansion closely, especially given the recent passage of legislation in MO that allows them to rate base RNG investments. **SWX** is gearing up for its tracker filing later this month. We continue to see Arizona as a particularly negative jurisdiction and remain cautious on SWX's ability to recover costs. **We resume coverage of UGI** following the announcement of the equity units and are bullish on the renewables opportunities in front, although we remain Neutral as we await more concrete details on how the investment affects the LT growth target and more detail on each segments' contribution to the growth target. One question came up repeatedly in our meetings: is there any ability to monetize scrap metal from pipe replacement at elevated price levels? And the short answer is no, the pipes remain in the ground when being replaced.

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Timestamp: 21 May 2021 02:49PM EDT

21 May 2021

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Stock Symbols:

AQN: Algonquin Power
ATO: Atmos Energy
AVA: Avista Corp.
BKH: Black Hills Corp.
CMS: CMS Energy
DUK: Duke Energy
ES: Eversource Energy
NWN: Northwest Natural
OGS: ONE Gas
SR: Spire
SWX: Southwest Gas
UGI: UGI Corp.
XEL: Xcel Energy
AEE: Ameren Corp.
D: Dominion Energy
DTE: DTE Energy
ED: Consolidated Edison
MDU: MDU Resources
MGEE: MGE Energy
NJR: New Jersey Resources
NWE: NorthWestern Corp.
SJI: South Jersey Industries
SO: Southern Companies
WEC: WEC Energy
WTRG: Essential Utilities
UTL: Until Corp.

See abbreviations of industry terms on page 2.

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Abbreviations:
PURA: Public Utility Regulatory Authority
FERC: Federal Energy Regulatory Commission
LDC: local distribution company
IRP: independent resource plan
MISO: Midcontinent Independent System Operator
RNG: renewable natural gas
PPA: power purchase agreement

Algonquin Power & Utilities (AQN)

Inflationary pressures not apparent in the renewables business just yet

Latest discussions with management suggest that inflationary pressures are not yet apparent in the renewables business – echoing the commentary from other developers throughout the conference. Commentary suggested more concerns about delays from interconnection as opposed to higher freight costs or logistic complications. Overall, we perceived few concerns – with expectations to pass on any higher input costs at the regulated business and higher offtake prices for PPAs while they see the Biden administration as further enabling opportunities for their business overall. While management doesn't expect returns to be diluted, we watch competitive dynamics critically and see the direct pay component from any legislation as potentially adding further pressure to competition.

Commentary from management further stressed confidence in the LT plan to grow EPS at 8-10%, with the bulk of the capital front-end loaded and projects thus far coming in on time. Any further complications in supply chain appear more likely to impact the development pipeline if sustained. While potential projects could get pushed back, we highlight the enhanced latitude given the tax credit extension providing some support. Execution remains our principle concern for AQN in particular.

With management previously noting that they recently advanced four Permian projects from the evaluation phase through the development phase related to their Chevron partnership, watch for additional developments later this year with the projects not formally contemplated in their $9.4bn plan.

Despite the latest affirmation by AQN, we remain concerned about the ability to achieve '21 EPS guidance of 71-76c after the challenging start to the year (albeit management maintains the ability to self-monetize tax credits) and given the protracted NYAW (New York American Water) process (recall the Winter Storm Uri impact is already excluded from adjusted results). Management nonetheless remains confident that the deal will close: this remains a key swing factor to EPS, in our opinion.

Following the CNP (CenterPoint Energy) transaction at 2.5x rate base, it remains less clear if AQN will continue to pursue acquisitions at the same pace if elevated valuations continue. Despite the recent Chilean acquisition, we would believe the bulk of focus will be more North American oriented but limited commentary was provided about how to think about the partnership with AY (Atlantica Sustainable Infrastructure).

Contemplating Uri Recovery

After the company previously announced ~$200mn of elevated costs at their utilities with the bulk of it in Missouri, management shied away from commenting on any recovery period as they start initial discussions with regulators – but we stress the magnitude relative to the number of customers and highlight securitization potential in Missouri. Watch both implications from credit agencies through the rest of the year and overall cap structure given potential scrutiny at the holdco level.

Meanwhile, the company is in discussions about mitigating the ~$50mn impact at the regulated business after asserting *force majeure* – albeit we would expect a years-long process if they ultimately enter into dispute and generally see mitigation efforts as an uphill battle.

We maintain our Underperform rating: consistency & quality of EPS execution remains a key focus of improvement to drive the track record.

Atmos Energy (ATO) & ONE Gas (OGS)

We consolidate our comments on ATO and OGS given the overlap in regulatory jurisdictions and similar current events/considerations following Winter Storm Uri. We met with (1) ATO senior mgmt. including President & CEO Kevin Akers, SVP & CFO Chris Forsythe, VP of IR and Treasury Dan Meziere, and VP of Pipeline Safety John McDill; and (2) OGS President & CEO Pierce Norton, SVP & CFO Caron Lawhorn, SVP & CCO Curtis Dinan, SVP & COO Sid McAnnally, and Director of IR Brandon Lohse to discuss the latest on TX securitization, which was heard in Senate committee last night and will be voted on this AM (we believe the legislation will go through given testimony from parties at the committee hearing), ratings agencies treatment of the debt, potential incremental capex opportunities from reliability and resiliency, and sustainability and RNG. All around, positive momentum on legislation and de-risking of impacts from Winter Storm Uri, but we continue to see Neutral as an appropriate rating for ATO given our view that risk/reward is balanced at the current 0.6x premium to gas LDC peers. We maintain our Underperform rating for OGS given the relative gas costs and slight premium to the group.

TX bill to be voting out of Committee this AM

The TX Senate Committee on Natural Resources & Economic Development heard HB1520 (LDC securitization of extraordinary gas costs from Winter Storm Uri) yesterday evening and plans to vote on the bill in the lt. governor's press room at 9:00AM CT today. The Senate committee made a couple of tweaks to the bill that was passed in the House, including allowing more time for the Texas Public Finance Authority (TPFA) to issue the financing, more clearly defines each agency's role in implementation, limits the scope to just the extraordinary costs from Winter Storm Uri, and orders a study by the Railroad Commission (RRC) to analyze the advantages and disadvantages of spot market gas purchases during a catastrophic weather event that may contribute to volatile customer rates. We expect the legislation to be voted out of committee and onto the Senate floor given there was no objection from any party during the hearing. Much of the hearing was more of an educational process to discuss why securitization is beneficial for customers. As a reminder, the RRC will have 90 days to review the prudency of the costs before the TPFA will start the process of issuing the bonds. In OK and KS, the Oklahoma Corporation Commission and the Kansas Corporation Commission will each have 180 days to review the costs before the process to issue the bonds will begin.

What about the recovery period? We think that given the securitization, the recovery period will be on the longer-end in TX and OK (for OGS) (20+ years), but not the full 30 years that is allowed by the legislation as customer bill impact does not change as much as the time period is extended on the long-end. In KS for both ATO and OGS, we believe the recovery timeframe could be a little bit shorter given the utilities are the ones issuing the bonds.

The ratings agencies' treatment of the securitized bonds will be particularly relevant to track considering implications on potential dilution. S&P already does not include securitized debt in its credit metric calculations, but Moody's will look through special purpose entities and pull the securitized debt into its metrics. However, with the TPFA issuing the bonds, and ATO just collecting for the bond, there is no special purpose entity to look through. It remains to be seen if Moody's will still include the debt in its calculations, but discussions will kick off after the legislation is passed.

The equity portion of the capital structure is expected to be improved after securitization, which is important given ATO earns on actual capital structure in many of its jurisdictions. For ATO, the securitized bonds will replace the $2.2B Winter Storm Uri financing, and the equity cap would move back to ~60%. OGS is on track with their Oklahoma rate case to be filed by June 30, which will be a 2020 test year and therefore not directly impacted by the storms.

Capital plans solidified w/ potential upside in time from reliability

Given our view that securitization will allow for an extended recovery period, we believe both ATO and OGS' capital plans are not at risk. Both companies highlighted their post-mortem review of their own operations to minimize supply issues and extreme pricing in the event of future severe weather. With considerations such as whether they need additional storage, have all interconnects in place, making sure they have high enough supply of gas, LNG/CNG (liquefied natural gas/compressed natural gas), possibility of bidirectional flow and others, ATO and OGS have been looking to harden their supply and therefore fare better as a result during those conditions. OGS highlighted that they have a review in process in place that could evaluate their system and response to any extraordinary event in the industry, in order to compare practices and processes and identify learning opportunities or optimization in both short and long term.

Expansion of RNG likely to remain focused on integrating supply into the system

ATO continues to evaluate the RNG market for additional blending into the system; currently, only ~2% of ATO's volumes are RNG. While we are very bullish on RNG in general, we do not see any unregulated investment at this time; rather the only incremental investment would be for interconnections with producers and spending to integrate the fuel into the system.

OGS is exploring RNG with its recent partnership announcement with Vanguard Renewables. The alliance is currently assessing both the supply-side (i.e., dairy farms in OGS territory) and the demand-side. While we are very bullish on RNG in general, we did not get the sense that mgmt. was seeking any unregulated investment at this time; rather the only incremental investment would be for interconnections with producers and spending to integrate the fuel into the system - OGS is weighted heavily toward residential, so there is less opportunity to provide large volumes of RNG to C&I (commercial & industrial) customers. This stance on unregulated RNG investment may change as the market develops, but we do not expect an announcement on any projects in the near term.

Avista Corp (AVA)

Our meeting with AVA mgmt., including President & CEO Dennis Vermillion, VP, Controller & Principal Accounting Officer Ryan Krasselt, and IR Manager John Wilcox, to discuss the recent DNR (Department of Natural Resources) report on the Babb Road Fire, the ongoing rate case at WA and the staff recommendation that we see as relatively less constructive, the supportive MYRP (multi-year rate plan) legislation that was recently passed in WA, the lawsuit challenging MT statute on Colstrip, and the WA gas and electric IRP. We reiterate our Underperform rating given valuation, regulatory execution risk, and relatively more restrictive jurisdictions – shares trade at a 0.4x premium to SMID cap peers on FY23 despite having relatively higher regulatory risk and relatively lower growth (4-6% absent the improvement of earned ROEs).

Babb Road Fire updates

Mgmt. provided an update on the Washington Department of Natural Resources' (DNR) report on the Babb Road Fire that covered ~15,266 acres and destroyed 223 structures. As a reminder, there was no injuries or deaths caused by the fire. The report found that (1) the fire was ignited by a tree branch falling onto an AVA distribution line; (2) the tree was 30 feet from the center of AVA's distribution line and was 20 feet beyond AVA's right-of-way; and (3) the tree showed damage from porcupines, scarring from a lateral branch/leader breaking off in the past, and some past signs of Gall Rust disease. The DNR concluded, "It is my opinion that because of the unusual configuration of the tree, and its proximity to the powerline, a closer inspection was warranted. A nearer inspection of the tree should have revealed the cut LBL ends and its previous failure, and necessitated determination of the failure potential of the adjacent LBL, implicated in starting the Babb Road Fire." AVA's investigation is still ongoing, and there has been no assertion of negligence on AVA's end at this point. Also, no material claims have been made as a result of the fire. We are headed into what could be another very active fire season, and while the PacNW is positioned slightly better than Cali, we remain cautious on the ongoing fire risk for AVA.

UTC Staff low on ask but expected by mgmt.; MYRP is potentially supportive

AVA has two large rate cases in front of them in WA and ID, where progress is in the early stages, but we see the ultimate outcome as crucial to near-term guidance. The Washington Utilities and Transportation Commission staff recently recommended a rate increase of $7.23M based on an ROE of 9.3% and equity layer of 48.5% (vs ask of $44.183M rate increase based on a 9.9% ROE and 50% equity layer) – the staff also recommended a number of pro forma rate base disallowances. We believe that, while the ROE looks fair, the equity layer and rate base disallowances are negative – mgmt. stated that the staff's recommendation was expected.

AVA will file in OR in 2H21 and must file at AEL&P by Aug. 30, 2022.

We perceive execution risk to regulatory outlook that is crucial to AVA's medium-term guidance, although see the passage of the multi-year rate plan (MYRP) legislation (SB 5295) to potentially help enable ability to earn closer to authorized ROE levels. As a reminder, SB 5295 will move utilities to two to four year MYRP, takes the first steps toward PBR, and could help reduce regulatory lag. Still with WA a historically restrictive jurisdiction, we await further detail as the Commission works through the rulemaking process.

We stress while the multi-year rate plan path is constructive; the key risk is establishing an appropriate baseline. We could see more frequent cases despite newfound latitude of MYRP if upfront ask is not granted at appropriate level. We stress commission support for MYRP structure altogether is admittedly a positive backdrop to the case despite the more punitive staff recommendation.

IRP outlines de-carbonization path

In early Apr., AVA filed its 2021 electric IRP in both WA and ID with a goal to serve customers with carbon neutral electricity by 2027 and 100% renewables by 2040 - 55% of AVA's current generation mix is hydropower, biomass, wind, and solar. Pursuant to the IRP and 2020 RFP for up to 300 MW of clean, existing or new, generation resources, AVA signed a PPA with Chelan County Public Utility District (PUD) to take 5% of the hydropower output from two of PUD's Columbia River projects for the years 2024-2033. AVA continues to evaluate projects that were submitted to the 2020 renewables RFP.

Mgmt. spoke on RNG as a pathway for decarbonizing their gas footprint, but stated they are only looking at it as a utility resource to integrate into the distribution and not as an opportunity for unregulated investment in production. We will monitor if this commentary changes as the market develops, especially in the PacNW where RNG has strong political support.

Lawsuit on MT Statute around Colstrip?

Mgmt. discussed the ongoing legal action over the recently signed legislation (SB 265 and 266) that could harm AVA's ability to exit Colstrip by 2025. The bills would (1) impose a $100k/day fine for not investing the required capital or share in the operating costs of an electrical generating facility; and (2) change any arbitration hearing on a MT generation facility to the state of MT – essentially granting home field advantage. Mgmt. believes both bills are unconstitutional and we will continue to track progress on this front.

Black Hills Corp (BKH)

Contemplating Colorado & the Outlook from Here

After their earlier rehearing-reargument-or reconsideration request in Colorado was denied, latest discussions with BKH management suggested optimism about the ability to reach constructive outcomes in the state. We believe discussions in the state have been constructive thus far, with the company filing a similar case as previously filed, albeit with the integrity rider isolated and currently under review: watch for a decision about the rider toward the end of June for an initial sense of the overall regulatory and political backdrop given the new commission members and more alignment with the governor as of late. Recall the company is abandoning consolidation efforts, which should further simplify the rate case. While the case covers capital through 2020, authorization of the rider would cover eligible capital retroactive to the beginning of this year and remains critical to reducing lag. Meanwhile, the company is also getting ready to file a rate case in Iowa.

We continue to highlight the elevated rate base opportunities and best in class SMID-cap EPS CAGR of 5-7% over time with management confident in achieving a run rate of $600mn plus in annual capex (for a total of ~$3bn vs. the formal base plan of ~$2.7bn). The bulk of the incremental spend above the base is related to programmatic spend at the gas utilities – and with upcoming ERPs for SD and WY in July, we perceive potential for some years of the current plan to further surpass $600Mn and provide longer trajectory of opportunities too. Meanwhile, a transmission pathway remains another novel angle after the earlier filing by XEL and with management keen to connect their three utilities. Expect more on this in subsequent quarters.

Overcoming the Storm Impact & Regulatory Processes from Here

With their 1Q update, management reaffirmed their full year guidance for both 2021 and 2022 of $3.80 to $4.00 & $3.95-$4.15, respectively, despite a challenging quarter and ~15c adverse impact from Winter Storm Uri. The company expects a 5c pickup through regulatory initiatives, with filings in all of their states except KS so far given prioritization of the rate case request in the state. Critical questions remain around the carrying cost for recovery (WACC or debt) and ultimate recovery period. While the recovery period for SD is over 12 months, we perceive some much longer timelines up to five years for KS and AR.

That said, management remains quite confident that it doesn't change their financing plans around equity needs, with rating agencies understanding the unique nature of the event and noting a 13% FFO/Debt threshold. Look for the company to replace their ST debt with more permanent notes after better clarity on the full recovery periods across their jurisdictions.

We see confidence in the overall strategy and the company's LT 5-7% EPS growth beyond '22 coupled with a 5%+ annual dividend growth over time: Maintain Buy given best in class SMID CAGR and elevated rate base opportunities.

CMS Energy (CMS)

Our meeting with CMS mgmt covered load trends in the Upper Midwest, latitude in the current plan following a strong Q1, energy efficiency and demand response measures, as well as the outlook for tax reform. See clear latitude to EPS in '21 with contingency build into '22 quite possible. Maintain our Buy rating on CMS.

Strong demand across territory, latitude into '22

While the state of MI experienced a COVID resurgence during Q1 that drove commercial sales to -4% y/y, mgmt still sees demand as on track to reach pre-pandemic levels. Interconnections (new customer hookups) for both gas and electric were reported at +27% y/y in Q1, suggesting slid momentum for sustained customer growth. Customer growth is one of multiple prongs that creates latitude in the current plan – note mgmt.'s Q1 report updated expectations from customer rate uplift to +48c y/y (including 26c in Q1) relative to initial guidance of +41c, while the comparable metrics on the O&M side were -20c vs initial guidance of -30c. While the early results suggest upside to the current 2021 guidance range of $2.83-2.87, note that Q3 remains a key swing quarter and mgmt may choose to pull forward costs from future periods in order to build contingency – overall a positive setup into the second half of the year.

Wyden tax proposal attractive on tax credits

Mgmt indicated support for the tax proposal put forward by Sen Wyden. Neutrality between Investment Tax Credits (ITCs) and Production Tax Credits (PTCs) is a key differentiator of the proposal, along with 100% refundability of direct pay taxes. Note also that the Edison Electric Institute (EEI) is a supporter of the bill though the group has stopped short of formally endorsing it, factors seen as key in securing a formal endorsement from the group are support for transmission tax credits and a form of PTCs for existing nuclear generation; note the inclusion of these would likely be a net neutral for CMS given its business mix.

Inflation manageable, labor costs largely contracted

Echoing similar comments from much of our regulated coverage of late, inflationary pressures and expectations are not expected to be a significant source of drag for CMS. Labor costs remain a key input, though CMS mgmt sees this as broadly de-risked given the company has signed contracts with its unionized labor force that run over a 5 year period, with the most recent renewal in 2020. Fuel costs will offset inflationary pressures in coming years with the pending retirements of Palisades as well as Karn 1 and 2. On the materials front mgmt. confirmed seeing some impacts (steel and copper) though given its staged renewable generation additions, the overall effect on the long term plan is expected to be modest.

Business mix intact, Enerbank not a source of cash

Despite very strong Q1 results and robust bank valuations, mgmt reiterated its commitment to a 90-10 business mix. Importantly mgmt affirmed that it does not use Enerbank as a source of cash to fund the capex-intensive utility part of the business. We continue to expect full-year results at the upper end of the guidance range following a strong start to the year.

Duke Energy (DUK)

We met with DUK mgmt. including EVP & CFO Steve Young, EVP, EVP & Chief Strategy & Commercial Officer Brian Savoy, and CP of IR Jack Sullivan, and discussed the challenges and considerations of Elliott's plan to break the company into three publically-traded, utility holdcos, NC legislation and its prospects heading into the summer, decarbonization with the NC IRP that has been filed and the forthcoming IN IRP, and the gas LDC portfolio's position within the company. We maintain our Neutral rating given shares seem to us to be fairly balanced from a risk/reward perspective (slight premium to the group).

Elliott's proposal is challenging to see follow through

Mgmt. reiterated its comments outlined in its letter in response to Elliott Investment Management's proposal to separate DUK into three regionally-focused, publically traded utility holding companies (the Carolinas, Florida, and the Midwest). Mgmt. clearly finds the proposal unworkable given (1) intervention from regulators/legislators, especially in NC, that are supportive of DUK in its current state and cautious of hedge fund involvement – as a reminder, Gov. Cooper and NC Legislative leaders responded to the situation stating, "There are natural concerns that come with putting our state's energy future in the hands of a Wall Street hedge fund, and we would expect the North Carolina Utilities Commission to strictly scrutinize any such arrangement"; (2) the credit implications of smaller scale and scope companies – mgmt. highlighted it has the lowest downgrade threshold of any BBB-rated utility and splitting the company would result in a likely 100bps raise in the threshold for FL (constructive regulatory environment offset by hurricane risks and a robust capital plan) and a 100-200bps raise in the Midwest (smaller scale and ESG risk); (3) the incremental equity needed to support the B/S; (4) the dis-synergies that come with standing up two new companies – mgmt. highlighted the $600M in synergies from the Progress transaction and $300M in synergies from the Piedmont transaction implying that those would essentially be reversed out; and (5) the impact to the dividend – mgmt. believes payout ratio will increase to 80% and would likely need to be right-sized. All said, the proposal has been rejected, but mgmt. remains willing to talk with Elliott on other strategies to drive value for shareholders. On balance, see little changed from our earlier views in our May 18 report.

We find Elliott's plan to split up the company to be challenging, but continue to believe that Elliott's involvement could potentially drive additional efficiencies and, in turn, additional investments in the grid and renewables. Specifically, we think that the involvement puts a spotlight on opportunities beyond just the Carolinas and pending legislation. The questions are just how much investment can be added under the recently approved rate agreement in FL, is mgmt. already crafting a plan in IN to drive higher growth through coal retirements and renewables, and how much upside exists in Cinergy (largely OH). On balance, NC legislation still matters most for the shares, in our view.

NC energy legislation is *still* likely to be introduced

We are still awaiting comprehensive energy policy to be introduced in NC, however, we are not concerned by the timing given recent constructive data points on the progress of the discussions. Bill implications of any legislation is top of mind for lawmakers and industrial customers which may be holding the process up, but it is positive that parties remain in discussion on key issues. Ultimately, the timing of a bill is in the hands of legislative leadership and can be wrapped into a shell bill any time after the crossover date (like HB589 in 2017).

One potential nuance to watch will be around carbon policy and the timeframe included in legislation given DUK's gas build in the latter half of the decade. We also wonder whether we could see a carve out for coal retirement and replacement generation outside of the IRP process itself where there would be a legislative mandate; we believe in exchange DUK could get more utility ownership. Rate basing of renewables will also be a key consideration - the NC Energy Regulatory Process used VA and CO as examples

for competitive procurement, and utilities in those states are permitted to own 65% and 50% of new renewables, respectively. Mgmt. noted that multi-year rate plans (MYRP) makes a lot of sense for both DUK and stakeholders because it helps DUK avoid regulatory lag as it deploys capital to meet the state's clean energy goals and allows for clarity on the capital being spent and where rates are going over time – there is also discussion of Performance Incentive Mechanisms (PIMs) that would reward DUK, or hold them accountable, for safety, reliability, and other key metrics.

All of these tools would be positive for DUK, but there are a number of steps it will take to get there as past efforts stalled/failed. With that said, we see both increased confidence from the company and corresponding stakeholder commentary as supportive for DUK's legislative prospects in the 2021 long session.

We continue to perceive Street as overly cautious on legislative prospect amidst the ongoing discussions. While investors are clearly willing to accept prospects for yet another year's delay, we note ongoing discussions with stakeholders remain active into the summer. We stress the bulk of our near-term focus remains squarely on regulatory reform rather than necessarily immediate capital opportunities. This is more about de-risking its EPS runway than necessarily adding to EPS or capex opportunities in the near-term. Beyond the latest Elliott angle to shares we see this as a clear focus of upside vs doubtful Street expectations.

IRPs driving decarbonization across footprint

NC IRP is working through the regulatory process hand-in-hand with discussions on energy legislation. As a reminder, Duke Energy Carolinas (DEC) and Duke Energy Progress (DEP) outlined six paths for the generation fleet with different carbon reduction targets and different customer bill impacts ranging from 1.0%-2.5%. The scenarios include a swath of resources such as solar, new natural gas, onshore and offshore wind, small modular reactors, and battery storage.

We will be watching the IN IRP that will be filed in the fall of this year, and we note one nuance on Duke Energy Indiana coal fleet that differs from peers is the amount of control equipment that has been installed therefore any retirement that would likely come with accelerated depreciation or potentially securitization. Mgmt. is working with legislators and regulators to determine the mechanisms necessary to enable the transition to clean energy.

Eversource Energy (ES)

Upside Opportunities Remain After Latest Re-affirmation

After reaffirming the upper half of their 5-7% trajectory LT despite latest CT setbacks with their 1Q update, discussions with management this week continued to reflect confidence in the plan. We stress some latitude particularly given grid mod, AMI, and EV (electric vehicle) infra efforts that currently are not in the formal investment and rate base outlook and seemingly appear more likely to materialize. Watch for developments around ongoing efforts in coming months; we perceive some upside from transmission interconnect as well. Discussions further stressed confidence in maintaining their credit metrics despite punitive actions taken by PURA, while we don't see a particular limit to offshore as a % of the overall biz (with offshore remaining yet another kicker to the overall CAGR).

After most recently executing on their acquisition of Columbia Gas, management didn't shy away from further pursuits under the right circumstances – and we expect a growing focus on water tuck-ins to further boost the biz as an overall larger part of the portfolio.

Offshore Clarity to Drive LT Boost Too

Amid the latest puts and takes, management affirmed confidence around their current offshore projects driving mid teen ROEs, and they expect to have more clarity later this year around a more definitive schedule and ability to ultimately roll those into their formal plan (we perceive a fair bit of supply was already priced at earlier levels against the backdrop of inflationary fears). Recall BOEM recently filed a schedule for Revolution Wind Friday, with expectations to issue an NOA in July of 2022 and a final environmental impact statement available to the public expected in March 2023.

In addition to the direct contribution, conversations suggested some benefit from the need for interconnect from competitor offshore projects as well. Ultimate contribution should push the company above the 5-7% CAGR outlined for the core biz: *we model a 44c full run rate from current projects.*

What is next in CT? Discussions suggest efforts to settle...

Following the punitive order by PURA at the end of April, discussions with management suggested optimism around their ability to reestablish a better relationship and dialogue with regulators and legislators in the state. Recall the commission's final decision in the storm response docket was particularly critical of ES's CL&P following Tropical Storm Isaias and will require a 90bp slash to ROEs to better align management performance in future storm response efforts with the utility's financial performance. The proceeding to determine civil penalties and enforcement action is ongoing (July resolution), but management already wrote off ~$30Mn with their 1Q results related to the outcome.

Both a Phase II decision on the annual CL&P tracker review and a decision on interim rate decrease topics are due in September – and we perceive the ongoing rate design docket as the likely forum to implement the 90bp decrease to ROEs. A critical question is when and how this will ultimately be removed. With a docket on performance based ratemaking design to be opened by the beginning of June, this could ultimately prove the angle to drive returns higher again. While management remains optimistic, we still see a settlement around their formal rate case filing early next year as unlikely with PURA more likely to take up a vigorous review.

Maintain Neutral given the balanced risk/reward at the current valuation.

Northwest Natural Holding (NWN)

We met with NWN mgmt., including President & CEO David Anderson, SVP & CFO Frank Burkhartsmeyer, SVP Ops and Chief Marketing Officer Kim Heiting, VP Business Development and CEO of NW Natural Water Justin Palfreyman, VP Controller & Treasurer Brody Wilson, and Director of IR Nikki Sparley, and the discussion focused on RNG and hydrogen prospects for the company as well as the path for further expansion into water distribution. We continue to view shares as a surprising premium with a ~3x premium to gas LDC peers despite relatively low EPS growth of 3-5%. We reiterate our Underperform rating and continue to watch for more detail around water/RNG.

Upside to RNG plan available, incrementally over time

Regarding the small placeholder for RNG in the capital plan (Tyson projects), mgmt. commented that investing in renewable natural gas is a new undertaking under SB98 so they are currently only putting in five year forecast for projects where they have both line of sight and that they know how it will work through their internal IRP process. That said, mgmt. recognize the investment potential under SB98 – with the requirement cap of 5% of the annual revenue – stating that there could be a 200-250m of RNG investment into the five year timeframe. Currently the mgmt. still need to put more progress on the business development side and hence haven't put any additional capital into their projection. Mgmt. didn't comment on the timeline for increment, but said that 10-14months is a good estimate for development and construction timeline for most of the projects. For the procurement cost, similar to how the company's Purchased Gas Adjustment (PGA) works, it will fall under the cap on cost of service basis instead of rate base investment. NWN expects the majority of the projects to be direct investment as it's still a maturing market and mgmt. believes that the more cost effective opportunities are the ones that they can invest directly in.

NWN is taking a regulated strategy on RNG currently, using SB98 to turn the RNG investments similar to their other utility investments. Mgmt. stressed that as they are claiming the environmental attributes to their customers, they aren't able to double dip and monetize RINs and LCFs credits. NWN also reiterated 6% rate base growth for RNG.

Hydrogen: mid-/long-term target

In terms of hydrogen, despite the longer timeframe, NWN has been trying to push at the White House level for additional support. That said, mgmt. mentioned that Secretary of the Department of Energy commented at the AGA board meeting on Tuesday that the Biden administration is still very behind on hydrogen currently. The three application of hydrogen NWN sees in their system – (1) dedicated hydrogen system: building out the pipes, components, and equipment to be hydrogen ready; (2) renewable hydrogen: take hydrogen produced from the power to gas process, apply waste CO_2 to methanate, and then put it directly into the gas system; and (3) blue hydrogen: hydrogen produced using natural gas but paired with carbon capture and storage.

Water business getting up to speed

On water business, NWN is relatively new and getting up to speed - mgmt. highlighted that one of water utilities grew 4% last year in terms of customer growth. Mgmt.'s ideal target for water expansion is a utility that has the right regulation in place to allow for recovery of incremental spending, or at least a target that has a pathway to receiving the necessary mechanisms to allow for solid recovery of investments. As a reminder, NWN has not acquired any "fixer-upper" water systems to date - we expect that over time, mgmt. will take on more inefficient systems to prove capable in extracting more synergies (albeit our experience suggests reinvestment requirements can offset these benefits).

Spire (SR)

Our meeting with SR mgmt. including COO Steve Lindsey, CFO Steve Rasche, Managing Director of IR Scott Dudley, and Treasurer Adam Woodward revolved around the ongoing rate case in MO that recently received a constructive recommendation from Staff, impacts of Winter Storm Uri and efforts to recoup revenue from suppliers, positive legislation that bans natural gas bans across SR's service territory, and RNG opportunity especially in light of legislation that is at the Gov.'s desk in MO. Reiterate Buy on healthy, low-risk capital spending driving solid rate base and EPS growth paired with a discounted valuation (1.0x+ on FY23E P/E vs gas peers). We see positive Street EPS revisions & rate case de-risking in MO as key to further re-rating shares higher. Further, we see Feb events as actually successful (& with mgmt. vigorously pursuing litigation on behalf of its customers), we perceive an advantaged position in rate case vs peer LDCs. Overall, very constructive backdrop for meeting considering key rate case appears very well setup.

MO rate case set up well for settlement in our view

Mgmt. provided detail on the ongoing MO rate case. Intervenors in the case including MO Public Service Commission Staff (MoPSC), the Office of the Public Counsel (OPC), Vicinity Energy Kansas City, and Legal Services of Eastern Missouri filed revenue requirement testimony. Staff recommended a ROE of 9.37% and equity layer of 54.25% (vs ask ROE of 9.95% and equity layer of 54.25%). The OPC recommended a 9.25% ROE and 47.36% equity layer (based on Spire holdco cap structure). Mgmt. was not surprised that the OPC recommended the lower capital structure given what the group has recommended in peer rate cases. The last rate case used SR MO's standalone capital structure as the approved capital structure and we would not expect the Commission to move back to applying holdco capital structure in this case. Next item to watch is the Cost of Service (i.e., rate design) intervenor testimony due May 26. **We think the recommended ROEs set a solid floor to start settlement negotiations.** We see timing for a settlement, or partial settlement, leading up to hearings in late Jul./Aug.

Mgmt. discussed litigation efforts to recoup gas costs on behalf of customers. There is two factors to think about (1) the cost component; and (2) the penalties under the tariff. SR is working with counterparties and should have a better estimate on the net impact to customers by the end of the summer.

Upside to FY21 EPS on conservative recoup assumption for marketing revenues

We see the potential for upside to EPS numbers on mgmt.'s conservative estimates on the recoup of revenues from Gas Marketing customers. As a reminder, the strong performance from Gas Marketing drove mgmt. to raise its FY21 adj. EPS guidance to $4.30-$4.50 (from $4.00-$4.20). Longer-term, mgmt. expected to Gas Marketing to be in the ~$20M/year in adjusted earnings range.

RNG represents a palpable investment opportunity for SR following MO leg.

Legislation was recently passed in MO that allows SR to invest in, purchase, and deliver RNG to its customers which is very supportive of SR's goal to reach carbon neutrality by 2050 (an in-depth progress report and broader ESG (environmental, social and corporate governance) update was recently issued with SR's 2020 Corporate Social Responsibility (CSR) report. The legislation is on the governor's desk awaiting signature. SR is clearly interested in investing in RNG whether that be under the legislation in MO or non-regulated investment to the extent there are projects that meet their return threshold. SR is also discussing supply of RNG with large industrial customers.

Southwest Gas Holdings (SWX)

We met with SWX mgmt including SVP & CFO Greg Peterson, SVP & General Counsel Justin Brown, EVP & Chief Legal and Admin Officer Karen Haller, VP/Finance/Treasurer Ken Kenny, and other members of the team to discuss, principally, the upcoming reconciliation filing for tracker programs in AZ. Mgmt. also discussed outlook for Centuri and the protection from inflationary pressures. SWX also continues to be active in RNG and H2 efforts across its service territory and has multiple projects in progress and development. We remain Underperform rating on SWX given the challenging regulatory backdrop in AZ. With likely accelerated filings in the AZ and seemingly an overall restrictive commission, we still see downside risk to consensus estimates.

Tracker filing top-of-mind for investors

SWX mgmt. is expected to file a reconciliation filing for tracker programs and rate base disallowances of $127M with a total revenue requirement ask of $74M. This filing expected in May, and if we assume the same timeline as previous filings (4-5 months), we would expect resolution by roughly Oct. However, mgmt. noted that this case is looking at spending over two years (for 2019 *and* 2020) so it may take a little bit longer. Mgmt. discussed differences between their filing and APS' petition simply to reflect the latest increase under its existing LFCRM mechanism, which was rejected by the Arizona Corporation Commission (ACC). SWX's filing will not have the opportunity for settlement given its structure. Staff will file their recommendation and the Commission will consider both sides before coming to a conclusion. Mgmt. remains confident in their ability to recover these costs. SWX will be filing another general rate case at the end of 2021 or early 2022.

We note this filing is in conjunction with the higher gas purchase costs that would result in an increase in customer bills of 5-8% depending on timeframe of recovery (3-5yrs?). While unclear of the outcome in these proceedings we remain cautious given the commissions prior denial of the rider in the most recent rate case (although part of a negotiated settlement in the prior case) and the customer rate impact coming out of a pandemic.

We maintain our caution on the backdrop following latest decisions from the ACC. While rejecting recovery of basic cost recovery rider for energy efficiency for SWX's electric peer APS, we perceive another difficult year in persuading the commission on merits of peer trackers, particularly considering the overall bill commitments commented on by the ACC in recent months. Mitigating these comments we stress more of the ire of the commission appears focused on APS rather than SWX thus far.

Centuri set up pos. given severe weather forecasts; limited inflation impact

Centuri has performed well YTD and we see the potential for even more outperformance given the forecasts on severe weather as we head into the start of hurricane season. Mgmt. noted goal posts of a more normal year of earnings in 2019 ($13M) vs the very active hurricane season in 2020 ($86M). While it is impossible to predict the impact of storms, we see bias toward another strong year.

Centuri is not seeing an impact from supply or wage inflation because the material costs are borne by the utility and much of the labor is unionized so the rate will not be impacted until that contract comes up for renewal. Mgmt. highlighted the positive trend of market share gains on the electric side of the business – we see this likely continuing as Centuri grows. Watch trends in coming quarters as offset to potential utility pressures.

UGI Corp (UGI)

We resume coverage of UGI following its latest equity unit offering and highlight our meeting with UGI mgmt. including incoming President & CEO Roger Perreault, CFO Ted Jastrzebski, EVP Natural Gas & CEO, UGI Utilities Bob Beard, CFO, UGI Utilities Dan Platt. Our discussion included developments on its $1B investment plan for renewables and an update on ongoing transformation and cost reduction at global LPG. We see a range of potential avenues for expansion in renewables given the numerous end markets UGI operates in domestically and abroad, but we stay Neutral for now as we await further details on exactly how the expansion into renewables plays into the LT EPS growth rate and more visibility on growth rate contribution from each segment. This remains key in our view as details on geographies, ramp strategies ongoing.

Renewables investment was front and center

UGI continues to make progress on the renewables front and recently announced an agreement to develop dairy farm digester projects to produce RNG in upstate NY - GHI will be the exclusive off-taker and marketer for Cayuga RNG (a JV between UGI Energy Services and Global Common Energy). The project will incorporate an existing anaerobic digester that generates biogas used for electricity generation - the proposed project will upgrade the biogas to produce ~50M cubic feet of RNG annually and is expected to be completed in 2H22. We expect to see UGI continue its early momentum in renewables and expand its platform with a 2021-2025 targeted renewables pathway that includes ~$1B of anticipated investment over the next five years.

The $1B in investment consists of a number of smaller size investments and operations/assets which involves converting waste in to biomolecules and distributing these to the customers. They also see many opportunities nationally in developing RNG into their infrastructure. mgmt. continues to target (only) high-single-digit to low-double-digit unlevered returns and is currently working through 12 projects in the pipeline and we expect an update on progress during the F2Q call; we stress given project economics for many peers, we suspect this has material upside but see mgmt positioning this as more against a longer-term view of RINS & LCFS credits today. As such, we bias towards higher ROEs altogether, especially for projects already in development (Idaho) that conceivably could come online in time to monetize these credits.

Renewable energy market outside the US; SHV JV announcement

Mgmt. commented on the announcement of its JV with SHV Energy to advance the production and distribution of Renewable Dimethyl Ether (rDME). This low carbon solution can be dropped into existing infrastructure so it is more affordable than some other technologies in the market. Mgmt. continues to be focused on the Scandanavian area in Europe and discussed the different demand/incentives of renewable energy, which although is different across in Europe, is made up of a combination of increasing consumer demand and maximum pricing/return on renewable energy. These are typically 1-5 years contracts.

Growth opportunities in RNG at the utility

For RNG on the utility side, UGI has already entered into an agreement with Archaea in Pennsylvania taking delivery of a large volume of gas every day as part of their supply. They are also looking at opportunities from a regulatory perspective to introduce more RNG, including other companies in other states which are pending approval from the Commission. UGI sees two opportunities for growth: one in moving RNG for producers on the system and second offering a tariff provision for customers to access RNG. This would be a voluntary tariff which UGI believes would not be very contentious.

Transformation on track at Global LPG

The transformation initiatives at both Amerigas (US) and UGI International (Europe) are key to watch in the short term and mgmt. highlighted that the efforts are on track to

deliver planned cost savings and operational efficiencies by the end of '22. As a reminder, UGI is differentiating its propane business by optimizing and digitizing its logistics and supply chain. Mgmt. planned to establish continuous improvement to customer experience through technology improvements, centralizing customer service capabilities, and reducing corporate overhead through synergies with recent acquisitions to achieve these savings and drive growth. We expect these transformation initiatives will also help to fuel further tuck-in acquisitions as part of mgmt.'s growth strategy as it looks to seamlessly integrate new businesses.

Xcel Energy (XEL)

Our meeting with XEL mgmt covered the latest key regulatory data points including the company's pending rate case in New Mexico, intention to file in Colorado, and pending recoveries of excess fuel costs stemming from storm Uri, along with the status of the Colorado transmission build out proposed earlier in the year. Maintain our Neutral rating on XEL.

CO case filing coming in June as reg backdrop improves

Given XEL had previously indicated the possibility of staying out of a rate case in Colorado in 2021, we view the company's decision to file a case (expected around midyear) as an indicator of improved sentiment around the regulatory backdrop. Key drivers behind the rate case filing include ongoing advanced grid investments along with inclusion of the company's wildfire mitigation plan. Recall that the wildfire mitigation plan had received positive responses from the CO authorities, despite the rider that was proposed by XEL being rejected. XEL's CO transmission build proposal remains in early stages though early indications appear a positive reception by state regulators. Note that the $0.5-1.0B of additional opportunity identified represents necessary but as-yet not identified investments rather than add-on proposals, further increasing the likelihood of inclusion of some of the amount into the formal plan. Management notably does not perceive this case to be particularly concerning despite the new CO PUC backdrop given largely approved spending being reflected through the case.

New Mexico testimony constructive on revenue, ROE

The Southwestern Power Service (SPS) rate case testimony was submitted earlier in the week with staff and key interveners including the large industrials group and state attorney general's office broadly proposing ROEs in the low 9s along with cap structures at or slightly below XEL's ask of 54.72% (unch). The staff proposal for the overall revenue increase at $62m was incrementally lower than SPS' ask of $88m, attributable largely to the lower proposed ROE. Staff also broadly accepted proposed changes to SPS' depreciation schedule including aligning the depreciable life of Tolk with its 2032 proposed abandonment date, abandoning and depreciating Plant X fully by 2022, and fully depreciating Harrington's coal-specific assets. On balance a constructive set up in NM in our view.

MISO transmission upside in Dakotas, Minnesota

XEL holds rights of first refusal (ROFR) on transmission projects running through its service territory in the Dakotas and Minnesota, putting it in good position to capture upside opportunities from MISO's multi-year planning process under either of the Future 1-3 scenarios recently put forward. Large transmission in the MISO footprint is not new to the company as XEL currently owns and operates a high voltage direct current (HVDC) line running from Canada into its MN service territory. Note that with the FERC considering removal of the 50 bps RTO adder, this will likely have a modest impact on XEL given a normalization mechanism in MN whereby its transmission assets refund the delta between the FERC ROE and state ROE to customers.

Exhibit 1: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AQN	AQN US	Algonquin Power	US$ 15.48	B-3-8
YAQN	AQN CN	Algonquin Power	C$ 18.67	A-3-8
ATO	ATO US	Atmos Energy	US$ 98.32	A-2-7
AVA	AVA US	Avista Corp	US$ 45.62	B-3-7
BKH	BKH US	Black Hills	US$ 66.21	B-1-7
CMS	CMS US	CMS Energy	US$ 63.74	B-1-7
DUK	DUK US	Duke Energy	US$ 102.27	B-2-7
ES	ES US	Eversource Energy	US$ 83.76	B-2-7
NWN	NWN US	Northwest Natural	US$ 53.64	B-3-7
OGS	OGS US	ONE Gas, Inc.	US$ 73.61	A-3-7
SWX	SWX US	Southwest Gas	US$ 66.97	B-3-7
SR	SR US	Spire	US$ 72.92	A-1-7
UGI	UGI US	UGI Corp.	US$ 44.18	B-2-7
XEL	XEL US	Xcel Energy	US$ 71.58	B-2-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Algonquin Power & Utilities Corp (AQN / YAQN)
Our SOTP PO is $16.00 (C$19.36). We assign P/E multiples on 2023E (18.0x for electric, 16.6x for gas, and 27.1x for water, respectively) earnings of its regulated seg based on expected 2024 breakdown. We value the utility seg at a 0.5x disc to the US peer avg 22E P/Es. We back out future tax differential stemming out of tax rate normalization.
We value AQN's non-reg seg on EV/EBITDA basis. We assign Hydro at 8x prem to the peer multiple of 10.0x given the stable nature of the biz. We value Wind and Solar seg at a 3x & 4x prem to peer multiple too. We assign a 2.0x disc to the thermal biz given the lack of growth prospects.
We valued AQN's 44.2% stake in AY on MtM basis and net out Debt at Liberty Power. Our assumed shares o/s numbers reflect our estimated equity issuance including the DRIP between now and 2023E
Upside risks: 1) Higher USD/CAD F/X rate, 2) Constructive regulatory outcomes, 3) Lower interest rate, 4) Execution on the capital plan, 5) Dividend Growth from AY
Downside risks: 1) Higher interest rates, 2) Lower USD/CAD F/X rate depending upon the exposure to the US, 3) Dilution risk associated with substantial equity issuance to finance capex, 4) Unfavorable regulatory actions, 5) Increase in Tax rate, 6) AY may not be able to sustain its current dividend levels, 6) Exposure in CA Renewables, 7) Balance Sheet quality, and 8) Natural disasters which could impact utility operating systems.

Atmos Energy Corporation (ATO)
Our $101 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 16.1x. Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR to reflect capital appreciation across the sector. We then apply a 2x premium (aside from TX/KS) to the base gas LDC multiple to reflect the high-quality nature of the assets given a sustainable runway for capex/EPS underpinned by constructive regulatory mechanisms and jurisdictions. For the Pipeline & Storage segment we apply a 9x EV/EBITDA multiple as a base to our '23E EBITDA. We then apply a 2x premium to the assets given their fully regulated nature and unique ability for APT to benefit from the spread differentials.

Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs.

Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

Avista (AVA)
Our $44 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the large cap electric group multiple of 17.8x and the gas regulated multiple of 16.3x. Both electric and gas peer P/E multiples are grossed to reflect the group's 5% CAGR to reflect capital appreciation across the sector. We then use a blended electric and gas multiple of 77% and 23%, respectively, for AVA's WA and ID jurisdictions given the composition of its rate base. We apply the gas multiple to its OR jurisdiction as it is entirely comprised of natural gas distribution assets. Meanwhile, we apply an electric multiple to its Alaska subsidiary, AEL&P, as it is a vertically integrated electric utility. We apply a 12.0x multiple to AVA's Corp & Other businesses as we cannot apply a full utility multiple given it consists of investment funds with a lack of visibility in earnings relative to utilities. We stress that AVA does not have any HoldCo. debt, thus no need to net out debt. Lastly, we apply a 1x discount to all AVA's utilities to capture increased uncertainty associated with fire risk and regulatory risk. Risks to upside are 1) improving regulatory relationships, 2) decrease in interest rates, 3) constructive rate case outcomes in any of the jurisdictions. Risks to downside are principally wildfire events in West, which have increasingly spread to PacNW. Risks to downside are 1) operational risks 2) gas regulations attempting to phase out gas LDC usage over time impede growth.

Black Hills Corporation (BKH)
Our $76 PO is based on a SoTP valuation. Gas Utilities: We apply the 16.5x peer P/E multiple on 2023E EPS. Electric Utilities: We apply the 18.0x peer P/E multiple on 2023E EPS. Both electric and gas peer P/E multiples are grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. Coal Mine: We apply an 8x peer EV/EBITDA multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a discount/prem multiple to that portion of the mine. IPP Assets: We use the recent sale price and '23/EVEBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag and debt.

Downside risks: operational errors, increasing interest rates, and difficult regulatory environments.
Upside risks: favorable weather, favorable regulatory outcomes, higher capex deployment

CMS Energy (CMS)
Our PO of $69 is based on a SotP relying on 2023E forward P/E multiples for the utility and banking business and a 2023E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 3.0x prem to the avg regulated multiple P/E of 18.1x for the electric seg and of 16.6x for the gas seg, with the 10-yr capex update providing clear sight on ratebase growth and further upside, as well as cont'd favorable regulatory environment, and finally historically proven ability to consistently perform at the high end of guidance range. Both electric and gas peer P/E multiples are grossed up to 2020 by 5% to reflect capital appreciation across the sector. For CMS' merchant business we apply a 8x EV/EBITDA multiple, in line with current market value of CMS power plants (specifically DIG), moreover DIG has relatively favorable contracts for the near future which strengthen plant earnings. Finally, we apply a 15.5x P/E multiple on CMS' consumer lending subsidiary Enerbank, in line with forward P/Es other smaller regional banks with similar growth profile. Risks are: 1) earned ROEs declining which reduce CMS utility earnings 2) execution risk on capex and cost cutting which would primarily affect the utility earnings, 3) negatives changes to market energy prices which could affect the DIG plant's ability to re-contract at the assumed prices.

Duke Energy (DUK)

Our $105 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2023E P/E multiples. We apply a 3.0x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and recent sale valuation marker). We apply a 2x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2021. We value the other regulated electric utilities at 18.2x and the gas utilities at peer group multiples of 16.7x 2023E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2023E EV/EBITDA basis. We use a 9.0x multiple for midstream and transmission segment. We add the net present value of renewable segment using an 8% discount rate. We subtract out the impact of commercial debt, and add back for the renewable debt.

Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Eversource Energy (ES)
Our sum of the parts based price objective of $93 uses P/E multiples on 2023E earnings. For electric utilities, we attribute a 3x premium NSTAR, 3x premium to PSNH, and a 2x discount for CL&P to peer 18.2x multiple, reflecting future potential positive revisions to capex and earnings and the latest challenges in CT. For gas, we apply a 3x premium to the peer 16.7x multiple, given capex upside particularly in MA and a 2x for Columbia Gas. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value Aquarion at the 27.2x water multiple. We reflect ES's 50% ownership in Revolution and South Fork offshore wind sites on an NPV basis. We further reflect a devco value with an assumption of an additional 3GW through 2031. We take out 50% of parent debt, and 50% of interest to accurately reflect parent leverage.

Upside risks to our price objective are additional capex announcements on the T&D side, as well as success in offshore wind RFPs.

Downside risks are reduction in authorized ROEs, inability to meet earned ROE expectations, as well as failure to receive permitting on incremental capex opportunities.

Northwest Natural Holdings (NWN)
Our $51 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group '23 P/E multiple of 16.5x applied to WA and OR natural gas distribution and regulated storage assets. We further gross up the gas LDC multiple by 5% to reflect capital appreciation across the group. We use a 1x premium in OR to capture upside from RNG and benefits from decoupling, although we believe the long-term outlook is more uncertain. For NWN's gas storage (unregulated), appliance, and asset management business, we apply a 10x EV/EBITDA multiple, in line with comparable asset class, and net out debt. We apply a water utility peer P/E multiple of 27.4x to NWN's water earnings and then net out corporate & other drag (largely SG&A) using a weighted average multiple of 18.8x on '23.

Downside risks to our PO: higher interest rate environment that makes new capital more expensive, contraction of utility valuations, slower economic recovery, and a sustained economic downturn preventing customer growth, de-carbonization efforts, lower capex, poor regulatory outcomes.
Upside risks to our PO: faster economic recovery contributing to customer growth, lower interest rates, constructive regulatory outcomes, and increased capex.

ONE Gas, Inc. (OGS)
We use a sum-of-the-parts analysis to calculate our $74 for OGS, applying a FY23E Gas LDC peer multiple of 16.5x (grossed up by 5% to reflect capital appreciation across the space) with a 1.0x discount for OK given risk associated with the upcoming rate case and outsized gas costs related to the winter storm. We use in-line multiple for TX and KS given uncertainty with the recovery timeframe for substantial gas purchase costs and impacts to the balance sheet.

Upside risks: lower interest rates, constructive regulatory outcomes, increased capital expenditure opportunities.
Downside risks: higher interest rates, unconstructive regulatory outcomes, decreased capex spending, ban on fracking, decarbonization efforts.

Southwest Gas Holdings (SWX)
Our $67 PO is based on our 2023E Sum-of-the-parts (SOTP) analysis. We apply a 16.5x peer Gas LDC utility P/E to the utility EPS across the company's three major jurisdictions, which include Arizona, Nevada and California. We gross this peer multiple up by 5% to reflect capital appreciation across the sector. For AZ, we apply a 3x discount to the jurisdiction given lack of fwd looking rate treatment/alternative rate making mechanisms. Additionally, we value the FERC regulated Pauite Pipeline separately on a midstream peer group average EV/EBITDA multiple of 9.0x and net out associated debt. For the non-utility business, Centuri, we apply 6.2x multiple, which is in-line with the business' closest industrial comps given Centuri's relatively insulated utility customers. Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Upside risks: higher than expected infrastructure services earnings growth, increasing construction project margins, better than expected rate case results. Downside risks: Unfavorable regulatory outcomes and increased volatility at Centuri, disproportionately high foreclosure rates in SWX's territories, timing and execution of rate cases, rate base growth, underperformance at Centuri and expansion or contraction of sector valuations.

Spire (SR)
Our $85 PO for SR is based on a sum-of-the-parts analysis, applying a Gas LDC multiple of 16.5x on '23E with a for 2x premium for Missouri/Mississippi/Gulf and AL assets given their location and de-risked nature. For the midstream assets, we use a base 9x EV/EBITDA multiple with a 1x premium for the STL pipeline given it is the one of the only new greenfield pipes in-service, a 4x discount for storage given uncertainty, and a 4x discount for marketing due to volatility.

Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs.

Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

UGI Corp. (UGI)
Our $47 PO is derived from our SOTP analysis, applying specific multiples and premiums to assets. For the gas utility, we utilize a 16.5x P/E multiple +1x premium given its de-risked backdrop, and an in-line electric multiple of 18.0x. For U.S./international propane, we utilize an 8.9x EBITDA, in line with other publicly traded comps, 0.5x discount applied to international given ESG considerations. We use a 9x EBITDA multiple at midstream w/ a premium/discount depending on the asset & CMG expansion/PennEast weighted at 50%/25%, respectively, given uncertainty associated with expansion opportunities/project execution. We take the NPV of future renewable solutions cash flows, implying a 11+x EV/EBITDA multiple (in line with our valuation to peers biz mix, such as SJI). Lastly, for parent debt in the Corp & Other segment, we net out 50/50

weighting for recapitalization and add back 50% of parent interest expense.

Downside risk: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, and unfavorable currency exchange rates. Macroeconomic concerns are rising interest rates, volatile and rising natural gas prices, and a general economic slowdown. Upside risk: favorable weather, incremental demand for propane, rebound in oil&gas prices driving higher volumes at midstream, favorable regulatory outcomes, favorable forex rates, lower interest rates, and economic expansion.

Xcel Energy Inc (XEL)
Our PO is $71. We value Xcel Energy using a sum of the parts (SOTP) approach. Given the difference in geography, earnings strength, growth opportunity and risk profile, we divide the segments by subsidiary. We use 2023E forward P/E multiples to derive a value for the different business segments, including the parent segment. We use a peer multiple of 18.1x. Electric peer P/E multiple is then grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector. We apply a 2x premium to most subsidiaries except in MN where we apply a 3.0x due to additional stimulus upside. We see this multiple as appropriate as the company has growth opportunities, resolving regulatory drag and resolving uncertainty around rate cases. We stripped Mankato as a non-reg asset in our SOTP due to the sale. We also net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage. Downside risks are interest rate increases, regulatory risk such as lower authorized ROEs or less favorable riders/trackers for renewables and transmission, interest rate risk, execution delays, and weather anomalies.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
NEUTRAL				
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RSTR				
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	75	54.74%	Buy	60	80.00%
Hold	34	24.82%	Hold	24	70.59%
Sell	28	20.44%	Sell	11	39.29%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	48.43%	Buy	56	72.73%
Hold	43	27.04%	Hold	31	72.09%
Sell	39	24.53%	Sell	23	58.97%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1909	58.54%	Buy	1218	63.80%
Hold	653	20.02%	Hold	395	60.49%
Sell	699	21.44%	Sell	356	50.93%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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21 May 2021
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Gas Utilities

American Gas Association (AGA) Conference - Full Takeaways

Gas Utilities | Comment

We hosted management teams from Utilities ED, NWE, SO, CMS, SR, BKH, AGR, D, NI, WEC, DTE, and CNP at the 2021 American Gas Association (AGA) virtual financial conference. We include our full takeaways below.

- **Takeaways:** The utilities sector has been under pressure on concerns about higher cost of capital, input commodity cost inflation, and yield competition from the 10-year Treasury. Gas utilities suffered the worst underperformance in 1H20 with investors under the impression that natural gas system growth may be impaired during a long-term shift toward electrification of heating, cooking, and transportation. However, gas utilities have largely recovered from their 2-3x discount to the electrics that the group traded under as recently as 4Q20. At the conference this year, we heard from management teams across the board citing plenty of long-term investment opportunity, including continued pipeline replacement, safety, and the blending of renewable natural gas (RNG) and hydrogen into systems to become carbon neutral or negative. We also note the impact of this year's Winter Storm Uri, which highlighted the importance of natural gas pipeline and storage infrastructure.
- **Stocks:** **ED** expects to come to a decision on Stagecoach in 2Q, but regardless of outcome, no significant changes to the equity financing plan are expected. The company no longer views natural gas as a bridge fuel to decarbonization, and these midstream assets are now definitively non-core. **SO** notes that Vogtle is on "aggressive" track for a January in-service, but we see further tweaks during testing as likely, with 1Q22 more a realistic expectation. **BKH** emphasizes they expect to fully offset the $0.15 EPS hit this year from Storm Uri, with no incremental equity needed to fund related regulatory assets. **AGR's** acquisition of PNM is on track for 2H21 close as the company continues to bring along other parties to the settlement in NM. **D** continues to make a strong case for why the cost of its coal retirements won't be rejected in the Triennial rate review. NI issued three Indiana RFPs for a mix of dispatchable resources, batteries, and localized micro-grid solutions. **CNP** expects to offset taxable gains from the sale of ET shares (4Q21 earliest) using repairs tax deductions.
- **RNG on the back burner for now:** These are early days for the renewable natural gas (RNG) industry, with <0.5% of gas demand in production nationally at present. Over the next 20-30 years, most gas utilities are planning to blend increasing amounts of cleaned RNG into their systems as a way to remove methane from the atmosphere and achieve net GhG-zero status (we figure ~15% would do the job in most places, but this is impossible now with only a few hundred farms and landfills harvesting the gas). We see this as well as hydrogen blending eventually becoming a meaningful source of capital investment in 10+ years. Furthest along so far (among companies we spoke with) are **WEC** (pilot projects), **NI, SR** (Ohio and MO legislation and dockets establish tariffs with gas quality requirements), and **DTE's** non-regulated RNG production business in California.

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2021 American Gas Association (AGA) virtual financial conference Schedule

ED, NWE, SO, CMS, SR, BKH, AGR, D, NI, WEC, DTE, CNP

Figure 1: AGA Schedule

Times	Wednesday May 19
9:00-9:30 AM	
9:30-10:05 AM	ED
10:15-10:50 AM	
11:00-11:35 AM	NWE
12:00-12:35 PM	
12:45-1:45 PM	
1:30-2:05 PM	SO
2:15-2:50 PM	
3:00-3:35 PM	CMS
3:45-4:20 PM	
4:30-5:05 PM	SR
5:15-5:50	

Times	Thursday May 20
9:00-9:30 AM	
9:30-10:05 AM	BKH
10:15-10:50 AM	AGR
11:00-11:35 AM	D
12:00-12:45 PM	
12:45-1:45 PM	
1:30-2:05 PM	NI
2:15-2:50 PM	WEC
3:00-3:35 PM	
3:45-4:20 PM	DTE
4:30-5:05 PM	
5:15-5:50	CNP

Source: Company data, Credit Suisse estimates

Recent Company Notes

- BKH: 5/6 Growth Plans on Track after the Storm
- CMS: 4/30 Green Plans Remain in Focus
- ED: 5/11 Strong 1Q as Residential Sales Jump
- D: 5/5 Steady Progress; Growth Plans on Track
- DTE: 4/28 Midstream Spin on Track, and So is the Rest
- NI: 5/6 Renewable Buildout Pushes Forward
- NWE: 4/23 Plans for Montana Generation Advance
- SO: 4/30 Nuclear Delays were Expected, with Growth Plan on Track
- SR: 5/11 Staying Ahead of the Storm
- CNP: 5/7 Delivering Above Plan
- WEC: 5/4 Decarbonization Acceleration

Recent Sector Notes

- 5/18 AGA Question Bank
- 5/17 CS Renewables & Utilities Conference – Full Takeaways
- 4/26 Alternative Energy: Key topics for Q1 - Supply shortages and a Biden Plan
- 4/5 Hydrogen Economy: Part 4: A Primer on the Americas Value Chain
- 4/27 Direct Currents - Rising Renewable PPAs

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21 May 2021

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CenterPoint Energy (CNP) – Outperform, TP $28	10
Dominion Energy (D) – Outperform, TP $90	12
DTE Energy (DTE) – Neutral, TP $133	13
Consolidated Edison (ED) – Underperform, TP $74	14
NiSource Inc. (NI) – Outperform, TP $29	16
NorthWestern Corporation (NWE) – Neutral, TP $67	18
Southern Company (SO) – Outperform, TP $74	19
Spire Inc, (SR), Outperform, TP $83	21
WEC Energy Group (WEC), Underperform, TP $91	23

Figure 2: Relative Forward P/E – UTY vs Equal-Weighted S&P 500 Index (SPW), July 2019-Present

Source: Bloomberg LP, Credit Suisse custom indices. The sector is fairly valued after the recent rise in 10-Year bond yields, trading at a +6% premium forward P/E vs an equal-weighted S&P 500 Index (SPW). We see this as appropriately in-line with our regression of relative P/E vs the 10-Year based on the CS House view for a 2.0% 10-Year yield within 12 months.

Figure 3: Utility Subsector Relative Performance, July 2019-Present

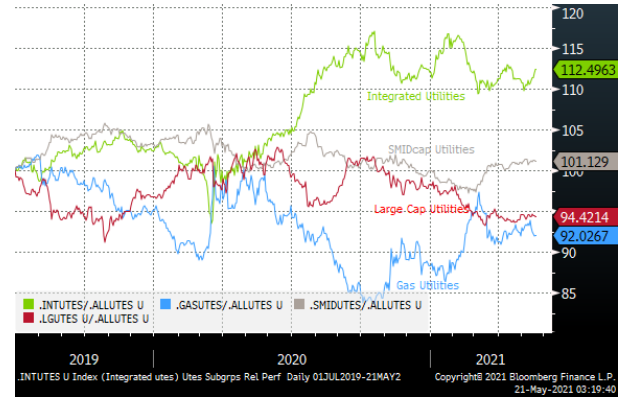

Source: Bloomberg LP, Credit Suisse custom indices. Gas utilities currently trade at parity with Electrics after outperformance since 4Q20.

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Avangrid (AGR) – Not Covered

Dennis Arriola, CEO, Bob Kump, Deputy CEO, Doug Stuver, CFO, Alejandro de Hoz, CEO Renewables, Catherine Stempien, CEO Networks, Patricia Cosgel, VP IR, Michelle Hanson – Manager IR

- **Offshore Wind: "BOEM staff has been very supportive over the last few years" - Vineyard Wind project (1,800MW) on track to begin construction in 2H21.** The Biden administration has been supportive, and the company expects to apply lessons learned from the Vineyard Wind approvals process to the next projects. AGR received BOEM's Final Environmental Impact Statement (FEIS) for Vineyard Wind (1,800MW); on track to begin construction in 2H21. AGR's ~5GW offshore wind pipeline (with 4.2GW remaining capacity) currently has ~690 MW under construction and ~630MW are starting 2022. The Vineyard Wind project recently received Final Environmental Impact Statement (FEIS) from BOEM. The company expects to arrange financing in the next few months and start construction later this year. The 804MW Park City Wind project expects COD by 2025 and the company's Kitty Hawk project with 2,500MW of total capacity filed COP in 2020 and expects CODs after 2025.
- **Planned merger with PNM on-track to close in 2H21, according to management. Private Placement financing announced on 5/12 to be used for capital investments and the pending PNM acquisition.** The company announced the sale agreements of $740M common stock to Qatar Investment Authority and another $3.26B to the prior majority shareholder Iberdrola, with closing expected May 18. The Iberdrola stake is intended to maintain proportional, majority ownership. AGR recently filed its revised stipulation agreement as part of the company's planned merger with PNM. The company also added three new parties: Walmart, Inc., the Interwest Energy Alliance, and Onward Energy Holdings, Inc as signatories. The customer benefits in the agreement are expected to include: $50M in customer rate credits (over three years); $6M in COVID arrearages relief for customers; $15M for low-income customer energy-efficiency assistance; and $2M for electricity to low-income, remote customers. The merger is also expected to include additional economic development for New Mexico resulting in 150 new full-time jobs, $7.5M in additional economic development funds; and $12.5M in economic development contributions to community groups.
- **Green hydrogen – AGR expects to leverage Iberdrola's experience in Europe to implement a long-term hydrogen strategy.** AGR is optimistic about green hydrogen and is looking at some pilots. The company expects to produce hydrogen through electrolysis, as well as for decarbonizing transportation, (such as heavy-duty transportation, marine transport, or aviation), and for C&I (e.g. high-temperature processes) renewables to decarbonize areas that are difficult to electrify.
- **Cost inflation on the radar:** Management has seen the cost of renewable projects increase on account of higher steel and other commodity prices. Higher commodity costs are offset by hedges in some cases and are passed down to end customers too. However, customer are not delaying projects, and in fact many want to complete the projects sooner to meet their decarbonization goals.
- **Project returns** are competitive. But management sees double-digit levered returns against a lower cost of capital, with AGR's size relative to competitors bringing advantageous economies of scale. The company is targeting a low-end of 13 GWs renewable development projects by 2025.
- **2021 guidance recently raised by $0.10 to $2.25 - $2.45** (from $2.15-$2.35), vs cons $2.29. AGR raised net income in Q1 to $696M-$758M (from $665M-$727M). Key assumptions include $0.5 (~5%) rate base increase, adding >700MW of wind & solar capacity, and FY new rates in NYSEG, RG&E and CMP, as well as average wind PPA pricing of ~$40-$42 for both existing & new. Lastly, AGR plans to reduce emissions by 50-52% by 2030 (vs. 2005 levels).

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- **Tax equity financing could be supplemented with a direct pay option.** The Biden administration has been considering options for renewable owners to monetize ITCs and PTCs, including proposals for both 100% direct pay and 85% refundability of tax credits currently held in inventory. As would be expected for a major developer with deep financing relationships, AGR nevertheless reports ample access to tax equity markets this year despite a scarcity of investors (typically banks) due to economic uncertainty over available taxable income.
- **Transmission development.** With the current system of blanket RTO incentives being reconsidered at FERC, management sees a more selective approach likely to come out of the process. In any event, AGR thinks that streamlining the approvals process could be more important than ROE (saving more money) towards incentivizing new project development.
- **Onshore Wind Update.** AGR has 1.3GW projects under construction in 2021-22, which includes ~390 MW wind & ~915 MW solar. Solar projects in construction currently include Bakeoven (265MW), Montague (221MW) and Mohawk (125MW), while wind projects in construction include Golden Hills (201MW), Midland (106MW), and Roaring Brook (80MW).
- **AGR business mix.** Management sees the current 75%-85% regulated utility networks vs 15%-25% renewables optimal for now in terms of maintaining overall holdco balance sheet and credit metrics.

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Black Hills Corporation (BKH) – Outperform, TP $78

Linn R Evans, President and CEO, Rich Kinzley, SVP and CFO, Marne Jones – VP Regulatory and Finance, Todd Jacobs – Vice President Natural Gas Utilities, Jerome Nichols – Director of IR, Dave Soderquist – Principal Financial Analyst

- **Winter Storm Uri Impact - expect to receive full recovery of gas costs, and to fully offset the -$0.15 EPS hit in 2021.** Winter Storm Uri's impact resulted in a pretax charge of ($12.5M), or net ($0.15) impact to EPS, which included a $555.8M impact to the balance sheet through regulatory asset for utility fuel costs. Additionally the majority of the loss came from unrecoverable fuel costs from Energy Services contractual arrangements with customers. Management reaffirmed at our conference that they expect to fully offset the $0.15 drag with mitigating actions through the course of 2021. See table below.

Figure 4: Winter Storm Uri Impacts

Winter Storm Uri Impacts				Notes
Regulatory asset for utility fuel costs	$558.8M			Expected to be recoverable without securitization and without incremental secondary equity required. Asking for full WACC in AR and KS.
	$M pretax	$M after-tax	EPS	
Wholesale power margin sharing	$3.2	$2.5	$0.04	$2.4M of this is approved for recovery in SD through 2022. Rest is in CO under sharing.
Term loan interest expense	$0.7	$0.6	$0.01	Expect to recover these costs with regulatory assets above. Not ongoing.
Power generation storm benefit	($1.7)	($1.3)	($0.02)	Helps offset large industrial cust non-fuel clause customer losses (see below)
Black Hills Energy Services fuel costs	$8.2	$6.5	$0.10	Choice gas program; will offset with marketing profits bal of 2021
Regulated utility fuel costs	$2.1	$1.7	$0.03	Some large industrial customers without a fuel clause
Total impact in 2021 (fully mitigated)	**$12.5**	**$9.9**	**$0.15**	

Source: Company data, Credit Suisse estimates

- **Colorado Gas phase I & II filing expected in Q2.** BKH filed a request for phase 1 rehearing on 1/26 for Colorado Gas, but that request was rejected verbally which led to a refile. The Colorado Gas ratecase filling requested a $13.5M revenue increase based on 50% equity and a 9.95% ROE in order to recover the investments incurred in upgrading and expanding its natural gas infrastructure. A phase 1 & 2 filing is expected in Q2.
- **Kansas Gas was filed last week and an Iowa Gas ratecase is expected to be filed in Q2**, plus a winter Storm Uri cost recovery filing. Additionally management reiterated consideration for a new Arkansas filing based on strong load growth (where most growth is). We expect a filing probably in the next 12 months.
- **Capital Plan (2021-2025) of $3B+ unchanged**, **expect an update in Q3 call in November** after the SD/WY Integrated Resource Plan is filed in July 2021. The capital plan includes an expectation of $600M+ annually for $3B+ through 2025. Recall BKH previously raised the capital plan by another ~$100M to >$3B (from $2.9B).

  IRP, what lessons can we learn from URI? Will be submitted in July to SD/WY. Modeling through renewables to meet ESG goals. We see opportunities with storage.
- **Equity needs "spread evenly through next few quarters".** BKH continues to target 2021 equity issuance of $100M-$120M through At-the-Market (ATM) program, which is now likely to be executed "evenly" through remaining quarters. Furthermore, BKH is targeting 2022 equity issuance of $60M to $80M in ATM program.
- **2021 guidance and 2022 guidance reaffirmed.** BKH reaffirmed 2021 guidance of $3.80-$4.00, vs CS/cons $3.86/$3.89, after reporting 1Q21 with adj. EPS of $1.54 vs CS/cons $1.65/$1.69 and vs 1Q20 $1.59. Recall that BKH had previously raised 2021 guidance a nickel to $3.80-$4.00 (from $3.75-3.95). Additionally 2022 guidance was also reaffirmed at $3.95 - $4.15, vs CS/cons $4.05/$4.06**.**
- **More focus on ESG.** For electric operations, BKH expects to reduce greenhouse gas emissions intensity 40% by 2030 and 70% by 2040. At the gas utilities, BKH expects to reduce greenhouse gas emissions 50% by 2035. The goals are based on 2005 baseline levels. Additionally, Colorado's electric utility is on track to reach 80% by 2030, and the

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company expects generation investments to save customers $4B over 30 years and reduce GHG 90% by 2030.

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CMS Energy (CMS) – Outperform, TP $70

Rejji Hayes, EVP & CFO; Travis Uphaus IR

- **New electric Integrated Resource Plan (IRP) filing is expected June 30th - Will make some announcement of what it looks like a week prior.** Expect more storage as costs come down and batteries make increasing sense as a replacement for peakers to do the work of voltage support, frequency response, and other ancillary services. The IRP provides details on the next 20 years of fuel diversity for customers, RPS fulfillment, reliability, EE, and demand response. The IRP ultimately results in either approval for a three-year forward plan or rejection or return for consideration of changes. Under Michigan energy law, IRPs are required every five years, with the next filing due in 2023.
- **On Inflation, tax rates and Enerbank.** With a renewed five-year union labor contract, the company sees inflation as a manageable risk. Enerbank's business model is generally not sensitive to interest rates, while Enterprise's net parent losses would benefit from a higher tax rate (consensus seems to be that a 24%-25% rate is possible later this year under democratic proposals).
- **Electric ratecase is on-track for final order by December.** CMS filed an electric ratecase (U-20697) on 3/1(test year ending Dec 2022), seeking recovery for investments in system reliability, and IRP solar & clean energy transformation of $225M, which translates to a 10.5% ROE and 52% equity ratio. Staff commentary is expected in June, with final order expected in Q4. **The next gas ratecase** is expected to be filed in Dec.
- **Equity needs unchanged with $50M already contracted, rest expected in "back half of the year".** CMS continues to expect to issue $250M of equity in 2021 and up to $250 per year in the company's long-term plan. With $50M already contracted, CMS mentioned that the rest of 2021 equity needs will probably be in back half of the year.
- **2021 Guidance Reaffirmed $2.83 - $2.87,** in-line vs. CS/cons $2.85/$2.86, (which reflects 6%-8% growth off 2020 midpoint) after CMS reported 1Q21 adj. EPS $1.21 vs. CS/cons $1.16/$0.97, and vs 1Q20 $0.86. Longer-term adjusted EPS and DPS growth remains at 6%-8% with a strong bias towards the midpoint.
- **Reaffirmed annual cost savings >$200M through 2031.** CMS reaffirmed its previously announced expectation to achieve > $200M in annual cost savings (excluding incremental O&M savings) through 2031. This includes $90M from Palisades in 2022, $30M for Karn 1&2 coal unit retirements in 2023, $50M for MCV contract change in 2025, and $60M for retiring the Campbell coal unit in 2031+.
- **RNG – having dialogue with MPSC.** CMS has been doing some pilot project work in coordination with the Electric Power Research Institute (EPRI) around Renewable Natural Gas (RNG). Recall CMS is targeting net zero methane emissions by 2030 and net zero carbon emissions by 2040. RNG is expected to play a role, but is currently only ~0.3 bcf for now at a cost 3-4x natural gas.
- **A 10-year, $25B plan, with $3-$4B of opportunities.** The 10-year capital plan continues to stand at $25B of firmly identified projects through 2028 plus possible $3-$4B upside opportunity in the latter half for electric reliability, grid modernization, gas distribution, and pipelines. ~85% of projects are less than $200M. To firm up the upside spending, management remains focused on customer affordability (keeping rate increases below inflation) and needs to see future ratecase outcomes, balance sheet strength, progress on cost reduction, and feasible employee levels needed to support additional work, among many factors. For example, to achieve $1.5B of electric grid modernization upside, annual spending would have to ramp up from $200M to $300M, which would likely require a significant hiring ramp. Ultimately, the company remains committed to work with regulators to ensure all parties "buy in" before any incremental moves. As noted at the 2018 analyst day, there is a long pipeline of capital work to be done and management identifies greater than $50B over the next few decades, with investment pacing limited only by CMS's desire to keep rate increases below inflation. Even with the retirements of Karn 1&2, we estimate

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that the plan still implies above-average overall electric and gas ratebase growth at a >7% CAGR from $17.5B in 2019 to ~$24.5B in 2024, with gas ratebase expected to grow from 30% of total in 2018 to >40% by 2024.

- **A new electric Integrated Resource Plan (IRP) filing is due in late June** as part of the 2019 electric rate settlement. Expect more storage as costs come down and batteries make increasing sense as a replacement for peakers to do the work of voltage support, frequency response, and other ancillary services. Recall that in March 2019, CMS filed a settlement agreement with the MPSC for the Integrated Resource Plan (IRP). Consistent with the previously approved Renewable Energy Plan, the settlement leads to a 90% reduction in carbon and 90% clean energy supply by 2040, with the elimination of all coal fired plants as well. It calls for the replacement of Palisades PPA and Karn 1&2 with energy efficiency, demand response, and renewable resources. A relative paucity of battery storage in the planning (450 MW, but only after 2030) is explained by the presence in the state of the large-scale 2,200-MW Ludington Pumped Storage facility, which is co-owned by CMS and DTE. CMS also plans to procure 1.1 GW of new solar resources through 2024 through a competitive bidding process with 550 MW to be owned by the company and the rest will be done through PPAs. Additionally, the settlement also allows the company to earn on the PPAs at the weighted cost of capital (5.88% vs. the company's earlier ask for 10%-20%). The issue with PURPA avoided costs will be dealt with using the competitive process in which the avoided cost rates for a PURPA PPA will be the highest proposal cleared in the competitive bidding process. The IRP provides details on the next 20 years of fuel diversity for customers, RPS fulfillment, reliability, EE, and demand response. The IRP ultimately results in either approval for a three-year forward plan or rejection or return for consideration of changes. Under Michigan energy law, IRPs are required every five years, with the next filing due in 2023.

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CenterPoint Energy (CNP) – Outperform, TP $28

Dave Lesar (Chief Executive Officer), Jason Wells (EVP and Chief Financial Officer), Scott Doyle (EVP of Natural Gas), Phil Holder (SVP of Strategic Planning and Investor Relations), Jackie Richert (Director, Investor Relations), Panpim Lohachala (Manager, Investor Relations)

- **CNP repairs tax benefits.** CNP expects to refile for repairs tax deductions back through 2017, which in combination with other tax strategies, should help partially offset the expected taxable gain on the forthcoming sale of Energy Transfer shares. These are currently held at approximately -$1.75B cost basis and we currently include a -$1/sh hit within our valuation for taxes on the sale (at 75% probability of sale, so we figure -$1/sh could be the actual impact at 100% given some mitigation).
- **Enable / Energy Transfer update - FTC and regulatory approvals as well as closing of transaction are expected in mid-summer.** In April CNP and OGE delivered written consents, with FTC, regulatory approvals, and closing expected in mid-summer. We then expect a relatively quick moving plan to exit this legacy midstream asset over the next year or two at most. Any sales of stock would have to wait for registration two to three months after closing (sometime in 4Q21 earliest).
- **Impacts from Texas Storm –expecting ~$2.2B incremental gas cost (vs prior estimate $2.5B), and reaffirming no direct impact from the storm to guidance based utility EPS.** The company expects a ~$2.2B incremental gas cost which includes $1.1B Texas, $463M in Minnesota, $335M in Arkansas and $83M in Oklahoma. CNP is estimating ~$500M-$600M remaining balance 12 months from the storm assuming current cost recovery mechanisms in place (Indiana, Mississippi, South Louisiana – recovery through existing cost recovery mechanisms over 12 months; North Louisiana – recovery through existing cost recovery mechanism over 3 years) and securitization of winter storm-related gas costs in Texas.
- **Arkansas and Oklahoma LDC sale to Summit Utilities to bring in ~$300M more than planned; going into 2022 capex.** CNP previously announced the sale of Arkansas and Oklahoma gas assets for $1.725B plus $425M cash for storm costs (2.5x of 2020 ratebase and 38x of 2020 earnings) and in our view, the sale was better than expectations ~1.5x-2.1x. CNP expects $1.325B of net proceeds (after taxes and transaction costs) to partially fund $3B incremental capex at its Indiana and Texas electric franchises. At AGA, CNP reiterated that their decision to sell LDCs revolved around a funding need of $1B and a sale was the best way to accomplish the funding gap. The sale is expected to close by end of 2021 (subject to regulatory approvals).
- **2021 Utility guidance reaffirmed at $1.24 - $1.26** after CNP reported 1Q21 beat with adj. EPS of $0.59 vs cons $0.50, in-line with CS 0.61 and vs. 1Q20 $0.60, driven by rate recovery, customer growth and O&M management, partially offset by one-time CARES Act impact and 2020 equity issuance. Additionally, CNP reaffirmed a 6%-8% LT annual growth rate (annual, not a CAGR, off a 2021 base).
- **O&M Savings: $16M in net savings achieved 1Q21.** CNP reaffirmed prior plans to achieve annual cost reduction of 1%-2%, or >$110M through 2025 plus net savings of $44M (~3%) in 2021, with $16M YTD. Management expects the cost variance to be largest in Q1 with net savings decreasing gradually through the year to achieve $44M.
- **No additional equity needs in 2021 (other than ~$25M of DRIP)** CNP previously announced $1.4B of new equity capital ($725M from 12-month mandatory convertible preferred stock, and $675M of common stock) to reduce debt and eliminate further equity needs through 2022. We expect ~$25M/year of DRIP equity in 2021 and small ATMs of ~$50M/year starting in 2022 through 2025, although the ATM program may be reduced further as a result of ~$300M more proceeds from the LDC sale than had been planned.
- **Capital Plan (2021-2025) Unchanged at $16B with $1B+ potential upside.** CNP rolled forward the capital plan a year in 3Q20, and their current (2021-2025) plan is now

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$16B vs $13.2B previously (2020-2024). The additional ~$3B capital investment opportunities (to be funded through the upcoming sale of Oklahoma and Arkansas natural gas LDCs) split two-thirds into new investment opportunities in Houston and Indiana's electric businesses, and one-third gas with $2.5B more or less tracked with $500M for renewables in Indiana, which will bring the 2021E to ~$6B and will drive rate base CAGR target of 10%. **Additionally, management has also cited an additional $1B of capital spending opportunities not yet included in the plan**, with the budget providing enough flexibility to handle changing technological choices. CNP plans to ramp up on renewables with $950M wind and solar generation in Indiana, while advancing RNG and hydrogen renewables in Minnesota.

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Dominion Energy (D) – Outperform, TP $90

James Chapman, Executive Vice President, CFO & Treasurer, Diane Leopold EVP & COO, Steven Ridge, Vice President, IR, David McFarland, Director, IR

- **Triennial review filing.** Next steps include respondent testimony on July 30, followed by the staff report on August 16. A final order is expected by November 2021. Recall D submitted its Triennial review application to Virginia's State Corporation Commission (SCC) on 3/31 covering a four-year period (future reviews are truly triennial) from January 1, 2017 to December 31, 2020. The filing includes ~$5B rate base investment and >$300M of CCRO eligible investment which reflects $206M of customer arrears forgiveness as ordered by the Virginia General Assembly.
- **Offshore Wind Remains on track – interaction with BOEM has been "positive and frequent."** Next steps include BOEM notice of intent in June 2021, CPCN filing in fall 2021, and a BOEM record of decision in June 2023. D's 2.6GW Coastal Virginia Offshore Wind (CVOW) project is on track and projected installed cost remains ~$8B (~$3,000/kW inclusive of transmission), and the company's estimate for project LCOE are unchanged at ~ $90MW/hr.
- **Santee Cooper –** contract work continues under the radar. The SC state legislature has authorized Santee Cooper to work with neighboring utilities on efficiency and cost reduction, and Dominion continues to pitch in on a contract basis. Recall that NEE recently withdrew its own offer to acquire Santee Cooper on 4/28 after the state Senate voted 36-8 against soliciting further bids.
- **South Carolina electric ratecase;** focused on getting through the ratecase there and working in decarbonization in VA. Hearings are expected to resume in July 2021 and final decision is expected in August. Recall on Jan 11, regulators granted a six-month pause to allow parties to further discuss a settlement given pandemic-related hardships. As part of the pause, the commission has ordered the parties to report on monthly basis on their progress. D previously filed for a $178M increase in Aug 2020, with Staff recommending only a $10M increase in November based on an 8.9% ROE on 50% of $5.744B ratebase using a year-end 2019 test year. Absent settlement, hearings are expected to resume in July 2021 with a final order by August 16, 2021.
- **2021 guidance reaffirmed at $3.70-$4.00** (CS $3.85, cons $3.87), 10% above 2020, after D reported 1Q21 Adj. EPS in-line of $1.09 vs. CS/cons $1.07/$1.07, in line with company guidance $1.00-$1.15, and vs. 1Q20 $0.92 driven by operating earnings at DEV and Gas Distribution, partially offset by corporate & other. Additionally, D is guiding 2Q21 with adj. EPS of $0.70 - $0.80.
- **Capital plan (2021-2025) unchanged at ~$32B** with 80%+ focused on decarbonization and 70%+ eligible for riders. Additionally, D continues to identify ~$72B of green investment opportunities through 2035.
- **Equity needs unchanged.** Equity requirements remain at $300M of DRiP with no ATM equity until 2022. Starting in 2022, D is expecting $0-$200M through ATM program, between $100-$300M in 2023 and in the range of $300M-$500M in 2024 and 2025. Altogether, D is projecting $2.2B - $3.0B in equity through 2025 with $1.5B of DRiP and $0.7B-$1.5B through ATM.
- **Net zero emissions target by 2050.** D previously announced a target to achieve net zero emissions including both carbon dioxide and methane emissions across all businesses by 2050. Additionally, D expects reductions of 70%-80% by 2035 with ~95% of the company's owned generation to be either zero or low-emitting.

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DTE Energy (DTE) – Neutral, TP $133

Dave Ruud, SVP & CFO; David Slater - President & COO, Gas Storage & Pipelines; Trevor Lauer - President & COO - DTE Electric; Barbara Tuckfield – Dir. IR; John Dermody – Manager IR

- **Investor feedback has been positive on spin of DTE Midstream - still on track for July 1.** DTE noted that feedback from investors regarding the upcoming spin of midstream has been generally positive. The company is on track to achieve targeted adj. EBITDA 2021 of $710M-$750M and a ~2x dividend coverage ratio (subject to midstream board support). An investor roadshow is planned for Q2 and the Form 10 process is advancing. Recall DTE previously announced its intention to spin-off Gas Storage & Pipelines in Q3, with Spinco expected to assume a 4.0x debt/EBITDA credit profile with a combined dividend of the two companies that is higher than DTE's current dividend. Additionally, the spin-off is designed to be tax-free and DTE shareholders are expected to receive a pro-rata dividend of midstream spinco shares upon closing.
- **Next steps?** Next steps include public filing of Form 10 (announced last week), effectiveness being declared by SEC, followed by debt raise which the company is currently in, followed by an equity IPO roadshow for analyst and investor outreach. Trading is expected to start two weeks before spin.
- **Equity plans – doesn't see a need for 2021 and targeting low-end for 2023.** DTE is planning up to $200M for 2021 although management noted that they don't see a need to issue equity this year. DTE is also targeting $1.3B of convertible equity units in 2022, followed by up to $200M of equity in 2023 (targeting low-end in 2023).
- **2021 guidance reaffirmed after a strong 1Q beat at $6.88 - $7.26 (vs. CS $7.15).** DTE remains on track to achieve 2021 operating EPS guidance after reporting 1Q21 adj. EPS of 2.44 vs. CS/cons $2.29/$2.06, and vs 1Q20 $1.66, driven by higher rates at DTE electric and DTE Gas, favorable colder weather in 2021 and LEAP in-service and other pipeline earnings, partially offset by timing of taxes and net interest. Additionally, DTE reaffirmed 5%-7% LT operating EPS growth target off 2020 original guidance.
- **DTE Gas ratecase – commission/staff recommendations are due soon**. DTE expects a settlement. DTE Gas filed a ratecase (U-20940) in Feb 2021 with ratebase of $5.6B and rate recovery of $195M which translates into a 10.25% ROE and 52% equity ratio with rates effective Jan 1, 2022.
- **Emissions offsets and RNG initiatives.** DTE announced the CleanVision Natural Gas Balance, a program to include both carbon offsets and renewable natural gas, with execution of an agreement to secure forestry carbon offsets. The gas utility received an order approving a Voluntary Emissions Offset Plan (U-20839) in October 2020. The plan includes both carbon reduction and offsets (95%) and Renewable Natural Gas RNG (5%).
- **Net zero emissions by 2050. DTE Electric** is targeting carbon emissions reductions to 32% by 2023, 50% by 2030, 80% by 2040, and net zero by 2050. Since 2009, the company has invested $3B in renewable energy and the investment is expected to reach nearly $5B by 2024. Renewables is expected to account for 25%-30% of energy generation by 2030.
    - **DTE Gas** is targeting carbon emissions reduction of 45% by 2020, 65% by 2030, 80% by 2040, and net zero by 2050. DTE Gas is working towards lowering greenhouse gas emissions by more than 6M metric tons annually, incorporating emissions reductions as purchasing criteria, continuing main renewal upgrades and operational improvements, and working with suppliers to enhance operations.

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Consolidated Edison (ED) – Underperform, TP $74

Timothy Cawley, President & CEO, Yukari Saegusa, VP & Treasurer, Jan Childress, Director, Investor Relations, Kiley Kemelman, Section Manager, Investor Relations & Sustainability, Jared Lee, Manager, Investor Relations & Sustainability

- **Challenging time but bouncing back.** Management is more optimistic on 2021 after a strong 1Q21 report & with residential load improving. ED is seeing increased residential demand in the outer boroughs and expects to see improvement this summer as well.
- **Natural gas is no longer a transition fuel. Stagecoach "in the throes of the review process"** ED reports being deep into the strategic review process for its midstream assets held in a JV with Crestwood Partners (which holds a right of first refusal on any purchase of stake), with a decision is expected this quarter around the end of July. Management emphasizes that regardless of whether they decide to hold or divest the assets at this time, the company does not consider midstream gas a part of the core business anymore. Recall that in 2015, the acquisition was pursued under an earlier belief that natural gas would be a transition fuel between coal and renewables. ED's equity plans already bake in a range of possible outcomes, so no significant changes are expected under any outcome. Remaining book value is $670M and there is still ~$500M debt associated.
- **Update on late payment charges and allowances for uncollectibles.** Aged receivables >60 days are now ~$1B (vs $400M pre pandemic) funded with CP, with the amount associated with COVID19 increasing $153M to $625M during 1Q21, while the allowance for uncollectible customer accounts increased $34M to $181M. Approximately $110M of expense from reserves are being deferred under authority granted in 2020 legislation. There were $18M of estimated unbilled late payment charges and fees in the quarter as well. We continue to include a $500M pretax expense placeholder in our SoTP for a possible future writeoff of uncollectibles. In April 2021, CECONY filed a petition with regulators to establish a $52M surcharge mechanism to collect for 2020 late payment charges and fees beginning in Sept 2021 through Dec 2022.
- **"No set timing" on equity needs.** ED plans to file the next three-year rate plan for CECONY in early 2022 for rates in 2023. With a 12MT equity ratio at CECONY of 46.1% vs authorized 48.0%, the company is planning additional equity issuances to bring the balance sheet in line with the upcoming filing (historic three-year lookback stands at ~47%). The $1B of arrears >60 days now being financed with CP are not included in this equity ratio, but could reduce it further if termed out. Management reiterated plans to issue of up to $800M of common equity in 2021 and ~$700M in aggregate of common equity during 2022 and 2023 (in addition to equity under its dividend reinvestment, employee stock purchase and long-term incentive plans). Additionally ED expects to issue $1.9B - $2.6B of long-term debt, (including for maturing securities), in 2021 and ~$1.4B aggregate of long-term debt at the utilities during 2022 and 2023.
- **Renewables unaffected by higher steel and commodity inputs**: At the competitive energy business, ED noted that higher commodity costs haven't been a big issue thus far. Supplier relationships are strong and ED plans to do some more build-own-transfer of new renewable projects for third parties, which is more fee based without commodity exposure. Overall, the renewables business is expected to grow in-line with the utilities at a capex plan of ~$400M/year (was higher in 2020 at $600M due to pull forward).
- **Isaias response review.** An Administrative Law Judge (ALJ) has been appointed and hearings have been scheduled to begin in Sept 2021 in connection with show-cause orders issued earlier. ED has not booked any reserves for this yet.
- **Capital Plan (2021-2023) increased ~500M to ~$12.67B (from $12.1B).** ED's capex was increased in Q1 by $30M, $264M and $284M in 2021, 2022 and 2023, respectively, and the company now expects investments of $4,048M in 2021 (vs. 4,018M previously), $4,207M in 2022 (vs. prior $3,943M) and $4,419M in 2023 (vs. prior 4,171M).

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- **2021 Guidance reaffirmed at $4.15 - $4.35**, in line with CS/cons $4.25/$4.25 after ED reported a 1Q21 beat with adj. EPS of $1.44 vs cons/CS $1.39/$1.26 and vs 1Q20 $1.35, driven by lower-than-expected COVID-related expenses, a higher-than expected (13%) non-weather jump in residential electric revenues, and impact from the annual stepup in rates under CECONY's three-year rate plan. High end of the 2021 guidance depends on reinstituting the recovery of late fees, but not the $52m from 2020. For the T12M, CECONY has earned an 8.5% ROE. ED previously projected a 5-yr CAGR of 4%-6% (based off 2021 adj. EPS and ~6.1% ratebase growth).

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NiSource Inc. (NI) – Outperform, TP $29

Joseph Hamrock, President/CEO, Don E Brown, CFO, Pablo A Vegas, COO, Shawn Anderson, Senior VP/Chief Strategy & Risk Officer, Randy Hulen, VP of IR & Treasurer; Chris Turnure, Director of IR

- **Latest RFPs.** On May 20, NIPSCO announced three separate RFPs for wind resources, solar resources, and one for thermal, standalone storage, emerging technologies, and other capacity resources. The total expected range across all target areas is 400 MW to 650 MW of unforced capacity. The RFPs are intended to satisfy capacity requirements beginning in 2024, 2025 and 2026 through a combination of owned and contracted resources in coordination with the 2021 Integrated Resource Plan (IRP) process. RFP proposals are due June 30 with bid evaluation completed Aug 20 followed by signed agreements from Aug 2021-July 2022.
- **2021 Integrated Resource Plan (IRP).** Meetings throughout 2021 and completion is targeted for fall. The process includes RFP solicitation for new resources, (similar to 2018 IRP) and focuses on three primary considerations: (1) ability to meet reserve margins in all seasons (not just summer), (2) have an amount of firm, flexible/dispatchable capacity to handle increasing renewable penetration, and (3) assess ancillary service value of resources and ensure transmission implications are considered. The 1,780-MW Schahfer coal-fired plant is expected to retire in 2023 under all scenarios. However, management indicated that if presented with the right combination of new technological capabilities at attractive pricing (batteries, distributed fuel cells and local generation, and micro grids), it may be possible to retire the 469-MW Michigan City plant earlier than planned in 2028.
    - **Renewable projects were laid out in the 2018 IRP**. Recall CPCN filings were made on Feb 1, 2019 seeking approvals to develop three wind farms consistent with the IRP filed in the fall of 2018. Orders approving the PPAs on these filings were received on June 5, 2019. The 2019 RFP represents replacement ~1,400MW of coal capacity through 2023.
- **Columbia Gas of Pennsylvania - a final order is expected by end of the year.** Columbia Gas of Pennsylvania filed a 2021 base rate case in March requesting a $98.3M annual revenue increase. Next steps include staff/intervenor testimony and a final order is expected by end of the year. The ratecase has a different ALJ than the one involved in the prior ratecase in Pennsylvania that had recommended no increase at all. An order for Columbia Gas of Kentucky was received on 4/30 (new rates effective May 2021) allowing for $40M cost recovery of 2021 capex.
- **Sale of an LDC?** NI looks at strategic options as a matter of routine whenever considering financing plan options, but this year's review concluded that the convertible issuance in April was the best way forward, especially given the higher growth rates and capex opportunities across the company's utilities.
- **Convertible issuance eliminates block equity needs through 2024.** On 4/19, NI issued $862.5M convertible equity units at 7.75% yield (8.625M units), with proceeds to support renewables investment. The units are expected to receive 100% equity credit from S&P and Moody's, with full dilution hitting now (to diluted EPS) although shares won't be issued through the convert until the end of 2023. The 7.75% yield is paid from cash flow below the income statement (OCI). Recall that the company subsequently updated its financing strategy for 2021-2024, eliminating the original plan for $500M - $700M block equity and reducing the expected ATM for 2023 to $0 - $150M (from $200 - $300M).
- **Financing strategy reaffirmed.** The company previously updated its financing strategy for 2021-2024, eliminating the original plan for $500M - $700M block equity and reducing the expected ATM for 2023 to $0 - $150M (from $200 - $300M).
- **2021 Guidance reaffirmed at $1.32-$1.36.** NI raised guidance in Q1 to $1.32-$1.36 (from $1.28-$1.36) vs CS/cons $1.34/$1.33, after NI reported 1Q21 in-line with Adj.

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EPS $0.77 vs CS/cons 0.76/$0.76, and vs 1Q20 $0.76, driven by increased investments in safety and asset modernization (excluding Columbia Gas of Massachusetts). NI also reaffirmed long-term (2021-2024) EPS CAGR of 7%-9% and near-term EPS CAGR of 5%-7% through 2023. NI expects investments to drive rate base growth of 10-12% CAGR through 2024, and we expect the company to attain at least the midpoint of a 7%-9% EPS CAGR (vs 2021) for 2024-25 after Indiana renewables are in service.

- **Prior Pennsylvania rate order received on 2/19 "right down the fairway."** NI received a rate order on 2/19 for $63.5M revenue based on 54% equity and 9.86% ROE. This is a positive outcome vs. investor concerns over earlier ALJ recommendation for no increase at all. The commission also approved a single step increase, which is more favorable than the company's request for two steps.

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NorthWestern Corporation (NWE) – Neutral, TP $67

Bob Rowe (CEO), Brian Bird (Pres and COO), Crystal Lail (VP and CFO) and Travis Meyer (IRO and Dir. Corp. Finance).

- **Regulatory relationships improving in Montana.** NWE continues to cultivate productive discussions with two new commissioners: Jennifer Fielder (R) and James Brown (R), which replaced Bob Lake (R) and Roger Koopman (R), respectively. Fielder is from Western Montana and favors hydroelectric power, while Chairman Brown, is a lawyer focused on due process and procedure.
- **Longer term, NWE guides to 4%-5% annualized ratebase growth generating 3%-6% annualized EPS growth.** Additionally, the company is maintaining a 60%-70% targeted dividend payout target, with $2.48 annualized dividend likely to be at the upper end of the range this year with growth in line with EPS going forward, and is also targeting debt to capitalization ratio of 50%-55% with liquidity of $100M or greater.
- **Equity plans.** NWE initiated a $200M ATM offering during 2Q21 and the company reiterated that any equity issuances will be sized in such a way to allow the company to maintain current credit ratings. Due to Moody's outlook change, the company anticipates accelerating from what was previously noted as "over three years," but still spread out over time. Montana RFP generation is not included in this plan, with additional equity likely needed (50% equity/50% debt) if self-build wins approvals later in 2021.
- **RFP project selection.** NWE announced in Q1 that it had chosen a self-build generation option as a preferred option in the utility's request for proposals (RFP) for up to 280 MWs new generating resources. The Laurel Generating Station (175MW) RICE units would be owned by NWE, with the remainder filled with a five-year power purchase agreement with Powerex for 100MW of capacity. Laurel is expected to cost ~$250M in 2022/23 (financed 50/50 debt/equity at that time) and become available for operational use by late 2023/early 2024. Additionally, the company expects to finalize an agreement for an energy storage contract to fill a 5-hr duration. NWE expects file for formal MPSC approval in May 2021 with a final order six to nine months after filing. We expect another RFP for additional resources after the approval process is completed.
- **All quiet on the (North)Western front – Guidance Reaffirmed.** NWE reaffirmed 2021 guidance at $3.40-$3.60 (CS and consensus $3.50), after NWE reported a 1Q21 beat with adj. EPS of 1.26 vs. CS/cons $1.13/$1.12, and vs 1Q20 $1.06, driven largely by improved gross margin from higher electric and natural gas retail volumes and lower opex costs, partially offset by higher Montana Electric supply costs and depreciation expense. We continue to expect 2021 guidance to be narrowed, but we don't see this happening until Q2 or Q3 earliest**.**
- **Regulatory Update – No ratecase filings expected in 2021.** NWE does not expect to file any base ratecases in any of their jurisdictions in 2021. Furthermore, the company filed a request on 4/15 to delay implementation of the fixed cost recovery mechanism pilot in Montana for another year until July 2022 or beyond as a result of continued COVID-19 uncertainty. The company also filed on 4/21 for approval to increase revenues for the Montana Power Cost and Credit Adjustment Mechanism (PCCAM) by $17M.
- **Capital Plan (2021-2025) unchanged at $2.1B.** NWE introduced a new capital plan in Nov 2020 for 2021-2025 with $2.1B of total capital investment throughout the next five years, a $300M increase over prior plan. Capex remains $451M, $456M and $418M for 2021, 2022 and 2023 respectively, and $400M in 2004 and 2025.

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Southern Company (SO) – Outperform, TP $74

Andrew Evans, EVP & CFO; Robin Boren, SVP & Treasurer; Scott Gammill, Dir. IR

- **Vogtle Unit 3 nearing completion, but Hot Functional Testing (HFT) sequence is now expected to "take a couple of weeks longer" than the company's initial plan of 6-8 weeks.** Investors should not be surprised to see more delays, which are insignificant to our TP and Outperform thesis. The latest delay is from the need to bring down system temperatures while shims are adjusted on pressurizer equipment before reheating. These adjustments so far are not considered serious defects, but rather the expected tweaks typically done during a HFT. The company's previous plan was for the plant to begin operations in December 2021, but since more testing is needed, new completion date is now expected in 1Q22 with 8-10 weeks for HFT. Testing of control systems began on 4/25 (the last major test) and fuel load is now expected in September with best case scenario now a Jan 2022 in-service date (vs. prior Dec 2021). Important to note that Jan 2022 is on the "aggressive" schedule; we think 1Q22 is more accurate, with each month ~$25M (eating into $175M contingency remaining 3/31/21). Major remaining risks include successful completion of construction, and testing and system turnovers. **Unit 4 is now ~80% complete, and still targeting 3Q22 in-service date**, but we continue to envision some modest slippage and higher contingency cost here too as work crews assist with Unit 3.
- **Vogtle total projected capital cost unchanged at $8,755M** (after it was previously increased by $48M, from $8,707M), and remaining estimate to complete is unchanged at $1,195M although delays may result in an incremental $25M/month in cost although this is covered by the company's $175M contingency remaining as of 3/31. Unit 4 schedule cost margin remaining to Nov 2022 deadline is $39M (vs prior update of $64M). As of 3/31 SO has invested $7,560M in Vogtle (vs. $7,246M in prior update).
- **Vogtle cost recovery path.** During construction, $4.4B of plant capital is earning a 5.3% penalty ROE as agreed to under a 2017 settlement. Another $2.3B is earning only a debt return at 3.2% (including the low cost from DOE loan guarantees). We estimate that once Unit 3 is in service, the $4.4B will be restored to Georgia Power's 10.5% ROE (a $0.05 EPS impact mostly on 2022 results). A review of penalties on the remainder of the asset will be deferred until both units are in service (an incremental $0.16 annualized impact that we estimate shows up in 2023). This >$200M net income improvement is a major driver of 100 bps higher EPS growth to 5%-7% through the end of Vogtle construction.
  - **On prudency determinations**, $3.5B of costs have already been deemed prudent in the 2017 settlement. Spending above this and up to $5.68B has already been considered "reasonable", with the burden on opponents to prove imprudence. Anything over $5.68B (to $7.3B settled cap) will have to be shown prudent by the company. Prudency determinations are expected 130 days following Unit 4 in-service.
  - **A new ROE for Georgia Power is likely determined in the next general rate order**, which is also expected around the same time as Unit 4 in-service. After Vogtle, we estimate that this level of EPS growth is sustained by incremental decarbonization capex and strong cash flows that strongly mitigate the need for secondary equity. We also think Georgia Power is likely to request recovery of COVID19 costs and other contingency funds used during Vogtle construction, although regulatory support for this could be difficult to obtain.
  - **Customer rate impact.** Since inception over a decade ago, the plant is expected to cost customers a 10% increase in rates. However, roughly half of this is already in rates through the NCCR tariff. Upon unit 3 in-service, rates can be expected to increase 3%+, with a similar increase after Unit 4 is in service.
  - **Prior commentary on cash flows.** Management has previously stated that Vogtle (once fully embedded in rates) should add ~$850M of annual cash flow. While the company has not decided what it plans to do with cash flows in 2024 -2026, it

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expects to potentially grow dividends faster or pay down debt to improve credit quality. Dividend growth has typically been slightly behind the company's expected income growth in an "effort to move payout ratio down a little closer to industry"

- **More renewables coming.** SO now owns ~5,000MW of renewables and expects to continue to add to the portfolio with the recently announced acquisitions of 300MW Deuel Harvest facility in SD, and the 118MW Glass Sands facility (currently under construction) in OK, plus 160MW Tranquility and Garland battery storage projects (also under construction) in CA. SO now owns 15 wind projects and ~2,500MWs of solar plus ~160MW of battery storage across the US.
- **2021 guidance unchanged at $3.25 - $3.35** vs. CS/cons 3.30/$3.31, after SO reported 1Q21 Adj. EPS of $0.98 vs. CS/cons $0.82/$0.82, vs guidance $0.84, and vs. $0.78 in 1Q20, driven by customer growth, higher residential sales, favorable weather and investment in regulated utilities, partially offset by COVID19 impacts. Additionally, SO is guiding 2Q21 adj. EPS at $0.78.
- **2021 outlook**. SO is estimating 2021 weather-norm total retail kW/hr sales to increase by 2%-3% vs prior year. Additionally, the company is projecting for their electric service territory to reach the pre-pandemic employment peak in 2022.
- **Equity needs unchanged.** SO continues to expect no secondary equity through at least 2025. As of 3/31, SO has > $7.7B in committed credit facilities and $7.2B available liquidity.
- **Capital Plan (2021-2025) unchanged at $39.9B.** SO's 5-yr capex is unchanged at $39.9B, (slightly higher than prior $39.5B 2020-2024 plan), with capex of $7.7B in 2025. Recall SO expects 95% of capital plan to be deployed into state-regulated utilities and the company is projecting a 4% annual capital growth in electric utilities to $64B in 2025 (off $52B in 2020), driven by modernization and resilience initiatives. Additionally, SO is projecting 10% annual rate base growth in Gas LDCs to $13B in 2025 (off $8B in 2020), driven by "substantial" pipeline replacement.
- **Decarbonization efforts.** SO plans to achieve 50% reduction in greenhouse gas emissions by 2025 (ahead of prior 2030 goal) and achieve net-zero by 2050. YTD, the company's generation mix includes, 15% renewables (unchanged vs. Q4), 22% coal (vs. 17% in 2020) 16% nuclear (vs. 17% in Q4), and 47% natural gas (down from 51% in 2020).

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Spire Inc, (SR), Outperform, TP $83

Steve Lindsey (EVP and COO), Steve Rasche (EVP and CFO), Adam Woodard (VP, Treasurer), Scott Dudley (MD IR), Nana Appah-Sampong (Sr. Analyst-IR)

- **Impact From Uri:** Gas marketing results improved ~$35M from extreme market conditions and storage monetization during Winter Storm Uri. This was a bit more than we anticipated, but less than the high end of possibilities considering the company entered 2021 with a 26 BCF storage position potentially worth multiples of that at the peak of the storm
    - **Color on Storm Uri effects on Spire gas customers from our** 5/10 EXC note: SR reported that Exelon's (EXC) ExGen power and gas marketing business was one of three marketers that may be subject to penalties in Missouri after SR acted as a provider of last resort (POLR) to ExGen's natural gas customers. SR noted about $196M at stake (a portion associated with ExGen) and has launched litigation against ExGen, while the Missouri Public Service Commission is also considering if any part ExGen's costs should be waived (cost of gas plus 1.5x penalties). In our view, it seems possible that penalties could be waived but unlikely that regulators would choose to allow marketers to pass along the cost of high-priced gas to any fixed-cost retail customers.
    - **Likely to see some small net incremental benefit in 3Q as remaining unresolved contracts and payments are settled**.
- **Missouri ratecase filed in Dec, next steps include submission of testimony on rate design on 5/26. We continue to see room for a favorable settlement.** As expected, staff/intervenor testimony was provided on 5/12, a standalone cap structure was recognized, and recommendations called for a 9.37% ROE and a 54.25% equity ratio. Next steps include submission of testimony on rate design on 5/26. Local public hearings are scheduled for late June, with MPSC hearing in July and August. Recall the rate case was filed on 12/11, seeking recovery of costs and >$850M in capital investment. The filing requests a base rate increase of $64.2M, (which is net of $47.3 million already being collected through ISRS) based on ratebase of $2,780M, a 9.95% ROE and a 54.25% equity ratio.
- **Settled outcome in the Missouri ratecase seems likely.** We continue to expect a relatively non-contentious settled outcome, with the Infrastructure System Replacement Surcharge (ISRS) resolved by legislation and less controversy now over prior ratecase issues with tax reform, capital structure, and prepaid interest expense.
- **SR reaffirmed a long term NEE per share growth target 5-7%** off a pre-COVID-19 2019 base of $3.73, driven by consistent growth of its gas utilities. SR's LT growth target assumes annual rate base growth of 7-8% driven by investment in pipeline and technology upgrades, and new business.
- **2021 Guidance raised to $4.30-$4.50** (from previous range of $4.00-$4.20) vs CS $4.10 vs consensus $4.16) after SR reported a 2Q21 strong beat with NEE of $3.71 vs. CS/cons $3.08/$3.03, and vs 2Q20 $2.75, driven by strong performance from Spire Marketing, and improved earnings from Gas utilities and lower interest expense.
- **Capital plan (2021-2025) reaffirmed at $3B and on track for FY21.** SR's 2021 capex is on-track at $590M (560 Gas Utility, $30M Pipelines, storage & other) with $304M in 1H21 (vs $346M in FY20), which includes $148M for pipeline replacement and $75M for new business at Gas Utility, Capex is expected to be $580M in 2022, $590M in 2023, $600M in 2024, and $610M in 2025.
- **Financing update – 2021 Equity needs satisfied.** On 3/23, SR entered into a 364-day term loan for $250M in order to maintain financial flexibility amid the Winter Storm Uri in February. Also, on 2/18, SR completed an equity units offering for gross proceeds of $175M (initially recorded as LT debt). The company used the net proceeds, in part, to

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repay ST debt under its commercial paper program. The offering resolved the need for SR planned equity needs for fiscal 2021.

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WEC Energy Group (WEC), Underperform, TP $91

Scott Lauber, Sr. EVP & COO, Xia Liu, EVP & CFO, Beth Straka, SVP Corporate Communications & Investor Relations

- **Moving along in Wisconsin electric ratecase - A Commission review and consideration is expected over the next 60 days.** WEC filed on 3/30 to stay out one year (as a result of COVID-economic impacts) and maintain current authorized ROE: 10% for Wisconsin Electric and Wisconsin Public Service, and 10.2% at Wisconsin Gas, and to maintain a 50%-55% equity ratio at all three utilities. Management noted that "things are moving along well and we are optimistic that will hear something soon." WEC expects a commission review and consideration within the next couple months and will file next rate reviews no later than May 1, 2022.
- **Moving faster on decarbonization – "resonating with stakeholders".** WEC previously announced new greenhouse gas reduction targets – to reduce emissions by 60% (vs 55% previously) below 2005 levels by end of 2025 and 80% by 2030 (vs 70% previously). Still targeting net carbon neutral by 2050 and net zero methane emissions by the end of 2030 too. Furthermore, the company estimates that less than 10% of WEC revenues and assets will be tied to coal by the end of 2025; essentially just the Weston 3&4 and Oak Creek units after retiring Oak Creek 5-8 (1.1 GW) and Columbia 1-2 (300 MW) from 2023-2024. Investors have been pleased thus far with WEC's accelerated targets.
- **No delays in energy infrastructure progress.** Jayhawk Wind Farm is still expected to be commercially operational by late 2021**.** Within the non-regulated Energy Infrastructure segment, WEC acquired a 90% stake in Jayhawk Wind Farm for $302M, which will be built in Kansas and consists of 70 wind turbines with a capacity of ~190MWs. The project also incorporates a long-term offtake agreement with Facebook and is expected to be commercially operational by late 2021. Additionally, the 300MW Thunderhead project is expected to go in-service by year-end. Even though Thunderhead had been expected previously to be connected to the grid by end of 2020, a "several-month delay" was due to a permit issue related to a substation being built by Nebraska Public Power District. It is expected to begin commercial operations by year-end; management emphasizes that the delay should not change the trajectory of company's earnings growth for 2021.
- **New LNG storage facilities on-track**. We Energies is seeking approval for two LNG facilities in order to obtain additional natural gas in Wisconsin. WEC is expected to invest $370M into the projects which have an in-service date of late 2023. Approval is expected in Q4 of this year, and construction would begin soon after if approved.
- **2021 Guidance Reaffirmed at adj. EPS $3.99 - $4.03 (CS/cons $4.00/$4.02) with an emphasis towards top end**, after WEC reported a strong 1Q21 beat with adj. EPS of $1.61 vs CS/cons $1.47/$1.45, vs company guidance $1.45-$1.47, and vs 1Q20 $1.43. 2021 guidance reflects 7%-8% off $3.73 base (midpoint 2020) and supports WEC's long term 5%-7% annual growth. Additionally WEC is guiding 2Q21 adj. EPS of $0.75 – $0.77 (vs CS $0.80 and 2Q20 $0.76). Lastly, WEC continues to guide to 2%-3% incremental cost reduction in 2021 vs a 3% reduction in 2020.
- **Utility decarbonization investment.** As part of a $1.9B, 1.8-GW renewable investment plan for the utilities, the 100MW, $130M Badger Hollow Solar Park I and II projects are targeting in-service dates of summer 2021 and Dec 2022, respectively. The company has also announced $1.5B of investment in 675 MW solar, 316 MW battery, and 82 MW of wind from shares in four large scale renewable projects (Paris, Darien, Koshkonong Solar-Battery, Red Barn Wind) expected to be in service from 2022-2024. The utilities are also replacing 400 MW of older gas turbines with 100 MW of efficient gas-fired RICE units and 200 MW of new CCGT for $180M from 2023-2024. Furthermore, they are proposing to build 128 MW of efficient gas-fired RICE units at the Weston site in 2023 for $170M.
- **WEC's Capital Plan $16.1B (2021-2025) is unchanged**. WEC's capital plan is unchanged after it was previously rolled forward a year in 3Q20 call and increased by $1.1B (7.3%) to $16.1B vs. previous $15B (2020-2024) capital plan.

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- **No equity financing is anticipated**. WEC does not expect any equity needs and expects FFO/debt between 16%-18% (potentially high end or above) for the next five years without the need to issue additional equity.
- **Retail electric and natural gas (w/o power gen) annual forecasts unchanged.** WEC is forecasting a 1.4% increase in total retail sales volumes in 2021 (vs 2020), which also represents a 1.5% reduction from 2019 levels. For natural gas, WEC continues to project weather normalized retail gas deliveries to decrease by 2.4% vs. 2019, and for residential and C&I to improve 0.5% and 0.8% respectively vs 2020.

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Valuation Methodology and Risks

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Black Hills Corp (BKH.N)

Method: We arrive at our $78 price target using a sum of the parts valuation methodology; applying multiples specific to the individual businesses that BKH operates in. We apply a 1.0x premium to the average peer 2022 P/E multiple to the electric utility business (ex. Colorado) and an average for the CO segment. We apply a 1.0x premium to the average peer 2022 P/E multiple to the gas utilities. We then apply an average electric P/E multiple to the power generation business since it is under long-term contracts to te utilities. Our valuation also includes the probability weighted outcome for the Wyodak coal contracts. Our OUTPERFORM rating reflects a forecast total return materially above its peer group average.

Risk: Risks to our $78 target price and OUTPERFORM rating on BKH: (a) earnings dependent on regulatory relationships; we would highlight Colorado as their most challenging jurisdiction, (b) success at the utilities in funding the next newbuild cycle, (c) COVID19 load reduction and bad debt, (d) repricing risk in 2023 for the Pacificorp coal contract, (e) upside/downside risk for the capital plan, with 1-2 incremental ~$50M projects typically announced each year above and beyond the plan, (f) interest rate risk.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for CMS Energy Corp (CMS.N)

Method: We arrive at our $70 price target and OUTPERFORM rating for CMS by applying a 3.0x premium to average peer 2022E P/E multiples for electric and gas, respectively and an average utility P/E multiple for the enterprises business, reflecting above-average EPS growth and a favorable regulatory environment. We also assume 50% realization of upside from $3-4B of incremental capex through 2028. Our OUTPERFORM rating reflects a forecast total return above the group average.

Risk: Risks to our price target of $70 and OUTPERFORM rating for CMS are 1) risks related to implementation of Michigan energy legislation 2) regulatory risk, 3) legislative risk, 4) commodity risk, 5) interest rate risk, 6) derivate risk, 7) load growth risk, 8) weather risk, 9) environmental and climate change risk, 10) physical infrastructure and cyber security risk.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for CenterPoint Energy Inc (CNP.N)

Method: Our $28 target price and Outperform rating for CNP are derived from our sum of the parts analysis. We expect its total return to be above peers within our coverage universe. Our target price is based on (1) a 2.0x premium to the average peer 2022E P/E multiple for the electric segment (primarily for the Indiana jurisdiction) and 2.0x premium to the average multiple for the gas segment, respectively and; (2) market price for Energy Transfer shares minus a 50% probability of incurring a tax loss (-$1.75B cost basis) on a possible sale.

Risk: Risks to our $28 target price and Outperform rating for CNP include regulatory risk at the utilities, particularly in Texas after a disappointing 2019 rate decision for Houston Electric, COVID19 load reduction and cost, operational risk at the both the electric and gas utilities, capital plan execution risk, and a lower valuation as investors discount commodity price head winds or if the outlook for midstream deteriorates in the service areas where its assets are located.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Consolidated Edison (ED.N)

Method: We calculate our $74 target price on Consolidated Edison based on a sum-of-the part methodology. We apply a -2.0x discount to the 2022 peer average P/E to the NY utilities for low earned ROEs (below-average authorized ROE of 8.8% base plus 50 bps upside before sharing) and a difficult-to-achieve incentive program under the three-year rate plan is in place through 2022, despite slightly above-average ratebase growth of 6%. The renewable segment is valued using the cash flow yield approach with a 9.5% yield while the transmission and midstream segment is valued using a 5.0x EV/EBITDA multiple due to its negligible growth. As a placeholder assumption, we subtract $500M pretax ($1/sh) of value for possible writedown of bad debt and lost fee income as a result of COVID19. The UNDERPERFORM rating reflects our expectation for the stock to lag peers with a below average earnings growth profile.

Risk: Risks to our $74 target price and the UNDERPERFORM rating on ED are: (1) ROE risk related to REV approvals and future growth coming out of the program, (2) a significant increase in interest rates, particularly given the formulaic ROE approach in NY, ED's primary jurisdiction, (3) ability to finance capital expenditures, and (4) the impact of COVID19 pandemic response on bad debt and lower late fee collections.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for DTE Energy (DTE.N)

Method: We arrive at our $133 price target for DTE using a 2022E P/E multiple relative to the group average. We value the Detroit Edison (Electric business) and MichCon (gas) using a 3x premium to the respective average peer electric and gas 2022E P/E multiples to reflect the constructive regulatory environment in the state along with a strong legislative backdrop. While GS&P's spin is pending, we

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also value the non-utility businesses on an EV/EBITDA basis, using 8.0x consistent with our treatment of other utilities with similar midstream exposure. We also assume there is some risk related to recontracting and expansion on Nexus as well as a reduction of revenue in the Haynesville once the current 13-year above-market contracts expire. Our NEUTRAL rating for DTE reflects a forecast total return at the group average.

Risk: Risks to our $133 price target and NEUTRAL rating for DTE are 1) oil and gas industry risk in the Haynesville and Marcellus/Utica, 2) execution and operational risk for the utility's long-term capital plan, 3) regulatory risk, 4) commodity risk, 5) derivative risk, 6) load growth risk, 7) weather risk, 8) environmental and climate change risk, and 9) physical infrastructure and cyber security risk.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Dominion Energy (D.N)

Method: Our $90 TP and OUTPERFORM rating are based on a sum-of-the-parts valuation methodology. We include partial credit for 5.1 GW of offshore wind through 2035 (EPS based on 50% equity, 9.6% ROE, and discounted to 2022). We apply a 3.0x premium P/E multiple for the Virginia utility given the triennial rate review system that provides rate stability through at least 2024 and a 1.0x premium for the gas utilities. We assume a 50% probability of a $50M revenue reduction in 2022 and a 90% probability that the company will be required to make an incremental $265M of annualized CCRO investment in 2025+ for which investors only realize 30% of the value. We assume the peer electric and gas group P/E multiples for Dominion Energy South Carolina given a balance between above-average ratebase growth opportunities and lower earned ROEs with the need for a rate filing in 2021. We apply the average peer electric utility P/E multiple to long-term contracted generation, including Millstone nuclear, and the company's 50% ownership of the contracted Cove Point LNG export terminal.

Risk: Risks to our $90 target price and OUTPERFORM rating for Dominion are 1) removal of D's rate freeze in Virginia 2) regulatory risk, 3) legislative risk 4) commodity price risk and power market/power price risk 5) interest rate risk 6) derivative risk, 7) load growth risk 8) weather risk, 9) environmental and climate change risk, 10) physical infrastructure and cyber security risk, and 11) execution risk on the major ongoing capital projects.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Energy Transfer LP (ET.N)

Method: Our target price of $13 for ET is based on a 8.9x EV multiple on our FY22 EBITDA estimate. We rate ET Outperform as we expect it to return more than its peers.

Risk: Risks to our $13 target price and Outperform rating for ET are DAPL, project delays, and lower production volumes.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for NiSource Inc. (NI.N)

Method: We arrive at our $29 target price for NI by applying a 1.0x premium to the gas segment peer 2022E P/E to reflect the constructive regulatory environments with capex trackers in place in the jurisdictions that NI operates. We also apply a 1.0x premium to the average peer electric utility 2022E P/E multiple for NIPSCO Electric utility in Indiana to reflect the favorable ratebase growth profile and regulatory environment in the state. Our OUTPERFORM rating reflects a forecast total return that is above the group average.

Risk: Risks to our $29 target price and OUTPERFORM rating are: 1) ROE risk related to the ongoing ratecases 2) continued approvals relating to infrastructure replacement/grid modernization programs 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particularly in the non-decoupled jurisdictions, 7) weather risk, and 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety after the 2018 explosion incident in Mass., and 11) COVID19 load reductions.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for NorthWestern Energy (NWE.OQ)

Method: Our $67 target price for NWE is based on a -0.25x discount to the average peer electric utility 2022E P/E multiple (no discount to the average gas utility multiple) to account for regulatory risk in Montana, especially an aversion in the state to ratebased ownership of generating assets. We rate NWE NEUTRAL as we expect its total return to be above its peer group.

Risk: Risks to our $67 target price and NEUTRAL rating for NWE are 1) approval of a potential decoupling mechanism to deal with lost load, 2) regulatory approvals to add new generation units in ratebase, particularly in Montana, and 3) changes in the regulatory environment in Nebraska, Montana or South Dakota, (4) COVID19 load reductions

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Southern Company (SO.N)

Method: We derived our $74 TP for SO using a SOTP methodology. For the regulated utilities segments, we value the segments separately by applying a 3x premium group P/E target multiple to the Alabama and Georgia segment's 2022E earnings to derive the segment's value while taking into account the risks in these segments. We apply a 0.0x (no adjustment to average) for Mississippi. We use an

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EV/ EBITDA multiple approach to value Southern Power segment whose earnings is derived from long-term PPAs of contracted merchant assets. An EV/ EBITDA multiple of 10x is applied to the segment's 2022E EBITDA to derived the total value of the segment. We use a peer group average EV/EBITDA of 9.5x to value the gas midstream segment and use a 12x P/E to derive the value of the gas marketing segment. Our Outperform rating reflects a forecast total return above the group average.

Risk: Risks to our Outperform rating and TP of $74 are: 1) Vogtle construction execution, and 2) potentially lower ROEs out of ratecase filings across the Gas LDCs, along with general business risks in the utility industry: 1) regulation, 2) legislation, 3) commodity prices, 4) interest rates, 5) derivative risk, 6) load growth, 7) weather, 8) environmental and climate change, 9) physical infrastructure and cyber security, and 10) COVID19 load reduction and unpaid bills.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Spire Inc. (SR.N)

Method: We arrive at our $83 price target for SR by applying an average peer gas utility 2022 P/E multiple to the Missouri utility, and a 1.5x premium is given to the other gas utility businesses given more favorable regulatory jurisdictions. For the gas marketing business, we apply a 12x 2022 P/E multiple reflecting the increased risk and volatility of the marketing business relative to the gas utility business. We rate SR OUTPERFORM as we expect its total return to exceed peers.

Risk: Risks to our $83 price target and the OUTPERFORM rating for SR are: 1) regulatory risk, 2) commodity risk, 3) interest rate risk, 4) derivative risk, 5) load growth risk, 6) weather risk, 7) environmental and climate change risk, 8) physical infrastructure and cybersecurity risk, and 9) COVID-19-related load reductions in winter 2020-2021.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for WEC Energy (WEC.N)

Method: Our $91 target price and UNDERPERFORM rating for WEC are based on the sum-of-the-parts methodology. In our valuation of the Wisconsin segment, we apply a 3.0x premium to the blended average peer 2022 P/E multiple of the electric and gas groups to account for the opportunity set in Wisconsin and for a lower beta than peers. A 3.0x P/E premium is also applied to the Illinois and other states segments. A 2.0x premium over the electric group P/E multiple is used in our valuation of the ATC and the non-utility segments We rate WEC Underperform as we expect its total return to be below its peers.

Risk: Risks to our $91 target price and UNDERPERFORM rating for WEC are ratecase outcomes, deterioration in regulatory environment in WI, IL, MI, and MN, and failure to execute its investment plan.

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Companies Mentioned *(Price as of 20-May-2021)*
Avangrid (AGR.N, $52.29)
Black Hills Corp (BKH.N, $66.21)
CMS Energy Corp (CMS.N, $63.74)
CenterPoint Energy Inc (CNP.N, $24.7)
Consolidated Edison (ED.N, $78.42)
DTE Energy (DTE.N, $140.36)
Dominion Energy (D.N, $77.24)
Energy Transfer LP (ET.N, $10.02)
NiSource Inc. (NI.N, $25.32)
NorthWestern Energy (NWE.OQ, $63.31)
Southern Company (SO.N, $64.06)
Spire Inc. (SR.N, $72.92)
WEC Energy (WEC.N, $95.52)

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Energy | Power & Utilities

May 20, 2021

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2021 AGA Meeting Takeaways

In this note, we briefly summarize takeaways from each of our 12 meetings at the American Gas Association (AGA) Conference over the past two days.

Utes remain close to fair value/modestly cheap in our bond model. After strong relative performance in Sep/Oct 2020 (Uts +7% vs S&P500 -7%) the group materially underperformed the market since Nov 2020 (Uts up 10% vs S&P500 up +27%) as the S&P rallied with a cyclical/risk-on rotation. Utilities are now modestly expensive in our bond model on '21 dividend yields and ~3% cheap on '22 yields (page 8). The group is discounting 10yr at ~1.6% one year forward. NTM relative P/Es still show a discount at 0.94x versus a 1.09x average since 2006 – but notably in the 08/09 recession it took close to 18 months since the trough to get back to normal levels. The recent valuation trough was mid-20, see page 9. We foresee the group continuing to lag the market in the near term and prefer value (energy exposed/more cyclical names) over quality (CNP, EVRG, ETR, OGE and SRE are outperform rated names within the regulated value bucket). Within diversified names we like AES (top pick) and EXC. Long term we are more constructive due to valuation support and view the Biden presidency as a major tailwind. We are outperformed rated AEE, AEP (top pick) and D within the quality bucket, (see our 2021 outlook here).

Ameren Corp. (AEE), Outperform rating, $90 price target

- **Illinois Downstate Clean Energy Act:** AEE remains at the table with stakeholders. The legislation session ends May 31, 2021 but the bill could also be brought up in subsequent veto sessions; the Act presents possibility of solar/storage/EV capex, plus $0.07 annual EPS upside given a potential modification of the allowed ROE formula.
- **Missouri securitization:** legislation passed the House and Senate last week and the governor usually signs bills in late June; then they become law, effective Aug. 28 if they don't have an emergency clause. AEE says legislation does not have an immediate impact on how it is thinking about its Missouri IRP, but it provides greater flexibility to address acceleration of coal retirements. Management said passage of the legislation is also another sign that Missouri legislation is constructive, as evident with PISA as well.
- **Incremental wind capex:** Ameren will file CCNs by end of year for the 1,200 MW of incremental wind projects in the Missouri IRP that are not currently in the five-year capex plan.
- **Incremental MISO transmission capex**: "sizable" investment opportunities primarily in the latter half of the decade that would be incremental to the $40+ billion ten-year capex plan. Some could come in 2024-2025 timeframe under five-year plan but not likely to be material. More clarity on MISO opportunities will come in December 2021 when they put forth their first portfolio
- **Callaway outage**: Ameren does not foresee any major risks to bringing the nuclear plant back online in July. Still no significant impact on financial results expected.

See inside for takeaways on the remaining companies.

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Ameren (AEE) Takeaways continued…

- **FERC incentive adder**: comments and reply comment due dates were extended. Comments are now due by June 25, 2021 versus May 26, 2021 previously. Reply comments are now due by July 26, 2021 versus June 10, 2021 previously. If the 50bp incentive adder were removed, it would have a $0.04 EPS impact.
- **What AEE is excited about:** Long-term infrastructure investment points to extended runway of growth beyond five-year plan, particularly as it relates to MISO transmission, grid modernization and the clean energy transition including EV-related spending.

CenterPoint Energy (CNP), Outperform rating, $26 price target

- **Tax repairs**: CNP is looking to use tax repairs, which will allow for expensing a portion of capex, to mitigate tax leakage from one-time taxable gains on the gas LDC sales, as well as potential ET unit gains when it disposes of them. CenterPoint expects to have the ability to carry back the deduction several years.
- **Capital a priority for excess cash:** CenterPoint continued to highlight that the $300mm of incremental proceeds from gas LDC sale versus plan will be primarily used for reinvestment (likely electric) to improve utility performance without burdening customers. The next priority is delaying or eliminating the ATM program, and the potential opportunity to use anything left to de-lever.
- **Excess cash versus plan**: we project over $1 billion of excess cash versus the plan primarily driven by ET share price appreciation and lower-expected cash taxes on gain on sale with deployment of tax repairs. That translates into 2023 EPS upside of $0.16-0.17 or 10% vs our current projection if all were reinvested assuming the excess cash is deployed at 10% ROE in the utility business. We would not expect all of the cash to be reinvested; as mentioned, we would see it eliminating equity needs and used for de-levering as well.
- **ET unit sell-down**: CNP reiterated its plan to sell the ET units expeditiously (more quickly than five years) after the transaction closes, expected 2H21.
- **Regulatory relationships:** CNP said it spent a day in Austin this week with about three-quarters of the time at the Capitol advocating for legislation and the remainder at the Texas PUC with two commissioners. CenterPoint said the commissioners recognize there is a clear platform for change but likely not a major change to the wholesale markets in TX. Conversations centered on incremental transmission, battery storage and other tools to minimize the impacts of widespread outages. CNP is looking to build on the conversation in the future.

CMS Energy (CMS), In Line rating, $64 price target

- **Electric rate case:** we believe the pending rate case filing is relatively plain vanilla and it should not have any majorly controversial issues. Michigan ROEs have been sticky and remained well above the national averages even as the 10-year treasury rate has declined more significantly over the past several years. CMS said it will make the case that equity thickness should increase in light of tax reform enacted in 2017, as other jurisdictions outside of Michigan increased it to mitigate the cash flow impact.
- **IRP filing:** CMS will file its IRP on June 30th. We believe there are two key items to focus on: 1) accelerated coal retirements from the 2030s, and 2) a more rapid solar build-out with higher portion of owned resources. CMS said there will be a sharp focus on resiliency and reliability (we expect a fair amount of gas) in light of the Texas winter event this year. The company will seek to balance affordability and not burden ratepayers as well, and look to backfill any earnings loss from retirements.
- **Long-term growth rate**: CMS remains focused on delivering (and managing around) 6-8% EPS growth per year, with a bias to the midpoint, as it has consistently done for several years.
- **Cost savings:** CMS has identified >$200mm of future cost savings from the 2022 Palisades retirement, Karn 1&2 coal unit retirements in 2023, MCV contract change in 2025, and the Campbell coal unit retirements in 2031 and beyond. Every $1 of savings creates headroom for $6-8 of capex.

- **Hydrogen pilot programs:** CMS is in discussion mode about hydrogen pilots and would consider opportunities. The company said it does not feel a major need to rush and do pilots because there are plenty out there that they could learn from, and there is a lot of ability to share knowledge in the utility space.

Consolidated Edison (ED), Underperform rating, $72 price target

- **Surcharge recovery mechanism filing – range of outcomes assumed in 2021 EPS guidance**: ED is assuming a range of outcomes in 2021 EPS guidance for this filing, for which ED requested a decision in September 2021 but said is an uncertain process. Con Ed is comfortable with its long-term EPS growth rate of 4-6% in 2021 through 2025. As a reminder, in April 2021, CECONY filed a petition with the NYSPSC to timely establish a surcharge recovery mechanism for $52 million of late payment charges and fees, offset for related savings, for the year ended December 31, 2020 to begin in September 2021 and end in December 2022. The petition also requests a surcharge recovery or credit mechanism for any fee deferrals for 2021 and 2022 starting in January of the subsequent year over a twelve-month period, respectively.
- **Stagecoach potential sale could be imminent**: ED said it is in the throes of a process of strategic alternatives and an announcement could come in Q2.
- **Transmission investment will receive AFUDC**: Con Ed will receive AFUDC on the $780mm of transmission investment that was recently approved to replace peaker units that do not meet NOx requirements. The first project is expected to go into service in 2023, with the next two in service in 2025.
- **Catalysts include Covid recovery and clean energy transition**: Key catalysts aside from strategic alternatives for Stagecoach include recovery from Covid and clean energy transition under Biden administration, which is likely to provide funding for EV-related investments, in particular.
- **Financing plan assumes Stagecoach sale**: Con Ed previously disclosed it expects to issue $800mm of equity this year, which contemplates a range of proceeds from a Stagecoach sale. The company said proceeds from Stagecoach will first be used to pay down $500mm of debt there. We estimate $600-700mm of proceeds from Stagecoach at 10.0-12.0x our estimated EBITDA.
- **Mountain Valley Pipeline does not fit into long-term portfolio**: management's current thinking is that it does not fit into the long-term portfolio at ED and it is still considering monetizing it, though the Stagecoach process is much more actively underway. Con Ed remains optimistic in the permitting and regulatory processes for MVP getting approved and the project ultimately going into service. As a reminder, its investment has been capped at $530mm and any additional cost to the project dilutes its ownership stake.
- **CECONY incentives still hard to achieve, under current thinking**: management's current thinking remains that earnings adjustment mechanisms (for energy efficiency, EVs and heat pumps) under the rate agreement are difficult to achieve but ED believes it will have some success this year.
- **CEB projects on track**: CEBs have three projects under construction this year, with one likely to go into service in Q2 and other two likely in Q3 or possibly Q4. Con Ed said it has not had any supply chain issues to date.
- **Second ESG Investor Day planned**: Con Ed said it will host another ESG webinar in August 2021.

Dominion Energy (D), Outperform rating, $82 price target

- **VA Triennial review:** Dominion remains confident in a balanced outcome from the ongoing triennial review. The hearings are expected to take place through September and a final decision expected in November 2021. While the maximum refund per the statute is 15MM or $0.01 EPS investors will focus on the regulators stance towards ROE (9.9% allowed currently) and other adjustments which will be read through for company's future earnings power and growth prospects 2024+.
- **SC Rate Case:** All parties are actively engaged in settlement negotiations, absent a settlement in the meantime hearing will re-commence on July 12 with an order due in August 2021. On the earnings call earlier in the month D stated that any reasonable outcome in the pending South Carolina rate case would be within the guidance range.

- **Offshore update:** D highlighted the public/private support for its 2.6GW offshore wind project. While inflation/fuel costs are headwinds, wind resources/capacity factors are coming in better than expected such that company remains confident in delivering levelized cost of energy (LCOEs) in the $80-$90/mwh range. The next catalyst to monitor is a Notice of Intent (issued by BOEM), which is expected by June 2021. A final decision (also issued by BOEM) is expected by June 2023.

DTE Energy (DTE), In Line rating, $140 price target

- **Midstream spin on track for July 1st:** DTE initiated the Form 10 process with the SEC back in February; the form will become public in the second quarter and will include three years and first quarter 2021 actual standalone financials as well as pro-forma financials for the full-year 2021. DTE expects to get the green light from the SEC in then June timeframe, then the company will host a roadshow, and DTM will start to trade pre-spin in two week timeframe before the spin, which DTE says is on track for July 1st.
- **Midstream C-Corp is not expected to pay material cash taxes in the near term**: DTE said the post-spin midstream C-Corp will not pay cash taxes over the next few years given NOL balances.
- **DTE said the midstream C-Corp has a path to investment grade credit:** DTE said size is a gating factor and it needs to reach $1 billion of EBITDA. Guidance for EBITDA this year is $710-750mm.
- **Utility and rate base growth expectations through 2025 and beyond:** The long-term plan through 2025 assumes 6-7% electric rate base growth, driving 7-8% expected electric operating earnings growth. For the gas business, it assumes 8% rate base growth, driving 9% expected gas operating earnings growth over the same time period. Both of the operating earnings growth forecasts are based off of the original 2020 guidance. DTE still anticipates delivering higher-than-targeted five-year average utility operating earnings growth in the early years of the plan. Beyond 2025, there is potential for even higher electric rate base growth with opportunities for additional coal retirements and replacement of it with solar; DTE specifically highlighted one 1,200 MW coal plant that could be replaced with 2,000 MW of solar investment.
- **Impact on utility customer rates from potentially higher tax rate:** At the utilities, DTE said if the federal income tax rate were raised to 28% from 21% it would have a 1.5% impact on customer rates.
- **Renewable development plans dominated by solar:** DTE expects solar to dominate its renewable development plans for the foreseeable future. The company has $2 billion of capex planned for renewables in its five-year 2021-2025 plan. The outlook includes 900 MW of renewables signed plus additional expected to be signed.
- **How the non-regulated businesses fit into the portfolio over the long term**: DTE reiterated that it currently expects its P&I and Energy Trading businesses to comprise 10% of earnings over the long term.
- **O&M management below inflation:** annual O&M increases are expected to increase 1% or less going forward, as they have in the past.
- **Power & Industrials outlook**: Recall there is the sun-setting of the REF business after 2021, so we will see a trough in P&I earnings in 2022 before it builds back up. DTE assumes an additional $15mm of earnings per year from RNG and co-generation growth opportunities after the re-basing. DTE has issued P&I earnings guidance for 2025 of $135-150mm versus an early 2021 outlook of $147-163mm.

Essential Utilities (WTRG), In Line rating, $49 price target

- **Delcora:** Despite delays Management remains confident in closing the deal. On the Q1 earnings call earlier in the month WTRG stated that Delcora acquisition ($0.03 annual EPS contribution ~2% of consolidated earnings by our estimate) could take up to six months to close vs previous expectation of mid-2021.
- **Water/Waste Water acquisition pipeline.** WTRG continues to see a robust pipeline of opportunities and they are in active discussion in several states. Management highlighted the potential of sizable rate base opportunity (>Delcora) that could be announced by year end. Any new announcement would be incremental to company's current EPS growth target of 5-7% through 2023 but the timing and approval process could be lengthy and go beyond the current planning horizon.

- **PA Water rate case:** The company plans on filing a general water rate case application in PA later in the year for rates effective in 2022
- **Peoples Gas update**: Earlier in the year the PA commission approved company's proposal to apply the repairs catch-up benefit adjustment towards customer bills over a five-year period and the peoples gas subsidiary will file its next base rate case before the end of 2023 for rates effective in 2024. Management pointed to solid execution since the acquisition in 2020 and remains committed to their long term rate base and earnings growth plans.
- **PFOS/PFAS:** Stricter federal/state mandates on PFOS/PFAS (potentially harmful chemicals in the water stream) could provide organic (capex) and M&A opportunities, that could further bolster rate base growth outlook in WTRG's plan.

Eversource Energy (ES), In Line rating, $91 price target

- **CT Storm Investigation:** The docket established by the CT Commission to review the penalty related to company's response to Isaias is scheduled to run through mid-July of this year. Q1 results included a $0.07 charge associated with customer credits and related assessment that CT regulators announced on May 6, 2021.
- **90 bps lower ROE:** Recall that on Apr 28, the CT regulators concluded that the company failed to comply with certain applicable performance standards and manage its preparation for and response to the storm and ordered the company to lower its allowed ROE by 90 bps in pending/future rate proceedings. The lower ROE could be reflected in rates starting in October this year impacting 2021 EPS by a penny and we estimate ~$0.07 or 2% annual EPS headwind to our FY EPS 2022 projection. Other parties to the storm investigation proceedings have advocated for lowering the equity layer in their capital structure currently at 51%.
- **2022 RC filing in CT:** Per the statute ES would have to file a CT general rate case in 2022 unless they are granted an exception by the Commission.
- **FERC Incentive rider:** FERC recently extended their comment period on their notice of proposed rate making concerning transmission incentives, a of 10 bps reduction in transmission ROE results in a penny EPS hit for ES. We expect an update by year end.
- **Offshore wind update:** They continue to make progress on ~1.8GW of previously announced projects and are considering submitting a bid for additional MW's in MA RFP (05/10) seeking to add up to 1.6GW of offshore wind capacity.

NiSource (NI), In Line rating, $27 price target

Indiana IRP: NiSource has begun the IRP process that would update long-term generation plans, including the planned retirement of Michigan City Generating Station, and could create additional capex opportunities beyond its current four-year plan; that process will include RFP solicitation of resources similar to the 2018 IRP and will involve meetings throughout 2021 with expected filing with the Indiana commission by November 1, 2021.

Pennsylvania rate case: We expect the pending rate case to be relatively routine. The issues with the ALJ in the last rate case (ultimately there was a constructive outcome) were primarily due to concerns about raising rates in the heart of the pandemic. The requested revenue increase in the pending rate case is virtually all capital-driven given that NI is expecting to manage relatively flat O&M, which is reflected in the forward-looking test year.

Flat O&M management: NiSource's "Next" initiative is expected to drive "relatively flat" O&M in 2021 through 2024. Cost initiatives under way include voluntary separation program savings and the following improvements identified: streamlined organization structure, evolved business services, work standardization, greater field mobility and connected customer experience. Modernization-driven fuel and cost reductions are also under way.

Renewable projects: There are a total of 14 projects, with two complete and operational, seven approved and five pending, with all expected to have outcome in 2H21. All projects are expected to be online and operating by 2023.

Gas assets valuation: NiSource believes its gas utilities are significantly undervalued in the share price, especially in light of the recently announced CenterPoint gas LDC asset sales (Arkansas and Oklahoma) that were valued at 38x 2020 earnings and 2.5x 2020 rate base.

Southern Company (SO), Underperform rating, $61 price target

- **Vogtle seeing another two to three week delay:** Southern had to take a pause in hot functional testing to bring unit 3 down to ambient temperature. This is expected to add two to three weeks to the hot functional testing schedule (originally scheduled for six to eight weeks), so it is likely to take eight to eleven weeks now. SO said every one month of delays adds $25mm to capex (so up $18mm for three weeks) and has a half a penny impact to EPS due to the ROE penalty (up to $0.0035 for three weeks).
- **Missouri IRP:** the filing specifies closure of Plant Daniel, the last coal plant in Mississippi coal fleet. Mississippi has a generation surplus, SO is unlikely to build any capacity anytime soon.
- **Regulatory agenda:** Electric Power Effluent Limitation Guidelines (ELG) will be filed in October 2021. Georgia Power rate case will be filed in January 2022.
- **Non-core asset sales**: Southern said it is always considering non-core asset sales, as it has done in the past, but its remaining portfolio of non-core assets is even smaller than Sequent, small enough that SO does not disclose it in regulatory filings. As a reminder, SO recently reached an agreement to sell its wholesale gas trading and services business comprising Sequent Energy Management, and expects to complete the transaction in 3Q21. Southern does not expect a material gain or loss on sale, though it will provide a return of the associated working capital and the elimination of certain credit supports of ~$1Bn. SO has always excluded Sequent earnings from its adjusted results due to its quarterly variability.

WEC Energy (WEC), In Line rating, $96 price target

- **WI Rate Case:** Management highlighted strong support for its request filed on Mar 30th with the Public Service Commission of Wisconsin to allow the company to forego requests to increase electric and gas base rates effective 01/01/22. Per the agreement filed, WEC Utilities expect to file full test year 2023-2024 base rate cases by no later than May 1, 2022. The commission is expected to rule over the petition by June 2021.
- **MISO transmission capex opportunity:** more clarity on MISO opportunities will come in December 2021 when they put forth their first portfolio. WEC through their 60% ownership in American Transmission Company (ATC) could pursue opportunities in the Wisconsin and Michigan likely in the back half of the decade
- **FERC incentive adder**: comments and reply comment due dates were extended. Comments are now due by June 25, 2021 versus May 26, 2021 previously. Reply comments are now due by July 26, 2021 versus June 10, 2021 previously. If the 50bp incentive adder were removed, it would have a $0.02 (0.5%) annual impact on EPS.

Xcel Energy (XEL), In Line rating, $70 price target

- **MISO transmission capex opportunity:** more clarity on MISO opportunities will come in December 2021 when they put forth their first portfolio. Xcel has ROFR in Minnesota and the Dakotas. The MISO capex opportunities are likely for the back half of the decade and a 50/50% equity / debt financing is expected.
- **Management thoughts on Elliott proposal for DUK**: Xcel management said there are significant benefits to having multiple diverse operating companies through economies of scale.
- **Management thoughts on CenterPoint gas LDC announced sale:** Xcel says the transaction demonstrates that there is significant terminal value to LDC businesses.
- **Equity needs**: Xcel has previously guided to $600mm of equity needs in addition to $410mm of DRIP over the next five years. The company said tax reform could potentially reduce or eliminate equity needs.
- **Minnesota resource plan**: Intervenor testimony in early February was supportive of both renewables additions and coal plant retirements. There were some comments about retiring the plants earlier, and some support for

nuclear and some opposition. Reply comments are due at the end of June and the commission should decide in 2H21.

- **Colorado resource plan**: Xcel believes parties are likely to be supportive of renewable additions. One item that is expected to be controversial is the timing of Comanche 3 retirement; Xcel has proposed a 2040 date. The anticipated decision is in Q4 2021.
- **Upcoming rate case filings**: Xcel plans to file an electric rate case in Colorado in late June or early July; it will include advanced grid, wildfire mitigation program. The company also plans to file a rate case in Minnesota in December 2021, likely for a multi-year plan with interim rates in January.

Utilities Look Modestly Cheap on '22 Yields Assuming Yields Remain Unchanged

Utility Valuation			10 YR	1.66%
5/18/21			Baa	3.66%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2021 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.80%	1.19%	51.4x	159.7%
	1.02%	1.35%	45.5x	130.2%
	1.24%	1.50%	40.9x	106.7%
	1.46%	1.65%	37.1x	87.6%
	1.68%	1.81%	34.0x	71.7%
	1.90%	1.96%	31.3x	58.3%
- 68% Confidence Interval	2.12%	2.11%	29.0x	46.8%
	2.34%	2.27%	27.1x	36.9%
	2.56%	2.42%	25.4x	28.2%
	2.78%	2.57%	23.9x	20.6%
	3.00%	2.73%	22.5x	13.8%
	3.22%	2.88%	21.3x	7.8%
Current Valuation	3.44%	3.03%	20.2x	2.3%
Predicted Valuation	3.66%	3.18%	19.3x	-2.6%
	3.88%	3.34%	18.4x	-7.0%
	4.10%	3.49%	17.6x	-11.1%
	4.32%	3.64%	16.8x	-14.9%
	4.54%	3.80%	16.2x	-18.3%
	4.76%	3.95%	15.5x	-21.5%
+ 68% Confidence Interval	4.98%	4.10%	15.0x	-24.4%
	5.20%	4.26%	14.4x	-27.1%
	5.42%	4.41%	13.9x	-29.6%
	5.64%	4.56%	13.5x	-32.0%
	5.86%	4.72%	13.0x	-34.2%
	6.08%	4.87%	12.6x	-36.3%
+ 95% Confidence Interval	6.30%	5.02%	12.2x	-38.2%

Regulated utilities now look modestly expensive on current yields

Utility Valuation			10 YR	1.66%
5/18/21			Baa	3.66%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2022 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.80%	1.19%	51.4x	174.5%
	1.02%	1.35%	45.6x	143.3%
	1.24%	1.50%	40.9x	118.5%
	1.46%	1.65%	37.1x	98.3%
	1.68%	1.81%	34.0x	81.5%
	1.90%	1.96%	31.3x	67.3%
- 68% Confidence Interval	2.12%	2.11%	29.1x	55.2%
	2.34%	2.27%	27.1x	44.7%
	2.56%	2.42%	25.4x	35.6%
	2.78%	2.57%	23.9x	27.5%
	3.00%	2.73%	22.5x	20.3%
	3.22%	2.88%	21.3x	13.9%
	3.44%	3.03%	20.3x	8.2%
Predicted AND Current Valuation	3.66%	3.18%	19.3x	3.0%
	3.88%	3.34%	18.4x	-1.7%
	4.10%	3.49%	17.6x	-6.0%
	4.32%	3.64%	16.9x	-10.0%
	4.54%	3.80%	16.2x	-13.6%
	4.76%	3.95%	15.5x	-17.0%
+ 68% Confidence Interval	4.98%	4.10%	15.0x	-20.1%
	5.20%	4.26%	14.4x	-22.9%
	5.42%	4.41%	13.9x	-25.6%
	5.64%	4.56%	13.5x	-28.1%
	5.86%	4.72%	13.0x	-30.4%
	6.08%	4.87%	12.6x	-32.6%
+ 95% Confidence Interval	6.30%	5.02%	12.2x	-34.7%

If rates stay unchanged for the next 12 months, regulated utilities now ~3% cheap

Updated as of 5/18/21

Source: FactSet, Evercore ISI Research

NTM Relative P/E Below Historical Average

- The average relative P/E since 2006 is 1.09x. Since '95 it is 0.93x.
- On 5/18/21, the relative P/E was **0.94x** and 1.17x level at YE '19.
- The relative P/E post Brexit vote was 1.17x, which we hit again in mid November '18.
- It was 1.36x on 12/23/18 when we were pricing in recession risk at a high probability.

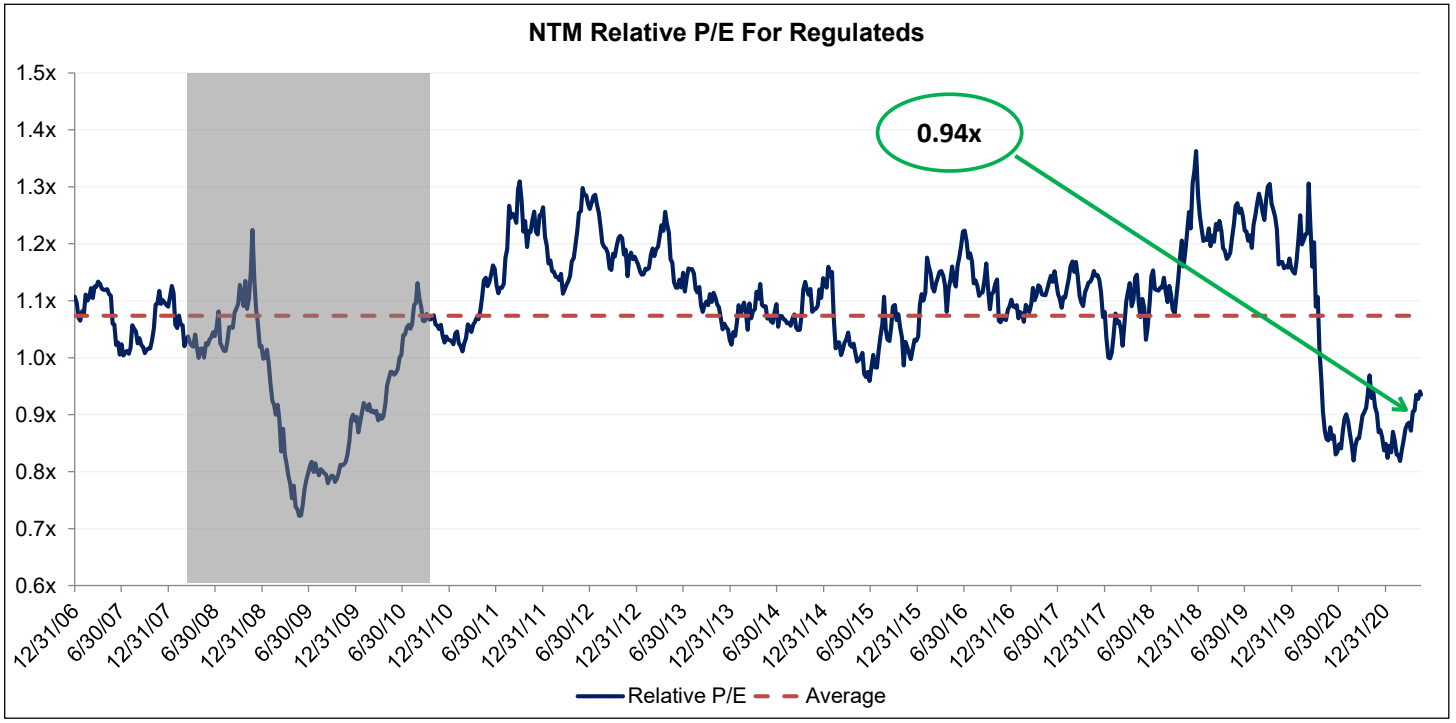

Updated as of 5/18/21

Source: FactSet, Evercore ISI Research

Regulated Utility Valuation Goes To ~17.8x '23 EPS

Regulated Utilities

Ticker	Company Name	5/18/21 Price	ISI Rating	Shares Out	Market Cap	2021 Div Yld	2021 Payout	ISI EPS Estimate 2021	2022	2023	P/E Multiple 2021	2022	2023	'19-'23 EPS Growth	Price to Book	Prem. to Group
NEE	NextEra Energy, Inc.	$72.29	In Line	1,984	143,416	2.1%	62%	2.50	2.70	2.95	28.9x	26.8x	**24.5x**	8.9%	3.6x	39%
XEL	Xcel Energy Inc	$70.81	In Line	535	37,898	2.5%	60%	3.00	3.15	3.35	23.6x	22.5x	**21.1x**	6.1%	2.3x	20%
WEC	WEC Energy Group	$95.40	In Line	317	30,213	2.7%	64%	4.01	4.27	4.57	23.8x	22.3x	**20.9x**	6.3%	2.6x	19%
HE	Hawaiian Electric Industries, Inc.	$44.31	In Line	111	4,899	3.1%	69%	1.98	2.06	2.20	22.4x	21.5x	**20.1x**	3.2%	1.9x	14%
AEE	Ameren Corp	$83.93	Outperform	252	21,117	2.6%	58%	3.75	4.00	4.30	22.4x	21.0x	**19.5x**	6.4%	2.1x	11%
CMS	CMS Energy Corp	$63.30	In Line	290	18,386	2.7%	61%	2.85	3.06	3.27	22.2x	20.7x	**19.4x**	7.1%	2.8x	10%
ES	Eversource Energy	$84.27	In Line	347	29,244	2.9%	62%	3.90	4.15	4.44	21.6x	20.3x	**19.0x**	6.5%	1.9x	8%
DUK	Duke Energy Corp	$102.49	In Line	750	76,900	3.8%	75%	5.20	5.45	5.80	19.7x	18.8x	**17.7x**	3.4%	1.6x	0%
D	Dominion Resources Inc	$77.16	Outperform	828	63,918	3.2%	65%	3.85	4.12	4.40	20.0x	18.7x	**17.5x**	0.9%	2.3x	0%
DTE	DTE Energy Co	$137.84	In Line	201	27,666	3.0%	57%	7.15	7.50	7.95	19.3x	18.4x	**17.3x**	5.9%	1.7x	-1%
NI	NiSource Inc	$25.25	In Line	449	11,345	3.5%	67%	1.32	1.40	1.48	19.1x	18.0x	**17.1x**	2.9%	2.2x	-3%
SO	Southern Company Inc	$64.16	Underperform	1,078	69,167	4.1%	79%	3.30	3.55	3.85	19.4x	18.1x	**16.7x**	5.6%	2.2x	-5%
EVRG	Evergy	$62.29	Outperform	228	14,171	3.5%	63%	3.45	3.50	3.75	18.1x	17.8x	**16.6x**	6.9%	1.9x	-6%
AEP	American Electric Power Co Inc	$85.75	Outperform	507	43,504	3.4%	62%	4.70	5.00	5.35	18.2x	17.1x	**16.0x**	6.0%	1.8x	-9%
SRE	Sempra Energy	$137.35	Outperform	313	42,963	3.2%	56%	8.00	8.25	8.60	17.2x	16.7x	**16.0x**	3.3%	1.7x	-9%
ETR	Entergy Corp	$105.53	Outperform	201	21,258	3.7%	64%	6.00	6.35	6.70	17.6x	16.6x	**15.7x**	5.6%	1.8x	-11%
PNW	Pinnacle West Capital Corp	$85.54	In Line	117	9,969	3.9%	66%	5.00	5.20	5.45	17.1x	16.4x	**15.7x**	3.3%	1.6x	-11%
CNP	CenterPoint Energy Inc	$24.70	Outperform	589	14,537	2.5%	45%	1.35	1.50	1.60	18.3x	16.4x	**15.5x**	-2.6%	2.4x	-12%
ED	Consolidated Edison Inc	$77.74	Underperform	353	27,406	4.1%	74%	4.25	4.93	5.09	18.3x	15.8x	**15.3x**	3.8%	1.3x	-13%
OGE	OGE Energy Corp	$33.53	Outperform	200	6,716	4.9%	78%	2.12	2.26	2.38	15.8x	14.9x	**14.1x**	2.4%	1.8x	-20%
FE	FirstEnergy Corp	$37.67	In Line	552	20,797	4.3%	65%	2.50	2.60	2.70	15.1x	14.5x	**13.9x**	1.2%	2.3x	-21%
EIX	Edison International	$57.56	In Line	404	23,274	4.5%	57%	4.50	4.65	4.90	12.8x	12.4x	**11.7x**	1.0%	1.0x	-33%
PPL	PPL Corp	$29.33	In Line	775	22,722	5.7%	67%	2.50	2.60	2.70	11.7x	11.3x	**10.9x**	2.5%	1.5x	-38%
PCG	PG&E Corp	$10.77	Rating Suspended	529	5,697	0.0%	0%	4.30	4.65	4.95	2.5x	2.3x	**2.2x**	5.4%	0.4x	-88%
Regulated Group Average (Excludes PCG for Div Values)						**3.5%**	**64.2%**				**18.5x**	**17.5x**	**16.4x**	**4.3%**	**1.94x**	
Regulated Group Average (Excluding Stocks: PPL, EIX, and PCG)						3.3%	64.4%				19.9x	18.7x	17.6x	4.5%	2.08x	
Regulated Group Max (Excludes PCG for Div Values)						5.7%	79.3%				28.9x	26.8x	24.5x	8.9%	3.6x	
Regulated Group Min (Excludes PCG for Div Values)						2.1%	45.3%				2.5x	2.3x	2.2x	-2.6%	0.4x	

Diversified Utilities

Ticker	Company Name	5/18/21 Price	ISI Rating	Shares Out	Market Cap	2021 Div Yld	2021 Payout	ISI EPS Estimate 2021	2022	2023	P/E Multiple 2021	2022	2023	'19-'23 EPS Growth	Price to Book	Prem. to Group
PEG	Public Service Enterprise Group	$62.11	In Line	508	31,552	3.3%	60%	3.40	3.55	3.70	18.3x	17.5x	**16.8x**	3.0%	1.8x	3%
EXC	Exelon Corp	$45.65	Outperform	984	44,928	3.5%	57%	2.80	3.00	3.10	16.3x	15.2x	**14.7x**	-1.0%	1.3x	-10%
AES	AES Corp	$24.89	Outperform	665	16,561	2.4%	39%	1.55	1.70	1.80	16.0x	14.7x	**13.8x**	6.8%	3.4x	-15%
Diversified Group Average						**3.1%**	**52%**				**16.9x**	**15.8x**	**15.1x**	**3.0%**	**2.2x**	
Diversified Group Max						3.5%	60%				18.3x	17.5x	16.8x	6.8%	3.4x	
Diversified Group Min						2.4%	39%				16.0x	14.7x	13.8x	-1.0%	1.3x	

Updated as of 5/18/21

Source: FactSet, Evercore ISI Research

TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

Time of dissemination: May 20 2021 06:45 PM ET

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Cautious- Return -10% to 0%
Sell- Return< -10%

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Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	476	57	Buy	116	24
Hold	293	35	Hold	35	12
Sell	26	3	Sell	2	8
Coverage Suspended	21	3	Coverage Suspended	7	33
Rating Suspended	12	1	Rating Suspended	5	42

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Price Charts

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21 May 2021 | 11:19AM EDT

Americas Utilities

AGA virtual conference takeaways - improving gas utility valuations, potential for accelerated fleet transformation

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We highlight key takeaways from our virtual meetings at the annual American Gas Association (AGA) conference. Key themes included renewed gas utility assets, more muted raw material inflation impact near-term, favorable YoY demand trends, and fleet transformation acceleration. Among those that we met with, we remain positive on Buy-rated WTRG (on CL) for clean energy exposure, CMS for quality at a reasonable price, and CNP for value with multiple expansion potential.

Our key thematic takeaways include:

1. **Strength of gas utility valuations.** Most companies see recently announced robust gas utility transaction values not as an opportunity to unload assets, but rather proof to support the value of natural gas assets as a key long-term component of the future energy mix.
2. **Raw material inflation less impactful...for now.** From wires to renewables, pressure from higher costs remain more muted for current projects, although a potential risk longer-term.
3. **Demand trends are favorable.** Companies are seeing favorable residential demand persist along with rebounding C&I load.
4. **Potential for fleet transformation acceleration.** Most vertically integrated utilities pointed to potential for accelerating remaining coal plant retirement, incremental renewable development.

Takeaways at the company level include:

Ameren (AEE, Buy)

- **Robust transmission investment potential remains longer-term,** with the recent outlook by the Midwest Independent Systems Operator (MISO) confirming the company's views. While AEE does sees the bulk of the opportunity beyond the 2025 time frame, these investments - along with continued fleet transformation spend and renewable build-out - would help support continued robust rate base growth (8% currently).
- **Passage of securitization legislation in MO offers another option to help**

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accelerate coal plant retirements, which would allow for recovery of undepreciated costs while pulling forward new renewable power. This could potentially serve as a tool for a couple of its plants - Rush Island and Labadie - currently in the appeals process regarding the district court's ruling and order to install environmental retrofits to continue running the units. With a ruling by the court of appeals expected this year per the company, we note the company has the opportunity to make further appeals to the broader panel at the appeals court, as well as to the US Supreme Court.

- **AEE sees its gas utilities in IL/MO as a core part of its portfolio,** continuing to emphasize the reliability, economic, and environmental benefits of gas distribution asset investments. In addition, management pointed to significant dis-synergies - including common billings, inventory, employees - that would exist in a potential divestiture, even though recently announced gas utility peer sale valuations may screen attractive.

Atmos Energy (ATO, Buy)

- **ATO looks for constructive outcome in the Texas gas cost securitization bill.** A bill to securitize elevated gas costs related to Winter Storm Uri has passed the Texas House but remains in committee within the Senate. The current legislative session ends May 31, but the company remains positive on the bill's successful passage given seemingly bipartisan support - per company comments - for a measure that could benefit both the customers and the state's gas utilities.
- **ATO continues to view current profile of assets as favorable.** Management noted that favorable valuations - and robust interest - garnered in the recently announced CNP gas utilities sale highlights the value of gas assets and its longevity in the country's energy mix longer-term. However, ATO is not looking to divest assets given 1) its presence in multiple state jurisdictions provides geographic and load profile diversification, and 2) all of its jurisdictions offer constructive regulation that allow for timely recovery of investments with minimal regulatory lag.
- **ATO continues to make the case for the longevity of natural gas systems and their role within the fuel environment.** ATO continues to believe that their natural gas assets serve a purpose within the energy ecosystem, given electrification will place high demands on many rare minerals that are in short supply in the US, which could add to the relative cost pressures versus gas. Additionally, the Texas governor recently signed a bill to preserve customer choice which recognizes the need for all types of fuel within the state, which they see as further support for gas in the long-term energy mix.

Avangrid (AGR, Sell)

- **Offshore wind remains on track with little impact from raw material inflation.** Vineyard Wind construction is set to begin later this year after receiving a key federal approval. Offshore wind contracts do have some level of variability in terms of costs; however, AGR expects the recent increase in steel cost to be within their contingencies and represents less than 10% of the overall project cost.

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- **Full construction commencing on the clean energy transmission line.** With the recent lifting of the court injunction on a portion of the line for the $1bn New England Clean Energy Connect (NECEC) project, AGR continues to expect a 2023 completion. They acknowledge that the November referendum remains outstanding in Maine, while noting public support for the project has increased since commencing construction earlier this year.
- **Recent private placement offering highlights strength of investor interest.** AGR's recent $4bn equity offering - including $740mn to a subsidiary of Qatar Investment Authority, secures financing required for the proposed PNM Resources acquisition and other investments. Management recognizes the desire to increase the public float of their shares and continues to assess the opportunity going forward; however, they viewed this specific opportunity as too attractive to pass up.

Centerpoint Energy (CNP, Buy)

- **A number of potential incremental capex opportunities exist on the electric side.** Management views coal-to-renewable transition as a longer term opportunity in Indiana, with potential to pull forward remaining retirements earlier. In Texas, several bills in progress offer potential for further upside, including (1) SB 1281 would make a case to introduce more transmission to reduce congestion, also given ERCOT's report highlighting three transmission projects needed in CNP's service territory over the next decade; this attempt to mitigate congestion could pull forward 2028-30 capital spend into the mid-2020s; (2) SB 415 would allow for TDUs to own battery storage and put into rate base — potentially CNP's share (~25MW) of owned storage, (3) HB 2483 would allow T&D companies to own small scale generation (battery storage, fuel cells) to help in case of outages and also can be added to rate base.
- **...as well as at the gas utilities.** Beyond the ongoing infrastructure replacement/modernization investments, CNP sees opportunities to develop a favorable construct for the future of clean gas, including renewable natural gas (RNG) and hydrogen, along with potential to invest in gas storage.
- **Potential use of tax repair deduction on regulated operations could offset tax implications of the proposed midstream transaction.** With CNP's plans to aggressively eliminate its midstream exposure and become a fully regulated entity, we note the company would need to account for its meaningful negative tax basis at its owned midstream units. However, management believes the use of tax repairs deduction, specifically a catch-up deduction, could offer a meaningful offset and a reduction to the potentially dilutive impact. CNP noted that its 6-8% annual EPS growth forecast already embeds the various options in its midstream exposure elimination strategy.

CMS Energy (CMS, Buy)

- **COVID reopening in Michigan looks on track.** The state is seeing improving vaccination rates while CMS has seen a meaningful pickup in interconnection activity amongst businesses and residential customers, typically a leading indicator for increased demand usage.

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- **Ample headroom remains for O&M cost cutting over the next decade.** Aside from PPA contract roll offs and savings from coal retirements, CMS still sees plenty of opportunities to further reduce O&M spend. The company continues to employ its LEAN operating system and has identified opportunities to reduce inventory days, streamline processes, reduce pension contributions as its workforce retires and seek opportunities to refinance debt.
- **CMS is accessing renewables both via direct ownership and through contracting.** The Michigan Commission is open to both renewables through direct ownership and through PPA contracts. CMS recently received approval of the first 300MW of its IRP which is split 50%/50% between direct ownership and contracting. While there is a price gap between the two, federal level proposals such as tax credit refundability and PTCs for solar could help reduce that gap in the future, if passed.

Consolidated Edison (ED, Sell)

- **Aged receivables and bad debt continue to climb in NY/NJ, but show signs of moderating.** Aged receivables stand at $600m higher versus the pre-COVID run rate of $400m. The company funds aged accounts receivables through LT debt and expects no change to equity at this time.
- **Opportunities exist for potential upside to capital plan at the electric side in the mid-2020s but gas investments remain key as well.** ED expects investments in distribution infrastructure for undergrounding, automation and smart grid for storm resiliency, but also views gas pipeline investments for identifying leaks through the use of technology as necessary. Management notes that a switch from gas to electric would likely need a regulatory mandate as customers wouldn't make the choice willingly, given economics. In terms of RNG, hydrogen and EV charging infrastructure, the company remains committed and open to increase investment, while looking to work with stakeholders on a constructive long-term plan.
- **Thoughts on under-appreciated renewables business, opportunity for regulated expansion, transmission.** Management recognizes its renewables business seems undervalued despite high quality off-takers and remains invested with plans for growth, but noted they could evaluate other alternatives if this becomes a permanent structural issue. On the regulated side, the company expressed openness to consider diversifying its regulated footprint, although currency and strategic fit are key considerations. Finally, ED remains selective in its transmission investment opportunities, recently deciding not to participate in NY's proposal for a clean energy transmission highway; they do remain active in considering NY's proposal to connect offshore wind.

DTE Energy (DTE, Buy)

- **Voluntary Renewables Program continues to see strong interest.** DTE's current forecast is $2bn of investment for the voluntary renewables portfolio through 2025, but subscriptions have been accelerating and the company is looking at potential opportunities to retire coal plants sooner than currently scheduled in the IRP. Large automakers have signed up for the voluntary renewables program which flows down

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to their supply chain as they look to green their overall production operations.

- **Midstream Spinoff progressing as planned.** The spinoff of DT Midstream remains on track for a July 1st close. DT Midstream is currently in the middle of a debt raise and plans to spin at roughly 4x leverage.
- **EV charging investment opportunity flows through rate base.** DTE received approval for EV charging investment which receives traditional rate base treatment. In the near term, investment will likely continue in small chunks; however there is room for significant demand and investment ramp up in out years, per management.

Essential Utilities (WTRG, Buy-CL)

- **Remain confident in 5-7% EPS CAGR despite DELCORA approval delay.** While management does not expect the proposed municipal wastewater system acquisition to close until early next year given the ongoing legal process with the Delaware County Council, they noted the delay would not meaningfully impact planned capex through 2023, as the bulk of the planned investments for DELCORA do not ramp up until the mid-2020's. Combined with the collection of other municipal deals in process and cost management, WTRG does not see any change in the 3-year growth plan.
- **Continued focus on pursuing larger muni acquisitions while shortening timeline of deal completion.** Despite the DELCORA delay, WTRG's acquisition strategy remains unchanged and sees growing opportunities for further expansion. Staffing remains a primary limiting factor from accelerating the pace of deals, but something that could be resolved. Given all of their operational states have Fair Market Value (FMV) legislation - allowing WTRG to rate base the acquired system at the purchase price - management continues to see the M&A strategy as accretive for the company's long-term growth.
- **No plans to expand gas footprint inorganically.** WTRG continues to see its Peoples Gas utilities - especially in PA - offering robust growth in a constructive regulatory environment, but management reiterated their strategy to only grow the water segment via acquisitions. In Kentucky, where FMV legislation recently passed, the company will look to expand the water footprint there while utilizing synergies from its gas utility operations.

Eversource Energy (ES, Neutral)

- **Connecticut regulation uncertainty remains.** While the CT PURA has broad legal authority, the company believes a rate decrease is best addressed in a rate case filing process. There is some uncertainty on the timing of the 90bps ROE penalty associated with Tropical Storm Isaias; however, ES reiterated its confidence in hitting the upper half of the 5%-7% EPS CAGR range, with contributions from offshore wind, further transmission investments, potential grid modification dockets and O&M cost management as potential levers to offset ROE headwinds.
- **Expect little to no impact from rising steel costs on current offshore wind project returns.** Although steel prices have increased meaningfully in the past year, ES's offshore wind contracts generally ask equipment manufacturers to procure

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materials when the contract is signed. For near-term offshore wind projects, materials are already procured with price locked in.

NiSource Inc (NI, Neutral)

- **Gas utility portfolio remains attractive given robust rate base growth, regulatory construct.** The company noted that it always looks at monetization to maximize shareholder value, but views opportunities on a more strategic basis versus as a financial need, especially following the recent equity units offering that eliminated bulk equity needs through 2024. Management acknowledged recently announced peer sale valuations screen attractive, but again pointed to their strong rate base growth and return profile, driven by constructive regulatory mechanisms.
- **NI expressed confidence in its 5-7% EPS CAGR through 2023, with potential to achieve the upper half** with strong execution, O&M discipline.
- **RNG opportunity remains compelling but still early innings.** NI sees upside with RNG as part of its longer term energy transition, given RNG requires less change on customers' end (i.e., appliances) and could be more cost-efficient versus cost of full electrification longer-term.

WEC Energy (WEC, Sell)

- **The company anticipates retiring almost 2 GW of coal units in the coming years – likely relying on just the Elm Road/Oak Creek plants and 1 unit at Weston – significantly helping the company meet its goal of reducing emissions, from 2005 levels, by 80% or so.** Coal retirements will not only lower emissions levels, but also reduce operating costs given (1) fuel expenses for coal and (2) labor and other O&M costs for coal plants.
- **...and WEC remains ahead of target in meeting its clean energy deployment at its non-regulated infrastructure business.** In the company's capital plan, which will get revised and updated in late 2021, WEC likely could boost its targets for wind/solar capacity at its non-regulated segment, given project announcements made to date already imply being ahead of plan. The regulated investment profile could see upside related to renewables as well – while distribution spend levels will grow at a steady pace.
- **Transmission could emerge as another growth engine, although not likely till after 2025+.** The company remains optimistic that new federal policies in the American Jobs Plan could stimulate incremental transmission investment – especially in rural areas of its service territory – but siting and permitting challenges will likely remain and material increases in capital spend on transmission may remain multiple years down the road.

Xcel Energy (XEL, Neutral)

- **XEL continues its leadership in regulated clean energy investments,** utilizing a combination of coal-to-renewables strategy – with coal in rate base to decline from 8% currently to 4% by 2025 and with only two plants remaining by 2030 – as well as opportunities for repowering and/or PPA buyouts. While XEL continues to monitor

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the recent increase in raw materials costs like steel, management sees minimal impact to the projects currently in the works, while longer-term if these levels persist, certain mitigating items could exist including increased performance and potential for extended tax credits.

- **Transmission could comprise a bigger portion of future regulated growth,** with XEL's internal analysis largely aligned with the outlook recently published by the Midwest Independent Systems Operator (MISO) on the need to connect the growing renewable development in the region. That said, while some project opportunities could exist by the mid-2020's in XEL's operating territories, management views the investments comprising a larger portion of the overall mix to be in the late 2020's and early 2030's.
- **Gas utilities remain core to XEL's overall portfolio mix,** with rate base growth for this segment higher than the consolidated 6.5-7.0% CAGR. The company sees stakeholders in its operational states recognizing the long-term need for gas in the overall energy mix, with attractive methane reduction strategies including infrastructure replacement, renewable natural gas (RNG), and hydrogen as longer-term growth opportunities. The utilities continue to look to engage in dialogue regarding balancing the utilities' role in investing in clean gas while structuring the right financial incentives that could further expand investments.

Price target methodologies and key risks

Exhibit 1: Price Target Methodologies and Key Risks
12-month price targets

Price Target Methodologies and Key Risks

Ticker	Price Target Methodology	Rating	Price Target	5/20/2021	Dividend Yield	Total Return (%)	Key Risks Relate To
AEE	22x P/E multiple on 2022E EPS	Buy	$90	$85	2.6%	9%	regulation, project awards, and financing.
ATO	20x P/E multiple on 2022E EPS	Buy	$110	$98	2.5%	14%	Texas customer/demand growth, higher gas fuel costs, unfavorable regulation, and continued negative market sentiment on gas utility businesses.
AGR	SOTP: 18x P/E on Regulated Utilities & Corporate & Other on 2022E EPS and 9.0x EV/EBITDA for the Renewables segment.	Sell	$45	$52	3.4%	-11%	1) approvals to defer all COVID-19 related costs 2) incremental O&M savings, and 3) NECEC and offshore wind projects proceed according to schedule and budget.
CNP	SOTP 19x P/E on Regulated Utilities & Parent 2022E EPS, 20% tax/liquidity discount on CNP's stake of ENBL market value	Buy	$28	$25	2.6%	16%	1) gas utilities do not receive deferral treatment for Uri financing costs, 2) customer/demand growth slows in regulated jurisdictions, & 3) Vectren's Indiana electric utility fails to secure utility-owned generation opportunities.
CMS	23x P/E mulitiple on 2022E EPS	Buy	$71	$64	2.7%	14%	1) Michigan's regulatory environment turns negative, & 2) CMS's ability to achieve consistent cost savings slows, reducing bill headroom for future investments.
ED	15x P/E multiple on 2022E EPS estimate.	Sell	$67	$78	4.0%	-11%	1) NY utility commission authorizes recovery of bulk of COVID-19 related costs & increased bad debt expense, 2) economic conditions in NYC improve, & 3) ED's contracted renewable segment sees more robust growth.
DTE	SOTP 23x P/E on 2022 Utility EPS; 9x EV/EBITDA on GSP Adjusted 2022 EBITDA; 12x EV/EBITDA on Energy Trading/Corporate; DCF of P&I	Buy	$150	$140	3.1%	10%	transaction execution, regulatory changes, unfavorable legislation, demand imbalances, and cost management.
WTRG	SOTP: 35x P/E multiple on 2022E regulated water EPS, 21x P/E multiple on 2022E regulated gas EPS, 29.93x blended P/E on Other segment 2022E EPS	CL Buy	$54	$47	2.2%	17%	1) PA regulation turns less constructive, 2) water system acquisitions do not receive necessary approvals for completion, & 3) longer-term growth concerns about the gas utility segment compresses WTRG's valuation.
ES	23x P/E multiple on 2022E EPS	Neutral	$96	$84	2.9%	17%	Upside risks: improved offshore wind return forecasts, reduced permitting/construction hurdles, additional rate base investments. Downside risks: ineffective cost management, slowing rate base growth, & delays/cost overruns in offshore wind.
NI	19x P/E multiple on 2022E EPS	Neutral	$27	$25	3.5%	10%	Upside risks: 1) increased ability to lower O&M expenses, 2) plans to further accelerate retirement of its remaining coal fleet. Downside risks: 1) regulatory approval process for the planned renewable investments in Indiana, 2) cash impact due to COVID-19.
WEC	21x PE multiple on 2022E EPS	Sell	$90	$96	2.8%	-3%	higher than expected capital spend and rate base growth for 2021+, lower than expected operating costs, and better than expected power/gas demand.
XEL	23x P/E multiple on 2022E EPS	Neutral	$74	$72	2.6%	6%	Upside risks: 1) upward revisions to rate base/EPS growth, 2) sustained O&M savings, 3) extension of federal renewable tax credits. Downside risks: 1) negative rate case outcomes, 2) less generation into rate base vs. PPA, 3) PPA buyouts do not materialize, & 4) COVID-19 meaningfully impacts non-decoupled demand in addition to increased cash drag from customer bill non-payment.

Source: FactSet, Goldman Sachs Global Investment Research

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We, Insoo Kim, CFA and Michael Lapides, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Power, Utilities & Alternative Energy May 20, 2021

AGA: Day 1 Flash Recap…

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Ticker	Price	Rating
CNP	24.48	Buy
D	76.98	Buy
DUK	101.16	Buy
ES	83.25	Neutral
LNT	57.70	Buy
NI	25.18	Buy
NWN	53.77	Sell
SJI	25.74	Buy
SO	63.98	Neutral
WEC	94.87	Neutral

Key Message: Enclosed please find our brief AGA Day 1 recap, featuring updates from 9 utilities – DUK, ES, WEC, NI, D, SJI, NWN, SO, and CNP. Conversations have generally focused on iterative items from the 1Q21 calls, with several names focused on legislation legislative efforts (IL, NC, NJ) as summer quickly approaches. While some names were more focused on straightforward capex and regulatory execution (D, SO, WEC), others remain activist topics (DUK, NI). See below for our full schedule of Day 2 meetings.

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SAVE THE DATE

2021 AGA Virtual Financial Forum

The Guggenheim Utilities Research Team will be hosting virtual meetings with company management

Dates

May 19 – 20, 2021

Company Meetings

More companies to be added and meeting schedule to follow

Ameren Corp. (AEE)
Avista Corp. (AVA)
CMS Energy Corp. (CMS)
CenterPoint Energy, Inc. (CNP)
Chesapeake Utilities Corp. (CPK)
Dominion Energy, Inc. (D)
DTE Energy Co. (DTE)
Duke Energy Corp. (DUK)
Eversource Energy (ES)
NiSource, Inc. (NI)
New Jersey Resources Corp. (NJR)
NorthWestern Corp. (NWE)
Northwest Natural Gas Company (NWN)
ONE Gas, Inc. (OGS)
Southern Company (SO)
Spire Inc. (SR)
WEC Energy Group, Inc. (WEC)

Wednesday, May 19th		Thursday, May 20th	
Time	*Co.*	*Time*	*Co.*
8:00AM	DUK	8:00AM	AEE
9:30AM	ES	9:30AM	OGS
10:15AM	WEC	10:15AM	DTE
11:00AM	NI	11:00AM	SR
11:45AM	D	11:45AM	CPK
3:00PM	NWN	12:45PM	CMS
3:45PM	SO	3:00PM	NWE
4:30PM	CNP	3:45PM	NJR
		4:30PM	AVA

Participating Guggenheim Analyst

Shar Pourreza, *Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

Continued on the next page…

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DUKE: ACTIVIST AND LEGISLATION

Our conversations with DUK senior management (CFO, etc.) focused heavily on the recent activist headlines, with management again laying out in great detail its rationale for why a fracturing of the conglomerate is in their view, illogical. Chief among the reasons is the credit impact, with management highlighting its current ~12% FFO/Debt as in danger under a breakup scenario as smaller utilities demand better profiles. The holdco debt issue is intertwined with this in their view, with the combination of the credit issues requiring billions of equity to repair the balance sheets – before dissynergies. Management indicated, as it did previously, that it took ~$600mm out of Progress and $300mm from Piedmont, indicative of the kinds of costs that could flow back to each company in a split scenario. **The company also indicated to us that it had previously looked at the potential sale of Florida internally,** however there are several issues, including: 1) substantial tax leakage ($5bn+), 2) the need for a substantial (30x+) premium/multiple to keep the remainco whole under the ensuing credit metric impacts, and 3) Florida is the fastest growing and best credit of the utility groups. While management indicated that the Board is aware of the proposals and has been involved, our overall impression of the situation remains consistent – there are large gaps between the parties here, to say nothing of the regulatory challenges. The next proxy season is in the January/February time frame.

See our prior note on this HERE.

Turning to the utilities, our conversations generally focused on the legislative process in NC and the potential outcomes therein. **Management cautioned that legislators are generally in the sausage-making phase right now with limited external visibility for stakeholders (next data point likely draft legislation), but they remain optimistic on the prospects for the overall process.** The company continues to look for directional alignment between the parties on a coal exit pathway, renewables, and regulatory reform, with management speaking highly of both decoupling (the LDCs already do it) and MYPs (already used at DEF). With regards to timing of some of these initiatives and interaction with the current growth guide, management generally deferred on details, given where the process is, although they did note that coal retirement accelerations could begin to show towards the end of the current plan in the '24-25 timeframe. Legislation that could yield renewable rate base growth opportunities, multiyear rate plan yielding regulatory lag and acceleration of renewable spend etc. could be accretive to Mgmt's 5-7% growth guide. Finally, current customer/load growth trends are slightly outpacing internal planning assumptions.

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EVERSOURCE: FENCE MENDING AND OSW

Our conversations with ES senior management (full C-Suite) generally focused on the fallout from the recent decisions by PURA in CT, with management laying out its ongoing and planned efforts to improve dialogue in the state. The company secured the AG's first in-person meeting in over a year to discuss its work to improve, supported by frequent lawmaker meetings and outreach. The company is looking forward to the impending start of the PBR discussions at PURA, with a docket expected by ~June. The company already operates under PBRs in other states, so the concepts are familiar – management expects the process to be collaborative and constructive. In line with the 1Q call, the company expects the 90bps ROE reduction to potentially come in 4Q21 with a low income/economic development docket already open. **While the reduction appears to be indefinite, management noted that it has not changed its growth outlook as a result.** Some investors also probed the team on their FERC ROE policy thoughts; however, the conversation was generally in line with prior/recent dialogues we have had with them. The balance of our meeting was focused on offshore wind updates, with status checks on South Fork, Revolution, and Sunrise largely unchanged from the 1Q21 call. **The company reiterated its intentions to remain a disciplined bidder in the numerous ongoing RFPs underway,** with a particular focus on the non-MA processes that have some additional weighting towards non-cost metrics (e.g., local dev). Finally, while the next capex roll remains very far off, we got the impression that the current plan retains ample opportunities for traditional utility spend, in addition to things like: 1) grid mod (AMI is a big thread in CT and MA, potentially $400mm in each), 2) ratebased solar in MA (current approval for 280MW), and 3) OSW interconnections among other drivers.

WEC: EXECUTION AS IL VIEWS SOFTEN

Our conversations with WEC senior management (Chair, COO, CFO, etc.) generally focused on economic development, regulatory activity, and Illinois policy perspectives, in addition to more straightforward execution updates. Management echoed its 1Q21 sentiment that the year is off to a good start, with robust economic activity and growth across the footprint, including a new relocation by Milwaukee Tools [SEHK: 669] and potential EV manufacturing opportunities. On the regulatory front, management highlighted its recent stay out agreement in WI. **We also asked for their views on LNT's recent settlement, including readthrough from the coal recovery plan to WEC's own units like Weston.** Management had two key takes on this: 1) the settlement is a testament to the quality of the regulatory and stakeholder environment as it was incredibly quick (as was WEC's), and 2) the recovery on coal is a very interesting approach that they are looking into further – a good marker for how intervenors feel about coal and recovery in their view, and slightly different than the small securitization tested in the Pleasant Prairie process. **On Illinois policy**

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prospects, management sounded marginally more optimistic, with the process coming down the wire in their view. The chances for a broad package remain challenged in their view given all of the moving pieces, **but there is potentially room for something skinnier to advance – perhaps nuclear subsidies + ethics/FRPs.** In their view, gas utilities and the QIP remain tertiary items in the overall process, which we generally agree with. The work at Peoples replacing bare steel and wooden Civil War era components still needs to get done. Finally, we note that the capex plan remains on track, with infrastructure still running ahead of schedule. Based on our conversation, we expect future roles to remain weighted towards storage and solar, with federal tax credits an unknown variable in the equation to monitor. Point Beach dialogue remains nascent but ongoing.

NISOURCE: STRATEGY AND THE INDIANA IRP

With MA sold, equity done, and the plan solidified, our update with NI senior management (CEO, CFO, etc.) was largely straightforward, with a strategic tone in light of recent activist actions and LDC sales. We and others asked management about potentially getting smaller or optimizing assets, with management highlighted the significant number of dissynergies involved in such processes. The company is eyeing 10% growth at each of its utilities and has gotten the equity out of the way, but management still noted that it is always exploring opportunities. The confidence in the current plan and portfolio comes from the constructive environments in its jurisdictions, with supportive mechanisms and policies (e.g., bans on gas bans). The IRP in Indiana was the other key point of discussion, with a meeting today (5/20) and the launch of the RFP process. Management sees ~3 channels, including solar/wind+storage and new technologies for Schaefer's replacement. The RFP does present the opportunity to a higher proportion of utility-owned projects, but management indicated it is far too early to think about the IRP opps and the growth rate. The IRP will also help illuminate the potential to accelerate the coal exit. With equity needs solved in the NT, any asset optimization opportunities on the gas LDC side could come in time with incremental spending arising from the new '21 IRP.

DOMINION: EXECUTION

Dominion's messaging was well defined; they're focused on the blockbuster renewables buildout underway and managing the associated regulatory processes. Senior management's (CFO, etc.) update was built around that narrative, with few incremental data points from the 1Q21 call. The Fast 41 schedule was reiterated, while management again sounded a positive tone on the underlying post-COVID growth trends. The company continues to work through the onshore wind and solar tranches (CE1/CE2), with 110k+ acres under option. Investors in our meeting

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queried on whether the ~$17bn in planned offshore wind investment could see some shrinkage based on bids in the northeast; however, management noted that the comparison is not direct given some key differences (some projects don't have transmission included, different capacity factors, etc.). The company remains active on the RNG front and looking at agriculture opportunities. To the south, the settlement process remains ongoing in South Carolina during the pause, **with management sounding a positive tone on the prospects for a settlement.** While we asked on Santee Cooper, there were no new thoughts. Finally, we asked about the noncore nature of assets like Millstone, however management noted that it is comfortable with such a small non-regulated portion of the business (<10%), which will only shrink further as the regulated side continues to grow. No material updates around the VA triennial review though, we continue to believe the process should run smoothly given the construct and legislative mandates in place.

SJI: GROWTH AND NJ LEGISLATION IN FOCUS

Coming off its recent analyst day, SJI's senior management (CEO,CFO, etc.) update was generally focused on execution and ongoing legislative conversations. The company continues to see solid growth as the state recovers from COVID, with ETG a particular area of strength. Management struck a very comfortable tone with the current ~1.5% customer growth guide. The company also continues to navigate legislative opportunities around rate treatment of RNG investments (e.g., ratebasing RNG projects, link HERE). We asked about ratebasing projects vs. keeping them non-regulated, with management acknowledging that current returns are quite healthy on the nonreg side—they continue to evaluate all options. We also asked about the drivers of management's slightly wider 5-8% EPS growth rate guidance, with the company pointing to some flexibility on regulatory items (it has multiple cases built in to the current plan) and the potential investment opportunities. Management did note that a federal biogas ITC could be an earnings game changer if some iteration of it were to come to pass. The company also continues to work through its current ~$743mm infrastructure ask, with discovery expected to finish within a week and potential settlement discussion thereafter. The plan does not assume the whole ~$743 ask. Finally, our conversation also touched on PennEast, with management largely reiterating the process data points and timelines.

NW NATURAL: RNG AND EXECUTION

Our conversations with NWN senior management (CEO, CFO, etc.) largely centered on execution and decarbonization, with the company working through its first tranche of RNG procurements and looking ahead to meeting the aggressive goals under SB98. While the company has already made strong progress on decarbonization to date (no bare steel

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left in system and a strong visibility on EE), there remains ample opportunity to add RNG under the existing constructs. The current ~$38mm in spend will help meet roughly 1.6% of NWN's OR sales volume and represents only projects with a clear line of sight. Under the SB98 caps, the company could approach another $162mm in spend over the 5 year period, however the procurement process remains in its early days. With regard to policy, the company continues to work with stakeholders in somewhat hostile localities like Eugene to educate on the value of gas and the company's decarbonization plans, however some noise may continue in our view given the regional dynamics. Based on our conversations, we expect the water business to continue its expansion, with management pointing to a pickup in overall activity post-COVID. Finally, we note that the WA MYP case remains ongoing, with management pointing to the potential for some resolution in the coming month or two based on current conversations.

SOUTHERN COMPANY: VOGTLE, VOGTLE, VOGTLE

Hot off Tuesday's construction news, our conversations with SO senior management (CFO, etc.) were decidedly focused on the HFT process and the prospects for schedule slippage. Management provided additional color on the process and what had been seen to date, with the pressurize bracket alignment the chief bottleneck in the process. The support for the pressurizer wasn't perfectly centered, leading to some misaligned thermal expansion. This and other thermal expansion items were somewhat expected (the Chinese also dealt with them), however the pressurizer situation required cooling the system given the limited clearances for worker access, adding ~2-3 weeks to the process. The schedule shift will cost a little bit of the contingency, however management continued to strike an upbeat tone on the prospects for the Unit 4 schedule once 3 is complete. Remaining items post-HFT at unit 3 are largely minor mechanical systems (emergency lighting, potable water, etc.). With regard to prudency, the company reiterated it expects to pursue all ~$700mm, but it is also cognizant of other processes in the state that will be ongoing by that time (rate case, IRP). We asked about LDC M&A and other noncore assets at the company given the recent Sequent sale, with management acknowledging healthy multiples while simultaneously re-emphasizing its own lack of equity needs in the NT.

CENTERPOINT: LONGER DATED UPDATES

We sat down with CNP's CFO and other senior leaders for the latest updates on a story we have been *very* close to for several quarters, with most data points focused on longer-term items like outer year capex and decarbonization opportunities. The company is taking a closer look at its decarbonization narrative and how it will fit into future net zero economies, **including the potential for a longer term 10-year capex outlook and**

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conversations on longer-dated asset replacements (e.g., coal transitions). For example, at the moment the company has no EV infrastructure in its current plan despite nascent favorable policy positioning in places like Houston. Management is also looking at potential opportunities for limited rate base storage in Texas on the distribution system (~25MW). We asked about potential disclosures around such a long-dated outlook, with management reiterating no block equity. What about RNG? Opportunities remain pretty nascent based on our conversation, with Minnesota presenting the most immediate application as the state takes an interest in the resource. **We note that the team also recently sat down with the newly constituted PUCT** to reestablish the relationships that had been severed after the February storms prompted a bench-clearing, with management noting a concerted interest in reliability during the dialogue. **Finally, we also touched on the ongoing IN IRP, with hearings on the first tranche coming in June and a filing for a gas peaker in the same time frame.** The balance of the filings and processes will run through next year. Note – when Mgmt. discloses their longer-term CapEx update around decarbonization in Q3, they continue to believe they will not need block equity, with funding in time being sourced from OCF, O&M levers and further asset optimization opportunities.

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Ticker	Price	Rating
EXC	45.74	Neutral
PNW	85.37	Buy
POR	48.89	Buy

Power, Utilities & Alternative Energy — May 21, 2021

The Guggenheim Daily Transmission: AGA, EXC, IL, POR, RGGI, PA, PNW, PJM

For details on our Guggenheim Hosted Client Utility Events, including our OGE Virtual NDR, ALE Virtual NDR, SHLS Virtual NDR, LNT Virtual NDR, EVRG Virtual NDR, SO Virtual NDR, and more, scroll down…

AGA: Day 2 Flash Recap… (see our note HERE)

EXC/IL – Details on IL report redactions and process emerge

POR – OPUC adopts temporary rules on PSPS

RGGI/PA – DEP releases data on consumer cost modeling

PNW – Bright Canyon inks 25MW Navy microgrid contract

PJM – Summer outlook points to plentiful supply

EXC/IL – Details on IL report redactions and process emerge

- Byron and Dresden employed ~1,300 people in 2020 according to a review of the unredacted report, as EXC continues to push its case for subsidies higher than the consultant's recommendations
- More from Crain's HERE

Guggenheim takeaway: *For your awareness. The process is frustratingly opaque at this point, and while we remain of the view that a comprehensive package could be an uphill lift in the remaining week of the session, we note that some of our AGA conversations were slightly more open to the potential for a slimmer 'subisidy+ethics' package to emerge. Stay tuned… As a reminder, we hosted two different experts recently for their views on the situation in Springfield – see our note on the first conversation HERE and the second HERE.* ***We also discussed the issue in our AGA meetings – see above for AEE and HERE for WEC's updated thoughts.***

POR – OPUC adopts temporary rules on PSPS

- Docket and OPUC Staff presentation on the PSPS HERE

Guggenheim takeaway: *Zero surprise given the wildfire docket process we have been tracking for some time, and something POR has already been a leader on in the state.*

RGGI/PA – DEP releases data on consumer cost modeling

- "Residential electricity bills are slightly higher with RGGI participation with bill impacts declining to just $.84- $1.19 per month by 2030" - DEP
- Presentation HERE, more HERE

Guggenheim takeaway: *Minor FYI.*

NOAA – NOAA predicts another active hurricane season

- "For 2021, a likely range of 13 to 20 named storms (winds of 39 mph or higher), of which 6 to 10 could become hurricanes (winds of 74 mph or higher), including 3 to 5 major hurricanes (category 3, 4 or 5; with winds of 111 mph or higher) is expected. NOAA provides these ranges with a 70% confidence. The Atlantic hurricane season extends from June 1 through November 30." - NOAA
- More HERE

Guggenheim takeaway: *Heads up.*

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PNW – Bright Canyon inks 25MW Navy microgrid contract

- More HERE

Guggenheim takeaway: *Interesting heads up, and exactly the kind of project management has indicated in the past the nascent segment was targeting.*

PJM – Summer outlook points to plentiful supply

- "PJM power system operators have forecasted a peak demand for electricity this summer at approximately 149,000 MW but have performed reliability studies at even higher loads – in excess of 155,000 MW – for the region that includes 13 states and the District of Columbia. PJM has over 185,000 MW of installed generating capacity available to meet customer needs, with sufficient resources available in reserve to cover generation that is unexpectedly unavailable, or for other unanticipated changes in demand." - PJM
- More HERE

Guggenheim takeaway: *Zero surprise - PJM remains oversupplied.*

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Equity Research | Corporate Access

OGE Energy Corp. (OGE)

Bryan Buckler, *Chief Financial Officer*
Jason Bailey, *Director, Investor Relations*
Casey Strange, *Manager, Investor Relations*

Date
Monday, May 24, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $6.7bn
OGE Energy Corp. (OGE) is a holding company, which engages in the provision of physical delivery and related services for both electricity and natural gas. It operates through the Electric Utility and Natural Gas Midstream Operations segments. The Electric Utility segment generates, transmits, distributes, and sells electric energy in Oklahoma and Western Arkansas. The Natural Gas Midstream Operations segment involves gathering, processing, transporting, storing, and marketing of natural gas. The company was founded in August 1995 and is headquartered in Oklahoma City, OK. (Source: FactSet)

Participating Guggenheim Analyst
Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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Equity Research | Corporate Access

ALLETE, Inc. (ALE)

Bethany Owen, *President & Chief Executive Officer*
Bob Adams, *Chief Financial Officer*
Steven Morris, *Controller & Chief Accounting Officer*

Date
Thursday, May 27, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $3.67bn
ALLETE, Inc. (ALE) engages in the provision of electric and natural gas utility services. It operates through the following business segments: Regulated Operations, ALLETE Clean Energy, and U.S. Water Services. The Regulated Operations segment includes regulated utilities; Minnesota Power; SWL&P; and investment in ATC, which regulates utilities that owns and maintains electric transmission assets. The ALLETE Clean Energy segment develops, acquires, and operates clean and renewable energy projects. The U.S. Water Services segment provides integrated water management for industry by combining chemical, equipment, engineering, and service for customized solutions to reduce water and energy usage and improve efficiency. The company was founded in 1906 and is headquartered in Duluth, MN. (Source: FactSet)

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Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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Equity Research | Corporate Access

Shoals Technologies Group, Inc. (SHLS)

Jason Whitaker, *President & Chief Executive Officer*
Philip Garton, *Chief Financial Officer*

Date
Tuesday, June 1, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $4.75bn
Shoals Technologies (SHLS) provides electrical balance of system solutions for solar energy projects. Its EBOS components include cable assemblies, inline fuses, combiners, disconnects, recombiners, wireless monitoring systems, junction boxes, transition enclosures and splice boxes. The company was founded by Dean Solon in November 1996 and is headquartered in Portland, TN. (Source: FactSet)

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Equity Research | Corporate Access

Alliant Energy Corp (LNT)

John Larsen, *Chair, President & Chief Executive Officer*
Robert Durian, *EVP & Chief Financial Officer*

Date
June 2 - 3, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $14.31bn
Alliant Energy Corp (LNT) is a regulated investor-owned public utility holding company that engages in the provision of regulated electricity and natural gas service to natural gas customers in the Midwest through its two public utility subsidiaries. It operates its business through following segments: utility electric operations, utility gas operations; and utility other. The company was founded in 1981 and is headquartered in Madison, WI. (Source: FactSet)

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Guggenheim's Power & Utility Comp Sheet

Updated as of 5/20/2021

									Guggenheim						Consensus		
									Earnings Per Share			Price / Earnings			Price / Earnings		
Regulated Electric Utilities [1]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend Yield ('21E)	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AEE	Ameren	21.6	Buy	$90	$84.50	2.6%	59%	256	3.73	4.02	4.30	22.7	21.0	19.7	22.5	21.0	19.5
AEP	American Electric Power	43.1	Buy	$98	$86.26	3.5%	65%	500	4.65	5.03	5.30	18.6	17.1	16.3	18.5	17.3	16.4
ALE	ALLETE	3.6	Neutral	$65	$69.85	3.7%	81%	52	3.18	3.85	3.98	22.0	18.1	17.6	21.9	18.1	17.4
AVA	Avista	3.2	Sell	$32	$45.62	3.7%	82%	69	2.06	2.26	2.47	22.1	20.2	18.5	21.6	19.8	18.3
CMS	CMS Energy	18.5	Neutral	$63	$63.74	2.7%	61%	289	2.86	3.06	3.26	22.3	20.8	19.6	22.3	20.8	19.5
D	Dominion	62.4	Buy	$89	$77.24	3.2%	65%	807	3.86	4.15	4.44	20.0	18.6	17.4	19.9	18.7	17.7
DUK	Duke Energy	78.7	Buy	$107	$102.27	3.9%	77%	769	5.17	5.48	5.81	19.8	18.7	17.6	19.7	18.8	17.8
ED	Consolidated Edison	26.9	Neutral	$77	$78.42	4.0%	73%	343	4.25	4.42	4.63	18.5	17.7	16.9	18.4	17.4	16.6
EIX	Edison International	21.9	Buy	$79	$57.68	4.7%	60%	379	4.51	4.76	5.04	12.8	12.1	11.4	12.7	12.2	11.5
ES	Eversource Energy	28.8	Neutral	$87	$83.76	2.9%	63%	343	3.83	4.12	4.36	21.9	20.3	19.2	21.8	20.4	19.1
ETR	Entergy	21.2	Buy	$120	$105.74	3.7%	65%	201	6.01	6.33	6.79	17.6	16.7	15.6	17.7	16.8	15.8
EVRG	Evergy	14.2	Buy	$70	$61.90	3.5%	66%	229	3.29	3.43	3.71	18.8	18.0	16.7	18.7	17.8	16.5
FE	FirstEnergy	20.5	Neutral	NA	$37.69	4.1%	62%	544	2.50	2.60	2.71	15.1	14.5	13.9	15.0	14.5	14.1
HE	Hawaiian Electric	4.8	Sell	$37	$43.80	3.2%	69%	109	2.01	1.96	2.11	21.8	22.3	20.8	22.4	21.7	20.2
LNT	Alliant Energy	14.5	Buy	$64	$57.76	2.8%	63%	250	2.57	2.72	2.87	22.5	21.2	20.1	22.5	21.1	20.0
NWE	NorthWestern	3.2	Neutral	$62	$63.31	3.9%	72%	51	3.46	3.64	3.84	18.3	17.4	16.5	18.1	17.2	16.3
PCG	PG&E Corporation	20.6	Buy	$17	$10.40	NA	NA	1985	1.03	1.13	1.25	10.1	9.2	8.3	10.3	9.3	8.4
PNW	Pinnacle West	9.7	Buy	$97	$85.37	4.0%	68%	113	5.05	5.23	5.49	16.9	16.3	15.6	17.1	16.6	15.9
POR	Portland General Electric	4.4	Buy	$54	$48.89	3.4%	62%	90	2.71	2.75	2.84	18.0	17.8	17.2	18.4	17.8	17.0
PPL	PPL Corporation	22.6	Buy	$32	$29.34	5.2%	115%	769	1.34	1.65	1.84	21.9	17.8	15.9	12.2	11.8	11.1
SO	Southern Company	67.7	Neutral	$63	$64.06	4.1%	79%	1059	3.32	3.59	3.85	19.3	17.8	16.6	19.3	18.0	16.6
WEC	WEC Energy	30.2	Neutral	$92	$95.52	2.8%	67%	315	4.03	4.26	4.50	23.7	22.4	21.2	23.7	22.3	20.9
****Average (Excl. EIX, PCG, and PPL for P/E)***						**3.5%**	**68.3%**					**20.0**	**18.8**	**17.7**	**20.0**	**18.7**	**17.7**
Regulated Gas Utilities [2]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend Yield ('21E)	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CPK	Chesapeake Utilities	2.0	Neutral	$108	$116.82	1.5%	37%	18	4.59	4.98	5.35	25.5	23.5	21.8	25.5	23.7	22.0
NI	NiSource	9.9	Buy	$27	$25.32	3.6%	67%	392	1.35	1.43	1.53	18.8	17.7	16.5	18.8	17.9	16.7
NJR	New Jersey Resources	4.1	Neutral	$39	$42.49	3.2%	65%	96	2.09	2.28	2.35	20.3	18.6	18.1	20.5	18.7	17.6
NWN	NW Natural Gas	1.6	Sell	$38	$53.64	3.6%	77%	31	2.50	2.64	2.73	21.5	20.3	19.6	21.2	20.4	19.3
OGS	ONE Gas	3.9	Neutral	$80	$73.61	3.2%	61%	53	3.82	4.12	4.43	19.3	17.9	16.6	19.4	17.9	16.9
SJI	South Jersey Industries	2.9	Buy	$28	$25.97	4.5%	73%	112	1.61	1.71	1.85	16.1	15.2	14.0	16.1	15.6	15.0
SR	Spire	3.8	Buy	$84	$72.92	3.6%	60%	52	4.43	4.41	4.67	16.5	16.5	15.6	16.7	16.5	15.7
Average						**3.3%**	**62.7%**					**18.7**	**17.7**	**16.8**	**18.8**	**17.9**	**16.9**
Integrated Utilities [3]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend Yield ('21E)	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
EXC	Exelon	44.7	Neutral	$45	$45.74	3.4%	56%	977	2.80	2.98	3.02	16.3	15.3	15.1	16.6	15.5	14.9
PEG	PSEG	31.6	Buy	$67	$62.58	3.3%	59%	505	3.52	3.51	3.61	17.8	17.8	17.3	18.1	17.9	17.3
Average						**3.4%**	**57%**					**17.1**	**16.6**	**16.2**	**17.3**	**16.7**	**16.1**
Independent Power Producers (IPPs) [4]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend Yield ('21E)	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
NRG	NRG Energy	8.3	Neutral	NA	$34.04	3.8%	-	245	2,412	2,471	2,472	6.6	5.8	5.4	9.2	6.3	6.0
VST	Vistra Energy	7.9	Neutral	NA	$16.48	3.6%	-	482	1,678	3,230	3,107	9.9	5.0	4.9	10.8	5.3	5.0
Average												**8.2**	**5.4**	**5.2**	**10.0**	**5.8**	**NA**
Multi-Industry Utilities [5]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend Yield ('21E)	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CNP	CenterPoint	14.2	Buy	$27	$24.70	2.5%	44%	580	1.41	1.50	1.62	17.5	16.5	15.2	17.8	17.1	15.9
DTE	DTE Energy	27.2	Buy	$148	$140.36	3.1%	60%	194	7.20	7.62	7.84	19.5	18.4	17.9	19.5	18.9	18.0
NEE	NextEra	145.7	Buy	$90	$74.29	1.9%	56%	1961	2.56	2.77	2.95	29.0	26.8	25.2	29.5	27.2	25.4
OGE	OGE Energy	6.7	Buy	$39	$33.58	5.1%	78%	200	2.17	2.27	2.38	15.5	14.8	14.1	15.3	15.7	15.1
SRE	Sempra Energy	41.1	Buy	$167	$135.74	3.4%	56%	303	8.16	8.58	9.21	16.6	15.8	14.7	16.7	15.9	15.1
Average						**3.2%**	**58.9%**					**19.6**	**18.5**	**17.4**	**19.8**	**18.9**	**17.9**
Other		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend Yield ('21E)	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AWK	American Water Works	28.0	Neutral	$146	$154.42	1.4%	50%	181	4.24	4.63	4.99	36.4	33.4	30.9	36.4	33.5	31.0
ALTO	Alto Ingredients, Inc.	0.4	Buy	$9	$5.71	-	-	73	0.62	0.66	0.80	9.2	8.7	7.1	9.4	6.1	7.1
		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend Yield ('21E)	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AMRC	Ameresco, Inc. Class A	2.6	Buy	$67	$51.12	-	-	50	146	163	184	NA	NA	NA	NA	NA	NA
ARRY	Array Technologies	1.9	Buy	$51	$15.24	-	-	127	174	198	224	13.2	11.6	10.3	20.9	12.9	10.0
CWEN	Clearway Energy	6.1	Suspended	NA	$26.35	NA	-	183	NA	NA	NA	NA	NA	NA	10.5	9.7	9.7
NEP	NextEra Energy Partners	5.1	Buy	$88	$66.75	4.0%	-	76	1,532	1,660	1,775	7.2	6.8	6.3	10.3	9.6	9.3
SHLS	Shoals Technologies Group, Inc	3.9	Buy	$46	$23.45	-	-	167	77.2	125.8	195.7	52.0	31.3	19.6	52.0	31.8	20.2

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
(5) Mult-Industry Utilities operate some comibination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, FactSet, Guggenheim Securities, LLC estimates.

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Share Price Performance (Year-to-Date, Three-Month, & One-Month Trailing)

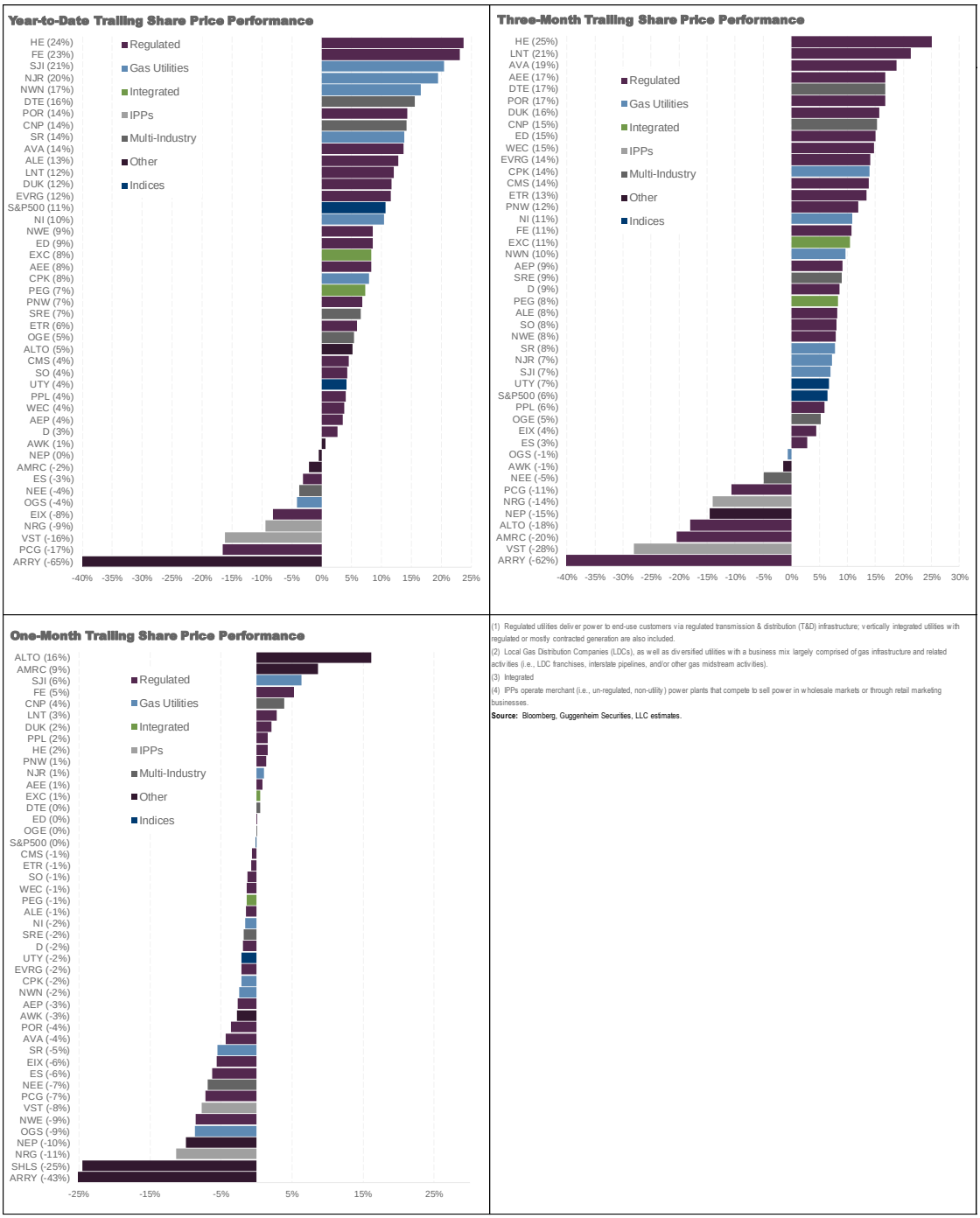

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(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
Source: Bloomberg, Guggenheim Securities, LLC estimates.

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Guggenheim 2021 Client and Corporate Access Utility Events

Ticker	Dates	Regions	Ticker	Dates	Regions
EIX	1/8	NYC	**CMS**	5/12-5/13	Multiple
'21 Utilities Call	1/21 – 8:15AM ET	Call	**POR**	5/12-5/13	Multiple
Investor Discussion	1/25 – 4:30PM ET	Virtual	**ARRY**	5/14	Multiple
PNW	1/26-1/27	Multiple	**OGE**	5/25-5/26	Multiple
SRE	1/27 – 4:30PM ET	Virtual	**ALE**	5/27	Multiple
WEC	2/16-2/17	Multiple	**SHLS**	6/1	Multiple
DUK	2/18	Multiple	**LNT**	6/2-6/3	Multiple
D	2/19	NYC	**PEG**	6/8-6/9	Multiple
AWK	3/10	Multiple	**EVRG**	6/10	Multiple
PPL	3/23	West Coast	**NWE**	6/16	Multiple
AEP	3/30	Multiple	**DTE**	6/29	Multiple
VST	3/31	Multiple	**ES**	TBD	Multiple
ETR	4/8	Multiple	**SO**	8/9-8/10	Multiple
SR	4/15	Multiple	**SO** (CEO Fireside)	8/10	Multiple
PCG	5/5	Multiple	**NEE**	8/30-9/2	West Coast
CNP	5/10	Multiple			

MORE TO BE ADDED…

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Peak Load

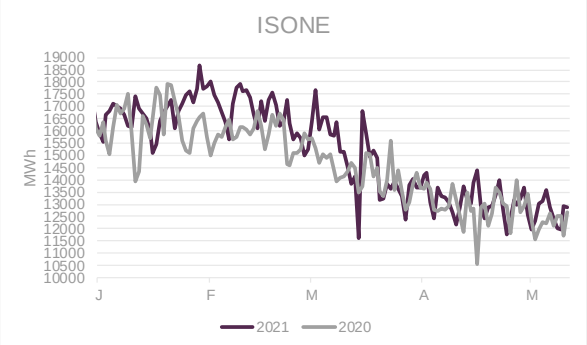

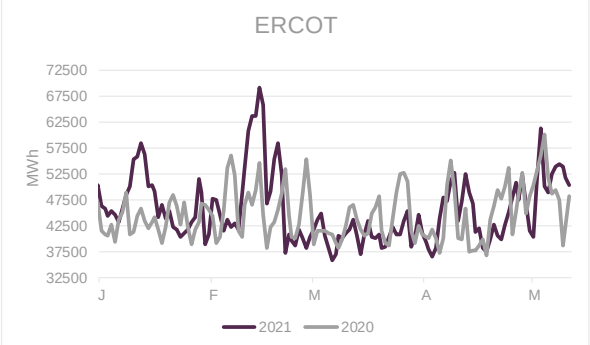

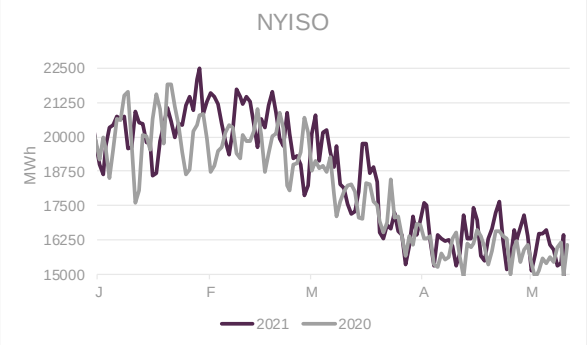

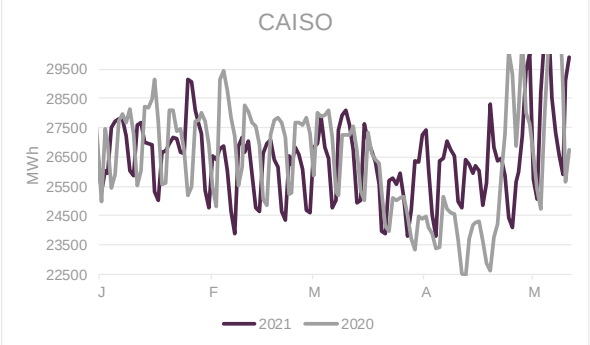

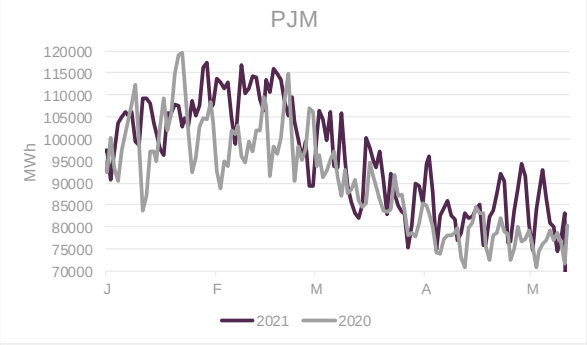

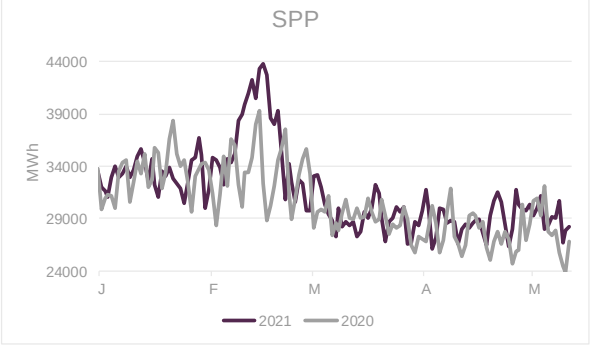

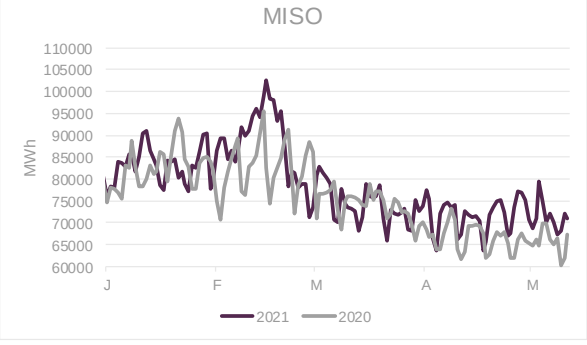

Average Deviation in Peak Load vs Prior Year

RTO/ISO	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
ISONE	-5.1%	0.1%	2.4%	2.4%	4.1%	2.5%
NYISO	-5.8%	-3.8%	0.0%	0.0%	2.5%	3.0%
PJM	-6.9%	-4.7%	-1.8%	-1.8%	6.1%	8%
MISO	-4.7%	-5.2%	-3.7%	-3.7%	4.3%	8.1%
CAISO	-1.7%	1.4%	3.2%	3.4%	0.4%	3.6%
ERCOT	2.7%	1.7%	-4.1%	3.0%	2.8%	2.8%
SPP	-4.6%	0.0%	-4.4%	-4.4%	4.1%	5.3%

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Generation and Mix

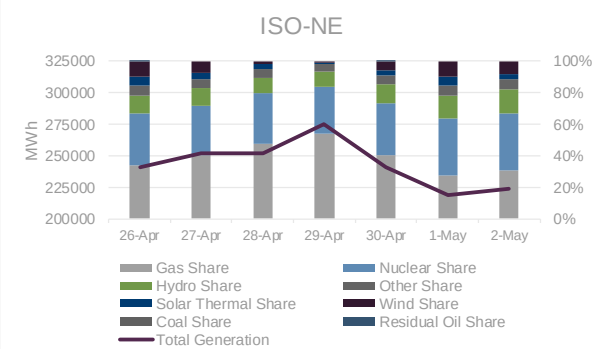

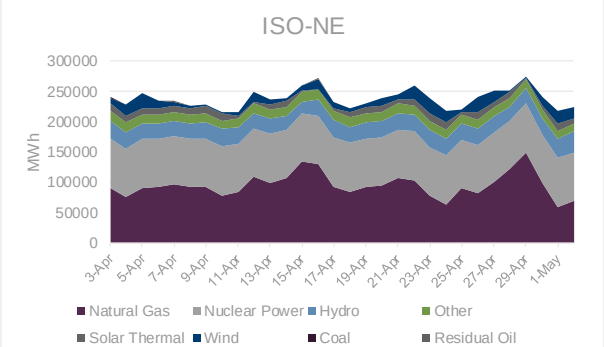

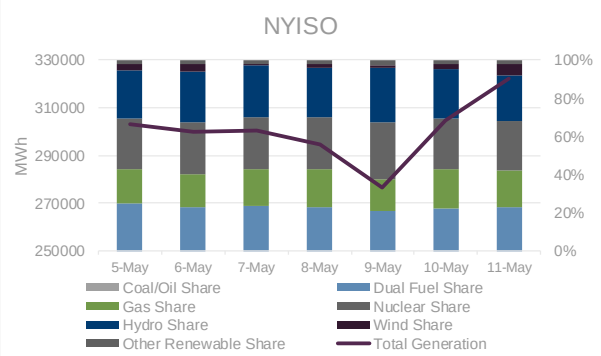

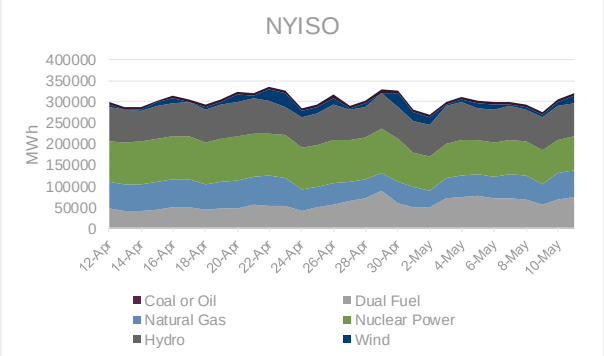

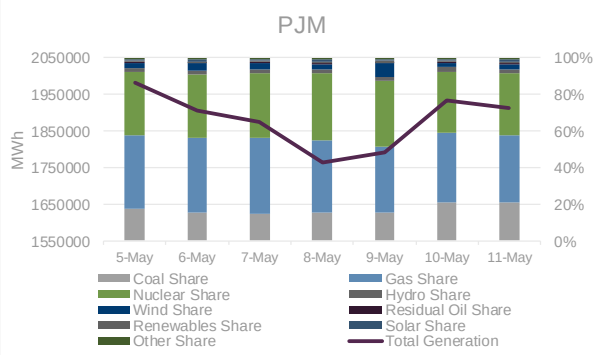

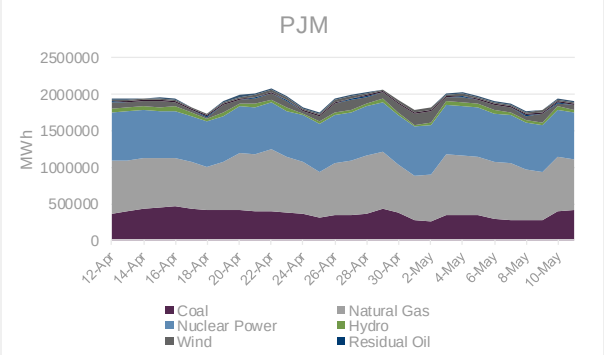

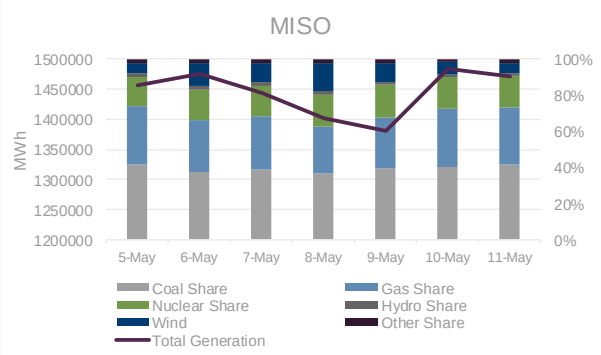

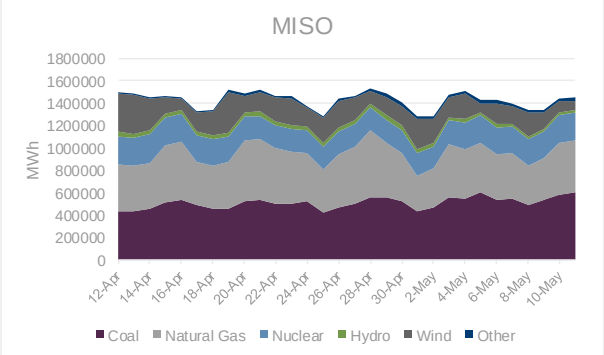

Source: S&P Global Platts, Guggenheim Securities, LLC.

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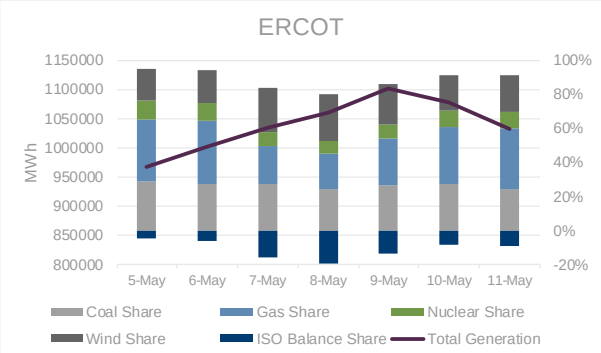

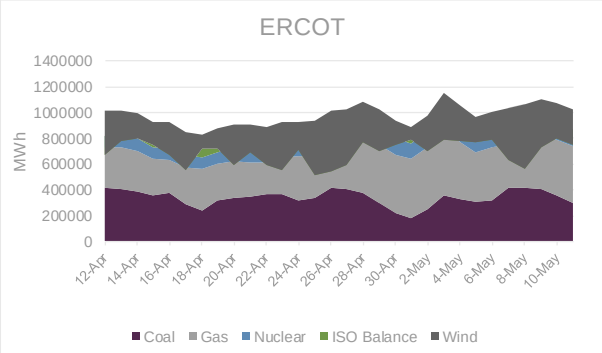

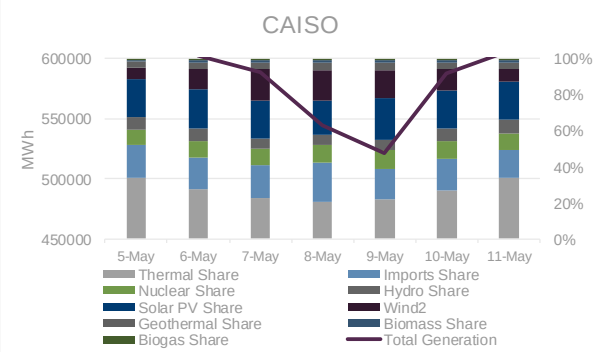

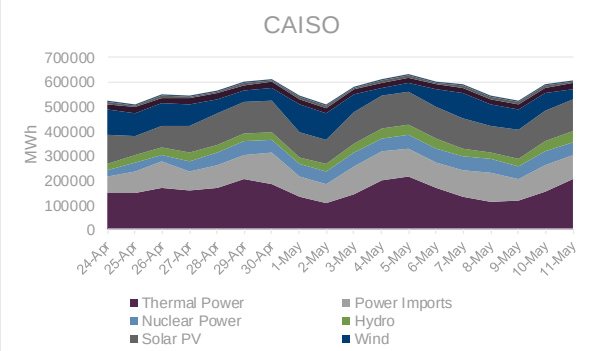

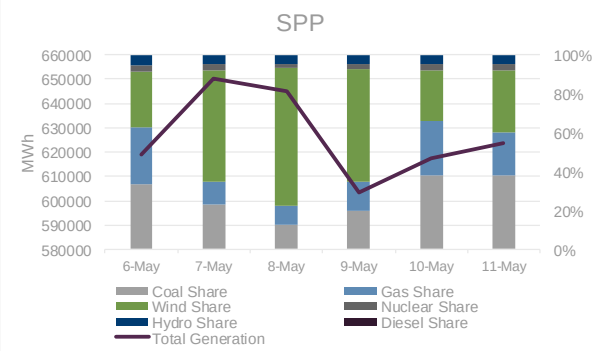

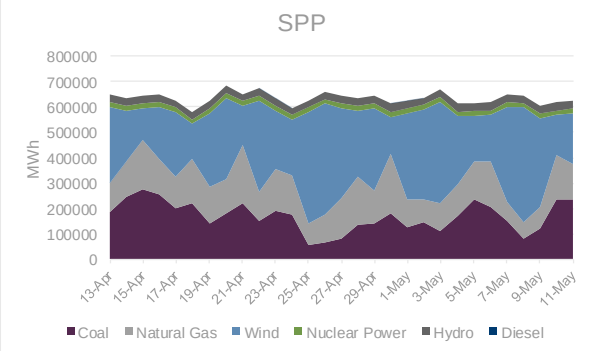

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Weather

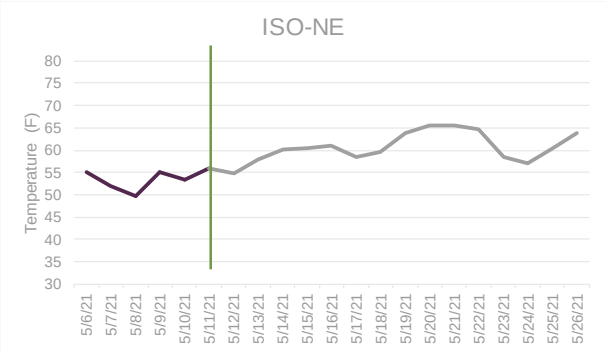

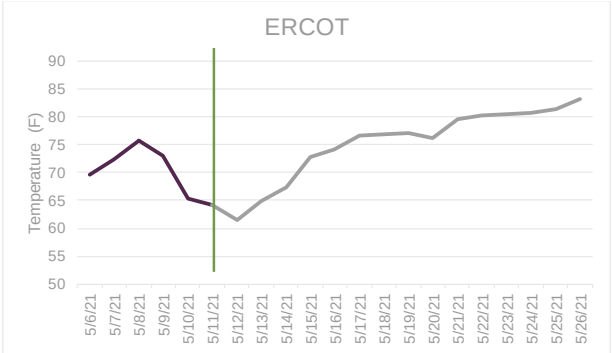

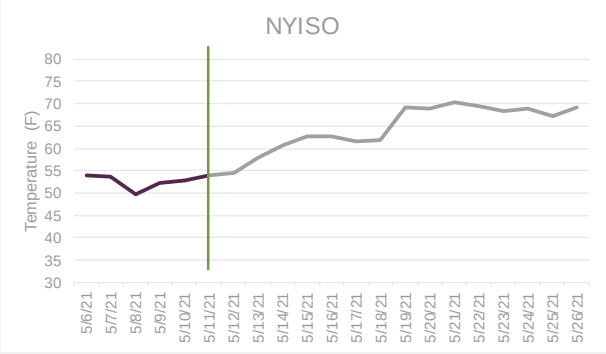

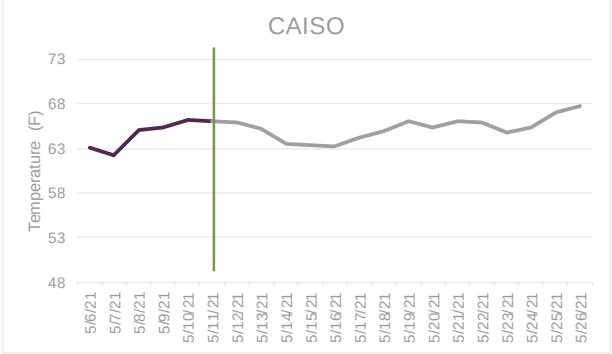

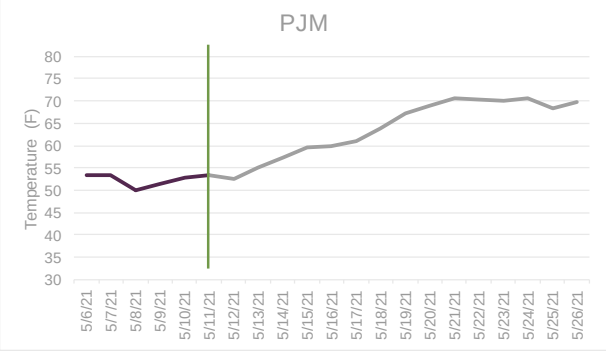

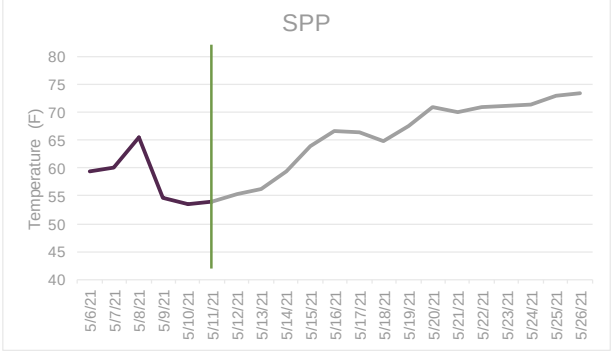

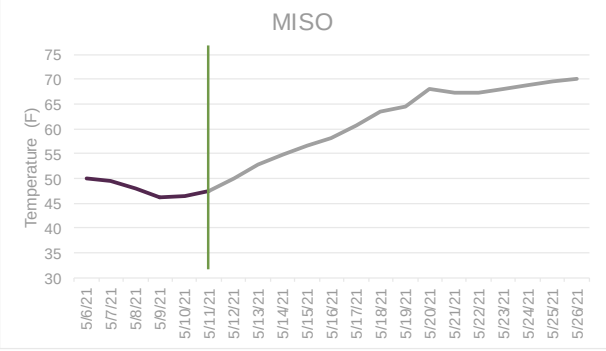

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Regulatory Calendar

Power and Utilities: Coverage Calendar (5/15/2021 - 8/15/2021)

Date	State	Ticker	Utility/Event	Docket	Description
3/1/2021-6/30/2021	DC	EXC	Potomac Electric Power Co.	FC-1156	Commission decision may be issued in electric rate proceeding
4/15/2021-5/15/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	ALJ recommendation expected in rate case in late April-early May
5/1/2021-6/30/2021	TX	SRE	Oncor Electric Delivery Co.		Rate case filing expected
5/17/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Settlement meeting scheduled in rate case
5/18/2021-5/19/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearings scheduled in RAC-EE proceeding
5/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Settlement conference scheduled
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	PSC staff and intervenor testimony due
5/19/2021-5/28/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Hearings scheduled in rate case
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	PSC staff and intervenor testimony due
5/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Settlement conference scheduled
5/21/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for staff and intervenor opening testimony
5/21/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Rebuttal testimony due in E-RAC proceeding
5/21/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Rebuttal testimony due in Rider E proceeding
5/21/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Initial briefs due in rate case
5/24/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Hearing to begin in rate proceeding
5/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Intervenor testimony on class cost of service due in rate proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UG-200901	Deadline for company reply testimony; staff and intervenor cross-answering testimony
5/28/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	SCC staff testimony due in BC-RAC proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UE-200900	Deadline for company reply testimony; staff and intervenor cross-answering testimony
6/1/2021-6/15/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearing examiner's report may be issued in RAC-EE proceeding
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co		Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (gas)	Decision possible in rate proceeding
6/1/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Reply briefs due in rate case
6/1/2021-6/30/2021	OH	AEP	Ohio Power Co.	C-20-0585-EL-AIR	Decision possible in rate proceeding
6/1/2021-6/30/2021	KY	PPL	Kentucky Utilities Co.	C-2020-00349	Decision possible in rate proceeding
6/1/2021-6/30/2021	VA		Virginia Natural Gas Inc.	C-PUR-2020-00095	Hearing Examiner's report may be issued in base rate case
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co	Ca-PUD202100063	Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (elec.)	Decision possible in rate proceeding
6/3/2021	MI	DTE	DTE Gas Co.	C-U-20940	Staff and intervenor testimony due
6/4/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Intervening parties to file testimony in rate case
6/8/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Company rebuttal testimony due in rate proceeding
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Rebuttal testimony to be filed in rate case
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Rebuttal testimony to be filed in rate case
6/17/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Rebuttal testimony due in rate proceeding
6/17/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Initial briefs due in rate case
6/17/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Intervening parties to file testimony in Rider CCR proceeding
6/21/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Intervenor testimony due
6/22/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Staff, intervenor testimony due
6/22/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Staff to file testimony in Rider CCR proceeding
6/23/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Staff, intervenor testimony due
6/23/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Hearing scheduled in E-RAC proceeding
6/23/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Settlement conference
6/23/2021	MI	DTE	DTE Gas Co.	C-U-20940	Rebuttal testimony due
6/23/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Staff, intervenor testimony due
6/25/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Hearing examiner report due in rate proceeding
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Evidentiary hearings to commence in rate case
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Evidentiary hearings to commence in rate case
6/30/2021	NH				Commissioner Kate Bailey — term expires
6/30/2021	KY				Commissioner Talina Rose Mathews — term expires
6/30/2021	MD				Commissioner Anthony J. O'Donnell — term expires
6/30/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Decision expected in muulti-year rate plan proceeding
6/30/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	Decision likely in gas rate case
6/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00197 (Rider RBB)	Decision expected in rural broadband pilot proceeding (Rider RBB)
6/30/2021	WV				Commissioner Brooks McCabe — term expires
6/30/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Decision expected in RAC-EE proceeding
6/30/2021	NC				Commissioner Lyons Gray — term expires
7/1/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Reply briefs due in rate case
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	PUR-2020-00231 (Rider US-2)	Decision expected in Rider US-2 update proceeding
7/1/2021	IL	SO	North Shore Gas Co.	D-20-0810	ALJ recommendation due in rate proceeding
7/1/2021-7/31/2021	OK	CNP	CenterPoint Energy Resources	Ca-PUD202100054	Decision expected in PBR proceeding
7/1/2021-7/31/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Decision possible in rate proceeding
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00230 (Rider BW)	Decision expeced in Rider BW update proceeding
7/2/2021	MI				Commissioner Katherine Peretick — term expires
7/6/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Staff testimony due in electric rate case
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UG-200901	Hearing in rate case
7/7/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Rebuttal testimony due in Rider CCR proceeding
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UE-200900	Hearing in rate case
7/12/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Rebuttal testimony due in electric rate case
7/12/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Rebuttal tesimony due
7/15/2021-8/15/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Hearing Examiner report may be issued in Rider E proceeding
7/16/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for company reply testimony; staff and intervenor cross-answering testimony
7/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Company rebuttal testimony due
7/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Company rebuttal testimony due
7/21/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Hearing to begin in rate proceeding
7/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Hearing to begin in rate proceeding
7/27/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Public hearing scheduled on Rider CCR proceeding
7/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00058	Intervening parties to file testimony in triennial review proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00274 (Rider DSM)	Decision expected in Rider DSM proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00169 (Rider RGGI)	Decision expected in Rider RGGI proceeding
8/1/2021-8/31/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	Hearing Examiner recommendation expected in BC-RAC proceeding
8/1/2021	MO	SR			Commissioner Maida Coleman — term expires
8/5/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Commission decision expected to be issued
8/5/2021	MI	DTE	DTE Gas Co.	C-U-20940	Briefs due in gas rate case
8/10/2021-8/17/2021	NJ	DTE	Atlantic City Electric Co.	D-ER20120746	Hearings scheduled in rate case
8/13/2021	TX	AEP	Southwestern Public Service Co	D-51802	Parties to file testimony in rate case

Source: SNL, Company Filings, Guggenheim Securities, LLC.

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Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM and Weekly Commentary

Key Company Research

1. VST NDR: Past Is Prologue
2. SRE: SIP 20% Sale Announced at ~13x EV/EBITDA; Above Our Range, With Opportunity for Earnings Accretion
3. AEP – C-Suite NDR: On the Precipice of Change and It's a Wonderful View from Here
4. PPL NDR: Hard Part Is Done, Now the Real Work Begins – Transformation Path, Further Re-Rating Set
5. ETR – FERC ALJ Issues Initial Decision on SERI ROE and Cap Structure; 9.32% ROE; 48.15% ER
6. SRE – San Diego Opens Utility Franchise Bidding Under Expanded Criteria; Allow for Negotiated Outcome
7. PPL: WPD Sells at "Very" Healthy Multiple in Key First Step, Despite Previous Media Reports
8. NRG: Post-Call Management Catch Up
9. NRG/VST: Stepping to the Sidelines for Now as ERCOT's Collateral Damage Continues to Propagate
10. FE Reaches Agreement with Icahn
11. SHLS – 4Q Earnings; Category Killer Makes Public Market Debut; Tees Up Conservative Guide and Accelerates EV Infrastructure Development
12. AWK NDR: "When the Levee Breaks" American Water Keeps Flowing
13. AEP – Healthy AEP Ohio Rate Case Settlement Supports Thesis; Construct Still Attractive
14. PCG: C-Suite Builds on Operational Improvement for Turnaround Success; Hands-on CEO Is a Tailwind
15. ARRY – 4Q Earnings; Investing Now for Wallet Share Later; FY21 Guidance Comes In Strong
16. WEC NDR: Cutting Through the Noise; Dependable Growth and LT Decarbonization Define Our Meetings
17. D – C-Suite NDR; Strategy Equals Execution; Execution Equals Decarbonization…
18. DUK – CEO NDR; NC Legislation Finally Has Momentum; Driving Decarbonization, Higher Growth
19. AMRC – 2020 Closes with a Beat as 2021 Guidance Points to Continued Growth
20. NRG – Surprise, Surprise: Guidance Intact After Strong Storm Performance; Transformation Continues
21. OGS – 4Q Earnings; Fundamentals Remain Stout Despite Old Man Winter's Best Efforts
22. PEG – 2020 FY In Line; Fossil Sale On Track; LT Business Mix Gains Traction
23. VST – Is the Integrated Model Broken? No, But the Sandbox Might Be
24. EVRG – Coming Out Swinging: EPS Beat, Healthy '21 Guide, Higher CapEx, New Mgmt. Bench & Key Investor Infusion
25. EIX: In-Line 2020; No Major Updates - Holding Pattern Ahead of GRC
26. AEP – Better Load Recovery and Cost Mitigation; Long Renewables Runway w/ Potential Financing From Asset Rotation
27. SRE: '21 Guide Reaffirmed w/Upside Post Transaction; Utility CapEx Increased – Focus Remains on SIP Transaction
28. OGE: No Surprises as 2020 Closes; 2021 Winter Storms Costs Large but Fundamentals Strong
29. CNP: We Aren't Sweating the Details; Managing Storm Event; LDC Sales on Track, Midstream Full Exit on the Forefront
30. PNW – In Line 2020 as Capex Gets a Shuffle – a Consistent Message Following Our NDR
31. EXC – End of an Era: Exelon Loses a Neutron
32. ETR – 2020FY EPS Beat; 2021 Guidance Reaffirmed, Biased to a Strong Midpoint; Arkansas Concerns? No Cracks Here
33. AVA – 4Q Earnings Not as Bad as Some Thought; Guidance Largely In Line With Our Expectations
34. LNT – Ol' Reliable: Inline 2020 as Focus Pivots to PSCW
35. SHLS: Plug-n-"Growth"; Initiating Coverage with a Buy Rating and $48 PT
36. AEE – 4Q Earnings; Callaway Cause For Concern? Not in Our View; Base Plan Remains Strong
37. POR – 2021 Kicks Off on the Right Foot
38. DTE – Continues Strong Execution; 4Q Earnings Beat, '21 Reaffirmed, GS&P Spin Is the Next Major Potential Catalyst
39. FE – Righting the Ship as the DOJ Overhang Persists; Icahn Makes a Splash and Shifts Investor Focus
40. ED – 4Q EPS in Line, 2021 a Reset Year; Capex Roll Points to Higher Quality L-T Recovery
41. SO – 4Q Earnings; Telegraphed LT Growth Rate Raise with Incremental Opportunities on the Horizon
42. PPL: Straightforward Update as WPD Process Forges On
43. ES – 4Q Earnings; Healthy Capex Raise Drives Guidance to the Top Half of Growth Range
44. NI – 4Q Earnings; Straightforward Update With Renewables Projects Continuing to Take Shape
45. ALE – A Transitional Year Comes with a Focus on Execution at ACE
46. DUK – 4Q20 Earnings; Foundation Set With Eye on NC Legislation – We See Pathway to Overachieve Expectations
47. AEP – Racine Hydro Sale; Very in Line with Our Thesis and Potentially More on the Horizon – Reiterate BUY
48. WEC – 2020 Closes with A Beat as Management Evaluates Case Optionality in WI
49. CMS – 4Q Earnings In-Line; Capex/Equity Increase, O&M Flex to Carry Into '21; We See Smooth Sailing to Firm "7%" Growth
50. NJR – F1Q21 Earnings; NJRES AMAs Drive FY22 Guidance Raise, Though Focus Remains on Core Utility and CEV Segments
51. SR – F1Q21 Earnings; Progressing on Regulatory Matters as Mgmt. Has Eyes Set on Sustainability
52. FE/OH: Yost Holds Press Conference on HB6; Reaches Agreement With FE on Decoupling
53. PNW NDR: All Quiet on the Southwestern Front…
54. DUK – Healthy Indiana Equity Sale Highlights Private Infrastructure Appetite for US Assets
55. AMRC: A Unique Blend of Familiar Businesses – Finding a Decarbonization Niche; Initiating Coverage at BUY, $63 PT
56. PEIX Initiation: A Rising Tide Lifts All Ships - Decoupling from Fuel Ethanol, '21 an Inflection Year for Strong CF Story

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57. SRE: CEO Catch Up - Value Upside to SIP Deal; Constructive Guidance Forthcoming; Remains Distinctive on Catalysts
58. NEE/NEP: NEE EPS Beats, MVP Takes Write-Down; Organic Growth and FPL Rate Case Are the Next Leg of Growth
59. DUK – Settlement Reached on Coal Ash; Overhang Removed with Allowance for Return on Expenditures – Time to Move On
60. EIX – Another WF Settlement Bites the Dust; Total Expected Loss Unchanged
61. NEE: Starting 2021 with a Bang: FPL Files Rate Case – 11% Base ROE, 50bp Adder, and SOBRA Adds
62. FE/OH: Ohio Situation Continues to Deteriorate
63. DUK – Coal Ash Thoughts Post Our Call With Duke C-Suite This AM
64. FE: JCP&L Creditworthiness Hearing Recap
65. PCG-EIX: Cali Dreamin' on a Winter Day – We're Back and Under a New Utility Construct: Resuming EIX, PCG w/ BUY Ratings
66. EXC: Exelon Divests Distributed Solar Assets
67. CNP: Analyst Day Sets New 6-8% EPS Plan; AR/OK LDC Sale Announced, ENBL Advisor, OGE on Board; Keep the Hits Coming
68. PNW: Staff/Intervenor Surrebuttal Testimony Lands
69. SRE: IENOVA Buyout, Combination with LNG for an SRE Infrastructure Offering – Favorable Setup for Next Steps
70. FE: Payment Fallout Continues – Revolver Draw Potentially Hedges Against New DOJ Outcomes
71. AEP – Upgrading to NEUTRAL from SELL; Risk/Reward Finds Balance Post Our Original Thesis
72. FE: 10-Q and Amended K May Point to Potential PUCO Linkages; Possible Connection to Randazzo Search
73. FE: PUCO Chair Has Home Searched by FBI
74. SRE NDR: Catch Up With SRE Mgmt. Puts Light on Commitment to Value and NorAm Strategy
75. EXC – Integrated Platform Increasingly Endangered as Exelon "Formally" Announces Strategic Review
76. NEP: 2020 KKR Deal; New Assets Accretive to Growth, Cheap Financing Deal Sets Up 4x Investment Capacity
77. FE – Darkest Before the Dawn? A New Day Will Come…
78. PNW – No Surprises as Summer Heat Drives Beat
79. POR – Putting a Rough Quarter to Rest – Update Checks Most Boxes
80. PEG – 3Q In-line; PSE&G Growth Set to 7-8%; Strategic Shuffle Continues on Fossil, Offshore Wind
81. POR – Putting a Rough Quarter to Rest – Update Checks Most Boxes
82. PNW – No Surprises as Summer Heat Drives Beat
83. FE: CEO and Two Other Executives Terminated over Internal Investigation
84. NWE – Colstrip Transaction Terminated; What's Next? NWE Is Left Severely Short of Peak
85. EXC: Downgrading to Neutral, Lowering PT – Taking the Spring out of Springfield
86. SRE– Franchise "Sale" Saga Next Step? San Diego Releases ITB Q&A, City Maintains Strict Tone, No Upsets Yet, in Our View
87. ETR NDR – C Suite Event Highlights Conservative Planning & Incremental Opportunities; "Premium" View Reinforced
88. DUK – CEO Group Call; Alignment with Stakeholders Driving Capital Growth While Setting Manageable Expectations
89. FE: Incremental Details on DOJ Probe Emerge; Energy Harbor Executives in Focus
90. AEE – CEO Client Event; Environmental Stewardship in MO; Navigating the Policy Environment in IL
91. FE: Incremental Details on DOJ Probe Emerge; Energy Harbor Executives in Focus
92. DUK – ESG Investor Day; A Win-Win for ESG and Fundamental Investors
93. NEE-DUK: "Spreadsheet Exercises" Aside – Easily EPS Accretive, But Value/Credit Risk, Regulatory Hurdles Are High Risk
94. ES - CT House Passes Bill in Special Session to Reform Utilities' Construct
95. OGS NDR – Simple Story, Covid Recovery, Supportive Jurisdictions and Capex Ahead of Plan; RNG, Hydrogen on the Radar
96. NI Investor Day – Robust Update, Though Mostly In Line with Expectations
97. VST: A Platform Evolves, a Platform Matures
98. EVRG NDR: Smooth Sailing to 2024? Standalone Course to Top Tier Growth Follows Well-Worn Routes
99. AEE – MO IRP Brings Step Function Increase in Renewable Energy Investments
100. ETR Analyst Day– Expanding Capex with Equity Needs; EPS Growth Remains 5-7%, but ETR May Become a "Premium" Utility
101. SRE – Cat Out of the Bag: San Diego Issues ITB, Minimum Fee, Balanced by City's Right to Reject; No Upsets at This Point
102. SRE – San Diego Franchise Deep Dive; Competitive Process? Yes; Benefits to Transfer? No! Downside Risk Appears Minimal
103. POR NDR: Upgrading to BUY on CEO Conversations; Clarity on Wildfires Implies Sound Entry Point
104. ED – Upgrade to NEUTRAL; COVID Bites a Hole in the Big Apple; ED's Return to Normal Limits Downside From Here
105. POR: Where There Is Smoke, There Is Fire, But Not Likely in This Case – Additional Fire Details
106. EVRG: KCC Staff file Report and Recommendation Regarding Evergy's Pre-STP Capital Plan
107. AWK NDR: Thirst Quencher - Top Tier Growth Platform Built to Last
108. EXC: No Pressure, No Diamonds…
109. POR: CAISO's Collateral Damage - Losses Contained, L-T Fundamentals Intact Post Mgmt. Call
110. ES – Downgrading to NEUTRAL on Valuation; Want Offshore Wind Exposure? Try Dominion…
111. EXC: Neutrons Starting to Flow in Springfield; Criticality Still Far from Certain
112. OGE – Anticipated Alignment of Views on ENBL Causes Us to Upgrade; Strategic Optionality Becoming More Apparent
113. PPL: The Long Goodbye – PPL Initiates WPD Sale Process

Key Industry Research

1. ERCOT: PUCT Declines to Reprice Energy Market – Consistent with Our Expectations
2. ERCOT: Lone Star State Remains 'Out of Phase'
3. ERCOT: Who's Exposed? Generator-Owner Data Set
4. ERCOT: Deep Freeze Precipitates Rolling Blackouts in Heartland
5. IL: CEJA Re-emerges; Take with a Grain of Salt - More Iterations to Come
6. '21 Utilities Outlook: Getting Ready for Another Bumpy Ride

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7. Congress Reaches Deal on Stimulus Package and Appropriations; Clean Energy Boosted With Tax Credit Extension
8. ERCOT CDR Preview: More Solar Points to Slightly Looser CDR; Caveats Remain the Same
9. EEI – An EEI Unlike Any Other...
10. Guggenheim EEI Takeaways - Day One
11. Guggenheim EEI Takeaways - Day Two
12. Guggenheim EEI Takeaways - Day Three
13. Li-Ion the End-All-Be-All Battery Storage Solution? Not in Our Book – Zinc-Based Battery Presents Compelling Alternative
14. Ohio Policy Call Part Two – Federal and Political, Not State and Regulatory
15. Ohio Policy Call Part One – Investigation Churns On
16. Guggenheim Call Series: Power Gen Economics Expert Confirms Robust Solar/Wind Demand as Tech Moves to Parity with Fossil
17. FERC - Life's Absolutes: Death, Taxes, and Transmission ROE Complaints
18. 2020 LCOE Update – Nothing Is Constant but Change: Renewable Economics Point to Persistent Disruptions
19. FERC: Commission Revisits Base ROE Methodology, Boosts MISO Allowed
20. ERCOT: Another CDR to Take with a Grain of Salt
21. PJM: Proposed Auction Timeline Features State Policy Accommodation
22. FERC ROE Policy Call: Different Commissioner, Similar Expectations
23. FERC ROEs: Former Commissioner Policy Call Points to No Easy Answers
24. Illinois Policy Call: Too Clean to Drain the Swamp? Will Springfield Lawmakers Reach Criticality? Still Too Early to Say…
25. PJM: As Fluid as It Gets - Expert Call Highlights Still-Challenging Auction Dynamics

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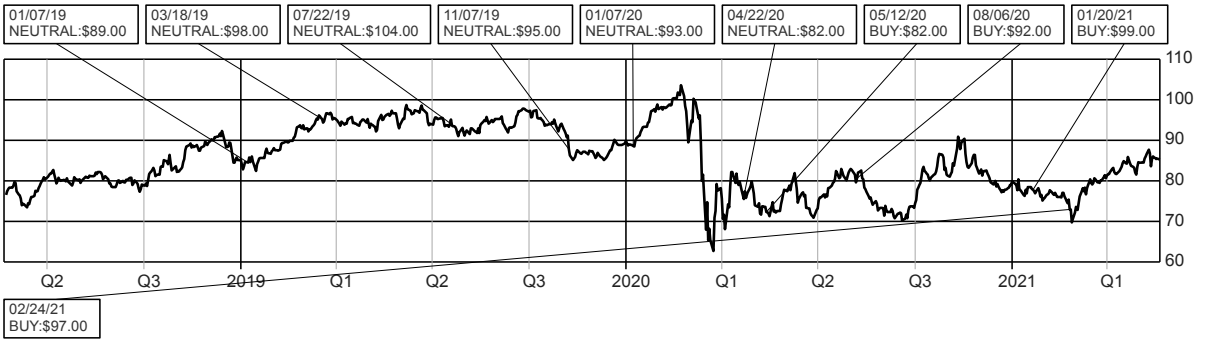

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POWER, UTILITIES & ALTERNATIVE ENERGY

May 21, 2021

Rating and Price Target History for: Portland General Electric Company (POR) as of 05-20-2021

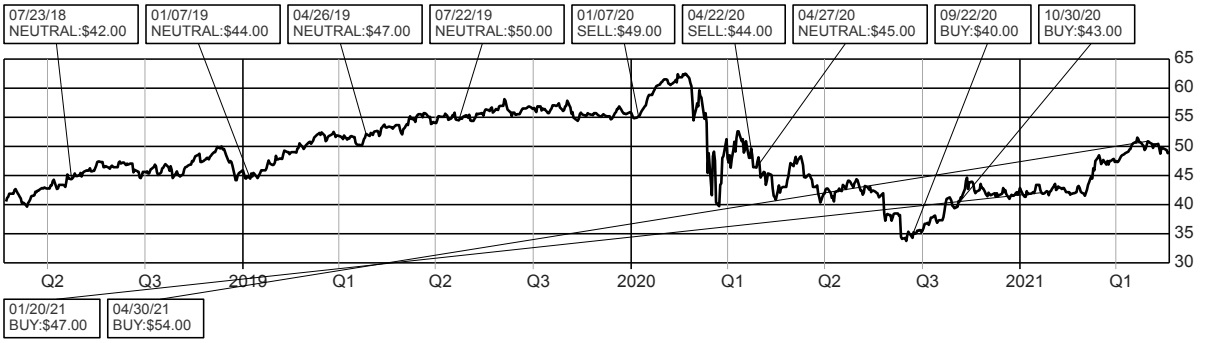

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UBS

Global Research | 23 May 2021

Gas Distribution

AGA Conference Takeaways

Equities

Americas

Gas Utilities

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Key Takeaways

Last week, we hosted several virtual meetings with management teams of covered gas utilities (ATO, CNP, NI, NWN, OGS, SR, SWX and UGI) and investors. Main topics included the post pandemic recovery, M&A, decarbonization of gas systems (RNG, hydrogen, etc), securitization bills post the Winter Storm Uri, equity needs, and cybersecurity. Multiple management teams flagged that several states have passed the Energy Choice bills which should stop the bans on natural gas in new construction. Investor sentiment towards gas utilities has improved this year driven by four factors, 1) Winter Storm Uri showed the importance of natural gas during the peak heating demand, 2) the impact from the pandemic was lower than expected, 3) potential for system decarbonization with RNG and hydrogen, and 4) high valuations for CNP's LDCs in Oklahoma and Arkansas.

Near Term Catalysts & Regulatory Updates to Watch

CNP's management plans to provide a long-term capex update (up to 10 years) later this year as well as announce its ESG Strategy. CNP also noted it does not intend to be a long term holder of ET units post ENBL transaction close. The securitization bill in TX will likely be passed into law later this year with potential proceeds from securitization bonds in early calendar 2022 and it could be a positive catalyst for ATO, CNP and OGS. SWX plans to file the adjustment for VSP and COYL in AZ by the end of May, with an estimated requested rate increase of $74MM. There is a potential that the recovery will be split over 3 years. OGS will file a general rate case in OK by June 30th based on 2020 test year and in OK, typically the process takes 180 days so the new rates will likely be effective in January 2022. NI announced RFP in Indiana and we will continue to monitor the process. On the Penn East project, UGI said that it waits for a decision from the Supreme Court in late June which will be very important and not just for this project.

Hydrogen & RNG

In every meeting management teams discussed the potential for future investments in RNG or hydrogen. Many noted that RNG is a near term opportunity but some also added slides to provide more colour on hydrogen (for example OGS). OGS established two hydrogen working groups and is a stakeholder in the U.S. Department of Energy's funded project "Demonstration and Framework for H2@scale in Texas and Beyond." CNP said that in Minnesota, they see an opportunity to incorporate hydrogen and renewable supplies into their portfolio. Management will look to expand its hydrogen pilot/demonstration from Minnesota to Indiana and Texas. In its RFP in Indiana, NI's management plans to look at different storage options, including hydrogen. On its hydrogen pilot project, NWN's management noted that it plans to provide next steps by the end of the year. UGI said that hydrogen is the main topic at a federal level; however, noted that today it is too expensive, but it can shift very quickly with supportive regulations.

Cybersecurity

Multiple management teams discussed cybersecurity post the recent hack on the Colonial Pipeline. OGS' management noted that they don't feel they share any vulnerabilities the Colonial pipeline attack seemed to highlight. NWN highlighted that AGA has been spending a lot of time on cyber issues and notably NWN could run their system manually if needed.

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COMPANY SPECIFIC HIGHLIGHTS

ATO - Management said they are very pleased with their asset base and will not look to sell any LDCs. ATO will continue to use ATM to finance its equity needs. The company will finish cast iron pipeline replacement by the end of the year, but ATO noted that the way their mechanisms work are not specific to any material type and they use their risk modeling assessment to determine which pipelines to replace. Management sees a long runway of pipeline replacement capex ahead. On the energy transition, ATO said that they work with the regulators to put appropriate tariffs in place for RNG, don't see themselves investing on the other side of the meter. With the system modernization, ATO said it will be able to accommodate future hydrogen blending. Management expects the securitization bill in TX to be passed later this year with potential proceeds from securitization bonds in early calendar 2022 which would take the impact of higher cost of gas from ATO's balance sheet.

CNP - Management plans to provide a long term capex update (up to 10 years) later this year. Last week, CNP's management team went to Austin to meet with new regulators and noted the tone of the discussion was positive and very constructive. Management plans to reduce its midstream stake as soon as possible. It will likely take 2-3 months to register new units post closing of the transaction with ET and then likely a quarter to meaningfully reduce the positon. Later this year, CNP will provide more colour on how it can reduce its effective tax rate on a sale of ET units. Once CNP reduces its stake in ET, it will enhance its credit profile as they will no longer have non-regulated exposure which should reduce the FFO/debt downgrade threshold and provide management with more cushion. In Minnesota, CNP sees an opportunity to incorporate hydrogen and renewable supplies into their portfolio (based on the proposed Clean Energy Hydrogen Innovation Act). Management will look to expand its hydrogen pilot/demonstration from Minnesota to Indiana and Texas. With all the future investments, CNP will be primarily focused on regulated growth. Management is currently happy with CNP's footprint but if they have the opportunity to deploy incremental capital for customers, they could consider selling 1 or 2 gas LDCs to fund growth. Incremental opportunities in Texas could include battery storage and transmission investments (longer lead time of up to 3 years).

NI - Most of the discussion was focused on RFP in Indiana and management said they are open minded as they start the process. On May 20th, NI announced it opened three requests for proposals (RFPs): one for wind (& wind plus storage), one for solar (& solar plus storage) and one for thermal, stand-alone storage, emerging technologies, and other capacity. Management plans to look at different storage options, including hydrogen. Management noted that its operations are in constructive jurisdictions and that Indiana has just passed the bill preventing cities from being able to ban any fuel (e.g. natural gas ban). Earlier this year, NI filed a general rate case in PA and going forward plans to file rate cases on an annual basis. Management monitors the proposed changes to the tax code and noted that current NOLs go through 2026. Despite the inflation NI continues to expect flat O&M beyond 2021.

NWN - Total capex related to RNG is roughly $200MM-$250MM and only $38MM is currently included in the plan so there is capex upside potential. On the hydrogen project, management noted that it plans to provide next steps by the end of the year. Earlier this year, in Washington state cap-and-trade law was passed and it would require gas utilities and other industries to reduce emissions or pay the carbon price; however, utilities will receive a declining number of free allowances, in order to avoid bidding in the auctions. NWN's CEO is Chairman of AGA's Board of Directors and noted AGA has been in discussion with the Biden administration and that they are very keen on hydrogen and pipeline replacement. On cybersecurity, NWN also noted that AGA likely is spending way more money than they would like to on cyber issues and NWN noted that they can run their system manually if needed.

OGS - The company will file a general rate case in OK by June 30th based on 2020 test year and in OK typically the process takes 180 days so the new rates will likely be effective in January 2022. The rate case will be a separate docket from securitization proceedings so management doesn't expect the impact from higher cost of gas on approval of future rates based on the rate case. Additionally, management doesn't plan to change its long term capex program. Management discussed the securitization bills in

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different states and we will monitor how credit rating agencies will treat the securitization bonds issues by OGS in KS as there may be some differences in treatment between agencies. On RNG, OGS will only focus on regulated investments and could invest capital to bring RNG on its system and blend into gas stream. OGS added a new slide on hydrogen to its presentation, but noted the much longer runway for hydrogen investments. OGS established two hydrogen working groups and is a stakeholder in the U.S. Department of Energy funded project "Demonstration and Framework for H2@scale in Texas and Beyond." On cybersecurity, management noted that they don't feel they share any vulnerabilities the Colonial pipeline attack seemed to highlight.

SWX - Management plans to file the adjustment for VSP and COYL in AZ by the end of May, with estimated requested rate increase of $74MM. There is a potential that the recovery will be split over 3 years. The filing will use the currently authorized ROE and capital structure and the process should take 5-6 months. On cybersecurity, management noted they are working with outside experts, share peer practices and reviews with AGA. SWX added 37,000 new customers in 2020 which is a near time record and customer growth remains strong as people migrate to NV and AZ. SWX plans to continue to use ATM for its equity needs with annual capex around $700MM. Management noted that is customers are looking at options to decarbonize their businesses, including RNG or full hydrogen systems. Growth at Centuri remains strong, but they expect slower growth YOY due to the benefit from emergency work in 2020.

SR - On Missouri rate case, management noted that the rate increase recommended by staff was based on 9.37% ROE and 54.25% equity to capital structure which they view as a positive. Per SNL, total recommended rate increase was $65MM vs requested $111.5MM and typically the final outcome is above the staff recommendations. New rates are expected to go into effect in November. Management noted that during the pandemic and the Winter Storm Uri they worked closely with the Commission which gives them good momentum as they head into this rate case. On energy transition and carbon neutrality by 2050, management noted that the most important driver of lower emissions is pipeline replacement and the rest will be bridged with RNG, hydrogen and other offsets. In Missouri, a new legislation has been just passed (soon should be signed into law) which will allow gas utilities to bring RNG into supply and it provides a rider for immediate recognition. After the Winter Storm Uri, management looks at further diversifying the supply for its gas utilities with potential interconnections on the West side as well as storage. Spire has a history of being an acquirer but its current plan doesn't include any M&A and it doesn't require acquisitions for solid earnings growth.

UGI - Management noted that the recent hybrid equity offering of roughly $200MM was the last piece of the puzzle to finance the Mountaineer Gas transaction and it will only modestly impact the income statement for the next three years as they will not see the dilution until the units convert to common shares. The closing of the acquisition is expected around the end of the fiscal year and they don't see any barriers to complete the transaction. Management expects the LPG business will provide cash to fund the future growth gas utility capex for pipeline replacement. Management spent a lot of time discussing its recent renewable investments, including RNG, bio-LPG and rDME. All these products can use the existing distribution systems that UGI operates which improves project returns and helps decarbonize its system. On a strong 1H21 and guidance revision, management noted that in a normal year UGI earns 110%-115% of earnings in FY1H and reports a loss of 10-15% in FY2H. On hydrogen, UGI noted that it's the main topic at a federal level and that today it is too expensive, but it can shift very quickly with supportive regulations. On the Penn East project, management waits for a decision from the Supreme Court in late June which will be very important and not just for this project. Management continues to look at attractive M&A opportunities.

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Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. We use SOTP of P/E multiples for Regulated Assets and EV/EBITDA for non-regulated assets to calculate our price targets.

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Buy	FSR is > 6% above the MRA.	52%	31%
Neutral	FSR is between -6% and 6% of the MRA.	36%	28%
Sell	FSR is > 6% below the MRA.	12%	22%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2021.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
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Company Name	Reuters	12-month rating	Price	Price date
Atmos Energy Corp[16]	ATO.N	Buy	US$98.18	21 May 2021
CenterPoint Energy Inc[16,20]	CNP.N	Neutral (CBE)	US$24.71	21 May 2021
NW Natural[16]	NWN.N	Neutral	US$53.07	21 May 2021
NiSource Inc.[13,16]	NI.N	Buy	US$25.42	21 May 2021
ONE Gas Inc[16]	OGS.N	Neutral	US$74.01	21 May 2021
Southwest Gas Holdings[16]	SWX.N	Buy	US$66.25	21 May 2021
Spire Inc[16]	SR.N	Buy	US$72.74	21 May 2021
UGI Corp[16,20]	UGI.N	Buy (CBE)	US$44.54	21 May 2021

Source: UBS. All prices as of local market close.
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Industry Update — May 20, 2021

Utilities

Virtual AGA Financial Forum Takeaways

Our Call

On 5/19 & 5/20, we met with 25 utility companies at the 2021 AGA Virtual Financial Forum. The tone of the meetings was much different than last year's conference as COVID impacts have proven manageable and anti-gas concerns have abated, at least to a large degree. Further, the heavy capex cycle continues with support for infrastructure investment across the board (resiliency, de-carbonization, growth, etc.). Please see the body of the note for company-specific takeaways.

What A Difference A Year Makes. We sensed a clear shift from defense to offense in comparing the 2020 AGA Financial Forum to this year's conference. Gas utilities appear to be on much more solid footing as (1) winter storm Uri highlighted the value of the gas distribution system, (2) CNP's LDC sale delivered a bullish valuation marker and confirmed private equity interest, (3) gas emission strategies are advancing with growing momentum for RNG and hydrogen, and (4) it's been a good year for energy choice legislation.

System Redundancy/Supply Diversity. The February cold snap has elevated discussions around investment opportunities to improve system resiliency, which could include LNG projects along with pipeline and storage investments. While mgmt. teams were not necessarily touting meaningful upside to near-term capex plans, there's no shortage of investment opportunities.

Federal Legislation. Utility executives remain somewhat reserved as legislative proposals are fluid, with most of the attention on potential changes to clean energy tax credits (direct pay credits would be bullish) and changes to the corporate tax rate. Front-runners appear to be broader ITC eligibility for battery storage and support for hydrogen. We did not sense as much momentum for RNG tax credits though substantially all of the gas utilities are exploring and/or pursuing opportunities.

Capital Recycling? Investors were keen to get mgmt. teams' reactions to the CNP LDC sale price and, more so, whether the nearly 2.5X rate base multiple has Boards reevaluating their own gas utility assets. While we sensed a general openness toward divestitures among some of the mid/large cap companies, it was more characterized as a good option to have at some point in the future.

Rate Cases Still Sensitive. While executives are seeing a lot of support for infrastructure investment, we still sensed a heightened sensitivity to seeking base rate increases in light of lingering customer hardships tied to COVID. Companies with notable rate case activity this year include the following: AEE (MO), AQN (MO), BKH (CO/IA/KS), D (SC/VA), NI (KY/OH/PA/MD), NJR (NJ), OGS (OK), SR (MO), WTRG (PA) and XEL (CO).

Inflation Arises as Potential Concern. Investors pushed companies on inflationary pressures on operating expenses and, perhaps more so, capital costs (particularly on renewable projects). The near-term risk seems manageable as many costs are already locked-in but could prove problematic longer-term, particularly in terms of capex budgets and the upward pressure on rates, if inflation does not prove to be transitory. Further, more ROEs could be pegged to long-term interest rates - DUK was able to do this in FL and XEL will likely consider it in the upcoming NSP MN rate filing.

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Algonquin Power & Utilities Corp. (AQN/Equal Weight/$15.48) (Kalton)

Per usual, lots going on at AQN. Mgmt. expressed strong confidence in achieving the 5-yr 8-10% EPS CAGR target noting that the underlying $9.4B of capital investment that supports the growth is front-end loaded (quite a bit locked in). Regulated utility M&A remains an important growth lever although it sounds like the company is currently standing down from the natural gas LDC market owing to a bias towards cleaner energy (ESG). Conversely, AQN will entertain acquiring electric utilities that own fossil fuels if mgmt. perceives there to be a viable path towards "greening the fleet" (mgmt. pointed to the Empire District Electric acquisition as a successful example of this strategy).

Switching to contracted renewables, AQN acknowledged that competition is intensifying driven, in part, by increasing oil major activity. This is particularly true on the asset acquisition front. As a result, AQN has pivoted to a primarily greenfield development strategy (AQN's pipeline is 3.4 GW) vs. a prior strategy that also included project acquisitions. Mgmt. believes experience and skill matter and pointed out that there could be opportunities to bring new entrants in as partners on various projects —the company pointed to the existing Chevron relationship as one example of this.

Ameren Corp. (AEE/Overweight/$84.50) (Kalton)

Transmission was front and center in our meeting. First, while Ameren Missouri's IRP is still pending, we continue to think there is a fair amount of smoke around the Grain Belt Express (GBE). It is our understanding that Invenergy is bidding the $2.5B GBE into the IRP (the project would wheel high capacity factor KS-located wind into MO and points east). Proposed legislation that would have eliminated GBE's ability to use eminent domain did not pass in '21 (the bill stalled in the MO senate once again). AEE indicated that state support could continue to grow should MO-based utilities become involved in the project. We continue to think that the IRP could result in BOT transfer agreements for KS wind + an equity ownership stake in GBE. That being said, we will just have to wait and see as other renewable options could prove to be better.

As for MISO, while the longer-term transmission investment opportunities appear to be enormous, we pressed mgmt. a bit on the competitive process considering AEE does not have a ROFR in MO or IL. Mgmt. noted that the ROFR only applies to new transmission lines; pointing out that some of the solutions could involve expanding capacity on existing rights of way (preferable from a siting/permitting standpoint). Separately, not much new to report on IL legislation (AEE is pushing for continuation of rider recovery plus a change in the formulaic ROE construct for the electric operations). Lastly, recent MO securitization legislation is viewed as a positive development that will provide AEE more flexibility going forward as the company assesses the planned exit from coal—but we do not anticipate any nearer-term implications.

Atmos Energy Corporation (ATO/Overweight)/$98.32) (Akers)

With the TX legislative session set to wrap up at the end of May, we did not sense a lot of consternation regarding the fate of the securitization bill. The Senate version allows a little more time for the Finance Authority to issue the bonds (so a small reconciliation would be necessary), but mgmt. continues to believe there's a lot of support. Assuming passage and timely execution, proceeds could be in hand in early calendar 2022. Beyond securitization, the storm highlighted the value of the company's robust infrastructure investment program and mgmt. expects to see continued support for investments (though likely not material upside from current spending levels). Outside of February storm items, it was the same ATO story characterized by strong rate base growth with a long capex runway, external equity needs targeted via the ATM, and above-average customer growth, particularly in the DFW metroplex. Like many peers, the company is also actively pursuing RNG projects, which would be procured on behalf of customers under the regulated model (mgmt. noted landfills as being a good opportunity for the service territory).

Avangrid, Inc. (AGR/Overweight/$52.29) (Kalton)

Mgmt. expressed optimism across the board siting the recent TX approval of the pending PNM acquisition, substantial progress on the Vineyard Wind 1 offshore wind project, ongoing development of NECEC and the completion of the $4B equity offering (mostly associated with PNM). Mgmt. did not appear to be surprised by the NM Hearing Examiner's comments on the PNM deal including criticism related to performance issues/penalties in several of AGR's northeast utilities. AGR chalked it up, in part, to differences in regulatory "nomenclature" in the various jurisdictions that can be successfully

addressed. AGR touted the strong support underlying the contested settlement in NM including from the Governor and Attorney General.

Shifting to offshore wind, AGR indicated that steel costs represent <10% of total project cost and that the pending Park City wind project is exposed to inflationary pressures until FID. That being said, mgmt. remains comfortable with the return profile pointing to embedded contingencies along with positive factors such as a higher than expected ITC and ongoing technology improvements. Long-term, AGR wants to be a major player in the U.S. offshore wind market and is likely to participate in future seabed lease auctions, including the New York Bight. While acknowledging growing competition from the oil majors, we got the sense that, in totality, mgmt. views recent European offshore wind auctions as still being supportive of reasonable returns.

Black Hills Corp. (BKH/Equal Weight/$66.21) (Akers)

Mgmt. expressed confidence in the $600mm annual capex target, which already contemplates some level of upside projects. While there is good line-of-sight on the gas side, the electric generation investment outlook is subject to the upcoming IRP (early July) and subsequent RFP/CPCN processes. Our understanding is that the base plan contemplates running the coal plants through their engineered lives (WY & SD are coal-friendly), but that the IRP will include an option that complies with the Biden plan (retire by 2035). Beyond discrete projects, BKH discussed strong customer growth across the service territory with a recent uptick tied to urban flight (particularly Rapid City, CO, northwest AR).

Shifting to thewinter storms, we discussed the ~$560mm regulatory asset tied to commodity purchases, which the company intends to recover over a 3-5 year horizon on the gas side and 1-2 years for electric power costs; in the meantime, mgmt. does not expect rating agencies to penalize BKH for the debt (and once recovery kicks in, FFO/Debt metrics rebound). On the non-utility side, mgmt. noted that losses at Energy Services (gas marketing) were an anomaly tied to the extreme gas prices as that business is highly hedged. Lastly, the weather event provides further support for the company's robust gas infrastructure investment program.

CenterPoint Energy, Inc. (CNP/Overweight/$24.70) (Akers)

Our meeting with CNP was one of our most constructive discussions at AGA. The company remains highly focused on consistency while also discussing positive developments since the 6-8% growth plan was initiated in December. These include a better-than-expected LDC sale price and a material move up in ET's unit price (+47% since mid-February vs. S&P 500 6%). Further, the company is exploring tax strategies to offset midstream tax leakage and the TX legislature is considering bills that could drive incremental investment opportunities tied to battery storage and economic transmission projects. In the near term, we expect mgmt. will continue to drive to the mid-point of the 6-8% range, though there could be some positive movement should the aforementioned items fully play out. At the very least, we sensed a high degree of confidence in the plan.

We also discussed the strategic landscape. Mgmt. is happy with the pro-forma 60/40 electric/gas split noting that the company's LDC service territories are very constructive. That said, the AR/OK takeout price was compelling and the company characterized future LDC sales as a good option to have.

Chesapeake Utilities Corporation (CPK/Underweight/$116.82) (Akers)

For a small company, CPK has a lot going on, but there is a common theme…growth! Starting with the regulated segment, the company highlighted the FL GRIP and ESNG capital cost surcharge as examples of constructive regulatory treatment for steady investment needs as the Delmarva/FL service territory experiences well above-average growth, which have only been accelerated by market dynamics over the past 6-12 months. While cognizant of high level anti-gas sentiment and potential hurdles at the FERC for large expansion projects, the company is seeing extremely strong support in FL along with local support for service expansions in the Delmarva footprint. The growth opportunities do not stop at the regulated segment as Marlin Gas, the propane/Autogas businesses and Aspire also have a lot of momentum, which includes acquisitions.

We spent a lot of time discussing RNG as CPK is an early mover in that space, which mgmt. attributes, in part, to a local need for Delmarva to deal with the environmental problem tied to the poultry industry. The company discussed a holistic approach to RNG with an emphasis on driving environmental benefits at the source level such that RNG is somewhat of a byproduct (along with

organic fertilizer in the case of poultry facilities as we learned). The third driver of the company's involvement in RNG projects is a tie to CPK's infrastructure, which could include Marlin and/or the pipeline/distribution systems. CPK pegged new RNG investment opportunities in the $50-75mm range, which may not fully capture equity options in CleanBay; for context, the 2021 capex forecast is $175-200mm. On that point, the team is open to a wide variety of ownership structures, but emphasized a disciplined approach (target returns, earnings accretive, geographic proximity, etc.).

CMS Energy Corporation (CMS/Overweight/$63.74) (Kalton)

A typically solid update from CMS. Given limited near-term concerns/issues our discussion touched on some of the longer-term considerations around de-carbonization as it relates to CMS's generation fleet; specifically how to maintain reliability. Hydrogen and carbon capture and sequestration (CCS) were both offered as potential options for the natural gas plants (no CCS for coal) but mgmt. correctly noted that they have plenty of time to figure out the 2035 and beyond resource plan. In the nearer term, mgmt. noted that a potential solar PTC could have positive implications for CMS, but more around customer bill savings vs. investment opportunities. CMS does not anticipate deviating much from the anticipated regulated solar mix of 50/50 self-ownership vs. PPA. Last, CMS's financing plan contemplates up to $250mm of new equity annually. In the event of a federal corporate tax rate increase, which could improve the FFO/Debt ratio by 50-100 bp (assuming a 25-28% rate), mgmt. would not rule out simply maintaining the annual equity guidance. All told, a very solid story and a highly visible path toward the 7% annual EPS CAGR through at least '25.

Consolidated Edison, Inc. (ED/Equal Weight/$78.42) (Akers)

We walked away from our ED meeting with a greater understanding of the assumptions in the EPS guidance and growth outlook. The company has filed for a surcharge to recover lost fees as a result of the COVID-related moratorium. Should the NYPSC grant the company's request this year, it is our understanding that $50mm of lost fees from 2020 would drive recovery of $52mm, or an estimated $0.12 of EPS, and up to ~$70mm, or $0.15, in 2021. However, the 2021 EPS guidance range of $4.15-4.35 already contemplates a range of outcomes on the timing and treatment of lost fees. As such, we'd expect any success on this front to drive EPS toward the upper end of the range. The company is requesting a decision in September, but the timeline and outcome remain question marks; favorably, mgmt. believes the Staff is at least open to considering the proposal. If the filing is denied and the moratorium on fees extends throughout 2021, then we expect EPS would fall near the lower end of the guidance range, all else equal. In that scenario—and assuming fees resume in 2022—we'd expect an outsized increase in 2022 EPS, which would become the base year for the CAGR (currently 4-6% but 3-5% prior to COVID-related EPS impacts). Separately, the EPS, financing and growth guidance also contemplates a range of outcomes on the Stagecoach strategic review—our main takeaway there is that we should not think of potential sale proceeds as being a one-for-one offset to stated equity needs.

The other main topic of conversation was the various growth avenues tied to NY's de-carbonization goals. ED continues to advocate for utility-ownership of renewables though it remains an uphill battle. The company is well-positioned to participate on the T&D side and mgmt. expects more transmission solicitations to come with the Long Island opportunity shaping up near-term (technical conferences followed by an RFP for solutions). Smaller opportunities exist tied to EV infrastructure ($350mm committed with future investments subject to market forces) and storage.

Dominion Energy Inc. (D/Overweight/$77.24) (Akers)

Mgmt. continues to highlight the company's clean energy growth story and the importance of executing on both the financial plan and the investment pipeline (offshore wind, solar program, etc.). Thus far, everything remains on track and potential federal legislation aligns well with the company's priorities. On the regulatory front, mgmt. expects the triennial review to be a robust process that could have a wide bid-ask spread with potential differences arising on the allowed ROE and treatment of fossil retirement expenses, among other items. As a reminder, consistent with past practice, D is requesting period expensing of fossil retirements. While the commission denied such treatment for AEP, D noted that the specific facts and circumstances are unique. More broadly, the company is encouraged by the recent clean energy approvals in VA including substantial solar additions. Shifting to SC, no change from the Q1 update on the rate case—the company believes parties are motivated to settle, but nothing concrete yet. And on the IRP, a final determination is expected on 6/18 with any generation resource needs likely sequencing in the back half of the decade. Lastly, on the LDC side,

mgmt. views the gas utilities as part of the overall de-carbonization story and continues to like the growth profile.

We also discussed the lingering sale process on the remaining ~20% of the gas transmission/storage assets, which includes Questar Pipeline Group. The FTC approval process has proven challenging, which could result in a need to shift to a different buyer. As a reminder, proceeds have been received and the larger slug of assets has already traded hands.

Duke Energy Corporation (DUK/Equal Weight/$102.27) (Kalton)

Mgmt. articulated their argument as to why Elliott Management's "shrink the company" proposal is not in the best interests of shareholders or customers—namely, balance sheet considerations. DUK believes that in order to maintain the desired BBB/Baa2 credit ratings the newly spun-off entities (Carolinas, Florida & Midwest) would need to increase the FFO/Debt ratings at the new entities by 100-200 bp each; requiring ~$6.5B of new equity to eliminate holding company debt (8% dilution). In addition, mgmt. believes there would be dis-synergies related to IT, cyber and back-office functions that could materially impact the value of the proposal. Notably, mgmt. believes NC would be able to assert regulatory jurisdiction over the spins. We are unclear what the next steps are in the process. Mgmt. and the Board have made it clear that they are not amenable to a strategic review or granting Board seats to Elliott.

Mgmt. remains optimistic about the prospects for NC energy legislation (our sense is the Elliott proposal could be helpful in a "circle the wagons" kind of way). As a reminder, the key components are (1) the pace of coal unit retirements, (2) ownership of replacement generation (DUK vs. independent developers) and (3) the regulatory construct (rider mechanisms, etc.). The legislative outcome will shape the pending IRP process in the Carolinas (natural gas generation vs. solar/battery storage vs. offshore). Lastly, offshore wind. DUK continues to take a deliberate approach to offshore with the high cost to customers being the stumbling block (offshore wind plus long haul transmission to the load centers). That being said, our sense is that mgmt. is warming up to offshore (perhaps taking their cues from growing state interest) and has, not surprisingly, engaged in discussions with AGR (owns the Kitty Hawk lease area) and other European developers around potential future partnerships to pursue likely new lease areas off the coast of NC.

Essential Utilities (WTRG/Overweight/$46.86) (Reeder)

We considered the tone of our WTRG meeting to be upbeat. Mgmt reiterated confidence in (1) the longer-term sustainability of the 5-7% growth rate, (2) the constructiveness of the PA regulatory environment, (3) getting the DELCORA deal closed and (4) the M&A pipeline continuing to bear fruit.

The PaPUC is scheduled to take up WTRG's appeal of the ALJ's 4/16 stay of the DELCORA approval proceeding next week (5/26). Mgmt believes commissioners may be willing to act prior to the appeals court process playing out in Delaware County's challenge of the validity of the sale agreement—though deal approval may be contingent on appellate success. In addition, the PaPUC may have a full 5-person slate of commissioners in the not too distant future. The vacancy plus Commissioner Sweet's recently expired term may be on the cusp of being filled in a brokered deal between Gov. Wolf and the senate. The two names that have been floated have good backgrounds which mgmt believes would bode well for the continuation of PA's historically constructive regulatory environment, including the ultimate outcome of WTRG's planned water/wastewater rate case filing in the state later this summer.

Finally, at the federal level, mgmt reiterated that whatever sort of stimulus dollars might ultimately be directed towards water/wastewater, it is not expected to meaningfully impact the growing municipal M&A opportunities. But if the corporate tax rate is increased, it would increase the PA repair tax deduction benefit which could flow to WTRG's bottom line until trued up as part of the next rate case.

Eversource Energy (ES/Overweight/$83.76) (Kalton)

Coming on the heels of the recent (and surprising) CT PURA decision to impose an indefinite 90 bps ROE penalty on CL&P, we spent a fair amount of time discussing ES's CT regulatory strategy going forward. Options could include an appeal and ultimately legal recourse. That being said, mgmt. is treading carefully with the top priority simply being improving the public perception of CL&P. To that end, new CEO Joe Nolan characterized his ongoing outreach, including with Gov. Lamont, as constructive. We will have to wait and see how this ultimately plays out, but it is possible that ES will work to improve the regulatory construct over time vs. opting for a more contentious path (appeal/legal strategy). In the near-term, it would be helpful if PURA provided criteria as to how CL&P

could earn its way out of the ROE penalty—perhaps a possibility is when the ROE penalty is formally imposed in an upcoming proceeding?

Switching to offshore wind, ES does not appear to be interested in the upcoming seabed lease area auction for portions of the New York Bight; characterizing the area as challenging from a development standpoint (the offshore and onshore components). Mgmt. remains highly content with the company's 2,000 MW lease area (~45% secured under contract) and strongly believes offshore wind demand in the Northeast will outstrip supply for the foreseeable future. The implication – ES and project partner Ørsted will remain disciplined in their bidding approach.

New Jersey Resources Corp. (NJR/Equal Weight/$42.49) (Akers)

NJR remains highly focused on the utility and CEV businesses with attractive growth plan at both. Starting with CEV, expansion outside of NJ is going well and potential federal legislation in support of solar (further extension of tax credits, direct pay scheme, etc.) could be beneficial. Of note, if tax credits sitting on the balance sheet become eligible for cash refunds—which mgmt. is not necessarily expecting – then the company could be looking at a $190mm cash influx/acceleration. On the state level, NJR is engaged in the next iteration of SREC pricing—the straw proposal includes a meaningful haircut (net metered projects $85/MWh) and a reset after 3 years, but mgmt. views this as a starting point in a long process.

At NJNG, the company forecasts double-digit rate base and sees legislative (NJ bill voted out of committee) and regulatory avenues for RNG and hydrogen initiatives. Also top of mind is the pending rate increase—while the proposed ~25% increase is likely to face scrutiny, we expect the NJ BPU will continue to be supportive with a reasonable rate increase, equity ratio and ROE (recent LDC outcomes of ~54%/9.6%). Lastly, we sensed some openness to tightening the 6-10% EPS CAGR target, particularly as the company gets greater line of sight on the timing and outcome of rate case resolution, which could come later this year.

NiSource Inc. (NI/Overweight/$25.32) (Akers)

Coming off a challenging few years, mgmt. struck an optimistic tone as the company embraces the execution story ahead. While the 10-12% rate base CAGR is elevated by the current round of renewable projects, the core gas utility growth of 10%+ has a long runway and there could be a second wave of electric generation investments tied to the next IRP. While the absolute resource needs will likely be lower this time around (Michigan City retirement is roughly one-third the size of Shafer), we suspect the mix of contracted/owned generation could favor the rate base model for the next round of projects, which include capacity/peaking needs. With the financing plan de-risked and a strong start to Q1, we are increasingly confident in the outlook and look for positive multiple re-rating as NI rebuilds the track record.

In terms of capital recycling opportunities, we didn't get the sense that potential divestitures are ripe, but mgmt. noted that they are not off the table. Any sale would need to beat the organic plan and/or de-risk the business; that said, the company is currently seeing a lot of support for natural gas across their jurisdictions with energy choice legislation being implemented in IN and considered in KY, OH & PA (that leaves MD and VA).

Northwest Natural Holding Co. (NWN/Equal Weight/$53.64) (Akers)

Our meeting with NWN further highlighted that the company is at the forefront of all things RNG and hydrogen. While these opportunities are not necessarily driving large investment dollars in the near term, that could change over the next decade. The company is pursuing these opportunities under the regulated umbrella with RNG offering more near-term opportunities, but high hopes for hydrogen over the long term—on that note, the company senses a lot of support for hydrogen from the Biden administration. Mgmt. outlined a few different use cases for hydrogen, including a general system blend likely up to ~20%, dedicated hydrogen for industrial processes and new communities and "methanated" hydrogen in which carbon dioxide is added to the power-to-gas process in creating green hydrogen with the end product being compatible with the pipe system (no blend limit). Lastly, mgmt. highlighted the opportunity to use existing gas storage—such as the Mist facility—for both methanated hydrogen and RNG.

Mgmt. expressed optimism regarding investment opportunities at the core utility operations, but continues to expect a 3-5% EPS CAGR with potential upside tied to a ramp of the water acquisition strategy. Activity slowed during COVID, but conversations are picking up and the company remains focused on achieving scale.

NorthWestern Corp. (NWE/Overweight/$63.31) (Reeder)

MT generation was at the forefront of our AGA discussion. Mgmt believes key constituents, aided by recent events that have changed the narrative around relying on power markets, are supportive of NWE's plan to address MT's capacity shortage. This bodes well as NWE seeks MPSC pre-approval of the Laurel gas plant ($250M). Importantly, mgmt indicated Laurel was the key resource in all the scenarios the recent RFP considered and that the plant is scalable beyond the current proposal (could factor into future RFPs). It sounds like the next RFP (launch around YE2021) may be of similar size (around 300 MW?) while a third RFP may be needed to (1) replace the 5-yr 100 MW hydro PPA selected in the recent RFP as well as (2) perhaps address early retirement of Colstrip Unit 4 (NWE's CU4 stake is 222 MW). NWE continues to consider CU4 a critical resource for the region and would like to stave off a premature shutdown later this decade, if possible. That said, NWE would need to be afforded many of the protections that some of the failed Colstrip legislation would have provided if the company is to take on additional ownership. NWE is not actively looking at any Colstrip-related deal.

Two non-generation items of interest. (1) Inflationary pressures—'21 prices are locked in but could impact '22 & '23 if current pressures persist with concerns far greater on the capital deployment side versus operating costs. (2) We believe the key '21 regulatory proceedings in MT (PCCAM baseline reset, further deferral of the electric decoupling pilot effective date and Laurel pre-approval), the challenges of using a '20 test year and pandemic related rate sensitivities add up to the next MT electric rate case likely being filed in '22.

ONE Gas, Inc. (OGS/Overweight/$73.61) (Akers)

Securitization is still top of mind as the company works in tandem with OK and KS to move through the process toward timely issuances. While legislation is still pending in TX, the company believes there is a lot of support for the bill, which awaits action in the state Senate. Aside from gas purchase cost recovery, the storm has bolstered discussions on system resiliency/redundancy opportunities including, for example, LNG investments on the core system or on-site for customers, such as military bases or large industrial customers. The February weather event also served to fortify support for natural gas, particularly from customers—such as critical care facilities—that value reliability.

On the emissions front, OGS is taking a deliberate approach to long-term targets with a goal of articulating an actual plan rather than simply aspirational goals. The company is currently evaluating both the supply (landfill and wastewater treatment facility projects along with farm-based opportunities via the alliance with Vanguard Renewables) and demand (customer driven and, potentially, broader regulatory support) picture with more detailed plans to follow. We view this as being consistent with OGS' conservative and thoughtful approach.

South Jersey Industries, Inc. (SJI/Equal Weight/$25.97) (Akers)

AGA provided a good opportunity to dive deeper into the dynamics behind SJI's recent capex and growth (5-8% EPS CAGR target) refresh. Mgmt. is very bullish on the outlook for both REV LNG, LLC and RNG opportunities, which combine to drive $500mm of the $800mm non-utility spending plan ($3.5B consolidated capex plan '21-25E). The company touted REV's largely fee-based model with exposure to secular growth areas, such as maritime RNG/LNG opportunities and virtual pipeline services. In terms of new RNG investments, mgmt. is comfortable that the low carbon fuel standard (LCFS) market is stable and potentially expanding to additional states; the company is also looking at opportunities to layer in 3-5 year LCFS hedges.

While bullish on the competitive RNG market, mgmt. is also encouraged by activities in the NJ legislature to allow for the rate basing of RNG investments, which would likely shift some dollars to the regulated entity. Sticking with the utility, the company is seeing strong demand for natural gas and good support for gas infrastructure investments. While the SJG supply redundancy project has been held up, the company is confident that a decision will be issued by year-end.

Southwest Gas Corp. (SWX/Equal Weight/$66.97) (Akers)

Mgmt. was upbeat on both the regulated and construction sides of the house. While acknowledging regulatory lag as an issue this year, the company has a strategy to improve the earned ROE via the upcoming $74mm rider catch-up filing in AZ and rate case filing in AZ and NV planned for 2H'21 or early '22. Regarding the rider filing, we were encouraged to hear that the ACC actually advised the company to make such a filing during the last rate case. As such, it may not be as contentious as we previously feared. Separately, the company is seeing signs of a strong economic rebound with further re-opening ahead.

Shifting to construction, SWX highlighted the strong spending trends among utility customers along with an openness to acquire, particularly in the unionized electric segment. This could push construction's mix to above the 30% mark, which seemed to be a consideration but not necessarily a concern. In terms of valuation, mgmt. sees a disconnect between SWX's stock price and the sum-of-the-parts value, but endorsed a patient approach (not looking to fix near-term valuation disconnect with permanent strategic change).

Southern Company (SO/Overweight/$64.06) (Kalton)

We were satisfied by SO's explanation of why Vogtle 3 in-service has officially slipped to Q1'22 (from Dec. '21). It has nothing to do with design flaws or equipment failures. Rather, it turns out the pressurizer was set off by a few inches, and so it was shifting a little askew as the plant was being heated up. There was concern that once HFT reached more normal operating temperatures, it could come in contact with the structure that houses it. In order to access the pressurizer and set it in the precise position to accommodate the expected expansion, SO had to take the temperature down. This is easier done now when the temp was only at about half of full operating temp. The good news is that SO will not have to restart the test but can instead ramp the temp up fairly quickly and continue the test from where they were.

SO expects to start heating Unit 3 back up next week and, including the ramp down and back up, the remediation is expected to add 2-3 weeks onto the "in a perfect world" 6-8 week HFT process. The fix does not require a lot of manpower so it is in no way compromising the efforts to ramp up Unit 4 productivity or the Nov. '22 in-service date. SO continues to stress quality over schedule and believes GA regulators share that mindset even if it would ultimately cause additional slippage into Q2'22. We continue to be of the opinion that additional issues are likely to arise between now and fuel load, but we do not think they will be overly disruptive to the project timeline in the broad scheme of things (weeks vs. quarters).

The balance of our discussion was on SO's gas utilities—after all, it's AGA! SO believes the roughly 10% rate base growth is sustainable for years to come and that gas will continue to play a critical role in the U.S. energy mix for decades more. That said (and in response to our question on recent gas LDC takeout multiples), mgmt would be willing to consider the monetization of various gas assets if for some reason equity was needed down the road.

Spire Inc. (SR/Equal Weight/$72.92) (Akers)

Mgmt. was squarely focused on the organic growth story as acquisitions are not of particular interest at recent LDC takeout multiples. In the near term that includes the MO rate case where initial Staff testimony, which includes adoption of the operating company capital structure, provides a reasonable starting point for negotiations. While still early in the process, mgmt. appeared hopeful that a settlement could be ultimately reached noting a continued focus on regulatory relationships. Outside of the regulatory process, the company discussed the value of redundancy/supply diversity investments including the STL Pipeline with additional opportunities being evaluated for western MO and AL. Lastly, the company discussed opportunities tied to RNG, which could include rate base and commercial options. Within SR's footprint, MO appears to be the most supportive at this stage (legislative and regulatory proposals) though the company is also seeing signs of industrial interest in AL.

WEC Energy Group Inc. (WEC/Overweight/$95.52) (Kalton)

Mgmt. characterized the long-term investment opportunities as being as robust as they can remember. Upside drivers heading into the 5-yr capex refresh, which is rolled out in conjunction with Q3 earnings and the EEI Financial conference, include solar/battery storage (no surprise) and

generation resiliency-type spend (mgmt. indicated that the recent polar vortex is prompting the company to critically evaluate winter generation needs). Separately, WEC indicated that a federal proposal to allow solar developers to opt for a PTC could open up both regulated and non-regulated investment opportunities (to date, solar only qualifies for the ITC). On the regulated side, such a move would remove the tax normalization impediment associated with the ITC and allow regulated utilities to accelerate the flow back of tax credit savings to customers (under the ITC, utilities must flow back the savings over the 25-30 year life of the asset). As for Energy Infrastructure, mgmt. indicated that they have turned down several attractive contracted solar opportunities because the earnings profile did not align with the company's preference (the PTC option would eliminate this concern).

Lastly, we spent several minutes discussing the long-term outlook for the company's newer coal facilities at the Oak Creek site (the 1,400 MW Elm Road Generating Station). Mgmt. views the baseload plant as sitting in a critical position on the grid and believes there is a future for the facility even in a de-carbonized world. Long-term options could include conversion to natural gas (and ultimately hydrogen) or carbon capture and sequestration.

Xcel Energy Inc. (XEL/Equal Weight/$71.58) (Kalton)

Mgmt. expressed confidence in the timeline and stakeholder support for the proposed Colorado Transmission Expansion ($1.7B base spend with $0.5-1.0B upside). Permitting/siting is not expected to be a major issue as most of the project is located in highly rural areas. XEL expects PSCo will rate base a portion of the 5,500 MW of new renewables associated with the project—rough target of 50% ownership and the renewables could begin to phase in as early as the latter years of the '21-25 period (depends on the transmission build). On the rate case front, XEL is prepping for filings in CO (June/July) and MN (late '21). Mgmt. thinks both cases will be relatively straightforward with CO being a one-year filing (currently the preferred course in the state) and MN a three-year plan. While the allowed ROEs are always a key issue, XEL pointed out that the current levels of 9.3% (CO) and 9.2% (MN) are already at or slightly below the national average. Given growing inflationary concerns, XEL could potentially seek to peg the ROE to long-term interest rates.

Last, in response to our question regarding the recent strong multiple CNP received for their OK & AR gas LDCs (2.5X rate base), mgmt. expressed content with the current portfolio of XEL's operating utilities as they believe in the long-term viability and growth prospects for natural gas utilities; particularly in cold climates (XEL owns gas LDCs in CO, WI, MN & ND). That being said, we did not get the sense that there would be meaningful logistical constraints in divesting the gas LDCs should mgmt. and the Board ever decide to pursue such a course.

Acronyms:

ACC – Arizona Corporation Commission

AGA – American Gas Association

ALJ – Administrative Law Judge

ATM – At-the-Market

BPU – Board of Public Utilities

CEV – Clean Energy Ventures

CECONY - Consolidated Edison of New York

CPCN – Certificate of Public Convenience and Necessity

DELCORA – Delaware Country Regional Water Quality Control Authority

ESNG – Eastern Shore Natural Gas

EV - Electric Vehicle

FID – Final Investment Decision

FTC - Federal Trade Commission

GRIP – Gas Reliability Infrastructure Program

HFT – Hot Functional Testing

IRP – Integrated Resource Plan

ITC – Investment Tax Credit

IT – Information Technology

LDC – Local Distribution Company

LNG – Liquefied Natural Gas

MISO – Midcontinent Independent System Operator

MPSC – Montana Public Service Commission

MW – Megawatt

NECEC – New England Clean Energy Connect

NJNG – New Jersey Natural Gas

PaPUC – Pennsylvania Public Utility Commission

PCCAM – Power Cost and Credit Adjustment Mechanism

PPA – Power Purchase Agreement

PSC – Public Service Commission

PTC - Production Tax Credit

PURA - Public Utilities Regulatory Authority

RFP – Request for Proposals

RNG – Renewable Natural Gas

ROFR – Right of First Refusal

SJG – South Jersey Gas

SREC – Solar Renewable Energy Certificate

T&D - Transmission & Distribution

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May 20, 2021

UTILITIES & POWER

AGA conference takeaways; gas LDCs here to stay

The bans on bans exceed the bans; no whiff of inflation
We hosted virtual meetings with 14 utilities as part of the American Gas Association (AGA) this week. Companies had a more constructive tone on the future of their gas utilities. More states are pursuing bans on gas bans than gas bans themselves. Managements better clarified the drastic logistical challenges of full electrification while highlighting actions to reduce gas emissions such as methane reduction and renewable natural gas. RNG was a hot topic as a way to decarbonize natural gas that is more near-term viable than hydrogen. On the electric side, fleet transitions to renewables from coal keep accelerating and transmission growth is increasing LT focus. While we asked about inflationary pressures, the only whiff at this conference was gas, not inflation.

Top stocks from the conference – CNP, NI, PEG
CNP management tells a great story with 6-8% growth driven by 2% sales growth, declining costs and a lot of capex needs. Asset sales and tax shields may yield $1B+ more than initially expected and CNP sees more rate base growth opportunities to put that money to work, especially in TX. An ESG plan and new capex plan later in the year could be a catalyst. NI management finally seems to be exiting the MA overhang and going back to the old NI, including a recent guide-up for 2021. Equity overhang is resolved, regulatory risks appear modest and the IN renewables program is huge and may get even bigger. NI's 7-9% growth is at the top end of the sector and it trades at a meaningful discount. Finally, PEG is nearing the completion of their asset sale plans with the fossil sale expected in July. We see more visible LT earnings and dividend growth once this is done, constructive NJ regulation, and some offshore wind upside. With no coal exposure, we see PEG re-rating to a premium.

One-liner takeaways:

AEE – Renewables and transmission upsides possible as year goes on.
AGR – Equity done. Sticking w/ CT settlement. Offshore returns intact w/ inflation.
CMS – IRP next month, focus on coal retirement acceleration w/o securitization.
CNP – Strong tone; tax strategies sound promising; TX rate base upsides
ED – Hoping for higher growth via clean capex; Stagecoach resolution not far off.
D – Laser focused on execution; offshore wind on track despite inflation concerns
DTE – Spin 7/1. DTM sees $1.5B capex driving ~$1B in EBITDA needed for IG.
DUK – Confident on its outlook; no interest in pursuing any part of Elliott plan.
ES – Working on improving CT reg relations; sees mid-teen offshore wind ROEs.
NI – More confident tone on plan, starting to sound like NI of old
PEG – Convicted in fossil sale outcome. Feel good on fed/state nuke support.
SO – Slippage in Vogtle Unit 3 COD schedule but expects by end of 1Q22.
WEC – Renewable adds ahead of plan. Potential EPS upside after '22 WI cases.
XEL – Feel good about getting all incremental capex put in the base plan.

Exhibit 1: Attending Companies

Ticker	Company	Rating
AEE	Ameren	Outperform
AGR	Avangrid	Underperform
CMS	CenterPoint Energy	Outperform
CNP	CMS Energy	Peer Perform
ED	Con Edison	Underperform
D	Dominion Energy	Outperform
DTE	DTE Energy	Peer Perform
DUK	Duke Energy	Peer Perform
ES	Eversource Energy	Outperform
NI	NiSource	Outperform
PEG	PSEG	Outperform
SO	Southern Company	Peer Perform
WEC	WEC Energy Group	Underperform
XEL	Xcel Energy	Peer Perform

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Company Summaries

Ameren (AEE – OP): Busy rest of year

- AEE anticipates key updates on all of its businesses over the remainder of the year, starting with IL legislation this month, MO renewables filing sometime this year, intervenor testimony in MO rate case this Sep and a MISO MTEP report in Dec that could include potentially new transmission projects for AEE.
- The main focus was on transmission. AEE does not know which projects will be in the annual MTEP report this Dec, but the company is optimistic and saw some "no regrets" projects in MISO's preliminary report earlier this year. Some projects in the MTEP report could clearly be AEE's – in its service territory and not up for competitive bid. But at this point AEE can't say which projects or the magnitude of the investment. Expect more clarity by yearend or early 2022.
- On IL legislation, AEE is working on getting energy policy done by the session deadline of 5/31. AEE has its proposal to extend and modify performance-based ratemaking (Downstate Clean Energy Affordability). AEE said energy policy broadly is a priority for lawmakers.
- AEE continues to negotiate with developers on incremental renewables included in its 2020 MO IRP and subsequent RFP; AEE still expects to file by yearend CCNs for some of the ~$3B of new renewable investment opportunities in 2021-30.
- AEE's in the early days of its MO rate case ($299M rate increase, 9.9% requested ROE, 52% equity); intervenor testimony is on 9/3. AEE has settled the past few rate cases; they have tended to come after intervenor testimony. Although there is no guarantee parties will settle this year, we are optimistic given the trend.

Avangrid (AGR – UP): Equity overhang over and PNM progress; Still working on CT resolution

- Last week AGR secured its $4B of equity needs at no discount – Iberdrola took the majority ($3.26B) to maintain its 81.5% stake in the stock, while top-Iberdrola shareholder Qatar Investment Authority took the remainder ($740M). To the positive, this removes an overhang and was done at a good price. The only downside is it does nothing to improve the liquidity of the stock. Equity needs are now satisfied through 2022. Longer-term, AGR is looking at "non-debt" financing of $2B in 2023-2025 that could include more equity, hybrids, renewables asset recycling.
- On the PNM merger specifically, the deal is approved in Texas. In New Mexico, AGR already has 11 parties on board and just responded to the NMPRC Hearing Examiner with information on past customer service issues. Closing is still on track for 2H21.
- The comprehensive rate settlement in CT that was rejected by the PURA has been a focus area. The settling parties, which include the CT Governor and AG, filed a reiteration yesterday that the terms are in the best interest of ratepayers. A response from the PURA is expected by the end of Q2.
- With inflation in focus, AGR believes it is well-positioned, particularly with Vineyard Wind. The company is able to leverage Iberdrola's procurement capabilities. Steel is also only about 10% of total cost. In two months time the project should be in a position where costs are largely locked in. With positives like better tax credits and larger turbines, mgmt. still feels good about the project economics. FID and construction start are both expected in 2H21.
- NECEC transmission is also on track, with construction underway, and a court decision last week lifting a stoppage on one-third of the line.

CenterPoint (CNP – OP): A lot to like about where this company is headed

- CEO Lesar added a few interesting anecdotes re the recent LDC sales. After talking with leading bidders to get a sense of their view on the gas LDC business generally, there were three things in common: 1) great assets with great cashflow and long-dated capex plans; 2) scarcity value given challenges to permit and build new systems; 3) will play a big role in a hydrogen economy. He also noted that there were four final bids right on top of each other, suggesting that the 2.5x rate base valuation was not an outlier by any means.

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- CNP provided some more color into tax strategies that the company is working on to help reduce tax leakage on future ENBL/ET sales. Management spoke specifically to repairs tax deductions which CNP previously didn't avail itself to. Effectively, CNP will be able to realize a large one-time catch-up deduction for capex that was previously capitalized but was eligible to be expensed during the 2018-21 period. No specific level of tax savings was provided, but management said they wouldn't be talking about it if it wasn't meaningful.
- In total CNP could be looking at close to $1B of extra proceeds from the LDC sales, ENBL/ET monetization and from tax savings vs what was originally contemplated at last year's Analyst Day. Most of this would go toward funding the $1B of contingency capex that is above the current $16B capital plan. CNP expects to have more clarity on where the capex will go in company after the TX legislative session, where several bills are pending that could accelerate growth at CEHE. We expect a robust 10-year capex outlook later this year when CNP unveils its net-zero plan.
- There are three bills we are watching at the TX legislature which could impact future capex at CEHE: 1) HB 1607 which would adopt an economic dimension required to site new transmission; 2) SB 415 which would allow TDUs in TX to own 100 MW of storage collectively; 3) HB 2483 for which would allow TDUs to lease and earn a return on facilities used for emergency power restoration (e.g., fuel cells, batteries, generators, etc.). Relatedly, on the TX securitization bill CNP still feels optimistic about it passing in the current session.
- Commentary on the ability to reduce O&M 1-2% annually for the foreseeable future sounded promising. CEO Lesar noted it is something that is "absolutely doable" at CNP.

CMS Energy (CMS – PP): Everyone's waiting on the IRP filing

- The much-awaited Integrated Resource Plan in Michigan is expected to be filed by June 30. CMS is continuing to look at ways to accelerate the retirement of its remaining coal units at the Campbell site. That said, mgmt. is cognizant of any impacts on reliability, rates, and the balance sheet. On the flip side, CMS is looking to further ramp-up renewables replacement capacity, where it feels it may be able to own more in rate base than the last IRP's 50/50 split with PPAs (that get a financial compensation mechanism). A final decision on the IRP is expected in mid-2022.
- Michigan regulation remains constructive and stable. That said, a recent credit downgrade by Moody's pointed to weakening allowed equity ratios. This may help the company make its case in future proceedings. Securitization has been a tool used for coal retirements historically, however this has weighed on the balance sheet as well, with Moody's imputing over $1B in debt related to Karn and Classic 7. So that being said, CMS seems to be looking at other ways to go about any additional coal plant retirement accelerations this time.
- Mostly status quo on the non-utility businesses. Enterprises is well-contracted and Enerbank is seeing steady origination growth. CMS wants the non-utility growth to keep up with the regulated utilities, while also maintaining a 90/10 business mix split.
- Financially the year is off to a strong start. EPS growth is primarily being driven by already decided rate relief and cost performance seems to be tracking ahead of plan thus far.

Con Edison (ED – UP): Looking for a leading role in the clean energy future

- Under new CEO Tim Cawley, he noted ED's strategy would largely remain the same as those under his predecessor. Tim is most focused on participating in the clean energy future in NY through energy efficiency, EVs and hopefully utility ownership of renewables/storage. Consistent dividend growth and potentially a higher earnings growth profile are also a focus.
- The biggest variable in ED's 2021 guidance will be whether the PSC approves its petition for a surcharge mechanism to recoup $52M foregone late payment revenue from 2020. ED made the filing because it has conviction on getting approval, though its unclear how/when the PSC will issue a decision (ED requested by Sept.). Given that the legislature just extended the moratorium for collecting late payment fees through YE, it's possible ED will finish somewhere in the lower half of its range absent approval from the PSC on the surcharge mechanism.
- ED expects to provide a formal update on the Stagecoach sale process in the next six weeks or so. Proceeds from a sale, which likely will be close to the $667M book value after the recent write down, aren't expected

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to materially impact this year's equity plans (up to $800M, timing uncertain). $500M of debt at Stagecoach would need to be paid down. Relatedly, ED will also look to move on from MVP too once/if it gets completed in 2022.

- Given the aggressive push for electrification in NY, Tim addressed implications for ED's gas LDCs. He noted the transition would take some time and that the company is looking to non-wire solutions (EE, heat pumps, etc.) to help offset increasing demand given supply constraints. That said, ED's electric business would be a big beneficiary given the significant buildout of electric infrastructure that would need to take place to facilitate all the new load.

Dominion Energy (D – OP): Name of the game is execution

- There weren't any major updates from D's Q1 earnings call. The big focus for management continues to be consistent financial execution on a quarterly/yearly basis. The biggest part of the investment proposition for D is the size and visibility of its green/decarbonization capex plan – potential for $72B over the next 15 years, most of which is eligible for recovery under riders.
- With a heightened focus on inflationary pressures, we asked management how this might be impacting D's 2.6 GW offshore wind project. While spot prices for steel and other inputs are up, D believes higher capacity factors vs what was initially projected could help offset some inflationary pressures. Ultimately, D remains confident on meeting its $80-90/MWh LCOE target for the project, which is well below the $125/MWh cap per VA law (anything under shall be presumed prudent in the eyes of the SCC).
- Management provided some helpful perspective to the pushback that we most often receive on D's stock – i.e., that the VA legislative/regulatory environment isn't as constructive as it has been historically. Management pointed to the fact that despite headline noise at the legislature, the end results have been constructive (e.g., GTSA in 2018, VCEA in 2020). D sees no evidence of that changing and believes VEPCO's current triennial case is a very strong and defendable filing.
- Management said it took note of the CNP LDC sales (2.5x rate base) but that it is happy with D's current asset mix. D likes its gas LDCs given natural tailwinds from customer growth and their constructive regulatory constructs.
- One frustrating item has been the delay in closing the Q-Pipe transaction. If it were to not get HSR approval, D is confident that it will be able to remarket and sell Q-Pipe to another party this year. D sees no impact to operating earnings under any scenario.

DTE Energy (DTE – PP): Steady as she goes for RemainCo; showtime for SpinCo

- DTE Energy is off to a strong start this year and is already starting to build contingency for 2022-2023. The regulatory calendar is light this year. Voluntary renewables customer interest remains robust. Once beyond the midstream spin, DTE expects to tell the same story – highly achievable 5-7% EPS and dividend growth. Later this year we could potentially start to hear on accelerated coal retirement potential.
- As expected, much of the focus is now on DT Midstream. The spin date is targeted for July 1, with the stock starting when-issued trading two weeks prior. Once the SEC gives the green light, DTM should be able to give more forward-looking guidance during the pre-spin roadshow.
- DTM is in the midst of a debt raise and the rating agencies just came out with a sub-IG credits (BB+/Ba1). The company seemed to be expecting this, as the lack of scale was the primary inhibiting factor. That said, mgmt. sees the business as self-funding – at least 2x dividend coverage, minimal maintenance capex ($30-40M/year), and no new debt needs after starting just north of 4x leverage.
- The goal is to get to an IG rating and mgmt. believes the necessary scale is ~$1B in EBITDA. While this implies over 30% growth of the midpoint of 2021 guidance, DTM believes this is achievable based on its $1.2-1.7B organic capital plan (implying a ~6x EBITDA multiple)
- In terms of where this growth is coming from, DTM pointed to offshoot opportunities tied to the recently placed in-service LEAP pipeline. The company sees significant drilling across a number of producers in the Haynesville, as well as demand strength driven by LNG exports (Sabine and Global Venture) and industrials in the Gulf Coast. LEAP is currently contracted up to 1 Bcf/d, but DTM sees the opportunity for this to double.

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There also seems to be growth specifically tied to Indigo, as well as smaller organic opportunities in both the Haynesville and Appalachia.

Duke Energy (DUK – PP): Digging in their Tar Heels

- DUK elaborated on its response to Elliott Investments' letter earlier this week, highlighting its accomplishments and confidence in its outlook, while describing the significant hurdles to Elliott's proposal to split the company into three.
- DUK argued a breakup would have credit quality implications: a higher downgrade threshold for each of the smaller companies than DUK's current parent rating (12-13%).
- DUK also pointed to dis-synergies; standing up two new companies with corporate functions would require $500M per company; coupled with the higher downgrade thresholds, more equity would be needed, potentially reducing EPS by around 20% and raising the dividend payout.
- DUK noted agreements in the Carolinas dating back to its Progress merger that give NC/SC the right to block actions if there is risk to Carolinas operations; DUK generally sees an extensive regulatory approval process.
- On NC legislation, DUK continues to feel optimistic about a first draft bill this summer, but there is no legislative deadline. The key items expected in the legislation are 1) the pace of retirement of coal (how many MW and by when); 2) ownership of the replacement power (how much will utility own); and 3) regulatory framework.

Eversource (ES – OP): Not going to CT and run from improving relations

- ES CEO Joe Nolan is working to improve regulatory relations in CT, meeting with key state leaders and regulators. The temperature has dropped considerably since last summer, and he expects progress.
- A 90bp ROE penalty is expected in the interim rate decrease proceeding this summer. PURA staff last month recommended a 6.10-8.41% ROE and 40.5% equity ratio (later corrected to 47.1%) vs ES' current 9.25% ROE and 53% equity ratio. A hearing is set for 5/26, with a proposed interim decision on 8/20. After this case, ES anticipates moving on to the state's other priorities.
- ES reliability is still top decile in CT and sees alignment in the state's policy priorities – grid mod, AMI, etc. – and wants to do a better job highlighting the cost of delivering clean energy.
- On offshore wind, ES recently conducted a review of its three pending projects with Ørsted and still sees mid-teen equity returns; the delays in siting last year were not all bad, given progress on wind turbine size and the supply chain in the US, as well as the tax credit extensions last Dec. The project materials have largely been locked in and prices have been hedged. Higher costs were incorporated in ES' recent review.
- The Biden Administration has taken supportive action on offshore wind, and ES meets with BOEM regularly. ES will get more visibility from BOEM on the pending projects' EIS and COP schedules. ES anticipates future bids in CT, NY and RI. ES will not deviate from its return targets.
- ES will include offshore wind earnings in its EPS growth outlook once the schedules are firmed up, which should be known later this year. We anticipate offshore wind will be in ES' EPS growth target on the YE21 call.

NiSource (NI – OP): Got its mojo back

- The tone from NI's management was the best we have heard in years. Recent positive developments include minimal COVID impacts in Q1 resulting in revised 2021 guidance to the upper half, PA rate case which was resolved constructively and a significant de-risking of the company's financing strategy following the recent equity unit offering. CEO Hamrock noted he "couldn't be more confident than I am right now looking forward" and sees the company getting back to the NI of old where meeting/beating financial expectations was the norm.
- On the topic of asset sales, management said that it is always actively exploring opportunities. That said, each LDC is growing rate base at 10%+ currently and NI no longer has a block equity need. As such, we don't expect any action here in the current planning period. Management said it is an option that will certainly

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stay on the table and we think would likely be more opportune when the time comes to add replacement capacity for Michigan City in the second half of the decade.

- NI launched an RFP earlier today which will help identify replacement capacity options for Michigan City. The Michigan City unit has 469 MW of capacity to replace, which is about 1/3 of the size of Schafer. NI noted it hopes to own more than half or all the replacement capacity.
- When the time comes to remarket the convert in late 2023, NI said its expectation is that the existing equity unit holders would participate again. This was encouraging to hear given that it would remove the possibility for an equity overhang on the stock when the time comes.
- NI said it was seeing limited inflationary pressures in its business at this point. For the renewables, cost overrun risk isn't really borne by NI since the projects are being developed by third parties.

PSEG (PEG – OP): Lots in the hopper, but some near-term resolutions upcoming

- Most in focus at PEG is the pending asset sales, with the solar portion recently announced for $500-600M. Closing is expected in the next few months. The bigger and more important fossil sale is still pending and going as expected. Mgmt. anticipates second round bids in June and a likely sale announcement in July. The upcoming PJM auction will be a data point for some of these assets (4 of 6 CCGTs), but this doesn't appear to be a concern. The CCGTs also have value based on their spark spreads and the PJM auction dynamic beyond this one remains fluid as it relates to the MOPR.
- PEG is acknowledging that the asset sales will result in taxable gains due to bonus depreciation on some of the new assets. However, it continues not expect significant dilution. From a use of proceeds standpoint, PEG continues to point towards debt paydown at Power, the utility capital program, future offshore wind investment, and parent debt paydown.
- Once beyond the sale, PEG should be in a position to lay out a longer-term outlook as it is 80-90% utility earnings (we sense near the high-end pre-offshore wind). Serious consideration is being given to providing a long-term earnings and dividend growth rate.
- The recent unanimous decision by the NJ BPU to extend the nuclear ZECs another 3 years was constructive and less controversial. There seems to be solid interest in the state for a longer-term solution. An PJM FRR study is also due at the end of the month. However, PEG's commentary on federal interest in nuclear support also sounded constructive. It seems that there is a general acceptance in Washington, with the debate more around the details/structure.
- PEG still feels good on returns on its Ocean Wind offshore wind investment. As of now, they are not part of the second New Jersey offshore wind solicitation. However, the company does figure to participate in the offshore transmission competitive solicitation. Mgmt. pointed to the potential investment as being in the hundreds of millions rather than billions.
- Not much new on the transmission front. PEG is still in discussions with the BPU on an ROE agreement. FERC Chairman Glick doesn't seem to be backing off the recent disappointing NOPR to end the RTO adder, but PEG expects RTOs/TOs to make the case otherwise.

Southern Company (SO – PP): One day, the AGA meeting won't be focused on Vogtle

- As has been the case at any investor conference/call for years, most of the focus at AGA was on Vogtle 3 and 4 construction. This AGA meeting was focused particularly on SO's recent VCM testimony, which included a delay in Unit 3 COD to Jan 2022 at the earliest.
- SO provided detail on the recent slippage of its Unit 3 schedule (was Dec 2021 last month). Hot Functional Test began on 4/25 and was expected to take 45 days but now will take 2-3 weeks longer, as the team identified something anomalous related to the pressurizer, leading to a reduction in the temperature during the test. Still, SO plans to increase the temperature in about a week and eventually get to the max temperature (over 500 degrees).
- SO previously identified remediation work; about 60% was completed before HFT began and the remaining 40% will be completed during HFT and before fuel load this fall. SO also pointed to an issue with the spent fuel pools, but it is not critical path to HFT and will be corrected before fuel load.

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- SO expects the GaPSC Staff testimony next month to focus on the remediation work that is left to do on the electrical commodity work. But SO believes there will be some convergence on the deadlines.
- SO anticipates providing more visibility into its fleet transition with the GA IRP filing in Jan 2022 and discussions in AL.

WEC Energy Group (WEC – UP): More convicted than ever coming off strong Q1

- WEC was one of the few utilities to already point to the high-end of guidance in Q1, as a result of strong operational/financial execution, particularly during the extreme winter temperatures. In Wisconsin, WEC has reached a well-supported rate case stay-out agreement. The WI PSC has been encouraging of settlements and will vote on this agreement in the coming months. Once beyond the rate cases scheduled for next year, it seems that WEC's growth rate could have an upward bias.
- Part of the driver for the upward bias in the growth plan, has been ahead of schedule renewables investments. WEC has already laid out $2B in rate-based renewables investments at the WI PSC. Further, the company is ahead of schedule on its non-regulated contracted wind farm plan, while returns have remained steady or even gotten better.
- WEC is also very focused on the ESG front after recently laying out more aggressive CO2 and methane reduction goals. Importantly, WEC now sees a path to coal being less than 10% of assets/revenues by 2025. At the gas utility, WEC is looking to invest in pipelines that will accommodate renewable natural gas to reduce methane, though investment in RNG production itself doesn't seem to be of interest just yet.
- Finally, WEC is not overly concerned on the looming end of the Illinois legislative session. There is a bill proposed that would end the QIP rider for gas utilities, however nuclear subsidies and lobbying reform have been much more in focus. Further, WEC sees annual rate case filings in Illinois with forward test-years as a workable solution as well.

Xcel Energy (XEL – PP): Incremental capex case starting to sound like the new base case

- We got a chance to chat with incoming CEO Bob Frenzel. Bob noted that he and current CEO Ben Fowke are very aligned on the strategy for XEL and there should be no expectation of a pivot under his leadership. Bob sees a lot of pent-up demand for capital across XEL's footprint, but his focus is to pace it such that customer bills stay manageable. We got a sense of high confidence on XEL's 5-7% EPS growth rate over the long-term. Once Ben retires in August, he will stay on as executive chair where his focus will be on federal policy initiatives.
- XEL feels good about getting approval for some of the items that currently represent upside to its base capex plan. On the CO Pathway transmission project, its likely that XEL will own the entire project ($700M of incremental capex). XEL also feels good about getting its Sherco solar proposal ($575M) and the Allete wind powering ($210M) approved. If all is rolled into XEL's base forecast, we estimate its rate base CAGR could move to 7.2% vs 6.6% currently. XEL would finance the incremental capex with 50% equity likely through an ATM program.
- On transmission more broadly, XEL expects to have a lot more clarity on capex size by YE or 1Q22 at the latest for future projects in MISO. Being one of the two largest transmission owners in the Upper Midwest, XEL expects to own a substantial portion (has ROFRs in MN and Dakotas). XEL also sees a lot of opportunity in the SPP RTO too at SPS, though SPP is not as far along as MISO in the planning process. Related transmission capex is beyond the current 5-yr window.
- In light of recent asset sales in the sector, XEL mentioned that it is content with its current asset portfolio. Management is pleased with the company's robust organic growth opportunities and external equity needs are manageable within the context of the size of the company. And if certain proposals on the policy front are enacted (e.g., direct payments for tax credits), XEL could see its current equity needs move lower.

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Comparables Tables

Exhibit 2: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$57.76	250	$14,448	22.4x	21.1x	20.1x	19.1x	2.8%	5.9%	62%	2.5x	46%
Ameren	AEE	84.50	256	21,594	22.5x	20.8x	19.5x	18.4x	2.6%	7.0%	59%	2.4x	42%
American Electric	AEP	86.26	500	43,108	18.6x	17.2x	16.3x	15.3x	3.4%	5.7%	64%	2.1x	37%
Avangrid	AGR	52.29	309	16,177	21.8x	21.8x	20.5x	N/A	3.4%	0.0%	73%	1.1x	58%
CenterPoint Energy	CNP	24.70	580	14,338	19.8x	18.5x	17.3x	15.9x	2.5%	7.0%	50%	2.1x	36%
CMS Energy	CMS	63.74	289	18,450	22.3x	20.8x	19.4x	18.2x	2.7%	6.7%	61%	3.2x	27%
Con Edison	ED	78.42	343	26,883	18.4x	16.8x	16.3x	15.7x	4.0%	1.3%	73%	1.4x	43%
Dominion	D	77.24	807	62,296	19.9x	18.7x	17.6x	16.4x	3.3%	6.0%	65%	2.6x	41%
Duke Energy	DUK	102.27	769	78,668	19.9x	18.8x	17.8x	16.8x	3.8%	2.0%	77%	1.7x	42%
Edison International	EIX	57.68	379	21,886	12.8x	12.3x	11.5x	N/A	4.6%	4.0%	59%	1.6x	38%
Emera*	EMA	56.60	254	14,359	20.4x	17.7x	16.9x	16.0x	4.5%	4.0%	93%	1.7x	38%
Entergy	ETR	105.74	201	21,218	17.8x	16.8x	15.7x	N/A	3.8%	6.0%	68%	1.9x	30%
Evergy	EVRG	61.90	229	14,192	18.7x	17.7x	16.3x	15.5x	3.5%	6.0%	66%	1.6x	44%
Eversource Energy	ES	83.76	343	28,769	21.7x	20.2x	19.0x	17.9x	2.9%	6.2%	62%	2.0x	44%
Exelon	EXC	45.74	977	44,696	16.3x	20.3x	19.2x	18.1x	3.3%	0.0%	55%	1.4x	43%
FirstEnergy	FE	37.69	544	20,500	15.2x	14.3x	13.7x	N/A	4.1%	0.0%	63%	2.8x	23%
Fortis*	FTS	55.29	469	25,953	19.8x	18.6x	17.5x	16.7x	3.7%	6.0%	73%	1.5x	43%
NiSource	NI	25.32	392	9,931	19.0x	18.0x	16.7x	14.9x	3.5%	6.0%	67%	1.9x	40%
PG&E	PCG	10.40	1,985	20,645	10.2x	9.2x	8.4x	7.7x	0.0%	N/A	0%	1.0x	33%
Pinnacle West	PNW	85.37	113	9,626	17.3x	17.1x	16.4x	15.6x	3.8%	2.0%	66%	1.7x	44%
Portland General	POR	48.89	90	4,381	18.6x	17.7x	17.1x	16.7x	3.5%	7.1%	65%	1.6x	45%
PPL Corp.	PPL	29.34	769	22,575	14.9x	16.5x	16.1x	N/A	5.7%	0.0%	84%	2.0x	42%
PSEG	PEG	62.58	505	31,609	18.3x	18.1x	17.2x	N/A	3.3%	4.1%	60%	1.9x	48%
Southern Company	SO	64.06	1,059	67,816	19.5x	18.1x	16.7x	15.6x	4.1%	3.9%	80%	2.4x	35%
WEC Energy Group	WEC	95.52	315	30,130	23.7x	22.3x	20.9x	19.7x	2.8%	7.1%	67%	2.8x	42%
Xcel Energy	XEL	71.58	538	38,525	24.2x	22.6x	21.3x	20.1x	2.5%	6.0%	62%	2.6x	38%
Average					**19.0x**	**18.1x**	**17.1x**	**16.5x**	**3.4%**	**4.4%**	**64%**	**2.0x**	**40%**
Average (ex EIX & PCG)					**19.6x**	**18.8x**	**17.7x**	**17.0x**	**3.5%**	**4.4%**	**67%**	**2.0x**	**40%**

Source: Wolfe Utilities & Power Research

Exhibit 3: Gas/Power Infrastructure Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth	Payout Ratio
The AES Corporation	AES	$25.35	666	$16,890	16.5x	15.2x	14.2x	13.4x	2.4%	5.0%	39%
DTE Energy	DTE	140.36	194	27,192	19.8x	18.8x	17.6x	16.6x	3.1%	7.0%	62%
NextEra Energy	NEE	74.29	1,961	145,716	29.3x	27.5x	25.4x	N/A	2.1%	9.7%	61%
OGE Energy	OGE	33.58	200	6,722	15.2x	15.8x	15.1x	14.5x	4.8%	5.6%	73%
Sempra	SRE	135.74	303	41,097	17.0x	16.0x	15.3x	N/A	3.3%	8.0%	56%
Average					**19.5x**	**18.7x**	**17.5x**	**14.8x**	**3.1%**	**7.0%**	**58%**

Source: Wolfe Utilities & Power Research

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Exhibit 4: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	26.35	193	5,080	11.3x	10.3x	10.7x	11.4x	5.0%
NextEra Energy Partners	NEP	66.75	156	10,413	9.1x	7.6x	7.5x	N/A	3.8%
Atlantica Yield*	AY	36.83	107	3,929	10.6x	9.7x	9.0x	8.4x	4.7%
Average					**10.3x**	**7.6x**	**7.5x**	**N/A**	**4.2%**

Source: Wolfe Utilities & Power Research
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 7: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	34.04	245	8,331	8.6x	6.2x	N/A	N/A	9.1%	19.6%	N/A	N/A
Vistra Corp	VST	16.48	482	7,944	10.5x	5.5x	N/A	N/A	5.5%	25.4%	N/A	N/A
Average					**9.6x**	**5.9x**	**N/A**	**N/A**	**7.3%**	**22.5%**	**N/A**	**N/A**

Source: Wolfe Utilities & Power Research

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What stood out from Day 1 of Virtual AGA?

We present our takeaways from Day 1 of the Virtual American Gas Association (AGA) conference, including **AEE, D, DTE, ED, MDU, MGEE, NJR, NWE, SJI, SO, WEC, WTRG and UTL**. Among the key concerns quelled at the conference was around the effects of inflationary pressures on its core business. Considering the fixed wages under existing labor contracts, and relatively elevated prevailing wage rates, mgmts. from across the industry exhibited clear comfort in addressing these potential opex pressures. Further, commodity related inflation appears also modest given long lead time for procurement of many items- as well as corresponding ability to defer capex projects to maintain an appropriate bill trajectory. We stress gas Local Distribution Company (LDC) focus on replacing steel with plastics also helps to mitigate potential concerns. Meanwhile, load considerations across the sector remain robust – with many reaffirming the positive statements from 1Q. We see a clear bias that despite inflationary pressure elsewhere in the economy, results could very well prove *better* than otherwise perceived heading into 2Q & for FY21 guidance. Overall tone for sector was surprisingly positive. Among most constructive meetings were **AEE**, **MDU**, and **WTRG**.

Load growth strong while inflation at bay

AEE continues to work with key stakeholders on a comprehensive energy legislation bill in IL, with the May 31 legislative session deadline fast approaching – we note greater focus on the electric side of things suggests less risk on balance for **WEC**'s gas business. **DTE** continues to work toward the spin of its midstream business by mid-year, with revolving credit lines and a note issuance in the works, while near-term sustained residential sales should get a boost from quickly recovering industrial and commercial load. **ED** likewise forecasts higher demand y/y, with the possibility of a rate filing at its Steam business next year along with the triennial filings for electric and gas at its NYC opco. **MDU** awaits FERC action on gas pipeline expansions with permits for its North Bakken Expansion still pending, with expectations for sustained margins at its construction businesses suggesting inflationary pressures held broadly in check. In Wisconsin, **WEC** and **MGEE** are likely to announce additional collaborations on generation assets (possibly including storage) over time to backfill lost Columbia generation; while WEC is in a rate stayout until 2022 we expect MGEE's latest rate filing to receive a constructive reception given renewable expansion and modest rate increases. **NJR** continues to work through the early stages of its rate case and is not seeing any impact of inflation on its solar business because materials are procured through '22. **SO**'s meeting was spent entirely on the delay of Hot Functional Testing (HFT) and the shift in COD timeline to 1Q22 – the company is in a key testing phase; we see scope for continued volatility through this process on any small concerns. Meanwhile, successful testing would be a positive catalyst for a rerate. SJI built on the plan outlined during the investor day at the beginning of the month and added more detail on its expansion into Renewable Natural Gas (RNG). We see the potential for shares to rerate in time based on execution of the plan. **UTL** plans to outline a path for decarbonization this year and sees strong recovery across its service territory.

20 May 2021

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FERC: Federal Energy Regulatory Commission

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Consolidated Edison	ED
Dominion Energy	D
DTE Energy	DTE
Essential Utilities	WTRG
MDU Resources	MDU
MGE Energy	MGEE
New Jersey Resources	NJR
NorthWestern Corp	NWE
South Jersey	SJI
Southern Company	SO
Unitil Corp	UTL
WEC Energy Group Inc	WEC

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Ameren (AEE; A-1-7 PO: $91.00)

Our meeting with AEE mgmt covered upside from Midcontinent Independent System Operator (MISO) transmission planning, the latest on IL legislation, and the latest passage of securitization in Missouri. We maintain our Buy rating on AEE.

MISO planning key to transmission future

We continue to view Ameren as among the best-positioned utilities in our coverage universe to capture upside from what is expected to be a multi-year acceleration in transmission spend. The MISO Transmission Expansion Planning (MTEP) process remains key to the long-run upside, in our view, with the Future 1-3 scenarios pegging potential investment opportunities at between $30-100B. The bulk of transmission investment upside is expected to accrue in the second half of the decade given long run planning involved. Further details including just what projects will be included in MISO's latest MTEP iteration will likely be detailed later in the year – note Ameren's mgmt team expressed confidence that at least some of the projects included under the Future 1 scenario will be included given regional needs, particularly given the need to interconnect renewable generation projects.

In particular, we see North-South integration as among the key factors to watch into 2022 as part of wider MTEP integration given considerable congestion issues in recent years as part of Entergy integration into MISO. We stress this large-scale project is likely among the most pressing of the wider review process. Related we see considerable east-west integration across its service territory to interconnect renewables.

IL legislation remains a work in progress ahead of May 31

Work continues by IL lawmakers on several competing energy bills – AEE mgmt affirmed that the downstate bill is the best solution for its ratepayers. We see a possibility that a comprehensive energy bill may not be established during the current session. Further possibilities in the calendar include a special session or potentially a veto session (typically in Nov following election day). On the most recent earnings call mgmt talked down the potential for a "grand bargain" whereby the several competing bills are reconciled into one. We continue to see state labor unions as a key constituency as well, and perceive the union-backed bill as more palatable than proposals such as the Clean Energy Jobs Act (CEJA) from Ameren's perspective given implications for ratepayers.

While management was less than outspoken on implications we see this as a relatively constructive backdrop for shares considering implications for future rate cases. We remain constructive on shares heading into summer months ahead. Further, still not clear what legislation could entail with respect to further ratebase opportunities as well in IL.

Sep next milestone for MO rate case; securitization a plus

With IL rate making an open question, the next key data points in Ameren's MO rate case will likely come in September with the filing of intervener and staff testimony. On balance we view this as a generally constructive jurisdiction for utilities, with AEE's last rate order issued in early 2020 resulting in an earnings uplift. With the SR intervener testimony providing a recent data point – staff came in 60 bps below the company's ask on ROE with unchanged cap structure – we view the backdrop as constructive on balance. Furthermore, the state's proposed securitization bill was signed in to law, giving the company an additional tool in continuing its efforts to transform its coal-heavy generation fleet. Note that Ameren has consistently characterized securitization as not key to its resource plan in MO, but rather a useful tool in mitigating bill impacts. On balance an incremental positive.

A further twist? Note that the securitization legislation in Missouri would allow the company to avoid a separate parallel certificates of convenience and necessity (CCNs) filing for related renewable build to replace any contemplated coal plant retirements. This is a small de-risking factor to consider – effectively creating a process to streamline replacement and securitization in one.

Dominion Energy (D; A-1-8; PO: $86.00)

Our meeting with D mgmt. including EVP, CFO, & Treasurer Jim Chapman, EVP & COO Diane Leopold, and other members of the mgmt. team centered around D's execution on its industry-leading decarbonization plan, offshore wind development, the VA triennial review and rider filings, strong load trends, contracted asset strategy, and inflationary pressures. Management remains substantially on track regarding its earlier and narrow 6.5% EPS growth despite some gyrations therein. We look for critical input on July 30th form Staff on its triennial review, which could well show a relatively wider spread on recommended outcomes on how to apply the audit to the historical period. We remain relatively less concerned considering earlier failure to amend process in legislature as well as bounded outcomes in the VCEA. Items to offset income remain our focus.

As far as SC is concerned, its other jurisdiction ahead with a key case following earlier nuclear challenges remains promising too to de-risk its backdrop into a mid-July update on its rate case docket. Given this is the first case since its acquisition, this remains key in establishing the new norm in SC. Further, no securitization legislation was passed in session this year– while the company is not opposed, risks have been side-stepped here too around proposal to amend its existing nuclear regulatory asset. On balance, upcoming months remain to key de-risk the backdrop on this still new acquisition for D.

Finally, consistent with peers, load trends remain an interesting backdrop to support its overall EPS backdrop. While already assuming a relatively healthy 1.5% in its 5-yr outlook this too would appear to provide nascent support as offset to other factors. We remain relatively surprised that further renewable filings for corporate & government counterparties remains a relatively modest potential. We maintain our Buy with key debates ahead this summer.

Triennial review key to watch this year as await Staff this summer

The triennial review continues to move through the regulatory process with key milestones being respondent testimony on July 30, staff report on Aug. 16, company rebuttal on Aug. 30, evidentiary hearing on Sep. 20, and a final order in Nov. We continue to believe that the filing showing no need for customer refund is well-bounded by the VCEA. As a reminder, the triennial review filing details FY17-FY20 performance and reflects base rate revenues matched closely with cost to provide service. The filing reflects Earned ROE of 10.04% after removing the uncollected revenue related to customer arrears forgiveness, and 10.85% including uncollected revenue related to customer arrears forgiveness.

The SCC only reviews the base portion of DEV's operations and assets keeping VA riders outside the scope of the proceeding. D forecasts a $19M annual revenue deficiency with a requested base ROE of 10.8%. Importantly, we think the triennial review will become less of a factor over time because D is rapidly expanding its rider base at around 18% CAGR through 2025E while base investment is only growing at around 6%. As base rates become a smaller % of the total, D will be less exposed to an unfavorable outcome in a triennial review.

Related we look for a fall update to its Integrated Resource Plan (IRP) this fall which could very well provide the latest perspective on its coal transition – and related amortizations to which to apply to future such reviews. We anticipate this could receive growing attention as a risk mitigant.

Renewables progress ongoing

D provided an update on its industry-leading de-carbonization plan, admittedly among the most ambitious authorized for its large-cap peers largely in ratebase. We stress its inaugural filing therein, CE1 for initial solar build was approved. CVOW receives the most attention from investors given it is the largest single project in DEV's plan (even though the aggregate investment opportunity for solar, onshore wind, and storage is much

larger). Mgmt. is positive on the progress that the project has made, and we believe the Biden Administration's advocacy for the industry will be supportive of the timeline. Currently, the FAST 41 published target date for BOEM notice of intent is scheduled for June 2021, which would kick off a two-year review process before BOEM issues its record of decision in June 2023. DEV now expects to file the CPCN/Rider in fall of 2021 which is ahead of previous expectations of the beginning of 2022 - we expect to see more detail on capacity factor assumptions, suppliers, transmission planning, etc. when the filing is made.

The SCC recently approved DEV's most recent clean energy filing for 500 MW of solar (80 MW utility-owned). DEV issued another RFP for 1000 MW of solar and onshore wind, 100 MW of storage, 100 MW of small-scale solar, and 8 MW of solar to support the community solar program. It is important to note that renewables procurement will lean more toward PPA vs utility-owned in the early part of the plan before switching in the latter half of the plan to more utility-owned as DEV works to the allowed 65% target for solar, onshore wind, and storage. These investments will be rider-eligible which is key when assessing the risk of a triennial review (see section above). DEV put another 30k acres under option for solar buildout, bringing the total to 100k, which is enough to support 10GW of solar.

DTE Energy (DTE; B-3-7; PO:$131.00)

Our meeting with DTE mgmt focused on the pending spin of the midstream segment, potential to accelerate coal retirements beyond those articulated previously, dynamics around the Renewable Natural Gas (RNG) business, and growth in demand as well as for its voluntary renewables product. We maintain our Underperform rating on DTE.

Latitude to accelerate coal retirements?

After 2022, DTE is currently scheduled to keep its remaining coal assets including its 80% stake in Belle River (1,000 MW) and Monroe (3,100 MW) operating until 2030 and 2040, respectively. We note that the company has recently indicated a willingness to speed its exit from coal, most recently with the acceleration of River Rouge to 2021. Following our latest meeting with mgmt. we see some latitude to potentially accelerate one or both of the later retirement dates. Moreover, the decisions to potentially retire coal plants could be linked to forthcoming infrastructure legislation including proposed tax incentives for renewable generation. On balance we are not entirely surprised that DTE mgmt is considering moving forward the retirement dates of one or both of its large coal plants as the company has stood out among peers with its plans to continue operating multi thousand-MW coal-burning generation for up to two more decades.

Midstream spin is on track for midyear

DTE mgmt affirmed that it continues to target midyear for the spin of its midstream business, DT Midstream. The company announced the private placement of $2.1B of notes to fund the new spin, the proceeds of which will be used to pay off short term DTE holdco debt. Additionally DT Midstream recently established a term loan facility of up to $1B and a revolver of $750m, which will further go to paying off DTE parent debt and also to pay a dividend to DTE. Growth opportunities at DT Midstream are expected to principally come in the form of expansions and compression on existing lines including the LEAP pipeline in the Haynesville basin which could potentially expand capacity from the current 1 bcf to as much as 2 bcf. Overall the portfolio remains well contracted with no material roll offs in the near term.

RNG remains core to non-reg side of the business

Despite growing investor enthusiasm of late around the growth prospects for RNG and biofuels, we do not expect a material acceleration in DTE's business in the near term. Mgmt. indicated that it remains happy with the current pace of project additions whereby the company invests in new projects annually that generate approximately $7-10m of new earnings annually. While acknowledging that RNG could comprise a larger share of its overall non-regulated Power & Industrial business, mgmt reaffirmed that it expects the segment to account for around 10% of earnings over the long run. Returns per project are currently in the mid teens on an unlevered basis, providing strong cash flows and payback periods in the 3-4 year range. The key short term factor affecting earnings in the segment will be a loss of Reduced Emissions Fuel (REF) credits at the end of 2021, after which we expect the segment to return to an around10% earnings contribution over time as new projects are added on both the RNG and cogeneration side.

Consolidated Edison (ED; A-2-7; PO:$76)

Our meeting with ED mgmt focused on key regulatory concerns including the company's ongoing relationship with the New York Public Service Commission (PSC) and recent filing for recovery of lost fee income stemming from COVID, as well as future regulated and non-regulated investment opportunities. While management's attitude around the new PSC was still preliminary we remain more upbeat on potential new start for an improved regulatory backdrop. We maintain our Neutral rating on ED.

Stagecoach update expected soon

We expect ED to provide an update on its strategic process for its share of the Stagecoach gas storage JV sometime during Q2. Mgmt. indicated at our meeting that of the sale proceeds, approximately ~$500m would be earmarked for the retirement of project-level debt with any remaining proceeds allocated for general corporate purposes. We assume in turn this is likely slightly dilutive. On recent Clean Energy Business (CEB) renewable sales mgmt. reaffirmed no change in its strategy with the expectation of continuing to invest in new projects, with an expected pivot toward additional design-build-transfer opportunities given robust demand for renewables nationally.

Lost income filing driven by length of pandemic impact

ED recently filed with the PSC for a special accounting treatment to defer for eventual recovery the lost fee income associated with late payments and disconnects that has not been charged since the outbreak of the COVID pandemic. Recall that initially the company had talked down the prospects of recovering this lost income given its rate plan Change in Law provision is intended for expenses and not revenues. However, given the duration of the pandemic and aggregate financial impact, ED mgmt. affirmed that filing for a recovery was in the company's best interest. Note we do not perceive recent changes at the PSC as driving the timing or the decision to file based on mgmt's comments.

Steam recovery following most demand-sensitive quarter

Company mgmt struck a cautiously optimistic note regarding the Steam business. Although smaller than both Gas and Electric, the Steam business experienced disproportionate declines in demand for most of 2020 due to its lack of decoupling, first in Q1 as a result of historically mild weather and followed by lost demand due to COVID. Notable in mgmt.'s comments on the business was the constructive stance taken around its emissions profile – among the most efficient when viewed on an emissions per unit of energy generated; in keeping with the company's ESG-leading stance of late. Mgmt. also suggested a possible filing for new rates in the steam business, likely at the same time as the electric and gas filing if indeed the company goes ahead.

MDU Resources (MDU; B-1-7; PO: $39.00)

Our meeting with MDU mgmt focused on the impact of inflation on the company's diversified businesses – particularly Construction Services and Materials, as well as key regulatory updates centered around the recent WA rate case decision and its pending application for the North Bakken expansion. Look for updates today at the FERC meeting on pipeline policy. We maintain our Buy rating on MDU.

North Bakken not on agenda, but other expansions are

The North Bakken Expansion project is not part of the May Federal Energy Regulatory Commission (FERC) agenda, increasing the risk that the project's in-servicing date gets pushed to late 2021 or early 2022. We note that MDU mgmt. has already petitioned the FERC for expedited consideration of its permit request, thus the timing around when it gets considered remains an open question at this point. The core issue appears to be the FERC's consideration of greenhouse gas (GHG) emissions as part of its EIS for new projects – note Bakken Expansion should screen well on this metric from an upstream perspective given its demonstrated impact on Bakken gas flaring, though how the FERC determines the downstream impact remains a key consideration. Note two expansion projects on the May 20 agenda should give an indication to the FERC's sentiment, if not a direct read-through.

On balance, new FERC policy is unclear on pipelines. We look critically at these upcoming meetings to establish further direction on just how stringent of a GHG review will be established. We see this as likely more of a delay than a fundamental impediment to the project.

Inflationary pressures not showing up in construction biz

MDU mgmt. affirmed its expectation for keeping margins at its Construction Services and Construction Materials businesses at or better than last year's levels, in-line with its full-year guidance. Despite inflationary pressures, the mgmt team sees multiple pathways to maintaining or growing its margins. On the Services side, contracts could be structured as cost-plus of fixed cost, though in the instance of the latter some allowance for inflation could be built in to the initial bid. At the materials business Q2 is the key quarter for bidding activities – thus we see mgmt's affirmation as coming halfway through the quarter as informed by the bids seen thus far.

All in, given MDU's diversified construction business we remain less concerned about inflationary pressures in 2021, particularly given the strong start to the year in both segments.

Cascade revenue reduction makes new filing likely

Reduction of $0.4m relative to an increase in annual revenues of $7.4m which was requested and which represented a +2.8% increase in base rates. The commission maintained Cascade's existing equity ratio at 49.1% and authorized ROE at 9.4%. While the commission accepted pro forma adjustments to base rates reflecting investment through Oct 2020, it rejected additions for projects coming in service at a later date citing "longstanding" commission principles. The order also rejected recovery of 2021 wage increases through rates indicating that these are not yet known and measurable. On the latter point we note mgmt. indicated that it has good visibility into its authorized pay increases for 2021. On balance we expect the order to likely lead to the filing of a new rate case in Washington in relatively short order in order to resolve both the wage increase issue and to add projects that had been completed since the Oct 2020 cutoff. Note we do not expect the order to materially alter the company's outlook on 2021 (having increased guidance already post Q1), as the annualized impact of the full increase requested would result in a ~3c EPS contribution

New Jersey Resources (NJR; B-2-7 PO:$43)

Our meeting with NJR mgmt. including SVP & CFO Pat Migliaccio, SVP & COO (Non-Regulated) Amy Cradic, and Manager – Investor Relations Mark Aydin follows the 2Q update where NJR raised guidance for the second time this year. CEV's pipeline is well insulated from inflationary impacts with materials procured through '22, and expansion into other states continues at returns that are generally consistent with NJ. NJNG rate case is progressing with staff testimony the next item to watch for likely in late-Jun./early-Jul. Mgmt. is very conservative on the RNG/Hydrogen opportunity with no capital in plan outside of two pilot projects. We reiterate our Neutral rating as we still perceive ability to execute at Clean Energy Ventures as a risk, especially with expansion out of NJ and a pending transition of the current Transition Renewable Energy Certificates (TREC) program. Valuation also reinforces our Neutral rating as shares appear fairly priced on a SOTP analysis.

CEV protected from inflationary impacts

Mgmt. does not foresee any inflationary impact to Clean Energy Ventures' (CEV) pipeline given materials have been contracted through '22 – mgmt. sees more positive impact from the ITC extension (that was passed after NJR outlined its plan for CEV). As a reminder, the capital plan shifted modestly as certain in-service dates for Clean Energy Ventures (CEV) projects shift to FY22 given permitting and production delays related to the pandemic. Mgmt. now expects to spend between $96M and $118M in CEV vs prior expectation of ~$165M. CEV is also beginning to expand out of NJ in line with mgmt.'s plan announced during the Nov. 2020 Investor Day. CEV completed a solar project in CT and 1/3 of the FY21 & FY22 project pipeline capacity is expected by mgmt. to be out-of-state. Mgmt. sees out-of-state returns through PPAs that are similar to those of NJ's Transition Renewable Energy Certificate (TREC) program.

NJNG rate case remains key to watch in '21

We stress that the New Jersey Natural Gas (NJNG) rate cases through 2024 will be critical to the outlook as mgmt. is looking to recover 14c in IT spend, 27c related to the SRL pipeline, and 41c of maintenance, and cost of removal expenses. The '21 case is largely focused on recovery of the Southern Reliability Link (SRL) pipe. NJNG filed for a proposed rate base of $2.3B which excludes $308M related to SRL. SRL will be filed as a post-test year adjustment within six months of an order, but mgmt. noted the project could be completed by the time an order is received and be included in normal rate base. We believe there will be little contention on the pipe as it has received approval from the Board of Public Utilities (BPU) already and NJR has worked with the commission throughout the construction. A constructive outcome on this front is likely critical to helping assuage regulatory risks, in our view.

PennEast will likely remain upside until all items needed for Phase 1 are secured

NJR continues to exclude PennEast from its plan as the project's path forward is still uncertain (partners SJI and UGI still include at least phase one). We are more comfortable with the case in front of the Supreme Court on state's rights and eminent domain following support from the Biden Administration and the Solicitor General. The high court is expected to rule on the case by the end of June, and a FERC bifurcation decision is expected to follow – PennEast would also need Delaware River Basin approval for Phase One. We do not see mgmt. adding Phase One of PennEast back into plan until these items are secured. We note the project is already removed from guidance, so to the extent the project moves forward it could be a modest positive to EPS.

On energy services, the company highlighted that the assets that drove the outperformance this year were storage assets and not transportation assets, and suggested to take out the outperformance years to get a more normalized expectation – a Net Financial Earnings (NFE or adj. earnings) contribution of $18-22m.

NorthWestern Corp (NWE; B-2-7PO: $71)

We found our meeting with NWE to be especially interesting given the resource adequacy challenges of the West. While wildfires could very well pressure shares of smid-caps regionally once more this year, we see the backdrop of shortages across the reason and NWE's sharp lack of owned resources suggest potential for inflationary pressures to future procurement activity. Look for more robust discussion in coming months around impacts from Uri as well as Western activity. Nascent sales recovery trends appear a positive for shares with among the highest load sensitivity. On balance, given still modest ratebase growth, we maintain our Neutral rating but see an upward bias – offset by risk of acute forthcoming wildfire focus.

On track after strong 1Q and Generation Win

Latest discussions with management stressed confidence in its plan after both previously firming up the formal capex plan and with winning incremental spend from the MT generation RFP: We see the company on track following the strong start to the year to achieve their full year results of $3.40-$3.60. Management noted that new connections are up substantially with strong customer growth across their jurisdictions, but we see some lag still from C&I driven by a labor shortage as opposed to more discrete COVID concerns.

MT Preapproval Filing Imminent

We expect an imminent filing for preapproval in MT following the earlier RFP results for 325MW of dispatchable capacity – with the filing to include both the 175MW Laurel Generating Station Rice unit plant to be owned by NWE and the 50MW battery storage PPA. Recall the additional investment by the company is expected to drive an incremental $250Mn of spend over their current five year plan (with incremental equity of around $125Mn likely to keep credit ratings intact): we see the spend largely in '22-23 with in service likely towards the beginning of '24. If ultimately approved, this should elevate the company's 4-5% rate base growth and put NWE more comfortably in the 3-6% EPS growth target longer term. The filing is expected to exclude the five year hydro PPA that was the third component of the latest capacity RFP. Following the filing, the commission has 45 days to determine if the application is adequate – with potential for up to nine months until resolution: management is looking for an answer by the end of the year. If approved, we see the additional hydro and battery projects as further improving sentiment around NWE's carbon footprint in addition to the more quantitative benefits from the higher spend.

Our conversations this week further stressed the broader need for capacity in the state – particularly against the Colstrip uncertainty – and we see additional upside to owned generation out of subsequent RFPs as the critical question. We see governmental support for state owned generation, with forward prices up and expensive capacity in the broader Pacific Northwest. The thesis on capacity transition has been out there for some time; the question is whether we are on the edge of seeing a capacity 'catchup' be authorized in MT.

Outside of the pending preapproval filing, we further highlight regulatory efforts in connection with both adjustments to their PCAM and further delaying the implementation of their fixed cost recovery mechanism pilot in their Montana jurisdiction for another year until July 2022 (or beyond). While we see less concern around Colstrip after legislative efforts to revise coal fired generation laws in MT were tabled in committee earlier, watch the arbitration process for Colstrip too as it plays out.

We maintain our Neutral rating on shares, seeing a balanced risk/reward at the current valuation.

South Jersey Industries (SJI; B-1-7; PO: $27)

We met with SJI mgmt. including President & CEO Mike Renna, SVP & CFO Steve Cocchi, and other members of the executive team to dive deeper on a litany of items following SJI's update at its recent investor day. Mgmt. provided additional detail on how investors should be thinking about the robust nonregulated investment opportunity in RNG and fuel cells as well as an update on regulatory items including the Infrastructure Investment Program (IIP) and Liquified Natural Gas (LNG) redundancy project. We reiterate our Buy rating and continue to see a positive revision to shares as SJI begins to execute on its new plan.

Path toward an infrastructure company w/ utility at core

SJI's new long-term plan with significant investments in RNG expecting to spend $500M on RNG through its five-year forecast broken down by $280M in SJI's RNG DevCo to develop dairy farms and the remaining capital used to acquire more equity in REV LNG as it reaches EBITDA milestones. Mgmt. expects to own 100% of REV LNG by 2025 based on EBITDA growth forecasts. To the extent that REV is able to meet its EBITDA targets sooner than forecasted, SJI could see a positive revision in EPS given, contractually, the acquisition of more equity would be automatic once the threshold is hit (i.e. there is no discretion timing). Mgmt. is confident in its strategy on RNG given the market is not saturated and compared the RNG to the shale boom in the Marcellus – rig count climbed sharply and the market became saturated quickly whereas RNG has longer lead times and more steps before being able to bring fuel to market. SJI's strategy at its core will remain focused on the utility, but believes there are ample opportunities to invest in projects that provide returns well in excess of regulated returns and SJI is positioned well to capitalize on the opportunities.

What about legislation? A Senate Bill, S3526, in NJ would allow for rate basing of RNG at the utility. Mgmt. was very positive on the support that the bill has seen so far with two influential sponsors behind it. We note that it could be difficult to get the bill passed this session given the volume of other bills that are in front of the legislature. Mgmt. again highlighted that if the bill were to pass, it would reassess the amount of capital being deployed in unregulated projects and potentially shift some over to the regulated business. Mgmt. is cognizant of the delta between regulated and unregulated returns and will have to wait and see final bill language and regulatory implementation to make that decision. It is possible that mgmt. would have both regulated and unregulated investment. We will also be watching how the end markets for RNG grow and evolve. To be seen.

Fuel Cell investment will be the focus for renewables

Priority on the renewables business will be on fuel cells with a contract structure similar to NY's Value of Distributed Energy Resources (VDER) program with a counterparty that is willing to take the technology risk. SJI's fuel cell investment in 2020 has 75% of its revenues contracted under the VDER program and SJI's counterparty (Bloom) has guaranteed 95% availability. Mgmt continues to emphasize that the primary driver for investment in the space is to align with NJ state and local clean energy goals.

We anticipate the partnership with BE could very well prove upsized and could see further investments under this NY state structure. We note Bloom has announced multiple project partners under this program. We look to understand the nature of SJI's potentially expanded role with BE in coming months.

IIP and LNG redundancy remain key to watch from regulatory perspective

South Jersey Gas' (SJG) pending $742.5mn 5yr Infrastructure Investment Program (IIP) filing is still ongoing before the NJ Board of Public Utilities (BPU), and we model 60% of ask vs. SJI implied 50%. We think we could potentially see a higher approval % given the state's advocacy for safety and reliability investment as well as the need for supportive programs in the wake of the pandemic. As a reminder, SJG and Elizabethtown Gas (ETG) were recently approved for $133mn and $83mn, respectively, of energy efficiency over a three year period (nearly 80% of request). In total, 50% of utility investment earns a timely return. The LNG redundancy project is included in plan now that mgmt. has a clearer line of sight to commission approval by year-end and start of construction by the end of '22. Mgmt. noted recent events in TX and with the Colonial Pipeline strengthen their case for the project as they have limited connection points for supply.

Southern Company (SO; B-1-7; PO: $72)

Our meeting with SO mgmt. including EVP & CFO Drew Evans, SVP Finance & Treasurer Robin Boren, and Director of IR Scott Gammill revolved almost entirely around the progress at Vogtle Unit 3 following SO's announcement of a three week delay in HFT at Vogtle Unit 3 and the shift of the expected in-service date to 1Q22. We maintain our Buy rating as we see upside potential to our SOTP valuation, and see potential for further capex through fleet transition at core utilities. The company is in a key testing phase; we see scope for continued volatility through this process on any small concerns. Meanwhile, successful testing would be a positive catalyst for a rerate.

Delay in HFT; goal posts for completion shifted

Our meeting centered on the recent testimony from Southern Company (SO) in front of the Georgia Public Service Commission (GA PSC) on VCM 24. As a reminder, SO provided an update on the progress with Hot Functional Testing (HFT) at the hearing, and due to concerns of pipe spacing to structural support with thermal expansion, HFT has been delayed three weeks which in turn pushes fuel load to Sep. (from Aug.) and expected Commercial Operation Date (COD) officially into Jan '22 though this is assuming no more delays in the project – mgmt., more realistically, expects COD at some point in 1Q22. SO has taken temperature back down to be able to put up scaffolding, remove insulation, and reconfigure the structural support for the pipes to allow more room for thermal expansion. Though SO did not see thermal expansion outside of the limit, it is focused on completing work correctly rather than quickly and preemptively decided on the fix. After work is completed, SO will have to take the temperature back up again, but will not have to spend as much time at each threshold because data has already been collected. The plant will have to remain at the ~550 degree level for two weeks before the test can be deemed complete – as a point of reference, SO was operating at about half of that before taking the temperature down to make the adjustments for thermal expansion.

Some work on peripheral items (coating, HVAC, etc.) will be pulled forward while the thermal expansion fix takes place. SO has fully funded Unit 3 through the end of Dec., so each month COD is delayed after Dec. would add an incremental $25M to the project cost.

Another reason for the delay was the need to update control system logic for the reactor coolant pumps (RCP). SO had successfully ran each RCP individually, but when all were turned on, there was an issue with having them operate in tandem. The work took 5-6 days and has already been completed.

What about the spent fuel pond leak? SO will not be able to take delivery of any more fuel until the leak is repaired (1/3 of the fuel is currently on site), and site engineers believe they have identified the issue as a welding problem and have scheduled work to be completed by June, well in advance of the start of fuel load in Sep. What's next to track? Staff testimony on VCM 24 is due June 7 before a hearing on June 24. Staff will likely provide a timely update during the hearing on where SO stands in HFT. This appears the next critical timeline of relevant discussion for the project, especially with June 24th aligning roughly with current HFT completion timeline.

ITAAC NRC requirements appear more of an outcome of HFT than a risk themselves...

ITAAC completion is less of a concern for us at this point. The process at the Nuclear Regulatory Commission (NRC) only takes 2-3 weeks, and SO only submits an ITAAC if it fits within the parameters of the test – all but one ITAAC has been returned to SO for adjustment to date. Approx. 25% of the remaining ITAACs deal with HFT, while the remaining deal with fuel load or auxiliary items (i.e. HVAC, security, etc.).

After HFT and leading up to fuel load (currently scheduled for Aug.), what are the next critical items to watch? Work related to nuclear fuel and support systems (i.e. HVAC, communications, security, etc.). While there is still risk in completing these processes on time, only 10% or less of the work required between HFT and fuel load is safety-related

and complex vs 60% for the work leading up to the start of HFT. SO has budgeted 130 days for fuel load but is aiming to complete the process in 110 days (vs Chinese fastest of around 112 days) - this could provide some extra buffer to the new expected COD though we note again SO's focus on completing work correctly rather than quickly.

Inflation more of a concern over the LT

What about concerns on inflation? Mgmt. is watching it very closely for the LT. In the near-term, there is less of a concern because the materials that are needed for Vogtle construction are on site and workers are already paid top decile wages. Mgmt. pointed to an example of a longer term impact in coal ash expenditures – SO has long-term assumptions for spending programs like coal ash, and any shift in inflation would impact that assumption.

WEC Energy (WEC; B-3-7; PO: $95.00) and MGE Energy (MGEE; A-3-7; PO: $69.00)

We held separate meetings with the mgmt. teams of WEC and MGEE and present our consolidated takeaways below given both companies' exposure to the state of Wisconsin and collaboration on generation + storage projects. We maintain our Underperform rating on both MGEE and WEC given high valuations we view as unsupported by each company's respective fundamentals.

Different rate review approaches in WI

MGEE and WEC recently made their latest rate filings, reflecting different cycles (and levels of reg risk in our view). WEC remains the most de-risked of the WI utilities having filed a stay-out through next year with status-quo ROEs (10.0% electric, 10.2% gas) and authorized equity at 50-55%, while reducing its earnings sharing band by 20 bps for 2022 only. MGEE recently filed a 2-year rate application with a 5.9% electric base rate increase and 3% for gas in 2022. Note the MGEE filing also includes a reopener for 2023 given several renewable generation projects are pending approval at the commission – we expect the reopener to be utilized upon approval of projects with an in-service target date in 2023 – these include the Paris Solar-Battery and Darien Solar-Battery projects, which in aggregate are expected to account for $88m of capex for MGEE. Note that given WEC's stayout filing, we expect its rate application filed in 2022 to include the same projects given its 90% stake, with MGEE a 10% partner.

Still runway for gen investment following Columbia

Both WEC and MGEE are partners in the Columbia coal plant which is scheduled to retire its Units 1 and 2 in 2023 and 2024. In contrast to WEC which has articulated a multi-year plan of generating capacity additions, MGEE has not disclosed its plans for generation needs beyond the projects that have been announced to date. Note that the four projects announced in late 2020 and early 2021 that are co-owned between WEC and MGEE account for ~120 MW of the 217 MW that account for MGEE's share of Columbia, leaving meaningful runway left for additional projects. MGEE's mgmt. has also discussed retiring its 50 MW combustion turbines and 100 MW Blount facility – while the time frame is not certain we note these extend the pathway for future renewable investments. While MGEE has not exercised its West Riverside option for a 50 MW stake and has until 2025 to do so, we see a clear preference for renewables given the company's track record over the past several years.

Inflation risks relatively muted for renewables

WEC's mgmt. sees little exposure to inflationary pressures – both from a labor and a materials standpoint – in its nonregulated Energy Infrastructure renewables projects. Contracts with developers are done on a fixed price, turnkey basis, with the developers bearing most risks from inflationary pressures. Note this largely echoes commentary across our coverage indicating inflationary pressures being generally in check.

Essential Utilities (WTRG; B-1-7; PO: $54)

We had a very constructive meeting with WTRG, focused on reconciling both its near-term debates as well as more critically understanding the company's hesitations around providing a 5-year view (akin to many of its peers) vs 3-years despite its de-risked backdrop. We see this simply as a matter of transition for CEO Franklin who has been in the role since 2015. Following years of transition with repairs tax and integration of the Peoples gas utility business, we see a period of relatively lower risk approaching. Specifically, we see few noticeable resets in earnings outside of potential gyrations in earned ROEs near authorized levels. We stress transitioning to a 5-year program would appear more of a discussion around simply developing a longer-term perspective on capital spending than addressing any core issues. We believe next Peoples Gas case could very well serve to provide this latest certainty on ROE at among its largest segments. We viewed this conversation as our most constructive of the conference despite no specific timeline on offering an extended view on its 5-7% EPS growth.

Muni Acquisition Opportunity Robust despite Protracted DELCORA process

Latest discussions with management continued to highlight the robust magnitude of municipal tuck in acquisition opportunities - and we do not see any slowdown in discussions despite potential for some federal relief. Pending transactions currently contemplate ~$450Mn of rate base with signed APAs expected to generate ~$22.5Mn of incremental annual earnings potential (with one additional deal that they have been selected as the winning bidder and are working to sign an APA). The magnitude of opportunities should limit concerns around the protracted DELCORA process, with resolution seemingly less likely by the end of the year. That said, we do expect management to pull on their equity forward that is coming due in August to finance the additional acquisitions with or without clarity around DELCORA. Despite the legal setbacks, management remains firmly confident around their ability to see the transaction to close.

The current acquisition pipeline outlined by the company contemplates pursuit of ~395K customers – with the majority municipal wastewater systems. While WTRG already enjoys FMV legislation across their entire water footprint, we think we could yet see expansion beyond the current states in which they operate: we see an appetite to potentially expand to KY given their gas operations in the state and constructive legislation that was just passed similarly allowing the company to buy assets at 1x rate base (with discussions suggesting other states too as possibly providing an attractive initial entry point given the backdrop). Meanwhile, we highlight legislation in PA similar to the Water Accountability Act in NJ that would put muni's under the Pennsylvania Utility Commission if they are out of compliance. Other states to watch for developments in coming months include OH with a new team in place and TX given a backdrop of robust growth (albeit with a bit more competitive of a dynamic).

While we do not see a particular desire from management to offer up a longer guidance trajectory than their current three year outlook, we nonetheless see a long tailwind of acquisition opportunities further supporting the long term growth outlook.

Watch PFAs Developments too under the new administration

We see potential developments from the Biden administration around a maximum level of PFAs with current status quo only contemplating a health advisory (as opposed to a strict enforceable standard) in place at the federal level of 70ppt. WTRG has already put in a stricter standard across their jurisdictions of 13ppt – the standard in New Jersey at the state level. While it remains less clear how quickly the EPA will act for a firmer threshold nationally, we see stricter standards and the burden on smaller utilities as only further driving acquisition opportunities for muni tuck ins.

We reiterate our Buy rating on shares of WTRG with increasing conviction in management's ability to consistently deliver and see the company as a prime beneficiary of further consolidation across the water industry. Meanwhile, we struggle to reconcile

the sharp discount to peer AWK and stress the pipeline of water opp's to further dilute gas as a percentage of their biz. With a growing focus on ESG – and mgmt.'s proactive action around PFAs and emission reductions – we see this an underappreciated angle not reflected at the current valuation.

Unitil Corporation (UTL; B-3-7; PO: $49)

We met with UTL mgmt. including Chairman, President, and CEO Tom Meissner, SVP, Treasurer, and CFO Bob Hevert, and Director of Finance Todd Diggins to discuss the important electric and gas rate cases in NH, decarbonization across the footprint, and strategic opportunities. We reiterate our Underperform despite positive data points given very premium valuation – our impression is there is an M&A premium built into shares, however find any transaction to be challenging during a rate case.

Positive on NH rate cases, key to watch into '22

On the regulatory front, UTL is active with a multi-year rate case ongoing at its NH electric business, Unitil Energy Systems (UES), with new rates expected to be effective in 1H22. Mgmt. highlighted stipulation on temporary rates of $4.45m (vs ask of $5.8M). There has been a positive and complimentary response to the rate case, in particular with the transparency and clarity with all the effort to reduce bill impact. The staff overall feel positive about the case, with no unexpected or contentious on top of the usual technical issues associated with rate base or cost of capital. On UTL's NH gas business, Northern Utilities NH (NU NH), an earlier timeframe than 2H21 and simpler case with fewer issues is expected.

From a regulatory standpoint, UTL believes the focus right now is firstly – in terms of decoupling – by the time the rates are in effect, around 80% of their meters will be decoupled, and around 75% of their non-growth related capital investments will be recovered over the next three years, either through a tracking mechanism or though multiyear rate plans. They are therefore trying to obtain more certainty on cash flow and accelerate the recovery of their capital investments – in order to reduce the lag and difference between rate base growth and earnings growth over time. With regards to the multi-year rate plan, UTL believes this is a much quicker and more efficient process than filing serial rate cases, however they highlight one consideration with the plan where the incremental revenue requirements are limited to 2.5% of prior year's revenue.

No specific incremental investments on capital plan; growth rates on high-end

In respect to the capital plan, no specific incremental investments were called out so far but the company is looking at opportunities in renewable energy and sustainability. UTL highlighted their corporate goals for greenhouse gas emissions, with plans discussed for 2030-2050, and the investments required such as decarbonization of their fleet, their buildings and electricity usage etc. These investments are not currently reflected in their current capital plan which they aim to fully develop as part of their sustainability strategy in 2021.

Speaking about the range in growth rates (5-7% EPS/6.5-8.5% rate base growth), UTL highlights that they mostly expect growth rates on the higher-end of the range in the short-term through a combination of the recovery from the pandemic, increase in customer count, and improved recovery of rate base investments. Customer growth has been strong particularly in gas, with organic growth in in new construction and projects being permitted creating a pipeline for several years. Beyond this, UTL sees a lot of scope for gas conversions, especially in Maine, where 75% of the population are still using fuel oil or propane, and UTL intent to ramp up these conversions as well as expand into new cities going forward.

Decarbonization through RNG; work continues on legislative and regulatory front

UTL highlighted their commitment to use natural gas and RNG as part of their future energy supply considering the environmental benefits (especially vs fuel oil and propane). Electrification remains economically challenged in UTL's service territories given already high electricity costs – mgmt. highlighted studies that show 35 degrees is the breakeven point at which electrification matches the economics of fuel oil, however noted that electricity prices would have upward pressure if electrification were to expand causing the breakeven point to increase.

UTL expects to be able to implement long range supply planning to address the supply of RNG and to also ensure appropriate review and recovery of costs through legislation and/or regulation. Before UTL would look at potential investments in RNG (regulated or nonregulated), UTL would want implementation of tariffs to allow for recovery of supply costs. Once mechanisms are established UTL would then look into investing and developing these projects. There is a bill pending in Maine that may or may not go forward in the current legislative session that would enable them to move forward with this.

Consolidation remains a possibility in time; private money looks more willing to stomach high valuations

We note a unique fact pattern with respect to Caisse de Depot et Placement du Quebec (CDP), a Quebec government pension fund, owning ~6.3% of UTL as well as adjacent Vermont Gas (under its wider ownership of Energir, the Montreal based parent which also runs the Gas Metro LDC in Montreal).

We caution against immediate expectations around what this latest stake (December disclosure) implies. We see any further consolidation between these two entities as challenging to carry out during its more meaningful pending NH electric rate case given the process and drag on earned ROEs presumably.

Again, UTL expects new rates expected to be effective in 1H22 for UES and 2H22 for NU NH, so we think it could be difficult to conduct anything strategic until the processes are complete. A good example of this dynamic is with the failed Avista and Hydro One deal. It will likely take Avista until 2023, four years after the termination of the deal, to return closer to their authorized ROE. On the other hand, we have seen private interest in the space tick up with Summit Utilities acquisition of Centerpoint's (CNP) Oklahoma and Arkansas gas utilities and GIC's minority stake acquisition of Duke Energy Indiana so some puts and takes indeed. We do not see UTL as a buyer at recent high valuations.

In terms of the targeted dividend payout ratio (55-65%), UTL is comfortable with that range as well as maintaining the dividend growth rate and capital investment plan currently in place. As for FFO/Debt metrics, UTL is focused on this and has some incremental equity in plan though the vehicle for the equity is still undecided.

Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AEE	AEE US	Ameren Corp	US$ 84.21	A-1-7
ED	ED US	Consolidated Edison	US$ 77.98	A-2-7
D	D US	Dominion Energy	US$ 76.98	A-1-8
DTE	DTE US	DTE Energy	US$ 138.8	B-3-7
WTRG	WTRG US	Essential Utilities	US$ 46.42	B-1-7
MDU	MDU US	MDU Resources	US$ 33.53	B-1-7
MGEE	MGEE US	MGE Energy	US$ 74.74	A-3-7
NJR	NJR US	New Jersey Resources	US$ 42.51	B-2-7
NWE	NWE US	NorthWestern Corp	US$ 62.96	B-2-7
SJI	SJI US	South Jersey	US$ 25.74	B-1-7
SO	SO US	Southern Company	US$ 63.98	B-1-7
UTL	UTL US	Unitil Corp	US$ 55.63	B-3-7
WEC	WEC US	WEC Energy Group Inc	US$ 94.87	B-3-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Ameren Corporation (AEE)

Our $91 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2023E ratebase weighted peer multiple of 17.9x for electric.

We apply a 2.0x premium to peers at AEE Missouri to account for the improving prospects of capital spend, supplemented by a regulatory jurisdiction becoming more favorable - but lack of decoupling.

We apply a 2.0x premium to peers at AEE Illinois to account for decoupling on the distribution business which aids in earnings predictability. The overall business is expected to grow at a more meaningful clip than that of peers - we see a 10% EPS CAGR at IL 2020-2024. At ATXI, we apply a 4.0x premium to peers to reflect the FERC ROEs.

At the Parent, we assume 2.0x multiple premium reflecting average of the subs and given the healthy debt metrics with FFO/Debt at 17%+. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector.

The risks to our price objective are the utilities earning their allowed returns or worse, a significant change in 30-year U.S. Treasury bond yields, and adverse regulatory outcomes that could impact mgmt's ability to earn its allowed return

Consolidated Edison (ED)

Our $76 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 18.0x/16.5x for electric/gas respectively with a -3.0x disc. to Electric, Steam, & Gas to reflect Covid recovery overhang and Steam for lack of decoupling. Both electric and gas peer P/E multiples are grossed up to 2023E by 5% to reflect capital appreciation across the sector. We further apply an EV/EBITDA approach on 2023E EBITDA to the CEB business using a 10.0x multiple for both the legacy portfolio and the renewables portfolio seeing it as having higher quality returns. Downside risks: ED, like all utility stocks, is also sensitive to changes in the market level of interest rates. Utilities historically underperform if bond yields rise, and outperform when they fall. Further downside risks are the inability to recontract storage, adverse

regulatory outcomes, a deteriorating regulatory environment, or unforeseen disasters such as the Harlem gas explosion, the SRE transaction not being completed. Customer inflation is also a downside risk. PCG related counterparty exposure is among the nearest exposures to watch.

Dominion Energy (D)
We use SOTP to derive our $86/sh PO. Utilities: We value VEPCO at 4x prem multiple to elec. peers of 18.1x '23 P/E and 16.5x w/ 3x prem on our '23E P/E to D's portfolio of gas LDCs (East Ohio, Hope Gas (WVa), and Questar (UT)). Mults are grossed up to by 5% to reflect capital appreciation. We value Wexpro at 10x disc to gas utility peers for declining rate base/ROEs and reg. risks. We ascribe a 3x premium multiple for SCANA legacy utility assets, and a 2x disc. for the NND asset. We also net out NPV of ongoing bill credits. Merchant: We apply an 8x FCF multiple for Millstone and separately apply a 100% wt to our NPV est of the ZCP cash flows. We include the full EBITDA from the contracted renewables with a 16x '23 EV/EBITDA multi in line with peers. Cove Point: We apply an NPV approach with to our DCF adjusted for the 50% sell-down in the facility. For remaining debt beyond that allocated to state utilities, we incl a 50% wt towards a str netting of leverage, with the remaining 50% using a P/E multiple on associated interest expense, in line with the methodology employed for more highly levered diversified utilities.

Downside risks: increase in rates, capex below assumptions, unconstructive regulatory outcomes, delays and/or cancellation of key projects vs our expectation.

DTE Energy (DTE)
We value DTE Energy at $131 using an SOTP approach.
We value the utility segment on a 2023E forward P/E multiple basis and the non-utility seg. on a 2023E forward EV/EBITDA multiple basis. For the utility segment we apply a 3x premium to both our reg. electric and gas utility peer multiples (of 17.9x and 16.4x, respectively). Both electric and gas peer P/E multiples are grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector. We subtract out Corp & Other expense excl. interest rate.
For GSP we use a midstream peer group multiple of 9.0x. P&I, we apply an 8x EV/EBITDA multiple, despite the lower quality of these earnings and opaque disclosures, as mgmt has been able to execute on new project origination. We value the reduced emissions fuel (REF) tax credits separately using a DCF methodology at 6% discount rate.

Upside risks to our PO are capex expansions, higher authorized ROEs, and strong performance in the ET segment. Downside risks are interest rate hikes, execution risk on organic growth initiatives at the nonregulated business, and less favorable regulatory environment.

Essential Utilities (WTRG)
Our price objective is $54 based on our SOTP approach, applying a peer multiple to the water utility and gas utility, respectively and accounting for expected growth for each sector. These peer multiples are 28.2x and 16.5x. We apply a 3.0x premium to Peoples Gas given the organic growth opportunities, while applying a variety of premiums to its water (2x previously) subsidiaries: +4x to PA, +3x to IL, +2x to OH, +2x for TX, +2x for OH, and no premium for balance of biz. We net out parent debt and parent interest expense associated with parent debt 50/50 weighed basis.

Risks to the downside are acquisition risk, deteriorating regulatory outcomes, and risks from a lower rerating following the diversification into gas.

MDU Resources Group, Inc. (MDU)

Our $39 PO is derived from SOTP. At the regulated electric and gas utilities, we use a P/E approach on our 2023 estimates and use peer multiples of 18.0x for electric and 16.5x for gas, respectively with a -1.0x discount for each reflecting below-peer rate base growth of 5% through 2025, we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO. We value the Construction Materials business using a '23 EV/EBITDA estimate, applying a multiple of 9.7x based on an average of several publicly-traded peers in the cement, asphalt, and aggregates business. We value the Construction Services business using a '23 EV/EBITDA estimate, applying a multiple of 9.7x based on an average of several publicly-traded specialty construction services peers. We also apply a -1.0x valuation discount reflecting the high level of competition in the space. We value the Pipeline business using a '23 EV/EBITDA est., applying a multiple of 10.0x based on an average of several publicly-traded midstream peers. We also apply a -1.0x valuation discount reflecting execution risk around the North Bakken expansion which is slated for construction in 2021. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Upside risks are higher utility capex, improving margins at the construction business, and infrastructure stimulus. Downside risks are a macro downturn pressuring construction margins, and rate case outcomes.

MGE Energy (MGEE)

Our $69 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples (18.2x/16.7x for electric/gas respectively) with a 3.0x premium on WI regulated gas and electric to reflect the constructive regulatory mechanism, and a 3.0x premium on Transmission assets. We note that both electric and gas peer P/E multiples are grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector. We apply utility premiums to the non-regulated Elm Road and West Campus assets as these are leased under long-term contractual arrangements. Downside risks: MGEE, like all utility stocks, is sensitive to changes in the market level of interest rates. Utilities historically underperform if bond yields rise, and outperform when they fall. Further downside risks are the inability to secure further renewable rate base investments, adverse regulatory outcomes, a deteriorating regulatory environment, or adverse weather leading to less consumption of electricity and gas. Upside risks are acceleration of renewable gen investment, legacy coal asset early retirement, and enactment of further pro-renewable state policies.

New Jersey Resources Corp (NJR)

Our $43 PO is off our 2023E SOTP, based on gas peers of 16.5x. For non-reg biz, we apply a 12.0x multiple plus a 1.0x premium to account for the derisked nature of the AMAs. For Midstream, we capitalize EBITDA at 9.0x while weighting PennEast by 0% given uncertainty on full project execution (as mgmt. has removed this from its outlook). For CEV, we value CEV PowerCo for existing assets and DevCo assets to be deployed separately. We separately value DevCo assets to be deployed for '21 through '25 at NPV of unlevered FCF including upfront system install cost and ITC value for new deployment. We also value SREC balance that CEV has yet to monetize. We apply a 4.5% unlevered discount rate to project level CFs in-line with our discount rate for resi solar service providers. We incl. three additional years of DevCo NPV ('26-'29) with terminal value based on post-ITC step-down trough volumes/economics in '29 ('27 prior) and maintain our 4x terminal value. We also attribute a 75% weighting for the full value of DevCo NPV for '24+. We assume 75% based on a likelihood of some action on ITCs. For parent, we apply a 50/50 weighting for holdco debt/interest expense for re-capitalization purposes.

Upside risks: Constructive regulatory outcomes, decrease in interest rates, incremental capex opportunities, and extension of subsidies

Downside risks: Poor regulatory outcomes, increase in interest rates, and lower capex.

NorthWestern Corporation (NWE)
Our $71 price objective is based on a 1.0x discounted multiple to the 2023E peer multiple of 17.9x on our 2023E EPS given higher risk and slower growth. We note that electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector.

Downside risks to our price objective are 1) adverse regulatory outcomes, 2) inability to recover costs via the traditional mechanisms, 3) changes in the Commission constructs, and 4) further equity dilution. Upside risks are 1) improvement in regulatory environment 2) capex increases.

South Jersey Industries (SJI)
Our $27 PO is premised upon our SOTP analysis where we utilize a 16.5x peer Gas LDC utility P/E to SJG and ETG on '23E EPS. We apply a 12x P/E to SJEG/SJES non-regulated earnings stream given variability and limited transparency. For the solar investments we utilize a NPV of investment tax credits at a 4.5% discount rate (in line with peers) to capture the transitory nature and eventual roll-off. We apply a 9x EV/EBITDA to PennEast and assume full project economics in our EPS assumptions, although net out 50% weighting. We utilized a DCF for RNG with NPV of cash flows at 7.4% discount rate. For parent debt we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Downside risks: Interest rates move higher, poor regulatory outcomes, lower capex levels.
Upside risks: Interest rates move lower, constructive regulatory outcomes, incremental capex opportunities, further credit latitude.

Southern Company (SO)
Our $72 PO is derived from a SOTP. We use a P/E val approach on 2023 and use peer multiples of 17.8x for electric and 16.4x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO. We subtract 50% of the 2023 parent interest expense multiple by an electric P/E peer multiple to reflect parent lev supporting the utilities. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector.

Upside risks are: 1) Regulatory outcomes or RO's could be better vs expectations, as exposed to multiple state jurisdictions 2) Additional riders and capital trackers can help the company achieve better than expected ROE, but failure to get riders would hurt SO 3) The nat. gas related biz are relatively new and could prove more or less able to earn an ROE in line with or different from their allowed ROE, 4) high capital forecasts and subsequent earnings streams vs our assumptions.

Downside risks are: 1) Regulatory outcomes or ROE's could be worse than expectations, particularly since exposed to mult. state jurisdictions, 2) SO has exposure to Vogtle which could shift earnings, 3) Weather patterns could influence usage or natural disasters could affect system reliability 4) Utilities are subject to interest rate risk.

Unitil Corporation (UTL)
We value UTL at a $49 PO based on a 2023e forward P/E basis using a utility group multiple of 17.8x for electric and 16.3x for gas. Also, we apply a 1x premium to our weighted peer multiples to align with MA comps and capture electrification upside. Both electric and gas peer P/E multiples are grossed up for a year to 2023 by 5% each to reflect capital appreciation across the sector.

Risks to our price objective on the upside are capex updates around MA gas pipeline

replacement, regulatory asks around ROEs, and M&A. On the downside, risks are interest rate risk which could reduce the appetite for M&A, regulatory challenges and mild weather.

WEC Energy Group Inc (WEC)
Our $95 PO is based on 2023E SoTP, with a large cap electric group multiple of 18.2x and gas regulated multiple of 16.7x. Electric and gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector. We apply a 3.0x premium to WEC's WI electric & gas subs for surety in earnings growth for the next two years following the Commission's recent settlement on above avg ROEs of 10%+. We apply a 1x premium to the gas utilities, incl IL's Peoples Gas and North Shore Gas with the Gas System Modernization Program (GSMP) and capex forecasts de-risked following the ICC order. We ascribe a 3x premium vs. the group at ATC to account for steady earnings growth as well as above avg ROE's that are set at a federal level by FERC. We give Power the Future (PTF) a 1.0x premium multiple as the ROE is set indefinitely on historical and new investments. We ascribe an in line multiple for the parent accounting for the interest expense which finances overall utility operations. We value Energy Infrastructure investments on a net present value basis using a WACC of 3.5%, in line with other renewable asset operators. We net out 50% of HoldCo debt from equity valuation and adjust to add back the parent drag on interest exp. Upside risks: stronger than expected execution and accelerating capital oppty. Downside risks: inability to achieve historical track record on cost cutting and to scale regulated investments given growing portion from contracted renewables.

Analyst Certification

We, Julien Dumoulin-Smith and Dariusz Lozny, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
NEUTRAL				
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RSTR				
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	48.43%	Buy	56	72.73%
Hold	43	27.04%	Hold	31	72.09%
Sell	39	24.53%	Sell	23	58.97%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1909	58.54%	Buy	1218	63.80%
Hold	653	20.02%	Hold	395	60.49%
Sell	699	21.44%	Sell	356	50.93%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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BofA GLOBAL RESEARCH

BofA SECURITIES

What stood out from Day 2 of Virtual AGA?

We present detailed takeaways from Day 1 of the Virtual American Gas Association (AGA) conference, including presentations by **AQN, ATO, AVA, BKH, CMS, DUK, ES, NWN, OGS, SR, SWX, UGI & XEL**. Notably positive meetings included **BKH, SR** as well as confidence from **ES** on an improving backdrop in CT, if not with the PURA directly. We still see numerous challenges and need to see execution confidence, but we see the overall tone yesterday as an improvement. See our report on Day 1 takeaways including: **AEE, D, DTE, ED, MDU, MGEE, NJR, NWE, SJI, SO, WEC, WTRG** and **UTL.** We expect additional positive 2Q updates to drive FY21 guidance higher after clear success in 1Q.

Load growth strong while inflation at bay - continues

CMS reiterated that it sees '21 as off to a very strong start with meaningful upside vs. its plan with latitude to de-risk '22; in the near term the much-anticipated resource plan is expected in June with expectations for additional renewables and accelerated coal. **XEL** indicated improving and constructive regulatory relationships, with the expectation of filing a rate case in CO along with constructive staff testimony in its pending NM rate review; look also for additional data points on MISO transmission upside later in the year. **DUK** again addressed the challenges of Elliott's proposal to split the company into three publically traded holdcos, including regulatory concerns, credit implications and the need for incremental equity, the dis-synergies, and the impact on the dividend. Mgmt. continues to see positive momentum on comprehensive energy legislation in NC – look to the summer to see something introduced. For **ATO** and **OGS**, focus near-term is on the successful passage of securitization in TX. The TX Senate Committee on Natural Resources & Economic Development heard HB1520 yesterday evening and plans to vote on the bill in the lt. governor's press room at 9:00AM CT today. We expect the bill to pass through committee given positive commentary during the hearing. **AVA** provided an update on the Department of Natural Resources report on the Babb Road Fire, and mgmt. was not surprised by the Staff recommendation in its Washington rate case – this case, and others, will be key for AVA's near-term guidance. **NWN** continues to assess RNG projects in Oregon pursuant to SB98 and is conservative in what it bakes into its capital plan. There is clear upside to mgmt.'s target, but by how much? We continue to await more clarity and more on the strategy for water expansion. **SR** received the staff recommendation in its Missouri rate case that we believe sets them up well for settlement negotiations. We will be watching the strategy for RNG expansion closely, especially given the recent passage of legislation in MO that allows them to rate base RNG investments. **SWX** is gearing up for its tracker filing later this month. We continue to see Arizona as a particularly negative jurisdiction and remain cautious on SWX's ability to recover costs. **We resume coverage of UGI** following the announcement of the equity units and are bullish on the renewables opportunities in front, although we remain Neutral as we await more concrete details on how the investment affects the LT growth target and more detail on each segments' contribution to the growth target. One question came up repeatedly in our meetings: is there any ability to monetize scrap metal from pipe replacement at elevated price levels? And the short answer is no, the pipes remain in the ground when being replaced.

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Timestamp: 21 May 2021 02:49PM EDT

21 May 2021

Equity
United States
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Stock Symbols:

AQN: Algonquin Power
ATO: Atmos Energy
AVA: Avista Corp.
BKH: Black Hills Corp.
CMS: CMS Energy
DUK: Duke Energy
ES: Eversource Energy
NWN: Northwest Natural
OGS: ONE Gas
SR: Spire
SWX: Southwest Gas
UGI: UGI Corp.
XEL: Xcel Energy
AEE: Ameren Corp.
D: Dominion Energy
DTE: DTE Energy
ED: Consolidated Edison
MDU: MDU Resources
MGEE: MGE Energy
NJR: New Jersey Resources
NWE: NorthWestern Corp.
SJI: South Jersey Industries
SO: Southern Companies
WEC: WEC Energy
WTRG: Essential Utilities
UTL: Until Corp.

See abbreviations of industry terms on page 2.

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Abbreviations:
PURA: Public Utility Regulatory Authority
FERC: Federal Energy Regulatory Commission
LDC: local distribution company
IRP: independent resource plan
MISO: Midcontinent Independent System Operator
RNG: renewable natural gas
PPA: power purchase agreement

Algonquin Power & Utilities (AQN)

Inflationary pressures not apparent in the renewables business just yet

Latest discussions with management suggest that inflationary pressures are not yet apparent in the renewables business – echoing the commentary from other developers throughout the conference. Commentary suggested more concerns about delays from interconnection as opposed to higher freight costs or logistic complications. Overall, we perceived few concerns – with expectations to pass on any higher input costs at the regulated business and higher offtake prices for PPAs while they see the Biden administration as further enabling opportunities for their business overall. While management doesn't expect returns to be diluted, we watch competitive dynamics critically and see the direct pay component from any legislation as potentially adding further pressure to competition.

Commentary from management further stressed confidence in the LT plan to grow EPS at 8-10%, with the bulk of the capital front-end loaded and projects thus far coming in on time. Any further complications in supply chain appear more likely to impact the development pipeline if sustained. While potential projects could get pushed back, we highlight the enhanced latitude given the tax credit extension providing some support. Execution remains our principle concern for AQN in particular.

With management previously noting that they recently advanced four Permian projects from the evaluation phase through the development phase related to their Chevron partnership, watch for additional developments later this year with the projects not formally contemplated in their $9.4bn plan.

Despite the latest affirmation by AQN, we remain concerned about the ability to achieve '21 EPS guidance of 71-76c after the challenging start to the year (albeit management maintains the ability to self-monetize tax credits) and given the protracted NYAW (New York American Water) process (recall the Winter Storm Uri impact is already excluded from adjusted results). Management nonetheless remains confident that the deal will close: this remains a key swing factor to EPS, in our opinion.

Following the CNP (CenterPoint Energy) transaction at 2.5x rate base, it remains less clear if AQN will continue to pursue acquisitions at the same pace if elevated valuations continue. Despite the recent Chilean acquisition, we would believe the bulk of focus will be more North American oriented but limited commentary was provided about how to think about the partnership with AY (Atlantica Sustainable Infrastructure).

Contemplating Uri Recovery

After the company previously announced ~$200mn of elevated costs at their utilities with the bulk of it in Missouri, management shied away from commenting on any recovery period as they start initial discussions with regulators – but we stress the magnitude relative to the number of customers and highlight securitization potential in Missouri. Watch both implications from credit agencies through the rest of the year and overall cap structure given potential scrutiny at the holdco level.

Meanwhile, the company is in discussions about mitigating the ~$50mn impact at the regulated business after asserting *force majeure* – albeit we would expect a years-long process if they ultimately enter into dispute and generally see mitigation efforts as an uphill battle.

We maintain our Underperform rating: consistency & quality of EPS execution remains a key focus of improvement to drive the track record.

Atmos Energy (ATO) & ONE Gas (OGS)

We consolidate our comments on ATO and OGS given the overlap in regulatory jurisdictions and similar current events/considerations following Winter Storm Uri. We met with (1) ATO senior mgmt. including President & CEO Kevin Akers, SVP & CFO Chris Forsythe, VP of IR and Treasury Dan Meziere, and VP of Pipeline Safety John McDill; and (2) OGS President & CEO Pierce Norton, SVP & CFO Caron Lawhorn, SVP & CCO Curtis Dinan, SVP & COO Sid McAnnally, and Director of IR Brandon Lohse to discuss the latest on TX securitization, which was heard in Senate committee last night and will be voted on this AM (we believe the legislation will go through given testimony from parties at the committee hearing), ratings agencies treatment of the debt, potential incremental capex opportunities from reliability and resiliency, and sustainability and RNG. All around, positive momentum on legislation and de-risking of impacts from Winter Storm Uri, but we continue to see Neutral as an appropriate rating for ATO given our view that risk/reward is balanced at the current 0.6x premium to gas LDC peers. We maintain our Underperform rating for OGS given the relative gas costs and slight premium to the group.

TX bill to be voting out of Committee this AM

The TX Senate Committee on Natural Resources & Economic Development heard HB1520 (LDC securitization of extraordinary gas costs from Winter Storm Uri) yesterday evening and plans to vote on the bill in the lt. governor's press room at 9:00AM CT today. The Senate committee made a couple of tweaks to the bill that was passed in the House, including allowing more time for the Texas Public Finance Authority (TPFA) to issue the financing, more clearly defines each agency's role in implementation, limits the scope to just the extraordinary costs from Winter Storm Uri, and orders a study by the Railroad Commission (RRC) to analyze the advantages and disadvantages of spot market gas purchases during a catastrophic weather event that may contribute to volatile customer rates. We expect the legislation to be voted out of committee and onto the Senate floor given there was no objection from any party during the hearing. Much of the hearing was more of an educational process to discuss why securitization is beneficial for customers. As a reminder, the RRC will have 90 days to review the prudency of the costs before the TPFA will start the process of issuing the bonds. In OK and KS, the Oklahoma Corporation Commission and the Kansas Corporation Commission will each have 180 days to review the costs before the process to issue the bonds will begin.

What about the recovery period? We think that given the securitization, the recovery period will be on the longer-end in TX and OK (for OGS) (20+ years), but not the full 30 years that is allowed by the legislation as customer bill impact does not change as much as the time period is extended on the long-end. In KS for both ATO and OGS, we believe the recovery timeframe could be a little bit shorter given the utilities are the ones issuing the bonds.

The ratings agencies' treatment of the securitized bonds will be particularly relevant to track considering implications on potential dilution. S&P already does not include securitized debt in its credit metric calculations, but Moody's will look through special purpose entities and pull the securitized debt into its metrics. However, with the TPFA issuing the bonds, and ATO just collecting for the bond, there is no special purpose entity to look through. It remains to be seen if Moody's will still include the debt in its calculations, but discussions will kick off after the legislation is passed.

The equity portion of the capital structure is expected to be improved after securitization, which is important given ATO earns on actual capital structure in many of its jurisdictions. For ATO, the securitized bonds will replace the $2.2B Winter Storm Uri financing, and the equity cap would move back to ~60%. OGS is on track with their Oklahoma rate case to be filed by June 30, which will be a 2020 test year and therefore not directly impacted by the storms.

Capital plans solidified w/ potential upside in time from reliability

Given our view that securitization will allow for an extended recovery period, we believe both ATO and OGS' capital plans are not at risk. Both companies highlighted their post-mortem review of their own operations to minimize supply issues and extreme pricing in the event of future severe weather. With considerations such as whether they need additional storage, have all interconnects in place, making sure they have high enough supply of gas, LNG/CNG (liquefied natural gas/compressed natural gas), possibility of bidirectional flow and others, ATO and OGS have been looking to harden their supply and therefore fare better as a result during those conditions. OGS highlighted that they have a review in process in place that could evaluate their system and response to any extraordinary event in the industry, in order to compare practices and processes and identify learning opportunities or optimization in both short and long term.

Expansion of RNG likely to remain focused on integrating supply into the system

ATO continues to evaluate the RNG market for additional blending into the system; currently, only ~2% of ATO's volumes are RNG. While we are very bullish on RNG in general, we do not see any unregulated investment at this time; rather the only incremental investment would be for interconnections with producers and spending to integrate the fuel into the system.

OGS is exploring RNG with its recent partnership announcement with Vanguard Renewables. The alliance is currently assessing both the supply-side (i.e., dairy farms in OGS territory) and the demand-side. While we are very bullish on RNG in general, we did not get the sense that mgmt. was seeking any unregulated investment at this time; rather the only incremental investment would be for interconnections with producers and spending to integrate the fuel into the system - OGS is weighted heavily toward residential, so there is less opportunity to provide large volumes of RNG to C&I (commercial & industrial) customers. This stance on unregulated RNG investment may change as the market develops, but we do not expect an announcement on any projects in the near term.

Avista Corp (AVA)

Our meeting with AVA mgmt., including President & CEO Dennis Vermillion, VP, Controller & Principal Accounting Officer Ryan Krasselt, and IR Manager John Wilcox, to discuss the recent DNR (Department of Natural Resources) report on the Babb Road Fire, the ongoing rate case at WA and the staff recommendation that we see as relatively less constructive, the supportive MYRP (multi-year rate plan) legislation that was recently passed in WA, the lawsuit challenging MT statute on Colstrip, and the WA gas and electric IRP. We reiterate our Underperform rating given valuation, regulatory execution risk, and relatively more restrictive jurisdictions – shares trade at a 0.4x premium to SMID cap peers on FY23 despite having relatively higher regulatory risk and relatively lower growth (4-6% absent the improvement of earned ROEs).

Babb Road Fire updates

Mgmt. provided an update on the Washington Department of Natural Resources' (DNR) report on the Babb Road Fire that covered ~15,266 acres and destroyed 223 structures. As a reminder, there was no injuries or deaths caused by the fire. The report found that (1) the fire was ignited by a tree branch falling onto an AVA distribution line; (2) the tree was 30 feet from the center of AVA's distribution line and was 20 feet beyond AVA's right-of-way; and (3) the tree showed damage from porcupines, scarring from a lateral branch/leader breaking off in the past, and some past signs of Gall Rust disease. The DNR concluded, "It is my opinion that because of the unusual configuration of the tree, and its proximity to the powerline, a closer inspection was warranted. A nearer inspection of the tree should have revealed the cut LBL ends and its previous failure, and necessitated determination of the failure potential of the adjacent LBL, implicated in starting the Babb Road Fire." AVA's investigation is still ongoing, and there has been no assertion of negligence on AVA's end at this point. Also, no material claims have been made as a result of the fire. We are headed into what could be another very active fire season, and while the PacNW is positioned slightly better than Cali, we remain cautious on the ongoing fire risk for AVA.

UTC Staff low on ask but expected by mgmt.; MYRP is potentially supportive

AVA has two large rate cases in front of them in WA and ID, where progress is in the early stages, but we see the ultimate outcome as crucial to near-term guidance. The Washington Utilities and Transportation Commission staff recently recommended a rate increase of $7.23M based on an ROE of 9.3% and equity layer of 48.5% (vs ask of $44.183M rate increase based on a 9.9% ROE and 50% equity layer) – the staff also recommended a number of pro forma rate base disallowances. We believe that, while the ROE looks fair, the equity layer and rate base disallowances are negative – mgmt. stated that the staff's recommendation was expected.

AVA will file in OR in 2H21 and must file at AEL&P by Aug. 30, 2022.

We perceive execution risk to regulatory outlook that is crucial to AVA's medium-term guidance, although see the passage of the multi-year rate plan (MYRP) legislation (SB 5295) to potentially help enable ability to earn closer to authorized ROE levels. As a reminder, SB 5295 will move utilities to two to four year MYRP, takes the first steps toward PBR, and could help reduce regulatory lag. Still with WA a historically restrictive jurisdiction, we await further detail as the Commission works through the rulemaking process.

We stress while the multi-year rate plan path is constructive; the key risk is establishing an appropriate baseline. We could see more frequent cases despite newfound latitude of MYRP if upfront ask is not granted at appropriate level. We stress commission support for MYRP structure altogether is admittedly a positive backdrop to the case despite the more punitive staff recommendation.

IRP outlines de-carbonization path

In early Apr., AVA filed its 2021 electric IRP in both WA and ID with a goal to serve customers with carbon neutral electricity by 2027 and 100% renewables by 2040 - 55% of AVA's current generation mix is hydropower, biomass, wind, and solar. Pursuant to the IRP and 2020 RFP for up to 300 MW of clean, existing or new, generation resources, AVA signed a PPA with Chelan County Public Utility District (PUD) to take 5% of the hydropower output from two of PUD's Columbia River projects for the years 2024-2033. AVA continues to evaluate projects that were submitted to the 2020 renewables RFP.

Mgmt. spoke on RNG as a pathway for decarbonizing their gas footprint, but stated they are only looking at it as a utility resource to integrate into the distribution and not as an opportunity for unregulated investment in production. We will monitor if this commentary changes as the market develops, especially in the PacNW where RNG has strong political support.

Lawsuit on MT Statute around Colstrip?

Mgmt. discussed the ongoing legal action over the recently signed legislation (SB 265 and 266) that could harm AVA's ability to exit Colstrip by 2025. The bills would (1) impose a $100k/day fine for not investing the required capital or share in the operating costs of an electrical generating facility; and (2) change any arbitration hearing on a MT generation facility to the state of MT – essentially granting home field advantage. Mgmt. believes both bills are unconstitutional and we will continue to track progress on this front.

Black Hills Corp (BKH)

Contemplating Colorado & the Outlook from Here

After their earlier rehearing-reargument-or reconsideration request in Colorado was denied, latest discussions with BKH management suggested optimism about the ability to reach constructive outcomes in the state. We believe discussions in the state have been constructive thus far, with the company filing a similar case as previously filed, albeit with the integrity rider isolated and currently under review: watch for a decision about the rider toward the end of June for an initial sense of the overall regulatory and political backdrop given the new commission members and more alignment with the governor as of late. Recall the company is abandoning consolidation efforts, which should further simplify the rate case. While the case covers capital through 2020, authorization of the rider would cover eligible capital retroactive to the beginning of this year and remains critical to reducing lag. Meanwhile, the company is also getting ready to file a rate case in Iowa.

We continue to highlight the elevated rate base opportunities and best in class SMID-cap EPS CAGR of 5-7% over time with management confident in achieving a run rate of $600mn plus in annual capex (for a total of ~$3bn vs. the formal base plan of ~$2.7bn). The bulk of the incremental spend above the base is related to programmatic spend at the gas utilities – and with upcoming ERPs for SD and WY in July, we perceive potential for some years of the current plan to further surpass $600Mn and provide longer trajectory of opportunities too. Meanwhile, a transmission pathway remains another novel angle after the earlier filing by XEL and with management keen to connect their three utilities. Expect more on this in subsequent quarters.

Overcoming the Storm Impact & Regulatory Processes from Here

With their 1Q update, management reaffirmed their full year guidance for both 2021 and 2022 of $3.80 to $4.00 & $3.95-$4.15, respectively, despite a challenging quarter and ~15c adverse impact from Winter Storm Uri. The company expects a 5c pickup through regulatory initiatives, with filings in all of their states except KS so far given prioritization of the rate case request in the state. Critical questions remain around the carrying cost for recovery (WACC or debt) and ultimate recovery period. While the recovery period for SD is over 12 months, we perceive some much longer timelines up to five years for KS and AR.

That said, management remains quite confident that it doesn't change their financing plans around equity needs, with rating agencies understanding the unique nature of the event and noting a 13% FFO/Debt threshold. Look for the company to replace their ST debt with more permanent notes after better clarity on the full recovery periods across their jurisdictions.

We see confidence in the overall strategy and the company's LT 5-7% EPS growth beyond '22 coupled with a 5%+ annual dividend growth over time: Maintain Buy given best in class SMID CAGR and elevated rate base opportunities.

CMS Energy (CMS)

Our meeting with CMS mgmt covered load trends in the Upper Midwest, latitude in the current plan following a strong Q1, energy efficiency and demand response measures, as well as the outlook for tax reform. See clear latitude to EPS in '21 with contingency build into '22 quite possible. Maintain our Buy rating on CMS.

Strong demand across territory, latitude into '22

While the state of MI experienced a COVID resurgence during Q1 that drove commercial sales to -4% y/y, mgmt still sees demand as on track to reach pre-pandemic levels. Interconnections (new customer hookups) for both gas and electric were reported at +27% y/y in Q1, suggesting slid momentum for sustained customer growth. Customer growth is one of multiple prongs that creates latitude in the current plan – note mgmt.'s Q1 report updated expectations from customer rate uplift to +48c y/y (including 26c in Q1) relative to initial guidance of +41c, while the comparable metrics on the O&M side were -20c vs initial guidance of -30c. While the early results suggest upside to the current 2021 guidance range of $2.83-2.87, note that Q3 remains a key swing quarter and mgmt may choose to pull forward costs from future periods in order to build contingency – overall a positive setup into the second half of the year.

Wyden tax proposal attractive on tax credits

Mgmt indicated support for the tax proposal put forward by Sen Wyden. Neutrality between Investment Tax Credits (ITCs) and Production Tax Credits (PTCs) is a key differentiator of the proposal, along with 100% refundability of direct pay taxes. Note also that the Edison Electric Institute (EEI) is a supporter of the bill though the group has stopped short of formally endorsing it, factors seen as key in securing a formal endorsement from the group are support for transmission tax credits and a form of PTCs for existing nuclear generation; note the inclusion of these would likely be a net neutral for CMS given its business mix.

Inflation manageable, labor costs largely contracted

Echoing similar comments from much of our regulated coverage of late, inflationary pressures and expectations are not expected to be a significant source of drag for CMS. Labor costs remain a key input, though CMS mgmt sees this as broadly de-risked given the company has signed contracts with its unionized labor force that run over a 5 year period, with the most recent renewal in 2020. Fuel costs will offset inflationary pressures in coming years with the pending retirements of Palisades as well as Karn 1 and 2. On the materials front mgmt. confirmed seeing some impacts (steel and copper) though given its staged renewable generation additions, the overall effect on the long term plan is expected to be modest.

Business mix intact, Enerbank not a source of cash

Despite very strong Q1 results and robust bank valuations, mgmt reiterated its commitment to a 90-10 business mix. Importantly mgmt affirmed that it does not use Enerbank as a source of cash to fund the capex-intensive utility part of the business. We continue to expect full-year results at the upper end of the guidance range following a strong start to the year.

Duke Energy (DUK)

We met with DUK mgmt. including EVP & CFO Steve Young, EVP, EVP & Chief Strategy & Commercial Officer Brian Savoy, and CP of IR Jack Sullivan, and discussed the challenges and considerations of Elliott's plan to break the company into three publically-traded, utility holdcos, NC legislation and its prospects heading into the summer, decarbonization with the NC IRP that has been filed and the forthcoming IN IRP, and the gas LDC portfolio's position within the company. We maintain our Neutral rating given shares seem to us to be fairly balanced from a risk/reward perspective (slight premium to the group).

Elliott's proposal is challenging to see follow through

Mgmt. reiterated its comments outlined in its letter in response to Elliott Investment Management's proposal to separate DUK into three regionally-focused, publically traded utility holding companies (the Carolinas, Florida, and the Midwest). Mgmt. clearly finds the proposal unworkable given (1) intervention from regulators/legislators, especially in NC, that are supportive of DUK in its current state and cautious of hedge fund involvement – as a reminder, Gov. Cooper and NC Legislative leaders responded to the situation stating, "There are natural concerns that come with putting our state's energy future in the hands of a Wall Street hedge fund, and we would expect the North Carolina Utilities Commission to strictly scrutinize any such arrangement"; (2) the credit implications of smaller scale and scope companies – mgmt. highlighted it has the lowest downgrade threshold of any BBB-rated utility and splitting the company would result in a likely 100bps raise in the threshold for FL (constructive regulatory environment offset by hurricane risks and a robust capital plan) and a 100-200bps raise in the Midwest (smaller scale and ESG risk); (3) the incremental equity needed to support the B/S; (4) the dis-synergies that come with standing up two new companies – mgmt. highlighted the $600M in synergies from the Progress transaction and $300M in synergies from the Piedmont transaction implying that those would essentially be reversed out; and (5) the impact to the dividend – mgmt. believes payout ratio will increase to 80% and would likely need to be right-sized. All said, the proposal has been rejected, but mgmt. remains willing to talk with Elliott on other strategies to drive value for shareholders. On balance, see little changed from our earlier views in our May 18 report.

We find Elliott's plan to split up the company to be challenging, but continue to believe that Elliott's involvement could potentially drive additional efficiencies and, in turn, additional investments in the grid and renewables. Specifically, we think that the involvement puts a spotlight on opportunities beyond just the Carolinas and pending legislation. The questions are just how much investment can be added under the recently approved rate agreement in FL, is mgmt. already crafting a plan in IN to drive higher growth through coal retirements and renewables, and how much upside exists in Cinergy (largely OH). On balance, NC legislation still matters most for the shares, in our view.

NC energy legislation is *still* likely to be introduced

We are still awaiting comprehensive energy policy to be introduced in NC, however, we are not concerned by the timing given recent constructive data points on the progress of the discussions. Bill implications of any legislation is top of mind for lawmakers and industrial customers which may be holding the process up, but it is positive that parties remain in discussion on key issues. Ultimately, the timing of a bill is in the hands of legislative leadership and can be wrapped into a shell bill any time after the crossover date (like HB589 in 2017).

One potential nuance to watch will be around carbon policy and the timeframe included in legislation given DUK's gas build in the latter half of the decade. We also wonder whether we could see a carve out for coal retirement and replacement generation outside of the IRP process itself where there would be a legislative mandate; we believe in exchange DUK could get more utility ownership. Rate basing of renewables will also be a key consideration - the NC Energy Regulatory Process used VA and CO as examples

for competitive procurement, and utilities in those states are permitted to own 65% and 50% of new renewables, respectively. Mgmt. noted that multi-year rate plans (MYRP) makes a lot of sense for both DUK and stakeholders because it helps DUK avoid regulatory lag as it deploys capital to meet the state's clean energy goals and allows for clarity on the capital being spent and where rates are going over time – there is also discussion of Performance Incentive Mechanisms (PIMs) that would reward DUK, or hold them accountable, for safety, reliability, and other key metrics.

All of these tools would be positive for DUK, but there are a number of steps it will take to get there as past efforts stalled/failed. With that said, we see both increased confidence from the company and corresponding stakeholder commentary as supportive for DUK's legislative prospects in the 2021 long session.

We continue to perceive Street as overly cautious on legislative prospect amidst the ongoing discussions. While investors are clearly willing to accept prospects for yet another year's delay, we note ongoing discussions with stakeholders remain active into the summer. We stress the bulk of our near-term focus remains squarely on regulatory reform rather than necessarily immediate capital opportunities. This is more about de-risking its EPS runway than necessarily adding to EPS or capex opportunities in the near-term. Beyond the latest Elliott angle to shares we see this as a clear focus of upside vs doubtful Street expectations.

IRPs driving decarbonization across footprint

NC IRP is working through the regulatory process hand-in-hand with discussions on energy legislation. As a reminder, Duke Energy Carolinas (DEC) and Duke Energy Progress (DEP) outlined six paths for the generation fleet with different carbon reduction targets and different customer bill impacts ranging from 1.0%-2.5%. The scenarios include a swath of resources such as solar, new natural gas, onshore and offshore wind, small modular reactors, and battery storage.

We will be watching the IN IRP that will be filed in the fall of this year, and we note one nuance on Duke Energy Indiana coal fleet that differs from peers is the amount of control equipment that has been installed therefore any retirement that would likely come with accelerated depreciation or potentially securitization. Mgmt. is working with legislators and regulators to determine the mechanisms necessary to enable the transition to clean energy.

Eversource Energy (ES)

Upside Opportunities Remain After Latest Re-affirmation

After reaffirming the upper half of their 5-7% trajectory LT despite latest CT setbacks with their 1Q update, discussions with management this week continued to reflect confidence in the plan. We stress some latitude particularly given grid mod, AMI, and EV (electric vehicle) infra efforts that currently are not in the formal investment and rate base outlook and seemingly appear more likely to materialize. Watch for developments around ongoing efforts in coming months; we perceive some upside from transmission interconnect as well. Discussions further stressed confidence in maintaining their credit metrics despite punitive actions taken by PURA, while we don't see a particular limit to offshore as a % of the overall biz (with offshore remaining yet another kicker to the overall CAGR).

After most recently executing on their acquisition of Columbia Gas, management didn't shy away from further pursuits under the right circumstances – and we expect a growing focus on water tuck-ins to further boost the biz as an overall larger part of the portfolio.

Offshore Clarity to Drive LT Boost Too

Amid the latest puts and takes, management affirmed confidence around their current offshore projects driving mid teen ROEs, and they expect to have more clarity later this year around a more definitive schedule and ability to ultimately roll those into their formal plan (we perceive a fair bit of supply was already priced at earlier levels against the backdrop of inflationary fears). Recall BOEM recently filed a schedule for Revolution Wind Friday, with expectations to issue an NOA in July of 2022 and a final environmental impact statement available to the public expected in March 2023.

In addition to the direct contribution, conversations suggested some benefit from the need for interconnect from competitor offshore projects as well. Ultimate contribution should push the company above the 5-7% CAGR outlined for the core biz: *we model a 44c full run rate from current projects.*

What is next in CT? Discussions suggest efforts to settle...

Following the punitive order by PURA at the end of April, discussions with management suggested optimism around their ability to reestablish a better relationship and dialogue with regulators and legislators in the state. Recall the commission's final decision in the storm response docket was particularly critical of ES's CL&P following Tropical Storm Isaias and will require a 90bp slash to ROEs to better align management performance in future storm response efforts with the utility's financial performance. The proceeding to determine civil penalties and enforcement action is ongoing (July resolution), but management already wrote off ~$30Mn with their 1Q results related to the outcome.

Both a Phase II decision on the annual CL&P tracker review and a decision on interim rate decrease topics are due in September – and we perceive the ongoing rate design docket as the likely forum to implement the 90bp decrease to ROEs. A critical question is when and how this will ultimately be removed. With a docket on performance based ratemaking design to be opened by the beginning of June, this could ultimately prove the angle to drive returns higher again. While management remains optimistic, we still see a settlement around their formal rate case filing early next year as unlikely with PURA more likely to take up a vigorous review.

Maintain Neutral given the balanced risk/reward at the current valuation.

Northwest Natural Holding (NWN)

We met with NWN mgmt., including President & CEO David Anderson, SVP & CFO Frank Burkhartsmeyer, SVP Ops and Chief Marketing Officer Kim Heiting, VP Business Development and CEO of NW Natural Water Justin Palfreyman, VP Controller & Treasurer Brody Wilson, and Director of IR Nikki Sparley, and the discussion focused on RNG and hydrogen prospects for the company as well as the path for further expansion into water distribution. We continue to view shares as a surprising premium with a ~3x premium to gas LDC peers despite relatively low EPS growth of 3-5%. We reiterate our Underperform rating and continue to watch for more detail around water/RNG.

Upside to RNG plan available, incrementally over time

Regarding the small placeholder for RNG in the capital plan (Tyson projects), mgmt. commented that investing in renewable natural gas is a new undertaking under SB98 so they are currently only putting in five year forecast for projects where they have both line of sight and that they know how it will work through their internal IRP process. That said, mgmt. recognize the investment potential under SB98 – with the requirement cap of 5% of the annual revenue – stating that there could be a 200-250m of RNG investment into the five year timeframe. Currently the mgmt. still need to put more progress on the business development side and hence haven't put any additional capital into their projection. Mgmt. didn't comment on the timeline for increment, but said that 10-14months is a good estimate for development and construction timeline for most of the projects. For the procurement cost, similar to how the company's Purchased Gas Adjustment (PGA) works, it will fall under the cap on cost of service basis instead of rate base investment. NWN expects the majority of the projects to be direct investment as it's still a maturing market and mgmt. believes that the more cost effective opportunities are the ones that they can invest directly in.

NWN is taking a regulated strategy on RNG currently, using SB98 to turn the RNG investments similar to their other utility investments. Mgmt. stressed that as they are claiming the environmental attributes to their customers, they aren't able to double dip and monetize RINs and LCFs credits. NWN also reiterated 6% rate base growth for RNG.

Hydrogen: mid-/long-term target

In terms of hydrogen, despite the longer timeframe, NWN has been trying to push at the White House level for additional support. That said, mgmt. mentioned that Secretary of the Department of Energy commented at the AGA board meeting on Tuesday that the Biden administration is still very behind on hydrogen currently. The three application of hydrogen NWN sees in their system – (1) dedicated hydrogen system: building out the pipes, components, and equipment to be hydrogen ready; (2) renewable hydrogen: take hydrogen produced from the power to gas process, apply waste CO_2 to methanate, and then put it directly into the gas system; and (3) blue hydrogen: hydrogen produced using natural gas but paired with carbon capture and storage.

Water business getting up to speed

On water business, NWN is relatively new and getting up to speed - mgmt. highlighted that one of water utilities grew 4% last year in terms of customer growth. Mgmt.'s ideal target for water expansion is a utility that has the right regulation in place to allow for recovery of incremental spending, or at least a target that has a pathway to receiving the necessary mechanisms to allow for solid recovery of investments. As a reminder, NWN has not acquired any "fixer-upper" water systems to date - we expect that over time, mgmt. will take on more inefficient systems to prove capable in extracting more synergies (albeit our experience suggests reinvestment requirements can offset these benefits).

Spire (SR)

Our meeting with SR mgmt. including COO Steve Lindsey, CFO Steve Rasche, Managing Director of IR Scott Dudley, and Treasurer Adam Woodward revolved around the ongoing rate case in MO that recently received a constructive recommendation from Staff, impacts of Winter Storm Uri and efforts to recoup revenue from suppliers, positive legislation that bans natural gas bans across SR's service territory, and RNG opportunity especially in light of legislation that is at the Gov.'s desk in MO. Reiterate Buy on healthy, low-risk capital spending driving solid rate base and EPS growth paired with a discounted valuation (1.0x+ on FY23E P/E vs gas peers). We see positive Street EPS revisions & rate case de-risking in MO as key to further re-rating shares higher. Further, we see Feb events as actually successful (& with mgmt. vigorously pursuing litigation on behalf of its customers), we perceive an advantaged position in rate case vs peer LDCs. Overall, very constructive backdrop for meeting considering key rate case appears very well setup.

MO rate case set up well for settlement in our view

Mgmt. provided detail on the ongoing MO rate case. Intervenors in the case including MO Public Service Commission Staff (MoPSC), the Office of the Public Counsel (OPC), Vicinity Energy Kansas City, and Legal Services of Eastern Missouri filed revenue requirement testimony. Staff recommended a ROE of 9.37% and equity layer of 54.25% (vs ask ROE of 9.95% and equity layer of 54.25%). The OPC recommended a 9.25% ROE and 47.36% equity layer (based on Spire holdco cap structure). Mgmt. was not surprised that the OPC recommended the lower capital structure given what the group has recommended in peer rate cases. The last rate case used SR MO's standalone capital structure as the approved capital structure and we would not expect the Commission to move back to applying holdco capital structure in this case. Next item to watch is the Cost of Service (i.e., rate design) intervenor testimony due May 26. **We think the recommended ROEs set a solid floor to start settlement negotiations.** We see timing for a settlement, or partial settlement, leading up to hearings in late Jul./Aug.

Mgmt. discussed litigation efforts to recoup gas costs on behalf of customers. There is two factors to think about (1) the cost component; and (2) the penalties under the tariff. SR is working with counterparties and should have a better estimate on the net impact to customers by the end of the summer.

Upside to FY21 EPS on conservative recoup assumption for marketing revenues

We see the potential for upside to EPS numbers on mgmt.'s conservative estimates on the recoup of revenues from Gas Marketing customers. As a reminder, the strong performance from Gas Marketing drove mgmt. to raise its FY21 adj. EPS guidance to $4.30-$4.50 (from $4.00-$4.20). Longer-term, mgmt. expected to Gas Marketing to be in the ~$20M/year in adjusted earnings range.

RNG represents a palpable investment opportunity for SR following MO leg.

Legislation was recently passed in MO that allows SR to invest in, purchase, and deliver RNG to its customers which is very supportive of SR's goal to reach carbon neutrality by 2050 (an in-depth progress report and broader ESG (environmental, social and corporate governance) update was recently issued with SR's 2020 Corporate Social Responsibility (CSR) report. The legislation is on the governor's desk awaiting signature. SR is clearly interested in investing in RNG whether that be under the legislation in MO or non-regulated investment to the extent there are projects that meet their return threshold. SR is also discussing supply of RNG with large industrial customers.

Southwest Gas Holdings (SWX)

We met with SWX mgmt including SVP & CFO Greg Peterson, SVP & General Counsel Justin Brown, EVP & Chief Legal and Admin Officer Karen Haller, VP/Finance/Treasurer Ken Kenny, and other members of the team to discuss, principally, the upcoming reconciliation filing for tracker programs in AZ. Mgmt. also discussed outlook for Centuri and the protection from inflationary pressures. SWX also continues to be active in RNG and H2 efforts across its service territory and has multiple projects in progress and development. We remain Underperform rating on SWX given the challenging regulatory backdrop in AZ. With likely accelerated filings in the AZ and seemingly an overall restrictive commission, we still see downside risk to consensus estimates.

Tracker filing top-of-mind for investors

SWX mgmt. is expected to file a reconciliation filing for tracker programs and rate base disallowances of $127M with a total revenue requirement ask of $74M. This filing expected in May, and if we assume the same timeline as previous filings (4-5 months), we would expect resolution by roughly Oct. However, mgmt. noted that this case is looking at spending over two years (for 2019 *and* 2020) so it may take a little bit longer. Mgmt. discussed differences between their filing and APS' petition simply to reflect the latest increase under its existing LFCRM mechanism, which was rejected by the Arizona Corporation Commission (ACC). SWX's filing will not have the opportunity for settlement given its structure. Staff will file their recommendation and the Commission will consider both sides before coming to a conclusion. Mgmt. remains confident in their ability to recover these costs. SWX will be filing another general rate case at the end of 2021 or early 2022.

We note this filing is in conjunction with the higher gas purchase costs that would result in an increase in customer bills of 5-8% depending on timeframe of recovery (3-5yrs?). While unclear of the outcome in these proceedings we remain cautious given the commissions prior denial of the rider in the most recent rate case (although part of a negotiated settlement in the prior case) and the customer rate impact coming out of a pandemic.

We maintain our caution on the backdrop following latest decisions from the ACC. While rejecting recovery of basic cost recovery rider for energy efficiency for SWX's electric peer APS, we perceive another difficult year in persuading the commission on merits of peer trackers, particularly considering the overall bill commitments commented on by the ACC in recent months. Mitigating these comments we stress more of the ire of the commission appears focused on APS rather than SWX thus far.

Centuri set up pos. given severe weather forecasts; limited inflation impact

Centuri has performed well YTD and we see the potential for even more outperformance given the forecasts on severe weather as we head into the start of hurricane season. Mgmt. noted goal posts of a more normal year of earnings in 2019 ($13M) vs the very active hurricane season in 2020 ($86M). While it is impossible to predict the impact of storms, we see bias toward another strong year.

Centuri is not seeing an impact from supply or wage inflation because the material costs are borne by the utility and much of the labor is unionized so the rate will not be impacted until that contract comes up for renewal. Mgmt. highlighted the positive trend of market share gains on the electric side of the business – we see this likely continuing as Centuri grows. Watch trends in coming quarters as offset to potential utility pressures.

UGI Corp (UGI)

We resume coverage of UGI following its latest equity unit offering and highlight our meeting with UGI mgmt. including incoming President & CEO Roger Perreault, CFO Ted Jastrzebski, EVP Natural Gas & CEO, UGI Utilities Bob Beard, CFO, UGI Utilities Dan Platt. Our discussion included developments on its $1B investment plan for renewables and an update on ongoing transformation and cost reduction at global LPG. We see a range of potential avenues for expansion in renewables given the numerous end markets UGI operates in domestically and abroad, but we stay Neutral for now as we await further details on exactly how the expansion into renewables plays into the LT EPS growth rate and more visibility on growth rate contribution from each segment. This remains key in our view as details on geographies, ramp strategies ongoing.

Renewables investment was front and center

UGI continues to make progress on the renewables front and recently announced an agreement to develop dairy farm digester projects to produce RNG in upstate NY - GHI will be the exclusive off-taker and marketer for Cayuga RNG (a JV between UGI Energy Services and Global Common Energy). The project will incorporate an existing anaerobic digester that generates biogas used for electricity generation - the proposed project will upgrade the biogas to produce ~50M cubic feet of RNG annually and is expected to be completed in 2H22. We expect to see UGI continue its early momentum in renewables and expand its platform with a 2021-2025 targeted renewables pathway that includes ~$1B of anticipated investment over the next five years.

The $1B in investment consists of a number of smaller size investments and operations/assets which involves converting waste in to biomolecules and distributing these to the customers. They also see many opportunities nationally in developing RNG into their infrastructure. mgmt. continues to target (only) high-single-digit to low-double-digit unlevered returns and is currently working through 12 projects in the pipeline and we expect an update on progress during the F2Q call; we stress given project economics for many peers, we suspect this has material upside but see mgmt positioning this as more against a longer-term view of RINS & LCFS credits today. As such, we bias towards higher ROEs altogether, especially for projects already in development (Idaho) that conceivably could come online in time to monetize these credits.

Renewable energy market outside the US; SHV JV announcement

Mgmt. commented on the announcement of its JV with SHV Energy to advance the production and distribution of Renewable Dimethyl Ether (rDME). This low carbon solution can be dropped into existing infrastructure so it is more affordable than some other technologies in the market. Mgmt. continues to be focused on the Scandanavian area in Europe and discussed the different demand/incentives of renewable energy, which although is different across in Europe, is made up of a combination of increasing consumer demand and maximum pricing/return on renewable energy. These are typically 1-5 years contracts.

Growth opportunities in RNG at the utility

For RNG on the utility side, UGI has already entered into an agreement with Archaea in Pennsylvania taking delivery of a large volume of gas every day as part of their supply. They are also looking at opportunities from a regulatory perspective to introduce more RNG, including other companies in other states which are pending approval from the Commission. UGI sees two opportunities for growth: one in moving RNG for producers on the system and second offering a tariff provision for customers to access RNG. This would be a voluntary tariff which UGI believes would not be very contentious.

Transformation on track at Global LPG

The transformation initiatives at both Amerigas (US) and UGI International (Europe) are key to watch in the short term and mgmt. highlighted that the efforts are on track to

deliver planned cost savings and operational efficiencies by the end of '22. As a reminder, UGI is differentiating its propane business by optimizing and digitizing its logistics and supply chain. Mgmt. planned to establish continuous improvement to customer experience through technology improvements, centralizing customer service capabilities, and reducing corporate overhead through synergies with recent acquisitions to achieve these savings and drive growth. We expect these transformation initiatives will also help to fuel further tuck-in acquisitions as part of mgmt.'s growth strategy as it looks to seamlessly integrate new businesses.

Xcel Energy (XEL)

Our meeting with XEL mgmt covered the latest key regulatory data points including the company's pending rate case in New Mexico, intention to file in Colorado, and pending recoveries of excess fuel costs stemming from storm Uri, along with the status of the Colorado transmission build out proposed earlier in the year. Maintain our Neutral rating on XEL.

CO case filing coming in June as reg backdrop improves

Given XEL had previously indicated the possibility of staying out of a rate case in Colorado in 2021, we view the company's decision to file a case (expected around midyear) as an indicator of improved sentiment around the regulatory backdrop. Key drivers behind the rate case filing include ongoing advanced grid investments along with inclusion of the company's wildfire mitigation plan. Recall that the wildfire mitigation plan had received positive responses from the CO authorities, despite the rider that was proposed by XEL being rejected. XEL's CO transmission build proposal remains in early stages though early indications appear a positive reception by state regulators. Note that the $0.5-1.0B of additional opportunity identified represents necessary but as-yet not identified investments rather than add-on proposals, further increasing the likelihood of inclusion of some of the amount into the formal plan. Management notably does not perceive this case to be particularly concerning despite the new CO PUC backdrop given largely approved spending being reflected through the case.

New Mexico testimony constructive on revenue, ROE

The Southwestern Power Service (SPS) rate case testimony was submitted earlier in the week with staff and key interveners including the large industrials group and state attorney general's office broadly proposing ROEs in the low 9s along with cap structures at or slightly below XEL's ask of 54.72% (unch). The staff proposal for the overall revenue increase at $62m was incrementally lower than SPS' ask of $88m, attributable largely to the lower proposed ROE. Staff also broadly accepted proposed changes to SPS' depreciation schedule including aligning the depreciable life of Tolk with its 2032 proposed abandonment date, abandoning and depreciating Plant X fully by 2022, and fully depreciating Harrington's coal-specific assets. On balance a constructive set up in NM in our view.

MISO transmission upside in Dakotas, Minnesota

XEL holds rights of first refusal (ROFR) on transmission projects running through its service territory in the Dakotas and Minnesota, putting it in good position to capture upside opportunities from MISO's multi-year planning process under either of the Future 1-3 scenarios recently put forward. Large transmission in the MISO footprint is not new to the company as XEL currently owns and operates a high voltage direct current (HVDC) line running from Canada into its MN service territory. Note that with the FERC considering removal of the 50 bps RTO adder, this will likely have a modest impact on XEL given a normalization mechanism in MN whereby its transmission assets refund the delta between the FERC ROE and state ROE to customers.

Exhibit 1: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AQN	AQN US	Algonquin Power	US$ 15.48	B-3-8
YAQN	AQN CN	Algonquin Power	C$ 18.67	A-3-8
ATO	ATO US	Atmos Energy	US$ 98.32	A-2-7
AVA	AVA US	Avista Corp	US$ 45.62	B-3-7
BKH	BKH US	Black Hills	US$ 66.21	B-1-7
CMS	CMS US	CMS Energy	US$ 63.74	B-1-7
DUK	DUK US	Duke Energy	US$ 102.27	B-2-7
ES	ES US	Eversource Energy	US$ 83.76	B-2-7
NWN	NWN US	Northwest Natural	US$ 53.64	B-3-7
OGS	OGS US	ONE Gas, Inc.	US$ 73.61	A-3-7
SWX	SWX US	Southwest Gas	US$ 66.97	B-3-7
SR	SR US	Spire	US$ 72.92	A-1-7
UGI	UGI US	UGI Corp.	US$ 44.18	B-2-7
XEL	XEL US	Xcel Energy	US$ 71.58	B-2-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Algonquin Power & Utilities Corp (AQN / YAQN)
Our SOTP PO is $16.00 (C$19.36). We assign P/E multiples on 2023E (18.0x for electric, 16.6x for gas, and 27.1x for water, respectively) earnings of its regulated seg based on expected 2024 breakdown. We value the utility seg at a 0.5x disc to the US peer avg 22E P/Es. We back out future tax differential stemming out of tax rate normalization.
We value AQN's non-reg seg on EV/EBITDA basis. We assign Hydro at 8x prem to the peer multiple of 10.0x given the stable nature of the biz. We value Wind and Solar seg at a 3x & 4x prem to peer multiple too. We assign a 2.0x disc to the thermal biz given the lack of growth prospects.
We valued AQN's 44.2% stake in AY on MtM basis and net out Debt at Liberty Power. Our assumed shares o/s numbers reflect our estimated equity issuance including the DRIP between now and 2023E
Upside risks: 1) Higher USD/CAD F/X rate, 2) Constructive regulatory outcomes, 3) Lower interest rate, 4) Execution on the capital plan, 5) Dividend Growth from AY
Downside risks: 1) Higher interest rates, 2) Lower USD/CAD F/X rate depending upon the exposure to the US, 3) Dilution risk associated with substantial equity issuance to finance capex, 4) Unfavorable regulatory actions, 5) Increase in Tax rate, 6) AY may not be able to sustain its current dividend levels, 6) Exposure in CA Renewables, 7) Balance Sheet quality, and 8) Natural disasters which could impact utility operating systems.

Atmos Energy Corporation (ATO)
Our $101 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 16.1x. Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR to reflect capital appreciation across the sector. We then apply a 2x premium (aside from TX/KS) to the base gas LDC multiple to reflect the high-quality nature of the assets given a sustainable runway for capex/EPS underpinned by constructive regulatory mechanisms and jurisdictions. For the Pipeline & Storage segment we apply a 9x EV/EBITDA multiple as a base to our '23E EBITDA. We then apply a 2x premium to the assets given their fully regulated nature and unique ability for APT to benefit from the spread differentials.

Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs.

Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

Avista (AVA)
Our $44 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the large cap electric group multiple of 17.8x and the gas regulated multiple of 16.3x. Both electric and gas peer P/E multiples are grossed to reflect the group's 5% CAGR to reflect capital appreciation across the sector. We then use a blended electric and gas multiple of 77% and 23%, respectively, for AVA's WA and ID jurisdictions given the composition of its rate base. We apply the gas multiple to its OR jurisdiction as it is entirely comprised of natural gas distribution assets. Meanwhile, we apply an electric multiple to its Alaska subsidiary, AEL&P, as it is a vertically integrated electric utility. We apply a 12.0x multiple to AVA's Corp & Other businesses as we cannot apply a full utility multiple given it consists of investment funds with a lack of visibility in earnings relative to utilities. We stress that AVA does not have any HoldCo. debt, thus no need to net out debt. Lastly, we apply a 1x discount to all AVA's utilities to capture increased uncertainty associated with fire risk and regulatory risk. Risks to upside are 1) improving regulatory relationships, 2) decrease in interest rates, 3) constructive rate case outcomes in any of the jurisdictions. Risks to downside are principally wildfire events in West, which have increasingly spread to PacNW. Risks to downside are 1) operational risks 2) gas regulations attempting to phase out gas LDC usage over time impede growth.

Black Hills Corporation (BKH)
Our $76 PO is based on a SoTP valuation. Gas Utilities: We apply the 16.5x peer P/E multiple on 2023E EPS. Electric Utilities: We apply the 18.0x peer P/E multiple on 2023E EPS. Both electric and gas peer P/E multiples are grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. Coal Mine: We apply an 8x peer EV/EBITDA multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a discount/prem multiple to that portion of the mine. IPP Assets: We use the recent sale price and '23/EVEBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag and debt.

Downside risks: operational errors, increasing interest rates, and difficult regulatory environments.
Upside risks: favorable weather, favorable regulatory outcomes, higher capex deployment

CMS Energy (CMS)
Our PO of $69 is based on a SotP relying on 2023E forward P/E multiples for the utility and banking business and a 2023E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 3.0x prem to the avg regulated multiple P/E of 18.1x for the electric seg and of 16.6x for the gas seg, with the 10-yr capex update providing clear sight on ratebase growth and further upside, as well as cont'd favorable regulatory environment, and finally historically proven ability to consistently perform at the high end of guidance range. Both electric and gas peer P/E multiples are grossed up to 2020 by 5% to reflect capital appreciation across the sector. For CMS' merchant business we apply a 8x EV/EBITDA multiple, in line with current market value of CMS power plants (specifically DIG), moreover DIG has relatively favorable contracts for the near future which strengthen plant earnings. Finally, we apply a 15.5x P/E multiple on CMS' consumer lending subsidiary Enerbank, in line with forward P/Es other smaller regional banks with similar growth profile. Risks are: 1) earned ROEs declining which reduce CMS utility earnings 2) execution risk on capex and cost cutting which would primarily affect the utility earnings, 3) negatives changes to market energy prices which could affect the DIG plant's ability to re-contract at the assumed prices.

Duke Energy (DUK)

Our $105 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2023E P/E multiples. We apply a 3.0x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and recent sale valuation marker). We apply a 2x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2021. We value the other regulated electric utilities at 18.2x and the gas utilities at peer group multiples of 16.7x 2023E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2023E EV/EBITDA basis. We use a 9.0x multiple for midstream and transmission segment. We add the net present value of renewable segment using an 8% discount rate. We subtract out the impact of commercial debt, and add back for the renewable debt.

Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Eversource Energy (ES)
Our sum of the parts based price objective of $93 uses P/E multiples on 2023E earnings. For electric utilities, we attribute a 3x premium NSTAR, 3x premium to PSNH, and a 2x discount for CL&P to peer 18.2x multiple, reflecting future potential positive revisions to capex and earnings and the latest challenges in CT. For gas, we apply a 3x premium to the peer 16.7x multiple, given capex upside particularly in MA and a 2x for Columbia Gas. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value Aquarion at the 27.2x water multiple. We reflect ES's 50% ownership in Revolution and South Fork offshore wind sites on an NPV basis. We further reflect a devco value with an assumption of an additional 3GW through 2031. We take out 50% of parent debt, and 50% of interest to accurately reflect parent leverage.

Upside risks to our price objective are additional capex announcements on the T&D side, as well as success in offshore wind RFPs.

Downside risks are reduction in authorized ROEs, inability to meet earned ROE expectations, as well as failure to receive permitting on incremental capex opportunities.

Northwest Natural Holdings (NWN)
Our $51 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group '23 P/E multiple of 16.5x applied to WA and OR natural gas distribution and regulated storage assets. We further gross up the gas LDC multiple by 5% to reflect capital appreciation across the group. We use a 1x premium in OR to capture upside from RNG and benefits from decoupling, although we believe the long-term outlook is more uncertain. For NWN's gas storage (unregulated), appliance, and asset management business, we apply a 10x EV/EBITDA multiple, in line with comparable asset class, and net out debt. We apply a water utility peer P/E multiple of 27.4x to NWN's water earnings and then net out corporate & other drag (largely SG&A) using a weighted average multiple of 18.8x on '23.

Downside risks to our PO: higher interest rate environment that makes new capital more expensive, contraction of utility valuations, slower economic recovery, and a sustained economic downturn preventing customer growth, de-carbonization efforts, lower capex, poor regulatory outcomes.
Upside risks to our PO: faster economic recovery contributing to customer growth, lower interest rates, constructive regulatory outcomes, and increased capex.

ONE Gas, Inc. (OGS)
We use a sum-of-the-parts analysis to calculate our $74 for OGS, applying a FY23E Gas LDC peer multiple of 16.5x (grossed up by 5% to reflect capital appreciation across the space) with a 1.0x discount for OK given risk associated with the upcoming rate case and outsized gas costs related to the winter storm. We use in-line multiple for TX and KS given uncertainty with the recovery timeframe for substantial gas purchase costs and impacts to the balance sheet.

Upside risks: lower interest rates, constructive regulatory outcomes, increased capital expenditure opportunities.
Downside risks: higher interest rates, unconstructive regulatory outcomes, decreased capex spending, ban on fracking, decarbonization efforts.

Southwest Gas Holdings (SWX)
Our $67 PO is based on our 2023E Sum-of-the-parts (SOTP) analysis. We apply a 16.5x peer Gas LDC utility P/E to the utility EPS across the company's three major jurisdictions, which include Arizona, Nevada and California. We gross this peer multiple up by 5% to reflect capital appreciation across the sector. For AZ, we apply a 3x discount to the jurisdiction given lack of fwd looking rate treatment/alternative rate making mechanisms. Additionally, we value the FERC regulated Pauite Pipeline separately on a midstream peer group average EV/EBITDA multiple of 9.0x and net out associated debt. For the non-utility business, Centuri, we apply 6.2x multiple, which is in-line with the business' closest industrial comps given Centuri's relatively insulated utility customers. Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Upside risks: higher than expected infrastructure services earnings growth, increasing construction project margins, better than expected rate case results. Downside risks: Unfavorable regulatory outcomes and increased volatility at Centuri, disproportionately high foreclosure rates in SWX's territories, timing and execution of rate cases, rate base growth, underperformance at Centuri and expansion or contraction of sector valuations.

Spire (SR)
Our $85 PO for SR is based on a sum-of-the-parts analysis, applying a Gas LDC multiple of 16.5x on '23E with a for 2x premium for Missouri/Mississippi/Gulf and AL assets given their location and de-risked nature. For the midstream assets, we use a base 9x EV/EBITDA multiple with a 1x premium for the STL pipeline given it is the one of the only new greenfield pipes in-service, a 4x discount for storage given uncertainty, and a 4x discount for marketing due to volatility.

Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs.

Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

UGI Corp. (UGI)
Our $47 PO is derived from our SOTP analysis, applying specific multiples and premiums to assets. For the gas utility, we utilize a 16.5x P/E multiple +1x premium given its de-risked backdrop, and an in-line electric multiple of 18.0x. For U.S./international propane, we utilize an 8.9x EBITDA, in line with other publicly traded comps, 0.5x discount applied to international given ESG considerations. We use a 9x EBITDA multiple at midstream w/ a premium/discount depending on the asset & CMG expansion/PennEast weighted at 50%/25%, respectively, given uncertainty associated with expansion opportunities/project execution. We take the NPV of future renewable solutions cash flows, implying a 11+x EV/EBITDA multiple (in line with our valuation to peers biz mix, such as SJI). Lastly, for parent debt in the Corp & Other segment, we net out 50/50

weighting for recapitalization and add back 50% of parent interest expense.

Downside risk: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, and unfavorable currency exchange rates. Macroeconomic concerns are rising interest rates, volatile and rising natural gas prices, and a general economic slowdown. Upside risk: favorable weather, incremental demand for propane, rebound in oil&gas prices driving higher volumes at midstream, favorable regulatory outcomes, favorable forex rates, lower interest rates, and economic expansion.

Xcel Energy Inc (XEL)
Our PO is $71. We value Xcel Energy using a sum of the parts (SOTP) approach. Given the difference in geography, earnings strength, growth opportunity and risk profile, we divide the segments by subsidiary. We use 2023E forward P/E multiples to derive a value for the different business segments, including the parent segment. We use a peer multiple of 18.1x. Electric peer P/E multiple is then grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector. We apply a 2x premium to most subsidiaries except in MN where we apply a 3.0x due to additional stimulus upside. We see this multiple as appropriate as the company has growth opportunities, resolving regulatory drag and resolving uncertainty around rate cases. We stripped Mankato as a non-reg asset in our SOTP due to the sale. We also net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage. Downside risks are interest rate increases, regulatory risk such as lower authorized ROEs or less favorable riders/trackers for renewables and transmission, interest rate risk, execution delays, and weather anomalies.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
NEUTRAL				
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
RSTR				
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	75	54.74%	Buy	60	80.00%
Hold	34	24.82%	Hold	24	70.59%
Sell	28	20.44%	Sell	11	39.29%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	48.43%	Buy	56	72.73%
Hold	43	27.04%	Hold	31	72.09%
Sell	39	24.53%	Sell	23	58.97%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1909	58.54%	Buy	1218	63.80%
Hold	653	20.02%	Hold	395	60.49%
Sell	699	21.44%	Sell	356	50.93%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Algonquin Power, Atmos Energy, Avista, Black Hills Corporat, CMS Energy, Duke Energy, Eversource Energy, Northwest Natural, ONE Gas, Inc., Spire, Inc, UGI Corp., Xcel Energy Inc.
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21 May 2021
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Gas Utilities

American Gas Association (AGA) Conference - Full Takeaways

Gas Utilities | Comment

We hosted management teams from Utilities ED, NWE, SO, CMS, SR, BKH, AGR, D, NI, WEC, DTE, and CNP at the 2021 American Gas Association (AGA) virtual financial conference. We include our full takeaways below.

- **Takeaways:** The utilities sector has been under pressure on concerns about higher cost of capital, input commodity cost inflation, and yield competition from the 10-year Treasury. Gas utilities suffered the worst underperformance in 1H20 with investors under the impression that natural gas system growth may be impaired during a long-term shift toward electrification of heating, cooking, and transportation. However, gas utilities have largely recovered from their 2-3x discount to the electrics that the group traded under as recently as 4Q20. At the conference this year, we heard from management teams across the board citing plenty of long-term investment opportunity, including continued pipeline replacement, safety, and the blending of renewable natural gas (RNG) and hydrogen into systems to become carbon neutral or negative. We also note the impact of this year's Winter Storm Uri, which highlighted the importance of natural gas pipeline and storage infrastructure.
- **Stocks:** **ED** expects to come to a decision on Stagecoach in 2Q, but regardless of outcome, no significant changes to the equity financing plan are expected. The company no longer views natural gas as a bridge fuel to decarbonization, and these midstream assets are now definitively non-core. **SO** notes that Vogtle is on "aggressive" track for a January in-service, but we see further tweaks during testing as likely, with 1Q22 more a realistic expectation. **BKH** emphasizes they expect to fully offset the $0.15 EPS hit this year from Storm Uri, with no incremental equity needed to fund related regulatory assets. **AGR's** acquisition of PNM is on track for 2H21 close as the company continues to bring along other parties to the settlement in NM. **D** continues to make a strong case for why the cost of its coal retirements won't be rejected in the Triennial rate review. NI issued three Indiana RFPs for a mix of dispatchable resources, batteries, and localized micro-grid solutions. **CNP** expects to offset taxable gains from the sale of ET shares (4Q21 earliest) using repairs tax deductions.
- **RNG on the back burner for now:** These are early days for the renewable natural gas (RNG) industry, with <0.5% of gas demand in production nationally at present. Over the next 20-30 years, most gas utilities are planning to blend increasing amounts of cleaned RNG into their systems as a way to remove methane from the atmosphere and achieve net GhG-zero status (we figure ~15% would do the job in most places, but this is impossible now with only a few hundred farms and landfills harvesting the gas). We see this as well as hydrogen blending eventually becoming a meaningful source of capital investment in 10+ years. Furthest along so far (among companies we spoke with) are **WEC** (pilot projects), **NI, SR** (Ohio and MO legislation and dockets establish tariffs with gas quality requirements), and **DTE's** non-regulated RNG production business in California.

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2021 American Gas Association (AGA) virtual financial conference Schedule

ED, NWE, SO, CMS, SR, BKH, AGR, D, NI, WEC, DTE, CNP

Figure 1: AGA Schedule

Times	Wednesday May 19
9:00-9:30 AM	
9:30-10:05 AM	ED
10:15-10:50 AM	
11:00-11:35 AM	NWE
12:00-12:35 PM	
12:45-1:45 PM	
1:30-2:05 PM	SO
2:15-2:50 PM	
3:00-3:35 PM	CMS
3:45-4:20 PM	
4:30-5:05 PM	SR
5:15-5:50	

Times	Thursday May 20
9:00-9:30 AM	
9:30-10:05 AM	BKH
10:15-10:50 AM	AGR
11:00-11:35 AM	D
12:00-12:45 PM	
12:45-1:45 PM	
1:30-2:05 PM	NI
2:15-2:50 PM	WEC
3:00-3:35 PM	
3:45-4:20 PM	DTE
4:30-5:05 PM	
5:15-5:50	CNP

Source: Company data, Credit Suisse estimates

Recent Company Notes

- BKH: 5/6 Growth Plans on Track after the Storm
- CMS: 4/30 Green Plans Remain in Focus
- ED: 5/11 Strong 1Q as Residential Sales Jump
- D: 5/5 Steady Progress; Growth Plans on Track
- DTE: 4/28 Midstream Spin on Track, and So is the Rest
- NI: 5/6 Renewable Buildout Pushes Forward
- NWE: 4/23 Plans for Montana Generation Advance
- SO: 4/30 Nuclear Delays were Expected, with Growth Plan on Track
- SR: 5/11 Staying Ahead of the Storm
- CNP: 5/7 Delivering Above Plan
- WEC: 5/4 Decarbonization Acceleration

Recent Sector Notes

- 5/18 AGA Question Bank
- 5/17 CS Renewables & Utilities Conference – Full Takeaways
- 4/26 Alternative Energy: Key topics for Q1 - Supply shortages and a Biden Plan
- 4/5 Hydrogen Economy: Part 4: A Primer on the Americas Value Chain
- 4/27 Direct Currents - Rising Renewable PPAs

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Dominion Energy (D) – Outperform, TP $90	12
DTE Energy (DTE) – Neutral, TP $133	13
Consolidated Edison (ED) – Underperform, TP $74	14
NiSource Inc. (NI) – Outperform, TP $29	16
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Southern Company (SO) – Outperform, TP $74	19
Spire Inc, (SR), Outperform, TP $83	21
WEC Energy Group (WEC), Underperform, TP $91	23

Figure 2: Relative Forward P/E – UTY vs Equal-Weighted S&P 500 Index (SPW), July 2019-Present

Source: Bloomberg LP, Credit Suisse custom indices. The sector is fairly valued after the recent rise in 10-Year bond yields, trading at a +6% premium forward P/E vs an equal-weighted S&P 500 Index (SPW). We see this as appropriately in-line with our regression of relative P/E vs the 10-Year based on the CS House view for a 2.0% 10-Year yield within 12 months.

Figure 3: Utility Subsector Relative Performance, July 2019-Present

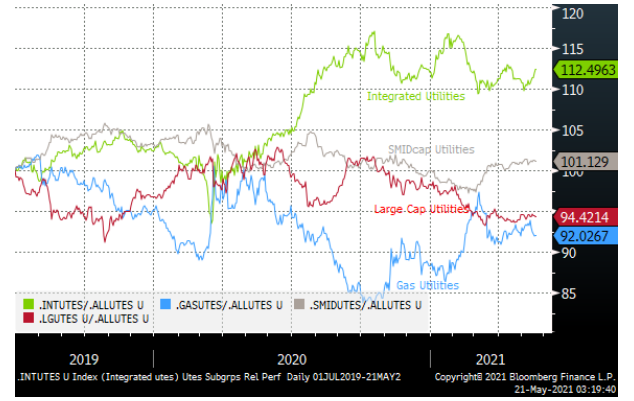

Source: Bloomberg LP, Credit Suisse custom indices. Gas utilities currently trade at parity with Electrics after outperformance since 4Q20.

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Avangrid (AGR) – Not Covered

Dennis Arriola, CEO, Bob Kump, Deputy CEO, Doug Stuver, CFO, Alejandro de Hoz, CEO Renewables, Catherine Stempien, CEO Networks, Patricia Cosgel, VP IR, Michelle Hanson – Manager IR

- **Offshore Wind: "BOEM staff has been very supportive over the last few years" - Vineyard Wind project (1,800MW) on track to begin construction in 2H21.** The Biden administration has been supportive, and the company expects to apply lessons learned from the Vineyard Wind approvals process to the next projects. AGR received BOEM's Final Environmental Impact Statement (FEIS) for Vineyard Wind (1,800MW); on track to begin construction in 2H21. AGR's ~5GW offshore wind pipeline (with 4.2GW remaining capacity) currently has ~690 MW under construction and ~630MW are starting 2022. The Vineyard Wind project recently received Final Environmental Impact Statement (FEIS) from BOEM. The company expects to arrange financing in the next few months and start construction later this year. The 804MW Park City Wind project expects COD by 2025 and the company's Kitty Hawk project with 2,500MW of total capacity filed COP in 2020 and expects CODs after 2025.
- **Planned merger with PNM on-track to close in 2H21, according to management. Private Placement financing announced on 5/12 to be used for capital investments and the pending PNM acquisition.** The company announced the sale agreements of $740M common stock to Qatar Investment Authority and another $3.26B to the prior majority shareholder Iberdrola, with closing expected May 18. The Iberdrola stake is intended to maintain proportional, majority ownership. AGR recently filed its revised stipulation agreement as part of the company's planned merger with PNM. The company also added three new parties: Walmart, Inc., the Interwest Energy Alliance, and Onward Energy Holdings, Inc as signatories. The customer benefits in the agreement are expected to include: $50M in customer rate credits (over three years); $6M in COVID arrearages relief for customers; $15M for low-income customer energy-efficiency assistance; and $2M for electricity to low-income, remote customers. The merger is also expected to include additional economic development for New Mexico resulting in 150 new full-time jobs, $7.5M in additional economic development funds; and $12.5M in economic development contributions to community groups.
- **Green hydrogen – AGR expects to leverage Iberdrola's experience in Europe to implement a long-term hydrogen strategy.** AGR is optimistic about green hydrogen and is looking at some pilots. The company expects to produce hydrogen through electrolysis, as well as for decarbonizing transportation, (such as heavy-duty transportation, marine transport, or aviation), and for C&I (e.g. high-temperature processes) renewables to decarbonize areas that are difficult to electrify.
- **Cost inflation on the radar:** Management has seen the cost of renewable projects increase on account of higher steel and other commodity prices. Higher commodity costs are offset by hedges in some cases and are passed down to end customers too. However, customer are not delaying projects, and in fact many want to complete the projects sooner to meet their decarbonization goals.
- **Project returns** are competitive. But management sees double-digit levered returns against a lower cost of capital, with AGR's size relative to competitors bringing advantageous economies of scale. The company is targeting a low-end of 13 GWs renewable development projects by 2025.
- **2021 guidance recently raised by $0.10 to $2.25 - $2.45** (from $2.15-$2.35), vs cons $2.29. AGR raised net income in Q1 to $696M-$758M (from $665M-$727M). Key assumptions include $0.5 (~5%) rate base increase, adding >700MW of wind & solar capacity, and FY new rates in NYSEG, RG&E and CMP, as well as average wind PPA pricing of ~$40-$42 for both existing & new. Lastly, AGR plans to reduce emissions by 50-52% by 2030 (vs. 2005 levels).

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- **Tax equity financing could be supplemented with a direct pay option.** The Biden administration has been considering options for renewable owners to monetize ITCs and PTCs, including proposals for both 100% direct pay and 85% refundability of tax credits currently held in inventory. As would be expected for a major developer with deep financing relationships, AGR nevertheless reports ample access to tax equity markets this year despite a scarcity of investors (typically banks) due to economic uncertainty over available taxable income.
- **Transmission development.** With the current system of blanket RTO incentives being reconsidered at FERC, management sees a more selective approach likely to come out of the process. In any event, AGR thinks that streamlining the approvals process could be more important than ROE (saving more money) towards incentivizing new project development.
- **Onshore Wind Update.** AGR has 1.3GW projects under construction in 2021-22, which includes ~390 MW wind & ~915 MW solar. Solar projects in construction currently include Bakeoven (265MW), Montague (221MW) and Mohawk (125MW), while wind projects in construction include Golden Hills (201MW), Midland (106MW), and Roaring Brook (80MW).
- **AGR business mix.** Management sees the current 75%-85% regulated utility networks vs 15%-25% renewables optimal for now in terms of maintaining overall holdco balance sheet and credit metrics.

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Black Hills Corporation (BKH) – Outperform, TP $78

Linn R Evans, President and CEO, Rich Kinzley, SVP and CFO, Marne Jones – VP Regulatory and Finance, Todd Jacobs – Vice President Natural Gas Utilities, Jerome Nichols – Director of IR, Dave Soderquist – Principal Financial Analyst

- **Winter Storm Uri Impact - expect to receive full recovery of gas costs, and to fully offset the -$0.15 EPS hit in 2021.** Winter Storm Uri's impact resulted in a pretax charge of ($12.5M), or net ($0.15) impact to EPS, which included a $555.8M impact to the balance sheet through regulatory asset for utility fuel costs. Additionally the majority of the loss came from unrecoverable fuel costs from Energy Services contractual arrangements with customers. Management reaffirmed at our conference that they expect to fully offset the $0.15 drag with mitigating actions through the course of 2021. See table below.

Figure 4: Winter Storm Uri Impacts

Winter Storm Uri Impacts				Notes
Regulatory asset for utility fuel costs	$558.8M			Expected to be recoverable without securitization and without incremental secondary equity required. Asking for full WACC in AR and KS.
	$M pretax	$M after-tax	EPS	
Wholesale power margin sharing	$3.2	$2.5	$0.04	$2.4M of this is approved for recovery in SD through 2022. Rest is in CO under sharing.
Term loan interest expense	$0.7	$0.6	$0.01	Expect to recover these costs with regulatory assets above. Not ongoing.
Power generation storm benefit	($1.7)	($1.3)	($0.02)	Helps offset large industrial cust non-fuel clause customer losses (see below)
Black Hills Energy Services fuel costs	$8.2	$6.5	$0.10	Choice gas program; will offset with marketing profits bal of 2021
Regulated utility fuel costs	$2.1	$1.7	$0.03	Some large industrial customers without a fuel clause
Total impact in 2021 (fully mitigated)	**$12.5**	**$9.9**	**$0.15**	

Source: Company data, Credit Suisse estimates

- **Colorado Gas phase I & II filing expected in Q2.** BKH filed a request for phase 1 rehearing on 1/26 for Colorado Gas, but that request was rejected verbally which led to a refile. The Colorado Gas ratecase filling requested a $13.5M revenue increase based on 50% equity and a 9.95% ROE in order to recover the investments incurred in upgrading and expanding its natural gas infrastructure. A phase 1 & 2 filing is expected in Q2.
- **Kansas Gas was filed last week and an Iowa Gas ratecase is expected to be filed in Q2**, plus a winter Storm Uri cost recovery filing. Additionally management reiterated consideration for a new Arkansas filing based on strong load growth (where most growth is). We expect a filing probably in the next 12 months.
- **Capital Plan (2021-2025) of $3B+ unchanged**, **expect an update in Q3 call in November** after the SD/WY Integrated Resource Plan is filed in July 2021. The capital plan includes an expectation of $600M+ annually for $3B+ through 2025. Recall BKH previously raised the capital plan by another ~$100M to >$3B (from $2.9B).

  IRP, what lessons can we learn from URI? Will be submitted in July to SD/WY. Modeling through renewables to meet ESG goals. We see opportunities with storage.
- **Equity needs "spread evenly through next few quarters".** BKH continues to target 2021 equity issuance of $100M-$120M through At-the-Market (ATM) program, which is now likely to be executed "evenly" through remaining quarters. Furthermore, BKH is targeting 2022 equity issuance of $60M to $80M in ATM program.
- **2021 guidance and 2022 guidance reaffirmed.** BKH reaffirmed 2021 guidance of $3.80-$4.00, vs CS/cons $3.86/$3.89, after reporting 1Q21 with adj. EPS of $1.54 vs CS/cons $1.65/$1.69 and vs 1Q20 $1.59. Recall that BKH had previously raised 2021 guidance a nickel to $3.80-$4.00 (from $3.75-3.95). Additionally 2022 guidance was also reaffirmed at $3.95 - $4.15, vs CS/cons $4.05/$4.06**.**
- **More focus on ESG.** For electric operations, BKH expects to reduce greenhouse gas emissions intensity 40% by 2030 and 70% by 2040. At the gas utilities, BKH expects to reduce greenhouse gas emissions 50% by 2035. The goals are based on 2005 baseline levels. Additionally, Colorado's electric utility is on track to reach 80% by 2030, and the

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company expects generation investments to save customers $4B over 30 years and reduce GHG 90% by 2030.

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CMS Energy (CMS) – Outperform, TP $70

Rejji Hayes, EVP & CFO; Travis Uphaus IR

- **New electric Integrated Resource Plan (IRP) filing is expected June 30th - Will make some announcement of what it looks like a week prior.** Expect more storage as costs come down and batteries make increasing sense as a replacement for peakers to do the work of voltage support, frequency response, and other ancillary services. The IRP provides details on the next 20 years of fuel diversity for customers, RPS fulfillment, reliability, EE, and demand response. The IRP ultimately results in either approval for a three-year forward plan or rejection or return for consideration of changes. Under Michigan energy law, IRPs are required every five years, with the next filing due in 2023.
- **On Inflation, tax rates and Enerbank.** With a renewed five-year union labor contract, the company sees inflation as a manageable risk. Enerbank's business model is generally not sensitive to interest rates, while Enterprise's net parent losses would benefit from a higher tax rate (consensus seems to be that a 24%-25% rate is possible later this year under democratic proposals).
- **Electric ratecase is on-track for final order by December.** CMS filed an electric ratecase (U-20697) on 3/1(test year ending Dec 2022), seeking recovery for investments in system reliability, and IRP solar & clean energy transformation of $225M, which translates to a 10.5% ROE and 52% equity ratio. Staff commentary is expected in June, with final order expected in Q4. **The next gas ratecase** is expected to be filed in Dec.
- **Equity needs unchanged with $50M already contracted, rest expected in "back half of the year".** CMS continues to expect to issue $250M of equity in 2021 and up to $250 per year in the company's long-term plan. With $50M already contracted, CMS mentioned that the rest of 2021 equity needs will probably be in back half of the year.
- **2021 Guidance Reaffirmed $2.83 - $2.87,** in-line vs. CS/cons $2.85/$2.86, (which reflects 6%-8% growth off 2020 midpoint) after CMS reported 1Q21 adj. EPS $1.21 vs. CS/cons $1.16/$0.97, and vs 1Q20 $0.86. Longer-term adjusted EPS and DPS growth remains at 6%-8% with a strong bias towards the midpoint.
- **Reaffirmed annual cost savings >$200M through 2031.** CMS reaffirmed its previously announced expectation to achieve > $200M in annual cost savings (excluding incremental O&M savings) through 2031. This includes $90M from Palisades in 2022, $30M for Karn 1&2 coal unit retirements in 2023, $50M for MCV contract change in 2025, and $60M for retiring the Campbell coal unit in 2031+.
- **RNG – having dialogue with MPSC.** CMS has been doing some pilot project work in coordination with the Electric Power Research Institute (EPRI) around Renewable Natural Gas (RNG). Recall CMS is targeting net zero methane emissions by 2030 and net zero carbon emissions by 2040. RNG is expected to play a role, but is currently only ~0.3 bcf for now at a cost 3-4x natural gas.
- **A 10-year, $25B plan, with $3-$4B of opportunities.** The 10-year capital plan continues to stand at $25B of firmly identified projects through 2028 plus possible $3-$4B upside opportunity in the latter half for electric reliability, grid modernization, gas distribution, and pipelines. ~85% of projects are less than $200M. To firm up the upside spending, management remains focused on customer affordability (keeping rate increases below inflation) and needs to see future ratecase outcomes, balance sheet strength, progress on cost reduction, and feasible employee levels needed to support additional work, among many factors. For example, to achieve $1.5B of electric grid modernization upside, annual spending would have to ramp up from $200M to $300M, which would likely require a significant hiring ramp. Ultimately, the company remains committed to work with regulators to ensure all parties "buy in" before any incremental moves. As noted at the 2018 analyst day, there is a long pipeline of capital work to be done and management identifies greater than $50B over the next few decades, with investment pacing limited only by CMS's desire to keep rate increases below inflation. Even with the retirements of Karn 1&2, we estimate

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that the plan still implies above-average overall electric and gas ratebase growth at a >7% CAGR from $17.5B in 2019 to ~$24.5B in 2024, with gas ratebase expected to grow from 30% of total in 2018 to >40% by 2024.

- **A new electric Integrated Resource Plan (IRP) filing is due in late June** as part of the 2019 electric rate settlement. Expect more storage as costs come down and batteries make increasing sense as a replacement for peakers to do the work of voltage support, frequency response, and other ancillary services. Recall that in March 2019, CMS filed a settlement agreement with the MPSC for the Integrated Resource Plan (IRP). Consistent with the previously approved Renewable Energy Plan, the settlement leads to a 90% reduction in carbon and 90% clean energy supply by 2040, with the elimination of all coal fired plants as well. It calls for the replacement of Palisades PPA and Karn 1&2 with energy efficiency, demand response, and renewable resources. A relative paucity of battery storage in the planning (450 MW, but only after 2030) is explained by the presence in the state of the large-scale 2,200-MW Ludington Pumped Storage facility, which is co-owned by CMS and DTE. CMS also plans to procure 1.1 GW of new solar resources through 2024 through a competitive bidding process with 550 MW to be owned by the company and the rest will be done through PPAs. Additionally, the settlement also allows the company to earn on the PPAs at the weighted cost of capital (5.88% vs. the company's earlier ask for 10%-20%). The issue with PURPA avoided costs will be dealt with using the competitive process in which the avoided cost rates for a PURPA PPA will be the highest proposal cleared in the competitive bidding process. The IRP provides details on the next 20 years of fuel diversity for customers, RPS fulfillment, reliability, EE, and demand response. The IRP ultimately results in either approval for a three-year forward plan or rejection or return for consideration of changes. Under Michigan energy law, IRPs are required every five years, with the next filing due in 2023.

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CenterPoint Energy (CNP) – Outperform, TP $28

Dave Lesar (Chief Executive Officer), Jason Wells (EVP and Chief Financial Officer), Scott Doyle (EVP of Natural Gas), Phil Holder (SVP of Strategic Planning and Investor Relations), Jackie Richert (Director, Investor Relations), Panpim Lohachala (Manager, Investor Relations)

- **CNP repairs tax benefits.** CNP expects to refile for repairs tax deductions back through 2017, which in combination with other tax strategies, should help partially offset the expected taxable gain on the forthcoming sale of Energy Transfer shares. These are currently held at approximately -$1.75B cost basis and we currently include a -$1/sh hit within our valuation for taxes on the sale (at 75% probability of sale, so we figure -$1/sh could be the actual impact at 100% given some mitigation).
- **Enable / Energy Transfer update - FTC and regulatory approvals as well as closing of transaction are expected in mid-summer.** In April CNP and OGE delivered written consents, with FTC, regulatory approvals, and closing expected in mid-summer. We then expect a relatively quick moving plan to exit this legacy midstream asset over the next year or two at most. Any sales of stock would have to wait for registration two to three months after closing (sometime in 4Q21 earliest).
- **Impacts from Texas Storm –expecting ~$2.2B incremental gas cost (vs prior estimate $2.5B), and reaffirming no direct impact from the storm to guidance based utility EPS.** The company expects a ~$2.2B incremental gas cost which includes $1.1B Texas, $463M in Minnesota, $335M in Arkansas and $83M in Oklahoma. CNP is estimating ~$500M-$600M remaining balance 12 months from the storm assuming current cost recovery mechanisms in place (Indiana, Mississippi, South Louisiana – recovery through existing cost recovery mechanisms over 12 months; North Louisiana – recovery through existing cost recovery mechanism over 3 years) and securitization of winter storm-related gas costs in Texas.
- **Arkansas and Oklahoma LDC sale to Summit Utilities to bring in ~$300M more than planned; going into 2022 capex.** CNP previously announced the sale of Arkansas and Oklahoma gas assets for $1.725B plus $425M cash for storm costs (2.5x of 2020 ratebase and 38x of 2020 earnings) and in our view, the sale was better than expectations ~1.5x-2.1x. CNP expects $1.325B of net proceeds (after taxes and transaction costs) to partially fund $3B incremental capex at its Indiana and Texas electric franchises. At AGA, CNP reiterated that their decision to sell LDCs revolved around a funding need of $1B and a sale was the best way to accomplish the funding gap. The sale is expected to close by end of 2021 (subject to regulatory approvals).
- **2021 Utility guidance reaffirmed at $1.24 - $1.26** after CNP reported 1Q21 beat with adj. EPS of $0.59 vs cons $0.50, in-line with CS 0.61 and vs. 1Q20 $0.60, driven by rate recovery, customer growth and O&M management, partially offset by one-time CARES Act impact and 2020 equity issuance. Additionally, CNP reaffirmed a 6%-8% LT annual growth rate (annual, not a CAGR, off a 2021 base).
- **O&M Savings: $16M in net savings achieved 1Q21.** CNP reaffirmed prior plans to achieve annual cost reduction of 1%-2%, or >$110M through 2025 plus net savings of $44M (~3%) in 2021, with $16M YTD. Management expects the cost variance to be largest in Q1 with net savings decreasing gradually through the year to achieve $44M.
- **No additional equity needs in 2021 (other than ~$25M of DRIP)** CNP previously announced $1.4B of new equity capital ($725M from 12-month mandatory convertible preferred stock, and $675M of common stock) to reduce debt and eliminate further equity needs through 2022. We expect ~$25M/year of DRIP equity in 2021 and small ATMs of ~$50M/year starting in 2022 through 2025, although the ATM program may be reduced further as a result of ~$300M more proceeds from the LDC sale than had been planned.
- **Capital Plan (2021-2025) Unchanged at $16B with $1B+ potential upside.** CNP rolled forward the capital plan a year in 3Q20, and their current (2021-2025) plan is now

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$16B vs $13.2B previously (2020-2024). The additional ~$3B capital investment opportunities (to be funded through the upcoming sale of Oklahoma and Arkansas natural gas LDCs) split two-thirds into new investment opportunities in Houston and Indiana's electric businesses, and one-third gas with $2.5B more or less tracked with $500M for renewables in Indiana, which will bring the 2021E to ~$6B and will drive rate base CAGR target of 10%. **Additionally, management has also cited an additional $1B of capital spending opportunities not yet included in the plan**, with the budget providing enough flexibility to handle changing technological choices. CNP plans to ramp up on renewables with $950M wind and solar generation in Indiana, while advancing RNG and hydrogen renewables in Minnesota.

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Dominion Energy (D) – Outperform, TP $90

James Chapman, Executive Vice President, CFO & Treasurer, Diane Leopold EVP & COO, Steven Ridge, Vice President, IR, David McFarland, Director, IR

- **Triennial review filing.** Next steps include respondent testimony on July 30, followed by the staff report on August 16. A final order is expected by November 2021. Recall D submitted its Triennial review application to Virginia's State Corporation Commission (SCC) on 3/31 covering a four-year period (future reviews are truly triennial) from January 1, 2017 to December 31, 2020. The filing includes ~$5B rate base investment and >$300M of CCRO eligible investment which reflects $206M of customer arrears forgiveness as ordered by the Virginia General Assembly.
- **Offshore Wind Remains on track – interaction with BOEM has been "positive and frequent."** Next steps include BOEM notice of intent in June 2021, CPCN filing in fall 2021, and a BOEM record of decision in June 2023. D's 2.6GW Coastal Virginia Offshore Wind (CVOW) project is on track and projected installed cost remains ~$8B (~$3,000/kW inclusive of transmission), and the company's estimate for project LCOE are unchanged at ~ $90MW/hr.
- **Santee Cooper –** contract work continues under the radar. The SC state legislature has authorized Santee Cooper to work with neighboring utilities on efficiency and cost reduction, and Dominion continues to pitch in on a contract basis. Recall that NEE recently withdrew its own offer to acquire Santee Cooper on 4/28 after the state Senate voted 36-8 against soliciting further bids.
- **South Carolina electric ratecase;** focused on getting through the ratecase there and working in decarbonization in VA. Hearings are expected to resume in July 2021 and final decision is expected in August. Recall on Jan 11, regulators granted a six-month pause to allow parties to further discuss a settlement given pandemic-related hardships. As part of the pause, the commission has ordered the parties to report on monthly basis on their progress. D previously filed for a $178M increase in Aug 2020, with Staff recommending only a $10M increase in November based on an 8.9% ROE on 50% of $5.744B ratebase using a year-end 2019 test year. Absent settlement, hearings are expected to resume in July 2021 with a final order by August 16, 2021.
- **2021 guidance reaffirmed at $3.70-$4.00** (CS $3.85, cons $3.87), 10% above 2020, after D reported 1Q21 Adj. EPS in-line of $1.09 vs. CS/cons $1.07/$1.07, in line with company guidance $1.00-$1.15, and vs. 1Q20 $0.92 driven by operating earnings at DEV and Gas Distribution, partially offset by corporate & other. Additionally, D is guiding 2Q21 with adj. EPS of $0.70 - $0.80.
- **Capital plan (2021-2025) unchanged at ~$32B** with 80%+ focused on decarbonization and 70%+ eligible for riders. Additionally, D continues to identify ~$72B of green investment opportunities through 2035.
- **Equity needs unchanged.** Equity requirements remain at $300M of DRiP with no ATM equity until 2022. Starting in 2022, D is expecting $0-$200M through ATM program, between $100-$300M in 2023 and in the range of $300M-$500M in 2024 and 2025. Altogether, D is projecting $2.2B - $3.0B in equity through 2025 with $1.5B of DRiP and $0.7B-$1.5B through ATM.
- **Net zero emissions target by 2050.** D previously announced a target to achieve net zero emissions including both carbon dioxide and methane emissions across all businesses by 2050. Additionally, D expects reductions of 70%-80% by 2035 with ~95% of the company's owned generation to be either zero or low-emitting.

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DTE Energy (DTE) – Neutral, TP $133

Dave Ruud, SVP & CFO; David Slater - President & COO, Gas Storage & Pipelines; Trevor Lauer - President & COO - DTE Electric; Barbara Tuckfield – Dir. IR; John Dermody – Manager IR

- **Investor feedback has been positive on spin of DTE Midstream - still on track for July 1.** DTE noted that feedback from investors regarding the upcoming spin of midstream has been generally positive. The company is on track to achieve targeted adj. EBITDA 2021 of $710M-$750M and a ~2x dividend coverage ratio (subject to midstream board support). An investor roadshow is planned for Q2 and the Form 10 process is advancing. Recall DTE previously announced its intention to spin-off Gas Storage & Pipelines in Q3, with Spinco expected to assume a 4.0x debt/EBITDA credit profile with a combined dividend of the two companies that is higher than DTE's current dividend. Additionally, the spin-off is designed to be tax-free and DTE shareholders are expected to receive a pro-rata dividend of midstream spinco shares upon closing.
- **Next steps?** Next steps include public filing of Form 10 (announced last week), effectiveness being declared by SEC, followed by debt raise which the company is currently in, followed by an equity IPO roadshow for analyst and investor outreach. Trading is expected to start two weeks before spin.
- **Equity plans – doesn't see a need for 2021 and targeting low-end for 2023.** DTE is planning up to $200M for 2021 although management noted that they don't see a need to issue equity this year. DTE is also targeting $1.3B of convertible equity units in 2022, followed by up to $200M of equity in 2023 (targeting low-end in 2023).
- **2021 guidance reaffirmed after a strong 1Q beat at $6.88 - $7.26 (vs. CS $7.15).** DTE remains on track to achieve 2021 operating EPS guidance after reporting 1Q21 adj. EPS of 2.44 vs. CS/cons $2.29/$2.06, and vs 1Q20 $1.66, driven by higher rates at DTE electric and DTE Gas, favorable colder weather in 2021 and LEAP in-service and other pipeline earnings, partially offset by timing of taxes and net interest. Additionally, DTE reaffirmed 5%-7% LT operating EPS growth target off 2020 original guidance.
- **DTE Gas ratecase – commission/staff recommendations are due soon**. DTE expects a settlement. DTE Gas filed a ratecase (U-20940) in Feb 2021 with ratebase of $5.6B and rate recovery of $195M which translates into a 10.25% ROE and 52% equity ratio with rates effective Jan 1, 2022.
- **Emissions offsets and RNG initiatives.** DTE announced the CleanVision Natural Gas Balance, a program to include both carbon offsets and renewable natural gas, with execution of an agreement to secure forestry carbon offsets. The gas utility received an order approving a Voluntary Emissions Offset Plan (U-20839) in October 2020. The plan includes both carbon reduction and offsets (95%) and Renewable Natural Gas RNG (5%).
- **Net zero emissions by 2050. DTE Electric** is targeting carbon emissions reductions to 32% by 2023, 50% by 2030, 80% by 2040, and net zero by 2050. Since 2009, the company has invested $3B in renewable energy and the investment is expected to reach nearly $5B by 2024. Renewables is expected to account for 25%-30% of energy generation by 2030.
    - **DTE Gas** is targeting carbon emissions reduction of 45% by 2020, 65% by 2030, 80% by 2040, and net zero by 2050. DTE Gas is working towards lowering greenhouse gas emissions by more than 6M metric tons annually, incorporating emissions reductions as purchasing criteria, continuing main renewal upgrades and operational improvements, and working with suppliers to enhance operations.

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Consolidated Edison (ED) – Underperform, TP $74

Timothy Cawley, President & CEO, Yukari Saegusa, VP & Treasurer, Jan Childress, Director, Investor Relations, Kiley Kemelman, Section Manager, Investor Relations & Sustainability, Jared Lee, Manager, Investor Relations & Sustainability

- **Challenging time but bouncing back.** Management is more optimistic on 2021 after a strong 1Q21 report & with residential load improving. ED is seeing increased residential demand in the outer boroughs and expects to see improvement this summer as well.
- **Natural gas is no longer a transition fuel. Stagecoach "in the throes of the review process"** ED reports being deep into the strategic review process for its midstream assets held in a JV with Crestwood Partners (which holds a right of first refusal on any purchase of stake), with a decision is expected this quarter around the end of July. Management emphasizes that regardless of whether they decide to hold or divest the assets at this time, the company does not consider midstream gas a part of the core business anymore. Recall that in 2015, the acquisition was pursued under an earlier belief that natural gas would be a transition fuel between coal and renewables. ED's equity plans already bake in a range of possible outcomes, so no significant changes are expected under any outcome. Remaining book value is $670M and there is still ~$500M debt associated.
- **Update on late payment charges and allowances for uncollectibles.** Aged receivables >60 days are now ~$1B (vs $400M pre pandemic) funded with CP, with the amount associated with COVID19 increasing $153M to $625M during 1Q21, while the allowance for uncollectible customer accounts increased $34M to $181M. Approximately $110M of expense from reserves are being deferred under authority granted in 2020 legislation. There were $18M of estimated unbilled late payment charges and fees in the quarter as well. We continue to include a $500M pretax expense placeholder in our SoTP for a possible future writeoff of uncollectibles. In April 2021, CECONY filed a petition with regulators to establish a $52M surcharge mechanism to collect for 2020 late payment charges and fees beginning in Sept 2021 through Dec 2022.
- **"No set timing" on equity needs.** ED plans to file the next three-year rate plan for CECONY in early 2022 for rates in 2023. With a 12MT equity ratio at CECONY of 46.1% vs authorized 48.0%, the company is planning additional equity issuances to bring the balance sheet in line with the upcoming filing (historic three-year lookback stands at ~47%). The $1B of arrears >60 days now being financed with CP are not included in this equity ratio, but could reduce it further if termed out. Management reiterated plans to issue of up to $800M of common equity in 2021 and ~$700M in aggregate of common equity during 2022 and 2023 (in addition to equity under its dividend reinvestment, employee stock purchase and long-term incentive plans). Additionally ED expects to issue $1.9B - $2.6B of long-term debt, (including for maturing securities), in 2021 and ~$1.4B aggregate of long-term debt at the utilities during 2022 and 2023.
- **Renewables unaffected by higher steel and commodity inputs**: At the competitive energy business, ED noted that higher commodity costs haven't been a big issue thus far. Supplier relationships are strong and ED plans to do some more build-own-transfer of new renewable projects for third parties, which is more fee based without commodity exposure. Overall, the renewables business is expected to grow in-line with the utilities at a capex plan of ~$400M/year (was higher in 2020 at $600M due to pull forward).
- **Isaias response review.** An Administrative Law Judge (ALJ) has been appointed and hearings have been scheduled to begin in Sept 2021 in connection with show-cause orders issued earlier. ED has not booked any reserves for this yet.
- **Capital Plan (2021-2023) increased ~500M to ~$12.67B (from $12.1B).** ED's capex was increased in Q1 by $30M, $264M and $284M in 2021, 2022 and 2023, respectively, and the company now expects investments of $4,048M in 2021 (vs. 4,018M previously), $4,207M in 2022 (vs. prior $3,943M) and $4,419M in 2023 (vs. prior 4,171M).

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- **2021 Guidance reaffirmed at $4.15 - $4.35**, in line with CS/cons $4.25/$4.25 after ED reported a 1Q21 beat with adj. EPS of $1.44 vs cons/CS $1.39/$1.26 and vs 1Q20 $1.35, driven by lower-than-expected COVID-related expenses, a higher-than expected (13%) non-weather jump in residential electric revenues, and impact from the annual stepup in rates under CECONY's three-year rate plan. High end of the 2021 guidance depends on reinstituting the recovery of late fees, but not the $52m from 2020. For the T12M, CECONY has earned an 8.5% ROE. ED previously projected a 5-yr CAGR of 4%-6% (based off 2021 adj. EPS and ~6.1% ratebase growth).

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NiSource Inc. (NI) – Outperform, TP $29

Joseph Hamrock, President/CEO, Don E Brown, CFO, Pablo A Vegas, COO, Shawn Anderson, Senior VP/Chief Strategy & Risk Officer, Randy Hulen, VP of IR & Treasurer; Chris Turnure, Director of IR

- **Latest RFPs.** On May 20, NIPSCO announced three separate RFPs for wind resources, solar resources, and one for thermal, standalone storage, emerging technologies, and other capacity resources. The total expected range across all target areas is 400 MW to 650 MW of unforced capacity. The RFPs are intended to satisfy capacity requirements beginning in 2024, 2025 and 2026 through a combination of owned and contracted resources in coordination with the 2021 Integrated Resource Plan (IRP) process. RFP proposals are due June 30 with bid evaluation completed Aug 20 followed by signed agreements from Aug 2021-July 2022.
- **2021 Integrated Resource Plan (IRP).** Meetings throughout 2021 and completion is targeted for fall. The process includes RFP solicitation for new resources, (similar to 2018 IRP) and focuses on three primary considerations: (1) ability to meet reserve margins in all seasons (not just summer), (2) have an amount of firm, flexible/dispatchable capacity to handle increasing renewable penetration, and (3) assess ancillary service value of resources and ensure transmission implications are considered. The 1,780-MW Schahfer coal-fired plant is expected to retire in 2023 under all scenarios. However, management indicated that if presented with the right combination of new technological capabilities at attractive pricing (batteries, distributed fuel cells and local generation, and micro grids), it may be possible to retire the 469-MW Michigan City plant earlier than planned in 2028.
    - **Renewable projects were laid out in the 2018 IRP**. Recall CPCN filings were made on Feb 1, 2019 seeking approvals to develop three wind farms consistent with the IRP filed in the fall of 2018. Orders approving the PPAs on these filings were received on June 5, 2019. The 2019 RFP represents replacement ~1,400MW of coal capacity through 2023.
- **Columbia Gas of Pennsylvania - a final order is expected by end of the year.** Columbia Gas of Pennsylvania filed a 2021 base rate case in March requesting a $98.3M annual revenue increase. Next steps include staff/intervenor testimony and a final order is expected by end of the year. The ratecase has a different ALJ than the one involved in the prior ratecase in Pennsylvania that had recommended no increase at all. An order for Columbia Gas of Kentucky was received on 4/30 (new rates effective May 2021) allowing for $40M cost recovery of 2021 capex.
- **Sale of an LDC?** NI looks at strategic options as a matter of routine whenever considering financing plan options, but this year's review concluded that the convertible issuance in April was the best way forward, especially given the higher growth rates and capex opportunities across the company's utilities.
- **Convertible issuance eliminates block equity needs through 2024.** On 4/19, NI issued $862.5M convertible equity units at 7.75% yield (8.625M units), with proceeds to support renewables investment. The units are expected to receive 100% equity credit from S&P and Moody's, with full dilution hitting now (to diluted EPS) although shares won't be issued through the convert until the end of 2023. The 7.75% yield is paid from cash flow below the income statement (OCI). Recall that the company subsequently updated its financing strategy for 2021-2024, eliminating the original plan for $500M - $700M block equity and reducing the expected ATM for 2023 to $0 - $150M (from $200 - $300M).
- **Financing strategy reaffirmed.** The company previously updated its financing strategy for 2021-2024, eliminating the original plan for $500M - $700M block equity and reducing the expected ATM for 2023 to $0 - $150M (from $200 - $300M).
- **2021 Guidance reaffirmed at $1.32-$1.36.** NI raised guidance in Q1 to $1.32-$1.36 (from $1.28-$1.36) vs CS/cons $1.34/$1.33, after NI reported 1Q21 in-line with Adj.

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EPS $0.77 vs CS/cons 0.76/$0.76, and vs 1Q20 $0.76, driven by increased investments in safety and asset modernization (excluding Columbia Gas of Massachusetts). NI also reaffirmed long-term (2021-2024) EPS CAGR of 7%-9% and near-term EPS CAGR of 5%-7% through 2023. NI expects investments to drive rate base growth of 10-12% CAGR through 2024, and we expect the company to attain at least the midpoint of a 7%-9% EPS CAGR (vs 2021) for 2024-25 after Indiana renewables are in service.

- **Prior Pennsylvania rate order received on 2/19 "right down the fairway."** NI received a rate order on 2/19 for $63.5M revenue based on 54% equity and 9.86% ROE. This is a positive outcome vs. investor concerns over earlier ALJ recommendation for no increase at all. The commission also approved a single step increase, which is more favorable than the company's request for two steps.

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NorthWestern Corporation (NWE) – Neutral, TP $67

Bob Rowe (CEO), Brian Bird (Pres and COO), Crystal Lail (VP and CFO) and Travis Meyer (IRO and Dir. Corp. Finance).

- **Regulatory relationships improving in Montana.** NWE continues to cultivate productive discussions with two new commissioners: Jennifer Fielder (R) and James Brown (R), which replaced Bob Lake (R) and Roger Koopman (R), respectively. Fielder is from Western Montana and favors hydroelectric power, while Chairman Brown, is a lawyer focused on due process and procedure.
- **Longer term, NWE guides to 4%-5% annualized ratebase growth generating 3%-6% annualized EPS growth.** Additionally, the company is maintaining a 60%-70% targeted dividend payout target, with $2.48 annualized dividend likely to be at the upper end of the range this year with growth in line with EPS going forward, and is also targeting debt to capitalization ratio of 50%-55% with liquidity of $100M or greater.
- **Equity plans.** NWE initiated a $200M ATM offering during 2Q21 and the company reiterated that any equity issuances will be sized in such a way to allow the company to maintain current credit ratings. Due to Moody's outlook change, the company anticipates accelerating from what was previously noted as "over three years," but still spread out over time. Montana RFP generation is not included in this plan, with additional equity likely needed (50% equity/50% debt) if self-build wins approvals later in 2021.
- **RFP project selection.** NWE announced in Q1 that it had chosen a self-build generation option as a preferred option in the utility's request for proposals (RFP) for up to 280 MWs new generating resources. The Laurel Generating Station (175MW) RICE units would be owned by NWE, with the remainder filled with a five-year power purchase agreement with Powerex for 100MW of capacity. Laurel is expected to cost ~$250M in 2022/23 (financed 50/50 debt/equity at that time) and become available for operational use by late 2023/early 2024. Additionally, the company expects to finalize an agreement for an energy storage contract to fill a 5-hr duration. NWE expects file for formal MPSC approval in May 2021 with a final order six to nine months after filing. We expect another RFP for additional resources after the approval process is completed.
- **All quiet on the (North)Western front – Guidance Reaffirmed.** NWE reaffirmed 2021 guidance at $3.40-$3.60 (CS and consensus $3.50), after NWE reported a 1Q21 beat with adj. EPS of 1.26 vs. CS/cons $1.13/$1.12, and vs 1Q20 $1.06, driven largely by improved gross margin from higher electric and natural gas retail volumes and lower opex costs, partially offset by higher Montana Electric supply costs and depreciation expense. We continue to expect 2021 guidance to be narrowed, but we don't see this happening until Q2 or Q3 earliest**.**
- **Regulatory Update – No ratecase filings expected in 2021.** NWE does not expect to file any base ratecases in any of their jurisdictions in 2021. Furthermore, the company filed a request on 4/15 to delay implementation of the fixed cost recovery mechanism pilot in Montana for another year until July 2022 or beyond as a result of continued COVID-19 uncertainty. The company also filed on 4/21 for approval to increase revenues for the Montana Power Cost and Credit Adjustment Mechanism (PCCAM) by $17M.
- **Capital Plan (2021-2025) unchanged at $2.1B.** NWE introduced a new capital plan in Nov 2020 for 2021-2025 with $2.1B of total capital investment throughout the next five years, a $300M increase over prior plan. Capex remains $451M, $456M and $418M for 2021, 2022 and 2023 respectively, and $400M in 2004 and 2025.

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Southern Company (SO) – Outperform, TP $74

Andrew Evans, EVP & CFO; Robin Boren, SVP & Treasurer; Scott Gammill, Dir. IR

- **Vogtle Unit 3 nearing completion, but Hot Functional Testing (HFT) sequence is now expected to "take a couple of weeks longer" than the company's initial plan of 6-8 weeks.** Investors should not be surprised to see more delays, which are insignificant to our TP and Outperform thesis. The latest delay is from the need to bring down system temperatures while shims are adjusted on pressurizer equipment before reheating. These adjustments so far are not considered serious defects, but rather the expected tweaks typically done during a HFT. The company's previous plan was for the plant to begin operations in December 2021, but since more testing is needed, new completion date is now expected in 1Q22 with 8-10 weeks for HFT. Testing of control systems began on 4/25 (the last major test) and fuel load is now expected in September with best case scenario now a Jan 2022 in-service date (vs. prior Dec 2021). Important to note that Jan 2022 is on the "aggressive" schedule; we think 1Q22 is more accurate, with each month ~$25M (eating into $175M contingency remaining 3/31/21). Major remaining risks include successful completion of construction, and testing and system turnovers. **Unit 4 is now ~80% complete, and still targeting 3Q22 in-service date**, but we continue to envision some modest slippage and higher contingency cost here too as work crews assist with Unit 3.
- **Vogtle total projected capital cost unchanged at $8,755M** (after it was previously increased by $48M, from $8,707M), and remaining estimate to complete is unchanged at $1,195M although delays may result in an incremental $25M/month in cost although this is covered by the company's $175M contingency remaining as of 3/31. Unit 4 schedule cost margin remaining to Nov 2022 deadline is $39M (vs prior update of $64M). As of 3/31 SO has invested $7,560M in Vogtle (vs. $7,246M in prior update).
- **Vogtle cost recovery path.** During construction, $4.4B of plant capital is earning a 5.3% penalty ROE as agreed to under a 2017 settlement. Another $2.3B is earning only a debt return at 3.2% (including the low cost from DOE loan guarantees). We estimate that once Unit 3 is in service, the $4.4B will be restored to Georgia Power's 10.5% ROE (a $0.05 EPS impact mostly on 2022 results). A review of penalties on the remainder of the asset will be deferred until both units are in service (an incremental $0.16 annualized impact that we estimate shows up in 2023). This >$200M net income improvement is a major driver of 100 bps higher EPS growth to 5%-7% through the end of Vogtle construction.
  - **On prudency determinations**, $3.5B of costs have already been deemed prudent in the 2017 settlement. Spending above this and up to $5.68B has already been considered "reasonable", with the burden on opponents to prove imprudence. Anything over $5.68B (to $7.3B settled cap) will have to be shown prudent by the company. Prudency determinations are expected 130 days following Unit 4 in-service.
  - **A new ROE for Georgia Power is likely determined in the next general rate order**, which is also expected around the same time as Unit 4 in-service. After Vogtle, we estimate that this level of EPS growth is sustained by incremental decarbonization capex and strong cash flows that strongly mitigate the need for secondary equity. We also think Georgia Power is likely to request recovery of COVID19 costs and other contingency funds used during Vogtle construction, although regulatory support for this could be difficult to obtain.
  - **Customer rate impact.** Since inception over a decade ago, the plant is expected to cost customers a 10% increase in rates. However, roughly half of this is already in rates through the NCCR tariff. Upon unit 3 in-service, rates can be expected to increase 3%+, with a similar increase after Unit 4 is in service.
  - **Prior commentary on cash flows.** Management has previously stated that Vogtle (once fully embedded in rates) should add ~$850M of annual cash flow. While the company has not decided what it plans to do with cash flows in 2024 -2026, it

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expects to potentially grow dividends faster or pay down debt to improve credit quality. Dividend growth has typically been slightly behind the company's expected income growth in an “effort to move payout ratio down a little closer to industry”

- **More renewables coming.** SO now owns ~5,000MW of renewables and expects to continue to add to the portfolio with the recently announced acquisitions of 300MW Deuel Harvest facility in SD, and the 118MW Glass Sands facility (currently under construction) in OK, plus 160MW Tranquility and Garland battery storage projects (also under construction) in CA. SO now owns 15 wind projects and ~2,500MWs of solar plus ~160MW of battery storage across the US.
- **2021 guidance unchanged at $3.25 - $3.35** vs. CS/cons 3.30/$3.31, after SO reported 1Q21 Adj. EPS of $0.98 vs. CS/cons $0.82/$0.82, vs guidance $0.84, and vs. $0.78 in 1Q20, driven by customer growth, higher residential sales, favorable weather and investment in regulated utilities, partially offset by COVID19 impacts. Additionally, SO is guiding 2Q21 adj. EPS at $0.78.
- **2021 outlook**. SO is estimating 2021 weather-norm total retail kW/hr sales to increase by 2%-3% vs prior year. Additionally, the company is projecting for their electric service territory to reach the pre-pandemic employment peak in 2022.
- **Equity needs unchanged.** SO continues to expect no secondary equity through at least 2025. As of 3/31, SO has > $7.7B in committed credit facilities and $7.2B available liquidity.
- **Capital Plan (2021-2025) unchanged at $39.9B.** SO’s 5-yr capex is unchanged at $39.9B, (slightly higher than prior $39.5B 2020-2024 plan), with capex of $7.7B in 2025. Recall SO expects 95% of capital plan to be deployed into state-regulated utilities and the company is projecting a 4% annual capital growth in electric utilities to $64B in 2025 (off $52B in 2020), driven by modernization and resilience initiatives. Additionally, SO is projecting 10% annual rate base growth in Gas LDCs to $13B in 2025 (off $8B in 2020), driven by “substantial” pipeline replacement.
- **Decarbonization efforts.** SO plans to achieve 50% reduction in greenhouse gas emissions by 2025 (ahead of prior 2030 goal) and achieve net-zero by 2050. YTD, the company’s generation mix includes, 15% renewables (unchanged vs. Q4), 22% coal (vs. 17% in 2020) 16% nuclear (vs. 17% in Q4), and 47% natural gas (down from 51% in 2020).

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Spire Inc, (SR), Outperform, TP $83

Steve Lindsey (EVP and COO), Steve Rasche (EVP and CFO), Adam Woodard (VP, Treasurer), Scott Dudley (MD IR), Nana Appah-Sampong (Sr. Analyst-IR)

- **Impact From Uri:** Gas marketing results improved ~$35M from extreme market conditions and storage monetization during Winter Storm Uri. This was a bit more than we anticipated, but less than the high end of possibilities considering the company entered 2021 with a 26 BCF storage position potentially worth multiples of that at the peak of the storm
    - **Color on Storm Uri effects on Spire gas customers from our** 5/10 EXC note: SR reported that Exelon's (EXC) ExGen power and gas marketing business was one of three marketers that may be subject to penalties in Missouri after SR acted as a provider of last resort (POLR) to ExGen's natural gas customers. SR noted about $196M at stake (a portion associated with ExGen) and has launched litigation against ExGen, while the Missouri Public Service Commission is also considering if any part ExGen's costs should be waived (cost of gas plus 1.5x penalties). In our view, it seems possible that penalties could be waived but unlikely that regulators would choose to allow marketers to pass along the cost of high-priced gas to any fixed-cost retail customers.
    - **Likely to see some small net incremental benefit in 3Q as remaining unresolved contracts and payments are settled**.
- **Missouri ratecase filed in Dec, next steps include submission of testimony on rate design on 5/26. We continue to see room for a favorable settlement.** As expected, staff/intervenor testimony was provided on 5/12, a standalone cap structure was recognized, and recommendations called for a 9.37% ROE and a 54.25% equity ratio. Next steps include submission of testimony on rate design on 5/26. Local public hearings are scheduled for late June, with MPSC hearing in July and August. Recall the rate case was filed on 12/11, seeking recovery of costs and >$850M in capital investment. The filing requests a base rate increase of $64.2M, (which is net of $47.3 million already being collected through ISRS) based on ratebase of $2,780M, a 9.95% ROE and a 54.25% equity ratio.
- **Settled outcome in the Missouri ratecase seems likely.** We continue to expect a relatively non-contentious settled outcome, with the Infrastructure System Replacement Surcharge (ISRS) resolved by legislation and less controversy now over prior ratecase issues with tax reform, capital structure, and prepaid interest expense.
- **SR reaffirmed a long term NEE per share growth target 5-7%** off a pre-COVID-19 2019 base of $3.73, driven by consistent growth of its gas utilities. SR's LT growth target assumes annual rate base growth of 7-8% driven by investment in pipeline and technology upgrades, and new business.
- **2021 Guidance raised to $4.30-$4.50** (from previous range of $4.00-$4.20) vs CS $4.10 vs consensus $4.16) after SR reported a 2Q21 strong beat with NEE of $3.71 vs. CS/cons $3.08/$3.03, and vs 2Q20 $2.75, driven by strong performance from Spire Marketing, and improved earnings from Gas utilities and lower interest expense.
- **Capital plan (2021-2025) reaffirmed at $3B and on track for FY21.** SR's 2021 capex is on-track at $590M (560 Gas Utility, $30M Pipelines, storage & other) with $304M in 1H21 (vs $346M in FY20), which includes $148M for pipeline replacement and $75M for new business at Gas Utility, Capex is expected to be $580M in 2022, $590M in 2023, $600M in 2024, and $610M in 2025.
- **Financing update – 2021 Equity needs satisfied.** On 3/23, SR entered into a 364-day term loan for $250M in order to maintain financial flexibility amid the Winter Storm Uri in February. Also, on 2/18, SR completed an equity units offering for gross proceeds of $175M (initially recorded as LT debt). The company used the net proceeds, in part, to

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repay ST debt under its commercial paper program. The offering resolved the need for SR planned equity needs for fiscal 2021.

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WEC Energy Group (WEC), Underperform, TP $91

Scott Lauber, Sr. EVP & COO, Xia Liu, EVP & CFO, Beth Straka, SVP Corporate Communications & Investor Relations

- **Moving along in Wisconsin electric ratecase - A Commission review and consideration is expected over the next 60 days.** WEC filed on 3/30 to stay out one year (as a result of COVID-economic impacts) and maintain current authorized ROE: 10% for Wisconsin Electric and Wisconsin Public Service, and 10.2% at Wisconsin Gas, and to maintain a 50%-55% equity ratio at all three utilities. Management noted that "things are moving along well and we are optimistic that will hear something soon." WEC expects a commission review and consideration within the next couple months and will file next rate reviews no later than May 1, 2022.
- **Moving faster on decarbonization – "resonating with stakeholders".** WEC previously announced new greenhouse gas reduction targets – to reduce emissions by 60% (vs 55% previously) below 2005 levels by end of 2025 and 80% by 2030 (vs 70% previously). Still targeting net carbon neutral by 2050 and net zero methane emissions by the end of 2030 too. Furthermore, the company estimates that less than 10% of WEC revenues and assets will be tied to coal by the end of 2025; essentially just the Weston 3&4 and Oak Creek units after retiring Oak Creek 5-8 (1.1 GW) and Columbia 1-2 (300 MW) from 2023-2024. Investors have been pleased thus far with WEC's accelerated targets.
- **No delays in energy infrastructure progress.** Jayhawk Wind Farm is still expected to be commercially operational by late 2021**.** Within the non-regulated Energy Infrastructure segment, WEC acquired a 90% stake in Jayhawk Wind Farm for $302M, which will be built in Kansas and consists of 70 wind turbines with a capacity of ~190MWs. The project also incorporates a long-term offtake agreement with Facebook and is expected to be commercially operational by late 2021. Additionally, the 300MW Thunderhead project is expected to go in-service by year-end. Even though Thunderhead had been expected previously to be connected to the grid by end of 2020, a "several-month delay" was due to a permit issue related to a substation being built by Nebraska Public Power District. It is expected to begin commercial operations by year-end; management emphasizes that the delay should not change the trajectory of company's earnings growth for 2021.
- **New LNG storage facilities on-track**. We Energies is seeking approval for two LNG facilities in order to obtain additional natural gas in Wisconsin. WEC is expected to invest $370M into the projects which have an in-service date of late 2023. Approval is expected in Q4 of this year, and construction would begin soon after if approved.
- **2021 Guidance Reaffirmed at adj. EPS $3.99 - $4.03 (CS/cons $4.00/$4.02) with an emphasis towards top end**, after WEC reported a strong 1Q21 beat with adj. EPS of $1.61 vs CS/cons $1.47/$1.45, vs company guidance $1.45-$1.47, and vs 1Q20 $1.43. 2021 guidance reflects 7%-8% off $3.73 base (midpoint 2020) and supports WEC's long term 5%-7% annual growth. Additionally WEC is guiding 2Q21 adj. EPS of $0.75 – $0.77 (vs CS $0.80 and 2Q20 $0.76). Lastly, WEC continues to guide to 2%-3% incremental cost reduction in 2021 vs a 3% reduction in 2020.
- **Utility decarbonization investment.** As part of a $1.9B, 1.8-GW renewable investment plan for the utilities, the 100MW, $130M Badger Hollow Solar Park I and II projects are targeting in-service dates of summer 2021 and Dec 2022, respectively. The company has also announced $1.5B of investment in 675 MW solar, 316 MW battery, and 82 MW of wind from shares in four large scale renewable projects (Paris, Darien, Koshkonong Solar-Battery, Red Barn Wind) expected to be in service from 2022-2024. The utilities are also replacing 400 MW of older gas turbines with 100 MW of efficient gas-fired RICE units and 200 MW of new CCGT for $180M from 2023-2024. Furthermore, they are proposing to build 128 MW of efficient gas-fired RICE units at the Weston site in 2023 for $170M.
- **WEC's Capital Plan $16.1B (2021-2025) is unchanged**. WEC's capital plan is unchanged after it was previously rolled forward a year in 3Q20 call and increased by $1.1B (7.3%) to $16.1B vs. previous $15B (2020-2024) capital plan.

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- **No equity financing is anticipated**. WEC does not expect any equity needs and expects FFO/debt between 16%-18% (potentially high end or above) for the next five years without the need to issue additional equity.
- **Retail electric and natural gas (w/o power gen) annual forecasts unchanged.** WEC is forecasting a 1.4% increase in total retail sales volumes in 2021 (vs 2020), which also represents a 1.5% reduction from 2019 levels. For natural gas, WEC continues to project weather normalized retail gas deliveries to decrease by 2.4% vs. 2019, and for residential and C&I to improve 0.5% and 0.8% respectively vs 2020.

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Valuation Methodology and Risks

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Black Hills Corp (BKH.N)

Method: We arrive at our $78 price target using a sum of the parts valuation methodology; applying multiples specific to the individual businesses that BKH operates in. We apply a 1.0x premium to the average peer 2022 P/E multiple to the electric utility business (ex. Colorado) and an average for the CO segment. We apply a 1.0x premium to the average peer 2022 P/E multiple to the gas utilities. We then apply an average electric P/E multiple to the power generation business since it is under long-term contracts to te utilities. Our valuation also includes the probability weighted outcome for the Wyodak coal contracts. Our OUTPERFORM rating reflects a forecast total return materially above its peer group average.

Risk: Risks to our $78 target price and OUTPERFORM rating on BKH: (a) earnings dependent on regulatory relationships; we would highlight Colorado as their most challenging jurisdiction, (b) success at the utilities in funding the next newbuild cycle, (c) COVID19 load reduction and bad debt, (d) repricing risk in 2023 for the Pacificorp coal contract, (e) upside/downside risk for the capital plan, with 1-2 incremental ~$50M projects typically announced each year above and beyond the plan, (f) interest rate risk.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for CMS Energy Corp (CMS.N)

Method: We arrive at our $70 price target and OUTPERFORM rating for CMS by applying a 3.0x premium to average peer 2022E P/E multiples for electric and gas, respectively and an average utility P/E multiple for the enterprises business, reflecting above-average EPS growth and a favorable regulatory environment. We also assume 50% realization of upside from $3-4B of incremental capex through 2028. Our OUTPERFORM rating reflects a forecast total return above the group average.

Risk: Risks to our price target of $70 and OUTPERFORM rating for CMS are 1) risks related to implementation of Michigan energy legislation 2) regulatory risk, 3) legislative risk, 4) commodity risk, 5) interest rate risk, 6) derivate risk, 7) load growth risk, 8) weather risk, 9) environmental and climate change risk, 10) physical infrastructure and cyber security risk.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for CenterPoint Energy Inc (CNP.N)

Method: Our $28 target price and Outperform rating for CNP are derived from our sum of the parts analysis. We expect its total return to be above peers within our coverage universe. Our target price is based on (1) a 2.0x premium to the average peer 2022E P/E multiple for the electric segment (primarily for the Indiana jurisdiction) and 2.0x premium to the average multiple for the gas segment, respectively and; (2) market price for Energy Transfer shares minus a 50% probability of incurring a tax loss (-$1.75B cost basis) on a possible sale.

Risk: Risks to our $28 target price and Outperform rating for CNP include regulatory risk at the utilities, particularly in Texas after a disappointing 2019 rate decision for Houston Electric, COVID19 load reduction and cost, operational risk at the both the electric and gas utilities, capital plan execution risk, and a lower valuation as investors discount commodity price head winds or if the outlook for midstream deteriorates in the service areas where its assets are located.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Consolidated Edison (ED.N)

Method: We calculate our $74 target price on Consolidated Edison based on a sum-of-the part methodology. We apply a -2.0x discount to the 2022 peer average P/E to the NY utilities for low earned ROEs (below-average authorized ROE of 8.8% base plus 50 bps upside before sharing) and a difficult-to-achieve incentive program under the three-year rate plan is in place through 2022, despite slightly above-average ratebase growth of 6%. The renewable segment is valued using the cash flow yield approach with a 9.5% yield while the transmission and midstream segment is valued using a 5.0x EV/EBITDA multiple due to its negligible growth. As a placeholder assumption, we subtract $500M pretax ($1/sh) of value for possible writedown of bad debt and lost fee income as a result of COVID19. The UNDERPERFORM rating reflects our expectation for the stock to lag peers with a below average earnings growth profile.

Risk: Risks to our $74 target price and the UNDERPERFORM rating on ED are: (1) ROE risk related to REV approvals and future growth coming out of the program, (2) a significant increase in interest rates, particularly given the formulaic ROE approach in NY, ED's primary jurisdiction, (3) ability to finance capital expenditures, and (4) the impact of COVID19 pandemic response on bad debt and lower late fee collections.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for DTE Energy (DTE.N)

Method: We arrive at our $133 price target for DTE using a 2022E P/E multiple relative to the group average. We value the Detroit Edison (Electric business) and MichCon (gas) using a 3x premium to the respective average peer electric and gas 2022E P/E multiples to reflect the constructive regulatory environment in the state along with a strong legislative backdrop. While GS&P's spin is pending, we

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also value the non-utility businesses on an EV/EBITDA basis, using 8.0x consistent with our treatment of other utilities with similar midstream exposure. We also assume there is some risk related to recontracting and expansion on Nexus as well as a reduction of revenue in the Haynesville once the current 13-year above-market contracts expire. Our NEUTRAL rating for DTE reflects a forecast total return at the group average.

Risk: Risks to our $133 price target and NEUTRAL rating for DTE are 1) oil and gas industry risk in the Haynesville and Marcellus/Utica, 2) execution and operational risk for the utility's long-term capital plan, 3) regulatory risk, 4) commodity risk, 5) derivative risk, 6) load growth risk, 7) weather risk, 8) environmental and climate change risk, and 9) physical infrastructure and cyber security risk.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Dominion Energy (D.N)

Method: Our $90 TP and OUTPERFORM rating are based on a sum-of-the-parts valuation methodology. We include partial credit for 5.1 GW of offshore wind through 2035 (EPS based on 50% equity, 9.6% ROE, and discounted to 2022). We apply a 3.0x premium P/E multiple for the Virginia utility given the triennial rate review system that provides rate stability through at least 2024 and a 1.0x premium for the gas utilities. We assume a 50% probability of a $50M revenue reduction in 2022 and a 90% probability that the company will be required to make an incremental $265M of annualized CCRO investment in 2025+ for which investors only realize 30% of the value. We assume the peer electric and gas group P/E multiples for Dominion Energy South Carolina given a balance between above-average ratebase growth opportunities and lower earned ROEs with the need for a rate filing in 2021. We apply the average peer electric utility P/E multiple to long-term contracted generation, including Millstone nuclear, and the company's 50% ownership of the contracted Cove Point LNG export terminal.

Risk: Risks to our $90 target price and OUTPERFORM rating for Dominion are 1) removal of D's rate freeze in Virginia 2) regulatory risk, 3) legislative risk 4) commodity price risk and power market/power price risk 5) interest rate risk 6) derivative risk, 7) load growth risk 8) weather risk, 9) environmental and climate change risk, 10) physical infrastructure and cyber security risk, and 11) execution risk on the major ongoing capital projects.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Energy Transfer LP (ET.N)

Method: Our target price of $13 for ET is based on a 8.9x EV multiple on our FY22 EBITDA estimate. We rate ET Outperform as we expect it to return more than its peers.

Risk: Risks to our $13 target price and Outperform rating for ET are DAPL, project delays, and lower production volumes.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for NiSource Inc. (NI.N)

Method: We arrive at our $29 target price for NI by applying a 1.0x premium to the gas segment peer 2022E P/E to reflect the constructive regulatory environments with capex trackers in place in the jurisdictions that NI operates. We also apply a 1.0x premium to the average peer electric utility 2022E P/E multiple for NIPSCO Electric utility in Indiana to reflect the favorable ratebase growth profile and regulatory environment in the state. Our OUTPERFORM rating reflects a forecast total return that is above the group average.

Risk: Risks to our $29 target price and OUTPERFORM rating are: 1) ROE risk related to the ongoing ratecases 2) continued approvals relating to infrastructure replacement/grid modernization programs 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particularly in the non-decoupled jurisdictions, 7) weather risk, and 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety after the 2018 explosion incident in Mass., and 11) COVID19 load reductions.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for NorthWestern Energy (NWE.OQ)

Method: Our $67 target price for NWE is based on a -0.25x discount to the average peer electric utility 2022E P/E multiple (no discount to the average gas utility multiple) to account for regulatory risk in Montana, especially an aversion in the state to ratebased ownership of generating assets. We rate NWE NEUTRAL as we expect its total return to be above its peer group.

Risk: Risks to our $67 target price and NEUTRAL rating for NWE are 1) approval of a potential decoupling mechanism to deal with lost load, 2) regulatory approvals to add new generation units in ratebase, particularly in Montana, and 3) changes in the regulatory environment in Nebraska, Montana or South Dakota, (4) COVID19 load reductions

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Southern Company (SO.N)

Method: We derived our $74 TP for SO using a SOTP methodology. For the regulated utilities segments, we value the segments separately by applying a 3x premium group P/E target multiple to the Alabama and Georgia segment's 2022E earnings to derive the segment's value while taking into account the risks in these segments. We apply a 0.0x (no adjustment to average) for Mississippi. We use an

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EV/ EBITDA multiple approach to value Southern Power segment whose earnings is derived from long-term PPAs of contracted merchant assets. An EV/ EBITDA multiple of 10x is applied to the segment's 2022E EBITDA to derived the total value of the segment. We use a peer group average EV/EBITDA of 9.5x to value the gas midstream segment and use a 12x P/E to derive the value of the gas marketing segment. Our Outperform rating reflects a forecast total return above the group average.

Risk: Risks to our Outperform rating and TP of $74 are: 1) Vogtle construction execution, and 2) potentially lower ROEs out of ratecase filings across the Gas LDCs, along with general business risks in the utility industry: 1) regulation, 2) legislation, 3) commodity prices, 4) interest rates, 5) derivative risk, 6) load growth, 7) weather, 8) environmental and climate change, 9) physical infrastructure and cyber security, and 10) COVID19 load reduction and unpaid bills.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Spire Inc. (SR.N)

Method: We arrive at our $83 price target for SR by applying an average peer gas utility 2022 P/E multiple to the Missouri utility, and a 1.5x premium is given to the other gas utility businesses given more favorable regulatory jurisdictions. For the gas marketing business, we apply a 12x 2022 P/E multiple reflecting the increased risk and volatility of the marketing business relative to the gas utility business. We rate SR OUTPERFORM as we expect its total return to exceed peers.

Risk: Risks to our $83 price target and the OUTPERFORM rating for SR are: 1) regulatory risk, 2) commodity risk, 3) interest rate risk, 4) derivative risk, 5) load growth risk, 6) weather risk, 7) environmental and climate change risk, 8) physical infrastructure and cybersecurity risk, and 9) COVID-19-related load reductions in winter 2020-2021.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for WEC Energy (WEC.N)

Method: Our $91 target price and UNDERPERFORM rating for WEC are based on the sum-of-the-parts methodology. In our valuation of the Wisconsin segment, we apply a 3.0x premium to the blended average peer 2022 P/E multiple of the electric and gas groups to account for the opportunity set in Wisconsin and for a lower beta than peers. A 3.0x P/E premium is also applied to the Illinois and other states segments. A 2.0x premium over the electric group P/E multiple is used in our valuation of the ATC and the non-utility segments We rate WEC Underperform as we expect its total return to be below its peers.

Risk: Risks to our $91 target price and UNDERPERFORM rating for WEC are ratecase outcomes, deterioration in regulatory environment in WI, IL, MI, and MN, and failure to execute its investment plan.

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Companies Mentioned *(Price as of 20-May-2021)*
Avangrid (AGR.N, $52.29)
Black Hills Corp (BKH.N, $66.21)
CMS Energy Corp (CMS.N, $63.74)
CenterPoint Energy Inc (CNP.N, $24.7)
Consolidated Edison (ED.N, $78.42)
DTE Energy (DTE.N, $140.36)
Dominion Energy (D.N, $77.24)
Energy Transfer LP (ET.N, $10.02)
NiSource Inc. (NI.N, $25.32)
NorthWestern Energy (NWE.OQ, $63.31)
Southern Company (SO.N, $64.06)
Spire Inc. (SR.N, $72.92)
WEC Energy (WEC.N, $95.52)

Disclosure Appendix

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May 20, 2021

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2021 AGA Meeting Takeaways

In this note, we briefly summarize takeaways from each of our 12 meetings at the American Gas Association (AGA) Conference over the past two days.

Utes remain close to fair value/modestly cheap in our bond model. After strong relative performance in Sep/Oct 2020 (Uts +7% vs S&P500 -7%) the group materially underperformed the market since Nov 2020 (Uts up 10% vs S&P500 up +27%) as the S&P rallied with a cyclical/risk-on rotation. Utilities are now modestly expensive in our bond model on '21 dividend yields and ~3% cheap on '22 yields (page 8). The group is discounting 10yr at ~1.6% one year forward. NTM relative P/Es still show a discount at 0.94x versus a 1.09x average since 2006 – but notably in the 08/09 recession it took close to 18 months since the trough to get back to normal levels. The recent valuation trough was mid-20, see page 9. We foresee the group continuing to lag the market in the near term and prefer value (energy exposed/more cyclical names) over quality (CNP, EVRG, ETR, OGE and SRE are outperform rated names within the regulated value bucket). Within diversified names we like AES (top pick) and EXC. Long term we are more constructive due to valuation support and view the Biden presidency as a major tailwind. We are outperformed rated AEE, AEP (top pick) and D within the quality bucket, (see our 2021 outlook here).

Ameren Corp. (AEE), Outperform rating, $90 price target

- **Illinois Downstate Clean Energy Act:** AEE remains at the table with stakeholders. The legislation session ends May 31, 2021 but the bill could also be brought up in subsequent veto sessions; the Act presents possibility of solar/storage/EV capex, plus $0.07 annual EPS upside given a potential modification of the allowed ROE formula.
- **Missouri securitization:** legislation passed the House and Senate last week and the governor usually signs bills in late June; then they become law, effective Aug. 28 if they don't have an emergency clause. AEE says legislation does not have an immediate impact on how it is thinking about its Missouri IRP, but it provides greater flexibility to address acceleration of coal retirements. Management said passage of the legislation is also another sign that Missouri legislation is constructive, as evident with PISA as well.
- **Incremental wind capex:** Ameren will file CCNs by end of year for the 1,200 MW of incremental wind projects in the Missouri IRP that are not currently in the five-year capex plan.
- **Incremental MISO transmission capex**: "sizable" investment opportunities primarily in the latter half of the decade that would be incremental to the $40+ billion ten-year capex plan. Some could come in 2024-2025 timeframe under five-year plan but not likely to be material. More clarity on MISO opportunities will come in December 2021 when they put forth their first portfolio
- **Callaway outage**: Ameren does not foresee any major risks to bringing the nuclear plant back online in July. Still no significant impact on financial results expected.

See inside for takeaways on the remaining companies.

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Ameren (AEE) Takeaways continued…

- **FERC incentive adder**: comments and reply comment due dates were extended. Comments are now due by June 25, 2021 versus May 26, 2021 previously. Reply comments are now due by July 26, 2021 versus June 10, 2021 previously. If the 50bp incentive adder were removed, it would have a $0.04 EPS impact.
- **What AEE is excited about:** Long-term infrastructure investment points to extended runway of growth beyond five-year plan, particularly as it relates to MISO transmission, grid modernization and the clean energy transition including EV-related spending.

CenterPoint Energy (CNP), Outperform rating, $26 price target

- **Tax repairs**: CNP is looking to use tax repairs, which will allow for expensing a portion of capex, to mitigate tax leakage from one-time taxable gains on the gas LDC sales, as well as potential ET unit gains when it disposes of them. CenterPoint expects to have the ability to carry back the deduction several years.
- **Capital a priority for excess cash:** CenterPoint continued to highlight that the $300mm of incremental proceeds from gas LDC sale versus plan will be primarily used for reinvestment (likely electric) to improve utility performance without burdening customers. The next priority is delaying or eliminating the ATM program, and the potential opportunity to use anything left to de-lever.
- **Excess cash versus plan**: we project over $1 billion of excess cash versus the plan primarily driven by ET share price appreciation and lower-expected cash taxes on gain on sale with deployment of tax repairs. That translates into 2023 EPS upside of $0.16-0.17 or 10% vs our current projection if all were reinvested assuming the excess cash is deployed at 10% ROE in the utility business. We would not expect all of the cash to be reinvested; as mentioned, we would see it eliminating equity needs and used for de-levering as well.
- **ET unit sell-down**: CNP reiterated its plan to sell the ET units expeditiously (more quickly than five years) after the transaction closes, expected 2H21.
- **Regulatory relationships:** CNP said it spent a day in Austin this week with about three-quarters of the time at the Capitol advocating for legislation and the remainder at the Texas PUC with two commissioners. CenterPoint said the commissioners recognize there is a clear platform for change but likely not a major change to the wholesale markets in TX. Conversations centered on incremental transmission, battery storage and other tools to minimize the impacts of widespread outages. CNP is looking to build on the conversation in the future.

CMS Energy (CMS), In Line rating, $64 price target

- **Electric rate case:** we believe the pending rate case filing is relatively plain vanilla and it should not have any majorly controversial issues. Michigan ROEs have been sticky and remained well above the national averages even as the 10-year treasury rate has declined more significantly over the past several years. CMS said it will make the case that equity thickness should increase in light of tax reform enacted in 2017, as other jurisdictions outside of Michigan increased it to mitigate the cash flow impact.
- **IRP filing:** CMS will file its IRP on June 30th. We believe there are two key items to focus on: 1) accelerated coal retirements from the 2030s, and 2) a more rapid solar build-out with higher portion of owned resources. CMS said there will be a sharp focus on resiliency and reliability (we expect a fair amount of gas) in light of the Texas winter event this year. The company will seek to balance affordability and not burden ratepayers as well, and look to backfill any earnings loss from retirements.
- **Long-term growth rate**: CMS remains focused on delivering (and managing around) 6-8% EPS growth per year, with a bias to the midpoint, as it has consistently done for several years.
- **Cost savings:** CMS has identified >$200mm of future cost savings from the 2022 Palisades retirement, Karn 1&2 coal unit retirements in 2023, MCV contract change in 2025, and the Campbell coal unit retirements in 2031 and beyond. Every $1 of savings creates headroom for $6-8 of capex.

- **Hydrogen pilot programs:** CMS is in discussion mode about hydrogen pilots and would consider opportunities. The company said it does not feel a major need to rush and do pilots because there are plenty out there that they could learn from, and there is a lot of ability to share knowledge in the utility space.

Consolidated Edison (ED), Underperform rating, $72 price target

- **Surcharge recovery mechanism filing – range of outcomes assumed in 2021 EPS guidance**: ED is assuming a range of outcomes in 2021 EPS guidance for this filing, for which ED requested a decision in September 2021 but said is an uncertain process. Con Ed is comfortable with its long-term EPS growth rate of 4-6% in 2021 through 2025. As a reminder, in April 2021, CECONY filed a petition with the NYSPSC to timely establish a surcharge recovery mechanism for $52 million of late payment charges and fees, offset for related savings, for the year ended December 31, 2020 to begin in September 2021 and end in December 2022. The petition also requests a surcharge recovery or credit mechanism for any fee deferrals for 2021 and 2022 starting in January of the subsequent year over a twelve-month period, respectively.
- **Stagecoach potential sale could be imminent**: ED said it is in the throes of a process of strategic alternatives and an announcement could come in Q2.
- **Transmission investment will receive AFUDC**: Con Ed will receive AFUDC on the $780mm of transmission investment that was recently approved to replace peaker units that do not meet NOx requirements. The first project is expected to go into service in 2023, with the next two in service in 2025.
- **Catalysts include Covid recovery and clean energy transition**: Key catalysts aside from strategic alternatives for Stagecoach include recovery from Covid and clean energy transition under Biden administration, which is likely to provide funding for EV-related investments, in particular.
- **Financing plan assumes Stagecoach sale**: Con Ed previously disclosed it expects to issue $800mm of equity this year, which contemplates a range of proceeds from a Stagecoach sale. The company said proceeds from Stagecoach will first be used to pay down $500mm of debt there. We estimate $600-700mm of proceeds from Stagecoach at 10.0-12.0x our estimated EBITDA.
- **Mountain Valley Pipeline does not fit into long-term portfolio**: management's current thinking is that it does not fit into the long-term portfolio at ED and it is still considering monetizing it, though the Stagecoach process is much more actively underway. Con Ed remains optimistic in the permitting and regulatory processes for MVP getting approved and the project ultimately going into service. As a reminder, its investment has been capped at $530mm and any additional cost to the project dilutes its ownership stake.
- **CECONY incentives still hard to achieve, under current thinking**: management's current thinking remains that earnings adjustment mechanisms (for energy efficiency, EVs and heat pumps) under the rate agreement are difficult to achieve but ED believes it will have some success this year.
- **CEB projects on track**: CEBs have three projects under construction this year, with one likely to go into service in Q2 and other two likely in Q3 or possibly Q4. Con Ed said it has not had any supply chain issues to date.
- **Second ESG Investor Day planned**: Con Ed said it will host another ESG webinar in August 2021.

Dominion Energy (D), Outperform rating, $82 price target

- **VA Triennial review:** Dominion remains confident in a balanced outcome from the ongoing triennial review. The hearings are expected to take place through September and a final decision expected in November 2021. While the maximum refund per the statute is 15MM or $0.01 EPS investors will focus on the regulators stance towards ROE (9.9% allowed currently) and other adjustments which will be read through for company's future earnings power and growth prospects 2024+.
- **SC Rate Case:** All parties are actively engaged in settlement negotiations, absent a settlement in the meantime hearing will re-commence on July 12 with an order due in August 2021. On the earnings call earlier in the month D stated that any reasonable outcome in the pending South Carolina rate case would be within the guidance range.

- **Offshore update:** D highlighted the public/private support for its 2.6GW offshore wind project. While inflation/fuel costs are headwinds, wind resources/capacity factors are coming in better than expected such that company remains confident in delivering levelized cost of energy (LCOEs) in the $80-$90/mwh range. The next catalyst to monitor is a Notice of Intent (issued by BOEM), which is expected by June 2021. A final decision (also issued by BOEM) is expected by June 2023.

DTE Energy (DTE), In Line rating, $140 price target

- **Midstream spin on track for July 1st:** DTE initiated the Form 10 process with the SEC back in February; the form will become public in the second quarter and will include three years and first quarter 2021 actual standalone financials as well as pro-forma financials for the full-year 2021. DTE expects to get the green light from the SEC in then June timeframe, then the company will host a roadshow, and DTM will start to trade pre-spin in two week timeframe before the spin, which DTE says is on track for July 1st.
- **Midstream C-Corp is not expected to pay material cash taxes in the near term**: DTE said the post-spin midstream C-Corp will not pay cash taxes over the next few years given NOL balances.
- **DTE said the midstream C-Corp has a path to investment grade credit:** DTE said size is a gating factor and it needs to reach $1 billion of EBITDA. Guidance for EBITDA this year is $710-750mm.
- **Utility and rate base growth expectations through 2025 and beyond:** The long-term plan through 2025 assumes 6-7% electric rate base growth, driving 7-8% expected electric operating earnings growth. For the gas business, it assumes 8% rate base growth, driving 9% expected gas operating earnings growth over the same time period. Both of the operating earnings growth forecasts are based off of the original 2020 guidance. DTE still anticipates delivering higher-than-targeted five-year average utility operating earnings growth in the early years of the plan. Beyond 2025, there is potential for even higher electric rate base growth with opportunities for additional coal retirements and replacement of it with solar; DTE specifically highlighted one 1,200 MW coal plant that could be replaced with 2,000 MW of solar investment.
- **Impact on utility customer rates from potentially higher tax rate:** At the utilities, DTE said if the federal income tax rate were raised to 28% from 21% it would have a 1.5% impact on customer rates.
- **Renewable development plans dominated by solar:** DTE expects solar to dominate its renewable development plans for the foreseeable future. The company has $2 billion of capex planned for renewables in its five-year 2021-2025 plan. The outlook includes 900 MW of renewables signed plus additional expected to be signed.
- **How the non-regulated businesses fit into the portfolio over the long term**: DTE reiterated that it currently expects its P&I and Energy Trading businesses to comprise 10% of earnings over the long term.
- **O&M management below inflation:** annual O&M increases are expected to increase 1% or less going forward, as they have in the past.
- **Power & Industrials outlook**: Recall there is the sun-setting of the REF business after 2021, so we will see a trough in P&I earnings in 2022 before it builds back up. DTE assumes an additional $15mm of earnings per year from RNG and co-generation growth opportunities after the re-basing. DTE has issued P&I earnings guidance for 2025 of $135-150mm versus an early 2021 outlook of $147-163mm.

Essential Utilities (WTRG), In Line rating, $49 price target

- **Delcora:** Despite delays Management remains confident in closing the deal. On the Q1 earnings call earlier in the month WTRG stated that Delcora acquisition ($0.03 annual EPS contribution ~2% of consolidated earnings by our estimate) could take up to six months to close vs previous expectation of mid-2021.
- **Water/Waste Water acquisition pipeline.** WTRG continues to see a robust pipeline of opportunities and they are in active discussion in several states. Management highlighted the potential of sizable rate base opportunity (>Delcora) that could be announced by year end. Any new announcement would be incremental to company's current EPS growth target of 5-7% through 2023 but the timing and approval process could be lengthy and go beyond the current planning horizon.

- **PA Water rate case:** The company plans on filing a general water rate case application in PA later in the year for rates effective in 2022
- **Peoples Gas update**: Earlier in the year the PA commission approved company's proposal to apply the repairs catch-up benefit adjustment towards customer bills over a five-year period and the peoples gas subsidiary will file its next base rate case before the end of 2023 for rates effective in 2024. Management pointed to solid execution since the acquisition in 2020 and remains committed to their long term rate base and earnings growth plans.
- **PFOS/PFAS:** Stricter federal/state mandates on PFOS/PFAS (potentially harmful chemicals in the water stream) could provide organic (capex) and M&A opportunities, that could further bolster rate base growth outlook in WTRG's plan.

Eversource Energy (ES), In Line rating, $91 price target

- **CT Storm Investigation:** The docket established by the CT Commission to review the penalty related to company's response to Isaias is scheduled to run through mid-July of this year. Q1 results included a $0.07 charge associated with customer credits and related assessment that CT regulators announced on May 6, 2021.
- **90 bps lower ROE:** Recall that on Apr 28, the CT regulators concluded that the company failed to comply with certain applicable performance standards and manage its preparation for and response to the storm and ordered the company to lower its allowed ROE by 90 bps in pending/future rate proceedings. The lower ROE could be reflected in rates starting in October this year impacting 2021 EPS by a penny and we estimate ~$0.07 or 2% annual EPS headwind to our FY EPS 2022 projection. Other parties to the storm investigation proceedings have advocated for lowering the equity layer in their capital structure currently at 51%.
- **2022 RC filing in CT:** Per the statute ES would have to file a CT general rate case in 2022 unless they are granted an exception by the Commission.
- **FERC Incentive rider:** FERC recently extended their comment period on their notice of proposed rate making concerning transmission incentives, a of 10 bps reduction in transmission ROE results in a penny EPS hit for ES. We expect an update by year end.
- **Offshore wind update:** They continue to make progress on ~1.8GW of previously announced projects and are considering submitting a bid for additional MW's in MA RFP (05/10) seeking to add up to 1.6GW of offshore wind capacity.

NiSource (NI), In Line rating, $27 price target

Indiana IRP: NiSource has begun the IRP process that would update long-term generation plans, including the planned retirement of Michigan City Generating Station, and could create additional capex opportunities beyond its current four-year plan; that process will include RFP solicitation of resources similar to the 2018 IRP and will involve meetings throughout 2021 with expected filing with the Indiana commission by November 1, 2021.

Pennsylvania rate case: We expect the pending rate case to be relatively routine. The issues with the ALJ in the last rate case (ultimately there was a constructive outcome) were primarily due to concerns about raising rates in the heart of the pandemic. The requested revenue increase in the pending rate case is virtually all capital-driven given that NI is expecting to manage relatively flat O&M, which is reflected in the forward-looking test year.

Flat O&M management: NiSource's "Next" initiative is expected to drive "relatively flat" O&M in 2021 through 2024. Cost initiatives under way include voluntary separation program savings and the following improvements identified: streamlined organization structure, evolved business services, work standardization, greater field mobility and connected customer experience. Modernization-driven fuel and cost reductions are also under way.

Renewable projects: There are a total of 14 projects, with two complete and operational, seven approved and five pending, with all expected to have outcome in 2H21. All projects are expected to be online and operating by 2023.

Gas assets valuation: NiSource believes its gas utilities are significantly undervalued in the share price, especially in light of the recently announced CenterPoint gas LDC asset sales (Arkansas and Oklahoma) that were valued at 38x 2020 earnings and 2.5x 2020 rate base.

Southern Company (SO), Underperform rating, $61 price target

- **Vogtle seeing another two to three week delay:** Southern had to take a pause in hot functional testing to bring unit 3 down to ambient temperature. This is expected to add two to three weeks to the hot functional testing schedule (originally scheduled for six to eight weeks), so it is likely to take eight to eleven weeks now. SO said every one month of delays adds $25mm to capex (so up $18mm for three weeks) and has a half a penny impact to EPS due to the ROE penalty (up to $0.0035 for three weeks).
- **Missouri IRP:** the filing specifies closure of Plant Daniel, the last coal plant in Mississippi coal fleet. Mississippi has a generation surplus, SO is unlikely to build any capacity anytime soon.
- **Regulatory agenda:** Electric Power Effluent Limitation Guidelines (ELG) will be filed in October 2021. Georgia Power rate case will be filed in January 2022.
- **Non-core asset sales**: Southern said it is always considering non-core asset sales, as it has done in the past, but its remaining portfolio of non-core assets is even smaller than Sequent, small enough that SO does not disclose it in regulatory filings. As a reminder, SO recently reached an agreement to sell its wholesale gas trading and services business comprising Sequent Energy Management, and expects to complete the transaction in 3Q21. Southern does not expect a material gain or loss on sale, though it will provide a return of the associated working capital and the elimination of certain credit supports of ~$1Bn. SO has always excluded Sequent earnings from its adjusted results due to its quarterly variability.

WEC Energy (WEC), In Line rating, $96 price target

- **WI Rate Case:** Management highlighted strong support for its request filed on Mar 30th with the Public Service Commission of Wisconsin to allow the company to forego requests to increase electric and gas base rates effective 01/01/22. Per the agreement filed, WEC Utilities expect to file full test year 2023-2024 base rate cases by no later than May 1, 2022. The commission is expected to rule over the petition by June 2021.
- **MISO transmission capex opportunity:** more clarity on MISO opportunities will come in December 2021 when they put forth their first portfolio. WEC through their 60% ownership in American Transmission Company (ATC) could pursue opportunities in the Wisconsin and Michigan likely in the back half of the decade
- **FERC incentive adder**: comments and reply comment due dates were extended. Comments are now due by June 25, 2021 versus May 26, 2021 previously. Reply comments are now due by July 26, 2021 versus June 10, 2021 previously. If the 50bp incentive adder were removed, it would have a $0.02 (0.5%) annual impact on EPS.

Xcel Energy (XEL), In Line rating, $70 price target

- **MISO transmission capex opportunity:** more clarity on MISO opportunities will come in December 2021 when they put forth their first portfolio. Xcel has ROFR in Minnesota and the Dakotas. The MISO capex opportunities are likely for the back half of the decade and a 50/50% equity / debt financing is expected.
- **Management thoughts on Elliott proposal for DUK**: Xcel management said there are significant benefits to having multiple diverse operating companies through economies of scale.
- **Management thoughts on CenterPoint gas LDC announced sale:** Xcel says the transaction demonstrates that there is significant terminal value to LDC businesses.
- **Equity needs**: Xcel has previously guided to $600mm of equity needs in addition to $410mm of DRIP over the next five years. The company said tax reform could potentially reduce or eliminate equity needs.
- **Minnesota resource plan**: Intervenor testimony in early February was supportive of both renewables additions and coal plant retirements. There were some comments about retiring the plants earlier, and some support for

nuclear and some opposition. Reply comments are due at the end of June and the commission should decide in 2H21.

- **Colorado resource plan**: Xcel believes parties are likely to be supportive of renewable additions. One item that is expected to be controversial is the timing of Comanche 3 retirement; Xcel has proposed a 2040 date. The anticipated decision is in Q4 2021.
- **Upcoming rate case filings**: Xcel plans to file an electric rate case in Colorado in late June or early July; it will include advanced grid, wildfire mitigation program. The company also plans to file a rate case in Minnesota in December 2021, likely for a multi-year plan with interim rates in January.

Utilities Look Modestly Cheap on '22 Yields Assuming Yields Remain Unchanged

Utility Valuation			10 YR	1.66%
5/18/21			Baa	3.66%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2021 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.80%	1.19%	51.4x	159.7%
	1.02%	1.35%	45.5x	130.2%
	1.24%	1.50%	40.9x	106.7%
	1.46%	1.65%	37.1x	87.6%
	1.68%	1.81%	34.0x	71.7%
	1.90%	1.96%	31.3x	58.3%
- 68% Confidence Interval	2.12%	2.11%	29.0x	46.8%
	2.34%	2.27%	27.1x	36.9%
	2.56%	2.42%	25.4x	28.2%
	2.78%	2.57%	23.9x	20.6%
	3.00%	2.73%	22.5x	13.8%
	3.22%	2.88%	21.3x	7.8%
Current Valuation	3.44%	3.03%	20.2x	2.3%
Predicted Valuation	3.66%	3.18%	19.3x	-2.6%
	3.88%	3.34%	18.4x	-7.0%
	4.10%	3.49%	17.6x	-11.1%
	4.32%	3.64%	16.8x	-14.9%
	4.54%	3.80%	16.2x	-18.3%
	4.76%	3.95%	15.5x	-21.5%
+ 68% Confidence Interval	4.98%	4.10%	15.0x	-24.4%
	5.20%	4.26%	14.4x	-27.1%
	5.42%	4.41%	13.9x	-29.6%
	5.64%	4.56%	13.5x	-32.0%
	5.86%	4.72%	13.0x	-34.2%
	6.08%	4.87%	12.6x	-36.3%
+ 95% Confidence Interval	6.30%	5.02%	12.2x	-38.2%

Regulated utilities now look modestly expensive on current yields

Utility Valuation			10 YR	1.66%
5/18/21			Baa	3.66%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2022 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.80%	1.19%	51.4x	174.5%
	1.02%	1.35%	45.6x	143.3%
	1.24%	1.50%	40.9x	118.5%
	1.46%	1.65%	37.1x	98.3%
	1.68%	1.81%	34.0x	81.5%
	1.90%	1.96%	31.3x	67.3%
- 68% Confidence Interval	2.12%	2.11%	29.1x	55.2%
	2.34%	2.27%	27.1x	44.7%
	2.56%	2.42%	25.4x	35.6%
	2.78%	2.57%	23.9x	27.5%
	3.00%	2.73%	22.5x	20.3%
	3.22%	2.88%	21.3x	13.9%
	3.44%	3.03%	20.3x	8.2%
Predicted AND Current Valuation	3.66%	3.18%	19.3x	3.0%
	3.88%	3.34%	18.4x	-1.7%
	4.10%	3.49%	17.6x	-6.0%
	4.32%	3.64%	16.9x	-10.0%
	4.54%	3.80%	16.2x	-13.6%
	4.76%	3.95%	15.5x	-17.0%
+ 68% Confidence Interval	4.98%	4.10%	15.0x	-20.1%
	5.20%	4.26%	14.4x	-22.9%
	5.42%	4.41%	13.9x	-25.6%
	5.64%	4.56%	13.5x	-28.1%
	5.86%	4.72%	13.0x	-30.4%
	6.08%	4.87%	12.6x	-32.6%
+ 95% Confidence Interval	6.30%	5.02%	12.2x	-34.7%

If rates stay unchanged for the next 12 months, regulated utilities now ~3% cheap

Updated as of 5/18/21

Source: FactSet, Evercore ISI Research

NTM Relative P/E Below Historical Average

- The average relative P/E since 2006 is 1.09x. Since '95 it is 0.93x.
- On 5/18/21, the relative P/E was **0.94x** and 1.17x level at YE '19.
- The relative P/E post Brexit vote was 1.17x, which we hit again in mid November '18.
- It was 1.36x on 12/23/18 when we were pricing in recession risk at a high probability.

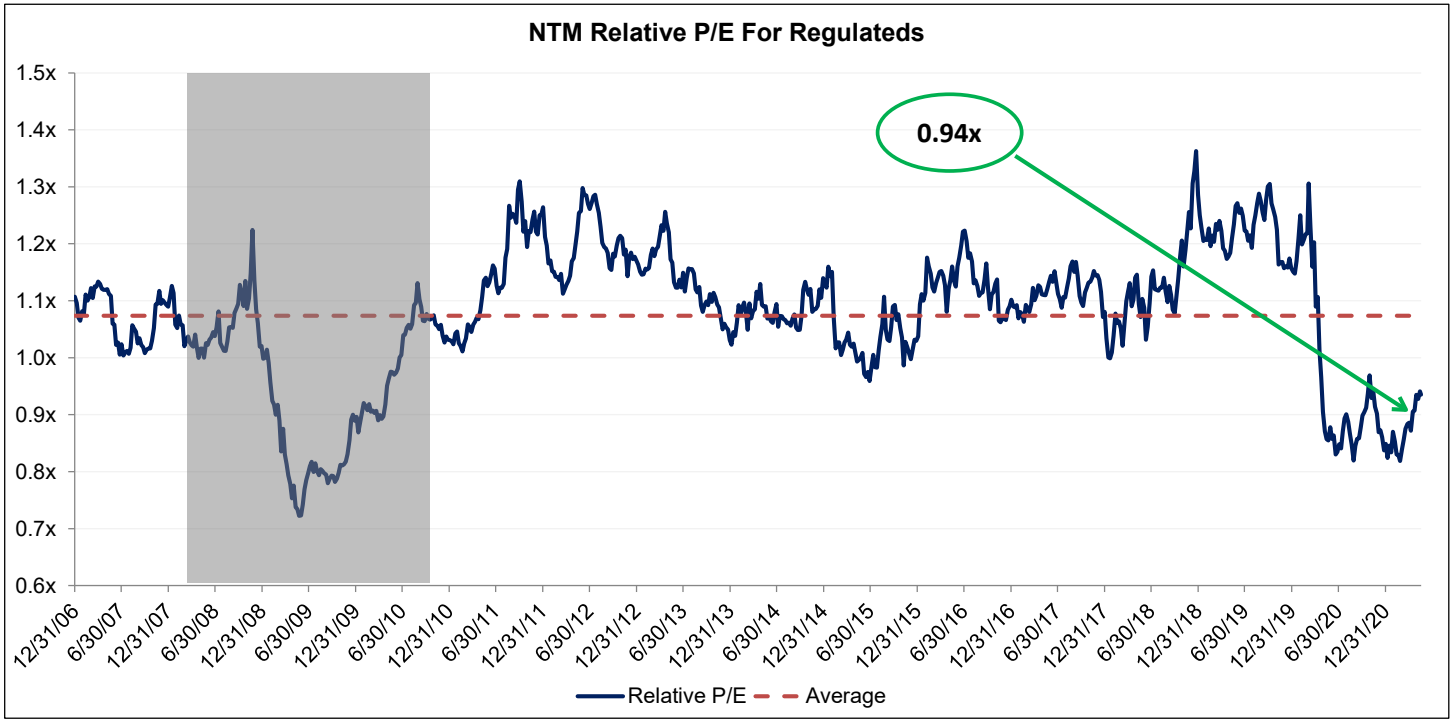

Updated as of 5/18/21

Source: FactSet, Evercore ISI Research

Regulated Utility Valuation Goes To ~17.8x '23 EPS

Regulated Utilities

Ticker	Company Name	5/18/21 Price	ISI Rating	Shares Out	Market Cap	2021 Div Yld	2021 Payout	ISI EPS Estimate 2021	2022	2023	P/E Multiple 2021	2022	2023	'19-'23 EPS Growth	Price to Book	Prem. to Group
NEE	NextEra Energy, Inc.	$72.29	In Line	1,984	143,416	2.1%	62%	2.50	2.70	2.95	28.9x	26.8x	**24.5x**	8.9%	3.6x	39%
XEL	Xcel Energy Inc	$70.81	In Line	535	37,898	2.5%	60%	3.00	3.15	3.35	23.6x	22.5x	**21.1x**	6.1%	2.3x	20%
WEC	WEC Energy Group	$95.40	In Line	317	30,213	2.7%	64%	4.01	4.27	4.57	23.8x	22.3x	**20.9x**	6.3%	2.6x	19%
HE	Hawaiian Electric Industries, Inc.	$44.31	In Line	111	4,899	3.1%	69%	1.98	2.06	2.20	22.4x	21.5x	**20.1x**	3.2%	1.9x	14%
AEE	Ameren Corp	$83.93	Outperform	252	21,117	2.6%	58%	3.75	4.00	4.30	22.4x	21.0x	**19.5x**	6.4%	2.1x	11%
CMS	CMS Energy Corp	$63.30	In Line	290	18,386	2.7%	61%	2.85	3.06	3.27	22.2x	20.7x	**19.4x**	7.1%	2.8x	10%
ES	Eversource Energy	$84.27	In Line	347	29,244	2.9%	62%	3.90	4.15	4.44	21.6x	20.3x	**19.0x**	6.5%	1.9x	8%
DUK	Duke Energy Corp	$102.49	In Line	750	76,900	3.8%	75%	5.20	5.45	5.80	19.7x	18.8x	**17.7x**	3.4%	1.6x	0%
D	Dominion Resources Inc	$77.16	Outperform	828	63,918	3.2%	65%	3.85	4.12	4.40	20.0x	18.7x	**17.5x**	0.9%	2.3x	0%
DTE	DTE Energy Co	$137.84	In Line	201	27,666	3.0%	57%	7.15	7.50	7.95	19.3x	18.4x	**17.3x**	5.9%	1.7x	-1%
NI	NiSource Inc	$25.25	In Line	449	11,345	3.5%	67%	1.32	1.40	1.48	19.1x	18.0x	**17.1x**	2.9%	2.2x	-3%
SO	Southern Company Inc	$64.16	Underperform	1,078	69,167	4.1%	79%	3.30	3.55	3.85	19.4x	18.1x	**16.7x**	5.6%	2.2x	-5%
EVRG	Evergy	$62.29	Outperform	228	14,171	3.5%	63%	3.45	3.50	3.75	18.1x	17.8x	**16.6x**	6.9%	1.9x	-6%
AEP	American Electric Power Co Inc	$85.75	Outperform	507	43,504	3.4%	62%	4.70	5.00	5.35	18.2x	17.1x	**16.0x**	6.0%	1.8x	-9%
SRE	Sempra Energy	$137.35	Outperform	313	42,963	3.2%	56%	8.00	8.25	8.60	17.2x	16.7x	**16.0x**	3.3%	1.7x	-9%
ETR	Entergy Corp	$105.53	Outperform	201	21,258	3.7%	64%	6.00	6.35	6.70	17.6x	16.6x	**15.7x**	5.6%	1.8x	-11%
PNW	Pinnacle West Capital Corp	$85.54	In Line	117	9,969	3.9%	66%	5.00	5.20	5.45	17.1x	16.4x	**15.7x**	3.3%	1.6x	-11%
CNP	CenterPoint Energy Inc	$24.70	Outperform	589	14,537	2.5%	45%	1.35	1.50	1.60	18.3x	16.4x	**15.5x**	-2.6%	2.4x	-12%
ED	Consolidated Edison Inc	$77.74	Underperform	353	27,406	4.1%	74%	4.25	4.93	5.09	18.3x	15.8x	**15.3x**	3.8%	1.3x	-13%
OGE	OGE Energy Corp	$33.53	Outperform	200	6,716	4.9%	78%	2.12	2.26	2.38	15.8x	14.9x	**14.1x**	2.4%	1.8x	-20%
FE	FirstEnergy Corp	$37.67	In Line	552	20,797	4.3%	65%	2.50	2.60	2.70	15.1x	14.5x	**13.9x**	1.2%	2.3x	-21%
EIX	Edison International	$57.56	In Line	404	23,274	4.5%	57%	4.50	4.65	4.90	12.8x	12.4x	**11.7x**	1.0%	1.0x	-33%
PPL	PPL Corp	$29.33	In Line	775	22,722	5.7%	67%	2.50	2.60	2.70	11.7x	11.3x	**10.9x**	2.5%	1.5x	-38%
PCG	PG&E Corp	$10.77	Rating Suspended	529	5,697	0.0%	0%	4.30	4.65	4.95	2.5x	2.3x	**2.2x**	5.4%	0.4x	-88%
Regulated Group Average (Excludes PCG for Div Values)						**3.5%**	**64.2%**				**18.5x**	**17.5x**	**16.4x**	**4.3%**	**1.94x**	
Regulated Group Average (Excluding Stocks: PPL, EIX, and PCG)						3.3%	64.4%				19.9x	18.7x	17.6x	4.5%	2.08x	
Regulated Group Max (Excludes PCG for Div Values)						5.7%	79.3%				28.9x	26.8x	24.5x	8.9%	3.6x	
Regulated Group Min (Excludes PCG for Div Values)						2.1%	45.3%				2.5x	2.3x	2.2x	-2.6%	0.4x	

Diversified Utilities

Ticker	Company Name	5/18/21 Price	ISI Rating	Shares Out	Market Cap	2021 Div Yld	2021 Payout	ISI EPS Estimate 2021	2022	2023	P/E Multiple 2021	2022	2023	'19-'23 EPS Growth	Price to Book	Prem. to Group
PEG	Public Service Enterprise Group	$62.11	In Line	508	31,552	3.3%	60%	3.40	3.55	3.70	18.3x	17.5x	**16.8x**	3.0%	1.8x	3%
EXC	Exelon Corp	$45.65	Outperform	984	44,928	3.5%	57%	2.80	3.00	3.10	16.3x	15.2x	**14.7x**	-1.0%	1.3x	-10%
AES	AES Corp	$24.89	Outperform	665	16,561	2.4%	39%	1.55	1.70	1.80	16.0x	14.7x	**13.8x**	6.8%	3.4x	-15%
Diversified Group Average						**3.1%**	**52%**				**16.9x**	**15.8x**	**15.1x**	**3.0%**	**2.2x**	
Diversified Group Max						3.5%	60%				18.3x	17.5x	16.8x	6.8%	3.4x	
Diversified Group Min						2.4%	39%				16.0x	14.7x	13.8x	-1.0%	1.3x	

Updated as of 5/18/21

Source: FactSet, Evercore ISI Research

TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

Time of dissemination: May 20 2021 06:45 PM ET

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Cautious- Return -10% to 0%
Sell- Return< -10%

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Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	476	57	Buy	116	24
Hold	293	35	Hold	35	12
Sell	26	3	Sell	2	8
Coverage Suspended	21	3	Coverage Suspended	7	33
Rating Suspended	12	1	Rating Suspended	5	42

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21 May 2021 | 11:19AM EDT

Americas Utilities

AGA virtual conference takeaways - improving gas utility valuations, potential for accelerated fleet transformation

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We highlight key takeaways from our virtual meetings at the annual American Gas Association (AGA) conference. Key themes included renewed gas utility assets, more muted raw material inflation impact near-term, favorable YoY demand trends, and fleet transformation acceleration. Among those that we met with, we remain positive on Buy-rated WTRG (on CL) for clean energy exposure, CMS for quality at a reasonable price, and CNP for value with multiple expansion potential.

Our key thematic takeaways include:

1. **Strength of gas utility valuations.** Most companies see recently announced robust gas utility transaction values not as an opportunity to unload assets, but rather proof to support the value of natural gas assets as a key long-term component of the future energy mix.
2. **Raw material inflation less impactful...for now.** From wires to renewables, pressure from higher costs remain more muted for current projects, although a potential risk longer-term.
3. **Demand trends are favorable.** Companies are seeing favorable residential demand persist along with rebounding C&I load.
4. **Potential for fleet transformation acceleration.** Most vertically integrated utilities pointed to potential for accelerating remaining coal plant retirement, incremental renewable development.

Takeaways at the company level include:

Ameren (AEE, Buy)

- **Robust transmission investment potential remains longer-term,** with the recent outlook by the Midwest Independent Systems Operator (MISO) confirming the company's views. While AEE does sees the bulk of the opportunity beyond the 2025 time frame, these investments - along with continued fleet transformation spend and renewable build-out - would help support continued robust rate base growth (8% currently).
- **Passage of securitization legislation in MO offers another option to help**

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accelerate coal plant retirements, which would allow for recovery of undepreciated costs while pulling forward new renewable power. This could potentially serve as a tool for a couple of its plants - Rush Island and Labadie - currently in the appeals process regarding the district court's ruling and order to install environmental retrofits to continue running the units. With a ruling by the court of appeals expected this year per the company, we note the company has the opportunity to make further appeals to the broader panel at the appeals court, as well as to the US Supreme Court.

- **AEE sees its gas utilities in IL/MO as a core part of its portfolio,** continuing to emphasize the reliability, economic, and environmental benefits of gas distribution asset investments. In addition, management pointed to significant dis-synergies - including common billings, inventory, employees - that would exist in a potential divestiture, even though recently announced gas utility peer sale valuations may screen attractive.

Atmos Energy (ATO, Buy)

- **ATO looks for constructive outcome in the Texas gas cost securitization bill.** A bill to securitize elevated gas costs related to Winter Storm Uri has passed the Texas House but remains in committee within the Senate. The current legislative session ends May 31, but the company remains positive on the bill's successful passage given seemingly bipartisan support - per company comments - for a measure that could benefit both the customers and the state's gas utilities.
- **ATO continues to view current profile of assets as favorable.** Management noted that favorable valuations - and robust interest - garnered in the recently announced CNP gas utilities sale highlights the value of gas assets and its longevity in the country's energy mix longer-term. However, ATO is not looking to divest assets given 1) its presence in multiple state jurisdictions provides geographic and load profile diversification, and 2) all of its jurisdictions offer constructive regulation that allow for timely recovery of investments with minimal regulatory lag.
- **ATO continues to make the case for the longevity of natural gas systems and their role within the fuel environment.** ATO continues to believe that their natural gas assets serve a purpose within the energy ecosystem, given electrification will place high demands on many rare minerals that are in short supply in the US, which could add to the relative cost pressures versus gas. Additionally, the Texas governor recently signed a bill to preserve customer choice which recognizes the need for all types of fuel within the state, which they see as further support for gas in the long-term energy mix.

Avangrid (AGR, Sell)

- **Offshore wind remains on track with little impact from raw material inflation.** Vineyard Wind construction is set to begin later this year after receiving a key federal approval. Offshore wind contracts do have some level of variability in terms of costs; however, AGR expects the recent increase in steel cost to be within their contingencies and represents less than 10% of the overall project cost.

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- **Full construction commencing on the clean energy transmission line.** With the recent lifting of the court injunction on a portion of the line for the $1bn New England Clean Energy Connect (NECEC) project, AGR continues to expect a 2023 completion. They acknowledge that the November referendum remains outstanding in Maine, while noting public support for the project has increased since commencing construction earlier this year.
- **Recent private placement offering highlights strength of investor interest.** AGR's recent $4bn equity offering - including $740mn to a subsidiary of Qatar Investment Authority, secures financing required for the proposed PNM Resources acquisition and other investments. Management recognizes the desire to increase the public float of their shares and continues to assess the opportunity going forward; however, they viewed this specific opportunity as too attractive to pass up.

Centerpoint Energy (CNP, Buy)

- **A number of potential incremental capex opportunities exist on the electric side.** Management views coal-to-renewable transition as a longer term opportunity in Indiana, with potential to pull forward remaining retirements earlier. In Texas, several bills in progress offer potential for further upside, including (1) SB 1281 would make a case to introduce more transmission to reduce congestion, also given ERCOT's report highlighting three transmission projects needed in CNP's service territory over the next decade; this attempt to mitigate congestion could pull forward 2028-30 capital spend into the mid-2020s; (2) SB 415 would allow for TDUs to own battery storage and put into rate base — potentially CNP's share (~25MW) of owned storage, (3) HB 2483 would allow T&D companies to own small scale generation (battery storage, fuel cells) to help in case of outages and also can be added to rate base.
- **...as well as at the gas utilities.** Beyond the ongoing infrastructure replacement/modernization investments, CNP sees opportunities to develop a favorable construct for the future of clean gas, including renewable natural gas (RNG) and hydrogen, along with potential to invest in gas storage.
- **Potential use of tax repair deduction on regulated operations could offset tax implications of the proposed midstream transaction.** With CNP's plans to aggressively eliminate its midstream exposure and become a fully regulated entity, we note the company would need to account for its meaningful negative tax basis at its owned midstream units. However, management believes the use of tax repairs deduction, specifically a catch-up deduction, could offer a meaningful offset and a reduction to the potentially dilutive impact. CNP noted that its 6-8% annual EPS growth forecast already embeds the various options in its midstream exposure elimination strategy.

CMS Energy (CMS, Buy)

- **COVID reopening in Michigan looks on track.** The state is seeing improving vaccination rates while CMS has seen a meaningful pickup in interconnection activity amongst businesses and residential customers, typically a leading indicator for increased demand usage.

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- **Ample headroom remains for O&M cost cutting over the next decade.** Aside from PPA contract roll offs and savings from coal retirements, CMS still sees plenty of opportunities to further reduce O&M spend. The company continues to employ its LEAN operating system and has identified opportunities to reduce inventory days, streamline processes, reduce pension contributions as its workforce retires and seek opportunities to refinance debt.
- **CMS is accessing renewables both via direct ownership and through contracting.** The Michigan Commission is open to both renewables through direct ownership and through PPA contracts. CMS recently received approval of the first 300MW of its IRP which is split 50%/50% between direct ownership and contracting. While there is a price gap between the two, federal level proposals such as tax credit refundability and PTCs for solar could help reduce that gap in the future, if passed.

Consolidated Edison (ED, Sell)

- **Aged receivables and bad debt continue to climb in NY/NJ, but show signs of moderating.** Aged receivables stand at $600m higher versus the pre-COVID run rate of $400m. The company funds aged accounts receivables through LT debt and expects no change to equity at this time.
- **Opportunities exist for potential upside to capital plan at the electric side in the mid-2020s but gas investments remain key as well.** ED expects investments in distribution infrastructure for undergrounding, automation and smart grid for storm resiliency, but also views gas pipeline investments for identifying leaks through the use of technology as necessary. Management notes that a switch from gas to electric would likely need a regulatory mandate as customers wouldn't make the choice willingly, given economics. In terms of RNG, hydrogen and EV charging infrastructure, the company remains committed and open to increase investment, while looking to work with stakeholders on a constructive long-term plan.
- **Thoughts on under-appreciated renewables business, opportunity for regulated expansion, transmission.** Management recognizes its renewables business seems undervalued despite high quality off-takers and remains invested with plans for growth, but noted they could evaluate other alternatives if this becomes a permanent structural issue. On the regulated side, the company expressed openness to consider diversifying its regulated footprint, although currency and strategic fit are key considerations. Finally, ED remains selective in its transmission investment opportunities, recently deciding not to participate in NY's proposal for a clean energy transmission highway; they do remain active in considering NY's proposal to connect offshore wind.

DTE Energy (DTE, Buy)

- **Voluntary Renewables Program continues to see strong interest.** DTE's current forecast is $2bn of investment for the voluntary renewables portfolio through 2025, but subscriptions have been accelerating and the company is looking at potential opportunities to retire coal plants sooner than currently scheduled in the IRP. Large automakers have signed up for the voluntary renewables program which flows down

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to their supply chain as they look to green their overall production operations.

- **Midstream Spinoff progressing as planned.** The spinoff of DT Midstream remains on track for a July 1st close. DT Midstream is currently in the middle of a debt raise and plans to spin at roughly 4x leverage.
- **EV charging investment opportunity flows through rate base.** DTE received approval for EV charging investment which receives traditional rate base treatment. In the near term, investment will likely continue in small chunks; however there is room for significant demand and investment ramp up in out years, per management.

Essential Utilities (WTRG, Buy-CL)

- **Remain confident in 5-7% EPS CAGR despite DELCORA approval delay.** While management does not expect the proposed municipal wastewater system acquisition to close until early next year given the ongoing legal process with the Delaware County Council, they noted the delay would not meaningfully impact planned capex through 2023, as the bulk of the planned investments for DELCORA do not ramp up until the mid-2020's. Combined with the collection of other municipal deals in process and cost management, WTRG does not see any change in the 3-year growth plan.
- **Continued focus on pursuing larger muni acquisitions while shortening timeline of deal completion.** Despite the DELCORA delay, WTRG's acquisition strategy remains unchanged and sees growing opportunities for further expansion. Staffing remains a primary limiting factor from accelerating the pace of deals, but something that could be resolved. Given all of their operational states have Fair Market Value (FMV) legislation - allowing WTRG to rate base the acquired system at the purchase price - management continues to see the M&A strategy as accretive for the company's long-term growth.
- **No plans to expand gas footprint inorganically.** WTRG continues to see its Peoples Gas utilities - especially in PA - offering robust growth in a constructive regulatory environment, but management reiterated their strategy to only grow the water segment via acquisitions. In Kentucky, where FMV legislation recently passed, the company will look to expand the water footprint there while utilizing synergies from its gas utility operations.

Eversource Energy (ES, Neutral)

- **Connecticut regulation uncertainty remains.** While the CT PURA has broad legal authority, the company believes a rate decrease is best addressed in a rate case filing process. There is some uncertainty on the timing of the 90bps ROE penalty associated with Tropical Storm Isaias; however, ES reiterated its confidence in hitting the upper half of the 5%-7% EPS CAGR range, with contributions from offshore wind, further transmission investments, potential grid modification dockets and O&M cost management as potential levers to offset ROE headwinds.
- **Expect little to no impact from rising steel costs on current offshore wind project returns.** Although steel prices have increased meaningfully in the past year, ES's offshore wind contracts generally ask equipment manufacturers to procure

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materials when the contract is signed. For near-term offshore wind projects, materials are already procured with price locked in.

NiSource Inc (NI, Neutral)

- **Gas utility portfolio remains attractive given robust rate base growth, regulatory construct.** The company noted that it always looks at monetization to maximize shareholder value, but views opportunities on a more strategic basis versus as a financial need, especially following the recent equity units offering that eliminated bulk equity needs through 2024. Management acknowledged recently announced peer sale valuations screen attractive, but again pointed to their strong rate base growth and return profile, driven by constructive regulatory mechanisms.
- **NI expressed confidence in its 5-7% EPS CAGR through 2023, with potential to achieve the upper half** with strong execution, O&M discipline.
- **RNG opportunity remains compelling but still early innings.** NI sees upside with RNG as part of its longer term energy transition, given RNG requires less change on customers' end (i.e., appliances) and could be more cost-efficient versus cost of full electrification longer-term.

WEC Energy (WEC, Sell)

- **The company anticipates retiring almost 2 GW of coal units in the coming years – likely relying on just the Elm Road/Oak Creek plants and 1 unit at Weston – significantly helping the company meet its goal of reducing emissions, from 2005 levels, by 80% or so.** Coal retirements will not only lower emissions levels, but also reduce operating costs given (1) fuel expenses for coal and (2) labor and other O&M costs for coal plants.
- **...and WEC remains ahead of target in meeting its clean energy deployment at its non-regulated infrastructure business.** In the company's capital plan, which will get revised and updated in late 2021, WEC likely could boost its targets for wind/solar capacity at its non-regulated segment, given project announcements made to date already imply being ahead of plan. The regulated investment profile could see upside related to renewables as well – while distribution spend levels will grow at a steady pace.
- **Transmission could emerge as another growth engine, although not likely till after 2025+.** The company remains optimistic that new federal policies in the American Jobs Plan could stimulate incremental transmission investment – especially in rural areas of its service territory – but siting and permitting challenges will likely remain and material increases in capital spend on transmission may remain multiple years down the road.

Xcel Energy (XEL, Neutral)

- **XEL continues its leadership in regulated clean energy investments,** utilizing a combination of coal-to-renewables strategy – with coal in rate base to decline from 8% currently to 4% by 2025 and with only two plants remaining by 2030 – as well as opportunities for repowering and/or PPA buyouts. While XEL continues to monitor

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the recent increase in raw materials costs like steel, management sees minimal impact to the projects currently in the works, while longer-term if these levels persist, certain mitigating items could exist including increased performance and potential for extended tax credits.

- **Transmission could comprise a bigger portion of future regulated growth,** with XEL's internal analysis largely aligned with the outlook recently published by the Midwest Independent Systems Operator (MISO) on the need to connect the growing renewable development in the region. That said, while some project opportunities could exist by the mid-2020's in XEL's operating territories, management views the investments comprising a larger portion of the overall mix to be in the late 2020's and early 2030's.
- **Gas utilities remain core to XEL's overall portfolio mix,** with rate base growth for this segment higher than the consolidated 6.5-7.0% CAGR. The company sees stakeholders in its operational states recognizing the long-term need for gas in the overall energy mix, with attractive methane reduction strategies including infrastructure replacement, renewable natural gas (RNG), and hydrogen as longer-term growth opportunities. The utilities continue to look to engage in dialogue regarding balancing the utilities' role in investing in clean gas while structuring the right financial incentives that could further expand investments.

Price target methodologies and key risks

Exhibit 1: Price Target Methodologies and Key Risks
12-month price targets

Price Target Methodologies and Key Risks							
Ticker	Price Target Methodology	Rating	Price Target	5/20/2021	Dividend Yield	Total Return (%)	Key Risks Relate To
AEE	22x P/E multiple on 2022E EPS	Buy	$90	$85	2.6%	9%	regulation, project awards, and financing.
ATO	20x P/E multiple on 2022E EPS	Buy	$110	$98	2.5%	14%	Texas customer/demand growth, higher gas fuel costs, unfavorable regulation, and continued negative market sentiment on gas utility businesses.
AGR	SOTP: 18x P/E on Regulated Utilities & Corporate & Other on 2022E EPS and 9.0x EV/EBITDA for the Renewables segment.	Sell	$45	$52	3.4%	-11%	1) approvals to defer all COVID-19 related costs 2) incremental O&M savings, and 3) NECEC and offshore wind projects proceed according to schedule and budget.
CNP	SOTP 19x P/E on Regulated Utilities & Parent 2022E EPS, 20% tax/liquidity discount on CNP's stake of ENBL market value	Buy	$28	$25	2.6%	16%	1) gas utilities do not receive deferral treatment for Uri financing costs, 2) customer/demand growth slows in regulated jurisdictions, & 3) Vectren's Indiana electric utility fails to secure utility-owned generation opportunities.
CMS	23x P/E mulitiple on 2022E EPS	Buy	$71	$64	2.7%	14%	1) Michigan's regulatory environment turns negative, & 2) CMS's ability to achieve consistent cost savings slows, reducing bill headroom for future investments.
ED	15x P/E multiple on 2022E EPS estimate.	Sell	$67	$78	4.0%	-11%	1) NY utility commission authorizes recovery of bulk of COVID-19 related costs & increased bad debt expense, 2) economic conditions in NYC improve, & 3) ED's contracted renewable segment sees more robust growth.
DTE	SOTP 23x P/E on 2022 Utility EPS; 9x EV/EBITDA on GSP Adjusted 2022 EBITDA; 12x EV/EBITDA on Energy Trading/Corporate; DCF of P&I	Buy	$150	$140	3.1%	10%	transaction execution, regulatory changes, unfavorable legislation, demand imbalances, and cost management.
WTRG	SOTP: 35x P/E multiple on 2022E regulated water EPS, 21x P/E multiple on 2022E regulated gas EPS, 29.93x blended P/E on Other segment 2022E EPS	CL Buy	$54	$47	2.2%	17%	1) PA regulation turns less constructive, 2) water system acquisitions do not receive necessary approvals for completion, & 3) longer-term growth concerns about the gas utility segment compresses WTRG's valuation.
ES	23x P/E multiple on 2022E EPS	Neutral	$96	$84	2.9%	17%	Upside risks: improved offshore wind return forecasts, reduced permitting/construction hurdles, additional rate base investments. Downside risks: ineffective cost management, slowing rate base growth, & delays/cost overruns in offshore wind.
NI	19x P/E multiple on 2022E EPS	Neutral	$27	$25	3.5%	10%	Upside risks: 1) increased ability to lower O&M expenses, 2) plans to further accelerate retirement of its remaining coal fleet. Downside risks: 1) regulatory approval process for the planned renewable investments in Indiana, 2) cash impact due to COVID-19.
WEC	21x PE multiple on 2022E EPS	Sell	$90	$96	2.8%	-3%	higher than expected capital spend and rate base growth for 2021+, lower than expected operating costs, and better than expected power/gas demand.
XEL	23x P/E multiple on 2022E EPS	Neutral	$74	$72	2.6%	6%	Upside risks: 1) upward revisions to rate base/EPS growth, 2) sustained O&M savings, 3) extension of federal renewable tax credits. Downside risks: 1) negative rate case outcomes, 2) less generation into rate base vs. PPA, 3) PPA buyouts do not materialize, & 4) COVID-19 meaningfully impacts non-decoupled demand in addition to increased cash drag from customer bill non-payment.

Source: FactSet, Goldman Sachs Global Investment Research

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GUGGENHEIM

Power, Utilities & Alternative Energy May 20, 2021

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D	76.98	Buy
DUK	101.16	Buy
ES	83.25	Neutral
LNT	57.70	Buy
NI	25.18	Buy
NWN	53.77	Sell
SJI	25.74	Buy
SO	63.98	Neutral
WEC	94.87	Neutral

Key Message: Enclosed please find our brief AGA Day 1 recap, featuring updates from 9 utilities – DUK, ES, WEC, NI, D, SJI, NWN, SO, and CNP. Conversations have generally focused on iterative items from the 1Q21 calls, with several names focused on legislation legislative efforts (IL, NC, NJ) as summer quickly approaches. While some names were more focused on straightforward capex and regulatory execution (D, SO, WEC), others remain activist topics (DUK, NI). See below for our full schedule of Day 2 meetings.

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SAVE THE DATE

2021 AGA Virtual Financial Forum

The Guggenheim Utilities Research Team will be hosting virtual meetings with company management

Dates

May 19 – 20, 2021

Company Meetings

More companies to be added and meeting schedule to follow

Ameren Corp. (AEE)
Avista Corp. (AVA)
CMS Energy Corp. (CMS)
CenterPoint Energy, Inc. (CNP)
Chesapeake Utilities Corp. (CPK)
Dominion Energy, Inc. (D)
DTE Energy Co. (DTE)
Duke Energy Corp. (DUK)
Eversource Energy (ES)
NiSource, Inc. (NI)
New Jersey Resources Corp. (NJR)
NorthWestern Corp. (NWE)
Northwest Natural Gas Company (NWN)
ONE Gas, Inc. (OGS)
Southern Company (SO)
Spire Inc. (SR)
WEC Energy Group, Inc. (WEC)

Wednesday, May 19th		Thursday, May 20th	
Time	*Co.*	*Time*	*Co.*
8:00AM	DUK	8:00AM	AEE
9:30AM	ES	9:30AM	OGS
10:15AM	WEC	10:15AM	DTE
11:00AM	NI	11:00AM	SR
11:45AM	D	11:45AM	CPK
3:00PM	NWN	12:45PM	CMS
3:45PM	SO	3:00PM	NWE
4:30PM	CNP	3:45PM	NJR
		4:30PM	AVA

Participating Guggenheim Analyst

Shar Pourreza, *Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

Continued on the next page…

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DUKE: ACTIVIST AND LEGISLATION

Our conversations with DUK senior management (CFO, etc.) focused heavily on the recent activist headlines, with management again laying out in great detail its rationale for why a fracturing of the conglomerate is in their view, illogical. Chief among the reasons is the credit impact, with management highlighting its current ~12% FFO/Debt as in danger under a breakup scenario as smaller utilities demand better profiles. The holdco debt issue is intertwined with this in their view, with the combination of the credit issues requiring billions of equity to repair the balance sheets – before dissynergies. Management indicated, as it did previously, that it took ~$600mm out of Progress and $300mm from Piedmont, indicative of the kinds of costs that could flow back to each company in a split scenario. **The company also indicated to us that it had previously looked at the potential sale of Florida internally,** however there are several issues, including: 1) substantial tax leakage ($5bn+), 2) the need for a substantial (30x+) premium/multiple to keep the remainco whole under the ensuing credit metric impacts, and 3) Florida is the fastest growing and best credit of the utility groups. While management indicated that the Board is aware of the proposals and has been involved, our overall impression of the situation remains consistent – there are large gaps between the parties here, to say nothing of the regulatory challenges. The next proxy season is in the January/February time frame.

See our prior note on this HERE.

Turning to the utilities, our conversations generally focused on the legislative process in NC and the potential outcomes therein. **Management cautioned that legislators are generally in the sausage-making phase right now with limited external visibility for stakeholders (next data point likely draft legislation), but they remain optimistic on the prospects for the overall process.** The company continues to look for directional alignment between the parties on a coal exit pathway, renewables, and regulatory reform, with management speaking highly of both decoupling (the LDCs already do it) and MYPs (already used at DEF). With regards to timing of some of these initiatives and interaction with the current growth guide, management generally deferred on details, given where the process is, although they did note that coal retirement accelerations could begin to show towards the end of the current plan in the '24-25 timeframe. Legislation that could yield renewable rate base growth opportunities, multiyear rate plan yielding regulatory lag and acceleration of renewable spend etc. could be accretive to Mgmt's 5-7% growth guide. Finally, current customer/load growth trends are slightly outpacing internal planning assumptions.

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EVERSOURCE: FENCE MENDING AND OSW

Our conversations with ES senior management (full C-Suite) generally focused on the fallout from the recent decisions by PURA in CT, with management laying out its ongoing and planned efforts to improve dialogue in the state. The company secured the AG's first in-person meeting in over a year to discuss its work to improve, supported by frequent lawmaker meetings and outreach. The company is looking forward to the impending start of the PBR discussions at PURA, with a docket expected by ~June. The company already operates under PBRs in other states, so the concepts are familiar – management expects the process to be collaborative and constructive. In line with the 1Q call, the company expects the 90bps ROE reduction to potentially come in 4Q21 with a low income/economic development docket already open. **While the reduction appears to be indefinite, management noted that it has not changed its growth outlook as a result.** Some investors also probed the team on their FERC ROE policy thoughts; however, the conversation was generally in line with prior/recent dialogues we have had with them. The balance of our meeting was focused on offshore wind updates, with status checks on South Fork, Revolution, and Sunrise largely unchanged from the 1Q21 call. **The company reiterated its intentions to remain a disciplined bidder in the numerous ongoing RFPs underway,** with a particular focus on the non-MA processes that have some additional weighting towards non-cost metrics (e.g., local dev). Finally, while the next capex roll remains very far off, we got the impression that the current plan retains ample opportunities for traditional utility spend, in addition to things like: 1) grid mod (AMI is a big thread in CT and MA, potentially $400mm in each), 2) ratebased solar in MA (current approval for 280MW), and 3) OSW interconnections among other drivers.

WEC: EXECUTION AS IL VIEWS SOFTEN

Our conversations with WEC senior management (Chair, COO, CFO, etc.) generally focused on economic development, regulatory activity, and Illinois policy perspectives, in addition to more straightforward execution updates. Management echoed its 1Q21 sentiment that the year is off to a good start, with robust economic activity and growth across the footprint, including a new relocation by Milwaukee Tools [SEHK: 669] and potential EV manufacturing opportunities. On the regulatory front, management highlighted its recent stay out agreement in WI. **We also asked for their views on LNT's recent settlement, including readthrough from the coal recovery plan to WEC's own units like Weston.** Management had two key takes on this: 1) the settlement is a testament to the quality of the regulatory and stakeholder environment as it was incredibly quick (as was WEC's), and 2) the recovery on coal is a very interesting approach that they are looking into further – a good marker for how intervenors feel about coal and recovery in their view, and slightly different than the small securitization tested in the Pleasant Prairie process. **On Illinois policy**

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prospects, management sounded marginally more optimistic, with the process coming down the wire in their view. The chances for a broad package remain challenged in their view given all of the moving pieces, **but there is potentially room for something skinnier to advance – perhaps nuclear subsidies + ethics/FRPs.** In their view, gas utilities and the QIP remain tertiary items in the overall process, which we generally agree with. The work at Peoples replacing bare steel and wooden Civil War era components still needs to get done. Finally, we note that the capex plan remains on track, with infrastructure still running ahead of schedule. Based on our conversation, we expect future roles to remain weighted towards storage and solar, with federal tax credits an unknown variable in the equation to monitor. Point Beach dialogue remains nascent but ongoing.

NISOURCE: STRATEGY AND THE INDIANA IRP

With MA sold, equity done, and the plan solidified, our update with NI senior management (CEO, CFO, etc.) was largely straightforward, with a strategic tone in light of recent activist actions and LDC sales. We and others asked management about potentially getting smaller or optimizing assets, with management highlighted the significant number of dissynergies involved in such processes. The company is eyeing 10% growth at each of its utilities and has gotten the equity out of the way, but management still noted that it is always exploring opportunities. The confidence in the current plan and portfolio comes from the constructive environments in its jurisdictions, with supportive mechanisms and policies (e.g., bans on gas bans). The IRP in Indiana was the other key point of discussion, with a meeting today (5/20) and the launch of the RFP process. Management sees ~3 channels, including solar/wind+storage and new technologies for Schaefer's replacement. The RFP does present the opportunity to a higher proportion of utility-owned projects, but management indicated it is far too early to think about the IRP opps and the growth rate. The IRP will also help illuminate the potential to accelerate the coal exit. With equity needs solved in the NT, any asset optimization opportunities on the gas LDC side could come in time with incremental spending arising from the new '21 IRP.

DOMINION: EXECUTION

Dominion's messaging was well defined; they're focused on the blockbuster renewables buildout underway and managing the associated regulatory processes. Senior management's (CFO, etc.) update was built around that narrative, with few incremental data points from the 1Q21 call. The Fast 41 schedule was reiterated, while management again sounded a positive tone on the underlying post-COVID growth trends. The company continues to work through the onshore wind and solar tranches (CE1/CE2), with 110k+ acres under option. Investors in our meeting

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queried on whether the ~$17bn in planned offshore wind investment could see some shrinkage based on bids in the northeast; however, management noted that the comparison is not direct given some key differences (some projects don't have transmission included, different capacity factors, etc.). The company remains active on the RNG front and looking at agriculture opportunities. To the south, the settlement process remains ongoing in South Carolina during the pause, **with management sounding a positive tone on the prospects for a settlement.** While we asked on Santee Cooper, there were no new thoughts. Finally, we asked about the noncore nature of assets like Millstone, however management noted that it is comfortable with such a small non-regulated portion of the business (<10%), which will only shrink further as the regulated side continues to grow. No material updates around the VA triennial review though, we continue to believe the process should run smoothly given the construct and legislative mandates in place.

SJI: GROWTH AND NJ LEGISLATION IN FOCUS

Coming off its recent analyst day, SJI's senior management (CEO,CFO, etc.) update was generally focused on execution and ongoing legislative conversations. The company continues to see solid growth as the state recovers from COVID, with ETG a particular area of strength. Management struck a very comfortable tone with the current ~1.5% customer growth guide. The company also continues to navigate legislative opportunities around rate treatment of RNG investments (e.g., ratebasing RNG projects, link HERE). We asked about ratebasing projects vs. keeping them non-regulated, with management acknowledging that current returns are quite healthy on the nonreg side—they continue to evaluate all options. We also asked about the drivers of management's slightly wider 5-8% EPS growth rate guidance, with the company pointing to some flexibility on regulatory items (it has multiple cases built in to the current plan) and the potential investment opportunities. Management did note that a federal biogas ITC could be an earnings game changer if some iteration of it were to come to pass. The company also continues to work through its current ~$743mm infrastructure ask, with discovery expected to finish within a week and potential settlement discussion thereafter. The plan does not assume the whole ~$743 ask. Finally, our conversation also touched on PennEast, with management largely reiterating the process data points and timelines.

NW NATURAL: RNG AND EXECUTION

Our conversations with NWN senior management (CEO, CFO, etc.) largely centered on execution and decarbonization, with the company working through its first tranche of RNG procurements and looking ahead to meeting the aggressive goals under SB98. While the company has already made strong progress on decarbonization to date (no bare steel

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left in system and a strong visibility on EE), there remains ample opportunity to add RNG under the existing constructs. The current ~$38mm in spend will help meet roughly 1.6% of NWN's OR sales volume and represents only projects with a clear line of sight. Under the SB98 caps, the company could approach another $162mm in spend over the 5 year period, however the procurement process remains in its early days. With regard to policy, the company continues to work with stakeholders in somewhat hostile localities like Eugene to educate on the value of gas and the company's decarbonization plans, however some noise may continue in our view given the regional dynamics. Based on our conversations, we expect the water business to continue its expansion, with management pointing to a pickup in overall activity post-COVID. Finally, we note that the WA MYP case remains ongoing, with management pointing to the potential for some resolution in the coming month or two based on current conversations.

SOUTHERN COMPANY: VOGTLE, VOGTLE, VOGTLE

Hot off Tuesday's construction news, our conversations with SO senior management (CFO, etc.) were decidedly focused on the HFT process and the prospects for schedule slippage. Management provided additional color on the process and what had been seen to date, with the pressurize bracket alignment the chief bottleneck in the process. The support for the pressurizer wasn't perfectly centered, leading to some misaligned thermal expansion. This and other thermal expansion items were somewhat expected (the Chinese also dealt with them), however the pressurizer situation required cooling the system given the limited clearances for worker access, adding ~2-3 weeks to the process. The schedule shift will cost a little bit of the contingency, however management continued to strike an upbeat tone on the prospects for the Unit 4 schedule once 3 is complete. Remaining items post-HFT at unit 3 are largely minor mechanical systems (emergency lighting, potable water, etc.). With regard to prudency, the company reiterated it expects to pursue all ~$700mm, but it is also cognizant of other processes in the state that will be ongoing by that time (rate case, IRP). We asked about LDC M&A and other noncore assets at the company given the recent Sequent sale, with management acknowledging healthy multiples while simultaneously re-emphasizing its own lack of equity needs in the NT.

CENTERPOINT: LONGER DATED UPDATES

We sat down with CNP's CFO and other senior leaders for the latest updates on a story we have been *very* close to for several quarters, with most data points focused on longer-term items like outer year capex and decarbonization opportunities. The company is taking a closer look at its decarbonization narrative and how it will fit into future net zero economies, **including the potential for a longer term 10-year capex outlook and**

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conversations on longer-dated asset replacements (e.g., coal transitions). For example, at the moment the company has no EV infrastructure in its current plan despite nascent favorable policy positioning in places like Houston. Management is also looking at potential opportunities for limited rate base storage in Texas on the distribution system (~25MW). We asked about potential disclosures around such a long-dated outlook, with management reiterating no block equity. What about RNG? Opportunities remain pretty nascent based on our conversation, with Minnesota presenting the most immediate application as the state takes an interest in the resource. **We note that the team also recently sat down with the newly constituted PUCT** to reestablish the relationships that had been severed after the February storms prompted a bench-clearing, with management noting a concerted interest in reliability during the dialogue. **Finally, we also touched on the ongoing IN IRP, with hearings on the first tranche coming in June and a filing for a gas peaker in the same time frame.** The balance of the filings and processes will run through next year. Note – when Mgmt. discloses their longer-term CapEx update around decarbonization in Q3, they continue to believe they will not need block equity, with funding in time being sourced from OCF, O&M levers and further asset optimization opportunities.

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Ticker	Price	Rating
EXC	45.74	Neutral
PNW	85.37	Buy
POR	48.89	Buy

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The Guggenheim Daily Transmission: AGA, EXC, IL, POR, RGGI, PA, PNW, PJM

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AGA: Day 2 Flash Recap… (see our note HERE)

EXC/IL – Details on IL report redactions and process emerge

POR – OPUC adopts temporary rules on PSPS

RGGI/PA – DEP releases data on consumer cost modeling

PNW – Bright Canyon inks 25MW Navy microgrid contract

PJM – Summer outlook points to plentiful supply

EXC/IL – Details on IL report redactions and process emerge

- Byron and Dresden employed ~1,300 people in 2020 according to a review of the unredacted report, as EXC continues to push its case for subsidies higher than the consultant's recommendations
- More from Crain's HERE

Guggenheim takeaway: *For your awareness. The process is frustratingly opaque at this point, and while we remain of the view that a comprehensive package could be an uphill lift in the remaining week of the session, we note that some of our AGA conversations were slightly more open to the potential for a slimmer 'subisidy+ethics' package to emerge. Stay tuned… As a reminder, we hosted two different experts recently for their views on the situation in Springfield – see our note on the first conversation HERE and the second HERE.* ***We also discussed the issue in our AGA meetings – see above for AEE and HERE for WEC's updated thoughts.***

POR – OPUC adopts temporary rules on PSPS

- Docket and OPUC Staff presentation on the PSPS HERE

Guggenheim takeaway: *Zero surprise given the wildfire docket process we have been tracking for some time, and something POR has already been a leader on in the state.*

RGGI/PA – DEP releases data on consumer cost modeling

- "Residential electricity bills are slightly higher with RGGI participation with bill impacts declining to just $.84- $1.19 per month by 2030" - DEP
- Presentation HERE, more HERE

Guggenheim takeaway: *Minor FYI.*

NOAA – NOAA predicts another active hurricane season

- "For 2021, a likely range of 13 to 20 named storms (winds of 39 mph or higher), of which 6 to 10 could become hurricanes (winds of 74 mph or higher), including 3 to 5 major hurricanes (category 3, 4 or 5; with winds of 111 mph or higher) is expected. NOAA provides these ranges with a 70% confidence. The Atlantic hurricane season extends from June 1 through November 30." - NOAA
- More HERE

Guggenheim takeaway: *Heads up.*

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PNW – Bright Canyon inks 25MW Navy microgrid contract

- More HERE

Guggenheim takeaway: *Interesting heads up, and exactly the kind of project management has indicated in the past the nascent segment was targeting.*

PJM – Summer outlook points to plentiful supply

- "PJM power system operators have forecasted a peak demand for electricity this summer at approximately 149,000 MW but have performed reliability studies at even higher loads – in excess of 155,000 MW – for the region that includes 13 states and the District of Columbia. PJM has over 185,000 MW of installed generating capacity available to meet customer needs, with sufficient resources available in reserve to cover generation that is unexpectedly unavailable, or for other unanticipated changes in demand." - PJM
- More HERE

Guggenheim takeaway: *Zero surprise - PJM remains oversupplied.*

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OGE Energy Corp. (OGE)

Bryan Buckler, *Chief Financial Officer*
Jason Bailey, *Director, Investor Relations*
Casey Strange, *Manager, Investor Relations*

Date
Monday, May 24, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $6.7bn
OGE Energy Corp. (OGE) is a holding company, which engages in the provision of physical delivery and related services for both electricity and natural gas. It operates through the Electric Utility and Natural Gas Midstream Operations segments. The Electric Utility segment generates, transmits, distributes, and sells electric energy in Oklahoma and Western Arkansas. The Natural Gas Midstream Operations segment involves gathering, processing, transporting, storing, and marketing of natural gas. The company was founded in August 1995 and is headquartered in Oklahoma City, OK. (Source: FactSet)

Participating Guggenheim Analyst
Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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Equity Research | Corporate Access

ALLETE, Inc. (ALE)

Bethany Owen, *President & Chief Executive Officer*
Bob Adams, *Chief Financial Officer*
Steven Morris, *Controller & Chief Accounting Officer*

Date
Thursday, May 27, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $3.67bn
ALLETE, Inc. (ALE) engages in the provision of electric and natural gas utility services. It operates through the following business segments: Regulated Operations, ALLETE Clean Energy, and U.S. Water Services. The Regulated Operations segment includes regulated utilities; Minnesota Power; SWL&P; and investment in ATC, which regulates utilities that owns and maintains electric transmission assets. The ALLETE Clean Energy segment develops, acquires, and operates clean and renewable energy projects. The U.S. Water Services segment provides integrated water management for industry by combining chemical, equipment, engineering, and service for customized solutions to reduce water and energy usage and improve efficiency. The company was founded in 1906 and is headquartered in Duluth, MN. (Source: FactSet)

Participating Guggenheim Analyst
Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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Shoals Technologies Group, Inc. (SHLS)

Jason Whitaker, *President & Chief Executive Officer*
Philip Garton, *Chief Financial Officer*

Date
Tuesday, June 1, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $4.75bn
Shoals Technologies (SHLS) provides electrical balance of system solutions for solar energy projects. Its EBOS components include cable assemblies, inline fuses, combiners, disconnects, recombiners, wireless monitoring systems, junction boxes, transition enclosures and splice boxes. The company was founded by Dean Solon in November 1996 and is headquartered in Portland, TN. (Source: FactSet)

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Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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Alliant Energy Corp (LNT)

John Larsen, *Chair, President & Chief Executive Officer*
Robert Durian, *EVP & Chief Financial Officer*

Date
June 2 - 3, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $14.31bn
Alliant Energy Corp (LNT) is a regulated investor-owned public utility holding company that engages in the provision of regulated electricity and natural gas service to natural gas customers in the Midwest through its two public utility subsidiaries. It operates its business through following segments: utility electric operations, utility gas operations; and utility other. The company was founded in 1981 and is headquartered in Madison, WI. (Source: FactSet)

Participating Guggenheim Analyst
Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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POWER, UTILITIES & ALTERNATIVE ENERGY

May 21, 2021

Guggenheim's Power & Utility Comp Sheet

Updated as of 5/20/2021

									Guggenheim						Consensus		
									Earnings Per Share			Price / Earnings			Price / Earnings		
Regulated Electric Utilities [1]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AEE	Ameren	21.6	Buy	$90	$84.50	2.6%	59%	256	3.73	4.02	4.30	22.7	21.0	19.7	22.5	21.0	19.5
AEP	American Electric Power	43.1	Buy	$98	$86.26	3.5%	65%	500	4.65	5.03	5.30	18.6	17.1	16.3	18.5	17.3	16.4
ALE	ALLETE	3.6	Neutral	$65	$69.85	3.7%	81%	52	3.18	3.85	3.98	22.0	18.1	17.6	21.9	18.1	17.4
AVA	Avista	3.2	Sell	$32	$45.62	3.7%	82%	69	2.06	2.26	2.47	22.1	20.2	18.5	21.6	19.8	18.3
CMS	CMS Energy	18.5	Neutral	$63	$63.74	2.7%	61%	289	2.86	3.06	3.26	22.3	20.8	19.6	22.3	20.8	19.5
D	Dominion	62.4	Buy	$89	$77.24	3.2%	65%	807	3.86	4.15	4.44	20.0	18.6	17.4	19.9	18.7	17.7
DUK	Duke Energy	78.7	Buy	$107	$102.27	3.9%	77%	769	5.17	5.48	5.81	19.8	18.7	17.6	19.7	18.8	17.8
ED	Consolidated Edison	26.9	Neutral	$77	$78.42	4.0%	73%	343	4.25	4.42	4.63	18.5	17.7	16.9	18.4	17.4	16.6
EIX	Edison International	21.9	Buy	$79	$57.68	4.7%	60%	379	4.51	4.76	5.04	12.8	12.1	11.4	12.7	12.2	11.5
ES	Eversource Energy	28.8	Neutral	$87	$83.76	2.9%	63%	343	3.83	4.12	4.36	21.9	20.3	19.2	21.8	20.4	19.1
ETR	Entergy	21.2	Buy	$120	$105.74	3.7%	65%	201	6.01	6.33	6.79	17.6	16.7	15.6	17.7	16.8	15.8
EVRG	Evergy	14.2	Buy	$70	$61.90	3.5%	66%	229	3.29	3.43	3.71	18.8	18.0	16.7	18.7	17.8	16.5
FE	FirstEnergy	20.5	Neutral	NA	$37.69	4.1%	62%	544	2.50	2.60	2.71	15.1	14.5	13.9	15.0	14.5	14.1
HE	Hawaiian Electric	4.8	Sell	$37	$43.80	3.2%	69%	109	2.01	1.96	2.11	21.8	22.3	20.8	22.4	21.7	20.2
LNT	Alliant Energy	14.5	Buy	$64	$57.76	2.8%	63%	250	2.57	2.72	2.87	22.5	21.2	20.1	22.5	21.1	20.0
NWE	NorthWestern	3.2	Neutral	$62	$63.31	3.9%	72%	51	3.46	3.64	3.84	18.3	17.4	16.5	18.1	17.2	16.3
PCG	PG&E Corporation	20.6	Buy	$17	$10.40	NA	NA	1985	1.03	1.13	1.25	10.1	9.2	8.3	10.3	9.3	8.4
PNW	Pinnacle West	9.7	Buy	$97	$85.37	4.0%	68%	113	5.05	5.23	5.49	16.9	16.3	15.6	17.1	16.6	15.9
POR	Portland General Electric	4.4	Buy	$54	$48.89	3.4%	62%	90	2.71	2.75	2.84	18.0	17.8	17.2	18.4	17.8	17.0
PPL	PPL Corporation	22.6	Buy	$32	$29.34	5.2%	115%	769	1.34	1.65	1.84	21.9	17.8	15.9	12.2	11.8	11.1
SO	Southern Company	67.7	Neutral	$63	$64.06	4.1%	79%	1059	3.32	3.59	3.85	19.3	17.8	16.6	19.3	18.0	16.6
WEC	WEC Energy	30.2	Neutral	$92	$95.52	2.8%	67%	315	4.03	4.26	4.50	23.7	22.4	21.2	23.7	22.3	20.9
****Average (Excl. EIX, PCG, and PPL for P/E)***						**3.5%**	**68.3%**					**20.0**	**18.8**	**17.7**	**20.0**	**18.7**	**17.7**
Regulated Gas Utilities [2]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CPK	Chesapeake Utilities	2.0	Neutral	$108	$116.82	1.5%	37%	18	4.59	4.98	5.35	25.5	23.5	21.8	25.5	23.7	22.0
NI	NiSource	9.9	Buy	$27	$25.32	3.6%	67%	392	1.35	1.43	1.53	18.8	17.7	16.5	18.8	17.9	16.7
NJR	New Jersey Resources	4.1	Neutral	$39	$42.49	3.2%	65%	96	2.09	2.28	2.35	20.3	18.6	18.1	20.5	18.7	17.6
NWN	NW Natural Gas	1.6	Sell	$38	$53.64	3.6%	77%	31	2.50	2.64	2.73	21.5	20.3	19.6	21.2	20.4	19.3
OGS	ONE Gas	3.9	Neutral	$80	$73.61	3.2%	61%	53	3.82	4.12	4.43	19.3	17.9	16.6	19.4	17.9	16.9
SJI	South Jersey Industries	2.9	Buy	$28	$25.97	4.5%	73%	112	1.61	1.71	1.85	16.1	15.2	14.0	16.1	15.6	15.0
SR	Spire	3.8	Buy	$84	$72.92	3.6%	60%	52	4.43	4.41	4.67	16.5	16.5	15.6	16.7	16.5	15.7
Average						**3.3%**	**62.7%**					**18.7**	**17.7**	**16.8**	**18.8**	**17.9**	**16.9**
Integrated Utilities [3]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
EXC	Exelon	44.7	Neutral	$45	$45.74	3.4%	56%	977	2.80	2.98	3.02	16.3	15.3	15.1	16.6	15.5	14.9
PEG	PSEG	31.6	Buy	$67	$62.58	3.3%	59%	505	3.52	3.51	3.61	17.8	17.8	17.3	18.1	17.9	17.3
Average						**3.4%**	**57%**					**17.1**	**16.6**	**16.2**	**17.3**	**16.7**	**16.1**
Independent Power Producers (IPPs) [4]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
NRG	NRG Energy	8.3	Neutral	NA	$34.04	3.8%	-	245	2,412	2,471	2,472	6.6	5.8	5.4	9.2	6.3	6.0
VST	Vistra Energy	7.9	Neutral	NA	$16.48	3.6%	-	482	1,678	3,230	3,107	9.9	5.0	4.9	10.8	5.3	5.0
Average												**8.2**	**5.4**	**5.2**	**10.0**	**5.8**	**NA**
Multi-Industry Utilities [5]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CNP	CenterPoint	14.2	Buy	$27	$24.70	2.5%	44%	580	1.41	1.50	1.62	17.5	16.5	15.2	17.8	17.1	15.9
DTE	DTE Energy	27.2	Buy	$148	$140.36	3.1%	60%	194	7.20	7.62	7.84	19.5	18.4	17.9	19.5	18.9	18.0
NEE	NextEra	145.7	Buy	$90	$74.29	1.9%	56%	1961	2.56	2.77	2.95	29.0	26.8	25.2	29.5	27.2	25.4
OGE	OGE Energy	6.7	Buy	$39	$33.58	5.1%	78%	200	2.17	2.27	2.38	15.5	14.8	14.1	15.3	15.7	15.1
SRE	Sempra Energy	41.1	Buy	$167	$135.74	3.4%	56%	303	8.16	8.58	9.21	16.6	15.8	14.7	16.7	15.9	15.1
Average						**3.2%**	**58.9%**					**19.6**	**18.5**	**17.4**	**19.8**	**18.9**	**17.9**
Other		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AWK	American Water Works	28.0	Neutral	$146	$154.42	1.4%	50%	181	4.24	4.63	4.99	36.4	33.4	30.9	36.4	33.5	31.0
ALTO	Alto Ingredients, Inc.	0.4	Buy	$9	$5.71	-	-	73	0.62	0.66	0.80	9.2	8.7	7.1	9.4	6.1	7.1
		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AMRC	Ameresco, Inc. Class A	2.6	Buy	$67	$51.12	-	-	50	146	163	184	NA	NA	NA	NA	NA	NA
ARRY	Array Technologies	1.9	Buy	$51	$15.24	-	-	127	174	198	224	13.2	11.6	10.3	20.9	12.9	10.0
CWEN	Clearway Energy	6.1	Suspended	NA	$26.35	NA	-	183	NA	NA	NA	NA	NA	NA	10.5	9.7	9.7
NEP	NextEra Energy Partners	5.1	Buy	$88	$66.75	4.0%	-	76	1,532	1,660	1,775	7.2	6.8	6.3	10.3	9.6	9.3
SHLS	Shoals Technologies Group, Inc	3.9	Buy	$46	$23.45	-	-	167	77.2	125.8	195.7	52.0	31.3	19.6	52.0	31.8	20.2

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
(5) Mult-Industry Utilities operate some comibination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, FactSet, Guggenheim Securities, LLC estimates.

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Share Price Performance (Year-to-Date, Three-Month, & One-Month Trailing)

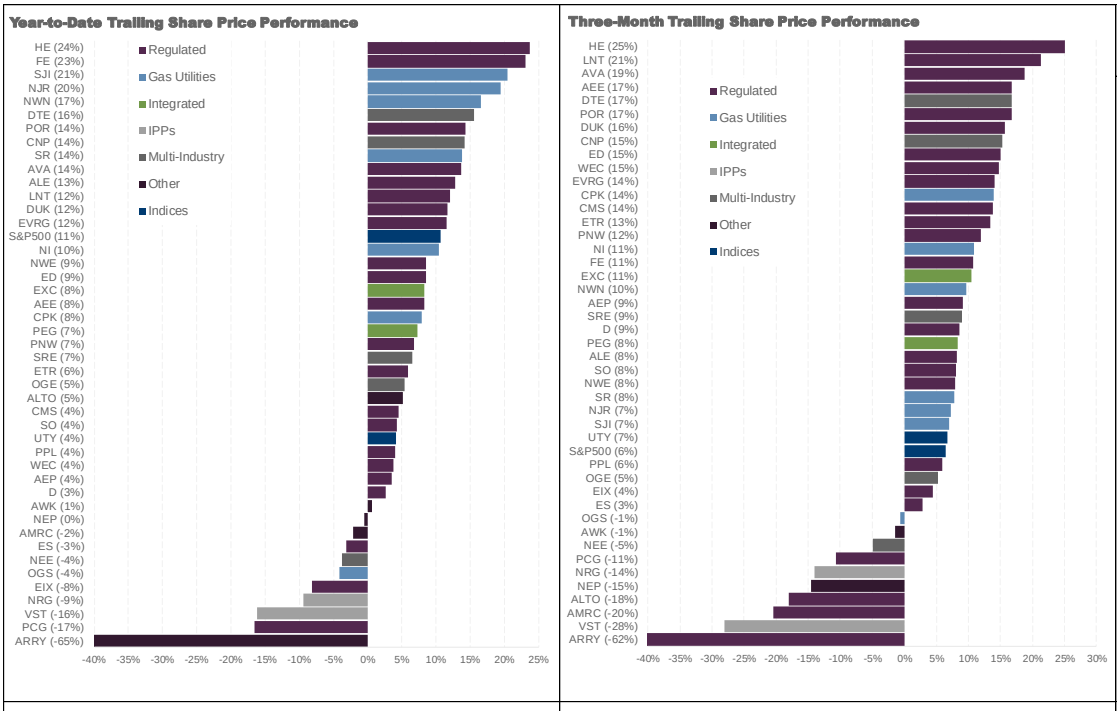

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
(3) Integrated
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
Source: Bloomberg, Guggenheim Securities, LLC estimates.

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Guggenheim 2021 Client and Corporate Access Utility Events

Ticker	Dates	Regions	Ticker	Dates	Regions
EIX	1/8	NYC	**CMS**	5/12-5/13	Multiple
'21 Utilities Call	1/21 – 8:15AM ET	Call	**POR**	5/12-5/13	Multiple
Investor Discussion	1/25 – 4:30PM ET	Virtual	**ARRY**	5/14	Multiple
PNW	1/26-1/27	Multiple	**OGE**	5/25-5/26	Multiple
SRE	1/27 – 4:30PM ET	Virtual	**ALE**	5/27	Multiple
WEC	2/16-2/17	Multiple	**SHLS**	6/1	Multiple
DUK	2/18	Multiple	**LNT**	6/2-6/3	Multiple
D	2/19	NYC	**PEG**	6/8-6/9	Multiple
AWK	3/10	Multiple	**EVRG**	6/10	Multiple
PPL	3/23	West Coast	**NWE**	6/16	Multiple
AEP	3/30	Multiple	**DTE**	6/29	Multiple
VST	3/31	Multiple	**ES**	TBD	Multiple
ETR	4/8	Multiple	**SO**	8/9-8/10	Multiple
SR	4/15	Multiple	**SO** (CEO Fireside)	8/10	Multiple
PCG	5/5	Multiple	**NEE**	8/30-9/2	West Coast
CNP	5/10	Multiple			

MORE TO BE ADDED…

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Peak Load

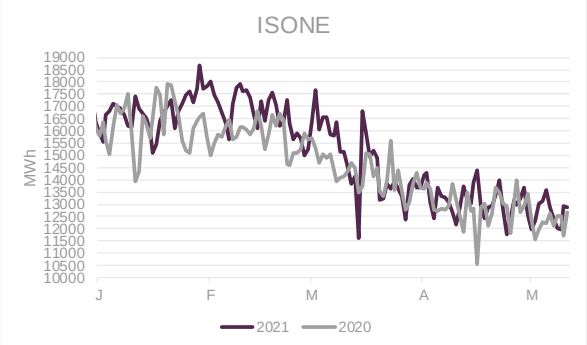

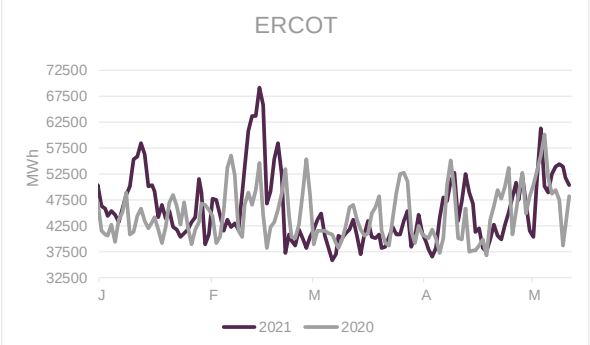

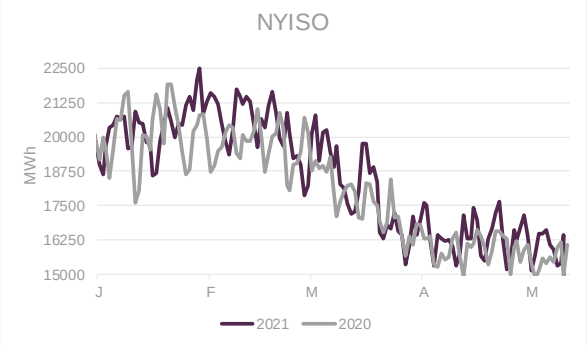

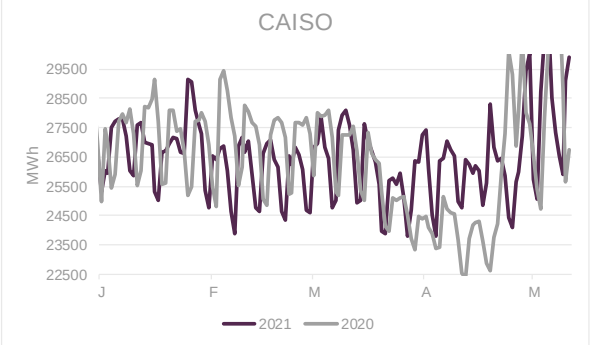

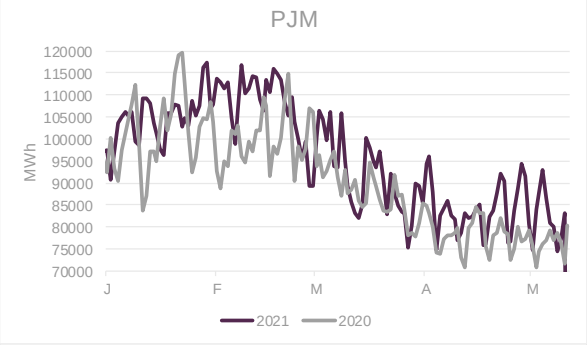

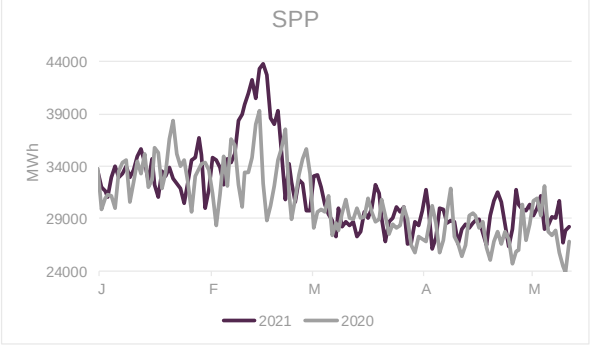

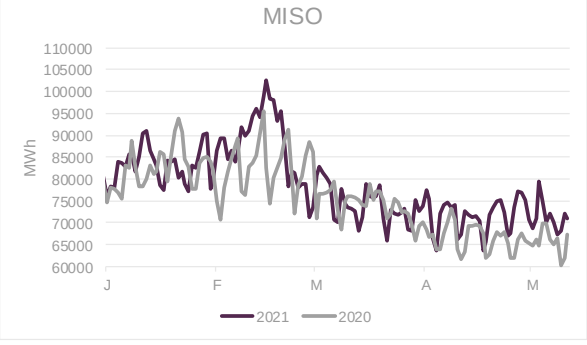

Average Deviation in Peak Load vs Prior Year

RTO/ISO	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
ISONE	-5.1%	0.1%	2.4%	2.4%	4.1%	2.5%
NYISO	-5.8%	-3.8%	0.0%	0.0%	2.5%	3.0%
PJM	-6.9%	-4.7%	-1.8%	-1.8%	6.1%	8%
MISO	-4.7%	-5.2%	-3.7%	-3.7%	4.3%	8.1%
CAISO	-1.7%	1.4%	3.2%	3.4%	0.4%	3.6%
ERCOT	2.7%	1.7%	-4.1%	3.0%	2.8%	2.8%
SPP	-4.6%	0.0%	-4.4%	-4.4%	4.1%	5.3%

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Generation and Mix

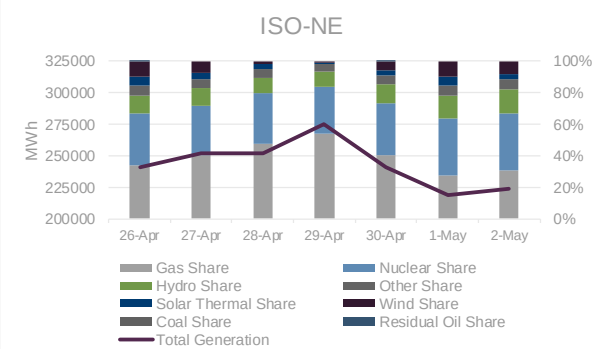

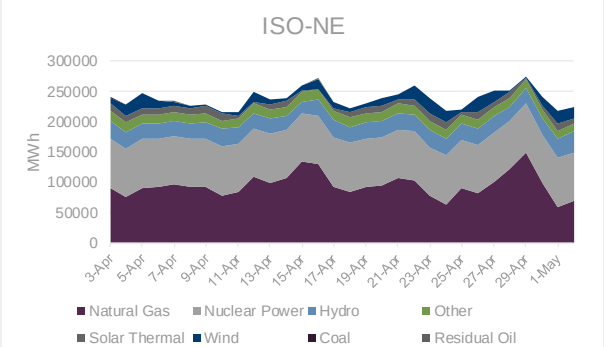

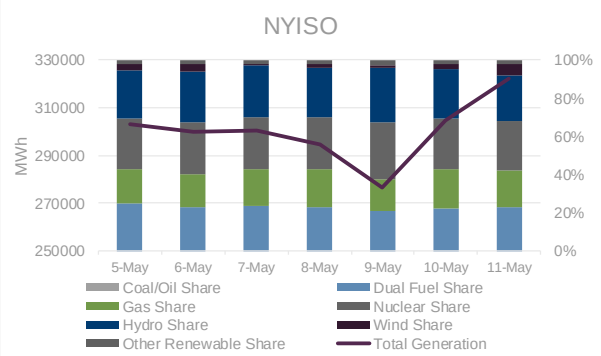

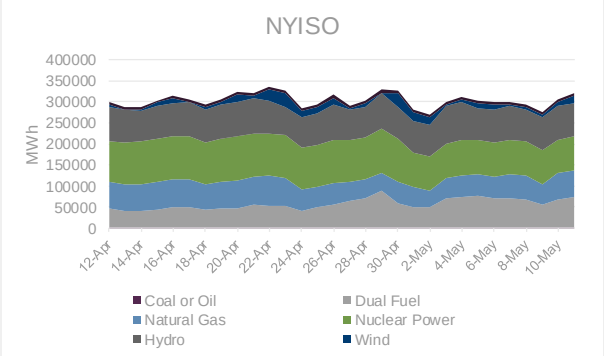

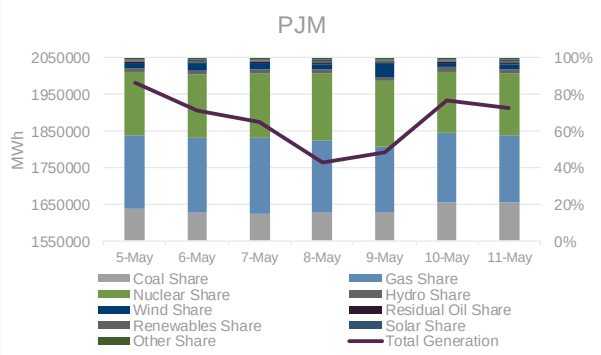

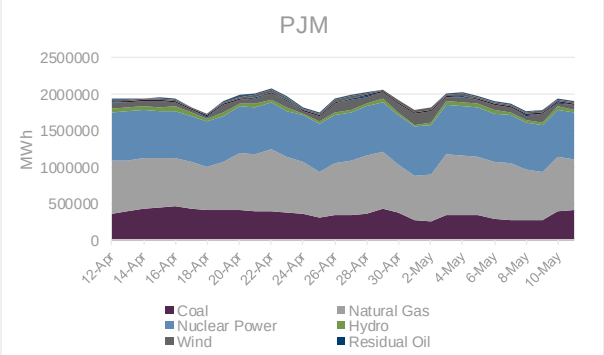

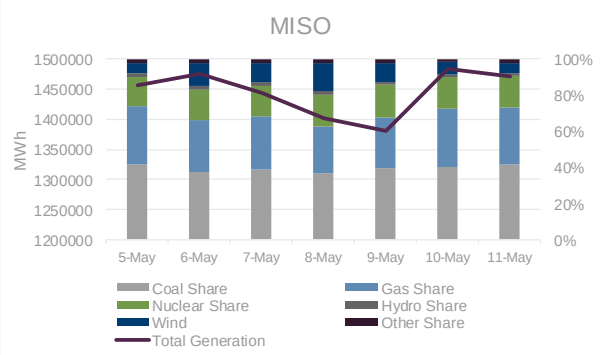

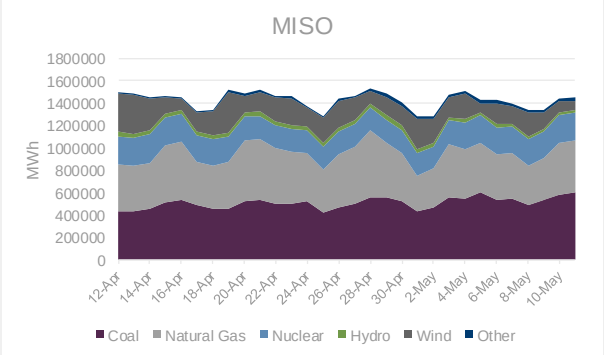

Source: S&P Global Platts, Guggenheim Securities, LLC.

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POWER, UTILITIES & ALTERNATIVE ENERGY

May 21, 2021

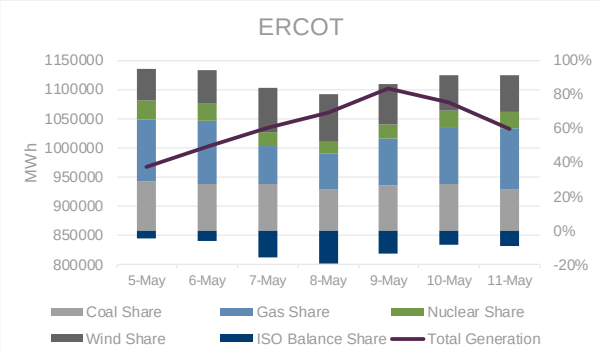

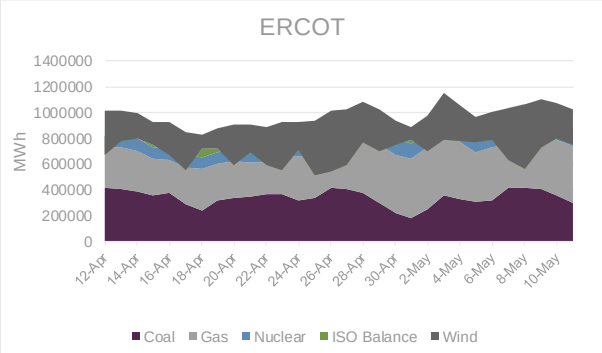

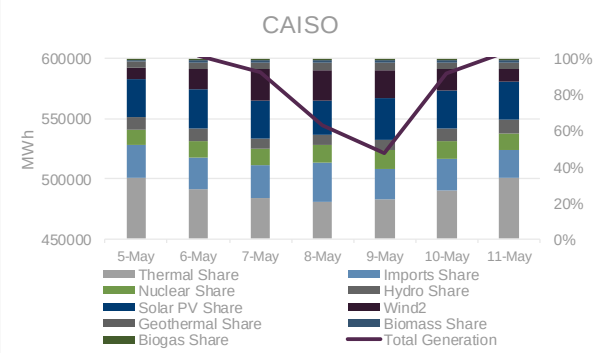

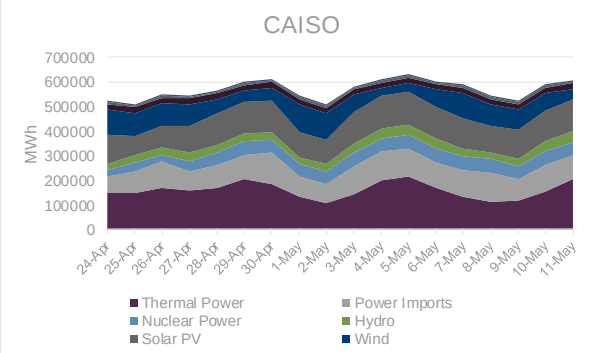

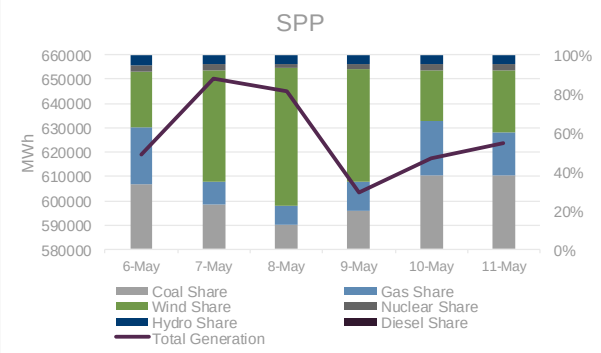

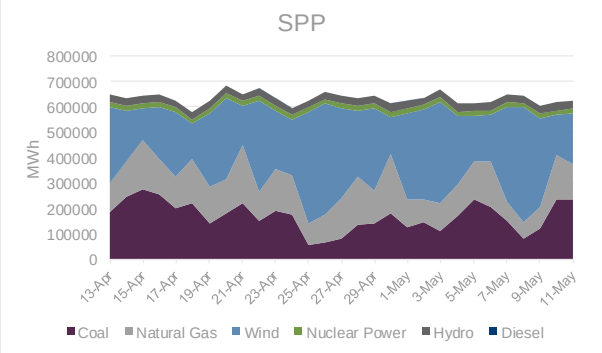

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Weather

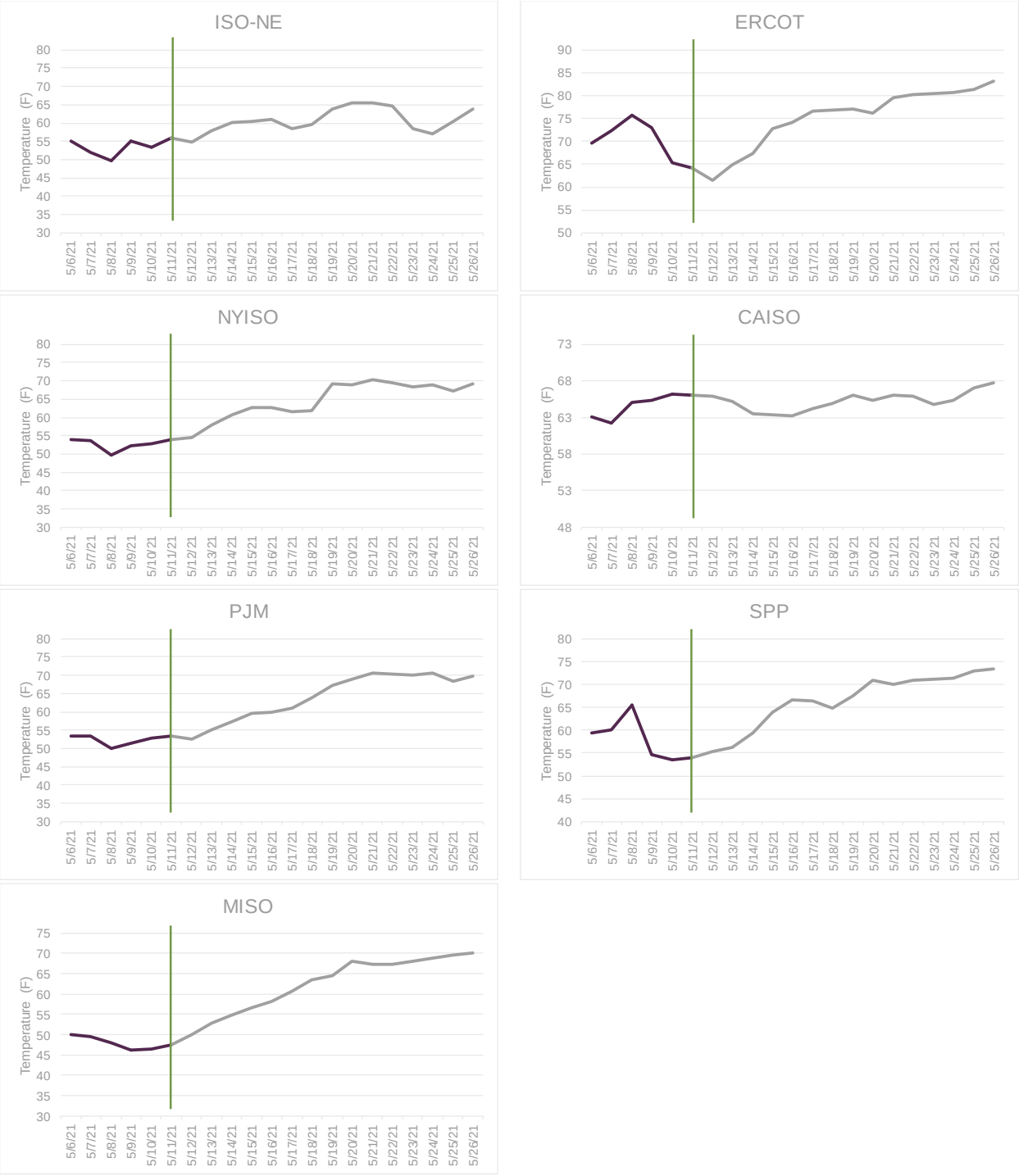

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Regulatory Calendar

Power and Utilities: Coverage Calendar (5/15/2021 - 8/15/2021)

Date	State	Ticker	Utility/Event	Docket	Description
3/1/2021-6/30/2021	DC	EXC	Potomac Electric Power Co.	FC-1156	Commission decision may be issued in electric rate proceeding
4/15/2021-5/15/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	ALJ recommendation expected in rate case in late April-early May
5/1/2021-6/30/2021	TX	SRE	Oncor Electric Delivery Co.		Rate case filing expected
5/17/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Settlement meeting scheduled in rate case
5/18/2021-5/19/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearings scheduled in RAC-EE proceeding
5/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Settlement conference scheduled
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	PSC staff and intervenor testimony due
5/19/2021-5/28/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Hearings scheduled in rate case
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	PSC staff and intervenor testimony due
5/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Settlement conference scheduled
5/21/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for staff and intervenor opening testimony
5/21/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Rebuttal testimony due in E-RAC proceeding
5/21/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Rebuttal testimony due in Rider E proceeding
5/21/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Initial briefs due in rate case
5/24/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Hearing to begin in rate proceeding
5/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Intervenor testimony on class cost of service due in rate proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UG-200901	Deadline for company reply testimony; staff and intervenor cross-answering testimony
5/28/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	SCC staff testimony due in BC-RAC proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UE-200900	Deadline for company reply testimony; staff and intervenor cross-answering testimony
6/1/2021-6/15/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearing examiner's report may be issued in RAC-EE proceeding
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co		Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (gas)	Decision possible in rate proceeding
6/1/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Reply briefs due in rate case
6/1/2021-6/30/2021	OH	AEP	Ohio Power Co.	C-20-0585-EL-AIR	Decision possible in rate proceeding
6/1/2021-6/30/2021	KY	PPL	Kentucky Utilities Co.	C-2020-00349	Decision possible in rate proceeding
6/1/2021-6/30/2021	VA		Virginia Natural Gas Inc.	C-PUR-2020-00095	Hearing Examiner's report may be issued in base rate case
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co	Ca-PUD202100063	Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (elec.)	Decision possible in rate proceeding
6/3/2021	MI	DTE	DTE Gas Co.	C-U-20940	Staff and intervenor testimony due
6/4/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Intervening parties to file testimony in rate case
6/8/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Company rebuttal testimony due in rate proceeding
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Rebuttal testimony to be filed in rate case
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Rebuttal testimony to be filed in rate case
6/17/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Rebuttal testimony due in rate proceeding
6/17/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Initial briefs due in rate case
6/17/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Intervening parties to file testimony in Rider CCR proceeding
6/21/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Intervenor testimony due
6/22/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Staff, intervenor testimony due
6/22/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Staff to file testimony in Rider CCR proceeding
6/23/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Staff, intervenor testimony due
6/23/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Hearing scheduled in E-RAC proceeding
6/23/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Settlement conference
6/23/2021	MI	DTE	DTE Gas Co.	C-U-20940	Rebuttal testimony due
6/23/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Staff, intervenor testimony due
6/25/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Hearing examiner report due in rate proceeding
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Evidentiary hearings to commence in rate case
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Evidentiary hearings to commence in rate case
6/30/2021	NH				Commissioner Kate Bailey — term expires
6/30/2021	KY				Commissioner Talina Rose Mathews — term expires
6/30/2021	MD				Commissioner Anthony J. O'Donnell — term expires
6/30/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Decision expected in muulti-year rate plan proceeding
6/30/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	Decision likely in gas rate case
6/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00197 (Rider RBB)	Decision expected in rural broadband pilot proceeding (Rider RBB)
6/30/2021	WV				Commissioner Brooks McCabe — term expires
6/30/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Decision expected in RAC-EE proceeding
6/30/2021	NC				Commissioner Lyons Gray — term expires
7/1/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Reply briefs due in rate case
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	PUR-2020-00231 (Rider US-2)	Decision expected in Rider US-2 update proceeding
7/1/2021	IL	SO	North Shore Gas Co.	D-20-0810	ALJ recommendation due in rate proceeding
7/1/2021-7/31/2021	OK	CNP	CenterPoint Energy Resources	Ca-PUD202100054	Decision expected in PBR proceeding
7/1/2021-7/31/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Decision possible in rate proceeding
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00230 (Rider BW)	Decision expeced in Rider BW update proceeding
7/2/2021	MI				Commissioner Katherine Peretick — term expires
7/6/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Staff testimony due in electric rate case
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UG-200901	Hearing in rate case
7/7/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Rebuttal testimony due in Rider CCR proceeding
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UE-200900	Hearing in rate case
7/12/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Rebuttal testimony due in electric rate case
7/12/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Rebuttal tesimony due
7/15/2021-8/15/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Hearing Examiner report may be issued in Rider E proceeding
7/16/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for company reply testimony; staff and intervenor cross-answering testimony
7/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Company rebuttal testimony due
7/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Company rebuttal testimony due
7/21/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Hearing to begin in rate proceeding
7/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Hearing to begin in rate proceeding
7/27/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Public hearing scheduled on Rider CCR proceeding
7/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00058	Intervening parties to file testimony in triennial review proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00274 (Rider DSM)	Decision expected in Rider DSM proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00169 (Rider RGGI)	Decision expected in Rider RGGI proceeding
8/1/2021-8/31/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	Hearing Examiner recommendation expected in BC-RAC proceeding
8/1/2021	MO	SR			Commissioner Maida Coleman — term expires
8/5/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Commission decision expected to be issued
8/5/2021	MI	DTE	DTE Gas Co.	C-U-20940	Briefs due in gas rate case
8/10/2021-8/17/2021	NJ	DTE	Atlantic City Electric Co.	D-ER20120746	Hearings scheduled in rate case
8/13/2021	TX	AEP	Southwestern Public Service Co	D-51802	Parties to file testimony in rate case

Source: SNL, Company Filings, Guggenheim Securities, LLC.

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Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM and Weekly Commentary

Key Company Research

1. VST NDR: Past Is Prologue
2. SRE: SIP 20% Sale Announced at ~13x EV/EBITDA; Above Our Range, With Opportunity for Earnings Accretion
3. AEP – C-Suite NDR: On the Precipice of Change and It's a Wonderful View from Here
4. PPL NDR: Hard Part Is Done, Now the Real Work Begins – Transformation Path, Further Re-Rating Set
5. ETR – FERC ALJ Issues Initial Decision on SERI ROE and Cap Structure; 9.32% ROE; 48.15% ER
6. SRE – San Diego Opens Utility Franchise Bidding Under Expanded Criteria; Allow for Negotiated Outcome
7. PPL: WPD Sells at "Very" Healthy Multiple in Key First Step, Despite Previous Media Reports
8. NRG: Post-Call Management Catch Up
9. NRG/VST: Stepping to the Sidelines for Now as ERCOT's Collateral Damage Continues to Propagate
10. FE Reaches Agreement with Icahn
11. SHLS – 4Q Earnings; Category Killer Makes Public Market Debut; Tees Up Conservative Guide and Accelerates EV Infrastructure Development
12. AWK NDR: "When the Levee Breaks" American Water Keeps Flowing
13. AEP – Healthy AEP Ohio Rate Case Settlement Supports Thesis; Construct Still Attractive
14. PCG: C-Suite Builds on Operational Improvement for Turnaround Success; Hands-on CEO Is a Tailwind
15. ARRY – 4Q Earnings; Investing Now for Wallet Share Later; FY21 Guidance Comes In Strong
16. WEC NDR: Cutting Through the Noise; Dependable Growth and LT Decarbonization Define Our Meetings
17. D – C-Suite NDR; Strategy Equals Execution; Execution Equals Decarbonization…
18. DUK – CEO NDR; NC Legislation Finally Has Momentum; Driving Decarbonization, Higher Growth
19. AMRC – 2020 Closes with a Beat as 2021 Guidance Points to Continued Growth
20. NRG – Surprise, Surprise: Guidance Intact After Strong Storm Performance; Transformation Continues
21. OGS – 4Q Earnings; Fundamentals Remain Stout Despite Old Man Winter's Best Efforts
22. PEG – 2020 FY In Line; Fossil Sale On Track; LT Business Mix Gains Traction
23. VST – Is the Integrated Model Broken? No, But the Sandbox Might Be
24. EVRG – Coming Out Swinging: EPS Beat, Healthy '21 Guide, Higher CapEx, New Mgmt. Bench & Key Investor Infusion
25. EIX: In-Line 2020; No Major Updates - Holding Pattern Ahead of GRC
26. AEP – Better Load Recovery and Cost Mitigation; Long Renewables Runway w/ Potential Financing From Asset Rotation
27. SRE: '21 Guide Reaffirmed w/Upside Post Transaction; Utility CapEx Increased – Focus Remains on SIP Transaction
28. OGE: No Surprises as 2020 Closes; 2021 Winter Storms Costs Large but Fundamentals Strong
29. CNP: We Aren't Sweating the Details; Managing Storm Event; LDC Sales on Track, Midstream Full Exit on the Forefront
30. PNW – In Line 2020 as Capex Gets a Shuffle – a Consistent Message Following Our NDR
31. EXC – End of an Era: Exelon Loses a Neutron
32. ETR – 2020FY EPS Beat; 2021 Guidance Reaffirmed, Biased to a Strong Midpoint; Arkansas Concerns? No Cracks Here
33. AVA – 4Q Earnings Not as Bad as Some Thought; Guidance Largely In Line With Our Expectations
34. LNT – Ol' Reliable: Inline 2020 as Focus Pivots to PSCW
35. SHLS: Plug-n-"Growth"; Initiating Coverage with a Buy Rating and $48 PT
36. AEE – 4Q Earnings; Callaway Cause For Concern? Not in Our View; Base Plan Remains Strong
37. POR – 2021 Kicks Off on the Right Foot
38. DTE – Continues Strong Execution; 4Q Earnings Beat, '21 Reaffirmed, GS&P Spin Is the Next Major Potential Catalyst
39. FE – Righting the Ship as the DOJ Overhang Persists; Icahn Makes a Splash and Shifts Investor Focus
40. ED – 4Q EPS in Line, 2021 a Reset Year; Capex Roll Points to Higher Quality L-T Recovery
41. SO – 4Q Earnings; Telegraphed LT Growth Rate Raise with Incremental Opportunities on the Horizon
42. PPL: Straightforward Update as WPD Process Forges On
43. ES – 4Q Earnings; Healthy Capex Raise Drives Guidance to the Top Half of Growth Range
44. NI – 4Q Earnings; Straightforward Update With Renewables Projects Continuing to Take Shape
45. ALE – A Transitional Year Comes with a Focus on Execution at ACE
46. DUK – 4Q20 Earnings; Foundation Set With Eye on NC Legislation – We See Pathway to Overachieve Expectations
47. AEP – Racine Hydro Sale; Very in Line with Our Thesis and Potentially More on the Horizon – Reiterate BUY
48. WEC – 2020 Closes with A Beat as Management Evaluates Case Optionality in WI
49. CMS – 4Q Earnings In-Line; Capex/Equity Increase, O&M Flex to Carry Into '21; We See Smooth Sailing to Firm "7%" Growth
50. NJR – F1Q21 Earnings; NJRES AMAs Drive FY22 Guidance Raise, Though Focus Remains on Core Utility and CEV Segments
51. SR – F1Q21 Earnings; Progressing on Regulatory Matters as Mgmt. Has Eyes Set on Sustainability
52. FE/OH: Yost Holds Press Conference on HB6; Reaches Agreement With FE on Decoupling
53. PNW NDR: All Quiet on the Southwestern Front…
54. DUK – Healthy Indiana Equity Sale Highlights Private Infrastructure Appetite for US Assets
55. AMRC: A Unique Blend of Familiar Businesses – Finding a Decarbonization Niche; Initiating Coverage at BUY, $63 PT
56. PEIX Initiation: A Rising Tide Lifts All Ships - Decoupling from Fuel Ethanol, '21 an Inflection Year for Strong CF Story

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57. SRE: CEO Catch Up - Value Upside to SIP Deal; Constructive Guidance Forthcoming; Remains Distinctive on Catalysts
58. NEE/NEP: NEE EPS Beats, MVP Takes Write-Down; Organic Growth and FPL Rate Case Are the Next Leg of Growth
59. DUK – Settlement Reached on Coal Ash; Overhang Removed with Allowance for Return on Expenditures – Time to Move On
60. EIX – Another WF Settlement Bites the Dust; Total Expected Loss Unchanged
61. NEE: Starting 2021 with a Bang: FPL Files Rate Case – 11% Base ROE, 50bp Adder, and SOBRA Adds
62. FE/OH: Ohio Situation Continues to Deteriorate
63. DUK – Coal Ash Thoughts Post Our Call With Duke C-Suite This AM
64. FE: JCP&L Creditworthiness Hearing Recap
65. PCG-EIX: Cali Dreamin' on a Winter Day – We're Back and Under a New Utility Construct: Resuming EIX, PCG w/ BUY Ratings
66. EXC: Exelon Divests Distributed Solar Assets
67. CNP: Analyst Day Sets New 6-8% EPS Plan; AR/OK LDC Sale Announced, ENBL Advisor, OGE on Board; Keep the Hits Coming
68. PNW: Staff/Intervenor Surrebuttal Testimony Lands
69. SRE: IENOVA Buyout, Combination with LNG for an SRE Infrastructure Offering – Favorable Setup for Next Steps
70. FE: Payment Fallout Continues – Revolver Draw Potentially Hedges Against New DOJ Outcomes
71. AEP – Upgrading to NEUTRAL from SELL; Risk/Reward Finds Balance Post Our Original Thesis
72. FE: 10-Q and Amended K May Point to Potential PUCO Linkages; Possible Connection to Randazzo Search
73. FE: PUCO Chair Has Home Searched by FBI
74. SRE NDR: Catch Up With SRE Mgmt. Puts Light on Commitment to Value and NorAm Strategy
75. EXC – Integrated Platform Increasingly Endangered as Exelon "Formally" Announces Strategic Review
76. NEP: 2020 KKR Deal; New Assets Accretive to Growth, Cheap Financing Deal Sets Up 4x Investment Capacity
77. FE – Darkest Before the Dawn? A New Day Will Come…
78. PNW – No Surprises as Summer Heat Drives Beat
79. POR – Putting a Rough Quarter to Rest – Update Checks Most Boxes
80. PEG – 3Q In-line; PSE&G Growth Set to 7-8%; Strategic Shuffle Continues on Fossil, Offshore Wind
81. POR – Putting a Rough Quarter to Rest – Update Checks Most Boxes
82. PNW – No Surprises as Summer Heat Drives Beat
83. FE: CEO and Two Other Executives Terminated over Internal Investigation
84. NWE – Colstrip Transaction Terminated; What's Next? NWE Is Left Severely Short of Peak
85. EXC: Downgrading to Neutral, Lowering PT – Taking the Spring out of Springfield
86. SRE– Franchise "Sale" Saga Next Step? San Diego Releases ITB Q&A, City Maintains Strict Tone, No Upsets Yet, in Our View
87. ETR NDR – C Suite Event Highlights Conservative Planning & Incremental Opportunities; "Premium" View Reinforced
88. DUK – CEO Group Call; Alignment with Stakeholders Driving Capital Growth While Setting Manageable Expectations
89. FE: Incremental Details on DOJ Probe Emerge; Energy Harbor Executives in Focus
90. AEE – CEO Client Event; Environmental Stewardship in MO; Navigating the Policy Environment in IL
91. FE: Incremental Details on DOJ Probe Emerge; Energy Harbor Executives in Focus
92. DUK – ESG Investor Day; A Win-Win for ESG and Fundamental Investors
93. NEE-DUK: "Spreadsheet Exercises" Aside – Easily EPS Accretive, But Value/Credit Risk, Regulatory Hurdles Are High Risk
94. ES - CT House Passes Bill in Special Session to Reform Utilities' Construct
95. OGS NDR – Simple Story, Covid Recovery, Supportive Jurisdictions and Capex Ahead of Plan; RNG, Hydrogen on the Radar
96. NI Investor Day – Robust Update, Though Mostly In Line with Expectations
97. VST: A Platform Evolves, a Platform Matures
98. EVRG NDR: Smooth Sailing to 2024? Standalone Course to Top Tier Growth Follows Well-Worn Routes
99. AEE – MO IRP Brings Step Function Increase in Renewable Energy Investments
100. ETR Analyst Day– Expanding Capex with Equity Needs; EPS Growth Remains 5-7%, but ETR May Become a "Premium" Utility
101. SRE – Cat Out of the Bag: San Diego Issues ITB, Minimum Fee, Balanced by City's Right to Reject; No Upsets at This Point
102. SRE – San Diego Franchise Deep Dive; Competitive Process? Yes; Benefits to Transfer? No! Downside Risk Appears Minimal
103. POR NDR: Upgrading to BUY on CEO Conversations; Clarity on Wildfires Implies Sound Entry Point
104. ED – Upgrade to NEUTRAL; COVID Bites a Hole in the Big Apple; ED's Return to Normal Limits Downside From Here
105. POR: Where There Is Smoke, There Is Fire, But Not Likely in This Case – Additional Fire Details
106. EVRG: KCC Staff file Report and Recommendation Regarding Evergy's Pre-STP Capital Plan
107. AWK NDR: Thirst Quencher - Top Tier Growth Platform Built to Last
108. EXC: No Pressure, No Diamonds…
109. POR: CAISO's Collateral Damage - Losses Contained, L-T Fundamentals Intact Post Mgmt. Call
110. ES – Downgrading to NEUTRAL on Valuation; Want Offshore Wind Exposure? Try Dominion…
111. EXC: Neutrons Starting to Flow in Springfield; Criticality Still Far from Certain
112. OGE – Anticipated Alignment of Views on ENBL Causes Us to Upgrade; Strategic Optionality Becoming More Apparent
113. PPL: The Long Goodbye – PPL Initiates WPD Sale Process

Key Industry Research

1. ERCOT: PUCT Declines to Reprice Energy Market – Consistent with Our Expectations
2. ERCOT: Lone Star State Remains 'Out of Phase'
3. ERCOT: Who's Exposed? Generator-Owner Data Set
4. ERCOT: Deep Freeze Precipitates Rolling Blackouts in Heartland
5. IL: CEJA Re-emerges; Take with a Grain of Salt - More Iterations to Come
6. '21 Utilities Outlook: Getting Ready for Another Bumpy Ride

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7. Congress Reaches Deal on Stimulus Package and Appropriations; Clean Energy Boosted With Tax Credit Extension
8. ERCOT CDR Preview: More Solar Points to Slightly Looser CDR; Caveats Remain the Same
9. EEI – An EEI Unlike Any Other...
10. Guggenheim EEI Takeaways - Day One
11. Guggenheim EEI Takeaways - Day Two
12. Guggenheim EEI Takeaways - Day Three
13. Li-Ion the End-All-Be-All Battery Storage Solution? Not in Our Book – Zinc-Based Battery Presents Compelling Alternative
14. Ohio Policy Call Part Two – Federal and Political, Not State and Regulatory
15. Ohio Policy Call Part One – Investigation Churns On
16. Guggenheim Call Series: Power Gen Economics Expert Confirms Robust Solar/Wind Demand as Tech Moves to Parity with Fossil
17. FERC - Life's Absolutes: Death, Taxes, and Transmission ROE Complaints
18. 2020 LCOE Update – Nothing Is Constant but Change: Renewable Economics Point to Persistent Disruptions
19. FERC: Commission Revisits Base ROE Methodology, Boosts MISO Allowed
20. ERCOT: Another CDR to Take with a Grain of Salt
21. PJM: Proposed Auction Timeline Features State Policy Accommodation
22. FERC ROE Policy Call: Different Commissioner, Similar Expectations
23. FERC ROEs: Former Commissioner Policy Call Points to No Easy Answers
24. Illinois Policy Call: Too Clean to Drain the Swamp? Will Springfield Lawmakers Reach Criticality? Still Too Early to Say…
25. PJM: As Fluid as It Gets - Expert Call Highlights Still-Challenging Auction Dynamics

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POWER, UTILITIES & ALTERNATIVE ENERGY

May 21, 2021

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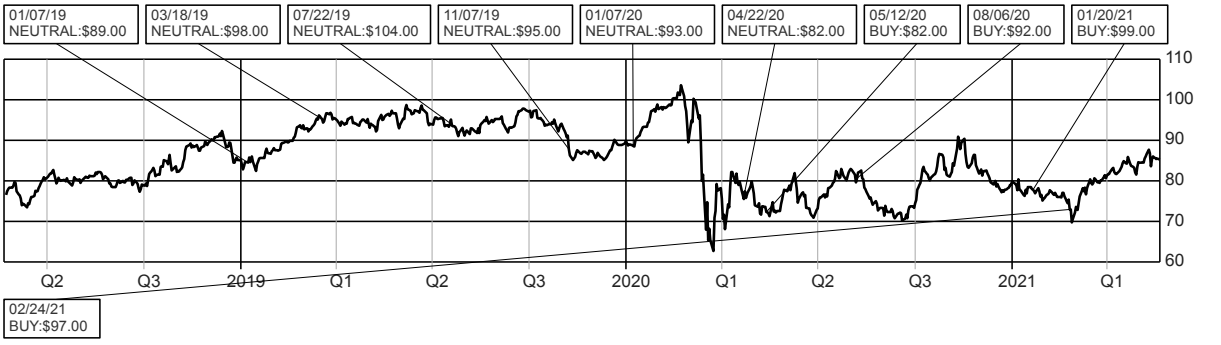

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May 21, 2021

Rating and Price Target History for: Portland General Electric Company (POR) as of 05-20-2021

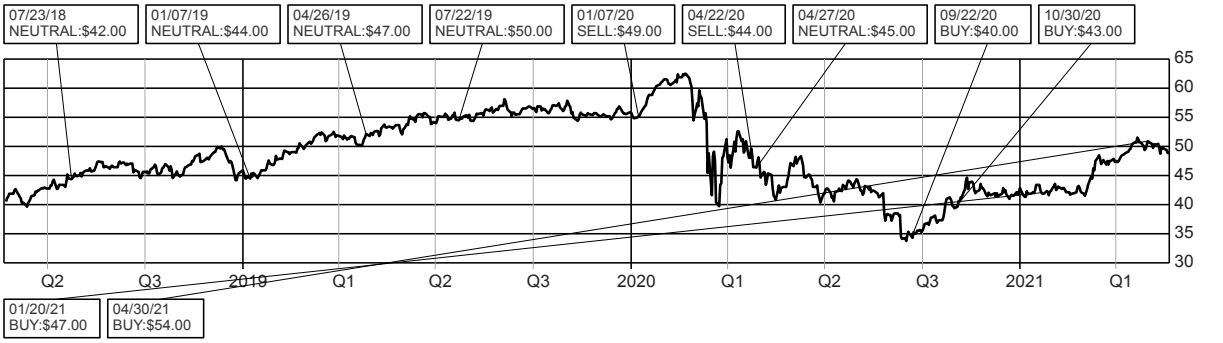

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Global Research | 23 May 2021

Gas Distribution

AGA Conference Takeaways

Equities

Americas

Gas Utilities

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Key Takeaways

Last week, we hosted several virtual meetings with management teams of covered gas utilities (ATO, CNP, NI, NWN, OGS, SR, SWX and UGI) and investors. Main topics included the post pandemic recovery, M&A, decarbonization of gas systems (RNG, hydrogen, etc), securitization bills post the Winter Storm Uri, equity needs, and cybersecurity. Multiple management teams flagged that several states have passed the Energy Choice bills which should stop the bans on natural gas in new construction. Investor sentiment towards gas utilities has improved this year driven by four factors, 1) Winter Storm Uri showed the importance of natural gas during the peak heating demand, 2) the impact from the pandemic was lower than expected, 3) potential for system decarbonization with RNG and hydrogen, and 4) high valuations for CNP's LDCs in Oklahoma and Arkansas.

Near Term Catalysts & Regulatory Updates to Watch

CNP's management plans to provide a long-term capex update (up to 10 years) later this year as well as announce its ESG Strategy. CNP also noted it does not intend to be a long term holder of ET units post ENBL transaction close. The securitization bill in TX will likely be passed into law later this year with potential proceeds from securitization bonds in early calendar 2022 and it could be a positive catalyst for ATO, CNP and OGS. SWX plans to file the adjustment for VSP and COYL in AZ by the end of May, with an estimated requested rate increase of $74MM. There is a potential that the recovery will be split over 3 years. OGS will file a general rate case in OK by June 30th based on 2020 test year and in OK, typically the process takes 180 days so the new rates will likely be effective in January 2022. NI announced RFP in Indiana and we will continue to monitor the process. On the Penn East project, UGI said that it waits for a decision from the Supreme Court in late June which will be very important and not just for this project.

Hydrogen & RNG

In every meeting management teams discussed the potential for future investments in RNG or hydrogen. Many noted that RNG is a near term opportunity but some also added slides to provide more colour on hydrogen (for example OGS). OGS established two hydrogen working groups and is a stakeholder in the U.S. Department of Energy's funded project "Demonstration and Framework for H2@scale in Texas and Beyond." CNP said that in Minnesota, they see an opportunity to incorporate hydrogen and renewable supplies into their portfolio. Management will look to expand its hydrogen pilot/demonstration from Minnesota to Indiana and Texas. In its RFP in Indiana, NI's management plans to look at different storage options, including hydrogen. On its hydrogen pilot project, NWN's management noted that it plans to provide next steps by the end of the year. UGI said that hydrogen is the main topic at a federal level; however, noted that today it is too expensive, but it can shift very quickly with supportive regulations.

Cybersecurity

Multiple management teams discussed cybersecurity post the recent hack on the Colonial Pipeline. OGS' management noted that they don't feel they share any vulnerabilities the Colonial pipeline attack seemed to highlight. NWN highlighted that AGA has been spending a lot of time on cyber issues and notably NWN could run their system manually if needed.

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COMPANY SPECIFIC HIGHLIGHTS

ATO - Management said they are very pleased with their asset base and will not look to sell any LDCs. ATO will continue to use ATM to finance its equity needs. The company will finish cast iron pipeline replacement by the end of the year, but ATO noted that the way their mechanisms work are not specific to any material type and they use their risk modeling assessment to determine which pipelines to replace. Management sees a long runway of pipeline replacement capex ahead. On the energy transition, ATO said that they work with the regulators to put appropriate tariffs in place for RNG, don't see themselves investing on the other side of the meter. With the system modernization, ATO said it will be able to accommodate future hydrogen blending. Management expects the securitization bill in TX to be passed later this year with potential proceeds from securitization bonds in early calendar 2022 which would take the impact of higher cost of gas from ATO's balance sheet.

CNP - Management plans to provide a long term capex update (up to 10 years) later this year. Last week, CNP's management team went to Austin to meet with new regulators and noted the tone of the discussion was positive and very constructive. Management plans to reduce its midstream stake as soon as possible. It will likely take 2-3 months to register new units post closing of the transaction with ET and then likely a quarter to meaningfully reduce the positon. Later this year, CNP will provide more colour on how it can reduce its effective tax rate on a sale of ET units. Once CNP reduces its stake in ET, it will enhance its credit profile as they will no longer have non-regulated exposure which should reduce the FFO/debt downgrade threshold and provide management with more cushion. In Minnesota, CNP sees an opportunity to incorporate hydrogen and renewable supplies into their portfolio (based on the proposed Clean Energy Hydrogen Innovation Act). Management will look to expand its hydrogen pilot/demonstration from Minnesota to Indiana and Texas. With all the future investments, CNP will be primarily focused on regulated growth. Management is currently happy with CNP's footprint but if they have the opportunity to deploy incremental capital for customers, they could consider selling 1 or 2 gas LDCs to fund growth. Incremental opportunities in Texas could include battery storage and transmission investments (longer lead time of up to 3 years).

NI - Most of the discussion was focused on RFP in Indiana and management said they are open minded as they start the process. On May 20th, NI announced it opened three requests for proposals (RFPs): one for wind (& wind plus storage), one for solar (& solar plus storage) and one for thermal, stand-alone storage, emerging technologies, and other capacity. Management plans to look at different storage options, including hydrogen. Management noted that its operations are in constructive jurisdictions and that Indiana has just passed the bill preventing cities from being able to ban any fuel (e.g. natural gas ban). Earlier this year, NI filed a general rate case in PA and going forward plans to file rate cases on an annual basis. Management monitors the proposed changes to the tax code and noted that current NOLs go through 2026. Despite the inflation NI continues to expect flat O&M beyond 2021.

NWN - Total capex related to RNG is roughly $200MM-$250MM and only $38MM is currently included in the plan so there is capex upside potential. On the hydrogen project, management noted that it plans to provide next steps by the end of the year. Earlier this year, in Washington state cap-and-trade law was passed and it would require gas utilities and other industries to reduce emissions or pay the carbon price; however, utilities will receive a declining number of free allowances, in order to avoid bidding in the auctions. NWN's CEO is Chairman of AGA's Board of Directors and noted AGA has been in discussion with the Biden administration and that they are very keen on hydrogen and pipeline replacement. On cybersecurity, NWN also noted that AGA likely is spending way more money than they would like to on cyber issues and NWN noted that they can run their system manually if needed.

OGS - The company will file a general rate case in OK by June 30th based on 2020 test year and in OK typically the process takes 180 days so the new rates will likely be effective in January 2022. The rate case will be a separate docket from securitization proceedings so management doesn't expect the impact from higher cost of gas on approval of future rates based on the rate case. Additionally, management doesn't plan to change its long term capex program. Management discussed the securitization bills in

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different states and we will monitor how credit rating agencies will treat the securitization bonds issues by OGS in KS as there may be some differences in treatment between agencies. On RNG, OGS will only focus on regulated investments and could invest capital to bring RNG on its system and blend into gas stream. OGS added a new slide on hydrogen to its presentation, but noted the much longer runway for hydrogen investments. OGS established two hydrogen working groups and is a stakeholder in the U.S. Department of Energy funded project "Demonstration and Framework for H2@scale in Texas and Beyond." On cybersecurity, management noted that they don't feel they share any vulnerabilities the Colonial pipeline attack seemed to highlight.

SWX - Management plans to file the adjustment for VSP and COYL in AZ by the end of May, with estimated requested rate increase of $74MM. There is a potential that the recovery will be split over 3 years. The filing will use the currently authorized ROE and capital structure and the process should take 5-6 months. On cybersecurity, management noted they are working with outside experts, share peer practices and reviews with AGA. SWX added 37,000 new customers in 2020 which is a near time record and customer growth remains strong as people migrate to NV and AZ. SWX plans to continue to use ATM for its equity needs with annual capex around $700MM. Management noted that is customers are looking at options to decarbonize their businesses, including RNG or full hydrogen systems. Growth at Centuri remains strong, but they expect slower growth YOY due to the benefit from emergency work in 2020.

SR - On Missouri rate case, management noted that the rate increase recommended by staff was based on 9.37% ROE and 54.25% equity to capital structure which they view as a positive. Per SNL, total recommended rate increase was $65MM vs requested $111.5MM and typically the final outcome is above the staff recommendations. New rates are expected to go into effect in November. Management noted that during the pandemic and the Winter Storm Uri they worked closely with the Commission which gives them good momentum as they head into this rate case. On energy transition and carbon neutrality by 2050, management noted that the most important driver of lower emissions is pipeline replacement and the rest will be bridged with RNG, hydrogen and other offsets. In Missouri, a new legislation has been just passed (soon should be signed into law) which will allow gas utilities to bring RNG into supply and it provides a rider for immediate recognition. After the Winter Storm Uri, management looks at further diversifying the supply for its gas utilities with potential interconnections on the West side as well as storage. Spire has a history of being an acquirer but its current plan doesn't include any M&A and it doesn't require acquisitions for solid earnings growth.

UGI - Management noted that the recent hybrid equity offering of roughly $200MM was the last piece of the puzzle to finance the Mountaineer Gas transaction and it will only modestly impact the income statement for the next three years as they will not see the dilution until the units convert to common shares. The closing of the acquisition is expected around the end of the fiscal year and they don't see any barriers to complete the transaction. Management expects the LPG business will provide cash to fund the future growth gas utility capex for pipeline replacement. Management spent a lot of time discussing its recent renewable investments, including RNG, bio-LPG and rDME. All these products can use the existing distribution systems that UGI operates which improves project returns and helps decarbonize its system. On a strong 1H21 and guidance revision, management noted that in a normal year UGI earns 110%-115% of earnings in FY1H and reports a loss of 10-15% in FY2H. On hydrogen, UGI noted that it's the main topic at a federal level and that today it is too expensive, but it can shift very quickly with supportive regulations. On the Penn East project, management waits for a decision from the Supreme Court in late June which will be very important and not just for this project. Management continues to look at attractive M&A opportunities.

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Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

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Company Name	Reuters	12-month rating	Price	Price date
Atmos Energy Corp[16]	ATO.N	Buy	US$98.18	21 May 2021
CenterPoint Energy Inc[16,20]	CNP.N	Neutral (CBE)	US$24.71	21 May 2021
NW Natural[16]	NWN.N	Neutral	US$53.07	21 May 2021
NiSource Inc.[13,16]	NI.N	Buy	US$25.42	21 May 2021
ONE Gas Inc[16]	OGS.N	Neutral	US$74.01	21 May 2021
Southwest Gas Holdings[16]	SWX.N	Buy	US$66.25	21 May 2021
Spire Inc[16]	SR.N	Buy	US$72.74	21 May 2021
UGI Corp[16,20]	UGI.N	Buy (CBE)	US$44.54	21 May 2021

Source: UBS. All prices as of local market close.
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Industry Update — May 20, 2021

Utilities

Virtual AGA Financial Forum Takeaways

Our Call

On 5/19 & 5/20, we met with 25 utility companies at the 2021 AGA Virtual Financial Forum. The tone of the meetings was much different than last year's conference as COVID impacts have proven manageable and anti-gas concerns have abated, at least to a large degree. Further, the heavy capex cycle continues with support for infrastructure investment across the board (resiliency, de-carbonization, growth, etc.). Please see the body of the note for company-specific takeaways.

What A Difference A Year Makes. We sensed a clear shift from defense to offense in comparing the 2020 AGA Financial Forum to this year's conference. Gas utilities appear to be on much more solid footing as (1) winter storm Uri highlighted the value of the gas distribution system, (2) CNP's LDC sale delivered a bullish valuation marker and confirmed private equity interest, (3) gas emission strategies are advancing with growing momentum for RNG and hydrogen, and (4) it's been a good year for energy choice legislation.

System Redundancy/Supply Diversity. The February cold snap has elevated discussions around investment opportunities to improve system resiliency, which could include LNG projects along with pipeline and storage investments. While mgmt. teams were not necessarily touting meaningful upside to near-term capex plans, there's no shortage of investment opportunities.

Federal Legislation. Utility executives remain somewhat reserved as legislative proposals are fluid, with most of the attention on potential changes to clean energy tax credits (direct pay credits would be bullish) and changes to the corporate tax rate. Front-runners appear to be broader ITC eligibility for battery storage and support for hydrogen. We did not sense as much momentum for RNG tax credits though substantially all of the gas utilities are exploring and/or pursuing opportunities.

Capital Recycling? Investors were keen to get mgmt. teams' reactions to the CNP LDC sale price and, more so, whether the nearly 2.5X rate base multiple has Boards reevaluating their own gas utility assets. While we sensed a general openness toward divestitures among some of the mid/large cap companies, it was more characterized as a good option to have at some point in the future.

Rate Cases Still Sensitive. While executives are seeing a lot of support for infrastructure investment, we still sensed a heightened sensitivity to seeking base rate increases in light of lingering customer hardships tied to COVID. Companies with notable rate case activity this year include the following: AEE (MO), AQN (MO), BKH (CO/IA/KS), D (SC/VA), NI (KY/OH/PA/MD), NJR (NJ), OGS (OK), SR (MO), WTRG (PA) and XEL (CO).

Inflation Arises as Potential Concern. Investors pushed companies on inflationary pressures on operating expenses and, perhaps more so, capital costs (particularly on renewable projects). The near-term risk seems manageable as many costs are already locked-in but could prove problematic longer-term, particularly in terms of capex budgets and the upward pressure on rates, if inflation does not prove to be transitory. Further, more ROEs could be pegged to long-term interest rates - DUK was able to do this in FL and XEL will likely consider it in the upcoming NSP MN rate filing.

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Algonquin Power & Utilities Corp. (AQN/Equal Weight/$15.48) (Kalton)

Per usual, lots going on at AQN. Mgmt. expressed strong confidence in achieving the 5-yr 8-10% EPS CAGR target noting that the underlying $9.4B of capital investment that supports the growth is front-end loaded (quite a bit locked in). Regulated utility M&A remains an important growth lever although it sounds like the company is currently standing down from the natural gas LDC market owing to a bias towards cleaner energy (ESG). Conversely, AQN will entertain acquiring electric utilities that own fossil fuels if mgmt. perceives there to be a viable path towards "greening the fleet" (mgmt. pointed to the Empire District Electric acquisition as a successful example of this strategy).

Switching to contracted renewables, AQN acknowledged that competition is intensifying driven, in part, by increasing oil major activity. This is particularly true on the asset acquisition front. As a result, AQN has pivoted to a primarily greenfield development strategy (AQN's pipeline is 3.4 GW) vs. a prior strategy that also included project acquisitions. Mgmt. believes experience and skill matter and pointed out that there could be opportunities to bring new entrants in as partners on various projects —the company pointed to the existing Chevron relationship as one example of this.

Ameren Corp. (AEE/Overweight/$84.50) (Kalton)

Transmission was front and center in our meeting. First, while Ameren Missouri's IRP is still pending, we continue to think there is a fair amount of smoke around the Grain Belt Express (GBE). It is our understanding that Invenergy is bidding the $2.5B GBE into the IRP (the project would wheel high capacity factor KS-located wind into MO and points east). Proposed legislation that would have eliminated GBE's ability to use eminent domain did not pass in '21 (the bill stalled in the MO senate once again). AEE indicated that state support could continue to grow should MO-based utilities become involved in the project. We continue to think that the IRP could result in BOT transfer agreements for KS wind + an equity ownership stake in GBE. That being said, we will just have to wait and see as other renewable options could prove to be better.

As for MISO, while the longer-term transmission investment opportunities appear to be enormous, we pressed mgmt. a bit on the competitive process considering AEE does not have a ROFR in MO or IL. Mgmt. noted that the ROFR only applies to new transmission lines; pointing out that some of the solutions could involve expanding capacity on existing rights of way (preferable from a siting/permitting standpoint). Separately, not much new to report on IL legislation (AEE is pushing for continuation of rider recovery plus a change in the formulaic ROE construct for the electric operations). Lastly, recent MO securitization legislation is viewed as a positive development that will provide AEE more flexibility going forward as the company assesses the planned exit from coal—but we do not anticipate any nearer-term implications.

Atmos Energy Corporation (ATO/Overweight)/$98.32) (Akers)

With the TX legislative session set to wrap up at the end of May, we did not sense a lot of consternation regarding the fate of the securitization bill. The Senate version allows a little more time for the Finance Authority to issue the bonds (so a small reconciliation would be necessary), but mgmt. continues to believe there's a lot of support. Assuming passage and timely execution, proceeds could be in hand in early calendar 2022. Beyond securitization, the storm highlighted the value of the company's robust infrastructure investment program and mgmt. expects to see continued support for investments (though likely not material upside from current spending levels). Outside of February storm items, it was the same ATO story characterized by strong rate base growth with a long capex runway, external equity needs targeted via the ATM, and above-average customer growth, particularly in the DFW metroplex. Like many peers, the company is also actively pursuing RNG projects, which would be procured on behalf of customers under the regulated model (mgmt. noted landfills as being a good opportunity for the service territory).

Avangrid, Inc. (AGR/Overweight/$52.29) (Kalton)

Mgmt. expressed optimism across the board siting the recent TX approval of the pending PNM acquisition, substantial progress on the Vineyard Wind 1 offshore wind project, ongoing development of NECEC and the completion of the $4B equity offering (mostly associated with PNM). Mgmt. did not appear to be surprised by the NM Hearing Examiner's comments on the PNM deal including criticism related to performance issues/penalties in several of AGR's northeast utilities. AGR chalked it up, in part, to differences in regulatory "nomenclature" in the various jurisdictions that can be successfully

addressed. AGR touted the strong support underlying the contested settlement in NM including from the Governor and Attorney General.

Shifting to offshore wind, AGR indicated that steel costs represent <10% of total project cost and that the pending Park City wind project is exposed to inflationary pressures until FID. That being said, mgmt. remains comfortable with the return profile pointing to embedded contingencies along with positive factors such as a higher than expected ITC and ongoing technology improvements. Long-term, AGR wants to be a major player in the U.S. offshore wind market and is likely to participate in future seabed lease auctions, including the New York Bight. While acknowledging growing competition from the oil majors, we got the sense that, in totality, mgmt. views recent European offshore wind auctions as still being supportive of reasonable returns.

Black Hills Corp. (BKH/Equal Weight/$66.21) (Akers)

Mgmt. expressed confidence in the $600mm annual capex target, which already contemplates some level of upside projects. While there is good line-of-sight on the gas side, the electric generation investment outlook is subject to the upcoming IRP (early July) and subsequent RFP/CPCN processes. Our understanding is that the base plan contemplates running the coal plants through their engineered lives (WY & SD are coal-friendly), but that the IRP will include an option that complies with the Biden plan (retire by 2035). Beyond discrete projects, BKH discussed strong customer growth across the service territory with a recent uptick tied to urban flight (particularly Rapid City, CO, northwest AR).

Shifting to thewinter storms, we discussed the ~$560mm regulatory asset tied to commodity purchases, which the company intends to recover over a 3-5 year horizon on the gas side and 1-2 years for electric power costs; in the meantime, mgmt. does not expect rating agencies to penalize BKH for the debt (and once recovery kicks in, FFO/Debt metrics rebound). On the non-utility side, mgmt. noted that losses at Energy Services (gas marketing) were an anomaly tied to the extreme gas prices as that business is highly hedged. Lastly, the weather event provides further support for the company's robust gas infrastructure investment program.

CenterPoint Energy, Inc. (CNP/Overweight/$24.70) (Akers)

Our meeting with CNP was one of our most constructive discussions at AGA. The company remains highly focused on consistency while also discussing positive developments since the 6-8% growth plan was initiated in December. These include a better-than-expected LDC sale price and a material move up in ET's unit price (+47% since mid-February vs. S&P 500 6%). Further, the company is exploring tax strategies to offset midstream tax leakage and the TX legislature is considering bills that could drive incremental investment opportunities tied to battery storage and economic transmission projects. In the near term, we expect mgmt. will continue to drive to the mid-point of the 6-8% range, though there could be some positive movement should the aforementioned items fully play out. At the very least, we sensed a high degree of confidence in the plan.

We also discussed the strategic landscape. Mgmt. is happy with the pro-forma 60/40 electric/gas split noting that the company's LDC service territories are very constructive. That said, the AR/OK takeout price was compelling and the company characterized future LDC sales as a good option to have.

Chesapeake Utilities Corporation (CPK/Underweight/$116.82) (Akers)

For a small company, CPK has a lot going on, but there is a common theme…growth! Starting with the regulated segment, the company highlighted the FL GRIP and ESNG capital cost surcharge as examples of constructive regulatory treatment for steady investment needs as the Delmarva/FL service territory experiences well above-average growth, which have only been accelerated by market dynamics over the past 6-12 months. While cognizant of high level anti-gas sentiment and potential hurdles at the FERC for large expansion projects, the company is seeing extremely strong support in FL along with local support for service expansions in the Delmarva footprint. The growth opportunities do not stop at the regulated segment as Marlin Gas, the propane/Autogas businesses and Aspire also have a lot of momentum, which includes acquisitions.

We spent a lot of time discussing RNG as CPK is an early mover in that space, which mgmt. attributes, in part, to a local need for Delmarva to deal with the environmental problem tied to the poultry industry. The company discussed a holistic approach to RNG with an emphasis on driving environmental benefits at the source level such that RNG is somewhat of a byproduct (along with

organic fertilizer in the case of poultry facilities as we learned). The third driver of the company's involvement in RNG projects is a tie to CPK's infrastructure, which could include Marlin and/or the pipeline/distribution systems. CPK pegged new RNG investment opportunities in the $50-75mm range, which may not fully capture equity options in CleanBay; for context, the 2021 capex forecast is $175-200mm. On that point, the team is open to a wide variety of ownership structures, but emphasized a disciplined approach (target returns, earnings accretive, geographic proximity, etc.).

CMS Energy Corporation (CMS/Overweight/$63.74) (Kalton)

A typically solid update from CMS. Given limited near-term concerns/issues our discussion touched on some of the longer-term considerations around de-carbonization as it relates to CMS's generation fleet; specifically how to maintain reliability. Hydrogen and carbon capture and sequestration (CCS) were both offered as potential options for the natural gas plants (no CCS for coal) but mgmt. correctly noted that they have plenty of time to figure out the 2035 and beyond resource plan. In the nearer term, mgmt. noted that a potential solar PTC could have positive implications for CMS, but more around customer bill savings vs. investment opportunities. CMS does not anticipate deviating much from the anticipated regulated solar mix of 50/50 self-ownership vs. PPA. Last, CMS's financing plan contemplates up to $250mm of new equity annually. In the event of a federal corporate tax rate increase, which could improve the FFO/Debt ratio by 50-100 bp (assuming a 25-28% rate), mgmt. would not rule out simply maintaining the annual equity guidance. All told, a very solid story and a highly visible path toward the 7% annual EPS CAGR through at least '25.

Consolidated Edison, Inc. (ED/Equal Weight/$78.42) (Akers)

We walked away from our ED meeting with a greater understanding of the assumptions in the EPS guidance and growth outlook. The company has filed for a surcharge to recover lost fees as a result of the COVID-related moratorium. Should the NYPSC grant the company's request this year, it is our understanding that $50mm of lost fees from 2020 would drive recovery of $52mm, or an estimated $0.12 of EPS, and up to ~$70mm, or $0.15, in 2021. However, the 2021 EPS guidance range of $4.15-4.35 already contemplates a range of outcomes on the timing and treatment of lost fees. As such, we'd expect any success on this front to drive EPS toward the upper end of the range. The company is requesting a decision in September, but the timeline and outcome remain question marks; favorably, mgmt. believes the Staff is at least open to considering the proposal. If the filing is denied and the moratorium on fees extends throughout 2021, then we expect EPS would fall near the lower end of the guidance range, all else equal. In that scenario—and assuming fees resume in 2022—we'd expect an outsized increase in 2022 EPS, which would become the base year for the CAGR (currently 4-6% but 3-5% prior to COVID-related EPS impacts). Separately, the EPS, financing and growth guidance also contemplates a range of outcomes on the Stagecoach strategic review—our main takeaway there is that we should not think of potential sale proceeds as being a one-for-one offset to stated equity needs.

The other main topic of conversation was the various growth avenues tied to NY's de-carbonization goals. ED continues to advocate for utility-ownership of renewables though it remains an uphill battle. The company is well-positioned to participate on the T&D side and mgmt. expects more transmission solicitations to come with the Long Island opportunity shaping up near-term (technical conferences followed by an RFP for solutions). Smaller opportunities exist tied to EV infrastructure ($350mm committed with future investments subject to market forces) and storage.

Dominion Energy Inc. (D/Overweight/$77.24) (Akers)

Mgmt. continues to highlight the company's clean energy growth story and the importance of executing on both the financial plan and the investment pipeline (offshore wind, solar program, etc.). Thus far, everything remains on track and potential federal legislation aligns well with the company's priorities. On the regulatory front, mgmt. expects the triennial review to be a robust process that could have a wide bid-ask spread with potential differences arising on the allowed ROE and treatment of fossil retirement expenses, among other items. As a reminder, consistent with past practice, D is requesting period expensing of fossil retirements. While the commission denied such treatment for AEP, D noted that the specific facts and circumstances are unique. More broadly, the company is encouraged by the recent clean energy approvals in VA including substantial solar additions. Shifting to SC, no change from the Q1 update on the rate case—the company believes parties are motivated to settle, but nothing concrete yet. And on the IRP, a final determination is expected on 6/18 with any generation resource needs likely sequencing in the back half of the decade. Lastly, on the LDC side,

mgmt. views the gas utilities as part of the overall de-carbonization story and continues to like the growth profile.

We also discussed the lingering sale process on the remaining ~20% of the gas transmission/storage assets, which includes Questar Pipeline Group. The FTC approval process has proven challenging, which could result in a need to shift to a different buyer. As a reminder, proceeds have been received and the larger slug of assets has already traded hands.

Duke Energy Corporation (DUK/Equal Weight/$102.27) (Kalton)

Mgmt. articulated their argument as to why Elliott Management's "shrink the company" proposal is not in the best interests of shareholders or customers—namely, balance sheet considerations. DUK believes that in order to maintain the desired BBB/Baa2 credit ratings the newly spun-off entities (Carolinas, Florida & Midwest) would need to increase the FFO/Debt ratings at the new entities by 100-200 bp each; requiring ~$6.5B of new equity to eliminate holding company debt (8% dilution). In addition, mgmt. believes there would be dis-synergies related to IT, cyber and back-office functions that could materially impact the value of the proposal. Notably, mgmt. believes NC would be able to assert regulatory jurisdiction over the spins. We are unclear what the next steps are in the process. Mgmt. and the Board have made it clear that they are not amenable to a strategic review or granting Board seats to Elliott.

Mgmt. remains optimistic about the prospects for NC energy legislation (our sense is the Elliott proposal could be helpful in a "circle the wagons" kind of way). As a reminder, the key components are (1) the pace of coal unit retirements, (2) ownership of replacement generation (DUK vs. independent developers) and (3) the regulatory construct (rider mechanisms, etc.). The legislative outcome will shape the pending IRP process in the Carolinas (natural gas generation vs. solar/battery storage vs. offshore). Lastly, offshore wind. DUK continues to take a deliberate approach to offshore with the high cost to customers being the stumbling block (offshore wind plus long haul transmission to the load centers). That being said, our sense is that mgmt. is warming up to offshore (perhaps taking their cues from growing state interest) and has, not surprisingly, engaged in discussions with AGR (owns the Kitty Hawk lease area) and other European developers around potential future partnerships to pursue likely new lease areas off the coast of NC.

Essential Utilities (WTRG/Overweight/$46.86) (Reeder)

We considered the tone of our WTRG meeting to be upbeat. Mgmt reiterated confidence in (1) the longer-term sustainability of the 5-7% growth rate, (2) the constructiveness of the PA regulatory environment, (3) getting the DELCORA deal closed and (4) the M&A pipeline continuing to bear fruit.

The PaPUC is scheduled to take up WTRG's appeal of the ALJ's 4/16 stay of the DELCORA approval proceeding next week (5/26). Mgmt believes commissioners may be willing to act prior to the appeals court process playing out in Delaware County's challenge of the validity of the sale agreement—though deal approval may be contingent on appellate success. In addition, the PaPUC may have a full 5-person slate of commissioners in the not too distant future. The vacancy plus Commissioner Sweet's recently expired term may be on the cusp of being filled in a brokered deal between Gov. Wolf and the senate. The two names that have been floated have good backgrounds which mgmt believes would bode well for the continuation of PA's historically constructive regulatory environment, including the ultimate outcome of WTRG's planned water/wastewater rate case filing in the state later this summer.

Finally, at the federal level, mgmt reiterated that whatever sort of stimulus dollars might ultimately be directed towards water/wastewater, it is not expected to meaningfully impact the growing municipal M&A opportunities. But if the corporate tax rate is increased, it would increase the PA repair tax deduction benefit which could flow to WTRG's bottom line until trued up as part of the next rate case.

Eversource Energy (ES/Overweight/$83.76) (Kalton)

Coming on the heels of the recent (and surprising) CT PURA decision to impose an indefinite 90 bps ROE penalty on CL&P, we spent a fair amount of time discussing ES's CT regulatory strategy going forward. Options could include an appeal and ultimately legal recourse. That being said, mgmt. is treading carefully with the top priority simply being improving the public perception of CL&P. To that end, new CEO Joe Nolan characterized his ongoing outreach, including with Gov. Lamont, as constructive. We will have to wait and see how this ultimately plays out, but it is possible that ES will work to improve the regulatory construct over time vs. opting for a more contentious path (appeal/legal strategy). In the near-term, it would be helpful if PURA provided criteria as to how CL&P

could earn its way out of the ROE penalty—perhaps a possibility is when the ROE penalty is formally imposed in an upcoming proceeding?

Switching to offshore wind, ES does not appear to be interested in the upcoming seabed lease area auction for portions of the New York Bight; characterizing the area as challenging from a development standpoint (the offshore and onshore components). Mgmt. remains highly content with the company's 2,000 MW lease area (~45% secured under contract) and strongly believes offshore wind demand in the Northeast will outstrip supply for the foreseeable future. The implication – ES and project partner Ørsted will remain disciplined in their bidding approach.

New Jersey Resources Corp. (NJR/Equal Weight/$42.49) (Akers)

NJR remains highly focused on the utility and CEV businesses with attractive growth plan at both. Starting with CEV, expansion outside of NJ is going well and potential federal legislation in support of solar (further extension of tax credits, direct pay scheme, etc.) could be beneficial. Of note, if tax credits sitting on the balance sheet become eligible for cash refunds—which mgmt. is not necessarily expecting – then the company could be looking at a $190mm cash influx/acceleration. On the state level, NJR is engaged in the next iteration of SREC pricing—the straw proposal includes a meaningful haircut (net metered projects $85/MWh) and a reset after 3 years, but mgmt. views this as a starting point in a long process.

At NJNG, the company forecasts double-digit rate base and sees legislative (NJ bill voted out of committee) and regulatory avenues for RNG and hydrogen initiatives. Also top of mind is the pending rate increase—while the proposed ~25% increase is likely to face scrutiny, we expect the NJ BPU will continue to be supportive with a reasonable rate increase, equity ratio and ROE (recent LDC outcomes of ~54%/9.6%). Lastly, we sensed some openness to tightening the 6-10% EPS CAGR target, particularly as the company gets greater line of sight on the timing and outcome of rate case resolution, which could come later this year.

NiSource Inc. (NI/Overweight/$25.32) (Akers)

Coming off a challenging few years, mgmt. struck an optimistic tone as the company embraces the execution story ahead. While the 10-12% rate base CAGR is elevated by the current round of renewable projects, the core gas utility growth of 10%+ has a long runway and there could be a second wave of electric generation investments tied to the next IRP. While the absolute resource needs will likely be lower this time around (Michigan City retirement is roughly one-third the size of Shafer), we suspect the mix of contracted/owned generation could favor the rate base model for the next round of projects, which include capacity/peaking needs. With the financing plan de-risked and a strong start to Q1, we are increasingly confident in the outlook and look for positive multiple re-rating as NI rebuilds the track record.

In terms of capital recycling opportunities, we didn't get the sense that potential divestitures are ripe, but mgmt. noted that they are not off the table. Any sale would need to beat the organic plan and/or de-risk the business; that said, the company is currently seeing a lot of support for natural gas across their jurisdictions with energy choice legislation being implemented in IN and considered in KY, OH & PA (that leaves MD and VA).

Northwest Natural Holding Co. (NWN/Equal Weight/$53.64) (Akers)

Our meeting with NWN further highlighted that the company is at the forefront of all things RNG and hydrogen. While these opportunities are not necessarily driving large investment dollars in the near term, that could change over the next decade. The company is pursuing these opportunities under the regulated umbrella with RNG offering more near-term opportunities, but high hopes for hydrogen over the long term—on that note, the company senses a lot of support for hydrogen from the Biden administration. Mgmt. outlined a few different use cases for hydrogen, including a general system blend likely up to ~20%, dedicated hydrogen for industrial processes and new communities and "methanated" hydrogen in which carbon dioxide is added to the power-to-gas process in creating green hydrogen with the end product being compatible with the pipe system (no blend limit). Lastly, mgmt. highlighted the opportunity to use existing gas storage—such as the Mist facility—for both methanated hydrogen and RNG.

Mgmt. expressed optimism regarding investment opportunities at the core utility operations, but continues to expect a 3-5% EPS CAGR with potential upside tied to a ramp of the water acquisition strategy. Activity slowed during COVID, but conversations are picking up and the company remains focused on achieving scale.

NorthWestern Corp. (NWE/Overweight/$63.31) (Reeder)

MT generation was at the forefront of our AGA discussion. Mgmt believes key constituents, aided by recent events that have changed the narrative around relying on power markets, are supportive of NWE's plan to address MT's capacity shortage. This bodes well as NWE seeks MPSC pre-approval of the Laurel gas plant ($250M). Importantly, mgmt indicated Laurel was the key resource in all the scenarios the recent RFP considered and that the plant is scalable beyond the current proposal (could factor into future RFPs). It sounds like the next RFP (launch around YE2021) may be of similar size (around 300 MW?) while a third RFP may be needed to (1) replace the 5-yr 100 MW hydro PPA selected in the recent RFP as well as (2) perhaps address early retirement of Colstrip Unit 4 (NWE's CU4 stake is 222 MW). NWE continues to consider CU4 a critical resource for the region and would like to stave off a premature shutdown later this decade, if possible. That said, NWE would need to be afforded many of the protections that some of the failed Colstrip legislation would have provided if the company is to take on additional ownership. NWE is not actively looking at any Colstrip-related deal.

Two non-generation items of interest. (1) Inflationary pressures—'21 prices are locked in but could impact '22 & '23 if current pressures persist with concerns far greater on the capital deployment side versus operating costs. (2) We believe the key '21 regulatory proceedings in MT (PCCAM baseline reset, further deferral of the electric decoupling pilot effective date and Laurel pre-approval), the challenges of using a '20 test year and pandemic related rate sensitivities add up to the next MT electric rate case likely being filed in '22.

ONE Gas, Inc. (OGS/Overweight/$73.61) (Akers)

Securitization is still top of mind as the company works in tandem with OK and KS to move through the process toward timely issuances. While legislation is still pending in TX, the company believes there is a lot of support for the bill, which awaits action in the state Senate. Aside from gas purchase cost recovery, the storm has bolstered discussions on system resiliency/redundancy opportunities including, for example, LNG investments on the core system or on-site for customers, such as military bases or large industrial customers. The February weather event also served to fortify support for natural gas, particularly from customers—such as critical care facilities—that value reliability.

On the emissions front, OGS is taking a deliberate approach to long-term targets with a goal of articulating an actual plan rather than simply aspirational goals. The company is currently evaluating both the supply (landfill and wastewater treatment facility projects along with farm-based opportunities via the alliance with Vanguard Renewables) and demand (customer driven and, potentially, broader regulatory support) picture with more detailed plans to follow. We view this as being consistent with OGS' conservative and thoughtful approach.

South Jersey Industries, Inc. (SJI/Equal Weight/$25.97) (Akers)

AGA provided a good opportunity to dive deeper into the dynamics behind SJI's recent capex and growth (5-8% EPS CAGR target) refresh. Mgmt. is very bullish on the outlook for both REV LNG, LLC and RNG opportunities, which combine to drive $500mm of the $800mm non-utility spending plan ($3.5B consolidated capex plan '21-25E). The company touted REV's largely fee-based model with exposure to secular growth areas, such as maritime RNG/LNG opportunities and virtual pipeline services. In terms of new RNG investments, mgmt. is comfortable that the low carbon fuel standard (LCFS) market is stable and potentially expanding to additional states; the company is also looking at opportunities to layer in 3-5 year LCFS hedges.

While bullish on the competitive RNG market, mgmt. is also encouraged by activities in the NJ legislature to allow for the rate basing of RNG investments, which would likely shift some dollars to the regulated entity. Sticking with the utility, the company is seeing strong demand for natural gas and good support for gas infrastructure investments. While the SJG supply redundancy project has been held up, the company is confident that a decision will be issued by year-end.

Southwest Gas Corp. (SWX/Equal Weight/$66.97) (Akers)

Mgmt. was upbeat on both the regulated and construction sides of the house. While acknowledging regulatory lag as an issue this year, the company has a strategy to improve the earned ROE via the upcoming $74mm rider catch-up filing in AZ and rate case filing in AZ and NV planned for 2H'21 or early '22. Regarding the rider filing, we were encouraged to hear that the ACC actually advised the company to make such a filing during the last rate case. As such, it may not be as contentious as we previously feared. Separately, the company is seeing signs of a strong economic rebound with further re-opening ahead.

Shifting to construction, SWX highlighted the strong spending trends among utility customers along with an openness to acquire, particularly in the unionized electric segment. This could push construction's mix to above the 30% mark, which seemed to be a consideration but not necessarily a concern. In terms of valuation, mgmt. sees a disconnect between SWX's stock price and the sum-of-the-parts value, but endorsed a patient approach (not looking to fix near-term valuation disconnect with permanent strategic change).

Southern Company (SO/Overweight/$64.06) (Kalton)

We were satisfied by SO's explanation of why Vogtle 3 in-service has officially slipped to Q1'22 (from Dec. '21). It has nothing to do with design flaws or equipment failures. Rather, it turns out the pressurizer was set off by a few inches, and so it was shifting a little askew as the plant was being heated up. There was concern that once HFT reached more normal operating temperatures, it could come in contact with the structure that houses it. In order to access the pressurizer and set it in the precise position to accommodate the expected expansion, SO had to take the temperature down. This is easier done now when the temp was only at about half of full operating temp. The good news is that SO will not have to restart the test but can instead ramp the temp up fairly quickly and continue the test from where they were.

SO expects to start heating Unit 3 back up next week and, including the ramp down and back up, the remediation is expected to add 2-3 weeks onto the "in a perfect world" 6-8 week HFT process. The fix does not require a lot of manpower so it is in no way compromising the efforts to ramp up Unit 4 productivity or the Nov. '22 in-service date. SO continues to stress quality over schedule and believes GA regulators share that mindset even if it would ultimately cause additional slippage into Q2'22. We continue to be of the opinion that additional issues are likely to arise between now and fuel load, but we do not think they will be overly disruptive to the project timeline in the broad scheme of things (weeks vs. quarters).

The balance of our discussion was on SO's gas utilities—after all, it's AGA! SO believes the roughly 10% rate base growth is sustainable for years to come and that gas will continue to play a critical role in the U.S. energy mix for decades more. That said (and in response to our question on recent gas LDC takeout multiples), mgmt would be willing to consider the monetization of various gas assets if for some reason equity was needed down the road.

Spire Inc. (SR/Equal Weight/$72.92) (Akers)

Mgmt. was squarely focused on the organic growth story as acquisitions are not of particular interest at recent LDC takeout multiples. In the near term that includes the MO rate case where initial Staff testimony, which includes adoption of the operating company capital structure, provides a reasonable starting point for negotiations. While still early in the process, mgmt. appeared hopeful that a settlement could be ultimately reached noting a continued focus on regulatory relationships. Outside of the regulatory process, the company discussed the value of redundancy/supply diversity investments including the STL Pipeline with additional opportunities being evaluated for western MO and AL. Lastly, the company discussed opportunities tied to RNG, which could include rate base and commercial options. Within SR's footprint, MO appears to be the most supportive at this stage (legislative and regulatory proposals) though the company is also seeing signs of industrial interest in AL.

WEC Energy Group Inc. (WEC/Overweight/$95.52) (Kalton)

Mgmt. characterized the long-term investment opportunities as being as robust as they can remember. Upside drivers heading into the 5-yr capex refresh, which is rolled out in conjunction with Q3 earnings and the EEI Financial conference, include solar/battery storage (no surprise) and

generation resiliency-type spend (mgmt. indicated that the recent polar vortex is prompting the company to critically evaluate winter generation needs). Separately, WEC indicated that a federal proposal to allow solar developers to opt for a PTC could open up both regulated and non-regulated investment opportunities (to date, solar only qualifies for the ITC). On the regulated side, such a move would remove the tax normalization impediment associated with the ITC and allow regulated utilities to accelerate the flow back of tax credit savings to customers (under the ITC, utilities must flow back the savings over the 25-30 year life of the asset). As for Energy Infrastructure, mgmt. indicated that they have turned down several attractive contracted solar opportunities because the earnings profile did not align with the company's preference (the PTC option would eliminate this concern).

Lastly, we spent several minutes discussing the long-term outlook for the company's newer coal facilities at the Oak Creek site (the 1,400 MW Elm Road Generating Station). Mgmt. views the baseload plant as sitting in a critical position on the grid and believes there is a future for the facility even in a de-carbonized world. Long-term options could include conversion to natural gas (and ultimately hydrogen) or carbon capture and sequestration.

Xcel Energy Inc. (XEL/Equal Weight/$71.58) (Kalton)

Mgmt. expressed confidence in the timeline and stakeholder support for the proposed Colorado Transmission Expansion ($1.7B base spend with $0.5-1.0B upside). Permitting/siting is not expected to be a major issue as most of the project is located in highly rural areas. XEL expects PSCo will rate base a portion of the 5,500 MW of new renewables associated with the project—rough target of 50% ownership and the renewables could begin to phase in as early as the latter years of the '21-25 period (depends on the transmission build). On the rate case front, XEL is prepping for filings in CO (June/July) and MN (late '21). Mgmt. thinks both cases will be relatively straightforward with CO being a one-year filing (currently the preferred course in the state) and MN a three-year plan. While the allowed ROEs are always a key issue, XEL pointed out that the current levels of 9.3% (CO) and 9.2% (MN) are already at or slightly below the national average. Given growing inflationary concerns, XEL could potentially seek to peg the ROE to long-term interest rates.

Last, in response to our question regarding the recent strong multiple CNP received for their OK & AR gas LDCs (2.5X rate base), mgmt. expressed content with the current portfolio of XEL's operating utilities as they believe in the long-term viability and growth prospects for natural gas utilities; particularly in cold climates (XEL owns gas LDCs in CO, WI, MN & ND). That being said, we did not get the sense that there would be meaningful logistical constraints in divesting the gas LDCs should mgmt. and the Board ever decide to pursue such a course.

Acronyms:

ACC – Arizona Corporation Commission

AGA – American Gas Association

ALJ – Administrative Law Judge

ATM – At-the-Market

BPU – Board of Public Utilities

CEV – Clean Energy Ventures

CECONY - Consolidated Edison of New York

CPCN – Certificate of Public Convenience and Necessity

DELCORA – Delaware Country Regional Water Quality Control Authority

ESNG – Eastern Shore Natural Gas

EV - Electric Vehicle

FID – Final Investment Decision

FTC - Federal Trade Commission

GRIP – Gas Reliability Infrastructure Program

HFT – Hot Functional Testing

IRP – Integrated Resource Plan

ITC – Investment Tax Credit

IT – Information Technology

LDC – Local Distribution Company

LNG – Liquefied Natural Gas

MISO – Midcontinent Independent System Operator

MPSC – Montana Public Service Commission

MW – Megawatt

NECEC – New England Clean Energy Connect

NJNG – New Jersey Natural Gas

PaPUC – Pennsylvania Public Utility Commission

PCCAM – Power Cost and Credit Adjustment Mechanism

PPA – Power Purchase Agreement

PSC – Public Service Commission

PTC - Production Tax Credit

PURA - Public Utilities Regulatory Authority

RFP – Request for Proposals

RNG – Renewable Natural Gas

ROFR – Right of First Refusal

SJG – South Jersey Gas

SREC – Solar Renewable Energy Certificate

T&D - Transmission & Distribution

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ELECTRIC UTILITIES

Regulateds – Market Overweight
IPPs – Market Weight
Gas/Power Infrastructure – Market Overweight

May 20, 2021

UTILITIES & POWER

AGA conference takeaways; gas LDCs here to stay

The bans on bans exceed the bans; no whiff of inflation

We hosted virtual meetings with 14 utilities as part of the American Gas Association (AGA) this week. Companies had a more constructive tone on the future of their gas utilities. More states are pursuing bans on gas bans than gas bans themselves. Managements better clarified the drastic logistical challenges of full electrification while highlighting actions to reduce gas emissions such as methane reduction and renewable natural gas. RNG was a hot topic as a way to decarbonize natural gas that is more near-term viable than hydrogen. On the electric side, fleet transitions to renewables from coal keep accelerating and transmission growth is increasing LT focus. While we asked about inflationary pressures, the only whiff at this conference was gas, not inflation.

Top stocks from the conference – CNP, NI, PEG

CNP management tells a great story with 6-8% growth driven by 2% sales growth, declining costs and a lot of capex needs. Asset sales and tax shields may yield $1B+ more than initially expected and CNP sees more rate base growth opportunities to put that money to work, especially in TX. An ESG plan and new capex plan later in the year could be a catalyst. NI management finally seems to be exiting the MA overhang and going back to the old NI, including a recent guide-up for 2021. Equity overhang is resolved, regulatory risks appear modest and the IN renewables program is huge and may get even bigger. NI's 7-9% growth is at the top end of the sector and it trades at a meaningful discount. Finally, PEG is nearing the completion of their asset sale plans with the fossil sale expected in July. We see more visible LT earnings and dividend growth once this is done, constructive NJ regulation, and some offshore wind upside. With no coal exposure, we see PEG re-rating to a premium.

One-liner takeaways:

AEE – Renewables and transmission upsides possible as year goes on.
AGR – Equity done. Sticking w/ CT settlement. Offshore returns intact w/ inflation.
CMS – IRP next month, focus on coal retirement acceleration w/o securitization.
CNP – Strong tone; tax strategies sound promising; TX rate base upsides
ED – Hoping for higher growth via clean capex; Stagecoach resolution not far off.
D – Laser focused on execution; offshore wind on track despite inflation concerns
DTE – Spin 7/1. DTM sees $1.5B capex driving ~$1B in EBITDA needed for IG.
DUK – Confident on its outlook; no interest in pursuing any part of Elliott plan.
ES – Working on improving CT reg relations; sees mid-teen offshore wind ROEs.
NI – More confident tone on plan, starting to sound like NI of old
PEG – Convicted in fossil sale outcome. Feel good on fed/state nuke support.
SO – Slippage in Vogtle Unit 3 COD schedule but expects by end of 1Q22.
WEC – Renewable adds ahead of plan. Potential EPS upside after '22 WI cases.
XEL – Feel good about getting all incremental capex put in the base plan.

Exhibit 1: Attending Companies

Ticker	Company	Rating
AEE	Ameren	Outperform
AGR	Avangrid	Underperform
CMS	CenterPoint Energy	Outperform
CNP	CMS Energy	Peer Perform
ED	Con Edison	Underperform
D	Dominion Energy	Outperform
DTE	DTE Energy	Peer Perform
DUK	Duke Energy	Peer Perform
ES	Eversource Energy	Outperform
NI	NiSource	Outperform
PEG	PSEG	Outperform
SO	Southern Company	Peer Perform
WEC	WEC Energy Group	Underperform
XEL	Xcel Energy	Peer Perform

Source: Wolfe Utilities & Power Research

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Company Summaries

Ameren (AEE – OP): Busy rest of year

- AEE anticipates key updates on all of its businesses over the remainder of the year, starting with IL legislation this month, MO renewables filing sometime this year, intervenor testimony in MO rate case this Sep and a MISO MTEP report in Dec that could include potentially new transmission projects for AEE.
- The main focus was on transmission. AEE does not know which projects will be in the annual MTEP report this Dec, but the company is optimistic and saw some "no regrets" projects in MISO's preliminary report earlier this year. Some projects in the MTEP report could clearly be AEE's – in its service territory and not up for competitive bid. But at this point AEE can't say which projects or the magnitude of the investment. Expect more clarity by yearend or early 2022.
- On IL legislation, AEE is working on getting energy policy done by the session deadline of 5/31. AEE has its proposal to extend and modify performance-based ratemaking (Downstate Clean Energy Affordability). AEE said energy policy broadly is a priority for lawmakers.
- AEE continues to negotiate with developers on incremental renewables included in its 2020 MO IRP and subsequent RFP; AEE still expects to file by yearend CCNs for some of the ~$3B of new renewable investment opportunities in 2021-30.
- AEE's in the early days of its MO rate case ($299M rate increase, 9.9% requested ROE, 52% equity); intervenor testimony is on 9/3. AEE has settled the past few rate cases; they have tended to come after intervenor testimony. Although there is no guarantee parties will settle this year, we are optimistic given the trend.

Avangrid (AGR – UP): Equity overhang over and PNM progress; Still working on CT resolution

- Last week AGR secured its $4B of equity needs at no discount – Iberdrola took the majority ($3.26B) to maintain its 81.5% stake in the stock, while top-Iberdrola shareholder Qatar Investment Authority took the remainder ($740M). To the positive, this removes an overhang and was done at a good price. The only downside is it does nothing to improve the liquidity of the stock. Equity needs are now satisfied through 2022. Longer-term, AGR is looking at "non-debt" financing of $2B in 2023-2025 that could include more equity, hybrids, renewables asset recycling.
- On the PNM merger specifically, the deal is approved in Texas. In New Mexico, AGR already has 11 parties on board and just responded to the NMPRC Hearing Examiner with information on past customer service issues. Closing is still on track for 2H21.
- The comprehensive rate settlement in CT that was rejected by the PURA has been a focus area. The settling parties, which include the CT Governor and AG, filed a reiteration yesterday that the terms are in the best interest of ratepayers. A response from the PURA is expected by the end of Q2.
- With inflation in focus, AGR believes it is well-positioned, particularly with Vineyard Wind. The company is able to leverage Iberdrola's procurement capabilities. Steel is also only about 10% of total cost. In two months time the project should be in a position where costs are largely locked in. With positives like better tax credits and larger turbines, mgmt. still feels good about the project economics. FID and construction start are both expected in 2H21.
- NECEC transmission is also on track, with construction underway, and a court decision last week lifting a stoppage on one-third of the line.

CenterPoint (CNP – OP): A lot to like about where this company is headed

- CEO Lesar added a few interesting anecdotes re the recent LDC sales. After talking with leading bidders to get a sense of their view on the gas LDC business generally, there were three things in common: 1) great assets with great cashflow and long-dated capex plans; 2) scarcity value given challenges to permit and build new systems; 3) will play a big role in a hydrogen economy. He also noted that there were four final bids right on top of each other, suggesting that the 2.5x rate base valuation was not an outlier by any means.

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- CNP provided some more color into tax strategies that the company is working on to help reduce tax leakage on future ENBL/ET sales. Management spoke specifically to repairs tax deductions which CNP previously didn't avail itself to. Effectively, CNP will be able to realize a large one-time catch-up deduction for capex that was previously capitalized but was eligible to be expensed during the 2018-21 period. No specific level of tax savings was provided, but management said they wouldn't be talking about it if it wasn't meaningful.
- In total CNP could be looking at close to $1B of extra proceeds from the LDC sales, ENBL/ET monetization and from tax savings vs what was originally contemplated at last year's Analyst Day. Most of this would go toward funding the $1B of contingency capex that is above the current $16B capital plan. CNP expects to have more clarity on where the capex will go in company after the TX legislative session, where several bills are pending that could accelerate growth at CEHE. We expect a robust 10-year capex outlook later this year when CNP unveils its net-zero plan.
- There are three bills we are watching at the TX legislature which could impact future capex at CEHE: 1) HB 1607 which would adopt an economic dimension required to site new transmission; 2) SB 415 which would allow TDUs in TX to own 100 MW of storage collectively; 3) HB 2483 for which would allow TDUs to lease and earn a return on facilities used for emergency power restoration (e.g., fuel cells, batteries, generators, etc.). Relatedly, on the TX securitization bill CNP still feels optimistic about it passing in the current session.
- Commentary on the ability to reduce O&M 1-2% annually for the foreseeable future sounded promising. CEO Lesar noted it is something that is "absolutely doable" at CNP.

CMS Energy (CMS – PP): Everyone's waiting on the IRP filing

- The much-awaited Integrated Resource Plan in Michigan is expected to be filed by June 30. CMS is continuing to look at ways to accelerate the retirement of its remaining coal units at the Campbell site. That said, mgmt. is cognizant of any impacts on reliability, rates, and the balance sheet. On the flip side, CMS is looking to further ramp-up renewables replacement capacity, where it feels it may be able to own more in rate base than the last IRP's 50/50 split with PPAs (that get a financial compensation mechanism). A final decision on the IRP is expected in mid-2022.
- Michigan regulation remains constructive and stable. That said, a recent credit downgrade by Moody's pointed to weakening allowed equity ratios. This may help the company make its case in future proceedings. Securitization has been a tool used for coal retirements historically, however this has weighed on the balance sheet as well, with Moody's imputing over $1B in debt related to Karn and Classic 7. So that being said, CMS seems to be looking at other ways to go about any additional coal plant retirement accelerations this time.
- Mostly status quo on the non-utility businesses. Enterprises is well-contracted and Enerbank is seeing steady origination growth. CMS wants the non-utility growth to keep up with the regulated utilities, while also maintaining a 90/10 business mix split.
- Financially the year is off to a strong start. EPS growth is primarily being driven by already decided rate relief and cost performance seems to be tracking ahead of plan thus far.

Con Edison (ED – UP): Looking for a leading role in the clean energy future

- Under new CEO Tim Cawley, he noted ED's strategy would largely remain the same as those under his predecessor. Tim is most focused on participating in the clean energy future in NY through energy efficiency, EVs and hopefully utility ownership of renewables/storage. Consistent dividend growth and potentially a higher earnings growth profile are also a focus.
- The biggest variable in ED's 2021 guidance will be whether the PSC approves its petition for a surcharge mechanism to recoup $52M foregone late payment revenue from 2020. ED made the filing because it has conviction on getting approval, though its unclear how/when the PSC will issue a decision (ED requested by Sept.). Given that the legislature just extended the moratorium for collecting late payment fees through YE, it's possible ED will finish somewhere in the lower half of its range absent approval from the PSC on the surcharge mechanism.
- ED expects to provide a formal update on the Stagecoach sale process in the next six weeks or so. Proceeds from a sale, which likely will be close to the $667M book value after the recent write down, aren't expected

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to materially impact this year's equity plans (up to $800M, timing uncertain). $500M of debt at Stagecoach would need to be paid down. Relatedly, ED will also look to move on from MVP too once/if it gets completed in 2022.

- Given the aggressive push for electrification in NY, Tim addressed implications for ED's gas LDCs. He noted the transition would take some time and that the company is looking to non-wire solutions (EE, heat pumps, etc.) to help offset increasing demand given supply constraints. That said, ED's electric business would be a big beneficiary given the significant buildout of electric infrastructure that would need to take place to facilitate all the new load.

Dominion Energy (D – OP): Name of the game is execution

- There weren't any major updates from D's Q1 earnings call. The big focus for management continues to be consistent financial execution on a quarterly/yearly basis. The biggest part of the investment proposition for D is the size and visibility of its green/decarbonization capex plan – potential for $72B over the next 15 years, most of which is eligible for recovery under riders.
- With a heightened focus on inflationary pressures, we asked management how this might be impacting D's 2.6 GW offshore wind project. While spot prices for steel and other inputs are up, D believes higher capacity factors vs what was initially projected could help offset some inflationary pressures. Ultimately, D remains confident on meeting its $80-90/MWh LCOE target for the project, which is well below the $125/MWh cap per VA law (anything under shall be presumed prudent in the eyes of the SCC).
- Management provided some helpful perspective to the pushback that we most often receive on D's stock – i.e., that the VA legislative/regulatory environment isn't as constructive as it has been historically. Management pointed to the fact that despite headline noise at the legislature, the end results have been constructive (e.g., GTSA in 2018, VCEA in 2020). D sees no evidence of that changing and believes VEPCO's current triennial case is a very strong and defendable filing.
- Management said it took note of the CNP LDC sales (2.5x rate base) but that it is happy with D's current asset mix. D likes its gas LDCs given natural tailwinds from customer growth and their constructive regulatory constructs.
- One frustrating item has been the delay in closing the Q-Pipe transaction. If it were to not get HSR approval, D is confident that it will be able to remarket and sell Q-Pipe to another party this year. D sees no impact to operating earnings under any scenario.

DTE Energy (DTE – PP): Steady as she goes for RemainCo; showtime for SpinCo

- DTE Energy is off to a strong start this year and is already starting to build contingency for 2022-2023. The regulatory calendar is light this year. Voluntary renewables customer interest remains robust. Once beyond the midstream spin, DTE expects to tell the same story – highly achievable 5-7% EPS and dividend growth. Later this year we could potentially start to hear on accelerated coal retirement potential.
- As expected, much of the focus is now on DT Midstream. The spin date is targeted for July 1, with the stock starting when-issued trading two weeks prior. Once the SEC gives the green light, DTM should be able to give more forward-looking guidance during the pre-spin roadshow.
- DTM is in the midst of a debt raise and the rating agencies just came out with a sub-IG credits (BB+/Ba1). The company seemed to be expecting this, as the lack of scale was the primary inhibiting factor. That said, mgmt. sees the business as self-funding – at least 2x dividend coverage, minimal maintenance capex ($30-40M/year), and no new debt needs after starting just north of 4x leverage.
- The goal is to get to an IG rating and mgmt. believes the necessary scale is ~$1B in EBITDA. While this implies over 30% growth of the midpoint of 2021 guidance, DTM believes this is achievable based on its $1.2-1.7B organic capital plan (implying a ~6x EBITDA multiple)
- In terms of where this growth is coming from, DTM pointed to offshoot opportunities tied to the recently placed in-service LEAP pipeline. The company sees significant drilling across a number of producers in the Haynesville, as well as demand strength driven by LNG exports (Sabine and Global Venture) and industrials in the Gulf Coast. LEAP is currently contracted up to 1 Bcf/d, but DTM sees the opportunity for this to double.

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There also seems to be growth specifically tied to Indigo, as well as smaller organic opportunities in both the Haynesville and Appalachia.

Duke Energy (DUK – PP): Digging in their Tar Heels

- DUK elaborated on its response to Elliott Investments' letter earlier this week, highlighting its accomplishments and confidence in its outlook, while describing the significant hurdles to Elliott's proposal to split the company into three.
- DUK argued a breakup would have credit quality implications: a higher downgrade threshold for each of the smaller companies than DUK's current parent rating (12-13%).
- DUK also pointed to dis-synergies; standing up two new companies with corporate functions would require $500M per company; coupled with the higher downgrade thresholds, more equity would be needed, potentially reducing EPS by around 20% and raising the dividend payout.
- DUK noted agreements in the Carolinas dating back to its Progress merger that give NC/SC the right to block actions if there is risk to Carolinas operations; DUK generally sees an extensive regulatory approval process.
- On NC legislation, DUK continues to feel optimistic about a first draft bill this summer, but there is no legislative deadline. The key items expected in the legislation are 1) the pace of retirement of coal (how many MW and by when); 2) ownership of the replacement power (how much will utility own); and 3) regulatory framework.

Eversource (ES – OP): Not going to CT and run from improving relations

- ES CEO Joe Nolan is working to improve regulatory relations in CT, meeting with key state leaders and regulators. The temperature has dropped considerably since last summer, and he expects progress.
- A 90bp ROE penalty is expected in the interim rate decrease proceeding this summer. PURA staff last month recommended a 6.10-8.41% ROE and 40.5% equity ratio (later corrected to 47.1%) vs ES' current 9.25% ROE and 53% equity ratio. A hearing is set for 5/26, with a proposed interim decision on 8/20. After this case, ES anticipates moving on to the state's other priorities.
- ES reliability is still top decile in CT and sees alignment in the state's policy priorities – grid mod, AMI, etc. – and wants to do a better job highlighting the cost of delivering clean energy.
- On offshore wind, ES recently conducted a review of its three pending projects with Ørsted and still sees mid-teen equity returns; the delays in siting last year were not all bad, given progress on wind turbine size and the supply chain in the US, as well as the tax credit extensions last Dec. The project materials have largely been locked in and prices have been hedged. Higher costs were incorporated in ES' recent review.
- The Biden Administration has taken supportive action on offshore wind, and ES meets with BOEM regularly. ES will get more visibility from BOEM on the pending projects' EIS and COP schedules. ES anticipates future bids in CT, NY and RI. ES will not deviate from its return targets.
- ES will include offshore wind earnings in its EPS growth outlook once the schedules are firmed up, which should be known later this year. We anticipate offshore wind will be in ES' EPS growth target on the YE21 call.

NiSource (NI – OP): Got its mojo back

- The tone from NI's management was the best we have heard in years. Recent positive developments include minimal COVID impacts in Q1 resulting in revised 2021 guidance to the upper half, PA rate case which was resolved constructively and a significant de-risking of the company's financing strategy following the recent equity unit offering. CEO Hamrock noted he "couldn't be more confident than I am right now looking forward" and sees the company getting back to the NI of old where meeting/beating financial expectations was the norm.
- On the topic of asset sales, management said that it is always actively exploring opportunities. That said, each LDC is growing rate base at 10%+ currently and NI no longer has a block equity need. As such, we don't expect any action here in the current planning period. Management said it is an option that will certainly

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stay on the table and we think would likely be more opportune when the time comes to add replacement capacity for Michigan City in the second half of the decade.

- NI launched an RFP earlier today which will help identify replacement capacity options for Michigan City. The Michigan City unit has 469 MW of capacity to replace, which is about 1/3 of the size of Schafer. NI noted it hopes to own more than half or all the replacement capacity.
- When the time comes to remarket the convert in late 2023, NI said its expectation is that the existing equity unit holders would participate again. This was encouraging to hear given that it would remove the possibility for an equity overhang on the stock when the time comes.
- NI said it was seeing limited inflationary pressures in its business at this point. For the renewables, cost overrun risk isn't really borne by NI since the projects are being developed by third parties.

PSEG (PEG – OP): Lots in the hopper, but some near-term resolutions upcoming

- Most in focus at PEG is the pending asset sales, with the solar portion recently announced for $500-600M. Closing is expected in the next few months. The bigger and more important fossil sale is still pending and going as expected. Mgmt. anticipates second round bids in June and a likely sale announcement in July. The upcoming PJM auction will be a data point for some of these assets (4 of 6 CCGTs), but this doesn't appear to be a concern. The CCGTs also have value based on their spark spreads and the PJM auction dynamic beyond this one remains fluid as it relates to the MOPR.
- PEG is acknowledging that the asset sales will result in taxable gains due to bonus depreciation on some of the new assets. However, it continues not expect significant dilution. From a use of proceeds standpoint, PEG continues to point towards debt paydown at Power, the utility capital program, future offshore wind investment, and parent debt paydown.
- Once beyond the sale, PEG should be in a position to lay out a longer-term outlook as it is 80-90% utility earnings (we sense near the high-end pre-offshore wind). Serious consideration is being given to providing a long-term earnings and dividend growth rate.
- The recent unanimous decision by the NJ BPU to extend the nuclear ZECs another 3 years was constructive and less controversial. There seems to be solid interest in the state for a longer-term solution. An PJM FRR study is also due at the end of the month. However, PEG's commentary on federal interest in nuclear support also sounded constructive. It seems that there is a general acceptance in Washington, with the debate more around the details/structure.
- PEG still feels good on returns on its Ocean Wind offshore wind investment. As of now, they are not part of the second New Jersey offshore wind solicitation. However, the company does figure to participate in the offshore transmission competitive solicitation. Mgmt. pointed to the potential investment as being in the hundreds of millions rather than billions.
- Not much new on the transmission front. PEG is still in discussions with the BPU on an ROE agreement. FERC Chairman Glick doesn't seem to be backing off the recent disappointing NOPR to end the RTO adder, but PEG expects RTOs/TOs to make the case otherwise.

Southern Company (SO – PP): One day, the AGA meeting won't be focused on Vogtle

- As has been the case at any investor conference/call for years, most of the focus at AGA was on Vogtle 3 and 4 construction. This AGA meeting was focused particularly on SO's recent VCM testimony, which included a delay in Unit 3 COD to Jan 2022 at the earliest.
- SO provided detail on the recent slippage of its Unit 3 schedule (was Dec 2021 last month). Hot Functional Test began on 4/25 and was expected to take 45 days but now will take 2-3 weeks longer, as the team identified something anomalous related to the pressurizer, leading to a reduction in the temperature during the test. Still, SO plans to increase the temperature in about a week and eventually get to the max temperature (over 500 degrees).
- SO previously identified remediation work; about 60% was completed before HFT began and the remaining 40% will be completed during HFT and before fuel load this fall. SO also pointed to an issue with the spent fuel pools, but it is not critical path to HFT and will be corrected before fuel load.

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- SO expects the GaPSC Staff testimony next month to focus on the remediation work that is left to do on the electrical commodity work. But SO believes there will be some convergence on the deadlines.
- SO anticipates providing more visibility into its fleet transition with the GA IRP filing in Jan 2022 and discussions in AL.

WEC Energy Group (WEC – UP): More convicted than ever coming off strong Q1

- WEC was one of the few utilities to already point to the high-end of guidance in Q1, as a result of strong operational/financial execution, particularly during the extreme winter temperatures. In Wisconsin, WEC has reached a well-supported rate case stay-out agreement. The WI PSC has been encouraging of settlements and will vote on this agreement in the coming months. Once beyond the rate cases scheduled for next year, it seems that WEC's growth rate could have an upward bias.
- Part of the driver for the upward bias in the growth plan, has been ahead of schedule renewables investments. WEC has already laid out $2B in rate-based renewables investments at the WI PSC. Further, the company is ahead of schedule on its non-regulated contracted wind farm plan, while returns have remained steady or even gotten better.
- WEC is also very focused on the ESG front after recently laying out more aggressive CO2 and methane reduction goals. Importantly, WEC now sees a path to coal being less than 10% of assets/revenues by 2025. At the gas utility, WEC is looking to invest in pipelines that will accommodate renewable natural gas to reduce methane, though investment in RNG production itself doesn't seem to be of interest just yet.
- Finally, WEC is not overly concerned on the looming end of the Illinois legislative session. There is a bill proposed that would end the QIP rider for gas utilities, however nuclear subsidies and lobbying reform have been much more in focus. Further, WEC sees annual rate case filings in Illinois with forward test-years as a workable solution as well.

Xcel Energy (XEL – PP): Incremental capex case starting to sound like the new base case

- We got a chance to chat with incoming CEO Bob Frenzel. Bob noted that he and current CEO Ben Fowke are very aligned on the strategy for XEL and there should be no expectation of a pivot under his leadership. Bob sees a lot of pent-up demand for capital across XEL's footprint, but his focus is to pace it such that customer bills stay manageable. We got a sense of high confidence on XEL's 5-7% EPS growth rate over the long-term. Once Ben retires in August, he will stay on as executive chair where his focus will be on federal policy initiatives.
- XEL feels good about getting approval for some of the items that currently represent upside to its base capex plan. On the CO Pathway transmission project, its likely that XEL will own the entire project ($700M of incremental capex). XEL also feels good about getting its Sherco solar proposal ($575M) and the Allete wind powering ($210M) approved. If all is rolled into XEL's base forecast, we estimate its rate base CAGR could move to 7.2% vs 6.6% currently. XEL would finance the incremental capex with 50% equity likely through an ATM program.
- On transmission more broadly, XEL expects to have a lot more clarity on capex size by YE or 1Q22 at the latest for future projects in MISO. Being one of the two largest transmission owners in the Upper Midwest, XEL expects to own a substantial portion (has ROFRs in MN and Dakotas). XEL also sees a lot of opportunity in the SPP RTO too at SPS, though SPP is not as far along as MISO in the planning process. Related transmission capex is beyond the current 5-yr window.
- In light of recent asset sales in the sector, XEL mentioned that it is content with its current asset portfolio. Management is pleased with the company's robust organic growth opportunities and external equity needs are manageable within the context of the size of the company. And if certain proposals on the policy front are enacted (e.g., direct payments for tax credits), XEL could see its current equity needs move lower.

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Comparables Tables

Exhibit 2: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$57.76	250	$14,448	22.4x	21.1x	20.1x	19.1x	2.8%	5.9%	62%	2.5x	46%
Ameren	AEE	84.50	256	21,594	22.5x	20.8x	19.5x	18.4x	2.6%	7.0%	59%	2.4x	42%
American Electric	AEP	86.26	500	43,108	18.6x	17.2x	16.3x	15.3x	3.4%	5.7%	64%	2.1x	37%
Avangrid	AGR	52.29	309	16,177	21.8x	21.8x	20.5x	N/A	3.4%	0.0%	73%	1.1x	58%
CenterPoint Energy	CNP	24.70	580	14,338	19.8x	18.5x	17.3x	15.9x	2.5%	7.0%	50%	2.1x	36%
CMS Energy	CMS	63.74	289	18,450	22.3x	20.8x	19.4x	18.2x	2.7%	6.7%	61%	3.2x	27%
Con Edison	ED	78.42	343	26,883	18.4x	16.8x	16.3x	15.7x	4.0%	1.3%	73%	1.4x	43%
Dominion	D	77.24	807	62,296	19.9x	18.7x	17.6x	16.4x	3.3%	6.0%	65%	2.6x	41%
Duke Energy	DUK	102.27	769	78,668	19.9x	18.8x	17.8x	16.8x	3.8%	2.0%	77%	1.7x	42%
Edison International	EIX	57.68	379	21,886	12.8x	12.3x	11.5x	N/A	4.6%	4.0%	59%	1.6x	38%
Emera*	EMA	56.60	254	14,359	20.4x	17.7x	16.9x	16.0x	4.5%	4.0%	93%	1.7x	38%
Entergy	ETR	105.74	201	21,218	17.8x	16.8x	15.7x	N/A	3.8%	6.0%	68%	1.9x	30%
Evergy	EVRG	61.90	229	14,192	18.7x	17.7x	16.3x	15.5x	3.5%	6.0%	66%	1.6x	44%
Eversource Energy	ES	83.76	343	28,769	21.7x	20.2x	19.0x	17.9x	2.9%	6.2%	62%	2.0x	44%
Exelon	EXC	45.74	977	44,696	16.3x	20.3x	19.2x	18.1x	3.3%	0.0%	55%	1.4x	43%
FirstEnergy	FE	37.69	544	20,500	15.2x	14.3x	13.7x	N/A	4.1%	0.0%	63%	2.8x	23%
Fortis*	FTS	55.29	469	25,953	19.8x	18.6x	17.5x	16.7x	3.7%	6.0%	73%	1.5x	43%
NiSource	NI	25.32	392	9,931	19.0x	18.0x	16.7x	14.9x	3.5%	6.0%	67%	1.9x	40%
PG&E	PCG	10.40	1,985	20,645	10.2x	9.2x	8.4x	7.7x	0.0%	N/A	0%	1.0x	33%
Pinnacle West	PNW	85.37	113	9,626	17.3x	17.1x	16.4x	15.6x	3.8%	2.0%	66%	1.7x	44%
Portland General	POR	48.89	90	4,381	18.6x	17.7x	17.1x	16.7x	3.5%	7.1%	65%	1.6x	45%
PPL Corp.	PPL	29.34	769	22,575	14.9x	16.5x	16.1x	N/A	5.7%	0.0%	84%	2.0x	42%
PSEG	PEG	62.58	505	31,609	18.3x	18.1x	17.2x	N/A	3.3%	4.1%	60%	1.9x	48%
Southern Company	SO	64.06	1,059	67,816	19.5x	18.1x	16.7x	15.6x	4.1%	3.9%	80%	2.4x	35%
WEC Energy Group	WEC	95.52	315	30,130	23.7x	22.3x	20.9x	19.7x	2.8%	7.1%	67%	2.8x	42%
Xcel Energy	XEL	71.58	538	38,525	24.2x	22.6x	21.3x	20.1x	2.5%	6.0%	62%	2.6x	38%
Average					**19.0x**	**18.1x**	**17.1x**	**16.5x**	**3.4%**	**4.4%**	**64%**	**2.0x**	**40%**
Average (ex EIX & PCG)					**19.6x**	**18.8x**	**17.7x**	**17.0x**	**3.5%**	**4.4%**	**67%**	**2.0x**	**40%**

Source: Wolfe Utilities & Power Research

Exhibit 3: Gas/Power Infrastructure Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth	Payout Ratio
The AES Corporation	AES	$25.35	666	$16,890	16.5x	15.2x	14.2x	13.4x	2.4%	5.0%	39%
DTE Energy	DTE	140.36	194	27,192	19.8x	18.8x	17.6x	16.6x	3.1%	7.0%	62%
NextEra Energy	NEE	74.29	1,961	145,716	29.3x	27.5x	25.4x	N/A	2.1%	9.7%	61%
OGE Energy	OGE	33.58	200	6,722	15.2x	15.8x	15.1x	14.5x	4.8%	5.6%	73%
Sempra	SRE	135.74	303	41,097	17.0x	16.0x	15.3x	N/A	3.3%	8.0%	56%
Average					**19.5x**	**18.7x**	**17.5x**	**14.8x**	**3.1%**	**7.0%**	**58%**

Source: Wolfe Utilities & Power Research

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Exhibit 4: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	26.35	193	5,080	11.3x	10.3x	10.7x	11.4x	5.0%
NextEra Energy Partners	NEP	66.75	156	10,413	9.1x	7.6x	7.5x	N/A	3.8%
Atlantica Yield*	AY	36.83	107	3,929	10.6x	9.7x	9.0x	8.4x	4.7%
Average					**10.3x**	**7.6x**	**7.5x**	**N/A**	**4.2%**

Source: Wolfe Utilities & Power Research
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 7: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	34.04	245	8,331	8.6x	6.2x	N/A	N/A	9.1%	19.6%	N/A	N/A
Vistra Corp	VST	16.48	482	7,944	10.5x	5.5x	N/A	N/A	5.5%	25.4%	N/A	N/A
Average					**9.6x**	**5.9x**	**N/A**	**N/A**	**7.3%**	**22.5%**	**N/A**	**N/A**

Source: Wolfe Utilities & Power Research

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The bans on bans exceed the bans; no whiff of inflation

We hosted virtual meetings with 14 utilities as part of the American Gas Association (AGA) this week. Companies had a more constructive tone on the future of their gas utilities. More states are pursuing bans on gas bans than gas bans themselves. Managements better clarified the drastic logistical challenges of full electrification while highlighting actions to reduce gas emissions such as methane reduction and renewable natural gas. RNG was a hot topic as a way to decarbonize natural gas that is more near-term viable than hydrogen. On the electric side, fleet transitions to renewables from coal keep accelerating and transmission growth is increasing LT focus. While we asked about inflationary pressures, the only whiff at this conference was gas, not inflation.

Exhibit 1: Attending Companies

Ticker	Company	Rating
AEE	Ameren	Outperform
AGR	Avangrid	Underperform
CMS	CenterPoint Energy	Outperform
CNP	CMS Energy	Peer Perform
ED	Con Edison	Underperform
D	Dominion Energy	Outperform
DTE	DTE Energy	Peer Perform
DUK	Duke Energy	Peer Perform
ES	Eversource Energy	Outperform
NI	NiSource	Outperform
PEG	PSEG	Outperform
SO	Southern Company	Peer Perform
WEC	WEC Energy Group	Underperform
XEL	Xcel Energy	Peer Perform

Source: Wolfe Utilities & Power Research

Top stocks from the conference – CNP, NI, PEG

CNP management tells a great story with 6-8% growth driven by 2% sales growth, declining costs and a lot of capex needs. Asset sales and tax shields may yield $1B+ more than initially expected and CNP sees more rate base growth opportunities to put that money to work, especially in TX. An ESG plan and new capex plan later in the year could be a catalyst. NI management finally seems to be exiting the MA overhang and going back to the old NI, including a recent guide-up for 2021. Equity overhang is resolved, regulatory risks appear modest and the IN renewables program is huge and may get even bigger. NI's 7-9% growth is at the top end of the sector and it trades at a meaningful discount. Finally, PEG is nearing the completion of their asset sale plans with the fossil sale expected in July. We see more visible LT earnings and dividend growth once this is done, constructive NJ regulation, and some offshore wind upside. With no coal exposure, we see PEG re-rating to a premium.

One-liner takeaways:

AEE – Renewables and transmission upsides possible as year goes on.

AGR – Equity done. Sticking w/ CT settlement. Offshore returns intact w/ inflation.

CMS – IRP next month, focus on coal retirement acceleration w/o securitization.

CNP – Strong tone; tax strategies sound promising; TX rate base upsides

ED – Hoping for higher growth via clean capex; Stagecoach resolution not far off.

D – Laser focused on execution; offshore wind on track despite inflation concerns

DTE – Spin 7/1. DTM sees $1.5B capex driving ~$1B in EBITDA needed for IG.

DUK – Confident on its outlook; no interest in pursuing any part of Elliott plan.

ES – Working on improving CT reg relations; sees mid-teen offshore wind ROEs.

NI – More confident tone on plan, starting to sound like NI of old

PEG – Convicted in fossil sale outcome. Feel good on fed/state nuke support.

SO – Slippage in Vogtle Unit 3 COD schedule but expects by end of 1Q22.

WEC – Renewable adds ahead of plan. Potential EPS upside after '22 WI cases.

XEL – Feel good about getting all incremental capex put in the base plan.

Read more...[PDF]

Thanks,

Steve

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If you would like to follow–up with any questions, please email us at Utilities@WolfeResearch.com.

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From: Steve Fleishman <utilities@wolferesearch.com>
Date: May 21, 2021 at 8:18:38 AM CDT
To:
Subject: The Fleishman Daily 5/21/21 - AGA Takeaways, FTS, NI, ETR, EIC Takeaways
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WOLFE RESEARCH

The Fleishman Daily 5/21/21

Utilities: AGA Takeaways, FTS, NI, ETR
Midstream: EIC Takeaways
WEBCAST: Fleish on Fridays, TODAY at 11:00am ET; register here

Utilities

Utilities & Power – AGA conference takeaways; gas LDCs here to stay

FTS – MISO soup bowl full of transmission; mgmt. meetings

NI – Launches RFP to satisfy capacity needs starting in 2024-26, anticipates adding 400-650 MW

ETR – LaPSC approves settlement on FRP extension for ETR; expected

ETR – FERC reverses ALJ recommendation to cut ROE for a system agreement; good reminder

Midstream

Midstream – EIC conference takeaways and tidbits

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Valuation Charts, Models, Arb Spreads

Utilities

Utilities & Power – AGA conference takeaways; gas LDCs here to stay

Click here to view our complete note

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FTS – MISO soup bowl full of transmission; mgmt. meetings

Click here to view our complete note

Massive transmission opportunity at ITC, but exact size/timing vague
We recently hosted meetings for Australian investors with FTS CEO Dave Hutchens and CFO Jocelyn Perry. There remains a keen focus on the U.S. transmission opportunity for ITC, as the Biden administration looks to spark the renewables build-out. Interest further heightened after MISO, ITC's core footprint, laid out a $30-100B long-term investment potential. More details are expected in late-2021, with the MTEP filing. ITC's share/size of opportunity is less clear and timing is likely in the latter half of the decade. For perspective, ITC's share of the MVP lines a decade ago and of current MISO transmission line miles are both just shy of 25%. It remains to be seen if this is a good proxy for the future, but suffice it to say the investment opportunity is robust. In the meantime, there is still a lot to work through on siting, planning, and cost allocation. Taking this all into account, we see valuation as fair. Peer Perform.

NI – Launches RFP to satisfy capacity needs starting in 2024-26, anticipates adding 400-650 MW

- Yesterday, NI launched an RFP as part of its 2021 Integrated Resource Plan
- NI will consider all sources in the RFP process to satisfy its capacity needs beginning in 2024, 2025 and 2026
- The anticipated range across all target areas is 400-650 MWs; NI reserves the right to transact more or less than the target
- The new capacity is expected to replace NI's Michigan City coal unit (469 MW), which is currently scheduled to retire in 2028 though could be accelerated further
- After the Michigan City retirement, NI's electric business will be coal free
- Bid evaluation is tentatively to be completed by 8/20

In our recent AGA meeting with NI, management mentioned that it hoped to own over half or all of the replacement capacity from the RFP.

ETR – LaPSC approves settlement on FRP extension for ETR; expected

- At its meeting this week, the LaPSC approved the FRP settlement between ETR and LaPSC Staff, which was filed last month.
- The settlement among other things extends the FRP by 3 years, sets the allowed ROE at 9.5% with a 50bp band, adds a distribution rider, and caps cumulative FRP base revenue increases for 2022 and 2023 at $70M (excluding riders).
- The final written order has yet to be posted on the LaPSC website.

The approval was expected but is still good to see. LA is about half of ETR. We see multiyear rate certainty for several years both at LA and AR. See our **note** on the FRP settlement for more.

ETR – FERC reverses ALJ recommendation to cut ROE for a system agreement; good reminder

- On 5/20, FERC issued an order on the tariff that governs sales of energy and capacity among ETR's operating companies, reversing the ALJ's initial decision.
- The case dates back to the first half of last decade.
- In an initial decision in 2015, a FERC ALJ found the 10.37% ROE was not just and reasonable.
- FERC's decision yesterday applies FERC's revised base ROE methodology as adopted in more recent Opinions (Nos. 569, 569-A, and 569-B) to the ETR Operating Companies. The order reverses the FERC ALJ's initial decision.
- Separately, earlier this year another ALJ issued a proposed decision cutting ETR SERI's ROE and equity ratio to 9.32% and 48.15% equity ratio after finding SERI's 10.94% ROE and 65% equity ratio were unjust and unreasonable.
- A final decision in the SERI case by FERC has yet to be issued.

We believe the order is a good reminder that FERC does not always approve ALJ recommendations. But it may be a stretch to suggest they'll do the same with SERI, which is less than 10% of ETR's earnings. ETR said in March that the ALJ's recommendation on SERI, were it to be finalized, would be a $0.03 hit to their outlook.

Midstream

Midstream – EIC conference takeaways and tidbits

Click here to view our complete note

Building on constructive Q1 tailwinds. Management teams stayed on message this week at the Energy Infrastructure Council (EIC) conference which followed one of the better earnings seasons we can recall. Companies are optimistic on a return to volume growth but don't see a need to raise capex outlooks given spare capacity on major pipelines. This drove conversations heavily to return of capital decisions – debt paydown, buybacks, and even growing dividends again. The Colonial pipeline was a big topic and largely a reminder of the importance of cyber security. Several companies spoke to efforts to rationalize Permian crude pipeline overbuild but acknowledged this could take a long time to play out. Managements appear to be more seriously assessing ways to participate in energy evolution projects.

Wolfe Events

May 25-26: EVRG non-deal roadshow in Australia

May 26: EIX non-deal roadshow in California

June 8: OGE non-deal roadshow in NYC

June 9: OGE non-deal roadshow in Boston

June 15: NEE fireside chat with CEO Jim Robo

August 10: WEC non-deal roadshow in Boston

August 11: WEC non-deal roadshow in Midwest

August 24: LNT non-deal roadshow in Europe

August 30-31: LNT non-deal roadshow in Australia

September 28-30: Wolfe Utilities & Energy Conference

October 1: AEE non-deal roadshow in Boston

December 6: PNW non-deal roadshow in Australia

Most Popular Reports

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Midstream Proxy Review
Utilities Credit Metrics Outlook
Midstream Credit Metrics Outlook
Utilities 2020 Election Preview

Utility Pension Review

Utility Liquidity Review

Midstream Leverage Report

Utility Proxy Review
Wolfe Midstream Primer

Wolfe Utility Primer

Calendar

Date	Ticker	Event	Case Docket Number	Description
5/28/21	EIX/PCG/SRE	Cost Effectiveness Analysis Results Provided to Parties		NEM 3.0
5/24/21	EXC	Intervenor testimony	21-E-0130	NYPSC SpinCo approval
5/25/21	NYSE	Short Interest Release		
5/26/21	ES/AGR	Hearings; 5/26-28		CT Interim Rate Decrease
6/2/21	ORSTED	Capital Markets Day		
6/2/21	PCG	Alsup status conference re SRV		
6/3/21	EIX/PCG/SRE	CPUC Voting meeting		
6/7/21	SO	Staff recommendation		VCM 24
6/9/21	NYSE	Short Interest Release		
6/9/21	XEL	Rebuttal testimony		SPS rate case - New Mexico
6/18/21	EIX/PCG/SRE	Opening testimony on Issues 2-6		NEM 3.0
6/21/21	NEE	Intervenor Testimony	20210015	FP&L Rate Case
6/21/21	FE	Corporate Separation	17-0974-EL-UNC	Audit Report Due
6/21/21	FE	DCR Audit	20-1629-EL-RDR	Draft Audit Report Due
6/23/21	AGR	Final interim decision	17-12-03RE11	Proposed UI Settlement
6/23/21	XEL	Deadline to file settlement		SPS rate case - New Mexico
6/23/21	ES/AGR	Hearings (second set); 6/23-24		CT Interim Rate Decrease
6/24/21	NYSE	Short Interest Release		
6/24/21	EIX/PCG/SRE	CPUC Voting meeting		
6/24/21	SO	Hearing on Staff testimony		VCM 24

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BofA SECURITIES

NI first take: In-line Q; raise in midpoint of ’21 guidance

NI reported 1Q21 adj. EPS of $0.77 (vs BofAe of $0.77, street at $0.77, and compared to 1Q20 of $0.76). NI narrowed its FY21 EPS guidance to $1.32-$1.36 (vs BofAe of $1.30 and street estimate of $1.33) which is the top-half of the original guidance range of $1.28-$1.36 – we noted this as a possibility given our view that mgmt.’s assumption on COVID impacts was highly conservative. LT EPS growth expectations of 7-9% through ’24 and 5-7% through ’23 remains unchanged. NIPSCO has executed agreement on $2.0B of renewable generation investment representing half of the total generation called for in the 2018 IRP with the remainder coming through PPA. The 2021 IRP process at NIPSCO started in Mar., discussions with stakeholders will take place through Nov. when NIPSCO will submit the report to the commission. We believe the IRP could show that it is more economical to pull forward the retirement of the Michigan City Coal Plant and replace the capacity with renewables.

On the regulatory front, NIPSCO filed to terminate the Electric Transmission, Distribution and Storage Improvement Charge (TDSIC) plan and will file a new TDISC plan on or after Jun. 1. Columbia Gas of PA had new rates implemented in Jan. of this year and filed another rate case in Mar. to support safety and modernization investment – we believe this case will be less contentious than the prior case given timing and the economy rebounding from the pandemic. We reiterate our Buy rating given capital market risks were taken off the table following the $750M mandatory convertible in '24 as well as $750M 'reverse' forward equity offering in Apr, With shares trading at a discount on '23 EPS, we see '24 as compounding the attractive backdrop for shares. Watch for nuances on its '24 EPS as it could very well reposition EPS CAGR ex-Covid impacts and still achieve towards top end or better. On balance, Street EPS remains seemingly too low. We see the setup as particularly attractive; execution and specifically operational performance as key to re-rating at this point. Maintain Buy rating.

NWN first take: Beat with water expansion continuing

Northwest Natural (NWN) reported 1Q21 adj. EPS of $1.94 (vs BofAe of $1.88 and street estimate of $1.83). This compares to 1Q20 adj. EPS of $1.58 with the increase driven by new rates in OR effective Nov. 1, 2020 partially offset by an increase in loss from the gas cost incentive sharing mechanism as a result of Feb. gas prices, higher O&M, depreciation, and interest expense, and increased tax expense related to the net effect of the Oregon Corporate Activity tax and ongoing amortization of tax benefits from TCJA. NWN reaffirmed FY21 EPS guidance of $2.40-$2.60 (vs BofAe of $2.55 and street estimate of $2.51. Higher gas costs were seen in Feb., but NWN’s third=party marketer provided incremental asset management revenues that led to a net benefit to customers of $6.5M. The balance is deferred as a regulatory asset. Impacts of COVID were $1.5M after-tax which is modest given NWN’s exposure to resi and commercial and a majority of the business is decoupled. Water expansion continues – NWN recently closed a transaction near its Idaho Falls utility and is signing agreements for three more acquisition. We continue to view shares as overvalued at a ~3x premium to gas LDC peers despite relatively low EPS growth of 3-5%. Therefore we maintain our Underperform rating.

05 May 2021

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North America
Gas Utilities

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AVA first take: Beat and affirmation of '21-'23 guidance

AVA reported 1Q21 EPS of $0.98 (vs BofAe of $0.83 and street estimates of $0.84). This compares to 1Q20 EPS of $0.72 with the YoY increase driven on the electric side by the rate case in WA, customer growth, and benefits under the Energy Recovery Mechanism. On the gas side, the YoY increase was driven by rate cases in OR and WA, customer growth, and refund related to the 2015 WA rate case. AVA affirmed FY21-FY23 EPS guidance ranges of $1.96 to $2.16, $2.18 to $2.38, and $2.42 to $2.62, respectively. As a reminder, AVA filed its 2021 electric integrated resource plan earlier this year that outlines steps to more toward the goal of carbon neutral supply of electricity by 2027. We view shares as pricey especially considering regulatory risks as AVA files rate cases in relatively more restrictive jurisdictions to return to an earned ROE closer to the allowed by '23 and ongoing fire risks in WA/OR. Maintain Underperform rating.

NJ BPU grants SJG's request to extend IIP procedural schedule to make way for settlement discussions

The NJ Board of Public Utilities (BPU) granted South Jersey Gas' request to modify and extend the Infrastructure Investment Program's procedural schedule as it would allow parties to conduct more discovery and discuss settlement. Docket GR20110726

We look forward to SJI's investor day tomorrow where we expect to see a refreshed 5-year capital plan, rate base CAGR, and LT EPS CAGR. We expect that SJG will make a reasonable assumption on the % of the requested IIP that is actually approved. As a reminder, the request is for a 5-year, $742.5M program – we model SJG receiving 60% of ask which could be conservative given where other recent programs have shaken out.

Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AVA	AVA US	Avista Corp	US$ 46.06	B-3-7
NI	NI US	NiSource Inc	US$ 25.94	B-1-7
NWN	NWN US	Northwest Natural	US$ 54.04	B-3-7
SJI	SJI US	South Jersey	US$ 25.33	B-1-7

Source: BofA Global Research

Price objective basis & risk

Avista (AVA)

Our $44 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the large cap electric group multiple of 18.0x and the gas regulated multiple of 16.5x. Both electric and gas peer P/E multiples are grossed to reflect the group's 5% CAGR to reflect capital appreciation across the sector. We then use a blended electric and gas multiple of 77% and 23%, respectively, for AVA's WA and ID jurisdictions given the composition of its rate base. We apply the gas multiple to its OR jurisdiction as it is entirely comprised of natural gas distribution assets. Meanwhile, we apply an electric multiple to its Alaska subsidiary, AEL&P, as it is a vertically integrated electric utility. We apply a 12.0x multiple to AVA's Corp & Other businesses as we cannot apply a full utility multiple given it consists of investment funds with a lack of visibility in earnings relative to utilities. We stress that AVA does not have any HoldCo. debt, thus no need to net out debt. Lastly, we apply a 1x discount to all AVA's utilities to capture increased uncertainty associated with fire risk and de-carbonization. Risks to upside are 1) improving regulatory relationships, 2) decrease in interest rates, 3) constructive rate case outcomes in any of the jurisdictions. Risks to downside are principally wildfire events in West, which have increasingly spread to PacNW. Risks to downside are 1) operational risks 2) gas regulations attempting to phase out gas LDC usage over time impede growth.

NiSource Inc (NI)
Our $29 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples of 16.6x for gas and 18.0x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex beginning in '22, but acknowledge industrial risk. Also, we removed M&A premium and now assign an in-line multiple to the VA, KY and MD gas utilities as we see gas LDC sale unlikely in the near future. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Northwest Natural Holdings (NWN)
Our $50 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group '23 P/E multiple of 16.3x applied to WA and OR natural gas distribution and regulated storage assets. We further gross up the gas LDC multiple by 5% to reflect capital appreciation across the group. We use a 1x premium in OR to capture decoupling benefits (relatively in line to where the pure-play companies trade), although we believe the long-term outlook is more uncertain. For NWN's gas storage (unregulated), appliance, and asset management business, we apply a 10x EV/EBITDA multiple, in line with comparable asset class, and net out debt. We apply a water utility peer P/E multiple of 27.0x to NWN's water earnings and then net out corporate & other drag (largely SG&A) using a weighted average multiple of 18.6x on '23.

Downside risks to our PO: higher interest rate environment that makes new capital more expensive, contraction of utility valuations, slower economic recovery, and a sustained economic downturn preventing customer growth, de-carbonization efforts, lower capex, poor regulatory outcomes.
Upside risks to our PO: faster economic recovery contributing to customer growth, lower interest rates, constructive regulatory outcomes, and increased capex.

South Jersey Industries (SJI)
Our $27 PO is premised upon our SOTP analysis where we utilize a 16.6x peer Gas LDC utility P/E to SJG and ETG on '23E EPS. We apply a 12x P/E to SJEG/SJES non-regulated earnings stream given variability and limited transparency. For the solar investments we utilize a NPV of investment tax credits at a 4.5% discount rate (in line with peers) to capture the transitory nature and eventual roll-off. We apply a 9x EV/EBITDA to PennEast and assume full project economics in our EPS assumptions, although net out 25% weighting. We utilized a DCF for RNG with NPV of cash flows at 7.4% discount rate. For parent debt we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Downside risks: Interest rates move higher, poor regulatory outcomes, lower capex levels.
Upside risks: Interest rates move lower, constructive regulatory outcomes, incremental capex opportunities, further credit latitude.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also

certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
NEUTRAL				
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Avista Corp (AVA) Price Chart

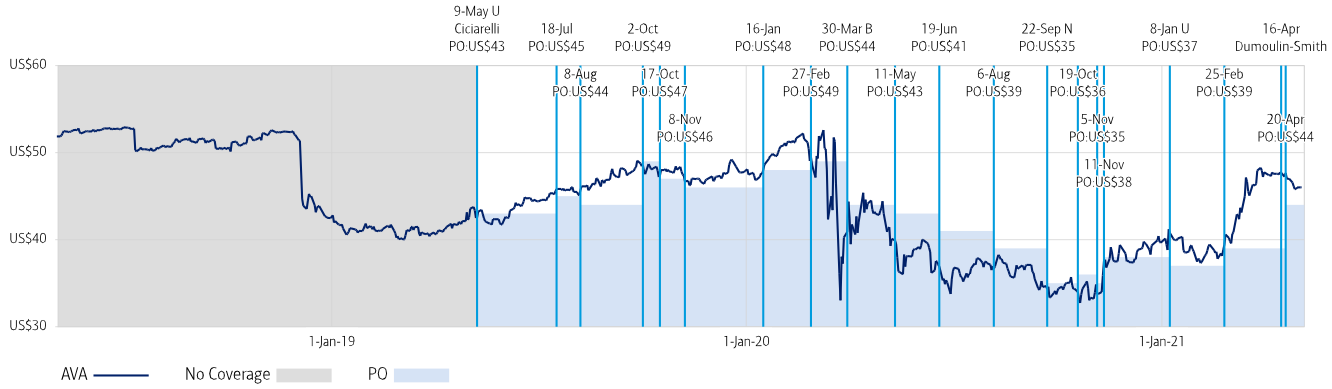

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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NiSource Inc (NI) Price Chart

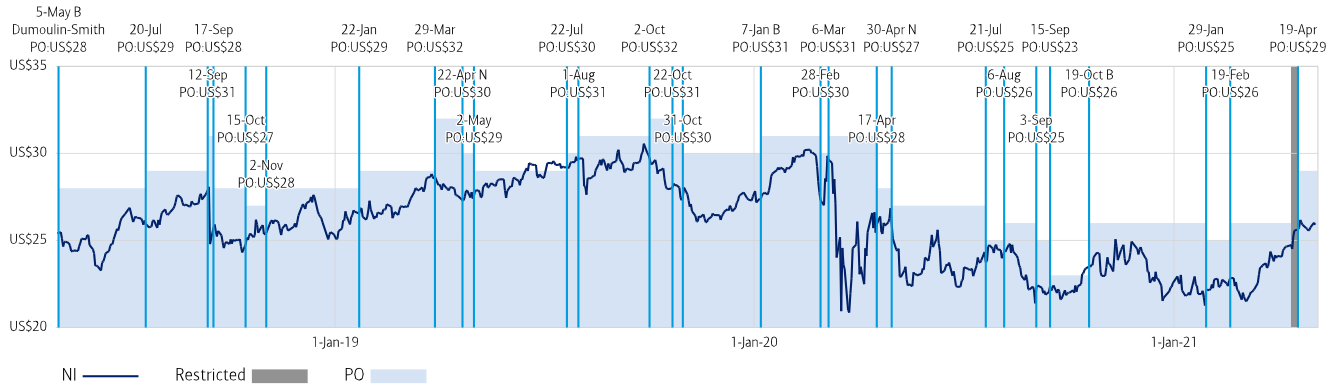

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Northwest Natural (NWN) Price Chart

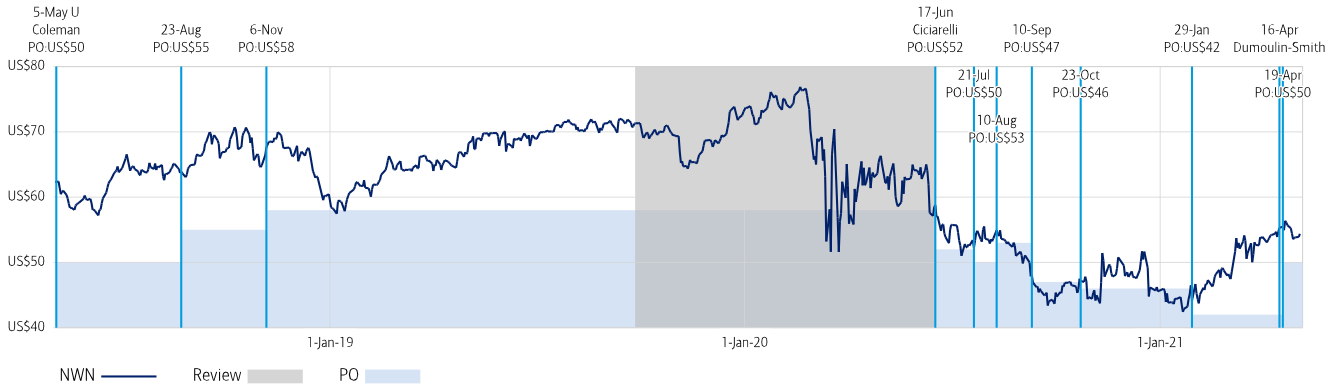

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South Jersey (SJI) Price Chart

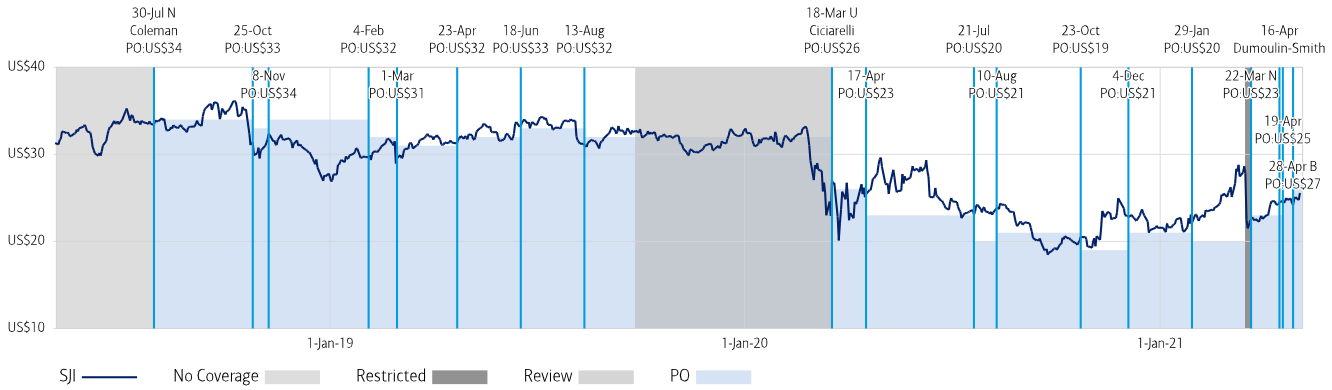

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Equity Investment Rating Distribution: Energy Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	75	54.74%	Buy	60	80.00%
Hold	34	24.82%	Hold	24	70.59%
Sell	28	20.44%	Sell	11	39.29%

Equity Investment Rating Distribution: Utilities Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	48.43%	Buy	56	72.73%
Hold	43	27.04%	Hold	31	72.09%
Sell	39	24.53%	Sell	23	58.97%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1909	58.54%	Buy	1218	63.80%
Hold	653	20.02%	Hold	395	60.49%
Sell	699	21.44%	Sell	356	50.93%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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BARCLAYS

Equity Research

Power & Utilities | North America Power & Utilities
5 May 2021

Stock Rating	OVERWEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	USD 26.00 Unchanged

Price (04-May-2021)	USD 25.94
Potential Upside/Downside	+0.2%
Tickers	NI

Market Cap (USD mn)	10172
Shares Outstanding (mn)	392.13
Free Float (%)	99.50
52 Wk Avg Daily Volume (mn)	3.4
Dividend Yield (%)	3.39
Return on Equity TTM (%)	-1.46
Current BVPS (USD)	12.44

Source: Bloomberg

Price Performance	Exchange-NYSE
52 Week range	USD 26.30-21.09

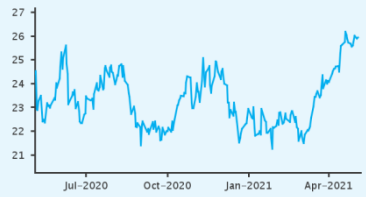

Source: IDC; Link to Barclays Live for interactive charting

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NiSource, Inc.

NI: Favorable Financing Solidifies Growth Prospects

NI reported in-line Q1 results, narrowed FY21 EPS guidance to the top half of the range, and discussed its hybrid convertible offering and growth initiatives on the Q1 call. We reiterate our Overweight rating and $26 price target as growth plans solidify and the focus shifts towards execution.

Find our Q1 earnings recap on Page 3.

We have updated our estimates to incorporate the hybrid convert issuance, refreshed financing plans, increased spending on renewables, and other general housekeeping.

NI: Quarterly and Annual EPS (USD)

	2020	2021			2022			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2021	2022
Q1	0.76A	0.78E	0.77A	0.77E	0.81E	0.81E	0.78E	1%	5%
Q2	0.13A	0.13E	0.13E	0.12E	0.14E	0.14E	0.16E	0%	8%
Q3	0.09A	0.09E	0.09E	0.09E	0.10E	0.10E	0.10E	0%	11%
Q4	0.34A	0.35E	0.36E	0.36E	0.36E	0.39E	0.37E	6%	8%
Year	1.32A	1.35E	1.36E	1.33E	1.41E	1.44E	1.40E	3%	6%
P/E	19.6		19.0			18.0			

Source: Barclays Research.
Consensus numbers are from Bloomberg received on 05-May-2021; 12:50 GMT

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Completed: 05-May-21, 19:30 GMT Released: 05-May-21, 19:34 GMT Restricted - External

North America Power & Utilities **Industry View: POSITIVE**

NiSource, Inc. (NI)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2020A	2021E	2022E	2023E	CAGR
Revenue	4,682	4,778	4,962	5,177	3.4%
EBITDA (adj)	1,655	1,937	2,082	2,242	10.6%
EBIT (adj)	1,141	1,128	1,209	1,282	4.0%
Pre-tax income (adj)	-31	841	925	989	N/A
Net income (adj)	508	570	632	680	10.2%
EPS (adj) ($)	1.32	1.36	1.44	1.53	5.0%
Diluted shares (mn)	384.3	418.6	439.3	444.3	5.0%
DPS ($)	0.84	0.89	0.94	1.00	6.0%

Margin and return data					Average
EBITDA (adj) margin (%)	35.4	40.5	42.0	43.3	40.3
EBIT (adj) margin (%)	11.8	25.0	25.7	26.0	22.1
Pre-tax (adj) margin (%)	-0.7	17.6	18.6	19.1	13.7
Net (adj) margin (%)	10.8	11.9	12.7	13.1	12.2
ROIC (%)	3.5	7.4	7.9	8.3	6.8
ROA (%)	2.2	2.6	2.7	2.9	2.6
ROE (%)	8.5	9.8	9.9	9.9	9.5

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	16,620	16,858	17,432	18,919	4.4%
Cash and equivalents	117	872	730	-378	N/A
Total assets	22,041	23,034	23,467	23,845	2.7%
Short and long-term debt	9,723	9,752	9,148	8,967	-2.7%
Other long-term liabilities	4,704	4,675	4,646	4,617	-0.6%
Total liabilities	16,203	16,674	16,565	16,566	0.7%
Shareholders' equity	5,838	6,360	6,902	7,279	7.6%
Net debt/(funds)	9,606	8,880	8,418	9,345	-0.9%
Change in working capital	1,272	787	-666	-1,319	N/A
Cash flow from operations	1,104	1,810	1,935	2,071	23.3%
Capital expenditure	-1,758	-2,131	-2,531	-3,531	N/A
Free cash flow	-654	-321	-596	-1,460	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	19.6	19.0	18.0	17.0	18.4
EV/EBITDA (adj) (x)	11.8	9.7	8.8	8.6	9.8
EV/EBIT (adj) (x)	17.2	16.7	15.2	15.1	16.0
FCF yield (%)	-3.3	-1.7	-3.2	-7.6	-4.0
P/BV (x)	1.7	1.7	1.7	1.6	1.7
Dividend yield (%)	3.2	3.4	3.6	3.9	3.5
Net debt/EBITDA (adj) (x)	5.8	4.6	4.0	4.2	4.6

Selected operating metrics					Average
Payout ratio (%)	63.6	65.4	65.6	65.4	65.0
Interest cover (x)	1.5	3.1	3.3	3.5	2.9
Regulated (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (04-May-2021)	**USD 25.94**
Price Target	**USD 26.00**

Why Overweight? We view NI as a quality utility with a well-defined rate base growth strategy from gas and electric infrastructure modernization, which we see as relatively low risk. We believe execution on renewables investment initiatives holds the potential to drive above-average EPS growth and a premium valuation.

Upside case **USD 29.00**

Our upside case reflects a 10% premium to the 2023 utility group average P/E multiple applied to higher earnings driven by additional rate base growth and favorable rate case outcomes.

Downside case **USD 22.00**

Our downside case reflects a 10% discount to the 2023 utility group average P/E multiple applied to lower earnings driven by slower rate base growth and unfavorable rate case outcomes.

Upside/Downside scenarios

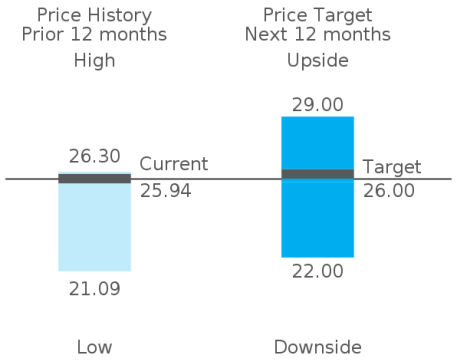

Q1 Earnings Recap

The Numbers

NI reported Q1 adj EPS of $0.77, in line with consensus expectations of $0.77, and reiterated expectations of 5-7% EPS CAGR from 2021-2023 and 7-9% EPS CAGR for the 2021-2024 period, driven by electric rate increase expected to be effective mid-2023. Growth is based off refreshed FY21 guidance.

2021 Guidance

Management narrowed FY21 adj EPS guidance to $1.32-$1.36 (from $1.28-$1.36), removing the ($0.05) headwind from COVID-19 that had been included in guidance. Management notes that COVID-19 did not have a material impact on Q1 results, and while there continues to be some risk from uncollectible accounts, management does not believe it will be material to FY21 results.

NIPSCO 2021 Integrated Resource Plan

NI has begun the 2021 NIPSCO IRP process, which will include an RFP, similar to the 2018 IRP. Management expects to submit the plan for approval by November. The IRP will look at generation strategy post-2024, including replacement power opportunities for the planned retirement of Michigan City Generating Station (~470 MW).

M&A Commentary

When asked about M&A given the strong recent comps for LDCs, management continues to have an open mind but also sees peer valuations as signs of strength in the business. Current plans imply 10%+ rate base growth at each utility, and management will continue to evaluate where the best value would be for shareholders, but imparts no sense of particular urgency regarding monetization opportunities.

Convertible Issuance

In mid-April, NI announced a hybrid offering to finance its renewables investment plan. NI sold 8.625m units of the hybrid convertible at $100 each. Each unit contains a forward purchase contract and a 10% interest in mandatory convertible preferred stock. The effects of dilution are reduced as the underlying stock price appreciates until December 2023, at which point NI may remarket the mandatory convert preferred stock for an additional $863m in proceeds. Each unit pays a 7.75% cash distribution; given how this instrument was created, there is no interest hitting the income statement, only impacts are on the balance sheet and cash flow statement. The offering is given 100% equity content treatment from ratings agencies. It is expected to satisfy all previous block equity ($500-$700m) and convertible needs ($600-$1,000m) through 2024. NI additionally reduced the size of the ATM program in 2023 to $0-$150m (from $200-$300m).

Renewables Plan

NI increased the expected spend on renewables from $1.8-$2.0 billion to the top end of the range at $2.0bn. Management indicated that a direct pay option for renewables tax credits may provide some upside to current plans, primarily by avoiding the need for tax equity financing, but would be highly dependent on timing.

Valuation

Our unchanged $26 price target is derived using the 2023 regulated utility group average P/E of 17x applied to our 2023 EPS estimate of $1.53 (previously $1.52).

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Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 04-May-2021, USD 25.94), Overweight/Positive, A/CD/CE/D/J/K/L/M

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North America Power & Utilities

Alliant Energy Corporation (LNT)	Ameren Corp. (AEE)	American Electric Power Company, Inc. (AEP)
American Water Works Company, Inc. (AWK)	Brookfield Infrastructure Partners LP (BIP)	Brookfield Infrastructure Partners LP (BIP_u.TO)
CenterPoint Energy, Inc. (CNP)	CMS Energy Corporation (CMS)	Consolidated Edison, Inc. (ED)

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Exelon Corporation (EXC)	FirstEnergy Corp. (FE)	NextEra Energy, Inc. (NEE)
NiSource, Inc. (NI)	NorthWestern Corporation (NWE)	OGE Energy Corp. (OGE)
PG&E Corporation (PCG)	Pinnacle West Capital Corporation (PNW)	PNM Resources, Inc. (PNM)
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NiSource, Inc. (NI / NI)

USD 25.94 (04-May-2021)

Stock Rating	Industry View
OVERWEIGHT	**POSITIVE**

Rating and Price Target Chart - USD (as of 04-May-2021) — **Currency=USD**

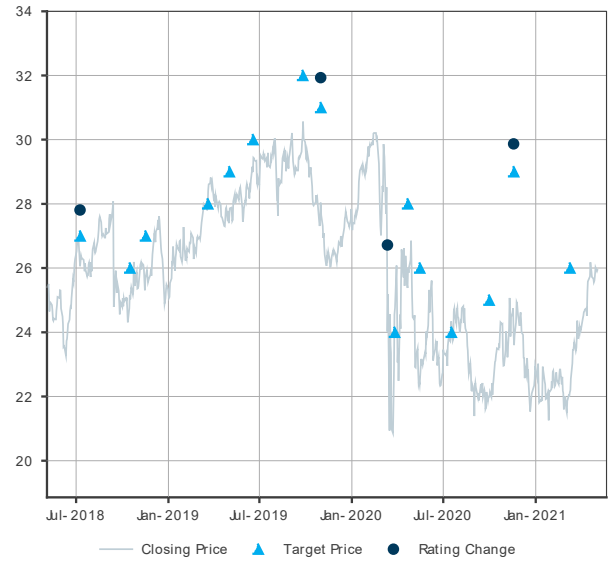

Publication Date	Closing Price	Rating	Adjusted Price Target
10-Mar-2021	22.13		26.00
18-Nov-2020	23.96	Overweight	29.00
30-Sep-2020	22.00		25.00
17-Jul-2020	24.34		24.00
15-May-2020	22.37		26.00
21-Apr-2020	25.38		28.00
26-Mar-2020	24.55		24.00
12-Mar-2020	24.02	Equal Weight	
31-Oct-2019	28.04	Overweight	31.00
25-Sep-2019	30.07		32.00
18-Jun-2019	28.99		30.00
02-May-2019	27.58		29.00
20-Mar-2019	27.95		28.00
16-Nov-2018	25.69		27.00
16-Oct-2018	25.16		26.00
09-Jul-2018	26.06	Equal Weight	27.00

Source: Bloomberg, Barclays Research

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Valuation Methodology: Our $26 price target is derived using the 2023 regulated utility group average P/E of 17x applied to our 2023 EPS estimate of $1.53. This reflects our view that NiSource, despite near-term headwinds, is a quality utility with above-average medium-term rate base growth strategy from coal replacement power and gas and electric infrastructure modernization.

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May 5, 2021 | 19:13 ET | 19:13 ET~

NiSource

NI-NYSE	Rating	Price: May-5	Target	Total Rtn
	Outperform	$25.78	$28.00	12%

NI 1Q21 - Progressing on a Cleaner Story

Bottom Line:

NiSource reported 1Q21 EPS of $0.77, in line with consensus of $0.77 and $0.01 above our $0.76 estimate. Management raised the bottom end of the 2021 guidance range by $0.04, now $1.32-1.36, reflecting lower-than-expected COVID-19 impacts. **The company's outlook remains unchanged from its September Investor Day with a NOEPS CAGR of 5-7% through 2023, rising to 7-9% including the full-year impact of its renewable investment in rate base in 2024 at NIPSCO.** Additionally, the convertible equity offering last month resolves all discrete equity needs through the 2024 forecast.

Key Points

NIPSCO has begun its 2021 Integrated Resource Plan (IRP) process, which is expected to fuel its decarbonization and renewable strategy beyond 2023. We'd expect the IRP to address the resource needs of replacing the retirement of the ~455MW Michigan City Generating Station by 2028, which could bring incremental renewable investment opportunities. We'd expect more updates as the company engages with stakeholders throughout the year with the expected filing of the new IRP with the IURC in November.

Given recent transaction multiples, we expect management to continue to remain open to all options for strengthening the balance sheet and financing incremental capital investment opportunities including asset rotation/ optimization. However, given each of the company's utilities in its six-state footprint rate base grows at ~10% (Exhibit 2) and given the potential tax leakage, dis-synergies, and necessary regulatory approvals, we see any monetizations as more strategic in nature. We believe the most probable candidates would be CGVA, CGKY, and CGMD given the relative size of their rate bases ($905mm, $372mm, and $173mm, respectively). However, we would expect any decision to be based on a risk-adjusted cost of capital to other financing alternatives as even the sale of all three assets would not materially change NI's business mix materially (~3-4% change in gas).

NiSource's April equity unit offering removed all discrete block equity needs through 2024 while still allowing the company to participate in share price appreciation. The offering received 100% equity credit from all three agencies and fully funds its ~$2B renewable investment (2/3 already approved and online 2023). The equity unit structure combined a forward common equity offering of ~$862mm (8.625mm units) and a Series C Mandatory convertible preferred stock product of ~ $750mm. Importantly, given the accounting of the forward contract payment, the income statement will not reflect the interest of convertible preferred.

For disclosure statements, including the Analyst Certification, please refer to page(s) 5 to 8.

IN Fact

BMO Capital Markets

Utilities, Power & Renewables

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Company Data			in $
Dividend	$0.88	Shares O/S (mm)	392.1
Yield	3.4%	Market Cap (mm)	$10,109
P/BV	1.5x	Net Debt (mm)	$8,942

BMO Estimates			in $
(FY-Dec.)	2020A	2021E	2022E
EPS	$1.32	$1.33	$1.40
DPS	$0.84	$0.88	$0.93
EBIT	$1,064	$1,158	$1,292
EBITDA	$1,789	$1,944	$2,111

Consensus Estimates			
	2020A	2021E	2022E
EPS		$1.33	$1.40

Valuation			
	2020A	2021E	2022E
P/E	19.5x	19.4x	18.5x
Div. Yield (%)	3.3%	3.4%	3.6%

QTR. EPS	Q1	Q2	Q3	Q4
2020A	$0.76	$0.13	$0.09	$0.34
2021E	$0.77a	$0.06	$0.05	$0.44
2022E	$0.85	$0.06	$0.05	$0.43

Our Thesis

We like several aspects of NI following the sale of Columbia Gas of Massachusetts and removal of the previously guided $500-700mm equity issuance overhang, which we believe meaningfully de-risked the story.

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NiSource - Block Summary Model

Income Statement	2020A	2021E	2022E
Electric Operations	361.9	429.9	510.4
Gas Distribution	668	704	757
Parent & Other	2	2	2
Consolidated EBIT	1,064	1,158	1,292
Depreciation & Amortization	726	786	819
EBITDA	1,789	1,944	2,111
Interest Expense	371	366	406
Income Tax	127	141	163
Income from continuing operations	508	556	627
Weighted Average Shares Outstanding	384	419	449
Diluted Operating EPS	$1.32	$1.33	$1.40
Dividends per Share	$0.84	$0.88	$0.93
Cash Flow Statement	**2020A**	**2021E**	**2022E**
Operating Cash Flow	1,681	1,410	1,520
Investing Cash Flow	(879)	(2,050)	(2,500)
Financing Cash Flow	(100)	587	906
Net Change in Cash Flow	701	(54)	(74)
EOP Cash on Balance Sheet	804	750	676
Common stock (net)	360	1,211	348
Net debt issued/(repaid)	82	(200)	1,032
Dividends paid	(323)	(369)	(419)
Balance Sheet	**2020A**	**2021E**	**2022E**
Common Equity	5,735.1	7,172.5	7,768.7
Preferred Equity	880.0	880.0	880.0
Total Debt	9,746	9,546	10,578
Enterprise Value	$20,351	$21,683	$23,214
Common equity %	35.1%	40.8%	40.4%
Preferred equity %	5.4%	5.0%	4.6%
Total Debt %	59.6%	54.2%	55.0%
Book Value per Share	$17.21	$19.21	$19.27

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

Our target price is the product of a P/E-based sum of the parts. We utilize a regulated average multiple using 2023E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook.

Upside Scenario $31.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario $21.00

Our downside scenario reflects a tightening monetary policy and a deceleration of the company's rate base growth.

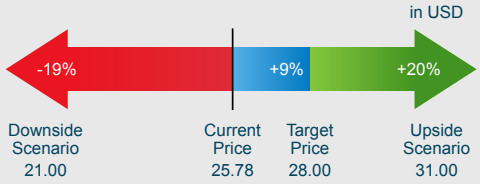

Key Catalysts

Use of proceeds from CMA sale. Potential for further asset rotation.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

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Exhibit 1: Model Summary

NI Model Summary	2019	2020	2021	2022	2023	2024
EPS By Segment						
Electric Operations	$0.76	$0.63	$0.72	$0.82	$1.01	$1.15
Gas Distribution	$1.12	$1.17	$1.05	$1.08	$1.19	$1.24
Corporate & Other	($0.56)	($0.48)	($0.44)	($0.50)	($0.66)	($0.67)
Consolidated E.P.S.	**$1.32**	**$1.32**	**$1.33**	**$1.40**	**$1.54**	**$1.72**
Dividend per share	**$0.80**	**$0.84**	**$0.88**	**$0.93**	**$0.99**	**$1.05**
Payout Ratio total	60.8%	63.6%	66.4%	66.8%	64.3%	61.0%
Dividend Yield	2.9%	2.9%	3.0%	3.2%	3.4%	3.6%
Valuation Metrics						
Price to Earnings	21.2x	22.2x	22.1x	21.0x	19.1x	17.1x
Price to Book Value	1.7x	1.7x	1.5x	1.5x	1.5x	1.4x
Funding Sources						
Cash Flow from Operations	$1,750	$1,681	$1,410	$1,520	$1,621	$1,822
Total Debt Financings	$750	$2,974	$0	$1,080	$1,800	$0
Total Equity Financings	$34	$360	$1,211	$348	$198	$911
Credit Metrics						
Total Debt/Capitlization	61%	60%	54%	55%	58%	54%
FFO/Total Debt	14%	13%	15%	14%	13%	15%

Source: BMO Capital Markets estimates, Company Filings

Exhibit 2: Key Assumptions

Key Model Assumptions	2019	2020	2021	2022	2023	2024	5-Year
Total Capital Expenditures by Segment							
Electric Operations	$469	$422	$650	$1,100	$1,650	$500	**$4,322**
Gas Distribution	$1,380	$1,267	$1,400	$1,400	$1,700	$1,500	**$7,267**
Consolidated Capital Expenditures	**$1,849**	**$1,689**	**$2,050**	**$2,500**	**$3,350**	**$2,000**	**$11,589**
YE Rate Base Estimates							
NIPSCO Electric	$4,866	$5,240	$5,747	$6,515	$7,814	$7,931	*10.3%*
Columbia Gas of Ohio	$3,106	$3,412	$3,803	$4,182	$4,674	$5,080	*10.3%*
Columbia Gas of Pennsylvania	$1,883	$2,069	$2,306	$2,536	$2,834	$3,081	*10.3%*
NIPSCO Gas	$1,660	$1,824	$2,033	$2,236	$2,499	$2,716	*10.3%*
Columbia Gas of Virginia	$789	$867	$966	$1,063	$1,188	$1,291	*10.3%*
Columbia Gas of Kentucky	$338	$371	$413	$454	$508	$552	*10.3%*
Columbia Gas of Maryland	$136	$150	$167	$184	$206	$224	*10.4%*
Total Rate Base	**$12,778**	**$13,932**	**$15,437**	**$17,171**	**$19,722**	**$20,874**	***10.3%***

Source: BMO Capital Markets estimates, Company Filings

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Exhibit 3: SOTP Valuation

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Regulated, Corporate & Other	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Electric Operations	EPS	$1.01	Electric	18.1x	+0.0%	18.1x	15.6x	$16	18.1x	$18	20.1x	$20
Gas Distribution	EPS	$1.19	Natural Gas	17.1x	+5.0%	18.0x	14.6x	$17	18.0x	$21	20.0x	$24
Coporate & Other	EPS	($0.66)	Blend	18.0x	+0.0%	18.0x	18.0x	($12)	18.0x	($12)	20.0x	($13)
Utility & Parent Value		**$1.54**					13.8x	**$21**	18.0x	**$28**	20.0x	**$31**
Total NiSource Inc.								**$21**		**$28**		**$31**
Upside/(Downside)								(18%)		7%		19%
Current Yield								3%		3%		3%
Total Return								**(14%)**		**11%**		**23%**

Source: BMO Capital Markets estimates, Company Filings

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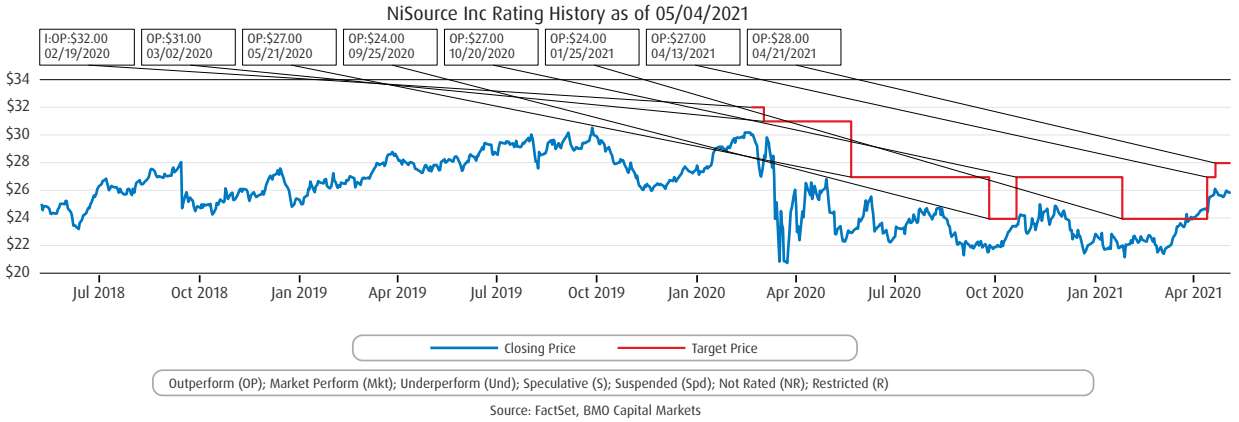

Source: FactSet, BMO Capital Markets

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Methodology and Risks to Target Price/Valuation for NiSource Inc (NI-NYSE)

Methodology: Our target price is the product of a P/E-based sum-of-the-parts (SOTP) analysis of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2023E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook.

Risks: NI's regulated profile exposes the company to business risk including but not limited to federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

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Buy	Outperform	51.0 %	28.4 %	54.3 %	52.9 %	58.6 %	57.7%
Hold	Market Perform	46.8 %	24.0 %	42.1 %	44.8 %	39.2 %	37.5%
Sell	Underperform	2.1 %	36.4 %	2.9 %	2.0 %	1.6 %	4.8%

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5 May 2021
Equity Research
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CREDIT SUISSE

NiSource Inc.

1Q21 In line; 2021 EPS Guidance Raised

NI

Target price (12M, US$)
29.00

Outperform

Natural Gas | Research Bulletin

- **NI reported 1Q21 in-line with Adj. EPS $0.77** vs CS/cons 0.76/$0.76, and vs 1Q20 $0.76, driven by increased earnings from investment in safety and asset modernization and its business profile excluding Columbia Gas of Massachusetts.
- **2021 Guidance raised to $1.32-$1.36** (from $1.28-$1.36) vs CS/cons $1.30/$1.33. NI also and reaffirmed long-term (2021-2024) EPS CAGR of 7%-9% and near-term EPS CAGR of 5%-7% through 2023. NI expects investments to drive rate base growth of 10-12% CAGR through 2024, and we expect the company to attain at least the midpoint of a 7%-9% EPS CAGR (vs 2021) for 2024-25 after Indiana renewables are in service.
- **Convertible issuance eliminates block equity needs.** NI issued $862.5M convertible equity unit at 7.75% yield, (securing 100% equity credit with all three agencies), thus resolving all block equity needs. This is expected to allow NI to retain upside for share price and use proceeds to support renewables investment needs. Recall, NI announced on 4/14 that it had priced its offering of 7.5M equity units, plus an underwriter's option for an incremental 1.125M (each with a stated amount of $100). The sale officially closed on 4/19.
- **Financing strategy recently updated.** The company previously updated its financing strategy for 2021-2024, eliminating the original plan for $500M - $700M block equity and reducing the expected ATM for 2023 to $0 - $150M (from $200 - $300M).
- **2023's Capex raised slightly to $3.4B-$3.7B (from $3.3B-$3.6B).** NI's capital forecasted remain unchanged for 2021, 2022, and 2024 at $1.9B-$2.1B, $2.4B-$2.7B, and $1.9B-$2.2B respectively. NI slightly increased 2023 capex to $3.4B-$3.7B (vs prior forecast $3.3B-$3.6B) as rate case is targeted for H2 2023. Overall NI expects investments of $1.9-$2.2B in annual growth, plus an additional ~$2.0B for renewable generation.
- **Pennsylvania rate order received on 2/19 "right down the fairway."** NI received a rate order on 2/19 for $63.5M revenue based on 54% equity and 9.86% ROE. This is a positive outcome vs. investor concerns over earlier ALJ recommendation for no increase at all. The commission also approved a single step increase, which is more favorable than the company's request for two steps. Additionally, in Mar 2021, Columbia Gas of Pennsylvania also filed 2021 base rate case requesting a $98.3M annual revenue increase to continue to support its safety and modernization program.
- **Columbia Gas of Kentucky - Order received on 4/30 (new rates effective May 2021).** The Order allows for $40M cost recovery for 2021 capital investments to support continued replacement of aging pipelines and adoption of pipeline safety upgrades. Recall, a Safety Modification and Replacement Program (SMRP) Annual Rider Update was filed on 10/15/2020 requesting $50M for 2021 capital investments to support continued replacement of aging pipelines and adoption of pipeline safety upgrades.
- **Renewable Generation JV update**. Construction is moving along on Indiana Crossroads

Price (4 May 21, US$)	25.94
52-week price range	26.18 - 21.26
Enterprise value (US$ m)	19,686

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wind and the project is expected to be in-service by end of 2021. IURC order for Dunns / Cavalry is expected in 2Q21.

- **Renewable generation / PPA updates.** NI's renewable generation projects are advancing with now a total of 14 renewable energy projects announced as part of its "Your Energy, Your Future" initiative, including the generation transition plan at NIPSCO. Regulatory approval for Gibson and Green River solar projects are expected by 2Q21 while regulatory approval for Indiana Crossroads II is expected in late 2021.
- **Liquidity.** NI's net liquidity available is ~$1.9B as of Mar 31st, (vs. ~$1.7B on Dec 31st). Total long-term debt is ~$9.9B with a weighted average maturity of ~15 years and a 3.68 % interest rate as of 3/31.
- **ESG goals.** NI is targeting to retire 100% of coal assets by 2028 (and replace with renewables), and the company is also driving towards 90% GHG emissions reduction by 2030.
- **See our recent reports:** 4/16 NI 1Q21 Earnings Preview, 2/2 NI 4Q20 Earnings Preview, 11/11 2020 EEI Conference – Day 3 & Full Takeaways, 11/3 NI: Clean Infrastructure Plans Progressing, 10/15 Earnings Preview, 9/30 Investor Day Takeaways, 9/27 Investor Day Preview, 8/7 Indiana Turning Green,
- **Call today at 11AM ET,** dial 833-350-1312, passcode 1929142

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Valuation Methodology and Risks

Target Price and Rating
Valuation Methodology and Risks: (12 months) for NiSource Inc. (NI.N)

Method: We arrive at our $29 target price for NI by applying a 1.0x premium to the gas segment peer 2022E P/E to reflect the constructive regulatory environments with capex trackers in place in the jurisdictions that NI operates. We also apply a 1.0x premium to the average peer electric utility 2022E P/E multiple for NIPSCO Electric utility in Indiana to reflect the favorable ratebase growth profile and regulatory environment in the state. Our OUTPERFORM rating reflects a forecast total return that is above the group average.

Risk: Risks to our $29 target price and OUTPERFORM rating are: 1) ROE risk related to the ongoing ratecases 2) continued approvals relating to infrastructure replacement/grid modernization programs 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particulary in the non-decoupled jurisdictions, 7) weather risk, and 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety after the 2018 explosion incident in Mass., and 11) COVID19 load reductions.

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Companies Mentioned *(Price as of 04-May-2021)*
NiSource Inc. (NI.N, $25.94, OUTPERFORM, TP $29.0)

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3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N	Closing Price	Target Price	
Date	(US$)	(US$)	Rating
06-May-18	25.41	28.00	O
23-Jan-19	26.83	29.00	
21-Apr-19	27.56	30.00	
22-Jul-19	29.14	33.00	
07-Aug-19	27.63	29.00	N
21-Oct-19	28.05	30.00	
01-Nov-19	27.65	29.00	
17-Jan-20	29.04	30.00	
28-Feb-20	27.02	31.00	O
05-May-20	24.53	27.00	
20-Jul-20	23.75	26.00	
03-Nov-20	24.03	28.00	
13-Apr-21	24.51		R
14-Apr-21	24.51	28.00	O
16-Apr-21	25.62	29.00	

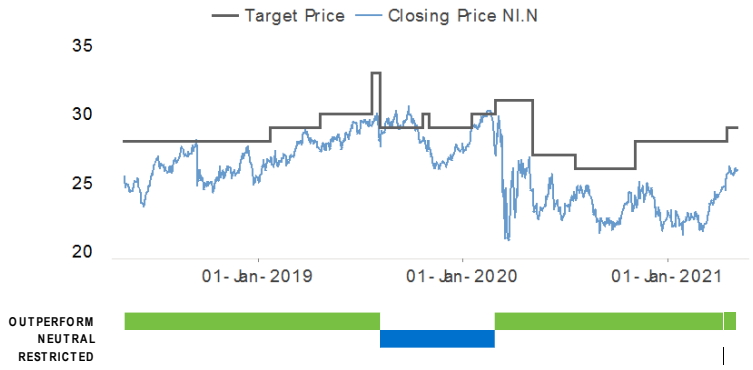

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6 May 2021
Equity Research
Americas | United States

CREDIT SUISSE

NiSource Inc.

Renewable Buildout Pushes Forward

NI

Target price (12M, US$)
29.00

Outperform

Natural Gas | Forecast Increase

- **2021 Guidance raised to $1.32-$1.36** (from $1.28-$1.36) vs CS/cons $1.34/$1.33, after NI reported 1Q21 in-line with Adj. EPS $0.77 vs CS/cons 0.76/$0.76, and vs 1Q20 $0.76, driven by increased investments in safety and asset modernization (excluding Columbia Gas of Massachusetts). NI also reaffirmed long-term (2021-2024) EPS CAGR of 7%-9% and near-term EPS CAGR of 5%-7% through 2023. NI expects investments to drive rate base growth of 10-12% CAGR through 2024, and we expect the company to attain at least the midpoint of a 7%-9% EPS CAGR (vs 2021) for 2024-25 after Indiana renewables are in service.
- **Convertible issuance eliminates block equity needs through 2024.** On 4/19, NI issued $862.5M convertible equity units at 7.75% yield (8.625M units), with proceeds to support renewables investment. The units are expected to receive 100% equity credit from S&P and Moody's, with full dilution hitting now (to diluted EPS) although shares won't be issued through the convert until the end of 2023. The 7.75% yield is paid from cash flow below the income statement (OCI). Recall that the company subsequently updated its financing strategy for 2021-2024, eliminating the original plan for $500M - $700M block equity and reducing the expected ATM for 2023 to $0 - $150M (from $200 - $300M).
- **Columbia Gas of Pennsylvania filed a 2021 base rate case** in March requesting a $98.3M annual revenue increase. An order for Columbia Gas of Kentucky was received on 4/30 (new rates effective May 2021) allowing for $40M cost recovery of 2021 capex.
- **2023's Capex raised slightly to $3.4B-$3.7B (from $3.3B-$3.6B)** as rate case is targeted for H2 2023. Overall NI expects to make investments of ~$10B through 2024 which includes $1.9-$2.2B in annual growth, plus ~$2.0B for renewable generation.
- **Valuation:** We've raised our 2021 estimate $0.04 for lower COVID costs, but our 2022-2023 estimates continue to reflect dilution from the convert. Our $29 TP is unchanged within a SoTP based on 2022 peer utility P/Es. We see EPS in 2024 consistent with 7%-9% CAGR vs 2021 and we continue to include $3.50/sh value for ~$0.21 from renewable projects once they are in service in 2024. Risks include regulatory, capital plan execution.

Price (5 May 21, US$)	25.78
52-week price range	26.18 - 21.26
Enterprise value (US$ m)	19,704

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Financial and valuation metrics

Year	12/20A	12/21E	12/22E	12/23E
EPS (CS adj.) (US$)	1.32	1.34	1.31	1.46
Prev. EPS (US$)	-	1.30	-	-
Revenue (US$ m)	5,979.0	5,801.1	6,227.5	6,668.5
EBITDA (US$ m) 1	1,790.3	1,814.3	1,929.4	2,145.3
P/OCF (x)	4.1	6.0	5.9	5.4
EV/EBITDA (current)	11.1	10.9	10.3	9.2
Net debt (US$ m)	9,630	9,595	10,805	12,957
ROIC (%)	5.32	5.04	4.80	4.79
Number of shares (m)	392.13	IC (current, US$ m)		15,467.40
Net debt (Next Qtr., US$ m) 1	9,149.3	Dividend (current, US$)		0.76
Net debt/tot eq (Next Qtr.,%)	132.4			

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance

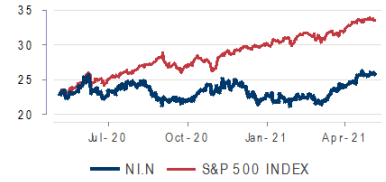

On 05-May-2021 the S&P 500 INDEX closed at 4167.59Daily May06, 2020 - May05, 2021, 05/06/20 = US$22.92

Quarterly EPS	Q1	Q2	Q3	Q4
2020A	0.76	0.13	0.09	0.34
2021E	0.77	0.12	0.05	0.43
2022E	0.74	0.15	0.10	0.34

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NiSource Inc. (NI)

Analyst: **Michael Weinstein**

Price (05 May 2021): **US$25.78**

Target Price: **29.00**

Rating: **Outperform**

Income Statement	12/20A	12/21E	12/22E	12/23E
Revenue (US$ m)	**5,979.0**	**5,801.1**	**6,227.5**	**6,668.5**
EBITDA (US$ m)	**1,790**	**1,814**	**1,929**	**2,145**
Depr. & amort.	(762)	(759)	(805)	(866)
EBIT (US$)	**1,028**	**1,055**	**1,125**	**1,279**
Net interest exp	(418)	(415)	(444)	(417)
PBT (US$)	**634**	**699**	**732**	**830**
Income taxes	(127)	(139)	(154)	(174)
Minorities	-0	-0	-0	-0
Net profit (US$)	**508**	**560**	**579**	**656**
Reported net income (US$)	**508**	**560**	**579**	**656**
Other NPAT adjustments	0	0	0	0
Adjusted net income	**508**	**560**	**579**	**656**
Cash Flow	**12/20A**	**12/21E**	**12/22E**	**12/23E**
EBIT	1,028	1,055	1,125	1,279
Net interest	(418)	(415)	(444)	(417)
Change in working capital	(249)	(100)	0	0
Cash flow from operations	**2,146**	**1,781**	**1,929**	**2,145**
CAPEX	(2,179)	(1,912)	(2,550)	(3,450)
Free cashflow to the firm	**(33)**	**(130)**	**(621)**	**(1,305)**
Acquisitions	-	-	-	-
Divestments	1,116	0	0	0
Cash flow from investments	**(879)**	**(2,035)**	**(2,550)**	**(3,450)**
Net share issue(/repurchase)	211	1,130	290	115
Dividends paid	(377)	(335)	(334)	(339)
Changes in Net Cash/Debt	**(126)**	**35**	**(1,210)**	**(2,152)**
Balance Sheet (US$)	**12/20A**	**12/21E**	**12/22E**	**12/23E**
Assets				
Cash & cash equivalents	117	89	89	89
Account receivables	791	795	795	795
Other current assets	560	662	662	662
Total current assets	**1,659**	**1,594**	**1,594**	**1,594**
Total fixed assets	16,620	17,895	19,641	22,224
Investment securities	-	-	-	-
Total assets	**22,041**	**23,253**	**24,998**	**27,582**
Liabilities				
Total current liabilities	**2,279**	**2,176**	**3,386**	**5,538**
Total liabilities	**16,203**	**16,086**	**17,296**	**19,448**
Total liabilities and equity	**22,041**	**23,253**	**24,998**	**27,582**
Net debt	9,630	9,595	10,805	12,957
Per share	**12/20A**	**12/21E**	**12/22E**	**12/23E**
No. of shares (wtd avg)	384	417	441	448
CS adj. EPS	1.32	1.34	1.31	1.46
Prev. EPS (US$)	-	1.30	-	-
Dividend (US$)	0.80	0.85	0.90	0.96
Free cash flow per share	(0.09)	(0.31)	(1.41)	(2.91)
Earnings	**12/20A**	**12/21E**	**12/22E**	**12/23E**
Sales growth (%)	15.3	(3.0)	7.3	7.1
EBIT growth (%)	(1.8)	2.6	6.6	13.7
Net profit growth (%)	2.6	10.4	3.3	13.3
EPS growth (%)	0.0	1.8	(2.3)	11.6
EBITDA margin (%)	29.9	31.3	31.0	32.2
EBIT margin (%)	17.2	18.2	18.1	19.2
Pretax margin (%)	10.6	12.0	11.8	12.4
Net margin (%)	8.5	9.7	9.3	9.8
Valuation	**12/20A**	**12/21E**	**12/22E**	**12/23E**
EV/Sales (x)	3.30	3.40	3.36	3.46
P/E (x)	19.5	19.2	19.6	17.6
Price to book (x)	1.9	1.7	1.6	1.6
Asset turnover	0.3	0.2	0.2	0.2
Returns	**12/20A**	**12/21E**	**12/22E**	**12/23E**
ROE stated-return on (%)	9.7	9.8	8.7	9.2
ROIC (%)	5.3	5.0	4.8	4.8
Gearing	**12/20A**	**12/21E**	**12/22E**	**12/23E**
Net debt/equity (%)	165.0	133.9	140.3	159.3
Interest coverage ratio (X)	2.5	2.5	2.5	3.1
Quarterly EPS	**Q1**	**Q2**	**Q3**	**Q4**
2020A	0.76	0.13	0.09	0.34
2021E	0.77	0.12	0.05	0.43
2022E	0.74	0.15	0.10	0.34

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

NiSource Inc. is energy holding company whose subsidiaries provide natural gas, electricity & other products & services. It operates in 3 segments: Gas Distribution Operations; Gas Transmission & Storage Operations, & Electric Operations.

Blue/Grey Sky Scenario

Our Blue Sky Scenario (US$) **(from 35.00) 36.00**

In our $36 blue sky scenario we assume favorable regulatory outcomes across NI's jurisdictions, successful execution of their capital plan, and growth of infrastructure replacement program backlog, with capex at the high end of $1.9-$2.1B before renewables and ratebase growth at the high end of 8-10% range earnings growth at the high end of 5-7% range through 2023 and 7%-9% through 2025. We assume a 5.0x premium to the average peer 2022 P/E.

Our Grey Sky Scenario (US$) **(from 21.00) 22.00**

In our $22 grey sky scenario we assume unfavorable regulatory outcomes across NI's jurisdictions, only partial execution of their capital plan, and a decline in the infrastructure replacement program backlog. We assume that capex is below $1.8-$1.9B and that ratebase grows below the low end of 8-10% and earnings grow below the 5-7% range. We assume a -1.5x discount to the average peer 2022 P/E.

Share price performance

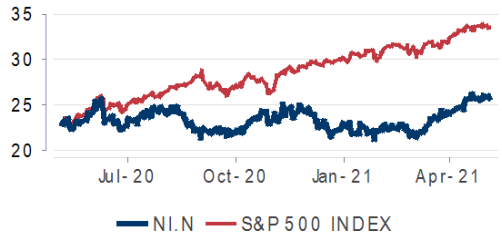

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Additional comment

- **See our recent reports:** 4/16 NI 1Q21 Earnings Preview, 2/2 NI 4Q20 Earnings Preview, 11/11 2020 EEI Conference – Day 3 & Full Takeaways, 11/3 NI: Clean Infrastructure Plans Progressing, 10/15 Earnings Preview, 9/30 Investor Day Takeaways, 9/27 Investor Day Preview, 8/7 Indiana Turning Green,
- **2021 Guidance raised to $1.32-$1.36** (from $1.28-$1.36) vs CS/cons $1.30/$1.33. New guidance reflects lower than previously expected COVID19 impacts and more certainty with regulatory outcomes (partially offset by higher diluted share count from equity unit issuance). NI also and reaffirmed long-term (2021-2024) EPS CAGR of 7%-9% and near-term EPS CAGR of 5%-7% through 2023. NI expects investments to drive rate base growth of 10-12% CAGR through 2024, and we expect the company to attain at least the midpoint of a 7%-9% EPS CAGR (vs 2021) for 2024-25 after Indiana renewables are in service.
- **Pennsylvania rate order received on 2/19 "right down the fairway."** NI received a rate order on 2/19 for $63.5M revenue based on 54% equity and 9.86% ROE. This is a positive outcome vs. investor concerns over earlier ALJ recommendation for no increase at all. The commission also approved a single step increase, which is more favorable than the company's request for two steps. Additionally, in Mar 2021, **Columbia Gas of Pennsylvania also filed 2021 base rate case** requesting a $98.3M annual revenue increase to continue to support its safety and modernization program.
- **Columbia Gas of Kentucky - Order received on 4/30 (new rates effective May 2021).** The Order allows for $40M cost recovery for 2021 capital investments to support continued replacement of aging pipelines and adoption of pipeline safety upgrades. Recall, a Safety Modification and Replacement Program (SMRP) Annual Rider Update was filed on 10/15/2020 requesting $50M for 2021 capital investments to support continued replacement of aging pipelines and adoption of pipeline safety upgrades.
- **Financing strategy recently updated.** The company previously updated its financing strategy for 2021-2024, eliminating the original plan for $500M - $700M block equity and reducing the expected ATM for 2023 to $0 - $150M (from $200 - $300M).

Figure 1: NI Financing Strategy 2021-2024

Planned Annual Safety & Mod Investments	2021E	2022E	2023E	2024E
ATM (At-the Market)	$200-$300M	$200-$300M	0 - $150M	
ESPP/401K/Other	$30-$50M	$30-$50M	$30-$50M	$30-$50M
Long Term Debt				
Incremental LT - Debt	$500 - $700M	$500 - $700M	$500 - $700M	$500 - $700M

Planned Renewable Generation Investments	2021E	2022E - 2023E
Common Equity Block	$0	$0
Long Term Debt		
Incremental LT - Debt		~800M
Other Financing	*Satisfied*	
Convertible	$600-$1,000M	

Source: Company data, Credit Suisse estimates

- **2023's Capex raised slightly to $3.4B-$3.7B (from $3.3B-$3.6B).** NI's capital forecasted remain unchanged for 2021, 2022, and 2024 at $1.9B-$2.1B, $2.4B-$2.7B, and $1.9B-$2.2B respectively. NI slightly increased 2023 capex to $3.4B-$3.7B (vs prior forecast $3.3B-$3.6B) as rate case is targeted for H2 2023. Overall NI expects investments of $1.9-$2.2B in annual growth, plus an additional ~$2.0B for renewable generation.

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Figure 2: NI's Capital Forecast

NI new Capital Forecast ($B)	Low	High
2021	$ 1.9	$ 2.1
2022	$ 2.4	$ 2.7
2023	$ 3.4	$ 3.7
2024	$ 1.9	$ 2.2
Total	**$ 9.6**	**$ 10.7**

NI prior Capital Forecast ($B)	Low	High
2021	$ 1.9	$ 2.1
2022	$ 2.4	$ 2.7
2023	$ 3.3	$ 3.6
2024	$ 1.9	$ 2.2
Total	**$ 9.5**	**$ 10.6**

Dif ($B)	Low	High
2021	$ -	$ -
2022	$ -	$ -
2023	$ 0.1	$ 0.1
2024	$ -	$ -
Total	**$ 0.1**	**$ 0.1**

Source: Company data, Credit Suisse estimates

- **NI reported 1Q21 in-line with Adj. EPS $0.77** vs CS/cons 0.76/$0.76, and vs 1Q20 $0.76, driven by increased earnings from investment in safety and asset modernization and its business profile excluding Columbia Gas of Massachusetts.

Figure 3: NI Earning Drivers

Gas Distribution Operations ($M)	4Q20	4Q19	Dif	FY20	FY19	Dif
Operating Revenues	833.9	995.3	-161.4	3168.4	3503.2	-334.8
Operating Expenses	640.9	781.4	140.5	2500.7	2871.2	370.5
Total Adj. Earnings	**193.0**	**213.9**	**-20.9**	**667.7**	**632.0**	**35.7**

Electric Operations ($M)	4Q20	4Q19	Dif	FY20	FY19	Dif
Operating Revenues	371.3	393.3	-22.0	1532.3	1694.0	-161.7
Operating Expenses	311.7	308.4	3.3	1170.4	1292.5	122.1
Total Adj. Earnings	**59.6**	**84.9**	**-25.3**	**361.9**	**401.5**	**-39.6**

Source: Company data, Credit Suisse estimates

- **Renewable Generation JV update**. Construction is moving along on Indiana Crossroads wind and the project is expected to be in-service by end of 2021. IURC order for Dunns / Cavalry is expected in 2Q21.
- **Renewable generation / PPA updates.** NI's renewable generation projects are advancing with now a total of 14 renewable energy projects announced as part of its "Your Energy, Your Future" initiative, including the generation transition plan at NIPSCO. Regulatory approval for Gibson and Green River solar projects are expected by 2Q21 while regulatory approval for Indiana Crossroads II is expected in late 2021.
- **Liquidity.** NI's net liquidity available is ~$1.9B as of Mar 31st, (vs. ~$1.7B on Dec 31st). Total long-term debt is ~$9.9B with a weighted average maturity of ~15 years and a 3.68 % interest rate as of 3/31.
- **ESG goals.** NI is targeting to retire 80% of coal assets by 2023, and 100% of coal assets by 2028 (and replace with renewables). The company is also driving towards 90% GHG emissions reduction by 2030.

Regulatory Update - Gas

- **Pennsylvania 2020 rate order received on 2/19 "right down the fairway."** NI received a rate order on 2/19 for $63.5M revenue based on 54% equity and 9.86% ROE. This is a positive outcome vs. investor concerns over earlier ALJ recommendation for no increase at

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all. The commission also approved a single step increase, which is more favorable than the company's request for two steps. New rates retroactive to Jan 23rd 2021.

- **Pennsylvania 2021 base rate case.** Additionally, Columbia Gas of Pennsylvania recently (3/30/21) filed a 2021 base rate case requesting a $98.3M annual revenue increase to continue to support its safety and modernization program and adoption of pipelines safety upgrades.
- **Columbia Gas of Kentucky - Order received on 4/30 (new rates effective May 2021).** The Order approved $40M of cost recovery for 2021 capital investments to support continued replacement of aging pipelines and adoption of pipeline safety upgrades. Recall, a Safety Modification and Replacement Program (SMRP) Annual Rider Update was filed on 10/15/2020 requesting $50M for 2021 capital investments to support continued replacement of aging pipelines and adoption of pipeline safety upgrades.
- **NIPSCO Gas System Modernization Program.** The company's latest tracker update was approved in Dec 2020. The update includes $26M in incremental capital invested under the program (between Jan and June of 2020). The new rates became effective in January of 2021. Furthermore, Indiana's URC approved a 6-yr extension of the program, including ~$950M in planned capital investments through 2025 to be "recovered through semiannual adjustments to the existing gas Transmission, Distribution and Storage Improvement Charge or TDSIC tracker".
- **Columbia Gas of Virginia Steps to Advance Virginia's Energy (SAVE)** Annual Rider update was filed on 7/24 and covers $46.4M for 2021 capex in order to continue support and adoption of pipeline safety upgrades under SMS. A final order was received on 11/18/2020 with new rates effective Jan 2021.

Regulatory Update – Electric Operations

- **2021 IRP.** Meetings throughout 2021 and completion is targeted for fall. The process will include RFP solicitation for new resources, (similar to 2018 IRP). **Renewable projects were originally laid out in the 2018 IRP**. Recall CPCN filings were made on Feb 1st, 2019 seeking approvals to develop 3 wind farms consistent with the IRP filed in the fall of 2018. Orders approving the PPAs on these filings were received on June 5, 2019. The latest RFP represents replacement ~1,400MW of coal capacity through 2023.
- **New 5-yr TDSIC and termination of 7-yr TDSIC.** The company expects a new filing around June 1st for new 5-yr TDSIC to include LT investments to modernize the electric infrastructure. NI filed termination notice on 4/1 for the TDSIC 7 semi-annual tracker (previously filed for $122.3M in investments from July 2019-July 2020).
- **Renewable Generation JV update**. CPCNs with IURC pending for Dunns Bridge Solar I, Dunns Bridge Solar II and Cavalry Solar JVs. IURC order for Dunns / Cavalry is expected in 2Q21. BKH announced new build-transfer agreements for Indiana Crossroads solar park, Fairbanks solar & Elliot Solar. Additionally, construction is moving along on Indiana Crossroads wind and the project is expected to be in-service by end of 2021. Recall a Build-Transfer Agreement BTA was filed in Oct 2019 for Indiana Crossroads (300MW) JV between NIPSCO and EDP Renewables (302 MW).
- **Renewable generation / PPA updates.** NI's renewable generation projects are advancing with now a total of 14 renewable energy projects announced as part of its "Your Energy, Your Future" initiative. NI announced new PPA for Indiana Crossroads II. Regulatory approval for Gibson and Green River solar projects are expected in 2Q21, and regulatory approval for Indiana Crossroads II is expected late 2021.

Valuation

- **Valuation.** We've raised our 2021 estimates $0.04 for lower COVID and other costs, but our 2022-2023 estimates and $29 TP are unchanged within a SoTP. Our TP includes the discounted value of $0.21 uplift in 2024 (worth $4/sh) from expected earnings from $2.0B

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Indiana renewables that will not benefit from AFUDC and will not receive a rate increase until 2024. Meanwhile, our 2022 estimate includes ~$0.10 dilution drag from convertible equity issued for these projects. Ultimately, we expect the company to accelerate to a 7%-9% EPS CAGR through 2025 off a 2021 base. We apply a 1.0x premium to the gas utilities for favorable regulatory jurisdictions and lower operational risk since the explosion incident in Lawrence Mass in 2018. We value the electric operation in Indiana at a 1.0x premium for solid operations, supportive regulation, and strong renewables investment opportunities. Risks include 1) ROE risk related to the ongoing ratecases, 2) continued approvals relating to infrastructure replacement/grid modernization programs, 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particularly in the non-decoupled jurisdictions, 7) weather risk, 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety, and 11) COVID-19 pandemic response load reduction, particularly at the electric utility.

Figure 4: NI Target Price

		BASE CASE			
	2022 EPS	**Prem / Disc**	**Effective P/E**	**Equity**	**Equity / Sh**
Electric	$0.60	1.0x	19.2x	$4,816	$11.55
Gas	$1.08	1.0x	19.6x	$8,849	$21.23
Earnings on renewables in 2024 (discounted to 2022) - need to account here as equity dilution hits first in 2021 but no AFUDC as these are turnkey projects	$0.21		19.5x	$1,704	$4.09
Other	($0.39)		19.5x	($3,194)	($7.66)
Total EPS	**$1.31**			**$12,175**	**$29.00**
Diluted Shares Outstanding					416.8
Dividend					$0.85
Implied Yield					2.9%
Current Yield					3.3%
Implied P/E					22.1x
Prem / (Disc) To Group					18.8%
Upside/ (Downside) to Current Price					12.5%
Total return					15.8%

Source: Company data, Credit Suisse estimates

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Valuation Methodology and Risks

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Black Hills Corp (BKH.N)

Method: We arrive at our $75 price target using a sum of the parts valuation methodology; applying multiples specific to the individual businesses that BKH operates in. We apply a 1.0x premium to the average peer 2022 P/E multiple to the electric utility business (ex. Colorado) and an average for the CO segment. We apply a 1.0x premium to the average peer 2022 P/E multiple to the gas utilities. We then apply an average electric P/E multiple to the power generation business since it is under long-term contracts to te utilities. Our valuation also includes the probability weighted outcome for the Wyodak coal contracts. Our OUTPERFORM rating reflects a forecast total return materially above its peer group average.

Risk: Rsks to our $75 target price and OUTPERFORM rating on BKH: (a) earnings dependent on regulatory relationships; we would highlight Colorado as their most challenging jurisdiction, (b) success at the utilities in funding the next newbuild cycle, (c) COVID19 load reduction and bad debt, (d) repricing risk in 2023 for the Pacificorp coal contract, (e) upside/downside risk for the capital plan, with 1-2 incremental ~$50M projects typically announced each year above and beyond the plan, (f) interest rate risk.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for NiSource Inc. (NI.N)

Method: We arrive at our $29 target price for NI by applying a 1.0x premium to the gas segment peer 2022E P/E to reflect the constructive regulatory environments with capex trackers in place in the jurisdictions that NI operates. We also apply a 1.0x premium to the average peer electric utility 2022E P/E multiple for NIPSCO Electric utility in Indiana to reflect the favorable ratebase growth profile and regulatory environment in the state. Our OUTPERFORM rating reflects a forecast total return that is above the group average.

Risk: Risks to our $29 target price and OUTPERFORM rating are: 1) ROE risk related to the ongoing ratecases 2) continued approvals relating to infrastructure replacement/grid modernization programs 3) commodity risk, 4) interest rate risk, 5) derivative risk, 6) load growth risk particulary in the non-decoupled jurisdictions, 7) weather risk, and 8) environmental and climate change risk, 9) physical infrastructure and cybersecurity risk, 10) continued improvement to gas system operations safety after the 2018 explosion incident in Mass., and 11) COVID19 load reductions.

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Companies Mentioned *(Price as of 05-May-2021)*
Black Hills Corp (BKH.N, $67.42)
NiSource Inc. (NI.N, $25.78, OUTPERFORM, TP $29.0)

Disclosure Appendix

Analyst Certification

Michael Weinstein, ERP, and Maheep Mandloi each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Black Hills Corp (BKH.N)

BKH.N Date	Closing Price (US$)	Target Price (US$)	Rating
18-May-18	56.18	60.00	N
24-Jul-18	60.15	61.00	
08-Aug-18	60.18	62.00	
17-Oct-18	61.41	65.00	O
04-Dec-18	67.81	69.00	
23-Jan-19	65.59	66.00	N
11-Feb-19	70.31	68.00	
04-Mar-19	72.00	72.00	
22-Jul-19	79.29	79.00	
09-Aug-19	76.40	78.00	
21-Oct-19	78.53	77.00	
17-Jan-20	81.03	79.00	
10-Feb-20	84.47	83.00	
01-May-20	59.73	70.00	
18-May-20	59.26	70.00	O
16-Jul-20	59.37	67.00	
01-Nov-20	56.66	65.00	
04-Nov-20	59.75	68.00	
18-Jan-21	61.97	70.00	
06-Apr-21	67.79	75.00	

** Asterisk signifies initiation or assumption of coverage.*

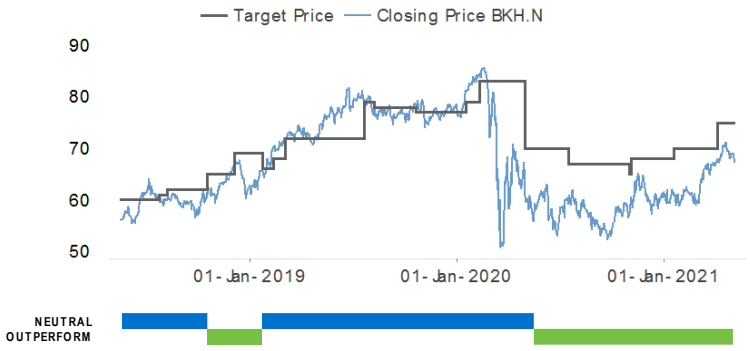

3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
06-May-18	25.41	28.00	O
23-Jan-19	26.83	29.00	
21-Apr-19	27.56	30.00	
22-Jul-19	29.14	33.00	
07-Aug-19	27.63	29.00	N
21-Oct-19	28.05	30.00	
01-Nov-19	27.65	29.00	
17-Jan-20	29.04	30.00	
28-Feb-20	27.02	31.00	O
05-May-20	24.53	27.00	
20-Jul-20	23.75	26.00	
03-Nov-20	24.03	28.00	
13-Apr-21	24.51		R
14-Apr-21	24.51	28.00	O
16-Apr-21	25.62	29.00	

** Asterisk signifies initiation or assumption of coverage.*

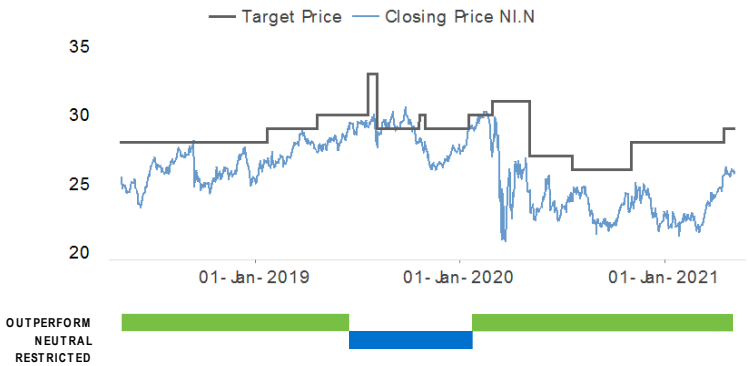

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Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

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Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.
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Underperform/Sell*	10%	(19% banking clients)
Restricted	2%	

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This research report is authored by:
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EVERCORE ISI

Energy | Power & Utilities

May 05, 2021

NiSource Inc

NI | $25.94

In Line | TARGET PRICE: $27.00

Company Update

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Company Statistics

Market Capitalization (M)	$11,403
Shares Outstanding (M)	392
Dividend	0.84
Dividend Yield	2.9%
Payout Ratio	63.6%
Expected Total Return	(4.3)%
Fiscal Year End	Dec

Earnings Summary

	2021E	2022E	2023E
EPS	$1.34	$1.42	$1.51
P/E	22.0	20.7	19.7
EPS vs Consensus	(0.7)%	(0.0)%	(1.7)%
Consensus EPS	$1.33	$1.40	$1.51
Consensus P/E	21.9	20.7	19.3

1 Year Price History

Source: FactSet

Staying on the Sidelines

Q1 adjusted EPS in line with consensus. 2021 guidance narrowed and raised to upper half of prior range. Four-year capex program through 2024 increased by ~1% due to higher 2023 renewables. NiSource posted $0.77 in Q1'21 operating EPS, which was in line with consensus of $0.77 and modestly below our estimate of $0.80; it compared to Q1'20 of $0.76. The company narrowed and raised 2021 EPS guidance to the upper half of the prior range to $1.32-1.36 versus $1.28-1.36 previously, which reflects better-than-previously expected Covid-related impacts and constructive regulatory outcomes, partially offset by slightly higher share dilution. NI maintained its 2021 capex program of $1,900-2,100mm, but raised its 2023 capex forecast by $100 million and consequently its full four-year 2021-2024 program by the same amount to $9.6-10.7 billion versus $9.5-10.6 billion previously driven by an increase in renewables to $2.0 billion from $1.8-2.0 billion previously. This spending is still expected to drive rate base growth of 10-12% CAGR in 2021-2024 under an unchanged financing plan that was updated following the equity unit offering announcement on April 13th (see our note). NI still expects to deliver long-term EPS outlook of 5-7% per year in 2021-2023 and 7-9% CAGR in 2021-2024, but now off of the new modestly higher 2021 baseline. NIPSCO has begun the IRP process that would update long-term generation plans, including the planned retirement of Michigan City Generating Station, and could create additional capex opportunities; that process will include RFP solicitation of resources similar to the 2018 IRP and will involve meetings throughout 2021 with expected filing with the Indiana commission by November 2021. NiSource did not comment meaningfully on potential asset sales, just saying that it is always evaluating value-enhancing opportunities.

On April 22nd, we downgraded NI to In Line from Outperform. We are staying on the sidelines and maintaining our price target of $27/share, which applies a premium gas LDC multiple of 18.0x 2023 EPS in our SOTP (Gas LDC's are trading at 17.5x 23E). We are raising our 2021-2023 EPS estimates to $1.34 / $1.42 / $1.51 versus $1.32 / $1.40 / $1.48 previously. NI stock is up 15% YTD materially outperforming peer group up 10% and it currently trades roughly in line/modest discount with electric utility peers at 18.0x 2023 EPS. Now with the Massachusetts divestiture behind the company, we believe the re-rate we had been expecting is already reflected in the stronger growth expectations (5-7% per year in 2021-2023 and 7-9% CAGR in 2021-2024) that have been reset off of a 2021 baseline. We also believe the benefits of the removed overhang of the equity unit financing transaction is reflected in the stock price, as well as NiSource's above-average positioning under the Biden administration as a 100% regulated utility, given that a potential higher FIT rate (eventually) would not lower profitability and would generate meaningful cash flow due to the regulatory construct. NiSource also has sizable coal exposure in Indiana and could see benefit under Biden's climate proposals with its plan to convert to renewables. With that said, we see limited near term upside, see our bull/bear case valuation of $29/$23 on page 2.

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EPS Estimates and Price Target Derivation

Raising our 2021-2023 EPS estimates modestly: We are raising our 2021-2023 EPS estimates to $1.34 / $1.42 / $1.51 versus $1.32 / $1.40 / $1.48 previously. Our 2021 EPS estimate is the midpoint of new $1.32-1.36 guidance and our 2022 EPS forecast is within the 5-7% annual growth forecast through 2023. After NIPSCO electric took the brunt of the COVID in 2020, we see its earned ROE increasing to 9.4% this year before modestly under-earning its authorized 9.75% by 2022-2023. For the gas segment, we assume the company modestly under-earns its blended ~10% ROE in 2021 through 2023

Our price target of $27/share is unchanged. Our bear case derives a $23 target while our bull case is $29/share. See Exhibit 1 below. Our base case assumes 2023 EPS of $1.48/share, which is roughly 6% annual EPS growth (vs. 5-7% guidance) over the midpoint of 2021 guidance of $1.32-1.36/share. For the electric business, we assign a 10% premium to our anchor 2023 P/E target multiple of 17.5x derived using our dividend discount model. For the gas segment, we apply a 18.0x P/E multiple, a premium multiple current comparable LDC trading multiples (17.5x). We apply a blended multiple for parent drag.

Exhibit 1: NiSource SOTP Valuation

Base Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.16	18.0x	$20.74
Electric EPS	$0.67	19.3x	$12.80
Parent/Other	($0.33)	18.2x	($6.09)
Consolidated 2022 EPS	**$1.51**	18.2x	**$27.00**

Bull Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.19	18.3x	$21.85
Electric EPS	$0.68	19.3x	$13.16
Parent/Other	($0.33)	18.7x	($6.14)
Consolidated 2022 EPS	**$1.55**	18.7x	**$29.00**

Bear Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.09	15.8x	$17.24
Electric EPS	$0.63	17.5x	$11.09
Parent/Other	($0.33)	16.4x	($5.39)
Consolidated 2022 EPS	**$1.39**	16.4x	**$23.00**

Source: Evercore ISI

Equity Unit Offering

On April 14th, NiSource priced the offering of 7.5mm of equity units, plus an over-allotment option of 1.125mm units. Each equity unit has essentially two components that is expected to ultimately raise a total of $1.5 billion of proceeds: 1) ~$730mm of proceeds raised this year upon completion of the offering with a contract to purchase NI common stock in the future with a settlement date of December 1, 2023, and 2) $730mm of mandatory convertible stock that will be remarketed upon the contract settlement date with a mandatory conversion date three months later, on or about March 1, 2024. The units will receive 100% equity treatment by the rating agencies. The issuance of the units will replace the company's previously planned issuances of $800mm of hybrids this year, for which they were targeting 50% equity treatment, and $600mm of planned block equity in 2022-2023. The company also now expects $0-150mm of ATM issuance in 2023 versus its prior plan for $200-300mm that year. The rest of NiSource's financing plan remains unchanged. NI says the offering is consistent with meeting its near and long-term financial plan through 2024 and they expect to be in their targeted FFO to debt range of 14-15% by the end of the planning period (we estimate 13% this year). The company intends to the use the proceeds from the offering for its renewable generation investments and general corporate purposes, including additions to working capital and repayment of existing debt. Note we had previously been modeling a combined $1.5 billion of common equity and hybrid issuance through our 2023 forecast period. So while this announcement removes an overhang, it is over time ultimately relatively consistent with our projections and the company's previous financing plans. With that said, some investors were expecting NiSource to be able to lower its equity needs in part funded by portfolio optimization / other measures.

Positioning for Biden Administration

NI also has sizable coal exposure in Indiana and could see benefit under Biden climate policies with its plan to convert to renewables. NiSource has plans to spend an estimate $1.8-2.0 billion of renewable capex primarily in 2022 and 2023, which represents roughly 20% (vs. our peer average 15%) of its five-year $9.9-10.5 billion total capex program.

We see NI benefitting from a potential tax rate increase under Biden. Biden's tax proposal calls for raising federal income tax (FIT) rate from 21% to 28%. NI is a 100% regulated utility, so a higher FIT rate doesn't lower profitability and should be passed through to customers in the form of higher rates. This increase in tax collections would raise holding company cash flow. This will lower parent financing costs and strengthen credit metrics. A higher FIT rate results in lower parent because of a larger tax shield. In our Biden note we estimated increase in the FIT rate under the Biden presidency could result in 3.0% EPS accretion in 2022 (vs group average of 0.7% accretion).

VALUATION METHODOLOGY

To arrive at our price target we use a SOTP analysis.

RISKS

Risks to our thesis include an inability to deploy capital at the company's expected rate resulting in a lower rate base and regulatory pressure resulting in lower allowed ROEs

COMPANIES UNDER COVERAGE BY AUTHOR

Symbol	Company	Rating	Price (2021-05-05)	Evercore ISI Target
AEE	Ameren Corp.	Outperform	$85.19	$90.00
AEP	American Electric Power	Outperform	$88.38	$99.00
AES	The AES Corporation	Outperform	$26.71	$30.00
AWK	American Water Works Company, Inc.	Outperform	$155.29	$157.00
AWR	American States Water Company	Underperform	$79.97	$60.00
CMS	CMS Energy Corp.	In Line	$65.20	$64.00
CNP	CenterPoint Energy, Inc.	Outperform	$24.56	$26.00
CWEN	Clearway Energy	In Line	$28.45	$25.00
CWT	California Water Service Group	In Line	$58.89	$40.00
D	Dominion Energy, Inc	Outperform	$79.41	$82.00
DTE	DTE Energy Co.	In Line	$140.63	$140.00
DUK	Duke Energy Corp.	In Line	$100.78	$96.00
ED	Consolidated Edison Inc.	Underperform	$78.12	$72.00
EIX	Edison International	In Line	$59.61	$73.00
ES	Eversource Energy	In Line	$86.12	$91.00
ETR	Entergy Corp.	Outperform	$109.11	$110.00
EVRG	Evergy	Outperform	$64.25	$62.00
EXC	Exelon Corp.	Outperform	$44.78	$47.00
FE	FirstEnergy Corp.	In Line	$37.79	$35.00
HE	Hawaiian Electric Industries Inc.	Underperform	$43.72	$35.00
NEE	NextEra Energy Inc	In Line	$75.69	$78.00
NI	NiSource Inc	In Line	$25.94	$27.00
NRG	NRG Energy Inc.	In Line	$35.15	$42.00
OGE	OGE Energy Corp	Outperform	$33.41	$35.00
PCG	PG&E Corp.	Rating Suspended	$11.32	
PEG	Public Service Enterprise Group	In Line	$63.19	$61.00
PNW	Pinnacle West Capital Corp.	In Line	$84.63	$81.00
PPL	PPL Corp.	In Line	$29.08	$31.00
SJW	SJW Group	In Line	$64.66	$60.00
SO	Southern Co.	Underperform	$66.42	$61.00
SRE	Sempra Energy	Outperform	$137.98	$143.00
VST	Vistra Energy Corp	Outperform	$16.29	$23.00
WEC	WEC Energy Group, Inc.	In Line	$97.86	$96.00
WTRG	Essential Utilities Inc.	In Line	$46.93	$49.00
XEL	Xcel Energy Inc.	In Line	$71.84	$70.00

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Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal100%.

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Evercore ISI rating (as of 05/05/2021)

Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	474	57	Buy	114	24
Hold	299	36	Hold	34	11
Sell	27	3	Sell	3	11
Coverage Suspended	14	2	Coverage Suspended	6	43
Rating Suspended	12	1	Rating Suspended	5	42

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Price Charts

Ratings Key

B	Buy	OP	Outperform	L	Long	CS	Coverage Suspended
H	Hold	IL	In Line	NP	No Position	RS	Rating Suspended
S	Sell	UP	Underperform	S	Short		

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Goldman Sachs | Equity Research

5 May 2021 | 8:33AM EDT

NiSource Inc. (NI): First Take: 1Q2021 in-line; 2021 guidance narrowed to upper half

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NiSource (NI, Neutral) reported 1Q21 operating EPS of $0.77, inline with GS/FactSet consensus at $0.76/$0.77, driven largely by lower O&M offsetting lower gross margin versus our estimate. The company narrowed its 2021 guidance from $1.28-$1.36 (midpoint $1.32) to $1.32-$1.36 (midpoint $1.34) versus GS/consensus of $1.32/$1.33. NI continues to expect EPS to grow 7 to 9% from 2021-2024 and 5 to 7% through 2023 as highlighted at its September investor day; our current estimates reflect a ~6.4% CAGR from 2021-2024, or 6.0% based on the mid-point of management's 2021 guidance of $1.34.

Key takeaway: We view the 2021 guidance raise positively, as the company continues to build on its recent execution track record. On the earnings call, we look for latest thoughts on potential asset monetization opportunities, in light of the recent equity unit offering.

Key takeaways from NI's release and slides include:

- **1Q21 beat largely driven on lower operations and maintenance cost** that were partially offset by lower gross margin. On a consolidated basis, O&M came in ~$70M lower than our forecast, with the better cost management driven at the gas segment.
- **NI recorded weather-adjusted electric/gas demand of -0.6%/-10.7% YoY in 1Q2021;** residential electric sales increased 6.5% (including weather impact) offset by lower C&I and wholesale demand.
- **Capital plan remains largely unchanged from Analyst Day & 4Q20,** including $2bn on renewable generation. With the recent equity units offering, NI does not forecast any additional bulk equity needs, while reiterating $200-$300mn of annual ATM equity financing through 2022 and up to $150mn in 2023.
- **The PA gas utility** filed a subsequent base rate case requesting a $98M increase with new rates beginning in Dec of 2021, on the heels of the recent constructive base rate case outcome.

Key topics to monitor on NI's earnings call include 1) latest thoughts on potential monetization of any of its regulated utilities, 2) timing/thoughts on the upcoming IRP filing at NIPSCO including potential for faster fleet transition to renewables, and 3) updated trajectory of EPS growth through 2024 given recent equity unit financing.

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Our 12-month price target of $25 embeds an 18x P/E multiple (1x discount to our target P/E) to our 2022 EPS estimate of $1.40 (unchanged). **Key upside risks include** 1) increased ability to lower O&M expenses, and 2) plans to further accelerate retirement of its remaining coal fleet. **Key downside risks include** 1) regulatory approval process for the planned renewable investments in Indiana, and 2) earnings/cash impact due to COVID-19.

NI	12m Price Target: **$25.00**	Price: **$25.94**	Downside: **3.6%**

Neutral

Market cap: $9.9bn
Enterprise value: $20.5bn
3m ADTV: $104.5mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/20	12/21E	12/22E	12/23E
Revenue ($ mn)	4,681.7	4,648.4	4,842.9	5,081.2
EBITDA ($ mn)	1,687.3	1,834.4	2,005.5	2,221.1
EBIT ($ mn)	961.4	1,077.0	1,177.5	1,296.2
EPS ($)	1.32	1.32	1.40	1.52
P/E (X)	18.6	19.6	18.5	17.0
EV/EBITDA (X)	11.9	11.5	11.5	11.3
FCF yield (%)	(6.9)	(6.5)	(8.8)	(15.9)
Dividend yield (%)	3.4	3.4	3.6	3.8
Net debt/EBITDA (X)	5.7	5.2	5.4	5.6

	12/20	3/21E	6/21E	9/21E
EPS ($)	0.34	0.76	0.15	0.11

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 4 May 2021 close.

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Disclosure Appendix

Reg AC

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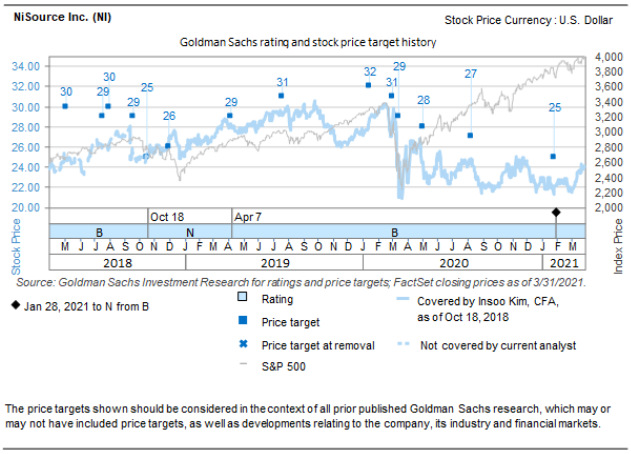

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North America Equity Research
05 May 2021

NiSource Inc.

1Q21 Results Match Estimates; 2021 Guidance Narrowed Amid Otherwise Quiet Update

Overweight

NI, NI US
Price: $25.94
04 May 2021

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- **1Q21 EPS matches estimates.** NiSource reported 1Q21 adj EPS of $0.77, largely in-line with the JPM/Street median estimate of $0.76. Gas distribution operating earnings fell -$17.6mm YoY, while electric operating earnings increased +$10.6mm. NI benefitted from new base rates, infrastructure replacement program recoveries, and lower operating expenses, with lost CMA earnings mostly offsetting growth on the quarter.
- **2021 guidance narrowed to new $1.32-1.36.** NI narrowed its 2021 EPS guidance to $1.32-1.36 (JPMe/Street median $1.35/$1.33), raising the low end +4c versus the company's prior $1.28-1.36 range. NI also affirmed its long-term outlook, including 7-9% 2021-2024 EPS CAGR.
- **Few questions follow recent equity raise and renewables update.** Quarterly updates are consistent with financing and capex revisions from the company's recent equity raise, notably 1) satisfying discrete renewables equity financing with the $862.5mm equity units offering, and 2) raising renewables capex to $2.0bn, or the high end of NI's initial $1.8-2.0bn range. We continue to see this progress and shift towards plan execution as positive. NI has added its latest renewables project announcements to quarterly disclosures, showing all company-owned and PPA project statuses. Across projects, $550mm of NI investment is under construction or complete and $1.5bn remains subject to commission approval.
- **Conference call details.** NI will host a webcast to discuss 1Q21 results on Wednesday, May 5 at 11:00 AM EDT.

Table 1: NI 1Q21 Results

Income Statement:	Actual 1Q20	Actual 1Q21	JPM 1Q21E	% Chg Y/Y	% Chg vs JPMe	YoY Drivers
Operating Earnings	463	465	500	0%	-7%	CMA sale impacts; new base and infra replacement program rates
Net Income	291	305	300	5%	1%	Lower short-term debt interest
Share Count	383	393	393	3%	0%	
Operating EPS	**$0.76**	**$0.77**	**$0.76**	**N/A**	**2%**	

Source: Company reports and J.P. Morgan estimates.

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NiSource Inc. (NI, NI US) Price Chart

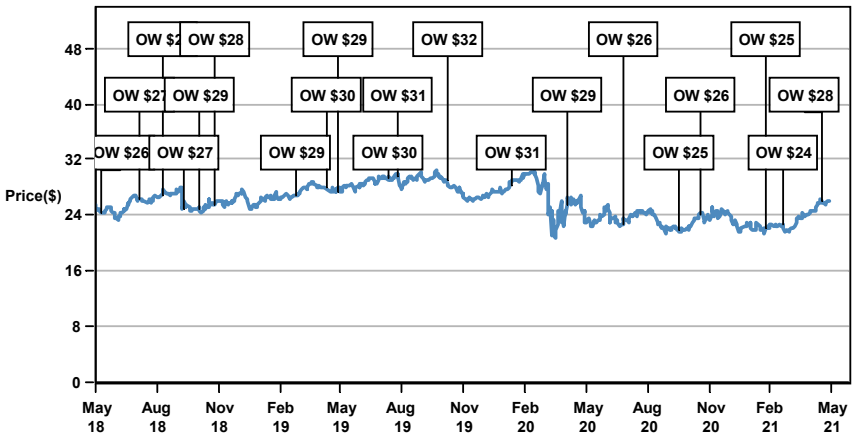

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
17-May-18	OW	24.40	26
11-Jul-18	OW	26.24	27
15-Aug-18	OW	26.96	28
17-Sep-18	OW	24.79	27
09-Oct-18	OW	25.05	29
01-Nov-18	OW	25.36	28
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31
09-Apr-20	OW	25.47	29
01-Jul-20	OW	22.74	26
21-Sep-20	OW	21.98	25
23-Oct-20	OW	24.04	26
29-Jan-21	OW	22.17	25
22-Feb-21	OW	22.84	24
22-Apr-21	OW	26.03	28

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Completed 05 May 2021 10:00 AM EDT Disseminated 05 May 2021 10:09 AM EDT
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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group
25.94 USD	28.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Approval of Two Thirds of Renewable Energy Investment Increases Our Confidence in NiSource's Growth

Charles Fishman, CFA
Equity Analyst
Morningstar

Analyst Note 05 May 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported solid 2021 first-quarter operating EPS, increased and narrowed 2021 earnings guidance to the upper end of its previous range, and increased its planned four-year renewable energy investments. Management also reaffirmed its near- and long-term EPS growth rates established at the September 2020 Investor Day meeting.

NiSource upsized its planned renewable energy investments from 2021-24 to $2 billion, the upper end of its guidance range of $1.9 billion to $2 billion established in August 2020. During the conference call with investors, management indicated three more renewable energy projects received pre-approval by the Indiana Utility Regulatory Commission that day.

Two thirds of the $2 billion renewable energy investment has now been approved prior to the Indiana base rate case final decision expected in 2023. This increases our confidence in NiSource's ability to achieve its EPS growth target.

We believed the increase and narrowing of the 2021 earnings guidance range to $1.32-$1.36 from $1.28-$1.36 was especially positive due to the larger amount of equity to be recognized on the balance sheet and earlier issuance of the convertible securities than we assumed. In addition, the ongoing impact of COVID-19 on commercial and industrial customers is expected to be less than the $0.05 per share impact originally contemplated by management.

We increased our 2021 EPS estimate to $1.34 from $1.30 based on the revised outlook. NiSource also indicated that its 7%-9% targeted EPS growth rate from 2021 to 2024 is now anchored by the midpoint of the revised guidance, or $1.34. Our 2024 EPS estimate increased by $0.02 to $1.68,

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The primary analyst covering this company does not own its stock.

Research as of 05 May 2021
Estimates as of 05 May 2021
Pricing data through 04 May 2021 00:00
Rating updated as of 04 May 2021 00:00

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Vital Statistics

Market Cap (USD Mil)	10,172
52-Week High (USD)	26.30
52-Week Low (USD)	21.09
52-Week Total Return %	9.8
YTD Total Return %	15.0
Last Fiscal Year End	31 Dec 2020
5-Yr Forward Revenue CAGR %	7.0
5-Yr Forward EPS CAGR %	6.1
Price/Fair Value	0.91

Valuation Summary and Forecasts

Fiscal Year:	2019	2020	*2021(E)*	*2022(E)*
Price/Earnings	21.1	17.4	*19.4*	*18.7*
EV/EBITDA	10.4	12.1	*11.4*	*10.4*
EV/EBIT	16.1	21.2	*18.4*	*17.0*
Free Cash Flow Yield %	-2.1	-7.3	*-5.6*	*-7.8*
Dividend Yield %	2.9	3.7	*3.4*	*3.6*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2019	2020	*2021(E)*	*2022(E)*
Revenue	5,209	4,682	*5,207*	*5,491*
Revenue YoY %	1.9	-10.1	*11.2*	*5.5*
EBIT	1,305	961	*1,123*	*1,216*
EBIT YoY %	936.7	-26.3	*16.8*	*8.3*
Net Income, Adjusted	495	508	*558*	*617*
Net Income YoY %	6.8	2.6	*9.9*	*10.6*
Diluted EPS	1.32	1.32	*1.34*	*1.39*
Diluted EPS YoY %	1.2	0.4	*1.3*	*3.5*
Free Cash Flow	-75	468	*154*	*-516*
Free Cash Flow YoY %	-94.4	-728.1	*-67.2*	*-435.9*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.5 million customers in Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana to about 500,000 customers. The regulated electric utility also owns more than 3,000 megawatts of generation capacity, most of which is now coal-fired but is being replaced by natural gas and renewables.

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but our average annual growth rate estimate from the new 2021 guidance midpoint declined to 7.8% from 8%.

For more detail on our view of the future of NiSource's natural gas utilities and its renewable energy investment plan, see our November 2020 report, "Is Natural Gas Heating Going the Way of Buggy Whips?"

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Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2018	2019	2020	*Forecast 2021*	*2022*	*5-Year Proj. CAGR*
Revenue	*-1.3*	4.9	1.9	-10.1	*11.2*	*5.5*	*7.0*
EBIT	*1.6*	-86.3	936.7	-26.3	*16.8*	*8.3*	*10.9*
EBITDA	*4.3*	-51.2	178.8	-16.6	*7.9*	*9.0*	*9.3*
Net Income	*8.3*	16.0	6.8	2.6	*9.9*	*10.6*	*11.3*
Diluted EPS	*3.0*	7.6	1.2	0.4	*1.3*	*3.5*	*6.1*
Earnings Before Interest, after Tax	*10.7*	-118.4	-1,098.1	-26.4	*22.8*	*10.7*	*11.3*
Free Cash Flow	—	37.7	-94.4	-728.1	*-67.2*	*-435.9*	*-6.3*

Profitability	3-Year Hist. Avg	2018	2019	2020	*2021*	*2022*	*5-Year Proj. Avg*
Operating Margin %	*16.0*	2.5	25.1	20.5	*21.6*	*22.1*	*23.1*
EBITDA Margin %	*29.7*	14.2	38.8	36.0	*35.0*	*36.1*	*37.7*
Net Margin %	*9.8*	9.1	9.5	10.8	*10.7*	*11.2*	*12.0*
Free Cash Flow Margin %	*-5.9*	-26.1	-1.4	10.0	*3.0*	*-9.4*	*-3.2*
ROIC %	*3.2*	-0.6	6.3	3.9	*5.8*	*6.3*	*6.1*
Adjusted ROIC %	*3.5*	-0.7	6.9	4.2	*6.3*	*6.9*	*6.7*
Return on Assets %	*0.3*	-0.3	1.5	-0.3	*2.4*	*2.5*	*2.6*
Return on Equity %	*1.2*	-1.4	6.6	-1.5	*10.0*	*9.4*	*9.8*

Leverage	3-Year Hist. Avg	2018	2019	2020	*2021*	*2022*	*5-Year Proj. Avg*
Debt/Capital	*0.62*	0.61	0.62	0.63	*0.56*	*0.57*	*0.56*
Total Debt/EBITDA	*7.71*	12.59	4.77	5.78	*5.08*	*5.16*	*4.94*
EBITDA/Interest Expense	*3.98*	2.05	5.34	4.55	*4.91*	*5.09*	*5.21*

Valuation Summary and Forecasts

	2019	2020	*2021(E)*	*2022(E)*
Price/Fair Value	1.01	0.80	—	—
Price/Earnings	21.1	17.4	*19.4*	*18.7*
EV/EBITDA	10.4	12.1	*11.4*	*10.4*
EV/EBIT	16.1	21.2	*18.4*	*17.0*
Free Cash Flow Yield %	-2.1	-7.3	*-5.6*	*-7.8*
Dividend Yield %	2.9	3.7	*3.4*	*3.6*

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	6.1
Long-Run Tax Rate %	25.0
Stage II EBI Growth Rate %	5.0
Stage II Investment Rate %	71.4
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-783	-4.0	-1.79
Present Value Stage II	3,007	15.4	6.87
Present Value Stage III	17,366	88.6	39.66
Total Firm Value	**19,591**	**100.0**	**44.74**
Cash and Equivalents	1,278	—	2.92
Debt	-9,746	—	-22.26
Preferred Stock	-880	—	-2.01
Other Adjustments	2,097	—	4.79
Equity Value	**12,340**	**—**	**28.18**
Projected Diluted Shares	438		
Fair Value per Share (USD)	**28.50**		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

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Morningstar Analyst Forecasts

Income Statement (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	*Forecast* 2021	*Forecast* 2022
Revenue	**5,115**	**5,209**	**4,682**	***5,207***	***5,491***
Cost of Goods Sold	1,761	1,535	1,109	*1,562*	*1,647*
Gross Profit	**3,353**	**3,674**	**3,572**	***3,645***	***3,843***
Selling, General & Administrative Expenses	2,353	1,355	1,586	*1,517*	*1,543*
Other Operating Expense (Income)	275	297	299	*307*	*316*
Other Operating Expense (Income)	—	—	—	—	—
Depreciation & Amortization (if reported separately)	600	717	726	*698*	*769*
Operating Income (ex charges)	**126**	**1,305**	**961**	***1,123***	***1,216***
Restructuring & Other Cash Charges	1	415	411	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**125**	**891**	**551**	***1,123***	***1,216***
Interest Expense	353	379	371	*370*	*390*
Interest Income	-2	-5	-211	—	—
Pre-Tax Income	**-231**	**507**	**-31**	***752***	***826***
Income Tax Expense	-180	124	-17	*135*	*149*
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	—	-3	*-4*	*-5*
(Preferred Dividends)	-15	-55	-55	*-55*	*-55*
Net Income	**-66**	**328**	**-73**	***558***	***617***
Weighted Average Diluted Shares Outstanding	357	376	384	*417*	*445*
Diluted Earnings Per Share	**-0.18**	**0.87**	**-0.19**	***1.34***	***1.39***
Adjusted Net Income	463	495	508	*558*	*617*
Diluted Earnings Per Share (Adjusted)	**1.30**	**1.32**	**1.32**	***1.34***	***1.39***
Dividends Per Common Share	0.78	0.80	0.84	*0.88*	*0.92*
EBITDA	**724**	**1,608**	**1,277**	***1,820***	***1,985***
Adjusted EBITDA	**726**	**2,023**	**1,687**	***1,820***	***1,985***

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Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	Forecast 2021	Forecast 2022
Cash and Equivalents	121	148	126	*340*	*335*
Investments	—	—	—	—	—
Accounts Receivable	1,059	857	791	*927*	*978*
Inventory	423	425	401	*492*	*519*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	453	424	341	*425*	*450*
Current Assets	**2,055**	**1,854**	**1,659**	***2,184***	***2,281***
Net Property Plant, and Equipment	15,543	16,912	16,620	*17,932*	*19,673*
Goodwill	1,691	1,486	1,486	*1,486*	*1,486*
Other Intangibles	221	—	—	—	—
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,002	2,014	1,795	*1,931*	*1,931*
Long-Term Non-Operating Assets	293	394	481	*481*	*481*
Total Assets	**21,804**	**22,660**	**22,041**	***24,013***	***25,851***
Accounts Payable	884	666	589	*642*	*677*
Short-Term Debt	2,027	1,787	526	*500*	*500*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,126	1,293	1,164	*1,350*	*1,450*
Current Liabilities	**4,037**	**3,746**	**2,279**	***2,492***	***2,627***
Long-Term Debt	7,105	7,856	9,220	*8,750*	*9,750*
Deferred Tax Liabilities (Long-Term)	1,331	1,485	1,471	*1,631*	*1,832*
Other Long-Term Operating Liabilities	2,519	2,352	1,904	*2,500*	*2,500*
Long-Term Non-Operating Liabilities	1,061	1,234	1,329	*1,329*	*1,329*
Total Liabilities	**16,053**	**16,673**	**16,203**	***16,702***	***18,038***
Preferred Stock	880	880	880	*880*	*880*
Common Stock	4	4	4	*4*	*4*
Additional Paid-in Capital	6,404	6,666	6,890	*8,043*	*8,333*
Retained Earnings (Deficit)	-1,399	-1,371	-1,765	*-1,574*	*-1,367*
(Treasury Stock)	-100	-100	-100	*-100*	*-100*
Other Equity	-37	-93	-157	*-41*	*-46*
Shareholder's Equity	**5,751**	**5,987**	**5,752**	***7,211***	***7,704***
Minority Interest	—	—	86	*100*	*110*
Total Equity	**5,751**	**5,987**	**5,838**	***7,311***	***7,814***

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group
25.94 USD	28.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	*Forecast* 2021	*Forecast* 2022
Net Income	-51	383	-14	*617*	*677*
Depreciation	600	717	726	*698*	*769*
Amortization	—	—	—	—	—
Stock-Based Compensation	29	26	17	*38*	*39*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	-188	118	-29	*161*	*201*
Other Non-Cash Adjustments	42	399	660	—	—
(Increase) Decrease in Accounts Receivable	-186	188	-4	*-136*	*-51*
(Increase) Decrease in Inventory	41	-2	-2	*-91*	*-27*
Change in Other Short-Term Assets	-14	54	-221	*-84*	*-25*
Increase (Decrease) in Accounts Payable	268	-300	-30	*53*	*35*
Change in Other Short-Term Liabilities	—	—	—	*186*	*100*
Cash From Operations	**540**	**1,583**	**1,104**	***1,442***	***1,718***
(Capital Expenditures)	-1,818	-1,802	-1,758	*-2,010*	*-2,510*
Net (Acquisitions), Asset Sales, and Disposals	—	—	—	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-108	-120	879	*460*	—
Cash From Investing	**-1,926**	**-1,922**	**-879**	***-1,550***	***-2,510***
Common Stock Issuance (or Repurchase)	844	244	211	*1,153*	*290*
Common Stock (Dividends)	-273	-299	-322	*-367*	*-410*
Short-Term Debt Issuance (or Retirement)	772	-204	-1,270	*-26*	—
Long-Term Debt Issuance (or Retirement)	-742	681	1,106	*-470*	*1,000*
Other Financing Cash Flows	868	-56	27	*-83*	*-89*
Cash From Financing	**1,469**	**366**	**-248**	***207***	***792***
Exchange Rates, Discontinued Ops, etc. (net)	0	0	0	*116*	*-5*
Net Change in Cash	**83**	**27**	**-23**	***214***	***-5***

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Research Methodology for Valuing Companies

Qualitative Equity Research Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

To assess the sustainability of excess profits, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

Morningstar Research Methodology for Valuing Companies

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.
Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to

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Research Methodology for Valuing Companies

assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, exposure to material ESG risks, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate. In cases where there is less than a 25% probability of an event, but where the event could result in a material decline in value, analysts may adjust the uncertainty rating to reflect the increased risk. Analysts may also make a fair value adjustment to reflect the impact of this event.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very High–margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- Extreme–margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Equity Research Star Rating Methodology

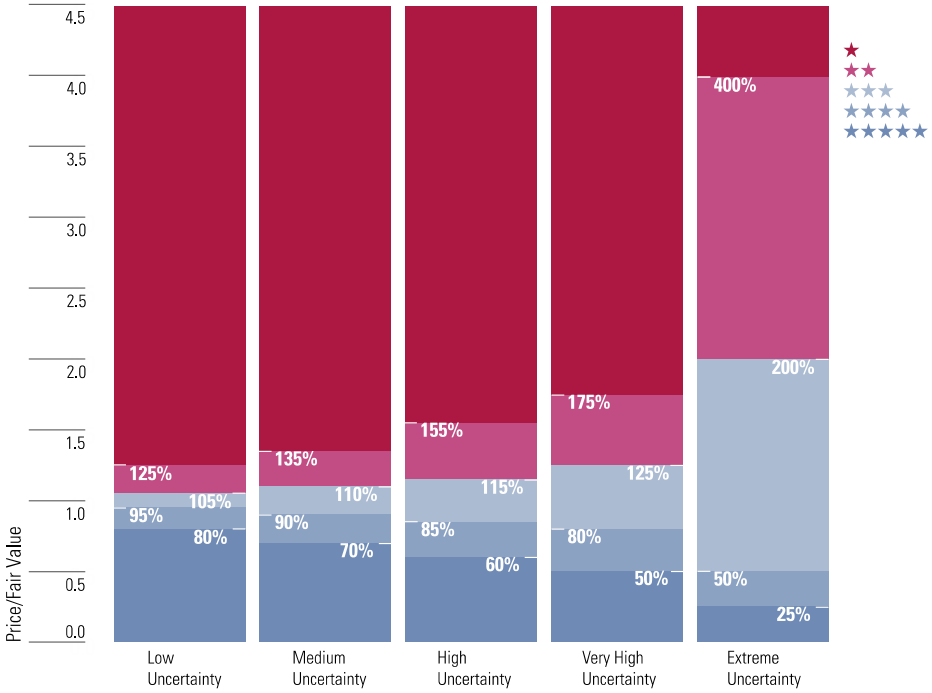

Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

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Research Methodology for Valuing Companies

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Quantitative Valuation: Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group
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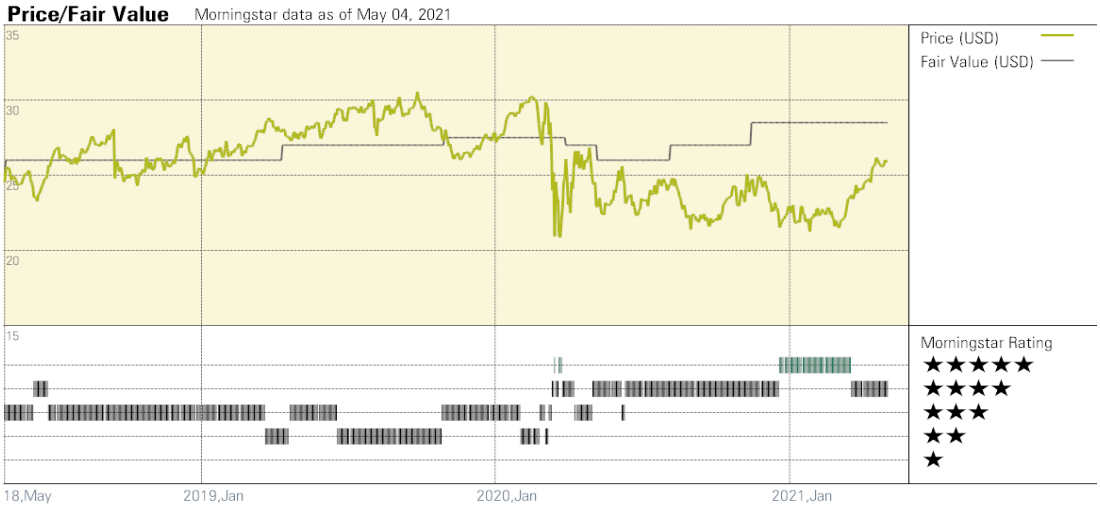

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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group
25.94 USD	28.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

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NiSource Inc NI ★★★★ 4 May 2021 21:21, UTC

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25.78 USD 5 May 2021	28.50 USD 16 Nov 2020 19:51, UTC	0.90	10.17 USD Bil 4 May 2021	Narrow	Stable	Low	Standard

Price vs. Fair Value

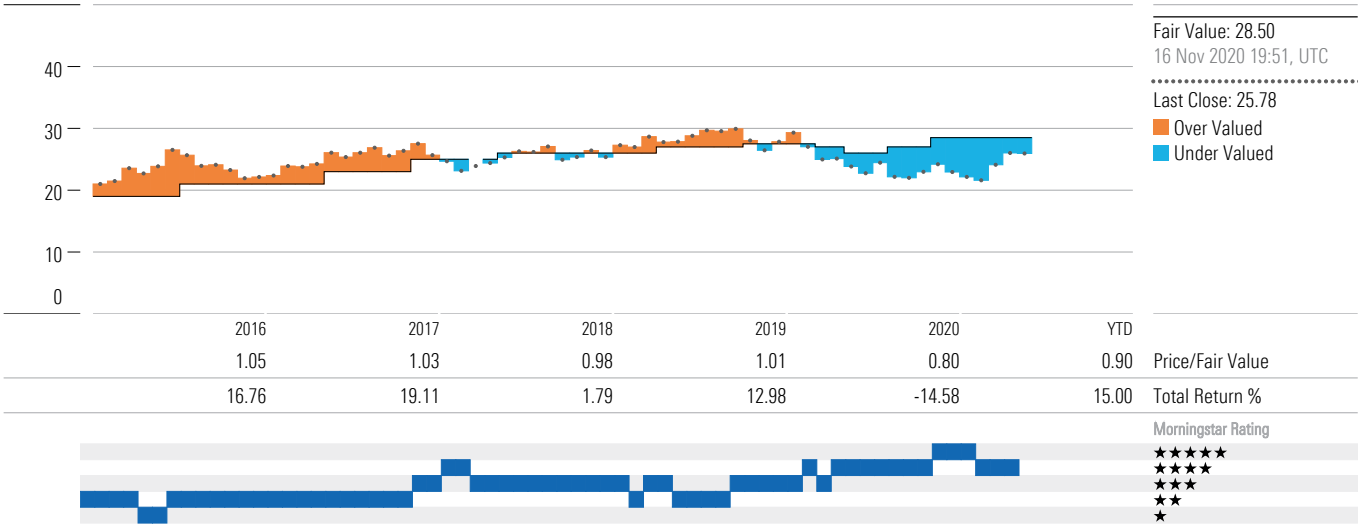

	2016	2017	2018	2019	2020	YTD
Price/Fair Value	1.05	1.03	0.98	1.01	0.80	0.90
Total Return %	16.76	19.11	1.79	12.98	-14.58	15.00

Total Return % as of 4 May 2021. Last Close as of 5 May 2021. Fair Value as of 16 Nov 2020 19:51, UTC.

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Approval of Two Thirds of Renewable Energy Investment Increases Our Confidence in NiSource's Growth

Analyst Note Charles Fishman, CFA, Equity Analyst, 5 May 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported solid 2021 first-quarter operating EPS, increased and narrowed 2021 earnings guidance to the upper end of its previous range, and increased its planned four-year renewable energy investments. Management also reaffirmed its near- and long-term EPS growth rates established at the September 2020 Investor Day meeting.

NiSource upsized its planned renewable energy investments from 2021-24 to $2 billion, the upper end of its guidance range of $1.9 billion to $2 billion established in August 2020. During the conference call with investors, management indicated three more renewable energy projects received pre-approval by the Indiana Utility Regulatory Commission that day.

Two thirds of the $2 billion renewable energy investment has now been approved prior to the Indiana base rate case final decision expected in 2023. This increases our confidence in NiSource's ability to achieve its EPS growth target.

We believed the increase and narrowing of the 2021 earnings guidance range to $1.32-$1.36 from $1.28-$1.36 was especially positive due to the larger amount of equity to be recognized on the balance sheet and earlier issuance of the convertible securities than we assumed. In addition, the ongoing impact of COVID-19 on commercial and industrial customers is expected to be less than the $0.05 per

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Sector
Utilities

Industry
Utilities - Regulated Gas

Business Description

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.5 million customers in Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana to about 500,000 customers. The regulated electric utility also owns more than 3,000 megawatts of generation capacity, most of which is now coal-fired but is being replaced by natural gas and renewables.

share impact originally contemplated by management.

We increased our 2021 EPS estimate to $1.34 from $1.30 based on the revised outlook. NiSource also indicated that its 7%-9% targeted EPS growth rate from 2021 to 2024 is now anchored by the midpoint of the revised guidance, or $1.34. Our 2024 EPS estimate increased by $0.02 to $1.68, but our average annual growth rate estimate from the new 2021 guidance midpoint declined to 7.8% from 8%.

Business Strategy & Outlook Charles Fishman, CFA, Equity Analyst, 5 May 2021

NiSource completed its separation from Columbia Pipeline Group in 2015 and now derives all of its operating revenue from its regulated electric and natural gas distribution utilities. About 60% of operating income comes from its six natural gas distribution utilities. The remaining 40% comes from its electric utility business in Indiana.

NiSource's utilities have regulatory frameworks that include automatic rate tracker mechanisms, with over 75% of planned capital expenditures, providing recovery of investments in less than 18 months. As a result of the favorable regulation and renewable energy investments in Indiana, we expect NiSource to step up its capital expenditures to almost $12 billion over the next five years, almost 40% higher than the previous five years.

Over the next 20 years, NiSource plans to invest about $40 billion in infrastructure improvements. Roughly 50% of these investments are expected to be for replacing steel and cast-iron pipe with plastic at its natural gas distribution utilities. Almost all of these investments receive rate tracker treatment. This allows NiSource to earn returns on these investments near allowed returns and consistently above its cost of capital.

In September 2018, a natural gas explosion killed one person north of Boston on NiSource's Columbia Gas of Massachusetts system. Insurance should cover roughly half of the almost $2 billion of claims, penalties, and other expenses, but the event was a public relations nightmare. In October 2020, NiSource sold the Massachusetts utility for proceeds of $1.1 billion that will be used to strengthen the balance sheet and for regulated utility infrastructure investments.

Although the economic impact from the COVID-19 pandemic pressured earnings in 2020 due in large part to NiSource's high share of commercial and industrial customers, we expect a rebound in average annual EPS growth near 8% from 2021 to 2024 and strong dividend growth averaging about 6% annually.

Bulls Say Charles Fishman, CFA, Equity Analyst, 5 May 2021

- We expect dividend growth near the midpoint of management's target for the forseeable future.
- We believe the separation of Columbia Pipeline Group from NiSource was good allocation of capital, as

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NiSource Inc NI ★★★★ 4 May 2021 21:21, UTC

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Competitors

	NiSource Inc NI	Alliant Energy Corp LNT	CMS Energy Corp CMS	WEC Energy Group Inc WEC
	Fair Value 28.50 Uncertainty : Low Last Close 25.78	Last Close 55.61 Fair Value 52.00 Uncertainty : Low	Last Close 64.20 Fair Value 50.00 Uncertainty : Low	Last Close 96.56 Fair Value 91.00 Uncertainty : Low
Economic Moat	Narrow	Narrow	Narrow	Narrow
Moat Trend	Stable	Stable	Stable	Stable
Currency	USD	USD	USD	USD
Fair Value	28.50 16 Nov 2020 19:51, UTC	52.00 3 Nov 2020 17:35, UTC	50.00 4 May 2021 14:27, UTC	91.00 3 Nov 2020 23:20, UTC
1-Star Price	35.63	65.00	62.50	113.75
5-Star Price	22.80	41.60	40.00	72.80
Assessment	Under Valued 4 May 2021	Over Valued 4 May 2021	Significantly Over Valued 4 May 2021	Over Valued 4 May 2021
Morningstar Rating	★★★★ 4 May 2021 21:21, UTC	★★ 4 May 2021 21:21, UTC	★ 4 May 2021 21:21, UTC	★★ 4 May 2021 21:21, UTC
Analyst	Charles Fishman, Equity Analyst	Andrew Bischof, Senior Equity Analyst	Travis Miller, Strategist	Andrew Bischof, Senior Equity Analyst
Capital Allocation	Standard	Standard	Standard	Standard
Price/Fair Value	0.90	1.07	1.28	1.06
Price/Sales	2.13	4.12	2.71	3.96
Price/Book	2.09	2.49	3.30	2.87
Price/Earning	50.75	22.89	21.73	24.65
Dividend Yield	3.32%	2.77%	2.54%	2.63%
Market Cap	10.17 Bil	14.14 Bil	18.87 Bil	30.87 Bil
52-Week Range	21.09—26.30	44.36—58.10	52.35—67.98	80.55—106.85
Investment Style	Mid Value	Mid Value	Mid Core	Mid Core

the market valued the individual businesses more highly at the time of the separation.

- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say Charles Fishman, CFA, Equity Analyst, 5 May 2021

- Industrial customers account for over half of NiSource's electric sales, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- NiSource's electric and natural gas distribution businesses have substantial commercial and industrial customer exposure, increasing the impact of the COVID-19 pandemic.
- NiSource issued almost $2 billion of common and preferred shares in 2018 and 2019 and $862 million of convertible preferred securities in 2021. The additional shares will be a headwind to near-term EPS growth.

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Economic Moat Charles Fishman, CFA, Equity Analyst, 5 May 2021

Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated utilities. State and federal regulators typically grant regulated utilities exclusive rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital they invest to build, operate, and maintain their infrastructure. In exchange for regulated utilities' service territory monopolies, state and federal regulators set returns at levels that aim to minimize customer costs while offering fair returns for capital providers.

This implicit contract between regulators and capital providers should, on balance, allow NiSource's regulated utilities to achieve at least their costs of capital, though observable returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing.

NiSource derives roughly 60% of its operating earnings from the regulated distribution of natural gas. For natural gas distribution service, regulators set distribution rates and the commodity price for customers purchasing natural gas from NiSource. NiSource recovers its costs for natural gas that it sells with a pass-through charge to customers. Thus, NiSource has no commodity price risk that could weaken its moat. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

Electricity generation, which contributes about 40% of operating earnings, is from operations in Indiana and is also regulated. The rates for this service are combined with regulated customer rates for transmission and distribution service. In exchange for its monopoly position, state and federal regulators set NiSource's electric rates.

Fair Value and Profit Drivers Charles Fishman, CFA, Equity Analyst, 5 May 2021

Our fair value estimate of $28.50 per share is due in large part to our increased confidence in the investment plan NiSource management presented at its September 2020 Investor Day.

NiSource plans to make infrastructure investments of $40 billion over the next 20 years, roughly half for pipeline and safety-related investments at its gas distribution utilities. Although the market is concerned about the future of natural gas, we believe there are significant technical and economic obstacles for the electrification of building space and water heating.

Investment in the gas distribution systems, primarily for pipeline replacement, is expected to accelerate over the next five years. We expect safety concerns will drive regulators to approve NiSource’s capital expenditure plan.

NiSource’s electric utility plans to close its last coal-fired power plant in 2028 and replace the capacity

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with wind, solar, and energy storage. Renewable energy and gas distribution infrastructure investment should result in better than 7% earnings growth, strong dividend growth, a better ESG profile, and lower risk for investors.

We use a 6.1% cost of capital in our discounted cash flow valuation, which incorporates a 7.5% cost of equity. Our cost of equity is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above-average regulatory frameworks.

Although our long-term pretax cost of debt assumption is 5.8%, recent debt financings have driven the weighted-average long-term interest rate on NiSource's long-term debt to under 3.7%, boosting our fair value estimate. We incorporate a normalized long-term real rate environment and normalized credit spreads in our long-term view of interest rates, including a 2.25% long-term inflation outlook.

Our fair value estimate implies a 21 times multiple on 2021 earnings. Although this price/earnings multiple is historically high, we note that NiSorce's near-term earnings are depressed due to the impact of dilution from a recent convertible issuance to provide funding for future investment in renewable energy. We expect 10% average annual EPS growth in 2023 and 2024 when Indiana electric rates reflect recent renewable energy investment.

Risk and Uncertainty Charles Fishman, CFA, Equity Analyst, 5 May 2021

Regulatory risk remains the key uncertainty; however, NiSource's regulatory exposure is diversified, owing to operations in six states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms that provide for automatic rate increases as infrastructure investments are made.

In 2020, NiSource announced it would eliminate all coal-fired generation from its power plant fleet by 2028. This transition will require signing power purchase agreements for renewable energy, building new solar and wind farms, and making modifications to its electric grid. There is a modest amount of execution risk to this dramatic transition from coal.

Capital Allocation Charles Fishman, CFA, Equity Analyst, 5 May 2021

We assign NiSource a Standard capital allocation rating due in large part to the fact that future capital spending is for low-risk regulated operations in constructive regulatory jurisdictions.

We think management's decision to form Columbia Pipeline Partners and execute Columbia Pipeline Group's tax-free separation exhibited excellent allocation of capital. However, NiSource's former CEO,

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who oversaw those decisions, left NiSource to go with CPG before retiring.

The National Transportation Safety Board found NiSource responsible for the gas explosion north of Boston. The incident had a negative effect on shareholder value and has been a public relations nightmare. However, Eversource Energy purchased the Massachusetts gas utility in October 2020 at an attractive purchase price that generated $1.1 billion in cash proceeds. We believe this was also good allocation of capital following the accident.

Joe Hamrock became CEO following the separation. He has been with NiSource since 2012 and previously ran the natural gas distribution business. Before joining NiSource, he was with American Electric Power. CFO Donald Brown joined NiSource in April 2015. Previously, he was with UGI Utilities and Constellation Energy. These individuals have significant utility experience, and we believe they will not stray from the strategy that has benefited shareholders.

Most of the executives and members of NiSource's board of directors were involved in the separation of CPG and oversight of investment decisions. Given this, we are confident that the solid capital allocation is likely to continue.

Analyst Notes Archive

NiSource Reaffirms 2021 Earnings Guidance and Hints Renewable Energy Investments Could Go Higher Charles Fishman, CFA, Equity Analyst, 17 Feb 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported solid 2020 operating EPS, reaffirmed 2021 guidance, and provided an update on its renewable energy projects in Indiana. The update on the utility's wind, solar, and energy storage projects increased our confidence in NiSource's investment plan.

The three solar-plus-storage projects announced in October are now awaiting approval by the Indiana Utility Regulatory Commission. Wholly owned Northern Indiana Public Service Company, or NIPSCO, plans to invest approximately $850 million in the joint ventures. Including the $400 million NIPSCO contributed to one operating wind farm and one wind farm under construction, NIPSCO is more than halfway to meeting its $1.8 billion to $2 billion renewable energy investment target.

In addition to the $2 billion of planned projects, we thought it was especially positive that management indicated that its 2021 integration resource plan could create additional investment opportunities. NIPSCO plans to submit the IRP to Indiana regulators in the fourth quarter.

NiSource reported 2020 operating earnings of $1.32 per share, $0.02 higher than our estimate and the consensus estimate. The earnings were especially impressive when considering the $0.10 headwind due to lower commercial and industrial revenues and increased bad debt expense due to COVID-19.

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NiSource reaffirmed its 2021 EPS guidance range of $1.28-$1.36 and our estimate of $1.32 at the midpoint of the range is unchanged. On Jan. 27, NiSource's board declared a 4.8% increase in its quarterly dividend that results in an annualized dividend of $0.88 per share. We forecast similar increases in 2022 and 2023 then accelerating growth when its Indiana renewable energy investments are recognized in rates in 2024.

Biden's Green Agenda Offers Growth Potential for Utilities Charles Fishman, CFA, Equity Analyst, 22 Jan 2021

We are reaffirming our fair value estimates, moat ratings, and moat trend ratings for U.S. utilities after President Joe Biden kicked off his environmental policymaking efforts. We consider the sector fairly valued.

We believe tighter environmental regulations are a net positive for most utilities. Growth investments in renewable energy, grid modernization, and electric vehicles should outweigh higher regulatory, operational, and financial risk. We forecast that the U.S. utilities we cover will invest $656 billion over the next five years, more than consensus expects and up from the $541 billion spent in the past five years. This supports our 5.5% average annual industry earnings growth outlook through 2024.

Biden's recommitment to the 2015 Paris Agreement won't have a material near-term impact on utilities. Most utilities' investment plans already reflect similar climate goals with support from state regulators and policymakers.

Investors should watch Biden's approach as the third president this decade to propose power plant emissions regulations. Courts have set a narrow path between Barack Obama's Clean Power Plan, which the Supreme Court stayed in 2016, and Donald Trump's Affordable Clean Energy rule, which was vacated by appeal on Jan. 19. We think it will be even tougher to get emissions legislation through Congress.

We expect emissions-reduction investments will remain a key growth driver for utilities because of state policies and demand from customers and investors. As the federal government has dithered, power plant carbon emissions have fallen 25% during the last decade due to economics and state policymaking. We forecast that natural gas generation will continue stealing market share from coal and renewable energy will double its market share by 2030.

We agree with consensus that Biden's interim goal of net-zero carbon emissions for the power industry by 2035 is unachievable with current technology and potential cost. A 2050 goal is more reasonable.

NiSource Reports Solid Third-Quarter Results; Indiana Renewable Energy Investments on Track Charles Fishman, CFA, Equity Analyst, 3 Nov 2020

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Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation
25.78 USD 5 May 2021	28.50 USD 16 Nov 2020 19:51, UTC	0.90	10.17 USD Bil 4 May 2021	Narrow	Stable	Low	Standard

We are reaffirming our $27 per share fair value estimate after NiSource reported solid 2020 third-quarter operating EPS of $0.09 versus breakeven last year and reaffirmed 2021 and long-term earnings guidance. On Oct. 21, wholly owned Northern Indiana Public Service Company announced an agreement with NextEra Energy Resources LLC for the construction of three renewable energy projects totaling 900 MW of solar and 135 MW of battery storage.

The new projects will require a NIPSCO investment totaling $850 million. Combined with the $400 million of wind energy projects currently under construction, the utility will be more than 50% of the way to meeting its $1.8 billion to $2 billion renewable energy investment target initiated during its second-quarter earnings call on Aug. 5.

We estimate NIPSCO will invest $1.9 billion in renewable energy, which we expect will be included in rate base before the next electric general rate case filing planned for 2023. Indiana regulation has been constructive in the past and the commission has expressed support for renewable energy with NIPSCO and other Indiana utilities in recent integrated resource plans. Thus, we are confident that regulators will approve the investment and allow constructive regulatory treatment.

We estimate this renewable energy investment and other capital expenditures in electric and natural gas distribution will allow annual EPS growth exceeding 7% from 2021-24, in line with management's 7%-9% guidance initiated at the Sept. 29 Investor Day.

NiSource management indicated during the earnings conference call that the estimated impact of COVID-19 was only $0.01 per share in the recently ended quarter and reaffirmed that its 2021 EPS guidance range of $1.28-$1.36 includes a negative impact of $0.05 per share. This gives us additional confidence in the fading impact of the pandemic and our unchanged $1.32 full-year EPS estimate.

NiSource Plans to Increase Renewable Energy Investment by $2 Billion Charles Fishman, CFA, Equity Analyst, 6 Aug 2020

We are increasing our fair value estimate to $27 per share from $26 after NiSource reported 2020 second-quarter operating earnings per share of $0.13 versus $0.05 last year, initiated 2021 earnings guidance, and announced plans to invest an additional $1.8 billion-$2 billion in renewable energy through 2023.

The results were solid in what is normally a weak quarter for a utility that derives over 60% of its operating earnings from natural gas distribution.

We increased our five-year capital expenditure forecast by $2.9 billion, to $12.1 billion, based in large part on NiSource's projecting that its combined gas and electric rate base will increase to $20.7 billion by 2024 from $13.9 billion at the end of this year. We are a little more conservative than management and estimate a 2024 year-end rate base of $19.9 billion, but this would still represent an impressive

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average annual growth rate of 9.4% over the four-year period.

NiSource management had previously announced it would close its last Indiana coal-fired power plant in 2028, but the almost $2 billion investment in renewable energy through 2024 was more than we had anticipated. We had assumed the majority of the needed generating capacity to replace the retiring coal units would come from purchased power agreements. However, NiSource plans to have joint venture ownership in 50% of the additional renewable capacity, requiring the larger investment and driving rate base growth.

NiSource initiated a 2021 EPS guidance range of $1.28-$1.36, with a midpoint higher than our estimate of $1.30. We increased our 2021 EPS estimate to $1.32, the midpoint of the range, and also increased our 2022-24 estimates by $0.02-$0.09 per share. The increase in our earnings estimates were due to the higher rate base projections and was the primary driver of our higher fair value estimate.

Safety-Related O&M, COVID-19, and Weak Industrial Demand Pressure NiSource's Earnings Growth

Charles Fishman, CFA, Equity Analyst, 7 May 2020

We are reducing our fair value estimate to $26 per share from $27 after NiSource reported 2020 first-quarter operating EPS of $0.76 versus $0.82 last year, reduced its 2020 capital expenditure forecast by $100 million, and made comments less supportive of future earnings growth.

The weak results were due in large part to higher safety-related operating and maintenance costs, mild weather, and weaker industrial electricity demand. COVID-19-related costs were not material in the recently ended quarter.

In March, we reduced our five-year capital expenditure estimate by $500 million, approximately 5%, to $9.5 billion due to our assumption of the impact of COVID-19 on investment. Driven by the lower 2020 guidance and our assumption of the continuing impact of COVID-19, we reduced our five-year investment forecast by another $250 million, to approximately $9.25 billion.

Although NiSource had previously indicated earnings guidance would not be provided until after the closing of the Columbia of Massachusetts transaction later this year, it was disappointing that management declined to support previous comments that 2021 operating earnings would be at least equal to the lower end of the previous range for 2020, or $1.36 per share.

Driven by lower capital investment and our assumption that higher O&M and weak industrial electricity demand will drag into next year, we reduced our 2021 EPS estimate to $1.30 from $1.35. Management did reaffirm that when 2021 guidance is established later this year, it will be the base for long-term annual EPS growth of 5%-7%. We estimate annual EPS growth of 6% from our new 2021 estimate, in line with this guidance.

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However, starting from a lower 2021 earnings base reduces our annual earnings growth for 2019-24 to 3.3% from our previous estimate of 4.8%. This lower earnings growth was the primary driver for our lower fair value estimate.

Coronavirus and Utilities: Listening For Answers Andrew Bischof, CFA, CPA, Senior Equity Analyst, 22 Apr 2020

Utilities' first-quarter earnings rarely offer much excitement, but this year will be different. We expect lively coronavirus commentary from utilities starting this week. We are maintaining our fair value estimates, moats, and moat trends.

We expect to hear commentary from management teams on numerous COVID-19 concerns. Utilities with large commercial-industrial customers could see record-breaking demand drops. Rate structures are critical, and we expect earnings cuts for utilities with usage-based rates. Utilities have issued a surge of debt in March, providing plenty of near-term liquidity, but investors will look to see if it is enough to get them through the year. Dividends appear secure throughout the sector and offer good income value relative to fixed-income alternatives. Capital programs are key drivers for utility growth amid stalled supply chains, workforce shortages, or financing. Renewable energy programs are the least at risk in our view. Finally, higher operating costs will likely affect utilities. The key will be which regulators adapt their natural disaster recovery programs for COVID-19 costs.

We highlight two lists of utilities that investors should watch this earnings season, value and quality. Atypical volatility among utilities stocks during the last month has created a wide spread between the overloved and the underloved. Value stocks could get an outsize lift if management commentary pushes the market toward our more positive outlook. We highlight AES, Edison International, Duke Energy, Vistra Energy, and First Solar as value stocks to watch.

We expect the most consistency from high-quality utilities; if the market were to turn down, like in mid-March, investors should be ready to pounce. We think high-quality Dominion Energy, NextEra Energy, Southern Co., and WEC Energy Group are the best positioned to weather COVID-19.

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Competitors Price vs. Fair Value

Alliant Energy Corp LNT

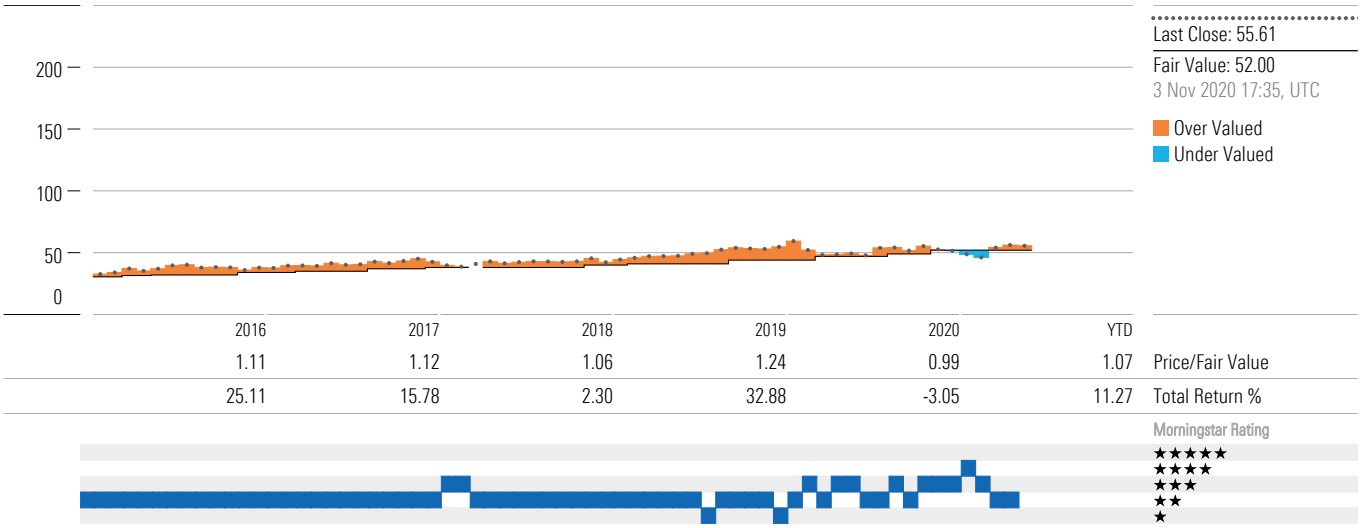

	2016	2017	2018	2019	2020	YTD
Price/Fair Value	1.11	1.12	1.06	1.24	0.99	1.07
Total Return %	25.11	15.78	2.30	32.88	-3.05	11.27

Total Return % as of 4 May 2021. Last Close as of 5 May 2021. Fair Value as of 3 Nov 2020 17:35, UTC.

CMS Energy Corp CMS

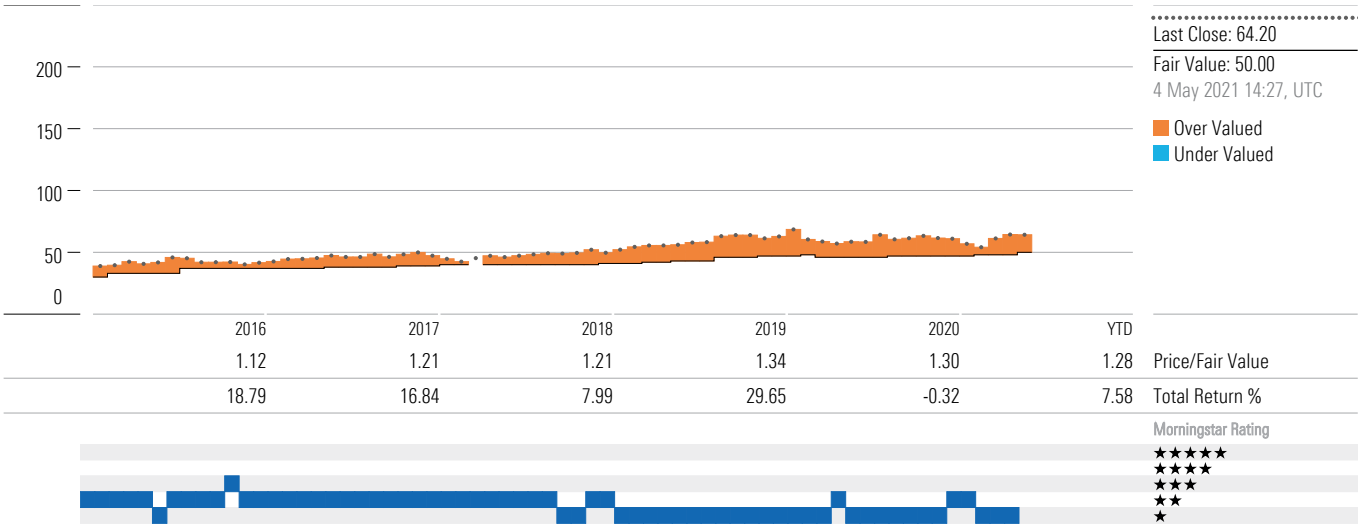

	2016	2017	2018	2019	2020	YTD
Price/Fair Value	1.12	1.21	1.21	1.34	1.30	1.28
Total Return %	18.79	16.84	7.99	29.65	-0.32	7.58

Total Return % as of 4 May 2021. Last Close as of 5 May 2021. Fair Value as of 4 May 2021 14:27, UTC.

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WEC Energy Group Inc WEC

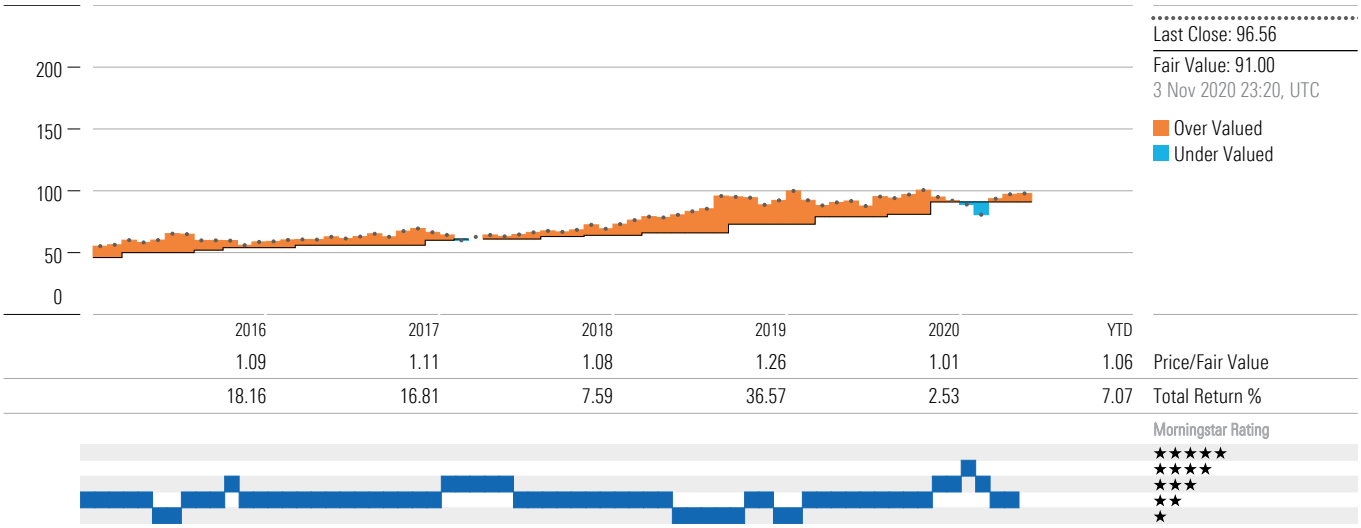

	2016	2017	2018	2019	2020	YTD
Price/Fair Value	1.09	1.11	1.08	1.26	1.01	1.06
Total Return %	18.16	16.81	7.59	36.57	2.53	7.07

Total Return % as of 4 May 2021. Last Close as of 5 May 2021. Fair Value as of 3 Nov 2020 23:20, UTC.

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5 May 2021	16 Nov 2020 19:51, UTC		4 May 2021				

Morningstar Historical Summary

Financials as of 31 Dec 2020

Fiscal Year, ends 31 Dec	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**YTD**	**TTM**
Revenue (USD Mil)	5,751	5,031	4,625	5,272	4,652	4,493	4,875	5,115	5,209	4,682	4,682	4,682
Revenue Growth %	-9.7	-12.5	-8.1	14.0	-11.8	-3.4	8.5	4.9	1.8	-10.1	-10.1	-10.1
EBITDA (USD Mil)	1,383	1,583	1,149	1,268	1,227	1,405	1,364	720	1,587	1,047	1,047	1,047
EBITDA Margin %	24.1	31.5	24.9	24.0	26.4	31.3	28.0	14.1	30.5	22.4	22.4	22.4
Operating Income (USD Mil)	917	1,004	699	792	802	865	927	126	1,305	961	961	961
Operating Margin %	15.9	20.0	15.1	15.0	17.2	19.3	19.0	2.5	25.1	20.5	20.5	20.5
Net Income (USD Mil)	299	416	532	530	287	332	129	-51	383	-18	-18	-18
Net Margin %	5.2	8.3	11.5	10.1	6.2	7.4	2.6	-1.3	6.3	-1.6	-1.6	-1.6
Diluted Shares Outstanding (Mil)	289	300	314	317	320	324	331	357	376	384	384	384
Diluted Earnings Per Share (USD)	1.03	1.39	1.70	1.67	0.90	1.02	0.39	-0.18	0.87	-0.19	-0.19	-0.19
Dividends Per Share (USD)	0.92	0.94	0.98	1.02	0.83	0.64	0.70	0.78	0.80	0.84	0.84	0.84

Valuation as of 30 Apr 2021

	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Recent Qtr**	**TTM**
Price/Sales	1.1	1.5	1.9	2.1	1.0	1.7	1.7	1.8	2.0	1.8	2.0	2.1
Price/Earnings	21.6	18.2	21.6	25.3	12.8	23.3	31.3	-87.7	22.6	-29.4	-126.6	-137.0
Price/Cash Flow	5.7	5.9	7.3	10.8	3.8	9.0	10.5	7.8	12.3	7.2	8.4	9.1
Dividend Yield %	3.86	3.78	2.98	2.4	4.25	2.89	2.73	3.08	2.87	3.66	3.53	3.31
Price/Book	1.3	1.4	1.8	2.2	1.6	1.9	2.0	2.0	2.1	2.0	1.9	2.1
EV/EBITDA	10.3	10.0	16.3	18.2	10.5	10.6	12.7	25.8	13.2	19.5	0.0	0.0

Operating Performance / Profitability as of 31 Dec 2020

Fiscal Year, ends 31 Dec	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**YTD**	**TTM**
ROA %	1.5	2.0	2.4	2.2	1.4	1.8	0.7	-0.3	1.5	-0.3	-0.3	-0.3
ROE %	6.1	7.9	9.3	8.8	5.7	8.4	3.1	-1.4	6.6	-1.5	-1.5	-1.5
ROIC %	4.3	5.1	5.4	4.8	3.7	4.8	2.7	1.4	4.2	1.2	1.2	1.2
Asset Turnover	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2

Financial Leverage

Fiscal Year, ends 31 Dec	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Recent Qtr**	**TTM**
Debt/Capital %	55.6	55.1	56.3	56.9	60.8	59.8	63.5	55.3	56.8	61.6	61.6	—
Equity/Assets %	24.1	25.4	26.0	25.1	22.0	21.8	21.6	22.3	22.5	22.1	22.1	—
Total Debt/EBITDA	5.8	5.1	7.7	7.9	5.7	5.6	6.6	15.0	7.1	11.0	11.0	—
EBITDA/Interest Expense	3.7	4.0	3.3	3.5	3.4	4.1	3.9	2.1	4.4	3.0	3.0	3.0

Morningstar Analyst Historical/Forecast Summary as of 05 May 2021

Financials

			Estimates		
Fiscal Year, ends 31 Dec	**2019**	**2020**	**2021**	**2022**	**2023**
Revenue (USD Mil)	5,209	4,682	5,207	5,491	5,899
Revenue Growth %	1.8	-10.1	11.2	5.5	7.4
EBITDA (USD Mil)	2,023	1,687	1,820	1,985	2,235
EBITDA Margin %	38.8	36.0	35.0	36.1	37.9
Operating Income (USD Mil)	1,305	961	1,123	1,216	1,359
Operating Margin %	25.1	20.5	21.6	22.1	23.0
Net Income (USD Mil)	495	508	558	617	701
Net Margin %	9.5	10.8	10.7	11.2	11.9
Diluted Shares Outstanding (Mil)	376	384	417	445	469
Diluted Earnings Per Share(USD)	1.32	1.32	1.34	1.39	1.49
Dividends Per Share(USD)	0.80	0.84	0.88	0.92	0.97

Forward Valuation

			Estimates		
	2019	**2020**	**2021**	**2022**	**2023**
Price/Sales	2.0	1.9	2.0	1.9	1.7
Price/Earnings	21.1	17.4	19.4	18.7	17.4
Price/Cash Flow	-48.6	-13.7	-17.9	-12.8	-7.1
Dividend Yield %	2.87	3.66	3.39	3.55	3.74
Price/Book	—	—	—	—	—
EV/EBITDA	10.4	12.1	11.4	10.4	9.3

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Research Methodology for Valuing Companies

Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

To assess the sustainability of excess profits, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to

Morningstar Equity Research Star Rating Methodology

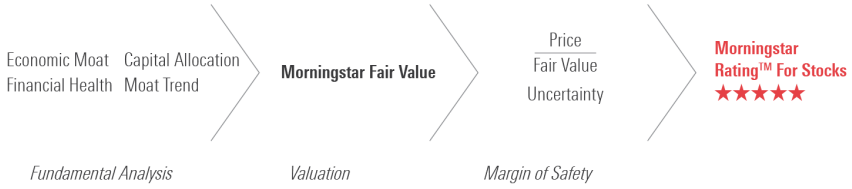

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bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, exposure to material ESG risks, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate. In cases where there is less than a 25% probability of an event, but where the event could result in a material decline in value, analysts may adjust the uncertainty rating to reflect the increased risk. Analysts may also make a fair value adjustment to reflect the impact of this event.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

	Margin of Safety	
Qualitative Analysis Uncertainty Ratings	★★★★★Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

4. Market Price

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Morningstar Star Rating for Stocks

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Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

Morningstar Equity Research Star Rating Methodology

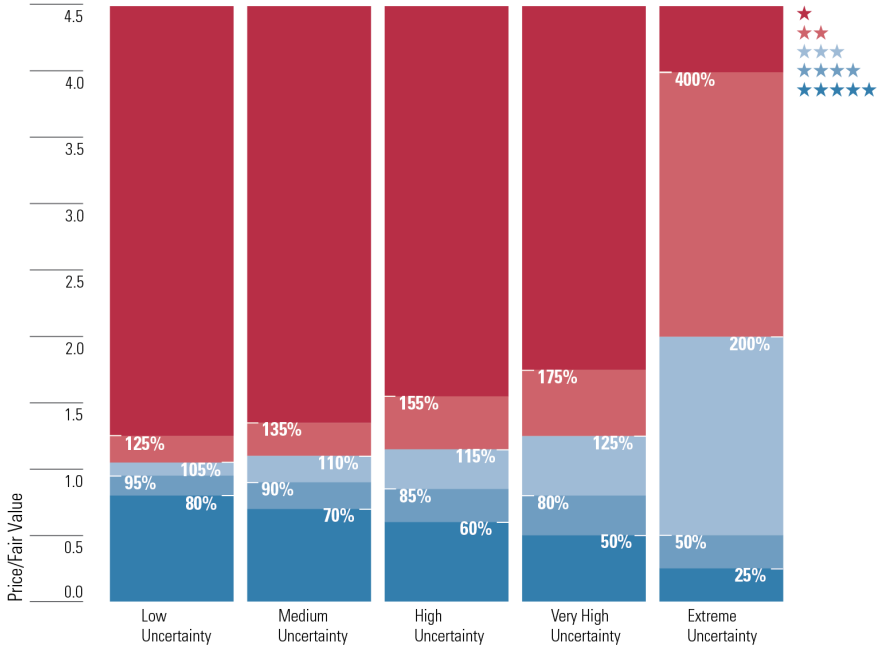

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

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Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

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The Fleishman Daily 5/5/21

Utilities: EXC, EXC/PEG, NI, PEG, SRE, PNW, FTS, PCG, AGR, D, AWK
Midstream: PAA, LNG, MPLX, WMB, ETRN

Utilities

EXC – Q1 miss already preannounced; 2021 guidance affirmed; all about IL legislation

EXC/PEG – Nuclear production tax credits likely to be included in Biden infra plan according to press reports; positive

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SRE – Q1 strong even without marketing benefits; good but full picture coming at analyst day

PNW – Q1 beats; not a lot new, 2021 guidance and other updates not till after APS' rate case concludes

FTS – Q1 EPS beats; 6% dividend growth and 6-6.5% rate base growth reaffirmed

PCG – Probation Judge says cannot extend probation or appoint overseer for PCG's role in Kincade; expected

AGR – A new hope? Or just a Texas two-step?

D – Another notch on the execution belt

AWK – Well on track but watching issues in NY

Midstream

PAA – Asset sales are a needed catalyst

LNG – Capitalizing on tighter markets

MPLX – Growth, buybacks, and a top tier balance sheet

WMB – Foot on the gas accelerates deleverages

ETRN – MVP still stuck in the station

Quarterly data: Weather, Forward Prices, Spot Prices, Nuke Outages

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Valuation Charts, Models, Arb Spreads

Utilities

EXC – Q1 miss already preannounced; 2021 guidance affirmed; all about IL legislation

- **1Q21 miss expected.** -$0.06 vs $0.36 consensus and $0.40 WRe (last updated 4/20); EXC pre-announced Q1 earnings on 4/28; the TX winter storm in Feb was the key driver of $0.85 reduction in ExGen's market and portfolio conditions.
- **2021 guidance affirmed, including segment guidance.** $2.60-3.00 vs $2.79 consensus and $2.82 WRe.
    - Utility guidance: $1.90-2.30 vs $2.09 WRe.
    - ExGen guidance: $0.55-0.85 vs $0.72 WRe.
- **IL legislation update.** There are 6 major bills on decarbonization and grid mod pending at state legislature; they include provisions for carbon mitigation credits, FRR authorization, carbon pricing mechanism, transition to traditional ratemaking and more. Session ends 5/31.
- **Federal legislation update.** This morning, *Reuters* reported the White House signaled privately to lawmakers and stakeholders in recent weeks that it supports nuclear PTCs, which would likely be included in Biden's infrastructure legislation (see below).
- **ExGen tax-free spin on track, closing still targeted for 1Q22:**
    - NYPSC: intervenor testimony on spin approval expected 5/24.
    - FERC and NRC also must approve the spin. NRC decision expect 11/30.
    - S&P last week said it expects SpinCo/ExGen to meet its metrics.
- **ExGen 2021 gross margins using 3/31/21 vs 12/31/20 pricing.** 2021 GMs are $5.75B (vs $5.9B previously) with TX hit, $6.7B without (same as before); the $5.75B excludes mitigation efforts.
- **TX hit to margins of $850-1,050M pretax.** Excludes bad debt and other P&L offsets.

The Q1 loss was pre-announced last week. ExGen/SpinCo results included the big losses from TX, but the utility segment continues to perform well. ExGen/SpinCo regulatory process is on track, with intervenor testimony due later this month. The focus remains on clean energy legislation in IL. With several proposals, including one from Gov Pritzker (D), action is expected. But we believe ExGen/SpinCo needs more support than currently in the Pritzker proposal (HB 4074) by the legislative session's end to avert shutdowns this fall of Byron and Dresden nuclear plants. The report of federal nuke PTCs is encouraging but would not be sufficient from a time perspective to save the two nukes (though it would

still benefit EXC's remaining fleet, including outside of IL). We remain bullish on EXC because we expect a reasonable resolution in IL by or around month's end.

EXC/PEG – Nuclear production tax credits likely to be included in Biden infra plan according to press reports; positive

- On 5/5, *Reuters* reported the White House signaled privately to lawmakers and stakeholders in recent weeks that it supports nuclear PTCs, which would likely be included in Biden's infrastructure legislation.
- "There's a deepening understanding within the administration that it needs nuclear to meet its zero-emission goals," a source engaged in the talks and familiar with the White House thinking told *Reuters*. The White House had no comment for *Reuters*.
- Sen. Manchin (D) last month said he supported credits for nuclear.
- Biden targets zero emissions from the power industry by 2035. Biden has proposed extending existing wind and solar tax credits and adding a storage tax credit.

ExGen/SpinCo is the largest nuclear operator in the US and is the most levered to any federal nuclear support. The nuke PTCs would be positive. Although they would not likely save Byron and Dresden from early retirement this fall, the federal support would benefit ExGen/SpinCo's other 14+ GW of nuclear capacity and the wider merchant nuclear fleet in the US. PEG, VST, NRG, NEE, and D would benefit, though to a much lesser extent than ExGen/SpinCo.

NI – Q1 in-line; low end of 2021 guidance raised, 7-9% EPS CAGR through 2024 reaffirmed; positive

- **Q1 in-line**. NI reported 1Q21 EPS of $0.77 – matching consensus (WRe $0.76)
- **Low end of 2021 guidance raised**. NI raised FY21 guidance to $1.32-1.36 vs $1.28-1.36 prior; the new $1.34 midpoint is a penny ahead of us and consensus at $1.33
    - We believe this reflects a less than feared impact from COVID in Q1; recall, NI baked $0.05 of COVID related headwinds into original 2021 guidance
- **7-9% EPS CAGR through 2021 reaffirmed**. The 7-9% CAGR is for the period 2021-24; NI expects annual EPS growth of 5-7% through 2023
    - Our current 2024E of $1.70 implies an 8.3% CAGR off the $1.34 base
- **All renewable projects now identified, total investment of $2B.** NI has announced 14 renewable projects – total investment is now firm at $2B vs $1.8-2.0B range previously
    - All other capex is unchanged vs prior disclosures
- **Financing plan unchanged after convert offering; still mentions potential portfolio optimization opportunities.** Proceeds from the recent convert were $862.5M, which eliminated all discrete block equity needs
    - Mechanics of the convert structure are shown on slide 21 of NI's Q1 deck
- **2021 IRP process.** A final report is due in November – this will start to frame a replacement plan for NI's last remaining coal units (Michigan City) after Schahfer is retired in 2023

NI's results look good, with the headline item being the 2021 guidance raise as the impact from COVID in Q1 was presumably a lot less than initially feared. Importantly, this also takes into account NI's ability to absorb the dilution from the convert offering which wasn't initially planned. We also believe the new $1.34 midpoint is the base for the 7-9% CAGR through 2024 (our 2024E of $1.70 implies an 8.3% CAGR). More broadly, we are encouraged to see NI get back to its pre-CMA event practice of at least meeting or beating initial expectations. We believe a key topic on the call will be management's messaging on potential portfolio optimization opportunities given the great price that CNP just received for its AR/OK LDCs (2.5x rate base).

PEG – Q1 EPS big beat w/ some timing items, 2021 guidance affirmed; solar portfolio sold to LS Power but price not disclosed, fossil sale still pending

- **Reports Q1 2021 operating EPS of $1.28 vs. $1.03 last year – big beat** versus consensus $1.12 and or $1.10 estimate
    - PSE&G +$0.07 YoY – driven by transmission rate base, gas riders, electric sales, pension, and taxes (expected to reverse); offset some by higher O&M and depreciation
    - Power +$0.15 YoY – driven by higher capacity payments, higher generation from absence of Salem 1 outage, favorable weather, and higher gas send-outs (expected to reverse in Q3 due to absence of one-time gain from last year), lower O&M (absence of Bergen 2 / Salem 1 outages), and lower depreciation/interest; lower hedge prices are expected to become a more pronounced negative driver in future quarters
    - Parent +$0.03 YoY – driven by taxes (expected to reverse) and interest income from prior IRS audit settlement
- **Reaffirms 2021 guidance of $3.35-3.55** (consensus: $3.44; WRe: $3.45)
    - No changes to segments
- **Announces sale of 437 MW solar portfolio to LS Power. Fossil sale still pending with "contract stage" expected around mid-year.**
    - No sale price disclosed. Expected to close in Q2/Q3 with $500M carrying value.
- **Rate base growth CAGR of 6.5-8% through 2025 reaffirmed** driven by $14-16B capex plan (90% to PSE&G)
- **No equity reaffirmed**
- **Electric/gas sales** -2%/+1% weather-normal over last 12 months

PEG is off to solid start, though there are a number of timing-related items, such that the year appears on track rather than ahead of plan. It's good to see progress on the solar sale, but it would be helpful to know the proceeds if material. More important is the pending fossil sale, which is expected to fetch a much higher price and we will know more around the middle of this year. The recent decision by the NJ BPU to extend PEG's nuclear ZECs at the full amount was helpful and removed an overhang.

SRE – Q1 strong even without marketing benefits; good but full picture coming at analyst day

- SRE reported Q1 EPS of $2.95 vs. $2.47 last year. This was above our $2.68 estimate and the $2.53 consensus
- The result was up on a combination of Oncor (growth and weather), the full operation of Cameron, gas marketing gains from the Q1 volatility ($69M or $0.22) and lower parent costs partially offset by the absence of South American earnings.
- Infrastructure transactions underway. Per previous updates, the 20% sell down of Sempra Infrastructure Partners for $3.37B is on track to close by mid-2021 and the IEnova tender will resolve by the end of May
- No change to guidance. SRE maintained 2021 EPS guidance of $7.50-$8.10

The quarter was stronger than expected, even if the gas marketing benefits were excluded. There were not a lot of new announcements in the release or slides as expected. This will be the first time that management will be in a position to publicly discuss the infrastructure sell down to KKR that was announced a few weeks ago, though mgmt may be constrained on how much it can say given the pending IEnova tender offer. Instead, we expect the full picture sometime next month when it holds its annual investor meeting.

PNW – Q1 beats; not a lot new, 2021 guidance and other updates not till after APS' rate case concludes

- **Q1 beats.** PNW reported 1Q21 EPS of $0.32 – ahead us/consensus at $0.24/$0.26
    - The beat appears to be driven by pension (+$0.09), weather (+$0.03) and taxes (+$0.03)
- **No 2021 guidance pending outcome of APS rate case.** No surprise here
    - Key drives remain unchanged; this includes weather-adj sales growth of 0.5-1.5%; 2021-23 sales growth expectations unchanged (1-2% on average)
- **No change to capex plan.** PNW still expects to invest $1.5B annually 2021-23; rate base CAGR through 2023 (off 2019A) is ~6%
- **Summer peak.** PNW noted in its release that it is projecting peak demand of 7,521 MW this year – below last year's record of 7,660 MW but 406 MW higher than 2019
- **Weather adj. sales growth of 0.5% in Q1.** Residential was up 2.2%, C&I was down 0.9%; customer growth during Q1 was 2.1%

The Q1 beat appears to be driven by a few items, though we would note that Q1 isn't a particularly meaningful quarter for PNW. The focus for the stock continues to be the outcome of APS' rate case, which is currently targeted for mid-year. After the rate case concludes, PNW plans to hold an investor briefing to issue formal 2021 guidance, detail financing plans as well as provide the expected timing of its next rate case. Of note, on the ACC's docket today is a discussion and a possible vote to reopen the evidentiary hearing in APS' rate case to allow for testimony/documentation to address Commissioner

Kennedy's questions on the use of adjustor mechanisms. Doing so would be a negative datapoint as it would further prolong the case.

FTS – Q1 EPS beats; 6% dividend growth and 6-6.5% rate base growth reaffirmed

- **FTS reported adjusted Q1 2021 EPS of $0.77 vs. $0.68 last year – beat** versus $0.75 consensus and our $0.74
    - UNS Energy +0.04 on new rates, pension losses last year; partially offset by higher operating costs
    - ITC +0.02 on rate base growth
    - Western Canada Utilities +0.02 on rate base growth
    - FX = -$0.02
    - Corporate/Dilution +0.01 on FX contract losses last year; offset some by dilution
- No 2021 guidance as expected (consensus: $2.77, WRe: $2.79)
- **Reaffirms 6% dividend growth target through 2025**
- **Five-year capex plan reaffirmed at $19.6B**
    - Notes that higher capex expected to offset weaker FX rate in 2021
- **Rate base growth reaffirmed at 6.5% and 6.0%** respectively for 3 and 5 years (2023/2025 rate base of $36.4/40.3B unchanged)
- **FX.** Continues to assume USD/CAD FX = $1.32 vs. $1.23 current rate (every $0.05 in FX change = $0.06 EPS and $400M capex)
- **Sales.** Arizona/UNS: Residential up 3% in Q1, C&I down 3%; overall sales down 1% (weather not material impact)
    - (83% of overall revenues covered or from residential)
- **Lake Erie Connector Transmission.** Canada Infrastructure Bank announced 40% funding in April. Fully permitted, but still negotiating transmission service agreements before construction can start
    - Not included in capital plan = $1.7B
- **Tax Reform.** Notes higher tax rate is EPS and cash flow positive

FTS is off to a solid start, as it looks like weaker FX rates can be mostly offset by higher capex. On the call, we'll be most interested in latest thoughts around transmission growth opportunities tied to renewables, particularly in MISO, the Lake Erie project that now seems primed to move forward and views on FERC transmission ROE proposed rule.

PCG – Probation Judge says cannot extend probation or appoint overseer for PCG's role in Kincade; expected

- Judge Alsup, PCG's federal probation judge, said at a hearing on PCG's role in the 2019 Kincade Fire that he has no power to extend the utility's probation term when it ends Jan 2022.

- Federal probation officer alleged that Kincade violated PCG's probation (which stems from the 2010 San Bruno gas pipeline explosion). Sonoma County prosecutors last month filed 33 criminal charges against PCG for causing Kincade.
- And Michael Aguirre, a lawyer who has represented some plaintiffs against CA utilities in the past, asked Judge Alsup to appoint an overseer; however, given an appointed trustee or receiver would lose power in Jan 2022 when the probation term ends.
- PCG previously said it will accept that its power line sparked Kincade, but denies that it was a crime.
- Judge Alsup noted PCG will "be rid of me" in less than a year, but he added: "I do have eight or nine more months to go, and I plan to use that as fairly as I can," reported *The Associated Press*.
- He will consider imposing additional probation conditions because of Kincade. Another hearing is set for 6/2.

Judge Alsup's comments on his inability to extend the probation term are not surprising. His court still remains a key venue to follow for PCG investors, as he can still impose rules on the utility over the next 9 months, including the 2021 wildfire season.

UBS

First Read

NiSource Inc.

2021 EPS Guidance Revised Higher

Equities

Americas

Gas Utilities

12-month rating **Buy**

12m price target	**US$29.00**
	Prior US$27.00
Price (04 May 2021)	**US$25.94**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$26.18-21.26
Market cap.	US$10.2b
Shares o/s	394m (COM)
Free float	99%
Avg. daily volume ('000)	1,205
Avg. daily value (m)	US$28.6
Common s/h equity (12/21E)	US$6.22b
P/BV (12/21E)	1.8x
Net debt to EBITDA (12/21E)	5.5x

EPS (UBS, diluted) (US$)

	12/21E			
	From	To	% ch	Cons.
Q1	0.76	0.77	1	0.77
Q2E	0.14	0.13	-1	0.13
Q3E	0.11	0.11	-2	0.09
Q4E	0.36	0.36	1	0.37
12/21E	1.34	1.34	1	1.33
12/22E	1.44	1.45	1	1.40
12/23E	1.54	1.54	0	1.51

Solid 1Q and 2021 Guidance Midpoint Revised Higher

NI reported 1Q EPS roughly inline with the Street expectations and revised higher its 2021 EPS guidance to $1.32-$1.36 ($1.34 midpoint) up from $1.28-$1.36 ($1.32 midpoint) vs. UBSe/Cons of 1.34/1.33, respectively. Additionally, NI revised higher renewable capex to ~$2B, up from $1.8B-$2B and maintained long term adj EPS CAGR of 7%-9% (2021-2024). NI filed rate case in PA and requested $98.3mm revenue increase with expected new rates effective in Dec 2021. During the call, we will listen for an update on 1) renewable projects, 2) 2021 IRP filing, 3) details on the recent equity offering, and 4) expected impact from the pandemic on 2021 earnings. We expect investors will react positively to the solid qtr and revised higher '21 EPS and renewable capex guidance.

Results: 1Q21 EPS Roughly Inline with UBSe & Consensus

NI reported 1Q adj EPS of $0.77, roughly inline with UBSe/Cons of $0.76/$0.77, respectively. Gas utilities op. income was 7.7% below UBSe, while electric op. income was 3% above UBSe. Interest expense was 6% below UBS expectations and other income of $10.5mm was above UBSe loss of $2.5mm.

Estimates

As 1Q results were roughly in-line with UBSe, we are maintaining our 2021+ EPS estimates roughly unchanged.

Valuation: Increasing PT to $29

We maintain Buy rating, but we are increasing our PT to $29 from $27 as we removed 5% discount related to expected hybrid/equity offering as it was announced in April (click here). Our price target is based on sum-of-the-parts P/E valuation and 2022 EPS of $1.45. We are increasing LDC P/E to 21x from 20x and electric P/E to 18x from 17x.

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Highlights (US$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Revenues	5,095	5,184	4,697	4,912	5,182	5,434	5,750	5,958
EBIT (UBS)	942	1,047	1,031	1,112	1,239	1,352	1,514	1,607
Net earnings (UBS)	463	495	507	568	643	689	773	828
EPS (UBS, diluted) (US$)	1.30	1.32	1.32	1.34	1.45	1.54	1.71	1.82
DPS (net) (US$)	0.79	0.84	0.88	0.90	0.96	1.02	1.08	1.14
Net (debt) / cash	(9,892)	(10,374)	(10,501)	(10,504)	(11,680)	(13,922)	(14,593)	(15,244)

Profitability/valuation	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
EBIT (UBS) margin %	18.5	20.2	22.0	22.6	23.9	24.9	26.3	27.0
ROIC (EBIT) %	7.7	7.9	7.5	7.7	7.8	7.5	7.6	7.6
EV/EBITDA (UBS core) x	10.6	10.6	9.9	10.0	9.5	8.7	8.0	7.6
P/E (UBS, diluted) x	19.4	21.2	18.6	19.3	17.8	16.9	15.1	14.2
Equity FCF (UBS) yield %	(14.5)	(1.6)	(6.0)	(5.8)	(9.6)	(18.4)	(2.3)	(1.8)
Dividend yield (net) %	3.1	3.0	3.6	3.5	3.7	3.9	4.1	4.4

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 25.94 on 04-May-2021

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Figure 1: 1Q Results vs UBSe

$ in millions	Actual 1Q21	UBSe 1Q21e	% variance	Actual 1Q20	YoY % change
Financial Data					
Revenues	$1,554.6	$1,739.5	*(10.6%)*	$1,631.8	*(4.7%)*
Cost of Sales	($476.8)	($511.5)	*(6.8%)*	($462.4)	*3.1%*
Operating & Maintenance Expenses	($346.2)	($421.0)	*(17.8%)*	($436.5)	*(20.7%)*
Depreciation & Amortization	($185.0)	($192.3)	*(3.8%)*	($184.3)	*0.4%*
Total Expenses	($613.2)	($744.3)	*(17.6%)*	($706.7)	*(13.2%)*
Interest Expense	($84.6)	($90.3)	*(6.3%)*	($92.9)	*(8.9%)*
Net Income	$304.8	$297.9	*2.3%*	$290.9	*5%*
EPS	$0.77	$0.76	*1.3%*	$0.76	*2%*
Diluted Shares Outstanding	$393.9	$390.1	*1.0%*	$383.1	*2.8%*
Dividend Per Share	$0.220	$0.220	*0.0%*	$0.220	*0.0%*
Segment Operating Income					
Gas Distribution	$374.0	$405.4	*(7.7%)*	$391.6	*(4.5%)*
Electric Operations	$90.6	$88.1	*2.9%*	$80.0	*13.3%*
Total	$464.6	$483.7	*(3.9%)*	$462.7	*0.4%*

Source : UBS estimates, Company Reports

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Figure 2: NI Summary Model

NiSource Inc (NI)											
($ in Millions)	2019	2020	1Q21	2Q21e	3Q21e	4Q21e	2021e	2022e	2023e	2024e	2025e
Operating Data											
Customers (000)											
Gas Utilities Customers	3,510	3,213	3,224	3,558	3,552	3,242	3,242	3,272	3,302	3,333	3,363
Electric Customers	476	479	480	481	482	483	483	487	491	495	499
Income Statement											
Revenues	**$ 5,184.1**	**$ 4,696.7**	**$ 1,554.6**	**$ 1,067.8**	**$ 996.4**	**$ 1,293.7**	**$ 4,912.4**	**$ 5,181.6**	**$ 5,433.6**	**$ 5,750.3**	**$ 5,958.3**
Operating costs & expenses											
(Cost of Sales)	$ (1,534.8)	$ (1,109.3)	$ (476.8)	$ (263.8)	$ (209.3)	$ (337.8)	$ (1,287.7)	$ (1,373.3)	$ (1,436.3)	$ (1,521.2)	$ (1,573.6)
(Operating & Maintenance Expenses)	$ (1,588.3)	$ (1,494.8)	$ (346.2)	$ (342.4)	$ (349.6)	$ (377.0)	$ (1,415.2)	$ (1,423.3)	$ (1,430.8)	$ (1,437.8)	$ (1,444.4)
(Depreciation & Amortization)	$ (717.4)	$ (762.3)	$ (185.0)	$ (205.9)	$ (204.2)	$ (192.8)	$ (787.9)	$ (825.1)	$ (883.8)	$ (936.4)	$ (981.9)
Gain on the Sale of Assets	$ -	$ -	$ (1.2)	$ (4.9)	$ 2.7	$ -	$ (3.3)	$ (2.1)	$ (2.1)	$ (2.1)	$ (2.1)
(Other Taxes)	$ (296.8)	$ (298.9)	$ (80.8)	$ (71.1)	$ (73.0)	$ (81.1)	$ (306.0)	$ (319.2)	$ (328.4)	$ (338.3)	$ (349.2)
Equity Earnings in Unconsolidated Affilates	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ (2,602.5)**	**$ (2,556.0)**	**$ (613.2)**	**$ (624.3)**	**$ (624.1)**	**$ (650.8)**	**$ (2,512.4)**	**$ (2,569.7)**	**$ (2,645.1)**	**$ (2,714.6)**	**$ (2,777.6)**
Operating Income By Division											
Gas Distribution	$ 632.0	$ 667.7	$ 374.0	$ 83.9	$ 18.5	$ 232.0	$ 708.3	$ 804.9	$ 851.7	$ 905.2	$ 965.0
Transmission & Storage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Electric Operations	$ 401.5	$ 361.9	$ 90.6	$ 95.4	$ 141.3	$ 72.1	$ 399.3	$ 435.5	$ 508.4	$ 622.6	$ 660.7
Corporate & Eliminations	$ 13.3	$ 1.8	$ (0.0)	$ 0.5	$ 3.2	$ 1.0	$ 4.7	$ (1.9)	$ (7.9)	$ (13.4)	$ (18.4)
Total Operating Income	**$ 1,046.8**	**$ 1,031.4**	**$ 464.6**	**$ 179.7**	**$ 163.0**	**$ 305.0**	**$ 1,112.3**	**$ 1,238.5**	**$ 1,352.2**	**$ 1,514.4**	**$ 1,607.2**
EBITDA	**$ 1,764.2**	**$ 1,793.7**	**$ 649.6**	**$ 385.6**	**$ 367.2**	**$ 497.8**	**$ 1,900.2**	**$ 2,063.6**	**$ 2,236.0**	**$ 2,450.8**	**$ 2,589.0**
Other expenses											
Interest Expense	$ (378.9)	$ (370.7)	$ (84.6)	$ (90.5)	$ (86.1)	$ (88.6)	$ (349.7)	$ (359.1)	$ (414.6)	$ (471.1)	$ (494.5)
Other Expense (Income)	$ (5.2)	$ 28.7	$ 9.5	$ (2.5)	$ (2.5)	$ (2.5)	$ 2.0	$ (10.0)	$ (10.0)	$ (10.0)	$ (10.0)
Total Other Expenses	**$ (384.1)**	**$ (342.0)**	**$ (75.1)**	**$ (93.0)**	**$ (88.6)**	**$ (91.1)**	**$ (347.7)**	**$ (369.1)**	**$ (424.6)**	**$ (481.1)**	**$ (504.5)**
Income from Before Income Taxes	**$ 607.6**	**$ 634.3**	**$ 375.7**	**$ 72.9**	**$ 60.7**	**$ 200.2**	**$ 709.5**	**$ 814.3**	**$ 872.5**	**$ 978.2**	**$ 1,047.5**
Income Taxes	$ (112.9)	$ (126.8)	$ (70.9)	$ (15.3)	$ (12.7)	$ (42.0)	$ (141.0)	$ (171.0)	$ (183.2)	$ (205.4)	$ (220.0)
Effective Tax Rate	18.6%	20.0%	18.9%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net income	**$ 494.7**	**$ 507.5**	**$ 304.8**	**$ 57.6**	**$ 47.9**	**$ 158.2**	**$ 568.5**	**$ 643.3**	**$ 689.3**	**$ 772.8**	**$ 827.5**
Diluted Weighted Avg Number of Common Uni	$ 374.7	$ 384.4	$ 393.9	$ 429.1	$ 433.2	$ 437.0	$ 423.3	$ 442.6	$ 448.0	$ 451.3	$ 454.5
EPS	**$ 1.32**	**$ 1.32**	**$ 0.77**	**$ 0.13**	**$ 0.11**	**$ 0.36**	**$ 1.34**	**$ 1.45**	**$ 1.54**	**$ 1.71**	**$ 1.82**
Balance Sheet Summary											
Assets											
Cash and Cash Equivalents	$ 148.4	$ 125.6	$ 96.7	$ 59.9	$ 89.8	$ 119.8	$ 119.8	$ 239.6	$ 359.4	$ 414.5	$ 469.6
Property, Plant and Equipment	$ 16,912.2	$ 16,619.5	$ 16,836.7	$ 17,175.1	$ 17,515.3	$ 17,866.8	$ 17,866.8	$ 19,591.7	$ 22,257.9	$ 23,371.6	$ 24,489.7
Investment in affiliates	$ 163.7	$ 228.9	$ 237.7	$ 237.7	$ 237.7	$ 237.7	$ 237.7	$ 237.7	$ 237.7	$ 237.7	$ 237.7
Total Assets	**$ 22,659.8**	**$ 22,040.5**	**$ 22,194.5**	**$ 22,496.1**	**$ 22,866.2**	**$ 23,247.7**	**$ 23,247.7**	**$ 25,092.4**	**$ 27,878.4**	**$ 29,047.1**	**$ 30,220.4**
Liabilities & Partners' Capital											
Long Term Debt	$ 7,856.2	$ 9,219.8	$ 9,202.3	$ 8,362.4	$ 8,661.7	$ 8,877.7	$ 8,877.7	$ 10,176.8	$ 12,445.2	$ 13,161.0	$ 13,859.0
Partners' Equity	$ 5,986.7	$ 5,837.8	$ 6,025.7	$ 6,820.5	$ 6,864.7	$ 7,011.7	$ 7,011.7	$ 7,440.7	$ 7,745.8	$ 8,133.4	$ 8,545.1
Total Liabilities & Partners' Capital	**$ 22,659.8**	**$ 22,040.5**	**$ 22,194.5**	**$ 22,496.1**	**$ 22,866.2**	**$ 23,247.7**	**$ 23,247.7**	**$ 25,092.4**	**$ 27,878.4**	**$ 29,047.1**	**$ 30,220.4**
Cash Flow Summary											
Changes in Working Capital	$ (75.1)	$ (249.1)	$ (100.0)	$ -	$ -	$ -	$ (100.0)	$ -	$ -	$ -	$ -
Net cash provided by operating activities	$ 1,583.3	$ 1,104.0	$ 448.3	$ 277.3	$ 265.9	$ 364.7	$ 1,356.2	$ 1,523.5	$ 1,628.2	$ 1,764.2	$ 1,864.5
Capital Expenditures	$ (1,802.4)	$ (1,758.1)	$ (367.0)	$ (544.3)	$ (544.3)	$ (544.3)	$ (2,000.0)	$ (2,550.0)	$ (3,550.0)	$ (2,050.0)	$ (2,100.0)
Net cash provided by investing activities	$ (1,922.4)	$ (879.1)	$ (401.8)	$ (544.3)	$ (544.3)	$ (544.3)	$ (2,034.8)	$ (2,550.0)	$ (3,550.0)	$ (2,050.0)	$ (2,100.0)
Net cash provided by financing activities	$ 366.4	$ (247.7)	$ (75.4)	$ 230.2	$ 308.4	$ 209.6	$ 672.8	$ 1,146.3	$ 2,041.6	$ 340.9	$ 290.6
Net change in cash	**$ 27.3**	**$ (22.8)**	**$ (28.9)**	**$ (36.8)**	**$ 29.9**	**$ 29.9**	**$ (5.8)**	**$ 119.8**	**$ 119.8**	**$ 55.1**	**$ 55.1**
Dividend											
Dividend Per Share	**$ 0.84**	**$ 0.88**	**$ 0.22**	**$ 0.22**	**$ 0.22**	**$ 0.24**	**$ 0.90**	**$ 0.96**	**$ 1.02**	**$ 1.08**	**$ 1.14**
Payout Ratio	63.3%	66.7%	28.4%	163.9%	198.9%	64.9%	66.6%	65.7%	66.0%	62.8%	62.3%

Source : UBS estimates, Company Reports

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Forecast returns

Forecast price appreciation	+11.8%
Forecast dividend yield	3.6%
Forecast stock return	+15.4%
Market return assumption	5.2%
Forecast excess return	+10.2%

Company Description

NiSource is an investment-grade rated energy company engaged in natural gas distribution and electric generation, transmission, and distribution. NiSource's operating companies deliver natural gas and electric service to approximately four million customers located across seven states, including IN, KY, MA, MD, OH, PA, and VA. Local utilities are Columbia Gas and NIPSCO. NiSource has a plan to spend ~$30bn over the next 20+ years on infrastructure enhancements to meet safety and reliability needs and comply with environmental requirements.

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. Our price target is derived using a sum-of-the-parts P/E valuation.

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UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	52%	31%
Neutral	FSR is between -6% and 6% of the MRA.	36%	28%
Sell	FSR is > 6% below the MRA.	12%	22%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2021.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. In some cases, this yield may be based on accrued dividends. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

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Company Name	Reuters	12-month rating	Price	Price date
NiSource Inc.[16]	NI.N	Buy	US$25.94	04 May 2021

Source: UBS. All prices as of local market close.
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NiSource Inc. (US$)

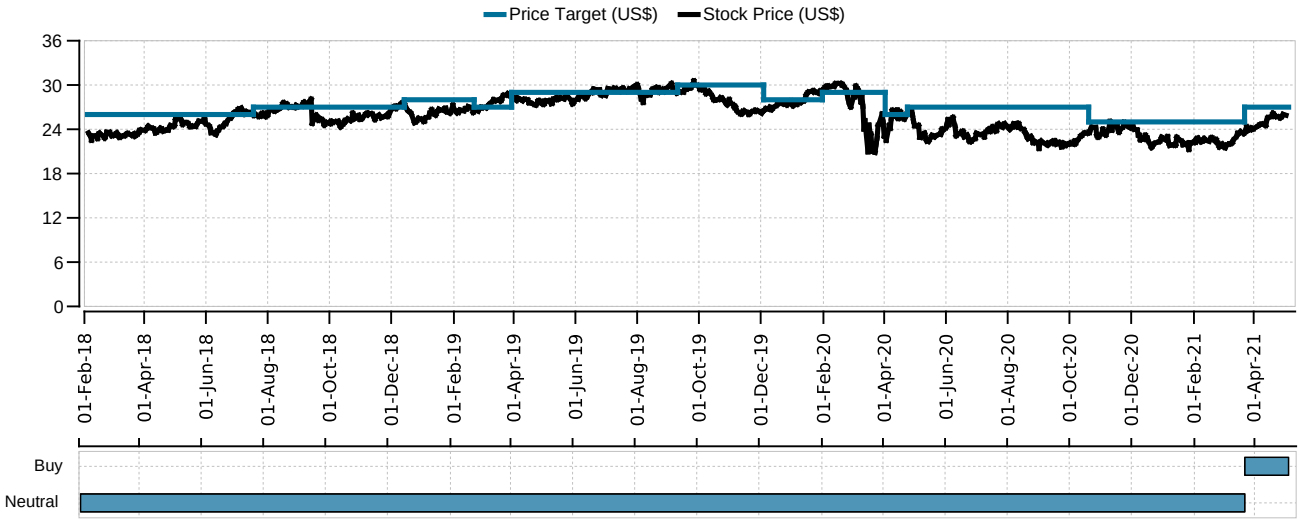

Date	Stock Price (US$)	Price Target (US$)	Rating
2018-02-02	23.97	26.00	Neutral
2018-07-17	26.12	27.00	Neutral
2018-12-13	27.62	28.00	Neutral
2019-02-20	26.28	27.00	Neutral
2019-03-29	28.66	29.00	Neutral
2019-09-09	28.91	30.00	Neutral
2019-12-03	26.41	28.00	Neutral
2020-01-30	29.10	29.00	Neutral
2020-04-01	23.06	26.00	Neutral
2020-04-23	25.85	27.00	Neutral
2020-10-19	23.47	25.00	Neutral
2021-03-22	23.42	27.00	Buy

Source: UBS; as of 04-May-2021

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Equity Research

WELLS FARGO

Price Target Change — May 5, 2021

Diversified Electric Utilities
Natural Gas LDCs
Regulated Electric Utilities

Earnings Takeaways: EXC, FTS, NI, NWN, PEG, PNW & SRE

Our Call

We provide thoughts on seven of the utilities that provided Q1 updates on 5/5. Each of the companies affirmed 2021 EPS guidance though NI narrowed to the high end of the range and FTS and PNW have not provided guidance. As is typically the case with Q1, updates were relatively straightforward with emission reduction strategies taking center stage (hydrogen and EV pilot programs, RNG initiatives, renewable and battery projects, etc.) and Q&A discussion bringing in executives' views on potential infrastructure/tax code policy developments along with portfolio optimization questions.

Call takeaways for EXC, FTS, NI, NWN, PEG, PNW and SRE are included in the body of the note.

We are updating price targets for NWN, PNW & SRE, as well as our earnings estimates for EXC, NI, and PNW. Please see the subsequent pages for details.

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Financials

C$	Rating		Price	2020A	2021E	FY EPS 2021E	2022E	2022E	FY P/E		Price Target	
Company Name (Ticker)	Curr.	Prior	05/05/21		Curr.	Prior	Curr.	Prior	2021	2022	To	From
Diversified Electric Utilities												
Exelon Corporation (EXC)	1	NC	$43.53	3.22	2.70	2.80	3.10	NC	16.1x	14.1x	$54.00	NC
Public Service Enterprise Group Incorporated (PEG)	1	NC	$61.31	3.43	3.45	NC	3.45	NC	17.8x	17.8x	$71.00	NC
Sempra Energy (SRE)	1	NC	$135.48	8.03	7.90	NC	8.32	NC	17.1x	16.3x	$148.00	$139.00
Natural Gas LDCs												
NiSource Inc. (NI)	1	NC	$25.78	1.32	1.34	1.32	1.42	1.40	19.2x	18.2x	$29.00	NC
Northwest Natural Holding Co. (NWN)	2	NC	$54.01	2.30	2.50	NC	2.55	NC	21.6x	21.2x	$58.00	$49.00
Regulated Electric Utilities												
Fortis Inc. (FTS)	1	NC	C$54.50	2.57	2.71	NC	2.95	NC	20.1x	18.5x	C$60.00	NC
Pinnacle West Capital Corporation (PNW)	1	NC	$84.50	5.04	4.80	4.85	5.05	NC	17.6x	16.7x	$92.00	$82.00

Source: Company data and Wells Fargo Securities, LLC estimates, and Refinitiv.
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EXC. We trim our 21E EPS to $2.70 from $2.80 in light of EXC's revised guidance of the impact of the TX weather event on ExGen. EXC maintained '21 EPS guidance of $2.60-3.00 as mgmt. continues to believe that they can substantially offset the TX earnings impact via several measures including one-time cost savings efforts (deferred maintenance, etc.). No change to our 22-25E EPS of $3.10, $3.30, $3.40 & $3.50. Not much new to report on the IL legislative front as this will likely go down to the very end of the general session (ends 5/31). Not surprisingly, mgmt. sounded underwhelmed by Governor Pritzker's recent carbon tax proposal – the additional revenues generated by the $8/ton carbon tax would likely fall well short of the amount EXC deems necessary to continue operating the four at-risk nuclear power plants. That being said, it sounds like negotiations are ongoing. For its part, mgmt. reiterated that in the absence of constructive legislation in the general session, EXC will proceed with the planned retirements of the Dresden and Byron nuclear plants – an outcome we firmly believe IL policymakers would like to avoid. With that said, EXC remains optimistic that the legislature will pass a bill that provides sufficient economic support to the fleet. We reiterate our Overweight rating and price target of $54/sh. For further details on our base, bull and bear case scenarios please refer to our recent note titled Nuclear Legislation – Third Time's A Charm?

FTS-CA. FTS is off to a good start in '21 as Q1 EPS showed a C$0.09 improvement y/o/y despite a C$0.02 foreign exchange (fx) headwind. While early, we think the results suggest our 21E EPS of C $2.71 could be a little light ('20 adjusted EPS was C$2.57). That being said, there are still a number of variables that could meaningfully impact full year results. These include: (1) USD/CAD fx rate – the USD continues to weaken against the CAD as the current fx rate is 1.23 vs. our full year estimate of 1.28 and 1.34 in '20, (2) FERC RTO adder – the FERC could issue a final decision on the effective elimination of the 50 bps RTO adder during Q3'21, which, to our understanding would be applied on a go-forward basis (we estimate the annualized risk to FTS is C$0.05-0.07 with the upper end reflecting uncertainty around the continuation of the 25 bps independence adder) and (3) AZ Summer Weather – Q2 & Q3 are seasonally important quarters for FTS's AZ electric utilities ('20 was abnormally hot).

No change to our 21-25E EPS of C$2.71, C$2.95, C$3.10, C$3.23 & C$3.40. Notably, our estimates reflect no change to ITC's current allowed ROE of 10.77%, which is clearly increasingly at risk. In addition, we assume a USD/CAD fx rate of 1.28 in '21 and 1.30 thereafter (again, the current rate is 1.23). On the positive side, we do not assume any change to the U.S. corporate income tax rate of 21% (we estimate that a move up to 28% could have a +C$0.03 impact on annual EPS power as a result of a higher tax shield for FTS's U.S. non-utility debt). Last, we think growing capital investment opportunities could mitigate potential EPS headwinds related to FERC ROE/fx rate. However, we caution that ITC's substantial opportunities related to a needed grid build-out in the Midwest are unlikely to sequence until the second half of the decade.

NI. The company is off to a good start as mgmt. narrowed 2021 EPS guidance to $1.32-$1.36 from $1.28-$1.36 driven by a combination of lower than expected COVID impacts and clarity on regulatory outcomes (PA rate case and rider/program proceedings) partially offset by higher share count expectations. NI affirmed the 7-9% EPS CAGR goal through '24 off the revised '21 base (still expect 5-7% annual growth through 2023). While the guidance change is modest at 1.5% (mid-point to mid-point), it is meaningful nonetheless, in our view, as execution and delivering on financial targets is key to the re-rating story. NI has also shown good progress on renewable initiatives – in fact, there are now agreements in place in support of the entire $2B investment opportunity. As a reminder, the 2018 IRP calls for nearly 80% of the company's coal generation to be retired by 2023 and 100% by the end of 2028, which is integral to achieving the targeted 90% GHG emission reduction by 2030 (vs. 2005 levels). NIPSCO's 2021 IRP process, which commenced in March and includes a final submission planned for November, could drive new investment opportunities tied to the Michigan City retirement. These would likely fall outside the planning horizon but would serve to extend the growth runway.

We slightly increase our '21-23E EPS to/from $1.34/1.32, $1.42/1.40 & $1.50/1.48 and maintain our '24E & '25E of $1.66 & $1.75, respectively. With shares trading at 2-3% P/E discounts to blended gas/electric peers on our '22E & '23E EPS and with block equity needs fully addressed, we reiterate our Overweight rating and $29/sh price target (19.3X our '23E EPS). We see a path to NI garnering a premium multiple as the company rebuilds the growth and safety track record. Our positive thesis does not assume any strategic portfolio optimization, though mgmt. expressed an openness in the Q&A discussion on the heels of CNP's AR/OK LDCs fetching a 2.5X rate base multiple.

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NWN. Q1 EPS of $1.94 exceeded our $1.81 and the consensus estimate of $1.82 due, in large part, to a 9 cent benefit tied to asset optimization opportunities during the February winter weather event. Other positive drivers that supported the 23% year-over-year increase include new rates in OR, customer growth and, to a lesser extent, a growing contribution from the water/wastewater utilities; these were partially offset by COVID impacts ($0.05) and higher operating expenses. NWN's gas system performed well during the February weather event and although purchased gas costs were higher than expected, the customer impact was more than offset by asset management revenues in concert with third party marketer agreements. The net effect was a $6.5mm customer benefit deferred as a regulatory liability. This was separate from the aforementioned $2.8mm after-tax (9 cent) net benefit at the Other segment from optimization opportunities. NWN affirmed 2021 EPS guidance of $2.40-2.60, which already embedded some level of benefit from February marketing conditions. No change to our '21-25E EPS of $2.50, $2.55, $2.88, $2.95 and $3.12, respectively. We increase our price target to $58/sh (20X our 23E EPS) from $49/sh on higher peer group multiples.

Other notable updates on the Q1 call included mgmt's optimism toward a settlement in the pending WA rate case (requesting multi-year step-up), the continuation of strong gas customer growth including 1.4% in the first quarter, and a strong commitment to both RNG/hydrogen initiatives and water M&A, though no material updates on either.

PEG. Our positive investment thesis remains intact following the Q1'21 results. No change to our 21-25E EPS of $3.45, $3.45, $3.58, $3.77 & $4.00. We reiterate our Overweight rating and price target of $71/sh. The most meaningful incremental development around PEG's Q1 earnings release was the announced sale of the 467 MW Solar Source portfolio to LS Power (pre-tax proceeds of $500-600mm). We continue to model net proceeds from the sale of PSEG Power's fossil fuel fleet + Solar Source of $2B, which we think could be somewhat conservative. Separately, mgmt. acknowledged that transmission owners face "an uphill battle" in persuading the FERC to reverse an initial decision to eliminate the 50 bp RTO adder after three years in an RTO. We estimate the decision poses an EPS risk of $0.06, or 1.5%, to our 22E EPS. A final FERC order could come as early as Q3'21.

Looking ahead, the calendar remains busy: (1) Fossil Fuel Generation Sale –PEG characterized interest in the fleet as robust and the sale remains on track for 2H'21. Once completed, PEG should be able to provide better granularity on the longer-term EPS outlook. (2) NJ Offshore Wind – the results of NJ's 2nd offshore wind (OSW) solicitation for up to 2,400 MW is expected in Q2'21. Ørsted is bidding in the remaining capacity in the Ocean Wind 2 lease area in a head-to-head competition with Atlantic Shores (EDF & Shell). PEG has expressed a strong intention in participating with Ørsted in future OSW opportunities beyond the 25% stake in Ocean Wind 1. As an aside, we do not believe Ørsted's recently announced cable issues have any bearing on Ocean Wind 1 as the cable protection system practice that caused the issue is no longer standard industry practice (see our Ørsted note for more details). (3) Nuclear – Policy Changes? Both the federal government and NJ are considering policy initiatives that could prove to be meaningfully positive for the long-term outlook of PEG's nuclear fleet (NJ is in the early stages of evaluating a number of options including the FRR). At this point, It is very difficult to assess (a) how this all plays out and (b) the timeframe. That said, we expect additional data points over the coming months. Securing longer-term economic certainty for the nuclear fleet is a key element of our positive thesis.

PNW. The year is off to a solid start though the pending rate case remains the most important driver of near-to-intermediate term EPS power. The case is crawling along with the next key data point being an ALJ recommendation this summer with an anticipated order in Q3 (keep in mind the case was originally filed in late 2019). We lower our '21E EPS to $4.80 from $4.85 to better account for potential delays in the final rate case outcome, which has been the pattern in AZ. While we've been discouraged by the fact pattern at the ACC (including Commissioner Kennedy's most recent inquiry into existing adjustment mechanisms), we reiterate our Overweight rating on valuation as shares trade at 10%+ discounts to Regulated Electric peers on our '22E & '23E EPS of $5.05 & $5.25, respectively. Though regulatory matters have dominated the story, we continue to like the company's strong customer growth (2.1% in Q1), above-average credit metrics and sizable clean energy opportunity. We increase our forward price target to $92/sh (19.2X our '22E EPS) from $82/sh on higher peer group multiples.

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SRE. Adjusted Q1 EPS of $2.95 exceeded our $2.62 and consensus of $2.61; most of the delta vs. our estimate appears to be at the LNG segment where the company noted a $69mm, or $0.22/sh, pickup from marketing operations with the remainder relating to better-than-expected results at SoCalGas and, less so, Oncor. Though we expected a potential guidance raise (given better-than-expected 2020 results combined with comments that the recent strategic moves are accretive), SRE affirmed 2021 EPS guidance of $7.50-8.10. We could get an update on '21 along with the initiation of '22 EPS guidance in conjunction with the virtual analyst day, which is planned June 29th. We maintain our '21-23E EPS of $7.90, $8.32 & $8.72; our '24E & '25E are $9.25 & $9.72, respectively. We reiterate our Overweight rating as shares appear attractively valued relative to our sum-of-the-parts analysis. We are cognizant that diversified stories in the utility space often struggle to trade at the full SOTP and, as such, have introduced a 3-5% discount into our analysis. Even so, we see ample room for outperformance. We raise our forward price target to $148/sh (see Exhibit 1) from $139/sh primarily reflecting higher peer group utility multiples.

Beyond the Q1 beat, highlights from the update included a constructive proposed decision (PD) for SDG&E's and SoCalGas' 2022/2023 attribution rates (3.7-4.5%), continued strong customer growth at Oncor, and updates on the company's sustainability strategy including two hydrogen pilot projects at SDG&E along with investments in batteries and a vehicle-to-grid pilot program and, separately, SoCalGas' plans to deliver 20% RNG in the gas mix by 2030. These initiatives are part of the recently unveiled net zero GHG by 2050 goal (2045 at SDG&E and SoCalGas). Shifting to Sempra Infrastructure Partners (SIP), we look for the KKR deal (20% stake in SIP) to close in mid-21 and the exchange offer for shares of IEnova to be completed by the end of May. On the project front, ECA phase 1 is progressing well, Cameron Phase 2 is subject to technical design work ahead of engineering and EPC conversations and, for Port Arthur, the company is focused on reducing the GHG profile and competitive positioning with FID now targeted for 2022. Of note, mgmt. expressed a lot of excitement at Cameron expansion, which now appears to be ahead of Port Arthur.

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Exhibit 1: SRE Sum-of-the-Parts Analysis

SDG&E 22E EPS	Discounted multiple reflects lingering risks related to CA's inverse condemnation policy and highly politicized regulatory environment, partially offset by a highly supportive 5-year rate plan and, separately, constructive FERC regulation	$2.83
21E Regulated Electric Median		19.8x
Premium (Discount)		-13%
Adjusted P/E		17.2x
SDG&E Forward Value		**$48.74**
Oncor 22E EPS	Premium multiple reflects relatively low risk electric T&D platform, attractive rate base growth outlook, above-average customer growth trends and rider mechanisms	$2.07
21E Regulated Electric Median		19.8x
Premium (Discount)		5%
Adjusted P/E		20.8x
Oncor Forward Value		**$43.08**
SoCalGas 22E EPS	Slightly discounted multiple vs. Gas LDC peers reflecting at least commensurate growth prospects and generally constructive regulatory treatment offset by higher political risk.	$2.28
21E Gas LDC Median		20.3x
Premium (Discount)		-3%
Adjusted P/E		19.8x
SoCalGas Forward Value		**$44.96**
U.S. Utilities Forward Value		**$136.77**
Infrastructure Partners Adj. EBITDA 22E	12X EV/EBITDA multiple based on a blended contracted LNG multiple of 14-15X (attempts to capture some level of future growth opportunities) and Mexico infrastructure of 10X; multiple applied to our '22E EBITDA estimate to arrive at an enterprise value before backing out debt. Value adjusted for assumed non-controlling interest of ~20%.	$1,799
Applied Multiple		12.0x
Enterprise Value (mm)		$21,636
Adjusted Debt (mm) 22E		$8,081
Equity Value (mm)		$13,554
22E Share Count (mil.)		325
Forward Value (Infrastructure Partners)		$41.70
SRE Ownership Stake		80%
Infrastructure Partners Forward Value		**$33.36**
Parent/Other 22E EPS	Blend of segment P/E multiples	($0.89)
Blended P/E Multiple		18.6x
Parent/Other Forward Value		**($16.45)**
3-5% SOTP Discount		**($6.15)**
12-18 Month Price Target		**$148**

Source: Wells Fargo Securities, LLC Estimates

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Company	Ticker	Closing Price (5/5/21)	2021E EPS Q1A	Q2E	Q3E	Q4E	EPS 2021E	2022E	2023E	Rating
Exelon Corporation	EXC	$43.53	($0.06)	$0.60	$1.24	$0.92	$2.70	$3.10	$3.30	Overweight
Fortis Inc.	FTS	$44.44	$0.77	$0.58	$0.66	$0.70	$2.71	$2.95	$3.10	Overweight
NiSource Inc.	NI	$25.78	$0.77	$0.08	$0.08	$0.41	$1.34	$1.42	$1.50	Overweight
Northwest Natural Holding Co.	NWN	$54.01	$1.94	($0.22)	($0.66)	$1.44	$2.50	$2.55	$2.88	Equal Weight
Public Service Enterprise Group	PEG	$61.31	$1.28	$0.70	$0.88	$0.59	$3.45	$3.45	$3.58	Overweight
Pinnacle West Capital Corp.	PNW	$84.50	$0.32	$1.33	$2.68	$0.47	$4.80	$5.05	$5.25	Overweight
Sempra Energy	SRE	$135.48	$2.95	$1.49	$1.51	$1.95	$7.90	$8.32	$8.72	Overweight

Source: FactSet and Wells Fargo Securities, LLC estimates

Acronyms

ACC – Arizona Corporation Commission

ALJ – Adminstrative Law Judge

ECA – Energia Costa Azul

EPC – Engineering, Procurement, Construction

FERC – Federal Energy Regulatory Commission

FID – Final Investment Decision

FRR – Fixed Resource Requirement

GHG – Greenhouse Gas

IRP – Integrated Resource Plan

LNG – Liquefied Natural Gas

RNG – Renewable Natural Gas

SIP – Sempra Infrastructure Partners

SOTP – Sum-of-the-Parts

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WOLFE RESEARCH

ELECTRIC UTILITIES

Regulateds – Market Overweight

Gas/Power Infrastructure – Market Overweight

May 5, 2021

NISOURCE

(NI US Equity – $25.78 – Outperform)

Getting back to the NI of old

- **2021 guidance raised, 7-9% CAGR reaffirmed off higher base**. This morning, NI reported 1Q21 EPS of $0.77 which was in-line with consensus. NI raised the low-end of 2021 guidance by $0.04, now targeting a range of $1.32-1.36. Management noted that the guidance raise came after seeing a very limited COVID impact in Q1 and getting greater regulatory certainty (i.e., in PA). We thought this might be the case heading into earnings, but it was still good to see considering NI is absorbing the dilution from the recent convert offering which wasn't originally anticipated when guidance was first issued. Further, NI's 7-9% EPS CAGR through 2024 was reaffirmed off the higher $1.34 midpoint. Our 2024E of $1.70 implies an 8.3% CAGR off that base. We reiterate our Outperform rating on NI and raise our PT to $29 from $28 on higher utility multiples.

- **Open to potential portfolio optimization but doesn't sound imminent**. This was a hot topic on the call given the price that CNP got last week for its AR/OK gas LDCs (2.5x rate base). Management's tone didn't change much, saying that they are open minded and regularly reviewing the asset portfolio. Key considerations in NI's analysis are that each subsidiary is growing rate base at a 10%+ clip and under constructive regulatory frameworks. Given that NI no longer has a block equity need in its plan, we think it is unlikely to see action on this front over the near term. However, the topic could become a little more front and center as NI works through its 2021 IRP (due in November) to identify replacement capacity for its Michigan City coal unit (469 MW). The current timeline for retirement is 2028, though it is possible that could be pulled forward – at which time, NI will be coal-free.

- **Renewable projects progressing well.** Just today, the IURC approved three more CPCN filings for renewable projects. This means that about 2/3s of the capex for the renewable program has effectively been blessed by the Commission. Total capex for the entire program was firmed up at $2B (vs the $1.8-2.0B range prior). Staying on the regulatory front, NI plans to file a new TDISC plan in Indiana in June to incorporate changes from recent legislation which will allow for a more enhanced mix of investments to be included. Finally, we note that NI is due to file a rate case in OH later this summer.

- **Raising 2021E**. We are raising our 2021E by $0.01 to $1.34 given mgmt.'s commentary around COVID impacts. Outyear estimates remain unchanged.

Estimates / Valuation				
(US$)	2021E	2022E	2023E	2024E
EPS	$1.34	$1.41	$1.51	$1.70
Consensus	$1.33	$1.41	$1.51	$1.70
P/E	19.3x	18.3x	17.0x	15.2x
Dividend Yield	3.5%	3.7%	3.9%	4.1%

Trading and Fundamental Data	
Price Target	**$ 29**
Current Price	25.78
52-Week Range	$21-$26
Market Cap. (MM)	10,110
Enterprise Value (MM)	20,740
Shares Out. (MM)	392.1
Dividend Yield	3.29%
Dividend Payout Ratio	63.7%
ROE	-1.5%
Debt to Cap	63%
Avg. Daily Vol. (000)	4,921

Price Performance	YTD	LTM
NI US Equity	12%	6%
Utility Index	4%	17%
S&P 500	11%	47%

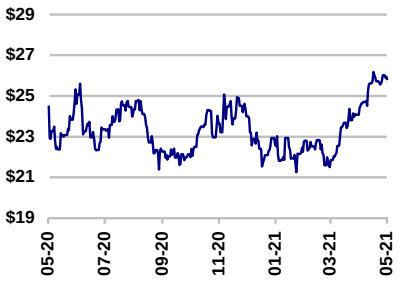

Source: FactSet/Wolfe Research

Key Changes		
Year	New	Old
Price Target	$29	$28
2021E	$1.34	$1.33

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WOLFE RESEARCH

NiSource

May 5, 2021

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$1.34	$1.41	$1.51	$1.70
Diluted Shares Outstanding	415	443	451	477
Dividends Per Share	$0.89	$0.94	$1.00	$1.06
Dividend Yield	3.5%	3.7%	3.9%	4.1%
Dividend Payout Ratio	67%	67%	66%	62%
Equity Ratio	38%	38%	36%	36%
FFO/Net Debt	15%	15%	14%	15%
Valuation Metrics				
P/E	19.3x	18.3x	17.0x	15.2x
Price/Book	2.0x	2.0x	1.9x	1.9x
EV/rate base	1.4x	1.3x	1.2x	1.2x
Segment EPS				
Gas Distribution	$1.08	$1.12	$1.21	$1.26
NIPSCO Electric	0.54	0.55	0.60	0.72
Parent & Other	(0.29)	(0.27)	(0.30)	(0.29)
Total EPS	**$1.34**	**$1.41**	**$1.51**	**$1.70**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Gas Distribution	$1,385	$1,435	$1,535	$1,535
Electric	590	1,090	1,940	490
Parent	25	25	25	25
Total Capex	**$2,000**	**$2,550**	**$3,500**	**$2,050**
Financings ($M)				
Total Equity Issued/(Repurchased)	$290	$290	$115	$40
Total Hybrids Issued/(Repurchased)	$863	$0	$863	$0
Total Debt Issued/(Repurchased)	$0	$650	$1,650	$400

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.5 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland and Massachusetts.

Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $40B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. The dramatic shift toward renewables at NI's Indiana electric utility and fact that it will be coal-free by 2028 is also helpful from an ESG perspective.

Valuation

Our $29 price target is derived by applying average P/E multiples on NI's electric earnings and on its gas LDC earnings in 2024 (to capture the full earnings uplift from NI's renewable investments); both are near 17x. Risks for NiSource are 1) bad regulatory outcomes; 2) pipeline safety incidents. Upsides are 1) additional growth projects and 2) customer/sales growth

Exhibit 3. 2024E EPS by Segment

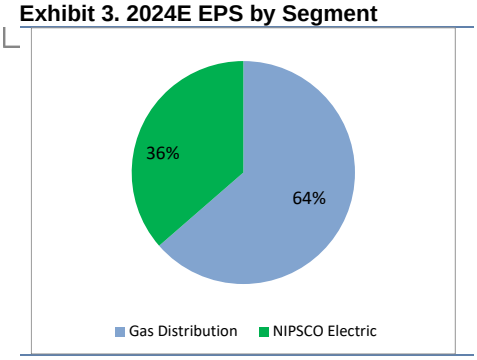

Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart

Source: FactSet

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Investment conclusion

NI's rate base growth of 10-12% and EPS growth of 7-9%, on average, through 2024 (off a now higher 2021 base year) places it amongst the best growth stories in the sector. The dramatic shift toward renewables at NI's Indiana electric utility and fact that it will be coal-free by 2028 (or earlier) is also helpful from an ESG perspective. We believe the recent equity unit offering removed a key near-term overhang; it was also helpful in lowering future equity needs. NI's stock currently trades at ~2.5x discount to the regulated average in 2024 once its renewable capex is fully reflected in earnings. We believe NI deserves to trade near an average as its story is the cleanest that it has been in recent years. We also see CNP's recent gas LDC sales as a very constructive value marker (2.5x rate base) for NI and gas LDC companies generally.

Exhibit 5: NI vs the Mid-Cap Average

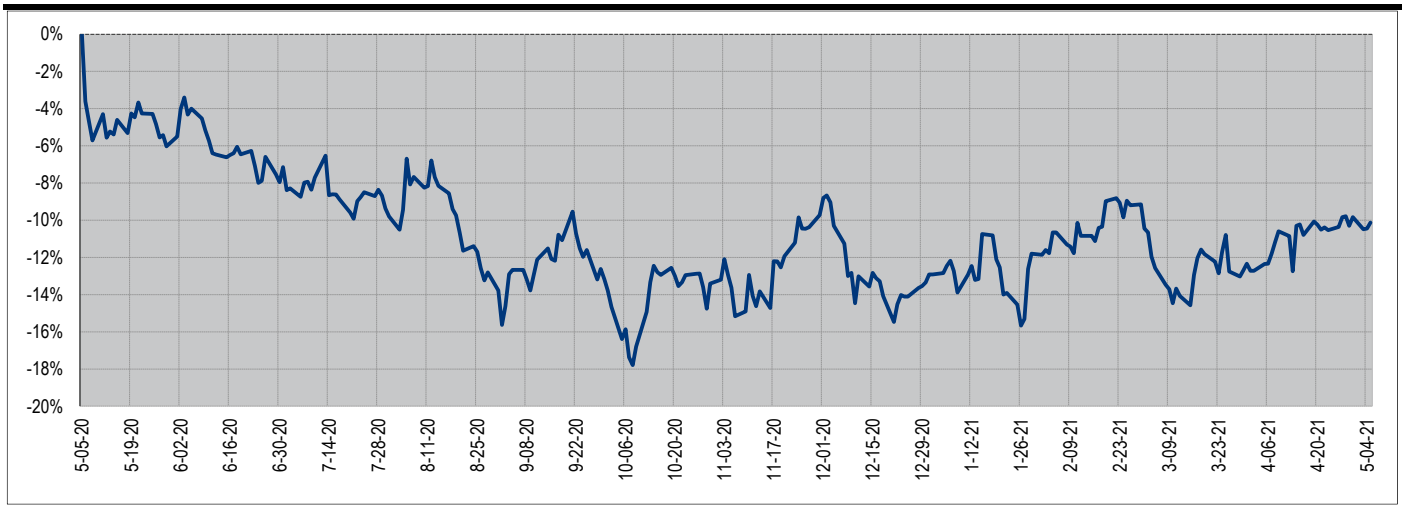

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 6: Gas LDC Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E Multiple 2021E	2022E	2023E	2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Atmos Energy	ATO	$102.53	128	$13,140	20.3x	19.0x	17.8x	NA	2.4%	7.5%	49%	1.9x	59%
ONE Gas	OGS	77.77	53	4,141	20.4x	18.9x	17.8x	16.8x	3.0%	6.8%	63%	1.9x	52%
NiSource	**NI**	**25.78**	**392**	**10,109**	**19.3x**	**18.3x**	**17.0x**	**15.2x**	**3.5%**	**6.0%**	**67%**	**2.1x**	**37%**
Northwest Natural Gas	NWN	54.01	31	1,656	21.5x	20.7x	19.4x	18.6x	3.6%	0.6%	83%	1.9x	40%
Pure-play Average					**20.4x**	**19.2x**	**18.0x**	**16.9x**	**3.1%**	**5.2%**	**66%**	**1.9x**	**47%**
New Jersey Resources	NJR	42.03	96	4,045	22.0x	18.6x	17.6x	16.9x	3.2%	6.4%	61%	2.2x	42%
South Jersey Industries	SJI	25.19	111	2,801	15.2x	14.9x	14.6x	13.1x	4.8%	2.6%	71%	1.5x	32%
Southwest Gas	SWX	69.33	57	3,971	16.7x	16.3x	14.8x	15.1x	4.2%	4.7%	70%	1.5x	47%
Spire Inc.	SR	75.30	52	3,890	18.1x	17.2x	16.3x	15.3x	3.5%	5.6%	66%	1.7x	44%
Diversified Average					**18.0x**	**16.7x**	**15.8x**	**15.1x**	**3.9%**	**4.8%**	**67%**	**1.7x**	**41%**
Average - electric utilities (ex PCG and EIX)					**19.6x**	**18.6x**	**17.6x**	**16.9x**	**3.5%**	**4.4%**	**67%**	**2.0x**	**40%**

Source: Wolfe Utilities & Power Research, FactSet

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WOLFE RESEARCH

NiSource

May 5, 2021

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Note: OP = Outperform; PP = Peer Perform; UP = Underperform

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Forward P/E

Wolfe Research, LLC Fundamental Recommendation, Rating and Target Price Risks:

Company:	Risks That May Impede Achievement of the Recommendation, Rating or Target Price:
NI US Equity	Weak economy/sales, negative regulatory outcomes, pipeline safety accidents

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NI US Equity	None

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WOLFE RESEARCH

NiSource

May 5, 2021

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Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

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Outperform:	53%	4% Investment Banking Clients
Peer Perform:	37%	2% Investment Banking Clients
Underperform:	10%	0% Investment Banking Clients

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Barclays Equity Research

Power & Utilities

4 August 2021

NiSource, Inc.

NI: Progressing According to Plan

NI reported Q2 result in line with expectations and discussed execution on IRPs and regulatory reviews on the call. We reiterate our Overweight as plans continue to fall in line, though future execution remains key.

NI reported Q2 adj EPS of $0.13 (in line with consensus $0.12 and Barclays $0.13).

Management reaffirmed FY21 guidance of $1.32-$1.36 and 7-9% CAGR over 2021-2024 with near-term 5-7% CAGR through 2023.

Capex: $1.9-$2.2 billion SMS investments over 2021-2024; ~$2bn in renewables investments over 2022-2023.

Management has already achieved 39% methane emissions reduction vs 2005 levels via infrastructure replacement. The goal remains 50% methane emissions reduction by 2025.

Rate Cases

NI filed general rate cases in OH, MD, and KY in Q2, in addition to PA in Q1.

Ohio Rate Case: $221m request net of trackers, proposed effective mid-2022.

Maryland Rate Case: $5m request net of trackers, proposed effective in December 2021.

Kentucky Rate Case: $27m request net of trackers.

Pennsylvania Rate Case: $98m request net of trackers. In advanced settlement talks.

NIPSCO

Indiana TDSIC

Filed a new 5-year TDSIC plan which includes a total of $1.64 billion in infrastructure modernization investments over 2021-2026. Management expects an order in December 2021.

2018 IRP

IURC has approved 13/14 proposed projects. Management reiterates confidence in completion on time and on budget despite industry concerns on supply chain cost inflation.

2021 IRP

Received over 180 proposals for 78 individual projects across a range of technologies. Outcome of IRP will inform post-2023 generation replacement strategy.

Management continues to evaluate the planned retirement of Michigan City Generating Station in 2028 in light of MISO changes, resource adequacy needs, affordability, and RFP results.

NI received two actionable proposals related to hydrogen, though there may need to be more market depth for those to be realistic at this moment.

Management expects to share IRP modeling analysis and results with stakeholders in September and to communicate a preferred plan incorporating stakeholder feedback in October, before submitting the IRP to the IURC in November.

Financing

Financing plan remains unchanged. Management has already satisfied this year's $200m-$300m ATM equity need. Management expects to issue $200-$300m in 2022 and up to $150m via ATM in 2023.

Management will not rely on asset monetization to satisfy financing needs. It continues to eye asset monetization as a way of maximizing long-term shareholder value and continues to evaluate market conditions and opportunities.

Offline Report

BofA SECURITIES
BofA GLOBAL RESEARCH

NiSource Inc

In-line quarter as LT targets are reiterated; focus is centered on IRP later this year

04 August 2021 | Equity | United States | Natural Gas-Local Distribution Companies

NI US

Reiterate Rating	Price	Price Objective	Upside	Market Cap	Average Daily Value	ESGMeter ™
BUY	25.31 USD	28.00 USD	10.6%	9,927 USD(mn)	77.25 USD(mn)	High

all data as of 4 August 2021

Key takeaways

- NI reports in-line 2Q21 EPS of $0.13 (vs BofAe at $0.15 and street at $0.13) driven by investment and offset by CMA sale
- FY21 EPS guidance $1.32-$1.36 and all of mgmt. LT targets (growth, capital, financing) were reiterated. BofA at high-end FY21
- All but one renewable project has been approved; RFP received robust interest, and IRP remains on track to be filed in Nov.

EDP: Energias De Portugal

NIPSCO: Northern Indiana Public Service Company

In-line Q and LT targets reiterated; renewables progress

NI reported 2Q21 EPS of $0.13, in-line with Street, flat YoY, and a small miss versus $0.15 BofA.an in-line 2Q21 EPS of $0.13. Returns on increased safety/modernization investments and lower COVID-19 impacts were offset by the sale of Columbia Gas of Massachusetts. NI reiterated its FY21 EPS guidance range of $1.32-$1.36 ($1.35 Street/$1.36 BofA), its capital and financing plans through 2024, and its EPS CAGR expectations of 5-7% through '23 and 7-9% through '24 (off of '21). Interestingly in the slides, mgmt. dropped the language around the financing plan not including potential portfolio optimization opportunities. *We have stated in the past that potential further asset rotation could support additional renewables capex related to the 2021 IRP, thereby becoming more electric/renewables: this would be multiple accretive.*

Renewables additions at NIPSCO related to the 2018 integrated resource plan (IRP) remain on track with all of the planned joint-venture projects totaling $2.0B in capex in '22 and '23 and 5 out of 6 planned PPA projects receiving approval from the Indiana Utility Regulatory Commission (IURC). *There has been some concern on whether renewables supply chain issues will impact NI's planned capex - expect mgmt. to address this during the call, but we believe given strong counterparties (i.e. NextEra, Capital Dynamics, EDP, and others), that NIPSCO is in a good position.*

IRP top-of-mind; still see potential extended runway

The immediate focus for investors is the NIPSCO 2021 IRP and the request for proposal (RFP) issued earlier this year that received robust interest (180 proposals). The stakeholder engagement process will continue into the IRP filing in Nov. (previously targeted completion for the fall), followed by additional engagement and evaluation into 2022. *Healthy interest as indicated by mgmt. and meetings that have been held recently will likely lead to attractive joint venture opportunities - watch for more during the call.*

Reiterate Buy as we see the potential for an extended high-growth runway based on the 2021 IRP and the recently issued RFP for 400-650 MW of generation capacity in 2024-2026. We see the potential for an accelerated retirement of NI's last remaining coal plant, Michigan City, given the state's move toward renewables and the timing of the IRP vs current stated retirement date of 2028.

Estimates & Valuation Quarterly Estimates Stock Data

Estimates (Dec) (US$)	2019A	2020A	2021E	2022E	2023E
EPS	1.32	1.32	1.36	1.40	1.58
GAAP EPS	0.87	1.33	1.31	1.40	1.58
EPS Change (YoY)	1.5%	0%	3.0%	2.9%	12.9%
Consensus EPS (Bloomberg)			1.35	1.41	1.53
DPS	0.83	0.88	0.94	0.99	1.05
Valuation (Dec)					
P/E	19.2x	19.2x	18.6x	18.1x	16.0x
GAAP P/E	29.1x	19.0x	19.3x	18.1x	16.0x
Dividend Yield	3.3%	3.5%	3.7%	3.9%	4.2%
EV / EBITDA*	15.4x	14.1x	12.8x	11.9x	10.5x
Free Cash Flow Yield*	-2.2%	-6.6%	-5.1%	-9.6%	-16.9%

BofA SECURITIES

BofA GLOBAL RESEARCH

Rate cases secondary to IRP, but a lot of activity to watch

Rate cases will likely be a secondary focus to renewables and the IRP through the remainder of the year, but there are key processes ongoing in OH, PA, KY, and MD (OH and PA most crucial to watch). In OH, mgmt. filed its first case since 2008 in the beginning of July for an increase of $221.4M net of the Capital Expenditure Program (CEP) and Infrastructure Replacement Program (IRP) riders - a decision is expected in '22. The PA case is the furthest along at this point, and while the 2020/early 2021 was somewhat contentious, more recent peer utility cases point to this process as being more streamlined. NI is working through rate cases in both KY and MD, but we note these utilities are relatively small vs OH and PA and therefore outcomes are less impactful to consolidated financial results. NI also filed for a new five-year electric Transmission, Distribution and Storage Improvement Charge (TDSIC) Plan - an order is expected from the IURC in Dec.

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*iQ*profile℠ NiSource Inc

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

Our Buy rating on NI is underpinned by 1) likely positive revisions given ultra conservative EPS CAGR guidance baked into consensus, 2) renewable rate base upside, and 3) the ability to re-rate higher following any gas LDC asset sale.

iQ*method℠ - Bus Performance

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Return on Capital Employed	3.3%	4.1%	4.3%	4.4%	4.8%
Return on Equity	9.9%	10.2%	10.5%	9.9%	10.8%
Operating Margin	17.1%	22.0%	20.7%	22.0%	24.6%
Free Cash Flow	(219)	(654)	(510)	(956)	(1,682)

iQ*method℠ - Quality of Earnings

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash Realization Ratio	3.2x	2.2x	2.6x	2.5x	2.5x
Asset Replacement Ratio	2.5x	2.4x	2.6x	3.1x	4.0x
Tax Rate	24.4%	18.3%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	158.6%	167.4%	133.6%	143.4%	164.3%
Interest Cover	2.4x	2.8x	3.1x	3.2x	3.0x

Income Statement Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Sales	5,209	4,697	5,541	5,692	5,993
% Change	2.5%	-9.8%	18.0%	2.7%	5.3%
Gross Profit	3,674	3,587	3,929	4,055	4,332
% Change	10.5%	-2.4%	9.5%	3.2%	6.8%
EBITDA	1,608	1,757	1,928	2,081	2,350
% Change	5.0%	9.3%	9.7%	7.9%	12.9%
Net Interest & Other Income	(384)	(339)	(371)	(390)	(491)
Net Income (Adjusted)	**495**	**508**	**579**	**627**	**723**
% Change	**6.8%**	**2.6%**	**14.1%**	**8.4%**	**15.3%**

Free Cash Flow Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Net Income from Cont Operations (GAAP)	328	511	557	627	723
Depreciation & Amortization	717	726	783	827	874
Change in Working Capital	(75)	(249)	0	0	0
Deferred Taxation Charge	118	(29)	130	145	186
Other Adjustments, Net	495	145	21	0	0
Capital Expenditure	(1,802)	(1,758)	(2,001)	(2,555)	(3,464)
Free Cash Flow	**-219**	**-654**	**-510**	**-956**	**-1,682**
% Change	**82.9%**	**-198.5%**	**22.1%**	**-87.4%**	**-76.0%**

Balance Sheet Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash & Equivalents	148	117	126	126	126
Trade Receivables	905	825	825	825	825
Other Current Assets	800	718	718	718	718
Property, Plant & Equipment	16,912	16,620	17,837	19,565	22,156
Other Non-Current Assets	3,894	3,762	3,762	3,762	3,762
Total Assets	**22,660**	**22,041**	**23,267**	**24,995**	**27,586**
Short-Term Debt	1,787	526	517	583	696
Other Current Liabilities	1,959	1,753	1,753	1,753	1,753
Long-Term Debt	7,856	9,220	9,027	10,177	12,148
Other Non-Current Liabilities	5,071	4,704	4,834	4,979	5,165
Total Liabilities	**16,673**	**16,203**	**16,131**	**17,492**	**19,761**
Total Equity	**5,987**	**5,752**	**7,051**	**7,418**	**7,739**
Total Equity & Liabilities	**22,660**	**21,955**	**23,182**	**24,910**	**27,501**

* Click for full definitions of *iQmethod*℠ measures .

Price Objective Basis & Risk

BofA SECURITIES

BofA GLOBAL RESEARCH

NiSource Inc (NI)

Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 15.7x for gas and 17.6x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA

Goldman Sachs | Equity Research

4 August 2021 | 7:38AM EDT

NiSource Inc. (NI): First Take: 2Q2021 largely in-line, 2021 guidance and growth rate reiterated

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NiSource (NI, Neutral) reported 2Q21 operating EPS of $0.13, largely in-line with GS/FactSet consensus of $0.14/$0.13 and flat versus 2Q20 of $0.13. The company reiterated its 2021 guidance $1.32-$1.36 (midpoint $1.34) versus GS/consensus of $1.35/$1.35. NI continues to expect EPS to grow 7 to 9% from 2021-2024 and 5 to 7% through 2023; our current estimates reflect a ~6.6% CAGR from 2021-2024, or 6.8% based on the mid-point of management's 2021 guidance of $1.34.

Key takeaway: No real surprises this quarter, with most metrics and guidance measures in-line, although we note a fairly robust recovery in industrial electric demand YoY. We look for color on any changes to future demand growth outlook, expectations for the recently filed Ohio gas rate case, thoughts on potential cost inflation on NI's renewable generation investments, and updates on potential asset monetization opportunities.

Key takeaways from NI's release and slides include:

- **NI reported moderately better results at the Gas and Corporate segments** versus our estimates, offset by lower operating income at Electric. Higher diluted share count also attributed to $0.01 in lower EPS versus our forecast. Gross margins were largely lower but offset by higher other income some operating expense items.
- **NI recorded weather-adjusted electric demand growth of 23% YoY in 2Q2021,** driven by a strong rebound in commercial/industrial usage - up 9%/47%, respectively - partly offset by a 1.6% decrease residential electric sales (including weather). Cooling degree-days were 33% above normal and also above 2Q20 levels, but with only a modest impact to EPS YoY.
- **Capital plan remains unchanged at $10bn total through 2024,** with roughly $1.9-$2.2bn of annual base investments as well as $2bn on renewable generation (largely in 2022 and 2023) that all have received approval from the Indiana utility commission. NI reiterated their forecast of no bulk equity needs through 2024 (given the recent equity units offering), while reiterating $200-$300mn of annual ATM equity financing through 2022 and up to $150mn in 2023.

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- **Columbia Gas of Ohio filed its gas rate case on June 30,** the first case in over a decade, requesting $221.4mn revenue increase net of the various rider mechanisms into base rates, on $3.6bn of rate base.

Key topics to monitor on NI's earnings call (11am ET) include: 1) update on the Ohio gas rate case and what's embedded in the company's EPS growth guidance, 2) latest thoughts on potential monetization opportunities at its various regulated utilities, 3) thoughts on the upcoming IRP filing (expected in November) at NIPSCO including potential for faster fleet transition to renewables - with current plan proposing retiring all coal by 2028, and 4) updated thoughts on trajectory of EPS growth through 2024.

Our $27 12 month price target reflects an industry-average 19x P/E applied to our 2022E EPS. Key risks include regulatory approvals for the planned renewable investments in Indiana, cost management, and rate case overhang in Ohio and Pennsylvania.

NI	12m Price Target: **$27.00**	Price: **$25.31**	Upside: **6.7%**

Neutral

Market cap: $9.7bn
Enterprise value: $20.3bn
3m ADTV: $84.7mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/20	12/21E	12/22E	12/23E
Revenue ($ mn)	4,681.7	4,603.4	4,808.9	5,050.2
EBITDA ($ mn)	1,687.3	1,816.5	2,000.9	2,217.9
EBIT ($ mn)	961.4	1,057.5	1,172.9	1,293.0
EPS ($)	1.32	1.35	1.41	1.54
P/E (X)	18.6	18.8	18.0	16.5
EV/EBITDA (X)	11.9	11.5	11.5	11.2
FCF yield (%)	(6.9)	(7.0)	(9.0)	(16.3)
Dividend yield (%)	3.4	3.5	3.7	3.9
Net debt/EBITDA (X)	5.7	5.3	5.4	5.6

	3/21	6/21E	9/21E	12/21E
EPS ($)	0.77	0.14	0.13	0.31

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 3 Aug 2021 close.

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GUGGENHEIM

Power & Utilities August 4, 2021

The Guggenheim Daily Transmission: PEG, WEC, AWK, OGS, ALTO, ETR, AVA, EXC, ALE, NI, FE, OH, AEP, Power, EPA, ERCOT, PCG, CNP

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Ticker	Price	Rating
AEP	89.09	Buy
ALE	71.60	Neutral
ALTO	5.66	Buy
AVA	44.24	Sell
AWK	175.30	Neutral
CNP	25.87	Buy
ETR	103.97	Buy
EXC	47.38	Neutral
FE	38.54	Neutral
NI	25.31	Buy
OGS	74.88	Neutral
PCG	8.99	Buy
PEG	63.51	Buy
WEC	95.61	Neutral

For details on our Guggenheim Hosted Client Utility Events, including our SO NDR, SO CEO Video Call w/Clients, NEE NDR, EEI Financial Conference Schedule, and more, scroll down…

PEG – 2Q EPS In-Line; 2Q Notches Further De-Risking; Upcoming Analyst Day Looks to Provide Catalyst Update (see our note HERE)

WEC – Strong Quarter Comes with Guidance Raise; Textbook WEC (see our note HERE)

AWK: Straightforward 2Q; Guidance Reaffirmed as NYAW Process Grinds On (see our note HERE)

OGS – 2Q EPS Beat; Customer and Margin Growth Materializes, Regulatory Constructs Support Growth (see our note HERE)

ALTO: 2Q Miss on Commodity Woes, But 2022 Specialty Contracting and Strategic Expansion Looks to Set a Path for Success (see our note HERE)

ETR - reports 2Q miss, largely from weather impact; 2021-2023 guidance reiterated and now anticipated at the top end

AVA - reports 2Q Miss; 2022 guidance adjusted down, but 2023 remains intact

EXC – Exelon reports 2Q21 earnings

ALE – ALLETE reports 2Q21 earnings

NI – NiSource reports 2Q21 earnings

FE/OH – PUCO releases DCR audit; DOJ subpoenaed PCUO for Randazzo records

AEP – Stakeholders oppose new cost scenarios for Mitchell plant

Power – Talen partners with bitcoin miner to use Susquehanna nuclear plant's output

EPA – EPA settles upwind suit with northeast states

ERCOT – GIS report points to almost 600MW of resources entering commercial operation

PCG – Dixie fire growth slows, but drought and fire conditions prompt continued evacuation orders; fire grows to 254,000 acres and remains 35% contained

CNP – Enable Midstream sales get scrutiny by FTC with potential delays in approval

ETR reports 2Q miss, largely from weather impact; 2021-2023 guidance reiterated and now anticipated at the top end

- Entergy reports 2Q adjusted EPS of $1.34, vs. consensus $1.40 and our $1.37 estimate.
- 2Q results included -$0.09 of weather vs. normal, bringing normalized results ahead of our estimates and consensus.
- ETR reaffirms 2021-2023 EPS guidance of $5.80–$6.10, $6.15–$6.45, $6.55–$6.85, respectively.
- ETR now anticipates being in the top half of the range in 2021-2023; vs. our EPS expectation of $6.79 for 2023 EPS.

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AVA reports 2Q Miss; 2022 guidance adjusted down, but 2023 remains intact

- AVA reported 2Q EPS of $0.20 vs. $0.25 consensus and our $0.30 estimate.
- In 2Q, AVA experienced increases in net power supply costs, and lower hydro generation due to drought conditions.
- AVA confirmed 2021 earnings guidance of $1.96 to $2.16, adjusting 2021 segment ranges to lower Avista Utilities by $0.10 and raise other businesses by $0.10.
- AVA lowered 2022 EPS guidance by $0.15 per diluted share to a range of $2.03 to $2.23 for the same reasons.
- AVA reiterated 2023 EPS guidance of $2.42 to $2.62.

EXC – Exelon reports 2Q21 earnings

- Reported 2Q21 EPS of $0.89 vs. Gugg $0.72 and Street $0.67.
- Results at the utilities were $0.17 higher at EXC Utilities, $0.14 at ExGen, and $0.03 at parent.
- ExGen results included $0.10 of favorable gains on equity investments vs. 2Q20 and $0.04 of NDT gains.
- AVA lowered 2022 guidance by $0.15 per diluted share to a range of $2.03 to $2.23 for the same reasons.
- AVA reiterated 2023 EPS guidance of $2.42 to $2.62.
- EXC Utilities TTM ROE improved to 9.4% from 8.9%, attributed to 2020 storms rolling off.
- EXC Utilities announces net zero by 2050 goal, 50% reduction by 2030 goal.

ALE – ALLETE reports 2Q21 earnings

- Reported 2Q21 earnings of $0.53 vs. Gugg $0.47 and Street $0.52.
- Reaffirms 2021 EPS guidance of $3.00 to $3.30 range.
- Results reflect higher earnings at MN Power and ACE, partially offset by parent drag from marketable securities and higher tax.

NI – NiSource reports 2Q21 earnings

- Reported 2Q21 EPS of $0.13 vs. Gugg $0.14 and street $0.12.
- Reaffirmed 2021 EPS guidance of $1.32 to $1.36.
- Reaffirmed 10-12% rate base growth guidance through 2024.

FE/OH – PUCO releases DCR audit; DOJ subpoenaed PCUO for Randazzo records

- The 215-page third party audit calls for a $6.6mm refund to customers.
- “Today the Public Utilities Commission of Ohio’s (PUCO) issued an expanded audit report of FirstEnergy’s Ohio electric distribution companies’ delivery capital recovery rider for the 2020 calendar year. The audit report recommends $6.6 million should be returned to customers…The audit report examined expenses identified by FirstEnergy Corp. in its Feb. 18, 2021 report to the Securities and Exchange Commission (SEC) to be improperly classified, misallocated, or lacked supporting documentation. The audit examined payments to 17 vendors over a 10-year period, totaling $24.5 million.” - report
- The audit report identifies $6.6 million of the $24.5 million total that were included in customer bills and should be refunded.
- “Based on information reviewed, and except for the recommendations noted above, Blue Ridge concludes that the Companies’ controls were adequate and not unreasonable.” – consultant
- Audit HERE, press release HERE.
- The DOJ has also reportedly subpoenaed PUCO for records related to former Chair Randazzo and his involvement in the 2024 ESP – more HERE.

Guggenheim takeaway: *Yet more noise in the process, but also not altogether surprising to us. The Randazzo linkage is not new at this point, although we remain on the lookout for any other data points that could come from the regulatory investigations or DOJ criminal charges against individuals. Still, we believe the new team at FE is working hard to reset its relationships –* ***see our note from last week’s lunch with CEO/CFO and TreasurerHERE for more****.*

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AEP – Stakeholders oppose new cost scenarios for Mitchell plant

- A series of stakeholders, including consumer advocate groups are opposed to the provision of new cost scenarios on the grounds that they would deprive stakeholders of due process.
- More HERE

Guggenheim takeaway: *Zero surprise to us given the parties in question and the initial decision by the KY PSC.*

Power – Talen partners with bitcoin miner to use Susquehanna nuclear plant's output

- Talen [PRIVATE] has "entered into a Joint Venture with TeraWulf Inc. ("TeraWulf") [PRIVATE], a U.S.-based bitcoin mining company, to develop up to 300 Megawatts of zero-carbon bitcoin mining capacity. The Joint Venture, named Nautilus Cryptomine will leverage the strengths of both Talen and TeraWulf as they collectively work to advance the convergence of clean energy sources and digital infrastructure assets. Phase I of the Nautilus Cryptomine facility is a 180-megawatt bitcoin mining facility which will be built on Talen's digital infrastructure campus adjacent to its Susquehanna nuclear power generation station." - release
- More HERE.

Guggenheim takeaway: *Interesting heads up.*

EPA – EPA settles upwind suit with northeast states

- "The agreement announced today with the Biden-Harris Administration's EPA resolves the coalition's lawsuit and ends the EPA's illegal delay by establishing deadlines for action. The agreement requires the EPA to approve or reject Good Neighbor SIPs from the upwind states by April 30, 2022." – AG James
- More HERE.

Guggenheim takeaway: *Minor ICYMI from last week and not a surprise to us.*

ERCOT – GIS report points to almost 600MW of resources entering commercial operation

- Just over 500MW of wind and 40MW of storage was approved for commercial operation in July.
- More HERE.

Guggenheim takeaway: *Minor FYI as the ISO and PUCT continue to weight tweaks to support dispatchability.*

PCG – Dixie fire growth slows, but drought and fire conditions prompt continued evacuation orders; fire grows to 254,000 acres and remains 35% contained

- The Dixie fire in northern California slowed expansion but weather conditions continue to threaten further expansion.
- The fire is currently estimated at 254,000 acres burned with 35% containment.
- Evacuation orders are continued to be considered in the affected areas.
- Damage assessments are currently estimating 67 structures destroyed.
- The Butte county DA along with CalFire is investigating the incident.

Guggenheim takeaway: *FYI. We continue to monitor the report for datapoints on structure damage and potential future liabilities. While current estimates may be incomplete due to access, no major population centers have reported damage, and 67 structures destroyed is a very small number relative to the overall size of the fire, which speaks to the unpopulated nature of the terrain and CalFire efforts to guide the fire away from population centers.*

CNP – Enable Midstream sales get scrutiny by FTC with potential delays in approval

- The FTC continues issuing requests for information and extending the approval timeline for antitrust clearance in the Enable Midstream deal (ENBL).
- Energy Transfer (ET) addressed the deal with CNP on the quarterly call, still expecting to close in the second half of 2021.

See pages 19 - 20 for analyst certification and important disclosures.

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- The ET team does not see antitrust issues for the ENBL footprint since there is adequate competition in the area.

Guggenheim takeaway: *FYI. The delays were not anticipated by us or the ET mgmt. team, per comments on the call, given the relatively straight forward nature of the sale, but FTC's extensions have moved the timeline twice. We continue to monitor but do not anticipate any delays beyond 2021.*

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Equity Research | Corporate Access

Southern Company (SO)

Drew Evans, *Chief Financial Officer*
Scott Gammill, *Director, Investor Relations*

Date
Wednesday, August 4, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $65.67bn
Southern Co (SO) is a holding company. The firm engages in the sale of electricity. It operates through the following segments: Traditional Electric Operating Companies, Southern Power and Southern Company Gas. The Traditional Electric Operating Companies segment refers to vertically integrated utilities that own generation, transmission and distribution facilities, and supplies electric services in the states of Alabama, Georgia, Florida, and Mississippi. The Southern Power segment constructs, acquires, owns, and manages generation assets such as renewable energy projects and sells electricity in the wholesale market. The Southern Company Gas segment distributes natural gas through natural gas distribution facilities in the states of Illinois, Georgia, Virginia, New Jersey, Florida, Tennessee, and Maryland. The company was founded on November 9, 1945 and is headquartered in Atlanta, GA. (Source: FactSet)

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Equity Research | Corporate Access

Southern Company (SO)

Tom Fanning, *Chairman, President & Chief Executive Officer*

Please join Guggenheim Research Analyst Shar Pourreza for a discussion with Southern Company's Tom Fanning.

Date and Time

Friday, August 13, 2021
12:00PM ET | Group Call

Company Information

Market Cap: $65.67bn

Southern Co (SO) is a holding company. The firm engages in the sale of electricity. It operates through the following segments: Traditional Electric Operating Companies, Southern Power and Southern Company Gas. The Traditional Electric Operating Companies segment refers to vertically integrated utilities that own generation, transmission and distribution facilities, and supplies electric services in the states of Alabama, Georgia, Florida, and Mississippi. The Southern Power segment constructs, acquires, owns, and manages generation assets such as renewable energy projects and sells electricity in the wholesale market. The Southern Company Gas segment distributes natural gas through natural gas distribution facilities in the states of Illinois, Georgia, Virginia, New Jersey, Florida, Tennessee, and Maryland. The company was founded on November 9, 1945 and is headquartered in Atlanta, GA. (Source: FactSet)

Participating Guggenheim Analyst

Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power & Utilities*

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Equity Research | Corporate Access

NextEra Energy, Inc. (NEE)

Rebecca Kujawa, *Chief Financial Officer*
Jessica Aldridge, *Head of Investor Relations*

Dates & Locations
September 13 | Los Angeles
September 14 | San Francisco

Meeting Format
1:1 Meetings & Small Group Meeting

Company Information
Market Cap: $145.87bn
NextEra Energy, Inc. (NEE) is an electric power and energy infrastructure company. It operates through the following segments: FPL & NEER. The FPL segment engages primarily in the generation, transmission, distribution and sale of electric energy in Florida. The NEER segment produces electricity from clean and renewable sources, including wind and solar. It provides full energy and capacity requirements services; engages in power and gas marketing and trading activities; participates in natural gas production and pipeline infrastructure development; and owns a retail electricity provider. The company was founded in 1984 and is headquartered in Juno Beach, FL. (Source: FactSet)

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Save the Date: 56th EEI Financial Conference

Dates

November 7 - 9, 2021

Company Dinners (Hosted by Guggenheim)

Sunday, November 7, 2021

6:00 p.m. | Cocktail Reception with full Guggenheim Securities Team & corporate utility clients

7:00 p.m. | Dinner with **Duke Energy Corp (DUK)** CEO & CEO of Duke Carolinas
Lynn Good, *Chairman, President & Chief Executive Officer*
Julie Janson, *EVP & Chief Executive Officer, Duke Energy Carolinas*
Location TBD

Monday, November 8, 2021

6:00 p.m. | Cocktail Reception with full Guggenheim Securities Team & corporate utility clients

7:30 p.m. | Dinner with **Entergy (ETR)** CEO, Group President & CFO
Leo Denault, *Chief Executive Officer*
Rod West, *Group President, Utility Operations*
Andrew Marsh, *Chief Financial Officer*
Location TBD

Guggenheim Hosted Utilities Investor Discussion Panel with Mark McLain and Shar Pourreza
Tuesday, November 9, 2021
7:30 p.m. | Location TBD

Company Meetings

More Utilities may be added and we will update schedule accordingly

Sunday, November 7th	
Time	*Co.*
11:00AM	LNT
12:00PM	POR
2:00PM	WEC
3:00PM	CNP
4:00PM	AWK
5:00PM	ALE

Monday, November 8th	
Time	*Co.*
8:00AM	PCG
9:00AM	OGE
10:00AM	PNW
11:00AM	DTE
12:00PM	CMS
1:00PM	PPL
2:00PM	FE
3:00PM	AEP
4:00PM	D
5:00PM	NI

Tuesday, November 9th	
Time	*Co.*
8:00AM	EVRG
9:00AM	EIX
10:00AM	NEE
11:00AM	EXC
12:00PM	PEG
1:00PM	SO
2:00PM	NWE
2:00PM	SRE
3:00PM	ES
4:00PM	AEE
5:00PM	ED
6:00PM	AVA

Participating Guggenheim Analyst

Shar Pourreza, *Senior Managing Director, Senior Equity Research Analyst – Power & Utilities*

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Guggenheim's Power & Utility Comp Sheet

Updated as of 8/3/2021

									Guggenheim						Consensus		
									Earnings Per Share			Price / Earnings			Price / Earnings		
Regulated Electric Utilities (1)		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AEE	Ameren	21.8	Buy	$90	$85.61	NA	#VALUE!	256	3.73	4.02	4.30	23.0	21.3	19.9	22.7	21.2	19.8
AEP	American Electric Power	44.5	Buy	$98	$89.09	NA	#VALUE!	500	4.70	5.03	5.30	19.0	17.7	16.8	19.0	17.9	16.9
ALE	ALLETE	3.7	Neutral	$65	$71.60	NA	#VALUE!	52	3.18	3.85	3.98	22.5	18.6	18.0	22.6	18.5	18.0
AVA	Avista	3.1	Sell	$32	$44.24	NA	#VALUE!	69	2.06	2.26	2.47	21.5	19.6	17.9	21.0	19.4	17.9
CMS	CMS Energy	18.3	Neutral	$63	$63.24	NA	#VALUE!	290	2.69	2.88	3.14	23.5	22.0	20.1	23.1	21.9	20.2
D	Dominion	60.8	Buy	$89	$75.50	3.3%	65%	807	3.86	4.15	4.44	19.6	18.2	17.0	19.5	18.3	17.3
DTE	DTE Energy	22.7	Buy	$126	$118.13	3.6%	74%	194	5.80	5.95	6.19	20.4	19.9	19.1	20.6	20.2	19.2
DUK	Duke Energy	81.8	Buy	$107	$106.61	NA	#VALUE!	769	5.17	5.48	5.81	20.6	19.5	18.3	20.5	19.5	18.4
ED	Consolidated Edison	26.4	Neutral	$77	$74.85	NA	#VALUE!	353	4.25	4.42	4.63	17.6	16.9	16.2	17.6	16.6	15.8
EIX	Edison International	21.0	Buy	$79	$55.39	NA	NA	380	4.51	4.76	5.04	12.3	11.6	11.0	12.2	11.9	11.2
ES	Eversource Energy	30.1	Neutral	$87	$87.80	NA	#VALUE!	343	3.83	4.12	4.36	22.9	21.3	20.1	22.9	21.4	20.1
ETR	Entergy	20.9	Buy	$120	$103.97	NA	#VALUE!	201	6.01	6.33	6.79	17.3	16.4	15.3	17.4	16.5	15.5
EVRG	Evergy	15.2	Buy	$70	$66.38	NA	#VALUE!	229	3.29	3.43	3.71	20.2	19.4	17.9	19.9	19.0	17.6
FE	FirstEnergy	20.9	Neutral	NA	$38.54	NA	#VALUE!	544	2.53	2.60	2.71	15.2	14.8	14.2	15.2	14.9	14.3
HE	Hawaiian Electric	4.8	Sell	$37	$43.83	NA	#VALUE!	109	2.01	1.96	2.11	21.8	22.4	20.8	22.0	21.3	20.2
LNT	Alliant Energy	15.0	Buy	$64	$59.98	NA	#VALUE!	250	2.57	2.72	2.87	23.3	22.1	20.9	23.4	21.9	20.7
NWE	NorthWestern	3.2	Neutral	$62	$62.47	4.0%	71%	52	3.51	3.64	3.84	17.8	17.2	16.3	17.7	17.1	16.3
PCG	PG&E Corporation	17.8	Buy	$17	$8.99	NA	NA	1985	1.03	1.13	1.25	8.7	8.0	7.2	8.9	8.2	7.3
PNW	Pinnacle West	9.1	Buy	$97	$80.98	4.2%	68%	113	5.05	5.23	5.49	16.0	15.5	14.8	16.3	15.9	15.2
POR	Portland General Electric	4.5	Buy	$54	$50.22	3.3%	60%	89	2.78	2.75	2.84	18.1	18.3	17.7	18.3	18.0	17.3
PPL	PPL Corporation	21.8	Buy	$32	$28.56	5.4%	115%	769	1.34	1.65	1.84	21.3	17.3	15.5	12.6	17.0	15.3
SO	Southern Company	67.8	Neutral	$63	$64.13	4.1%	79%	1059	3.32	3.59	3.85	19.3	17.9	16.7	19.3	18.1	16.7
WEC	WEC Energy	30.3	Neutral	$92	$95.61	2.8%	67%	315	4.03	4.26	4.50	23.7	22.4	21.2	23.7	22.2	20.9
Average (Excl. EIX, PCG, and PPL for P/E)						**3.6%**	**#VALUE!**					**20.2**	**19.1**	**18.0**	**20.1**	**19.0**	**17.9**
Regulated Gas Utilities (2)		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CPK	Chesapeake Utilities	2.3	Neutral	$108	$128.55	1.3%	37%	18	4.59	4.98	5.35	28.0	25.8	24.0	28.0	26.1	24.1
NI	NiSource	9.9	Buy	$27	$25.31	3.6%	67%	392	1.35	1.43	1.53	18.7	17.7	16.5	18.8	17.9	16.5
NJR	New Jersey Resources	3.7	Neutral	$39	$39.24	3.4%	65%	96	2.09	2.28	2.35	18.8	17.2	16.7	18.5	17.4	16.2
NWN	NW Natural Gas	1.7	Sell	$38	$54.06	3.6%	77%	31	2.50	2.64	2.73	21.6	20.5	19.8	21.3	20.5	19.3
OGS	ONE Gas	4.0	Neutral	$80	$74.88	3.1%	61%	53	3.82	4.12	4.43	19.6	18.2	16.9	19.6	18.2	17.1
SJI	South Jersey Industries	2.9	Buy	$28	$25.67	4.6%	73%	112	1.61	1.71	1.85	15.9	15.0	13.9	15.8	15.1	14.4
SR	Spire	3.7	Buy	$84	$73.15	3.6%	60%	52	4.43	4.41	4.67	16.5	16.6	15.7	16.4	16.5	15.6
Average						**3.3%**	**62.7%**					**18.5**	**17.5**	**16.6**	**18.4**	**17.6**	**16.5**
Integrated Utilities (3)		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
EXC	Exelon	46.3	Neutral	$45	$47.38	3.3%	56%	977	2.80	2.98	3.02	16.9	15.9	15.7	17.3	15.8	15.5
PEG	PSEG	32.0	Buy	$66	$63.51	3.2%	59%	505	3.52	3.51	3.61	18.0	18.1	17.6	18.2	18.3	17.9
Average						**3.3%**	**57%**					**17.5**	**17.0**	**16.6**	**17.8**	**17.1**	**16.7**
Independent Power Producers (IPPs) (4)		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
NRG	NRG Energy	10.2	Neutral	NA	$41.64	3.1%	-	245	2,412	2,471	2,472	7.3	6.6	6.2	9.2	6.9	6.6
VST	Vistra Energy	9.1	Buy	$24	$18.95	3.2%	-	482	1,672	3,375	3,141	10.6	5.1	5.2	11.4	5.4	5.5
Average												**9.0**	**5.8**	**5.7**	**10.3**	**6.2**	**NA**
Multi-Industry Utilities (5)		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CNP	CenterPoint	14.9	Buy	$27	$25.87	2.4%	44%	580	1.41	1.50	1.62	18.3	17.2	16.0	18.4	18.1	16.8
NEE	NextEra	155.3	Buy	$90	$79.42	1.8%	56%	1962	2.56	2.77	2.95	31.0	28.7	26.9	31.5	29.2	27.2
OGE	OGE Energy	6.9	Buy	$39	$34.34	5.0%	78%	200	2.17	2.27	2.38	15.8	15.1	14.4	15.6	16.0	15.3
SRE	Sempra Energy	42.1	Buy	$167	$131.98	3.5%	57%	319	8.11	8.50	9.05	16.3	15.5	14.6	16.2	15.6	14.8
Average						**3.2%**	**58.8%**					**20.4**	**19.1**	**18.0**	**20.4**	**19.7**	**18.5**
Other		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AWK	American Water Works	31.8	Neutral	$146	$175.30	1.2%	50%	181	4.24	4.63	4.99	41.3	37.9	35.1	41.3	38.1	35.2
ALTO	Alto Ingredients, Inc.	0.4	Buy	$9	$5.66	-	-	73	0.62	0.66	0.80	9.1	8.6	7.1	9.3	6.1	7.1
		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AMRC	Ameresco, Inc. Class A	3.2	Buy	$67	$62.02	-	-	53	146	163	184	NA	NA	NA	23.9	21.1	18.8
ARRY	Array Technologies	1.7	Buy	$51	$13.46	-	-	127	157	198	224	13.3	10.5	9.3	22.9	14.4	9.0
IEA	Infrastructure & Energy Alterna	0.6	Buy	$17	$12.13	NA	-	183	141	162	178	7.1	6.1	5.3	NA	NA	NA
NEP	NextEra Energy Partners	6.0	Buy	$88	$79.77	3.3%	-	77	1,532	1,660	1,775	7.8	7.4	6.9	12.1	11.1	10.7
SHLS	Shoals Technologies Group, I	5.3	Buy	$46	$30.51	-	-	175	77.2	125.8	195.7	70.6	42.7	26.9	70.1	44.0	27.5

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
(5) Mult-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: FactSet

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Share Price Performance (Year-to-Date, Three-Month, & One-Month Trailing)

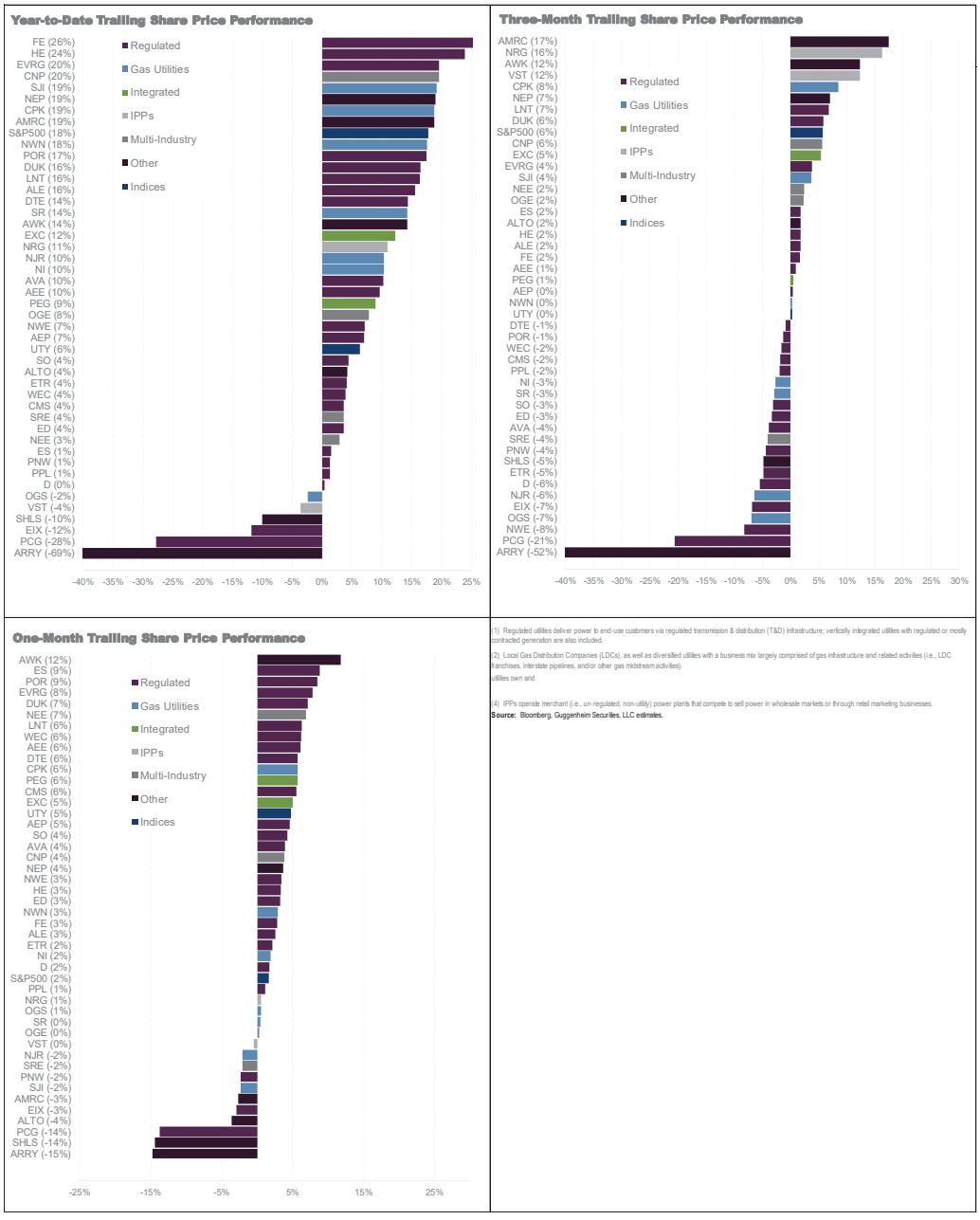

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Guggenheim 2021 Client and Corporate Access Utility Events

Ticker	Dates	Regions	Ticker	Dates	Regions
EIX	1/8	NYC	**ARRY**	5/14	Multiple
'21 Utilities Call	1/21 – 8:15AM ET	Call	**OGE**	5/24	Multiple
Investor Discussion	1/25 – 4:30PM ET	Virtual	**SHLS**	6/1	Multiple
PNW	1/26-1/27	Multiple	**LNT**	6/2-6/3	Multiple
SRE	1/27 – 4:30PM ET	Virtual	**EVRG**	6/10	Multiple
WEC	2/16-2/17	Multiple	**NWE**	6/16	Multiple
DUK	2/18	Multiple	**ALE**	6/17	Multiple
D	2/19	NYC	**DTE**	6/29	Multiple
AWK	3/10	Multiple	**PEG**	7/13-7/14	Multiple
PPL	3/23	West Coast	**SRE**	7/15	Multiple
AEP	3/30	Multiple	**Investor Dinner**	8/2	NYC
VST	3/31	Multiple	**EIX**	8/3	NYC
ETR	4/8	Multiple	**SO**	8/4	Multiple
SR	4/15	Multiple	**SO** (CEO Fireside)	8/13	Multiple
PCG	5/5	Multiple	**NEE**	9/13-14	West Coast
CNP	5/10	Multiple	**ES**	10/7	Multiple
CMS	5/12-5/13	Multiple	**ETR**	10/11-10/12	NYC/Boston
POR	5/12-5/13	Multiple	**EEI**	11/7-11/9	-

MORE TO BE ADDED…

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Peak Load

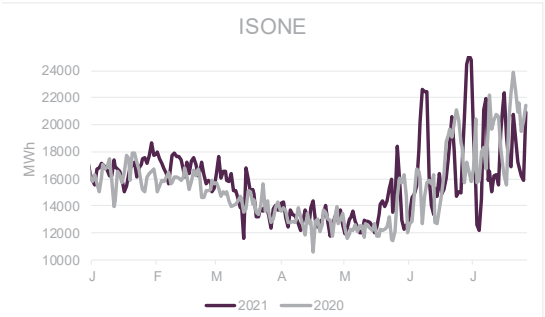

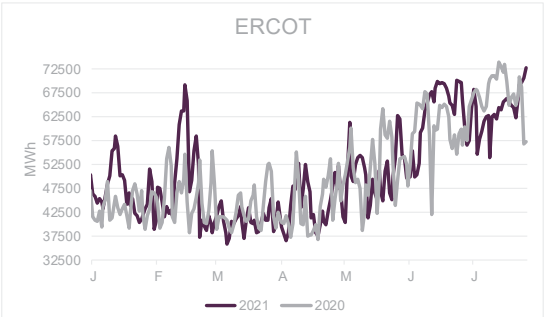

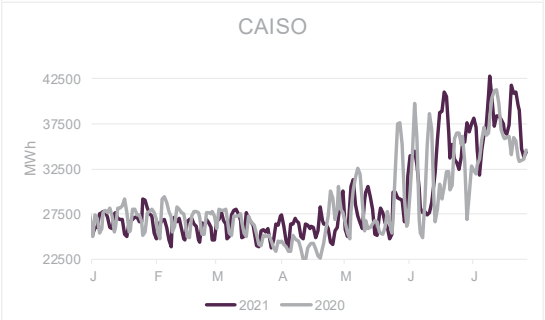

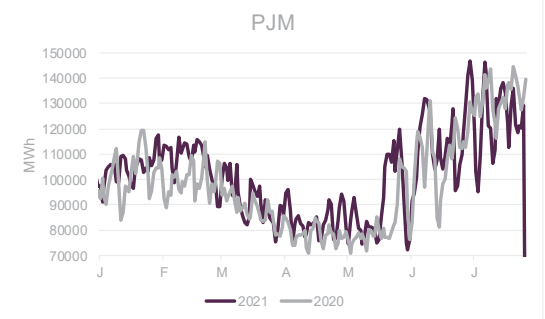

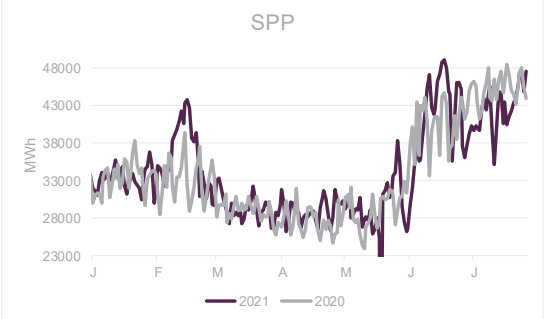

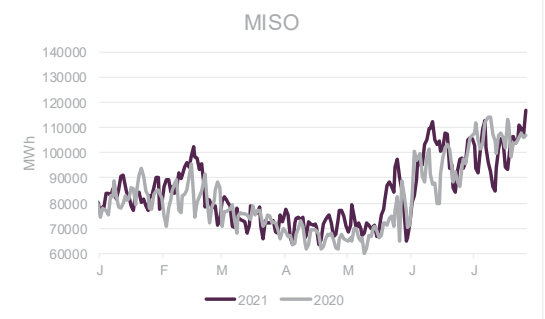

Average Deviation in Peak Load vs Prior Year

RTO/ISO	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
ISONE	-5.1%	0.1%	2.4%	2.4%	4.1%	6.2%
NYISO	-5.8%	-3.8%	0.0%	0.0%	2.5%	6.1%
PJM	-6.9%	-4.7%	-1.8%	-1.8%	5.0%	8%
MISO	-4.7%	-5.2%	-3.7%	-3.7%	3.6%	7.2%
CAISO	-1.7%	1.4%	3.2%	3.4%	2.0%	4.0%
ERCOT	2.7%	1.7%	-4.1%	3.0%	1.4%	1.9%
SPP	-4.6%	0.0%	-4.4%	-4.4%	2.2%	3.2%

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Generation and Mix

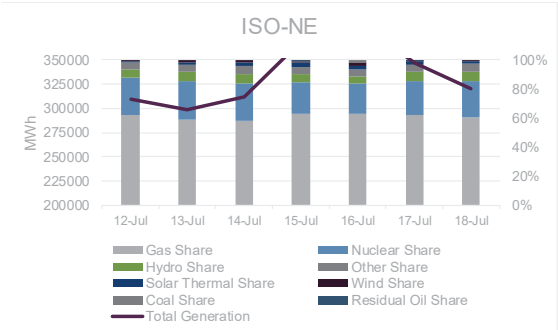

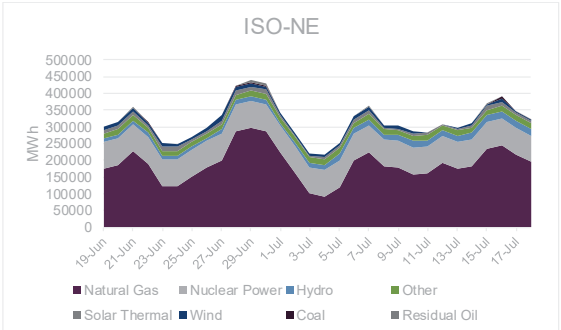

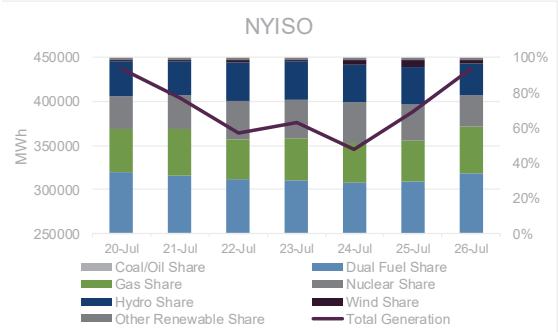

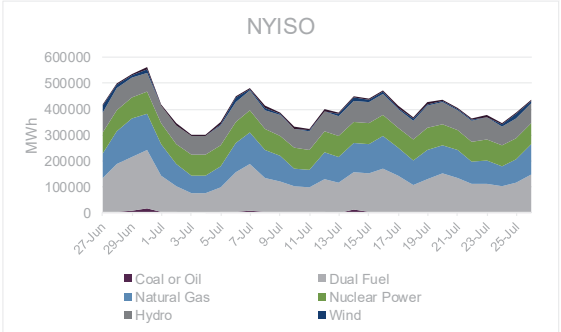

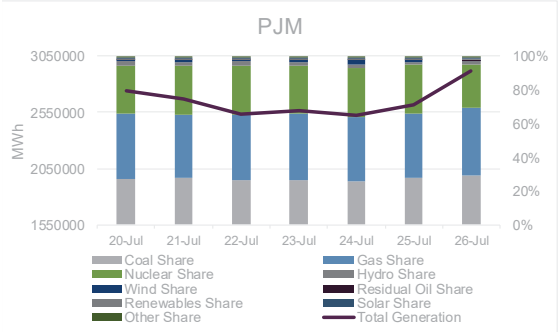

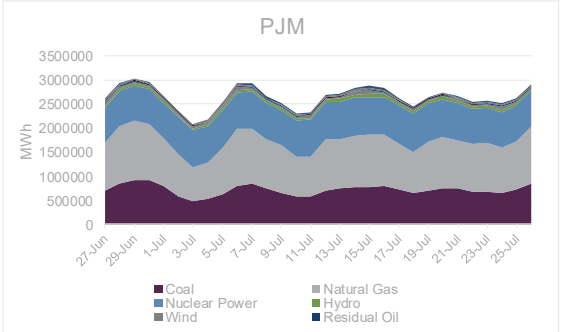

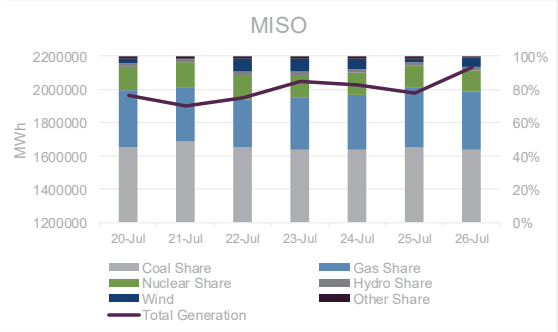

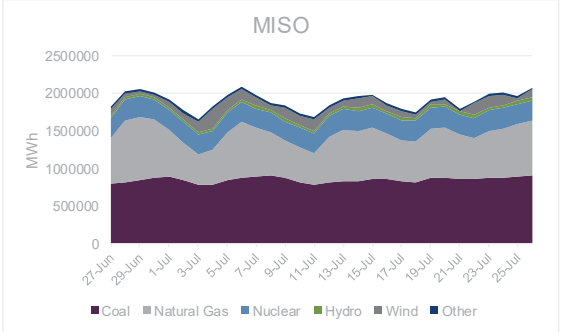

Source: S&P Global Platts, Guggenheim Securities, LLC.

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POWER & UTILITIES

August 4, 2021

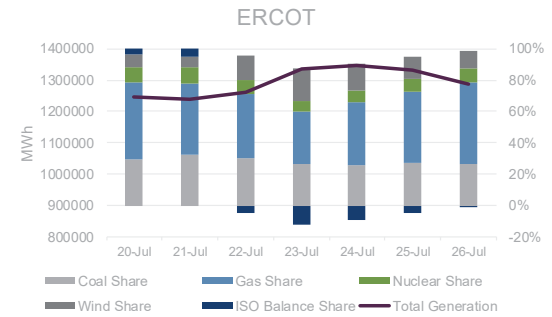

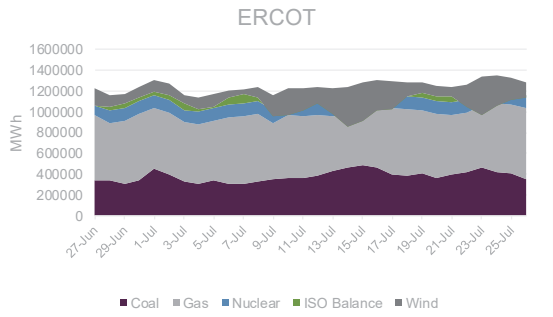

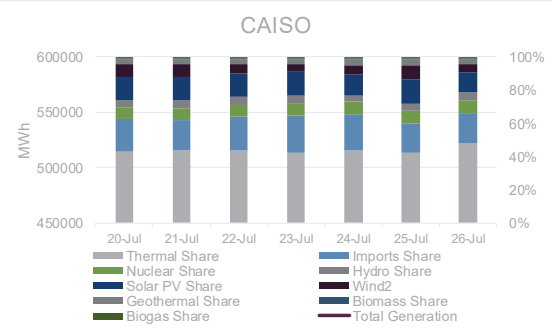

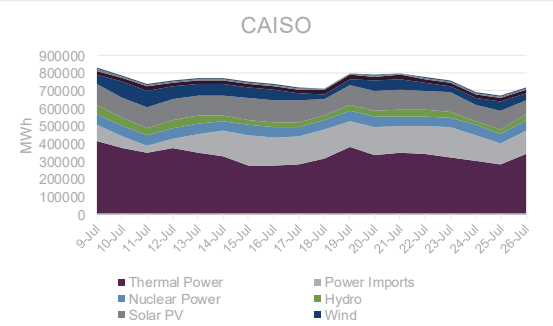

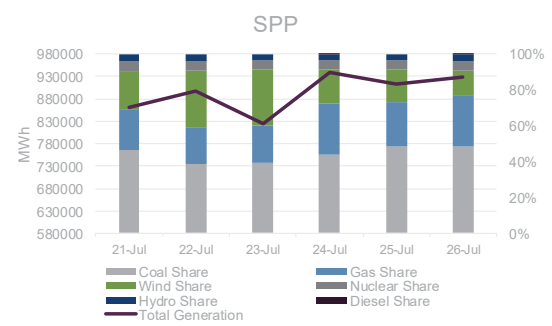

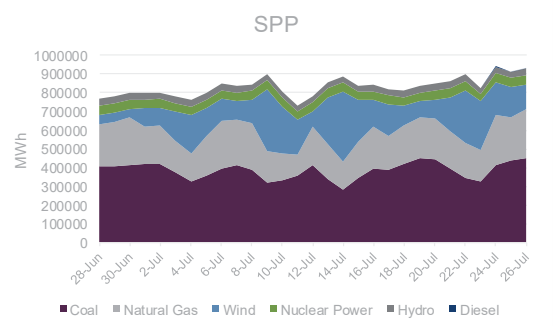

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Weather

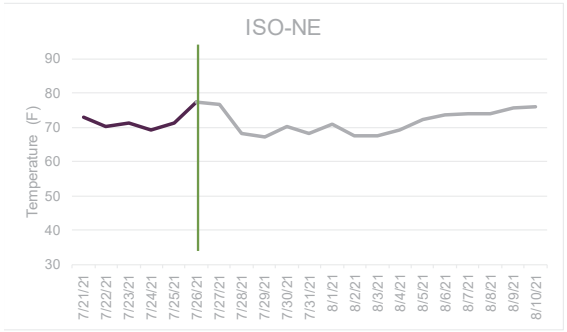

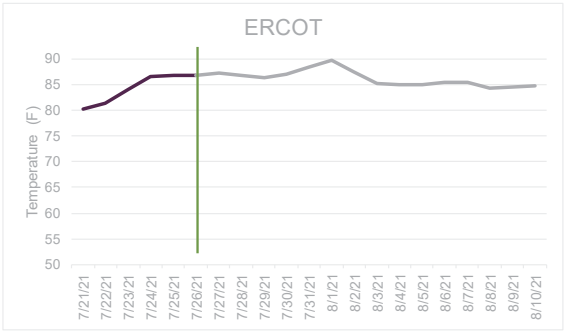

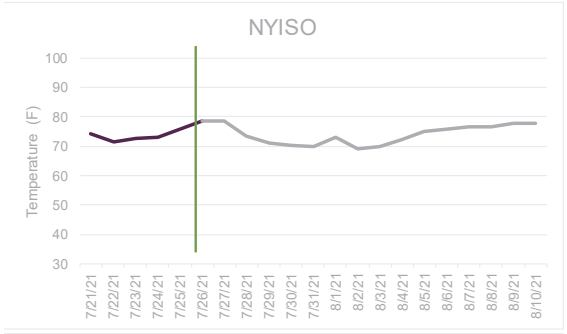

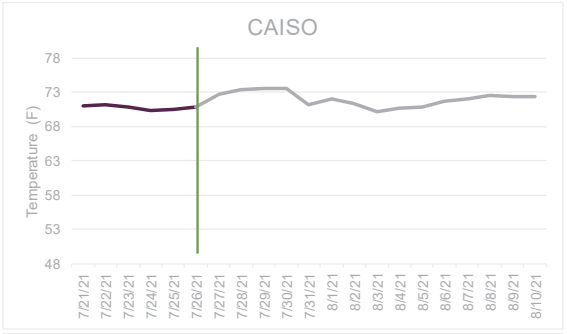

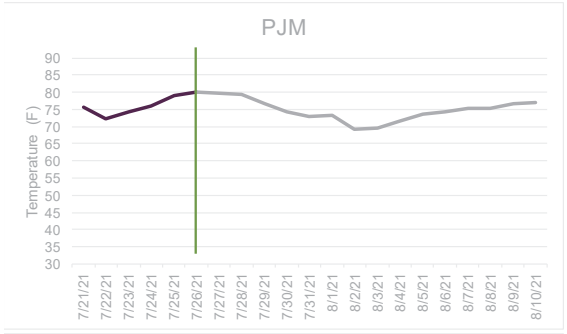

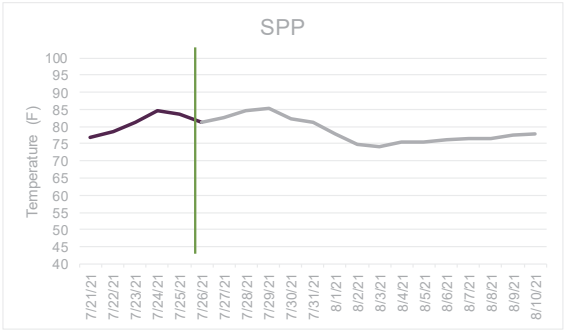

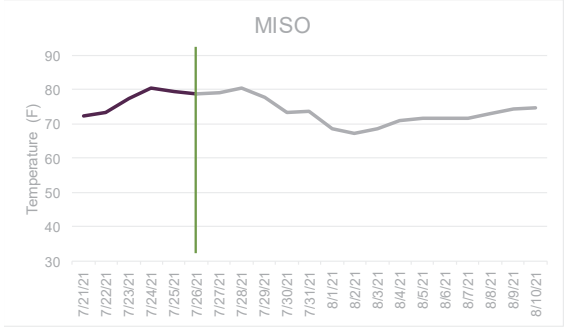

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Regulatory Calendar

Power and Utilities: Coverage Calendar (5/15/2021 - 8/15/2021)

Date	State	Ticker	Utility/Event	Docket	Description
3/1/2021-6/30/2021	DC	EXC	Potomac Electric Power Co.	FC-1156	Commission decision may be issued in electric rate proceeding
4/15/2021-5/15/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	ALJ recommendation expected in rate case in late April-early May
5/1/2021-6/30/2021	TX	SRE	Oncor Electric Delivery Co.		Rate case filing expected
5/17/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Settlement meeting scheduled in rate case
5/18/2021-5/19/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearings scheduled in RAC-EE proceeding
5/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Settlement conference scheduled
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	PSC staff and intervenor testimony due
5/19/2021-5/28/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Hearings scheduled in rate case
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	PSC staff and intervenor testimony due
5/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Settlement conference scheduled
5/21/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for staff and intervenor opening testimony
5/21/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Rebuttal testimony due in E-RAC proceeding
5/21/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Rebuttal testimony due in Rider E proceeding
5/21/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Initial briefs due in rate case
5/24/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Hearing to begin in rate proceeding
5/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Intervenor testimony on class cost of service due in rate proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UG-200901	Deadline for company reply testimony; staff and intervenor cross-answering testimony
5/28/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	SCC staff testimony due in BC-RAC proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UE-200900	Deadline for company reply testimony; staff and intervenor cross-answering testimony
6/1/2021-6/15/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearing examiner's report may be issued in RAC-EE proceeding
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co		Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (gas)	Decision possible in rate proceeding
6/1/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Reply briefs due in rate case
6/1/2021-6/30/2021	OH	AEP	Ohio Power Co.	C-20-0585-EL-AIR	Decision possible in rate proceeding
6/1/2021-6/30/2021	KY	PPL	Kentucky Utilities Co.	C-2020-00349	Decision possible in rate proceeding
6/1/2021-6/30/2021	VA		Virginia Natural Gas Inc.	C-PUR-2020-00095	Hearing Examiner's report may be issued in base rate case
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co	Ca-PUD202100063	Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (elec.)	Decision possible in rate proceeding
6/3/2021	MI	DTE	DTE Gas Co.	C-U-20940	Staff and intervenor testimony due
6/4/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Intervening parties to file testimony in rate case
6/8/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Company rebuttal testimony due in rate proceeding
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Rebuttal testimony to be filed in rate case
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Rebuttal testimony to be filed in rate case
6/17/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Rebuttal testimony due in rate proceeding
6/17/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Initial briefs due in rate case
6/17/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Intervening parties to file testimony in Rider CCR proceeding
6/21/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Intervenor testimony due
6/22/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Staff, intervenor testimony due
6/22/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Staff to file testimony in Rider CCR proceeding
6/23/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Staff, intervenor testimony due
6/23/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Hearing scheduled in E-RAC proceeding
6/23/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Settlement conference
6/23/2021	MI	DTE	DTE Gas Co.	C-U-20940	Rebuttal testimony due
6/23/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Staff, intervenor testimony due
6/25/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Hearing examiner report due in rate proceeding
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Evidentiary hearings to commence in rate case
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Evidentiary hearings to commence in rate case
6/30/2021	NH				Commissioner Kate Bailey — term expires
6/30/2021	KY				Commissioner Talina Rose Mathews — term expires
6/30/2021	MD				Commissioner Anthony J. O'Donnell — term expires
6/30/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Decision expected in muulti-year rate plan proceeding
6/30/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	Decision likely in gas rate case
6/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00197 (Rider RBB)	Decision expected in rural broadband pilot proceeding (Rider RBB)
6/30/2021	WV				Commissioner Brooks McCabe — term expires
6/30/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Decision expected in RAC-EE proceeding
6/30/2021	NC				Commissioner Lyons Gray — term expires
7/1/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Reply briefs due in rate case
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	PUR-2020-00231 (Rider US-2)	Decision expected in Rider US-2 update proceeding
7/1/2021	IL	SO	North Shore Gas Co.	D-20-0810	ALJ recommendation due in rate proceeding
7/1/2021-7/31/2021	OK	CNP	CenterPoint Energy Resources	Ca-PUD202100054	Decision expected in PBR proceeding
7/1/2021-7/31/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Decision possible in rate proceeding
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00230 (Rider BW)	Decision expeced in Rider BW update proceeding
7/2/2021	MI				Commissioner Katherine Peretick — term expires
7/6/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Staff testimony due in electric rate case
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UG-200901	Hearing in rate case
7/7/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Rebuttal testimony due in Rider CCR proceeding
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UE-200900	Hearing in rate case
7/12/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Rebuttal testimony due in electric rate case
7/12/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Rebuttal tesimony due
7/15/2021-8/15/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Hearing Examiner report may be issued in Rider E proceeding
7/16/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for company reply testimony; staff and intervenor cross-answering testimony
7/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Company rebuttal testimony due
7/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Company rebuttal testimony due
7/21/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Hearing to begin in rate proceeding
7/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Hearing to begin in rate proceeding
7/27/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Public hearing scheduled on Rider CCR proceeding
7/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00058	Intervening parties to file testimony in triennial review proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00274 (Rider DSM)	Decision expected in Rider DSM proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00169 (Rider RGGI)	Decision expected in Rider RGGI proceeding
8/1/2021-8/31/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	Hearing Examiner recommendation expected in BC-RAC proceeding
8/1/2021	MO	SR			Commissioner Maida Coleman — term expires
8/5/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Commission decision expected to be issued
8/5/2021	MI	DTE	DTE Gas Co.	C-U-20940	Briefs due in gas rate case
8/10/2021-8/17/2021	NJ	DTE	Atlantic City Electric Co.	D-ER20120746	Hearings scheduled in rate case
8/13/2021	TX	AEP	Southwestern Public Service Co	D-51802	Parties to file testimony in rate case

Source: SNL, Company Filings, Guggenheim Securities, LLC.

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Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM and Weekly Commentary

Key Company Research

1. DTE NDR: Post Spin DTE To Redouble MI Decarbonization Efforts – Value Remains To Be Unlocked
2. SRE: Show Me the Upside… Analyst Day Brings Guidance and Capex Raises, Tone Remains Disciplined and Conservative But In Line w/Guggenheim
3. ALE NDR: Deep in Execution Amid a Transitional Year
4. NWE NDR: Consistent Messaging as Potential Generation Needs Power the LT Growth Narrative
5. EVRG NDR: Familiar Faces at a New Place; Management Looks to Build on LT Growth Visibility
6. LNT NDR: Straightforward Update Underscores Consistent Execution
7. OGE NDR: Regulated Story Takes Center Stage, Balance Sheet Capacity and Reinvestment Point to Growth Upside
8. CMS NDR – Simple, Modular Growth Story Leaves Investors with No Surprises, Upcoming IRP Updates Already ESG Story
9. ARRY NDR: L-T Fundamentals Intact but Management Still Working Through N-T Impacts of COGS Shock…
10. POR NDR: 5-7% Growth in Stumptown? Not Yet, But Things Are Looking Up…
11. CNP NDR – CNP Leaning into Organic Capex and O&M Savings, with a Few Tweaks to Business Mix, ESG, and Tax Efficiency
12. PCG NDR: Finding Sure Footing in Familiar Places… Operational Improvement on Mgmt.'s Mind
13. SR NDR: Storage, Marketing Pay Off as SR Escapes February Relatively Unscathed; L-T Plans Unchanged
14. VST NDR: Past Is Prologue
15. SRE: SIP 20% Sale Announced at ~13x EV/EBITDA; Above Our Range, With Opportunity for Earnings Accretion
16. AEP – C-Suite NDR: On the Precipice of Change and It's a Wonderful View from Here
17. PPL NDR: Hard Part Is Done, Now the Real Work Begins – Transformation Path, Further Re-Rating Set
18. ETR – FERC ALJ Issues Initial Decision on SERI ROE and Cap Structure; 9.32% ROE; 48.15% ER
19. SRE – San Diego Opens Utility Franchise Bidding Under Expanded Criteria; Allow for Negotiated Outcome
20. PPL: WPD Sells at "Very" Healthy Multiple in Key First Step, Despite Previous Media Reports
21. NRG: Post-Call Management Catch Up
22. NRG/VST: Stepping to the Sidelines for Now as ERCOT's Collateral Damage Continues to Propagate
23. FE Reaches Agreement with Icahn
24. AWK NDR: "When the Levee Breaks" American Water Keeps Flowing
25. AEP – Healthy AEP Ohio Rate Case Settlement Supports Thesis; Construct Still Attractive
26. PCG: C-Suite Builds on Operational Improvement for Turnaround Success; Hands-on CEO Is a Tailwind
27. ARRY – 4Q Earnings; Investing Now for Wallet Share Later; FY21 Guidance Comes In Strong
28. WEC NDR: Cutting Through the Noise; Dependable Growth and LT Decarbonization Define Our Meetings
29. D – C-Suite NDR; Strategy Equals Execution; Execution Equals Decarbonization…
30. DUK – CEO NDR; NC Legislation Finally Has Momentum; Driving Decarbonization, Higher Growth
31. AMRC – 2020 Closes with a Beat as 2021 Guidance Points to Continued Growth
32. NRG – Surprise, Surprise: Guidance Intact After Strong Storm Performance; Transformation Continues
33. OGS – 4Q Earnings; Fundamentals Remain Stout Despite Old Man Winter's Best Efforts
34. PEG – 2020 FY In Line; Fossil Sale On Track; LT Business Mix Gains Traction
35. VST – Is the Integrated Model Broken? No, But the Sandbox Might Be
36. EVRG – Coming Out Swinging: EPS Beat, Healthy '21 Guide, Higher CapEx, New Mgmt. Bench & Key Investor Infusion
37. EIX: In-Line 2020; No Major Updates - Holding Pattern Ahead of GRC
38. AEP – Better Load Recovery and Cost Mitigation; Long Renewables Runway w/ Potential Financing From Asset Rotation
39. SRE: '21 Guide Reaffirmed w/Upside Post Transaction; Utility CapEx Increased – Focus Remains on SIP Transaction
40. OGE: No Surprises as 2020 Closes; 2021 Winter Storms Costs Large but Fundamentals Strong
41. CNP: We Aren't Sweating the Details; Managing Storm Event; LDC Sales on Track, Midstream Full Exit on the Forefront
42. PNW – In Line 2020 as Capex Gets a Shuffle – a Consistent Message Following Our NDR
43. EXC – End of an Era: Exelon Loses a Neutron
44. ETR – 2020FY EPS Beat; 2021 Guidance Reaffirmed, Biased to a Strong Midpoint; Arkansas Concerns? No Cracks Here
45. AVA – 4Q Earnings Not as Bad as Some Thought; Guidance Largely In Line With Our Expectations
46. LNT – Ol' Reliable: Inline 2020 as Focus Pivots to PSCW
47. AEE – 4Q Earnings; Callaway Cause For Concern? Not in Our View; Base Plan Remains Strong
48. POR – 2021 Kicks Off on the Right Foot
49. DTE – Continues Strong Execution; 4Q Earnings Beat, '21 Reaffirmed, GS&P Spin Is the Next Major Potential Catalyst
50. FE – Righting the Ship as the DOJ Overhang Persists; Icahn Makes a Splash and Shifts Investor Focus
51. ED – 4Q EPS in Line, 2021 a Reset Year; Capex Roll Points to Higher Quality L-T Recovery
52. SO – 4Q Earnings; Telegraphed LT Growth Rate Raise with Incremental Opportunities on the Horizon
53. PPL: Straightforward Update as WPD Process Forges On
54. ES – 4Q Earnings; Healthy Capex Raise Drives Guidance to the Top Half of Growth Range
55. NI – 4Q Earnings; Straightforward Update With Renewables Projects Continuing to Take Shape
56. ALE – A Transitional Year Comes with a Focus on Execution at ACE

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57. DUK – 4Q20 Earnings; Foundation Set With Eye on NC Legislation – We See Pathway to Overachieve Expectations
58. AEP – Racine Hydro Sale; Very in Line with Our Thesis and Potentially More on the Horizon – Reiterate BUY
59. WEC – 2020 Closes with A Beat as Management Evaluates Case Optionality in WI
60. CMS – 4Q Earnings In-Line; Capex/Equity Increase, O&M Flex to Carry Into '21; We See Smooth Sailing to Firm "7%" Growth
61. NJR – F1Q21 Earnings; NJRES AMAs Drive FY22 Guidance Raise, Though Focus Remains on Core Utility and CEV Segments
62. SR – F1Q21 Earnings; Progressing on Regulatory Matters as Mgmt. Has Eyes Set on Sustainability
63. FE/OH: Yost Holds Press Conference on HB6; Reaches Agreement With FE on Decoupling
64. PNW NDR: All Quiet on the Southwestern Front…
65. DUK – Healthy Indiana Equity Sale Highlights Private Infrastructure Appetite for US Assets
66. AMRC: A Unique Blend of Familiar Businesses – Finding a Decarbonization Niche; Initiating Coverage at BUY, $63 PT
67. PEIX Initiation: A Rising Tide Lifts All Ships - Decoupling from Fuel Ethanol, '21 an Inflection Year for Strong CF Story
68. SRE: CEO Catch Up - Value Upside to SIP Deal; Constructive Guidance Forthcoming; Remains Distinctive on Catalysts
69. NEE/NEP: NEE EPS Beats, MVP Takes Write-Down; Organic Growth and FPL Rate Case Are the Next Leg of Growth
70. DUK – Settlement Reached on Coal Ash; Overhang Removed with Allowance for Return on Expenditures – Time to Move On
71. EIX – Another WF Settlement Bites the Dust; Total Expected Loss Unchanged
72. NEE: Starting 2021 with a Bang: FPL Files Rate Case – 11% Base ROE, 50bp Adder, and SOBRA Adds
73. FE/OH: Ohio Situation Continues to Deteriorate

Key Industry Research

1. AGA: Day 2 Flash Recap…
2. AGA: Day 1 Flash Recap…
3. IL: Second Opinion Confirms Grim Prognosis
4. IL: Groundhog Day for Energy Policy in Springfield?
5. ERCOT: PUCT Declines to Reprice Energy Market – Consistent with Our Expectations
6. ERCOT: Lone Star State Remains 'Out of Phase'
7. ERCOT: Who's Exposed? Generator-Owner Data Set
8. ERCOT: Deep Freeze Precipitates Rolling Blackouts in Heartland
9. IL: CEJA Re-emerges; Take with a Grain of Salt - More Iterations to Come
10. '21 Utilities Outlook: Getting Ready for Another Bumpy Ride
11. Congress Reaches Deal on Stimulus Package and Appropriations; Clean Energy Boosted With Tax Credit Extension
12. ERCOT CDR Preview: More Solar Points to Slightly Looser CDR; Caveats Remain the Same
13. EEI – An EEI Unlike Any Other...
14. Guggenheim EEI Takeaways - Day One
15. Guggenheim EEI Takeaways - Day Two
16. Guggenheim EEI Takeaways - Day Three
17. Li-Ion the End-All-Be-All Battery Storage Solution? Not in Our Book – Zinc-Based Battery Presents Compelling Alternative
18. Ohio Policy Call Part Two – Federal and Political, Not State and Regulatory
19. Ohio Policy Call Part One – Investigation Churns On
20. Guggenheim Call Series: Power Gen Economics Expert Confirms Robust Solar/Wind Demand as Tech Moves to Parity with Fossil
21. FERC - Life's Absolutes: Death, Taxes, and Transmission ROE Complaints
22. 2020 LCOE Update – Nothing Is Constant but Change: Renewable Economics Point to Persistent Disruptions
23. FERC: Commission Revisits Base ROE Methodology, Boosts MISO Allowed
24. ERCOT: Another CDR to Take with a Grain of Salt
25. PJM: Proposed Auction Timeline Features State Policy Accommodation

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EVERCORE ISI

Energy | Power & Utilities

August 04, 2021

NiSource Inc

NI | $25.31

In Line | TARGET PRICE: $27.00

Company Update

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Company Statistics

Market Capitalization (M)	$11,403
Shares Outstanding (M)	392
Dividend	0.84
Dividend Yield	2.9%
Payout Ratio	63.6%
Expected Total Return	(4.3)%
Fiscal Year End	Dec

Earnings Summary

	2021E	2022E	2023E
EPS	$1.34	$1.42	$1.51
P/E	22.0	20.7	19.7
EPS vs Consensus	(0.7)%	(0.0)%	(1.7)%
Consensus EPS	$1.33	$1.40	$1.51
Consensus P/E	21.9	20.7	19.3

1 Year Price History

Source: FactSet

Sitting on the Sidelines

Q2 adjusted EPS in line with consensus. All guidance unchanged. NiSource posted $0.13 in Q2'21 operating EPS, which was in line with consensus and our estimate of $0.13/share. Earnings in 2Q20 were also $0.13/share. The flat YoY EPS reflected safety & modernization investments and lower COVID impact during the quarter as well as the profile of the business without Columbia Gas of Massachusetts. NI maintained its 2021 EPS guidance of $1.32-1.36. The company also reaffirmed its four-year 2021-2024 program of $9.6-10.7 billion under an unchanged financing plan. This level of spending is still expected to drive rate base growth of 10-12% CAGR in 2021-2024 under an unchanged financing plan. NiSource continues to expect to deliver long-term EPS outlook of 5-7% per year in 2021-2023 and 7-9% CAGR in 2021-2024. The company's renewable transition remains ahead of original schedule with planned retirements. NiSource has now received Indiana regulatory approval of all 14 renewable JV projects included in total estimated $2 billion investment planned for 2021-2023. The 2021 Indiana IRP and RFP processes continue, with the RFP initiated in May, yielding more than 180 total proposals for 78 individual projects. Next steps include incorporating RFP results into the IRP modeling and analysis in August, sharing IRP modeling analysis and results with stakeholders in September, communicating the IRP preferred plan incorporating stakeholder feedback in October, and submitting the IRP to the Indiana commission in November; any potential projects and investments that emerge will likely be announced in 2022.

We maintain our In Line rating. We are staying on the sidelines with an unchanged price target of $27/share, which applies a premium gas LDC multiple of 18.0x 2023 EPS in our SOTP (Gas LDC's are trading at ~16.5x 23E). We are maintaining our 2021-2023 EPS estimates of $1.34, $1.42 and $1.51. NI stock has outperformed since the end of January, up 20% versus the group up 12% since January 26th, and it currently trades roughly in line/modest discount with electric utility peers at 18.0x 2023 EPS. With the Massachusetts divestiture behind the company, we believe the re-rate we had been expecting is mostly reflected in NI's stronger growth expectations (5-7% per year in 2021-2023 and 7-9% CAGR in 2021-2024) that were reset off of a 2021 baseline. We also believe the benefits of the removed overhang of the equity unit financing transaction is reflected in the stock price, as well as NiSource's above-average positioning under the Biden administration as a 100% regulated utility, given that a potential higher FIT rate (eventually) would not lower profitability and would generate meaningful cash flow due to the regulatory construct. NiSource also has sizable coal exposure in Indiana and could see benefit under Biden administration climate proposals with its plan to convert to renewables. We lay out our bull/bear case valuation of $29 / $23 on page 2.

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EPS Estimates and Price Target Derivation

Maintaining our 2021-2023 EPS estimates: We reaffirm our 2021-2023 EPS estimates of $1.34 / $1.42 / $1.51. Our 2021 EPS estimate is the midpoint of $1.32-1.36 guidance and our 2022 EPS forecast is within the 5-7% annual growth forecast through 2023. After NIPSCO electric took the brunt of the COVID in 2020, we see its earned ROE increasing to 9.4% this year before modestly under-earning its authorized 9.75% by 2022-2023. For the gas segment, we assume the company modestly under-earns its blended ~10% ROE in 2021 through 2023

Our price target of $27/share is unchanged. Our bear case derives a $23 target while our bull case is $29/share. See Exhibit 1 below. Our base case assumes 2023 EPS of $1.48/share, which is roughly 6% annual EPS growth (vs. 5-7% guidance) over the midpoint of 2021 guidance of $1.32-1.36/share. For the electric business, we assign a 10% premium to our anchor 2023 P/E target multiple of 17.5x derived using our dividend discount model. For the gas segment, we apply a 18.0x P/E multiple, a premium multiple current comparable LDC trading multiples (17.5x). We apply a blended multiple for parent drag.

Exhibit 1: NiSource SOTP Valuation

Base Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.16	18.0x	$20.74
Electric EPS	$0.67	19.3x	$12.80
Parent/Other	($0.33)	18.2x	($6.09)
Consolidated 2022 EPS	**$1.51**	18.2x	**$27.00**

Bull Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.19	18.3x	$21.85
Electric EPS	$0.68	19.3x	$13.16
Parent/Other	($0.33)	18.7x	($6.14)
Consolidated 2022 EPS	**$1.55**	18.7x	**$29.00**

Bear Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.09	15.8x	$17.24
Electric EPS	$0.63	17.5x	$11.09
Parent/Other	($0.33)	16.4x	($5.39)
Consolidated 2022 EPS	**$1.39**	16.4x	**$23.00**

Source: Evercore ISI

VALUATION METHODOLOGY

To arrive at our price target we use a SOTP analysis.

RISKS

Risks to our thesis include an inability to deploy capital at the company's expected rate resulting in a lower rate base and regulatory pressure resulting in lower allowed ROEs

COMPANIES UNDER COVERAGE BY AUTHOR

Symbol	Company	Rating	Price (2021-04-08)	Evercore ISI Target
AEE	Ameren Corp.	Outperform	$85.61	$90.00
AEP	American Electric Power	Outperform	$89.09	$99.00
AES	The AES Corporation	Outperform	$23.92	$30.00
AWK	American Water Works Company, Inc.	Outperform	$175.30	$175.00
AWR	American States Water Company	Underperform	$89.13	$60.00
CMS	CMS Energy Corp.	In Line	$63.24	$62.00
CNP	CenterPoint Energy, Inc.	Outperform	$25.87	$26.00
CWEN	Clearway Energy	In Line	$29.84	$25.00
CWT	California Water Service Group	In Line	$64.25	$40.00
D	Dominion Energy, Inc	Outperform	$75.50	$82.00
DTE	DTE Energy Co.	In Line	$118.13	$119.00
DUK	Duke Energy Corp.	In Line	$106.61	$96.00
ED	Consolidated Edison Inc.	Underperform	$74.85	$72.00
EIX	Edison International	In Line	$55.39	$73.00
ES	Eversource Energy	In Line	$87.80	$91.00
ETR	Entergy Corp.	Outperform	$103.97	$110.00
EVRG	Evergy	Outperform	$66.38	$67.00
EXC	Exelon Corp.	Outperform	$47.38	$47.00
FE	FirstEnergy Corp.	In Line	$38.54	$40.00
HE	Hawaiian Electric Industries Inc.	In Line	$43.83	$40.00
NEE	NextEra Energy Inc	In Line	$79.42	$78.00
NI	NiSource Inc	In Line	$25.31	$27.00
NRG	NRG Energy Inc.	In Line	$41.64	$42.00
OGE	OGE Energy Corp	Outperform	$34.34	$35.00
PCG	PG&E Corp.	Rating Suspended	$8.99	
PEG	Public Service Enterprise Group	In Line	$63.51	$61.00
PNW	Pinnacle West Capital Corp.	In Line	$80.98	$81.00
PPL	PPL Corp.	In Line	$28.56	$31.00
SJW	SJW Group	In Line	$69.35	$60.00
SO	Southern Co.	Underperform	$64.13	$61.00
SRE	Sempra Energy	Outperform	$131.98	$143.00
VST	Vistra Energy Corp	Outperform	$18.95	$23.00
WEC	WEC Energy Group, Inc.	In Line	$95.61	$96.00
WTRG	Essential Utilities Inc.	In Line	$49.65	$49.00
XEL	Xcel Energy Inc.	In Line	$68.70	$70.00

J.P.Morgan

North America Equity Research
04 August 2021

NiSource Inc.

2Q21 Results in Line; Fairly Quiet Renewables Update as the IRP/RFP Process Continues

Overweight

NI, NI US
Price: $25.31
03 Aug 2021

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- **2Q21 earnings match estimates.** NI reported 2Q21 adj EPS of $0.13, matching the $0.13 JPM/Street median estimate. Gas distribution and electric operating earnings declined -$7.5mm and -$4.8mm YoY, respectively. NI benefitted from new base rates and infrastructure replacement program recoveries, offset by higher employee and administrative expenses, outside services, and other expenses. Moreover, unfavorable COLI performance also impacted Corp and Other results. Earnings appear consistent with expectations, with growth weighted toward the back half of 2021, particularly upon the 4Q conclusion of lost CMA earnings headwinds. Separately, the company reaffirmed its $1.32-1.36 2021 EPS guidance (JPMe/Street median $1.35).

- **Fairly quiet renewables update as NI's IRP/RFP process continues into the fall and 2022.** Updates across NI's generation transition include 1) the company now has IN approval of all renewables JV projects ($2bn investment), 2) NI received 180 proposals for 78 projects in its RFP solicitation, and 3) the IRP process continues to work towards a November filing. This IRP/RFP work will inform NI's next round of renewables investment, where the company expects incremental project clarity in 2022. We see recent progress as positive, although larger milestones remain over the balance of 2021 into 2022, and look for management's expectations based on ongoing IRP feedback and overall project composition in the RFP. While insight into the RFP is fairly limited, the scope of new technologies proposed could draw interest given NI's broad approach in considering standalone storage, hydrogen, carbon capture, and microgrids, among others. The company expects to commence commercial negotiations on RFP projects after finalizing its IRP Preferred Plan in October.

- **Conference call details.** NI will host a webcast to discuss 2Q21 results on Wednesday, August 4 at 11:00 AM EDT.

Table 1: NI 2Q21 Results

Income Statement:	Actual 2Q20	Actual 2Q21	JPM 2Q21E	% Chg Y/Y	% Chg vs JPMe	YoY Drivers
Operating Earnings	165	151	177	-9%	-15%	CMA sale impacts; new base and infra replacement program rates
Net Income	50	53	55	5%	-5%	Lower interest expense on short-term and long-term debt; unfavorable COLI impacts
Share Count	384	423	430	10%	-2%	
Operating EPS	**$0.13**	**$0.13**	**$0.13**	**0%**	**0%**	

Source: Company reports and J.P. Morgan estimates.

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Equity Research

Earnings Revised — August 4, 2021

Natural Gas LDCs

NiSource Inc. (NI)

NI: Positive Momentum Continues—Reiterate Overweight Rating

Our Call

NI is an execution story and every solid quarterly report is a step in the right direction. As such, we were pleased with the Q2 update, which kept both EPS and key initiatives on the right track. With shares still trading at discounts (2-3%) to blended gas/electric utility peers, we reiterate our Overweight rating and $29/sh price target (19X on our '23E).

Generation Transformation Advancing. We have been very encouraged by the progress on NI's renewable strategy. The renewable slide shows eight additional project approvals since the Q1 deck bringing the total number of approvals to 13 out of 14. As the first wave of projects is well underway, the 2021 IRP process has commenced and is expected to culminate in a filing by 11/1/21. In conjunction with the IRP, NI issued an all-resource RFP which attracted over 180 proposals for 78 individual projects. The IRP and RFP bids will inform the timing of the Michigan City retirement (prior analysis supported a 2028 retirement date) and the replacement technologies for the post-2023 generation outlook. Mgmt. expects to be able to discuss IRP details in conjunction with the Q3/EEI updates, but a formal capex and growth outlook refresh is not likely before year-end.

EPS Outlook. Our '21-25E EPS remain $1.34, $1.42, $1.50, $1.66 & $1.75. Our estimates support a 7.5% CAGR through '24E off the '21E base, which compares with NI's 7-9% target. We see modest upside to our estimates should NI be able to achieve earned ROE's north of our 8.8-9.0% assumption—every 25 basis point change in the earned ROE has a $0.04-0.05 EPS impact. In addition to sales growth and cost controls, we look to the outcomes of four pending rate cases as key drivers of the EPS outlook. NI filed a PA rate case ($98mm) in Q1 and additional cases in OH ($221mm), KY ($27mm) and MD ($5mm) in Q2. Favorably, mgmt. noted that the company is in advanced settlement discussions in the PA case.

Equity Analyst(s)

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Rating	Overweight
Ticker	**NI**
Price Target/Prior:	**$29.00/NC**
Upside/(Downside) to Target	**14.6%**
Price (08/03/2021)	**$25.31**
52 Week Range	$21.09 - 26.60
Shares Outstanding	392,217,046
Market Cap (MM)	$9,927
Enterprise Value (MM)	$19,548
Average Daily Volume	3,301,969
Average Daily Value (MM)	$84
Dividend (NTM)	$0.88
Dividend Yield	3.5%
Net Debt (MM) - last reported	$9,621
ROIC - Current year est.	10%
3 Yr EPS CAGR from current year (unless otherwise noted)	4%

$ EPS	2020A	2021E Curr.	2021E Prior	2022E Curr.	2022E Prior
Q1 (Mar)	0.76 A	0.77 A	NC	-	NC
Q2 (Jun)	0.13 A	0.13 A	0.08E	-	NC
Q3 (Sep)	0.09 A	0.06 E	0.08E	-	NC
Q4 (Dec)	0.34 A	0.38 E	0.41E	-	NC
FY	1.32 A	1.34 E	NC	1.42 E	NC
P/E	19.2x	18.8x		17.8x	

Source: Company Data, Wells Fargo Securities estimates, and Refinitiv.
NA = Not Available, Volatility = Historical trading volatility

All estimates/forecasts are as of 8/4/2021 unless otherwise stated. 8/4/2021 14:21:50EDT. Please see page 5 for rating definitions, important disclosures and required analyst certifications.
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Financials

NI Earnings Model ($ millions except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$4,697**	**$4,650**	**$4,822**	**$5,014**	**$5,331**	**$5,524**
Expenses						
Cost of Gas, Purchased Power & Fuel	1,109	1,065	1,071	1,078	1,085	1,091
O&M	1,495	1,392	1,397	1,431	1,436	1,451
Depreciation & Amortization	762	751	807	886	969	1,024
Other	299	303	308	312	316	321
Total Expenses	**$3,665**	**$3,511**	**$3,583**	**$3,707**	**$3,807**	**$3,888**
EBIT	**$1,031**	**$1,139**	**$1,238**	**$1,307**	**$1,524**	**$1,635**
EBITDA	**$1,794**	**$1,890**	**$2,046**	**$2,193**	**$2,494**	**$2,660**
Other Income	32	34	34	34	34	34
Interest Expense	371	349	365	360	401	431
Income Taxes	127	198	218	235	278	297
Tax Rate	*18%*	*24%*	*24%*	*24%*	*24%*	*24%*
Earnings						
Net Operating Earnings	$566	$627	$689	$746	$880	$941
Preferred Dividends	55	55	55	55	55	55
Noncontrolling Interest	3	3	3	3	3	3
Income from Continuing Operations	**$508**	**$568**	**$631**	**$687**	**$822**	**$883**
Avg. Diluted Shares Outstanding	384	423	445	458	494	503
Ongoing EPS	$1.32	$1.34	$1.42	$1.50	$1.66	$1.75
Q1A EPS	0.76	0.77				
Q2A EPS	0.13	0.13				
Q3A/Q3E EPS	0.09	0.06				
Q4A/Q4E EPS	0.34	0.38				

NI Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$0.84	$0.88	$0.93	$0.99	$1.06	$1.14
Dividends Paid Per Share	0.84	0.88	0.93	0.99	1.06	1.14
Payout Ratio	64%	66%	66%	66%	64%	65%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$1,758	$1,982	$2,517	$3,703	$2,223	$2,290
Book ROE	10.1%	9.5%	8.7%	8.6%	9.3%	9.7%
FFO/Debt	11%	15%	15%	14%	16%	16%
Debt/EBITDA	5.7x	5.2x	5.3x	5.5x	5.0x	4.9x
Common Equity as % of Total Capitalization	32%	40%	40%	41%	41%	41%

Source: Wells Fargo Securities, LLC estimates and company filings

Acronyms

EEI – Edison Electric Institute
IRP – Integrated Resource Plan

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RFP – Request for Proposals

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Price Target Basis and Risk

Price Target for NI: $29.00 from NC

Our $29/sh price target is based on a P/E multiple analysis (19X—a 5% premium to the '22 blended gas/electric peer group multiple of 18X—on our '23E EPS).

Risk for NI

Risks include lower-than-expected sales growth, unfavorable regulatory developments, unexpected cost pressures and incidents on the gas system, which could result in shareholder liabilities.

Investment Thesis

NI
We rate shares Overweight as we do not think NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment are properly reflected in the current share price.

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August 4, 2021 | 18:25 ET | 18:25 ET~

NiSource

NI-NYSE	Rating	Price: Aug-4	Target	Total Rtn
	Outperform	$25.25	$28.00	14%

NI 2Q21 - 2021 IRP to Shine on New Opportunities

Bottom Line:
NiSource reported 2Q21 NOEPS of $0.13, matching our and consensus estimates of $0.13. Management reiterated the 2021 guidance range of $1.32-1.36 after raising the bottom end by $0.04 with 1Q21 results. The company's growth outlook remains unchanged with a NOEPS CAGR of 5-7% through 2023 and rising to 7-9% with the full-year inclusion of its $2bn in renewable investments in 2024. **After receiving over 180 proposals, NiSource continues to be on track for a November IRP filing which will define its thermal generation replacement strategy in Indiana beyond 2023.**

Key Points

The 2021 IRP to address the timing of the retirement of Michigan City Generation Station currently planned for 2028, as well as the ownership structures and technology used to replace MI City. Similar to the 2018 IRP process, NiSource completed a request for proposal solicitation which resulted in over 180 different proposals. NIPSCO will share the IRP analysis with stakeholders at public advisory meetings occurring in 3Q21 and expects to develop a preferred resource plan to submit to the IURC before November 1. Projects identified as a result of the IRP process would be incremental to the current $2bn renewable energy capital spend embedded in the 2021-'24 plan. **Management is expected to give an update during 3Q21 following the filing and provide investment expectations associated with the IRP in 1H21.**

NiSource has received regulatory approval for 13 of the 14 proposed renewable energy projects to advance the replacement of the retiring Schafer generating station in 2023. Given contractual protections for customers and shareholders in the event of project delays that could arise from supply chain issues as well as incentives for developers to remain on track, management is confident in the ability for current projects to meet in-service and budget expectations.

Current financing plans satisfy the renewable energy capital spend of ~$2bn through 2024. We expect management to remain open to all options for strengthening the balance sheet and financing incremental investment opportunities including asset rotation and/or optimization. However, given each of the company's utilities in its footprint, rate base grows at ~10% and given the potential tax leakage, dis-synergies, and necessary regulatory approvals, we see any monetization as more strategic in nature. **We expect any incremental capital spend identified in the 2021 IRP would be funded similarly to the 2018 IRP spend.**

For disclosure statements, including the Analyst Certification, please refer to page(s) 6 to 8.

IN Fact

BMO Capital Markets

Utilities, Power & Renewables

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Company Data			in $
Dividend	$0.88	Shares O/S (mm)	392.2
Yield	3.5%	Market Cap (mm)	$9,904
P/BV	1.5x	Net Debt (mm)	$8,942

BMO Estimates			in $
(FY-Dec.)	2020A	2021E	2022E
EPS	$1.32	$1.33	$1.40
DPS	$0.84	$0.88	$0.93
EBIT	$1,064	$1,158	$1,292
EBITDA	$1,789	$1,944	$2,111

Consensus Estimates			
	2020A	2021E	2022E
EPS		$1.35	$1.41

Valuation			
	2020A	2021E	2022E
P/E	19.1x	19.0x	18.1x
Div. Yield (%)	3.3%	3.5%	3.7%

QTR. EPS	Q1	Q2	Q3	Q4
2020A	$0.76	$0.13	$0.09	$0.34
2021E	$0.77a	$0.13a	$0.05	$0.37
2022E	$0.85	$0.06	$0.05	$0.43

Our Thesis

We like several aspects of NI following the sale of Columbia Gas of Massachusetts and removal of the previously guided $500-700mm equity issuance overhang, which we believe meaningfully de-risked the story.

BMO Capital Markets

NiSource - Block Summary Model

Income Statement	2020A	2021E	2022E
Electric Operations	362	430	510
Gas Distribution	668	704	757
Parent & Other	2	2	2
Consolidated EBIT	1,064	1,158	1,292
Depreciation & Amortization	726	786	819
EBITDA	1,789	1,944	2,111
Interest Expense	371	366	406
Income Tax	127	141	163
Income from continuing operations	508	556	627
Weighted Average Shares Outstanding	384	419	449
Diluted Operating EPS	$1.32	$1.33	$1.40
Dividends per Share	$0.84	$0.88	$0.93
Cash Flow Statement	**2020A**	**2021E**	**2022E**
Operating Cash Flow	1,681	1,410	1,520
Investing Cash Flow	(879)	(2,050)	(2,500)
Financing Cash Flow	(100)	587	906
Net Change in Cash Flow	701	(54)	(74)
EOP Cash on Balance Sheet	804	750	676
Common stock (net)	360	1,211	348
Net debt issued/(repaid)	82	(200)	1,032
Dividends paid	(323)	(369)	(419)
Balance Sheet	**2020A**	**2021E**	**2022E**
Common Equity	5,735.1	7,172.5	7,768.7
Preferred Equity	880.0	880.0	880.0
Total Debt	9,746	9,546	10,578
Enterprise Value	$20,351	$21,683	$23,214
Common equity %	35.1%	40.8%	40.4%
Preferred equity %	5.4%	5.0%	4.6%
Total Debt %	59.6%	54.2%	55.0%
Book Value per Share	$17.21	$19.21	$19.27

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

Our target price is the product of a P/E-based sum of the parts. We utilize a regulated average multiple using 2023E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook.

Upside Scenario $31.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario $21.00

Our downside scenario reflects a tightening monetary policy and a deceleration of the company's rate base growth.

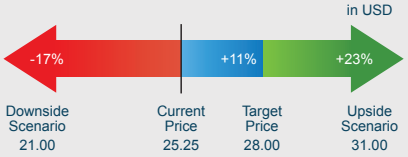

Key Catalysts

Use of proceeds from CMA sale. Potential for further asset rotation.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

BMO Capital Markets

NI 2Q21 – 2021 IRP to Shine on New Opportunities

NiSource reported 2Q21 NOEPS of $0.13, matching our and consensus estimates of $0.13. Management reiterated its 2021 guidance range of $1.32-1.36 after raising the bottom end by $0.04 with its 1Q21 results. The company's outlook remains unchanged with a NOEPS CAGR of 5-7% through 2023, and 7-9% when including its $2bn of renewable investments in rate base in 2024 at NIPSCO. NiSource continues to be on track to file its formal 2021 IRP in November with the IURC, which after receiving over 180 proposals, will outline its coal generation replacement strategy in Indiana beyond 2023.

The 2021 IRP is expected to address the timing of the retirement of the ~455MW Michigan City Generation Station currently planned for 2028, as well as the ownership structures and technology used to replace MI City. Similar to the 2018 IRP process, NiSource's request for proposal solicitation resulted in over 180 different proposal submissions, including two actionable projects related to hydrogen. NIPSCO will share the IRP analysis and data from the RFP solicitations with stakeholders at public advisory meetings occurring in 3Q21 and expects to develop a preferred resource plan to submit to the IURC before November 1. Any projects identified as a result of the IRP process would be incremental to its current 14 renewable projects and the $2bn renewable energy capital spend embedded in the 2021-'24 capital plan. **Management is expected to give an update in 3Q21 following the filing and will provide capital spending expectations associated with the IRP in the first half of 2022.**

NiSource has now received regulatory approval for 13 of the 14 proposed renewable energy projects at NIPSCO to advance the replacement of the retiring Schafer generating station in 2023. Given the contractual protections for customers and shareholders in the event of project delays that could arise from supply chain issues as well as contractual incentives for developers to remain on track, management is confident in meeting its in-service and budget expectations for its projects.

Reiterating financing plans through 2024. NiSource's current financing plans satisfy the renewable energy capital spend of ~$2bn through 2024, which is funded by ~60% equity. We expect management to continue to remain open to all options for strengthening the balance sheet and financing incremental capital investment opportunities including asset rotation/optimization. However, given each of the company's utilities in its six-state footprint, rate base grows at ~10% (Exhibit 2) and potential tax leakage, dis-synergies, and necessary regulatory approvals, we see any monetization as more strategic in nature instead of a need to finance near-term equity funding. **We expect any incremental capital spend identified in the 2021 IRP would be funded similarly to the 2018 IRP spend.**

BMO Capital Markets

Exhibit 1: Model Summary

NI Model Summary	2019	2020	2021	2022	2023	2024	5-Year
EPS By Segment							
Electric Operations	$0.76	$0.63	$0.72	$0.82	$1.01	$1.15	*13%*
Gas Distribution	$1.12	$1.17	$1.05	$1.08	$1.19	$1.24	*1%*
Corporate & Other	($0.56)	($0.48)	($0.44)	($0.50)	($0.66)	($0.67)	*7%*
Consolidated E.P.S.	**$1.32**	**$1.32**	**$1.33**	**$1.40**	**$1.54**	**$1.72**	**7%**
Dividend per share	**$0.80**	**$0.84**	**$0.88**	**$0.93**	**$0.99**	**$1.05**	
Payout Ratio total	60.8%	63.6%	66.4%	66.8%	64.3%	61.0%	
Dividend Yield	2.9%	2.9%	3.0%	3.2%	3.4%	3.6%	
Valuation Metrics							
Price to Earnings	21.2x	22.2x	22.1x	21.0x	19.1x	17.1x	
Price to Book Value	1.7x	1.7x	1.5x	1.5x	1.5x	1.4x	
Funding Sources							
Cash Flow from Operations	$1,750	$1,681	$1,410	$1,520	$1,621	$1,822	*0.8%*
Total Debt Financings	$750	$2,974	$0	$1,080	$1,800	$0	
Total Equity Financings	$34	$360	$1,211	$348	$198	$911	
Credit Metrics							
Total Debt/Capitlization	61%	60%	54%	55%	58%	54%	
FFO/Total Debt	14%	13%	15%	14%	13%	15%	
Regulated Operations Performance - Realized ROE							
NIPSCO Electric ROE	12.3%	9.5%	11.0%	12.1%	13.2%	14.7%	
Columbia Gas of Ohio ROE	9.4%	9.1%	9.2%	9.2%	9.3%	9.5%	
Columbia Gas of Pennsylvania ROE	9.4%	9.1%	9.2%	9.2%	9.3%	9.5%	
NIPSCO Gas ROE	9.4%	9.2%	9.2%	9.2%	9.3%	9.5%	
Columbia Gas of Virginia ROE	9.4%	9.1%	9.2%	9.2%	9.3%	9.5%	
Columbia Gas of Kentucky ROE	9.3%	9.0%	9.1%	9.1%	9.2%	9.4%	
Columbia Gas of Maryland ROE	9.7%	9.3%	9.0%	9.0%	9.1%	9.3%	

All out years represent estimates.

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

Exhibit 2: Key Assumptions

Key Model Assumptions	2019	2020	2021	2022	2023	2024	5-Year
Total Capital Expenditures by Segment							
Electric Operations	$469	$422	$650	$1,100	$1,650	$500	**$4,322**
Gas Distribution	$1,380	$1,267	$1,400	$1,400	$1,700	$1,500	**$7,267**
Consolidated Capital Expenditures	**$1,849**	**$1,689**	**$2,050**	**$2,500**	**$3,350**	**$2,000**	**$11,589**
YE Rate Base Estimates							
NIPSCO Electric	$4,866	$5,240	$5,747	$6,515	$7,814	$7,931	*10.3%*
Columbia Gas of Ohio	$3,106	$3,412	$3,803	$4,182	$4,674	$5,080	*10.3%*
Columbia Gas of Pennsylvania	$1,883	$2,069	$2,306	$2,536	$2,834	$3,081	*10.3%*
NIPSCO Gas	$1,660	$1,824	$2,033	$2,236	$2,499	$2,716	*10.3%*
Columbia Gas of Massachusetts	$1,098	$1,207	$0	$0	$0	$0	
Columbia Gas of Virginia	$789	$867	$966	$1,063	$1,188	$1,291	*10.3%*
Columbia Gas of Kentucky	$338	$371	$413	$454	$508	$552	*10.3%*
Columbia Gas of Maryland	$136	$150	$167	$184	$206	$224	*10.4%*
Total Rate Base	**$13,876**	**$15,138**	**$15,437**	**$17,171**	**$19,722**	**$20,874**	***8.5%***

All out years represent estimates.

Source: BMO Capital Markets, Company Filings

Exhibit 3: SOTP Valuation

							BMO Low Case		BMO Base Case		BMO High Case	
Regulated, Corporate & Other	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)
Electric Operations	EPS	$1.01	Electric	18.1x	+0.0%	18.1x	15.6x	$16	18.1x	$18	20.1x	$20
Gas Distribution	EPS	$1.19	Natural Gas	16.7x	+7.5%	18.0x	14.2x	$17	18.0x	$21	20.0x	$24
Corporate & Other	EPS	($0.66)	Blend	18.0x	+0.0%	18.0x	18.0x	($12)	18.0x	($12)	20.0x	($13)
Utility & Parent Value		**$1.54**					13.5x	**$21**	18.0x	**$28**	20.0x	**$31**
Total NiSource Inc.								**$21**		**$28**		**$31**
Upside/(Downside)								(18%)		10%		22%
Current Yield								3%		3%		3%
Total Return								**(14%)**		**13%**		**25%**

Source: BMO Capital Markets, Company Filings

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.31 USD	28.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Indiana Renewable Energy Investment Approval Provides Increased Confidence in NiSource's EPS Growth

Charles Fishman, CFA
Equity Analyst
Morningstar

Analyst Note 04 Aug 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported flat 2021 second-quarter operating EPS, reaffirmed operating earnings guidance, and provided an update to its planned renewable energy investment. Operating EPS in the recently ended quarter were $0.13, the same as in the second quarter of 2020.

We have reaffirmed our 2021 EPS estimate of $1.34, at the midpoint of NiSource's $1.32-$1.36 guidance. We believe flat second-quarter EPS was particularly positive, given the large equity issuance in April that increased average diluted common shares by 10%, to 423 million versus the same period last year. In addition, operating EPS in the second quarter excludes earnings from Columbia Gas of Massachusetts, which was sold in October 2020.

We also have increased confidence in our 7.9% annual EPS growth rate from 2021-24, near the midpoint of NiSource's 7%-9% target. Our increased confidence is due in large part to the fact that the eight renewable energy joint venture projects, which will require $2 billion from NiSource, have now all been approved by the Indiana Utility Regulatory Commission.

Although we think a tracking mechanism for the renewable projects would be more favorable for shareholders, pre-approval is a positive. Indiana regulation has been constructive and relatively consistent for investors with allowed returns modestly above industry averages. Assuming a favorable Indiana rate-case outcome, our 2024 EPS estimate of $1.68 is 12% higher than our 2023 EPS estimate of $1.50 due in large part to higher electric rates from the 2023 Indiana base rate case.

For more detail on our view of the future of NiSource's natural gas utilities and its renewable energy investment

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The primary analyst covering this company does not own its stock.

Research as of 04 Aug 2021
Estimates as of 04 Aug 2021
Pricing data through 03 Aug 2021 00:00
Rating updated as of 03 Aug 2021 00:00

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.
Rating as of 04 Aug 2021 00:00

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Analyst Note 1
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Methodology for Valuing Companies

Vital Statistics

Market Cap (USD Mil)	9,927
52-Week High (USD)	26.60
52-Week Low (USD)	21.09
52-Week Total Return %	9.2
YTD Total Return %	13.2
Last Fiscal Year End	31 Dec 2020
5-Yr Forward Revenue CAGR %	7.0
5-Yr Forward EPS CAGR %	6.1
Price/Fair Value	0.89

Valuation Summary and Forecasts

Fiscal Year:	2019	2020	*2021(E)*	*2022(E)*
Price/Earnings	21.1	17.4	*18.9*	*18.1*
EV/EBITDA	10.4	12.1	*11.3*	*10.3*
EV/EBIT	16.1	21.2	*18.2*	*16.8*
Free Cash Flow Yield %	-2.1	-7.3	*-5.8*	*-8.1*
Dividend Yield %	2.9	3.7	*3.5*	*3.6*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2019	2020	*2021(E)*	*2022(E)*
Revenue	5,209	4,682	*5,207*	*5,491*
Revenue YoY %	1.9	-10.1	*11.2*	*5.5*
EBIT	1,305	961	*1,123*	*1,216*
EBIT YoY %	936.7	-26.3	*16.8*	*8.3*
Net Income, Adjusted	495	508	*560*	*622*
Net Income YoY %	6.8	2.6	*10.4*	*11.1*
Diluted EPS	1.32	1.32	*1.34*	*1.40*
Diluted EPS YoY %	1.2	0.4	*1.8*	*3.9*
Free Cash Flow	-75	468	*144*	*-528*
Free Cash Flow YoY %	-94.4	-728.1	*-69.3*	*-468.1*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.5 million customers in Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana to about 500,000 customers. The regulated electric utility also owns more than 3,000 megawatts of generation capacity, most of which is now coal-fired but is being replaced by natural gas and renewables.

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.31 USD	28.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

plan, see our November 2020 report, "Is Natural Gas Heating Going the Way of Buggy Whips?"

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Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2018	2019	2020	Forecast 2021	Forecast 2022	5-Year Proj. CAGR
Revenue	*-1.3*	4.9	1.9	-10.1	*11.2*	*5.5*	*7.0*
EBIT	*1.6*	-86.3	936.7	-26.3	*16.8*	*8.3*	*10.9*
EBITDA	*4.3*	-51.2	178.8	-16.6	*7.9*	*9.0*	*9.3*
Net Income	*8.3*	16.0	6.8	2.6	*10.4*	*11.1*	*11.3*
Diluted EPS	*3.0*	7.6	1.2	0.4	*1.8*	*3.9*	*6.1*
Earnings Before Interest, after Tax	*10.7*	-118.4	-1,098.1	-26.4	*21.7*	*10.6*	*11.1*
Free Cash Flow	—	37.7	-94.4	-728.1	*-69.3*	*-468.1*	*-7.0*

Profitability	3-Year Hist. Avg	2018	2019	2020	2021	2022	5-Year Proj. Avg
Operating Margin %	*16.0*	2.5	25.1	20.5	*21.6*	*22.1*	*23.1*
EBITDA Margin %	*29.7*	14.2	38.8	36.0	*35.0*	*36.1*	*37.7*
Net Margin %	*9.8*	9.1	9.5	10.8	*10.8*	*11.3*	*12.1*
Free Cash Flow Margin %	*-5.9*	-26.1	-1.4	10.0	*2.8*	*-9.6*	*-3.4*
ROIC %	*3.2*	-0.6	6.3	3.9	*5.7*	*6.2*	*6.1*
Adjusted ROIC %	*3.5*	-0.7	6.9	4.2	*6.3*	*6.8*	*6.6*
Return on Assets %	*0.3*	-0.3	1.5	-0.3	*2.4*	*2.5*	*2.7*
Return on Equity %	*1.2*	-1.4	6.6	-1.5	*10.0*	*9.5*	*9.8*

Leverage	3-Year Hist. Avg	2018	2019	2020	2021	2022	5-Year Proj. Avg
Debt/Capital	*0.62*	0.61	0.62	0.63	*0.56*	*0.57*	*0.56*
Total Debt/EBITDA	*7.71*	12.59	4.77	5.78	*5.00*	*5.09*	*4.89*
EBITDA/Interest Expense	*3.98*	2.05	5.34	4.55	*4.95*	*5.17*	*5.26*

Valuation Summary and Forecasts

	2019	2020	2021(E)	2022(E)
Price/Fair Value	1.01	0.80	—	—
Price/Earnings	21.1	17.4	*18.9*	*18.1*
EV/EBITDA	10.4	12.1	*11.3*	*10.3*
EV/EBIT	16.1	21.2	*18.2*	*16.8*
Free Cash Flow Yield %	-2.1	-7.3	*-5.8*	*-8.1*
Dividend Yield %	2.9	3.7	*3.5*	*3.6*

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	6.1
Long-Run Tax Rate %	25.0
Stage II EBI Growth Rate %	5.0
Stage II Investment Rate %	71.4
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-834	-4.3	-1.91
Present Value Stage II	2,988	15.4	6.82
Present Value Stage III	17,290	88.9	39.49
Total Firm Value	**19,444**	**100.0**	**44.41**
Cash and Equivalents	1,278	—	2.92
Debt	-9,746	—	-22.26
Preferred Stock	-880	—	-2.01
Other Adjustments	2,093	—	4.78
Equity Value	**12,189**	**—**	**27.84**
Projected Diluted Shares	438		
Fair Value per Share (USD)	**28.50**		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

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25.31 USD	28.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Income Statement (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	Forecast 2021	Forecast 2022
Revenue	**5,115**	**5,209**	**4,682**	***5,207***	***5,491***
Cost of Goods Sold	1,761	1,535	1,109	*1,562*	*1,647*
Gross Profit	**3,353**	**3,674**	**3,572**	***3,645***	***3,843***
Selling, General & Administrative Expenses	2,353	1,355	1,586	*1,517*	*1,543*
Other Operating Expense (Income)	275	297	299	*307*	*316*
Other Operating Expense (Income)	—	—	—	—	—
Depreciation & Amortization (if reported separately)	600	717	726	*698*	*769*
Operating Income (ex charges)	**126**	**1,305**	**961**	***1,123***	***1,216***
Restructuring & Other Cash Charges	1	415	411	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**125**	**891**	**551**	***1,123***	***1,216***
Interest Expense	353	379	371	*367*	*384*
Interest Income	-2	-5	-211	—	—
Pre-Tax Income	**-231**	**507**	**-31**	***755***	***832***
Income Tax Expense	-180	124	-17	*136*	*150*
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	—	-3	*-4*	*-5*
(Preferred Dividends)	-15	-55	-55	*-55*	*-55*
Net Income	**-66**	**328**	**-73**	***560***	***622***
Weighted Average Diluted Shares Outstanding	357	376	384	*417*	*445*
Diluted Earnings Per Share	**-0.18**	**0.87**	**-0.19**	***1.34***	***1.40***
Adjusted Net Income	463	495	508	*560*	*622*
Diluted Earnings Per Share (Adjusted)	**1.30**	**1.32**	**1.32**	***1.34***	***1.40***
Dividends Per Common Share	0.78	0.80	0.84	*0.88*	*0.92*
EBITDA	**724**	**1,608**	**1,277**	***1,820***	***1,985***
Adjusted EBITDA	**726**	**2,023**	**1,687**	***1,820***	***1,985***

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Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	Forecast 2021	Forecast 2022
Cash and Equivalents	121	148	126	*182*	*169*
Investments	—	—	—	—	—
Accounts Receivable	1,059	857	791	*927*	*978*
Inventory	423	425	401	*492*	*519*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	453	424	341	*425*	*450*
Current Assets	**2,055**	**1,854**	**1,659**	***2,027***	***2,116***
Net Property Plant, and Equipment	15,543	16,912	16,620	*17,932*	*19,673*
Goodwill	1,691	1,486	1,486	*1,486*	*1,486*
Other Intangibles	221	—	—	—	—
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,002	2,014	1,795	*1,931*	*1,931*
Long-Term Non-Operating Assets	293	394	481	*481*	*481*
Total Assets	**21,804**	**22,660**	**22,041**	***23,856***	***25,686***
Accounts Payable	884	666	589	*642*	*677*
Short-Term Debt	2,027	1,787	526	*500*	*500*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,126	1,293	1,164	*1,350*	*1,450*
Current Liabilities	**4,037**	**3,746**	**2,279**	***2,492***	***2,627***
Long-Term Debt	7,105	7,856	9,220	*8,600*	*9,600*
Deferred Tax Liabilities (Long-Term)	1,331	1,485	1,471	*1,621*	*1,810*
Other Long-Term Operating Liabilities	2,519	2,352	1,904	*2,500*	*2,500*
Long-Term Non-Operating Liabilities	1,061	1,234	1,329	*1,329*	*1,329*
Total Liabilities	**16,053**	**16,673**	**16,203**	***16,542***	***17,865***
Preferred Stock	880	880	880	*880*	*880*
Common Stock	4	4	4	*4*	*4*
Additional Paid-in Capital	6,404	6,666	6,890	*8,043*	*8,333*
Retained Earnings (Deficit)	-1,399	-1,371	-1,765	*-1,572*	*-1,360*
(Treasury Stock)	-100	-100	-100	*-100*	*-100*
Other Equity	-37	-93	-157	*-41*	*-46*
Shareholder's Equity	**5,751**	**5,987**	**5,752**	***7,214***	***7,711***
Minority Interest	—	—	86	*100*	*110*
Total Equity	**5,751**	**5,987**	**5,838**	***7,314***	***7,821***

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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.31 USD	28.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	Forecast 2021	Forecast 2022
Net Income	-51	383	-14	*619*	*682*
Depreciation	600	717	726	*698*	*769*
Amortization	—	—	—	—	—
Stock-Based Compensation	29	26	17	*38*	*39*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	-188	118	-29	*151*	*188*
Other Non-Cash Adjustments	42	399	660	—	—
(Increase) Decrease in Accounts Receivable	-186	188	-4	*-136*	*-51*
(Increase) Decrease in Inventory	41	-2	-2	*-91*	*-27*
Change in Other Short-Term Assets	-14	54	-221	*-84*	*-25*
Increase (Decrease) in Accounts Payable	268	-300	-30	*53*	*35*
Change in Other Short-Term Liabilities	—	—	—	*186*	*100*
Cash From Operations	**540**	**1,583**	**1,104**	***1,434***	***1,710***
(Capital Expenditures)	-1,818	-1,802	-1,758	*-2,010*	*-2,510*
Net (Acquisitions), Asset Sales, and Disposals	—	—	—	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-108	-120	879	*460*	—
Cash From Investing	**-1,926**	**-1,922**	**-879**	***-1,550***	***-2,510***
Common Stock Issuance (or Repurchase)	844	244	211	*1,153*	*290*
Common Stock (Dividends)	-273	-299	-322	*-367*	*-410*
Short-Term Debt Issuance (or Retirement)	772	-204	-1,270	*-26*	—
Long-Term Debt Issuance (or Retirement)	-742	681	1,106	*-620*	*1,000*
Other Financing Cash Flows	868	-56	27	*-83*	*-89*
Cash From Financing	**1,469**	**366**	**-248**	***57***	***792***
Exchange Rates, Discontinued Ops, etc. (net)	0	0	0	*116*	*-5*
Net Change in Cash	**83**	**27**	**-23**	***57***	***-13***

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Research Methodology for Valuing Companies

Qualitative Equity Research Overview
At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat
The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

To assess the sustainability of excess profits, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

Morningstar Research Methodology for Valuing Companies

2. Estimated Fair Value
Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.
Our model is divided into three distinct stages:

Stage I: Explicit Forecast
In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

Stage II: Fade
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity
Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

3. Uncertainty Around That Fair Value Estimate
Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to

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Research Methodology for Valuing Companies

assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, exposure to material ESG risks, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate. In cases where there is less than a 25% probability of an event, but where the event could result in a material decline in value, analysts may adjust the uncertainty rating to reflect the increased risk. Analysts may also make a fair value adjustment to reflect the impact of this event.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

- ► Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- ► Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- ► High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- ► Very High–margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- ► Extreme–margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Equity Research Star Rating Methodology

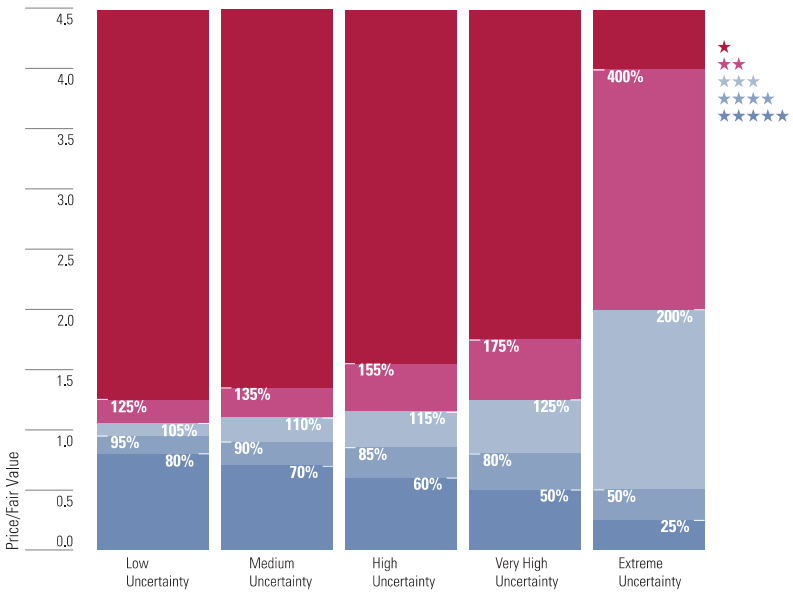

Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

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Research Methodology for Valuing Companies

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environmental, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/.

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

Quantitative Valuation: Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ► Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ► Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ► Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

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GUGGENHEIM

August 4, 2021

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NI – In-line Quarter as Management Focuses on Rate Cases and IRP

NI BUY

NiSource Inc.
Sector: Power & Utilities

Earnings Release

Share Price	$25.25
Price Target	$27.00

EPS ($) (FY DEC)	1Q	2Q	3Q	4Q	FY
2021	0.77	0.13	0.05E	0.40E	1.35E
Prior	—	*0.14*	*0.03E*	*0.42E*	—
P/E					18.8x
2022	0.85E	0.14E	0.04E	0.40E	1.43E
P/E					17.7x
2023	0.88E	0.17E	0.08E	0.41E	1.53E
Prior	*0.89E*	*0.16E*	*0.07E*	*0.42E*	—
P/E					16.5x

Market Data

52-Week Range	$21.09 - $26.60
Dividend	$1.60
Dividend Yield	6.3%
Market Cap (M)	$9,908
Shares Out (M)	392.4
ADV (3 mo; 000)	3,364

Key Message: NiSource reported 2Q21 earnings generally in line with Guggenheim and consensus estimates while reiterating LT EPS growth of 7-9% to '24 and its FY21 EPS guidance. The otherwise straightforward update hewed closely to our expectations for ongoing execution, with management focused on the NIPSCO IRP/RFP and recent regulatory activities across the footprint. While the financing plan is well charted through 2023, management indicated that it remains open to portfolio optimization in the right circumstances.

IRP/RFP and regulatory activity in focus. NIPSCO's 2021 IRP remains on schedule following its 1Q21 kickoff, with management currently working through some 180 proposals (78 projects) it received in response to the RFP. The details of those bids will be incorporated into the IRP process for an eventual November submission to the IURC and potential resource selections/decision in 2022. As a reminder, the current buildout based on the 2018 IRP functioned in a similar manner. **On the regulatory side,** NI filed 3 new base rate cases since the 1Q21 release, including the sizable OH case ($221.4mm increase net of riders, $3.6bn RB, 10.95% ROE request), and smaller filings in KY ($26.7mm on ~$450mm RB) and MD ($5mm on $185mm RB). These filings are further supported by NI's significant number of available riders, with the $1.6bn TDISC ESMP filed in June for the '21-26 time period.

NI reported 2Q21 adj. EPS of $0.13 slightly below our estimate of $0.14 and just above consensus of $0.12. Results were flat YoY; however, 2021 does not include Columbia Gas of Massachusetts, which contributed to $28mm in lower operating revenues at the gas segment. **Mgmt. also reiterated the FY21-FY24 annual base capital spending guidance of $1.9B-$2.2B while reiterating the renewables investment of ~$2bn.** EPS growth of 5-7% and 7-9% from 2021-2023 and 2021-2024, respectively, was also reaffirmed – consistent with our model. Finally, the company also reaffirmed its previously-narrowed 2021 guidance of $1.32 to $1.36, versus our $1.35, which remains unchanged.

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Valuation: We apply our base 18.5x multiple on the electric utility and add a 1x premium to account for additional renewables opportunities and our base 18.5x multiple on the gas LDCs. We arrive at our valuation utilizing a sum-of-the parts analysis, based on: (1) ~$11/ share for the regulated electric utility; (2) ~$18/share value for the regulated gas segment given the limited spread from LDCs after recent market volatility; and (3) (~$-2)/share for other adjustments for Corp and Other. We use this sum of the parts to arrive at our $27 valuation.

Risks: The primary risks on the regulated utility encompass the traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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WOLFE RESEARCH

ELECTRIC UTILITIES

Regulateds – Market Overweight

Gas/Power Infrastructure – Market Overweight

August 4, 2021

NISOURCE

(NI US Equity – $25.25 – Outperform)

All systems go

- **2021 on track, company executing well**. This morning, NI reported Q2 EPS of $0.13 which matched consensus. FY21 guidance of $1.32-1.36 was reaffirmed and so was NI's L-T EPS growth rates – 7-9% CAGR 2021-24, 5-7% annually 2021-23. So far 2021 is off to a solid start and NI is executing well on all its initiatives – most notable being the generation transition plan in Indiana, where the company now has CPCN approvals for all its JV projects. We reiterate our Outperform rating on NI and $29 PT and believe a re-rating toward a group average is achievable over time. The investment case becomes even more compelling once the market turns to a 2024 valuation year later this year/early next; we still see NI at over a 2x discount in 2024 on our numbers once the renewable earnings are fully reflected.

- **All renewable projects approved, on track/budget**. NI now has regulatory approval for all 8 of its JV projects (only 1 PPA to go). Approval of the CPCNs effectively deems the projects as prudent and in the best interest of customers. Management noted that it is in constant contact with the developers of its projects – big players like NEE, EDPR and Invenergy – and all are currently on schedule and budget. NI is confident that will remain the case going forward but did mention if something were to go awry, protections are in the contracts for customers and shareholders.

- **Preferred IRP plan coming in the fall**. Details of NI's 2021 IRP should start to become more clear in Sept. when a narrowed list of projects is shared with stakeholders; NI's preferred plan will then be communicated in Oct. and formally submitted to the IURC around its Q3 call. The focus will be the timing of the Michigan City retirement – currently 2028, but we think there is a chance that is accelerated – and the likely replacement options. NI noted there was a robust response to its RFP with over 180 proposals for 78 different projects. Ownership potential of the projects likely won't be known until 2022. Separately, if NI were to consider asset sales in the future, we think it would most likely be timed to help fund incremental generation capex out of the IRP.

- **Progress in the PA rate case.** NI is currently in advanced settlement talks in its PA rate case. This was particularly encouraging to hear given what happened in the previous case. The OH rate case is still early days, but is a focus given that its NI's largest LDC and first base rate case in 13 years.

Trading and Fundamental Data	
Price Target	**$ 29**
Current Price	25.25
52-Week Range	$21-$27
Market Cap. (MM)	9,900
Enterprise Value (MM)	20,550
Shares Out. (MM)	392.2
Dividend Yield	3.52%
Dividend Payout Ratio	66.1%
ROE	-1.5%
Debt to Cap	62.2%
Avg. Daily Vol. (000)	3,851

Price Performance	YTD	LTM
NI US Equity	10%	5%
Utility Index	6%	12%
S&P 500	17%	34%

Source: FactSet/Wolfe Research

Estimates / Valuation				
(US$)	2021E	2022E	2023E	2024E
EPS	$1.34	$1.41	$1.51	$1.70
Consensus	$1.35	$1.42	$1.53	$1.69
P/E	18.9x	17.9x	16.7x	14.9x
Dividend Yield	3.5%	3.7%	4.0%	4.2%

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WOLFE RESEARCH

NiSource

August 4, 2021

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$1.34	$1.41	$1.51	$1.70
Diluted Shares Outstanding	415	443	451	477
Dividends Per Share	$0.89	$0.94	$1.00	$1.06
Dividend Yield	3.5%	3.7%	4.0%	4.2%
Dividend Payout Ratio	67%	67%	66%	62%
Equity Ratio	38%	38%	36%	36%
FFO/Net Debt	15%	15%	14%	15%
Valuation Metrics				
P/E	18.9x	17.9x	16.7x	14.9x
Price/Book	2.0x	1.9x	1.8x	1.8x
EV/rate base	1.4x	1.3x	1.2x	1.2x
Segment EPS				
Gas Distribution	$1.08	$1.12	$1.21	$1.26
NIPSCO Electric	0.54	0.55	0.60	0.72
Parent & Other	(0.29)	(0.27)	(0.30)	(0.29)
Total EPS	**$1.34**	**$1.41**	**$1.51**	**$1.70**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Gas Distribution	$1,385	$1,435	$1,535	$1,535
Electric	590	1,090	1,940	490
Parent	25	25	25	25
Total Capex	**$2,000**	**$2,550**	**$3,500**	**$2,050**
Financings ($M)				
Total Equity Issued/(Repurchased)	$290	$290	$115	$40
Total Hybrids Issued/(Repurchased)	$863	$0	$863	$0
Total Debt Issued/(Repurchased)	$0	$650	$1,650	$400

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.5 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland and Massachusetts.

Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $40B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. The dramatic shift toward renewables at NI's Indiana electric utility and fact that it will be coal-free by 2028 is also helpful from an ESG perspective.

Valuation

Our $29 price target is derived by applying average P/E multiples on NI's electric earnings and on its gas LDC earnings in 2024 (to capture the full earnings uplift from NI's renewable investments); both are near 17x. Risks for NiSource are 1) bad regulatory outcomes; 2) pipeline safety incidents. Upsides are 1) additional growth projects and 2) customer/sales growth

Exhibit 3. 2024E EPS by Segment

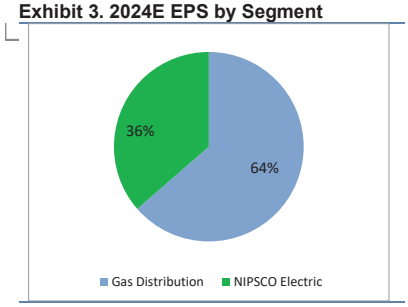

Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart

Source: FactSet

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Investment conclusion

NI's rate base growth of 10-12% and EPS growth of 7-9%, on average, through 2024 places it amongst the best growth stories in the sector. The dramatic shift toward renewables at NI's Indiana electric utility and fact that it will be coal-free by 2028 (or earlier) is also helpful from an ESG standpoint. We believe the recent equity unit offering removed a key overhang on the stock; it was also helpful in lowering future equity needs. NI's stock currently trades at ~2.0x discount to the regulated average in 2024 once its renewable capex is fully reflected in earnings. We believe NI deserves to trade near an average as its story is the cleanest that it has been in recent years. We also see CNP's gas LDC sales earlier this year as a very constructive value marker (2.5x rate base) for NI and gas LDC companies generally.

Exhibit 5: NI vs the Regulated Average

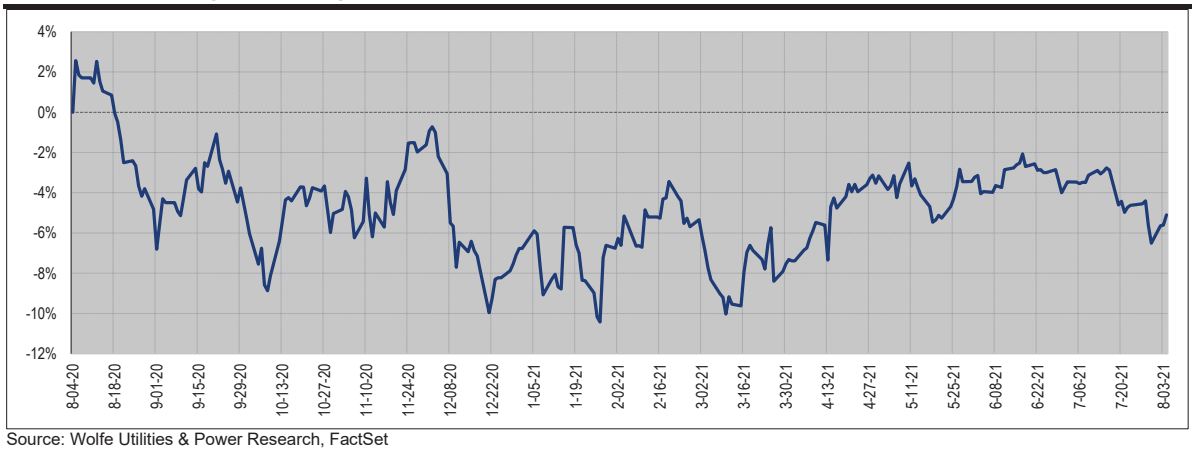

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 6: Gas LDC Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E Multiple 2021E	2022E	2023E	2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Atmos Energy	ATO	$99.39	131	$12,999	19.5x	18.4x	17.2x	16.1x	2.5%	8.2%	49%	1.8x	59%
ONE Gas	OGS	73.82	53	3,931	19.4x	18.0x	16.9x	16.0x	3.1%	6.8%	63%	1.8x	52%
NiSource	NI	25.25	392	9,903	18.9x	17.9x	16.7x	14.9x	3.5%	6.0%	67%	2.0x	37%
Northwest Natural Gas	NWN	53.79	31	1,649	21.2x	20.4x	19.2x	18.2x	3.6%	0.6%	83%	1.9x	40%
Pure-play Average					**19.7x**	**18.7x**	**17.5x**	**16.3x**	**3.2%**	**5.4%**	**66%**	**1.9x**	**47%**
New Jersey Resources	NJR	38.33	96	3,693	18.1x	17.0x	15.9x	13.1x	3.5%	6.4%	61%	2.0x	42%
South Jersey Industries	SJI	25.28	112	2,842	15.5x	14.9x	14.2x	13.5x	4.8%	2.5%	71%	1.5x	32%
Southwest Gas	SWX	71.98	58	4,175	17.3x	16.5x	15.3x	15.5x	3.3%	4.5%	57%	1.5x	47%
Spire Inc.	SR	72.92	52	3,768	16.4x	16.5x	15.6x	14.9x	3.6%	4.9%	66%	1.7x	44%
Diversified Average					**16.8x**	**16.2x**	**15.2x**	**14.3x**	**3.8%**	**4.6%**	**64%**	**1.7x**	**41%**
Average - electric utilities (ex PCG and EIX)					**19.6x**	**19.0x**	**17.9x**	**17.1x**	**3.5%**	**4.5%**	**67%**	**2.0x**	**41%**

Source: Wolfe Utilities & Power Research, FactSet

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Barclays Equity Research

Power & Utilities

4 August 2021

NiSource, Inc.

NI: Progressing According to Plan

NI reported Q2 result in line with expectations and discussed execution on IRPs and regulatory reviews on the call. We reiterate our Overweight as plans continue to fall in line, though future execution remains key.

NI reported Q2 adj EPS of $0.13 (in line with consensus $0.12 and Barclays $0.13).

Management reaffirmed FY21 guidance of $1.32-$1.36 and 7-9% CAGR over 2021-2024 with near-term 5-7% CAGR through 2023.

Capex: $1.9-$2.2 billion SMS investments over 2021-2024; ~$2bn in renewables investments over 2022-2023.

Management has already achieved 39% methane emissions reduction vs 2005 levels via infrastructure replacement. The goal remains 50% methane emissions reduction by 2025.

Rate Cases

NI filed general rate cases in OH, MD, and KY in Q2, in addition to PA in Q1.

Ohio Rate Case: $221m request net of trackers, proposed effective mid-2022.

Maryland Rate Case: $5m request net of trackers, proposed effective in December 2021.

Kentucky Rate Case: $27m request net of trackers.

Pennsylvania Rate Case: $98m request net of trackers. In advanced settlement talks.

NIPSCO

Indiana TDSIC

Filed a new 5-year TDSIC plan which includes a total of $1.64 billion in infrastructure modernization investments over 2021-2026. Management expects an order in December 2021.

2018 IRP

IURC has approved 13/14 proposed projects. Management reiterates confidence in completion on time and on budget despite industry concerns on supply chain cost inflation.

2021 IRP

Received over 180 proposals for 78 individual projects across a range of technologies. Outcome of IRP will inform post-2023 generation replacement strategy.

Management continues to evaluate the planned retirement of Michigan City Generating Station in 2028 in light of MISO changes, resource adequacy needs, affordability, and RFP results.

NI received two actionable proposals related to hydrogen, though there may need to be more market depth for those to be realistic at this moment.

Management expects to share IRP modeling analysis and results with stakeholders in September and to communicate a preferred plan incorporating stakeholder feedback in October, before submitting the IRP to the IURC in November.

Financing

Financing plan remains unchanged. Management has already satisfied this year's $200m-$300m ATM equity need. Management expects to issue $200-$300m in 2022 and up to $150m via ATM in 2023.

Management will not rely on asset monetization to satisfy financing needs. It continues to eye asset monetization as a way of maximizing long-term shareholder value and continues to evaluate market conditions and opportunities.

Offline Report

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North American Gas Utilities

Gas LDC 2Q21 Preview: Looking for a Bump up to FY21 Outlooks

Price Objective Change | 22 July 2021 | Equity | North America | Gas Utilities

Key takeaways

- We provide our 1Q20/fiscal 2Q21 Gas LDC preview for ATO, NI, NJR, NWN, OGS, SJI, SR, SWX, and UGI. Bounce continues?
- Favorable FY21 guidance updates from ATO/NI likely plus NWN, UGI, and SJI. OGS more cautious backdrop with rate case.
- Reiterate Buy on SJI and UGI with premium growth prospects tied to high-return unregulated. Upside from additional disclosure

Exhibit 1: Price Objective changes
We lower our POs for some stocks

Ticker	Rating	Prior PO	New PO
ATO	Neutral	$106.0	$102.00
NI	Buy	$29.0	$28.00
NJR	Underperform	$39.0	$39.00
NWN	Underperform	$51.0	$49.00
OGS	Underperform	$74.0	$73.00
SR	Buy	$78.0	$77.00
SWX	Neutral	$69.0	$69.00
SJI	Buy	$27.0	$27.00
UGI	Buy	$51.0	$51.00
UTL	Underperform	$49.0	$48.00

Source: BofA Global Research estimates

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Gas LDCs: few wrinkles in otherwise normal spring Q

We provide our gas LDC 2Q21/fiscal 3Q21 preview for ATO, NI, NJR, NWN, OGS, SJI, SR, SWX, UGI, and UTL. Overall, we see a somewhat quieter quarter especially following the very active 1Q updates across the sector with extreme weather. The focus is on (1) securitization of Uri costs for ATO and OGS which looks derisked; (2) probable FY21 guidance increases; (3) key rate cases in MO, OK, NJ, and PA; (4) updates on RNG, hydrogen, and other decarbonization efforts; (5) pipeline developments following STL Pipeline and PennEast updates; and (6) thoughts on divestitures following CenterPoint Energy (CNP) sales. We revise our POs in the sector (details inside).

FY21 guidances largely moving up in a constructive year

With **ATO** and **NI** both already pointing to the upper-half of their respective FY21 EPS guidance ranges we see increases as probable and largely expected by Street. **NWN, UGI, and SJI** all are tracking well in their respective ranges and appears to have latitude to point toward the upper-half as well. **NJR** has already significant increased its FY21 expectations after favorable weather benefits so we anticipate a reaffirmation. We highlight **OGS** where we estimate FY21 'only' around the midpoint as well as a quarterly miss as having a cautious backdrop relative to the aforementioned peers who will be increasing guidance and pointing higher in the range. Between this unfavorable outlook comparison and the pending Oklahoma rate case, we reiterate our restrained stance. **SR** similarly seems to be tracking toward the midpoint and we do not expect a FY21 change particularly at this stage in the Missouri rate case.

Let's talk specific names...

ATO: We expect fiscal 3Q to slightly miss on costs but could increase guidance. Watch for details around recent explosions in ATO's territory as well as an update on securitization.
OGS: Cautious backdrop with quarterly miss and lack of upside to guidance.
SR: Earnings will be overshadowed by STL pipeline and rate case commentary
NI: Renewables additions continue to be top-of-mind with the ongoing RFP process and upcoming Integrated Resource Plan (IRP) filing. We see a beat vs consensus as well as the latitude for NI to raise guidance driven by stronger load and better cost efficiencies.
NWN: Relatively quiet update as management works through the development process with the Tyson RNG plants. We see a modest beat.
SWX: Focus on the recent Riggs Distler acquisition where questions center no the strategic rationale. AZ regulatory remains a focus for us with the ongoing tracker reconciliation filing and upcoming rate case expected to be filed at YE21.
SJI: We expect some detail on the recent fuel cell acquisition announcement and hope to see some progress on the RNG front. Watch the NJ legislature into the fall as RNG is likely to pick up steam. Similar to UGI, appreciate requires execution and disclosure.
NJR: Investors remain skeptical on the plan to diversify renewable development outside of NJ. Questions will center on supply chain constraints and pressures on margins with the company disadvantaged versus larger peers.
UGI: Continued enhancement of disclosures on renewable growth ambitious and returns. With one of the best EPS CAGRs (~9%), upside is tied to providing comfort in outlook.
UTL: Focus will be on the NH rate cases where progress is positive, but premium valuation keeps us Underperform.

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PM Summaries

ATO: Expect an overall positive update with cost recovery progress and likely FY21 guidance increase but expected. Uri recovery derisked post legislation. Mgmt has downplayed Local Distribution Companies (LDCs) to mitigate equity but remains a top investor focus.
NI: Upside to FY21 guidance on a quiet execution quarter post-financing. IN generation ownership mix remains the key question. PA/OH rate cases still matter and a focus after last rocky PA case.

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NJR: Small local renewable developer is the type of firm that could see supply chain squeeze. We remain cautious on the expansion outside of NJ.
NWN: Progress on RNG and water diversification strategies need to show progress to support elevated multiple.
OGS: Small quarterly miss and weaker in FY21 range than many peers at the top-end. OK rate case looms large particularly with Uri rate pressures.
SJI: Attractive risk/reward at discounted valuation where success in NJ regulatory applications (infrastructure and rate case) and RNG can build confidence. 7% BofA EPS CAGR vs Street 3% (5-8% guidance).
SR: Expect a passionate defense of STL Pipeline which represents ~4% EPS. STL remains an overhang but also watch MO rate case for potential settlement in near-term.
SWX: Details of the strategic logic of RDC infrastructure deal and effectively doubling-down on the diversified strategy. AZ case will be a renewed overhang.
UGI: Investors continue to call for additional disclosures into renewable pipeline but details are frustratingly scarce at these early stages. Top-tier 9% EPS CAGR undervalued despite unregulated business mix.
UTL: Signs of progress in NH not enough to justify lofty premium on overly bullish Street estimates.

BofA Global Research Reports

Select 2Q21 Earnings Previews	Primary Author	Date Published
North American Electric Utilities: 2Q21 Regulated Preview: One Year Post Covid Who is Stronger? (https://rsch.baml.com/r?q=f8mXzJsjOd0AdWW2iVOSyw)	Julien Dumoulin-Smith	19 July 2021
US Electric Utilities & IPPs: 2Q21 SMID-Cap Preview: Part II: Opportunities abound? (https://rsch.baml.com/r?q=DKk6UcDvkXfuiYV3RtJxrA)	Julien Dumoulin-Smith	19 July 2021
US Electric Utilities & IPPs: 2Q21 PacNW SMID-Cap Preview: Pacific HOT West (https://rsch.baml.com/r?q=K-r2rpEY3VGAPmb9fSJABQ)	Julien Dumoulin-Smith	16 July 2021
US Electric Utilities & IPPs: 2Q21 Power Preview: Power Makes a Comeback (NRG/VST) (https://rsch.baml.com/r?q=tJxJPCbiA2EZaF8H9xjgog)	Julien Dumoulin-Smith	21 July 2021

Summary of Key Changes

Exhibit 2: PO & Estimate Changes
Our EPS estimates broadly remain unchanged for the gas utilities

			Prior					New					Delta vs Prior. (%)				Delta vs Consensus (%)			
Company	Ticker	Rating	Prior PO	2021E	2022E	2023E	2024E	New PO	2021E	2022E	2023E	2024E	2021E	2022E	2023E	2024E	2021E	2022E	2023E	2024E
Atmos Energy Corp	ATO	Neutral	$106.0	5.07	5.41	5.77	6.18	$102.00	5.07	5.41	5.77	6.18	0.0%	0.0%	0.0%	0.0%	-0.2%	0.1%	-0.4%	0.0%
NiSource Inc	NI	Buy	$29.0	1.36	1.40	1.58	1.76	$28.00	1.36	1.40	1.58	1.76	0.0%	0.0%	0.0%	0.0%	1.0%	-1.2%	3.3%	4.0%
New Jersey Resources Corp	NJR	Underperform	$39.0	2.09	2.24	2.33	2.58	$39.00	2.09	2.24	2.33	2.58	0.0%	0.0%	0.0%	0.0%	-1.0%	-0.9%	-3.7%	-11.5%
Northwest Natural Gas Co	NWN	Underperform	$51.0	2.55	2.63	2.79	2.91	$49.00	2.55	2.63	2.79	2.91	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.3%	-1.4%
ONE Gas Inc	OGS	Underperform	$74.0	3.82	4.14	4.40		$73.00	3.82	4.14	4.40		0.0%	0.0%	0.0%		0.4%	0.9%	1.0%	NA
Spire Inc	SR	Buy	$78.0	4.42	4.56	4.79	4.90	$77.00	4.42	4.56	4.79	4.90	0.0%	0.0%	0.0%	0.0%	-0.5%	2.9%	2.4%	-0.3%
Southwest Gas Holdings Inc	SWX	Neutral	$69.0	3.96	4.32	4.75	5.12	$69.00	3.96	4.35	4.76	5.13	0.0%	0.7%	0.2%	0.2%	-4.4%	0.1%	0.9%	NA
South Jersey Industries Inc	SJI	Buy	$27.0	1.63	1.74	1.90	2.03	$27.00	1.63	1.74	1.90	2.03	0.0%	0.0%	0.0%	0.0%	0.6%	2.8%	6.8%	7.4%
UGI Corp	UGI	Buy	$51.0	2.97	3.15	3.46	3.87	$51.00	2.97	3.15	3.46	3.87	0.0%	0.0%	0.0%	0.0%	-1.0%	-2.7%	1.5%	NA
Unitil Corp	UTL	Underperform	$49.0	2.32	2.49	2.63	2.79	$48.00	2.32	2.49	2.63	2.79	0.0%	0.0%	0.0%	0.0%	-8.8%	-7.9%	-7.4%	NA

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Exhibit 3: BofA Estimates vs Consensus
We see a mixed bag of results on the quarter

			2Q21/F3Q21 EPS Estimates			
Company	Ticker	Rating	BofAe	Cons	Expectations	% Beat/Miss
Atmos Energy Corp	ATO	Neutral	0.74	0.73	Beat	1%
NiSource Inc	NI	Buy	0.15	0.12	Beat	24%
New Jersey Resources Corp	NJR	Underperform	-0.12	-0.08	Miss	54%
Northwest Natural Gas Co	NWN	Underperform	-0.11	-0.14	Beat	-24%
ONE Gas Inc	OGS	Underperform	0.49	0.52	Miss	-6%
Spire Inc	SR	Buy	-0.02	0.01	Miss	NM
Southwest Gas Holdings Inc	SWX	Neutral	0.50	0.45	Beat	12%
South Jersey Industries Inc	SJI	Buy	0.00	-0.02	Beat	NM
UGI Corp	UGI	Buy	0.08	0.11	Miss	-24%
Unitil Corp	UTL	Underperform	0.21	0.20	Beat	8%

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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PennEast path is still uncertain

The PennEast Pipeline has implications for NJR, SJI, and UGI (each are 20% owners of the pipe) and the US Supreme Court (SCOTUS) recently ruled in favor of the pipeline in an eminent domain suit. SO and ENB CN are also owners but the project is immaterial. **Despite the SCOTUS victory, NJ water permitting challenges still remain and in our view threaten the viability of the project.**

For Phase One (the PA portion) to progress, the PennEast partners have requested Federal Energy Regulatory Commission (FERC) to approve the bifurcation plan that would split the project into two phases, a PA phase and a NJ phase. The bifurcation application has been in pending at FERC for some time who was seemingly awaiting a decision from SCOTUS before ruling. Although there is no timeline for a ruling, the companies broadly expect a decision within weeks/months. As a matter of law, because PennEast still has the original FERC certificate in place, the ownership group consisting of UGI Corp (UGI), South Jersey Industries (SJI), New Jersey Resources (NJR), Southern Company (SO), and Enbridge (ENB) could technically move forward with Phase One, but we find this unlikely due to the associated risks.

While the bifurcation process at FERC should be procedural given that FERC has already signed off on the certificate, we note the process could be slightly more challenging now given the Democratic shift in the Commission and Chairman Glick's dissent on the issuance of the pipe's certificate of public convenience and necessity (CPCN) in March 2020. Key to FERC's decision, in our view, is twofold: (1) can Phase One be viable (stand on its own) if Phase

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Two does not move forward; and (2) what are the optics on viability of Phase Two? Phase One can likely 'stand on its own' because of the need for natural gas in that portion of PA, but more generally we find that the recent negativity on pipelines increases the risk of PennEast not receiving the necessary FERC approvals to support Phase Two. Also watch the fact that Commissioner Chatterjee's term expired and he will be replaced by another Democratic Commissioner soon, which potentially adds more risk to the bifurcation process. While timing is dependent on FERC, the owners could start construction on Phase One this fall/winter and have it completed by the end of '22.

PennEast remains a small contributor to future spending and earnings for each owner. **SJI** has $110M in spending on Phase One split between '21 and '22, with the majority of the spending based in '22 (this compares to the overall capital spending plan of $3.5B over the next five years). For **UGI**, the spending is similar. **NJR** removed PennEast completely from its guidance at the November 2020 Analyst Day, as it viewed the project as non-core and the path to completion challenging. Management has talked about adding the project back to its plan if there was a clearer path to completion, and if FERC approves the bifurcation, we could see Phase One added back later this year. That said, it would only represent a modest +$0.05 EPS to our estimates.

For more on the SCOTUS decision, comparisons to STL, and prospects for Phase Two see our note - North American Gas Utilities: PennEast clears SCOTUS; FERC bifurcation next w/ path to full completion still unclear 01 July 2021 (https://rsch.baml.com/r?q=ipZyaMpMtxmQuKPkKBfISQ)

Atmos Energy (ATO)

ATO: Recent explosions could cloud update

Reiterate Neutral on limited upside to our SOTP analysis after recovery from the February lows. ATO has returned moved more back to its historical premium with additional visibility around Winter Storm Uri gas cost recovery. See much of the focus centered on recent explosions of, or near, ATO assets and securitization during the call - the rest of the update will likely be light. Expect an overall positive update with cost recovery progress and likely FY21 guidance increase.

Key Call Topics: Explosions, securitization, strategic opps., incremental capex?

Explosions cause for concern? Likely no, but we will learn more during the call

Per media reports there have been two recent explosions of, or near, ATO assets. In late June the Atmos Pipeline and Transmission (APT) had an explosion that killed two subcontractors and injured two others. The incident occurred in a rural area and the company believes it was maintenance related. The other incident took place on July 19 at 4:40PM CT in a residential area where six people were injured, and by 9:30PM CT, ATO and others determined it safe to turn the system back on. On July 20th the local fire dept. determined the probable cause of the blast to be an isolated gas leak within the home and that no other homes are in danger. *While these recent explosions are negative on the surface, they differ from the 2018 North Dallas explosion that killed one and led to a $1.6M fine from TX because ATO failed to detect the leak in the days ahead the explosion. We will learn more on the explosions as the investigations progress, but, at this point, we are less concerned than if it were a distribution related explosion. With that in mind, these recent events re-highlights the risks inherent in LDCs and emphasizes the need for diligent operations and maintenance expense (O&M).*

Uri securitization the still a topic of interest

Uri securitization will likely be the topic of interest during the call given the magnitude. The process is significantly derisked after passage of securitization legislation and the respective Commissions general supportive comments/actions. In TX, The Railroad Commission (RRC) will have 90 days to review the prudency of ~$2Bn costs before the Texas Public Finance Authority (TPFA) starts the process of issuing the bonds. We will be watching the recovery timeframe and duration closely where we expect 20+ years with the longer-term frame helping mitigate the customer bill impact. With the debt effectively issued by the State of Texas rather than ATO it will not burden Atmos' balance sheet. ATO would simply act as an agent and collect from customers on behalf of the state. Even with a long recovery period there will be a customer rate impact but we do not believe it will be material enough to influence the $11-$12B five-year capital plan. ATO is working through the regulatory process in KS as well, where the regulatory asset stands at a very modest $77M, securitization has been passed, but ATO is still working through the items to file with the Commission. Securitized bonds are issued at the company level in KS, so *we think the recovery timeframe may be shorter than TX, and capital structure could be scrutinized more closely.*

Strategic opportunities still unlikely despite high equity needs/sales prices

We continue to believe that given management's fairly robust annual equity plan and recent very healthy transactions, strategic questions will continue to be prevalent from investors. *Based on our most recent discussions with management and their focus on the organic growth plan, we do not get the sense that management would be interested in divesting any of its utilities despite the extremely healthy multiple paid for CNP's LDCs.*

Potential upside to spending for reliability? Still too early in our view

Atmos and LDC systems across the US generally had strong operationally performance during the extreme February weather event but we ultimately expect some degree of reinvestment opportunities. The post-mortem analyses could lead to additional safety and reliability spending with updates more likely later in 2021. *Although ATO's system performed well during the storm, there could be additional investments on this front.*

ATO F3Q21 Earnings Walk: Miss and Reaffirm

We forecast F3Q21 adjusted EPS of $0.74, slightly below $0.75 Street and representing a modest contraction YoY from $0.75 2Q20. On the fiscal 2Q call management indicated that they would be at the upper-end of the $4.90-$5.10 guidance range, consistent with BofA $5.07/Street $5.09. **Based upon the revenue cadence after the winter, management should have a high degree of visibility in FY21 and the main question will be the degree to which O&M is executed to derisk future periods.**

- **Key Drivers:** Utility rate relief (+$0.20), customer growth (+$0.03), and rate implementation at pipeline and storage (+$0.05). These are more than offset by higher D&A (-$0.09), higher O&M (-$0.05), other/tax (-$0.11), and dilution (-$0.05).
- **Swing factors:** Some O&M was deferred from calendar 1H21 due to covid safety concerns which will lead to more of a drag. Customer growth has been strong of late and we could see that continue into this quarter. There is low visibility into the reversal of favorable tax timing from 1H21 over the remaining two quarters.

Exhibit 4: ATO F3Q21 Earnings Walk
We see modest miss

ATO Fiscal 3Q21 Earnings Walk	EPS
ATO Fiscal 3Q20 EPS	$0.79
Utilities	**$0.09**
Weather - normalize from Fiscal 2Q20	$0.00
Weather- Fiscal 2Q21	$0.00
Rate implementation:	
Riders and GRC	0.20
D&A	-0.08
O&M	-0.04
Customer Growth	0.03
Covid/Volume impact	-0.02
Pipeline & Storage	**$0.03**
Rate implementation:	
APT GRIP	0.05
D&A	-0.01
O&M	-0.01
Other	**-$0.17**
Interest expense	-0.01

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Other		-0.11
Dilution		-0.05
BofAe Fiscal 3Q21 EPS		**$0.74**
Consensus		0.75
BofAe 2021 EPS	**5.07**	
Guidance		**4.90-5.10**
2021 Consensus		5.09
ATO Fiscal 3Q21 Shares Outstanding		131
ATO Fiscal 3Q20 Shares Outstanding		123

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates unchanged

We still see the LT CAGR near the mid-point of management's 6-8% range with our estimates at 7.0% from '20-'24 (at the midpoint of 6-8% LT EPS guidance).

Exhibit 5: ATO EPS Estimates
EPS estimates remain unchanged

		2019A	2020A	2021E	2022E	2023E	2024E	2025E
Distribution		**2.80**	**3.22**	**3.38**	**3.68**	**3.97**	**4.28**	**4.60**
Guidance (midpoint)		**2.81**	**3.18**	**3.22-3.41**				
Mid-Tex				*1.83*	*2.01*	*2.19*	*2.39*	*2.58*
West Texas				*0.32*	*0.35*	*0.38*	*0.41*	*0.44*
Louisiana				*0.35*	*0.38*	*0.40*	*0.43*	*0.46*
Mississippi				*0.27*	*0.29*	*0.31*	*0.34*	*0.36*
Kentucky/Mid-States				*0.23*	*0.24*	*0.24*	*0.26*	*0.27*
Tennessee				*0.20*	*0.22*	*0.23*	*0.24*	*0.26*
Kansas				*0.10*	*0.10*	*0.10*	*0.11*	*0.11*
Colorado				*0.07*	*0.08*	*0.08*	*0.09*	*0.09*
Virginia				*0.02*	*0.02*	*0.02*	*0.02*	*0.02*
Pipeline & Storage		**1.55**	**1.50**	**1.68**	**1.73**	**1.80**	**1.90**	**1.99**
Guidance (midpoint)		**1.49**	**1.48**	**1.56-1.71**				
Consolidated EPS		**4.35**	**4.72**	**5.07**	**5.41**	**5.77**	**6.18**	**6.59**
Guidance		**4.25-4.35**	**4.58-4.73**	**4.90-5.10**		**5.40-5.80**	**5.90-6.30**	**6.30-6.70**
Prior Estimate				**5.07**	**5.41**	**5.77**	**6.18**	**6.59**
Mgmt. Guidance 6-8% Annual Growth	*High End*		*4.73*	*5.10*	*5.51*	*5.95*	*6.42*	*6.94*
	Mid Point		*4.66*	*5.00*	*5.35*	*5.73*	*6.13*	*6.56*
	Low End		*4.58*	*4.90*	*5.19*	*5.51*	*5.84*	*6.19*
Consensus EPS Estimates			***4.71***	***5.09***	***5.41***	***5.79***	***6.18***	***6.60***
BofAe '20-24 CAGR		**7.0%**						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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BofA Global Research Reports

ATO Recent Research	Primary Author	Date Published
Atmos Energy Corporation: Back to the premium low following Uri? No Reason not after state supports (https://rsch.baml.com/r?q=hjACtfzaHUujuWxe-UnnlA)	Julien Dumoulin-Smith	07 June 2021
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=jrIpsgna0sF-Q9Efpv-xBw)	Julien Dumoulin-Smith	21 May 2021
Atmos Energy Corporation: Revisiting Shares Post-1Q: Remain Neutral as Uri Overhang Continues (https://rsch.baml.com/r?q=Mw4khgpwQg4Voy1mS1-gAA)	Julien Dumoulin-Smith	13 May 2021

Valuation; PO to $102; reiterate Neutral

We move our PO to $102 (from $106) driven entirely by reflecting our latest mark-to-market using the latest Gas LDC multiple of 15.7x (from 16.7x) with estimates unchanged. We continue to add a +1.0x premium for the TX distribution territories given our view that Uri storm recovery is largely de-risked post-securitization legislation.

With earnings more derisked, the key debate is if ATO can return to a larger relative premium to peers over time. Some positive re-rating is possible but we continue to see a balanced risk/reward here. That said, we see 5.4% total return potential with a 17.7x implied P/E multiple (2x implied premium to peers).

Exhibit 6: ATO SOTP Analysis
Our PO moves to $102 (from $106) on our latest MtM

	Metric	P/E Multiple				Equity Value					
Atmos Energy	**2023E**	**Low**	**Peer**	**Prem/Disc**	**Base**	**High**			**Low**	**Base**	**High**
Gas			**15.7x**								
Group EPS '19-'23 CAGR - Gas			*5.0%*								
Assigned Multiple			**16.5x**								
Distribution	**EPS**										
Mid-Tex	*$2.19*	16.5x	16.5x	*1.0x*	17.5x	18.5x			$36	$38	$41
West Texas	*$0.38*	16.5x	16.5x	*1.0x*	17.5x	18.5x			$6	$7	$7
Louisiana	*$0.40*	17.5x	16.5x	*2.0x*	18.5x	19.5x			$7	$7	$8
Mississippi	*$0.31*	17.5x	16.5x	*2.0x*	18.5x	19.5x			$5	$6	$6
Kentucky/Mid-States	*$0.24*	17.5x	16.5x	*2.0x*	18.5x	19.5x			$4	$5	$5
Tennessee	*$0.23*	17.5x	16.5x	*2.0x*	18.5x	19.5x			$4	$4	$4
Kansas	*$0.10*	15.5x	16.5x	*0.0x*	16.5x	17.5x			$2	$2	$2
Colorado	*$0.08*	17.5x	16.5x	*2.0x*	18.5x	19.5x			$1	$2	$2
Virginia	*$0.02*	17.5x	16.5x	*2.0x*	18.5x	19.5x			$0	$0	$0
Total Distribution	***$3.97***								**$67**	**$71**	**$75**

Pipeline & Storage	**EPS**	*EBITDA ($Mn)*	**Low**	**Peer EV/EBITDA**	*Prem/Disc*	**Base**	**High**	**Enterprise Value**	**Net Debt**	**Low**	**Base**	**High**
Total Pipeline & Storage	*$1.80*	**553**	10.0x	**9.0x**	*2.0x*	11.0x	12.0x	**$5,529**	**$6,082**	**$6,635**	**($1,653)**	**$27**	**$31**	**$35**

Total Equity Value	**$5.77**				**$94.00**	**$102.00**	**$110.00**
Shares O/S						*141*	

Implied Consolidated P/E	*17.7x*
Current Price	*$98.95*
Dividend Yield	2.3%
Total Return Potential	**5.4%**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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NiSource (NI)

NI: Shoulder gas Q with eyes on renewables additions

We reiterate Buy as we see the potential for an extended high-growth runway based on the Northern Indiana Public Service Company (NIPSCO) Electric 2021 IRP and the recently issued RFP for 400-650 MW of generation capacity in 2024-2026. We see the potential for an accelerated retirement of NI's last remaining coal plant, Michigan City, given the state's move toward renewables and the timing of the IRP vs current stated retirement date of 2028. As a reminder, NI's LT EPS growth rate guidance range is 5-7% from FY21-FY23 and 7-9% from FY21-FY24 with the delta driven by renewables investment in '22 and '23 being rolled into rates in '24. The increasing visibility on renewables development could lead to the 7-9% EPS CAGR further extended depending on how much NIPSCO will own vs PPA.

Key Call Topics: Renewables additions, ongoing RFP & upcoming IRP, rate cases

Incremental renewables investments could sustain a higher growth trajectory

Expect management to discuss latest on renewables strategy ahead of the 2021 IRP that will be filed in the fall as well as the 400-650MW RFP that was recently issued. It is too early in the process for management to adjust the plan ahead of asset and regulatory clarity: size, generation type, ownership percentage, etc. are still to be determined. The RFP results should come in mid-late-August and with the most important update coming deeper into the process when NI files with the Indiana Utility Regulatory Commission (IURC) on the proposed ownership split.

What would the investment opportunity look like? It comes down to the amount of generation that NI would be able to own. We see the opportunity for NI to own more than 50% of the generation given the makeup of the 2018 IRP project portfolio and utilities propensity to own the generation in their portfolio. We also see bias to the top-half of the 400-650 MW solicitation range because of the size of Michigan City (455 MW coal plant that we believe could retire earlier than its current 2028 date) and the fact that utilities commonly procure more in renewables capacity than the fossil asset they are replacing to account for the intermittent nature. *It is difficult to compare ownership splits between IRPs given different resource types and capacity values ascribed but we would expect ~60%+ ownership/~40% PPA as a base case. See our note for more detail and potential capex and EPS impact from the RFP* - NiSource Inc: Reiterating Buy; More Renewables, Longer Runway at a Particularly Attractive Val 25 May 2021 (https://rsch.baml.com/r?q=dr5v9HH0otsjufcWEk7cTQ)

Project regulatory approvals highly likely at this point

Management will provide the latest on where it stands with regulatory approvals for the projects that have been announced. As a reminder, NI has received approval of ~80% of the projects so far and recent filings have been going through the approval process with ease as the projects were stipulated in NI's 2018 IRP.

Rate cases in progress: PA and OH have the scale to matter

Rate cases will be a secondary focus to renewables and the IRP through the remainder of the year but we do expect a regulatory update from management on the call. NI is in four rate cases at this time in PA, OH, KY, and MD. The previous PA rate case process was somewhat contentious in 2020/early 2021 given the timing around the pandemic and a negative ALJ proposal. Following peer rate cases in the state (UGI and EXC) we do not expect this following PA case to be as contentious. Watch the recently filed OH rate case as it is the first base rate case for the utility since 2008, and we note Commissioners have been interested in looking at the construct and whether more frequent cost of capital updates are needed. NI is working through rate cases in both KY and MD, but we note these utilities are relatively small vs OH and PA and therefore outcomes are less impactful to consolidated financial results.

NI 2Q21 Earnings Walk: Beat and Reaffirm though perceive latitude to revise higher later this year

2Q21 $0.15 is a large percentage beat vs $0.12 Street but 2Q21 is a less meaningful **Our FY21 EPS estimate remains at the top-end of management's revised guidance range ($1.36 BofA vs $1.28-$1.36 Street and $1.31 Consensus) and we see the ability for management to revise higher as NI's assumptions on load and economic recovery seem conservative in our view.**

- **Key Drivers:** We forecast an increase in EPS YoY driven by new rates in PA (+$0.02), other/COVID load and volume impact reversal (+$0.06), and lower interest expense of (+$0.01). This is partially offset by loss of CMA (-$0.04), higher O&M (-$0.03), and higher D&A (-$0.02).
- **Swing factors:** Load and volumes as the economy rebounds are variables going into the quarter. We will be watching how O&M is trending as well.

Exhibit 7: NI 2Q21 Earnings Walk
We see a beat on reversal of COVID impacts from last year

NI 2Q21 Earnings Walk	**EPS**
NI 2Q20 EPS	**0.13**
Weather - normalize from 2Q20 (excluded from Non-GAAP)	0.00
Weather - 2Q21 (excluded from Non-GAAP)	0.00
CMA sale closing - full quarter without CMA	-0.04
Gas Utilities	**0.00**
Rate/Rider Implementation:	
NIPSCO Gas	0.00
Columbia Gas of OH	0.01
Columbia Gas of PA	0.02
Columbia Gas of VA	0.00
Columbia Gas of MD	0.00
Columbia Gas of KY	0.00
D&A	-0.01
O&M	-0.02
Electric Utility	**0.00**
Rate Implementation:	
NIPSCO Electric	0.01
D&A	-0.01
O&M	-0.01
Parent & Other	**0.07**
Interest expense	0.01

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Pension expense (some favorability)	0.01
Dilution	-0.01
Other/COVID impact	0.06
2Q21 BofAe Adjusted EPS	**0.15**
Consensus	0.12
BofAe 2021 EPS	1.36
Guidance	1.28-1.36
2021 Consensus	1.31
Shares Outstanding (2Q21)	432
Shares Outstanding (2Q20)	384

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; modestly lower in outer years, top of range

We maintain our FY21-FY25 EPS estimates and see BofAe 2023/2024 as 3-4% above Street. We do not believe Consensus is appropriately reflecting the meaningfully de-risked backdrop after the 2021 financings. **We see this as among the most important 'show me' stories in the space considering the need for management to simply execute against the plan after years of minimal EPS growth post Merrimack Valley.** We see EPS CAGR at the top-end of management's guidance range through '24 (9%). Look for yet further opportunities in the 2025+ outlook with a further NIPSCO Electric IRP/RFP to be articulated later this year too - potentially enabling a further extension of 5-year outlook at sustained EPS CAGR. We stress this angle is likely the next focus to shares - albeit remains cheap even on our near-term outlook.

Exhibit 8: NI EPS Estimates
Our EPS estimates remain unchanged and we continue to see EPS CAGR at the top of mgmt.'s guidance range

NI EPS Estimates		**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Gas		1.04	1.03	1.07	1.13	1.23	1.23	1.28
Electric		0.59	0.55	0.54	0.55	0.63	0.79	0.84
Electric Renewables - BOTs from RFP 1 & 2 (incl. in Electric EPS)					0.00	0.08	0.15	0.14
Parent/Other		-0.33	-0.33	-0.30	-0.28	-0.28	-0.25	-0.25
BofA EPS		**1.32**	**1.32**	**1.36**	**1.40**	**1.58**	**1.76**	**1.88**
Previous EPS		1.32	1.32	1.36	1.40	1.58	1.76	1.88
Guidance		**1.27-1.33**		**1.32-1.36**				
Consensus		1.30	1.31	1.35	1.42	1.53	1.69	
BofA '21-'24 EPS CAGR	9.0%							
Guidance '21-24 EPS CAGR	7-9%							
Consensus '21-'24 EPS CAGR	7.9%							
BofA '21-'23 EPS CAGR	7.9%							
Near Term Guidance '21-'23 EPS CAGR	5-7%							
Consensus '21-'23 EPS CAGR	6.5%							
Implied EPS Guidance by Yr given New +7-9% EPS CAGR ('21-'24)	High End			1.36	1.48	1.62	1.76	1.92
	Mid-Point			1.34	1.45	1.56	1.69	1.83
	Low End			1.32	1.41	1.51	1.62	1.73
BofA DPS		**0.83**	**0.88**	**0.94**	**0.99**	**1.05**	**1.12**	**1.18**
Share Count (mn shares)		**376**	**384**	**426**	**447**	**456**	**495**	**502**

Source: BofA Global Research estimates, company report, Bloomberg

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Valuation; PO to $28

Our PO moves to $28 (from $29) based on our FY23E mark-to-market P/E multiples for peer group of 15.7x for gas (from 16.1x) and 17.6x for electric (from 17.8x), with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24.

We remain conservative and continue to base our PO on a '23 base year, even though we think investors are likely to increasingly focus on '24 EPS valuation as the baseline year given the issuance and timing of renewables contribution to EPS - which looks ever more appealing even with adjusted multiples. We see our SOTP as fundamentally conservative given the meaningful uptick in '24 tied to renewables growth. Reiterate Buy.

Exhibit 9: NI SOTP Analysis
PO to $28 (from $29) on latest MtM

NI SOTP Valuation	**Metric**	**P/E Multiple**							
	2023E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas	-	-	**15.7x**	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas	-	-	**5.00%**	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Gas Utilities	-	-	**16.5x**	-	-	-	-	-	-
Columbia Gas of OH	$0.56	15.5x	16.5x	**0.0x**	16.5x	17.5x	$8.64	$9.19	$9.75
Columbia Gas of PA	$0.28	15.5x	16.5x	**0.0x**	16.5x	17.5x	$4.37	$4.65	$4.93
NIPSCO Gas	$0.23	15.5x	16.5x	**0.0x**	16.5x	17.5x	$3.61	$3.84	$4.07
Columbia Gas of VA	$0.09	15.5x	16.5x	**0.0x**	16.5x	17.5x	$1.34	$1.43	$1.52
Columbia Gas of KY	$0.05	15.5x	16.5x	**0.0x**	16.5x	17.5x	$0.75	$0.80	$0.85
Columbia Gas of MD	$0.02	15.5x	16.5x	**0.0x**	16.5x	17.5x	$0.30	$0.32	$0.34
Group Peer Multiple - Electric			**17.6x**						
Group EPS '18-'22 CAGR - Electric			**5.00%**						
Electric Utilities			**18.5x**						
NIPSCO Electric	$0.63	19.5x	18.5x	**2.0x**	20.5x	21.5x	$12.34	$12.97	$13.61
Total Utility	**$1.86**	*16.8x*			*17.8x*	*18.8x*	**$31.34**	**$33.20**	**$35.06**
-Parent EPS Drag (ex-Interest Expense)	-$0.12	16.8x	0.0x		17.2x	18.2x	-$2.03	-$2.07	-$2.19
Total EPS *(incl. debt drag)*	**$1.58**								
Midpoint of 5-7% EPS	*$1.56*								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out parent debt + assumed converts)				-$1,600	50%		-$800	-$800	-$800
(50% P/E multiple on Interest Exp)				5.6%	50%		-$596	-$632	-$667
Grand Total Equity Value							**$26.25**	**$27.99**	**$29.65**

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Shares Outstanding 2023E	456
Total Equity Value	**$26.00 $28.00 $30.00**
Implied Consolidated P/E	
Current Price	$25.75
Dividend Yield (2020E)	3.4%
Total Return Potential	**12.2%**

Source: BofA Global Research estimates, company report, Bloomberg

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
NiSource Inc: Reiterating Buy, More Renewables, Longer Runway at a Particularly Attractive Val (https://rsch.baml.com/r?q=dr5v9HH0otsjufcWEk7cTQ)	Julien Dumoulin-Smith	25 May 2021
NiSource Inc: Healthy Raise in Midpoint of Guidance; Underappreciated LT Growth (https://rsch.baml.com/r?q=bzvvDnHKQNWdVj8bj1atBQ)	Julien Dumoulin-Smith	06 May 2021

New Jersey Resources (NJR)

NJR: Execution still a concern at CEV; NJNG rate case

We reiterate our Underperform as we believe that 1) the NJNG rate case will prove difficult; and 2) execution at Clean Energy Ventures (CEV) is uncertain due to the limited track record from management on the path for the business outlined during the investor Day. For example, shortly after the Investor Day, management pushed CEV capex from '21 to '22 driven by permitting delays from the pandemic. The top question for FQ 3Q call is around the global supply chain issues in solar and how that is impacting NJR. We see the smaller developers like NJR as more at risk than the larger developers like NEE and AES. We are also cautious on the upcoming vote on the Solar Successor program on July 28. NJNG rate case is also a risk given the magnitude but management has had constructive outcomes in recent proceedings and we model authorized ROEs in the 9.6% range already. Southern Reliability Link pipeline overruns could be an intervenor focus.

Key Call Topics: Clean Energy Ventures, solar successor), NJNG rate case

Clean Energy Ventures likely to receive increased attention around supply chain

Clean Energy Ventures (CEV) is a major focus of management's LT plan and is critical to the valuation, but we view execution of the plan outlined during the Investor Day as a risk. As a reminder, the capital plan shifted as certain in-service dates for CEV's projects moved to FY22 given permitting and production delays related to the pandemic. Management expects to spend $96M-$118M FY21 down from ~$165Mn prior expectation. While impacts of the pandemic are hard to foresee, we find it troubling that management will only be deploying ~65% of its original plan that was set during a particularly virulent wave of the virus in Nov. 2020. Supply chain and logistics issues are another factor that could drive inability to execute on the plan,

Management will likely state that nothing fundamental has changed with the business, but we are cautious about the potential longer-term impacts of this dynamic for a smaller developer like NJR. While other utilities leave opportunity for upside or incremental spending in certain areas, it is the opposite for CEV in our view - there is potential difficulty with even hitting the announced, aggressive, target of ~$850M over the next four years. In addition to volume deployment concerns, we look to see if there is compression on returns from inflationary pressures that a smaller developer will face more acutely.

Solar incentives coming down in NJ? Quite possible; watch vote next week

The solar successor program is set to be voted on by the NJ Board of Public Utilities (BPU) on July 28. We find this as somewhat worrying given the level of reduction in solar incentive values proposed. The straw proposal outlines an incentive value of $85/MWh for net metered resi and non-resi, $70/MWh for community solar non-low-and-moderate income (LMI) and $90/MWh for community solar LMI vs the current transition renewable energy credit (TREC) of $152/MWh with other, lower incentives for different market segments. This risk of incentive cuts is somewhat mitigated by CEV expanding outside of NJ. In F2Q, CEV completed a solar project in CT and 1/3 of the FY21 & FY22 project pipeline capacity is expected by management to be out-of-state. Management sees out-of-state returns through PPAs that are similar to those of NJ's Transition Renewable Energy Certificate (TREC) program, so likely more favorable than if the straw proposal was adopted. *We will continue to watch how this trends as any CEV is still relatively unproven outside of NJ.*

Recent NJ rate proceedings have been constructive but always a risk

The NJNG rate case is also a risk to estimates in our view though we already assume a 9.6% authorized ROE (commiserate with South Jersey Gas and Elizabethtown Gas' most recent rate cases). Inability to earn a fair return as a result of the rate case outcome would drive down estimates. *The largest driver in the rate case is recovery of the Southern Reliability Link (SRL) pipeline which has experienced notable cost overruns that could lead to a more contentious proceeding than recent cases.*

NJR F3Q21 Earnings Walk: Miss and Reaffirm

Fiscal 3Q results are not overly meaningful with NJR historically losing money in the shoulder period. We forecast 3Q21 adjusted net financial earnings (loss) per share of ($0.12) down from loss compared to 2Q20 ($0.06) and slightly worse than Street ($0.08) and consensus estimates of -$0.14. Our FY21 EPS estimate remain slightly below the midpoint of management revised guidance range which was increased multiple times on the strength of weather.

- **Key Drivers:** We forecast a decrease in EPS YoY driven by trackers at NJNG (+$0.02), customer growth (+$0.01), improvement in CEV (+$0.08). This is more than offset by higher O&M (-$0.05), higher D&A (-$0.05), higher costs at energy services (-$0.02), and interest expense (-$0.04)
- **Swing Factors:** Non-utility remains somewhat of a swing factor, albeit minor. O&M could be a swing factor as well.

Exhibit 10: NJR F3Q21 Earnings Walk
3Q shoulder period is not overly insightful

NJR Fiscal 3Q21 Earnings Walk	**EPS**
NJR Fiscal 3Q20 Adjusted EPS	($0.06)
Weather - normalize from Fiscal 3Q20	$0.00
Weather- Fiscal 3Q21	$0.00
Utilities	**-$0.07**
Rate implementation and/or trackers:	
NJNG	0.02
D&A	-0.05
O&M/Pension/IT	-0.05
Customer Growth	0.01
COVID/Bad Debt Impact	0.00
Non-regulated	**$0.06**
Energy Services	-0.02
Storage & Transportation (formerly Midstream)	0.00
CEV	0.08
Home Services & Other	0.00
Other	**-$0.04**
Interest expense	-0.04
Other	0.00
Dilution	0.00

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NJR Fiscal 1Q21 Adj. EPS (BofAe)	**-$0.12**
Fiscal 3Q21 Consensus	-0.08
Fiscal 2021 Adj. EPS (BofAe)	**$2.09**
2021 Consensus	2.11
Mgmt. Guidance Range	**2.05-2.15**
Fiscal 3Q21 Shares Outstanding	97
Fiscal 3Q20 Shares Outstanding	96

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates; unchanged

We maintain our FY21-FY25 EPS estimates. As a reminder, we recently lowered our FY23-FY25 EPS estimates on assumed earned ROEs at NJNG. We model an improvement in earned ROEs starting in 2022 driven by new rates from the pending rate case and approved infrastructure and energy efficiency programs. FY23 should have additional lag driven by utility IT spending without accelerated recovery although give credit for new rates in FY24. **We remain meaningfully below Street in FY23/FY24.**

Exhibit 11: NJR EPS Estimates
Our EPS estimates remain unchanged

EPS Estimates	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
New Jersey Natural Gas (NJNG)	$0.87	$1.33	$1.15	$1.46	$1.54	$1.74	$1.85
Midstream	$0.16	$0.19	$0.18	$0.25	$0.31	$0.32	$0.33
Clean Energy Ventures (CEV)	$0.86	$0.56	$0.25	$0.37	$0.34	$0.38	$0.38
Energy Services (ES)	$0.03	($0.08)	$0.50	$0.14	$0.13	$0.13	$0.13
Home Services & Other (HS&O)	$0.02	$0.06	$0.01	$0.01	$0.01	$0.01	$0.01
TOTAL Consolidated EPS	**$1.95**	**$2.07**	**$2.09**	**$2.24**	**$2.33**	**$2.58**	**$2.69**
Guidance Low			$2.05	$2.05	$2.17	$2.30	$2.44
Guidance High			$2.15	$2.15	$2.37	$2.60	$2.86
Guidance Mid			$2.10	$2.10	$2.27	$2.45	$2.65
Guidance - EPS Growth Rate - Long Term					*6-10%*		
Shares O/S	*89.62*	*95.11*	*96.51*	*97.06*	*97.60*	*98.15*	*98.69*
Prior Estimate		2.07	2.09	2.24	2.33	2.58	2.69
Consensus	**1.97**	**2.08**	**2.11**	**2.26**	**2.42**	**2.92**	**2.85**
BofA CAGR 2022-2025	**7.8%**						
Guidance	***6-10%***						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

New Jersey Resources	**Primary Author**	**Date Published**
New Jersey Resources Corp: D/G to Underperform; cloudy skies on solar segment, rate case could be challenging (https://rsch.baml.com/r?q=e3bMwO1d6PKFdIMxZ0YzIA)	Julien Dumoulin-Smith	25 June 2021
New Jersey Resources Corp: A Very Busy Summer at the Jersey Shore: PennEast, Solar Reform & Key Rate Case (https://rsch.baml.com/r?q=JkBFnuQDGmUBFuKuX6bkzw)	Julien Dumoulin-Smith	18 June 2021

Valuation; PO unchanged

Our PO remains at $39 as we mark to market (MtM) to latest peer gas utility FY23 P/E multiple at 15.7x (from 15.8x). Though we see some upside from a total return perspective, we see more downside risk than upside to estimates if NJNG is unable to improve earned ROEs, solar supply chain issues are more impactful than we foresee, and/or the outcome on pricing of the Solar Successor program is worse than our expectations.

We stress our valuation yields a cautious setup for shares even without applying a discount to the utility given outsized rate case ask. We appreciate the above industry norm EPS growth contemplated, but see execution challenges therein still.

Risks to the upside remain a further acceleration of renewable efforts - and raising of targets, likely tied to solar project development outside of NJ. We could still see this, but see challenges in executing against targets already on CEV as indicating this is less likely.

Exhibit 12: NJR SOTP Analysis
Our PO remains unchanged at $39 on latest mark

NJR	**2023E**	**Low**	**Peer**	**Prem/ Discount**	**Base**	**High**	**Low**	**Base**	**High**
Gas		-	**15.7x**	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas			**5.0%**						
		-		-	-	-	-	-	-
		-	**16.5x**	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
New Jersey Natural Gas (NJNG) -> Utility Portion	**$1.54**	**15.5x**	**16.5x**	**0.0x**	**16.5x**	**17.5x**	**$24**	**$25**	**$27**
% Regulated Utility EPS	*69%*								
Non-Reg Components		*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*			
Energy Services	$0.13	12.0x	**12.0x**	**1.0x**	13.0x	14.0x	$2	$2	$2
Home Services	$0.01	11.0x	12.0x	**0.0x**	12.0x	13.0x	$0	$0	$0
Total NJR Value Per Share							**$25**	**$27**	**$29**

Midstream	**Metric**				**EV/EBITDA**			**Equity Value**		
	FY23 EBITDA	*EBITDA % Contribution*	*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Midstream - Pipeline, Strorage & Marketing				**9.5x**						
		-	-							
Midstream (*Ex-Penn East*)	$62	86%	8.5x	9.5x	**0.0x**	9.5x	10.5x	$529	$591	$653
PennEast (Assume no contribution)	$10	14%			*0%*			$0	$0	$0
Total Midstream	$72	100%						**$529**	**$591**	**$653**
Less Net Debt								($476)	($476)	($476)

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Add Back 50% PennEast Debt							$0	$0	$0
Total Midstream							**$53**	**$115**	**$177**
Net Midstream Value Per Share							**$0.5**	**$1.2**	**$1.8**

Clean Energy Ventures

Metric

NPV Values (Unlevered)

	Commercial-Grid	Comm-NEM	Resi-NEM	Total Equity Value ($mn)	Equity Value ($/sh)
Power (NPV of remaining unlevered CFs)	$335	$84	$193	$613	**$6.31**
Discount Rate Assumed on Cash Flows	4.5%				

Levered NPV Values ($mn) - Discounted

Levered NPV ($/sh)

	Commercial-Grid	Comm-NEM	Resi-NEM	Commercial-Grid	Comm-NEM	Resi-NEM	Equity Value ($/sh)
DevCo 2021: NPV	$9	$6	$7	$0.09	$0.06	$0.07	**$0.23**
DevCo 2022: NPV	$59	$10	$7	$0.61	$0.10	$0.07	**$0.78**
DevCo 2023: NPV	$73	$12	$7	$0.75	$0.12	$0.07	**$0.94**
DevCo 2024: NPV	$66	$15	$7	$0.68	$0.16	$0.07	**$0.91**
DevCo 2025: NPV	$65	$15	$6	$0.66	$0.15	$0.07	**$0.88**
Total DevCo Value							**$3.74**
Assumed Discount Rate on DevCo NPVs		**11.0%**					

SREC Inventory Balance as of	**# of SRECs**	**Pricng Assume ($/SREC)**	**Total Value $Mn**	**Equity Value ($/sh)**
Fiscal 4Q20E	**44,281**	**$226**	**$10**	**$0.10**

Levered NPV Values ($mn) - Discounted

Levered NPV ($/sh)

Post '26+ Value + Terminal Value	Commercial-Grid	Comm-NEM	Resi-NEM	Commercial-Grid	Comm-NEM	Resi-NEM
DevCo 2026: NPV	$65	$16	$6	$0.67	$0.16	$0.06
DevCo 2027: NPV	$65	$17	$6	$0.67	$0.17	$0.06
DevCo 2028: NPV	$65	$18	$6	$0.67	$0.18	$0.06
DevCo 2029: NPV	$43	$12	$4	$0.44	$0.13	$0.05
Terminal Value Multiple	**5.0x**	**5.0x**	**5.0x**			
	$213	$62	$22	$2.19	$0.64	$0.23

Total Post '26+ Value (Assuming 3-Yr ITC Extension) + Terminal Value				**$4.64**	**$1.29**	**$0.46**	**Weighting** 75%	Equity Value ($/sh) **$4.80**	
Total CEV Value Per Share								**$14.96**	
		$ Mn			Weight				
HoldCo Debt 2023E		$1,352			*50%*			($676)	($676)	($676)
Parent Interest Exp 2023E		$33		16.5x	*50%*			$273	$273	$273
Total Parent $/share basis								**($403)** ($4)	**($403)** ($4)	**($403)** ($4)
Grand Total Equity Value Per Share								**$37**	**$39**	**$41**
Shares Outstanding 2023E									97	
Total Equity Value								**$37.00**	**$39.00**	**$41.00**
Current Price									$39.22	
NTM Dividend Yield									3.4%	
Total Return Potential									**2.8%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Northwest Natural (NWN)

NWN: RNG is intriguing but still unable to justify multiple

We continue to view NWN as expensive with the ~3x premium a contrast to gas LDC peers despite relatively low EPS growth of 3-5%. We reiterate our Underperform rating and continue to watch for more detail around water/RNG.

Key Call Topics: RNG, water business, WA rate case settlement

Mgmt. still includes minor investments in RNG relative to budget under SB98

Investing in RNG is still a new undertaking for NWN under Oregon SB98 so management continues to be conservative on what is included in plan. NWN only includes projects where there is both line of sight and knowledge of how internal IRP process (i.e. Tyson projects). We expect management will update us on the progress of the Tyson projects, but we believe they are still in the development phase. As a reminder, under SB98, NWN could deploy 5% of the annual revenue, or $200M-$250M, but securing contracts for RNG offtake for NWN's system will count towards the budget. We think management will use a higher percentage of the cap on direct investment given prior commentary.

More work needs to be done on prospecting and development before management puts any additional capital into their projections, and we do not foresee management announcing any additional RNG projects during this update as they work through the projects with Tyson.

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Water growth aspirations represents an area of upside

We expect management to update progress on the water business and pending and upcoming regulatory proceedings. We could see activity on M&A accelerate as the country recovers from the pandemic, and, as a reminder, acquisitions need to be accretive in the first year and need to maintain a 50/50 capital structure. *While disclosures around the potential earnings outlook have still yet to materialize, we see short-term upside risk to valuation from a SOTP perspective given the relative spread of water vs gas if management can continue to scale the water biz and provide more concrete earnings guidance.*

Continuing to work toward settlement in WA multi-year rate case

NWN and intervenors in the WA rate case continue to work towards a settlement which we find positive vs the fully litigated route. As a reminder, NWN filed a multi-year rate plan (MYRP) with the first increase of $6.3mn (8%) expected by management in Nov '21 and the second of $3.2mn (3.7%) in '22 based on a 49% equity cap and 9.4% ROE. The company is also looking to offset rates by $2.2mn (3%) in the first year through the suspension of the amortization of a regulatory asset associated with energy efficiency programs and the sale of property in OR that would offset the rate increase by another 5%, essentially equating to a flat customer bills in year 1. *Given 1) WA represents ~10% of NWN's rate base, 2) parties are active in settlement negotiations, and 3) the creative solution to offset the customer rate impact, we are less concerned on the margin.*

NWN 2Q21 Earnings Walk: Beat and Reaffirm

Fiscal 2Q results are not overly meaningful with NJR historically losing money in the shoulder period. We forecast 2Q21 adjusted loss per share of ($0.11) compared to 2Q20 loss of ($0.17) and Consensus estimates of ($0.14). Our FY21 EPS estimate remains toward the top-end of management guidance range.

- **Key Drivers:** New rates in OR (+$0.20), reversal of COVID impact ($5M pre-tax; +$0.12), and minor improvement at the water utilities (+$0.01). This is more than offset by higher O&M (-$0.17), higher D&A (-$0.06), and taxes (-$0.02).
- **Swing factors:** Non-utility remains somewhat of a uncertainty, albeit minor. O&M could be a swing factor as well.

Exhibit 13: NWN 2Q21 Earnings Walk
We forecast a beat and FY21 EPS toward the top-end of management's guidance range

NWN 2Q21 Earnings Walk	**EPS**
NWN 2Q20 EPS	(0.17)
Utilities	**0.08**
Weather - normalize from 2Q20	0.00
Weather - 2Q21	0.00
Rate implementation/rate base growth:	
Gas LDCs:	
OR	0.20
WA	0.00
Water Utilities	0.01
D&A	(0.06)
OR O&M (Headquarters and IT)	(0.10)
O&M	(0.07)
General Taxes	(0.02)
Customer Growth	0.00
Other/COVID impact	0.12
Non-Utility	**0.00**
Gas Storage	0.00
Asset Mgmt.	0.00
Retail Appliance	0.00
Other	**(0.02)**
Interest expense	(0.02)
Other	0.00
Dilution	0.00
NWN 2Q BofA Adjusted EPS	**(0.11)**
Consensus	(0.14)
BofA 2021 EPS	**2.55**
Guidance	**2.40-2.60**
2021 Consensus	2.54
NWN 2Q21 Shares Outstanding	31.3
NWN 2Q20 Shares Outstanding	30.5

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates; unchanged

We maintain our FY21-FY25 EPS estimates. We continue to see ~5% growth through our forecast period off of the '20 midpoint of $2.35 - the top-end of management LT EPS growth guidance range of 3-5% which is largely consistent with Street forecasting.

Exhibit 14: NWN EPS Estimates
Our EPS estimates remain unchanged and we continue to forecast growth at the top-end of mgmt. guidance range

Earnings Per Share	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Natural Gas Distribution	$1.99	$2.04	**$2.31**	**$2.39**	**$2.48**	**$2.63**	**$2.74**	**$2.84**
Other (NW Natural) - Appliance, Gas Storage, Asset mgmt.	$0.37	$0.27	**$0.23**	**$0.21**	**$0.19**	**$0.18**	**$0.17**	**$0.16**
Other (NW Holdings) - Water Utility & Corp.	-$0.03	-$0.12	**-$0.08**	**-$0.06**	**-$0.04**	**-$0.02**	**$0.00**	**$0.03**
Total NW Holdings Operating EPS	**$2.33**	**$2.41**	**$2.30**	**$2.55**	**$2.63**	**$2.79**	**$2.91**	**$3.00**
BofA YoY Growth		3%	-5%	11%	3%	6%	4%	3%
BofAe CAGR ('20-25)								**5.0%**
Prior EPS estimates		2.41	2.30	2.55	2.63	2.79	2.91	3.00
Mgmt CAGR Guidance								
Guidance - low		**2.25**	**2.25**	**2.40**	**2.49**	**2.57**	**2.64**	**2.72**
Guidance - high		**2.45**	**2.45**	**2.60**	**2.59**	**2.72**	**2.86**	**3.00**
Guidance - midpoint		**2.35**	**2.35**	**2.50**	**2.54**	**2.64**	**2.75**	**2.86**
+3-5% growth (2020 base year mdpt of $2.35)								

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Consensus EPS estimates			**2.30**	**2.54**	**2.63**	**2.78**	**2.95**	
DPS	1.89	1.90	1.91	1.93	1.95	1.97	1.99	2.01
DPS growth (% Y/Y)		0.5%	0.6%	1.0%	1.0%	1.0%	1.0%	1.0%
Payout Ratio	**81%**	**79%**	**83%**	**76%**	**74%**	**70%**	**68%**	**67%**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO to $49

Our PO moves to $49 (from $51) based on our latest estimates and mark-to-market gas utility peer FY23E multiple of 15.7x (from 16.5x) and water utility peer FY23 multiple of 28.6x (from 27.4x). We continue to view the relative premium as unjustified for the growth profile considering relatively lower growth and the sharp focus on energy transition in its core states (even when accounting for & reflecting elevated multiple for water exposed assets).

Exhibit 15: NWN SOTP Analysis
Our PO moves to $49 (from $51) on latest MtM

NWN Sum-of-the- Parts Valuation (SOTP)
Bank of America Securities

	Metric		Multiple				Equity Value		
	P/E	EBITDA							
NW Natural Holding Co.	*2023E*	*Low*	*Peer P/E*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Gas Utility Group Multiple			**15.7x**						
Group EPS '19-'23 CAGR - Gas			**5%**						
NWN Utility Multiple			16.5x						
NW Natural									
Oregon - Utilities (Gas)	$2.14	16.5x	16.5x	**1.0x**	17.5x	18.5x	**$35.31**	**$37.46**	**$39.60**
Washington - Utilities (Gas)	$0.31	16.5x	16.5x	**1.0x**	17.5x	18.5x	**$5.19**	**$5.51**	**$5.82**
North Mist - Storage Facility	$0.17	16.5x	16.5x	**1.0x**	17.5x	18.5x	**$2.87**	**$3.04**	**$3.21**
Total Natural Gas Distribution	**$2.63**						**$43.37**	**$46.00**	**$48.63**
EV/EBITDA Multiple		*Low*	*Peer EV/EBITDA*	*Prem/ Discount*	*Base*	*High*			
Other (NW Natural) - Gas Storage, Appliance, Asset mgmt	$0.18	$10 9.0x	**10.0x**	**0.0x**	10.0x	11.0x	86	96	105
Less: Net Debt							(25)	(25)	(25)
Implied Equity Value							62	71	81
Equity Value Per Share							**$1.90**	**$2.20**	**$2.50**
Total NW Natural	**$2.81**						**$45.28**	**$48.20**	**$51.13**
		Low	*Peer P/E*	*Prem/ Discount*	*Base*	*High*			
Water Utility Group Multiple			**28.6x**						
Group EPS '19-'23 CAGR - Water			**7%**						
NWN Water Utility Multiple			30.6x						
Water Utility Operations	$0.07	29.6x	30.6x	**0.0x**	30.6x	31.6x	**$2.13**	**$2.21**	**$2.28**
			Weighted Avg.						
Corporate & Other	-$0.09	17.1x	**18.1x**	**0.0x**	18.1x	19.1x	-$1.51	-$1.60	-$1.69
Grand Total Equity Value	**$2.79**						**$46.00**	**$49.00**	**$52.00**
2023E S/O								32	
Implied Consolidated P/E								*17.5x*	
Current Price								$52.29	
NTM Dividend Yield								3.66%	
Total Return Potential								**-2.6%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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BofA Global Research Reports

Northwest Natural Holdings	Primary Author	Date Published
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=JrJpsgnaOsF-Q9Efpv-x8w)	Julien Dumoulin-Smith	21 May 2021
Northwest Natural Holdings: Beat as Tuck-In Water Acquisitions Continue; Eye on RNG (https://rsch.baml.com/r?q=5BNKtq3kCIX1jjQOaBHjbg)	Julien Dumoulin-Smith	10 May 2021

ONE Gas (OGS)

OGS: Quiet Q outside of securitization, OK rate case

We see this update as being relatively quiet outside of two regulatory proceedings: 1) filing of a financing order to securitize the costs related to Winter Storm Uri and 2) the OK rate case. RNG is likely more of a supply opportunity rather than an investment opportunity at this point, but we will be curious to see if there has been any updates on management's views on market potential since American Gas Association (AGA) Financial Conference. We note this will be new CEO Sid McAnnally's first earnings call at the helm - we will be watching for any change in messaging, but are not expecting any given his long operations tenure with the company. We reiterate Underperform on the premium valuation in shares despite regulatory risk in the OK rate case.

Key Call Topics: Securitization, OK rate case, RNG?

BofA SECURITIES
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Mgmt. still includes minor investments in RNG relative to budget under SB98

Uri securitization will likely be the topic of interest during the call given the magnitude. The process is significantly derisked after passage of securitization legislation and the respective Commissions general supportive comments/actions. In TX, The Railroad Commission (RRC) will have 90 days to review the prudency of ~$295Mn costs before the Texas Public Finance Authority (TPFA) starts the process of issuing the bonds. We will be watching the recovery timeframe and duration closely where we expect 20+ years with the longer-term frame helping mitigate the customer bill impact. Similarly, in OK, the Oklahoma Corporation Commission (OCC) will have 180 days to review the prudency of the costs before the OK Development Finance Authority issues the bonds (costs stand at $1.3B).

We will be watching the recovery timeframe closely, and given the bonds are issued by the state, we think the amortization period could be 20+ years because the debt would be off the utility balance sheet. We are less concerned on bill impacts, and therefore are not concerned about the capital plan being shifted. OGS is working through the process in KS (costs stand at $381M). Securitized bonds are issued at the company level in KS, so we think the recovery timeframe may be shorter than OK and TX, and capital structure could be scrutinized more closely. With securitization in play, our attention shifts to the regulatory process for issuance of a financing order,

OK rate case will likely get attention

OGS filed a rate case in OK at the end of May and is still in the very early stages. As a reminder, OGS is seeking a +$29Mn revenue based on a rate base of $1.72B, 9.95% ROE and an equity layer of 58.55%. *This rate case is key to watch as it is OGS' first rate case in the state since the company split from ONEOK in 2014.*

RNG dialogue likely to stay focused on integrating into system

OGS is exploring RNG with its partnership announcement with Vanguard Renewables. The alliance is currently assessing both the supply-side (i.e., dairy farms in OGS territory) and the demand-side. While we are bullish on RNG in general, we do not get the sense that management is seeking any unregulated investment at this time; rather the only incremental investment would be for interconnections with producers and spending to integrate the fuel into the system. *OGS demand is heavily weighted toward residential, so there is less opportunity to provide large volumes of RNG to C&I (commercial & industrial) customers. This stance on unregulated RNG investment may change as the market develops, but we do not expect an announcement on any development projects in the near term.*

OGS 2Q21 Earnings Walk: Miss and Reaffirm

2Q21 BofA adjusted EPS $0.49 is -6% below $0.52 Street and approximately flat YoY.

- **Key Drivers:** We forecast an increase in EPS YoY driven by new rates in all jurisdictions (+$0.07) and customer growth (+$0.02). This is partially offset by higher O&M (-$0.01), higher D&A (-$0.03), and bad debt (-$0.03)
- **Swing factors:** O&M and customer growth are the largest swing factors in our view. Specifically bad debt could be more of favorable comparison than we forecast.

Exhibit 16: OGS 2Q21 Earnings Walk
We see a slight miss on the quarter

OGS 2Q21 Earnings Walk	**EPS**
OGS 2Q20 EPS	0.48
Utilities	**0.02**
Weather - normalize from 2Q20	0.00
Weather- 2Q21	0.00
Rate implementation/rate base growth:	
OK	0.02
TX	0.03
KS	0.02
D&A	(0.03)
O&M	(0.01)
Customer Growth	0.02
Bad Debt	(0.03)
Pension	0.00
Parent	**(0.01)**
Interest expense	0.00
Other	0.00
Dilution	(0.01)
OGS 2Q21 BofA Adjusted EPS	**0.49**
Consensus	0.52
BofA 2021 EPS	**3.82**
Guidance	**3.68-3.92**
2021 Consensus	3.81
OGS 2Q21 Shares Outstanding	54.0
OGS 2Q20 Shares Outstanding	53.3

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates unchanged. Still +1% above Street '22-'23

BofA EPS estimates remain unchanged and continue to align with ~5.9% through 2025. ~1% EPS upside compared with Street exists in 2022/2023.

Exhibit 17: OGS EPS Estimates
Our EPS estimates remain unchanged; forecast 5.9% growth through '25

EPS Estimates	**2017A**	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
One Gas - Utilities									
Kansas				$0.86	$0.90	$0.94	$0.98	$1.04	$1.09
Oklahoma				$1.62	$1.59	$1.74	$1.83	$1.90	$1.98
Texas				$1.21	$1.33	$1.47	$1.59	$1.72	$1.84
Consolidated	**$3.08**	**$3.25**	**$3.51**	**$3.69**	**$3.82**	**$4.14**	**$4.40**	**$4.66**	**$4.91**
YoY EPS Growth (%)				5.1%	3.5%	8.5%	6.3%	5.8%	
Guidance Low			$3.49	$3.66	$3.68				
Guidance High			$3.53	$3.70	$3.92				
Implied Guidance									
Guidance Low			$3.49	$3.66	$3.68	$4.06	$4.26	$4.47	$4.70
Guidance High			$3.53	$3.70	$3.92	$4.21	$4.51	$4.82	$5.16
Guidance Midpoint (off 2020 midpoint)			$3.51	$3.68	$3.80	$4.14	$4.38	$4.65	$4.93
Previous EPS				***3.68***	***3.82***	***4.14***			
Consensus			**3.51**	**3.66**	**3.81**	**4.11**	**4.36**		
BofA EPS CAGR '20-'25			**5.9%**						

OGS EPS CAGR '20-'25 Guidance	5-7%

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA SECURITIES
BofA GLOBAL RESEARCH

Valuation; PO to $73

Our PO moves to $73 (from $74) on our latest mark-to-market of the gas peer multiple of 15.7x (from 16.5x). While our PO implies a modest 1.8% return potential, we remain Underperform given potential downside from regulatory proceedings.

Exhibit 18: OGS SOTP Analysis
Our PO moves to $73 (from $74) on latest MtM

	Metric	P/E Multiple					Equity Value		
One Gas	*2023E*	*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Gas			**15.7x**	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas			**5.0%**	-	-	-	-	-	-
			16.5x	-	-	-	-	-	-
			-	-	-	-	-	-	-
Kansas	$0.98	15.5x	16.5x	**0.0x**	16.5x	17.5x	$15	$16	$17
Oklahoma	$1.83	15.5x	16.5x	**0.0x**	16.5x	17.5x	$28	$30	$32
Texas	$1.59	15.5x	16.5x	**0.0x**	16.5x	17.5x	$25	$26	$28
Total OGS Utilities	**$4.40**	*15.5x*			*16.5x*	*17.5x*	**$68**	**$73**	**$77**
Grand Total Equity Value							**$68.00**	**$73.00**	**$77.00**
Shares Outstanding 2023E								56	
Total Equity Value							**$68.00**	**$73.00**	**$77.00**
Implied Consolidated P/E								*16.6x*	
Current Price								$73.64	
NTM Dividend Yield								2.7%	
Total Return Potential								**1.8%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA Global Research Reports

ONE Gas	Primary Author	Date Published
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=jlrlpsgna0sF-Q9Efpv-xBw)	Julien Dumoulin-Smith	21 May 2021
ONE Gas, Inc.: The Uri Overhang on Rates: Reiterate Underperform (https://rsch.baml.com/r?q=YtSuGgEuLl5v6Aa9fCaQdQ)	Julien Dumoulin-Smith	05 May 2021

South Jersey Industries (SJI)

SJI: Execution mode post 1Q investor day

We reiterate Buy as we see the positive revision to shares as SJI begins to execute on the plan that was outlined during its robust 1Q investor day update. Look for commentary on the progress for the still ongoing South Jersey Gas (SJG) Infrastructure Investment Program (IIP) filing. The recently announced acquisition of a 5MW fuel cell in NY nearly satisfies the $50M in capex on fuel cells/solar for the year, impressively investing ahead of plan. We are also keen to hear any updates on the progress with RNG, but believe that comments will be light at this preliminary stage of their plan. LNG redundancy should pick up more steam following IIP conclusion. Watch NJ RNG bill into the fall ahead of the gubernatorial election.

Key Call Topics: Renewables (fuel cell/RNG), IIP, ETG rate case, NJ RNG bill

Mgmt. already executing on new plan with fuel cell announcement; RNG update?

Management's strategy on fuel cells (& solar to a lesser extent), RNG, and blocking-and-tackle utility capex (with a healthy percentage of which earning accelerated recovery) proves our positive thesis for shares. To that end, SJI mostly fulfilled its $50M annual capital budget for fuel cells/solar with the acquisition of a 5 MW fuel cell in NY. SJI did not disclose cost, but we forecast it was ~$45M. The remaining ~$5M will likely be spent on solar facilities on company buildings or landfills. *While the investment in fuel cells is somewhat unorthodox for utilities under our coverage, we note the returns are superior to solar, and the delta will likely widen going forward as the Solar Successor program is implemented.*

Regulatory items still to watch; RNG bill could pick up steam in the fall

The New Jersey Board of Public Utilities (BPU) recently issued an order approving South Jersey Gas' motion to suspend the procedural schedule in its IIP filing to allow for further settlement discussions. Parties will work to develop a revised procedural schedule within the next few weeks. As a reminder, the schedule was modified in May to make way for more settlement discussion. SJG's IIP request is for a five-year program totaling $742.5M in investment. *While the process is taking additional time, we see continued settlement discussions as positive.*

Watch for Elizabeth Town Gas (ETG) to file a rate case around the YE21 based on historical timing where we watch for the there is opportunity to boost the equity layer to SJG levels. It is unclear if management will be in a position to file for increased the equity layer in this application, but see opportunity over the course of the plan.

We believe NJ legislation that would establish a RNG program and allow utilities to rate base RNG investments (S3562 and A5655) will pick up steam in the fall when legislators return. RNG is fairly bipartisan, so it could be an easy win for the Governor who is looking to advance clean energy goals ahead of the election in Nov. *Passage of this bill could shift spending from the unregulated to the utility - while it could receive lower returns, we think it would be valued at a premium by investors given low-risk on returns.*

SJI 2Q21 Earnings Walk: Beat and Reaffirm

Fiscal 2Q results are not overly meaningful with SJI historically losing money or breaking even in the shoulder period. We forecast 2Q21 adjusted EPS of $0.00 compared to 2Q20 EPS of -$0.01 and consensus estimates of -$0.02. Our FY21 EPS estimate is toward the top-end of management guidance range.

- **Key Drivers:** We forecast an increase in EPS YoY driven by new rates at SJG (+$0.04), customer growth (+$0.01), and minor improvement in energy services (+$0.01). This is partially offset by higher O&M (-$0.03) and higher D&A (-$0.03). Note that there is no dilution dispute the higher share count with no underlying net income in the period.
- **Swing factors:** There is not a lot of clarity on performance of SJI's non-regulated segments, therefore, we could see a swing in either direction based on performance (any difference would likely be minor). O&M is also an unknown YoY.

Exhibit 19: SJI 2Q21 Earnings Walk
We see modest beat and FY21 EPS toward the top of management's guidance range

SJI 2Q21 Earnings Walk	EPS
SJI 2Q20 EPS	-$0.01
Weather - normalize YoY	$0.00

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Weather- Current quarter	$0.00
Utilities	**-$0.01**
Rate/Rider implementation:	
ETG	0.00
SJG	0.04
D&A	-0.03
O&M	-0.03
Customer Growth	0.01
Non-regulated	**$0.01**
Midstream	0.00
Energy Group	0.00
Energy Services	0.01
Other	**$0.01**
Interest expense	0.01
Other	0.00
Dilution	0.00
BofAe Adjusted EPS	**$0.00**
Consensus	-0.02
BofAe 2021 EPS	**$1.63**
Guidance	**$1.55-$1.65**
2021 Consensus	1.62
SJI 2Q21 Shares Outstanding	109
SJI 2Q20 Shares Outstanding	94

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates; unchanged

We maintain our EPS estimates from FY21-FY25 and reflect management's recently updated capital spending plan, rate base growth targets, and guidance. Our estimates imply a 6.9% EPS CAGR which is above the midpoint of 5-8% growth. We believe this forecast could be conservative given the RNG market is still in its nascent stages and there could be incremental opportunities to increase investment in the space. RNG bill in NJ could drive incremental spending as well. We forecast consolidated EPS modestly above management's illustrative FY25 guidance of $2.00-$2.10 at $2.12 based on these positive tailwinds.

Exhibit 20: SJI EPS Estimates
Our EPS estimates remain unchanged

EPS Estimates	**2018A**	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
SJI - Utilities								
SJG	$0.98	$0.95	$1.13	$1.08	$1.06	$1.11	$1.09	$1.13
Elizabethtown	$0.00	$0.38	$0.49	$0.53	$0.53	$0.57	$0.58	$0.59
Total Utilities	**$0.98**	**$1.32**	**$1.62**	**$1.61**	**$1.60**	**$1.67**	**$1.68**	**$1.72**
Guidance								
Non-Utility								
SJEG	$0.50	$0.10	$0.25	$0.18	$0.16	$0.16	$0.15	$0.15
SJES	($0.01)	$0.00	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02
SJES - Solar			$0.16	$0.09	$0.08	$0.07	$0.05	$0.04
RNG				$0.10	$0.18	$0.26	$0.33	$0.39
Midstream		$0.05	$0.04	$0.06	$0.06	$0.08	$0.08	$0.07
Total Energy	**$0.50**	**$0.10**	**$0.47**	**$0.45**	**$0.50**	**$0.58**	**$0.62**	**$0.66**
Guidance								
Parent & Other	($1.33)	($0.91)	($0.42)	($0.44)	($0.36)	($0.35)	($0.26)	($0.26)
Guidance								
Consolidated	**$1.38**	**$1.12**	**$1.68**	**$1.63**	**$1.74**	**$1.90**	**$2.03**	**$2.12**
Prior Estimate			**1.68**	**1.63**	**1.74**	**1.90**	**2.03**	**2.12**
Consensus		**1.11**	**1.58**	**1.62**	**1.69**	**1.78**	**1.89**	
Consensus '21-24 CAGR		***3.0%***						
BofA CAGR '21-25		**6.9%**						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO remains at $27

Our PO remains unchanged at $27 as we mark-to-market our most recent FY23 peer utility P/E multiple of 15.7x (from 16.5x) and now apply a 1x premium to the NJ utilities to account for likely constructive IIP result driven by continued settlement discussion as well as the potential for incremental spending. Our assumed ROE for RNG remains at 21.5% based on SJI's math - $7M in capex, assume 50/50 capital structure, and net income of $0.75M equals ROE of 21.5%. Our implied EV/EBITDA for RNG remains at ~12x. We continue to model phase one of PennEast and maintain the probability of completion at 50% given the favorable SCOTUS decision.

Exhibit 21: SJI SOTP Analysis
PO remains at $27 on latest tweaks

South Jersey Industries (SJI)	**Metric**			**P/E Multiple**				**Equity Value**		
					Prem/					
South Jersey Industries (SJI)	*2023E EPS*		*Low*	*Peer*	*Discount*	*Base*	*High*	*Low*	*Base*	*High*
Gas	-	-	-	**15.7x**	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas				**5.0%**						
	-	-	-		-	-	-	-	-	-
	-	-	-	**16.5x**	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
South Jersey Gas (SJG)	$1.11	138	16.5x	16.5x	**1.0x**	17.5x	18.5x	$18.3	$19.4	$20.5
Elizabethtown Gas (ETG)	$0.57	71	16.5x	16.5x	**1.0x**	17.5x	18.5x	$9.3	$9.9	$10.5
Total SJI Utilities	**$1.67**		*16.5x*			*17.5x*	*18.5x*	**$27.6**	**$29.3**	**$31.0**
					Prem/					
				Peer	*Discount*	*Base*	*High*	*Low*	*Base*	*High*
				12.0x						
	2023E EPS									
Energy Group	$0.16		11.0x		**0.0x**	12.0x	13.0x	$1.8	$1.9	$2.1
Energy Services	$0.02		11.0x		**0.0x**	12.0x	13.0x	$0.2	$0.2	$0.2
Solar	$0.07									
	NPV									
Solar NPV of tax credits @ 4.5% discount rate	$99							$0.8	$0.8	$0.8

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	2023E EBITDA	Implied Multiple -->	EV/EBITDA	Discount Rate	NPV of Cash Flows
RNG	$45		12.0x	7.4%	$541.4

Total SJI Energy Group and Services	**$0.25**		*28.7x*			*29.5x*	*30.2x*	**$7.08**	**$7.26**	**$7.44**
SJI Midstream	**Metric**			**EV/EBITDA**					**Equity Value**	
	EBITDA		*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
				9.5x						
			8.5x	9.5x	**0.0x**	9.5x	10.5x			
Midstream - Penn East	$21		Probability		*50%*			$90	$100	$111
Less Net Debt								($38)	($38)	($38)
Total Midstream	**$21**							**$51**	**$62**	**$72**
Net Midstream Value Per Share								**$0.4**	**$0.5**	**$0.6**
		($Mn)			*Weight*					
Parent Net Debt		$2,072			*50%*			($1,036)	($1,036)	($1,036)
Add back: Parent Interest Exp	$0.35	$43	16.5x	17.5x	*50%*	17.5x	18.5x	$379	$379	$379
Parent SG&A drag	-$0.28	($35)	16.5x	17.5x	*100%*	17.5x	18.5x	($608)	($608)	($608)
Total Parent								**($1,265)**	**($1,265)**	**($1,265)**
Grand Total Equity Value								**$25.0**	**$27.0**	**$29.0**
Shares Outstanding 2023E									125	
Total Equity Value								**$25.00**	**$27.00**	**$29.00**
Current Price									$25.24	
NTM Dividend Yield									4.7%	
Total Return Potential									**11.7%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

South Jersey Industries	Primary Author	Date Published
US Electric Utilities & IPPs: AGA Conference Takes: Affirming Demand Upside; Hold the Inflation Concerns (https://rsch.baml.com/r?q=0zH8VrGvKd4j4YgTvzUVDQ)	Julien Dumoulin-Smith	20 May 2021
South Jersey Industries: LT Plan Outlined with Robust RNG Spend... Now we Turn to Execution (https://rsch.baml.com/r?q=YcDXM5qOI3SdJkVUIGhOug)	Julien Dumoulin-Smith	07 May 2021
South Jersey Industries: Upgrade to Buy; Analyst Day Reboot Should Highlight NJ's RNG Angle & More (https://rsch.baml.com/r?q=ugn6kbCUeTcuqxPK1GG2PQ)	Julien Dumoulin-Smith	28 April 2021

Spire (SR)

SR: A good platform to tout STL pipeline benefits

We expect management to dedicate a significant portion of the call to address the recent DC Circuit Court decision to vacate and remand the FERC certificate for STL pipeline, and tout the benefits of supply diversity (much like they did in front of the Missouri Public Service Commission [MoPSC] recently). SR could file for rehearing by the call and we expect that they would argue to include data since the pipeline has been online. The MO rate case is ongoing and hearings will start prior to the call where we continue to see the potential for at least a partial settlement. Though STL will likely be an overhang on shares for now, we reiterate Buy on a 12-month horizon as we could still see positive Street EPS revisions and rate case de-risking in MO re-rating shares higher on balance, further supported by incremental opportunities as management rolls out its RNG strategy.

Key Call Topics: STL Pipeline; MO rate case

STL pipeline has a cloudy path ahead; management will likely pitch the benefits

Management will likely spend time addressing the DC Circuit Court of Appeals opinion vacating the certificate of public convenience and necessity (CPCN) for SR's STL Pipeline and remanding the case back to FERC for further proceedings. SR must file for rehearing with the DC Circuit Court by Aug. 6, and we believe the company will file prior to that date to provide an opportunity to discuss the filing, the case, and the benefits that the pipe has provided since it was placed in service on their F3Q21 earnings call on Aug. 5. The debate will remain whether new facts are considered in appellate venue.

There are two paths on the Court's decision on rehearing, 1) the Court accepts SR's request and the stay remains in effect (i.e. the pipeline remains operational), or 2) the court rejects the request and the vactaur takes effect after seven days and the pipeline would have to cease operations. In the event of the latter, SR would have to file for an emergency certificate from FERC to keep the pipeline open. Based upon FERC Chairman Glick's public comments on natural gas pipelines, that will be a difficult venue.

We find that it will be critical for SR to build a coalition of supporters to show FERC that there is need for the pipe as evidenced by SR's recent presentation on the benefits and criticality of the pipe. SR continues to tout the diversity of supply that the pipe brings to the region and the support that it provided the system during the Feb. winter freeze. The MoPSC could be a strong advocate which could lead to support from FERC. We continue to believe that historical opposition from Chair Glick that the affiliate/need issues will be addressed prospectively rather than via STL given the more disruptive implications of shutting an operating pipeline. STL shutdown remains a risk but we emphasize the relatively low contribution vs consolidated (see below).

MO rate case is the other key watch item and is more important to the outlook

We continue to believe that there is an opportunity for settlement in SR's MO rate case, or partial settlement, ahead of hearings that start next Monday, July 26. The bid/ask on ROE and cap structure between SR's request and Staff/Office of Public Counsel's position is narrow. Staff recommends a 9.37% ROE and 54.25% equity layer while the OPC recommends a 9.25% ROE and 47.37% equity layer (vs ask of 9.95% ROE and 54.25% equity layer). *We find the low delta as supportive of a potential full settlement between parties in time.*

SR F3Q21 Earnings Walk: Miss and Reaffirm

Fiscal 3Q results are not overly meaningful with SR historically losing money or breaking even in the shoulder period. We forecast F3Q21 adjusted loss per share of -$0.02 compared to 2Q20 EPS of $0.07, consensus estimates of $0.01.

- **Key Drivers:** We forecast a decrease in EPS YoY with higher D&A (-$0.11) and the drag from Gas Marketing as management rebuilds reserves from Uri (-$0.05) too large to overcome with utility rate relief in the shoulder period.
- **Swing factors:** Customer growth has been a factor of late especially in the south. Given Winter Storm Uri and SR's monetization of reserves, we expect marketing to be a drag (-$0.05) on the quarter as SR rebuilds its reserves at higher gas prices YoY, but the exact impact is unclear.

Exhibit 22: SR F3Q21 Earnings Walk
We forecast a miss on marketing drag YoY

SR Fiscal 3Q21 Earnings Walk	EPS
SR Fiscal 3Q20 EPS	$0.07

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Utilities	**-$0.05**
Weather - normalize from fiscal 1Q20	$0.00
Weather- fiscal 1Q21	$0.00
Rate implementation/rate base growth:	
MO	0.07
AL	0.01
Gulf/MS	0.005
D&A	-0.11
O&M	-0.03
Lost Fees	0.00
Customer Growth	0.01
Taxes & Other	0.00
Storage and Pipeline	**$0.01**
STL Pipeline	0.00
Storage	0.01
Marketing	**-$0.05**
Marketing	-0.05
Parent	**$0.00**
Interest expense	0.00
Equity Units	-0.01
Dilution	0.00
SR Fiscal 3Q21 BofA Adjusted EPS	**-$0.02**
Fiscal 2Q21 Consensus	0.01
BofA 2021 EPS	**$4.42**
Guidance	**4.30-4.50**
2021 Consensus	4.44
SR Fiscal 3Q21 Shares Outstanding	51.9
SR Fiscal 3Q20 Shares Outstanding	51.2

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates unchanged. Street conservative '22-'23

Our EPS estimates remain unchanged as we do not assume that STL pipeline will be taken out of service at this time. This poses downside risk to our estimates at roughly $0.20/year (or ~1.7% of our consolidated EPS estimate in '21 assuming worst case scenario it is taken offline in mid-August and ~4.4% and ~4.2% in '22 and '23, respectively). We await further clarity on whether or not the pipe is actually taken out of service, but, again, note that we believe taking supply offline would spark a sharp response from Missouri among other states exposed post winter storm Uri, especially through the winter season where more severe weather could pose increased risks to the system without adequate and diversified supply.

We see growth toward the midpoint of the LT EPS CAGR range of 5-7%, but could see this revised higher through incremental spending opportunities.

Exhibit 23: SR EPS Estimates
Our EPS estimates remain unchanged on our latest tweaks - still see growth near the midpoint

EPS Estimates	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Spire - Utilities							
Spire Missouri			$2.77	$3.11	$3.24	$3.30	$3.35
Spire Alabama			$1.34	$1.41	$1.48	$1.52	$1.57
Spire Gulf			$0.23	$0.24	$0.25	$0.25	$0.26
Spire Mississippi			$0.03	$0.03	$0.03	$0.03	$0.03
Total Utilities	**$3.93**	**$4.16**	**$4.37**	**$4.78**	**$4.99**	**$5.10**	**$5.21**
Spire - Marketing	**$0.38**	**$0.18**	**$0.65**	**$0.36**	**$0.36**	**$0.35**	**$0.33**
Spire - STL Pipeline			$0.20	$0.20	$0.20	$0.19	$0.18
Spire - STL Storage			$0.00	($0.00)	$0.00	$0.00	$0.00
Other Parent			($0.80)	($0.78)	($0.77)	($0.74)	($0.69)
Total Other	**($0.59)**	**($0.58)**	**($0.59)**	**($0.58)**	**($0.57)**	**($0.54)**	**($0.51)**
Consolidated	**$3.73**	**$3.76**	**$4.42**	**$4.56**	**$4.79**	**$4.90**	**$5.03**
Guidance			4.30-4.50				
Previous EPS	***$3.73***	***$3.76***	***$4.42***	***$4.56***			
Implied Mgmt EPS Guidance 5-7% (2019 base)							
Guidance Low (implied off '19)			$4.00	$4.32	$4.53	$4.76	
Guidance High (implied off '19)			$4.20	$4.57	$4.89	$5.23	
Guidance Midpoint			$4.10	$4.44	$4.71	$5.00	
Consensus	**3.75**	**3.74**	**4.44**	**4.43**	**4.68**	**4.92**	
Consensus '19-'24 CAGR	***5.7%***						
BofAe CAGR 2019-2024	**5.6%**						
DPS	**2.37**	**2.49**	**2.61**	**2.74**	**2.88**	**3.02**	**3.18**
Share Count	**51**	**51**	**52**	**53**	**54**	**56**	**58**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO to $77

Our PO moves to $77 (from $78) as we mark to market (MtM) '23E peer utility P/E multiples of 15.7x (from 15.9x). We continue to probability weight the STL pipeline by 50% in our valuation on an uncertain path forward. Fully-weighted, STL pipeline accounts for ~$4.24/share in our valuation. We continue to apply a 1x premium on MO to account for growth potential and supportive ISRS recovery partially offset by supply risk from STL being offline.

We continue to see attractive 12%+ potential total return on our SOTP analysis following the recent STL-related weakness and reiterate our Buy rating on healthy, low-risk capital spending driving solid rate base and EPS growth.

Exhibit 24: SR SOTP Analysis
Our PO moves to $77 (from $78) on latest MtM

	Metric	**P/E Multiple**					**Equity Value**		
Spire	*2023E*	*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Gas			**15.7x**						
Group EPS '19-'23 CAGR - Gas			**5.0%**						
			16.5x						
Spire - MO	$3.24	16.5x	16.5x	**1.0x**	17.5x	18.5x	$53	$57	$60
Spire - AL	$1.48	17.5x	16.5x	**2.0x**	18.5x	19.5x	$26	$27	$29
Spire - MS	$0.25	17.5x	16.5x	**2.0x**	18.5x	19.5x	$4	$5	$5
Spire - Gulf	$0.03	17.5x	16.5x	**2.0x**	18.5x	19.5x	$1	$1	$1

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Total Spire Utilities	**$4.99**		*16.8x*			*17.8x*	*18.8x*	**$84**	**$89**	**$94**
Spire Midstream	**Metric**				**EV/EBITDA**			**Equity Value**		
	EBITDA	*Prob*	*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Midstream - Pipeline, Storage & Marketing		-	-	**9.5x**						
Spire STL Pipeline	$24	50%	8.5x	9.5x	**0.0x**	9.5x	10.5x	$102	$114	$126
Spire Storage	$3	100%	4.5x	9.5x	**-4.0x**	5.5x	6.5x	$16	$19	$22
Spire Marketing	$24	100%	4.5x	9.5x	**-4.0x**	5.5x	6.5x	$110	$134	$158
Less Net Debt	-							($103)	($103)	($103)
Total Midstream	**$52**							**$124**	**$164**	**$204**
Net Midstream Value Per Share								**$2**	**$3**	**$4**
		($Mn)			*Weight*					
Parent Net Debt		**$637**			*50%*				($319)	
Parent & Other Drag	-$0.77	($41)		17.8x					($738)	-
Add back: Parent Interest Expense	$0.47	$25		17.8x	*50%*				$227	-
Total Parent								**($829)**	**($829)**	**($829)**
Grand Total Equity Value								**$71.00**	**$77.00**	**$83.00**
Shares Outstanding 2023E									54	
Total Equity Value								**$71.00**	**$77.00**	**$83.00**
Current Price									$71.26	
NTM Dividend Yield									3.7%	
Total Return										
Potential									**11.7%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

Spire	Primary Author	Date Published
Spire: STL Saga; It's early with a lot of hypotheticals out there (https://rsch.baml.com/r?q=8NGGqTRopVSfNjwMRmXLHg)	Julien Dumoulin-Smith	30 June 2021
Spire: DC Circuit vacates STL Pipe certificate; disappointing, path ahead unclear (https://rsch.baml.com/r?q=X7wj8DklwTI2H0Agtx3aXQ)	Julien Dumoulin-Smith	23 June 2021
Spire: Emerges as an industry leading LDC thru Feb events; May should de-risk further (https://rsch.baml.com/r?q=ZLIjIZ1Rnk931fY7Zg15wg)	Julien Dumoulin-Smith	10 May 2021

Southwest Gas Holdings (SWX)

SWX: Focus on RDC deal though details sparse until close

We reiterate Neutral based on the recently announced Riggs Distler (RDC) deal and our view that the AZ tracker reconciliation filing will not be as much of a contentious point as we previously thought. Our focus for AZ, SWX's largest jurisdiction, is the upcoming rate case to be filed in late '21 or early '22 and the Commission process to evaluate their treatment of post-test year plant (PTYP). Success could be constructive by reducing utilities' regulatory lag and the frequency of rate cases but the Commission has been too unpredictable to ascribe credit. We expect focus on the call to be centered on the recently announced acquisition of infrastructure services company, RDC, but caution investors from expecting incremental disclosure from what was detailed with deal announcement as they await transaction close.

Key Call Topics: Riggs Distler acquisition, AZ regulatory

Await additional disclosure around the RDC deal, but find

In late June SWX announced the acquisition of Riggs Distler (RDC), an infrastructure services company that serves utilities, for $855M in cash **100% funded by Centuri debt**. Management sees ~$600M in revenue growth at RDC from 2020 to 2024, or 22% CAGR with growth supported at the core by its electric utility transmission and distribution (T&D) work, which has a tailwind in the Northeast and Mid-Atlantic as utilities look to modernize and harden the grid following a number of recent, devastating storm, and has a number of intriguing additional opportunities for growth in 5G and renewables projects, specifically in the burgeoning offshore wind industry. Expect more detail and clarification on the drivers behind the growth assumptions during the call.

We think the deal improves the optionality for a spin or other strategic opportunity. For example it is clear from the modest upside we see in our SOTP that SWX may not be getting full credit for the business in its valuation. That said, we do not see management acting on this in the short-to-medium-term given as the company likely wants to realize some of the benefits of the deal and integrate the company with its legacy infrastructure services company, Centuri, prior to a potential divestiture. *See more details on our assumptions and thoughts in our recent upgrade note* - Southwest Gas Holdings: Move to Neutral: Infra acquisition lowers AZ exposure, increases strategic opps 30 June 2021 (https://rsch.baml.com/r?q=dKs5mq1TNF05mRI29PnjWA)

AZ continues to be key to watch; puts and takes here

At the end of May, SWX filed applications to recover outstanding revenue requirement for both the Customer-Owned Yardline (COYL) Program and Vintage Steel Pipe (VSP) Replacement Program. Staff will file their recommendation in the summer and the Commission will consider both sides before coming to a conclusion (potentially in the ~Oct. timeframe). *We are less concerned on the immediate filing given the capital has already been spent and Staff asked them to defer recovery of the spending during the pandemic to seek recovery of it when it would have less of an impact on customers.*

We note the parallel process initiated by Chairwomen Peterson to look at the Commission's treatment of PTYP and, as a reminder, comments were recently filed and all were to be expected from parties. SWX will be filing another general rate case around the end of the year, initiating a renewed period of uncertainty.

We maintain our caution on the AZ backdrop following latest decisions from the ACC. While rejecting recovery of basic cost recovery rider for energy efficiency for SWX's electric peer APS, we see another difficult year in persuading the commission on merits of trackers, particularly considering the overall bill commitments commented on by the ACC in recent months.

SWX 2Q21 Earnings Walk: Beat and No Guidance

We forecast 2Q21 adjusted EPS of $0.50 -10% vs $0.45 Street and meaningfully lower YoY from 2Q20 EPS $0.68. We note management removed FY21 EPS guidance when they announced the acquisition of RDC as they await details on the impact for the year.

- **Key Drivers:** We forecast a decrease in EPS YoY driven by new rates in all jurisdictions (+$0.13) and customer growth (+$0.05), and lower interest expense of (+$0.01). This is more offset by loss of COLI (-$0.17), higher O&M (-$0.07), and higher D&A (-$0.05).
- **Swing factors:** COLI impact for the quarter is unknown, but going forward, the volatility and change YoY should be reduced based on management move toward more fixed income vs equities.

Exhibit 25: SWX 2Q21 Earnings Walk
See beat but continue to see lower '21 EPS on the RDC deal

SWX 2Q21 Earnings Walk	**EPS**
SWX 2Q20 EPS	0.68
Weather - normalize from 4Q19	$0.00
Weather- 4Q20	$0.00
Utilities	**-$0.11**
Rate implementation:	

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AZ	0.07
NV	0.05
CA	0.01
Riders	0.00
D&A	-0.05
O&M	-0.07
COLI	-0.17
Customer Growth	0.05
Centuri	**-$0.01**
Operating Margin	0.01
NCI	-0.02
Other	**-$0.06**
Interest expense	-0.02
Dilution	-0.04
SWX 2Q BofAe Adjusted EPS	**$0.50**
Consensus	0.45
BofAe 2021 EPS	**3.96**
2021 Guidance	**N/A**
2021 Consensus	4.14
SWX 2Q21 Shares Outstanding	59
SWX 2Q20 Shares Outstanding	56
Tax Rate	22%

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; modestly higher in outer years

Our EPS estimates increase by the contribution from RDC. Execution on regulatory matters and growth for RDC will be key to EPS estimates going forward. We include RDC into our estimates, but note that we are still awaiting detail on some key assumptions, specifically more detail on the financing, depreciation, capex outlook, etc.). **We see $0.36 of EPS in '22 (or ~9% accretion to our previous estimates) as we model management** assumptions around revenue growth and EBITDA. In the cases where we do not have detail (debt balance and D&A) we use reasonable assumptions based on market rates and use Centuri as a proxy. We await key detail on multiple assumptions that will allow us to fine tune our estimates - expect more clarity in Q3 on deal close. BofA is well below Street in 2021, likely due to timing considerations on the acquisition, but is in-line FY22-23.

Additionally, we stress that timing of the next full rate case filing will also be a key driver to 2022/2023 EPS, although we currently assume new rates into late-2022/2023 based on a ~12 month proceeding following a late 2021 filing.

Exhibit 26: SWX EPS Estimates
Our EPS estimates increase modestly over the forecast period based on improved earned ROEs at AZ vs prior assumption

EPS Estimates	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E
Southwest Gas Holdings, Inc. (SWX)								
Arizona			1.19	1.37	1.22	1.42	1.50	1.58
Nevada			1.13	1.11	1.10	1.15	1.28	1.33
California			0.27	0.34	0.39	0.44	0.49	0.53
Pauite Pipeline Company			0.15	0.16	0.16	0.16	0.17	0.17
Total Utility (Gas LDC & Pipeline)	**2.81**	**3.00**	**2.84**	**2.97**	**2.86**	**3.18**	**3.43**	**3.61**
Non-Utility (Utility Infrastructure Services)	**0.91**	**0.96**	**1.34**	**1.12**	**1.58**	**1.68**	**1.80**	**1.91**
Other - Corporate & Administrative	**(0.03)**	**(0.03)**	**(0.03)**	**(0.12)**	**(0.10)**	**(0.10)**	**(0.10)**	**(0.11)**
Consolidated EPS	**3.68**	**3.94**	**4.14**	**3.96**	**4.35**	**4.76**	**5.13**	**5.41**
Mgmt EPS Guidance								
Guidance Low		$3.60	$3.75					
Guidance High		$3.80	$4.00					
Guidance Midpoint		$3.70	$3.88					
Prior Estimate			**4.14**	**3.96**	**4.32**			
Consensus			**3.95**	**4.14**	**4.35**	**4.72**		
BofA RB CAGR 2020-2024		**8.1%**						
RB CAGR 2020-2024 Guidance		**+8.6%**						
Consensus '19-'22 EPS CAGR		***3.3%***						
BofA '19-'22 EPS CAGR		**3.4%**						
BofA '20-'23 EPS CAGR		**4.7%**						
BofA '20-'24 EPS CAGR		**5.5%**						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Valuation; PO remains at $69

Our PO remains at $69 as we adjust our HoldCo debt assumptions. We see ~$0.36 of EPS from RDC in '22, or 9% accretion to our est. prior to the announcement. We mark-to-market of FY23E peer utility P/E multiples of 15.7x (from 15.9x). We continue to apply a 2.5x discount to AZ as we view the tracker filing as likely less contentious than previously thought though we continue to view the state as one of the most customer-centric, utility-restrictive jurisdictions. We mark our Centuri valuation to peers PWR and MTZ FY23 EV/EBITDA of 8.8x (from 9.2x).

Exhibit 27: SWX SOTP Analysis
Our PO remains at $69 on our latest tweaks

Southwest Gas Holdings, Inc. (SWX)	Metric		P/E Multiple					Equity Value		
	2023E		Low	Peer	Prem (Disc)	Base	High	Low	Base	High
Gas Utility				**15.7x**						
Group EPS '19-'23 CAGR - Gas				*5.0%*						
Assigned Multiple				**16.5x**						
Natural Gas Operations (Utility)	**EPS**									
Arizona	$ 1.42		13.0x	16.5x	-2.5x	14.0x	15.0x	$18.49	$19.92	$21.34
Nevada	$ 1.15		14.5x	16.5x	-1.0x	15.5x	16.5x	$16.73	$17.88	$19.04
California	$ 0.44		14.5x	16.5x	-1.0x	15.5x	16.5x	$6.36	$6.80	$7.24
Total State Regulated Utilities	**$ 3.02**		**13.8x**			**14.8x**	**15.8x**	**$41.58**	**$44.60**	**$47.62**
					Peer EV/EBITDA					
Pipeline (FERC Regulated)	**EPS**	**EBITDA ($mn)**	Low	**Peer**	Prem (Disc)	Base	High			
Pauite Pipeline Company	$ 0.16	27.9	8.5x	**9.5x**	0.0x	9.5x	10.5x	237	265	293
Less: Net Debt								(71)	(71)	(71)
Implied Equity Value								**166**	**194**	**222**
Implied Equity Value Per Share								**$2.63**	**$3.07**	**$3.51**

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Total Natural Gas Operations	**$ 3.18**							**$44.21**	**$47.67**	**$51.13**
Utility Infrastructure Services (Non-Regulated)		**EBITDA**	Low	**Peer**	Prem (Disc)	Base	High			
Utility Infrastructure Services	$ 1.68	361.2	7.8x	**8.8x**	0.0x	8.8x	9.8x	2,818	3,179	3,540
Less: Net Debt								(1,617)	(1,617)	(1,617)
Implied Equity Value								**1,200**	**1,561**	**1,923**
Infrastructure Equity Value Per Share								**$19.02**	**$24.74**	**$30.47**
Other - Corporate & Admin.										
Other - Corporate & Admin.	$ (0.10)		13.8x	**16.5x**	0.0x	14.8x	15.8x	-$1.41	-$1.51	-$1.62
				Weight						
Parent Net Debt	348.0			*50%*				($2.8)	($2.8)	($2.8)
Parent Interest Exp	$ 0.17			*50%*	15.5x			$1.3	$1.3	$1.3
Total Parent								**-$2.82**	**-$2.92**	**-$3.03**
Shares O/S (mn)									63	
SWX Total Equity Value	$ 4.76							**$60.0**	**$69.0**	**$79.0**
Implied Consolidated P/E									*14.5x*	
Current Price									*$69.42*	
Dividend Yield									3.2%	
Total Return Potential									**2.6%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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BofA Global Research Reports

Southwest Gas Holdings	Primary Author	Date Published
Southwest Gas Holdings: Move to Neutral: Infra acquisition lowers AZ exposure, increases strategic opps (https://rsch.baml.com/r?q=dKs5mq1TNF05mRI29PnjWA)	Julien Dumoulin-Smith	30 June 2021
Southwest Gas Holdings: AZ Overhang Continues, Can The Construct Improve? To Be Seen (https://rsch.baml.com/r?q=Twllc-IEll51wAKHkbm4YA)	Julien Dumoulin-Smith	14 June 2021

UGI Corp (UGI)

UGI: Mild updated following investor day

We are expecting a mild update post-investor day in late-Jun. We will be watching for 1) increased clarity around UGI's renewables pipeline where we see a range of potential avenues for expansion in renewables above the $1B+ target given the numerous end markets UGI operates in domestically and abroad and 2) any additional clarity around ROE assumptions of 10%+. We would like to see more clarity on the segment level contribution to management's growth projections, but understand the difficultly therein. The Mountaineer Gas transaction is progressing through the regulatory process with many parties citing their perceived benefits of the deal - we find this supportive. Reiterate Buy.

Key Call Topics: Renewables, Mountaineer

Renewables are key to the story from here

UGI recently announced a proposed JV with SHV Energy to advance the production and distribution of Renewable Dimethyl Ether (rDME) which is working through formal regulatory process with ~YE21 expected close. *Expect some update on how the regulatory process is proceeding here.* There is good line of sight on the first project of six over the next five years totaling $1B in investment (split 50/50 between partners with the ability for third-party investment as desired), and as the first project starts to crystalize, the other five will gain some clarity. These rDME agreements are typically 1-5 years contracts. On balance, rDME is less sensitive to market dynamics such as RINS credits and appears to produce a potentially better long-term return.

We have seen increased momentum of late and expect this to only accelerate through time, though management has stated it is difficult to pin down the exact timeline for investment. We expect to have more clarity on this in time as UGI gains experience and projects become more predictable. This remains a key question into 2022 and 2023 as we look towards initial project contributions. We also watch the risk profile of renewable investments here too - as management looks towards contracting RNG vs selling more spot on Renewable Identification Numbers (RINS) and Low Carbon Fuel Standard (LCFS) credits.

See our most recent note for more detail on the renewables strategy - UGI Corp.: Upgrading to Buy: Renewable Gas Upsides of All Flavors Drive Highest Growth 23 June 2021 (https://rsch.baml.com/r?q=AMDarYS-iACP9MIvTIOkRA)

Parties are complementary of Mountaineer transaction

Generally supportive testimony was filed in the WV pending UGI-Mountaineer Gas acquisition docket in early July from important parties including the West Virginia Public Service Commission Staff, energy groups, and workers advocates. UGI's ability to attract lower cost capital and accelerate infrastructure replacement spending to support job growth was highlighted in particular. Other parties highlighted that there be no adverse impact to customers from the transaction (i.e. no transaction-related costs be recovered in rates). *The UGI-Mountaineer transaction was viewed as low risk and we are incrementally favorable following better than expected intervenor testimony. We think adding low risk regulated utility earnings to the diversified UGI mix should dampen weather volatility and support broader credit considerations, in addition to earnings accretion.*

UGI F3Q21 Earnings Walk: Miss and Reaffirm

We forecast F3Q21 adjusted EPS of $0.08 compared to F3Q20 EPS of $0.08, consensus estimates of $0.10. Our FY21 EPS estimate remains at the top-end of management's revised guidance range $2.97 BofA/$3.00 Street vs $2.90-$3.00 guidance.

- **Key Drivers:** We forecast flat EPS YoY driven by new rates in PA (+$0.04), other/COVID impact reversal (+$0.07), and improvement in UGI Intl. driven by return to more normal weather (+$0.01). This is completely offset by return to more normal weather at the utilities (-$0.04), higher O&M (-$0.03), and higher D&A (-$0.02).
- **Swing factors:** Where weather will come in will impact our estimates as we forecast mild/normal heating degree days (HDD) for the quarter. Margins at LPG should be slightly better given propane prices, but we feel this will be offset by lower volumes and cylinders with some degree of reopening normalization. We will be watching O&M more generally as well.

Exhibit 28: UGI F3Q21 Earnings Walk
We see a slight miss driven by seasonality of LPG and weather

UGI Fiscal 3Q21 Earnings Walk	**EPS**
UGI Fiscal 3Q20 EPS	0.08
Weather - normalize from Fiscal 3Q20	-$0.04
Weather- Fiscal 3Q21	$0.00
Utility	**$0.00**
Rate implementation:	
PA	0.04
WV (acquired in fiscal 2Q21)	0.00
Riders	0.00
D&A	-0.02
O&M	-0.03
Customer Growth	0.01

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Amerigas (US Propane)	**-$0.02**
Operating Income	-0.02
Interest Expense/Other	0.00
UGI International (Intl Propane)	**$0.01**
UGI INTL	0.01
Interest Expense/Other	0.00
Midstream & Marketing	**-$0.02**
Operating Income	-0.02
Interest Expense/Other	0.00
Renewables	**$0.00**
Operating Income	0.00
Interest Expense/Other	0.00
Other	**$0.07**
Interest expense	0.00
Dilution	0.00
Other/COVID	0.07
Fiscal 3Q21 BofAe Adjusted EPS	**$0.08**
Consensus	0.10
BofAe 2021 EPS	**$2.97**
2021 Guidance	**2.90-3.00**
2021 Consensus	3.00
UGI Fiscal 3Q21 Shares Outstanding	126
UGI Fiscal 3Q20 Shares Outstanding	120

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; unchanged at top of range

Our EPS estimates for FY21-FY25 remain unchanged following our most recent updated post-investor day. We continue to see a ~9.3% EPS CAGR through the FY20-FY25 forecast period using the midpoint of original FY20 EPS guidance of $2.75 vs guidance of +6-10%. We acknowledge that our long-term EPS CAGR is at the high end of guidance, but our estimates include an 11% EPS CAGR (more weighted to the out years) at midstream that is driven by execution at Columbia Midstream Group (CMG) and PennEast and our bullish assumption on growth at the renewables segment.

We stress that ROEs on these renewables investments could see upward bias based on market prices for LCFS credits and RINs. We also still see bias towards higher ROEs given our view that management is being conservative on its pricing assumptions altogether, especially for projects already in the works (Idaho, NY) that conceivably could come online in time to monetize higher-priced credits.

At the utility, we continue to assume LT EPS growth of ~9% given elevated rate base growth with minimal bill inflation. At the propane businesses, we see a 6% LT EPS CAGR at Amerigas and 2% EPS CAGR at UGI International.

Our 9.3% LT EPS CAGR is among the best for any LDC or utility peer out there, we see this underpinned by strong growth at the utility and an aggressive push into renewables.

Exhibit 29: UGI EPS Estimates
Our EPS estimates remain unchanged following our most recent update post-investor day

EPS Estimates	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
AmeriGas Propane		$0.74	$0.87	$0.78	$0.76	$0.89	$1.01
UGI International		$0.82	$0.83	$0.85	$0.87	$0.89	$0.91
Midstream & Marketing		$0.44	$0.54	$0.60	$0.67	$0.70	$0.73
UGI Utilities		$0.65	$0.69	$0.75	$0.83	$0.91	$1.01
Renewable Energy Solutions (RNG)			$0.07	$0.20	$0.35	$0.51	$0.66
Corporate & Other		$0.02	($0.02)	($0.02)	($0.02)	($0.02)	($0.02)
TOTAL Consolidated EPS	**$2.28**	**$2.67**	**$2.97**	**$3.15**	**$3.46**	**$3.87**	**$4.30**
Guidance Low		$2.45	$2.90	$3.09	$3.28	$3.50	$3.68
Guidance High		$2.55	$3.00	$3.33	$3.66	$4.00	$4.43
Midpoint			$2.95	$3.21	$3.47	$3.75	$4.05
Guidance - EPS Growth Rate - Long Term				*6-10%*			
Shares O/S	181.1	209.9	212.5	212.5	212.5	212.5	212.5
Prior Estimate		2.67	2.96	3.11	3.37	3.75	4.15
Consensus	**2.34**	**2.48**	**3.00**	**3.23**	**3.42**		
Consensus '20-'23 CAGR	***7.5%***						
BofAe CAGR 2020-2025 (off '20 $2.75 original mid-point)	**9.3%**						
Guidance LT EPS CAGR	6-10%						
DPS	**1.15**	**1.31**	**1.35**	**1.40**	**1.46**	**1.51**	**1.58**
Guidance - DPS Growth Rate - Long Term				4% DPS CAGR Target			
Dividend Pay-out	**50%**	**49%**	**45%**	**44%**	**42%**	**39%**	**37%**
Guidance - Payout				35%-45% Target			

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Valuation; PO unchanged at $51

Our PO remains at $51 after marking to market the UGI utilities in our SOTP valuation with '23E peer P/E multiples to 15.7x (from 16.4x) for gas and 17.6x (from 17.8x) for electric with a 1x premium on gas given derisked backdrop post rate case and healthy rate base growth.

For US and International propane, we apply an 8.7x EBITDA multiple (unchanged), in line with other propane comps and add a 0.5x premium on International given our view that the push into bioLPG and rDME will assuage broader decarbonization concerns and potentially drive outsized growth. We apply a 9.2x EV/multiple (from 9.5x) on the Midstream segment with premiums depending on the asset and we now include a 1x premium for CMG given management's constructive comments on the investor day. Note that we continue to weight CMG and PennEast at 50% and 50% probability, respectively, given the uncertainty around execution.

For the renewables business, we take the NPV of future cash flows, which implies about a 13+x EV/EBITDA multiple (in line to slightly higher than our valuation to peers such as SJI and the small sample set of publicly-traded RNG). We see the renewables growth as the single largest driver of the story and we see shares rerating higher as UGI integrates the renewables spending into its medium-term EPS guidance and starts to execute on renewables projects.

Exhibit 30: UGI SOTP Analysis
PO remains at $51 on latest tweaks

UGI Corp SOTP Analysis									
UGI Utilities	**Metric**	**P/E Multiple**					**Equity Value**		
	2023 EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Gas Utility			**15.7x**						

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Group EPS '19-'23 CAGR - Gas				**5%**						
UGI Utilities (Gas LDC)	$0.75		16.5x	**16.5x**	**1.0x**	17.5x	18.5x	**$2,639**	**$2,799**	**$2,959**
Electric Utility				**17.6x**						
Group EPS '19-'23 CAGR - Electric				**5%**						
UGI Utilities (Electric <10% of Utility EPS)	$0.07		17.5x	**18.5x**	**0.0x**	18.5x	19.5x	**$277**	**$293**	**$308**
UGI Utilities - Equity Value Per Share	**$0.83**		16.6x			17.6x	18.6x	**$14**	**$15**	**$15**
Global LPG	**Metric**			**EV/EBITDA**					**Equity Value**	
Amerigas Propane (U.S. Propane)										
	2023 EBITDA		Low	Peer	Prem/ Discount	Base	High	Low	Base	High
				8.7x						
	$651		7.7x	8.7x	**0.0x**	8.7x	9.7x			
AmeriGas Propane - Equity Value								$5,016	$5,668	$6,319
Less: Amerigas Propane Debt								($3,162)	($3,162)	($3,162)
Amerigas Propane - Equity Value								$1,854	$2,506	$3,157
Amerigas Propane - Equity Value Per Share								**$9**	**$12**	**$15**
UGI International (European Propane)										
	2023 EBITDA		Low	Peer	Prem/ Discount	Base	High	Low	Base	High
				8.7x						
	$407		8.2x	8.7x	**0.5x**	9.2x	10.2x			
UGI International								$3,338	$3,745	$4,152
Less: UGI International Debt								($922)	($922)	($922)
UGI International - Equity Value								**$2,417**	**$2,824**	**$3,231**
UGI International - Equity Value per Share								**$11**	**$13**	**$15**
Midstream & Marketing	**Metric**			**EV/EBITDA**					**Equity Value**	
	2023 EBITDA		Low	Peer	Prem/ Discount	Base	High	Low	Base	High
			Midstream Peer Group ->	**9.2x**						
			8.2x	9.2x	**0.0x**	9.2x	10.2x			
Legacy Midstream (Gathering & Processing, Marketing)	$56		9.2x	9.2x	**1.0x**	10.2x	11.2x	$518	$575	$631
Auburn Pipeline	$10		8.2x	9.2x	**0.0x**	9.2x	10.2x	$79	$88	$98
Columbia Midstream Group (CMG - gathering & processing)	$138		9.2x	9.2x	**1.0x**	10.2x	11.2x	$1,270	$1,408	$1,546
Bethlehem LNG (regas facility)	$17		11.2x	9.2x	**3.0x**	12.2x	13.2x	$194	$211	$228
					Probability					
CMG - Expansion	$40				50%			$164	$204	$0
Penn East	$24				50%			$100	$112	$124
Total Midstream & Marketing	**$286**							**$2,325**	**$2,599**	**$2,628**
Less: UGI Midstream Debt								($953)	($953)	($953)
Total Midstream Equity Value								**$1,372**	**$1,646**	**$1,675**
Midstream - Equity Value per Share								**$6**	**$8**	**$8**
Renewable Energy Solutions	**Metric**			**EV/EBITDA**					**Equity Value**	
	2023 EBITDA						Discount Rate		NPV of Cash Flows	
RNG/Hydrogen/Other	$93		**Implied Multiple ---->**		13.2x		8%	**$1,223**	**$1,223**	**$1,223**
Renewables- Equity Value per Share								**$6**	**$6**	**$6**
Parent	**Metric**			**P/E Multiple**					**Equity Value**	
		(SMn)			*Weight*					
Parent Net Debt		$721			50%			($360)	($360)	($360)
Parent Interest Exp	-$0.09	($20)	17.6x	18.6x	50%	18.6x	19.6x	($185)	($185)	($185)
Total Parent								**($546)**	**($546)**	**($546)**
Total Parent Equity Value per Share								**($3)**	**($3)**	**($3)**
Grand Total Equity Value								**$9,237**	**$10,744**	**$12,008**
Shares Outstanding 2023E									213	
Total Equity Value								**$43**	**$51**	**$57**
Current UGI Share Price									$45.37	
NTM Dividend Yield									3.0%	
Total Return Potential									15.4%	

Source: BofA Global Research estimates, company report, Bloomberg

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BofA Global Research Reports

UGI	Primary Author	Date Published
UGI Corp.: Upgrading to Buy; Renewable Gas Upsides of All Flavors Drive Highest Growth (https://rsch.baml.com/r?q=AMDarYS-iACP9MIvTlOkRA)	Julien Dumoulin-Smith	23 June 2021
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=Jrlpsgna0sF-Q9Efpv-xBw)	Julien Dumoulin-Smith	21 May 2021
UGI Corp.: Core Business Healthy as Renewable Gas Strategy Continue to Take Shape (https://rsch.baml.com/r?q=HWjyVp9V8iK2xcgGK3iylg)	Julien Dumoulin-Smith	10 May 2021
UGI Corp.: Transitioning to Renewables of All Flavors with Execution Top-of-Mind (https://rsch.baml.com/r?q=efFbPwUglwhMbPlGuRMmBw)	Julien Dumoulin-Smith	03 May 2021

Unitil Corp (UTL)

UTL: NH rate cases still key; prem. val. keeps us U/P

We reiterate our Underperform despite continued positive data points in the ongoing rate case given very premium valuation. There seems to be some investor perception of M&A potential; however, we believe a transaction will be challenging at this valuation with regulatory uncertainty. In our view, the fundamentals of the business, 6.5-8.5% rate base growth driving 5-7% EPS growth and slightly above average regulatory jurisdictions, do not screen "top-tier" as the multiple might suggest. UTL is among the single highest valued electric and/or gas name under coverage (+2.5x premium to regulated peers). We continue to see downside to the current valuation as UTL rerates closer to its implied multiple based on our view of the fundamentals.

Key Call Topics: NH rate case, customer growth, decarbonization
UES rate case in NH progressing positively; NU NH details forthcoming
UTL is active with a multi-year rate case ongoing at its NH electric business, Unitil Energy Systems (UES), with new rates expected to be effective in 1H22. An interim rate increase of +$4.45M effective June 1st. Key dates in the UES rate case include Staff/OCA/Intervenor Testimony on Nov. 18, 2021, settlement conferences on Jan. 11 and Jan. 13, 2022, and hearing dates during the month of Feb. 2022. UTL has filed a notice of intent to file at its NH gas sub, Northern Utilities NH (NU NH), for an increase of $7.7M - the notice was silent on ROE, capital structure, etc., and management expects new rates effective in 2H22.

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We note there has been a positive and complimentary response to the rate case, in particular with the transparency and clarity with all the effort to reduce bill impact. The staff overall seem to feel positive about the case, with no unexpected or contentious on top of the usual technical issues associated with rate base or cost of capital.

Decoupling is the largest driver of the case and we do not view it as a contentious point because the Commission required them to file for the mechanism. When rates are in effect at UES and NU NH, around 80% of UTL meters will be decoupled, and around 75% of UTL's non-growth related capital investments will be recovered over the next three years, either through a tracking mechanism or though multiyear rate plans. There will be more certainty around cash flow and accelerated recovery of capital investments that will drive EPS growth closer to rate base growth. As a reminder, multi-year rate plans are capped at 2.5% increase over prior years.

Customer growth/load trends seem healthy

Expect an update on the trend of a healthier economic backdrop across UTL's service territory. UTL could see a summer influx as their territories are located next to the coast, and new housing permits are strong which is indicative of the broader trend of people moving out of cities to the suburbs. Altogether backdrop reduces risks on more volumetrically sensitive utility.

Decarbonization

Recently, UTL announced to reduce its *direct* greenhouse gas emissions (company buildings, vehicles, and pipelines) by at least 50% from 2019 levels by 2030, and net-zero emissions by 2050 (remember, UTL does not generate electricity). This goal will be achieved in part by RNG blending in its gas distribution system. *We see this as consistent with many peer utilities and gas utilities providing formal targets. We look to understand blending prospects as a piece of this - and how and to what extent the utility will seek to procure these sources of gas.*

UTL 2Q21 Earnings Walk: In-line and Reaffirm

We forecast 2Q21 adjusted EPS of $0.21 compared to 2Q20 EPS of $0.21, consensus estimates of $0.20.

- **Key Drivers:** We forecast flat EPS YoY driven by the implementation of interim rates at UES starting Jun. 1 (+$0.02), other rate relief (+$0.02), reversal of COVID impact (+$0.04), and customer growth (+$0.02). This is offset by higher D&A (-$0.05), higher O&M (-$0.04), and incremental interest expense (-$0.01).
- **Swing factors:** Customer growth and load will be crucial to watch this quarter - our view is that management's commentary on the 1Q call and the continuation of positive trends will be supportive of results.

Exhibit 31: UTL 2Q21 Earnings Walk
We see slight beat driven by customer growth

Unitil Corp 2Q21 Earnings Walk	**EPS**
EPS 2Q20	$0.21
Weather	
Return to normal (2Q20)	$0.01
Current quarter (2Q21)	($0.01)
Rate Changes (Base rates and Capital Trackers)	
Northern Utilities New Hampshire	$0.00
Northern Utilities Maine	$0.01
Unitil Energy	$0.02
Fitchburg Electric	$0.00
Fitchburg Gas	$0.01
Granite Pipeline (ME and NH)	$0.00
Other	
D&A	($0.05)
O&M	($0.04)
COVID Impact	$0.04
Interest & debt issuances	($0.01)
Property tax abatement	$0.00
Customer Growth	$0.02
Dilution	($0.00)
2Q21E Adjusted EPS	**$0.21**
2Q21 Consensus	$0.20
2021 BofA EPS	**$2.32**
2021 Consensus	$2.55
Shares Outstanding 2Q21	15.1
Shares Outstanding 2Q20	14.9

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; unchanged

We provide our EPS estimates below, which remain unchanged. Continue to see EPS growth of ~6.2% through 2025, See reasonable growth vs peers, but still difficult to warrant the substantial premium. *Consensus estimates are thin with only 1-2 non BofA inputs in most periods.*

Exhibit 32: UTL EPS Estimates
Our EPS estimates remain unchanged

EPS Estimates

	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Consolidated EPS	**2.23**	**2.31**	**2.15**	**2.32**	**2.49**	**2.63**	**2.79**	**2.95**
Consensus				*2.55*	*2.71*	*2.84*		
Previous Ests			*2.15*	*2.32*	*2.49*	*2.63*	*2.79*	*2.95*
Y/Y Change in Published Estimates	8%	3%	-7%	8%	7%	5%	6%	6%
BofA CAGR '20-'25						0.069716		
BofA CAGR '21-'25								
UTL CAGR '12-'19 (actual)								
ROE (GAAP)	*9.6%*	*12.1%*	*8.4%*	*8.6%*	*8.7%*	*8.8%*	*9.0%*	*9.1%*
+5-7% LT EPS Growth			2.15	2.28	2.42	2.56	2.71	2.88
Low				2.26	2.37	2.49	2.61	2.74
High				2.30	2.46	2.63	2.82	3.02

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Valuation; PO to $48

Our PO moves to $48 (from $49) given our most recent mark-to-market of FY23 peer P/E multiples of 17.6x for electric (from 17.8x) and 15.7x for gas (from 16.3x). We continue to use a 1.0x premium to account for higher confidence in constructive rate case outcomes in NH.

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Exhibit 33: UTL SOTP Analysis
Our PO moves to $48 (from $49) on latest MtM

	Net Income	EPS	P/E Multiple					Equity Value ($/Sh)		
			Downside	*Peer*	*Prem/ Discount*	*Base*	*Upside*	*Downside*	*Base*	*Upside*
Consolidated	40.5	$2.63	17.1x	17.1x	**1.0x** 50	**18.1x**	19.1x	$ 45.06	$ 47.68	$ 50.31
Equity Value per Share								**$ 45.00**	**$ 48.00**	**$ 50.00**
UTL Share Price As of Close 07/21/21									$52.12	
Implied Upside (Downside)									*(7.9%)*	
2020E Dividend Yield									2.9%	
Total Return Potential									**-5.0%**	

	2023 P/E	*Ratebase Weighting for Valuation Multiple Purposes*
Group Peer Multiple - Electric	**17.6x**	
Group EPS '19-'23 CAGR - Electric	**5.00%**	
Group Peer Multiple - Gas	**15.7x**	
Group EPS '19-'23 CAGR - Gas	**5.00%**	
Avg. Regulated Electric	18.5x	33.2%
Avg. Gas LDC	16.5x	66.8%
Weighted Average	**17.1x**	**100.0%**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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BofA Global Research Reports

UTL Recent Research	Primary Author	Date Published
US Electric Utilities & IPPs: AGA Conference Takes: Affirming Demand Upside; Hold the Inflation Concerns (https://rsch.baml.com/r?q=0zH8WGvKd4J4YgTvzUVDQ)	Julien Dumoulin-Smith	20 May 2021
Unitil Corporation: Downgrading to Underperform on Premium Valuation; NH Rate Cases Key into '22 (https://rsch.baml.com/r?q=Pf2g-zWJlgc781hnzr3OcA)	Julien Dumoulin-Smith	06 May 2021

Exhibit 34: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ATO	ATO US	Atmos Energy	US$ 97.74	A-2-7
NJR	NJR US	New Jersey Resources	US$ 38.59	B-3-7
NI	NI US	NiSource Inc	US$ 24.86	B-1-7
NWN	NWN US	Northwest Natural	US$ 51.05	B-3-7
OGS	OGS US	ONE Gas, Inc.	US$ 72.4	A-3-7
SJI	SJI US	South Jersey	US$ 25	B-1-7
SWX	SWX US	Southwest Gas	US$ 69.41	B-2-7
SR	SR US	Spire	US$ 68.78	A-1-7
UGI	UGI US	UGI Corp.	US$ 45.37	B-1-7
UTL	UTL US	Unitil Corp	US$ 51.86	B-3-7

Source: BofA Global Research

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Click for Important disclosures. Analyst Certification. Price Objective Basis & Risk.

Price Objective Basis & Risk

Atmos Energy Corporation (ATO)
Our $102 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 15.7x.
Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2019-23E) to reflect capital appreciation across the sector. We then apply a 1x premium to the TX gas distribution utilities and 2x premium (aside from KS) to the other base gas LDC multiple to reflect the high-quality nature of the assets given a sustainable runway for capex/EPS underpinned by constructive regulatory mechanisms and jurisdictions.
For the Pipeline & Storage segment we apply a 9x EV/EBITDA multiple as a base to our '23E EBITDA. We then apply a 2x premium to the assets given their fully regulated nature and unique ability for APT to benefit from the spread differentials.
Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs.
Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

New Jersey Resources Corp (NJR)
Our $39 PO is off our 2023E SOTP, based on gas peers of 15.7x. For non-reg biz, we apply a 12.0x multiple plus a 1.0x premium to account for the derisked nature of the AMAs. For Midstream, we capitalize EBITDA at 9.5x while weighting PennEast by 0% given uncertainty on full project execution (as mgmt. has removed this from its outlook). For CEV, we value CEV PowerCo for existing assets and DevCo assets to be deployed separately. We separately value DevCo assets to be deployed for '21 through '25 at NPV of unlevered FCF including upfront system install cost and ITC value for new

deployment. We also value SREC balance that CEV has yet to monetize. We apply a 4.5% unlevered discount rate to project level CFs in-line with our discount rate for resi solar service providers. We incl. three additional years of DevCo NPV ('26-'29) with terminal value based on post-ITC step-down trough volumes/economics in '29 and maintain our 5x terminal value. We also attribute a 75% weighting for the full value of DevCo NPV for '24+. We assume 75% based on a likelihood of some action on ITCs. For parent, we apply a 50/50 weighting for holdco debt/interest expense for re-capitalization purposes.

Upside risks: Constructive regulatory outcomes, decrease in interest rates, incremental capex opportunities, extension of subsidies, and further

Upside risks: Constructive regulatory outcomes, decrease in interest rates, incremental capex opportunities, extension of subsidies and further renewables acceleration

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Downside risks: Poor regulatory outcomes, increase in interest rates, and lower capex.

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 15.7x for gas and 17.6x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Northwest Natural Holdings (NWN)
Our $49 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group '23 P/E multiple of 15.7x applied to WA and OR natural gas distribution and regulated storage assets. We further gross up the gas LDC multiple by 5% to reflect capital appreciation across the group. We use a 1x premium in OR to capture upside from RNG and benefits from decoupling, although we believe the long-term outlook is more uncertain. For NWN's gas storage (unregulated), appliance, and asset management business, we apply a 10x EV/EBITDA multiple, in line with comparable asset class, and net out debt. We apply a water utility peer P/E multiple of 28.6x to NWN's water earnings and then net out corporate & other drag (largely SG&A) using a weighted average multiple of 18.1x on '23.

Downside risks to our PO: higher interest rate environment that makes new capital more expensive, contraction of utility valuations, slower economic recovery, and a sustained economic downturn preventing customer growth, de-carbonization efforts, lower capex, poor regulatory outcomes.
Upside risks to our PO: faster economic recovery contributing to customer growth, lower interest rates, constructive regulatory outcomes, and increased capex.

ONE Gas, Inc. (OGS)
We use a sum-of-the-parts analysis to calculate our $73 for OGS, applying a FY23E Gas LDC peer multiple of 15.7x (grossed up by 5% to reflect capital appreciation across the space). We use in-line multiple for TX and KS given uncertainty with the recovery timeframe for substantial gas purchase costs and impacts to the balance sheet.

Upside risks: lower interest rates, constructive regulatory outcomes, increased capital expenditure opportunities.
Downside risks: higher interest rates, unconstructive regulatory outcomes, decreased capex spending, ban on fracking, decarbonization efforts.

South Jersey Industries (SJI)
Our $27 PO is premised upon our SOTP analysis where we utilize a 15.7x peer Gas LDC utility P/E to SJG and ETG on '23E EPS. We apply a 1x to the NJ utilities based on our view that SJI will continue to receive constructive regulatory treatment and upside to spending on RNG. We apply a 12x P/E to SJEG/SJES non-regulated earnings stream given variability and limited transparency. For the solar investments we utilize a NPV of investment tax credits at a 4.5% discount rate (in line with peers) to capture the transitory nature and eventual roll-off. We apply a 9x EV/EBITDA to PennEast and assume full project economics in our EPS assumptions, although net out 50% weighting. We utilized a DCF for RNG with NPV of cash flows at 7.4% discount rate. For parent debt we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Downside risks: Interest rates move higher, poor regulatory outcomes, lower capex levels.
Upside risks: Interest rates move lower, constructive regulatory outcomes, incremental capex opportunities, further credit latitude.

Southwest Gas Holdings (SWX)
Our $69 PO is based on our 2023E Sum-of-the-parts (SOTP) analysis. We apply a 15.7x peer Gas LDC utility P/E to the utility EPS across the company's three major jurisdictions, which include Arizona, Nevada and California. We gross this peer multiple up by 5% to reflect capital appreciation across the sector. For AZ, we apply a 2.5x discount to the jurisdiction given lack of fwd looking rate treatment/alternative rate making mechanisms. We apply a 1.0x discount to NV and CA as we take a more negative view on the jurisdictions' LT viability. Additionally, we value the FERC regulated Pauite Pipeline separately on a midstream peer group average EV/EBITDA multiple of 9.5x and net out associated debt. For the infrastructure services segment, Centuri, we apply 8.8x EV/EBITDA multiple, which is in-line with the business' closest industrial comps given Centuri's relatively insulated utility customers. Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Upside risks: higher than expected infrastructure services earnings growth, increasing construction project margins, better than expected rate case results.

Downside risks: Unfavorable regulatory outcomes and increased volatility at Centuri, disproportionately high foreclosure rates in SWX's territories, timing and execution of rate cases, rate base growth, underperformance at Centuri and expansion or contraction of sector valuations.

Spire (SR)
Our $77 PO for SR is based on a sum-of-the-parts analysis, applying a Gas LDC multiple of 15.7x on '23E with a 1x premium for Missouri and a 2x premium for Mississippi/Gulf and AL assets given their location and de-risked nature. For the midstream assets, we use a base 9.5x EV/EBITDA multiple with a 4x discount for storage given uncertainty, and a 4x discount for marketing due to volatility. We weight STL pipeline as 50% in our valuation given uncertainty with the pipe's future.

Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs. Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

UGI Corp. (UGI)
Our $51 PO is derived from our SOTP analysis, applying specific multiples and premiums to assets. For the gas utility, we utilize a 23E 15.7x P/E multiple +1x premium given its de-risked backdrop, and an in-line electric multiple of 17.6x. For U.S./international propane, we utilize an 8.7x EBITDA, in line with other publicly traded comps. We use a 9.2x EBITDA multiple at midstream w/ a premium/discount depending on the asset & CMG expansion/PennEast both weighted at 50%, respectively, given uncertainty associated with expansion opportunities/project execution. We take the NPV of future renewable solutions cash flows, implying a 13+x EV/EBITDA multiple (in line to slightly higher than our valuation to peers biz mix, such as SJI). Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for recapitalization and add back 50% of parent interest expense.

Downside risk: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, and unfavorable currency exchange rates. Macroeconomic concerns are rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Unitil Corporation (UTL)
We value UTL at a $48 PO based on a 2023e forward P/E basis using a utility group multiple of 17.6x for electric and 15.7x for gas. Also, we apply a 1x premium to our weighted peer multiples to align with MA comps and capture electrification upside. Both electric and gas peer P/E multiples are grossed up for a year to 2023 by 5% each to reflect capital appreciation across the sector.
Risks to our price objective on the upside are capex updates around MA gas pipeline replacement, regulatory asks around ROEs, and M&A. On the downside, risks are interest rate risk which could reduce the appetite for M&A, regulatory challenges and mild weather.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG coverage cluster

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Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Report

The Flow Show (https://rsch.baml.com/r?q=vOAfjZYSf2ATI1z8yB99Pw&e=cturnure%40nisource.com&h=ETRA8yB99Pw&e=cturnure%40nisource.com)

Feel the Yield in Me
Michael Hartnett 2021-Jul-22

Report

BofA on USA (https://rsch.baml.com/r?q=vOAfjZYSf2ATI1z8yB99Pw&e=cturnure%40nisource.com&h=ETRA8yB99Pw&e=cturnure%40nisource.com)

The World Tour: not quite yet
Michelle Meyer 2021-Jul-22

Timestamp: 22 July 2021 04:30PM EDT

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prd - amrs - node2 - dxp

Offline Report

BofA SECURITIES
BofA GLOBAL RESEARCH

NiSource Inc

In-line quarter as LT targets are reiterated; focus is centered on IRP later this year

04 August 2021 | Equity | United States | Natural Gas-Local Distribution Companies

NI US

Reiterate Rating	Price	Price Objective	Upside	Market Cap	Average Daily Value	ESGMeter ™
BUY	25.31 USD	28.00 USD	10.6%	9,927 USD(mn)	77.25 USD(mn)	High

all data as of 4 August 2021

Key takeaways

- NI reports in-line 2Q21 EPS of $0.13 (vs BofAe at $0.15 and street at $0.13) driven by investment and offset by CMA sale
- FY21 EPS guidance $1.32-$1.36 and all of mgmt. LT targets (growth, capital, financing) were reiterated. BofA at high-end FY21
- All but one renewable project has been approved; RFP received robust interest, and IRP remains on track to be filed in Nov.

EDP: Energias De Portugal

NIPSCO: Northern Indiana Public Service Company

In-line Q and LT targets reiterated; renewables progress

NI reported 2Q21 EPS of $0.13, in-line with Street, flat YoY, and a small miss versus $0.15 BofA.an in-line 2Q21 EPS of $0.13. Returns on increased safety/modernization investments and lower COVID-19 impacts were offset by the sale of Columbia Gas of Massachusetts. NI reiterated its FY21 EPS guidance range of $1.32-$1.36 ($1.35 Street/$1.36 BofA), its capital and financing plans through 2024, and its EPS CAGR expectations of 5-7% through '23 and 7-9% through '24 (off of '21). Interestingly in the slides, mgmt. dropped the language around the financing plan not including potential portfolio optimization opportunities. *We have stated in the past that potential further asset rotation could support additional renewables capex related to the 2021 IRP, thereby becoming more electric/renewables: this would be multiple accretive.*

Renewables additions at NIPSCO related to the 2018 integrated resource plan (IRP) remain on track with all of the planned joint-venture projects totaling $2.0B in capex in '22 and '23 and 5 out of 6 planned PPA projects receiving approval from the Indiana Utility Regulatory Commission (IURC). *There has been some concern on whether renewables supply chain issues will impact NI's planned capex - expect mgmt. to address this during the call, but we believe given strong counterparties (i.e. NextEra, Capital Dynamics, EDP, and others), that NIPSCO is in a good position.*

IRP top-of-mind; still see potential extended runway

The immediate focus for investors is the NIPSCO 2021 IRP and the request for proposal (RFP) issued earlier this year that received robust interest (180 proposals). The stakeholder engagement process will continue into the IRP filing in Nov. (previously targeted completion for the fall), followed by additional engagement and evaluation into 2022. *Healthy interest as indicated by mgmt. and meetings that have been held recently will likely lead to attractive joint venture opportunities - watch for more during the call.*

Reiterate Buy as we see the potential for an extended high-growth runway based on the 2021 IRP and the recently issued RFP for 400-650 MW of generation capacity in 2024-2026. We see the potential for an accelerated retirement of NI's last remaining coal plant, Michigan City, given the state's move toward renewables and the timing of the IRP vs current stated retirement date of 2028.

Estimates & Valuation Quarterly Estimates Stock Data

Estimates (Dec) (US$)	2019A	2020A	2021E	2022E	2023E
EPS	1.32	1.32	1.36	1.40	1.58
GAAP EPS	0.87	1.33	1.31	1.40	1.58
EPS Change (YoY)	1.5%	0%	3.0%	2.9%	12.9%
Consensus EPS (Bloomberg)			1.35	1.41	1.53
DPS	0.83	0.88	0.94	0.99	1.05
Valuation (Dec)					
P/E	19.2x	19.2x	18.6x	18.1x	16.0x
GAAP P/E	29.1x	19.0x	19.3x	18.1x	16.0x
Dividend Yield	3.3%	3.5%	3.7%	3.9%	4.2%
EV / EBITDA*	15.4x	14.1x	12.8x	11.9x	10.5x
Free Cash Flow Yield*	-2.2%	-6.6%	-5.1%	-9.6%	-16.9%

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Rate cases secondary to IRP, but a lot of activity to watch

Rate cases will likely be a secondary focus to renewables and the IRP through the remainder of the year, but there are key processes ongoing in OH, PA, KY, and MD (OH and PA most crucial to watch). In OH, mgmt. filed its first case since 2008 in the beginning of July for an increase of $221.4M net of the Capital Expenditure Program (CEP) and Infrastructure Replacement Program (IRP) riders - a decision is expected in '22. The PA case is the furthest along at this point, and while the 2020/early 2021 was somewhat contentious, more recent peer utility cases point to this process as being more streamlined. NI is working through rate cases in both KY and MD, but we note these utilities are relatively small vs OH and PA and therefore outcomes are less impactful to consolidated financial results. NI also filed for a new five-year electric Transmission, Distribution and Storage Improvement Charge (TDSIC) Plan - an order is expected from the IURC in Dec.

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Click for important disclosures. Analyst Certification. Price Objective Basis & Risk.

*iQ*profile℠ NiSource Inc

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

Our Buy rating on NI is underpinned by 1) likely positive revisions given ultra conservative EPS CAGR guidance baked into consensus, 2) renewable rate base upside, and 3) the ability to re-rate higher following any gas LDC asset sale.

iQ*method℠ - Bus Performance

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Return on Capital Employed	3.3%	4.1%	4.3%	4.4%	4.8%
Return on Equity	9.9%	10.2%	10.5%	9.9%	10.8%
Operating Margin	17.1%	22.0%	20.7%	22.0%	24.6%
Free Cash Flow	(219)	(654)	(510)	(956)	(1,682)

iQ*method℠ - Quality of Earnings

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash Realization Ratio	3.2x	2.2x	2.6x	2.5x	2.5x
Asset Replacement Ratio	2.5x	2.4x	2.6x	3.1x	4.0x
Tax Rate	24.4%	18.3%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	158.6%	167.4%	133.6%	143.4%	164.3%
Interest Cover	2.4x	2.8x	3.1x	3.2x	3.0x

Income Statement Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Sales	5,209	4,697	5,541	5,692	5,993
% Change	2.5%	-9.8%	18.0%	2.7%	5.3%
Gross Profit	3,674	3,587	3,929	4,055	4,332
% Change	10.5%	-2.4%	9.5%	3.2%	6.8%
EBITDA	1,608	1,757	1,928	2,081	2,350
% Change	5.0%	9.3%	9.7%	7.9%	12.9%
Net Interest & Other Income	(384)	(339)	(371)	(390)	(491)
Net Income (Adjusted)	**495**	**508**	**579**	**627**	**723**
% Change	**6.8%**	**2.6%**	**14.1%**	**8.4%**	**15.3%**

Free Cash Flow Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Net Income from Cont Operations (GAAP)	328	511	557	627	723
Depreciation & Amortization	717	726	783	827	874
Change in Working Capital	(75)	(249)	0	0	0
Deferred Taxation Charge	118	(29)	130	145	186
Other Adjustments, Net	495	145	21	0	0
Capital Expenditure	(1,802)	(1,758)	(2,001)	(2,555)	(3,464)
Free Cash Flow	**-219**	**-654**	**-510**	**-956**	**-1,682**
% Change	**82.9%**	**-198.5%**	**22.1%**	**-87.4%**	**-76.0%**

Balance Sheet Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash & Equivalents	148	117	126	126	126
Trade Receivables	905	825	825	825	825
Other Current Assets	800	718	718	718	718
Property, Plant & Equipment	16,912	16,620	17,837	19,565	22,156
Other Non-Current Assets	3,894	3,762	3,762	3,762	3,762
Total Assets	**22,660**	**22,041**	**23,267**	**24,995**	**27,586**
Short-Term Debt	1,787	526	517	583	696
Other Current Liabilities	1,959	1,753	1,753	1,753	1,753
Long-Term Debt	7,856	9,220	9,027	10,177	12,148
Other Non-Current Liabilities	5,071	4,704	4,834	4,979	5,165
Total Liabilities	**16,673**	**16,203**	**16,131**	**17,492**	**19,761**
Total Equity	**5,987**	**5,752**	**7,051**	**7,418**	**7,739**
Total Equity & Liabilities	**22,660**	**21,955**	**23,182**	**24,910**	**27,501**

* Click for full definitions of *iQmethod*℠ measures .

Price Objective Basis & Risk

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NiSource Inc (NI)

Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 15.7x for gas and 17.6x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
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WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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Asian Credit Strategy (https://rsch.baml.com/r?q=0CKT5RF2AToTI1z8yB99Pw&e=cturnure%40nisource.com)

China HY property, what next?

Joyce Liang 2021-Aug-1

Report

Amazon.com (https://rsch.baml.com/r?q=nsOq4ZCJDiDXIT+BBqJP99Pw&e=cturnure%40nisource.com)

Reopening pressuring sales, but just a blip in long-term penetration trend; Buy

Justin Post 2021-Jul-30

Timestamp: 04 August 2021 10:07AM EDT

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Citi Research
VIEWPOINT

21 Jul 2021 16:00:00 ET | 31 pages

North America Diversified Utilities

On the Road Again… Top Investor Debates into Earnings

Ryan Levine [AC]
Willard A Grainger

CITI'S TAKE

After a week of in-person marketing, our investor survey, and our quant analysis, we highlight some of the top investor debates into earnings.

Will Utilities Work? — Sentiment was negative overall, with focus on near-term headwinds (storms, fires, inflation, renewable delays, politics, ROEs), ESG, fund mandates, while most generally believe that the sector is well positioned longer term. Citi's equity strategy upgraded utilities from underweight to neutral (see Utility Upgrade note).

Citi's Proprietary Investor Survey — US Utilities - The Survey Says… Diving into Catalyst-Rich 2H21-New Projects, M&A, Fires, Div Cuts, Storm Penalties, Fed Bill.

Citi's Quant Screen — See pages 19-22 in this note for July 2021 crowding scores**. Sempra and Xcel are becoming much less crowded, while Power is becoming more popular**.

Sempra Energy — SRE is a debate stock, with bulls pointing to SOTP valuation, Cameron expansion, Oncor growth, and wildfire management. Bears worry about the next Oncor GRC (June 2022), new CoC proceeding, KKR delay, EPS guidance, fires, and B/S, but the most common pushback is the SIP ownership (we argue that it makes sense to keep SIP through LNG growth/Top 5 Mgmt Dinner Takes).

PCG — The catalysts include 1) election of grantor trust timing – impacts S&P index inclusion, 2) ~$250M equity issuance, 2) August analyst day (update on fire management and potentially equity issuances), 3) victim trust sale – potential partial block sale to derisk equity overhang?, 4) wildfire season, and 5) Newsom recall vote.

NiSource — The most common debate topic is the potential for its renewable projects to get delayed. These projects contribute ~11% of 2024 earnings, and the supply chain disruption threatens execution. See link. NextEra, Capital Dynamics, and Invenergy are developers. The debate is how these projects would be prioritized.

Xcel Energy — Debate points focus on management changes, the CO Pathways, and IRP (we are bullish on Pathways approval; see Xcel: Colorado Politically Supporting Electric Growth over Gas), Minnesota, and permitting worries.

PNM/AGR — There is an active investor debate about whether this deal will close. We believe that it will, but the NM review of the buyer's chairman scandal investigation, storm handling, and other issues raise questions (see link). The buyer prefunded the deal.

CenterPoint — We are cautious on CNP now, as expectations are very high on new PUCT, favorable TX laws, tax strategy, O&M, and LDC private values (see link).

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

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Prepared for Christopher Turnure

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And the Survey Says…

Investor favorite stocks into Q2 earnings: EXC, NI, NEE, and VST are the favorite near-term stocks, and longer term, CNP, NEE, VST, and SRE are favored.

Least favorite stocks: SO and ED are tied for least favorite stocks, followed by NEE and DUK. Longer term, ED, DUK, NEE, and PPL are least favored stocks.

New project announcements/changing capex is top of mind for Q2 releases: Investors are focused on capex changes, load trends, and regulatory updates.

Gas utility debates: Interestingly, everyone surveyed thinks that the private markets would pay more for LDC assets than the public market. ~60% think that gas utilities should invest in RNG projects and take LCFS/credit price risk, but only ~30% think that higher gas prices will negatively impact gas utility stocks in 2H21.

Deal-making expectations: One or two utility mergers are expected in 2H 2021. NEE, PPL, RWE, and SRE are favorites as buyers, and FE, AEP KY, POR, NI, and NRG are favorites as investor targets. ~1 more utility is expected to exit midstream.

~80% think that the federal infrastructure bill will pass: If the bill passes, the ITC/PTC extension beyond three years is most likely, followed by electric transmission support, and the group is undecided about whether EV support will break $50B.

California utilities are perceived as better positioned into wildfire season: In comparison with our survey 12 months ago, investors think that PCG has ~42% chance of a new 2021 liability (down from ~50%), EIX has only 19% (down from 26%), and only ~8% think that Sempra will have a new 2021 wildfire liability (down from ~21%).

E in ESG still matters: Battery developments are the important for 2H 2021 stock selections, while NEE and ETR are viewed as top picks on the hydrogen theme.

Most likely utility to cut its dividend: PPL followed by AGR were most picked.

What's going to get the utility space to work? The survey says lower rates, load recovery, tech stock weakness, or robinhooders finding the space.

Eversource CT penalty expectations are wide, while NRG hopes are high.

Swimming is the favorite sport to watch in the Olympics, … there are few Boxing fans.

Prepared for Christopher Turnure

Figure 1. What is most important factor to focus on for Q2 utility earnings besides headline EPS for the quarter

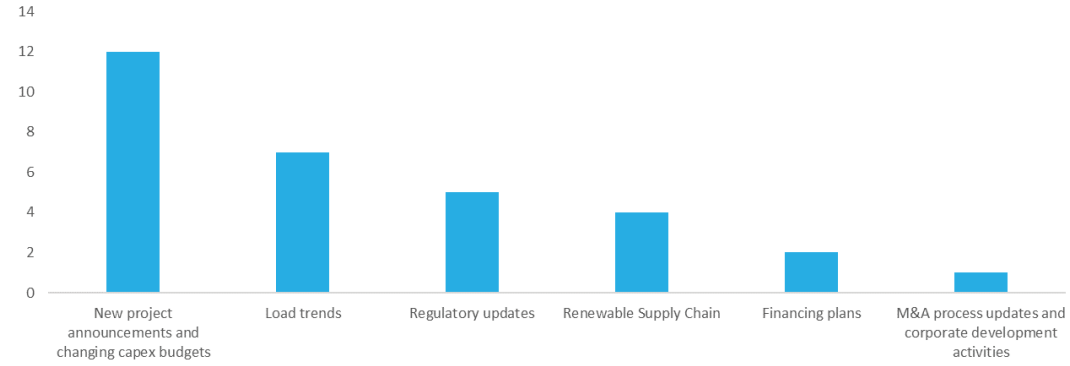

Source: Citi Research

Figure 2. What time period are you focused on when you consider PE multiple?

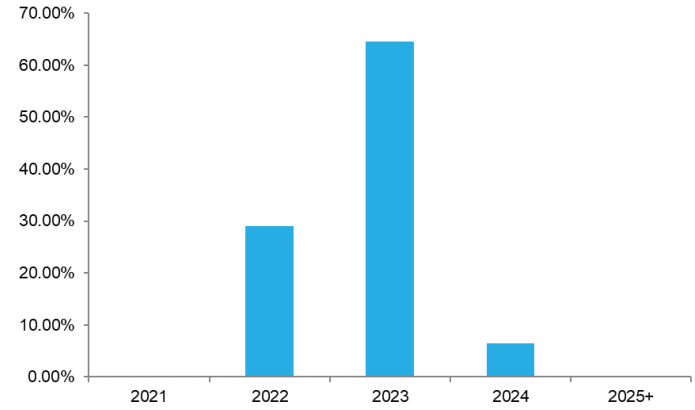

Source: Citi Research

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Figure 3. How many North American utility mergers or acquisition will happen in 2H21?

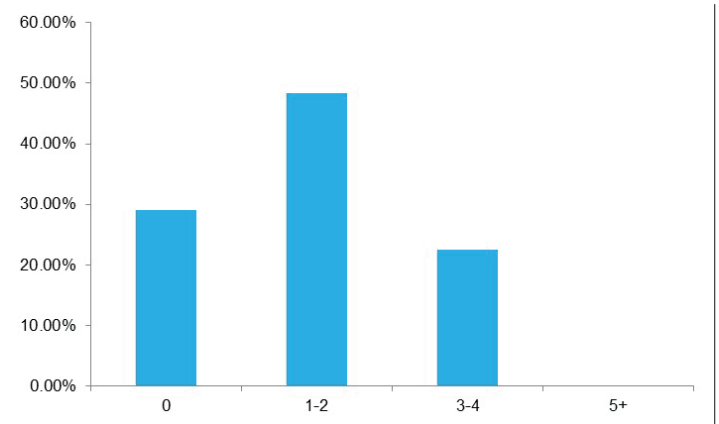

Source: Citi Research

Figure 4. Most likely utility to acquire a target?

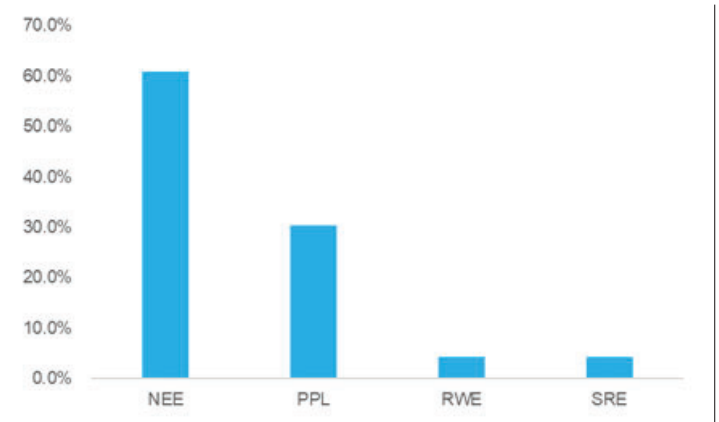

Source: Citi Research

Prepared for Christopher Turnure

Figure 5. Which utility do you think will most likely be acquired?

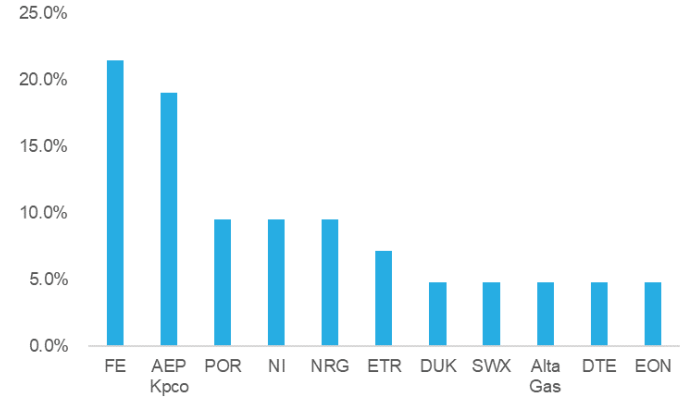

Source: Citi Research

Figure 6. What is the next utility to cut its dividend?

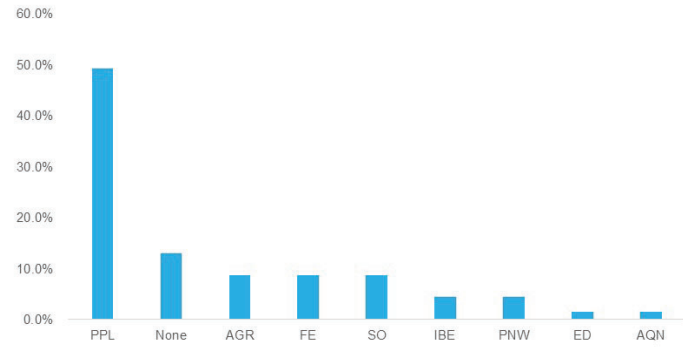

Source: Citi Research

Prepared for Christopher Turnure

Figure 7. How many additional North American utilities will acquire or divest a midstream business in 2H'21?

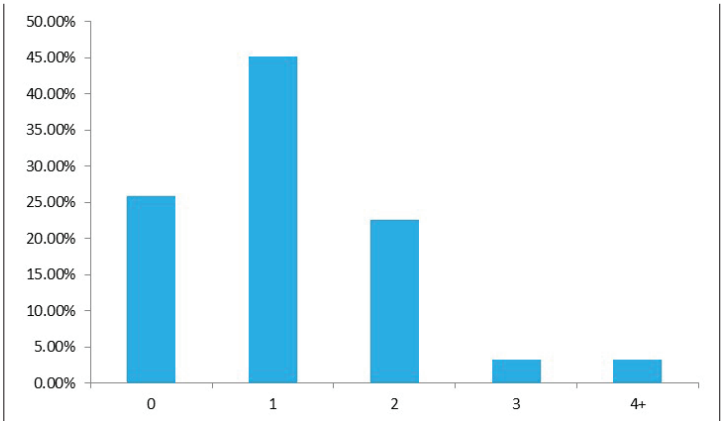

Source: Citi Research

Figure 8. Do you think that the federal infrastructure bill will pass?

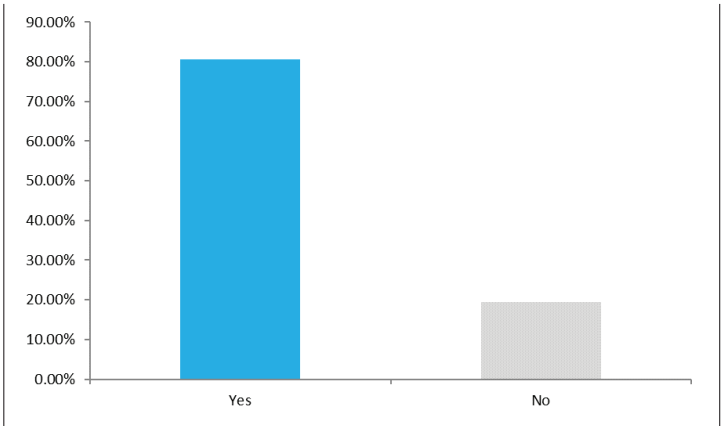

Source: Citi Research

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Figure 9. Will a final bill include support for …

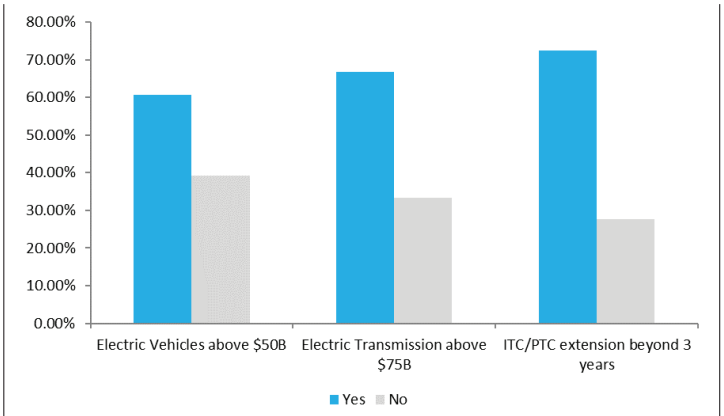

Source: Citi Research

Figure 10. What is most important? E, S, or G for utility investment decisions?

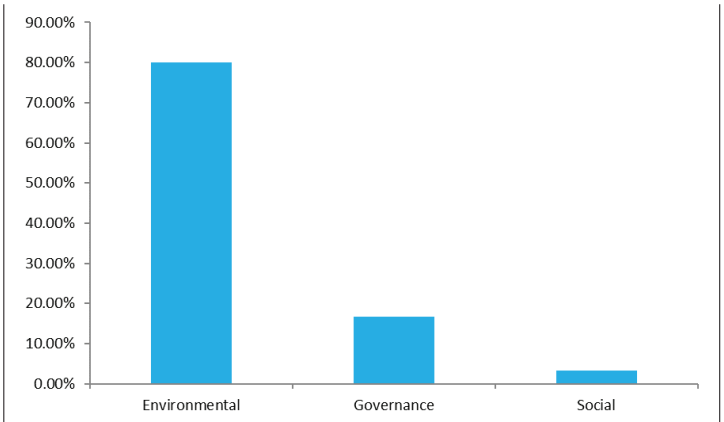

Source: Citi Research

Prepared for Christopher Turnure

Figure 11. What is most disruptive renewable technology that will impact utility stocks in 2H'21?

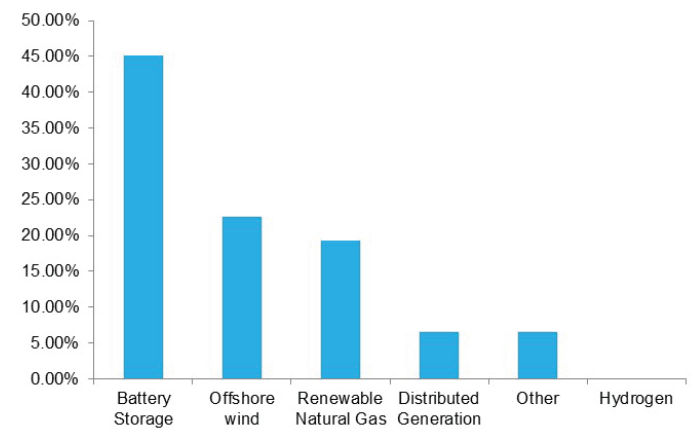

Source: Citi Research

Figure 12. What will be the effective penalty for ES Storm Handling?

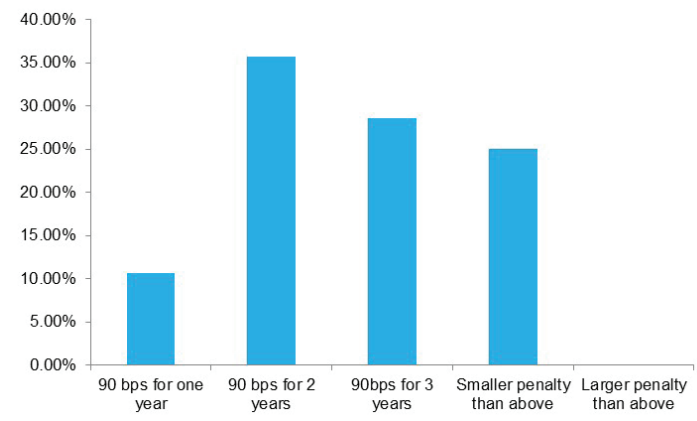

Source: Citi Research

Prepared for Christopher Turnure

Figure 13. In 2H'21, utility ROEs are likely to ...

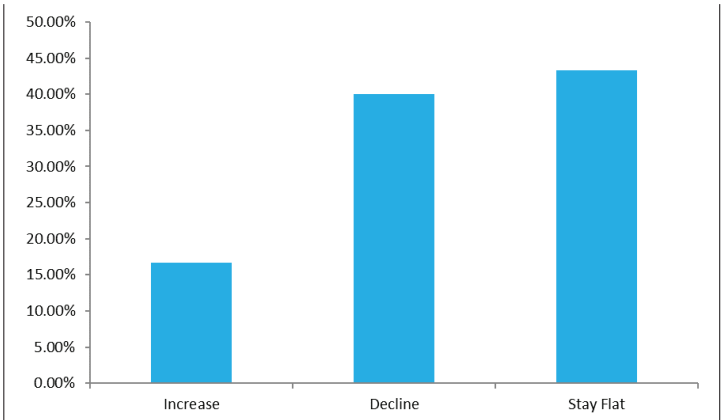

Source: Citi Research

Figure 14. Will global supply chain disruption (polysilicon, tariffs, China) disrupt the pace of US utility scale solar development and growth?

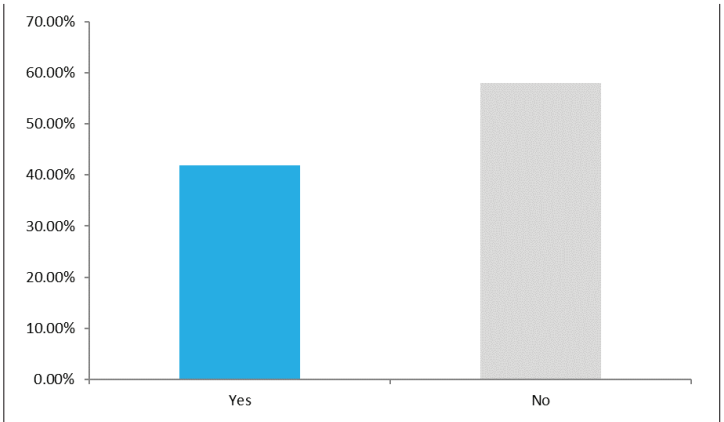

Source: Citi Research

Prepared for Christopher Turnure

Figure 15. What utility stock is most exposed to the hydrogen outlook?

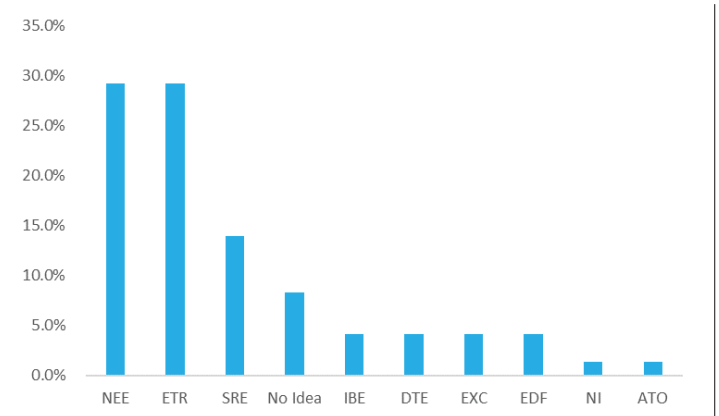

Source: Citi Research

Figure 16. Will California utility shareholders be liable for 2021 wildfires above what is covered in the wildfire fund?

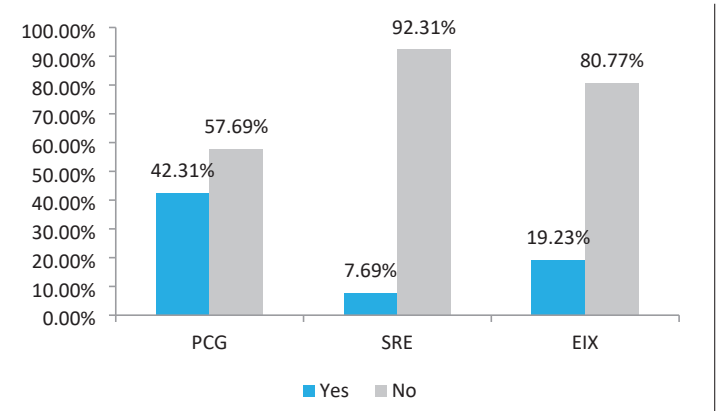

Source: Citi Research

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Figure 17. Will NRG's new strategic direction and investor marketing strategy attract ...

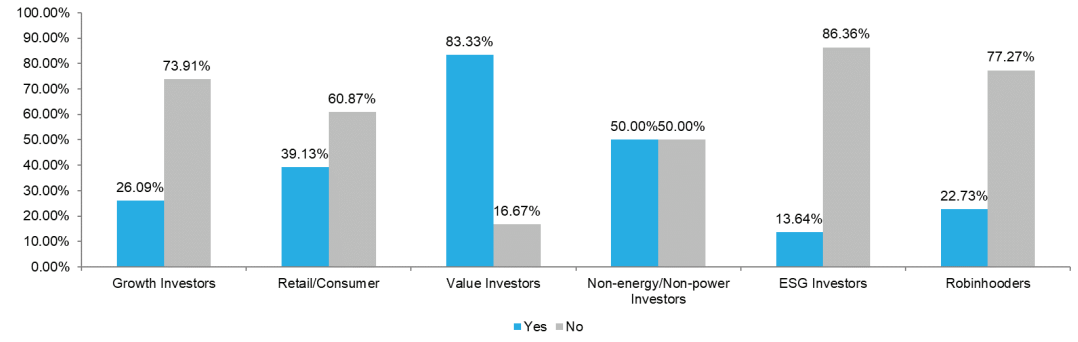

Source: Citi Research

Figure 18. Should gas utilities invest in RNG projects and take RIN or LCFS price exposure to support their ESG objectives?

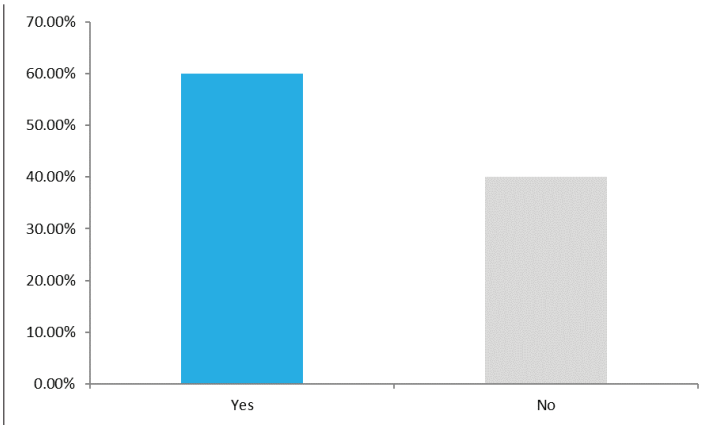

Source: Citi Research

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Figure 19. Are gas utility assets worth more in the private markets than public markets?

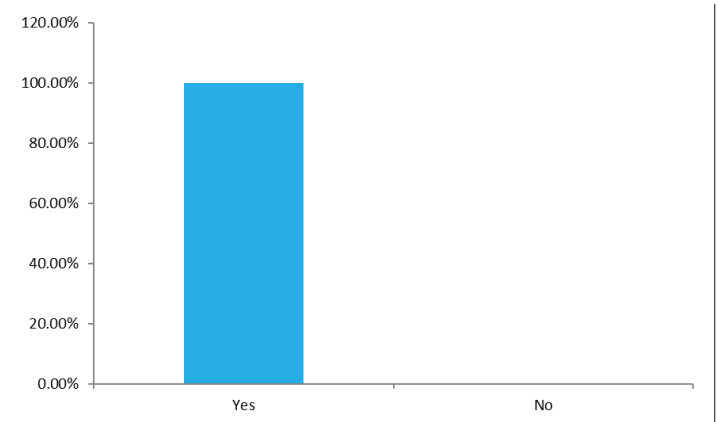

Source: Citi Research

Figure 20. Will natural gas prices spike and drive negative implications for the LDC space in 2H'21?

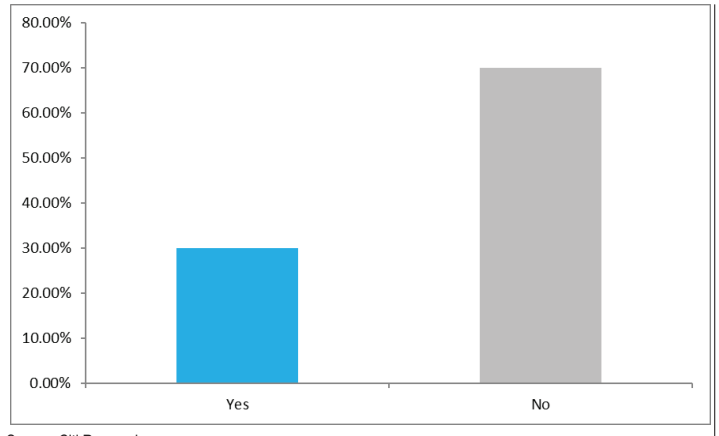

Source: Citi Research

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Figure 21. What is your favorite utility stock for the next 3 months?

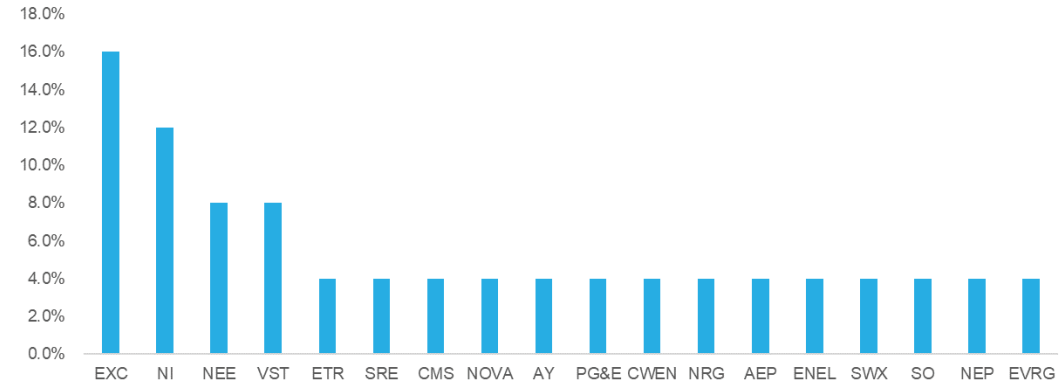

Source: Citi Research

Figure 22. What is your least favorite utility stock for the next 3 months?

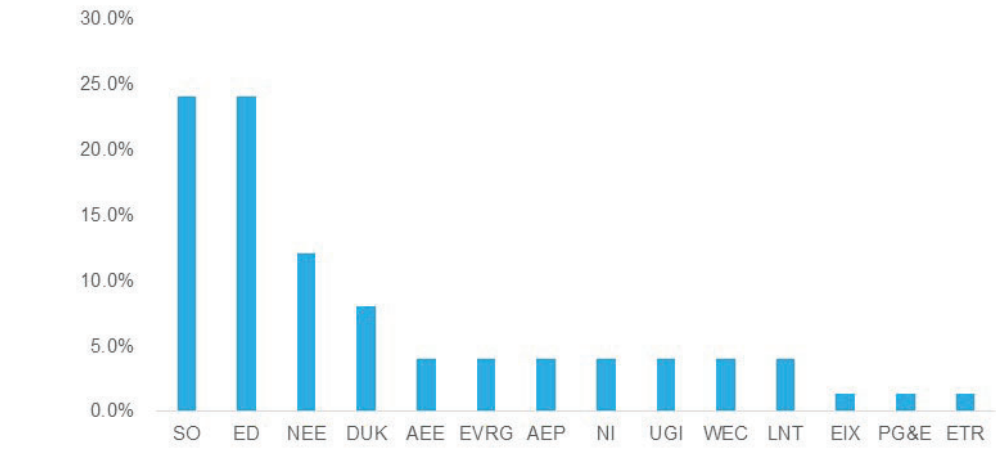

Source: Citi Research

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Figure 23. What is your favorite utility stock for the next 12 months?

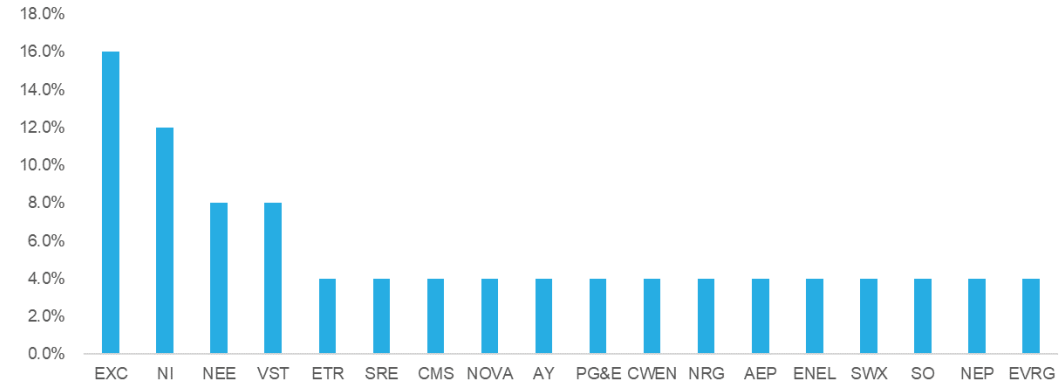

Source: Citi Research

Figure 24. What is your least favorite utility stock for the next 12 months?

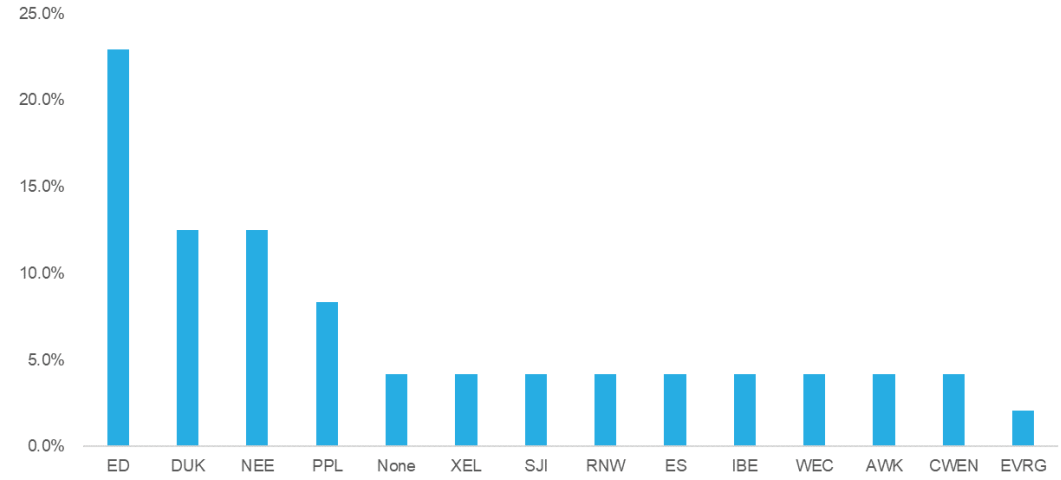

Source: Citi Research

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Figure 25. What's going to get the utility space to work?

Responses
Broader market correction
10-yr below 1.6% and the group rips
relative valuations
Bottoms up to matter. Less 30k foot.
Slower economic growth
When 2022E EPS for the S&P 500 shows lower yoy growth than it currently does for 2021 vs. 2020.
Consistency
Focus on 2022 earnings
Infrastructure bill
positive legislation
Rise in demand and electrification
Gamma squeeze in megacap tech comes to and end
Load demand recovery
Very tough. Perhaps a collapse in ether growth or value would support Utilities performance.
Investor focus on defensives
Nothing
Clarity on final business model pursued : specialized or integrated.
Robinhooders discover it
rate stabilization
infation expectations moderating
Profitless tech, fake hydrogen stocks, other high fliers come down to earth and investors focus on real companies.
Macro
no idea

Source: Citi Research

Figure 26. What sector do you expect to perform best over the next 3-6 months?

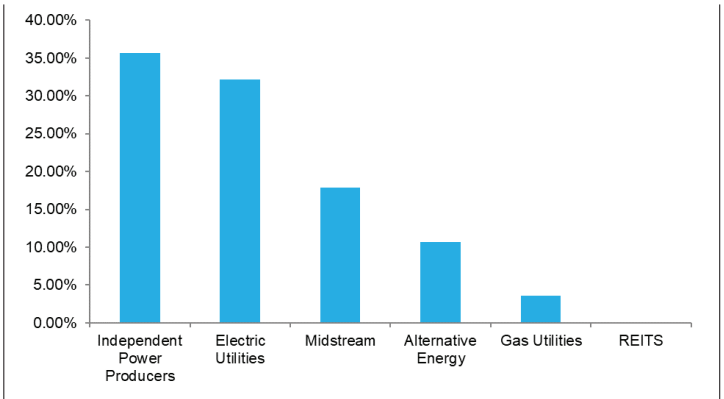

Source: Citi Research

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Figure 27. What is your affiliation?

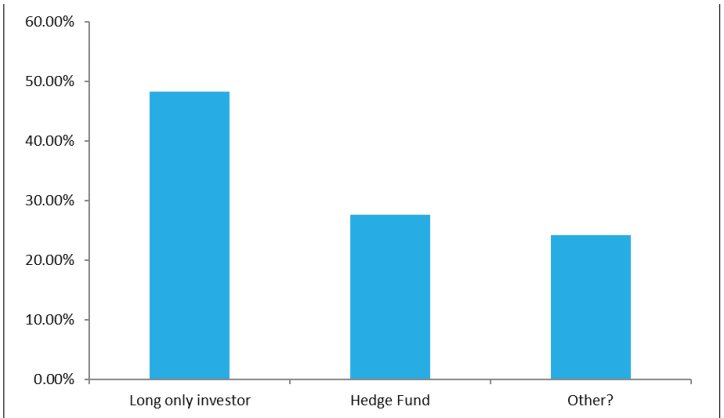

Source: Citi Research

Figure 28. What location are you based in?

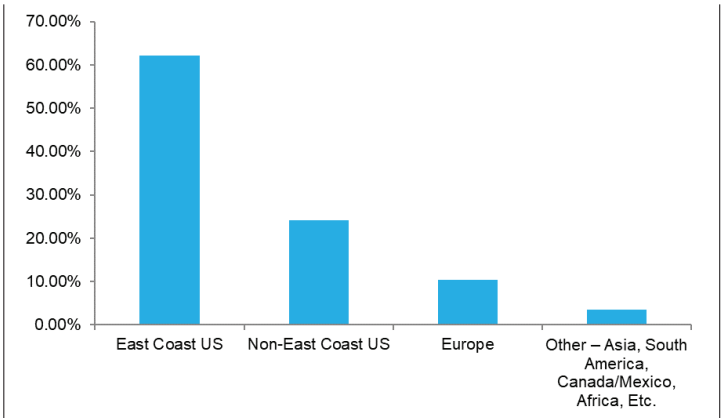

Source: Citi Research

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Figure 29. What sport are you most excited to watch in the Olympics?

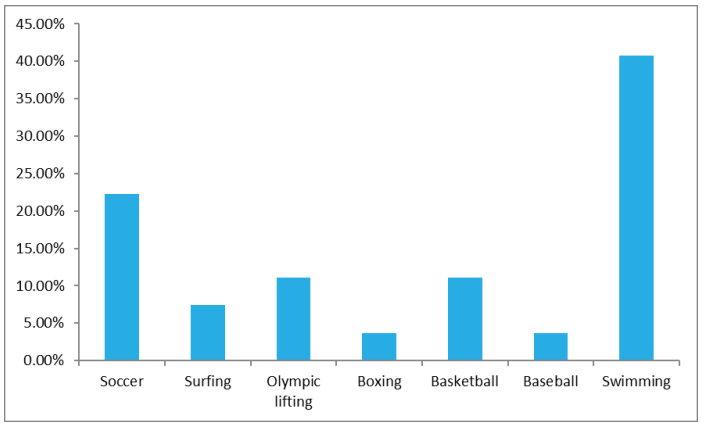

Source: Citi Research

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Utilities Crowding Takeaways

Utilities remain the most out-of-favor sector. Power and gas price-exposed names, such as PEG and VST, became more crowded, while AWK, EIX, SRE, XEL, AGR, and EXC became more out of favor.

Most crowded stocks — Some of most crowded stocks include BIP, CWEN, VST, NEE, NOVA, and ETR. It is interesting to see that BIP became more crowded on the economic reopening trade.

Least crowded stocks — The least crowded stocks are AVA, ALE, AGR, HE, PNW, IDA, ATO, SWX, and PG&E. AGR has PNM deal break risk, while SWX, ED, and PNW operate in challenging regulatory states, and PCG has fire and stock overhang risk.

Stocks that increased crowding the most — PEG, VST, BIP, WEC, DTE, and EVRG are most improved since we published our note in April.

Largest decline in crowding score — AWK, EIX, SRE, XEL, NFG, and EXC are least improved since we last published our crowding note. We are warming up to Sempra and Xcel recently. On Xcel, we believe that the proposed Colorado Pathways project will be successfully executed (Colorado Politically Supporting Electric over Gas). On Sempra (Top 5 Management Dinner Takeaways), we believe that keeping the SIP stake for the next few years is in the best interest of long-term shareholders, the company guidance is fine with material upside, and the Cameron expansion is well positioned if there is any additional LNG demand.

Short interest — Names with the highest short interest are NOVA, PG&E, NRG, AGR, PNM, and FE. PG&E's catalysts include new fires, grantor trust election, S&P index, ~$250M equity issuance, analyst day, victim trust stock sale, new CoC proceeding, capex increase, and NEM outcome. For PNM/AGR, catalysts include NM testimony and approvals, info on European investigation, and deal timeline changes (Deal Still on Track, Despite New Concerns in Spain). For NRG, we like the stock even after the recent rally, but there are new concerns of new TX blackouts and growth execution.

Changes in our short interest since our last note — Short interest has increased for NI, VST, PCG, PNW, NFG, and ATO since our last note. For NI, we argue that there is risk to in-service dates for its large renewable development timelines (Solar Supply Chain Disruption May Impact EPS Growth). ATO has gas price exposure.

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Crowding Scores

Most crowded names are BIP, CWEN, VST, NEE, NOVA, and ETR. These names continue to be crowded. Brookfield Infrastructure Partners is largely viewed as a bellwether for the global GDP growth. With the COVID-19 emergence trade top of mind, so is BIP. Stocks exposed to infrastructure legislation also show as well positioned, such as MDU. On higher power and gas prices, sellers of the commodity, such as Vistra and NRG, are crowded, and buyers of gas, such as ATO and SWX, are lower on the list.

Figure 30. Crowding Scores as of July 12, 2021

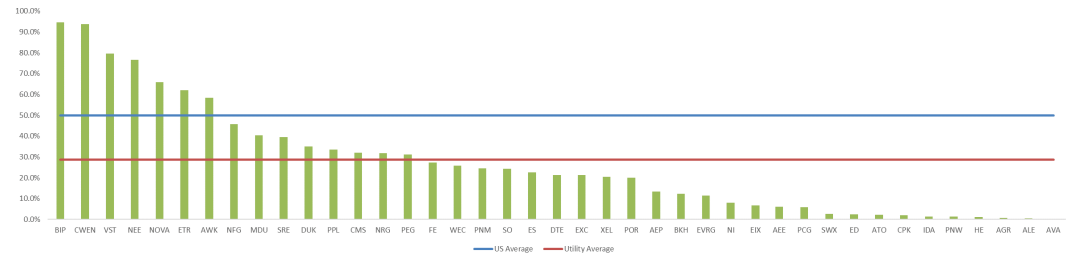

Source: Citi Research

Change in Crowding Since our Last Note

Merchant power companies increased in crowding, while California fell significantly. It is interesting to see Sempra Energy (SRE.N) - Top 5 Management Dinner Takeaways fall so far. Investor sentiment was so positive into the analyst day, but now investors' negativity centers on longer-term plans for the infrastructure business, KKR deal delay, uses of capital, and the future-of-gas debate.

Figure 31. Change in Crowding Since April 2021

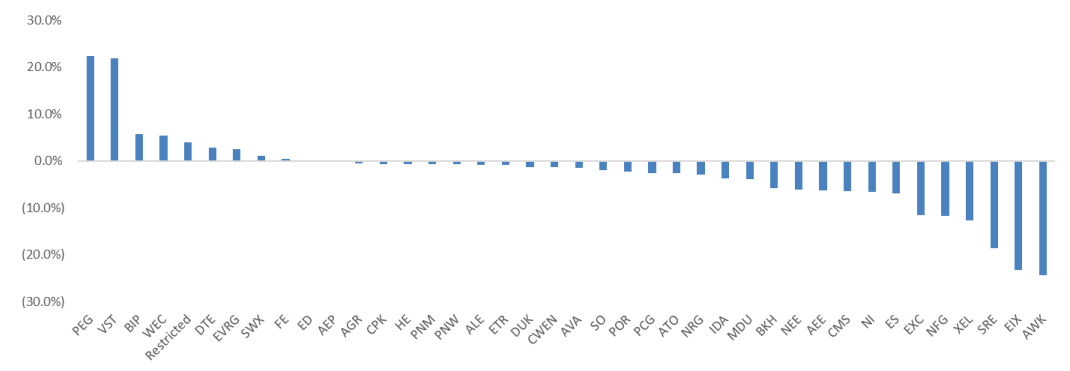

Source: Citi Research

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Short Interest

PG&E's high short interest is understandable given the equity overhang concern and wildfire risk. Beyond these issues, it is interesting to see PNM and AGR toward the top of the list. We still think that the deal will close without changes, but it is a real risk given the NM approval questions around the chairman investigation (storm handling, Four Corners, etc.) also raised.

Figure 32. Short Interest as % of Market Cap

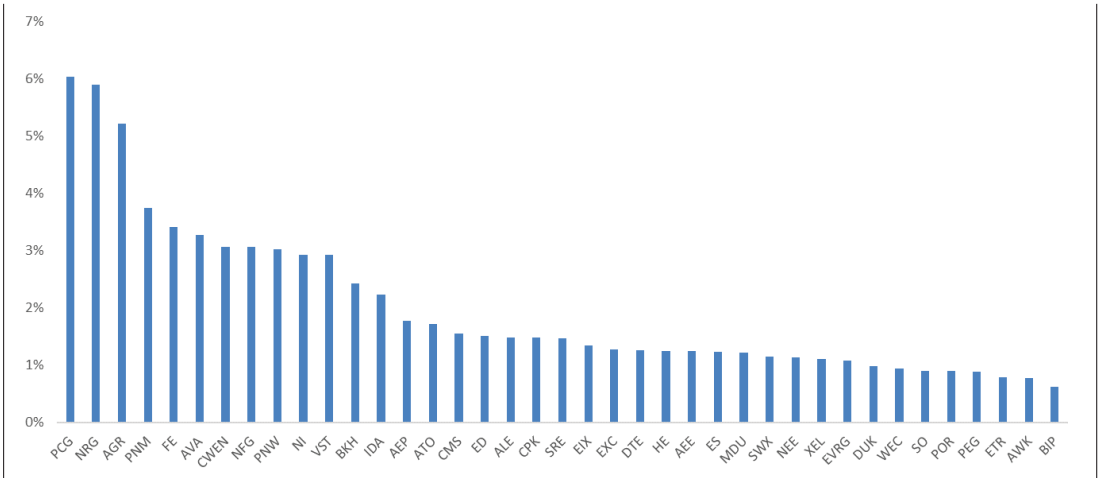

Source: Citi Research, FactSet

Change in Short Interest Since Our Last Note

Towards the top of the short interest change list is NiSource, for which we recently highlighted the risk that its inflight renewable development project may get delayed. These projects account for ~11% of earnings in 2024. The global solar supply chain is experiencing challenges with shipping, polysilicon, etc. In addition, Atmos Energy is up on the list due to rising gas prices, which could create headwinds for the company.

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Figure 33. Change in Short Interest Since Our Last Note

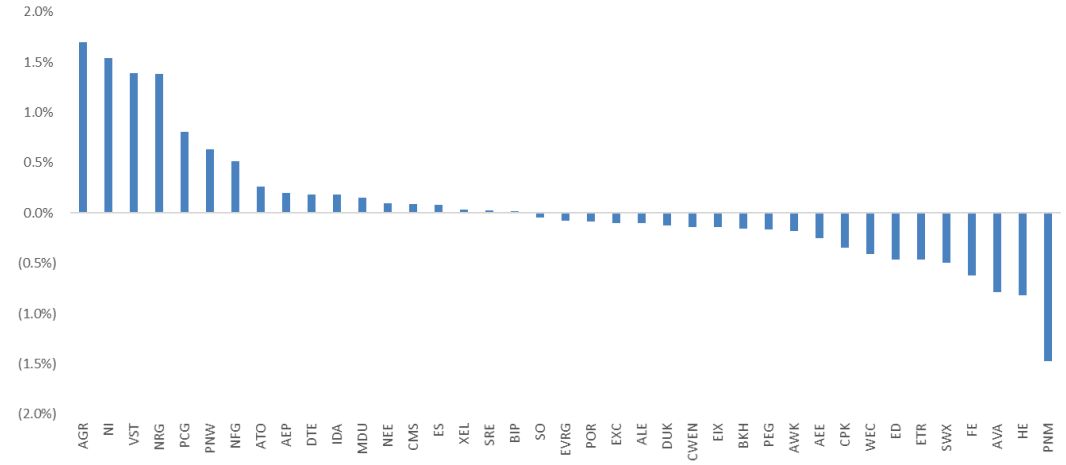

Source: Citi Research, FactSet

Companies Mentioned:

Algonquin Power & Utilities Corp (AQN.TO; C$19.11; Not Rated; 20 Jul 21; 16:00) | RWE (RWEG.DE; €28.64; 1; 20 Jul 21; 17:30) | AltaGas Ltd (ALA.TO; C$26.02; Not Rated; 20 Jul 21; 16:00) | ENEL SpA (ENEI.MI; €7.61; 3; 20 Jul 21; 17:30) | Iberdrola (IBE.MC; €10.14; 3; 20 Jul 21; 17:30) | NRG (NRG.N; US$39.45; 1; 20 Jul 21; 16:00) | Hawaiian Electric Company Inc (HAWEL.PK; US$25.0; Not Rated; 20 Jul 21; 17:00) | American Electric Power Co Inc (AEP.O; US$85.74; 2; 20 Jul 21; 16:00) | Atmos Energy Corp (ATO.N; US$99.49; 2; 20 Jul 21; 16:00) | CMS Energy Corporation (CMS.N; US$61.94; 2; 20 Jul 21; 16:00) | DTE Energy Co (DTE.N; US$116.12; 1; 20 Jul 21; 16:00) | Duke Energy Corp (DUK.N; US$103.74; Not Rated; 20 Jul 21; 16:00) | Consolidated Edison, Inc. (ED.N; US$73.57; 2; 20 Jul 21; 16:00) | Entergy Corporation (ETR.N; US$102.35; 2; 20 Jul 21; 16:00) | NextEra Energy (NEE.N; US$77.17; Not Rated; 20 Jul 21; 16:00) | Hawaiian Electric Industries Inc (HE.N; US$43.23; Not Rated; 20 Jul 21; 16:00) | CenterPoint Energy Inc (CNP.N; US$25.24; 2; 20 Jul 21; 16:00) | Idacorp Inc (IDA.N; US$104.28; Not Rated; 20 Jul 21; 16:00) | Evergy LLC (EVRG.N; US$64.0; Not Rated; 20 Jul 21; 16:00) | MDU Resources Group Inc (MDU.N; US$31.29; 2; 20 Jul 21; 16:00) | ALLETE Inc (ALE.N; US$70.32; Not Rated; 20 Jul 21; 16:00) | National Fuel Gas Co (NFG.N; US$50.71; Not Rated; 20 Jul 21; 16:00) | NiSource Inc (NI.N; US$25.17; 2; 20 Jul 21; 16:00) | Xcel Energy (XEL.O; US$68.16; 2; 20 Jul 21; 16:00) | Eversource Energy (ES.N; US$85.94; 2; 20 Jul 21; 16:00) | PG&E Corp (PCG.N; US$9.42; 1H; 20 Jul 21; 16:00) | Public Service Enterprise Group Inc (PEG.N; US$60.67; Not Rated; 20 Jul 21; 16:00) | Exelon Corp (EXC.O; US$46.06; Not Rated; 20 Jul 21; 16:00) | PNM Resources (PNM.N; US$48.72; 2; 20 Jul 21; 16:00) | Pinnacle West Capital Corp (PNW.N; US$84.87; Not Rated; 20 Jul 21; 16:00) | PPL Corp (PPL.N; US$28.2; 2; 20 Jul 21; 16:00) | Edison International (EIX.N; US$56.85; 1; 20 Jul 21; 16:00) | South Jersey Industries Inc (SJI.N;

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US$25.24; Not Rated; 20 Jul 21; 16:00) | Southern Co (SO.N; US$62.95; Not Rated; 20 Jul 21; 16:00) | Southwest Gas Holdings Inc (SWX.N; US$70.99; 2; 20 Jul 21; 16:00) | UGI Corp (UGI.N; US$46.2; Not Rated; 20 Jul 21; 16:00) | WEC Energy Group (WEC.N; US$93.82; Not Rated; 20 Jul 21; 16:00) | Alliant Energy Corp (LNT.OQ; US$58.31; Not Rated; 20 Jul 21; 16:00) | Avista Corp (AVA.N; US$43.54; Not Rated; 20 Jul 21; 16:00) | Vistra Corp (VST.N; US$18.19; Not Rated; 20 Jul 21; 16:00) | Chesapeake Energy Corp (CHK.N^F20; Delisted) | FirstEnergy Corp (FE.N; US$37.62; Not Rated; 20 Jul 21; 16:00) | Sempra Energy (SRE.N; US$131.92; 2; 20 Jul 21; 16:00) | NuStar Energy, L.P. (NS.N; US$17.24; 1; 20 Jul 21; 16:00) | Portland General Electric Co (POR.N; US$47.84; Not Rated; 20 Jul 21; 16:00) | EDF Renouvelables SA (EEN.PA^H11; Delisted) | EON Electric Ltd (EONE.NS; Not Rated; 20 Jul 21; 15:30) | Brookfield Infrastructure Partners (BIP.N; US$54.24; 2; 20 Jul 21; 16:00) | Four Corners Inc (FCNE.PK; US$2.1; Not Rated; 20 Jul 21; 17:00) | American Water Works Company, Inc. (AWK.N; US$166.7; Not Rated; 20 Jul 21; 16:00) | KKR & Co Inc (KKR.N; US$58.56; 1; 20 Jul 21; 16:00) | ERG Capital 3 ADSITS (BGERG.BB; Not Rated; 20 Jul 21; 17:00) | Clearway Energy, Inc. (CWEN.N; US$26.3; Not Rated; 20 Jul 21; 16:00) | Phillips 66 Partners LP (PSXP.N; US$38.09; 1; 20 Jul 21; 16:00) | TransAlta Renewables Inc (RNW.TO; C$21.21; Not Rated; 20 Jul 21; 16:00) | Atlantica Sustainable Infrastructure PLC (AY.O; US$37.78; Not Rated; 20 Jul 21; 16:00) | PBF Logistics LP (PBFX.N; US$13.51; 1; 20 Jul 21; 16:00) | Nextera Energy Partners LP (NEP.N; US$74.57; Not Rated; 20 Jul 21; 16:00) | Shell Midstream Partners (SHLX.N; US$14.11; 1; 20 Jul 21; 16:00) | Avangrid Inc. (AGR.N; US$52.36; Not Rated; 20 Jul 21; 16:00) | Vistra Energy Corp. (VST.N; US$18.19; Not Rated; 20 Jul 21; 16:00) | Evergy Inc (EVRG.N; US$64.0; Not Rated; 20 Jul 21; 16:00) | Sunnova (NOVA.N; US$35.02; Not Rated; 20 Jul 21; 16:00) | NOVA Technology Corp Ltd (300921.SZ; Rmb25.51; Not Rated; 21 Jul 21; 15:00)

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Appendix A-1

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Prepared for Christopher Turnure

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Energy | Power & Utilities

July 16, 2021

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Give it Time – Utes Q2 2021 Preview

We have been cautious on the group going into 2021, see our outlook note here and the group continued to lag the market in the second quarter. Falling yields (10YR/Baa form 1.7%/3.8% to 1.3%/3.2% respectively during Q2) did not boost multiples for the group as Utes were up a modest 1% materially underperforming S&P500 +8%. We attribute the lackluster second quarter group performance to historical underperformance of the group in early/mid recovery cycle. The group generally tends to trade at discount to the market during early business cycle, see relative P/E chart on page 40. We also think investor skepticism on long term utility growth prospects and future cash flows given the surge in distributed/non-regulated generation is moderating multiple expansion in the near term.

Where do we stand? Give it time. Despite attractive relative valuations for the group we remain on the side line in the near term. While we try hard it's difficult to identify a positive catalyst to turn around investor sentiment over the next few months. An infrastructure bill (discussed on page 2) could materially boost capex and rate base growth profile for our coverage universe but we think that is a longer dated opportunity which will be reflected in company capex plans and earnings growth projections over next 12-18 months. We continue to be bullish long term due to relative valuation support and accelerated de-carbonization providing tailwind to sector earnings and cash flow growth. As noted in our recently published Transmission and Distribution capex study here, we believe the continued proliferation of distributed energy resources, the supposed necessity of grid resiliency and "smart grid" spending, and, electric vehicle infrastructure continuing, will drive an upward bias in already robust transmission & distribution spending. Long term we see the sector well poised to deliver strong shareholder return backed by runway of investments earning close to 10% return well-above the low-to-mid single digit cost of equity for the foreseeable future.

Utes remain attractive on relative valuation metrics. Utilities are now 8% inexpensive in our bond model on '21 dividend yields and ~15% cheap on '22 yields versus 2% cheap as of end of Q1. The group is discounting 10yr at 1.75% one year forward. NTM relative P/Es also show a discount at 0.90x (roughly no change from end of Q1) versus a 1.09x average since 2006 – but notably in the 08/09 recession it took close to 18 months since the trough to get back to normal levels. The recent valuation trough was mid-20, see page 40. We foresee the group continuing to lag the market in the near term against the backdrop of rising inflation/rates and prefer value (energy exposed/more cyclical names) over quality (CNP, EVRG, ETR, OGE and SRE are outperform rated names within the regulated value bucket). Within diversifieds we like AES (top pick) and EXC. Long term we are more constructive due to relative valuation support (see page 9) and view the Biden presidency as a major tailwind. We are outperformed rated AEE, AEP (top pick) and D within the quality bucket.

Within, we include company-specific tear sheets with our / consensus second quarter 2021 EPS estimates along with discussion on key investor debates going into earnings.

Q2 Preview – Nearly 70% of companies are expected to meet or exceed expectations. Our conversations with ~30 companies in our coverage universe centered upon COVID sales trends, weather, M&A, legislation, updates on Winter Storm Uri cost recovery, and the

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infrastructure bill. Generally speaking, not surprisingly total sales trends in Q2 2021 are expected to increase meaningfully YoY after the trough in Q2 2020 at the heart of the pandemic, with an improvement in lower-margin commercial & industrial load given the reopening of the economy and a modest reduction in higher-margin residential sales as some people return to work but many continue to work from home. Weather in Q2 2021 is expected to be a tailwind over the comparable period last year as we detail with degree days on page 32; you can see that while April heating degree days were modestly below normal, May cooling degree days were moderately above and June cooling degree days were significantly above. Portfolio optimization and pro-forma business mix is a popular topic in light of: CMS' divestiture of Enerbank, DTE's midstream spin-off, AEP's potential sale of Kentucky, DUK's divestiture of a minority interest in Indiana, CNP's sale of two gas LDCs, CNP and OGE's announced merger of ENBL-ET and plan to sell down ET units, ETR's potential asset monetization, SRE's part divestiture of SIP, ED's sale of Stagecoach, PEG's sale of non-nuclear non-regulated assets, D's Questar Pipeline cancellation, and EXC's spinning of its generation business. Several states have passed securitization laws during the past few months, and there is also activist involvement at FE, EVRG and DUK. We are looking for updated views on regulatory filings and the timeline of recovery of Winter Storm Uri costs and the outlook for improving credit metrics. We also expect utilities to discuss the benefits of the infrastructure bill (more details below). We anticipate nearly 70% of companies to beat or exceed expectations and are positive on DUK, PNW and cautious on AEE going into the quarter. We expect most companies to wait to revisit 2021 EPS guidance until the third quarter, the biggest driver for the year given summer load impacts.

Bipartisan physical infrastructure bill and reconciliation bill present tailwinds for utilities. The $579 billion bipartisan infrastructure bill in total includes $300 billion of spending on transportation infrastructure and $266 billion on "other infrastructure" over eight years, including the direct benefit for utilities of $73 billion for power grid upgrades. In addition, the proposal also includes ancillary benefits for utilities that could require build-out of the grid with $200 billion in spending for roads, rail and bridges, plus $7.5 billion for electric vehicles to accomplish the goal of building 500,000 charging stations, and another $7.5 billion for electric buses/transit. Alongside the bipartisan infrastructure bill, Democrats are proposing a $3.5 trillion reconciliation bill that would notably include climate change programs that could benefit utilities, as well as spending for health care, child care and higher education access. The Democrats' goal is to push the legislation through before the August recess. The infrastructure bill is expected to be financed through a combination of closing the IRS tax gap, redirecting unspent emergency relief funds, targeted corporate user fees, and the macroeconomic impact of infrastructure investment. Notably, it would not include corporate tax increases, which would drive an increase in cash flow for utilities through collection from customers under the regulatory construct but at the same time it would raise customer bills. It also does not include the extension of renewable tax credits. However, funding of the reconciliation bill alongside the infrastructure bill could result in the corporate tax increases and also collapse dozens of tax benefits aimed at oil & gas firms into categories focused on renewable energy and energy efficiency. The reconciliation bill would also be expected to be funded by a hike in taxes on foreign operations of multi-national companies.

Outperform **TP $30**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase by $0.05 (or ~20%) to $0.30 mostly driven by higher electricity demand ($0.02), organic growth initiatives across AES's platform ($0.02) and interest as well as cost saving initiatives ($0.01). We expect AES will reiterate its previously provided FY21 EPS guidance range of $1.50-$1.58/sh.

- **What to look for in the earnings report (Key debates/themes):**
  - **Update on renewable backlog.** In the first quarter, AES signed a 10yr supply agreement with Google for 500MW of 24/7 carbon free energy in VA. In total during the quarter, management signed over 1GW of new PPAs for renewables and energy storage and executed on a 20yr agreement for 34 TBTU of excess LNG throughput capacity in Central America. They expect to be at the top end of previously announced 3-4GW renewable contracts target for 2021.
  - **Supply chain risks.** In the near term, management does not expect supply chain disruptions to impacts its operations, however it could have long-term impacts and management is pro-actively taking steps to alleviate potential concerns.
  - **Chile coal fleet retirement.** Chile could close its coal-fired plants by 2025 if a draft bill is successfully passed in the National Congress. The bill was passed by the chamber and now awaits Senate approval. On 07/06/21 AES announced ~1GW of coal plant retirements by 2025 in Chile while maintaining 2021 and long term earnings expectations. As per current plans post 2025 AES will have ~900MW of coal capacity in operating in Chile contributing 50-70MM in annual EBITDA representing ~2% of consolidated EBITDA.
  - **OH related risks.** Some investors are concerned about the regulatory risk in the state of Ohio given ongoing federal investigation into FirstEnergy's political activities and its relationship with the state regulators. In our view, this risk is isolated to FE alone and would not impact other utilities in the state including AES Ohio. Moreover, the company generated only 2% of its total adjusted pretax earnings contribution in OH last year. Hence, the Ohio risk is not significant or material to AES corp.
  - **On track to achieve third IG rating in 2021/2022.** The company achieved targeted credit metrics of 4.0x recourse debt to parent FCF before interest and 20% of FFO/Debt in 2020. Consequently, the company was upgraded to an investment grade credit rating at Fitch (BBB-) and the outlook was raised to positive at S&P where they were rated (BB+). On November 2, 2020, S&P rating upgraded AES Corp rating to BBB- from BB+ with a stable outlook. A second IG upgrade came in in line with management's expectation to secure IG ratings from two rating agencies by year-end 2020. They expect an upgrade from Moody's sometime in the near future. Moreover, the migration to investment grade credit quality and validation by the ratings agencies should be supportive of further P/E multiple expansion.

- **Positioning into Qtr : Neutral.**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$1.36**	**$1.44**	**$0.28**	**$0.30**	**$1.55**	**$1.70**	**$1.80**
Consensus				0.30	1.55	1.67	1.80
% diff.				*0%*	*0%*	*2%*	*0%*

Source: Evercore ISI, Factset as of 7/14/21

Outperform **TP $90**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year over year EPS to decline $0.18 to $0.80/share. Last year in 2Q20, weather was relatively normal and we expect similar this year. Given the nature of the Missouri rate design, we expect AEE to see a -$0.20 EPS impact for this quarter and a rebound next quarter. We are also adjusting out $0.04 given the absence of the impact of the FERC order addressing the MISO allowed base ROE. In terms of positive YoY drivers, we expect to see higher Missouri sales volumes given a rebound from the trough in 2Q20 last year from Covid. We also expect the new $600mm High Prairie wind project to contribute positively under PISA, and anticipate seeing a benefit from higher transmission rate base, increased Illinois electric rate base plus a higher 30-year treasury rate, as well as a pick-up in Illinois gas from QIP rider-qualifying capex. In terms of negative YoY drivers, we anticipate higher O&M when compared to the cuts the same period last year during the heart of Covid. The amortization of the previous Callaway outage costs plus share dilution will also contribute negatively.

- **What to look for in the earnings report (Key debates/themes):**
  - **Callaway refueling outage update:** All indications are that the Callaway nuclear plant will return to service in July with no significant financial impact expected. Recall the company made a decision to move forward with a $65mm capex project to replace certain key components of the generator and is pursuing recovery of costs through applicable warranties and insurance policies.
  - **Missouri rate cases**: Staff testimony is scheduled for September 3rd. For the electric case, AEE is requesting a $299mm revenue increase with a 9.9% ROE and 51.9% equity ratio on a rate base of $10 billion (Sept. 2021 estimate). Notably, Ameren is requesting a tracker to recover costs associated with the Meramec Energy Center, which is scheduled to be retired in 2022 over a five-year period from the date new rates become effective. The electric case would also incorporate the 700 MW of wind projects and includes accelerated depreciation from advancing the retirement dates of Sioux and Rush Island coal plants consistent with the Missouri IRP filed in September 2020. Separately, the gas rate case request is for a $9 million revenue increase with a 9.8% ROE and 51.9% equity ratio on a rate base of $310 million (Sept. 2021 estimate). Final decisions in both rate cases is expected by January 2022 for new rates effective March 1, 2022.
  - **Wind projects**: The remaining 300 MW Atchison wind project (~$500mm) is now 99% complete and is ahead of the latest schedule that called for full completion by September 30th. Recall the project was originally expected to be completed by year-end 2020 but has seen delays and not progressed as originally planned because of weather and vendor issues with the turbine blades.
  - **Incremental renewable capex in five-year plan**: No CCNs have been filed yet. Recall the Missouri IRP outlined 1,200 MW of incremental renewable projects over the next five years, including 800 MW of solar and 400 MW of wind that are not yet in the five-year capex plan. Ameren plans to file CCNs this year for the projects and will incorporate them into the plan with more line of sight.
  - **Illinois Downstate Clean Energy Affordability Act:** The Act passed the House committee so far but has not moved further than that yet. It can be brought up in a special session or a veto session. The Act would extend formula rates and potentially modify the ROE formula to increase the basis point adder to average 30-year treasury rate from 580 to 680bps. It would also allow for utility-owned solar / storage investment and EV-related spending.
  - **Securitization**: the securitization law has been passed and signed in Missouri. The company has said it does not need securitization to execute its plan through 2025.
  - **MISO transmission:** Ameren has spoken about the potential for incremental MISO transmission projects. More details on incremental capex are likely to come with Ameren's Q4 update after MISO announces the projects in December 2021.
  - **Equity issuances:** Ameren still plans to issue $150mm of additional equity on top of the DRIP, and established an ATM program in May 2021 to support expected equity needs through 2023; the company expects to issue ~$300mm per year in 2022-2025 on top of the DRIP.

- **Positioning into Qtr: Negative.** As shown below, our $0.80 EPS estimate is lower than the $0.88 consensus. We believe the Street is not currently incorporating the Missouri rate design properly but could potentially lower its estimate after conservations with the company.

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$2.09**	**$2.31**	**$0.91**	**$0.80**	**$3.75**	**$4.00**	**$4.30**
Consensus				0.88	3.77	4.04	4.33
% diff.				*-9%*	*-1%*	*-1%*	*-1%*

Source: Evercore ISI, FactSet as of 7/13/21

Outperform **TP $99**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase $0.05 to $1.13/share. Last year in 2Q20, weather was relatively normal and we expect the same this year in 2Q21. Positive YoY drivers include new rates (notably Kentucky), plus the benefit of the TCOS and DCRF riders in Texas, and transmission true-ups. We expect a rebound in lower-margin commercial & industrial sales to largely be offset by a reduction to higher-margin residential sales when compared to the same period last year during the heart of the pandemic. We anticipate that these items will be partially offset by higher O&M when compared to the steep cuts in 2Q20 last year, plus higher depreciation, interest expense and property taxes.

- **What to look for in the earnings report (Key debates/themes):**
  - **Asset sales**: with Q1 results, management announced a strategic review (to be addressed this year) of its Kentucky assets to mitigate equity needs, which is unsurprising (management had signaled asset sales) given previous indications for that asset and sizable regulatory lag with an earned ROE of just 4.8% in 12 months ending 3/31/21. We think a buyer could pay a multiple up to ~22x 2023 EPS (our estimate is $0.10/share), which would be in line with the valuation that DUK is selling its 20% stake in its Indiana asset; however, we note that AEP's Kentucky Power is a slower growing asset than DUK Indiana, on our estimates. We estimate pretax sales proceeds of up to $1,000mm would lower AEP's equity needs by $700mm through 2025.
  - **OH risks/HB 6 Investigation**. On June 8th, AEP disclosed that it recently received a subpoena from the Securities and Exchange Commission, Division of Enforcement (SEC) seeking various documents relating to the benefits to the company from the passage of H.B. 6 and documents relating to AEP's financial processes and controls. The company is cooperating with the subpoena and in a statement issued that day stated that "Although we cannot predict the outcome of the SEC's inquiry, we do not believe the results of this inquiry will have a material impact on our financial condition, results of operations, or cash flows". Our view is that we continue to foresee no meaningful near term and long term earnings impact for AEP with the repeal of HB6. While we acknowledge and have previously discussed the risk around potential fines/liabilities, the stock already trades at a large discount to peers (~10%), we continue to view AEP as one of the best risk/rewards in the space and would be buyers on the pullback today.
  - **Credit metrics**: AEP's equity issuance plans are unchanged as it continues to target mid-teens FFO to debt over the long term; however, AEP expects to see temporary pressure in 2021 with the current trailing 12-month Moody's metric at 9.1% (and 12.9% adjusted for Storm Uri) as of March 31st as it works through the regulatory process at PSO and SWEPCO to recover Uri's significant $1.2 billion ($825mm at PSO and $375mm at SWEPCO) of fuel and purchase power costs funded by related incurrence of debt.
  - **Ohio rate case final decision on settlement**: awaiting a final Commission order, now expected in 3Q21 versus previous expectation for mid-year 2021. The Commission is expected to approve the settlement as is. We view the settlement reached by 14 parties in March as constructive overall as the authorized ROE of 9.7% agreed upon is well above the 9.27% midpoint recommended by Staff and also higher than the ~9.4% nationwide electric average over the past 12 months. The equity ratio of 54.43% was in line with the Staff recommendation and AEP's request. There were no surprises to rate base with little difference between the requested and agreed upon amount.
  - **Virginia rate case appeal**: in December 2020, AEP requested a rehearing on the disappointing decision (incorporated in 2021 guidance and LT targets) and the commission earlier this year upheld the same decision to keep rates flat (which is reflected in the company's current plan). AEP made an appeal with the Supreme Court, for which the process could get resolved in early 2022, we believe. The company said roughly 60% of investment in VA is recovered in base rates, with 40% in rate adjustment clauses, so they see opportunity to do more grid modernization, generation, and other opportunities through the various mechanisms in place.
  - **Other rate cases**: the SWEPCO Texas rate case hearing was on May 19th with an expected final order in 4Q21. The SWEPCO Louisiana rate case was filed in December 2020 and the next step is intervenor testimony on July 21st. A final decision in that case is expected in 2Q or 3Q next year. Separately, in April 2021, AEP filed an Oklahoma rate case where the regulatory process is typically quick. The next step is intervenor testimony on August 13th with a commission order expected in 4Q21. Lastly, the company plans to file an Arkansas rate case sometime this year, likely sooner rather than later.
  - **North Central Wind update**: AEP has said the projects are moving along well. The smaller Sundance project began commercial operation mid-April 2021, the Maverick project is on track to be in service by the end of this year, and the Traverse project is on track for commercialization by the end of this year or 1Q22.
  - **Financing plan:** AEP has said its disclosed financing plan covers all of its equity needs, so there should be no expectation by investors for any additional on top of that. Recall the financing plan last updated at EEI reduces 2021 equity needs by $800MM and raised 2022 issuance by $800MM related to modestly delayed in service of Traverse wind project.

  - **Positioning into Qtr : Neutral.**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$4.24**	**$4.44**	**$1.15**	**$1.13**	**$4.70**	**$5.00**	**$5.35**
Consensus				1.13	4.67	4.97	5.26
% diff.				*0%*	*1%*	*1%*	*2%*

Source: Evercore ISI, Factset consensus as of 7/13/21

CenterPoint Energy

Outperform **TP $26**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase by $0.05 to $0.26/share. A good starting point for the YoY drivers from 2Q20 includes a $0.18 contribution from the utilities and $0.03 contribution from ENBL midstream. We expect weather this year to be more mild than usual. In terms of positive YoY drivers, we anticipate higher electric sales volumes following a weak 2Q20 due to Covid, and also due to customer growth in both the electric and gas businesses. We also expect rate relief to contribute positively and anticipate a stronger ENBL midstream contribution. On the negative side, we see higher O&M after strong reductions last year in 2Q20, increased depreciation and property taxes, as well as the impact of share dilution.

- **What to look for in the earnings report (Key debates/themes):**
  - **Quiet quarter ahead of its Analyst Day in September:** we expect a relatively routine quarterly update in Q2 ahead of CenterPoint's September 23, 2021 Analyst Day, where we expect the company to provide more material updates on its strategy and outlook. Recall CNP hosted an Analyst Day in December 2020, where highlights included raising its long-term EPS growth rate, material planned cost reductions, and a meaningfully higher capex plan driving an increased long-term rate base outlook. At that prior Analyst Day, CNP also disclosed that it would be selling its Oklahoma and Arkansas gas LDCs (later announced) and spoke to imminent value-enhancing strategies for ENBL, for which an ET-ENBL merger was also subsequently announced.
  - **ET-ENBL**: We could potentially get more thoughts from management on its plan to sell ET units over time, though we see that update more likely to come at the Analyst Day. All indications are that the merger is on track to be completed in 2H21.
  - **Gas LDC sale closure**: all indications are that the Oklahoma and Arkansas gas LDC asset sales are on track to close by year-end 2021.
  - **Texas legislation**: A number of constructive bills were passed through the TX legislature and were signed in June by Governor Abbot, reflecting continued political and regulatory support for utilities in Texas. The bills include HB 1520 for extraordinary gas cost securitization, HB 2483 for TDU toolkit for widespread outages, SB 415 for TDU lease battery storage assets, and SB 1281 economic test for transmission.
  - **Severe winter storm cost recovery**: Nearly 80% of the incremental gas costs now have approved cost recovery mechanisms, with the only one outstanding being Minnesota ($500mm).
  - **Cost reductions and customer growth:** CenterPoint plans to cut annual O&M by a strong 1-2% in 2021-2025, and reductions could be as high as 2-3% this year. The 1-2% target is driven by an average of 3-4% annual reductions in both electric and gas O&M per customer, which will be coupled with strong 2%+ electric customer growth and 1% gas customer growth as previously disclosed.
  - **Indiana IRP and de-carbonization**: CenterPoint filed the CPCN for the 400 MW of solar in February 2021, which is likely to take 6-12 months to complete from that date. That was followed by a CPCN filing for the 460 MW gas combustion turbine portion in Q2, which would likely require a 12-18 month approval process. The remaining CPCN filing for additional renewables (wind + solar) is expected in the summer 2021 with a 6-12 month approval period.

- **Positioning into Qtr: Neutral**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$1.79**	**$1.40**	**$0.59**	**$0.26**	**$1.35**	**$1.50**	**$1.60**
Consensus				0.24	1.40	1.45	1.57
% diff.				*6%*	*-4%*	*3%*	*2%*

Source: Evercore ISI, Factset as of 7/13/21

Clearway Energy

In Line **TP $25**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year adjusted EBITDA to increase by $34mm to $350mm primarily driven by growth projects and interest savings. We expect CAFD to come in at $145mm, within management's Q2 guidance range of 38-46% of the full-year $325mm outlook. We see the possibility that the company delivers the upper half of the guidance range if renewable resource returns to normal compared to a relatively weak quarter during the same period last year. Specifically, in 2Q20 the wind production index was 95% and the solar was 98%.

- **What to look for in the earnings report (Key debates/themes):**
  - **Strong path to long-term DPS growth target:** Management has said that even if no new projects were announced that it is already on a path to deliver the low end of its targeted 5-8% DPS growth through 2023 using its planned 80-85% payout ratio.
  - **Renewables acceleration and growth projects.** Management could speak more to Biden administration's impact on renewables development and how it could potentially impact CWEN's growth prospects.
  - **Contract expiration.** Clearway has three PPAs in California that are expiring in 2023. Investors are focused on potential next steps as it relates to contract extension or potential sale of those assets. We also will look for an update on risks around contract renewal and review of alternatives for those assets.

- **Positioning into Qtr: Neutral**

Adj. EBIDTA	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**963**	**1,082**	**198**	**350**	**1,130**	**1,200**	**1,300**
Consensus				344	1,182	1,257	1,256
% diff.				*2%*	*-4%*	*-5%*	*4%*

Source: Evercore ISI, Factset as of 7/13/21

In Line **TP $62**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project EPS to decrease -$0.04 YoY to $0.45/share, an estimate that includes Enerbank, which was announced to be sold. Last year in 2Q20, the company saw $0.10 of favorable weather, including $0.06 from electric and $0.04 from gas. This year in 2Q21, weather appears to be favorable as well (we estimate -$0.04). We expect positive YoY benefits primarily from new electric and gas rates, and a modest increase from Enerbank. We anticipate these benefits to be partially offset by higher O&M from reinvestment, increased property taxes, interest and D&A at the utility, and modest share dilution. We also expect a moderate YoY benefit from Enterprises.

- **What to look for in the earnings report (Key debates/themes):**
  - **Electric rate case filing:** on March 1st, CMS filed a rate case requesting a $225mm revenue increase with a 10.5% ROE and 42.80% equity ratio (incl. deferred taxes) on a rate base of $12.9 billion with a 12/2022 test year. Staff recommended an $85mm revenue increase with a 9.7% ROE (vs. current 9.9%) and 41.84% equity layer (vs. current 41.50%). The equity layer development is a positive data point as they have been thinning in recent rate cases, most recently in 2020 rate case from 52.5% to 51.1% excluding deferred taxes (41.9% to 41.5% including). Most of the investment laid out in the rate case has been recommended for approval by Staff. Note in Michigan, ROEs have only declined slightly as interest rates have fallen, most recently to 9.9% in the last rate case from 10% previously.
  - **Next gas rate case filing:** CMS has a gas rate case stay-out and will file its next one in December 2021.
  - **IRP filing:** CMS filed an IRP on June 30th, primarily outlining 1) accelerated coal retirements and exit from coal by 2025, 2) solar new build of 7.8 GW by 2040, and 3) the purchase of 2.2 GW of existing Michigan-based gas plants, including CMS Enterprises' DIG facility, both of which could add $1.3 billion of incremental rate base to CMS' plan by 2025. The Staff position is likely to come out in late 2021 and the commission will provide a preliminary order 10 months (around April or May 2022) from the filing date.
  - **Enerbank announced sale**: On June 8th, CMS announced the sale of EnerBank to Regions Bank. The transaction value of $960MM translates to P/TBV of 3x and P/22E of ~14x, which was a premium multiple to peer small/mid-size banks trading at ~2x on P/TBV and in line on a P/E basis with peers at 14-15x. CMS reaffirmed its consolidated 2021 EPS guidance range of $2.83-$2.87. The company introduced 2022 adjusted EPS guidance range of $2.85-$2.87 incorporating the above-mentioned sale of EnerBank and projects earnings to grow 6-8% long term using 2022 as the starting point. The company maintained its dividend at $1.74 and management is targeting 60% payout ratio as they look to grow the dividend in line with earnings over the long term. The company highlighted $1B in capex upside, which could be earnings accretive to the current plan in 2023 and beyond. Pro Forma CMS expects to maintain its targeted FFO to Debt of mid-teens. Despite the near-term earnings dilution we view the transaction as a net positive for CMS long term, as it improves the company's risk profile with ~95% of pro forma earnings being contributed from regulated assets vs <90% today. We attribute the stock reaction on the announcement day (-4% vs peers -1%) to earnings dilution from the transaction and investors/street applying a premium multiple (18-19x) to EnerBank earnings in valuing CMS as a consolidated entity vs ~14x as implied by the deal price.
  - **2021 equity needs:** CMS recently issued $230mm of preferred stock, which will receive 50% equity treatment at the credit rating agencies. We see this as a tailwind that could potentially reduce the $250mm of equity needs planned for this year.
  - **Enterprises:** it is likely a quiet year for Enterprises with no new notable projects. CMS is guiding to $0.12-0.13 of EPS for this segment this year after delivering $0.12 of adjusted EPS last year.

- **Positioning into Qtr: Neutral**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$2.49**	**$2.67**	**$1.21**	**$0.45**	**$2.85**	**$2.86**	**$3.09**
Consensus				0.42	2.77	2.89	3.14
% diff.				*7%*	*3%*	*-1%*	*-2%*

Source: Evercore ISI and FactSet as of 7/13/21

conEdison

Underperform **TP $72**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase by $0.03 to $0.60/share. Last year in 2Q20, the company saw $0.01 of favorable weather for steam, and based on NOAA heating degree days, we expect weather for Steam (electric and gas are decoupled) to be relatively neutral this year. Positive YoY drivers primarily include new rates under the multi-year rate agreements in CECONY and O&R, and an improvement in bad debt expense given deferrals that started this year. Negative YoY drivers include higher other O&M (e.g. health care) after lower amounts the same period last year, increased interest expense, share dilution from 7.2mm of common equity issued in Dec. 2020, plus increased depreciation and property taxes. Con Ed Transmission (CET) should be lower due to the removal of Mountain Valley Pipeline AFUDC income.

- **What to look for in the earnings report (reminder that ED does not host a conference call):**
  - **Surcharge recovery mechanism filing**: ED has said it is assuming a range of outcomes in 2021 EPS guidance for this filing, for which the company requested a decision in September 2021 but has said is an uncertain process. Con Ed is comfortable with its long-term EPS growth rate of 4-6% in 2021 through 2025. As a reminder, in April 2021, CECONY filed a petition with the NYSPSC to timely establish a surcharge recovery mechanism for $52 million of late payment charges and fees, offset for related savings, for the year ended December 31, 2020 to begin in September 2021 and end in December 2022. The petition also requests a surcharge recovery or credit mechanism for any fee deferrals for 2021 and 2022 starting in January of the subsequent year over a twelve-month period, respectively.
  - **Equity financing needs**: In June 2021, Con Ed issued roughly $800mm of common equity this year, satisfying this year's needs per guidance aside from the $100mm annual DRIP. The company currently plans to issue a combined $700mm in 2022-2023, in addition to the DRIP. We suspect there could be an increase to the 2022-2023 equity needs given the approval of $780mm of three transmission projects that was added to the five-year capex plan with Q1 results.
  - **Stagecoach sale closure:** The first piece of the sale closed earlier this month. Recall the agreement is subject to two closing periods, with the first closing consisting of the transfer of the Stagecoach subsidiaries (with the exception of Twin Tier Pipeline) valued at ~$1,195 million, and is expected to occur following approval under just Hart-Scott-Rodino during the third quarter of 2021. The next piece ($30 million) for Twin Tier is subject to NYPSC approval given it is an intrastate pipeline and is likely to take longer; for example, when Con Ed announced the purchase of Stagecoach in 2016 it took 9 months for approval.
  - **CECONY incentives:** Management's thinking has been that earnings adjustment mechanisms under the current rate agreement are difficult to achieve, but ED believes it will have some success this year. We note the improving Covid environment in NYC should help on this front given that some of the incentives are achieved in person door-to-door, for energy efficiency, demand-side management and distributed resources targets.
  - **O&R rate case:** Con Ed is currently engaged in settlement discussions. New York PSC Staff recommended an 8.75% ROE and 48% equity layer. Recall in January 2021, O&R filed requests with the NYSPSC for an increase in electric & gas rates, effective January 1, 2022, of $24.5mm and $9.8mm, respectively. The filing reflects an ROE of 9.5% and equity ratio of 50%. O&R represented about ~5% of consolidated EPS in 2020 and its current electric & gas rates are based on 9.0% ROE and 48% equity ratio.
  - **Renewable supply chain and projects**: ED said it has procured all materials and supplies for its renewable program this year and has not seen any major supply chain issues. Roughly 400 MW of three projects are under construction in 2021, with one expected to have gone in service in Q2 and the other two likely in Q3 or possibly Q4.

- **Positioning into Qtr: Neutral**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$4.38**	**$4.18**	**$1.44**	**$0.60**	**$4.25**	**$4.60**	**$4.80**
Consensus				0.60	4.26	4.52	4.73
% diff.				*0%*	*0%*	*2%*	*1%*

Source: Evercore ISI, Factset as of 7/13/21

Dominion Energy®

Outperform **TP $82**
Analyst: Durgesh Chopra

- **Q'2 EPS Bridge:** We project year over year EPS decrease of $0.07 (~9%) to $0.75, as an accretive share count (+$0.03), as well as organic growth across D's platform are more than offset by lower capacity prices at Millstone (-$0.01) and higher interest (-$0.02) and depreciation expense/other costs (-$0.05). On the last earnings call, management provided Q'2 operating EPS guidance range of $0.70-$0.80.

- **What to look for in the earnings call (Key debates/themes):**
  - **VA Triennial Review.** On 3/31/2021, Dominion submitted its Triennial review application to the Virginia State Corporation, as previously expected. Staff testimony is expected on September 17 with hearings expected take place in October and a final decision will be rendered in December 2021/January 2022. The company anticipates issuing no refunds as a result (maximum allowable rate refund is 50MM or 5c (1%) over the second triennial period of 2021 through 2023). They requested a base ROE of 10.8%, which would be applicable to both on-going and new riders as well as the base rate for second Triennial period. This filing was pretty much in line with management's previous guidance and street's expectations. We think investors will continue to focus on this proceeding going forward.
  - **SC rate case settlement.** On July 2nd Dominion announced that it has filed a settlement in its ongoing rate case in South Carolina and reiterated its financial guidance. The proposed settlement supports an ROE of 9.5% (vs 10.25% currently) and equity layer of 51.62% equity (vs 52.6% currently), revenue increase of $61.6 million (representing a net revenue increase of $35.6 million after accounting for accelerated return of excess deferred income taxes) and ~$5.8B rate base. A final commission decision is expected by late summer.
  - **Questar Pipeline sale**. On July 12th Dominion announced termination of the Questar Pipelines sale agreement with Berkshire Hathaway effective 07/09/21. The company cited uncertainty associated with achieving clearance from the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and expects to complete the sale to another buyer by year end 2021. Questar results will continue to be reported as discontinued operations with no change to D's current financial guidance. The company will use proceeds from a term loan to repay the approximately $1.3 billion transaction deposit made by Berkshire. That loan is expected to be repaid by year-end 2021 with proceeds from the sale of Questar Pipelines to an alternative buyer Questar Pipeline is an interstate natural gas pipeline company that provides transportation and underground storage services in Utah, Wyoming and Colorado. D's agreement with Berkshire valued the company at $1.7B enterprise value comprised of $1.3B in equity and $400MM in debt, see our note on this topic here.

- **Positioning into Qtr: Neutral**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$4.24**	**$3.54**	**$1.09**	**$0.75**	**$3.85**	**$4.12**	**$4.40**
Consensus				0.80	3.88	4.12	4.38
% diff.				*-7%*	*-1%*	*0%*	*1%*

Source: Evercore ISI, Factset as of 7/14/21

DTE

In Line **TP $119**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge**: We project year-over-year EPS to increase $0.15 to $1.45 (incl. midstream). Recall last year in 2Q20, there was $0.09 of favorable weather at the electric utility and $0.05 of favorable weather at the gas utility. We expect weather to be similarly favorable for electric this year and modestly unfavorable for gas. Positive YoY drivers for electric include new rates effective in May 2021. This benefit should be more than offset by higher D&A, property taxes and interest expense, as well as lost earnings from the River Rouge coal plant retirement. On the gas side, positive YoY drivers for gas includes a rate increase, while negative drivers are primarily higher D&A, property taxes and interest expense. We expect O&M at both the electric and gas utilities to be relatively flat. At GSP, Energy Trading and the corporate segments, we arrive at our 2Q21 estimates assuming an even contribution per quarter from Q2 through Q4 that is implied by full-year guidance. At P&I, we also use full-year guidance as a benchmark but assume just 15-20% of the full year amount comes in Q2 given that Q3 is typically the largest contributor.

- **What to look for in the earnings report (Key debates/themes):**
  - **We are updating our EPS estimates and PT**: We are removing the midstream segment from our 2021-2023 EPS estimates now that the spin has been completed. Our updated 2021-2023 EPS estimates are now $5.55 / $5.90 / $6.25 versus $7.15 / $7.50 / $7.95 previously. We arrive at our new SOTP valuation of $119 (versus $140/share previously) using a 10% premium multiple (vs. 20% previously) to 2023 EPS for the regulated electric and gas utilities to our peer utility target multiple of 17.5x derived using our dividend discount model. We believe a premium is warranted given the very constructive regulatory environment in Michigan and above-average operating earnings growth profile at the utilities. We assign 17.5x multiple of 2023 EPS to the P&I and Energy Trading Businesses.
  - **Midstream reporting**: DTE plans to report the recently spun-off (July 1st) Gas Storage & Pipeline segment in its results for the second quarter, so it will be reflected in the first half of this year before being removed in the second half.
  - **Pending gas rate case**: in February 2021, DTE filed a gas rate case requesting $195mm with a 10.25% ROE and 39.9% equity ratio (incl. deferred taxes) on a rate base of $5.6 billion with a 12/2021 test year for new rates to be effective January 1, 2022. A final decision is expected in December 2021.
  - **Next electric rate case**: the current plan is to file the next electric rate case after October 2021.
  - **Financing plan**: DTE has said it expects to issue minimal equity this year, specifically the low end of $0-200mm. The company still anticipates issuing $1.3 billion of convertible equity in 2022. Equity issuance plans for 2023 total $0-200mm.
  - **Power & Industrials**: Recall there is the sun-setting of the REF business after 2021, so we will see a trough in P&I earnings in 2022 before it builds back up. DTE currently assumes an additional $15mm of earnings per year from RNG and co-generation growth opportunities after the re-basing. DTE issued P&I earnings guidance for 2025 of $135-150mm versus a 2021 outlook of $147-163mm.
  - **O&M mitigation**: annual O&M increases are expected to increase 1% or less going forward, as they have in the past.

- **Positioning into Qtr: Neutral.** As shown below, we are well above consensus EPS estimates, but we believe this is because some of the Street estimates are excluding the midstream segment, which DTE has indicated it will include in its actual reported result.

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$6.30**	**$7.19**	**$2.08**	**$1.45**	**$5.55**	**$5.90**	**$6.25**
Consensus				1.23	5.45	6.16	6.51
% diff.				*18%*	*2%*	*-4%*	*-4%*

Source: Evercore ISI and FactSet as of 7/13/21

DUKE ENERGY

In Line **TP $96**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase +$0.09 to $1.17/share. Last year in 2Q20, weather was $0.01 unfavorable. This year in 2Q21, weather is expected to be favorable (we assume +$0.07). In terms of positive drivers YoY for the electric utilities, we expect to see a sales volume increase YoY when compared to the depth of the pandemic last year in 2Q20. Duke will also see the benefit of new rates in DEC and DEP (interim), Florida and Indiana, plus the positive impact of Midwest riders. On the negative side for the electric utilities, we expect higher O&M after strong cuts during the same period last year, plus higher depreciation and property taxes. For the gas utilities, the cancellation of ACP will be the primary driver in the YoY decrease that we foresee. We expect the Commercial Renewables segment to be down YoY after a particularly strong 2020. At the parent, we anticipate there will be a drag when compared to last year when there was the benefit of tax optimization.

- **What to look for in the earnings report (Key debates/themes):**
  - **North Carolina energy legislation:** On June 15, 2021, House Bill 951 was released in the General Assembly. The proposed legislation outlines an energy transition for North Carolina that: 1) mandates the retirement of 4,940 MW of coal generation capacity by December 2030, 2) leverages an "all of the above" strategy for replacement generation, adding almost 4,700 MW of new renewables and opportunities for dispatchable generation, energy storage and advanced nuclear, 3) facilitates CO2 emissions reductions of at least 61% by 2030 (from 2005 levels), 4) permits the North Carolina Utilities Commission (NCUC) to utilize modernized ratemaking mechanisms (multiyear rate plans, a performance incentive mechanism and residential revenue decoupling) to better align utility investments to customer and state needs, and provide customers improved rate certainty, and, 5) improves existing customer-facing solar programs such as Green Source Advantage, and creates new opportunities for customers through the Shared Solar and Community Solar Gardens programs. Note the 61% CO2 emissions reduction goal by 2030 is roughly the midpoint of Duke's current target of "at least" 50% and Governor Cooper's goal of 70%. Hearings were recently held to get comments from interested parties. We expect the bill to progress and be debated through the legislature within the next few months.
  - **Carolinas IRP**: the SC commission recently rejected the IRP, asking for more information, which was expected given historical precedent. Duke is expected to re-file by Sept. 1st for approval or denial. The NC commission will review and provide comments on the IRP, expected in the fall 2021, with no official order.
  - **Elliott activism**: In May, Elliott disclosed that it is a top 10 investor in DUK and has been engaged with Duke since July 2020, proposing a tax-free separation into three regionally oriented utility holding companies – the Carolinas, Florida and the Midwest – to unlock $12-15 billion of value. Elliott urged Duke to appoint new independent Board members and create a strategic review committee in pursuit of this goal. Duke issued a statement saying Elliott's proposal is not in the best interests of shareholders and other stakeholders, highlighting a strategy in place that has driven an increase in its long-term growth rate and outperformance in its stock price over the past several months.
  - **GIC transaction closure:** The $2.05 billion in proceeds from the DUK Indiana minority interest (19.9%) divestiture to GIC is expected to be received in a staggered, two-phase closing, structured in evenly split payments. The first closing was expected to occur in the second quarter of 2021 but has not been completed yet and is awaiting FERC approval; there are no indications that there are any impediments to this deal closing. Under the terms of the agreement, Duke Energy has the discretion to determine the timing of the second closing, but it will occur no later than January 2023.

- **Positioning into Qtr : Positive**. We derive an above-consensus YoY EPS of $1.17 primarily driven by favorable weather. We expect constructive messaging on the NC legislation that was introduced, which as it stands now we would see as supporting or bolstering the ten-year capex plan and growth rate, and lead to more rapid de-carbonization at DUK.

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$5.06**	**$5.12**	**$1.26**	**$1.17**	**$5.20**	**$5.45**	**$5.80**
Consensus				1.10	5.19	5.47	5.79
% diff.				*7%*	*0%*	*0%*	*0%*

Source: Evercore ISI and FactSet as of 7/13/21

Outperform **TP $110**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase by $0.05 to $1.42/share driven by rate actions and an assumption of normal weather, primarily offset by higher O&M, depreciation and property taxes. Recall, first quarter of last year had negative $0.02 unfavorable weather impact, which we think for the most part would reverse as suggested by normal weather during the quarter.

- **What to look for in the earnings report (Key debates/themes):**

  - **SERI update:** the ALJ came out with their decision related to the SERI's ROE complaint and a final decision is expected in late 2022. They recommended an ROE of 9.32% and equity ratio of 48%, significantly lower vs. company's current earnings profile (10.94%/65%). With Q1 results, management said the decision was slightly worse than expectation (-$0.03 EPS relative to expectations) and if it was affirmed by FERC they would have to take one time ~$20-25m of additional reserves. Separately, there was a complaint filed a few months ago related to prudence of upgrades at SERI.
  - **Storm securitization proceedings:** all indications are that the securitization proceedings are progressing as expected. The company is filing for $2 billion in Louisiana and $400 million in Texas for three storms last year. Legislation in TX and LA allows securitization off balance sheet (ultimately credit remote). ETR is still looking at end of year securitization approval of costs with proceeds expected in Q2 / Q3 next year.
  - **Balance sheet & credit metrics / equity issuance.** Parent debt to total debt as of Q'1 was at 22.3% vs. a 25% threshold and FFO to debt came in at 8.2% vs. targeted 15%. Excluding one-time items, FFO/Debt would have been 8.7%, still materially below targeted levels due to storm impacts; Entergy projects to achieve 15% by the end of 2022 with the expectation that they would be able to get securitization of storm costs by that timeframe. Management believes rating agencies will be patient given company's financing plan to shore up the balance sheet. ETR has been guiding to $2.5 billion of equity issuance over the next four years and recently secured a $1 billion ATM program, which allows them to issue equity from time to time. The company has spoken about potentially getting creative and issuing a more shareholder-friendly preferred equity instead.
  - **Asset monetization:** ETR has spoken about the potential sale of a portion of equity from an operating company. The company has said there is a difference between obviously the cost of equity at the operating company and where it is trading today. So that is something that ETR has been looking closely at but is still very much a long-term, strategic decision rather than an immediate financing decision given that closure of a potential deal in the regulatory jurisdictions would take 18-24 months.

- **Positioning into Qtr:** Neutral.

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$5.40**	**$5.66**	**$1.47**	**$1.42**	**$6.00**	**$6.35**	**$6.70**
Consensus				1.42	5.97	6.32	6.71
% diff.				*0%*	*1%*	*0%*	*0%*

Source: Evercore ISI and FactSet as of 7/13/21

EVERSOURCE

In Line **TP $91**
Analyst: Durgesh Chopra

- **Q2 EPS Bridge:** We project year-over-year EPS to increase $0.04 to $0.80 driven by rate increases at state utilities and transmission investments. We expect these items to be partially offset by share dilution, higher depreciation, interest and taxes. Weather-related and COVID impacts are relatively muted for ES with the benefits of revenue decoupling for over 90% of its business and constructive mechanisms that allow for more immediate recovery of everything from certain capital expenditures to pension and bad debt expense.

- **What to look for in the earnings report (Key debates/themes):**
  - **Storm Isaias penalty charge.** Q1 results included a $0.07 charge associated with customer credits and related assessment that CT regulators announced on May 6 with a final order on July 14. The charge relates to company's performance restoring power following storm Isaias in August 2020. Subsequently ES paired back earnings expectations for 2021 to be towards the lower end of previously announced 2021 EPS Guidance range of $3.81 - $3.93.
  - **Temporary rate reduction proceeding.** On Apr 28, the CT regulators concluded that the company failed to comply with certain applicable performance standards and manage its preparation for and response to the storm and ordered the company to lower its allowed ROE by 90 bps in pending/future rate proceedings. Other parties to the case have also made the case for substantially lower equity layer, ES current ROE/Equity layer is 9%/53% respectively. The lower ROE could be reflected in rates starting in October this year impacting 2021 EPS by a penny and we estimate ~$0.07 or 2% annual EPS headwind to our FY EPS 2022 projection. A draft order is expected on Aug 20 with a final decision scheduled for Sep 15.
  - **CT Legislation on storm preparedness.** On 10/02/20, Connecticut Governor Ned Lamont signed a legislation (HB7006) that addresses utilities' storm preparation and response. The bill lays out new requirements as well as penalties regarding utilities' performance in event of a storm. More specifically, The Connecticut Public Utilities Regulatory Authority (PURA) has to initiate a proceeding (was expected in mid this year) that would enable performance based regulation framework by mid-2022. Under the bill, the electric distribution companies have to give $25-per-day credit for any outage that last longer than four days. Utilities would not be able to recover those cost through rates. Moreover, Utilities would have to compensate their customers' up-to $250 for any spoiled food or medication. Going forward, The PURA will determine minimum staffing level standards related to particular storm event and utilities have to report their preparation efforts and staffing preparedness.
  - **Offshore wind.** We will also look for any updates or developments on company's offshore projects. The South Fork Wind project successfully received the environmental permit from NY earlier in the year, they expect BOEM to issue a final Environmental Impact Statement (EIS) in the fall and final approval by Jan 2022 with late 2023 targeted in service. Revolution Wind BOEM filing was made in March last year and the company received a review schedule in April calling for final approval by Q3 2023, in service expected in 2024 at the earliest. Sunrise Wind's BOEM review schedule is expected this year with expected in service in 2025 at the earliest.

- **Positioning into Qtr:** Neutral

Adjusted EPS

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$3.45**	**$3.64**	**$1.08**	**$0.80**	**$3.83**	**$4.15**	**$4.44**
Consensus				0.81	3.83	4.10	4.37
% diff.				*0%*	*0%*	*1%*	*2%*

Source: Evercore ISI, Factset as of 07/14/21

evergy™

Outperform **TP $67**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** we project year-over-year EPS to increase by $0.03 to $0.71/share. Weather last year in 2Q20 was $0.06 favorable. This year in 2Q21, it was also favorable but likely not as much as last year (we estimate $0.03). On the positive side, Evergy should benefit from an improvement in sales volumes when compared to the trough in 2Q20 last year. We also expect the company to see positive impacts from higher FERC revenue and PISA recovery. We anticipate the COLI contribution will be relatively flat. On the negative side, we expect to see higher O&M after cuts the same period last year (EVRG is guiding to flat O&M for the FY 2021) and increased depreciation and property taxes.

- **What to look for in the earnings report (Key debates/themes):**
  - **Quiet quarter ahead of Analyst Day:** Evergy has not yet rolled forward its rate base and EPS growth outlooks (they are still through 2024) this year and has been operating under the same Sustainability Transformation Plan (STP) that calls for rate base and EPS growth forecasts of 5-6% and 6-8% CAGRs in 2019 through 2024, respectively. That being said, the company has issued a 2021 through 2025 capex program of $9.2 billion. We expect this second quarter 2021 to be relatively quiet with a more comprehensive update to come at the Analyst Day in September (date to be announced) that could include refreshes / roll-forwards to capex, rate base and EPS growth outlooks.
  - **Bluescape and Elliott update**: with Q4 results, Evergy announced agreements with Bluescape Energy Partners and Elliott Management to add two new directors to its Board, and all indications by the company are that Elliott agreed to execute the Sustainability Transformation Plan (STP). Bluescape has invested $115mm by purchasing newly issued Evergy shares, with an option to purchase additional shares over the next three years at a price 20% higher than the current share price. In its most recent 13F filing, Elliott disclosed ownership of ~10.5mm shares of EVRG as of March 31, 2021.
  - **Securitization**: Securitization legislation has passed and been signed in both Kansas and Missouri. Evergy has said it does not need securitization to execute its plan through 2024, but we see passage of it as a tailwind that could represent potential upside. In its five-year outlook, Evergy is currently assuming securitization for one ~500 MW coal plant in 2024, for which we estimate a book value of $300mm and a $0.07 - $0.10 ongoing EPS contribution (<3% of our '22EPS projection) that we believe could be offset with the backlog of investments or through cost cutting if not approved. EVRG said up to 3,000 MW of coal plant retirements beyond the current five-year plan carry enough asset value on the books that they would require legislation, such as securitization; the retirements could be pulled forward with passage of the law.
  - **IRPs**: On May 28th, Evergy filed its first IRP in Kansas that includes the retirement of 1,200 MW of coal and the addition of 3,200 MW of renewable generation in the next 10 years. The filing includes the same forecasted generation additions and retirements announced in April 2021 when Evergy filed its IRP with the Missouri Public Service Commission on April 30th. The transition toward more sustainable energy sources advances Evergy's goal to reduce carbon emissions 70% by 2030 (relative to 2005 levels) and achieve net-zero carbon emissions by 2045, assuming technology, regulatory, and legislative enablers have advanced to facilitate this goal. Within the next three years, the company will retire its Lawrence (KS) Energy Center and add 700 MW of solar energy.
  - **STP dockets**: In Missouri, there was a workshop in early June, which was the final step in the process. Evergy will file quarterly reports with the commission if there are any material changes to the STP. In Kansas, the STP workshop was in late May and that was the main remaining step in the schedule. For all intensive purposes, the STP dockets in are complete with the opportunity for intervenors to provide final comments in the coming weeks. As a reminder, in both Kansas and Missouri the STP is simply acknowledged and neither approved or disapproved.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$2.89**	**$3.10**	**$0.55**	**$0.71**	**$3.30**	**$3.50**	**$3.75**
Consensus				0.75	3.35	3.50	3.76
% diff.				*-6%*	*-2%*	*0%*	*0%*

Source: Evercore ISI and FactSet as of 7/13/21

Outperform **TP $47**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase $0.12 to $0.67/share. Last year in 2Q20, Exelon saw a -$0.04 hit from a major storm. Weather for 2Q20 and 2Q21 was both relatively normal. We see the primarily drivers of the YoY increase to be new rates, a higher 30-year treasury driving an increased ROE in Illinois, reduced O&M at the Genco because of fewer planned outages, higher ZEC prices in New York, and a tax benefit at the Holdco that should come as part of a reversal of the loss seen in Q1 over the remaining course of the year.

- **What to look for in the earnings report (Key debates/themes):**

  - **EXC is spinning off its generation business.** The RemainCo will be comprised of the regulated utility businesses and the parent, while the SpinCo will be the generation and retail-facing businesses. The spin-off is designed to be tax-free. The RemainCo will target a 60% dividend payout ratio with the expectation that the dividend will grow in line with earnings. Management reaffirmed its utility EPS CAGR of 6-8%. They plan is to deploy $27 billion of capex over the next four years and grow rate base by 7.6%. The RemainCo plans to issue ~$1bn equity through 2024, which reflects a $0.05 reduction to utility EPS guidance in 2022-2023. Parent debt will stay at the RemainCo. The SpinCo will prioritize capital allocation to the support the balance sheet, return value to shareholders and invest in clean energy solutions. Management plans to maintain its investment grade rating metrics at both the RemainCo and SpinCo. The transaction requires approvals from FERC, NRC, and the NY PSC and is expected to close in 1Q22.
  - **PJM capacity auction results:** EXC cleared slightly more MW, but at significantly lower prices. The company cleared a total of ~13.0GW at a weighted average clearing price of ~$88/MW-d vs. ~12.8GW / $177/MW-d in the last auction. We calculate base capacity revenues for the 2022-2023 period of $420mm versus $825mm for 2021-2022. We expect 2022 EBITDA impact to be $656mm versus $925mm in 2021 (or $269mm lower) accounting for delivery year versus calendar year. EXC did not clear its Byron, Dresden and Quad Cities nuclear plants. Note Byran and Dresden are scheduled for early retirement. Quad Cities will continue to operate given it receives ZECs in Illinois. Management also said Braidwood and LaSalle nuclear plants cleared the auction, but face economic challenges due to unfavorable market rules and could potentially retire early. The company said PJM's recently introduced the Minimum Offer Price Rule (MOPR) prevented Quad Cities from the clearing in the auction. PJM is currently considering to make changes to the MOPR rule to accommodate state resource preferences.
  - **Illinois Nuclear subsidy:** Investors continue to focus on IL legislation that could provide financial support to Exelon's nuclear fleet.
  - **Rate case decisions:** in June, Exelon received rate case orders in Pepco DC, Pepco MD and PECO electric.

- **Positioning into Qtr: Neutral**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$3.22**	**$3.22**	**($0.06)**	**$0.67**	**$2.80**	**$3.00**	**$3.10**
Consensus				0.60	2.73	2.96	3.06
% diff.					*2%*	*1%*	*1%*

Source: Evercore ISI and FactSet as of 7/15/21

FirstEnergy

In Line **TP $35**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase by $0.02 to $0.55/share. Last year in 2Q20, weather was relatively normal, and this year we expect a modest benefit after a normal April/May and hot end of June. We expect new rates at JCP&L plus riders to provide a modest benefit YoY, and also expect to see a positive contribution from transmission revenues and lack of Covid-related expenses incurred in 2Q20. In terms of negative YoY drivers, we expect a moderate reversal of the net benefit from Covid sales in the same period last year driven by higher-margin residential load; in addition, the absence of lost distribution revenues in Ohio, increased interest expense, and higher D&A and property taxes should also contribute negatively. In summary, we expect FE to deliver $0.55, or modestly above the $0.53 midpoint of the company's $0.48-$0.58 guidance range for the quarter, largely driven by a modest weather benefit.

- **What to look for in the earnings report (Key debates/themes):**
  - **Ohio Investigation:** Investors will focus on the latest developments in OH related to bribery investigation and what the next steps are. We would expect to hear management's thoughts on House Bill 6 (HB6) and any other pending legislations that could impact company's earnings ability in the state of OH. As of last update, FE had begun discussions with the DOJ and could reach a deferred prosecution agreement. They started working with the government but could not predict the outcome, timing and potential fines, which are not baked into their current guidance. Management instituted a number of changes into their political and legislative engagement processes such as stopping all contributions to 501(c), suspending various political consulting relationships and others. FE also said that the Board's internal investigation has not revealed any material issues, between the 4Q20 and 1Q21 earnings call. They are actively working on FE forward initiatives that they laid out on the 4Q20 call. FE hired a few senior executives to enhance its compliance bench and Jesse Lynn/Andrew Teno joined the Board from Icahn Capital since last earnings call. Management also had early conversations with rating agencies regarding addressing material weaknesses and improving governance and culture. We think the company is taking a comprehensive approach to resolve and put behind current challenges.
  - **Regulatory Agenda:** We also expect additional color on Pending PUCO investigations as well as timeline for PUCO final determination of the SEET/ROE test (hearings were in May) post the Supreme Court ruling to exclude Distribution modernization rider (DMR) revenue.
  - **Equity issuance and asset sales:** First Energy currently has $600mm of equity issuance per year in its plan for 2022 and 2023. The company is considering alternative paths to raise capital, such as pursuing a minority interest divestiture, similar to the one DUK has done with a 19.9% stake in Indiana.

- **Positioning into Qtr: Neutral**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$2.58**	**$2.39**	**$0.69**	**$0.55**	**$2.50**	**$2.60**	**$2.70**
Consensus				0.57	2.51	2.61	2.69
% diff.				*-4%*	*0%*	*0%*	*0%*

Source: Evercore ISI and FactSet as of 7/13/21

In Line **TP $40**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase $0.05 to $0.50/share. HE operated under mostly pre-PBR mechanisms for April/May with more PBR items going into effect on June 1st. In terms of positive YoY drivers, we primarily expect lower O&M from the management audit cost savings program and improved bank provisioning. The revenue line will be impacted by a return (to customers) of some of the cost savings achieved to date, under the PBR framework. On the negative side, interest expense could be modestly higher given additional debt financing, plus there will be increased depreciation, property tax expense and likely lower AFUDC.

- **What to look for in the earnings report (Key debates/themes):**
  - **Performance Based Regulation implementation and finalization of PIMs:** On June 1st, additional PBR elements and tariffs became effective, including the Annual Revenue Adjustment (ARA), Advanced Metering Infrastructure (AMI) utilization and Low-to-moderated income (LMI) energy efficiencies, Performance Incentive Mechanisms (PIMs), Pilot project approval process, Symmetrical earnings sharing, plus scorecards and their associated reporting metrics. The Hawaiian commission also recently finalized the PIM framework with the overall headlines about the same with no major surprises, but we still expect more detail on that and potentially what HE expects to achieve.
  - **Utility regulatory lag:** Hawaiian has said it expects to earn an allowed ROE of 7.8% in 2021 versus an allowed 9.5% given a transition year for the PBR framework. Regulatory lag has been a persistent problem for the company. All things considered, we think the PIMs will enable Hawaiian to close the earned versus allowed ROE gap considerably over time.
  - **American Savings Bank**: Recall HE raised its bank guidance with Q1 results to $0.67-0.74 from $0.52-0.62 previously. Updates to guidance included a lower net interest margin (NIM to 2.80-3.00% from 2.90-3.15% previously), reduced provision expense (to $0-10mm from $17-25mm previously), higher ROA (to >0.85 from >0.70 previously) and increased dividends to HEI (to $50-60mm from $35-40mm previously). Interest rates were expected to increase further at the time of the last update, but have surprisingly fallen. Mortgage banking has been very strong and is expected to remain strong.
  - **Hawaiian economy / tourism:** the Hawaiian economy is very dependent on tourism, which has obviously taken a huge hit during Covid but has been coming back. We expect an update on the current state of the economy and outlook for the remainder of the year and beyond. The University of Hawaii Economic Research Organization recently accelerated its economic recovery outlook for the state, which would have positive implications certainly for the bank, but also for the utility and its Covid-related expenses (utilities are revenue decoupled).
  - **Utility capex**: Capex for the first quarter 2021 was ~$60 million lower than planned due to extended repairs being made at one of the substations, limiting work that could be done on other parts of the electric system. HE also experienced delays due to additional design work required for T&D projects, COVID travel limitations and meter deployment delays that impacted its grid modernization work. Despite this, HE maintained its capex forecast of $1,085-1,255mm in 2021-2023 with all three years unchanged.
  - **Status of cost savings**: HE has a management audit savings commitment of $6.6 million per year in 2021 through 2025. At the utility, the company is guiding to 1% lower O&M excluding pension this year.
  - **Stage 2 RFP**: Hawaiian filed 10 PPAs for solar and storage and two self-build storage application. The PUC has approved 5 PPAs from December 2020 to April 2021. The Stage 2 RFP has the potential to add 382 MW of solar and 2 GWh of storage by the end of 2023.

- **Positioning into Qtr: Neutral**.

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$1.99**	**$1.81**	**$0.59**	**$0.50**	**$1.98**	**$2.06**	**$2.20**
Consensus				0.47	1.99	2.05	2.17
% diff.				*6%*	*-1%*	*0%*	*2%*

Source: Evercore ISI, FactSet as of 7/13/21

NEXTera ENERGY

In Line **TP $78**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We expect year-over-year EPS to be up $0.05 to $0.70/share. We anticipate that Florida Power & Light will utilize its depreciation reserve ($578mm balance) to offset any sales declines and any weather impacts to earn the top end of its 9.6-11.6% allowed ROE band on rate base growth of 9-10%. At Gulf Power, where there is no depreciation reserve, we expect modest COVID sales declines to be offset by planned O&M reductions as Gulf earns the top half of its 9.25-11.25% ROE. Note that Gulf Power is only one-tenth the size of FPL. In general, we note that the Florida economy is has been open for months. In the Energy Resources segment, we anticipate growth to be driven by new projects added, plus existing projects; note that the wind production was a 99% index score in 2Q20 (every 1% change in the index is $0.01-0.02 of EPS). At NEER, there was the planned nuclear outage of Seabrook last year in 2Q20 that did not occur this year; this provides an offset to the retirement of Duane Arnold that occurred in 1Q21. Lastly, Mountain Valley Pipeline AFUDC (we estimate just $0.02) has been removed this year following the halt of the project.

- **What to look for in the earnings report (Key debates/themes):**
  - **Rate case**: the combined FPL-Gulf Power rate case was filed in March for new rates effective January 2022. NextEra is requesting a 11.5% allowed ROE, which includes a 50 basis point performance incentive, and equity ratio of 59.6% excluding deferred taxes (~45% including). In 2024-2025, they requested 900 MW per year of the solar base rate adjustment mechanism (SOBRA) recovery. NEE believes the company is in a strong position with arguably the strongest utility performance in the country (e.g. low customer bills, high reliability, clean emissions profile, high customer satisfaction.). Rebuttal testimony is due July 14th, then hearings will start August 16th through the 27th with a decision expected in Q4 with new rates effective January 1, 2021. In the last FPL rate case, a settlement was reached in October.
  - **Sales trends and amount of utilization of FPL's depreciation reserve**: Recall that FPL has the depreciation reserve that it can use to offset any negative sales impact on earnings. NEE had a robust $578mm reserve balance as of the end of the first quarter 2021. We note that the Florida economy has been open for months. Every 1% impact to sales is roughly a $70mm annual hit to FPL revenue. The company has previously said that they have sufficient depreciation reserve to earn the top end of their allowed 9.6-11.6% ROE band through 2021, after which new rates are expected to go into effect from an upcoming rate case filing. At Gulf Power, where there is no depreciation reserve, every 1% change in Gulf Power sales volumes results in a $0.008/share annualized impact to EPS.
  - **M&A**: A number of months ago NextEra made an undisclosed bid for a York wastewater treatment plant. The company has said it believes it has competitive advantages that it could leverage to bring value to water utilities. NEE said it could pursue water acquisitions but the caveat is that most water utilities are not needle moving. The company said over time water may grow in its portfolio depending on value of synergies but it will probably remain a very small component for an extended period of time. NEE plans to also continue to build out its FERC transmission portfolio. The company completed the $1 billion Transbay Cable acquisition in 2019 and the $660mm GridLiance at the end of the first quarter. NextEra says the returns on these assets are attractive and believes there is a lot of growth potential to support the renewable build-out across the country. NextEra says it is always evaluating regulated utility transactions in constructive Southeast and Midwest jurisdictions (a lot of coal it can transition to renewables there) where a purchase would be immediately accretive to earnings. They pursue opportunities where they believe they implement their FPL "playbook", which includes making smart investments that lead to lower costs for customers, plus a retooling of the generation fleet and environmental footprint. Lastly, NEE rescinded its bid for Santee Cooper. The company also reportedly made an offer for the full Duke Energy Company, as well as separately for its Florida subsidiary.
  - **Renewable origination and supply chain**: Renewable origination has remained robust and there is no indication it will slow down. NEE's capital projects have so far remained on track through Covid. We believe NEE's extensive experience, scale, and relationships with customer suppliers, contractors and financers separates it from smaller developers who have less buying power and access to tax equity.
  - **Major project update**: the 409 MW Manatee Energy Storage Center, which is the world's largest integrated solar-powered battery system, is expected to be placed into service later this year. The $550mm North Florida Resiliency Connections is expected to be in service in 2022.
  - **Hydrogen**: NEE announced a $65mm renewable hydrogen pilot subject to Florida PSC approval. The company anticipates hydrogen to play a significant role beyond 2030.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$2.09**	**$2.31**	**$0.67**	**$0.70**	**$2.50**	**$2.70**	**$2.95**
Consensus				0.68	2.52	2.73	2.91
% diff.				*3%*	*-1%*	*-1%*	*1%*

Source: Evercore ISI, FactSet as of 7/13/21

NiSource

In Line **TP $27**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to be flat at $0.13/share. Recall that NI adjusts weather out of its non-GAAP EPS results. In terms of positive drivers, we expect to see the benefit of rate relief, reversal of Covid load declines, and lower interest expense from debt pay-down with the proceeds from the Massachusetts divestiture. On the negative side, there will be the loss of Massachusetts earnings, higher O&M expense after significant cuts the same period last year during the heart of the pandemic, and share dilution from the equity unit offering.

- **What to look for in the earnings report (Key debates/themes):**
  - **Pennsylvania gas rate case:** NiSource filed a new PA gas rate case on March 31st this year requesting a $98mm revenue increase with a 10.95% equity ratio and ROE of 54.34% on a rate base of $2,673mm with a 12/2022 test year. Testimony was filed by intervening parties (documents not made public) on June 17th. The hearings are scheduled for August 3rd-5th. We note that the ALJ is different in this case than in the prior one where he recommended no rate increase given that he felt it was not just and reasonable during the pandemic; NI ultimately received a $64mm revenue increase in that case.
  - **Asset sales:** NiSource has not commented meaningfully on portfolio optimization that it first alluded to the possibility of at its Analyst Day in September 2020, but said it is always evaluating options to maximize shareholder value. With the subsequent equity unit offering, NI eliminated its planned block equity issuance of $500-700mm for 2022-2023 and reduced its 2023 ATM equity offering plan to $0-150mm from $200-300mm.
  - **Renewable projects**: NiSource has three projects pending decision in Indiana, including two 200 MW build-on-transfer and one 200 MW PPA. The company expects a decision sometime in early August. If the three pending projects are approved, all of NiSource's 14 planned renewables will have then been approved.
  - **Ohio rate case**: on June 30th, NiSource filed on Ohio rate case, requesting a $221mm revenue increase with a 10.95% ROE and 50.6% equity ratio on a rate base of $3,560mm with a 12/2021 test year. No procedural schedule has been laid out yet. The rate case was required as part of a settlement in 2016 for one of the rider mechanisms.
  - **Next Indiana IRP and coal retirements**: In November 2021, NIPSCO will submit an IRP that would update long-term generation plans, including the planned retirement of Michigan City Generating Station, and could create additional capex opportunities. NI said in evaluation of economics it decided to initiate retirements of two (Unit 14 and 15) of the four Schafer coal units by the end of 2021 with no impact to earnings; recall all four of which have been planned to be retired by May 2023 per the 2018 IRP**.** The RFP in this process was introduced in May and NI has now received all the bids. By October 2021, a directional preferred plan should be laid that is narrower than the RFP document but likely will not include the full MWs or owned versus PPA breakdown.

- **Positioning into Qtr: Neutral**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$1.32**	**$1.32**	**$0.77**	**$0.13**	**$1.34**	**$1.42**	**$1.51**
Consensus				0.13	1.35	1.41	1.53
% diff.				*0%*	*-1%*	*1%*	*-1%*

Source: Evercore ISI, FactSet as of 7/13/21

In Line **TP $42**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EBITDA Bridge:** We project NRG's Q2 EBITDA to be $575MM. Post the Direct energy acquisition we project VST to generate ~20% of annual EBITDA in the second quarter, historically NRG has generated 25-30% of annual EBITDA in the second quarter. Our $575 MM estimate is ~20% of NRG's adjusted 2021 EBITDA guidance range.

- **What to look for in the earnings call (Key debates/themes):**

  - **Analyst Day highlights:** NRG hosted an investor day on June 17 laying out its key priorities and growth strategy through 2025. The company projects 15-20% growth in free cash flow per share from 2020 through 2025. Direct energy acquisition (announced 07/2020), $2B in investments at 12-15% unlevered pretax return and $2.7B share buyback program are the major components of the cash flow/share growth offset by asset sales and 1.6GW of PJM coal capacity to be retired in 2022. NRG projects to achieve ~3x net debt to EBITDA by year end not including the Uri impact. They still target 2.50x-2.75x net debt to EBITDA in 2022 with a goal to achieve investment grade ratings sometime in the future. Dividend is still expected to grow 7-9% using 2020 starting point of $1.20.
  - **Storm Uri impact.** Estimated 2021 loss from winter Storm Uri was unchanged at $975MM on the Analyst Day with potential offsets in the range of $275-$475m including bad debt mitigation, bilateral contract non-performance, securitization, and one-time cost savings.
  - **Forward Power Prices.** Forward price curves in both ERCOT and PJM have moved materially higher but given NRG's matched retail load book we don't expect material upside to our forward looking estimates.
  - **PJM Auction results.** The PJM capacity auction prices for the '22/'23 Base residual auction (BRA) were lower in all zones vs. last auction – RTO the most negative surprise, down nearly $90/MW-d / or >64%. Within our coverage universe PEG, NRG & VST cleared significantly less capacity at materially lower prices. EXC cleared slightly more MW, but at a significantly lower price. We estimated $84MM EBITDA (3% of consolidated EBITDA) hit versus last auction for NRG, see out note here.

- **Positioning into Qtr: Neutral.**

Adj. EBITDA	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$1,977**	**$2,004**	**$567**	**$575**	**$2,400**	**$2,500**	**$2,600**
Consensus				608	1,889	2,481	2,500
% diff.				*-5%*	*27%*	*1%*	*4%*

Source: Evercore ISI, Factset as of 07/14/21

OGE

Outperform **TP $35**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year adjusted EPS to increase $0.02 to $0.53/share. Last year in 2Q20, weather was $0.01 unfavorable and this year in 2Q21 we expect it to be $0.02 unfavorable. We expect positive YoY drivers to include load growth when compared to the same period last year during the trough of the pandemic. We also anticipate positive contributions from the Oklahoma Grid Enhancement mechanism, higher Arkansas formula rates, and an improvement at the parent (guidance for the year is $0.00). In terms of negative YoY drivers, we expect higher depreciation and property taxes. We see O&M and interest expense as relatively flat.

- **What to look for in the earnings report (Key debates/themes):**
  - **ET-ENBL merger**: We could potentially get more thoughts from management on its plan to sell ET units over time, though we see that commentary as more likely after transaction closure, which is expected in 2H21. After closure of the deal, OGE will own roughly 3% of Energy Transfer common units that is likely to be opportunistically sold over time. Assuming OGE sells its stake ratably over five years, we see the transaction at 3-4% value accretive ($1.05-1.40/share) to our price target of $35. We assume OGE uses the proceeds to satisfy its negative -$850mm tax basis with the remaining amount to be invested in the utility at a 9.5% ROE, or for buying back shares. OGE will lose about $73mm of cash distribution from ENBL, partially offset by receipt of $57mm from ET, based on current distribution levels. In the scenario where OGE reinvests, we see the $0.04-0.08 of EPS accretion in 2022-2023. If OGE were to buy back shares, we estimate $0.03-0.07 of EPS accretion in 2022-2023. As with CNP, we estimate ET's value to OGE based on its pre-transaction trading price on 2/15/21 close, and assume OGE's stake is 1.5% in 2023.
  - **Securitization filing**: both Oklahoma and Arkansas have passed securitization laws. OGE has a pending securitization filing in Oklahoma for $830mm of the total $930mm ($100mm is in AR) of the total Winter Storm Uri costs. OGE filed testimony about a month ago and responsive testimony is due August 23rd, with rebuttal testimony on September 13th. In Arkansas, the company has a 10-year recovery amortization at the customer deposit rate, which approximates the cost of financing. OGE suspended the docket requesting the WACC recovery to focus on the Oklahoma docket first. The company has said it will turn its attention back to Arkansas after it gets through the Oklahoma process.
  - **Credit rating and financing**: following the winter event, OGE was placed on Negative outlook by Moody's for its Baa1 rating. OGE has said it is targeting FFO to debt of 18.0-20.0% in 2021-2023 versus a high teens downgrade threshold; the company has said it would not issue equity to sustain its rating. We note that the downgrade threshold could be lowered after the ET-ENBL transaction is completed and there is line of sight into a more de-risked business.
  - **O&M management**: Management has said there is about $20mm of costs that it has structurally removed from the business. However, note they did defer some maintenance activities and plant work that will pick up in 2021.
  - **Customer growth**: customer growth has remained strong even through the pandemic where the company saw a ~1.4% increase YoY in 1Q21 and 1.1% increase in 4Q20.
  - **Next Oklahoma rate case**: Recall in the Oklahoma Grid Enhancement Mechanism settlement, OGE agreed to file a base rate case on or before the end of 1Q22. The company has indicated that it plans to file by the end of 2021.
  - **IRPs:** due by October 1st in both Oklahoma and Arkansas. OGE will filed draft IRPs a few months before that to kick off the review process.

- **Positioning into Qtr : Neutral**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$2.16**	**$2.08**	**$0.26**	**$0.53**	**$2.12**	**$2.26**	**$2.38**
Consensus				0.53	2.19	2.15	2.23
% diff.				*0%*	*-3%*	*5%*	*7%*

Source: Evercore ISI, FactSet as of 7/13/21

PINNACLE WEST CAPITAL CORPORATION

In Line **TP $81**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase $0.04 to $1.75/share. Recall that weather was favorable ($37mm pre-tax benefit) and we expect favorable weather this year after a hot June (see weather data on its website). We see the primary driver of the YoY increase being the favorable weather, sales / customer growth, a pension benefit, plus modestly positive contributions from the LFCR and TCA riders. In terms of negative drivers, we expect higher O&M after cuts last year (goal is to keep O&M flat per kWh this year), as well as increased D&A and property taxes, and higher interest expense.

- **What to look for in the earnings report (Key debates/themes):**
  - **Rate case:** An opinion and order from the ALJ is expected any day now and the Arizona commission will likely vote on it in the third quarter. In May 2021, the Commission decided not to reopen the evidentiary record to include additional evidence regarding adjusted cost recovery mechanisms. Rates will not be retroactive. Pinnacle West has been saying it will not issue 2021 EPS guidance until after the rate case concludes, when it will likely update its financing plans as well. Historically, the Arizona commission has issued ROEs that are 25-50 basis points above Tucson Electric's in acknowledgement of APS' higher risk given its ownership and operation of the Palo Verde nuclear plant. As a reminder, Tucson was granted a 9.15% ROE and 0.2% return on fair value increment; it received an equity ratio of ~53% that was in line with its request. Despite the historical ROE premium APS has received in the past, things are more uncertain now because there are two new commissioners on the bench following the November 2020 election. APS is also seeking regulatory approval for an adjustor mechanism to enable more timely recovery of sizable clean investments; Staff has opposed it, while some intervenors including Navajo Nation and renewable energy groups have been in strong support. PNW has said it believes the mechanism is complementary to what the majority of what the commissioners want, but we believe the likelihood of approval is low on the first request in a historically challenging jurisdiction. PNW has said they will continue to seek a mechanism if it is not approved in the rate case as they believe it is appropriate way to recover costs and minimize regulatory lag while managing cash flow and credit metrics. The company has also said it will continue forward with its clean energy capex forecast to align with the Commission's energy rules. If PNW is not granted the mechanism that would just mean they would have to go in for more rate cases and seek alternatives to manage their cash flows and credit metrics. We estimate the Arizona Corporation Commission (ACC) jurisdiction accounts for 85% of consolidated earnings for Pinnacle West.
    EPS guidance to be issued after the rate case: PNW has said that it will not issue 2021 EPS guidance until after its Arizona rate case concludes. Key items to consider aside from the rate case outcome are the 0.5-1.5% load growth this year, the LFCR rider, TCA adjustor, AFUDC and expectation for flat O&M per kWh sales, excluding planned outages. It is also important to note that there are $110mm of existing costs to offset the revenue increase from the rate case; these include costs related to depreciation rate changes, Four Corners SCR and Ocotillo Modernization project deferred costs and deferral amortization.
  - **Customer growth**: the economic backdrop in Arizona has remained strong with new business announcements and housing expansions. The company expects to average 1.5-2.5% retail customer growth in 2021-2023, which would translate to weather-normalized retail sales growth of 1.0-2.0%, on average for 2021-2023.
  - **Equity issuance plans**: PNW has said it still plans to issue $300-400mm of equity to balance its capital structure before its next rate case (after the current one). The company added the timing and need for equity obviously depends on the outcome of the current rate case, in addition to any potential tax reform under Biden's administration.
  - **Deregulation proceeding**: No workshops are currently scheduled. We view the likelihood of deregulation as a low probability outcome given that it was previously deemed unconstitutional and support of it does not seem very strong.

- **Positioning into Qtr : Positive**: We project an above-consensus $1.75 EPS versus the Street's $1.57 primarily due to favorable weather.

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**4.77**	**4.87**	**0.32**	**1.75**	**5.00**	**5.20**	**5.45**
Consensus				1.57	4.97	5.10	5.33
% diff.				*12%*	*1%*	*2%*	*2%*

Source: Evercore ISI, Factset as of 7/13/21

In Line **TP $31**
Analyst: Durgesh Chopra

- **Q'2 EPS Bridge:** We project year-over-year ongoing EPS to be $0.02 higher to $0.24 driven by higher electric demand and return on transmission investments, partially offset by higher D&A/other costs. Given pending Narragansett Electric Company transaction, we don't expect management will provide near- or long-term guidance on the upcoming earnings call.

- **What to look for in the earnings report (Key debates/themes):**
  - **UK Sale:** On 06/14/21, PPL announced that they completed the previously announced sale of its UK subsidiary to National grid. The company received $10.4bn in net cash proceeds in line with previous disclosures.
  - **PPL acquisition of Narragansett Electric Company from National Grid for $3.8bn.** The transaction implies a 22x LTM earnings or 1.7x rate base. Management expects the net equity purchase price of $3.3bn, after $500m tax benefits, will be funded with the sale of the UK business. They will also assume $1.5bn of Narragansett debt at closing, which is expected by first quarter 2022. Narragansett is a largest electricity T&D and gas distribution company in Rhode Island with $2.8bn rate base as of 2020. They have been growing rate base at an average CAGR of 9% for the last five years, significantly higher vs. peers due to favorable regulatory regime (multi-year framework, riders, decoupling, FERC formula rate) supporting company's capex programs and related infrastructure improvements. Management did not specify future growth targets (expected to be announced post acquisition close projected to be in Q1 2022), but they sounded confident they could maintain robust earnings growth prospects in line with utility peers.
  - **PPL plans to use remaining ~$6Bbn to strengthen its balance sheet and growth opportunities.** Management plans to repay $3-$3.5bn of the parent debt with the residual cash proceeds to reach FFO-to-Debt of 16-18% and parent debt to total debt to less than 25%. Management targets debt-to-total capitalization ratio of 45-55%. They do not plan to issue external equity and target dividend payout ratio of 60-65% of earnings post-closing of transactions. Management plans to deploy remaining capital (~$3B) for incremental organic and strategic growth opportunities. An update on PPL's long term earnings growth targets is expected by Q1 2022.
  - **KY rate decision:** On June 30, 2021, the Kentucky Public Service Commission ("KPSC") issued orders approving increases in annual electricity revenues of $73 million and $106 million at LG&E and KU, respectively, and an increase in annual gas revenues of $20 million at LG&E. The orders include an authorized 9.425% (vs 9.55% currently) return on equity in such base rate calculations and an authorized 9.35% return on equity for environmental compliance recovery and gas line tracker mechanisms. The orders approved annual revenue amounts that represent increases of approximately 6.4%, 6.5% and 5.7%, respectively, from LG&E and KU annual electricity revenues and LG&E annual gas revenue. The order also calls for PPL to refrain from effective base rate increases before July 1, 2025, including certain exceptions subject to KPSC review.

- **Positioning into Qtr: Neutral**. We note that our annual estimates (to be updated) still include the UK business which was recently sold to National grid on 06/14/21.

Adj. EPS	2019A	2020E	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$2.45**	**$2.40**	**$0.28**	**$0.24**	**$2.50**	**$2.60**	**$2.70**
Consensus				0.40	2.31	1.71	1.86
% diff.					*8%*	*52%*	*45%*

Source: Evercore ISI, Factset consensus as of 7/14/21

PSEG
We make things work for you.

In Line **TP $61**
Analyst: Durgesh Chopra

- **Q'2 EPS Bridge:** We project year-over-year EPS to decrease by $0.07/sh (~10%) to $0.72 mostly driven lower earnings at Genco due to one-time $0.05 tax benefit and $0.03 re contracting and marketing benefit booked in Q2 2020. At the utility, we expect earnings to be higher driven by transmission investment and lower pension expense offset by higher depreciation and other expenses.

- **What to look for in the earnings report (Key debates/themes):**

  - **PJM Auction results.** The PJM capacity auction prices for the '22/'23 Base residual auction (BRA) were lower in all zones vs. last auction – RTO the most negative surprise, down nearly $90/MW-d / or >64%. Within our coverage universe PEG, NRG & VST cleared significantly less capacity at materially lower prices. EXC cleared slightly more MW, but at a significantly lower price. We estimated $100MM EBITDA (2% of consolidated EBITDA) hit versus last auction for PEG, see our note here.
  - **Progress on separating the GenCo business:** Management entered into agreement to sell its solar portfolio (467MW) to LS Power. The economics of transaction were not disclosed, but management believes it would be value and earnings accretive. They expect the transaction to close in Q'2/Q'3 of '21. Management continues to work on the fossil asset sale transaction and believes the deal could be reached in the second half of 2021. We previously estimate the deal could be $2/sh-$4/sh value accretive.
  - **Zero Emission Credits (ZEC) filing in focus.** NJ BPU recently extended PEG's ZEC $10/MWh credit through May 2025. We will look for management commentary on steps they could take at the federal and state level to ensure long term support for their nuclear fleet.
  - **Regulatory Agenda:** BPU recently approved PEG's EE filing as well as AMI/EV filings. So from regulatory perspective they have light agenda. A new docket reviewing the FRR option at NJ is ongoing; we think investor would like to get more color on that docket and potential implications as it relates to the offshore wind project.
  - **FERC ROE.** On 07/14/21 PEG announced an agreement with various parties which if approved by the FERC would lower its allowed ROE from 11.18% to 9.9% (in line with recent FERC recent decisions). The financial impact of this settlement agreement is expected to lower PSE&G's net income by approximately $50M to $60M, or $0.10 per share to $0.12 per share, on an annual basis in the first 12 months, once implemented

- **Positioning into Qtr: Neutral**.

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$3.28**	**$3.43**	**$1.28**	**$0.72**	**$3.40**	**$3.55**	**$3.70**
Consensus				0.68	3.46	3.48	3.58
% diff.				*6%*	*-2%*	*2%*	*3%*

Source: Evercore ISI, FactSet as of 7/14/21

Sempra Energy®

Outperform **TP $143**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to decline by $0.08 to $1.57/share driven primarily by reduced contributions across most of the business lines: SDG&E, SoCal Gas, Chile (sold) and Mexico.

- **What to look for in the earnings report (Key debates/themes):**
  - **Quiet quarter following June 29th Investor Day**: At its Investor Day, Sempra increased its full-year adjusted 2021 EPS guidance range to $7.75-8.35 from $7.50-8.10, which at the $8.05 midpoint was roughly in line with consensus of $8.08. The company also issued 2022 EPS guidance of $8.10-8.70, which at the $8.40 midpoint was modestly below the Street's $8.47 estimate. Sempra also reaffirmed its front-loaded (management said the back end could be conservative) $32 billion capex program for 2021 through 2025, for which roughly 90% will still be directed to US utilities. This spending is still expected to drive consolidated rate base CAGR of ~8.6% in 2020 through 2025. However, the company highlighted ~$2-3 billion of incremental capex opportunities for which the vast majority could be spent at the utilities and present upside to the rate base CAGR to 9.0-9.5%, on our estimates. In summary, we view SRE's Investor Day update as neutral compared to the most recent Q1 update.
  - **Oncor rate case extension request filing**: Sempra recently filed a request with the PUCT to extend the Oncor rate case filing deadline from 10/1/21 to 6/1/22 in the wake of the severe winter event in February 2021 given that investigations and rulemakings will occupy much of the remainder of 2021 and beyond. The filing has received broad stakeholder support and SRE is waiting for the Commission to provide a decision in the coming weeks.
  - **Closure of sale of 20% of SIP likely on track**: Sempra said at its Investor Day on June 29th that the sale of a 20% interest in SIP is expected to close "in the coming weeks," which is relatively consistent with management's previously-stated mid-2021 target. All indications are that it remains on track to close in that timeframe.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$6.78**	**$8.03**	**$2.95**	**$1.57**	**$8.10**	**$8.50**	**$9.00**
Consensus				1.59	8.08	8.46	8.94
% diff.				*-1%*	*0%*	*1%*	*1%*

Source: Evercore ISI, FactSet as of 7/13/21

Southern Company

Underperform **TP $61**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase $0.01 to $0.79/share versus guidance of $0.78/share. Last year in 2Q20, weather was $0.03 unfavorable. This year in 2Q21, we expect weather to be relatively neutral to a slight benefit (+$0.01). In terms of positive YoY drivers, SO should see Covid sales improvements and the benefit of rate increases (+$0.12). For negative drivers, we expect the company to see higher O&M in the electric, gas and Southern Power businesses after substantial cuts last year during the heart of Covid. We also expect there to be a drag at the parent due to increased interest expense and higher O&M there as well.

- **What to look for in the earnings report (Key debates/themes):**
  - **Vogtle update**: Southern is currently working through Hot Functional Testing on Vogtle unit 3 with the expectation now that it will be completed by the end of July 2021 for an in-service date in the first quarter of 2022. The prior expectation as of Q1 results was that the Hot Functional Testing would be completed 45 days from the April 25th start date, then subsequently there were delays to bring the unit down to ambient temperature, among other issues. Risks remaining include 1) successful completion of Hot Functional Testing, 2) completion of construction, testing, and system turnovers leading to Fuel Load, 3) an orderly transition from Fuel Load to an efficient unit start-up. There will be a vote on Vogtle cost monitoring proceeding in the August 2021 timeframe. SO has said every one month of delays adds $25mm to capex (so up $18mm for three weeks) and has a half a penny impact to EPS due to the ROE penalty.
  - **Mississippi IRP**: filed in April 2021. Mississippi is notably long generation, so Southern is not asking to build any new plants (i.e. no incremental capex) and is just retiring the remaining coal units and a few other inefficient gas-fired plants. If the IRP is not challenged, it will become law and SO can proceed with the retirements, as planned.
  - **Other regulatory updates:** A final decision in the Virginia rate case is expected by the end of July; the Staff recommendation recently came out on March 31st and there were no surprises. SO's Nicor rate case is going through the hearing process; the filing is largely to flow riders (which are capped on amounts) into rate base, which will enable more investment in the riders going forward. A final decision is expected by the end of this year. Next year, Southern has a busy regulatory calendar in Georgia given that it will file a rate case, an IRP and have a prudency review of Vogtle.
  - **Sequent transaction closure**: On July 1st, SO closed the sale of its wholesale gas trading and services business comprising Sequent Energy Management. Southern did not achieve a material gain or loss on sale, though it will provide a return of the associated working capital and the elimination of certain credit supports of ~$1Bn. The company has always excluded Sequent earnings from its adjusted results due to its quarterly variability.

- **Positioning into Qtr: Neutral**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$3.11**	**$3.25**	**$0.98**	**$0.79**	**$3.30**	**$3.55**	**$3.85**
Consensus				0.79	3.33	3.55	3.85
% diff.				*0%*	*-1%*	*0%*	*0%*

Source: Evercore ISI, FactSet as of 7/13/21

VISTRA ENERGY

Outperform **TP $23**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project VST's Q2 EBITDA to be $870MM. Historically VST generates 20-25% of annual EBITDA in the second quarter. Our $870MM estimate is ~20% of VST's pre Uri 2021 EBITDA guidance range adjusted higher for roughly 1/3rd of $450MM in self-help opportunities to mitigate winter storm Uri Impact.

- **What to look for in the earnings report (Key debates/themes):**

  - **Forward Power Prices.** Forward power price curves in both ERCOT and PJM have moved materially higher since company's Q1 update. With 2021 mostly hedged we see upside to the magnitude of 15% to our 2022 EBITDA estimates.
  - **Storm Uri impact and self-help measures:** On 04/26 management updated it previously provided storm impact from ($0.9)-($1.3) bn to $2.075bn. Separately, management identified self-help opportunities (monetization of certain commercial positions, O&M/SG&A savings, others) in the range of $450-$500m to offset some of the storm impact. In addition, VST is pursuing legal actions on two fronts: 1) The company is challenging the validity of the PUCT's pricing order on February 15/16th. 2) The company is challenging force majeure and curtailment notices from its gas suppliers. Management acknowledges these potential opportunities for recovery could take some time to play out, hence they don't include them into their updated guidance
  - **PJM Auction results.** The PJM capacity auction prices for the '22/'23 Base residual auction (BRA) were lower in all zones vs. last auction – RTO the most negative surprise, down nearly $90/MW-d / or >64%. Within our coverage universe PEG, NRG & VST cleared significantly less capacity at materially lower prices. EXC cleared slightly more MW, but at a significantly lower price. We estimated $107MM EBITDA (3% of consolidated EBITDA) hit versus last auction for VST, see out note here.
  - **Capital Allocation:** VST hosted a virtual analyst day last year where they discussed two main themes: 1) Capital Allocation. 2) Portfolio Transition. At the end of the day, VST has to put up cash flows that are in fact somewhat resilient to wholesale price declines. They understand this and that is part of the reason for the LT Outlook. They must also maintain capital discipline by keeping capex low sticking to conservative debt/EBITDA targets, and buying back stock, and keep optimizing their fleet. We also need to see some evidence that power market and capacity market conditions will stabilize.

- **Positioning into Qtr: Neutral.**

Adj. EBITDA	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$3,325**	**$3,685**	**($1,241)**	**$870**	**$1,600**	**$3,200**	**$3,250**
Consensus				839	1,638	3,270	3,088
% diff.				*4%*	*-2%*	*-2%*	*5%*

Source: Evercore ISI, FactSet of 07/14/21

WEC Energy Group

In Line **TP $95**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to increase $0.03 to $0.79. We model $0.03 weather favorability in our Q2 estimates putting us higher than WEC's weather normal Q2 2021 guidance range of $0.75-$0.77.

- **What to look for in the earnings report (Key debates/themes):**
  - **WI Rate Case**. On March 30, 2021 WEC filed a request with the Public Service Commission of Wisconsin to allow the company to forego requests to increase electric, natural gas and steam base rates effective 01/01/22. Per the agreement filed, WEC Utilities expect to file full test year 2023-2024 base rate cases by no later than May 1, 2022. The commission is expected to rule over the petition in the coming months.
  - **Infrastructure segment update**. On March 1, WEC announced its intent to purchase 90% interest in Jayhawk Wind farm for $302MM. The project is under development by Apex clean energy and will be co-owned and operated by Invenergy. The project consists of 70 wind turbines located in Kansas with a total capacity of 190MW. Jayhawk is expected to be in commercial service late 2021 and has secured a long term offtake agreement with Facebook. Jayhawk and previously announced Thunderhead make up roughly $700MM of the expected $2.1B investment in the infrastructure segment over the five year period ending in 2025.
  - **Regulatory matters**. WEC has two open rate cases in IL and MI with combined total rate increase request of $23MM, final decisions are expected in 2H 2021. We would also expect discussion around IL gas infrastructure rider (in place through 2023) which has been a topic of debate amongst investors after Governor Pritzker issued a proposal last year which could end monthly infrastructure investment surcharges (Rider QIP) for gas companies. Instead, gas infrastructure spending would be approved through the Illinois Commerce Commission's traditional ratemaking process.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$3.58**	**$3.79**	**$1.61**	**$0.79**	**$4.01**	**$4.27**	**$4.57**
Consensus				0.78	4.03	4.30	4.57
% diff.				*1%*	*0%*	*-1%*	*0%*

Source: Evercore ISI, Factset as of 01/28/21

Xcel Energy

In Line **TP $70**
Analyst: Durgesh Chopra / Michael Lonegan

- **Q2 EPS Bridge:** We project year-over-year EPS to grow $0.02 to $0.56/share. Weather last year in 2Q20 was modestly favorable, and we estimate weather this year to also be moderately favorable. Positive YoY drivers include higher sales volumes when compared to the drop in Q2 2020 during the heart of Covid, as well as capital riders, a sales true-up in Minnesota, as well as new rates in Colorado, New Mexico plus interim rates in North Dakota. In terms of negative drivers, O&M should be higher YoY (despite flat full-year guidance) after reductions during the same period last year. Depreciation expense, interest, property taxes and share dilution should also contribute negatively.

- **What to look for in the earnings report (Key debates/themes):**
  - **Minnesota Relief & Recovery:** In December 2020, the MN commission approved the wind repowering of four owned farms for $750mm of capex. The Commission also recently approved the Allete wind PPA buyout ($210mm). For the additional 460MW of Sherco solar ($575mm), the company expects a decision in 2H 2021. Xcel expects to finance these investments with 50% equity / 50% debt. The investments are expected to be eligible for the renewable rider recovery.
  - **Incremental Colorado transmission investments**: XEL made a CPCN filing in March 2021 for a $1.7 billion in transmission backbone investment in Colorado, including $1.3 billion ($700mm incremental to current base plan) in 2021-2025 and $400mm in 2026-2027. The investment would enable 5,500 MW of renewable generation, through 560 miles of 345 kV lines with three new and four expanded substations. A final decision is expected in 1Q2022.
  - **Colorado Resource Plan:** the Plan was filed in March 2021 and is currently in the discovery phase. It will address remaining coal unit retirements of Comanche 3 (500 MW) by 2040 with reduced operations beginning in 2030, Pawnee (505 MW) conversion to gas by 2028, and Hayden 1&2 (233 MW) retirements in 2028 / 2027, respectively. Targets will be consistent with the company's goal to reduce carbon emissions by 85% by 2030 and coal exit by 2040.
  - **Minnesota Resource Plan**: XEL filed an alternative Minnesota IRP recently following controversy over a combined cycle plant as Sherco. Key changes in the alternative plan versus the original one include adding an 800 MW of a gas combustion turbine plant, building additional transmission lines from the site of retiring coal units and an increased amount of renewables.
  - **Rate cases:** On July 2nd, Xcel filed a Colorado electric rate case that primarily reflects investment in distribution infrastructure, wildfire mitigation improvements, investment in an Advanced Grid Intelligence and Security (AGIS) initiative, transmission expansion projects to enable renewable integration in Colorado, and the 500 MW Cheyenne Ridge wind farm. XEL also has a pending Texas rate case that was filed in February 2021 (required for Sagamore wind project), for which it is scheduled to get intervenor testimony in August. On July 1st, Xcel reached an uncontested settlement in its North Dakota case; note ND is a very small jurisdiction and the settlement only includes a $7mm revenue increase. On July 2nd, XEL reached a settlement in its Wisconsin rate case, which incorporates capex in renewables, and other generation, transmission and distribution system infrastructure planned for 2021-2023. In addition, NSP-Wisconsin is making considerable natural gas distribution investments to ensure safe and reliable service. On June 23rd, Xcel reached an uncontested comprehensive stipulation in its New Mexico rate case that was required for the Sagamore wind project.

- **Positioning into Qtr: Neutral.**

Adj. EPS	2019A	2020A	1Q21A	2Q21E	2021E	2022E	2023E
EVR ISI	**$2.64**	**$2.79**	**$0.67**	**$0.56**	**$3.00**	**$3.15**	**$3.35**
Consensus				0.55	2.97	3.17	3.37
% diff.				*2%*	*1%*	*-1%*	*-1%*

Source: Evercore ISI, FactSet as of 7/13/21

Q2 Estimates vs. Consensus and Positioning for Quarter

Q2'21 EPS Estimates vs. Consensus

Ticker	Evercore ISI	Consensus	% Diff	Positioning for Q2	
AEE	0.80	0.88	-9.4%	Negative	✓
AEP	1.13	1.13	0.4%	Neutral	
AES	0.30	0.30	-1.6%	Neutral	
CMS	0.45	0.42	7.1%	Neutral	
CNP	0.26	0.24	6.2%	Neutral	
D	0.75	0.80	-6.4%	Neutral	
DTE	1.45	1.23	18.3%	Neutral	
DUK	1.17	1.10	6.5%	Positive	✓
ED	0.60	0.60	0.4%	Neutral	
ES	0.80	0.81	-1.1%	Neutral	
ETR	1.42	1.42	-0.2%	Neutral	
EVRG	0.71	0.75	-5.7%	Neutral	
EXC	0.67	0.60	12.1%	Neutral	
FE	0.55	0.57	-4.3%	Neutral	
HE	0.50	0.47	6.4%	Neutral	
NEE	0.70	0.68	2.8%	Neutral	
NI	0.13	0.13	0.0%	Neutral	
OGE	0.53	0.53	-0.3%	Neutral	
PEG	0.72	0.68	6.0%	Neutral	
PNW	1.75	1.57	11.5%	Positive	✓
PPL	0.24	0.40	-39.9%	Neutral	
SO	0.79	0.79	0.3%	Neutral	
SRE	1.57	1.59	-1.0%	Neutral	
WEC	0.79	0.78	1.2%	Neutral	
XEL	0.56	0.55	2.2%	Neutral	
Average			**0.5%**		

Q2'21 EBITDA Estimates vs. Consensus ($mm)

Ticker	Evercore ISI	Consensus	% Diff	Positioning for Q2
CWEN	350	344	1.7%	Neutral
NRG	575	608	-5.4%	Neutral
VST	870	839	3.7%	Neutral
Average			**0.0%**	

Source: Everocre ISI, FactSet. Consensus as of 4/14/21

Weather should provide a boost to utilities earnings in 2Q21, based on NOAA degree day data

- US degree days in 2Q21 were higher than normal but roughly in line with the same period last year. We looked at April heating, May cooling and June cooling degree data from NOAA, and found that US degree days were roughly 11% higher versus normal (boosting Q2 earnings) and roughly in line with last year after a hot June. Specifically, April 2021 heating degree days were -3% below normal and -9% lower YoY. May 2021 cooling degree days were +5% above normal and -6% lower YoY. Meanwhile, June cooling degree days were +29% above normal and +12% higher YoY. For the full second quarter 2021, all nine regions in the US had higher degree days than normal. Versus last year, the New England, Middle Atlantic, NE Central, NW Central, SW Central and Mountain regions were lower YoY. In contrast, the South Atlantic and Pacific regions were higher YoY while the SE Central was roughly in line.

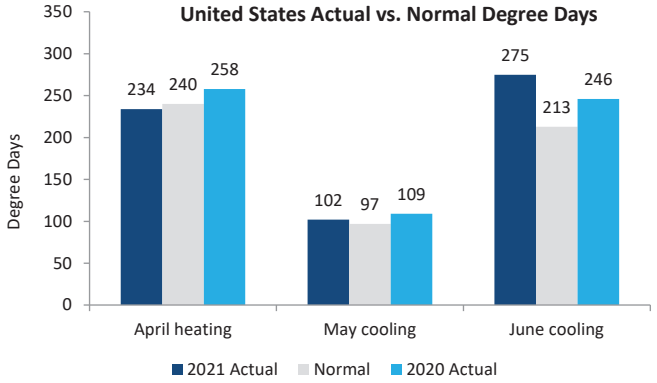

Region	April heating 2021 actual	April heating 2020 actual	April heating norm	% change vs. year-ago	% change vs. norm
New England	499	623	568	-20%	-12%
Middle Atlantic	423	529	491	-20%	-14%
NE Central	438	538	491	-19%	-11%
NW Central	462	509	447	-9%	3%
South Atlantic	136	136	132	0%	3%
SE Central	248	252	217	-2%	14%
SW Central	117	106	87	10%	34%
Mountain	256	309	314	-17%	-18%
Pacific	316	347	344	-9%	-8%
United States	**234**	**258**	**240**	**-9%**	**-3%**

Region	May cooling 2021 actual	May cooling 2020 actual	May cooling norm	% change vs. year-ago	% change vs. norm
New England	24	24	6	0%	300%
Middle Atlantic	39	29	23	34%	70%
NE Central	58	51	49	14%	18%
NW Central	56	42	65	33%	-14%
South Atlantic	209	193	177	8%	18%
SE Central	143	152	136	-6%	5%
SW Central	233	280	252	-17%	-8%
Mountain	95	132	96	-28%	-1%
Pacific	12	44	36	-73%	-67%
United States	**102**	**109**	**97**	**-6%**	**5%**

Region	June cooling 2021 actual	June cooling 2020 actual	June cooling norm	% change vs. year-ago	% change vs. norm
New England	163	129	63	26%	159%
Middle Atlantic	194	174	117	11%	66%
NE Central	226	196	147	15%	54%
NW Central	275	266	192	3%	43%
South Atlantic	355	352	319	1%	11%
SE Central	324	314	296	3%	9%
SW Central	451	455	431	-1%	5%
Mountain	316	234	229	35%	38%
Pacific	177	96	100	84%	77%
United States	**275**	**246**	**213**	**12%**	**29%**

Source: NOAA, Evercore ISI Research

Short Interest as Percentage of Float

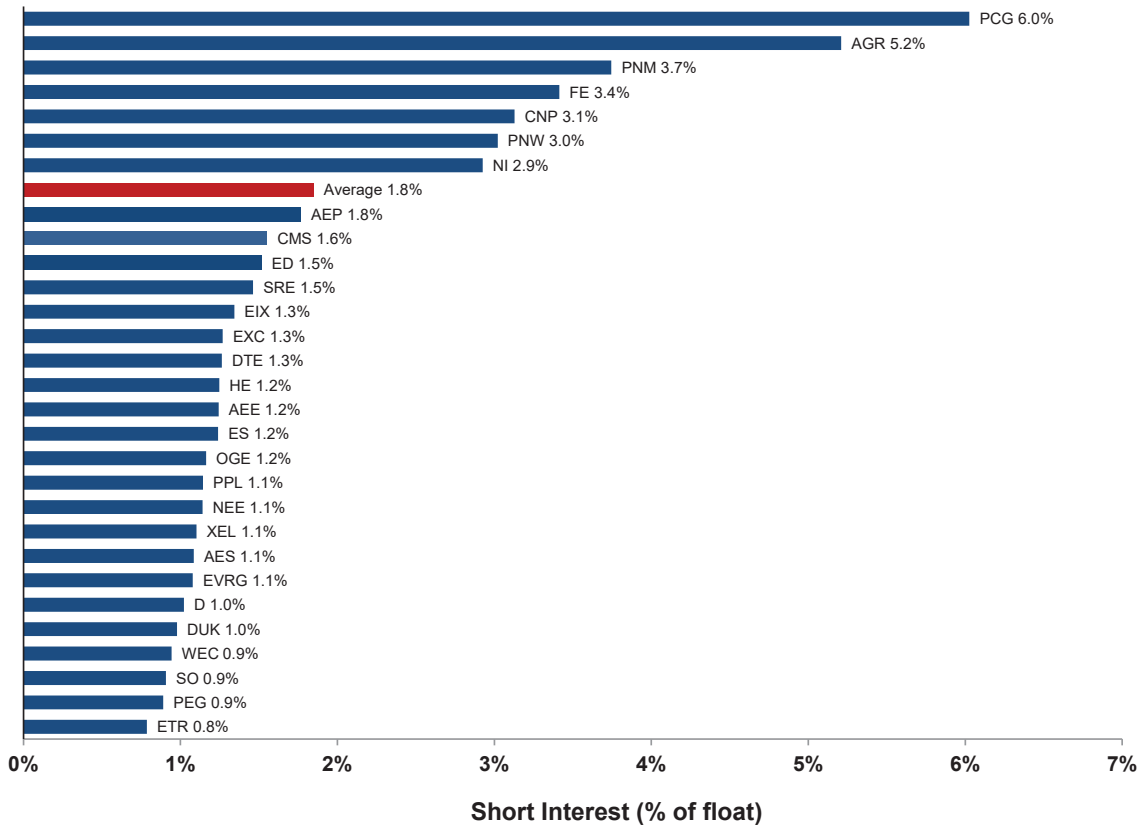

Source: Factset as of 7/14/21

Coverage Ratio (Days)

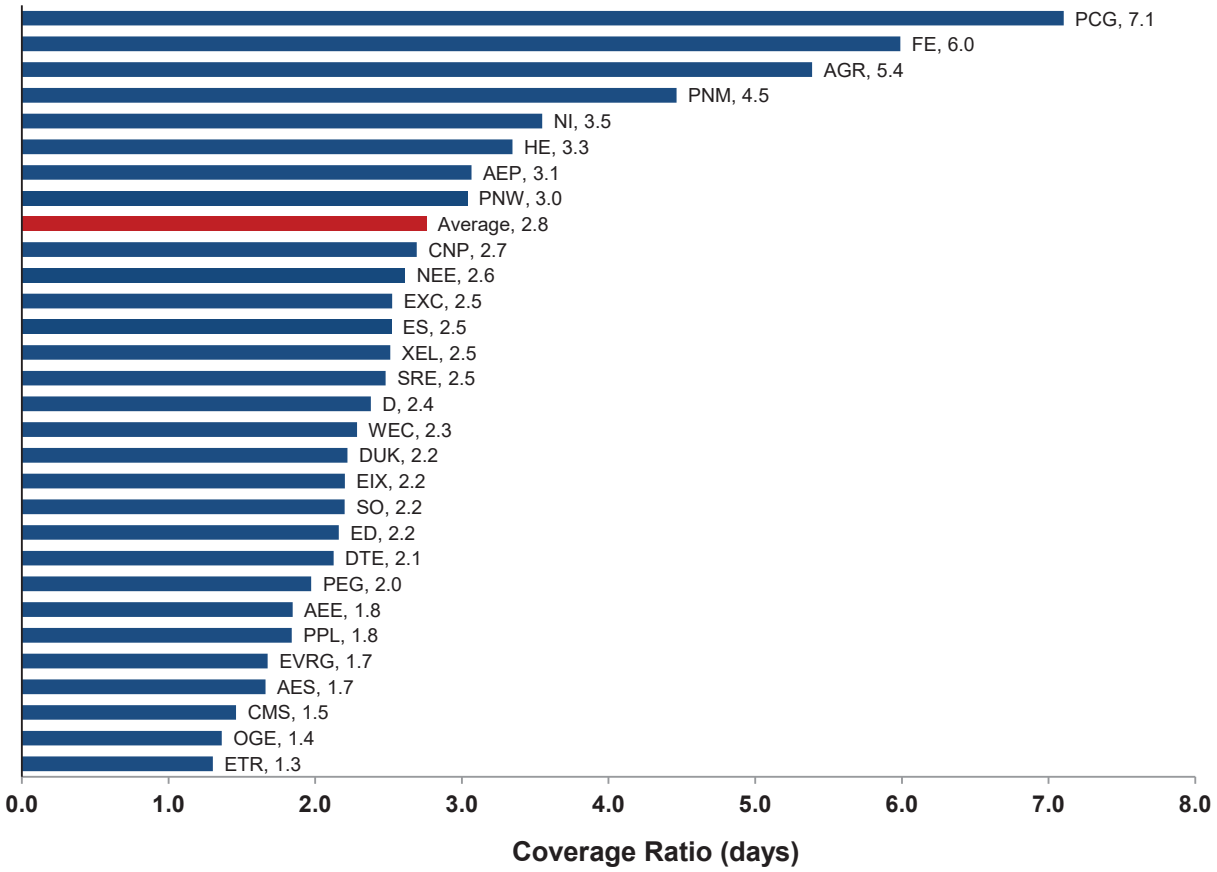

Source: Factset as of 7/14/21

Regulated Utility Valuation Goes To ~17.2x '23 EPS

Regulated Utilities

Ticker	Company Name	7/14/21 Price	ISI Rating	Shares Out	Market Cap	2021 Div Yld	2021 Payout	ISI EPS Estimate 2021	2022	2023	P/E Multiple 2021	2022	2023	'19-'23 EPS Growth	Price to Book	Prem. to Group
NEE	NextEra Energy, Inc.	$75.70	In Line	1,984	150,181	2.0%	62%	2.50	2.70	2.95	30.2x	28.0x	**25.6x**	8.9%	3.7x	49%
WEC	WEC Energy Group	$93.15	In Line	317	29,501	2.7%	64%	4.01	4.27	4.57	23.3x	21.8x	**20.4x**	6.3%	2.6x	18%
XEL	Xcel Energy Inc	$68.09	In Line	535	36,442	2.6%	60%	3.00	3.15	3.35	22.7x	21.6x	**20.3x**	6.1%	2.3x	18%
AEE	Ameren Corp	$83.22	Outperform	261	21,743	2.6%	59%	3.75	4.00	4.30	22.2x	20.8x	**19.3x**	6.4%	2.1x	12%
HE	Hawaiian Electric Industries, Inc	$42.00	In Line	111	4,644	3.2%	69%	1.98	2.06	2.20	21.2x	20.4x	**19.1x**	3.2%	1.8x	11%
ES	Eversource Energy	$84.04	In Line	347	29,164	2.9%	62%	3.90	4.15	4.44	21.5x	20.3x	**18.9x**	6.5%	1.9x	10%
CMS	CMS Energy Corp	$60.48	In Line	296	17,897	2.9%	61%	2.85	3.06	3.27	21.2x	19.7x	**18.5x**	7.1%	2.7x	7%
DUK	Duke Energy Corp	$102.70	In Line	750	77,057	3.8%	75%	5.20	5.45	5.80	19.7x	18.9x	**17.7x**	3.4%	1.6x	3%
D	Dominion Resources Inc	$75.24	Outperform	828	62,327	3.3%	65%	3.85	4.12	4.40	19.5x	18.3x	**17.1x**	0.9%	2.2x	-1%
NI	NiSource Inc	$25.18	In Line	447	11,249	3.5%	67%	1.32	1.40	1.48	19.1x	17.9x	**17.0x**	2.9%	2.2x	-1%
EVRG	Evergy	$62.31	Outperform	228	14,176	3.5%	63%	3.45	3.50	3.75	18.1x	17.8x	**16.6x**	6.9%	1.9x	-4%
AEP	American Electric Power Co Inc	$86.18	Outperform	508	43,783	3.6%	65%	4.70	5.00	5.35	18.3x	17.2x	**16.1x**	6.1%	1.8x	-7%
SO	Southern Company Inc	$61.89	Underperform	1,078	66,720	4.2%	79%	3.30	3.55	3.85	18.7x	17.4x	**16.1x**	5.6%	2.1x	-7%
CNP	CenterPoint Energy Inc	$24.77	Outperform	589	14,578	2.5%	45%	1.35	1.50	1.60	18.3x	16.5x	**15.5x**	-2.6%	2.4x	-10%
PNW	Pinnacle West Capital Corp	$84.14	In Line	117	9,803	3.9%	66%	5.00	5.20	5.45	16.8x	16.2x	**15.4x**	3.4%	1.5x	-10%
SRE	Sempra Energy	$132.17	Outperform	313	41,343	3.4%	56%	8.00	8.25	8.60	16.5x	16.0x	**15.4x**	3.3%	1.6x	-11%
ETR	Entergy Corp	$102.53	Outperform	201	20,654	3.8%	64%	6.00	6.35	6.70	17.1x	16.1x	**15.3x**	5.6%	1.7x	-11%
ED	Consolidated Edison Inc	$73.19	Underperform	358	26,179	4.2%	73%	4.25	4.60	4.80	17.2x	15.9x	**15.3x**	2.2%	1.2x	-11%
DTE	DTE Energy Co	$114.90	In Line	198	22,782	3.8%	62%	7.15	7.50	7.95	16.1x	15.3x	**14.4x**	6.0%	1.4x	-16%
OGE	OGE Energy Corp	$33.47	Outperform	200	6,704	5.0%	78%	2.12	2.26	2.38	15.8x	14.8x	**14.1x**	2.4%	1.8x	-18%
FE	FirstEnergy Corp	$37.05	In Line	552	20,455	4.4%	65%	2.50	2.60	2.70	14.8x	14.2x	**13.7x**	1.2%	2.3x	-20%
EIX	Edison International	$57.24	In Line	404	23,144	4.5%	57%	4.50	4.65	4.90	12.7x	12.3x	**11.7x**	1.0%	1.0x	-32%
PPL	PPL Corp	$28.07	In Line	775	21,746	5.9%	67%	2.50	2.60	2.70	11.2x	10.8x	**10.4x**	2.5%	1.5x	-40%
PCG	PG&E Corp	$9.92	ating Suspende	529	5,248	0.0%	0%	4.30	4.65	4.95	2.3x	2.1x	**2.0x**	5.4%	0.3x	-88%
Regulated Group Average (Excludes PCG for Div Values)						**3.6%**	**64.5%**				**18.1x**	**17.1x**	**16.1x**	**4.2%**	**1.89x**	
Regulated Group Average (Excluding Stocks: PPL, EIX, and PCG)						3.4%	64.7%				19.5x	18.3x	17.2x	4.4%	2.03x	
Regulated Group Max (Excludes PCG for Div Values)						5.9%	79.3%				30.2x	28.0x	25.6x	8.9%	3.7x	
Regulated Group Min (Excludes PCG for Div Values)						2.0%	45.3%				2.3x	2.1x	2.0x	-2.6%	0.3x	

Diversified Utilities

Ticker	Company Name	7/14/21 Price	ISI Rating	Shares Out	Market Cap	2021 Div Yld	2021 Payout	ISI EPS Estimate 2021	2022	2023	P/E Multiple 2021	2022	2023	'19-'23 EPS Growth	Price to Book	Prem. to Group
PEG	Public Service Enterprise Grou	$60.39	In Line	508	30,678	3.4%	60%	3.40	3.55	3.70	17.8x	17.0x	**16.3x**	3.0%	1.8x	2%
EXC	Exelon Corp	$45.14	Outperform	984	44,426	3.6%	57%	2.80	3.00	3.10	16.1x	15.0x	**14.6x**	-1.0%	1.3x	-9%
AES	AES Corp	$24.95	Outperform	665	16,601	2.4%	39%	1.55	1.70	1.80	16.1x	14.7x	**13.9x**	6.8%	3.4x	-13%
Diversified Group Average						**3.1%**	**52%**				**16.6x**	**15.6x**	**14.9x**	**3.0%**	**2.1x**	
Diversified Group Max						3.6%	60%				17.8x	17.0x	16.3x	6.8%	3.4x	
Diversified Group Min						2.4%	39%				16.1x	14.7x	13.9x	-1.0%	1.3x	

Updated as of 7/14/21

Source: FactSet, Evercore ISI Research

Utilities are trading roughly in line with our Case 1. Post COVID valuations should diverge towards Case 2 longer term.

- Our historic base case ("case 1") assumed an orderly transition to higher interest rates, with authorized ROEs falling to 9.25% from 9.75%, and 10- year Treasury yields rising over the next several years, resulting at the end in a **2.25%** spread between the return on equity and the calculated cost of equity.
  - When you look at the current valuation of 17.2x '23, roughly in line with our "case 1" scenario of 17.5x, which as described above implies moderation in authorized ROEs and gradual increase in treasury yields.
- The perceived "best in class" earnings compounders and COVID-19 immune names (WEC, NEE, ES, XEL, CMS) trade a multiple that discounts both a more or less status quo authorized ROE regime and a longer runway for sustained rate base growth. That is "case 3".
- In our "case 4" scenario we assume authorized ROEs moderate and interest rates rise more rapidly, resulting in a more meaningful near-term reduction in profitability, along with a steeper decline in rate base growth, which drives utilities back to a P/E multiple that is closer to long-term historic averages.
- We set our target prices on "market-agnostic" basis using an anchor P/E multiple of ~17.5x '22 EPS so investors can better see where we see good relative value. Near term we could see some pressure on multiples if spreads widen, long term we see multiples diverging back towards Case 2 as the economy recovers.

DDM Model Summary	Case 1	Case 2	Case 3	Case 4
ROE and Cost of Equity Assumptions	Base Case	Rates Low Long Time	Rates Low Long Time	ROEs Fade Rates Rise
ROE (Year 1)	9.75%	9.75%	9.75%	9.75%
Annual ROE Change (+/-)	-0.10%	-0.10%	-0.10%	-0.10%
Final ROE	9.25%	9.25%	9.25%	9.25%
Years Until LT Cost of Equity Spread	5	5	5	5
Implied Annual Cost of Equity Change (+/-)	0.47%	0.37%	0.37%	0.52%
LT ROE / Cost of Equity Spread	2.25%	2.75%	2.75%	2.00%
LT Cost of Equity	7.00%	6.50%	6.50%	7.25%
Growth Assumptions	**Base Case**	**Base Case**	**Higher Growth**	**Lower Growth**
RB Growth (Year 1-5)	5.50%	5.50%	6.50%	4.00%
RB Growth (Year 6-10)	2.50%	3.50%	5.50%	2.00%
RB Growth (Year 11+ and Terminal)	1.50%	2.50%	3.00%	1.25%
Terminal Value (Yes/No)	No	Yes	Yes	Yes
35 Year Average Payout Ratio - Implied	71.2%	71.2%	67.5%	82.6%
'23 P/E Multiple	**17.5x**	**19.5x**	**22.0x**	**15.0x**

Source: Evercore ISI Research

Utilities Look Cheap Assuming Yields Remain Unchanged

Utility Valuation			10 YR	1.34%
7/14/21			Baa	3.33%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2021 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.47%	0.97%	65.1x	231.0%
	0.69%	1.12%	56.2x	185.7%
	0.91%	1.27%	49.4x	151.3%
	1.13%	1.42%	44.1x	124.3%
	1.35%	1.58%	39.8x	102.5%
	1.57%	1.73%	36.3x	84.6%
- 68% Confidence Interval	1.79%	1.88%	33.4x	69.6%
	2.01%	2.04%	30.8x	56.9%
	2.23%	2.19%	28.7x	45.9%
	2.45%	2.34%	26.8x	36.4%
	2.67%	2.50%	25.2x	28.0%
	2.89%	2.65%	23.7x	20.6%
	3.11%	2.80%	22.4x	14.0%
Predicted Valuation	3.33%	2.95%	21.3x	8.1%
Current Valuation	3.55%	3.11%	20.2x	2.8%
	3.77%	3.26%	19.3x	-2.0%
	3.99%	3.41%	18.4x	-6.4%
	4.21%	3.57%	17.6x	-10.4%
	4.43%	3.72%	16.9x	-14.1%
+ 68% Confidence Interval	4.65%	3.87%	16.2x	-17.5%
	4.87%	4.03%	15.6x	-20.7%
	5.09%	4.18%	15.0x	-23.6%
	5.31%	4.33%	14.5x	-26.3%
	5.53%	4.49%	14.0x	-28.8%
	5.75%	4.64%	13.5x	-31.1%
+ 95% Confidence Interval	5.97%	4.79%	13.1x	-33.3%

Regulated utilities now look 8% cheap on current yields

Utility Valuation			10 YR	1.34%
7/14/21			Baa	3.33%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2022 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.47%	0.97%	65.2x	252.3%
	0.69%	1.12%	56.3x	204.1%
	0.91%	1.27%	49.5x	167.5%
	1.13%	1.42%	44.2x	138.7%
	1.35%	1.58%	39.9x	115.6%
	1.57%	1.73%	36.4x	96.5%
- 68% Confidence Interval	1.79%	1.88%	33.4x	80.5%
	2.01%	2.04%	30.9x	67.0%
	2.23%	2.19%	28.7x	55.3%
	2.45%	2.34%	26.9x	45.1%
	2.67%	2.50%	25.2x	36.2%
	2.89%	2.65%	23.8x	28.4%
	3.11%	2.80%	22.5x	21.3%
Predicted Valuation	3.33%	2.95%	21.3x	15.1%
	3.55%	3.11%	20.2x	9.4%
	3.77%	3.26%	19.3x	4.3%
Current Valuation	3.99%	3.41%	18.4x	-0.4%
	4.21%	3.57%	17.6x	-4.7%
	4.43%	3.72%	16.9x	-8.6%
+ 68% Confidence Interval	4.65%	3.87%	16.2x	-12.2%
	4.87%	4.03%	15.6x	-15.6%
	5.09%	4.18%	15.1x	-18.6%
	5.31%	4.33%	14.5x	-21.5%
	5.53%	4.49%	14.0x	-24.2%
	5.75%	4.64%	13.6x	-26.7%
+ 95% Confidence Interval	5.97%	4.79%	13.1x	-29.0%

If rates stay unchanged for the next 12 months, regulated utilities now look ~15% inexpensive

Updated as of 7/14/21

Source: FactSet, Evercore ISI Research

There were only three instances in the last 14 years when the model signaled similar level of cheapness for the utility sector.

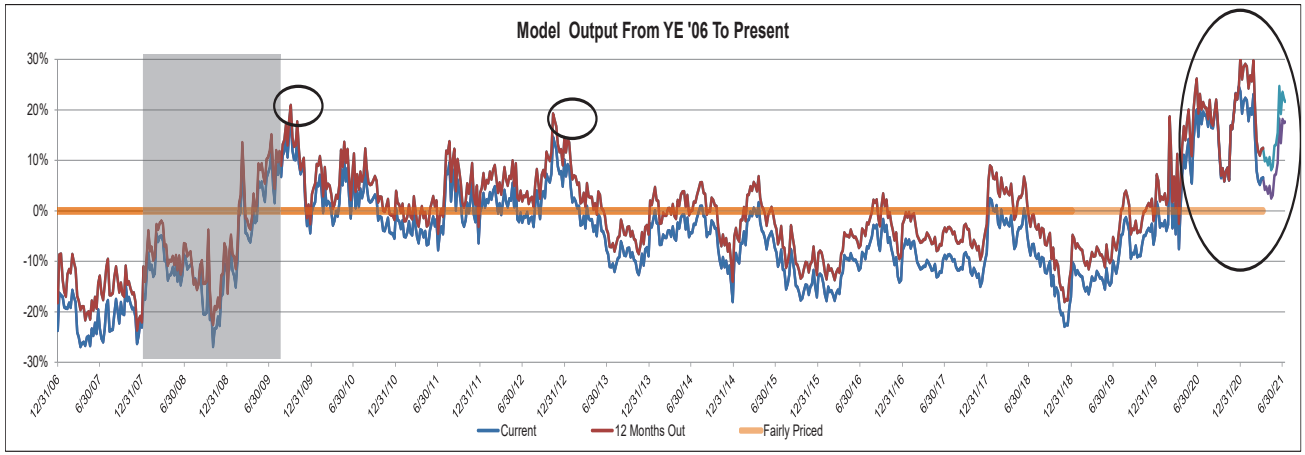

Date	Bond Model Output - Utes Cheapness	Absolute PE	Relative PE	Relative Performance			Absolute Performance			Absolute PE			PE Expansion		
				3 month	6 month	9 month	3 month	6 month	9 month	3 month	6 month	9 month	3 month	6 month	9 month
10/4/2009	21.2%	11.2x	0.79x	(0.0%)	(9.5%)	(1.6%)	8.8%	5.4%	(1.4%)	12.6x	12.3x	11.9x	12.8%	10.2%	6.9%
11/11/2012	19.2%	14.3x	1.18x	(4.2%)	(3.5%)	(9.3%)	5.8%	14.9%	13.7%	15.2x	16.8x	16.5x	6.3%	18.0%	15.7%
6/26/2020	26.2%	17.6x	0.83x	(3.2%)	(12.5%)	(16.6%)	4.7%	10.1%	13.4%	18.4x	19.1x	19.1x	4.1%	8.1%	0.08x
12/11/2020	21.9%	19.0x	0.87x	(8.6%)	(9.9%)	NA	(1.1%)	5.3%	NA	19.1x	19.1x	NA	0.1%	0.1%	NA

Updated as of 7/14/21

Source: FactSet, Evercore ISI Research

Utility valuation has a ~3.5x potential downside to reach historical average

- On 7/15/21, NTM absolute P/E was **19.5x** using FactSet consensus. The NTM absolute P/E had peaked on 02/16/20 at ~22.9x and on 7/15/16 (post-Brexit) at 19.93x.
- Since '06 the average NTM absolute P/E is ~16.1x. Since '95 it is ~14.4x.

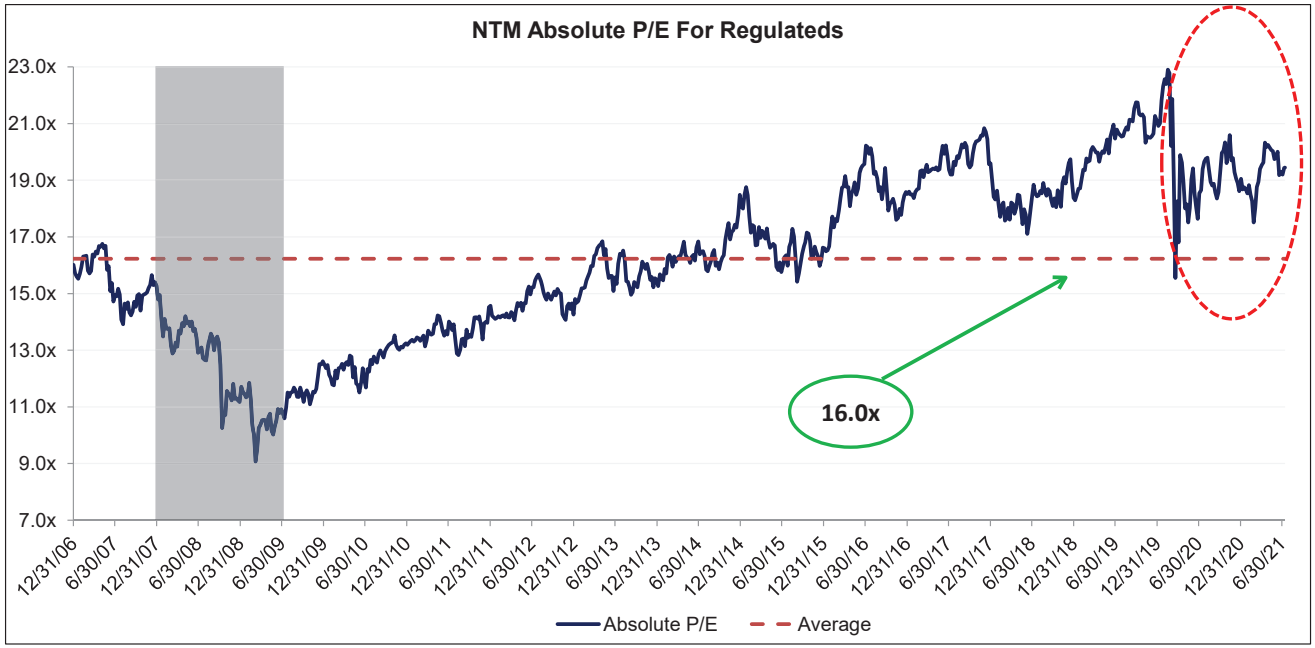

Updated as of 7/14/21

Source: FactSet, Evercore ISI Research

NTM Relative P/E Below Historical Average

- The average relative P/E since 2006 is 1.09x. Since '95 it is 0.93x.
- On 7/15/21, the relative P/E was **0.90x**, and 1.17x level at YE '19.
- The relative P/E post Brexit vote was 1.17x, which we hit again in mid November '18.
- It was 1.36x on 12/23/18 when we were pricing in recession risk at a high probability.

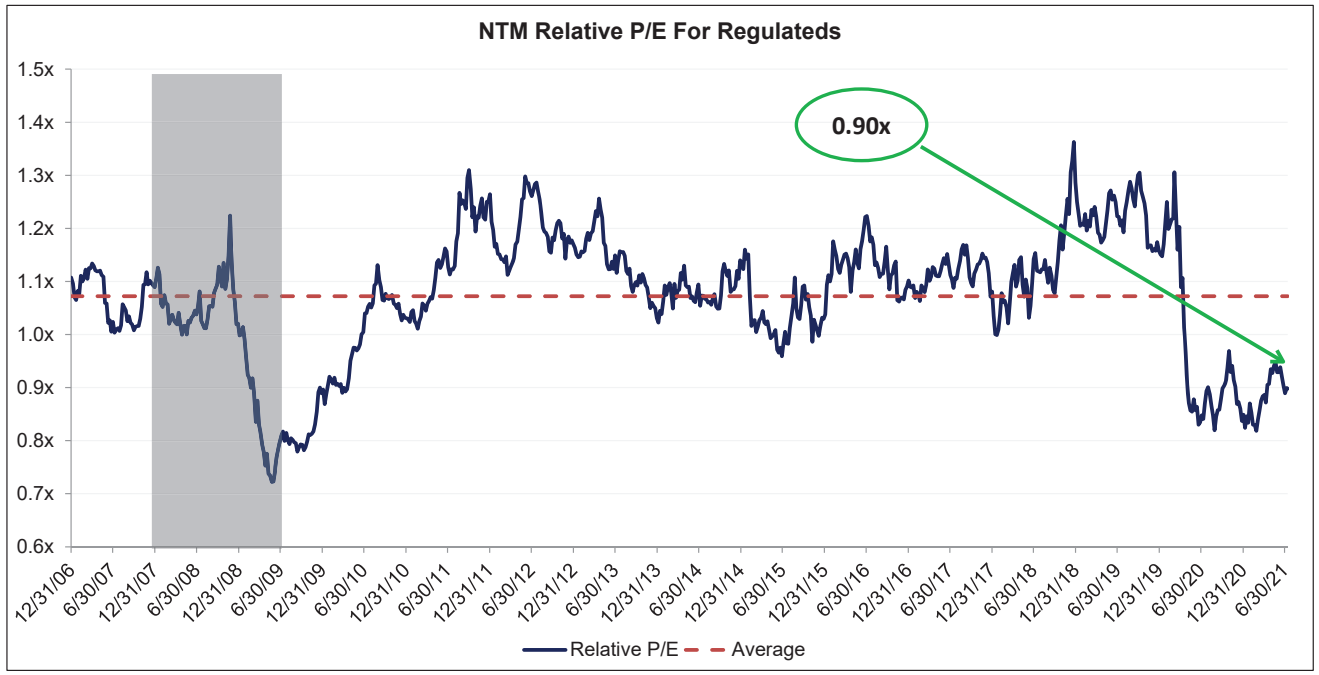

Updated as of 7/14/21

Source: FactSet, Evercore ISI Research

TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

Time of dissemination: July 15 2021 9:41 PM ET

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Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage universe
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's universe
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's universe
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.*
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*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

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Hold- the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 10%
Sell -the total forecasted return is expected to be less than 0%

On October 31, 2014, Evercore Partners acquired International Strategy & Investment Group LLC ("ISI Group") and ISI UK (the "Acquisition") and transferred Evercore Group's research, sales and trading businesses to ISI Group. On December 31, 2015, the combined research, sales and trading businesses were transferred back to Evercore Group in an internal reorganization. Since the Acquisition, the combined research, sales and trading businesses have operated under the global marketing brand name Evercore ISI.

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Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

Strong Buy- Return > 20%
Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return< -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

Evercore Group:

Prior to October 10, 2014, the rating system of Evercore Group was based on a stock's expected total return relative to the analyst's coverage universe over the following 12 months. Stocks under coverage were divided into three categories:

Overweight- the stock is expected to outperform the average total return of the analyst's coverage universe over the next 12 months.
Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.
Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

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Short- the stock is a negative holding in the model portfolio; the total forecasted return is expected to be less than 0%.
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Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal100%.

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Evercore ISI rating (as of 07/15/2021)

Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	493	60	Buy	124	25
Hold	286	35	Hold	38	13
Sell	23	3	Sell	2	9
Coverage Suspended	11	1	Coverage Suspended	4	36
Rating Suspended	11	1	Rating Suspended	3	27

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Price Charts

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Goldman Sachs | Equity Research

4 August 2021 | 7:38AM EDT

NiSource Inc. (NI): First Take: 2Q2021 largely in-line, 2021 guidance and growth rate reiterated

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NiSource (NI, Neutral) reported 2Q21 operating EPS of $0.13, largely in-line with GS/FactSet consensus of $0.14/$0.13 and flat versus 2Q20 of $0.13. The company reiterated its 2021 guidance $1.32-$1.36 (midpoint $1.34) versus GS/consensus of $1.35/$1.35. NI continues to expect EPS to grow 7 to 9% from 2021-2024 and 5 to 7% through 2023; our current estimates reflect a ~6.6% CAGR from 2021-2024, or 6.8% based on the mid-point of management's 2021 guidance of $1.34.

Key takeaway: No real surprises this quarter, with most metrics and guidance measures in-line, although we note a fairly robust recovery in industrial electric demand YoY. We look for color on any changes to future demand growth outlook, expectations for the recently filed Ohio gas rate case, thoughts on potential cost inflation on NI's renewable generation investments, and updates on potential asset monetization opportunities.

Key takeaways from NI's release and slides include:

- **NI reported moderately better results at the Gas and Corporate segments** versus our estimates, offset by lower operating income at Electric. Higher diluted share count also attributed to $0.01 in lower EPS versus our forecast. Gross margins were largely lower but offset by higher other income some operating expense items.
- **NI recorded weather-adjusted electric demand growth of 23% YoY in 2Q2021,** driven by a strong rebound in commercial/industrial usage - up 9%/47%, respectively - partly offset by a 1.6% decrease residential electric sales (including weather). Cooling degree-days were 33% above normal and also above 2Q20 levels, but with only a modest impact to EPS YoY.
- **Capital plan remains unchanged at $10bn total through 2024,** with roughly $1.9-$2.2bn of annual base investments as well as $2bn on renewable generation (largely in 2022 and 2023) that all have received approval from the Indiana utility commission. NI reiterated their forecast of no bulk equity needs through 2024 (given the recent equity units offering), while reiterating $200-$300mn of annual ATM equity financing through 2022 and up to $150mn in 2023.

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- **Columbia Gas of Ohio filed its gas rate case on June 30,** the first case in over a decade, requesting $221.4mn revenue increase net of the various rider mechanisms into base rates, on $3.6bn of rate base.

Key topics to monitor on NI's earnings call (11am ET) include: 1) update on the Ohio gas rate case and what's embedded in the company's EPS growth guidance, 2) latest thoughts on potential monetization opportunities at its various regulated utilities, 3) thoughts on the upcoming IRP filing (expected in November) at NIPSCO including potential for faster fleet transition to renewables - with current plan proposing retiring all coal by 2028, and 4) updated thoughts on trajectory of EPS growth through 2024.

Our $27 12 month price target reflects an industry-average 19x P/E applied to our 2022E EPS. Key risks include regulatory approvals for the planned renewable investments in Indiana, cost management, and rate case overhang in Ohio and Pennsylvania.

NI	12m Price Target: **$27.00**	Price: **$25.31**	Upside: **6.7%**

Neutral

Market cap: $9.7bn
Enterprise value: $20.3bn
3m ADTV: $84.7mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/20	12/21E	12/22E	12/23E
Revenue ($ mn)	4,681.7	4,603.4	4,808.9	5,050.2
EBITDA ($ mn)	1,687.3	1,816.5	2,000.9	2,217.9
EBIT ($ mn)	961.4	1,057.5	1,172.9	1,293.0
EPS ($)	1.32	1.35	1.41	1.54
P/E (X)	18.6	18.8	18.0	16.5
EV/EBITDA (X)	11.9	11.5	11.5	11.2
FCF yield (%)	(6.9)	(7.0)	(9.0)	(16.3)
Dividend yield (%)	3.4	3.5	3.7	3.9
Net debt/EBITDA (X)	5.7	5.3	5.4	5.6

	3/21	6/21E	9/21E	12/21E
EPS ($)	0.77	0.14	0.13	0.31

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 3 Aug 2021 close.

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Disclosure Appendix

Reg AC

I, Insoo Kim, CFA, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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Global	52%	34%	14%	64%	56%	47%

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Price target and rating history chart(s)

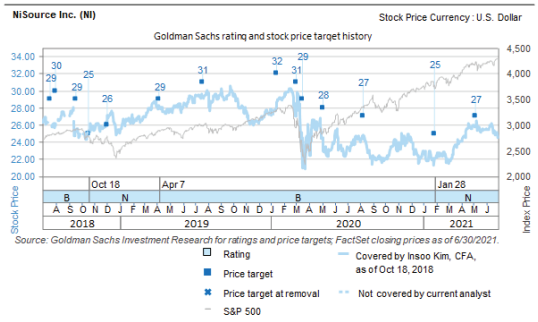

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Americas Utilities: Adjusting 2Q estimates ahead of earnings for a few Regulated Utilities; regulatory items in focus

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We adjust 2Q2021 estimates for a few Neutral-rated regulated utilities - Eversource (ES), NiSource (NI), Portland General (POR) - ahead of earnings, primarily to reflect intra-year movements in various gross margin and operating expense items; our annual estimates remain largely unchanged. We also highlight below key topics to consider for each company.

- **Eversource (ES) - 2Q2021 EPS: $0.81 GSe vs $0.80 FactSet consensus.** We lower our 2Q2021 EPS estimate from $0.85 to $0.81, primarily to reflect the intra-year re-allocation of revenue increases for its gas utilities. **Topics to consider:** (1) latest thoughts on the ongoing regulatory proceedings in Connecticut, including the docket on potential interim rate decrease (17-12-03RE11) that leaves open the possibility of changes to authorized ROEs and/or equity ratio (53% currently) prior to ES's next CT distribution rate case filing (due by 1Q2022); we note the state commission has extended the discovery process with a final decision unlikely until mid-October, or a one-month delay; (2) commodity cost inflation and potential impacts to their offshore wind projects, both from a timing and returns perspective.
- **NiSource (NI) - 2Q2021 EPS: $0.14 GSe vs $0.13 FactSet consensus.** We lower our 2Q2021 EPS estimate from $0.18 to $0.14 (versus 2Q2020 EPS of $0.13), primarily to reflect changes to timing of O&M expense within the year, with higher expenses this year offsetting the absence of 2Q2020 COVID-related margin impact this quarter. **Topics to consider:** (1) additional color on the recently filed Ohio gas rate case, the first filing in over a decade, and what's embedded in the company's EPS growth guidance; (2) any color on the upcoming Integrated Resource Plan (IRP) filing expected in Indiana this fall, including potential for incremental generation spend.
- **Portland General Electric (POR) - 2Q2021 EPS: $0.38 GSe vs $0.36 FactSet consensus.** We raise our 2Q2021 EPS estimate from $0.22 to $0.38, primarily to reflect some weather-related benefit in the quarter as well as less unfavorable net variable power costs (NVPC) on a YoY basis. We, however, largely normalize this quarterly benefit in 2H2021 to account for future power and O&M management; we do raise our 2021 EPS estimate to $2.69 from $2.67 prior, remaining toward the upper end of management's guidance range of $2.55-$2.70. **Topics to consider:** (1) the latest Oregon wildfires (geographically

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distant to POR's service territory) and potential net impact to power delivery and purchase costs; (2) net financial impact from the summer heat wave, including additional margins and/or outage-related costs; (3) PGE's electric rate case in Oregon, potential benefits of proposed changes to de-coupling and storm cost accrual mechanisms, and guidance on what's embedded in company's 4-6% EPS growth forecast.

Our $86 price target on ES reflects a 2x (10%) P/E premium to our industry base target multiple of 19x on 2022E EPS; the calculation of the premium stems from blending a 10% P/E discount to roughly 15% of the EPS that represents CL&P's distribution business, while applying a 15% premium to the remaining utilities. Key risks include CT regulatory outcomes, operational costs, and permitting/construction of offshore wind projects.

Our $27 price target on NI reflects an industry-average 19x P/E applied to our 2022E EPS. Key risks include regulatory approvals for the planned renewable investments in Indiana, cost management, and rate case overhang in Ohio and Pennsylvania.

Our $52 price target on POR reflects an industry-average 19x P/E applied to our 2022E EPS. Key risks include rate case overhang, power costs, and financing.

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Disclosure Appendix

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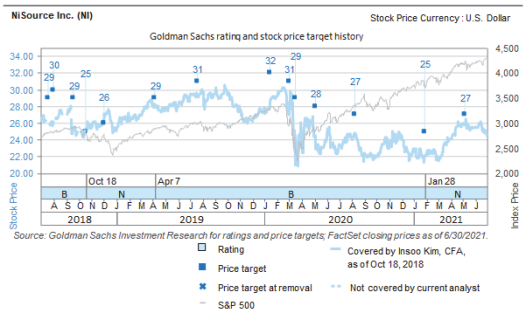

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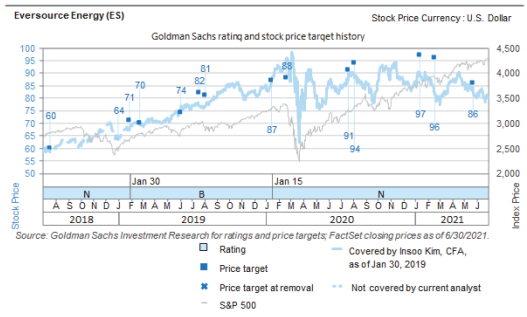

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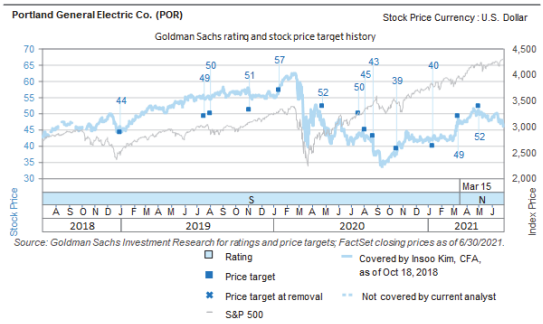

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EVERCORE ISI

Energy | Power & Utilities

August 04, 2021

NiSource Inc

NI | $25.31

In Line | TARGET PRICE: $27.00

Company Update

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Company Statistics

Market Capitalization (M)	$11,403
Shares Outstanding (M)	392
Dividend	0.84
Dividend Yield	2.9%
Payout Ratio	63.6%
Expected Total Return	(4.3)%
Fiscal Year End	Dec

Earnings Summary

	2021E	2022E	2023E
EPS	$1.34	$1.42	$1.51
P/E	22.0	20.7	19.7
EPS vs Consensus	(0.7)%	(0.0)%	(1.7)%
Consensus EPS	$1.33	$1.40	$1.51
Consensus P/E	21.9	20.7	19.3

1 Year Price History

Source: FactSet

Sitting on the Sidelines

Q2 adjusted EPS in line with consensus. All guidance unchanged. NiSource posted $0.13 in Q2'21 operating EPS, which was in line with consensus and our estimate of $0.13/share. Earnings in 2Q20 were also $0.13/share. The flat YoY EPS reflected safety & modernization investments and lower COVID impact during the quarter as well as the profile of the business without Columbia Gas of Massachusetts. NI maintained its 2021 EPS guidance of $1.32-1.36. The company also reaffirmed its four-year 2021-2024 program of $9.6-10.7 billion under an unchanged financing plan. This level of spending is still expected to drive rate base growth of 10-12% CAGR in 2021-2024 under an unchanged financing plan. NiSource continues to expect to deliver long-term EPS outlook of 5-7% per year in 2021-2023 and 7-9% CAGR in 2021-2024. The company's renewable transition remains ahead of original schedule with planned retirements. NiSource has now received Indiana regulatory approval of all 14 renewable JV projects included in total estimated $2 billion investment planned for 2021-2023. The 2021 Indiana IRP and RFP processes continue, with the RFP initiated in May, yielding more than 180 total proposals for 78 individual projects. Next steps include incorporating RFP results into the IRP modeling and analysis in August, sharing IRP modeling analysis and results with stakeholders in September, communicating the IRP preferred plan incorporating stakeholder feedback in October, and submitting the IRP to the Indiana commission in November; any potential projects and investments that emerge will likely be announced in 2022.

We maintain our In Line rating. We are staying on the sidelines with an unchanged price target of $27/share, which applies a premium gas LDC multiple of 18.0x 2023 EPS in our SOTP (Gas LDC's are trading at ~16.5x 23E). We are maintaining our 2021-2023 EPS estimates of $1.34, $1.42 and $1.51. NI stock has outperformed since the end of January, up 20% versus the group up 12% since January 26th, and it currently trades roughly in line/modest discount with electric utility peers at 18.0x 2023 EPS. With the Massachusetts divestiture behind the company, we believe the re-rate we had been expecting is mostly reflected in NI's stronger growth expectations (5-7% per year in 2021-2023 and 7-9% CAGR in 2021-2024) that were reset off of a 2021 baseline. We also believe the benefits of the removed overhang of the equity unit financing transaction is reflected in the stock price, as well as NiSource's above-average positioning under the Biden administration as a 100% regulated utility, given that a potential higher FIT rate (eventually) would not lower profitability and would generate meaningful cash flow due to the regulatory construct. NiSource also has sizable coal exposure in Indiana and could see benefit under Biden administration climate proposals with its plan to convert to renewables. We lay out our bull/bear case valuation of $29 / $23 on page 2.

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EPS Estimates and Price Target Derivation

Maintaining our 2021-2023 EPS estimates: We reaffirm our 2021-2023 EPS estimates of $1.34 / $1.42 / $1.51. Our 2021 EPS estimate is the midpoint of $1.32-1.36 guidance and our 2022 EPS forecast is within the 5-7% annual growth forecast through 2023. After NIPSCO electric took the brunt of the COVID in 2020, we see its earned ROE increasing to 9.4% this year before modestly under-earning its authorized 9.75% by 2022-2023. For the gas segment, we assume the company modestly under-earns its blended ~10% ROE in 2021 through 2023

Our price target of $27/share is unchanged. Our bear case derives a $23 target while our bull case is $29/share. See Exhibit 1 below. Our base case assumes 2023 EPS of $1.48/share, which is roughly 6% annual EPS growth (vs. 5-7% guidance) over the midpoint of 2021 guidance of $1.32-1.36/share. For the electric business, we assign a 10% premium to our anchor 2023 P/E target multiple of 17.5x derived using our dividend discount model. For the gas segment, we apply a 18.0x P/E multiple, a premium multiple current comparable LDC trading multiples (17.5x). We apply a blended multiple for parent drag.

Exhibit 1: NiSource SOTP Valuation

Base Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.16	18.0x	$20.74
Electric EPS	$0.67	19.3x	$12.80
Parent/Other	($0.33)	18.2x	($6.09)
Consolidated 2022 EPS	**$1.51**	18.2x	**$27.00**

Bull Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.19	18.3x	$21.85
Electric EPS	$0.68	19.3x	$13.16
Parent/Other	($0.33)	18.7x	($6.14)
Consolidated 2022 EPS	**$1.55**	18.7x	**$29.00**

Bear Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.09	15.8x	$17.24
Electric EPS	$0.63	17.5x	$11.09
Parent/Other	($0.33)	16.4x	($5.39)
Consolidated 2022 EPS	**$1.39**	16.4x	**$23.00**

Source: Evercore ISI

VALUATION METHODOLOGY

To arrive at our price target we use a SOTP analysis.

RISKS

Risks to our thesis include an inability to deploy capital at the company's expected rate resulting in a lower rate base and regulatory pressure resulting in lower allowed ROEs

COMPANIES UNDER COVERAGE BY AUTHOR

Symbol	Company	Rating	Price (2021-04-08)	Evercore ISI Target
AEE	Ameren Corp.	Outperform	$85.61	$90.00
AEP	American Electric Power	Outperform	$89.09	$99.00
AES	The AES Corporation	Outperform	$23.92	$30.00
AWK	American Water Works Company, Inc.	Outperform	$175.30	$175.00
AWR	American States Water Company	Underperform	$89.13	$60.00
CMS	CMS Energy Corp.	In Line	$63.24	$62.00
CNP	CenterPoint Energy, Inc.	Outperform	$25.87	$26.00
CWEN	Clearway Energy	In Line	$29.84	$25.00
CWT	California Water Service Group	In Line	$64.25	$40.00
D	Dominion Energy, Inc	Outperform	$75.50	$82.00
DTE	DTE Energy Co.	In Line	$118.13	$119.00
DUK	Duke Energy Corp.	In Line	$106.61	$96.00
ED	Consolidated Edison Inc.	Underperform	$74.85	$72.00
EIX	Edison International	In Line	$55.39	$73.00
ES	Eversource Energy	In Line	$87.80	$91.00
ETR	Entergy Corp.	Outperform	$103.97	$110.00
EVRG	Evergy	Outperform	$66.38	$67.00
EXC	Exelon Corp.	Outperform	$47.38	$47.00
FE	FirstEnergy Corp.	In Line	$38.54	$40.00
HE	Hawaiian Electric Industries Inc.	In Line	$43.83	$40.00
NEE	NextEra Energy Inc	In Line	$79.42	$78.00
NI	NiSource Inc	In Line	$25.31	$27.00
NRG	NRG Energy Inc.	In Line	$41.64	$42.00
OGE	OGE Energy Corp	Outperform	$34.34	$35.00
PCG	PG&E Corp.	Rating Suspended	$8.99	
PEG	Public Service Enterprise Group	In Line	$63.51	$61.00
PNW	Pinnacle West Capital Corp.	In Line	$80.98	$81.00
PPL	PPL Corp.	In Line	$28.56	$31.00
SJW	SJW Group	In Line	$69.35	$60.00
SO	Southern Co.	Underperform	$64.13	$61.00
SRE	Sempra Energy	Outperform	$131.98	$143.00
VST	Vistra Energy Corp	Outperform	$18.95	$23.00
WEC	WEC Energy Group, Inc.	In Line	$95.61	$96.00
WTRG	Essential Utilities Inc.	In Line	$49.65	$49.00
XEL	Xcel Energy Inc.	In Line	$68.70	$70.00

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Time of dissemination: August 04 2021 1:49 PM ET

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Current Ratings Definition

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Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage universe
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's universe
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's universe
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*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

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Buy- the total forecasted return is expected to be greater than 10%

Hold- the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 10%
Sell -the total forecasted return is expected to be less than 0%

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Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

Strong Buy- Return > 20%
Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return< -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

Evercore Group:

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Overweight- the stock is expected to outperform the average total return of the analyst's coverage universe over the next 12 months.
Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.
Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

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Short- the stock is a negative holding in the model portfolio; the total forecasted return is expected to be less than 0%.
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Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal100%.

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Evercore ISI rating (as of 08/04/2021)

Coverage Universe			Investment Banking Services I Past 12 Months		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	502	60	Buy	129	26
Hold	288	34	Hold	35	12
Sell	22	3	Sell	2	9
Coverage Suspended	12	1	Coverage Suspended	3	25
Rating Suspended	12	1	Rating Suspended	5	42

Issuer-Specific Disclosures (as of August 04, 2021)

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Price Charts

Ratings Key

B	Buy	OP	Outperform	L	Long	CS	Coverage Suspended
H	Hold	IL	In Line	NP	No Position	RS	Rating Suspended
S	Sell	UP	Underperform	S	Short		

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J.P.Morgan

North America Equity Research
23 July 2021

NiSource Inc.

2Q21 Earnings Preview: Spotlight on the IRP/RFP

Overweight

NI, NI US
Price (22 Jul 21): $24.88
Price Target (Dec-21): $28.00

We tighten our estimates into 2Q. With attention focused on NI's IRP/RFP progress, we expect fairly qualitative commentary this quarter in advance of the company's November IRP filing. Incremental investment clarity appears biased toward a 2022 update, with initial color potentially as early as 3Q earnings. We include our detailed takeaways below.

- **Attention on IRP/RFP commentary, although process timeline indicates a mostly qualitative update.** We await IRP/RFP updates as NI works through both tracks in advance of its pending November IRP filing. Incremental investment clarity appears biased toward a 2022 update, with initial color potentially as early as 3Q earnings. As a result, we expect fairly qualitative commentary this quarter as NI works through each process. NI is seeking solar/wind (plus storage) and thermal/standalone storage/new technologies to address replacement generation for the company's 2028 Michigan City retirement. Targeted 400-650MW of unforced capacity could yield at least double that figure in gross MW, with the company likely pursuing at least 50% ownership. Considerations around new technologies appear broad overall across stand-alone storage, hydrogen, carbon capture, and microgrids, among others. Additionally, the IRP will inform some potential to advance the Michigan City retirement.
- **JPMe $0.13 2Q21 EPS, flat YoY.** Similar to 1Q results, we expect flat earnings YoY with higher expenses offsetting rate increases and sales recovery from the pandemic. Growth appears weighted toward the back half of 2021, particularly upon the 4Q conclusion of lost CMA earnings headwinds. JPMe 2021 EPS of $1.35 remains in the top half of NI's $1.32-1.36 range.

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Quarterly Forecasts (FYE Dec)

Adj. EPS ($)	2020A	2021E	2022E
Q1	0.76	0.77A	
Q2	0.13	0.13	
Q3	0.09	0.10	
Q4	0.34	0.39	
FY	1.32	1.35	1.43

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	44	41	49	42	64
Growth	54	26	22	58	26
Momentum	42	79	60	49	13
Quality	88	89	68	73	61
Low Vol	34	32	33	39	100
ESGQ	1	29	32	4	11

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

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North America Equity Research
23 July 2021

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Price Performance

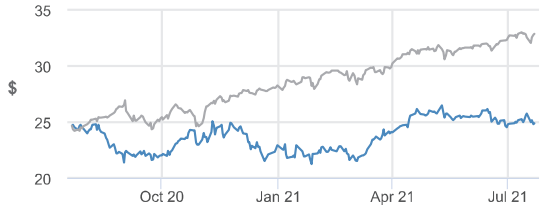

	YTD	1m	3m	12m
Abs	8.5%	-1.1%	-3.9%	1.0%
Rel	-7.8%	-3.9%	-9.6%	-32.3%

Company Data

Shares O/S (mn)	408
52-week range ($)	26.60-21.09
Market cap ($ mn)	10,147.11
Exchange rate	1.00
Free float(%)	99.5%
3M - Avg daily vol (mn)	3.44
3M - Avg daily val ($ mn)	87.8
Volatility (90 Day)	17
Index	S&P 500
BBG BUY|HOLD|SELL	9|3|0

Key Metrics (FYE Dec)

$ in millions	FY20A	FY21E	FY22E	FY23E
Financial Estimates				
Revenue	4,697	5,115	5,551	5,755
Adj. EBITDA	1,826	1,889	2,076	2,264
Adj. EBIT	1,064	1,141	1,286	1,417
Adj. net income	508	572	636	692
Adj. EPS	1.32	1.35	1.43	1.53
BBG EPS	1.31	1.35	1.42	1.53
Cashflow from operations	1,104	1,261	1,514	1,610
FCFF	(351)	(446)	(846)	(1,301)
Margins and Growth				
Revenue growth	(9.4%)	8.9%	8.5%	3.7%
EBITDA margin	38.9%	36.9%	37.4%	39.3%
EBITDA growth	3.8%	3.5%	9.9%	9.1%
EBIT margin	22.6%	22.3%	23.2%	24.6%
Net margin	10.8%	11.2%	11.5%	12.0%
Adj. EPS growth	(0.0%)	2.1%	5.8%	7.1%
Ratios				
Adj. tax rate	18.3%	21.4%	24.2%	23.7%
Interest cover	4.9	5.5	5.5	5.2
Net debt/Equity	1.6	1.3	1.4	1.6
Net debt/EBITDA	5.3	5.1	5.3	5.7
ROCE	5.6%	5.5%	5.5%	5.5%
ROE	8.6%	8.8%	8.6%	8.9%
Valuation				
FCFF yield	(3.7%)	(4.2%)	(7.6%)	(11.5%)
Dividend yield	3.4%	3.5%	3.7%	4.0%
EV/Revenue	3.5	3.3	3.3	3.7
EV/EBITDA	9.1	8.9	8.8	9.3
Adj. P/E	18.8	18.4	17.4	16.3

Summary Investment Thesis and Valuation

With renewables driving ~20% of the five-year capital plan, NI's "green hue" stands unique among LDCs. We expect this dynamic to capture increased attention should LDC weakness persist and electric vs gas multiples continue to diverge. Additionally, the company's potential portfolio optimization efforts could accelerate a relative re-weighting toward NI's electric operations should the company divest a smaller LDC jurisdiction to fund renewables investment. We remain constructive on NI's long-term outlook given its attractive growth, subject to manageable execution risk, and relative positioning vs LDC peers.

We base our December 2021 price target of $28/per share on a sum-of-the-parts analysis using our 2022 electric and gas segment EPS forecasts. We value the gas and electric segments using 18.7x and 20.8x P/E multiples, respectively.

Performance Drivers

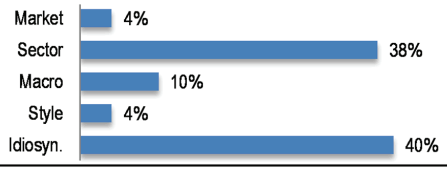

Factors	6M Corr	1Y Corr
Market: MSCI US	0.20	0.30
Sect: Utilities	0.67	0.67
Ind: Utilities	0.67	0.67
Macro:		
Credit Spread	-0.29	-0.25
Economic Surprise	-0.22	-0.16
Non-Energy Commodity	0.26	0.08
Quant Styles:		
Momentum	-0.29	-0.35
Growth	-0.17	-0.31
Value	0.13	0.28

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact

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North America Equity Research
23 July 2021

J.P.Morgan

Investment Thesis, Valuation and Risks

NiSource Inc. *(Overweight; Price Target: $28.00)*

Investment Thesis

With renewables driving ~20% of the five-year capital plan, NI's "green hue" stands unique among LDCs. We expect this dynamic to capture increased attention should LDC weakness persist and electric vs gas multiples continue to diverge. Additionally, the company's potential portfolio optimization efforts could accelerate a relative re-weighting toward NI's electric operations should the company divest a smaller LDC jurisdiction to fund renewables investment. We remain constructive on NI's long-term outlook given its attractive growth, subject to manageable execution risk, and relative positioning vs LDC peers.

Valuation

We maintain our December 2021 price target of $28/share. We base our price target on a sum-of-the-parts analysis using our 2022 electric and gas segment EPS forecasts. We value the gas and electric segments using 18.7x and 20.8x P/E multiples, respectively. This represents a premium to peers on account of NI's coal generation transition, incremental renewables investment, and above-average growth as a result.

Risk to Rating and Price Target

- Gas pipeline accidents in the industry have heightened the importance of pipeline safety and integrity management. These accidents can result in significant financial strains related to pipeline replacement, accident investigations, life and property claims, regulatory fines, and disallowances.
- Achievement of NiSource's long-term rate base and EPS CAGR targets are heavily dependent on robust capital investments, regulatory support, and favorable ratemaking mechanism. Any deferral of spending could put the company at risk of falling short of the LT rate base and earnings growth CAGR in any one year.
- Regulated electric and gas utilities are subject to federal and state regulations, including determinations of allowed revenues. Negative changes to the regulatory environments may cause future earnings to be materially lower than current expectations.

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NiSource Inc.: Summary of Financials

Income Statement - Annual	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	**5,184**	**4,697**	**5,115**	**5,551**	**5,755**
COGS	(1,535)	(1,109)	(1,512)	(1,760)	(1,760)
Gross profit	**3,649**	**3,587**	**3,604**	**3,792**	**3,995**
SG&A	(1,885)	(1,794)	**(1,724)**	**(1,716)**	**(1,731)**
Adj. EBITDA	**1,759**	**1,826**	**1,889**	**2,076**	**2,264**
D&A	(717)	(762)	(748)	(790)	(847)
Adj. EBIT	**1,042**	**1,064**	**1,141**	**1,286**	**1,417**
Net Interest	(379)	(371)	(342)	(374)	(437)
Adj. PBT	**663**	**693**	**799**	**911**	**980**
Tax	(113)	(127)	(171)	(220)	(233)
Minority Interest	(55)	(59)	(56)	(55)	(55)
Adj. Net Income	**495**	**508**	**572**	**636**	**692**
Reported EPS	1.32	1.32	1.35	1.43	1.53
Adj. EPS	**1.32**	**1.32**	**1.35**	**1.43**	**1.53**
DPS	**0.80**	**0.84**	**0.88**	**0.93**	**0.99**
Payout ratio	60.6%	63.6%	65.2%	65.4%	64.7%
Shares outstanding	375	384	424	446	453

Income Statement - Quarterly	1Q21A	2Q21E	3Q21E	4Q21E
Revenue	**1,555A**	**1,101**	**990**	**1,469**
COGS	(477)A	(313)	(222)	(500)
Gross profit	**1,078A**	**788**	**768**	**970**
SG&A	(427)A	(425)	(420)	(451)
Adj. EBITDA	**660A**	**363**	**348**	**519**
D&A	(185)A	(185)	(188)	(190)
Adj. EBIT	**475A**	**177**	**160**	**329**
Net Interest	(85)A	(86)	(85)	(87)
Adj. PBT	**391A**	**92**	**75**	**242**
Tax	(71)A	(23)	(19)	(59)
Minority Interest	(15)A	(14)	(14)	(14)
Adj. Net Income	**305A**	**55**	**43**	**169**
Reported EPS	0.77A	0.13	0.10	0.39
Adj. EPS	**0.77A**	**0.13**	**0.10**	**0.39**
DPS	**0.22A**	**0.22**	**0.22**	**0.22**
Payout ratio	28.4%A	171.2%	223.7%	56.9%
Shares outstanding	394A	430	434	438

Balance Sheet & Cash Flow Statement	FY19A	FY20A	FY21E	FY22E	FY23E
Cash and cash equivalents	148	126	0	0	0
Accounts receivable	857	791	795	795	795
Other current assets	849	743	783	915	1,077
Current assets	**1,854**	**1,659**	**1,577**	**1,709**	**1,872**
PP&E	16,912	16,620	17,882	19,736	22,133
Other non current assets	3,894	3,762	3,802	3,802	3,802
Total assets	**22,660**	**22,041**	**23,261**	**25,247**	**27,806**
Short term borrowings	1,773	503	45	484	1,642
Payables	666	589	555	555	555
Other short term liabilities	1,307	1,187	1,140	1,140	1,140
Current liabilities	**3,746**	**2,279**	**1,739**	**2,179**	**3,336**
Long-term debt	7,856	9,220	9,565	10,415	11,265
Other long term liabilities	5,071	4,704	4,808	5,028	5,261
Total liabilities	**16,673**	**16,203**	**16,113**	**17,623**	**19,863**
Shareholders' equity	5,987	5,838	7,148	7,624	7,943
Minority interests	-	-	-	-	-
Total liabilities & equity	**22,660**	**22,041**	**23,261**	**25,247**	**27,806**
BVPS	**15.67**	**14.90**	**17.71**	**18.38**	**17.47**
y/y Growth	*1.4%*	*(4.9%)*	*18.9%*	*3.8%*	*(5.0%)*
Net debt/(cash)	9,481	9,597	9,610	10,900	12,907
Cash flow from operating activities	**1,583**	**1,104**	**1,261**	**1,514**	**1,610**
o/w Depreciation & amortization	717	726	748	790	847
o/w Changes in working capital	(75)	(249)	(170)	(132)	(162)
Cash flow from investing activities	**(1,922)**	**(879)**	**(2,010)**	**(2,644)**	**(3,244)**
o/w Capital expenditure	(1,802)	(1,758)	(1,975)	(2,644)	(3,244)
as % of sales	*34.8%*	*37.4%*	*38.6%*	*47.6%*	*56.4%*
Cash flow from financing activities	**366**	**(248)**	**1,099**	**690**	**477**
o/w Dividends paid	(299)	(322)	(358)	(383)	(422)
o/w Net debt issued/(repaid)	494	82	330	850	850
Net change in cash	**27**	**(23)**	**350**	**(440)**	**(1,157)**
Adj. Free cash flow to firm	**95**	**(351)**	**(446)**	**(846)**	**(1,301)**
y/y Growth	*(109.6%)*	*(469.3%)*	*26.9%*	*89.8%*	*53.8%*

Ratio Analysis	FY19A	FY20A	FY21E	FY22E	FY23E
Gross margin	70.4%	76.4%	70.4%	68.3%	69.4%
EBITDA margin	33.9%	38.9%	36.9%	37.4%	39.3%
EBIT margin	20.1%	22.6%	22.3%	23.2%	24.6%
Net profit margin	9.5%	10.8%	11.2%	11.5%	12.0%
ROE	8.4%	8.6%	8.8%	8.6%	8.9%
ROA	2.2%	2.3%	2.5%	2.6%	2.6%
ROCE	5.7%	5.6%	5.5%	5.5%	5.5%
SG&A/Sales	36.4%	38.2%	33.7%	30.9%	30.1%
Net debt/equity	1.6	1.6	1.3	1.4	1.6
P/E (x)	18.8	18.8	18.4	17.4	16.3
P/BV (x)	1.6	1.7	1.4	1.4	1.4
EV/EBITDA (x)	9.3	9.1	8.9	8.8	9.3
Dividend Yield	3.2%	3.4%	3.5%	3.7%	4.0%
Sales/Assets (x)	0.2	0.2	0.2	0.2	0.2
Interest cover (x)	4.6	4.9	5.5	5.5	5.2
Operating leverage	496.0%	(22.1%)	81.7%	149.0%	278.3%
Revenue y/y Growth	2.0%	(9.4%)	8.9%	8.5%	3.7%
EBITDA y/y Growth	13.6%	3.8%	3.5%	9.9%	9.1%
Tax rate	17.1%	18.3%	21.4%	24.2%	23.7%
Adj. Net Income y/y Growth	6.8%	2.6%	12.7%	11.1%	8.9%
EPS y/y Growth	1.6%	(0.0%)	2.1%	5.8%	7.1%
DPS y/y Growth	2.6%	5.0%	4.8%	6.0%	6.0%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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NiSource Inc. (NI, NI US) Price Chart

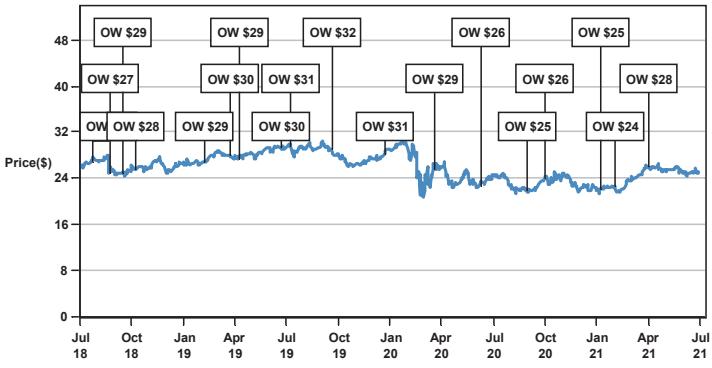

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
15-Aug-18	OW	26.96	28
17-Sep-18	OW	24.79	27
09-Oct-18	OW	25.05	29
01-Nov-18	OW	25.36	28
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31
09-Apr-20	OW	25.47	29
01-Jul-20	OW	22.74	26
21-Sep-20	OW	21.98	25
23-Oct-20	OW	24.04	26
29-Jan-21	OW	22.17	25
22-Feb-21	OW	22.84	24
22-Apr-21	OW	26.03	28

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Completed 23 Jul 2021 04:08 PM EDT Disseminated 23 Jul 2021 04:08 PM EDT
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North America Equity Research
04 August 2021

NiSource Inc.

2Q21 Results in Line; Fairly Quiet Renewables Update as the IRP/RFP Process Continues

Overweight

NI, NI US
Price: $25.31
03 Aug 2021

- **2Q21 earnings match estimates.** NI reported 2Q21 adj EPS of $0.13, matching the $0.13 JPM/Street median estimate. Gas distribution and electric operating earnings declined -$7.5mm and -$4.8mm YoY, respectively. NI benefitted from new base rates and infrastructure replacement program recoveries, offset by higher employee and administrative expenses, outside services, and other expenses. Moreover, unfavorable COLI performance also impacted Corp and Other results. Earnings appear consistent with expectations, with growth weighted toward the back half of 2021, particularly upon the 4Q conclusion of lost CMA earnings headwinds. Separately, the company reaffirmed its $1.32-1.36 2021 EPS guidance (JPMe/Street median $1.35).

- **Fairly quiet renewables update as NI's IRP/RFP process continues into the fall and 2022.** Updates across NI's generation transition include 1) the company now has IN approval of all renewables JV projects ($2bn investment), 2) NI received 180 proposals for 78 projects in its RFP solicitation, and 3) the IRP process continues to work towards a November filing. This IRP/RFP work will inform NI's next round of renewables investment, where the company expects incremental project clarity in 2022. We see recent progress as positive, although larger milestones remain over the balance of 2021 into 2022, and look for management's expectations based on ongoing IRP feedback and overall project composition in the RFP. While insight into the RFP is fairly limited, the scope of new technologies proposed could draw interest given NI's broad approach in considering standalone storage, hydrogen, carbon capture, and microgrids, among others. The company expects to commence commercial negotiations on RFP projects after finalizing its IRP Preferred Plan in October.

- **Conference call details.** NI will host a webcast to discuss 2Q21 results on Wednesday, August 4 at 11:00 AM EDT.

Table 1: NI 2Q21 Results

Income Statement:	Actual 2Q20	Actual 2Q21	JPM 2Q21E	% Chg Y/Y	% Chg vs JPMe	YoY Drivers
Operating Earnings	165	151	177	-9%	-15%	CMA sale impacts; new base and infra replacement program rates
Net Income	50	53	55	5%	-5%	Lower interest expense on short-term and long-term debt; unfavorable COLI impacts
Share Count	384	423	430	10%	-2%	
Operating EPS	**$0.13**	**$0.13**	**$0.13**	**0%**	**0%**	

Source: Company reports and J.P. Morgan estimates.

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NiSource Inc. (NI, NI US) Price Chart

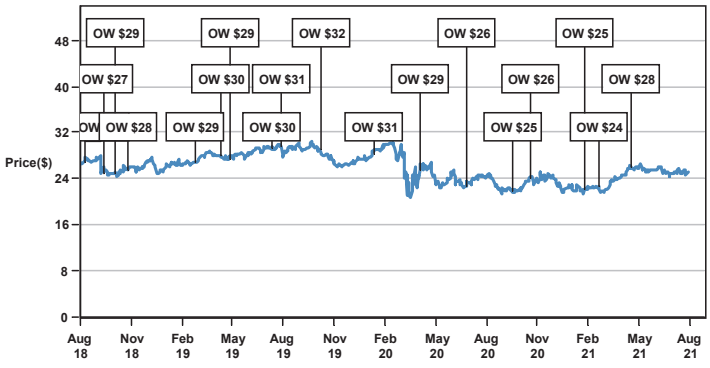

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
15-Aug-18	OW	26.96	28
17-Sep-18	OW	24.79	27
09-Oct-18	OW	25.05	29
01-Nov-18	OW	25.36	28
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31
09-Apr-20	OW	25.47	29
01-Jul-20	OW	22.74	26
21-Sep-20	OW	21.98	25
23-Oct-20	OW	24.04	26
29-Jan-21	OW	22.17	25
22-Feb-21	OW	22.84	24
22-Apr-21	OW	26.03	28

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Completed 04 Aug 2021 09:49 AM EDT Disseminated 04 Aug 2021 09:50 AM EDT
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UBS

Global Research | 19 July 2021

The Gas Meter

CY2Q21 Earnings Playbook

Equities

Americas

Gas Utilities

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Company Specifics - What to Listen For

With CY 2Q earnings season ahead, we look for the following updates. With CNP, while more meaningful commentary will likely have to wait for the Investor Day, we look to see if CNP has been able to quantify the potential one time tax adjustment around repairs tax that was initially touched on during the 1Q21 call. We view this as a potential positive as the tax benefit can be used to help offset some of the tax hit that would come from its sale of ET units following the close of the ET/ENBL merger, which should be an incremental positive as the tax impact has been an investor question. On UGI we look for an update on the Mountaineer acquisition and any additional colour on timing of the close. We also wonder if there is room to move up the mid-point of guidance for the year as UGI thus far has outperformed expectations and hasn't recorded the full talked about tax benefit. However, at the same while it didn't occur last year during Covid onset the expectations was for 2H earnings to be -10% of full year vs. 110% in 1H.

Regulatory Updates

With the Texas securitization bill passed during the quarter, we look for next steps from ATO, OGS and CNP. There were also a number of positive bills signed in Texas during the quarter that CNP likely discusses in more detail including TDU lease battery storage assets, TDU toolkit for widespread outages as well as the Economic test for transmission. For NWN we look for additional colour on the Washington rate case as the docket was suspended. For SR we look for an update on the Missouri rate case, hearings expected to start end of July. The STL pipeline will also likely be topical and we listen for the next steps, we estimate roughly $0.24/EPS from the pipeline. For OGS we look for color on the OK rate case. NI filed a rate case in Ohio, and we look for additional colour and what estimates it has for rate recovery in its guidance.

Where we are Different from Consensus

For NI we estimate 2Q21 EPS of $0.13 slightly above consensus estimate of $0.12. We would not be surprised to see some consensus estimates move higher, and a couple lower to end up around the $0.13 range, modestly higher from where it sits today. OGS we sit above consensus.

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Atmos Energy (ATO)

Expectations: UBSe FY3Q21 EPS of $0.75 roughly in-line with consensus estimate. For the full year we are at $5.10, the top end of ATO's guidance range. We expect the quarter to benefit from rate hikes in both the regulated distribution and pipeline segment, however we expect that to be offset by higher O&M expense as well as a ~ $0.06 impact from lower revenues following the $0.11 benefit in 2Q, the remainder we estimate will reverse in 4Q. That said ATO has not provided color on the cadence of the reversal between 3Q/4Q.

What to Listen For: We look for an update on ATO's expectations for the back half of the year, specifically O&M as business travel has not yet fully returned. On the regulatory side, we expect to hear updates on any new filings expected in FY2021. We will also listen for an update on long term customer growth. We expect an update on its progress to minimize its carbon footprint, especially on the RNG front. With the Texas securitization bill signed, we look for the next steps, we expect likely an early 2022 event for when its fully resolved.

CenterPoint Energy (CNP)

Expectations: UBSe 2Q21 EPS of $0.25 in-line with consensus estimate. We note YoY earnings to be higher as 2Q21 was impacted by a roughly $0.06 COVID impact and CNP should benefit from customer growth and some rate recovery, partially offset by higher D&A. With a low starting point on O&M, we don't expect a meaningful benefit similar to 1Q this quarter, but still expect a roughly 1-2% decline YoY. UBSe full year utility EPS of $1.25.

What to Listen For: While more meaningful commentary will likely have to wait for the Investor Day, we look to see if CNP has been able to quantify the potential one time tax adjustment around repairs tax that was initially spoken about on the 1Q21 call, we view this as a potential positive as the tax benefit can be used to help offset some of the tax hit that would come from its sale of ET units following the close of the ET/ENBL merger, which should be an incremental positive as the tax impact had been an investor question. We note following some FTC noise with the Dominion sale of the Questar pipeline, investor questions slowed down on the issue post the press release issued. There were a number of positive bills that were signed in Texas, including the securitization bill and we expect additional color during the call. We are also looking for any incremental color on the cadence of the capital deployment post the LDC and ENBL/ET asset sale close.

NiSource Inc (NI)

Expectations: UBSe 2Q21 EPS of $0.13 slightly above consensus estimate of $0.12. We would not be surprised to see some consensus estimates move higher, and a couple lower to end up around the $0.13 range, modestly higher from where it sits today. We would expect YoY earnings to be driven by volume growth and some rate increases. That said we expect this to be partially offset by higher O&M costs as well as an increase in shares outstanding. We also note a slight interest benefit.

What to Listen For: We look for colour on the Ohio rate case that was filed as well as where the PA rate case stands. The IRP process is likely topical, but we may have to wait for additional colour until the RFP short list is filed.

Northwest Natural (NWN):

Expectations: UBSe 2Q21 EPS of ($0.10) above consensus estimate of ($0.13) and up YoY. We expect YoY earnings to be driven by lower COVID related expenses and an increase in rates, but note we don't except commercial operations to return to normal yet.

What to Listen For: During the call we look for an update on NWN's business, specifically on the commercial side. We look for colour on the Washington rate case as the docket was suspended. We expect an update on the M&A pipeline on the water side

of the business as well as any additional color on RNG contracting. In June the Eugene city council voted to continue the franchise program and we look for additional colour. We also look for color on customer growth.

ONE Gas (OGS):

Expectations: UBSe 2Q21 EPS of $0.53 above consensus estimate of $0.51. We expect EPS to be up YoY driven by an increase in rates, customer growth and lower YoY COVID expenses, partially offset by an increase in D&A and Taxes.

What to Listen For: With the Texas securitization bill having passed we look for color on timing of when OGS plans to file the financing order. We also look for an update on the OK general rate case that was filed in late May. RNG will also be topical and projects OGS is working on.

Spire (SR)

Expectations: UBSe FY3Q21 EPS of $0.02 roughly in-line with consensus estimate, but we would highlight a very wide consensus range for the quarter (are some expecting a carry-over from marketing earnings from 1Q in their models?). We would expect YoY earnings to be impacted by higher O&M partially offset by recovery from spend. We expect lower marketing earnings as we see more opportunities shifted towards storage which will be winter month weighted.

What to Listen For: During the call we look for an update on the Missouri rate case, hearings expected to start end of July. The STL pipeline will also likely be topical and we listen for the next steps, we estimate roughly $0.24/EPS from the pipeline. We expect RNG to be topical on the call and note that Missouri passed Energy Choice and Alabama and Mississippi have Energy Choice as well. We also look for an update on where the current outstanding commercial disputes stand.

UGI (UGI)

Expectations: UBSe EPS of $0.03 below consensus estimate, but we note a wide range within consensus. YoY we expect slight headwinds from a warmer April domestically, however UGI International saw a colder April. UGI Utilities should see the benefit of the recent rate increase YoY. UGI has noted a 2021 weighting of earnings as 110% in 1H and -10% in 2H (that was the expectation for '20 pre Covid, however it didn't play out that way last year but is still expected to be the case this year and may explain the wide range in guidance). We also highlight some COVID headwinds will continue into 2H offset by tax benefits.

What to Listen For: We look for an update on the Mountaineer acquisition and any additional colour on timing of the close. RNG, BioLPG and rDME will all likely be topical following its Investor Day in late June and we listen for any new developments on this front. With a $0.12 tax benefit and a $0.10 COVID impact expected in FY21 we look for an update on what has been realized thus far. With the recent positive Supreme Court ruling on Penn East, next steps will be topical. There are likely questions around propane margins given the increase see thus far this year.

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth.

We use SOTP of P/E multiples for Regulated Assets and EV/EBITDA for non-regulated assets to calculate our price targets.

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Buy	FSR is > 6% above the MRA.	53%	32%
Neutral	FSR is between -6% and 6% of the MRA.	36%	30%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 June 2021.
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Company Name	Reuters	12-month rating	Price	Price date
Atmos Energy Corp[16]	ATO.N	Buy	US$98.95	19 Jul 2021
CenterPoint Energy Inc[16,20]	CNP.N	Neutral (CBE)	US$24.87	19 Jul 2021
NW Natural[16]	NWN.N	Neutral	US$51.65	19 Jul 2021
NiSource Inc.[13,16]	NI.N	Buy	US$24.96	19 Jul 2021
ONE Gas Inc[16]	OGS.N	Neutral	US$73.03	19 Jul 2021
Spire Inc[16]	SR.N	Buy	US$70.74	19 Jul 2021
UGI Corp[16,20]	UGI.N	Buy (CBE)	US$45.02	19 Jul 2021

Source: UBS. All prices as of local market close.
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Equity Research

Earnings Revised — August 4, 2021

Natural Gas LDCs

NiSource Inc. (NI)

NI: Positive Momentum Continues—Reiterate Overweight Rating

Our Call

NI is an execution story and every solid quarterly report is a step in the right direction. As such, we were pleased with the Q2 update, which kept both EPS and key initiatives on the right track. With shares still trading at discounts (2-3%) to blended gas/electric utility peers, we reiterate our Overweight rating and $29/sh price target (19X on our '23E).

Generation Transformation Advancing. We have been very encouraged by the progress on NI's renewable strategy. The renewable slide shows eight additional project approvals since the Q1 deck bringing the total number of approvals to 13 out of 14. As the first wave of projects is well underway, the 2021 IRP process has commenced and is expected to culminate in a filing by 11/1/21. In conjunction with the IRP, NI issued an all-resource RFP which attracted over 180 proposals for 78 individual projects. The IRP and RFP bids will inform the timing of the Michigan City retirement (prior analysis supported a 2028 retirement date) and the replacement technologies for the post-2023 generation outlook. Mgmt. expects to be able to discuss IRP details in conjunction with the Q3/EEI updates, but a formal capex and growth outlook refresh is not likely before year-end.

EPS Outlook. Our '21-25E EPS remain $1.34, $1.42, $1.50, $1.66 & $1.75. Our estimates support a 7.5% CAGR through '24E off the '21E base, which compares with NI's 7-9% target. We see modest upside to our estimates should NI be able to achieve earned ROE's north of our 8.8-9.0% assumption—every 25 basis point change in the earned ROE has a $0.04-0.05 EPS impact. In addition to sales growth and cost controls, we look to the outcomes of four pending rate cases as key drivers of the EPS outlook. NI filed a PA rate case ($98mm) in Q1 and additional cases in OH ($221mm), KY ($27mm) and MD ($5mm) in Q2. Favorably, mgmt. noted that the company is in advanced settlement discussions in the PA case.

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Rating	Overweight
Ticker	**NI**
Price Target/Prior:	**$29.00/NC**
Upside/(Downside) to Target	**14.6%**
Price (08/03/2021)	**$25.31**
52 Week Range	$21.09 - 26.60
Shares Outstanding	392,217,046
Market Cap (MM)	$9,927
Enterprise Value (MM)	$19,548
Average Daily Volume	3,301,969
Average Daily Value (MM)	$84
Dividend (NTM)	$0.88
Dividend Yield	3.5%
Net Debt (MM) - last reported	$9,621
ROIC - Current year est.	10%
3 Yr EPS CAGR from current year (unless otherwise noted)	4%

$ EPS	2020A	2021E Curr.	2021E Prior	2022E Curr.	2022E Prior
Q1 (Mar)	0.76 A	0.77 A	NC	-	NC
Q2 (Jun)	0.13 A	0.13 A	0.08E	-	NC
Q3 (Sep)	0.09 A	0.06 E	0.08E	-	NC
Q4 (Dec)	0.34 A	0.38 E	0.41E	-	NC
FY	1.32 A	1.34 E	NC	1.42 E	NC
P/E	19.2x	18.8x		17.8x	

Source: Company Data, Wells Fargo Securities estimates, and Refinitiv.
NA = Not Available, Volatility = Historical trading volatility

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Financials

NI Earnings Model ($ millions except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$4,697**	**$4,650**	**$4,822**	**$5,014**	**$5,331**	**$5,524**
Expenses						
Cost of Gas, Purchased Power & Fuel	1,109	1,065	1,071	1,078	1,085	1,091
O&M	1,495	1,392	1,397	1,431	1,436	1,451
Depreciation & Amortization	762	751	807	886	969	1,024
Other	299	303	308	312	316	321
Total Expenses	**$3,665**	**$3,511**	**$3,583**	**$3,707**	**$3,807**	**$3,888**
EBIT	**$1,031**	**$1,139**	**$1,238**	**$1,307**	**$1,524**	**$1,635**
EBITDA	**$1,794**	**$1,890**	**$2,046**	**$2,193**	**$2,494**	**$2,660**
Other Income	32	34	34	34	34	34
Interest Expense	371	349	365	360	401	431
Income Taxes	127	198	218	235	278	297
Tax Rate	*18%*	*24%*	*24%*	*24%*	*24%*	*24%*
Earnings						
Net Operating Earnings	$566	$627	$689	$746	$880	$941
Preferred Dividends	55	55	55	55	55	55
Noncontrolling Interest	3	3	3	3	3	3
Income from Continuing Operations	**$508**	**$568**	**$631**	**$687**	**$822**	**$883**
Avg. Diluted Shares Outstanding	384	423	445	458	494	503
Ongoing EPS	$1.32	$1.34	$1.42	$1.50	$1.66	$1.75
Q1A EPS	0.76	0.77				
Q2A EPS	0.13	0.13				
Q3A/Q3E EPS	0.09	0.06				
Q4A/Q4E EPS	0.34	0.38				

NI Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$0.84	$0.88	$0.93	$0.99	$1.06	$1.14
Dividends Paid Per Share	0.84	0.88	0.93	0.99	1.06	1.14
Payout Ratio	64%	66%	66%	66%	64%	65%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$1,758	$1,982	$2,517	$3,703	$2,223	$2,290
Book ROE	10.1%	9.5%	8.7%	8.6%	9.3%	9.7%
FFO/Debt	11%	15%	15%	14%	16%	16%
Debt/EBITDA	5.7x	5.2x	5.3x	5.5x	5.0x	4.9x
Common Equity as % of Total Capitalization	32%	40%	40%	41%	41%	41%

Source: Wells Fargo Securities, LLC estimates and company filings

Acronyms

EEI – Edison Electric Institute
IRP – Integrated Resource Plan

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RFP – Request for Proposals

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Price Target Basis and Risk

Price Target for NI: $29.00 from NC

Our $29/sh price target is based on a P/E multiple analysis (19X—a 5% premium to the '22 blended gas/electric peer group multiple of 18X—on our '23E EPS).

Risk for NI

Risks include lower-than-expected sales growth, unfavorable regulatory developments, unexpected cost pressures and incidents on the gas system, which could result in shareholder liabilities.

Investment Thesis

NI
We rate shares Overweight as we do not think NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment are properly reflected in the current share price.

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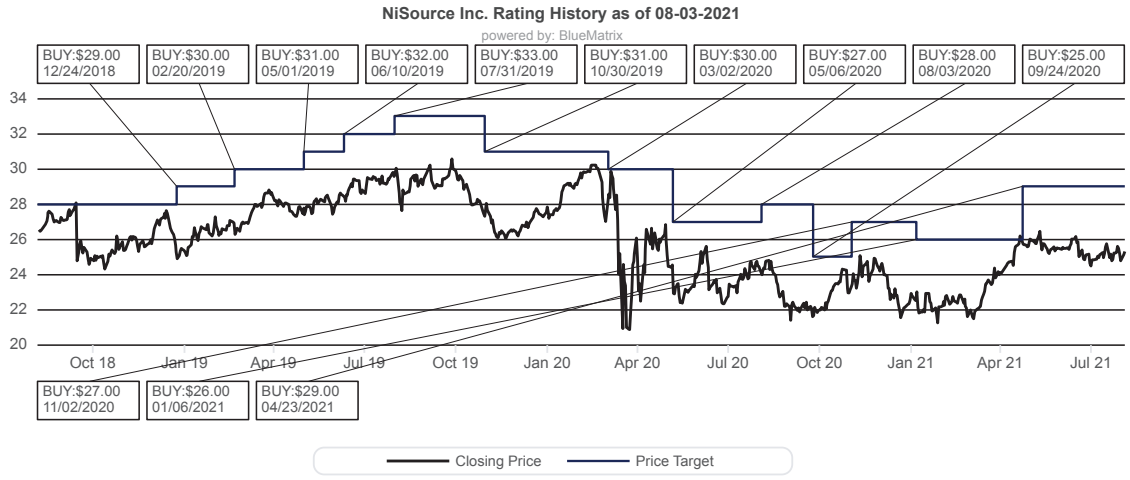

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
IPPs – Market Weight
Gas/Power Infrastructure – Market Overweight

July 20, 2021

UTILITIES & POWER

Q2 preview: setting the table for a better 2H

- **Solid Q2 and positive tailwinds hopefully bode well for utility turnaround**
  After the worst first half performance since 1997, utilities have rallied to start the 2H but they have a long way to go to catch up. We expect a solid Q2 up 2.4%, expect a few guide-ups (DTE and WEC) and see more tailwinds building. These include hot weather, economic recovery, higher power prices, strong ratebase growth and constructive regulation. We continue to see 21/22 earnings for the sector up 4.9%/5.5%.
- **Key topics: Renewables, Inflation, Transmission, Nukes, Asset sales, CA**
  Renewables backlog growth should again be strong and we expect a lot of focus on potential benefits of the Infra Bill. Concerns include supply chains, inflation risk, and TX slowdown but we expect these to be manageable. We will especially watch how NEE trades post their quarter, will it be another sell the good news or is the stock past that? Transmission is a mixed bag – lot of LT growth potential but also FERC ROE risks. The Preserving Nuke theme remains in play and we will be listening closely for IL law and nuke PTC updates from EXC, PEG and others. Finally, simplifications and asset sales remain a key theme and we will be watching for updates from FE, AEP, PEG and CWEN on sales, and CNP on their company transition. CA looks like same story – cheap stocks but a lot of headline risks into fire season plus ROE pressure.
- **Raising power deck – higher estimates at VST, EXC, PEG**
  We have raised our power price deck to better reflect the runup in power and gas prices. We are still below current market though especially in ERCOT where prices keep going up. We expect a positive tone and consensus revisions for power names given these trends.

Positives:

CNP – Positive progress on asset sales, ratebase upside; set table for Sept A.D.

CWEN – Potential progress on asset sales, CA re-contracting; cheap renewables play.

DTE– Q2 beat and likely raise 2021 guidance; first call post DTM spin.

FE – Potential asset sale plan and/or DOJ settlement.

POR – 2021 ahead of plan, possible guidance raise.

VST– TX law and structure improvements; power price outlook tailwind.

Negatives:

AEE – Q2 miss on timing, Calloway still down for now, waiting on regulatory updates.

OGE – Q2 miss, weak weather; '21 utility guide now under even more pressure.

EIX/PCG – EIX GRC bit weak, PCG Dixie Fire; ROE risks, heading into fire season.

Other notables:

DUK – Latest thoughts on potential NC clean energy bill and Elliott response.

EXC – Nuclear support updates in IL and Federal. What is deadline?

NEE – Renewables growth/inflation; rate case; will stock go up or down on good news.

PEG – Fossil sale update, transmission settlement and any color on the "new PEG".

SO – Vogtle Hot Functional Testing and NRC investigation updates.

Please see individual company write-ups on page 8

Ex. 1: 2Q21 Beats/Misses

	2Q21 Estimate	
Ticker	WR	Cons
Beats		
DTE	$1.39	$1.34
EVRG	$0.77	$0.73
EXC	$0.78	$0.66
PNW	$1.75	$1.62
Misses		
AEE	$0.76	$0.83
DUK	$1.03	$1.11
ETR	$1.34	$1.41
OGE	$0.50	$0.55

Source: Wolfe Utilities & Power Research, FactSet

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Quarterly Estimates

Exhibit 2: Wolfe Research Earnings Estimates vs. Consensus

					Q2 2021E		Q2 2020	2021E		2022E		2023E		2024E	
Company Name	Ticker	Price	PT	Rating	WR	Cons	Actual	WR	Cons	WR	Cons	WR	Cons	WR	Cons
The AES Corporation	AES	$24.10	$29	PP	$0.29	$0.30	$0.25	$1.54	$1.55	$1.67	$1.67	$1.79	$1.80	$1.89	$1.90
Alliant Energy	LNT	58.31	61	OP	0.57	0.55	0.54	2.58	2.57	2.73	2.74	2.87	2.89	3.03	3.06
Ameren	AEE	83.98	90	OP	0.76	0.83	0.98	3.77	3.77	4.08	4.04	4.36	4.33	4.61	4.59
American Electric Power	AEP	85.74	93	PP	1.15	1.14	1.08	4.65	4.67	5.01	4.98	5.30	5.27	5.62	5.61
American Water	AWK	166.70	156	PP	1.09	1.08	0.97	4.24	4.24	4.58	4.60	4.95	4.98	5.34	5.33
Avangrid	AGR	52.36	47	UP	0.45	0.38	0.32	2.40	2.33	2.40	2.47	2.55	2.60	N/A	2.86
CMS Energy	CMS	61.94	62	PP	0.46	0.46	0.49	2.85	2.75	2.87	2.88	3.16	3.13	3.48	3.39
CenterPoint	CNP	25.24	28	OP	0.22	0.25	0.18	1.25	1.41	1.34	1.43	1.43	1.54	1.55	1.55
Con Edison	ED	73.57	73	UP	0.62	0.63	0.57	4.26	4.26	4.67	4.52	4.80	4.74	5.01	4.90
Dominion	D	75.67	88	OP	0.77	0.78	0.73	3.87	3.88	4.14	4.12	4.38	4.38	4.72	4.64
DTE Energy	DTE	116.12	112	PP	1.39	1.34	1.53	7.09	5.60	5.81	5.89	6.24	6.19	6.62	6.60
Duke Energy	DUK	103.74	106	PP	1.03	1.11	1.08	5.14	5.19	5.40	5.46	5.74	5.78	6.13	6.14
Edison Int'l	EIX	56.85	71	OP	0.99	1.02	1.00	4.54	4.54	4.71	4.69	5.09	4.96	N/A	5.17
Emera*	EMA	57.94	60	PP	0.54	0.54	0.48	2.77	2.83	3.19	3.08	3.35	3.22	3.53	3.47
Entergy	ETR	102.35	120	OP	1.34	1.41	1.37	5.98	5.97	6.30	6.32	6.72	6.71	7.08	7.03
Evergy	EVRG	64.00	69	OP	0.77	0.73	0.68	3.31	3.33	3.50	3.50	3.80	3.76	4.00	3.99
Eversource Energy	ES	85.94	94	OP	0.81	0.81	0.76	3.80	3.83	4.08	4.10	4.35	4.38	4.60	4.69
Exelon	EXC	46.06	52	OP	0.78	0.66	0.55	2.81	2.73	2.26	2.99	2.38	3.06	2.52	3.16
FirstEnergy	FE	37.62	42	OP	0.56	0.57	0.57	2.49	2.51	2.63	2.60	2.76	2.69	N/A	2.74
Fortis*	FTS	44.36	44	PP	0.59	0.59	0.56	2.79	2.75	2.98	2.93	3.16	3.11	3.30	3.27
NextEra Energy	NEE	77.17	91	OP	0.70	0.70	0.65	2.53	2.52	2.70	2.72	2.92	2.91	N/A	3.11
NiSource	NI	25.17	29	OP	0.14	0.13	0.13	1.34	1.35	1.41	1.42	1.51	1.53	1.70	1.69
OGE Energy	OGE	33.89	39	PP	0.50	0.55	0.51	2.21	2.20	2.13	2.15	2.23	2.23	2.32	2.32
PG&E	PCG	9.42	15	OP	0.26	0.28	1.03	1.01	1.01	1.13	1.11	1.23	1.24	1.36	1.33
Pinnacle West	PNW	84.87	80	UP	1.75	1.62	1.71	4.93	4.95	4.99	5.09	5.22	5.34	5.47	5.56
Portland General	POR	47.84	49	PP	0.37	0.35	0.43	2.69	2.67	2.77	2.75	2.87	2.87	2.93	2.96
PPL Corp	PPL	28.20	31	PP	0.23	0.29	0.55	1.97	2.27	1.77	1.68	1.82	1.87	N/A	1.97
PSEG Corp	PEG	60.67	65	OP	0.69	0.70	0.79	3.42	3.47	3.41	3.47	3.57	3.55	N/A	3.74
Sempra Energy	SRE	131.92	153	OP	1.56	1.57	1.65	8.00	8.10	8.35	8.44	8.80	8.95	N/A	9.33
Southern Co.	SO	62.95	64	PP	0.79	0.80	0.78	3.29	3.33	3.48	3.55	3.76	3.84	4.10	4.15
WEC Energy Group	WEC	93.82	95	UP	0.79	0.79	0.76	4.03	4.03	4.29	4.30	4.57	4.57	4.86	4.88
Xcel Energy	XEL	68.16	73	PP	0.54	0.56	0.54	2.96	2.97	3.17	3.17	3.37	3.36	3.57	3.58

Source: Wolfe Research Utilities & Power Research, FactSet
*EPS estimates in $CAD
**AGR reported 2Q21 EPS of $0.35 on 7/20/21
***CNP 2Q20 actual is utility only EPS and does not include midstream earnings

Exhibit 3: Wolfe Research EBITDA Estimates vs. Consensus

					Q2 2021E		Q2 2020	2021E		2022E		2023E		2024E	
Company Name	Ticker	Price	PT	Rating	WR	Cons	Actual	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Clearway Energy	CWEN	$26.30	$33	OP	$350	$348	$316	$1,195	$1,181	$1,264	$1,258	$1,188	$1,257	$1,097	$1,178
NextEra Energy Partners	NEP	74.57	101	OP	376	378	349	$1,446	1,465	$1,603	1,613	$1,703	1,773	N/A	1,913
NRG Energy	NRG	39.45	41	PP	600	569	574	$1,900	1,889	$2,340	2,483	$2,400	2,500	N/A	2,497
Vistra Energy	VST	18.19	25	OP	840	847	929	$1,643	1,649	$3,498	3,309	$3,080	3,094	N/A	3,119

Source: Wolfe Research Utilities & Power Research, FactSet

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Wolfe Research Estimate and Target Price Revisions

See company-specific commentary on estimate changes later in this report where we discuss each company in more depth. Please see our revisions summary below.

Exhibit 4: Wolfe Research Earnings Estimate Revisions – Regulateds / Diversified

		2021E		2022E		2023E		2024E	
Company Name	Ticker	New	Prior	New	Prior	New	Prior	New	Prior
Portland General	POR	$2.69	$2.63	N/A	N/A	N/A	N/A	N/A	N/A
PSEG Corp	PEG	N/A	N/A	$3.41	$3.40	$3.57	$3.55	N/A	N/A

Source: Wolfe Research Utilities & Power Research

Exhibit 5: Wolfe Research Price Target Revisions – Regulateds / Diversified

Company Name	Ticker	Price	New PT	Old PT	Rating
Exelon	EXC	$46.06	$52	$51	OP

Source: Wolfe Research Utilities & Power Research

Exhibit 6: Wolfe Research EBITDA Estimate Revisions – IPPs / YieldCos

		2021E		2022E		2023E		2024E			
Company Name	Ticker	New	Prior	New	Prior	New	Prior	New	Prior	New PT	Old PT
ExGen SpinCo	EXC	N/A	N/A	$2,067	$1,933	$1,716	$1,713	N/A	N/A	N/A	N/A
Vistra Energy	VST	N/A	N/A	$3,498	$3,150	$3,080	$2,879	N/A	N/A	N/A	N/A

Source: Wolfe Research Utilities & Power Research

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Average Spot Prices

In Exhibit 5 below, we highlight the year over year change in the average spot power price in different regions. As compared to 2Q20, spot prices were up considerably in every region. Most notably, ERCOT spot prices were up 60-70% on average, as was PJM and NE/NY; Spot gas averaged $2.98 (+68%)

Exhibit 7: Average 7x24 Spot Prices

Northeast	Q221	Q220	% Change
Mass Hub	$28.82	$17.94	61%
Connecticut	28.38	17.47	62%
SE Mass	28.93	18.13	60%
NY Zone A	18.25	16.46	11%
NY Zone G	27.45	15.93	72%
NY Zone - J	28.06	16.51	70%
PJM West	28.04	17.50	60%
Pepco Zone	24.84	15.73	58%
Midwest	**Q221**	**Q220**	**% Change**
Cinergy	$29.27	$20.25	45%
NI Hub	26.31	15.63	68%
AD Hub	27.09	17.81	52%
South Central	**Q221**	**Q220**	**% Change**
ERCOT North	$30.39	$18.21	67%
ERCOT South	29.91	18.51	62%
ERCOT West	27.18	16.69	63%
ERCOT Houston	33.35	19.25	73%
West	**Q221**	**Q220**	**% Change**
Palo Verde	$44.69	$19.94	124%
NP 15	40.93	21.67	89%
SP 15	36.61	19.89	84%
Mid-Columbia	43.32	11.17	288%
Natural Gas	**$2.98**	**$1.77**	**68%**

Source: Wolfe Utilities & Power Research, SNL

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Wolfe Research Prices vs. Market Prices

We revised our power price deck given the latest changes in forwards. We're revising assumptions up pretty much across the board, as forwards ripped in Q2, most notably in ERCOT. This is particularly having an impact on our 2022-2023 estimates where generators are less hedged. For conservatism, we've maintained our deck at slightly below market in key regions – 5%/3% below in ERCOT 2022/2023 and 3% below in PJM 2022. Thus, our MTM estimates still imply upside to our published estimates. Net-net, we're seeing our VST estimates up most materially, while the changes for NRG/EXC/PEG are less impactful.

Exhibit 8: Wolfe 7x24 power price estimates

	2021	2022	2023
PJM West	$26.75	$31.62	$29.29
PJM East	$27.75	$32.62	$30.29
NEPOOL	$33.35	$45.38	$43.02
NY Zone A	$23.84	$28.15	$26.54
NY Zone G	$27.80	$40.26	$38.20
NY Zone J	$30.05	$43.27	$41.52
A/D Hub	$26.54	$31.82	$28.60
NI Hub	$23.68	$28.94	$26.15
Indiana Hub	$27.85	$32.78	$30.45
ERCOT (Houston)	$29.61	$39.14	$33.32
ERCOT (South)	$28.07	$35.02	$29.69
ERCOT (North)	$28.26	$36.58	$31.36
ERCOT (West)	$24.79	$32.00	$26.15
NP-15	$42.39	$50.62	$44.21
SP-15	$42.48	$50.73	$43.40
Mid-C	$30.71	$44.54	$41.86
Palo Verde	$48.76	$64.01	$51.80
Nymex Gas ($/Mcf)	$2.77	$3.20	$2.81
CAPP Coal ($/ton)	$60.00	$60.00	$60.00
PRB Coal ($/ton)	$12.00	$12.00	$12.00

Source: Platts, Wolfe Research Utilities & Power Research

Exhibit 9: Market 7x24 power price estimates

	2021	2022	2023
PJM West	$31.64	$32.66	$29.40
PJM East	$32.64	$33.66	$30.40
NEPOOL	$43.11	$45.50	$43.14
NY Zone A	$23.94	$28.27	$26.66
NY Zone G	$27.92	$40.36	$38.30
NY Zone J	$38.12	$43.39	$41.65
A/D Hub	$31.71	$31.94	$28.71
NI Hub	$29.13	$29.06	$26.26
Indiana Hub	$33.56	$32.91	$30.56
ERCOT (Houston)	$175.23	$41.16	$34.40
ERCOT (South)	$172.32	$37.01	$30.76
ERCOT (North)	$173.25	$38.60	$32.45
ERCOT (West)	$169.89	$34.01	$27.22
NP-15	$56.40	$50.77	$44.29
SP-15	$56.88	$51.18	$43.79
Mid-C	$46.33	$44.73	$42.00
Palo Verde	$68.73	$68.39	$54.59
Nymex Gas ($/Mcf)	$3.66	$3.20	$2.81
CAPP Coal ($/ton)	$60.00	$60.00	$60.00
PRB Coal ($/ton)	$12.00	$12.00	$12.00

Source: Platts, Wolfe Research Utilities & Power Research

Exhibit 10: Market 7x24 vs. Wolfe 7x24

	2021	2022	2023
PJM West	15.5%	3.2%	0.4%
PJM East	15.0%	3.1%	0.4%
NEPOOL	22.6%	0.3%	0.3%
NY Zone A	0.4%	0.4%	0.4%
NY Zone G	0.4%	0.2%	0.3%
NY Zone J	21.2%	0.3%	0.3%
A/D Hub	16.3%	0.4%	0.4%
NI Hub	18.7%	0.4%	0.4%
Indiana Hub	17.0%	0.4%	0.4%
ERCOT (Houston)	83.1%	4.9%	3.1%
ERCOT (South)	83.7%	5.4%	3.5%
ERCOT (North)	83.7%	5.2%	3.3%
ERCOT (West)	85.4%	5.9%	3.9%
NP-15	24.8%	0.3%	0.2%
SP-15	25.3%	0.9%	0.9%
Mid-C	33.7%	0.4%	0.3%
Palo Verde	29.1%	6.4%	5.1%
Nymex Gas ($/Mcf)	24.3%	0.0%	0.0%
CAPP Coal ($/ton)	0.0%	0.0%	0.0%
PRB Coal ($/ton)	0.0%	0.0%	0.0%

Source: Platts, Wolfe Research Utilities & Power Research

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Market Power Prices (03/31/21 vs. 06/30/21)

In Exhibits 6-8 we show market 7x24 power and commodity prices at March 31, 2021 and June 30, 2021. 2021 and 2022 contracts were mostly up significantly across the board compared to marks at 03/31/21. ERCOT contracts were up the most – 30-35% in 2022 and 10-15% in 2023. PJM contracts were up 15% in 2022 and 10% in 2023.

Exhibit 11: 03/31/21 Market 7x24

	2021	2022	2023
PJM West	$27.74	$28.37	$27.47
PJM East	$28.74	$29.37	$28.47
NEPOOL	$36.27	$37.28	$37.23
NY Zone A	$24.16	$24.79	$25.52
NY Zone G	$26.73	$32.93	$33.49
NY Zone J	$33.59	$36.07	$36.81
A/D Hub	$27.82	$27.52	$26.40
NI Hub	$25.44	$24.79	$23.82
Indiana Hub	$32.54	$29.21	$28.71
ERCOT (Houston)	N/A	$30.61	$30.09
ERCOT (South)	N/A	$28.32	$27.80
ERCOT (North)	N/A	$28.96	$27.75
ERCOT (West)	N/A	$23.26	$21.44
NP-15	$49.64	$43.21	$39.27
SP-15	$51.69	$44.73	$39.95
Mid-C	$34.15	$32.95	$31.30
Palo Verde	$66.31	$50.63	$44.13
Nymex Gas ($/Mcf)	$2.77	$2.64	$2.54
CAPP Coal ($/ton)	$60.00	$60.00	$60.00
PRB Coal ($/ton)	$12.00	$12.00	$12.00

Source: Wolfe Utilities & Power Research, Platts

Exhibit 12: 06/30/21 Market 7x24

	2021	2022	2023
PJM West	$31.64	$32.78	$29.89
PJM East	$32.64	$33.78	$30.89
NEPOOL	$43.77	$46.76	$44.28
NY Zone A	$24.08	$28.44	$27.39
NY Zone G	$29.07	$41.18	$39.50
NY Zone J	$38.46	$44.21	$42.85
A/D Hub	$31.72	$32.13	$29.13
NI Hub	$29.03	$29.16	$26.60
Indiana Hub	$33.54	$33.19	$31.30
ERCOT (Houston)	N/A	$41.42	$34.38
ERCOT (South)	N/A	$37.27	$30.74
ERCOT (North)	N/A	$38.85	$32.43
ERCOT (West)	N/A	$34.27	$27.20
NP-15	$56.84	$49.42	$42.38
SP-15	$57.18	$50.04	$41.88
Mid-C	$47.58	$43.04	$40.27
Palo Verde	$67.58	$66.76	$52.71
Nymex Gas ($/Mcf)	$3.67	$3.14	$2.79
CAPP Coal ($/ton)	$60.00	$60.00	$60.00
PRB Coal ($/ton)	$12.00	$12.00	$12.00

Source: Wolfe Utilities & Power Research, Platts

Exhibit 13: 03/31/21 vs. 06/30/21 Market 7x24

	2021	2022	2023
PJM West	14.1%	15.6%	8.8%
PJM East	13.6%	15.0%	8.5%
NEPOOL	20.7%	25.4%	18.9%
NY Zone A	(0.3%)	14.7%	7.3%
NY Zone G	8.8%	25.0%	17.9%
NY Zone J	14.5%	22.6%	16.4%
A/D Hub	14.0%	16.7%	10.3%
NI Hub	14.1%	17.6%	11.7%
Indiana Hub	3.1%	13.6%	9.0%
ERCOT (Houston)		35.3%	14.3%
ERCOT (South)		31.6%	10.6%
ERCOT (North)		34.2%	16.8%
ERCOT (West)		47.3%	26.9%
NP-15	14.5%	14.4%	7.9%
SP-15	10.6%	11.9%	4.8%
Mid-C	39.3%	30.6%	28.7%
Palo Verde	1.9%	31.9%	19.4%
Nymex Gas ($/Mcf)	32.4%	18.8%	9.8%
CAPP Coal ($/ton)	0.0%	0.0%	0.0%
PRB Coal ($/ton)	0.0%	0.0%	0.0%

Source: Wolfe Utilities & Power Research, Platts

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Earnings Call Calendar

Below, we have provided the 2nd quarter 2021 earnings call calendar for companies in our coverage universe. Please note all times are in Eastern Daylight Time.

July 2021

Monday	Tuesday	Wednesday	Thursday	Friday
19	**20**	10am: AGR 12pm: Wolfe Utilities & Midstream Q2 Earnings Preview Lunch **21**	9am: AEP 2pm: Wolfe Utilities & Midstream Q2 Earnings Preview Webcast (Virtual) **22**	9am: NEE/NEP 10am: FE **23**
26	9am: DTE **27**	**28**	8:30am: FTS 9:30am: CMS 10am: XEL 11am: PCG 1pm: SO 4:30pm: EIX **29**	9am: ES 11am: POR **30**

August 2021

Monday	Tuesday	Wednesday	Thursday	Friday
2	8am: CWEN 9am: AWK (tent.) 11am: PEG 2pm: WEC **3**	10am: EXC 11am: ETR, NI (tent.) **4**	8am: CNP, EVRG, VST 9am: AES, NRG, OGE 10am: DUK 11am: PPL 12pm: PNW, SRE 4pm: ED* **5**	10am: AEE, D, LNT **6**
9	**10**	8:30am: EMA **11**	**12**	**13**

*No earnings call

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Highlights and lowlights

AEE: Slow MO in Q2 but will pick up in second half of year

- We estimate 2Q21 EPS of $0.76, below consensus likely due to rate design in MO (-$0.20) which will be reversed in 3Q21. We expect AEE to affirm 2021 guidance of $3.65-3.85.
- The main investor focus is transmission, which AEE suggested could be a meaningful investment opportunity later this decade. The level of incremental capex depends on the MISO MTEP report anticipated this Dec. Every $100M of MISO transmission capex adds $0.02 in 2023. AEE receives a 50bp RTO/ISO adder on all of its FERC-regulated transmission; we project a $0.04 EPS hit if that is removed.
- AEE's IL utility could be impacted by the proposed IL clean energy legislation, likely positively given the ROE would be north of the low 8s implied under the status quo. But there has not been much movement since a special session last month.
- AEE's MO rate case remains quiet until the intervenor testimony on 9/3. AEE is seeking a 5% rate increase based on 9.9% ROE. AEE has settled the past few important regulatory cases, including rate cases. Settlements have tended to be reached before evidentiary hearings; in the instant case, those start in late Nov.
- AEE MO is also expected to file for CCNs for new renewables projects (up to 1,200 MW). AEE has not said any associated capex would be incremental to its 5yr plan, but we suspect it would be mostly upside to AEE's outlook.
- And lastly we expect to get an update on the Callaway outage, which as of early this week was still not online; AEE targeted late June or early July for the plant to return to service.

AEP: Focused on KY sale decision, renewables in AEP West in 2H21

- We estimate 2Q21 EPS of $1.15, in line with consensus. We believe AEP will affirm its 2021 guidance of $4.55-4.75. AEP will narrow its 2021 guidance on the Q3 call (in the fall) and provide next year's guidance and its typical capital and financing outlooks at EEI in Nov.
- On the 2Q21 call, we anticipate the focus to be on the recovery and load growth, as C&I growth is coming back strong.
- We also expect an update on AEP's renewables opportunities, namely its 3.3 GW RFP for SWEPCo and a planned RFP this quarter for PSO (OK). Most of AEP's incremental renewables in the near-term will be at those two subs. More color on the opportunities at other subs is expected at EEI.
- AEP remains committed to announcing a sale of its KY Power sub or no sale by yearend; transaction closing would be aligned with the timing of $1.4B equity needs in 2022 (on top of $600M this year) for the pending North Central Wind project.
- On transmission, AEP receives a 50bp RTO/ISO adder on all of its FERC-regulated rate base; we project a $0.05 EPS hit if that is removed.

AES: Fundamentals intact despite recent stock weakness

- We forecast 2Q21 EPS of $0.29, in-line with consensus at $0.30. We believe results will be up $0.04 YoY with contributions from Southlands Repowering, corporate cost cuts and better demand at the US utilities more than offsetting FX headwinds and lost PTC from asset sales.
- We expect that AES will reaffirm its 2021 guidance of $1.50-1.58. Our 2021E of $1.54 is a penny behind consensus. Recovery from COVID pressures faced in 2020 appears to be going as planned.
- Our sense is that AES is on track to meet its 4 GW target for signed renewable PPAs in 2021. From a cost perspective, AES is fairly insulated from inflationary pressures as most costs locked in for 2022 and 2023 projects. We don't believe AES has faced or expects to face

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supply chain issues; AES has been assured its solar panels are not coming from the Xinjiang province in China.

- AES' stock has been under pressure recently. This has coincided with weakness in some of other clean-tech names (TAN, euro renewables, etc.). We believe the recent stock performance has been more macro-driven than anything, particularly as concerns on the delta variant/new COVID cases have risen across the globe. From a fundamental perspective, AES appears on track.
- Other items to watch on the earnings call include any progress on further monetization of excess LNG capacity in MCAC and any updates with Fluence or Uplight.

AWK: Quiet quarter; looking for updates out of NY

- We see 2Q21 EPS of 1.09, which is in-line with consensus at $1.08. We expect YoY results in Q2 to be up $0.12, driven by traditional rate relief/rider mechanisms and the absence of COVID impacts on demand. Higher O&M, depreciation and property taxes will be partial offsets.
- Our expectation is that AWK will reaffirm its 2021 guidance of 4.18-4.28. We note there could be a one-time tailwind to 2021 guidance from the delay in closing the NY Am. Water sale as AWK is not booking depreciation on the held-for-sale assets (worth ~$0.02/q); it's not clear what AWK assumed in guidance, but the targeted close date originally was midyear.
- Items we hope to get more color on when AWK reports include the NY sale process/most likely path forward and the grand jury subpoena received at AWK's Homeowner Services business. The latter was first disclosed in Q1 and is specific to operations in NYC.
- With the recent major rate cases now resolved (NJ, PA and MO), it is fairly quiet for AWK on the regulatory front. Cases are still pending in CA, WV and IA but these are less consequential.

CMS: Aftermath of big Enerbank and IRP news

- We forecast Q2 EPS of $0.46 – in-line with consensus and down versus $0.49 last year. Rate relief is the primary positive driver, offset by investment costs and one-time COVID savings last year. Our estimate also excludes Enerbank, which contributed $0.03 in 2Q20. We expect 2021 guidance of $2.61-2.65 and 2022 guidance of $2.83-2.87 to be reaffirmed, both of which exclude Enerbank. That said, we believe the company is tracking favorably within these ranges.
- A lot has happened since the Q1 call. First, CMS announced a sale of Enerbank that resulted in a re-base lower of its EPS trajectory. We thought the decision made sense long-term and it's possible the $960M sale price goes up given strong performance this year. As a reminder, the Enerbank sale also eliminated equity needs.
- The second big event was CMS' Integrated Resource Plan filing. This laid out a coal exit by 2025. More importantly, it filled in the $1B rate base upside opportunity discussed on the Enerbank call, as CMS looks to rate base two existing gas plants in 2023 and 2025. We believe this positions the company to grow at the high-end of the 6-8% EPS CAGR.
- Mgmt's perspective on intervenor responses to the IRP will be important to hear. CMS is also in a pending electric rate case.

CNP: Positive set up into earnings and the September Analyst Day

- We forecast 2Q21 utility EPS of $0.22. We don't believe our estimate is directly comparable to consensus which appears to have estimates that still include midstream. For the utilities, we see EPS growth of $0.04 YoY, largely driven by better sales volumes/customer growth and rate relief. Partial offsets include share dilution and higher O&M (CNP reduced O&M materially in 2Q20 due to COVID impacts on demand).

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- We expect CNP to reaffirm its 2021 utility guidance of $1.24-1.26. Our current 2021E for utility EPS is $1.25. Our sense is CNP is right on track for the FY as COVID impacts have largely dissipated and cost savings initiatives are bearing fruit.
- We expect that most major updates held for the September 23rd Analyst Day. That said, the management team has history of providing a preview of sorts, particularly when there is a lot of good news to share. We recently reiterated our Outperform rating on CNP (here) alongside our Midstream team's upgrade of ET to Outperform (here). We see several compounding tailwinds for CNP that should lead to much higher earnings power going forward. We ultimately think the Analyst Day will serve as a positive catalyst for the stock.

CWEN: Looking for color on next portfolio drop; thermal sale possible?

- **Q2 estimate.** Our 2Q21 EBITDA estimate of $350M is slightly ahead of consensus and higher than the $316M reported in the year ago period. Key YoY drivers are the acquisition of the additional interest in Aqua Caliente and our assumption of normal weather vs. weaker conditions a year ago. CWEN's CAFD guidance implies $124M - $150M for Q2.
- **Key call topics – CA gas plant re-contracting update; Possible offer for next portfolio drop down.** The big news last quarter was CWEN's re-contracting of 100 MW of its 1.75 GW of gas-fired capacity in CA for 7.5 years at constructive terms. We're hoping for an update on any further progress on the call and thoughts on California's recent capacity procurement efforts. On future growth, CWEN has been working with its sponsor on a second portfolio co-investment in 1.1 – 1.7 GW of renewable assets and it's possible a formal offer could be made and more details provided by the Q2 call. The first portfolio drop-down involved CWEN investing $215M in a 1.6 GW portfolio over 2021-22. Lastly, we expect questions on potential PUCT initiatives in Texas that could burden renewable assets with incremental reliability costs – it's a small market for CWEN but an important industry topic.
- **Is a thermal sale on the table?** CWEN has been asked about this after news reports of a potential sale and Brookfield's recent $4.1B sale of its thermal business. CWEN discloses that 9% of 2020 CAFD before corporate interest came from the thermal assets, which implies $35-40M of CAFD. We think it's possible that a potential sale could be done at a very attractive multiple (mid-single digit type yield), potentially generating in the range of $700M of net equity proceeds. While CAFD would then be lower post a sale, this would give CWEN a lot of capital flexibility with the ability to invest in growth without issuing equity for several years. We see this as a potential positive catalyst for the stock.

D: Execution mode v2

- Our 2Q21 estimate of $0.77 is in-line with consensus at $0.78 and in the upper half of D's $0.70-0.80 guidance range. We see Q2 up $0.04 YoY (recast for Gas T&S sale), largely driven by a return to more normal weather, tracked investments, and a lower share count. Partial offsets include higher O&M, depreciation and interest expense.
- We believe that D will reaffirm its 2021 guidance of $3.70-4.00. Our 2021E of $3.87 is in-line with consensus at $3.88.
- Like Q1, we expect a fairly short and sweet Q2 call. D remains hyper-focused on hitting numbers each quarter in an effort to build a consistent track record of execution, similar to the highest quality names in the sector.
- The next datapoint in VEPCO's triennial review will be on September 17th when the SCC's Staff report is filed. We generally expect this to be negative as Staff is likely to have differing views with Dominion (D believes no refund is warranted). However, it is important to remember that there is a $50M rate reduction cap per VA law. We will be most interested to get Staff's view on D's use of period expensing.

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- The S.C. PSC has a statutory deadline to issue an order by August 16th in DESC's rate case. Its possible D could get a directive from the PSC well before that date and in time for its earnings call (Aug. 6th). Commissioner comments on the settlement at hearings last week were constructive.
- D's 2.6 GW Coast Virginia Offshore Wind Project remains on track. D received the NOI for the project in July and still expects to make its rider filing with the State Corporation Commission before yearend. On the cost side of things, D remains confident in bringing the project online well under the $125/MWh cost cap.

DTE: Strength out of the spin

- We forecast Q2 EPS at $1.39 – a small beat versus consensus, but below $1.53 last year. Key drivers include rate relief at the utilities and the LEAP pipeline in-service at midstream. Note that the GSP segment will be included in Q2 EPS, but will be adjusted out of full-year guidance and numbers going forward. DTE's 2021 guidance is $5.36-5.66 ex-midstream and we see the potential for this to be revised higher (our estimate is $5.52). Q1 got DTE off to a really strong start and prior to COVID in 2Q20, DTE had raised guidance in every Q2 since 2014.
- Much of the attention recently has been on the now spun-off midstream entity and we expect a reversion in focus back to the core utilities story. DTE will remain 90% regulated, though is now lacking a comparable following moves by CMS to become fully-regulated, so mgmt's commitment to this business mix will likely be asked. Opportunities within RNG remain a focus.
- DTE is currently in a gas rate case with the potential for a settlement. An electric rate case has been pushed out several times now, with the earliest filing now being October.
- We don't expect any updates on 2022 or the long-term outlook until DTE's usual Q3/EEI disclosures.

DUK: Active(ist) summer for DUK with NC legislation and Elliott fight

- We estimate 2Q21 EPS of $1.03, below consensus possibly due to absence of ACP earnings, tougher O&M comp, lower renewables earnings or higher D&A. Still, we expect DUK to affirm 2021 guidance of $5.00-5.30.
- There are two big catalysts to watch: NC legislation and activism.
- On NC energy legislation (HB 951), the House passed the bill last week largely on partisan lines, and it currently sits with the Senate Rules and Operations committee. There is no deadline to vote on the bill.
    - HB 951 includes multiyear performance-based ratemaking, with a 50bp ROE band; competitive renewables procurement, including DUK's ability to own 55% of the 777 MW AC annual procurement through 2026; and a schedule of coal plant retirements by 2030 with securitization options and in some cases mandated gas or renewables replacement capacity.
    - HB 951 has a carbon-reduction target of 63% by 2030, below Gov Cooper's 70% reduction.
- Gov Cooper (D) and certain stakeholders oppose the bill; Republicans hold majorities in each chamber but are two and three votes short in the Senate and House, respectively, to override a veto. We are concerned the partisanship could impact the bill's chances of passing in its current form.
- Meanwhile, this week Elliott Management and DUK traded scathing public letters that suggest they may not find an amicable way to end the activism. Elliott wants changes at mgmt. and the Board, while DUK claims Elliott's ideas to increase shareholder value are neither concrete nor specific.

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ED: Storm penalties present pressure to 2021

- We estimate 2Q21 EPS of $0.62 which is in-line with consensus at $0.63. We project YoY results up $0.05, mostly driven by rate relief at CECONY. Partial offsets include higher O&M, depreciation, and property taxes. We expect a ~$0.04 benefit from the ability to defer bad debts this quarter whereas in 2Q20 it was a drag.
- We believe that ED will reaffirm its 2021 guidance of $4.15-4.30. Our 2021E of $4.26 is in-line with consensus. An incremental pressure to 2021 is the $0.06-0.07 headwind associated with the recent settlement for Tropical Storm Isaias penalties. Our sense is that ED expects to be able to offset most of this with cost controls.
- One item to watch for is ED's petition at the NY PSC to establish a surcharge mechanism to begin recovering 2020's foregone late payment charges/other fees, starting in September. So far, it's been radio silent since ED made the request in April. If the PSC were to approve, it would be a benefit that wasn't contemplated when ED originally gave guidance (worth $0.01/mo.).
- With the Stagecoach sale complete, focus now turns to when ED can exit its stake in MVP so it can be free of midstream exposure. We still believe that is unlikely to occur until the project is complete, which is currently targeted for mid-2022.

EIX: Well at least a PD on the GRC was issued finally

- We estimate 2Q21 EPS of $0.99, below consensus (quarterly estimates are typically not meaningful for EIX, especially before new rates are in place).
- EIX will not provide 2021 guidance until a final decision is issued by the CPUC in EIX's GRC; that will not be issued before the 7/29 call, given the earliest a vote can take place is 8/19.
- The proposed decision in EIX's GRC had a little lower implied 2023 rate base than expected: $39.3B vs $41.1B requested; that was just below EIX's "range" case of $39.5B. That difference is roughly $0.10/sh in 2023. Some O&M was disallowed, but it remains unclear whether EIX can find incremental O&M savings under the PD.
- Utility bond yields are near 2021 lows, and CA's CoC mechanism is poised to be triggered unless yields average over 75bp through 9/30/21. The ROE for 2022 will be cut by at least 50bp (59bp if yields remain at current levels). Every 50bp is about $0.20/sh in 2022.
- EIX has already issued $1.25B of perpetual preferred equity, satisfying $625M of EIX's target of up to $1B of equity content issued this year. EIX's internal (DRIP/ESOP) programs have the capacity for about $100M/yr of equity, and EIX's existing ATM/DRIBBLE program is for over $1B. We anticipate the remaining equity content this year to come from more preferreds or EIX's ATM/DRIBBLE.
- The stock seems to degrading back to its relative lows vs peers, and it is unclear what gets it to turnaround near-term, given it appears to fall with fire headlines in the state, even those outside of its territory (e.g., stock fell 3% earlier this week, possibly related to PCG's stock decline following Dixie Fire).

EMA-TSX: More headwinds than tailwinds in 2021

- We forecast 2Q21 EPS of C$0.54, in-line with consensus at C$0.55. We believe YoY results will be up $0.06 driven by better performance at Emera Energy, rate relief/customer growth at PGS and reversal of preferred dividend timing that impacted 2Q20 (double pmt. last year). Partial offsets include FX and the reversal of an amortization surplus benefit at TECO.
- EMA does not provide annual EPS guidance. Our 2021E of $2.77 is below consensus at $2.83. Generally, we see more headwinds than tailwinds so far in 2021 – FX (though it's gotten better recently), unfavorable weather at Nova Scotia Power in Q1 and expectation that TECO will earn near the low end of its band during its rate case test year.

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- The biggest focal point for EMA stock this year remains the eventual outcome of TECO's rate case. EMA is currently in the period where a potential settlement could be filed (July/Aug.), so we hope to get management's latest thoughts here on the call. FPL's case is ahead of TECO, so we continue to watch that case closely for potential readthroughs.
- We don't expect any major updates to the capital plan. These are often held for the annual refresh of the 3-yr plan in the fall. Things have been quiet on the Atlantic Loop project, but EMA still hopes to be able to provide more color on the project later this year. As a reminder, roughly half of EMA's C$1.2B capex opportunities under development are for Atlantic Loop/something similar; the remaining is mostly for projects at TECO.
- During Q2, the NM PRC approved EMA's proposal to recover its incremental $110M of gas costs from Storm Uri, starting in July and over a 30-month period.

ES: Hoping to be a CT above the rest

- We estimate 2Q21 EPS of $0.81, in line with consensus. We believe ES will affirm the low end of its 2021 guidance of $3.81-3.93. Our 2021E is $3.80, a little below consensus.
- The investor focus remains on CT, which finally saw some constructive developments after months of unfavorable regulatory actions. First, AGR/UI settled with key intervenors on a 2-yr rate plan, averting any cuts to the ROE or equity ratio and setting a precedent for ES.
- Briefs are due in the interim rate decrease proceeding 7/30; the usual intervenors did not ask many questions of ES during hearings, making the briefs important to gauge whether a settlement could be reached before the 8/20 draft decision. A final decision is expected in Sep.
- Regarding offshore, ES/Ørsted received a schedule for Revolution and awaits one on Sunrise; they have the Dominion ship in 2024-25, so they hope to have both Revolution and Sunrise completed by YE25. ES still sees levered ROEs in the mid-teens.

ETR: Just do it

- We estimate 2Q21 EPS of $1.34, below consensus possibly on higher O&M, D&A or interest costs. But we believe ETR will reaffirm 2021 guidance of $5.80-6.10 and possibly indicate tracking ahead; ETR had a strong 1Q21 and said then "we are very comfortable in our range right now. But since it's only the first quarter, we're not making any adjustments just yet." Our 2021E is $5.98 vs consensus of $5.97.
- ETR resolved its FRP extensions in AR and LA constructively and is well-positioned for the economic recovery in the Gulf region, as well as hydrogen in its service territory.
- ETR also received legislation in LA and TX that should help with securitization of 2020 storm costs, which totaled over $2B and have weakened temporarily ETR's balance sheet.
- We believe ETR stock has lagged peers because of equity needs, which are $2.5B through 2024. ETR said it will begin to meet those needs this year, but has not specified how much. ETR has a $1B ATM/DRIBBLE program and received shareholder authorization in May to issue preferreds.
- We think the stock can perform better once the equity overhang is removed.

EVRG: Waiting on the Analyst Day Update

- We forecast Q2 EPS of $0.77 – modestly ahead of consensus and above $0.68 last year. We expect the quarter to be driven by sales/costs given COVID last year plus FERC transmission; offset by depreciation, property taxes, and small dilution from the Bluescape shares. We expect 2021 guidance of $3.20-3.40 to be reaffirmed. As a reminder this excludes the $0.41/sh gain realized in Q1 from Storm Uri.
- The news flow has quieted down in recent months, as EVRG received constructive reviews of its Sustainability Transformation Plan in Missouri/Kansas and saw securitization legislation

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pass in both states as well. EVRG also filed its long-awaited Integrated Resource Plan that also laid out a transition plan to scale down coal and add more renewables.

- EVRG will hold its Analyst Day on September 21 and we're not expecting any incremental disclosures ahead of this. This will be the new mgmt. team's first opportunity to refresh their long-term plan. We expect more visibility on a path to maintaining 6-8% EPS growth through 2025 while continuing to move up the capital plan and rate base growth trajectory. Customer bills remain a focus point, but we think it can be managed. **We remain buyers into this event.**

EXC: What it meant to EXC will eventually be a memory…

- We estimate 2Q21 EPS of $0.78, above consensus. The drivers include mitigation that EXC expects following the 1Q21 TX weather hit, absence of storm costs, and rate adjustments.
  - A wildcard is the mark-to-market unrealized gains from investments in EXC's Constellation Technology Ventures. CTV has interests in Proterra and Stem, both of which IPO'd during 2Q21. It also has interests in CHPT and OUST, both IPO'd in 1Q21; and C3.ai and XL both IPO'd in 2020. However, EXC's shares outstanding in each is unknown. EXC's 2021 guidance includes $400M in "Other" for ExGen. While that includes other items like NDTF earnings, it also reflects EXC's assumed earnings from CTV interests. In 1Q21, CTV unrealized gains were $95M.
  - We expect EXC to affirm 2021 guidance of $2.60-3.00, assuming no outsized unrealized gain (or loss) at CTV.
- But the focus of the call will be on IL energy legislation and nuclear PTC proposal in DC. In IL, there has not been much movement since a special session last month. The reported holdup is timing of coal retirements, which unions want pushed out beyond the 2035 date backed by environmentalists and Gov Pritzker.
- In DC, nuke PTC legislation was introduced last month, while a Clean Energy Standard is expected in the budget reconciliation. Either would benefit EXC's nuclear fleet. The PTC would set a tax credit at $15/MWh less 80% of "gross receipts" over a $25/MWh baseline energy price.
- The ExGen spin is being reviewed by NY regulators, as well as NRC and FERC. This will be the first call since comments were filed in NY. The intervenor comments were largely expected.
- We are raising our 2022-23 ExGen EBITDA estimates, reflecting our latest price deck, to $2.1B/1.7B from $1.9B/1.7B; these estimates assume no IL legislation (i.e., Byron/Dresden shut) this year.
  - If last month's IL bill were approved, our 2023E would rise $2.1B. See our note on IL bill.
- On a m-t-m basis, our 2022-23 EBITDA are $2.1/1.7B. Our 2023 m-t-m EBITDA is ~$300M lower than our last published m-t-m estimate in our Weekly Mark, as we now use 2023 market forwards as opposed to keeping them flat with 2022 forwards. 2023 forwards are 7-10% lower than 2022 in EXC's key markets.
- Our PT rises $1 to $52 using our new price deck, with the utility still worth $43 and ExGen now worth $9 as a base case (neither IL law nor federal support).
- ExGen margins as of 6/30/21 could be higher than those using 3/31/21 pricing, given higher pricing in EXC's key markets. Pricing for 2021, rose 14% in NiHub and PJM; however, ExGen is nearly fully hedged. See below:

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Wolfe Projected EXC Total and Open Gross Margin	
	2021
6/30/2021	
Total Gross Margin Est ($950M TX)	5,750
Open Gross Margin Est	4,000
3/31/2021	
Total Gross Margin ($950M TX)	5,750
Open Gross Margin	3,500

FE: Big call – looking for updates on DoJ and asset sales

- We project Q2 EPS of $0.56 – in-line with consensus, close to $0.57 last year, and above the midpoint of $0.48-0.58 guidance. The loss of decoupling/EE in Ohio was previously quantified as a $0.03/sh hit in Q2, which is the primary negative driver along with increased financing costs; offset some by rate relief. We expect 2020 guidance of $2.40-2.60 to be reaffirmed. This is all very much a sidebar relative to everything else going on at the company.
- One of the big questions will be the latest on the DoJ process as it relates to the investigation in Ohio. Investor expectations seem to have been building that a deferred prosecution agreement will be reached by the call, after mgmt. indicated it was in early discussions back in Q1. We think this is a possibility, but tough to know with conviction. We assume a $500M fine in our estimates.
- The second big question is where FE is on asset sales. Mgmt. has pointed to an interest in selling a 20% stake to help with funding needs and balance sheet stabilization. While a completed sale seems unlikely at this point, we believe FE could announce a process for a particular subsidiary. Ultimately this should help resolve an equity overhang in a much more accretive way than issuing FE shares at a discount.
- The regulatory situation in Ohio is the other big lingering item, however we sense it is still early days there for any sort of resolution. There are still a number of audits pending (corporation separation, political/charitable spending, DMR funds usage, and the DCR mechanism), along with the SEET/Quadrennial review, and none of them are close to concluding. We believe FE is working towards a more comprehensive agreement that addresses many of the open items, but this is still many months away. Recall FE also "separated" its head of Regulatory Affairs Eileen Mikkelsen since the Q1 call.

FTS: Still a lot of focus on transmission at FERC

- We project Q2 EPS of $0.59 – in-line with consensus and above $0.56 last year. We expect Q2 to be driven by Arizona rate relief and weather, along with ITC rate base growth and a lack of COVID costs; offset primarily by FX. As a reminder, FTS doesn't give annual guidance.
- As one of the biggest transmission players, this remains a keen focus at ITC. Last week, FERC laid out an ANOPR to address cost allocation and planning for transmission with the hopes of spurring more development to assist the country's renewables buildout. Similarly, MISO is also looking at long-term planning with an update expected later this year. This should all provide robust long-term opportunities. However, the near-term commentary from FERC as it relates to ROEs has been bothersome. FERC backed up the supplemental NOPR seeking to remove the 50bps RTO adder by enforcing this on DP&L in a one-off case. Further, recent commentary in ETR/EXC cost of service cases that used similar transmission ROE methodologies, implied FERC views base ROEs in the 9% area as appropriate, which could imply further downside.

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- The FX rate has remained a headwind, averaging $1.23 in Q2 versus $1.39 last year. We assume $1.28 in our estimates though, which is close to current pricing. FTS' plan assumes $1.32, but has pointed to incremental capex as an offset. Every $0.01 move is roughly $0.01 of EPS.
- In New York, FTS remains in rate case settlement talks. News on the regulatory front in Canada is quiet for the time-being.
- We expect FTS to host an annual investor update some time in the Fall where it will refresh its five-year outlook as has been customary.

LNT: Riding into earnings following ESG day

- We forecast Q2 EPS of $0.57 – just above consensus and $0.54 last year. The quarter should be driven by more favorable weather and rate relief; offset by higher depreciation and lower AFUDC. We expect LNT to reaffirm 2021 guidance of $2.50-2.64, but potentially point to the upper-half of the range.
- The Wisconsin rate case settlement in May was the big news, which featured constructive terms that maintained the allowed ROE and raised the equity ratio while allowing for recovery of the retiring Edgewater coal plant. The settlement featured all key parties and we expect approval some time later this year.
- LNT continues to highlight its position as an ESG leader, which became even more clear at today's "ESG Day". LNT is already at 20% renewables rate base today and set to move to 24% by 2024. Similarly, LNT will essentially exit all coal except for joint-owned plants with Mid-American by 2024 and reduce coal in rate base to 4%. There's more runway as well, with 1.1 GWs and 400 MWs of total planned solar in Wisconsin and Iowa respectively. Approvals have been relatively straightforward thus far and has allowed LNT to maintain its position as the third largest owner/operator of regulated renewables.

NEE/NEP: Renewables and rate case in focus

- We estimate Q2 NEE earnings of $0.70 – in-line with consensus and above $0.65 last year. We expect NEE's annual guidance ranges out to 2023 to be reaffirmed, which reflect 6-8% growth off 2021. Mgmt. continues to indicate it would be disappointed if the top-end of the range isn't achieved and our estimates are similarly aligned. Wind conditions were close to normal last year (99%), but new Resources projects online and and FP&L rate base growth should be key drivers.
- We estimate Q2 NEP EBITDA of $376M – also in-line with consensus, but up versus $349M last year. Wind conditions were normal last year (100%). The primary driver will be the impact of the late-2020 dropdown of 1,100 MWs of renewables assets that contribute $80M/year in EBITDA. We expect NEP to reaffirm it is tracking toward the upper-end of YE21 EBITDA/CAFD ranges following the Brookfield acquisition.
- In focus will be the pending FP&L rate case. Intervenor testimony came out last month, but we are still waiting on Staff recommendations in the Fall, and hearings in August. Mgmt's conviction on the possibility of settlement under constructive terms will be important.
- On renewables, the competitive environment has gotten a lot of focus, along with inflationary pressures. NEE has maintained confidence in hitting its returns targets while maintaining market share, but progress on new contracts and the backlog will be worth monitoring.
- As has recently been the case, NEE's latest take on the Biden infrastructure and tax plan will also likely garner attention.

NI: Executing well on renewable projects

- We estimate 2Q21 EPS of $0.14, in-line with consensus and up a penny vs the prior year. We see results being driven higher primarily from rate relief, customer growth and interest savings.

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Partial offsets include higher O&M and dilution from the convert offering completed earlier this year.

- Our expectation is that NI will reaffirm its 2021 guidance. Similar to Q1, we didn't get the sense that COVID impacted Q2 in a material way.
- In June, NI got IURC approval of another CPCN filing for one of its BoT renewable projects. About 80% of the $2B in renewable capex now has approved CPCNs and we believe NI could receive the two final approvals needed before or soon after its Q2 earnings call.
- NI recently made a rate case filing in OH (largest gas LDC) – its first in 13 years. About half of the 220M net revenue request was for O&M and $40M is related to capex that would've been recovered through riders absent the case. OH has typically been a constructive state, so we think there is a decent possibility of parties being able to reach a settlement.
- We hope to get more color on NI's IRP/RFP processes in Indiana. The RFP could wrap up some time next month, while NI's preferred option in its IRP won't be known until October. We get the sense that NI might look to accelerate the retirement of its Michigan City coal plant (currently 2028). After Michigan City is retired, NI will be coal free. NI expects to own at least half of the replacement capacity needed for Michigan City.

NRG: Emphasizing the retail strategy; New CFO's first call

- **Expecting an in line Q2.** Our 2Q21 EBITDA estimate of $600M is ahead of consensus and up vs. EBITDA of $574M a year ago. Key YoY drivers include the contribution from Direct Energy partially offset by less favorable market conditions as the year ago period had higher residential load and low power prices. Note, Direct has more of a winter seasonal skew given the gas retail business so our assumed Q2 contribution is relatively lower.
- **Winter storm Uri and capital allocation.** While there has been solid progress made in the Texas legislature, we think NRG's net expected impact from the storm of $500-700M will be reiterated, albeit with more confidence and visibility on offsets with the legislation. But there is likely still some variability in the final outcome. We don't expect much new on capital allocation as storm offset cash hasn't been finalized and the ArcLight sale closes in Q4. However, it's still possible NRG does some modest buybacks this year.
- **Other topics for the call.** This will be the first call with new CFO Alberto Fornaro participating – we'll be looking for color on his priorities. We'll also be interested in the potential impact of a big move higher in 2022 gas and power prices in Texas and what that might mean for NRG's more balanced fleet. Lastly, we'll be interested in color on potential future ERCOT market reforms, including things the PUCT might consider in response to Governor Abbott's letter looking for incremental changes.
- **No estimate changes pending clarity on commodity sensitivity and growth investment plans.** We are maintaining our 2021-23 EBITDA estimates of $1.9B, $2.34B, and $2.4B. Our 2021E differs from guidance as it includes net storm impacts. While higher ERCOT power prices put upward pressure on our estimates, we have offset this with lower assumed retail margins given NRG's more matched profile. Additionally, it's possible the company looks to invest modestly in growth next year which could come in the form of higher operating expenses instead of capex, and thus impact EBITDA. So we hold our estimates and target price flat pending more details.

OGE: Weak Q2 weather pressures an already stressed 2021 guidance

- Our 2Q21 estimate of $0.50 is below consensus at $0.55. We see results down $0.01 YoY, largely due to unfavorable weather and the reversal of a timing benefit at the parent in 2Q20. Partial offsets include rate relief in AR and rebound in sale volumes.
- We believe OGE will maintain its expectation to finish in the lower half of its utility guidance of $1.76-1.86; our 2021E for OG&E is $1.77. That said, we see the unfavorable weather in Q2 as

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an additional headwind and think OGE is trending toward the low end or even below the range. However, we wouldn't expect OGE to adjust guidance before seeing Q3 results given its outsized impact on the full year.

- OGE has hinted at upsides to capex recently, but we aren't expecting a material refresh ahead of the rate case process in Oklahoma. We do think OGE adds some capex to 2021 so that it can be captured in the rate case test year.
- We do expect OGE to file a rate case in Oklahoma at some point in Q3 or early Q4. Exact timing will be known once OGE provides notice (required 45 days in advance). Messaging from management is that the case will be straightforward, with a relatively modest ask given some O&M savings that will be passed back to customers.
- The other items to keep an eye for is OGE's IRP filings in OK/AR later this year in October. However, it is likely that drafts are filed some time next month, which could provide a preview of potential incremental investment opportunities for OGE toward the middle of the decade.

PEG: Asset sale likely won't answer everything

- We see Q2 EPS of $0.69 – in-line with consensus, but below $0.79 last year. We expect transmission/infrastructure investment and higher capacity revenues to be key positive drivers. However, this will be more than offset by a number of tax-related one-timers last year totaling $0.06/sh, as well as a step-down in hedge pricing. That said, we expect 2021 guidance of $3.35-3.55 to be affirmed.
- We've also our updated our commodities deck to reflect the latest upward move in forwards, which in PJM is impactful for PEG, though its nuclear plants are well-hedged. As such, our 2022-2023 estimates (pro forma fossil sale) move up to $3.41/3.57 from $3.40/3.55 previously.
- The primary question investors are asking right now is the result of the fossil fleet sale process. Our sense is that an announcement could come any day and expectations are relatively low. We assume a $2.5B pre-tax price for fossil and $2.7B after-tax price for fossil/solar combined. It's possible our estimate ends up being optimistic, however every $300M change in proceeds is only worth $0.02-0.03 in our view. The latest PJM auction result and future uncertainty around the MOPR didn't do PEG any favors in this process.
- However, once the sale is done, we believe focus can start shifting to PEG's 80-90% regulated story. We expect an Analyst Day to be held in the Fall that lays out the pro forma financial outlook and includes a long-term growth rate.
- In addition to fossil sale clarity, PEG also just recently resolved its FERC transmission ROE overhang that had been outstanding for well over a year. The 9.90% headline base ROE seemed reasonable relative to expectations and was more or less embedded in our estimates. PEG also embedded a partial year hit in its 2021 guidance, which may actually end up being favorable given the effective date is in August.
- Beyond all of these items, we also expect some focus on a longer-term nuclear support structure either at the federal level or within NJ/PJM, as well as PEG's latest thoughts on future offshore wind investment (including associated transmission).

PCG: Stock ain't just whistlin' Dixie

- We estimate 2Q21 of $0.26, a little below consensus. We anticipate PCG will reaffirm 2021 guidance of $0.95-1.05. Though we see slightly higher than the midpoint; our 2021E is $1.01 vs consensus of $1.00.
- The Q2 call was expected to be relatively quiet, given PCG's Analyst Day on 8/9. Earlier this year PCG updated 2021-25 capex and guided to 10% EPS growth.
- However, the Dixie Fire that started last week may have been caused by PCG's equipment; it has burned over 40k acres, with only 15% containment. The DAs of Butte and Plumas Counties have begun an investigation into PCG's role, as has the CPUC Staff.

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- PCG stock underperformed after the company filed an incident report on 7/18, which said a utility worker found two broken fuses on a 12 kV distribution circuit and a healthy green tree. CAL Fire collected the 12 kV line, including conductor, jumpers, insulators, and fuse cutouts, as well as portions of the tree.
- Dixie comes a few months after the CPUC placed PCG into Step 1 of an enhanced oversight and enforcement process. And for some time Judge Alsup, PCG's probation judge, has pushed for the utility to do everything needed to prevent wildfires.
- Utility bond yields are near 2021 lows, and CA's CoC mechanism is poised to be triggered unless yields average over 75bp through 9/30/21. The ROE for 2022 will be cut by at least 50bp (59bp if yields remain at current levels). Every 50bp is about $0.06/sh in 2022.
- This month, PCG and the Fire Victims Trust agreed on the Grantor Trust Election. The election will require a $1.3B non-cash write-down at some point, potentially impacting the stock's eligibility for inclusion into S&P 500 Index this year.
- We anticipate an update on the Q2 call on PCG's $7.5B securitization proposal, which was approved but cannot be executed until all rehearings/appeals are completed; PCG last said 2021 equity needs are up to $400M.

PNW: Q2 beat but rate case is still lingering

- Our 2Q21 EPS estimate of $1.75 is a beat vs consensus at $1.62. We see YoY results up modestly, driven by very favorable weather (CDDs 20% above normal in June), pension and sales growth. Partial offsets primarily include higher O&M and depreciation expense.
- PNW will refrain from providing 2021 guidance until APS' rate case concludes. And as of now, that isn't expected to be until some point in Q3. We are currently waiting for the ALJ recommendation, which could come any day. The earliest the Commission can take up the case at an Open Meeting is 20 days after the ALJ rec is issued. We continue to have a cautious view on the outcome of the rate case.
- Major updates are on hold pending the outcome of the rate case. PNW intends to hold an investor briefing once a final order is out to provide formal 2021 guidance, future financing plans and the expected timing if its next rate case. We also believe PNW would like to provide an EPS growth target to better align with peers, but that could be tricky without better regulatory certainty in Arizona.

POR: Managed well through a challenging quarter; 2021 guidance raise?

- We estimate 2Q21 EPS of $0.37, a small beat vs consensus at $0.35. We see YoY results down $0.06 mostly due to backing out favorable net variable power costs in 2Q20. Our sense is that POR operated quiet well through a challenging quarter (heat wave, elevated power prices, etc.) – we expect the company to see a net benefit from the elevated load despite the high power costs witnessed in the Mid-C region.
- We believe there is a decent chance that POR raises its 2021 guidance of $2.50-2.75. As such, we are raising our 2021E to $2.69 from $2.63. We believe the COVID recovery is tracking well in Oregon and POR has previously noted the expectation for power cost tailwinds for the FY. Also, recall that POR saw an expected $0.09 tax benefit in Q1.
- A big focal point for POR going forward will be its recently filed rate case. The company believes it filed a very defensible case with a modest ask (+2.9% rate increase). Parties are currently working to agree on a procedural schedule, which will likely be available some time in August.
- The recent passage of HB 2021 in Oregon is beneficial for POR as it makes the company's aspirational emissions/ESG goals a state requirement. We would expect this to manifest into incremental rate base opportunities to POR over time as it works through future IRP processes.

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- Given the drought conditions out West, we would note that POR currently doesn't have any burning in its service territory. The company has taken several actions to better prepare for wildfires since last year. These include enhanced coordination efforts between state and federal officials, expanded PSPS zones (16 now vs 1 a year ago) and the addition of a team of foresters and meteorologists to better predict/react to dangerous conditions.

PPL: Cash rich, catalyst poor?

- For 2021, PPL estimates exclude earnings from the UK, whose sale closed last month, and do not include the NEC acquisition in RI, which we assume closes in 2022. Therefore, our estimate may not compare to consensus.
- PPL has not provided 2021 guidance and likely will not until the NEC acquisition closes, which is expected no earlier than Nov and potentially in 2022.
- The stock remains near lows relative to peers, as the market is focused on the use of the remaining UK sale proceeds net of debt reduction. There are some assets up for sale, including adjacent KY Power; however, it is unclear whether PPL will pull the trigger anytime soon. A buyback is the base case.
- PPL's KY rate case settlement was approved, with a 12.5bp reduction in the settled ROE; still, the decision included a recovery mechanism for coal retirements. PPL is reviewing bids for the KY RFP and will file with regulators this summer. In Oct, PPL will file its KY IRP; we will be looking for any incremental fleet transition.
- On FERC transmission, PPL is in settlement talks over the ROE challenge, but timing of any resolution is uncertain. If FERC eliminates the 50bp RTO/ISO adder, we project a $0.02 EPS hit.

SO: What is your major (mal)Functional?

- We estimate 2Q21 EPS of $0.79, in line with consensus and a penny north of SO's guidance. We anticipate SO will reaffirm 2021 guidance of $3.25-3.35, despite likely tracking ahead on a TTM basis. It's SO's practice to wait until after Q3 to address guidance.
- The market is focused on Hot Functional Testing for Unit 3, which SO has delayed several times, with end of this being the latest target to complete the last major milestone before fuel load and in-service.
- SO is targeting fuel load in Oct and in-service by end of 1Q22; the GaPSC Staff sees in-service in the Jun-Aug 2022 timeframe at the earliest.
- Also, the NRC is conducting a special investigation and will issue a report 45 days after leaving the project site. SO believes that will be wrapped before fuel load in Oct; but notably NRC approval is required before fuel load.
- While the faster economic recovery is a tailwind for sales growth, SO's guidance expected improvement. The recovery also is contributing to staffing challenges (e.g., electricians at the Vogtle site).
- By the end of October, SO anticipates a compliance filing for the EPA's Effluent Limitation Guidelines. The filing could preview further fleet transition in SO's territory, which will be detailed in its GA IRP filing in Jan 2022.

SRE: SIP transactions half done; honing the post analyst day messaging

- Our Q2 EPS estimate is $1.56 vs. $1.65 last year, in line with consensus. We expect a lower result due to the lack of one-time regulatory tax gains in 2020, the sale of the South American assets and a higher share count, offset by Texas growth, the full operation of Cameron LNG, and lower parent drag.
- **Focus on messaging post analyst day.** Sempra did a full refresh of its outlook at its 6/29 investor day so we are not looking for much new in the way of announcements. However we

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do expect management to hone in on the messaging at the meeting of three platforms with the utilities growing rate base at nearly 10% and fully funded by cash from Sempra Infrastructure Partners with no need for equity.

- **Main upcoming events - SIP selldown, Oncor budget, remaining IEnova rollup.** In the near term we are looking for a few events - the successful close of 20% of SIP to KKR which should happen in the coming weeks; the updated (higher) Oncor capital plan likely on the Q3 call, and by the end of the year the potential delisting and full rollup of IEnova.

VST: Trying to finally turn the page on Uri

- We're forecasting Q2 EBITDA of $840M – just below consensus and well-below $929M last year. While we see mostly stability at the Retail segment, the Generation segment is expected to be down given more attractive ERCOT hedging and PJM/NE capacity revenues in the year-ago quarter. To be clear, Q2 last year was remarkably strong, thus the comp is very difficult. We expect guidance of $1,475-1,875M to be reaffirmed. As a reminder, this embeds a $1.6B hit from Winter Storm Uri – netting $2,075M in impact against $450-500M in offsets.
- We've also updated our commodities deck, which reflects a meaningfully higher move in forwards across the cruve, particularly so in VST's key market of ERCOT. As such, we're increasing our 2022/2023 EBITDA estimates to $3,498/3,080M from $3,150/2,879M previously. We've conservatively kept our commodities deck slightly below current forwards still, which implies another $100M in upside when marking to market.
- We don't expect VST to formally give 2022 guidance, but we do anticipate mgmt. will directionally discuss the outlook in a favorable light given the move in forwards. EBITDA in 2022 tracking around $3.5B would be consistent with prior commentary that the year could fall within the range of 2020 results and original 2021 guidance.
- In ERCOT, we believe the legislative session resulted in constructive bills that addressed some of the key headwinds from Winter Storm Uri. First, the securitization law should alleviate the short pay related to co-ops like Brazos, for which VST booked a $189M liability. There should also be some improvement related to uplift charges that occurred during the final 32 hours of the storm resulting from ORDC reserve adders and ancillaries – though we don't expect an amount to be quantified here. We'll also be interested in mgmt's thoughts on the recent push by Governor Abbott and ERCOT to better incentivize dispatchable generation and what this might look like – VST seems likely to benefit from any market structure changes in this regard.
- Capital allocation in 2022 and beyond is also coming into focus again. However, with everything on hold for now, we don't expect more visibility on this just yet. Ultimately, we believe VST can return to an attractive profile of ~$2B/year in FCF generation going towards a mix of buybacks, debt paydown, and dividends.
- Near-term, we may get an update on VST's solar/storage growth plan, as it has previously alluded to looking at financing options. Over the long-term, the company continues to transition out of its coal sites and towards more renewables.

WEC: Continuing the strong start

- We forecast Q2 EPS of $0.79 – in-line with consensus and just above $0.75-0.77 guidance. Drivers include a hot start to summer, rate relief, O&M/interest savings, and infrastructure PTCs; mainly offset by depreciation and a one-time transmission ROE gain last year. WEC already pointed to the high-end of $3.99-4.03 guidance in Q1 and we expect this range to potentially move higher in Q2.
- WEC is still waiting on approval of its Wisconsin rate case stay-out, but we see this as highly likely to ultimately be approved. The next case will be filed in May 2022 for 2023-2024 rates.

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- WEC has continued to add both regulated and contracted renewables to its portfolio and we will be looking for more updates on this front. WEC is already tracking well-ahead of its plan with $1.9B spent on regulated renewables and $683M spent on its energy infrastructure segment.

XEL: End of an era

- We estimate 2Q21 EPS of $0.54, which is in-line with consensus at $0.56. We expect YoY results to be flat vs 2Q20. Positive drivers include rate relief/rider revenue and sales growth; offsets include higher depreciation/O&M/property tax expense and lower AFUDC equity.
- We believe XEL will reaffirm its 2021 guidance of $2.90-3.00. Our 2021E of $2.96 is in-line with consensus. We believe that things are tracking as planned with respect to any COVID effects (XEL's guidance assumes a "modest" impact).
- We aren't expecting any major updates as XEL's 5-year refresh and 2022 guidance will be provided along with Q3 results. However, we would note that it will be CEO Ben Fowke's final earnings call after an impressive 10-year run leading the company. COO Bob Frenzel will officially take over as CEO on August 18th.
- XEL does have a number of pending regulatory items for which we expect to get the latest on. The most notable of which is the electric rate case recently filed in CO – the 12% increase is a relatively large ask, so we will be curious to hear what management thinks could be sticking points with intervenors. XEL also has a pending case in TX and recently filed settlements in NM, ND and WI. We would also note that XEL is due to file an electric case in MN in the fall.
- XEL recently filed an alternative proposal in MN for its pending IRP. It is now looking to build two 400 MW gas CTs vs a larger 800 MW CCGT that was planned originally and to add more renewables. From a capex perspective for XEL, the changes are expected to be about a wash. However, it would result in further carbon reduction by 2030 compared to 2005 levels (86% vs 80% prior). A decision from the MN PUC is expected in the 2H of 2021.

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Underperform:	7%	0% Investment Banking Clients

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
IPPs – Market Weight
Gas/Power Infrastructure – Market Overweight

August 1, 2021

THE UTILITY TRADER

Utilities finally bottom; Mgmt change, activism is working

- **Utilities finally find a relative floor as virus concerns re-emerge**
  The Delta variant was the story in July reviving a slight defensive bid for the first time in several months. Utilities rose 4.2% beating the overall market gain of 2.3%. While it was nice to see utilities finally find a relative floor, they still trail the market by 1200bps YTD (up 5% vs market up 17%). Whether its Growth or Value, the market just seems to keep going up. This is now the 3rd year in a row of outsized S&P 500 returns – remember this year's 17% rise follows an 18% total return in 2020 and over 31% in 2019. We have not seen a bull market like this other than the tech bubble, when stocks posted 20%+ total returns 5 yrs in a row. We continue to view this as an opportune time for long-term investors to buy utilities; they are cheap vs the market (10%-20% discount to normal), out-of-favor and will provide stability when the bull market inevitably ends.

- **Does management/activism matter for utilities? The market says yes**
  The one common thread among 2021 top performers is management change and/or activism. Among the mid-to-large utilities, 7 of the top 8 performers fit this theme (see Ex 2 on right). Here's a quick rundown: FE – Icahn, new internal CEO; CNP – Elliott/Bluescape, new external CEO/CFO; EVRG - Elliott/Bluescape, new external CEO/CFO; DUK – Elliott; AGR – new external CEO; POR – new external CFO; and DTE – Elliott. Common themes among these include asset sales, business simplification, cost cutting, and better execution and investor communication. This begs the obvious question of who could be next. Discount utilities with no big externality risks that may fit include AEP, ETR, NI, OGE, PPL, and SRE (again).

- **PCG is one exception; what will it take for CA utilities to rebound?**
  Management change has not worked yet for PCG stock even with a very strong new team. Both EIX and PCG ended the month at new relative lows and are now heading into the main fire season. ROEs are likely to trigger lower, Newsom is in a recall election and of course we have to monitor the Dixie Fire. All that said, we still have not had any high-damage fires (beyond insurance) since 2018 and the actions being taken by the companies and state keep reducing this risk despite the drought. EIX's covered conductor program (which we think gets fully supported by the PUC) and PCG's undergrounding work provide a path to much lower risk in a few years. PCG will talk more about their strategy at their Aug 9 Analyst Day. Nonetheless, investors will likely want to see how this fire season progresses before stepping into the stocks.

- **Events names for August: EXC, PNW, ES, PEG/CNP/EVRG into Sept A.D.**
  EXC is in triple OT on an IL nuke bill to keep Byron and Dresden running. There's been little progress in recent weeks, but Byron shuts in early Sept without a bill and we think chances are better than 50/50% a bill passes. PNW is still waiting for an ALJ on its 2-yr old rate case. We remain cautious on the outcome and on regulatory lag risks for the company. ES has hearings on its CT interim rate review and has become more hopeful about potential settlement. PEG will announce its fossil sale this month; the market already expects a tepid outcome and we think the stock sets up well to hear the new PEG story at its Sept AD. We expect positive Sept ADs for CNP and EVRG. CNP may give some preview on its Q2 call this week, EVRG not likely.

Source for all exhibits in this report: FactSet, Wolfe Research; prices as of 7/30/21

Ex 1: 2021 Income Sectors Perf

Sector	Performance
MLP Index (AMZ)	31.5%
XLE Index	30.3%
REIT Index (FNER)	24.5%
S&P 500	17.0%
S&P Pharma	12.7%
S&P Consumer Staples	6.1%
S&P Utility	**5.0%**
WR IPP Index	3.6%
WR YieldCo Index	3.4%
Wolfe GREEN Basket	**(0.1%)**
S&P Telecom	(0.7%)

Source: FactSet, Wolfe Research

Ex 2: 2021 Utilities Perf

Company	Ticker	YTD Perf
Top 10	**Top 10**	
FirstEnergy	FE	25.2%
Hawaiian Electric	HE	22.5%
CenterPoint	CNP	17.7%
Evergy	EVRG	17.5%
NextEra Energy Partners	NEP	15.6%
Duke Energy	DUK	14.8%
Avangrid	AGR	14.7%
Portland General	POR	14.3%
Alliant Energy	LNT	13.6%
DTE Energy	DTE	13.6%
Bottom 10	**Bottom 10**	
NextEra Energy	NEE	1.0%
AES Corp.	AES	0.9%
PPL Corp	PPL	0.6%
Eversource Energy	ES	(0.3%)
PNM Resources	PNM	(0.4%)
Dominion	D	(0.4%)
Vistra Energy	VST	(2.6%)
Clearway Energy	CWEN	(10.2%)
Edison Intl	EIX	(13.2%)
PG&E Corp.	PCG	(29.5%)

Source: FactSet, Wolfe Research

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8/1/2021

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S&P Utility Index vs Market

Utilities outperformed the S&P 500 by 190bps in July and now trail by 1200bps YTD. Renewed COVID fears from the delta variant coupled with mildly positive Q2 earnings spurred the utilities sector to show some signs of resurgence. The combination of the continued decline in the US 10Y and respite from growth/recovery stocks caused by renewed COVID concerns from the delta variant incentivized investors to flee to defensive stocks and income sectors, thereby benefitting utilities. Thus far, utility earnings have been characterized by mostly small beats with a couple of guidance raises and clearly improving sales growth with residential fall-off not as much as feared. Renewables inflation has not been as much an issue as feared either.

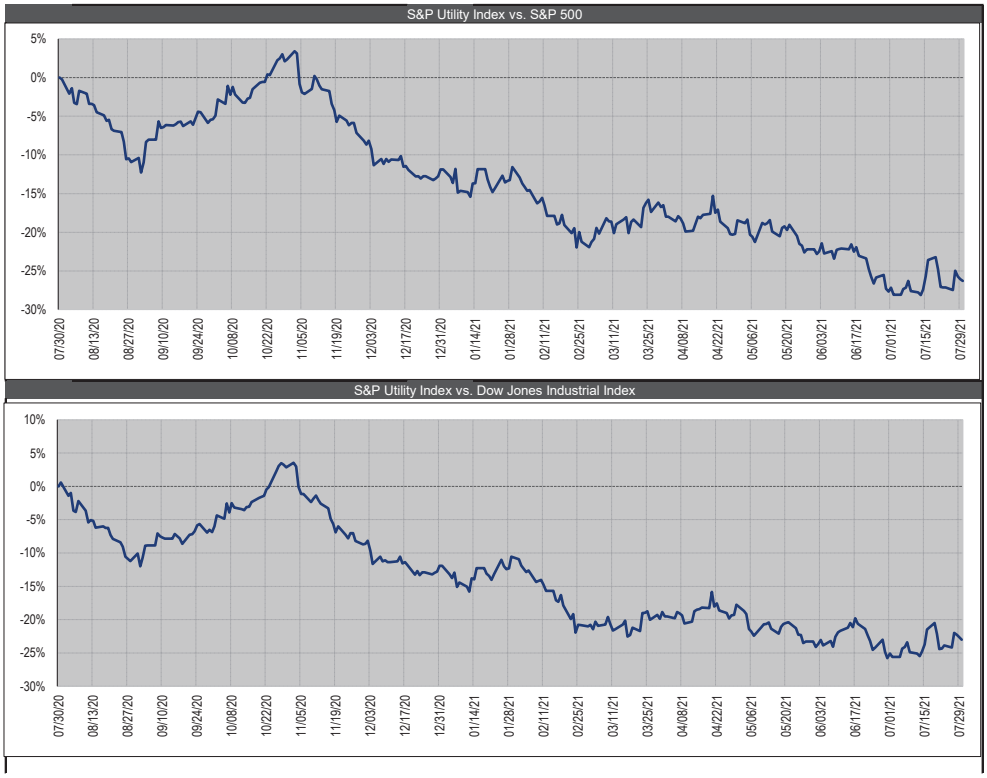

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Utilities vs Other Sectors

In July, utilities (+4.2) outperformed Consumer Staples (+2.4%) and Telecom (-0.8%). On the other hand, utilities underperformed Pharma (+4.6%) in July

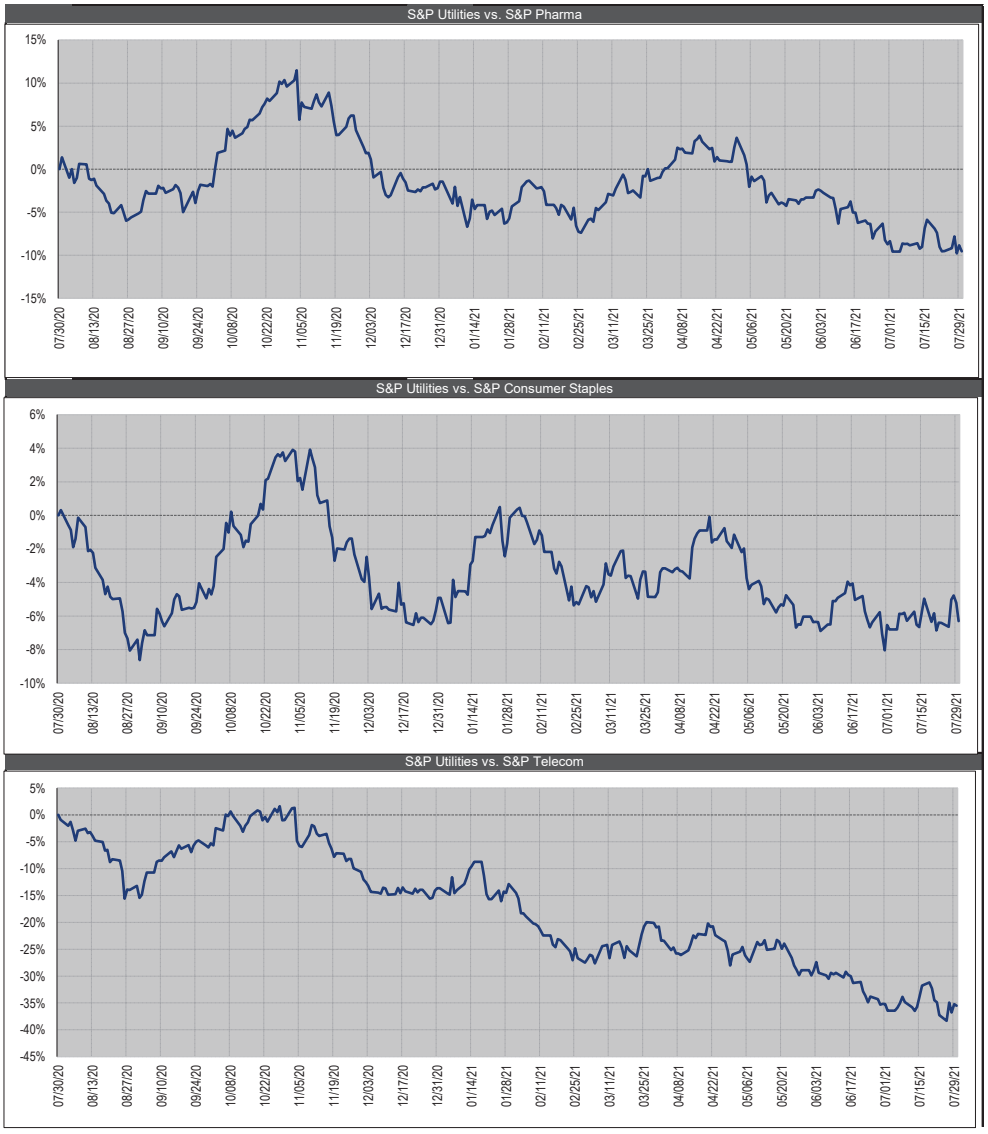

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Utilities vs Other Sectors continued

The AMZ Index (-7.1%) and Wolfe C-corp Basket (-2.9%) both underperformed the S&P 500 (+2.3%) in July, marking the first month of 2021 where the midstream group underperformed the market. We credit the underperformance to a broader thematic shift – we think investors are becoming more concerned that we've reach a cyclical peak with commodity prices trading near 5-year highs and the demand recovery having mostly played out. On top of this, renewed COVID concerns and a return of growth over value with falling interest rates have added further headwinds to energy stocks in the near-term. For a more thorough discussion of July stock performance, see our Midstream of Consciousness here. However, REITs (+4.1% in July) have continued to trade well through Q2 earnings.

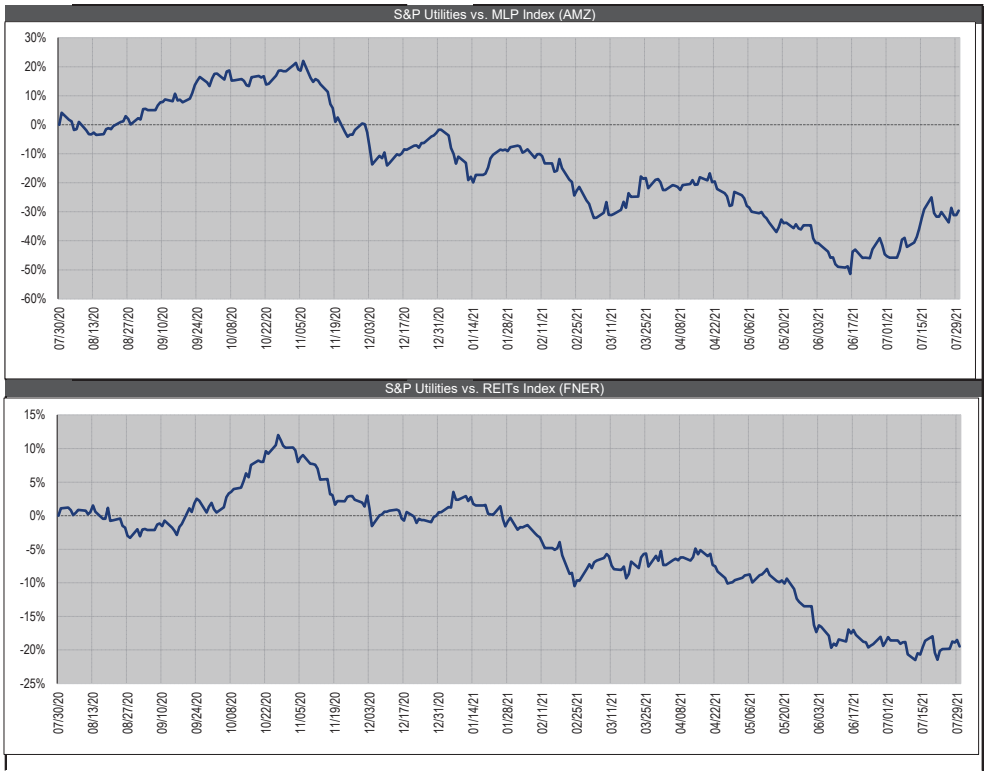

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Month to Date and Year to Date performance of income sectors

The YieldCos led the way in July, rising 5.6% as a result of renewables inflation not being as much an issue as feared. Within the income sectors, Pharma and Utilities also performed well as renewed COVID apprehension of an economic downturn caused by the delta variant grappled investors. While Midstream, Telecom, and Consumer Staples are at the bottom of the board for July, Telecom, the YieldCos, and the IPPs occupy the bottom positions YTD. The defensive sectors (Consumer Staples, Utilities, and Telecom) remain laggards for 2021.

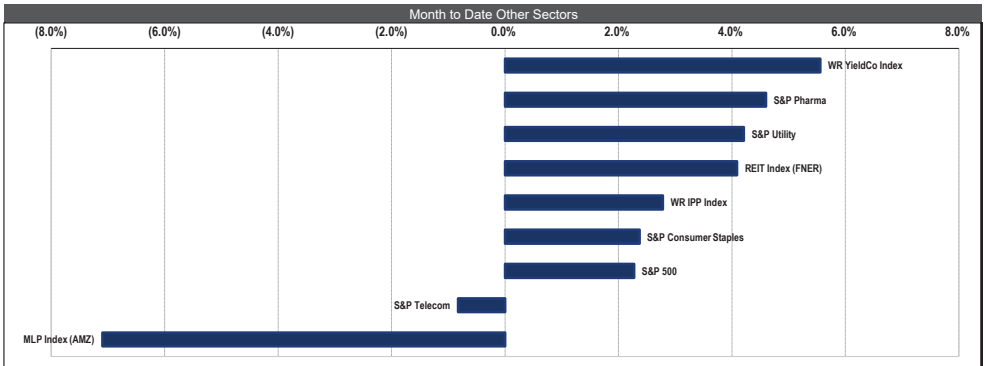

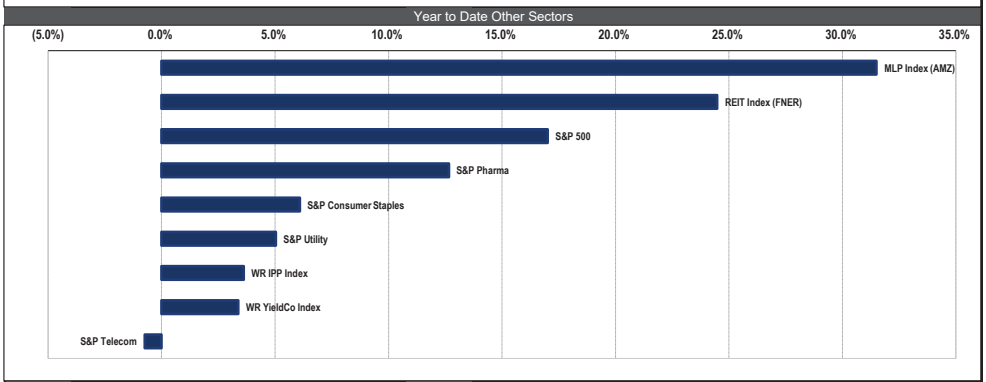

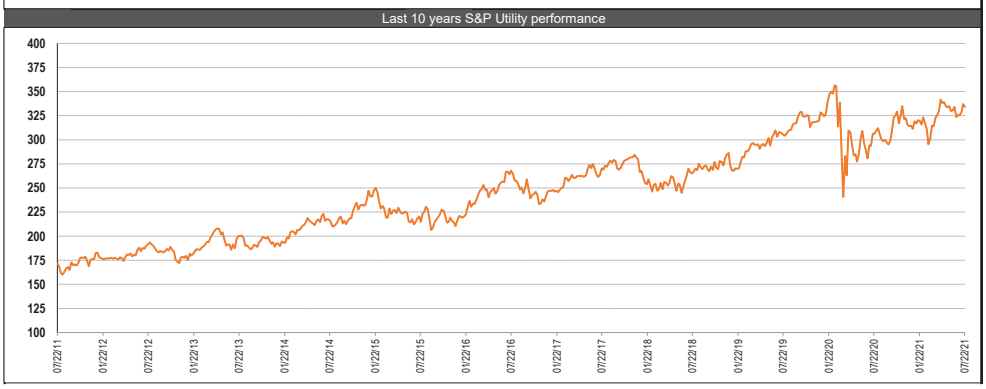

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Month to Date performance of Utilities Group

AWK was the top-performer in July on no notable news with the overall resurgence of utility stocks as the US 10Y continued to decrease and investors took respite from growth / recovery stocks on COVID fears from the delta variant. CWEN also outperformed in July after recent investor attention has been focused on the potential of the company to sell its thermal business at an accretive valuation that would recycle capital and provide funding for new growth. EVRG was an outperformer in July on no notable news as momentum builds into the September Analyst Day that should better highlight the long-term plan under new mgmt. PCG was the worst-performer in July, after its reported involvement in the Dixie Fire and a possible ROE cut in 2022 appeared increasingly likely. AES also lagged in July despite no notable news. However, we mostly attribute the underperformance to inflation / supply chain concerns for renewable developers and perhaps some around renewed COVID fears given AES' exposure in emerging markets. EIX was an underperformer in July and hit new relative lows post Q2 earnings due to lower rate base recommendation in its GRC and possibly a ROE cut in 2022.

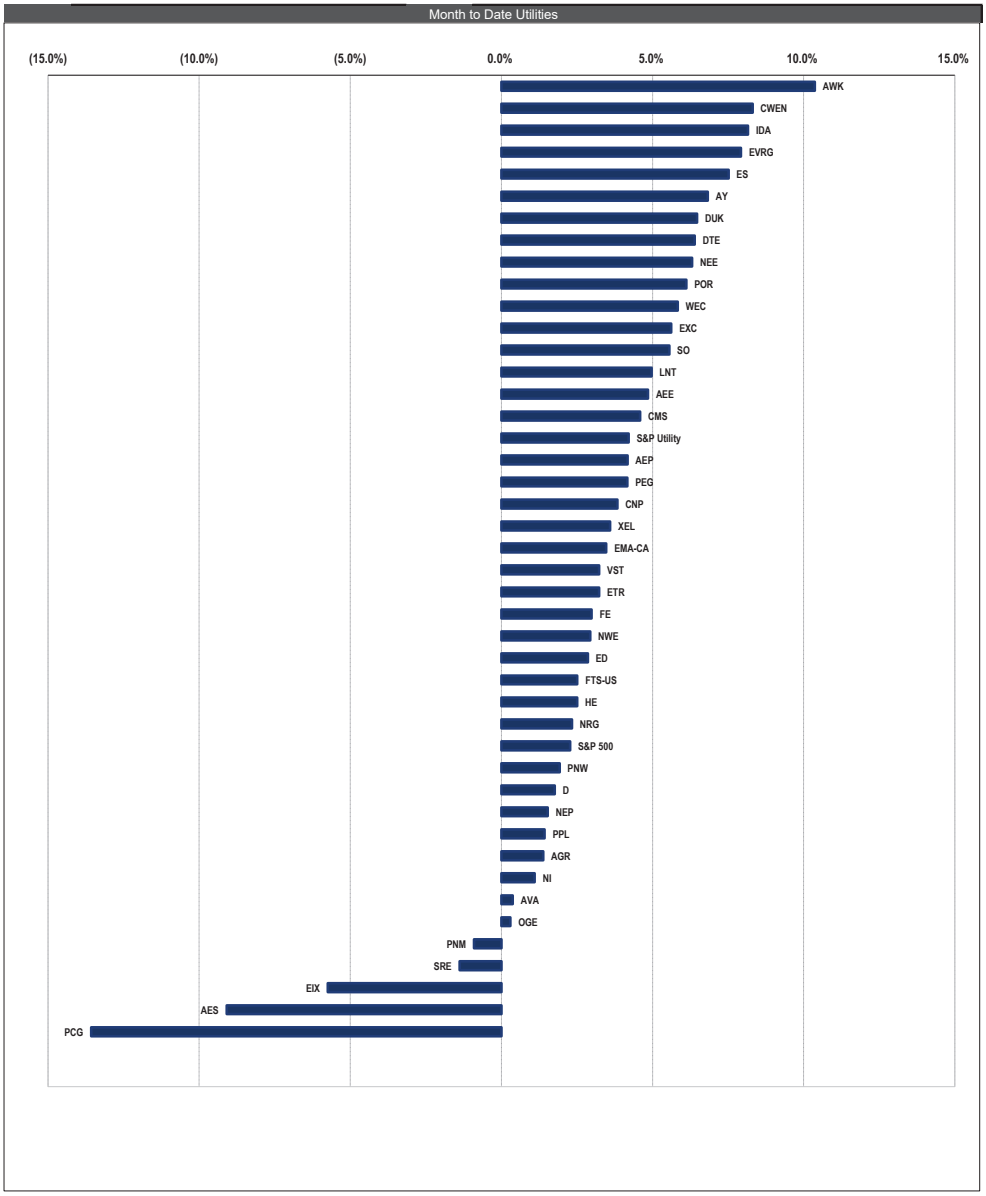

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Year to Date performance of Utilities Group

FE maintained the top spot YTD. FE began its march higher earlier this year after it was revealed that activist Carl Icahn had taken a stake in the company. HE remains a top performer as small caps generally have fared well in 2021. CNP is still a top performer following its landmark gas LDC sales (2.5x rate base) in May and with the new management team pitching an effective story. PCG remains the worst performer YTD. Sentiment on both CA utes (EIX too) remains negative mostly due to wildfire risk overhang. CWEN remains a worst-performer YTD despite being one of the best performers in the broader utility group in July and outperforming its YieldCo peers.

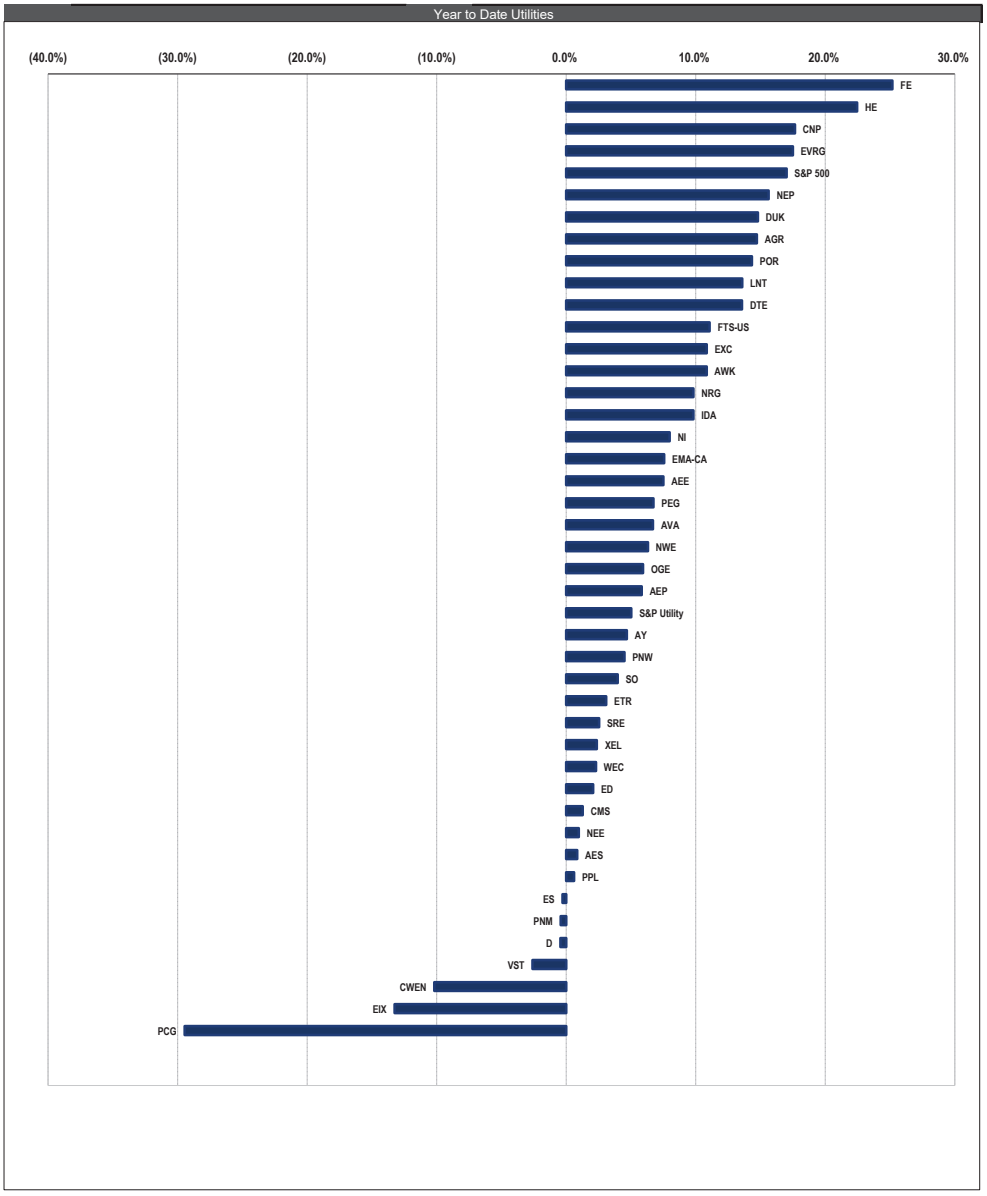

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Month to Date performance of Regulated Utilities

Despite no notable news, AWK was the top-performer in July as, generally, utility stocks recovered with the US 10Y continuing to drop off and investors fled from growth / recovery stocks due to COVID fears from the delta variant. EVRG was an outperformer in July on no notable news as momentum builds into the September Analyst Day that should better highlight the long-term plan under new mgmt. ES also outperformed its peers for the second straight month in July, bouncing off its 52-week lows in early June, as there was more positive tone on a potential settlement in CT over rates, and likely ROE and capital structure. The California utilities, PCG and EIX, were the worst-performers in July mostly as a result of fire risk. NI also lagged in July on little notable news except the company filing a rate case at its largest gas LDC on June 30th – the subsidiary's first base rate case filing in Ohio in 13 years.

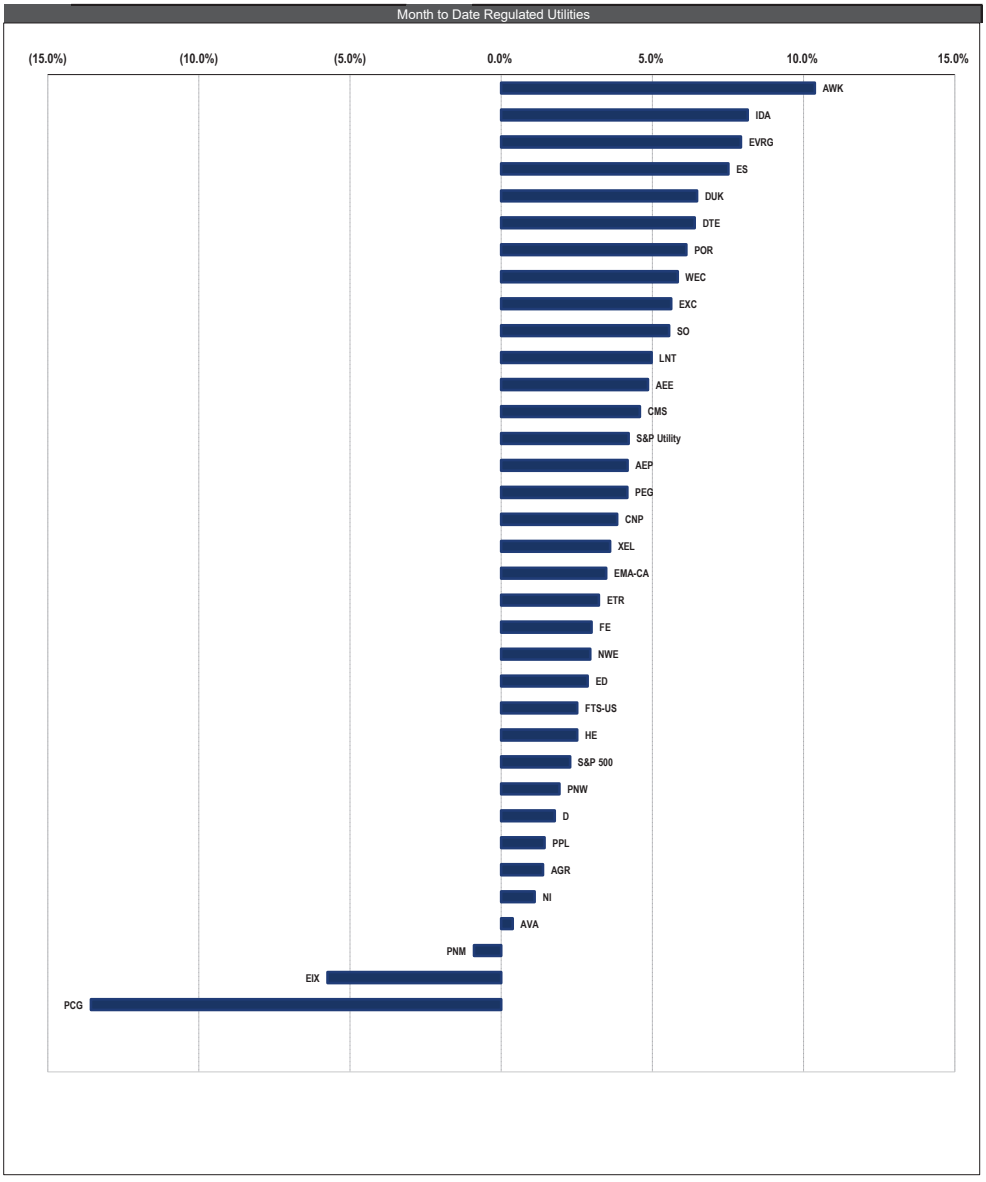

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Year to Date performance of Regulated Utilities

FE maintained the top spot YTD. FE began its march higher earlier this year after it was revealed that activist Carl Icahn had taken a stake in the company. HE remains a top performer – some of this was on HE being named a new candidate for the ICLN index in March as well as a potential unwind of some short positions earlier in the year. CNP is now a top performer as the new management team continues to pitch a compelling story; CNP's upcoming September Analyst Day should also be a positive catalyst for the stock. The California utilities, PCG and EIX, continue to trail mostly because of wildfire risk overhang. D is now a bottom performer as the stock seems to continue to get hit by the same issue – concerns over VEPCO's triennial review.

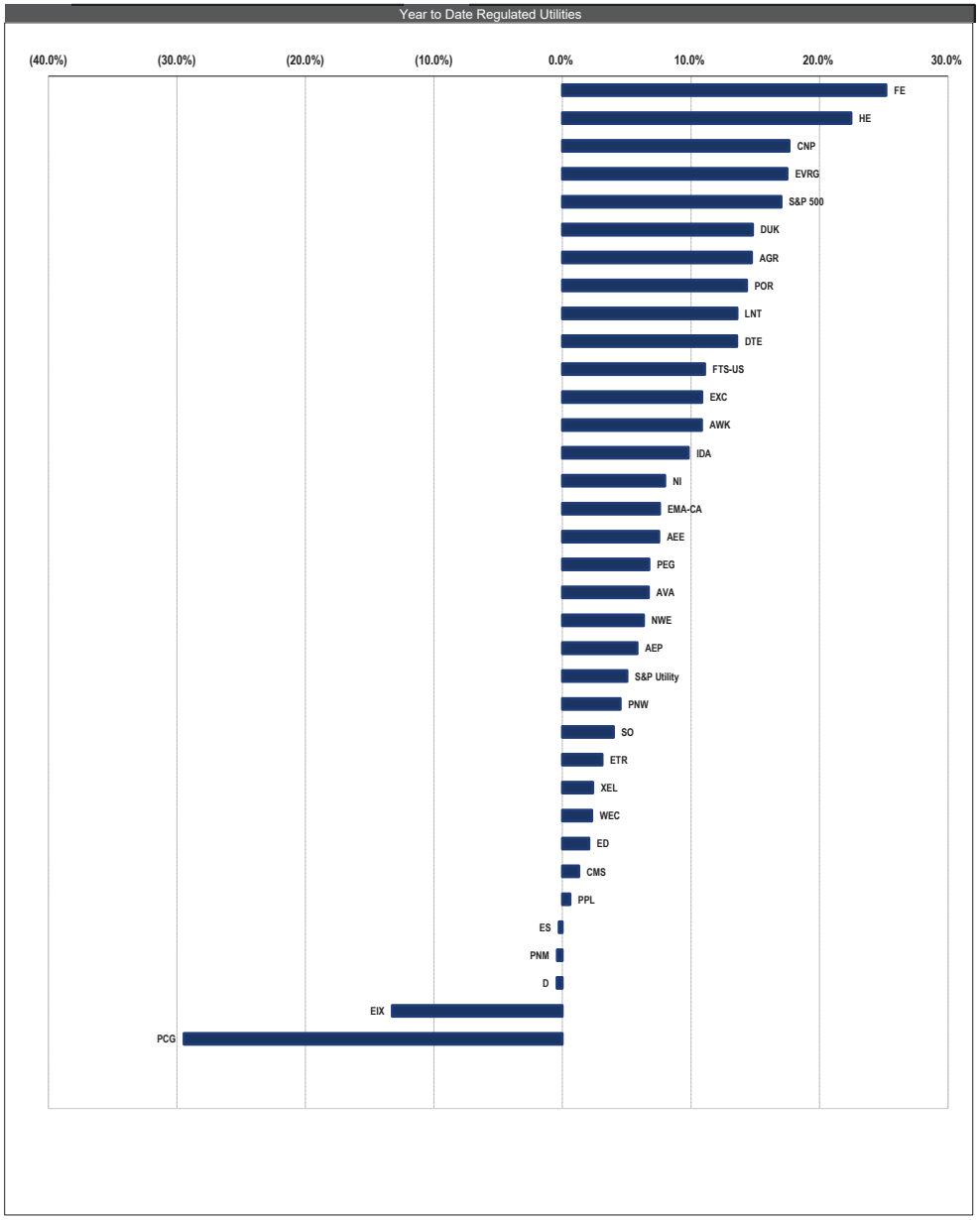

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Month to Date and Year to Date performance of Gas/Power Infrastructure

NEE was the top-performer in the Gas/Power Infrastructure group in July as it continued to bounce off of relative lows in mid-June, after renewables inflation fears weighed on the stock, with Q2 earnings so far suggesting that renewables inflation has not been as much an issue as feared. AES was the worst-performer in July and YTD despite no notable news. However, we mostly attribute the weakness to inflation / supply chain concerns for renewable developers and perhaps some around renewed COVID fears given AES' exposure in emerging markets. NEE continues to remain the big underperformer in the group YTD despite no fundamental issues with the company reporting just in-line earnings for Q2.

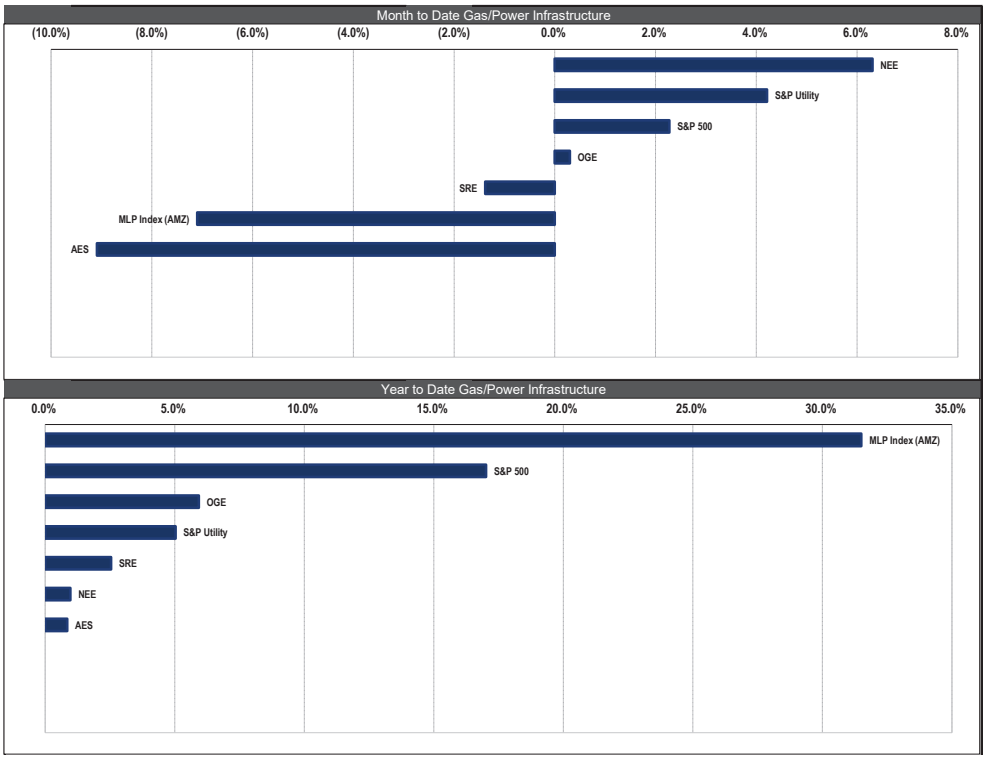

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Month to Date and Year to Date performance of IPPs

The IPPs traded slightly ahead of the market in July as energy prices continued to rally throughout the month. Despite gas and power prices continuing to rip up higher, VST remains considerably lagging the broader utilities sector and the S&P 500 YTD.

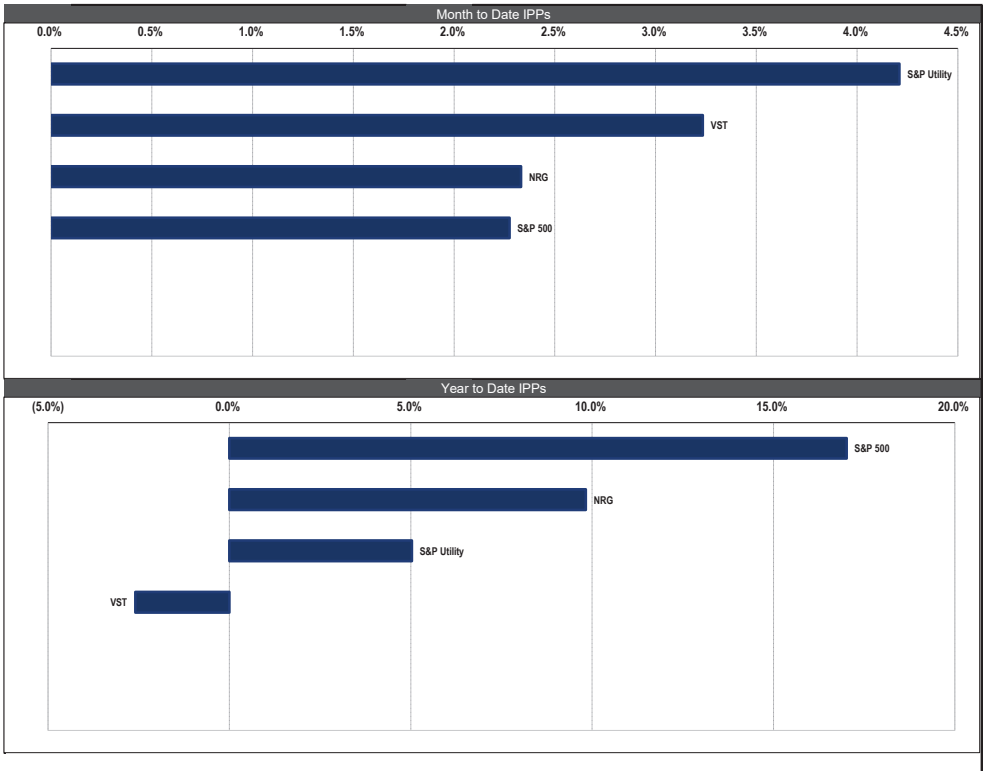

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Month to Date and Year to Date performance of YieldCos

The YieldCos traded well in July with CWEN and AY outperforming both the broader utilities sector and the S&P 500, but the YieldCos are still lagging the market YTD. CWEN was the top-performer in the group and narrowed its YTD trailing margin. Recent investor attention has been focused on the potential for the company to sell its thermal business at an accretive valuation that would recycle capital and provide funding for new growth. On the other hand, NEP underperformed both the broader utilities sector and the market in July due to slightly disappointing Q2, as EBITDA missed and the latest drop from NEE was done at the weakest CAFD yield yet (8.0%).

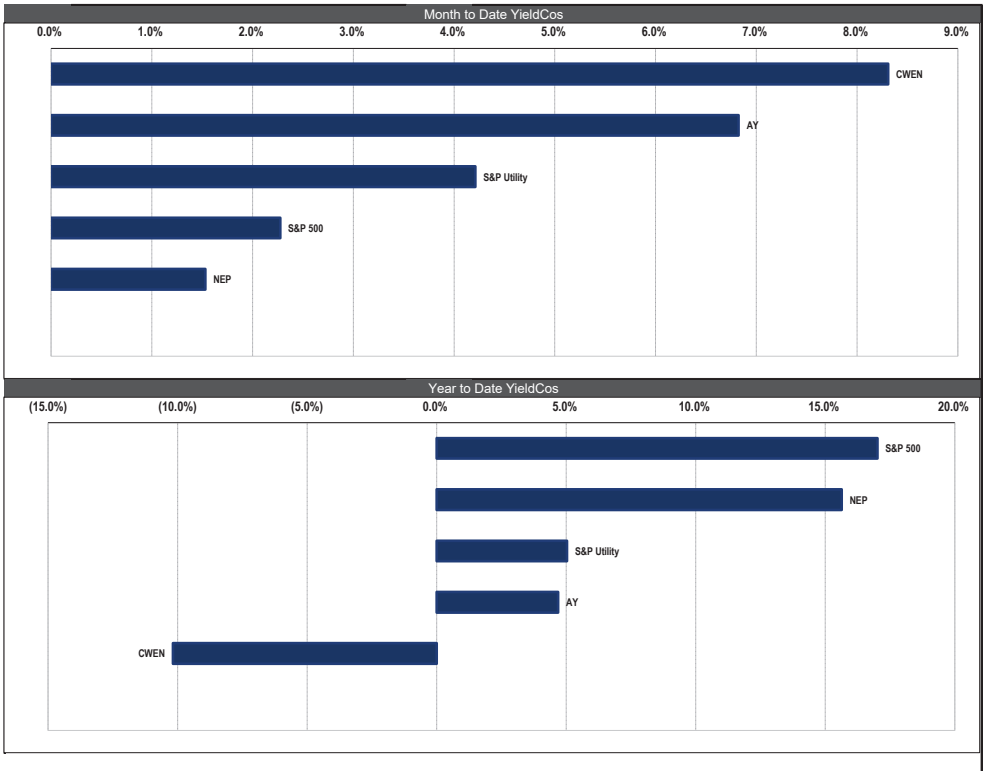

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Utilities Performance by Market Cap

- Large-caps underperformed the utility average in July, led by PCG (-13.6%) and EIX (-5.7%).
- Mid-caps underperformed the group average in July, led down by OGE (0.3%) and NI (1.1%).
- Small-caps outperformed the group average in July, led up by IDA (8.2%) and POR (6.1%).

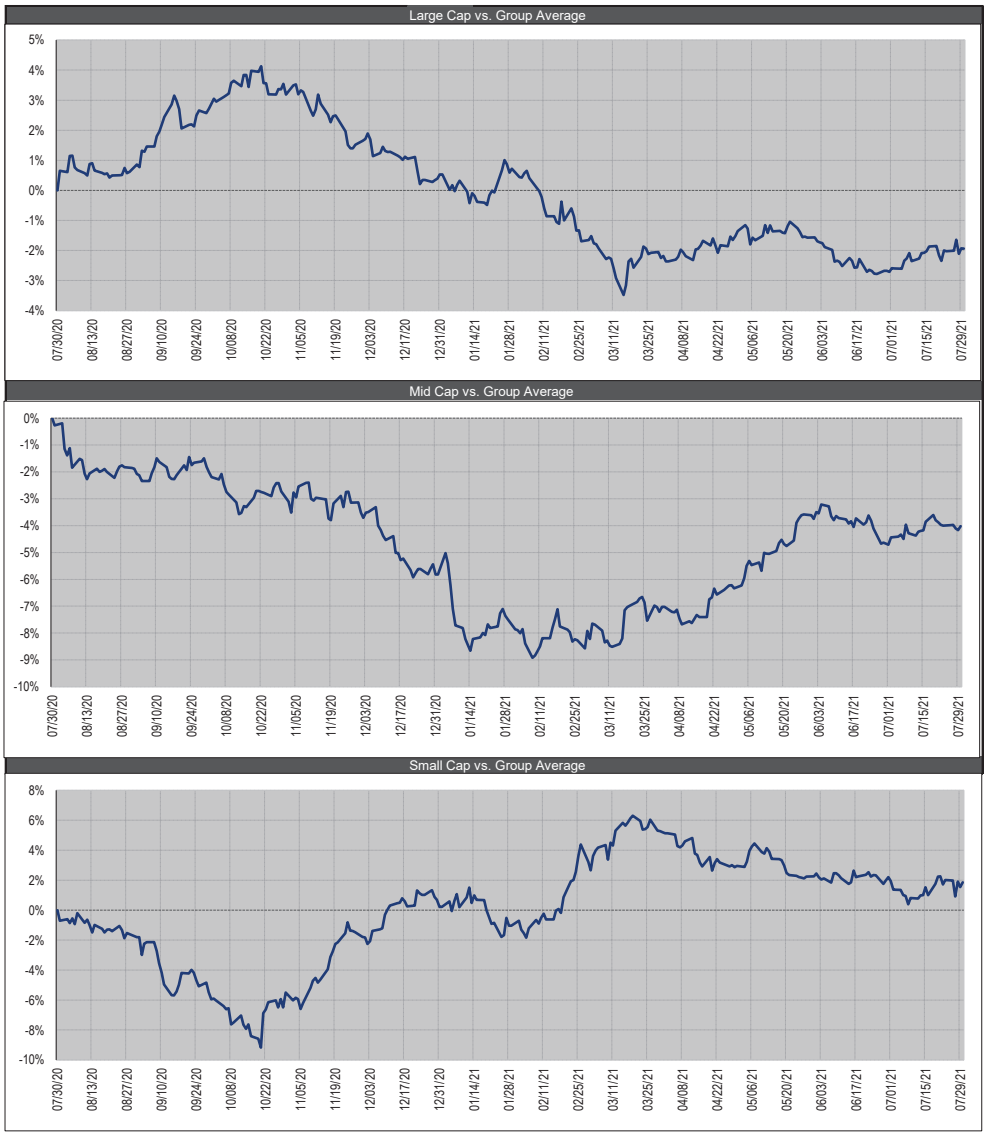

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WOLFE RESEARCH

Utilities Performance by Segment

•Regulateds underperformed the utility average in July, led down by PCG (-13.6%) and EIX (-5.7%).
•IPPs outperformed the group average in July, led up by VST (3.2%) and NRG (2.3%).

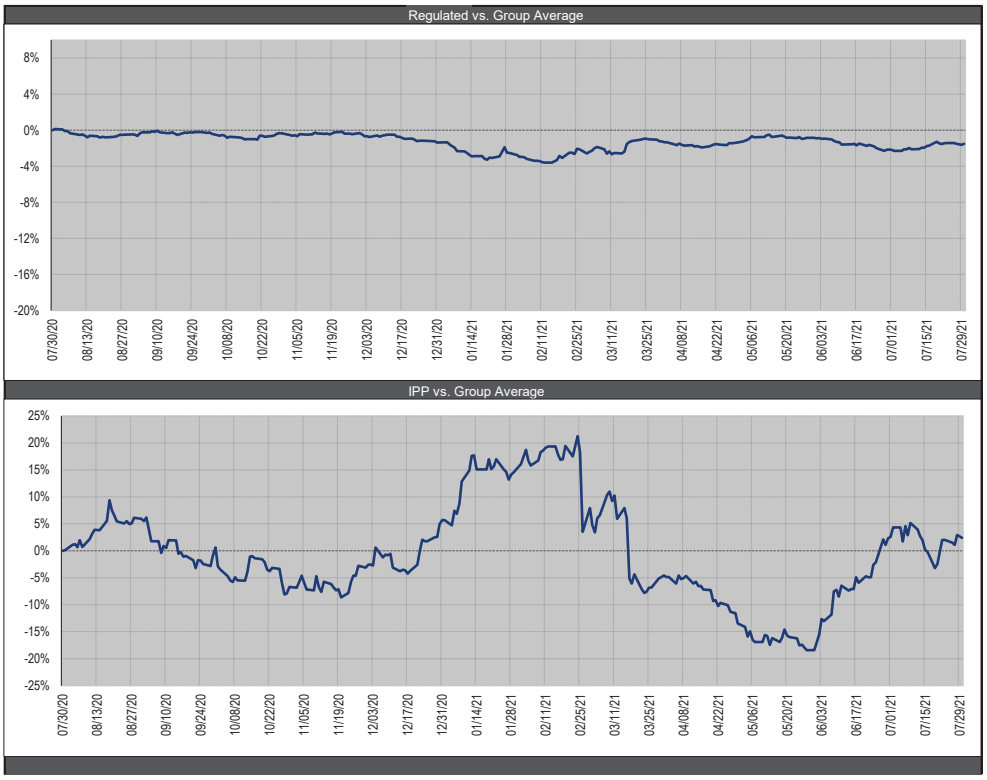

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8/1/2021

WOLFE RESEARCH

Atlantica Yield (AY) $39.76, NR

Atlantica Sustainable Infrastructure had a strong month in July and has performed about in line YTD. There was no notable news during the month.

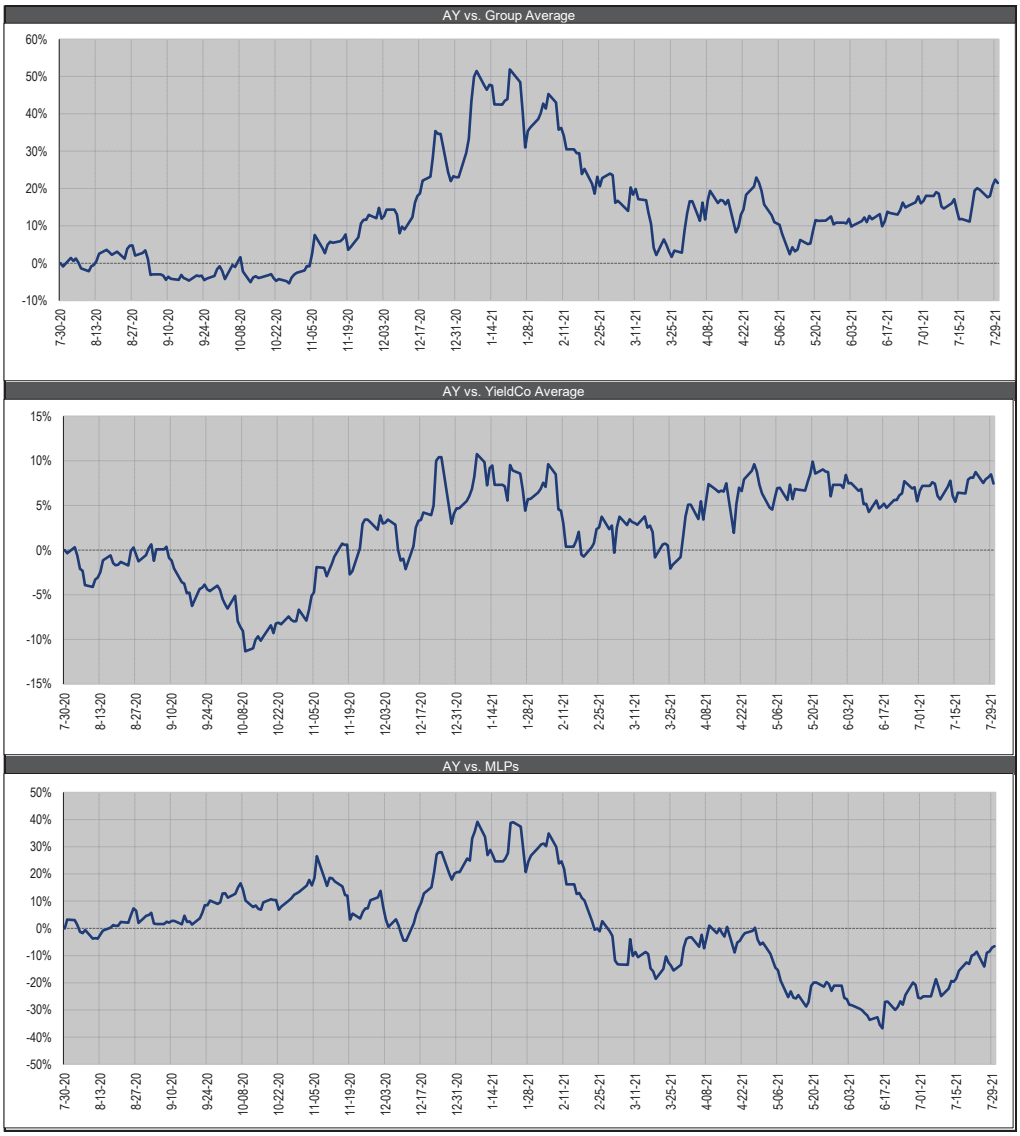

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8/1/2021

WOLFE RESEARCH

Ameren (AEE) $83.92, Outperform, $90 PT

AEE modestly outperformed peers on little company-specific news in Jul, as Q2 earnings and possibly IL legislation is expected in Aug.

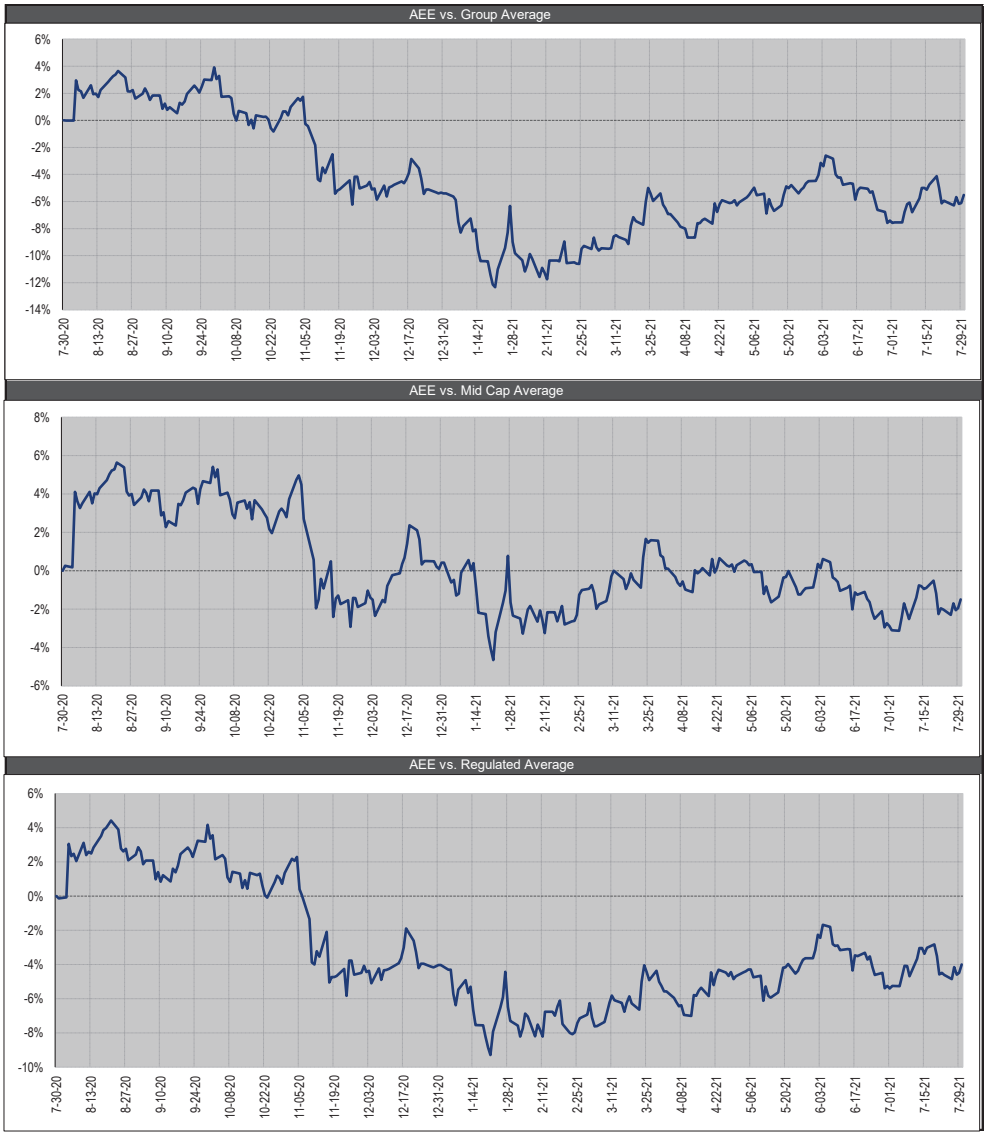

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8/1/2021

WOLFE RESEARCH

American Electric Power (AEP) $88.12, Peer Perform, $93 PT

AEP continued its rebound that started after hitting 52-week lows in mid-June, including in line Q2 earnings results in late Jul.

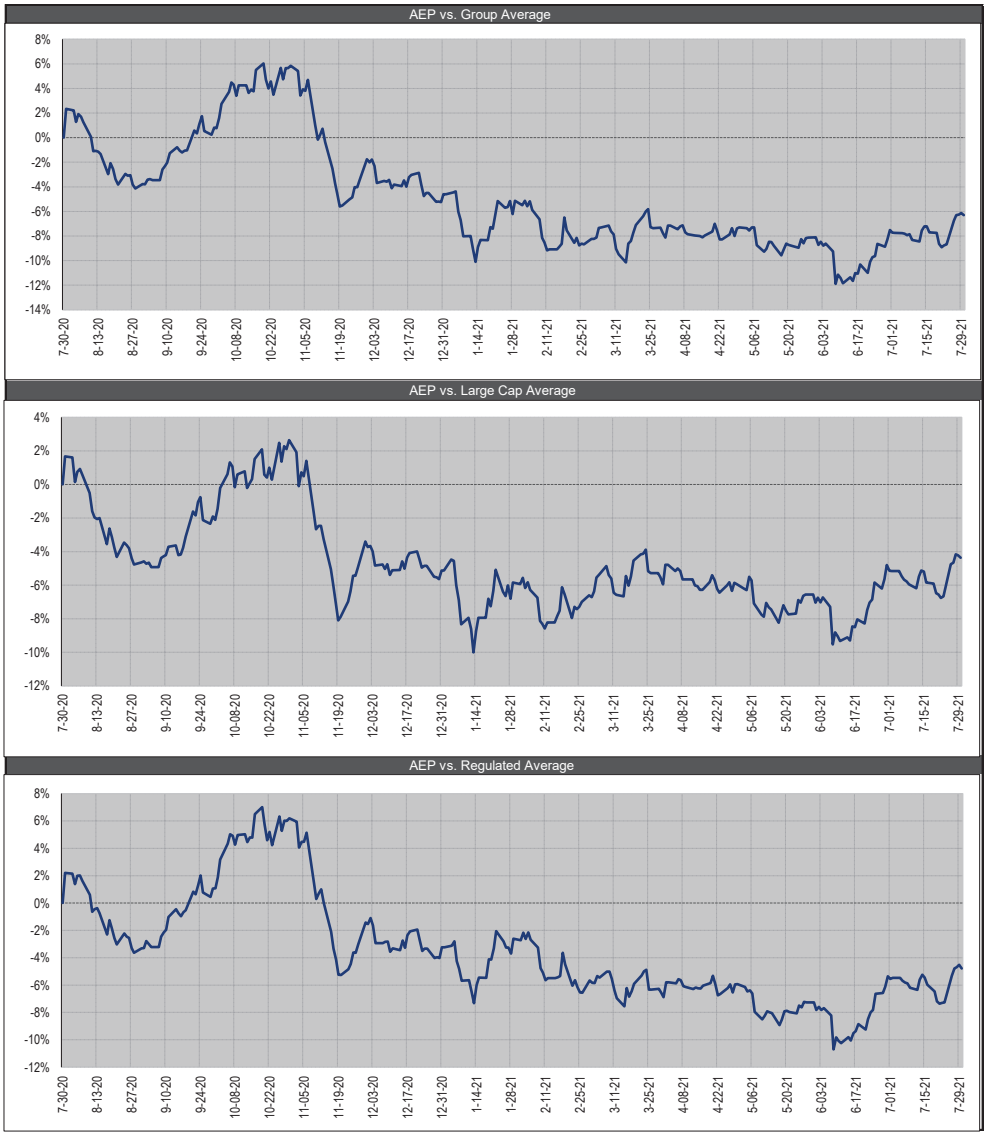

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8/1/2021

WOLFE RESEARCH

AES Corporation (AES) $23.70, Peer Perform, $29 PT

AES was the second worst performer in the group in July and underperformed the utilities index by over 1,300 bps. We saw no company specific news that would explain the underperformance. We mostly attribute the weakness to inflation / supply chain concerns for renewable developers and perhaps some around renewed COVID fears given AES' exposure in emerging markets.

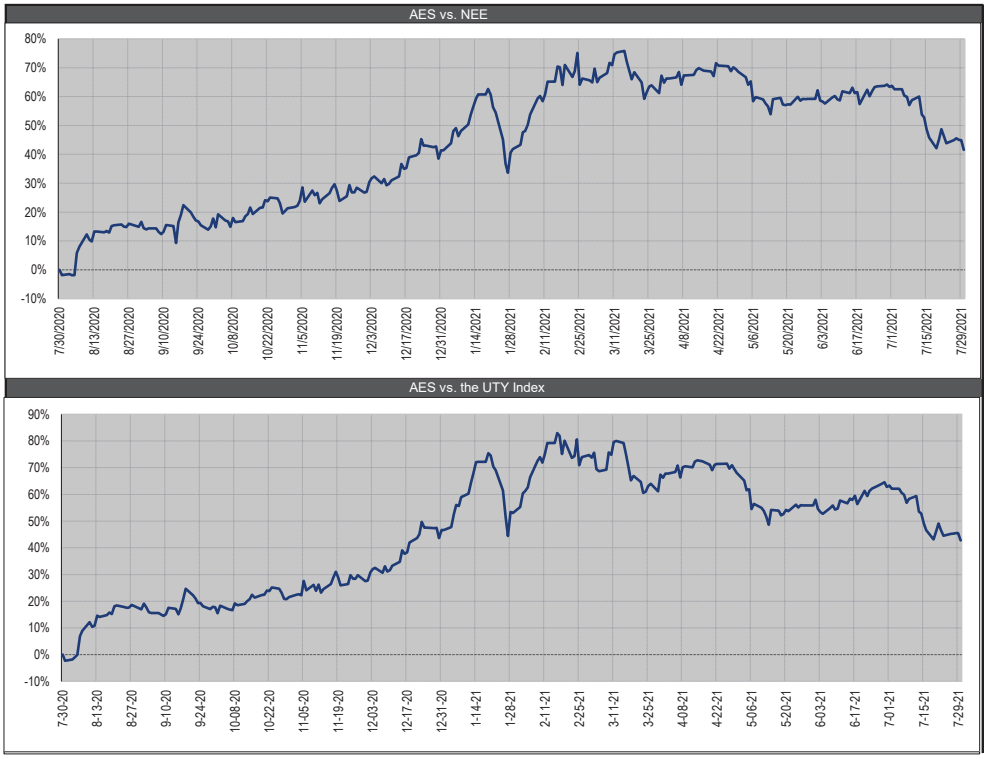

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8/1/2021

WOLFE RESEARCH

Avangrid (AGR) $52.14, Underperform, $47 PT

AGR underperformed into its earnings call in the back-half of the month. That said, the stock is still outperforming on the year. The Q2 update was a bit messy, as AGR raised its net income guidance, but lowered its EPS guidance to reflect the share issuance associated with the PNM merger (without the PNM earnings contribution). Given the Winter Storm Uri benefit in Q1 of $0.27/sh, our sense is that the business is on track (not ahead or behind) for the year when adjusting for that the dilution.

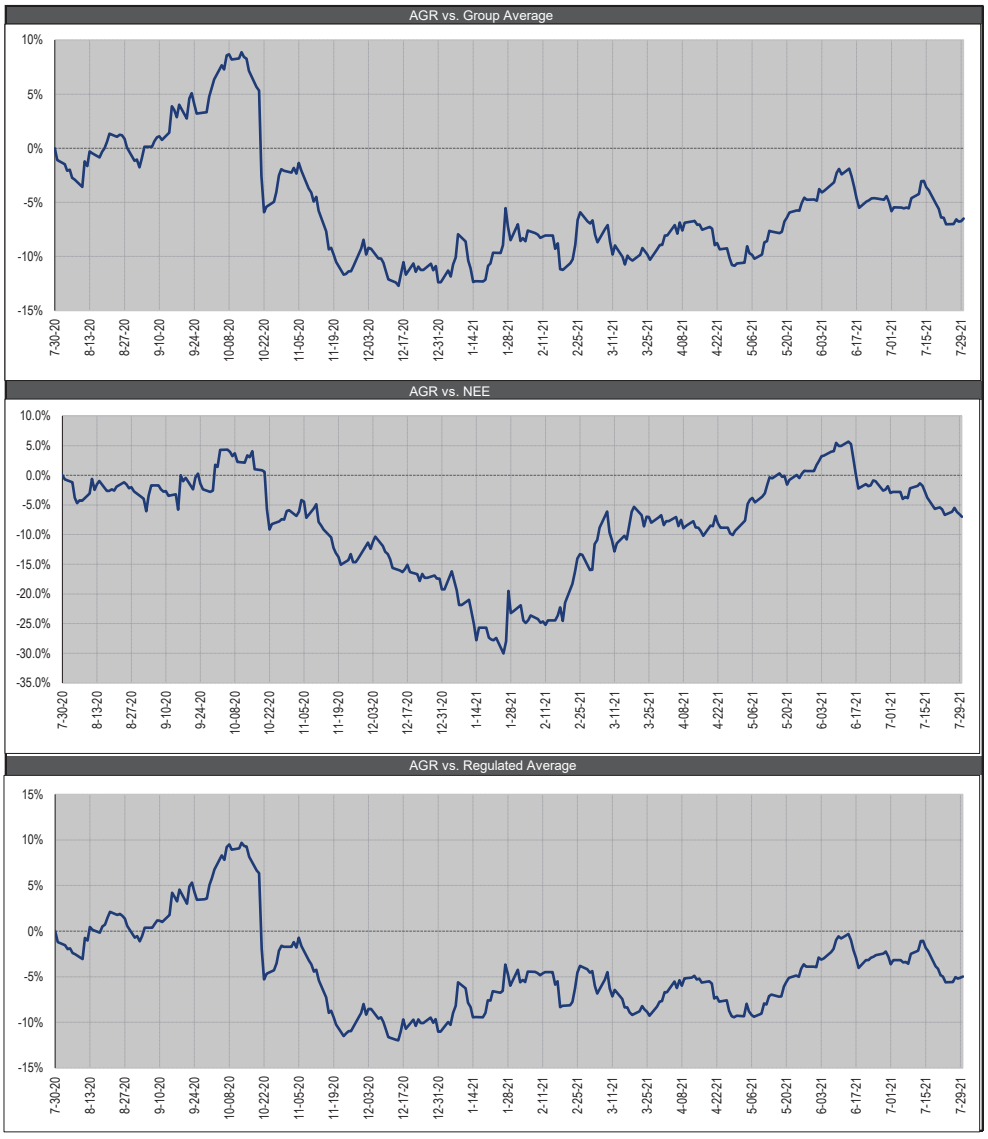

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WOLFE RESEARCH

Avista Corporation (AVA) $42.83, NR

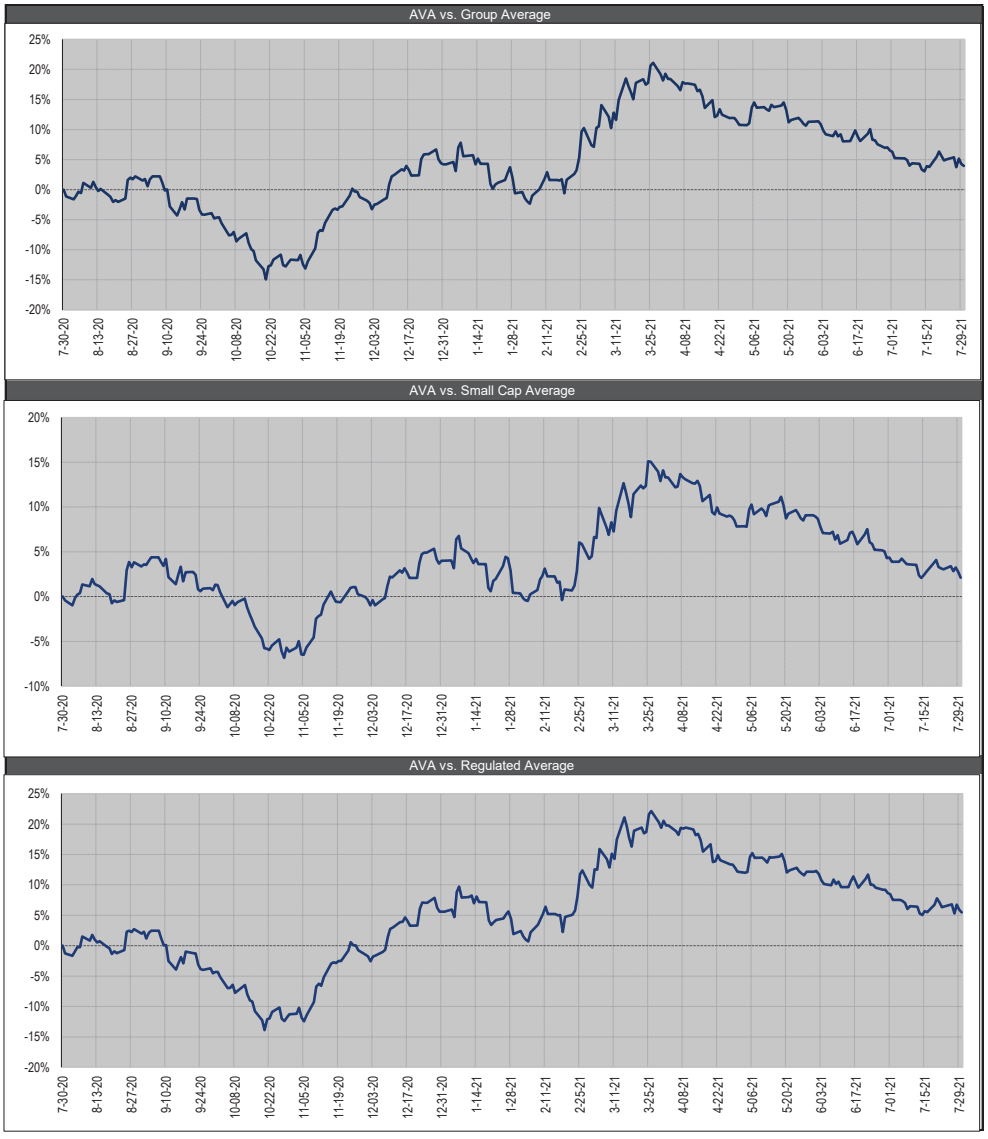

8/1/2021

WOLFE RESEARCH

American Water Works (AWK) $170.11, Peer Perform, $156 PT

AWK was the top performer in the group during the month of July. That said, AWK still underperformed its water utility peers (MSEX was up big after being added to the S&P Small Cap Index). It was a relatively quiet month for AWK, we attribute the outperformance to the revival of utility stocks generally – the US 10Y continued to fall and growth / recovery stocks took a breather on COVID fears from the delta variant.

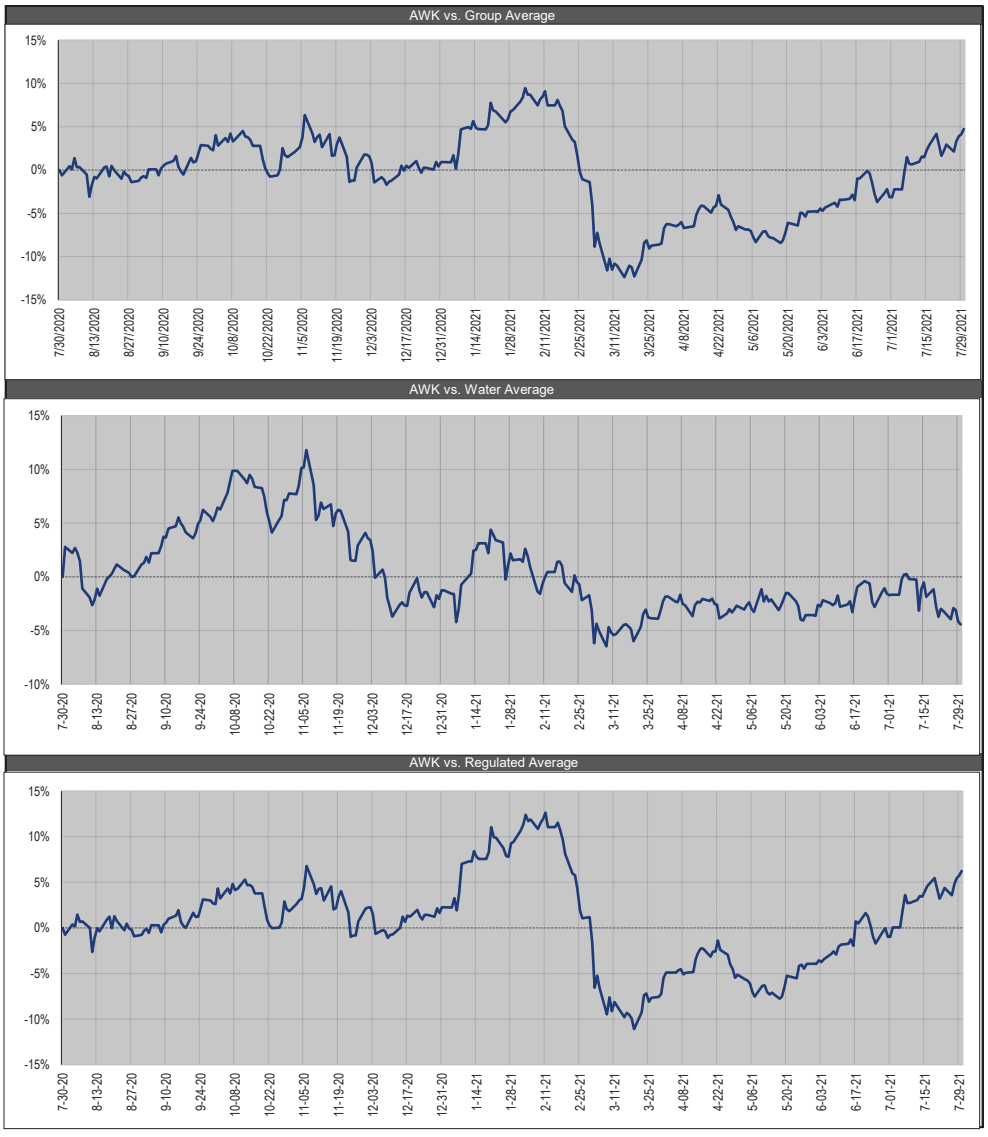

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WOLFE RESEARCH

CMS Energy (CMS) $61.79, Peer Perform, $64 PT

CMS traded in-line with peers for the month, but is trailing most of the sector in 2021. After a busy June that featured the Enerbank sale and IRP filing, news flow was a bit quieter in July. CMS set the record straight with a bullish tone on its Q2 call near month-end – pointing to the high-end of 2021 guidance and the 6-8% L-T EPS CAGR, with confidence in IRP approval that should result in $1B+ in incremental rate base opportunities tied to two existing gas plants.

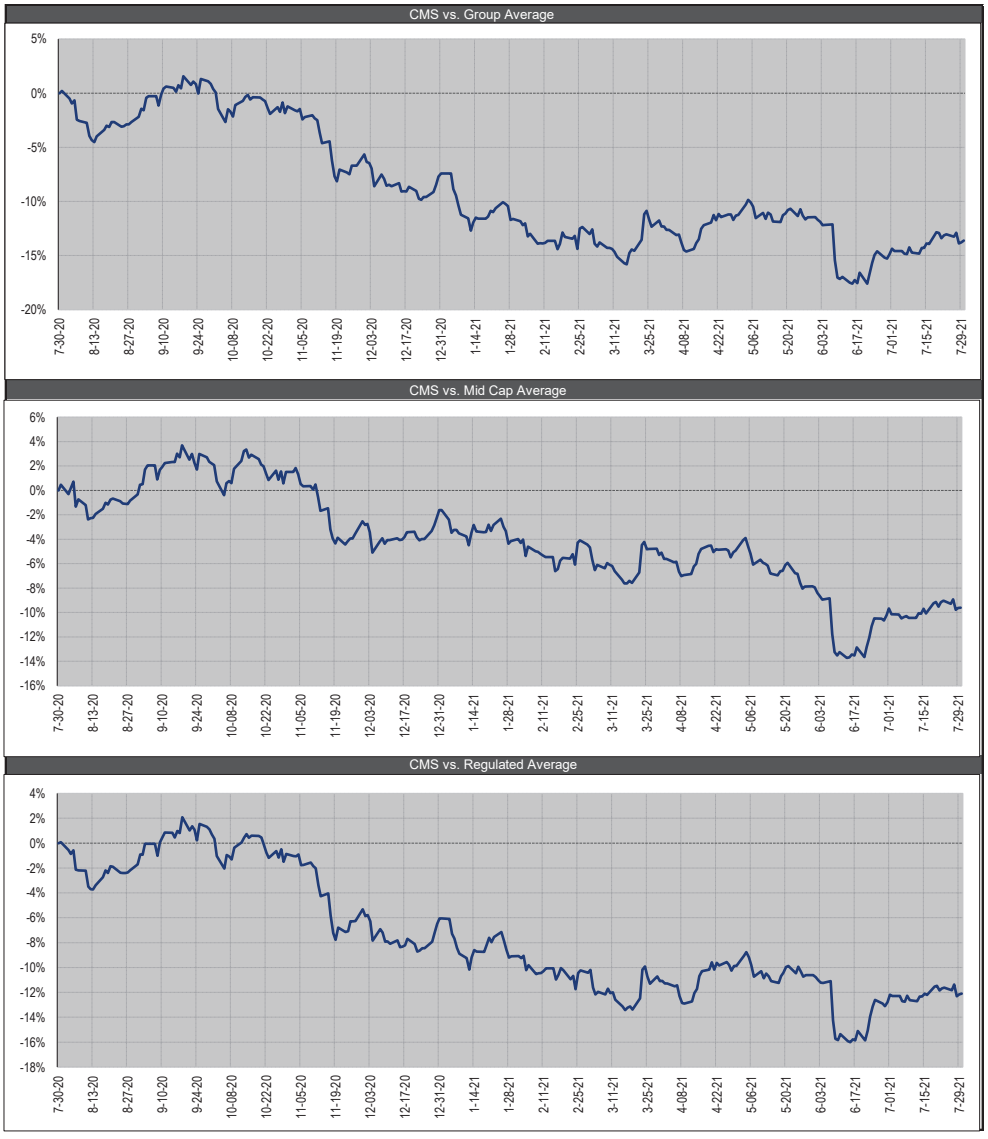

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WOLFE RESEARCH

CenterPoint Energy (CNP) $25.46, Outperform, $28 PT

CNP modestly underperformed the group in July. During the month, CNP announced several changes to its Board and governance structure. Most notable of which being that longtime Executive Chair, Milton Carroll, was leaving the company and that his position was being eliminated entirely in favor of new independent leadership. CEO Dave Lesar was also given a multi-year retention grant (1M shares over two years).

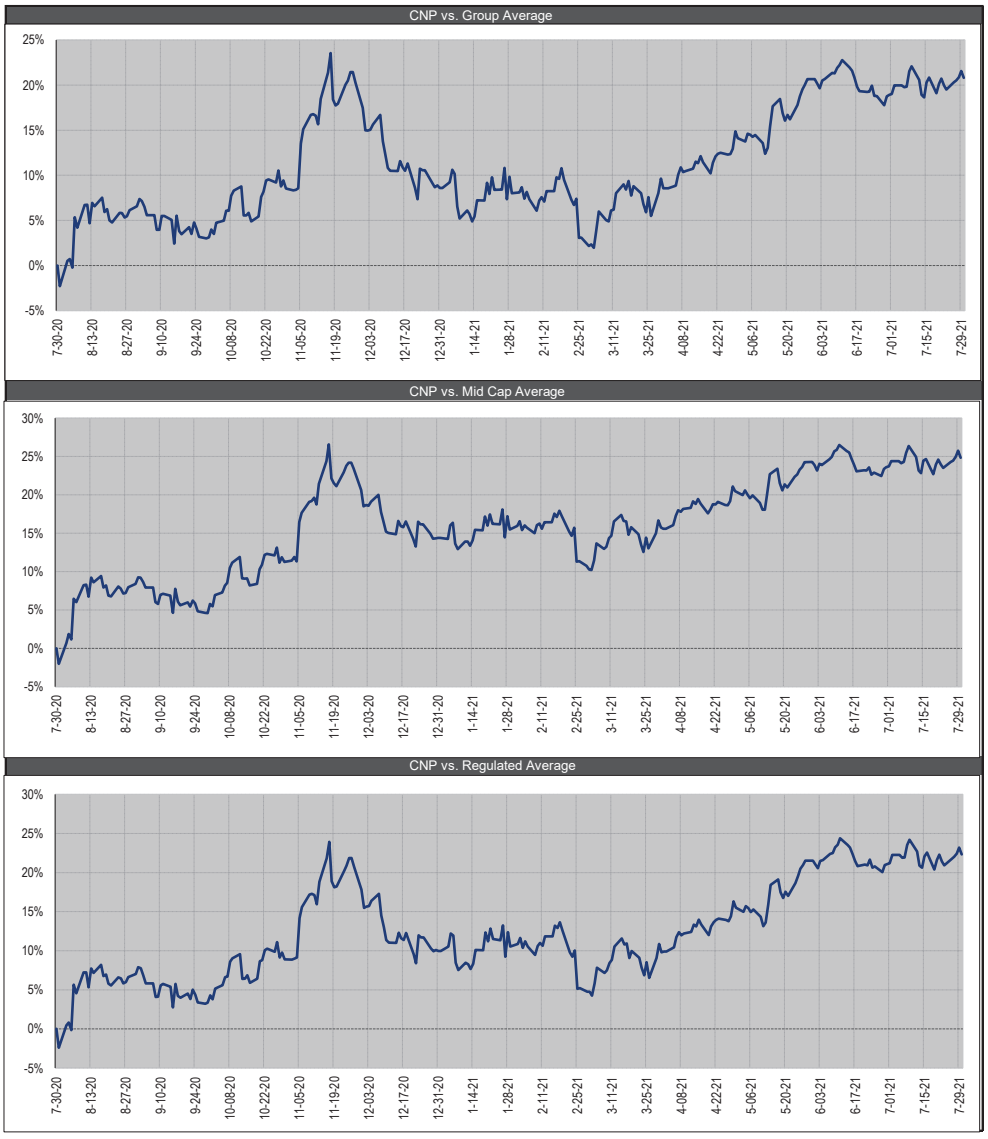

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8/1/2021

WOLFE RESEARCH

Clearway Energy (CWEN) $28.68, Outperform, $33 PT

CWEN was one of the best performers in the broader group in July and outperformed YieldCo peers, although it still remains the worst performing YieldCo YTD. Recent attention has been on the potential for the company to sell its thermal business at an accretive valuation that would recycle capital and provide funding for new growth.

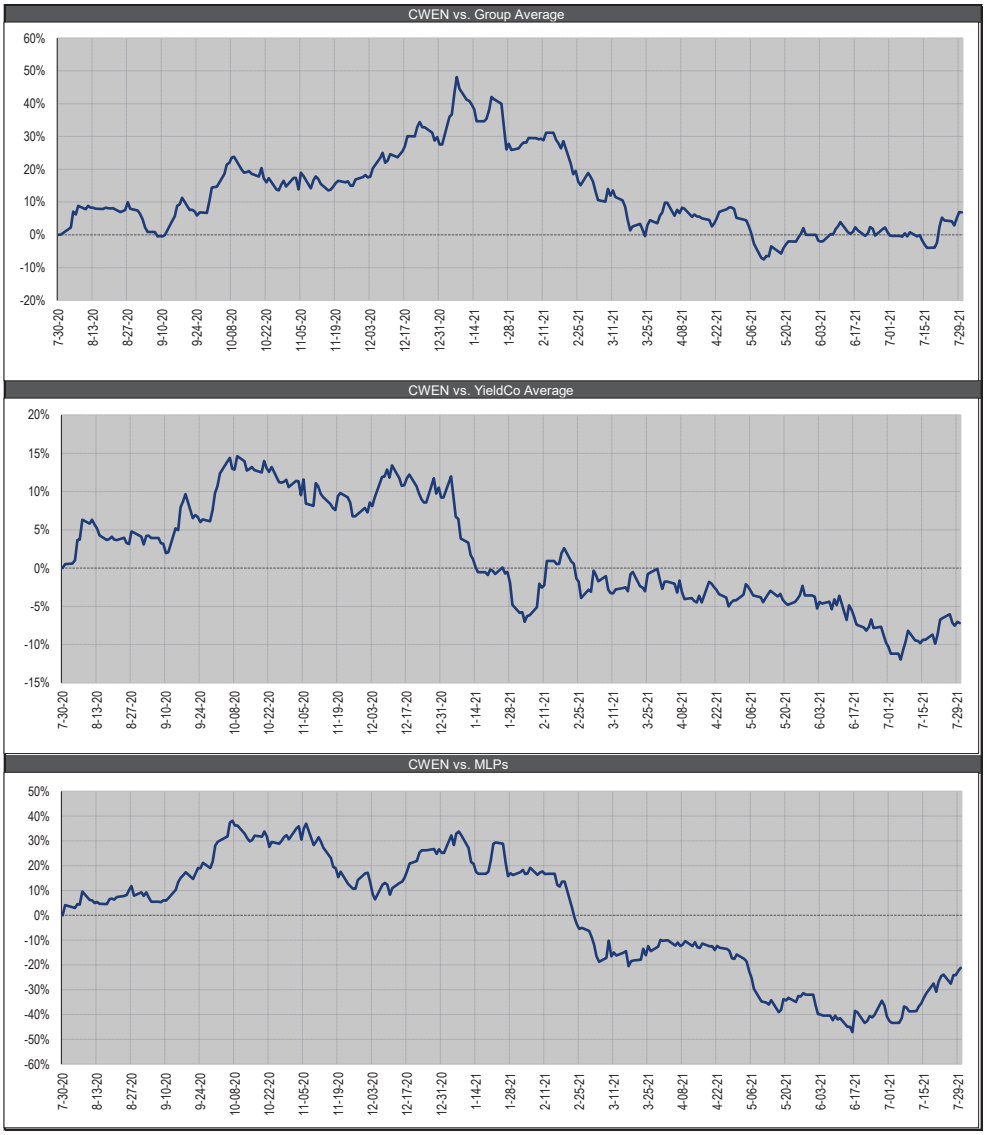

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8/1/2021

WOLFE RESEARCH

Dominion Energy (D) $74.87, Outperform, $88 PT

D underperformed the utility average in July and is now the worst performing regulated utility YTD (ex-CA utilities PCG and EIX). During the month, D terminated its Q-Pipe transaction with Berkshire due to ongoing uncertainty associated with achieving the requisite HSR clearance from the FTC; but D is targeting a sale by YE to an alternative buyer. D did receive some good news out of South Carolina when the PSC approved DESC's rate case settlement.

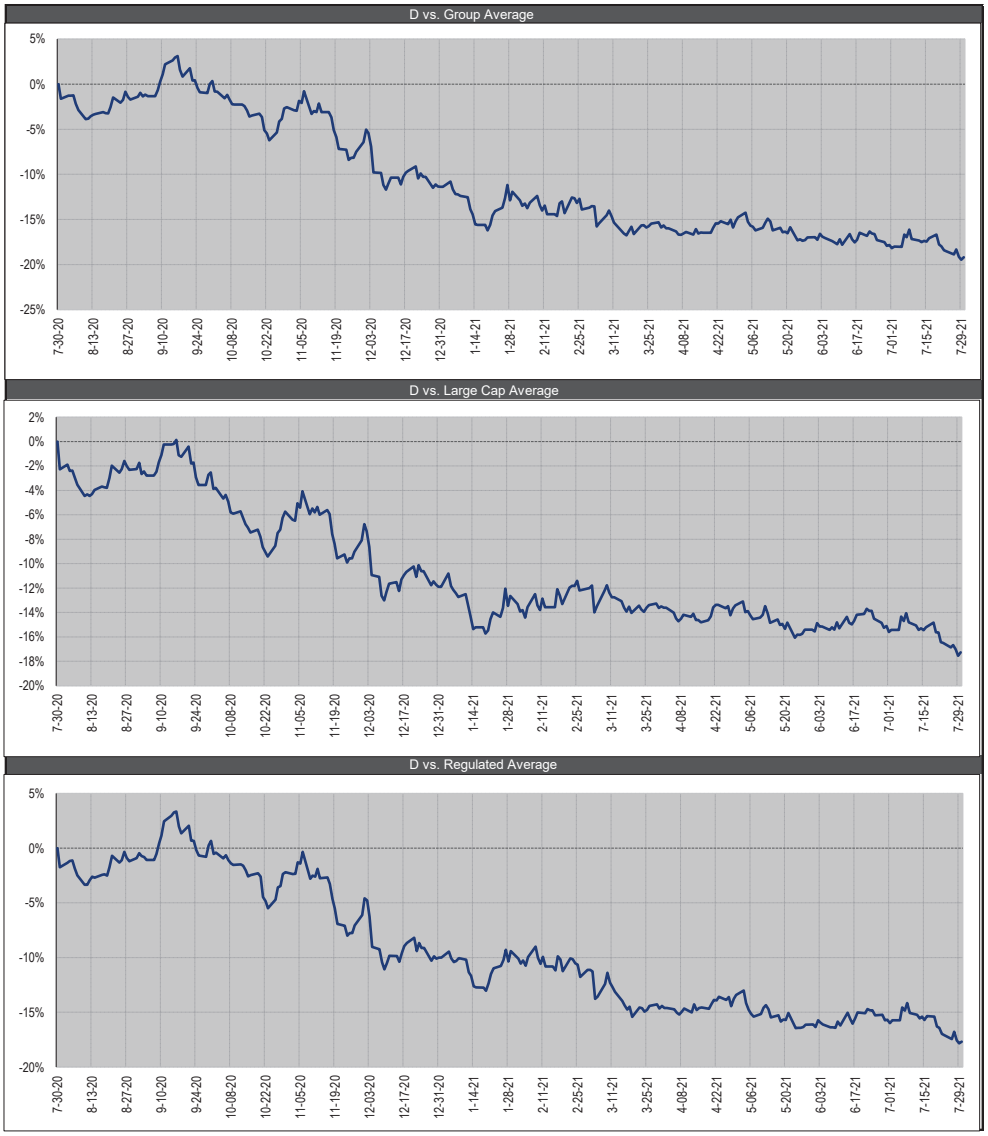

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8/1/2021

WOLFE RESEARCH

DTE Energy (DTE) $117.32, Peer Perform, $119 PT

DTE returned to outperforming in July, as the company completed its spin of DT Midstream. Earnings were strong as expected – Q2 beat consensus, 2021 guidance was raised, and mgmt. reiterated confidence in the L-T 5-7% EPS CAGR.

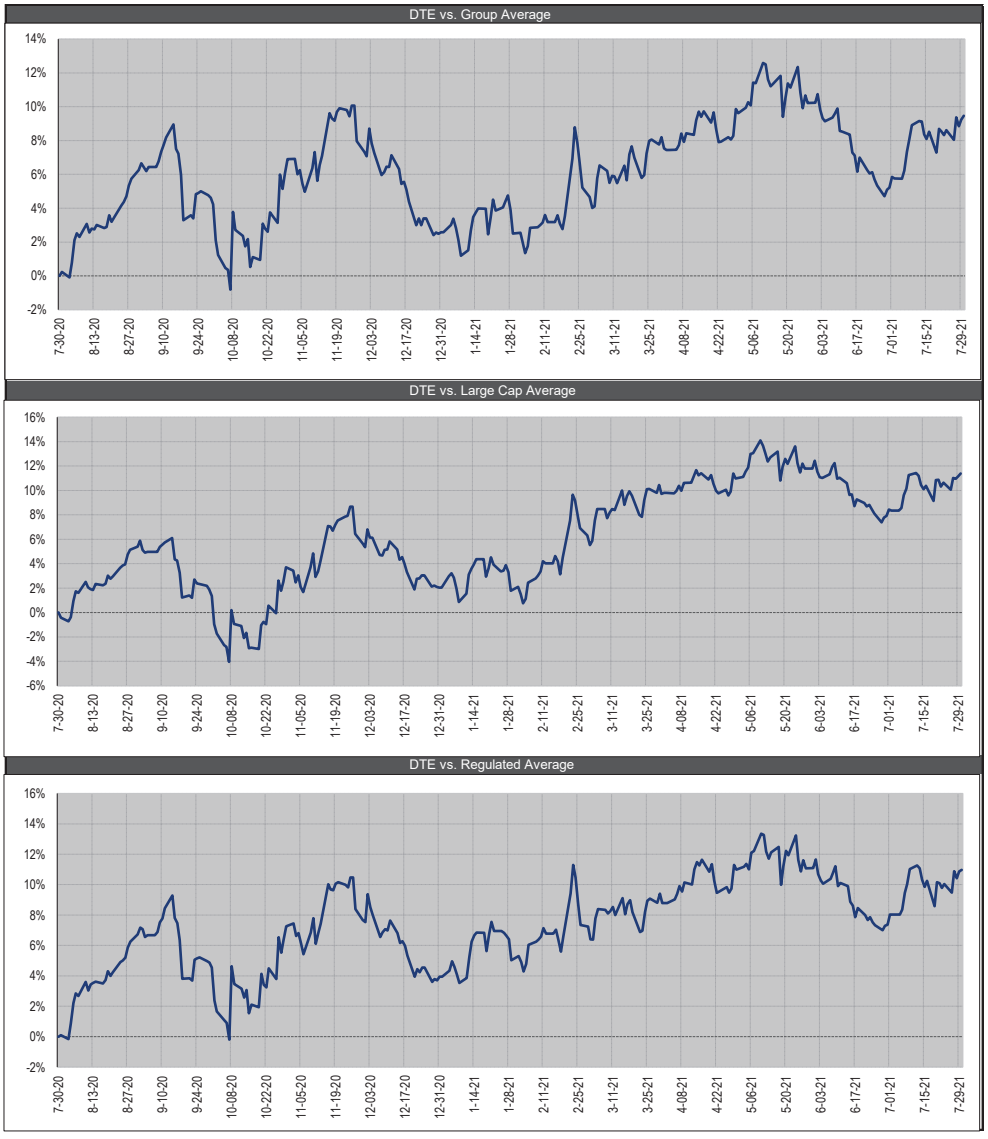

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8/1/2021

WOLFE RESEARCH

Duke Energy (DUK) $105.11, Peer Perform, $106 PT

DUK again reached 52-week highs relative to peers, as legislation advanced in the NC House on a partisan vote (Gov still opposes) and activism continued with a letter exchange between Elliott and mgmt.

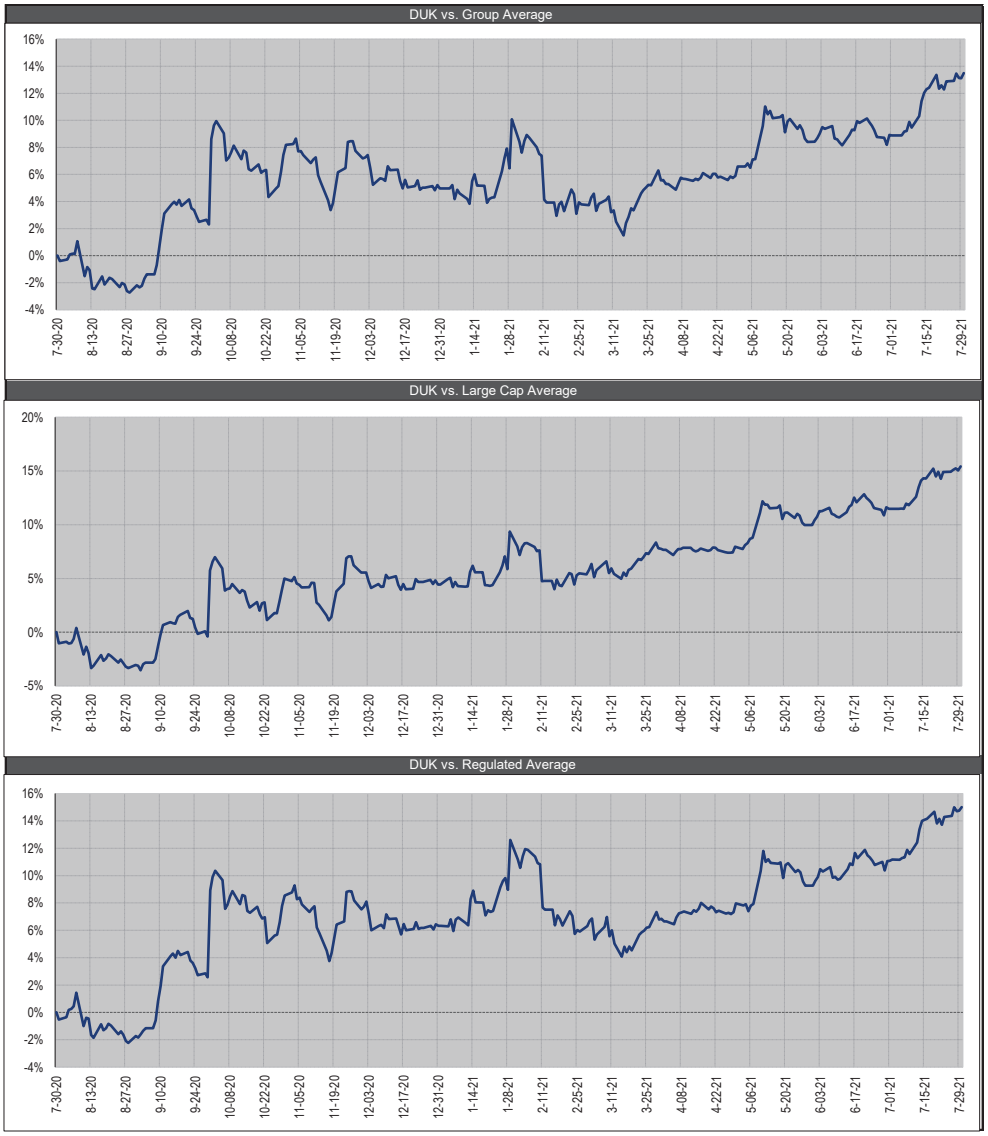

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8/1/2021

WOLFE RESEARCH

Consolidated Edison (ED) $73.77, Underperform, $73 PT

ED modestly underperformed the utility average in July. During the month, the NY PSC accepted settlement terms for alleged violations primarily associated with Tropical Storm Isaias. ED's CECONY and O&R utilities agreed to pay $82M in fines/penalties. Only $30-35M of that has yet to be spent or run through the P&L though. ED expects to find cost control offsets for the $0.07-0.08 EPS headwind.

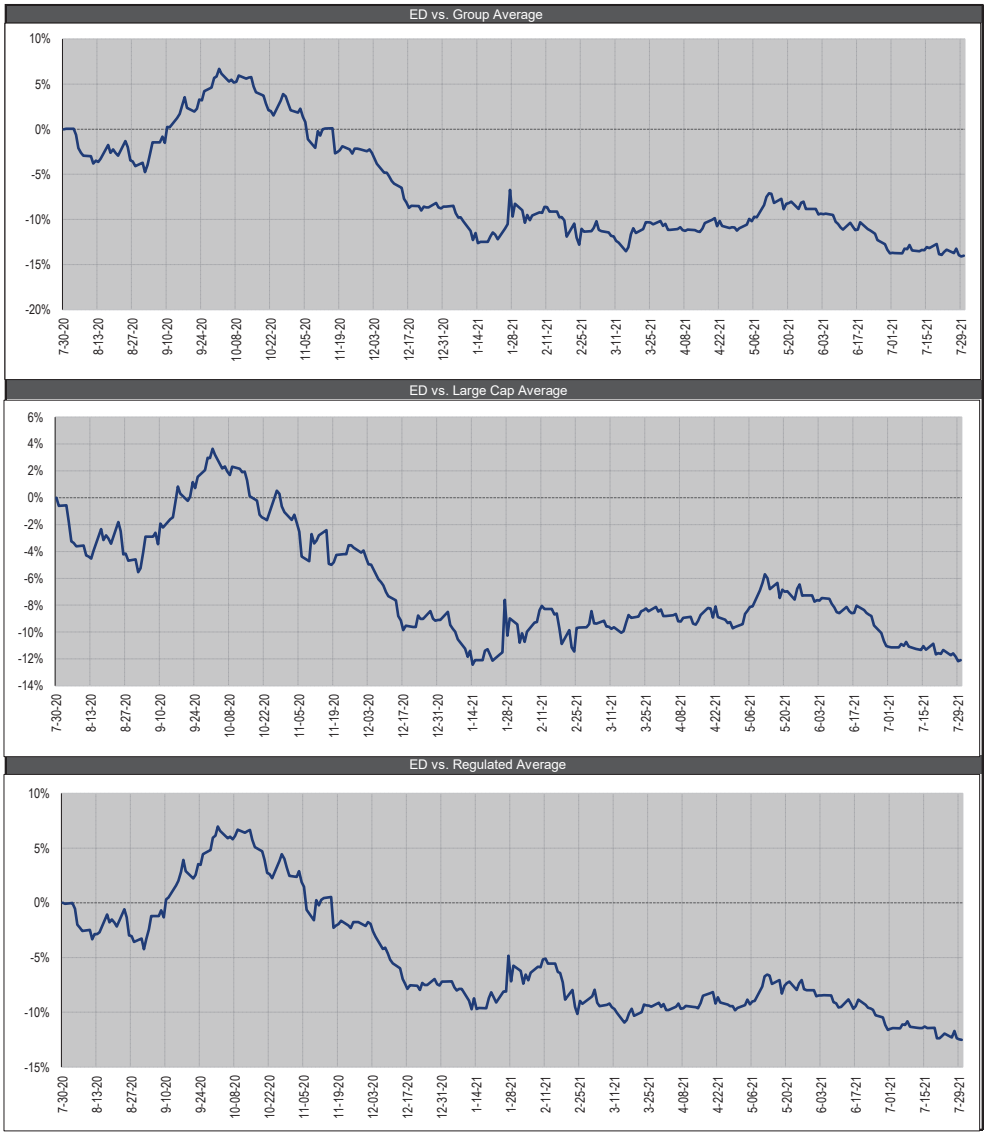

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8/1/2021

WOLFE RESEARCH

Emera (EMA) $58.19, Peer Perform, $60 PT

EMA finished about in line with the US utility average in July and slightly ahead of its closest Canadian peer FTS. In July, the Premier in Nova Scotia announced a more aggressive renewable standard for the province during the month – 80% of all energy to now come from renewables by 2030.

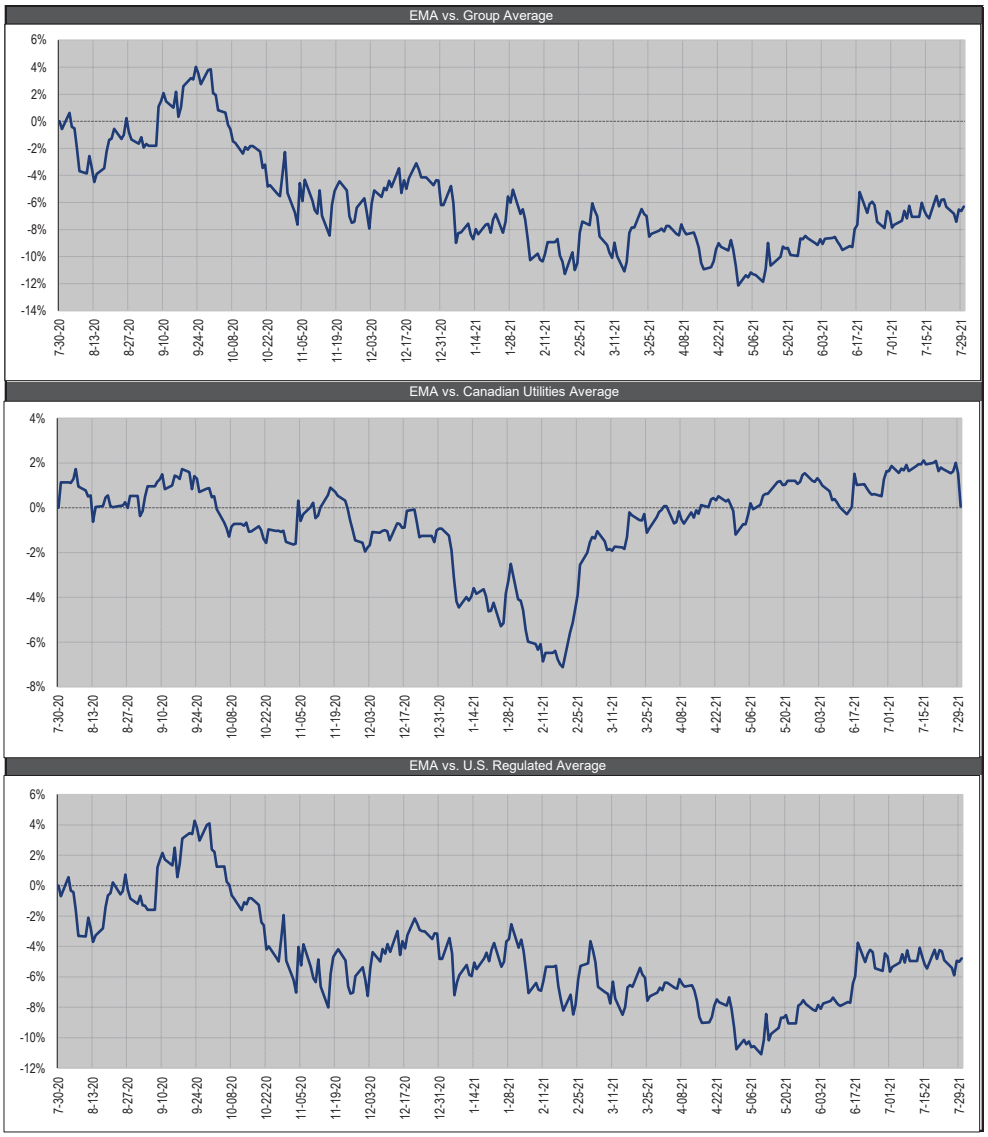

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8/1/2021

WOLFE RESEARCH

Edison International (EIX) $54.50, Outperform, $66 PT

EIX gave back all of its outperformance from the previous month and then hit new relative lows after Q2 earnings, which included a lower rate base recommendation in its GRC and possibly a ROE cut in 2022.

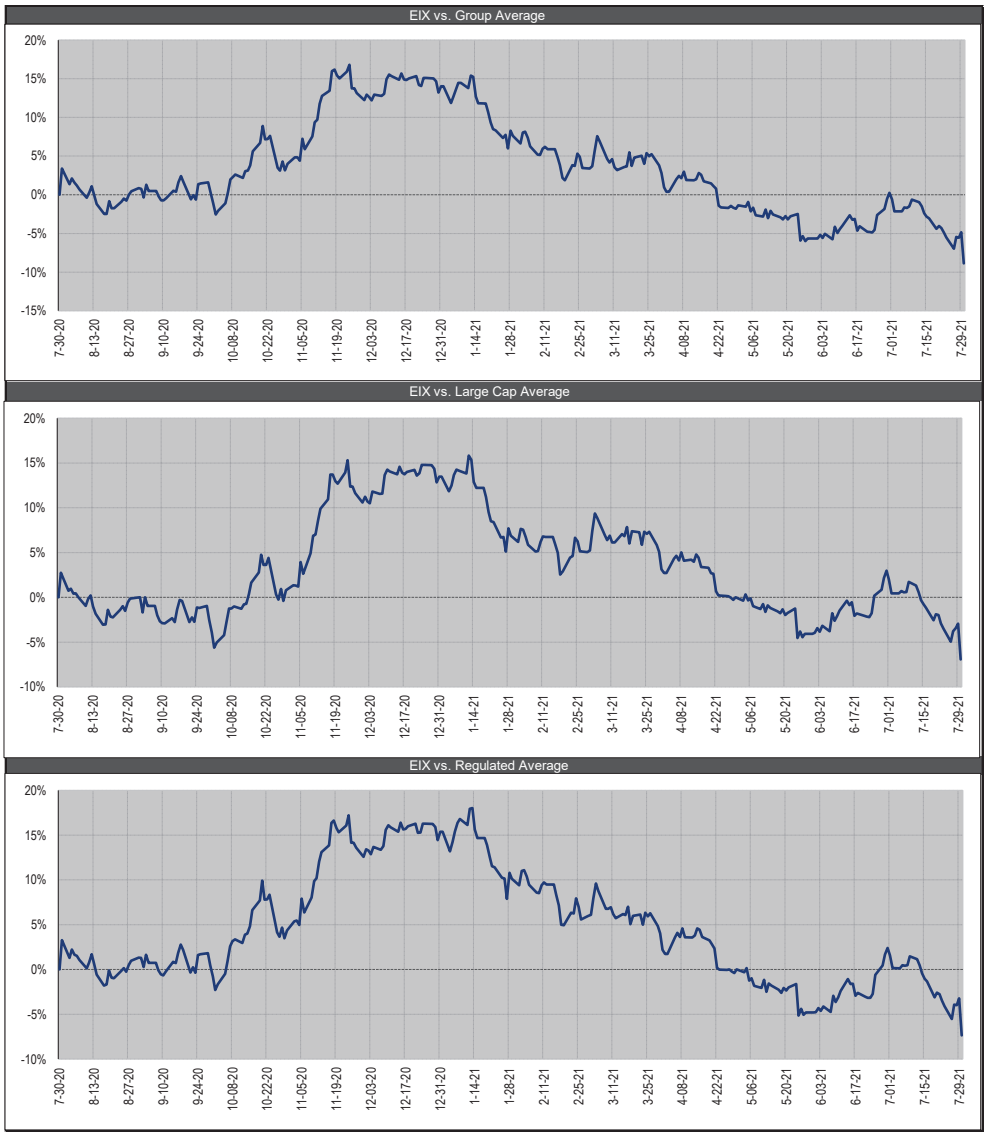

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8/1/2021

WOLFE RESEARCH

Eversource Energy (ES) $86.27, Outperform, $94 PT

ES outperformed peers for a second straight month after hitting 52-week lows in early Jun, as there was more positive tone on a potential settlement in CT over rates, and likely ROE and capital structure.

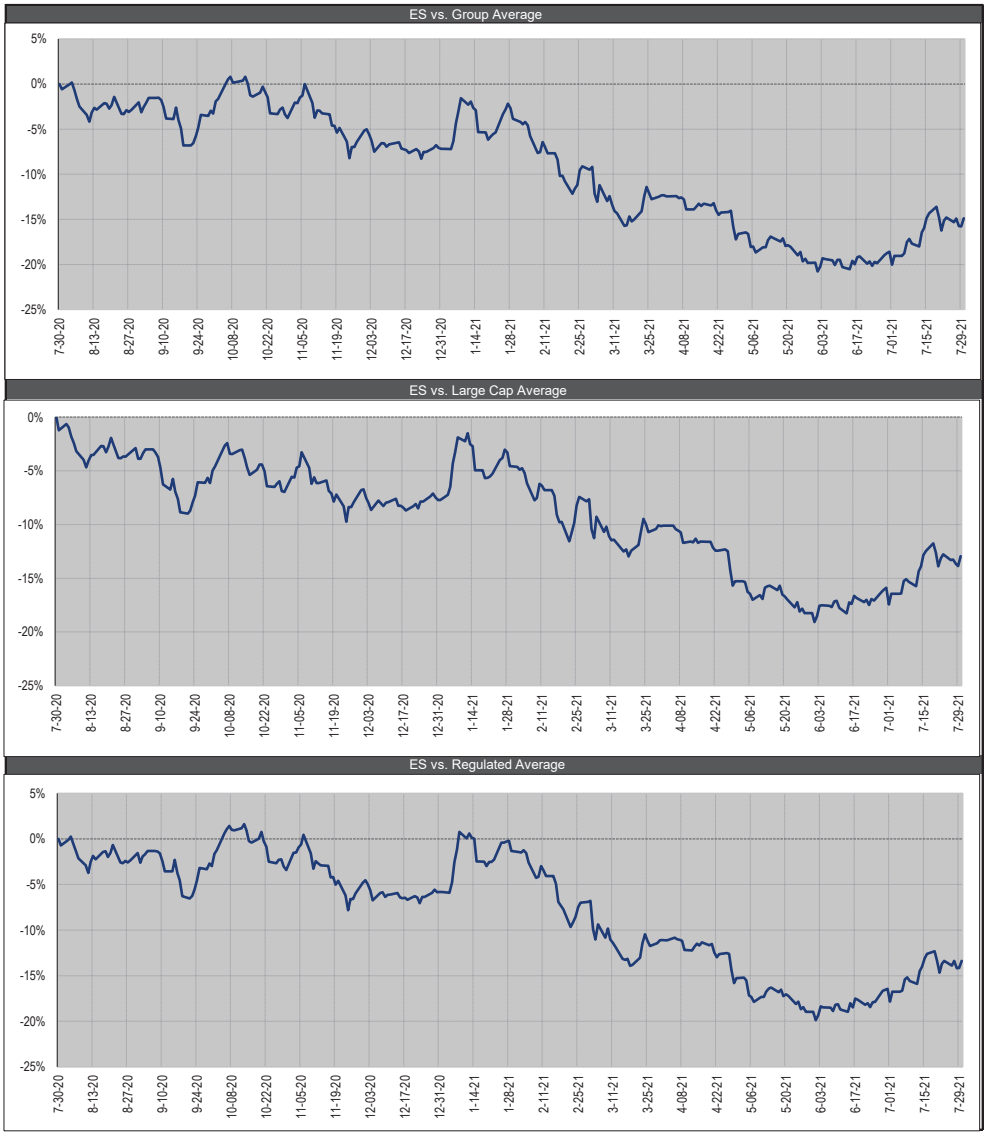

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8/1/2021

WOLFE RESEARCH

Entergy (ETR) $102.92, Outperform, $120 PT

ETR underperformed peers in Jul on little news, possible on concerns over equity or preferred equity issuances in 2H21.

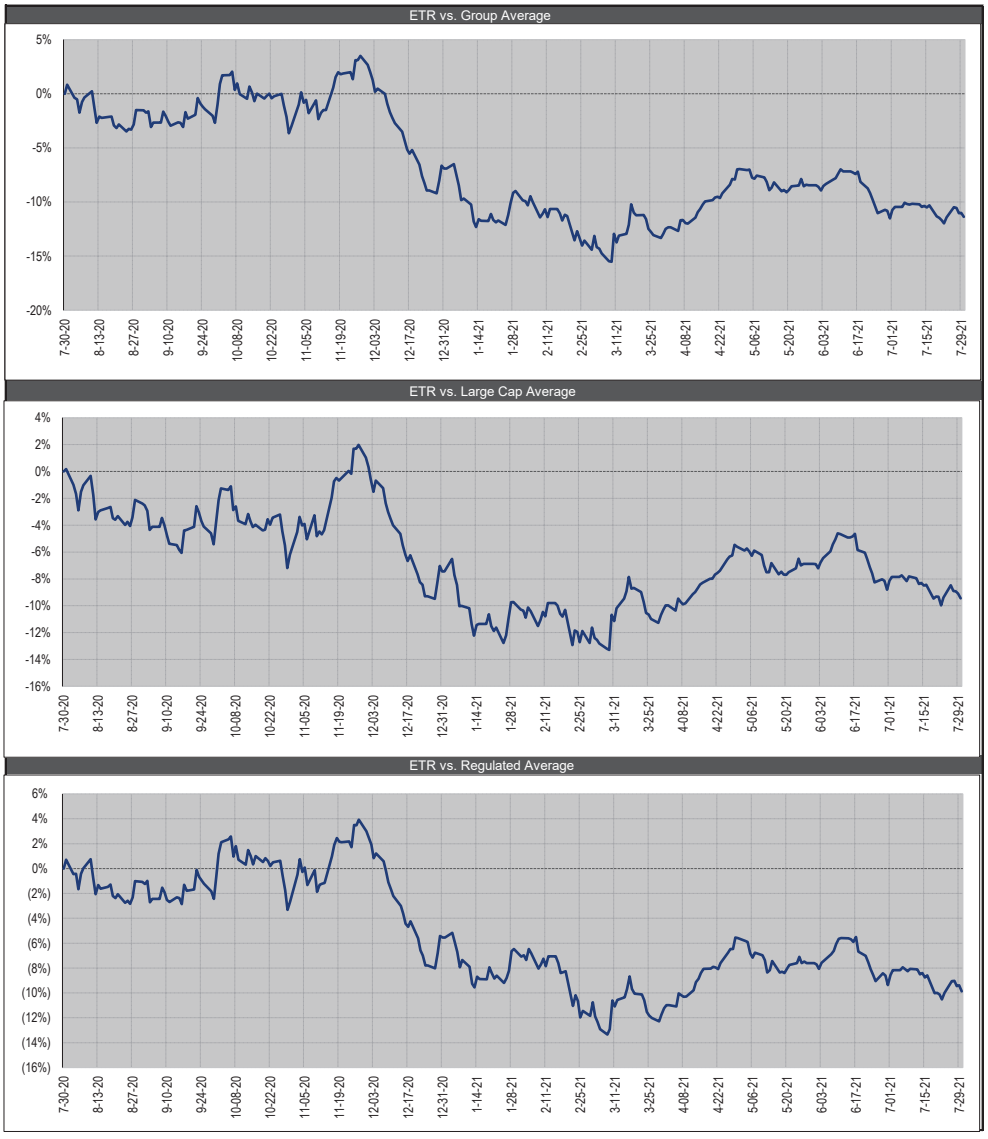

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8/1/2021

WOLFE RESEARCH

Evergy (EVRG) $65.22, Outperform, $69 PT

EVRG was one of the top-performers in July on no real news. This stock is also towards the top of the leaderboard for 2021. We see Q2 earnings as being relatively uneventful, but are buyers into the September Analyst Day that should better highlight the long-term plan under new mgmt.

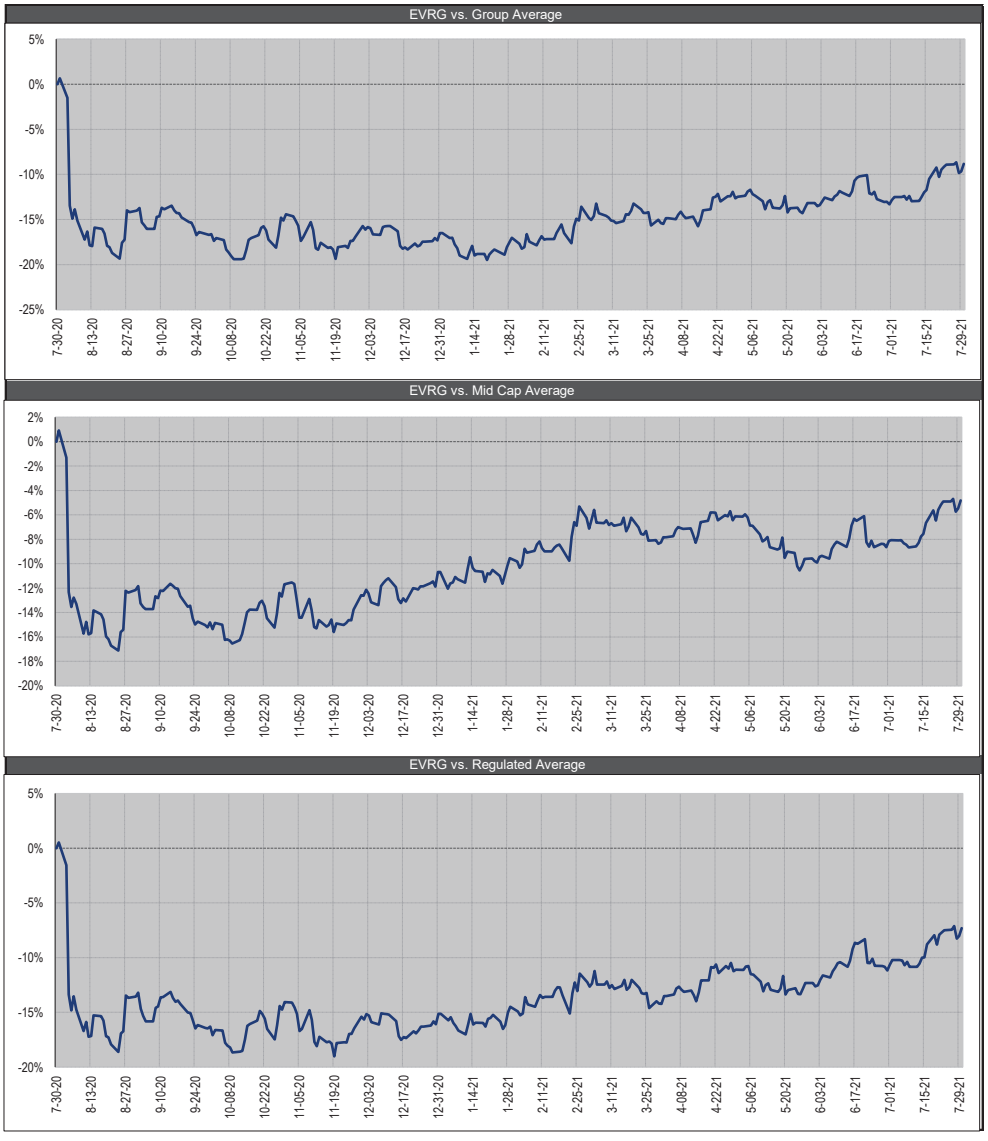

8/1/2021

WOLFE RESEARCH

Exelon (EXC) $46.80, Outperform, $52 PT

EXC hit 52-week highs relative to large cap peers, despite no progress on IL legislation (for now) as federal nuke PTCs gained momentum and now looks poised to be included in the infra or reconciliation legislation.

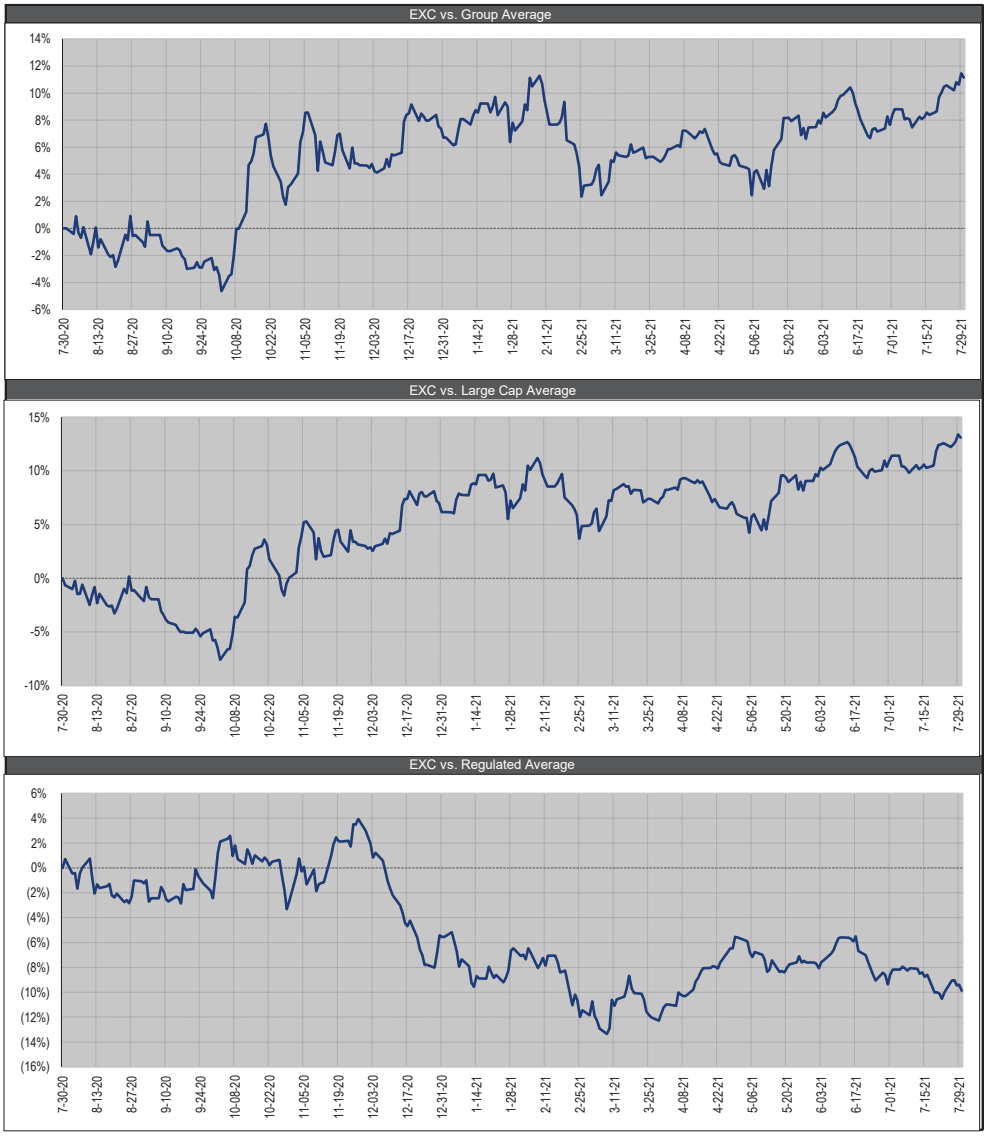

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8/1/2021

WOLFE RESEARCH

FirstEnergy (FE) $38.32, Outperform, $43 PT

FE traded sideways for most of the month, before popping on the announcement of a deferred prosecution agreement with the DoJ that resulted in a $230M fine. From there the stock quickly gave back the gains, as attention and concern shifted to resolution in Ohio where we see less earnings downside than some of the bears. FE is still the top performer on the year though.

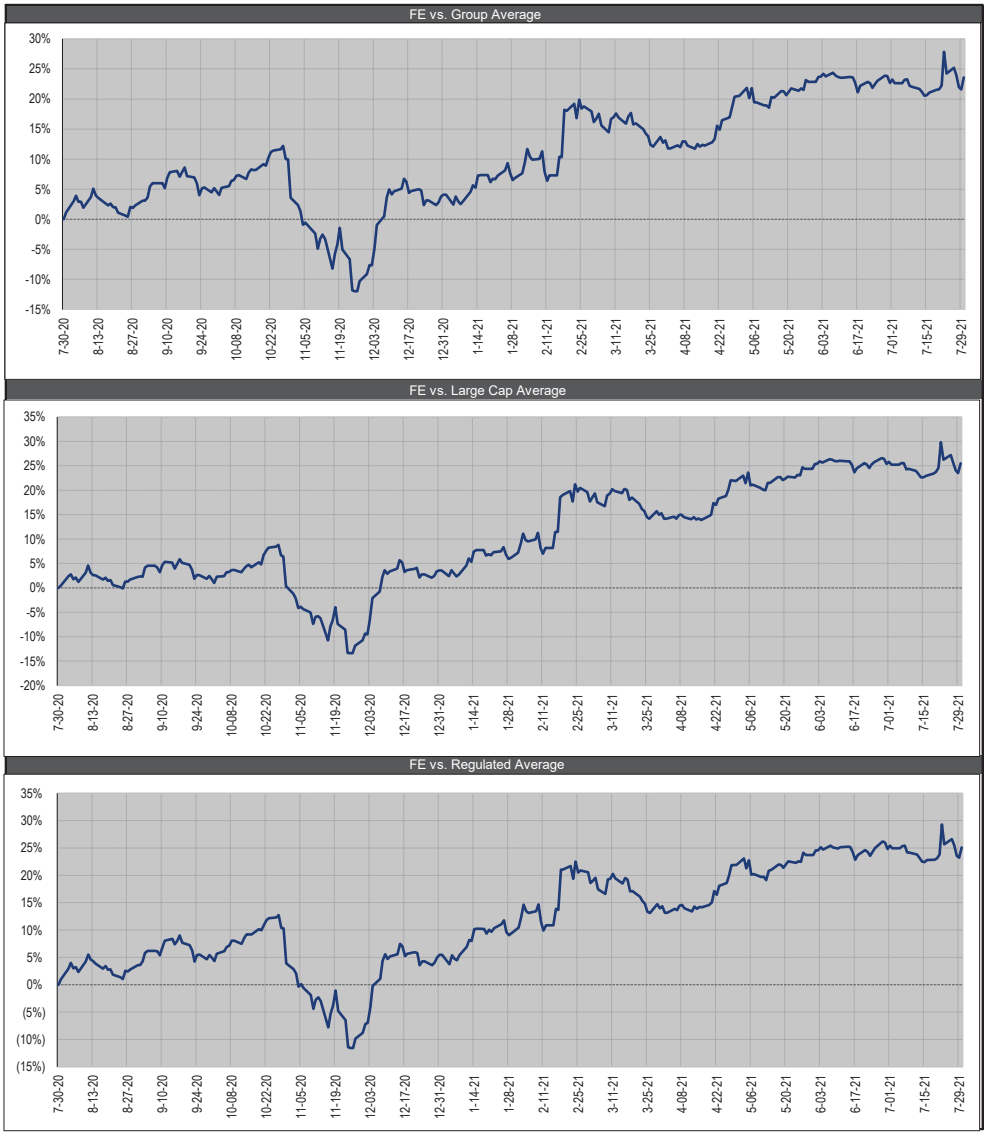

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8/1/2021

WOLFE RESEARCH

Fortis (FTS) $45.34, Peer Perform, $44 PT

FTS continued to underperform in July, after touching relative highs in mid-June. There was more news flow on FERC transmission – some good in terms of long-term opportunities, and some not so good in terms of ROEs and adders. Then the company reported a Q2 miss on weaker FX.

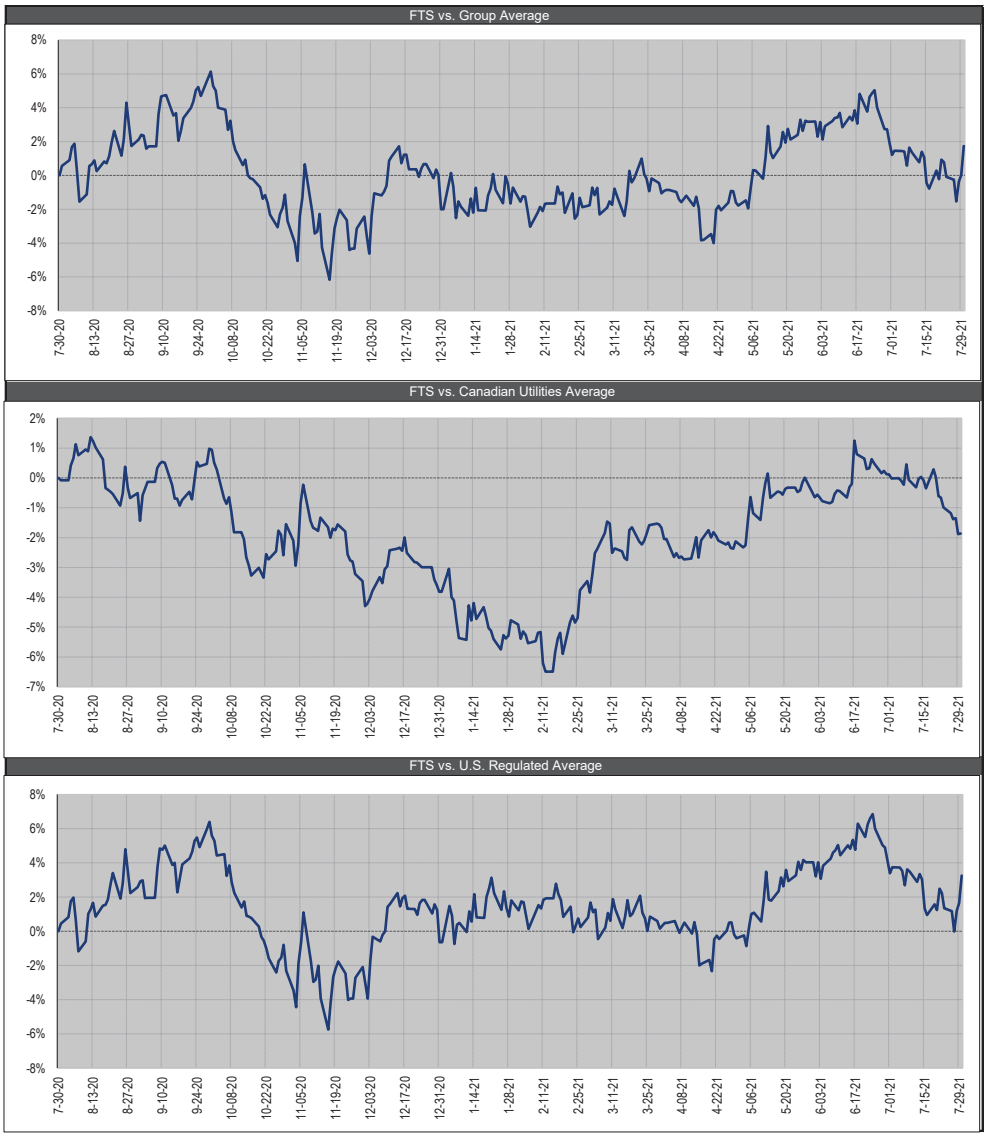

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WOLFE RESEARCH

Hawaiian Electric (HE) $43.34, NR

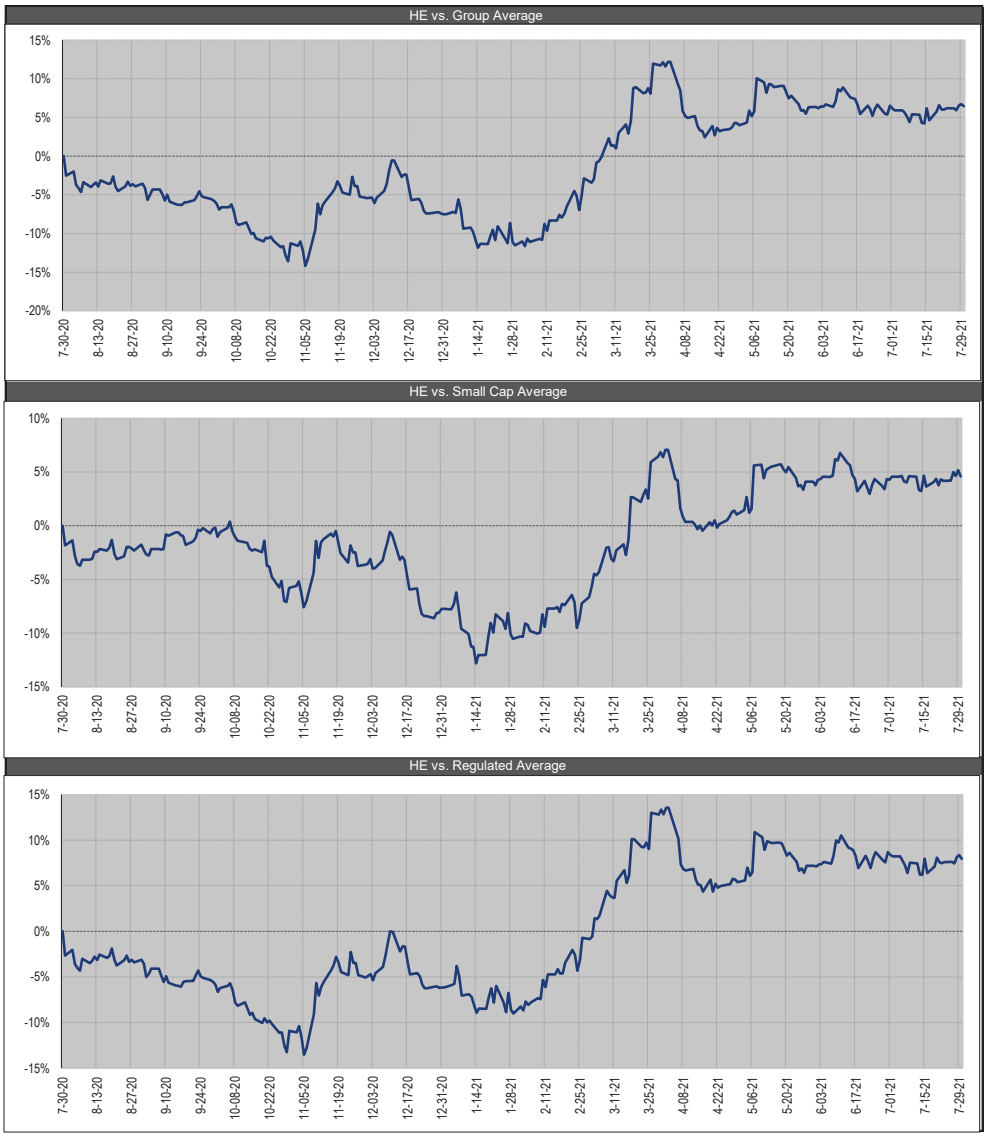

8/1/2021

WOLFE RESEARCH

Alliant Energy (LNT) $58.53, Outperform, $61 PT

LNT resumed its outperformance in July and set fresh relative highs. The company hosted an ESG Investor Day that re-highlighted its attractive positioning in terms of minimal coal exposure and sector-leading renewables in rate base with plans to add more.

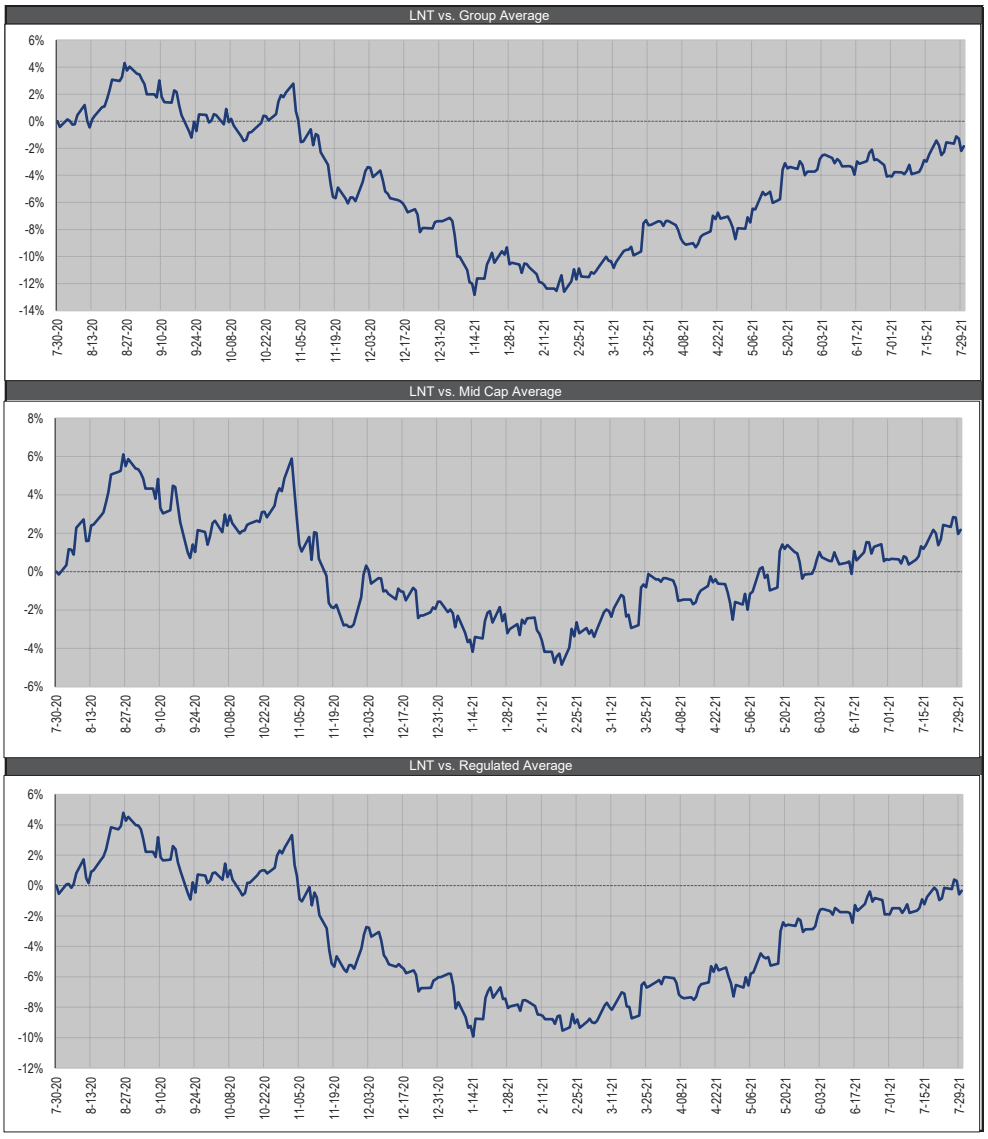

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8/1/2021

WOLFE RESEARCH

NextEra Energy (NEE) $77.90, Outperform, $91 PT

NEE continued its bounce off of relative lows set in mid-June, after renewables inflation fears weighed on the stock. In a bit of an opposite day, the company reported just in-line earnings for Q2, but outperformed. NEE is still in the rare position of underperforming on the year.

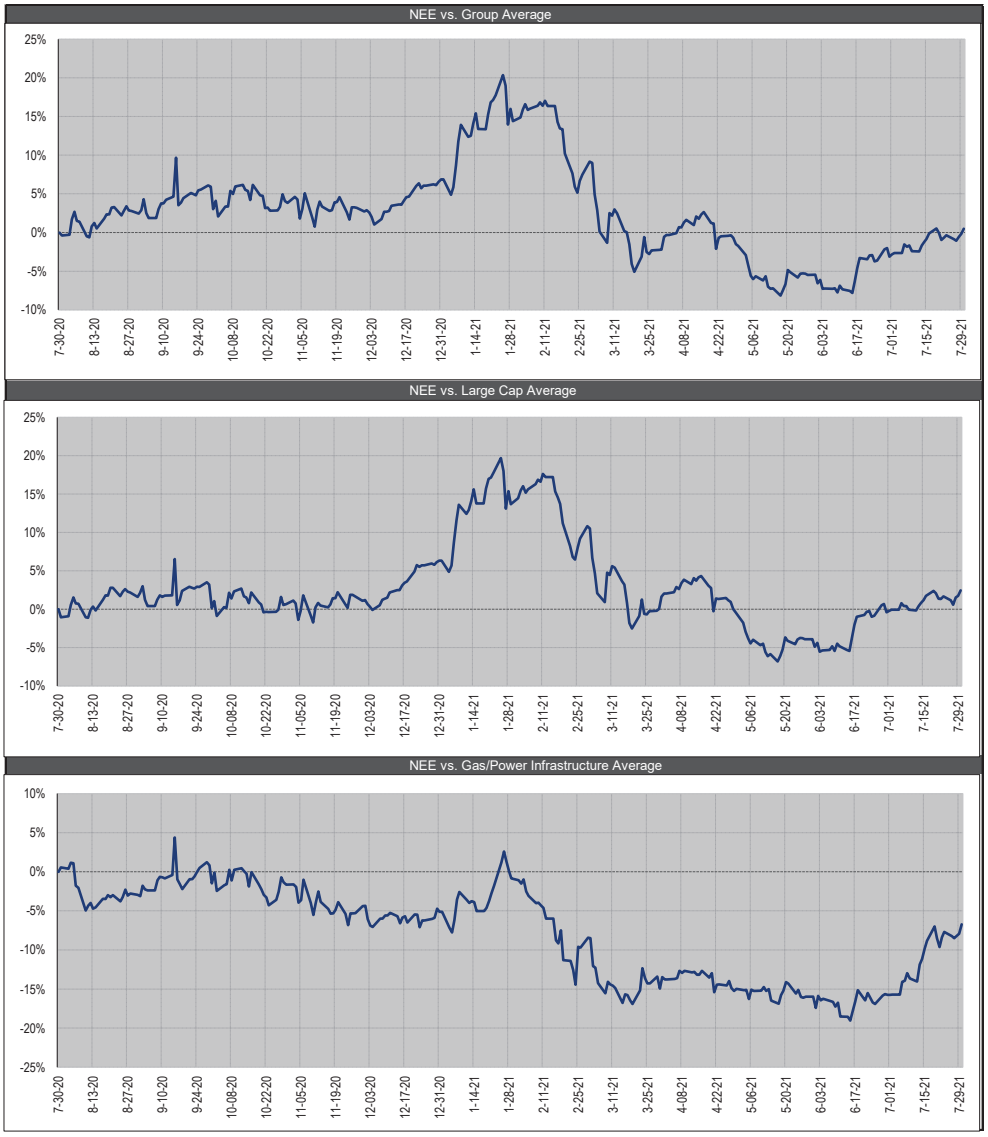

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8/1/2021

WOLFE RESEARCH

NextEra Energy Partners (NEP) $77.53, Outperform, $95 PT

NEP is in the opposite position from NEE – it underperformed on the month, but is still leading on the year. Q2 was a bit disappointing for them, as EBITDA missed and the latest drop from NEE was done at the weakest CAFD yield yet (8.0%).

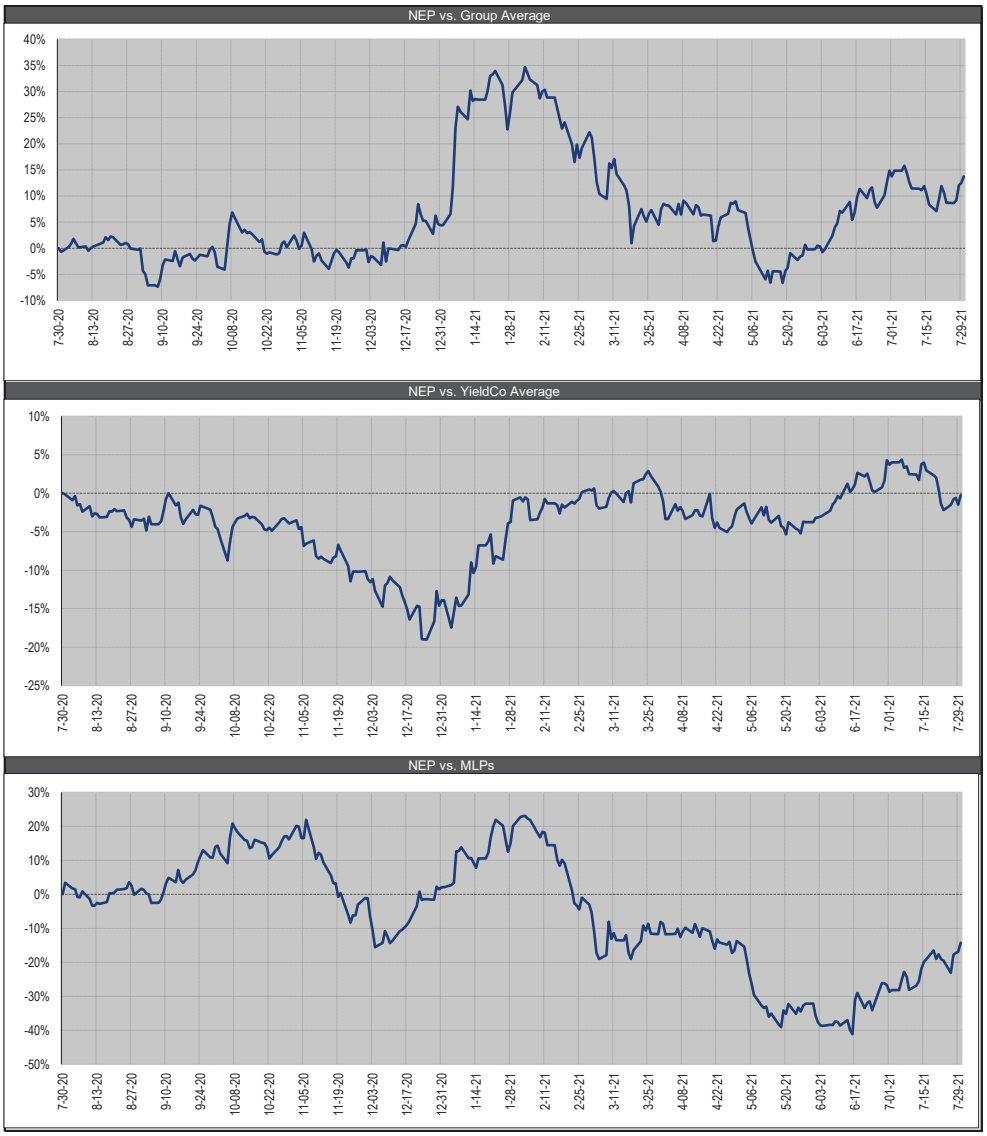

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WOLFE RESEARCH

NiSource (NI) $24.77, Outperform, $29 PT

NI underperformed the utility average in July. There was little news on the company during the month. NI did file a rate case at its largest gas LDC (Ohio) on the final day of June, where it's the subsidiary's first base rate case filing in 13 years.

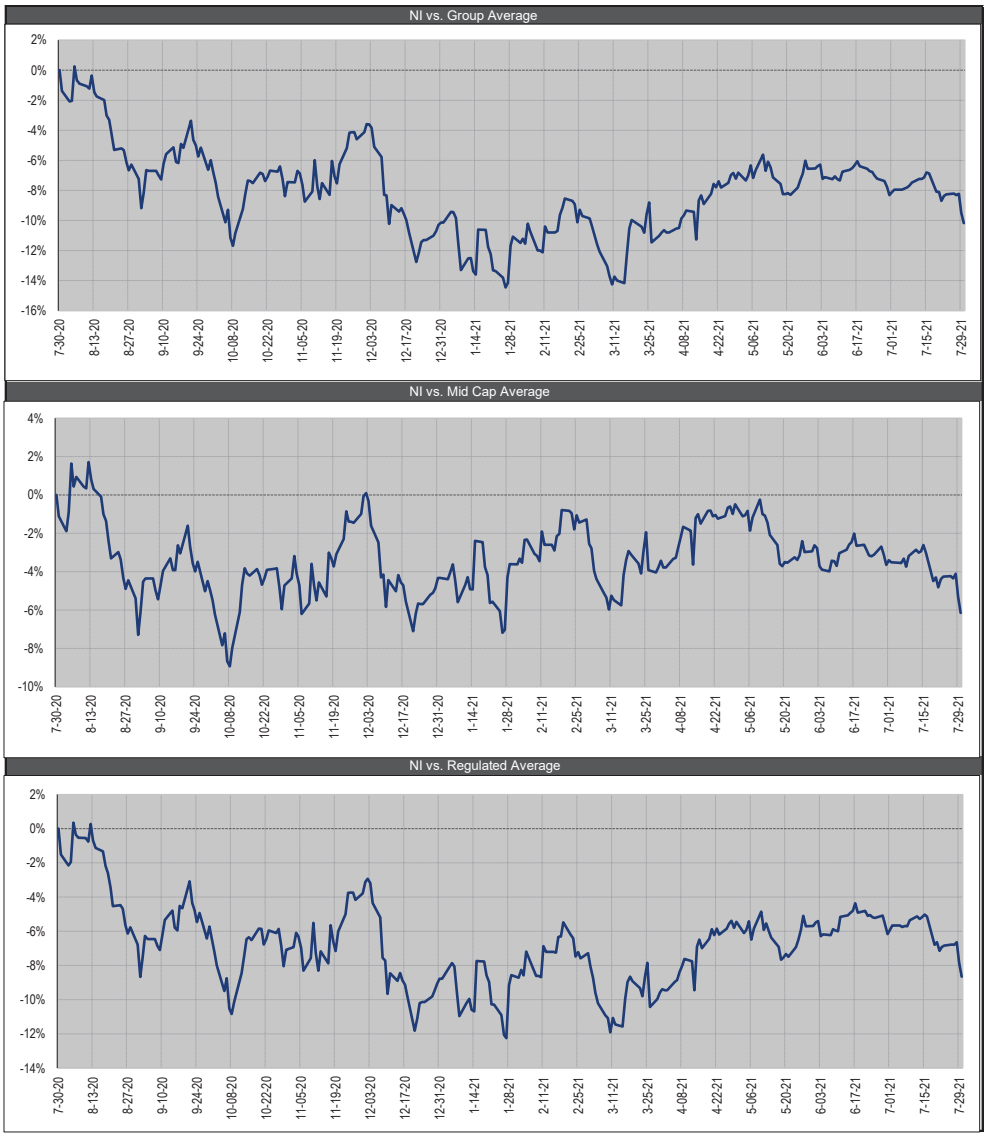

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8/1/2021

WOLFE RESEARCH

NRG Energy (NRG) $41.24, Peer Perform, $41 PT

NRG performed in line with the market in July on limited news post the analyst day. The stock has materially outperformed peer VST YTD.

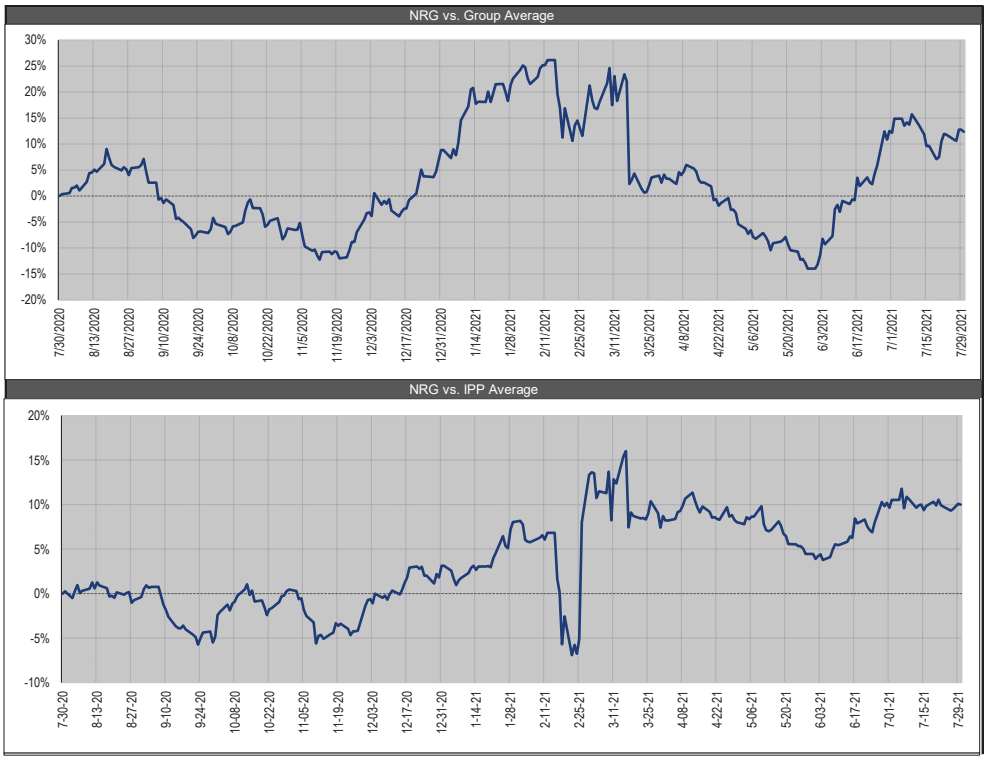

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WOLFE RESEARCH

NorthWestern Corp (NWE) $61.99, NR

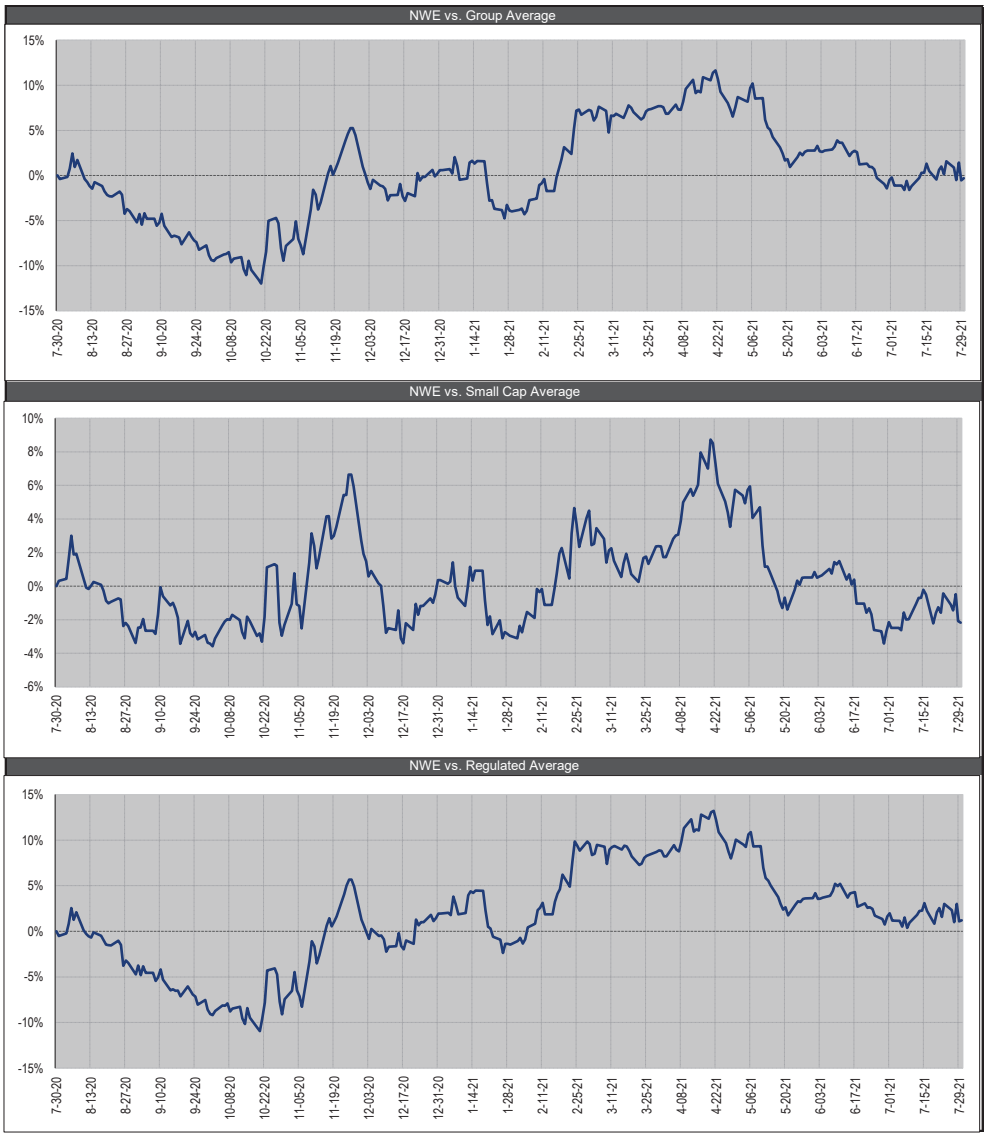

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8/1/2021

WOLFE RESEARCH

OGE Energy (OGE) $33.75, Peer Perform, $39 PT

OGE underperformed the utilities index in July. It was a quiet month for OGE. Perhaps the underperformance was explained by the weakness in ET/ENBL stocks – down -8.7%/-8.2% (the XLE was down similarly). There could also have been some concerns over the ENBL/ET merger given D's cancelation of its Q-Pipe Deal; we still believe the ENBL/ET merger will close, likely in late Q3 or early Q4.

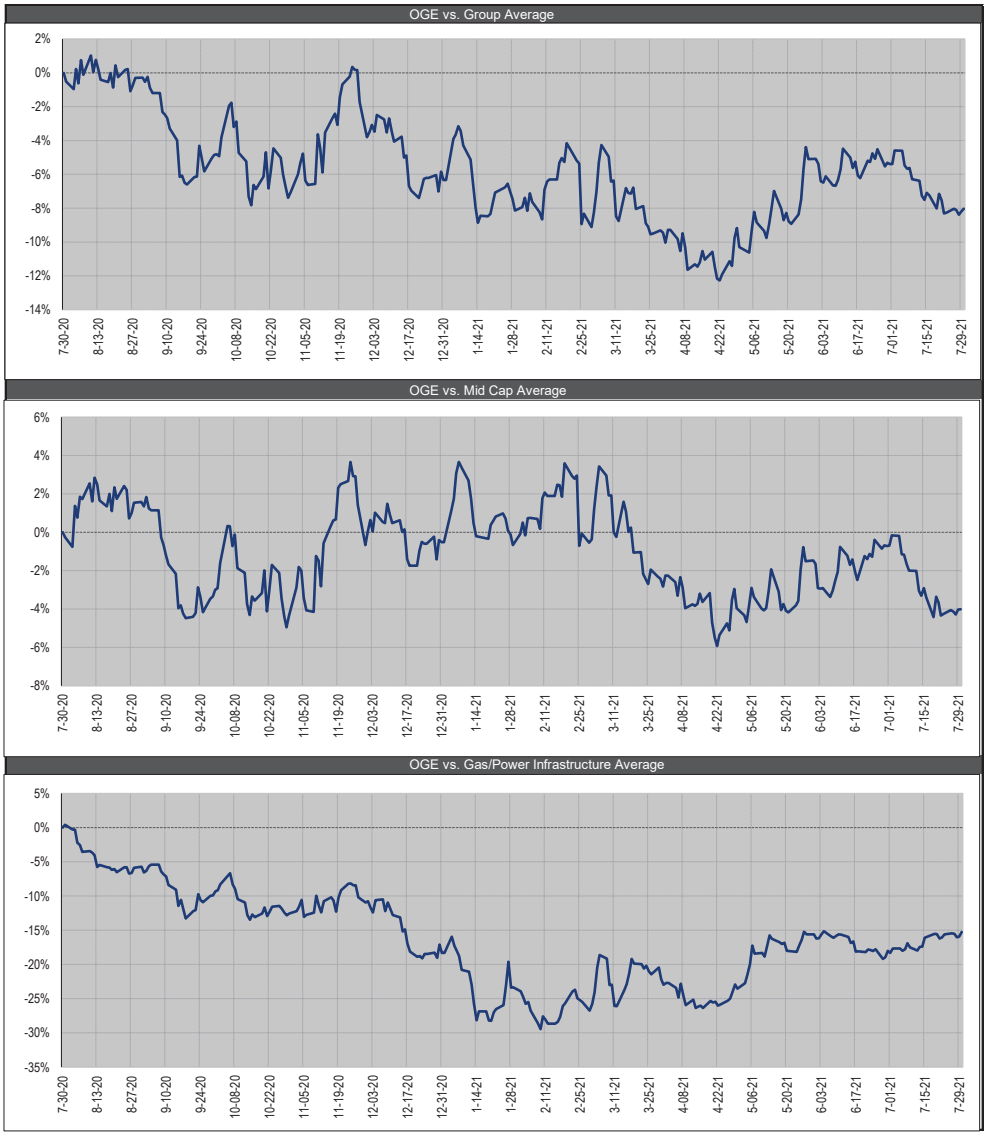

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8/1/2021

WOLFE RESEARCH

PG&E Corporation (PCG) $8.79, Outperform, $14 PT

PCG lost over 1,500bp relative to peers in Jul, after its reported involvement in the Dixie Fire and a possible ROE cut in 2022 appeared increasingly likely.

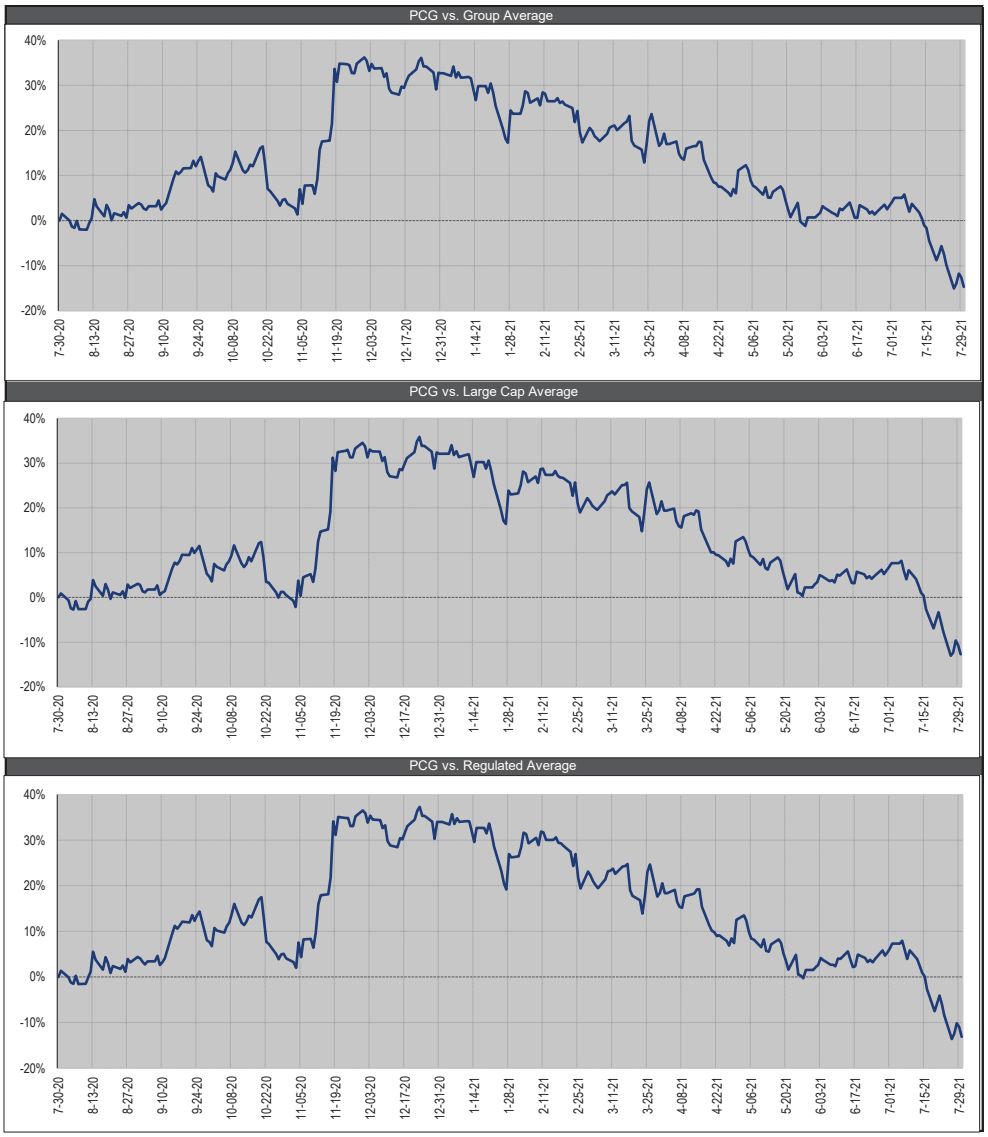

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8/1/2021

WOLFE RESEARCH

Public Service Enterprise Group (PEG) $62.23, Outperform, $65 PT

PEG started rallying sharply into the end of the month and towards the top-end of its recent trading range. Anticipation continues to build for its fossil sale announcement, long-term earnings outlook, plus potential nuclear support in the Biden infrastructure bill.

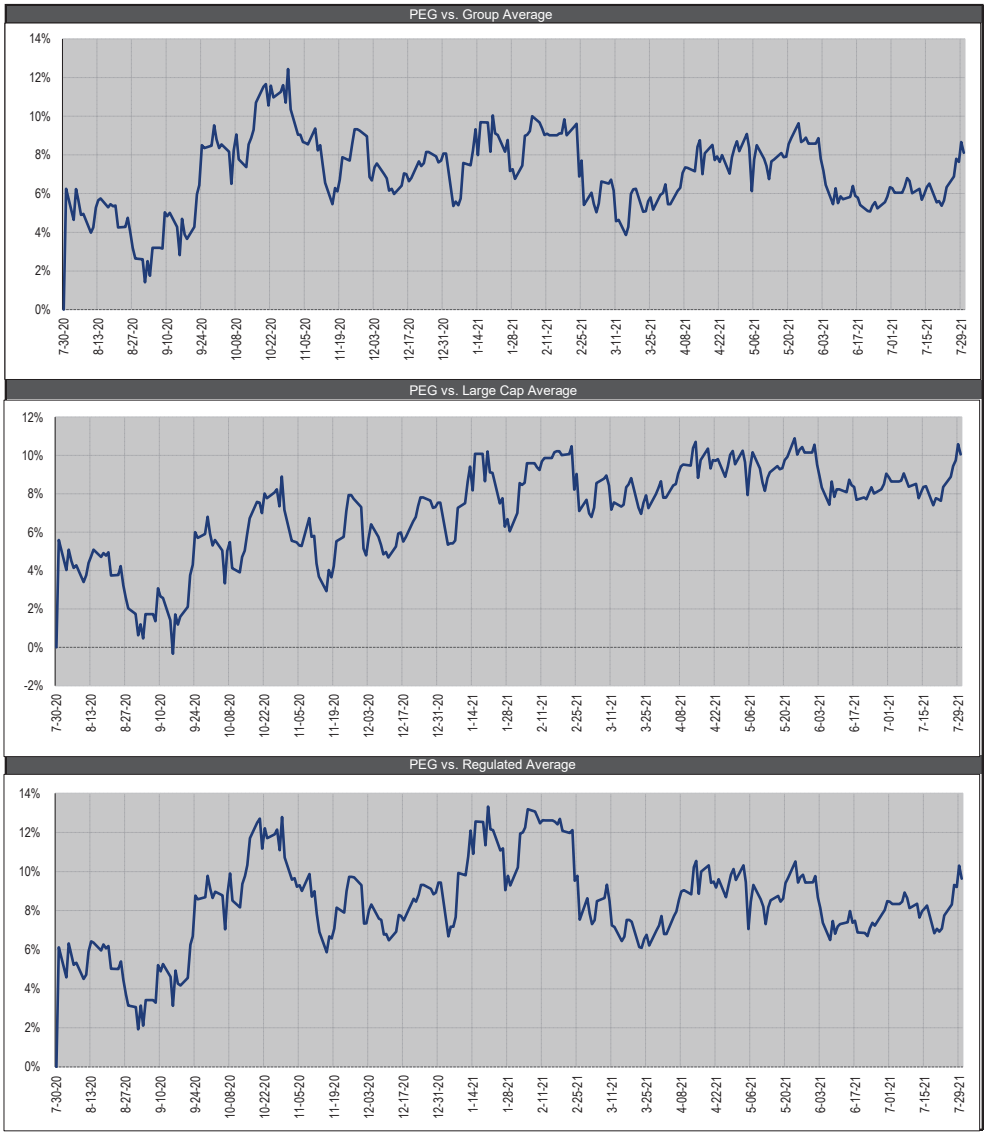

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8/1/2021

WOLFE RESEARCH

PNM Resources (PNM) $48.33, NR

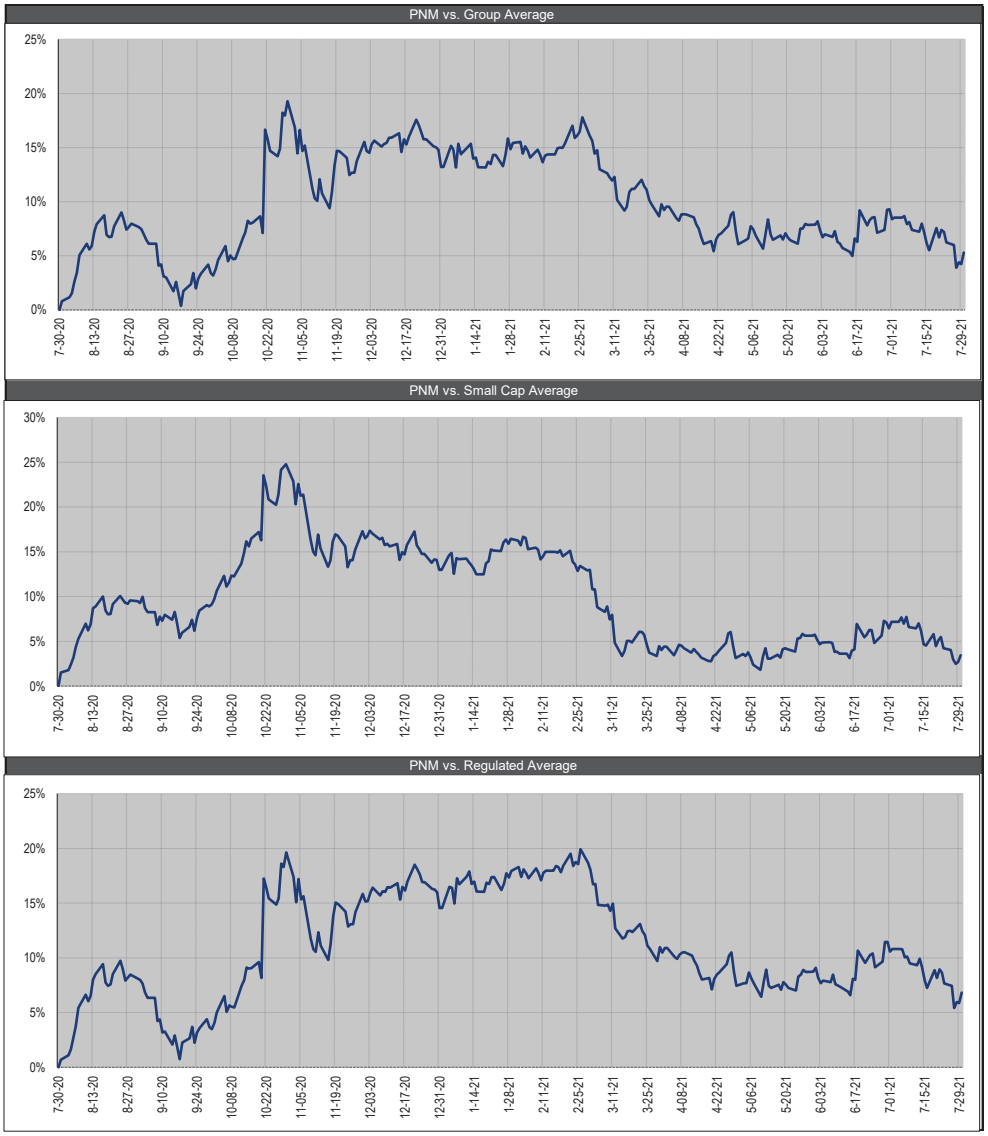

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8/1/2021

WOLFE RESEARCH

Pinnacle West Capital (PNW) $83.55, Underperform, $80 PT

PNW underperformed the utility index in July as APS' rate case continues to linger. We are still waiting on an ALJ recommendation which could come any day (have been saying that since early June). We continue to have a cautious view on the eventual outcome of the case.

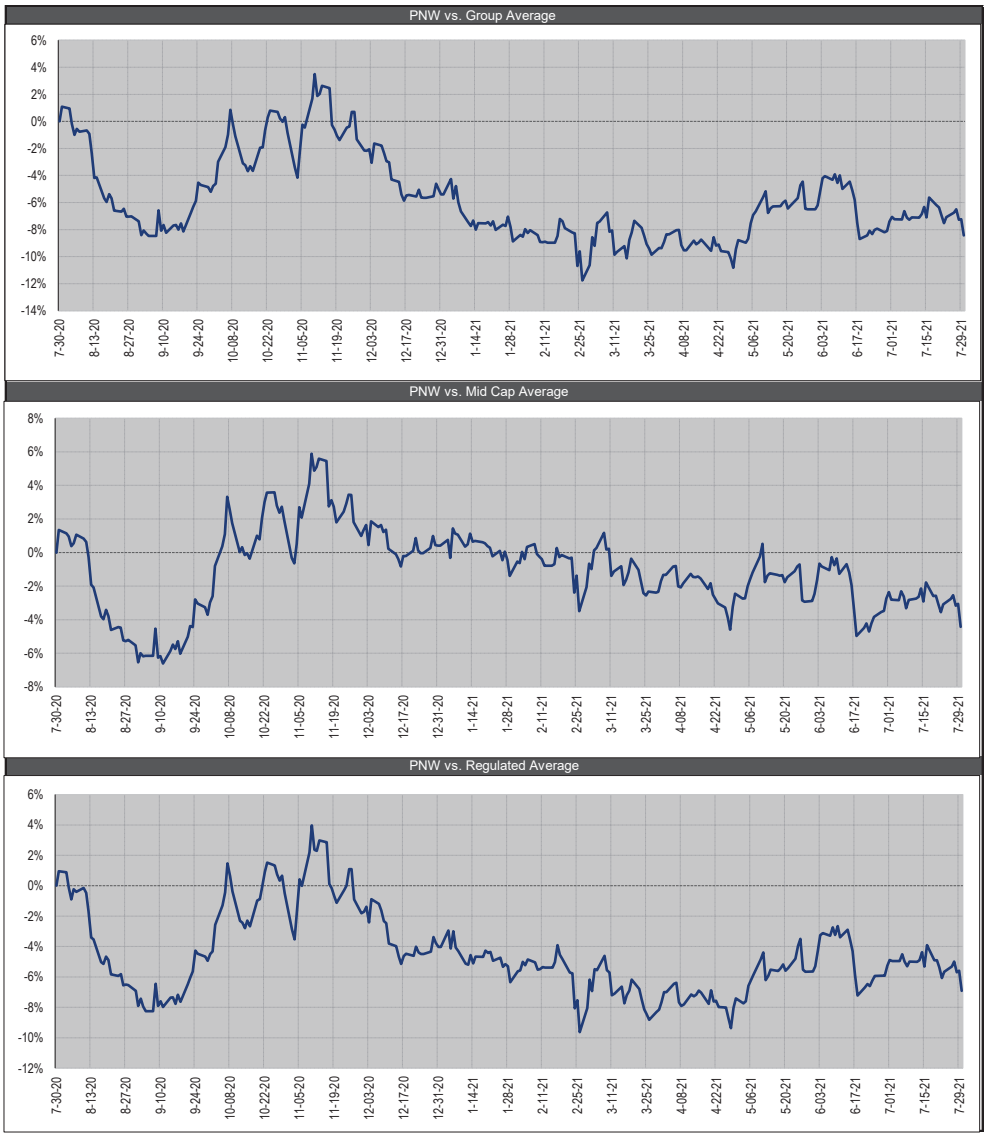

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WOLFE RESEARCH

Portland General (POR) $48.90, Peer Perform, $52 PT

POR outperformed the utility average as well as its small-cap peers in July. It was a busy month for POR – formally filing its rate case early in the month, then disclosing that it reached a $6.75M settlement (covered by insurance) to fully resolve its putative securities class action related to last year's energy trading losses. The month was capped off by a positive earnings report where POR raised its FY21 guidance range on stronger than expected sales growth.

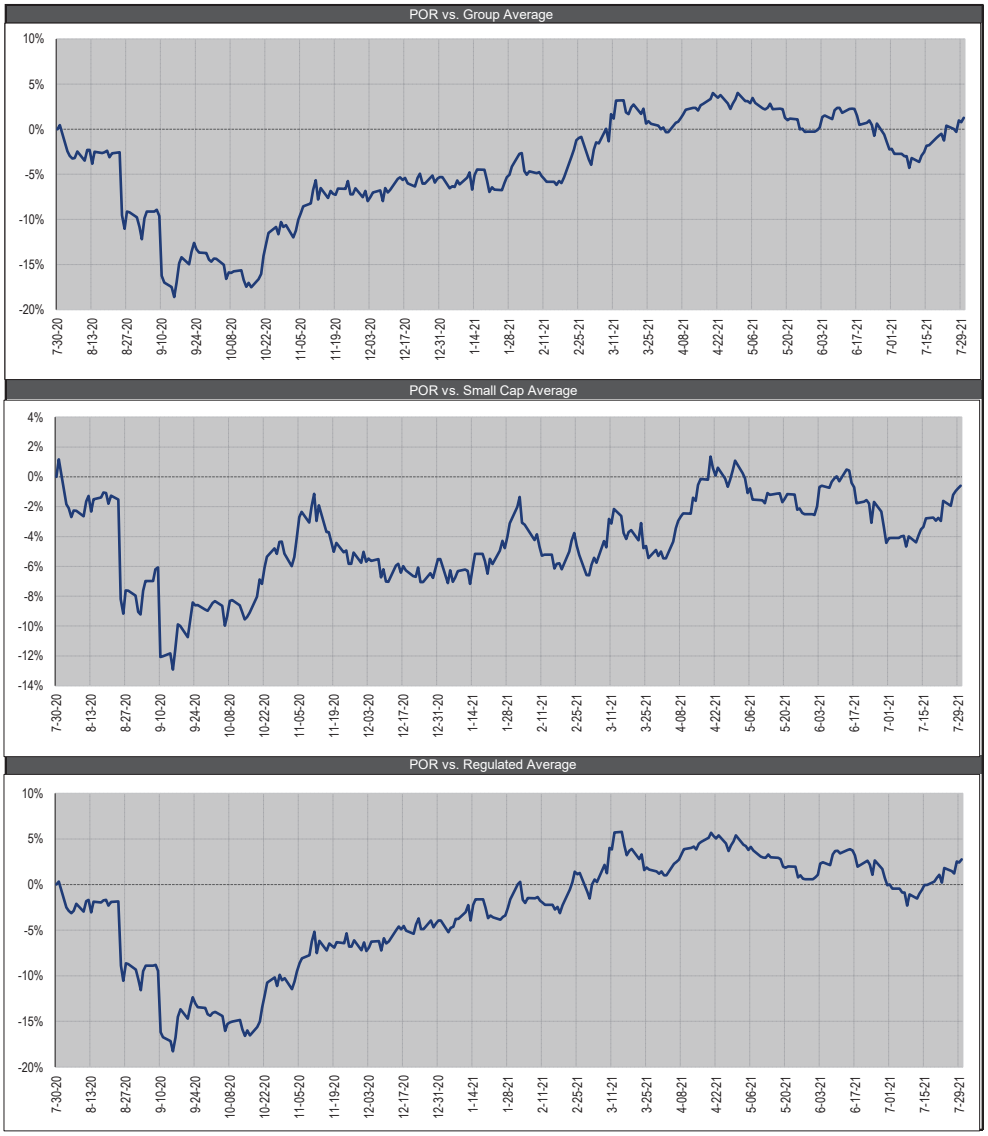

8/1/2021

WOLFE RESEARCH

PPL Corporation (PPL) $28.37, Peer Perform, $31 PT

PPL underperformed peers in Jul but remains in a trading range, as investors await a decision on what to do with over $3B of residual proceeds from its UK sale.

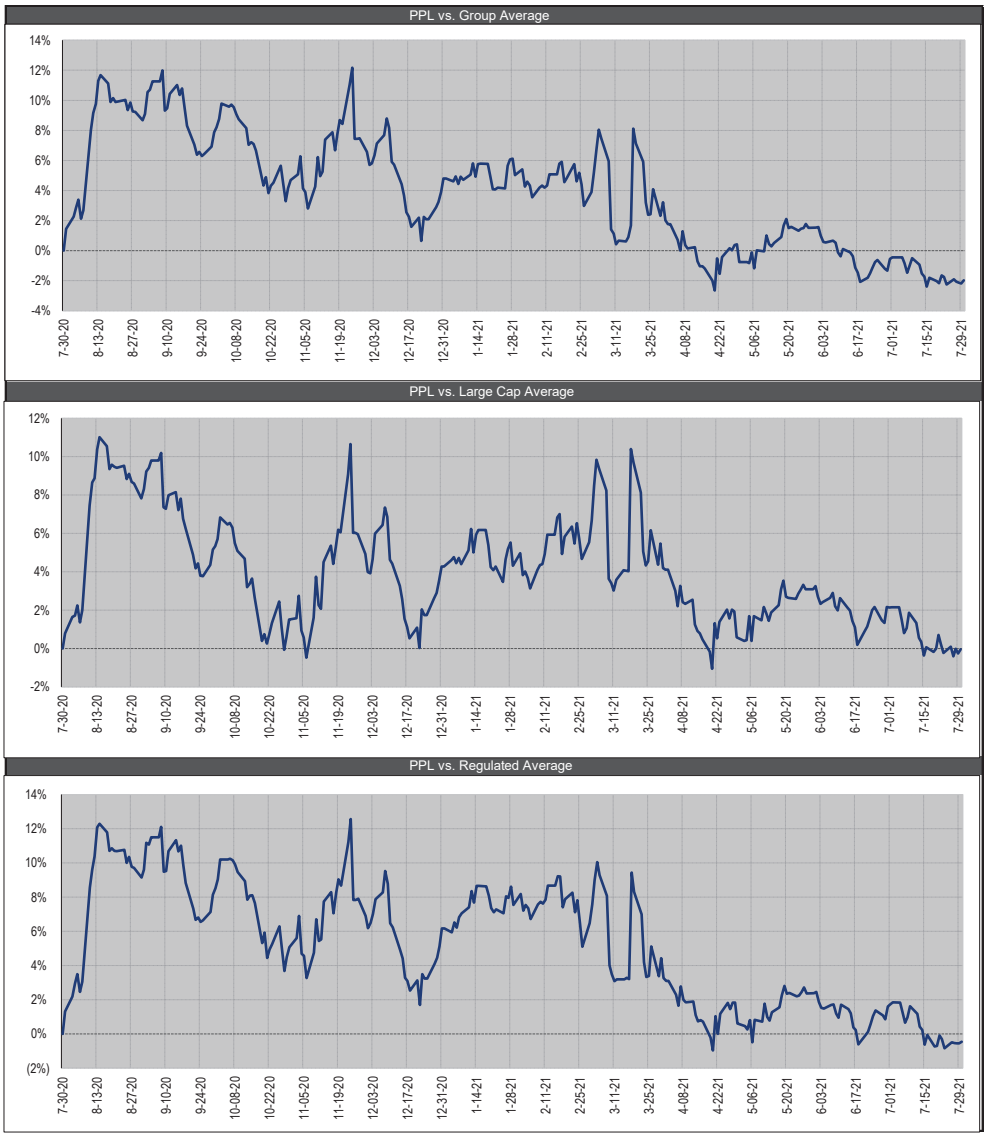

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WOLFE RESEARCH

Southern Company (SO) $63.87, Peer Perform, $64 PT

In Jul, SO recovered most of the weakness that followed GaPSC Staff's May/Jun prediction that Vogtle would be delayed; at end of month, SO announced a delay/overrun and the stock outperformed.

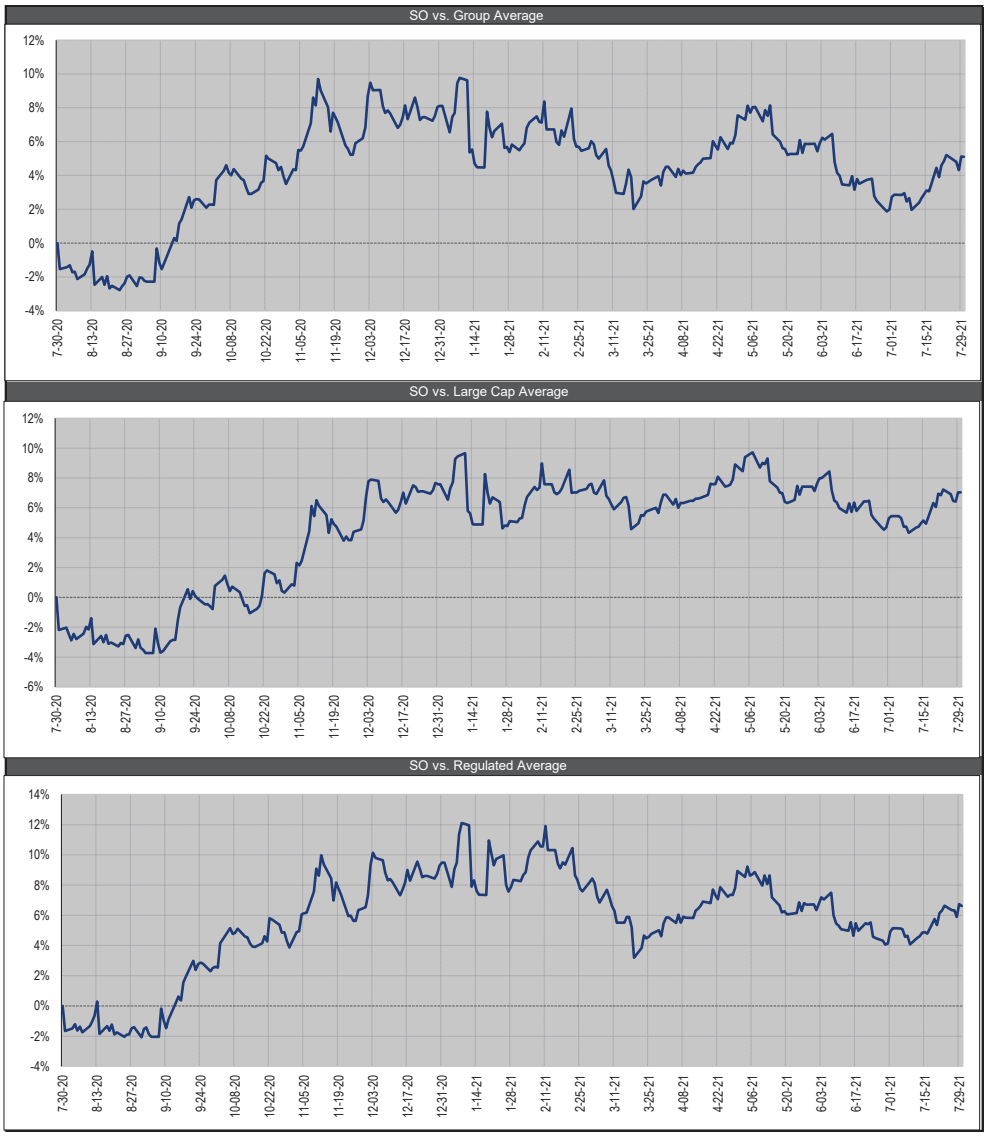

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WOLFE RESEARCH

Sempra Energy (SRE) $130.65, Outperform, $153 PT

Shares of SRE were down 1.4% in July, the fourth worst performance in the sector last month and second worst in the gas/power infrastructure group. We attribute it to a few factors - California attributes as PCG and EIX were down as well and carry through from an analyst meeting at the end of June that had mixed feedback from investors that are concerned with the company's utility plus infrastructure strategy.

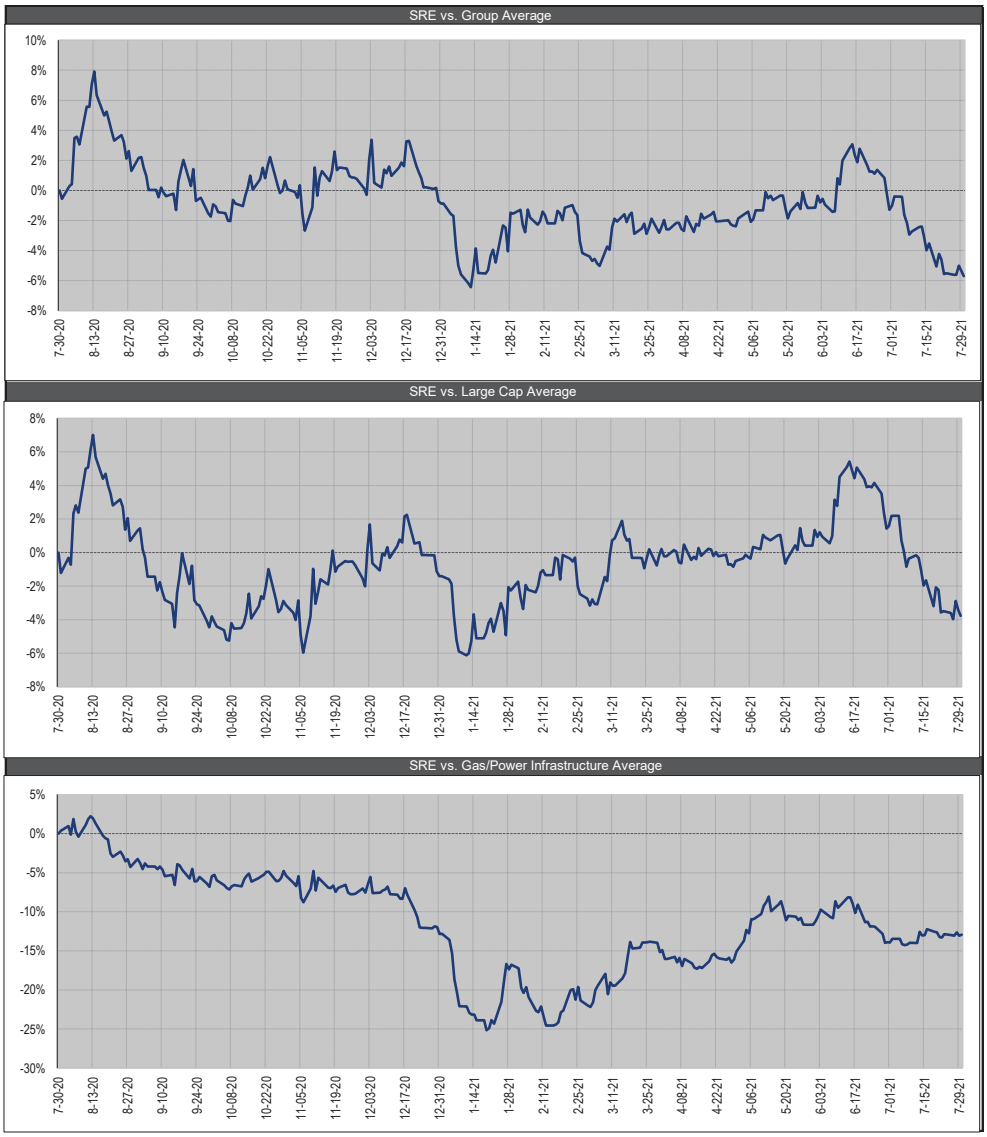

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WOLFE RESEARCH

Vistra Corporation (VST) $19.15, Peer Perform, $25 PT

VST traded in-line with the broader sector and slightly ahead of the S&P 500 in July, despite gas and power continuing to rip higher. The stock remains one of the worst performers on the year.

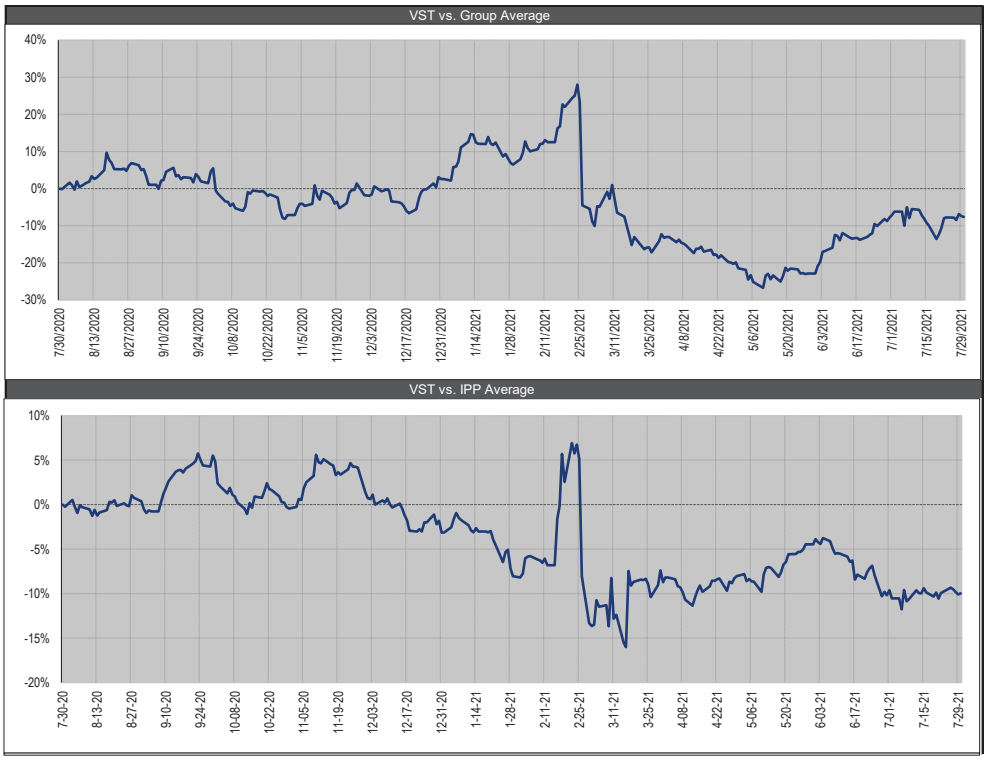

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WOLFE RESEARCH

WEC Energy Group (WEC) $94.14, Underperform, $95 PT

WEC outperformed some in July, but is still an underperformer on the year. It was a quiet month for the company, other than another energy infrastructure investment announcement.

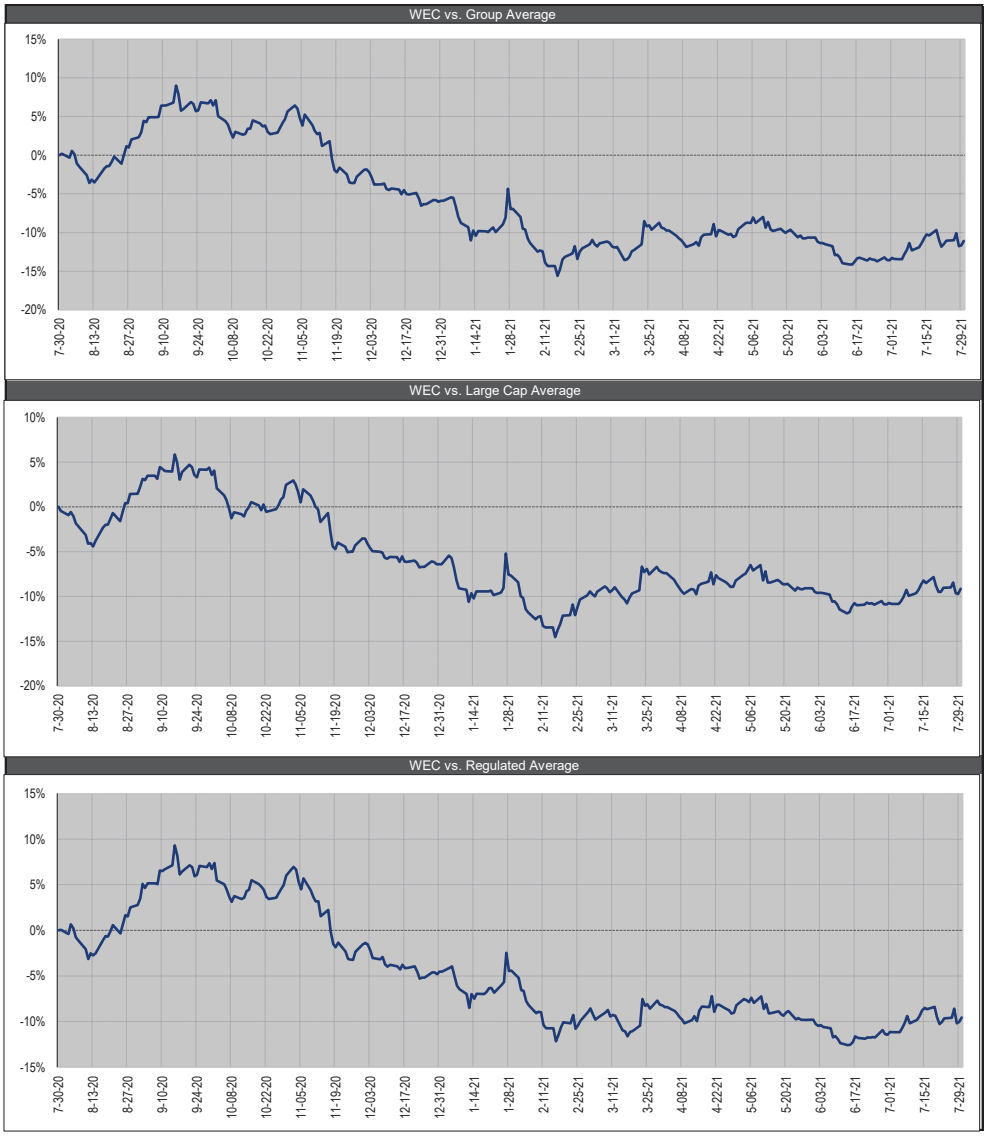

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WOLFE RESEARCH

Essential Utilities (WTRG) $49.12, NR

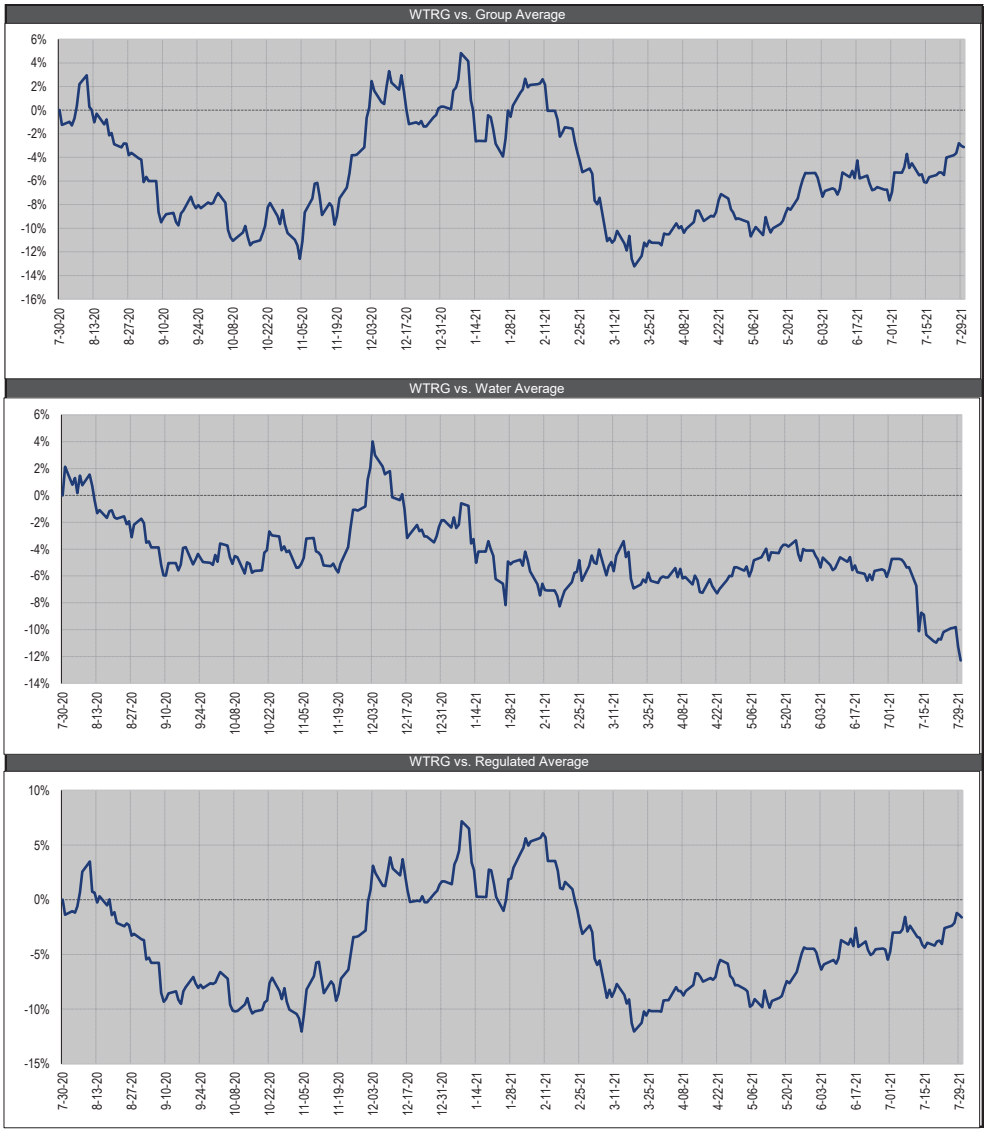

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WOLFE RESEARCH

Xcel Energy (XEL) $68.25, Peer Perform, $73 PT

XEL modestly underperformed the utility average in July. Early in the month XEL filed an electric rate case at PSCo. Then toward the end of the month, XEL reported Q2 earnings where it posted a small Q2 beat and reaffirmed FY21 guidance. We got the sense that XEL is ahead of plan through the 1H and that the company is tracking to deliver EPS in the upper half or toward the top end of its guidance range.

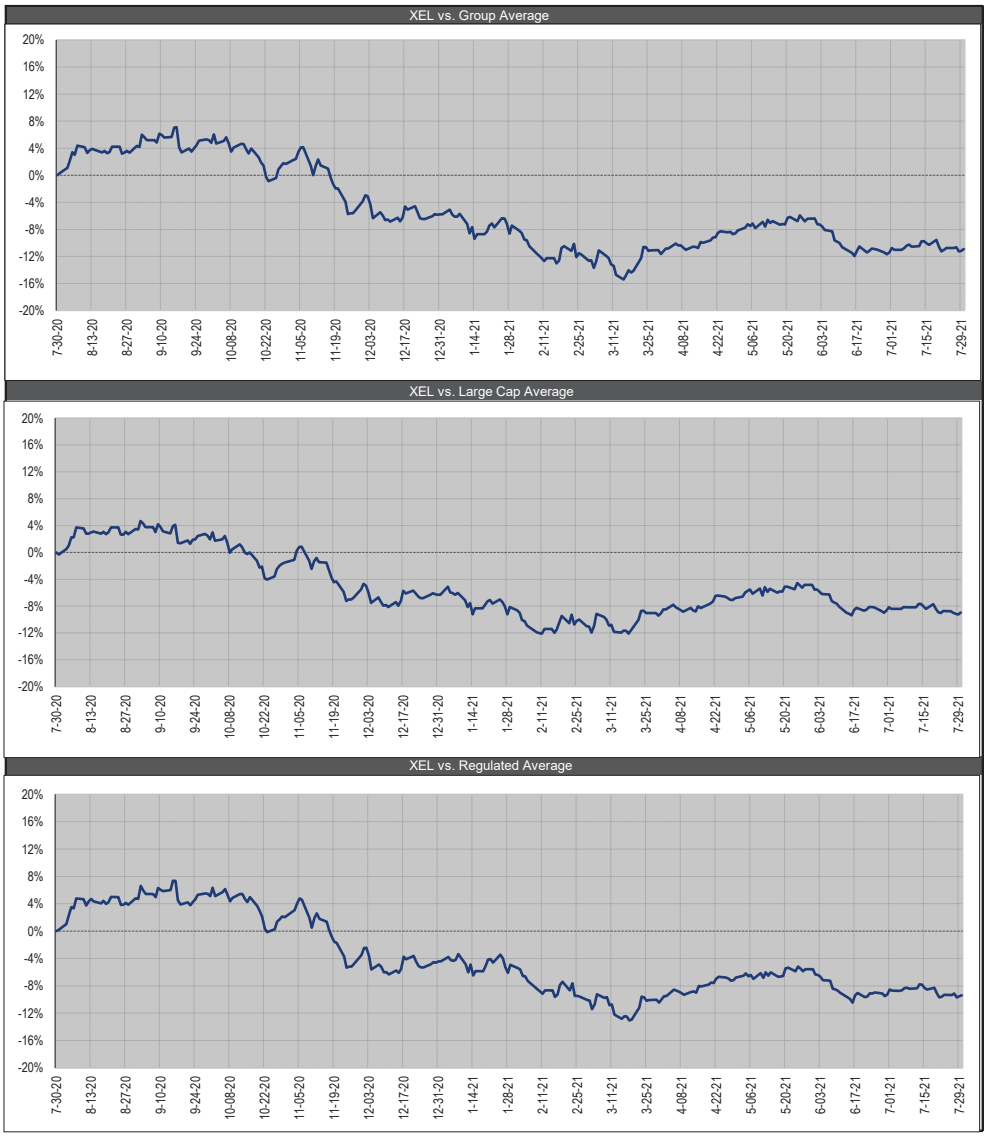

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Comparable Tables

Exhibit 3: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$58.53	250	$14,640	22.7x	21.4x	20.4x	19.3x	2.8%	5.9%	62%	2.5x	46%
Ameren	AEE	83.92	256	21,446	22.3x	20.6x	19.3x	18.2x	2.6%	7.0%	58%	2.3x	42%
American Electric	AEP	88.12	500	44,082	19.0x	17.6x	16.6x	15.7x	3.4%	5.7%	64%	2.1x	37%
Avangrid	AGR	52.14	387	20,188	23.2x	21.8x	20.4x	N/A	3.4%	0.0%	78%	1.0x	58%
CenterPoint Energy	CNP	25.46	580	14,779	20.4x	19.0x	17.8x	16.4x	2.5%	7.0%	50%	2.2x	36%
CMS Energy	CMS	61.79	290	17,898	21.5x	21.5x	19.6x	17.8x	2.8%	6.7%	61%	3.1x	27%
Con Edison	ED	73.77	353	26,046	17.3x	15.8x	15.4x	14.7x	4.2%	1.3%	73%	1.3x	43%
Dominion	D	74.87	807	60,384	19.3x	18.1x	17.1x	15.9x	3.4%	6.0%	65%	2.5x	41%
DTE Energy	DTE	117.32	194	22,731	16.0x	20.2x	18.8x	17.7x	3.8%	7.2%	60%	1.8x	35%
Duke Energy	DUK	105.11	769	80,853	20.5x	19.5x	18.3x	17.2x	3.7%	2.0%	77%	1.7x	42%
Edison International	EIX	54.50	379	20,679	12.0x	11.6x	10.7x	N/A	4.9%	4.0%	58%	1.5x	38%
Emera*	EMA	58.19	254	14,763	21.0x	18.2x	17.4x	16.5x	4.4%	4.0%	93%	1.8x	38%
Entergy	ETR	102.92	201	20,652	17.2x	16.3x	15.3x	14.5x	3.9%	6.0%	67%	1.9x	30%
Evergy	EVRG	65.22	229	14,953	19.7x	18.6x	17.2x	16.3x	3.3%	6.0%	66%	1.7x	44%
Eversource Energy	ES	86.27	343	29,631	22.7x	21.1x	19.8x	18.7x	2.8%	6.2%	63%	2.1x	44%
Exelon	EXC	46.80	977	45,732	16.7x	20.7x	19.7x	18.6x	3.3%	0.0%	54%	1.4x	43%
FirstEnergy	FE	38.32	544	20,854	15.2x	14.5x	13.8x	N/A	4.1%	0.0%	62%	2.8x	23%
Fortis*	FTS	56.58	469	26,559	20.7x	19.4x	18.3x	17.5x	3.6%	6.0%	75%	1.5x	43%
NiSource	NI	24.77	392	9,715	18.6x	17.6x	16.4x	14.6x	3.6%	6.0%	67%	1.9x	40%
PG&E	PCG	8.79	1,985	17,449	8.7x	7.8x	7.1x	6.5x	0.0%	N/A	0%	0.8x	33%
Pinnacle West	PNW	83.55	113	9,420	16.9x	16.7x	16.0x	15.3x	3.9%	2.0%	66%	1.7x	44%
Portland General	POR	48.90	90	4,382	17.6x	17.6x	17.0x	16.6x	3.5%	7.1%	61%	1.6x	45%
PPL Corp.	PPL	28.37	769	21,829	14.4x	16.0x	15.6x	N/A	5.9%	0.0%	84%	1.9x	42%
PSEG	PEG	62.23	505	31,456	18.2x	18.3x	17.4x	N/A	3.3%	4.1%	60%	1.9x	48%
Southern Company	SO	63.87	1,059	67,615	19.4x	18.3x	17.0x	15.6x	4.1%	3.9%	80%	2.4x	35%
WEC Energy Group	WEC	94.14	315	29,695	23.4x	21.9x	20.6x	19.4x	2.9%	7.1%	67%	2.8x	42%
Xcel Energy	XEL	68.25	538	36,733	22.9x	21.5x	20.3x	19.1x	2.7%	6.4%	62%	2.5x	38%
Average					**18.8x**	**18.2x**	**17.2x**	**16.5x**	**3.4%**	**4.5%**	**64%**	**2.0x**	**40%**
Average (ex EIX & PCG)					**19.5x**	**18.9x**	**17.8x**	**16.9x**	**3.5%**	**4.5%**	**67%**	**2.0x**	**40%**

Source: Wolfe Utilities & Power Research

Exhibit 4: Gas Power Infrastructure Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth	Payout Ratio
The AES Corporation	AES	$23.70	666	$15,790	15.4x	14.2x	13.2x	12.6x	2.5%	5.0%	39%
NextEra Energy	NEE	77.90	1,962	152,821	30.7x	28.8x	26.7x	N/A	2.0%	9.7%	61%
OGE Energy	OGE	33.75	200	6,756	15.3x	15.9x	15.2x	14.6x	4.7%	5.6%	72%
Sempra	SRE	130.65	319	41,720	16.3x	15.6x	14.8x	N/A	3.5%	8.0%	56%
Average					**19.4x**	**18.6x**	**17.5x**	**13.6x**	**3.2%**	**7.1%**	**57%**
Average Regulated (ex EIX and PCG)					*19.5x*	*18.9x*	*17.8x*	*16.9x*	*3.5%*	*4.5%*	*67%*

Source: Wolfe Utilities & Power Research

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Exhibit 5: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	28.68	193	5,529	11.6x	10.7x	11.1x	11.8x	4.6%
NextEra Energy Partners	NEP	77.53	156	12,095	10.2x	8.6x	8.5x	8.9x	3.4%
Atlantica Yield*	AY	39.76	111	4,405	10.9x	10.1x	9.7x	9.7x	4.3%
Average					**10.9x**	**8.6x**	**8.5x**	**8.9x**	**3.9%**

Source: Wolfe Utilities & Power Research
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 6: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	41.24	245	10,094	9.0x	6.8x	6.1x	N/A	9.1%	16.7%	19.7%	N/A
Vistra Corp	VST	19.15	482	9,231	11.4x	5.1x	5.6x	N/A	4.2%	25.4%	22.4%	N/A
Average					**10.2x**	**5.9x**	**5.9x**	**N/A**	**6.7%**	**21.0%**	**21.1%**	**N/A**

Source: Wolfe Utilities & Power Research

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Group Classifications

Group:
AEE AEP AES ALE AVA CMS CNP CWEN D DTE DUK ED EIX EMA
ES ETR EVRG EXC FE FTS HE IDA LNT NEE NI NRG NWE OGE
PCG PEG PNM PNW POR PPL SO SRE WEC XEL

Large Cap:
AEP D DTE DUK ED EIX ES ETR EXC FE NEE PCG PEG PPL SO SRE
WEC XEL

Mid Cap:
AEE CMS CNP EMA EVRG LNT NI PNW OGE

Small Cap:
ALE AVA EE HE IDA NWE PNM POR

Regulated:
AEE AEP ALE AVA CMS D DUK ED EIX EMA ES ETR EVRG EXC FE
FTS HE IDA LNT NI NWE PCG PEG PNM PNW POR PPL SO WEC XEL

Gas/Power Infrastructure:
AES DTE NEE OGE SRE

IPPs:
NRG VST

YieldCos:
AY NEP CWEN

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12 April 2021 | 7:02PM EDT

NiSource Inc. (NI): Announces convertible equity offering, eliminates bulk equity needs

NiSource (NI, Neutral) announced the issuance of equity units with forward purchase contracts totaling 7.5mn units - or ~8.63mn including the greenshoe - with the common stock to be delivered on March 1, 2024 (subject to certain early settlements). The $100 stated amount implies proceeds of $750mn, or ~$863mn including the greenshoe. The company expects to use the proceeds for its renewable generation investments, debt repayment, and for other general corporate purposes.

With this issuance, NI no longer expects a need to issue the previously guided $500-$700mn in bulk equity in 2022-2023, while also reducing its 2023 ATM equity needs to $0-$150mn (from $200-$300mn prior). Our published estimates embedded $990mn of convertible debt in 3Q2021 (converting in 4Q2024) along with $700mn of bulk equity in 1Q2023. Finally, the company expects its renewable capital investment requirement to total $2bn, versus its $1.8-$2.0bn guidance.

Our 12-month price target of $25 embeds an 18x P/E multiple to our 2022 EPS estimate of $1.40 (unchanged). Key upside risks include (1) reduced debt/equity financing needs via accretive monetization of one or more of its gas utilities, (2) increased ability to lower O&M expenses, and (3) plans to further accelerate retirement of its remaining coal fleet.

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NI	12m Price Target: **$25.00**	Price: **$24.75**	Upside: **1.0%**

Neutral

Market cap: $9.5bn
Enterprise value: $20.9bn
3m ADTV: $85.6mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/20	12/21E	12/22E	12/23E
Revenue ($ mn)	4,681.7	4,638.6	4,833.0	5,065.9
EBITDA ($ mn)	1,687.3	1,831.2	2,002.3	2,212.4
EBIT ($ mn)	961.4	1,073.8	1,174.3	1,290.8
EPS ($)	1.32	1.32	1.40	1.49
P/E (X)	18.6	18.7	17.7	16.6
EV/EBITDA (X)	11.9	11.6	11.3	11.2
FCF yield (%)	(6.9)	(7.3)	(10.6)	(15.4)
Dividend yield (%)	3.4	3.6	3.8	4.0
Net debt/EBITDA (X)	5.7	5.7	5.8	5.8

	12/20	3/21E	6/21E	9/21E
EPS ($)	0.34	0.69	0.18	0.12

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 12 Apr 2021 close.

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Reg AC

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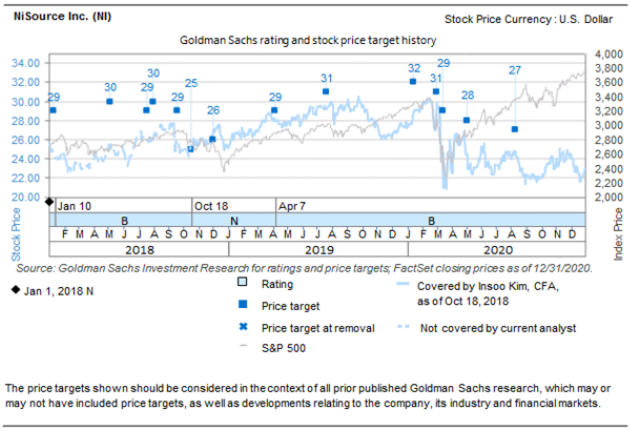

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Goldman Sachs | Equity Research

3 November 2021 | 8:12AM EDT

NiSource Inc. (NI): First Take: 3Q2021 beats consensus; guidance and growth rate a positive

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NiSource (NI, Buy) reported 3Q21 operating EPS of $0.11, versus GS/FactSet consensus of $0.13/$0.10 and 3Q2020 EPS of $0.09. The company guided to the top end of its 2021 guidance range of $1.32-$1.36 (midpoint $1.34) versus GS/consensus of $1.33/$1.34. NI initiated 2022 guidance of $1.42-$1.48 ($1.45 mid-point) largely in-line with GSe ($1.44) but higher than consensus ($1.42).

Key takeaway: We view the results and guidance as a positive, noting the reaffirmed 7-9% EPS CAGR through 2024 now utilizes the revised top-end of the 2021 guidance as the base, while the 2023 growth of 5-7% is based off of the mid-point of 2022 guidance. This re-based growth implies 2024 EPS off $1.68-$1.71 versus GSe of $1.66. We also see favorably the identified ~$750mn of incremental capital opportunities from the upcoming IRP filing.

Key takeaways from NI's release and slides include:

- **NIPSCO expects to file its formal Integrated Resource Plan (IRP) by mid-November with investments in new generation capacity presenting potential capital upside of $750mn.** In our recent NI upgrade note, based on the four preferred scenarios for replacement capacity additions assuming 2026 retirement of the Michigan City coal plant, and assuming 50% split between company owned and PPA, we calculated potential for up to $600mn in incremental capital, or ~4% of 2021E rate base. We believe these potential investments could support visibility for robust growth beyond the 2024 time frame.
- **Capital plan remains unchanged at $10bn total through 2024**, with roughly $1.9-$2.2bn of annual base investments as well as $2bn on renewable generation (largely in 2022 and 2023) that all have received approval from the Indiana utility commission. NI reiterated their forecast of no bulk equity needs through 2024 (given the equity units offering earlier this year), while reiterating $200-$300mn of annual ATM equity financing through 2022 and up to $150mn in 2023. They also guided to issuing up to $800mn of additional debt through 2023 while targeting FFO/debt ratio of 14-15%.
- **3Q2021 missed versus GSe on operating income at Electric and Gas Distribution** segments driven largely by higher O&M expenses.

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- **Around 77% of NI's gas needs for 2021/2022 winter season is hedged**, largely through storage, for half of residential/commercial gas customers that utilize NiSource procured supply. The other half - choice participants (using 3rd party gas procurement), could see a range of prices based on gas purchase options.

Key topics to monitor on NI's earnings call (11am ET) include: 1) update on the Ohio gas rate case and what's embedded in the company's EPS growth guidance, 2) latest thoughts on potential monetization opportunities at its various regulated utilities, 3) thoughts on the upcoming IRP filing (expected on mid-November) and recently concluded RFP solicitation at NIPSCO including potential for faster fleet transition to renewables - with current plan proposing retiring all coal by 2026-2028, and 4) assumptions behind EPS growth trajectory through 2024.

Our 12-month price target of $29 embeds an 18x P/E on the gas segment 2023 EPS estimate, in line with our baseline multiple, while applying a 19x P/E on the electric segment 2023E EPS, a 1x premium to our baseline multiple to reflect the segment's above-average (versus peers) growth through 2024E.

Key downside risks include regulatory approvals for the planned renewable investments in Indiana, cost management, and rate case overhang in Ohio and Maryland.

NI	12m Price Target: **$29.00**	Price: **$24.74**	Upside: **17.2%**

Buy

Market cap: $9.7bn
Enterprise value: $21.1bn
3m ADTV: $81.0mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/20	12/21E	12/22E	12/23E
Revenue ($ mn)	4,681.7	4,627.5	4,897.8	5,146.2
EBITDA ($ mn)	1,687.3	1,777.2	2,064.4	2,231.0
EBIT ($ mn)	961.4	1,019.1	1,236.3	1,306.1
EPS ($)	1.32	1.33	1.44	1.57
P/E (X)	18.6	18.6	17.2	15.8
EV/EBITDA (X)	11.9	11.4	11.3	11.3
FCF yield (%)	(6.9)	(6.9)	(8.6)	(16.4)
Dividend yield (%)	3.4	3.6	3.8	4.0
Net debt/EBITDA (X)	5.7	5.4	5.2	5.5

	6/21	9/21E	12/21E	3/22E
EPS ($)	0.12	0.13	0.30	0.76

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 2 Nov 2021 close.

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Disclosure Appendix

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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Goldman Sachs Investment Research global Equity coverage universe

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Price target and rating history chart(s)

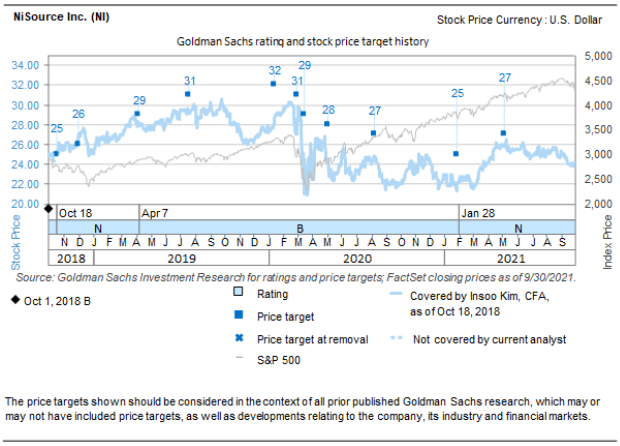

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BofA GLOBAL RESEARCH

BofA SECURITIES

Beat with healthy FY21 and FY22 guidance

NI reported 2Q21 EPS of $0.11, beating BofAe of $0.10, Street of $0.09, and 3Q20 EPS of $0.09. Returns on increased safety/modernization investments and lower COVID-19 impacts were offset by the sale of Columbia Gas of Massachusetts. Mgmt. pointed to the top end of FY21 EPS guidance of $1.32-$1.36, albeit no guidance raise, but now in line with our FY21 EPS estimate of $1.36. Mgmt. initiated FY22 EPS guidance of $1.42-$1.48 which implies 6.5% growth off of the top-end of FY21 of $1.36 and is in the upper half of the near-term (through '23) EPS growth rate of 5-7%. Also better than our est and Street too ($1.40/1.42, respectively). NI reiterated its capital and financing plan.

Framing the future renewables capex above our ests.

NIPSCO recently outlined its preferred future generation portfolio stemming from its 2021 IRP. While we did not expect a formal update to the capital plan or growth rate just yet, mgmt. highlighted that investments of up to $750M will be necessary to replace the Michigan City Coal Plant and the gas peaking units at the Schahfer Generating Station site - this compares favorably to our prelim estimates for capex of ~$430M-$800M. Remember, we calculated a wide range because NIPSCO chose a potential combination of two preferred resource paths and only assume 50% ownership of renewables.

Solid progress on renewables additions at NIPSCO related to the 2018 integrated resource plan (IRP) with all of the projects totaling $2B in capex receiving approval from the Indiana Utility Regulatory Commission (IURC). There continues to be some concern on whether renewables supply chain issues will impact NI's planned capex, and we do not believe that given strong counterparties (i.e. NextEra, Capital Dynamics, EDP, and others), NIPSCO is in a good position.

Reiterate Buy as we see the potential for an extended high-growth runway based on the 2021 IRP with the new generation capex estimates providing support for the thesis. We expect a further update on the growth path and refinement of the capex estimates as the request for proposals (RFP) takes shape in 1H22 (during an analyst day). We also see the potential for NI to point to a longer-term capex and growth profile (like AEE, DUK, and CNP) which should help give investors comfort on the long growth runway. A coal-free NI should open the door for a new group of ESG-focused investors and support the re-rating.

Estimates (Dec) (US$)	2019A	2020A	2021E	2022E	2023E
EPS	1.32	1.32	1.36	1.40	1.58
GAAP EPS	0.87	1.33	1.28	1.40	1.58
EPS Change (YoY)	1.5%	0%	3.0%	2.9%	12.9%
Consensus EPS (Bloomberg)			1.34	1.42	1.53
DPS	0.83	0.88	0.94	0.99	1.05
Valuation (Dec)					
P/E	18.7x	18.7x	18.2x	17.7x	15.7x
GAAP P/E	28.4x	18.6x	19.3x	17.7x	15.7x
Dividend Yield	3.4%	3.6%	3.8%	4.0%	4.3%
EV / EBITDA*	15.2x	13.9x	12.9x	11.9x	10.5x
Free Cash Flow Yield*	-2.3%	-6.7%	-5.4%	-10.0%	-17.5%

* For full definitions of iQmethod℠ measures, see page 6.

03 November 2021

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Stock Data

Price	24.74 USD
Price Objective	28.00 USD
Date Established	22-Jul-2021
Investment Opinion	B-1-7
52-Week Range	21.09 USD - 26.60 USD
Mrkt Val (mn) / Shares Out (mn)	9,708 USD / 392.4
Average Daily Value (mn)	87.38 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2021E)	10.3%
Net Dbt to Eqty (Dec-2020A)	167.4%
ESGMeter™	**High**

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NIPSCO: Northern Indiana Public Service Co.

IRP: integrated resource plan

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iQprofile℠ NiSource Inc

iQmethod℠ **– Bus Performance***

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Return on Capital Employed	3.3%	4.1%	4.2%	4.4%	4.7%
Return on Equity	9.9%	10.2%	10.3%	9.7%	10.5%
Operating Margin	17.1%	22.0%	20.3%	21.8%	24.3%
Free Cash Flow	(219)	(654)	(520)	(970)	(1,703)

iQmethod℠ **– Quality of Earnings***

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash Realization Ratio	3.2x	2.2x	2.6x	2.6x	2.5x
Asset Replacement Ratio	2.5x	2.4x	2.6x	3.1x	4.0x
Tax Rate	24.4%	18.3%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	158.6%	167.4%	133.6%	143.6%	164.8%
Interest Cover	2.4x	2.8x	3.0x	3.2x	3.0x

Income Statement Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Sales	5,209	4,697	5,516	5,676	5,970
% Change	2.5%	-9.8%	17.4%	2.9%	5.2%
Gross Profit	3,674	3,587	3,904	4,039	4,309
% Change	10.5%	-2.4%	8.8%	3.5%	6.7%
EBITDA	1,608	1,757	1,904	2,065	2,327
% Change	5.0%	9.3%	8.3%	8.5%	12.7%
Net Interest & Other Income	(384)	(339)	(371)	(390)	(490)
Net Income (Adjusted)	**495**	**508**	**569**	**615**	**705**
% Change	**6.8%**	**2.6%**	**12.2%**	**8.1%**	**14.7%**

Free Cash Flow Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Net Income from Cont Operations (GAAP)	328	511	537	615	705
Depreciation & Amortization	717	726	783	827	874
Change in Working Capital	(75)	(249)	0	0	0
Deferred Taxation Charge	118	(29)	126	143	182
Other Adjustments, Net	495	145	34	0	0
Capital Expenditure	(1,802)	(1,758)	(2,001)	(2,555)	(3,464)
Free Cash Flow	**-219**	**-654**	**-520**	**-970**	**-1,703**
% Change	**82.9%**	**-198.5%**	**20.5%**	**-86.5%**	**-75.5%**

Balance Sheet Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash & Equivalents	148	117	126	126	126
Trade Receivables	905	825	825	825	825
Other Current Assets	800	718	718	718	718
Property, Plant & Equipment	16,912	16,620	17,837	19,565	22,156
Other Non-Current Assets	3,894	3,762	3,762	3,762	3,762
Total Assets	**22,660**	**22,041**	**23,267**	**24,995**	**27,586**
Short-Term Debt	1,787	526	517	583	697
Other Current Liabilities	1,959	1,753	1,753	1,753	1,753
Long-Term Debt	7,856	9,220	9,031	10,186	12,168
Other Non-Current Liabilities	5,071	4,704	4,829	4,972	5,154
Total Liabilities	**16,673**	**16,203**	**16,131**	**17,495**	**19,772**
Total Equity	**5,987**	**5,752**	**7,051**	**7,415**	**7,728**
Total Equity & Liabilities	**22,660**	**21,955**	**23,182**	**24,910**	**27,501**

* For full definitions of *iQmethod*℠ measures, see page 6.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

Our Buy rating on NI is underpinned by 1) likely positive revisions given ultra conservative EPS CAGR guidance baked into consensus, 2) renewable rate base upside, and 3) the ability to re-rate higher following any gas LDC asset sale.

Stock Data

Average Daily Volume	3,554,680

Quarterly Earnings Estimates

	2020	2021
Q1	0.76A	0.77A
Q2	0.13A	0.13A
Q3	0.09A	0.10E
Q4	0.34A	0.39E

Progress on the regulatory front; OH key to watch

NI continues to make progress on the regulatory front, coming to agreements with stakeholders in PA and KY. Recently, the administrative law judge in the Columbia Gas of PA case recommended the rate case settlement be accepted as filed. Constructive that NI was able to return to its settlement ways in the state following the contentious 2020 rate case. On Oct. 27, Columbia Gas of KY filed a settlement with stakeholders in its rate case, and Columbia Gas of MD received an Administrative Law Judge (ALJ) recommendation in late Oct.

OH continues to be the case to watch as NI's largest gas utility. Not a lot of progress has been made as we are still awaiting a procedural schedule, but we note other circumstances at the Commission, namely FE, is the center of attention for now, and are not concerned about any delays at the point.

NIPSCO Gas also filed a rate case recently for a $115M increase net of trackers based on a 10.5% ROE and 57.68% equity layer. New rates are proposed effective Sep. '22 and Mar. '23.

What else are we watching? Gas costs and RNG

Expect mgmt. to address concerns on the rising gas costs going into the winter. A large percentage of Columbia Gas' customers are under the CHOICE program, Columbia Gas has storage across its footprint, and percentage of the supply is hedged. The gas market has caused gas utilities to underperform electric peers, and while we are cautious on the backdrop for many, we see this as short-term phenomenon, and believe that longer-term, gas utilities can re-rate closer to their electric peers.

Renewable Natural Gas? While we have not heard mgmt. talk a lot about the potential for renewable natural gas (RNG) investments and supply into the system, we could see this pick up as mgmt. seems to be more focused on the alternative fuel. We expect this dynamic to pick up with potential legislation in states to backstop and pilot partnerships upcoming.

Price objective basis & risk

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2024 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 13.6x for gas and 16.0x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Adhok Bellurkar
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
RSTR				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith

iQmethod℠ **Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt – Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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NiSource Inc (NI) Price Chart

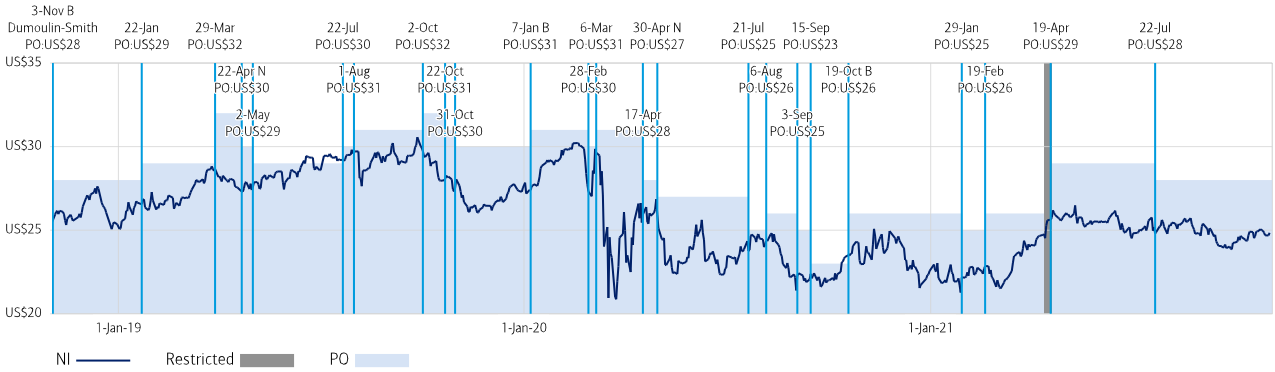

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Energy Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	86	62.32%	Buy	65	75.58%
Hold	27	19.57%	Hold	15	55.56%
Sell	25	18.12%	Sell	15	60.00%

Equity Investment Rating Distribution: Utilities Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	79	50.32%	Buy	56	70.89%
Hold	37	23.57%	Hold	30	81.08%
Sell	41	26.11%	Sell	27	65.85%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1973	59.66%	Buy	1254	63.56%
Hold	665	20.11%	Hold	404	60.75%
Sell	669	20.23%	Sell	343	51.27%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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Global Research | 3 November 2021

First Read

NiSource Inc.

Positive '21/'22 Guides

2021 EPS Top End of Range; 2022 Midpoint EPS Above Consensus/UBS

NI reported 3Q EPS above UBS/Consensus estimates and noted it expects 2021 to come in at the upper end of its $1.32-$.36 range vs. consensus estimate of $1.34. Further NI initiated 2022 EPS of $1.42-$1.48 vs. consensus estimate of $1.42. NI expects 7-9% NOEPS growth through 2024 on a compounded annual growth rate basis from top end of 2021 guidance, which includes 5-7% annual growth in the near term through 2023. On capital investments, NI noted it expects to spend ~$2B in 2021 and $2.4-$2.7B in 2022 with 10-12% compound annual rate base growth for each of its businesses through 2024. Overall a quarter beat, 2021 guide at the top end of its range above the street's estimates, and a 2022 mid-point above the street, we expect today's results to be viewed favourably.

3Q EPS Above UBS/Consensus; Rate Case Updates

NI reported 3Q EPS of $0.11 above UBS/Consensus estimate of $0.10. NI expects its preferred plan from its IRP to be submitted by mid-November to the Indiana Utility Regulatory Commission; it announced its preferred plan on October 21st, which refines the timeline of the Michigan City Generating Station coal fired generation to be retired to between 2026 and 2028. Columbia Gas Ohio rate case continues to progress (order expected in 2022), NIPSCO Gas filed a rate case for a $115MM increase on Sept. 29th. The ALJ recommended the Pennsylvania PUC approve a settlement on the PA rate case which would increase revenue by $58.5MM (above UBSe of ~$49MM). In Kentucky a joint stipulation settlement agreement and recommendation was filed with the Kentucky Public Service Commission in late October; if approved it would be a $18.6MM increase (vs. UBSe of $13.4MM) and in Maryland a final order is expected in December.

Updating Estimates

We are raising our 2021E EPS to $1.36 from $1.34 on the quarter beat and lower than expected costs. We are increasing 2022E EPS to $1.45 from $1.42 on settlements higher than UBSe.

Valuation:

We maintain our Buy rating and our $29 PT. Our price target is based on sum-of-the-parts P/E valuation and 2022 EPS of $1.45

Equities

Americas

Gas Utilities

12-month rating	**Buy**
12m price target	**US$29.00**
Price (02 Nov 2021)	**US$24.74**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$26.47-21.26
Market cap.	US$10.5b
Shares o/s	423m (COM)
Free float	99%
Avg. daily volume ('000)	843
Avg. daily value (m)	US$20.8
Common s/h equity (12/21E)	US$5.05b
P/BV (12/21E)	2.1x
Net debt to EBITDA (12/21E)	6.4x

EPS (UBS, diluted) (US$)

	12/21E			
	From	To	% ch	Cons.
Q1	0.77	0.77	0	0.77
Q2	0.13	0.13	0	0.13
Q3E	0.10	0.11	4	0.10
Q4E	0.37	0.38	4	0.36
12/21E	1.34	1.36	1	1.34
12/22E	1.42	1.45	2	1.42
12/23E	1.52	1.54	1	1.53

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Highlights (US$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Revenues	5,095	5,184	4,697	4,757	5,044	5,339	5,585	5,772
EBIT (UBS)	942	1,047	1,031	1,071	1,259	1,390	1,526	1,608
Net earnings (UBS)	463	495	507	571	637	684	747	791
EPS (UBS, diluted) (US$)	1.30	1.32	1.32	1.36	1.45	1.54	1.66	1.75
DPS (net) (US$)	0.79	0.84	0.88	0.90	0.96	1.02	1.08	1.14
Net (debt) / cash	(9,892)	(10,374)	(10,501)	(11,616)	(12,835)	(15,101)	(15,840)	(16,572)
Profitability/valuation	**12/18**	**12/19**	**12/20**	**12/21E**	**12/22E**	**12/23E**	**12/24E**	**12/25E**
EBIT (UBS) margin %	18.5	20.2	22.0	22.5	25.0	26.0	27.3	27.9
ROIC (EBIT) %	7.7	7.9	7.5	7.5	8.0	7.7	7.6	7.6
EV/EBITDA (UBS core) x	10.6	10.6	9.9	10.8	10.2	9.4	8.7	8.2
P/E (UBS, diluted) x	19.4	21.2	18.6	18.2	17.1	16.1	14.9	14.1
Equity FCF (UBS) yield %	(14.5)	(1.6)	(6.0)	(6.0)	(9.7)	(18.3)	(2.9)	(2.5)
Dividend yield (net) %	3.1	3.0	3.6	3.6	3.9	4.1	4.3	4.6

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 24.74 on 02-Nov-2021

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Forecast returns	
Forecast price appreciation	+17.2%
Forecast dividend yield	3.8%
Forecast stock return	+21.0%
Market return assumption	5.4%
Forecast excess return	+15.6%

Company Description

NiSource is an investment-grade rated energy company engaged in natural gas distribution and electric generation, transmission, and distribution. NiSource's operating companies deliver natural gas and electric service to approximately four million customers located across seven states, including IN, KY, MA, MD, OH, PA, and VA. Local utilities are Columbia Gas and NIPSCO. NiSource has a plan to spend ~$30bn over the next 20+ years on infrastructure enhancements to meet safety and reliability needs and comply with environmental requirements.

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. Our price target is derived using a sum-of-the-parts P/E valuation.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	54%	32%
Neutral	FSR is between -6% and 6% of the MRA.	36%	30%
Sell	FSR is > 6% below the MRA.	10%	23%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 September 2021.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
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UBS Securities LLC: Michelle Kenel, CFA, Shneur Z. Gershuni, CFA.

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Company Name	Reuters	12-month rating	Price	Price date
NiSource Inc.[13,16]	NI.N	Buy	US$24.74	02 Nov 2021

Source: UBS. All prices as of local market close.
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NiSource Inc. (US$)

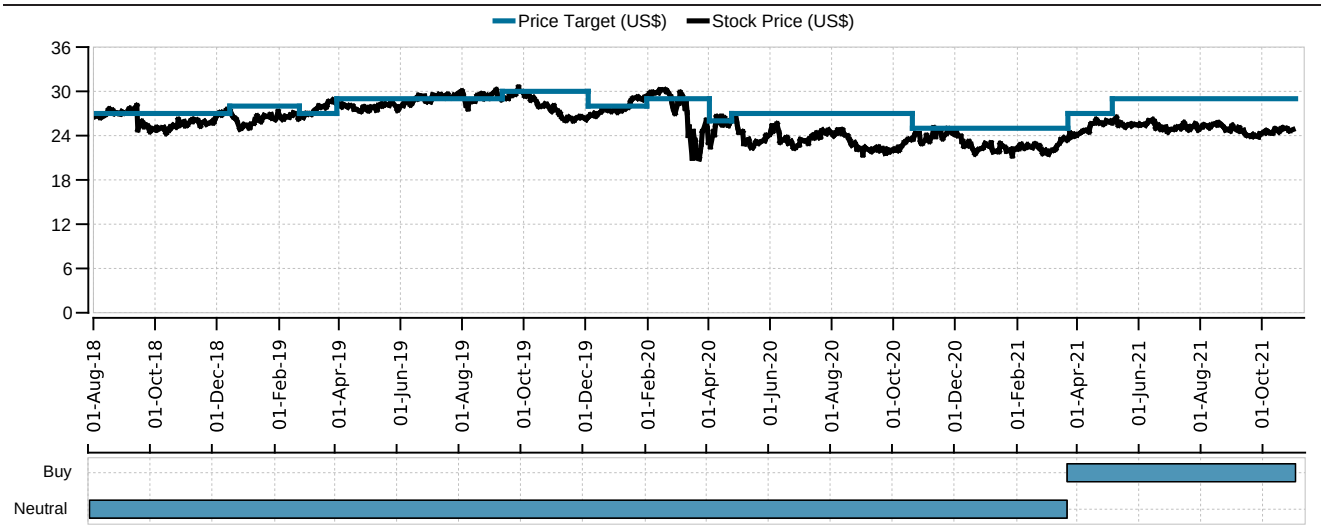

Date	Stock Price (US$)	Price Target (US$)	Rating
2018-08-02	26.29	27.00	Neutral
2018-12-13	27.62	28.00	Neutral
2019-02-20	26.28	27.00	Neutral
2019-03-29	28.66	29.00	Neutral
2019-09-09	28.91	30.00	Neutral
2019-12-03	26.41	28.00	Neutral
2020-01-30	29.10	29.00	Neutral
2020-04-01	23.06	26.00	Neutral
2020-04-23	25.85	27.00	Neutral
2020-10-19	23.47	25.00	Neutral
2021-03-22	23.42	27.00	Buy
2021-05-05	25.78	29.00	Buy

Source: UBS; as of 02-Nov-2021

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Elections: Biden clean energy credits, D, AGR, PEG/FE/EXC, ETRN
Utilities: NI, AWK, ETR, EXC, ES, EVRG, FERC, PNW, EIX, WEC, PEG
Midstream: TRGP, Midstream
Clean Energy: Ørsted, NOVA, FSLR, AES, SEDG

Elections

Biden clean energy credits – Democrats election losses may give further impetus to get the Build Back Better infra plan passed
D – VA elects Republic Governor and House of delegates appears to switch Republican too; worries on surface but won't change anything on energy
AGR – Maine votes against NECEC transmission in referendum; negative
PEG/FE/EXC – New Jersey gubernatorial race too close to call, but projections indicate incumbent Murphy (D) prevails
ETRN – Election of Youngkin in Virginia boosts chances of MVP water permit approval

Utilities

NI – Q3 in-line, FY21 now to be at top end; 2022 guidance beats big; EPS growth targets re-based off higher 2021; positive
AWK – Q3 in-line, FY21 reaffirmed; 2022 guide misses on HOS sale, EPS CAGR lowered to 7-9%; $6B of capex added to 10-yr plan; mixed
ETR – Q3 meets, FY21 guidance raised, 2022-23 outlook unchanged, new 2024 outlook consistent with 5-7%; slightly positive
EXC – Q3 in line, FY21 guidance narrowed; focus is on spin, nuke PTCs; in line
ES – Q3 miss but no longer points to low end of FY21 guidance; still sees upper half of 5-7% LT EPS growth ex offshore; in line
EVRG – Q3 EPS beats big and big 2021 guidance raise, but all on weather and one-timers
FERC – Senate Energy committee unanimously votes in favor of DC PSC Chair Willie Phillips appointment
PNW – I am speechless, I am without speech
EIX – Flashbacks in way of brighter future
WEC – Making it official
PEG – Nuclear option is nice to have

Midstream

TRGP – Moody's upgrades the credit to Ba1
Midstream – Off to a good start…key earnings takes in 1 concise report

Clean Energy

Ørsted – Q3 beats, FY21 guidance unchanged as CHP plants mitigate impact of wind speeds; in line
NOVA – ECP files to sell 6M shares, will bring total ownership of NOVA just below 10%
FSLR – U.S. ITC to hold hearing today on Section 201 tariffs
AES – Partnering with Microsoft to bring 24/7 renewable energy to its VA data centers
SEDG – N-T margin pressures, but storage upside

Wolfe Utility, Midstream & Clean Energy Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Quarterly Data: Weather, Forward Prices, Spot Prices, Nuke Outages

Elections

Biden clean energy credits – Democrats election losses may give further impetus to get the Build Back Better infra plan passed

- Sweeping Democrat losses across state elections yesterday will likely be a wake up call into the 2022 midterm elections
- What are implications for the Biden Build Back Better infra plan and associated clean energy credits? We could argue both ways.

  - Bull case – these losses will motivate the Dems to get a compromise passed across their party – the clean energy credits have not been a sticking point so will likely survive
  - Bear case – the losses strengthen the hand of moderate Dems, and shrinking support from Independents leads to a more slimmed down and targeted bill
- We take the Bull case view that the Dems losses increase their motivation to compromise and get a bill passed by YE.

D – VA elects Republic Governor and House of delegates appears to switch Republican too; worries on surface but won't change anything on energy

- Republican Glen Youngkin won the Governor election in VA.
- The House of Delegates appears to have switched to majority Republican as well (51-49) from prior Democrat control (55-45)

D may initially be weak on this news, but we think it means very little for D and the Clean Energy law in the state. First there is no change in Senate which is still Democrat controlled. Second, energy was not a focus of the race and we don't see the Republicans looking to scrap the Clean Energy law even if they take over the Senate in the future. Third, the legislature decides on SCC appointments, not the Governor. And finally, the small subset of anti-Dominion legislators that make noise every legislative session are actually Democrats who ended up losing most of their seats yesterday.

AGR – Maine votes against NECEC transmission in referendum; negative

- Maine voters have voted "Yes" to a referendum vote against AGR's NECEC transmission line – press reports this morning indicate the margin was 60-40
- The "Yes" vote would prohibit the construction of electric transmission lines defined as *high-impact* in the Upper Kennebec Region, including the NECEC, and require a two-thirds vote of each state legislative chamber to approve *high-impact* electric transmission line projects
  - The law is expected to take effect around January 3 assuming the Secretary of State and Governor affirm the results
- Clean Energy Matters (an AGR political action committee) issued a release last night that it plans to challenge the decision in court (recall the Maine Supreme Court last year originally ruled against there being a referendum)
- AGR disclosed on its call last week that it has already spent ~$400M on the project or roughly 40% of total costs, construction was expected to be completed in 2023
- There are also pending challenges at the Maine courts related to a one-mile section, at FERC between AGR and NEE, and at the Maine DEP

Not a good two days for AGR after the PNM recommendation Monday night. We're a bit surprised here. A lot of money was spent on both sides, but NECEC had the backing of Governor Mills (D), former Governor LePage (R), local newspapers, labor leaders, and the chamber of commerce. We expect AGR to challenge this in court, but it's possible construction continues in the meantime, which could be risk. We include NECEC transmission in our estimates – AFUDC on the project is worth $0.06/sh in 2022 guidance and escalates until the project is in-service, after which the earnings power temporarily dips and then rises over time to mimic a levelized ROE of a rate-based transmission project – ie: steady-state earnings power of $0.14/sh in our estimation.

PEG/FE/EXC – New Jersey gubernatorial race too close to call, but projections indicate incumbent Murphy (D) prevails

- As of this morning, incumbent New Jersey Governor Phil Murphy (D) and challenger Jack Ciatterelli (R) are in a dead heat, though press reports indicate the remaining votes to be counted (~12%) are primarily absentees and in Democrat areas of the state
- Additionally, Senate President Steve Sweeney (D), who has held that position since 2010 and is the longest-serving legislative leader in state history, was initially declared the winner in his race before it was retracted and now seems poised to lose
- New Jersey has one of the most ambitious climate agendas of any state – laying out an energy master plan that featured nuclear support for decades, 7.5 GWs offshore wind by 2035, EV support, etc.

ETRN – Election of Youngkin in Virginia boosts chances of MVP water permit approval

- The election of Republican Glenn Youngkin will likely mean higher chances of approval of MVP's required water permits
- The Democratic candidate, Terry McAuliffe, had supported the pipeline during his previous term, but had stayed away from talking about the pipeline during the campaign

We felt that chances were high for state water permit approval with their candidate but we believe there is less uncertainty with Youngkin. For ETRN the main question at this point is probably still the Fourth Circuit.

Utilities

NI – Q3 in-line, FY21 now to be at top end; 2022 guidance beats big; EPS growth targets re-based off higher 2021; positive

- **Q3 in-line**. NI reported EPS of $0.11 which was in-line with us/cons at $0.10

- **FY21 now to be at the top end**. NI expects 2021 to finish at the top end of its $1.32-1.36 range vs cons/us currently at $1.34
- **2022 guidance beats big**. Guidance range of $1.42-1.48 – well above us/cons at $1.42; the $1.45 midpoint implies 6.6% growth off the top end of NI's 2021 guidance
  - NI still sees 5-7% annal EPS growth through 2023, 7-9% CAGR through 2024
  - **Using the higher 2021 base and growth target midpoints, this implies $1.54 in 2023 (cons = $1.53, WRe $1.51) and $1.72 in 2024 (cons = $1.69, WRe $1.70)**
- **NIPSCO preferred IRP = investments of up to $750M.** Any potential projects and investments that emerge will likely being to be announced in 2022
- **2021-24 capex forecast and financing plan unchanged.**
- **Mitigating gas cost pressures.** Only 50% of resi and commercial customers are supplied gas by NI; 77% of procured supply needs for 2021/22 winter season are hedged; this means only 10-15% of the customers' bill where NI procures the gas is actually exposed to S-T nat gas volatility

This is a very good update from NI – 2021 is now expected to be at the top end of the range, but more importantly, the L-T EPS growth targets re-based off the higher 2021. Also, the company is outlining up to $750M of investment through its preferred IRP portfolio which would be incremental to any base plan. The key question for the IRP/RFP is how much of the replacement generation NI will ultimately be able to own in rate base. We will also be interested to get an update on the pending gas rate cases in OH and IN.

AWK – Q3 in-line, FY21 reaffirmed; 2022 guide misses on HOS sale, EPS CAGR lowered to 7-9%; $6B of capex added to 10-yr plan; mixed

- **Q3 in-line**. AWK reported EPS of $1.53 which matched cons (WRe $1.50)
- **FY21 reaffirmed**. Guidance range of $4.18-4.28 vs cons at $4.25 (WRe $4.24)
- **2022 guidance misses on HOS sale**. Guidance range of $4.39-4.49 vs cons at $4.61 (WRe $4.58)
  - Growing EPS 8.5% (midpt of prior range) off FY21 midpoint implies ~$0.15 dilution next year from the HOS sale which we think moderates over time given the added capex
- **EPS CAGR lowered to 7-9%**. AWK's new EPS CAGR is down from 7-10% previously and is anchored off 2022 guidance midpoint through 2026
  - Dividends still expected to growth at the high end of 7-10%; targeted payout of 55-60%
- **$3.1B of capex added to 5-yr plan, $6B to 10-yr plan**. Reflective of redeployment of HOS sale proceeds; AWK's rate base CAGR is now 8-9% vs 7-8% previously
- **$1.1B of equity in 5-yr plan**. To support elevated capex plan; timing of the issuance shifted one year out vs prior plan which we believe means in 2023 or 2024
- **$1B of after-tax proceeds from HOS sale**. AWK entered into a Cooperation Agreement where, for 39 months after deal close, AWK will compensate the buyer for any monetary losses that result from the pending grand jury subpoena regarding HOS operations in NYC

This is a big update from AWK following the news of the HOS sale earlier this week. Our initial view is mixed. We like the juiced capex plan for the regulated utilities and the 100% regulated/regulated-like earnings profile of the company moving forward. But as we expected, the HOS sale is dilutive and this wasn't a business that ever got a discount from investors. While the range for the EPS CAGR is lower, it is still one of the best within the sector. On the call, we will be interested to get more details on the HOS sale, including how meaningful the revenue sharing agreement is, what the elevated capex plan might mean in terms of more frequent rate cases or if most can be recovered through existing trackers and specific timing for the $1.1B of equity.

ETR – Q3 meets, FY21 guidance raised, 2022-23 outlook unchanged, new 2024 outlook consistent with 5-7%; slightly positive

- **3Q21 in line:** $2.45 vs consensus $2.44, WRe $2.31.
- **Raises 2021 guidance to top half of range, reaffirms 2022-23 outlooks, gives new 2024; maintains 5-7% EPS growth off 2020 of $5.60:** Guidance vs consensus and WRe:
  - 2021: $5.80-6.10 vs $5.91 consensus; $5.94 WRe
  - 2022: $6.15-6.45 vs $6.36; $6.32
  - 2023: $6.55-6.85 vs $6.72; $6.80
  - 2024: $6.95-7.25 vs $7.11; $7.11
- **EEI disclosures**: At the EEI conference this weekend, ETR will provide preliminary 2022 drivers, rate base estimates through 2024, 2022-24 capex, a renewable update and LT opportunities.
- **Storm restoration, Uri costs continue to weigh on B/S but expects over 14% by 2023**: Once the 2020-21 storm costs are securitized, ETR targets FFO/Debt over 14% on a Moody's basis (14-16% on a S&P basis) by 2023. Equity plans of $1.23B through 2024 announced in Sep appear unchanged.
- **3Q21 weather-adj sales grow 2.8%, with industrial again strong**: For 3Q21, +2.8% sales growth (Resi -2.9%, Comm +0.5%, Ind +9.9%). ETR sees FY21 growth of 1% (was +2.2% previously but Hurricane Ida impacted ~1.5%).

We view the results as slightly positive given the FY21 guidance raise to top half of the original range and 2024 outlook consistent with 5-7% LT EPS growth. We are happy to see ETR remove its current FFO/D metric from the slides which was a useless number if one believes they will get hurricane recovery cost recovery as in the past. On the call, we expect investor focus on LT EPS growth, equity needs, renewables opportunities, sales growth and any updates from the SERI proceedings at FERC.

EXC – Q3 in line, FY21 guidance narrowed; focus is on spin, nuke PTCs; in line

- **3Q21 in line.** $1.09 vs $1.09 consensus and $1.19 WRe. Unrealized losses on equity investments were -$0.10 (we had estimated -$0.03).
- **2021 guidance narrowed but same midpoint.** To $2.70-2.90 from $2.60-3.00 vs $2.78 consensus and $2.89 WRe. By segment:
  - Utility net parent guidance: $2.15-2.35 vs $2.09 WRe.
  - ExGen guidance: $0.55-0.75 vs $0.80 WRe.

- **ExGen tax-free spin on track to close 1Q22.** Last month, a notice of impending settlement negotiations was filed with the NYPSC; NRC expected to complete its review by 11/30; and FERC has already approved the spin.
- **ExGen 2021 gross margins rise $500M on addition of EDF's share of CENG and including Byron/Dresden, but unchanged ex those items, using 9/30/21 vs 6/30/21 pricing.** 2021 GM rises $500M to $7.2B on the inclusion of said items but remains flat with last quarter at $5.75B with TX hit or $6.7B without TX (same as before). ExGen now sees adjusted O&M of $4.075B vs $3.7B last quarter, reflecting inclusion of same items.
- **EXC utilities TTM ROE slightly declines**. 9.3% through 3Q21 vs 9.4% through 2Q21.

The narrowing of FY21 guidance appears to reflect lower expected unrealized gains from equity investments and the inclusion of Byron, Dresden and EDF's share of CENG. The ExGen/Constellation spin is on track for approval within the next few months. On the call, we believe the main investor focus will be on potential upside from federal nuclear PTCs, which have been proposed in the impending reconciliation bill; the upside is meaningful. We also anticipate questions on timing of the spin and Constellation's 2021 gross margins or EBITDA with a full run rate for Byron/Dresden and EDF's share of CENG. We also expect questions on EXC legacy's LT financial outlook and utility rate base growth.

ES – Q3 miss but no longer points to low end of FY21 guidance; still sees upper half of 5-7% LT EPS growth ex offshore; in line

- **3Q21 ongoing EPS misses:** $1.02 vs. $1.05 consensus, $1.04 WRe. Excludes $0.20 of non-recurring charges, which includes the CT settlement (see below).
- **Reaffirms 2021 guidance but no longer points to low end:** ES' $3.81-3.93 excludes non-recurring charges. Consensus is $3.83 and WRe is $3.87.
- **Still targeting upper half of 5-7% LT EPS growth through 2025:** Growth off 2020A of $3.64 implies 2024E within $4.60-4.77, in line with consensus of $4.66 and WRe of $4.65.
- **Offshore wind earnings excluded from targeted EPS growth but they would raise it above 5-7%:** ES and Ørsted are developing three projects totaling 1,758 MW:
  - South Fork: 130 MW into NY; in-service targeted for late 2023; COP decision due mid-Jan 2022.
  - Revolution: 704 MW into RI (400 MW) and CT (304 MW); in-service targeted for 2025; COP expected in in 3Q23.
  - Sunrise: 924 MW into NY; in-service now targeted in late 2025; COP expected in in 3Q23.
- **CT settlement approved; EV, grid mod and AMI in MA/CT:** ES noted the key elements of the CT settlement, including $65M credit, $10M customer assistance funding, stayout through at least 1/1/24 and no change to allowed ROE or capital structure. ES is seeking EV and AMI capex in both CT; ES filed a compliance filing on the former. ES sees AMI capex of ~$475M by YE25. In MA, ES filed for a ~$200M grid mod capex over 2022-25 and $575M capex for AMI in 2022-27.

The Q3 results and outlook are in line with expectations. With CT settled, we anticipate questions on today's call will mostly focus on the pending offshore wind projects and their potential upside to EPS growth, as well as upcoming auctions in which ES/Ørsted will participate (e.g., NY Bight, next NY RFP, etc).

EVRG – Q3 EPS beats big and big 2021 guidance raise, but all on weather and one-timers

- **Q3 2021 adjusted EPS of $1.98 vs. $1.73 last year – big beat** vs. consensus $1.77 and our $1.76 estimate
  - Drivers: weather (+0.20), transmission margin (+0.06), lower taxes (+0.04); partially offset by weather-normal sales (-0.06)
- **Raised 2021 adjusted EPS guidance to $3.50-3.60 from top-half of $3.20-3.40** (consensus: $3.36; WRe: $3.35)
  - Driven by warm weather (+0.18) and one-timers (+0.05); more than offsetting weaker weather-normal sales (-0.14)
- **Reaffirms 2022 EPS guidance of $3.43-3.63** (consensus: $3.52; WRe: $3.54)
  - Drivers unchanged outside of reversion in weather (-0.18) and one-timers (-0.05)
- **Increasing dividend 7.0% to $2.29/sh annualized**
- **Reaffirms 6-8% EPS growth target through 2025** off original 2021 midpoint of $3.30
- **Weather-normal sales -1.2% in Q3** (R/C/I = -3%/+1%/flat)
  - YTD +0.9%
- Rate base growth, capex, and zero equity plans from Analyst Day all unchanged

A massive beat and raise, as EVRG keeps the good news coming after its late-September Analyst Day, though it's almost entirely due to weather and one-timers. It's still good to see solid evidence that the new mgmt. team is poised to execute well going forward.

FERC – Senate Energy committee unanimously votes in favor of DC PSC Chair Willie Phillips appointment

- Yesterday, the Senate Energy Committee unanimously voted in favor DC PSC Chairman Willie Phillips (D) nomination to fill the open FERC seat
- Phillips will now go before the Senate floor for final confirmation
- Phillips would fill the seat left vacant by Neil Chatterjee (R) and give the Democrats a 3-2 majority at FERC

This was mostly expected, as it appears this is close to a done deal. FERC will soon again be fully staffed. Most in focus at FERC have been transmission ROEs and planning, the former of which has seemed to take a more pro-consumer bent recently and could be further exacerbated by a Democratic majority.

PNW – I am speechless, I am without speech

Click here to view our complete note

ACC votes to approve rate case, no changes; slashing estimates. Post close, the ACC issued a final vote on APS's rate case. With a 3-2 vote (Olson & Kennedy voted no because they wanted an even worse outcome), the ACC approved the amended ROO without any changes to the version that was discussed last week. Key provisions include partial recovery of the SCRs, an 8.7% ROE (lowest of any vertically integrated utility) and several disallowances for expenses that were previously recovered in rates. This outcome was not the worst case, but it is still very bad. With the rate case now finalized, we are reducing our 2022/2023 by $0.38/$0.45 to reflect the amendments that were passed since the initial ALJ ROO was proposed (we prev. assumed the SCRs were fully recovered too). Our PT moves to $63 from $69 on our lower estimates. We embed a 20% discount vs our group avg to account for the acutely challenging regulatory environment in AZ. We remain Underperform rated.

EIX – Flashbacks in way of brighter future

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2021 guidance cut but LT outlook intact; best est. of 17/18 damages rises. After close 11/2, EIX's 3Q21 of $1.69 missed $1.75 consensus on timing of GRC decision, and EIX cut its recently disclosed 2021 guidance to $4.42-4.52 from $4.42-4.62, below then-consensus of $4.54. But EIX kept its 5-7% EPS growth target based on $4.52 in 2021. EIX also added $500M of storage capex to its 2021-25 plan and raised its rate base growth to 7-9% from 6-8%. EIX announced a $550M settlement with the CPUC's Safety Enforcement Division related to enforcement action over the 2017/18 wildfire/mudslides. However, EIX raised its best estimate of total 17/18 damages to $7.5B from $6.2B, with $2.2B remaining to be resolved (that was $1.4B in 2Q21), which is a little disappointing. Although the results were mixed, we see higher rate base growth and no new equity to fund the higher 17/18 damages estimate. Still, the stock trades at a 27% discount to peers. We view that as particularly steep because EIX has not been found imprudent in any of the past wildfires in its territory. And if EIX can maintain its currently allowed ROE, that would add another $0.22 to our 2023E. We raise our PT $1 to $69 on the incremental rate base.

WEC – Making it official

Click here to view our complete note

Formally raising EPS growth rate to 6-7% from upper-half of 5-7%

WEC refreshed its five-year capital plan today and with it, officially raised its EPS growth rate to 6-7%. WEC had in place a 5-7% EPS CAGR since the TEG deal and most recently was noting a strong bias to the upper-half of the range. However, WEC's track record has already been 7% growth and we expect this to continue. WEC also pointed to the direct pay provision of the Biden clean energy bill as nice benefit to cash flow (50-100bps FFO/Debt).

PEG – Nuclear option is nice to have

Click here to view our complete note

Q3 EPS beats nicely, 2021 guidance raised again

PEG reported Q3 EPS of $0.98 – ahead of consensus/us at $0.92. Q3 was up versus $0.96 last year, driven by PSE&G rate base growth and some one-time items, offset some by Power's weaker hedge pricing and taxes/O&M at Parent. PEG again raised 2021 guidance to $3.55-3.70 from $3.50-3.65 previously. This still reflects the absence of depreciation on the held-for-sale fossil assets and Power debt-related interest savings. We continue to like PEG's core utilities story with an upside option from a potential federal nuclear PTC. Outperform.

Midstream

TRGP – Moody's upgrades the credit to Ba1

- This morning, Moody's upgraded Targa's credit rating to Ba1 from Ba2. TRGP had previously been put on positive outlook.
- Moody's cited "remarkable" improvement in credit metrics given an improving outlook, strong FCF, and debt reduction
- Moody's expects TRGP to buy in the DevCo in early 2022 for $925M using cash and revolver borrowings
- The rating could be further upgraded to investment grade if TRGP continues to demonstrate conservative financial policies, further simplifies its capital and organizational structures, keeps leverage below 4x, and decreases exposure to commodity prices

Targa is now a notch away from investment grade ratings at both Moody's and S&P. At our conference a month ago, Moody's indicated it could take 12-15 months post going to Ba1 for Targa to be upgraded again to investment grade as they'd like to see more of a track record and further simplification of the story (DevCo, prefs, and possibly more). The irony here is that Targa is already in the top tier balance sheet group for midstream with 2022 Debt / EBITDA of 3.4x already comparable to EPD and MMP (Baa1) and MPLX (Baa2). So we think further credit improvement for Targa is only a matter of time, and not based on any further improvements needed in the balance sheet.

Midstream – Off to a good start…key earnings takes in 1 concise report

Click here to view our complete note

Election day earnings marathon. Literally half our midstream coverage reported today so we thought it would be more useful to give our views in 1 report. Overall, Q3 updates were better than expected with 4 of 5 that give 2021 guidance raising it and some constructive capital allocation updates. EPD stood out as having a less positive call.

Clean Energy

Ørsted – Q3 beats, FY21 guidance unchanged as CHP plants mitigate impact of wind speeds; in line

- **3Q21 EBITDA beats consensus:** DKK 2,984 vs. DKK 2,810 consensus, DKK 3,065 WRe. Wind speeds hit EBITDA by DKK 800M vs 3q20 (DKK 600M vs normal), while CHP plants in Bioenergy segment added DKK 700M compared to last year on higher realized power prices, ancillary sales and generation.
  - The consensus of detailed estimates provided to the company ahead of participating analysts was coincidently DKK 3,065. Below is the segment detail provided by participating analysts (may not add up to total):
  - Offshore: DKK 1,304 vs DKK 2,106 consensus; DKK 2,032 WRe
  - Onshore: DKK 413 vs DKK 420; DKK 723
  - Bio/other: DKK 1,206 vs DKK 390; DKK 310
- **2021 EBITDA guidance remains low end of DKK 15-16B (ex new partnerships):** While EBITDA guidance was unchanged, the company points to "significantly higher" Bioenergy/other vs "higher" before. Consensus is DKK 24,215 and WRe is DKK 21,501.
  - New Partnerships added DKK 5.3B for YTD21; that is excluded from guidance.
  - Similar to above, the consensus of estimates provided by participating analysts was DKK 24,528 including new partnerships and DKK 15,387 ex new partnerships. Below is the segment detail (may not add up to total):
  - Offshore: DKK 20,950 consensus vs DKK 17,352 WRe
  - Onshore: DKK 1,554 vs DKK 2,134
  - Bio/other: DKK 1,900 vs DKK 2,016
- **Still targeting 12% EBITDA growth through 2027:** Growth off 2020A implies 2027E of DKK 37,361, in line with DKK 41,001 consensus and DKK 38,013 WRe.
- **New offshore wind project in VN:** The company proposed to conduct a research and survey in Haiphong, Vietnam. The VN city government said that Ørsted plans for a 3,900 MW offshore wind project (built in 3 phases)and to invest up to $13.6B.
- **FFO/adj net debt falls to 42% but still above 25% target:** The metric fell to 42% on 9/30/21 from 80% on 9/30/20.

The results are largely in line, particularly given several warnings about the impact from lower wind speeds and potential benefit in the Bioenergy segment (CHP plants) from higher commodity prices. On the call, we expect investor questions on the potential impact Biden's proposed clean energy incentives would have on management's LT outlook, particularly for its Onshore business, which is mostly US-based. We also anticipate questions on the potential VN offshore wind project and expectations for the MD and JPN auction results due this quarter or early next. The stock is down around 5% (as of 8:30am EDT), likely being pulled down by fellow Danish-based wind-turbine maker Vestas (not covered), whose stock is down 15% reportedly on a guidance cut from high commodity prices and supply chain concerns.

NOVA – ECP files to sell 6M shares, will bring total ownership of NOVA just below 10%

- Late Monday, Energy Capital Partners (ECP) filed to sell 6M shares of NOVA through a secondary offering
- Per FactSet and as of 6/30, ECP held 16.9M shares of NOVA (~15% of total OS); following the sale, ECP is expected to own under 10% and will only have one board seat (currently has two)
- ECP was an early investor in NOVA pre-IPO and actually owned over 50% of the company when it initially came public in 2019
- NOVA's stock finished down 6.1% yesterday – well below resi solar peers and the TAN index

This is not a surprise as ECP is not a natural L-T holder of NOVA shares. ECP has also made a fantastic return on its investment, so perhaps this is being done to redeploy money into other investment opportunities. We don't believe ECP will rush to sell its remaining shares (last time it sold some was about a year ago).

FSLR – U.S. ITC to hold hearing today on Section 201 tariffs

- The U.S. International Trade Commission will hear arguments today on Section 201 tariffs prior to an expected early December recommendation to President Biden on whether to extend, revise, or end the tariffs
- The Section 201 tariffs currently impose an 18% tariff on imports of crystalline silicon solar cells and modules on major producing countries. We estimate the tariffs add $0.04-$0.05/watt of cost. They are set to expire in February.

Much attention has rightfully been on the reconciliation bill given very significant support for U.S. solar manufacturers like FSLR in the House bill last week. However, the Section 201 tariffs are the next issue to keep an eye on with a U.S. ITC recommendation expected next month on what to do with the tariffs. We continue to view the issues as intertwined. If the reconciliation bill passes with currently proposed provisions that give huge subsidies to domestic manufacturers like FSLR, we don't see much of a need to extend the Section 201 tariffs as American manufacturers would still be much better off on a net basis. However, if the reconciliation bill fails, then we think it's likely Section 201 is extended in some way as it would be undesirable to adversely affect U.S. manufacturers at a time when the U.S. is looking to ramp up solar development and geopolitical tensions with China remain high.

AES – Partnering with Microsoft to bring 24/7 renewable energy to its VA data centers

- This morning, AES announced that it signed a 15-year agreement with MSFT to support the company in achieving its 100/100/0 by 2030 goal
- Under the agreement, AES will supply 24/7 renewable energy to MSFT's data centers located in Virginia
- AES will source the energy from a 576 MW portfolio utilizing existing renewables under L-T contract to MSFT, while also adding additional resources in the region

This looks very similar to the agreement that AES already has with Google in VA and is another example of the company offering highly specialized 24/7 renewable solutions for its customers. AES views this as a key differentiator vs a lot peers who tend to mostly do more plain vanilla PPAs. We believe this announcement is already reflected in AES' outlook.

SEDG – N-T margin pressures, but storage upside
Click here to view our complete note
Mixed Q3, raising PT to $380. Q3 sales were in line with consensus, but the Q4 guide came in a little light on lower e-Mobility sales. The biggest update was on margins – SEDG guided Q4 solar margins down considerably from Q3 due to a Vietnam plant closure and higher associated costs. That said, SEDG pointed to a stronger storage ramp up into 2022, and pointed to a record 4 GW order backlog for Q4/Q1. Of note, SEDG will not increase prices which makes ENPH an outlier here. Overall, we think the L-T thesis is intact, but caution the quarter missed the higher bar set by ENPH on the N-T margin headwinds.

Wolfe Events

November 7-10: EEI Conference meetings
December 6: PNW non-deal roadshow in Australia

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Calendar

Date	Ticker	Event	Case Docket Number	Description
11/4/21	EIX/PCG/SRE	CPUC Voting meeting		
11/5/21	AEE	Surrebuttal testimony	ER-2021-0240	MO rate case
11/9/21	NYSE	Short Interest Release		
11/15/21	SO	Hearing on company testimony		VCM 25
11/18/21	EIX/PCG/SRE	CPUC Voting meeting		
11/19/21	FE	Supplemental Audit on Brown Stadium Naming	20-1629-EL-RDR	DCR Audit
11/24/21	NYSE	Short Interest Release		
11/24/21	AEE	Final reconciliation	ER-2021-0240	MO rate case
11/29/21	AEE	Hearings begin	ER-2021-0240	MO rate case
12/1/21	SO	Intervenor testimony		VCM 25
12/2/21	EIX/PCG/SRE	CPUC Voting meeting		
12/2/21	FE	DMR Audit	17-2474-EL-RDR	Draft Audit Report Due
12/9/21	EIX/PCG/SRE	Proposed decision deadline (90 days after reply briefs)		NEM 3.0
12/9/21	AEE/FTS/MISO	MISO Board of Directors Open Session (maybe discuss MTEP)		MISO MTEP
12/9/21	NYSE	Short Interest Release		

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J.P.Morgan

North America Equity Research
03 November 2021

NiSource Inc.

3Q21 Tops Estimates; '21/'22 Guidance Directional Raise/Initiated; High Level IRP Update Shows $750mm Capex Potential

Overweight

NI, NI US
Price: $24.74
02 Nov 2021

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- **3Q21 earnings beat estimates.** NI reported 3Q21 adj EPS of $0.11, ahead of the $0.10 JPM/Street median estimate. Gas distribution operating earnings increased +$8.3mm while electric operating earnings declined -$2.8mm YoY. NI benefitted from new base rates, infrastructure replacement program recoveries, and customer growth, among other items. Meanwhile, unfavorable COLI performance continued to impact Corporate and Other. NI now anticipates achieving the top end of its $1.32-1.36 2021 guidance (JPMe/Street median $1.35/$1.34), which implies 4Q21 EPS of $0.38 versus $0.34 in 4Q20.
- **2022 EPS guidance introduced, as higher 2021 expectations lifts outlook.** NI introduced 2022 earnings guidance of $1.42-1.48 (JPMe/Street median $1.42), representing ~7% YoY growth from the high end of NI's 2021 range. This implied 2022 growth stands at the high end of NI's 5-7% near-term EPS CAGR. Additionally, the company's strong anticipated 2021 results, in targeting the guidance range's top end, also raise expected outer-year earnings power off this base (for 7-9% EPS growth through 2024). We see these guidance updates as a clear positive and continuing recent company trends of strengthening its growth outlook on the back of near-term and long-term plan execution in 2021.
- **IRP update remains high level with up to $750mm investment potential.** Progress continues towards the company's IRP filing by mid-November. NI's message remains relatively high level in advance of the formal filing, with the company highlighting investments in replacement resources of up to $750mm across solar, standalone battery storage, and natural gas peaking. With NI's preferred resource plan now identified, the range of megawatt and capex outcomes has meaningfully narrowed, in our view, and we expect further refinements into next year as the company works towards a likely 2022 plan refresh to formally incorporate the IRP. In the interim, we await management commentary on potential ownership options as informed by the associated RFP process.
- **Conference call details.** NI will host a webcast to discuss 3Q21 results on Wednesday, November 3 at 11:00 AM EDT.

Table 1: NI 3Q21 Results

Income Statement:	Actual 3Q20	Actual 3Q21	JPM 3Q21E	% Chg Y/Y	% Chg vs JPMe	YoY Drivers
Operating Earnings	148	144	161	-3%	-10%	New rates from base rate proceedings and regulatory capital programs; CMA impacts
Net Income	36	47	44	30%	8%	Higher non-service pension benefits; lower interest expense on ST and LT debt; unfavorable COLI impacts
Share Count	384	430	431	12%	0%	
Operating EPS	**$0.09**	**$0.11**	**$0.10**	**22%**	**10%**	

Source: Company reports and J.P. Morgan estimates.

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Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31
09-Apr-20	OW	25.47	29
01-Jul-20	OW	22.74	26
21-Sep-20	OW	21.98	25
23-Oct-20	OW	24.04	26
29-Jan-21	OW	22.17	25
22-Feb-21	OW	22.84	24
22-Apr-21	OW	26.03	28
31-Aug-21	OW	24.76	29
14-Oct-21	OW	24.69	28

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Completed 03 Nov 2021 10:00 AM EDT Disseminated 03 Nov 2021 10:08 AM EDT
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NI: Rebasing EPS CAGR Off Top End of 2021; IRP Updates

Key Message: NiSource pointed to the top end of its reaffirmed 2021 NOEPS guidance range of $1.34-$1.36 and rebased its 5%-7% (through 2023) and 7%-9% (through 2024) EPS CAGRs off of the top end of 2021 guidance. The company also introduced 2022 NOEPS guidance of $1.42-$1.48 ($1.45) and reaffirmed its prior capex forecast of $2.4bn-$2.7bn for 2022, $3.4bn-$3.7bn for 2023, and $1.9bn-$2.2bn for 2024. Management sees the potential for $750m of capital investment coming out of the IRP, but how much of that will be NI's will not be known until the RFP review process concludes in early 2022. We reiterate our Buy rating and are raising 2021/2022 estimates to reflect management's increased confidence in its guidance.

NI expects to submit the NIPSCO IRP by mid-November and indicated that the preferred plan refines the timeline to retire coal-fired generation at the Michigan City Generating Station to between 2026-2028, while supporting NI's emissions reduction target of 90% by 2030. **Up to $750m of investment** will be required to replace Michigan City and two peaking units at Schahfer, and the company expects to have more visibility on its potential stake of that spend **once the RFP process concludes in early 2022**. More color for investors is expected to be provided at an Analyst Day to be held towards the end of 1H22. Also, on the near-term regulatory front, **NIPSCO's $1.64bn proposed TDSIC plan** for 2021-2026 is pending before the IURC, with a **final order expected in Jan 2022**.

NI reported 3Q21 adj. EPS of $0.11 vs us/consensus at $0.05/$0.12, and up $0.02 vs $0.09 in 3Q20. **We are raising our 2021 estimate to $1.36** from $1.35 to reflect management's revised guidance of the top end of the $1.34-$1.36 range, and **raising our 2022 estimate to $1.45**, the midpoint of NI's newly introduced 2022 guidance range, up from $1.43 previously. Our estimates for 2023/2024 remain unchanged.

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We apply our base 18.5x multiple on the electric utility and add a 1x premium to account for additional renewables opportunities and our base 18.5x multiple on the gas LDCs. We arrive at our valuation utilizing a sum-of-the parts analysis, based on: (1) ~$11/share for the regulated electric utility; (2) ~$18/share value for the regulated gas segment given the limited spread from LDCs after recent market volatility; and (3) (~$-2)/share for other adjustments for Corp and Other. We use this sum of the parts to arrive at our $27 valuation.

Risks

The primary risks on the regulated utility encompass the traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

NI **BUY**

NiSource Inc.
Sector: Power & Utilities

Earnings Release

Share Price	$24.74
Price Target	$27.00

EPS ($) (FY DEC)	1Q	2Q	3Q	4Q	FY
2021	0.77	0.13	0.11	0.41E	1.36E
Prior	—	—	*0.05*	*0.40E*	*1.35E*
P/E					18.2x
2022	0.87E	0.14E	0.04E	0.40E	1.45E
Prior	*0.85E*	—	—	—	*1.43E*
P/E					17.1x
2023	0.88E	0.17E	0.08E	0.41E	1.53E
P/E					16.2x

Market Data	
52-Week Range	$21.09 - $26.60
Dividend	$1.60
Dividend Yield	6.5%
Market Cap (M)	$9,708
Shares Out (M)	392.4
ADV (3 mo; 000)	3,261

POWER & UTILITIES

NISOURCE INC. **November 3, 2021**

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Rating and Price Target History for: NiSource Inc. (NI) as of 11-02-2021

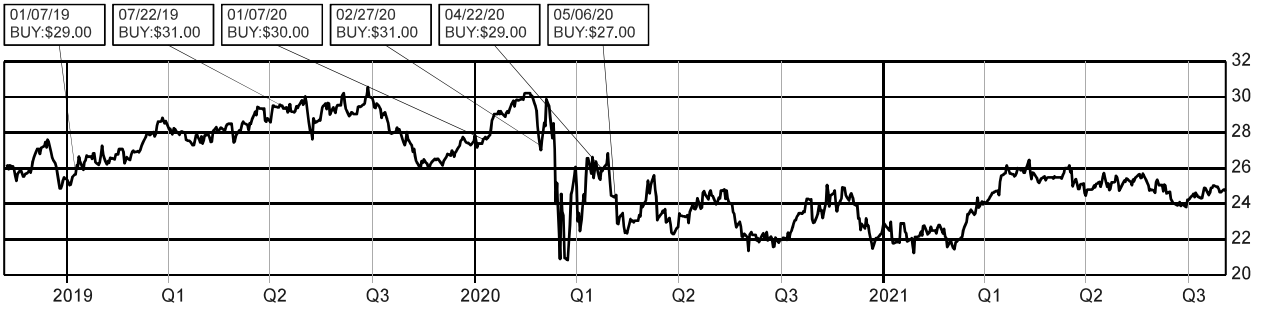

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NEUTRAL	114	30.56%	9	7.89%
SELL	7	1.88%	1	14.29%

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November 3, 2021

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ADV (3 mo; 000)	3,261

See pages 2 - 3 for analyst certification and important disclosures.

POWER & UTILITIES

NISOURCE INC. **November 3, 2021**

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Rating and Price Target History for: NiSource Inc. (NI) as of 11-02-2021

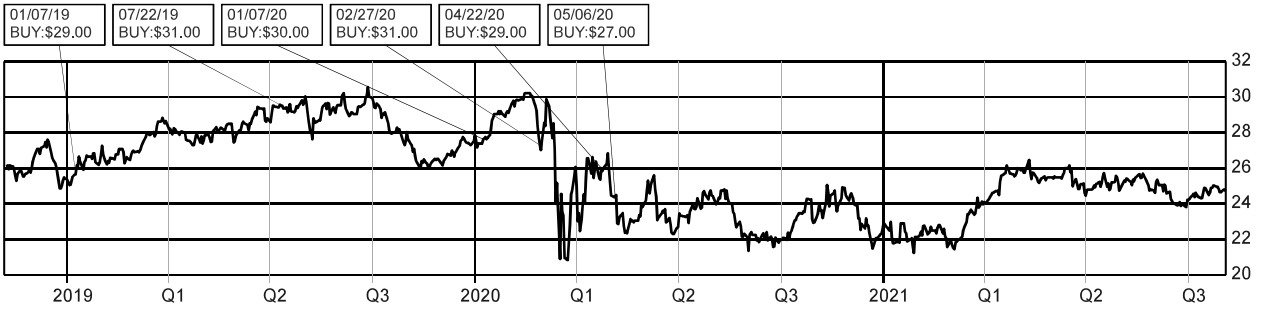

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NEUTRAL	114	30.56%	9	7.89%
SELL	7	1.88%	1	14.29%

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Energy | Power & Utilities

November 03, 2021

NiSource Inc

NI | $24.74

In Line | Target Price/Base Case: $27.00

Company Update

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Company Statistics

Market Capitalization (M)	$9,712
Shares Outstanding (M)	392
Dividend	0.84
Dividend Yield	3.4%
Payout Ratio	61.8%
Expected Total Return	12.5%
Fiscal Year End	Dec

Earnings Summary

	2021E	2022E	2023E
EPS	**$1.36**	**$1.45**	**$1.53**
P/E	**18.2**	**17.1**	**16.2**
EPS vs Consensus	**1.3%**	**2.1%**	**(0.1)%**
Consensus EPS	**$1.34**	**$1.42**	**$1.53**
Consensus P/E	**18.4**	**17.4**	**16.2**

1 Year Price History

Source: FactSet

Robust Results

Q3 adjusted EPS in line with consensus. 2021 adjusted EPS guidance increased to top end of range. 2022 EPS guidance issued above consensus and our estimate. NiSource posted $0.11 in 3Q21 operating EPS, which was in line with consensus of $0.10, our estimate of $0.11/share, and compared to 3Q20 of $0.09. NI now expects to deliver the top end of its 2021 adjusted EPS guidance of $1.32-1.36 and issued 2022 EPS guidance of $1.42-1.48, above consensus and our estimate of $1.42 at the midpoint. In addition, NiSource now expects to deliver an EPS CAGR of 7-9% through 2024 off of the top end of 2021 guidance versus the midpoint previously, including 5-7% annual growth through 2023. The Company refined its 2021 capex plan to the midpoint of its prior $1.9-2.1 billion range and maintained its spending level outlooks of $2.4-2.7, $3.4-3.7 and $1.9-2.2 billion for 2022-2024. This level of capex is still expected to drive rate base growth of 10-12% CAGR in 2021-2024 under an unchanged financing plan. The 2021 Indiana IRP will be filed in mid-November, and NI estimates that investments of up to $750 million will be necessary to replace the entire retiring coal capacity (which could be through PPAs or owned) associated with Michigan City Generating Station, as well as gas peaking units 16A and 16B at the Schafer Generating Station site. The NIPSCO portion of this investment will be better understood as bids in the RFPs are further evaluated. NiSource expects to begin project-specific identification of 2021 preferred pathway in the first half of 2022. The preferred plan refines the timeline to retire coal-fired generation at the Michigan City Generating Station to between 2026 and 2028, and it supports NI's targeted 90% reduction in greenhouse gases by 2030. Separately, NiSource plans to host an Analyst Day at the end of the first half of 2022. 50% ownership of the $750 million replacement would translate into $0.04 annual EPS (or 3% of our 23E) upside in 2026+.

Raising our 2021-2023 EPS estimates: We are increasing our 2021-2023 EPS estimates to $1.36 / $1.45 / $1.53 versus $1.34 / $1.42 / $1.51 previously. Our updated 2021 EPS estimate is top end of $1.32-1.36 guidance, while our 2022 forecast is at the midpoint of guidance, and our 2023 estimate is within the 5-7% annual growth forecast. After NIPSCO electric took the brunt of the COVID in 2020, we see its earned ROE increasing to 9.4% this year before modestly under-earning its authorized 9.75% by 2022-2023. For the gas segment, we assume the company modestly under-earns its blended ~10% ROE in 2021 through 2023

We maintain our In Line rating and target price of $27/share. Our unchanged bear case in Exhibit 1 inside derives a $23 while bull case remains $30/share. Our base case now assumes 2023 EPS of $1.54/share, which is roughly 6% annual EPS growth (vs. 5-7% guidance) over the top end of 2021 guidance of $1.32-1.36/share. For the electric business, we assign a 10% premium to our anchor 2023 P/E target multiple of 17.5x derived using our dividend discount model. For the gas segment, we apply a ~16x P/E multiple (down from 18x), a premium multiple current comparable LDC trading multiples (now ~15x versus17.5x in our last update). We apply a blended multiple for parent drag.

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Target Price Derivation

We maintain our target price of $27/share. Our bear case in Exhibit 1 below derives an unchanged $23 while our bull case is $29/share. Our base case assumes 2023 EPS of $1.54/share, which is roughly 6% annual EPS growth (vs. 5-7% guidance) over the top end of 2021 guidance of $1.32-1.36/share. For the electric business, we assign a 10% premium to our anchor 2023 P/E target multiple of 17.5x derived using our dividend discount model. For the gas segment, we apply a ~16x P/E multiple, a premium multiple current comparable LDC trading multiples (~15x). We apply a blended multiple for parent drag

Exhibit 1: NiSource SOTP Valuation

Base Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.22	16.2x	$19.74
Electric EPS	$0.69	19.3x	$13.19
Parent/Other	($0.37)	17.0x	($6.35)
Consolidated 2023 EPS	**$1.53**	17.0x	**$27.00**

Bull Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.24	18.3x	$22.74
Electric EPS	$0.70	19.3x	$13.46
Parent/Other	($0.37)	18.5x	($6.89)
Consolidated 2023 EPS	**$1.57**	18.5x	**$29.00**

Bear Case	'23 EPS	P/E	Val/Shr
Gas EPS	$1.14	15.8x	$18.01
Electric EPS	$0.65	17.5x	$11.36
Parent/Other	($0.37)	16.2x	($6.04)
Consolidated 2023 EPS	**$1.42**	16.2x	**$23.00**

Source: Evercore ISI

VALUATION METHODOLOGY

To arrive at our price target we use a SOTP analysis.

RISKS

Risks to our thesis include an inability to deploy capital at the company's expected rate resulting in a lower rate base and regulatory pressure resulting in lower allowed ROEs

COMPANIES UNDER COVERAGE BY AUTHOR

Symbol	Company	Rating	Price (2021-03-11)	Evercore ISI Target
AEE	Ameren Corp.	Outperform	$84.33	$90.00
AEP	American Electric Power	Outperform	$85.30	$99.00
AES	The AES Corporation	Outperform	$25.37	$30.00
AWK	American Water Works Company, Inc.	Outperform	$176.80	$175.00
AWR	American States Water Company	Underperform	$90.74	$70.00
CMS	CMS Energy Corp.	In Line	$60.44	$62.00
CNP	CenterPoint Energy, Inc.	Outperform	$26.19	$27.00
CWT	California Water Service Group	In Line	$62.25	$50.00
D	Dominion Energy, Inc	Outperform	$75.49	$82.00
DTE	DTE Energy Co.	In Line	$113.08	$119.00
DUK	Duke Energy Corp.	In Line	$102.45	$96.00
ED	Consolidated Edison Inc.	Underperform	$76.44	$72.00
EIX	Edison International	In Line	$63.54	$73.00
ES	Eversource Energy	In Line	$84.55	$91.00
ETR	Entergy Corp.	Outperform	$103.80	$111.00
EVRG	Evergy	Outperform	$63.91	$70.00
EXC	Exelon Corp.	Outperform	$53.74	$53.50
FE	FirstEnergy Corp.	In Line	$39.30	$40.00
HE	Hawaiian Electric Industries Inc.	In Line	$40.70	$38.00
NEE	NextEra Energy Inc	In Line	$85.42	$78.00
NI	NiSource Inc	In Line	$24.74	$27.00
NRG	NRG Energy Inc.	In Line	$39.54	$42.00
OGE	OGE Energy Corp	Outperform	$34.48	$35.00
PCG	PG&E Corp.	Rating Suspended	$11.34	
PEG	Public Service Enterprise Group	In Line	$63.98	$63.00
PNW	Pinnacle West Capital Corp.	In Line	$64.79	$66.00
PPL	PPL Corp.	In Line	$29.24	$31.00
SJW	SJW Group	In Line	$70.54	$67.00
SO	Southern Co.	Underperform	$62.49	$61.00
SRE	Sempra Energy	Outperform	$128.03	$143.00
VST	Vistra Energy Corp	Outperform	$19.87	$23.00
WEC	WEC Energy Group, Inc.	In Line	$90.89	$96.00
WTRG	Essential Utilities Inc.	In Line	$47.27	$52.00
XEL	Xcel Energy Inc.	In Line	$64.71	$70.00

TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

Time of dissemination: November 03 2021 5:08 PM ET

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Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage universe
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's universe
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's universe
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.*
Rating Suspended- Evercore ISI has suspended the rating and target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon.*

*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

FINRA requires that members who use a ratings system with terms other than "Buy," "Hold/Neutral" and "Sell" to equate their own ratings to these categories. For this purpose, and in the Evercore ISI ratings distribution below, our Outperform, In Line, and Underperform ratings can be equated to Buy, Hold and Sell, respectively.

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Sell -the total forecasted return is expected to be less than 0%

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Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

Strong Buy- Return > 20%
Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return< -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

Evercore Group:

Prior to October 10, 2014, the rating system of Evercore Group was based on a stock's expected total return relative to the analyst's coverage universe over the following 12 months. Stocks under coverage were divided into three categories:

Overweight- the stock is expected to outperform the average total return of the analyst's coverage universe over the next 12 months.
Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.
Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

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Short- the stock is a negative holding in the model portfolio; the total forecasted return is expected to be less than 0%.
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Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal100%.

Stocks assigned ratings under the alternative model portfolio-based coverage system cannot also be rated by Evercore ISI's Current Ratings definitions of Outperform, In Line and Underperform.

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Evercore ISI rating (as of 11/03/2021)

Coverage Universe			Investment Banking Services I Past 12 Months		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	514	61	Buy	119	23
Hold	289	34	Hold	29	10
Sell	17	2	Sell	0	0
Coverage Suspended	17	2	Coverage Suspended	4	24
Rating Suspended	12	1	Rating Suspended	6	50

Issuer-Specific Disclosures (as of November 03, 2021)

Price Charts

Ratings Key

B	Buy	OP	Outperform	L	Long	CS	Coverage Suspended
H	Hold	IL	In Line	NP	No Position	RS	Rating Suspended
S	Sell	UP	Underperform	S	Short		

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WOLFE RESEARCH

ELECTRIC UTILITIES

Regulateds – Market Overweight

Gas/Power Infrastructure – Market Overweight

November 3, 2021

NISOURCE

(NI US Equity – $25.29 – Outperform)

We are back baby, we are back!

- **Old NI is back – 2022 guide beats and L-T outlook raised.** NI reported Q3 EPS of $0.11 which was in-line with us/cons and now expects to finish at the top end of its FY21 range of $1.32-1.36; we and cons were at $1.34. But more importantly, NI re-based its annual 5-7% EPS growth target (through 2023) and 7-9% EPS CAGR (through 2024) off the higher 2021. Along that vein, initial 2022 guidance of $1.42-1.48 was well-above prior cons of $1.42 and represents YoY growth of 6.6% off the top end of 2021. Gone are the days of financial disappointments that were experienced over the last couple years. Management sounded very confident in being able to execute on the plan going forward. NI went on to outperform the UTY index by 260bps on the day. We still see more upside; reiterate our Outperform rating and $29 PT.

- **$750M of capex identified in NIPSCO IRP.** NI unveiled its preferred IRP portfolio in late Oct showing 600-800 MW of generation needs to replace Michigan City coal (469 MW) and two vintage gas peakers at Schahfer (155 MW). Most of the replacement capacity will be solar (100-250 MW) and battery storage (135-370 MW) as well as up to 300 MW for a hydrogen-enabled gas peaker. NI sees up to $750M of potential incremental investment (incl transmission opportunities). What is less clear is the company's ownership portion and exact timing of the investments. NI will lay this out in detail and extend the growth outlook in 1H 2022 at an Analyst Day.

- **Direct pay option would provide flexibility.** Absent a reconciliation package, NI would expect to fund future generation investments with 50% equity content. However, mgmt confirmed that a direct pay option for PTC/ITC would create additional flexibility that would likely lessen any future equity needs resulting from the IRP.

- **Rate cases progressing well**. Most in focus are the gas cases in OH, PA and IN. OH is likely the first case to resolve with new rates expected mid-2022. NI has historically executed well on the regulatory front.

- **Raising estimates**. We are raising our 2021-24E by $0.02-0.04 to reflect NI's revised outlook – see a summary on the right. Our new 2023E represents YoY growth just below 6%; our new 2024E implies an 8.5% CAGR off the 2021 base. Our PT remains $29 as gas LDC multiples have compressed.

Estimates / Valuation				
(US$)	2021E	2022E	2023E	2024E
EPS	$1.36	$1.45	$1.53	$1.74
Consensus	$1.34	$1.42	$1.53	$1.69
P/E	18.6x	17.5x	16.5x	14.6x
Dividend Yield	3.5%	3.7%	4.0%	4.2%

Trading and Fundamental Data	
Price Target	**$ 29**
Current Price	25.29
52-Week Range	$21-$27
Market Cap. (MM)	9,920
Enterprise Value (MM)	20,890
Shares Out. (MM)	392.4
Dividend Yield	3.35%
Dividend Payout Ratio	63.2%
ROE	-1.5%
Debt to Cap	58.6%
Avg. Daily Vol. (000)	3,337

Price Performance	YTD	LTM
NI US Equity	10%	8%
Utility Index	7%	5%
S&P 500	24%	41%

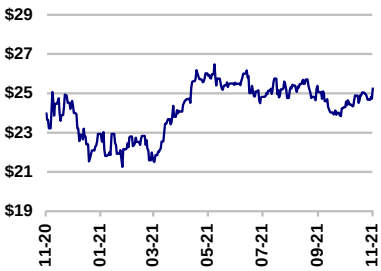

Source: FactSet/Wolfe Research

Key Changes		
Year	New	Old
2021E	$1.36	$1.34
2022E	$1.45	$1.42
2023E	$1.53	$1.51
2024E	$1.74	$1.70

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NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$1.36	$1.45	$1.53	$1.74
Diluted Shares Outstanding	415	443	451	477
Dividends Per Share	$0.89	$0.94	$1.00	$1.06
Dividend Yield	3.5%	3.7%	4.0%	4.2%
Dividend Payout Ratio	65%	65%	65%	61%
Equity Ratio	38%	38%	36%	37%
FFO/Net Debt	15%	15%	14%	16%
Valuation Metrics				
P/E	18.6x	17.5x	16.5x	14.6x
Price/Book	2.0x	1.9x	1.8x	1.8x
EV/rate base	1.4x	1.3x	1.2x	1.2x
Segment EPS				
Gas Distribution	$1.09	$1.14	$1.23	$1.28
NIPSCO Electric	0.55	0.58	0.59	0.74
Parent & Other	(0.29)	(0.27)	(0.29)	(0.28)
Total EPS	**$1.36**	**$1.45**	**$1.53**	**$1.74**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Gas Distribution	$1,385	$1,435	$1,585	$1,535
Electric	590	1,090	1,940	490
Parent	25	25	25	25
Total Capex	**$2,000**	**$2,550**	**$3,550**	**$2,050**
Financings ($M)				
Total Equity Issued/(Repurchased)	$290	$290	$115	$40
Total Hybrids Issued/(Repurchased)	$863	$0	$863	$0
Total Debt Issued/(Repurchased)	$0	$650	$1,400	$500

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.5 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland and Massachusetts.

Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $40B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. The dramatic shift toward renewables at NI's Indiana electric utility and fact that it will be coal-free by 2026 or 2028 is also helpful from an ESG perspective.

Valuation

Our $29 price target is derived by applying average P/E multiples on NI's electric earnings and on its gas LDC earnings in 2024 (to capture the full earnings uplift from NI's renewable investments); electrics are near 17x, we think LDCs should be around 1x discount to electrics. Risks for NiSource are 1) bad regulatory outcomes; 2) pipeline safety incidents. Upsides are 1) additional growth projects and 2) customer/sales growth

Exhibit 3. 2024E EPS by Segment

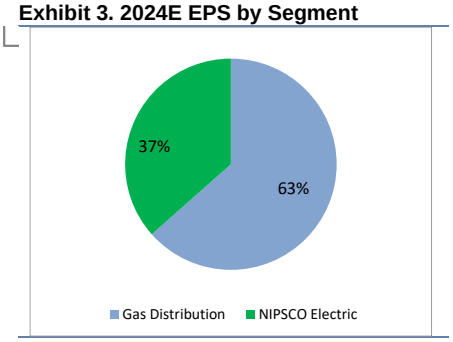

Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart

Source: FactSet

Investment conclusion

NI's rate base growth of 10-12% and EPS growth of 7-9%, on average, through 2024 places it amongst the best growth stories in the sector. The dramatic shift toward renewables at NI's Indiana electric utility and fact that it will be coal-free by 2026 or 2028 is also helpful from an ESG standpoint. After the 3Q21 update, we believe that NI is back to the old NI – back to beating/raising its outlook after a couple years of financial disappointments following the Merrimack Valley incident. NI's stock currently trades at ~2.5x discount to the regulated electric average in 2024 once its renewable capex is fully reflected in earnings. We believe NI deserves to trade near an average as its story is the cleanest that it has been in recent years. There is also identifiable capex upside toward the middle of the decade from NIPSCO's pending IRP/RFP. We also see CNP's gas LDC sales earlier this year as a very constructive value marker (2.5x rate base) for NI and gas LDC companies generally.

Exhibit 5: NI vs the Regulated Average

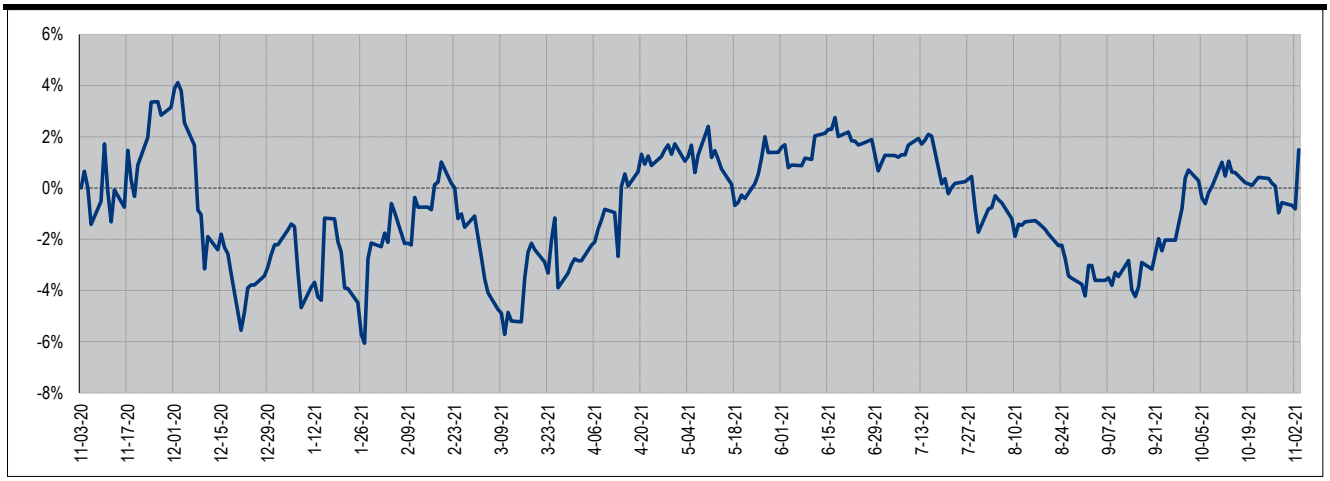

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 6: Gas LDC Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E Multiple 2021E	2022E	2023E	2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Atmos Energy	ATO	$93.24	131	$12,195	18.3x	17.2x	16.1x	15.3x	2.7%	7.5%	49%	1.7x	59%
ONE Gas	OGS	68.27	54	3,652	17.8x	16.7x	15.8x	14.8x	3.4%	6.8%	63%	1.6x	52%
NiSource	NI	25.21	392	9,893	18.6x	17.4x	16.5x	14.5x	3.5%	6.0%	67%	2.0x	37%
Northwest Natural Gas	NWN	46.03	31	1,412	18.1x	17.5x	16.5x	15.9x	4.2%	0.8%	83%	1.6x	40%
Pure-play Average					**18.2x**	**17.2x**	**16.2x**	**15.1x**	**3.4%**	**5.3%**	**66%**	**1.7x**	**47%**
New Jersey Resources	NJR	38.73	96	3,734	17.9x	17.1x	16.0x	11.6x	3.4%	7.0%	61%	2.0x	42%
South Jersey Industries	SJI	23.01	112	2,587	14.1x	13.8x	12.9x	12.2x	5.3%	2.7%	71%	1.4x	32%
Southwest Gas	SWX	70.45	59	4,163	16.8x	15.6x	14.6x	14.1x	3.4%	5.0%	57%	1.5x	47%
Spire Inc.	SR	63.43	52	3,278	14.2x	14.4x	13.8x	13.0x	4.1%	4.9%	66%	1.4x	44%
Diversified Average					**15.8x**	**15.2x**	**14.3x**	**12.7x**	**4.0%**	**4.9%**	**64%**	**1.6x**	**41%**
Average - electric utilities (ex PCG and EIX)					**19.4x**	**18.8x**	**17.7x**	**16.9x**	**3.5%**	**4.6%**	**67%**	**2.0x**	**41%**

Source: Wolfe Utilities & Power Research, FactSet

DISCLOSURE SECTION

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Important Disclosures:

Price Chart(s) with Ratings and Target Price History

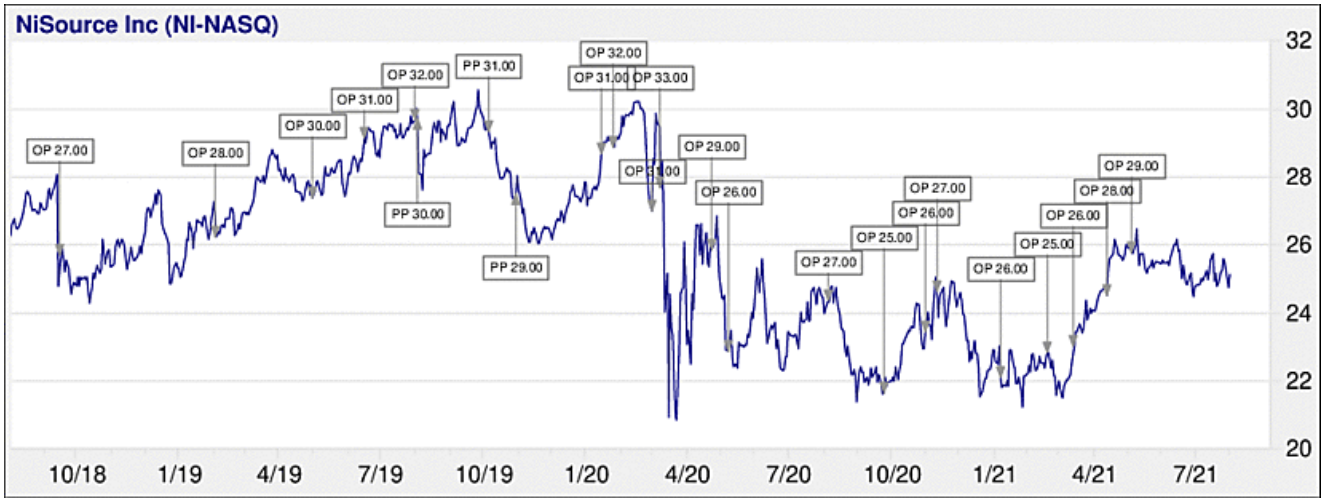

Note: OP = Outperform; PP = Peer Perform; UP = Underperform

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Forward P/E

Wolfe Research, LLC Fundamental Recommendation, Rating and Target Price Risks:

Company:	Risks That May Impede Achievement of the Recommendation, Rating or Target Price:
NI US Equity	Weak economy/sales, negative regulatory outcomes, pipeline safety accidents

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC uses a relative rating system using terms such as Outperform, Peer Perform and Underperform (see definitions above). Please carefully read the definitions of all ratings used in Wolfe Research, LLC research. In addition, since Wolfe Research, LLC research contains more complete information concerning the analyst's views, please carefully read Wolfe Research, LLC research in its entirety and not infer the contents from the ratings alone. In all cases, ratings (or research) should not be used or relied upon as investment advice and any investment decisions should be based upon individual circumstances and other considerations.

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Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

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Outperform:	55%	5% Investment Banking Clients
Peer Perform:	38%	4% Investment Banking Clients
Underperform:	7%	0% Investment Banking Clients

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November 3, 2021 | 20:52 ET | 20:52 ET~

NiSource

NI-NYSE	Rating	Price: Nov-3	Target ↑	Total Rtn
	Outperform	$25.29	$28.00	14%

Hoosier Your New Favorite Growth Utility?

Bottom Line:

NiSource initiated better-than-expected 2022 guidance of $1.42-1.48, which implies 8% growth midpoint-to-midpoint and 6.6% off the high end of 2021. Management reiterated its 5-7% NT growth EPS CAGR ('21-23) and its 7-9% EPS CAGR through 2024, which is now based off the high end of its 2021 guidance range. **We believe this is a very important data point for the company as it returns to its traditional annual growth guidance model which is rebased off the previous year's operating results. Reiterate Outperform rating and raising target too $28/share.**

Key Points

NI reported 3Q21 NOEPS of $0.11, just above our own and consensus estimates of $0.10 and $0.09, respectively. Management is now targeting the "upper end" of its $1.32-1.36 NOEPS range, its second functional raise for the year after increasing its outlook with its equity financing transaction earlier this year.

NiSource initiated better-than-expected 2022 guidance of $1.42-1.48 which was above both our own and the Street's estimates at $1.40/1.42, respectively. **Management again reiterated its 5-7% NT growth EPS CAGR ('21-23) and its 7-9% EPS CAGR through 2024, which is now based off the high end of its 2021 guidance. This implies 2024 EPS of ~$1.71 which is in line with our $1.72 estimate.**

Through its year-long RFP process NI has initially identified ~$750mm of incremental investment related to the retirement of its Michigan City coal facility as well as Schahfer peaking units. The initial scope of the preferred plan would include a Sugar Creek upgrade (30-53MW), solar (100-250MW), standalone battery storage (135-370MW), some gas peaking capacity (300MW), a hydrogen pilot (20MW) as well as transmission upgrades. The timing, final combination of capacity replacement and ownership percentage (50%+) will be finalized in the first half of 2022.

NiSource is planning to hold an Analyst Day in the first half of 2022 to discuss the extension of its current growth outlook across both its electric and gas operations. With its current '21-24 capital forecast of $9.7-10.6B driving an expected rate base growth of 10-12% and over $40B of identified investments, management is looking to further outline the depth and extension of its investment opportunities which could allow the company to extend its peer-leading growth rate.

We raise our 2021 and 2022 EPS to $1.36 and $1.46 from $1.33 and $1.40, respectively. Our '23 and '24 estimates remain unchanged at $1.54 and $1.72, respectively.

Key Changes

Target	Estimates	Q4 / 21E	2021E	2022E
$28.00↑	EPS	$0.35	$1.36	$1.46
$27.00	*Previous*	*$0.33*	*$1.33*	*$1.40*
	EBIT		$1,173	$1,324
	Previous		*$1,158*	*$1,292*

For disclosure statements, including the Analyst Certification, please refer to page(s) 7 to 9.

IN Fact

BMO Capital Markets

Utilities, Power & Renewables

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Legal Entity: BMO Capital Markets Corp.

Company Data			in $
Dividend	$0.88	Shares O/S (mm)	392.4
Yield	3.5%	Market Cap (mm)	$9,924
P/BV	1.5x	Net Debt (mm)	$8,942

BMO Estimates				in $
(FY-Dec.)	2020A	2021E	2022E	2023E
EPS	$1.32	$1.36↑	$1.46↑	$1.54↑
DPS	$0.84	$0.88	$0.93	$0.99
EBIT	$1,064	$1,173↑	$1,324↑	$1,482↑
EBITDA	$1,789	$1,959↑	$2,143↑	$2,345↑

Consensus Estimates				
	2020A	2021E	2022E	2023E
EPS		$1.35	$1.41	$1.52

Valuation				
	2020A	2021E	2022E	2023E
P/E	19.2x	18.7x	17.4x	16.4x
Div. Yield (%)	3.3%	3.5%	3.7%	3.9%

QTR. EPS	Q1	Q2	Q3	Q4
2020A	$0.76	$0.13	$0.09	$0.34
2021E	$0.77a	$0.13a	$0.11a	$0.35
2022E	$0.89	$0.07	$0.06	$0.45
2023E	$0.94	$0.07	$0.06	$0.47

Our Thesis

We like several aspects of NI following the sale of Columbia Gas of Massachusetts and removal of the previously guided $500-700mm equity issuance overhang, which we believe meaningfully de-risked the story.

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NiSource - Block Summary Model

Income Statement	2020A	2021E	2022E	2023E
Electric Operations	362	430	510	625
Gas Distribution	668	704	757	831
Parent & Other	2	2	2	2
Consolidated EBIT	1,064	1,173	1,324	1,482
Depreciation & Amortization	726	786	819	862
EBITDA	1,789	1,959	2,143	2,345
Interest Expense	371	366	406	483
Income Tax	127	143	169	196
Income from continuing operations	508	568	653	708
Weighted Average Shares Outstanding	384	419	449	459
Diluted Operating EPS	$1.32	$1.36	$1.46	$1.54
Dividends per Share	$0.84	$0.88	$0.93	$0.99
Cash Flow Statement	**2020A**	**2021E**	**2022E**	**2023E**
Operating Cash Flow	1,681	1,422	1,546	1,623
Investing Cash Flow	(879)	(2,050)	(2,500)	(3,350)
Financing Cash Flow	(100)	587	906	1,709
Net Change in Cash Flow	701	(41)	(48)	(18)
EOP Cash on Balance Sheet	804	763	715	697
Common stock (net)	360	1,211	348	198
Net debt issued/(repaid)	82	(200)	1,032	2,020
Dividends paid	(323)	(369)	(419)	(454)
Balance Sheet	**2020A**	**2021E**	**2022E**	**2023E**
Common Equity	5,735	7,185	7,808	8,300
Preferred Equity	880	880	880	880
Total Debt	9,746	9,546	10,578	12,598
Enterprise Value	$20,351	$21,671	$23,175	$25,455
Common equity %	35.1%	40.8%	40.5%	38.1%
Preferred equity %	5.4%	5.0%	4.6%	4.0%
Total Debt %	59.6%	54.2%	54.9%	57.8%
Book Value per Share	$17.21	$19.24	$19.36	$19.98

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

Our target price is the product of a P/E-based sum of the parts. We utilize a regulated average multiple using 2023E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook.

Upside Scenario $31.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile.

Downside Scenario $18.00

Our downside scenario reflects a tightening monetary policy and a deceleration of the company's rate base growth.

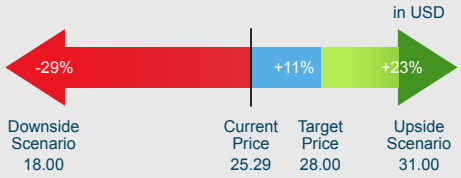

Key Catalysts

Use of proceeds from CMA sale. Potential for further asset rotation.

Company Description

NiSource, Inc. is a regulated utility holding company, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states. Through its Columbia Gas and NIPSCO brands, it provides natural gas, electricity, and other products and services. The company was founded in 1987 and is headquartered in Merrillville, Indiana.

NI-NYSE Research
Glossary
Company Models

BMO Capital Markets

Positive 2022 Outlook, IRP Update and Growth Rate Rebase Support Strong Growth Outlook Through 2024

NiSource reported 3Q21 NOEPS of $0.11, just above our own and consensus estimates of $0.10 and $0.09, respectively. Gas distribution operating income improved ~$8 million reflecting increased infrastructure investments, which were partially offset by the sale of Columbia Gas of Massachusetts in October 2020. Operating income at the electric segment was down ~$3 million net as operating revenues declined with lower residential usage but was partially offset by increased TDSIC revenues. **Given year-to-date performance, management is now targeting the "upper end" of its $1.32-1.36 NOEPS range, its second functional raise for the year after increasing its outlook with its equity financing transaction earlier this year.**

NiSource initiated better-than-expected 2022 guidance of $1.42-1.48, which implies 8.0% growth midpoint-to-midpoint and 6.6% growth off the high end of its 2021 range. This was above both our own and the Street's estimates at $1.40/1.42, respectively, and reflects both the company's tracked investments as well as the outcomes of its pending gas rate cases in Ohio (mid 2022), Kentucky, Maryland (December 2021), Pennsylvania (December 2021), and Indiana (September 2022). **Management again reiterated their 5-7% NT growth EPS CAGR ('21-23) and the 7-9% EPS CAGR through 2024, which is now based off the high end of its 2021 guidance range. This implies 2024 EPS of ~$1.71 which is in line with our $1.72 estimate. We believe this is a very important datapoint for the company as it returns to its traditional annual growth guidance model which is rebased off the previous year's operating results.**

On the call NiSource gave a preliminary view on the scope of its 2021 IRP. Specifically, NIPSCO Electric through its year-long RFP process has initially identified ~$750 million of incremental investment related to the retirement of its Michigan City Unit 12 coal facility (2026 to 2028) as well as peaking units 16A & 16B at its Schahfer facility. The initial scope of the preferred plan would include a Sugar Creek upgrade (30-53MW), solar (100-250MW), standalone battery storage (135-370MW), some gas peaking capacity (300MW), and a hydrogen pilot (20MW) as well as transmission upgrades. Although the timing, final combination of capacity replacement (subject to MISO seasonal capacity needs) and ownership percentage (50%+) will be finalized in the first half of 2022, management expects the initial spending on transmission to begin immediately given at least a three-year time frame to complete. **Additionally, the company's current preferred plan could allow it to bring forward the retirement of the Michigan City facility to as early as 2026 which would not only make NIPSCO coal free two years early, but could also accelerate the investment opportunity for the company into the 2025 time frame and add to its current 5-7% growth rate expected beyond the 2024 time frame.**

Management continues to see an extended growth runway beyond the significant EPS step up in 2024 as its $2 billion in renewable investments come fully into service. In addition to the additional rate base associated with its 2021 IRP at NIPSCO Electric (up to $750mm related to the Michigan City retirement), NiSource is planning to hold an Analyst Day in the first half of 2022 to discuss the extension of its current growth outlook across both its electric and gas operations. With its current '21-24 capital forecast of $9.7-10.6 billion driving an expected rate base growth of 10-12% and over $40 billion of identified investments, NiSource is looking to further outline the depth and extension of its investment opportunities that could allow the company to extend its peer-leading growth rate.

The company expects to update its dividend outlook in January. The company's current policy is centered around a 60-70% payout ratio which given our current EPS forecast through 2023 suggests a payout in the 64-66% range assuming a 5% annual growth rate or at the lower end of its 5-7% EPS CAGR through 2023. Given the company's confidence in its outlook for a 7-9% growth rate through 2024, which would

result in a low 60% payout through the end of the current forecast, we believe management is likely to accelerate its dividend growth with the update early next year.

Reiterating financing plans through 2024. NiSource's current financing plans satisfy the renewable energy capital spend of ~$2 billion through 2024, which is funded by ~60% equity. As the company's current program strengthens the balance sheet into 2023, any equity financing related to its 2021 IRP would likely be similar to its current regulatory capital structure of 50% equity. Moreover, given some of the tax provisions outlined in the current Democratic Reconciliation bill including direct pay, NI may have some additional flexibility in how it finances its next round of renewable investments. That said, management said it continues to remain open to all options to finance its incremental capital investment opportunities including asset rotation/ optimization. However, given each of the company's utilities in its six-state footprint rate base grows at ~10% (Exhibit 2) and potential tax leakage, dis-synergies, and necessary regulatory approvals, we see any monetization as more strategic in nature rather than as a need to finance near-term equity funding.

We are raising our 2021 and 2022 EPS to $1.36 and $1.46 from $1.33 and $1.40, respectively, to reflect the company's strong year-to-date earnings and 2022 outlook. Our '23-24 estimates remain unchanged at $1.54 and $1.72, respectively. **We are raising our target price to $28/share to reflect the MTM or our peer utility group multiples and the incrementally more visible growth outlook discussed on today's call.**

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Exhibit 1: Model Summary

NI Model Summary	2019	2020	2021	2022	2023	2024	5-Year
EPS By Segment							
Electric Operations	$0.76	$0.63	$0.72	$0.82	$1.01	$1.15	*13%*
Gas Distribution	$1.12	$1.17	$1.08	$1.14	$1.19	$1.24	*1%*
Corporate & Other	($0.56)	($0.48)	($0.44)	($0.50)	($0.66)	($0.67)	*7%*
Consolidated E.P.S.	**$1.32**	**$1.32**	**$1.36**	**$1.46**	**$1.54**	**$1.72**	**6%**
Dividend per share	**$0.80**	**$0.84**	**$0.88**	**$0.93**	**$0.99**	**$1.05**	*5%*
Payout Ratio total	60.8%	63.6%	64.9%	64.1%	64.2%	60.9%	
Dividend Yield	2.9%	2.9%	3.0%	3.2%	3.4%	3.6%	
Valuation Metrics							
Price to Earnings	21.2x	22.2x	21.6x	20.1x	19.0x	17.0x	
Price to Book Value	1.7x	1.7x	1.5x	1.5x	1.5x	1.4x	
Funding Sources							
Cash Flow from Operations	$1,750	$1,681	$1,422	$1,546	$1,623	$1,824	*0.8%*
Total Debt Financings	$750	$2,974	$0	$1,080	$1,800	$0	
Total Equity Financings	$34	$360	$1,211	$348	$198	$911	
Credit Metrics							
Total Debt/Capitlization	61%	60%	54%	55%	58%	54%	
FFO/Total Debt	14%	13%	15%	15%	13%	15%	
Regulated Operations Performance - Realized ROE							
NIPSCO Electric ROE	12.3%	9.5%	11.0%	12.1%	13.2%	14.7%	
Columbia Gas of Ohio ROE	9.4%	9.1%	9.5%	9.7%	9.3%	9.5%	
Columbia Gas of Pennsylvania ROE	9.4%	9.1%	9.5%	9.7%	9.3%	9.5%	
NIPSCO Gas ROE	9.4%	9.2%	9.5%	9.7%	9.3%	9.5%	
Columbia Gas of Virginia ROE	9.4%	9.1%	9.5%	9.7%	9.3%	9.5%	
Columbia Gas of Kentucky ROE	9.3%	9.0%	9.4%	9.6%	9.2%	9.4%	
Columbia Gas of Maryland ROE	9.7%	9.3%	9.3%	9.5%	9.2%	9.3%	

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

Exhibit 2: Key Assumptions

Key Model Assumptions	2019	2020	2021	2022	2023	2024	5-Year
Total Capital Expenditures by Segment							
Electric Operations	$469	$422	$650	$1,100	$1,650	$500	**$4,322**
Gas Distribution	$1,380	$1,267	$1,400	$1,400	$1,700	$1,500	**$7,267**
Consolidated Capital Expenditures	**$1,849**	**$1,689**	**$2,050**	**$2,500**	**$3,350**	**$2,000**	**$11,589**
YE Rate Base Estimates							
NIPSCO Electric	$4,866	$5,240	$5,747	$6,515	$7,814	$7,931	*10.3%*
Columbia Gas of Ohio	$3,106	$3,412	$3,803	$4,182	$4,674	$5,080	*10.3%*
Columbia Gas of Pennsylvania	$1,883	$2,069	$2,306	$2,536	$2,834	$3,081	*10.3%*
NIPSCO Gas	$1,660	$1,824	$2,033	$2,236	$2,499	$2,716	*10.3%*
Columbia Gas of Massachusetts	$1,098	$1,207	$0	$0	$0	$0	
Columbia Gas of Virginia	$789	$867	$966	$1,063	$1,188	$1,291	*10.3%*
Columbia Gas of Kentucky	$338	$371	$413	$454	$508	$552	*10.3%*
Columbia Gas of Maryland	$136	$150	$167	$184	$206	$224	*10.4%*
Total Rate Base	**$13,876**	**$15,138**	**$15,437**	**$17,171**	**$19,722**	**$20,874**	***8.5%***

Source: BMO Capital Markets, Company Filings

Exhibit 3: SOTP Valuation

							BMO Low Case		BMO Base Case		BMO High Case	
Regulated, Corporate & Other	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)
Electric Operations	EPS	$1.01	Electric	17.6x	+7.5%	18.9x	15.1x	$15	18.9x	$19	20.9x	$21
Gas Distribution	EPS	$1.19	Natural Gas	15.2x	+15.0%	17.5x	12.7x	$15	17.5x	$21	19.5x	$23
Corporate & Other	EPS	($0.66)	Blend	18.1x	+0.0%	18.1x	18.1x	($12)	18.1x	($12)	20.1x	($13)
Utility & Parent Value		**$1.54**					11.9x	**$18**	18.1x	**$28**	20.1x	**$31**
Total NiSource Inc.								**$18**		**$28**		**$31**
Upside/(Downside)								(27%)		11%		23%
Current Yield								3%		3%		3%
Total Return								**(24%)**		**14%**		**26%**

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

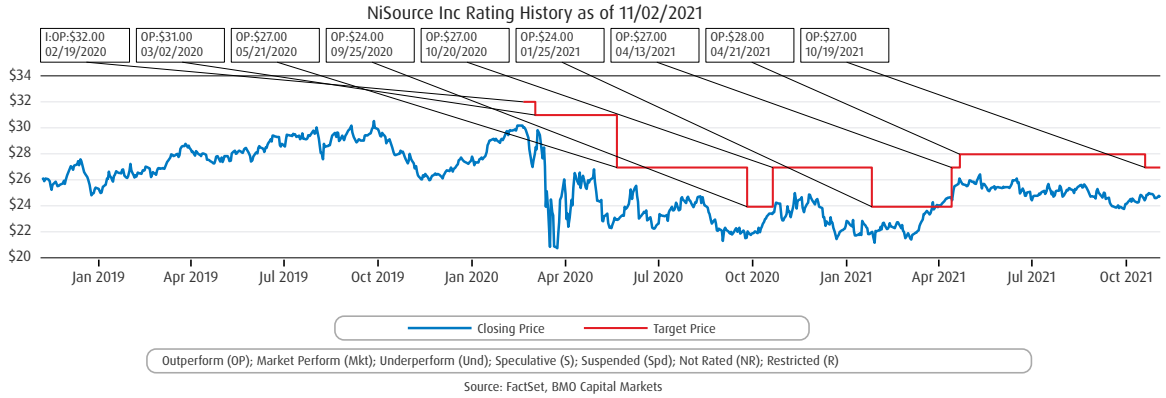

Source: FactSet, BMO Capital Markets

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Methodology and Risks to Target Price/Valuation for NiSource Inc (NI-NYSE)

Methodology: Our target price is the product of a P/E-based sum-of-the-parts (SOTP) analysis of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2023E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook.

Risks: NI's regulated profile exposes the company to business risk including but not limited to federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

Distribution of Ratings (November 02, 2021)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	51.8 %	29.1 %	58.8 %	54.3 %	60.1 %	57.7%
Hold	Market Perform	46.9 %	20.9 %	38.2 %	44.4 %	38.5 %	37.5%
Sell	Underperform	1.3 %	57.1 %	2.9 %	1.3 %	1.3 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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(S) = Speculative investment;
Spd = Suspended - Coverage and rating suspended until coverage is reinstated;
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(April 2013 - October 2016)
http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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NiSource Inc NI ★★★★ 3 Nov 2021 21:24, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
25.29 USD 3 Nov 2021	28.50 USD 16 Nov 2020 19:51, UTC	0.89	9.92 USD Bil 3 Nov 2021	Narrow	Stable	Low	Standard	3 Nov 2021 05:00, UTC

Price vs. Fair Value

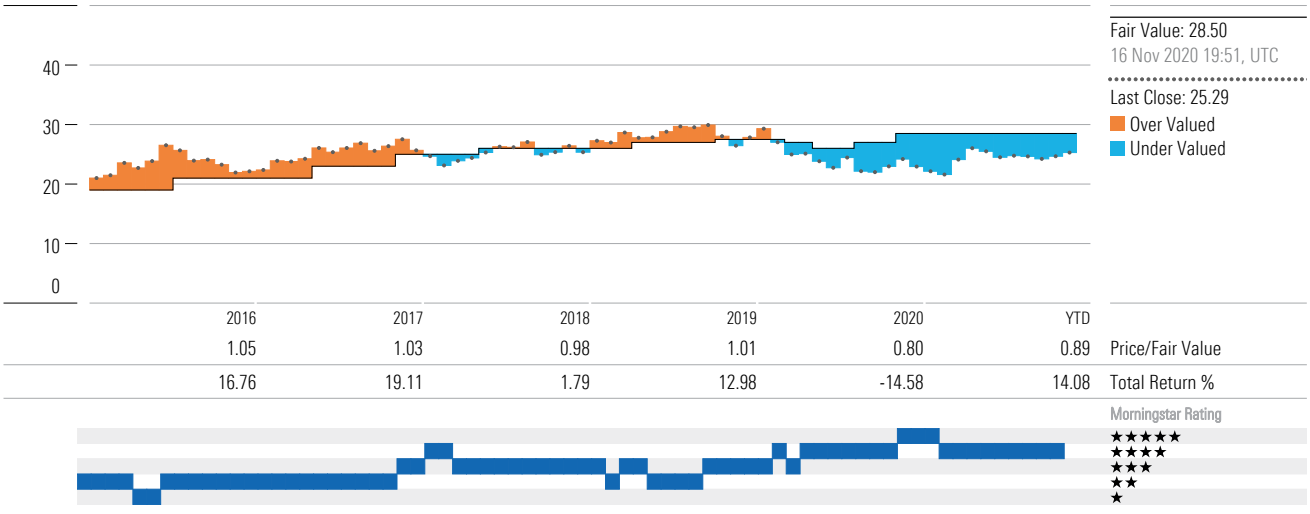

	2016	2017	2018	2019	2020	YTD
Price/Fair Value	1.05	1.03	0.98	1.01	0.80	0.89
Total Return %	16.76	19.11	1.79	12.98	-14.58	14.08

Total Return % as of 3 Nov 2021. Last Close as of 3 Nov 2021. Fair Value as of 16 Nov 2020 19:51, UTC.

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[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

NiSource Keeps Filling in Pieces of Its Long-Term Growth Plan

Analyst Note Travis Miller, Strategist, 4 Nov 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported $0.11 earnings per share in the third quarter and $0.98 EPS for the first nine months on an adjusted basis. Earnings are on track to meet our full-year estimate within management's $1.32 to $1.36 guidance range. We are reaffirming our narrow moat and stable moat trend ratings.

Year-to-date earnings are flat from 2020 primarily reflecting the sale of Columbia Gas of Massachusetts in October 2020 and the $835 million of equity units NiSource issued in April. We expect growth to pick up in 2022 and accelerate beyond 2022. Management initiated 2022 earnings guidance of $1.42 to $1.48 per share, slightly above our estimate. Our 8% average annual earnings growth estimate beyond 2022 is in line with management's 7%-9% target.

NiSource continues to gain regulatory support for its long-term growth plan. NiSource's preferred integrated resource plan at its Indiana electric utility includes an opportunity for $750 million of investment to continue transitioning its coal generation fleet to renewable energy. Most of NiSource's planned $2 billion renewable energy investments will come in 2022 and 2023, setting up sizable revenue growth in 2023 and 2024.

NiSource's gas utilities continue reaching constructive regulatory outcomes that support our estimate for $1.5 billion of annual capital investment systemwide. The outcome of rate increase requests in Ohio and Indiana, NiSource's two largest gas utilities, will be a good indication of regulatory support for its

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Sector
Utilities

Industry
Utilities - Regulated Gas

Business Description

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.5 million customers in Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana to about 500,000 customers. The regulated electric utility also owns more than 3,000 megawatts of generation capacity, most of which is now coal-fired but is being replaced by natural gas and renewables.

growth plan. We expect constructive outcomes based on ratemaking structures that minimize the time between NiSource's capital investments and customer rate adjustments.

Regulatory support enhances cash flow and should allow NiSource to pay a robust and growing dividend even as it executes its growth plan. We expect the board to approve at least a 5% dividend increase early next year.

Business Strategy & Outlook Charles Fishman, CFA, Equity Analyst, 4 Aug 2021

NiSource completed its separation from Columbia Pipeline Group in 2015 and now derives all of its operating revenue from its regulated electric and natural gas distribution utilities. About 60% of operating income comes from its six natural gas distribution utilities. The remaining 40% comes from its electric utility business in Indiana.

NiSource's utilities have regulatory frameworks that include automatic rate tracker mechanisms, with over 75% of planned capital expenditures, providing recovery of investments in less than 18 months. As a result of the favorable regulation and renewable energy investments in Indiana, we expect NiSource to step up its capital expenditures to almost $12 billion over the next five years, almost 40% higher than the previous five years.

Over the next 20 years, NiSource plans to invest about $40 billion in infrastructure improvements. Roughly 50% of these investments are expected to be for replacing steel and cast-iron pipe with plastic at its natural gas distribution utilities. Almost all of these investments receive rate tracker treatment. This allows NiSource to earn returns on these investments near allowed returns and consistently above its cost of capital.

In September 2018, a natural gas explosion killed one person north of Boston on NiSource's Columbia Gas of Massachusetts system. Insurance covered roughly half of the almost $2 billion of claims, penalties, and other expenses, but the event was a public relations nightmare. In October 2020, NiSource sold the Massachusetts utility for proceeds of $1.1 billion that will be used to strengthen the balance sheet and for regulated utility infrastructure investments.

Although the economic impact from the COVID-19 pandemic pressured earnings in 2020 due in large part to NiSource's high share of commercial and industrial customers, we expect a rebound in average annual EPS growth near 8% from 2021 to 2024 and strong dividend growth averaging about 6% annually.

Bulls Say Charles Fishman, CFA, Equity Analyst, 4 Aug 2021

- We expect dividend growth near the midpoint of management's 5%-7% target over the next five years.
- We believe the separation of Columbia Pipeline Group from NiSource was good allocation of capital, as

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Competitors

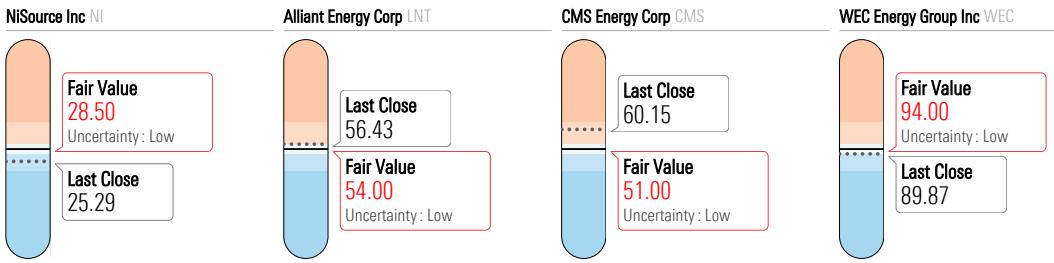

	NiSource Inc NI	Alliant Energy Corp LNT	CMS Energy Corp CMS	WEC Energy Group Inc WEC
Economic Moat	Narrow	Narrow	Narrow	Narrow
Moat Trend	Stable	Stable	Stable	Stable
Currency	USD	USD	USD	USD
Fair Value	28.50 16 Nov 2020 19:51, UTC	54.00 10 Aug 2021 14:17, UTC	51.00 28 Oct 2021 20:45, UTC	94.00 2 Nov 2021 20:21, UTC
1-Star Price	35.63	67.50	63.75	117.50
5-Star Price	22.80	43.20	40.80	75.20
Assessment	Under Valued 3 Nov 2021	Fairly Valued 3 Nov 2021	Over Valued 3 Nov 2021	Fairly Valued 3 Nov 2021
Morningstar Rating	★★★★3 Nov 2021 21:24, UTC	★★★3 Nov 2021 21:24, UTC	★★3 Nov 2021 21:24, UTC	★★★3 Nov 2021 21:24, UTC
Analyst	Charles Fishman, Equity Analyst	Andrew Bischof, Senior Equity Analyst	Travis Miller, Strategist	Andrew Bischof, Senior Equity Analyst
Capital Allocation	Standard	Standard	Standard	Standard
Price/Fair Value	0.89	1.04	1.18	0.96
Price/Sales	2.16	4.09	2.38	3.53
Price/Book	2.07	2.43	1.89	2.60
Price/Earning	50.58	22.57	21.11	21.66
Dividend Yield	3.48%	2.85%	2.85%	2.97%
Market Cap	9.92 Bil	14.12 Bil	17.43 Bil	28.35 Bil
52-Week Range	21.09—26.60	45.99—62.35	53.19—67.98	80.55—106.85
Investment Style	Mid Value	Mid Value	Mid Value	Mid Value

the market valued the individual businesses more highly at the time of the separation.

- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say Charles Fishman, CFA, Equity Analyst, 4 Aug 2021

- Industrial customers account for over half of NiSource's electric sales, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- NiSource's electric and natural gas distribution businesses have substantial commercial and industrial customer exposure, increasing the impact of economic downturns.
- NiSource issued almost $2 billion of common and preferred shares in 2018 and 2019 and $862 million of convertible preferred securities in 2021. The additional shares will be a headwind to near-term EPS growth.

Economic Moat Charles Fishman, CFA, Equity Analyst, 4 Aug 2021

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NiSource Inc NI ★★★★ 3 Nov 2021 21:24, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
25.29 USD 3 Nov 2021	28.50 USD 16 Nov 2020 19:51, UTC	0.89	9.92 USD Bil 3 Nov 2021	Narrow	Stable	Low	Standard	3 Nov 2021 05:00, UTC

Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated utilities. State and federal regulators typically grant regulated utilities exclusive rights to charge customers rates that allow the utilities to earn a fair return on and return of the capital they invest to build, operate, and maintain their infrastructure. In exchange for regulated utilities' service territory monopolies, state and federal regulators set returns at levels that aim to minimize customer costs while offering fair returns for capital providers.

This implicit contract between regulators and capital providers should, on balance, allow NiSource's regulated utilities to achieve at least their costs of capital, though observable returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing.

NiSource derives roughly 60% of its operating earnings from the regulated distribution of natural gas. For natural gas distribution service, regulators set distribution rates and the commodity price for customers purchasing natural gas from NiSource. NiSource recovers its costs for natural gas that it sells with a pass-through charge to customers. Thus, NiSource has no commodity price risk that could weaken its moat. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

Electricity generation, which contributes about 40% of operating earnings, is from operations in Indiana and is also regulated. The rates for this service are combined with regulated customer rates for transmission and distribution service. In exchange for its monopoly position, state and federal regulators set NiSource's electric rates.

Fair Value and Profit Drivers Charles Fishman, CFA, Equity Analyst, 4 Aug 2021

Our fair value estimate is $28.50 per share.

We assume NiSource invests $40 billion in its electric and gas system the next 20 years, roughly half for pipeline and safety-related investments at its gas distribution utilities. Although the market is concerned about the future of natural gas, we believe there are significant technical and economic obstacles for the electrification of building space and water heating.

Investment in the gas distribution systems, primarily for pipeline replacement, is expected to accelerate over the next five years. We expect safety concerns will drive regulators to approve NiSource's capital expenditure plan.

NiSource's electric utility plans to close its last coal-fired power plant in 2028 and replace the capacity with wind, solar, and energy storage. Renewable energy and gas distribution infrastructure investment should result in better than 7% earnings growth, strong dividend growth, a better ESG profile, and lower risk for investors.

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We use a 6.1% cost of capital in our discounted cash flow valuation, which incorporates a 7.5% cost of equity. Our cost of equity is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above-average regulatory frameworks.

Although our long-term pretax cost of debt assumption is 5.8%, recent debt financings have driven the weighted-average long-term interest rate on NiSource's long-term debt to under 3.7%. We incorporate a normalized long-term real rate environment and normalized credit spreads in our long-term view of interest rates, including a 2.25% long-term inflation outlook.

Our fair value estimate implies a 21 times multiple on 2021 earnings. Although this price/earnings multiple is historically high, we note that NiSorce's near-term earnings are depressed due to the impact of dilution from a recent convertible issuance to provide funding for future investment in renewable energy. We expect 12% EPS growth in 2024 when Indiana electric rates fully reflect recent and planned renewable energy investment.

Risk and Uncertainty Charles Fishman, CFA, Equity Analyst, 4 Aug 2021

Regulatory risk remains the key uncertainty; however, NiSource's regulatory exposure is diversified, owing to operations in six states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms that provide for automatic rate increases as infrastructure investments are made.

In 2020, NiSource announced it would eliminate all coal-fired generation from its power plant fleet by 2028, significantly reducing ESG risk. This transition will require signing power purchase agreements for renewable energy, building new solar and wind farms, and making modifications to its electric grid. There is a modest amount of execution risk to this dramatic transition from coal.

Capital Allocation Charles Fishman, CFA, Equity Analyst, 4 Aug 2021

We assign NiSource a Standard capital allocation rating due in large part to the fact that future capital spending is for low-risk regulated operations in constructive regulatory jurisdictions.

We think management's decision to form Columbia Pipeline Partners and execute Columbia Pipeline Group's tax-free separation exhibited excellent allocation of capital. However, NiSource's former CEO, who oversaw those decisions, left NiSource to go with CPG before retiring.

The National Transportation Safety Board found NiSource responsible for the gas explosion north of Boston. The incident had a negative effect on shareholder value and has been a public relations

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nightmare. However, Eversource Energy purchased the Massachusetts gas utility in October 2020 at an attractive purchase price that generated $1.1 billion in cash proceeds. We believe this was a good decision for shareholders and demonstrated good allocation of capital.

Joe Hamrock became CEO following the separation. He has been with NiSource since 2012 and previously ran the natural gas distribution business. Before joining NiSource, he was with American Electric Power. CFO Donald Brown joined NiSource in April 2015. Previously, he was with UGI Utilities and Constellation Energy. These individuals have significant utility experience, and we believe they will not stray from the strategy that has benefited shareholders.

Most of the executives and members of NiSource's board of directors were involved in the separation of CPG and oversight of investment decisions. Given this, we are confident that the solid capital allocation is likely to continue.

Analyst Notes Archive

Indiana Renewable Energy Investment Approval Provides Increased Confidence in NiSource's EPS Growth Charles Fishman, CFA, Equity Analyst, 4 Aug 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported flat 2021 second-quarter operating EPS, reaffirmed operating earnings guidance, and provided an update to its planned renewable energy investment. Operating EPS in the recently ended quarter were $0.13, the same as in the second quarter of 2020.

We have reaffirmed our 2021 EPS estimate of $1.34, at the midpoint of NiSource's $1.32-$1.36 guidance. We believe flat second-quarter EPS was particularly positive, given the large equity issuance in April that increased average diluted common shares by 10%, to 423 million versus the same period last year. In addition, operating EPS in the second quarter excludes earnings from Columbia Gas of Massachusetts, which was sold in October 2020.

We also have increased confidence in our 7.9% annual EPS growth rate from 2021-24, near the midpoint of NiSource's 7%-9% target. Our increased confidence is due in large part to the fact that the eight renewable energy joint venture projects, which will require $2 billion from NiSource, have now all been approved by the Indiana Utility Regulatory Commission.

Although we think a tracking mechanism for the renewable projects would be more favorable for shareholders, pre-approval is a positive. Indiana regulation has been constructive and relatively consistent for investors with allowed returns modestly above industry averages. Assuming a favorable Indiana rate-case outcome, our 2024 EPS estimate of $1.68 is 12% higher than our 2023 EPS estimate of $1.50 due in large part to higher electric rates from the 2023 Indiana base rate case.

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Approval of Two Thirds of Renewable Energy Investment Increases Our Confidence in NiSource's Growth Charles Fishman, CFA, Equity Analyst, 5 May 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported solid 2021 first-quarter operating EPS, increased and narrowed 2021 earnings guidance to the upper end of its previous range, and increased its planned four-year renewable energy investments. Management also reaffirmed its near- and long-term EPS growth rates established at the September 2020 Investor Day meeting.

NiSource upsized its planned renewable energy investments from 2021-24 to $2 billion, the upper end of its guidance range of $1.9 billion to $2 billion established in August 2020. During the conference call with investors, management indicated three more renewable energy projects received pre-approval by the Indiana Utility Regulatory Commission that day.

Two thirds of the $2 billion renewable energy investment has now been approved prior to the Indiana base rate case final decision expected in 2023. This increases our confidence in NiSource's ability to achieve its EPS growth target.

We believed the increase and narrowing of the 2021 earnings guidance range to $1.32-$1.36 from $1.28-$1.36 was especially positive due to the larger amount of equity to be recognized on the balance sheet and earlier issuance of the convertible securities than we assumed. In addition, the ongoing impact of COVID-19 on commercial and industrial customers is expected to be less than the $0.05 per share impact originally contemplated by management.

We increased our 2021 EPS estimate to $1.34 from $1.30 based on the revised outlook. NiSource also indicated that its 7%-9% targeted EPS growth rate from 2021 to 2024 is now anchored by the midpoint of the revised guidance, or $1.34. Our 2024 EPS estimate increased by $0.02 to $1.68, but our average annual growth rate estimate from the new 2021 guidance midpoint declined to 7.8% from 8%.

NiSource Reaffirms 2021 Earnings Guidance and Hints Renewable Energy Investments Could Go Higher Charles Fishman, CFA, Equity Analyst, 17 Feb 2021

We are reaffirming our $28.50 per share fair value estimate after NiSource reported solid 2020 operating EPS, reaffirmed 2021 guidance, and provided an update on its renewable energy projects in Indiana. The update on the utility's wind, solar, and energy storage projects increased our confidence in NiSource's investment plan.

The three solar-plus-storage projects announced in October are now awaiting approval by the Indiana Utility Regulatory Commission. Wholly owned Northern Indiana Public Service Company, or NIPSCO, plans to invest approximately $850 million in the joint ventures. Including the $400 million NIPSCO contributed to one operating wind farm and one wind farm under construction, NIPSCO is more than halfway to meeting its $1.8 billion to $2 billion renewable energy investment target.

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In addition to the $2 billion of planned projects, we thought it was especially positive that management indicated that its 2021 integration resource plan could create additional investment opportunities. NIPSCO plans to submit the IRP to Indiana regulators in the fourth quarter.

NiSource reported 2020 operating earnings of $1.32 per share, $0.02 higher than our estimate and the consensus estimate. The earnings were especially impressive when considering the $0.10 headwind due to lower commercial and industrial revenues and increased bad debt expense due to COVID-19.

NiSource reaffirmed its 2021 EPS guidance range of $1.28-$1.36 and our estimate of $1.32 at the midpoint of the range is unchanged. On Jan. 27, NiSource's board declared a 4.8% increase in its quarterly dividend that results in an annualized dividend of $0.88 per share. We forecast similar increases in 2022 and 2023 then accelerating growth when its Indiana renewable energy investments are recognized in rates in 2024.

Biden's Green Agenda Offers Growth Potential for Utilities Charles Fishman, CFA, Equity Analyst, 22 Jan 2021

We are reaffirming our fair value estimates, moat ratings, and moat trend ratings for U.S. utilities after President Joe Biden kicked off his environmental policymaking efforts. We consider the sector fairly valued.

We believe tighter environmental regulations are a net positive for most utilities. Growth investments in renewable energy, grid modernization, and electric vehicles should outweigh higher regulatory, operational, and financial risk. We forecast that the U.S. utilities we cover will invest $656 billion over the next five years, more than consensus expects and up from the $541 billion spent in the past five years. This supports our 5.5% average annual industry earnings growth outlook through 2024.

Biden's recommitment to the 2015 Paris Agreement won't have a material near-term impact on utilities. Most utilities' investment plans already reflect similar climate goals with support from state regulators and policymakers.

Investors should watch Biden's approach as the third president this decade to propose power plant emissions regulations. Courts have set a narrow path between Barack Obama's Clean Power Plan, which the Supreme Court stayed in 2016, and Donald Trump's Affordable Clean Energy rule, which was vacated by appeal on Jan. 19. We think it will be even tougher to get emissions legislation through Congress.

We expect emissions-reduction investments will remain a key growth driver for utilities because of state policies and demand from customers and investors. As the federal government has dithered, power plant carbon emissions have fallen 25% during the last decade due to economics and state

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policymaking. We forecast that natural gas generation will continue stealing market share from coal and renewable energy will double its market share by 2030.

We agree with consensus that Biden's interim goal of net-zero carbon emissions for the power industry by 2035 is unachievable with current technology and potential cost. A 2050 goal is more reasonable.

NiSource Reports Solid Third-Quarter Results; Indiana Renewable Energy Investments on Track

Charles Fishman, CFA, Equity Analyst, 3 Nov 2020

We are reaffirming our $27 per share fair value estimate after NiSource reported solid 2020 third-quarter operating EPS of $0.09 versus breakeven last year and reaffirmed 2021 and long-term earnings guidance. On Oct. 21, wholly owned Northern Indiana Public Service Company announced an agreement with NextEra Energy Resources LLC for the construction of three renewable energy projects totaling 900 MW of solar and 135 MW of battery storage.

The new projects will require a NIPSCO investment totaling $850 million. Combined with the $400 million of wind energy projects currently under construction, the utility will be more than 50% of the way to meeting its $1.8 billion to $2 billion renewable energy investment target initiated during its second-quarter earnings call on Aug. 5.

We estimate NIPSCO will invest $1.9 billion in renewable energy, which we expect will be included in rate base before the next electric general rate case filing planned for 2023. Indiana regulation has been constructive in the past and the commission has expressed support for renewable energy with NIPSCO and other Indiana utilities in recent integrated resource plans. Thus, we are confident that regulators will approve the investment and allow constructive regulatory treatment.

We estimate this renewable energy investment and other capital expenditures in electric and natural gas distribution will allow annual EPS growth exceeding 7% from 2021-24, in line with management's 7%-9% guidance initiated at the Sept. 29 Investor Day.

NiSource management indicated during the earnings conference call that the estimated impact of COVID-19 was only $0.01 per share in the recently ended quarter and reaffirmed that its 2021 EPS guidance range of $1.28-$1.36 includes a negative impact of $0.05 per share. This gives us additional confidence in the fading impact of the pandemic and our unchanged $1.32 full-year EPS estimate.

NiSource Plans to Increase Renewable Energy Investment by $2 Billion Charles Fishman, CFA, Equity Analyst, 6 Aug 2020

We are increasing our fair value estimate to $27 per share from $26 after NiSource reported 2020 second-quarter operating earnings per share of $0.13 versus $0.05 last year, initiated 2021 earnings guidance, and announced plans to invest an additional $1.8 billion-$2 billion in renewable energy

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through 2023.

The results were solid in what is normally a weak quarter for a utility that derives over 60% of its operating earnings from natural gas distribution.

We increased our five-year capital expenditure forecast by $2.9 billion, to $12.1 billion, based in large part on NiSource's projecting that its combined gas and electric rate base will increase to $20.7 billion by 2024 from $13.9 billion at the end of this year. We are a little more conservative than management and estimate a 2024 year-end rate base of $19.9 billion, but this would still represent an impressive average annual growth rate of 9.4% over the four-year period.

NiSource management had previously announced it would close its last Indiana coal-fired power plant in 2028, but the almost $2 billion investment in renewable energy through 2024 was more than we had anticipated. We had assumed the majority of the needed generating capacity to replace the retiring coal units would come from purchased power agreements. However, NiSource plans to have joint venture ownership in 50% of the additional renewable capacity, requiring the larger investment and driving rate base growth.

NiSource initiated a 2021 EPS guidance range of $1.28-$1.36, with a midpoint higher than our estimate of $1.30. We increased our 2021 EPS estimate to $1.32, the midpoint of the range, and also increased our 2022-24 estimates by $0.02-$0.09 per share. The increase in our earnings estimates were due to the higher rate base projections and was the primary driver of our higher fair value estimate.

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Competitors Price vs. Fair Value

Alliant Energy Corp LNT

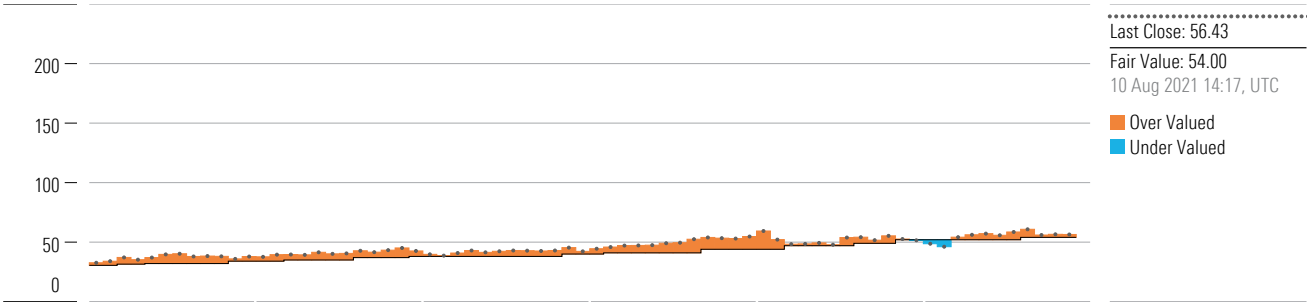

	2016	2017	2018	2019	2020	YTD
Price/Fair Value	1.11	1.12	1.06	1.24	0.99	1.04
Total Return %	25.11	15.78	2.30	32.88	-3.05	12.63

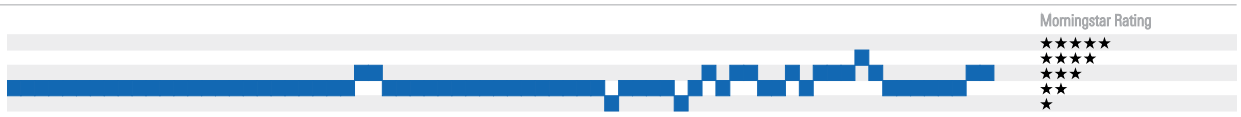

Total Return % as of 3 Nov 2021. Last Close as of 3 Nov 2021. Fair Value as of 10 Aug 2021 14:17, UTC.

CMS Energy Corp CMS

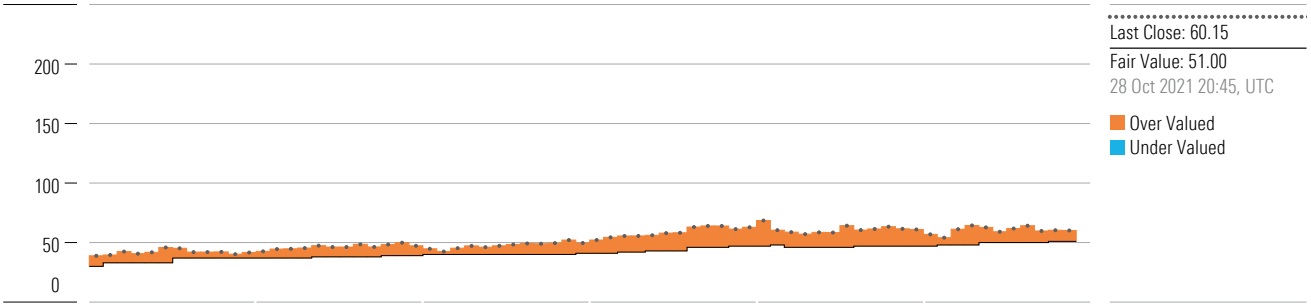

	2016	2017	2018	2019	2020	YTD
Price/Fair Value	1.12	1.21	1.21	1.34	1.30	1.18
Total Return %	18.79	16.84	7.99	29.65	-0.32	0.73

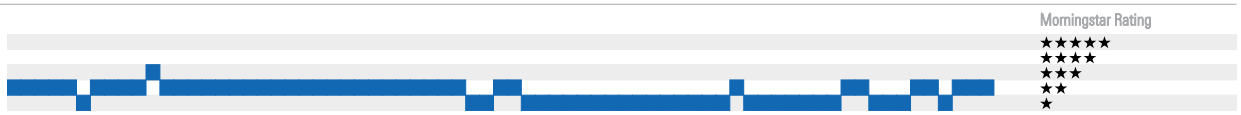

Total Return % as of 3 Nov 2021. Last Close as of 3 Nov 2021. Fair Value as of 28 Oct 2021 20:45, UTC.

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WEC Energy Group Inc WEC

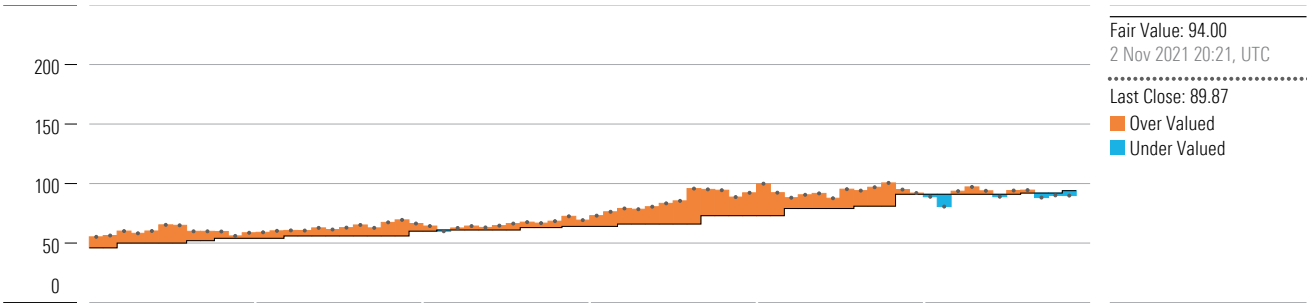

	2016	2017	2018	2019	2020	YTD
Price/Fair Value	1.09	1.11	1.08	1.26	1.01	0.96
Total Return %	18.16	16.81	7.59	36.57	2.53	-0.14

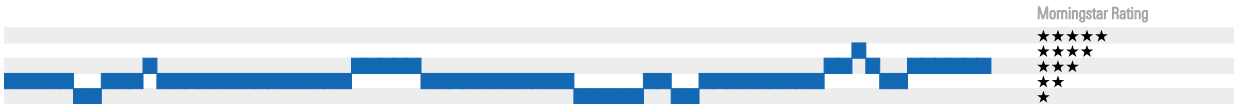

Total Return % as of 3 Nov 2021. Last Close as of 3 Nov 2021. Fair Value as of 2 Nov 2021 20:21, UTC.

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NiSource Inc NI ★★★★ 3 Nov 2021 21:24, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
25.29 USD	28.50 USD	0.89	9.92 USD Bil	Narrow	Stable	Low	Standard	
3 Nov 2021	16 Nov 2020 19:51, UTC		3 Nov 2021					3 Nov 2021 05:00, UTC

Morningstar Historical Summary

Financials as of 30 Sep 2021

Fiscal Year, ends 31 Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	TTM
Revenue (USD Mil)	5,751	5,031	4,625	5,272	4,652	4,493	4,875	5,115	5,209	4,682	3,491	4,702
Revenue Growth %	-9.7	-12.5	-8.1	14.0	-11.8	-3.4	8.5	4.9	1.8	-10.1	0.6	-3.4
EBITDA (USD Mil)	1,385	1,583	1,161	1,278	1,239	1,417	1,377	734	1,595	1,057	1,320	1,725
EBITDA Margin %	24.1	31.5	25.1	24.3	26.6	31.5	28.2	14.4	30.6	22.6	37.8	36.7
Operating Income (USD Mil)	917	1,004	699	792	802	865	927	126	1,305	961	729	958
Operating Margin %	15.9	20.0	15.1	15.0	17.2	19.3	19.0	2.5	25.1	20.5	20.9	20.4
Net Income (USD Mil)	299	416	532	530	287	332	129	-51	383	-18	419	503
Net Margin %	5.2	8.3	11.5	10.1	6.2	7.4	2.6	-1.3	6.3	-1.6	10.8	9.5
Diluted Shares Outstanding (Mil)	289	300	314	317	320	324	331	357	376	384	416	409
Diluted Earnings Per Share (USD)	1.03	1.39	1.70	1.67	0.90	1.02	0.39	-0.18	0.87	-0.19	0.91	1.09
Dividends Per Share (USD)	0.92	0.94	0.98	1.02	0.83	0.64	0.70	0.78	0.80	0.84	0.66	0.87

Valuation as of 29 Oct 2021

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Recent Qtr	TTM
Price/Sales	1.1	1.5	1.9	2.1	1.0	1.7	1.7	1.8	2.0	1.8	2.1	2.1
Price/Earnings	21.6	18.2	21.6	25.3	12.8	23.3	31.3	-87.7	22.6	-29.4	48.5	49.3
Price/Cash Flow	5.7	5.9	7.3	10.8	3.8	9.0	10.5	7.8	12.3	7.2	8.7	8.9
Dividend Yield %	3.86	3.78	2.98	2.4	4.25	2.89	2.73	3.08	2.87	3.66	3.59	3.57
Price/Book	1.3	1.4	1.8	2.2	1.6	1.9	2.0	2.0	2.1	2.0	2.0	2.0
EV/EBITDA	10.3	10.0	16.1	18.1	10.4	10.5	12.5	25.3	13.1	19.3	0.0	0.0

Operating Performance / Profitability as of 30 Sep 2021

Fiscal Year, ends 31 Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	TTM
ROA %	1.5	2.0	2.4	2.2	1.4	1.8	0.7	-0.3	1.5	-0.3	—	2.0
ROE %	6.1	7.9	9.3	8.8	5.7	8.4	3.1	-1.4	6.6	-1.5	—	9.6
ROIC %	4.3	5.1	5.4	4.9	3.8	4.9	2.7	1.4	4.2	1.3	—	4.7
Asset Turnover	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	—	0.2

Financial Leverage

Fiscal Year, ends 31 Dec	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Recent Qtr	TTM
Debt/Capital %	55.6	55.1	56.3	56.9	60.8	59.8	63.5	55.3	56.8	61.6	58.6	—
Equity/Assets %	24.1	25.4	26.0	25.1	22.0	21.8	21.6	22.3	22.5	22.1	21.0	—
Total Debt/EBITDA	5.7	5.1	7.6	7.8	5.6	5.6	6.5	14.7	7.1	10.9	9.9	—
EBITDA/Interest Expense	3.7	4.0	3.2	3.5	3.3	4.0	3.8	2.0	4.3	2.9	5.2	5.2

Morningstar Analyst Historical/Forecast Summary as of 04 Aug 2021

Financials

Fiscal Year, ends 31 Dec	2019	2020	Estimates 2021	2022	2023
Revenue (USD Mil)	5,209	4,682	5,207	5,491	5,899
Revenue Growth %	1.8	-10.1	11.2	5.5	7.4
EBITDA (USD Mil)	2,023	1,687	1,820	1,985	2,235
EBITDA Margin %	38.8	36.0	35.0	36.1	37.9
Operating Income (USD Mil)	1,305	961	1,123	1,216	1,359
Operating Margin %	25.1	20.5	21.6	22.1	23.0
Net Income (USD Mil)	495	508	560	622	706
Net Margin %	9.5	10.8	10.8	11.3	12.0
Diluted Shares Outstanding (Mil)	376	384	417	445	469
Diluted Earnings Per Share(USD)	1.32	1.32	1.34	1.40	1.50
Dividends Per Share(USD)	0.80	0.84	0.88	0.92	0.97

Forward Valuation

	2019	2020	Estimates 2021	2022	2023
Price/Sales	2.0	1.9	1.9	1.8	1.7
Price/Earnings	21.1	17.4	18.9	18.1	16.9
Price/Cash Flow	-48.6	-13.7	-17.2	-12.4	-6.8
Dividend Yield %	2.87	3.66	3.48	3.64	3.84
Price/Book	—	—	—	—	—
EV/EBITDA	10.4	12.1	11.4	10.5	9.3

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Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

To assess the sustainability of excess profits, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to

Morningstar Equity Research Star Rating Methodology

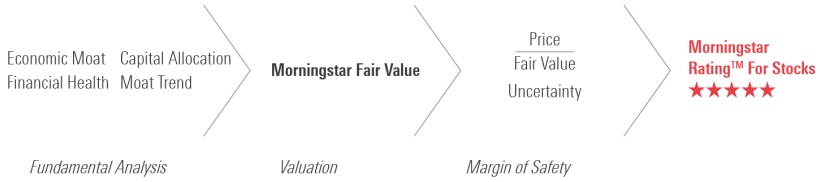

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bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, exposure to material ESG risks, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate. In cases where there is less than a 25% probability of an event, but where the event could result in a material decline in value, analysts may adjust the uncertainty rating to reflect the increased risk. Analysts may also make a fair value adjustment to reflect the impact of this event.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

	Margin of Safety	
Qualitative Analysis Uncertainty Ratings	★★★★★Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

Morningstar Equity Research Star Rating Methodology

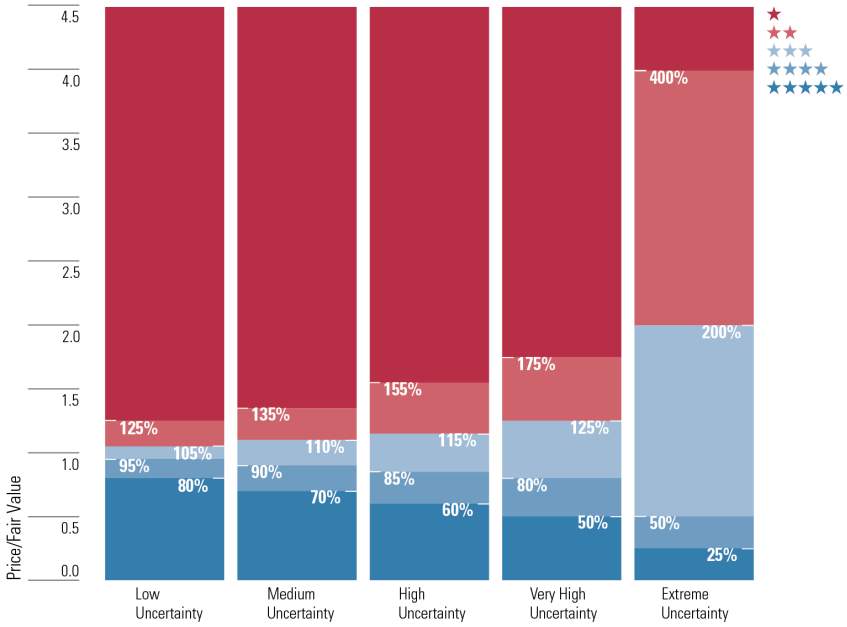

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exem-

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plary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

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3 November 2021 | 8:12AM EDT

NiSource Inc. (NI): First Take: 3Q2021 beats consensus; guidance and growth rate a positive

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NiSource (NI, Buy) reported 3Q21 operating EPS of $0.11, versus GS/FactSet consensus of $0.13/$0.10 and 3Q2020 EPS of $0.09. The company guided to the top end of its 2021 guidance range of $1.32-$1.36 (midpoint $1.34) versus GS/consensus of $1.33/$1.34. NI initiated 2022 guidance of $1.42-$1.48 ($1.45 mid-point) largely in-line with GSe ($1.44) but higher than consensus ($1.42).

Key takeaway: We view the results and guidance as a positive, noting the reaffirmed 7-9% EPS CAGR through 2024 now utilizes the revised top-end of the 2021 guidance as the base, while the 2023 growth of 5-7% is based off of the mid-point of 2022 guidance. This re-based growth implies 2024 EPS off $1.68-$1.71 versus GSe of $1.66. We also see favorably the identified ~$750mn of incremental capital opportunities from the upcoming IRP filing.

Key takeaways from NI's release and slides include:

- **NIPSCO expects to file its formal Integrated Resource Plan (IRP) by mid-November with investments in new generation capacity presenting potential capital upside of $750mn.** In our recent NI upgrade note, based on the four preferred scenarios for replacement capacity additions assuming 2026 retirement of the Michigan City coal plant, and assuming 50% split between company owned and PPA, we calculated potential for up to $600mn in incremental capital, or ~4% of 2021E rate base. We believe these potential investments could support visibility for robust growth beyond the 2024 time frame.
- **Capital plan remains unchanged at $10bn total through 2024**, with roughly $1.9-$2.2bn of annual base investments as well as $2bn on renewable generation (largely in 2022 and 2023) that all have received approval from the Indiana utility commission. NI reiterated their forecast of no bulk equity needs through 2024 (given the equity units offering earlier this year), while reiterating $200-$300mn of annual ATM equity financing through 2022 and up to $150mn in 2023. They also guided to issuing up to $800mn of additional debt through 2023 while targeting FFO/debt ratio of 14-15%.
- **3Q2021 missed versus GSe on operating income at Electric and Gas Distribution** segments driven largely by higher O&M expenses.

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- **Around 77% of NI's gas needs for 2021/2022 winter season is hedged**, largely through storage, for half of residential/commercial gas customers that utilize NiSource procured supply. The other half - choice participants (using 3rd party gas procurement), could see a range of prices based on gas purchase options.

Key topics to monitor on NI's earnings call (11am ET) include: 1) update on the Ohio gas rate case and what's embedded in the company's EPS growth guidance, 2) latest thoughts on potential monetization opportunities at its various regulated utilities, 3) thoughts on the upcoming IRP filing (expected on mid-November) and recently concluded RFP solicitation at NIPSCO including potential for faster fleet transition to renewables - with current plan proposing retiring all coal by 2026-2028, and 4) assumptions behind EPS growth trajectory through 2024.

Our 12-month price target of $29 embeds an 18x P/E on the gas segment 2023 EPS estimate, in line with our baseline multiple, while applying a 19x P/E on the electric segment 2023E EPS, a 1x premium to our baseline multiple to reflect the segment's above-average (versus peers) growth through 2024E.

Key downside risks include regulatory approvals for the planned renewable investments in Indiana, cost management, and rate case overhang in Ohio and Maryland.

NI	12m Price Target: **$29.00**	Price: **$24.74**	Upside: **17.2%**

Buy

Market cap: $9.7bn
Enterprise value: $21.1bn
3m ADTV: $81.0mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/20	12/21E	12/22E	12/23E
Revenue ($ mn)	4,681.7	4,627.5	4,897.8	5,146.2
EBITDA ($ mn)	1,687.3	1,777.2	2,064.4	2,231.0
EBIT ($ mn)	961.4	1,019.1	1,236.3	1,306.1
EPS ($)	1.32	1.33	1.44	1.57
P/E (X)	18.6	18.6	17.2	15.8
EV/EBITDA (X)	11.9	11.4	11.3	11.3
FCF yield (%)	(6.9)	(6.9)	(8.6)	(16.4)
Dividend yield (%)	3.4	3.6	3.8	4.0
Net debt/EBITDA (X)	5.7	5.4	5.2	5.5

	6/21	9/21E	12/21E	3/22E
EPS ($)	0.12	0.13	0.30	0.76

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 2 Nov 2021 close.

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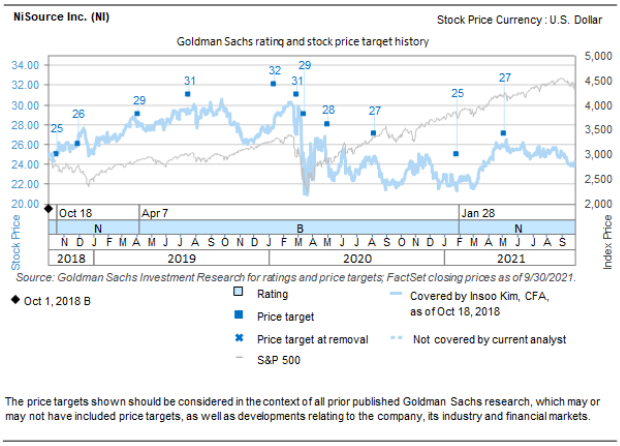

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BofA GLOBAL RESEARCH

BofA SECURITIES

Beat with healthy FY21 and FY22 guidance

NI reported 2Q21 EPS of $0.11, beating BofAe of $0.10, Street of $0.09, and 3Q20 EPS of $0.09. Returns on increased safety/modernization investments and lower COVID-19 impacts were offset by the sale of Columbia Gas of Massachusetts. Mgmt. pointed to the top end of FY21 EPS guidance of $1.32-$1.36, albeit no guidance raise, but now in line with our FY21 EPS estimate of $1.36. Mgmt. initiated FY22 EPS guidance of $1.42-$1.48 which implies 6.5% growth off of the top-end of FY21 of $1.36 and is in the upper half of the near-term (through '23) EPS growth rate of 5-7%. Also better than our est and Street too ($1.40/1.42, respectively). NI reiterated its capital and financing plan.

Framing the future renewables capex above our ests.

NIPSCO recently outlined its preferred future generation portfolio stemming from its 2021 IRP. While we did not expect a formal update to the capital plan or growth rate just yet, mgmt. highlighted that investments of up to $750M will be necessary to replace the Michigan City Coal Plant and the gas peaking units at the Schahfer Generating Station site - this compares favorably to our prelim estimates for capex of ~$430M-$800M. Remember, we calculated a wide range because NIPSCO chose a potential combination of two preferred resource paths and only assume 50% ownership of renewables.

Solid progress on renewables additions at NIPSCO related to the 2018 integrated resource plan (IRP) with all of the projects totaling $2B in capex receiving approval from the Indiana Utility Regulatory Commission (IURC). There continues to be some concern on whether renewables supply chain issues will impact NI's planned capex, and we do not believe that given strong counterparties (i.e. NextEra, Capital Dynamics, EDP, and others), NIPSCO is in a good position.

Reiterate Buy as we see the potential for an extended high-growth runway based on the 2021 IRP with the new generation capex estimates providing support for the thesis. We expect a further update on the growth path and refinement of the capex estimates as the request for proposals (RFP) takes shape in 1H22 (during an analyst day). We also see the potential for NI to point to a longer-term capex and growth profile (like AEE, DUK, and CNP) which should help give investors comfort on the long growth runway. A coal-free NI should open the door for a new group of ESG-focused investors and support the re-rating.

Estimates (Dec) (US$)	2019A	2020A	2021E	2022E	2023E
EPS	1.32	1.32	1.36	1.40	1.58
GAAP EPS	0.87	1.33	1.28	1.40	1.58
EPS Change (YoY)	1.5%	0%	3.0%	2.9%	12.9%
Consensus EPS (Bloomberg)			1.34	1.42	1.53
DPS	0.83	0.88	0.94	0.99	1.05
Valuation (Dec)					
P/E	18.7x	18.7x	18.2x	17.7x	15.7x
GAAP P/E	28.4x	18.6x	19.3x	17.7x	15.7x
Dividend Yield	3.4%	3.6%	3.8%	4.0%	4.3%
EV / EBITDA*	15.2x	13.9x	12.9x	11.9x	10.5x
Free Cash Flow Yield*	-2.3%	-6.7%	-5.4%	-10.0%	-17.5%

* For full definitions of iQmethod℠ measures, see page 6.

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03 November 2021

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Stock Data

Price	24.74 USD
Price Objective	28.00 USD
Date Established	22-Jul-2021
Investment Opinion	B-1-7
52-Week Range	21.09 USD - 26.60 USD
Mrkt Val (mn) / Shares Out (mn)	9,708 USD / 392.4
Average Daily Value (mn)	87.38 USD
BofA Ticker / Exchange	NI / NYS
Bloomberg / Reuters	NI US / NI.N
ROE (2021E)	10.3%
Net Dbt to Eqty (Dec-2020A)	167.4%
ESGMeter™	**High**

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's ESG-related attributes. It is intended to indicate a company's likelihood of experiencing stronger financial stability (higher ROE and lower earnings and price volatility) over the next three years relative to its peer group. There are three ESGMeter levels – Low, Medium, and High. Refer to "BofA ESGMeter Methodology". **ESGMeter is not intended to be indicative of a company's future stock price performance and is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.**

NIPSCO: Northern Indiana Public Service Co.

IRP: integrated resource plan

iQprofile℠ NiSource Inc

iQmethod℠ **– Bus Performance***

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Return on Capital Employed	3.3%	4.1%	4.2%	4.4%	4.7%
Return on Equity	9.9%	10.2%	10.3%	9.7%	10.5%
Operating Margin	17.1%	22.0%	20.3%	21.8%	24.3%
Free Cash Flow	(219)	(654)	(520)	(970)	(1,703)

iQmethod℠ **– Quality of Earnings***

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash Realization Ratio	3.2x	2.2x	2.6x	2.6x	2.5x
Asset Replacement Ratio	2.5x	2.4x	2.6x	3.1x	4.0x
Tax Rate	24.4%	18.3%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	158.6%	167.4%	133.6%	143.6%	164.8%
Interest Cover	2.4x	2.8x	3.0x	3.2x	3.0x

Income Statement Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Sales	5,209	4,697	5,516	5,676	5,970
% Change	2.5%	-9.8%	17.4%	2.9%	5.2%
Gross Profit	3,674	3,587	3,904	4,039	4,309
% Change	10.5%	-2.4%	8.8%	3.5%	6.7%
EBITDA	1,608	1,757	1,904	2,065	2,327
% Change	5.0%	9.3%	8.3%	8.5%	12.7%
Net Interest & Other Income	(384)	(339)	(371)	(390)	(490)
Net Income (Adjusted)	**495**	**508**	**569**	**615**	**705**
% Change	**6.8%**	**2.6%**	**12.2%**	**8.1%**	**14.7%**

Free Cash Flow Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Net Income from Cont Operations (GAAP)	328	511	537	615	705
Depreciation & Amortization	717	726	783	827	874
Change in Working Capital	(75)	(249)	0	0	0
Deferred Taxation Charge	118	(29)	126	143	182
Other Adjustments, Net	495	145	34	0	0
Capital Expenditure	(1,802)	(1,758)	(2,001)	(2,555)	(3,464)
Free Cash Flow	**-219**	**-654**	**-520**	**-970**	**-1,703**
% Change	**82.9%**	**-198.5%**	**20.5%**	**-86.5%**	**-75.5%**

Balance Sheet Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash & Equivalents	148	117	126	126	126
Trade Receivables	905	825	825	825	825
Other Current Assets	800	718	718	718	718
Property, Plant & Equipment	16,912	16,620	17,837	19,565	22,156
Other Non-Current Assets	3,894	3,762	3,762	3,762	3,762
Total Assets	**22,660**	**22,041**	**23,267**	**24,995**	**27,586**
Short-Term Debt	1,787	526	517	583	697
Other Current Liabilities	1,959	1,753	1,753	1,753	1,753
Long-Term Debt	7,856	9,220	9,031	10,186	12,168
Other Non-Current Liabilities	5,071	4,704	4,829	4,972	5,154
Total Liabilities	**16,673**	**16,203**	**16,131**	**17,495**	**19,772**
Total Equity	**5,987**	**5,752**	**7,051**	**7,415**	**7,728**
Total Equity & Liabilities	**22,660**	**21,955**	**23,182**	**24,910**	**27,501**

* For full definitions of *iQmethod*℠ measures, see page 6.

Company Sector

Natural Gas-Local Distribution Companies

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

Our Buy rating on NI is underpinned by 1) likely positive revisions given ultra conservative EPS CAGR guidance baked into consensus, 2) renewable rate base upside, and 3) the ability to re-rate higher following any gas LDC asset sale.

Stock Data

Average Daily Volume	3,554,680

Quarterly Earnings Estimates

	2020	2021
Q1	0.76A	0.77A
Q2	0.13A	0.13A
Q3	0.09A	0.10E
Q4	0.34A	0.39E

Progress on the regulatory front; OH key to watch

NI continues to make progress on the regulatory front, coming to agreements with stakeholders in PA and KY. Recently, the administrative law judge in the Columbia Gas of PA case recommended the rate case settlement be accepted as filed. Constructive that NI was able to return to its settlement ways in the state following the contentious 2020 rate case. On Oct. 27, Columbia Gas of KY filed a settlement with stakeholders in its rate case, and Columbia Gas of MD received an Administrative Law Judge (ALJ) recommendation in late Oct.

OH continues to be the case to watch as NI's largest gas utility. Not a lot of progress has been made as we are still awaiting a procedural schedule, but we note other circumstances at the Commission, namely FE, is the center of attention for now, and are not concerned about any delays at the point.

NIPSCO Gas also filed a rate case recently for a $115M increase net of trackers based on a 10.5% ROE and 57.68% equity layer. New rates are proposed effective Sep. '22 and Mar. '23.

What else are we watching? Gas costs and RNG

Expect mgmt. to address concerns on the rising gas costs going into the winter. A large percentage of Columbia Gas' customers are under the CHOICE program, Columbia Gas has storage across its footprint, and percentage of the supply is hedged. The gas market has caused gas utilities to underperform electric peers, and while we are cautious on the backdrop for many, we see this as short-term phenomenon, and believe that longer-term, gas utilities can re-rate closer to their electric peers.

Renewable Natural Gas? While we have not heard mgmt. talk a lot about the potential for renewable natural gas (RNG) investments and supply into the system, we could see this pick up as mgmt. seems to be more focused on the alternative fuel. We expect this dynamic to pick up with potential legislation in states to backstop and pilot partnerships upcoming.

Price objective basis & risk

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2024 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 13.6x for gas and 16.0x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Adhok Bellurkar
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
RSTR				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith

iQmethod℠ **Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt – Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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NiSource Inc (NI) Price Chart

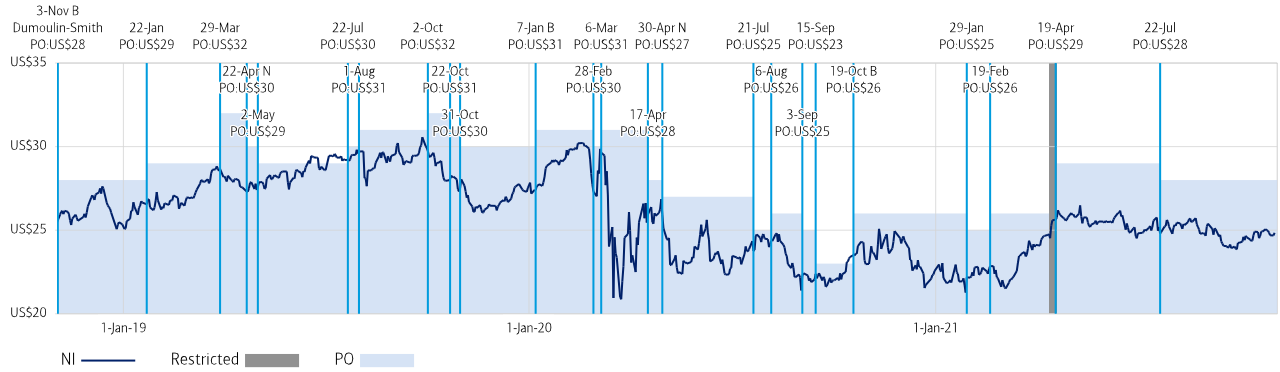

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Equity Investment Rating Distribution: Energy Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	86	62.32%	Buy	65	75.58%
Hold	27	19.57%	Hold	15	55.56%
Sell	25	18.12%	Sell	15	60.00%

Equity Investment Rating Distribution: Utilities Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	79	50.32%	Buy	56	70.89%
Hold	37	23.57%	Hold	30	81.08%
Sell	41	26.11%	Sell	27	65.85%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1973	59.66%	Buy	1254	63.56%
Hold	665	20.11%	Hold	404	60.75%
Sell	669	20.23%	Sell	343	51.27%

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UBS

Global Research | 3 November 2021

First Read

NiSource Inc.

Positive '21/'22 Guides

2021 EPS Top End of Range; 2022 Midpoint EPS Above Consensus/UBS

NI reported 3Q EPS above UBS/Consensus estimates and noted it expects 2021 to come in at the upper end of its $1.32-$.36 range vs. consensus estimate of $1.34. Further NI initiated 2022 EPS of $1.42-$1.48 vs. consensus estimate of $1.42. NI expects 7-9% NOEPS growth through 2024 on a compounded annual growth rate basis from top end of 2021 guidance, which includes 5-7% annual growth in the near term through 2023. On capital investments, NI noted it expects to spend ~$2B in 2021 and $2.4-$2.7B in 2022 with 10-12% compound annual rate base growth for each of its businesses through 2024. Overall a quarter beat, 2021 guide at the top end of its range above the street's estimates, and a 2022 mid-point above the street, we expect today's results to be viewed favourably.

3Q EPS Above UBS/Consensus; Rate Case Updates

NI reported 3Q EPS of $0.11 above UBS/Consensus estimate of $0.10. NI expects its preferred plan from its IRP to be submitted by mid-November to the Indiana Utility Regulatory Commission; it announced its preferred plan on October 21st, which refines the timeline of the Michigan City Generating Station coal fired generation to be retired to between 2026 and 2028. Columbia Gas Ohio rate case continues to progress (order expected in 2022), NIPSCO Gas filed a rate case for a $115MM increase on Sept. 29th. The ALJ recommended the Pennsylvania PUC approve a settlement on the PA rate case which would increase revenue by $58.5MM (above UBSe of ~$49MM). In Kentucky a joint stipulation settlement agreement and recommendation was filed with the Kentucky Public Service Commission in late October; if approved it would be a $18.6MM increase (vs. UBSe of $13.4MM) and in Maryland a final order is expected in December.

Updating Estimates

We are raising our 2021E EPS to $1.36 from $1.34 on the quarter beat and lower than expected costs. We are increasing 2022E EPS to $1.45 from $1.42 on settlements higher than UBSe.

Valuation:

We maintain our Buy rating and our $29 PT. Our price target is based on sum-of-the-parts P/E valuation and 2022 EPS of $1.45

Equities

Americas

Gas Utilities

12-month rating	**Buy**
12m price target	**US$29.00**
Price (02 Nov 2021)	**US$24.74**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$26.47-21.26
Market cap.	US$10.5b
Shares o/s	423m (COM)
Free float	99%
Avg. daily volume ('000)	843
Avg. daily value (m)	US$20.8
Common s/h equity (12/21E)	US$5.05b
P/BV (12/21E)	2.1x
Net debt to EBITDA (12/21E)	6.4x

EPS (UBS, diluted) (US$)

	12/21E			
	From	To	% ch	Cons.
Q1	0.77	0.77	0	0.77
Q2	0.13	0.13	0	0.13
Q3E	0.10	0.11	4	0.10
Q4E	0.37	0.38	4	0.36
12/21E	1.34	1.36	1	1.34
12/22E	1.42	1.45	2	1.42
12/23E	1.52	1.54	1	1.53

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Highlights (US$m)	12/18	12/19	12/20	12/21E	12/22E	12/23E	12/24E	12/25E
Revenues	5,095	5,184	4,697	4,757	5,044	5,339	5,585	5,772
EBIT (UBS)	942	1,047	1,031	1,071	1,259	1,390	1,526	1,608
Net earnings (UBS)	463	495	507	571	637	684	747	791
EPS (UBS, diluted) (US$)	1.30	1.32	1.32	1.36	1.45	1.54	1.66	1.75
DPS (net) (US$)	0.79	0.84	0.88	0.90	0.96	1.02	1.08	1.14
Net (debt) / cash	(9,892)	(10,374)	(10,501)	(11,616)	(12,835)	(15,101)	(15,840)	(16,572)
Profitability/valuation	**12/18**	**12/19**	**12/20**	**12/21E**	**12/22E**	**12/23E**	**12/24E**	**12/25E**
EBIT (UBS) margin %	18.5	20.2	22.0	22.5	25.0	26.0	27.3	27.9
ROIC (EBIT) %	7.7	7.9	7.5	7.5	8.0	7.7	7.6	7.6
EV/EBITDA (UBS core) x	10.6	10.6	9.9	10.8	10.2	9.4	8.7	8.2
P/E (UBS, diluted) x	19.4	21.2	18.6	18.2	17.1	16.1	14.9	14.1
Equity FCF (UBS) yield %	(14.5)	(1.6)	(6.0)	(6.0)	(9.7)	(18.3)	(2.9)	(2.5)
Dividend yield (net) %	3.1	3.0	3.6	3.6	3.9	4.1	4.3	4.6

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 24.74 on 02-Nov-2021

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Forecast returns

Forecast price appreciation	+17.2%
Forecast dividend yield	3.8%
Forecast stock return	+21.0%
Market return assumption	5.4%
Forecast excess return	+15.6%

Company Description

NiSource is an investment-grade rated energy company engaged in natural gas distribution and electric generation, transmission, and distribution. NiSource's operating companies deliver natural gas and electric service to approximately four million customers located across seven states, including IN, KY, MA, MD, OH, PA, and VA. Local utilities are Columbia Gas and NIPSCO. NiSource has a plan to spend ~$30bn over the next 20+ years on infrastructure enhancements to meet safety and reliability needs and comply with environmental requirements.

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. Our price target is derived using a sum-of-the-parts P/E valuation.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	54%	32%
Neutral	FSR is between -6% and 6% of the MRA.	36%	30%
Sell	FSR is > 6% below the MRA.	10%	23%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 September 2021.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
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Company Name	Reuters	12-month rating	Price	Price date
NiSource Inc.[13,16]	NI.N	Buy	US$24.74	02 Nov 2021

Source: UBS. All prices as of local market close.
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NiSource Inc. (US$)

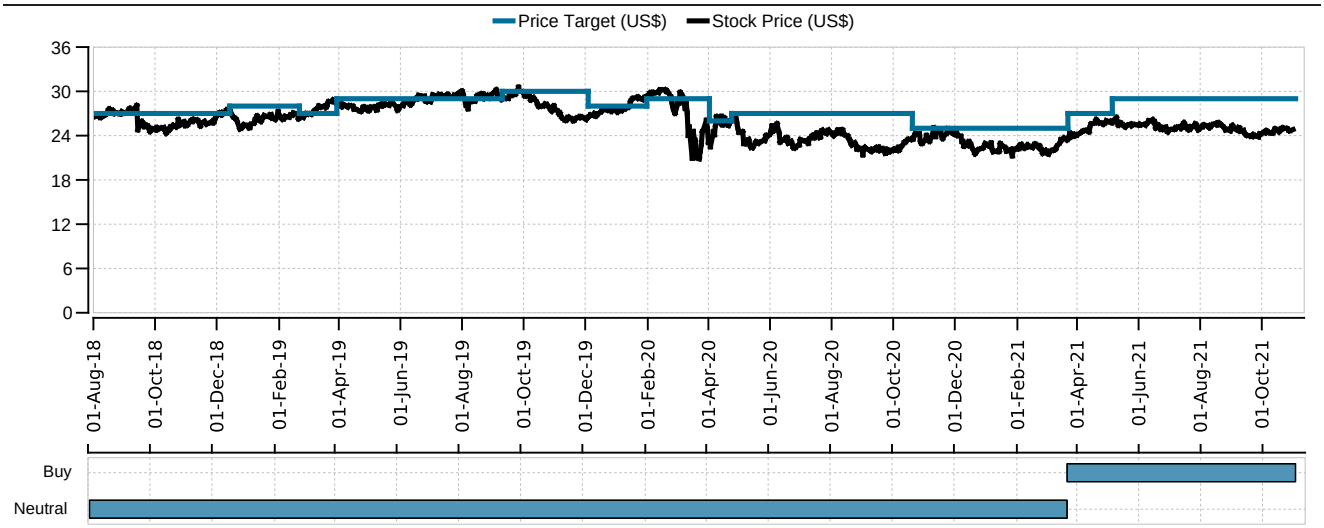

Date	Stock Price (US$)	Price Target (US$)	Rating
2018-08-02	26.29	27.00	Neutral
2018-12-13	27.62	28.00	Neutral
2019-02-20	26.28	27.00	Neutral
2019-03-29	28.66	29.00	Neutral
2019-09-09	28.91	30.00	Neutral
2019-12-03	26.41	28.00	Neutral
2020-01-30	29.10	29.00	Neutral
2020-04-01	23.06	26.00	Neutral
2020-04-23	25.85	27.00	Neutral
2020-10-19	23.47	25.00	Neutral
2021-03-22	23.42	27.00	Buy
2021-05-05	25.78	29.00	Buy

Source: UBS; as of 02-Nov-2021

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The Fleishman Daily 11/3/21 - Biden clean energy credits, D, AGR, PEG/FE/EXC, ETRN, NI, AWK, ETR, EXC, ES, EVRG, FERC, PNW, EIX, WEC, PEG, TRGP, Midstream, Ørsted, NOVA, FSLR, AES, SEDGSteve Fleishman to: cturnure 11/03/2021 09:21 AMPlease respond to utilities

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The Fleishman Daily 11/3/21

Elections: Biden clean energy credits, D, AGR, PEG/FE/EXC, ETRN
Utilities: NI, AWK, ETR, EXC, ES, EVRG, FERC, PNW, EIX, WEC, PEG
Midstream: TRGP, Midstream
Clean Energy: Ørsted, NOVA, FSLR, AES, SEDG

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PNW – I am speechless, I am without speech
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Midstream

TRGP – Moody's upgrades the credit to Ba1
Midstream – Off to a good start…key earnings takes in 1 concise report

Clean Energy

Ørsted – Q3 beats, FY21 guidance unchanged as CHP plants mitigate impact of wind speeds; in line
NOVA – ECP files to sell 6M shares, will bring total ownership of NOVA just below 10%
FSLR – U.S. ITC to hold hearing today on Section 201 tariffs
AES – Partnering with Microsoft to bring 24/7 renewable energy to its VA data centers
SEDG – N-T margin pressures, but storage upside

Wolfe Utility, Midstream & Clean Energy Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Quarterly Data: Weather, Forward Prices, Spot Prices, Nuke Outages

Elections

Biden clean energy credits – Democrats election losses may give further impetus to get the Build Back Better infra plan passed

- Sweeping Democrat losses across state elections yesterday will likely be a wake up call into the 2022 midterm elections
- What are implications for the Biden Build Back Better infra plan and associated clean energy credits? We could argue both ways.

  - Bull case – these losses will motivate the Dems to get a compromise passed across their party – the clean energy credits have not been a sticking point so will likely survive
  - Bear case – the losses strengthen the hand of moderate Dems, and shrinking support from Independents leads to a more slimmed down and targeted bill
- We take the Bull case view that the Dems losses increase their motivation to compromise and get a bill passed by YE.

D – VA elects Republic Governor and House of delegates appears to switch Republican too; worries on surface but won't change anything on energy

- Republican Glen Youngkin won the Governor election in VA.
- The House of Delegates appears to have switched to majority Republican as well (51-49) from prior Democrat control (55-45)

D may initially be weak on this news, but we think it means very little for D and the Clean Energy law in the state. First there is no change in Senate which is still Democrat controlled. Second, energy was not a focus of the race and we don't see the Republicans looking to scrap the Clean Energy law even if they take over the Senate in the future. Third, the legislature decides on SCC appointments, not the Governor. And finally, the small subset of anti-Dominion legislators that make noise every legislative session are actually Democrats who ended up losing most of their seats yesterday.

AGR – Maine votes against NECEC transmission in referendum; negative

- Maine voters have voted "Yes" to a referendum vote against AGR's NECEC transmission line – press reports this morning indicate the margin was 60-40
- The "Yes" vote would prohibit the construction of electric transmission lines defined as *high-impact* in the Upper Kennebec Region, including the NECEC, and require a two-thirds vote of each state legislative chamber to approve *high-impact* electric transmission line projects
  - The law is expected to take effect around January 3 assuming the Secretary of State and Governor affirm the results
- Clean Energy Matters (an AGR political action committee) issued a release last night that it plans to challenge the decision in court (recall the Maine Supreme Court last year originally ruled against there being a referendum)
- AGR disclosed on its call last week that it has already spent ~$400M on the project or roughly 40% of total costs, construction was expected to be completed in 2023
- There are also pending challenges at the Maine courts related to a one-mile section, at FERC between AGR and NEE, and at the Maine DEP

Not a good two days for AGR after the PNM recommendation Monday night. We're a bit surprised here. A lot of money was spent on both sides, but NECEC had the backing of Governor Mills (D), former Governor LePage (R), local newspapers, labor leaders, and the chamber of commerce. We expect AGR to challenge this in court, but it's possible construction continues in the meantime, which could be risk. We include NECEC transmission in our estimates – AFUDC on the project is worth $0.06/sh in 2022 guidance and escalates until the project is in-service, after which the earnings power temporarily dips and then rises over time to mimic a levelized ROE of a rate-based transmission project – ie: steady-state earnings power of $0.14/sh in our estimation.

PEG/FE/EXC – New Jersey gubernatorial race too close to call, but projections indicate incumbent Murphy (D) prevails

- As of this morning, incumbent New Jersey Governor Phil Murphy (D) and challenger Jack Ciatterelli (R) are in a dead heat, though press reports indicate the remaining votes to be counted (~12%) are primarily absentees and in Democrat areas of the state
- Additionally, Senate President Steve Sweeney (D), who has held that position since 2010 and is the longest-serving legislative leader in state history, was initially declared the winner in his race before it was retracted and now seems poised to lose
- New Jersey has one of the most ambitious climate agendas of any state – laying out an energy master plan that featured nuclear support for decades, 7.5 GWs offshore wind by 2035, EV support, etc.

ETRN – Election of Youngkin in Virginia boosts chances of MVP water permit approval

- The election of Republican Glenn Youngkin will likely mean higher chances of approval of MVP's required water permits
- The Democratic candidate, Terry McAuliffe, had supported the pipeline during his previous term, but had stayed away from talking about the pipeline during the campaign

We felt that chances were high for state water permit approval with their candidate but we believe there is less uncertainty with Youngkin. For ETRN the main question at this point is probably still the Fourth Circuit.

Utilities

NI – Q3 in-line, FY21 now to be at top end; 2022 guidance beats big; EPS growth targets re-based off higher 2021; positive

- **Q3 in-line**. NI reported EPS of $0.11 which was in-line with us/cons at $0.10

- **FY21 now to be at the top end**. NI expects 2021 to finish at the top end of its $1.32-1.36 range vs cons/us currently at $1.34
- **2022 guidance beats big**. Guidance range of $1.42-1.48 – well above us/cons at $1.42; the $1.45 midpoint implies 6.6% growth off the top end of NI's 2021 guidance
  - NI still sees 5-7% annal EPS growth through 2023, 7-9% CAGR through 2024
  - **Using the higher 2021 base and growth target midpoints, this implies $1.54 in 2023 (cons = $1.53, WRe $1.51) and $1.72 in 2024 (cons = $1.69, WRe $1.70)**
- **NIPSCO preferred IRP = investments of up to $750M.** Any potential projects and investments that emerge will likely being to be announced in 2022
- **2021-24 capex forecast and financing plan unchanged.**
- **Mitigating gas cost pressures.** Only 50% of resi and commercial customers are supplied gas by NI; 77% of procured supply needs for 2021/22 winter season are hedged; this means only 10-15% of the customers' bill where NI procures the gas is actually exposed to S-T nat gas volatility

This is a very good update from NI – 2021 is now expected to be at the top end of the range, but more importantly, the L-T EPS growth targets re-based off the higher 2021. Also, the company is outlining up to $750M of investment through its preferred IRP portfolio which would be incremental to any base plan. The key question for the IRP/RFP is how much of the replacement generation NI will ultimately be able to own in rate base. We will also be interested to get an update on the pending gas rate cases in OH and IN.

AWK – Q3 in-line, FY21 reaffirmed; 2022 guide misses on HOS sale, EPS CAGR lowered to 7-9%; $6B of capex added to 10-yr plan; mixed

- **Q3 in-line**. AWK reported EPS of $1.53 which matched cons (WRe $1.50)
- **FY21 reaffirmed**. Guidance range of $4.18-4.28 vs cons at $4.25 (WRe $4.24)
- **2022 guidance misses on HOS sale**. Guidance range of $4.39-4.49 vs cons at $4.61 (WRe $4.58)
  - Growing EPS 8.5% (midpt of prior range) off FY21 midpoint implies ~$0.15 dilution next year from the HOS sale which we think moderates over time given the added capex
- **EPS CAGR lowered to 7-9%**. AWK's new EPS CAGR is down from 7-10% previously and is anchored off 2022 guidance midpoint through 2026
  - Dividends still expected to growth at the high end of 7-10%; targeted payout of 55-60%
- **$3.1B of capex added to 5-yr plan, $6B to 10-yr plan**. Reflective of redeployment of HOS sale proceeds; AWK's rate base CAGR is now 8-9% vs 7-8% previously
- **$1.1B of equity in 5-yr plan**. To support elevated capex plan; timing of the issuance shifted one year out vs prior plan which we believe means in 2023 or 2024
- **$1B of after-tax proceeds from HOS sale**. AWK entered into a Cooperation Agreement where, for 39 months after deal close, AWK will compensate the buyer for any monetary losses that result from the pending grand jury subpoena regarding HOS operations in NYC

This is a big update from AWK following the news of the HOS sale earlier this week. Our initial view is mixed. We like the juiced capex plan for the regulated utilities and the 100% regulated/regulated-like earnings profile of the company moving forward. But as we expected, the HOS sale is dilutive and this wasn't a business that ever got a discount from investors. While the range for the EPS CAGR is lower, it is still one of the best within the sector. On the call, we will be interested to get more details on the HOS sale, including how meaningful the revenue sharing agreement is, what the elevated capex plan might mean in terms of more frequent rate cases or if most can be recovered through existing trackers and specific timing for the $1.1B of equity.

ETR – Q3 meets, FY21 guidance raised, 2022-23 outlook unchanged, new 2024 outlook consistent with 5-7%; slightly positive

- **3Q21 in line:** $2.45 vs consensus $2.44, WRe $2.31.
- **Raises 2021 guidance to top half of range, reaffirms 2022-23 outlooks, gives new 2024; maintains 5-7% EPS growth off 2020 of $5.60:** Guidance vs consensus and WRe:
  - 2021: $5.80-6.10 vs $5.91 consensus; $5.94 WRe
  - 2022: $6.15-6.45 vs $6.36; $6.32
  - 2023: $6.55-6.85 vs $6.72; $6.80
  - 2024: $6.95-7.25 vs $7.11; $7.11
- **EEI disclosures**: At the EEI conference this weekend, ETR will provide preliminary 2022 drivers, rate base estimates through 2024, 2022-24 capex, a renewable update and LT opportunities.
- **Storm restoration, Uri costs continue to weigh on B/S but expects over 14% by 2023**: Once the 2020-21 storm costs are securitized, ETR targets FFO/Debt over 14% on a Moody's basis (14-16% on a S&P basis) by 2023. Equity plans of $1.23B through 2024 announced in Sep appear unchanged.
- **3Q21 weather-adj sales grow 2.8%, with industrial again strong**: For 3Q21, +2.8% sales growth (Resi -2.9%, Comm +0.5%, Ind +9.9%). ETR sees FY21 growth of 1% (was +2.2% previously but Hurricane Ida impacted ~1.5%).

We view the results as slightly positive given the FY21 guidance raise to top half of the original range and 2024 outlook consistent with 5-7% LT EPS growth. We are happy to see ETR remove its current FFO/D metric from the slides which was a useless number if one believes they will get hurricane recovery cost recovery as in the past. On the call, we expect investor focus on LT EPS growth, equity needs, renewables opportunities, sales growth and any updates from the SERI proceedings at FERC.

EXC – Q3 in line, FY21 guidance narrowed; focus is on spin, nuke PTCs; in line

- **3Q21 in line.** $1.09 vs $1.09 consensus and $1.19 WRe. Unrealized losses on equity investments were -$0.10 (we had estimated -$0.03).
- **2021 guidance narrowed but same midpoint.** To $2.70-2.90 from $2.60-3.00 vs $2.78 consensus and $2.89 WRe. By segment:
  - Utility net parent guidance: $2.15-2.35 vs $2.09 WRe.
  - ExGen guidance: $0.55-0.75 vs $0.80 WRe.

- **ExGen tax-free spin on track to close 1Q22.** Last month, a notice of impending settlement negotiations was filed with the NYPSC; NRC expected to complete its review by 11/30; and FERC has already approved the spin.
- **ExGen 2021 gross margins rise $500M on addition of EDF's share of CENG and including Byron/Dresden, but unchanged ex those items, using 9/30/21 vs 6/30/21 pricing.** 2021 GM rises $500M to $7.2B on the inclusion of said items but remains flat with last quarter at $5.75B with TX hit or $6.7B without TX (same as before). ExGen now sees adjusted O&M of $4.075B vs $3.7B last quarter, reflecting inclusion of same items.
- **EXC utilities TTM ROE slightly declines**. 9.3% through 3Q21 vs 9.4% through 2Q21.

The narrowing of FY21 guidance appears to reflect lower expected unrealized gains from equity investments and the inclusion of Byron, Dresden and EDF's share of CENG. The ExGen/Constellation spin is on track for approval within the next few months. On the call, we believe the main investor focus will be on potential upside from federal nuclear PTCs, which have been proposed in the impending reconciliation bill; the upside is meaningful. We also anticipate questions on timing of the spin and Constellation's 2021 gross margins or EBITDA with a full run rate for Byron/Dresden and EDF's share of CENG. We also expect questions on EXC legacy's LT financial outlook and utility rate base growth.

ES – Q3 miss but no longer points to low end of FY21 guidance; still sees upper half of 5-7% LT EPS growth ex offshore; in line

- **3Q21 ongoing EPS misses:** $1.02 vs. $1.05 consensus, $1.04 WRe. Excludes $0.20 of non-recurring charges, which includes the CT settlement (see below).
- **Reaffirms 2021 guidance but no longer points to low end:** ES' $3.81-3.93 excludes non-recurring charges. Consensus is $3.83 and WRe is $3.87.
- **Still targeting upper half of 5-7% LT EPS growth through 2025:** Growth off 2020A of $3.64 implies 2024E within $4.60-4.77, in line with consensus of $4.66 and WRe of $4.65.
- **Offshore wind earnings excluded from targeted EPS growth but they would raise it above 5-7%:** ES and Ørsted are developing three projects totaling 1,758 MW:
  - South Fork: 130 MW into NY; in-service targeted for late 2023; COP decision due mid-Jan 2022.
  - Revolution: 704 MW into RI (400 MW) and CT (304 MW); in-service targeted for 2025; COP expected in in 3Q23.
  - Sunrise: 924 MW into NY; in-service now targeted in late 2025; COP expected in in 3Q23.
- **CT settlement approved; EV, grid mod and AMI in MA/CT:** ES noted the key elements of the CT settlement, including $65M credit, $10M customer assistance funding, stayout through at least 1/1/24 and no change to allowed ROE or capital structure. ES is seeking EV and AMI capex in both CT; ES filed a compliance filing on the former. ES sees AMI capex of ~$475M by YE25. In MA, ES filed for a ~$200M grid mod capex over 2022-25 and $575M capex for AMI in 2022-27.

The Q3 results and outlook are in line with expectations. With CT settled, we anticipate questions on today's call will mostly focus on the pending offshore wind projects and their potential upside to EPS growth, as well as upcoming auctions in which ES/Ørsted will participate (e.g., NY Bight, next NY RFP, etc).

EVRG – Q3 EPS beats big and big 2021 guidance raise, but all on weather and one-timers

- **Q3 2021 adjusted EPS of $1.98 vs. $1.73 last year – big beat** vs. consensus $1.77 and our $1.76 estimate
  - Drivers: weather (+0.20), transmission margin (+0.06), lower taxes (+0.04); partially offset by weather-normal sales (-0.06)
- **Raised 2021 adjusted EPS guidance to $3.50-3.60 from top-half of $3.20-3.40** (consensus: $3.36; WRe: $3.35)
  - Driven by warm weather (+0.18) and one-timers (+0.05); more than offsetting weaker weather-normal sales (-0.14)
- **Reaffirms 2022 EPS guidance of $3.43-3.63** (consensus: $3.52; WRe: $3.54)
  - Drivers unchanged outside of reversion in weather (-0.18) and one-timers (-0.05)
- **Increasing dividend 7.0% to $2.29/sh annualized**
- **Reaffirms 6-8% EPS growth target through 2025** off original 2021 midpoint of $3.30
- **Weather-normal sales -1.2% in Q3** (R/C/I = -3%/+1%/flat)
  - YTD +0.9%
- Rate base growth, capex, and zero equity plans from Analyst Day all unchanged

A massive beat and raise, as EVRG keeps the good news coming after its late-September Analyst Day, though it's almost entirely due to weather and one-timers. It's still good to see solid evidence that the new mgmt. team is poised to execute well going forward.

FERC – Senate Energy committee unanimously votes in favor of DC PSC Chair Willie Phillips appointment

- Yesterday, the Senate Energy Committee unanimously voted in favor DC PSC Chairman Willie Phillips (D) nomination to fill the open FERC seat
- Phillips will now go before the Senate floor for final confirmation
- Phillips would fill the seat left vacant by Neil Chatterjee (R) and give the Democrats a 3-2 majority at FERC

This was mostly expected, as it appears this is close to a done deal. FERC will soon again be fully staffed. Most in focus at FERC have been transmission ROEs and planning, the former of which has seemed to take a more pro-consumer bent recently and could be further exacerbated by a Democratic majority.

PNW – I am speechless, I am without speech
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ACC votes to approve rate case, no changes; slashing estimates. Post close, the ACC issued a final vote on APS's rate case. With a 3-2 vote (Olson & Kennedy voted no because they wanted an even worse outcome), the ACC approved the amended ROO without any changes to the version that was discussed last week. Key provisions include partial recovery of the SCRs, an 8.7% ROE (lowest of any vertically integrated utility) and several disallowances for expenses that were previously recovered in rates. This outcome was not the worst case, but it is still very bad. With the rate case now finalized, we are reducing our 2022/2023 by $0.38/$0.45 to reflect the amendments that were passed since the initial ALJ ROO was proposed (we prev. assumed the SCRs were fully recovered too). Our PT moves to $63 from $69 on our lower estimates. We embed a 20% discount vs our group avg to account for the acutely challenging regulatory environment in AZ. We remain Underperform rated.

EIX – Flashbacks in way of brighter future
Click here to view our complete note
2021 guidance cut but LT outlook intact; best est. of 17/18 damages rises. After close 11/2, EIX's 3Q21 of $1.69 missed $1.75 consensus on timing of GRC decision, and EIX cut its recently disclosed 2021 guidance to $4.42-4.52 from $4.42-4.62, below then-consensus of $4.54. But EIX kept its 5-7% EPS growth target based on $4.52 in 2021. EIX also added $500M of storage capex to its 2021-25 plan and raised its rate base growth to 7-9% from 6-8%. EIX announced a $550M settlement with the CPUC's Safety Enforcement Division related to enforcement action over the 2017/18 wildfire/mudslides. However, EIX raised its best estimate of total 17/18 damages to $7.5B from $6.2B, with $2.2B remaining to be resolved (that was $1.4B in 2Q21), which is a little disappointing. Although the results were mixed, we see higher rate base growth and no new equity to fund the higher 17/18 damages estimate. Still, the stock trades at a 27% discount to peers. We view that as particularly steep because EIX has not been found imprudent in any of the past wildfires in its territory. And if EIX can maintain its currently allowed ROE, that would add another $0.22 to our 2023E. We raise our PT $1 to $69 on the incremental rate base.

WEC – Making it official
Click here to view our complete note
Formally raising EPS growth rate to 6-7% from upper-half of 5-7%
WEC refreshed its five-year capital plan today and with it, officially raised its EPS growth rate to 6-7%. WEC had in place a 5-7% EPS CAGR since the TEG deal and most recently was noting a strong bias to the upper-half of the range. However, WEC's track record has already been 7% growth and we expect this to continue. WEC also pointed to the direct pay provision of the Biden clean energy bill as nice benefit to cash flow (50-100bps FFO/Debt).

PEG – Nuclear option is nice to have
Click here to view our complete note
Q3 EPS beats nicely, 2021 guidance raised again
PEG reported Q3 EPS of $0.98 – ahead of consensus/us at $0.92. Q3 was up versus $0.96 last year, driven by PSE&G rate base growth and some one-time items, offset some by Power's weaker hedge pricing and taxes/O&M at Parent. PEG again raised 2021 guidance to $3.55-3.70 from $3.50-3.65 previously. This still reflects the absence of depreciation on the held-for-sale fossil assets and Power debt-related interest savings. We continue to like PEG's core utilities story with an upside option from a potential federal nuclear PTC. Outperform.

Midstream

TRGP – Moody's upgrades the credit to Ba1

- This morning, Moody's upgraded Targa's credit rating to Ba1 from Ba2. TRGP had previously been put on positive outlook.
- Moody's cited "remarkable" improvement in credit metrics given an improving outlook, strong FCF, and debt reduction
- Moody's expects TRGP to buy in the DevCo in early 2022 for $925M using cash and revolver borrowings
- The rating could be further upgraded to investment grade if TRGP continues to demonstrate conservative financial policies, further simplifies its capital and organizational structures, keeps leverage below 4x, and decreases exposure to commodity prices

Targa is now a notch away from investment grade ratings at both Moody's and S&P. At our conference a month ago, Moody's indicated it could take 12-15 months post going to Ba1 for Targa to be upgraded again to investment grade as they'd like to see more of a track record and further simplification of the story (DevCo, prefs, and possibly more). The irony here is that Targa is already in the top tier balance sheet group for midstream with 2022 Debt / EBITDA of 3.4x already comparable to EPD and MMP (Baa1) and MPLX (Baa2). So we think further credit improvement for Targa is only a matter of time, and not based on any further improvements needed in the balance sheet.

Midstream – Off to a good start…key earnings takes in 1 concise report

Click here to view our complete note

Election day earnings marathon. Literally half our midstream coverage reported today so we thought it would be more useful to give our views in 1 report. Overall, Q3 updates were better than expected with 4 of 5 that give 2021 guidance raising it and some constructive capital allocation updates. EPD stood out as having a less positive call.

Clean Energy

Ørsted – Q3 beats, FY21 guidance unchanged as CHP plants mitigate impact of wind speeds; in line

- **3Q21 EBITDA beats consensus:** DKK 2,984 vs. DKK 2,810 consensus, DKK 3,065 WRe. Wind speeds hit EBITDA by DKK 800M vs 3q20 (DKK 600M vs normal), while CHP plants in Bioenergy segment added DKK 700M compared to last year on higher realized power prices, ancillary sales and generation.
  - The consensus of detailed estimates provided to the company ahead of participating analysts was coincidently DKK 3,065. Below is the segment detail provided by participating analysts (may not add up to total):
  - Offshore: DKK 1,304 vs DKK 2,106 consensus; DKK 2,032 WRe
  - Onshore: DKK 413 vs DKK 420; DKK 723
  - Bio/other: DKK 1,206 vs DKK 390; DKK 310
- **2021 EBITDA guidance remains low end of DKK 15-16B (ex new partnerships):** While EBITDA guidance was unchanged, the company points to "significantly higher" Bioenergy/other vs "higher" before. Consensus is DKK 24,215 and WRe is DKK 21,501.
  - New Partnerships added DKK 5.3B for YTD21; that is excluded from guidance.
  - Similar to above, the consensus of estimates provided by participating analysts was DKK 24,528 including new partnerships and DKK 15,387 ex new partnerships. Below is the segment detail (may not add up to total):
  - Offshore: DKK 20,950 consensus vs DKK 17,352 WRe
  - Onshore: DKK 1,554 vs DKK 2,134
  - Bio/other: DKK 1,900 vs DKK 2,016
- **Still targeting 12% EBITDA growth through 2027:** Growth off 2020A implies 2027E of DKK 37,361, in line with DKK 41,001 consensus and DKK 38,013 WRe.
- **New offshore wind project in VN:** The company proposed to conduct a research and survey in Haiphong, Vietnam. The VN city government said that Ørsted plans for a 3,900 MW offshore wind project (built in 3 phases)and to invest up to $13.6B.
- **FFO/adj net debt falls to 42% but still above 25% target:** The metric fell to 42% on 9/30/21 from 80% on 9/30/20.

The results are largely in line, particularly given several warnings about the impact from lower wind speeds and potential benefit in the Bioenergy segment (CHP plants) from higher commodity prices. On the call, we expect investor questions on the potential impact Biden's proposed clean energy incentives would have on management's LT outlook, particularly for its Onshore business, which is mostly US-based. We also anticipate questions on the potential VN offshore wind project and expectations for the MD and JPN auction results due this quarter or early next. The stock is down around 5% (as of 8:30am EDT), likely being pulled down by fellow Danish-based wind-turbine maker Vestas (not covered), whose stock is down 15% reportedly on a guidance cut from high commodity prices and supply chain concerns.

NOVA – ECP files to sell 6M shares, will bring total ownership of NOVA just below 10%

- Late Monday, Energy Capital Partners (ECP) filed to sell 6M shares of NOVA through a secondary offering
- Per FactSet and as of 6/30, ECP held 16.9M shares of NOVA (~15% of total OS); following the sale, ECP is expected to own under 10% and will only have one board seat (currently has two)
- ECP was an early investor in NOVA pre-IPO and actually owned over 50% of the company when it initially came public in 2019
- NOVA's stock finished down 6.1% yesterday – well below resi solar peers and the TAN index

This is not a surprise as ECP is not a natural L-T holder of NOVA shares. ECP has also made a fantastic return on its investment, so perhaps this is being done to redeploy money into other investment opportunities. We don't believe ECP will rush to sell its remaining shares (last time it sold some was about a year ago).

FSLR – U.S. ITC to hold hearing today on Section 201 tariffs

- The U.S. International Trade Commission will hear arguments today on Section 201 tariffs prior to an expected early December recommendation to President Biden on whether to extend, revise, or end the tariffs
- The Section 201 tariffs currently impose an 18% tariff on imports of crystalline silicon solar cells and modules on major producing countries. We estimate the tariffs add $0.04-$0.05/watt of cost. They are set to expire in February.

Much attention has rightfully been on the reconciliation bill given very significant support for U.S. solar manufacturers like FSLR in the House bill last week. However, the Section 201 tariffs are the next issue to keep an eye on with a U.S. ITC recommendation expected next month on what to do with the tariffs. We continue to view the issues as intertwined. If the reconciliation bill passes with currently proposed provisions that give huge subsidies to domestic manufacturers like FSLR, we don't see much of a need to extend the Section 201 tariffs as American manufacturers would still be much better off on a net basis. However, if the reconciliation bill fails, then we think it's likely Section 201 is extended in some way as it would be undesirable to adversely affect U.S. manufacturers at a time when the U.S. is looking to ramp up solar development and geopolitical tensions with China remain high.

AES – Partnering with Microsoft to bring 24/7 renewable energy to its VA data centers

- This morning, AES announced that it signed a 15-year agreement with MSFT to support the company in achieving its 100/100/0 by 2030 goal
- Under the agreement, AES will supply 24/7 renewable energy to MSFT's data centers located in Virginia
- AES will source the energy from a 576 MW portfolio utilizing existing renewables under L-T contract to MSFT, while also adding additional resources in the region

This looks very similar to the agreement that AES already has with Google in VA and is another example of the company offering highly specialized 24/7 renewable solutions for its customers. AES views this as a key differentiator vs a lot peers who tend to mostly do more plain vanilla PPAs. We believe this announcement is already reflected in AES' outlook.

SEDG – N-T margin pressures, but storage upside
Click here to view our complete note
Mixed Q3, raising PT to $380. Q3 sales were in line with consensus, but the Q4 guide came in a little light on lower e-Mobility sales. The biggest update was on margins – SEDG guided Q4 solar margins down considerably from Q3 due to a Vietnam plant closure and higher associated costs. That said, SEDG pointed to a stronger storage ramp up into 2022, and pointed to a record 4 GW order backlog for Q4/Q1. Of note, SEDG will not increase prices which makes ENPH an outlier here. Overall, we think the L-T thesis is intact, but caution the quarter missed the higher bar set by ENPH on the N-T margin headwinds.

Wolfe Events

November 7-10: EEI Conference meetings
December 6: PNW non-deal roadshow in Australia

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Midstream Top 10 for 2021
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Utilities 2020 Election Preview
Utility Pension Review
Utility Liquidity Review
Midstream Leverage Report
Wolfe Midstream Primer
Wolfe Utility Primer

Calendar

Date	Ticker	Event	Case Docket Number	Description
11/4/21	EIX/PCG/SRE	CPUC Voting meeting		
11/5/21	AEE	Surrebuttal testimony	ER-2021-0240	MO rate case
11/9/21	NYSE	Short Interest Release		
11/15/21	SO	Hearing on company testimony		VCM 25
11/18/21	EIX/PCG/SRE	CPUC Voting meeting		
11/19/21	FE	Supplemental Audit on Brown Stadium Naming	20-1629-EL-RDR	DCR Audit
11/24/21	NYSE	Short Interest Release		
11/24/21	AEE	Final reconciliation	ER-2021-0240	MO rate case
11/29/21	AEE	Hearings begin	ER-2021-0240	MO rate case
12/1/21	SO	Intervenor testimony		VCM 25
12/2/21	EIX/PCG/SRE	CPUC Voting meeting		
12/2/21	FE	DMR Audit	17-2474-EL-RDR	Draft Audit Report Due
12/9/21	EIX/PCG/SRE	Proposed decision deadline (90 days after reply briefs)		NEM 3.0
12/9/21	AEE/FTS/MISO	MISO Board of Directors Open Session (maybe discuss MTEP)		MISO MTEP
12/9/21	NYSE	Short Interest Release		

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North America Equity Research
03 November 2021

NiSource Inc.

3Q21 Tops Estimates; '21/'22 Guidance Directional Raise/Initiated; High Level IRP Update Shows $750mm Capex Potential

Overweight

NI, NI US
Price: $24.74
02 Nov 2021

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- **3Q21 earnings beat estimates.** NI reported 3Q21 adj EPS of $0.11, ahead of the $0.10 JPM/Street median estimate. Gas distribution operating earnings increased +$8.3mm while electric operating earnings declined -$2.8mm YoY. NI benefitted from new base rates, infrastructure replacement program recoveries, and customer growth, among other items. Meanwhile, unfavorable COLI performance continued to impact Corporate and Other. NI now anticipates achieving the top end of its $1.32-1.36 2021 guidance (JPMe/Street median $1.35/$1.34), which implies 4Q21 EPS of $0.38 versus $0.34 in 4Q20.

- **2022 EPS guidance introduced, as higher 2021 expectations lifts outlook.** NI introduced 2022 earnings guidance of $1.42-1.48 (JPMe/Street median $1.42), representing ~7% YoY growth from the high end of NI's 2021 range. This implied 2022 growth stands at the high end of NI's 5-7% near-term EPS CAGR. Additionally, the company's strong anticipated 2021 results, in targeting the guidance range's top end, also raise expected outer-year earnings power off this base (for 7-9% EPS growth through 2024). We see these guidance updates as a clear positive and continuing recent company trends of strengthening its growth outlook on the back of near-term and long-term plan execution in 2021.

- **IRP update remains high level with up to $750mm investment potential.** Progress continues towards the company's IRP filing by mid-November. NI's message remains relatively high level in advance of the formal filing, with the company highlighting investments in replacement resources of up to $750mm across solar, standalone battery storage, and natural gas peaking. With NI's preferred resource plan now identified, the range of megawatt and capex outcomes has meaningfully narrowed, in our view, and we expect further refinements into next year as the company works towards a likely 2022 plan refresh to formally incorporate the IRP. In the interim, we await management commentary on potential ownership options as informed by the associated RFP process.

- **Conference call details.** NI will host a webcast to discuss 3Q21 results on Wednesday, November 3 at 11:00 AM EDT.

Table 1: NI 3Q21 Results

Income Statement:	Actual 3Q20	Actual 3Q21	JPM 3Q21E	% Chg Y/Y	% Chg vs JPMe	YoY Drivers
Operating Earnings	148	144	161	-3%	-10%	New rates from base rate proceedings and regulatory capital programs; CMA impacts
Net Income	36	47	44	30%	8%	Higher non-service pension benefits; lower interest expense on ST and LT debt; unfavorable COLI impacts
Share Count	384	430	431	12%	0%	
Operating EPS	**$0.09**	**$0.11**	**$0.10**	**22%**	**10%**	

Source: Company reports and J.P. Morgan estimates.

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Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31
09-Apr-20	OW	25.47	29
01-Jul-20	OW	22.74	26
21-Sep-20	OW	21.98	25
23-Oct-20	OW	24.04	26
29-Jan-21	OW	22.17	25
22-Feb-21	OW	22.84	24
22-Apr-21	OW	26.03	28
31-Aug-21	OW	24.76	29
14-Oct-21	OW	24.69	28

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*Please note that the percentages might not add to 100% because of rounding.
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Completed 03 Nov 2021 10:00 AM EDT Disseminated 03 Nov 2021 10:08 AM EDT
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November 3, 2021

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NI: Rebasing EPS CAGR Off Top End of 2021; IRP Updates

Key Message: NiSource pointed to the top end of its reaffirmed 2021 NOEPS guidance range of $1.34-$1.36 and rebased its 5%-7% (through 2023) and 7%-9% (through 2024) EPS CAGRs off of the top end of 2021 guidance. The company also introduced 2022 NOEPS guidance of $1.42-$1.48 ($1.45) and reaffirmed its prior capex forecast of $2.4bn-$2.7bn for 2022, $3.4bn-$3.7bn for 2023, and $1.9bn-$2.2bn for 2024. Management sees the potential for $750m of capital investment coming out of the IRP, but how much of that will be NI's will not be known until the RFP review process concludes in early 2022. We reiterate our Buy rating and are raising 2021/2022 estimates to reflect management's increased confidence in its guidance.

NI expects to submit the NIPSCO IRP by mid-November and indicated that the preferred plan refines the timeline to retire coal-fired generation at the Michigan City Generating Station to between 2026-2028, while supporting NI's emissions reduction target of 90% by 2030. **Up to $750m of investment** will be required to replace Michigan City and two peaking units at Schahfer, and the company expects to have more visibility on its potential stake of that spend **once the RFP process concludes in early 2022.** More color for investors is expected to be provided at an Analyst Day to be held towards the end of 1H22. Also, on the near-term regulatory front, **NIPSCO's $1.64bn proposed TDSIC plan** for 2021-2026 is pending before the IURC, with a **final order expected in Jan 2022.**

NI reported 3Q21 adj. EPS of $0.11 vs us/consensus at $0.05/$0.12, and up $0.02 vs $0.09 in 3Q20. **We are raising our 2021 estimate to $1.36** from $1.35 to reflect management's revised guidance of the top end of the $1.34-$1.36 range, and **raising our 2022 estimate to $1.45**, the midpoint of NI's newly introduced 2022 guidance range, up from $1.43 previously. Our estimates for 2023/2024 remain unchanged.

Valuation

We apply our base 18.5x multiple on the electric utility and add a 1x premium to account for additional renewables opportunities and our base 18.5x multiple on the gas LDCs. We arrive at our valuation utilizing a sum-of-the parts analysis, based on: (1) ~$11/share for the regulated electric utility; (2) ~$18/share value for the regulated gas segment given the limited spread from LDCs after recent market volatility; and (3) (~$-2)/share for other adjustments for Corp and Other. We use this sum of the parts to arrive at our $27 valuation.

Risks

The primary risks on the regulated utility encompass the traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

NI — BUY

NiSource Inc.
Sector: Power & Utilities

Earnings Release

Share Price	$24.74
Price Target	$27.00

EPS ($) (FY DEC)	1Q	2Q	3Q	4Q	FY
2021	0.77	0.13	0.11	0.41E	1.36E
Prior	—	—	*0.05*	*0.40E*	*1.35E*
P/E					18.2x
2022	0.87E	0.14E	0.04E	0.40E	1.45E
Prior	*0.85E*	—	—	—	*1.43E*
P/E					17.1x
2023	0.88E	0.17E	0.08E	0.41E	1.53E
P/E					16.2x

Market Data

52-Week Range	$21.09 - $26.60
Dividend	$1.60
Dividend Yield	6.5%
Market Cap (M)	$9,708
Shares Out (M)	392.4
ADV (3 mo; 000)	3,261

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POWER & UTILITIES

NISOURCE INC. **November 3, 2021**

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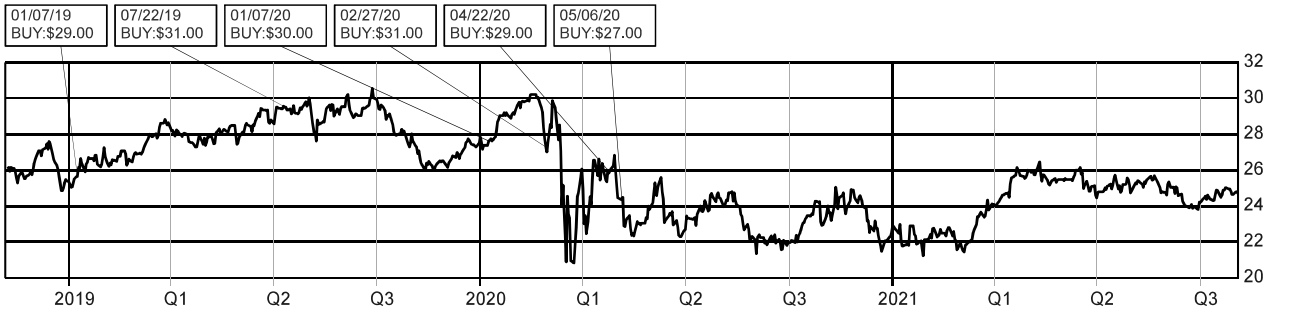

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This report is intended for Michael Weisenburger at NiSource, Inc. (NI). Unauthorized distribution of this report is prohibited.

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NiSource Inc

Top-tier growth off a particularly healthy base; LT opps. drive further pos. revision

05 November 2021 | Equity | United States | Natural Gas-Local Distribution Companies

NI US

Maintain Rating	Price	Price Objective	Upside	Market Cap	Average Daily Value	2021E EPS	2022E EPS	2023E EPS	ESGMeter
BUY	25.07 USD	28.00 USD	11.7%	9,845 USD(mn)	93.81 USD(mn)	1.37 ▲ from 1.36 USD	1.44 ▲ from 1.40 USD	1.56 ▼ from 1.58 USD	High

all data as of 5 November 2021

Key takeaways

- 3Q yielded better '22 guide- $1.42-1.48, we are raising to $1.44- good trajectory ahead of even better '24+ CAGR still
- Room to re-rate; shares still discounted vs peers despite execution. Intact on NT renewables & yet more coming on LT thru '26
- $28 PO remains; watch the percentage owned by NI as key upside lever still to shares (assume only 50%). Reconciliation helps.

NIPSCO: Northern Indiana Public Service Co.

IRP: integrated resource plan

Rebasing higher, a sign of strength and LT outlook coming

NI reported 3Q21 earnings beating estimates, narrowed FY21 EPS to the top-end of the prior guidance range ($1.36), and re-based growth in the near-term (i.e. 5-7% through '23) and longer-term (7-9% through '24) off of the top-end of '21 guidance. Re-basing on a higher number is a signal of strength and confidence in the growth plan, further highlighted by the *very* healthy, newly initiated FY22 EPS guidance range of $1.42-$1.48.

Shares of NI have re-rated higher relative to a weighted average peer multiple (see page 2). Nonetheless, we believe there is still room to move higher as mgmt. executes on the renewables projects and growth in the near term and provides what we expect be a very healthy long-term growth outlook at their analyst day in ~May 2022. Yes, renewables drive a lot of the rate base and earnings growth contemplated in the plan, but the gas utilities continue to see very strong 10%+ rate base growth. Over-time, as cash flows are recognized from renewables and the balance sheet is in a better position from the equity unit issuance, we see NI closing the gap between rate base and earnings growth. This should support a continued, elevated growth rate. NI will be ex-coal in the 2026-2028 timeframe (with bias to 2026) which could attract interest from a new set of ESG-focused investors. Maintain Buy.

Initial thoughts on gen. opp. healthy; watch ownership

NIPSCO recently outlined its preferred future generation portfolio stemming from its 2021 IRP, and mgmt. highlighted that investments of *up to* $750M will be necessary to replace the retiring fossil plants. This compares favorably to our prelim estimates for capex of ~$430M-$800M. Remember, we calculated a wide range because NIPSCO chose a potential combination of two preferred resource paths and we only assume 50% ownership of renewables. The ownership percentage (see bias to own more) and, to a lesser extent, project selection will determine what percentage of the opportunity NI can capture - reconciliation bill could help ownership with direct pay.

PO remains at $28; FY21-FY23 EPS estimates tweaked

Our PO remains unchanged at $28 as we MtM on latest peer utility P/E multiple. We tweak our FY21-FY23 EPS estimates while FY24-FY25 remain unchanged and materially higher than street. We see healthy 15%+ upside on our SOTP and maintain our Buy rating.

Estimates & Valuation Quarterly Estimates Key Changes Stock Data

Estimates (Dec) (US$)	2019A	2020A	2021E	2022E	2023E
EPS	1.32	1.32	1.37	1.44	1.56
GAAP EPS	0.87	1.33	1.29	1.44	1.56
EPS Change (YoY)	1.5%	0%	3.8%	5.1%	8.3%
Consensus EPS (Bloomberg)			1.35	1.43	1.53
DPS	0.83	0.88	0.94	0.99	1.05
Valuation (Dec)					
P/E	19.0x	19.0x	18.3x	17.4x	16.1x
GAAP P/E	28.8x	18.8x	19.4x	17.4x	16.1x
Dividend Yield	3.3%	3.5%	3.7%	4.0%	4.2%
EV / EBITDA*	15.3x	14.0x	12.9x	11.8x	10.6x
Free Cash Flow Yield*	-2.2%	-6.6%	-5.2%	-9.6%	-17.4%

* Click for full definitions of *iQmethod*℠ measures.

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Starting to re-rate higher; still see room to go

As we noted above, we see the ability for shares to re-rate even higher based on our view that mgmt. will execute on the current growth plan outlined through '24 and outline a robust long-term spending plan that supports extended and elevated EPS growth.

We use a weighted average multiple to highlight NI relative value. Specifically, we take the average gas utility multiple and weight it by 60% and the average electric multiple and weight it by 40% to represent NI business mix. We find this is a better representation than simply comping NI to gas peers (where we would show shares trading at a premium) and electric peers (where we would show shares trading at a discount).

Exhibit 1: NI FY23 P/E vs Weighted Average P/E of Electric and Gas Utility Peers
While NI is now trading at a premium to a weighted average peer multiple, we see further room to re-rate higher on execution of mgmt.'s robust growth plan and an extension of the high growth runway

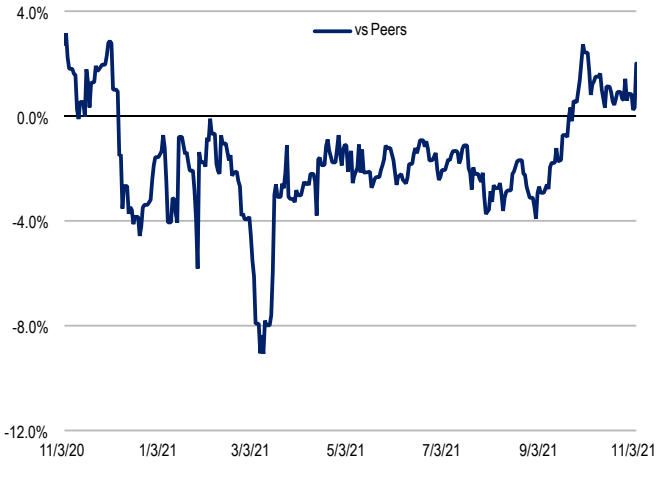

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Current renewables projects are moving along

Solid progress on renewables additions at NIPSCO related to the 2018 integrated resource plan (IRP) with all of the projects totaling $2B in capex receiving approval from the Indiana Utility Regulatory Commission (IURC). Concern remains on whether renewables supply chain issues will impact NI's planned capex, and we do not believe that given strong counterparties (i.e. NextEra, Capital Dynamics, EDP, and others), NIPSCO is in a good position.

EPS Estimates; FY22 higher on new outlook

We tweak our FY21-FY25 EPS estimates and continue see BofAe for FY23 and beyond above Street. Our FY21 EPS estimate moves to $1.37, above mgmt.'s guidance of $1.36, as we update for 3Q actuals that outperformed our expectations by 1c. We raise our FY22 EPS estimate as we reflect mgmt. updated expectations. We lower our FY23 EPS estimate as we take a more conservative view on regulatory lag from renewables spending entering rates and are now aligned with mgmt. commentary on 5-7% EPS CAGR to FY23 off of the FY21 EPS base of $1.36.

We continue to see NI as among the most important 'show me' stories in the space considering the need for management to execute against the plan after years of minimal EPS growth post Merrimack Valley. We see EPS CAGR at the top-end of management's guidance range through '24 (9%). Look for further opportunities in the 2025+ outlook with a further NIPSCO Electric IRP/RFP to be articulated at the spring 2022 analyst day too - potentially enabling a further extension of 5-year outlook at sustained EPS CAGR.

Exhibit 2: NI EPS Estimates
We tweak our EPS estimates for FY21-FY23; we see top-end of mgmt. contemplated guidance range even off of a healthy FY21 base

NI EPS Estimates		**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Gas		1.04	1.03	1.08	1.15	1.24	1.24	1.30
Electric		0.59	0.55	0.56	0.57	0.59	0.78	0.84
Parent/Other		-0.33	-0.33	-0.28	-0.29	-0.28	-0.26	-0.25
BofA EPS		**1.32**	**1.32**	**1.37**	**1.44**	**1.56**	**1.76**	**1.88**
Previous EPS		1.32	1.32	1.36	1.40	1.58	1.76	1.88
Guidance				**1.36**	**1.42-1.48**			
Consensus		1.30	1.31	1.35	1.43	1.53	1.71	
BofA '21-'24 EPS CAGR	8.9%							
Guidance '21-24 EPS CAGR	7-9%							
Consensus '21-'24 EPS CAGR	8.1%							
BofA '21-'23 EPS CAGR	6.7%							
Near Term Guidance '21-'23 EPS CAGR	5-7%							
Consensus '21-'23 EPS CAGR	6.6%							
Implied EPS Guidance by Yr given New +7-9% EPS CAGR ('21-'24)	High End			1.36	1.48	1.62	1.76	1.92
	Mid-Point				1.47	1.59	1.71	1.85
	Low End				1.46	1.56	1.67	1.78
BofA DPS		**0.83**	**0.88**	**0.94**	**0.99**	**1.05**	**1.12**	**1.18**
Share Count (mn shares)		**376**	**384**	**420**	**441**	**450**	**489**	**496**

Source: BofA Global Research estimates, company report, Bloomberg

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Valuation; PO unchanged on latest MtM

Our PO remains at $28 as we mark-to-market FY24 P/E multiples for peer group of 13.7x for gas (from 13.6x) and 16.1x for electric (from 16.0x), with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in the '24 timeframe. While we estimate the potential capex for the 2021 IRP, we do not embed any additional capex in our figures as we wait additional detail on the ownership % of new renewables and the specific projects. We see attractive 15%+ total return potential and maintain our Buy.

Exhibit 3: NI SOTP Valuation
PO remains at $28 on latest MtM; see attractive 15%+ return and maintain our Buy rating

NI SOTP Valuation									
	Metric	**P/E Multiple**							
	2024E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas			**13.7x**						
Group EPS '19-'23 CAGR - Gas			**5.00%**						
Gas Utilities			**14.4x**						
Columbia Gas of OH	$0.56	13.4x	14.4x	**0.0x**	14.4x	15.4x	$7.56	$8.13	$8.69
Columbia Gas of PA	$0.29	13.4x	14.4x	**0.0x**	14.4x	15.4x	$3.82	$4.11	$4.40
NIPSCO Gas	$0.24	13.4x	14.4x	**0.0x**	14.4x	15.4x	$3.16	$3.39	$3.63

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Columbia Gas of VA	$0.09	13.4x	14.4x	**0.0x**	14.4x	15.4x	$1.16	$1.24	$1.33
Columbia Gas of KY	$0.05	13.4x	14.4x	**0.0x**	14.4x	15.4x	$0.65	$0.69	$0.74
Columbia Gas of MD	$0.02	13.4x	14.4x	**0.0x**	14.4x	15.4x	$0.26	$0.28	$0.30
Group Peer Multiple - Electric			**16.1x**						
Group EPS '18-'22 CAGR - Electric			**5.00%**						
Electric Utilities			**16.9x**						
NIPSCO Electric	$0.78	17.9x	16.9x	**2.0x**	18.9x	19.9x	$13.95	$14.73	$15.51
Total Utility	**$2.02**	*15.1x*			*16.1x*	*17.1x*	**$30.55**	**$32.57**	**$34.59**
-Parent EPS Drag (ex-Interest Expense)	-$0.11	15.1x	0.0x		15.4x	16.4x	-$1.71	-$1.73	-$1.84
Total EPS *(incl. debt drag)*	**$1.56**								
Midpoint of 5-7% EPS	*$1.59*								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out parent debt + assumed converts)				-$1,600	50%		-$800	-$800	-$800
(50% P/E multiple on Interest Exp)				5.6%	50%		-$535	-$571	-$606
Grand Total Equity Value							**$26.12**	**$28.04**	**$29.87**
Shares Outstanding 2024E								489	
Total Equity Value							**$26.00**	**$28.00**	**$30.00**
Implied Consolidated P/E									
Current Price								$25.07	
Dividend Yield (2021E)								3.7%	
Total Return								**15.4%**	

Source: BofA Global Research estimates, company report, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports - see links below

NI Research	Primary Author	Date Published
NiSource Inc: More Capex on next IRP than we thought.. and '22 guide comes out swinging; Buy (https://rsch.baml.com/r?q=2ISiqiv25ZXzBXWIUF4G2g)	Julien Dumoulin-Smith	03 November 2021
US Electric Utilities & IPPs: 3Q21 'Value' Preview: In Person EEI More Important Than Ever for Critical Updates (https://rsch.baml.com/r?q=L6hwDJuLq3GQ7ZscHJRaRw)	Julien Dumoulin-Smith	18 October 2021
NiSource Inc: Fireside Chat; confidence in an extension of growth runway, avenues for growth (https://rsch.baml.com/r?q=!thyVk-loWfxy68cp-yTEg)	Julien Dumoulin-Smith	29 September 2021

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Click for important disclosures. Analyst Certification. Price Objective Basis & Risk.

iQprofile[SM] NiSource Inc

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

Our Buy rating on NI is underpinned by 1) likely positive revisions given ultra conservative EPS CAGR guidance baked into consensus, 2) renewable rate base upside, and 3) the ability to re-rate higher following any gas LDC asset sale.

iQ*method [SM] - Bus Performance

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Return on Capital Employed	3.3%	4.1%	4.3%	4.5%	4.7%
Return on Equity	9.9%	10.2%	10.4%	10.0%	10.4%
Operating Margin	17.1%	22.0%	20.4%	22.2%	24.3%
Free Cash Flow	(219)	(654)	(513)	(946)	(1,709)

iQ*method [SM] - Quality of Earnings

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash Realization Ratio	3.2x	2.2x	2.6x	2.5x	2.5x
Asset Replacement Ratio	2.5x	2.4x	2.6x	3.1x	4.0x
Tax Rate	24.4%	18.3%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	158.6%	167.4%	133.5%	142.8%	164.3%
Interest Cover	2.4x	2.8x	3.0x	3.2x	2.9x

Income Statement Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Sales	5,209	4,697	5,524	5,701	5,965
% Change	2.5%	-9.8%	17.6%	3.2%	4.6%
Gross Profit	3,674	3,587	3,912	4,064	4,304
% Change	10.5%	-2.4%	9.0%	3.9%	5.9%
EBITDA	1,608	1,757	1,912	2,090	2,322
% Change	5.0%	9.3%	8.8%	9.3%	11.1%
Net Interest & Other Income	(384)	(339)	(371)	(390)	(491)
Net Income (Adjusted)	**495**	**508**	**574**	**635**	**701**
% Change	**6.8%**	**2.6%**	**13.1%**	**10.6%**	**10.4%**

Free Cash Flow Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Net Income from Cont Operations (GAAP)	328	511	543	635	701
Depreciation & Amortization	717	726	783	827	874
Change in Working Capital	(75)	(249)	0	0	0

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Deferred Taxation Charge	118	(29)	127	147	181
Other Adjustments, Net	495	145	34	0	0
Capital Expenditure	(1,802)	(1,758)	(2,001)	(2,555)	(3,464)
Free Cash Flow	**-219**	**-654**	**-513**	**-946**	**-1,709**
% Change	**82.9%**	**-198.5%**	**21.6%**	**-84.5%**	**-80.6%**

Balance Sheet Data (Dec)

(US$ Millions)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
Cash & Equivalents	148	117	126	126	126
Trade Receivables	905	825	825	825	825
Other Current Assets	800	718	718	718	718
Property, Plant & Equipment	16,912	16,620	17,837	19,565	22,156
Other Non-Current Assets	3,894	3,762	3,762	3,762	3,762
Total Assets	**22,660**	**22,041**	**23,267**	**24,995**	**27,586**
Short-Term Debt	1,787	526	517	582	696
Other Current Liabilities	1,959	1,753	1,753	1,753	1,753
Long-Term Debt	7,856	9,220	9,026	10,162	12,152
Other Non-Current Liabilities	5,071	4,704	4,831	4,978	5,158
Total Liabilities	**16,673**	**16,203**	**16,126**	**17,474**	**19,759**
Total Equity	**5,987**	**5,752**	**7,055**	**7,436**	**7,741**
Total Equity & Liabilities	**22,660**	**21,955**	**23,182**	**24,910**	**27,501**

* Click for full definitions of *iQmethod℠* measures .

Price Objective Basis & Risk

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2024 forward P/E multiples that are marked-to-market to the latest peer utility multiples of 13.7x for gas and 16.1x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial risk.

We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	**Company**	**BofA Ticker**	**Bloomberg symbol**	**Analyst**
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith

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	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Adhok Bellurkar
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
RSTR				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the speci fic recommendations or view expressed in this research report.

Disclosures

Trending

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VideoPDF

The RIC Report (https://rsch.baml.com/r?q=5lpxurTj7MkTI1z8yB99Pw&e=cturnure%40nisource.com&h=NgHhdQ)

Build your portfolio back better

Research Investment Committee 2021-Nov-8

Research Summary

Global Research Highlights (https://rsch.baml.com/r?q=5lpxurTj7MkTI1z8yB99Pw&e=cturnure%40nisource.com&h=NgHhdQ)

Balancing Year End Variables

Derek Harris 2021-Nov-5

Timestamp: 05 November 2021 09:00AM EDT

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Equity Research
5 November 2021

North America Power & Utilities

Q3 Earnings Themes, Trends, and Takeaways: Part 3

We highlight commentary on themes from our Q3 preview, top level trends, and key takeaways from earnings reports and conference calls this week for AEE, AWK, CNP, ED, ES, LNT, NI, OGE, PNW, SO, and SRE.

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Industry Themes

Capital spending plans

- **AWK:** Accelerated regulated capital investment plans to $13bn-$14bn for the 2022-2026 period and $28bn-$32bn for the 2022-2031 planning period. The capex acceleration results in a near-term dip in EPS power as upsized spending is financed, but long-term rate base CAGR (and ultimately strength of ongoing long-term EPS CAGR) was increased to 8%-9% from 7%-8% previously outlined.

- **SO:** Will wait until its Q4 call to release future capex plans but noted the targeted $4.00 - $4.30 of 2024 EPS is predicated on the existing plan, which should expand post-Vogtle through opportunities in generation and transmission as coal assets are retired. Management alluded to the idea that the fleet in 2040/2050 could be 50% renewables, 20% nuclear, 25% natural gas with CCS, and 5% other such as hydrogen, adding that optionality to purchase natural gas units (acting as net-zero bridging assets) would be economically attractive and complementary to a renewables build-out.

- **LNT:** Increased its 2021-2025 capex plan by $0.5bn to ~$7.0bn as the company sees additional opportunities in storage and wind re-powerings, which should support the 6% rate base growth target. Management made filings for 400 MW of solar + 75 MW battery storage and expects a decision on its CA request for 414 MW of solar in the first half of 2022.

- **PNW:** In capital plans for 2021-2023, PNW has increased investment in traditional generation and transmission and reduced investment in clean generation and distribution infrastructure.

- **SRE:** Raised the capital forecast at Oncor to $15bn from $14bn prior and maintained ~$1bn of incremental capex (at the midpoint) opportunities outside of the formal Oncor spending backlog. The increased spending forecast results in a rate base CAGR of 8% (7% prior).

Customer affordability and natural gas price environment

- **ES:** 1/3 of natural gas supply is in 6.5bcf of regional storage. For the rest, ES has contracted

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Completed: 05-Nov-21, 21:18 GMT Released: 05-Nov-21, 21:20 GMT Restricted - External

additional capacity on Algonquin and Tennessee pipelines to access Marcellus/Utica hub prices ($3-$5/Dth) instead of NE Citygate prices ($20-$25/Dth). Management expects the commodity portions of customer bills to increase 20% y/y, and overall bills could increase 15% y/y on average (+$30/month) during heating months. On the electric side, management anticipates an additional $0.02-$0.03/kwh increase (+$20-$25/month) on top of the usual $0.015-$0.02/kwh retail price increase between the summer and winter months.

- **AEE:** IL and MO natural gas is 75-85% price hedged, and 60% of winter supply is purchased in the summer and stored in AEE's 12 underground storage fields. MO electric is 1.5-2 GW long generation, and any off-systems sales flow back to customers the the Fuel Adjustment Clause. In IL, 99% of electric customers are either on fixed priced power supply from AEE or receive power from alternative retail electric suppliers.

- **LNT:** Emphasized its strategy for continued O&M reductions as an offset to rising commodity costs in addition to ongoing hedging mechanisms.

Federal Legislation

- **SO:** Emphasized the importance of incentives within the proposed reconciliation and infrastructure bills as mechanisms to keep U.S. energy competitive, saying there are several positives within the bills but acknowledging the fluidity of the situation. On a minimum corporate tax, SO's calculations suggest the impact would average to a nominal +1% tax effect annually.

- **LNT:** Believes direct pay/PTCs from federal legislation could supplant the ~$1bn in tax equity planned (25-40% range for individual project financing from tax equity partners) over the next five years for solar projects and believes the company would be exempt from a corporate minimum book tax if the $1bn book income requirement remains.

- **ED:** Management does not see a minimum corporate tax increase having much effect in the 2020s due to a significant supply of unmonetized ITCs, and any effects from direct pay provisions on project costs, similar to supply chain inflation, are likely to be passed through to PPA prices.

- **ES:** Primarily focused on tax credits in the infrastructure plan, which would be a tailwind.

Transmission

- **LNT:** Highlighted the importance of a transmission build-out for connecting renewables, and the company weighs-in on FERC ROE adder conversations where necessary, but management believes any outcomes would be reasonable and supportive of investment, which is largely baked-in to capital plans already.

Energy Transition

- **SO:** Provided clarity into its fleet transition opportunity away from coal assets, highlighting 6,730 MW of coal capacity that will be retired or repowered by 2028, which would be an ~80% reduction from a 2007 base year. Renewables spending should benefit post-Vogtle, as IRPs in GA and AL are slated for 2022. Freed up O&M from Vogtle and coal retirements, as well as possible asset sales and equity DRIP financing should help to fund renewables spending while appropriately managing the customer bill.

- **NI:** Identified its preferred technological plan for the 2021 IRP, which includes plans to retire all coal during 2026-2028 and make up to $750m in replacement power investments.

Supply chain

- **ES:** Management has worked to solidify contracts for offshore wind components but retains some supply chain exposure. Regardless, ES remains confident in construction schedules

and ROE expectations.

- **ED:** Has contracted ~1 year of solar components and believes any price increases due to supply chain dynamics is likely to be passed through to PPA prices given the continued robust demand backdrop.

Company Specific Takeaways

- **AEE**: Management increased FY21 EPS guidance to $3.75-$3.95 (previously $3.65-$3.85), and expects 6-8% LT EPS CAGR off of $3.75 base. AEE plans to roll forward guidance at Q4 earnings. In August, the US Court of Appeals affirmed a September 2019 order to install a flue gas desulfurization system at Rush Island Energy Center. AEE has filed for a rehearing, but a material change to the 2020 IRP preferred plan, such as the retirement of Rush Island before 2039, would require an update to the IRP to incorporate additional generation or transmission investments needed to support reliability. IL Staff recommended a $58m increase in electric rates ($59m request), and a decision is expected in December. MoPSC staff recommended a $188m electric rate increase ($299m request) and a $4m gas rate increase ($9m request). Hearings in MO are scheduled to begin November 29. Management believes the $750m ATM program can support equity needs through 2023 and expects $300m of equity to be needed in FY22 ($30m sold YTD under forward contract), though this does not include financing needed for 1,200 MW of renewables from the 2020 MO IRP.

- **AWK:** Following the sale of HOS, AWK lowered its long-term EPS CAGR guidance to 7%-9% and provided 2022 EPS guidance that missed expectations. On the positive side, AWK effectively accelerated regulated capital investment plans to $13bn-$14bn for the 2022-2026 period and $28bn-$32bn for the 2022-2031 planning period. The capex acceleration results in a near-term dip in EPS power as upsized spending is financed, but long-term rate base CAGR (and ultimately strength of ongoing long-term EPS CAGR) was increased to 8%-9% from 7%-8% previously outlined. The HOS sale also allows AWK to push out planned equity issuance one year further within the previously outlined planning construct. 2022 EPS guidance of $4.39-$4.49 compares unfavorably to our estimate of $4.64 and comes in below YoY implied growth rates outlined by AWK, but meets the previously-outlined long-term EPS CAGR off of 2020 weather normalized EPS, as 2021 growth proved outsized to plans.

- **CNP:** 3Q21 EPS of $0.33 beat consensus of $0.28 on the back of strong ENBL operating performance. Utility EPS decreased YoY by $0.04 as CARES act benefits flowed back YoY and weather / lower usage led to a $0.03 drag. Management raised FY21 utility-only EPS guidance by a penny at the midpoint to a range of $1.26-$1.28. Following the September analyst day, management reiterated five and ten year capital plans ($18bn and $40bn) and the resulting 8% EPS CAGR through 2024 and high end of 6%-8% following.

- **ED:** Management reaffirmed $4.15-$4.30 FY21 EPS guidance. In Q3, there was a -$0.05 drag from uncollectible accounts write offs of ~$16m over March 2020-September 2021. ED resumed the collection of late fee payments from customers in Q3. In October, the NYPSC filed a settlement agreement for a 3-yr rate plan that includes the recovery of 2020 late payment charges. Hearings are scheduled to begin December 8.

- **ES:** Management reiterated FY21 guidance of $3.81-$3.93 (excludes ~$0.25 in charges from CT settlement, storm related bill credits, and ES Gas Co of MA integration costs. LT annual EPS growth is expected to be in the upper half of the 5-7% range through 2025 excluding offshore wind. ES expects a Record of Decision on South Fork in January and construction to begin shortly thereafter. Sunrise Wind will be the first US project to use an HVDC submarine cable, and management continues to expect mid-teens equity returns for the offshore wind portfolio. A legislative push by Gov. Baker in MA to remove the price cap and

incentivize economic development over lowest cost project could make MA more attractive for future offshore wind contracts. 2022 RFPs are likely in NY, CT, RI, and MA. Actual ROEs at CL&P have ranged from 8.6-9.0%, and while there are tracking mechanisms that cover 50% of capex, management believes it could be a challenge to effectively manage costs to support earnings until the rate freeze ends in 2024. ES expects regulatory approvals for EV, AMI and grid modernization initiatives in MA and CT to occur in 2022.

- **LNT:** Story remains on-track with positive weather trends supporting a raise in full-year guidance to $2.61 - $2.67 (from $2.50 - $2.64). LNT provided 2022 full-year guidance of $2.65 - $2.79 and raised the 2021-2025 capex plan by $0.5bn to $7.0bn on aggregate, although some spending on storage, wind re-powerings, and solar have been shifted to the later years based on current supply chain and inflation headwinds. LNT expects a decision on its WPL electric and gas rate review (6680-UR-123) in Q4 2021 after requesting $70.3mn for electric and $15.4mn for gas.

- **NI:** Management is targeting the top end of the FY21 EPS range of $1.32-$1.36 and initiated FY22 EPS guidance of $1.42-$1.48. NI has identified its preferred technological plan for the 2021 IRP, which includes plans to retire all coal during 2026-2028 and make up to $750m in replacement power investments. Clarity into ownership structure and specific projects will increase as RFPs are evaluated in 1H22. Ongoing regulatory proceedings include a proposed order to approve the PA rate settlement ($58.5mn increase), a settlement in KY ($18.6mn increase), a proposed order in MD (2.6mn increase), and a recently filed NIPSCO gas rate case ($115mn increase requested. A decision is expected in 2022 on the OH $221mn increase request. NI seeks opportunities to evaluate hydrogen and emerging storage technologies to gain technological knowledge.

- **OGE:** OGE realized $1.26 3Q21 EPS compared to $1.19 consensus. Utility EPS contribution was $1.12 (12% increase YoY) as weather provided the core driving benefit, helped by customer growth in the service territory remains strong and rate relief from investment flows through. ENBL provided a $0.10 YoY help ($0.15 contribution compared to $0.05 3Q20). FY21 EPS guidance range was improved to $1.79-$1.83 (previous expectations for low end of the $1.76-$1.86 range). Management continues to expect a close in the ENBL / ET combination by year end.

- **PNW:** Following the final outcome of the 2019 rate case, management established guidance for FY21 EPS of $5.25-$5.35, FY22 EPS of $3.80-$4.00, and 5-7% LT CAGR off a FY22 base. The rate case results in a $4.8mn rate decrease, net of adjustor mechanisms, the disallowance of a portion ($216m) of Four Corners SCR investments, and an ROE reduction to 8.7% from 10%. APS plans to pursue legal challenges to mitigate this outcome and gain certainty regarding the prudency standard in AZ. APS will file a request for rehearing, then the ACC has 20 days to respond, and then APS can pursue a judicial review. Management forecasts 3-4% sales growth in FY22 (up from 1-2%). Financing plans through 2024 include $1bn in APS debt, $200m-$300m in PNW debt, and $400m-$500m in PNW equity and alternatives (though no equity is planned before the end of the next rate case). Management plans to pursue a settled outcome in the next rate case. PNW expects a ~$25m O&M reduction in FY22. In capital plans for 2021-2023, PNW has increased investment in traditional generation and transmission and reduced investment in clean generation and distribution infrastructure.

- **SO:** Earnings come-in ahead of consensus helped by strong customer usage and load growth, with full-year adjusted EPS now expected to be above the guidance range of $3.25 - $3.35 (company presentation highlights $3.40). Q&A was dominated by conversation around timing and cost of Vogtle Units 3 and 4 ($197mn after-tax charge in the quarter), which were negatively affected by larger-than-expected remediation costs, higher attrition, and slower

onboarding of electricians and engineers. Timing for delivery of the 103G letter for nuclear fuel load (as early as January) and submittals of ITAACs (aiming for April) pose continued schedule variability, but fuel load remains expected in May followed by an in-service date in Q3. Other noteworthy highlights include on the SEEM bilateral exchange's role in improving electric service and costs in the Southeast, visibility into coal plant retirements and overall fleet transition, and the possibility of asset sales or equity DRIP to cover incremental incurred Vogtle costs, as well as supporting post-Vogtle capital plans.

- **SRE:** SRE realized $1.70 3Q21 EPS, matching consensus and maintained guidance to achieve the high end of the FY21 EPS range of $7.75-$8.35 and FY22 guidance of $8.10-$8.70. SRE raised the capital forecast at Oncor to $15bn from $14bn prior and maintained ~$1bn of incremental capex (at the midpoint) opportunities outside of the formal Oncor spending backlog. The increased spending forecast results in a rate base CAGR of 8% (7% prior). SRE reiterated expectations that it can meet the upsized financing needs for its improved capex plan with internally generated funds and incremental debt issuances, avoiding any block equity financing. We continue to monitor the off-cycle cost of capital proceeding and the upcoming 'on cycle' cost of capital application next year.

FIGURE 1. **Third Quarter Guidance Changes to Full-Year EPS for 2020 & 2021**

Full-Year EPS	Full-Year 2020			Full-Year 2021		
Guidance	As of 3Q'20	Prior Guide	New Guide	As of 3Q'21	Prior Guide	New Guide
AEE	Narrow	3.40 - 3.60	3.40 - 3.55	Increase	3.65 - 3.85	3.75 - 3.95
AWK	Increase	3.79 - 3.89	3.87 - 3.93	Reaffirm	4.18 - 4.28	4.18 - 4.28
CMS	Reaffirm	2.64 - 2.68	2.64 - 2.68	Narrow	2.61 - 2.65	2.63 - 2.65
CNP	Narrow	1.25 - 1.38	1.27 - 1.38	Increase	1.25 - 1.27	1.26 - 1.28
DTE	Increase	6.47 - 6.75	6.90 - 7.10	Increase	5.62 - 5.92	5.70 - 5.98
ED	Narrow	4.15 - 4.35	4.15 - 4.30	Reaffirm	4.15 - 4.35	4.15 - 4.35
EIX	Narrow	4.37 - 4.62	4.47 - 4.62	Decrease	4.47 - 4.62	4.42 - 4.52
ES	Reaffirm	3.60 - 3.70	3.60 - 3.70	Reaffirm	3.81 - 3.93	3.81 - 3.93
FE	Reaffirm	2.40 - 2.60	2.40 - 2.60	Increase	2.40 - 2.60	2.55 - 2.65
LNT	Narrow	2.34 - 2.48	2.40 - 2.46	Increase	2.50 - 2.64	2.61 - 2.67
NEE	Reaffirm	2.18 - 2.30	2.18 - 2.30	Reaffirm	2.40 - 2.54	2.40 - 2.54
NI	Reaffirm	1.28 - 1.36	1.28 - 1.36	Reaffirm	1.32 - 1.36	1.32 - 1.36
NWE	Reaffirm	3.30 - 3.45	3.30 - 3.45	Reaffirm	3.43 - 3.58	3.43 - 3.58
OGE	Decrease	1.72 - 1.78	1.68 - 1.70	Narrow	1.76 - 1.86	1.79 - 1.83
PCG	Reaffirm	1.60 - 1.63	1.60 - 1.63	Reaffirm	0.95 - 1.05	0.95 - 1.05
PEG	Narrow	3.30 - 3.50	3.35 - 3.50	Increase	3.50 - 3.65	3.55 - 3.70
PNW	Increase	4.75 - 4.95	4.95 - 5.15	Established		5.25 - 5.35
POR	Decrease	2.20 - 2.50	1.40 - 1.60*	Reaffirm	2.70 - 2.85	2.70 - 2.85
SO	Reaffirm	3.10 - 3.22	3.10 - 3.22	Reaffirm	3.25 - 3.35	3.25 - 3.35
SRE	Reaffirm	7.20 - 7.80	7.20 - 7.80	Reaffirm	7.75 - 8.35	7.75 - 8.35
WEC	Increase	3.71 - 3.75	3.74 - 3.76	Increase	4.02 - 4.05	4.05 - 4.07
WTRG	Reaffirm	1.53 - 1.58	1.53 - 1.58	Reaffirm	1.64 - 1.69	1.64 - 1.69
XEL	Narrow	2.73 - 2.83	2.75 - 2.81	Narrow	2.90 - 3.00	2.94 - 2.98

* Indicates pre-released guidance before earnings release
Source: Company Presentations, Barclays Research

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Materially Mentioned Stocks (Ticker, Date, Price)
Alliant Energy Corporation (LNT, 05-Nov-2021, USD 56.42), Equal Weight/Positive, A/CE/D/E/J/K/L/M

Ameren Corp. (AEE, 05-Nov-2021, USD 85.50), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

American Water Works Company, Inc. (AWK, 05-Nov-2021, USD 169.66), Equal Weight/Positive, CE/J

CenterPoint Energy, Inc. (CNP, 05-Nov-2021, USD 26.67), Overweight/Positive, CD/CE/D/J/K/L/M

Consolidated Edison, Inc. (ED, 05-Nov-2021, USD 78.21), Underweight/Positive, A/CD/CE/D/E/J/K/L/M

Eversource Energy (ES, 05-Nov-2021, USD 84.41), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

NiSource, Inc. (NI, 05-Nov-2021, USD 25.31), Overweight/Positive, A/CD/CE/D/J/K/L/M

OGE Energy Corp. (OGE, 05-Nov-2021, USD 34.60), Equal Weight/Positive, CD/CE/J

Pinnacle West Capital Corporation (PNW, 05-Nov-2021, USD 64.56), Equal Weight/Positive, CD/CE/D/E/J/K/L/M

Sempra Energy (SRE, 05-Nov-2021, USD 127.35), Overweight/Positive, CD/CE/D/J/K/L/M

The Southern Company (SO, 05-Nov-2021, USD 63.10), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

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Goldman Sachs | Equity Research

5 November 2021 | 1:18AM EDT

NiSource Inc. (NI): Robust growth intact, consistent execution key; Buy

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We remain Buy rated on regulated utility NiSource as we view the current 10% P/E discount to Regulated Utilities as meaningfully under-appreciating the company's robust rate base and EPS growth visibility driven by generation fleet de-carbonization. While consistent execution of results remain key to unlocking a premium relative valuation to peers, we view NI as a relatively de-risked story that warrants multiple expansion from current levels. Our unchanged $29, 12-month price target implies 19% total return versus 12% for regulated peers.

We highlight some key takeaways and thoughts following 3Q earnings and conference call:

- **The upcoming NIPSCO Integrated Resource Plan (IRP) presents potential for up of $750mn of generation investments in Indiana.** NIPSCO expects to file its formal Integrated Resource Plan (IRP) by mid-November with investments in transmission and renewable generation as it seeks accelerated retirement from coal between 2026-2028. NI intends to host an Analyst Day in 1H2021 post conclusion of the currently ongoing request for proposal (RFP) process and give more details on NIPSCO's portion of the renewable investments needed to replace the Michigan City coal plant. Assuming NI owns 50%, these investments could add around 2% to rate base (on 2023E), although not likely spent until the mid-2020's.
- **NI remains open to assessing potential gas utility divestitures if accretive to overall growth;** given long-term, robust investment visibility exists at its gas utilities, a potential rotation out of one or more of these assets would require financing the right alternative investment opportunity.
- **NI expects dividend growth to trend close to earnings growth long-term,** while maintaining a 60-70% payout ratio target. We note the company increased the dividend by 5% over the past two years; with our estimated robust EPS growth through 2024, we see upside to dividend growth as well. Our model embeds 6%/7%/7% growth in 2022-2024, respectively, resulting in a 62% payout by 2024.

We raise our 2021-2024 EPS estimates to $1.35/$1.47/$1.58/$1.73 from $1.33/$1.44/$1.57/$1.66, reflecting an 8.6% CAGR from 2021-2024 which now screens above the mid-point of NI's 7-9% EPS CAGR guidance for the period; our

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estimates screen 2-4% above FactSet consensus. Primary drivers of the revisions include updates to various rate case updates (including settlement agreement terms), updated estimates for NIPSCO Electric revenue increase effective mid-2023, as well as modest updates to operating and financing assumptions. We highlight multiple items to monitor in the months ahead, including (1) OH gas rate case progress and chances of a settlement, (2) 2021 NIPSCO Integrated Resource Plan (IRP) filing scheduled on November 15th, 2021, and (3) construction progress on Indiana Crossroads wind project.

Our unchanged $29, 12-month price target embeds an 18x P/E on the gas segment 2023 EPS estimate, in line with our baseline multiple, while applying a 19x P/E on the electric segment 2023E EPS, a 1x premium to our baseline multiple to reflect the segment's above-average (versus peers) growth through 2024E. **Key downside risks** include 1) regulatory approval process for the planned renewable investments in Indiana, 2) cash impact due to COVID-19, 3) unfavorable outcome in the outstanding and upcoming rate cases which lowers allowed returns (especially in OH), 4) NI fails to realize rate base additions and instead has more PPA generation, and 5) construction risk at the ongoing projects.

NI in Exhibits

Exhibit 1: We raise our estimates and now screen above consensus through 2024...
EPS New vs Old vs Consensus

	EPS Estimates			% Difference	
	GS-New	GS-Old	Cons.	vs. Old	vs. Cons.
2021E	$1.35	$1.33	$1.34	2%	1%
2022E	$1.47	$1.44	$1.42	2%	4%
2023E	$1.58	$1.57	$1.53	1%	3%
2024E	$1.73	$1.66	$1.69	4%	2%
CAGR	8.6%	7.8%	8.1%	1%	1%

Source: FactSet, Goldman Sachs Global Investment Research

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Exhibit 2: We see NI's relative P/E discount to regulated peers as unwarranted
FY2 Relative P/E vs Regulated Utilities

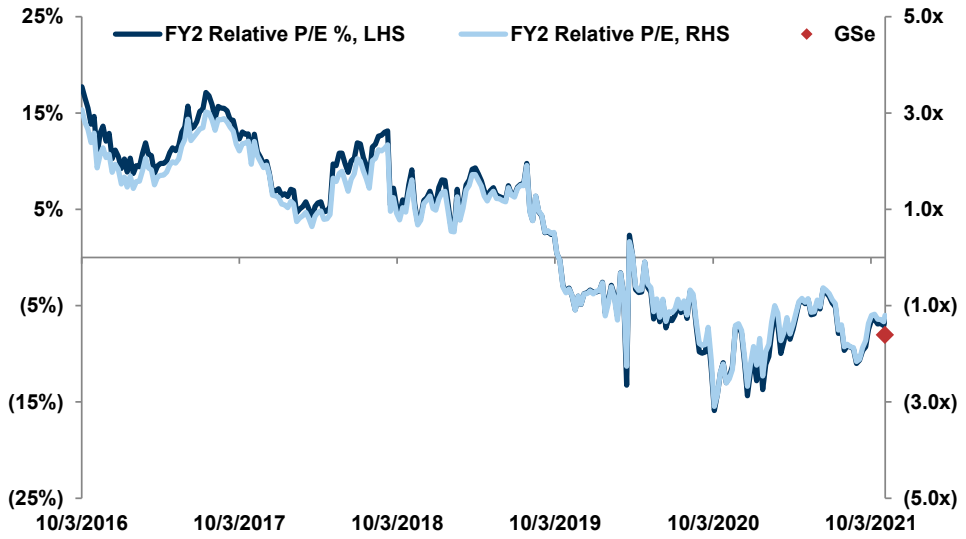

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 3: We see potential for further capital upside beyond 2024
Capital investments under preferred scenarios highlighted in NIPSCO's pre-IRP filings, $ millions

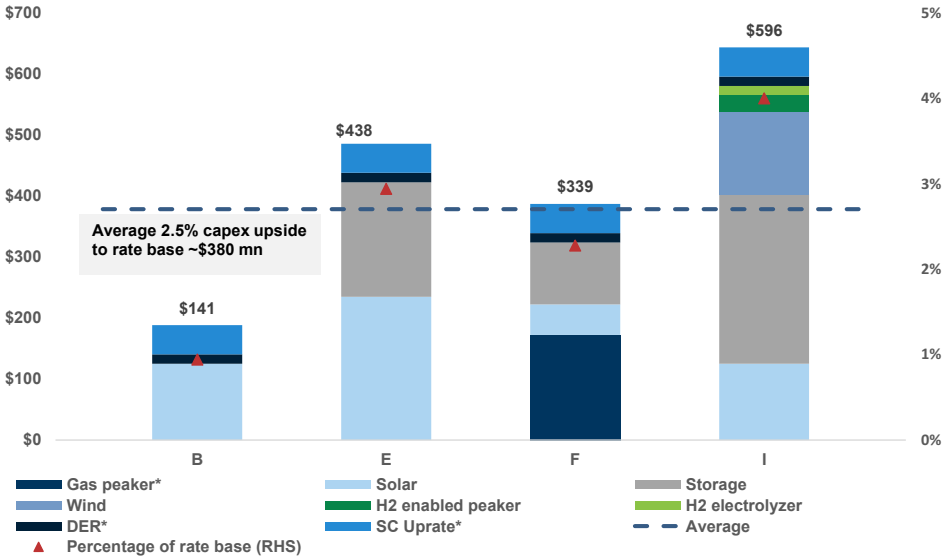

*Assuming equal split between utility-owned/PPA for capacity investments except for Gas Peaker, Sugar Creek Uprate & Distributed Energy Resources (DER) wherein 100% of investments are assumed to be utility-owned. Calculation of % of rate base utilitizes 2021E rate base figures.

Source: Goldman Sachs Global Investment Research, NIPSCO

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NI	12m Price Target: **$29.00**	Price: **$25.07**	Upside: **15.7%**

Buy

Market cap: $9.8bn
Enterprise value: $21.3bn
3m ADTV: $83.6mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/20	12/21E	12/22E	12/23E
Revenue ($ mn) New	**4,681.7**	**4,738.7**	**4,986.8**	**5,289.2**
Revenue ($ mn) Old	4,681.7	4,627.5	4,897.8	5,146.2
EBITDA ($ mn)	1,687.3	1,775.3	2,009.7	2,216.2
EBIT ($ mn)	961.4	1,019.6	1,181.7	1,291.3
EPS ($) New	**1.32**	**1.35**	**1.47**	**1.58**
EPS ($) Old	1.32	1.33	1.44	1.57
P/E (X)	18.6	18.6	17.0	15.8
Dividend yield (%)	3.4	3.5	3.7	4.0
Net debt/EBITDA (X)	5.7	5.4	5.3	5.5

	9/21	12/21E	3/22E	6/22E
EPS ($)	0.11	0.35	0.78	0.13

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 4 Nov 2021 close.

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Disclosure Appendix

Reg AC

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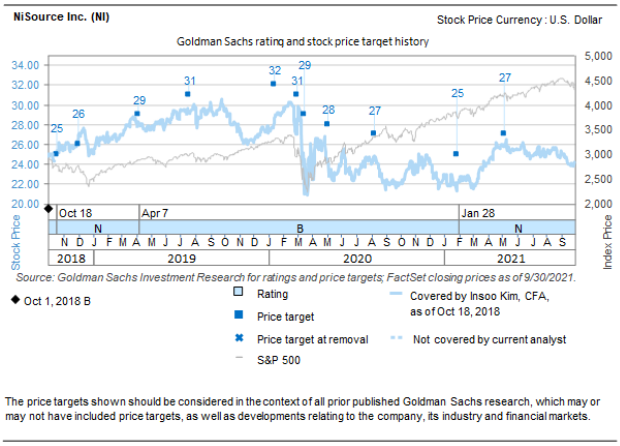

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Equity Research

WELLS FARGO

Price Target Change — November 3, 2021

Diversified Electric Utilities
Independent Power Producers
Infrastructure
Natural Gas LDCs
Regulated Electric Utilities

11/3 Earnings Round-Up: BIP/BIPC, BKH, ETR, ES, EXC, EVRG, NI & ØRSTED

Our Call

We provide thoughts on nine of our covered utility/infrastructure companies that provided Q3 earnings updates on 11/3. In general, Q3 results have kept the companies on track to meet or exceed the mid-point of '21 EPS guidance and LT growth outlooks are intact with positive momentum on regulated investment opportunities. The other common theme - not surprisingly – is discussions on upside opportunities and/or additional financing flexibility tied to proposed legislation on nuclear/clean energy tax credits.

Q3 takeaways for BIP/BIPC, BKH, ETR, ES, EXC, EVRG, NI & ORSTED are included in the body of the note.

We are updating our price target for BKH and ETR as well as our EPS estimates for BKH, ES, EVRG & NI.

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Financials

$	Rating		Price	2020A	2021E	FY EPS 2021E	2022E	2022E	FY P/E		Price Target	
Company Name (Ticker)	Curr.	Prior	11/03/21		Curr.	Prior	Curr.	Prior	2021	2022	To	From
Diversified Electric Utilities												
Exelon Corporation (EXC)	1	NC	$54.05	3.22	2.80	NC	3.50	NC	19.3x	15.4x	$62.00	NC
Independent Power Producers												
Orsted A/S (ORSTED)	1	NC	DKK877.80	35.95	12.82	NC	13.85	NC	68.5x	63.4x	DKK1,330.0(	NC
Infrastructure												
Brookfield Infrastructure Corporation (BIPC)*	1	NC	$62.95	3.13	3.57	NC	4.13	NC	17.6x	15.2x	$70.00	NC
Brookfield Infrastructure Partners L.P. (BIP)*	1	NC	$59.31	3.13	3.57	NC	4.13	NC	16.6x	14.3x	$63.00	NC
Natural Gas LDCs												
NiSource Inc. (NI)	1	NC	$25.29	1.32	1.36	1.34	1.45	1.42	18.6x	17.5x	$29.00	NC
Regulated Electric Utilities												
Black Hills Corporation (BKH)	2	NC	$67.61	3.73	3.92	3.90	4.08	4.05	17.3x	16.6x	$71.00	$73.00
Entergy Corp. (ETR)	1	NC	$103.36	5.66	6.05	NC	6.40	NC	17.1x	16.2x	$120.00	$125.00
Evergy Inc. (EVRG)	2	NC	$63.82	3.10	3.55	3.38	3.58	NC	18.0x	17.8x	$68.00	NC
Eversource Energy (ES)	1	NC	$84.52	3.64	3.84	3.68	4.16	NC	22.0x	20.3x	$95.00	NC

** For BIPC estimates represent FFO/Share*
** For BIP estimates represent FFO/Share*
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ØRSTED. Ørsted affirmed '21 EBITDA toward the lower end of DKK 15-16B guidance range as poor wind speeds dominated the narrative in Q3 (OSW site EBITDA was down ~DKK 1.4B vs. Q3'20). Fortunately, the Bioenergy business was able to take advantage of high power and natural gas prices and helped meaningfully offset the negative EBITDA impact of the lower wind resource. While the abnormal wind speeds resulted in yet another earnings hiccup from the core OSW operations, in the end the (often forgotten) CHP operations helped preserve the full-year outlook. Looking ahead, our positive thesis on Ørsted continues to depend on the company's ability to secure enough project wins (investment) at compelling enough returns (+200-300 bps vs. WACC) to justify the growth embedded in the share price. To that end, the upcoming busy auction schedule will be telling. We reiterate our Overweight rating and maintain both our price target of DKK 1,330/sh and '21-25E EBITDA of DKK 15.2bn, DKK 16.5bn, DKK 18.9bn, DKK 21.1bn & DKK 24.5bn.

There is no shortage of OSW wind opportunities in the near-term. Upcoming OSW award announcements include 400-1,200 MW in MD in 2H'21 (Ørsted bid a 760 MW project) and ~1,500 MW in Japan by early '22 or sooner (Ørsted submitted 3 bids with local partners). Other notable upcoming opportunities include the 800-1,000 MW Thor tender in Denmark, a large U.K. auction in 1H'22 for 6,000-12,000 MW, Netherlands (3,000-4,200 MW in '22), Japan (1,400 MW in '22), Taiwan (3,000 MW in '22), Germany (930 MW in '22), and several expected in the US in '22 including NJ, CT, RI, MD & NY for a total of ~6,700 MW.

Other tidbits: (1) mgmt. was encouraged by DOI's recent announcement to look into several additional seabed lease areas off the east, west and Gulf coasts in the U.S. Given Ørsted's growing presence in the U.S. (offshore and onshore), we fully expect the company will participate in seabed lease auctions. (2) Solar panel delivery delays have caused the CODs for the Old 300 and Helena solar projects in TX to slip from 1H'22 to "later in '22." Solar panel supply disruptions related to supply chain issues (including tariffs) are impacting several developers. While we think these issues will prove to be temporary, the situation bears monitoring.

EXC. The Q3 update lacked much in the way of new information as the company continues to work toward the spin-off of Exelon Generation (Constellation) in early '22. Upon completion, EXC plans to host an analyst day and provide updates to the longer-term financial outlook. In the meantime, shares have caught wind; outperforming the S&P Utilities by ~10% since 10/11, which we think is in part due to growing momentum for federal nuclear PTCs (included in the $1.75T reconciliation package). We estimate that the nuclear PTC would increase ExGen's EBITDA by $400-450mm annually during '22-25 (vs. our current EBITDA estimates of $2.7-$2.8B annually). The contribution could be closer to $1B should power prices revert to pre-2021 levels.

We reiterate our Overweight rating as we think there is still plenty of runway left in the shares with or without the PTCs. Our "base case" forward price target remains $62/sh while we continue to stand behind a "PTC case" forward price target of $71/sh (see Exhibit 1).

Exhibit 1: Our PTC Case Price Supports 30%+ Total Return

PV Analysis	SOTP	Assumptions	Notes
Base Case = $58-61	Utiities/Parent = $40-43	16.5-17.5X our 23E EPS of $2.43	0-5% discount (regulatory risks)
	ExGen = $18	9X our 23E EBITDA of ~2.7B*	Previously 9X on $2.5B
PTC Case = $66-69	Utiities/Parent = $40-43	16.5-17.5X our 23E EPS of $2.43	
	ExGen = $26	10X 23E EBITDA of ~3.2B*	Higher multiple / supported by DCF
Base Case FV	$62/sh		Forward Price Target
PTC Case FV	$71/sh		

*23E EBITDA:
Base Case - excludes the impact of potential federal nuclear PTC legislation
PTC Case - pro forma for federal nuclear PTCs ($15/MWh phased out beginning at market revenues above $25/MWh)

Source: Wells Fargo Securities, LLC., estimates

ES. ES announced Q3'21 non-GAAP EPS of $1.02, which excludes the impact of the CL&P's recently approved rate settlement ($65mm bill credit). We increase our 21E EPS to/from $3.84/$3.68 as our prior estimate included the bill credit in ongoing EPS. No change to our 22-24E EPS of $4.16, $4.40 & $4.75. We nudge our 25E EPS down to/from $5.15/$5.25 to reflect 6-month COD delays to the

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Revolution (mid '25) and Sunrise (late '25) offshore wind projects. We reiterate our Overweight rating and maintain our SOTP-based forward price target of $95/sh.

Our EPS outlook results in a ~6.5% CAGR during the period '21-25 excluding the offshore wind and 7% with the offshore wind (ES continues to point to core regulated utility EPS growth within the upper half of the 5-7% EPS CAGR range during the period '21-25). We continue to include ~$700mm of incremental regulated capex during the period '21-25 vs. ES's guidance of $17.0B. Potential upside drivers include proposed AMI programs in CT & MA of $475mm & $575mm, respectively, additional transmission investment (offshore wind is a potential catalyst), grid modernization spend and/or higher natural gas & water pipeline investment.

Lastly, while we were pleased with the CT PURA's recent approval of CL&P's constructive rate settlement, we point out that Chairman Gillett dissented, which suggests to us that there could still be some friction between the Chairman and ES. We highlight this because CL&P still has several important regulatory items pending including the AMI proposal. Positively, CL&P has the ability to stay out from a base rate filing until '25 (under the settlement, there can be no new base rate increases until at least 1/1/24).

BIP/BIPC. Another upbeat quarterly update! Brookfield Infrastructure reported a strong Q3'21 with FFO per unit/share increasing to $0.89, above our $0.85 estimate, vs. $0.79 in Q3'20. Organic growth was driven by higher inflation (70% of revenues are indexed to local inflation), higher volumes across the enterprise driven by elevated economic activity, higher commodity prices at the midstream segment (20% of midstream revenues are market sensitive) as well as the partial addition of Inter Pipeline (IPL) during the quarter. We maintain our 2021-25E FFO per unit/share of $3.57, $4.13, $4.67, $5.10 & $5.58 – this results in a 12% CAGR off the '20 base of $3.13. However, if the global inflationary environment and economic activity persist at current levels, it could prove our nearer-term estimates conservative.

In terms of larger scale M&A activity, BIP acquired 76% of IPL during Q3 with the remainder closing on 10/28 deploying a total of $2.5B ($1.9B BIPC stock plus cash). In addition, BIP plans to invest $500M as part of BAM's agreement to acquire publicly-traded Australian utility AusNet Services Ltd. AusNet is predominately a regulated electric (distribution and transmission) and gas (distribution) utility and the deal is expected to close in Q2'22. On the capital recycling front, BIP agreed to sell its remaining Chilean toll road stake for $160M and continues to advance three processes that could generation an additional $1B over the next 6-8 months with a target of generating over $5B of asset sale proceeds over the next 3-5 years.

We reiterate our Overweight ratings and DDM-based 12-18 month price targets of $63/unit for BIP and $70/share for BIPC.

ETR. ETR narrowed the '21 EPS guidance range to $5.90-$6.10 from $5.80-$6.10 and affirmed the '22-24 EPS guidance and 5-7% CAGR goal. No change to our 21-25E EPS of $6.05, $6.40, $6.75, $7.15 & $7.45. ETR remains one of our top value picks as shares continue to trade at a material discount to Regulated Electric peers – on a P/E basis, ETR trades at ~13% discounts to peers on our 21-23E EPS. We continue to view the discount as excessive given comparable EPS growth prospects and an improving financial position (mgmt. expects external equity needs for '21-24 will be <50% of the previously articulated guidance of $2.4B). We see the discount narrowing over time pending continued successful financial execution and constructive resolution of outstanding issues such as the SERI challenge at FERC and storm cost recovery requests related to several hurricanes in '20 & '21 (including Ida) along with Winter Storm Uri. We expect to dive more into these topics at next week's EEI conference.

We reiterate our Overweight rating and lower our forward price target to $120/sh (16.5-17.0X our 23E EPS) from $125/sh due solely to lower peer group multiples.

EVRG. The Q3 update was constructive and generally consistent with the recent Analyst Day, which highlighted renewable capex opportunities. EVRG raised '21 EPS guidance to $3.50-3.60 from $3.20-3.40; while a large portion of the uplift relates to non-recurring items (5 cents at non-utility and 18 cent YTD weather benefit vs. normal), mgmt. indicated that strong underlying results also contributed to the revision. The company stopped short of saying there's now a cushion baked into '22 guidance, which remains $3.43-3.63, but mgmt. expressed confidence in the execution into next year and also noted that COVID recovery should continue into '22 as the sales rebound was less pronounced than expected in '21. On that note, weather-normalized sales were down 1.2% in Q3'21

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bringing the YTD trend to +0.9% (vs. the original expectation of +2%). Looking ahead, EVRG affirmed long-term growth targets (6-8% through '25E off the $3.30 midpoint of original '21 guidance) and discussed recent activity on the generation transformation front. Specifically, the company filed for predetermination of a plan to own 190 MW of solar and to retire (and securitize) 487 MW of coal at the Lawrence Energy Center; an order is expected in 1H'22. EVRG also issued an RFP for 800 MW of wind targeted for the '24/25 time frame; negotiations are expected to conclude in mid-'22. Lastly, the company continues to evaluate the opportunity to buy-in and repower projects under existing PPAs.

We raise our '21E EPS to $3.55 from $3.38 and maintain our '22-25E of $3.58, $3.80, $4.05 & $4.25, respectively. Overall, we are encouraged by the continued execution and upside capex opportunities tied to renewables. Our enthusiasm is tempered, however, by the below-average regulatory environment in KS. We reiterate our Equal Weight rating and maintain our forward price target of $68/sh (18X our '23E EPS).

NI. The Q3'21 conference call marked one of the best updates we've heard from the company since before the late '18 Merrimack Valley incident. Not only was there an upward revision to the numbers, but the message and forward-looking expectations were very clear. We view this as another step in NI reestablishing itself as a high quality utility with a predictable story and an under-promise/over-deliver bias. We continue to see a path for multiple re-ratings with shares trading at 0-2% discounts to gas/electric peers on our upwardly revised '21-23E EPS. Our $29/sh price target (18.7X our '23E EPS) embeds a 5% premium to peers. Our new/old '21-25E EPS are $1.36/1.34, $1.45/1.42, $1.54/1.50, $1.70/1.66 & $1.80/1.75.

Based on solid YTD execution along with progress on regulatory initiatives, NI (1) targets the top end of the '21 EPS guidance range of $1.32-1.36 guidance, (2) initiates '22 guidance of $1.42-1.48 and (3) re-bases the 7-9% CAGR through '24 off the high end of the '21 range (of note, CAGR is still 5-7% thru '23E before bigger step-up in '24E). Further, the identification of the preferred plan in the '21 IRP is supportive of $750mm of investment, which will be a mix of owned and contracted projects, to support a complete exit from coal during the 2026-28 time frame and the retirement of a couple old peaking units. The portion of the $750mm that will be owned by NI will be determined via additional due diligence on RFP bids. The technology breakdown of the preferred plan is as follows: 30-53 MW Sugar Creek uprate, 100-250 MW solar, 135-370 MW storage, up to 300 MW gas peaking and 20 MW hydrogen electrolyzer pilot. On the regulatory front, settlements are in place in the PA & KY gas rate cases and key cases are pending in OH (filed 6/30) and IN (filed 9/29) with new rates to be effective mid-'22 & September '22, respectively. NI plans to provide a growth refresh and extension at an Analyst Day in 1H'22.

BKH. The Q3 update was generally positive as BKH (1) narrowed the '21 guidance to $3.85-4.00 from $3.80-4.00 despite an unplanned outage at Wygen I and (2) raised the '21-25E capex plan by ~$150mm, or 5%. Among other drivers, the capex raise reflects the inclusion of the 285-mile Ready Wyoming transmission project, which is designed to improve access to power markets and renewables. The company plans to file an application with the WY PSC in Q1'22 with construction expected to begin in '23. While our '21-25E capex remains largely unchanged at $3.4B (vs. BKH plan of $3.2B+), we are encouraged that BKH has made significant progress in filling in capex placeholders. In tandem with the higher capex plan, the company's planned equity for '22 increased to $100-120mm from $60-80mm. On the regulatory front, both Uri-related and rate proceedings appear to be progressing well including a notable rate case settlement in CO. Looking ahead, BKH plans to file rate cases in AR (gas) and WY (electric).

Based on the updated YTD results and new disclosures, we increase our '21E to $3.92 from $3.90 and our '22E to $4.08 from $4.05 (BKH affirmed '22 guidance of $3.95-4.15) and maintain our '23-25E of $4.30, $4.55 & $4.75. We reiterate our Equal Weight rating and lower our forward price target to $71/sh (16.5X our '23E) from $73/sh on slightly lower peer group multiples.

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Ørsted Earnings Model (DKK millions except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$52,601**	**$53,644**	**$52,304**	**$55,701**	**$59,066**	**$62,215**
Expenses						
Cost of Sales	26,708	28,256	25,451	26,024	27,490	26,255
Other O&M	8,645	9,448	9,828	10,256	10,573	11,558
Depreciation	7,588	7,604	8,447	9,145	9,451	10,868
Other	(876)	(8,192)	(5,889)	529	(71)	(4,251)
Total Expenses	**$34,477**	**$29,513**	**$29,390**	**$36,810**	**$37,992**	**$33,562**
EBIT	**$10,536**	**$16,528**	**$14,468**	**$9,747**	**$11,624**	**$17,785**
EBITDA	**$18,124**	**$24,131**	**$22,915**	**$18,892**	**$21,074**	**$28,653**
Other Income	5,779	344	344	344	344	344
Interest Expense	2,106	1,117	1,048	1,310	2,123	2,810
Income Taxes	2,123	1,025	1,102	1,317	1,477	1,671
Tax Rate	*11%*	*7%*	*8%*	*15%*	*15%*	*11%*
Earnings						
Income from Continuing Operations	$16,727	$14,730	$12,662	$7,464	$8,368	$13,648
Discontinued/Extraordinary Operations	(11,647)	(8,921)	(6,418)	0	0	(4,180)
Adjustment for Non-Controlling Interest	427	421	421	421	421	421
Net Income	**$15,110**	**$5,389**	**$5,824**	**$7,043**	**$7,948**	**$9,048**
Avg. Diluted Shares Outstanding	420	420	420	420	420	420
EPS	$35.95	$12.82	$13.85	$16.76	$18.91	$21.52
Non-Recurring	0.00	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$35.95**	**$12.82**	**$13.85**	**$16.76**	**$18.91**	**$21.52**
Q1A EPS	7.90	2.80				
Q2A EPS	0.95	(0.10)				
Q3A EPS	2.14	1.17				
Q4A/Q4E EPS	24.35	8.95				

Orsted Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Paid Per Share (DKK)	11.31	12.18	13.12	14.13	15.21	16.39
Payout Ratio	31%	95%	95%	84%	80%	76%
Cash Flow & Balance Sheet Items						
Capital Expenditures (DKK millions)	26,957	33,704	26,052	47,544	56,098	58,461
Book ROE	19.6%	6.3%	6.2%	7.2%	8.0%	8.8%
FFO/Debt	N/M	41%	61%	28%	19%	20%
Debt/EBITDA	2.8x	3.0x	2.8x	3.8x	5.3x	5.1x
Common Equity as % of Total Capitalization	62%	63%	65%	56%	46%	45%

Source: Wells Fargo Securities, LLC estimates and company filings

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EXC Earnings Model ($ millions except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$33,039**	**$24,697**	**$27,000**	**$27,648**	**$28,347**	**$28,891**
Expenses						
Purchased Power/Fuel/Power Cost Adjustments	14,104	5,962	5,982	5,995	6,014	6,028
Other O&M	9,408	7,940	8,361	8,452	8,571	8,692
Depreciation & Amortization	5,014	3,916	4,285	4,496	4,703	4,911
Other	1,690	1,627	1,680	1,695	1,709	1,723
Total Expenses	**$30,216**	**$20,474**	**$21,451**	**$21,782**	**$22,139**	**$22,497**
EBIT	**$2,823**	**$4,222**	**$5,549**	**$5,867**	**$6,208**	**$6,394**
EBITDA	**$7,837**	**$8,138**	**$9,834**	**$10,363**	**$10,910**	**$11,305**
Other Income	1,145	800	498	498	478	458
Interest Expense	1,635	1,668	1,567	1,480	1,446	1,377
Income Taxes	373	532	794	846	892	914
Tax Rate	*16%*	*16%*	*19%*	*19%*	*19%*	*19%*
Earnings						
Income from Continuing Operations	$1,954	$2,731	$3,431	$3,650	$3,865	$3,991
Nonrecurring	1,186	0	0	0	0	0
Adjustment for Non-Controlling Interest	9	10	10	10	10	10
Net Income	**$3,149**	**$2,741**	**$3,441**	**$3,660**	**$3,875**	**$4,001**
Avg. Diluted Shares Outstanding	977	979	983	989	994	999
EPS	$2.01	$2.80	$3.50	$3.70	$3.90	$4.00
Non-Recurring	(1.21)	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$3.22**	**$2.80**	**$3.50**	**$3.70**	**$3.90**	**$4.00**
Q1A EPS	0.87	(0.06)				
Q2A EPS	0.55	0.89				
Q3A/Q3E EPS	1.04	1.09				
Q4A/Q4E EPS	0.76	0.88				

EXC Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$1.53	$1.53	$1.38	$1.46	$1.55	$1.64
Dividends Paid Per Share	1.53	1.53	1.38	1.46	1.55	1.64
Payout Ratio	47%	72%	60%	60%	60%	61%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$8,048	$8,350	$8,425	$8,300	$8,349	$8,348
Book ROE	9.7%	8.2%	9.8%	9.7%	9.6%	9.3%
FFO/Debt	11%	18%	20%	21%	21%	22%
Debt/EBITDA	5.0x	5.1x	4.3x	4.1x	4.0x	3.9x
Common Equity as % of Total Capitalization	46%	45%	46%	47%	48%	50%

Source: Wells Fargo Securities, LLC estimates and company filings

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ES Earnings Model ($ thousands except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$8,904,430**	**$10,717,309**	**$11,030,079**	**$11,298,371**	**$11,662,007**	**$11,952,901**
Expenses						
Purchased Power/Fuel/Power Cost Adjustments	2,987,840	3,172,853	3,181,857	3,191,067	3,200,487	3,210,122
Other O&M	1,480,252	2,809,324	2,804,301	2,799,573	2,808,961	2,815,650
Depreciation	981,380	1,092,759	1,177,367	1,264,611	1,351,198	1,432,446
Amoritization	177,679	168,048	153,048	124,636	124,636	124,636
Energy Efficiency Programs	535,760	521,350	521,350	521,350	521,350	521,350
Other Taxes	752,785	767,330	790,405	814,241	838,867	864,310
Total Expenses	**$6,915,696**	**$8,531,664**	**$8,628,328**	**$8,715,479**	**$8,845,499**	**$8,968,514**
EBIT	**$1,988,734**	**$2,185,645**	**$2,401,751**	**$2,582,892**	**$2,816,507**	**$2,984,387**
EBITDA	**$3,147,793**	**$3,446,452**	**$3,732,166**	**$3,972,139**	**$4,292,342**	**$4,541,469**
Other Income	108,590	197,730	199,070	208,130	226,972	321,749
Interest Expense	538,452	635,205	693,106	751,931	809,635	867,281
Income Taxes	346,186	417,066	453,266	480,165	529,257	566,907
Tax Rate	*22%*	*24%*	*24%*	*24%*	*24%*	*23%*
Earnings						
Reported Net Income	$1,205,167	$1,323,584	$1,446,929	$1,551,407	$1,697,068	$1,864,429
Other Non-recurring Items	0	0	0	0	0	0
Earnings for Common	**$1,205,167**	**$1,323,584**	**$1,446,929**	**$1,551,408**	**$1,697,070**	**$1,864,432**
Avg. Diluted Shares Outstanding	339,847	344,542	348,091	352,944	357,522	361,841
EPS	$3.55	$3.84	$4.16	$4.40	$4.75	$5.15
Non-Recurring	(0.09)	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$3.64**	**$3.84**	**$4.16**	**$4.40**	**$4.75**	**$5.15**
Q1A EPS	1.02	1.08				
Q2A EPS	0.76	0.79				
Q3A EPS	1.01	1.02				
Q4A/Q4E EPS	0.86	0.95				

ES Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$2.27	$2.41	$2.55	$2.71	$2.87	$3.04
Dividends Paid Per Share	2.27	2.41	2.55	2.71	2.87	3.04
Payout Ratio	6243%	6273%	6146%	6160%	6047%	5905%
Cash Flow & Balance Sheet Items						
Capital Expenditures (thousands)	($2,942,996)	($3,524,000)	($3,641,000)	($3,745,000)	($3,543,000)	($3,276,000)
Book ROE	9.2%	9.2%	9.5%	9.6%	9.8%	10.1%
FFO/Debt	10%	13%	13%	12%	12%	20%
Debt/EBITDA	5.5x	5.6x	5.7x	5.9x	5.9x	5.5x
Common Equity as % of Total Capitalization	44%	43%	42%	41%	41%	43%

Source: Wells Fargo Securities, LLC estimates and company filings

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ETR Earnings Model						
($ thousands except per share data)	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Revenues	**$10,113,636**	**$11,214,178**	**$11,158,069**	**$11,401,549**	**$11,807,863**	**$12,192,219**
Expenses						
Purchased Power/Fuel/Power Cost Adjustments	2,652,796	3,484,356	3,509,999	3,535,919	3,562,117	3,588,599
Other O&M	3,002,626	2,967,930	2,777,377	2,692,659	2,738,794	2,785,797
Depreciation	1,613,086	1,699,151	1,752,207	1,836,812	1,953,828	2,072,241
Other	1,075,933	851,347	837,173	828,319	844,794	861,603
Total Expenses	**$8,344,441**	**$9,002,784**	**$8,876,756**	**$8,893,710**	**$9,099,534**	**$9,308,239**
EBIT	**$1,769,195**	**$2,211,394**	**$2,281,312**	**$2,507,839**	**$2,708,329**	**$2,883,980**
EBITDA	**$3,778,751**	**$4,104,578**	**$4,231,332**	**$4,546,323**	**$4,867,771**	**$5,165,859**
Other Income	301,615	164,671	166,171	164,671	164,671	164,671
Interest Expense	785,663	727,345	754,923	828,873	886,499	945,611
Income Taxes	(121,506)	382,681	412,159	426,486	456,763	481,637
Tax Rate	*-9%*	*23%*	*24%*	*23%*	*23%*	*23%*
Earnings						
Income from Continuing Operations	$1,406,653	$1,266,039	$1,280,402	$1,417,151	$1,529,738	$1,621,403
Discontinued Operations	0	0	0	0	0	0
Preferred Dividend Requirements	18,319	16,518	16,518	16,518	16,518	14,637
Net Income	**$1,388,334**	**$1,229,521**	**$1,339,884**	**$1,400,633**	**$1,513,220**	**$1,606,766**
Avg. Diluted Shares Outstanding	201,102	201,966	204,048	207,548	211,706	215,628
EPS	$6.90	$6.09	$6.57	$6.75	$7.15	$7.45
Non-Recurring	1.24	(0.10)	0.37	0.00	0.00	0.00
Ongoing EPS	**$5.66**	**$6.05**	**$6.40**	**$6.75**	**$7.15**	**$7.45**
Q1A EPS	1.14	1.47				
Q2A EPS	1.37	1.34				
Q3A/Q3E EPS	2.44	2.45				
Q4A/Q4E EPS	0.71	0.79				

ETR Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$3.74	$3.80	$4.04	$4.28	$4.52	$4.76
Dividends Paid Per Share	3.74	3.80	4.04	4.28	4.52	4.76
Payout Ratio	66%	61%	65%	63%	63%	64%
Cash Flow & Balance Sheet Items						
Capital Expenditures (thousands)	$4,694,076	$3,490,000	$3,560,000	$4,600,000	$4,500,000	$4,500,000
Book ROE	10.7%	10.8%	10.9%	10.8%	10.8%	10.7%
FFO/Debt	10%	14%	14%	14%	15%	15%
Debt/EBITDA	8.2x	6.0x	5.9x	5.7x	5.5x	5.4x
Common Equity as % of Total Capitalization	31%	32%	33%	34%	35%	36%

Source: Wells Fargo Securities, LLC estimates and company filings

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EVRG Earnings Model						
($ millions except per share data)	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Revenues	**$4,913**	**$5,134**	**$5,207**	**$5,330**	**$5,462**	**$5,615**
Expenses						
Purchased Power/Fuel/Transmission	1,362	1,398	1,398	1,400	1,403	1,406
Other O&M	1,163	1,078	1,063	1,025	980	954
Depreciation & Amortization	880	946	980	1,039	1,105	1,180
Other	364	376	388	400	413	427
Total Expenses	**$3,770**	**$3,798**	**$3,828**	**$3,865**	**$3,901**	**$3,967**
EBIT	**$1,144**	**$1,336**	**$1,379**	**$1,465**	**$1,561**	**$1,648**
EBITDA	**$2,024**	**$2,282**	**$2,359**	**$2,504**	**$2,666**	**$2,828**
Other Income	(36)	(25)	(25)	(25)	(25)	(25)
Interest Expense	384	372	390	411	431	457
Income Taxes	102	130	135	147	161	172
Tax Rate	*14%*	*14%*	*14%*	*14%*	*15%*	*15%*
Income from Equity Inv., net	8	18	8	8	8	8
Earnings						
Income from Continuing Operations	$630	$828	$838	$891	$953	$1,003
Adjustment for Non-Controlling Interest	12	12	12	12	12	12
Net Income	**$618**	**$816**	**$826**	**$880**	**$941**	**$991**
Avg. Diluted Shares Outstanding	228	230	231	231	232	233
EPS	$2.72	$3.55	$3.58	$3.80	$4.05	$4.25
Non-Recurring	0.38	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$3.10**	**$3.55**	**$3.58**	**$3.80**	**$4.05**	**$4.25**
Q1 EPS	0.41	0.55	0.57			
Q2 EPS	0.68	0.85	0.88			
Q3 EPS	1.73	1.98	1.86			
Q4 EPS	0.28	0.17	0.27			

EVRG Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$2.14	$2.29	$2.43	$2.55	$2.68	$2.81
Dividends Paid Per Share	2.05	2.18	2.32	2.46	2.61	2.77
Payout Ratio	66%	61%	65%	65%	64%	65%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$1,560	$1,953	$2,016	$1,993	$2,055	$2,417
Book ROE	8.1%	9.1%	8.9%	9.1%	9.4%	9.6%
FFO/Debt	18%	17%	16%	16%	17%	17%
Debt/EBITDA	4.9x	4.6x	4.7x	4.7x	4.6x	4.6x
Common Equity as % of Total Capitalization	47%	46%	46%	45%	45%	44%

Source: Wells Fargo Securities, LLC estimates and company filings

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BKH Earnings Model						
($ thousands except per share data)	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Revenues	**$1,696,941**	**$1,735,173**	**$1,791,119**	**$1,849,925**	**$1,912,243**	**$1,972,929**
Operating Expenses						
Cost of Gas / Fuel	492,404	500,329	505,204	510,120	515,079	520,080
O&M	495,404	549,391	555,923	562,542	567,687	572,884
Depreciation & Amortization	224,457	234,080	252,274	269,686	289,957	310,566
Other	56,373	0	0	0	0	0
Total Expenses	**$1,268,638**	**$1,283,801**	**$1,313,400**	**$1,342,348**	**$1,372,723**	**$1,403,530**
EBIT	**$428,303**	**$451,372**	**$477,718**	**$507,577**	**$539,519**	**$569,398**
EBITDA	**$652,760**	**$685,453**	**$729,992**	**$777,262**	**$829,476**	**$879,964**
Other Income	**($7,691)**	**($832)**	**($832)**	**($832)**	**($832)**	**($832)**
Interest Expense	**144,931**	**145,692**	**152,721**	**156,215**	**159,909**	**164,859**
Income Taxes	**32,918**	**37,176**	**43,406**	**48,312**	**53,387**	**57,871**
Tax Rate	*11.9%*	*12.2%*	*13.4%*	*13.8%*	*14.1%*	*14.3%*
Income from Continuing Operations	242,763	267,672	280,759	302,218	325,392	345,837
Loss from Discontinued Ops.	0	0	0	0	0	0
Noncontrolling Interest	15,155	18,179	14,606	15,129	15,692	16,269
Net Income Attributable to BKH	**227,608**	**249,494**	**266,154**	**287,089**	**309,701**	**329,568**
Average Shares - Diluted	62,439	63,709	65,312	66,770	68,092	69,351
GAAP EPS	3.65	3.92	4.08	4.30	4.55	4.75
Adjustments	$0.08	$0.00	$0.00	$0.00	$0.00	$0.00
Adjusted EPS	**$3.73**	**$3.92**	**$4.08**	**$4.30**	**$4.55**	**$4.75**
Q1 EPS	1.59	1.54	1.65			
Q2 EPS	0.33	0.40	0.36			
Q3 EPS	0.58	0.70	0.65			
Q4 EPS	1.23	1.28	1.42			

BKH Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$2.26	$2.38	$2.50	$2.63	$2.76	$2.89
Dividends Paid Per Share	2.17	2.29	2.41	2.54	2.67	2.80
Payout Ratio	58%	58%	59%	59%	59%	59%
Statistics						
Capital Expenditures (thousands)	$767,404	$679,000	$660,000	$650,000	$734,000	$678,000
Book ROE	8.5%	8.7%	8.6%	8.7%	8.8%	8.8%
FFO/Debt	14%	13%	13%	14%	15%	15%
Debt/EBITDA	5.8x	5.9x	5.7x	5.5x	5.4x	5.2x
Common Equity as % of Total Capitalization	41%	42%	42%	43%	44%	45%

Source: Wells Fargo Securities, LLC estimates and company filings

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NI Earnings Model ($ millions except per share data)	2020	2021E	2022E	2023E	2024E	2025E
Revenues	**$4,697**	**$4,650**	**$4,830**	**$5,028**	**$5,345**	**$5,544**
Expenses						
Cost of Gas, Purchased Power & Fuel	1,109	1,065	1,071	1,078	1,085	1,091
O&M	1,495	1,384	1,389	1,423	1,428	1,443
Depreciation & Amortization	762	751	807	886	969	1,024
Other	299	303	308	312	316	321
Total Expenses	**$3,665**	**$3,503**	**$3,576**	**$3,699**	**$3,799**	**$3,880**
EBIT	**$1,031**	**$1,147**	**$1,254**	**$1,329**	**$1,546**	**$1,664**
EBITDA	**$1,794**	**$1,897**	**$2,061**	**$2,215**	**$2,515**	**$2,689**
Other Income	32	34	34	34	34	34
Interest Expense	371	349	365	360	401	431
Income Taxes	127	200	221	241	283	304
Tax Rate	*18%*	*24%*	*24%*	*24%*	*24%*	*24%*
Earnings						
Net Operating Earnings	$566	$633	$701	$762	$896	$963
Preferred Dividends	55	55	55	55	55	55
Noncontrolling Interest	3	3	3	3	3	3
Income from Continuing Operations	**$508**	**$574**	**$643**	**$703**	**$838**	**$905**
Avg. Diluted Shares Outstanding	384	423	445	458	494	503
Ongoing EPS	**$1.32**	**$1.36**	**$1.45**	**$1.54**	**$1.70**	**$1.80**
Q1A EPS	0.76	0.77	0.82			
Q2A EPS	0.13	0.13	0.13			
Q3A/Q3E EPS	0.09	0.11	0.12			
Q4A/Q4E EPS	0.34	0.35	0.38			

NI Supplemental Information	2020	2021E	2022E	2023E	2024E	2025E
Dividend Information						
Dividends Per Share - YE Rate	$0.84	$0.88	$0.93	$0.99	$1.06	$1.14
Dividends Paid Per Share	0.84	0.88	0.93	0.99	1.06	1.14
Payout Ratio	64%	65%	65%	65%	63%	63%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$1,758	$1,982	$2,517	$3,703	$2,223	$2,290
Book ROE	10.1%	9.5%	8.9%	8.8%	9.4%	9.9%
FFO/Debt	11%	15%	15%	15%	16%	16%
Debt/EBITDA	5.7x	5.1x	5.2x	5.5x	5.0x	4.9x
Common Equity as % of Total Capitalization	32%	40%	40%	41%	41%	41%

Source: Wells Fargo Securities, LLC estimates and company filings

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BIP & BIPC Earnings Model ($ in millions except per unit/share data)								
Revenue	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Utilities	$1,055	$1,432	$1,434	$1,520	$1,678	$1,830	$1,984	$2,140
Transport	1,612	1,614	1,573	1,851	2,059	2,235	2,396	2,560
Midstream	668	491	572	589	616	645	668	692
Data Infrastructure	170	336	519	662	724	788	854	923
Total Segment Revenue	**$3,505**	**$3,873**	**$4,098**	**$4,621**	**$5,077**	**$5,498**	**$5,902**	**$6,314**
Adjustments	1,147	2,732	4,787	5,398	5,931	6,422	6,894	7,376
Reported Revenue	**$4,652**	**$6,605**	**$8,885**	**$10,019**	**$11,008**	**$11,920**	**$12,797**	**$13,690**
Cost	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Utilities	($322)	($582)	($580)	($615)	($679)	($740)	($802)	($865)
Transport	(930)	(781)	(767)	(903)	(1,004)	(1,090)	(1,168)	(1,248)
Midstream	(340)	(171)	(193)	(199)	(208)	(218)	(225)	(233)
Data Infrastructure	(77)	(161)	(253)	(323)	(353)	(384)	(417)	(450)
Total Segment Cost	**($1,669)**	**($1,695)**	**($1,793)**	**($2,038)**	**($2,244)**	**($2,432)**	**($2,613)**	**($2,797)**
Adjustments	(539)	(1,700)	(3,050)	(3,467)	(3,817)	(4,136)	(4,444)	(4,758)
Reported Cost	**($2,208)**	**($3,395)**	**($4,843)**	**($5,506)**	**($6,060)**	**($6,568)**	**($7,057)**	**($7,555)**
EBITDA	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Utilities	$733	$850	$854	$905	$999	$1,090	$1,181	$1,274
Transport	682	833	806	948	1,055	1,145	1,228	1,312
Midstream	328	320	379	390	408	427	443	458
Data Infrastructure	93	175	266	339	371	404	438	473
Total Segment EBITDA	**$1,836**	**$2,178**	**$2,305**	**$2,583**	**$2,834**	**$3,066**	**$3,290**	**$3,517**
Corporate G&A	(223)	(279)	(312)	(396)	(435)	(469)	(512)	(545)
Adjustments	608	1,032	1,737	1,931	2,115	2,286	2,450	2,618
EBITDA to BIP	**$2,221**	**$2,931**	**$3,730**	**$4,117**	**$4,513**	**$4,882**	**$5,228**	**$5,590**
FFO	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Utilities	$576	$672	$659	$685	$754	$837	$928	$1,021
Transport	518	603	590	676	787	886	983	1,086
Midstream	269	244	289	449	603	685	715	747
Data Infrastructure	77	136	196	304	346	389	431	476
Corporate	(209)	(271)	(280)	(428)	(477)	(521)	(575)	(613)
Total Segment FFO	**$1,231**	**$1,384**	**$1,454**	**$1,685**	**$2,014**	**$2,277**	**$2,483**	**$2,716**
Diluted Average Units/Shares*	439	453	465	472	487	487	487	487
FFO per Unit/Share	**$2.80**	**$3.06**	**$3.13**	**$3.57**	**$4.13**	**$4.67**	**$5.10**	**$5.58**
FFO	1,231	1,384	1,454	1,685	2,014	2,277	2,483	2,716
Maintenance CapEx	(249)	(288)	(281)	(335)	(342)	(349)	(356)	(363)
Adjusted FFO	**$982**	**$1,096**	**$1,173**	**$1,350**	**$1,672**	**$1,928**	**$2,127**	**$2,353**
AFFO per Unit/Share	**$2.24**	**$2.42**	**$2.52**	**$2.86**	**$3.43**	**$3.96**	**$4.37**	**$4.83**
Distributions / Dividends	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Distributions/Dividends per Unit/Share	**$1.69**	**$1.81**	**$1.94**	**$2.04**	**$2.20**	**$2.40**	**$2.62**	**$2.85**
Payout Ratio on FFO	75%	74%	78%	72%	67%	65%	65%	64%
Segment - % of Total Cash Flow	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Utilities	47%	49%	45%	41%	37%	37%	37%	38%
Transport	42%	44%	41%	40%	39%	39%	40%	40%
Midstream	22%	18%	20%	27%	30%	30%	29%	28%
Data Infrastructure	6%	10%	13%	18%	17%	17%	17%	18%
Corporate & Other	-17%	-20%	-19%	-25%	-24%	-23%	-23%	-23%

* Adjusted for 3:2 unit split in 2016 as well as the BIPC shares that were split out of BIP units in a 1-for-9 exchange on 3/31/20

Source: Wells Fargo Securities, LLC estimates and company filings

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BIP & BIPC Cash Flow Model ($ in millions)	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Operating Cash Flow								
Net Income	$806	$650	$904	$1,182	$1,539	$1,822	$2,043	$2,297
Depreciation, Amortization & Accretion	801	1,214	1,705	1,785	1,923	2,065	2,209	2,355
Deferred Income Taxes	46	28	54	0	0	0	0	0
Other	(291)	251	(133)	0	0	0	0	0
Cash From Operations	**$1,362**	**$2,143**	**$2,530**	**$2,967**	**$3,462**	**$3,887**	**$4,252**	**$4,653**
Investing Cash Flow								
CapEx	($816)	($1,144)	($1,426)	($1,335)	($1,342)	($1,349)	($1,356)	($1,363)
Other	(4,748)	(10,228)	(3,183)	(2,500)	(300)	0	0	0
Net Investing Cash Flow	**($5,564)**	**($11,372)**	**($4,609)**	**($3,835)**	**($1,642)**	**($1,349)**	**($1,356)**	**($1,363)**
Financing Cash Flow								
Equity Issued	($16)	$781	$9	$1,430	$0	$0	$0	$0
Proceeds from Preferred Units	341	72	195	200	0	0	0	0
Issuance of Long Term Debt	3,955	3,971	2,293	700	1,375	1,375	3,075	1,375
Issuance of Short Term Debt	0	0	0	0	0	0	0	0
Retirement of Long Term Debt	0	0	0	(488)	(1,157)	(1,477)	(2,669)	(1,680)
Dividends	(919)	(1,027)	(1,134)	(1,220)	(1,355)	(1,475)	(1,607)	(1,750)
Other	1,057	5,745	763	0	0	0	0	0
Net Financing Cash Flow	**$4,418**	**$9,542**	**$2,126**	**$622**	**($1,137)**	**($1,577)**	**($1,201)**	**($2,055)**
Net Change in Cash	216	313	47	(247)	683	961	1,695	1,234
Adjustments	(50)	(26)	(7)	0	0	0	0	0
Cash at beginning of period	374	540	827	867	620	1,304	2,264	3,959
Cash at end of period	**$540**	**$827**	**$867**	**$620**	**$1,304**	**$2,264**	**$3,959**	**$5,193**

Metrics	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
FFO/Debt *	8%	7%	6%	7%	9%	10%	10%	12%
Debt/EBITDA *	9.4X	11.1X	11.6X	10.7X	9.8X	9.1X	8.6X	7.9X
EBITDA/Interest Coverage	4.0X	3.2X	3.2X	3.2X	3.4X	3.8X	4.1X	4.4X

** Based off of Consolidated Debt (rather than Proportionate Debt) so metrics look higher than they actually are*

Capital Structure ($ in millions)	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Common Equity	$13,732	$21,242	$20,543	$22,130	$22,529	$23,115	$23,817	$24,658
LT Debt	15,106	21,019	23,178	23,390	23,608	23,506	23,912	23,607
ST Debt	0	0	0	0	0	0	0	0
Preferred	936	935	1,130	1,330	1,330	1,330	1,330	1,330
TOTAL	**29,774**	**43,196**	**44,851**	**46,850**	**47,467**	**47,951**	**49,059**	**49,595**
% Common Equity	46%	49%	46%	47%	47%	48%	49%	50%
% LT Debt	51%	49%	52%	50%	50%	49%	49%	48%
% ST Debt	0%	0%	0%	0%	0%	0%	0%	0%
% Preferred	3%	2%	3%	3%	3%	3%	3%	3%

Source: Wells Fargo Securities, LLC estimates and company filings

Acronyms

AMI - Advanced MEtering Infrastructure

CHP – Combined Heat Power

COD – Commercial Operation Date

DOI – Department of Interior

EEI - Edison Electric Institute

FERC - Federal Energy Regulatory Commission

IRP - Integrated Resource Plan

PSC - Public Service Commission

PTC - Production Tax Credit

PURA - Public Utilities Regulatory Authority

RFP - Request for Proposals

SERI - Systems Energy Resources, Inc.

OSW - Offshore Wind

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Equity Research
12 November 2021

North America Power & Utilities

EEI Financial Conference Key Themes

At the EEI conference, we discussed six key themes with each company management. We highlight their responses and other company-specific takeaways below.

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POSITIVE

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Theme Summary

Federal Tax Policy

15% Minimum Corporate Tax

Overall, most companies described the situation as evolving given a minimum book tax can be at odds with clean energy tax credits. Furthermore, for utilities the continual investment profile would result in an ever growing balance of tax credits that would not be able to be monetized given the difference between GAAP and book depreciation schedules. Additionally, the small to midcap companies with pretax income below $1B would not be required to pay a minimum book tax. There could be situations where a subsidiary would not have to pay a minimum book tax but the holding company would, resulting in tax allocation issues. Overall, on the margin a 15% minimum book tax would likely provide a small reduction in FFO/debt on the credit metric side.

- **AGR:** Seeks analysis on the extent to which tax credit carryforward balances can be used to offset minimum corporate book tax.
- **SO:** Noted that it is currently paying taxes of around 15% so any impact would be minimal.
- **XEL:** Noted that it is not a material cash tax payer and can offset ~7.5% of taxes with tax credits but is waiting to see if final rules allow use of renewable tax credits.
- **PCG:** Sees working out any impact with the CPUC but does not expect any impact over the 5 year planning period.
- **DTE:** Expects to be a non-cash taxpayer through 2024 and can manage a minimum corporate book tax with its tax credit carryforward balance.
- **ED:** CF impact from minimum corporate book tax could slightly increase financing needs.
- **CNP:** Not likely to breach threshold for minimum book tax immediately, however noted ~8% cash tax position.
- Companies under $1bn net income estimates and unlikely to breach threshold: SJW, AWR,

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Completed: 12-Nov-21, 15:42 GMT Released: 12-Nov-21, 15:44 GMT Restricted - External

NWE, PNM, POR, OGE, WTRG, PNW, NI, LNT, AWK, CMS, CNP, and AGR.

Direct Pay Tax Credits

All companies discussed the favorability of direct pay, while noting that normalization would still be an issue for the solar ITC; however, a solar PTC appears to be on the table, eliminating the normalization issue. Solar PTC and direct pay provisions put utility ownership on a more level playing field with PPAs, and overall have the potential to both create bill headroom and improve FFO/debt for credit metrics.

- **AGR:** The requirement to use domestic supply chains for project components could limit the impact of direct pay for offshore wind projects beginning construction after 2023.
- **ES:** Direct pay is beneficial, particularly with respect to offshore wind, as it provides financing flexibility. CF benefit could reduce equity needs in the future. ES plans to update financing guidance at Q4.
- **PNW:** Direct pay could benefit in 2024+ and is unlikely to influence financing plans
- **CMS:** Direct pay would be a tailwind as CMS is unlikely to have a tax appetite until the mid-decade. Management sees 10-20 bps of FFO-to-debt benefit from direct pay.
- **LNT**: Direct pay and solar PTC could allow for them to avoid the tax equity on solar and own the entire project while still benefiting customers financially.

Additional Tax Credits (renewables, hydrogen, transmission, storage, nuclear)

New tax credits for emergent technologies such as hydrogen, storage, and carbon capture could be significant drivers of LCOE compression and spur developer interest. Tax credits for traditional renewables are likely to be passed through to offtakers via lower PPA prices for future projects and could bolster already strong demand for renewables development. While tax credits directed at transmission could be a tailwind, issues surrounding cost allocation and siting are much larger impediments to development activity.

- **DTE**: A nuclear PTC could be a significant positive, while changes considered to accelerated depreciation could be a headwind.
- **NEE:** Turkey Point and St. Lucie would be unlikely to qualify for the nuclear PTC since revenues associated with the projects are above the threshold.
- **CMS:** Solar PTCs would resolve the normalization issue and makes owned development more cost competitive with PPAs.
- **PEG**: Nuclear PTC would be a direct benefit for its ownership in the Pennsylvania plants and would offset ZECs dollar for dollar, but ZECs revenues are taxable while PTCs are tax credits.
- **AEE**: Still looking into nuclear PTC but see the opportunity to create additional customer bill headroom.
- **XEL**: As written, would provide customer bill headroom given current locational marginal pricing for plants.

Natural Gas Prices

The gas LDC businesses all note that customer bills will increase for the winter heating season, the level of increase is based on relative percent of bill driven by commodity, physical and financial hedging levels. On the electric side, the impact is generally driving higher fuel costs, but depending on fuel clause construct and whether the utility has a net long position for selling off system power, the impact can be partially offset or even benefit the customer.

- **NI:** ~70% of supply is hedged for the heating season through spring purchases, and the commodity portion comprises 30-50% of customer bills on average.
- **NEE:** Does not hedge natural gas commodity prices per previous settlement agreement with FL PSC.
- **AEE:** Electric customers will benefit based on off-system sales. Gas customer will see double digit bill increases.
- **CMS:** On the gas business, every $1/Mcf increase is ~$7 on monthly gas bills (+10%). 70% of supply is hedged to <$3/Mcf through spring gas purchases. On the electric business, every $1/Mcf increase is ~$2 on monthly electric bills.

Transmission-enabling Regulation

Most companies point to the need for additional transmission to enable a cost-effective transition to renewables. Companies continue to focus on current transmission opportunities but await larger, RTO-driven plans such as the MISO MTEP process for visibility into regional projects. Even with the transmission components of the infrastructure bill, transmission investment is still restricted by several key issues. Most of our meetings came to the conclusion that the processes behind transmission planning, cost allocation and generation interconnection issues all need to be improved. There is some hope that if done properly, the Advanced Notice of Proposed Rule Making (ANOPR) at the FERC will address these issues and remove constraints to necessary transmission build out. At the very least, it is clear that transmission has been a key focus area of the Biden Administration, and supportive policy change is likely to come in the future.

Resiliency Spending

Given recent weather events, wildfires, hurricanes and grid issues in TX, the sector has a more direct focus on resiliency. In most cases this focus is on storm hardening. We find that utilities are increasingly discussing extreme weather resiliency spending programs as spending drivers. Often, the most effective way to mitigate outages is through increased vegetation managements, though certain areas of the country have greater need for undergrounding.

- **AGR:** Substantial climate resiliency capex opportunities across all jurisdictions, but particularly in NY and ME.
- **ES:** Best way to shore up resiliency is through increased vegetation management. Management expects storms will continue to be a headwind.
- **ED:** Significant storm hardening opportunities in NY area.
- **CMS:** Vegetation management and pole replacement are the primary methods to mitigate weather-related outages and enhance resiliency. CMS uses AI in the storm restoration process to proactively identify potential problem areas.
- NI and WEC commented that service territory is less exposed to extreme weather events.

Company-specific Commentary

Jump to:

AGR - AWK - CMS - CNP - EIX - FE - LNT - NEE - NI - NWE - OGE - PEG - PNW - SO - SRE - WEC - WTRG

Avangrid (AGR)

Resiliency Spending

AGR sees climate resiliency plans driving capex in all jurisdictions, with substantial opportunities in NY and ME. This spending would be incremental to plans and would likely occur beyond 2023.

Offshore Wind

The returns profile in MA projects to some extent relies on synergies between projects such as Park City Wind and the proposed Commonwealth Wind. Management continues to expect double digit levered returns for Vineyard Wind I. MA legislators are pushing to remove the offshore wind price cap and add incentives for projects bringing economic development initiatives to the state. However, should Commonwealth win the 3rd MA procurement (awards announced 12/17/21), AGR would have no remaining capacity in the MA/RI lease areas for future procurements. AGR is working on bids into the NY Bight lease auction, expected in early 2022, but stresses financial discipline. AGR does not expect to issue new equity through 2022.

NECEC

AGR has launched a lawsuit challenging the constitutionality of the ballot initiative. AGR is seeking an injunction to prevent the implementation of the ballot initiative seeking to block construction of NECEC and expects to make a decision on the continuation of construction by EOY, depending on the results of the injunction.

PNM Acquisition

Management reiterated confidence that the PNM acquisition will ultimately be approved by the NM PRC and will close as planned. AGR believes there are other concessions that could be made before getting that would accomplish the same outcome regarding autonomy and customer service reliability in order satisfy the NM PRC. Management expressed confidence that AGR will find a way to close the deal.

American Water (AWK)

Water quality and accountability

Both New Jersey and Pennsylvania are exploring legislation to strengthen water quality and accountability rules and tighten enforcement surrounding the rules. We view enforcement as the missing ingredient that could ultimately lead to more municipalities potentially selling their water systems.

Earnings trends

Given the sale of Home Owner Services, the regulated utility capital investment profile will be accelerated. The lost earnings from HOS will be overcome by utility growth to keep the long term EPS CAGR and base in tact. The 2022 and 2024 rate case cycles will need to be complete to recover the additional capital investment, likely meaning AWK will be back on trend by 2025.

CMS Energy (CMS)

IRP

IRP rebuttal testimony is expected by the end of the month, followed by evidentiary testimony, hearings, an ALJ preferred decision in early March, and a draft PSC decision in early April.

Rate Case

Potential opportunities for upside to the preferred rate case decision come from ROE, reliability-related disallowances in light of severe August storms, and O&M disallowances.

CenterPoint Energy (CNP)

Gas Prices

Seeing some tailwinds to strip longer term as private equity backed E&P companies begin drilling in select basins that CNP sources from and hedging programs begin to roll off for public E&Ps. CNP sits at 40%-70% hedged position into 21/22 winter period. Management also noted low bill impacts from commodity prices are unlikely to prove material at $6-$10 monthly impacts.

Energy Transition

Capital program is biased toward 'future proof' investment categories on the electric front via investment focus on grid hardening, weatherization, additional renewable generation opportunities provide downstream benefits to CNP via transmission and integration. EV enablement remains an important capital opportunity, with an estimated $80 of net benefit per EV added across CNP's service territory (Houston has formal policy to add 500k EVs by 2030). CNP anticipates filing balance of owned and contracted renewable generation in Indiana during 4Q21 and ultimate approval of gas CT proposal in 2022.

Affordability

CNP sees itself as advantaged on affordability relative to peers given uniquely robust load growth in the TX market combined with the O&M targets embedded in the long-term plan. Management also noted that securitization costs representing 10% of customer bills is set to roll off, providing sizable near-term rate headroom. CNP is not currently at the threshold to trigger minimum book tax, however when earnings do breach the theoretic threshold, CNP is already at an 8%-10% cash tax effective rate.

Edison International (EIX)

Affordability

Management believes focus on affordability from a comprehensive energy cost perspective is the best approach (consistent with CPUC en banc and prior Edison white papers). CPUC appreciates the importance of attracting capital to the state and commissioners have improved capital market sophistication that will play a role in the current cost of capital proceeding. ALJ proposed decision always has potential for revisions as commissioners seek to marry the highly legal requirements analyzed by the ALJ to more 'real world' capital market conditions.

Tax

Normalization requirements would still flow through CPUC and the commission could require an 'opt in', thus making federal changes to normalization requirements less impactful. Minimum book tax would be more of a timing issue (though incrementally negative to cash flow) and require extensive CPUC proceeding to work through.

Energy Transition and Extreme Weather

Wildfire mitigation plan (WMP) has been using the original WMP covering 2020-2022 as the base and simply iterating off of it, which management expects to continue when EIX files new WMP in February 2022. Covered conductor program approved in EIX's rate case (2300 miles) likely covers anticipated investment through 2023, with the door still open for additional covered conductor investment possible thereafter when the CPUC has tangible data on efficacy.

First Energy (FE)

Transmission Sale and Equity Raise

2022 guidance assumes some level of pre-sale contribution reflecting mid 2022 closing expectations. 40x LTM multiple likely translates to ~32x-34x NTM multiple (Barclays estimate). Sale and equity proceeds for deleveraging likely to take effect over coming 24 months as $1.4bn of paper maturing in 2023 and 2024 is organically taken out, leading to glide path of FFO/debt target beginning in 2023. Proceeds are also expected to be used to re-capitalize some of the OpCo balance sheets. Management is also considering a voluntary pension contribution to shore up future obligations and avoid longer-term equity. Cash flow and FFO/debt also benefits from current capital program as investments move to rider-eligible categories covering ~70% of investment.

Remaining HB 6 Items

Show cause proceeding around political spending in OH is set for additional filings in the next couple weeks. Other states continue their own corporate and management audits (recent filings in MD as example).

Alliant Energy (LNT)

Gas and Electric Affordability

Gas

LDC represents 10% of total LNT revenue. Gas position is 50%-60% hedged with firm supply hedged above peak. Potential 40% increase to customer bills (remains a low portion of wallet - Barclays estimates $20 monthly impact for LNT). Customer costs are mitigated by $28mn storm recovery costs that are set to roll by December.

Electric

Hedged with low $3's / mmbtu on electric supply gas costs and ~$10/ton coal locked in. Coal delivery is traditionally maintained at certain base level (traditionally minimum of 30 days on pile) and 100-110 days for more critical peak in areas that see it more often. Currently on the lower end of the normal range for coal supply. Impacts: Iowa gets full pass through of supply input costs, whereas WI requires a fuel case with target level that sees IOU eat +/- first 2%, with customer sharing thereafter.

Tax Changes

Weather normalized $600-$700 earnings range exempts LNT from minimum book tax. Direct pay combined with solar ITC would be significantly beneficial for LNT. Depending on final legislative outcomes, LNT could move to full ownership of projects that currently operate under tax equity constructs. Management is evaluating the impacts, but likely make sense even with additional equity need that would be required.

Load Growth

Seeing 3% rebound vs 2% decline in Covid and 1.5% meter growth is an under-looked positive. Expect longer-term normalization back toward 0.5%.

Energy Transition

Line replacement and upgrade / integration opportunity with 5% of system at 25kv. LNT averages 1.5% of system replacement each year. Undergrounding helps lower O&M longer term with fewer truck rolls and removal of vegetation management. Seeing potential MISO capacity additions from storage. Remains optimistic on transmission. Coming out of the ANOPR, management is assuming reasonable level of ROE (not as high as before but still enough to attract capital on a relative basis). Gas LDC investment and pipe replacement is only 5% of capex and prudency standard is heavily scrutinized internally to ensure no stranded cost issues.

Capex and inflation pressure

1500mw generation development accounts for most of LNT's capex inflation seen in most recent guidance. Anticipating an extension of Section 201 tariffs and assuming some level of anti-dumping action as well. Overall cost inflation of 10%-20% higher than original ask for first CA of solar. Netting toward $1400/kw; 800mw still need approval – accounts for amount that was pushed to 2024.

NextEra Energy (NEE)

Management is taking a toe-in-the-water approach with respect to water infrastructure and other next-gen technological opportunities (H2, RNG, wastewater treatment, floating solar, etc). NEE bid into the NJ OSW transmission RFP, which could be a billion dollar capex opportunity. Awards are expected in 2H22.

NiSource (NI)

Management expects a staff report on the Ohio rate case in 1Q22.

Hydrogen

NI is in early commercial discussion with developers regarding actionable projects and expects to have more information by mid-2022. NI has abundant natural gas storage facilities that could be able to store hydrogen and also sees blue hydrogen opportunities given proximity to Marcellus/Utica basins.

RNG

Management expects additional state and local incentives for RNG in the future and sees an opportunity in this space, though at the moment the LCFS mechanism in CA is the most attractive incentive.

NorthWestern Energy (NWE)

Guidance and Growth

NWE provide 2022 EPS guidance of $3.20-$3.40, well below expectations driven by increased equity expectations as well as increased regulatory lag given the decision to proceed with the Laurel Generating Station without pre-approval. The company still expects long term EPS growth of 3-6% annually off of the 2020 base, but will trend below that line for the next several years. Additionally, to maintain credit metrics, NWE expects equity will be needed as financing in any year where capital spending exceeds $400M.

OGE Energy (OGE)

Growth Opportunities

OGE noted that current rate base growth is sustainable, but the company has challenged the operational departments to explore what level of spending would make sense if budget was not an issue. While not expecting a specific report or update, this could lead to a higher sustained level of rate base growth. These opportunities would be beyond the identified solar projects in the IRP and grid spend. Transmission projects all need to be competitively bid in Oklahoma, making any transmission capacity less certain than for other states.

PSEG (PEG)

Nuclear production tax credits

The impact was described as a sliding scale where the PTC is $15/mwhr when all in energy and capacity price combined are at $25/mwhr and phasing out when energy and capacity prices combined are at $40/mwhr. Given the PTC is a tax credit and the ZEC is not a $15 PTC is worth $15 while a $10 ZEC is worth ~$8 . (The numbers were meant to be illustrative but ballpark).

Offshore wind

PEG bid multiple solutions into each of the three transmission RFPs for NJ offshore wind. While winning bidders will not be known until mid 2022, PEG believes that incumbent utilities (PSE&G, Atlantic City Electric, and JCP&L) should have an advantage given right of way and access for the offshore transmission solutions landing onshore in the incumbent service territory.

Pinnacle West (PNW)

PNW plans to litigate the results of the 2019 APS rate and to file a new rate case in 2022, which the company hopes to resolve via settlement agreement while the litigation is ongoing. Population growth and business interest in AZ will help support earnings and urban sprawl is leading to additional transmission opportunities (69 kV+ projects eligible for FERC ROE and tracking mechanisms). Hydrogen and EV activity in the state could provide attractive opportunities.

Southern Company (SO)

Southern continues to see solid customer growth and the associated growth capital opportunities. We expect the ongoing and future Georgia and Alabama IRPs to result in additional renewable opportunities, especially given indications from the Effluence Limitation Guidelines. Vogtle continues to be in focus, with Unit 3's schedule being more tied to workforce availability and productivity than anything technical. We believe that the gap between the Southern listed schedule and the GA PSC staff will be narrower in the upcoming VCM filing.

Sempra Energy (SRE)

Cost of Capital

SRE noted that the current 'off cycle' cost of capital proceeding has the potential to develop into the long-term cost of capital benchmark depending on how the facts and proposed outcomes develop (rather than the one-year stop gap of a triggered mechanism). CPUC remains aware of importance of attracting capital to the state given robust investment plans and challenged valuations of pure-play peers.

SIP

Management remains optimistic on the overall outlook for SIP despite perceived volatility in Mexico and an ongoing valuation bifurcation between infrastructure and utility investors (as evidenced by public mark from sale). Sanguine on LNG prospects despite ongoing price

pressure from Qatar exports and noted improvements to forward curves in Europe and Asia. Management noted European structural demand with recent power issues leading to spike in coal consumption and the long-term role of natural gas in a 'high electrification' scenario in Europe. SRE sees some potential to increase LNG marketing operational flexibility for future projects, assuming contracted volumes hit hurdle rates and expansion capacity is available to capitalize on favorable market dynamics (we note stock price and financial benefits realized by Cheniere not translating to SRE in current gas market).

Energy Transition

SoCalGas continues to explore RNG and hydrogen opportunities as management remains committed to gas given critical role amidst broad state targets to decarbonize buildings and industrial sector. Comfortable with likely outcomes in NEM and distributed resource (sister proceeding to NEM 3.0).

WEC Energy (WEC)

Oak Creek Natural Gas Conversion

WEC plans to accomplish the conversion in several phases. The first phase to get to 30% blended fuel will take minimal investment. Phase II to reach 60% will require spending to change out the burners, which could require ~$30m investment. Phase III to reach 100% natural gas could require $150m-$180m of investment and could occur in the 2030-2035 range. Management sees potential for longer-term hydrogen blending at the plant if the natural gas conversion goes according to plan.

Upside to Growth Trajectory

Could come from additional capex, tax incentive, additional renewables demand, potential EV spending, financing flexibility, transmission projects, and growth to match economic development.

Essential Utilities (WTRG)

Cost Inflation and Rate Case

Chemical and fuel cost inflation has potential to prove material and result in rate case revisions (up to 50% fuel cost inflation being seen. Cost adjustments in Aqua PA rate case expected to be filed within next five weeks. Settlement discussions will likely begin shortly thereafter with potential limited issue settlements throughout December.

Extreme Weather and Resiliency

The importance of WTRG's resiliency spend was reinforced following Hurricane Ida when the company lost its Pickering plant due to flooding. WTRG's management team noted its track record of prudent planning around flood walls (built higher than commission precedent in some cases) and the need to continue to invest for climate resiliency. WTRG expects to see potentially material investment (some covered by insurance) needed to get the plant operational and increase resiliency (starting with easy items like moving electric operations behind flood protected barriers).

Legislation and FMV

WTRG remains confident that it will receive approvals and ultimately win both Chester county and Delcora assets (note significant geographic overlap and $12mn up-front cash proceeds in Chester bolster bid in our view). WTRG continues to monitor PA legislation on water quality (recently out of committee on consumer affairs) that could bolster additional enforcement and eventual FMV activity.

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Materially Mentioned Stocks (Ticker, Date, Price)
Alliant Energy Corporation (LNT, 11-Nov-2021, USD 55.31), Equal Weight/Positive, A/CE/D/E/J/K/L/M

Ameren Corp. (AEE, 11-Nov-2021, USD 84.10), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

American Water Works Company, Inc. (AWK, 11-Nov-2021, USD 170.65), Equal Weight/Positive, CE/J

Avangrid, Inc. (AGR, 11-Nov-2021, USD 50.51), Equal Weight/Positive, CD/D/E/J/K/L/M/N

CMS Energy Corporation (CMS, 11-Nov-2021, USD 60.08), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

CenterPoint Energy, Inc. (CNP, 11-Nov-2021, USD 26.77), Overweight/Positive, CD/CE/D/J/K/L/M

Consolidated Edison, Inc. (ED, 11-Nov-2021, USD 77.58), Underweight/Positive, A/CD/CE/D/E/J/K/L/M

DTE Energy (DTE, 11-Nov-2021, USD 112.49), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

Edison International (EIX, 11-Nov-2021, USD 65.22), Equal Weight/Positive, A/CD/D/J/K/L/M

Essential Utilities, Inc. (WTRG, 11-Nov-2021, USD 46.93), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Eversource Energy (ES, 11-Nov-2021, USD 82.51), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

FirstEnergy Corp. (FE, 11-Nov-2021, USD 39.03), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

NextEra Energy, Inc. (NEE, 11-Nov-2021, USD 85.37), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

NiSource, Inc. (NI, 11-Nov-2021, USD 25.09), Overweight/Positive, A/CD/CE/D/J/K/L/M

NorthWestern Corporation (NWE, 11-Nov-2021, USD 58.00), Equal Weight/Positive, CD/CE/J

OGE Energy Corp. (OGE, 11-Nov-2021, USD 34.38), Equal Weight/Positive, CD/CE/J

PG&E Corporation (PCG, 11-Nov-2021, USD 12.35), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

PNM Resources, Inc. (PNM, 11-Nov-2021, USD 48.71), Underweight/Positive, CE/FA/J

Pinnacle West Capital Corporation (PNW, 11-Nov-2021, USD 65.26), Equal Weight/Positive, CD/CE/D/E/J/K/L/M

Portland General Electric Company (POR, 11-Nov-2021, USD 49.88), Underweight/Positive, A/CD/CE/D/E/J/K/L/M

Public Service Enterprise Group (PEG, 11-Nov-2021, USD 62.19), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

SJW Group (SJW, 11-Nov-2021, USD 71.95), Equal Weight/Positive, CD/CE/J

Sempra Energy (SRE, 11-Nov-2021, USD 121.60), Overweight/Positive, CD/CE/D/J/K/L/M

The Southern Company (SO, 11-Nov-2021, USD 63.05), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

WEC Energy Group, Inc. (WEC, 11-Nov-2021, USD 89.04), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Xcel Energy Inc. (XEL, 11-Nov-2021, USD 63.50), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

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DTE Energy (DTE)	Duke Energy Corporation (DUK)	Edison International (EIX)
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November 11, 2021 | 00:19 ET | 00:19 ET~

Utilities, Power & Renewables

Direct Pay Is the Songbird of Its Generation - EEI 2021 Takeaways

Bottom Line:

In general, this year's conference had a more limited set of the company-specific updates with the largest topic of discussion coalescing around the pending budget reconciliation bill, commodity price impacts to customer bills, renewable project cost, and timing due to supply chain challenges and the incremental impacts of upcoming IRPs. Most managements continue to be positive on the elements included in the proposed but evolving legislation but the odds of passage (most likely in December) had a larger distribution with a range of 60-80% given the razor thin Democratic majority and recent Virginia election. Additionally, except for AEP, most company's foresee no material impact from the 15% AMT proposal prior to the impact of any direct pay tax incentives. **Overall investor sentiment was most favorable toward the updates from LNT, XEL, DTE, AEE, NI, EXC, CMS, and DUK. AEP was the primary disappointment given its CAPEX/Equity updates and AMT exposure.**

Key Points

Inside the note we present detailed summaries of all of our 21 meetings, but we highlight the following key positive incremental updates:

LNT — Was one of the biggest potential winners from the reconciliation bill as direct pay and tax credit optimization could drive significant incremental investment.

XEL — Was another potential winner from direct pay possibly significantly lowering its stated equity needs, and we already see potential upside to its conservative 10-year capital program that drives 6.5% rate base growth.

DTE — We were encouraged by the company's rhetoric around their 2022 and 2023 guidance ranges, accelerated decarbonization plans, and MIGreenPower growth and potential long-term tailwinds from EV adoption load growth.

AEE — We believe the commentary around Rush Island was incrementally positive given its modest impact should a rehearing not be granted.

NI — We see NI laying the building blocks for an extension of its growth rate through 2024 by tapping into a robust $40 billion in incremental renewable and reliability capex opportunities.

EXC — EXC's updates around potential lower equity at the utilities, the likelihood of both a nuclear and hydrogen PTC and associated business opportunities at Constellation, high-level asset allocation discussion, and low leverage profile we viewed positively.

CMS — We viewed management commentary around the staff IRP recommendation and updates on the growth outlook associated with its green tariff as both incrementally positive.

DUK — We see increased decarbonizing capital opportunities/growth associated with NC legislation and potential insights into succession planning as the key positive drivers coming out of the meeting.

On the negative side, we believe **AEP's** update was likely disappointing to investors as it is currently one of the few companies in the sector with a negative impact from the ATM provision of the reconciliation bill and investors were discouraged by the reduced transmission spending and likely higher-than-expected equity needs in '24-26.

For disclosure statements, including the Analyst Certification, please refer to page(s) 9 to 11.

IN Fact

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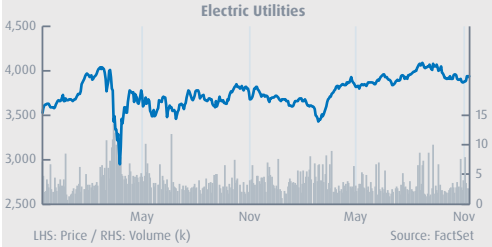

BMO Top 15 List

BMO Top 15 List Member

Dominion Energy (D) Income Stock
Entergy (ETR) Income Stock

Industry Research

Glossary

Individual Company Summaries

Alliant Energy (Market Perform, $56.08) – LNT spoke favorably about the impacts of the reconciliation bill if it passes. Notably, the company should not be subject to the AMT as it falls below the potential $1 billion book net income threshold. If the tax credits are extended and direct pay is implemented, the company could look to reevaluate its $1.1 billion of tax-equity financing in the capital plan, which would increase capital spending and rate base. Furthermore, the company has 600MWs of wind from the 2008-2012 vintage that could be primed for repowering if the company can find a way to utilize the tax credits. We believe that even with some potential equity issuance, the additional spending could nudge the growth rate closer to the top end of the 5-7% range.

Ameren (Outperform, $84.42) – Though management believes that it is too early to put firm numbers around the reconciliation bill, it did offer the opinion that qualitatively there appear to be more plusses than minuses and they see a > 50% chance it gets done. On Rush Island, the company is seeking rehearing, but also preparing alternative plans. We believe that it may not make sense to spend ~$1 billion to add scrubber technology to the plant. We also note that the company is currently long capacity. In the scenario it chooses to retire the plant and securitize the ~$400 million remaining book value, the company will also be able to deploy the securitized balance into renewables spending to help offset the lost earnings. Furthermore, a potential retirement may also require additional transmission/reliability spending as evidenced by the ~$100 million of upgrades required when they closed the Merrimack plant. On the rate case, the company remains optimistic about engaging in settlement talks and notes that issues in the recent SR (not covered) order do not apply to them as their ST debt balances (currently zero on 9/30/21) do not exceed CWIP balances. In terms of positive read throughs from that order, the commission used the subsidiary's capital structure instead of the parent and also used the staff ROE, which would be 9.5% in the AEE MO electric case.

American Electric Power (Outperform, $84.18) – The only apparent current laggard in the sector on with the application of the AMT tax provision even net of direct pay at ($100 million) or 20-30 b/p of FFO/Debt. 2022 guidance range was in line with our $4.85-5.05 preview range ($4.95 midpoint) but $0.03 light of Street's $4.97 and our $4.99. Investors pushing back on the composition of it five-year capex refresh (now '22-26), which while up ~$700 million versus previous plan ('21-25 plan) includes lower ($3.1 billion) transmission spending despite nearly $5.4 billion increase in regulated renewable spending. The $8 billion of regulated renewable investments reflects a risk-adjusted view by management of the company's ownership in the projects or approximately 50% depending on jurisdiction. The flattish capex rollforward reflects a facilitated shift in capex buckets we believe was telegraphed by the company in an effort to continue to improve its balance sheet and supports a 7.3% rate base CAGR. While investors prefer transmission spending due to higher ROEs/equity layers/low business risk, management was clear the shift did not reflect a change in investment opportunity but more so the company's effort to preserve credit quality and any decreases other spending could be filled in with an increase in transmission spending. On the balance sheet the company gave five-years of financing/cashflow guidance versus its traditional three-years which shows about $600-700 million of equity/year (all ATM-related) in 2024-2026 which was consistent with our expectations to continue to improve its credit metrics but higher we believe than investors views. External funding creates ~1.5% drag to growth that with the 7.3% rate base CAGR implies ~6.0-6.5% EPS growth. Management continues to expect to be in the upper half of its 5-7% growth rate with an improvement in ROEs (30 b/p) and the benefit of improved authorized equity layers at their regulated opcos the path to achieving their upper half of the range growth objective. Some investors expressed concerns that the company's consolidated 60% leverage target could create risk on the regulatory front relative to its recent authorized regulatory equity layers ranging from 43-55% (51% on average). However, parent debt as a percentage of total debt remains in the 22-23% range (target of < 25%) supporting its BBB/Baa Stable rating.

CenterPoint Energy (Market Perform, $26.58) – Management continues to highlight the incremental investment that is not currently included in its current $40 billion, 10-year plan ($1 billion of reserve capital). With no incremental equity contemplated in the current plan which drivers NT EPS growth at 8% and rate base growth at 9%, any incremental opportunities further solidify this premium outlook including: 1) accelerated undergrounding and grid hardening in Texas. With only 35k of over 550k miles currently addressed and each day of outage representing 1.5 billion in GDP, there is a real incentive to continue to add to resiliency; 2) transmission upgrades and mobile generation provided for under the recently passed Texas legislation; 3) expanded and accelerated EV infrastructure rollout to help facilitate the already 1.3% in incremental load growth the company (and now other utilities) are seeing from a 25-30% parabolic adoption of electric vehicles relative to new car sales; and 4) potential expansion of renewable deployment in Texas. Management continues to see strong reverse inquiries on its remaining natural gas LDC but will look to monetize incremental assets subject to capital plan equity needs. On natural gas prices the company sees its current portfolio at ~$4.00/MMBtu with the average residential bill in TX and MN at about $30 and $70, respectively. Taking its cue from ET and ENBL the company still sees the close of its ENBL by year-end and its plan to exit its remaining midstream exposure by YE2022 remains on track with the announced forward sale and an expeditious disposition of the ET convertible soon after close given the liquidity in the market.

CMS Energy (Outperform, $60.89) – CMS does not see a material impact from any passage of an AMT provision in the budget reconciliation plan given the sale of its EnerBank subsidiary in 2021 (three-year average) relative to the $1 billion net income threshold contemplated in the current draft and the ability for renewable tax credits to offset up to 75% of any minimum-related tax liability. The company feels the staff recommendation in its 2021 IRP is "supportive" given the endorsement of a regulatory asset treatment for the retiring coal assets, a higher potential renewable ownership structure (> 50%), and the ability to buy out PPA's after year 10 of its 15 year life. Settlement remains a possibility with the parties likely having to come to a consensus on the acquisition cost of the DIG & peaker assets (market option relative to carrying value) and the retirement timing (later retirement) and ultimate replacement portfolio for the Campbell 3 coal plant (which could have a higher heat rate/fuel cost). Finally, customer demand remains extremely robust for its voluntary green tariff program which with four different options to customers could be additive to the current plan and bolstered by a solar PTC. The company now sees nearly 1GW of demand potential in the 2024-2027 time frame

Dominion Energy (Outperform, $75.68) – EEI updates were generally quiet for D following the triennial review settlement and offshore wind updates on the 3Q call. On the political front, the company still expects to be able to work constructively with Governor-elect Youngkin and that the offshore wind projects and attached economic development should continue to be viewed favorably, though the beginning of the legislative session must be watched as always even with additional seats flipped republican. Lastly, we note on the offshore wind LCOE, D's estimate includes additional strategic onshore transmission upgrades to tie into the 500KV system and thus the capital costs per KW may not be apples to apples with other projects given the onshore work.

DTE Energy (Market Perform, $113.17) – Very confident in its 2022 EPS guidance ($5.70-5.97 – $5.84 midpoint or 6% growth versus the Street at top end at $5.94 given company history or beating and raising) and are derisking its 2023 actively right now. The company sees building blocks that can push its growth to the top end of its 5-7% growth range, which makes DTE shares screen incrementally attractive (5-7% cheap) to it peers. DTE Electric will its file next IRP in October of 2022 which will finalize its retirement and conversion of its Belle River coal plant and will address the accelerated retirement of its 3GW Monroe plant. We would expect the company to move forward its retirement date to the early 30s from 2040 (~$2.5 billion undepreciated rate base) now which should provide incremental renewable opportunities as the plant transitions to a non-fossil, voltage support role. In total management sees 5-7GW of renewables, 1GW of battery storage and 1GW of gas CCGT's. In total the company's sees its capex plan leading to only 2.5-3.0% increases in customer rates through its forecast period when combined with its lean O&M cost program. Utility capex increased $1 billion with five-year

refresh; however, the company still sees a $40 billion investment opportunity over 10-year period with $35 billion of this ('22-31) including clean generation, grid resiliency and the balance tech and base infrastructure with EV adoption driving upside. DTE Vantage growth still pegged at ~$15 million a year with some assumptions of asset optimization in embedded in its '22-26 time or $160-170 million of net income by 2026. The traditional three-year financing plan continues to assume no equity in 2023 or 2024 and AMT is not expected to be a major impact but provisions including direct pay and/or a nuclear PTC in the reconciliation bill could add $75-150 million in cash flow. Like CenterPoint management, the company is bullish on the accelerating impact of EV adoption with each personal vehicle representing almost one-third the demand of a normal household hold, which could create significant headroom in rates through high-margin, top-line growth even before the impact of commercial and industrial fleet transitions and transportation sector adoption.

Duke Energy (Outperform, $101.62) – Management continues to see the passage of HB951 as strengthening and likely enhancing its 5-7% (6% midpoint) growth rate and should be in a position in early 2022 to better refine the impact and timing of its revised $60-65 billion of 22-26 capital plan with a final portfolio decision and cost clarity with the NCPSC final order in December. However, as the company works through its CMR process with stakeholders we believe the company could be in position to further refine the potential upside at an analyst day in mid 2022. The company remains open to looking at all forms of financing alternatives to meet any incremental requirements including equity, convertibles and asset rotation including its current Commercial Renewables segment. Discussions with Elliott are ongoing and we would hope if it can reach an agreement with management the company could also address longer-term succession planning within the company with any change at the board level. We believe the company's management transition planning has been ongoing and at least one if not two internal candidates have been identified as likely candidates to setup over the next several years across multiple positions in the company's C-Suite.

Entergy Corp (Outperform, $103.44) – ETR's EEI presentation provided its traditional updated three-year capex forecast which continues to support its 5-7% growth rate. With the update ETR re-instated its 2024 range which was unchanged at $6.95-7.25 despite ~$1 billion of lower capex in 2024 likely reflecting the lower expected equity needs. The company's 5-7% EPS growth remains unchanged and with this quarter its DPS growth is now aligned with earnings growth as the company had discussed. The five-year capital plan ('22-24) is now $11.7 billion, which while only up modestly ($100 million versus the '21-23 capital plan) remains focused on resiliency, reliability and decarbonization (49% Distribution ($5.7 billion), 33% Generation ($3.9 billion – Mainly Solar & H2 capable generation), 18% Transmission ($2.1 billion). However, management also further outlined additional and visible upside to the current plan (as foreshowed on 2Q/3Q call) with $5-15 billion of resilience acceleration spending through 2030. In addition to the resilience spending, the company highlighted several customer-driven opportunities including: 1) Opportunity to help customers hit scope 1 emissions – 30TWh addressable market; 2) Sees 1.7GW of green tariff opportunities across 25 customers (petchem, manufacturing, tech, retail, metals and healthcare) – more renewable capex; 3) Outlines 2.2GW of renewables by 2024 with ~50% owned by ETR or more modest $700 million of investment (investors likely to have expected more in NT); and 4) 8.5GW of more renewable opportunities '25-30 with utility owning 75% – cadence of spend yet to be defined. Regarding its resiliency programs the company hopes to have additional clarity on this investment opportunity over the next six months as the engage with stakeholders to build a consensus that balances interests. Additionally, the company sees very robust load growth drivers through additional electrification investments in the latter part of its '20-24 program, which could accelerate materially (130TWhs/12GWs) into the 2030 time frame as the company helps customers address Scope 1 emissions reductions especially in LA and TX.

Evergy (Not Covered, $64.69) – Our meeting with EVRG focused on the long-term plan. Management remains in execution mode and meeting their guidance targets. In the near term, that includes O&M reductions and efficiencies to help drive EPS growth of 6-8% with 5-6% rate base growth. Over the longer term, it continues to see a robust opportunity for decarbonization spending, which it

believes may help EPS and rate base growth converge over time. Furthermore, the company sees coal declining from 30% of rate base in 2020 to 19% in 2025 with a net-zero carbon target in 2045. The company has rate cases in MO and KS in 2022 and 2023 but note that the cases are more blocking and tackling and that the requested capital recoveries will have been previewed in both states in the STP workshop processes. Nevertheless, it remains focused on achieving constructive outcomes for all stakeholders and continuing to build a track record.

Eversource Energy (Outperform, $83.74) – We believe that the year-end update is shaping up to be positively skewed for ES. The company could have clarity on its AMI and new grid mod programs in MA ahead of the capital roll forward and possibly in CT as well, though the latter remains less predictable on timing. ES also has teased out the possibility for additional transmission spending on the year-end call. We expect that incremental transmission spend in NH would be reliability focused with assets coming to the end of their life and spend in MA/CT will be a result of interconnection for renewables. The biggest update on the call will be the roll forward on the growth rate. We believe at this point the company is leaning toward leaving Revolution and Sunrise wind out of their core EPS growth rate and still supporting the upper half of their 5-7% EPS growth rate. We also believe that the company intends to provide some indication of the financial impact/upside from the offshore wind projects, but the specific type of information to be disclosed is still under consideration.

Exelon Corp (Outperform, $54.45) – While acknowledging the energy side versus the social side of CBO scoring is easier, management remains constructive on the potential for the passage of budget reconciliation legislation in the December time frame with potential benefits to the Constellation side of the house should we see the incorporation of a nuclear and/or hydrogen PTC. Constellation continues to look forward at cultivating new business opportunities with recent announcements including a hydrogen partnership with NEL as well as an investment in Rolls Royce who is continuing to develop modular nuclear capacity for the U.K.. The equity requirement for its Exelon Utilities could be lower than the initial $1 billion that was outlined at the time of the split given performance at ExGen including a special dividend with more details coming at an Analyst day post the corporate separation. Longer term, management views its investments at Constellation Energy Ventures as non-core and a source of cash available within its yet-to-be defined asset allocation strategy at Constellation post spin. On the M&A front EXC acknowledged it is still evaluating the sale of its ERCOT CCGT fleet as well as adding to the Constellation portfolio over time including other nuclear facilities or complimentary assets. The company remains optimistic on a settlement in NY regarding the spin of Constellation with the primary intervenors (AG, Staff) focused on ExGen investment grade balance sheet and keeping the assets open and extending their useful life including potential economic development with the application of hydrogen (has DOE-funded pilot at Nine Mile Point).

NextEra Energy (Outperform, $85.20) – While still tempering odds of passage before the end of the year due to normal political dysfunction, NEE is likely the largest beneficiary of the passage of the budget reconciliation. With the extension of existing wind and tax credits enhancing the relative affordability of its renewable products ($10 billion on the regulated side), the creation of a solar PTC open new repowering opportunities (very positive for NEP) and the creation of stand-alone storage and hydrogen tax credits could further accelerate renewable deployment and management believes it could put storage on nearly every one of its existing portfolio assets. NEE once again highlighted that it has 1.7GW of solar panels in inventory that are safe harbored giving it a competitive advantage in what is currently a supply-chain constrained market. The applications and market opportunity associated with the codification of a $3/kg hydrogen PTC would allow the hydrogen market to explode as NEER continues to find new market opportunities on the C&I side for its renewable products (ammonia/refiners) as it provides cost effect solutions for its deep customer relationship base. Management envisions building a terminal network for hydrogen to facilitate its adoption and opening logistics for its usage. Under this PTC scenario the company sees green hydrogen from solar + storage as more competitive (~2c) than pink hydrogen (~5c). Additionally, this could accelerate the development of the application of hydrogen blending through the retrofitting of gas plants as the next step to the

longer-term, final solution for taking carbon out of the power supply stack but there still remains a longer tail to this solution. Management could see the company playing a part in nearly 100% of the supply chain on the transportation side as hydrogen evolves with the exception for refueling (ergo gas stations). As discussed in an October set of meetings, the company sees an expanding opportunity in residential solar albeit on the financing side (fin-tech 15% of the market) where it could build a loan portfolio book through providing financing solutions.

NiSource Inc (Outperform, $25.31) – The company feels confident in the its ability to not only execute on its 7-9% EPS CAGT through 2024, but it is beginning to lay the building blocks for an extension of their growth rate beyond 2024 through tapping into a robust $40 billion in incremental renewable and reliability capex opportunities. Gas and electric infrastructure/reliability spending through its tracked recovery mechanism which has a long and accelerating runway through the end of the decade in addition to its upcoming additional renewable investments. We will get a final ownership percentage of its $750 million IRP spending proposal in IN to retire its remaining coal in 2022 and the company is optimistic it could own 100% of this new portfolio. We look for an Analyst Day sometime in 2022 where the company will lay out the next leg (post 2024) of growth for the company which should provide an upward bias its 5-7% growth rate.

Pinnacle West (Not Covered, $64.53) – Conversations with PNW mostly focused on the recent rate case outcome and regulatory strategy going forward. PNW plans to file an appeal for the partial disallowance on the Four Corners SCR. Management also plans to file another rate case in the first half of 2022 with expected resolution in 2023. It hopes that without the unique circumstances surrounding the last case plus at least one new commissioner, it will be able to reach a more constructive outcome. Furthermore, they highlighted the investment underlying the next case will be clean energy and growth investments rather than more politically charged coal investments. Even with the lower 2022 guidance range, management remains committed to growing the dividend and having a long-term payout ratio in the 65-75% range.

PPL Corporation (Not Covered, $28.78) – PPL remains focused on closing their announced acquisition of Narragansett Electric. Management reiterated that the procedural schedule has a 2/25/22 target decision date and that RI has a no-harm standard for M&A transactions. The company reiterated their focus on B/S strength and maintaining FFO/Debt metrics in the 16-18% range, which is where it sees the high-quality names in the universe. On the decarbonization front, the company notes that its last rate case provided them rider-recovery over a 10-year period and full cost of capital for early retirements. After completing the Narragansett Electric acquisition, the company plans to have an analyst day where it said it will more fully discuss capital allocation including organic capital opportunities and share buybacks that is consistent with peer growth.

Public Service Enterprise Group (Market Perform, $62.72) – PEG recently filed its Infrastructure Advancement Program to spend $848 million over four-years. The plan pulls forward more traditional reliability/replacement programs in effort to stimulate the economy and provide jobs. While we expect some level reduction from the ask in the final approved program, we do believe the proven nature of the programs and importance of economic stimulus should drive a constructive outcome. The company remains bullish on the nuclear PTC passing as part of the reconciliation bill and we note that the federal payment would have the added benefit of displacing the NJ ZEC program, which would provide additional regulated rate headroom. Lastly, though Senate President Sweeney was instrumental in the formation of the ZEC program, we believe his loss in the mid-term elections should not be a major setback given the state's continued infrastructure and decarbonization focus with Governor Murphy's reelection.

Sempra Energy (Market Perform, $124.61) – After a very modest set of updates into 3Q21, SRE's EEI was similarly quiet. Any AMT provision if enacted in the budget reconciliation bill would likely represent a modest impact to the company's overall financials. The company continues to guide 2021 to the "upper end" of $7.75-8.35 versus BMO at $8.15 and its 2022 outlook was also reaffirmed at $8.10-

8.70 ($8.40 midpoint) with BMO/Street largely there also $8.55/$8.45, respectively. Management discussed in a bit more detail its traditional Fall update at Oncor where it raised its capex by ~$1 billion to $15 billion over the '22-26 period while still preserving an incremental $775-1,250 million of upside opportunities. This was the second increase in 2021 (2Q21 update raised the '22-26 outlook by $1.8 billion) and continues to demonstrate the robust growth opportunities at the company's Texas segment tied to premise growth (2%) resiliency, storm hardening and underlying organic growth in its service territory. The new four-year capital plan which represents about 67% growth capex overall and is 97% tracker eligible can be broken down into ~55% transmission-related, 40% distribution and the balance spent on IT/Technology. In CA we are looking for a scoping memo next in SDG&E's off-cycle cost of capital application with the CPUC, which would not increase customer rates and has an expected decision in 1H22. If the application is not accepted by the CPUC the company's Cost of Capital Adjustment Mechanism (CCM) would become effective on 1/1/22 and automatically reduce SDG&Es ROE to 9.62% from its current 10.20% level. If triggered, the 1/1/22 change would reflect an update in the cost of debt based on actual costs and the authorized ROE would be adjusted by one-half of the difference between the actual interest rate and benchmark rate. SRE believes the risk to any CCM trigger is in the $0.05-$0.10 range at SDG&E in 2022 as it manages its O&M into any impact and therefore remains confident in meeting its recently initiated guidance expectations.

Southern Company (Market Perform, $63.86) – The company appears to be well down the path on the process for potential asset sales after receiving some reverse inquiries following their 2Q21 call. Compared to previous conversations, the company's definition "core versus non-core" appears to have changed slightly with all of the regulated utilities falling into the core bucket at this point. Still, while it did not commit to a firm number, the company referred to the total amount of the available ancillary assets/businesses as significant. Furthermore, the recent renewal of the ATM was simply a preference for always having one available and not an indication of planned equity issuance. The rhetoric on Vogtle was the same as the recent call with additional confidence/hopefulness around the new schedule as the company has now completed the walk through of all rooms in the nuclear island. The biggest challenge likely remains completing the identified electric work rather than finding additional work. On the fleet transition, comments also echoed the call with the company poised to revisit its capital plan during the year if material changes occur from the AL and GA IRP processes. In the long-term and out-years of the plan, these processes seem poised to solidify the company in their 5-7% long-term growth rate and they remain committed to its $4.00-4.30 2024 range. At this point, the focus remains on arriving at the 2024 range more than the specific path to get there as near-term impacts of any Vogtle ROE penalties should alleviate themselves when the units go into service.

Xcel Energy (Market Perform, $64.39) – Management continues to be cautiously optimistic on the potential passage of reconciliation bill, possibly in the December time frame, and note that the tax credits appear to be a relatively uncontroversial portion of the bill. Nevertheless, the company's base plan does not assume that the bill passes, but direct pay could significantly reduce its equity needs and the entire package inclusive of the AMT could still increase FFO/Debt by 75-100bps. The company disclosed a 10-year capital plan with $36-40 billion of spending in the 2027-2031 time frame that supports a base 6.5% rate base CAGR. However, the plan notably excludes PPA buyouts and wind repowering opportunities that should become even more attractive if the tax credit extenders get passed. The PPAs can occur anytime throughout the plan, but we expect repowering opportunities to be focused on the 2027-2031 time frame, about 10-years from XEL's wind buildout. On the regulatory front, we note that recent comprehensive settlement in CO could allow for more productive settlement talks on the IRP and rate case in the Thanksgiving and year-end time frames.

WEC Energy Group (Not Covered, $90.64) – Management sees the AMT provision of the reconciliation bill as a modest drag at $10-20 million headwind to operating cash flow, but direct pay would provide an offset and potentially provide additional investment opportunities to support its 6-7% EPS growth rate. The company also discussed its recent announcement to eliminate coal as an energy source by 2035. It plans to seek approval from the PSC after receiving environmental permits for the

coal to gas conversion. The conversion would be in phases with 30% gas fired generation in the next 1-2 years, 60% by 2030, and 100% by 2035. Notably, management said the company will receive recovery for the capital expenditures under the original terms of the lease, preserving the 12.7% ROE on the project.

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Hold	Market Perform	46.5 %	21.5 %	39.3 %	44.0 %	38.7 %	37.5%
Sell	Underperform	1.3 %	57.1 %	3.0 %	1.4 %	1.3 %	4.8%

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US Electric Utilities & IPPs

The 'Guess Who's Back?' 2021 EEI Q-Bank: Our Tough Questions List

Industry Overview | 04 November 2021 | (Corrected) | Equity | United States | Electric Utilities

Key takeaways

- Key questions for EEI Conference are inflation, renewables supply chain, Federal infra bill, activism, & regulatory.
- Positive updates: AEE, BKH, CMS, EVRG, FE, IDA, NEE, NI, POR, & WEC. Cautious: AGR, AVA, AWK, DTE, EIX, DTE, MDU, NWE, & UTL
- Top picks include value (AEP, D, ETR, FE, NI, SO), premium (AEE, CMS, XEL), diversified (AES/NEE), & SMID (BKH, MDU, POR)

EEI: Edison Electric Institute

Key Questions for our EEI Conference

Ahead of our meetings at the EEI Financial Conference November 7th to November 10th, we present questions for the companies listed below. There is no shortage of topics discuss. We see the core issues as: 1) Energy commodity inflation and bill impacts; 2) supply chain and overall logistical impacts; 3) opportunities from the Federal infrastructure bill related to clean technology, transmission, balance sheet, etc.; 4) trend of shareholder activism in the sector with high profile examples in 2021; and 5) upcoming regulatory proceedings after eventful 2021 in Arizona, Ohio, Virginia, and Connecticut to name a few.

What's reflected in the Q-Bank? Quick Snapshot

Companies reflected in the Q-Bank include: AEE, AEP, AES, AGR, AVA, AWK, AY, BKH, CMS, CNP, D, DTE, DUK, ED, EIX, EMA, ES, ETR, EVRG, EXC, FE, FTS, HE, IDA, LNT, MDU, MGEE, NEE/NEP, NI, NWE, OGE, PCG, PEG, PNW, POR, PPL, SO, SRE, TA/RNW, WEC, WTRG, XEL.

What has stood out so far during earnings?

While earnings season is still ongoing, we o highlight some of the more constructive and cautious updates across our universe. 3Q in particular showed a more pronounced than usual bifurcation with several companies reducing guidance.

Positive updates (+) **AEE** - 3Q beat/FY21 raise, **BKH** - 3Q beat/FY21 raise and LT capex increase, **CMS** - 3Q beat/FY21 raise, **EVRG** - 3Q beat/FY21 raise, **FE** - Ohio settlement & 3Q beat/FY21 raise, **IDA** - FY21 guidance increase & capex upside, **NEE** - renewables originations, **NI** - FY22 guide above Street/BofA, **PEG** - 3Q beat/FY21 raise, **POR** - capex upside, **WEC** - LT EPS CAGR increase and 3Q beat/FY21 raise.

Cautious updates (-) **AGR** - Renewable delays/no origination, PNM risk, & NECEC referendum loss, **AVA** - FY22 guidance cut, **AWK** - LT EPS CAGR cut and FY22 guidance below Street/BofA, **DTE** - FY22 guidance below Street/BofA, **EIX** - higher wildfire liabilities and FY21 guidance cut, **FTS** - LT dividend risk moderation and slowing rate base growth, **MDU** - FY21 guidance cut, **NWE** - capex moderation, and **UTL** - 3Q miss.

Opportunities aplenty across the subsectors

We reiterate our Buy ratings on top picks; in our view these names are well positioned for outperformance in 2022. We still generally prefer regulated value including **AEP, D, ETR, FE, ETR, NI, and SO** but there are select opportunities among the premium high P/E equities such as **AEE and XEL, all of which are based on favorable risk/adjusted return profiles**. Diversified leaders **AES and NEE** remain well positioned to continue adding renewables with a favorable backdrop of energy inflation and pending Federal infrastructure bill. Within SMIDs **BKH, MDU, and POR** standout relative to peers due to overly discounted valuations. Lastly **Exelon (EXC)** is a unique opportunity with favorable regulated and un-regulated valuations ahead of the key 1Q22 targeted spin-off.
Please see here for a link to our discussion of premium, value and SMID classifications. (https://rsch.baml.com/r?q=bm8uSEJpfFshEUiceO14ig)

AES Corp (AES)

- How are you thinking about the pro forma portfolio over the intermediate term as you continue to reduce fossil exposure and focus on renewables?
- Can you talk through latest supply chain trends and ability to secure components? Do you see any projects at risk of meaningful delays? What kind of de-commitments from suppliers have you seen thus far?
- Can you walk through the latest developments in Chile and the key priorities for your business in the country in 2022 and beyond? How are you thinking about the potential impact from Clean Energy Legislation?
- How would you frame the impact to AES from provisions included in the Infrastructure and reconciliation bills as currently proposed?
- Can you discuss latest prospects in Hawaii and potential repowering opportunities? What is the timeline for developments from here and what are the key considerations? How much contribution would you expect repowering to drive relative to your assumptions?
- Can you discuss latest hydrology trends and earnings sensitivities?
- Following the latest extension of Redondo Beach, how are you framing the impact relative to your guidance and how what do you expect in terms of the future of the plants in California given latest resource adequacy concerns?
- Do you have any updates around the Hydrogen feasibility study? How should we think about potential contribution if a constructive outcome is reached and further efforts are pursued?
- How are you framing timing of further asset sales against the latest market backdrop? What levers do you have to offset any EPS dilution from further accelerating the transition out of coal?
- Can you discuss the key drivers of your LT guidance? What are the puts and takes to get you to the high end of the range and the lower end of the range, respectively? Where do you see yourself as trending right currently?
- Can you walk through your financing plan over the next several years?
- How do you frame the longer term risks around emerging market economic budgets - and risks of associated impacts to utility & IPP policy?
- Can you walk through the latest utility developments? How should we think about long term prospects and consolidated contribution for the subs?

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- Can you talk about your credit metric goals longer term now that you have achieved an Investment Grade rating for the first time? Can you walk through where you look to deploy cash over the next several years?
- Since 2011, you have simplified your global footprint meaningfully from 28 countries. Going forward, where do you look to establish or grow your presence and which countries would you be looking to exit longer term?
- Can you discuss your latest targets for annual renewable deployment? Can you walk us through your backlog and which projects and regions you are seeing as the most exciting?
- Can you provide an update around your strategic alliance with Google? How should we think about further value creation from the partnership?
- Can you provide an update around latest developments at Uplight? How should we think about the prospects going forward?
- Discuss the latest **LNG** developments in Vietnam and elsewhere. How should we think about earnings contribution for both the discrete projects and longer term opportunities in LNG?
- Can you walk us through the latest **PPAs** you have signed? What type of economics do these projects command?
- Discuss your current **FX sensitivities** relative to where rates stand today.

Alliant Energy (LNT)

- Please discuss the key drivers of your 2022 EPS guidance. What factors will determine whether you deliver at the low or high end? What level of earned ROEs are embedded in the near-term guidance?
- What are the key priorities of your rolled-forward capex plan through 2025? Is the renewables generation capex all backed by specific project or do you include any unallocated spend?
- How would you characterize the opportunity to invest in undergrounding of electrical distribution lines in your service territory? Is this an area you can accelerate given increasingly severe weather?
- Are you seeing any delays in solar projects due to supply chain or other issues? What level of inflationary pressures are you seeing?
- What is the expected capex associated with the 200 MW Duane Arnold Solar Project with 75 MW of battery storage? Will you be utilizing a tax equity partner in the transaction? What ROEs have solar projects garnered in Iowa under advanced ratemaking in the past? In addition to the purchase of the Duane Arnold solar facility are you considering developing other sites or would you consider purchasing from developers?
- Can you quantify the upside opportunity from Direct Pay if included in a final infrastructure bill? What would be the expected impact on your consolidated credit metrics?
- When are your next expected rate filings in both jurisdictions?
- Please give an update on the proposed WI solar build that is currently in front of that state's commission. Is the process moving ahead as expected?
- Do you have block equity needs in your current long term forecast?
- Are most of your expected cost reductions in coming years related to fuel cost savings from retiring coal assets? What other reductions are you targeting to reach the goal of 3-5% savings?
- What is your expected average bill impact on $/month or percentage basis this coming heating season? How is this expected to drive conversations with regulators on spending initiatives looking ahead?
- Do you have opportunities in wind repowering? How many MWs and over what time frame could these materialize?
- Are you evaluating any opportunities for renewable natural gas (RNG) or hydrogen pilots?
- Have you evaluated the feasibility of additional coal-to-gas conversions as you are planning with Burlington given the low level of capex required?

Ameren (AEE)

- Please share your views on the proposed multi-year plan (MYP) ratemaking mechanism as proposed by the recently passed IL energy legislation. Do you intend to opt in to this mechanism?
- How do you view settlement prospects in the pending MO Electric rate case? Are there read-throughs from the recent Spire rate case? Why and why not?
- Please provide an operational update on the High Prairie Wind facility. Do you intend to curtail operations at night to limit harm to endangered species? How could this impact the recovery on this asset?
- What is the timeframe for resolving the Rush Island Clean Air Act proceedings? Are you challenging the recent court decision? When would an amended version of your Missouri resource plan potentially be filed?
- How has the stakeholder process around your MO resource plan developed? Have you received pushback on your proposed renewable generation build or proposed timeframe for existing coal?
- Have you evaluated a faster exit from coal generation given the trend toward decarbonization across the industry and customer bill benefits from lower O&M and fuel savings?
- What is the latest update on the MISO long-term planning process? Do you have an estimate of when the initial project announcements will be announced?
- Do you view North-South or East-West transmission opportunities in the MISO footprint as more significant as you look toward the second half of your 10-year plan?
- How much upside in the back half of the existing 10-year plan could you see from the MISO long-term planning process under the various 'Futures' scenarios?
- What latitude do you have to reduce O&M at the utilities in 2022 and beyond?
- What level of sales growth do you expect to see over the next several years? How are these split between customer additions and load growth?
- Have you seen results or updates from the Federal-state task force on transmission planning, siting, and cost allocations? What are the key issues the task force will be addressing?
- What are the key levers that you have for determining where in the 6-8% EPS long-term CAGR range you will achieve?
- Do you have latitude within your financing plan to accelerate capex beyond that proposed in the latest 5-year look?
- How are you managing customer bill impacts during the upcoming heating season? Do you have estimates on a $ per bill or % of bill basis for an average bill increase?
- How would you characterize your regulatory relationships in both MO and IL?

American Electric Power (AEP)

Kentucky Power Sale & Financing

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- How do you view the pro forma business following the Kentucky Power sale beyond the one year of accretion that you highlight?
  - How do you view the balance sheet going forward? Baa2 rating with a low downgrade threshold of 13%.
  - Have you had discussions with the regulators and other stakeholders in the state? How do you perceive their openness to a transaction?
- There continues to be ongoing equity needs with the business as you are investing in more renewables and transmission. How should we think about further non-core asset divestment?
- Can you give an update on Traverse (North Central Wind project)? The timeline moved from Dec.-Apr. to Jan.-Apr. What was the driver of the shift? When do you expect that you will be able to further narrow the range?
  - If there is a gap between when Traverse enters in service, how should we think about financing? Short-term debt at the parent?

Financials - capex & FY22 EPS Guidance

- What are some of the moving pieces within your guided 2022 EPS range? How do you think about contributions outside of core Operating utilities within the range & how does this trend in your updated view of long-range plan? Is it still roughly a flat contribution?
- Can you discuss how much of the updated capital plan is low-risk capex vs renewables projects that still need approval?
- What are upside opportunities not included in ratebase / capex projections?
- Discuss your projected resource additions for the next decade. How much of the capacity is already built into the plan, and how much is from IRPs not currently included in the budget?
- Can you describe your O&M cost reduction efforts?
- What would get you to the upper end of the 5-7% LT growth trajectory?
- How do you see future returns for the renewables development business?
- Can you discuss opportunities within the reconciliation bill? Anything specifically that you would highlight as particularly constructive or supportive of additional investment in the business? Particularly in transmission?
- How do you see future returns for the renewables development business?
- How do you see the prospects for more **grid** modernization growth opportunities?

Regulatory

- What is the status of the AEP Ohio rate case? What is driving the delay? Any risk that this gets further pushed out?
- What are your expectations around pending rate cases: I&M Indiana, SWEPCO TX, AR, and LA, PSO? Any sticking points or pushback from interveners?
- When should we be expecting an update on the Appalachian Power Co. (APCo) VA rate case appeal? Could the recent Dominion settlement be a factor here at all, or on your thoughts on the regulatory construct in the state?

Other Financials

- Can you discuss your anticipated FFO/debt trajectory?
- Can you address your LT dividend ratio policy?
- Can you discuss how your earned ROEs are tracking vs. authorized levels? How do you think about expanding equity thickness across utilities further?

American Water Works (AWK)

- What do you view as the key upside/downside drivers for the 7-9% **LT EPS** trajectory that you recently narrowed at your latest Analyst Day?
- Can you discuss the latest roll-forward? Where do you see the most opportunities to deploy capital longer term?
- Where do you see supportive policy in terms of Fair Market Value (FMV) legislation? Accordingly where are you most focused for inorganic growth opportunities via regulated tuck-ins?
- Given your renewed focus towards regulated and regulated-like business, what are the key states you may be looking to expand operations where you don't currently have a presence?
- Can you talk about your decision to divest of your Homeowners services business? How does the revenue sharing mechanism work?
- The Environmental Protection Agency (EPA) recently laid out a roadmap with plans to establish a national threshold around PFAs and emerging contaminants. How would you frame any risks or opportunities?
- How would you frame the impact to AWK from water provisions included in the Infrastructure and reconciliation bills as currently proposed?
- How do you think about equity needs for inorganic growth opportunities? How should we think about the cadence of when you will issue the $1.1Bn of equity in the latest plan?
- How do you expect the unregulated business to trend as a percentage of your overall business mix given the plans to divest HOS? How do you think about growth for this segment going forward?
- Discuss your current pipeline for Military Services and how we should be thinking about potential contract awards over the next few years following the latest wins? Are there any opportunities to keep an eye on that you see as potentially materializing in the nearer term?
- Can you talk broadly about the Water Quality Accountability Act and what it has done for your business?
- How are you thinking about your potential tax payer strategy going forward? How does this change under any provisions in the latest bills being proposed?
- Are there any particular regulated acquisitions that are not meeting your criteria at this point in time? Please also discuss your appetite for regulated acquisitions looking out the next couple of years.
- How should we think about further divestitures after your earlier decision to sell NYAW? Can you provide an update on expectations for the timeline of the sale given developments in NYS as of late?
- Are you able to provide any additional color on your pending acquisitions?
- Can you touch on your pending rate case requests and expectations?
- Please comment on your relationships with the regulators in your various regions
- Where do you see overall ROEs trending over time?
- How are you viewing overall O&M trajectory & continued headroom?
- How should we be thinking about further potential diversification?

Atlantica Sustainable Infrastructure (AY)

- With a limited *disclosed* **pipeline of opportunities**, how do you view the risks of cost inflation pressures and supply chain delays?
  - How do you see the impact on CAFD yields and dropdown/acquisition growth for 2022-2025?
  - How can you mitigate some of the risk?
- Given your elevated **international exposure** vs. peers, where do you see CAFD yields trending today across the various regional markets and asset classes?

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- Discuss **growth prospects** on a regional basis as well as by asset type. Where are you seeing the opportunities in the near term as well as longer term?
- How do you think of your guidance for **CAFD/share growth target of 5-8% CAGR until 2024**? When do you expect to provide an update?
-
- How have you trended in 2021 relative to your **$300mn annual investment target,** and do you still see this target as achievable in 2022/2023+ as market dynamics shift?
-
- How should we think about driving factors for 2021/2022 **CAFD and EBITDA**?
    - For 2021, what could drive the high vs. low end of the $820-860mn EBITDA guidance range? (e.g. renewable production, FX impact, Kaxu/ACT maintenance, acquisition timing, etc.)
- In light of the **reconciliation bill** with multiple tax credit extensions and introductions, how do you view your strategy for growth in the U.S.?
    - Is there potential for acceleration, and which markets appear most intriguing?
- Provide an update on the **Spanish assets** including any potential impact from the **European energy crisis**. How are your facilities positioned in terms of the recently introduced regulations?
    - What upside exposure, if any, do you have to energy price volatility?
- What are your expected **financing costs** for future deals? Discuss demand in the market for green bonds and your anticipated cost of capital.
- How do you view **Algonquin's** role as a sponsor?
    - Can the La Sierpe dropdown be viewed as an indication of an improving relationship with Algonquin? Could there be scope for more sponsor ROFO dropdowns?
- What kind of role do you see AAGES (Algonquin Atlantica Joint Venture) playing in AY's growth? You had previously stated that AAGES would not be a meaningful contributor to growth in the near term. Can you discuss the timing expectations for AAGES opportunities?
- Can you provide an update on delayed payments from Pemex on ACT?
- How do you expect Kaxu to impact 2021/2022 CAFD performance?
- Discuss your strategy for corporate debt targets.

Avangrid (AGR)

- Can you describe some of the upside opportunities to the plan such as incremental utility capex, independent transmission, etc? Can you frame the magnitude.
- Can you provide more color around what drove the recent delays for planned renewable projects into '2022-2023' CODa vs. prior granular disclosures?
- How comfortable are you with your ability to achieve the 13.2 GW target by 2025 vs. ~8 GW installed today? This would appear to imply ~13-14% annual MW growth vs. the historical ~8% CAGR for 2016-2020. With ~1.8 GW already disclosed in the pipeline (1,100 MW solar PPAs, 300 MW wind PPAs, 400 MW offshore) through 2025, that would imply an additional 3.4 GW needed over four years of over 800 MW/year.
    - How are planned offshore projects reflected in this MW growth target vs. EPS guidance?
- How do you view the potential upside from the reconciliation bill? Is this already implied in the 13.2 GW target by 2025?
- Given historical declines in capacity factors over the last several years, do you see the latest Q1-Q3 2021 average wind NCF of 28% (1.6% below prior year) as a weather-driven anomaly? What are your expectations for existing & newbuild capacity factors for wind and solar projects?
    - At your 2020 Analyst Day, every 100bp of net capacity factor was disclosed as +/- $0.07-$0.08 indicating a potential $0.10-$0.15 EPS risk (~5% EPS). Does this sensitivity still apply today?
- What type of returns do you target for new renewables: onshore wind, offshore wind, and solar?
- Can you describe your management compensation philosophies for renewables in light of the recent turnover at Avangrid as well as Iberdrola?
- How much exposure does AGR's Renewables business have to market power prices? Given the recent commodity rally, is there potential for pricing uplift to help offset risks of declining capacity factors?
- Please discuss your 2022 EPS guidance of $2.36-2.60. What are the positive and negative drivers since initiation?
- Discuss your 6-8% '20-'25 EPS CAGR. What are the drivers for the high end vs. the low end of the range?
    - What are your expectations for Vineyard Wind impact for '24 vs. '25 (run rate)?
    - How do you think of Park City Wind contribution as you roll forward your EPS CAGR, with respect to timing as well as cost inflation risks?
- Please discuss your strategy for the PNM deal, including synergy opportunities (renewable development, cost savings, credit efficiencies, etc.)? Are you open to an independent Board of Directors at PNM?
- What is the legal strategy for New England Clean Energy Connect (NECEC) following the Maine referendum? Does the Seabrook dispute influence timing? Is there a scenario where the contract could be cancelled due to missing the deadline?
- What are you incorporating into 2022 guidance from an earned/authorized ROE perspective, specifically Maine and New Mexico?
- How would you characterize your stakeholder relationships in the states? Where are they the strongest? Where do you see opportunities to improve?

Avista (AVA)

Regulatory

- Can you talk about the rate case in OR? Anything that we should be focused on in particular? Any asks that you find may be contentious outside of the typical ROE and capital structure?
- How are you viewing the WA environment following the most recent rate case outcome? Some positives coming away from that case including wildfire balancing account.
- How much do you plan to spend under the Wildfire Prevention program? Could accelerated wildfire prevention spending potentially feature in future rate cases?
- What other mechanisms do you feel you need in your jurisdictions that would enable you to earn closer to your allowed ROE?
- How should we be thinking about the next rate case in WA in 2022? Are there any specific considerations that we should be watching for with the multi-year rate filing?
- What kind of regulatory outcomes are assumed in guidance through 2023?
- Is there anything that you are working on that could alleviate structural lag? Remind us what the level of structural lag is?

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- Can you talk about the legal action you are taking against SB265 and SB266 in MT? What are the implications of the legislation and what are the key items we should be tracking?
- Can you discuss the regulatory construct for wildfires in each of your jurisdictions? Is there any precedent for cost recovery of liabilities?
- How do you think about the ability to procure wildfire insurance given the state of the market today? And, what is your view about passing these costs on to rate payers?
- Are there any updates to the Babb Road Fire investigation? What is the latest here?

Capex, Key Financials, & Other

- Discuss latest trends for load, O&M., and other related items.
- How do you think about your LT capex profile? How do you view customer bill inflation given the elevated capex and need to raise rates to move closer to the authorized? Should we assume minimal impact because the capex is being driven by customer growth?
- How are things trending on the non-regulated side of the business as the region recovers from COVID? Are there new opportunities related to the increase in energy prices like your historical LNG efforts?
- How do you think about regulated M&A given the current backdrop?

Black Hills Corp (BKH)

- Can you walk through the y/y drivers for your 2022 guidance of $3.95-$4.15? What are the key swing factors to get you towards the low or high end of the range, respectively?
- How are you framing incremental capital opportunities beyond the latest update, particularly related to the recent Integrated Resource Plan (IRP)?
- Can you provide an update on your regulatory filings around winter Storm Uri?
- How would you frame prospects in Colorado amid the change in commissioners and the recent rate case settlement?
- Can you talk about the rationale for joining the Western Markets Exploratory Group and potential outcomes for the business?
- With the regulatory agenda getting busy again, can you walk through the various timelines for resolutions and new rates? How are you framing expectations around where ROEs could ultimately materialize?
- Given your elevated debt-cap coming off of storm Uri, how are you framing implications as you go in for new rates in various jurisdictions? Is there a precedent for HoldCo vs OpCo capital structures?
- How are you thinking about ability to deploy elevated levels of capital to grow rate base given the need to recover a high magnitude of costs from the storms in addition to higher commodity pricing in balancing the rate impact?
- With all of the strategic pivots and M&A announcements over the last several months, what are your latest thoughts around consolidation? Are there any jurisdictions that you would be looking to divest if given the opportunity?
- Can you talk through latest supply chain trends and ability to secure components? Where do you see the biggest bottlenecks and how has your approach changed in terms of procurement?
- What are your thoughts around the move by some regulators shift towards de-carbonizing gas utilities? How do you expect your gas businesses to evolve across jurisdictions given the increased focus by several states as of late?
- Legislation has been enacted preserving customer energy choice in Arkansas, Iowa, Kansas, and Wyoming. Is there any other potential legislation in the works that you are keeping an eye on across your jurisdictions or items you would like to pass in coming years?
- Where do you expect ROEs and equity layers to trend across your jurisdictions over time, and where do you see the biggest regulatory hurdles?
- You've been successful in utility consolidation in a number of your jurisdictions. Can you talk a bit about the benefits and the implications of not getting consolidation in Colorado?
- Can you talk a bit about your latest ESG efforts given your elevated coal exposure vs. peers? How should we think about such efforts evolving over time?
- Do you see public support for continued coal generation in the states where you have operations and any potential legislative action? What other options are there to support coal economics?
- How are you framing further financing plans at this point given the latest market environment? Can you discuss latest conversations with credit agencies?
- How do you view ongoing equity needs after 2022? How should we think about potential equity needs if incremental capital spend were to materialize?
- Can you frame the bitcoin mining opportunity in Wyoming? $Mn/MW?
- How should we think about your ability to rate base renewables longer term?
- How do you see the economics of renewables (wind) rate base in Wyoming?

CenterPoint Energy (CNP)

Energy Transfer

- Can you provide an update on the Energy Transfer/Enable transaction? What is the status at the Federal Trade Commission?

Regulatory

- What is the latest update on your generation build out in IN? Any risks to the CPCN filings? Are you seeing any supply chain impacts at this point?
- How would you frame the rate case in '24 to include the renewables? Are there any risks to inclusion in rates given pre-approval of the projects? Remind us, is this case (and the Houston Electric case) the reason why you have left the latitude of 6-8% on FY25 EPS growth?
- How should we be thinking about the MN Gas rate case? What is the timing of filing? Any items in particular to watch that you would point to? How has the Uri storm cost changed the regulatory backdrop in the state?
- What earned ROEs do you embed in your current outlook that drives you to 8% EPS CAGR at the utility through '24?

Capex & Growth/O&M/Balance Sheet

- The Texas legislation has been reflected in the capital plan, but there is still ~$1B of reserve capital opportunities that you point to. What does the amount consistent of? Is it just further clarification of TX opportunities?
- How are cost reductions trending YTD? What takes you to either end of the 1-2% range in a given year? Is the flexibility there to hit the 8% EPS growth consistently?
    - Is there any upside to the 8% EPS growth in the near-term?
- Can you talk about your 15% FFO/Debt metric target going forward? How are you thinking about this especially given some additional latitude with the metrics following the midstream exit?

Securitization & Uri Gas Costs

- Can you discuss the agreement with the Railroad Commission on securitization of the extraordinary gas costs?
- What is the latest in the Minnesota prudency case? Where are parties and the Commission leaning?

Other

BofA SECURITIES
BofA GLOBAL RESEARCH

- What other strategic initiatives do you perceive are remaining? You have talked about the gas LDCs as an opportunity to monetize if there is an opportunity to redeploy the capital?
- What should we be expecting from your plan to transition to net-zero? All-inclusive path to decarbonize the entire business over the LT? Will there be more specifics on the near-term investment opportunities?

CMS Energy (CMS)

- Discuss the key components of your 2022 EPS guidance range of $2.85-2.87? What factors will determine whether your results are in the upper or lower ends of the range and are you confident in achieving the upper end?
- Do you see any opportunities to accelerate capex (renewables, etc.) and/or improve the balance sheet related to the pending Federal infrastructure bill?
- Discuss the proposed acquisition of the 1,176 MW Covert generation station as part of your IRP for $815m - how do you view this transaction unfolding following supportive staff testimony that recommended preapproval?
- What additional context can you provide on the proposed retirement of Campbell 3 following staff feedback that the proposed retirement is not supported by robust analysis? Are you concerned about staff's position? Are you confident in garnering approval of regulatory asset treatment for recovery of the undepreciated plant of your coal assets that will be retired early?
- Do you expect to be granted full cost of capital recovery of retired coal book value through the regulatory asset following staff not taking a position recommending a specific rate of return?
- Can you provide an updated on your proposed acquisition of Dearborn industrial Generation (DIG) and peaker assets? Which proposals by staff do you intend to evaluate - additional distributed generation, or other levers?
- How do you view staff feedback on the treatment of securitization debt including potential inclusion in calculation of an authorized capital structure?
- How would your characterize your storm response in 2021 & lessons learned? How has interaction with stakeholders and regulator been following customer outages caused by severe weather over the summer? What solutions are being considered to improve grid reliability and reduce the frequency and duration of customer outages?
- Do you view the recent ALJ rec in your pending electric case with ~$40m below the staff recommendation for revenue requirement as creating any risks for your 2022 EPS guidance? What levers do you have that can be utilized to offset an authorized revenue increase lower than that contemplated in your guidance?
- Are you monitoring the bill proposed in the legislature that would allow large industrial customers (above 2000 kw) to purchase electricity directly from alternative providers? What is the likelihood of the bill passing in your view? Have similar laws been proposed in the past? What would the impact be if such a bill were passed?
- What has investor feedback been throughout 2021 on the decision to dilutively divest EnerBank? Has the tone of conversations changed
- If the proposed DIG and peaker sale to Consumers is approved as proposed in your IRP, what would be the remaining generating capacity in the Enterprises segment and expected annual earnings contribution? Would you consider expanding this segment prospectively?
- How sticky do you expect residential sales to be following post-Covid reopening?

Consolidated Edison (ED)

- How is the company tracking vs. the 2021 EPS guidance range of $4.15-4.35, specifically as it relates to covid impact?
- Can you file for recovery of some or all crew staging costs related to severe weather experienced earlier in 2021?
- Discuss the prospects for recovery of your uncollectable balance at CECONY following the Covid pandemic.
- What steps is the company taking to address the growth in customer arrears since the outbreak of Covid? What portion of the arrears would you expect eventually could be written off as uncollectable?
- How should we think about the core earnings power of the company and ability to earn at your authorized ROE level in 2022 and beyond? Do you see upside from recent settlements in NY?
- What earned ROEs are embedded in your long-term EPS guidance of 4-6% over the 2021 midpoint of $4.25? How can you achieve the upper end of this range? What is your feedback to recent peer rate case developments?
- How have your conversations been with the newest state and local leadership in New York state and City?
- How much latitude do you have to reduce expenses and O&M in 2022 and going forward? Can you quantify the opportunity and discuss how sustainable such reductions would be?
- What factors will drive how much equity is issued in 2022 and 2023 respectively in context of your $700m aggregate target? How are you planning on addressing the negative credit outlooks that two of the three agencies have on Con Ed and its utilities?
- How has demand for Steam materialized thus far in 2021 relative to your expectations on a weather-normalized basis? What are your expectations for long term growth in steam sales?
- Do you expect the Clean Energy Business will be able to source accretive projects at a pace of $400m/yr as it has in past years? Are there opportunities for improved returns under the pending Federal infrastructure legislation around Direct Pay?
- Discuss the components of Phase 2 of your Utility Transmission and Distribution Investment Proposals. Over what time frame do you propose to execute the 8 projects and $5B of capex? Will you be submitting a portion of these proposals in your upcoming rate case filing?
- What are the near-term opportunities you see for capturing investment spend related to offshore wind transmission? Which states are most promising in your view?
- What modifications to CECONY's existing incentive programs would you like to see during the next rate period?
- Do you view your stake in the Mountain Valley Pipeline (MVP) as a core asset or would you consider whether to monetize the stake upon completion and in-servicing of the pipeline?

Dominion Energy (D)

- What prospective earned regulatory and operating earned ROEs are embedded in your long-term earnings guidance? What type of offsets are available for the 2024 triennial review?
- Does the treatment of the coal plant impairment charges in this case set a precedent for how similar charges will be treated in the future?
- How would your characterize your stakeholder relations after the stipulation? What are the key other VA regulatory proceedings to follow?
- Do you see opportunities from Federal procurement of renewables?

BofA SECURITIES
BofA GLOBAL RESEARCH

- Please provide your feedback to the Virginia elections where the Republicans gained representation. What are your corporate political contribution policies?
- Are there any legislative measures that you feel would further strengthen the regulatory construct in the state to drive renewables investments
- How do you think about the ability to execute on 6.5% growth targets through 2025? Any upside to this on acceleration of renewables deployment? Especially as you take larger ownership of solar?
- Are you seeing any inflationary impacts? Are you locked in on pricing in the near-term? Should we expect any impacts over the longer term?
- Can you talk about the offshore permitting process? What lessons have you learned from peers? We have seen some projects pushed out for a number of reasons - do you see any risks to your projects at this point?
- Could we see offshore wind partnerships established with either the first phase (2.6GW) or with phase 2?
- Could we see further VA coal plant retirements announced in the next few years given economics?
- With the new pivot to renewables with much more favorable ESG attributes, how are thinking about your carbon-based assets such as natural gas?
- Can you talk about the decarbonization path for SC? Do you see any ability to further accelerate coal retirements and renewables deployments?
- Can you discuss your progress in Renewable Natural Gas (RNG)? How should we be thinking about the economics here?
- Anything we should be following at the gas utilities, whether in UT, NC, or OH?
- Discuss Wexpro in the context of your overall portfolio? How has this business been impacted by the latest increase in gas prices?
- Can you discuss what you are seeing with load and customer growth across your jurisdictions? It seems to continue to trend positively. Do you feel the need to update your longer-term assumptions at this point?
- How are you thinking about your Contracted Asset portfolio? Any desire to monetize assets to offset the small amount of equity needs you have in plan. How are you thinking about Cove Point and Millstone specifically? How core are these assets to your portfolio?
- How is the Jones Act Compliant Installation Vessel progressing? Can you discuss the structure of the contracts that will be signed with the vessel? Any risks of it not being available when it is needed?

DTE Energy (DTE)

- Discuss the key components of your 2022 EPS guidance range of $5.70-5.97. What factors will determine whether your results are in the upper or lower ends of the range?
- What earned ROEs at the electric and gas utilities are embedded in your 2022 guidance? As part of your long-run outlook?
- Do you see any downside around the DTE Gas authorized ROE of 9.9% following the ALJ's recent recommendation of 9.5%?
- The Energy Trading business has exceeded its earnings guidance in recent years - has anything fundamental changed regarding operations, strategy, or positioning? The book tends to run slightly long natural gas, are there any other positioning trends that you can disclose?
- Discuss your recent announcement to end coal use at Belle River in 2028, two years ahead of the previous plan. Are you planning to close or convert the facility to gas?
- What options are you evaluating for potentially accelerating the end of coal use at Monroe given its current retirement date of 2040?
- How has staff testimony in your state peer CMS' IRP informed your own long-term planning? Are you considering proposing a regulatory asset with full cost of capital recovery for undepreciated coal?
- How has interaction with stakeholders and regulator been following customer outages caused by severe weather over the summer? What solutions are being considered to improve grid reliability and reduce the frequency and duration of customer outages?
- Discuss the moving parts of your most recent long-term capex update at DTE Electric. How much of the $1B increase in cleaner generation spend is driven by voluntary renewables and what MW additions are contemplated in the 5-year plan? Does the $1B reduction in base infrastructure spend represent a permanent cut or pushing out of the planned investments?
- Over what time frame do you expect to reach your target 90-10 business mix between regulated and unregulated segments? Does this business mix contemplate an allocation of parent costs? Is the 10% non-reg business mix a hard cap?
- What is the magnitude of the additional opportunity in the long-term capex plan at DTE Gas? Previously this item was quantified at $500m.
- How are you addressing concerns about average customer bills at both the electric and gas utilities as a result of higher commodity prices? Is there concern about the commodity portion of bills crowding out investment opportunities over time?
- Discuss the opportunity set you have in the RNG business. Your latest update suggested a geographic expansion with projects in Wisconsin, North Dakota, and New York. What other states do you see as potential targets for expansion. What level of returns are you seeing in new and proposed RNG business over the past 12 months?
- What are the opportunities and risks related to the storage outage docket?

Duke Energy (DUK)

NC Legislation & IRP

- What percentage ownership of renewables is assumed in your current plan and in the back-half of the 10yr plan (2025-2030)?
- How do you perceive the integrated resource plan (IRP) process will coincide with legislation? How will the new "*Carbon Plan*" play into this IRP process?
- How should we think about the 2020 IRP and the legislations' goal to reach 70% carbon reduction by 2030? Is offshore wind a viable route? Has there been any movement on lease auctions so far?
- How should we think about implementation of the alternative regulation framework? Will the mechanisms be included in the next rate case in the state? When do you expect to file? What other items need to be implemented through a regulatory process?
- Are Multi-year rate plans (MYRP) and ROE banding/sharing mechanism required to hit the mid-point of your guidance range or does it allow you to execute at top-end of EPS range?
- Can you talk about coal plant securitization? Will this drive an acceleration of coal retirements?

Regulatory

- How do you think about the fleet transition in Indiana (IN) as you get ready to file the upcoming IRP? Will this form the basis to accelerate rate base growth in the state? Is securitization a tool that will be utilized to facilitate coal retirements?
- How do you think about earned ROEs in FL through the outlook with modestly lower authorized ROE?
    - How much are the legacy QF contracts at DEF contributing to the relatively high cost structure of the business? Do you see yourself being a little more aligned with your in-state peers after these contracts roll off?
- How do you think about your Gas LDC portfolio? Any opportunities to decarbonize here too? What has the progress been so far?
- Can you discuss the recent SC Supreme Court decision on coal ash costs?

BofA SECURITIES
BofA GLOBAL RESEARCH Strategic

- A rate case was recently filed in Ohio. How are you viewing this jurisdiction in light of the newer Commission and ongoing process with FirstEnergy?
- Anything else on the regulatory front that we should be on the lookout for?

- Taking all of the capital spending opportunities through the remainder of the decade into consideration, how should we think about financing?
- Comment on the Elliott settlement if possible? Will the new members be appointed at the next meeting in 2022? Any sense on background?
- Are there any opportunities with National Methanol (NMC) after the commodity rally?

Edison International (EIX)

- Can you please discuss the dynamics around the volume of cases vs dollar amounts settled related to legacy wildfire cases? Are there any other milestones such as statute of limitations that could influence timing again?
- Following the SED agreement with 3Q21, what are the other open regulatory and legal proceedings that could result in disallowances and penalties?
- If there are further legacy wildfire cost increases, how should investors balance equity versus debt financing? What are the primary considerations when deciding on what type of equity content securities to utilize?
- What is the opportunity set of utility-owned storage beyond the latest 535MW August 2022 at ~$900Mn? How about for electric vehicles infrastructure?
- How would you frame the cost/benefit of further wildfire mitigation spending to stakeholders? Incremental covered conductors, strategic undergrounding, enhanced vegetation management, etc.
- Where in the 15-17% FFO/Debt range are you targeting? How have rating agency conversations evolved during 2021?
- How did 2021 wildfire season compare to your expectations for acres, damage, etc.? What is the outlook for 2022?
- What regulatory and legislative reforms, if any, would you like to see implemented to improve the California construct around inverse condemnation?
- Do you have aspirations to diversify operations outside of California?
- Are there any plans to meaningfully grow the Edison Energy business? The characteristics are similar to many high growth/valuation peers with the difference relating to the C&I focus vs residential.
- What trends are you seeing when procuring insurance for 2022 in terms of cost and availability? Do you expect to pass all costs on? What is the latest with plans for internalizing insurance costs?
- What areas are you seeing the great opportunity set of O&M efficiencies and areas for a reduced cost profile?
- For the cost of capital mechanism, what are the potential outcomes, timing for resolution, and mitigation opportunities? Any thoughts on the transmission ROE and incentives?
- What caused the revision to FY21 core utility earnings power in guidance for 3Q versus the September 2021 update?
- You have estimated ~60% **reduction in catastrophic wildfires** from 2018. How do you forecast this **risk mitigation** in the future? How much of the 'low hanging fruit' has been achieved?
- Bill affordability was topical in your last rate case. What rate of **bill inflation** do you forecast through the next general rate case cycle?

Emera (EMA)

- Can you walk through the settlement in the Tampa Electric rate case and how you are framing EPS trajectory out of a final resolution?
- With certainty around the outcome of your FL rate case are you planning on providing additional financing guidance with a potentially narrower equity financing range?
- Discuss the latest status of your solar initiatives in Florida. How are you thinking about the impact from tax credit extensions and does it further drive an appetite for additional solar installation? Are project delays affecting your timeframe at all?
- Please discuss your other initiatives in Florida such as your Big Bend Modernization efforts?
- Please discuss your latest capital program and walk us through the financing requirements. How much latitude do you have to add additional investments to the plan before the need to issue more equity? What do you see as the biggest upside lever to your capital program in both Florida and across the rest of your portfolio?
- How should we be thinking about potential asset sales as a lever to finance additional growth, particularly at Florida Electric?
- What is the latest update on the Atlantic Loop project that you can provide?
- Discuss your regulatory relationships across your portfolio. Are there any jurisdictions that you see are becoming more regulator friendly or vice versa?
- Can you discuss your latest targets for FFO/Debt metrics relative to what the rating agencies require? Does Moody's still look to consolidate the Maritime Link equity method investment when they are calculating their metrics?
- How do you think about balance sheet capacity and metrics in the US and Canada?
- Where are ROEs trending currently across the different jurisdictions? What are your expectations going forward?
- Can you discuss the difference between equity ratios and ROEs between the US and Canada? How do you perceive prospects for Canadian ROEs and equity layers to trend closer to US levels over time?
- How are you thinking about long-term dividend growth relative to your current targets? How should we think about your current payout ratio trending over the next few years as you start to get rate relief?
- How are you thinking about inorganic growth across in either the US or in Canada?
- Are there any unique impacts to the Canadian company from the pending US Federal infrastructure legislation?

Entergy (ETR)

- Can you discuss the major assumptions within your adjusted EPS outlook and what could drive you higher or lower in the range? Please quantify the customer-centric and resiliency investment opportunities? Would these be utility owned?

BofA SECURITIES
BofA GLOBAL RESEARCH

- Please discuss how engagement with New Orleans stakeholders have evolved over the past few years? What has feedback been to your four proposal alternatives and use of credits to mitigate electric/gas bill increases?
- What is the expected bill trajectory by jurisdiction from 2020 in light of the hurricanes/Winter Storm Uri and MISO transmission cost increases?
- How much can you reduce O&M further prospectively to manage customer bill impact from base and upside capital expenditures?
- What are the considerations when issuing equity securities including type (common vs preferred), methodology (block vs programmatic), and timing (ST vs LT)?
- Is there an opportunity to settle or otherwise resolve any of the pending FERC proceedings related to (System Energy) SERI?
- What are the core regulatory issues that the PUCT is attempting to resolve by considering retail competition in Texas? Would this lead to your prospective generation opportunities being subject to competitive bidding or similar mechanisms?
- If the Federal infrastructure package is enacted, in your view would there be an opportunity to accelerate hydrogen, renewables and other investment opportunities?
- How much of your ratebase is in undepreciated coal assets?
- What are your legislative priorities in 2022 for Arkansas, Louisiana, Texas, and elsewhere?
- Can you elaborate further on the Sunflower Solar construction delay?
- After the latest improvement in energy fundamentals, how is your sensitive industrial load responding?
- What would you classify as the most important regulatory proceedings for 2022 after achieving more clarity on select Formula Rate Plans (FRP) in 2021?
- Do you have plans to further de-risk the nuclear decommission trusts/pension plan after recent strong performance, thereby reducing another area of volatility in earnings?
- What opportunities and risks do you envision from an effective tax rate statement from the pending Federal infrastructure bill?

Essential Utilities (WTRG)

- Can you talk about where you are trending in your full year guidance of $1.64-$1.69 after 3Q? What are the key swing factors through the rest of the year?
- Can you walk through the earnings drivers to achieve the 5-7% LT EPS CAGR? What are the puts and takes to put you at the top and bottom end of the range, respectively. How should we think about incremental upside from acquisitions? How do you think about extending the EPS CAGR through a longer period?
- Discuss latest efforts around your ongoing acquisition pursuit of the Chester Water Authority and any updated expectations.
- The Environmental Protection Agency (EPA) recently laid out a roadmap with plans to establish a national threshold around PFAs and emerging contaminants. How would you frame any risks or opportunities out of the decision?
- How would you frame the impact to WTRG from water provisions included in the Infrastructure and reconciliation bills as currently proposed? Can you walk through the nuances of how a higher corporate tax code would impact contribution from Repairs?
- You previously noted that you expect an 18-20c contribution from election of repairs tax accounting for 2021? How should we think about contribution beyond this year given the planned capital spend?
- How are you framing your current appetite to expand your water footprint beyond your current jurisdictions, particularly as you now have gas operations in KY where constructive water legislation was just passed?
- What drove you to exit operations in Florida? Is this a state that you would be interested in re-visiting operations at some point? Are there any other particular states where you would explore starting operations?
- Please discuss Consolidated Tariff and Water Quality Legislation and how meaningful it is to drive further growth?
- Are there any key states or specific opportunities that you are keeping an eye on?
- How are you framing acquisition prospects post Pandemic given the impact it has had on muni budgets?
- How are you framing prospects for the rate case at Aqua Pennsylvania? How are you thinking about any change in authorized returns given the current rate backdrop?
- Can you walk through the various regulatory jurisdictions in which you operate for both businesses? What are the other latest filings or legislative items that we should be aware of across the footprint?
- Where do you expect equity layers and authorized ROEs to trend across the jurisdictions in which you operate? Which jurisdictions have the most attractive returns?
- How concerned are you about inflationary pressures for gas and water?
- Can you talk through latest supply chain trends and ability to secure components?
- How are you framing the timeline and prospects for DELCORA utility acquisition given the ongoing legal challenges?
- A number of states have opened dockets to look at Gas LDCs role in de-carbonization. Can you provide some color around how you are thinking about the evolution of your gas biz over time given the backdrop?
- Discuss the Peoples Gas Pipeline Replacement Program. How much of it is de-risked and are there any permitting issues that you may run into?

Evergy Inc. (EVRG)

- Discuss the key components of your 2022 EPS guidance range of $3.43-3.63. What factors will determine whether your results are in the upper or lower ends of the range? How do you think about cost savings & latitude from '21 as being reflected?
- What earned ROEs at the electric utilities are embedded in your 2022 guidance? As part of your long-run EPS CAGR for 2021-25?
- What are your top priorities in the upcoming MO rate case filing?
- How would you characterize your relationships with key MO intervener groups (OPC, industrials) ahead of the upcoming rate case filing?
- Will you file to maintain your return of and on capital on Sibley in the upcoming MO rate case?
- Please discuss the upside opportunity in your plan around repowering and buy-in of wind PPAs. Have you had preliminary discussions with owner/operators who you may consider acquiring such assets from?
- How do you view upside to your forecast rate base growth through 2025 from the PPA buy-in opportunity you identified at your September Investor Day?
- What is your goal in the Kansas solar predetermination docket ahead of the rate case filing expected in 2023?
- What are your expectations around winter bill impacts inclusive of hedges around natural gas prices, on a $ per bill or % change basis? How would such impacts affect your rate case filings given bill headroom concerns?
- Please describe the expected path of your average retail rates, forecast to grow at +0.5% during the period of 2016-24 and -1% from 2016-21. What steps can you take to mitigate bill inflation prospectively?

BofA SECURITIES
BofA GLOBAL RESEARCH

- What level of upside do you see from the long-term MISO transmission planning process currently underway? Would you consider participating in high voltage direct current (HVDC) projects?
- How much load growth is included in your base forecast through 2025? What split between customer and demand growth are you assuming?
- How are you integrating LTE connections across your grid to increase reliability and reduce costs?
- Are there any equity investments in early-stage companies that you expect to be monetized within the next 12-24 months?
- Describe operations at Wolf Creek of late; are there any significant outages or capital projects planned for the next 12 months?

Eversource (ES)

- Can you walk through the upside opportunities relative to the current capital plan that you have laid out through 2025? Can you discuss expectations for any incremental financing: would you potentially need incremental equity to support further investments beyond the current plan? What are equity expectations around potential for additional offshore wind projects beyond the plan?
- Discuss the Electric Highway Coalition and how you would frame expectations for EV penetration in your service territories and what it ultimately means for load growth longer term? Where do you see your role as a utility in supporting the EV infrastructure?
- Discuss expectations around economics for offshore wind going forward as well as economies of scale for future wins? What kind of pricing per kW for offshore wind and transmission are you looking at? How does it vary per auction (i.e., NY vs RI)?
- How are you thinking about M&A following the latest strategic announcements in the sector?
- What kind of tuck-in opportunities are you seeing for the water biz given the latest pressure on municipal budgets during the pandemic? How do you think about your ability to compete vs. the larger water utilities? With some other utilities particularly vocal about expanded water efforts too, are you seeing any changes to the competitive landscape for acquisitions?
- How do you think about the uplift in earnings contribution from offshore wind longer term and cadence given the delays thus far? What are the key milestones to watch for in the nearer term following the latest developments from BOEM?
- Can you talk about the latest transmission developments? Where do you perceive transmission ROEs as trending through your forecast period?
- How should we think about dividend growth? How are you framing your targeted payout ratio longer term?
- MA and other states have opened dockets to look into the role of gas local distribution companies in climate goals. Can you talk about your thoughts around the potential for decarbonization of Gas LDCs?
- Where are earned ROEs currently trending by jurisdiction?
- How do you view holdco leverage currently? What credit metrics are you targeting? Are you committed to maintaining your current credit rating?
- Can you talk about the upcoming auctions and how you are framing further potential offshore opportunities? How would you frame the competitive dynamics for offshore across your footprint? What were the key considerations that prevented you from bidding into Massachusetts most recent RFP?
- What are expectations on O&M cost reductions to support ROEs currently, particularly given the lack of rate relief in Connecticut? How do you view the trajectory relative to supporting higher earned ROEs and how does this impact growth target? How are you thinking about any inflationary concerns?
- What are the latest supply chain trends and ability to secure components?
- Can you discuss the latest Connecticut Dockets following the constructive interim rate case settlement and how you are thinking about potential outcomes and implications?
- How would you frame the impact to ES from provisions included in the Infrastructure and reconciliation bills as currently proposed?

Exelon Corp (EXC)

- Can you discuss the upside to ExGen from the proposed nuclear PTC in federal reconciliation legislation, including the possibility of license extensions?
    - Given the proposed 8-year timeline with $15/MWh credits (and 80% offset for revenues over $25/MWh), which of ExGen's nuclear plants do you believe may potentially be saved from retirement?
- With Byron and Dresden retirements now reversed following passage of IL clean energy legislation, can you discuss the potential uplift? Near-term, can you help quantify the costs of refueling outages?
- Discuss the potential impact of uranium price volatility on the ExGen nuclear fleet. What is ExGen's exposure? How can you mitigate this risk?
- Discuss your 2022 hedging strategy at ExGen in light of the recent rally in commodity prices and your expectations for power prices.
- Given the impact of heightened EPS volatility from CTV (Constellation Technology Ventures) investments, can you discuss your strategy here?
- Please discuss some of the risks/considerations for an ExGen/Constellation spin such as NY approval, credit rating, etc? What is the prospective pitch and value proposition to investors? What comparables would you point to?
- What are your thoughts on potential nuclear consolidation post-spin? How do you perceive willingness of certain operators such as Talen or PSEG to divest their nuclear assets?
- Can you discuss prospects for further capital investments at the utilities?
- Discuss the status of rate cycles at the regulated utilities. Can you detail progress/outlook on rate cases including your thoughts around the potential EPS benefit from ongoing rate cases?
- How do you expect earned ROEs to trend vs. authorized ROEs?
- With the 4Q utility roll forward, how should we think about the ComEd earnings profile after the Illinois legislation in the context of allowed ROE and capex?
- What other issues should we be considering that could potentially impact the utility CAGR?
- Discuss the evolution of gross margins and customer attrition at the ExGen retail business.
- Discuss views on the current state of the ERCOT energy market, including reform efforts. What has been the reception for the NRG/EXC capacity construct proposal?
- Discuss hydrogen production prospects at the nuclear facilities. How is the initial partnership structured; why did you select NEL as an electrolyzer partner? How do you think initially about biz prospects in this segment?

FirstEnergy (FE)

- Can you discuss how you were able to bring the diverse group of stakeholders together in the Ohio regulatory settlement? What were your negotiation priorities?
- How should we think about the 2024 rate case? Is there an opportunity to continue to work constructively with stakeholders to defer that filing?

- If/how could the findings from the subsequent OH/FERC audit reports influence the settlement and the quantum of exposure? Or was this effectively captured in the Ohio stipulation?
- Outside of Ohio, what are the key regulatory and legal proceedings to track (SEC, FERC, etc.)? Do you have insurance protection related to the shareholder litigation?
- Including the rate credits and rate reduction, what is the estimated growth rate in Ohio customer bills from 2021-2024?
- What are the top considerations that will influence the magnitude of the asset sales pursued? If the valuation is favorable enough could you consider accelerating your leverage reduction goals? Did you consider assets outside of regulated transmission?
- What are your legislative priorities in 2022 across the different jurisdictions?
- When do you believe it would be appropriate for the Board of Directors to discuss resuming dividend growth?
- What area of the business do you see the most capital spending opportunity: distribution, transmission, or generation? What jurisdictions are you focused on? Can you frame the spending opportunity around WV generation and distribution utility 'smart grid'?
- Reduced pension costs have been a tailwind for 2021 and recent periods. Based on results through 9/30/21 there was an estimated $90Mn pre-tax MtM gain. Should we view pension as a YoY benefit once again in 2022?
- Carl Icahn now holds a material stake in FE shares. Additionally, FE has appointed John Somerhalder as Vice Chairman of the Board. Can you discuss your thoughts around potential M&A and other options?
- Is the expectation still that the internal control weaknesses will be resolved with the filing of the 2021 10K?
- How has employee turnover trended over the past 18 months? Are there any other statistics on the workforce (morale, engagement, surveys, etc.) you can share?
- As you implement FE Forward, have you observed new areas of efficiency relative to your prior forecast? Are there further opportunities to reduce the parent company drag?
- How sustainable do you believe the strong sales growth and favorable residential mix in 2021 is for 2022+?
- Do you have any ambitions to develop renewables or pursue unregulated ventures such as offshore wind transmission?
- What are the opportunities available to you from the pending Federal infrastructure legislation?

Fortis Inc (FTS)

- Please discuss your expectation around growth of the dividend at a 6% CAGR through 2025. What factors would lead you to extend this growth rate to 2026?
- Are you still comfortable with a 65-75% payout ratio as you have indicated in the past?
- How are you thinking about your all-in Arizona ROEs after the recent rate case resolution at Tucson Electric and data points from state peers? Please discuss your Arizona regulatory relationship more broadly.
- Can you talk about conviction levels in the latest five year investment plan given the backdrop? What projects do you see most at risk & how are you currently framing potential upside over the forecast period?
- What are your thoughts on resource adequacy in Arizona and the US West more broadly? How does this impact your thinking around investment in more renewables in the state?
- How are you framing LNG opportunities given the recent demand and pricing?
- How much latitude is in your latest capital plan to accelerate investment without requiring additional equity issuance?
- What factors drove the increase in your capex forecast at the Alberta utility? If oil prices pull back again could there be downside risk to your spending plans?
- Can you walk through your regulatory agenda and how you are framing expectations for both timing and ability to drive constructive outcomes?
- Where do you see ROEs trending across your jurisdictions? Where do you see earned returns heading in Canada vs. US jurisdictions? What is currently assumed in your internal forecasts?
- Discuss your longer term organic vs. acquisitive growth initiatives and how you expect the portfolio of businesses to evolve over time?
- Can you frame the upside opportunities you see from the multi-year planning process at MISO? When do you expect to have specific project announcements to be available?
- Where do you see earnings growth trending vs. your ~6% stated rate base and dividend growth target? Is earnings guidance something you would consider after regulatory resolutions and post pandemic?
- Can you discuss your appetite for Contracted Renewables, particularly given how low the cost of capital is for renewable buyers?
- Please discuss the demand trends that you have seen in your Caribbean business post-Covid. Do you expect recovery in demand heading in 2022?
- When you think about your jurisdictions and historical track record. How would you think about further diversification and what would be the most important considerations?
- Are there any unique impacts to the Canadian company from the pending US Federal infrastructure legislation?

Hawaiian Electric Industries (HE)

- Discuss '21 EPS guidance of $2.00-$2.20. What factors drive towards the high/low end? Discuss drivers for '22 EPS guidance ahead.
- With LTM earned ROEs (8.9%), can you discuss drivers of ROE lag both structural and otherwise? How do you think about tools to drive earned ROEs towards authorized on a forward basis?
- What are your embedded expectations for ROE improvements in 2022 within guidance and subsequently beyond that 2023+?
- Where do you expect to drive most ROE improvement under performance based ratemaking (PBR)?
- Discuss specific performance incentives mechanisms (PIMs) of focus.
- Can you talk through cost reduction efforts to meet annual cost saving commitments? Discuss your strategy around managing O&M and O&M expectations for FY22?
- In regards to reduced CapEx forecast of $310-335mn for FY21 and $400-450mn annual capex for '22+, what are upside/downside drivers to respective guidance? Where do you see the most opportunity for investment?
- Discuss potential for accelerated resiliency spend.
- Discuss renewable procurement efforts both grid-scale and distributed.
- What are additional critical steps or potential growth opportunities for Hawaii Electric to achieve the state's target of 100% RPS by 2045?
- Can you compare American Savings Bank (ASB) versus its two larger peers in Hawaii, Bank of Hawaii and First Hawaiian in terms of performance and mix historically and through the pandemic?

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- Can you discuss loan loss reserves against the backdrop of the Hawaiian economy?
- Discuss upside/downside drivers support net interest margin (NIM) levels at ASB? • What room do you see around improving NIMs from current levels?
- Discuss NIM expectations on a forward basis into '21+ and drivers of downward revision including customer prepayments.
- What could potentially drive an external equity need given expectations for self-funded capital plan through '21?
- Discuss latest efforts at Pacific Current - where are key areas of focus? How much could this contribute to growth beyond core utility operations through the forecast period?
- Discuss pilot programs in Hawaii around EV charging, batteries, etc.

IdaCorp (IDA)

- How are loads trends so far this quarter? Can you talk about what is driving the 2.9% TTM load growth in Idaho? What industries are coming in and what are in-migration trends? How sustainable do you perceive this growth rate to be longer term?
- What kind of trends are you seeing in transmission so far to start the year? How does this compare y/y?
- Can you walk through your previously announced projects with Amazon, Chobani, and other parties? Are there any other bigger projects in the pipeline?
- How should we think about EPS growth into 2022 and beyond? When might you consider longer-term growth forecasts?
- With the latest update, you noted you will probably be in for rate cases in Idaho and Oregon in the next couple of years. How are you framing timing for another rate case? What are the key considerations when determining exact timing and how are you thinking about ability to reach constructive outcomes against the current backdrop?
- Can you walk through your path to clean energy ahead of the upcoming IRP and with Boardman recently ceasing operations?
- Can you walk through the various upside opportunities to your long term rate base growth?
- How do you see your regulatory relationship with commissioners?
- How do you see the lifetime of ADITCs in 2022+, given limited need to use any ADITCs this year? How do these impact any timing for potential rate cases in your service territory?
- Can you talk about the most recent wildfire season? Discuss suppression efforts and the regulatory treatment in your jurisdictions.
- Given the recent M&A developments and strategic pivots & the valuation variations in the space, how you would frame latest thoughts around the M&A landscape?
- How do you see Jim Bridger coal plant retirement in Wyoming unfolding into rate base opportunities?
- What is your view on continued ownership of your other business lines?
- How do you think about the pace of DPS growth going forward?
- Can you discuss progress on the Boardman to Hemingway (B2H) transmission line and discussions around potentially acquiring Bonneville Power Administration's ownership share? How confident are you in a deal to own up to 45% and how should we think about the return of the project?
- Discuss Hells Canyon Relicensing Efforts. How should we think about timing of developments?
- How would you frame the impact to IDA from provisions included in the Infrastructure and reconciliation bills as currently proposed?

MDU Resources (MDU)

- Can you discuss the dynamics that caused a moderation to FY21 guidance?
- Given the recent market reaction to renewables-focused M&A in the E&C space, how are you thinking about your own strategy in construction including inorganic growth?
- How are you positioned across the various segments to navigate the current environment with elevated natural gas prices?
- Please provide a construction update on the North Bakken expansion. Do you anticipate being able to complete work in late 2021 as original targeted?
- Describe the current commercial environment in Construction Materials - to what extent are you able to pass along inflationary impacts in order to preserve margins? In what areas are you seeing the greatest contribution from inflationary pressures?
- Please describe the backlog in the Construction Materials business, how do you see the backlog developing through the year? What are your average backlog conversion times in each of the construction businesses and what are the factors driving these?
- Do your contracts in the Construction Services business allow for cost increases to be passed along to the customer or are they done more on a fixed cost basis with any overruns impacting your margins?
- Your ~5% compounded rate base growth target over the next five years is below the high single digits realized over the 2017-19 period, is this a function of balance sheet capacity, available investment opportunities, or something else?
- What are the principal areas of investment in your regulated electric and gas utilities businesses over the next three years?
- What level of fixed cost savings do you expect from the Lewis & Clark and Heskett I & II retirements scheduled in 2021 and 2022 respectively?
- Describe your anticipated equity issuances over the forecast period.
- Please discuss the credit metrics target. How are you tracking against them and how does this align with your current business mix?
- For your longer term growth guidance of 5-8% LT EPS CAGR, can you discuss what will drive towards the low and high end respectively? What utility earned ROEs are embedded in your guidance range?
- Do you have a target dividend payout ratio? Do you have latitude to consider accelerating growth of the dividend payout?
- How do you see you growth of the non-regulated business vs. regulated business trending and potential impacts on credit ratings from S&P?

MGE Energy Inc. (MGEE)

- Discuss the key components of your WI electric and gas 2022 and 2023 rate filing settlement. Under what circumstances do you anticipate the limited electric opener being utilized in 2023?

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- Please provide an update on the delay experienced by Badger Hollow II. When do you expect the asset to enter service and could the timeline slip further?
- Over what time frame do you expect to transition Oak Creek off coal and on to natural gas?
- Do you see additional opportunities for partnership with peer utilities in WI on solar and storage buildouts?
- How many MW of PPAs are currently scheduled to roll off through 2025? Do you expect to backfill those with other contracted generation or with additional rate base renewables?
- Describe the factors that will determine whether MGEE exercises its option to purchase up to 50 MW of capacity in the West Riverside gas generating plant that went in to service earlier in 2020.
- What are your expectations for growth in residential, commercial, and industrial sales in 2022 and beyond? Is your service territory experiencing customer growth?
- What is your target dividend payout ratio as a % of EPS?
- Describe your credit metrics targets at the MGEE level and at Madison Gas & Electric. Where are you expecting to be at the MGEE level relative to your targets in 2022-23?
- Would you consider whether to issue additional equity beyond the $80m raised earlier this year in order to fund further expansion of your utility scale solar and other initiatives?
- Describe the opportunity for continued investment in EV infrastructure in the state of WI. How supportive are state lawmakers and members of the commission?

NextEra Energy (NEE)

Federal Policy

- Can you talk through the latest reconciliation language? What are the key elements of the legislation for you? Can you speak to the magnitude of the impact that this legislation would have on your earnings profile?
- Can you discuss the repowering opportunity if the wind PTC were to increase? What are the economics? Would the extension of the production tax credit/investment tax credit affect your regulated utility M&A appetite?
- With the acceleration in renewables investment likely driven by this legislation, how do we solve the transmission congestion issue that would be further compounded?
    - What is the current market landscape for FERC regulated assets? Do you see additional inorganic growth here? What is the organic growth rate we should be assuming?
    - Can you speak about the recent Wolf Creek-Blackberry project win? What was the competitive landscape in this process? What is your competitive advantage vs other transmission owners?
- Can you describe the hydrogen outlook/landscape? How do you see this market driving additional renewables investment in the near-term? Can you talk about timing of electrolyzer investments?
- What trends are you seeing in regards to battery storage and how could this allow you to capture further market shares? How are you viewing the standalone storage ITC

Business Mix/M&A

- What do you perceive to be the right mix of regulated vs NEER earnings?
    - How are you viewing the regulated utility M&A market? Is ~$20B still the target range for any transaction? How do you view water within this? The latest acquisition was relatively small, do you expect acquisitions to remain small?
- Can you discuss your renewable origination dynamics of late? Your expectations have remained at 22.675-30GW from '21-24 for some time - when can we expect an update on this and embedding the (now approved) rate case settlement into your plan?
- Which states do you perceive have the largest opportunity set for the fleet transition? What states do you believe will be the most contested?
- Could partnerships or acquisitions be considered on the Clean Energy side? Whether hydrogen or otherwise?
- Any opportunity to expand in retail given the resurgence we have seen in discussions around retail choice?
- Can you give us the latest on Mountain Valley Pipeline (MVP)? Where does the project stand and what are the remaining hurdles to completion?

NiSource (NI)

Renewables & IRP

- Although you will not file the formal integrated resource plan (IRP) until later this month, can you talk about the results of the recent stakeholder meetings? Which portfolios are the preferred?
- Is there anything in particular that would drive alignment with Portfolio F vs Portfolio I? Is it really just policy that is driving it?
    - Should we expect movement on some of the shared resources between portfolios in the earlier years and then a further refinement of resources in your next IRP in 2024?
- Can you talk about the potential capex of these generation opportunities? How should we think about ownership?
- Did you find that stakeholders are more supportive of a cleaner portfolio at a potentially higher cost? Or is reliability the main focus for stakeholders?
- You have received approval for all of the renewables projects stemming from the previous IRP - any concerns on the supply chain backdrop for solar and wind? What gives you confidence in the projects being delivered on time and on budget? *Recently broke ground on two solar projects.*
- What are your latest thoughts around potential portfolio optimization replacing a portion of the equity needed to fund your renewable strategy? How should we think about dis-synergies here?

Regulatory

- The PA rate case has been settled - any risk of the Commission not approving the settlement?
    - How are you viewing the regulatory environment now?.
- OH case is very top-of-mind for everyone - is there anything that you can point to so far that gives you confidence in being able to reach a fair outcome?
    - Any concerns on the Infrastructure Replacement Program or the Capital Expenditure Programs?

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- The Commission held an open meeting in the summer to discuss the cost of capital and the long gaps between rate case filings. How are stakeholders thinking about this? Do you expect any changes stemming from this discussion (i.e. getting pulled into more rate cases)?

- Going through many proceedings, what is next on the regulatory front?
- How are you thinking about the electric rate case in IN for the renewables? Are you expecting it to be straight forward given prior approval of the investment?
- Do you believe you have all the regulatory mechanisms in place already to earn a fair return on your investments? Anything that you would pursue?
- Which of your gas utilities do you expect to be earning below their authorized returns in '21? Which are earning below their authorized right now?

Financials & Guidance

- You raised your FY21 EPS estimate to the top-end of the original range earlier this year - how is COVID/load trending across your jurisdictions and do you see the updated range as conservative at this point?
- In terms of your cost mitigation to date, what portion of the cost reductions are structural savings vs transitory?
- You have your 7-9% growth through 2024 driven by the renewables investment, how does the ongoing IRP play into this?.
- Longer-term, how are you thinking about the delta between rate base and earnings growth? Rate base growth seems strong, but how do you lower the delta over time?
- Are you comfortable with your base rate base growth (i.e. ex-renewables) going forward? Is this sustainable?
  - What are the upside opportunities to your current plan? Have you contemplated investment in RNG?
- How does NI look at its current credit ratings, what are the target debt metrics?
- What are the credit agency downgrade/upgrade thresholds for these metrics?

NorthWestern Corp (NWE)

- Can you walk through the drivers of your 2022 guidance? What are the puts and takes to put you at the top end and lower end of the range, respectively? Where do you have the least amount of visibility and what do you see as most at-risk? Do you have further cost cutting levers to pull to keep guidance intact?
- How are you thinking about inflationary pressures and ability to sustain earlier cost cuts? How is this impacting the way you approach a potential rate case and timing in respective jurisdictions?
- Can you talk about the critical drivers to drive your EPS and TSR targets? With the additional generation in MT, where do you perceive to be within your 3-6% longer term EPS range? What do you perceive as the biggest tailwinds or headwind to achieving results?
- Can you talk a bit about how you plan to approach equity issuances given the preapproval withdrawal, the regulatory climate, and current FFO/Debt metrics? How should we think about timing for issuances this year and the annual run rate from an ongoing basis?
- How are you framing incremental equity needs from the latest generation win in MT and any further upside to capex? Where are your credit metrics today relative to internal targets and targets from agencies?
- Can you walk through your latest forecasted longer term capacity needs in MT and SD? How should we think about further potential generation wins in the respective states?
- Can you walk through the thought process around filing for a further delay in the decoupling pilot that was supposed to be implemented last July? How are you thinking about the LT prospects for this mechanism now - is it still something you even want to pursue?
- Can you walk through latest load trends in your jurisdictions by customer class? How are you thinking about structural load changes in your jurisdictions?
- Are you seeing any concerns around supply chains? Do you see any risk to NT capex?
- Given you are in the middle of construction for the recently awarded South Dakota generation while opting to discontinue construction on one of the plants. How do you see yourself scaling generation in the jurisdiction longer term?
- How are you thinking about your earned ROE on a go forward basis? What type of ROE is needed for you to continue to execute on your internal EPS growth plan & stated TSR target?
- What are the key regulatory items that are currently on your radar that could be addressed in the next legislative session?
- What are your latest thoughts on industry consolidation? How are you framing your appetite as a buyer or seller given variations in valuation across the sector?
- Will there be any far-out potential transmission build to the west coast?

OGE Energy (OGE)

Energy Transfer/Enable

- When should we expect an update on the sale of Enable to Energy Transfer?
- Over what timeframe do you plan to sell-down your 3% stake in ET? Can you walk through any restrictions on selling these shares? Is CenterPoint's announcement to fully exit by the end of 2022 a factor here?
- What are the impacts to OGE's FFO/debt downgrade threshold with the ENBL sale? Does it decrease? If so, by how much? Do you plan to utilize the excess balance sheet capacity to redeploy capital into renewables and grid mod?

2021 IRP & Capex

- Can you talk about the IRP process and the preferred plan? How are you thinking about layering in the solar that is contemplated?
- What is the expectation on ownership? Do you foresee any risks to approval with the Commission?
- As you have knowledge on the resources contemplated in the preferred plan, what is the capex opportunity that you see from the IRP?
- Can you speak more broadly on what incremental capex opportunities are not baked into the current 5-yr plan? Clearly, generation is one leg of potential opportunity, but it seems like there is still more.
- How much latitude do you think you have to increase capex?
- Can you breakdown your current rate base by resource? What percent of your rate base is coal-fired generation? What percent is gas generation?
- How should we think about your cost savings going forward? Is there any opportunity to flex this to be able to support incremental investment in the grid? (i.e. give yourself latitude on customer bills).
- Can you walk through your retirement plans and how you expect to replace the lost coal-fired capacity?

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- Can you provide an update around OGE's efforts to decarbonize? Are you planning to release longer-term goals?
- Can you talk about how you are viewing the long-term EPS growth range of 4-6%? It seems like the incremental capex paired with no need to issue equity would be positive to the growth rate.

Regulatory

- Can you talk about the securitization settlement? When should we expect a financing order and the Oklahoma Development Finance Authority to consider issuing the bonds?
- Can you discuss the upcoming rate case in OK? Remind us what you are assuming for timing? Anything in particular that we should be looking for?
  - How should we be thinking about the Grid Enhancement Plan? Do you expect to file for an expanded program given some of the grid mod opportunities you hinted at?
  - Do you feel that you are afforded the mechanisms needed to invest and earn a healthy return? Anything that you will be looking for in OK to support further investment?
- How should we think about the pace of the rate cases going forward considering the level of investment that could be contemplated?

PG&E Corporation (PCG)

- Please discuss the current status of (1) prudency/reasonableness review process and (2) available wildfire insurance status for the 2019 (ex. Kincade), 2020 (ex. Zogg), and 2021 (ex. Dixie) events.
- Can you please provide a broad framework on the planned strategic undergrounding proposal anticipated in February 2022? Cost profile, prospective wildfires shutoffs that can be avoided, etc.?
- What trends are you seeing when procuring insurance for 2022 in terms of cost and availability? Do you expect to pass all costs on? What is the latest with plans for internalizing insurance costs?
- What areas are you seeing the great opportunity set of O&M efficiencies and areas for a reduced cost profile?
- How did 2021 wildfire season compare to your expectations for acres, damage, etc.? What is the outlook for 2022?
- For the cost of capital mechanism, what are the potential outcomes, timing for resolution, and mitigation opportunities? Any thoughts on the transmission ROE and incentives?
- Can you discuss your expectation for S&P 500 and broader index eligibility?
- How should investors think about long-term equity needs and future legal, bankruptcy, etc. and legacy costs?
- How can PG&E shareholders benefit from the tight resource adequacy outlook in California? How much additional capital expenditures could be required for California's electrification of the transportation sector?
- How do you think about securing the Safety Certificate in 2021; what specific criteria are required to be met?
- Would you look to get ahead of your in-state peer on this process?
- How do you believe your PSPS policies have been perceived by policy makers?
- What are the remaining hearings and proceedings in the probation review with Judge Alsup?
- What is the latest public cash position for the Wildfire Victims Trust?
- What are your legislative priorities for 2022? If how/would you like to see the wildfire regulatory construct adjusted?
- Once you monetize NOLs, do you immediately become a cash tax payer? What impact does this have to cash flow and debt metrics?
- Can you elaborate on the recent discussions you mentioned regarding timing for reinstatement of the dividend? Would you target a lower payout ratio given your above average growth guidance?
- How have your conversations with the rating agencies evolved over time, particularly in light of the 2021 wildfire season?

Pinnacle West (PNW)

- Please discuss the key drivers as you look ahead to 2022. What level of earned ROEs are embedded in your base forecast? What other puts and takes should be considered?
- Will Arizona Public Service (APS) pursue a legal challenge of the partial recovery of selective catalytic reduction (SCR) authorized by the commission in the rate case? What factors will drive the decision of whether or not to pursue an appeal?
- What factors are you evaluating around the timing of your next rate case filing?
- What equity layer at APS might you consider ahead of your next case filing?
- Are you considering writing down a part of your Four Corners scrubber investment following the commission's order?
- Will you issue a rolled forward capex plan with your Q4 result as has historically been the case?
- Are you evaluating options for further accelerating the retirement of Four Corners beyond the current 2031 target date as has been proposed by some stakeholders? How do you view Resource Adequacy in the state and the region broadly if Four Corners is retired prior to 2031?
- How would you characterize APS' relationship with the ACC and how can the company take steps to improve regulatory outcomes?
- What is your forecast reserve margin in 2022-25 based on current projections?
- Are you considering reducing the number of rate riders that APS has in your next rate case filing as has been suggested by stakeholders? Which ones specifically? How would you adjust the rate mechanism to account for this?
- What level of EV growth is embedded in your base forecast through 2030?
- Is there an opportunity to accelerate transmission investment in Arizona given the ongoing renewable buildout, resource adequacy concerns, and economic growth in the region?
- What are the current solicitations that you have for renewable generation and battery storage? How do these compare against your broader goals of transitioning to clean energy and decarbonizing? Can you meaningfully accelerate these in the near term?
- Discuss your Palo Verde hydrogen pilot - do you have any early takeaways that you can share on using hydrogen for long-term energy storage?
- Do you have an opportunity to buy in or repower any of the renewable assets you are currently contracted with under PPAs?
- How much in shareholder funds has been committed to support coal communities ahead of scheduled retirements?

Portland General Electric (POR)

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- Can you discuss the plans for your upcoming RFPs? How are you thinking about the ability to own more generation longer term? Why are you opting for an affiliate interest and how does this change your ability to be competitive? How do you view the commission's receptivity and appetite for more utility owned generation?
- Can you discuss the recent impact of the storms to your operations? How are you thinking about prospects for a storm deferral mechanism and what is the latest timeline at the commission?
    - After settling the authorized equity thickness and ROE, how are you framing ability to settle outstanding items in the current rate case following staff testimony?
- How should we think about your current trajectory relative to the 4-6% LT CAGR that you have previously laid out after increasing your capex run rate to $550Mn and incremental spend in '22?
- Discuss the load trends in your service territory. How critical is load growth to hit your LT EPS targets?
- Can you talk about the puts and takes to get to the low or high end of your 4-6% LT range?
- How should we think about financing of your capital program into outer years? How are you thinking of financing any of the upside to your CapEx numbers, specifically from any generation spend?
- Can you talk about the most recent wildfire season in your service territory and how it impacts the way you approach it going forward? Discuss suppression efforts and the regulatory treatment in your jurisdictions.
- Can you discuss the latest prospects for energy storage and vehicle electrification infrastructure?
- Can you walk through your latest emission reduction targets? After previously ceasing operations at Boardman, how are you thinking about prospects to further accelerate de-carbonization - particularly given the latest developments around Colstrip?
- Where do you see overall ROEs trending in your jurisdiction relative to across the rest of the United States?
- What are the key legislative efforts you are paying attention to or items you may be lobbying for in coming years?
- Discuss the structural lag at the company. Do you think this is something you will be able to revisit in future rate cases?
- What credit metrics and equity ratio are you targeting longer term?
- Could you discuss any benefits of joining the Western Imbalance Market, especially in terms of cost saving to the end customer as well as you?
- How are you thinking about O&M trajectory going forward amid latest cost cutting efforts?
- Discuss your PCAM adjustment. How are you trending against the baseline so far this quarter? Would you look at altering the mechanism to reduce quarterly earnings volatility?

PPL Corp (PPL)

- When you think about your pro forma business, how would you frame growth prospects longer term? What do you see as a 'healthy & competitive' CAGR and how do you think about the puts and takes for the baseline?
- Can you talk about your recently acquired ownership interest in the Soo Green HVDC transmission line? What was the rationale and how should we think about similar opportunities and any contribution that could materialize?
- How are you framing any updated expectations around timing for the close of Narragansett? What are the key milestones from here and are there any items that remain more contentious that could impact the process?
- Discuss the Electric Highway Coalition and how you would frame expectations for EV penetration in your service territories and what it ultimately means for load growth longer term? Where do you see your role as a utility in supporting the EV infrastructure?
- Discuss the recent announcement by Ford to open a large battery plant in your Kentucky jurisdiction. How meaningful is this and what kind of opportunities can materialize out of it? How would you frame load trends overall in your service territories?
- Can you talk through latest supply chain trends and ability to secure components?
- What are you seeing in terms of inflationary pressures and how could this impact any revisions to your capital plan as we think about the pro forma strategy?
- You committed to buying back $500Mn worth of shares through 2021. How do you think about further buybacks given the $3Bn authorization by the board?
- How are you thinking about targeted FFO/Debt metrics on a go forward basis? What are the respective thresholds from the credit rating agencies and where do you expect to trend longer term?
- Can you walk through the key takeaways from your latest IRP in Kentucky? How are you framing generation needs in your service territory going forward and how do you think about your ability to compete and own the generation?
- As you get deeper into the Narragansett process, any additional color on the magnitude of opportunity to accelerate rate base in the service territory?
- Can you talk broadly about anything that may be on your radar when it comes to potential strategic alternatives? What are you seeing as the most likely course of action to drive long term shareholder returns (acquisitions, divestitures, organic growth, etc.?
- Are you open to minority ownership positions in utilities? How would you rank electric transmission assets as potential acquisition targets relative to electric distribution? How do you think about your appetite for adding gas LDCs?
- Discuss your latest investment efforts in Pennsylvania and Kentucky. How should we think about the potential to reaccelerate rate base growth in the US?
- Where could you see transmission opportunities in Pennsylvania?
- Discuss the dividend payout ratio. Where do you see this trending longer term?

Public Service Enterprise Group (PEG)

- How will nuclear PTC introduction within federal reconciliation legislation affect your strategy with regard to your nuclear fleet?
    - Given the relatively long-term 8-year period and broad federal support for nuclear, would you still consider divestment of nuclear facilities?
    - How do you think about the sale of the nuclear portfolio in the context of ESG?
    - More specifically, given EXC's proposed spin of its nuclear business, what would be your consideration of a combined nuclear portfolio?
- What is PSEG Power's exposure to uranium pricing volatility? How can you mitigate this risk?
- Discuss expectations on pricing for the PJM '23/'24 auction.
- Can you provide more details on the upside opportunity for the Infrastructure Acceleration Program (IAP)?
- Can you discuss the Ocean Wind I JV with Orsted, including anticipated timeline and projected economics at this point in time? At what point can we expect an update to guidance which would include Ocean Wind?

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- What is the risk of cost inflation, and how can you mitigate this risk?
- How would you estimate capital deployment for the project?

- Please discuss the offshore wind opportunity beyond Ocean Wind I, including the possibility of further partnerships with Orsted.
- Can you provide more color on the $1bn+ of potential investment for offshore transmission projects? What are data points to watch as the competitive solicitation progresses?
- Discuss your 5-7% EPS CAGR. How confident do you feel on the various drivers to achieve the high end vs. the low end of the range?
  - For instance, what gives you confidence on program extensions?
- Discuss the risk at FERC to the transmission RTO adder, and the potential impact to PEG's guidance.
- At your recent Analyst Day, rate base was increased by only $350mn for '21-'25, meaningfully lower than the capex increase. Can you explain this discrepancy?
- How do you expect earned ROEs to trend vs. authorized ROEs?

Sempra Energy (SRE)

- Can you discuss your short-, intermediate-, and long-term plans for ownership of Sempra Infrastructure Partners (SIP)? How does LNG fit in your portfolio over the long-term given de-carbonization efforts?
- What would management and the Board of Directors need to see to consider a broader simplification of the business mix?
- Where do you stand with respect to Cameron Expansion, Port Arthur and ECA phase 2? How have conversations with potential offtakers and your partners trended throughout 2021? Has your priority ranking of projects changed?
- What is the latest on Mexican investment opportunities for renewables, transmission, and refined products?
- After the latest Aliso Canyon settlement, can you describe the remaining prudency and related proceedings?
- What are you expectations for the California Cost of Capital proceeding and how have you adjusted for the range out of outcomes in 2022 guidance?
- How is your natural gas marketing business fundamentally positioned relative to the recent commodity market changes?
- What are your latest thoughts on action taken by California regulators in summer 2021 related to natural gas infrastructure and building codes? Are there plans to pursue accelerated depreciation recovery to reduce stranded asset exposure?
- How do you think about earned ROEs at your CA utilities? Could we see similar healthy returns as in years past?
- How did 2021 California wildfire season compare to your expectations?
- In Texas, to what degree have generator interconnection requests changed in 2021 following Winter Storm Uri and with the latest rally in energy prices?
- Outside of utility capex, what is your latest appetite towards inorganic growth?
- Do you have any aspirations to revisit the Oncor storage proposal?
- How should we think about the potential to deploy yet further capex in TX given the generation backlog and recent focus on more Transmission spending?
- Can you discuss your regulatory strategy in Texas with the upcoming rate case next year?
- Remind us what your credit metric targets are and how they could evolve if you undertake new LNG developments?

Southern Co (SO)

Vogtle

- Can you talk about the latest delay? Why did the scope expand? Will there be any more electrical remediation outside of what has been identified?
- What is the status of the spent fuel pond remediation?
  - What other risk items should we be focused on outside of the electrical remediation and spent fuel pond?
- Where does ITAAC paperwork stand and how do you expect it to impact the timeline?
- How are COVID cases trending on site? What about absenteeism?
- Target for fuel load has been moved back to ~end of May. How many days are you embedding for fuel load completion? Do you still see the ability to overachieve this?
- What should we expect out of the Staff VCM 25 testimony? Where do you perceive Staff's stance on the project?
  - Can you speak on your relationship with the Commission? How are you viewing the election next year?
- Staff has been critical on the assumed timing gap between Unit 3 and Unit 4 in service. What gives you confidence in being able to hit the 9-month gap between the in-service dates?
  - How does an even further delay in the ability to hit the timeline set out for Vogtle Unit 3 and 4 impact your ability to hit $4.00-4.30 in 2024? Can you walk us through the ROE penalty for each month delay?
- What do you believe will be the biggest challenge in hitting the targeted in service dates at this point?
- Do you expect that any additional costs will be funded through equity? Can you remind us how the ratings agencies view the balance sheet? Target credit metrics, downgrade/upgrade thresholds?
- You have taken some write-downs to date that you have stated you will not be seeking recovery for - is there any guidance that you can give on the amount of incremental capital costs that you will be seeking recovery of?
  - Do you expect to provide an update on this ahead of Unit 4 case?

Growth & Capex

- Can you discuss the latest retirement updates across your coal portfolio in light of the effluent limit guidelines?
  - Can you provide more detail on the $5-8bn in incremental capex opportunities and how should we think about the timeline for that to be included in plan?
  - Would this incremental capex put you at the high-end of the 5-7% range? Long term, how does SO think about transitioning its fleet in AL & GA?
- Can you discuss what type of projects you would be targeting at Southern Power with potential for $500mn/yr in spend? Solar, wind, H2, other?
- At your gas utilities, what are your latest efforts to better align with decarbonization trends? Do you foresee RNG or Hydrogen in your pipes in the near future?

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- Any other incremental spending opportunities on the Gas LDC front?
- How do you think about regulated M&A in a post-Vogtle world?

TransAlta Corp/Renewables (TA, RNW CN)

- Please discuss your views on fundamentals of the Alberta electricity merchant market. What are your expectations for average prices next year?
- In your view do forward prices for Alberta power give an accurate view of the actual pricing that will be realized? What factors drive the delta, if any? Can you disclose your proportion of hedged forward sales in 2022 and the average pricing?
- How much of your natural gas fuel needs are hedged for 2022 and at what average price?
- What are your expectations for supply additions to the Alberta market over the coming 3-5 years? Do your internal forecasts vary from those published by
- What is the latest operational updabe considered te at Kent Hills? Do you have an estimate of the length of the full outage at phase 1 and 2 in order to complete inspection work?
- How many towers at Kent Hills do you estimate could have the same sub-surface cracking issue as the one that collapsed? What is the latest estimate of the potential costs to repair the cracking issues at Kent Hills given cost projections?
- Please discuss the insurance and any other recovery options that are available to the company to offset the direct financial impact from the Kent Hills outage. Is there any option to recovery lost revenues?
- Is your PPA with New Brunswick Power at Kent Hills intact or does the offtaker have the ability to terminate the agreement early?
- Has the company made progress in remarketing the turbines and other equipment that were purchased for the Sundance 5 repowering before that project was called off?
- Discuss your Hydro units' participation in the Ancillary Services market in Alberta - do you expect the strong performance from 2021 to carry forward? Why or why not?
- Given that many of your Australian offtakers are miners with exposure to upside from elevated commodity prices, do you have visibility into higher capex by these companies that could translate to elevated investment in renewables?
- Are you evaluating other solar projects in NC following your recent purchase? Could there be operating efficiencies from adding more capacity in the same geography?
- At what multiples is TransAlta Corp developing its pipeline of renewables projects, including near-term wind facilities in Oklahoma? At what multiples do you expect to drop contracted assets to TransAlta Renewables?
- What is your latest expectation on Brookfield's option to purchase a minority stake in the merchant hydro asset fleet?
- What are your expectations / internal forecasts regarding the price of carbon in Canada? Do you anticipate the price rising to CAD$170/ton of emissions as has been proposed earlier this year?

WEC Energy Group (WEC)

- Please discuss the recent decision to increase your LT EPS growth to 6-7% -- what factors would have given you the confidence to go to a broader band? Can you control earnings so closely as to have a 1% target band?
- How much capex is associated with the Oak Creek transition away from coal through 2035? How do you think about the blending of gas over time and what milestones will trigger those decisions? What gives you confidence on the integrity of the PTF structure through this pivot in fuel type?
- Do you plan to retire Weston by 2030? What is the level of undepreciated plant associated with environmental retrofit at the site? How would you propose to recover this undepreciated plant post-retirement? Could there be latitude to recover an accelerated level of depreciation?
- When do you expect to announce the 700 MW of incremental solar projects included in your latest capex plan? Are you seeing any inflationary pressures among components?
- Are you evaluating adding more liquefied natural gas (LNG) facilities in addition to the two currently pending approval at We Energies?
- What is your expectation for customer growth at your electric and gas utilities in the coming years? How is expected growth split across your jurisdictions?
- What are the main levers for sustaining O&M cuts into '22? Is it mostly fuel from retiring coal?
- Energy Infrastructure capex is slowing down in your new outlook, is that a natural result of your 10% earnings target for the business which you should largely be able to achieve with the existing spend?
- With no equity issuance in your long-term forecast, what are the potential uses of the estimated 50-100bps balance sheet improvement if Direct Pay is included in a federal infrastructure bill?
- Have you seen any potential acquisitions recently that met your three criteria?
- Are you concerned about your gas customers absorbing an estimated 30-40% bill increase during the heating season? How might your regulators respond in future rate proceedings?
- Do you see any latitude to extend the lease terms at the Oak Creek Power the Future plant following the conversion to run on natural gas?
- Have any of your solar projects experienced delays with transmission interconnections?
- Do you have PPAs with renewable operators that are nearing the end of their production tax credit (PTC) lives that could potentially be candidates for buy-in and repowering?
- Can you discuss any of the investments you have made in development-stage companies in the Clean Energy Fund?

Xcel Energy (XEL)

- Discuss the key components of your 2022 EPS guidance range of $3.10-3.20. What factors will determine whether your results are in the upper or lower ends of the range?
- Describe the $1.0-1.5B renewable generation upside with 2 GW in MN and CO as proposed in latest resource plan filings - what is the split between jurisdictions, how would the investment opportunity change if ownership is lower/higher than the 50% assumed in the base plan?
- Which specific projects are included in the $0.5-1.0B CO resource plan upside? How much visibility do you have to regulatory approval of the proposed spending?
- Do you have any views on the pushed back timeframe around visibility of the initial MISO project set for long-term transmission planning from Q1 '22 to H1 '22?

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- How likely is Direct Pay to be included in future energy legislation? Over what time frame would you expect to realize the 75-100 bps FFO improvement to be realized?
- Do you see your entire $1.25B equity needs through 2026 as potentially being removed if Direct Pay were passed and 75-100 bps of FFO improvement materialized?
- Of the ~10 GW of wind PPAs you currently have, what portion do you anticipate as being eligible for the repowering and buy-in opportunity discussed on the Q3 call? What is the time frame and potential level of investment contemplated? When do you expect to be able to add specific portions of the upside to your formal plan?
- What is your expectation of intervener and key party positions in the pending CO rate case? Which intervener groups have been active in your dockets in the past and what topics do you expect them to actively be involved in?
- What expectations around earned ROE in CO do you have following the completion of the current rate case? Do you expect to improve from the levels achieved in recent years?
- How is the +1% weather normalized retail sales increase included in your 2022 guidance divided between jurisdictions and customer types? Does it contemplate customer growth or an increase in consumption by existing customers?
- How much investment in EV infrastructure is included in your base plan? Do you see potential to accelerate investment in MN and CO?
- What are the drivers of WI rate base growth through 2026 of 11%, well ahead of the larger jurisdictions and the consolidated estimate of +6.5%?
- What level of holdco debt to total debt do you target (vs forecast of 23-24% through 2026)?

Table 1: Stocks mentioned

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AES	AES US	AES Corp	US$ 25.3	B-1-7
AEE	AEE US	Ameren Corp	US$ 84.19	A-1-7
AEP	AEP US	American Elec Power	US$ 84.93	B-1-7
BKH	BKH US	Black Hills	US$ 67.61	B-1-7
D	D US	Dominion Energy	US$ 75.48	A-1-7
ETR	ETR US	Entergy Corp.	US$ 103.36	B-1-7
FE	FE US	FirstEnergy	US$ 39.25	B-1-8
MDU	MDU US	MDU Resources	US$ 31.09	B-1-7
NEE	NEE US	NextEra Energy	US$ 85.24	B-1-7
NI	NI US	NiSource Inc	US$ 25.29	B-1-7
POR	POR US	Portland General	US$ 49.81	B-1-7
SO	SO US	Southern Company	US$ 62.55	A-1-7
XEL	XEL US	Xcel Energy	US$ 63.5	A-1-7

Source: BofA Global Research

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Price Objective Basis & Risk

AES (AES)
Our price objective is $28 and is based on a sum of the parts analysis applying a blended valuation approach, the summation of 1) EV/EBITDA approach across global generation assets. We use an 8.0x base for US peer IPPs and apply a +5x premium for US distributed generation for further growth expectations, valuing them at 13x 21E EV/EBITDA. Meanwhile, we value the DevCo using a 10% discount on 3.5GW+ of annual renewables beyond '22 given market dynamics. In Asia, we apply various multiples based upon jurisdiction risk across the rest of the portfolio and overall investor appetite as reflected in local peer multiples. We use mark-to-market value of publicly listed LATAM subs as well as apply a P/E methodology for US regulated utilities using the peer multiple of 16.2x 24E. We also credit the company with Vietnam and its investment in Uplight.

Downside risks to our price objective are negative regulatory outcomes in the US, international currencies devaluing against the US dollar, and expensive M&A acquisitions impacting value and a reduction in emerging market power demand growth.

Ameren Corporation (AEE)
Our $90 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2024E ratebase weighted peer multiple of 16.0x for electric. We apply a 2.0x premium to peers at AEE Missouri to account for the improving prospects of capital spend, supplemented by a regulatory jurisdiction becoming more favorable - but lack of decoupling. We apply a 2.0x premium to peers at AEE Illinois to account for decoupling on the distribution business which aids in earnings predictability. The overall business is expected to grow at a more meaningful clip than that of peers - we see a 10% EPS CAGR at IL 2020-2024. At ATXI, we apply a 4.0x premium to peers to reflect the FERC ROEs. At the Parent, we assume 2.0x multiple premium reflecting average of the subs and given the healthy debt metrics with FFO/Debt at 17%+. Electric peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector. The risks to our price objective are the utilities earning their allowed returns or worse, a significant change in 30-year U.S. Treasury bond yields, and adverse regulatory outcomes that could impact mgmt's ability to earn its allowed return.

American Electric Power (AEP)
Our price objective of $94 is based on SOTP analysis. We ascribe a peer forward P/E multiple (16.2x) with a 1.0x premium for its transmission-only Utilities segments, a 1x discount for PSO and SWEPCO based on renewables approval risk and a 0x premium for regulated utilities. Our valuation reflects the Kentucky Power sale pending. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector.

Risks to achievement of our PO are 1) regulatory outcomes are less favorable than expected, which could result in reduced ROE, 2) large capital intensive are subject to delays or cost overruns, which can change the return profile, 3) natural disasters or catastrophic events can affect system reliability and are subject to regulatory cost recovery risk, 4) utilities are subject to interest rate risk to fund their business, which affects cost of capital, 5) commodity risk affects the generation business margins and indirectly affects the regulated business as a pass through cost, 6) consumer advocates are focused on bill inflation, which can affect regulatory outcomes, 7) non-regulated businesses are inherently more risky and subject to execution risk and commodity variation, 8) asset divestitures and acquisitions, including the risk that the Kentucky Power sale is not completed.

Black Hills Corporation (BKH)
Our $68 PO is based on a SoTP valuation. Gas Utilities: We apply the 14.1x peer P/E multiple on 2023E EPS. Electric Utilities: We apply the 16.6x peer P/E multiple on 2023E EPS. Both electric and gas peer P/E multiples are grossed up by 1-yr vs 2020 by 5% to reflect capital appreciation across the sector. Coal Mine: We apply an 8x peer EV/EBITDA multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a discount/prem multiple to that portion of the mine. IPP Assets: We use the recent sale price and '23/EVEBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag

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and debt.

Downside risks: inability to earn the authorized rate of return, unfavorable regulatory outcomes, and reductions in capital expenditures forecasts
Upside risks: ability to earn above the authorized rate of return, favorable regulatory outcomes, higher capex deployment

Dominion Energy (D)

We value Dominion Energy using a sum-of-the-parts approach to derive our $83/sh PO. Utilities. Our base 2024E approach utilized comparable electric (15.7x) and gas (13.2x) utilities which we gross-up by 5% to reflect capital appreciation across the sector. We apply premiums to the core utilities: +4x Virginia and +3x South Carolina, Ohio, Utah, and North Carolina. We apply discounts to lower value utility sources in South Carolina (NND) and Utah (Wexpro).

We also net out NPV of ongoing bill credits. Merchant: We apply an 8x FCF multiple for Millstone and separately apply a 100% weight to our NPV estimate of the ZCP cash flows. We include the full EBITDA from the contracted renewables with a 16x '24 EV/EBITDA multi in line with peers. Cove Point: We apply an NPV approach with to our DCF adjusted for the 50% sell-down in the facility. For remaining debt beyond that allocated to state utilities, we include a 50% weight towards a straight netting of leverage, with the remaining 50% using a P/E multiple on associated interest expense, in line with the methodology employed for more highly levered diversified utilities.

Risk to our PO include but are not limited to: 1) Regulatory, legislative, and political actions, 2) ability to earn the regulatory allowed ROE, 3) capital markets and equity requirements, 4) changes to the capital expenditure forecast, 5) volatility in interest rates, and 6) natural disasters.

Entergy (ETR)
Our $115 PO is SOTP based. We assign P/E multiples (peer multiple of 15.8x) for 2024E on most segments, in line with peer multiples (and grossed up by 5% to reflect capital appreciation across the group) due to similar growth, and strip out 50% of the holdco senior notes. Both electric peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector.

Downside risks: 1) Regulatory outcomes or earned ROE's could worsen, 2) Rate making mechanisms could change in the future, 3) Failure to get trackers or ROE adjustment mechanisms could hurt realized ROE, 4) weather can affect operations and earnings, 5) Interest rate risk affects cost of capital, 6) Consumer advocates or utility staff may focus more on issues that challenge the company ROE, 7) ETR has had safety issues in the past, which have affected regulatory relationships and company liabilities, 8) Exit from the competitive business could present unforeseen challenges.

FirstEnergy (FE)
Our PO of $42 is based on a sum-of-the-parts valuation. Multiples are driven by relative P/E premiums/discounts to the 2024E regulated peer multiple (16.2x). Electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. As for premiums/discounts, we view NJ as at a slight premium +1x given a generally constructive commission and asset sale potential, PA at -2x as we view our more punitive estimates already account for industrial load sensitivity including O&G royalties, and others as in line to small discounts. In OH, we apply a -1x P/E discount multiple to account for rate review risk. Finally, we apply a +1x P/E premium to peers 2024E multiple to the Transmission business given potential for sale of a non-controlling stake. We subtract out the holding co debt given the high parent leverage.

Downside risks include but are not limited to: 1) Unfavorable regulatory outcomes, 2) inability to earn the allowed ROEs and/or other deterioration of regulatory earnings, 3) increasing pension liabilities, 4) further negative investigation revelations, 5) large equity needs than forecasted.

MDU Resources Group, Inc. (MDU)
Our $38 PO is derived from SOTP. At the regulated electric and gas utilities, we use a P/E approach on our 2028 estimates and use peer multiples of 15.9x for electric and 14.2x for gas, respectively with a -1.0x discount for each reflecting below-peer rate base growth of 5% through 2025, we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO. We value the Construction Materials business using a '24 EV/EBITDA estimate, applying a multiple of 9.3x based on an average of several publicly-traded peers in the cement, asphalt, and aggregates business. We value the Construction Services business using a '24 EV/EBITDA estimate, applying a multiple of 8.2x based on an average of several publicly-traded specialty construction services peers. We also apply a -1.0x valuation discount reflecting the high level of competition in the space. We value the Pipeline business using a '24 EV/EBITDA est., applying a multiple of 10.0x based on an average of several publicly-traded midstream peers. We also apply a -1.0x valuation discount reflecting execution risk around the North Bakken expansion which is slated for construction in 2021-22. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Upside risks are higher utility capex, improving margins at the construction business, and infrastructure stimulus. Downside risks are a macro downturn pressuring construction margins, and rate case outcomes.

NextEra Energy (NEE)
Our $93 PO is derived using a SOTP approach, with the utilities and parent segment valued on a 2024E P/E basis, and the generation segment valued on a 2024E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of IDRs (DCF, at 5% disc rate). We assign 24E peer multiple of 16.1x (grossed up by 5% to reflect capital appreciation) with disc/prem to reflect the growth/risk profile of the businesses. We provide value for possible regulated M&A as one strategy of capital redeployment, albeit weighted at 50% to reflect execution risk. Our valuation reflects the drag in new debt. For NEER, we apply a peer EV/EBITDA multiple of 11x, which we adjust depending on asset type. Give contracted renewables 4x prem given fuel type and contracted nature. We utilize a DCF of new renewable for projects beyond 2022. We value contracted nuclear on a DCF approach using a 7% discount rate. We apply a 1x prem multiple to pipelines (1x disc MVP), 1x discount to gas infrastructure and 1x discount for supply and trading given lower asset quality, a 1x premium for contracted gas peakers and 1x discount for merchant peakers (other), again based on asset quality.
Downside risks include but are not limited to: 1) unfavorable regulatory outcomes, 2) natural disasters, 3) adverse commodity price changes, 4) decline in stock price for YieldCo NextEra Energy Partners, 5) reduction in renewable development margins.

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2024 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 13.6x for gas and 16.0x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Portland General Electric Company (POR)
Our $54 price objective is based on our 2024E EPS estimate discounted back to '21. We value shares based on a 2024E P/E methodology applying a 1x premium to the 2024 regulated utility PE multiple of 16.1x. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. While our PO is a 12-month forward projection, we use a 2024 multiple, which is reflective of a discount back to 2021.

Downside risks are 1) the ability to secure commission approval for future wind builds, 2) power market risk due to the Power Cost Adjustment Mechanism (PCAM), 3) liabilities under a negligence standard for current or future fires caused by POR equipment. 4) potential wildfires.
Upside risks are 1) continuation of small/midcap regulated rally, 2) better than expected weather adjusted load growth, 3) further strengthening of company balance sheet, 4) power market risk due to the PCAM.

Southern Company (SO)
Our $69 PO is derived from a sum-of-the-parts analysis (SOTP). We use a P/E valuation approach on 2024 and use peer multiples of 16.1x for electric and 13.7x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross these multiple by +5% to account for sector wide EPS growth to derive a 12-month forward PO. We subtract 50% of the 2024 parent interest expense multiple by an electric P/E peer multiple to reflect parent lev supporting the utilities. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting.

Upside and downside risks include but are not limited to: 1) Vogtle construction timing and costs, 2) regulatory and legislative outcomes, 3) ability to earn the allowed rate of return, 4) changes to the capital expenditure forecast, 5) nuclear incidents, weather, and natural disasters, 6) rate of customer

earn the allowed rate of return, 4) changes to the capital expenditure forecast, 5) nuclear incidents, weather, and natural disasters, 6) rate of customer growth, 7) O&M trends, 8) interest rates, 9) environmental policies and regulations

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Xcel Energy Inc (XEL)

Our PO is $72. We value Xcel Energy using a sum of the parts (SOTP) approach. Given the difference in geography, earnings strength, growth opportunity and risk profile, we divide the segments by subsidiary.

We use 2024E forward P/E multiple of 16.2x to derive a value for the different business segments, including the parent segment. Electric peer P/E multiple is grossed up for a year to reflect capital appreciation across the sector.

We apply a 3x premium to XEL subsidiaries in MN, CO, NM, and WI as both utilities present solid or improving regulatory treatment with tangible investment upside. We see this multiple as appropriate as the company has growth opportunities, resolving regulatory drag and resolving uncertainty around rate cases.

We also add a discrete item reflecting upside from potential Direct Pay legislation, estimating the equity savings from 75-100 bps improvement in credit metrics and applying a probability weight of 50% to account for uncertainty.

We also net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage.

Downside risks to achievement of the Price Objective include but are not limited to: interest rate changes, regulatory risk such as lower authorized ROEs or less favorable riders/trackers for renewables and transmission, inability to deploy capital at guided levels, adverse legislation, execution delays, and weather/natural disasters.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith

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	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Adhok Bellurkar
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
RSTR				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith

Analyst Certification

We, Julien Dumoulin-Smith and Dariusz Lozny, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Trending

VideoPDF

The RIC Report (https://rsch.baml.com/r?q=5lpxurTj7MkTI1z8yB99Pw&e=cturnure%40nisource.com&h=njtFdg)

Build your portfolio back better

Research Investment Committee 2021-Nov-8

Research Summary

Global Research Highlights (https://rsch.baml.com/r?q=5lpxurTj7MkTI1z8yB99Pw&e=cturnure%40nisource.com&h=njtFdg)

Balancing Year End Variables

Derek Harris 2021-Nov-5

Timestamp: 04 November 2021 12:19PM EDT

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US Electric Utilities & IPPs

EEI 2021 Recap: Utilities Going All-In on Decarbonization

Industry Overview | 10 November 2021 | Equity | United States | Electric Utilities

Key takeaways

- Renewables acceleration & decarbonization the clear focus of 2021 EEI. Mgmt teams generally appear comfortable on inflation.
- Sector has the highest growth visibility in a decade+, if BBB passes. Prefer transmission and renewable exposure.
- NEE, CNP, & FE among constructive meetings. Other positive were AES, IDA, EVRG, SRE DUK, LNT, DTE, HE, WEC, AEE, CMS, XEL

RFP: Request for Proposal

IRP: Integrated Resource Plan

EEI: Edison Electric Institute

BBB: Build Back Better

C&I: Commercial and Industrial

LNG: liquefied natural gas

Build Back Better clear theme but also novel load growth

After weeks of anticipation, momentum on Federal infrastructure legislation reached a fever pitch at EEI with multiple companies expressing the ability to meaningfully accelerate renewables development while controlling the customer rate impact. To a lesser degree growing C&I demand from datacenters and crypto mining was discussed in many meetings. While inflation concerns was a topical on nearly every earnings call, most companies detailed a de minimis impact to long-term plans. Lastly vaccine mandates impacts on workforce appears to be a potential issue for select companies, particularly in the west. Despite FE's recent minority asset sale, M&A was surprisingly even less topical than in the past. With increasing visibility into organic growth across the sector, interest in pursuing costly and time consuming M&A sounded like even less of a priority across the board. If anything further divestments to PE of minority interests remains clear given inability to compete against recent premium bids. This only reflects re-rating opportunity higher. See 4Q updates across board after BBB to feature early stages of acceleration. If 5-7% EPS CAGR is the 'new norm' watch for yet further acceleration in coming 1-yr given improving view on just what is possible.

Most constructive meetings from NEE, CNP, FE

Our best meeting was **NextEra Energy (NEE)** which has a seemingly endless runway of renewable decarbonization/electrification opportunities across its diverse operations. Initial details could come with the 4Q call but the June 2022 Analyst Day is already the most anticipated event of the new year. **CenterPoint (CNP)** newly formulated management team sounds like a well-oiled machine that has been working together for a decade rather than the sub-12 month reality. It is difficult to envision anything that can knock the outlook off-track in the near-term. **FirstEnergy (FE)** once again came with a big update including the EPS CAGR outlook and asset sale (~30x 2024E)/equity package. Investors were surprised by the lack of a positive response to the update and we see an interim-term re-rating potential as management markets the new outlook to investors who have been waiting for the long-pending clarity.

Other positive meetings included: **AES** (California opportunities and overall degree of conservatism in the plan), **IDA** (accelerating growth profile from an already strong base), **BKH** (improving capex profile and confidence in ability to meet outlook targets), **EVRG** (visibility to generation upside and acute focus on regulatory/financial execution), **SRE** (working on increased balance sheet latitude around new LNG), **DUK** (upside to EPS outlook), **LNT** (renewables infra bill clear winner), **DTE** (even more confident than usual in EPS guidance), **AY** (manageable headwinds more than offset by broader renewable pipeline), HE (earnings/economic momentum at utility & bank), **WEC** (crisp message supporting 3Q LT CAGR increase), **AEE** (addressed MO regulatory concerns and we see now growth/execution hiccups in telegraphed management transition), and **CMS** (puzzle pieces falling into place on post-Enerbank absolute EPS profile with IRP progressing).

The majority of updates were positive but **AEP's** update was met with the most puzzlement among investors. **NWE's** wide FY22 guidance miss was a disappointment and a contrast versus SMID peers **IDA**, **BKH**, & **POR** which continue to accelerate.

Summary

AEP: Management rolls out updated $38B five-year capital plan (decrease in transmission the investor focus) with longer-term disclosure on financing - $2.1B in equity through 2026. Clear focus on the balance sheet going forward. Poor optics on transmission capex reduction versus peer FE's increase. Questions on the balance sheet were logical as that appears to be a constraint on spending.

AEE: Confidence on MO outcome (SR not a read-through); transmission and IL rates longer-run catalysts.

AES: Further California extensions appear increasingly likely as renewable PPAs are being signed faster than expectations. Several upside angles remain; we anticipate investors will need to shift towards a tax credit framework akin to NEE to correctly position shares.

AGR: Following challenging updates last week, focus is squarely on PNM and NECEC

AVA: Focus remains on the upcoming WA rate case to be filed in ~Jan. '22. While the last rate case was constructive from a capital standpoint, we see risks to the step up in revenue req., and therefore risks to AVA earning its allowed ROE in '23.

AWK: Slower but more regulated growth as EPS growth shifts to 7-9% and rate base growth climbs to 8-9%.

AY: Strong opportunity set in U.S. driven by reconciliation with less concern on supply chain. Noted comfort in Chile/Peru transmission, plus refi opportunities.

BKH: Further opportunities can yet emerge after latest capex raise. De-risking regulatory agenda too. See CO turnaround as a key derisking; coal fate increasingly front and center.

CMS: IRP path to constructive outcome which is the key puzzle piece in road to replace divested Enerbank earnings. Despite more noise than usual, MI view remains constructive.

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CNP: Confidence in execution on the capital and growth plan. We continue to see upside to spending through increased TX T&D investment underpinned by a very healthy economic backdrop as well as more novel opportunities in RNG and hydrogen.

D: Quiet is good with a much lower-key EEI than prior years; explicitly emphasizing a regulated profile. No commentary on legislation. Will they make a range of their 6.5% point estimate with the 4Q call?

DUK: *Upside surprise at our meeting* as now see near-term renewables; could see rate case timing shift to afford latitude for ~70% carbon reduction planning by NCUC. Modest upside to ests re-emerges for '23-'25 on EE/PBR incentives if not upper end of $60-65+ Bn capex range.

DTE: Stated simply, company affirms it will continue to 'nail' their EPS guidance ranges. Our interpretation is high end of annual EPS targets remains visible.

ED: Discussion of O&R NY rate case very topical ahead of big CECONY 2022 rate case; seems as if mgmt was tacitly more constructive.

EIX: After another eventful wildfire season in 2021, management can tell its success story and attractive investors in the near-term. Feb FY22 guidance initiation a risk but May climate adaptation plan should provide a view of LT capex evolution.

ETR: Management appeared highly confident on the near-term EPS plan as it lay the groundwork for materially higher electrification/resiliency capex in 2025+.

ES: Moving behind 2021 CT regulatory hiccups, focus turns to the annual 4Q capex refresh with more visibility into roll-forward capex increase than in prior years.

EVRG: New mgmt. impressive deep knowledge of key regulatory proceedings and outreach to build stakeholder relationships sets the stage for key rate cases.

EXC: Limited details ahead of refresh. Mgmt has clearly hedged forward years inclusive of latest acquisition of CENG/plant extensions. *Above Street, but just by how much?*

FE: Detailing the elements of latest LT update gives insights into execution. Investors question have focused on magnitude of credit metric improvement and '24 rate case. *Still expecting positive read-throughs and re-rating potential.*

FTS: Differentiating itself in AZ from peers; div growth still a question mark after Q3.

HE: Positive momentum at utility but also the bank set for continued strength in FY22

IDA: Several upside angles to rate base ahead of upcoming IRP. Watch 4Q for big updates as multiple issues poised for updates in coming weeks (WY coal, OR transmission, resource planning). *Acceleration coming?*

LNT: Infra bill framed as clear "green arrow" with rate base and repowering upside, no min tax concerns; de-risking 5-7% with $0.5bn+ higher ratebase on direct pay alone. Looks well organized on legislative upsides in coming weeks on repowering and restructuring existing financings. *Among the most articulate on the bill.*

MDU: Fundamentals solid in construction biz despite near-term asphalt and input cost pressures, COVID vaccine reqs a timing focus but likely industrywide - see separate note (https://rsch.baml.com/r?q=-CAK2vxVla-c4HSbyMpKSA).

NI: The recent NIPSCO preferred generation path as well as continued strong growth at the gas utilities should drive extended, elevated growth beyond the 2024 timeframe. Equity financing becomes less of a concern as renewables projects provide strong cash flows - lower dilution causes more of a convergence between rate base and EPS growth.

NEE: Management more bullish than ever on the decarbonization/electrification opportunity sets potential from Federal legislation. No law of larger numbers here.

NWE: '22 guidance initiated well below expectations as equity issuance lingers. Regulatory risks ahead too in order to achieve longer term trajectory.

OGE: OGE is on the cusp of a large capex (both generation and wires) and growth update coming on the 4Q call. Securitization mostly behind, focus shifts to upcoming OK rate case where we could see a constructive outcome given precedent and recent cases.

PCG: Helpful focus on qualitative workforce and cultural improvement efforts that underlie the operating performance stats. Still a long way to go but signs of progress.

PEG: Management reiterated offshore wind wind/transmission oppty, greater FCF certainty w/ nuclear PTCs, and still on more regulated biz value and aversion to M&A. Update affirms ongoing pivot; see use of balance sheet over next couple years as clear upside EPS bias.

POR: Capex upside ahead with upcoming RFP. Management could revisit long term trajectory mid-next year. *Acceleration coming.*

PNW: Proactive stance to next rate case with legal lever and intent for narrower case & potential settlement - question is will it work?

PPL: Holding pattern while watching RI M&A with eye to early 2022 strategic update.

SRE: Efforts to get rating agencies comfortable with new LNG development are notable.

SO: Regulated asset sales side remain promising with Virginia. Focus is on extending the 5-7% beyond the near-term Vogtle bump; still expect 4Q rollforward to boost prospects.

WTRG: Inching closer to DELCORA resolution and discussing robust municipal pipeline.

WEC: Infra segment remains a key business after capex refresh, could see solar depending on recon bill provisions.

XEL: Among the better meetings: CO and MN outcomes should be constructive and frame tangible upside to 5-7% in key jurisdictions.

Summarizing Days 1 & 2

Below we present summarizes of our initial meetings on Sunday-Monday. Please see our detailed notes here: EEI Sunday report here; EEI Monday report here; and EEI PowerPoints/NWE update here.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: EEI 2021 Day 2: A Veritable Water Fountain of Datapoints (https://rsch.baml.com/r?q=t3jLmcNYpINA2I1s7SoeTg)	Julien Dumoulin-Smith	09 November 2021
US Electric Utilities & IPPs: PowerPoints: EEI kickoff, NWE big 2022 miss, $1.2T Infra Bill, SR downgrade, HE (https://rsch.baml.com/r?q=jnToC1EOJHF9B6leGXUOsg)	Julien Dumoulin-Smith	08 November 2021
US Electric Utilities & IPPs: EEI 2021: Sunday Kickoff with FE. Takes from AEP, CNP, ETR, LNT, MDU, & PEG (https://rsch.baml.com/r?q=oyhhGUp13bJuqi9IwDZO8A)	Julien Dumoulin-Smith	08 November 2021

American Electric Power (AEP)

American Electric Power released an update on its long-term capital plan increasing $1B vs prior five-year plan, refreshed and extended the cash flow and financing outlook through 2026 including the expected proceeds from the sale of Kentucky Power and equity contemplated in the back-half of the plan, and initiated FY22 EPS guidance directly in-line with our expectations of $4.85-$5.05. Key topics of discussion revolved around the new capital plan and the fungibility between renewables and transmission - AEP retains some upside to capex on transmission as a backstop to the conservative assumption on renewables capex. As we have started to see from recent updates and commentary, mgmt. continued to be highly focused on the balance sheet and supporting credit metrics. We maintain Buy on further re-rating on execution of the capital plan, transition to renewables, and potential additional asset sales eliminating equity needs and simplifying the business.

Atlantica Sustainable Infra (AY)

Our discussions with mgmt highlighted a strong opportunity set for Atlantica, as the company continues to actively assess a number of opportunities to support its ~$300mn annual investment target. While we continue to see a strong market for international opportunities, with mgmt highlighting Chile and Peru transmission potentially bringing in further expansion prospects, we also note U.S. budget reconciliation bill prospects could create emerging opportunities for battery storage with a standalone storage ITC (Investment Tax Credit) as well as facilitate more robust renewable development growth with a direct pay option for wind/solar. Separately, we see upside from refinancing opportunities with increasingly low cost of capital, partially driven by ESG investment demand. Maintain Neutral; we see strong growth prospects as largely priced into shares already.

Alliant Energy (LNT)

Mgmt. took the opportunity to frame potential infra legislation as de-risking and extending the line of sight to maintaining its 5-7% EPS CAGR rather than an upward inflection. We continue to expect LNT's quality management team to drive growth biased to the midpoint of the 5-7% range, extending one of the more consistent records in the industry. With this broadly reflected in the share price we see risk and reward as largely balanced and maintain our Neutral rating and PO. We think mgmt with likely ~$0.5Bn+ add to ratebase from the use of direct pay as a clear positive for shares. Among the more prepared companies for forthcoming legislation in retaining financing flexibility and being ready to discuss.

Avangrid (AGR)

Avangrid's management confidence in PNM and New England Clean Energy Connect (NECEC) was notable; however, we still have questions about the achievability of the long-term adjusted EPS profile with net headwinds to the outlook. We got the impression that Avangrid/Iberdrola could get comfortable with an independent Board of Directors at the PNM subsidiary. The injunction request related to NECEC appears even more critical than we had appreciated, potentially a major input into management's evaluation of the project. Key topics discussed were the pending PNM merger, NECEC, New York regulated invested opportunities, and the balance sheet.Maintain No rating on PNM given pending merger. Maintain Underperform rating on AGR given elevated execution risk and premium valuation.

CenterPoint Energy (CNP)

Coming off a robust analyst day and a 3Q where CenterPoint management showed continued execution against the plan and increased guidance again by a penny, our conversation stemmed around increasing confidence in 1) the capital spending opportunity across jurisdictions, 2) the Energy Transfer/Enable deal, and 3) regulatory processes including the MN Gas rate case and Winter Storm Uri securitization/cost recovery. Reiterate our Buy as we think CNP should continue to re-rate more towards premium peers with consistent earnings growth vs guidance (at a slight premium to the group today, but see the potential for shares to re-rate even higher). Additionally, the industry-leading net-zero 2035 target could draw additional ESG-focused investors to the story. We increased our PO to $29 from $28 earier this week as we roll forward our base valuation year to FY24 and MtM our FY24E base P/E multiples of 16.3x for electric (from 15.8x) and 13.8x for gas (from 13.5x) based on peer utilities. In our prior work we note that CNP was relatively under-owned by long-term focused investors.

With many investors having yet to meet the 'new' mgmt in person we perceive a widely positive impression was left as re-rating continues off confidence in execution.

CMS Energy (CMS)

Most of the meeting was dedicated to the Integrated Resource Plan (IRP) which is not just the most important open proceeding, but one of the more critical in recent years. If CMS is able to reach a fair/constructive outcome in the IRP, the incremental capital opportunities and supportive earnings treatment of regulatory assets should support a reinvigorated EPS growth profile. Accelerated utility growth and EPS positive rebasing mathematically should lead to adjusted EPS in-line with the prior trajectory. Discussion of MI overall construct was helpful in separately some of the recent headline rhetoric with the company's view of the outlook 'on the ground'. Maintain Buy with supportive outlook and IRP unlocking value.

Consolidated Edison (ED)

We caught up with Con Ed's management team on the company's recent efforts to engage with the New York Department of Public Service (PSC) in the recently-settled Orange & Rockland (O&R) rate case, the successful effort to settle legacy performance-related storm outcomes around Tropical Storm Isaias and related issues, and the outlook for the critical upcoming Con Edison Company of New York (CECONY) rate case which is expected in early 2022. Mgmt. indicated that a majority of the company's focus in the upcoming filing is expected to align with state decarb priorities with discrete allocations for transmission (separate from Con Ed's Transco efforts), EV infrastructure, and further grid hardening in response to an uptick in the severity of recent storms and their impact on the service territory. Maintain Underperform given a low projected growth rate relative to peers and a negative implied total return.

Duke Energy (DUK)

Throughout 2021, DUK has checked off the boxes on a number of large outstanding items including, 1) coal ash recovery in NC, 2) equity needs through the minority interest sale of Duke Energy Indiana (DEI), and 3) constructive legislation in NC that sets the groundwork for an aggressive transition to renewables and allows for more timely and efficient recovery of investments. '22 will be the year when the new legislation starts to take hold (alternative regulation rulemaking and carbon reduction plans) and will set the path '23 and beyond. Constructive meeting, but maintain Neutral as we see shares already pricing in the benefits from the legislation and see limited upside earnings revisions as BofA and street remains at the top-half of the 5-7% EPS growth range already.

Dominion Energy (D)

Dominion mgmt. continues to be in execution mode across its platform on renewables capex. Messaging was fairly unchanged from the 3Q call and previous calls, and we gained more confidence in the time line for offshore wind. Maintain Buy with shares embedding too punitive of a view on Virginia earnings power, in our opinion. The higher capex could translate into ~$0.10 EPS (~2%) and further reduce LT balance sheet risk as the higher capex should lead to a higher customer credit reinvestment offset (CCRO) which can lower future refunds. We look toward the 4Q update for an updated plan through 2026, but believe financial targets (9% rate base growth, 6.5% EPS growth, 6% dividend growth, etc.) will remain the same as D looks to manage its messaging.

Edison International (EIX)

Discussion of risk mitigation efforts and the evaluation of cost/benefit for different wildfire prevention efforts were helpful in showing the progress that EIX, in-state peers, and the State of California have made in addressing wildfire risk. On the margin, EIX sounded incrementally favorable toward the potential cost/benefit of undergrounding while maintaining a preference for the more cost effective covered conductors in most scenarios. Look for details in May with the climate plan filings. CA utility owned storage could be additional upside after the ~535MW was incorporated with the 3Q update. Utility has unique set of attributes such as experience that could help bring 'supply' faster than smaller developers. Pending Federal legislation could reduce the immediate rataebase and earnings opportunity set but California moving faster on resource adequacy will indirectly benefit all utilities in the state. Balancing the generally constructive conversation was a walkthrough the previously discussed FY22 preliminary earnings drivers where we believe the magnitude of incremental capital cost/financing drags are not fully reflected into consensus expectations.

Entergy Corp (ETR)

Overall a constructive meeting with Entergy to kick start EEI. Management expressed a high degree of confidence in its ability to execute on the 5-7% adjusted EPS CAGR as its primary goal with the ability to offset any new headwinds that emerge like it has with COVID and hurricanes recently. A secondary objective is delivering higher in the existing plan by strengthening earned ROEs and striving to moderate equity needs. Lastly the discussion of core resiliency and industrial emission reduction partnerships weighted towards the back-half of the decade.

We reiterate our Buy and PO on ETR after Entergy weathered the storms and is setup to extend the runway. We see an ability to raise the 5-7% outlook, eventually, but perhaps more critically management affirmed it has numerous levers to pull to ensure it executes consistently in '22 but also in near-term '23/'24 outlooks despite the headwinds of storms and recent ROE challenges.

Essential Utilities (WTRG)

Acquisitions getting bigger and more frequent. Latest discussions with management continued to stress the magnitude of opportunities in the municipal pipeline. Acquisition opportunities represent upside to the plan, a contrast to peers that embed assumptions within growth profile. We maintain our Buy rating on shares, seeing value relative to peers and longer term re-rating potential as management continues to perform and drive incremental growth through municipal acquisitions.

Eversource (ES)

Limited ST catalysts ahead of roll forward early next year and higher bills on the way. There is higher visibility into capex increases than in prior years due to more advanced regulatory proceedings. Infrastructure legislation should facilitate additional generation with ES' T&D assets an indirect beneficiary. Detailed discussion of the positive and negative drivers for offshore wind returns were helpful in addressing return profile question.

Evergy (EVRG)

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The "new" management team presented well at the conference which was one of the first opportunities for investors to meet the senior team in their role and made a strong impression on multiple fronts. The command of the regulatory strategy, focus on customer affordability, dedication to cost control, and ambitions to trade at a best-in-class valuation were admirable. Narrowing the gap between Evergy's rates and regional peers should help strengthen regulatory relationships and provide a path for higher ratebase growth beyond the forecast period. The ingredients are present for Evergy to positively and we look for execution on the upcoming 2022/2023 rate cases as well as consistent execution to prove out the transformation underway.

FirstEnergy (FE)
FE steals the show in Hollywood with a new 6-8% long-term adjusted EPS growth rate supported by $2.4Bn transmission minority-interest asset sale (Brookfield), $1.0Bn equity private placement (Blackstone), $2.30-$2.50 FY22 guidance, and +$2.2Bn incremental capex through 2025. The implied transmission sales valuation on BofAe is 29-33x 2024E P/E, potentially lagging initially higher expectations after management's bullish commentary, still among the single highest multiple deals in recent memory and quite accretive. As expected, FY22 is a 'reset year' with the $2.40 midpoint -8% below $2.58 Street and conservatively -3% below $2.47 BofA. Most importantly implied FY24 of $2.75 is in-line with BofA $2.73/$2.76. Post Ohio rate case the implied FY25 is $2.94, notably 3-4% higher than BofA $2.83/consensus $2.85: management's view on LT earnings power is a show of strength as FE is confidence that the Ohio settlement has prevented any 'cliff'.

Our initial impression was that the update is relatively neutral with FY24 within 1% of BofA/Street. Still keeping Street EPS intact was well ahead of earlier fears- and we suspect there will be greater comfort. FE issued more equity and at a lower valuation than we assumed which was positively offset by the incremental capital expenditures. With the debate around earnings through 2024 largely resolved, we reiterate that shares could continue to re-rate as time passes from the Ohio legacy issues and management markets to a wider group of investors.

Hawaiian Electric Industries, Inc
We walked out of the meeting feeling incremental positive on HE shares. We see the utility as well positioned for '22 with new PBR structure in place and potential for continued improvement the bank. We also see overall improving outlook on HI economy and expect supportive 2022 guide ahead on 4Q21 update. Given overall balanced risk/reward at the current price level, we maintain out Neutral rating on HE.

NextEra Energy (NEE)
A multitude of tailwinds for NextEra across its NextEra Energy Resources (NEER) platform and the utility driven by potentially supportive federal legislation. Maintain Buy following bullish commentary with renewables relative economics and demand even stronger driving an improved outlook for procurement. Mgmt. is looking to double its wind and solar backlog through time and triple/quadruple its storage pipeline, and could contain upside through federal legislation. NEE's strategy has changed from being the best renewable developer and utility in the world to now targeting the decarbonization of the entire economy - we have seen a pivot to more novel investment opportunities of late (i.e. away from traditional wind and solar), and believe NEE is set up well to execute on these areas. We continue to see upside to street estimates on a roll forward of mgmt.'s outdated guidance that likely includes a conservative assumption on the FPL case and does not include recent NEER updates (timing likely in late spring/early summer in 2022 at an analyst day).

Public Service Enterprise Group (PEG)
Following a number of positive updates and resolutions on various regulatory items in recent months, our discussions with management focused on the next opportunities for further growth. Management reiterated that opportunities beyond the already disclosed capex plan would be driven by future offshore wind solicitations (in addition to Ocean Wind I) as well as competitive transmission (onshore & offshore) for offshore wind. PEG also provided updates on current growth initiatives including infrastructure with its IAP (Infrastructure Advancement Program) targeting $848mn investment over four years, which was just filed last week; we expect support from NJ given importance of infrastructure (last mile, EV, outside plant, etc.) and opportunity to benefit underserved populations. We continue to see PEG shares as providing exposure to the 'T&D wires-only' scarcity thesis, following divestment of fossil assets, and with ~90% of earnings from the regulated utility in addition to renewable exposure via contracted offshore wind. We maintain our Buy rating and PO.

PG&E Corp
Similar to our Edison International meeting (EIX), the conversation was dominated by details on how PG&E has made strides in implementing policies to have a more engaged workforce laser focused on safety. Although the core features of the wildfire recovery construct underlying Assembly Bill 1054 have been well discussed and documented, it continues to be helpful to hear the mechanism described once again in a simplistic manner. As we exit fire season we see management's message and risk reduction statistics as resonating with investors. The most actionable update will come likely with 4Q21 results, around the strategic undergrounding framework plan with costs, timeline, and other key attributes.

PPL Corp (PPL)
Latest meetings with management of PPL stressed confidence in closing their pending Narragansett acquisition by March of '22 depsite intervenor testimony late last week objecting to the transaction. Watch settlement discussions scheduled in early December. We see closing the transaction a key part to drive the healthy and competitive longer term CAGR given more limited other attractive M&A opportunities. We continue to wait details around further proceed deployment and strategy following recent announcements committing to another $500Mn in buybacks and $1Bn more in organic capex.

Sempra (SRE)
Management reiterated its view that it believes its platforms are undervalued but particularly Southern California Gas (SoCalGas) with its long runway of capital spending. The company points to another strong year of earnings performance in FY21 as setting the stage for FY22, seemingly with an objective of increasing guidance once again after the positive momentum in 2020 and 2021.

Southern Company (SO)
Our conversations with Southern Company mgmt. revolved around the recent coal plant retirements driven by effluent limit guidelines, asset sales to fund equity, the regulatory environment in '22, and Vogtle schedule. Maintain Buy on a healthy fleet transition opportunity that will start to materialize and be the key parallel path to watch with Vogtle into 2022. Remember, generation investments can be done without the need for equity post-Vogtle given the large step-up in cash flows (quantified now at +2%) tied to the project which is a key differentiator vs other large cap utilities with similar renewable transition stories. Mgmt. provided some confidence in the Vogtle schedule given significant buffers to stated timelines - risks are ever-present (watch for the issuance of the 103G letter for Unit 3), but the cone of uncertainty continues to narrow as the project nears in-service.

Ameren (AEE)

Our meeting with Ameren mgmt. focused on the pending MO electric rate case, the future IL multi year rate plan, and MISO transmission upside. Maintain Buy on attractive risk/reward with Ameren well-positioned to extend its runway via accelerated transmission spend in the back half of the current plan as well as potential renewable acceleration in MO.

SR testimony not a template for MO Electric

Mgmt. framed key differences between the recent testimony filed by the Missouri Public Service Commission (MPSC) staff in the Spire rate case and its own ongoing electric case. Capital structure was among the cautious updates from the Spite testimony though Ameren mgmt. framed their filing as distinct from Spire's with the key difference being short term debt which is not a factor for Ameren. Capitalized overheads were also flagged as a cautious note in the Spire testimony, and are less applicable in Ameren's case. ROE recommended by staff for Ameren was 9.5%, ahead of Spire's 9.37% - with the range in Ameren MO's last case set at 9.4-9.8% the downside risk appears comparatively limited for Ameren. The Endangered Species Act issues surrounding hazard to bat populations near the 400 MW High Prairie wind farm has gotten attention from some interveners including the Office of Public Counsel in the ongoing rate case - mgmt. is looking at a number of solutions to keep the bats safe and still avoid curtailing the facility at night. Overall mgmt. flagged a confident note regarding the MO electric case and we continue to view a settlement as likely before the end of the year.

Reconciliation bill upside is real

Ameren's mgmt. expects the reconciliation bill to contribute to higher rate base through reduction of deferred tax balances. At its current run rate the company is generating ~$60m of PTCs annually, with the number expected to climb as more wind is added into the mix, thus cash flows will likely see an improvement from Direct Pay provisions if passed. Minimum tax requirements would likely apply though some questions remain as to applicability at the holdco or opco level.

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Rush Island, tax changes, likely drive resource update

We continue to see scrubber installation at Rush Island following a court decision earlier this year as highly unlikely given prohibitive capex and opex. Mgmt. has not publicly discussed plans though the company does plan to file a formal update to its resource plan pending in front of the commission in the event that its request for rehearing of the court decision is rejected. The retirement of Rush Island would likely be rolled into a broader update of the resource plan which includes securitization of the remaining undepreciated plant ($400m YE '20) as well as potentially shifts in the investment into renewables as proposed given evolving tax credits in the current reconciliation bill.

AES Corp (AES)

Well positioned after Redondo extension and renewable target raise

Ahead of meetings at the Edison Electric Institute (EEI) conference, AES management reaffirmed full year guidance of $1.50-$1.58 but with an expectation to be at the low end as a result of the updated accounting interpretation. Despite lower '22 and '23 estimates as a result in isolation, latest discussions with management continued to give us confidence in the core fundamentals of the business with renewable opportunities exceeding expectations and strong results despite a 7c headwind in Chile. Management noted that the recently raised 5GW target for full year signed renewable power purchase agreements (PPA) position the company better in the outer years of the plan where the accounting adjustment doesn't have the impact it has over the next few years given settlement timing: we perceive some similar puts and takes in the nearer term to help backfill the deltas. The higher PPA signings should translate to ~$150-250Mn of equity with potential for a nice earnings contribution - particularly when including HLBV accounting treatment. While management plans to commission 1.5GW+ of the renewables in '21, expectation is for a step up to 3.5-4GW in '22 and conversations stressed that they continue to navigate the supply chain effectively with the shortages more oriented towards smaller developers. They remain quite confident around ability to maintain low teen ROEs in the US and mid to high teens outside of the US. We see the company as particularly well positioned given their 40gw pipeline (with about half in the US). Latest discussions with management also stressed a 9GW interconnect capacity after adding another 4.5GW this year. This can be a unique advantage for further project buildout as they manage around land constraints and buildout in connection with AES Next.

Additional Cali extensions seem increasingly likely

Additionally, the two year extension of Redondo Beach should add a couple of cents of latitude to '22 and '23 vs. plan, while we perceive an increasing likelihood of another extension beyond '23 for the legacy Southland assets to drive closer to a dime of contribution in outer years (adding more structural upside beyond the 3Q upside opportunities from successful hedging). Meanwhile, recall the company expects contribution for AES Next to inflect meaningfully from the 6c drag currently to a 6c positive in a few years. Although management doesn't see Bulgaria in the portfolio longer term, commentary suggested the assets are performing quite well. Given what we view as some potential latitude to longer term numbers that could continue to materialize in various forms, watch for any developments in coming years around further coal retirements and portfolio transitions.

We have increasing confidence in the AES management team's ability to execute given latest results and renewable updates: Reiterate Buy on further rerating opportunity.

American Water Works (AWK)

A slower more regulated growth profile

Ahead of the Edison Electric Institute (EEI) conference this week, AWK hosted an Analyst Day last Wednesday (11/3) with 3Q results in which the company reset expectations by establishing initial '22 EPS guidance materially below expectations ($4.44 at the midpoint, 4% below prior consensus of $4.61 and 2% below our street low estimate of $4.50). While management kept the weather normalized 2020 base year unchanged, they cut the longer term trajectory to 7-9% from 7-10%, reflecting a similar drop in implied '25 earnings of 4% and 2% vs. prior street and BofA expectations. Amid the divestment of the more asset light HOS business, the company increased regulated investment by $6Bn over the next ten years to a range of $28-$32Bn to drive rate base growth of 8-9% (vs. 7-8% previously) - albeit with the renewed regulated growth more than offset by an additional $400Mn of equity ($1.1Bn vs. $700Mn previously) and dilution from the sale. While the construct of the transaction as a loan with a 7% interest payment and revenue sharing agreements seems to limit dilution through the forecast period (with management noting a ~10c impact to '22 on the call), we have less conviction around ability to manage ROEs across jurisdictions on the margin given the disappointing '22 guide.

Accelerating rate base post divestitures with muni opp's robust

AWK continues to work through the protracted sale of their New York American Water (NYAW) operations - with parties recently filing a joint settlement that includes a two year job commitment, a rate freeze until April 1st, 2023, an agreement that the premium above book value will not be passed on to customers among other components which should help de-risk and make us more comfortable around prospects. A one day evidentiary hearing on the proposal is scheduled for November 16th and latest discussions with management continued to suggest confidence that they could close the deal this year. Despite selling off some regulated assets, the company plans to accelerate rate base growth longer term to 8-9% - from 7-8% previously with the latest plan contemplating $13-14Bn in spend over the forecast period through use of both Homeowner Services/NYAW proceeds and ~$1.1Bn of equity. Discussions with management stressed this as off the 2020 base but with fairly steady growth each year. While management hasn't provided an authorized ROE disclosure in several quarters, we note that last disclosure suggested around 9.8% and we don't perceive material changes. Managing regulatory lag for capex not included in trackers will be critical given magnitude of spend.

Chester remains a key muni to watch

Separately, AWK remains confident in their bid for Chester with the decision for the sale ultimately up to the receiver as opposed to the city who has sought to close the transaction with WTRG. Watch developments in coming weeks and months given the magnitude of the transaction ($400Mn+).

We reiterate our Underperform on shares of AWK given the steep premium vs. peers despite newly lowered growth trajectory.

Avista (AVA)

Avista (AVA) mgmt. talked through the regulatory environment specifically with regard to the recent WA rate case order and the upcoming case to be filed in Jan. '22. We continue to see risk to '23 EPS guidance given an increase of the magnitude implied by the EPS growth from '22 to '23. We continue to view regulators and stakeholders as particularly sensitive to rate of change in rates (i.e. prefer more gradual increases in rates) and continue to doubt that AVA will be able to achieve their goal of returning to the allowed return by '23 (we model ~70bps of lag (ex-structural lag of 70bps) in '23 which is still a major improvement of 100bps+ from our '22 assumption. Reiterate Underperform as we see risks in achieving allowed ROE in '23, and therefore risks to '23 EPS guidance.

Washington rate case key in achieving '23 guide

Much of the discussion revolved around the Washington rate case that will be filed in ~Jan. '22 as it will determine whether AVA can hit their '23 guidance. Avista recently lowered '22 EPS guidance given the non-recovery of certain operating expenses because they filed a rate case with a 2019 (non-COVID) test year. The WA order did grant AVA recovery of a lot of the capital expense asked for and AVA has typically not had an issue recovering operating expenses, but we believe the rate increase implied will likely be unpalatable for stakeholders. AVA earning an allowed return would assume recovery of operating expenses and seems insurmountable to us given the implied rate impact from '22, compounded with a rising power supply cost backdrop.

We believe '23 EPS guide is based on rate base math assuming allowed ROE as the exact details of the case are still materializing. What about offsets? Yes, AVA and the regulators have used non-earnings tools to manage customer rate impacts in the past, but this has also weighed on AVA's balance sheet which has experienced a noticeable degree of deterioration (consolidated equity ratio) over the last 5+ years. We see this as a driver of the increased equity need in '22 (to $90M from $50M-$70M). Mgmt. does not see these offsets as sustainable longer-term.

Clean energy: more movement in back-half of decade

Mgmt. talked through its Clean Energy Implementation Plan (CEIP) to meet clean energy standards set by the state under the Clean Energy Transformation Act (CETA). The CETA legislation requires a greenhouse gas (GHG) neutral electricity supply by 2030 and 100% of generation from renewable or zero-carbon resources by 2045. The plan outlines a renewable energy acquisition plan to meet the 2030 carbon neutral standard and mitigate the need for new resources as Colstrip and the Lancaster PPA rolls off in 2025 and 2026, respectively. Avista will sell some of its renewable energy credits on behalf of customers through 2029 which the company estimated will lower rates by 1% per year.

The update is largely in line with the targets set by CETA and outlined by AVA in its IRP earlier this year. Focus on customer rates through the refund of [illegible] is modest, but positive as AVA looks to raise rates to return closer to their authorized return.

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Black Hills Corp (BKH)

Well on track after earlier updates

Ahead of the Edison Electric Institute (EEI) Conference, management raised the lower end of 2021 EPS guidance by 5c for a new range of $3.85-$4.00, or $3.93 at the midpoint, while reaffirming 2022 EPS of $3.95-$4.15. Management has executed well to come back from the earlier Uri challenges with guidance shifting higher despite an unplanned outage at Wygen I that impacted 3Q and 4Q and the tough start to the year. Total base capex forecast is now $3.2Bn after rolling in previously contemplated projects and then some further additional opportunities. In addition to the '22 equity issuance of $100-$120Mn embedded in '22 guide, discussions with management at the conference noted an estimated $30-50Mn will likely follow in 2023 to put them in good position under the current plan. Further potential capex opportunities are expected to be financed at 25-30c of equity on the dollar. While we suspect we could see additional capital opportunities materialize out of the recently filed integrated resource plan (IRP), the recently passed infrastructure bill, and other programmatic opportunities (with potential for a run rate of $650-$700Mn), management was clear that they will manage closer to around $600Mn over the next couple of years as they look to build back their balance sheet towards a mid-fifties debt-cap. Latest conversations contemplate achieving the target by 2024.

De-risking the regulatory environment

The rate case settlement in Iowa announced earlier this week follows similar regulatory de-risking with earlier settlements in both KS and CO and the overall outcome reflective of guidance. Management remains confident that they can at least largely wrap up their outstanding filings around recovery for Storm Uri costs by the end of the year (with maybe just Colorado lingering into '22) and announced a settlement agreement for their Kansas Gas utility yesterday evening (11/9). The KS settlement agreement contemplates a five year payback period while the weighted average recovery period across their service territories is ~3.7 years. Next year's regulatory agenda should be much more muted, with the company filing in Arkansas before the end of the year and Wyoming electric mid-year. Management further highlighted the strong load trends across their jurisdictions with no meaningful lingering impact from COVID despite some structural changes which should help manage ROEs.

Bottom line, conversations reaffirmed the strength of the business and capital opportunities, and we see the latest regulatory de-risking as helping to limit challenges in driving their best in class SMID-cap CAGR: Reiterate Buy.

CMS Energy (CMS)

Most of the meeting was dedicated to the Integrated Resource Plan (IRP) which is not just the most important open proceeding, but one of the more critical in recent years. If CMS is able to reach a fair/constructive outcome in the IRP, the incremental capital opportunities and supportive earnings treatment of regulatory assets should support a reinvigorated EPS growth profile. Accelerated utility growth and EPS positive rebasing mathematically should lead to adjusted EPS in-line with the prior trajectory. Discussion of MI overall construct was helpful in separately some of the recent headline rhetoric with the company's view of the outlook 'on the ground'. Maintain Buy with supportive outlook and IRP unlocking value.

IRP: Mgmt confident in case presented

The overriding takeaway is that management is very comfortable in the merits of the case presented and willing to have a litigated outcome if necessary. The path to a settlement is narrow but possible with the key uncertainties related to Dearborn Industrial Generation (DIG), affiliate transaction issues, and the regulatory asset treatment of returns. The spread between DIG market value market value and book value of ~$400Mn is quite wide which could make compromise on that particular topic challenging. Other important topics such as solar magnitude/ownership and energy efficiency generally had fair alignment. With ~$650Mn customer benefit estimated by CMS, the company believes it is has presented a very fair proposal and sees relatively limited room to negotiate on some elements such as the WACC for regulatory assets, particularly following recent credit rating agency downgrades. Rebuttal testimony is expected at the end of November but no major updates are anticipated in the near-term with the Administrative Law Judge (ALJ) recommendation in March 2022 before a final decision in April 2022. Settlements in regulatory proceedings tend to come before the ALJ recommendation; however, the prior IRP was settled *after* the ALJ recommendation so we would not be concerned if there is no real progress before the March ALJ.

IRP execution can lead to EPS growth rate realignment

If CMS can grow at the top-end of its 6-8% EPS CAGR post-Enerbank sale versus the midpoint previously, we continue to see the potential for a favorable convergence of the EPS profiles. Assuming successful asset transfers, CMS will be notably above 95% regulated while offering the same/higher adjusted EPS than the prior plan at 90% regulated earnings. *The road to achievement was relatively bumpy by CMS standards but achievement of this informal target will prove out the logical in management's decision.*

MI remains constructive despite an unusually volatile period

The optics and headlines in Michigan have been uncharacteristically volatile between rate case Administrative Law Judge (ALJ) recommendations aligned with Staff positons', political introduction of energy legislation that could reduce utility scale, investigations into storm performance, and other recent developments. If anything, we believe that some of the recent events should accrue favorably to CMS and in-state peers via additional grid hardening/reliability spending. The political arena has been louder than usual following the Ford decision to locate outside of Michigan which was cited by local politicians as a driver in some of the proposed state legislation around rates.

At the end of the day CMS's leadership in cost control, both operating and non-operating should help mitigate bill increases while supporting robust distribution and generation spending. CMS plans fairly conservatively with expenses and assumes inflation in 'normal times' which sets the company up well to handle the recent enhanced price environment.

Essential Utilities (WTRG)

Acquisitions getting bigger and more frequent

Latest discussions with management continued to stress the magnitude of opportunities in the municipal pipeline. With the earlier update, management noted that the company now has seven signed purchase agreements for additional water and wastewater systems expected to serve 234K and total ~$468Mn in purchase price in two of their existing states. While we continue to wait for a decision on DELCORA following recent hearings, latest discussions suggested both confidence in closing the transaction and no slowdown in the pipeline of other municipal opportunities. Recall while the company was initially successful in the DELCORA legal process against the county to challenge the validity of the asset purchase agreement and trust, the order was appealed and the process protracted - and the company still opted to pull on the ~$300Mn equity forward in early August.

Chester getting closer, can DELCORA close at last?

We see the earlier equity financing as positioning the company well to capitalize on additional opportunities regardless of if the transaction is able to close - with what appears to be more and more opportunities of size. Outside of DELCORA, Chester City recently won a legal process with a PA appeals court ruling that the financially strapped city could entertain sale offers for the Chester Water Authority despite objections from suburban interests that represent the vast majority of customers. The City Council unanimously declared Aqua the winning bidder and requested the receiver to expeditiously approve the sale in what would be a $400Mn+ addition to rate base (well above DELCORA at less than $300Mn). Overall, we continue to see bigger and bigger acquisition opportunities for WTRG and expect the recent move by the EPA to ultimately establish stricter standards around PFAs and water quality to be yet another tailwind to drive tuck in acquisitions after getting constructive legislation enacted across their footprint. This all remains upside to management's forecast - in sharp contrast to peers who embeds acquisition assumptions in results. *We maintain our Buy rating on shares, seeing value relative to peers and longer term re-rating potential as management continues to perform and drive incremental growth through municipal acquisitions.*

Evergy (EVRG)

The "new" management team presented well at the conference which was one of the first opportunities for investors to meet the senior team in their role who made a strong impression on multiple fronts. The command of the regulatory strategy, focus on customer affordability, dedication to cost control, and ambitions to trade at a best-in-class valuation were admirable. Narrowing the gap between Evergy's rates and regional peers should help strengthen regulatory relationships and provide a path for higher ratebase growth beyond the forecast period. The ingredients are present for Evergy to positively and we look for execution on the upcoming 2022/2023 rate cases as well as consistent execution to prove out the transformation underway.

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Regulatory roadmap into busy 2022-2023 period

One of the most topical issues of EEI was the Spire Missouri rate case outcome and the potential read-throughs for peers Ameren and Evergy. Similar to Ameren, Evergy emphasized that it believes its fact pattern is different from Spire related to short-term debt and capitalized overhead. Evergy's only short-term debt relates to Winter Storm Uri which is expected to be repaid with securitization proceeds. Evergy viewed the capitalized overhead issue as related primarily to lack of supporting documentation rather than a fundamental issue with regulatory construct.

Following its Analyst Day and latest earnings update, Evergy's senior leadership has been proactive in stakeholder outreach ahead of the Missouri rate case while it is permitted to meet with parties. The company also realigned its legislative/public affairs and regulatory teams to be better integrated with the objective of more streamlined communications. Evergy should also benefit from the lessons learned from the Spire and Ameren rate cases which will be resolved before Evergy has to file.

In Kansas the clear focus of many stakeholders is rate affordability which was abundantly clear in the extensive Sustainability Transformation Plan (STP) regulatory workshop hearings. Evergy's ability to lower rates with its generation transition from coal to solar should not be contentious for that reason but we will watch the ~200MW solar predetermination filing expected late 2021 with resolution around mid-2022.

Wind repowering a win-win opportunity if terms are right

As an early adopter of wind, Evergy has ~3.8GW of power purchase agreements (PPAs) that are approaching the end of production tax credit (PTC) period or already have had PTCs expire. 1.3GW of which are nearer term opportunity and we would expect management to engage with counterparties on solutions that can benefit ratepayers, the asset owners, and shareholders. The final approach will depend on the outcome of the Federal infrastructure bill with respect to renewables tax credits but the broad framework for PPA buyout has been tried and proven by regional peers such as Xcel. Buying-out the net present value of the contract life and repowering the site with new infrastructure can be a ratebase opportunity for shareholders while also lowering customer rates due to the new PTC. We do not expect an update in the near-term but this could be a significant investment opportunity even with conservative assumptions on buyout/repowering costs as well as split of ratebase vs further PPA extensions. This could complement the existing generation transformation strategy that may be accelerated, also depending on the Federal infrastructure bill.

5-6% rate base growth + efficiencies = 6-8% growth rate

By design Evergy has one of the slower ratebase growth profiles at 5-6% 2021-2025E that supports a **higher** EPS profile of 6-8% with the benefit of cost cuts/efficiencies. Since the Westar merger, Evergy has reduced O&M by 25% and while that degree of cost savings does not appear to be replicable in the near-term, management sees a runway of O&M reduction ahead. With an acute focus on rates Evergy is intentionally investing at a slower rate to improve regional rate competitiveness and bring the gap for shareholders via cost cuts. In the longer-term the company believes that investments to improve the grid will be necessary as aging infrastructure needs to be addressed.

Eversource (ES)

Limited near-term catalysts ahead of roll forward early next year and higher bills on the way

Coming off of 3Q results and the recent Connecticut Light and Power (CL&P) settlement, we see more limited near term catalysts to drive shares higher. With the rate case stay out through 2023 (new rates in 2024 at the earliest under the terms of the stipulation) the key will be how the company manages expenses going forward without the benefit of base rate relief. While an approval of the stipulation should mitigate prior concerns around earnings at CL&P, cost cutting success will be critical to mitigating regulatory lag over the next couple of years. Despite historical strength in control costs, this current inflationary backdrop will make the prospect more challenging and will likely lead to degradation in earned returns. At the same time, watch for a rate case filing for NSTAR Electric at some point in the next couple of months against a backdrop of potential rate shock. While there is potential to settle this filing (MA has requirement for fully litigated case every ten years), any data points around constructive discussions are likely protracted. We perceive more limited concerns around reliability issues into the winter and overall limited NT catalysts to drive shares higher.

A peek at upcoming capex...

While no formal capex update will be given until 4Q results early next year, we see a number of upside levers that can start to be pulled into the latest roll forward. Management noted opportunities around transmission and asset replacement in addition to potential inclusion of some grid mod in Connecticut (a final decision may come subsequent to their upcoming update). Management has noted capex of ~$475Mn for CT AMI. We perceive formal inclusion of any MA AMI as likely still protracted albeit with management previously noting potential for ~$575Mn. The passage of the infrastructure bill should provide yet add'l opportunities for investment. While management's current plan contemplates ~$68Mn in capital investment for their EV program with a decision expectation of mid-22, discussions emphasized any efforts as oriented towards make ready as opposed to owning and operating the infrastructure.

What's to come of offshore

While nothing definitive, we perceive another NY RFP (request for proposal) could materialize next year in addition to neighboring states in the Northeast. Watch potential legislative developments in MA to make ES more competitive as the state's priorities expand beyond absolute price. The competitive landscape after the latest requests for proposal (RFPs) and the outlook for returns is in constant focus but questions about margins are more relevant lately. In MA Governor Baker's proposed legislation to shift the evaluation criteria for subsequent procurements would be positive for ES' prospects in subsequent RFPs. ES has been less competitive in its recent offshore wind bids so 'changing the rules' to focus less on price and more on qualitative Despite some supply chain challenges on the margin both at the biz and longer term, the company feels good about their mid teen return expectations.
Maintain Neutral given balanced risk/reward at the current valuation.

Fortis (FTS CN)

We caught up with FTS mgmt. and see incremental positive for the company in the near to mid-term with latest legislation update and MISO long-term transmission, but shares still expensive given risk/reward - reiterate Underperform.

US Legislation a clear directional positive

Mgmt. highlighted in the meeting that the US legislation is a clear directional positive for the company - ITCs and Direct Pay open up potential for projects which would not otherwise meet internal hurdles, and Direct Pay is a net positive as FTS is not a cash tax payer so this would improve cash flows. Rate base would also be a net benefit though upside tempered slightly by lower deferred taxes. CFO to debt metrics could improve by 30 to 40 bps as a preliminary estimate. We see this as upside to the company in the near to mid-term and tracks directionally with what other utilities have said.

MISO transmission upside, still waiting on detail

We see successful execution on capex initiatives like MISO long-term transmission as potential upside - none is reflected in the current plan, so any projects FTS wins would be a positive to the company. Timing would likely be toward the back of the 5y plan and beyond. Mgmt. thinks there is potential for MISO to release multi-value projects (MVPs) in more than one tranche, we look closely for further details.

Renewables & reliability priorities in Arizona

Following the earnings call, mgmt. continued to frame the AZ regulatory environment as utility-specific and emphasized that they are mindful of resource adequacy and not rushing the renewable buildout. As the company is shifting their coal assets to seasonal operations in coming years with sequential retirements, they are cautious of the right timeframe as to match their ability to get new resources and run in parallel before shutting down coal. Mgmt. also highlighted that they are looking at consolidation of trackers - attach tracker & transmission tracker - which is a commission priority.

LNG buildout in British Columbia

Mgmt. also mentioned that Wood fiber LNG pipeline that is being built in British Columbia (350m capex) is in the current plan and expects to have an update by the end of the year. Tilbury 1 liquefaction facility (400m capex) is also in the current plan and has been approved by the regulator and government for liquefaction - uses electric compression to liquefy gas for potential export to growing Asian market. LNG shipped along that pipe will be

used for bunkering and ship fuel applications. Tilbury 2 would be additional liquefaction capacity - incremental to current plan. Mgmt.'s plan is to move to 75% RNG in BC by 2030, with the government granting approval for ownership of the assets by FTS.

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Idacorp (IDA)

Continuing to execute above guide into upcoming IRP

Ahead of Edison Electric Institute (EEI) meetings this week, IDA recently raised guidance yet again by 5c at the midpoint to $4.80-$4.90 as the company continues to benefit from strong customer growth (+2.9% TTM) - in sharp contrast to peers - with a steady influx of both business and residential customers. After noting potential to add $100Mn in capex out of the 80MW RFP in June to meet peak energy demands in 2023 (in what we perceive will likely be a build-own-transfer construct), latest discussions with management highlighted the robust set of further potential opportunities ahead with a wide range of upside angles to drive elevated levels of spend.

More RFPs and other upside angles

The company plans to issue additional RFPs for needs beyond 2023 in late 2021 or early 2022 following the earlier 80MW; as the company works through initial modeling for their upcoming IRP to be filed in December, we perceive several hundred MWs more of opportunity in '24 and '25. In addition to generation opportunities, additional ownership of Boardman to Hemingway transmission (B2H) and Hells Canyon relicensing remain additional upsides. The strong balance sheet should limit any equity needs when such opportunities do in fact materialize. That said, given the magnitude of capital opportunities ahead, we could see management start to file a rate case as some point over the next couple of years albeit it still appears somewhat protracted. Overall, we see quite a constructive update ahead with full year results when they should have a bit more clarity around a more formal capital investment plan going forward.

NiSource (NI)

NiSource mgmt. talked through the 2021 integrated resource plan (IRP) at Northern Indiana Public Service Co. (NIPSCO), ongoing regulatory items specifically OH where mgmt. is positive on reaching a constructive outcome with parties, and previewed a potential update at a '22 analyst day that will include more detail on future generation projects and growth. We believe there is still room for shares to re-rate higher as mgmt. executes on the renewables projects and growth in the near term and provides what we expect be a very healthy long-term growth outlook. Renewables drive a lot of the rate base and earnings growth contemplated in the plan, but the gas utilities continue to see very strong 10%+ rate base growth. Over time, as cash flows are recognized from renewables and the balance sheet is in a better position from the equity unit issuance, we see NI closing the gap between rate base and earnings growth. This should support a continued, elevated growth rate. NI will be ex-coal in the 2026-2028 timeframe (with bias to 2026) which could attract interest from a new set of ESG-focused investors. Maintain Buy.

Strong case for ownership

NIPSCO recently outlined its preferred future generation portfolio stemming from its 2021 IRP, and mgmt. highlighted that investments of up to $750M will be necessary to replace the retiring fossil plants. The ownership percentage (see bias to own more) and, to a lesser extent, project selection will determine what percentage of the opportunity NI can capture - reconciliation bill could help ownership with direct pay. We think mgmt. has a strong case to own a larger portion of the solar, and therefore we could see portfolio additions toward the higher end of the capex range. Remember, NIPSCO chose a potential combination of two preferred resource paths that leaves optionality over the longer-term to be fluid with changing federal policy.

What about RNG?

Investment in renewable natural gas (RNG) has not been top-of-mind for NI investors as focus has been more squarely on the renewables deployment through '24 and the ongoing 2021 IRP process. Mgmt. is interested in RNG for two angles, 1) how it can decarbonize their gas footprint and 2) how it can drive incremental infrastructure investment. It is still early in the evaluation process but, initially, it seems like there are a number of opportunities for mgmt. to capitalize on. We think supportive legislation from either the federal or state level would drive NI to accelerate a move into RNG. Mgmt. also highlighted its interest in some unregulated investment in RNG as well.

Regulatory data points positive

Mgmt. highlighted confidence in the Columbia Gas of OH, a NI subsidiary, rate case process (Docket 21-0637-GA-AIR). This will be a key litmus test for management's ability to work well with a diverse group of stakeholders. The Ohio regulatory climate has been challenged due to the House Bill 6 (HB 6) scandal despite being unrelated to NiSource, but we believe the regulatory relationship with Columbia Gas continues to be strong. While this is the first general rate case in the state since 2008, mgmt. noted they have continued to reach constructive outcomes with stakeholders and regulators in the interim (i.e. Capital Expenditure Program [CEP] in 2017).

NorthWestern Corp (NWE)

'22 Guidance Worse than Expected

NWE initiated FY22 EPS guidance of $3.20-$3.40, materially below $3.62 Consensus and $3.60 BofA, implying -6% YoY, a notable cautious outlier in the sector experiencing growth. Contribution from growth & rate recovery of 21-35c combined with 3-7c of interest & other is more than offset by 26-30c in y/y operating expense headwinds and 24-26c of dilution as the company plans to issue $225-250Mn in equity in 2022 after $200-225Mn in 2021. Our model assumed a more modest 19c of dilution. The higher expected operating expenses appear to be at a more sustainable level as management is likely to go in for more frequent rate cases given the elevated level of spend. In addition to 2022 guidance, management updated their five year outlook to add $300Mn in spend to drive 4-5% rate base. The company reaffirmed 2021 guidance of $3.43-$3.58 and continues to target longer term EPS growth of 3-6% off of a 2020 base year. We were cautious on the profile of 2022 due to headwinds from lack of rate relief and a deteriorating balance sheet but guidance is worse than expected with equity needs higher than expected and expense headwinds y/y materially worse. While dividend payout ratio will be elevated in 2022 given the more muted EPS, management continues to target a 60-70% payout ratio over time.

Regulatory hurdles ahead to achieve LT growth trajectory

While management targets a 3-6% EPS growth rate off of a 2020 base, we see several rate cases as likely needed to get back on track following the latest equity dilution: we perceive the equity in '22 as likely in the back half of the year based on implied dilution which will likely remain an overhang on shares. We further remain cautious on the regulatory environment after the challenging developments out of the commission and critically await additional data points to see more constructive changes under the new commissioners. With NWE planning to file a rate case in '22, watch for data points out of the commission for any shift in tone to mitigate regulatory concerns. With Laurel now coming online until late '23, watch for potential efforts around recovery constructs outside of a formal rate case filing in '24. We expect a final notice to proceed for the project to be filed in the very near term after the company withdrew preapproval to accelerate build.

We reiterate our Neutral rating on NWE, seeing balanced risk/reward given regulatory/equity overhangs despite deep discount.

OGE Energy (OGE)

OGE Energy is on the cusp of what we think will be a robust capex and growth updated at the 4Q call. Reiterate Buy as we see robust upside as we believe OGE shares not reflecting what we believe to be the proper level of potential incremental capex and growth (currently trading at a steep discount to the group). We see shares re-rating as more details on capex come to fruition at the 4Q call in Feb. Watch ET-ENBL close timeline through 4Q as the next catalyst for shares.

Capex opportunity is robust; generation and grid mod

The company submitted their final integrated resource plan (IRP) in both OK and AR, key components include replacing retired generation with a combination of solar and hydrogen capable combustion turbines. Mgmt. plans to annually add 100-150MW of solar over the next several years. Grid enhancement programs in OK and AR continue on pace - importantly, the proceeds received from the sale of ET in addition to the increased balance sheet capacity from the lower business risk profile ex-midstream will allow for the funding of increased capex with no equity. Grid mod is an additional opportunity for capital deployment, and we expect mgmt. to expand on the grid enhancement plan. **What about recovery?** Mgmt. expects to be filing more

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frequent rate cases to get recovery of the higher capex and keep regulatory lag to a 30bps or less level. The grid enhancement rider is constructive, and also lowers regulatory lag. Mgmt. will be filing its OK rate case by the end of the year, and we believe the outcome could be constructive given Public Service Co. (PSO) recent settlement agreement and OG&E's track record in the state.

Financing for the incremental growth? We do not believe mgmt. will need to issue equity, rather they should be able to rely on proceeds from Energy Transfer (ET) sales and utilizing excess debt capacity to issue debt at the parent and push equity to the utility. Remember, Moody's downgrade threshold will likely be lowered to 14-15%, closer to peers, after OGE reduces midstream operations.

Load growth is robust

OG&E is seeing a strong economic backdrop in their service territory driving customer growth of 1.3% versus 3Q20, higher weather normalized load of ~2.2% above 2020 levels, expanding C&I customer contracts to a total of 200MW in load. Mgmt. believes that this load growth can sustain into 2022 and even 2023 which is clearly positive. *The higher load and customer growth will allow OGE to spread more investments over a larger number of kWhs and lower customer bill impacts of the increased capital plan.* Mgmt. has run analysis of different scenarios on capex, gas prices, etc. and the impact of customer bills and even in the very high case, bill inflation hovers right around the rate of inflation, 2%+.

PinnacleWest (PNW)

One of the key EEI updates was an opportunity to connect with PNW's mgmt. team in person following the EPS guidance refresh and rate case outcome. Our conversation focused on the path ahead for the generation fleet (and RA considerations), the coming legal challenge to the SCR order, and future rate filing priorities.

Re-hearing and legal appeal are likely next steps

As was discussed extensively during and following the Arizona Corporation Commission (ACC) open meetings, PNW mgmt. intends to challenge in court the partial disallowance of the selective catalytic reduction (SCR) that was included in the final order. While the item is relevant from an EPS perspective - mgmt. estimates a 10-11c EPS impact given the $215m disallowance - we note the far more significant driver of earnings and guidance reduction was the ROE cut from 10% to 8.7%, among the most punitive rate case outcomes we have seen in recent history. If the ACC does not act on PNW's petition for rehearing it will be considered rejected, opening the door for a legal challenge. Note that an ongoing legal challenge does not preclude a concurrent rate case filing. We note that during its open meeting deliberations of the rate case, the ACC expressed a desire to avoid a legal challenge from PNW, potentially opening up an avenue for the company to create some leverage for its subsequent filing. Also consider that a court ruling may have precedent value in further defining (and potentially curtailing) the ACC's powers to set energy policy.

Push to improve ROE, engage with stakeholders

Given mgmt.'s estimates that it takes approximately four months to prepare a rate case filing, we continue to see a filing in 1H 2022 as the most likely option. Mgmt. sought to frame the differences in the circumstances between the just-concluded and future case: called in vs. voluntary filing, fully litigated vs. seeking to settle, coal rate base recovery vs. renewable investment. While we appreciate that the coming case filing will likely be simplified, we are not convinced that this alone will drive a meaningfully different outcome vs. the one that just concluded. We agree that improvement in the authorized ROE should be a priority for the company, it remains unclear (absent a meaningful move in rates nationally) how much upside there is above the initial proposal of 9.15% (the further reduction to 8.7% was fairly punitive and could rise incrementally). Commission staff has previously stated an intention to fully litigate all rate cases, thus it is not obvious to us what incentive there is to change this stance - though the "hardball" approach of pursuing a court challenge to the prior order could well prove to be the needed leverage.

Resource Adequacy, ownership mix upside with rider treatment

Mgmt. talked down the prospects for meaningfully moving up the retirement date of Four Corners beyond the currently scheduled 2031. Well-known resource adequacy concerns are the biggest driver here, particularly in the near term as PNW has yet to accelerate its investments in renewable generation given lack of a clean energy rider and associated lag. We see clear upside for PNW to expand its ownership of the renewables procured via its all-source RFPs, having been biased more in favor of PPAs in its most recent solicitations given structural lag.

Portland General Electric (POR)

Will Generation Materialize out of upcoming IRP?

Ahead of the Edison Electric Institute (EEI) Conference, management reaffirmed their full year trajectory of $2.70-$2.85 and their longer term guidance of 4-6%. In addition to adding $105Mn of unexpected incremental capex to the current investment plan (in '22), the company critically highlighted intentions to issue its renewable RFP in December for at least 375-500MW of renewable resources and 375MW of non-emitting dispatchable capacity by the end of 2024. This is in addition to expected procurement of an incremental 100MW for the Green Future Impact Voluntary Renewables program after the constructive order from the OPUC earlier this year permitting POR's ownership. **With bids due in February and additional data points around potential awards protracted until 2Q, we don't expect management to raise the LT growth CAGR with 4Q results but see a constructive setup for additional investment to accrue to POR**. Management reaffirmed that no equity needs appear needed in the nearer term given the relatively strong balance sheet, and we see up to 15-20c of accretion net of any equity that may be issued with generation projects to be awarded next year. While we wouldn't expect the utility to own all the generation, POR plans to address tax disadvantages through use of an affiliate interest entity to make their bids more competitive and we see a constructive backdrop overall for investment in the state to support growth closer to 6% if able to execute. Conversations suggested they may bid more than one benchmark resource in the latest process with multiple additional processes likely to also materialize over the next decade.

Watch further progress on rate case too

While management continues to work through some components of their ongoing rate case, settling ROE and cap structure early should help de-risk the regulatory setup with potential to settle remaining items after settlement discussions on outstanding components recently kicked off. Successful navigation and clarity on the rate case appears another critical factor before ultimately revisiting the longer term growth rate. Absent material inflation, we perceive management as likely to stay on a 2-3 year rate case cycle in their jurisdiction but stress the 90bp structural lag likely to remain that is primarily related to executive comp. Watch continued strength in load trends to help offset any lag. **Constructive outcomes around both the generation and ongoing rate case should bode positively for potential reconsideration of the longer term CAGR at some point next year**.

Reiterate our Buy rating on shares ahead of potential positive catalysts to drive shares higher.

PPL Corp (PPL)

Focus largely on Narragansett: Confidence on close

Latest discussions with PPL management continued to stress confidence in closing their pending Narragansett acquisition by March of 2022 despite the latest developments late last week from intervenors objecting to the transaction. Commentary suggested no insurmountable issues to address with a settlement still possible. Settlement discussions are scheduled for December 8-10th with a hearing to follow the following week before an ultimate decision by the hearing examiner. We believe a settlement would put them on track for a mid to late close in January vs. early March if no settlement is reached. With management vocal about the lack of other attractive M&A opportunities in the market place given current valuations ascribed in recent transactions, we see closing Narragansett a key part to drive a healthy and competitive CAGR longer term given what we expect to be the bulk of the capital opportunities in the jurisdiction. The no harm standard vs. net benefit bodes constructively for prospects.

More buybacks & capex to come as strategic evaluations continue

With their earlier update, management announced plans to invest at least an additional $1Bn in incremental infrastructure investment through '25 while increasing their target repurchases to ~$1Bn by YE from ~$550Mn previously. Through Oct. 31, the company had completed $550 million of share repurchases to date. With PPL reiterating its plan to target a dividend ratio of 60-65% post acquisition of Narragansett, the company expects to update its quarterly dividend to align with this payout target following the Jan 3rd dividend payment ahead of the March deal close. While management hasn't been particularly explicit around how the $1Bn will be deployed, we see opportunities in both KY and PA with capex more likely weighed towards PA given

recovery constructs in place in the jurisdiction. The passage of the latest infrastructure bill could be another lever to drive additional capital opportunities. *We continue to await firmer details around PPL's strategic pivot and just how the company will grow at a healthy and competitive CAGR over time. Maintain Neutral given balanced risk/reward at the current valuation.*

Sempra (SRE)

Management reiterated its view that it believes its platforms are undervalued but particularly Southern California Gas (SoCalGas) with its long runway of capital spending. The company points to another strong year of earnings performance in FY21 as setting the stage for FY22, seemingly with an objective of increasing guidance once again after the positive momentum in 2020 and 2021.

Balance sheet has latitude and looking for more agency capacity

The most significant update from EEI was management's expectation that it could ultimately have its FFO/Debt requirements maintained as it grows its LNG footprint. Specifically management continues to work with the credit rating agencies in its attempt to convince the credit rating agencies to not increase its FFO/Debt requirements if it moves forward on new LNG projects. Previously management stated that it expected a potential +100bp FFO/Debt requirement if it announced a final investment decision (FID) on a new LNG development project. Management is working on educating the rating agencies on the risk profile (de minimus/no commodity exposure, etc.), size of projects (relatively smaller cost than the original Cameron 1-3), project debt capacity at Cameron/SIP, and the reduced exposure to Sempra Corp after the SIP sell-down.

Mexico: LNG the focus and are not concerned about Mexico legislation

Initial information was provided on the Vista Pacifico~4mtpa project which could be similar in size to the ECA development project. Vista Pacificohas access to two natural gas pipelines, one of which is owned by IENOVA/SIP, and advantaged geographic attributes to deliver to Asia as well as more remote areas of Mexico. The latter point could help on the permitting process in the future, with an angle to show local benefit aside from direct employment.

Pro-State Owned Enterprise (SOE) energy legislation policies continues to be in the headlines but management does not believe that there is broad support for a fundamental change to the construct at this time.

SIP: Remains an integral part of the mix

Management remains adamant that there are significant synergy benefits to retaining Sempra infrastructure Partners (SIP), specifically around the relationship with SoCalGas. The company is quick to point out that it has been very active in asset rotations with $10Bn+ divestitures and $12Bn+ acquisition in recent years and that it constantly evaluates the appropriate strategic mix frequently with the Board of Directors.

Rather than divesting further stakes in SIP, the preference appears to be increasing leverage at Cameron to finance incremental equity needs for new LNG projects if they materialize. Sempra still does not provide long-term growth profiles but points to its historical above-average EPS growth achieved.

We agree that there are synergies to the business but many investors we speak with question the degree to which the conglomerate Sempra can materially re-rate its consolidated P/E versus a more pure-play largely electric regulated utility universe.

Infrastructure bill less of a factor than for many companies

Consistent with most of the companies we met, Sempra is closely watching the elements of the infrastructure bill with its top focus on the ability to indirectly participate in the growth of renewables and decarbonization efforts with its transmission & distribution assets. On the margin there could be some 45Q carbon capture benefits at the Hackberry facility.

A 15% corporate minimum tax is not expected to have a meaningful earnings impact, consistent with prior expectations. From a cash flow perspective there could be some near-term pressure as Sempra is not a cash taxpayer currently although expects to be one in the next 2-3 years after using significant NOLs with its recent divestitures.

Cameron 4: 2022 focused on decarbonizing and debottlenecking

For Cameron, 2022 is expected to dominated by the FERC amendment to shift to electric power from gas turbines with the objective to derisk a potential carbon tax that would be passed through to customers via most SPA. The proposal would reduce Scope 1 emissions by 60-80% and could take overall carbon emissions -30% across the entire project depending on carbon sequestration assumptions. With the amendment process anticipated to run through most of 2022, a final investment decision (FID) late 2022. Cameron 4 could be a 6mtpa expansion at a price that management compared to peer expansion efforts. In parallel SIP is working on the debottlenecking which would generate well above-average returns due to the relatively small capital cost as an inexpensive way to add capacity.

WEC Energy (WEC)

WEC provided one of the more substantive Q3 updates, rolling out a plan to transition its Oak Creek facility off coal ahead of schedule and updating its long-term target EPS CAGR to 6-7%. The EEI update largely served to reiterate the Q3 message while providing additional clarity on upside from a potential reconciliation bill. Maintain Neutral on shares of WEC as it remains a premium utility with a favorable valuation, having seen its multiple contract in recent quarters.

Oak Creek coal transition should be capital light

WEC committed to exit coal from its remaining units at Oak Creek by 2035. Mgmt. plans to undertake a staged conversion with a relatively capital-light strategy, with an initial capex amount of $30m to shift Oak Creek's fuel mix to run on ~30% gas within the next two year upon the approval of permits with the Public Service Commission of Wisconsin (PSCW). The next step to reach ~60% gas mix is targeted toward the end of the decade and is estimated to require a similar investment amount, with aggregate capex of $150-180m estimated to fully convert the plant by the target date of 2041. The existing leases for units 1 and 2 run through 2040 and 2041 respectively - while the renewal discussion is far off at present we note the conversion makes renewal incrementally more likely.

Capital allocation tilted to regulated on opportunity set

Mgmt. affirmed that rating agency considerations are not a gating item when considering the optimal mix of capital between its regulated and unregulated energy infrastructure businesses. The risk profile is considered to be comparable to the utility business given the long-term contracted nature of assets and relatively short cash payback period. The final content of the federal reconciliation bill and applicable tax credits could well drive additional investment in the non-regulated business, but mgmt. has held off on a more fulsome update pending bill detail.

Clear upside from the reconciliation proposals

With the energy infrastructure's investments to date tilted in favor of wind generation, mgmt. indicated a potential for expanding the opportunity set to include solar if the reconciliation bill as proposed ends up being enacted. Incremental credit metric improvement would also result from adoption of Direct Pay - note that with no block equity in its funding plan the improved cash flow characteristics could serve to accelerate infrastructure segment (as well as regulated) capex.

Renewable tariff could follow real-time rate

In response to growing desire by commercial and industrial customers to decarbonize, WEC mgmt. is evaluating a potential renewable rate for customers to opt into - the company has had success with previous iterations of specialized rates for industrial customers having previously enacted a real-time rate that has supported growth of its commercial and industrial user base. Given the success of similar efforts (such as DTE's renewable tariff), a renewable-only rate could help to support the load growth runway as WEC focuses on supporting economic development in WI.

MGEE: expect further renewables

SMID cap WI peer MGEE has compounded rate base growth in the 5-6% range over the past several years. While mgmt, does not provide multi-year guidance we expect solid near-term growth driven by renewable project build out including partnering with WEC on several solar + battery rate base assets in a 90-10 split. West Riverside option for 50 MW remains un-exercised, we see the bias as clearly towards greater renewables in the near term. Maintain Underperform on MGEE given elevated stock price and peer-average growth rate over the long run.

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Xcel Energy (XEL)

Our meeting with XEL's mgmt. team focused on efforts to align the company's priorities with energy policy in key states including Colorado and Minnesota. While the company has one of the busier regulatory calendars in the near term, we see reason for optimism in both its resource plan and rate cases in CO and MN. Maintain Buy on XEL given robust upside to the current plan and attractive valuation.

Colorado reg agenda cleared ahead of settlement talks

We continue to view as constructive XEL's strategy of reaching a comprehensive settlement with Colorado regulators on outstanding recovery of Winter Storm Uri costs and several other outstanding items ahead of settlement talks in its electric rate case. While the settlement included a $41m customer refund as well as foregone recovery of $25m of additional revenue, we view the move as building up goodwill with staff and improving odds of a settlement in the rate case. Mgmt. indicated that the debate between historical and forward test years continues to be a key sticking point in negotiations with staff, though it does not appear this alone precludes a mutually agreed outcome (potentially as early as year end). The other major regulatory agenda item in Colorado is the proposed $1.7B Pathway transmission expansion project - mgmt. framed its prospects for settlement as being aided by the fact that the build as proposed is aligned with state priorities to cut emissions by 85% by 2035. There remains wood to chop in securing permitting for rights of way but these are standard considerations of large scale T&D work. As with Colorado, mgmt. framed its prospects for settling the pending IRP in Minnesota within the next two quarters as positive.

Reconciliation bill upside is clear

XEL flagged likely benefits from a reconciliation bill on its Q3 call, seeing potential upside to its consolidated credit metrics of between 50-100 bps (among the best of companies that quantified the impact), and potential to substantially reduce the $1.25B equity in its forecast through 2026 if direct pay were included in the final package. While lower deferred tax balances would improve rate base growth, this would likely be tempered by accelerated 5-year depreciation on transmission projects.

Ever growing upside to long-term plan, greater clarity coming in 2022

The reconciliation bill and potential to accelerate rate base growth, improve bill headroom, and reduce equity remains one of several tangible upside levers for XEL. The recent roll-forward update identified $1.5-2.5B of projects that are incremental to the existing plan including 2000 MW of renewable projects and additional transmission as part of the Colorado Pathway plan. We perceive a high likelihood that some portion of these projects will be added in subsequent roll-forwards, in particular once key details around the Colorado Pathway and MN resource plan are known. In our view the long-run 5-7% that XEL's mgmt. targets is relatively low-risk given the investments identified in the plan and pending regulatory clarity.

Exhibit 1: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AES	AES US	AES Corp	US$ 24.14	B-1-7
LNT	LNT US	Alliant Energy Corp	US$ 55.82	A-2-7
AEE	AEE US	Ameren Corp	US$ 84.09	A-1-7
AEP	AEP US	American Elec Power	US$ 83.66	B-1-7
AWK	AWK US	American Water	US$ 170.06	B-3-7
AY	AY US	Atlantica Sustain	US$ 38.30	B-2-7
AGR	AGR US	Avangrid	US$ 50.34	A-3-7
AVA	AVA US	Avista Corp	US$ 40.35	B-3-7
BKH	BKH US	Black Hills	US$ 65.52	B-1-7
CNP	CNP US	CenterPoint Energy	US$ 26.68	B-1-7
CMS	CMS US	CMS Energy	US$ 60.39	A-1-7
ED	ED US	Consolidated Edison	US$ 77.34	A-3-7
D	D US	Dominion Energy	US$ 75.26	A-1-7
DTE	DTE US	DTE Energy	US$ 113.00	A-3-7
DUK	DUK US	Duke Energy	US$ 101.23	A-2-7
EIX	EIX US	Edison Intl	US$ 64.98	B-2-7
ETR	ETR US	Entergy Corp.	US$ 102.64	B-1-7
WTRG	WTRG US	Essential Utilities	US$ 47.36	B-1-7
EVRG	EVRG US	Evergy	US$ 64.46	A-2-7
ES	ES US	Eversource Energy	US$ 83.61	A-2-7
EXC	EXC US	Exelon Corp	US$ 54.13	B-1-7
FE	FE US	FirstEnergy	US$ 38.69	B-1-8
FTS	FTS US	Fortis	US$ 45.62	A-3-7
YFTS	FTS CN	Fortis	C$ 56.68	A-3-7
HE	HE US	Hawaiian Electric	US$ 40.53	A-2-7
IDA	IDA US	Idacorp	US$ 102.94	B-2-7
MDU	MDU US	MDU Resources	US$ 28.97	B-1-7
MGEE	MGEE US	MGE Energy	US$ 78.28	A-3-7
NEE	NEE US	NextEra Energy	US$ 85.27	B-1-7
NI	NI US	NiSource Inc	US$ 25.29	B-1-7
NWE	NWE US	NorthWestern Corp	US$ 57.33	B-2-7
OGE	OGE US	OGE Energy Corp	US$ 34.19	B-1-7
PCG	PCG US	PG&E Corp.	US$ 12.05	C-1-9
PNW	PNW US	Pinnacle West Capit	US$ 63.48	B-3-7
POR	POR US	Portland General	US$ 49.49	B-1-7
PPL	PPL US	PPL Corp.	US$ 28.89	B-2-8
PEG	PEG US	Public Service	US$ 62.42	A-1-7
SRE	SRE US	Sempra Energy	US$ 125.46	B-2-7
SO	SO US	Southern Company	US$ 63.28	A-1-7
WEC	WEC US	WEC Energy Group Inc	US$ 89.70	A-2-7
XEL	XEL US	Xcel Energy	US$ 63.81	A-1-7

Source: BofA Global Research

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Price Objective Basis & Risk

AES (AES)
Our price objective is $28 and is based on a sum of the parts analysis applying a blended valuation approach, the summation of 1) EV/EBITDA approach across global generation assets. We use an 8.0x base for US peer IPPs and apply a +5x premium for US distributed generation for further growth expectations, valuing them at 13x 21E EV/EBITDA. Meanwhile, we value the DevCo using a 10% discount on 3.5GW+ of annual renewables beyond '22 given market dynamics. In Asia, we apply various multiples based upon jurisdiction risk across the rest of the portfolio and overall investor appetite as reflected in local peer multiples. We use mark-to-market value of publicly listed LATAM subs as well as apply a P/E methodology for US regulated

utilities using the peer multiple of 16.2x 24E. We also credit the company with Vietnam and its investment in Uplight.

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Downside risks to our price objective are negative regulatory outcomes in the US, international currencies devaluing against the US dollar, and expensive M&A acquisitions impacting value and a reduction in emerging market power demand growth.

Alliant Energy Corporation (LNT)
Our $55 PO is based on a sum of the parts analysis employing relative premium and discounts to the large cap regulated peer multiple of 15.6 2024E P/E. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply a 1.0x P/E premium on IPL as we see the rate case overhang being resolved. We apply a 3.0x P/E premium on Wisconsin Power & Light Company reflecting 1) low risk investment nature of the state, 2) above average ROEs, 3) higher than average growth runway for investments, and 4) bad debt deferral. At ATC, we reflect a 3.0 x P/E premium on LNT's 16% share in the transmission company. Growth expectations for this segment are high, paired with above average ROEs that we believe face less downward pressure vs. regulated state distribution ROEs. We apply an in line multiple at the parent to account for the blend of numerous businesses some which benefit from long term stable PPAs via intercompany generation.

Risks to our price objective are: 1) adverse rate case outcomes, 2) further equity dilution beyond our estimates, 3) interest rate risk, 4) natural disasters, and 5) lower allowed ROEs.

Ameren Corporation (AEE)
Our $91 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2024E ratebase weighted peer multiple of 16.2x for electric. We apply a 2.0x premium to peers at AEE Missouri to account for the improving prospects of capital spend, supplemented by a regulatory jurisdiction becoming more favorable - but lack of decoupling. We apply a 2.0x premium to peers at AEE Illinois to account for decoupling on the distribution business which aids in earnings predictability. The overall business is expected to grow at a more meaningful clip than that of peers - we see a 10% EPS CAGR at IL 2020-2024. At ATXI, we apply a 4.0x premium to peers to reflect the FERC ROEs. At the Parent, we assume 2.0x multiple premium reflecting average of the subs and given the healthy debt metrics with FFO/Debt at 17%+. Electric peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector. The risks to our price objective are the utilities earning their allowed returns or worse, a significant change in 30-year U.S. Treasury bond yields, and adverse regulatory outcomes that could impact mgmt's ability to earn its allowed return.

American Electric Power (AEP)
Our price objective of $94 is based on SOTP analysis. We ascribe a peer forward P/E multiple (16.2x) with a 1.0x premium for its transmission-only Utilities segments, a 1x discount for PSO and SWEPCO based on renewables approval risk and a 0x premium for regulated utilities. Our valuation reflects the Kentucky Power sale pending. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector.

Risks to achievement of our PO are 1) regulatory outcomes are less favorable than expected, which could result in reduced ROE, 2) large capital intensive are subject to delays or cost overruns, which can change the return profile, 3) natural disasters or catastrophic events can affect system reliability and are subject to regulatory cost recovery risk, 4) utilities are subject to interest rate risk to fund their business, which affects cost of capital, 5) commodity risk affects the generation business margins and indirectly affects the regulated business as a pass through cost, 6) consumer advocates are focused on bill inflation, which can affect regulatory outcomes, 7) non-regulated businesses are inherently more risky and subject to execution risk and commodity variation, 8) asset divestitures and acquisitions, including the risk that the Kentucky Power sale is not completed.

American Water Works (AWK)
Our PO for American Water Works is $159. We apply the water sector average 27.1x to American Water's 2024E earnings based on the water peer multiple and a 8.1% group EPS CAGR for '18-'23E. We think this multiple is justified as in our view AWK largely drives the peer multiple as the largest publicly traded water utility. We ascribe a 2x premium for NJ, PA, and IL given scope of acquisition opportunities. Also a -1x P/E for Cali utility.

Risks to the outlook include: 1) ability to execute capital and operating expenditures forecasts, 2) equity needs, 3) regulatory outcomes, 4) state and Federal legislative changes, 5) NY transaction pending, and 6) NY subpoena.

Atlantica Sustainable Infrastructure (AY)
Our $38/sh PO is based on a 75% Growth valuation and 25% DCF valuation. Our Growth value is $40 (weighted 75%). Our DCF value is $30 (weighted 25%). We use a 75% weighting to reflect disproportionate focus on existing and future yield over core asset cash flows, ascribed at 25%. Perceived growth remains the prevailing methodology employed across the market.

Assumptions in our DCF valuation are:
- A 7.2% discount rate calculated using CAPM methodology, along with country risk (125bps) and company-specific (100bps) premiums.
- 2% annual escalator in corporate expenses

Main assumptions in our Growth valuation are:
- Run-rate CAFD generated by the current portfolio of $230 Mn
- 1600 MW of future drop downs
- A target payout ratio of 80%

Downside risks are 1) the company may not be able to access capital markets at favorable terms, 2) the company may not be able to make accretive acquisition opportunities to fuel growth, 3) the company may not be able to grow DPS at the targeted growth rate, 4) the company may not be able to sustain its current dividend levels, and dividend yield could increase, 5) PCG related counterparty exposure is among the nearest exposures to watch.

Avangrid (AGR)
Our $46 PO is based on an SOTP. The utilities are valued on '24E with a a discounted valuation to the NY P/E of 16.0x/13.5x for electric/gas, given perceived risk to earned ROEs. No prem for UI or CMP Elec. Both electric and gas peer P/Es are grossed up to 2020 by 5-5.1% to reflect capital appreciation across the sector. We apply a DCF approach on the existing renewables biz, with 30% prem-to-DCF in line with yieldco peers. We back out 50% of non-reg debt at the parent. We include value of the two offshore wind awards assuming $3500/kW cost for Vineyard Wind, 6% disc, and 6% construction risk disc, with prem-to-DCF based on MtM of yieldco valuations. We use an in-line discount for NECEC, but probability weight it 75%.

Upside risks: 1) ROE improvement in AGR's network business 2) Improvement in wind resources net capacity factor 3) higher than expected growth from offshore wind opportunities.

Downside risks: 1) Iberdrola owns over 80% of AGR common stock, limiting float and presenting a potential for governance conflicts, despite the BoD being majority unaffiliated with Iberdrola. 2) Reg. relationships/outcomes could deteriorate 3) Existing and likely increasing exposure to the renewables biz results in a number of PPA related risks including commodity, recontracting & tax benefit recovery risk 4) Lack of adequate capital recovery mechanisms could threaten ROEs 5) The renewables biz may not expand as fast as expected or have worse returns 6) Offshore delays.

Avista (AVA)
Our $37 PO is based on our 2024E sum-of-the-parts (SOTP) analysis, based on the large cap electric group multiple of 16.1x and the gas regulated multiple of 13.7x. Both electric and gas peer P/E multiples are grossed to reflect the group's 5% CAGR to reflect capital appreciation across the sector. We then use a blended electric and gas multiple of 77% and 23%, respectively, for AVA's WA and ID jurisdictions given the composition of its rate base. We apply the gas multiple to its OR jurisdiction as it is entirely comprised of natural gas distribution assets. Meanwhile, we apply an electric multiple to its Alaska subsidiary, AEL&P, as it is a vertically integrated electric utility. We apply a 10.0x multiple to AVA's Corp & Other businesses as we cannot apply a full utility multiple given it consists of investment funds with a lack of visibility in earnings relative to utilities. eastly, we apply a 1x discount to WA and ID to capture uncertainty associated with fire risk and regulatory risk. We apply a 1x discount to OR given regulatory risks but no fire risk as it is solely a gas utility.

Risks to upside are 1) improving regulatory relationships, 2) decrease in interest rates, 3) constructive rate case outcomes in any of the jurisdictions. Risks to downside are principally wildfire events in West, which have increasingly spread to PacNW. Risks to downside are 1) operational risks 2) gas regulations attempting to phase out gas LDC usage over time impede growth.

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Black Hills Corporation (BKH)
Our $68 PO is based on a SoTP valuation. Gas Utilities: We apply the 14.1x peer P/E multiple on 2023E EPS. Electric Utilities: We apply the 16.6x peer P/E multiple on 2023E EPS. Both electric and gas peer P/E multiples are grossed up by 1-yr vs 2020 by 5% to reflect capital appreciation across the sector. Coal Mine: We apply an 8x peer EV/EBITDA multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a discount/prem multiple to that portion of the mine. IPP Assets: We use the recent sale price and '23/EVEBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag and debt.

Downside risks: inability to earn the authorized rate of return, unfavorable regulatory outcomes, and reductions in capital expenditures forecasts
Upside risks: ability to earn above the authorized rate of return, favorable regulatory outcomes, higher capex deployment

CenterPoint Energy (CNP)
We value CenterPoint Energy at $29 using a sum-of-the-parts methodology: electric business on an 4x premium to account for incremental capital not yet in plan to the Houston Electric multiple of 16.3x on 2024E P/E. We take out any earnings attributable to the transition bonds amortization, as those are temporary and instead add back the DCF value of future payments. For CNP's gas utilities we use the 24E utility gas peer multiple of 13.8x. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector and apply prem/discounts. We integrate Vectren into our model and apply a 60/40% weighting to the gas/electric multiple (in line with the business mix) and apply a 3x premium to account for incremental capex not yet in plan. For VESCO we apply a 12x 24E P/E multiple. We subtract parent interest expenses at a weighted average multiple. Further we net out the perpetual preferred, and apply a 50/50 weighting to parent debt and add back interest expense for recapitalization. We net out holdco interest at the weighted average P/E.

Risks include but are not limited to: 1) ability to deploy capital expenditures and earn the regulatory allowed rate of return, 2) regulatory actions, 3) inability to execute on pending asset sales, 4) balance sheet considerations, 5) interest rate changes.

CMS Energy (CMS)
Our PO of $65 is based on a SotP relying on 2024E forward P/E multiples for the utility business and a 2024E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 3.0x prem to the avg 24E regulated multiple P/E of 16.1x for the electric seg and of 14.2x for the gas seg, with the 10-yr capex update providing clear sight on ratebase growth and further upside, as well as cont'd favorable regulatory environment, and finally historically proven ability to consistently perform at the high end of guidance range. Both electric and gas peer P/E multiples are grossed up to 2020 by 5% to reflect capital appreciation across the sector. For CMS' merchant business we apply a 4x EV/EBITDA multiple, in line with current market value of CMS power plants (specifically DIG), moreover DIG has relatively favorable contracts for the near future which strengthen plant earnings. Risks are: 1) earned ROEs declining which reduce CMS utility earnings 2) execution risk on capex and cost cutting which would primarily affect the utility earnings, 3) negatives changes to market energy prices which could affect the DIG plant's ability to re-contract at the assumed prices.

Consolidated Edison (ED)
Our $68 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 16.0x/14.3x for electric/gas respectively with a -3.0x disc. to Electric, Steam, & Gas to reflect Covid recovery overhang and Steam for lack of decoupling. Both electric and gas peer 2024 P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We further apply an EV/EBITDA approach on 2024E EBITDA to the CEB (renewables) business using a 10.0x multiple for both the legacy portfolio and the renewables portfolio seeing it as having higher quality returns.

Risks that may impede achievement of the rating or price objective (PO) include but are not limited to changes in: 1) earned regulatory returns, 2) capital expenditures, 3) regulatory/political/legislative changes, 4) interest rates, 5) natural disasters, 6) execution on unregulated projects, 7) covid, and 8) raw materials costs & supply chain delivery timelines.

Dominion Energy (D)
We value Dominion Energy using a sum-of-the-parts approach to derive our $83/sh PO. Utilities. Our base 2024E approach utilized comparable electric (15.7x) and gas (13.2x) utilities which we gross-up by 5% to reflect capital appreciation across the sector. We apply premiums to the core utilities: +4x Virginia and +3x South Carolina, Ohio, Utah, and North Carolina. We apply discounts to lower value utility sources in South Carolina (NND) and Utah (Wexpro).

We also net out NPV of ongoing bill credits. Merchant: We apply an 8x FCF multiple for Millstone and separately apply a 100% weight to our NPV estimate of the ZCP cash flows. We include the full EBITDA from the contracted renewables with a 16x '24 EV/EBITDA multi in line with peers. Cove Point: We apply an NPV approach with to our DCF adjusted for the 50% sell-down in the facility. For remaining debt beyond that allocated to state utilities, we include a 50% weight towards a straight netting of leverage, with the remaining 50% using a P/E multiple on associated interest expense, in line with the methodology employed for more highly levered diversified utilities.

Risk to our PO include but are not limited to: 1) Regulatory, legislative, and political actions, 2) ability to earn the regulatory allowed ROE, 3) capital markets and equity requirements, 4) changes to the capital expenditure forecast, 5) volatility in interest rates, and 6) natural disasters.

DTE Energy (DTE)
We value DTE Energy at $105 using an SOTP approach. We value the utility segment on a 2024E forward P/E multiple basis and the non-utility segment on a 2024E forward EV/EBITDA multiple basis. For the utility segment we apply a 3x premium to both our regulated electric and gas utility peer multiples (of 16.1x and 14.2x, respectively). Both electric and gas peer P/E multiples are grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector. We subtract out Corp & Other expense excl. interest rate. For P&I, we apply an 7x EV/EBITDA multiple (8x base given historical valuation compared to midstream, less 1.0x discount given forecast growth) to cogeneration to reflect the lower quality of these earnings and opaque disclosures, as management has been able to execute on new project origination.

Upside risks to our PO are capex expansions, higher authorized ROEs, and strong performance in the ET segment. Downside risks are interest rate hikes, execution risk on organic growth initiatives at the nonregulated business, and less favorable regulatory environment.

Duke Energy (DUK)
Our $100 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2024E P/E multiples. We apply a 4.0x multiple premium to Duke's operations in FL and 3x in IN to reflect more favorable regulatory environments (and potential generation opps in IN). We apply a 3x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2021. We value the other regulated electric utilities at 17.8x and the gas utilities at peer group multiples of 15.9x 2023E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2023E EV/EBITDA basis. We use a 9.5x and 10.0x multiple for midstream and transmission segments, respectively. We add the net present value of renewable segment using an 8% discount rate. We subtract out the impact of commercial debt, and add back for the renewable debt.
Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Edison International (EIX)
Our $67 PO is based on sum of the parts analysis with a peer 16.0x 2024 P/E grossed-up 5% for group growth. A -2x P/E discount is applied to the CPUC and FERC jurisdictional utilities as well as the Parent/Other segment. The discount reflects below-average growth and regulatory considerations. The negative wildfire adjustments are netted-out to reflect a probabilistic approach to the risk of shareholder funded wildfires and the ongoing contribution to the CA fund on an NPV basis. Downside risks: 1) Wildfire and other natural disasters/catastrophic events subject to regulatory cost recovery, 2) Unfavorable regulatory outcomes including slowing rate of investment opportunities, 3) Interest rate risk reflected in cost of capital, 4) Additional financing needs, 5) Inability to earn the regulatory authorized ROE, and 6) Unexpected unregulated Edison Energy losses. Upside risks: 1) Favorable outcome in pending wildfire litigation, 2) Favorable regulatory outcomes, 3) Increases in the authorized cost of capital, 4) More constructive regulatory / legislative outcomes to address wildfire risk, 5) Ability to outperform the authorized ROE in the short-term, 6) Enhanced profitability from the Edison Energy.

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Entergy (ETR)
Our $115 PO is SOTP based. We assign P/E multiples (peer multiple of 15.8x) for 2024E on most segments, in line with peer multiples (and grossed up by 5% to reflect capital appreciation across the group) due to similar growth, and strip out 50% of the holdco senior notes. Both electric peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector.

Downside risks: 1) Regulatory outcomes or earned ROE's could worsen, 2) Rate making mechanisms could change in the future, 3) Failure to get trackers or ROE adjustment mechanisms could hurt realized ROE, 4) weather can affect operations and earnings, 5) Interest rate risk affects cost of capital, 6) Consumer advocates or utility staff may focus more on issues that challenge the company ROE, 7) ETR has had safety issues in the past, which have affected regulatory relationships and company liabilities, 8) Exit from the competitive business could present unforeseen challenges.

Essential Utilities (WTRG)
Our price objective is $54 based on our SOTP approach, applying a peer multiple to the water utility and gas utility, respectively and accounting for expected growth for each sector. These peer multiples are 27.1x and 13.8x. We apply a 1.0x premium to Peoples Gas given the organic growth opportunities, while applying a variety of premiums to its water (3x previously) subsidiaries: +4x to PA, +3x to IL, +2x to OH, +2x for TX, +2x for OH, and no premium for balance of biz. We net out parent debt and parent interest expense associated with parent debt 50/50 weighed basis.

Risks to the downside are acquisition risk, deteriorating regulatory outcomes, and risks from a lower rerating following the diversification into gas.

Evergy, Inc (EVRG)
Our $66 price objective for Evergy (EVRG) is based on sum of the parts valuation, applying an in-line utility peer 2024E P/E of 16.2x. The electric peer P/E multiple is grossed up for by one year by 5% to reflect capital appreciation across the sector. We further apply a -1.0x turn discount across the Kansas Central subsidiary based on our perception of a slightly more challenging regulation compared with the average utility due to concerns about bill pressure.
Downside risks to our price objective include adverse regulatory outcomes, inability to deploy capital expenditures consistent with guidance, operational performance issues including at the nuclear facility, and earning below the authorized rate of return.

Upside risks to our price objective include favorable regulatory outcomes in important proceedings, accretively deploying additional capital expenditures above guidance, higher than anticipated O&M benefits and merger synergies leading to a higher earned return on equity, and the ability to recover capital invested in retired coal assets.

Eversource Energy (ES)
Our sum of the parts based price objective of $87 uses P/E multiples on 2024E earnings. For electric utilities, we attribute a 3x premium NSTAR, 3x premium to PSNH, and a 2x discount for CL&P to peer 15.9x multiple, reflecting future potential positive revisions to capex and earnings and the latest challenges in CT. For gas, we apply a 3x premium to the peer 13.6x multiple, given capex upside particularly in MA and a 2x for Columbia Gas. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value Aquarion at the 26.5x water multiple. We reflect ES's 50% ownership in Revolution and South Fork offshore wind sites on an NPV basis. We further reflect a DevCo value with an assumption of an additional 3GW through 2031. We take out 50% of parent debt, and 50% of interest to accurately reflect parent leverage.

Risks to our Price Objective include but are not limited to: 1) regulatory/political/legislative changes, 2) capital expenditures forecasts, 3) ability to earn the regulatory allowed ROE, 4) offshore wind development, 5) natural disasters, 6) operational performance and gas incidents, and 7) recent M&A integration.

Exelon (EXC)
Our $58 PO is based on an SOTP valuation.
Utility: Our base electric peer P/E multiple of 16.3x for '24 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2023E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a 13% discount rate for the nuclear DCF and and a 12% discount rate for non-nuclear Mystic. We do not use a terminal growth rate.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

FirstEnergy (FE)
Our PO of $42 is based on a sum-of-the-parts valuation. Multiples are driven by relative P/E premiums/discounts to the 2024E regulated peer multiple (16.2x). Electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. As for premiums/discounts, we view NJ as at a slight premium +1x given a generally constructive commission and asset sale potential, PA at -2x as we view our more punitive estimates already account for industrial load sensitivity including O&G royalties, and others as in line to small discounts. In OH, we apply a -1x P/E discount multiple to account for rate review risk. Finally, we apply a +1x P/E premium to peers 2024E multiple to the Transmission business given potential for sale of a non-controlling stake. We subtract out the holding co debt given the high parent leverage.

Downside risks include but are not limited to: 1) Unfavorable regulatory outcomes, 2) inability to earn the allowed ROEs and/or other deterioration of regulatory earnings, 3) increasing pension liabilities, 4) further negative investigation revelations, 5) large equity needs than forecasted.

Fortis (YFTS / FTS)
Our C$51 (US$41.46) PO is based on our sum of the parts methodology. We assign a 2024E forward base peer P/E multiple of 16.1x to the US utility business with a further applied discount of -2.5x for UNS Energy (AZ) to reflect regulatory risk, a 3.0x premium for ITC for long-term expansion investment opportunities, and a discount of -2.0x for Central Hudson (NY) to account for a challenging regulatory environment in the state.

For Canadian utilities, we assign a base peer 2024E P/E multiple of 16.3x. Lower ratebase growth profiles and generally lower authorized equity layers/ROEs, paired with a more challenging regulatory environment, will continue to warrant a discount to US peers, in our view.

At Caribbean utilities, we apply 60% ownership share to the publicly listed subsidiaries' current market cap.

We assign an 6.0x 24E EV/EBITDA multiple to FTS's non-regulated segment seeing the contracted nature of its non-regulated segment positively offset lower growth opportunities. We account for FX upside based on current spot prices

Upside risks are: 1) favorable regulatory outcomes, 2) successful execution on upside capex initiatives including Lake Erie Connector and MISO long-term transmission, and 3) improvement in USD/CAD exchange rate

Downside risks are: 1) unfavorable regulatory outcomes, 2) regulatory lag and overall inability to achieve the allowed ROEs, 3) deterioration in USD/CAD exchange rate, and 4) dilution from additional equity to strength credit ratings

Hawaiian Electric Industries (HE)
Our PO of $43 for Hawaiian Electric Industries is based on a sum of the parts approach. We apply:

1) a 2024E forward P/E multiple with 1.0x premium to electric utility peer multiple of 15.2x. We see this as justified given alleviating regulatory issues and upside risk to embedded regulated earnings with PIMs to support ability to execute towards authorized ROEs. Electric utility peer P/E multiple is grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector.

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a 2021E forward price to tangible book value of 2.2x to the banking subsidiary, a 0.3x premium to smid cap regional peers (1.9x), in-line with Hawaiian banks peers. We then take into account parent overhead by applying the same multiple here as to the utility segment to 50% of parent interest and subtracting the per share value of the remaining 50% of the debt.

Downside risks are delays on capital expenditures, weakening regulatory environment, PUC denial of new capital investments or lower authorized ROEs.

Upside risks are expansion of capital expenditure plan, significant improvements in earned and/or authorized ROEs.

Idacorp (IDA)
Our $108 PO is based on a sum-of-the-part valuation (SOTP) of the utility and parent segments.

Our utility valuation is based on applying a 16.2x peer P/E multiple to our 2024 EPS estimates. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. We apply a 3.0x premium to Idaho Power to account for acquisition premiums and ROE floor mechanism, upside to estimates, conservative guide, and the strong balance sheet. We factor in probability-weighted opportunities for more ratebase from Hells Canyon & large-scale transmission ownership announced at EEI.

Upside risks to our PO are getting additional capital approved on expedited basis. Downsides risks are regulatory shifts or using up ADITC bank which ensures consistent ROE and earnings floor.

MDU Resources Group, Inc. (MDU)
Our $32 PO is derived from SOTP. At the regulated electric and gas utilities, we use a P/E approach on our 2024 estimates and use peer multiples of 16.3x for electric and 14.5x for gas, respectively with a -1.0x discount for each reflecting below-peer rate base growth of 5% through 2025, we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO.
We value the Construction Materials business using a '24 EV/EBITDA estimate, applying a multiple of 8.8x based on an average of several publicly-traded peers in the cement, asphalt, and aggregates business.
We value the Construction Services business using a '24 EV/EBITDA estimate, applying a multiple of 8.0x based on an average of several publicly-traded specialty construction services peers. We also apply a -1.0x valuation discount reflecting the high level of competition in the space.
We value the Pipeline business using a '24 EV/EBITDA est., applying a multiple of 9.7x based on an average of several publicly-traded midstream peers. We also apply a -1.0x valuation discount reflecting execution risk around the North Bakken expansion which is slated for construction in 2021-22. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Upside risks are higher utility capex, improving margins at the construction business, and infrastructure stimulus. Downside risks are a macro downturn pressuring construction margins, and rate case outcomes.

MGE Energy (MGEE)
Our $64 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples (17.6x/15.9x for electric/gas respectively) with a 3.0x premium on WI regulated gas and electric to reflect the constructive regulatory mechanism, and a 3.0x premium on Transmission assets. We note that both electric and gas peer P/E multiples are grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector. We apply utility premiums to the non-regulated Elm Road and West Campus assets as these are leased under long-term contractual arrangements. Downside risks: MGEE, like all utility stocks, is sensitive to changes in the market level of interest rates. Utilities historically underperform if bond yields rise, and outperform when they fall. Further downside risks are the inability to secure further renewable rate base investments, adverse regulatory outcomes, a deteriorating regulatory environment, or adverse weather leading to less consumption of electricity and gas. Upside risks are acceleration of renewable gen investment, legacy coal asset early retirement, and enactment of further pro-renewable state policies.

NextEra Energy (NEE)
Our $93 PO is derived using a SOTP approach, with the utilities and parent segment valued on a 2024E P/E basis, and the generation segment valued on a 2024E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of IDRs (DCF, at 5% disc rate). We assign 24E peer multiple of 16.1x (grossed up by 5% to reflect capital appreciation) with disc/prem to reflect the growth/risk profile of the businesses. We provide value for possible regulated M&A as one strategy of capital redeployment, albeit weighted at 50% to reflect execution risk. Our valuation reflects the drag in new debt. For NEER, we apply a peer EV/EBITDA multiple of 11x, which we adjust depending on asset type. Give contracted renewables 4x prem given fuel type and contracted nature. We utilize a DCF of new renewable for projects beyond 2022. We value contracted nuclear on a DCF approach using a 7% discount rate. We apply a 1x prem multiple to pipelines (1x disc MVP), 1x discount to gas infrastructure and 1x discount for supply and trading given lower asset quality, a 1x premium for contracted gas peakers and 1x discount for merchant peakers (other), again based on asset quality.
Downside risks include but are not limited to: 1) unfavorable regulatory outcomes, 2) natural disasters, 3) adverse commodity price changes, 4) decline in stock price for YieldCo NextEra Energy Partners, 5) reduction in renewable development margins.

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2024 forward P/E multiples that are marked-to-market to the latest peer utility multiples of 13.7x for gas and 16.1x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout, with capex potentially beginning in '24, but acknowledge industrial risk.

We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos.

Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

NorthWestern Corporation (NWE)
Our $63 price objective is based 2024E price/earnings (P/E) methodology. We apply the electric utility sector P/E of 16.1x as a base then gross-up +5% to reflect capital appreciation across the sector. Lastly we apply a -1.0x discounted multiple to the 2024E peer multiple due to relatively

Risks to our price objective include but are not limited to uncertainty from: 1) regulatory outcomes, 2) ability to recover costs and earn the regulatory allowed return on equity [ROE], 3) differences in future equity needs, 4) capital expenditure forecasts, 5) commodity and interest rate changes, 6) natural disasters and wildfires, and 7) management changes.

OGE Energy Corp (OGE)
We value OGE at $37/share based on a sum of the parts, separating the utility biz from the Enable stake. For the utility biz we apply the FY24 peer multiple of 15.8x. Electric peer P/E multiple is grossed up for a year to 2021 by 5% (based on average annual growth) to reflect capital appreciation across the sector. Note we apply an in-line multiple vs peers to account for robust incremental spending not yet in plan offset by a less favorable regulatory environment.
For the Energy Transfer stake we rely on the current market price of ET multiplied by the number of the shares owned by OGE to determine the equity value. We then apply a 50% tax effect to the equity value of the ET stake as there will be tax leakage upon a sale.

Downside risks are further declines in the regulatory environment possibly resulting in lower ROEs or other hurdles hindering OGE's ability to earn its authorized return. While not as exposed due to low parent interest, we see interest rate hikes as another potential downside risk. Finally, execution risk on existing capex schedule could put further pressure on earnings growth. Declines in value of ENBL share could also provide downside to our valuation.

Upside risks are shifts towards a more favorable Oklahoma regulatory environment, which could ease OGEs ability to earn its authorized return in the jurisdiction and possibly increase capex plan as management views prospects in the state more positively. Improvements in value of ENBL share.

PG&E Corporation (PCG)
Our PO of $13 reflects a -5x P/E discount to the respective electric (16.2x) and gas (14.4x) peer P/E groups with both grossed-up by 5% to reflect capital appreciation across the sector) based on 2024E. We think this discount is justified to reflect a larger fire-prone service territory, lack of dividend payment for 3yr period, and operational risks. Further, we assume a punitive wildfire fund scenario probability weighted at 100% assuming PCG hits the

cap in 3-year increments. Lastly, we net out 50% weighting of HoldCo debt and add back 50% weighting of interest expense to derive our PO.

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Upside risk: Better terms on equity raise or mandatory convert, incremental capex, favorable rate case outcomes, and lower interest rates. Downside risk: Less favorable terms on further equity raises, selling pressure from unnatural owners including victims, lower capex, triggering the max liability cap for wildfires, unfavorable rate case outcomes, and higher interest rates

Pinnacle West (PNW)
Our price objective of $59 is based on a peer utility P/E multiple of 16.1x on our 2024E EPS of $4.37 with a -3.5x discount to account for future rate case risk, uncertain recovery of clean generation spend, resource adequacy concerns in the state, and general below-average regulatory environment in Arizona, PNW's sole jurisdiction. Electric and gas peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector.

Upside risks: 1) Regulatory relationships/outcomes could improve, 2) load growth in territory above expectations 3) Riders and capital trackers could help achieve ROE 4) positive weather 5) interest rate risk changes cost of capital 6) Consumer advocates or utility staff could become focused on issues that improve ROE Downside risks: 1) Regulatory relationships/outcomes could decline, including changes at the elected commission 2) load growth in territory below expectations 3) Riders and capital trackers could hurt ROE 4) negative weather hurts earnings 5) interest rate risk changes cost of capital - higher rates could worsen 6) Consumer advocates or utility staff could become focused on issues that hurt ROE 7) Solar advocates in the state have engaged in public confrontations with the utility, which could change public relations in the future.

Portland General Electric Company (POR)
Our $54 price objective is based on our 2024E EPS estimate discounted back to '21. We value shares based on a 2024E P/E methodology applying a 1x premium to the 2024 regulated utility PE multiple of 16.1x. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. While our PO is a 12-month forward projection, we use a 2024 multiple, which is reflective of a discount back to 2021.

Downside risks are 1) the ability to secure commission approval for future wind builds, 2) power market risk due to the Power Cost Adjustment Mechanism (PCAM), 3) liabilities under a negligence standard for current or future fires caused by POR equipment. 4) potential wildfires.
Upside risks are 1) continuation of small/midcap regulated rally, 2) better than expected weather adjusted load growth, 3) further strengthening of company balance sheet, 4) power market risk due to the PCAM.

PPL Corporation (PPL)
Our $28 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2024E peer group multiple of 15.7x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector. We apply discounted valuations to the PA and KY segments for below average rate base growth profiles.

Risks to our Price Objective include but are not limited to: 1) Integration of Rhode Island assets, 2) regulatory/political/legislative changes, 3) capital markets, 4) ability to earn the regulatory allowed return on equity, 5) uncertainty into use of proceeds from UK divesture, 6) capital expenditures forecasts, 7) natural disasters.

Public Service Enterprise Group (PEG)
Our $70 PO is derived from our SOTP valuation. For the regulated utilities we utilize the electric (16.2x) and gas (13.7x) 2024E sector P/E multiples, which we then gross-up by 5% to reflect capital appreciation across the sector. We continue to apply a company-specific +2x premium to the group multiples thus derived to reflect the above-average growth and low-risk transmission & distribution (T&D) nature of PEG's operations.

Positive or negative risks to achievement of the Price Objective include but are not limited to: 1) regulatory/political/legislative outcomes, 2) changes in capital expenditures relative to forecasts, 3) nuclear incidents and natural disasters, 4) equity and capital markets needs, cost and timing adjustments for offshore wind developments, 5) ability to earn the regulated rate of return, and 6) interest rates.

Sempra Energy (SRE)
Our $126 PO is based on a SOTP valuation of 2024E earnings. We apply a discounted valuation to the California utilities (SDG&E and SoCal Gas) and a group average multiple for the TX utility (Oncor). The Infrastructure segment (SIP) is valued at an implied premium on both EV/EBITDA and P/E due to its long duration contracted cash flows. The parent drag is treated on a balanced blend of P/E and HoldCo debt netting.

Risks to the outlook include but are not limited to: 1) Regulatory outcomes, 2) achieving the regulatory allowed ROE, 3) political actions, 4) changes in financing needs, 5) commodity price changes, 6) ability to deploy capital consistent, 7) LNG investment decisions.

Southern Company (SO)
Our $69 PO is derived from a sum-of-the-parts analysis (SOTP). We use a P/E valuation approach on 2024 and use peer multiples of 16.1x for electric and 13.7x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross these multiple by +5% to account for sector wide EPS growth to derive a 12-month forward PO. We subtract 50% of the 2024 parent interest expense multiple by an electric P/E peer multiple to reflect parent lev supporting the utilities. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting.

Upside and downside risks include but are not limited to: 1) Vogtle construction timing and costs, 2) regulatory and legislative outcomes, 3) ability to earn the allowed rate of return, 4) changes to the capital expenditure forecast, 5) nuclear incidents, weather, and natural disasters, 6) rate of customer growth, 7) O&M trends, 8) interest rates, 9) environmental policies and regulations

WEC Energy Group Inc (WEC)
Our $95 PO is based on 2024E SoTP, with a large cap electric group multiple of 16.2x and gas regulated multiple of 14.3x. Electric and gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector. We apply a 3.0x premium to WEC's WI electric & gas subs for surety in earnings growth for the next two years following the Commission's recent settlement on above avg ROEs of 10%+. We apply a 1x premium to the gas utilities, incl IL's Peoples Gas and North Shore Gas with the Gas System Modernization Program (GSMP) and capex forecasts de-risked following the ICC order.

We ascribe a 3x premium vs. the group at ATC to account for steady earnings growth as well as above avg Federal ROE's. We give Power the Future (PTF) a 1.0x P/E premium as the ROE is set indefinitely on historical and new investments. We ascribe an in line multiple for the parent accounting for the interest expense which finances overall utility operations. We value Energy Infrastructure on a net present value basis using a WACC of 3.2%, in line with other renewable assets. We net out 50% of HoldCo debt from equity valuation and adjust to add back the parent drag on interest exp.

Risks to our PO are positive or negative changes in: 1) earned regulatory returns, 2) capital expenditures, 3) regulatory/political/legislative changes, 4) interest rates, 5) natural disasters, and 6) execution on unregulated projects

Xcel Energy Inc (XEL)
Our PO is $72. We value Xcel Energy using a sum of the parts (SOTP) approach. Given the difference in geography, earnings strength, growth opportunity and risk profile, we divide the segments by subsidiary.

We use 2024E forward P/E multiple of 16.2x to derive a value for the different business segments, including the parent segment. Electric peer P/E multiple is grossed up for a year to reflect capital appreciation across the sector.

We apply a 3x premium to XEL subsidiaries in MN, CO, NM, and WI as both utilities present solid or improving regulatory treatment with tangible investment upside. We see this multiple as appropriate as the company has growth opportunities, resolving regulatory drag and resolving uncertainty around rate cases.

We also add a discrete item reflecting upside from potential Direct Pay legislation, estimating the equity savings from 75-100 bps improvement in credit metrics and applying a probability weight of 50% to account for uncertainty.

We also net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage.

BofA SECURITIES
BofA GLOBAL RESEARCH

Downside risks to achievement of the Price Objective include but are not limited to: interest rate changes, regulatory risk such as lower authorized ROEs or less favorable riders/trackers for renewables and transmission, inability to deploy capital at guided levels, adverse legislation, execution delays, and weather/natural disasters.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

BofA SECURITIES UNDERPERFORM
BofA GLOBAL RESEARCH

	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Adhok Bellurkar
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
RSTR				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith

Analyst Certification

We, Julien Dumoulin-Smith and Dariusz Lozny, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Trending

Report
The Flow Show (https://rsch.baml.com/r?q=AtwqMJ5XPlITI1z8yB99Pw&e=cturnure%40nisource.com&h=3-UAkA)
Favorite Trades
Michael Hartnett 2021-Nov-11

Report
BofA on USA (https://rsch.baml.com/r?q=AtwqMJ5XPlITI1z8yB99Pw&e=cturnure%40nisource.com&h=3-UAkA)
The strength in Oct continues into Nov
Michelle Meyer 2021-Nov-11

Timestamp: 10 November 2021 11:17AM EST

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November 14, 2021

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2021 EEI Hot Takes

Earlier this week we hosted ~30 combined electric, gas and water utilities at the Edison Electric Institute (EEI) Financial Conference. Our conversations with companies and investors centered upon 1) rising gas prices, 2) inflation, 3) renewable supply chain, and 4) Infra/Recon bill.

- Most companies think the higher gas prices are a temporary spike and have hedges or regulatory mechanisms such that the financial impact on 2021 is muted. Utilities are doing their best to offset the impact on customer bills which could be 20-30% higher in the winter months.
- From a fundamental standpoint, we foresee inflation having minimal/no impact on the near-term earnings profile of the group, as regulated entities can offset the impact of inflation with cost savings/efficiencies or ultimately pass price increases on to customers through rate cases and regulatory mechanisms. For companies with non-regulated subsidiaries and renewable development backlogs, the majority of the material/labor (and cost) needed over the next 12-14 months is mostly secure and our dialogue with industry players suggests an immaterial impact near term. Longer term, however, persistently higher inflation for regulated companies could put pressure on customer bills, which would be a headwind to utility rate base and earnings growth. Generally speaking, high inflation is coupled with higher rates and utility stock performance lags the broader market, as we have discussed previously here.
- Most companies have stated that they have not seen meaningful impacts from the renewable supply chain constraints near term given that they have already procured materials for 2021 and most of 2022 but acknowledge the risks as they plan for future years.
- Utilities view the infrastructure and reconciliation bills as a tailwind for renewables deployment and there are winners/losers from the 15% Corporate Minimum Tax on large corporations.

Utes remain attractive on relative valuation metrics. According to our model, Utilities are now 16% cheap on '21 dividend yields and ~26% cheap on '22 yields (see page 29). The group is discounting 10yr at 2.07% one year forward. NTM relative P/Es also show a discount at 0.90x versus a 1.07x average since 2006 – but notably in the 08/09 recession, it took close to 18 months after the trough to get back to normal levels. The recent valuation trough was Dec 2020 (page 30).

Where do we stand? Tough Macro Setup. Despite attractive relative valuations for the group, we remain on the sidelines. We foresee the group continuing to lag the market in the near term against the backdrop of rising inflation/rates. We prefer value (energy-exposed/more cyclical names) over quality (CNP, EVRG, ETR, OGE, and SRE are Outperform-rated names within the regulated value bucket). Within diversified names, we like AES (top pick) and EXC. Long term we are more constructive due to relative valuation support and view accelerated decarbonization along with state/federal policy support as a major tailwind to sector growth. We are Outperform-rated on AEE, DTE, AEP (top pick), and D within the quality bucket.

Within, we include company-specific tear sheets with our key takeaways from the conference meetings.

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Outperform **TP $30**
Analyst: Durgesh Chopra / Michael Lonegan

- **Reaffirmed 2021 Adjusted EPS guidance range of $1.50 to $1.58.** Now expecting low end of the range due to a non-cash adjustment related to equity units issued in March 2021, as a result of an updated interpretation of accounting literature. They remain confident in achieving their LT targeted EPS growth rate of 7-9% through 2025 using 2020 as the starting point. On 2022, management mentioned they have puts and takes while share count accounting entry is a headwind. They have done better than expected YTD on the renewable backlog and Redondo Beach (876MW Gas plant) contract extension through 2023. AES will talk more specifically about 2022 and LT growth rate in February.

- **Fluence completed its Initial Public Offering and began trading on October 28, 2021.** AES owns ~35% of the Fluence, which is a global leader in energy storage solutions with ~3GW of storage assets in operation. Management owns a ~30% interest in two other platforms Uplight and 5B. Uplight is an energy efficiency software company working directly with utilities and has access to more than 100m households and businesses in the US. 5B is a Technology Company with a patented design solution for deploying commercial and industrial, and large-scale solar power generation. Management highlighted that just like Fluence, Uplight may be the next contender for an IPO in two to three years and see valuation in the range of 11-14x revenue.

- **Supply chain and inflation related risks.** AES has a competitive supply chain because they started working on it a year ago. They worked on many fronts diversifying the supply chain wave from China very early. At the beginning of the year, they already have all the assembling in Vietnam, Malaysian, and Thailand. Secondly, their strategy is to sign PPAs at the same time as they lock up the procurement/materials etc so they can factor the price increases in their PPA's and avoid margin degradation. They have not had any project delays or notified any large customer of any issue, which enhances their reputation with customers.

- **Infra & Reconciliation bill**. They view it as a tailwind for renewables deployment and see neutral to positive implications from tax policy changes.

- **Q3 Earnings Recap.** AES reported 3Q21 adjusted EPS of $0.50 vs. consensus of $0.43. 1Q21 adjusted EPS was $0.42. Year over year EPS increased by $0.08 primarily reflecting higher contributions from renewables growth and the Southland portfolio in the United States, as well as lower Parent Company interest expense. These positive drivers were partially offset by lower contributions from the Company's South America SBU.

Outperform **TP $90**
Analyst: Durgesh Chopra / Michael Lonegan

- **Rush Island decision appeal**: Ameren filed for rehearing on Oct. 18th and expects to hear back by year-end 2021. The ultimate options could be to shut down the plant or install a scrubber, which would take 4+ years. If Ameren shuts down Rush Island, it would have to work with MISO to assess reliability needs. A shut down could result in the Company making a material change to its IRP, an acceleration of renewables over the next four to five years and use of securitization. We will look for an update on their plans on the fourth quarter earnings call.

- **Missouri rate case**: Ameren believes it is set up well for a settlement in the Missouri rate case, though the Company added that it could be a partial settlement given that full settlements are hard to achieve. Rebuttal testimony in the case was filed November 5th, and AEE said nothing materially changed between parties. The main difference between the Staff recommendation for a $188mm revenue increase and Ameren's $299mm request is the 1) 9.25-9.75% ROE recommendation versus the 9.80% ask, (currently they are booking AFUDC at 9.5%) 2) the equity ratio recommendation of 50.32% at June 30, 2021 versus the requested 51.0% as of September 30, 2021 to which Staff will update its date to September 2021, and 3) depreciation expense. The next step in the case is the final reconciliation due Nov. 24th, then evidentiary hearings starting on Nov. 29th, with a final decision for new rates effective by Feb. 28, 2022.

- **Illinois energy legislation (SB 2408)**: Ameren is happy with the new approach to ROE as established in the legislation, the forward-looking view of the plans and the 20-60bps performance metric. The Company expects to be able to manage well through the revenue cap. While the forward looking plan goes into effect in 2024 full ROE increase won't go into effect until 2026.

- **Incremental MISO capex**: Ameren said historically it has made about 30% of the MISO investment, using the historical investment percentage would imply they could be awarded up to $9 billion out of the $30 billion expected to be awarded by MISO in the Futures 1 component over time.

- **Incremental wind:** Ameren plans to file CCNs this year for a partial amount of the 1,200 MW of incremental wind that was laid out in its Missouri IRP, with the remaining CCNs filed next year. Recall this spending would be incremental to its five-year capex plan. Previously, the Company had said it would file all of the CCNs this year.

- **Infra & Reconciliation bill**: Like many other utilities, AEE would benefit from the extension of wind/solar tax credits (and direct pay provision), the nuclear PTC, and transmission ITC. Ameren is expected to earn roughly $1 billion of book income this year, which would make it qualify for AMT. There would be deducts from the $130 million of credits currently on the balance sheet and the $60mm expected per year going forward. The Company currently pays less than $10 million in cash taxes.

Outperform **TP $99**
Analyst: Durgesh Chopra / Michael Lonegan

- **2022 EPS guidance issued**: AEP issued 2022 EPS guidance of $4.85-5.05/share, which represents 6% EPS growth over the original 2021 EPS guidance midpoint plus the slight $0.01-0.02/share accretion expected from the Kentucky sale.

- **Dividend**: AEP expects to pay an annual dividend of $3.12/shares in 2022, which represents 4% growth over the $3.00/share level this year. This level of dividend increase is lower than its outlined target to increase it in line with 5-7% earnings growth. AEP cited the temporary balance sheet impact of $1.2 billion (to be recovered) of Winter Storm Uri. The Company said it will target dividend growth in line with earnings going forward.

- **Five-year 2022-2026 capex plan issued**: AEP rolled forward and issued a new five-year 2022-2026 capex plan of $38 billion, which is 3% higher than its prior five-year 2021-2025 plan of $37 billion.

- **Credit metrics and financing plan**: AEP is now targeting Moody's FFO to debt of 13.5-15.0% long term versus its prior plan for “low-to-mid teens.” The Company still expects to issue $0mm of equity in 2022 and $100mm in 2023. AEP also introduced financing plans for 2024-2026, which includes $600mm of equity in 2024 and $700mm in each of the 2025 and 2026 years.

- **KY Sale:** AEP remains confident in getting the required approvals to complete the sale in Q2 2022. They will continue to evaluate their portfolio of assets going forward but are more focused on execution.

- **Federal direct pay and AMT**: the Company would preliminary expect a -$100mm FFO impact net, from a +$200mm benefit of direct pay less a -$300mm impact of the AMT. This could result in a 20-30bps impact to its FFO to debt metric.

Outperform **TP $27**
Analyst: Durgesh Chopra / Michael Lonegan

- **ET-ENBL merger closure and planned exit of ET**: All indications are that the merger is on track to be completed in the fourth quarter. At its Investor Day, CenterPoint announced the contingent forward sale of 50 million of Energy Transfer common units, or 25% of its ownership, and expects to monetize greater than 40% of the units by year-end 2021, including $370 million of the preferreds with a full planned exit of ET by the end of 2022.

- **Infra & Reconciliation bill**. CNP could accelerate coal retirements and see it as an enabler for EV growth. Since they are already paying ~10% cash taxes AMT if imposed would be a modest cash flow headwind before offsets.

- **Gas LDC sale closure**: The Company recently filed a settlement in Arkansas that represents an agreement amongst all parties. CNP anticipates that Arkansas Commission will issue its final approval by mid-December. In Oklahoma, a hearing was held on November 3 and they expect a final order by year end.

- **Analyst Day 09/23 recap:** CenterPoint raised its five-year capex program to $18+ billion from $16+ billion previously, and plans to spend $40+ billion through the end of the decade with an additional $1 billion of reserve opportunities. The Company now expects to grow utility EPS by 8% (vs. prior 6-8%) each year in 2021, 2022, 2023 and 2024, and also extended its forecast to target the mid-to-upper end of 6-8% growth through 2030, with dividend growth expected in line with utility EPS. The plan calls for zero external equity through 2030, CNP said it would consider asset sales if it needed to, to recycle capital.

- **Higher Natural gas prices implications**. The company sees it as a temporary spike and pointed to 50% of the gas supply already hedged at lower prices for 2021 with forward curves pointing to $3 range by mid next year.

- **Cost reductions and customer growth**: CenterPoint plans to cut annual O&M by a strong 1-2% in 2021-2025, and reductions could be as high as 2-3% this year. The 1-2% target will drive 3-4% annual reductions in both electric and gas O&M per customer, supported by strong 2%+ electric customer growth and 1% gas customer growth as previously disclosed

- **Q3 Earnings recap.** CNP posted strong Q3 adjusted EPS beat with 3Q21 adjusted EPS of $0.32 vs consensus of $0.28 and our estimate of $0.29. 3Q20 was $0.34. 2021 and 2022 utility EPS guidance was increased by a penny. Long-term EPS growth rate for 2021-2025 was unchanged. CNP still expects to grow annual EPS by 8% in 2022 through 2024, and mid-to-upper end of 6-8% through 2030 off 2021

In Line **TP $62**
Analyst: Durgesh Chopra

- **Electric rate case.** On March 1, CMS filed a rate case requesting $225mm revenue increase with a 10.5% ROE and 42.80% equity ratio (incl. deferred taxes) on a rate base of $12.9 billion with a 12/2022 test year. On June 22, staff recommended an $85mm revenue increase with a 9.7% ROE (vs. current 9.9%) and 41.84% equity layer (vs. current 41.50%). On October 13, the Administrative Law Judge issued a Proposal for Decision recommending a $41.3mm revenue increase, consistent with the 9.7% ROE and 41.84% equity layer of staff recommendation. The equity layer development is a positive data point as they have been thinning in recent rate cases, most recently in 2020 rate case from 52.5% to 51.1% excluding deferred taxes (41.9% to 41.5% including). Note in Michigan, ROEs have only declined slightly as interest rates have fallen, most recently to 9.9% in the last rate case from 10% previously. The Commission Order is expected by December 22, 2021.

- **Next gas rate case filing:** CMS has a gas rate case stay-out and will file its next one in December 2021.

- **Infra & Reconciliation bill**. They view it as a tailwind for renewables deployment and while their ongoing earnings are <$1B (so they are not subject to the AMT), the gain on sale related to Enerbank may result in book income at/or greater than $1B and a modest cash flow hit which they could offset using unused and future tax credits.

- **Capex Plan:** CMS projects 2021-2025 capex plan of $13.2 billion to increase by ~$1 billion next year driven by electric and gas infrastructure modernization programs. IRP spending ($1.3B+) if approved would be layered in years 2026+. The initial order on their Integrated Resource Plan (IRP) with the Michigan commission is expected in April 2022.

- **Rising gas prices.** As it relates to rising gas prices for residential customer, supported by procurement of natural gas at lower costs during summer, and proactive $1B of storage and compressor station investments, 70% of CMS gas storage is locked at <$3.00/Mcf (well below current levels in the market) which positions them well for the upcoming winter season. Annual $1/Mcf movement in gas prices equates to ~$7 or 10% impact to average monthly residential customer bill.

- **Q3 earnings recap.** CMS posted Q3 adjusted EPS of $0.54, slightly exceeding consensus estimate and our projection of $0.53 and $0.50 respectively. Year over year earnings from continuing operations were $0.19 lower than 3Q20 EPS of $0.73, which included $0.04 of EnerBank. The company lifted low-end of its previously announced 2021 EPS guidance range from $2.61 - $2.65 to $2.63 - $2.65, with mid-pt. increased $0.01 from $2.63 to $2.64. They continue to expect 2022 EPS in the range of $2.85-$2.87 with mid-pt. of $2.86 versus our estimate/consensus of $2.86/$2.88, and reaffirmed long-term earnings growth towards the high end of 6%-8%.

Underperform **TP $72**
Analyst: Durgesh Chopra / Michael Lonegan

- **O&R rate case settlement**: the 9.2% ROE settled upon represents a positive data point for CECONY in its upcoming rate case to be filed in January 2022. CECONY typically receives a similar ROE to O&R and the current authorized ROE at CECONY electric and gas is 8.8%.

- **Upcoming CECONY electric and gas rate case**: The rate case will be focused on climate-related investments for EVs, storage, transmission to support renewables, storm grid hardening and undergrounding, and electrification of heating. The case will also address Covid-related impacts.

- **Potential CECONY steam rate case**: Con Ed has not filed a steam rate case in several years but indicated the possibility of filing one in the not-to-distant future. Despite aggressive NYS climate goals, the Company believes in the long-term viability of the business as it looks into boiling water without carbon and carbon capture applications.

- **Surcharge recovery mechanism**: ED is still waiting for a commission decision on its surcharge recovery mechanism filing. In April 2021, CECONY filed a petition with the NYSPSC to timely establish a surcharge recovery mechanism for $52 million of late payment charges and fees, offset for related savings, for the year ended December 31, 2020 to begin in September 2021 and end in December 2022. The Company had requested a decision by September 2021, but the case remains ongoing and there is no definitive timeline for the Commission to act. CECONY resumed late payment charges for commercial and residential customers who have not experienced a change in financial circumstances due to the pandemic on September 3, 2021 and October 1, 2021, respectively.

- **CEBs**: Con Ed laid out a 4 GW pipeline for its renewables business. The Company has secured materials and supplies for the remainder of 2021 and its full 2022 program.

- **Change in NYS and NYC political administration**: ED is optimistic about the support of new Governor Hochel and Mayor Adams. Governor Cuomo, in particular, had been very hard on the utilities, especially as it has pertained to storm response.

Outperform **TP $82**
Analyst: Durgesh Chopra

- **VA triennial review settlement pending SCC approval.** On Oct 18, Dominion Energy Virginia, State Corporation Commission Staff, Office of Attorney General, and other parties filed a rate settlement agreement in Dominion's triennial base rate case. The key elements of the settlement agreement include: 1) Authorized ROE of 9.35%, 15 bps higher than their current ROE of 9.2%; 2) No change to capital structure with the equity layer of ~51.92%; 3) $309MM in excess earnings applied towards Customer Credit Reinvestment Offset ("CCRO") mechanism more/less in line with company's filing, seeking CCRO eligible capital investment in the range of $300MM - $325MM; 4) Amortization through 2023 of the early retirement charges for fossil-generation units recorded in 2019/2020; 5) $330 million one-time refunds in total on customer bills, including $255 million over 6 months and $75 million over three years; and 6) A $50 million annual rate reduction starting in 2022.
- **Agreement to sell Questar Pipelines.** D agreed to sell Questar Pipelines to Southwest Gas Holdings, with enterprise value of $1.975B including $430M of debt. Proceeds will be used to repay parent-level debt. The company remains confident in their targeted year end 2021 close.
- **Offshore Wind project.** They recently filed for CPCN/Rider recovery with the VA commission where the total project cost for the 2.6GW Coastal Virginia Offshore Wind project was raised from $8 to $9.8B. The company has an updated estimate LCOE of $87/MWh vs. previous guidance range of $80-$90/MWh which still compares favorably to the average LCOE of $100/MWh for U.S. offshore wind. Although the costs are higher, the LCOE is still within their guided range as they are experiencing stronger capacity factors of ~43% vs initial expectations of 40%.
- **Infra & Reconciliation bill:** The Company thinks it is an overall positive, they are already paying cash taxes of ~11% so a jump to 15% will be a modest cash headwind before offsets.
- **VA Election.** Management stated that Virginia has a long history of bipartisan negotiations and rule making. The view the election results as neutral to positive for the company.
- **Q3 earnings recap.** D reported 3Q21 adjusted EPS of $1.11 vs consensus of $1.05 and our estimate of $1.07. 3Q20 was $1.08.Q'3 guidance range was $0.95 - $1.10. Management narrowed 21' guidance range from $3.70-$4.00 to $3.80-$3.90 with the expectation of delivering above mid-pt assuming normal weather. Initiated Q4 EPS guidance range of $0.85-$0.95. LT earnings and dividend growth target of 6.5% was reaffirmed supported by 5-year Capital plan still expected to be $32B.

DTE

Outperform **TP $127**
Analyst: Durgesh Chopra

- **2022 EPS Guidance range.** DTE clarified that it is targeting high end of 5-7% EPS growth in 2022 vs 2021 which would translate into 2022 EPS of $5.90 in line with our estimates and slightly below street projections at $5.94. The company pointed to their disciplined approach of building and executing on their plans which include a level of contingency. Management highlighted their company culture around meeting and exceeding expectations as evidenced by their historical 7+% EPS growth rate through the decade.

- **Regulatory Update.** In February 2021, DTE filed a gas rate case requesting $195mm with a 10.25% ROE and 39.9% equity ratio (incl. deferred taxes) on a rate base of $5.6 billion with a 12/2021 test year for new rates to be effective January 1, 2022. On September 28, the ALJ recommended a ROE of 9.5% and equity ratio of 51%, lower vs. company's current earnings profile (9.9%/52%). A final decision is expected in December 2021. The company expects a balanced outcome and stated that previously the commission has taken the approach of changing ROE gradually. Electric rate case filing is scheduled for early next year followed by an updated Integrated Resource Plan (IRP) filing in fall 2022 (one year earlier than planned) which if approved could drive higher capex through the forecast period driven by 5-7GW renewables deployment.

- **Capex Plan Increase with third quarter earnings.** For electric and gas utilities, 5-year capex plan was raised $1B from $17B in 2021-2025 to $18B in 2022-2026, representing over 90% of the total $19.5B 5-year investment plan including DTE Vantage of $1B -$1.5B. This $1B increase is primarily driven by higher cleaner generation capex in the electric business.

- **Long-term EPS guidance reaffirmed.** DTE reaffirmed its long-term 5-7% consolidated EPS growth target from 2021 original guidance through 2026, still projecting Electric to grow 7-8% and Gas to grow 9%. The company increased its 2021 EPS guidance range from $5.62 - $5.92 to $5.70 - $5.98 with a bias towards higher end of the revised guidance, raising 1% at the mid-pt. from $5.77 to $5.84 driven by strong year-to-date performance across all businesses and favorable weather. DTE also initiated 2022 EPS guidance range of $5.70 - $5.97 which while at the mid-pt of $5.84 is below street consensus/our estimate of $5.94/$5.90 respectively, management highlighted the conservative guidance including a level of contingency which if not consumed would translate into earnings towards the high end of that range.

- **Dividend & Financing.** The 2022 convertible equity valued at $1.3B is still expected to convert next year, and equity needs in 2023 are estimated to be within $0-$100MM versus previous guidance of $0-$200MM. 2024 equity plan is estimated in the $0-$100MM range.

- **Power & Industrials update.** With the third quarter earnings the company introduced 2022 DTE Vantage (formerly Power & Industrial) net income of $85-$95M growing to $160-$170M in 2026, approximately 15% higher at the mid-pt than previously estimated 2025 earnings in the range of $135-$150M.

In Line **TP $96**
Analyst: Durgesh Chopra / Michael Lonegan

- **North Carolina energy legislation:** On October 13, North Carolina Governor Cooper signed House Bill 951 into law. The bill requires the NC Utilities Commission to follow the least cost pathway in reducing carbon emissions by 70% by the year 2030 and achieving carbon neutrality by 2050. The plan will be developed by the Commission with utility and stakeholder input and reviewed every two years to allow for improving and emerging technologies. The legislation also requires 45% of solar power to come from a competitive bidding process among IPPs and 55% from public utilities. The bill also requires public utilities to use securitization at 50% to retire coal-fired power plants resulting in lower cost to consumers. In addition, it provides for the Commission to develop multi-year rate plans and performance-based incentives on ratemaking. It also includes protections for customers that limit the utility's ability to over earn and helps ensure reliable energy by maintaining the public utility vertical integration model.

- **North Carolina IRP & Rate Case.** DUK is going to file an updated IRP mid next year. They also plan on filing for a multiyear rate plan covering 2023 and 2024 sometime next year. They expressed confidence in their ability to achieve a constructive outcome in their rate filing given multiple discussion they have had with various stakeholders during the IRP process.

- **IN IRP Filing.** They plan on filing an Indiana IRP in November, subsequently they will issue RFP's to determine ownership vs PPA mix. DUK is confident in achieving high ownership % and plans on filing CPCN's on a project by project basis in 2022.

- **GIC transaction closure:** on August 24, the FERC approved the initial closing of the transaction where GIC receives an 11% interest and Duke receives $1.025 billion in proceeds. The second closing is expected no later than January 2023 where GIC would receive the remaining ~8.9% interest and DUK would receive another $1.025 billion in proceeds.

- **Elliott Discussions on going.** In May, Elliott disclosed that it is a top 10 investor in DUK and has been engaged with Duke since July 2020, proposing a tax-free separation into three regionally oriented utility holding companies – the Carolinas, Florida and the Midwest – to unlock $12-15 billion of value. Elliott urged Duke to appoint new independent Board members and create a strategic review committee in pursuit of this goal. Duke issued a statement saying Elliott's proposal is not in the best interests of shareholders and other stakeholders, highlighting a strategy in place that has driven an increase in its long-term growth rate and outperformance in its stock price over the past several months. Management noted that they remain in dialogue with them.

- **Q3 Earnings Recap.** DUK narrowed 2021 EPS range from $5.00-5.30 previously to $5.15-5.30 now. The company reaffirmed its 5-7% EPS growth target through 2025 unchanged off a 2021 base of $5.15. DUK maintained its $59B five-year capex program with no equity issuances for 2021-2025, which is still expected to drive rate base growth of 6.5% CAGR in 2021-2025, and 7.0% CAGR in 2025-2029. Issued 2022-2026 program of $60-65 billion. No update to capital program for 2025-2029 at $65-75 billion.

In Line **TP $73**
Analyst: Durgesh Chopra / Michael Lonegan

- **Best estimate of potential losses**: With third quarter results, EIX raised its best estimate of total potential losses from the 2017/2018 wildfire events by $1.3 billion to $7.5 billion, and has now resolved $5.3 billion of claims versus the last-updated $4.8 billion as of 2Q21.
- **Equity financing**: EIX completed its $1 billion (they said "up to" $1bn) equity issuance plan for this year with the November preferred equity offering of $750mm with 50% content. Earlier in the year, the Company issued $1.3 billion of preferreds with 50% equity content. EIX still plans to issue an average of $250 million of equity per year in 2022-2025 and is evaluating a higher amount ($300-400mm) than that average for 2022 to help fund the newly-announced utility-owned 535 MW storage investment.
- **Incremental storage investment**: With third quarter results, EIX raised its 2022 capex program by $500mm to reflect the addition of $900mm of incremental battery storage investment. The Company said there is potential for more battery storage to enter the plan. In October 2021, EIX filed an advice letter requesting recovery of this incremental capex and seeking a balance account treatment for the associated revenue requirement. This new 535 MW project is expected to be installed in August 2022.
- **Undergrounding**: EIX does not plan to pursue significant undergrounding in the state; it plans to only install 17 miles of underground wires in 2022. In contrast, the Company installs about 1,200 million of covered conductor per year due to its much cheaper cost and the fact that its service area's terrain is more conducive to it.
- **Discount in stock**: management said it believes the steep discount in EIX shares is way overdone given the risk reduction measures the Company has taken for wildfires. Management believes the stock currently discounts two large fires that firefighters cannot suppress where EIX gets found massively imprudent.
- **Rooftop solar**: Roughly 50% of EIX's residential customers are expected to install rooftop solar by 2045.
- **Wildfire risk reduction**: Management estimates that its wildfire mitigation and PSPS have reduced probability of losses from catastrophic wildfires by 55-65%, and the Company expects to further reduce risk and decrease the need for PSPS with continued grid hardening investments. Over time, EIX sees the risk continuing to improve.
- **Cost of capital filing:** On August 23rd, SCE filed request to set the CPUC cost of capital for 2022–2024 and to reset the cost of capital mechanism. The proposed alternative would suspend the mechanism for 2022, maintain SCE's ROE, and update costs of debt and preferreds. If adopted, SCE would file next cost of capital application in April 2022, effective for 2023–2025. SCE proposed making the cost of capital effective January 1, 2022, through use of a memo account. SCE will submit materials that would have been included in cost of capital mechanism advice letter by Nov. 8, 2021. Next steps in the proceeding will be outlined in forthcoming CPUC scoping memo.

Outperform **TP $110**
Analyst: Durgesh Chopra / Michael Lonegan

- **Four options for Entergy-New Orleans:** Following Hurricane Ida, the New Orleans City Council launched an investigation into ETR-New Orleans. Entergy proposed four alternatives (here) to the Council for Entergy-New Orleans. The Company said it has not heard anything about its proposals to date.
- **Equity financing**: ETR is considering a range of options for its $1.25 billion equity issuance plan through 2024, including ATMs, convertible preferreds, or block equity. The Company is also considering the partial sale of an OpCo, though that seems unlikely (more below).
- **Asset sales**: Management has said it is considering a partial sale of an OpCo, though it indicated that is less likely given the 12-18 month regulatory process that would be required for closure.
- **Three-year capex plan**: ETR rolled forward and issued a new three-year 2022-2024 capex plan of $11.7 billion, which is slightly higher than its prior three-year 2021-2023 investment program of $11.6 billion.
- **Incremental capex potential through 2030**: Entergy announced that it is evaluating resilience acceleration that could include $5-15 billion of potential incremental capex through 2030. The investment could include transmission upgrades, flood mitigation, vegetation / right of way, and distributed / utility scale generation spending.
- **Three major growth themes**: ETR highlighted three major growth themes for the Company, including 1) resilience acceleration, 2) customer green solutions and planned renewables, and 3) clean electrification. On the resilience front, Entergy has said its new resiliency investments in distribution and transmission have proven to work during the severe storms while the old infrastructure saw the damage. As such, the Company is pursuing the aforementioned $5-15 billion of potential incremental resiliency spending by 2030. As it pertains to customer green solutions and planned renewables, Entergy's updated resource plan includes 11 GW of renewables (from 5 GW). On the clean electrification front, ETR said that electrification creates a significant load growth opportunity that would reduce Scope 1 emissions. Louisiana and Texas are the top two states with the most Scope 1 emissions. The Company said its addressable electrification market through 2030 is +30 TWh and its addressable electrification market through 2050 is +140 TWh; for context, Entergy currently sells 115 TWh.
- **Infra & Reconciliation bill.** They view more positive than negative in the bills, nuclear PTC's could create headroom in customer bill. AMT could be a drag on cash flow but they will try to offset it.

EVERSOURCE

In Line **TP $91**
Analyst: Durgesh Chopra

- **CT settlement approved.** CT settlement related to tropical storm Isaias was approved on Oct 27, 2021, which includes bill credit of $65M, funding for customer assistance of $10M, withdrawing appeal of the $28.4M storm performance penalty, ending the 90 and 45 basis point rate reduction docket, and freezing the base distribution rate until January 1, 2024. The company sees this as a positive development in light of their ability to develop stronger relationships with all the parties, be able to garner more support, and make headway with the policymakers in the state.

- **CT Legislation on storm preparedness**. On 10/02/20, Connecticut Governor Ned Lamont signed a legislation (HB7006) that addresses utilities' storm preparation and response. The bill lays out new requirements as well as penalties regarding utilities' performance in event of a storm. More specifically, The Connecticut Public Utilities Regulatory Authority (PURA) initiated a proceeding that would enable performance based regulation (PBR) framework by mid-2022. ES still awaits procedural schedule in the PBR proceeding.

- **Offshore wind.** South Fork wind project (132MW) is still projected to be in operation end of 2023, they next key date to watch is BOEM approval expected in January 2022. Revolution wind (704MW) is expected to achieve in service in 2025. Followed by Sunrise Wind (924MW) is now depending on timing of Bureau of Ocean Management (BOEM) Notice of Intent, expected to begin commercial operation in late 2025. During the second quarter, Eversource reached an agreement with Dominion Energy to charter the US-built wind turbine installation vessel currently under construction in Brownsville, Texas. Once construction is complete in late 2023, it will sail to New London, Connecticut where it will be used to install wind turbines for Revolution Wind and Sunrise Wind. The vessel is one of the largest of its kind in the world and will streamline offshore wind turbine construction.

- **Advanced Meter Infrastructure (AMI) proposal in MA.** In July, ES submitted an implementation plan for full deployment of AMI for MA electric customers by 2028. Total Capital investment is projected to be $500 million to $600 million primarily in years 2024-2027 (not in current capex plans through 2025), which could contribute annual EPS of $0.08 or 2% in years 2025+ by our estimate. Final decision is expected by mid-2022.

- **Q3 Earnings Recap.** They reaffirmed 2021 adjusted EPS guidance of $3.81 - $3.93. Our projection/street consensus is $3.83/$3.82. Long-term EPS Growth still expected to be in the upper half of 5-7% using 2020 EPS as the starting point. Growth rate still expected to higher than 5-7% post 2025 as larger offshore wind projects begin operating. No change to 17B in capex investments through 2025, update is expected on the fourth quarter call with spending biased higher.

Outperform **TP $70**
Analyst: Durgesh Chopra / Michael Lonegan

- **Investor feedback on Sept. 2021 Analyst Day**: EVRG said investor feedback was generally positive with investors happy with its extension of cost cutting and the PPA buyout opportunities that it laid out. The Company added that some investors had hoped for a further extension of its EPS growth rate, which was rolled forward one year for a total five-year outlook.

- **Long-term EPS growth rate**: EVRG stressed that it is focused on growing 7% each year, the midpoint of its 6-8% five-year CAGR outlook. The Company had been saying that it expected to be at the low end in early years of the plan and high end in the later years when new MO and KS rates go into effect.

- **PPA buyouts and re-powerings that would be incremental to capex plan**: Evergy is focused on PPA buyout and repowering opportunities for the 1.2 GW of PPAs with PTCs expiring in the near term. We estimate up to ~$0.10 EPS upside (or 3% of our 2023 estimate) assuming the MWs are rate based and 50% financed with equity.

- **Pre-determination filing**: Evergy said this filing (190 MW of solar) could be a roadmap for the future wind and solar approval process in Kansas. A final decision is now expected in Q1 / Q2 2022 versus prior expectation of March 2022.

- **Rate Case filings.** In Missouri, Evergy will file in 2022 (expected January) two separate rate cases for Evergy Metro Missouri and Evergy Missouri West with a test year ending June 30, 2021. The true-up date is May 31, 2022, and rates are expected to be effective in Dec. 2022. In Kansas, Evergy will file in 2023 (expected April) two separate rate cases in Evergy Kansas Central and Evergy Metro Kansas with a test year ending Sept 30, 2022. The true-up date is June 30, 2023, and rates are expected to be effective in Dec. 2023.

Outperform **TP $56**
Analyst: Durgesh Chopra / Michael Lonegan

- **Next steps in GenCo separation process:** The GenCo separation is on track to close in Q1 2022**.** FERC approved it on August 24th. There are outstanding approvals to be made by the NRC and NY PSC. As it pertains to NRC, the updated financials and decommissioning funding status was submitted on September 29th. For the NY PSC, Exelon is engaged in confidential settlement negotiations that are expected to wrap up shortly; the Company said there is an opportunity for an approved settlement at the December 16th open meeting, and if that does not happen the next open meeting is January 20th.

- **Long-term EPS growth rate**: Exelon reaffirmed its plan to grow utility EPS by 6-8% through 2024 driven by 7.6% rate base CAGR. This was notable because the Company had not mentioned this in its Q3 materials.

- **Illinois energy legislation:** EXC spoke to the significant benefit SB 2408 provides with subsidies for nuclear generation through carbon mitigation credits that provide revenue support at baseline costs, a pricing that is much higher than the Company has been receiving. As previously disclosed, Exelon will now keep its Byron and Dresden plants operating. The legislation also includes changes to the regulatory framework applicable to electric distribution businesses. Specifically, if the bill is enacted, utilities in the state will have the option to establish new rates on either a traditional rate review using a future test year, or an investment and operating cost plan for a four-year period, to be submitted by January 20, 2023 to the Illinois Commission for review and approval for rates effective the beginning of 2024 after the existing formula rate plan framework sunsets in 2023.

- **Federal legislation benefits for nuclear and hydrogen:** EXC spoke to the significant benefits it would receive from nuclear PTCs given its large fleet. It also spoke about the sizable opportunities for hydrogen over the long term and the benefits that tax credits could provide.

- **Equity issuance plans:** Exelon still plans to issue up to $1 billion of equity through 2024 in the utility business.

- **2022 Investor Day:** EXC plans to host an Investor Day where it will update its long-term outlook and capital allocation plans for both the T&D utility and GenCo businesses.

In Line **TP $40**
Analyst: Durgesh Chopra / Michael Lonegan

- **FE announced a $2.4 billion minority sale of First Energy Transmission (FET) and $1.0 billion common equity issuance.** A 19.9% stake in FET is being sold to Brookfield Super-Core Infrastructure Partners at a 40x LTM P/E multiple and 3x firm value/rate base. For the equity issuance, Blackstone Infrastructure Partners will invest $1 billion at the five-day VWAP of $39.08 as of November 8th and has the opportunity to nominate one director at the next meeting of annual shareholders or earlier in the event of a Board vacancy. The total $3.4 billion raise from the two deals is equivalent to a blended 33x LTM P/E, a 105% premium to FirstEnergy LTM P/E of 16x and 65% premium to the UTY median LTM P/E of 20x. The transactions eliminate all non-SIP/DRIP equity needs ($100mm/year) with proceeds being used to strengthen the balance sheet and to fund incremental growth opportunities. The FET deal is subject to FERC approval and CFIUS clearance, and is expected to close in the first half of 2022. Regulatory approvals from HSR and FERC are required for Blackstone Infrastructure Partners' Board nomination which are expected by year end 2021.
- **Five-year capital plan:** with the announced transaction, FE is raising its five-year capital program by $2.2 billion to $17 billion, a 15% increase over the prior plan. In 2021, roughly 65% of the total investment plan will be recovered via formula rates and by 2025 approximately 75% will.
- **Rate base growth:** First Energy now expects to grow rate base at a 6% average annual rate for 2021-2025, including 4% in the distribution segment and 9% in the transmission business. This compares to its prior "up to" 6% rate base growth for 2020-2023, which included up to 5% in the distribution segment and 8% in transmission.
- **EPS guidance:** First Energy issued 2022 EPS guidance of $2.30-2.50/share versus 2021 adjusted EPS guidance of $2.55-2.65/share. The Company now expects to grow annual EPS by 6-8% through 2025 off of a base of 2022 guidance. Recall following the announcement of the HB6 investigation, management had pulled its long-term EPS guidance range of 5-7% EPS CAGR for 2018-2023
- **Credit metrics:** FE is now targeting 13% FFO-to-debt no later than 2024. Beyond that timeframe, First Energy will target a mid-teens metric.
- **Dividend:** First Energy plans to maintain its dividend of $1.56/share in 2022, which would imply a payout ratio of 65% when compared to next year's EPS guidance. At the same dividend amount in 2021, it represents a 60% payout ratio versus this year's guidance.

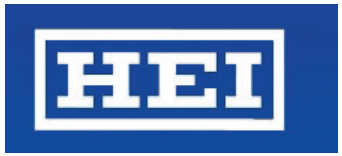

In Line **TP $38**
Analyst: Durgesh Chopra / Michael Lonegan

- **Long-term utility and bank EPS growth rates**: HE continues to expect the utilities to grow EPS by 5% per year starting in 2022 excluding any upside from PIMs, which are expected to materially improve regulatory lag which has been a persistent problem for the Company. Specifically, this year the Company expects to earn an ROE below 8% versus its allowed 9.5%. Separately, American Savings Bank is expected to grow EPS by 3-5% per year.

- **New PIM proposals**: Staff's new PIM proposals are primarily focused on penalties at it pertains to items such as getting projects completed and online, the adequacy of supply, reliability.

- **Hawaiian economy**: The economy saw a pullback in the late summer as the Governor encouraged tourists to pause plans to come to the state amidst the Delta surge. The Governor has since lifted the pause and tourism has been bouncing back. The strength of the Hawaiian economy has large implications for the bank; recall the utilities are decoupled.

- **New carbon targets**: Hawaiian announced a new target for 70% carbon emissions reduction by 2030 versus 2005 levels, and a plan to be net-zero (or better) by 2040. Key steps in its 2030 plan include shutting down the state's last coal plant, retiring and reducing fossil fuel generation units, adding 1 GW of renewable generation capacity, growing rooftop solar by 55%, increasing grid-scale and customer-sited storage, expanding geothermal, and time-of-use programs to incentivize use of clean low cost energy.

- **Cost savings progress**: HE is on track to deliver on its annual management audit savings commitment, and returned $3mm to customers Q3 2021 with the remaining $3mm to be delivered by year-end. The Company is on track to achieve $25mm of customer savings by year-end 2022 with 80% of the savings related to capital and 20% pertaining to O&M. The savings are expected to be achieved through increased efficiencies from: reduced overtime through improved scheduling and coordination, managed reductions in workforce, process improvements, and strategic savings.

- **Stage 2 RFP**: Hawaiian has now filed 10 PPAs for solar and storage and two self-build storage application. The PUC has now approved 7 PPAs. The Stage 2 RFP has the potential to add 382 MW of solar and 2 GWh of storage by the end of 2023.

In Line **TP $78**
Analyst: Durgesh Chopra / Michael Lonegan

- **Renewable competitive advantage and supply chain**: NextEra spoke to the competitive advantages it has in its renewable business given its extensive experience, scale and relationships with customer suppliers, contractors and financers which separates it from smaller developers who have less buying power and access to tax equity. In the midst of rising inflation and supply chain issues, NEE recently reported a record quarter of renewables origination. NextEra says it has secured materials and supplies for its 2021 and 2022 renewables program and is in the process of securing beyond that.
- **FPL rate case outcome**: NEE spoke to a solid rate case outcome that sets them up well over the short and long term. Among the highlights of the approved settlement (for a four-year plan) includes a higher authorized ROE of 10.6% (versus 10.55% in the prior one) with a range of 9.7-11.7% (versus the prior 9.6-11.6%) even as interest rates have fallen meaningfully since the last rate case. The agreement also has an adder that stipulates if the average 30-year Treasury rate increases 50 bps or more over a 6-month period, the authorized regulatory ROE would increase to 10.8% with a range of 9.8-11.8%; this would not result in an incremental base rate increase but would apply for all other regulatory purposes. FPL is also maintaining its long-standing equity ratio of 59.6%. In addition, the company has essentially been granted the same SOBRA mechanism recovery that it requested in the filing. If federal or state permanent corporate income tax changes become effective during the term of the proposed 2021 agreement, FPL will be able to prospectively adjust base rates after a review of the impacts on base revenue requirements.
- **Optimistic about 2022 and long-term outlook**: Given a solid rate case settlement and the best renewables market NEE has ever seen, the Company believes it has competitive advantages that sets it up well to deliver on its 2022 and long-term outlook.
- **M&A**: NextEra anticipates it could acquire more water utility assets but that they are likely to remain a very small part of the portfolio. NEE will look to be opportunistic on FERC-regulated electric transmission acquisitions as it did with GridLiance and Transbay cable in recent years, but said it will primarily be focused on its organic growth platform.
- **Federal legislation on direct pay and AMT**: NextEra said they could actually benefit from the legislation and be cash positive from it, by getting cash upfront from direct pay and using its large tax credit balance to offset the AMT.
- **Offshore wind development**: NEE remains very opposed to doing offshore wind development given unfavorable risk/reward from high cost projects, hurricane disruptions, and the long permitting processes.
- **Offshore transmission**: NextEra submitted multiple proposals for offshore transmission in New Jersey. The Company added that the process is a competitive one that favors incumbent players. A decision on the proposals is expected in Q2/Q3 next year.
- **2022 Investor Day**: NextEra plans to host a 2022 Investor Day, likely in June, where it expects to update its long-term outlooks.

In Line **TP $27**
Analyst: Durgesh Chopra / Michael Lonegan

- **IRP preferred plan opportunity**: the preferred plan would require up to $750mm of capex for the replacement power, which could be owned or PPA'd. NiSource is hoping to own and rate base most if not all of it. Expect an indicative portfolio in mid-2022.

- **2022 Investor Day**: NiSource is planning to host an investor day in 1H22. The Company said it will provide an update on long-term capex, rate base, EPS and financing plans.

- **Key ongoing rate cases**: the Ohio rate case Staff recommendation is expected in the December-February timeframe with a final order anticipated in mid-2022. NiSource just filed an Indiana rate case on September 29th, with a decision is expected late July 2022. In Pennsylvania, NiSource received a proposed order from an ALJ recommending the Pennsylvania commission approve a settlement in the pending case.

- **O&M management**: Through the "Next" program, NI is on track for 8% lower O&M this year, however the Company said the Massachusetts divestiture contributes to that. NiSource said it is on track for relatively flat O&M in 2021- 2024.

- **Hydrogen**: NiSource is evaluating pilots on how it could use hydrogen in electric generation as well as blend it into gas distribution. The Company expects hydrogen implementation to become relevant in the 2030-2035 timeframe.

- **AMT and direct pay**: NiSource said AMT would likely become applicable to it in the second half of the decade when it potentially meets the $1 billion threshold of book income.

- **Portfolio optimization**: NI said it is always evaluating its portfolio to enhance value. The Company believes gas LDCs in the public market are undervalued, especially compared to the private market, pointing to the CenterPoint sale of Oklahoma and Arkansas as examples.

OGE

Outperform **TP $35**
Analyst: Durgesh Chopra / Michael Lonegan

- **ET-ENBL closure and ET unit exit**: all indications are that the transaction is on track to close by year-end 2021. OGE has not given a precise, definite timing on its plan to fully exit ET units, but said it expects to exit more quickly than its previously disclosed window of 2-4 years given the appreciation of the ET unit price.

- **Dividend**: OGE remains committed to its dividend and recently raised it by 2%. At current utility earnings, the current dividend implies a high 80%s payout ratio. The Company plans to grow the dividend slower than 5% long term earnings growth to ultimately target a low-to-mid 70%s payout ratio. Recall prior to the announced ET-ENBL merger (and OGE's plan to exit), OGE had been targeting dividend growth in line with earnings growth.

- **Upcoming Oklahoma rate case**: OGE said it should be a straightforward rate case primarily addressing three years of capital investment, O&M savings, and excess deferred income taxes. The Company also plans to request an extension for the grid modernization rider that expires in September 2022. OGE's plan is to file the rate case by year-end 2021.

- **IRPs**: OGE is targeting 100% ownership of the replacement power. The Company's plan is to add 100-150 MW per year to smooth the customer bill impact. Any investment would be incremental to the current capex plan.

- **Securitization**: OGE's settlement on Oklahoma securitization of $740mm of the $750mm Winter Storm Uri costs will be recovered over a 28-year period and result in 2% annual customer bill increases. The Company expects Commission approval in December. OGE plans to file for Arkansas securitization of those $100mm costs in 1Q22.

- **Upside to load growth and capex**: OGE has been seeing load growth above the 1% level that it is assuming in its long-term EPS growth outlook. Once the ET merger closes, the credit agencies are expected to lower the Company's FFO to debt downgrade threshold, which OGE believes will give them up to $1 billion of balance sheet capacity, part of which could be used to fund incremental capex.

PINNACLE WEST CAPITAL CORPORATION

In Line **TP $66**
Analyst: Durgesh Chopra / Michael Lonegan

- **Rate case appeal**: PNW will file for a rehearing on the rate case decision. The Company has 20 days to file for the rehearing after the written order, which has not been published yet. Then the Arizona commission has 20 days to act on that request; they are not expected to change their decision. Then PNW would file a judicial appeal within 30 days with the AZ Supreme Court for a Special Action expedited review. A court decision would be expected in 2023.

- **Recent rate case unique in a lot of ways**: Pinnacle West said it views the recently concluded rate case as unique in many ways and would expect a better outcome in the next rate case through a settlement. The Company believes the rate case was unique because PNW was compelled by the ACC to file it and required to fully litigate with more than 50 parties over two years. In addition, one of the primary components of the rate case request was for environmentally mandated investments in a legacy coal plant. Lastly, the case was also carried out during a pandemic requiring fully virtual hearings.

- **Reset story for the stock**: PNW pitched a reset story for its stock after what it deems a unique rate case outcome. After a decline in 2022, EPS is forecasted to grow 5-7% CAGR through 2026 off 2022 levels. The growth is expected to be back-end loaded with the first full expected year of new rates in 2024 from the next rate case. PNW has committed to deferring equity in its plan (now planning $400-500mm by 2024 after the next rate case) while being able to protect the balance sheet with strong load growth and flat O&M. We note the Company is now targeting a 16-18% FFO to debt metric and is on a review for downgrade from its Moody's A3 rating; per Moody's downgrade could come with FFO to debt expected to be sustained below the 21% level.

- **Next rate case**: PNW will file another rate case as soon as possible, likely in the first half of 2022 for a final decision in 2023. Among the items included in the rate case will be a clean energy mechanism. Pinnacle West will be looking to settle the case as it has done in prior rate cases over the last 15 years, with the exception of the mandated litigation in the recently concluded one.

- **EVs**: Pinnacle West has said there is potential for $25-35 million of incremental capex per year to support EV infrastructure in the state.

- **Nuclear PTC in federal bill:** it would be expected to provide a material tailwind and could provide further rate headroom given PNW's ownership and operation of Palo Verde, the largest nuclear plant in the country.

- **O&M management**: as disclosed with Q3 earnings, Pinnacle is targeting flat nominal O&M and declining O&M per kWh over its long-term plan with specifically a step down in 2022 as detailed in guidance followed by increases in 2023 and 2024 such that O&M would be flat in 2024-2026 with 2021 levels.

In Line **TP $31**
Analyst: Durgesh Chopra

- **Acquisition of Narragansett Electric remains on track to close by March 2022.** The company received FERC approval in September, so Rhode Island Division of Public Utilities and Carriers is the last approval required to close. In their view, it enables PPL to own a great utility in Narragansett with a lot of investment opportunity, given how progressive the state is with their clean energy goals. The network also has many transmission build out needs and smart grid technology required, including AMI. Transaction is still expected to close by March 2022.

- **Capital allocation priorities post-sale of U.K. business updated.** The company outlines at least $1 billion in additional regulated utility capital investments in PA and KY through 2025 (with majority towards PA transmission), and additional $500 million allocated to share repurchases, increasing target for 2021 total share repurchases to $1 billion (vs $500M previously). They still have ~$1 billion in left over cash from UK sale to be allocated towards capex and/or buy backs, management indicated strong bias towards utility capex in Rhode Island. Update expected in an investor day (1h 2022) following the Narragansett transaction close.

- **Regulatory calendar.** They don't anticipate filing a PA rate case in the near term, and have a stay out in KY until 2024 (see below). In Rhode Island depending upon the terms of final order and stay out provisions (if any) associated with the acquisition approval they may file in 2024/2025**.**

- **KY new rates:** Kentucky new rates went into effect on July 1, 2021. The commission approved settlement includes revenue increase of $199m and 9.425% ROE (vs. 9.55% previously) and Equity Layer of 53%. They also committed to a four-year 'stay-out' as a part of the deal - no base rate increases before July 1, 2025, subject to certain exceptions.

- **LT growth story.** The company sees the next five years as not only a rate base growth story, but also a repositioning of the company from an operating model perspective, which will result in cost savings (serving as return on invested capital). The combination of those two things will feed earnings growth for the next five years in the 5-7% range, and then they will start to transition into generation replacement in years 2025+.

In Line **TP $63**
Analyst: Durgesh Chopra / Michael Lonegan

- **Offshore wind transmission investment proposals:** have been submitted with the NJ BPU, which could be ten-figures in total incremental investment over the back half of the decade; a final decision on that filing is expected in Q3/Q4 2022. The Company added that about 50% of the power moving to northern NJ goes through their substations, giving them an advantage. They also pointed to their long term relationship with NJ labor unions who could protest/oppose if an out of state provider is chosen.
- **Next capacity auction**: the FERC has granted PJM's request to delay the next capacity auction covering the 2023-2024 energy year to late January 2022. This revised timeline places the 2024-2025 auction into August of 2022 and the 2025-2026 auction into February of 2023. Management pointed to upcoming capacity auctions and Federal PTC's as avenues to sure up future gross margin as they evaluate the long term value proposition of their nuclear fleet.
- **Fossil sale closure**: is on track to close in the late fourth quarter of 2021 or in the first quarter of 2022.
- **EPS guidance and long-term outlook:** With third quarter results, PEG raised its 2021 adjusted EPS guidance by a nickel to $3.55-3.70/share from $3.50-3.65/share previously. In addition, the Company maintained 2022 EPS guidance of $3.30-3.60/share, which it expects to narrow with fourth quarter results. The adjusted EPS contribution in 2021 is expected to be 80% utility, increasing to 90% by 2022, up from 2020 levels of 76%. PEG still expects to grow consolidated EPS by 5-7% CAGR through 2025 off of the midpoint of 2022 guidance, with utility growth also expected to be 5-7% over the same time period.
- **Capex program and rate base growth outlook**: PEG maintained its 2021-2025 capex plan of $15-17 billion, including $14-16 billion at the utility. This is still expected to drive a 6.5-8.0% rate base CAGR for 2021-2025 and be financed without any new equity issuance.
- **Federal legislation benefits for nuclear:** PEG spoke to the significant benefits it would receive from nuclear PTCs given its large fleet.

Outperform **TP $143**
Analyst: Durgesh Chopra / Michael Lonegan

- **LNG market:** Sempra said its outlook for the LNG market is bullish given the 1) very high spot prices in Asia and Europe, 2) an increase in forward pricing, and 3) China's re-entrance into the buying market.
- **Regulated versus non-regulated mix:** Sempra currently believes it can create more shareholder value by advancing its Infrastructure business and marrying that risk profile with the utility.
- **Oncor rate case next year**: Sempra plans to make the argument that its Oncor equity layer and ROE are currently below the industry average and the Company should be compensated for risks such as that it experienced with Storm Uri. Given 2/3 of the capex is dedicated towards customer growth we would expect the rate increase ask to be small/less controversial.
- **Higher Oncor capex program with incremental opportunities:** With third quarter results, Sempra increased its 2022-2026 capex plan to $15.0 billion, compared to its most recent plan for $13.6-14.8 billion. The higher capex plan represents a $2.8 billion increase over its 2021-2025 capital plan presented at its June 2021 Investor Day. Sempra spoke to even more incremental capex opportunities at Oncor.
- **AMT**: Sempra expects a neutral to slightly negative impact from a potential AMT. Given that the Company's NOL position is nearing the end of its life, SRE expects to be a cash taxpayer within the next couple of years.
- **Hydrogen hubs**: Sempra believes the LA Basin and Gulf are strong candidates for the establishment of some of the four clean hydrogen hubs to be funded from the infrastructure legislation. The Company said hubs would provide opportunities for both SoCalGas and Sempra Infrastructure.
- **Q3 accomplishments and resolution of issues:** Sempra spoke about its recent third quarter accomplishments and resolution of issues, including SoCalGas' announced agreements to resolve substantially all material Aliso Canyon civil litigation against SoCalGas and Sempra with net, after-tax cash outflows expected to ultimately be up to $895 million. Sempra also completed the sale of 20% non-controlling interest to KKR for $3.37 billion on Oct 1, 2021. In addition, the Company completed the cash tender offer to purchase the remaining publicly owned IEnova shares and delisted IEnova's shares from the Mexican Stock Exchange
- **Off-cycle cost of capital application:** SDG&E filed an off-cycle cost of capital application with the California commission, requesting a decision in 1H22. The filing comes in light of the ongoing effects of the pandemic and would result in no projected increase in customer rates. If the application is not accepted, the Cost of Capital Adjustment Mechanism would be effective January 1, 2022 and would automatically adjust SDG&E's authorized ROE from 10.2% to 9.62% and adjust its authorized cost of debt to reflect the then current embedded cost and projected interest rate.

Underperform **TP $61**
Analyst: Durgesh Chopra / Michael Lonegan

- **Vogtle**: Southern spoke about its commitment to completing the Vogtle project safely and effectively, acknowledging the several delays and cost increases to it. The Company was upbeat about the cash flow (200bp uplift to FFO to debt) and earnings pick-up it expects to receive once the project is complete given that the ROE penalties will go away. Recall SO recently announced another delay in the Vogtle project, now projecting a Unit 3 in-service date in the third quarter of 2022 (previously it was second quarter 2022) and a Unit 4 in-service date in the second quarter of 2023 (previously first quarter of 2023), representing a three-month delay for each unit. The Company pointed to the change in schedule as primarily due to the need for additional time to address continued construction challenges and to allow for the comprehensive testing necessary to ensure quality and safety standards are fully met. With third quarter results, Southern also raised Vogtle's total capital cost estimate by $264 million to $9.5 billion to address updated projected in-service dates, construction productivity, and increased support resources.

- **Asset sales**: SO is pursuing asset sales and presented its Virginia gas asset, which would have benefited from the ACP pipeline, as an "obvious" candidate. Proceeds could be used to eliminate the $600 million in equity needs and/or fund the capital program.

- **Conservative capex plan**: Southern said its current $40 billion capex plan for 2021-2025 is conservative given that it comprises actual projects planned with no placeholders, which they believe many peers include in their outlined programs.

- **PowerSecure and microgrids**: Southern spoke about its PowerSecure business that has a competitive advantage with 75% share of the microgrid share in the US. The Company believes it has optionality with that business if microgrids become more important in the industry, either to pursue microgrids further or to monetize the asset if it sees more value that way.

- **AMT**: Southern said with a 15% AMT it would expect slightly more in cash taxes than currently anticipated in their plan.

In Line **TP $96**
Analyst: Durgesh Chopra

- **New five-year capex plan**. WEC shared additional details around recently announced 2022 – 2026 capital plan of $17.7B, which is $1.6 billion or 10% higher than the previous $16.1B 2021 – 2025 program. The increase is driven by higher regulated generation and distribution spending in WI offset by lower infrastructure investments.

- **Tightened LT EPS growth rate to 6-7%**. With the third quarter earnings call expected long-term EPS growth rate was tightened to 6-7% per year, based on the original 2021 guidance mid-point of $4.01, versus previous guidance of strong bias towards upper half of 5-7%. The plan requires no new equity and the management views it as a low risk and highly executable. Unless there is a huge growth opportunity that would drive the 17.7 billion capex materially higher while not change their risk profile, they would not consider issuing equity.

- **WI Rate case filing**. On August 11, The Company received commission approval for a one-year (2022) stay out, and its request to delay rate case filing in WI. Per the order, WEC is expected to file full test year 2023-2024 base rate case by no later than May 1, 2022. As part of the rate proceeding, the company will address previously announced retirements of older Oak Creek units 5,6,7 & 8 in 2023-2024 time frame and associated $35MM in annual O&M savings which affords an opportunity to add ~$280MM in additional capex without raising customer bills. The case will be largely about capital and recovery of capital projects that the commission has already approved.

- **Energy infrastructure segment capex upside.** The company will relook at the capex opportunities in this segment once they see the final reconciliation legislation. If the reconciliation bill passes with the direct pay and renewable tax credits, there may be additional opportunities. The company highlighted that Solar eligibility for PTC would open up solar investments for WEC.

- **AMT/Direct Pay.** Management highlighted that direct pay would be positive for cash flow and net of AMT they would still come out ahead.

- **Fuel Blending in WI.** WEC is seeking an environmental permit to blend up to 30% of natural gas at their 1GW power of the future coal plants in WI. They could ultimately pursue a full fuel conversion by 2035 for ~$150MM (preliminary estimate), <10% of the initial investment of $2B.

- **High Gas Prices**. While WEC is able to mitigate the impacts of higher natural gas prices with help from its hedging program and utilizing storage reserves, customers may still see $25-$40 or 30-40% bill increase in the winter months

In Line **TP $70**
Analyst: Durgesh Chopra

- **Q3 Earnings Recap.** The company narrowed its 2021 EPS guidance range from $2.90 - $3.00 to $2.94 - $2.98, with mid-pt. increased $0.01 from $2.95 to $2.96. XEL also issued 2022 EPS guidance of $3.10 to $3.20, with mid-pt. at $3.15 vs our estimate of $3.15 and consensus of $3.17. Xcel now expect to deliver its long-term 5-7% EPS growth rate using the midpoint of 2021 guidance ($2.96) as the starting point, vs midpoint of 2020 guidance ($2.78) previously.

- **Capex plan updates.** XEL announced an increased five-year base capital plan of $26B for 2022-2026 compared with $23.5B for 2021-2025, and highlighted $1.5B - $2.5B in incremental opportunities through the forecast period, including $1.0B-$1.5B renewables and $0.5B-$1B transmission. The base plan calls for a rate base CAGR of 6.5% through 2026 and the increment capex could drive that higher to 7.3%. Previous plan targeted rate base growth of 6.6% through 2025 and 6.9% with incremental capex.

- **Financing plan updates.** XEL updated base financing plan for 2022-2026 to fund the capex plan. They expect to issue $800 million of equity, likely through an ATM, and $450 million of DRIP & benefits equity over the next five years.
- **Regulatory updates.** The company has reached constructive settlement in Colorado pending Commission approval, requiring for full recovery of Winter Storm Uri fuel costs, disputed decoupling revenue, and replacement power costs during an extended Comanche 3 outage, and COVID-19 bad debt expense deferral. In Minnesota, the company Filed multi-year electric rate case with ROE of 10.2% and equity ratio of 52.50%. And Xcel also updated the expected Minnesota Resource Plan final decision date to 2022 Q1 versus 2021 Q4/2022 Q1 previously.
- **Federal legislation on direct pay and AMT**: XEL said they could actually benefit from the legislation and be cash positive from it, by getting cash upfront from direct pay and using its large tax credit balance to offset the AMT.

- **MISO Transmission capex upside**: MISO outlook includes up to 50% renewables by 2039. Initial MISO project set ~$30 billion; full plan up to $100 billion. XEL estimates $5 -$6 billion opportunity for Xcel Energy over next ten years. MISO transmission capex projects are expected to be announced in 1H22 vs Dec 21, 2021 previously

Regulated Utility Valuation Goes To ~17.5x '23 EPS

Regulated Utilities

Ticker	Company Name	11/12/21 Price	ISI Rating	Shares Out	Market Cap	2021 Div Yld	2021 Payout	ISI EPS Estimate 2021	2022	2023	P/E Multiple 2021	2022	2023	'19-'23 EPS Growth	Price to Book	Prem. to Group
NEE	NextEra Energy, Inc.	$86.31	In Line	1,984	171,230	1.8%	62%	2.50	2.70	2.95	34.5x	31.9x	**29.2x**	8.9%	4.3x	67%
AEE	Ameren Corp	$84.55	Outperform	261	22,091	2.6%	59%	3.75	4.00	4.30	22.6x	21.1x	**19.6x**	6.4%	2.1x	12%
WEC	WEC Energy Group	$88.75	In Line	316	28,072	3.1%	67%	4.07	4.27	4.55	21.8x	20.8x	**19.5x**	6.2%	2.5x	12%
CMS	CMS Energy Corp	$60.00	In Line	294	17,643	2.9%	66%	2.65	2.86	3.09	22.7x	21.0x	**19.4x**	5.6%	3.0x	11%
XEL	Xcel Energy Inc	$63.13	In Line	541	34,143	3.0%	63%	3.00	3.15	3.35	21.0x	20.0x	**18.9x**	6.1%	2.2x	8%
ES	Eversource Energy	$81.95	In Line	347	28,404	2.9%	63%	3.83	4.15	4.44	21.4x	19.7x	**18.5x**	6.5%	1.8x	6%
HE	Hawaiian Electric Industries, Inc.	$39.96	In Line	111	4,418	3.4%	69%	1.98	2.06	2.20	20.2x	19.4x	**18.2x**	3.2%	1.7x	4%
CNP	CenterPoint Energy Inc	$26.60	Outperform	589	15,655	2.3%	45%	1.35	1.36	1.47	19.7x	19.6x	**18.1x**	-4.6%	2.5x	4%
DTE	DTE Energy Co	$111.96	Outperform	197	22,005	3.2%	62%	5.85	5.90	6.25	19.1x	19.0x	**17.9x**	-0.2%	1.6x	3%
DUK	Duke Energy Corp	$99.88	In Line	750	74,942	3.9%	75%	5.20	5.45	5.80	19.2x	18.3x	**17.2x**	3.4%	1.5x	-1%
EVRG	Evergy	$64.50	Outperform	228	14,674	3.4%	65%	3.35	3.50	3.75	19.3x	18.5x	**17.2x**	6.9%	1.9x	-2%
D	Dominion Resources Inc	$74.74	Outperform	820	61,311	3.4%	65%	3.85	4.12	4.40	19.4x	18.1x	**17.0x**	0.9%	2.2x	-3%
NI	NiSource Inc	$25.08	In Line	447	11,204	3.5%	67%	1.32	1.40	1.48	19.0x	17.9x	**16.9x**	2.9%	2.2x	-3%
SO	Southern Company Inc	$61.89	Underperform	1,078	66,720	4.2%	79%	3.30	3.55	3.85	18.7x	17.4x	**16.1x**	5.6%	2.1x	-8%
ED	Consolidated Edison Inc	$77.15	Underperform	358	27,595	4.0%	73%	4.25	4.60	4.80	18.1x	16.8x	**16.1x**	2.2%	1.3x	-8%
AEP	American Electric Power Co Inc	$82.02	Outperform	508	41,669	3.7%	65%	4.70	5.00	5.35	17.4x	16.4x	**15.3x**	6.1%	1.7x	-12%
ETR	Entergy Corp	$101.60	Outperform	201	20,467	3.8%	64%	6.00	6.35	6.70	16.9x	16.0x	**15.2x**	5.6%	1.7x	-13%
OGE	OGE Energy Corp	$34.44	Outperform	200	6,898	4.8%	78%	2.12	2.26	2.38	16.2x	15.3x	**14.5x**	2.4%	1.8x	-17%
FE	FirstEnergy Corp	$39.00	In Line	552	21,531	4.2%	65%	2.50	2.60	2.70	15.6x	15.0x	**14.4x**	1.2%	2.4x	-17%
PNW	Pinnacle West Capital Corp	$66.10	In Line	117	7,701	5.0%	66%	5.00	4.43	4.71	13.2x	14.9x	**14.0x**	-0.3%	1.2x	-20%
SRE	Sempra Energy	$122.10	Outperform	316	38,638	3.6%	53%	8.35	8.50	9.00	14.6x	14.4x	**13.6x**	4.5%	1.5x	-22%
EIX	Edison International	$64.24	In Line	404	25,975	4.0%	57%	4.50	4.65	4.90	14.3x	13.8x	**13.1x**	1.0%	1.1x	-25%
PPL	PPL Corp	$28.60	In Line	775	22,156	5.8%	67%	2.50	2.60	2.70	11.4x	11.0x	**10.6x**	2.5%	1.5x	-39%
PCG	PG&E Corp	$12.26	Rating Suspende	529	6,486	0.0%	0%	4.30	4.65	4.95	2.9x	2.6x	**2.5x**	5.4%	0.4x	-86%
Regulated Group Average (Excludes PCG for Div Values)						**3.6%**	**65.0%**				**18.3x**	**17.5x**	**16.4x**	**3.7%**	**1.93x**	
Regulated Group Average (Excluding Stocks: PPL, EIX, and PCG)						3.5%	65.3%				19.6x	18.6x	17.5x	3.8%	2.06x	
Regulated Group Max (Excludes PCG for Div Values)						5.8%	79.3%				34.5x	31.9x	29.2x	8.9%	4.3x	
Regulated Group Min (Excludes PCG for Div Values)						1.8%	45.3%				2.9x	2.6x	2.5x	-4.6%	0.4x	

Diversified Utilities

Ticker	Company Name	11/12/21 Price	ISI Rating	Shares Out	Market Cap	2021 Div Yld	2021 Payout	ISI EPS Estimate 2021	2022	2023	P/E Multiple 2021	2022	2023	'19-'23 EPS Growth	Price to Book	Prem. to Group
EXC	Exelon Corp	$54.40	Outperform	984	53,540	3.0%	57%	2.80	3.00	3.10	19.4x	18.1x	**17.5x**	-1.0%	1.5x	7%
PEG	Public Service Enterprise Group	$62.17	In Line	508	31,582	3.3%	56%	3.63	3.45	3.67	17.1x	18.0x	**16.9x**	2.8%	1.8x	4%
AES	AES Corp	$24.72	Outperform	665	16,448	2.4%	39%	1.55	1.70	1.80	15.9x	14.6x	**13.7x**	6.8%	3.4x	-16%
Diversified Group Average						**2.9%**	**51%**				**17.5x**	**16.9x**	**16.1x**	**2.9%**	**2.2x**	
Diversified Group Max						3.3%	57%				19.4x	18.1x	17.5x	6.8%	3.4x	
Diversified Group Min						2.4%	39%				15.9x	14.6x	13.7x	-1.0%	1.5x	

Updated as of 11/12/21

Source: FactSet, Evercore ISI Research

Utilities are 26% cheap on '22 Yields Assuming Yields Remain Unchanged

Utility Valuation			10 YR	1.57%
11/12/21			Baa	3.22%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2021 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.36%	0.89%	69.6x	275.7%
	0.58%	1.04%	59.4x	220.5%
	0.80%	1.19%	51.8x	179.5%
	1.02%	1.35%	45.9x	147.7%
	1.24%	1.50%	41.2x	122.5%
	1.46%	1.65%	37.4x	101.9%
- 68% Confidence Interval	1.68%	1.81%	34.2x	84.8%
	1.90%	1.96%	31.5x	70.3%
	2.12%	2.11%	29.3x	58.0%
	2.34%	2.27%	27.3x	47.3%
	2.56%	2.42%	25.6x	38.0%
	2.78%	2.57%	24.0x	29.8%
	3.00%	2.73%	22.7x	22.5%
Predicted Valuation	3.22%	2.88%	21.5x	16.0%
	3.44%	3.03%	20.4x	10.1%
	3.66%	3.18%	19.4x	4.8%
Current Valuation	3.88%	3.34%	18.5x	0.0%
	4.10%	3.49%	17.7x	-4.4%
	4.32%	3.64%	17.0x	-8.4%
+ 68% Confidence Interval	4.54%	3.80%	16.3x	-12.1%
	4.76%	3.95%	15.7x	-15.5%
	4.98%	4.10%	15.1x	-18.6%
	5.20%	4.26%	14.5x	-21.6%
	5.42%	4.41%	14.0x	-24.3%
	5.64%	4.56%	13.6x	-26.8%
+ 95% Confidence Interval	5.86%	4.72%	13.1x	-29.2%

Regulated utilities now look ~16% cheap on current yields

Utility Valuation			10 YR	1.57%
11/12/21			Baa	3.22%
Confidence Intervals	BBB Yield %	Expected Defensive Index Yld	Implied 2022 P/E	Upside / (Downside) for Index
- 95% Confidence Interval	0.36%	0.89%	73.4x	307.6%
	0.58%	1.04%	62.6x	247.7%
	0.80%	1.19%	54.6x	203.2%
	1.02%	1.35%	48.4x	168.8%
	1.24%	1.50%	43.5x	141.3%
	1.46%	1.65%	39.4x	119.0%
- 68% Confidence Interval	1.68%	1.81%	36.1x	100.5%
	1.90%	1.96%	33.3x	84.8%
	2.12%	2.11%	30.9x	71.4%
	2.34%	2.27%	28.8x	59.8%
	2.56%	2.42%	27.0x	49.7%
	2.78%	2.57%	25.4x	40.8%
	3.00%	2.73%	23.9x	32.9%
Predicted Valuation	3.22%	2.88%	22.7x	25.8%
	3.44%	3.03%	21.5x	19.5%
	3.66%	3.18%	20.5x	13.7%
	3.88%	3.34%	19.5x	8.5%
	4.10%	3.49%	18.7x	3.8%
Current Valuation	4.32%	3.64%	17.9x	-0.6%
+ 68% Confidence Interval	4.54%	3.80%	17.2x	-4.6%
	4.76%	3.95%	16.5x	-8.3%
	4.98%	4.10%	15.9x	-11.7%
	5.20%	4.26%	15.3x	-14.9%
	5.42%	4.41%	14.8x	-17.8%
	5.64%	4.56%	14.3x	-20.6%
+ 95% Confidence Interval	5.86%	4.72%	13.8x	-23.2%

If rates stay unchanged for the next 12 months, regulated utilities now ~26% cheap

Updated as of 11/12/21

Source: FactSet, Evercore ISI Research

NTM Relative P/E Below Historical Average

- The average relative P/E since 2006 is 1.07x. Since '95 it is 0.93x.
- On 11/12/21, the relative P/E was **0.90x**, in line with last week at **0.90x** and 1.17x level at YE '19.
- The relative P/E post Brexit vote was 1.17x, which we hit again in mid November '18.
- It was 1.36x on 12/23/18 when we were pricing in recession risk at a high probability.

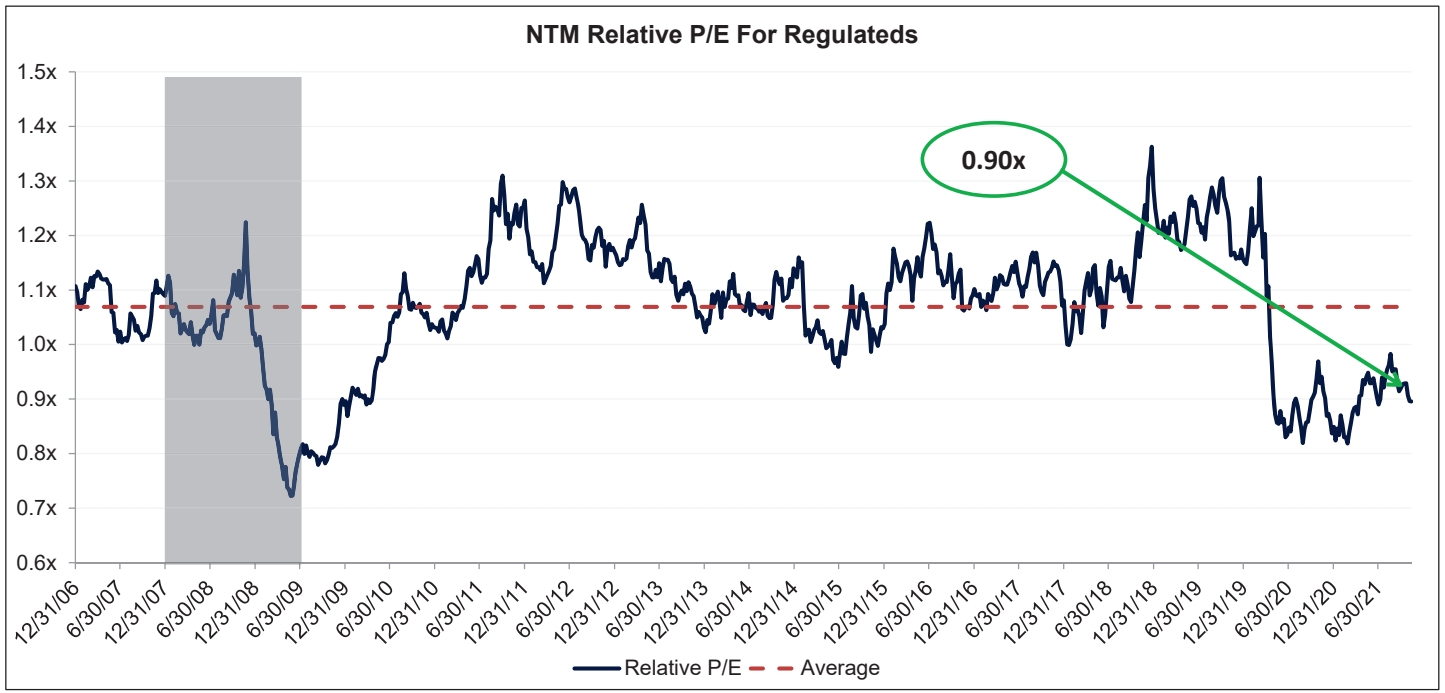

Updated as of 11/12/21

Source: FactSet, Evercore ISI Research

TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

Time of dissemination: November 14 2021 3:56 PM ET

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*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

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Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return< -10%

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Coverage Universe			**Investment Banking Services l Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	514	61	Buy	119	23
Hold	291	34	Hold	30	10
Sell	16	2	Sell	0	0
Coverage Suspended	15	2	Coverage Suspended	4	27
Rating Suspended	12	1	Rating Suspended	5	42

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10 November 2021 | 6:38PM EST

Americas Utilities: EEI Takeaways - increased clean energy investments ahead, managing commodity inflation

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We come away from our 2021 Edison Electric Institute (EEI) meetings with management with the following key themes: 1) increased clean energy investments ahead – US utilities continue to push for earlier retirement of their remaining coal fleet, creating incremental investment opportunities for other generation resources like renewables, storage, and clean natural gas. The proposed direct pay tax credits could reduce equity financing needs, while improving competitiveness of utility projects for potential ownership versus contracts. **2) managing bill impact from commodity inflation, supply constraints –** While not a direct impact to the bottom line, higher gas and supply/labor costs increase the customer bill, which requires balancing with capital investment impact and managing regulatory proceedings. In this brief note, we briefly highlight the 1-2 most important takeaways coming out of each company meeting.

We still expect utilities to trade at a modest discount to the S&P500 given the current negative real interest rate environment, despite relative P/E multiples appearing moderately attractive versus the market in this low but rising interest rate environment. Our top picks include large-cap regulated utilities like Buy-rated DTE (on CL) and XEL, renewable names like NEP (on CL), and value stocks like FE and EXC. Our Sell-rated stocks include PNW, AGR, and ED.

Top 5 Takeaways from EEI

1. EXC sees continued and sizable free cash flow from Exelon Generation (ExGen) — enabling strong capital allocation and even the potential for upsized dividend payouts from ExGen to Exelon Corp — which they believe could potentially reduce the planned $1bn equity issuances at Exelon Corp after the previously announced separation occurs.

2. AEP transitioned capital spending plans further towards renewables, outlining $8bn of rate base growth there and upside potential as well, but surprisingly reduced capital spend plans on its transmission business — implying more capital will flow to projects earning lower, state regulated returns than on those earning higher, federally related ones.

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3. POR believes rate base/earnings growth upside exists from the upcoming clean generation auction process, with additional clarity expected by mid-2022, while continued robust customer and demand growth support organic grid investment opportunities.

4. PNW plans to engage in stakeholder dialogue ahead of its next AZ base rate case, looking to limit the scope of discussions and pursue a potential settlement; while meaningful clean energy capital opportunity exists, constructive recovery mechanisms remain key.

5. AGR remains confident the proposed PNM acquisition will close successfully, and expects a successful resolution of the legal challenge for the NECEC transmission project, with contract terms allowing for delayed delivery until 2025 (versus 2023 forecast by the company).

Company Takeaways

We hosted meetings at the fall EEI (Edison Electric Institute) conference — an industry conference for US utilities. We highlight the following company updates:

Ameren Corp (AEE, Neutral)

- Recently passed IL rate-making legislation offers constructive structure to support continued and increased utility investments in the state, and the electric utility looks to file its 4-year rate plan by January 2023 after working with the commission potentially to refine some terms. AEE awaits a re-hearing request for its Rush Island coal plant; if early retirement is the ultimate outcome, AEE could look to securitize the un-depreciated value, while transmission and renewable capital opportunities exist.

American Electric Power (AEP, Sell)

- Renewable growth spend of $8b over 5 years emerges a positive — and they highlighted this has almost another $8b of upside. This comes though with a $3b-$4b of capex reductions to FERC regulated transmission — from the nation's largest transmission owner — which earns a higher return than state regulated renewables.

American Water Works (AWK, Neutral)

- AWK's stated that its decision to divest its non-utility Homeowner Services (HOS) segment stemmed from the company's plan to fully commit to focusing on its core water/wastewater utility operations, while viewing other parties as better situated to help the HOS business expand into newer products and technologies that may increase earnings volatility. Management views the modified 7-9% EPS growth as sustainable long-term, which includes the periodic impact from equity financing needs to support both utility capital and the company's balance sheet. They do not see increased competition on the municipal tuck-in acquisition front, with potential

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sellers still gravitating toward AWK's long and established expertise in operating water/wastewater systems.

Avangrid (AGR, Sell)

- AGR remains confident the proposed PNM acquisition will close this year while looking to address recent recommendations from the Administrative Law Judge (ALJ); if the deal ultimately fails to close, management said that it will look to deploy the raised equity capital into regulated and renewable investments. AGR expects a successful legal challenge to the NECEC project referendum, while noting contract terms allow for delayed project delivery (to the MA electric utilities) until 2025, versus the current 2023 in-service forecast.

CenterPoint Energy (CNP, Buy)

- CNP remains confident it can achieve 8% annual EPS growth, with contingencies built in to offset any unexpected headwinds. Management still expects a 4Q2021 closing of the proposed ENBL/ET merger, while looking for an accelerated midstream exit in 2022. In Texas, CNP views transmission investment needs as under-appreciated, which could offer further capital upside opportunities.

CMS Energy (CMS, Buy)

- CMS views intervenor testimony for the proposed Integrated Resource Plan (IRP) constructively, which would allow full recovery of accelerated coal plant retirements while adding to rate base certain gas units; management still views the proposed utility purchase of the Dearborn Industrial Generation (DIG) plant — from its CMS affiliate segment — as most economic, but will look to propose alternate options if needed. Management remains confident in Michigan's positive regulatory environment despite the recent ALJ recommendation in its electric rate case, and expects a constructive final outcome. These items all support at least the upper end of its 6-8% annual EPS growth forecast, with each successive year based on the prior year's actual EPS.

Consolidated Edison (ED, Sell)

- Upcoming CECONY rate case (in New York) and pending regulatory dockets on COVID-related cost recovery are important catalysts over the next year, with the recent O&R rate case settlement a positive data point for the NY regulatory environment. ED remains focused on clean energy investments for both transmission and distribution, while renewable generation segment growth will remain stable but not currently planning for acceleration at this point. Incremental capital would be financed with a combination of debt and equity.

DTE Energy (DTE, Buy on CL)

- DTE sees opportunities to accelerate its transition out of coal generation, with plans to convert its Belle River coal plant to gas/clean while assessing early retirement or conversion potential for its Monroe plant (currently slated for 2040 retirement). The current federal proposals on direct pay tax credits and solar PTCs — if passed —

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could help further accelerate their clean generation investment plans. Management still sees Michigan as a very constructive regulatory state, and will look to settle its upcoming electric rate case, while they remain committed to selectively growing the non-utility RNG investments.

Duke Energy (DUK, Neutral)

- The new legislation in NC will materially lower regulatory lag longer term but given the timing of rule makings, the first full year benefits may not show till 2024-25. Capital spend acceleration driving higher rate base growth also will kick in within the Carolinas and Indiana more in 2024-25, while Florida growth happens on a more pro-rated basis over the next few years — less back end loaded.

Edison International (EIX, Buy)

- Key parts of our discussion focused on what could provide upside to their recent multi-year rate base growth plans – incremental storage, beyond what's in the 2022 capital spend guidance, as well as an enhanced pace of building electrification spending and grid digitization, all present upside to rate base growth over time. Cost management, after the recently approved rate case, will likely come more into focus now than in prior years — with efforts to make vegetation management, T&D inspections and customer information system more effective, but also lower cost than before, likely in the coming year or so.

Entergy (ETR, Buy)

- While ETR maintained its EPS growth and its roughly $4bn/year capital spend forecasts through 2024 — the company highlighted $5bn-$15bn of cumulative potential upside to its rate base growth and investment opportunity set — albeit over ten years — tied to improving system resiliency and reducing outage impacts during major storms.

Essential Utilities (WTRG, Buy)

- WTRG still sees robust growth in its acquired gas utility Peoples Gas and believes the public market is meaningfully undervaluing the company on a sum-of-the-parts (SOTP) basis. Management remains patient and will monitor WTRG's valuation over the next year before considering any alternative options. In the pending DELCORA acquisition, WTRG believes momentum is positive in a potential resolution with the Delaware County counsel, and is still looking to complete the municipal wastewater system acquisition sometime in 2022.

Evergy (EVRG, Buy)

- EVRG feels comfortable with its upcoming rate cases in MO and KS, and is hoping to get a property tax rider in MO to mirror the tracker it already has in KS. The company also hopes to gain more clarity on "prudency" in terms of renewable investment in MO whereas KS has a pre-determination process for generation investments. The company sees opportunity for large transmission spending in SPP but likely beginning in the middle of the decade.

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Eversource Energy (ES, Neutral)

- ES does not see any risks from its Jones Act-compliant ship agreement with Dominion, noting potential delays are embedded in the contract that would still allow the company to utilize the vessel for its Revolution Wind and Sunrise Wind projects. ES expects distribution and transmission capital opportunities stemming from the offshore wind expansion along the New England coast, currently not reflected in its multi-year plan. In the upcoming NSTAR Electric rate case filing in MA (expected late 2021), the utility looks to address — among other items — current storm cost recovery mechanism (allowing cost deferral above $1.25mn threshold) that historically contribute to under-earning in the state. Finally, water utility expansion also remains in focus, looking to capitalize on increased emphasis on aging water infrastructure and water quality.

Exelon (EXC, Buy)

- According to the company, potential exists for Exelon Generation to dividend cash to the "RemainCo" prior to the proposed spinoff, which they believe could reduce or eliminate the roughly $1bn in equity needs at Remainco. The company stated that the nuclear PTC could be a significant benefit for the Spinco given some units do not currently benefit from a ZEC and would therefore all serve as upside.

NextEra Energy (NEE, Neutral)

- While many new entrants now compete for renewable projects, most — especially some larger traditional energy companies — largely do not maintain their own development teams and therefore their impact on industry competition for renewable projects has not weighed on NEE's renewable growth targets — especially given some lack track records or scale in delivering projects, especially at a time when supply chain challenges exist.

NiSource (NI, Buy)

- Electric and gas utility growth outlook remains strong. At the Indiana electric utility, robust growth beyond 2024 could continue with transmission/generation investment potential to replace remaining coal plants, and the company is seeing potential for majority ownership of replacement assets (gas peaker, Sugar Creek update, and portion of solar). NI's gas utilities have pipe replacements and tech advancements (i.e. leak detection) among others, while management continues to assess the value proposition for its gas systems longer-term.

OGE Energy (OGE, Neutral)

- OGE continues to monitor the acceleration in electric demand growth (2% expected in 2022) that could offer incremental investment opportunities if sustained, including generation — the recently filed Integrated Resource Plan (IRP) assumes sub-1% load growth. OGE remains confident the ENBL/ET transaction will close by year-end, expects to prudently divest its midstream exposure, and believes that liquidity is not an issue given its relatively modest pro-forma ET share ownership. OGE expects to

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grow dividends at a modest pace going forward to reduce its payout ratio over time.

Pinnacle West (PNW, Sell)

- PNW plans to engage all stakeholders in constructive dialogue heading into the next AZ base rate case, looking to limit the scope of proposed items and potentially reach a settlement agreement with the various parties. Management sees meaningful capital upside to their 5-year capital plan, driven by clean energy investments, but constructive recovery mechanisms as necessary. Regarding financing, PNW expects to issue $200-$300mn of Holdco leverage to infuse equity into its utility opco, while looking to improve authorized ROEs in the next proceeding.

Portland General Electric (POR, Neutral)

- Upcoming clean generation auction — for around 800 MW of capacity/energy — presents utility capital upside to improve rate base and EPS growth, with additional opportunities through 2030 given its target to own/contract up to 3 GW of clean generation. While some equity needs may exist to support these investments and strong balance sheet, the federal proposals on direct pay tax credits — if passed — could moderate the amount. In addition, continued robust customer and demand growth support organic grid investment opportunities not fully embedded in the current growth plan.

Public Service Enterprise Group (PEG, Buy)

- While PEG sees offshore wind as a potential investment growth area, they also maintain potential to reduce risk — via a clause in their existing contracts with their development partner — and still exit their first project if costs inflate materially or if other factors make project returns less attractive. Transmission opportunities to connect offshore wind remain material — but no certainty on individual company roles on this will emerge before late 2022 as the state regulator and the regional grid operator need to work through various transmission bids submitted — this likely could become a late 2022 or early 2023 catalyst.

Sempra Energy (SRE, Neutral)

- Cameron LNG Train 4 — a 6 mtpa potential project — likely will emerge as the first LNG development project to move ahead and could be self-financing, given the available debt capacity at the Cameron complex overall — and thus not requiring equity from the parent company or external equity financing to move ahead, although we note a final investment decision may not come till late 2022.

WEC Energy Group (WEC, Sell)

- WEC still sees significant cost savings potential ahead at its core regulated electric/gas businesses and expects massive multi year renewable potential ahead in Wisconsin — and yet also sees gas utilities, including their own, as likely undervalued or underappreciated by the equity markets, given heat pump technology does not necessarily, in their view, work well enough in colder climates to displace natural gas driven home heating.

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Xcel Energy (XEL, Buy)

- XEL sees benefits from the proposed direct pay tax credit structure in the reconciliation bill, which could reduce future equity needs, while a solar PTC (versus ITC) would improve utility projects' competitiveness with non-utility developers. The company continues to evaluate PPA buyouts and sees opportunities for re-powering, especially if the proposed wind PTC extension is adopted, which represent earnings growth upside.

Valuation and key risks

Exhibit 1: Price Target, Methodology, Key risks
Diversified Utilities

Price Target Methodologies and Key Risks							
Ticker	Price Target Methodology	Rating	Price Target (New)	11/9/2021	Dividend Yield	Total Return (%)	Key Risks
Diversified Utilities							
AGR	SOTP 18x P/E on Regulated Utilities & Corporate & Other 2023 EPS, 10x EV/EBITDA on Renewables 2023 EBITDA	Sell	$45	$50	3.5%	-7%	1) approvals to defer all COVID-19 related costs, 2) incremental O&M savings, and 3) NECEC and offshore wind projects proceed per schedule and budget.
CNP	SOTP 19x P/E on Regulated Utilities & Parent 2023 EPS, 20% tax/liquidity discount on CNP's stake of ENBL market value	Buy	$31	$27	2.6%	19%	1) customer/demand growth slows in Houston and in other regulated jurisdictions, 2) Indiana electric fails to secure utility-owned generation opportunities, and 3) execution risks with portfolio simplification strategy.
D	SOTP 18.5x P/E on Regulated Electric 2023 EPS, 18x P/E on Gas LDCs and Corporate 2023 EPS, 12.5x EV/EBITDA on Contracted Assets 2023 EBITDA	Neutral	$76	$75	3.5%	5%	regulation, project execution, demand, and financing.
EXC	SOTP 18x P/E on Regulated Utilities & HoldCo 2023 EPS; 7.5x EV/EBITDA on 2023 Generation EBITDA	Buy	$61	$54	3.0%	16%	downside: utility regulation, power prices, cost management and nuclear subsidies.
NEE	SOTP 23x P/E on FP&L, Gulf & Parent 2023 EPS, 18x EV/EBITDA on NEER 2023 EBITDA, NEP LP value derived using NEE's share, NEP GP value derived from 7% Ke, 5% LT growth.	Neutral	$88	$85	2.0%	6%	Florida utility regulation, renewable development, tax credit legislation, and operating cost management levels.
OGE	SOTP 16x on Regulated Utility 2023 EPS, 20% liquidity discount to OGE's stake in current ENBL market value	Neutral	$35	$34	5.0%	8%	upside: 1) higher regulated capital spending, and 2) the company could be a target of a take-out; downside: 1) non-construction decision in the next OK rate case, and 2) utility jurisdictions experience moderating/decreasing customer and demand growth.
PEG	SOTP 20x P/E on Regulated Utility and Enterprise/Other 2023 EPS, 7x EV/EBITDA on Power 2023 Open EBITDA after adjusting for value of hedges	Buy	$72	$62	3.5%	19%	downside: power prices, power demand, maintaining nuclear subsidies, financing, and cost management.
SRE	SOTP 17x P/E on 2023 SDG&E, SoCalGas EPS; 18x P/E on 2023 Oncor EPS, 13x P/E on Mexico 2023 EPS; 11.5x EV/EBITDA on 2023 Sempra Midstream, US LNG, ECA (Phase 1 & 2) EBITDA & 17x P/E on HoldCo EPS	Neutral	$141	$125	3.8%	17%	project development and execution, power demand in Texas, utility regulation and financing.
Diversified Utilities (mean)					**3.4%**	**10.3%**	

Source: FactSet, Goldman Sachs Global Investment Research

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Exhibit 2: Price Target, Methodology, Key risks
Regulated Large Cap Utilities

Price Target Methodologies and Key Risks							
Ticker	Price Target Methodology	Rating	Price Target (New)	11/9/2021	Dividend Yield	Total Return (%)	Key Risks
Regulated Utilities (Large-Cap)							
AEP	16x P/E on 2023 EPS	Sell	$84	$83	3.8%	5%	1) Improved rate making mechanisms in a few key states, (2) lower-than-expected O&M, and (3) removal of financing overhangs.
DTE*	22x P/E on 2023 EPS	Buy	$138	$113	3.1%	26%	1) unfavorable regulatory changes, 2) incentive returns & equity layers, 3) unfavorable legislation, & 4) customer demand & usage, & cost management.
DUK	18x P/E on 2023 EPS	Neutral	$103	$102	3.9%	5%	utility regulation, cost management, financing & future rate cases or proceedings in Carolinas/Midwest states DUK serves.
ED	14x P/E on 2023 EPS	Sell	$64	$78	4.1%	-14%	1) NY utility commission authorizes recovery of the bulk of COVID-19 related costs & increased bad debt expense, 2) economic conditions in NYC from COVID-19 improve, & 3) ED's contracted renewable segment sees more robust growth elevating the company's ESG profile.
EIX	15x P/E on 2023 EPS	Buy	$76	$65	4.3%	22%	downside: wildfires in California, financing, and state utility regulation.
ES	20x P/E on 2023 EPS	Neutral	$87	$83	3.1%	7%	utility regulation, construction risks on major projects like offshore wind and financing.
ETR	17x P/E on 2023 EPS	Buy	$119	$102	4.2%	20%	downside: utility regulation, power demand and financing.
EVRG	19x P/E on 2023 EPS	Buy	$72	$64	3.4%	16%	downside: utility regulation, power demand and cost management.
FE	17x P/E on 2023 EPS	Buy	$48	$38	4.1%	29%	various investigations at the federal and state level, power demand, higher than expected costs, and general rate case and regulatory risk.
PCG	50% weight each to (1) 13x P/E on 2023 EPS and, (2) DDM analysis on 40% dividend payout in 2025.	Buy	$15	$12	0.0%	23%	2023 GRC proceeding & general regulatory risk in CA, wildfire related risk, and financing needs through both debt (including securitization) and equity issuance.
SO	14x P/E on 2023 EPS	Sell	$49	$63	4.3%	-18%	upside: regulatory, construction, power demand and equity financing risk.
WEC	20x P/E on 2023 EPS	Sell	$90	$90	3.2%	3%	higher than expected capital spend and rate base growth for 2021+, lower than expected operating costs, and better than expected power/gas demand.
XEL	22x P/E on 2023 EPS	Buy	$76	$64	3.1%	23%	1) Negative rate case outcomes, 2) XEL realizes less generation into rate base vs. PPA, impacting rate base growth & 3) PPA buyouts do not materialize..
Regulated Utilities - Large Cap (mean)					**3.4%**	**11.4%**	

*Denotes on Americas Conviction List

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 3: Price Target, Methodology, Key risks
Regulated Small-Cap Utilities

Price Target Methodologies and Key Risks							
Ticker	Price Target Methodology	Rating	Price Target (New)	11/9/2021	Dividend Yield	Total Return (%)	Key Risks
Regulated Utilities (Small-Cap)							
AWK	39x P/E on 2023 EPS	Neutral	$177	$170	1.5%	6%	water quality issues, cost management, regulatory environment, growth at non-regulated segments and reduced ESG fund flows.
AEE	21x P/E on 2023 EPS	Neutral	$92	$83	2.8%	14%	upside: 1) accelerated rate base/earnings growth, 2) Illinois passes rate-making legislation, & 3) better-than-expected cost management. downside: 1) unfavorable outcome in MO electric/gas rate case, 2) 30-year TSY yields trend down, and 3) lower free cash flows than forecasted.
CMS	23x P/E on 2023 EPS	Buy	$72	$60	3.1%	23%	1) CMS fails to secure incremental regulated investments into rate base, 2) MI regulatory environment turns negative, & 3) the current IRP plan does not pass as proposed.
NI	18x P/E on Gas 2023 EPS, 19x P/E on Electric 2023 EPS	Buy	$29	$25	3.7%	20%	1) regulatory approval process for the planned renewable investments in Indiana, and 2) cash impact due to COVID-19.
PNW	15x P/E on 2023 EPS	Sell	$61	$63	5.4%	2%	1) PNW receives approval for contemporaneous recovery/return of clean energy investments, 2) a meaningfully constructive outcome in the current rate case, & 3) continued robust customer & demand growth.
POR	18x P/E on 2023 EPS	Neutral	$52	$49	3.4%	9%	upside: 1) better than expected cost management, 2) continued strong demand, & 3) more robust capital plan; downside: 1) non-constructive outcome in the electric rate case, 2) only partial deferral treatment on COVID/winter storm/wildfire costs, & 3) only a modest amount of renewables into rate base at next RFP process, slated for 2022.
WTRG	SOTP 34x P/E on 2023 water EPS, 18x P/E on 2023 gas EPS, 29.04x blended P/E on 2023 Other EPS	Buy	$55	$47	2.4%	19%	1) PA regulation turns less constructive, 2) water system acquisitions do not receive necessary approvals for completion, & 3) longer-term growth concerns about the gas utility segment compresses WTRG's valuation.
Regulated Utilities - Small Cap (mean)					**3.2%**	**14.2%**	
Regulated Utilities - Large & Small Cap (mean)					**3.3%**	**12.4%**	

Source: FactSet, Goldman Sachs Global Investment Research

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Reg AC

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J.P.Morgan

North America Equity Research
05 November 2021

2021 Edison Electric Institute Conference

The JPM EEI Question Bank

The J.P. Morgan North American Utilities Research team will host meetings with 26 companies at the annual EEI conference Sunday through Tuesday next week (November 7-9). In order to facilitate meeting preparation, we have compiled a list of key questions for companies that we are meeting with at the conference.

- **North American Utilities questions for:** AES Corp (**AES**), Ameren Corp (**AEE**), American Electric Power (**AEP**), Allete (**ALE**), American Water Works Co (**AWK**), Avangrid (**AGR**), CenterPoint Energy (**CNP**), CMS Energy Corp (**CMS**), Consolidated Edison (**ED**), Dominion Energy (**D**), DTE Energy Co (**DTE**), Duke Energy Corp (**DUK**), Edison International (**EIX**), Entergy Corp (**ETR**), Eversource Energy (**ES**), Exelon Corp (**EXC**), FirstEnergy (**FE**). Fortis (**FTS CN**), NextEra Energy (**NEE**), NiSource (**NI**), PG&E Corp (**PCG**), Public Service Enterprise Group (**PEG**), Sempra Energy (**SRE**), The Southern Company (**SO**), WEC Energy Group (**WEC**), and Xcel Energy (**XEL**).

- **Federal infrastructure in focus.** As DC legislators continue to work on a potential infrastructure/spending package, we expect numerous themes to appear throughout the conference including 1) clean energy tax credit extensions, 2) potential introduction of new tax credits for battery storage, nuclear energy, and hydrogen, and 3) the impacts of a corporate minimum tax. Moreover, we look for potential grid opportunities in support of the renewables buildout and electrification.

- **Supply chain/inflation, transmission, and commodity prices among a grab bag of themes into EEI.** Renewables deployment has remained resilient in the face of **supply chain** challenges and inflation fears, and it appears that leading developers have maintained margins in part through higher PPA prices. The prospect of solar panel tariffs also looms large alongside policy conflicts amid an otherwise pro-renewables backdrop. However, we see some stakeholder alignment around the need for a long-term solution without near-term setbacks to solar market growth. Separately, attention remains on the significant regional **transmission** investments needed to optimize further renewables buildout. MISO's MTEP process could now yield a first wave of transmission project announcements by March 2022. Offshore wind represents an additional avenue for transmission investment, especially given NY and NJ processes. While these opportunities and large-scale interregional transmission projects (such as Lake Erie Connector or Grain Belt Express) appear well positioned to drive back half of the decade growth, we expect projects to remain largely outside of capital plans until 2022 at the earliest. Finally, **commodity prices** have stolen the spotlight, leaving stakeholders uneasy over prospective bill impacts should elevated prices persist. These fears have disproportionally weighed on LDC performance given hedging practices and expected eventual price reversion. However, we do acknowledge growth risks under sustained high prices should regulators push back on investment to moderate higher customer rate inflation.

- **Select company updates in focus.** We expect **AEP** to release an updated 5-year capex forecast with an extension of the current 5-7% annual EPS range. However, we see the financing update most in focus after successful execution of the KY Power sale. **WEC** should introduce detailed drivers behind the 2021-2025 capital plan rolled out in 3Q. **ETR** should round out its refresh with specifics on its financing and capital investment plans. The spotlight should shine on language around equity and renewables.

North American Utilities

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3Q21 Earnings Alerts
AEE, AEP, AES, AGR, ALE, AWK, CMS, CNP, D, DTE, DUK, ED, EIX, ES, ETR, EXC, FE, FTS, NEE, NI, PCG, PEG, SO, SRE, WEC, XEL

See page 29 for analyst certification and important disclosures.

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North American Utilities

▸ AES Corp. (AES)

1. What are the primary drivers of the high and low end of your 7-9% annual EPS and parent FCF growth outlook? How sensitive is this range to ramping renewables development targets to 4-5GW in 2025, particularly given 2021 strength and expected 5GW of new contracts this year? How does the new equity units accounting impact the plan period?

2. How has your renewables pipeline changed over the past 12-24 months, including overall size, US/international mix, and counterparty type? Has the demand for storage solutions at the project level changed? How do you see the overall market evolving?

3. Can you outline the key components of your 24/7 carbon-free energy agreements with Google and Microsoft? How do you see this offering positioned within a market increasingly moving away from vanilla PPAs? What is the replicability and scalability of this product? How do you see the overall market demand for clean energy versus bespoke clean energy solutions like this 24/7 product?

4. What is the Chile green hydrogen export opportunity, and how competitive is this on a global basis? Can you provide background on the feasibility study, timeline to completion, and partner involvement? When do you expect to identify the partner? What incremental AES investments could the project drive? What is the magnitude of the investment opportunity within your current long-term plan?

5. How are other projects and initiatives advancing, such as the remaining LNG contracting and parent cost savings? Over what timeframe do you expect to realize this LNG contracting upside? What is Alto Maipo's current progress toward completion?

6. Can you walk through your technology platform's value, both in terms of AES's product offerings and JV interests? How do you see these businesses positioned for growth over the plan period?

7. Where do you see 5B on the development and growth curve? How do you plan to deploy 5B's solar technology? What benefits does the Northvolt deal provide? Can you outline the R&D aspects of this deal?

8. Can you provide an update on the status of announced asset sales? What is the impact of these sales on your <10% coal generation by 2025 target? Given AES's accelerated coal transition since 2019, are there additional opportunities to advance this transition? How do these opportunities compare to renewables growth upside and the associated impacts on generation mix?

9. What federal discussions are you following across the infrastructure plan, tax credit or other tax changes, and environmental policy, among others? Are there any key items or potential impacts to your financial outlook?

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▸ Ameren Corp. (AEE)

1. How have IL discussions progressed following energy legislation's passage? Can you walk us through the process leading up to implementation of the new regulatory rate framework? What next steps are you focused on?

2. What next steps do you expect for the MO IRP? What are the considerations for Rush Island in it? When might your capital plan incorporate incremental IRP-driven renewables capex? How has the IRP informed your current MO electric rate case, including coal asset life changes? What timeline do the current RFPs contemplate, and when should we expect an update on the process?

3. Can you talk about the items that drive the low end and high end of your increased guidance range? Will you be rebasing your five-year plan off of 2021 upon the refresh anticipated for February?

4. What are your takeaways from FERC's transmission incentives NOPR and supplemental NOPR? How do you prioritize base ROE versus incentive adders, especially if the RTO adder sunsets? What FERC expectations do you have?

5. How important is FERC to continued regional transmission buildout versus RTO-level processes? Do you see a role for FERC in planning and permitting, whether through the Joint Federal-State Task Force or latest Advance NOPR? What have you seen from MISO's latest planning efforts, and how does this inform potential new projects for a potential late 2021-2022 identification? Can you describe the potential HVDC opportunity given the national focus on large-scale transmission system buildout and regional integration?

6. In your MO electric rate case, what are the top capital and expense drivers, and how do they contribute to the revenue requirement ask? Do prior settlements drive confidence in the potential to settle this case? Can you walk through the case's coal plant requests?

7. What do you expect for earned returns over the period until implementation of new rates recovering the wind investment? Do these returns cover the wind rate base, or do you consider earned returns excluding rate base under PISA/RESRAM deferrals?

8. What are your initial indications for Rush Island's appeals court ruling and over what timeframe? Do you see securitization or PISA considerations impacting the path forward? Are there other legal remedies available?

9. What potential federal policy and law changes are you particularly focused on? How do you see tax changes potentially impacting AEE? What impact do you expect to customer bills?

10. Can you talk about current economic activity and load trends across your service territories? How do you see recovery over the balance of 2021, particularly across commercial customers? How much of the residential growth seen over the past year do you think is sustainable with hybrid WFH setups?

11. Can you outline decarbonization targets and relative line of sight to achieving reduction goals? What emerging technologies could drive the largest impact here?

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American Electric Power (AEP)

1. How should we think about equity needs and balance sheet capacity post the KY announcement? How should we be thinking about the opportunity for further portfolio rotation? What do you think is the ideal number of distinct jurisdictions?

2. Can you walk us through the mechanics of transitioning ownership of the Mitchell plant from KY Power to Wheeling Power and when we should have regulatory clarity?

3. Can you walk through AEP's generation transition? How should we be thinking about potential capital investment upside driven by the 16.6 GW regulated renewable investment opportunity through 2030? Do you think this could support EPS growth at the top of your 5-7% range? What is the latest on the RFPs at SWEPCO, APCo and PSO?

4. Can you talk about some of items that could drive you to the low and high end of 2022 guidance (to be released at the conference)?

5. With an increased focus on renewables integration, how will you balance transmission investment versus new generation capex from both a customer rate inflation perspective and financing viewpoint?

6. What impacts do you envision if FERC chooses to go through with the supplemental NOPR removing the 50 bps RTO ROE adder? Do you think this will impact RTO participation and meaningfully disincentivize transmission investments?

7. Are there other policy issues you are watching on the transmission development side? How much would a transmission ITC help push forward development? How large is the full transmission opportunity set for AEP? Do you think AEP will partake in larger highway type projects or mostly local reliability?

8. Do the extended tax credits provide an opportunity to accelerate contracted renewables growth? Can you walk through AEP's competitive advantages? Are there any constraints to accelerating contracted renewables development? Is there anything you are watching for from federal legislation discussions?

9. How should we think about O&M trajectory over the new five-year period? Do you plan to hold O&M roughly flat at the updated $2.62bn presented in 4Q (or whatever level is included in EEI deck), or do you think there could further opportunities to take cost out of the business?

10. Can you talk about the load trends you are currently seeing across your service territory, especially industrial demand trends after the strong 2021 numbers? Has there been any impact from the Delta variant?

11. Can you provide an update on outstanding rate cases/regulatory processes in TX, LA, IN, and OK? What are your top regulatory priorities as we move into 2022?

12. Are there any other outstanding investigations regarding AEP and Ohio that we should be watching? Do you have any update on the subpoena received from the SEC?

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▸ Allete Inc. (ALE)

1. What are the primary drivers of your 5-7% long-term EPS growth target, and how have those drivers changed over the past 12-18 months when you saw temporary negative impacts? Can you walk through each item and associated steps that returned growth to 5-7%? What drives confidence in your 5-7% long-term target given prior near-term challenges?

2. What is the current status of your large power customers? How many MW versus full nominations is large power for the current period? Do you have line of sight to nominations for the balance of 2021 and into 2022? What is the annualized EPS impact of the current nominations level versus guidance assumptions? Can you walk through the mechanics of sales assumptions in your MN rate cases, including the treatment of any difference in large power sales versus full offtake?

3. What are the key elements of MN Power's rate case? How do you see relative positioning into the rate case following MN Power's 2020 settlement?

4. Can you walk through the YoY impacts into 2021 and 2022 of 2020 interim rates, current MN rates, and expected new 2022 interim rates? What earned ROEs do you expect in 2021 and 2022 under current large power nominations? And what would you earn with full large power nominations?

5. Can you frame the required rate increase in your next MN rate case? How does this roughly break down between capital and expenses? Are there any particular regulatory, rate design, or other non-revenue requirement components to the filing?

6. How is feedback to your MN IRP? What is the current status of your coal, and how could the IRP impact this? How much regulated capex did your last IRP drive? How has local outreach around this update tracked company expectations?

7. What is the current status of each ACE project? What is your remaining safe harbor position and expected timeline to monetize?

8. How have state/federal policies and macro supply chain/inflation themes impacted ACE's development opportunities and expected project pivot? Do you anticipate changes to C&I discussions? How has the C&I market trended versus initial expectations since ACE's entrance to the space, including the complexity of potential solutions to C&I customer needs? How far along is your evaluation of ACE's new opportunity set? How many MW could you develop annually?

9. What are the drivers of your current equity needs, and what agency thresholds are the gating metrics for your financing plan? Would you look to potentially offset with capital recycling? Do you have options to highlight value across ACE's portfolio?

10. What are your current thoughts on the company's business mix and optimizing low-cost funding of both the regulated and non-regulated operations?

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▸ American Water Works Company (AWK)

1. What are the drivers of the high and low end of your 7-9% EPS CAGR and 8-9% rate base CAGR? How do regulated acquisitions, lost HOS earnings, the timing of HOS sale proceeds redeployment, and other factors impact this growth outlook?

2. What are the strategic considerations behind the HOS sale? Would you consider monetizing the Military Services Group as your remaining non-regulated business?

3. Can you outline your $13-15bn 2022-2026 capital plan, and how this investment compares to AWK's $28-32bn 2022-2031 plan? Are there any material differences to the overall capex composition, whether replacing aging infrastructure, investing in water quality, system expansion work, or other investments?

4. How has AWK realized regulated cost savings over the past several years, and are these expense drivers consistent with targeted savings to achieve a 30.0% 2026 O&M efficiency ratio? What line of sight do you have to this 30.0% 2026 target?

5. What level of customer bill impact does this plan contemplate given the meaningful capex acceleration contemplated? How does this outlook compare to expectations under the prior 5-year plan? How sensitive is the rate level outlook to continued regulated acquisitions?

6. Can you walk through AWK's regulated acquisitions, including 2021-2022 capex identified, closed, and/or in rates? How much of that identified capex do you expect to close before year-end? How does acquisition activity compare to pre-pandemic levels?

7. What is the current status of the NY sale in light of the joint proposal? What are the key terms of the proposal and are they consistent with expectations entering and throughout the regulatory review? Do you anticipate any meaningful continued opposition to the transaction? When do you expect a final commission order?

8. How and when do you intend to address the targeted $1.1bn of 2022-2026 external equity? Does the timing of NY and HOS proceeds impact your financing plan?

9. Following AWK's significant 2020 rate reviews, what rate cases are in focus over the next 1-2 years? Are there any ongoing priorities across new regulatory mechanisms, legislation, policy, or other non-revenue items?

10. Where do current growth opportunities stand for AWK's Military Services Group versus historical realized growth?

11. Do you expect any opportunities or impacts from federal infrastructure discussions? What key areas are you monitoring?

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▸ Avangrid Inc. (AGR)

1. Can you walk through your 6-8% EPS CAGR, including steps to 2021 and 2022 from normalized 2020 EPS? What is the relative magnitude of drivers across rate increases, new renewables capacity, expense management, and PNM accretion, among any others? How does the acquisition move you within the growth rate, or absent the acquisition, how would this plan look? Can you frame the relative offshore wind contribution in 2025?

2. How would you bracket planned $13.7bn 2023-2025 capex by relative line of sight to regulatory approvals/contracts? Given offshore wind represents 50% of renewables investment for the period, do you have projects to backfill investment should project timing slip or is there relatively minimal "crowding out" of potential investments over the period? What are other large networks projects outside of NECEC?

3. What are the next procedural steps in the PNM acquisition after the hearing examiner's recommendation against the transaction? How does local support stand in the state relative to this latest update? Can you walk through the regulatory commitments and terms versus the hearing examiner's commentary?

4. Can you frame the range of equity needs for organic investments post-2022? How does the PNM acquisition impact organic capex equity, both from financial metrics and from an agency perspective? How closely did you involve the agencies as you created this financing plan? Are potential capital recycling opportunities significant enough to meaningfully impact equity needs? What is the relative magnitude of drivers across tax equity, capital recycling, and other items?

5. What is the overall role of cost controls in achieving your growth plan? Can you break down the relative opportunities at the enterprise, networks, and renewables levels? How much of your ROE improvement targets hinge on O&M management? What is the current status of PNM's earned returns, and do you see a meaningful cost cutting opportunity there?

6. What are the primary drivers of the high and low end of your revised 2021 and initial 2022 EPS guidance? How much of the range does your merchant portfolio drive? Can you frame the level of revisions to portfolio assumptions versus prior expectations and how much risk remains driven specifically by these assets? Do you have meaningful line of sight to the remaining ROE improvement at the networks business? What are the upcoming procedural steps for the Maine process to remove CMP's ROE penalty?

7. Can you walk through the status of your offshore wind projects and impacts from the recent partnership restructuring with CIP? How do you see the Commonwealth Wind bid standing within the MA RFP? Are there thresholds guiding your offshore wind involvement from a business mix perspective as you evaluate upcoming RFPs? How would you grade the relative opportunity across state targets to land incremental contracts?

8. Where do NECEC's legal options and construction stand in light of the referendum results? What are the potential paths forward to full construction?

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▸ CenterPoint Energy Inc. (CNP)

1. With the exit from midstream targeted by YE22, can you provide any color on timing and hurdles remaining? What are the different scenarios under consideration? What gives you confidence in achieving this timeline?

2. How does CNP think about the optimal regulated electric versus gas portfolio mix given valuation markers? How does renewables capex opportunities factor in to the desired mix? Is additional reweighting towards CNP's electric operations a consideration in further LDC monetization?

3. Can you talk through the plan in place to catch up on capital spending? How much line of sight do you have through year-end?

4. Could you elaborate on the incremental capex opportunities stemming from TX legislation? Are there any other pieces of legislation in the works that could augment investment in TX? How might these opportunities evolve over the next few years, and do you see any gating factors currently? What does the opportunity set look like for mobile generation in TX?

5. When thinking about the 1-2% annual O&M savings target, what types of efficiencies are you targeting? What line of sight do you have on achieving these? How do these savings position you relative to current benchmarks? How much of these cost savings will you look to reinvest in areas such as data analytics to harvest incremental efficiencies?

6. What type of progress have you seen on strengthening CNP's regulatory relationships, particularly with the PUCT's ongoing refresh? What is the status of current outreach efforts across jurisdictions? Under current plans, when is the next rate case across each major jurisdiction and what drives the prospective application timing?

7. Where do you see the balance sheet standing in 2022 and over the plan period after receiving the asset sale proceeds? What are the primary financing sensitivities going forward? How much FFO/debt improvement do you anticipate from CNP's new tax strategy? What is the status of ratings agency discussions around business risk?

8. Can you speak to near-term and medium-term renewables opportunities, including the first tranche of solar generation approved by the IURC? What are the largest drivers in deciding ownership percentage and when should we think about the second tranche of solar generation? How might tax credit extensions accelerate or alter these opportunities? Where does the IN IRP process currently stand, and what level of engagement are you seeing in the state?

9. Can you outline your RNG and hydrogen efforts, including the relative positioning of your gas system to capitalize on these opportunities versus peers? How does the MN Natural Gas Innovation Act drive near-term and long-term investments?

10. What are local economic trends across your regulated footprint? How competitive are current rate levels versus local peers?

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▸ CMS Energy Corp. (CMS)

1. With earnings expected to now grow near the high end of your 6-8% range, can you provide any thoughts on when the new EPS trajectory will intersect with the prior earnings trajectory? Do you see this higher level of consolidated growth as achievable over the longer-term, especially if the small annual equity issuances come back into the plan post 2024?

2. Can you update on us on the impacts from the latest storm activity in Michigan? Do you think grid hardening investments could increase in focus within Michigan?

3. Can you provide color on some the top issues out of intervenor testimony on the IRP? With some of the big discussion points appearing to center on the natural gas plant acquisitions, are you open to settlement alternatives or do you see taking the proceeding all the way to Commission order?

4. Can you walk through some of the benefits of a 50/50 split between owned renewables and PPAs for both shareholders and customers? What would be the upside and/or potential downside to increased rate based renewables versus utilizing the financial compensation mechanism (FCM)?

5. Can you talk about the trajectory you see for customer bills over the course of the IRP planning horizon? How much do the cost savings from plant retirements help with limiting bill inflation?

6. It seems like CMS has a meaningful investment opportunity as underpinned by the IRP, but how should we be thinking about annual equity needs as we move beyond 2024?

7. What are some of the impacts from a potential change to federal tax policy? Do you see sufficient offsets to keep the pressure off customer bills? Can you talk about some of the items you are most focused on?

8. How do you view the current Michigan regulatory environment? In the past, the Commission has expressed interest in having a multi-year planning tool versus solely annual rate cases. Would you be open to this? With a new commissioner starting earlier this year, do you anticipate any other big picture changes?

9. Do you have any interest in expanding the non-regulated renewables segment? Is there any scenario where CMS would become a renewable developer? What if DC extends federal renewables tax credits to direct pay? What do you think is the optimal size of Enterprises relative to the utility over the long-term?

10. Can you talk about any potential hydrogen projects on the horizon or maybe discuss the optimal scale of a pilot program? Do you see an opportunity to deploy hydrogen at both the gas and electric utility? If so can you provide examples of potential uses?

11. Can you talk about some of the load trends you see across your service territory YTD? Generally speaking, do you expect longer-term impacts with regard to some of your C&I customers given potential changes in customer behavior? Do you think the residential stickiness could persist?

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▸ Consolidated Edison Inc. (ED)

1. What is your latest outlook for offshore wind under seemingly increasing BOEM momentum, greater federal prioritization, increasing state efforts, and amid lofty overall energy transition goals? How do you see the transmission system changing to accommodate increasing offshore generation, and how does ConEd's experience overlap with offshore transmission opportunities? Can you walk through the associated investment opportunities and relative attractiveness?

2. Can we walk through the status of natural gas expansion projects that would allow NY utilities to continue connecting new gas customers? If you do not complete natural gas projects, how does this impact your utilities? Will this increase the number of new electric customers, and what is the magnitude of the impact on customer bills?

3. Can you give an overview of the recent O&R joint proposal and any read-throughs to the upcoming CECONY case? What do you see as some of the key discussion points into that case?

4. Can you speak to the vision for ED's renewables platform? What competitive advantages does ED bring here? How large could these investments be over time? How might changes to renewables tax credits impact investment opportunities, particularly direct pay? Have competitive market dynamics evolved over the past one to two years?

5. Can you provide commentary on the COVID-19 docket in NY and any recent progress? Is there any notable support or opposition in the state? When do you expect a resolution?

6. What are the potential range of deferral outcomes you see in NY this year? Can you walk through 2020 impacts and the impacts realized in 1H21?

7. Do you have any ongoing reliability concerns over the balance of 2021? Can you walk through the steps taken to address the blackouts experienced last summer and the work completed to prevent similar system failures? How does the scope of reliability penalties under the new rate plan compare to the previous?

8. What are the risks and opportunities from broader electrification of the economy? How do you see this evolving over the remainder of the decade? Would ED invest in EV infrastructure outside of rate base?

9. How do the recently authorized RCC transmission projects address a changing state grid? What are the benefits of ConEd's proposed $5.3bn of T&D projects under the Climate Leadership and Community Protection Act? When will the state complete these projects' associated evaluations? Are there similar projects that ED is positioned to execute on, or larger discussions that could lead to additional investments?

10. What is the status of energy storage development in NY? Do you see the PSC's order as definitively closing the door to greater utility involvement?

11. Could you talk about the most recent rate plan's incentive thresholds and how they compare to historical levels?

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▸ Dominion Energy Inc. (D)

1. Within your current 2021-2025 VA capital plan, when do you expect to deploy the offshore wind capex ($6.5bn total in plan), solar capex ($5.0bn total in plan), and energy storage capex ($1.8bn total in plan)? Given 2020-2035 investment potentials of up to $17bn, $20bn, and $7bn, respectively, how are you balancing current investment targets against the large potential need?

2. What level of rate inflation does your current VA capital plan target? How do you expect rate trends to progress through the initial offshore wind buildout? What levers do you have available to offset higher bills?

3. How could federal tax credit changes impact the timing of various clean energy investments? Could these changes lower expected bill inflation or alter investment mix?

4. What is your next regulatory focus with the triennial review settled? On the triennial, can you walk through known impacts through the 2024 review and progress to de-risk the 2024 outlook? What are potential CCRO needs into the 2024 review?

5. Where does the Questar Pipeline sale stand, and is the path to transaction close tracking initial expectations?

6. How have sales trended since the early COVID-19 impacts in both SC and VA? What is the current state of economic development across your electric jurisdictions? How much runway do you see to the data center opportunity, and are there similar pockets of customer growth contributing to local strength?

7. What are the primary drivers of the high and low end of your $3.70-4.00 2021 guidance range? Similarly, what outstanding items remain in focus for growth into 2022?

8. Do you see the Biden administration impacting your plan, whether through a streamlined BOEM process or tax credit changes from the administration's infrastructure plan?

9. What is the status of initial hydrogen and RNG efforts? Do you see any hydrogen opportunities outside of the gas distribution system? Are there other expansion opportunities to your RNG partnerships following the Vanguard announcement?

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▸ DTE Energy Company (DTE)

1. How should we think about the proper base for the long term 5-7% EPS growth rate? Then, how do you see DTE growing within that range? Do you think the growth rate could converge with the 7%+ growth rates at DTE Electric and Gas? Given near-term DTE RemainCo headwinds from the convertible equity units and REF business roll-off, can we think about the base business growing in excess of 5-7% after these headwinds subside?

2. Can you talk about the line of sight you currently have to your projected 2026 earnings at DTE Vantage of $160-170mm? Given the increased competition in the RNG space, have you seen any pressure on returns?

3. Can you talk about the success you have been having with the voluntary renewables program and how much more runway is out there to continue to add MW? Could this give even more upside to the capital plan?

4. Can you update on us on the impacts from the latest storm activity in Michigan? How have these storms compared to those in the past, and how could these translate into capex?

5. What incremental opportunities do you see for gas investment? Can you talk through some of the levers you might have to mitigate customer bill impacts and do you expect significant bill pressure from the higher commodity costs?

6. What is your latest thinking on the potential to further accelerate coal retirements? Given some of the unique strategies employed within the state to exit coal, can you talk about some of the options you are looking at ahead of your next IRP filing next year?

7. What opportunities are you seeing in the carbon capture space? In your view how far away is the technology from a point where you could invest significant dollars?

8. How do you view the current Michigan regulatory environment? In the past, the Commission has expressed interest in having a multi-year planning tool versus solely annual rate cases. Would you be open to this? With a new commissioner starting earlier this year, do you anticipate any other big picture changes?

9. Can you discuss some of the load trends you currently see in MI? Do you think the residential load pickup that you experienced throughout this year could stay even beyond 2021?

10. How has the ability to defer the next electric rate case helped with customer bill headroom? Has a favorable sentiment toward accelerated renewable integration within Michigan helped alleviate some of these constraints? Do you think there could be a big bill step up in 2023 with the filing expected early next year?

11. What do you think is the optimal business mix longer term? Do you have any interest increasing the utility/non-utility business mix or do you feel comfortable at 90/10?

12. How should we think about the trajectory of O&M over the next few years? What types of benefits do you expect from some of the coal retirements?

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▸ Duke Energy Corp. (DUK)

1. Can you provide an update on the latest with Elliott? Is there anything you can say on the media report you will be adding two Elliott-backed directors to the board, one now and another down the road?

2. How do you anticipate addressing NC's new CO2 emissions reduction targets of 70% by 2030 from 2005 levels and net zero by 2050, with DUK's latest CO2 emissions reduction targets of 50% by 2030 and net zero by 2050? How do annual customer bill increases in aggressive scenarios compare to a base case?

3. What should we expect timing-wise for DUK's first carbon plan? Can you walk us through preliminary thoughts on it and how it will differ from that latest IRP?

4. Can you give any indications on what form the transition to 70% could take? Do you have any more precise thoughts on the timing of when DUK may formally adjust its reduction target?

5. How do you think about adjusting your EPS CAGR given the more favorable NC backdroup? At what point in the plan could we see improvements? Also in regards to the higher capex expected in the back half of the decade, are there any associated changes on the financing side?

6. How do you weigh filing your next NC rate case with NC House Bill 951 now through? What are your top regulatory priorities as we head into 2022?

7. What role could RNG and hydrogen play across your gas utilities? How do you see the economics of each improving over time? How do you think about the environmental attributes when considering the economics here?

8. Could you see utilizing a structure similar to the DEI/GIC transaction again in the future? While your current capital plan assumes no incremental equity, how much flexibility do you have to increase capital spending without needing to issue equity? Would employing these types of transactions to fund share buybacks make sense?

9. What opportunities do you see for Indiana renewables investment? Could we see a large pickup in renewables additions in the IRP filing expected in November?

10. We have seen non-regulated renewables market competition pick up in recent years. What hurdle rates do you target for this business? Can you discuss competitive advantages enabling DUK to exceed this hurdle rate?

11. Could you see increasing investment in the non-regulated business if we see further federal support for renewables tax credits?

12. Can you talk about the latest on load trends across your service territory? DUK appears to track ahead of plan; have you seen any changes recently in economic activity? Has the Delta variant had any impact?

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▸ Edison International (EIX)

1. Can you talk about some the drivers that could see you realize the low/high end of new 5-7% earnings guidance? What assumptions do you utilize for cost of capital? Does the current plan assume an extension of current levels or are there other considerations we should be thinking about?

2. Can you discuss the plan cushion that enabled you to maintain $1bn in total 2021 equity content after the 2017/2018 liabilities best estimate raise on 3Q? How much flexibility do you have for further revisions?

3. How should we be thinking about the overall investment backdrop and specifically how it could relate to the next GRC proceeding? Do you think the positive changes to the latest GRC could lead to more stakeholder alignment on wildfire mitigation investments the next time around? Can you walk us through the total opportunity set for reliability type investments similar to the utility owned storage?

4. What has been the initial reception to EIX's accelerated cost of capital application, and over what timeframe do you expect the CPUC to evaluate these requests? What is the net EPS impact you expect if the cost of capital mechanism triggers? Would you look for one-time offsets to mitigate the earnings impact in 2022?

5. Do you think mitigation investments or favorable weather vs past years Drove the relatively quiet nature of this past fire season? What are some of your top priorities for the 2022 Wildfire Mitigation Plan?

6. How are settlement discussions progressing with individual plaintiffs of the 2017/2018 wildfire and mudslide events? Can you walk us through an updated court timeline for associated cases and general path to ultimate resolution of these liabilities? What milestones should we look for that might lead to a cost recovery filing? Is there any way you can frame your level of confidence that we will not see further increases to the best estimate?

7. How do you view the eventual PSPS wind-down? Is there alignment with the CPUC and other key stakeholders for that program's role moving forward?

8. We have seen an increased focus in the state on potentially undergrounding power lines. Do you see this option as possible for EIX, or do the costs in your service territory remain too high? What is the relative risk reduction from the covered conductor program versus potential reduction from more widespread undergrounding?

9. Do you anticipate any changes in CPUC priorities following the departure of President Batjer? What are some of your top regulatory priorities for 2022 outside of CoC?

10. Can you walk us through the anticipated timing for memo account cash recovery? Do you think there will be meaningful impact on customer bills as these recoveries potentially gain approval?

11. What should we be expecting for timing on the remaining equity announced for 2021? What other factors outside of the claims settlement process might impact future financing plans?

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▸ Eversource Energy (ES)

1. Now that we have more schedule certainty with the larger offshore projects, when should we expect more financial disclosure for the investments? Are there opportunities to incorporate technological developments into these projects to drive down cost via larger turbines, etc.? What risk does cost inflation play in the current projects, both materials and labor? Do you have additional thoughts on return expectations?

2. Now that we are approaching a year since closing the EGMA acquisition, can you talk about how the system has performed versus your initial expectations? Is there any way to frame the magnitude of synergies that you can drive over time through your MA systems?

3. How should we think about timing on the $700mm ATM? How does the offshore wind permitting schedule impact the financing plan? Is it fair to assume the $700mm of equity in your current five-year plan moves to the back end due to permitting delays, or are there separate investment opportunities requiring external funding? What major expenditures do you expect in the preconstruction phase? What impact could the offshore wind tax credit have?

4. For future offshore wind solicitations, how will learnings from the current projects in motion impact your approach and bidding behaviors for any future projects? Are there any meaningful construction synergies with existing projects? What are some of the upcoming auctions we should be focused on and how should we think about the timeline to fill empty lease plots?

5. With the performance-based rate proceeding recently opened, do you expect any substantive changes to the regulatory framework? In your view, what are the best ways to structure PBRs? Do you think PURA would be open to these constructs?

6. You have a number of incremental growth opportunities, including grid modernization, AMI, and offshore wind. How do you think about weighing those opportunities against each other? Do you have capacity to pursue all these opportunities simultaneously, or are there certain constraints you might face?

7. Do you see any hesitation from regulators to implement rate increases coming out of the pandemic? High customer bills remain worth monitoring, and it seems difficult to meet stated goals without further rate increases. What are some of the ways ES can mitigate bill increases while maintaining capital investment levels?

8. Can you walk through potential paths forward to reduce LDC greenhouse gas emissions? Do you see opportunities across RNG and hydrogen to fully decarbonize your system? What do you see as the relative cost of decarbonization on customers?

9. Post the settlement in CT can you give a sense of how you plan to manage the business through the rate freeze and your approach to future regulatory strategy?

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▸ Entergy Corp. (ETR)

1. What were the primary drivers behind ETR's directional raise to 2021, 2022, and 2023 EPS guidance alongside 2Q21 results? Where do these drivers currently stand in the absence of this directional guidance language post-Hurricane Ida? Are there other incremental factors not yet incorporated into this outlook? What has changed in your assumptions?

2. What are the current range of options to settle ETR's remaining external equity needs? Why not issue a preferred now to remove the equity overhang? How do you rank the relative financing priorities across lowering ongoing financing uncertainty, timing equity proceeds over the plan period, and capturing future stock price upside, among others? Can you lay out the SERI liabilities and capex upside that factor into this equation?

3. How does your overall generation replacement cycle contribute to your capital plan's renewables target? Where do you see solar within that opportunity set versus solar and storage given your gas fleet? How much do additional capacity needs versus the replacement of current generation drive the 7,000-8,000MW target? How do you expect C&I opportunities to trend on this topic?

4. Can you outline the primary considerations behind the company's proposed TX CCGT and hydrogen fueling option? What has been the initial local reception? How does the Mitsubishi JV and hydrogen fit in with ETR's overall generation outlook? Are there any other anticipated technology developments expected?

5. Can you discuss near-term hydrogen opportunities post the recent filing associated with the Orange County Advanced Power Station (hydrogen capable)? Can you provide any color regarding conversations that you are having with industrial customers in your service territories?

6. How have local sales trends tracked versus your expectations, particularly with regard to post-COVID recoveries? What is your line of sight to large industrial load recovery? Have any individual project timelines changed across your customers, and has this changed expected future load additions? What sector could drive upside to your expected 2021 sales growth?

7. Can you outline the current transmission investments in your plan and any opportunities outside of this plan? Are there any potential impacts from MISO's MTEP process over the next one to two years?

8. In the wake of 2020 and 2021 storms, where do federal relief discussions currently stand? Are there any gating factors in DC to securing some offset for customers? Do you see potential aid taking different forms across up front funds to reduce storm securitizations, ongoing funding of system hardening, or other?

9. What is the status of the SERI complaints? Can you walk us through the backgrounds of the September 2020 and March 2021 complaints? What upcoming dates or timing expectations do you have here? What requires a FERC ruling, and is there line of sight to FERC considering the complaints? What are the potential ranges of financial outcomes here, including ongoing earnings impacts and refunds owed to customers?

10. Does the EWC shutdown track expectations? What milestones remain following the recently completed Indian Point sale?

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▸ Exelon Corp. (EXC)

1. How does the proposed federal nuclear PTC stack up versus your fleet's needs? Is there any way to frame ExGen earnings upside from this and any potential benefits?

2. Can you frame your expectations that this legislation ultimately passes and what other avenues are available to get it over the finish line?

3. Can you update us on the regulatory approval process for the ExGen spin-off? Do you still see the transaction tracking the targeted 1Q22 close?

4. What drives the high versus the low end of the 6-8% Exelon Utilities EPS growth range? How do you think about the longer-term balance sheet capacity at Exelon Utilities?

5. What are your thoughts on the new regulatory framework in IL? How should we think about the customer bill impacts from a return to forward looking/ traditional rate making? How do you weigh the multi-year plan options versus traditional rate making and is there any reason you would not choose to file an MYP?

6. What are your thoughts on SMRs and the viability of advanced nuclear technology? What type of regulatory/policy support do you think is required to increase adoption? What about for using nuclear in hydrogen production?

7. Regarding the ~$600mm in targeted ExGen actions to offset Winter Storm Uri impacts, how much progress have you made YTD? Can you talk about the types of items that drive this number? Do you think they could be sustainable beyond 2021?

8. What do you think about the recent ERCOT tweaks? Do you view this jurisdiction as a core ExGen market moving forward? Do you think the reforms will be enough to ensure reliability?

9. How do you expect the Exelon Utilities earned ROEs to track within the guided 9-10% range over the next few years? Given some of the favorable outcomes in MD/DC, is it fair to think about the top end of this range?

10. It seems like both MD and DC are committed to multi-year planning constructs. In your view, how can MD and DC improve these processes over time and do you think there could be further tweaks?

11. What are your top regulatory priorities as we move into 2022?

12. How should we think about the financing needs at a stand-alone ExGen? Can you talk about any discussions with the agencies? What about the long-term financing options regarding the CENG settlement?

13. What are your top takeaways from the finalized IL regulation? How should we think about the financial impacts from the new carbon mitigation credits and how they impact the three nuclear plants?

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▸ FirstEnergy Corp. (FE)

1. Can you speak to the Ohio settlement and the process that led to the ultimate agreement? In light of this update, how should we be thinking about the next base rate case filing in 2024 and the range of issues that could be on the table?

2. What is the latest on your review for a potential minority stake sale of FET? Should we think about this sale offsetting the previously planned $1.2bn in equity over the next two years? What kind of timing should we think about for you to ultimately attain FFO/debt in mid-teens levels as discussed on 3Q? How do you think about improving the notable unfunded pension obligation?

3. Can you give us a sense on how you plan to re-introduce long-term guidance especially given the revenue reductions agreed to in the OH settlement? Will this come in the form of a multi-year earnings and rate base CAGR? How should we think about the proper year to base that growth from? Understanding Ohio earnings remain the key variable, but what other important moving pieces should we think about?

4. Can talk about some of your latest conversations with the rating agencies? What is your sense for what they need to see to return FE back to IG? Do you have any sense for timing?

5. What are some of the opportunities you see under the FE Forward program? How much more improvement do you see as possible above what you have already achieved?

6. What renewables investment opportunities exist across your service territory? Can you talk about some of the opportunities to increase the solar investment in WV? When could we see more of these investments in the capital plan? Additionally, how should we think about the coal portfolio in the state? Is there any possible scenario that could accelerate retirements?

7. Have there been any major developments in some of the other regulatory procedures in OH regarding the audits on the DCR and DMR? When do you think these reviews could reach completion? Is there anything else we should be watching?

8. Can you talk about some of the load trends you are seeing across your service territory? With residential load providing a tailwind during stay-at-home orders, should we expect this to reverse or will there be some stickiness?

9. Can you discuss the runway you see for transmission rate base growth? Do you think FERC's supplemental NOPR proposing an elimination of the RTO ROE incentive will have a meaningful change on RTO participation? How should we think about potential investment timing for the NJ opportunity?

10. How much investment opportunity do you see in support of EV integration across your service territory? How near-term of an opportunity do you think this could be? How do you see timing unfolding here?

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▸ Fortis Inc. (FTS CN)

1. What are you seeing in local economic activity across your service territories? What are your sales expectations in 2021 and 2022 given favorable 2020-2021 weather? How is tourism trending in the Caribbean? How long do you expect lower travel to weigh on the Caribbean, and are you seeing any other local impacts? What is the scale and sustainability of ITC's cost reductions? How much potential do you see to replicate these cost reductions across other segments?

2. Do you see any potential inflation headwinds? What is the current status of your FX hedges in 2021 and 2022+?

3. What is the timeline for the NY generic COVID docket process, and what expectations do you have around an outcome? Can you quantify the potential earnings benefit from a favorable order?

4. How do you see AZ regulation trending given below-average authorized ROEs in AZ's latest rate cases and the extended procedural schedule even pre-COVID? What are your earned return expectations over the next two to three years?

5. What are your expectations for FERC's transmission incentives NOPR and supplemental NOPR? How focused are you on base ROE versus incentive adders? Do you expect near-term FERC progress on the NOPR? To what extent does significant regional transmission buildout depend on FERC action? What otherwise are you monitoring for future transmission investment? How do you see transmission planning progressing to enable incremental renewables on the grid? What are the key hurdles and how might the FERC, the administration, or others impact them?

6. How have discussions around ITC's Lake Erie Connector changed in 2021? Does the Canada Infrastructure Bank's involvement impact this project's outlook? Do you see a potential transmission investment tax credit boosting development efforts? Can you outline the commercial agreements needed to advance the project? How has the market evolved here in the years since Lake Erie Connector's initial announcement?

7. Can you walk through the timing of generation resource changes contemplated in the TEP IRP and 80% reduction in carbon emissions by 2035 target? Do you have a sense of minimum and maximum ownership levels of contemplated ~2,500MW of new wind and solar plus 1,400MW of new energy storage? When do you expect the bulk of associated capex to occur? How much IRP-related capex is included in your recently refreshed five-year plan?

8. How do you see your capital runway with the planned AZ generation transition, additional regional transmission buildout required to support new renewables, FortisBC decarbonization initiatives, among other items? What projects currently outside the capital plan are closest to implementation?

9. Are any potential tax policy changes currently in focus? Do you anticipate any financing or strategy impacts? Do you see new and extended renewables incentives impacting your decarbonization plan? What line of sight do you currently have to targeted 75% carbon emissions reduction by 2035 from 2019 levels?

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▸ NextEra Energy Inc. (NEE)

1. How should we think about the NEER growth trajectory under the 23-30 GW of incremental renewables from 2021-2024? This appears to present upside to the 6-8% adjusted EPS growth expectations. Are there any offsetting factors we should think about?

2. What returns do you currently achieve on your renewables projects? Have you noticed any return degradation as competition for these projects continues to increase?

3. Regarding cost inflation, can you discuss what you are you seeing within your supply chain and how it is impacting returns? How is inflation influencing deal competition?

4. What opportunities do you see for NextEra under potential federal infrastructure legislation? How would direct pay tax credits impact your renewables business? How would a minimum tax rate impact NEE? Are there other items we should be watching for?

5. How should we think about the total opportunity set for battery storage, and how could technological improvements impact this trajectory? Separately, how do you expect annual energy storage development to compare in size to wind/solar development over the next five to ten years?

6. What opportunities are you seeing with the transmission business? What types of policy changes from FERC or legislation would be supportive of upsizing the level of transmission investment in your plan?

7. Are you considering eventually introducing a net-zero emissions goal? What line of sight would you need to see for this type of aspirational goal?

8. With NEE nearly free of coal generation, how do you see your natural gas plants fitting into the long-term regulated portfolio mix? How about nuclear?

9. Can you provide additional detail on the ~50 potential green hydrogen projects identified across power, transportation, and industrial sectors? Are opportunities within any of these sectors more near term? How much help could come from a production tax credit?

10. How do you see the current environment for M&A? Do you see favorable opportunities in the market, or has increased competition complicated M&A?

11. With so much organic growth on your plate right now, how do you balance renewable growth versus regulated M&A? How do you think about M&A as a tool to stay within targeted regulated/non-regulated business mix, especially for credit purposes?

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▸ NiSource Inc. (NI)

1. What are the primary drivers of the top and bottom end of your long-term guidance ranges of 7-9% annual NOEPS growth and 10-12% rate base growth? How does your renewables capex and equity financing impact this?

2. Can you walk through the impacts of your recent equity issuance, including the timing and mechanics of remarketing, impacts on credit metrics over the plan period, and revisions to base business equity needs?

3. What is the current construction status across your renewables projects? Are there any remaining regulatory considerations associated with the current $2bn IN renewables buildout?

4. How is your 2021 IRP progressing? What is the post-submission timeline through your planned capex refresh? Can you outline the key elements in this evaluation, including the 2026-2028 Michigan City retirement, emerging technology potential, MISO resource adequacy requirements, and other considerations? How might federal tax credit discussions impact this plan, including funding aspects with direct pay?

5. What is the status of your PA rate case and timeline for a final order following the September settlement? Separately, do you have a sense of the initial reception to your OH rate case? How are the other rate cases advancing?

6. Can you outline gas system safety investments broadly and associated operational changes? How is system reliability currently, particularly in light of extreme conditions this past winter that stressed energy infrastructure in parts of the US?

7. How have recent M&A and LDC valuation markers informed your portfolio optimization efforts? What are this strategy's drivers now that the renewables equity is complete? Do you see opportunities to simplify the company's overall footprint by exiting smaller jurisdictions? Similarly, what is the relative attractiveness of selling a partial stake to offset future equity and highlight overall portfolio value?

8. What is the expected customer bill inflation under your current capital plan? How do you view rate headroom across your gas and electric customers? Are there any meaningful differences by jurisdiction? How does upward pressure from natural gas prices impact this outlook?

9. Are you seeing customer demand for RNG? What is the overall RNG opportunity to decarbonize your gas system?

10. What are current customer growth trends? How consistent is this growth with pre-pandemic levels?

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▸ PG&E Corp. (PCG)

1. Can you talk about the conditions you have experienced this wildfire season? Do you think wildfire mitigation investments or favorable weather conditions versus past years have driven the lower ignitions?

2. Can you talk through your latest thinking on potential power line undergrounding? What do you see as the main cost drivers versus prior undergrounding work, and how do these factors give you confidence on executing this ambitious program? At a high level how should we be thinking about the timing impacts from substituting O&M with capital?

3. What should we expect on undergrounding when you file the next Wildfire Mitigation Plan? What do you see as the range of regulatory options to implement an undergrounding program? Is there any possibility of folding in with the GRC?

4. What has been the initial reception to PCG's accelerated cost of capital application, and over what timeframe do you expect the CPUC to evaluate these requests? What net EPS impact do you expect if the cost of capital mechanism triggers? Is there any potential for one-time offsets to mitigate the 2022 earnings impact, and how does this rank as a relative priority?

5. After reducing the 2021 equity need to zero, how should we think about drivers to potential equity in 2022 outside of the capital plan? Can you give some color into these legacy issues that you have worked through to eliminate equity?

6. Can you talk about the line of sight you currently have to the full extent of Zogg and Kincade liabilities? Are there any data points we should be watching to enable a move to a best estimate? How should we think about ultimate recovery of Kincade liabilities in light of the recent SED settlement?

7. How do you view the regulatory backdrop in California now versus past years? Given the number of important proceedings upcoming do you have any concerns over a potential change in Commission direction after President Batjer leaves?

8. Can you discuss the requirements under the enhanced oversight process? What are the guardrails to increasing or decreasing this oversight?

9. How have recent conversations with the fire victims' trust progressed?

10. Can you talk about your intentions regarding PSPS usage for this current wildfire season? How has that program improved in recent years? How should we think about PSPS usage moving forward? Do you see better alignment within the state over the risk mitigation benefits?

11. When do you expect a return to more normal earnings power? Specifically, what are the key drivers of the level of 2022 under earnings, including parent interest and other items? How does securitization impact this trajectory?

12. How do you view opportunities for additional capital spending in support of CA's aggressive climate goals and continued electrification versus managing the current projected ~5% annual customer bill increases from the already robust capital plan and essential wildfire safety spending? Do some resource adequacy issues in the state present further capital upside potential?

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▸ Public Service Enterprise Group Inc. (PEG)

1. Can you give us a sense on some of the early feedback to your planned IAP proposal, understanding we still need to see the official filing? And then how should we think about the timing on when we would hear about extensions to GSMP and CEF-EE?

2. How should we be thinking about drivers to the low and high end of the new 5-7% EPS guidance? Then thinking about the PSE&G rate case scheduled for 2024, could there be an earnings step up as we move into 2025? Are there other considerations we should be thinking about regarding growth lumpiness?

3. Can you talk about how you are prioritizing the various options on the table for utilization of the $2bn incremental debt capacity? Could you see PEG employing more buybacks if the utility and offshore wind opportunities fail to materialize?

4. What do you see as the optimal business mix for the pro forma PEG? Do you think the relatively low debt levels open up the opportunity for regulated M&A? Do you have any specific criteria you follow when evaluating M&A opportunities?

5. With the second ZEC application process complete, do you see the opportunity for a longer-term solution to keep the nuclear plants economic? How does the proposed federal nuclear PTC stack up versus your fleet's needs? How would this PTC impact NJ customer bills? Do you think the more stable cash flows could provide increase financial flexibility?

6. Can you talk a little about the potential investment timing on the PJM offshore transmission solicitation? Do you think this could make its way into the back part of the 5-year plan? What other priorities do you have on the transmission side? How does the recent ROE settlement play into this investment opportunity?

7. After the Ocean Wind investment decision and upcoming MD process, how do you think about additional offshore wind investments, in NJ or elsewhere? Does PEG expect any credit impact from entering offshore wind? Do you have any concerns regarding some of the recently announced project delays or supply chain impacts?

8. How do you see PEG positioned to manage customer bill inflation? Do you see offshore wind driving material bill inflation upon entering service later this decade? How do you view the current bill level for both electric and gas?

9. What are your latest expectations on the FERC NOPR regarding transmission ROE incentives? Do you think a lower RTO incentive could meaningfully change the transmission landscape?

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▸ Sempra Energy (SRE)

1. How do you view Sempra's business mix after the Sempra Infrastructure Partners transactions? Have any of the strategic decisions in the space caused you to re-evaluate your strategy? Do you still view TX as a potential opportunity to increase regulated exposure, whether through acquiring the remaining Oncor stake or otherwise? How do you view other TX bolt-on opportunities, including transmission and natural gas?

2. What has been the initial reception to SRE's accelerated cost of capital application, and over what timeframe do you expect the CPUC to evaluate these requests? What are the potential net impacts to SRE from the cost of capital trigger mechanism? Do you see the potential to temporarily offset these headwinds in 2022?

3. How have new customer connections held up for Oncor? Are you seeing similar levels of customer growth in TX as you did pre-pandemic? How much does the move away from self-generation drive your connection backlog? What is the limiting factor to realizing the full extent of capex upside as most recently discussed?

4. What color can you provide on the current LNG environment? When looking to contract out the remaining capacity, how do you frame the Cameron expansion's value proposition versus other North American LNG projects? Can you update us on the ECA development process?

5. How should we think about SIP proceeds re-deployment into higher capex, and the ultimate timing of SRE's expected 10c average annual accretion, as laid out at the Analyst Day?

6. Can you give some color on the Aliso Canyon civil settlement and on any remaining steps needed to close out all investigations/regulatory reviews?

7. What do you see as the total opportunity set with carbon capture? Do you think current tax credits do enough to support the economics?

8. How do you view utilizing the approved $2bn share buyback program? If Sempra's stock price lags peers, would you consider utilizing a material portion of the buyback in the near term, or is the focus on other capital deployment opportunities?

9. What could drive regulated capex upside and when could this materialize? What opportunities do you see following some of the resource adequacy troubles in CA? Across the utilities, what level of bill inflation does your current capital plan contemplate?

10. Can you talk about some of the opportunities you see for hydrogen projects in CA? When might the technology gain widespread adoption? Are you also considering hydrogen opportunities with Sempra LNG?

11. What other carbon alternatives could be possible at SoCalGas? What is your sense for CA appetite towards natural gas LDCs with negative carbon offsets, such as RNG, compared to full electrification?

12. How do you view the CA regulatory backdrop following President Batjer announcement? Do you have any expectations for the next appointee?

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▸ The Southern Company (SO)

1. What are the largest risks to Unit 3 and 4 getting completed on time after the most recent announced delays?

2. Can you talk about some of the lessons learned from Unit 3 that can be applied to Unit 4? In your mind, do the discovered quality control items on Unit 3 help meaningfully de-risk Unit 4?

3. Can you walk us through the process for requesting cost recovery for Unit 4? When should we expect to see filings to the Commission on this front?

4. How should we think generally about the renewable spending opportunities across the Southern geographical footprint? Additionally, can you update us on the sentiment towards renewable integration across your jurisdictions? How do you think the commissions view integrating batteries with solar? What impacts could come from Southeast Energy Exchange Market?

5. How should we think about the potential to take out coal capacity and over what time horizon? How much replacement capacity could be needed? What are the potential impacts to customer bills? How do you think will play into near-term IRP filings?

6. What do you see as the medium term transmission opportunity across your service territory? Under what timeframe should we expect this spending to show up in the capital plan?

7. Do you have any key takeaways from the Build Back Better framework? Do potential extensions and expansion of renewables tax credits give you any interest in expanding your renewables business? What types of returns have you seen on your recent projects? Would a nuclear tax incentive increase your interest in further large-scale nuclear projects?

8. How are you thinking about the positioning of your remaining non-regulated businesses as you think about potential asset sales? Is there any color you can give into your approach to that process as you discussed on 3Q?

9. How competitive is Southern Company Gas versus other capex opportunities for SO? What relative size do you see Southern Company Gas and Southern Power within the overall portfolio in ten years?

10. Do you see an opportunity to deploy hydrogen at either the gas or electric utility? If so, when do you expect the economics to start making sense and how big of a role could it play? Specifically can you discuss any green hydrogen opportunities paired with nuclear operations? Do you think carbon capture is a viable solution for emission reduction? How far away do you see these two technologies?

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▸ WEC Energy Group Inc. (WEC)

1. With the 3Q earnings release, WEC set a target to exit coal by 2035. A notable piece of the plan is to blend up to 30% of natural gas into the Oak Creek facility over the next two years, subject to environmental permits. What does the permitting process look like here? Can you frame how conversations on the subject have been forming? Should the process move successfully, is there opportunity to seek higher blending percentages sooner than later?

2. Do you expect any strategy or other changes under the upcoming CEO transition?

3. With the capital plan calling for 7% rate base growth with no need for equity, what are the drivers of the high and low end of the 6-7% EPS growth target? Does any potential infrastructure investment acceleration put you above 7%?

4. What major assumptions underpin your raised $4.05-4.07 2021 EPS guidance and expected high end of the range? Can you walk through upside/downside drivers across COVID-19 reopening, electric sales recovery, retained cost savings, and any other impactful items? Are there any headwinds to consider for 4Q or any 2022 costs that you anticipate pulling forward?

5. Can you discuss inflationary impacts on solar?

6. Can you speak to the timing of generation additions over the five-year plan versus expected plant retirements, including how regulatory approvals may impact this? What are your expected O&M savings from these retirements?

7. What types of O&M savings drove the majority of 2020 reductions? What level of savings did WEC achieve, and how did it compare to expectations? How much of the reductions are sustainable into 2021 or beyond? Could these savings impact rate reviews timing? How do storm costs impact 2021 targets?

8. What are the drivers of current WI solar investments? Could solar be scaled in the near term on the basis of offsetting fuel expense? How does solar and storage fit into your current generation portfolio?

9. What are the drivers of the cadence of your capital spend? Where do you see potential for upside?

10. Given the importance of the gas network to home heating across your service territory, how do you view the opportunity for hydrogen currently? Do you expect RNG to gain greater near-term traction? What other technologies are you currently focused on?

11. How has the competitive landscape impacted your expanding infrastructure portfolio? What is your tax position under recently signed projects, and what do you see ultimately limiting segment investment, including overall asset base mix and the ability to monetize associated tax credits?

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▸ Xcel Energy Inc. (XEL)

1. How are your rate cases progressing, and where do you see potential to settle? Do you anticipate any case elements will limit settlement discussions? What are your process and timing expectations in MN? How do you see early feedback on the proposed second year interim rate step up and on the MN application overall?
2. How are the IRP processes tracking, and what are your expectations on timing and approvals? Can you outline phase 2 considerations and any other potential impacts to incremental capex targets?
3. How do you see MISO's evaluations progressing in the near term? What are your expectations for the first round of projects expected in 1H22?
4. How might the administration's infrastructure plan impact company strategy? Are there any policy, tax credit, or other issues you are following particularly closely? Can you walk through the potential equity financing impacts and ability to reduce equity needs?
5. What level of risk do you see to proposed incremental renewables and transmission investments, particularly given 2030 decarbonization targets? Do you see any hurdles to achieving 50% ownership? Within the plan period, what is the timing of potential transmission network upgrades?
6. Can you update us on XEL's appetite for incremental PPA buyout opportunities? Have developers been more willing to transact since the pandemic? Are you seeing any market impacts? Do you expect these transactions to remain relatively small one-off deals, or do you have opportunities to scale up the activity?
7. What are some of the limitations to fully move off coal in the near term? How should we think about opportunities to further accelerate your generation transition? How should we think about the trajectory for renewables spending over the back half of the decade?
8. Can you update us on economic activity across your service territories and how loads trended versus your expectations? How should we think about impacts into 2022, as related to the 1% load growth in your 2021 guidance? How should we think about load trends across your service territory over the course of your updated five-year plan?
9. Can you walk us through some of the cost savings you were able to achieve in 2020? What are the primary drivers behind the 0-1% O&M inflation you anticipate in 2021? Do you see further opportunity to take costs out of the business on a more permanent basis?
10. Do you see EVs as a direct capital opportunity or an indirect opportunity through load growth? How might 2025-2030 load benefit from EV deployment?
11. Do you see RNG investment opportunities stemming from the MN Natural Gas Innovation Act?

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Completed 05 Nov 2021 04:38 AM EDT Disseminated 05 Nov 2021 04:38 AM EDT
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North America Equity Research
11 November 2021

North American Utilities: EEI Takeaways

Here Comes the Sun: DC Dynamics Poised to Shine on Industry Clean Energy Opportunity Set

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This week, we met with 27 companies at the EEI Financial Forum. Our wide-ranging conversations focused on a number of issues, including the potential impacts from the reconciliation spending package, transmission investment opportunities, and continued focus on coal retirement pull-aheads. Overall, the DC dynamics remain fluid, but net/net we see clean energy tax credit related benefits overshadowing any negative impacts from a corporate minimum tax, should the bill pass. From a company perspective, both AEP and DTE provided positive 2022 guidance updates and FE stole the show with the FET minority stake sale and $1bn equity issuance announcement. Moreover, we highlight AEE, CMS, CNP, NEE, PEG, and NI as top meetings (more details below). We include company thoughts for AEE, AEP, AES, AGR, ALE, AWK, CMS, CNP, D, DTE, DUK, ED, EIX, ES, ETR, EXC, FE, FTS, NEE, NI, PCG, PEG, SO, SRE, XEL, WEC.

- **Fluid DC dynamics with a myriad of potential implications, but net/net notably positive overall impact, if passed.** Among the multitude of considerations, increased renewable tax credits broadly could accelerate generation transition, increasing customer bill headroom and pulling forward renewable related capex, a tailwind for most in the space. We heard repeated enthusiasm on a solar PTC and a desire for the ability to opt out of normalization, leveling the playing field versus developers. The proposed nuclear PTC also garnered notable positive feedback, both on the regulated and merchant sides. While the transmission ITC received somewhat less excitement, we hold hope that this measure could somewhat aid cost allocation hurdles, the main speed bump in transmission development. Finally, hydrogen positivity percolated across numerous conversations, with a belief that the $3/kg tax credit could notably spur hydrogen development as green hydrogen would approach parity with gray hydrogen where surplus renewables existed. On the negative side, we note a wide range of reactions to the headwinds a 15% minimum tax would introduce. While some do not cross the $1bn net income threshold (making the point moot), others highlighted existing tax credits and NOLs mitigating the impact. While not everyone spoke to the magnitude of impact, all agreed that the AMT runs against the intent of advancing renewables, with the industry seeking to carve out utilities from the AMT.

- **AEE, CMS, CNP, NEE, NI and PEG stand out as best meetings.** In addition to outlining MISO MTEP potential, **AEE** provided details on Rush Island and reconciliation possibly increasing investment opportunities. **CMS** management appeared notably pleased post IRP intervenor testimony and we maintain confidence that CMS reaches a constructive resolution. **CNP** displayed continued confidence in organic TX investment upside as well as strong regulatory relationships. As the big winner from solar, wind, battery, and hydrogen tax credits, **NEE** exhibited palpable exuberance regarding reconciliation bill upside. **NI** offered a supportive outlook for ownership of $750mm of IRP-related capex plus confidence across the company's ongoing rate proceedings. Lastly, **PEG's** confidence and comfort shined through on the post fossil outlook, with a deep regulated investment pipeline and growing nuclear PTC optimism.

- **Transmission opportunities just getting started, driven by MISO and offshore wind.** The next decade's transmission opportunity will kick off with the MISO MTEP process in early 2022. MISO framed a $30-100bn opportunity driven by 60-80% emissions reduction target scenarios by 2039. XEL estimates a $5-6bn

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opportunity for itself stemming from the low-end scenario, which would carry into the next decade. Meanwhile, AEE sees total MISO opportunity biased towards the top-end of the range given accelerating emissions reduction goals among utilities and corporates. FTS also retains meaningful leverage to any MISO buildout and separately expects an update to its longstanding Lake Erie Connector mega project by year-end. Separately, PEG, NEE, ED, and FE all discussed the NJ offshore wind transmission RFP, with NJ planning to make an announcement in the back half of next year for what could be a multi-billion dollar total investment opportunity. Moreover, in New England ES takes a constructive view to the transmission investment opportunity set as projects creep closer to mid-decade in-service.

- **Positive guidance updates from AEP and DTE.** Alongside its refreshed long-term outlook, AEP introduced $4.85-$5.05 2022 guidance, slightly ahead of our $4.83-$5.03 expectations, largely driven by incremental KY Power deal accretion. Separately, DTE now sees 2022 guidance tracking the upper half of 5-7% growth, previously pegged at 6%, as strong 2021 execution has largely de-risked next year and allowed the company to turn attention to 2023.

- **FE news steals the show but stock reaction muted.** FE's Sunday announcement of an FET minority stake sale and $1bn common equity issuance possessed a disclosed blended 33x LTM P/E. Combined with the OH settlement, FE has taken numerous steps to reduce risk on both the regulatory and financing fronts while highlighting the value in its transmission business. However, thus far the stock has performed in line with the UTY this week (-0.05% relative performance). We see already lofty expectations into the announcements and the $1bn equity block as culprits.

Table 1: EEI One-liners Table

Ticker	EEI Takeaways One-liners
	Regulateds
AEE	MISO MTEP process around the corner w/ mgmt bias towards top end of $30-100bn plan; Rush Island + reconciliation could alter MO IRP
AEP	Renewables drive higher capex + extension of 5-7% EPS growth, but B/S appears to constrain capex (further portfolio roations would represent a catalyst)
ALE	MN Power's rate case framed as critical; rate mitigation efforts are a longer-term process to realize value for customers
AWK	Recently filed Joint Proposal represents meaningful progress in the NY sale regulatory review, and management remains confident in YE close
CMS	Management takes a constructive view on IRP intervenor testimony; we maintain confidence CMS reaches a favorable resolution
D	Offshore wind in focus w/ LCOE in targeted range; awaiting 4Q21 results for plan roll forward; Questar likely to close by YE; Triennial dust settled
DUK	NC and IN both well positioned to drive renewables capex upside; reconciliation bill could be net positive
ED	Management sees cautious optimism regarding the O&R Joint Proposal read-through
EIX	Revised 2017/2018 liability estimate reflects lumpy individual claims process; EIX may still have financing flexibility moving forward
ES	AMI, grid mod, transmission pot'l upside driver to ES' next capital plan update; incremental offshore wind earnings clarity to emerge
ETR	Mgmt optimistic on increasing renewables capex with 30TWh TAM; equity messaging unchnaged
FE	OH settlement and financing update derisk outlook, but equity block likely surprised
FTS	Incremental capex visibility favors transmission with upcoming Lake Erie Connector and MISO regional transmission updates
NI	Supportive outlook for ownership of $750mm IRP-related capex w/ asset composition biased towards rate basing
PCG	Undergrounding update early next year in focus, but not looking for a full ramp until mid-decade
SO	Vogtle cost sharing dispute centers on ~$350mm; potential asset sale candidates in focus
WEC	Oak Creek to 30% gas in next few years; RNG opportunity on horizon; ESG Progress Plan consistent w/ 3Q plan (+10% over prior plan)
XEL	Extended 6.5% rate base CAGR out to 2031 w/ pot'l upside from BBB framework and MISO MTEP process; MN rate case likely goes into 2023
	Diversifieds
AES	Positioned to hit 5GW+ of annual new contracts, above out-year plan expectations; AES Next optionality stands out in discussions
AGR	Management expressed high confidence PNM acquisition close by YE; NECEC strategy hinges on potential injunction after referendum outcome
CNP	Potential upside over next decade in TX with strengthening relationships in Houston and at regulatory bodies
DTE	Management looking to pull forward Monroe coal plant retirement, potentially as early as 2030; 2022 guidance seen as largely de-risked
EXC	Focus remains on finalizing Utility/Constellation spin; management optimistic on nuke PTC and sees extenders as a possible backup to BBB
NEE	Big winner from solar, wind, battery, and hydrogen tax credits out of reconciliation; best positioned should tax equity market shrinking; min tax pot'l headwind
PEG	Notable mgmt confidence and comfort; regulated investment pipeline appears robust as nuclear PTC optimism grows
SRE	FERC design review largely drives Cameron Phase 2 FID, expected by YE22; Vista Pacifico, Hackberry CCUS next in line

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MISO MTEP process in focus, although considerations remain high level

Management highlighted MISO's $30-100bn Futures 1-3 opportunity and sees a bias towards the range's high end based on the 60-80% carbon reductions contemplated relative to industry trends towards an accelerating generation transition. While AEE refrained from quantifying initial expectations, the company expects MISO to begin with "no regrets" projects, which it characterizes as projects inevitable for further renewables buildout. Management expects MISO to take a methodical and collaborative approach with serial project announcements rather than one large round, particularly given cost allocation sensitivities. Separately, AEE framed a potential transmission ITC as additive to these efforts, with FERC siting work also representing prospective help.

MO IRP questions include Rush Island, reconciliation, and Grain Belt

AEE's Rush Island plant remains in flux, with the company recently filing for rehearing of the order to install a flue gas desulfurization system on October 18. Two plausible scenarios (plant retirement or scrubber installation) both qualify as material MO IRP changes and likely trigger updates within a statutory 60 day timeframe, although AEE would likely request an extension. Management noted that retirement likely requires a process to examine local and regional reliability issues, given the significant 1,200MW plant capacity. Meanwhile, scrubber installation could run upwards of $1.0bn, relative to a current $0.4bn rate base and an additional $30-50mm expected in annual O&M expenses for the life of the plant. Separately, management anticipates some potential to also incorporate material impacts from the reconciliation bill, if passed, in the event a Rush Island outcome requires IRP revisions. Prospective solar PTCs or new transmission and storage ITCs could boost transition opportunities alongside customer benefits from a nuclear PTC. Amid the broader IRP discussion, AEE continued to highlight its Grain Belt scenario, which stands as the second highest score within the IRP analysis. The company is open to owning regional generation feeding the transmission project, bringing geographic diversity to supply and reliability considerations.

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American Electric Power (AEP)

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Regulated renewables drive capex increase as transmission steps down

Underpinned by a 16 GW opportunity set through 2030, AEP's capital plan now includes $8.2bn in regulated renewables investment, across APCo, SWEPCO, PSO, and I&M (assumed 50/50 utility/third party ownership, hopes for more. Regulated renewables now make up 22% of AEP's $38bn capital plan ($37bn prior), underscoring the company's favorable leverage to 'green rate of change'. Moreover, the 7.3% rate base growth (down from 7.4% prior) underpins AEP's 5-7% EPS growth trajectory, with management still optimistic about growing in the upper half of the range. Additionally, these new renewables serve to offset the step down in transmission related capex, $12.9bn now versus $16.1bn in the prior plan. During our meeting, management emphasized the optionality embedded in the plan, with transmission capex able to flex up pending renewables regulatory proceedings. However, investor feedback highlights concern that balance sheet constraints underpinned the lowered transmission capex given the perceived abundance of transmission needs to facilitate effective renewables deployment.

Financing concerns remains

As expected post the KY Power sale, AEP removed the $1.4bn in equity from its 2022 financing plan. However, the company now targets $2.0bn in equity from 2024-2026 to support 13.5%-15.0% FFO/debt metrics (previously low to mid-teens). Although management appeared satisfied with the current asset mix, we believe further portfolio rotation could serve as a positive catalyst here.

2022 guidance a touch ahead

AEP's 2022 guidance of $4.85-$5.05 implies ~6% growth off 2021 plus KY sale accretion, slightly ahead of our $4.83-$5.03 expectations (JPM/Street median $4.96/$4.99). Notable drivers include +1.5% retail sales growth (+5.1% from industrial class) and an increase in the regulatory earned ROE to 9.3% from 9.0% as presented on 3Q earnings.

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AES Corporation (AES)

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Renewables tailwinds in focus following 2021 target raise…

Management highlighted that YTD strength in PPA signings positions AES to hit 5GW+ of annual new contracts, illustrated by AES's revised 5GW 2021 target (raised from 4GW on 3Q earnings), already above out-year plan expectations of 4-5GW under the company's current five-year outlook. Emphasizing the company's diversified pipeline and portfolio as well as commercial innovation with 24/7 clean energy products, we see the commentary as a clear positive given additional tailwinds federal tax credit discussions and potential supply needs as global hydrogen efforts scale.

…as supply chain efforts also bolster overall positioning

Given AES seeks to lock in supply and financing alongside PPA signing, management sees the company as well positioned versus peers who are short products. Negotiations for 2024-2025 deliveries are ongoing, and AES noted benefits from its scale in the ability to secure supply. Separately, AES continues to have ample access to tax equity, in management's view.

AES Next optionality stands out in discussions

The company's Uplight, 5B, and Motor investments remain in the spotlight as AES looks to replicate its efforts in incubating Fluence. Management's vision is to combine AES's industry knowledge with an entrepreneurial approach to create value, now focusing on digital energy (Uplight) and solar design innovations (5B), among other themes. AES highlighted its close collaboration with startups as differentiated, outlining product, go to market strategies, and supply chain work with 5B as an example. Given the platform's demonstrated success and significant option value, we expect AES Next will remain a core pillar of the company's outlook.

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Notable confidence in path to PNM close despite negative hearing examiner report

Management expressed high confidence in closing AGR's PNM acquisition this year and ultimately sees the negative hearing examiner report as laying out a path to completing the transaction. Several rounds of responses are due before scheduled commission meetings in December, and the company is in the process of drafting its own response. AGR described the report's contents as largely focused on historical issues and remains in dialogue with intervenors. Other elements to watch are any commission modifications to the NM settlement, which would then revert to AGR for ultimate acceptance of new conditions, if any. We highlight the company's confidence as clear, notable, and standing out amid the typical process noise inherent in M&A regulatory approvals.

Post-referendum NECEC strategy hinges on potential injunction

AGR is pursuing a lawsuit and injunction following the Maine referendum outcome against its large transmission project. The situation remains complex in advance of the referendum's upcoming January 3 enactment, which could impact project permitting absent an injunction. The company retains contractual timing flexibility through August 2025, versus NECEC's currently targeted 2H23 COD, which alleviates some pressure of a likely extended legal process into 2023 (including anticipated appeals). That said, opponents are seeking to stay project permits on the back of the referendum results, which could limit construction during the full legal process. As such, we see injunction success as a key near-term milestone and potentially informing agency direction in the permit reviews. AGR expects a court ruling on the injunction by the end of December and may re-evaluate the construction schedule following a decision. For now, construction continues to progress. Separately, the company highlighted continued support from the Governor and 600 at-risk jobs associated with the project as among factors bolstering NECEC's case.

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Minnesota Power's rate case represents a key regulatory ask

The company is seeking a $108mm rate increase and expects interim rates of $87mm to go into effect at the start of 2022. Drivers include a demand charge for the Manitoba Hydro PPA and revenue true ups for lower taconite production, lost customers (including the Verso shutdown), and an expired wholesale contract. As a result, this case differs from traditional capital recovery or O&M asks. Management emphasized local engagement and education leading up to the filing, framing the rate case as critical in advance of future IRP-related investments. We highlight significant attention on ALE's proposed industrial sales rider which would reduce the impact of large power volatility and help MN Power avoid future rate cases by collecting or refunding sales changes outside of a +/-$10mm deadband. While early to gauge support, the company sees this new mechanism as fair and balanced, potentially providing upside for customers as anticipated new load comes online in 2023-2024.

Rate mitigation efforts are a longer-term process to realize value for customers

ALE expects rate mitigation work to take several years in returning ~$100mm from land sales to customers. This land is not in rate base, surrounds current hydro operations, and is not needed for the company's regulated operations. Much is under long-term leases, and ALE has seen positive initial reactions from leaseholders to the prospects of owning the underlying land. Work remains in advance of initiating sales, including determining a mechanism to return proceeds to ratepayers, which could take 2-3 years to commence. However, success here could be a powerful tool to help enable rate increases across a rate-sensitive service territory, in our view. While ultimately lagging the current MN Power rate case, we expect this process to capture attention as ALE advances through the case process.

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American Water Works Company (AWK)

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NY sale takes a significant step forward to close

The company's recently filed Joint Proposal represents meaningful progress in the regulatory review, in our view, and provides a path to closing the longstanding NY sale. The Governor's direction on now-settled municipalization questions enabled this agreement, which will drive larger municipalization considerations around select portions of the system after deal close. Management remains confident in finalizing the transaction by year-end and expects the commission to take up the application after a November 16 hearing.

HOS sale and capex acceleration framed as a virtuous cycle to increase regulated value

Management outlined deliberate structuring to HOS proceeds timing for efficient reinvestment into AWK's regulated operations. The company sees this deal driving value conversion from its success in growing the segment. This also enables the significant increase in regulated capex under its refreshed five-year plan to accelerate efforts to address aging infrastructure and asset renewal. Under this latest capital program, AWK anticipates ~5% average bill increases, up from prior 4%, framing economic conditions, system investment needs, and relatively smaller customer bills as factors supporting this bill inflation target.

Financing plan optionality remains in focus

AWK emphasized flexibility in addressing its targeted $1.1bn in plan equity, with evaluations ongoing between an ATM and block issuance. Elements appear attractive across both options and include an ability to match ATM proceeds to plan spend versus the ease and speed of a block, among other factors. Management flagged AWK's 60% debt/cap target as largely driving the currently anticipated ~2023 timing.

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CMS Energy Corp (CMS)

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Notably pleased, CMS upbeat post IRP intervenor testimony

Management appeared notably pleased coming out of the intervenor testimony filed late last month in the Consumers integrated resource plan proceeding. Specifically, staff largely took a constructive view on the early coal retirements, regulatory asset treatment, and non-affiliate gas plant acquisition. Key debate points center on alternative solutions for the Campbell Unit 3 replacement plan (retirement pulled forward from 2040) and associated affiliate gas plant acquisitions, both unsurprising, in our view. Staff advocated purchasing the plant at book as opposed to market value, a wide gap, or studying alternatives including more renewables and storage. CMS reiterated the proposal stands as a whole plan, not a buffet to pick from, with the $650mm net savings driving considerable value for the customer. After our meeting, we remain confident that CMS can attain a constructive IRP outcome and see the relative delta between the company and intervenors as manageable.

Robust MI investment backdrop, with DC potentially providing further support

Given opportunities across renewables development and grid resiliency, we left our meeting maintaining confidence in the premium MI investment backdrop. Even outside the IRP related investments, CMS's recent Voluntary Green Pricing program approval and EDIIP filing both support near-term capex opportunities. As discussed after the Enerbank transaction, CMS maintains at least $1bn in capex upside that come could enter the next 5-year plan iteration. Moreover, the various renewables tax credit improvements included in the Reconciliation package would help CMS better compete on solar economics, although we do not expect any changes to folding into this IRP process. With regards to minimum tax concerns, CMS stands under the $1bn threshold and therefore would not be included today.

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Panpim Lohachala, Manager, Investor Relations

Potential TX upside over the next decade stands out

Following Winter Storm Uri and with management actively pursuing stakeholder relationships in Texas, CNP highlighted continued capital upside underpinned by strong local growth. Management noted a heightened priority towards resiliency and hardening, emphasizing this thematic importance to and alignment with City Hall given Houston's estimated $1.4bn economic impact for any day without power. Opportunities include undergrounding ($1mm/mile new, $1.5mm congested areas) and extend to broader city initiatives around widespread EV deployment, where Houston targets 500,000 electric vehicles by 2030 (up from the current 35,000 of the 2.0-2.5mm fleet). On this front, higher penetration could drive another +1.5% of growth on top of a baseline +2.0%. We remain encouraged by the effort put towards and progress made in strengthening regulatory relationships based on management's recent experiences, and see a clear path for CNP to potentially accelerate its $40bn+ 10-year capital plan.

Financing considerations point to continued LDC monetization

Management framed CNP's LDCs as a liquidity source for any acceleration in its capital plan, while also reiterating the company's primary goal to meet its EPS growth outlook annually. Current investment and upside potential skews towards the company's electric operations, and any additional LDC sales would only accelerate this relative re-weighting to electric. We flag notable confidence in achieving similar valuations, with continued elevated inbound interest largely informing management's views here. Separately, CNP also could see upside to current agency metrics. Management expects proceeds from securitization and the LDCs sale to improve 2022 FFO/debt before normalizing in 2023. Furthermore, CNP's 14% Moody's downgrade threshold stands above most peers at 13% due to midstream risk that the company expects to exit by YE22. That said, the company intends to a maintain 150bps cushion to a lower 13% downgrade threshold, if revised.

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Dominion Energy Inc (D)

Diane Leopold, EVP & COO
David McFarland, Director, Investor Relations
Mark Mitchell, SVP, Project Construction

Questar transaction certainty highlighted

D reiterated confidence in the Questar transaction closing by year-end. The transaction is not cancellable and only requires HSR approval, which the company sees as a formality given no territory overlap. Management noted that the 30-day HSR window concludes in the next few weeks, upon which the transaction will be complete absent any issues raised in review.

Offshore wind in focus after most recent filings

D filed its Coastal Virginia Offshore Wind (CVOW) application last week, which outlined project costs, economic benefits, suppliers, and other associated information. Top updates include: 1) higher ~$10bn estimated installed cost ($3,800/kW, including transmission), up from $8bn ($3,000/kW, including transmission), 2) an increased 43.3% estimated capacity factor (prior 41%+), and 3) an expected $87/MWh LCOE, within D's previous $80-90/MWh guidance (low end possible with tax credits). While the cost increases reflect inflationary pressures, LCOE remains within D's targeted range and well below the $125/MWh cost cap. Management sees the project as competitive at these prices relative to other energy costs, especially with recent commodity price pressures.

No major changes; awaiting 4Q21 results for roll forward

D reiterated its 6.5% growth rate outlook and noted that the triennial settlement is supportive of the growth rate, with the settlement representing a positive outcome for all parties and showcasing VA's constructive regulatory environment. D will update its long-term plan with 4Q21 earnings, and revised timelines for CT and pumped storage investments to offset higher offshore wind capex.

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DTE Energy Company (DTE)

Jerry Norcia, CEO
Dave Ruud, CFO
Barbara Tuckfield, Investor Relations

Alternatives to Monroe plant in focus

Ahead of its IRP filing next October, DTE discussed potential alternatives for the Monroe coal plant, currently scheduled for 2040 retirement. Under the most optimistic scenarios, DTE could see pulling the retirement forward to ~2030, but the mid-2030s appear more likely at this stage. Additionally, pulling forward this retirement could provide DTE with significant solar and storage investment opportunities, as well as potentially new gas capacity. The Monroe and Belle River (expected swap into gas in 2028) possess $3.5bn of rate base to work down. DTE approaches the filing with an open mind, looking for broad stakeholder input on the best alternatives for the future resource mix.

Vantage opportunities remain in RNG space despite increased competition

Despite increased industry competition (specifically regarding M&A), DTE management takes a constructive view on the RNG space, with organic levered returns in the mid-teens. Management sees DTE's strong track record and relationships with farmers as a key advantage. Alongside co-generation opportunities, DTE management targets $15mm per year net income growth at DTE Vantage, with any CCUS fueled growth still several years down the road. Moreover, management acknowledges investor preference for at least a 90/10 regulated/non-regulated business mix and does not see growing Vantage outside of those limitations. Should a frothy RNG M&A environment continue, monetizing RNG projects and recycling proceeds into regulated growth could serve as a positive catalyst.

Well positioned on early 2022 guidance, looking to de-risk 2023

In the EEI materials, DTE added expectations for reaching the top half of the $5.70-$5.97 guidance range first announced alongside 3Q earnings. We see this change as largely unsurprising given management's usually conservative approach to future year guidance. While REF business roll-offs serve as a headwind in 2022, successful planning and execution enables DTE to start de-risking 2023 earnings. Overall, with robust utility capital opportunities, including ~$35bn electric capex over the next 10 years, we see DTE well positioned relative the 5-7% long-term EPS guidance.

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Duke Energy Corp (DUK)

Steve Young, EVP & CFO
Alex Glenn, SVP & CEO of Duke Energy Florida & Midwest
Chris Jacobi, Director, Investor Relations

NC legislation implications and timing

DUK addressed the recently passed NC House Bill 951, highlighting the state's new 70% carbon reduction target by 2030 and the relative renewables investment opportunity set. Timing remains uncertain on DUK's carbon plan submission, but we see potential for mid-2022 and note a chance that the commission could rule ahead of the required year-end 2022 timeframe. Management will work with the commission and other third parties to decide the best path forward on its resource plan, ultimately guiding DUK in its multi-year rate plan (allowed to file for up to three years). The commission will review the path every two years on a go forward basis to match grid needs and account for changes in cost and technologies. At a minimum, we expect the plan to address coal and potential renewables replacement.

Attractive load trends and investment backdrop

DUK's load trends recovered from the initial impacts of COVID in 2021 faster than initially projected and accelerated growth in its jurisdictions, especially in North Carolina. Management initially expected load growth would run in the 1-2% range, but sees growth slightly north of 2% now, and expects even more growth in 2022 given 1Q21's winter headwinds creating a soft YoY comparison. Anecdotally, the pandemic appears to have triggered population migration to DUK's territories in NC and FL, causing general population and employment growth. These load and population trends set an attractive investment backdrop, especially when combined with policy in DUK's service territories and at the federal level. Management highlighted that the company remains well positioned to benefit from potential tax changes. Nuclear and solar PTCs could specifically contribute to bill headroom, which DUK would likely capitalize on with accelerated investments. NC legislation also carries benefits as discussed above. DUK plans to file its IN IRP this month, which could potentially shorten coal plant asset lives and provide opportunity for higher renewables spend. Additionally, DUK believes that South Carolina can get on the same path as NC over time through its own IRP process. Finally, DUK appeared optimistic on the Clemson hydrogen blending pilot and SMR partnership with Terra.

Nothing new to report on the Elliot relationship.

Nothing.

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Consolidated Edison (ED)

Tim Cawley, CEO
Robert Hoglund, Senior VP & CFO

Management sees cautious optimism in the recent O&R Joint Proposal

The Orange and Rockland Key Joint Proposal terms include a 9.2% ROE and 48.0% equity layer, late payment fees make-whole, and uncollectibles recovery. Management sees cautious optimism in these agreement elements in advance of CECONY's upcoming rate case, highlighting this data point against a generally principles-based approach from the PSC and Staff. As such, overall support should bring similar application despite the significantly larger dollar figures in CECONY's COVID impacts, in the company's view. Still, relatively restrictive NY regulation leaves us cautious. Attention has largely passed by NY's generic COVID docket, with the rate reviews representing a logical forum to address associated impacts. We continue to see cap structure risks into CECONY's rate case given elevated utility debt levels, although note the implied ROE uptick at 9.2% provides some offset.

Other topics include system resiliency, storm response, hydrogen + transmission

ED outlined undergrounding as a key component of system resiliency efforts, expecting to target high customer density areas with significant trees in work to underground additional sections of its service territory (75% currently undergrounded). Storm response also remains a key priority, with more robust recent mobilization seen improving the company's overall storm efforts, in line with management's expectations. We note that this mobilization has contributed to 2021 O&M drags and represents an additional headwind into 2022 until reflected in rates. Separately, the company noted hydrogen testing across various types of pipes, framing this work and its pipe replacement activity as potentially positioning the system for future hydrogen use (plastic pipe represents 40% of the system). Finally, ED continues to seek incremental transmission investments, both for offshore wind and under NY's energy transition goals. This includes exposure via NY Transco to the LIPA RFP, where the company expects the competitive process to take roughly one year.

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Edison International (EIX)

Maria Rigatti, CFO

Continuing to reduce wild fire risk, open to refining approach

Management highlighted the numerous efforts undertaken to reduce catastrophic wildfire risk, with advanced third party scenario modelling verifying risk reduction. EIX now estimates annual risk of a >$1bn loss falling to ~3% from ~8% only a few years ago. While the windy season in Southern California continues to present risk this year, the relatively quiet wildfire season thus far appears to provide evidence of the improved risk framework. Moreover, management again highlighted its covered conductor program as the most efficient risk mitigant under for EIX's topography. That said, management acknowledged the changing risk profile brought about by changing climate conditions and appears open to further analysis of more absolute risk reduction investments, such as undergrounding, as we move later in the decade. Undergrounding costs appear to vary widely across EIX's footprint, ranging from ~$1.8-5.0mm/mile with a ~$3mm average.

2017/2018 wildfire claims settlements remain a work in progress

After the surprise raise to the 2017/2018 wildfire/mudslide best estimate to $7.5bn from $6.2bn on the heels of guidance, management discussed the lumpy nature of the individual claims process with sufficient new data driving the change at that point in time. While this update creates increased uncertainty moving forward regarding future changes to the best estimate, we view the unchanged 2021 equity content need as a constructive offset (complete with pref offering last week). Still, further best estimate changes could increase future financing needs, though we believe the plan retains some flexibility to continue debt funding, dependent both on size and timing of any potential change.

Not expecting any major CPUC changes post Batjer departure

After CPUC President Batjer's departure, investors focused on the CPUC outlook going forward. On this topic, EIX noted the governor continues to prioritize a healthy utility environment. Since the governor chooses the CPUC president and his utility policy direction remains unchanged, any notable CPUC change appears unlikely at this juncture.

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Eversource Energy (ES)

Joe Nolan, CEO
Phil Lembo, CFO
Jeff Kotkin, VP, Investor Relations

AMI, grid mod, transmission could provide upside in capital plan roll forward

Ahead of ES's traditional 4Q capital plan roll-forward, our meeting touched on potential upside drivers to the current plan, with CT AMI and grid mod representing strong inclusion candidates, pending timing on regulatory processes. Otherwise, we note management optimism about the transmission investment backdrop in the Northeast. With numerous offshore wind projects scheduled to come online through the middle of the decade, ES appears well positioned to capitalize on the associated transmission opportunity set. While the 4Q update might not precisely define offshore wind transmission capex dollars, we could see incremental color in this area.

Offshore wind earnings power squarely in focus

With review schedules now in place for all three ES offshore wind projects, management plans to provide increased disclosure into the long anticipated offshore wind earnings power uplift. The precise nature of the update remains unclear given commercial competitiveness sensitivities, still uncertain nature of precise commercial operation timing, and lumpiness of earnings step-ups. That said, we look for greater visibility into the offshore earnings contributions, while keeping those investments separate from the base utility capital plan. With regards to offshore wind competition, ES still sees the potential for aggressive bidding by Big Oil to enter the space, but remains constructive on the opportunity to win new business in the future.

CT regulatory issues largely in the rearview

After reaching a settlement in the CL&P interim rate reduction docket, the CT regulatory noise appears largely in the rearview. CL&P can now stay out of a base rate review until 2025 at the latest (rate freeze also through 2023), also de-risking the near term earnings power. Management now appears focused on continuing to rebuild the regulatory relationship through focusing on areas of mutual interest, especially AMI and renewables related solutions.

Smaller items of note

With regards to the impact of a minimum tax, should DC pass this measure, ES already pays cash taxes and does not see a material impact. On the Columbia acquisition, management seemed quite pleased with the integration process and noted NI service agreements rolling off in mid-2022 will mean that 2023 represents the first clean year of EMGA contributions. Finally, ES noted the potential for solar and offshore wind to create hydrogen opportunities in the future.

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Entergy Corp (ETR)

Drew Marsh, Executive Vice President and Chief Financial Officer

2022-2024 plan introduced with renewables and emissions target update

Entergy pulled forward its 50% CO2 emissions goal to 2025 from 2030, alongside the preliminary three-year capex and renewables update. The company's preliminary $11.7bn capital plan for the 2022-2024 period includes $5.7bn for distribution and utility support, $3.9bn for generation, and $2.1bn for transmission. Management noted that capex buckets remain similar to ETR's prior $11.6bn 2021-2023 plan, with the exception of renewables generation displacing some previously planned CCGTs. The company's new 11GW renewables target through 2030, sized up for increasing demand over the past year, includes 2.2GW through 2024 and 8.5GW between 2025-2030 (with the potential for higher ownership percentages driving capex upside). Long-term cost trends, gas prices and volatility, customer demand for clean capacity, and customer growth represent the drivers behind this higher renewables outlook. We see industrial demand for greener generation as a key tailwind for ETR, as the company estimates a 30 TWh addressable market through electrification and Scope 1 emissions reduction in its service territories (this compares to 115 TWh in service today). Entergy displayed notable optimism on this front. Moreover, ETR highlighted increasing emphasis on this trend, with scope considerations not on many customer's radars one year ago.

Few changes to equity messaging

Management reiterated the ability to satisfy ETR's <$1.25bn remaining equity needs through the ATM, but remains opportunistic with other forms of equity. Consistent with this message, 2021 and 2022 share count guidance implies a 2022 issuance of 4mm shares, or about a third of plan equity. On the debt side, ETR expects to meet or exceed its Moody's (>14% CFO pre-WC/debt, <25% parent debt) and S&P (14-16% FFO/debt) ranges by YE22 with securitization. Management also outlined an intent to maintain some cushion to downgrade thresholds going forward to cover any future plan risks or growth upside.

Initial 2022 adjusted EPS drivers introduced

ETR reaffirmed the 2022 adjusted EPS guidance range of $6.15-6.45. Key drivers include: 1) ~3% weather-adjusted sales growth driven by industrial and commercial load; 2) a full year of 2021 rate actions, new renewables assets, pending filings, and expected 2022 filings; 3) $2.74bn O&M; 4) $1.75bn in depreciation and higher net interest expense due to gains on nuclear decommissioning trusts in 2021; 5) ~8.5% utility book ROE; 6) ~23% effective income tax rate; and 7) ~206mm fully diluted average shares (versus 202mm 2021E).

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Exelon Corp (EXC)

Joe Nigro, CFO
Dan Eggers, CFO of Exelon Generation

Limited update ahead of early 2022 targeted spin date

EXC continues to work through the regulatory process ahead of the planned Utility and Constellation separation early next. NY PSC approval represents the highest remaining hurdle, although momentum appears favorable after the announcement of settlement negotiations on October 25. Assuming EXC gains Commission approval by year-end, management sees hosting dual Analyst Days in late January, ahead of close in mid-February. Given the heightened focus on achieving full regulatory approvals, we notes a relatively quiet update at EEI, with attention squarely on new Constellation disclosures potentially coming early next year.

Continued optimism for a federal nuclear PTC

Notably, EXC remains confident that the reconciliation spending program ultimately passes this year. The $15/MWh could meaningfully de-risk the earnings power of the Constellation nuclear fleet. Despite continued negotiations surrounding the reconciliation, the nuclear PTC evolution only involved changing nuclear PTC length (latest version is ~6 years) as opposed to changing levels or coming in and out of the legislation. Moreover, the expansion to also include regulated nuclear plants appears to strengthen support in DC. Also, while relatively unusual, EXC believes the nuclear PTC could get passed alongside tax credit extenders at year end (and outside of the reconciliation bill), given broad policy support. However, we have limited visibility on the likelihood of success here.

Looking for execution to unlock value, M&A not off the table

While near term focus remains on successfully delivering the spin, remainco EXC targets steady execution and organic growth to unlock value, with a relatively lighter regulatory schedule. However, EXC did note balance sheet flexibility could allow for targeted M&A. Moreover, Constellation M&A appears possible as well.

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FirstEnergy (FE)

Steve Strah, President & CEO
Jon Taylor, SVP & CFO
Steve Staub, VP & Treasurer
Irene Prezelj, VP, Investor Relations

FET minority stake sale and equity issuance strengthens financial flexibility

On Sunday, FE announced both a 19.9% minority interest sale in FET and $1bn common equity issuance at a disclosed combined multiple of 33x LTM P/E. During our meeting, management highlighted the importance of this transaction in enabling incremental capex (+$2.2bn over prior plan) and alleviating balance sheet constraints. While the combined multiple represents a clear positive, we believe the equity block (largely unexpected) and already lofty expectations contributed to recent underperformance. Relying on the expertise of our credit counterpart Kevin Kwan, we see these transactions putting the company back on track for investment grade credit ratings from two of the three agencies by mid-22. FE now sees FFO/debt trending to 13% by 2024 and mid-teens thereafter. However, we look for more color on the mechanics that underpin the mid-teens improvement.

OH settlement de-risks earnings outlook, but questions remain, in our mind

We believe the unanimous OH settlement indicates a turning point regarding regulatory relationships in the state. Management highlighted a new approach to stakeholder engagement, driving constructive negotiations and management's confidence in ultimately receiving final PUCO approval. While FE will still file a base rate case in 2024, the customer rate credits undoubtedly help de-risk that proceeding. Additionally, FE introduced both 2022 guidance of $2.30-$2.50 and 6-8% long-term EPS growth, underpinned by an increase in formula rate investments. FE's increased focus on both transmission investments should support an improved consolidated return profile. We look for more color on drivers to the higher end of the 6-8% range given 6% rate base growth (though we note different base years between rate base and EPS guide CAGRs and lower rate reductions over time).

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Fortis Inc (FTS)

David Hutchens, President and CEO
Jocelyn Perry, EVP & CFO
Stuart Lochray, SVP, Capital Markets and Business Development

Incremental capex visibility continues to favor transmission investment efforts

Among incremental capital opportunities within its recently refreshed five-year plan, FTS sees its Lake Erie Connector project and MISO regional transmission buildout as best positioned for additional clarity over the next twelve months. For Lake Erie Connector, government negotiations continue in advance of an expected year-end update, which could lead to a signed contract early next year for the longstanding transmission mega project. Goals include customer savings, driving GHG emissions reductions, and the efficient utilization of capacity and excess energy in Canada, although current public updates offer minimal insight into the progress of negotiations. The MISO process appears more concrete, in our view, as FTS awaits an initial list of projects expected in February 2022. However, ultimate timing may largely push any associated investments outside of the company's current 2022-2026 planning period. Overall thematic leverage remains meaningful, in our view, despite the current unknowns around investment levels.

FERC questions loom large, although commission direction remains to be seen

FTS sees FERC's transmission efforts as largely positive, highlighting only the supplemental NOPR to cut the RTO adder as misaligned with policy goals. Management highlighted the importance of potential planning and interconnection queue considerations in FERC's ANOPR and expects the commission to first focus on policy before settling incentive questions. Separately, the proposed transmission ITC could boost transmission development in the Southwest across UNS' footprint, where the company sees an opportunity to bring additional NM wind resources into its service territory.

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NextEra Energy (NEE)

Rebecca Kujawa, Executive Vice President Finance and Chief Financial Officer
John Ketchum, NextEra Energy Resource. President and Chief Executive Officer

Federal infrastructure provides opportunities across the business…

Coming out of EEI, NEE looks to us like the potential big winner from tax credits in the reconciliation bill. A potential extension of the wind & solar tax credits and introductions for both standalone battery storage and hydrogen all serve to support NEE's incumbent clean energy leader position. On hydrogen specifically, we note optimism that the proposed $3/kg production tax credit could bring green hydrogen economics to parity with gray hydrogen in multiple regions. We believe this could lead to more significant near-term hydrogen investments for NEE. Separately, NEE appears advantageously positioned for the tax equity market's potential narrowing and expected residual tax equity needs to monetize accelerated depreciation.

…but still some risks to sort through

However, the proposed book minimum tax could represent something of a headwind, depending upon ultimate outcome. The precise mechanics remain up in the air, with allowances for renewables tax credits and other allowable offsets potentially mitigating the headwind. Moreover, even despite these potential impacts, NEE stands well positioned to benefit from the legislation, in our view.

Flourishing in market disruption, renewables confidence unchanged

As supply chain disruptions continue to reverberate through the renewables sector, we see NEE relatively insulated given scale and relative buying power, with smaller competitors bearing the brunt of supplier cutbacks. NEE's mid-teens solar and 20% wind levered IRRs remain unchanged. NEE's project backlog stands at 18.1 GW, just shy of the 23-30 GW expected over the 2021-2024 period. Moreover, management continues to see a favorable development environment with no slowdown in sight. Specifically, CA appears to be an especially strong environment for battery storage projects given the resource adequacy issues over the past few summers.

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NiSource Inc (NI)

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Donald Brown, CFO
Pablo Vegas, COO and President of NiSource Utilities
Shawn Anderson, Chief Strategy and Risk Officer
Randy Hulen, VP of IR and Treasurer
Chris Turnure, Director of Investor Relations

Supportive outlook for ownership of $750mm IRP-related capex

Management outlined plan elements in support of NI's targeted >50% ownership of expected $750mm IRP-related investments. Overall asset composition appears biased towards rate basing given the Sugar Creek uprate and new gas peaking, and the company sees a similar case around peaking-like utility-scale commercial storage. The company also highlighted its current round of renewables as proof of its JV structure's competitiveness for new solar. Ultimate economics to customers as the RFP analysis continues should largely determine ownership, but confidence appears high in the prospects of securing a majority of this investment, particularly as customers begin to benefit from new renewables through 2023 under the current build program. Separately, NI clarified that required transmission investments are included in this $750mm figure.

OH/IN rate asks in focus

The company sees its OH rate case as a straightforward application despite the lengthy period elapsed since its last full case in 2008. With a PUCO Staff report due in the December to February timeframe and intervenor testimony following, settlement discussions could begin late 1Q or early 2Q22. NI anticipates a case outcome in mid-2022. Case elements include renewed CEP and IRP riders as well as a new carbon reduction rider to allow customer opt-in for offsetting carbon emissions, among others. Separately, the IN gas rate case process remains early, but management pointed to the recent Vectren settlement in the state and NI's settlement in its last 2018 rate case as general indicators for the process outlook. Hearings are set for March with an order due late July, and the company is requesting a two-step rate increase in September 2022 and March 2023. NI is also seeking a new $1.6bn TDSIC through 2026, noting minimal pushback or concerns in the process to date.

Hedging and O&M levers highlighted amid higher natural gas prices

Management does not expect a long-term impact on customer affordability from higher natural gas prices but outlined hedging and short-term O&M management as offsets to near-term impacts. Commodity prices represent one third to one half of the customer bill, and quarterly adjustments can help spread out changes over 12-18 months. Current hedge levels stand at ~77% after spring gas purchases for storage, limiting exposure to the more recent pricing moves. NI also highlighted O&M levers as another option to mitigate near-term customer rate impacts.

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PG&E Corp (PCG)

Chris Foster, EVP & CFO
Marlene Santos, EVP & Chief Customer Officer
Matt Fallon, Senior Director, Investor Relations

Wildfire season takeaways top of mind

During our meeting, discussion centered on takeaways from this relatively calm fire season. The combination of more favorable weather and the use of fast tripping circuits both contributed to this positive outcome, Dixie Fire excluded. On the fast trip circuits, management sees potentially ramping to include all high risk circuit miles as part of the 2022 wildfire mitigation plan, a potentially important bridge item to more sustainable risk mitigation measures. Moreover, management remains confident in full cost recovery for the Dixie Fire given greater insight into ignition and protections under AB 1054. However, we do not expect much movement on a 1054 filing until the company completes the claims settlement process, which has historically ranged from two to three years (or more).

Looking forward to undergrounding update, but expecting a few years of ramp

With PCG planning to roll out an initial undergrounding operational plan early next year, we highlight management's continued confidence in long-term customer and safety benefits out of this program. Early cost estimates still track $2.0-$2.5mm per mile, in the best case, though with numerous caveats concerning geography. Given the many complexities and capital intensity associated with this program, we do not expect significant lines undergrounded until we move closer to the middle of the decade. Moreover, PCG continues to evaluate regulatory options for cost recovery where we believe a separate program filing could represent a logical solution for all stakeholders, in our view.

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Public Service Enterprise Group (PEG)

Dan Cregg, EVP & CFO
Ralph Larossa, COO
Sheila Rostiac, SVP, Human Resources & CHRO & CDO
Carlotta Chan, VP, Investor Relations
Brian Reighn, Investor Relations Manager

Regulated investment backdrop strong, with numerous upside opportunities.
During our meeting, management discussed the recently filed $848mm IAP program and reiterated expectations for a mid-2022 program decision. Overall, we see stakeholders largely aligned on the importance of this program and expect a relatively smooth process leading to a partial program approval. Separately, management remains constructive on extensions for both CEF-EE and GSMP, with any run-rate increases representing upside to the base capital plan. Along with the NJ offshore wind transmission RFP scheduled for decision late next year, PEG possesses multiple avenues to realize regulated earnings upside, with ample balance sheet capacity.

Cautiously optimistic on federal nuclear support
Management highlighted the continued changing perceptions regarding nuclear energy, both at the state and federal levels. While not as impactful relative to peer EXC, the nuclear PTC could both help de-risk PEG's nuclear fleet economics and provide relief to NJ rate-payers (ZECs would step-down). On potential passage, management appeared incrementally optimistic to us, but saw less potential for PTC inclusion in any year-end tax credit extender agreement. Moreover, PEG continues to see support at the state level, as evidenced by the latest ZEC proceeding.

Comfortable and confident in future outlook
With the fossil sale slated to close late this year or early next year, management exuded strong body language during our meeting.

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The Southern Company (SO)

Robin Boren, SVP Finance and Treasurer
Scott Gammill, Director of Investor Relations

Vogtle focuses: sharing bands disagreement, expectations into staff testimony

Management clarified the disagreement over sharing bands at GA Power. The difference centers on $350mm stemming from disagreements both on the cost baseline and the treatment of COVID-related costs. We note that resolution could come through arbitration or litigation, if the parties cannot reach an agreement. Separately, as we look for staff VCM testimony on December 1, we continue to expect disagreements versus the company proposed schedule.

Portfolio rotation a viable option as an alternative to equity needs

After highlighting sales such as the recent Sequent divestiture and earlier Jefferson Island storage project, SO noted the company continues to evaluate further portfolio rotation in lieu of common equity. Moreover, SO has received inbound interest in noncore assets. Management did highlight SO can cover Vogtle write-offs with roughly two years of DRIP (not yet turned on). SO highlighted a handful of non-core asset divestiture candidates left, which we believe largely resides on the non-regulated side. SO also recently refreshed the ATM, which serves as another alternative to manage the balance sheet, though the refresh should not be viewed as a signal for use.

SEEM to improve sale of excess capacity and reduce customer bills

SO strongly reiterated support of SEEM. Management sees the partners working well together and that customers will win through the process, which avoids unanticipated complexities and consequences of RTOs. At this point, no real hurdles remain, with the expectation to stand up SEEM in 1H22 and enjoy the benefit of selling excess capacity across different time zones and latitudes across the Southeast around the corner. Management highlighted that the opportunity focuses on price over capacity, and that the structure should reduce the cost to customers and support generation transition.

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North America Equity Research
11 November 2021

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Sempra Energy (SRE)

Trevor Mihalik, EVP & CFO
Caroline Winn, CEO of SDG&E
Justin Bird, CEO of Sempra LNG
Scott Drury, CEO of SoCalGas
Lisa Alexander, SVP, Corporate Affairs & Chief Sustainability Officer
Nelly Molina, VP, Investor Relations

Post Cameron 2, LNG attention turns to Vista Pacifico and Hackberry CCUS

Among development projects, Cameron Phase 2 remains SRE's top priority, with partner commercial discussions continuing to advance the expansion. The company expects FERC will largely dictate the project's targeted YE22 FID, as the facility requires an amendment from the commission for its latest design plans. Additional Cameron upside exists in a 1mtpa debottlenecking opportunity at Cameron 1, which SRE expects to realize with minimal capital investment. Second to Cameron, management attention appears focused on Vista Pacifico and Hackberry CCUS. For Vista Pacifico, SRE sees an opportunity to source Permian gas into Asia, with underutilized Mexican pipeline enhancing already a favorable economic arbitrage. This excess CFE contracted natgas transportation capacity could further incentivize Mexican government support as the expected natgas power generation has not materialized. Separately, Hackberry presents a unique opportunity to reduce Cameron emissions, while providing a larger sequestration platform to target regional industrial customers. Despite the company's relative enthusiasm, a path to additional offtake agreements or any initial net-zero investments remains unclear at this time, in our view.

TX pot'l drives long capex runway, but already robust plan balances NT upside

Oncor continues to benefit from Dallas-Forth Worth metroplex growth, increasing renewables interconnections, and Permian strength. Management highlighted the West Texas opportunity in particular as producers switch to grid power from diesel generation. We see the Permian resurgence as somewhat underappreciated by the market. While line of sight to Oncor's current $15bn 2022-2026 capital plan and $775-1,275mm upside capex appears high, management described investment levels as approaching an efficient balance of growth and capability to deploy. As such, we see recent trends of outsized capital plan increases appear as less likely to continue. Separately, SRE expects continued constructive outcomes in the state despite PUCT turnover, noting confidence in its engagement in advance of Oncor's 2022 rate case.

BBB could present upside, less concern on minimum tax

SRE appeared positive on Build Back Better impacts, should the bill pass, specifically noting higher 45Q levels supporting CCUS, the hydrogen tax credit supporting clusters, as well as other items. With regards to the impact of a minimum tax, should DC pass this measure, SRE already pays cash taxes and does not see a material impact.

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WEC Energy Group (WEC)

Gale Klappa, Executive Chairman
Scott Lauber, President & CEO (effective Feb 1, 2022)
Kevin Fletcher, President & CEO (retirement effective Feb 1, 2022)
Xia Liu, EVP & CFO
Beth Straka, SVP Corporate Communications and Investor Relations

ESG Progress Plan details published follow initial on 3Q earnings

Consistent with expectations, WEC released full plan details and annual capex, comprising its $17.7bn 2022-2026 "ESG Progress Plan". Initially previewed alongside 3Q earnings, the company increased planned capex by +10% over the prior five-year plan, driven a $1.3bn increase in renewables investment and $0.5bn, increase in grid and fleet reliability investments. Between 2022-2026, WEC plans on investing $3.5bn in regulated renewables, with plans to build and own nearly 2,400 MW of solar, wind, and battery storage. For the Infrastructure portfolio, WEC identified $1.9bn capex for the 2022-2026 period.

Oak Creek coal transition regulatory processes and details in focus

During our meeting, management highlighted its newly announced coal retirement plan. WEC plans to eliminate coal as an energy source by 2035, including a transition from coal to natural gas at its Oak Creek plant. With modest capex, the company intends on reaching a 30% natgas blend over the next few years, with only an EPA air permit modification required on the regulatory side. Getting to a 60% natgas blend would only require around an initial ~$30mm ish investment, with possibly $100-180mm more capex needed to reach full a full switch to natgas. Capex over $15mm will require commission filings, but management expects a relatively straight forward path there. Management highlighted that the project aligns directly with the governor's public policy goals, with positive feedback from the governor's office. While WEC's targets full conversion by 2035, we see potential for a quicker conversion pending stakeholder support.

RNG announcements on the horizon, key to reaching net zero methane by 2030

Over the next year or two, WEC anticipates making an announcement regarding RNG supply. Management plans to directly inject RNG into WEC's gas distribution system, enabling the net zero methane by 2030 goal. Management highlighted that the company will have one of the most aggressive reduction targets on this front. Beyond reducing methane emissions, additional benefits include avoiding ground water contamination from manure.

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Xcel Energy (XEL)

Brian Van Abel, CFO
Emily Ahachich, Director – Investor Relations

10-year forecast introduced, with upside pot'l in Build Back Better framework

XEL extended the current 6.5% rate base CAGR through 2031, establishing its first ever 10-year forecast and highlighting management's transparency and confidence in XEL's investment runway. Upcoming IRPs, potential tax credits from the Build Back Better framework, and the MISO MTEP process all contribute to drive this runway. Additionally, XEL's IRPs do not assume tax credit extensions, leaving further upside potential. If passed, management sees direct pay removing inefficiencies, offering an estimated 75-100bps FFO improvement, and driving a $200mm annual nuclear PTC savings opportunity. Separately, this long-term outlook incorporates $5-6bn transmission capex from MISO's low-end $30bn Future 1 scenario, with expected timing extending into the mid-2030s.

Carbon reduction plan and coal exit the backbone of plan

XEL targets an 80% reduction to CO2 emissions by 2030 and a full coal exit by 2040, driving further generation transition that underpins this outlook. Management noted community impacts and replacement needs require a careful balance to the pace of transition, both of which influence plant shutdown timing. NSPM and NSPW expect the fastest coal exit, with a 2030 exit and 85% carbon reduction target. XEL intends to replace the retired NSPM/NSPW coal plants with an aggregate 5,800MW of new renewables over the 2024-2034 period. At SPS, XEL expects >70% carbon reduction, a full coal exit by 2032, and 1,900 MW of new renewables beginning in 2025. At PSCo, XEL targets an 85% carbon reduction and full coal exit by 2040, with 3,900 MW of new renewables expected in the 2025-2030 period. We would not be surprised to see this 2040 timeframe inch forward over time, especially given the market's focus on exiting coal.

MN rate case outstanding, but longer-term consideration

XEL filed a three-year electric rate case in October 2021, requesting a $677mm rate increase over three years, or a 21.2% total increase. While the request appears high as a headline number, management highlighted the length of time elapsed since XEL's 2016 rate case. We acknowledge some market anxiety over associated regulatory risk. However, XEL's relationships in the state remain strong, in our view, and the company has demonstrated success in recent MN proceedings. As a result, we see recent underperformance as a buying opportunity, particularly after the company's recent resolution of other high profile proceedings in CO. Management expects a 2Q23 final decision, consistent with MN's extended rate case process.

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Completed 11 Nov 2021 04:55 AM EST Disseminated 11 Nov 2021 04:56 AM EST
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Equity Research

WELLS FARGO

Event Update — November 10, 2021

Utilities

2021 EEI Conference Takeaways

Our Call

We met with executives from 32 utility companies during the November 7-10 EEI Financial Conference (18 in-person & 14 virtual). The tone of the conversations was overwhelmingly positive given multiple drivers of upside investment, combined with generally supportive regulatory treatment and sales growth back on solid footing.

No shortage of investment opportunities. If it wasn't already evident from the Q3 call commentary, EEI drove home the point that YE'21 capex refreshes are going to be positive. The upside opportunities are primarily tied to generation modernization, with a multitude of ongoing or upcoming RFPs across the sector and a clear bias toward self-ownership that could be further enhanced if direct pay is passed. Other drivers include system resiliency/reliability (wildfire mitigation efforts, storm hardening, grid modernization), and investments to enable the clean energy transition and accommodate transportation electrification.

Hydrogen grabs a seat at the table. Many utilities are discussing the possibility of adding hydrogen-enabled combustion turbines (CTs) to the generation fleet and/or exploring hydrogen blending in existing plants. While most are slow-walking it in order to allow the technology/economics to improve, we expect project announcements will become increasingly common over the next 5-10 years, especially if the proposed hydrogen PTC ($3/kg) passes. NEE, which is pursuing green hydrogen projects outside of the regulated footprint, was particularly bullish on the future of hydrogen; and EXC previewed potential pink hydrogen opportunities with the nuclear fleet.

Federal legislation. There was a good amount of hype regarding potential legislation to extend renewable tax credits and allow for direct pay, which would both simplify the accounting (good riddance to HLBV) and make utility ownership more competitive. On the flip side, the AMT for large corporations could accelerate cash tax payments for some. While opinions were mixed on whether Build Back Better will ultimately pass, the general expectation is that some form of renewable tax extenders will pass. Of note, the Wyden bill, which represents a shot on goal if the reconciliation package fails, includes direct pay and renewable tax credits, but does not currently include nuclear.

Supply chain & O&M. While executives acknowledged potential inflationary pressures on costs, most expressed confidence that they are quite manageable. A focus on cost efficiencies has been a theme in recent years, and we think there's likely more room to cut. Similarly, we did not sense significant concern on supply chain issues as it relates to executing on capital plans.

Sales growth part of the story…for some. A number of utilities highlighted accelerating sales growth, driven by relocations based on lifestyle along with new large customer additions and pent-up demand for expansion projects. While this is not the case across the board, it was notable in our meetings with BKH, IDA, OGE, PNW, and POR. More broadly, companies highlighted the opportunity to spread costs over a larger customer base as EVs pick up (as early as '23/24 according to some). Sticking with the electrification trend, ETR highlighted significant potential load growth tied to electric conversion of industrial customers looking to reduce scope 1 emissions; SRE similarly highlighted the potential creation of hydrogen hubs in L.A. and the Gulf.

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Standouts. There were a lot of good stories at the conference. The ones that stood out relative to our expectations (which were already elevated by the constructive Q3 updates) were Overweight-rated ETR, EXC, NEE, PCG, and WTRG.

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ALLETE, Inc. (ALE/Equal Weight/$65.38) (Akers)

The main focus of our meeting with ALE was the recently filed rate case, which seeks a $108mm, or ~18%, rate increase. Mgmt. has been laying the groundwork for this case via significant outreach with the commission and key parties regarding Minnesota Power's (MP) customer mix, recent regulatory outcomes, which did not yield significant base rate relief, and clean energy goals. The company appeared optimistic that these efforts will result in a more supportive outcome. Favorably, the company noted that the initial reception to the proposed large load mechanism has been encouraging; approval of such a mechanism would help reduce the volatility/cyclicality in MP's results.

Looking ahead, mgmt. expects to give more details on rate base growth opportunities on the February call. Also more to come on ACE's organic and acquisition opportunities in the solar/storage space. Finally, mgmt. was very bullish on the potential implications of direct pay on both regulated and ACE investment opportunities.

Ameren Corp. (AEE/Overweight/$84.42) (Kalton)

Our meeting supported our belief that AEE is positioned to achieve EPS toward the top end of the 6-8% EPS CAGR goal. Drivers include (1) likely new renewables in MO as part of the pending RFP for 1,200 MW (the process is ongoing and our sense is that the capex will not show up in the official capital plan until after MoPSC CCN approval), (2) likely higher earned ROEs for IL Electric Distribution once the company pivots to a new regulatory scheme in the back half of the 5-yr outlook and (3) potential investment opportunities related to the likely (in our view) early retirement of the 1,242 MW Rush Island coal plant.

On Rush Island, while AEE has filed for a rehearing on the scrubber ruling, it seems unlikely that the court will reverse the decision. It also seems unlikely that AEE will elect to install scrubbers (at a cost of ~$1B) on a coal plant, given environmental-driven asset life uncertainties. Should Rush Island be forced into retirement within the next few years, the remaining investment could be securitized and recovered from customers, with replacement capacity likely more than offsetting the stranded investment. We also think Invenergy's $2.5B Grain Belt Express (GBE) could come into play as it would provide an option to tap into high class wind in KS. Investment opportunities include both the wind in KS and the transmission via a potential equity investment in GBE.

American Electric Power Company (AEP/Equal Weight/$84.18) (Kalton)

We thought AEP's EEI update including the 5-yr capital refresh really hit the mark. What stood out to us was the company's thoughtful articulation on capital allocation. Notably, in last year's refresh, 30% of the capex was not under commensurate recovery mechanisms. This year, the number was 15%. It is pretty clear that, to the extent possible, mgmt. is allocating capital to investments with the best return profiles. Separately, we were impressed with both the flexibility of and the upside opportunities contained within in the $38B capex plan including (potentially) $2-4B related to regulated renewables in the event AEP self-owns more of the capacity than currently contemplated. (5.9 GW of self-own vs. a total renewables target of 10 GW during '22-26).

Shifting to the balance sheet, mgmt. targets an FFO/Debt ratio of 13.5-15.0% during the period, which holds up in the event the AMT proposal remains in the Build Back Better Bill (a modest negative 20-30 bps impact). And while the financing plan contemplates $600-700mm of equity annually during '24-26 (a palatable 1.5% of the current market cap), mgmt. has a lot of flexibility on this front as well, including potential future asset recycling opportunities.

American Water Works (AWK/Equal Weight/$172.00) (Reeder)

Investors were still trying to digest and understand the strategic updates from the prior two weeks. Burning questions included why wasn't the regulated capex ramped up sooner and why sell Homeowner Services when AWK's premium multiple was not being penalized for the non-regulated ops. AWK believes regulators will be supportive of the higher capex (improve service quality, create jobs & other economic benefits for the state, etc.) while affordability of rates can be maintained (5% annual increase vs. 4% previously, but avg. monthly bill to remain a minimal percent of household income, as operating efficiencies should be able to keep future O&M increase similar to the 10-year avg. of 1%). At the end of the day, management decided to take some near-term pain for what it believes will be longer-term gain by providing a clearer path to a higher quality 7-9% EPS CAGR that it believes can be sustained well beyond 5 years.

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On the M&A front, management believes the $1.5-2.0B 5-year capital deployment goal is achievable, as the deal pipeline is strong. AWK is also watching how the DELCORA and Chester situations play out, as it believes there could still be an opportunity for it to step in. Management believes experienced water utilities like AWK or WTRG possess difficult-to-overcome advantages when competing for deals with newer entrants into the industry like NEE. Finally, the settlement announced a few days ago in AWK's pending sale of regulated NY ops to AQN includes the key parties and should clear the way for approval by YE'21.

AVANGRID, Inc. (AGR/Overweight/$50.84) (Kalton)

There is simply a lot going on at AGR. In the near term, the most topical items are the PNM acquisition and recent NECEC developments. On PNM, while our conversation was nuanced, the key takeaway is that mgmt. continues to express a high degree of confidence in closing the deal. On NECEC, while the recent referendum vote against the $950mm project was a meaningful setback, mgmt. emphasized that the fight is far from over. AGR is challenging the constitutionality of the referendum and requesting injunctive relief to prevent the referendum from being enforced once it becomes law on 1/4/22. An injunction would require the court to find that AGR is ultimately likely to prevail on the merits and that there would be irreparable harm if relief is not granted.

Looking beyond these two developments, other topics included (1) onshore renewables origination—the lack of new signed PPAs in Q3 is seen as an aberration as customers digest the fluid macro backdrop; (2) offshore renewables—it sounds as if there are productive discussions with potential counterparties around AGR's 2.5 GW Kitty Hawk lease area in NC and (3) the continued, and (likely) underappreciated improvement at the NY utilities. While there is still some work to do to lift the ROEs to the allowed levels of 8.8%, the financial performance in '21 is encouraging given an active storm season (40% higher than in '19). Per mgmt., the improvement reflects both the new regulatory construct and better planning and execution around storm events.

Black Hills Corp. (BKH/Equal Weight/$66.43) (Akers)

The two items that stood out in our BKH meeting were (1) accelerating sales growth as people flee bigger cities and (2) a strong focus on cost controls. On the latter, mgmt. intends to keep O&M growth below inflation, with the potential to be closer to flat. The company also struck a positive tone on regulatory matters with recent settlements in the CO & IA rate cases (and Uri cost recovery settlement in KS announced after our meeting). We were particularly encouraged by the comments on the improved landscape in CO given recent challenges in the state; the next data point out of CO will be resolution to the Uri docket where the company has seen some pushback (mgmt. remains optimistic for a constructive outcome).

Separately, BKH has made significant progress in filling out the capital plan including the recently announced Ready Wyoming transmission project. The company expects good support on the project, but noted that it does require some new rights-of-way. New generation projects represent further upside to the plan, with targeted renewable additions as early as late '23 (subject to RFPs next year).

CMS Energy (CMS/Overweight/$60.89) (Kalton)

Our discussion with CMS management honed in on intervenor testimony in the pending IRP, specifically that of the PSC's staff. Management found the testimony to be largely supportive of the company's clean energy vision, which involves accelerating the complete exit of coal-fired generation to 2025 from the current plan of 2040. The primary disagreement related to the early retirement of Campbell 3 in '25 and CMS's plan to replace that capacity with its non-regulated, affiliated-owned DIG plant at a $520M market value (staff says it should be done at book value). With the parties relatively close on many issues, we believe a settlement agreement is likely to be reached in Q1'22—after the parties file rebuttal testimony later this month, but before the ALJ's proposed final decision in March. The PSC's initial order is due in April.

In typical CMS fashion, management stressed that achieving the 6-8% EPS CAGR target is not dependent on the IRP outcome and the incremental capex associated with the acquisition of the gas plants or solar buildout. Rather the IRP would simply serve to strengthen and lengthen the 6-8%. Furthermore, we discussed CMS's ability to continue to find cost savings in order to keep bills affordable and deliver the predictable EPS growth that investors have come to expect. Management expressed a high degree of confidence in continuing the trend even in spite of current inflationary pressures.

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Consolidated Edison (ED/Equal Weight/$77.96) (Akers)

We walked away from our ED meeting encouraged on multiple fronts. First, we expect a positive capex refresh with the YE update (system resiliency and facilitating NY's clean energy goals). While some of the projects will be subject to approval in the rate case, the spending initiatives appear to align with the Governor's agenda. Second, data points on the NY regulatory environment suggest it could be a bit more hospitable into the CECONY rate case. In addition to the allowed ROE (O&R settled at 9.2% but CECONY will depend on the formula inputs at the time), key factors include the level of imputed O&M efficiencies (not achievable in last case) and the level of revenue from the collection process. On the last point, the utilities have commenced the collection of fees, which should be a tailwind into Q4 & 2022, though there is an exception for COVID-related hardships.

Outside of the regulated utility business, the company continues to pursue electric transmission opportunities via CET & Transco. The most notable opportunity is the Long Island solicitation where Transco, in cooperation with NYPA, is one of four bidders; an outcome is expected in late '22 (investment dollars not stated but the scope is relatively large). Finally, mgmt. likes the clean accounting provided by direct pay (if passed), but we did not get the sense that legislation would unlock meaningful new investment opportunities for CEB.

DTE Energy (DT/Equal Weight/$113.17) (Kalton)

Similar to many of our EEI meetings, the focus was on the upcoming plans and opportunities from decarbonizing the generation fleet. DTE plans to file the Clean Vision Plan (next IRP) in October '22, but has outlined current thoughts, which include accelerating the conversion (1.2 GW Belle River in 2028) or shutdown (3.1 GW Monroe Plant no later than 2040) of all coal-fired generation and replacing it predominately with renewables (5-7 GW), as well as storage (1 GW), gas (1-2 GW) and demand response. That said, the plan is to be refined based on broad stakeholder engagement over the months ahead to ensure clean energy goals are met while maintaining reliability and affordability.

While the 5-year electric capex budget is $14B, DTE believes the 10-year opportunity could be roughly $35B, with the bulk being grid modernization work. Increased electric demand from widespread EV adoption could help fund the growth while keeping rates affordable, as could the nuclear tax credits for existing units that are currently contemplated in the reconciliation bill. These drivers, combined with anticipated growth from the gas utility and the unregulated Vantage segment, seems to position DTE well to continue its impressive track record of delivering EPS growth at (or above?) the high end of the 5-7% targeted range for many years to come.

Duke Energy (DUK/Equal Weight/$101.62) (Kalton)

It is hard to poke holes in the DUK story. Heading into EEI, mgmt. had provided initial high-level thoughts on the impact of recent landmark clean energy legislation in NC. Bottom line: it likely means an accelerated shift to renewables, with positive implications on the 5-10 year capex outlook (pointing to the upper half of the previous guidance in the $65-75B range for '25-29). We think solar and battery storage will play into the plan in a big way (Carolinas & FL). Conversely, despite NC Governor support, it sounds like offshore wind is likely still a ways off in NC given legitimate concerns about customer rate implications along with considerations around the long-haul transmission development needed to bring the power to DUK's load pockets in the center of the state (200-300 miles from the coast).

Taking a step back, the recent legislative developments in NC (including a constructive multiyear rate framework), combined with the simplification efforts of the past several years, position DUK to regain the former reputation as one of the premier, low-risk utilities in the US. For years, FL and NC were considered to be among the best regulatory environments in the nation. However, the coal ash issues were a setback in NC and caused some degradation in regulatory outcomes. In our view, the recent legislation changes the narrative for the better. Now, it is just on mgmt. to continue to execute on the financial goals.

Edison International (EIX/Overweight/$65.46) (Kalton)

First, on the topic of wildfire risk mgmt. noted that the multi-pronged wildfire mitigation approach of PSPS, vegetation management, and covered conductors is materially reducing ignition events across the company's system. As it currently stands, EIX continues to believe the covered conductor strategy is the optimal strategy for the majority of the company's high-risk lines (as opposed to undergrounding). To date, EIX has installed covered conductors on ~25% of the targeted lines, with

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full execution likely within the next 5 years. As for undergrounding, EIX's current plans contemplate 17 miles of the highest risk lines. However, at a cost of ~$3mm/mile vs. $0.5mm/mile for covered conductor, mgmt. thinks the cost/benefit for its service territory skews heavily toward the covered conductor strategy. Over time, should undergrounding costs move down to $1.5mm/mile or lower, EIX could reevaluate the balance.

We also touched on the recent $1.2B increase in estimated damages from the '17/18 wildfire and mudslide events. Consistent with comments on the Q3 call, mgmt. emphasized that the remaining estimated liabilities of $2.2B are simply a best estimate given the results to date and that, presumably, the range of final possible outcomes continues to narrow. EIX's '22-25 equity financing guidance of ~ $1B contemplates the $2.2B estimate. Liabilities in excess of that amount could potentially require additional equity, but that will depend on both the amount and timing of cash outflows.

Entergy Corp. (ETR/Overweight/$103.44) (Kalton)

Solid update on all fronts. Despite several hiccups and some regulatory noise, mgmt. pointed out that ETR has executed on the company's financial goals over the past year and expressed confidence in the 5-7% EPS CAGR goal and guidance ranges through '24. In addition, we thought ETR did a better job of fleshing out a couple of unique growth opportunities related to (1) storm-related resiliency spend ($5-15B potential by '30, depending upon regulatory buy-in) and (2) electrification. Bottom line: we came away from the meeting with the impression that these opportunities could result in a meaningful step-up in ETR's current annual capex run rate of $4B.

On the electrification front, ETR thinks the desire/need for the company's industrial customer base to reduce scope 1 emissions (CO2 emissions from their operations) could result in ~30 TWh of incremental electricity demand by 2030 and 140 TWh by 2050. For context, ETR's annual utility-billed sales totaled 120-130 TWh from '16-20. Should these sales come to fruition, it could have meaningful implications for new generation capacity. While this opportunity may take a little longer to play out, we think it is a unique and compelling angle to the ETR growth story that is arguably not reflected in the share price.

Essential Utilities (WTRG/Overweight/$47.35) (Reeder)

We walked away from our WTRG meeting excited about the prospects for '22. Catalysts include the following. (1) A potential settlement in the pending PA water/wastewater rate case. (2) The potential to reach the elusive DELCORA settlement as County Council President Zidek is set to leave at the end of '22. (3) Potential approval by the receiver (or judge overseeing him) of the Chester water system sale. (4) '22 guidance initiation should imply solid EPS growth, driven by rate relief, including the PA water/wastewater case, as well as M&A deal accretion, partially offset by share dilution. (5) Continued success on the water/wastewater M&A front, including more deals leveraging relationships across Peoples' Western PA footprint like the recent $41M Beaver Falls one.

We are not sure investors fully appreciate the meaningful ramifications if WTRG can manage to move the ball forward on both DELCORA and Chester. Together they represent $700-800M of immediate rate base growth, followed by significant capex needs in the years after close. Equity would be needed to finance the deals, but it would help shift the current 70% water/30% gas utility mix more heavily toward water, which could provide an uplift to WTRG's blended P/E multiple.

Eversource Energy (ES/Overweight/$83.74) (Kalton)

With the CT rate settlement and subsequent PURA approval in the rear view mirror, we touched on the regulatory landscape going forward in CT. Mgmt. is cautiously optimistic that the company will be able to work constructively with the PURA (including Chairman Gillett), on the pending AMI ($475mm) and EV filings. Looking ahead to the capex refresh in early '22, ES highlighted several positive drivers, including likely additional transmission spend (including offshore wind related) and higher distribution spend across electric, natural gas and water. While there could be some grid mod and AMI spend, we think the likelihood is that the large CT and MA AMI programs will not yet be ripe to include in the outlook.

On the topic of offshore wind, not much new to report. ES/Ørsted remain very much in alignment with regard to future bidding opportunities and the companies will pursue new solicitations if they make strategic sense (ES/Ørsted sat out the recent MA solicitation, as they deemed the price cap to be unattractive). Finally, mgmt. is wrestling with how to better present the earnings opportunities from

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the pending projects in the company's financial guidance. We expect inclusion in conjunction with the Q4'21 earnings release.

Exelon Corporation (EXC/Overweight/$54.45) (Kalton)

It remains a wait-and-see on a number of fronts. First, the spin-off of ExGen (Constellation) is on track for early next year, at which time the company will be able to provide refreshed forward-looking guidance for both RemainCo (utility) and Constellation. In addition, all eyes are on the Build Back Better package and nuclear PTCs currently within the proposal; the passage of the bill could have material positive implications for Constellation's EBITDA outlook and risk profile.

Separately, we had an interesting conversation with new Constellation CEO Joe Dominguez regarding the company's high-level strategy going forward. It seems pretty evident to us that mgmt. would like to position Constellation as a decarbonization play and not your ordinary IPP (this is consistent with how we view the company). In addition, our sense is that growth opportunities will be focused on the core nuclear strategy and could include M&A (roll-up of merchant and potentially regulated nuclear facilities) along with an intriguing pink hydrogen opportunity. While early, mgmt. thinks that the proposed $3/kg hydrogen PTC could open up the potential for "inside the fence" hydrogen production opportunities. Put simply, mgmt. thinks pink hydrogen production for industrial customers could offer a higher margin than selling nuclear output onto the grid and realizing the nuclear PTC.

Fortis Inc. (FTS/Equal Weight/$56.96) (Kalton)

We used our meeting with FTS to dive a bit more into the company's recently refreshed 5-yr capital investment, including upside opportunities. While the outlook supports a healthy 6% rate base CAGR through '26, it excludes several sizeable opportunities including the C$1.7B Lake Erie Connector and opportunities related to MISO's planned $30-$100B transmission expansion. While Lake Erie has been on the drawing board for a long time, the project is down to the last step—government approval from Ontario—and we could get some clarity in the coming months. As for MISO, the expectation is for a suite of initial projects to be rolled out in 1H'22 with a more robust plan to follow. We think FTS, via ITC Holdings, is extremely well-positioned to capitalize on these opportunities and point out that the company has ROFRs in IA, MN and MI (pending legislation). We see the opportunity for FTS as being in the multi-billion dollar range, but think that meaningful capex might not begin to roll into the plan until after the existing '22-26 plan.

Shifting to AZ, the investment community has become increasingly concerned about AZ's regulatory environment in light of the recent onerous PNW rate case outcome. While mgmt. accurately pointed out that FTS's AZ utilities (including Tucson Electric Power) have consistently been able to achieve more constructive regulatory outcomes in the state (including in '20), we think it will be difficult to overcome the negative perception in the near term.

Hawaiian Electric (HE/Underweight/$40.66) (Reeder)

Incoming CEO Scott Seu is not surprisingly focused on continued advancement and execution of HE's current strategy. At the utility, this means enabling HI to achieve decarbonization goals while operating successfully within the PBR framework and helping to influence the establishment of new, balanced PIMs. Opportunities exist to accelerate the utility's 4-5% EPS growth rate to one more in line with industry peers (5-7%). These include (1) regulatory approval of EPRM-recovery eligible capex proposals such as T&D grid resiliency work that could add hundreds of millions of dollars to the budget over a 5-year period and (2) achievement of PIM incentive revenues—Stage 1 & Stage 2 renewable project delays (and even cancellations) could affect the timing of realization of RPS-A incentives, which have the potential to be a meaningful driver starting in '23.

Non-utility wise, HE remains fully committed to the bank (ASB) and Pacific Current, as well as considering new investment opportunities. Pinpointing ASB's near-term earnings is challenged by the $22M of qualitative reserves still on the balance sheet related to COVID. Future releases and/or the amount of the provision depend on HI's economic activity and ASB's loan growth. As such, ASB's EPS power may not "normalize" until '23. Furthermore, it sounds as if ASB is comfortable with the large balance sheet, which could actually grow modestly in '22. Management believes ASB is really leveraged to the upside at this point given expectations that rising rates and/or loan growth could cause NIM to improve.

IDACORP, Inc. (IDA/Underweight/$104.07) (Akers)

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The main takeaway from our meeting with IDA was the level of growth and economic activity mgmt. is seeing in the service territory, which could culminate in some splashy new customer announcements. This growth is supportive of infrastructure investment, which could drive what mgmt. called a "shift in mode." We take this to mean a reversion to the traditional utility model of rate base growth and rate cases (versus customer growth, O&M savings and one-off regulatory outcomes). A lot of the projects on the drawing board appear likely to firm up throughout 2022, which could support a rate case filing in the next couple of years. In terms of financing, IDA has room on the balance sheet to debt fund the initial projects (would also bring down the equity ratio to a more reasonable level into the rate case).

NextEra Energy, Inc. (NEE/Overweight/$85.20) (Kalton)

It is all systems go for NEE. First, mgmt. is optimistic that the Build Back Better package will pass, noting that the Democrats need another win heading into the '22 midterms. Clearly, passage of the bill has material positive implications for renewables (extension of renewable tax credits and direct pay). In addition, NEE highlighted the hydrogen PTC ($3/kg) as representing a meaningful opportunity for the company's burgeoning green hydrogen. Mgmt. noted that the $3/kg PTC could bring green hydrogen costs down to $1/kg and open the door for an acceleration of green hydrogen adoption. NEER envisions new renewables solely dedicated to green hydrogen offtake arrangements with industrial/transportation companies. NEER also envisions ownership of hydrogen production facilities (it is our understanding that the capital investment opportunity is a roughly 50/50 split between the renewables and the hydrogen production).

Other tidbits: (1) Supply chain constraints - scale matters and we think NEE is likely benefitting from global supply chain issues (capturing market share). NEE characterized the supply chain as being in good shape for '21 & '22 with some exposure in '23 & '24. (2) Water—mgmt. is very excited about the long-term opportunities in the water/wastewater sector and would not rule out larger M&A if it made sense (but we did not get the sense mgmt. viewed a larger platform as needed to effectively compete for privatization opportunities). NEE also pointed out that offering water/wastewater solutions to municipalities provides yet another in with customers (can cross-sell renewables and transmission solutions).

NiSource Inc. (NI/Overweight/$25.31) (Akers)

Things continue to move in the right direction for NI, as mgmt. projected confidence in the growth plan and regulatory strategy. On the electric side, many of the resources identified in the IRP that constitute the ~$750mm investment need appear to be well-suited for ownership opportunities. Furthermore, the company should be in a position to finance the growth with proportionately less equity versus the current build-out, which could shrink the delta between rate base growth and EPS growth post '24. That investment also drives another opportunity to consider strategic capital recycling.

On the gas side, NI is seeing a lot of support in the company's key jurisdictions (i.e., no anti-gas sentiment). The company plans to further engage with stakeholders in 2022 to assess opportunities for decarbonization of the gas system.

NorthWestern Corp (NWE/Overweight/$58.29) (Reeder)

Management's establishment of '22 EPS guidance of $3.20-3.40 was a disappointment relative to expectations. It represents yet another year of flattish EPS—recall, '15 weather normalized EPS was $3.15. Furthermore, it seemingly creates investor concern that the below-industry average long-term 3-6% EPS CAGR target may be a challenge to achieve and/or come in lumps versus the more predictable fashion generally preferred by utility investors.

That said, there should be an impending ramp-up in EPS as the capex budget continues to increase. The rollover of the 5-year forecast to 2022-26 was $300M higher than the 2021-25 forecast, with 60-65% of the increase driven by T&D spend, and in general appears to be hovering in the $400-450M/yr range excluding new generation, as compared to more like $300M/yr prior to '20. The catch is the growth has to be financed with new equity ($225-250M in '22 after $200-225M in '21) and suffers from regulatory lag with a need to file an MT electric rate case in '22 (also reset the PCCAM). There also remains generation upside potential with capacity needs in MT and SD. The next MT RFP likely won't occur until late '22, as the size depends on whether Colstrip will operate into the 2030s—the outcome of co-owner arbitration should clarify each's rights and better frame negotiations.

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Management believes the MT regulatory environment in general and the company's relationship with the PSC is improved, but admitted it has taken much longer than anticipated to get here. NWE's goals for '22 include speeding up the time that it takes to file a rate case (has been Sept.) in order to have interim electric rates by early '23, as well as trying to get more current/prospective recovery of both capital and expenses (vs. the current historical test year). The hope is to be able to avoid more frequent (annual?) rate case filings and perhaps lay the groundwork for recovery of the Laurel Generation Station when it comes on-line around YE'23. And on that front, management was not concerned that MT would balk at the decision to build gas generation and believes the recent population influx will serve to strengthen the state's Republican majority.

OGE Energy Corp. (OGE/Equal Weight/$34.31) (Akers)

We got good vibes out of the OGE meeting, as robust load growth is providing a nice tailwind to the story. In addition to new large customer additions, existing customers are pursuing expansions (some pent up from the past couple of years), and the company is not seeing a drop-off in residential demand.

OGE has one of the better balance sheets in the group (FFO/Debt in the high teens), which should allow the company to fund upside investment opportunities without the need to issue equity. The planned exit from midstream provides even greater flexibility, given an improved business risk. We did not sense meaningful urgency on ET sales, but mgmt. remains fully committed to the exit plan (more likely via a dribble strategy vs. block trade). Timing could be affected by the market price of the ET units (opportunistic sales on strength).

ØRSTED (ØRSTED/Overweight/DKK875.40) (Kalton)

Along with attending EEI, we also caught up ØrstedIR team during the week as a follow-up to a senior mgmt. meeting with analysts on 11/9. Cost inflation concerns are once again top of mind for investors following recent negative commentary from offshore wind manufacturer Vestas. Ørstedemphasized that not much has changed since the Q2 update; suggesting that, overall, inflationary pressures appear to be manageable and pose a modest risk to project returns for a few projects that sequence mid to late decade.

Shifting to an EEI theme, Ørsted noted that the direct pay element of the Build Back Better package would be quite positive for the company's onshore renewables projects in the US on a go forward basis, as the company would be able to lean less heavily on tax equity financing. It could also allow Ørsted to recognize a bit more of the offshore wind project cash flows up front, depending upon the agreements with ES and PEG. While the arrangements are premised on equal economics, it is our understanding that because of PEG's and ES's tax appetites, the companies would likely realize the lion's share of the ITC and MACRS depreciation tax benefits.

Finally, we were encouraged to hear from both ES and PEG that they continue to hold Ørsted in high esteem and remain very much committed to their respective offshore wind strategies.

PG&E Corp (PCG/Overweight/$12.40) (Kalton)

We thought it was a positive meeting. The conversation revolved around recent wildfire mitigation successes. Aside from the Dixie Fire (unique circumstances), it appears that PCG's PSPS and EPSS strategies are having a profound impact on reducing wildfire risk. The company plans to continue to push forward with the EPSS strategy over the next several months and in advance of the next peak wildfire season in 2H'22. Longer term, undergrounding remains the best option for the ~10,000 miles of distribution lines in the highest risk areas. There is more to come on this program; but mgmt. remains very excited about the cost/benefit, as the benefits of scale should greatly bring down costs.

As for Dixie, mgmt. emphasized that the takeaway from the Q3 earnings release was that the company did not take an earnings charge for the $1.15B in estimated damages (low end of estimable range), as full recovery is deemed likely (including, most notably, the $150mm anticipated to be drawn from the AB 1054 Wildfire Fund). With shares trading at a P/E of 11X our 22E EPS of $1.10 (vs. Regulated Electric peers at 18.5X), we continue to think shares reflect far too much pessimism around future wildfire risk, particularly in light of the notable progress the company has made over the past 2-3 years.

Pinnacle West Capital Corp. (PNW/Equal Weight/$64.53) (Akers)

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The main takeaway from our meeting with PNW was the focus on improving both the allowed and earned ROE in the next rate case, which is likely to be filed in 1H'22. The company also plans to pursue legal recourse on the SCR disallowance (and potentially other items). The disallowance is critical in terms of relying on the prudence standard going forward, but earned returns are more of a needle mover on EPS. We think a critical factor in recouping some earnings power (and potentially even resolving legal issues) will be whether the ACC is open to a settlement in the next case. Of note, two Commissioners will be up for re-election next year—Commissioners Kennedy and Olson—and we expect Kennedy will seek to retain her seat. Finally, we did not get the sense that mgmt. is embedding an overly aggressive rate case outcome to support the 5-7% EPS growth target.

In terms of the appeal process, the company will first appeal the decision at the ACC (within 20 days and the ACC has another 20 days to respond). Assuming the appeal is denied, the company would then either seek Special Action (raises a point of law and has a more expedited resolution; only 20% of cases are accepted) and/or file with the Court of Appeals, which could be a 12-18 month process (could then appeal to AZ Supreme Court if necessary). Given the legal process is likely to overlap with the rate case, we would not rule out some interplay, though we note that PNW does not plan to retry the SCR in the GRC.

Portland General Electric (POR/Equal Weight/$50.13) (Akers)

There is not much new to report as POR continues to work through the rate case and RFP process. The company emphasized positive alignment with regulators, and mgmt. reiterated prior comments that ownership opportunities from the RFP would represent upside to the 4-6% growth rate. Furthermore, the company sees new equity needs only if there is a large step up in capex. On the rate case, the company remains confident in the outlook even with staff comments aimed at cost management and the Integrated Operations Center (staff recommended a haircut). The company continues to see structural lag of ~90 basis points and, outside of regulatory activity, sales growth has exceeded expectations and cost discipline remains a focus.

PPL Corp (PPL/Overweight/$28.78) (Kalton)

We sense the calm before the news. PPL is waiting to close the Narragansett acquisition before providing a robust capital plan (on track for early '22). That said, on the Q3, call mgmt. provided some color on the incremental capital investment opportunities in PA & KY ($1B through '25 and skewed toward FERC-regulated transmission in PA). In our meeting we touched on potential investment opportunities in RI, which could be meaningfully higher than the current annual spend of ~$300mm. PPL is still assessing the need and we keep in mind that the pace of spend will likely depend on customer rate considerations (the faster PPL can improve Narragansett's cost structure, the faster the company can deploy capex). All that said, it will likely be a couple of years before RI capex moves up considerably.

Finally, mgmt. emphasized that the company is going through a broader operational efficiency initiative now that the UK sale has been finalized. The cost savings initiative will not only be good for customers, but could free up room on the bill for additional capital spending, particularly in KY. All told, a solid update but the real substance will be in early '22.

Public Service Enterprise Group Inc.(PEG/Overweight/$62.72) (Kalton)

Mgmt. expressed confidence in a constructive resolution for the recently filed $848mm Infrastructure Advancement Program; New Jersey BPU approval of the plan would increase our confidence in PSE&G's ability to achieve capex toward the higher end of the $14-16B guidance range for '21-25. Separately, we touched on PEG's recent bid into NJ's competitive process for offshore wind transmission. PEG submitted 9 bids (solutions) out of ~80 solutions bid in total. Characterized as a $1B+ opportunity, mgmt. thinks access to land along with local knowledge and relationships provides the company a leg up vs. the competition (especially in the northern part of the state).

Staying on the topic of offshore wind, PEG remains fully committed to the current strategy, which includes a 25% ownership interest in the Ocean Wind 1 project, a potential investment in Ocean Wind 2 along with the development of the Garden State Offshore Energy (GSOE) lease area. Ørsted, which owns. 50% of GSOE, is using the lease area to bid the 760 MW Skipjack 2 project into MD's pending solicitation. That said, mgmt. noted that the company still has potential off ramps for Ocean Wind 1 should potential delays and/or cost pressures substantially threaten the economic prospects for the

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project. Finally, the Build Back Better package could offer meaningful EBITDA upside potential for PEG's nuclear fleet (and protect on the downside should power prices return to pre-pandemic levels).

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Sempra Energy (SRE/Overweight/$124.61) (Akers)

The phrase that comes to mind following our SRE conversation is "stay the course." While the stock has lagged (underperforming the S&P Utilities by ~8% YTD), mgmt. believes continued strong execution on financial targets and positive momentum on capex opportunities will drive value. Furthermore, the company expects to give an EPS growth target (YE'21 call or '22 Analyst Day), which could help inspire confidence in the outlook despite less visibility (at least from the outside looking in) on non-utility growth. The company did not rule out strategic approaches to unlocking value, but noted that there is still expertise within the SRE family of companies that benefits the LNG growth ventures.

Shifting to federal legislation, SRE highlighted multiple aspects of the infrastructure bill that are supportive of the company's strategy, including EV charging/infrastructure, wildfire mitigation, hydrogen hubs (L.A. and industrial decarbonization opportunities in the Gulf), and private activity bonds. While noting that there's still a ways to go on the reconciliation bill, the company sees bipartisan support for the 45Q tax credit, which would be supportive of the Hackberry carbon capture/sequestration project. On the flip side, a minimum tax would be neutral to slightly negative on the cash profile.

Southern Company (SO/Overweight/$63.86) (Kalton)

The year 2022 should be a very important one for SO and our Overweight thesis as it pertains to new nuclear and regulatory matters. IRPs in AL & GA will lay out generation transition plans away from coal. However, the specific capital investment opportunity—generation and transmission needs—will not be known until regulators weigh-in on the plans later in the year. Management is contemplating whether to try to quantify those opportunities for investors when rolling the 5-year capex budget forward to 2022-26 in early '22. We note that '24 EPS guidance of $4.00-4.30 and the 5-7% EPS CAGR are premised on SO's current capex budget whereas our forecast assumes $4B of additional capex. The other key regulatory item is the rate case that Georgia Power will file by 7/1, with the hope of reaching a settlement in early December.

As for Vogtle 3&4, at the risk of stating the obvious, receipt of the NRC's 103(g) letter authorizing fuel load is the critical milestone. Eight systems still need to get turned over in order to complete the associated ITAACs by April, clearing the way to get the 103(g) letter in May and meet the recently revised Q3'22 in-service date. It should also give investors confidence that meaningful additional cost overruns are unlikely. Furthermore, it could open the door for SO to pursue a global Vogtle settlement clarifying the total amount recoverable from ratepayers while obviating the need for future VCMs and the prudency review. Management is mindful of the timing both in terms of clearing the Vogtle regulatory deck before filing the GA rate case, as well as the Nov. '22 GaPSC commissioner elections.

We also had an interesting discussion regarding federal legislation, in particular the reconciliation bill. CEO Tom Fanning seemed more skeptical than other executives at the conference regarding the chances of passage now that it is untethered from the infrastructure bill. Instead, maybe the Wyden tax bill gets done. But the window is closing fast as Democrats' slim majority in both chambers could be at risk in the '22 midterm elections.

WEC Energy (WEC/Overweight/$90.64) (Kalton)

Aside from learning that WEC is in possession of a couple of unusual and valuable urns, there were not any major revelations from our meeting, which is just fine. We did spend a little time on the company's recently announced (and somewhat surprising) planned exit from coal by '35, particularly as it relates to the PTF structure for the Oak Creek units. Note that mgmt. said that the lease arrangement is "fuel neutral" and all that is required to retrofit the plant to run on natural gas (~$180mm cost) is the standard regulatory approval. All told, we view the coal announcement as another example of WEC getting out in front of a potential risk (further federal regulations on coal) with a well-thought-out strategy.

Shifting to contracted renewables, mgmt. reiterated the comments on the call that the modestly lower capital investment for WEC Infrastructure (WECI) in the latest 5-yr capex plan simply reflects conservatism and is shaped by the company's current tax appetite. The opportunity set remains robust and should the Build Back Better package pass with direct pay, it could allow for WECI to deploy more capital (with solar of increasing interest).

Xcel Energy Inc. (XEL/Equal Weight/$64.39) (Kalton)

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One of the clean energy pacesetters in the sector, XEL spelled out a highly compelling ESG friendly capital investment strategy that could extend the '22-26 base case rate base CAGR of 6.5% all the way through '31. In addition to the ongoing capital programs related to renewables and T&D spend, XEL highlighted a likely pick-up in emerging technologies such as EV infrastructure and hydrogen adoption in both the electric and gas LDC operations.

Finally, there is reason to believe that there could potentially be both near- and long-term upsides to the investment plans, driven by potential PPA buyouts, wind repowerings, and/or more self-ownership of renewables, particularly in the event that direct pay of tax credits is passed in the reconciliation package. XEL's 10-yr plan contemplates 50% ownership of 10 GW of new renewables.

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Acronyms

ACC – Arizona Corporation Commission

ACE – ALLETE Clean Energy

ALJ – Administrative Law Judge

AMT – Alternative Minimum Tax

BPU – Board of Public Utilities

CCN - Certificates of Convenience and Necessity

CEB – Clean Energy Businesses

CECONY – Consolidated Edison of New York

CET – Consolidated Edison Transmission

DELCORA – Delaware County Regional Water Quality Control Authority

DIG – Dearborn Industrial Generation

EPRM – Exceptional Project Recovery Mechanism

EPSS – Enhanced Powerline Safety Settings

EV – Electric Vehicle

GRC - General Rate Case

GW – Gigawatt

HLBV – Hypothetical Book Value

IPP - Independent Power Producer

IRP – Integrated Resource Plan

ITAAC – Inspections, Tests, Analyses, And Acceptance Criteria

LDC – Local Distribution Company

MISO - Midcontinent Independent System Operator

MoPSC - Missouri Public Service Commission

MW - Megawatt

NECEC - New England Clean Energy Connect

NIM – Net Interest Margin

NRC – Nuclear Regulatory Commission

NYPA – New York Power Authority

O&M - Operation & Maintenance

O&R – Orange & Rockland

PBR – Performance-based Regulation

PIM – Performance Incentive Mechanism

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PPA - Power Purchase Agreement

PSC - Public Service Commission

PSPS – Public Safety Power Shutoffs

PTC - Production Tax Credit

PTF - Power the Future

RFP – Request for Proposals

RPS – Renewable Portfolio Standard

SCR – Selective Catalytic Reduction

T&D – Transmission & Distribution

VCM – Vogtle Construction Monitoring

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WOLFE RESEARCH

ELECTRIC UTILITIES

Regulateds – Market Overweight
IPPs – Market Weight

November 5, 2021

UTILITIES & POWER

EEI conference preview; Questions to ask companies

Live from Hollywood! Edison Electric (EEI) utility conference next week
The annual EEI conference will be held Nov 7-9 in Hollywood, FL. Most of our companies will be there live but a handful of meetings will be virtual. This report is a helpful guide for investors attending and includes questions to ask each company and summary model info. Key industry topics include:

1) **Biden clean energy infrastructure plan implications –** The Dems infra plan has recently taken shape and the clean energy tax credits are massive. What are initial thoughts from companies on their renewables transition plans and financial impacts of the large tax credits and direct pay option (which seem promising)? The nuclear PTC is a gamechanger and we would like more from EXC, PEG and others on potential implications. For larger companies, we want to know the risk from the minimum 15% tax provision.

2) **Impact of rising inflation and nat gas prices** – Many investors are asking about the risk of the current inflationary environment for utilities and especially rising fuel and power costs. What's the risk of coal and gas shortages this winter? Will utilities be able to pass all cost increases through? If so, what is the customer bill impact, and could there be a political/regulatory risk in response? How are companies managing cost inflation generally? Can any companies benefit from rising prices?

3) **Regulation and new FERC; climate events** – Regulation has remained quite constructive in recent months (NEE, ES, D, FE settlements), can this continue? FERC will turn majority Dem soon, what could this mean? Impacts for project approvals, transmission ROEs, transmission policy, power market structures, etc.? Climate events have become bigger risk issue – fires for CA, hurricanes for ETR, Uri cold in Texas, storms in the northeast, Michigan. How will companies seek to protect their systems and manage this risk?

4) **Capital plans, balance sheets and financing needs** – Several companies have and will be updating their capital plans, and they keep rising. How will companies fund this? Could we see more equity or asset sales? What are companies doing to improve balance sheets if at all?

Companies to watch at EEI (and new disclosures)
AEP – 2022 guidance, drivers; new 5 yr capital, 3 yr financing plan; renewables.
AGR – Implications of NECEC referendum vote and PNM merger update
ETR – 2022 drivers, refreshed capital plan, more color on hardening in LA.
EXC/PEG/NEE/AES – What the Biden tax credits mean for nuke, renewables
FE – #1 focus. OH rate deal and maybe the transmission sale and LT plan.

Exhibit 1: Companies included in report

AES Corp.	Eversource
Alliant Energy	Exelon Corp.
Ameren Corp.	FirstEnergy Corp.
American Electric Power	Fortis
American Water	NextEra Energy
Avangrid	NiSource
CenterPoint Energy	OGE Energy
CMS Energy	PG&E Corp.
Consolidated Edison	Pinnacle West
Dominion Energy	Portland General
DTE Energy	PPL Corp.
Duke Energy	PSEG
Edison International	Sempra Energy
Emera	Southern Company
Entergy Corp.	WEC Energy Group
Evergy	Xcel Energy

Source: Wolfe Research Utilities & Power Research

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Note: All Exhibits in this report priced as of 11/4/21
**WR estimates are as of 11/4/21*

Comparables Tables

Exhibit 2: Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$25.12	666	$16,739	16.8x	15.5x	14.4x	13.2x	2.4%	5.0%	40%	7.5x	18%
Alliant Energy	LNT	$55.65	250	$13,927	21.3x	20.2x	19.2x	18.2x	2.9%	5.9%	62%	2.4x	45%
Ameren	AEE	84.37	258	21,734	22.0x	20.7x	19.3x	18.3x	2.6%	7.0%	57%	2.3x	42%
American Electric	AEP	83.89	504	42,251	17.9x	16.8x	15.8x	15.0x	3.5%	5.7%	63%	2.0x	37%
Avangrid	AGR	51.16	387	19,809	24.3x	20.7x	19.6x	19.2x	3.4%	0.0%	84%	1.0x	70%
CenterPoint Energy	CNP	26.50	629	16,664	20.7x	19.2x	17.8x	16.4x	2.4%	8.0%	49%	2.2x	35%
CMS Energy	CMS	60.02	290	17,388	22.6x	20.9x	19.0x	17.2x	2.9%	6.7%	66%	3.0x	32%
Con Edison	ED	76.28	353	26,956	18.1x	16.4x	16.0x	15.3x	4.1%	1.3%	74%	1.4x	44%
Dominion	D	75.44	807	60,844	19.5x	18.3x	17.2x	16.0x	3.3%	6.0%	65%	2.5x	40%
DTE Energy	DTE	113.40	194	21,969	19.3x	19.3x	18.2x	17.2x	3.2%	7.2%	61%	2.6x	33%
Duke Energy	DUK	101.02	769	77,706	19.4x	18.7x	17.6x	16.5x	3.9%	2.0%	76%	1.7x	42%
Edison International	EIX	63.04	380	23,949	14.1x	13.6x	12.7x	11.9x	4.2%	4.0%	59%	1.7x	36%
Emera*	EMA	58.36	257	14,969	20.6x	18.3x	17.3x	16.3x	4.4%	4.0%	91%	1.8x	38%
Entergy	ETR	102.90	201	20,678	17.2x	16.3x	15.3x	14.5x	3.9%	6.0%	67%	1.9x	30%
Evergy	EVRG	63.72	229	14,611	18.0x	18.0x	16.6x	15.8x	3.4%	6.2%	61%	1.6x	45%
Eversource Energy	ES	83.82	344	28,804	21.7x	20.3x	19.0x	18.0x	2.9%	6.2%	62%	2.0x	43%
Exelon	EXC	54.11	978	52,937	19.8x	24.0x	22.7x	21.5x	2.8%	0.0%	56%	1.6x	44%
FirstEnergy	FE	38.91	544	21,183	15.0x	16.1x	14.8x	N/A	4.0%	0.0%	60%	2.8x	24%
Fortis*	FTS	56.40	473	26,672	20.7x	19.3x	18.2x	17.4x	3.6%	5.8%	75%	1.5x	43%
NextEra Energy	NEE	84.76	1,962	166,311	33.4x	31.4x	29.0x	27.1x	1.8%	10.0%	61%	4.5x	40%
NiSource	NI	25.07	392	9,838	18.5x	17.3x	16.4x	14.4x	3.5%	6.0%	65%	2.0x	40%
OGE Energy	OGE	34.16	200	6,838	13.9x	16.0x	15.2x	14.6x	4.7%	2.0%	65%	1.9x	43%
PG&E	PCG	11.66	1,985	23,149	11.5x	10.7x	9.8x	8.9x	0.0%	N/A	0%	1.1x	33%
Pinnacle West	PNW	63.60	113	7,173	12.7x	15.0x	14.6x	13.9x	5.1%	1.5%	64%	1.3x	43%
Portland General	POR	49.20	89	4,399	17.7x	17.5x	16.8x	16.4x	3.5%	7.1%	61%	1.6x	44%
PPL Corp.	PPL	28.89	770	22,234	26.7x	17.4x	16.3x	N/A	5.7%	0.0%	153%	1.5x	53%
PSEG	PEG	63.68	506	32,201	17.6x	18.3x	17.4x	16.4x	3.2%	4.1%	56%	2.0x	45%
Sempra	SRE	127.35	319	40,666	15.4x	15.3x	14.7x	14.0x	3.5%	8.0%	54%	1.7x	51%
Southern Company	SO	62.50	1,059	66,177	18.4x	18.0x	16.6x	15.3x	4.2%	3.9%	78%	2.3x	35%
WEC Energy Group	WEC	89.72	315	28,301	22.0x	20.8x	19.5x	18.4x	3.0%	7.1%	67%	2.6x	43%
Xcel Energy	XEL	63.07	539	33,974	21.2x	19.9x	18.5x	17.5x	2.9%	6.4%	61%	2.2x	38%
Average					**19.3x**	**18.4x**	**17.3x**	**16.4x**	**3.4%**	**4.8%**	**65%**	**2.2x**	**40%**
Average (ex EIX & PCG)					**19.7x**	**18.8x**	**17.7x**	**16.8x**	**3.5%**	**4.8%**	**67%**	**2.3x**	**41%**

Source: Wolfe Utilities & Power Research, FactSet
*Current price shown in $CAD

Exhibit 3: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	36.80	202	7,423	13.8x	11.6x	12.5x	13.0x	3.6%
NextEra Energy Partners	NEP	87.00	177	15,423	12.6x	10.1x	9.8x	9.4x	3.1%
Atlantica Yield*	AY	39.91	111	4,423	11.9x	11.1x	10.7x	10.8x	4.3%
Brookfield Renewable Partners*	BEP	39.90	275	10,970	25.0x	23.4x	22.6x	21.6x	3.1%
Average					**15.8x**	**14.0x**	**13.9x**	**13.7x**	**3.5%**

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

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Exhibit 4: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	35.56	245	8,704	8.8x	7.3x	6.2x	N/A	9.2%	15.0%	20.6%	N/A
Vistra Corp	VST	19.21	483	9,269	11.4x	5.3x	5.2x	N/A	3.3%	25.3%	26.8%	N/A
Average					**10.1x**	**6.3x**	**5.7x**	**N/A**	**6.3%**	**20.1%**	**23.7%**	**N/A**

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 5: Wolfe Research EPS Estimates for Utilities vs. Consensus

Company Name	Ticker	2021E WR	2021E Cons	2022E WR	2022E Cons	2023E WR	2023E Cons	2024E WR	2024E Cons
AES Corp.	AES	1.50	1.53	1.62	1.65	1.75	1.78	1.90	1.91
Alliant Energy	LNT	2.61	2.58	2.76	2.74	2.90	2.89	3.06	3.06
Ameren	AEE	3.84	3.81	4.08	4.04	4.36	4.34	4.61	4.61
American Electric	AEP	4.70	4.69	5.00	4.97	5.30	5.26	5.61	5.57
American Water	AWK	4.24	4.25	4.44	4.55	4.77	4.92	5.23	5.27
Avangrid	AGR	2.10	2.15	2.47	2.43	2.60	2.50	2.66	2.68
CenterPoint Energy	CNP	1.28	1.43	1.38	1.41	1.49	1.52	1.61	1.59
CMS Energy	CMS	2.65	2.66	2.87	2.87	3.16	3.12	3.48	3.30
Consolidated Edison	ED	4.20	4.25	4.66	4.51	4.78	4.72	4.99	4.91
Dominion	D	3.87	3.87	4.13	4.12	4.38	4.38	4.70	4.67
DTE Energy	DTE	5.87	5.87	5.88	5.94	6.23	6.28	6.61	6.73
Duke Energy	DUK	5.20	5.23	5.40	5.47	5.74	5.77	6.13	6.13
Edison International	EIX	4.47	4.51	4.63	4.66	4.95	4.95	5.32	5.23
Emera*	EMA	2.83	2.83	3.20	3.07	3.37	3.25	3.57	3.49
Entergy	ETR	5.99	5.97	6.32	6.33	6.74	6.72	7.11	7.08
Evergy	EVRG	3.55	3.54	3.54	3.54	3.84	3.77	4.04	4.02
Eversource Energy	ES	3.87	3.83	4.13	4.09	4.40	4.38	4.65	4.66
Exelon	EXC	2.74	2.80	2.26	3.38	2.38	3.47	2.52	3.48
FirstEnergy	FE	2.60	2.59	2.42	2.54	2.62	2.66	N/A	2.78
Fortis*	FTS	2.72	2.68	2.92	2.88	3.10	3.03	3.24	3.20
NextEra Energy	NEE	2.53	2.53	2.70	2.74	2.92	2.95	3.13	3.16
NiSource	NI	1.36	1.36	1.45	1.44	1.53	1.54	1.74	1.72
OGE Energy	OGE	2.45	2.28	2.14	2.16	2.25	2.23	2.34	2.34
PG&E	PCG	1.01	1.01	1.09	1.10	1.19	1.25	1.31	1.33
Pinnacle West	PNW	5.01	4.98	4.23	4.40	4.37	4.61	N/A	4.82
Portland General	POR	2.78	2.74	2.82	2.80	2.93	2.92	3.00	3.00
PPL Corp.	PPL	1.08	1.19	1.66	1.61	1.77	1.80	N/A	1.85
PSEG	PEG	3.63	3.61	3.47	3.50	3.65	3.66	3.87	3.91
Sempra	SRE	8.29	8.22	8.30	8.43	8.66	8.92	9.12	9.32
Southern Company	SO	3.40	3.37	3.48	3.53	3.76	3.82	4.09	4.13
WEC Energy Group	WEC	4.07	4.06	4.31	4.31	4.59	4.58	4.88	4.88
Xcel Energy	XEL	2.98	2.98	3.17	3.17	3.40	3.39	3.61	3.62

Source: Wolfe Utilities & Power Research, FactSet
*Estimates shown in $CAD

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Exhibit 6: Wolfe Research EBITDA Estimates for YieldCos v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Clearway Energy	CWEN	$1,185	$1,192	$1,238	$1,242	$1,149	$1,251	$1,096	$1,206
NextEra Energy Partners	NEP	1,446	1,449	$1,677	1,685	$1,778	1,830	$1,926	1,950
Atlantica Yield*	AY		845		904		941		927
Brookfield Renewable Partners*	BEP		1,911		2,036		2,105		2,207

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 7: Wolfe Research EBITDA Estimates for IPPs v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
NRG Energy	NRG	1,800	1,929	2,100	2,259	2,300	2,408	N/A	2,395
Vistra Corp	VST	1,556	1,652	3,359	3,332	3,165	3,329	N/A	3,265

Source: Wolfe Utilities & Power Research, FactSet

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AES Corp. (AES)

1. How should we think about your 7-9% EPS CAGR throughout the entire 2025 outlook? Do you expect to still be within the range even with the dilution from the equity units in 2022 and 2023? What type of offsets do you have within your portfolio?
2. What is the company's competitive advantage in renewables development in the U.S. and internationally? What kind of returns are you getting?
3. Are you seeing inflationary impacts on input costs for your various renewable projects? How much of your backlog is locked up (i.e., not exposed to these impacts)? Are you seeing any issues with your supply chain?
4. Can you discuss the line of sight you have to meeting your targeted 4-5 GW of signed renewable PPAs annually? How big is your pipeline? What is the split of U.S. vs international?
5. What do you see as the biggest benefits for AES from the proposed reconciliation bill? How would the direct pay option impact future financing needs? Any impact from the different tax proposals (i.e., minimum book tax, GILTI, etc.)
6. Can you talk about your strategy regarding AES Next (i.e., the clean tech businesses)? How much of a drag is AES Next on your earnings today and how do you see that evolving through the 2025 planning period?
7. AES Ohio and Indiana are both growing rate base at a 9% CAGR through 2025 – what type of projects are driving this growth? Can you discuss timing of next rate cases for each utility and how this will impact the expected earnings contribution?
8. How do you balance being able to meet EPS / parent FCF growth targets while quickly transitioning away from coal?
9. How should we think about timing for future coal retirements and sell downs? Are you in any discussions currently or have most already been announced?
10. What is the latest with respect to your LNG operations in Central America? Are you close to signing additional contracts for the existing capacity in your storage tanks? How do these assets fit into your portfolio over the L-T – would you eventually seek to monetize?
11. How are discussions going with the Bulgarian government over EU competition issues related to the Maritza plant contract? What are the possible solutions and on what terms are you hoping to resolve the issue?
12. What is the latest in Chile with respect to the constitutional re-write? Do you expect any radical changes? How might this impact AES Andes' plans for future renewable investment?
13. How long do you expect currency controls to remain in place in Argentina? If cash remains trapped in for an extended period, how do you expect to offset the impact? Is there any risk of further earnings degradation?
14. What is the latest on the LNG / CCGT projects in Vietnam? What size equity investment and levered return are you targeting for these projects?
15. Now that you are investment grade rated at Fitch and S&P, when do you expect that Moody's might follow suit?
16. Which businesses do you expect to provide the bulk of the cash distributions up to AES over the next few years? At what businesses do you have leverage capacity or an ability to increase cash dividends by pushing out debt amortizations and maturities?

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Exhibit 8: Financial Summary

Financial Summary	2021	2022	2023	2024
Adjusted EPS	1.50	1.62	1.75	1.90
Earnings growth	*4%*	*9%*	*8%*	*8%*
Parent free cash flow	894	909	968	1,019
Adjusted pre-tax contribution	1,398	1,543	1,665	1,809
EBITDA (consolidated)	3,546	3,741	3,913	4,106
Dividends per share	0.60	0.63	0.66	0.70
Diluted Shares Outstanding	696	708	709	711
Pre-tax Contribution	**2021**	**2022**	**2023**	**2024**
US and Utilities	649	744	813	853
South America	438	501	551	594
MCAC	310	326	337	387
Eurasia	166	126	120	120
Corporate	(165)	(155)	(156)	(145)
Total adjusted PTC	**1,398**	**1,543**	**1,665**	**1,809**

Source: Wolfe Research Utilities & Power Research

Exhibit 9: Financial Ratios

Financial Ratios	2021	2022	2023	2024
P/E Multiple	16.8x	15.5x	14.4x	13.2x
EV/EBITDA	11.3x	10.8x	10.4x	10.0x
Dividend yield	2.4%	2.5%	2.6%	2.8%
Parent FCF yield	5.1%	5.1%	5.4%	5.7%
Net Debt / EBITDA	5.6x	5.4x	5.4x	5.2x
Recourse net debt / Unlevered Parent FCF	3.4x	3.4x	3.7x	3.9x
FFO / consolidated net debt	12%	12%	13%	13%
Parent FCF / debt - recourse	26%	26%	25%	23%
Debt - Recourse	3,446	3,446	3,946	4,446
Net Debt - Consolidated	19,830	20,333	20,961	21,329
Noncontrolling Interests	1,754	1,595	1,243	881
Preferred / Redeemable Stock	872	872	872	872
Market Cap	17,495	17,775	17,813	17,851
Enterprise Value	39,951	40,576	40,889	40,933
Capital Allocation	**2021**	**2022**	**2023**	**2024**
Share Repurchases	0	0	0	0
Dividends	413	446	470	494
Growth investments in subsidiaries	1,350	692	977	877

Source: Wolfe Research Utilities & Power Research

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Alliant Energy Corp. (LNT)

1. How do you feel about your overall 5-7% EPS growth rate? What gets you to the higher or lower end in any one particular year? What is driving you towards the top-half of the guidance range in 2021?
2. You recently wrapped up a large-scale wind investment program in Iowa and are about to roll-out a big solar build program in Wisconsin and Iowa. What drives the difference in selection of resource type? Have regulatory approvals been relatively straightforward? How are these investments being recovered?
3. What percentage of the generation mix are you ultimately targeting for renewables? Do you foresee any additional capacity needs beyond the next several years? How are you making sure that reliability and affordability remains intact during this transition?
4. The treatment/recovery of your latest coal plant retirement at Edgewater in Wisconsin seemed constructive. Do you believe a similar mechanism can be used for Columbia? What is the remaining book value on your co-owned coal plants in Iowa? When do you anticipate you'll be able to announce shutdown dates there? What is the precedent for coal investment recovery in Iowa?
5. You filed a balanced rate case settlement agreement in Wisconsin earlier this year. Can you list some of the key components? When do you expect the WI PSC to approve the settlement?
6. When will you next file a rate case in Iowa? How big of a deal was the renewables rider that you are able to use?
7. What has enabled you to be so successful in achieving rate case settlements over the last decade? What is your view on Wisconsin and Iowa regulation overall? Is there anything you would change?
8. What are some of the other key components of the capital plan? What is a normalized annual capex run-rate once beyond the big renewables programs? How much runway is there on your T&D undergrounding plan and how do the costs/benefits stack up there?
9. Are you seeing any inflationary pressures within your business, particular the current solar build-out? What can you do to manage increased costs on this front?
10. What are your thoughts on the Biden clean energy plan – extend renewables credits and direct pay?
11. Under the current capital plan, should we expect any incremental equity after 2021? How do you weigh increased capex potential versus increased equity needs? When do you expect to start moving forward with the tax equity funding for your solar investments?
12. What are your latest views on sales growth in your service territories coming out of the COVID pandemic? How are you seeing the puts and takes of having a different sales mix by customer class going forward?
13. What are your thoughts on potential consolidation in the sector? Are you a buyer or seller?
14. Where do you see future rate base opportunities at ATC? What are some of the major projects in ATC's 10-year capital plan? Do you see any potential large-scale projects coming out of the MISO plan? Does your stake in ATC still make sense as part of the business mix?

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Exhibit 10: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.61	$2.76	$2.90	$3.06
Diluted Shares Outstanding	250	250	251	251
Dividends Per Share	1.61	1.71	1.81	1.92
Dividend Yield	2.9%	3.1%	3.3%	3.4%
Dividend Payout Ratio	61.7%	61.8%	62.4%	62.7%
Equity Ratio	43.0%	43.6%	45.5%	45.3%
FFO/Net Debt	16%	16%	16%	17%
Valuation Metrics				
P/E	21.3x	20.2x	19.2x	18.2x
Price/Book	2.3x	2.2x	1.9x	1.9x
Segment EPS				
IP&L	$1.38	$1.46	$1.54	$1.63
WP&L	1.06	1.14	1.21	1.28
ATC	0.14	0.14	0.14	0.15
Parent	0.03	0.02	0.01	0.00
Total EPS	**$2.61**	**$2.76**	**$2.90**	**$3.06**
IP&L Electric and Gas				
Realized ROE	9.3%	9.3%	9.3%	9.8%
Average Rate Base ex CWIP	$7,137	$7,404	$7,457	$8,103
WP&L Electric and Gas				
Realized ROE	9.9%	9.2%	9.7%	10.0%
Average Rate Base ex CWIP	$4,793	$5,068	$5,275	$5,800

Source: Wolfe Research Utilities & Power Research

Exhibit 11: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capital Spending ($M)				
IP&L	$375	$680	$735	$535
WP&L	$765	$780	$700	$675
Other	155	165	170	160
Total Capex	**$1,295**	**$1,625**	**$1,605**	**$1,370**
Financings ($M)				
Total Equity Issued/(Repurchased)	$25	$25	$25	$25
Total Debt Issued/(Repurchased)	525	450	325	440
Sales Forecast				
Electric	6.4%	0.8%	0.8%	0.8%
Gas	0.4%	0.4%	0.4%	0.4%

Source: Wolfe Research Utilities & Power Research

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Ameren Corp. (AEE)

General

1. What are the upside/downside risks to your 6-8% LT EPS and dividend growth targets? What's your conviction level on meeting them?
2. Do you anticipate the same growth as your rollforward to 2026? Will that growth be off 2021 or 2022?
3. When will you give 2022 guidance? Explain the drivers. Do you expect to grow within 6-8% off your latest 2021 guidance?
4. Do you expect your next 5yr capital plan to be higher/lower than your current 2021-25 capital plan of $17B?
5. Describe the investment opportunities through 2030 of $23B+. How confident are you in those opportunities?
6. What do you think Congress passes from the Biden clean energy plan and tax credits? How would that impact your current plan?
7. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise? What does your coal supply look like?
8. How about inflationary pressure? Do you see it as manageable?
9. What are your capital structure and FFO/Debt targets? What are your equity needs through 2025?
10. What is your strategy and views on 1) M&A and 2) ESG?

Missouri

11. Incremental renewables – What is the latest on the incremental renewable investments? Would they be incremental to your 8% rate base growth? When will you file CCNs?
12. MO rate case – What's the chance of settlement? Do you have any concerns about MO regulation?
13. PISA – How has it worked? What has been the feedback from regulators/lawmakers? What happens when it expires in a couple of years? Can it be extended?
14. Rush Island – What are your plans if the appeal is denied? Will you install scrubbers or retire early? Is there any earnings risk from either of your decisions?
15. Securitization – Do you expect to accelerate your current fleet transition schedule in MO given the new securitization law?

Illinois

16. IL legislation – How does it impact your business? Do you see upside to LT growth, either through increased capex or higher ROE?
17. Gas business – What earned returns do you project going forward for AEE IL gas distribution? Any upside opportunities?

Transmission

18. MISO opportunities – Describe the potential opportunities from MISO's MTEP report expected in early 2022? When will investors know how much can be added to your $40B+ investment opportunities through 2030? And specifically will the projects be incremental to your 5yr plan?
19. FERC ROE – What is the risk from the proposed elimination of the RTO/ISO ROE adder (50bp)? Do you see any mitigation, such as higher base ROEs? What FERC ROE do you assume in your outlook?

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Exhibit 12: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.84	$4.08	$4.36	$4.61
Consensus	$3.81	$4.04	$4.34	$4.61
Diluted Shares Outstanding	255	260	265	269
Indicated Dividend Per Share	$2.20	$2.35	$2.52	$2.70
Dividend Yield	2.6%	2.8%	3.0%	3.2%
Payout Ratio	55%	56%	56%	57%
Equity ratio (excl ST debt)	43%	43%	44%	44%
FFO/Net Debt	18%	18%	18%	18%
Valuation Metrics				
P/E	22.0x	20.7x	19.3x	18.3x
P/B	2.2x	2.1x	1.9x	1.8x
Segment EPS				
Ameren Missouri	$2.02	$2.10	$2.28	$2.41
Ameren Illinois (ex transmission)	1.04	1.12	1.17	1.23
Transmission (AIC and ATX)	0.90	1.01	1.06	1.12
Parent/Other	(0.14)	(0.15)	(0.15)	(0.15)
Total EPS	$3.84	$4.08	$4.36	$4.61
ROE				
Ameren Missouri	8.6%	8.4%	8.8%	8.9%
Ameren Illinois (ex transmission)	8.6%	8.7%	8.7%	8.8%
Transmission (AIC and ATX)	10.5%	10.5%	10.5%	10.5%

Source: Wolfe Research Utilities & Power Research

Exhibit 13: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Ameren Missouri	$2,174	$1,636	$1,654	$1,706
Ameren Illinois (ex transmission)	850	888	888	888
Transmission (AIC and ATX)	725	734	734	734
Parent/Other	3	3	3	3
Total Capital Spending	$3,753	$3,262	$3,280	$3,332
Financings ($M)				
Total Equity Issued/(Repurchased)	$365	$400	$400	$400
Total Debt Issued/(Repurchased)	1,524	1,065	915	940
Sales Forecast				
Ameren Missouri	6.0%	(0.7%)	0.2%	0.2%
Ameren Illinois	4.9%	0.5%	0.5%	0.5%

Source: Wolfe Research Utilities & Power Research

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American Electric Power (AEP)

1. What conviction level do you have on your 5-7% EPS growth target? Are you targeting the top end? What are the key drivers?
2. How much renewables do you have in your updated 5yr capital plan?
3. What fleet transition opportunities ($ and MW) are included and what would be incremental?
4. What is the latest on the KY Power transaction? What has been the reaction from KYPSC and intervenors? Any risk to closing?
5. Are there other assets you may consider selling? What are your thoughts on further M&A generally?
6. What percent of rate base will come from coal in five years vs now? How about in 2028 when you repurchase KYP's share of Mitchell from Algonquin?
7. What are your projected cash needs through 2026? How much equity do you need? What are your forecasted FFO/debt metrics?
8. What do you think Congress passes from the Biden clean energy plan and tax credits, including for transmission? How would that impact your capital plan?
9. What transmission opportunities do you see from the upcoming MISO MTEP report or plans from SPP or PJM? When will those opportunities show up in your plan?
10. What is the risk to FERC ROEs? What transmission earnings growth do you project through 2026?
11. Which of your pending or upcoming rate cases do you expect to be the most contentious? Which have you not yet settled? What's the latest on your OH settlement?
12. How much lag do you project across your utilities? Which are significantly under-earning?
13. What is the impact to your earnings/cash outlook if commodity prices continue to rise? How about inflation and labor costs? Are they manageable?
14. What level of growth do you expect from your nonutility contracted renewables segment? How does the Biden Plan impact the business, particularly returns from renewable projects?
15. What is your targeted dividend growth and payout?

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Exhibit 14: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.70	$5.00	$5.30	$5.61
Consensus EPS	$4.69	$4.97	$5.26	$5.57
Diluted Shares Outstanding	499	507	517	527
Dividends Per Share	$2.96	$3.14	$3.33	$3.53
Dividend Yield	3.5%	3.7%	4.0%	4.2%
Dividend Payout Ratio	63%	63%	63%	63%
Equity Ratio	40%	39%	39%	39%
FFO/Net Debt	15%	15%	15%	15%
Valuation Metrics				
P/E	17.9x	16.8x	15.8x	15.0x
Price/Book	1.8x	1.8x	1.7x	1.6x
Segment EPS				
Vertically Integrated Utilities	$2.25	$2.32	$2.42	$2.54
T&D Utilities	1.11	1.23	1.31	1.40
Transmission Holding Co	1.25	1.35	1.43	1.53
Generation & Marketing	0.29	0.35	0.37	0.40
Parent and Other	(0.20)	(0.24)	(0.24)	(0.26)
Total AEP	**$4.70**	**$5.00**	**$5.30**	**$5.61**

Source: Wolfe Research Utilities & Power Research

Exhibit 15: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Regulated Operations	$5,337	$5,915	$4,897	$4,688
Transmission Holding Co	1,597	1,404	1,370	1,647
Nonutility	531	434	436	434
Total Capex	**$7,465**	**$7,753**	**$6,703**	**$6,769**
Financings ($M)				
Total Equity Issued	600	-	100	600
Total Debt Issued/(Repurchas	3,249	2,623	2,660	2,135

Source: Wolfe Research Utilities & Power Research

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American Water Works (AWK)

1. You recently narrowed your EPS CAGR to 7-9% from 7-10% - what was the driving force behind that decision? Where do you expect to be within the range beyond 2022? When do you plan to rebase the CAGR and what year would you likely use?
2. What prompted you to decide to sell your Homeowner Services business? How dilutive do you expect the transaction to be in 2022 and onward?
3. Once the earnings stream from the sellers note rolls off in 2027(~$0.20 of EPS), how do you expect to backfill those lost earnings?
4. What is the latest with respect to the grand jury subpoena investigation at Homeowner Services? How is that being handled now that you have decided to sell the business? Any idea when you think the investigation will be resolved?
5. You recently raised your 5-yr capex plan by $3B and your 10-yr plan by $6B – what type of projects led to the increased investment? When should the incremental capex start getting reflected in EPS? How do you plan to manage customer bills given the added capex?
6. You disclosed the need for $1.1B of equity over the course of your 5-year plan, any sense on the exact timing or the type of equity issuance?
7. Are you seeing any inflationary impacts throughout the business? Has this pressured your ability to lower your O&M efficiency ratio?
8. Where are you at in the sale process of your NY subsidiary? How concerned are you about the local municipalities' attempting to take over parts of the water system? When do you expect the sale to close?
9. What is the unavoidable regulatory lag in the business? What states are you earning the lowest returns and what are you doing to improve them?
10. Where do you see the best opportunities for municipal tuck-in acquisitions? Are you starting to see more competition for these deals now that companies like NEE are starting to build at water business?
11. Is there any pending legislation which could aid in further consolidation of distressed municipal water systems? What other legislative items have passed or are currently being discussed in your major states?
12. How is Military Services performing? How many contracts do you expect the Dept. of Defense to award over the next 6-12 months?
13. What are your thoughts on M&A? Would you be interested in pursuing another water IOU? Are there any other states within your current portfolio that might be considered non-core?
14. At a high level, how does President Biden's infrastructure bill impact the water sector? What major benefits do you see for AWK as a result of that proposals?
15. What states do you have rate cases currently pending? When do you expect to file next in your largest jurisdictions (PA, NJ and MO)?
16. What opportunities and risks do you face from the increasing focus on clean water and potential contaminants? What are you doing to ensure you customers' water is safe?

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Exhibit 16: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.24	$4.44	$4.77	$5.23
Diluted Shares Outstanding	181	182	183	186
Dividends Per Share	$2.37	$2.58	$2.81	$3.06
Dividend Yield	1.4%	1.5%	1.7%	1.8%
Dividend Payout Ratio	56%	58%	59%	59%
Equity Ratio	38%	37%	38%	38%
FFO/Debt	14%	13%	12%	12%
Valuation Metrics				
P/E	39.8x	38.0x	35.4x	32.3x
P/B	4.5x	4.3x	3.8x	3.5x
Segment EPS				
Regulated Utilities	$4.24	$4.54	$4.91	$5.40
Military Services	$0.51	$0.14	$0.15	$0.15
Parent/other	($0.51)	($0.24)	($0.28)	($0.32)
Total EPS	4.24	4.44	4.77	5.23

Source: Wolfe Research Utilities & Power Research

Exhibit 17: Modeling Assumptions

	2021E	2022E	2023E	2024E
Investing and Financing ($M)				
Capex	$1,900	$2,500	$2,750	$2,750
Equity Issued/(Repurchased)	10	10	550	550
Debt Issued/(Repurchased)	74	1150	1150	1150
Utility				
Sales growth	-0.9%	-0.9%	-0.9%	-0.9%

Source: Wolfe Research Utilities & Power Research

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Avangrid (AGR)

1. What are some of the key drivers in the 6-8% EPS growth outlook? What gives you conviction that this is achievable with conservatism, particularly given the company's prior track record? How much are NECEC transmission and Vineyard Wind expected to contribute to this growth?
2. How do you plan to respond to the Hearing Examiner recommendation against the PNM merger? Are you still confident it will be approved? What drove the strategic thinking on the merger? Where do you see potential synergies and regulated renewables opportunities?
3. Were you surprised by the result of the ballot referendum against NECEC? How strong is your legal case? When will the courts respond? Will you continue with construction? What about the pending items already at the courts, FERC, and the Maine DEP? How much does NECEC contribute to EPS over time?
4. Is Iberdrola interested in expanding even further in the U.S.?
5. Now that you have completed the latest equity offering, how do you think about funding needs from here? When will you need to issue common equity again and what financing structures are being looked at? Are you comfortable with you ~14-15% pro forma FFO/Debt target given your asset mix and how do the rating agencies view this?
6. What is AGR's story to tell from an ESG perspective? How does your business mix of 85% regulated utilities in 2022 change as we go out further in time and more renewables (offshore wind) come online?
7. How are you thinking about the impact of the Biden infrastructure and tax plan? What do certain provisions mean for your company (PTC/ITC for wind, solar, storage, hydrogen, transmission; plus direct pay)? What are the impacts from a higher tax rate, minimum book tax, or higher dividend tax?
8. How has your progress been on reaching authorized ROEs at all of your utilities? Do you have confidence that storm performance will be better going forward given some of the backlash last year in New York and Connecticut?
9. How are you feeling about the Connecticut regulatory climate following your rate freeze settlement agreement? What about in Maine where you have hit the service metrics to end the 100bps ROE penalty? Where do we stand on recovery of COVID impacts in New York?
10. What are your thoughts on FERC transmission ROEs and adders given the latest FERC rhetoric? When will this be settled once and for all? How should be think about impacts/sensitivities?
11. When can we expected Vineyard Wind to begin construction? How comfortable are you with the economics of the project? What will the ultimate financing structure look like?
12. What drove the changes to the JV relationship with Copenhagen? What is the status of some of the offshore wind RFPs in other states? Do you expect to win these processes? Are you still maintaining the same level of targeted returns discipline?
13. How have you been progressing on adding incremental contracted renewables projects? How competitive is the market and how much has the cost curve come down? Are you seeing any inflationary or supply chain pressures?
14. How has the market been to sell renewables development projects? Is this a sustainable earnings generator and funding strategy long-term?

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Exhibit 18: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.10	$2.47	$2.60	$2.66
Consensus EPS	$2.15	$2.43	$2.50	$2.68
Dividends Per Share	$1.76	$1.76	$1.83	$1.90
Dividend Yield	3.4%	3.4%	3.6%	3.7%
Dividend Payout Ratio	84%	71%	70%	71%
FFO/Net Debt	23%	24%	22%	22%
Net Debt/Capitalization	29%	33%	36%	36%
Diluted Shares Outstanding	358	388	391	397
Valuation Metrics				
P/E	24.3x	20.7x	19.6x	19.2x
Price/Book	0.9x	1.0x	1.0x	0.9x
Segment EPS				
NYSE&G (Electric/Gas)	0.41	0.43	0.46	0.49
RG&E (Electric/Gas)	0.32	0.30	0.34	0.37
CMP (Electric/Transmission)	0.47	0.44	0.47	0.49
UI (Electric/Transmission)	0.27	0.26	0.26	0.26
SCG (Gas)	0.08	0.08	0.08	0.08
CNG (Gas)	0.06	0.06	0.06	0.06
PNM (Electric/Transmission)		0.39	0.40	0.39
TNMP (Electric)		0.21	0.23	0.23
Renewables	0.61	0.49	0.55	0.56
Parent / Other	(0.14)	(0.20)	(0.24)	(0.28)
Total EPS	**$2.10**	**$2.47**	**$2.60**	**$2.66**

Source: Wolfe Research Utilities & Power Research

Exhibit 19: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
NYSE&G	$636	$696	$696	$696
RG&E	$356	$386	$386	$386
CMP	$551	$614	$314	$202
UI	$206	$204	$204	$204
SCG	$74	$74	$74	$74
CNG	$74	$74	$74	$74
Renewables	$343	$970	$993	$123
Parent & Other	$83	$88	$88	$88
Total Capex	**$2,323**	**$3,106**	**$2,829**	**$1,847**
Financing ($M)				
Total Equity Issued/(Repurchased)	$4,000	$0	$300	$300
Total Debt Issued/(Repurchased)	$1,990	$1,425	$1,365	$1,315

Source: Wolfe Research Utilities & Power Research

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CenterPoint Energy (CNP)

1. What factors led to the recent 2021 and 2022 guidance increases? What parts of your business performing better than you expected just a couple months ago at Analyst Day?
2. You expect to grow utility EPS 8% annually through 2024 and in the top-half of 6-8% then through 2030. Can you discuss the drivers and is there potential upside to your growth targets?
3. When do you expect the ET/ENBL merger to close? What has been the hang up at the FTC for getting HSR clearance?
4. You recently disclosed that you expected to exit midstream by YE22 – what factors will drive whether you exit sooner or later next year? What is the most likely method within which you would like you exit (marketed offering, dribble shares into market, etc.)?
5. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
6. What do you see as the biggest benefits for CNP from proposed reconciliation bill?
7. How much do you plan to invest in renewables at Indiana Electric over the course of your 10-year plan? What is required for approval of these projects?
8. Given the great price (2.5x rate base) received for your AR/OK gas LDCs, would you consider additional LDC sales in the future? What would be the key determining factors? Do any of your LDCs underearn more than the others?
9. What is the latest on securitization efforts in TX regarding Storm Uri gas costs? When do you expect a resolution in your MN proceeding regarding the incremental gas costs there?
10. Can you talk about your expectation for 2% core sales growth at Houston Electric? What is driving this growth and are there incremental upsides from areas of electrification? How about growth at your gas LDCs?
11. O&M is now expected to decrease 1-2% annually through 2030. Can you talk about where you are finding these cost savings? Is the percentage of savings consistent each year through your planning period?
12. How would you characterize your regulatory relationships? What efforts have you undertaken to repair or further enhance some of these relationships?
13. When is your rate case calendar like over the next 1-2 years? What are your priorities for Houston Electric's next rate case?
14. Can you discuss the bills that were passed during recent the TX legislative session that positively impacted CNP? What else might you look to push forward to allow CNP to take an even more active role in hardening the system?
15. How do you see hydrogen and RNG playing a role in the gas sector long-term? Are you currently conducting any pilot projects in your jurisdictions?

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Exhibit 20: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$1.28	$1.38	$1.49	$1.61
Consensus	$1.41	$1.41	$1.52	$1.59
Diluted Shares Outstanding	608	636	636	637
Dividends Per Share	$0.63	$0.68	$0.73	$0.79
Dividend Yield	2.4%	2.6%	2.8%	3.0%
parent)	49%	49%	49%	49%
Equity Ratio	36%	39%	40%	38%
FFO/Net Debt	15%	17%	15%	15%
Valuation Metrics				
P/E	20.7x	19.2x	17.8x	16.4x
Price/Book	1.8x	1.8x	1.7x	1.6x
Segment EPS				
Houston Electric	$0.65	$0.69	$0.75	$0.77
CERC	$0.35	$0.35	$0.36	$0.41
VUHI utilities	$0.38	$0.39	$0.45	$0.52
Midstream	$0.21			
Corporate & Other	($0.12)	($0.06)	($0.08)	($0.09)
Total EPS	**$1.47**	**$1.38**	**$1.49**	**$1.61**
Adjusted Utility + Parent EPS	*$1.28*			
Adjusted ENBL EPS	*$0.19*			
Segment ROE & Rate Base				
Houston Electric Realized ROE	9.3%	9.3%	9.2%	9.2%
Houston Electric Average Rate Base	$8,020	$9,248	$10,384	$11,372
CERC Realized ROE	9.8%	9.8%	9.5%	9.5%
CERC Average Rate Base	$4,142	$4,258	$4,565	$5,204
VUHI Realized ROE	9.9%	9.9%	9.7%	9.7%
VUHI Average Rate Base	$4,925	$5,407	$6,339	$7,397
Total Average Rate Base	**$17,088**	**$18,913**	**$21,289**	**$23,973**

Source: Wolfe Research Utilities & Power Research

Exhibit 21: Modeling Assumptions

Capex by segment ($M)	2021E	2022E	2023E	2024E
Houston Electric	$1,807	$2,017	$1,694	$1,323
Indiana Electric	$293	$383	$1,106	$977
CERC	986	923	1,325	869
VUHI gas LDCs	414	477	575	531
Total Capex	**$3,500**	**$3,800**	**$4,700**	**$3,700**
Financings ($M)				
Equity Issued/(Repurchased)	$20	$20	$20	$20
Preferred Equity Issued/(Repurchased)	$0	$0	$0	$0
Debt Issued/(Repurchased)	$1,600	($443)	$2,200	$1,900
Sales Forecast				
Houston Electric	1.7%	1.7%	1.7%	1.8%
Natural Gas Distribution	0.5%	0.5%	0.5%	0.5%

Source: Wolfe Research Utilities & Power Research

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CMS Energy (CMS)

1. What gives your confidence in the 6-8% earnings growth rate long-term? How long can you sustain hitting the top-end? Are you still pointing to the IRP-related capex as an upside?
2. How are you thinking about the company's ESG position? What has the reception been to your accelerated coal shutdown announcement? Do you think this will unlock new investors?
3. What has been the feedback to your Integrated Resource Plan overall? Where were you seeing the most pushback in intervenor commentary? Are parties comfortable with no coal from a reliability perspective and more existing gas from an emissions perspective? Are you confident you won't need to use securitization? How are you feeling about the ability to own more renewables versus PPAs? Can a settlement be attained and when should we expect approval?
4. How are you thinking about the implications of the Biden infrastructure and tax plans? How are you feeling on chances of approval and what are the most important factors for your business?
5. Have concerns about the gas LDC business calmed down? Has the recent high gas price environment brought this back at all? How do the economics compare to electrification of heating (ie: heat pumps)? What type of role could hydrogen have in the future considering your asset base?
6. A number of storms have hit Michigan in recent months that gained political and regulatory attention. What are you doing to address this? Anything you plan to do differently or any new capex needed?
7. Where do we stand on your electric rate case? When will you file again? When is your next gas rate case?
8. What is your view on the Michigan PSC overall? Are there any changes you would like to see from a regulatory / rate-making perspective? Do think allowed ROEs will remain stable at just below 10%? What is your EPS sensitivity to ROE changes?
9. What are some of the key drivers in 2021 and 2022 guidance? What are you seeing on sales growth trends coming out of COVID peak?
10. When will you make a decision on the 2022 dividend and how should we think about the growth trajectory long-term?
11. How are you thinking about your balance sheet and current credit metric targets? Has the Enerbank proceeds upside changed anything? Are you confident in maintaining your current ratings now that Moody's has taken action? When will equity needs resume?
12. What are some of your long-term focus areas on the cost cutting side of the equation? How long can this runway continue?
13. How do you think about owning unregulated contracted renewables? Will we see more of this? How do the returns on this type of investment compare to regulated utility returns?
14. Anything else do to on the strategic front after Enerbank and the IRP? Do you look at M&A opportunities? Are you a buyer or seller? Do you think you need more scale long-term?

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Exhibit 22: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.88	$2.87	$3.16	$3.48
Diluted Shares Outstanding	287	288	288	288
Dividends Per Share	$1.74	$1.77	$1.90	$2.03
Dividend Yield	2.9%	3.0%	3.2%	3.4%
Dividend Payout Ratio	61%	62%	60%	58%
Equity Ratio	27%	31%	30%	29%
FFO/Net Debt	12%	14%	13%	13%
Valuation Metrics				
P/E	20.9x	20.9x	19.0x	17.2x
Price/Book	2.9x	2.8x	2.6x	2.5x
Segment EPS				
Consumers	$3.08	$3.32	$3.63	$3.95
Enterprises	0.13	0.13	0.13	0.13
Enerbank	0.22			
Parent	(0.56)	(0.58)	(0.60)	(0.60)
Total EPS	**$2.88**	**$2.87**	**$3.16**	**$3.48**
Consumers Energy				
Electric				
Realized ROE	10.0%	9.7%	9.5%	9.3%
Average Rate Base	$12,466	$13,391	$14,622	$15,907
Gas				
Realized ROE	9.7%	9.5%	9.3%	9.2%
Average Rate Base	$8,167	$8,985	$9,799	$10,512

Source: Wolfe Research Utilities & Power Research

Exhibit 23: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total CapEx by Segment ($M)				
Electric Capital	$1,400	$1,800	$2,008	$1,908
Gas Capital	1,100	1,200	1,100	1,000
Total Capex	**$2,500**	**$3,000**	**$3,108**	**$2,908**
Financings ($M)				
Total Equity Issued/(Repurchased)	$100	$0	$0	$0
Total Debt Issued/(Repurchased)	950	1,350	1,450	1,150
Sales Forecast				
Electric	2.4%	1.0%	1.0%	1.0%
Gas	0.8%	0.8%	0.8%	0.8%

Source: Wolfe Research Utilities & Power Research

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Consolidated Edison (ED)

1. What are upside/downside risks to your 4-6% EPS growth target? Do you expect the growth to be uniform through your planning period?
2. What datapoints have you seen in recent New York rate cases and any readthroughs for when CECONY will file next year?
3. Do you see any upsides to your ~6% rate base CAGR over the next 3-5 years? When do you expect to get clarity on Phase II of your transmission proposals in NY? How much of the estimated $5.4B in capex for the 8 projects do you expect to go to CECONY?
4. Now that you are able to collect disconnect/late fees from residential and commercial customers, how much up an uplift do you see starting in Q4 and onward? What did you 2021 guidance range assume?
5. Can you discuss the petition you filed with the NY PSC to establish a surcharge recovery mechanism for disconnect/late fees that were foregone in 2020? If they don't act of this request, how might they be handled in CECONY's next rate case?
6. Assuming MVP is completed in 2022, what is your strategy with respect to your stake in the project long-term? What does your long-term EPS and financing guidance assume with respect to MVP?
7. What opportunities are there for CECONY to earn above the allowed level under the current rate plan? Do you expect to be able to earn any EAMs in 2022?
8. NY has very aggressive clean energy coals. How realistic is it to meet those goals without sacrificing reliability and still keeping customer bills affordable?
9. What is your role in the New York's clean energy future? What are the implications for CECONY's gas business? Is there any chance you will be able to own renewables at your utilities in the future?
10. Are you actively involved in any RNG or hydrogen pilot projects at your gas LDCs?
11. What's the latest with the offshore wind in New York? Can you talk about Transco's signed MoU with ES/Ørsted on the Sunrise Wind Project – what exactly is your role? Any interest in investing in offshore wind in the future?
12. You have disclosed a $700M equity need in aggregate over 2022-23 – best to assume 50/50 split? What could impact whether you need more or less next year?
13. Do you foresee the ability to spend more on renewables over time or is the $400M/yr. run rate your target long-term? Any interest in doing more M&A (i.e., the SRE deal) or is there a preference to grow the business organically? What type of returns do you see for projects?
14. Are you seeing any cost inflation for inputs in your solar projects? How much of your backlog is already locked up (i.e., not subject to these impacts)? Have you seen an issues in your supply chain?
15. What do you see as the biggest benefits for ED from the proposed reconciliation bill? Would enhanced/extended clean energy credit make you want to ramp up investment in your clean energy business?
16. What is your targeted earnings mix long-term (i.e., regulated vs unregulated)?

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Exhibit 24: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.20	$4.66	$4.78	$4.99
Diluted Shares Outstanding	348	357	362	368
Dividends Per Share	$3.10	$3.20	$3.29	$3.39
Dividend Yield	4.1%	4.2%	4.3%	4.4%
Dividend Payout Ratio	74%	69%	69%	68%
Equity Ratio	49%	48%	48%	48%
FFO/Net Debt	14%	14%	15%	15%
Valuation Metrics				
P/E	18.1x	16.4x	16.0x	15.3x
Price/Book	1.3x	1.3x	1.2x	1.2x
Segment EPS	**2021E**	**2022E**	**2023E**	**2024E**
Consolidated Edison of NY	$3.65	$4.01	$4.19	$4.37
Orange & Rockland	0.19	0.21	0.22	0.23
Competitive Businesses	0.42	$0.49	$0.43	$0.44
Parent	($0.05)	($0.05)	($0.05)	($0.06)
Total ED EPS	**$4.20**	**$4.66**	**$4.78**	**$4.99**
Consolidated Edison of NY				
Earned ROE	8.0%	8.5%	8.6%	8.6%
Average Rate base ($M)	33,162	35,033	36,938	39,064
Orange & Rockland				
Earned ROE	7.9%	8.1%	8.2%	8.2%
Average Rate base ($M)	1,733	1,892	2,001	2,104
Total Average Rate base ($M)	34,895	36,924	38,939	41,168

Source: Wolfe Research Utilities & Power Research

Exhibit 25: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
Consolidated Edison of NY	$3,540	$3,475	$3,705	$3,605
Orange & Rockland	211	267	267	267
Competitive Businesses	297	465	447	400
Total Capex	**4,048**	**4,207**	**4,419**	**4,272**
Financings ($M)				
Total Equity Issued/(Repurchased)	$880	$450	$450	$600
Total Debt Issued/(Repurchased)	1,343	1,315	1,415	1,115
Utility Sales Forecast				
Consolidated Edison of NY	0%	0%	0%	0%
Orange & Rockland	0%	0%	0%	0%

Source: Wolfe Research Utilities & Power Research

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Dominion Energy (D)

1. What are the drivers behind your 6.5% annual EPS growth expectation? Is there the potential to do better once your investment in offshore wind starts to ramp up?
2. Can you talk about the recent settlement that was reached concerning VEPCO's triennial review – what are the key provisions? How does the outcome in that proceeding de-risk the next triennial review?
3. What is your perspective on the recent election outcomes in Virginia – do you see any meaningful change as to how things are done in the state, specifically with respect to energy policy?
4. What do you see as the biggest benefits for D from the proposed reconciliation bill? How meaningful would a direct pay option be for potentially lowering future equity needs? How might a minimum book tax rule impact you?
5. Can you talk about the different aspects of the Virginia Clean Economy Act? What is the total opportunity set for future capital investments?
6. What is the size of the investment for the Coastal Virginia Offshore Wind project? How much is directly for the offshore wind vs wet transmission vs onshore transmission/distribution upgrades? How confident are you in delivering the project at total LCOE of $87/MWh?
7. With all of the renewable investments you will be adding in Virginia over the next couple of decades, how do you intend to keep customer bills manageable? What percentage annual bill increases do you foresee to meet the targets set out in the Clean Economy Act?
8. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
9. When do you expect the Q-Pipe transaction to close? Any chance that Southwest Gas could back out given Icahn's involvement?
10. Can you talk about the transformation of VEPCO's rate base from base rate recovery to rider-based recovery over the next few years?
11. How should we think about equity financing needs once investments in renewables really start to ramp up in the middle of the decade?
12. Can you talk about the preferred IRP portfolio in South Carolina? Do you see the ability to accelerate coal retirements and add more renewables under the plan?
13. You have been one of the more vocal companies in the sector with respect to applications for hydrogen and renewable natural gas. Can you discuss any projects you are working on currently and what you believe is the potential for both longer-term?
14. What are your current views on M&A? Do you have any interest in adding or selling gas LDC(s)? What are your long-term plans for Cove Point and Millstone?

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Exhibit 26: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.87	$4.13	$4.38	$4.70
Diluted Shares Outstanding	810	825	841	848
Dividends Per Share	$2.52	$2.67	$2.83	$3.00
Dividend Yield	3.3%	3.5%	3.8%	4.0%
Dividend Payout Ratio	65%	65%	65%	64%
Equity Ratio	37%	37%	37%	37%
FFO/Net Debt	15%	15%	15%	15%
P/E	19.5x	18.3x	17.2x	16.0x
Price/Book	2.5x	2.4x	2.3x	2.1x
Segment EPS				
Virginia Electric Power	$2.46	$2.64	$2.87	$3.21
Dominion Energy South Carolina	$0.53	$0.54	$0.55	$0.56
Contracted Generation	0.27	0.29	0.22	0.22
Cove Point	0.24	0.24	0.23	0.22
Gas Distribution	0.75	0.82	0.88	0.90
Corporate & Other	(0.39)	(0.40)	(0.38)	(0.41)
Total EPS	**$3.87**	**$4.13**	**$4.38**	**$4.70**
Utility Rate Base (YE)				
Virginia Electric Power	$27,280	$29,936	$33,629	$39,367
Dominion Energy South Carolina	$7,137	$7,542	$8,017	$8,360
Gas LDCs	$9,806	$10,664	$11,479	$12,050
Total Utility Rate Base ($M)	**$44,223**	**$48,142**	**$53,126**	**$59,776**
Realized Operating ROE				
Virginia Electric Power	14.9%	14.8%	14.8%	14.5%
Dominion Energy South Carolina	9.6%	9.6%	9.6%	9.6%

Source: Wolfe Research Utilities & Power Research

Exhibit 27: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Virginia Electric Power	$4,160	$4,410	$5,527	$7,677
Dominion Energy South Carolina	1,000	900	1,000	900
Gas Distribution	1,500	1,300	1,300	1,100
Cove Point	45	45	45	45
Merchant Generation / Other	155	155	155	155
Total Capex	**$6,860**	**$6,810**	**$8,027**	**$9,877**
Financings ($M)				
Total Equity Issued/(Repurchased)	$300	$500	$500	$700
Total Converts Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$3,267	$2,400	$2,550	$4,800
Sales Forecast				
Volume Growth	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

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DTE Energy (DTE)

1. You just refreshed your five-year plan. What are some of the key takeaways? Are there upsides in the utility capital plan? Where are the opportunities on the non-utility side?
2. What is your conviction in achieving the 5-7% EPS growth target? Historically you've grown above this level – can that continue? What is helping you offset the near-term pressure from the REF cliff and equity converts? Should we read into the initial 2022 guide only reflecting growth at the midpoint given you've historically guided at closer to 7%?
3. How would you describe the company's ESG position? Do you believe your latest coal retirement plan is enough to draw in these types of investors? What prevented you from accelerating the Belle River coal retirement even further? What is holding you back on an earlier retirement of Monroe? Do you have reliability concerns? How much coal in rate base is left and how do you plan to manage this?
4. Your voluntary renewables program has been very successful. What opportunities are you seeing in terms of wind and solar additions? When will you file your next IRP and what should we expect to hear on the renewables front?
5. How are you thinking about the Biden clean energy plan – tax credits and direct pay? How would this impact your plan and what is the likelihood it gets done?
6. How are you feeling about your gas LDC business from an ESG perspective and given the spike in natural gas prices? How are you protected from this volatility and is there any risk investment upsides are crowded out?
7. What is the latest on the summer storms in Michigan? This got a lot of attention in the political/regulatory arena – should we expect an adverse impact? Will there be more capex needed? What is the impact on customer rates and O&M?
8. The RNG business has gotten a lot of focus at the Vantage segment. Are you seeing the potential for an acceleration in growth? In what parts of the country are there opportunities? Where do you see competition coming from?
9. What is the latest on your pending gas rate case? Was there anything concerning in the ALJ recommendation? How much further can you push out for next electric rate case filing?
10. How are you thinking about balance sheet metrics and credit post-spin? How much cushion in the plan do you have and for how long can you minimize equity needs?
11. What is your target for regulated earnings percentage going forward? Could this vary at all?
12. Any change in strategic vision post-spin? Would you consider M&A? Is the Vantage business a core segment long-term?

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Exhibit 28: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E	2025E
EPS	$7.44	$5.88	$6.23	$6.61	$6.96
Consensus EPS	$5.87	$5.94	$6.27	$6.73	
Dividends Per Share	$4.42	$3.60	$3.85	$4.12	$4.41
Dividend Yield	3.9%	3.2%	3.4%	3.6%	3.9%
Dividend Payout Ratio	59%	61%	62%	62%	63%
FFO/Net Debt	15%	13%	13%	13%	13%
Diluted Shares Outstanding	194	197	205	205	206
Valuation Metrics					
P/E	15.2x	19.3x	18.2x	17.2x	16.3x
Price/Book	1.7x	1.6x	1.6x	1.6x	1.5x
Segment EPS					
DTE Electric	4.47	4.71	4.86	5.16	5.42
DTE Gas	1.09	1.23	1.24	1.31	1.40
Gas Storage & Pipelines					
Power & Industrial	0.84	0.46	0.69	0.71	0.75
Energy Trading	0.23	0.10	0.10	0.10	0.10
Parent & Other	(0.76)	(0.62)	(0.65)	(0.67)	(0.70)
Total EPS	**$5.87**	**$5.88**	**$6.23**	**$6.61**	**$6.96**
DTE Electric					
Realized ROE	10.0%	9.6%	9.3%	9.1%	8.8%
Average Rate Base	$22,277	$24,116	$26,008	$27,854	$29,655
DTE Gas					
Realized ROE	9.5%	9.8%	9.2%	8.9%	8.8%
Average Rate Base	$5,521	$6,009	$6,496	$6,972	$7,438

Source: Wolfe Research Utilities & Power Research

Exhibit 29: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E	2025E
Capex by Segment ($M)					
DTE Electric	$2,800	$3,000	$3,000	$3,000	$3,000
DTE Gas	$600	$620	$620	$620	$620
Gas Storage & Pipelines	$290				
Power & Industrial	$240	$250	$250	$250	$250
Total Capex	**$3,930**	**$3,870**	**$3,870**	**$3,870**	**$3,870**
Financing ($M)					
Total Equity Issued/(Repurchased)	$50	$0	$50	$140	$150
Total Debt Issued/(Repurchased)	$1,955	($775)	$1,275	$1,800	$1,675
Sales Forecast					
DTE Electric	1.1%	0.0%	0.0%	0.0%	0.0%
DTE Gas	1.0%	1.1%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

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Duke Energy (DUK)

General

1. What are the upside/downside risks to your 5-7% LT EPS growth target? What is your conviction on hitting the midpoint or better?
2. Do you still see the upper half of $65-75B capex in 2025-29? What are the drivers?
3. How much is M&A, including asset sales, part of the strategy from here? What is the rationale for the regional mix?
4. Where do things stand now with Elliott? Are you interacting with them? Do you expect a settlement?
5. What do you think Congress passes from the Biden clean energy plan and tax credits? How would that impact your current capital plan?
6. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
7. How about inflationary pressure? Do you see it as manageable?
8. What is your projected LT dividend growth?
9. What is your projected FFO/Debt? When will you next need equity?
10. What are your succession plans?

NC and fleet transition

11. What are the next steps at the NCUC to implement the new NC clean energy law? How and when will it impact your financial outlook?
12. Describe the fleet transition options you are recommending in your Carolinas IRPs. What are the high level choices that have to be made on costs vs carbon reductions?
13. How much renewables ($ and MW) do you project through your forecast period under your IRP? What is the split between the utility and CR segment?
14. How do the new gas plants in some of your IRP scenarios fit in from a decarbonization perspective? Would you use RNG or hydrogen?

Other

15. What is the latest on fleet transition opportunities in IN? What about the appeal to your IN rate case?
16. Describe the recent FL rate plan for 2022-24. Where do you expect to earn within your 8.85-10.85% ROE band? Do you see the ROE mechanism being triggered allowing another 25bp on top of the range?

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Exhibit 30: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$5.20	$5.40	$5.74	$6.13
Diluted Shares Outstanding	769	769	769	769
Indicated Dividend Per Share	$3.93	$4.01	$4.09	$4.17
Dividend Yield	3.9%	4.0%	4.1%	4.1%
Payout Ratio	76%	74%	71%	68%
Equity ratio (excl ST debt)	42%	40%	40%	39%
FFO/Net Debt	13%	12%	13%	13%
Valuation Metrics				
P/E	19.4x	18.7x	17.6x	16.5x
EV/EBITDA	12.8x	12.8x	12.4x	12.1x
P/B	1.6x	1.6x	1.6x	1.5x
FCF/Yield	(2.3)%	(4.8)%	(2.9)%	(1.9)%
Segment EPS				
Electric	$5.13	$5.30	$5.62	$6.00
Gas	0.54	0.60	0.66	0.70
Commercial	0.28	0.29	0.29	0.29
Parent/Other	(0.75)	(0.79)	(0.83)	(0.87)
Total EPS	**$5.20**	**$5.40**	**$5.74**	**$6.13**
ROE on Regulated Rate Base (ex CWIP)				
Carolinas	10.2%	9.6%	9.6%	9.7%
Progress	9.9%	9.6%	9.6%	9.6%
Florida	10.6%	10.1%	10.1%	10.1%
Indiana	9.7%	9.7%	9.7%	9.7%
Ohio-KY	9.6%	9.6%	9.6%	9.6%
Gas	9.5%	9.6%	9.6%	9.6%
Earnings Base				
Carolinas	$27,893	$30,690	$33,322	$35,021
Progress	18,096	19,125	20,493	21,929
Florida	16,671	18,078	19,499	21,081
Indiana	9,392	9,704	9,884	10,481
Ohio-KY	4,691	5,000	5,101	5,395
Gas LDCs	8,702	9,624	10,447	10,999
Gas Pipelines	0	0	0	0
Total	$85,446	$92,222	$98,746	$104,906

Source: Wolfe Research Utilities & Power Research

Exhibit 31: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Electric	$8,450	$10,400	$10,100	$10,025
Gas	1,150	1,275	1,150	1,000
Commercial	425	800	475	400
Parent/Other	350	275	275	275
Total Capital Spending	$10,375	$12,750	$12,000	$11,700
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	3,085	6,825	4,550	4,675
Sales Forecast				
Carolinas	4.0%	0.5%	0.5%	0.5%
Progress	4.0%	0.5%	0.5%	0.5%
Florida	2.8%	0.0%	0.5%	0.5%
Indiana	4.0%	0.5%	0.5%	0.5%
Ohio-KY	3.0%	0.5%	0.5%	0.5%
Gas	1.5%	1.5%	1.5%	1.5%

Source: Wolfe Research Utilities & Power Research

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Edison International (EIX)

1. The stock has run the last month but remains at a deep discount. What is the investment case for EIX stock?
2. What are the drivers of your 5-7% EPS growth and 6-8% rate base growth target through 2025? What could push you to top end?
3. Do you expect to add even more storage than the 535 MW for next summer? Do you see other opportunities to address reliability issues in the state?
4. Why did you lower 2021 guidance? Any risk to 2022 relative to when you gave the preliminary drivers earlier this fall?
5. What's your overall view of CA regulation? Who do you expect Gov Newsom will appoint to replace outgoing-CPUC President Batjer?
6. What did you think of the recent GRC decision? When will you file for the fourth year (2024)? What is the plan for covered conductor spend in the outer years?
7. What do you expect from the off-cycle Cost of Capital filing? What are the next steps? What is the impact of a ROE cut from the CoC mechanism being triggered for 2022?
8. How have you performed operationally this fire season? How have you improved your PSPS program?
9. What is the latest on your Wildfire Mitigation Plan? When do you expect to get a decision on your next wildfire safety certificate?
10. What are your thoughts on the AB 1054 Wildfire Fund and liability cap? Is there anything you can do to provide better conviction to investors that this model will work?
11. What is the latest on the 2017/18 fires/mudslides? Why did you raise your best estimate to $7.5B? And how confident are you that the unresolved claims will cost $2.2B?
12. What is the significance of settling on enforcement actions with the SED?
13. What are the next steps for cost recovery of the 2017/18 damages? How will you show whether the costs are prudent? Do you expect any recoveries?
14. How much incremental debt/equity do you anticipate to fund settlements/payments?
15. Will the $250M/yr, on average, of equity put you at the midpoint of your 15-17% FFO/debt target? If the CoC mechanism is triggered and ROE is cut, do you need more equity?
16. What are the L-T investment opportunities in CA generally, such as EVs, electrification, batteries, grid hardening?
17. Where is the customer bill heading both in the short-term from rising commodity prices and in the long-term from the clean energy transition?
18. What do you expect from NEM 3.0? Do you view residential solar as a threat or an opportunity? Would you partner with solar/storage developers? Do you agree with Sunrun's CEO that the time is now for "radical collaboration" with utilities on issues facing the power industry?
19. What is the latest in your FERC transmission business? What is the risk to earnings if FERC cuts incentives? What portion of your overall rate base is transmission?
20. What dividend growth do you expect over the next few years? Will you keep it low given uncertainty and credit pressure? Or stick with current payout target of 45-55% of SCE earnings?

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Exhibit 32: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.47	$4.63	$4.95	$5.32
Consensus	$4.51	$4.66	$4.95	$5.23
Diluted Shares Outstanding	379	387	391	395
Dividends Per Share	$2.65	$2.75	$2.85	$2.95
Dividend Yield	4.2%	4.4%	4.5%	4.7%
Dividend Payout Ratio (EIX)	59%	59%	58%	55%
Dividend Payout Ratio (SCE)	53%	53%	51%	50%
Cons. Equity Ratio	37%	37%	36%	37%
SCE Equity Ratio (adjusted)	51%	52%	51%	51%
FFO/Net Debt	15%	18%	18%	16%
Valuation Metrics				
P/E	14.1x	13.6x	12.7x	11.9x
EV/EBITDA	8.4x	8.4x	8.2x	8.0x
Price/Book	1.6x	1.5x	1.4x	1.4x
Segment EPS				
Southern California Edison (SCE)	$4.96	$5.20	$5.56	$5.95
Parent/Edison Energy	(0.50)	(0.57)	(0.62)	(0.63)
Total EPS	**$4.47**	**$4.63**	**$4.95**	**$5.32**
SCE Rate Base, ROE				
Average Rate Base ($M)	$35,267	$38,325	$41,570	$44,874
ROE ex O&M/fin savings, EE	10.1%	9.9%	9.9%	9.9%

Source: Wolfe Research Utilities & Power Research

Exhibit 33: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
SCE	$5,203	$6,107	$5,554	$5,609
Total Capex	**$5,203**	**$6,107**	**$5,554**	**$5,609**
Financings ($M)				
Total Equity Issued/(Repurchased)	$325	$350	$250	$250
Total Debt Issued/(Repurchased)	1,100	2,200	1,600	1,950
SCE over/(under) allowed, $/sh				
Costs excluded from authorized	($0.22)	($0.21)	($0.21)	($0.21)
Financing, operating variances	$0.39	$0.37	$0.37	$0.36
AB 1054 safety spend (no ROE)	600	-	-	-

Source: Wolfe Research Utilities & Power Research

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Emera (EMA)

1. Can you talk about the key drivers of your 7.5-8.5% rate base CAGR through 2023? How should we think about EPS growth in relation to your rate base growth and dividend growth target of 4-5%/yr.?
2. How confident are you in earning above the 9.95% ROE midpoint going forward under TECO's new rate plan - could you earn at the top end?
3. Can you talk about the balance sheet and steps you have taken/are taking to improve your credit metrics relative to peers? What level of equity/hybrid financing does your capital plan require over the next few years?
4. When do you expect to get your payout ratio within your targeted 70-75% range?
5. What is the latest on the Atlantic Loop project and when might that project get the green light to move forward? What is the size of the potential capital investment for EMA?
6. Can you comment on the recent trend in the sector to simplify business mixes with a bias towards becoming a pure-play utility? How do you view your non-utility businesses in that context?
7. How are managing through the FX headwinds this year? Have you found offsets elsewhere in the business? Do you still view the 1.33 FX rate as the correct rate for the long term?
8. How are the Caribbean utilities performing? Has Grand Bahama fully recovered from Hurricane Dorian? Are COVID restrictions on tourism still having a big impact on these utilities?
9. What is your view on M&A? Do you have any desire to pursue a large-scale acquisition, similar to the size of the TECO deal?
10. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
11. How has your gas marketing business performed amidst the recent rise in natural gas prices? Should we view the higher prices as a tailwind for that business?
12. What do you see as the biggest benefit for your U.S. utilities from the House's reconciliation bill proposal? How might a direct pay option for PTCs/ITCs impact your future equity needs?

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Exhibit 34: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.82	$3.20	$3.37	$3.57
Consensus EPS	$2.83	$3.07	$3.25	$3.49
Dividends Per Share	$2.57	$2.68	$2.78	$2.89
Dividend Yield	4.4%	4.6%	4.8%	5.0%
Dividend Payout Ratio	91%	84%	83%	81%
FFO/Net Debt	11%	12%	12%	12%
Equity Ratio	34%	34%	34%	34%
Avg Diluted Shares Outstanding	255	262	269	275
Valuation Metrics				
P/E	20.7x	18.3x	17.3x	16.3x
Price/Book	1.7x	1.7x	1.6x	1.6x
Segment EPS				
Florida Electric Utility	$1.95	$2.22	$2.33	$2.46
Canadian Electric Utility	$0.95	$1.03	$1.03	$1.04
Other Electric Utilities	$0.13	$0.15	$0.15	$0.15
Gas Utilities & Infrastructure	$0.81	$0.89	$0.93	$0.97
Parent & Other	(1.02)	(1.09)	(1.08)	(1.05)
Total EPS	**2.82**	**3.20**	**3.37**	**3.57**
	5%	*13%*	*5%*	*6%*
Florida Electric Utility				
Realized ROE	9.3%	10.4%	10.3%	10.3%
Average Rate Base	$9,311	$10,602	$11,438	$12,341
Canadian Electric Utility				
Realized ROE	8.7%	9.1%	9.2%	9.2%
Average Rate Base	$4,438	$4,594	$4,774	$5,027
Other Electric Utilities				
Realized Return on Rate Base	7.0%	7.5%	7.7%	7.6%
Average Rate Base	$984	$1,035	$1,037	$1,081
Gas Utilities & Infrastructure				
Realized ROE	10.1%	10.1%	10.1%	10.1%
Average Rate Base	$2,783	$3,249	$3,559	$3,902
Total Utility Average Rate Base	$17,515	$19,479	$20,808	$22,352

Source: Wolfe Research Utilities & Power Research

Exhibit 35: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment (C$M)				
Florida Electric Utility	$1,360	$1,370	$1,360	$1,360
Canadian Electric Utility	$395	$365	$380	$380
Other Electric Utilities	$70	$100	$100	$100
Gas Utilities & Infrastructure	$520	$610	$530	$530
Parent & Other	$15	$260	$10	$10
Total Capex	**$2,360**	**$2,705**	**$2,380**	**$2,380**
Financing (C$M)				
Total Equity Issued/(Repurchased)	$425	$375	$375	$375
Total Hybrids Issued	$425	$0	$0	$0
Total Debt Issued/(Repurchased)	$700	$1,025	$650	$575
Sales Forecast				
Florida Electric Utility	1.0%	1.0%	1.0%	1.0%
Canadian Electric Utility	0.2%	0.2%	0.2%	0.2%
Gas Utilities & Infrastructure	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

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Entergy Corp. (ETR)

1. What are the drivers of your 5-7% EPS growth through 2024? What gets you to the top half of your LT EPS outlooks, which you had targeted before Hurricane Ida?
2. What are the upside/downside risks to your EPS growth outlook of 5-7% through 2024?
3. You suggested higher capex in your 2022-24 plan than in the 2021-23 plan. What are the drivers?
4. How much new renewables do you anticipate? Will it be higher than the $1.4B in your plan from the Sep 2020 analyst day?
5. What is the latest with the NOLA City Council? Is there still risk your business?
6. How do you feel about your regulatory relations with the LaPSC and your other states?
7. Will you be able to get federal relief for storm costs? How are the securitization proceedings going for the 2020 storms? And when will you file for 2021 storm costs?
8. When and how do you anticipate issuing the $1.23B of equity needs through 2024? Are you considering preferred equity?
9. Will incremental capex (e.g., new resiliency spend, more renewables) imply more equity needs? If so, will the capex be funded 50/50 debt and equity?
10. What FFO/debt do you project? What is it if you exclude the roughly $4.5B of storm restoration costs?
11. What would be the impact on your business from Biden's clean energy and tax credits, including credits for renewables, hydrogen, nuclear and transmission?
12. With your multiyear FRP extensions in AR and LA approved, when are the next major rate cases or FRP extensions?
13. What is the upside/downside to your sales growth outlook? What is the potential impact from rising natural gas and purchased power prices to sales and rates?
14. How much inflationary pressures are you seeing? Are they manageable?
15. How much pension risk do you have at current rates? What's your assumed discount rate and rate of return on assets?
16. What is the latest in the SERI proceedings at FERC? What is the risk to earnings or equity needs? Can you settle the Grand Gulf prudency case?
17. Describe the latest on your Mitsubishi collaborative and Invenergy partnerships. What is your hydrogen and renewables strategies?
18. What is your dividend growth target?
19. Do you anticipate M&A in your region? Are you a buyer or a seller? Consider asset sales to replace equity needs?
20. Are you on track to completely exit the merchant business next spring? What are the remaining approvals needed for Palisades? Aside from de-risking decommissioning, what are the financial implications of the nuke sales?

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Exhibit 36: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
Utility net parent EPS	$5.99	$6.32	$6.74	$7.11
Consensus	$5.97	$6.33	$6.72	$7.08
Diluted Shares Outstanding	201	205	209	213
Dividends Per Share	$4.03	$4.27	$4.53	$4.80
Dividend Yield	3.9%	4.1%	4.4%	4.7%
Payout Ratio on Utility net Parent	67%	68%	67%	67%
Equity Ratio	34%	34%	35%	35%
FFO/Net Debt	13%	14%	13%	13%
Parent Debt/Total Debt	21%	21%	20%	20%
Valuation Metrics				
P/E	17.2x	16.3x	15.3x	14.5x
EV/EBITDA	11.7x	9.6x	10.1x	10.0x
Segment EPS				
Utility	$7.35	$7.65	$8.07	$8.46
Parent & Other	($1.36)	($1.33)	($1.33)	($1.34)
Utility net parent/other	**$5.99**	**$6.32**	**$6.74**	**$7.11**
Utility segment				
Earned utility book ROE	8.9%	9.1%	9.3%	9.3%
Average Rate Base ($M)	$31,749	$33,377	$35,460	$38,021

Source: Wolfe Research Utilities & Power Research

Exhibit 37: Modeling Assumptions

	2021E	2022E	2023E	2024E
Total Capital Spending				
Utilities	3,415	3,510	4,560	4,635
Entergy Nuclear	10	5	0	0
Parent & Other	60	45	40	41
Total Capex	**$3,485**	**$3,560**	**$4,600**	**$4,676**
Financings ($M)				
Total Equity Issued/(Repurchased)	$360	$350	$400	$400
Total Debt Issued/(Repurchased)	575	950	925	1,375

Source: Wolfe Research Utilities & Power Research

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Evergy (EVRG)

1. What were some of the key messages from your Analyst Day? What do you think investors are missing and what will it take for EVRG to become a premium utility?
2. David and Kirk, now that you've been at EVRG for almost a year, what do you see as areas where you can add value and spur improvement? What are some of EVRG's existing strengths?
3. What is your conviction in your long-term EPS target of 6-8% growth? What brings you to the top-end of low-end of the range? What levers can you pull to offset unexpected headwinds in any given year?
4. Please summarize your latest Integrated Resource Plan. How are you thinking about the fleet transition overall and why not retire coal sooner? How do securitization laws change/help with this transition? How concerned are you about reliability? What is your pitch to ESG investors?
5. What caused you to pull forward some of your wind plans while pushing out your solar plans? Is there any concern that supply chain and inflation issues could last longer? How confident are you that you will be able to own these assets in rate base?
6. Please discuss the wind PPA buyout opportunity. How should we think about the economics and rate impact of this? How accepting do you think the PPA counter-parties and regulators will be to this?
7. How could the Democratic tax incentive proposals change your plans? How does the direct pay option impact your business?
8. Can you please preview your upcoming rate cases in both states? What will be the key items you are looking to recover? How big could the rate ask be? How will you address the Sibley issue in Missouri? Do you expect it to be contentious or will settlements be achievable?
9. What do you expect to be the long-term cadence of rate case filings? Do you have the necessary regulatory mechanisms to file less frequently? What are the prospects for renewing PISA legislation? Are you concerned about regulatory lag in Missouri if this isn't renewed?
10. How are you tracking on regional rate competitiveness? Particularly in Kansas, has the noise around this calmed down?
11. How are you tracking on your cost cutting targets? What will it take to get to first quartile? How much rate headroom could you create?
12. Where do you see transmission opportunities long-term within SPP? When will these become more evident?
13. How are you tracking on credit metrics? When do you become a cash taxpayer? How long can you avoid equity issuances?
14. You saw an outsized positive contributed from your power marketing and ventures businesses in 2021? Was this truly a one-off or are there ways to manage these each year to be upside earnings contributors?
15. Where do we stand in terms of Elliott and Bluescape's involvement in the stock? Is there anything more they are looking for that hasn't been addressed? Is M&A officially off the table?

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Exhibit 38: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.55	$3.54	$3.84	$4.04
Consensus EPS	$3.54	$3.54	$3.77	$4.02
Dividends Per Share	$2.18	$2.33	$2.49	$2.67
Dividend Yield	3.4%	3.7%	3.9%	4.2%
Dividend Payout Ratio	61%	66%	65%	66%
FFO/Net Debt	17%	16%	16%	16%
Diluted Shares Outstanding	228	229	229	229
Valuation Metrics				
P/E	18.0x	18.0x	16.6x	15.8x
Price/Book	1.6x	1.5x	1.5x	1.4x
Segment EPS				
MO/KS Metro (KCP&L)	1.36	1.34	1.42	1.44
Missouri West (GMO)	0.47	0.49	0.54	0.60
Kansas Central (Westar)	1.88	1.87	2.04	2.16
Parent & Other	(0.16)	(0.16)	(0.16)	(0.16)
Total EPS	**$3.55**	**$3.54**	**$3.84**	**$4.04**
KCP&L				
Realized ROE	10.2%	9.9%	10.2%	10.1%
Average Rate Base	$6,131	$6,296	$6,459	$6,617
GMO				
Realized ROE	11.0%	10.2%	10.1%	10.2%
Average Rate Base	$1,871	$2,118	$2,360	$2,595
Westar				
Realized ROE	10.7%	9.9%	10.0%	9.9%
Average Rate Base	$8,194	$8,850	$9,503	$10,150

Source: Wolfe Research Utilities & Power Research

Exhibit 39: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
KCP&L	$586	$605	$598	$617
GMO	$391	$403	$399	$411
Westar	$977	$1,008	$997	$1,028
Parent & Other	$0	$0	$0	$0
Total Capex	**$1,953**	**$2,016**	**$1,993**	**$2,055**
Financing ($M)				
Total Equity Issued/(Repurchased)	$115	$0	$0	$0
Total Debt Issued/(Repurchased)	$450	$550	$550	$525
Sales Forecast				
KCP&L	4.9%	-0.4%	0.5%	0.5%
GMO	5.5%	-0.9%	1.0%	1.0%
Westar	0.0%	0.0%	0.0%	0.0%

Source: Wolfe Research Utilities & Power Research

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Eversource Energy (ES)

General

1. What's the upside/downside risks to your LT EPS growth target of the upper half of 5-7%?
2. How would Biden's clean energy plan and tax credits impact your business?
3. When do you anticipate adding offshore wind into your growth target? How much EPS could the three projects add in the first full year of operations?
4. How much new equity do you project through 2026? Do you need any more to fund offshore wind?
5. Will you grow the dividend in line with EPS, even after incorporating offshore wind? What's your target payout ratio?
6. What are your thoughts on M&A? Do you see consolidation in electric, gas or water?

Offshore wind

7. What is the status of your projects with JV partner Ørsted? Can you meet the timelines? What are the key risks to meeting them?
8. How has Biden's offshore wind goals impacted your pending projects and longer-term strategy? What do you think of the changes at BOEM and in the key administrative offices (Commerce, Energy, Interior, Labor)?
9. What is your potential offshore wind market opportunity? Which states are driving that?
10. What do you expect from MA lawmakers on changing the price criterion for future auctions?
11. What ROE do you expect from your pending projects? Is it still mid-teens? What is your hurdle rate for future offshore wind projects?
12. How will offshore wind impact customer bills and reliability?
13. What are risks from cost inflation for your offshore wind projects? How much of your costs are locked up right now?

Utilities

14. How do you feel now on CT regulation?
15. When do you plan to file rate cases for both CL&P and Yankee Gas?
16. What is the latest on your MA electric utility? How about your MA gas utility business? How is performance-based ratemaking working? When will you file a next round of rate cases in MA?
17. Do you expect to earn your allowed returns at each of your utilities through your planning period?
18. What are the investment opportunities outside of your 2021-25 capital plan? What is the upside from AMI, grid mod, EV, storage, water investments if approved?
19. What is the risk from the proposed elimination of the RTO/ISO ROE adder (50bp) and general tone on ROEs from FERC? What FERC ROE do you assume in your outlook?

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Exhibit 40: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.87	$4.13	$4.40	$4.65
Diluted Shares Outstanding	342	345	349	353
Dividends Per Share	$2.41	$2.56	$2.72	$2.89
Dividend Yield	2.9%	3.1%	3.2%	3.4%
Dividend Payout Ratio	62%	62%	62%	62%
Equity ratio	44%	43%	43%	43%
FFO/Net Debt	14%	14%	14%	14%
Valuation Metrics				
P/E	21.7x	20.3x	19.0x	18.0x
P/B	2.0x	1.9x	1.8x	1.7x
Segment EPS				
Electric Distribution	$1.69	$1.79	$1.88	$1.96
Electric Transmission	1.52	1.63	1.70	1.74
Gas Distribution	0.51	0.58	0.67	0.77
Water	0.12	0.13	0.14	0.15
Parent/Unregulated/Other	0.02	0.00	0.02	0.03
Total EPS	**$3.87**	**$4.13**	**$4.40**	**$4.65**
Subsidiary EPS				
NSTAR Electric	$1.37	$1.44	$1.53	$1.61
Connecticut Light & Power	1.37	1.48	1.52	1.54
Public Service Co. of New Hampshire	0.47	0.49	0.52	0.55
Water	0.12	0.13	0.14	0.15
Yankee Gas	0.23	0.24	0.27	0.30
NSTAR Gas	0.19	0.21	0.23	0.26
Columbia Gas	0.09	0.12	0.17	0.21
Parent/Unregulated/Water	0.02	0.00	0.02	0.03
Total EPS	**$3.87**	**$4.13**	**$4.40**	**$4.65**

Source: Wolfe Research Utilities & Power Research

Exhibit 41: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Electric Distribution	$1,457	$1,580	$1,628	$1,564
Transmission	1,065	915	853	761
Gas Distribution	636	654	699	662
Water	149	143	154	162
Gas Pipelines	0	0	0	0
Other	217	249	211	194
Total Capital Spending	**$3,524**	**$3,541**	**$3,545**	**$3,343**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$233	$233	$233
Total Debt Issued/(Repurchased)	1,775	1,500	1,350	1,075
Sales Growth Forecast				
NSTAR Electric	0.0%	0.0%	0.0%	0.0%
Connecticut Light & Power	0.0%	0.0%	0.0%	0.0%
Public Service Co. of New Hampshire	0.0%	0.0%	0.0%	0.0%
Western Massachusetts Electric Co.	0.0%	0.0%	0.0%	0.0%
Yankee Gas	2.0%	2.0%	2.0%	2.0%
NSTAR Gas	2.0%	2.0%	2.0%	2.0%

Source: Wolfe Research Utilities & Power Research

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Exelon Corp. (EXC)

General

1. How does the recent IL legislation impact your businesses?
2. What is the latest on your merchant SpinCo? When will you complete the spin?
3. When will you give a long-term outlook for RemainCo and SpinCo?
4. How would proposed nuclear PTCs impact SpinCo? How would the Biden's clean energy plan impact both businesses generally?
5. How have rising natural gas and power prices impacted your businesses?
6. Have you seen inflationary pressures? Are they manageable?

ExGen/SpinCo

7. How will you layout the growth outlook for SpinCo? Will you provide EBITDA or EPS guidance? What is a good base year?
8. What modeling disclosures will you provide? Will you forecast 3-years out, as you previously did before PJM auctions were put on hold?
9. What is the breakdown of EBITDA by wholesale generation and retail supply? Do you still see $2-4/MWh margin in the retail business?
10. How about nuclear vs nonnuclear EBITDA? How much of your EBITDA comes from ZECs or state support in 2022 or 2023?
11. What are the prospects for nuclear PTCs? How much upside do you project if the latest language (6 years) was enacted?
12. Have you seen any progress on support for your nuclear plants in other states, like PA?
13. When will the next PJM auction occur? Do you see prices going up or down from last June's auction? How does the recent IL law impact your view of the auction?
14. What level of O&M reductions do you project next year and beyond? Do you see potential for consolidation in the merchant space, particularly nuclear operators?
15. How much leverage will SpinCo carry? Do you have a targeted D/EBITDA coverage or cap structure?
16. What are SpinCo's capital allocation priorities? Will SpinCo pay a dividend? What's the payout target?

Utilities/RemainCo

17. What is the investment story for RemainCo? What are its ESG credentials?
18. What is your conviction on 6-8% LT EPS growth for RemainCo? What are your payout and dividend growth targets?
19. How much equity does RemainCo need to fund growth? Where do you anticipate FFO/debt?
20. What are your plans in IL/Comed? How much of your utility business are in multiyear rate plans? Are there any key rate cases upcoming?

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WOLFE RESEARCH

Exhibit 42: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS (utility/parent only post '21)	$2.74	$2.26	$2.38	$2.52
Consensus EPS	$2.80	$3.38	$3.47	$3.48
Dividends Per Share	$1.53	$1.35	$1.43	$1.51
Payout on Utility net Parent	73%	60%	60%	60%
Equity ratio	46%	34%	34%	35%
FFO/Net Debt	18%	14%	14%	14%
Diluted Shares Outstanding	982	987	993	999
Valuation Metrics				
P/E	19.8x	24.0x	22.7x	21.5x
Dividend Yield	2.8%	2.5%	2.6%	2.8%
Segment EPS - Utility post '21				
Generation	$0.64			
ComEd	0.81	0.87	0.91	0.95
PECO	0.54	0.60	0.64	0.70
BGE	0.41	0.45	0.47	0.50
Pepco	0.60	0.64	0.67	0.72
Parent	(0.26)	(0.29)	(0.32)	(0.34)
Total EPS	**$2.74**	**$2.26**	**$2.38**	**$2.52**
Utility, net Parent EPS	**$2.09**	**$2.26**	**$2.38**	**$2.52**
ExGen Key Stats				
Adjusted EBITDA		$2,880	$2,654	
Mark to Market Adj EBITDA				
Free Cash Flow	1,480	1,866	1,717	
FFO/Net Debt	56%	104%	201%	
Realized ROE by Utility				
ComEd	8.9%	9.0%	9.0%	9.1%
PECO	11.0%	11.0%	11.0%	11.0%
BGE	10.0%	10.0%	10.0%	10.0%
Pepco	9.8%	9.9%	9.9%	9.9%
Average Rate Base ($M)	$45,914	$49,767	$53,153	$56,670

Source: Wolfe Research Utilities & Power Research

Exhibit 43: Modeling Assumptions

Assumptions - Utility post '21	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
ComEd	$2,400	$2,450	$2,500	$2,325
PECO	1,250	1,275	1,275	1,400
BGE	1,200	1,250	1,225	1,200
Pepco	1,675	1,725	1,700	1,825
Generation (EXC interest)	600			
Nuclear Fuel (EXC interest)	650			
Parent/other	0	0	0	0
Total Capex	**$7,775**	**$6,700**	**$6,700**	**$6,750**
Financings - Utility post '21				
Equity Issued/(Repurchased)	$200	$267	$267	$267
Debt Issued/(Repurchased)	2,475	2,400	2,275	1,850
Midwest % Hedged	**95.5%**	**90.0%**	**60.0%**	
Hedge/Retail Price ($/MWh)	27.00	27.00	27.00	
Wholesale Mkt Price ($/MWh)	23.68	41.13	31.69	
Mid-Atlantic % Hedged	**99.5%**	**90.0%**	**60.0%**	
Hedge/Retail Price ($/MWh)	34.50	34.50	34.50	
Wholesale Mkt Price ($/MWh)	26.75	48.31	37.67	
Power Generated / Purchased (TWh)				
Midwest	97.3	97.3	97.3	
Mid-Atlantic	52.9	57.2	57.2	
ERCOT	20.3	20.3	20.3	
New York	20.3	25.7	25.7	
New England	3.8	4.2	4.2	
Other	6.8	6.8	6.9	
Total	**201.3**	**211.6**	**211.6**	
Capacity Revenue ($M)				
PJM	921	689	520	
Other	119	122	98	
Total	**1,040**	**811**	**618**	
Nuke subsidies ($M)				
IL - Clinton and QC ZECs	235	235	235	
IL - Braidwood, Byron, Dresden	-	(384)	(163)	
NJ	86	86	86	
NY	425	550	593	
Total	**745**	**487**	**750**	

Source: Wolfe Research Utilities & Power Research

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FirstEnergy Corp. (FE)

1. Can you review your recently filed Ohio rate settlement? How were you able to get all the parties to come together? Is there any risk to PUCO approving it? How should we think about the ongoing earnings impact of these bill credits and can they be offset in other ways? What are you expecting in terms of earned ROEs on rate base going forward? Do you feel you have de-risked the SEET construct and 2024 rate case?
2. What is the latest on all the pending audits in Ohio and are there further risks? What did you think of the DCR and corporate separation audit results? What litigation still needs to be worked out elsewhere – shareholders, SEC, FERC, other states?
3. How are you thinking about the Ohio regulatory environment going forward? Does it feel like you're turning the page in terms of regulatory relations? Where has new PUCO Chair French been focused? Where do you see legislation going that is seeking to end ESPs? Is there anything else to monitor at the regulatory or legislative level?
4. How is the asset sale process going and how soon can we expect an announcement? What led you to decide on a transmission stake versus your other assets? Was there no path to exit your coal exposure in West Virginia? Do you still think 30x P/Es are achievable?
5. How are you thinking about your balance sheet and equity needs going forward? What is your current FFO/Debt and where would you like to be relative to your thresholds? How soon could the rating agencies move you back to investment grade? You alluded to exploring options to raise equity capital beyond the transmission sale – what did you mean by this? Will there be ongoing equity needs once you refresh your plan?
6. When do you expect to file your next rate cases in any other jurisdictions? What is your risk from lower FERC transmission ROEs or removal of the RTO adder? Do you see the opportunity for any large-scale transmission projects long-term? How big could the offshore wind transmission opportunity be in New Jersey?
7. Can you describe the FE Forward initiative? What are the benefits from a cash flow and cost savings perspective? Could this create capex opportunities long-term?
8. What are you most focused on in the Biden clean energy bill? Could his be a catalyst to adding more renewables in West Virginia? Do you see any risks from a minimum book tax?
9. Are you seeing any pressures from inflationary costs or rising power/nat gas prices?
10. What do you believe Icahn's intentions are? How has their Board presence helped?
11. Once Ohio is resolved and the asset sale concludes, where are you focused? Would you consider M&A at all? Any other strategic ideas?
12. Given the potential pressures on 2022 from the Ohio rate credits, how should we think about a base year when you resume your long-term earnings guidance? Do you think linear growth at levels similar to utility peers is doable? When could dividend growth resume?
13. What are you seeing in terms of load growth across your service territories? How are things looking coming out of the peak of COVID?

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Exhibit 44: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$2.60	$2.42	$2.62
Consensus EPS	$2.59	$2.54	$2.66
Dividends Per Share	$1.56	$1.56	$1.56
Dividend Yield	4.0%	4.0%	4.0%
Dividend Payout Ratio	60%	64%	59%
FFO/Net Debt	11%	13%	14%
Diluted Shares Outstanding	545	548	551
Valuation Metrics			
P/E	15.0x	16.1x	14.8x
Price/Book	2.7x	2.5x	2.3x
Segment EPS			
Distribution	2.22	2.16	2.25
Transmission	0.88	0.80	0.90
Parent & Other	(0.51)	(0.54)	(0.52)
Utilities (ex-DMR) Net-Parent	**$2.60**	**$2.42**	**$2.62**
Total EPS	*$2.60*	*$2.42*	*$2.62*

Source: Wolfe Research Utilities & Power Research

Exhibit 45: Modeling Assumptions

Assumptions	2021E	2022E	2023E
Capex by Segment ($M)			
Ohio Edison	$305	$279	$259
Cleveland Illuminating	$213	$195	$180
Toledo Edison	$72	$66	$61
Met-Ed	$183	$181	$170
Penelec	$168	$167	$156
WestPenn Power	$214	$212	$199
Jersey Central Power & Light	$180	$175	$170
MonPower	$224	$237	$227
Potomac Edison	$126	$133	$128
FE Transmission	$750	$845	$853
Transmission Other	$350	$463	$423
Parent & Other	$90	$65	$55
Total Capex	**$2,875**	**$3,018**	**$2,880**
Financing ($M)			
Total Equity Issued/(Repurchased)	$105	$120	$120
Total Debt Issued/(Repurchased)	($321)	$484	$234
Sales Forecast			
Ohio Distribution	0.0%	0.0%	0.0%
Pennsylvania Distribution	0.4%	0.4%	0.4%
New Jersey Distribution	1.0%	1.0%	1.0%
West Virginia / Maryland Distributior	0.0%	0.0%	0.0%

Source: Wolfe Research Utilities & Power Research

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Fortis (FTS)

1. You just laid out an extensive five-year capital plan refresh. What were some of the key components? Where do you see potential upsides? Is there any regulatory or construction risk? At what subsidiary are you seeing the most opportunity for investment?
2. You target 6% rate base growth and 6% dividend growth. What drove the decision not to extend the dividend growth guidance another year? How should we think about EPS growth and why not give an official target (same goes for annual EPS guidance)? Why has earnings lagged rate base growth so materially in recent years and is there anything that can be done to establish a smoother trajectory?
3. How do you view the company's positioning from an ESG perspective? What are some of the key components in your transition from coal to renewables in Arizona? How are you thinking about this with respect to your gas business in British Columbia?
4. Please review the current funding plan. How do you weigh increasing capex versus tapping equity markets? What are your targeted credit metrics? Are you actively looking to improve your ratings?
5. What is the latest on FERC transmission ROEs and incentives? How did you view the latest NOPR and are your expecting this to be enacted? What is your sensitivity to transmission ROEs? What direction would you like to see FERC go in terms of reforms on planning, cost allocation, etc?
6. How are you thinking about opportunities and risks from the Biden plan? What impact would a transmission ITC have? What about renewables tax credits? Would direct pay help your balance sheet? Is there any risk from the minimum book tax? Any federal changes in Canada that we should be focused on that could impact your outlook?
7. How should we think about the long-term transmission opportunity at ITC given the renewables backlog in MISO/SPP? When will we get an update on the MISO long-range transmission plan? What about the Lake Erie Connector? Where do you see other future large-scale opportunities?
8. What states do you have a right-of-first-refusal framework for transmission projects and is it possible this expands? How does the dynamic change if transmission is competitively bid?
9. Your rate case outcome a year ago and the most recent rate outcome for one of your peers in Arizona was obviously very different. How else do you give investors comfort though? Are you concerned about your next rate case filing and when will it be? Do you still think getting a renewables rider is doable? What else do you need to achieve from a regulatory perspective in Arizona as it relates to your Integrated Resource Plan?
10. Is there any hope of improving allowed ROEs and equity ratios in Canada? What does the upcoming regulatory set-up look like?
11. Can you review the components of your New York rate settlement? How was COVID treated there and what is still outstanding on that front?
12. What is the opportunity in Canada around LNG? Over what timeline could this be realized?
13. How are you thinking about risks this year (and longer-term) from a weaker FX rate? How confident are you that you can offset this with higher capex?
14. You have a history of acquisitions in the U.S. Why have you pursued this strategy and why are you now focusing on organic growth? Are there any businesses you are looking to divest given furthering of investor preferences for pure plays, along with some of the sale multiples seen in the sector? Is there any opportunity to move to full ownership of ITC? How much capacity does your balance sheet have?

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Exhibit 46: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.72	$2.92	$3.10	$3.24
Consensus EPS	$2.68	$2.88	$3.03	$3.20
Dividends Per Share	$2.05	$2.17	$2.30	$2.44
Dividend Yield	3.7%	3.9%	4.1%	4.4%
Dividend Payout Ratio	75%	74%	74%	75%
FFO/Net Debt	13%	13%	13%	13%
Diluted Shares Outstanding	469	473	477	482
Valuation Metrics				
P/E	20.6x	19.2x	18.0x	17.3x
Price/Book	1.3x	1.2x	1.2x	1.2x
Segment EPS				
ITC	0.99	1.05	1.10	1.15
UNS	0.78	0.80	0.81	0.85
Central Hudson	0.18	0.20	0.23	0.24
BC Gas	0.35	0.37	0.41	0.44
Alberta	0.28	0.28	0.29	0.29
BC Electric	0.11	0.11	0.12	0.13
Other Electric	0.28	0.31	0.34	0.35
Energy Infrastructure	0.11	0.12	0.13	0.13
Parent & Other	(0.36)	(0.33)	(0.31)	(0.35)
Total EPS	**$2.72**	**$2.92**	**$3.10**	**$3.24**

Source: Wolfe Research Utilities & Power Research

Exhibit 47: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
ITC	$1,000	$998	$999	$1,010
UNS	$749	$704	$810	$924
Central Hudson	$71	$77	$36	$27
BC Gas	$306	$344	$335	$311
Alberta	$467	$622	$585	$798
BC Electric	$346	$445	$477	$494
Other Electric	$153	$156	$127	$120
Energy Infrastructure	$721	$621	$470	$357
Parent & Other	$0	$0	$0	$0
Total Capex	**$3,813**	**$3,967**	**$3,839**	**$4,041**
Financing ($M)				
Total Equity Issued/(Repurchased)	$233	$233	$233	$233
Total Debt Issued/(Repurchased)	$1,460	$1,525	$1,165	$1,305
Sales Forecast				
Electric (UNS + CH + Alberta + BC +	2.3%	1.4%	1.3%	1.3%
Gas (CH + BC)	0.4%	1.6%	1.6%	1.6%

Source: Wolfe Research Utilities & Power Research

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NextEra Energy (NEE) / NextEra Energy Partners (NEP)

1. NEE still trades at the highest multiple in the sector by far – is there still upside from here?
2. What is your high level view of the Biden clean energy plan? What are the chances it passes in current form and what provisions are at most risk of change? What do certain provisions mean for your company (PTC/ITC for wind, solar, storage, nuclear, hydrogen, transmission; plus direct pay)? What are the impacts from the minimum book tax and is there a way for you to manage it?
3. Do you still have high conviction in hitting the top-end of your 6-8% EPS growth rate through 2023? What are some of the key drivers to the growth trajectory and how does the business mix of utilities and renewables evolve over time? When will you extend this outlook?
4. How are you tracking on renewables origination targets? Are you seeing any pressure on returns from increased competition, inflation, or supply chain? Has any of this seen a greater impact within wind versus solar (ie: tariffs and domestic content)? How do solar and wind economics compare right now? How are you seeing PPA demand evolve in the C&I and utility RFP market?
5. Where else are you seeing growth avenues within clean energy – hydrogen, resi solar, community solar, clean tech investing, bitcoin mining? What is the latest on the hydrogen front in particular as you have been talking to that for some time now? How much capital do you expect to deploy in these verticals in the coming years? Still skeptical on offshore wind?
6. What are your thoughts on the impact of EV adoption for the sector? What about electrification in general and how much demand can this add to the sector?
7. Can you walk us through some of the key components of your FP&L rate case settlement? Does this change your outlook at the utility business at all? Where do you see rate base growth tracking long-term?
8. How interested are you in pursuing additional regulated M&A? It seems you are continuing to do some things on the margin within your smaller transmission and water businesses. Where do you see these going over time?
9. What is the current funding strategy and how much capacity do you have on the balance sheet for M&A? What are the preferred ways to use this capacity, and how pressing of a need is it? How much can we expect in terms of equity needs going forward? How much can the business mix change and still maintain the same credit thresholds? What are other ways to recycle capital beyond NEP and will this become more prevalent?
10. Please review why a successful NEP is important for the outlook of NEE. How long can you continue distribution growth at 15% based on NEE's current backlog?
11. How are you thinking about the growth opportunities for NEP? How do you balance convertible portfolio financings like the KKR/Blackrock deals to fund NEE drop-downs and third-party acquisitions?
12. How have you seen NEP's cost of capital come down over time? Do you expect more entrants into the YieldCo space?

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Exhibit 48: Financial Summary (NEE)

Financial Summary	2021	2022	2023	2024
EPS	$2.53	$2.70	$2.92	$3.13
Consensus	$2.53	$2.74	$2.95	$3.16
Diluted Shares Outstanding	2,001	2,001	2,001	2,001
Dividends Per Share	$1.54	$1.69	$1.86	$2.05
Dividend Yield	1.8%	2.0%	2.2%	2.4%
Dividend Payout Ratio	61%	63%	64%	65%
Equity Ratio	37%	37%	38%	40%
FFO/Net Debt	21%	21%	20%	20%
Valuation Metrics				
P/E	33.4	31.4	29.0	27.1
EV/EBITDA	18.7	17.6	16.5	15.5
Price/Book	4.9	4.7	4.4	3.8
FCF Yield	0%	-1%	1%	1%
Segment EPS	$1.12	$1.20	$1.31	$1.31
Florida Power & Light	$1.27	$1.36	$1.46	$1.55
NextEra Resources	$1.14	$1.22	$1.33	$1.44
Gulf Power	$0.12	$0.13	$0.14	$0.16
Corporate & Other	($0.00)	($0.01)	($0.01)	($0.02)
Total	**$2.53**	**$2.70**	**$2.92**	**$3.13**

Source: Wolfe Research Utilities & Power Research

Exhibit 49: Modeling Assumptions (NEE)

	2021	2022	2023	2024
Total Capital Spending by Segment ($M)				
FP&L	5,725	5,725	5,725	5,725
Resources	5,950	6,900	6,900	6,900
Parent	45	45	45	45
Total Capex	**11,720**	**12,670**	**12,670**	**12,670**
Financings ($M)				
Total Equity Issued/(Repurchased)	0	0	0	0
Total Debt Issued/(Repurchased)	1,626	3,538	2,375	2,375
Sales Forecast				
FP&L	1%	1%	1%	1%

Source: Wolfe Research Utilities & Power Research

Exhibit 50: Financial Summary (NEP)

Financial Summary	2021E	2022E	2023E	2024E
Adjusted EBITDA	$1,446	$1,677	$1,778	$1,926
Consensus EBITDA	$1,685	$1,830	$1,950	
Cash Available for Distribution	$657	$748	$768	$813
Cash Distributed to Common Units	$471	$556	$657	$788
Cash Distributed to GP/IDRs	$128	$154	$185	$225
Coverage Ratio	1.4x	1.3x	1.2x	1.0x
Dividends Per Share	$2.60	$2.99	$3.43	$3.95
Dividend Yield	3.0%	3.4%	3.9%	4.5%
Cash Flow from Operation	$833	$936	$949	$993
Diluted Shares Outstanding	186	187	196	203
Market Capitalization	16,145	16,242	17,077	17,633
Net Debt	$2,721	$1,450	$1,940	$2,646
Enterprise Value	$18,866	$17,692	$19,017	$20,279
Valuation Metrics				
EV/EBITDA	13.0x	10.5x	10.7x	10.5x
CAFD Yield	4.1%	4.6%	4.5%	4.6%

Source: Wolfe Research Utilities & Power Research

Exhibit 51: Modeling Assumptions (NEP)

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
Maintenance	$10	$10	$10	$10
Growth	$1,426	$160	$320	$640
Total Capex	**$1,436**	**$170**	**$330**	**$650**
Financing ($M)				
Total Equity Issued/(Repurchased)	$50	$100	$100	$100
CEPF Issued less Cash Buyouts	$1,727	$960	($551)	($362)
CEPF Equity Buyouts	$664	$100	$960	$703
Total Debt Issued/(Repurchased)	($13)	($14)	($221)	($566)

Source: Wolfe Research Utilities & Power Research

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NiSource (NI)

1. You recently raised your L-T outlook – still expecting to grow at 7-9% CAGR through 2024 but now off a higher 2021 base. What were the underlying factors driving that decision?
2. Can you discuss your preferred portfolio in NIPSCO's IRP? Is it likely that the company will own most of the replacement generation (up to $750M of incremental capex)? What factors does the IURC look at most when considering utility-owned vs PPA?
3. How does the timing of the Michigan City coal retirement (2026 or 2028) impact the timeframe for when you expect to make the investments in the replacement generation?
4. How sustainable is the 10%+ rate base growth that you are currently experiencing at each of your gas LDCs? What type of projects are you investing in?
5. Gas LDCs are back trading at a meaningful discount to electric utilities. Within that context, how do you think about your current business mix now and longer-term?
6. What is your current view on strategic M&A? Do the recent robust valuation markers impact your thinking at all with respect to potentially selling any of your gas LDCs? What type of criteria do you look at for evaluating asset sales?
7. Are you seeing any cost inflation for inputs in your renewable projects? What is the communication like with your developers on these projects – are they all currently on track/budget? What protections do you have in your contracts should something go awry?
8. What will be the timing for when your different renewable projects will go into service? How do you anticipate managing the regulatory lag until you have the projects reflected in rate base?
9. When do you expect to file your next electric rate case at NIPSCO? Any concern about getting full recovery of the renewable investments?
10. What is the latest with respect to your gas rate cases in OH, PA and IN? When should we expect to see intervenor testimony in each case? How do you feel about the ability to settle these cases?
11. Last year you announced a multi-year strategic initiative to improve your cost structure across the company. What specifically do you intend to pursue? What level of O&M are you targeting long-term?
12. How would you describe the company's investment proposition from and ESG perspective?
13. How do you see hydrogen playing a role in the sector long-term? Are there opportunities to use your existing LDC infrastructure for hydrogen or renewable natural gas? Are you working on any pilot programs?
14. What do you see as the biggest benefits for NI from the proposed reconciliation bill? How meaningful would a direct pay option be for potentially lowering future equity needs?

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Exhibit 52: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$1.36	$1.45	$1.53	$1.74
Diluted Shares Outstanding	415	443	451	477
Dividends Per Share	$0.89	$0.94	$1.00	$1.06
Dividend Yield	3.5%	3.8%	4.0%	4.2%
Dividend Payout Ratio	65%	65%	65%	61%
Equity Ratio	38%	38%	36%	37%
FFO/Net Debt	15%	15%	14%	16%
Valuation Metrics				
P/E	18.5x	17.3x	16.4x	14.4x
Price/Book	1.9x	1.9x	1.8x	1.8x
EV/rate base	1.4x	1.3x	1.2x	1.2x
Segment EPS				
Gas Distribution	$1.09	$1.14	$1.23	$1.28
NIPSCO Electric	0.55	0.58	0.59	0.74
Parent & Other	(0.29)	(0.27)	(0.29)	(0.28)
Total EPS	**$1.36**	**$1.45**	**$1.53**	**$1.74**

Source: Wolfe Research Utilities & Power Research

Exhibit 53: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Gas Distribution	$1,385	$1,435	$1,585	$1,535
Electric	590	1,090	1,940	490
Parent	25	25	25	25
Total Capex	**$2,000**	**$2,550**	**$3,550**	**$2,050**
Financings ($M)				
Total Equity Issued/(Repurchased)	$290	$290	$115	$40
Total Hybrids Issued/(Repurchased)	$863	$0	$863	$0
Total Debt Issued/(Repurchased)	$0	$650	$1,400	$500

Source: Wolfe Research Utilities & Power Research

OGE Energy (OGE)

1. What upsides/downsides do you see to your 5% EPS growth target for OG&E?
2. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
3. Rate base growth is a more modest than the sector average, but you have recently hinted at incremental capex being added in the future – when do you plan to refresh your capital plan next?
4. You recently filed a final IRP in OK and AR. Can you discuss the planned retirements and expected replacement capacity? When exactly will the replacement capacity be added? How much of the replacement capacity do you expect to own in rate base?
5. Since the ET/ENBL transaction was announced, ET's unit price is up ~30% – does that impact the timing of your exit from midstream? How should we think about use of proceeds?
6. How much tax leakage do you anticipate when you eventually sell your ET/ENBL units? Are there any strategies that you are working on to minimize the tax bill?
7. What do you see as the biggest benefits for OGE from the proposed reconciliation bill? How might it impact your pending IRPs in OK/AR?
8. When do you anticipate filing your next rate case in OK? What level of rate increase might you seek to push through? What will be the cadence for filing rate cases moving forward?
9. What still needs to be accomplished within the OK securitization proceeding regarding Winter Storm Uri costs? When you expect to receive the proceeds from the bonds?
10. How would you characterize the current regulatory environment in Oklahoma? Do you have the ability to earn your authorized 9.50% ROE?
11. What is your expectation for long-term load growth in your service territories? What does this translate to on a revenue or EPS basis?
12. What is your L-T dividend growth guidance? Do you have a targeted payout ratio? How might your thinking evolve here once you exit midstream?
13. Do you have any equity needs in the foreseeable future? Once you exit midstream, what credit metrics will you target?
14. What is your current view on M&A? Would you consider expanding OGE's utility footprint into any other states?

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Exhibit 54: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.45	$2.14	$2.25	$2.34
Consensus	$2.26	$2.16	$2.23	$2.34
Diluted Shares Outstanding	200	200	200	200
Dividends Per Share	$1.60	$1.63	$1.66	$1.69
Dividend Yield	4.7%	4.8%	4.9%	5.0%
Dividend Payout Ratio	65%	76%	74%	72%
Equity Ratio	44%	48%	47%	46%
FFO/Net Debt	16%	20%	19%	19%
Valuation Metrics				
P/E	13.9x	16.0x	15.2x	14.6x
P/E (utility only)	18.9x	17.8x	16.8x	16.1x
Price/Book	1.8x	1.8x	1.7x	1.7x
Segment EPS				
OG&E	$1.81	$1.92	$2.04	$2.14
Midstream	0.64	0.22	0.22	0.22
Parent & Other	0.00	(0.01)	(0.01)	(0.02)
Total EPS	**$2.45**	**$2.14**	**$2.25**	**$2.34**
OG&E				
Realized W/A ROE	9.3%	9.4%	9.5%	9.5%
Average rate base	$7,296	$7,724	$8,090	$8,496

Source: Wolfe Research Utilities & Power Research

Exhibit 55: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Spending by Segment ($M)				
Transmission	$150	$110	$115	$105
Distribution	300	310	285	320
Generation	105	85	125	125
Reliability and resiliency	295	280	285	285
Total Capex	**$850**	**$785**	**$810**	**$835**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$1,300	($650)	$260	$280
OG&E Sales Forecast				
Residential	(0.9%)	1.0%	1.0%	1.0%
Commercial	5.1%	1.0%	1.0%	1.0%
Industrial	3.7%	1.0%	1.0%	1.0%
Oilfield	0.2%	1.0%	1.0%	1.0%
Public Authorities and other	9.0%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

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PG&E Corp (PCG)

1. The stock has had a solid run the last month but remains at the deepest discount in the group. What is the investment case for PCG stock?
2. What are the risks to your 10% EPS CAGR through 2024? What are you projected equity needs?
3. How has new management acclimated to their roles this year? How have regulators and policymakers responded? Have you improved your use of PSPS and fast-trips shutoffs?
4. What is the latest on the Dixie Fire? What was your role and what evidence suggests you were prudent? What is the risk to your $1.15B preliminary estimate?
5. Safety certificate – What is the latest on your Wildfire Mitigation Plan? When do you expect to file and receive a decision on your next wildfire safety certificate?
6. Undergrounding – What has been the feedback to your 10k miles of undergrounding proposal? When will you provide more detail and provide a dollar amount? Is $2M/mile a reasonable estimate? How will you fund it?
7. What are your thoughts on the AB 1054? Is there anything you can do to provide better conviction to investors this model will work?
8. What is the latest on the 2019 Kincade and 2020 Zogg fires? What is the risk from criminal charges in both fires? Why are you confident no law was violated?
9. What is the latest on the six-step enhanced oversight and enforcement process under PCG's plan of reorganization? What is the risk you are moved to step 2 from step 1?
10. What do you expect from the off-cycle Cost of Capital filing? What are the next steps? What is the impact of a ROE cut from the CoC mechanism being triggered for 2022?
11. What's your overall view of CA regulation? Who do you expect Gov Newsom will appoint to replace outgoing-CPUC President Batjer?
12. What do you expect the FV Trust will do with its 24% of shares outstanding? Do you have strategies to deal with this stock overhang?
13. Do you see any investment opportunities to address the reliability issues in the state, such as storage (EIX just announced 535 MW in 2022)?
14. What are the L-T opportunities in CA generally, such as EVs, electrification, batteries, grid hardening?
15. Where is the customer bill heading both in the short-term from rising commodity prices and in the long-term from the clean energy transition?
16. What do you expect from NEM 3.0? Do you view residential solar as a threat or an opportunity? Would you partner with solar/storage developers? Do you agree with Sunrun's CEO that the time is now for "radical collaboration" with utilities on issues facing the power industry?
17. What is the latest in your FERC transmission business? What is the risk to earnings if FERC cuts incentives? What portion of your overall rate base is transmission?
18. Given your Gas LDC and GT&S businesses are over 25% of total rate base, do you have an opinion on the ESG debate over gas? How does gas fit into your LT strategy?
19. When can you resume paying the dividend? Do you need any regulatory or legal approval before resumption?
20. When do you expect the stock to join the S&P 500 Index? Will the 3Q21 charge related to the grantor trust impact the timing of joining the index?

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Exhibit 56: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
Operating EPS	$1.01	$1.09	$1.19	$1.31
Consensus	$1.01	$1.10	$1.25	$1.33
Diluted Shares Outstanding	2,126	2,122	2,122	2,122
Dividends Per Share	$0.00	$0.00	$0.00	$0.39
Dividend Yield	0.0%	0.0%	0.0%	3.4%
Dividend Payout Ratio	0%	0%	0%	30%
Equity Ratio	38%	39%	40%	42%
FFO/Total Debt	4%	16%	18%	18%
Cash on hand ($millions)	$1,167	$1,187	$1,863	$1,080
Valuation Metrics				
P/E	11.5x	10.7x	9.8x	8.9x
Price/Book	1.1x	1.0x	0.9x	0.9x
Segment EPS				
Utility	$1.05	$1.11	$1.21	$1.33
Parent	(0.03)	(0.03)	(0.02)	(0.02)
Total	**$1.01**	**$1.09**	**$1.19**	**$1.31**
Utility				
Realized ROE ex safety spend	9.0%	9.1%	8.5%	8.7%
Avg Rate Base ex safety spend	$47,182	$49,421	$57,798	$62,004

Source: Wolfe Research Utilities & Power Research

Exhibit 57: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Electric Distrn (incl wildfire)	$3,800	$3,700	$4,200	$3,900
Gas Distribution	1,100	1,100	1,200	1,200
Generation	300	300	300	200
Common Plant	700	800	800	800
Electric Transmission	1,400	1,600	1,600	1,600
Cornerstone	0	0	0	0
Other	0	0	0	0
Total Capex	**$8,000**	**$8,300**	**$9,000**	**$8,600**
Financings ($M)				
Equity Issued/(Repurchased)	$0	$0	$0	$0
Debt Issued/(Repurchased)	(1,485)	1,370	1,671	419
Wildfire legislation				
Annual mandated safety spend	$1,300	$900	$0	$0
Fund contributions	(193)	(193)	(193)	(193)
Sales Forecast				
Electric Customer Growth	0.0%	0.0%	0.0%	0.0%
Gas Customer Growth	1.8%	1.8%	1.8%	1.8%

Source: Wolfe Research Utilities & Power Research

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Pinnacle West Capital Corp (PNW)

1. How should we think about your 5-7% EPS CAGR over the near-term off the new 2022 base? Is growth in 2023 likely to be outside of the range until you get rate relief in your next rate case?
2. What is your strategy moving forward to better align yourself with your regulators?
3. What Commissioners are up for re-election next year? Any thoughts as to whether the Democratic momentum continues from the last election?
4. Can you discuss the timeline for resolution of the upcoming legal challenge of your 2019 rate case? Is there any precedent in the state of Arizona for similar challenge?
5. When do you anticipate filing your next rate case? What equity layer will you have at APS in your test year? Do you see any risk of the Commission imputing holding company debt into your allowed regulatory capital structure?
6. Can you remind us where you stand on your renewable energy procurement efforts – what do you have currently in your capex forecast and what could still be upside through 2024? What would it take to get a renewable energy rider in Arizona?
7. FERC transmission ROEs have been coming down across the country for several utilities – do you see any risk of this happening to you, particularly with a fully Democratic FERC?
8. Is retail competition viable in Arizona? What are the specific legal hurdles? Which commissioners have expressed support for retail competition?
9. What needs to happen for securitization to become a viable option in Arizona? Where might this be a beneficial tool for the company?
10. How should we think about future dividend growth given the EPS re-set coming out of the rate case? How long do you anticipate that it will take to get within the targeted 65-75% payout ratio?
11. How confident are you in your long-term 1.5-2.5% weather adjusted sales growth target? What does this translate into on an EPS basis?
12. How should we think about equity needs over the next few years, particularly once investments in renewables start to ramp up?
13. Can you talk about the pilot program for hydrogen at Palo Verde? What is PNW's role within the group that is collaborating on the project?
14. What do you see as the biggest benefits for PNW from the proposed reconciliation bill? How meaningful would a direct pay option be for potentially lowering future equity needs?
15. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices?
16. What are your thoughts on M&A – does that ever become an option, buyer or seller?

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Exhibit 58: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$5.01	$4.23	$4.37
Diluted Shares Outstanding	113	118	123
Dividends Per Share	$3.23	$3.27	$3.32
Dividend Yield	5.1%	5.1%	5.2%
Dividend Payout Ratio	64%	77%	76%
Equity Ratio	46%	48%	46%
FFO/Net Debt	17%	16%	16%
Valuation Metrics			
P/E	12.7x	15.0x	14.6x
Price/Book	1.2x	1.1x	1.2x
Segment EPS			
Arizona Public Service	$5.29	$4.52	$4.64
Parent & Other	(0.28)	(0.30)	(0.28)
Total EPS	**$5.01**	**$4.23**	**$4.37**
Consolidated			
Earned ROE	9.8%	8.1%	8.2%
Avg Equity (ex noncontrolling int)	$5,734	$6,133	$6,496

Source: Wolfe Research Utilities & Power Research

Exhibit 59: Modeling Assumptions

Assumptions	2021E	2022E	2023E
Total Capital Spending ($M)			
Distribution	$557	$556	$549
Generation	203	190	187
Transmission	185	181	179
Environmental/Renewables	314	392	406
Other	221	181	179
Total Capex	**$1,480**	**$1,500**	**$1,500**
Nuclear Fuel Purchases ($M)	72	72	72
Financings ($M)			
Total Equity Issued/(Repurchased)	$0	$700	$0
Total Debt Issued/(Repurchased)	600	100	650
Sales Forecast			
Residential	1.0%	1.5%	1.5%
Commercial and Industrial	1.0%	1.5%	1.5%
Wholesale & Other	0.0%	0.0%	0.0%

Source: Wolfe Research Utilities & Power Research

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Portland General Electric (POR)

1. You have pointed to a 4-6% L-T EPS growth target off a 2019 base – what are upsides or downsides to that target?
2. Can you discuss your IRP action plan? Where do you expect the company to be most competitive in the RFP? How should we think about equity needs as it relates to future generation investments?
3. Can you talk about your Green Future Impact program? Recently the OPUC issued an order to expand the program by 200 MW – what is the possibility of POR being able to build and own a portion of those renewable resources?
4. What do you see as the biggest benefits for POR from the proposed reconciliation bill? How meaningful would a direct pay option be for potentially lowering future equity needs?
5. What is your latest with respect to your pending rate case in Oregon? Initial Staff testimony looked a bit punitive – why do you think there is such a big gap vs you and Staff? How do you feel about being able to reach a full settlement?
6. You have several deferrals outstanding that total around $150M (COVID, wildfires, ice storms, NVPC) – can you talk about creative ways to mitigate future bill impacts for customers? Do you see any risk that some portion of these could be disallowed?
7. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
8. There has been a good amount of damage done to your system recently from extreme weather events. Can you talk about what investments are you making to harden your system?
9. Can you talk about the recently enacted HB 2021? What needs to be done to meet the interim clean energy target by 2030? Is 100% clean by 2040 feasible?
10. The Commodity Futures Trading Commission (CFTC) and Division of Enforcement at the SEC opened an investigation into the company for the 2020 energy trading losses. Can you talk about a likely timeline for the investigation and any potential outcomes? Any other outstanding legal items related to the trading losses?
11. What steps can you take, or have you taken to reduce the earnings volatility of the company? Has there been discussions to replace the Power Cost Adjustment Mechanism (PCAM) with the OPUC?
12. You have historically guided to 70-80bps of structural regulatory lag – is there anything that can be done to close that gap?
13. What is your guidance for O&M going forward? Do you have the opportunity to meaningfully cut costs in order to offset some of the company's structural lag?

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Exhibit 60: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.78	$2.82	$2.93	$3.00
Diluted Shares Outstanding	90	90	90	90
Dividends Per Share	$1.70	$1.79	$1.89	$1.99
Dividend Yield	3.5%	3.6%	3.8%	4.1%
Dividend Payout Ratio	63%	64%	65%	66%
Equity Ratio	46%	46%	46%	47%
FFO/Net Debt	18%	21%	20%	20%
Valuation Metrics				
P/E	17.7x	17.5x	16.8x	16.4x
Price/Book	1.6x	1.6x	1.5x	1.5x
Realized ROE	8.8%	8.8%	8.8%	8.9%
Average Rate Base ($M)	$5,490	$5,759	$5,946	$6,077

Source: Wolfe Research Utilities & Power Research

Exhibit 61: Modeling Assumptions

	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Hydro Relicensing	$0	$0	$0	$0
Ongoing capital expenditures	630	630	550	550
Other IRP Renewable Investments	0	0	0	0
Operations Center	70	25	0	0
Total Capex	**$700**	**$655**	**$550**	**$550**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$150	$0	$50	$0
Sales Forecast				
POR	1.3%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

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PPL Corp (PPL)

1. What EPS growth do you project for pro forma PPL? Off what base EPS? What are the drivers?
2. When will you lay out a complete plan and LT financial outlook?
3. What level of earnings do you project for your legacy KY/PA utilities and NEC? How should we view the growth/decline of your parent drag?
4. What attracted you to NEC? When do you expect a decision from RI regulators? What have intervenors said?
5. How are you tracking on your $1B share buyback program by YE21?
6. Describe your plans for $1-2B of buybacks and/or $1-2B of “additional utility capex” by 2025? Are you toggling between the two? Is the utility capex number the equity or the total?
7. Why are you targeting a 16-18% FFO-to-debt?
8. When do you expect to cut the dividend? What is your pro forma dividend policy? What payout target do you envision?
9. What portion of pro forma rate base is coal? What is your fleet transition strategy? How do you expect to achieve that? Is there an active or upcoming proceeding that will inform your plans?
10. What is your fleet transition strategy in KY, based on the recent IRP filing? How would Biden’s clean energy plan and tax credits impact fleet transition?
11. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
12. How about inflationary pressure? Do you see it as manageable?
13. What is your rate case schedule in PA? What are your earned returns?
14. With your ROE challenge at FERC complete, what level of earnings do you project at PA transmission?
15. What are your thoughts on future M&A? Did you have any interest in utility assets recently put up for sale?

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Exhibit 62: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$1.08	$1.66	$1.77
Consensus EPS	1.20	1.62	1.82
Dividends Per Share	1.66	1.04	1.11
Dividend Yield	5.7%	3.6%	3.8%
Dividend Payout Ratio	153%	63%	63%
Diluted Shares Outstanding	767	723	711
FFO/Net Debt	11%	17%	17%
Valuation Metrics			
P/E	26.7x	17.4x	16.3x
Segment EPS	**2021E**	**2022E**	**2023E**
Kentucky		$0.73	$0.76
Narragansett (RI)		0.21	0.24
Pennsylvania		0.74	0.81
Parent & Other		(0.03)	(0.03)
Total EPS		**$1.66**	**$1.77**

Source: Wolfe Research Utilities & Power Research

Exhibit 63: Modeling Assumptions

Capex Assumptions	2021E	2022E	2023E
Kentucky	$1,200	$925	$925
Narragansett (RI)	252	275	299
Pennsylvania	900	1,175	975
Parent & Other	0	0	0
Total Capex	**$2,352**	**$2,375**	**$2,199**
Regulated Utility Assumptions			
Kentucky Regulated:			
Total Average Rate Base	$11,094	$11,464	$11,636
Equity Ratio	53.0%	53.0%	53.0%
Earned ROE	8.3%	9.2%	9.2%
Pennsylvania Regulated:			
Total Average Rate Base	$9,318	$9,998	$10,536
Transmission ROE	10.70%	10.73%	10.77%
Distribution ROE	9.3%	9.1%	9.1%
Narragansett Regulated:			
Total Average Rate Base	$3,052	$3,327	$3,626
Equity Ratio	51%	51%	51%
Earned ROE	10.1%	9.6%	9.6%
Hedges on UK			
Hedged GBP-USD price	$1.32	NA	NA
% hedged	8%	0%	0%
Assumed market price	$1.40	$1.40	$1.40

Source: Wolfe Research Utilities & Power Research

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PSEG (PEG)

1. What are some of the key message from your Analyst Day? What do you think investors are missing about the PEG story?
2. How do you think about the ESG and renewables positioning of the new PSEG? Have you started to see new interest from investors that had not owned PEG in the past given your pivot toward being primarily regulated and out of fossil merchant generation?
3. How much visibility do you have on your long-term utility capex programs? Which ones will need to come up for renewal/extension? Are there any more clean energy spend programs still to come? How long can your current rate base growth trajectory continue? Any reason utility earnings won't track that?
4. When will the fossil sale close? Any expected issues with approvals?
5. What is your vision for the future of your nuclear fleet? Do you think the PTCs in the Biden bill will hold up and how would these financially impact your plants given the NJ ZEC structure? What solutions can you pursue at the state level beyond the current 3-year ZEC program? Do you see yourself as the long-term owner of these assets?
6. What are your target credit metrics and how much cushion do you have versus thresholds? How could this change as you scale up more in offshore wind? Now that you paid down debt at Power, do you anticipate re-levering there or at the parent at some point? How do you plan to fund offshore wind growth? How long can you go without issuing equity?
7. What is your view on the overall regulatory climate in New Jersey and the BPU? When do you expect to file your next PSE&G rate case in New Jersey?
8. What are your thoughts on the FERC NOPR regarding transmission ROE adders and the supplemental NOPR on removing RTO adders? What is your exposure to this and where do you think this ultimately settles out? Do you see any opportunities for large-scale projects in PJM?
9. How big is the investment opportunity for offshore wind-related transmission? How competitive do you envision the New Jersey solicitation process being? What type of returns do you expect? When will we know more?
10. What does the BOEM approval process look like for Ocean Wind? How are you thinking about returns targets and earnings contribution from the project? What does the opportunity set look like for future offshore wind bids? Are you concerned at all about the long-term impact this will have on customer rates and the PJM capacity market?
11. Where do you see the future of the PJM auction given all the delays and rule changes?
12. Where do we stand with respect to PSEG-LI in the aftermath of Hurricane Isaias? How do plan to regain some trust following the backlash faced on Long Island?
13. Are you seeing any pressures from rising inflation and power / natural gas costs?
14. What are your thoughts on M&A now that you've shifted your business mix and opened up some balance sheet capacity?

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Exhibit 64: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.63	$3.47	$3.65	$3.87
Mark to Market EPS	$3.63	$3.47	$3.68	$3.96
Consensus EPS	$3.61	$3.50	$3.66	$3.91
Dividends Per Share	$2.04	$2.16	$2.29	$2.43
Dividend Payout Ratio	56%	62%	63%	63%
FFO/Debt	21%	20%	21%	20%
Diluted Shares Outstanding	508	501	500	500
Valuation Metrics				
P/E	17.6x	18.3x	17.4x	16.4x
EV/EBITDA	12.2x	12.7x	12.5x	12.0x
Dividend Yield	3.2%	3.4%	3.6%	3.8%
FCF Yield	0.9%	(0.4%)	(1.0%)	1.1%
Segment EPS				
PSE&G	$2.89	$3.07	$3.28	$3.50
Zero-Carbon / Infrastructure	$0.76	$0.48	$0.46	$0.46
PSEG Holdings/Parent	($0.02)	($0.07)	($0.09)	($0.08)
Total EPS	**$3.63**	**$3.47**	**$3.65**	**$3.87**

Source: Wolfe Research Utilities & Power Research

Exhibit 65: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Segment Capex($M)				
PSE&G	$2,725	$3,025	$3,335	$2,800
PSEG Power	320	320	322	318
Parent & Holdings	25	30	25	25
Total Capex	**$3,070**	**$3,375**	**$3,682**	**$3,143**
Financings ($M)				
Equity Issued/(Repurchased)	$0	($504)	$0	$0
Debt Issued/(Repurchased)	$800	($745)	$1,350	$950
Sales Forecast				
PSE&G Electric	0.0%	0.0%	0.0%	0.0%

Source: Wolfe Research Utilities & Power Research

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Sempra Energy (SRE)

1. What is the latest on the cost of capital proceeding at the CPUC? Assuming the regulators do not allow the proposal to avoid the ROE cut, can you remind us what the potential impact could be on EPS in 2022, and are there ways that this can be mitigated further?
2. On electric reliability in California, it seems that some of the other utilities have proposed storage solutions as a remedy. Is there any interest in pursuing storage at SDG&E? Are there any other things that the utility can do to bolster system reliability?
3. At SoCalGas, one message has been its efforts on looking for ways to decarbonize. How have efforts gone on that process, and what appears to be most promising right now - hydrogen, RNG, blends, carbon capture? Would any of the proposals in the reconciliation bill affect the thoughts on the potential pathways?
4. Oncor continues to be a highlight on the regulated utility front. Can you outline the expected rate base growth embedded in the plan as well as the opportunities that could develop going forward? How do you view the changes at the PUCT and ERCOT, and could reforms require additional investment on Oncor's part to support reliability over time?
5. At Sempra Infrastructure Partners, how are you seeing the most potential in investment opportunities between LNG, Mexico and other infrastructure? Could any of the proposed elements of the reconciliation bill on clean energy incentives prompt a shift on where to invest going forward?
6. How can Sempra find a way to capitalize on the current high global LNG price environment? Do MOUs with Cameron 1-3 partners mostly cover the planned 1-train expansion of Cameron, or is there additional opportunity to add new customers there? Does it alter thoughts on the optionality of ECA and Port Arthur?
7. How are you thinking about the LNG business and contracting model - is there still a lot of support for pure tolling contract structures or will that need to change to reflect buyer's preferences?
8. What is the latest on Mexico's proposed constitutional amendment to roll back some of the privatization in the power sector, especially on renewables dispatch? How big of an exposure could that be? How is this affecting how SIP would prefer to allocate capital?
9. On the balance sheet, the Aliso Canyon settlement appears to shift some of the proceeds from the SIP selldown away from debt paydown/utility reinvestment. How do you expect leverage metrics to change after taking the settlement into account? Are you comfortable with these levels?
10. Sempra's stock has lagged both the utilities as well as midstream even after the successful SIP selldown. What other avenues could the company pursue to close the gap?

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Exhibit 66: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$8.29	$8.30	$8.66	$9.12
Diluted Shares Outstanding	315	323	323	323
Dividends Per Share	$4.51	$4.87	$5.26	$5.68
Dividend Yield	3.5%	3.8%	4.1%	4.5%
Dividend Payout Ratio	54%	59%	61%	62%
Equity Ratio	60%	59%	58%	58%
FFO/Net Debt	23%	22%	21%	21%
Valuation Metrics				
P/E	15.4x	15.3x	14.7x	14.0x
EV/EBITDA	11.2x	11.3x	11.1x	11.0x
Price/Book	1.4x	1.4x	1.3x	1.3x
Segment EPS				
SDG&E	$2.59	$2.59	$2.70	$2.82
SoCalGas	$2.23	$2.29	$2.40	$2.54
Texas	$2.11	$2.13	$2.28	$2.40
Sempra LNG	$1.30	$1.06	$1.06	$1.06
Sempra Mexico	$1.14	$1.11	$1.13	$1.21
Sempra Parent	($1.06)	($0.88)	($0.90)	($0.90)
Total EPS	**$8.30**	**$8.30**	**$8.66**	**$9.12**

Source: Wolfe Research Utilities & Power Research

Exhibit 67: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending by Segment ($M)				
San Diego Gas & Electric	$2,400	$2,100	$1,800	$1,800
Southern California Gas	2,025	2,000	1,850	1,850
Oncor	1,760	1,840	1,840	1,840
Generation	0	0	0	0
International	600	200	200	100
Total Capex	**$6,785**	**$6,140**	**$5,690**	**$5,590**
Financings ($M)				
Total Equity Issued/(Repurc	$2,300	$0	$0	$0
Total Debt Issued/(Repurch	(400)	1,850	1,350	-

Source: Wolfe Research Utilities & Power Research

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Southern Company (SO)

General

1. What are the drivers of your 5-7% LT EPS growth target? What is the shape of that growth both during Vogtle construction and post completion?
2. What is the breakdown of EPS growth by segment (electric utility, gas LDC, midstream, Southern Power)?
3. What can get you to beat the growth target or 2024 guidance of $4.00-4.30?
4. What level of electric rate base growth through 2025 do you project across your states? What are the drivers?
5. Do you expect to earn your allowed ROEs in your electric utilities? Can you earn above the allowed in any states?
6. What do you expect from the Georgia Power IRP and rate case next year?
7. What is your fleet transition strategy? When will we get detail on the projected investments on replacement generation and renewables?
8. How are sales tracking given the in-migration growth in the Southeast?
9. You've talked about improving your 16% FFO/Debt? What is your target and when can you reach it? How much equity do you need through 2025?
10. How would Biden's clean energy plan and tax credits impact your businesses?
11. What is the impact to your earnings/cash outlook if natural gas and power prices rise? How about with faster inflation? Do you view the impacts as manageable?
12. What level of growth do you project for your Southern Company Gas unit? Can you earn your allowed ROEs at the LDCs? What returns do you earn in the midstream business?
13. Do you see more corporate level M&A in the regulated space? What is SO's strategy? What is the latest plan for Southern Power?

Vogtle

14. What is the latest on Vogtle? When do you expect to start and finish fuel load?
15. When do you anticipate Unit 3 to be online? How about Unit 4?
16. What do you expect from the VCM hearing next week and GA PSC Staff testimony on 12/1?
17. What happens if there are further delays or cost overruns? What delays/overruns are embedded in your EPS outlook?
18. When is prudency determined? What is the risk of disallowances? Vogtle 3 and 4 would represent how much of GA Power rate base when complete?
19. How do you view the GA PSC? Do expect continued support from all commissioners? What's the risk from next year's PSC elections? Will the current five commissioners hear the Vogtle 3 prudency review?
20. As Vogtle comes online, will dividend growth rise faster than $0.08/yr? What would be your payout target? How much incremental free cash flow do you project once Unit 3 is online? And then Unit 4?

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Exhibit 68: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.40	$3.48	$3.76	$4.09
Diluted Shares Outstanding	1,060	1,078	1,096	1,096
Dividends Per Share	$2.64	$2.72	$2.80	$2.88
Dividend Yield	4.2%	4.4%	4.5%	4.6%
Dividend Payout Ratio	78%	78%	75%	70%
Equity Ratio	34%	34%	34%	35%
FFO/Net Debt (unadjusted)	17%	17%	17%	15%
Valuation Metrics				
P/E	18.4x	18.0x	16.6x	15.3x
Price/Book	2.3x	2.3x	2.2x	2.1x
Segment EPS				
Alabama Power	$1.17	$1.21	$1.24	$1.31
Georgia Power	1.80	1.80	1.98	2.17
Mississippi Power	0.15	0.15	0.16	0.16
Southern Power	0.21	0.22	0.24	0.25
Southern Company Gas	0.55	0.59	0.63	0.70
Parent/Other	(0.48)	(0.50)	(0.50)	(0.50)
Total EPS	**$3.40**	**$3.48**	**$3.76**	**$4.09**
Average Rate Base ($M)	$63,133	$67,270	$71,549	$75,841
Earned Return	11.4%	11.1%	10.7%	10.9%
Realized ROE by Utility				
Alabama Power	11.6%	11.4%	11.3%	11.3%
Georgia Power	11.1%	10.6%	11.2%	11.6%
Mississippi Power	8.7%	8.7%	8.7%	8.7%
Southern Company Gas	10.1%	9.9%	9.8%	9.8%

Source: Wolfe Research Utilities & Power Research

Exhibit 69: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Alabama Power	$2,100	$2,100	$2,100	$2,000
Georgia Power	4,000	3,400	3,600	3,600
Mississippi Power	300	300	300	300
Southern Company Gas	0	0	0	0
Other	100	0	0	0
Southern Power	700	200	200	100
Total Capex	**$7,200**	**$6,000**	**$6,200**	**$6,000**
Financings ($M)				
Total Equity Issued/(Repurchased)	$200	$0	$0	$0
Total Debt Issued/(Repurchased)	3,196	1,684	1,332	2,100
Sales Forecast				
Alabama Power	2.8%	0.0%	0.5%	0.5%
Georgia Power	2.8%	0.0%	0.5%	0.5%
Gulf Power	2.8%	0.0%	0.5%	0.5%
Mississippi Power	2.8%	0.0%	0.5%	0.5%
Southern Company Gas	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Research Utilities & Power Research

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WEC Energy Group (WEC)

1. You've had another strong year in 2021 – what has driven the many guidance raises?
2. You also moved your earnings growth rate up to 6-7% after indicating strong bias to the upper-half of 5-7% – what drove this? Your track record has been more like 7% growth – will this continue or are you seeing even more upside?
3. What are some of the key components of your recently refreshed capital plan? How much is dedicated to incremental regulated renewables? Why the slowing in pace at the energy infrastructure segment? Where do you see upside?
4. How do you expect to handle the fleet transition from a regulatory perspective – what sort of approvals are needed? Do you envision securitization coming into play for the coal retirements? What sort of impact does this plan have on rates? What is the opportunity for fuel and O&M savings as an offset?
5. What is the process to convert the Power the Future coal plants to gas? What should we expect in terms of cost and regulatory approval? Did the recent spike in gas prices give you any pause? What is the plan for your Weston coal plant?
6. How are you thinking about the implications of the Biden clean energy tax credits and direct pay? What could the extra balance sheet cushion do for your plan?
7. What are seeing in terms of impacts from higher rates and/or inflation?
8. How do you view the gas LDC business long-term? Do you see any risks and/or political pressures?
9. WEC has a long track record of reducing O&M costs. How much more room is there to run on this trajectory? What are the key drivers behind the cost cutting? What are you seeing in terms of customer rate impact from high power and nat gas prices? How will this impact your fuel band?
10. Do you see any lingering impacts from COVID19 on sales growth? What is your long-term sales outlook? How does Foxconn and other economic development in the state factor into this?
11. What enabled you to reach a rate case stay-out agreement in Wisconsin? What will be some of the key components of the case when you file next year?
12. What is your view of the WI PSC? Are you concerned at all about having enough rate headroom in the future?
13. What is the latest on the System Modernization Program in Illinois? Is there a risk to formulaic rates and riders in future legislation? What would the regulatory process look like otherwise?
14. Can you talk a little bit more about the non-utility energy infrastructure portion of your capital plan? What sort of returns are you targeting? When do you become a cash taxpayer based on the current plan? What percentage of earnings is this segment currently and in 5 years?
15. Where do you see the future of ATC? What are your thoughts on the various transmission proceedings pending at FERC? What opportunities are you seeing from the MISO process?
16. What are you latest thoughts on M&A? Your stock still trades at one of the highest multiples in the sector – aren't you tempted to use this currency? What would be the key drivers for seeking additional growth through M&A?

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Exhibit 70: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.07	$4.31	$4.59	$4.88
Consensus EPS	$4.06	$4.31	$4.58	$4.88
Dividends Per Share	$2.71	$2.90	$3.10	$3.32
Dividend Yield	3.0%	3.2%	3.5%	3.7%
Dividend Payout Ratio	67%	67%	68%	68%
FFO/Net Debt	15%	14%	14%	14%
Diluted Shares Outstanding	317	317	317	317
Valuation Metrics				
P/E	22.0x	20.8x	19.5x	18.4x
Price/Book	2.6x	2.5x	2.4x	2.3x
Segment EPS				
WEPCO	1.35	1.40	1.50	1.62
WI Gas	0.24	0.27	0.30	0.32
ATC	0.45	0.49	0.52	0.56
Non-Utility	1.03	1.09	1.17	1.21
WPS (Gas/Electric)	0.73	0.78	0.81	0.85
PGL (Gas)	0.52	0.57	0.61	0.65
NSG (Gas)	0.05	0.06	0.07	0.07
Parent & Other	(0.32)	(0.36)	(0.38)	(0.40)
Total EPS	**$4.07**	**$4.31**	**$4.59**	**$4.88**

Source: Wolfe Research Utilities & Power Research

Exhibit 71: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
WEPCO	$934	$1,032	$1,375	$1,375
WI Gas	$234	$256	$234	$234
ATC	$258	$289	$253	$253
Non-Utility	$640	$505	$434	$305
WPS (Gas/Electric)	$579	$538	$444	$444
PGL (Gas)	$510	$517	$599	$599
NSG (Gas)	$65	$65	$62	$62
Other Regulateds	$115	$126	$109	$109
Parent & Other	$17	$10	$4	$4
Total Capex	**$3,351**	**$3,337**	**$3,514**	**$3,385**
Financing ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$1,737	$1,475	$1,620	$1,445
Sales Forecast				
Electric (WEPCO + WPS)	1.3%	1.0%	1.3%	1.3%
Gas (WI Gas + WPS + PGL +NSG)	0.6%	1.2%	1.2%	1.2%

Source: Wolfe Research Utilities & Power Research

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Xcel Energy (XEL)

1. Can you talk about the underlying assumptions for your 2022 guidance? Do you see the ability to do better than the midpoint of the range, consistent with recent history?
2. What are upside/downside risks to your annual 5-7% EPS growth target? Do you see a bias toward the top-half of the range?
3. You recently refreshed your 5-year capital plan, adding $2.5B vs the prior plan – what areas are you focusing your investments on over the next few years?
4. How likely is that the $1.5-2.5B of incremental capex eventually finds its way into the base plan – what approvals do you need?
5. Can you discuss your IRP filing in Minnesota? Of the 5.75 GW of proposed utility-scale renewables, how much do you anticipate owning in rate base? When do you expect a decision from the MPUC?
6. Can you discuss your recent IRP filing in Colorado? Of the 3.9 GW of proposed utility-scale renewables, how much do you anticipate owning in rate base? When do you expect a decision from the CPUC?
7. Can you talk about future transmission opportunities to connect renewables more broadly? What is the investment opportunity set in MISO/SPP? When do you expect MISO to provide details on its Transmission Expansion Plan?
8. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
9. What do you see as the biggest benefits for XEL from the proposed reconciliation bill?
10. You have several stakes in the fire on the regulatory front – what is the latest in your rate cases in TX, CO and MN? Do you see the ability to reach settlements in any of these cases?
11. What credit metrics do you target internally? What are your downgrade thresholds at the rating agencies?
12. How should we think about the timeline for announcing additional wind re-powerings/PPA buyouts? What are your state regulators' views on this strategy? How do these projects ultimately save customers money?
13. What are your latest thoughts on M&A? XEL has been on the sidelines historically – do you see that changing?

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Exhibit 72: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.98	$3.17	$3.40	$3.61
Diluted Shares Outstanding	539	542	546	549
Dividends Per Share	$1.83	$1.94	$2.06	$2.18
Dividend Yield	2.9%	3.1%	3.3%	3.5%
Dividend Payout Ratio	61%	61%	60%	60%
Equity Ratio	41%	40%	40%	40%
FFO/Net Debt	17%	16%	16%	16%
Valuation Metrics				
P/E	21.2x	19.9x	18.5x	17.5x
Price/Book	2.2x	2.1x	2.0x	1.9x
Segment EPS				
NSP-Minnesota	$1.18	$1.29	$1.38	$1.46
NSP-Wisconsin	$0.18	$0.20	$0.22	$0.25
PS-Colorado	$1.32	$1.41	$1.51	$1.60
SPS	$0.52	$0.53	$0.55	$0.58
Parent & Other	($0.23)	($0.26)	($0.27)	($0.28)
Total EPS	**$2.98**	**$3.17**	**$3.40**	**$3.61**
Average Rate Base ($M)	$34,600	$37,659	$40,477	$43,067
Realized ROE by Utility				
NSP-MN/Dakotas	8.9%	8.9%	8.9%	8.9%
NSP-WI/MI	9.8%	9.5%	9.6%	9.6%
PSCo	9.1%	8.7%	8.8%	8.8%
SPS-TX/NM	9.3%	9.1%	9.1%	9.2%

Source: Wolfe Research Utilities & Power Research

Exhibit 73: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
NSP-Minnesota	1,823	2,167	1,931	1,735
NSP-Wisconsin	360	480	420	540
PSCo	1,696	1,928	1,850	2,072
SPS	498	626	660	694
Total Capex	**$4,376**	**$5,201**	**$4,861**	**$5,041**
Nuclear Fuel Purchases	99	79	99	99
Financings ($M)				
Equity Issued/(Repurchased)	$202	$250	$250	$250
Debt Issued/(Repurchased)	1,500	2,000	1,600	1,375

Source: Wolfe Research Utilities & Power Research

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Regulateds – Market Overweight
IPPs – Market Weight

November 10, 2021

UTILITIES & POWER

EEI rated BBB; Conference takeaways

- **The Build Back Better (BBB) plan dominates EEI focus – but will it pass?**
  Clean energy tax credits for wind, solar, storage, hydrogen, nuclear are gamechangers for several companies (NEE/AES as developers, EXC/PEG on nuclear) and Direct Pay provisions could accelerate fleet transition and improve cash flow for many regulated utilities like XEL, LNT, D, etc. On the other hand, the corporate minimum tax is a potential negative offset for some larger utilities that are not taxpayers (AEP said the net of this could be slight cash negative for example). But the big question is whether BBB will pass! We sensed a notable split between strong optimism among blue state CEOs and mixed views from red state CEOs. The consensus was the Dems will find a way to pass a slimmed down bill and that most if not all the climate provisions will survive. Tax extenders remains a Plan B if it doesn't, but that's a little higher bar for new tax credits. We still like the GREEN trade into this event led by NEE, AES, EXC, and PEG but investors need to be prepared for a political roller coaster ride.
- **Utilities stories still much better than stocks acting**
  Utility stocks remained weak during the conference as the market hits new highs, but the fundamental growth and risk profile of utilities is about as good as it's ever been. Yes, some companies still have some funding needs (ETR/AEP), some have project issues (AGR/SO), and of course there's AZ regulatory risk (PNW), but most are seeing highly visible 5-8% growth with supportive regulation and continued de-risking of business mix and ESG. Inflation pressures have been manageable and regulatory outcomes have been good (NEE, D, ES, FE recent settlements). Key themes include more renewables and transmission, accelerating coal shuts, electrification and EVs, and a big focus on system resiliency to address climate change.
- **What a difference a year makes…FE and Cali utilities**
  EEI a year ago, FE was in an OH political and financial downspiral and PCG was still looking for a new management team. What a difference a year makes! FE had the most news at EEI with a strong transmission stake sale, equity pre-funding from Blackstone, recent OH rate agreement, and new 6-8% growth albeit off a lower 2022 base. PCG new management led by CEO Patti Poppe and COO Adam Wright came off highly convicted on their ability to turn PCG around and create value. And quietly EIX has made it through most of fire season with no notable ignitions at all. We think the CA utilities are starting to prove that fires are a manageable risk.
- **More themes and stocks**
  NEE – lot of "awesomes" and upsides; 2022 clearly a breakout year if BBB passes.
  CNP – all signs this will move to a premium utility value; convicted on ENBL closing.
  AEE – best MISO transmission play plus likely MO settlement, IL law, renewables
  EXC – split coming early Q1, strong stories for both utility and Constellation.
  XEL, LNT, POR – most excited on Direct Pay.
  SRE – plan to give LT EPS CAGR, focused on execution but open to options.
  SO – confident on GA regulatory treatment even with Vogtle delays.
  DUK – bullish tone on NC clean energy law and potential upward growth bias.
  AEP – more renewables but less transmission capex and BBB comments mixed.
  ETR – highlighted strong LT growth drivers, market waiting for equity funding.

Please see full report for individual company takeaways

Exhibit 1: Top Ideas

Name	Ticker	PT
High Quality / GREEN		
AES Corp.	AES	30
Ameren	AEE	90
Clearway Energy	CWEN	40
NextEra Energy	NEE	91
NextEra Energy Partners	NEP	95
Dominion Energy	D	86
Eversource	ES	92
Alliant Energy	LNT	62
Value Plays		
CenterPoint Energy	CNP	29
FirstEnergy	FE	44
Exelon	EXC	58
PSEG	PEG	69
Evergy	EVRG	69
Entergy Corp.	ETR	121
Vistra Corp.	VST	28
Edison International	EIX	69
PG&E Corp.	PCG	15
Sempra Energy	SRE	150
NiSource	NI	29

Source: Wolfe Utilities & Power Research

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EEI – What's Hot and What's Not

What's Hot

EEI in person – great to see everyone. The EEI bar chat is back!
The BBB bill and all things renewables
Direct pay = more cash flow for regulated renewables
Nuclear is the new GREEN
EVs and electrification
Transmission…but 2nd half of decade
Resiliency to address climate change
Hydrogen becoming more real and Decarbonizing everything
Gas LDCs are not going away

What's Not

Coal and carbon
M&A
Diversification other than renewables
Keeping customer rates below inflation – getting harder
Equity needs – they keep shrinking

EEI takeaways – one line per company

Positive

AEE – Sustainable EPS growth of 6-8%, with renewables/transmission upside; feels good on MO rate case
AES – New equity unit interpretation small blip on an otherwise rock-solid story; big BBB beneficiary
CNP – All signs point to a premium utility story; very confident in outlook
ED – O&R rate settlement a positive read through for CECONY; recovery of late payments a boost
EXC – Confident both Utilities and Constellation well positioned; optimistic on nuke PTCs (w/ at least 6yrs)
FE – Upbeat meeting; lots of near-term resolution on Ohio and equity; confident in clean story with 6-8% growth going forward
LNT – Excited about solar buildout and potential Biden bill benefits from PTC and direct pay
NEE/NEP – Very bullish tone, already running with a lot of cushion; 80% odds reconciliation passes with tons of tailwinds/upsides
PCG – Clear EEI winner with wildfire mitigation progress, confidence on executing, NorCal fire season over
SRE – Could give a LT growth rate; executing on the plan but willing to consider strategic options; seeing a lot of utility growth and upbeat on LNG prospects at Cameron and Vista Pacifico
XEL – Lot of momentum on CO regulatory front; BBB would be big for cash flow and potential IRP upside

Negative

AEP – More renewables capex but less transmission; $100M cash impact from Biden plan in a worst case
AGR – Working through recent hurdles; addressing PNM merger concerns and pursuing legal case on NECEC vote outcome
AWK – Refocusing to core utilities after dilutive HOS sale
ETR – Renewables, resiliency capex upside but flattish capex; 2022 equity plans majority of $1.23B needs
PNW – Pitching rate case as exception, not the rule…we are hesitant to be believers just yet

Neutral

CMS – Confident in support for IRP, but downplaying settlement chances
D – Execution focused and confident to do so but stock still unresponsive
DTE – Formally pointing to upper-end of range in 2022; previewing next year's IRP filing and future Vantage opportunities
DUK – NC law significant but work still to be done; upper half of 5-7% EPS growth post 2023 if all goes well

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EIX – Executing on wildfire mitigation, no major fires since 2018; robust capex going into back half of decade
EMA – Not a lot new ahead of Analyst Day; Atlantic Loop details delayed into 2022
ES – With CT issues resolved, focus turns to offshore wind and EPS growth messaging
EVRG – Focus on plan execution, consistency; upcoming rate cases seem manageable
FTS – Lots of upsides to new capex plan w/ Lake Erie and MISO near-term; hoping to address riders in AZ next year
NI – Back to NI of old; sees a lot of opportunity in decarbonizing gas LDCs
OGE – Capex plan going higher, waiting for EPS growth rate to follow
PEG – Reiterating upbeat Analyst Day message, still hopeful on nuclear PTCs; offshore wind upside, regulated utility de-risked
POR – Renewable RFP presents potential big capex upside, believe BBB would level playing field
PPL – A little more clarity on EPS growth drivers, additional utility capex but detail to come in March
SO – Focused on GA rate case, IRP and Vogtle prudency; sees paths to constructive resolutions in 2022
WEC – Capital plan up, sales mix better; excited about Biden plan tailwinds for renewables and cash flow

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Estimate Updates

Exhibit 2: Earnings Estimate Updates

		2021E		2022E		2023E		2024E	
Company Name	Ticker	New	Prior	New	Prior	New	Prior	New	Prior
FirstEnergy	FE	N/A	N/A	N/A	N/A	N/A	N/A	$2.77	N/A

Source: Wolfe Utilities & Power Research

Q3 Results Takeaways

Q3 reporting rolled right into EEI so we combine our Q3 results and EEI takeaways in here. Earnings for the quarter YoY ended up 2.2% better than our estimate of 0.3%. See Exhibit 3-4 for quarters vs. expectation and guidance changes by companies.

Exhibit 3: Wolfe Research Earnings Estimates vs. Consensus

		3Q21		3Q20		2021 Midpt	2021E		Guidance Updates
Company Name	Ticker	Actual	Variance	Actual	Growth	Guidance	WR	Cons	
AES Corp.	AES	$0.50	15%	$0.42	19%	$1.54	$1.50	$1.53	Pointing to the low-end of 2021 guidance range of $1.50-1.58 on new equity unit treatment, 2022-23 also impacted
Alliant Energy	LNT	1.02	8%	0.94	9%	2.64	2.63	2.61	Narrowed and raised 2021 guidance to $2.61-2.67; Initial 2022 guidance of $2.65-2.79 a little light
Ameren	AEE	1.65	1%	1.47	12%	3.85	3.84	3.81	Raised 2021 guidance to $3.75-3.95 from $3.65-3.85
American Electric	AEP	1.43	-5%	1.47	-3%	4.70	4.70	4.69	Raised 2021 guidance to $4.65-4.75 from $4.55-4.75; New in-line 2022 guidance of $4.85-5.05
American Water	AWK	1.53	0%	1.46	5%	4.23	4.24	4.25	Initial 2022 guidance of $4.39-4.49 missed consensus on HOS sale; Lowered growth target to 7-9% from 7-10%
Avangrid	AGR	0.34	18%	0.32	6%	2.13	2.10	2.15	
CenterPoint	CNP	0.25	-13%	0.29	-14%	1.27	1.28	1.44	Raised 2021 guidance to $1.26-1.28 from $1.25-1.27 and 2022 guidance to $1.36-1.38 from $1.35-1.37
CMS Energy	CMS	0.54	-10%	0.77	-30%	2.64	2.65	2.66	Raised the low-end of 2021 guidance by $0.02 to $2.63-2.65 from $2.61-2.65 and still pointing to the high-end
Con Edison	ED	1.41	-6%	1.48	-5%	4.25	4.20	4.25	
Dominion	D	1.11	5%	1.08	3%	3.85	3.87	3.87	Narrowed 2021 guidance at the same midpoint to $3.80-3.90 from $3.70-4.00
DTE Energy	DTE	1.72	-1%	2.14	-20%	5.84	5.87	5.87	Raised 2021 guidance to $5.70-5.98; Initiated slightly lower than consensus 2022 guidance of $5.70-5.97 and pointed to the high-end
Duke Energy	DUK	1.88	4%	1.87	1%	5.23	5.20	5.23	Raised 2021 guidance to $5.15-5.30 from $5.00-5.30
Edison Int'l	EIX	1.69	-1%	1.67	1%	4.47	4.47	4.51	Lowered top-end of 2021 guidance by $0.10 to $4.42-4.52 from $4.42-4.62
Emera*	EMA	0.68	3%	0.67	1%	N/A	2.85	2.83	
Entergy	ETR	2.45	-5%	2.44	0%	6.00	5.99	5.98	Raised 2021 guidance to top-half of $5.80-6.10; New in-line 2024 guidance of $6.95-7.25
Evergy	EVRG	1.98	15%	1.73	14%	3.55	3.55	3.54	Raised 2021 guidance to $3.50-3.60 from the top-half of $3.20-3.40
Eversource Energy	ES	1.02	-5%	1.01	1%	3.87	3.87	3.83	Raised 2021 guidance to top-half of $5.80-6.10; New inline 2024 guidance of $6.95-7.25
Exelon	EXC	1.09	6%	1.04	5%	2.80	2.74	2.80	Narrowed 2021 guidance to $2.70-2.90 from $2.60-3.00
FirstEnergy	FE	0.82	3%	0.84	-2%	2.60	2.60	2.60	Narrowed and raised 2021 guidance to $2.55-2.65; Introduced 2022 guidance of $2.30-2.50 and 6-8% LT growth target
Fortis*	FTS	0.64	-3%	0.65	-2%	N/A	2.72	2.68	
NextEra Energy	NEE	0.75	3%	0.67	13%	2.47	2.53	2.53	
NiSource	NI	0.11	28%	0.09	22%	1.34	1.36	1.36	Pointing to the top-end of 2021 guidance of $1.32-1.36; Introduced well above consensus 2022 guidance of $1.42-1.48
OGE Energy	OGE	1.26	8%	1.04	21%	1.81	2.45	2.28	Narrowed 2021 utility guidance to a higher midpoint to $1.79-1.83 from the lower half of $1.76-1.86
PG&E	PCG	0.24	-6%	0.22	9%	1.00	1.01	1.01	
Pinnacle West	PNW	3.00	4%	3.07	-2%	5.30	5.26	5.05	Introduced lower than consensus 2022 guidance of $3.80-4.00; Issued new 5-7% LT growth target
Portland General	POR	0.56	-17%	(0.19)	N/A	2.78	2.78	2.74	
PPL Corp	PPL	0.36	-10%	0.59	-39%	N/A	1.08	1.19	
PSEG Corp	PEG	0.98	9%	0.96	2%	3.63	3.63	3.62	Raised 2021 guidance to $3.55-3.70 from $3.50-3.65
Sempra Energy	SRE	1.70	6%	1.31	30%	8.05	8.29	8.22	
Southern Co.	SO	1.23	1%	1.22	1%	3.40	3.40	3.37	Raised 2021 guidance to ~$3.40, above top-end of initial range of $3.25-3.35
WEC Energy Group	WEC	0.92	18%	0.84	10%	4.06	4.07	4.06	Raised 2021 guidance to $4.05-4.07 and pointing to the top-end; Raised growth target to 6-7%
Xcel Energy	XEL	1.13	-4%	1.14	-1%	2.96	2.98	2.98	Narrowed 2021 guidance at a higher midpoint to $2.94-2.98; Initial 2022 guidance of $3.10-3.20 a little light but likely conservative

Source: Wolfe Utilities & Power Research, FactSet
*Q3 WR and cons estimates are what was published in our Q3 earnings preview on 10/18/21

Exhibit 4: Wolfe Research EBITDA Estimates vs. Consensus

		3Q21		3Q20		2021 Midpt	2021E		Guidance Updates
Company Name	Ticker	Actual	Variance	Actual	Growth	Guidance	WR	Cons	
Clearway Energy	CWEN	$337	-2%	$312	8%	$1,185	$1,185	$1,263	Introduced slightly above consensus 2022 CAFD guidance of $395M, inclusive of the thermal assets
NextEra Energy Partners	NEP	334	-11%	312	7%	1,530	1,446	1,449	Introduced EBITDA range of $1,775-1,975M and CAFD range of $675-765M for YE22 (calendar '23)
NRG Energy	NRG	767	-21%	752	2%	2,450	1,800	1,923	Narrowed and lowered 2021 guidance to $2.4-2.5B; Introduced well below consensus 2022 guidance of $1,950-2,250M
Vistra Energy Corp.	VST	1,177	5%	1,185	-1%	1,990	1,957	1,847	Narrowed and raised 2021 guidance to $1,890-2,090M; Introduced lower than consensus 2022 guidance of $2,810-3,310M

Source: Wolfe Utilities & Power Research, FactSet
*Q3 WR and cons estimates are what was published in our Q3 earnings preview on 10/18/21

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Company Summaries

AEE: Solid EPS growth with renewables/transmission upside; feels good on MO rate case

- **2022 guidance, 2022-26 capital plan, rate base, EPS growth on Feb call.** AEE's current capital plan implies 8% rate base growth and drives 6-8% EPS growth. However, AEE has pointed to over $40B of investment opportunities through the decade. On the YE21 call in Feb, AEE will provide 2022-26 capex, which could include 1.2 GW of solar/wind not previously in the plan and perhaps the start of spend on large transmission projects. Overall, AEE's investment opportunities suggest at least 6-8% EPS growth into the second half of the decade.
- **Upside from MO renewables.** AEE currently is discussing project details with renewables developers who bid in a RFP for MO solar/wind needs. By YE21, AEE expects to file for CCNs for a portion of those 1.2 GW of projects; and file for the rest next year. The new renewables are not in AEE's capital plan or EPS outlook.
- **Upside from transmission.** AEE anticipates MISO's MTEP report could come out in 1Q22 or early 2Q22 with large transmission projects in AEE's region. AEE believes it will develop some of those, but how many and by when is unclear. AEE thinks it's possible to have some transmission capex in the back half of its plan but envisions more later in the decade. But for now, new large transmission is not in AEE's capital plan or EPS outlook.
- **Optimistic on a settlement in MO rate case.** AEE and the key intervenor MoPSC Staff are not far from each other in AEE's MO rate case on ROE (9.9% request vs 9.25-9.75% Staff). Although a recent order for another MO utility had a 9.35% ROE, AEE pointed to some differences in the rate cases, such as Staff's rec was lower in that case than in AEE's. Also, AEE has settled its last two rate cases, as well as other key regulatory proceedings, including CCNs for wind projects. A final reconciliation is due 11/24 and evidentiary hearings start 11/29. Typically, settlements in MO have been reached before hearings.
- **AEE long power in MO; Rush Island is neutral at worse, possibly upside.** AEE is long power in MO, which has benefited customers during the recent power/gas price spike, as AEE's dispatches mostly coal or nukes (little gas) and passes wholesale margin through a fuel clause. If AEE loses its appeal on Rush Island coal plant, the utility may need to install scrubbers or accelerate the plant retirement. The former would be recoverable in rates. The latter likely means the $400M of rate base would be securitized, given MO's recent securitization law. And AEE could redeploy the cash to renewables, so AEE will be neutral at worse.
- **IL framework constructive, some work to be done ahead of opt-in decision.** The current electric distribution formula rate plan ends YE23. Under the new IL energy legislation, AEE can opt-in to multiyear rate plans, effective 1/1/24; AEE views the new framework as constructive, but a few workshops on items like incentives are expected next year. A rate filing is due 2023 if AEE opts in. We think AEE will benefit from the MYRP certainty and likely higher ROEs than the mid-7s implied today under formula rates. In AEE's current plan, IL rate base growth is lower than its other jurisdictions, and that could improve with more certainty and better returns.

AEP: In line 2022 guidance; flattish capex with more renewables but less transmission

- **2022 guidance in line, 5-7% LT EPS growth target reaffirmed:** AEP disclosed 2022 guidance $4.85-5.05, with a midpoint shy a few pennies of then-consensus, but AEP tends to meet the upper half of its guidance. AEP's 5-7% growth implies 2024E of $5.56 vs $5.57 then-consensus, $5.61 WRe, but again AEP would be disappointed if not in top half of the range.
- **5-year capex flattish with prior plan:** The $38B 2022-26 plan was just above the 2021-25 plan of $37B. About 85% of 2022-26 regulated capex recoverable through reduced lag mechanisms.

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- **More regulated renewables:** AEP's $8.2B regulated renewables in 2022-26 is higher than the $2.8B of regulated renewables in 2021-25 plan. It reflects 5,800 MW of the 14,659 MW of renewables expected to be added into AEP system through 2030. It's mostly wind ($6.3B) and solar to a lesser extent ($1.9B). Excluding about 1 GW or $1.3B of the pending NCW project, that is 4,800 MW or $6.9B of new projects previously not AEP's plan.
- **But less transmission capex and rate base growth than before:** AEP's plan has $12.9B of transmission vs $16.1B in the prior 5yr plan; AEP Transco's 2025 rate base is projected to be $13.3B vs $15.3B in the prior plan. AEP says the plan allows for optionality. We think the market was a little surprised by the transmission reduction.
- **KY Power sale approvals expected in spring, points to flexibility on coal:** AEP does not envision any major impediments to getting the necessary approvals for the KY Power sale. A decision from the KyPSC is anticipated by April. The Mitchell coal plant would be put back to KY Power by 2028 at fair market value; however, AEP sees that as an option and not locked in one path on coal assets.
- **$2B of new equity in 2024-26, 13.5-15% FFO/debt target; BBB impact $100M cash:** AEP's 2022-26 cash plan assumes the KY Power sale closes and covers equity needs through 2023 (but for $100M of DRIP in 2023). The 2024-26 equity needs are $600M/$700M/$700M to fund growth, which was not surprising. AEP now sees FFO-to-debt of 13.5-15.0% through 2026, in line with its previous target of "low to mid-teens". AEP intends to keep its credit rating at BBB/Baa2 stable
- **Potential Biden plan impact is negative $100M of cash in worst case:** AEP said that if both direct pay of tax credits and the proposed corporate minimum tax were passed, as currently proposed, then that would cost AEP about $100M/yr of cash in a worst case. The direct pay adds about $200M/yr, but the minimum tax rate would swing that by -$300M/yr. AEP said that net $100M/yr cash cost would hit FFO/Debt by 20-30bp; however, that's included in AEP's 13.5-15% range**.**

AES: New accounting interpretation detracting from a rock-solid story

- **A lot of momentum in renewables business.** AES feels very comfortable with its ability to deliver 5 GW of new renewable PPAs this year (original expectation was 3-4 GW). The company has continued to handle the dynamic supply chain environment well with all projects on track. AES sees another big year in 2022 as well, with 10 GW in its pipeline ready to be contracted (note, AES won't win all of that). AES continues to see a real competitive advantage with C&I customers given its ability to offer highly differentiated products like 24x7 renewable power. Interestingly, about half the renewables market in the US is C&I of which half is through data centers – AES has already demonstrated a strong track record in that segment from the recent contracts with Microsoft and Google.
- **Recent guidance update unfortunate, but no impact on L-T outlook.** The one blemish on the AES story was the recent guide down in 2021-23 due to an updated accounting interpretation on the equity units that were issued earlier this year in March. Originally these shares weren't expected to be in the share count until settled in 2024. As such, AES said there would be a $0.07 impact in 2021 and $0.09 impact in 2022-23. Absent this, AES was on track to be at the top end or even raise of its FY21 guidance given better performance at legacy Southlands. This also coincided with horrible drought conditions in Chile/Brazil and a turbine issue at one of AES' Chilean facilities. Suffice to say, AES is demonstrating the resiliency of its portfolio of businesses.
- **Some offsets already identified.** AES has already identified some offsets for 2022 and 2023, most notably being the extension of Redondo Beach in California (worth $30M of PTC) which wasn't originally in the plan. AES also feels good about potential upsides at Legacy Southlands through its hedging strategies and by taking advantage of elevated pricing in the

SP-15 market. AES' goal is to keep every year within its 7-9% EPS CAGR through 2025 off the current 2020 base.

- **AES Next creating meaningful value.** AES sees about $2.5-3.0B of value in AES Next (ex-Fluence) today vs the $150M that the company has invested. Most notable within AES Next is Uplight and 5B. As far as maturity goes, AES sees Uplight about 2-3 years behind Fluence and 5B another couple behind Uplight. AES sees a lot of synergies with these businesses and its core renewables development platform. We think AES ability to successful incubate various clean tech businesses is a differentiator and allows for a lot of shots on goal in the clean energy transition.
- **Big beneficiary of a Reconciliation Bill.** Even without the enhanced renewable credits, AES has demonstrated the ability to grow quickly in renewables. Passage of the Build Back Better plan would only strengthen the pipeline or allow for an even further acceleration. Through its interest in Fluence, AES would be one of the bigger beneficiaries of a standalone ITC for storage. AES sees the package as a net benefit on day one and thinks any impact on the tax side is absorbable.

AGR: Working through some recent hurdles

- **Responding to Hearing Examiner recommendation against PNM merger in New Mexico.** AGR seemed a bit surprised by the negative Hearing Examiner recommendation, though it believes there is a roadmap to address the concerns. AGR has been able to work out some sticking points individually with different parties and plans to file a response this Friday. Ultimately, the merger is still expected to close.
- **Disappointed w/ NECEC referendum outcome, but pursuing lawsuits.** AGR was disappointed with the outcome of Maine's ballot initiative against NECEC transmission. It still pointed to widespread support from politicians like Governor Mills. AGR has filed an injunction at the Maine Superior Court and hopes to hear by year-end. Meanwhile, construction will continue until the referendum law goes into effect on January 3. Thus far, AGR has spent $450M on the project relative to an expected total cost of $950M. We think this ultimately goes to the Maine Supreme Court.
- **Felt good on offshore wind prospects and inflation protection.** AGR will know the results of its most recent bid (Commonwealth Wind) into the Massachusetts RFP on December 17. Given there were only 2 bidders (Mayflower the other), it seems like AGR gets at least a portion of the winning selection. Vineyard Wind is fully contracted, inflation protected, and still expected COD in 2024. Park City Wind and Commonwealth Wind should have some site synergies. AGR is still seeing solid double digit levered returns over the life of these projects. AGR plans to bid into the New York Bight lease area auction and expects it to be competitive with results coming next year.
- **Onshore renewables growth has been tepid lately.** AGR has added very little to its onshore renewables backlog in recent months and pointed to higher costs starting to flow-through to PPA prices as a driver. Long-term, AGR still feels good about its renewables growth targets. The company also continues to look at ways to reduce its amount of uncontracted/unhedged capacity.
- **Biden bill would help with tax equity and lack of tax appetite.** AGR is excited about the renewables provisions in the Biden clean energy bill. Specifically on direct pay, it could limit the need for tax equity and allow AGR to better monetize its tax credits given the lack of a tax appetite.

AWK: Refocusing toward a purely regulated utility

- **Trading a higher growth rate with some volatility for more predictable growth.** That was the genesis of the decision to sell Homeowner Services and focus more on the core regulated utilities. Additionally, AWK viewed the timing of the sale as optimal given that there was a high

level of interest from potential suitors. AWK reiterated that it will take some time for the additional utility capex to fully offset the ~$0.10 dilution from the HOS sale.

- **Some optionality on the HOS sellers note.** As part of the HOS sale, AWK received a $720M sellers that pays 7% interest annually to lessen the dilutive impact of the sale. AWK has the option to redeem the note after year three if cash were needed for whatever reason. The seller can also call the note in year four though that would require a large premium. Most likely the note will go until maturity (YE26) where AWK will then look to reinvest the proceeds quickly given that ~$0.20 of EPS will drop off.
- **Views customer rate impact from additional capex as manageable.** Under AWK's prior capex plan, it anticipated that the annual customer bill impact would be an increase of 3.5-4%. Adding the incremental $6B of capex to the 10-year forecast is now expected to result in 5% annual bill increases. AWK did mention that customers bills on average were $25-65/mo., such that the nominal impact would be manageable for customers.
- **Water sector ripe for consolidation.** Tuck-in acquisitions are expected to account for 1.5-2.5% of AWK's 7-9% EPS CAGR moving forward. AWK noted that its pipeline for acquisitions is strong as ever as more as many municipalities are ill-equipped to meet the needs of their aging water systems. AWK isn't particularly worried about competition in this space even though companies like NEE are looking to ramp up investment in the water space. AWK is the biggest water utility in every state within which it operates (ex-CA) and views that as a big competitive advantage.

CMS: Confident in support for IRP, but downplaying settlement chances

- **Lots of focus on the Integrated Resource Plan.** This remains a primary focus for the company after the June filing and October intervenor comments. Overall, CMS viewed the recently filed comments as supportive, particularly from Michigan PSC Staff. Staff is on board with the regulatory asset treatment of retiring coal plants and rate-basing the Covert gas plant. There was some pushback around the Campbell 3 retirement and replacing with the DIG gas plant. A lot of this seems to have to do with the affiliate transaction nature of it and buying it for $520M versus its ~$100M book value. However, CMS is confident that it is the least cost option and most optimal way to fill the capacity need of Campbell 3 going away. If the DIG plan ultimately doesn't go through, this just creates a greater rate base opportunity, though CMS believes it is not optimal for customers. A draft order on the IRP is expected next March. Last time, CMS reached a settlement on the IRP after the draft order, though mgmt. was downplaying potential for settlement this time around.
- **Excited about regulated story post-Enerbank with growth at high-end of 6-8%.** CMS closed the Enerbank sale and is now effectively a pure play regulated utility. The plan is to grow earnings at the high-end of 6-8% off 2022, with the IRP-related gas plant rate-basing an upside ($1.3B). Through 2024 there is no need for additional equity. CMS will refresh the financing plan with year-end results, but pointed to $250M as a placeholder equity need in 2025.
- **Seeing potential for more owned solar in rate base.** Most intervenors in the IRP filing seemed on board with CMS' proposal to maintain its 50/50 split of rate-based and PPA'd solar, though the company is looking for some more flexibility and upside to that split. The PPA length will also be moving down to 15-years, which ultimately creates more buyout potential. CMS sees its owned solar as more cost competitive than ever and the potential for a PTC in the Biden clean energy bill would only enhance this.

CNP: From what we can tell, this is a premium utility story

- **Confident on hitting annual 8% EPS growth.** Management reiterated its confidence in being able to deliver on annual 8% EPS growth through 2024 off the recently revised higher outlooks for 2021 and 2022. The reason the 8% target wasn't extended through 2025 was due to timing

of CEHE's next rate case. This is because the company will likely be dealing with a little more lag than usual as the DCRF rider can't be filed in a year where a rate case is pending. That said, CNP still expects to grow in the top-half of the 6-8% in 2025 and through 2030. We will first get a view of the new PUCT in Oncor's rate case, which is due to be filed in the middle of 2022.

- **Stakeholder relationships rebuilt, particularly within Texas.** CNP's new management team made a concerted effort to improve its relationship with stakeholders following the bad outcome in the last CEHE rate case. One intervenor in particular that management wanted to reach alignment with was the City of Houston. And management has done just that, with both sides in agreement that what is good for CNP will also be good for the city of Houston. Management has also visited with all the new members of the PUCT and there seems to be a consensus amongst all parties to keep the growth engine in TX running.
- **Indirect beneficiary from Reconciliation Bill.** Some of the biggest benefits from the Reconciliation Bill for CNP include incentivizing EV adoption given the positive impact that would have on future load growth. Only 30K cars in Houston are EVs today and the total car fleet in the city is 2.0-2.5M; CNP sees $80/yr. of margin per EV that is added to the road. To the extent that the enhancement/extension of renewable credits incentivizes a further buildout of renewables in TX, CNP stands ready to benefit from transmission investments needed to bring the power into the Houston area.
- **ENBL expected to close in Q4.** No changes from management's comments on the Q3 call last week – still expect the transaction to close in Q4. Our sense is that CNP will look for a full exit swiftly after the close.

D: All about execution and confident in the ability to do so

- **Very confident on offshore wind.** D remains very confident in delivering the $9.7B CVOW project on time/budget and getting recovery of the investment as is prescribed in the VCEA. It is important to remember how unique D's project is relative to peers in the US – a rate base investment that is presumed prudent if three criteria are met 1) competitively bid out all parts of the project; 2) start construction before 2024 of finish by YE27; 3) deliver the project with an LCOE under $125/MWh. #1 and #2 have already been met and D expects to deliver the project well-below the cost cap ($87/MWh or even less with extension of tax credits to offshore).
- **T2 review risk materially reduced.** D feels good about getting SCC approval for VEPCO's T1 review settlement before yearend or early next year. Management reiterated just how much the stipulations in the settlement help de-risk the T2 review in 2024 – specifically, moving $500M of fossil plant expenses into the T2 period. D mentioned it will effectively lower the company's earned ROE by 350bps. Also, the T1 settlement proved out that there is no debate on the use of CCROs.
- **Sees no impact from VA election outcome.** VA has always been a competitive state electorally, so D has always made a point to work with both sides of the aisle no matter who is in or out of power. For example, the last time there was a Republican majority in the state in 2018 the constructive GTSA law was passed. D believes Governor-elect Youngkin's pro-business agenda will align with the company's goals well. It is also important to remember that the Senate is still a Democrat majority so there could be some gridlock in VA's 2022 legislative session.
- **Net winner from potential Reconciliation Bill.** D sees the package as a win-win for customers and shareholders. Management believes the direct pay option would more than offset any cash drag from an AMT, particularly given the amount of renewable tax credits D will be generating as it works to meet the goals set out in the VCEA.
- **Cove Point refinancing credit positive.** By doing this, D effectively moved what was recourse parent level debt to being non-recourse project level debt at Cove Point. This is

positive for D's credit profile on the margin given the rating agencies' views on holding company leverage. The debt exchange will be EPS neutral.

DTE: Tracking toward the high-end of growth with plenty of contingency

- **Formally moving the 2022 guidance target to the high-end of 5-7% EPS growth.** DTE's EEI slides formally confirmed the company was targeting the high-end of 2022 guidance – indicating 6-7% EPS growth off the original 2021 guidance midpoint ($5.51). The company has a long track record of overachieving given its contingency planning, and even with the near-term headwinds of REF earnings rolling-off and equity converts, the growth should continue at the high-end. Overall, DTE continues to feel good about the Michigan regulatory environment even in the wake of the summer storms.
- **Long-term capital plan focused on addressing extreme weather patterns and EV demand.** DTE just refreshed its five-year capex plan and looking out over the next decade it sees $35B in investment opportunities. A lot of this is designed to accommodate more extreme weather patterns (as seen by some of the storms over the recent summer) and EV-related load growth. Near-term, DTE is actively increasing its spend on tree trimming as another way to address an unprecedented summer of storms/tornadoes and outages for its customers.
- **Starting to preview the next IRP filing**. DTE will file its next Integrated Resource Plan a year from now, but is already starting to layout its plan and engage with stakeholders. The retirement of Belle River coal has been pulled forward 2 years to 2028 and it seems likely Monroe coal will cease in the mid-2030s (from 2040 currently). These plants cover $3.5B of rate base, however there may be opportunities to run them on natural gas and accelerated depreciation treatment seems more likely than securitization. To replace this lost capacity, DTE sees 5-7 GWs of new renewables, more storage, and 1-2 GWs of gas generation (potentially with carbon capture).
- **Continuing to see growth opportunities at Vantage business**. The business segment formerly known as Power & Industrials is seeing continued opportunities for growth within RNG and cogeneration. This should add $15M/year in net income at a relatively ratable clip, which keeps the segment at 10% of total earnings. Longer-term DTE could look at strategic options for Vantage similar to how the midstream spin ultimately played out, but nothing seems imminent. Much of the value in this business right now is from the LCFS market in California, though DTE is also looking at markets developing in other states. In terms of variability at the business, RNG is 100% contracted on volumes and on price – one-third is fixed, one-third is financially hedged, and one-third is open.

DUK: Sees top half of EPS growth target if all goes well

- **NC legislation significant.** DUK thinks the recent NC legislation was significant, as it allows, among other things, multiyear rate plans and 55% ownership of new renewables. It also has the NCUC set a carbon reduction plan, which will play out next year and determine amount, timing and type of new generation that DUK will pursue; these will be reviewed biennially. DUK is evaluating when to file for a rate case to set a baseline under the new law. DUK anticipates less regulatory lag under the new law.
- **Top half of EPS growth target post 2023 if all goes well; top half of capex plan.** DUK believes it can grow in the top half of its 5-7% EPS growth target if all goes well on its capital plan and after the new NC framework is fully implemented and in rates, which is possibly post 2023. DUK sees 2021-25 capex in top half of $55-65B target and 2026-30 capex in top half of $65-75B. Those forecasts reflect the upcoming Indiana IRP, which is expected to have more renewables.
- **Assuming BBB plan passes, inconsequential impact on cash.** DUK assumes the current Biden plan passes; the credits (renewables, storage, nuke, etc) and direct pay are all supportive. And DUK believes the corporate min tax would just be a timing a thing in rates,

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given tax agreements in its regulatory orders. DUK thinks BBB has an immaterial impact on cash.

- **Still holding constructive negotiations with Elliott.** DUK continues to hold what it terms as constructive negotiations with Elliott Management; there is no timeline for an announcement.

ED: Surprise boost in 2021; O&R settlement sets up well for CECONY

- **Ability to now collect late fees providing a boost to 2021.** When ED reported Q3 results we were surprised to see 2021 guidance reaffirmed. We thought there was a good chance ED would need to point to the lower half/end of its range given YTD performance. What we didn't know was that ED will be able to start collecting late fees from commercial and residential customers in Q4, which had been a $0.05-0.06 EPS per quarter previously. Still pending at the PSC is ED's request for a surcharge mechanism to recover similar foregone fees from 2020 and a true-up for 2021. ED is cautiously optimistic the PSC will take action the request before yearend or early next. If the PSC allows recovery, the structure and timing will have implications for how 2021 or 2022 guidance will ultimately be impacted.
- **O&R rate settlement positive read through for CECONY.** In the settlement parties agreed to a 9.2% ROE (incl 30bps stay-out premium), which is 40bps above CECONY's current allowed ROE. Recall, that NY awards ROEs based on a formulaic approach so in theory CECONY should get similar treatment assuming the macro environment/utility stock performance doesn't change materially. O&R is also being allowed recovery of its foregone late payment charges and covid-related bad debt charges over a three-year period.
- **What could lead to a higher growth rate?** CEO Tim Cawley has mentioned that a priority of his is making the company's 4-6% EPS growth rate more competitive with peers. In our meeting, he pointed to a proper ROE and proper O&M coverage as two important factors. He also mentioned getting approval of additional investment programs that the company will proposal in CECONY's upcoming rate filing. These programs could include additional investments to accommodate EVs, more in energy efficiency battery storage, and grid resiliency. While ED doesn't expect pushback on its ideas, the debate will be around size and pace of the investments to still keep customers bills affordable.

EIX: Mitigation paying off both on the ground and on the stock chart

- **Message is focused on wildfire mitigation; no major fires.** At EEI last year, EIX sounded bullish on CA, given policy-driven investments in the grid and limited wildfire risk (AB 1054). Although it took nearly a year, the stock is finally reacting (it doesn't hurt that its fellow CA utility PCG has been the best performing utility stock over the past few weeks). EIX's messaging at this EEI is continued focus on wildfire mitigation while minimizing the impacts on customers, including fewer PSPS (outage) events and investments in covered conductors, both which the data show are working. And there have been no sizeable utility-caused fire in EIX's territory. EIX expects to receive its 2022 Wildfire Safety Certificate in mid-December.
- **EPS growth of 5-7%; rate base growth of 6-8%; more storage, electrification.** EIX projects 5-7% EPS growth through 2025, driven by 6-8% rate base growth. Covered conductors, storage, electrification and infrastructure replacement are factors that could support continued capex beyond that authorized in EIX's recently approved GRC.
- **Nothing new on CoC case.** EIX and the other CA utilities are awaiting a scoping memo on the off-cycle cost of capital case. It is still unclear whether the ALJ will proceed with a full case or reject the utilities' application, which could mean the ROE in 2022 is cut by nearly 60bp and utilities file the CoC applications in April 2022 (for 2023-25).
- **Progress on best estimate of 2017/18 damages will be updated quarterly.** EIX last week updated its best estimate of 17/18 fire damages ($7.5B, w/ $2.2B unresolved). EIX anticipates continuing to provide quarterly updates on the progress it makes resolving lawsuits and any changes to its damages estimate. With its preferred equity issuances in 2021 complete, EIX

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sees no new equity needs for the wildfire damages. EIX projects on avg $250M/yr of equity through 2025 to fund growth. Its FFO/Debt target of 15-17% reflects fire damages. As a reminder, EIX still plans to file for recovery of some portion of fire damages, as there has been no indication that the company violated any law or acted negligently or imprudently.

EMA: Not a lot new ahead of the December Analyst Day

- **Rate cases in the rearview, time to execute.** The last year or two have been focused on rate cases at either TECO, People's Gas or NMGC. Now all three are behind the company, with TECO (over 50% of earnings) having rate certainty for at least the next three years. Management reiterated the expectation to be able to earn an ROE in the range of 10.25-10.75% within TECO's band in any given year. Load and weather will largely determine whether TECO is at the low or high end of the range.
- **Timeline for Atlantic Loop pushed out some.** Management had been hoping to share more concrete details on the Atlantic Loop project at its December 1st Analyst Day. Realistically it sounds like the earliest that would now happen is on the Q4 call next year. EMA noted that conversations amongst the various stakeholders were grounded for a few months due to the federal election in Canada. That said, EMA feels very bullish on the project generally given that it makes the most sense to help decarbonize Nova Scotia – Quebec currently has more hydro resources than it can consume.
- **Happy with the current business mix.** Management effectively views the company as a pure-play today and doesn't have an impetus to change the business mix from what it is today (already divested competitive generation, Emera Maine). On the topic of potentially selling stakes in existing transmission (e.g., LIL or Maritime Link) to potentially fund future growth, management indicated that wouldn't be the most politically popular idea.
- **Latest thoughts on FX.** EMA effectively views the current USD/CAD exchange rate (1.25) as a floor and thinks a lot of the move is tied to the rise in commodity prices. EMA doesn't view the FX rate as having a material impact on its decision making for the timing of capex deployment. It's likely EMA will update its L-T view for FX at the Analyst Day alongside the updated capital plan.

ES: With CT issues resolved, focus turns to offshore wind and EPS growth messaging

- **Messaging EPS growth with offshore wind.** ES feels good about earning on the top half of its 5-7% EPS growth target through 2025 on its core businesses. ES' growth target excludes any earnings from its offshore wind JV with Ørsted; the 50/50 JV is developing over 1700 MW of offshore wind projects in New England and NY. By 2026, offshore wind earnings could push growth up above 7%. ES has not said whether the LT growth target as part of its Feb 2022 update will reflect offshore wind or only core businesses. We see roughly $0.50 of offshore wind earnings in 2026, imply EPS growth of around 8%. But we prefer ES keeps offshore wind upside separate from utility growth targets.
- **CT rates resolution good; grid mod up next.** There was considerable regulatory pushback in CT this year, stemming from ES' response to Tropical Storm Isaias in 2020. ES was ultimately able to find a constructive agreement with key parties, and it may be able to stay out of rate cases through 2024, allowing for stability. But ES will still be trying to get investments in grid mod, AMI, EVs approved by CT regulators.
- **Feels good on pending offshore wind projects; MA changing criteria.** ES/Ørsted feel good about the 1.7 GW of projects, with the first but smallest (South Fork) on schedule for a COP decision by Jan 2022 and COD in 2023; and the larger two (Revolution and Sunrise) on track for COD in mid- to late-2025. ES still sees ROEs in the "mid-teens." The Biden Administration generally, and the Bureau of Ocean Energy Management specifically, have been supportive of offshore wind. ES/Ørsted did not bid in this year's MA RFP, as the state law said at the time that prices must be lower than the prior offshore wind auction. The state

received only two bids (both of which won in the first or second MA RFPs). MA is now changing the criteria for future RFPs.

- **Upside to growth**. Aside from offshore wind, there is upside to ES' current plan from grid mod, AMI and EVs in CT; that adds $500-600M. Then there is upside from AMI in MA, which is another $500-600M. Not all the required regulatory approvals are expected by ES' Feb 2022 refresh of 5yr capex and growth rate. But some clarity is possible in CT. Other opportunities, including some beyond the 2022-26 plan, are electrification, asset replacement, and transmission for onshoring of offshore wind in New England. Those haven't been quantified but could be material.

ETR: Renewables, resiliency capex upside but flattish capex; equity overhang in 2022

- **Flattish 3yr capex but renewables and resiliency upside post 2024.** ETR's 2022-24 capital plan of $11.7B was flattish to the 2021-23 plan of $11.6B. And 2024 rate base was about $1B lower than the previous 2024 rate base projection. ETR's plan has 1.13 GW ($700M net of tax equity) of renewables. And ETR now sees 11 GW through 2030 vs 5 GW through the same period at the Sep 2020 analyst day. ETR also projects $5-15B of resiliency spending beyond 2024. The company will be developing acceleration options and engage regulators on a path forward. Other jurisdictions have been successful on increasing resiliency/hardening (the obvious one is FL).
- **Equity expected in 2022**. ETR's equity needs through 2024 are $1.23B, but ETR intends to be active next year. Its 2022 avg share count of 206M implies 8M new shares outstanding in 2022 vs 202M currently. At the current stock price, that's roughly $800M. ETR has a $1B ATM from which it has already issued about $250M of forward equity (most of that will hit in 2022). But the remaining equity issuances to reach ETR's assumed 2022 share count is $500-600M. ETR targets hitting over 14% FFO/Debt by 2023.
- **Securitization expected; federal relief would be helpful.** ETR has a long history of securitizing storm costs, as it illustrated in an EEI slide presentation. ETR also pointed to federal relief requested by the LA Gov that could directly go to reduce the burden on customers. We could see a disaster relief bill by yearend.
- **BBB should not make a difference to long-term benefits.** ETR sees higher tax rate under the corporate min tax offset by lower def tax and higher rate base. The direct pay and PTCs for nukes, solar, and the rest are positive aspects for ETR customers and create rate headroom.

EVRG: Plan laid out, focused on execution and consistency

- **Analyst Day laid out the plan, now time to execute and build track record.** Not much new to say from the late-September Analyst Day. EVRG believes it has an attractive plan of 6-8% earnings growth driven by 5-6% rate base growth and O&M savings. Now it's simply a matter of building a track record of execution similar to some higher-premium Midwest peers. So far so good on that front, as 2021 is tracking ahead of plan and 2022 guidance reflects 7% growth.
- **Focused on upcoming rate cases, not expecting much controversy.** EVRG has planned rate case filings in Missouri and Kansas in 2022 and 2023 respectively. These are expected to be relatively straightforward with no new generation and mostly T&D capex recovery that has already been well-previewed in the STP filings. In Missouri, there are a number of pending cases for peer utilities, which could provide a reasonable read-through. The Sibley issue could create some noise, but EVRG doesn't expect this to impact ongoing earnings. If anything, there could be some customer give-backs over time related to non-fuel O&M regulatory balances and the return of/on rate base. Importantly, EVRG's utilities aren't over-earning, which we believe minimizes the risk. Historically, there has been a track record of settlement in EVRG's rate cases.

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- **Biden bill could create more renewables opportunities.** Both direct pay and the solar PTC would help EVRG's planned renewables projects become more competitive. Additionally, extensions on the wind PTC could drive increased economic value and help in conversations on repowering/rate-basing existing PPAs. All that said, any impacts are expected to be more towards the back-half of the plan. The nuclear PTC could also be helpful for EVRG's customers given its Wolf Creek ownership.
- **Rate competitiveness expected to improve.** The plan remains targeting 2% or less annual rate increases, which looks even better as inflation moves above this level. Similarly, Midwestern peers, particularly those with more gas-heavy fleets in the current commodities environment are seeing some upward cost pressures. Thus, on a relative basis, EVRG is looking more cost competitive, which over the long-term could provide a window to grow rate base at a level more commensurate with peers.
- **Weather-normalization having some impact on sales metrics.** One interesting nuance EVRG noted is that while weather has been a big benefit in its service territory this year, there are some differences between how it normalizes sales growth relative to peers (30-year average vs. 10-year average). Thus while, weather-normal sales growth has lagged nearby peers, its absolute level of sales have actually been higher.

EXC: Confident both Utilities and Constellation well positioned; optimistic on nuke PTCs

- **Utilities and Constellation both have good stories to tell.** EXC thinks its utilities have a solid profile, with fully T&D, multiyear rate plans, and likely continued above average EPS growth with little to no equity needs. Constellation will be the largest nuclear operator and carbon-free generator in the country with government support for most of this decade (maybe longer) and likely investment grade credit.
- **Spin targeted for 1Q22; watching NYPSC.** EXC continues to target spinning out Constellation in 1Q22. The remaining approvals are NRC and NYPSC. The former is expected to issue a decision within the next month or so; one thing to watch is whether the IL AG intervenes at the NRC. EXC is working with the AG office. Constellation is also in settlement talks with intervenors at the NYPSC. If one can be reached soon, a order on the settlement could be issued at the 12/16 NYPSC meeting. The stock spin could occur about six weeks after approval.
- **Nuclear PTCs have bipartisan support.** The last public version of the BBB had nuclear production tax credits for six years (down from eight in the previous version). Given the broad bipartisan support for nuclear, there's a possibility it could go back to eight years. The legislative language currently is vague on calculating gross receipts. For example, would a nuclear unit use the hedges for that year or the spot price. In a high price environment, like the current one, the PTCs are less more using the spot than the hedge, given the $15/MWh PTC declines as the revenue price exceeds the $25/MWh baseline.

FE: Another big splash around EEI, story now much cleaner going forward

- **Upbeat meeting, stock response more muted.** FE kicked off EEI with the big news on Sunday – announcing a $2.4B sale of a 20% stake in FE Transmission to Brookfield and a $1B equity investment from Blackstone at no discount. FE also initiated 2022 guidance at $2.30-2.50, which matched our expectations. The capital plan was raised by $2.2B (15%) with more being directed towards formula rate recovery and this is expected to support 6-8% EPS growth going forward. The dividend is expected to remain flat at $1.56/sh (~4% yield and high-end of 55-65% payout range). Most importantly, FE sees no additional equity needs beyond the $100M/year DRIP for the foreseeable future, and there is a path to 13%+ FFO/Debt by 2024 and an investment grade rating some time in the back half of next year.

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- **EPS growth expected to be relatively steady.** FE didn't set a specific time horizon for its long-term 6-8% EPS growth target, but expressed confidence in hitting if not exceeding this. More detailed segment guidance on 2022 will be given with year-end earnings.
- **Transmission sale was done at mid-30x multiple on forward earnings.** FE initially noted a 40x multiple on the transmission stake sale when looking at LTM earnings. When factoring in the existing non-controlling interest at Penelec/MetEd and FET Debt, this equates to just under $300M in net income as a base and depending on how those earnings grow going forward, the 2023 sale multiple should be in 33-38x range – more than double FE's current multiple and a much more accretive way to address its funding need. FE also noted that the implied rate base multiple is 3.1x.
- **Credit agencies taking a positive stance.** FE was really focused on shoring up its balance sheet and now sees a path to move from ~12% FFO/Debt next year toward 13% in 2024 and mid-teens thereafter. The ratings agencies reacted favorably to the sale and equity announcement – Moody's put FE on positive outlook and is one notch from IG, while S&P upgraded FE's senior unsecured debt to within one notch of IG and a stable outlook. FE believes an investment grade rating in the back-half of 2022 is achievable.
- **Ohio regulatory environment has been de-risked with recent settlement.** FE reached an all-party agreement last week and believes PUCO will likely approve it in early-2022. Earned ROEs will come down to a normalized 9-10% level, which de-risks concerns around the required 2024 rate case filing. We also like that former AEP CFO Brian Tierney was involved with the Blackstone investment, which implies a level of comfort with the Ohio environment going forward as well.
- **Updating model for capex/rate base refresh and extending to 2024.** We did an abbreviated model update for the transmission sale and equity issuance on Sunday, which resulted in 2022/2023 estimates of $2.42/2.58. FE then published a refreshed Factbook Monday morning, and we have updated for this, while extending our model to 2024. Our initial 2024E is $2.77 and implies a 7.4% EPS CAGR off the 2022 guide midpoint.

FTS: New capital plan with a lot of upsides; more on Arizona riders next year

- **Refreshed capital plan keeps rate base growth steady at 6%.** FTS refreshed its five-year capex plan – taking it up to $20B after factoring in FX-related headwinds. This should continue to support 6% rate base and dividend growth going forward. The projects in the capex plan are predominantly low-risk, with only 11 over $200M and none larger than $500M. FTS also pointed to a number of upsides to the capital, such as Lake Erie Connector and the MISO long-range transmission plan, which should have more visibility around the turn of the year.
- **Lake Erie and MISO transmission upsides could be realized soon.** We expect an update on the $1.7B Lake Erie Connector project by year-end, where FTS remains in negotiations with the Ontario ISO. The MISO long-range transmission plan will come out early next year and once released FTS should have a better sense of which projects it will ultimately be able to capture. Given this, the company is maintaining funding flexibility, though for now the only equity needs are via the DRIP. Additionally, equity will ultimately depend on the lumpiness of some of this spend.
- **Planning to address Arizona riders next year.** FTS watched the APS/PNW rate case outcome closely, while pointing to the much more constructive outcome in its own case a year ago. FTS was able to add $700M to rate base and two additional riders. Going forward, TEP/FTS will likely need a renewables rider to effectuate its clean energy transition plan to retire coal and add renewables, which should be relatively unimpactful from a bill perspective given the fuel savings. FTS hopes to address riders more holistically as part of workshops at the Arizona Corporation Commission next year – looking to consolidate/simplify riders and add a renewables investment recovery mechanism.

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- **FERC transmission moving slow, but net-net in the right direction.** FTS believes the general direction of transmission rhetoric remains encouraging. FTS liked the original NOPR's incentives structure, while feeling as though the supplemental NOPR removing incentives is on the back burner for now. Going forward, FERC remains focused on policy decisions to reform cost allocation, planning, and interconnection queues. Within the Biden reconciliation bill, the transmission ITC could be a net benefit for customer affordability and create headroom.

LNT: Excited about solar buildout and potential direct pay benefits

- **New capital plan raises and pushes out renewables spend.** LNT refreshed its 5-year capital plan along with Q3/EEI, which moved $0.5B higher in aggregate, though there was an increase in expected tax equity and the solar timing was pushed out due to supply chain / inflation. There's also some incremental solar/storage and wind repowerings that were added to the back-half of the plan. This should continue to support 6% rate base growth and earnings growth at the midpoint of its 5-7% target with some upside if the reconciliation bill gets done.
- **Solar costs have ticked up, only coal left is joint-owned.** LNT's recent Iowa solar filing includes a $1,575/kW cost cap. Normalizing for AFUDC and transmission, this comes out closer to $1,400/kW. About 6 months ago, the latter's cost was looking more like $1,200/kW as commodity costs have risen. LNT's coal as a percent of rate base will fall to 2% in 2025. The only remaining plants are joint-owned with Mid-American in Iowa. Discussions are ongoing around accelerated retirements, though nothing seems imminent.
- **Passage of Biden clean energy credits would be a nice positive.** LNT sees two key positives. The first is the solar PTC, which more attractive than the current ITC. The second is the direct pay provision. Together there would eliminate the roughly $1B in currently planned tax equity and instead turn most of that into rate base. At the same time, it could also allow for monetization of existing tax credits (~$500M) resulting in a better cash position. Net-net, the higher capex and better cash flow could result in some modest equity needs, but this would be offset by the higher earnings power of these investments without tax equity.
- **Cash flow metrics are already improving.** Currently, LNT is at the lower-end of its credit metric ranges as it returns ~$100M in tax credits and excess deferred taxes. However, this ends after 2021 and there is a path to move back within its Baa2 range of 14-17% FFO/Debt.
- **No near-term rate filings.** LNT is awaiting final approval of its Wisconsin rate settlement and won't file again until 2023. In Iowa, the plan is to file in 2024 for 2025 rates to align with the solar in-service. In Iowa, LNT just made its advanced ratemaking filing for solar, which requests an 11.4% ROE, though recent history has been 11.0%.

NEE/NEP: Everything is awesome

- **Reconciliation bill passage is a gamechanger and the odds seem high.** NEE sees the odds of the reconciliation bill ultimately passing as close to 80%. Direct pay, standalone storage ITC, solar PTC, and hydrogen PTC are all gamechangers that NEE is excited about. Interestingly, NEE actually sees the tax credits running into 2041, which is more than the currently stated 2031 before step-downs begin, as the Senator Wyden language would require 75% reductions in emissions off 2021 before this happens. The one potential negative is the minimum book tax. While renewables credits would be carved out (NEE has ~$4B on the balance sheet), renewables depreciation is not currently (seeing odds of about 40% that this changes). That said, NEE still believes it won't have to pay book taxes for at least 6 years.
- **Utility rate settlement was constructive; building a lot of solar.** NEE was pleased to move beyond the FPL rate case and viewed the terms as generally well-balanced. Going forward, the utility is heavily focused on building out rate-based solar, which will become even more attractive under the provisions of the Biden clean energy credits. NEE is one of the largest land owners in Florida today and will use this to its advantage.

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- **Renewables business is going to double, plus storage/hydrogen.** The unregulated renewables business at NEER is poised to double based on the current outlook. With the standalone storage ITC, NEE plans to add batteries to its existing wind sites. The green hydrogen PTC can make it immediately competitive with other forms of hydrogen and even with natural gas at current prices (i.e.: Okeechobee pilot is $12 gas equivalent and would fall by 75% to $3). NEE is working to bring more of its suppliers onshore and believes issues like anti-circumvention and 201 tariffs will ultimately be resolved.
- **NEP more important than ever to NEE.** Given the robust outlook for renewables at NEE, the need for capital recycling will only increase, which enhances the importance of NEP. This should only help NEP extend the duration of its 12-15% dividend growth outlook. The solar PTC and direct pay are also beneficial for NEP, and there is a potential to use the vehicle for some tax arbitrage given the minimum book tax at NEE.
- **M&A not a big focus, more so organic transmission growth.** NEE seems less focused on M&A and if anything is primarily interested in sub-$20B market caps. NEE is interested in continuing to build out its transmission business on the back of the TransBay and GridLiance deals. Most recently, NEE submitted an offshore wind transmission bid in New Jersey.
- **Refreshed financial outlook coming next year.** NEE expects to provide a refreshed earnings outlook with its year-end call. The business continues to run with a lot of cushion and there are a lot of tailwinds, thus at a minimum we expect a re-basing higher and even potentially growth above 6-8%. NEE will also host an Analyst Day in June where it lays out more details on its plan.

NI: Mojo is back

- **One word – "confidence".** That is how management summarized its main message for EEI. The company feels very good about the ability to execute on the plan moving forward, supported by 10-12% rate base CAGR across all its subsidiaries. And while the Merrimack Valley incident certainly led the narrative for the company over the past couple of years, it also obscured the solid execution that continued across NI's core states during the period. NI believes the story today is even enhanced vs 3 or 5-years ago given the O&M initiatives through NiSource Next and the transition of its fleet at NIPSCO to being coal-free around the middle of the decade.
- **Sees a lot of opportunities in decarbonizing gas.** NI likens its gas LDC network to an infrastructure storage asset (i.e., capacity resource) that can be decarbonized over time through RNG or hydrogen blending. Particularly in the areas that NI serves, the throughput on the system needed to serve peak days is about 3x more than what the electric system can deliver today. NI sits in states where there is great opportunity to utilize agricultural waste for RNG, though there is likely an incentive needed to use the RNG locally to really accelerate the adoption. Sitting on top of the Marcellus/Utica, NI sees a strong case for future grey hydrogen hubs with carbon capture in its service territories.
- **Expecting constructive outcomes in pending rate cases.** With settlements recently reached in PA and KY, the focus on the rate case front is in OH and IN. For OH, this is the first base rate case since 2008. But NI feels good given successes with its CEP and IRP rider programs in the state. A Staff report in OH is expect toward yearend or early next year, with any settlement discussion likely to occur in Q2 of next year. For IN, NI was last in for new rates in 2018 and was able to reach a constructive settlement. Vectren South and North recently settled cases with 9.7% and 9.8% ROEs respectively.
- **No change on strategic thoughts regarding asset mix.** NI is currently in the planning cycle with its Board where it would consider any strategic decisions regarding portfolio optimization. Our sense is that there is no change to NI's thinking given that any capital rotation opportunity

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would have to be neutral or better to the current plan (i.e., 10%+ RB growth). Also, NI is also in good shape from a balance sheet standpoint so there isn't any rush to make any changes.

- **Meaningful extension of L-T outlook next year.** NI will hold an Analyst Day toward the end of the 1H of the year. The focus will be to extend the earnings and capex outlook meaningfully beyond the current 2024 period. Our sense is this likely means out until the 2028 timeframe to fully capture anything out of the pending IRP at NIPSCO.

OGE: A company that is headed in the right direction

- **Capex plan has a clear upward bias.** OGE will update and roll forward its 5-year capex outlook on the Q4 call next year. Our sense is that there will be revisions upward related to grid mod and customer growth-related initiatives. OGE also plans to add 100-150 MW/yr. of solar starting in late 2022 or 2023 through mid-decade and should have a good sense on exact size and timing by the Q4 call. OG&E's current rate base CAGR is near 5% and management noted it will likely move materially higher.
- **May need to be more patient on any change to EPS growth rate.** While the rate base CAGR is likely to move higher, investors may need to be a little more patient for OGE to modify its EPS target of 5%. That said, management was clear that 5% is a floor and the expectation is for 5%+ off the base of 2021's original midpoint. It could be that OGE wants to get the upcoming OK rate case fully behind the company before addressing the EPS growth rate going forward.
- **Expecting ENBL/ET to close in Q4.** OGE sounded very confident that ENBL/ET would close in Q4. Assuming that is true, we would expect OGE to formally lay out its exit plan on the Q4 call. It sounded like OGE will look to exit sooner than later once CNP has fully exited, particularly if ET stock is doing well. Even if OGE doesn't have utility capex with which to invest the proceeds immediately, it does have some debt at the holdco to paydown so that there isn't excess cash sitting on the balance sheet. We wouldn't be surprised to see OGE rebrand the parent once fully out of midstream to drop the word "gas" since OGE has no gas LDC.
- **A lot of future balance sheet capacity.** Once the proceeds from the Uri securitization are received mid-2022, OGE expects its FFO/D to return to 18-20% levels. After OGE is out of midstream, the rating agencies have indicated that the company will be afforded 200-300bps of additional balance sheet capacity given the improved business mix.
- **Bullish on L-T load growth.** By yearend, OGE is expecting load levels to be above 2019 levels, meaning the service territory as already more than recovered from COVID. OGE's expectation is still for 1%+ load growth long term.

PEG: Analyst Day message reiteration; hopeful on nuclear PTCs

- **Reiterating Analyst Day message.** Nearly fully regulated company going forward, with zero-carbon nuclear business. Growing earnings at 5-7% long-term. Will update wider than normal guidance range for 2022 once year-end pension position is known.
- **Hopeful and optimistic that nuclear PTC prevails.** Confident that nuclear PTC will remain in final Biden clean energy bill – one of the few areas with bipartisan support. Still need to get final bill passage though. Current PTC would be $15/MWh for 6 years less 80% of anything over $25/MWh on base energy/capacity price. Would effectively stabilize revenues at ~$40-45/MWh. Importantly, PTCs are not taxable, like NJ ZECs. If Biden bill doesn't pass, still possible it comes up in tax extenders. The minimum book tax could apply to PEG as well, though the company talked to the impact as similar to raising the corporate tax rate as was initially proposed, and it seems manageable overall. Zero need for equity wouldn't change.
- **Not expecting change in status quo following NJ elections.** Governor Murphy narrowly won reelection. He has been very supportive of offshore wind and that should continue. Long-time Senate President Sweeney lost, though he was more important in getting the ball rolling

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on nuclear support in the state. That seems to be less controversial now and if the federal nuclear PTC fails, there is still a path for a longer-term ZEC in New Jersey.

- **Utility business feels relatively de-risked.** NJ BPU has methodically approved spend programs, with mostly clause recovery. The latest is the $850M IAP filing last week that will focus on last-mile service. PEG's next rate case filing will be in late-2023, and the overall ask should be modest. Sandy costs will roll-off and COVID deferrals will roll-in, while there is a small portion of non-clause investment that will need to be recouped.
- **Still in discussions on incremental offshore wind ownership.** PEG remains in discussions with its partner Ørsted following their initial 25% ownership option in Ocean Wind 1. Ørsted won the bid on Ocean Wind 2 and PEG also owns more offshore lease area that can bid into Maryland. Thus, it's possible the ownership structure allows for increasing its exposure to offshore wind. It's possible costs have gone up some given commodities/inflation, but so has turbine size/efficiency. PEG also remains optimistic on their offshore transmission bids, believing they are geographically well-positioned and presenting up to a 10-figure investment opportunity.

PCG: What a difference a year makes!

- **Message is executing on wildfire mitigation.** At EEI last year, PCG did not have a permanent CEO, was a handful of months out of BK, and faced little interest from traditional utility investors. Although it took nearly a year, the stock has some strong momentum; it was the best performing utility over the past few weeks. It has not been easy: the second largest fire in state history (Dixie) hurt the stock this past summer, but management continues to view its actions as prudent. PCG's messaging at this EEI is the new management team this year has continued to execute on its wildfire mitigation plans and find real risk reduction while minimizing the impacts on customers, including fewer PSPS (outage) events. The team has also found ways to improve efficiency and operations. And management is excited by its undergrounding proposal, on which more detail will come in Feb 2022 and expects to get its 2022 Wildfire Safety Certificate.
- **Undergrounding.** PCG continues to expect the cost of UG to come down; in one small scale pilot program in its service area, cost is $2.7M/mile. PCG projects that to fall to $2M/mile or lower as the program scales up; PCG's high-level target is 10k miles of UG. PCG also noted its gas operations have experience with undergrounding gas lines and there could be opportunities of dual-trenching with telcos who want to bury communication lines. PCG is still evaluating whether the ITCs proposed in the BBB would apply to UG.
- **BBB likely to have a neutral cash impact.** PCG thinks the cash impact from BBB will not be material either way, and CA has a history of adjusting rates from tax memo accounts (TAMA). PCG is still eyeing any federal assistance with wildfire prevention, particularly vegetation management or other operating expenses. The nuke PTC also would still apply to Diablo Canyon until it shuts mid-decade.
- **Excitement over bidirectional EVs, storage.** PCG is excited by the potential from bidirectional EVs and views its role as an enabler. An EV is like 6 TSLA power packs and can power a house. PCG's territory is home to 1 in every 5 EVs nationally. PCG also has storage projects. And it does not view solar rooftop as a threat. The NEM 3.0 order this year is still important for reform, but PCG sees win-win solutions.

PNW: Pitching rate case outcome as an exception, not the rule

- **Rate case outcome clear disappointment.** Management didn't shy away from sharing just how disappointing the outcome of the rate case was. PNW is of the view that the deck was stacked against the company from the get-go, having gotten called in for the rate case with the perception that the company was overearning. A key tenant of the case was getting recovery of the controversial SCRs coal equipment at Four Corners. While a portion was ultimately

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allowed to be recovered in rates, the ACC jockeyed with other items (namely lowering the ROE to 8.7%) in order to effectively award no rate increase to give the Commission a win in the eyes of rate payers.

- **Legal challenge being pursued.** PNW was transparent in saying that it would sue the Commission in court over the legality of the rate case if the ROO was adopted as amended. As such, the company is preparing its legal strategy potentially through two different avenues 1) a challenge at the appeals court in AZ; 2) a special action at the AZ state Supreme Court. The first route will happen definitively, and the appeals court is required to hear all cases. But its unclear if PNW will go to the state Supreme Court on a special action over the SCRs given how fast the Court could act as PNW may look to use the challenge as a bargaining chip in the next rate case. Also, the state Supreme Court only accepts ~20% of the cases brought to it so there is no guarantee.
- **Next rate case coming in short order.** PNW will file its next rate case as soon as is practical. This would likely be sometime in Q2 of next year. Between now and then, PNW will seek to have discussions with various stakeholders, including the Commissioners, to hopefully reach alignment on key issues prior to even filing the case. We do worry some that the Commission would want to engage with the company while simultaneously being sued. Also, there is no indication at this point that the Commission would want parties to pursue a settlement in the next case. We are hesitant to buy into the narrative that the last case was an anomaly until we see signs that the regulatory environment is actually stabilizing in AZ.
- **ACC election next fall, one new Commissioner guaranteed.** Two seats at the ACC will be up for grabs next fall – Sandra Kennedy (D) and Justin Olson (R). Olson will not seek re-election as he has already stated his intent to run for a seat in the state Senate. Kennedy is by far the most vocal critic of the company, so failure to win re-election would be positive for PNW. That said, she did receive the highest vote count of any candidate the last time she ran. If Kennedy were to win and a Dem took Olson's seat, the Commission would move the majority Dem where Kennedy could be named Chair.
- **5-7% EPS CAGR hinges on reasonable outcome in next rate case.** PNW's forward EPS growth guidance assumes new rates from the next rate case are effective in the back half of 2023 and that the company will receive a reasonable outcome. It's still not clear exactly if PNW will be in the range in 2023 as it depends on timing of final order and outcome. Similarly, 2024 could see a step up even above the range.

POR: Big renewable goals

- **Renewable RFP on the come.** POR will formally launch its renewable RFP early next month, targeting to procure 375-500 MW of renewables, 375 MW of non-emitting capacity and 100 MW specifically for its Green Futures program. POR believes what is currently being discussed in the Reconciliation Bill will make it a lot easier for its benchmark bids to compete with third parties. In addition, management believes POR's incumbent position – existing land ownership, interconnection rights, ability to co-locate facilities – all bode well for the company's competitive position too. Even if the Reconciliation Bill were to fail, POR will submit its bids through an unregulated affiliate to have a better chance of winning a chunk of the RFP. Depending on what POR ultimately wins, we would expect the company to fund it with enough equity to get the consolidated ratio back close to 50%. It will likely be after the Q1 call next year before we know the outcome of the RFP.
- **Lot of growth opportunities.** Management mentioned that growth opportunities in front of the company are as strong as they have ever been. Any capex out of the RFP is pure upside but POR also expects to have another one or two iterations during the decade in an effort to meet the state's ambitious clean energy goals (80% clean by 2030, 100% by 2040). POR also sees a lot of opportunities in the base business, hinting that the capex of $550M/yr. in 2023-24 are likely to move higher as the years come closer. The question is if POR will adjust the L-T

growth expectation for the company. It sounds like POR will need to work through the RFP above before that decision is made.

- **Hopeful on rate case settlement.** POR has already settled cost of capital, but some of the more controversial items have yet to be hashed out. Settlement conferences were held earlier this month and management noted that November is typically when we would expect to see a full settlement filed. POR feels good about its case – predominantly a capital case with a modest 2% increase (ex-fuel).
- **Strong load growth.** Oregon is a top-3 state for immigration and the company continues to see strong load growth, particularly in the high-tech industrial sector. Roughly 30-40% of customers in Portland have air conditioning, but that could move higher in the future given recent fits with extreme heat conditions which could provide another avenue for load growth. POR also sees a big opportunity in future from EVs, saying that 1 EV is the equivalent to adding half a home.

PPL: A little more clarity on growth drivers, new utility capex but detail to come in Mar

- **Repositioning of the company nearly complete; Mar analyst day.** Management is nearing the finish line with its major repositioning of the company, which includes a US focused utility with KY, PA and likely RI operations. The company will also have one of the strongest B/S in the sector. Assuming the NEC acquisition is approved by RI in Feb, PPL could have an analyst day in Mar, at which PPL will provide 2022 guidance, LT EPS growth and capital plan.
- **EPS growth off 2022 adjusted base**. At analyst day, PPL will likely give a LT growth rate of 5-7%, using a pro forma 2022 EPS. PPL will own NEC for only 10 months in 2022, meaning its formal 2022 guidance needs to be adjusted. PPL sees O&M efficiency and incremental utility capex as growth drivers over the next several years. There could hardening and smart grid spend in RI, as well as investments in onshoring the power from offshore windfarms. In the second half of the decade, there is another generation replacement cycle in KY.
- **RI order expected 2/25**. PPL has received all approvals for NEC except from the RI PUC. Intervenor testimony was filed and the company wasn't surprised. Intervenors want to ensure merger transition costs are not passed onto ratepayers. RI's merger standard is no net harm. PPL feels good about closing the transaction shortly after a decision. PPL also would like to find a way to resolve rate matters and stay out for several years, as it has in KY and PA.
- **Incremental utility capex is mostly at PA transmission**. PPL last week identified an incremental $1B of utility capex through 2025. PPL said most of that is earmarked for PA transmission, which receives good returns on a timely basis.
- **KY fleet transition to take time.** The biggest fleet transition opportunity for PPL is in KY; however, the timing is not imminent. The coal plants, which came online in the 70s and early 80s have useful lives of 55 years or more. Still, by 2028 unit retirements will require some replacement. That could be the next leg of growth for PPL. Another thing to watch in KY is EVs and hydrogen. Ford's EV announcement this Sep was significant. And the KY Gov's E-cubed plan could be supportive. KY is petitioning the government to be one of four hydrogen hubs (another is NC).
- **Strong B/S and no major impact from BBB.** PPL is over halfway done with its $1B of buybacks by YE21. PPL's 16-18% FFO/D target will be among the best in the sector. The language on tax credits will be important, but PPL does not expect the corporate min tax to have a major impact. PPL will be a taxpayer.

SO: GA Watch 2022

- **While it gets the attention, SO came ready to portray a post-Vogtle SO.** Continuing where it left off last week on its 3Q21 call, SO said its 2024 EPS of $4.00-4.30 is solid and fleet transition could further support earnings within that range. SO will update its 5yr capital plan

early next year and wants to show something for generation replacement. SO does not put in placeholder capex or front-run regulatory filings/decisions, particularly its GA IRP (filing in Jan). But SO will find a way to communicate the range of capital opportunities through 2026. Renewables will be a part of that, as SO envisions more solar in the northern part of GA (most is in the south).

- **Vogtle completion is absolutely the focus.** SO is targeting 3Q22 for U-3 and 2Q23 for U-4. SO is still working through the remediation work. Mgmt will update investors quarterly on the progress, including submission of ITAACs, which are necessary to get to fuel load. In the upcoming GaPSC Staff testimony due 12/1, SO anticipates them to again criticize the schedule that the company has employed: early testing.
- **But GA rate case is key next year, followed by the IRP.** SO underscored the importance of the GA Power rate case (filing in Jul). SO has a history of settlements in the triennial reviews, and SO is optimistic. Next year is jampacked and important for SO in GA: Rate case, IRP, Vogtle U-3 target in-service, Vogtle prudency, and GaPSC commissioner elections (2 of the 5 seats). A lot could change in a year, but based on last week's VA and NJ elections, a red wave is possible next fall (all five PSC comms are Republicans).
- **Vogtle prudency also important but SO feeling good.** SO expects prudency on both units to be addressed. SO is expecting to recover at least $7.3B of Vogtle capital costs, and that is what is SO's EPS outlook. Last month, SO reached a deal with intervenors to rate base $2.1B of previously deemed prudent. The remaining costs above $5.2B still need to be deemed prudent. SO sees a path to get prudency resolved in 2022.
- **Didn't say how BBB would impact it.** Frankly, SO does not know whether the BBB, as currently drafted, will pass and believes further cutting in the top line number is possible.

SRE: Could give a long-term growth rate; lots of utility growth in the future and confident in LNG growth

- **Building a track record on execution but open to options; could give a long-term EPS growth rate.** Sempra management highlighted that it has executed on strategy and financial guidance over the last several years and has a lot of confidence in the LT plan. However, noting the apparent disconnect of the stock compared to other utilities and LNG stocks, it remains open to strategic options though it believes continued execution will help. Management is considering giving a long-term earnings growth rate and suggested its historical 7%-8% growth could be sustainable looking ahead.
- **LNG – confident in Cameron FID, excited on Vista Pacifico.** While mgmt is confident in securing commercial commitments to 7 mpta Cameron expansion, it first needs to complete the feed study, bid out the project to EPCs, and receive FERC approval for the change to electric drive; FID is still about a year away and not really likely to accelerate much. There is a lot of excitement on Vista Pacifico which can use existing pipeline infrastructure (and reduce CFE's capacity payment obligations) and the West Coast footprint is highly appealing to customers.
- **Utilities – Oncor capex boost a tailwind and seeing potential upsides in CA.** Oncor's $2.8B capital plan raise will represent a modest tailwind on earnings from the segment over the next several years and rates are still expected to remain the lowest in the state. In CA, it is seeing opportunities in storage solutions for grid reliability near term and longer term LDC decarbonization.
- **Build Back Better bill will likely be a net positive; CCUS of most interest.** On an overall basis Sempra sees more opportunities than downsides out of the reconciliation bill. Mgmt was most constructive on the 45Q carbon capture tax credit which would help their Hackberry carbon storage hub as well as some work with industrials customers at the LDC. The

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hydrogen credit will be helpful as well. On the minimum corporate tax, mgmt sees a modest negative cash tax impact but would not affect EPS.

WEC: New plan with more renewables, higher EPS growth; Biden bill could add even more tailwinds

- **New capital plan up 10% with more focus on regulated renewables.** WEC refreshed its five-year capex plan and took it up 10% to $17.7B. the latest iteration features more spend allocation toward regulated renewables, grid mod, and transmission upgrades. This is expected to support 7% growth in asset base and allowed WEC to raise its EPS growth target to 6-7% (from 5-7% previously) with still no equity needs.
- **Lower margin sales lagging, but higher margin better.** WEC also refreshed its long-term sales growth forecast – lowering it to 0.7-1.0% over 2024-2026 (from 1.0-1.3% over 2022-2025 previously). That said, the headwinds appear to largely be at the lower margin industrial segment (i.e.: Foxconn delays), while higher margin residential sales continue to come in ahead of plan driven partly by customer growth.
- **Most focused on solar PTC and direct pay tailwinds.** Excited about 2 potential tailwinds from the Biden clean energy plan. The first is the solar PTC, which will make its regulated renewables buildout even more economic and allow its energy infrastructure segment to incorporate solar to its existing base of wind-only projects. The second portion of the Biden bill is direct pay, which is a positive, and when couple with the minimum book tax, nets to a 50-100bps improvement in FFO/Debt from current levels around 16%.
- **Power the Future fuel conversion seems relatively straightforward.** Only need modest $30M investment in new burners to get to 30% nat gas fuel blend, along with air permit modification. Will eventually need WI PSC approval in the next few years for full conversion cost of $150-180M. Plan was well-received by the Governor's office. Will be less than 5% coal by 2030 and completely out by 2035.

XEL: Executing well on the regulatory front; potential upside in IRPs

- **New 10-year capex look.** XEL provided a new 10-year look at capex – seeing $36-40B in 2027-31 or a 6.5% rate base CAGR at the midpoint. XEL sees most of that within electric transmission/distribution (50%), followed by other (25%), renewables (20%) and hydrogen/storage (5%). XEL was the first utility to put a capex number on the initial project set under MISO's MTEP. The initial project set is believed to be ~$30B, where the opportunity for XEL is expected to be $5-6B (through 2039). XEL doesn't see real dollars actually getting spent on MTEP until 2026 at the earliest.
- **Potential upside to the IRPs.** XEL is expecting to add 3.9 GW and 5.8 GW of renewables through its CO and MN resource plans, respectively, with investment starting mid-decade and running through 2030 (for CO) and 2034 (for MN). XEL is targeting 50% ownership through the IRPs. But our sense is there could even be upside to that target – CO has legislation that says as long as XEL is reasonably cost effective, then it can own at least 50%. And in MN's last resource plan, XEL ended up getting 75% of what was procured. If the Reconciliation Bill was passed as it is currently proposed, its likely XEL could do even better than 50% ownership given economic benefits from direct pay or PTCs for solar. A decision in both IRPs is expected in 1Q22.
- **CO rate settlement sounds promising.** XEL sounded optimistic on being able to reach a settlement in its CO rate case before the December 22nd deadline. A big driver behind that was being able to reach the settlement regarding Winter Storm Uri costs last month (also resolved three other outstanding issues). XEL also just recently filed a settlement in the CPCN proceeding for its Pathway Transmission project in CO. XEL thought Staff's initial set of recommendations in the rate case were a reasonable starting point for negotiations. The

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biggest difference between the company and Staff was on the use of a forward test year, which isn't that surprising given the history in the state.

- **Reconciliation Bill would be big.** In addition to providing upside potential in the IRPs, XEL reiterated that the direct pay option would significantly reduce the equity needs currently in plan. Even if the bill were to fail, XEL thinks something could get done through a tax extenders package. On the potential for an AMT, XEL thinks any impact would be manageable and that existing renewable credits sitting on its balance sheet could be used to offset a minimum book up to 75% in a year.

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Sales Growth Update

Exhibit 5: Nominal and Weather-adjusted Sales Growth (3Q21 vs. 3Q20)

Company	Ticker	Residential	Commercial	Industrial	Total Retail	Residential Weather Adjusted	Commercial Weather Adjusted	Industrial Weather Adjusted	Total Retail Weather Adjusted	Decoupling
Alliant Energy	LNT	2.2%	(4.6%)	(2.7%)	(1.5%)					No
Ameren Corp	AEE	3.5%	4.5%	0.0%	3.1%					No
American Electric Power	AEP	(0.8%)	4.7%	7.0%	3.2%	(1.6%)	5.0%	7.0%	3.0%	No
Centerpoint - CEHE	CNP	(4.3%)			5.9%					No
CMS Energy	CMS	(2.6%)	4.2%	(1.8%)	0.2%	(3.8%)	2.8%	(2.0%)	(0.7%)	Yes
Consolidated Edison	ED	(2.4%)	0.7%	0.7%	(1.1%)					Yes
Dominion Energy	D									No
DTE Energy	DTE	(3.0%)	2.6%	(4.6%)	(1.2%)	(0.8%)	3.4%	0.3%	1.1%	Yes
Duke Energy	DUK	(2.1%)	4.2%	8.5%	2.8%	(0.2%)	5.3%	7.2%	3.4%	No
Entergy Corp	ETR	(3.6%)	0.1%	9.9%	2.4%	(2.9%)	0.5%	9.9%	2.8%	No
Evergy	EVRG	6.7%	4.7%	0.9%	4.8%	(3.0%)	1.0%	0.0%	(1.2%)	No
Exelon - ComEd	EXC	(0.4%)	5.6%	2.3%	2.3%	4.6%	6.9%	3.5%	4.9%	Yes
Exelon - PECO	EXC	(3.6%)	6.9%	2.3%	0.8%	(1.4%)	7.7%	2.7%	2.0%	No
FirstEnergy	FE	(2.7%)	2.0%	3.4%	0.5%	0.3%	3.3%	3.6%	2.2%	No
NextEra Energy - FPL	NEE	(4.8%)	2.8%	(0.7%)	(1.4%)				1.0%	No
NextEra Energy - Gulf	NEE	(1.5%)	4.5%	0.2%	0.6%				(1.2%)	No
NiSource	NI	1.2%	6.1%	9.0%	7.1%				2.8%	No
Pinnacle West	PNW	(7.7%)	1.8%	1.8%	(3.5%)	3.1%	5.8%	5.8%	4.3%	No
Portland General	POR	2.2%	6.3%	5.0%	4.3%					Partial
PPL - Kentucky	PPL	(2.4%)	1.8%	6.1%	1.8%	(5.5%)	0.3%	6.1%	0.1%	No
PPL - Pennsylvania	PPL	(3.3%)	2.1%	4.1%	0.4%	2.2%	3.8%	4.0%	3.2%	No
PSEG	PEG	(7.0%)	1.0%	1.0%	(2.0%)					No
Southern Company	SO	(4.6%)	2.4%	4.8%	0.6%	0.5%	4.2%	4.8%	3.0%	No
WEC Energy Group	WEC	0.3%	3.5%	3.8%	2.4%	(0.1%)	4.2%	3.5%	2.5%	No
Xcel Energy	XEL	(1.0%)	3.1%	3.1%	1.8%	0.5%	3.2%	3.2%	2.4%	Partial
Average		**(1.7%)**	**3.1%**	**2.8%**	**1.4%**	**(0.5%)**	**3.8%**	**4.0%**	**2.0%**	

Source: Wolfe Utilities & Power Research

Exhibit 6: Nominal and Weather-adjusted Sales Growth (YTD21 vs. YTD20)

Company	Ticker	Residential	Commercial	Industrial	Total Retail	Residential Weather Adjusted	Commercial Weather Adjusted	Industrial Weather Adjusted	Total Retail Weather Adjusted	Decoupling
Alliant Energy	LNT	1.0%	(4.9%)	(3.8%)	(2.8%)					No
Ameren Corp	AEE	2.6%	3.8%	1.4%	2.7%					No
American Electric Power	AEP	2.3%	4.7%	4.1%	3.5%	(0.9%)	4.3%	4.2%	2.3%	No
Centerpoint - CEHE	CNP	(2.1%)			5.8%					No
CMS Energy	CMS	(0.4%)	4.3%	5.2%	2.3%	(2.2%)	3.3%	4.9%	1.3%	Yes
Consolidated Edison	ED	2.2%	(2.3%)	(2.3%)	(2.0%)					Yes
Dominion Energy	D									No
DTE Energy	DTE	0.5%	5.0%	3.6%	2.8%	0.5%	5.0%	5.7%	3.5%	Yes
Duke Energy	DUK	3.5%	3.1%	5.2%	3.4%	0.6%	4.0%	5.5%	2.9%	No
Entergy Corp	ETR	2.4%	1.0%	4.7%	3.0%	(1.3%)	0.8%	4.7%	1.7%	No
Evergy	EVRG	3.6%	4.3%	4.1%	4.0%	(2.0%)	2.3%	3.7%	0.9%	No
Exelon - ComEd	EXC	1.4%	3.7%	1.7%	2.2%	2.2%	3.4%	1.5%	2.3%	Yes
Exelon - PECO	EXC	3.0%	5.5%	2.3%	3.2%	1.0%	3.9%	1.8%	2.0%	No
FirstEnergy	FE	2.0%	2.6%	3.9%	2.8%	(0.6%)	1.5%	4.2%	1.6%	No
NextEra Energy - FPL	NEE	(2.3%)	2.0%	0.6%	(1.0%)					No
NextEra Energy - Gulf	NEE	(0.1%)	3.8%	(3.4%)	0.7%					No
NiSource	NI	1.8%	4.5%	15.6%	9.3%				7.3%	No
Pinnacle West	PNW	(1.9%)	3.8%	3.8%	0.8%	2.3%	5.2%	5.2%	3.8%	No
Portland General	POR	4.5%	5.8%	8.7%	5.8%	1.0%	4.0%	9.0%	4.0%	Partial
PPL - Kentucky	PPL	2.9%	2.7%	9.0%	4.6%	(2.7%)	0.3%	9.0%	1.7%	No
PPL - Pennsylvania	PPL	2.1%	4.4%	4.0%	3.3%	1.3%	4.5%	4.0%	3.1%	No
PSEG	PEG	0.0%	3.0%	3.0%	2.0%					No
Southern Company	SO	1.2%	3.2%	4.3%	2.8%	(0.1%)	3.3%	4.3%	2.4%	No
WEC Energy Group	WEC	0.6%	4.3%	5.6%	3.4%	(0.3%)	4.4%	5.6%	3.1%	No
Xcel Energy	XEL	2.0%	1.7%	1.7%	1.8%	1.8%	1.9%	1.9%	1.9%	Partial
Average		**1.4%**	**3.1%**	**3.6%**	**2.7%**	**0.0%**	**3.3%**	**4.7%**	**2.7%**	

Source: Wolfe Utilities & Power Research

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Comparables Tables

Exhibit 7: Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$24.10	667	$16,068	16.1x	14.8x	13.8x	12.7x	2.5%	5.0%	40%	7.2x	18%
Alliant Energy	LNT	$56.08	250	$14,040	21.3x	20.4x	19.5x	18.3x	2.9%	5.9%	61%	2.4x	46%
Ameren	AEE	84.42	258	21,747	22.0x	20.7x	19.4x	18.3x	2.6%	7.0%	57%	2.2x	43%
American Electric	AEP	84.18	504	42,397	17.9x	16.8x	15.9x	15.0x	3.5%	5.7%	63%	1.9x	37%
Avangrid	AGR	50.84	387	19,685	24.2x	20.6x	19.5x	19.1x	3.5%	0.0%	84%	1.0x	70%
CenterPoint Energy	CNP	26.58	629	16,715	20.8x	19.3x	17.9x	16.5x	2.4%	8.0%	49%	2.2x	35%
CMS Energy	CMS	60.89	290	17,640	23.0x	21.2x	19.3x	17.5x	2.9%	6.7%	66%	3.0x	32%
Con Edison	ED	77.96	354	27,578	18.5x	16.7x	16.3x	15.6x	4.0%	1.3%	74%	1.4x	45%
Dominion	D	75.68	807	61,038	19.6x	18.3x	17.3x	16.1x	3.3%	6.0%	65%	2.5x	40%
DTE Energy	DTE	113.17	194	21,924	19.3x	19.3x	18.2x	17.1x	3.2%	7.2%	61%	2.6x	33%
Duke Energy	DUK	101.62	769	78,168	19.5x	18.8x	17.7x	16.6x	3.9%	2.0%	76%	1.7x	43%
Edison International	EIX	65.46	380	24,869	14.7x	14.1x	13.2x	12.3x	4.0%	4.0%	59%	1.8x	34%
Emera*	EMA	58.96	257	15,123	20.7x	18.5x	17.5x	16.5x	4.4%	4.0%	90%	1.8x	38%
Entergy	ETR	103.44	201	20,790	17.3x	16.4x	15.4x	14.5x	3.9%	6.0%	67%	1.8x	31%
Evergy	EVRG	64.69	229	14,834	18.2x	18.3x	16.9x	16.0x	3.4%	6.2%	61%	1.6x	46%
Eversource Energy	ES	83.74	344	28,790	21.7x	20.3x	19.0x	18.0x	2.9%	6.2%	62%	2.0x	43%
Exelon	EXC	54.45	978	53,269	19.9x	24.1x	22.9x	21.6x	2.8%	0.0%	56%	1.6x	45%
FirstEnergy	FE	38.96	544	21,211	15.0x	16.1x	15.1x	14.1x	4.0%	0.0%	60%	2.8x	24%
Fortis*	FTS	56.96	473	26,936	20.9x	19.5x	18.4x	17.6x	3.6%	5.8%	75%	1.5x	43%
NextEra Energy	NEE	85.20	1,962	167,174	33.6x	31.5x	29.2x	27.2x	1.8%	10.0%	61%	4.6x	40%
NiSource	NI	25.31	393	9,939	18.6x	17.5x	16.5x	14.6x	3.5%	6.0%	65%	2.1x	40%
OGE Energy	OGE	34.31	200	6,868	14.0x	16.1x	15.3x	14.7x	4.7%	2.0%	65%	1.9x	44%
PG&E	PCG	12.40	1,985	24,619	12.3x	11.4x	10.4x	9.5x	0.0%	N/A	0%	1.2x	32%
Pinnacle West	PNW	64.53	113	7,280	12.3x	16.5x	15.9x	14.9x	5.2%	5.1%	64%	1.3x	43%
Portland General	POR	50.13	89	4,482	18.0x	17.8x	17.1x	16.7x	3.4%	7.1%	61%	1.7x	44%
PPL Corp.	PPL	28.78	751	21,606	26.6x	17.3x	16.2x	N/A	5.8%	0.0%	153%	1.5x	57%
PSEG	PEG	62.72	506	31,715	17.3x	18.1x	17.2x	16.2x	3.3%	4.1%	56%	2.2x	41%
Sempra	SRE	124.61	319	39,793	15.0x	15.0x	14.4x	13.7x	3.6%	8.0%	54%	1.6x	51%
Southern Company	SO	63.86	1,059	67,617	18.8x	18.4x	17.0x	15.6x	4.1%	3.9%	78%	2.4x	35%
WEC Energy Group	WEC	90.64	315	28,591	22.3x	21.0x	19.7x	18.6x	3.0%	7.1%	67%	2.6x	43%
Xcel Energy	XEL	64.39	539	34,685	21.6x	20.3x	18.9x	17.8x	2.8%	6.4%	61%	2.3x	38%
Average					**19.4x**	**18.6x**	**17.4x**	**16.4x**	**3.4%**	**4.9%**	**65%**	**2.2x**	**40%**
Average (ex EIX & PCG)					**19.8x**	**19.0x**	**17.8x**	**16.8x**	**3.5%**	**4.9%**	**67%**	**2.3x**	**41%**

Source: Wolfe Utilities & Power Research, FactSet
*Current price shown in CAD

Exhibit 8: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	37.00	202	7,463	13.8x	11.7x	12.5x	13.1x	3.7%
NextEra Energy Partners	NEP	84.27	177	14,939	12.2x	9.8x	9.5x	9.1x	3.3%
Atlantica Yield*	AY	38.37	111	4,253	11.7x	11.0x	10.5x	10.7x	4.5%
Brookfield Renewable Partners*	BEP	38.75	275	10,654	23.4x	23.4x	22.7x	21.5x	3.2%
Average					**15.3x**	**13.9x**	**13.8x**	**13.6x**	**3.6%**

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

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Exhibit 9: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	34.97	245	8,562	8.8x	7.2x	6.2x	N/A	9.4%	15.2%	21.0%	N/A
Vistra Corp	VST	19.44	483	9,382	9.2x	5.8x	5.5x	N/A	2.1%	26.9%	26.1%	N/A
Average					**9.0x**	**6.5x**	**5.8x**	**N/A**	**5.8%**	**21.0%**	**23.6%**	**N/A**

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 10: Wolfe Research EPS Estimates for Utilities vs. Consensus

Company Name	Ticker	2021E WR	2021E Cons	2022E WR	2022E Cons	2023E WR	2023E Cons	2024E WR	2024E Cons
AES Corp.	AES	1.50	1.53	1.62	1.65	1.75	1.78	1.90	1.91
Alliant Energy	LNT	2.63	2.61	2.74	2.73	2.88	2.88	3.06	3.06
Ameren	AEE	3.84	3.81	4.08	4.04	4.36	4.34	4.61	4.61
American Electric	AEP	4.70	4.69	5.00	4.97	5.30	5.26	5.61	5.57
American Water	AWK	4.24	4.25	4.44	4.54	4.77	4.92	5.23	5.27
Avangrid	AGR	2.10	2.15	2.47	2.43	2.60	2.50	2.66	2.68
CenterPoint Energy	CNP	1.28	1.44	1.38	1.42	1.49	1.52	1.61	1.59
CMS Energy	CMS	2.65	2.66	2.87	2.87	3.16	3.12	3.48	3.30
Consolidated Edison	ED	4.20	4.25	4.66	4.51	4.78	4.72	4.99	4.91
Dominion	D	3.87	3.87	4.13	4.11	4.38	4.38	4.70	4.67
DTE Energy	DTE	5.87	5.87	5.88	5.94	6.23	6.28	6.61	6.73
Duke Energy	DUK	5.20	5.23	5.40	5.47	5.74	5.77	6.13	6.13
Edison International	EIX	4.47	4.51	4.63	4.66	4.95	4.95	5.32	5.23
Emera*	EMA	2.85	2.83	3.19	3.07	3.36	3.25	3.56	3.49
Entergy	ETR	5.99	5.98	6.32	6.33	6.74	6.72	7.11	7.05
Evergy	EVRG	3.55	3.54	3.54	3.54	3.84	3.77	4.04	4.02
Eversource Energy	ES	3.87	3.83	4.13	4.09	4.40	4.38	4.65	4.66
Exelon	EXC	2.74	2.80	2.26	3.38	2.38	3.47	2.52	3.48
FirstEnergy	FE	2.60	2.60	2.42	2.53	2.58	2.67	2.77	2.78
Fortis*	FTS	2.72	2.68	2.92	2.88	3.10	3.03	3.24	3.20
NextEra Energy	NEE	2.53	2.53	2.70	2.74	2.92	2.95	3.13	3.16
NiSource	NI	1.36	1.36	1.45	1.44	1.53	1.54	1.74	1.72
OGE Energy	OGE	2.45	2.28	2.14	2.16	2.25	2.23	2.34	2.34
PG&E	PCG	1.01	1.01	1.09	1.10	1.19	1.25	1.31	1.33
Pinnacle West	PNW	5.26	5.05	3.91	4.27	4.05	4.46	N/A	4.55
Portland General	POR	2.78	2.74	2.82	2.80	2.93	2.91	3.00	3.00
PPL Corp.	PPL	1.08	1.19	1.66	1.61	1.77	1.80	N/A	1.85
PSEG	PEG	3.63	3.62	3.47	3.50	3.65	3.66	3.87	3.91
Sempra	SRE	8.29	8.22	8.30	8.43	8.66	8.92	9.12	9.34
Southern Company	SO	3.40	3.37	3.48	3.53	3.76	3.82	4.09	4.13
WEC Energy Group	WEC	4.07	4.06	4.31	4.31	4.59	4.58	4.88	4.88
Xcel Energy	XEL	2.98	2.98	3.17	3.17	3.40	3.39	3.61	3.62

Source: Wolfe Utilities & Power Research, FactSet

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Exhibit 11: Wolfe Research EBITDA Estimates for YieldCos v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Clearway Energy	CWEN	$1,185	$1,189	$1,238	$1,241	$1,149	$1,246	$1,096	$1,204
NextEra Energy Partners	NEP	1,446	1,449	$1,677	1,685	$1,778	1,830	$1,926	1,950
Atlantica Yield*	AY		845		904		941		927
Brookfield Renewable Partners*	BEP		2,025		2,025		2,088		2,204

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 12: Wolfe Research EBITDA Estimates for IPPs v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
NRG Energy	NRG	1,800	1,923	2,100	2,196	2,300	2,390	N/A	2,367
Vistra Corp	VST	1,957	1,847	3,068	3,153	3,025	3,248	N/A	3,219

Source: Wolfe Utilities & Power Research, FactSet

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Goldman Sachs | Equity Research

12 April 2021 | 7:02PM EDT

NiSource Inc. (NI): Announces convertible equity offering, eliminates bulk equity needs

NiSource (NI, Neutral) announced the issuance of equity units with forward purchase contracts totaling 7.5mn units - or ~8.63mn including the greenshoe - with the common stock to be delivered on March 1, 2024 (subject to certain early settlements). The $100 stated amount implies proceeds of $750mn, or ~$863mn including the greenshoe. The company expects to use the proceeds for its renewable generation investments, debt repayment, and for other general corporate purposes.

With this issuance, NI no longer expects a need to issue the previously guided $500-$700mn in bulk equity in 2022-2023, while also reducing its 2023 ATM equity needs to $0-$150mn (from $200-$300mn prior). Our published estimates embedded $990mn of convertible debt in 3Q2021 (converting in 4Q2024) along with $700mn of bulk equity in 1Q2023. Finally, the company expects its renewable capital investment requirement to total $2bn, versus its $1.8-$2.0bn guidance.

Our 12-month price target of $25 embeds an 18x P/E multiple to our 2022 EPS estimate of $1.40 (unchanged). Key upside risks include (1) reduced debt/equity financing needs via accretive monetization of one or more of its gas utilities, (2) increased ability to lower O&M expenses, and (3) plans to further accelerate retirement of its remaining coal fleet.

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NI	12m Price Target: **$25.00**	Price: **$24.75**	Upside: **1.0%**

Neutral

Market cap: $9.5bn
Enterprise value: $20.9bn
3m ADTV: $85.6mn
United States
Americas Utilities
M&A Rank: 3

GS Forecast

	12/20	12/21E	12/22E	12/23E
Revenue ($ mn)	4,681.7	4,638.6	4,833.0	5,065.9
EBITDA ($ mn)	1,687.3	1,831.2	2,002.3	2,212.4
EBIT ($ mn)	961.4	1,073.8	1,174.3	1,290.8
EPS ($)	1.32	1.32	1.40	1.49
P/E (X)	18.6	18.7	17.7	16.6
EV/EBITDA (X)	11.9	11.6	11.3	11.2
FCF yield (%)	(6.9)	(7.3)	(10.6)	(15.4)
Dividend yield (%)	3.4	3.6	3.8	4.0
Net debt/EBITDA (X)	5.7	5.7	5.8	5.8

	12/20	3/21E	6/21E	9/21E
EPS ($)	0.34	0.69	0.18	0.12

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 12 Apr 2021 close.

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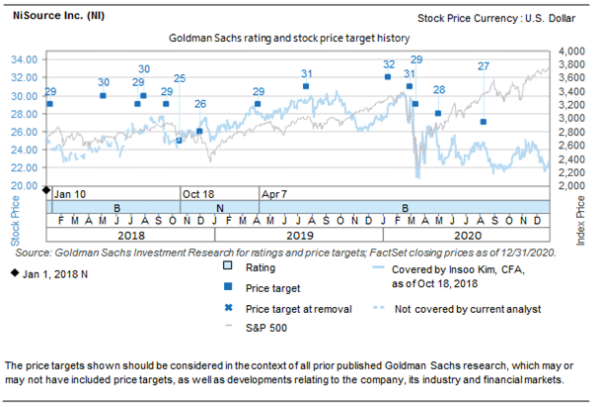

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Citi Research

ACTION

08 Jul 2021 15:00:03 ET | 12 pages

NiSource Inc (NI.N)

Potential Solar Supply Chain Disruption May Impact EPS Growth

CITI'S TAKE

NI's earnings growth story is dependent on execution of $1.8-2.0B of solar and renewable projects. Citi's global solar view is that there's a risk to execution of solar development timeline given global supply chain disruptions impacting polysilicon, shipping, and panel management. NI has some exposure to this thesis. TP to $27.

Earnings Growth Most Pronounced in 2023 from Solar & Renewable Investment — NI has committed $1.8-$2.0B of solar investment by 2023 in their latest capital plan. Based on preliminary assumptions about the regulated projects the bulk of earnings is likely to come in 2024 when the projects have reached run rate earnings (see figure 1 for our analysis).

Supply Chain Dynamics Weigh on Solar. Not Good. — Citi's global solar team argued that there is real risk to utility scale solar installation in the US due to polysilicon price spike, panel management issues, and shipping delays. These developments could delay timing of installations for NiSource although the projects will still get completed in our view. See our team note Global Solar Power - Rising Installations an Irreversible Trend for more information.

NiSource's Contract Structure — NiSource has contractual protections built into its renewable build-transfer deals that provide NiSource with a combination of liquidated damages and lower purchase price protections. They don't shield the company 100%, but do give it a reasonable degree of protection against delays.

Impact to NiSource — A meaningful portion of near term earnings growth for NiSource comes from its renewable development projects. In figures 1-3, we provide an illustrative analysis of the impact of the solar projects of up to ~11% of earnings in 2024 coming from these projects (before issuance dilution). Of the projects identified, several are in advanced commercial negotiation or pending IURC approval. If some of these projects get delayed slightly, we may see a modest downward revision to guidance depending on the specific terms of the contracts and the nature of the delay.

EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2020A	0.76A	0.13A	0.09A	0.34A	1.32A	1.32A	-0.19A
2021E	**0.77A**	**0.11E**	**0.11E**	**0.34E**	**1.35E**	**1.35E**	**1.34E**
Previous	na	na	na	na	1.43E	na	na
2022E	**na**	**na**	**na**	**na**	**1.40E**	**1.41E**	**1.41E**
Previous	na	na	na	na	1.49E	na	na
2023E	**na**	**na**	**na**	**na**	**1.60E**	**1.52E**	**1.54E**
Previous	na	na	na	na	1.58E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.

Click here for Visible Alpha consensus data

Neutral

Price (07 Jul 21 16:00)	US$25.03
Target price	US$27.00↑
from US$24.00	
Expected share price return	7.9%
Expected dividend yield	3.2%
Expected total return	11.1%
Market Cap	US$9,817M

Price Performance
(RIC: NI.N, BB: NI US)

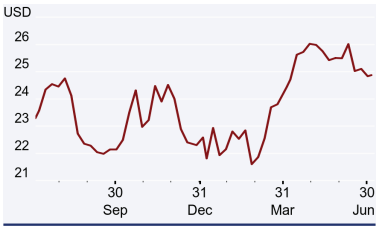

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NiSource Inc (NI.N)
08 July 2021

Citi Research

NI.N: Fiscal year end 31-Dec						Price: US$25.03; TP: US$27.00; Market Cap: US$9,817m; Recomm: Neutral				
Profit & Loss (US$m)	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**Valuation ratios**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Sales revenue	5,209	4,676	4,699	5,025	5,366	PE (x)	19.0	19.0	18.6	17.9	15.6
Cost of sales	-2,252	-1,855	-1,990	-2,028	-2,156	PB (x)	1.8	1.9	1.9	1.8	1.7
Gross profit	2,957	2,821	2,709	2,997	3,211	EV/EBITDA (x)	18.0	16.7	13.3	12.3	11.5
Gross Margin (%)	56.8	60.3	57.7	59.6	59.8	FCF yield (%)	-5.2	-5.9	-7.2	-12.2	-19.4
EBITDA (Adj)	**1,275**	**1,370**	**1,748**	**1,978**	**2,279**	Dividend yield (%)	3.2	3.3	3.4	3.4	3.5
EBITDA Margin (Adj) (%)	24.5	29.3	37.2	39.4	42.5	Payout ratio (%)	61	63	63	61	54
Depreciation	-717	-746	-682	-734	-840	ROE (%)	1.3	-0.1	10.0	10.3	11.2
Amortisation	0	0	0	0	0	**Cashflow (US$m)**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
EBIT (Adj)	**557**	**624**	**1,065**	**1,244**	**1,439**	EBITDA	1,275	1,370	1,748	1,978	2,279
EBIT Margin (Adj) (%)	10.7	13.4	22.7	24.8	26.8	Working capital	-75	72	-54	-54	-23
Net interest	-379	-371	-378	-444	-519	Other	118	-249	-429	-618	-718
Associates	0	0	0	0	0	**Operating cashflow**	**1,318**	**1,193**	**1,265**	**1,306**	**1,538**
Non-Op/Except/Other Adj	-5	-211	6	-22	-22	Capex	-1,802	-1,758	-1,980	-2,550	-3,550
Pre-tax profit	**173**	**42**	**693**	**778**	**899**	Net acq/disposals	-113	1,116	0	0	0
Tax	-56	12	-124	-152	-177	Other	-7	-237	-35	0	0
Extraord./Min.Int./Pref.div.	-55	-59	-56	-55	-55	**Investing cashflow**	**-1,922**	**-879**	**-2,014**	**-2,550**	**-3,550**
Reported net profit	**63**	**-4**	**513**	**571**	**666**	Dividends paid	-299	-322	-352	-383	-412
Net Margin (%)	1.2	-0.1	10.9	11.4	12.4	**Financing cashflow**	**423**	**-193**	**2,657**	**1,309**	**2,077**
Core NPAT	495	508	536	571	666	**Net change in cash**	**-182**	**121**	**1,908**	**65**	**66**
Per share data	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**Free cashflow to s/holders**	**-485**	**-566**	**-715**	**-1,244**	**-2,012**
Reported EPS ($)	0.17	-0.01	1.29	1.40	1.60						
Core EPS ($)	1.32	1.32	1.35	1.40	1.60						
DPS ($)	0.80	0.83	0.84	0.86	0.87						
CFPS ($)	3.51	3.10	3.18	3.19	3.70						
FCFPS ($)	-1.29	-1.47	-1.80	-3.04	-4.85						
BVPS ($)	13.63	12.90	13.39	14.17	14.80						
Wtd avg ord shares (m)	366	375	388	399	405						
Wtd avg diluted shares (m)	376	385	398	409	415						
Growth rates	**2019**	**2020**	**2021E**	**2022E**	**2023E**						
Sales revenue (%)	1.8	-10.2	0.5	6.9	6.8						
EBIT (Adj) (%)	346.8	12.1	70.6	16.7	15.7						
Core NPAT (%)	9.2	2.5	5.6	6.5	16.8						
Core EPS (%)	3.7	0.0	2.1	3.7	15.0						
Balance Sheet (US$m)	**2019**	**2020**	**2021E**	**2022E**	**2023E**						
Cash & cash equiv.	148	126	1,979	1,979	1,979						
Accounts receivables	857	791	804	845	868						
Inventory	425	401	391	408	417						
Net fixed & other tangibles	19,090	18,643	19,981	21,797	24,506						
Goodwill & intangibles	1,486	1,486	1,486	1,486	1,486						
Financial & other assets	654	593	647	658	664						
Total assets	**22,660**	**22,041**	**25,288**	**27,172**	**29,921**						
Accounts payable	666	589	584	594	604						
Short-term debt	1,787	526	1,985	2,477	3,941						
Long-term debt	7,856	9,220	9,802	10,702	11,602						
Provisions & other liab	6,364	5,868	5,960	5,965	5,970						
Total liabilities	**16,673**	**16,203**	**18,332**	**19,738**	**22,117**						
Shareholders' equity	5,987	5,838	6,946	7,406	7,755						
Minority interests	0	0	0	0	0						
Total equity	**5,987**	**5,838**	**6,946**	**7,406**	**7,755**						
Net debt (Adj)	**9,494**	**9,621**	**9,808**	**11,200**	**13,564**						
Net debt to equity (Adj) (%)	158.6	164.8	141.2	151.2	174.9						

For definitions of the items in this table, please click here.

Prepared for Christopher Turnure

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Sourcing Solar at NiSource

Our analysis uses a 30 year asset life, 9.75% ROE (in line with NIPSCO electric trackers) and assumed 50% equity layer to illustrate the earnings profile of the solar capex.

Figure 1. NiSource Solar Investment Illustration

		2021	2022	2023	2024
Capex Company Guide	$m	$150.0	$400.0	$1,350.0	
Rate Base Math		2021	2022	2023	2024
Beg	$m	0.0	141.7	505.6	1,733.7
Add	$m	$150.0	$400.0	$1,350.0	$0.0
Depreciation	$m	($2.5)	($11.7)	($40.8)	($63.3)
Deferred Tax Liability	$m	($5.8)	($24.4)	($81.1)	($97.2)
End	**$m**	**141.7**	**505.6**	**1,733.7**	**1,573.2**
Average Rate Base	$m	70.9	323.7	1,119.7	1,653.5
Equity Layer	%	50%	50%	50%	50%
ROE	%	9.75%	9.75%	9.75%	9.75%
NI	**$m**	**$3.5**	**$15.8**	**$54.6**	**$80.6**
Average Share Count	m shares	398	409	415	415
EPS	**$/share**	**$0.01**	**$0.04**	**$0.13**	**$0.19**
Citi EPS	$/share	$1.35	$1.40	$1.60	$1.76
EPS % of total	%	0.6%	2.8%	8.2%	11.0%

Source: Citi Research

Increasing Price Target: We are increasing our price target to reflect a roll forward of price target time period, updated estimates and company guidance, executed convertible equity issuance, higher gas utility transaction multiples, and our current business outlook. This increased our PT to $27.00.

Estimate Revision: We updated our estimates for recent results, updated spending and regulatory activity, the recent financing transaction and updated financing guidance.

Appendix

Figure 2. NiSource Capex Guidance

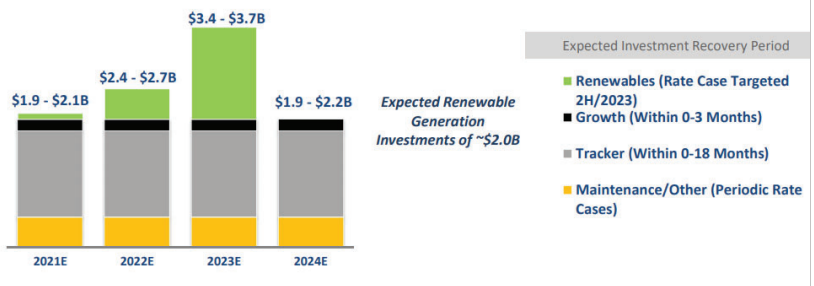

Source: Citi Research

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Figure 3. NiSource Solar Capital investment

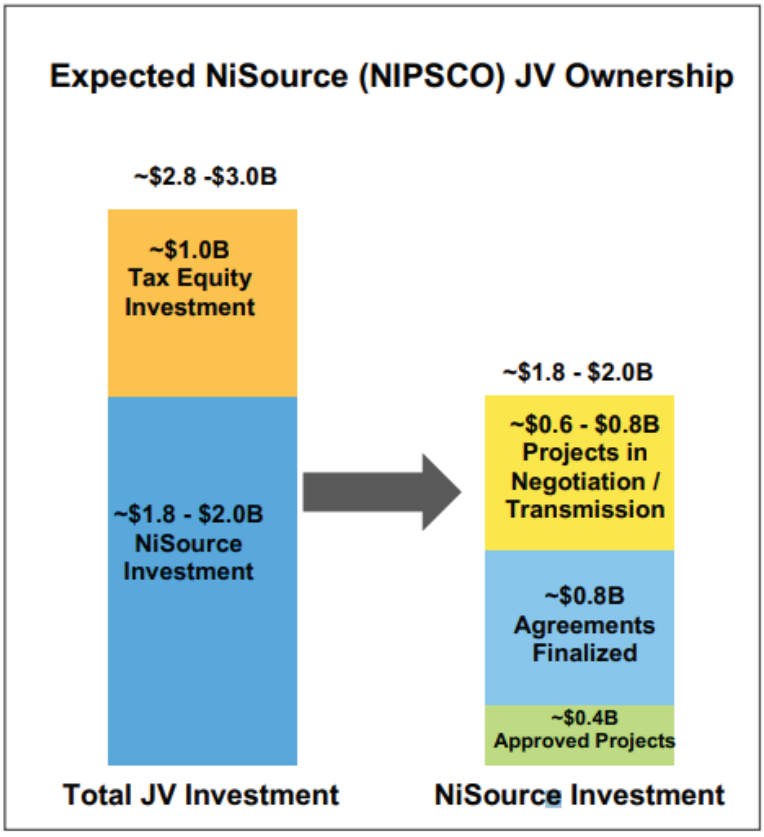

Source: Citi Research

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NiSource Inc

Company description

NiSource Inc (NI) is primarily a regulated utility with an integrated network of gas distribution in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana. The company serves around 4 million customers across seven states through its two main business segments, including: 1) Gas Distribution, which delivers natural gas in several states; 2) Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCO).

Investment strategy

We rate the shares of NiSource (NI) Neutral (2). We believe NI's long-term earnings are relatively stable due to diverse operations areas and constructive regulatory jurisdictions. Our estimates do not include: 1) Substantial industrial load growth at the utilities; 2) Colder-than-normal weather and faster than average customer growth; or 3) Slower than typical timeline in regulatory filing and approval process for new infrastructure projects and cost recovery mechanisms.

Valuation

We average multiple valuation methodologies to derive our $27 target price. Our NAV yields a value of $34. We value regulated assets at a multiple of 1.5x rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at $30 per share. Our P/E and EV/EBITDA analyses yield values of $27 per share.

Risks

The key risks to our investment thesis are: (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates. (2) Weather – Changes in weather impact the stability of earnings. (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. (4) Capital Markets — Access to cheap capital markets could be limited due to the size of the company. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target. (5) There is a risk that there will be negative political, financial, and regulatory backlash from the recent events in New England.

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Appendix A-1

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Ratings and Target Price History
Fundamental Research

Analyst: Ryan Levine

	Date	Rating	Target Price	Closing Price
1	28-Nov-18 16:01:00	2	*26.00	25.76
2	03-May-19 06:40:08	2	*28.00	27.86
3	23-Oct-19 22:00:00	2	*30.00	28.15
4	23-Apr-20 03:00:00	2	*29.00	25.85
5	01-Jul-20 14:08:34	2	*24.00	23.46

*Indicates Change

Rating/target price changes above reflect Eastern Time

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US Electric Utilities & IPPs

Power Points: DUK IRP, Freeport LNG, EXC IL rate case, NI OH rate case,

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Industry Overview | 01 July 2021 | Equity | United States | Electric Utilities

Key takeaways

- Parties in NC file motion for hearing on DUK IRP, SC rejected the IRP and is requiring modification, not a surprise following
- D's IRP earlier this year; Freeport LNG could contract for train 4 by YE, positive read for Cheniere; ICC approves modest
- rate hike for ComEd, focus remains on the future for FRP; NI OH files first rate case since 2008, proposes addl. mechanisms

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DUK: IRP developments are key to renewables ambitions

Environmental justice non-profit NC WARN and The Center for Biological Diversity (The Center or CBD) filed a motion for the North Carolina Utilities Commission to schedule an evidentiary hearing to address matters in Duke Energy Carolinas (DEC) and Duke Energy Progress (DEP)'s 2020 Integrated Resource Plans (IRPs). NC Warn and The Center assert several issues with the IRPs that they believe warrant an evidentiary hearing including principally the necessity of natural gas generation relative to battery storage.

Separately, on June 29th the SC PSC rejected the Duke's DEC/DEP IRP (2019-224-E and 2019-225-E) and required a response within 60 days. While a negative headline, we don't see this as a surprise, following the similar rejection of Dominion SC's IRP earlier in 2021. In fact, the details of the rejection represent a positive because the Commission requested a series of revisions that could lead to additional solar investment. For example the Commission requested solar/storage power purchase agreement (PPA) cost assumption revisions (presumably lower) and update associated capacity benefits (likely higher).

The IRPs have been contentious due to the natural tensions between broad stakeholder support for renewables and related cost pressures. The SC Commission requested modifications are a prime example of this pressure. We continue to monitor progress on NC HB951 that builds-off the IRP and would support accelerated coal retirement, step-function increase in utility-owned renewables, and favorable regulatory reforms.

Freeport LNG could have contracts for Train 4 by YE-21

Gulf Coast developer Freeport LNG management commented that they could have enough long-term contracts by year-end to FID (Final Investment Decision) on a fourth train at their export facility. Train 4 would need at least 75% of its 5mtpa capacity to FID and if contracts were signed by YE21, they could FID by summer 2022. The increase in expectations follows renewed customer conversations following the improvement in LNG prices. The company has not yet announced any firm contracts associated with Train 4, aside from the preliminary agreement signed in 2018 with Sumitomo for 2.2mtpa, which expired last year.

We see this commentary as a positive read-through for Cheniere, given the positive contracting environment for Corpus Christi Stage 3 growth project, for which they are also working on securing sufficient contracts to FID.

EXC: ICC backs small rate hike for ComEd

The Illinois Commerce Commission (ICC) staff has recommended (Docket 21-0367) a $31.6mn (+1.1%) revenue requirement increase which includes a $23.1mn filing year increase on a 7.36% ROE (48.7% equity) and a $38.4mn downward adjustment using a 7.29% ROE prior year reconciliation. Overall, the proceeding is not expected to be controversial given the formulaic nature of the process, particularly the ROE (12-month avg 30-year Treasury yield plus

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proceeding is not expected to be controversial given the formulaic nature of the process, particularly the ROE (12-month avg 30-year Treasury yield plus 580 bps premium). Although we note the proposed -7bp 'performance metrics penalty', albeit small, introduces a degree of uncertainty. The ICC is expected to issue a decision in Dec '21, with new rates taking effect in Jan '22.

Investor focus is on future ComEd earnings profile in various legislative scenarios regarding a potential FRP extension. If the FRP is not extended, we see potential for an improvement in the allowed ROE based on the 9.1% 2020 average allowed. For reference, ComEd's latest earned regulatory ROE is 6.88%.

NI: Columbia Gas of OH files rate case

Columbia Gas of OH filed a general rate case with proposed +$221Mn revenue requirement premised on a 10.95% ROE and 50.6% equity ratio. The filing was agreed to in Columbia Gas' 2017 rider update and is the first rate case since 2008. We note that the Public Utility Commission of OH (PUCO) recently hosted a forum to cost of capital considerations.

Aside from the earnings drivers, notable rate construct proposals include (1) increasing volumetric breakpoint between rate classes to minimize class switching; (2) establishing a monthly delivery charge for certain classes; (3) proposed Federal/State Tax Reform Rider; and (4) establishment of a voluntary $5/month Carbon Reduction Rider to fund the purchase of carbon offsets.

Ohio has historically been a constructive electric and gas jurisdiction but we expect an elevated focus given the 10+ years since the prior case and the magnitude of the request. Ultimately we see a constructive outcome as likely based on precedent.

Exhibit 1: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
LNG	LNG US	Cheniere Energy Inc	US$ 87.05	B-1-9
DUK	DUK US	Duke Energy	US$ 99.71	B-2-7
EXC	EXC US	Exelon Corp	US$ 45.00	B-1-7
NI	NI US	NiSource Inc	US$ 24.90	B-1-7

Source: BofA Global Research

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Price Objective Basis & Risk

Cheniere Energy Inc (LNG)
Our $90/sh PO is based on an SOTP in which we value LNG's stake in CQP using a fundamental DCF valuation of its ownership stake in Sabine Pass. We provide separate value to LNG's marketing business assuming excess capacity of SP 1-5 and CC 1-3 is marketed with a $2.35/MMBtu realized margin, applying a 9.0x multiple to corresponding EBITDA. We value CC 1-3 on a DCF basis, valuing the initial 20-year contract term at 100% and the 10-yr extension at 100% (risk reflecting in pricing assumptions). We discount cash flows at an 7% rate during the contracted period given the difference in risk profile. For CC3 we again assume initial 20-year contract term, given the asset is largely contracted we assume full value, again weighing the contract extension at 100%, same discount rates as for CC1&2. We ascribe 75% likelihood to the CCS3 expansion and 100% likelihood to the SP-6 expansion. We also attribute value for after-tax GP distributions using DCF approach at an 7% discount rate.

Downside risks are counterparty credit risk, construction delays, changes in trade policy limiting exports, and changes in commodities.

Duke Energy (DUK)
Our $105 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2023E P/E multiples. We apply a 3.0x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and recent sale valuation marker). We apply a 2x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2021. We value the other regulated electric utilities at 18.2x and the gas utilities at peer group multiples of 16.7x 2023E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2023E EV/EBITDA basis. We use a 9.0x multiple for midstream and transmission segment. We add the net present value of renewable segment using an 8% discount rate. We subtract out the impact of commercial debt, and add back for the renewable debt.

Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Exelon (EXC)
Our $52 PO is based on an SOTP valuation.
Utility: Our base electric peer P/E multiple of 18.1x for '23 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2022E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/EGE in the sector), to which we apply a premium/discount based

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then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a DCF for nuclear and Mystic.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

NiSource Inc (NI)
Our $29 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 16.1x for gas (from 16.3) and 17.8x (unchanged) for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith

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Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
Dominion Energy	D	D US	Julien Dumoulin-Smith
Edison International	EIX	EIX US	Julien Dumoulin-Smith
Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
Enphase Energy	ENPH	ENPH US	Aric Li
Entergy	ETR	ETR US	Julien Dumoulin-Smith
Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
Exelon	EXC	EXC US	Julien Dumoulin-Smith
First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
FirstEnergy	FE	FE US	Julien Dumoulin-Smith
Hydro One	YH	H CN	Dariusz Lozny, CFA
MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
NiSource Inc	NI	NI US	Julien Dumoulin-Smith
NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith

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SolarEdge Technologies	SEDG	SEDG US	Aric Li
South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
Southern Company	SO	SO US	Julien Dumoulin-Smith
Spire	SR	SR US	Julien Dumoulin-Smith
Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
SunRun	RUN	RUN US	Julien Dumoulin-Smith
UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

NEUTRAL

American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
American Water Works	AWK	AWK US	Julien Dumoulin-Smith
Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
Bloom Energy	BE	BE US	Julien Dumoulin-Smith
Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
Eversource Energy	ES	ES US	Julien Dumoulin-Smith
Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
Idacorp	IDA	IDA US	Julien Dumoulin-Smith
Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith

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Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
Vistra Energy	VST	VST US	Julien Dumoulin-Smith
Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith

UNDERPERFORM

Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
Avangrid	AGR	AGR US	Julien Dumoulin-Smith
Avista	AVA	AVA US	Julien Dumoulin-Smith
DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Analyst Certification

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I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Important Disclosures

Cheniere Energy Inc (LNG) Price Chart

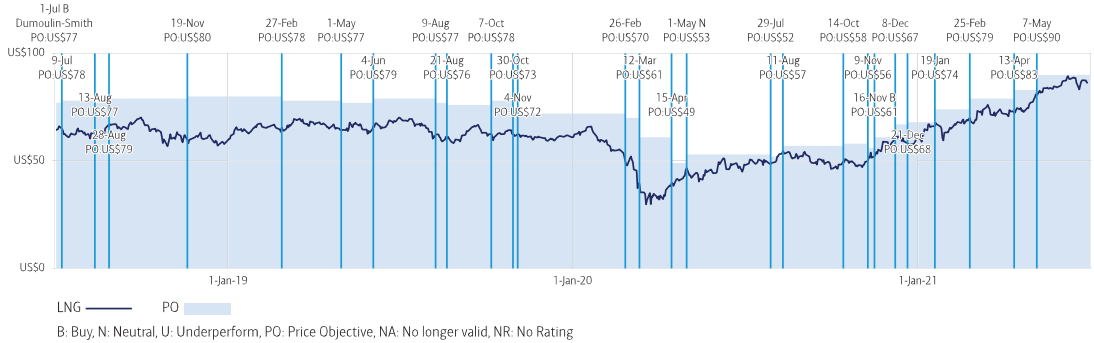

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Duke Energy (DUK) Price Chart

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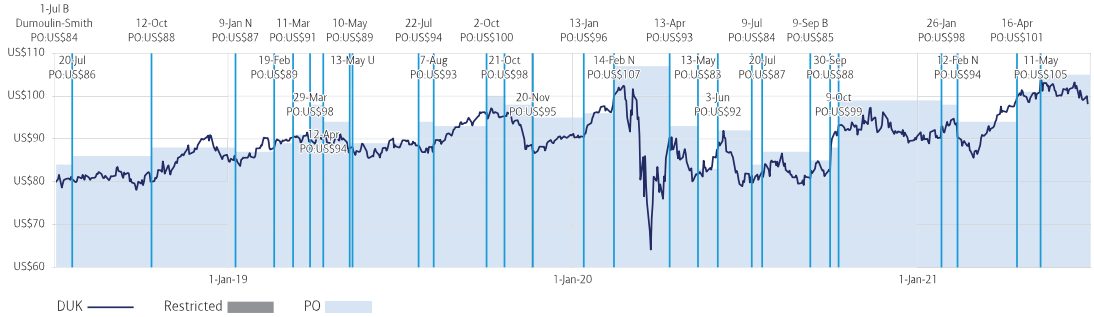

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Exelon Corp (EXC) Price Chart

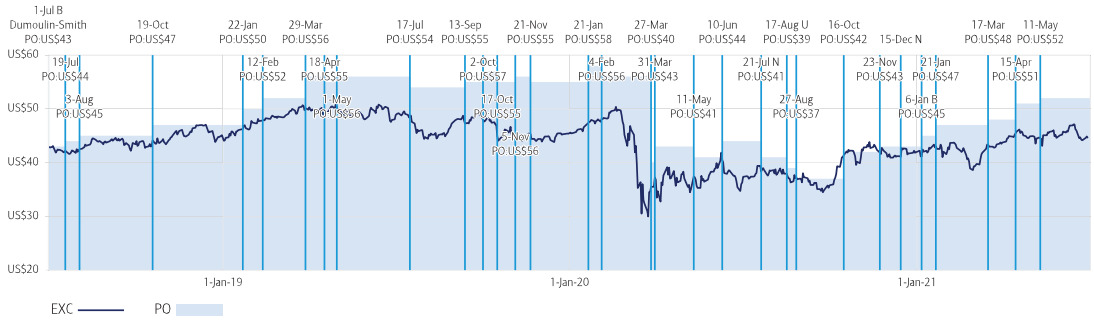

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NiSource Inc (NI) Price Chart

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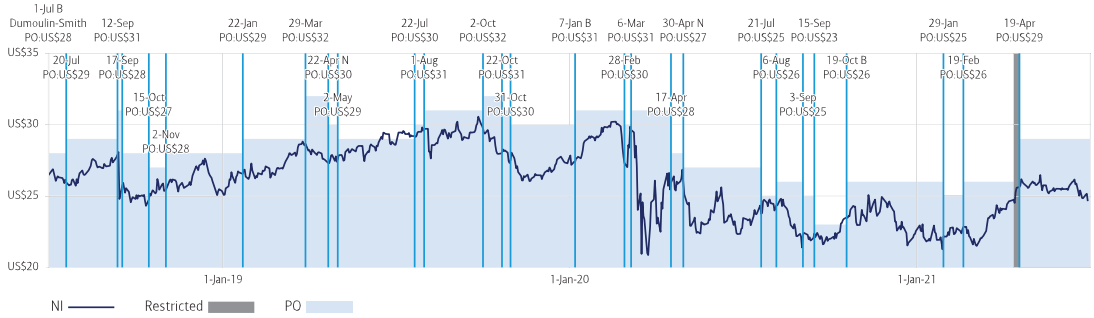

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Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	60.63%	Buy	57	74.03%
Hold	27	21.26%	Hold	15	55.56%
Sell	23	18.11%	Sell	13	56.52%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	49.68%	Buy	53	68.83%
Hold	39	25.16%	Hold	29	74.36%
Sell	39	25.16%	Sell	24	61.54%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1947	60.07%	Buy	1252	64.30%

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Hold	637	19.65%	Hold	395	62.01%
Sell	657	20.27%	Sell	340	51.75%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
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NYSE: NI

NISOURCE INC

NiSource Inc. is an energy holding company whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 4.0 million customers in seven states. NiSource is one of the nation's largest natural gas distribution companies, as measured by number of customers. NiSource's principal subsidiaries include NiSource Gas Distribution Group Inc., a natural gas distribution holding company, and NIPSCO, a regulated gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated utilities.

Analyst's Notes

Analysis by Gary Hovis, June 29, 2021

ARGUS RATING: BUY

- Discounted NI shares offer value
- NiSource management expects the company's infrastructure and generation investments to drive 7%-9% annual growth in operating EPS from 2021 through 2024. It also expects to reduce greenhouse gas emissions by 90% by 2030.
- The company has narrowed its 2021 non-GAAP operating EPS guidance to $1.32-$1.36, up at the low end from its prior forecast of $1.28-$1.36. Our EPS estimates are $1.36 for 2021 and $1.42 for 2022.
- NiSource pays an annualized dividend of $0.88 per share for a yield of about 3.5%.
- NI shares appear favorably valued at 18.5-times our 2021 EPS estimate, below the average multiple of 19.6 for comparable electric and gas utilities.

INVESTMENT THESIS

Our rating on NiSource Inc. (NYSE: NI) is BUY based on valuation and historical earnings performance. Focusing on its regulated electric and gas utilities, NiSource recently completed a corporate restructuring that resulted in the spinoff of its nonregulated pipeline group. The company keeps a tight rein on operating expenses as well as capital spending. The shares are trading near the midpoint of their historical range on P/E, price/book and price/cash flow, and carry an attractive yield of about 3.5%. We are reiterating our target price of $32. Our long-term rating is also BUY.

RECENT DEVELOPMENTS

On May 5, NiSource posted 1Q21 GAAP net income of $281.7 million or $0.72 per diluted share, compared to $61.8 million or $0.16 per share a year earlier. Non-GAAP operating earnings came to $304.8 million or 0.77 per share, compared to $290.9 million or $0.76 per share in 1Q20.

The company initiated four new renewable energy projects in 2021. Management

Market Data

Pricing reflects previous trading week's closing price.

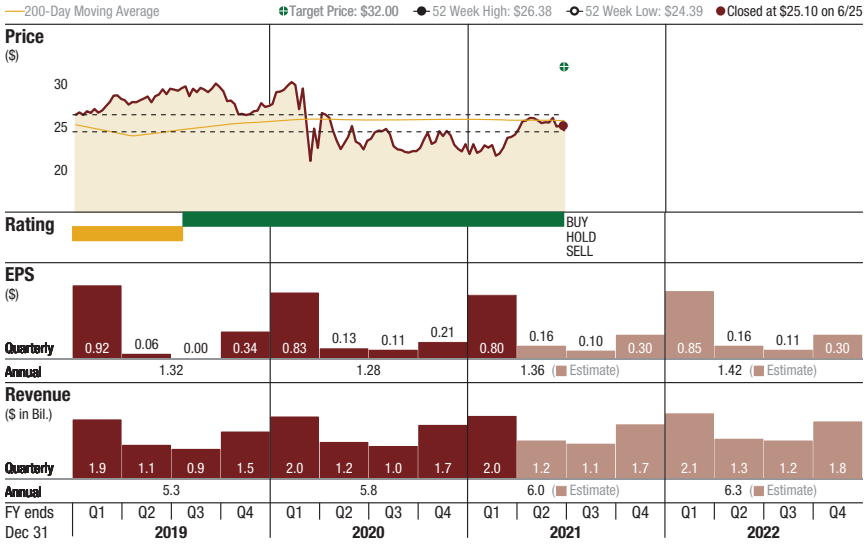

Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	**Market Weight**	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 72% Buy, 28% Hold.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$24.64
Target Price	$32.00
52 Week Price Range	$21.09 to $26.60
Shares Outstanding	392.22 Million
Dividend	$0.88

Sector Overview

Sector	Utility
Sector Rating	MARKET WEIGHT
Total % of S&P 500 Market Cap.	2.00%

Financial Strength

Financial Strength Rating	MEDIUM
Debt/Capital Ratio	62.6%
Return on Equity	10.6%
Net Margin	4.4%
Payout Ratio	0.65
Current Ratio	0.73
Revenue	$4.62 Billion
After-Tax Income	$202.30 Million

Valuation

Current FY P/E	18.12
Prior FY P/E	19.25
Price/Sales	2.09
Price/Book	1.91
Book Value/Share	$12.88
Market Capitalization	$9.66 Billion

Forecasted Growth

1 Year EPS Growth Forecast	6.25%
5 Year EPS Growth Forecast	4.00%
1 Year Dividend Growth Forecast	4.76%

Risk

Beta	1.01
Institutional Ownership	92.84%

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Analyst's Notes...Continued

expects the company's infrastructure and generation investments to drive 7%-9% annual growth in operating EPS from 2021 through 2024. It also expects to reduce greenhouse gas emissions by 90% by 2030.

In the Electric Operations segment, principal operating subsidiary Northern Indiana Public Service Co. (NIPSCO) continues to execute on an electric generation transition consistent with its 2018 Integrated Resource Plan (IRP). The IRP calls for the retirement of nearly 80% of NIPSCO's remaining coal-fired generation capacity by 2023, and the retirement of all coal plants by the end of 2028, which will be replaced by cleaner, lower-cost plants.

In the Gas Distribution Operations segment, Pennsylvania regulators approved an annual revenue increase of $63.5 million for Columbia Gas of Pennsylvania in February. The higher rates will enable Columbia Gas to upgrade its natural gas distribution system. Regulators also approved an ROE of 9.86%, with rates effective as of January 23, 2021.

We note that NiSource could become a buyout target, as larger utilities and private equity firms pursue smaller utilities because of their stable earnings growth and above-average dividend yields.

EARNINGS & GROWTH ANALYSIS

The company has narrowed its 2021 non-GAAP operating EPS guidance to $1.32-$1.36, up at the low end from its prior forecast of $1.28-$1.36.

Our EPS estimates are $1.36 for 2021 and $1.42 for 2022. NiSource continues to rely on its utility infrastructure programs for earnings and dividend growth. The company's regulated gas and electric segments are investing in pipelines and in electric transmission projects as well as in distribution modernization programs, and should continue to benefit from favorable regulation.

FINANCIAL STRENGTH & DIVIDENDS

NiSource has improved its balance sheet by selling noncore assets, recalibrating capital expenditures, and carefully managing operating expenses and working capital.

The company expects to make capital investments of $1.9-$2.1 billion in 2021, and a total of approximately $10 billion through 2024. It expects annual investments of $1.9-$2.2 billion for growth, safety, and modernization, and an additional $2 billion for renewable generation.

NiSource remains committed to maintaining its current investment-grade credit ratings. The company has investment-grade ratings with Fitch Ratings (BBB), Moody's (Baa2) and Standard & Poor's (BBB+). As of March 31, 2021, NiSource had approximately $1.9 billion in net available liquidity, consisting of cash and available capacity under its credit facility and accounts receivable securitization programs.

NiSource pays an annualized dividend of $0.88 per share, for a relatively high yield of about 3.5%. Our dividend payout estimates are $0.88 for 2021 and $0.94 for 2022.

Growth & Valuation Analysis

GROWTH ANALYSIS ($ in Millions, except per share data)	2016	2017	2018	2019	2020
Revenue	4,493	4,875	5,115	5,209	4,682
COGS	2,836	3,120	4,114	2,890	2,695
Gross Profit	1,657	1,754	1,000	2,319	1,987
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Operating Income	865	927	126	1,305	961
Interest Expense	335	336	333	363	355
Pretax Income	514	443	-231	507	-31
Income Taxes	182	315	-180	124	-17
Tax Rate (%)	35	71	—	24	—
Net Income	332	129	-51	383	-18
Diluted Shares Outstanding	324	331	357	376	384
EPS	1.02	0.39	-0.18	0.87	-0.19
Dividend	0.64	0.70	0.78	0.80	0.84
GROWTH RATES (%)					
Revenue	-5.0	7.7	5.5	1.2	-11.5
Operating Income	7.9	7.1	-86.4	936.7	-26.3
Net Income	15.7	-61.2	—	—	—
EPS	61.9	-61.8	—	—	—
Dividend	-22.9	9.4	11.4	2.6	5.0
Sustainable Growth Rate	2.7	1.1		3.4	-2.6
VALUATION ANALYSIS					
Price: High	$26.94	$27.76	$28.11	$30.67	$30.46
Price: Low	$19.05	$21.65	$22.44	$24.69	$19.56
Price/Sales: High-Low	1.9 - 1.4	1.9 - 1.5	2.0 - 1.6	2.2 - 1.8	2.5 - 1.6
P/E: High-Low	26.4 - 18.7	71.2 - 55.5	— - —	35.3 - 28.4	— - —
Price/Cash Flow: High-Low	10.9 - 7.7	11.3 - 8.8	8.6 - 6.9	13.6 - 10.9	9.6 - 6.2

Financial & Risk Analysis

FINANCIAL STRENGTH	2018	2019	2020
Cash ($ in Millions)	113	139	117
Working Capital ($ in Millions)	-1,981	-1,892	-620
Current Ratio	0.51	0.49	0.73
LT Debt/Equity Ratio (%)	145.9	153.8	189.2
Total Debt/Equity Ratio (%)	187.5	188.8	200.0
RATIOS (%)			
Gross Profit Margin	19.6	44.5	42.4
Operating Margin	2.5	25.1	20.5
Net Margin	-1.3	6.3	-1.6
Return On Assets	-0.3	1.5	-0.3
Return On Equity	-1.4	6.6	-1.5
RISK ANALYSIS			
Cash Cycle (days)	42.5	22.7	35.2
Cash Flow/Cap Ex	0.3	0.9	0.6
Oper. Income/Int. Exp. (ratio)	0.3	2.4	0.9
Payout Ratio	84.2	303.9	64.6

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Analyst's Notes...Continued

MANAGEMENT & RISKS

The CEO of NiSource is Joseph Hamrock, 53, who assumed the position in July 2015. Mr. Hamrock, who joined NiSource in 2012, previously served as EVP and Group CEO for NiSource's Gas Distribution segment. He also has experience as an executive with American Electric Power. Donald E. Brown is the CFO.

Management is committed to electric and gas service expansion strategies in the company's regulated service territories, and to the expansion of its gas transmission and storage business. We think the company's platform for a return to growth is solid, and we are confident in management's ability to provide shareholders with increased value over the long term.

Key risks for stocks in our electric utility universe include fluctuations in interest rates and commodity prices, the effect of adverse weather on revenue, regulatory issues (especially involving construction cost recovery), and potential environmental and safety liabilities. In addition, the capital-intensive nature of the utility industry creates ongoing liquidity risk that must be actively managed by each company.

COMPANY DESCRIPTION

NiSource Inc. is an energy holding company whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 3.2 million natural gas customers and 500,000 electric customers across six states through its Columbia Gas and NIPSCO brands. NiSource's principal subsidiaries include NiSource Gas Distribution Group Inc., a natural gas distribution holding company, and NIPSCO, a regulated gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated utilities.

VALUATION

At current prices near $25, NI shares are trading above the midpoint of their 52-week range of $21-$27. The shares trade at 18.5-times our 2021 EPS estimate, below the average multiple of 19.6 for comparable electric and gas utilities. They are also trading at a price/book multiple of 2.4, below the peer average of 2.6. The price/cash flow ratio is 17.3, below the peer average of 19.4. The shares trade near the midpoint of their historical range on P/E, price/book and price/cash flow. The dividend yield of 3.5% is above the industry average. We are reiterating our BUY rating on NI with a 12-month target price of $32.

On June 29 at midday, BUY-rated NI traded at $25.00, down $0.16.

Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare NI versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how NI stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how NI might fit into or modify a diversified portfolio.**

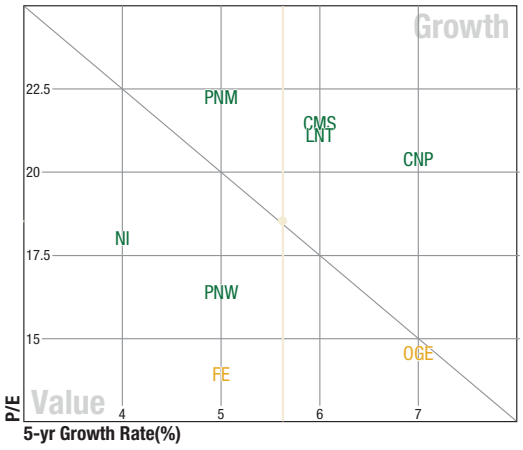

Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
FE	Firstenergy Corp.	19,127	5.0	14.0	10.0	4.8	HOLD
CMS	CMS Energy Corporation	17,846	6.0	21.5	11.3	7.7	BUY
LNT	Alliant Energy Corp.	13,635	6.0	21.1	18.3	6.6	BUY
CNP	Centerpoint Energy Inc.	13,050	7.0	20.4	-10.4	12.1	BUY
NI	Nisource Inc. (Holding Co.)	9,604	4.0	18.0	-.4	4.4	BUY
PNW	Pinnacle West Capital Corp.	9,363	5.0	16.4	15.3	1.8	BUY
OGE	OGE Energy Corp.	6,532	7.0	14.6	-8.2	2.7	HOLD
PNM	PNM Resources Inc	4,244	5.0	22.3	11.4	3.6	BUY
Peer Average		**11,675**	**5.6**	**18.5**	**5.9**	**5.4**	

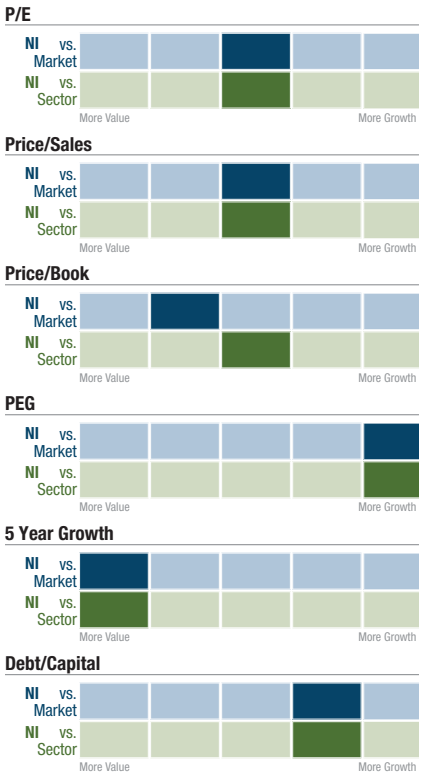

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About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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Equity Research
Power & Utilities
2 September 2021

North America Power & Utilities

Energy/Power Conference Question Bank

We provide a list of relevant questions and discussion topics to guide conversations with company management.

North America Power & Utilities
POSITIVE

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Industry Themes and Issues

What are the biggest levers available for maintaining customer bill affordability?

At what level of renewable energy generation does dispatchability of energy become a concern?

What are the biggest barriers to decarbonization goals and timing?

What could FERC do to remove roadblocks currently impacting transmission development and expansion?

Are state regulatory commissions starting to shift views on utility ownership of renewables from a pure least cost perspective?

Any thoughts on the pending infrastructure bill or budget reconciliation bill and the potential impact to the utility sector?

American Electric Power (AEP)

- Can you provide an update on the latest RFP 's for owned renewable resources?
- At what point will the renewable opportunities not included in the capital plan be added to the capital plan?
- Are there any updates on the strategic review of Kentucky?
- North Central Wind financing was expected to be 60% equity, what are the expectations for the 16.6GW of incremental renewable financing from a debt and equity perspective?
- Can you provide an updated on transmission ROE and incentive adders being considered by FERC?
- How could AEP participate in a national renewable transmission corridor/system?
- With the increase of delta variant are you seeing any shift in customer load?

Avangrid (AGR)

Offshore Wind

- Are there any states that present more attractive opportunities than others (e.g. the impact

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of MA Section 83C price cap on subsequent projects)?

- How are you thinking about upcoming state RFPs for uncontracted capacity?
- Which phase of the project presents the greatest construction risk?
- How are you hedging supply chain risk for these projects? What percent of project components have already been procured?
- Do either of the two lawsuits seeking to block Vineyard Wind have merit? If so, on what grounds, and what would be potential avenues for remediation? If not, what are the procedural timelines and will these lawsuits have any impact on construction timelines?

Maine

- How do you see the regulatory environment in ME changing in the long term?
- What is your rationale for the removal of the 100 bps ROE penalty given the current regulatory environment in the state?
- What impact will the management audit ultimately have on CMP? What is the commission's view of the audit?
- Do you think Maine will continue to pursue structural changes to utility ownership? What could these efforts look like going forward?

Connecticut

- What are the merits of the CT Isaias ROE penalty lawsuit against PURA?
- Which Isaias related costs have the potential for recovery and what will that process look like?
- What is the current state of the grid modernization docket in CT?
- Is there any opportunity to include EV infrastructure in rate base in the state?

NECEC

- What are the consequences of the ballot initiative related to NECEC?
- How does opposition to the project impact the likelihood of completion?

Hydrogen

- Where do you see the greatest opportunities for early investment in Hydrogen?
- How would you characterize the timeline to commercialization?
- What are the assumptions behind your $1/kg long-term development target?

PNM Acquisition

- Provided the deal is approved, what does the process of integrating PNM into your operations look like?

American Water Works (AWK)

- What impact might the federal infrastructure legislative package have on AWK and the general public water system M&A market?
- What type of environmental enforcement changes have been observed and how might new state legislation (IE New Jersey) change compliance?

- Are there any states that you are particularly enthusiastic about accelerating FMV deals now that legislation covers most of the service territory?
- Are there any updates to discussion in the CA cost of capital proceeding? Is the CA business still financially insulated and operationally comfortable that the water supply environment is manageable amidst the drought?
- Can you provide an update on the remaining hurdles to complete the New York sale and what the political appetite is following Governor Cuomo's resignation? How might financing plans be impacted if the sale slips to 2022?
- Does the New Jersey BPU decision regarding acquisition premiums paid above FMV determinations have any impact to AWK's strategy and approach to new deals? What is the current appeals process?
- Given FFO improvements from recent rate case resolutions, how much capacity does the balance sheet have for increased capex while maintaining the trajectory toward a long-term 60% debt/total cap target, before needing incremental equity (above the current $700mn plan)?

CMS Energy (CMS)

- What has been the focus of commission deliberations or conversations around the 2021 IRP?
- Do you foresee any pushback to the accelerated coal retirement schedule?
- If the IRP is not approved, how could you rework the plan for a better reception?
- Any on conversations in the ongoing electric rate case?
- How would you characterize the potential for a settlement?
- What are the differences between the initial filing and your revised request?
- Is there any seasonality to Enerbank performance, and if outperformance in 1H is maintained, to what extend would a favorable purchase price adjustment help offset future financing needs?
- Do you see any political appetite to increase the state RPS? Any potential for this to change in the future?
- Are there any opportunities to own EV infrastructure in your service territory?

Consolidated Edison (ED)

- What is the effect of the continued gas moratorium in Westchester and can you discuss details on Tennessee Gas Pipeline expansion plans that could fill the supply need?
- What could FERC do to remove roadblocks currently impacting transmission development and expansion?
- How does NY's 9 GW offshore wind target impact the need for reliability investments in your service territory?
- With shifting demographics, WFH usage patterns and decoupling, how do you maintain bill affordability with fewer MWh going to residential homes?
- What are the biggest levers available for maintaining customer bill affordability given the

lack of generation-related O&M?

- How would you characterize storm performance during Henri relative to Isaias?
- What are the major components you expect to contribute to your upcoming rate filing?
- How do you think about the regulatory backdrop changing under Gov. Kathy Hochul?
- What are your expectations for the CEB going forward? How would you characterize pipeline growth? Any strategic focus on solar/wind/storage? What are you expectations for the earnings contribution from CEB going forward?
- Did you submit a bid into the NJ RFP for transmission to support its offshore wind goals?
- How would you characterize the timing and magnitude of transmission expansion opportunity both to receive power flows from offshore wind from LI and to enable upstate renewables to reach NYC?
- Is MVP still expected in-service Summer 2022 and how would your financing or capital plans change if the project faces further delays? Any update on the progress of the individual stream crossing permits? What are your expectations for the project once it is operational?
- What about the offshore wind risk/reward backdrop would have to change for you to consider investment?
- Could you provide an update on the late fee recovery petition at the NY PSC?
- How would you describe the path back to earnings at your allowed ROEs?
- Do you see any avenues to reducing the level of equity needed to fund your capital plans?

Edison International (EIX)

- What drove EIX to join PCG and SRE in filing an off cycle cost of capital application?
- Have there been preliminary discussions with CPUC staff or ratepayer advocate groups regarding a potential suspension of the cost of capital formulaic mechanism, in the interest of bill stability and other capital market conditions outlined in the application?
- Can you walk through your views on the adequacy of the revisions to the GRC PD and some of the key benefits and challenges in the final order?
- Is it your view that the CPUC maintained an achievable path for EIX to deploy the full covered conductor program in the forecast period, as proposed by EIX, if ongoing prudency and efficacy reviews show tangible benefits?
- What is your view of the GRC's use of deferred balancing accounts for certain cost categories? Do you view the cash flow impacts from ongoing deferred recovery mechanisms as being manageable / material relative to FFO/debt targets?
- Does the determination that EIX will not face criminal charges for the Woolsey fire have any influence on remaining civil settlements or the accounting estimate?
- What is your view of CA resource adequacy and the CPUC's decision to remove natural gas from the 'medium term' plan to add 11.5gw of clean resources?
- How do you see EIX's role as a 'provider of last resort' evolving if CCAs and other direct offerings cannot meet load obligations? Do you expect additional changes to the PCIA structure?

FirstEnergy (FE)

- What were the established priorities for settlement discussions following the August 3 pre-hearing discussion?
- Would $2bn-$3bn of potential proceeds from a theoretical TransCo minority asset sale fit your current base case of an ideal transaction size (assuming a range of OH outcomes)?
- How does the valuation range you would require for transmission assets contrast to your view of distribution OpCo deals? Is timing of a potential strategic deal contingent on achieving a final comprehensive settlement or decision in OH?
- Assuming current FE equity valuation, would you be open to additional sales if transaction multiples are accretive relative to block issuance (ie satisfy all planned equity in current plan with divestitures)?
- Following the extension for intervenor testimony in the SEET test to October 18, what are the key timelines and hurdles for settlement? Can you also summarize the settlement progress report filed September 1?
- Does the expansion of the OH AG allegations to FE's former CEO and the former PUCO commissioner have any implication for FE?
- Do you anticipate the $6.6mn of refunds and $7.5mm of capital disallowances recommended in the Blue Ridge report would represent all remaining refunds related to improper ratepayer-funded contributions?

NextEra Energy (NEE)

- What are the biggest barriers to decarbonization goals and timing? At what level of renewable energy generation does dispatchability of energy become a concern?
- Any thoughts on the pending infrastructure legislation or budget reconciliation bill and the potential impacts to the utility sector?
- How would you characterize the potential FPL settlement with the PSC? Any unexpected developments? What does the timeline to approval look like?
- How would you characterize the outlook for spending under the Storm Protection Plan rider? Do you see any long-term changes to this outlook driven by climate change?
- Please discuss major spending initiatives and the plans to finance them at the utilities.
- How have you been hedging against supply chain inflation for the NEER project pipeline? If this inflation is sustained, how do you see the project pipeline or outlook for NEER changing?
- How will you maintain the competitive advantages you have had with wind development when it comes to solar? How do you see the wind/solar investment mix changing over the next decade? What percentage of solar projects include storage?
- How would you characterize the outlook for storage and transmission development relative to wind/solar?
- What about the offshore wind risk/reward backdrop would have to change for you to consider direct investment?
- Would you consider participating in future offshore wind lease area auctions off of NC and SC?

- How can you capitalize on recent tax credit safe harbor extensions? What potential tax policy changes (extensions, storage credits, direct pay, transmission, etc) would have the most impact to NEER?
- How do you see the infrastructure legislation impacting the transmission opportunity landscape?
- How does policy risk in Texas change the risk/reward backdrop for renewables investment in the state?
- How are you thinking about your role in the development of the H2 value chain over the next decade?
- Any thinking around expanding into more nascent infrastructure markets given the level of competition in renewables development and maturing state of the market?
- What do you see as the next technology or greatest opportunity for NEE to develop an edge as a developer?

NiSource (NI)

- How would you characterize the current market for LDC assets? What impact to commodity prices have on interest in this space?
- Have there been any significant developments on the rate cases in OH, PA, MD, or KY?
- Which proceedings have the greatest potential for settlement?
- What are the statutory requirements for filing your next case in each of these states?
- Do you see any upside to TDSIC reliability investments as renewables penetration increases?
- How is the RFP process for the 2021 IRP progressing? Any surprising technologies?
- Have there been any more actionable proposals for the early use of Hydrogen?
- How does your thinking regarding Michigan City Generating Station changing in light of MISO resource adequacy and affordability needs?
- How does the potential for PA to join the RGGI change the outlook for SMS or methane reduction-related capital opportunities in the state?

NorthWestern Corporation (NWE)

- What are the next steps in the certification/approval of the RFP results at the Montana PSC?
- When do you expect to file the next rate cases, as none are planned in 2021?
- Is construction on schedule for the South Dakota RICE project (expected commercial operation in late 2021)?
- Post the $200M equity issuance in 2021, what are the expectations for financing in 2022 and beyond?
- What is the timing for the next RFPs in South Dakota and North Dakota for capacity?
- With the increase of delta variant are you seeing any shift in customer load, and how might this impact the timing of the delayed decoupling program?

OGE Energy (OGE)

- Can you walk through the plan to retire older plants across your generation fleet?
- What level of capacity do you forecast solar can provide across your service territory?
- What type of regulatory mechanisms can help facilitate the transition?
- What is the potential for future legislation that might be supportive of additional clean energy development?
- What type of load rebounds have you seen YTD and what trends have emerged as the local economy emerges from Covid-19?
- Can you provide an update on potential use of proceeds assuming OGE is able to monetize ET units at a higher price than originally anticipated?
- What are the remaining hurdles to close the ENBL and ET deal?

PG&E (PCG)

- What implications does the recent CPUC letter regarding a higher level of the safety oversight standard have on operations, if any?
    - What is your confidence that PG&E can address the cited issues and move lower in the oversight program?
- Can you provide a general update on 2021 wildfire activity and the potential approach to Camp fire liabilities?
- How do you envision NEM 3.0 and further development of the PCIA mechanism evolving?
    - How do you see PCG's role as a 'provider of last resort' evolving if CCAs and other direct offerings cannot meet load obligations?
- Can you discuss the transmission opportunity driven by resource adequacy?
- What is your view of CA resource adequacy and the CPUC's decision to remove natural gas from the 'medium term' plan to add 11.5gw of clean resources?
- Is it still practically possible to delay the closure of Diablo Canyon if regulatory and political stakeholders supported a delay, or is the decommissioning process too far along?

Public Service Enterprise Group (PEG)

- Post PEG Power debt paydown and debt prepayment penalty, what proceeds will be left from the Fossil and Solar sale? What should be the expectation for these proceeds?
- How do you see energy markets and energy pricing shifiting as more renewables including offshore wind are added to the grid?
- What are the latest updates for nuclear grants, PTCs or carbon charges in DC?
- Any updated view or details on FERC Transmission incentive adders and potential policy?
- Can you provide and update on the NJ Offshore transmission RFP and in what capacity you participated?
- What do you view as the next critical areas of spending to keep pace with NJ's clean energy goals?

- Are any NJ communities limiting new natural gas connections and/or is natural gas customer growth different from electric customer growth?

Portland General Electric (POR)

- What was House Bill 2021 and how does it align with POR's longstanding corporate priorities and recent planning?
- How does the law tie in with the current IRP action items around clean *and* firm capacity additions?
- What are the other key grid considerations to solve in order to achieve the ambitious GHG reductions by 2030 and 2040?
- Can you summarize your recently-filed general rate case drivers and your overall outlook for customer affordability over the longer term as POR pursues a net zero future?
- With recent resource adequacy concerns in CA, do you anticipate OR will play an even larger regional power exporter role given the advantaged hydro and wind resources in the state?
    - Is there a transmission opportunity there for POR?
- What are the operative legal differences between CA's inverse condemnation framework and OR's treatment of wildfire ignitions?
- What operational impacts have wildfires had on POR's business and how might general priorities (safety, employee needs, investment size) shift to meet the challenge?

Southern Company(SO)

- What is required for Vogtle Unit 3 to receive NRC approval for fuel load?
- How should the potential timing/filing for recovery of expenses beyond the cap for Vogtle be considered?
- Given the current schedule for Vogtle Unit 4 would 2024 be the first year reflecting 12 months of earnings from Vogtle Units 3 and 4?
- Any update on customer growth profile for natural gas services in IL and GA?
- What are the expectation for the timing of the next Mississippi rate case?
- How will the shift to net-zero emissions by 2050 shape capital investment over the next 5 years and beyond?
- How are load growth and customer growth trending by jurisdiction and how does that compare to expectations?
- What impact if any do you see from an implementation of the Southeast Energy Exchange Market (SEEM)? Did reliability issues in TX and CA play any part in the formation of SEEM
- With the increase of delta variant are you seeing any shift in customer load?

WEC Energy (WEC)

- Were there any significant differences in the WI rate case stay out agreement from your request?
- When do you expect a final order on the stayout?
- Any developments in the MI or IL rate cases?

- How do you see the future of energy legislation progressing in Illinois?

Essential Utilities (WTRG)

- Can you discuss the recent Aqua PA rate case filing and some of the drivers of the $1.1bn of capital investment since the prior case?
- What is the current outlook for a new PA PUC commissioner appointment?
    - Have there been ongoing debates on RGGI participation?
- Have you seen or do you anticipate any impacts from federal infrastructure package on the general market for municipal FMV deals?
- Are the federal dollars being made available for municipal system upgrades likely to be accessed by the same type of systems that WTRG would historically target for FMV deals?
- Is the federal investment amount material enough to impact deal flow?
- Do you expect any change in EPA or state environmental agency enforcement priorities following the federal focus on infrastructure?
    - If so, could it compliance costs be material enough to lead to more municipal sellers?
- Has WTRG's definition of the ideal municipal target profile changed in any ways over the past couple years?
    - Are the ongoing delays and noisy public rhetoric surrounding Delcora unique to the circumstances, or do you anticipate similarly sophisticated levels of challenges and disagreements to naturally accompany large systems?
    - Are there any systems >100k customers in the current pipeline?
- How would you characterize Texas municipalities' interest in monetizing via FMV?
- What is your overall assessment of new water legislation enacted at the state level in 2021?
- What is your view of the federal infrastructure package as it pertains to water and natural gas?

Xcel Energy (XEL)

- How are you hedging against supply chain inflation? What is the plan if elevated costs persist?
- Any developments in the MN approval of the Sherco solar project?
- Any update on the CO PUC's reception of the transmission expansion pathway plan?
- When could the incremental $0.5-$1 billion investment opportunity be considered for approval?
- When do you expect more clarity on MISO and SPP transmission expansion plans and how would you characterize the opportunity for XEL?
- Any developments in Winter Storm Uri gas cost recovery proceedings?
- Have there been any significant developments on the rate cases and settlements in WI, NM, CO and TX?

- How would you characterize the long-term capital opportunities to own EV infrastructure in rate base in CO and MN? Any potential for a recovery mechanism for these investments?

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Materially Mentioned Stocks (Ticker, Date, Price)
Alliant Energy Corporation (LNT, 01-Sep-2021, USD 61.64), Equal Weight/Positive, CE/E/J/K/L/M

Ameren Corp. (AEE, 01-Sep-2021, USD 88.76), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

American Electric Power Company, Inc. (AEP, 01-Sep-2021, USD 90.50), Overweight/Positive, A/CD/CE/D/E/J/K/L/M/N

American States Water Company (AWR, 01-Sep-2021, USD 93.85), Equal Weight/Positive, CE/J

American Water Works Company, Inc. (AWK, 01-Sep-2021, USD 184.43), Equal Weight/Positive, CE/J

Avangrid, Inc. (AGR, 01-Sep-2021, USD 55.32), Equal Weight/Positive, CD/D/E/J/K/L/M/N

CMS Energy Corporation (CMS, 01-Sep-2021, USD 65.05), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

CenterPoint Energy, Inc. (CNP, 01-Sep-2021, USD 25.51), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Consolidated Edison, Inc. (ED, 01-Sep-2021, USD 76.44), Underweight/Positive, A/CD/CE/D/J/K/L/M

DTE Energy (DTE, 01-Sep-2021, USD 121.37), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

Dominion Energy (D, 01-Sep-2021, USD 78.98), Rating Suspended/Positive, A/CD/CE/D/E/J/K/L/M

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Edison International (EIX, 01-Sep-2021, USD 58.24), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Essential Utilities, Inc. (WTRG, 01-Sep-2021, USD 50.40), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Eversource Energy (ES, 01-Sep-2021, USD 91.66), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

Exelon Corporation (EXC, 01-Sep-2021, USD 49.60), Rating Suspended/Positive, A/CD/CE/D/E/J/K/L/M

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FirstEnergy Corp. (FE, 01-Sep-2021, USD 39.43), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

NextEra Energy, Inc. (NEE, 01-Sep-2021, USD 85.34), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

NiSource, Inc. (NI, 01-Sep-2021, USD 25.21), Overweight/Positive, A/CD/CE/D/J/K/L/M

NorthWestern Corporation (NWE, 01-Sep-2021, USD 64.37), Equal Weight/Positive, CD/CE/J

OGE Energy Corp. (OGE, 01-Sep-2021, USD 35.73), Equal Weight/Positive, CD/CE/J

PG&E Corporation (PCG, 01-Sep-2021, USD 9.21), Overweight/Positive, A/CD/CE/D/J/K/L/M

PNM Resources, Inc. (PNM, 01-Sep-2021, USD 49.60), Underweight/Positive, CE/J

Pinnacle West Capital Corporation (PNW, 01-Sep-2021, USD 77.78), Equal Weight/Positive, CD/CE/D/E/J/K/L/M

Portland General Electric Company (POR, 01-Sep-2021, USD 52.12), Underweight/Positive, CD/CE/D/E/J/K/L/M

Public Service Enterprise Group (PEG, 01-Sep-2021, USD 64.72), Equal Weight/Positive, CD/CE/D/J/K/L/M

SJW Group (SJW, 01-Sep-2021, USD 70.61), Equal Weight/Positive, CD/CE/J

Sempra Energy (SRE, 01-Sep-2021, USD 133.60), Overweight/Positive, A/CD/CE/D/J/K/L/M

The Southern Company (SO, 01-Sep-2021, USD 66.48), Overweight/Positive, A/CD/CE/D/E/J/K/L/M

WEC Energy Group, Inc. (WEC, 01-Sep-2021, USD 95.90), Equal Weight/Positive, A/CD/CE/D/J/K/L/M

Xcel Energy Inc. (XEL, 01-Sep-2021, USD 69.75), Equal Weight/Positive, A/CD/CE/D/E/J/K/L/M

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Alliant Energy Corporation (LNT)	Ameren Corp. (AEE)	American Electric Power Company, Inc. (AEP)
American States Water Company (AWR)	American Water Works Company, Inc. (AWK)	Avangrid, Inc. (AGR)
Brookfield Infrastructure Partners LP (BIP)	Brookfield Infrastructure Partners LP (BIP_u.TO)	CenterPoint Energy, Inc. (CNP)
CMS Energy Corporation (CMS)	Consolidated Edison, Inc. (ED)	Dominion Energy (D)
DTE Energy (DTE)	Duke Energy Corporation (DUK)	Edison International (EIX)
Essential Utilities, Inc. (WTRG)	Eversource Energy (ES)	Exelon Corporation (EXC)
FirstEnergy Corp. (FE)	NextEra Energy, Inc. (NEE)	NiSource, Inc. (NI)
NorthWestern Corporation (NWE)	OGE Energy Corp. (OGE)	PG&E Corporation (PCG)
Pinnacle West Capital Corporation (PNW)	PNM Resources, Inc. (PNM)	Portland General Electric Company (POR)
Public Service Enterprise Group (PEG)	Sempra Energy (SRE)	SJW Group (SJW)
The Southern Company (SO)	WEC Energy Group, Inc. (WEC)	Xcel Energy Inc. (XEL)

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December 12, 2021 | 22:13 ET | 22:13 ET~

Utilities, Power & Renewables

ESG & Growth Conference - Sector Leadership in Accretive Decarbonization

Bottom Line:
We hosted managements from ES, NI, NEE, PEG, and XEL at our ESG & Growth conference last week. This included fire-side chats with NEE, PEG, and XEL, and ES participated in our Net Zero panel. Inside we present summaries of our discussions with each company. We are marking to market our target prices given the increases in the sector multiples used in our SOTP valuation framework. Our target prices move to $95 (from $91) for ES, $29 (from $28) for NI, $69 (from $67) for PEG, and $72 (from $70) for XEL. We reaffirm our Outperform ratings on ES, NI, NEE, and XEL and our Market Perform rating on PEG.

Key Points

ES: Eversource participated in our Net Zero Emissions Panel. The company continues to play a crucial part in helping New England reach at least 80% carbon reduction by 2050. Within this longer-term goal, ES plans to reach carbon neutrality by 2030 for scope 1 and 2 emissions and notes the company was the first of its peers to set this aggressive target. ES can also play a major role beyond controlling its own emissions profile by helping the region accelerate its electric vehicle adoption and converting customers from highly inefficient oil heating.

NEE: Our fireside chat with NEE focused on the increasingly visible tailwinds to the company's 6-8% EPS growth rate. This is driven by its expanding cost-effective suite of renewable products and outlook for end-market penetration across its existing and also expanding C&I customer base. Our conversation also focused on hydrogen where the company believes that a $3/kg PTC for Green hydrogen could make it economic with Blue and Grey hydrogen and management expects to participate in nearly all parts of the hydrogen value-chain. In the near term, it is focused on providing enough hydrogen (once economic) to support the industrial uses with transportation being a more medium-term objective.

NI: We met with NiSource's senior management last and discussed its solid YTD execution and continued confidence in its growth and decarbonization strategies for both gas and electric operations over the near term (2021-24). Similar to its recent 3Q/EEI update, NiSource reiterated the regulatory and financing certainty that adds to its confidence in executing against its 10-12% rate base growth and subsequent 7-9% EPS aspirations through 2024.

PEG: Our fireside chat offered a unique set of insights given the CEO's recent attendance at COP26 summit. PEG discussed its efforts to combat client change, which includes promoting energy efficiency, reminding parties of the importance of nuclear to carbon-free energy, expanding its renewables presence through its investment in offshore wind, and focusing on electrifying the economy such as transportation as the supply of carbon-free energy becomes more plentiful. PEG also recently joined the Race to Zero, which means it will have to establish a plan to eliminate its scope 3 emissions.

XEL: Our fireside chat with XEL highlighted its continued leadership position in decarbonization within the sector. Importantly, the company believes that it is still in the early innings of its steel for fuel strategy, having just completed its initial build-out of owned renewables and is now on the verge of its next significant phase with 10GWs of proposed new renewable resources to be added to its system over the next 10 years. The company remains committed to its net zero target by 2050.

For disclosure statements, including the Analyst Certification, please refer to page(s) 10 to 15.

ESG

BMO Capital Markets

Utilities, Power & Renewables

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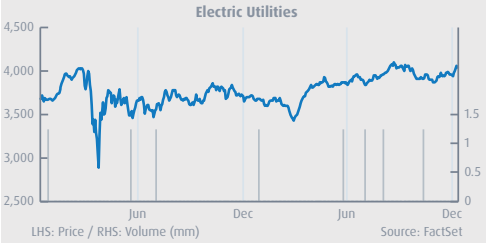

Industry Research
Glossary

BMO Capital Markets

Exhibit 1: Target Price Change Summary

Company	Ticker	Price	Rating	Prior Target	Revised Target
Eversource Energy	ES-NYSE	$87.88	OP	$91.00	$95.00
NiSource Inc	NI-NYSE	$25.93	OP	$28.00	$29.00
Public Service Enterprise Group	PEG-NYSE	$63.80	Mkt	$67.00	$69.00
XCEL Energy	XEL-NSDQ	$66.51	OP	$70.00	$72.00

Prices as of December 10, 2021. Source: BMO Capital Markets, FactSet

Company Summaries From BMO's ESG & Growth Conference

Eversource Energy (ES-NYSE; $87.88; Outperform) – In addition to representatives from both OMERS and Moody's, Eversource participated in our Net Zero Emissions panel. Management described its continued partnership with its states to help meet increasingly ambitious carbon reduction goals including a target of at least an 80% reduction in carbon emissions by 2050. Within this longer-term goal, ES plans to reach carbon neutrality by 2030 for scope 1 and 2 emissions and notes the company was the first of its peers to set this aggressive target. The company's strategy begins at the customer level, including energy efficiency targets where it spends $500-600 million per year in programs encouraging customers to reduce their usage, which also helps bill affordability. Eversource also remains laser-focused in improvements across its utility footprint through emission reductions within its own fleet and existing facilities, reducing SF6 in electrical equipment, replacing leak-prone pipe in its gas system, and reducing line losses. Likely more unique to New England, only ~25% of the region's emissions come from power generation and industry, compared to more than 50% for the rest of the country. As such, in addition to energy efficiency, ES can help New England resolve emissions from transportation and home heating. Regarding the latter, ~40-45% of homes in the region are still heated with oil, which provides the company with the ability to reduce carbon emissions through the continued push to convert customers to natural gas related heating. In addressing the transportation sector's carbon footprint, both MA and CT have ambitious electrical vehicle adoption targets of 425,000 by 2025 relative to ~50,000 vehicles currently. ES looks to help facilitate this transition by building out the necessary infrastructure to support EV charging stations. Lastly, Eversource is currently evaluating how to define and track its scope 3 emissions with an eye to developing a more fulsome reduction target in the future.

NextEra Energy (NEE-NYSE: $90.28; Outperform) – We hosted a fireside chat with NextEra at our conference again this year where we focused on the increasingly visible tailwinds to the company's 6-8% EPS growth rate driven by its expanding cost-effective suite of renewable products and outlook for end market penetration across its existing and also expanding C&I customer base (transportation/mobility). In addition to an already growing market opportunity with renewables moving from ~12% to ~30-40% by the end of the decade, the company sees significant end-market opportunities on the C&I side as its bundled suite of projects provide compelling and increasingly cost-effective decarbonization products across multiple sectors given its suite of wind, solar, and storage offerings. Moreover, the company continues to leverage its already significant customer relationships by tailoring both resource and management solutions to its customers' needs, including both a combination of low-cost and reliable carbon-free power (wind/solar at 2-2.5c range), backup and customer/grid specific storage solutions, and increasingly completive green hydrogen solutions that should allow it to compete with grey/blue on a bundled basis. currently. Finally, we see the continued evolution of its business model both opening new sales channels for its products but also sustaining its industry-leading product returns. Specifically, we believe its already sizeable economies of scale advantage in both equipment procurement and financing costs will also be augmented through cash flows streams associated with the operation, maintenance, and unique customer-specific software optimization (energy storage). Management continues to feel good about its equipment cost structure as we head into 2022 and the ability to accelerate growth in an inflationary market as a significant portion of the economics to the end use customer of renewables is tied

to the embedded tax credits. NEE once again highlighted that it has 1.7GW of solar panels in inventory that are safe harbored, giving it a competitive advantage in what is currently a supply-chain constrained market.

Looking specifically at a few of its core product lines, on the storage front, the company was optimistic about the growing market opportunity to deploy energy storage as part of its near-firm supply offering but also on a stand-alone basis for reliability and customer-specific grid solutions. Currently, the company's large existing solar footprint has allowed it to pair storage to create near-firm power and benefit from the associated ITC. However, if the Build Back Better (BBB) bill passes, the proposed stand-alone storage ITC would enable NEE to add significant storage to wind sites where it has additional interconnection capacity as well as stand-alone storage sites. Our conversation also focused on growth in green Hydrogen, where at $4-5/kg currently, the company believes that a $3/kg PTC for Green hydrogen would make it economic with Blue and Grey hydrogen quickly vs. the $1-1.5/kg current price. In fact, NEE believes a PTC at the proposed $3/kg level would make green hydrogen competitive in 2022 and it has 30-40 projects in front of industrial customers right now that could get pushed forward as the economics are levelized. Additionally, this could accelerate the development of the application of hydrogen blending through the retrofitting of gas plants as the next step to the longer-term, final solution for taking carbon out of the power supply stack. Currently NEE's two pilot programs can accommodate ~10-20% blending with retrofits, but this percentage should improve over time and allow the company not only to transition its gas-fired plants to a more carbon-friendly profile but also eventually decarbonize its transportation fleet from its 60-65% natural gas usage currently. Overall, NEE expects to participate in various parts of the hydrogen value-chain. In the near term, it is focused on providing enough green hydrogen (as it becomes economic) to support industrial applications, with transportation being a more medium-term objective including the participation in hydrogen hubs to facilitate this transition. Finally, despite the typical partisan and 11th hour political process, NEE still believes that Build Back Better and its climate supportive provisions are more likely than not to be enacted into law, although the timing remains tough to predict.

NiSource Inc (NI-NYSE; $25.93; Outperform) – We met with NiSource's senior management last week where we discussed its solid execution in 2021 and continued confidence in its growth and decarbonization strategies for both gas and electric operations over the intermediate term (2021-24). Similar to its recent 3Q and EEI updates, NiSource reiterated the regulatory and financing certainty that adds to its confidence in executing against its 10-12% rate base growth and subsequent 7-9% EPS aspirations through 2024. More importantly, it noted it is looking in 2022 to outline the discrete building blocks that support a 5-7% growth outlook beyond 2024 as it taps into its robust and visible $40 billion in incremental infrastructure and reliability-related capex opportunities. Gas and electric infrastructure/reliability spending of at least $1.9-2.2 billion through the company's various tracked recovery mechanisms have a long and accelerating runway through the end of the decade, with the majority of this having an investment recovery period of under 18 months. In addition to this visible growth, we will get the final ownership percentage of its $750-million Indiana preferred IRP plan in 2022, which will address the retirement of its remaining coal-fired generation (coal free by no later than 2028). Management remains optimistic it could own up to 100% of this new portfolio, with some of the initial IRP spending on the transmissions side beginning in 2022. We look forward to a more fulsome update at its spring analyst day where the company will extend its rate base and EPS growth objectives and financing plan to support this continued above-average growth outlook. In addition to the company's electric decarbonization plan, NiSource also discussed its efforts to shrink its carbon footprint across its gas LDC operations including energy efficiency, methane leak reductions, and the 12 smaller RNG-related projects it has outlined. Finally, regarding natural gas prices for the 2021/2022 heating season, the company outlined that of its 50% of R&C customers that are non-choice customers, 77% of their supply is already procured (68% through storage) with only 10-15% of R&C customers' bills exposed to short-term gas prices and its quarterly/annual gas cost adjustment (GCA) mechanisms providing some smoothing of any price volatility.

BMO Capital Markets

Public Service Enterprise Group (PEG-NYSE; $63.80; Market Perform) – Our fireside chat featured PEG Chairman, President and CEO Ralph Izzo, who we believe offered a unique set of insights given his recent attendance at the COP26 Summit. Mr. Izzo highlighted three groups of attendees: the negotiating policy makers, the people not involved in the policy decisions but are directly affected (but with a growing opinion that policymakers need to get on board or get out of the way), and the third group was protestors supporting sustainability. Management believes that all parties are on-board with the conclusion/end point of where climate change needs to go, but there remains a diverse set of questions around pace and path in achieving carbon reductions on a country-by-country basis. Specifically, for utilities, PEG used COP26 to discuss its efforts to combat client change through: 1) promoting energy efficiency; 2) reminding parties of the importance of nuclear to carbon-free energy; 3) expanding its renewables presence through its investment in offshore wind; and 4) focusing on electrifying the economy such as transportation as the supply of carbon-free energy becomes more plentiful. In terms of targets, PEG is aiming to achieve net zero scope 1 and 2 emissions by 2030. Over the past couple years, it has retired 4,000MWs of inefficient oil and gas generation, but after the sale of their remaining fossil assets closes, it will have decreased the company's emissions profile by 90%. However, even more impressively, PEG recently joined the Race to Zero, which through the use of science-based target initiatives will be developing a plan to eliminate its scope 3 emissions over the next 22 months. As the company looks at the different opportunity sets in front of it to address its carbon footprint, management remains a proponent of an economy-wide price on carbon and is hopeful that other market participants will help find new and unique solutions to meet this 2050 target.

Xcel Energy (XEL-NSDQ; $66.51; Outperform) – We hosted a fireside chat with XEL management that highlighted no only its early leadership position but also continued innovation and expanding tool kit being deployed to help the decarbonization of the utility sector. Importantly, the company believes that it is still in the early innings of its steel for fuel strategy. As the company transitions from the completion of its initial build out of owned renewable resources, management feels it is on the precipice of the next phase, highlighting ~10GWs of proposed new renewable resources that could be added to its own utility system over the next 10 years. Furthermore, the company remains committed to its net zero target by 2050 as well as its interim emissions reductions targets. Notably, the company's net zero target includes scope 1, scope 2, and scope 3 emissions. With the company's recent settlement in CO it now expects to retire its last coal plant in 2034, which will allow it to achieve an 80% carbon reduction in 2030. However, the company expects to reach an even higher reduction of 87% in CO and 85% reduction in MN as proposed in its current resource plans. Moreover, XEL also remains an early mover on the green hydrogen front including its current pilot project at its Prairie Island nuclear power plant and an additional 5-8 additional greenfield and brownfield hydrogen projects being contemplated. The company's hydrogen strategy will remain tied to its regulated operations with the potential primary applications for green hydrogen being deployed through generation and gas distribution systems.

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Exhibit 2: ES Model Summary

Eversource Energy (ES)	2020A	2021E	2022E	2023E	2024E	2025E
EPS By Segment						
Connecticut Light & Power	$1.34	$1.41	$1.51	$1.58	$1.63	$1.69
Public Service of New Hampshire	$0.44	$0.49	$0.51	$0.53	$0.56	$0.58
NSTAR Electric	$1.31	$1.43	$1.50	$1.54	$1.58	$1.62
NSTAR Gas	$0.15	$0.17	$0.21	$0.25	$0.27	$0.32
Yankee Gas	$0.21	$0.23	$0.23	$0.24	$0.26	$0.27
EGMA		0.04	0.05	0.08	0.10	0.12
Aquarion Water Company	$0.11	$0.12	$0.13	$0.14	$0.15	$0.16
Parent & Other	$0.01	($0.02)	($0.04)	($0.01)	$0.10	$0.30
Consolidated E.P.S.	**$3.56**	**$3.86**	**$4.10**	**$4.36**	**$4.65**	**$5.06**
Dividend per share	**$2.27**	**$2.41**	**$2.55**	**$2.70**	**$2.85**	**$3.00**
Payout Ratio total	63.7%	62.4%	62.2%	61.9%	61.3%	59.3%
Dividend Yield	2.6%	2.7%	2.9%	3.1%	3.2%	3.4%
EBITDA/Interest Expense	5.8x	6.1x	6.0x	6.0x	6.2x	6.5x
Forecast Consolidated ROE's						
Connecticut Light & Power	14.6%	14.3%	14.4%	14.5%	14.7%	14.9%
Public Service of New Hampshire	11.5%	11.9%	11.5%	11.2%	11.0%	10.9%
NSTAR Electric	11.2%	11.3%	11.0%	10.7%	10.5%	10.5%
NSTAR Gas	8.9%	8.2%	8.3%	8.6%	8.3%	8.8%
Yankee Gas	9.3%	9.1%	8.4%	7.8%	7.6%	7.5%
Columbia Gas of Massachusetts		3.0%	3.1%	3.3%	3.4%	3.5%
Aquarion Water Company	10.1%	10.2%	9.8%	9.7%	9.5%	9.3%

Source: BMO Capital Markets, Company Filings

Exhibit 3: ES Valuation

Regulated, Parent & Other	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Connecticut Light & Power	EPS	$1.58	Electric	18.1x	+7.3%	19.4x	15.4x	$24	19.4x	$31	21.9x	$35
Public Service of New Hampshire	EPS	$0.53	Electric	18.1x	+0.0%	18.1x	15.6x	$8	18.1x	$10	20.6x	$11
NSTAR Electric	EPS	$1.54	Electric	18.1x	+17.0%	21.2x	19.2x	$30	21.2x	$33	23.2x	$36
NSTAR Gas	EPS	$0.25	Gas LDC	15.8x	+5.0%	16.6x	14.1x	$4	16.6x	$4	18.6x	$5
Yankee Gas	EPS	$0.24	Gas LDC	15.8x	+5.0%	16.6x	14.1x	$3	16.6x	$4	18.6x	$4
Columbia Gas of Massachusetts	EPS	$0.08	Gas LDC	15.8x	+5.0%	16.6x	14.1x	$1	16.6x	$1	18.6x	$1
Aquarion Water Company	EPS	$0.14	Water	33.3x	+0.0%	33.3x	31.3x	$4	33.3x	$5	35.3x	$5
Parent & Other	EPS	($0.01)	Blend			19.7x	17.2x	($0)	19.7x	($0)	21.7x	($0)
Utility & Parent Value		**$4.35**					**17.1x**	**$74**	**20.0x**	**$87**	**22.2x**	**$97**
Electric Distribution								$62		$73		$81
Natural Gas Distribution								$8		$9		$11
Water Distribution								$4		$5		$5
Parent								($0)		($0)		($0)
Offshore Wind - 2026 Contribution (Discounted to 2023)								$6		$8		$9
Consolidated Eversource								**$81**		**$95**		**$105**
Upside/(Downside)								(8%)		8%		20%
Current Yield								3%		3%		3%
Total Return								**(6%)**		**11%**		**23%**

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

Exhibit 4: NI Model Summary

NI Model Summary	2019	2020	2021	2022	2023	2024
EPS By Segment						
Electric Operations	$0.76	$0.63	$0.72	$0.82	$1.01	$1.15
Gas Distribution	$1.12	$1.17	$1.08	$1.14	$1.19	$1.24
Corporate & Other	($0.56)	($0.48)	($0.44)	($0.50)	($0.66)	($0.67)
Consolidated E.P.S.	**$1.32**	**$1.32**	**$1.36**	**$1.46**	**$1.54**	**$1.72**
Dividend per share	**$0.80**	**$0.84**	**$0.88**	**$0.93**	**$0.99**	**$1.05**
Payout Ratio total	60.8%	63.6%	64.9%	64.1%	64.2%	60.9%
Dividend Yield	2.9%	2.9%	3.0%	3.2%	3.4%	3.6%
Valuation Metrics						
Price to Earnings	21.2x	22.2x	21.6x	20.1x	19.0x	17.0x
Price to Book Value	1.7x	1.7x	1.5x	1.5x	1.5x	1.4x
Funding Sources						
Cash Flow from Operations	$1,750	$1,681	$1,422	$1,546	$1,623	$1,824
Total Debt Financings	$750	$2,974	$0	$1,080	$1,800	$0
Total Equity Financings	$34	$360	$1,211	$348	$198	$911
Credit Metrics						
Total Debt/Capitlization	61%	60%	54%	55%	58%	54%
FFO/Total Debt	14%	13%	15%	15%	13%	15%
Regulated Operations Performance - Realized ROE						
NIPSCO Electric ROE	12.3%	9.5%	11.0%	12.1%	13.2%	14.7%
Columbia Gas of Ohio ROE	9.4%	9.1%	9.5%	9.7%	9.3%	9.5%
Columbia Gas of Pennsylvania ROE	9.4%	9.1%	9.5%	9.7%	9.3%	9.5%
NIPSCO Gas ROE	9.4%	9.2%	9.5%	9.7%	9.3%	9.5%
Columbia Gas of Virginia ROE	9.4%	9.1%	9.5%	9.7%	9.3%	9.5%
Columbia Gas of Kentucky ROE	9.3%	9.0%	9.4%	9.6%	9.2%	9.4%
Columbia Gas of Maryland ROE	9.7%	9.3%	9.3%	9.5%	9.2%	9.3%

Source: BMO Capital Markets, Company Filings

Exhibit 5: NI Valuation

							BMO Low Case		BMO Base Case		BMO High Case	
Regulated, Corporate & Other	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)
Electric Operations	EPS	$1.01	Electric	18.1x	+7.5%	19.5x	15.6x	$16	19.5x	$20	21.5x	$22
Gas Distribution	EPS	$1.19	Natural Gas	15.8x	+15.0%	18.2x	13.3x	$16	18.2x	$22	20.2x	$24
Corporate & Other	EPS	($0.66)	Blend	18.8x	+0.0%	18.8x	18.8x	($12)	18.8x	($12)	20.8x	($14)
Utility & Parent Value		**$1.54**					12.5x	**$19**	18.8x	**$29**	20.8x	**$32**
Total NiSource Inc.								**$19**		**$29**		**$32**
Upside/(Downside)								(26%)		12%		23%
Current Yield								3%		3%		3%
Total Return								**(22%)**		**15%**		**27%**

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

Exhibit 6: NEE Model Summary

NEE Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
Florida Power & Light	$1.34	$1.39	$1.49	$1.66	$1.87	$1.97
Gulf Power	$0.12	$0.14	$0.15	$0.17	$0.17	$0.19
NextEra Energy Resources	$0.99	$1.06	$1.17	$1.22	$1.25	$1.25
NEET	$0.03	$0.03	$0.06	$0.06	$0.00	$0.00
Corporate & Other	($0.18)	($0.16)	($0.16)	($0.16)	($0.16)	($0.17)
Consolidated E.P.S.	**$2.31**	**$2.47**	**$2.71**	**$2.95**	**$3.13**	**$3.25**
Dividend per share	**$1.40**	**$1.54**	**$1.69**	**$1.83**	**$1.98**	**$2.13**
Payout Ratio total	60.7%	62.4%	62.5%	62.1%	63.1%	65.7%
Dividend Yield	2.1%	2.3%	2.5%	2.7%	2.9%	3.2%
Valuation Metrics						
Price to Earnings	29.0x	27.2x	24.7x	22.7x	21.4x	20.6x
Price to Book Value	2.7x	2.7x	2.6x	2.6x	2.5x	2.4x
Funding Sources						
Cash Flow from Operations	$7,883	$8,319	$9,382	$10,066	$10,193	$10,581
Total Debt Financings	$11,497	$10,510	$3,915	$2,790	$2,500	$3,205
Total Equity Financings	($92)	$100	$100	$100	$100	$100
Credit Metrics						
Total Debt/Capitlization	50%	52%	53%	52%	52%	52%
FFO/Total Debt	18%	17%	18%	19%	19%	19%
Regulated Operations Performance - Realized ROE						
Florida Power & Light	11%	11%	11%	11%	11%	11%
Gulf Power	11%	11%	11%	12%	11%	12%
NextEra Energy Resources Performance						
Adj. EBITDA	$5,728	$6,611	$7,128	$7,344	$7,437	$7,441

Source: BMO Capital Markets, Company Filings

Exhibit 7: NEE Valuation

							BMO Low Case		BMO Base Case		BMO High Case	
Regulated Operations	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)
Florida Power & Light	EPS	$1.66	Electric	18.0x	+25%	22.5x	19.5x	$32	22.5x	$37	24.5x	$41
Gulf Power	EPS	$0.17	Electric	18.0x	+25%	22.5x	19.5x	$3	22.5x	$4	24.5x	$4
NEET	EPS	$0.06	Electric	18.0x	+25%	22.5x	19.5x	$1	22.5x	$1	24.5x	$1
Utility & Transmission		**$1.89**					19.5x	**$37**	22.5x	**$42**	24.5x	**$46**

							BMO Low Case		BMO Base Case		BMO High Case	
Nextera Energy Resources	Valuation Metric	2023E EBITDA	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	EV/EBITDA Multiple	Implied Value ($ MM)	EV/EBITDA Multiple	Implied Value ($ MM)	EV/EBITDA Multiple	Implied Value ($ MM)
Nextera Energy Resources	EBITDA	$7,344										
Less: NEP Pripoportional EBITDA (2023)		($1,073)										
Net, NextEra Energy Resources		**$6,271**	Generation	14.0x	+20%	16.8x	14.3x	$89,677	16.8x	$105,355	17.8x	$111,626
Less: NEER Net Debt (2023E)								($5,298)		($5,298)		($5,298)
Shares Outstanding (2023E)								2026		2026		2026
EV/EBITDA Valuation								**$42**		**$49**		**$52**

							BMO Low Case		BMO Base Case		BMO High Case	
NextEra Energy Partners	Valuation Metric	Shares Held	Price/ IDRs '23	Multiple	Prem/ (Discount)	Base Multiple	Multiple	Implied Value ($ MM)	Multiple	Implied Value ($ MM)	Multiple	Implied Value ($ MM)
Nextera Energy Partners LP Ownership	Ownership	101	$44.86					$4,551		$4,551		$4,551
Nextera Energy Partners GP Distributio	IDR		$155	14.0x	+0%	14.0x	12.0x	$1,860	14.0x	$2,170	15.0x	$2,325
Total NEP Value								**$6,411**		**$6,721**		**$6,876**
Shares Outstanding (2023E)								2026		2026		2026
Value to NEE								**$3**		**$3**		**$3**

							BMO Low Case		BMO Base Case		BMO High Case	
Parent & Other	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)
Parent & Other	EPS	($0.16)	Blended	18.0x		29.5x	27.0x	($4)	29.5x	($5)	31.5x	($5)
Utility & Transmission								$37		$42		$46
NextEra Energy Resources								$42		$49		$52
NextEra Energy Partners								$3		$3		$3
Parent & Other								($4)		($5)		($5)
Consolidated NEE								**$77**		**$90**		**$97**

Upside Not Reflected in Current Forecast:

	Capital	ROE	Probability	EPS								
1) Balance Sheet Capacity	$5,000	10%	50%	$0.06	18.0x	+25%	22.5x	20.0x	$1	22.5x	$1.39	23.5x	$1
	GW			**EBITDA**									
2) Renewables Backlog (Beyond 2022)	5,800			$1,102	14.0x	+20%	16.8x	14.3x	$15,759	16.8x	$18,514	17.8	$19,616
Less: Debt									($5,429)		($5,429)		($5,429)
Backlog Value per Share									**$5**		**$6**		**$7**
Total Upside:									**$6**		**$8**		**$8**
NEE Target Price									**$84**		**$98**		**$105**
Upside/(Downside)									-7.4%		8.8%		16.8%
Current Yield									2.1%		2.1%		2.1%
Total Return									**-5%**		**11%**		**19%**

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

Exhibit 8: PEG Model Summary

PEG Model Summary	2020	2021	2022	2023	2024	2025
EPS By Segment						
PSE&G	$2.62	$2.87	$3.04	$3.28	$3.50	$3.73
Power	$0.85	$0.80	$0.44	$0.45	$0.43	$0.43
Parent & Other	($0.03)	($0.03)	($0.05)	($0.06)	($0.07)	($0.08)
Consolidated E.P.S.	**$3.43**	**$3.63**	**$3.43**	**$3.67**	**$3.86**	**$4.08**
UP&O	**$2.58**	**$2.84**	**$2.98**	**$3.22**	**$3.43**	**$3.65**
Dividend per share	**$1.96**	**$2.04**	**$2.16**	**$2.29**	**$2.43**	**$2.57**
Payout Ratio total	57.1%	56.2%	63.0%	62.4%	62.9%	63.0%
Payout Ratio % of Regulated earnings	74.9%	71.1%	71.2%	69.9%	69.3%	68.9%
Dividend Yield	3.3%	3.2%	3.4%	3.6%	3.8%	4.0%
Valuation Metrics						
Price to Earnings	17.3x	17.6x	18.7x	17.4x	16.6x	15.7x
Price to Book Value	1.9x	1.9x	1.9x	1.8x	1.7x	1.7x
Funding Sources						
Cash Flow from Operations	$3,102	$3,121	$2,888	$3,075	$3,244	$3,428
Total Debt Financings	$2,450	$1,475	$2,510	$2,360	$2,620	$2,020
Total Equity Financings	$0	$0	($499)	$0	$0	$0
Credit Metrics						
Total Debt/Capitlization	51%	50%	51%	51%	53%	53%
FFO/Total Debt	20%	19%	17%	17%	16%	16%
EBITDA/Interest Expense	6.1x	6.0x	6.1x	6.0x	6.1x	6.1x
Regulated Operations Performance - Realized ROE						
PSE&G	11.8%	11.9%	11.1%	11.0%	11.0%	10.9%
PEG Power Performance						
Power Adj. EBITDA	$990	$976	$463	$468	$458	$463
Power CFO	$1,111	$924	$587	$599	$590	$594
Power FCF	$951	$824	$467	$474	$465	$469

Source: BMO Capital Markets, Company Filings

Exhibit 9: PEG Valuation

PEG UP&O	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Premium/ (Discount) %	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
PSE&G Utility	EPS	$3.28	Blended	17.5x	11.0%	19.4x	16.4x	$54	19.4x	$64	21.4x	$70
Parent Company	EPS	($0.06)	Blended	17.5x	11.0%	19.4x	16.4x	($1)	19.4x	($1)	21.4x	($1)
UP&O Total		**$3.22**						**$53**		**$63**		**$69**

PEG Power Valuation	Valuation Metric	2023E EBITDA	Sector Comp	Sector Multiple	Premium/ (Discount) %	Base Multiple	BMO Low Case EV/EBITDA Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case EV/EBITDA Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case EV/EBITDA Multiple	BMO High Case Implied Value ($ MM)
PSEG Power	EBITDA	$424	Generation	6.0x	0%	6.0x	5.0x	$2,121	6.0x	$2,545	7.0x	$2,969
Power Enterprise Value								**$2,121**		**$2,545**		**$2,969**
Less: Net Debt (2023E)								$69		$69		$69
Unregulated Equity Value per Share		**$0.45**						**$4**		**$5**		**$6**
Ocean Wind I - Discounted Value (YE2025)								**$1**		**$1**		**$2**
BMO Equity Value per Share		**$3.67**						**$58**		**$69**		**$77**
Upside/(Downside)								(8%)		8%		20%
Current Yield								3%		3%		3%
Total Return								**(5%)**		**12%**		**23%**

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

Exhibit 10: XEL Model Summary

XEL Model Summary	2021	2022	2023	2024	2025
EPS By Segment					
Northern States Power - MN	$1.18	$1.30	$1.43	$1.54	$1.60
Public Service Company of Colorado	$1.20	$1.32	$1.43	$1.53	$1.66
Southwestern Public Service Company	$0.59	$0.61	$0.62	$0.65	$0.69
Northern States Power - WI	$0.21	$0.23	$0.25	$0.28	$0.31
Equity Earnings of Unconsolidated Subsidiaries	$0.06	$0.06	$0.06	$0.06	$0.06
Parent & Other	($0.27)	($0.33)	($0.37)	($0.39)	($0.44)
Consolidated E.P.S.	**$2.97**	**$3.18**	**$3.42**	**$3.66**	**$3.87**
Dividend per share	**$1.83**	**$1.94**	**$2.06**	**$2.18**	**$2.31**
Payout Ratio total	61.6%	61.0%	60.1%	59.5%	59.7%
Dividend Yield	2.9%	3.1%	3.3%	3.5%	3.7%
Valuation Metrics					
Price to Earnings	21.0x	19.6x	18.2x	17.0x	16.1x
Price to Book Value	2.2x	2.1x	2.0x	1.9x	1.8x
Funding Sources					
Cash Flow from Operations	$3,531	$3,782	$4,057	$4,335	$4,602
Total Debt Financings	$2,240	$3,000	$3,245	$2,130	$3,110
Total Equity Financings	$130	$250	$250	$250	$250
Credit Metrics					
Total Debt/Capitlization	60%	61%	61%	61%	61%
FFO/Total Debt	16%	15%	15%	15%	15%
Regulated Operations Performance - Realized ROE					
Northern States Power MN - MN Electric	8.7%	8.8%	9.0%	9.2%	9.1%
Northern States Power MN - MN Gas	7.6%	7.8%	8.0%	8.3%	8.2%
Northern States Power MN - ND Electric	9.3%	9.4%	9.5%	9.7%	9.6%
Northern States Power MN - ND Gas	8.8%	9.0%	9.2%	9.4%	9.3%
Northern States Power MN - SD Electric	9.5%	9.6%	9.7%	9.9%	9.7%
Public Service Company of CO - Electric	8.1%	8.3%	8.5%	8.6%	8.7%
Public Service Company of CO - Gas	7.8%	8.1%	8.3%	8.4%	8.5%
Public Service Company of CO - Wholesale	7.2%	7.5%	7.7%	7.9%	8.1%
Southwestern Public Service Co - TX Electric	9.1%	9.4%	9.3%	9.4%	9.6%
Southwestern Public Service Co - NM Electric	8.5%	8.7%	8.7%	8.8%	8.9%
Southwestern Public Service Co - Wholesale	9.0%	9.2%	9.2%	9.3%	9.5%
Northern States Power WI - WI Electric	10.5%	10.2%	10.2%	10.4%	10.6%
Northern States Power WI - WI Gas	10.4%	10.1%	10.1%	10.4%	10.5%
Northern States Power WI - MI Electric & Gas	10.5%	10.2%	10.2%	10.5%	10.6%

Source: BMO Capital Markets, Company Filings

Exhibit 11: XEL Model Valuation

							BMO Low Case		BMO Base Case		BMO High Case	
Regulated, Parent & Other	Valuation Metric	2023E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)	P/E Multiple	Implied Value ($ MM)
Northern States Power - MN	EPS	$1.43	Electric	18.1x	+18%	21.4x	19.4x	$28	21.4x	$30	23.4x	$33
Public Service Company of Colorado	EPS	$1.43	Electric	18.1x	+13%	20.5x	18.5x	$27	20.5x	$29	22.5x	$32
Southwestern Public Service Company	EPS	$0.62	Electric	18.1x	+13%	20.5x	18.5x	$12	20.5x	$13	22.5x	$14
Northern States Power - WI	EPS	$0.25	Electric	18.1x	+21%	21.9x	19.9x	$5	21.9x	$5	23.9x	$6
Equity Earnings of Unconsilidated Subsidiaries	EPS	$0.06	Electric	18.1x	+16%	20.9x	18.9x	$1	20.9x	$1	22.9x	$1
Parent & Other	EPS	($0.37)	Blend	18.1x	+16%	20.9x	18.4x	($7)	20.9x	($8)	23.4x	($9)
Utility & Parent Value		**$3.42**					19.0x	**$65**	20.9x	**$72**	22.9x	**$78**
Upside/(Downside)								-2%		8%		18%
Current Yield								3%		3%		3%
Total Return								**0%**		**10%**		**20%**

Source: BMO Capital Markets, Company Filings

BMO Capital Markets

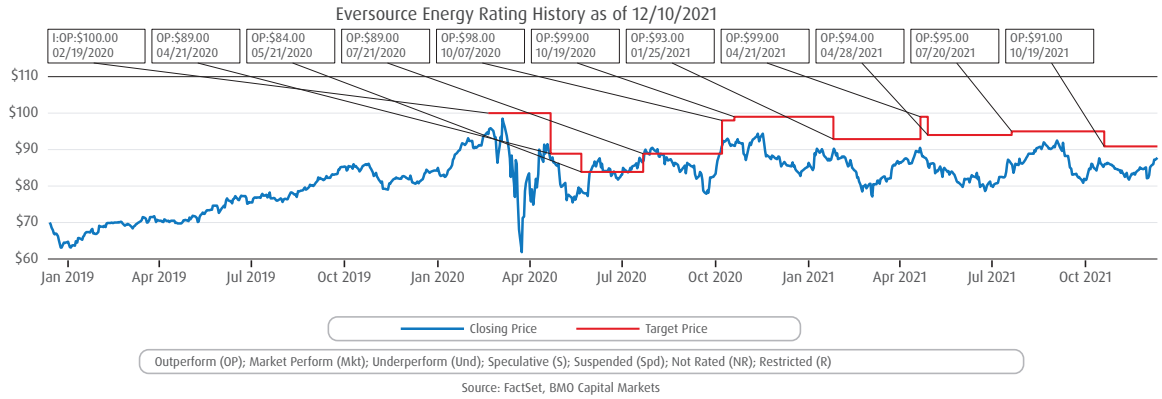

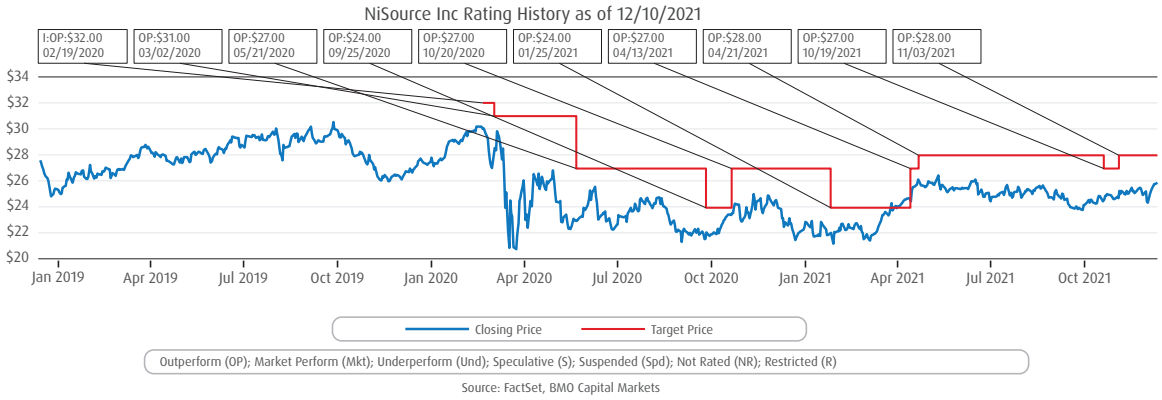

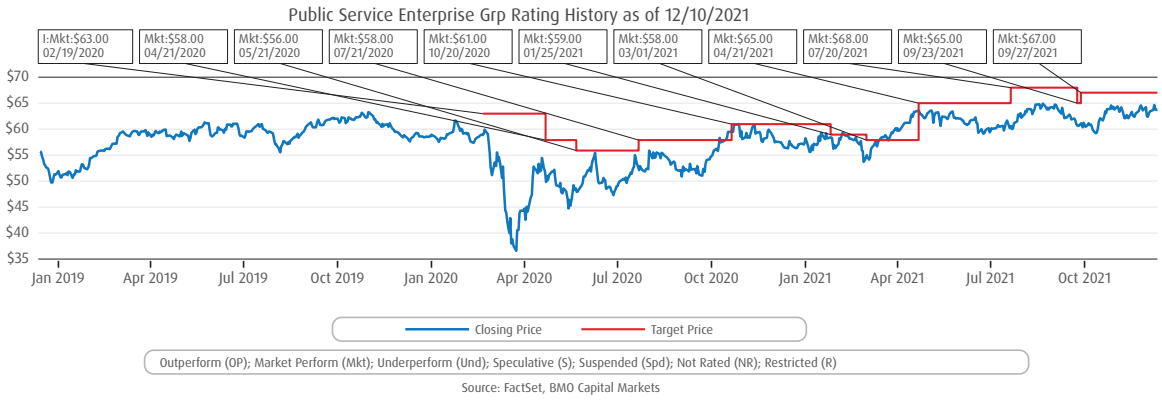

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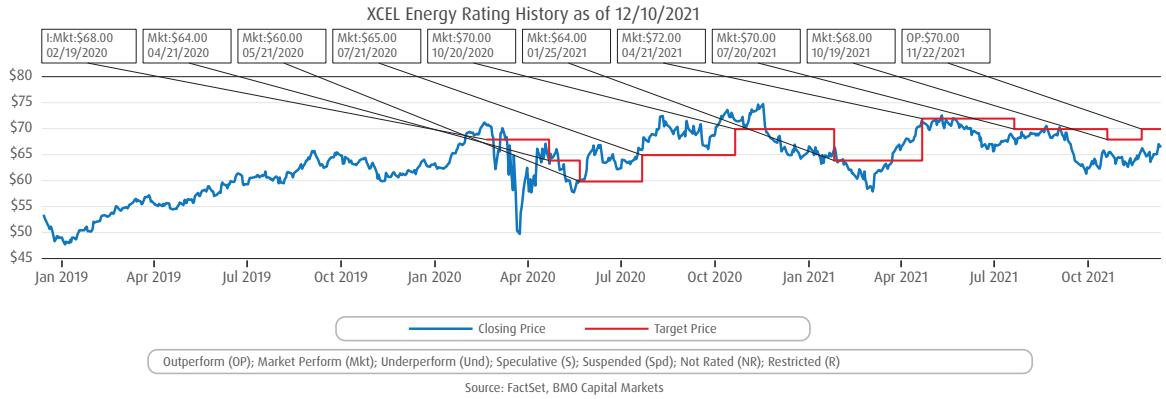

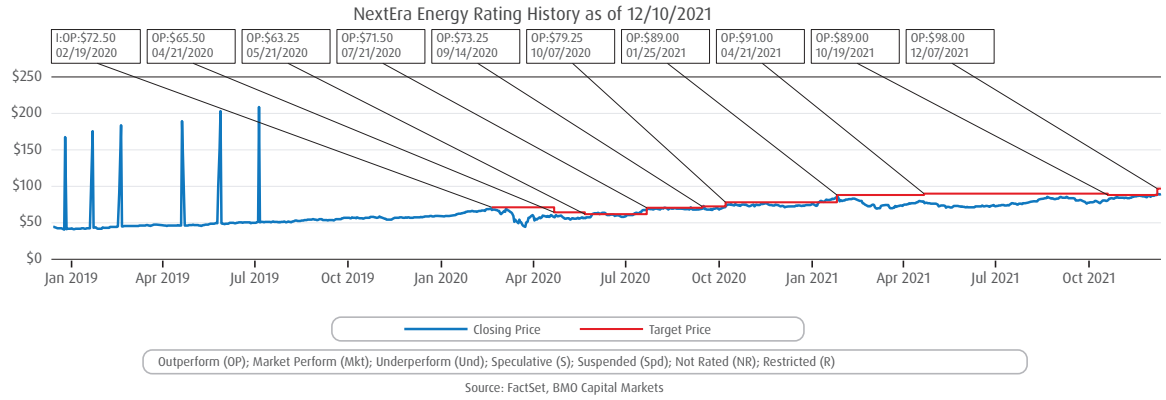

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Methodology: Our target price is derived from our segment-based sum-of-the-parts valuation methodology and a discounted valuation for its offshore wind JV.

Risks: ES's regulated profile exposes the company to business risk, including but not limited to: federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

Methodology and Risks to Target Price/Valuation for NextEra Energy (NEE-NYSE)

Methodology: Our target price is arrived at using a sum-of-the-parts methodology. Our framework begins with the relevant sector average P/E and EBITDA multiple using 2023E EPS as a base, which we then adjust (premium, discount, or no change) to reflect the relative fundamentals of that segment.

Risks: NEE's regulated electric and gas distribution companies are subject to numerous state and federal regulatory agencies that determine the rates they can charge for their services. Utility businesses are highly correlated to interest rate movements. NEE's development of solar and wind generation assets is often dependent on the presence of federal and state tax incentives that may not be renewed. NEE owns and operates multiple nuclear generation assets that are subject to federal and state regulatory on operational and safety standards.

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Methodology: Our target price is the product of a P/E-based sum-of-the-parts (SOTP) analysis of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2023E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook.

Risks: NI's regulated profile exposes the company to business risk including but not limited to federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

Methodology and Risks to Target Price/Valuation for Public Service Enterprise Grp (PEG-NYSE)

Methodology: We value PEG using our sum-of-the-parts valuation to derive our target price. We use an average of our base case P/E multiples for regulated electric and gas distribution utilities, which we apply to 2023E Utility EPS. We apply the same valuation multiple to the earnings we ascribe at the parent company. We utilize an EV/EBITDA multiple for the company's merchant power business and apply it to our 2023E EBITDA estimate for PSEG Power and then subtract net debt at this operating company to arrive at an equity valuation for this segment. We assume a slight premium to the IPCs given that PEG's power assets have longer useful lives.

Risks: We see potential downside from PEG's generation business owing to a potential for less capacity revenue given PJM capacity market uncertainty as well as lower power prices. The recently introduced NJ Master Energy Plan calls for a substantial reduction of natural gas use, which would negatively affect the company's regulated gas distribution business and its gas generation assets at PSEG Power. The company operates several nuclear facilities that are subject to stringent regulations. We could see upside risk as we only include a portion of the company's Clean Energy Future capital spending plan as it is still pending regulatory approval, but this could increase rate base and earnings upside above our forecast.

Methodology and Risks to Target Price/Valuation for XCEL Energy (XEL-NSDQ)

Methodology: Our target price is the product of a P/E-based sum of the parts of the company's primary regulated operating companies. We utilize a regulated group-average multiple based on 2023E EPS as our initial basis for valuation and then make adjustments specific to each jurisdiction to reflect our current view of the fundamental outlook.

Risks: XEL's regulated profile exposes the company to business risk including but not limited to: federal and state regulatory risk, federal and state political risk, environmental policy, interest rate risk, access to capital markets, construction risk, changes in customer demand trends, changes in customer affordability, extreme weather, natural disaster, and equipment failure.

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Buy	Outperform	52.8 %	28.6 %	58.2 %	54.8 %	59.9 %	57.7%
Hold	Market Perform	45.9 %	22.1 %	39.0 %	43.9 %	38.8 %	37.5%
Sell	Underperform	1.3 %	57.1 %	2.8 %	1.3 %	1.3 %	4.8%

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~ As of April 1, 2019.

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(April 2013 - October 2016)
http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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Offline Report

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NiSource Inc

Fireside Chat; confidence in an extension of growth runway, avenues for growth

29 September 2021 | Equity | United States | Natural Gas-Local Distribution Companies

NI US

Maintain Rating	Price	Price Objective	Upside	Market Cap	Average Daily Value	ESGMeter ™
BUY	23.84 USD	28.00 USD	17.4%	9,355 USD(mn)	81.68 USD(mn)	High

all data as of 29 September 2021

Key takeaways

- Fireside affirms our confidence in latest IRP draft resulting in extended 7-9% EPS growth thru '26 (2 further years); Buy
- See IRP planning details in coming weeks ahead with resolution into mid-'22 A-Day: resulting capex between $0.4-0.8Bn
- OH settlement history affirmed for gas cases; confidence on further guide higher in '22 guide range w 3Q.

IRP: Integrated Resource Plan

RFP: Request for Proposal

Recapping the latest key points and messaging from mgmt

We hosted NiSource (NI) CFO Donald Brown and Chief Strategy and Risk Officer Shawn Anderson for a fireside chat with investors to discuss, **1)** the latest developments with the 2021 IRP stakeholder meetings - potential pathways were outlined in a stakeholder meeting last week and a preferred path will be announced at the Oct. 21 meeting. *While there are still a number of variables left to determine before we can narrow down a more concrete capex estimate, we conservatively estimate that the process could drive ~$430M-$800M in incremental capex* (see more than 50% ownership possible now), **2)** intact 5-7% growth commitment into '22 off of a raised '21 base ($1.40-1.44 '22 range implied by $1.34 midpoint) shows healthy EPS inflection, likely with 3Q call, and subsequent extension of the high growth runway (7-9% through '26) is more likely in our view by ~mid-'22 Analyst Day; **3)** regulatory environment; *more* confident in a constructive in the pending OH case, with settlements historically; **4)** balance sheet improvement; see less equity needs (~50/50 balance vs 60/40 earlier) in '25/'26 to enable decelerating ratebase growth off highs, but still industry leading 7-9% extended for two years considering muted equity for (precise portfolio selection process thru 1H22); **5)** watch renewable natural gas (RNG) with potential legislation in states to backstop - pilot partnerships upcoming, and **6)** strategic options seem to be on the table over the longer-term; less likely in the near-term after what seems an exhaustive review of late.

Shares positioned well from here; maintain key utility Buy

We came away from the meetings incrementally positive on the prospects of NI extending the higher growth (7-9%) runway through 2026 as not only more renewables and generation will be added to the system in that timeframe with a more balanced 50/50 cap structure, but more novel investments like transmission and RNG take shape. Importantly, timeline for a more comprehensive update following the filing of the IRP and evaluation of the bids submitted in the RFP seems to be 1H22 (during an analyst day) when we could see an extension of the growth path and a more granular discussion of growth potentially beyond a traditional five-year planning horizon - remember, mgmt. has previously highlighted ~$40B of capital opportunities over the long-term. *Maintain Buy on NI with positive re-rating potential through longer term.*

Estimates & Valuation Quarterly Estimates Stock Data

Estimates (Dec) (US$)	2019A	2020A	2021E	2022E	2023E
EPS	1.32	1.32	1.36	1.40	1.58
GAAP EPS	0.87	1.33	1.28	1.40	1.58
EPS Change (YoY)	1.5%	0%	3.0%	2.9%	12.9%
Consensus EPS (Bloomberg)			1.34	1.41	1.52
DPS	0.83	0.88	0.94	0.99	1.05
Valuation (Dec)					
P/E	18.1x	18.1x	17.5x	17.0x	15.1x
GAAP P/E	27.4x	17.9x	18.6x	17.0x	15.1x
Dividend Yield	3.5%	3.7%	3.9%	4.2%	4.4%
EV / EBITDA*	15.0x	13.7x	12.7x	11.7x	10.4x
Free Cash Flow Yield*	-2.3%	-7.0%	-5.6%	-10.4%	-18.2%

Framing the debate here on shares

We reiterate our preference for NI relative to many utilities of late considering their notable inflection in prospects. We appreciate that LDCs may indeed face disproportionate pressure vs more electric pure-play peers (and that appears to be playing out in NI of late) but stress among those with LDC this remains clearly our favorite name - and even beyond this group, we see shares as among the compelling still having shown among the most pronounced earnings inflections across the sector off flattish results in recent years. We perceive this inflection alongside under-appreciated extension of its outlook

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from 2024 to 2026, in tandem with a full exit of its coal portfolio on an expedite basis will continue to garner incremental attention & credit. While we appreciate that threat of rising bills for all utility bills (gas & electric) will put strains on relationships - and admit an open case in Ohio is key to watch come to hopefully settlement and resolution in the near-term- we have yet to find specific points of concern. Watch the Indiana process through this Winter given elevated gas prices around reliability considerations in particular. On balance, we perceive shares as especially attractive and maintain our Buy with $28 PO.

IRP pathways outlined w/ preferred plan late-Oct.

Northern Indiana Public Service Co. (NIPSCO) recently outlined four viable portfolio options ranging in carbon emission expectations and dispatchability: Portfolio B) Non-service territory gas peaking (no early storage), Portfolio E) Thermal PPAs plus storage and solar, Portfolio F) Local gas peaker, plus solar and storage, and Portfolio I) New H2-enabled peaker plus solar and storage, plus Sugar Creek conversion to H2 (more details in slides available on nipsco.com/irp). Note, portfolios A, D, and G are not viable given they do not meet winter planning reserve margins given expected market rules changes, portfolio C carries high scenario cost exposure and uncertainty and the highest CO2 emissions, and portfolio H has the highest cost under the reference scenario and the highest stochastic tail risk. NIPSCO noted that portfolios B, E, F, & I could be preferred under different, but plausible future scenarios. The portfolios were compared by the 30-yr net present value of revenue requirement across a number of scenarios with different carbon policies.

Mgmt. noted that the costs of the various portfolios are similar, and therefore the consideration and eventual selection of the preferred plan will be based more on reliability and resource adequacy. The retirement timeline of Michigan City is also contemplated - we think that the retirement will be accelerated to 2026 because it is the most economical. **What's next in the stakeholder process?** There is a technical hearing scheduled for Oct. 12 where parties will talk reliability and resource adequacy followed by a meeting on Oct. 21 where the preferred plan will be outlined and discussed with stakeholders.

What is the potential capex?

There are still a number of variables left to determine before we can narrow down a more concrete capex estimate, namely ownership percentage of the new generation assets; however, we outline the four portfolios with back of the envelope capex estimates in Exhibit 1 below. We emphasize that these estimates could be conservative based on mgmt. commentary on preferring to own more of the generation - specifically, we could see ownership percentages above 50%.

Exhibit 1: NIPSCO Hypothetical Renewable Capex Calc
We conservatively see a range of ~$430M-$800M in potential capex stemming from the 2021 IRP

NIPSCO Hypothetical Renewable Capex Calc

Portfolio B	Capacity (MW)	$/kw	Ownership (%)	Capex ($mm)
Distributed Energy Resources	10	1500	100%	15
Sugar Creek (CCGT) Uprate	53	400	100%	21.2
Gas Peaker	443	800	100%	354.4
Thermal PPA	150	0	0%	0
Solar	250	1200	50%	150
Total	**906**			**540.6**

Portfolio E	Capacity (MW)	$/kw	Ownership (%)	Capex ($mm)
Distributed Energy Resources	10	1500	100%	15
Sugar Creek (CCGT) Uprate	53	400	100%	21.2
Thermal PPA	150	0	0%	0
Storage	470	1400	50%	329
Solar	250	1200	50%	150
Total	**933**			**515.2**

Portfolio F	Capacity (MW)	$/kw	Ownership (%)	Capex ($mm)
Distributed Energy Resources	10	1500	100%	15
Sugar Creek (CCGT) Uprate	53	400	100%	21.2
Gas Peaker	300	800	100%	240
Thermal PPA	150	0	0%	0
Storage	135	1400	50%	94.5
Solar	100	1200	50%	60
Total	**748**			**430.7**

Portfolio I	Capacity (MW)	$/kw	Ownership (%)	Capex ($mm)
Distributed Energy Resources	10	1500	100%	15
Sugar Creek H2 Electrolyzer	10	1800	100%	18
Sugar Creek (CCGT) Uprate	53	400	100%	21.2
H2 Enabled Peaker	193	800	100%	154.4
Wind	200	1800	50%	180
Storage	370	1400	50%	259
Solar	250	1200	50%	150
Total	**1086**			**797.6**

Source: BofA Global Research estimates, company report, Energy Information Administration

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Runway for growth seems robust

The 2021 IRP process will drive additional growth through the 2026 timeframe and, in our view, extend the elevated rate base and earnings growth that NI has highlighted at this point through '24. Over time, the balance sheet will improve through cash flows from the renewables investments as well as the equity unit offering allowing the renewables investments in '24-'26 to be financed with a more balanced, 50/50 capital structure. This will lead to less dilution and an ability for NI to grow earnings closer to its rate base growth.

Monitoring gas price inflation; not yet a concern over the longer term

Mgmt. is cognizant of the recent increase and volatility in gas prices, but noted storage capacity across its footprint and hedges at NIPSCO. The gas market has caused gas utilities to underperform electric peers, and while we are cautious on the backdrop for many, we see this as short-term phenomenon, and believe that longer-term, gas utilities can re-rate closer to their electric peers.

What about RNG investment?

Investment in renewable natural gas (RNG) has not been top-of-mind for NI investors as focus has been more squarely on the renewables deployment through '24 and the ongoing 2021 IRP process. Mgmt. is interested in RNG for two angles, 1) how can it decarbonize their gas footprint and 2) how can it drive incremental infrastructure investment. It is still early in the evaluation process but, initially, it seems like there are a number of opportunities for mgmt. to capitalize on. We think supportive legislation from either the federal or state level would drive NI to accelerate a move into RNG.

Regulatory environment supportive; confidence in OH

Mgmt. highlighted confidence in the Columbia Gas of OH, a NI subsidiary, rate case process (Docket 21-0637-GA-AIR). It is still relatively early in the process (i.e. no procedural schedule yet) and this will be a key litmus test for management's ability to work well with a diverse group of stakeholders. The Ohio regulatory climate has been challenged due to the House Bill 6 (HB 6) scandal despite being unrelated to NiSource, but we believe the regulatory relationship with Columbia Gas continues to be strong.

While this is the first general rate case in the state since 2008, mgmt. noted they have continued to reach constructive outcomes with stakeholders and regulators in the interim (i.e. Capital Expenditure Program [CEP] in 2017).

More recently, Columbia Gas of PA reached a "black box" settlement in its rate case for an annual revenue increase of $58.5M (~60% of ask of $98.3M) with the ROE and capital structure undisclosed. As a reminder, Columbia Gas of PA requested a 10.95% ROE and a 54.34% equity layer. (Docket R-2021-3024296).

While the ROE and capital structure is unknown, receiving 60% of the revenue request is constructive. As a reminder, the 2020/early 2021 case drove NI to underperform as the Administrative Law Judge (ALJ) recommended no rate increase due largely to COVID considerations. Mgmt. highlighted the positive signal for the regulatory environment that Columbia and other parties are able to return to settled cases rather than having to fully litigate them.

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Strategy still an option, but not in the near-term

Before mgmt. went forward with the equity unit issuance earlier this year, there was speculation that mgmt. would be open to rotating a utility to help fund the equity need. While the issuance takes an asset sale off the table in the near-term (through 2026), we believe that it is still an option for mgmt. to fund the next leg of growth in the business. Dis-synergies were an issue with the sale of Columbia Gas of MA, but with mgmt.'s plan to reduce overhead costs across the enterprise, there is the possibility for an asset sale to be accretive and in the interest of shareholders if capital is deployed in areas that earn a better return. Simplification could be multiple accretive as well as the business spans a number of jurisdictions in its current state. All said, we believe mgmt. is content with its business mix and scale at the moment, and do not see a use of proceeds until the renewables investments in the '24-'26 timeframe.

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Click for Important disclosures. Analyst Certification. Price Objective Basis & Risk.

*iQ*profile℠ NiSource Inc

Company Description

NiSource Inc. (NI) is a fully-regulated utility company serving approximately 3.5mn natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands. NI generates substantially all of its operating income through these rate-regulated businesses.

Investment Rationale

Our Buy rating on NI is underpinned by 1) likely positive revisions given ultra conservative EPS CAGR guidance baked into consensus, 2) renewable rate base upside, and 3) the ability to re-rate higher following any gas LDC asset sale.

iQ*method℠ - Bus Performance

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Return on Capital Employed	3.3%	4.1%	4.2%	4.4%	4.7%
Return on Equity	9.9%	10.2%	10.3%	9.7%	10.5%
Operating Margin	17.1%	22.0%	20.3%	21.8%	24.3%
Free Cash Flow	(219)	(654)	(520)	(970)	(1,703)

iQ*method℠ - Quality of Earnings

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash Realization Ratio	3.2x	2.2x	2.6x	2.6x	2.5x
Asset Replacement Ratio	2.5x	2.4x	2.6x	3.1x	4.0x
Tax Rate	24.4%	18.3%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	158.6%	167.4%	133.6%	143.6%	164.8%
Interest Cover	2.4x	2.8x	3.0x	3.2x	3.0x

Income Statement Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Sales	5,209	4,697	5,516	5,676	5,970
% Change	2.5%	-9.8%	17.4%	2.9%	5.2%
Gross Profit	3,674	3,587	3,904	4,039	4,309
% Change	10.5%	-2.4%	8.8%	3.5%	6.7%
EBITDA	1,608	1,757	1,904	2,065	2,327
% Change	5.0%	9.3%	8.3%	8.5%	12.7%
Net Interest & Other Income	(384)	(339)	(371)	(390)	(490)
Net Income (Adjusted)	**495**	**508**	**569**	**615**	**705**
% Change	**6.8%**	**2.6%**	**12.2%**	**8.1%**	**14.7%**

Free Cash Flow Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Net Income from Cont Operations (GAAP)	328	511	537	615	705
Depreciation & Amortization	717	726	783	827	874
Change in Working Capital	(75)	(249)	0	0	0
Deferred Taxation Charge	118	(29)	126	143	182
Other Adjustments, Net	495	145	34	0	0
Capital Expenditure	(1,802)	(1,758)	(2,001)	(2,555)	(3,464)
Free Cash Flow	**-219**	**-654**	**-520**	**-970**	**-1,703**
% Change	**82.9%**	**-198.5%**	**20.5%**	**-86.5%**	**-75.5%**

Balance Sheet Data (Dec)

(US$ Millions)	2019A	2020A	2021E	2022E	2023E
Cash & Equivalents	148	117	126	126	126
Trade Receivables	905	825	825	825	825
Other Current Assets	800	718	718	718	718
Property, Plant & Equipment	16,912	16,620	17,837	19,565	22,156
Other Non-Current Assets	3,894	3,762	3,762	3,762	3,762
Total Assets	**22,660**	**22,041**	**23,267**	**24,995**	**27,586**
Short-Term Debt	1,787	526	517	583	697
Other Current Liabilities	1,959	1,753	1,753	1,753	1,753
Long-Term Debt	7,856	9,220	9,031	10,186	12,168
Other Non-Current Liabilities	5,071	4,704	4,829	4,972	5,154
Total Liabilities	**16,673**	**16,203**	**16,131**	**17,495**	**19,772**
Total Equity	**5,987**	**5,752**	**7,051**	**7,415**	**7,728**
Total Equity & Liabilities	**22,660**	**21,955**	**23,182**	**24,910**	**27,501**

* Click for full definitions of *iQmethod*℠ measures .

Price Objective Basis & Risk

NiSource Inc (NI)

Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are

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marked-to-market to the lates peer utility multiples of 15.7x for gas and 17.6x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA

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Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
TPI Composites	TPIC	TPIC US	Adhok Bellurkar
Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Trending

Research Summary

Global Research Highlights (https://rsch.baml.com/r?q=-WuZPsKeH1sTI1z8yB99Pw&e=cturnure%40nisource.com&h=2pQ2xfmHUTI1z8yB99Pw&e=cturnure%40nisource.com&MbA)

The Taper Chase
Derek Harris 2021-Sep-24

Report

US Economic Weekly (https://rsch.baml.com/r?q=-WuZPsKeH1sTI1z8yB99Pw&e=cturnure%40nisource.com&h=2pQ2xfmHUTI1z8yB99Pw&e=cturnure%40nisource.com&MbA)

Guess I gotta have FAIT

Michelle Meyer 2021-Sep-24

Timestamp: 29 September 2021 09:20AM EDT

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Offline Report

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North American Gas Utilities

Gas LDC 2Q21 Preview: Looking for a Bump up to FY21 Outlooks

Price Objective Change | 22 July 2021 | Equity | North America | Gas Utilities

Key takeaways

- We provide our 1Q20/fiscal 2Q21 Gas LDC preview for ATO, NI, NJR, NWN, OGS, SJI, SR, SWX, and UGI. Bounce continues?
- Favorable FY21 guidance updates from ATO/NI likely plus NWN, UGI, and SJI. OGS more cautious backdrop with rate case.
- Reiterate Buy on SJI and UGI with premium growth prospects tied to high-return unregulated. Upside from additional disclosure

Exhibit 1: Price Objective changes
We lower our POs for some stocks

Ticker	Rating	Prior PO	New PO
ATO	Neutral	$106.0	$102.00
NI	Buy	$29.0	$28.00
NJR	Underperform	$39.0	$39.00
NWN	Underperform	$51.0	$49.00
OGS	Underperform	$74.0	$73.00
SR	Buy	$78.0	$77.00
SWX	Neutral	$69.0	$69.00
SJI	Buy	$27.0	$27.00
UGI	Buy	$51.0	$51.00
UTL	Underperform	$49.0	$48.00

Source: BofA Global Research estimates

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Gas LDCs: few wrinkles in otherwise normal spring Q

We provide our gas LDC 2Q21/fiscal 3Q21 preview for ATO, NI, NJR, NWN, OGS, SJI, SR, SWX, UGI, and UTL. Overall, we see a somewhat quieter quarter especially following the very active 1Q updates across the sector with extreme weather. The focus is on (1) securitization of Uri costs for ATO and OGS which looks derisked; (2) probable FY21 guidance increases; (3) key rate cases in MO, OK, NJ, and PA; (4) updates on RNG, hydrogen, and other decarbonization efforts; (5) pipeline developments following STL Pipeline and PennEast updates; and (6) thoughts on divestitures following CenterPoint Energy (CNP) sales. We revise our POs in the sector (details inside).

FY21 guidances largely moving up in a constructive year

With **ATO** and **NI** both already pointing to the upper-half of their respective FY21 EPS guidance ranges we see increases as probable and largely expected by Street. **NWN, UGI, and SJI** all are tracking well in their respective ranges and appears to have latitude to point toward the upper-half as well. **NJR** has already significant increased its FY21 expectations after favorable weather benefits so we anticipate a reaffirmation. We highlight **OGS** where we estimate FY21 'only' around the midpoint as well as a quarterly miss as having a cautious backdrop relative to the aforementioned peers who will be increasing guidance and pointing higher in the range. Between this unfavorable outlook comparison and the pending Oklahoma rate case, we reiterate our restrained stance. **SR** similarly seems to be tracking toward the midpoint and we do not expect a FY21 change particularly at this stage in the Missouri rate case.

Let's talk specific names...

ATO: We expect fiscal 3Q to slightly miss on costs but could increase guidance. Watch for details around recent explosions in ATO's territory as well as an update on securitization.
OGS: Cautious backdrop with quarterly miss and lack of upside to guidance.
SR: Earnings will be overshadowed by STL pipeline and rate case commentary
NI: Renewables additions continue to be top-of-mind with the ongoing RFP process and upcoming Integrated Resource Plan (IRP) filing. We see a beat vs consensus as well as the latitude for NI to raise guidance driven by stronger load and better cost efficiencies.
NWN: Relatively quiet update as management works through the development process with the Tyson RNG plants. We see a modest beat.
SWX: Focus on the recent Riggs Distler acquisition where questions center no the strategic rationale. AZ regulatory remains a focus for us with the ongoing tracker reconciliation filing and upcoming rate case expected to be filed at YE21.
SJI: We expect some detail on the recent fuel cell acquisition announcement and hope to see some progress on the RNG front. Watch the NJ legislature into the fall as RNG is likely to pick up steam. Similar to UGI, appreciate requires execution and disclosure.
NJR: Investors remain skeptical on the plan to diversify renewable development outside of NJ. Questions will center on supply chain constraints and pressures on margins with the company disadvantaged versus larger peers.
UGI: Continued enhancement of disclosures on renewable growth ambitious and returns. With one of the best EPS CAGRs (~9%), upside is tied to providing comfort in outlook.
UTL: Focus will be on the NH rate cases where progress is positive, but premium valuation keeps us Underperform.

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PM Summaries

ATO: Expect an overall positive update with cost recovery progress and likely FY21 guidance increase but expected. Uri recovery derisked post legislation. Mgmt has downplayed Local Distribution Companies (LDCs) to mitigate equity but remains a top investor focus.
NI: Upside to FY21 guidance on a quiet execution quarter post-financing. IN generation ownership mix remains the key question. PA/OH rate cases still matter and a focus after last rocky PA case.

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NJR: Small local renewable developer is the type of firm that could see supply chain squeeze. We remain cautious on the expansion outside of NJ.
NWN: Progress on RNG and water diversification strategies need to show progress to support elevated multiple.
OGS: Small quarterly miss and weaker in FY21 range than many peers at the top-end. OK rate case looms large particularly with Uri rate pressures.
SJI: Attractive risk/reward at discounted valuation where success in NJ regulatory applications (infrastructure and rate case) and RNG can build confidence. 7% BofA EPS CAGR vs Street 3% (5-8% guidance).
SR: Expect a passionate defense of STL Pipeline which represents ~4% EPS. STL remains an overhang but also watch MO rate case for potential settlement in near-term.
SWX: Details of the strategic logic of RDC infrastructure deal and effectively doubling-down on the diversified strategy. AZ case will be a renewed overhang.
UGI: Investors continue to call for additional disclosures into renewable pipeline but details are frustratingly scarce at these early stages. Top-tier 9% EPS CAGR undervalued despite unregulated business mix.
UTL: Signs of progress in NH not enough to justify lofty premium on overly bullish Street estimates.

BofA Global Research Reports

Select 2Q21 Earnings Previews	Primary Author	Date Published
North American Electric Utilities: 2Q21 Regulated Preview: One Year Post Covid Who is Stronger? (https://rsch.baml.com/r?q=f8mXzJsjOd0AdWW2iVOSyw)	Julien Dumoulin-Smith	19 July 2021
US Electric Utilities & IPPs: 2Q21 SMID-Cap Preview: Part II: Opportunities abound? (https://rsch.baml.com/r?q=DKk6UcDvkXfuiYV3RuJxrA)	Julien Dumoulin-Smith	19 July 2021
US Electric Utilities & IPPs: 2Q21 PacNW SMID-Cap Preview: Pacific HOT West (https://rsch.baml.com/r?q=K-r2rpEY3VGAPmb9ISJABQ)	Julien Dumoulin-Smith	16 July 2021
US Electric Utilities & IPPs: 2Q21 Power Preview: Power Makes a Comeback (NRG/VST) (https://rsch.baml.com/r?q=tJxJPCbiA2EZaF8H9xjgog)	Julien Dumoulin-Smith	21 July 2021

Summary of Key Changes

Exhibit 2: PO & Estimate Changes
Our EPS estimates broadly remain unchanged for the gas utilities

			Prior					New					Delta vs Prior. (%)				Delta vs Consensus (%)			
Company	Ticker	Rating	Prior PO	2021E	2022E	2023E	2024E	New PO	2021E	2022E	2023E	2024E	2021E	2022E	2023E	2024E	2021E	2022E	2023E	2024E
Atmos Energy Corp	ATO	Neutral	$106.0	5.07	5.41	5.77	6.18	$102.00	5.07	5.41	5.77	6.18	0.0%	0.0%	0.0%	0.0%	-0.2%	0.1%	-0.4%	0.0%
NiSource Inc	NI	Buy	$29.0	1.36	1.40	1.58	1.76	$28.00	1.36	1.40	1.58	1.76	0.0%	0.0%	0.0%	0.0%	1.0%	-1.2%	3.3%	4.0%
New Jersey Resources Corp	NJR	Underperform	$39.0	2.09	2.24	2.33	2.58	$39.00	2.09	2.24	2.33	2.58	0.0%	0.0%	0.0%	0.0%	-1.0%	-0.9%	-3.7%	-11.5%
Northwest Natural Gas Co	NWN	Underperform	$51.0	2.55	2.63	2.79	2.91	$49.00	2.55	2.63	2.79	2.91	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.3%	-1.4%
ONE Gas Inc	OGS	Underperform	$74.0	3.82	4.14	4.40		$73.00	3.82	4.14	4.40		0.0%	0.0%	0.0%		0.4%	0.9%	1.0%	NA
Spire Inc	SR	Buy	$78.0	4.42	4.56	4.79	4.90	$77.00	4.42	4.56	4.79	4.90	0.0%	0.0%	0.0%	0.0%	-0.5%	2.9%	2.4%	-0.3%
Southwest Gas Holdings Inc	SWX	Neutral	$69.0	3.96	4.32	4.75	5.12	$69.00	3.96	4.35	4.76	5.13	0.0%	0.7%	0.2%	0.2%	-4.4%	0.1%	0.9%	NA
South Jersey Industries Inc	SJI	Buy	$27.0	1.63	1.74	1.90	2.03	$27.00	1.63	1.74	1.90	2.03	0.0%	0.0%	0.0%	0.0%	0.6%	2.8%	6.8%	7.4%
UGI Corp	UGI	Buy	$51.0	2.97	3.15	3.46	3.87	$51.00	2.97	3.15	3.46	3.87	0.0%	0.0%	0.0%	0.0%	-1.0%	-2.7%	1.5%	NA
Unitil Corp	UTL	Underperform	$49.0	2.32	2.49	2.63	2.79	$48.00	2.32	2.49	2.63	2.79	0.0%	0.0%	0.0%	0.0%	-8.8%	-7.9%	-7.4%	NA

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Exhibit 3: BofA Estimates vs Consensus
We see a mixed bag of results on the quarter

			2Q21/F3Q21 EPS Estimates			
Company	Ticker	Rating	BofAe	Cons	Expectations	% Beat/Miss
Atmos Energy Corp	ATO	Neutral	0.74	0.73	Beat	1%
NiSource Inc	NI	Buy	0.15	0.12	Beat	24%
New Jersey Resources Corp	NJR	Underperform	-0.12	-0.08	Miss	54%
Northwest Natural Gas Co	NWN	Underperform	-0.11	-0.14	Beat	-24%
ONE Gas Inc	OGS	Underperform	0.49	0.52	Miss	-6%
Spire Inc	SR	Buy	-0.02	0.01	Miss	NM
Southwest Gas Holdings Inc	SWX	Neutral	0.50	0.45	Beat	12%
South Jersey Industries Inc	SJI	Buy	0.00	-0.02	Beat	NM
UGI Corp	UGI	Buy	0.08	0.11	Miss	-24%
Unitil Corp	UTL	Underperform	0.21	0.20	Beat	8%

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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PennEast path is still uncertain

The PennEast Pipeline has implications for NJR, SJI, and UGI (each are 20% owners of the pipe) and the US Supreme Court (SCOTUS) recently ruled in favor of the pipeline in an eminent domain suit. SO and ENB CN are also owners but the project is immaterial. **Despite the SCOTUS victory, NJ water permitting challenges still remain and in our view threaten the viability of the project.**

For Phase One (the PA portion) to progress, the PennEast partners have requested Federal Energy Regulatory Commission (FERC) to approve the bifurcation plan that would split the project into two phases, a PA phase and a NJ phase. The bifurcation application has been in pending at FERC for some time who was seemingly awaiting a decision from SCOTUS before ruling. Although there is no timeline for a ruling, the companies broadly expect a decision within weeks/months. As a matter of law, because PennEast still has the original FERC certificate in place, the ownership group consisting of UGI Corp (UGI), South Jersey Industries (SJI), New Jersey Resources (NJR), Southern Company (SO), and Enbridge (ENB) could technically move forward with Phase One, but we find this unlikely due to the associated risks.

While the bifurcation process at FERC should be procedural given that FERC has already signed off on the certificate, we note the process could be slightly more challenging now given the Democratic shift in the Commission and Chairman Glick's dissent on the issuance of the pipe's certificate of public convenience and necessity (CPCN) in March 2020. Key to FERC's decision, in our view, is twofold: (1) can Phase One be viable (stand on its own) if Phase

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Two does not move forward; and (2) what are the optics on viability of Phase Two? Phase One can likely 'stand on its own' because of the need for natural gas in that portion of PA, but more generally we find that the recent negativity on pipelines increases the risk of PennEast not receiving the necessary FERC approvals to support Phase Two. Also watch the fact that Commissioner Chatterjee's term expired and he will be replaced by another Democratic Commissioner soon, which potentially adds more risk to the bifurcation process. While timing is dependent on FERC, the owners could start construction on Phase One this fall/winter and have it completed by the end of '22.

PennEast remains a small contributor to future spending and earnings for each owner. **SJI** has $110M in spending on Phase One split between '21 and '22, with the majority of the spending based in '22 (this compares to the overall capital spending plan of $3.5B over the next five years). For **UGI**, the spending is similar. **NJR** removed PennEast completely from its guidance at the November 2020 Analyst Day, as it viewed the project as non-core and the path to completion challenging. Management has talked about adding the project back to its plan if there was a clearer path to completion, and if FERC approves the bifurcation, we could see Phase One added back later this year. That said, it would only represent a modest +$0.05 EPS to our estimates.

For more on the SCOTUS decision, comparisons to STL, and prospects for Phase Two see our note - North American Gas Utilities: PennEast clears SCOTUS; FERC bifurcation next w/ path to full completion still unclear 01 July 2021 (https://rsch.baml.com/r?q=ipZyaMpMtxmQuKPkKBfISQ)

Atmos Energy (ATO)

ATO: Recent explosions could cloud update

Reiterate Neutral on limited upside to our SOTP analysis after recovery from the February lows. ATO has returned moved more back to its historical premium with additional visibility around Winter Storm Uri gas cost recovery. See much of the focus centered on recent explosions of, or near, ATO assets and securitization during the call - the rest of the update will likely be light. Expect an overall positive update with cost recovery progress and likely FY21 guidance increase.

Key Call Topics: Explosions, securitization, strategic opps., incremental capex?

Explosions cause for concern? Likely no, but we will learn more during the call

Per media reports there have been two recent explosions of, or near, ATO assets. In late June the Atmos Pipeline and Transmission (APT) had an explosion that killed two subcontractors and injured two others. The incident occurred in a rural area and the company believes it was maintenance related. The other incident took place on July 19 at 4:40PM CT in a residential area where six people were injured, and by 9:30PM CT, ATO and others determined it safe to turn the system back on. On July 20th the local fire dept. determined the probable cause of the blast to be an isolated gas leak within the home and that no other homes are in danger. *While these recent explosions are negative on the surface, they differ from the 2018 North Dallas explosion that killed one and led to a $1.6M fine from TX because ATO failed to detect the leak in the days ahead the explosion. We will learn more on the explosions as the investigations progress, but, at this point, we are less concerned than if it were a distribution related explosion. With that in mind, these recent events re-highlights the risks inherent in LDCs and emphasizes the need for diligent operations and maintenance expense (O&M).*

Uri securitization the still a topic of interest

Uri securitization will likely be the topic of interest during the call given the magnitude. The process is significantly derisked after passage of securitization legislation and the respective Commissions general supportive comments/actions. In TX, The Railroad Commission (RRC) will have 90 days to review the prudency of ~$2Bn costs before the Texas Public Finance Authority (TPFA) starts the process of issuing the bonds. We will be watching the recovery timeframe and duration closely where we expect 20+ years with the longer-term frame helping mitigate the customer bill impact. With the debt effectively issued by the State of Texas rather than ATO it will not burden Atmos' balance sheet. ATO would simply act as an agent and collect from customers on behalf of the state. Even with a long recovery period there will be a customer rate impact but we do not believe it will be material enough to influence the $11-$12B five-year capital plan. ATO is working through the regulatory process in KS as well, where the regulatory asset stands at a very modest $77M, securitization has been passed, but ATO is still working through the items to file with the Commission. Securitized bonds are issued at the company level in KS, so *we think the recovery timeframe may be shorter than TX, and capital structure could be scrutinized more closely.*

Strategic opportunities still unlikely despite high equity needs/sales prices

We continue to believe that given management's fairly robust annual equity plan and recent very healthy transactions, strategic questions will continue to be prevalent from investors. *Based on our most recent discussions with management and their focus on the organic growth plan, we do not get the sense that management would be interested in divesting any of its utilities despite the extremely healthy multiple paid for CNP's LDCs.*

Potential upside to spending for reliability? Still too early in our view

Atmos and LDC systems across the US generally had strong operationally performance during the extreme February weather event but we ultimately expect some degree of reinvestment opportunities. The post-mortem analyses could lead to additional safety and reliability spending with updates more likely later in 2021. *Although ATO's system performed well during the storm, there could be additional investments on this front.*

ATO F3Q21 Earnings Walk: Miss and Reaffirm

We forecast F3Q21 adjusted EPS of $0.74, slightly below $0.75 Street and representing a modest contraction YoY from $0.75 2Q20. On the fiscal 2Q call management indicated that they would be at the upper-end of the $4.90-$5.10 guidance range, consistent with BofA $5.07/Street $5.09. **Based upon the revenue cadence after the winter, management should have a high degree of visibility in FY21 and the main question will be the degree to which O&M is executed to derisk future periods.**

- **Key Drivers:** Utility rate relief (+$0.20), customer growth (+$0.03), and rate implementation at pipeline and storage (+$0.05). These are more than offset by higher D&A (-$0.09), higher O&M (-$0.05), other/tax (-$0.11), and dilution (-$0.05).
- **Swing factors:** Some O&M was deferred from calendar 1H21 due to covid safety concerns which will lead to more of a drag. Customer growth has been strong of late and we could see that continue into this quarter. There is low visibility into the reversal of favorable tax timing from 1H21 over the remaining two quarters.

Exhibit 4: ATO F3Q21 Earnings Walk
We see modest miss

ATO Fiscal 3Q21 Earnings Walk	**EPS**
ATO Fiscal 3Q20 EPS	$0.79
Utilities	**$0.09**
Weather - normalize from Fiscal 2Q20	$0.00
Weather- Fiscal 2Q21	$0.00
Rate implementation:	
Riders and GRC	0.20
D&A	-0.08
O&M	-0.04
Customer Growth	0.03
Covid/Volume impact	-0.02
Pipeline & Storage	**$0.03**
Rate implementation:	
APT GRIP	0.05
D&A	-0.01
O&M	-0.01
Other	**-$0.17**
Interest expense	-0.01

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Other		-0.11
Dilution		-0.05
BofAe Fiscal 3Q21 EPS		**$0.74**
Consensus		0.75
BofAe 2021 EPS	**5.07**	
Guidance		**4.90-5.10**
2021 Consensus		5.09
ATO Fiscal 3Q21 Shares Outstanding		131
ATO Fiscal 3Q20 Shares Outstanding		123

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates unchanged

We still see the LT CAGR near the mid-point of management's 6-8% range with our estimates at 7.0% from '20-'24 (at the midpoint of 6-8% LT EPS guidance).

Exhibit 5: ATO EPS Estimates
EPS estimates remain unchanged

		2019A	2020A	2021E	2022E	2023E	2024E	2025E
Distribution		**2.80**	**3.22**	**3.38**	**3.68**	**3.97**	**4.28**	**4.60**
Guidance (midpoint)		**2.81**	**3.18**	**3.22-3.41**				
Mid-Tex				*1.83*	*2.01*	*2.19*	*2.39*	*2.58*
West Texas				*0.32*	*0.35*	*0.38*	*0.41*	*0.44*
Louisiana				*0.35*	*0.38*	*0.40*	*0.43*	*0.46*
Mississippi				*0.27*	*0.29*	*0.31*	*0.34*	*0.36*
Kentucky/Mid-States				*0.23*	*0.24*	*0.24*	*0.26*	*0.27*
Tennessee				*0.20*	*0.22*	*0.23*	*0.24*	*0.26*
Kansas				*0.10*	*0.10*	*0.10*	*0.11*	*0.11*
Colorado				*0.07*	*0.08*	*0.08*	*0.09*	*0.09*
Virginia				*0.02*	*0.02*	*0.02*	*0.02*	*0.02*
Pipeline & Storage		**1.55**	**1.50**	**1.68**	**1.73**	**1.80**	**1.90**	**1.99**
Guidance (midpoint)		**1.49**	**1.48**	**1.56-1.71**				
Consolidated EPS		**4.35**	**4.72**	**5.07**	**5.41**	**5.77**	**6.18**	**6.59**
Guidance		**4.25-4.35**	**4.58-4.73**	**4.90-5.10**		**5.40-5.80**	**5.90-6.30**	**6.30-6.70**
Prior Estimate				**5.07**	**5.41**	**5.77**	**6.18**	**6.59**
Mgmt. Guidance 6-8% Annual Growth	*High End*		*4.73*	*5.10*	*5.51*	*5.95*	*6.42*	*6.94*
	Mid Point		*4.66*	*5.00*	*5.35*	*5.73*	*6.13*	*6.56*
	Low End		*4.58*	*4.90*	*5.19*	*5.51*	*5.84*	*6.19*
Consensus EPS Estimates			***4.71***	***5.09***	***5.41***	***5.79***	***6.18***	***6.60***
BofAe '20-24 CAGR		**7.0%**						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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ATO Recent Research	Primary Author	Date Published
Atmos Energy Corporation: Back to the premium low following Uri? No Reason not after state supports (https://rsch.baml.com/r?q=hjACtfzaHUujuWxe-UnnIA)	Julien Dumoulin-Smith	07 June 2021
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=JrIpsgna0sF-Q9Efpv-xBw)	Julien Dumoulin-Smith	21 May 2021
Atmos Energy Corporation: Revisiting Shares Post-1Q; Remain Neutral as Uri Overhang Continues (https://rsch.baml.com/r?q=Mw4khgpwQg4Voy1mS1-gAA)	Julien Dumoulin-Smith	13 May 2021

Valuation; PO to $102; reiterate Neutral

We move our PO to $102 (from $106) driven entirely by reflecting our latest mark-to-market using the latest Gas LDC multiple of 15.7x (from 16.7x) with estimates unchanged. We continue to add a +1.0x premium for the TX distribution territories given our view that Uri storm recovery is largely de-risked post-securitization legislation.

With earnings more derisked, the key debate is if ATO can return to a larger relative premium to peers over time. Some positive re-rating is possible but we continue to see a balanced risk/reward here. That said, we see 5.4% total return potential with a 17.7x implied P/E multiple (2x implied premium to peers).

Exhibit 6: ATO SOTP Analysis
Our PO moves to $102 (from $106) on our latest MtM

	Metric	P/E Multiple			Equity Value					
Atmos Energy	**2023E**	**Low**	**Peer**	**Prem/Disc**	**Base**	**High**		**Low**	**Base**	**High**
Gas			**15.7x**							
Group EPS '19-'23 CAGR - Gas			*5.0%*							
Assigned Multiple			**16.5x**							
Distribution	**EPS**									
Mid-Tex	*$2.19*	16.5x	16.5x	*1.0x*	17.5x	18.5x		$36	$38	$41
West Texas	*$0.38*	16.5x	16.5x	*1.0x*	17.5x	18.5x		$6	$7	$7
Louisiana	*$0.40*	17.5x	16.5x	*2.0x*	18.5x	19.5x		$7	$7	$8
Mississippi	*$0.31*	17.5x	16.5x	*2.0x*	18.5x	19.5x		$5	$6	$6
Kentucky/Mid-States	*$0.24*	17.5x	16.5x	*2.0x*	18.5x	19.5x		$4	$5	$5
Tennessee	*$0.23*	17.5x	16.5x	*2.0x*	18.5x	19.5x		$4	$4	$4
Kansas	*$0.10*	15.5x	16.5x	*0.0x*	16.5x	17.5x		$2	$2	$2
Colorado	*$0.08*	17.5x	16.5x	*2.0x*	18.5x	19.5x		$1	$2	$2
Virginia	*$0.02*	17.5x	16.5x	*2.0x*	18.5x	19.5x		$0	$0	$0
Total Distribution	***$3.97***							**$67**	**$71**	**$75**

Pipeline & Storage	**EPS**	*EBITDA ($Mn)*	**Low**	**Peer EV/EBITDA**	*Prem/Disc*	**Base**	**High**	**Enterprise Value**	**Net Debt**	**Low**	**Base**	**High**
Total Pipeline & Storage	*$1.80*	**553**	10.0x	**9.0x**	*2.0x*	11.0x	12.0x	**$5,529**	**$6,082**	**$6,635**	**($1,653)**	**$27**	**$31**	**$35**

Total Equity Value	**$5.77**	**$94.00**	**$102.00**	**$110.00**
Shares O/S			*141*	

Implied Consolidated P/E	*17.7x*
Current Price	*$98.95*
Dividend Yield	2.3%
Total Return Potential	**5.4%**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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NiSource (NI)

NI: Shoulder gas Q with eyes on renewables additions

We reiterate Buy as we see the potential for an extended high-growth runway based on the Northern Indiana Public Service Company (NIPSCO) Electric 2021 IRP and the recently issued RFP for 400-650 MW of generation capacity in 2024-2026. We see the potential for an accelerated retirement of NI's last remaining coal plant, Michigan City, given the state's move toward renewables and the timing of the IRP vs current stated retirement date of 2028. As a reminder, NI's LT EPS growth rate guidance range is 5-7% from FY21-FY23 and 7-9% from FY21-FY24 with the delta driven by renewables investment in '22 and '23 being rolled into rates in '24. The increasing visibility on renewables development could lead to the 7-9% EPS CAGR further extended depending on how much NIPSCO will own vs PPA.

Key Call Topics: Renewables additions, ongoing RFP & upcoming IRP, rate cases

Incremental renewables investments could sustain a higher growth trajectory

Expect management to discuss latest on renewables strategy ahead of the 2021 IRP that will be filed in the fall as well as the 400-650MW RFP that was recently issued. It is too early in the process for management to adjust the plan ahead of asset and regulatory clarity: size, generation type, ownership percentage, etc. are still to be determined. The RFP results should come in mid-late-August and with the most important update coming deeper into the process when NI files with the Indiana Utility Regulatory Commission (IURC) on the proposed ownership split.

What would the investment opportunity look like? It comes down to the amount of generation that NI would be able to own. We see the opportunity for NI to own more than 50% of the generation given the makeup of the 2018 IRP project portfolio and utilities propensity to own the generation in their portfolio. We also see bias to the top-half of the 400-650 MW solicitation range because of the size of Michigan City (455 MW coal plant that we believe could retire earlier than its current 2028 date) and the fact that utilities commonly procure more in renewables capacity than the fossil asset they are replacing to account for the intermittent nature. *It is difficult to compare ownership splits between IRPs given different resource types and capacity values ascribed but we would expect ~60%+ ownership/~40% PPA as a base case. See our note for more detail and potential capex and EPS impact from the RFP* - NiSource Inc: Reiterating Buy; More Renewables, Longer Runway at a Particularly Attractive Val 25 May 2021 (https://rsch.baml.com/r?q=dr5v9HH0otsjufcWEk7cTQ)

Project regulatory approvals highly likely at this point

Management will provide the latest on where it stands with regulatory approvals for the projects that have been announced. As a reminder, NI has received approval of ~80% of the projects so far and recent filings have been going through the approval process with ease as the projects were stipulated in NI's 2018 IRP.

Rate cases in progress: PA and OH have the scale to matter

Rate cases will be a secondary focus to renewables and the IRP through the remainder of the year but we do expect a regulatory update from management on the call. NI is in four rate cases at this time in PA, OH, KY, and MD. The previous PA rate case process was somewhat contentious in 2020/early 2021 given the timing around the pandemic and a negative ALJ proposal. Following peer rate cases in the state (UGI and EXC) we do not expect this following PA case to be as contentious. Watch the recently filed OH rate case as it is the first base rate case for the utility since 2008, and we note Commissioners have been interested in looking at the construct and whether more frequent cost of capital updates are needed. NI is working through rate cases in both KY and MD, but we note these utilities are relatively small vs OH and PA and therefore outcomes are less impactful to consolidated financial results.

NI 2Q21 Earnings Walk: Beat and Reaffirm though perceive latitude to revise higher later this year

2Q21 $0.15 is a large percentage beat vs $0.12 Street but 2Q21 is a less meaningful **Our FY21 EPS estimate remains at the top-end of management's revised guidance range ($1.36 BofA vs $1.28-$1.36 Street and $1.31 Consensus) and we see the ability for management to revise higher as NI's assumptions on load and economic recovery seem conservative in our view.**

- **Key Drivers:** We forecast an increase in EPS YoY driven by new rates in PA (+$0.02), other/COVID load and volume impact reversal (+$0.06), and lower interest expense of (+$0.01). This is partially offset by loss of CMA (-$0.04), higher O&M (-$0.03), and higher D&A (-$0.02).
- **Swing factors:** Load and volumes as the economy rebounds are variables going into the quarter. We will be watching how O&M is trending as well.

Exhibit 7: NI 2Q21 Earnings Walk
We see a beat on reversal of COVID impacts from last year

NI 2Q21 Earnings Walk	**EPS**
NI 2Q20 EPS	**0.13**
Weather - normalize from 2Q20 (excluded from Non-GAAP)	0.00
Weather - 2Q21 (excluded from Non-GAAP)	0.00
CMA sale closing - full quarter without CMA	-0.04
Gas Utilities	**0.00**
Rate/Rider Implementation:	
NIPSCO Gas	0.00
Columbia Gas of OH	0.01
Columbia Gas of PA	0.02
Columbia Gas of VA	0.00
Columbia Gas of MD	0.00
Columbia Gas of KY	0.00
D&A	-0.01
O&M	-0.02
Electric Utility	**0.00**
Rate Implementation:	
NIPSCO Electric	0.01
D&A	-0.01
O&M	-0.01
Parent & Other	**0.07**
Interest expense	0.01

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Pension expense (some favorability)	0.01
Dilution	-0.01
Other/COVID impact	0.06
2Q21 BofAe Adjusted EPS	**0.15**
Consensus	0.12
BofAe 2021 EPS	1.36
Guidance	1.28-1.36
2021 Consensus	1.31
Shares Outstanding (2Q21)	432
Shares Outstanding (2Q20)	384

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; modestly lower in outer years, top of range

We maintain our FY21-FY25 EPS estimates and see BofAe 2023/2024 as 3-4% above Street. We do not believe Consensus is appropriately reflecting the meaningfully de-risked backdrop after the 2021 financings. **We see this as among the most important 'show me' stories in the space considering the need for management to simply execute against the plan after years of minimal EPS growth post Merrimack Valley.** We see EPS CAGR at the top-end of management's guidance range through '24 (9%). Look for yet further opportunities in the 2025+ outlook with a further NIPSCO Electric IRP/RFP to be articulated later this year too - potentially enabling a further extension of 5-year outlook at sustained EPS CAGR. We stress this angle is likely the next focus to shares - albeit remains cheap even on our near-term outlook.

Exhibit 8: NI EPS Estimates
Our EPS estimates remain unchanged and we continue to see EPS CAGR at the top of mgmt.'s guidance range

NI EPS Estimates		**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Gas		1.04	1.03	1.07	1.13	1.23	1.23	1.28
Electric		0.59	0.55	0.54	0.55	0.63	0.79	0.84
Electric Renewables - BOTs from RFP 1 & 2 (incl. in Electric EPS)					0.00	0.08	0.15	0.14
Parent/Other		-0.33	-0.33	-0.30	-0.28	-0.28	-0.25	-0.25
BofA EPS		**1.32**	**1.32**	**1.36**	**1.40**	**1.58**	**1.76**	**1.88**
Previous EPS		1.32	1.32	1.36	1.40	1.58	1.76	1.88
Guidance		**1.27-1.33**		**1.32-1.36**				
Consensus		1.30	1.31	1.35	1.42	1.53	1.69	
BofA '21-'24 EPS CAGR	9.0%							
Guidance '21-24 EPS CAGR	7-9%							
Consensus '21-'24 EPS CAGR	7.9%							
BofA '21-'23 EPS CAGR	7.9%							
Near Term Guidance '21-'23 EPS CAGR	5-7%							
Consensus '21-'23 EPS CAGR	6.5%							
Implied EPS Guidance by Yr given New +7-9% EPS CAGR ('21-'24)	High End			1.36	1.48	1.62	1.76	1.92
	Mid-Point			1.34	1.45	1.56	1.69	1.83
	Low End			1.32	1.41	1.51	1.62	1.73
BofA DPS		**0.83**	**0.88**	**0.94**	**0.99**	**1.05**	**1.12**	**1.18**
Share Count (mn shares)		**376**	**384**	**426**	**447**	**456**	**495**	**502**

Source: BofA Global Research estimates, company report, Bloomberg

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Valuation; PO to $28

Our PO moves to $28 (from $29) based on our FY23E mark-to-market P/E multiples for peer group of 15.7x for gas (from 16.1x) and 17.6x for electric (from 17.8x), with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24.

We remain conservative and continue to base our PO on a '23 base year, even though we think investors are likely to increasingly focus on '24 EPS valuation as the baseline year given the issuance and timing of renewables contribution to EPS - which looks ever more appealing even with adjusted multiples. We see our SOTP as fundamentally conservative given the meaningful uptick in '24 tied to renewables growth. Reiterate Buy.

Exhibit 9: NI SOTP Analysis
PO to $28 (from $29) on latest MtM

NI SOTP Valuation	**Metric**	**P/E Multiple**							
	2023E EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Group Peer Multiple - Gas	-	-	**15.7x**	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas	-	-	**5.00%**	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Gas Utilities			**16.5x**	-	-	-	-	-	-
Columbia Gas of OH	$0.56	15.5x	16.5x	**0.0x**	16.5x	17.5x	$8.64	$9.19	$9.75
Columbia Gas of PA	$0.28	15.5x	16.5x	**0.0x**	16.5x	17.5x	$4.37	$4.65	$4.93
NIPSCO Gas	$0.23	15.5x	16.5x	**0.0x**	16.5x	17.5x	$3.61	$3.84	$4.07
Columbia Gas of VA	$0.09	15.5x	16.5x	**0.0x**	16.5x	17.5x	$1.34	$1.43	$1.52
Columbia Gas of KY	$0.05	15.5x	16.5x	**0.0x**	16.5x	17.5x	$0.75	$0.80	$0.85
Columbia Gas of MD	$0.02	15.5x	16.5x	**0.0x**	16.5x	17.5x	$0.30	$0.32	$0.34
Group Peer Multiple - Electric			**17.6x**						
Group EPS '18-'22 CAGR - Electric			**5.00%**						
Electric Utilities			**18.5x**						
NIPSCO Electric	$0.63	19.5x	18.5x	**2.0x**	20.5x	21.5x	$12.34	$12.97	$13.61
Total Utility	**$1.86**	*16.8x*			*17.8x*	*18.8x*	**$31.34**	**$33.20**	**$35.06**
-Parent EPS Drag (ex-Interest Expense)	-$0.12	16.8x	0.0x		17.2x	18.2x	-$2.03	-$2.07	-$2.19
Total EPS *(incl. debt drag)*	**$1.58**								
Midpoint of 5-7% EPS	*$1.56*								
Holdco Debt @ Parent, *not* allocated to Utilities									
(50% Netting out parent debt + assumed converts)				-$1,600	50%		-$800	-$800	-$800
(50% P/E multiple on Interest Exp)				5.6%	50%		-$596	-$632	-$667
Grand Total Equity Value							**$26.25**	**$27.99**	**$29.65**

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Shares Outstanding 2023E	456
Total Equity Value	**$26.00 $28.00 $30.00**
Implied Consolidated P/E	
Current Price	$25.75
Dividend Yield (2020E)	3.4%
Total Return Potential	**12.2%**

Source: BofA Global Research estimates, company report, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
NiSource Inc: Reiterating Buy; More Renewables, Longer Runway at a Particularly Attractive Val (https://rsch.baml.com/r?q=dr5v9HH0otsjufcWEk7cTQ)	Julien Dumoulin-Smith	25 May 2021
NiSource Inc: Healthy Raise in Midpoint of Guidance; Underappreciated LT Growth (https://rsch.baml.com/r?q=bzvvDnHXQNWdVy8bJ1atBQ)	Julien Dumoulin-Smith	06 May 2021

New Jersey Resources (NJR)

NJR: Execution still a concern at CEV; NJNG rate case

We reiterate our Underperform as we believe that 1) the NJNG rate case will prove difficult; and 2) execution at Clean Energy Ventures (CEV) is uncertain due to the limited track record from management on the path for the business outlined during the investor Day. For example, shortly after the Investor Day, management pushed CEV capex from '21 to '22 driven by permitting delays from the pandemic. The top question for FQ 3Q call is around the global supply chain issues in solar and how that is impacting NJR. We see the smaller developers like NJR as more at risk than the larger developers like NEE and AES. We are also cautious on the upcoming vote on the Solar Successor program on July 28. NJNG rate case is also a risk given the magnitude but management has had constructive outcomes in recent proceedings and we model authorized ROEs in the 9.6% range already. Southern Reliability Link pipeline overruns could be an intervenor focus.

Key Call Topics: Clean Energy Ventures, solar successor), NJNG rate case

Clean Energy Ventures likely to receive increased attention around supply chain

Clean Energy Ventures (CEV) is a major focus of management's LT plan and is critical to the valuation, but we view execution of the plan outlined during the Investor Day as a risk. As a reminder, the capital plan shifted as certain in-service dates for CEV's projects moved to FY22 given permitting and production delays related to the pandemic. Management expects to spend $96M-$118M FY21 down from ~$165Mn prior expectation. While impacts of the pandemic are hard to foresee, we find it troubling that management will only be deploying ~65% of its original plan that was set during a particularly virulent wave of the virus in Nov. 2020. Supply chain and logistics issues are another factor that could drive inability to execute on the plan,

Management will likely state that nothing fundamental has changed with the business, but we are cautious about the potential longer-term impacts of this dynamic for a smaller developer like NJR. While other utilities leave opportunity for upside or incremental spending in certain areas, it is the opposite for CEV in our view - there is potential difficulty with even hitting the announced, aggressive, target of ~$850M over the next four years. In addition to volume deployment concerns, we look to see if there is compression on returns from inflationary pressures that a smaller developer will face more acutely.

Solar incentives coming down in NJ? Quite possible; watch vote next week

The solar successor program is set to be voted on by the NJ Board of Public Utilities (BPU) on July 28. We find this as somewhat worrying given the level of reduction in solar incentive values proposed. The straw proposal outlines an incentive value of $85/MWh for net metered resi and non-resi, $70/MWh for community solar non-low-and-moderate income (LMI) and $90/MWh for community solar LMI vs the current transition renewable energy credit (TREC) of $152/MWh with other, lower incentives for different market segments. This risk of incentive cuts is somewhat mitigated by CEV expanding outside of NJ. In F2Q, CEV completed a solar project in CT and 1/3 of the FY21 & FY22 project pipeline capacity is expected by management to be out-of-state. Management sees out-of-state returns through PPAs that are similar to those of NJ's Transition Renewable Energy Certificate (TREC) program, so likely more favorable than if the straw proposal was adopted. *We will continue to watch how this trends as any CEV is still relatively unproven outside of NJ.*

Recent NJ rate proceedings have been constructive but always a risk

The NJNG rate case is also a risk to estimates in our view though we already assume a 9.6% authorized ROE (commiserate with South Jersey Gas and Elizabethtown Gas' most recent rate cases). Inability to earn a fair return as a result of the rate case outcome would drive down estimates. *The largest driver in the rate case is recovery of the Southern Reliability Link (SRL) pipeline which has experienced notable cost overruns that could lead to a more contentious proceeding than recent cases.*

NJR F3Q21 Earnings Walk: Miss and Reaffirm

Fiscal 3Q results are not overly meaningful with NJR historically losing money in the shoulder period. We forecast 3Q21 adjusted net financial earnings (loss) per share of ($0.12) down from loss compared to 2Q20 ($0.06) and slightly worse than Street ($0.08) and consensus estimates of -$0.14. Our FY21 EPS estimate remain slightly below the midpoint of management revised guidance range which was increased multiple times on the strength of weather.

- **Key Drivers:** We forecast a decrease in EPS YoY driven by trackers at NJNG (+$0.02), customer growth (+$0.01), improvement in CEV (+$0.08). This is more than offset by higher O&M (-$0.05), higher D&A (-$0.05), higher costs at energy services (-$0.02), and interest expense (-$0.04)
- **Swing Factors:** Non-utility remains somewhat of a swing factor, albeit minor. O&M could be a swing factor as well.

Exhibit 10: NJR F3Q21 Earnings Walk
3Q shoulder period is not overly insightful

NJR Fiscal 3Q21 Earnings Walk	**EPS**
NJR Fiscal 3Q20 Adjusted EPS	($0.06)
Weather - normalize from Fiscal 3Q20	$0.00
Weather- Fiscal 3Q21	$0.00
Utilities	**-$0.07**
Rate implementation and/or trackers:	
NJNG	0.02
D&A	-0.05
O&M/Pension/IT	-0.05
Customer Growth	0.01
COVID/Bad Debt Impact	0.00
Non-regulated	**$0.06**
Energy Services	-0.02
Storage & Transportation (formerly Midstream)	0.00
CEV	0.08
Home Services & Other	0.00
Other	**-$0.04**
Interest expense	-0.04
Other	0.00
Dilution	0.00

NJR Fiscal 1Q21 Adj. EPS (BofAe)	**-$0.12**
Fiscal 3Q21 Consensus	-0.08
Fiscal 2021 Adj. EPS (BofAe)	**$2.09**
2021 Consensus	2.11
Mgmt. Guidance Range	**2.05-2.15**
Fiscal 3Q21 Shares Outstanding	97
Fiscal 3Q20 Shares Outstanding	96

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; unchanged

We maintain our FY21-FY25 EPS estimates. As a reminder, we recently lowered our FY23-FY25 EPS estimates on assumed earned ROEs at NJNG. We model an improvement in earned ROEs starting in 2022 driven by new rates from the pending rate case and approved infrastructure and energy efficiency programs. FY23 should have additional lag driven by utility IT spending without accelerated recovery although give credit for new rates in FY24. **We remain meaningfully below Street in FY23/FY24.**

Exhibit 11: NJR EPS Estimates
Our EPS estimates remain unchanged

EPS Estimates	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
New Jersey Natural Gas (NJNG)	$0.87	$1.33	$1.15	$1.46	$1.54	$1.74	$1.85
Midstream	$0.16	$0.19	$0.18	$0.25	$0.31	$0.32	$0.33
Clean Energy Ventures (CEV)	$0.86	$0.56	$0.25	$0.37	$0.34	$0.38	$0.38
Energy Services (ES)	$0.03	($0.08)	$0.50	$0.14	$0.13	$0.13	$0.13
Home Services & Other (HS&O)	$0.02	$0.06	$0.01	$0.01	$0.01	$0.01	$0.01
TOTAL Consolidated EPS	**$1.95**	**$2.07**	**$2.09**	**$2.24**	**$2.33**	**$2.58**	**$2.69**
Guidance Low			$2.05	$2.05	$2.17	$2.30	$2.44
Guidance High			$2.15	$2.15	$2.37	$2.60	$2.86
Guidance Mid			$2.10	$2.10	$2.27	$2.45	$2.65
Guidance - EPS Growth Rate - Long Term					*6-10%*		
Shares O/S	*89.62*	*95.11*	*96.51*	*97.06*	*97.60*	*98.15*	*98.69*
Prior Estimate		2.07	2.09	2.24	2.33	2.58	2.69
Consensus	**1.97**	**2.08**	**2.11**	**2.26**	**2.42**	**2.92**	**2.85**
BofA CAGR 2022-2025	**7.8%**						
Guidance	***6-10%***						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

New Jersey Resources	**Primary Author**	**Date Published**
New Jersey Resources Corp: D/G to Underperform; cloudy skies on solar segment, rate case could be challenging (https://rsch.baml.com/r?q=e3bMwO1d6PKFdIMxZ0YzIA)	Julien Dumoulin-Smith	25 June 2021
New Jersey Resources Corp: A Very Busy Summer at the Jersey Shore; PennEast, Solar Reform & Key Rate Case (https://rsch.baml.com/r?q=JkBFnuQDGmUBFuKuX6bkzw)	Julien Dumoulin-Smith	18 June 2021

Valuation; PO unchanged

Our PO remains at $39 as we mark to market (MtM) to latest peer gas utility FY23 P/E multiple at 15.7x (from 15.8x). Though we see some upside from a total return perspective, we see more downside risk than upside to estimates if NJNG is unable to improve earned ROEs, solar supply chain issues are more impactful than we foresee, and/or the outcome on pricing of the Solar Successor program is worse than our expectations.

We stress our valuation yields a cautious setup for shares even without applying a discount to the utility given outsized rate case ask. We appreciate the above industry norm EPS growth contemplated, but see execution challenges therein still.

Risks to the upside remain a further acceleration of renewable efforts - and raising of targets, likely tied to solar project development outside of NJ. We could still see this, but see challenges in executing against targets already on CEV as indicating this is less likely.

Exhibit 12: NJR SOTP Analysis
Our PO remains unchanged at $39 on latest mark

NJR	**2023E**		**Low**	**Peer**	**Prem/ Discount**	**Base**	**High**	**Low**	**Base**	**High**
Gas				**15.7x**						
Group EPS '19-'23 CAGR - Gas				**5.0%**						
				16.5x						
New Jersey Natural Gas (NJNG) -> Utility Portion	**$1.54**		**15.5x**	**16.5x**	**0.0x**	**16.5x**	**17.5x**	**$24**	**$25**	**$27**
% Regulated Utility EPS	*69%*									
Non-Reg Components			*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*			
Energy Services	$0.13		12.0x	**12.0x**	**1.0x**	13.0x	14.0x	$2	$2	$2
Home Services	$0.01		11.0x	12.0x	**0.0x**	12.0x	13.0x	$0	$0	$0
Total NJR Value Per Share								**$25**	**$27**	**$29**
Midstream	**Metric**				**EV/EBITDA**			**Equity Value**		
	FY23 EBITDA	*EBITDA % Contribution*	*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Midstream - Pipeline, Strorage & Marketing				**9.5x**						
Midstream (*Ex-*Penn East)	$62	86%	8.5x	9.5x	**0.0x**	9.5x	10.5x	$529	$591	$653
PennEast (Assume no contribution)	$10	14%			*0%*			$0	$0	$0
Total Midstream	$72	100%						**$529**	**$591**	**$653**
Less Net Debt								($476)	($476)	($476)

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Add Back 50% PennEast Debt						$0	$0	$0
Total Midstream						**$53**	**$115**	**$177**
Net Midstream Value Per Share						**$0.5**	**$1.2**	**$1.8**

Clean Energy Ventures — **Metric** — **Equity Value**

NPV Values (Unlevered)

	Commercial-Grid	Comm-NEM	Resi-NEM	Total Equity Value ($mn)	Equity Value ($/sh)
Power (NPV of remaining unlevered CFs)	$335	$84	$193	$613	**$6.31**
Discount Rate Assumed on Cash Flows	4.5%				

Levered NPV Values ($mn) - Discounted

Levered NPV ($/sh)

	Commercial-Grid	Comm-NEM	Resi-NEM	Commercial-Grid	Comm-NEM	Resi-NEM	Equity Value ($/sh)
DevCo 2021: NPV	$9	$6	$7	$0.09	$0.06	$0.07	**$0.23**
DevCo 2022: NPV	$59	$10	$7	$0.61	$0.10	$0.07	**$0.78**
DevCo 2023: NPV	$73	$12	$7	$0.75	$0.12	$0.07	**$0.94**
DevCo 2024: NPV	$66	$15	$7	$0.68	$0.16	$0.07	**$0.91**
DevCo 2025: NPV	$65	$15	$6	$0.66	$0.15	$0.07	**$0.88**
Total DevCo Value							**$3.74**
Assumed Discount Rate on DevCo NPVs		**11.0%**					

SREC Inventory Balance as of	**# of SRECs**	**Pricng Assume ($/SREC)**	**Total Value $Mn**	**Equity Value ($/sh)**
Fiscal 4Q20E	**44,281**	**$226**	**$10**	**$0.10**

Levered NPV Values ($mn) - Discounted

Levered NPV ($/sh)

Post '26+ Value + Terminal Value	Commercial-Grid	Comm-NEM	Resi-NEM	Commercial-Grid	Comm-NEM	Resi-NEM
DevCo 2026: NPV	$65	$16	$6	$0.67	$0.16	$0.06
DevCo 2027: NPV	$65	$17	$6	$0.67	$0.17	$0.06
DevCo 2028: NPV	$65	$18	$6	$0.67	$0.18	$0.06
DevCo 2029: NPV	$43	$12	$4	$0.44	$0.13	$0.05
Terminal Value Multiple	**5.0x**	**5.0x**	**5.0x**			

								Equity Value ($/sh)
	$213	$62	$22	$2.19	$0.64	$0.23		
Total Post '26+ Value (Assuming 3-Yr ITC Extension) + Terminal Value				**$4.64**	**$1.29**	**$0.46**	**Weighting** 75%	**$4.80**

Total CEV Value Per Share	**$14.96**

	$ Mn		Weight			
HoldCo Debt 2023E	$1,352		*50%*	($676)	($676)	($676)
Parent Interest Exp 2023E	$33	16.5x	*50%*	$273	$273	$273
Total Parent				**($403)**	**($403)**	**($403)**
$/share basis				($4)	($4)	($4)

Grand Total Equity Value Per Share	**$37**	**$39**	**$41**
Shares Outstanding 2023E		97	
Total Equity Value	**$37.00**	**$39.00**	**$41.00**
Current Price		$39.22	
NTM Dividend Yield		3.4%	
Total Return Potential		**2.8%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Northwest Natural (NWN)

NWN: RNG is intriguing but still unable to justify multiple

We continue to view NWN as expensive with the ~3x premium a contrast to gas LDC peers despite relatively low EPS growth of 3-5%. We reiterate our Underperform rating and continue to watch for more detail around water/RNG.

Key Call Topics: RNG, water business, WA rate case settlement

Mgmt. still includes minor investments in RNG relative to budget under SB98

Investing in RNG is still a new undertaking for NWN under Oregon SB98 so management continues to be conservative on what is included in plan. NWN only includes projects where there is both line of sight and knowledge of how internal IRP process (i.e. Tyson projects). We expect management will update us on the progress of the Tyson projects, but we believe they are still in the development phase. As a reminder, under SB98, NWN could deploy 5% of the annual revenue, or $200M-$250M, but securing contracts for RNG offtake for NWN's system will count towards the budget. We think management will use a higher percentage of the cap on direct investment given prior commentary.

More work needs to be done on prospecting and development before management puts any additional capital into their projections, and we do not foresee management announcing any additional RNG projects during this update as they work through the projects with Tyson.

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Water growth aspirations represents an area of upside

We expect management to update progress on the water business and pending and upcoming regulatory proceedings. We could see activity on M&A accelerate as the country recovers from the pandemic, and, as a reminder, acquisitions need to be accretive in the first year and need to maintain a 50/50 capital structure. *While disclosures around the potential earnings outlook have still yet to materialize, we see short-term upside risk to valuation from a SOTP perspective given the relative spread of water vs gas if management can continue to scale the water biz and provide more concrete earnings guidance.*

Continuing to work toward settlement in WA multi-year rate case

NWN and intervenors in the WA rate case continue to work towards a settlement which we find positive vs the fully litigated route. As a reminder, NWN filed a multi-year rate plan (MYRP) with the first increase of $6.3mn (8%) expected by management in Nov '21 and the second of $3.2mn (3.7%) in '22 based on a 49% equity cap and 9.4% ROE. The company is also looking to offset rates by $2.2mn (3%) in the first year through the suspension of the amortization of a regulatory asset associated with energy efficiency programs and the sale of property in OR that would offset the rate increase by another 5%, essentially equating to a flat customer bills in year 1. *Given 1) WA represents ~10% of NWN's rate base, 2) parties are active in settlement negotiations, and 3) the creative solution to offset the customer rate impact, we are less concerned on the margin.*

NWN 2Q21 Earnings Walk: Beat and Reaffirm

Fiscal 2Q results are not overly meaningful with NJR historically losing money in the shoulder period. We forecast 2Q21 adjusted loss per share of ($0.11) compared to 2Q20 loss of ($0.17) and Consensus estimates of ($0.14). Our FY21 EPS estimate remains toward the top-end of management guidance range.

- **Key Drivers:** New rates in OR (+$0.20), reversal of COVID impact ($5M pre-tax; +$0.12), and minor improvement at the water utilities (+$0.01). This is more than offset by higher O&M (-$0.17), higher D&A (-$0.06), and taxes (-$0.02).
- **Swing factors:** Non-utility remains somewhat of a uncertainty, albeit minor. O&M could be a swing factor as well.

Exhibit 13: NWN 2Q21 Earnings Walk
We forecast a beat and FY21 EPS toward the top-end of management's guidance range

NWN 2Q21 Earnings Walk	**EPS**
NWN 2Q20 EPS	(0.17)
Utilities	**0.08**
Weather - normalize from 2Q20	0.00
Weather - 2Q21	0.00
Rate implementation/rate base growth:	
Gas LDCs:	
OR	0.20
WA	0.00
Water Utilities	0.01
D&A	(0.06)
OR O&M (Headquarters and IT)	(0.10)
O&M	(0.07)
General Taxes	(0.02)
Customer Growth	0.00
Other/COVID impact	0.12
Non-Utility	**0.00**
Gas Storage	0.00
Asset Mgmt.	0.00
Retail Appliance	0.00
Other	**(0.02)**
Interest expense	(0.02)
Other	0.00
Dilution	0.00
NWN 2Q BofA Adjusted EPS	**(0.11)**
Consensus	(0.14)
BofA 2021 EPS	**2.55**
Guidance	**2.40-2.60**
2021 Consensus	2.54
NWN 2Q21 Shares Outstanding	31.3
NWN 2Q20 Shares Outstanding	30.5

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; unchanged

We maintain our FY21-FY25 EPS estimates. We continue to see ~5% growth through our forecast period off of the '20 midpoint of $2.35 - the top-end of management LT EPS growth guidance range of 3-5% which is largely consistent with Street forecasting.

Exhibit 14: NWN EPS Estimates
Our EPS estimates remain unchanged and we continue to forecast growth at the top-end of mgmt. guidance range

Earnings Per Share	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Natural Gas Distribution	$1.99	$2.04	**$2.31**	**$2.39**	**$2.48**	**$2.63**	**$2.74**	**$2.84**
Other (NW Natural) - Appliance, Gas Storage, Asset mgmt.	$0.37	$0.27	**$0.23**	**$0.21**	**$0.19**	**$0.18**	**$0.17**	**$0.16**
Other (NW Holdings) - Water Utility & Corp.	-$0.03	-$0.12	**-$0.08**	**-$0.06**	**-$0.04**	**-$0.02**	**$0.00**	**$0.03**
Total NW Holdings Operating EPS	**$2.33**	**$2.41**	**$2.30**	**$2.55**	**$2.63**	**$2.79**	**$2.91**	**$3.00**
BofA YoY Growth		3%	-5%	11%	3%	6%	4%	3%
BofAe CAGR ('20-25)								**5.0%**
Prior EPS estimates		2.41	2.30	2.55	2.63	2.79	2.91	3.00
Mgmt CAGR Guidance								
Guidance - low			**2.25**	**2.25**	**2.40**	**2.49**	**2.57**	**2.64**	**2.72**
Guidance - high			**2.45**	**2.45**	**2.60**	**2.59**	**2.72**	**2.86**	**3.00**
Guidance - midpoint			**2.35**	**2.35**	**2.50**	**2.54**	**2.64**	**2.75**	**2.86**
+3-5% growth (2020 base year mdpt of $2.35)								

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Consensus EPS estimates			**2.30**	**2.54**	**2.63**	**2.78**	**2.95**	
DPS	1.89	1.90	1.91	1.93	1.95	1.97	1.99	2.01
DPS growth (% Y/Y)		0.5%	0.6%	1.0%	1.0%	1.0%	1.0%	1.0%
Payout Ratio	**81%**	**79%**	**83%**	**76%**	**74%**	**70%**	**68%**	**67%**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Valuation; PO to $49

Our PO moves to $49 (from $51) based on our latest estimates and mark-to-market gas utility peer FY23E multiple of 15.7x (from 16.5x) and water utility peer FY23 multiple of 28.6x (from 27.4x). We continue to view the relative premium as unjustified for the growth profile considering relatively lower growth and the sharp focus on energy transition in its core states (even when accounting for & reflecting elevated multiple for water exposed assets).

Exhibit 15: NWN SOTP Analysis
Our PO moves to $49 (from $51) on latest MtM

NWN Sum-of-the- Parts Valuation (SOTP) Bank of America Securities

	Metric			Multiple				Equity Value		
	P/E	EBITDA								
NW Natural Holding Co.	*2023E*		*Low*	*Peer P/E*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Gas Utility Group Multiple				**15.7x**						
Group EPS '19-'23 CAGR - Gas				**5%**						
NWN Utility Multiple				16.5x						
NW Natural Oregon - Utilities (Gas)	$2.14		16.5x	16.5x	**1.0x**	17.5x	18.5x	**$35.31**	**$37.46**	**$39.60**
Washington - Utilities (Gas)	$0.31		16.5x	16.5x	**1.0x**	17.5x	18.5x	**$5.19**	**$5.51**	**$5.82**
North Mist - Storage Facility	$0.17		16.5x	16.5x	**1.0x**	17.5x	18.5x	**$2.87**	**$3.04**	**$3.21**
Total Natural Gas Distribution	**$2.63**							**$43.37**	**$46.00**	**$48.63**
EV/EBITDA Multiple			*Low*	*Peer EV/EBITDA*	*Prem/ Discount*	*Base*	*High*			
Other (NW Natural) - Gas Storage, Appliance, Asset mgmt	$0.18	$10	9.0x	**10.0x**	**0.0x**	10.0x	11.0x	86	96	105
Less: Net Debt								(25)	(25)	(25)
Implied Equity Value								62	71	81
Equity Value Per Share								**$1.90**	**$2.20**	**$2.50**
Total NW Natural	**$2.81**							**$45.28**	**$48.20**	**$51.13**
			Low	*Peer P/E*	*Prem/ Discount*	*Base*	*High*			
Water Utility Group Multiple				**28.6x**						
Group EPS '19-'23 CAGR - Water				**7%**						
NWN Water Utility Multiple				30.6x						
Water Utility Operations	$0.07		29.6x	30.6x	**0.0x**	30.6x	31.6x	**$2.13**	**$2.21**	**$2.28**
				Weighted Avg.						
Corporate & Other	-$0.09		17.1x	**18.1x**	**0.0x**	18.1x	19.1x	-$1.51	-$1.60	-$1.69
Grand Total Equity Value	**$2.79**							**$46.00**	**$49.00**	**$52.00**
2023E S/O									32	
Implied Consolidated P/E									*17.5x*	
Current Price									$52.29	
NTM Dividend Yield									3.66%	
Total Return Potential									**-2.6%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Northwest Natural Holdings	Primary Author	Date Published
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=Jrlpsgna0sF-Q9Efpv-xBw)	Julien Dumoulin-Smith	21 May 2021
Northwest Natural Holdings: Beat as Tuck-In Water Acquisitions Continue; Eye on RNG (https://rsch.baml.com/r?q=5BNKtq3kCIX1jjQOaBHjbg)	Julien Dumoulin-Smith	10 May 2021

ONE Gas (OGS)

OGS: Quiet Q outside of securitization, OK rate case

We see this update as being relatively quiet outside of two regulatory proceedings: 1) filing of a financing order to securitize the costs related to Winter Storm Uri and 2) the OK rate case. RNG is likely more of a supply opportunity rather than an investment opportunity at this point, but we will be curious to see if there has been any updates on management's views on market potential since American Gas Association (AGA) Financial Conference. We note this will be new CEO Sid McAnnally's first earnings call at the helm - we will be watching for any change in messaging, but are not expecting any given his long operations tenure with the company. We reiterate Underperform on the premium valuation in shares despite regulatory risk in the OK rate case.

Key Call Topics: Securitization, OK rate case, RNG?

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Mgmt. still includes minor investments in RNG relative to budget under SB98

Uri securitization will likely be the topic of interest during the call given the magnitude. The process is significantly derisked after passage of securitization legislation and the respective Commissions general supportive comments/actions. In TX, The Railroad Commission (RRC) will have 90 days to review the prudency of ~$295Mn costs before the Texas Public Finance Authority (TPFA) starts the process of issuing the bonds. We will be watching the recovery timeframe and duration closely where we expect 20+ years with the longer-term frame helping mitigate the customer bill impact. Similarly, in OK, the Oklahoma Corporation Commission (OCC) will have 180 days to review the prudency of the costs before the OK Development Finance Authority issues the bonds (costs stand at $1.3B).

We will be watching the recovery timeframe closely, and given the bonds are issued by the state, we think the amortization period could be 20+ years because the debt would be off the utility balance sheet. We are less concerned on bill impacts, and therefore are not concerned about the capital plan being shifted. OGS is working through the process in KS (costs stand at $381M). Securitized bonds are issued at the company level in KS, so we think the recovery timeframe may be shorter than OK and TX, and capital structure could be scrutinized more closely. With securitization in play, our attention shifts to the regulatory process for issuance of a financing order,

OK rate case will likely get attention

OGS filed a rate case in OK at the end of May and is still in the very early stages. As a reminder, OGS is seeking a +$29Mn revenue based on a rate base of $1.72B, 9.95% ROE and an equity layer of 58.55%. *This rate case is key to watch as it is OGS' first rate case in the state since the company split from ONEOK in 2014.*

RNG dialogue likely to stay focused on integrating into system

OGS is exploring RNG with its partnership announcement with Vanguard Renewables. The alliance is currently assessing both the supply-side (i.e., dairy farms in OGS territory) and the demand-side. While we are bullish on RNG in general, we do not get the sense that management is seeking any unregulated investment at this time; rather the only incremental investment would be for interconnections with producers and spending to integrate the fuel into the system. *OGS demand is heavily weighted toward residential, so there is less opportunity to provide large volumes of RNG to C&I (commercial & industrial) customers. This stance on unregulated RNG investment may change as the market develops, but we do not expect an announcement on any development projects in the near term.*

OGS 2Q21 Earnings Walk: Miss and Reaffirm

2Q21 BofA adjusted EPS $0.49 is -6% below $0.52 Street and approximately flat YoY.

- **Key Drivers:** We forecast an increase in EPS YoY driven by new rates in all jurisdictions (+$0.07) and customer growth (+$0.02). This is partially offset by higher O&M (-$0.01), higher D&A (-$0.03), and bad debt (-$0.03)
- **Swing factors:** O&M and customer growth are the largest swing factors in our view. Specifically bad debt could be more of favorable comparison than we forecast.

Exhibit 16: OGS 2Q21 Earnings Walk
We see a slight miss on the quarter

OGS 2Q21 Earnings Walk	**EPS**
OGS 2Q20 EPS	0.48
Utilities	**0.02**
Weather - normalize from 2Q20	0.00
Weather- 2Q21	0.00
Rate implementation/rate base growth:	
OK	0.02
TX	0.03
KS	0.02
D&A	(0.03)
O&M	(0.01)
Customer Growth	0.02
Bad Debt	(0.03)
Pension	0.00
Parent	**(0.01)**
Interest expense	0.00
Other	0.00
Dilution	(0.01)
OGS 2Q21 BofA Adjusted EPS	**0.49**
Consensus	0.52
BofA 2021 EPS	**3.82**
Guidance	**3.68-3.92**
2021 Consensus	3.81
OGS 2Q21 Shares Outstanding	54.0
OGS 2Q20 Shares Outstanding	53.3

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates unchanged. Still +1% above Street '22-'23

BofA EPS estimates remain unchanged and continue to align with ~5.9% through 2025. ~1% EPS upside compared with Street exists in 2022/2023.

Exhibit 17: OGS EPS Estimates
Our EPS estimates remain unchanged; forecast 5.9% growth through '25

EPS Estimates	**2017A**	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
One Gas - Utilities									
Kansas				$0.86	$0.90	$0.94	$0.98	$1.04	$1.09
Oklahoma				$1.62	$1.59	$1.74	$1.83	$1.90	$1.98
Texas				$1.21	$1.33	$1.47	$1.59	$1.72	$1.84
Consolidated	**$3.08**	**$3.25**	**$3.51**	**$3.69**	**$3.82**	**$4.14**	**$4.40**	**$4.66**	**$4.91**
YoY EPS Growth (%)				5.1%	3.5%	8.5%	6.3%	5.8%	
Guidance Low			$3.49	$3.66	$3.68				
Guidance High			$3.53	$3.70	$3.92				
Implied Guidance									
Guidance Low			$3.49	$3.66	$3.68	$4.06	$4.26	$4.47	$4.70
Guidance High			$3.53	$3.70	$3.92	$4.21	$4.51	$4.82	$5.16
Guidance Midpoint (off 2020 midpoint)			$3.51	$3.68	$3.80	$4.14	$4.38	$4.65	$4.93
Previous EPS				***3.68***	***3.82***	***4.14***			
Consensus			**3.51**	**3.66**	**3.81**	**4.11**	**4.36**		
BofA EPS CAGR '20-'25			**5.9%**						

OGS EPS CAGR '20-'25 Guidance	5-7%

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO to $73

Our PO moves to $73 (from $74) on our latest mark-to-market of the gas peer multiple of 15.7x (from 16.5x). While our PO implies a modest 1.8% return potential, we remain Underperform given potential downside from regulatory proceedings.

Exhibit 18: OGS SOTP Analysis
Our PO moves to $73 (from $74) on latest MtM

	Metric	P/E Multiple					Equity Value		
One Gas	*2023E*	*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Gas			**15.7x**	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas			**5.0%**	-	-	-	-	-	-
			16.5x	-	-	-	-	-	-
			-	-	-	-	-	-	-
Kansas	$0.98	15.5x	16.5x	**0.0x**	16.5x	17.5x	$15	$16	$17
Oklahoma	$1.83	15.5x	16.5x	**0.0x**	16.5x	17.5x	$28	$30	$32
Texas	$1.59	15.5x	16.5x	**0.0x**	16.5x	17.5x	$25	$26	$28
Total OGS Utilities	**$4.40**	*15.5x*			*16.5x*	*17.5x*	**$68**	**$73**	**$77**
Grand Total Equity Value							**$68.00**	**$73.00**	**$77.00**
Shares Outstanding 2023E								56	
Total Equity Value							**$68.00**	**$73.00**	**$77.00**
Implied Consolidated P/E								*16.6x*	
Current Price								$73.64	
NTM Dividend Yield								2.7%	
Total Return Potential								**1.8%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

ONE Gas	Primary Author	Date Published
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=Jrlpsgna0sF-Q9Efpv-xBw)	Julien Dumoulin-Smith	21 May 2021
ONE Gas, Inc.: The Uri Overhang on Rates: Reiterate Underperform (https://rsch.baml.com/r?q=YtSuGgEuLI5v6Aa9lCaQdQ)	Julien Dumoulin-Smith	05 May 2021

South Jersey Industries (SJI)

SJI: Execution mode post 1Q investor day

We reiterate Buy as we see the positive revision to shares as SJI begins to execute on the plan that was outlined during its robust 1Q investor day update. Look for commentary on the progress for the still ongoing South Jersey Gas (SJG) Infrastructure Investment Program (IIP) filing. The recently announced acquisition of a 5MW fuel cell in NY nearly satisfies the $50M in capex on fuel cells/solar for the year, impressively investing ahead of plan. We are also keen to hear any updates on the progress with RNG, but believe that comments will be light at this preliminary stage of their plan. LNG redundancy should pick up more steam following IIP conclusion. Watch NJ RNG bill into the fall ahead of the gubernatorial election.

Key Call Topics: Renewables (fuel cell/RNG), IIP, ETG rate case, NJ RNG bill

Mgmt. already executing on new plan with fuel cell announcement; RNG update?

Management's strategy on fuel cells (& solar to a lesser extent), RNG, and blocking-and-tackle utility capex (with a healthy percentage of which earning accelerated recovery) proves our positive thesis for shares. To that end, SJI mostly fulfilled its $50M annual capital budget for fuel cells/solar with the acquisition of a 5 MW fuel cell in NY. SJI did not disclose cost, but we forecast it was ~$45M. The remaining ~$5M will likely be spent on solar facilities on company buildings or landfills. *While the investment in fuel cells is somewhat unorthodox for utilities under our coverage, we note the returns are superior to solar, and the delta will likely widen going forward as the Solar Successor program is implemented.*

Regulatory items still to watch; RNG bill could pick up steam in the fall

The New Jersey Board of Public Utilities (BPU) recently issued an order approving South Jersey Gas' motion to suspend the procedural schedule in its IIP filing to allow for further settlement discussions. Parties will work to develop a revised procedural schedule within the next few weeks. As a reminder, the schedule was modified in May to make way for more settlement discussion. SJG's IIP request is for a five-year program totaling $742.5M in investment. *While the process is taking additional time, we see continued settlement discussions as positive.*

Watch for Elizabeth Town Gas (ETG) to file a rate case around the YE21 based on historical timing where we watch for the there is opportunity to boost the equity layer to SJG levels. It is unclear if management will be in a position to file for increased the equity layer in this application, but see opportunity over the course of the plan.

We believe NJ legislation that would establish a RNG program and allow utilities to rate base RNG investments (S3562 and A5655) will pick up steam in the fall when legislators return. RNG is fairly bipartisan, so it could be an easy win for the Governor who is looking to advance clean energy goals ahead of the election in Nov. *Passage of this bill could shift spending from the unregulated to the utility - while it could receive lower returns, we think it would be valued at a premium by investors given low-risk on returns.*

SJI 2Q21 Earnings Walk: Beat and Reaffirm

Fiscal 2Q results are not overly meaningful with SJI historically losing money or breaking even in the shoulder period. We forecast 2Q21 adjusted EPS of $0.00 compared to 2Q20 EPS of -$0.01 and consensus estimates of -$0.02. Our FY21 EPS estimate is toward the top-end of management guidance range.

- **Key Drivers:** We forecast an increase in EPS YoY driven by new rates at SJG (+$0.04), customer growth (+$0.01), and minor improvement in energy services (+$0.01). This is partially offset by higher O&M (-$0.03) and higher D&A (-$0.03). Note that there is no dilution dispute the higher share count with no underlying net income in the period.
- **Swing factors:** There is not a lot of clarity on performance of SJI's non-regulated segments, therefore, we could see a swing in either direction based on performance (any difference would likely be minor). O&M is also an unknown YoY.

Exhibit 19: SJI 2Q21 Earnings Walk
We see modest beat and FY21 EPS toward the top of management's guidance range

SJI 2Q21 Earnings Walk	EPS
SJI 2Q20 EPS	-$0.01
Weather - normalize YoY	$0.00

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Weather- Current quarter	$0.00
Utilities	**-$0.01**
Rate/Rider implementation:	
ETG	0.00
SJG	0.04
D&A	-0.03
O&M	-0.03
Customer Growth	0.01
Non-regulated	**$0.01**
Midstream	0.00
Energy Group	0.00
Energy Services	0.01
Other	**$0.01**
Interest expense	0.01
Other	0.00
Dilution	0.00
BofAe Adjusted EPS	**$0.00**
Consensus	-0.02
BofAe 2021 EPS	**$1.63**
Guidance	**$1.55-$1.65**
2021 Consensus	1.62
SJI 2Q21 Shares Outstanding	109
SJI 2Q20 Shares Outstanding	94

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; unchanged

We maintain our EPS estimates from FY21-FY25 and reflect management's recently updated capital spending plan, rate base growth targets, and guidance. Our estimates imply a 6.9% EPS CAGR which is above the midpoint of 5-8% growth. We believe this forecast could be conservative given the RNG market is still in its nascent stages and there could be incremental opportunities to increase investment in the space. RNG bill in NJ could drive incremental spending as well. We forecast consolidated EPS modestly above management's illustrative FY25 guidance of $2.00-$2.10 at $2.12 based on these positive tailwinds.

Exhibit 20: SJI EPS Estimates
Our EPS estimates remain unchanged

EPS Estimates	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
SJI - Utilities								
SJG	$0.98	$0.95	$1.13	$1.08	$1.06	$1.11	$1.09	$1.13
Elizabethtown	$0.00	$0.38	$0.49	$0.53	$0.53	$0.57	$0.58	$0.59
Total Utilities	**$0.98**	**$1.32**	**$1.62**	**$1.61**	**$1.60**	**$1.67**	**$1.68**	**$1.72**
Guidance								
Non-Utility								
SJEG	$0.50	$0.10	$0.25	$0.18	$0.16	$0.16	$0.15	$0.15
SJES	($0.01)	$0.00	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02
SJES - Solar			$0.16	$0.09	$0.08	$0.07	$0.05	$0.04
RNG				$0.10	$0.18	$0.26	$0.33	$0.39
Midstream		$0.05	$0.04	$0.06	$0.06	$0.08	$0.08	$0.07
Total Energy	**$0.50**	**$0.10**	**$0.47**	**$0.45**	**$0.50**	**$0.58**	**$0.62**	**$0.66**
Guidance								
Parent & Other	($1.33)	($0.91)	($0.42)	($0.44)	($0.36)	($0.35)	($0.26)	($0.26)
Guidance								
Consolidated	**$1.38**	**$1.12**	**$1.68**	**$1.63**	**$1.74**	**$1.90**	**$2.03**	**$2.12**
Prior Estimate			**1.68**	**1.63**	**1.74**	**1.90**	**2.03**	**2.12**
Consensus		**1.11**	**1.58**	**1.62**	**1.69**	**1.78**	**1.89**	
Consensus '21-24 CAGR		***3.0%***						
BofA CAGR '21-25		**6.9%**						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation; PO remains at $27

Our PO remains unchanged at $27 as we mark-to-market our most recent FY23 peer utility P/E multiple of 15.7x (from 16.5x) and now apply a 1x premium to the NJ utilities to account for likely constructive IIP result driven by continued settlement discussion as well as the potential for incremental spending. Our assumed ROE for RNG remains at 21.5% based on SJI's math - $7M in capex, assume 50/50 capital structure, and net income of $0.75M equals ROE of 21.5%. Our implied EV/EBITDA for RNG remains at ~12x. We continue to model phase one of PennEast and maintain the probability of completion at 50% given the favorable SCOTUS decision.

Exhibit 21: SJI SOTP Analysis
PO remains at $27 on latest tweaks

South Jersey Industries (SJI)	Metric		P/E Multiple					Equity Value		
				Peer	Prem/ Discount	Base	High	Low	Base	High
South Jersey Industries (SJI)	*2023E EPS*		*Low*							
Gas	-	-	-	**15.7x**	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas				**5.0%**						
	-	-	-		-	-	-	-	-	-
	-	-	-	**16.5x**	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
South Jersey Gas (SJG)	$1.11	138	16.5x	16.5x	**1.0x**	17.5x	18.5x	$18.3	$19.4	$20.5
Elizabethtown Gas (ETG)	$0.57	71	16.5x	16.5x	**1.0x**	17.5x	18.5x	$9.3	$9.9	$10.5
Total SJI Utilities	**$1.67**		*16.5x*			*17.5x*	*18.5x*	**$27.6**	**$29.3**	**$31.0**
				Peer	Prem/ Discount	Base	High	Low	Base	High
				12.0x						
	2023E EPS									
Energy Group	$0.16		11.0x		**0.0x**	12.0x	13.0x	$1.8	$1.9	$2.1
Energy Services	$0.02		11.0x		**0.0x**	12.0x	13.0x	$0.2	$0.2	$0.2
Solar	$0.07									
	NPV									
Solar NPV of tax credits @ 4.5% discount rate	$99							$0.8	$0.8	$0.8

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	2023E EBITDA		EV/EBITDA	Discount Rate	NPV of Cash Flows
		Implied Multiple -->			
RNG	$45		12.0x	7.4%	$541.4

Total SJI Energy Group and Services	**$0.25**		*28.7x*			*29.5x*	*30.2x*	**$7.08**	**$7.26**	**$7.44**
SJI Midstream	**Metric**			**EV/EBITDA**					**Equity Value**	
	EBITDA		*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
				9.5x						
			8.5x	9.5x	**0.0x**	9.5x	10.5x			
Midstream - Penn East	$21		Probability		*50%*			$90	$100	$111
Less Net Debt								($38)	($38)	($38)
Total Midstream	**$21**							**$51**	**$62**	**$72**
Net Midstream Value Per Share								**$0.4**	**$0.5**	**$0.6**
		($Mn)			*Weight*					
Parent Net Debt		$2,072			*50%*			($1,036)	($1,036)	($1,036)
Add back: Parent Interest Exp	$0.35	$43	16.5x	17.5x	*50%*	17.5x	18.5x	$379	$379	$379
Parent SG&A drag	-$0.28	($35)	16.5x	17.5x	*100%*	17.5x	18.5x	($608)	($608)	($608)
Total Parent								**($1,265)**	**($1,265)**	**($1,265)**
Grand Total Equity Value								**$25.0**	**$27.0**	**$29.0**
Shares Outstanding 2023E									125	
Total Equity Value								**$25.00**	**$27.00**	**$29.00**
Current Price									$25.24	
NTM Dividend Yield									4.7%	
Total Return Potential									**11.7%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

South Jersey Industries	Primary Author	Date Published
US Electric Utilities & IPPs: AGA Conference Takes: Affirming Demand Upside; Hold the Inflation Concerns (https://rsch.baml.com/r?q=0zH8WrGvKd4j4YgTvzUVDQ)	Julien Dumoulin-Smith	20 May 2021
South Jersey Industries: LT Plan Outlined with Robust RNG Spend... Now we Turn to Execution (https://rsch.baml.com/r?q=YcDXM5qOI3SdJkVUlGhOug)	Julien Dumoulin-Smith	07 May 2021
South Jersey Industries: Upgrade to Buy; Analyst Day Reboot Should Highlight NJ's RNG Angle & More (https://rsch.baml.com/r?q=ugn6kbCUeTcuqxPK1GG2PQ)	Julien Dumoulin-Smith	28 April 2021

Spire (SR)

SR: A good platform to tout STL pipeline benefits

We expect management to dedicate a significant portion of the call to address the recent DC Circuit Court decision to vacate and remand the FERC certificate for STL pipeline, and tout the benefits of supply diversity (much like they did in front of the Missouri Public Service Commission [MoPSC] recently). SR could file for rehearing by the call and we expect that they would argue to include data since the pipeline has been online. The MO rate case is ongoing and hearings will start prior to the call where we continue to see the potential for at least a partial settlement. Though STL will likely be an overhang on shares for now, we reiterate Buy on a 12-month horizon as we could still see positive Street EPS revisions and rate case de-risking in MO re-rating shares higher on balance, further supported by incremental opportunities as management rolls out its RNG strategy.

Key Call Topics: STL Pipeline; MO rate case

STL pipeline has a cloudy path ahead; management will likely pitch the benefits

Management will likely spend time addressing the DC Circuit Court of Appeals opinion vacating the certificate of public convenience and necessity (CPCN) for SR's STL Pipeline and remanding the case back to FERC for further proceedings. SR must file for rehearing with the DC Circuit Court by Aug. 6, and we believe the company will file prior to that date to provide an opportunity to discuss the filing, the case, and the benefits that the pipe has provided since it was placed in service on their F3Q21 earnings call on Aug. 5. The debate will remain whether new facts are considered in appellate venue.

There are two paths on the Court's decision on rehearing, 1) the Court accepts SR's request and the stay remains in effect (i.e. the pipeline remains operational), or 2) the court rejects the request and the vactaur takes effect after seven days and the pipeline would have to cease operations. In the event of the latter, SR would have to file for an emergency certificate from FERC to keep the pipeline open. Based upon FERC Chairman Glick's public comments on natural gas pipelines, that will be a difficult venue.

We find that it will be critical for SR to build a coalition of supporters to show FERC that there is need for the pipe as evidenced by SR's recent presentation on the benefits and criticality of the pipe. SR continues to tout the diversity of supply that the pipe brings to the region and the support that it provided the system during the Feb. winter freeze. The MoPSC could be a strong advocate which could lead to support from FERC. We continue to believe that historical opposition from Chair Glick that the affiliate/need issues will be addressed prospectively rather than via STL given the more disruptive implications of shutting an operating pipeline. STL shutdown remains a risk but we emphasize the relatively low contribution vs consolidated (see below).

MO rate case is the other key watch item and is more important to the outlook

We continue to believe that there is an opportunity for settlement in SR's MO rate case, or partial settlement, ahead of hearings that start next Monday, July 26. The bid/ask on ROE and cap structure between SR's request and Staff/Office of Public Counsel's position is narrow. Staff recommends a 9.37% ROE and 54.25% equity layer while the OPC recommends a 9.25% ROE and 47.37% equity layer (vs ask of 9.95% ROE and 54.25% equity layer). *We find the low delta as supportive of a potential full settlement between parties in time.*

SR F3Q21 Earnings Walk: Miss and Reaffirm

Fiscal 3Q results are not overly meaningful with SR historically losing money or breaking even in the shoulder period. We forecast F3Q21 adjusted loss per share of -$0.02 compared to 2Q20 EPS of $0.07, consensus estimates of $0.01.

- **Key Drivers:** We forecast a decrease in EPS YoY with higher D&A (-$0.11) and the drag from Gas Marketing as management rebuilds reserves from Uri (-$0.05) too large to overcome with utility rate relief in the shoulder period.
- **Swing factors:** Customer growth has been a factor of late especially in the south. Given Winter Storm Uri and SR's monetization of reserves, we expect marketing to be a drag (-$0.05) on the quarter as SR rebuilds its reserves at higher gas prices YoY, but the exact impact is unclear.

Exhibit 22: SR F3Q21 Earnings Walk
We forecast a miss on marketing drag YoY

SR Fiscal 3Q21 Earnings Walk	EPS
SR Fiscal 3Q20 EPS	$0.07

BofA SECURITIES
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Utilities	**-$0.05**
Weather - normalize from fiscal 1Q20	$0.00
Weather- fiscal 1Q21	$0.00
Rate implementation/rate base growth:	
MO	0.07
AL	0.01
Gulf/MS	0.005
D&A	-0.11
O&M	-0.03
Lost Fees	0.00
Customer Growth	0.01
Taxes & Other	0.00
Storage and Pipeline	**$0.01**
STL Pipeline	0.00
Storage	0.01
Marketing	**-$0.05**
Marketing	-0.05
Parent	**$0.00**
Interest expense	0.00
Equity Units	-0.01
Dilution	0.00
SR Fiscal 3Q21 BofA Adjusted EPS	**-$0.02**
Fiscal 2Q21 Consensus	0.01
BofA 2021 EPS	**$4.42**
Guidance	**4.30-4.50**
2021 Consensus	4.44
SR Fiscal 3Q21 Shares Outstanding	51.9
SR Fiscal 3Q20 Shares Outstanding	51.2

Source: Company Filings, Bloomberg, and BofA Global Research estimates

BofA GLOBAL RESEARCH

EPS estimates unchanged. Street conservative '22-'23

Our EPS estimates remain unchanged as we do not assume that STL pipeline will be taken out of service at this time. This poses downside risk to our estimates at roughly $0.20/year (or -1.7% of our consolidated EPS estimate in '21 assuming worst case scenario it is taken offline in mid-August and ~4.4% and ~4.2% in '22 and '23, respectively). We await further clarity on whether or not the pipe is actually taken out of service, but, again, note that we believe taking supply offline would spark a sharp response from Missouri among other states exposed post winter storm Uri, especially through the winter season where more severe weather could pose increased risks to the system without adequate and diversified supply.

We see growth toward the midpoint of the LT EPS CAGR range of 5-7%, but could see this revised higher through incremental spending opportunities.

Exhibit 23: SR EPS Estimates
Our EPS estimates remain unchanged on our latest tweaks - still see growth near the midpoint

EPS Estimates	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Spire - Utilities							
Spire Missouri			$2.77	$3.11	$3.24	$3.30	$3.35
Spire Alabama			$1.34	$1.41	$1.48	$1.52	$1.57
Spire Gulf			$0.23	$0.24	$0.25	$0.25	$0.26
Spire Mississippi			$0.03	$0.03	$0.03	$0.03	$0.03
Total Utilities	**$3.93**	**$4.16**	**$4.37**	**$4.78**	**$4.99**	**$5.10**	**$5.21**
Spire - Marketing	**$0.38**	**$0.18**	**$0.65**	**$0.36**	**$0.36**	**$0.35**	**$0.33**
Spire - STL Pipeline			$0.20	$0.20	$0.20	$0.19	$0.18
Spire - STL Storage			$0.00	($0.00)	$0.00	$0.00	$0.00
Other Parent			($0.80)	($0.78)	($0.77)	($0.74)	($0.69)
Total Other	**($0.59)**	**($0.58)**	**($0.59)**	**($0.58)**	**($0.57)**	**($0.54)**	**($0.51)**
Consolidated	**$3.73**	**$3.76**	**$4.42**	**$4.56**	**$4.79**	**$4.90**	**$5.03**
Guidance			4.30-4.50				
Previous EPS	***$3.73***	***$3.76***	***$4.42***	***$4.56***			
Implied Mgmt EPS Guidance 5-7% (2019 base)							
Guidance Low (implied off '19)			$4.00	$4.32	$4.53	$4.76	
Guidance High (implied off '19)			$4.20	$4.57	$4.89	$5.23	
Guidance Midpoint			$4.10	$4.44	$4.71	$5.00	
Consensus	**3.75**	**3.74**	**4.44**	**4.43**	**4.68**	**4.92**	
Consensus '19-'24 CAGR	***5.7%***						
BofAe CAGR 2019-2024	**5.6%**						
DPS	**2.37**	**2.49**	**2.61**	**2.74**	**2.88**	**3.02**	**3.18**
Share Count	**51**	**51**	**52**	**53**	**54**	**56**	**58**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Valuation; PO to $77

Our PO moves to $77 (from $78) as we mark to market (MtM) '23E peer utility P/E multiples of 15.7x (from 15.9x). We continue to probability weight the STL pipeline by 50% in our valuation on an uncertain path forward. Fully-weighted, STL pipeline accounts for ~$4.24/share in our valuation. We continue to apply a 1x premium on MO to account for growth potential and supportive ISRS recovery partially offset by potential supply risk from STL being offline.

We continue to see attractive 12%+ potential total return on our SOTP analysis following the recent STL-related weakness and reiterate our Buy rating on healthy, low-risk capital spending driving solid rate base and EPS growth.

Exhibit 24: SR SOTP Analysis
Our PO moves to $77 (from $78) on latest MtM

	Metric	**P/E Multiple**					**Equity Value**		
Spire	*2023E*	*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Gas	-	-	**15.7x**	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas	-	-	**5.0%**	-	-	-	-	-	-
	-	-	**16.5x**	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Spire - MO	$3.24	16.5x	16.5x	**1.0x**	17.5x	18.5x	$53	$57	$60
Spire - AL	$1.48	17.5x	16.5x	**2.0x**	18.5x	19.5x	$26	$27	$29
Spire - MS	$0.25	17.5x	16.5x	**2.0x**	18.5x	19.5x	$4	$5	$5
Spire - Gulf	$0.03	17.5x	16.5x	**2.0x**	18.5x	19.5x	$1	$1	$1

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Total Spire Utilities	**$4.99**		*16.8x*			*17.8x*	*18.8x*	**$84**	**$89**	**$94**
Spire Midstream	**Metric**				**EV/EBITDA**				**Equity Value**	
	EBITDA	*Prob*	*Low*	*Peer*	*Prem/ Discount*	*Base*	*High*	*Low*	*Base*	*High*
Midstream - Pipeline, Storage & Marketing				**9.5x**						
Spire STL Pipeline	$24	50%	8.5x	9.5x	**0.0x**	9.5x	10.5x	$102	$114	$126
Spire Storage	$3	100%	4.5x	9.5x	**-4.0x**	5.5x	6.5x	$16	$19	$22
Spire Marketing	$24	100%	4.5x	9.5x	**-4.0x**	5.5x	6.5x	$110	$134	$158
Less Net Debt	-							($103)	($103)	($103)
Total Midstream	**$52**							**$124**	**$164**	**$204**
Net Midstream Value Per Share								**$2**	**$3**	**$4**
		($Mn)			*Weight*					
Parent Net Debt		**$637**			*50%*				($319)	
Parent & Other Drag	-$0.77	($41)		17.8x					($738)	-
Add back: Parent Interest Expense	$0.47	$25		17.8x	*50%*				$227	-
Total Parent								**($829)**	**($829)**	**($829)**
Grand Total Equity Value								**$71.00**	**$77.00**	**$83.00**
Shares Outstanding 2023E									54	
Total Equity Value								**$71.00**	**$77.00**	**$83.00**
Current Price									$71.26	
NTM Dividend Yield									3.7%	
Total Return Potential									**11.7%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Spire	Primary Author	Date Published
Spire: STL Saga; It's early with a lot of hypotheticals out there (https://rsch.baml.com/r?q=8NGGqTRopVSfNjwMRmXLHg)	Julien Dumoulin-Smith	30 June 2021
Spire: DC Circuit vacates STL Pipe certificate; disappointing, path ahead unclear (https://rsch.baml.com/r?q=X7wj8DklwTI2H0Agtx3aXQ)	Julien Dumoulin-Smith	23 June 2021
Spire: Emerges as an industry leading LDC thru Feb events; May should de-risk further (https://rsch.baml.com/r?q=ZLIjIZ1Rnk931fY7Zg15wg)	Julien Dumoulin-Smith	10 May 2021

Southwest Gas Holdings (SWX)

SWX: Focus on RDC deal though details sparse until close

We reiterate Neutral based on the recently announced Riggs Distler (RDC) deal and our view that the AZ tracker reconciliation filing will not be as much of a contentious point as we previously thought. Our focus for AZ, SWX's largest jurisdiction, is the upcoming rate case to be filed in late '21 or early '22 and the Commission process to evaluate their treatment of post-test year plant (PTYP). Success could be constructive by reducing utilities' regulatory lag and the frequency of rate cases but the Commission has been too unpredictable to ascribe credit. We expect focus on the call to be centered on the recently announced acquisition of infrastructure services company, RDC, but caution investors from expecting incremental disclosure from what was detailed with deal announcement as they await transaction close.

Key Call Topics: Riggs Distler acquisition, AZ regulatory

Await additional disclosure around the RDC deal, but find

In late June SWX announced the acquisition of Riggs Distler (RDC), an infrastructure services company that serves utilities, for $855M in cash **100% funded by Centuri debt**. Management sees ~$600M in revenue growth at RDC from 2020 to 2024, or 22% CAGR with growth supported at the core by its electric utility transmission and distribution (T&D) work, which has a tailwind in the Northeast and Mid-Atlantic as utilities look to modernize and harden the grid following a number of recent, devastating storm, and has a number of intriguing additional opportunities for growth in 5G and renewables projects, specifically in the burgeoning offshore wind industry. Expect more detail and clarification on the drivers behind the growth assumptions during the call.

We think the deal improves the optionality for a spin or other strategic opportunity. For example it is clear from the modest upside we see in our SOTP that SWX may not be getting full credit for the business in its valuation. That said, we do not see management acting on this in the short-to-medium-term given as the company likely wants to realize some of the benefits of the deal and integrate the company with its legacy infrastructure services company, Centuri, prior to a potential divestiture. *See more details on our assumptions and thoughts in our recent upgrade note -* Southwest Gas Holdings: Move to Neutral: Infra acquisition lowers AZ exposure, increases strategic opps 30 June 2021 (https://rsch.baml.com/r?q=dKs5mq1TNF05mRl29PnjWA)

AZ continues to be key to watch; puts and takes here

At the end of May, SWX filed applications to recover outstanding revenue requirement for both the Customer-Owned Yardline (COYL) Program and Vintage Steel Pipe (VSP) Replacement Program. Staff will file their recommendation in the summer and the Commission will consider both sides before coming to a conclusion (potentially in the ~Oct. timeframe). *We are less concerned on the immediate filing given the capital has already been spent and Staff asked them to defer recovery of the spending during the pandemic to seek recovery of it when it would have less of an impact on customers.*

We note the parallel process initiated by Chairwomen Peterson to look at the Commission's treatment of PTYP and, as a reminder, comments were recently filed and all were to be expected from parties. SWX will be filing another general rate case around the end of the year, initiating a renewed period of uncertainty.

We maintain our caution on the AZ backdrop following latest decisions from the ACC. While rejecting recovery of basic cost recovery rider for energy efficiency for SWX's electric peer APS, we see another difficult year in persuading the commission on merits of trackers, particularly considering the overall bill commitments commented on by the ACC in recent months.

SWX 2Q21 Earnings Walk: Beat and No Guidance

We forecast 2Q21 adjusted EPS of $0.50 -10% vs $0.45 Street and meaningfully lower YoY from 2Q20 EPS $0.68. We note management removed FY21 EPS guidance when they announced the acquisition of RDC as they await details on the impact for the year.

- **Key Drivers:** We forecast a decrease in EPS YoY driven by new rates in all jurisdictions (+$0.13) and customer growth (+$0.05), and lower interest expense of (+$0.01). This is more offset by loss of COLI (-$0.17), higher O&M (-$0.07), and higher D&A (-$0.05).
- **Swing factors:** COLI impact for the quarter is unknown, but going forward, the volatility and change YoY should be reduced based on management move toward more fixed income vs equities.

Exhibit 25: SWX 2Q21 Earnings Walk
See beat but continue to see lower '21 EPS on the RDC deal

SWX 2Q21 Earnings Walk	**EPS**
SWX 2Q20 EPS	0.68
Weather - normalize from 4Q19	$0.00
Weather- 4Q20	$0.00
Utilities	**-$0.11**
Rate implementation:	

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AZ	0.07
NV	0.05
CA	0.01
Riders	0.00
D&A	-0.05
O&M	-0.07
COLI	-0.17
Customer Growth	0.05
Centuri	**-$0.01**
Operating Margin	0.01
NCI	-0.02
Other	**-$0.06**
Interest expense	-0.02
Dilution	-0.04
SWX 2Q BofAe Adjusted EPS	**$0.50**
Consensus	0.45
BofAe 2021 EPS	**3.96**
2021 Guidance	**N/A**
2021 Consensus	4.14
SWX 2Q21 Shares Outstanding	59
SWX 2Q20 Shares Outstanding	56
Tax Rate	22%

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; modestly higher in outer years

Our EPS estimates increase by the contribution from RDC. Execution on regulatory matters and growth for RDC will be key to EPS estimates going forward. We include RDC into our estimates, but note that we are still awaiting detail on some key assumptions, specifically more detail on the financing, depreciation, capex outlook, etc.). We see $0.36 of EPS in '22 (or ~9% accretion to our previous estimates) as we model management assumptions around revenue growth and EBITDA. In the cases where we do not have detail (debt balance and D&A) we use reasonable assumptions based on market rates and use Centuri as a proxy. We await key detail on multiple assumptions that will allow us to fine tune our estimates - expect more clarity in Q3 on deal close. BofA is well below Street in 2021, likely due to timing considerations on the acquisition, but is in-line FY22-23.

Additionally, we stress that timing of the next full rate case filing will also be a key driver to 2022/2023 EPS, although we currently assume new rates into late-2022/2023 based on a ~12 month proceeding following a late 2021 filing.

Exhibit 26: SWX EPS Estimates
Our EPS estimates increase modestly over the forecast period based on improved earned ROEs at AZ vs prior assumption

EPS Estimates	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E
Southwest Gas Holdings, Inc. (SWX)								
Arizona			1.19	1.37	1.22	1.42	1.50	1.58
Nevada			1.13	1.11	1.10	1.15	1.28	1.33
California			0.27	0.34	0.39	0.44	0.49	0.53
Pauite Pipeline Company			0.15	0.16	0.16	0.16	0.17	0.17
Total Utility (Gas LDC & Pipeline)	**2.81**	**3.00**	**2.84**	**2.97**	**2.86**	**3.18**	**3.43**	**3.61**
Non-Utility (Utility Infrastructure Services)	**0.91**	**0.96**	**1.34**	**1.12**	**1.58**	**1.68**	**1.80**	**1.91**
Other - Corporate & Administrative	**(0.03)**	**(0.03)**	**(0.03)**	**(0.12)**	**(0.10)**	**(0.10)**	**(0.10)**	**(0.11)**
Consolidated EPS	**3.68**	**3.94**	**4.14**	**3.96**	**4.35**	**4.76**	**5.13**	**5.41**
Mgmt EPS Guidance								
Guidance Low		$3.60	$3.75					
Guidance High		$3.80	$4.00					
Guidance Midpoint		$3.70	$3.88					
Prior Estimate			**4.14**	**3.96**	**4.32**			
Consensus			**3.95**	**4.14**	**4.35**	**4.72**		
BofA RB CAGR 2020-2024		**8.1%**						
RB CAGR 2020-2024 Guidance		**+8.6%**						
Consensus '19-'22 EPS CAGR		***3.3%***						
BofA '19-'22 EPS CAGR		**3.4%**						
BofA '20-'23 EPS CAGR		**4.7%**						
BofA '20-'24 EPS CAGR		**5.5%**						

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Valuation; PO remains at $69

Our PO remains at $69 as we adjust our HoldCo debt assumptions. We see ~$0.36 of EPS from RDC in '22, or 9% accretion to our est. prior to the announcement. We mark-to-market of FY23E peer utility P/E multiples of 15.7x (from 15.9x). We continue to apply a 2.5x discount to AZ as we view the tracker filing as likely less contentious than previously thought though we continue to view the state as one of the most customer-centric, utility-restrictive jurisdictions. We mark our Centuri valuation to peers PWR and MTZ FY23 EV/EBITDA of 8.8x (from 9.2x).

Exhibit 27: SWX SOTP Analysis
Our PO remains at $69 on our latest tweaks

Southwest Gas Holdings, Inc. (SWX)	Metric		P/E Multiple				Equity Value		
	2023E		Low	Peer	Prem (Disc)	Base	High	Low	Base	High
Gas Utility				**15.7x**						
Group EPS '19-'23 CAGR - Gas				*5.0%*						
Assigned Multiple				**16.5x**						
Natural Gas Operations (Utility)	**EPS**									
Arizona	$ 1.42		13.0x	16.5x	-2.5x	14.0x	15.0x	$18.49	$19.92	$21.34
Nevada	$ 1.15		14.5x	16.5x	-1.0x	15.5x	16.5x	$16.73	$17.88	$19.04
California	$ 0.44		14.5x	16.5x	-1.0x	15.5x	16.5x	$6.36	$6.80	$7.24
Total State Regulated Utilities	**$ 3.02**		**13.8x**			**14.8x**	**15.8x**	**$41.58**	**$44.60**	**$47.62**
				Peer EV/EBITDA						
Pipeline (FERC Regulated)	**EPS**	**EBITDA ($mn)**	Low	**Peer**	Prem (Disc)	Base	High			
Pauite Pipeline Company	$ 0.16	27.9	8.5x	**9.5x**	0.0x	9.5x	10.5x	237	265	293
Less: Net Debt								(71)	(71)	(71)
Implied Equity Value								**166**	**194**	**222**
Implied Equity Value Per Share								**$2.63**	**$3.07**	**$3.51**

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Total Natural Gas Operations	**$ 3.18**							**$44.21**	**$47.67**	**$51.13**
Utility Infrastructure Services (Non-Regulated)		**EBITDA**	Low	**Peer**	Prem (Disc)	Base	High			
Utility Infrastructure Services	$ 1.68	361.2	7.8x	**8.8x**	0.0x	8.8x	9.8x	2,818	3,179	3,540
Less: Net Debt								(1,617)	(1,617)	(1,617)
Implied Equity Value								**1,200**	**1,561**	**1,923**
Infrastructure Equity Value Per Share								**$19.02**	**$24.74**	**$30.47**
Other - Corporate & Admin.										
Other - Corporate & Admin.	$ (0.10)		13.8x	**16.5x**	0.0x	14.8x	15.8x	-$1.41	-$1.51	-$1.62
				Weight						
Parent Net Debt	348.0			*50%*				($2.8)	($2.8)	($2.8)
Parent Interest Exp	$ 0.17			*50%*	15.5x			$1.3	$1.3	$1.3
Total Parent								**-$2.82**	**-$2.92**	**-$3.03**
Shares O/S (mn)									63	
SWX Total Equity Value	$ 4.76							**$60.0**	**$69.0**	**$79.0**
Implied Consolidated P/E									*14.5x*	
Current Price									*$69.42*	
Dividend Yield									3.2%	
Total Return Potential									**2.6%**	

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Southwest Gas Holdings	**Primary Author**	**Date Published**
Southwest Gas Holdings: Move to Neutral: Infra acquisition lowers AZ exposure, increases strategic opps (https://rsch.baml.com/r?q=dKs5mq1TNF05mRI29PnjWA)	Julien Dumoulin-Smith	30 June 2021
Southwest Gas Holdings: AZ Overhang Continues; Can The Construct Improve? To Be Seen (https://rsch.baml.com/r?q=TwIIc-IEII51wAKHkbm4YA)	Julien Dumoulin-Smith	14 June 2021

UGI Corp (UGI)

UGI: Mild updated following investor day

We are expecting a mild update post-investor day in late-Jun. We will be watching for 1) increased clarity around UGI's renewables pipeline where we see a range of potential avenues for expansion in renewables above the $1B+ target given the numerous end markets UGI operates in domestically and abroad and 2) any additional clarity around ROE assumptions of 10%+. We would like to see more clarity on the segment level contribution to management's growth projections, but understand the difficultly therein. The Mountaineer Gas transaction is progressing through the regulatory process with many parties citing their perceived benefits of the deal - we find this supportive. Reiterate Buy.

Key Call Topics: Renewables, Mountaineer

Renewables are key to the story from here

UGI recently announced a proposed JV with SHV Energy to advance the production and distribution of Renewable Dimethyl Ether (rDME) which is working through formal regulatory process with ~YE21 expected close. *Expect some update on how the regulatory process is proceeding here.* There is good line of sight on the first project of six over the next five years totaling $1B in investment (split 50/50 between partners with the ability for third-party investment as desired), and as the first project starts to crystalize, the other five will gain some clarity. These rDME agreements are typically 1-5 years contracts. On balance, rDME is less sensitive to market dynamics such as RINS credits and appears to produce a potentially better long-term return.

We have seen increased momentum of late and expect this to only accelerate through time, though management has stated it is difficult to pin down the exact timeline for investment. We expect to have more clarity on this in time as UGI gains experience and projects become more predictable. This remains a key question into 2022 and 2023 as we look towards initial project contributions. We also watch the risk profile of renewable investments here too - as management looks towards contracting RNG vs selling more spot on Renewable Identification Numbers (RINS) and Low Carbon Fuel Standard (LCFS) credits.

See our most recent note for more detail on the renewables strategy - UGI Corp.: Upgrading to Buy: Renewable Gas Upsides of All Flavors Drive Highest Growth 23 June 2021 (https://rsch.baml.com/r?q=AMDarYS-iACP9MIvT!OkRA)

Parties are complementary of Mountaineer transaction

Generally supportive testimony was filed in the WV pending UGI-Mountaineer Gas acquisition docket in early July from important parties including the West Virginia Public Service Commission Staff, energy groups, and workers advocates. UGI's ability to attract lower cost capital and accelerate infrastructure replacement spending to support job growth was highlighted in particular. Other parties highlighted that there be no adverse impact to customers from the transaction (i.e. no transaction-related costs be recovered in rates). *The UGI-Mountaineer transaction was viewed as low risk and we are incrementally favorable following better than expected intervenor testimony. We think adding low risk regulated utility earnings to the diversified UGI mix should dampen weather volatility and support broader credit considerations, in addition to earnings accretion.*

UGI F3Q21 Earnings Walk: Miss and Reaffirm

We forecast F3Q21 adjusted EPS of $0.08 compared to F3Q20 EPS of $0.08, consensus estimates of $0.10. Our FY21 EPS estimate remains at the top-end of management's revised guidance range $2.97 BofA/$3.00 Street vs $2.90-$3.00 guidance.

- **Key Drivers:** We forecast flat EPS YoY driven by new rates in PA (+$0.04), other/COVID impact reversal (+$0.07), and improvement in UGI Intl. driven by return to more normal weather (+$0.01). This is completely offset by return to more normal weather at the utilities (-$0.04), higher O&M (-$0.03), and higher D&A (-$0.02).
- **Swing factors:** Where weather will come in will impact our estimates as we forecast mild/normal heating degree days (HDD) for the quarter. Margins at LPG should be slightly better given propane prices, but we feel this will be offset by lower volumes and cylinders with some degree of reopening normalization. We will be watching O&M more generally as well.

Exhibit 28: UGI F3Q21 Earnings Walk
We see a slight miss driven by seasonality of LPG and weather

UGI Fiscal 3Q21 Earnings Walk	**EPS**
UGI Fiscal 3Q20 EPS	0.08
Weather - normalize from Fiscal 3Q20	-$0.04
Weather- Fiscal 3Q21	$0.00
Utility	**$0.00**
Rate implementation:	
PA	0.04
WV (acquired in fiscal 2Q21)	0.00
Riders	0.00
D&A	-0.02
O&M	-0.03
Customer Growth	0.01

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Amerigas (US Propane)	**-$0.02**
Operating Income	-0.02
Interest Expense/Other	0.00
UGI International (Intl Propane)	**$0.01**
UGI INTL	0.01
Interest Expense/Other	0.00
Midstream & Marketing	**-$0.02**
Operating Income	-0.02
Interest Expense/Other	0.00
Renewables	**$0.00**
Operating Income	0.00
Interest Expense/Other	0.00
Other	**$0.07**
Interest expense	0.00
Dilution	0.00
Other/COVID	0.07
Fiscal 3Q21 BofAe Adjusted EPS	**$0.08**
Consensus	0.10
BofAe 2021 EPS	**$2.97**
2021 Guidance	**2.90-3.00**
2021 Consensus	3.00
UGI Fiscal 3Q21 Shares Outstanding	126
UGI Fiscal 3Q20 Shares Outstanding	120

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; unchanged at top of range

Our EPS estimates for FY21-FY25 remain unchanged following our most recent updated post-investor day. We continue to see a ~9.3% EPS CAGR through the FY20-FY25 forecast period using the midpoint of original FY20 EPS guidance of $2.75 vs guidance of +6-10%. We acknowledge that our long-term EPS CAGR is at the high end of guidance, but our estimates include an 11% EPS CAGR (more weighted to the out years) at midstream that is driven by execution at Columbia Midstream Group (CMG) and PennEast and our bullish assumption on growth at the renewables segment.

We stress that ROEs on these renewables investments could see upward bias based on market prices for LCFS credits and RINs. We also still see bias towards higher ROEs given our view that management is being conservative on its pricing assumptions altogether, especially for projects already in the works (Idaho, NY) that conceivably could come online in time to monetize higher-priced credits.

At the utility, we continue to assume LT EPS growth of ~9% given elevated rate base growth with minimal bill inflation. At the propane businesses, we see a 6% LT EPS CAGR at Amerigas and 2% EPS CAGR at UGI International.

Our 9.3% LT EPS CAGR is among the best for any LDC or utility peer out there, we see this underpinned by strong growth at the utility and an aggressive push into renewables.

Exhibit 29: UGI EPS Estimates
Our EPS estimates remain unchanged following our most recent update post-investor day

EPS Estimates	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
AmeriGas Propane		$0.74	$0.87	$0.78	$0.76	$0.89	$1.01
UGI International		$0.82	$0.83	$0.85	$0.87	$0.89	$0.91
Midstream & Marketing		$0.44	$0.54	$0.60	$0.67	$0.70	$0.73
UGI Utilities		$0.65	$0.69	$0.75	$0.83	$0.91	$1.01
Renewable Energy Solutions (RNG)			$0.07	$0.20	$0.35	$0.51	$0.66
Corporate & Other		$0.02	($0.02)	($0.02)	($0.02)	($0.02)	($0.02)
TOTAL Consolidated EPS	**$2.28**	**$2.67**	**$2.97**	**$3.15**	**$3.46**	**$3.87**	**$4.30**
Guidance Low		$2.45	$2.90	$3.09	$3.28	$3.50	$3.68
Guidance High		$2.55	$3.00	$3.33	$3.66	$4.00	$4.43
Midpoint			$2.95	$3.21	$3.47	$3.75	$4.05
Guidance - EPS Growth Rate - Long Term				*6-10%*			
Shares O/S	181.1	209.9	212.5	212.5	212.5	212.5	212.5
Prior Estimate		2.67	2.96	3.11	3.37	3.75	4.15
Consensus	**2.34**	**2.48**	**3.00**	**3.23**	**3.42**		
Consensus '20-'23 CAGR	***7.5%***						
BofAe CAGR 2020-2025 (off '20 $2.75 original mid-point)	**9.3%**						
Guidance LT EPS CAGR	6-10%						
DPS	**1.15**	**1.31**	**1.35**	**1.40**	**1.46**	**1.51**	**1.58**
Guidance - DPS Growth Rate - Long Term				4% DPS CAGR Target			
Dividend Pay-out	**50%**	**49%**	**45%**	**44%**	**42%**	**39%**	**37%**
Guidance - Payout				35%-45% Target			

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Valuation; PO unchanged at $51

Our PO remains at $51 after marking to market the UGI utilities in our SOTP valuation with '23E peer P/E multiples to 15.7x (from 16.4x) for gas and 17.6x (from 17.8x) for electric with a 1x premium on gas given derisked backdrop post rate case and healthy rate base growth.

For US and International propane, we apply an 8.7x EBITDA multiple (unchanged), in line with other propane comps and add a 0.5x premium on International given our view that the push into bioLPG and rDME will assuage broader decarbonization concerns and potentially drive outsized growth. We apply a 9.2x EV/multiple (from 9.5x) on the Midstream segment with premiums depending on the asset and we now include a 1x premium for CMG given management's constructive comments on the investor day. Note that we continue to weight CMG and PennEast at 50% and 50% probability, respectively, given the uncertainty around execution.

For the renewables business, we take the NPV of future cash flows, which implies about a 13+x EV/EBITDA multiple (in line to slightly higher than our valuation to peers such as SJI and the small sample set of publicly-traded RNG). We see the renewables growth as the single largest driver of the story and we see shares rerating higher as UGI integrates the renewables spending into its medium-term EPS guidance and starts to execute on renewables projects.

Exhibit 30: UGI SOTP Analysis
PO remains at $51 on latest tweaks

UGI Corp SOTP Analysis									
UGI Utilities	**Metric**	**P/E Multiple**					**Equity Value**		
	2023 EPS	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
Gas Utility			**15.7x**						

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Group EPS '19-'23 CAGR - Gas				5%						
UGI Utilities (Gas LDC)	$0.75	16.5x	**16.5x**	**1.0x**	17.5x	18.5x	**$2,639**	**$2,799**	**$2,959**
Electric Utility			**17.6x**						
Group EPS '19-'23 CAGR - Electric			5%						
UGI Utilities (Electric <10% of Utility EPS)	$0.07	17.5x	**18.5x**	**0.0x**	18.5x	19.5x	**$277**	**$293**	**$308**
UGI Utilities - Equity Value Per Share	**$0.83**	16.6x			17.6x	18.6x	**$14**	**$15**	**$15**

Global LPG **Metric** **EV/EBITDA** **Equity Value**

Amerigas Propane (U.S. Propane)

	2023 EBITDA	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
			8.7x						
	$651	7.7x	8.7x	**0.0x**	8.7x	9.7x			
AmeriGas Propane - Equity Value							$5,016	$5,668	$6,319
Less: Amerigas Propane Debt							($3,162)	($3,162)	($3,162)
Amerigas Propane - Equity Value							$1,854	$2,506	$3,157
Amerigas Propane - Equity Value Per Share							**$9**	**$12**	**$15**

UGI International (European Propane)

	2023 EBITDA	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
			8.7x						
	$407	8.2x	8.7x	**0.5x**	9.2x	10.2x			
UGI International							$3,338	$3,745	$4,152
Less: UGI International Debt							($922)	($922)	($922)
UGI International - Equity Value							**$2,417**	**$2,824**	**$3,231**
UGI International - Equity Value per Share							**$11**	**$13**	**$15**

Midstream & Marketing **Metric** **EV/EBITDA** **Equity Value**

	2023 EBITDA	Low	Peer	Prem/ Discount	Base	High	Low	Base	High
		Midstream Peer Group ->	**9.2x**						
		8.2x	9.2x	**0.0x**	9.2x	10.2x			
Legacy Midstream (Gathering & Processing, Marketing)	$56	9.2x	9.2x	**1.0x**	10.2x	11.2x	$518	$575	$631
Auburn Pipeline	$10	8.2x	9.2x	**0.0x**	9.2x	10.2x	$79	$88	$98
Columbia Midstream Group (CMG - gathering & processing)	$138	9.2x	9.2x	**1.0x**	10.2x	11.2x	$1,270	$1,408	$1,546
Bethlehem LNG (regas facility)	$17	11.2x	9.2x	**3.0x**	12.2x	13.2x	$194	$211	$228
				Probability					
CMG - Expansion	$40			*50%*			$164	$204	$0
Penn East	$24			*50%*			$100	$112	$124
Total Midstream & Marketing	**$286**						**$2,325**	**$2,599**	**$2,628**
Less: UGI Midstream Debt							($953)	($953)	($953)
Total Midstream Equity Value							**$1,372**	**$1,646**	**$1,675**
Midstream - Equity Value per Share							**$6**	**$8**	**$8**

Renewable Energy Solutions **Metric** **EV/EBITDA** **Equity Value**

	2023 EBITDA			Discount Rate	NPV of Cash Flows		
RNG/Hydrogen/Other	$93	**Implied Multiple ---->**	13.2x	8%	**$1,223**	**$1,223**	**$1,223**
Renewables- Equity Value per Share					**$6**	**$6**	**$6**

Parent **Metric** **P/E Multiple** **Equity Value**

	($Mn)			*Weight*					
Parent Net Debt		$721		*50%*			($360)	($360)	($360)
Parent Interest Exp	-$0.09	($20)	17.6x	18.6x	*50%*	18.6x	19.6x	($185)	($185)	($185)
Total Parent								**($546)**	**($546)**	**($546)**
Total Parent Equity Value per Share								**($3)**	**($3)**	**($3)**
Grand Total Equity Value								**$9,237**	**$10,744**	**$12,008**
Shares Outstanding 2023E									213	
Total Equity Value								**$43**	**$51**	**$57**
Current UGI Share Price									$45.37	
NTM Dividend Yield									3.0%	
Total Return Potential									15.4%	

Source: BofA Global Research estimates, company report, Bloomberg

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BofA Global Research Reports

UGI	Primary Author	Date Published
UGI Corp.: Upgrading to Buy: Renewable Gas Upsides of All Flavors Drive Highest Growth (https://rsch.baml.com/r?q=AMDarYS-iACP9MlvTIOkRA)	Julien Dumoulin-Smith	23 June 2021
US Electric Utilities & IPPs: AGA Conference Takes Day 2: Don't Even Worry About Inflation Here? Pos 2Q Setup (https://rsch.baml.com/r?q=JrIpsgna0sF-Q9Efpv-xBw)	Julien Dumoulin-Smith	21 May 2021
UGI Corp.: Core Business Healthy as Renewable Gas Strategy Continue to Take Shape (https://rsch.baml.com/r?q=HWjyVp9V8iK2xcgGK3iylg)	Julien Dumoulin-Smith	10 May 2021
UGI Corp.: Transitioning to Renewables of All Flavors with Execution Top-of-Mind (https://rsch.baml.com/r?q=efFbPwUglwhMbPlGuRMmBw)	Julien Dumoulin-Smith	03 May 2021

Unitil Corp (UTL)

UTL: NH rate cases still key; prem. val. keeps us U/P

We reiterate our Underperform despite continued positive data points in the ongoing rate case given very premium valuation. There seems to be some investor perception of M&A potential; however, we believe a transaction will be challenging at this valuation with regulatory uncertainty. In our view, the fundamentals of the business, 6.5-8.5% rate base growth driving 5-7% EPS growth and slightly above average regulatory jurisdictions, do not screen "top-tier" as the multiple might suggest. UTL is among the single highest valued electric and/or gas name under coverage (+2.5x premium to regulated peers). We continue to see downside to the current valuation as UTL rerates closer to its implied multiple based on our view of the fundamentals.

Key Call Topics: NH rate case, customer growth, decarbonization

UES rate case in NH progressing positively; NU NH details forthcoming

UTL is active with a multi-year rate case ongoing at its NH electric business, Unitil Energy Systems (UES), with new rates expected to be effective in 1H22. An interim rate increase of +$4.45M effective June 1st. Key dates in the UES rate case include Staff/OCA/Intervenor Testimony on Nov. 18, 2021, settlement conferences on Jan. 11 and Jan. 13, 2022, and hearing dates during the month of Feb. 2022. UTL has filed a notice of intent to file at its NH gas sub, Northern Utilities NH (NU NH), for an increase of $7.7M - the notice was silent on ROE, capital structure, etc., and management expects new rates effective in 2H22.

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We note there has been a positive and complimentary response to the rate case, in particular with the transparency and clarity with all the effort to reduce bill impact. The staff overall seem to feel positive about the case, with no unexpected or contentious on top of the usual technical issues associated with rate base or cost of capital.

Decoupling is the largest driver of the case and we do not view it as a contentious point because the Commission required them to file for the mechanism. When rates are in effect at UES and NU NH, around 80% of UTL meters will be decoupled, and around 75% of UTL's non-growth related capital investments will be recovered over the next three years, either through a tracking mechanism or though multiyear rate plans. There will be more certainty around cash flow and accelerated recovery of capital investments that will drive EPS growth closer to rate base growth. As a reminder, multi-year rate plans are capped at 2.5% increase over prior years.

Customer growth/load trends seem healthy

Expect an update on the trend of a healthier economic backdrop across UTL's service territory. UTL could see a summer influx as their territories are located next to the coast, and new housing permits are strong which is indicative of the broader trend of people moving out of cities to the suburbs. Altogether backdrop reduces risks on more volumetrically sensitive utility.

Decarbonization

Recently, UTL announced to reduce its *direct* greenhouse gas emissions (company buildings, vehicles, and pipelines) by at least 50% from 2019 levels by 2030, and net-zero emissions by 2050 (remember, UTL does not generate electricity). This goal will be achieved in part by RNG blending in its gas distribution system. *We see this as consistent with many peer utilities and gas utilities providing formal targets. We look to understand blending prospects as a piece of this - and how and to what extent the utility will seek to procure these sources of gas.*

UTL 2Q21 Earnings Walk: In-line and Reaffirm

We forecast 2Q21 adjusted EPS of $0.21 compared to 2Q20 EPS of $0.21, consensus estimates of $0.20.

- **Key Drivers:** We forecast flat EPS YoY driven by the implementation of interim rates at UES starting Jun. 1 (+$0.02), other rate relief (+$0.02), reversal of COVID impact (+$0.04), and customer growth (+$0.02). This is offset by higher D&A (-$0.05), higher O&M (-$0.04), and incremental interest expense (-$0.01).
- **Swing factors:** Customer growth and load will be crucial to watch this quarter - our view is that management's commentary on the 1Q call and the continuation of positive trends will be supportive of results.

Exhibit 31: UTL 2Q21 Earnings Walk
We see slight beat driven by customer growth

Unitil Corp 2Q21 Earnings Walk	**EPS**
EPS 2Q20	$0.21
Weather	
Return to normal (2Q20)	$0.01
Current quarter (2Q21)	($0.01)
Rate Changes (Base rates and Capital Trackers)	
Northern Utilities New Hampshire	$0.00
Northern Utilities Maine	$0.01
Unitil Energy	$0.02
Fitchburg Electric	$0.00
Fitchburg Gas	$0.01
Granite Pipeline (ME and NH)	$0.00
Other	
D&A	($0.05)
O&M	($0.04)
COVID Impact	$0.04
Interest & debt issuances	($0.01)
Property tax abatement	$0.00
Customer Growth	$0.02
Dilution	($0.00)
2Q21E Adjusted EPS	**$0.21**
2Q21 Consensus	$0.20
2021 BofA EPS	**$2.32**
2021 Consensus	$2.55
Shares Outstanding 2Q21	15.1
Shares Outstanding 2Q20	14.9

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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EPS estimates; unchanged

We provide our EPS estimates below, which remain unchanged. Continue to see EPS growth of ~6.2% through 2025, See reasonable growth vs peers, but still difficult to warrant the substantial premium. *Consensus estimates are thin with only 1-2 non BofA inputs in most periods.*

Exhibit 32: UTL EPS Estimates
Our EPS estimates remain unchanged

EPS Estimates

	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Consolidated EPS	**2.23**	**2.31**	**2.15**	**2.32**	**2.49**	**2.63**	**2.79**	**2.95**
Consensus				*2.55*	*2.71*	*2.84*		
Previous Ests			*2.15*	*2.32*	*2.49*	*2.63*	*2.79*	*2.95*
Y/Y Change in Published Estimates	8%	3%	-7%	8%	7%	5%	6%	6%
BofA CAGR '20-'25						0.069716		
BofA CAGR '21-'25								
UTL CAGR '12-'19 (actual)								
ROE (GAAP)	*9.6%*	*12.1%*	*8.4%*	*8.6%*	*8.7%*	*8.8%*	*9.0%*	*9.1%*
+5-7% LT EPS Growth			2.15	2.28	2.42	2.56	2.71	2.88
Low				2.26	2.37	2.49	2.61	2.74
High				2.30	2.46	2.63	2.82	3.02

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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Valuation; PO to $48

Our PO moves to $48 (from $49) given our most recent mark-to-market of FY23 peer P/E multiples of 17.6x for electric (from 17.8x) and 15.7x for gas (from 16.3x). We continue to use a 1.0x premium to account for higher confidence in constructive rate case outcomes in NH.

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Exhibit 33: UTL SOTP Analysis
Our PO moves to $48 (from $49) on latest MtM

	Net Income	EPS	P/E Multiple					Equity Value ($/Sh)		
			Downside	*Peer*	*Prem/ Discount*	*Base*	*Upside*	*Downside*	*Base*	*Upside*
Consolidated	40.5	$2.63	17.1x	17.1x	**1.0x** 50	**18.1x**	19.1x	$ 45.06	$ 47.68	$ 50.31
Equity Value per Share								**$ 45.00**	**$ 48.00**	**$ 50.00**
UTL Share Price As of Close 07/21/21									$52.12	
Implied Upside (Downside)									*(7.9%)*	
2020E Dividend Yield									2.9%	
Total Return Potential									**-5.0%**	

	2023 P/E	*Ratebase Weighting for Valuation Multiple Purposes*
Group Peer Multiple - Electric	**17.6x**	
Group EPS '19-'23 CAGR - Electric	**5.00%**	
Group Peer Multiple - Gas	**15.7x**	
Group EPS '19-'23 CAGR - Gas	**5.00%**	
Avg. Regulated Electric	18.5x	33.2%
Avg. Gas LDC	16.5x	66.8%
Weighted Average	**17.1x**	**100.0%**

Source: Company Filings, Bloomberg, and BofA Global Research estimates

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BofA Global Research Reports

UTL Recent Research	Primary Author	Date Published
US Electric Utilities & IPPs: AGA Conference Takes: Affirming Demand Upside; Hold the Inflation Concerns (https://rsch.baml.com/r?q=0zH8VGvKd4j4YgTvzUVDQ)	Julien Dumoulin-Smith	20 May 2021
Unitil Corporation: Downgrading to Underperform on Premium Valuation; NH Rate Cases Key into '22 (https://rsch.baml.com/r?q=Pf2g-zWjlgc781hnzr3OcA)	Julien Dumoulin-Smith	06 May 2021

Exhibit 34: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ATO	ATO US	Atmos Energy	US$ 97.74	A-2-7
NJR	NJR US	New Jersey Resources	US$ 38.59	B-3-7
NI	NI US	NiSource Inc	US$ 24.86	B-1-7
NWN	NWN US	Northwest Natural	US$ 51.05	B-3-7
OGS	OGS US	ONE Gas, Inc.	US$ 72.4	A-3-7
SJI	SJI US	South Jersey	US$ 25	B-1-7
SWX	SWX US	Southwest Gas	US$ 69.41	B-2-7
SR	SR US	Spire	US$ 68.78	A-1-7
UGI	UGI US	UGI Corp.	US$ 45.37	B-1-7
UTL	UTL US	Unitil Corp	US$ 51.86	B-3-7

Source: BofA Global Research

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Price Objective Basis & Risk

Atmos Energy Corporation (ATO)
Our $102 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 15.7x.
Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2019-23E) to reflect capital appreciation across the sector. We then apply a 1x premium to the TX gas distribution utilities and 2x premium (aside from KS) to the other base gas LDC multiple to reflect the high-quality nature of the assets given a sustainable runway for capex/EPS underpinned by constructive regulatory mechanisms and jurisdictions.
For the Pipeline & Storage segment we apply a 9x EV/EBITDA multiple as a base to our '23E EBITDA. We then apply a 2x premium to the assets given their fully regulated nature and unique ability for APT to benefit from the spread differentials.
Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs.
Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

New Jersey Resources Corp (NJR)
Our $39 PO is off our 2023E SOTP, based on gas peers of 15.7x. For non-reg biz, we apply a 12.0x multiple plus a 1.0x premium to account for the derisked nature of the AMAs. For Midstream, we capitalize EBITDA at 9.5x while weighting PennEast by 0% given uncertainty on full project execution (as mgmt. has removed this from its outlook). For CEV, we value CEV PowerCo for existing assets and DevCo assets to be deployed separately. We separately value DevCo assets to be deployed for '21 through '25 at NPV of unlevered FCF including upfront system install cost and ITC value for new

deployment. We also value SREC balance that CEV has yet to monetize. We apply a 4.5% unlevered discount rate to project level CFs in-line with our discount rate for resi solar service providers. We incl. three additional years of DevCo NPV ('26-'29) with terminal value based on post-ITC step-down trough volumes/economics in '29 and maintain our 5x terminal value. We also attribute a 75% weighting for the full value of DevCo NPV for '24+. We assume 75% based on a likelihood of some action on ITCs. For parent, we apply a 50/50 weighting for holdco debt/interest expense for re-capitalization purposes.

Upside risks: Constructive regulatory outcomes, decrease in interest rates, incremental capex opportunities, extension of subsidies and further

Upside risks: Constructive regulatory outcomes, decrease in interest rates, incremental capex opportunities, extension of subsidies and further renewables acceleration

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Downside risks: Poor regulatory outcomes, increase in interest rates, and lower capex.

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 15.7x for gas and 17.6x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Northwest Natural Holdings (NWN)
Our $49 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group '23 P/E multiple of 15.7x applied to WA and OR natural gas distribution and regulated storage assets. We further gross up the gas LDC multiple by 5% to reflect capital appreciation across the group. We use a 1x premium in OR to capture upside from RNG and benefits from decoupling, although we believe the long-term outlook is more uncertain. For NWN's gas storage (unregulated), appliance, and asset management business, we apply a 10x EV/EBITDA multiple, in line with comparable asset class, and net out debt. We apply a water utility peer P/E multiple of 28.6x to NWN's water earnings and then net out corporate & other drag (largely SG&A) using a weighted average multiple of 18.1x on '23.

Downside risks to our PO: higher interest rate environment that makes new capital more expensive, contraction of utility valuations, slower economic recovery, and a sustained economic downturn preventing customer growth, de-carbonization efforts, lower capex, poor regulatory outcomes.
Upside risks to our PO: faster economic recovery contributing to customer growth, lower interest rates, constructive regulatory outcomes, and increased capex.

ONE Gas, Inc. (OGS)
We use a sum-of-the-parts analysis to calculate our $73 for OGS, applying a FY23E Gas LDC peer multiple of 15.7x (grossed up by 5% to reflect capital appreciation across the space). We use in-line multiple for TX and KS given uncertainty with the recovery timeframe for substantial gas purchase costs and impacts to the balance sheet.

Upside risks: lower interest rates, constructive regulatory outcomes, increased capital expenditure opportunities.
Downside risks: higher interest rates, unconstructive regulatory outcomes, decreased capex spending, ban on fracking, decarbonization efforts.

South Jersey Industries (SJI)
Our $27 PO is premised upon our SOTP analysis where we utilize a 15.7x peer Gas LDC utility P/E to SJG and ETG on '23E EPS. We apply a 1x to the NJ utilities based on our view that SJI will continue to receive constructive regulatory treatment and upside to spending on RNG. We apply a 12x P/E to SJEG/SJES non-regulated earnings stream given variability and limited transparency. For the solar investments we utilize a NPV of investment tax credits at a 4.5% discount rate (in line with peers) to capture the transitory nature and eventual roll-off. We apply a 9x EV/EBITDA to PennEast and assume full project economics in our EPS assumptions, although net out 50% weighting. We utilized a DCF for RNG with NPV of cash flows at 7.4% discount rate. For parent debt we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Downside risks: Interest rates move higher, poor regulatory outcomes, lower capex levels.
Upside risks: Interest rates move lower, constructive regulatory outcomes, incremental capex opportunities, further credit latitude.

Southwest Gas Holdings (SWX)
Our $69 PO is based on our 2023E Sum-of-the-parts (SOTP) analysis. We apply a 15.7x peer Gas LDC utility P/E to the utility EPS across the company's three major jurisdictions, which include Arizona, Nevada and California. We gross this peer multiple up by 5% to reflect capital appreciation across the sector. For AZ, we apply a 2.5x discount to the jurisdiction given lack of fwd looking rate treatment/alternative rate making mechanisms. We apply a 1.0x discount to NV and CA as we take a more negative view on the jurisdictions' LT viability. Additionally, we value the FERC regulated Pauite Pipeline separately on a midstream peer group average EV/EBITDA multiple of 9.5x and net out associated debt. For the infrastructure services segment, Centuri, we apply 8.8x EV/EBITDA multiple, which is in-line with the business' closest industrial comps given Centuri's relatively insulated utility customers. Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Upside risks: higher than expected infrastructure services earnings growth, increasing construction project margins, better than expected rate case results.

Downside risks: Unfavorable regulatory outcomes and increased volatility at Centuri, disproportionately high foreclosure rates in SWX's territories, timing and execution of rate cases, rate base growth, underperformance at Centuri and expansion or contraction of sector valuations.

Spire (SR)
Our $77 PO for SR is based on a sum-of-the-parts analysis, applying a Gas LDC multiple of 15.7x on '23E with a 1x premium for Missouri and a 2x premium for Mississippi/Gulf and AL assets given their location and de-risked nature. For the midstream assets, we use a base 9.5x EV/EBITDA multiple with a 4x discount for storage given uncertainty, and a 4x discount for marketing due to volatility. We weight STL pipeline as 50% in our valuation given uncertainty with the pipe's future.

Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs. Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

UGI Corp. (UGI)
Our $51 PO is derived from our SOTP analysis, applying specific multiples and premiums to assets. For the gas utility, we utilize a 23E 15.7x P/E multiple +1x premium given its de-risked backdrop, and an in-line electric multiple of 17.6x. For U.S./international propane, we utilize an 8.7x EBITDA, in line with other publicly traded comps. We use a 9.2x EBITDA multiple at midstream w/ a premium/discount depending on the asset & CMG expansion/PennEast both weighted at 50%, respectively, given uncertainty associated with expansion opportunities/project execution. We take the NPV of future renewable solutions cash flows, implying a 13+x EV/EBITDA multiple (in line to slightly higher than our valuation to peers biz mix, such as SJI). Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for recapitalization and add back 50% of parent interest expense.

Downside risk: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, and unfavorable currency exchange rates. Macroeconomic concerns are rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Unitil Corporation (UTL)
We value UTL at a $48 PO based on a 2023e forward P/E basis using a utility group multiple of 17.6x for electric and 15.7x for gas. Also, we apply a 1x premium to our weighted peer multiples to align with MA comps and capture electrification upside. Both electric and gas peer P/E multiples are grossed up for a year to 2023 by 5% each to reflect capital appreciation across the sector.
Risks to our price objective on the upside are capex updates around MA gas pipeline replacement, regulatory asks around ROEs, and M&A. On the downside, risks are interest rate risk which could reduce the appetite for M&A, regulatory challenges and mild weather.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and EVG Coverage Cluster

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Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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Disclosures

Trending

Report

The Flow Show (https://rsch.baml.com/r?q=vOAfjZYSf2ATI1z8yB99Pw&e=cturnure%40nisource.com)

Feel the Yield in Me
Michael Hartnett 2021-Jul-22

Report

BofA on USA (https://rsch.baml.com/r?q=vOAfjZYSf2ATI1z8yB99Pw&e=cturnure%40nisource.com)

The World Tour: not quite yet
Michelle Meyer 2021-Jul-22

Timestamp: 22 July 2021 04:30PM EDT

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US Electric Utilities & IPPs

PowerPoints: PNW/SWX AZ, FE OH, PPL KY, NI IN, AMRC, EXC, ESG

Industry Overview | 22 October 2021 | Equity | United States | Electric Utilities

Key takeaways

- AZ Chair Marquez Peterson proposes multi-year reduction plan for PNW - EPS risk given O&M; Icahn quote positive for SWX
- FE OH text message headlines; PPL IRP coal retirements as expected; NI IRP meetings constructive on 7-9% trajectory
- AMRC contracts with EIX on 500 MW storage ($600-650m capex est); EXC technicals; ESG

ACC: Arizona Corporation Commission, or Commission
APS: Arizona Public Service

kWh: Kilowatt hour

MYP: Multi-Year Plan

O&M: Operations & Maintenance

IRP: Integrated Resource Plan

FE Court case is (Employees Retirement System of the City of St. Louis, et al v Charles Jones et al 2:20-cv-4813)

PNW/SWX: ACC Chair Márquez Peterson Proposes MYP

In the latest twist in Arizona, Arizona Corporation Commission (ACC) Chairwoman Márquez Peterson proposed a multi-year rate reduction plan for Pinnacle West (PNW) Arizona Public Service (APS) subsidiary to achieve a $0.09/kwh retail rate by 2030 versus $0.1172/kWh in 2020. As we show on Page 2, this will likely be significantly challenging to achieve. Approximately half of revenues are fuel/power, depreciation/amortization, and other taxes. Over the past three years O&M has represented 26% of revenue.

Our initial takeaway is that this amendment represents a further risk to earnings and cash flows for PNW. We intend to follow-up with a deeper analysis, and highlight next week's Commission meeting as critical for PNW. Maintain Underperform on PNW ahead of the expected earnings reset with challenging regulatory backdrop.

In the Chairwoman's proposed amendment we also note an interesting quote: "Lastly, this amendment gives APS an opportunity to improve its relationship with the Commission and restore the public's trust and confidence in the Company. As billionaire investor, Carl Icahn, recently stated in an open letter to the Board of Directors of Southwest Gas, "Loss of trust with regulators is extremely damaging to both shareholders and ratepayers." *This is an interesting datapoint for SWX, and indicates the Commission is following the activist campaign. Maintain Neutral on SWX due to uncertainty into the business mix and earnings outlook.*

FE: Unflattering OH headlines continue but thesis intact

In response to a subpoena to FirstEnergy, new text messages were released between former FE CEO Chuck Jones, other FE employees, and former Public Utilities Commission of Ohio Chair Sam Randazzo. The subpoena arose from efforts by the Ohio Consumers' Counsel, which is a party to multiple regulatory dockets. The communications broadly reflect the parties in an unflattering light but the only novel disclosure, according to the texts, was that Randazzo assisted in "burning" an updated distribution modernization report (DMR) audit.

In a separate but related proceeding, the US District Court Southern District of Ohio Eastern Division denied a motion for a stay in litigation against Chuck Jones. The primary justification given for denying the stay was the long passage of time and "allowing defendants to investigate themselves under the auspices of an Independent Review Committee. Defendants cannot have thought this committee to be a valid substitute for a Special Litigation Committee (SLC), which must be independent and disinterested. The Court cannot conceive of any reasonable explanation why this committee proceeded in lieu of naming new board members and setting up the SLC." The secondary rationale for denying the motion for a stay was that there are already multiple investigations and discovery requests so this case does not impose an undue burden.

The headlines are negative for FE, but we ultimately do not believe they likely change the prospects for a settlement of the pending Ohio regulatory proceedings. The updates could reduce willingness to settle to a degree but the potential to deliver immediate rate reductions to customers is a compelling proposal, in our view. Maintain Buy.

Please see the full note for more on PNW, PPL, NI, EXC, AMRC, and ESG.

PNW continued: Limited O&M cut latitude

Assuming APS's 2020 average retail rate of 11.72c/kWh persists in 2021, the company would need to compound annual reductions of ~3% in order to reach Commissioner Marquez Peterson's 2030 target of 9c/kWh. APS also assumes healthy sales growth in the near term at 1-2% through 2023 - assuming the low end of this holds through the end of the decade, PNW's revenue would be set to decline by a CAGR of ~1% from 2020 levels. Offsetting this through fuel and O&M reductions poses a challenge - as shown below, the two items account for over 50% of revenues in recent years. Mgmt. has indicated that latitude for near term O&M reductions is limited given the company is already operating at top quartile levels. Fuel savings from the Cholla retirement will flow through later in the decade, but it remains unclear if the savings will be enough to provide a full offset.

Exhibit 1: Arizona Public Service 2018-2020 Income Statement
O&M represents 26% of revenue versus 29% fuel and 17% for depreciation & amortization

Year Ended December 31,	2020	% of Rev	2019	% of Rev	2018	% of Rev
OPERATING REVENUES	3,586,982	100%	3,471,209	100%	3,688,342	100%
OPERATING EXPENSES						
Fuel and purchased power	**993,419**	**28%**	**1,042,237**	**30%**	**1,094,020**	**30%**
Operations and maintenance	**945,181**	**26%**	**926,716**	**27%**	**969,227**	**26%**
Depreciation and amortization	**614,293**	**17%**	**590,844**	**17%**	**580,694**	**16%**
Taxes other than income taxes	224,790	6%	218,540	6%	212,136	6%
Other expense	7,288	0%	5,888	0%	2,497	0%

BofA - US Electric Utilities & IPPs

Total	2,784,971	78%	2,784,225	80%	2,858,574	78%
OPERATING INCOME	802,011	22%	686,984	20%	829,768	22%
OTHER INCOME (DEDUCTIONS)						
Allowance for equity funds used during construction	33,776	1%	31,431	1%	52,319	1%
Pension and other postretirement non-service credits - net	57,359	2%	24,529	1%	51,242	1%
Other income	51,755	1%	46,884	1%	22,746	1%
Other expense	(53,694)	-1%	(12,990)	0%	(15,292)	0%
Total	89,196	2%	89,854	3%	111,015	3%
INTEREST EXPENSE						
Interest charges	233,452	7%	220,174	6%	231,391	6%
Allowance for borrowed funds used during construction	(18,530)	-1%	(18,528)	-1%	(25,180)	-1%
Total	214,922	6%	201,646	6%	206,211	6%
INCOME BEFORE INCOME TAXES	676,285	19%	575,192	17%	734,572	20%
INCOME TAXES	88,764	2%	(9,572)	0%	144,814	4%
NET INCOME	587,521	16%	584,764	17%	589,758	16%
Less: Net income attributable to noncontrolling interests	19,493	1%	19,493	1%	19,493	1%
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDER	568,028	16%	565,271	16%	570,265	15%

Source: Company Filings & BofA Global Research

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PPL KY IRP: Generation needs protracted despite upcoming retirements

PPL's KY Utilities filed their latest IRP this week - with retirements of coal plants in line with what was disclosed with the earlier rate case. Even with Mill Creek's planned retirement in 2024, reserve margins appear adequate with no generation needs in the near term. Through 2030, the base least cost resource plan contemplates potential for 500MW of solar and ~440MW simple cycle gas plants primarily for the winter. While ability to own the generation is admittedly unclear following the recent 125MW renewable RFP awarded to BrightNight, we stress the bulk of the need in the jurisdiction is not until the next decade. That said, recall the recent announcement by Ford to build a large battery plant in its service territory which wasn't taken into account in the base case: we stress this as boding well for economic advancement and load trends in the service territory.

Overall, we do not see any particularly positive surprises out of the latest IRP, with more limited organic investment opportunities likely for KY in the nearer term. Our model already incorporates $600Mn of spend above the plan through 2025 in KY and most opportunities for new gen appear protracted in the 2030s. Regardless of M&A or a more aggressive approach to buyback, we see downside risk to PPL's estimates vs. Street. We maintain our Neutral rating on shares, seeing a balanced risk/reward at the current valuation.

NI: NIPSCO IRP highlights flexibility in generation additions, range of capex

Northern Indiana Public Service Company (NIPSCO), the electric utility subsidiary of NiSource (NI), held the final stakeholder meeting in its 2021 integrated resource plan (IRP) process where the team outlined the preferred future generation portfolio. With existing assets, NIPSCO will be retiring Michigan City (the last remaining coal plant) in 2026-2028 (previously 2028) as well as Schahfer 16AB (a natural gas peaker) in the same time period. NIPSCO's preferred future portfolios are portfolio F (Local gas peaker, plus solar and storage), and Portfolio I (new H2-enabled peaker plus solar and storage, plus Sugar Creek conversion to H2).

*We see the update as supportive to our view that mgmt. has the ability to extend the higher EPS growth of 7-9% for longer (through 2026e), but note the flexibility gained by pointing to two portfolios makes it more difficult to pin down an exact capex figure. In our recent note (Fireside Chat; confidence in an extension of growth runway, avenues for growth), we outline capex for Portfolio F and Portfolio I of $430M and $800M, respectively with the delta between the two being 200 MW of wind, and upsized solar and storage - see our note above for more detail. Remember, NIPSCO will file its next IRP in 2024, and by then, we would expect some projects to already be underway through the regulatory process. We currently do not assume **any** capex from the IRP in future periods - more precise timing will be key to understand before we add our capex assumptions to our forecasts. We expect further discussion of the impact on the capital plan and growth profile when mgmt. unveils a longer-term growth strategy, potentially in May/June '22 during an analyst day. Maintain Buy on NI as we continue to view the discount as too large for strong business fundamentals.*

AMRC: Secures large CA storage project

Ameresco (AMRC) announced a contract with Edison International (EIX) subsidiary Southern California Edison (SCE) to develop, permit and interconnect three grid scale battery energy storage systems (BESSs) at SCE's existing substations. The four-hour 537.5MW systems (2,150 MWh) have an accelerated August 2022 target COD. AMRC indicated the contract was signed in 4Q21 so will not have an impact on 3Q financial results. An update on 4Q earnings will come with the 3Q results.

The storage investment is consistent with Governor Newsom, California Public Utilities Commission (CPUC), and the other California agencies prioritizing the rapid deployment of new clean energy and storage projects. Following a challenging supply/demand backdrop due to high demand (weather and covid) and low supply (hydro, wildfire impact on transmission, and generator outages), the outlook for 2022 is better, in our view, but is still perilously close to a 0% reserve margin without extreme assumptions.

The project is potentially significant for Ameresco. Using initial assumption of $300/kWh capex implies $600-$650Mn capital expenditures. This would be considerably higher than our current average growth capex spend estimates of ~$250m/ year from 2022 through 2025. We reiterate our Neutral rating despite growth prospects, given an already robust market valuation.

Exelon (EXC): Big base above 50-51 with upside to 67-72

We share our colleagues' recent work below highlighting Exelon. Please see the full report here: Thematic Stock Charts: Ten technically attractive stocks with digital asset exposure 22 October 2021 (https://rsch.baml.com/r?q=Qwjg5aEkYDY-S-w8M86pwQ)

EXC is an Electric Utilities stock with the potential to confirm an early 2019 into late 2021 big base on a sustained breakout above 50-51. This pattern would favor longer-term upside to big base counts at 67.50 and 72. Until then, holding support at 47.50-46.00 would maintain our bullish conviction. Rising 13, 26 and 40-week MAs from 49.01 to 45.64 underpin this support.

Although EXC has a challenging long-term downtrend relative to the SPX, there are some signs of stability off of the 2020 lows. Staying above the 13, 26 and 40-week MAs vs the SPX would make a case for a bullish turn vs the SPX.

Chart 1: Exelon (EXC) (top) and relative to the S&P 500 Index (bottom): Weekly chart with moving averages
EXC has the potential to confirm an early 2019 into late 2021 big base on a sustained breakout above 50-51. This pattern would favor longer-term upside to big base counts at 67.50 and 72. Until then, holding support at 47.50-46.00 would maintain our bullish conviction. Rising 13, 26 and 40-week MAs from 49.01 to 45.64 underpin this support. Although EXC has a challenging long-term downtrend relative to the SPX, there are some signs of stability off of the 2020 lows.

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Source: BofA Global Research, Bloomberg

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We maintain Buy on Exelon due to favorable valuations for both the utilities and unregulated subsidiaries.

ESG: European investors are overweight utilities

Consistent with our focus on ESG trading dynamics, we recap the work of our colleague analyzing ESG funds. A few notable datapoints

- ESG funds are growing 3x faster than non-ESG funds with 30% of every inflow into equities in 2021 going to ESG oriented funds
- **European ESG funds are the most overweight utilities by a wide margin** (~1.8 index vs 1.0 equal weight) with energy the most underweight (0.5 index). This large overweight is after net outflows from March-September
- Per InfluenceMap, 55% of "climate-themed" funds and 70% of ESG funds are not in alignment with the Paris Agreement objectives
- Sustainable Finance Disclosure Regulation (SFDR) definitions and guidelines on sustainability could lead to enhanced disclosures regarding screening/methodology for inclusions
- Relative premium for the top quintile over the bottom quintile on MSCI rankings has declined to 25% from 56% in 2019.
- 90% of S&P 500 companies now publish corporate sustainability reports, up from only 20% in 2019. Unfortunately there is no correlation between the number of documents published and weighting in funds.

Enhanced regulatory and investor focus on ESG funds represents a risk to the utilities sector, in our view, particularly for companies that are well-owned by those funds. We continue to believe that US utilities generally are underrepresented by US ESG funds as they exhibit strong rates of change on environmental qualities.

For additional details, please see the report here

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
ESG Matters: What qualifies as a Sustainable Investment? (https://rsch.baml.com/r?q=sZ-XVEGnJY8kb6mVQiskTA)	Savita Subramanian	21 October 2021

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
NextEra Energy: Upside to earnings prior to the novel pivots into water, hydrogen (https://rsch.baml.com/r?q=eBVLMpMAUhrml--XpaLg6A)	Julien Dumoulin-Smith	22 October 2021
US Alternative Energy: Solar Flash: Continued Rise in PPA Prices, Solar Panel Standstill (https://rsch.baml.com/r?q=OlGqy6YWdlS9JGXG97o4wA)	Julien Dumoulin-Smith	22 October 2021
US Electric Utilities & IPPs: PowerPoints: Fed Legislation, AGR NECEC, LNG contracts, EXC Hydrogen, AWK, & UGI (https://rsch.baml.com/r?q=oD7iXqEIiwKakh8oM9gnCQ)	Julien Dumoulin-Smith	21 October 2021

Exhibit 2: Stocks mentioned
Prices and ratings for primary stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
PNW	PNW US	Pinnacle West Capit	US$ 67.34	B-3-7
SWX	SWX US	Southwest Gas	US$ 68.29	B-2-7
FE	FE US	FirstEnergy	US$ 37.23	B-1-8
PPL	PPL US	PPL Corp.	US$ 29.01	B-2-8
NI	NI US	NiSource Inc	US$ 24.9	B-1-7
AMRC	AMRC US	Ameresco	US$ 68.05	B-2-9
EXC	EXC US	Exelon Corp	US$ 51.07	B-1-7

Source: BofA Global Research

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Click for important disclosures. Analyst Certification. Price Objective Basis & Risk.

Price Objective Basis & Risk

Ameresco (AMRC)
Our $74 Price Objective is based on a '23E SOTP methodology, with EBITDA multiples for each business segment driven by peer group valuations.

We value the Projects segment at a 10% discount relative to sustainable infrastructure E&C (to adjust for TTEK's implied water premium). We apply an avg 19x EBITDA multiple for the Energy Assets business, with a 15x multiple for solar and storage, and a 12x multiple for LFG. Both of these multiples are 2x premium to peers, justified we think given their higher growth prospects vs peers and exposure to distributed generation.

Within the Energy Assets biz, we value RNG on a DCF methodology with a 7.5% discount rate, and apply a 12x exit multiple to the post-2030 terminal

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FCFE.

For the O&M business, we apply a 21x multiple in line with similar Energy Assets business segments, given similar revenue and margin profiles. For the Other segment, we apply a 21x multiple, in line with the overall business.

Downside risks are construction delays, revenue concentration, as c.75% of revenues from from federal, state and local govt entities, govt contract risk, regulatory risks, merchant exposure and rising interest rates.

Exelon (EXC)
Our $56 PO is based on an SOTP valuation.
Utility: Our base electric peer P/E multiple of 16.0x for '24 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2023E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a DCF for nuclear and Mystic.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

FirstEnergy (FE)
Our PO of $41 is based on a sum-of-the-parts valuation. Multiples are driven by relative P/E premiums/discounts to the 2024E regulated peer multiple. Electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. As for premiums/discounts, we view NJ as at a slight premium +1x given a generally constructive commission and asset sale potential, PA at -2x as we view our more punitive estimates already account for industrial load sensitivity including O&G royalties, and others as in line to small discounts. In OH, we apply a -2x P/E discount multiple to account for rate review risk. Finally, we apply a +1x P/E premium to peers 2024E multiple to the Transmission business given potential for sale of a non-controlling stake. We subtract out the holding co debt given the high parent leverage.

Downside risks include but are not limited to: 1) Unfavorable regulatory outcomes, 2) larger than expected penalties, fine, litigation, refunds, and other outcomes from the Ohio investigations, 3) inability to earn the allowed ROEs and/or other deterioration of regulatory earnings, 4) increasing pension liabilities, 5) further negative investigation revelations, 6) large equity needs than forecasted.

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2024 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 13.6x for gas and 16.0x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

Pinnacle West (PNW)
Our price objective of $62 is based on a peer utility P/E multiple of 16.6x on our 2023E EPS of $4.62 with a -3.5x discount to account for future rate case risk, uncertain recovery of clean generation spend, resource adequacy concerns in the state, and general below-average regulatory environment in Arizona, PNW's sole jurisdiction. We also include a 50% prob-weighted SCR scrubber disallowance by applying a multiple to the estimated $45m earnings reduction from disallowance. Electric and gas peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector, for an effective multiple of 15.3x.

Upside risks: 1) Regulatory relationships/outcomes could improve, 2) load growth in territory above expectations 3) Riders and capital trackers could help achieve ROE 4) positive weather 5) interest rate risk changes cost of capital 6) Consumer advocates or utility staff could become focused on issues that improve ROE Downside risks: 1) Regulatory relationships/outcomes could decline, including changes at the elected commission 2) load growth in territory below expectations 3) Riders and capital trackers could hurt ROE 4) negative weather hurts earnings 5) interest rate risk changes cost of capital - higher rates could worsen 6) Consumer advocates or utility staff could become focused on issues that hurt ROE 7) Solar advocates in the state have engaged in public confrontations with the utility, which could change public relations in the future.

PPL Corporation (PPL)
Our $28 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2024E peer group multiple of 15.7x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector. We apply discounted valuations to the PA and KY segments for below average rate base growth profiles.

Risks to our Price Objective include but are not limited to: 1) Integration of Rhode Island assets, 2) regulatory/political/legislative changes, 3) capital markets, 4) ability to earn the regulatory allowed return on equity, 5) uncertainty into use of proceeds from UK divesture, 6) capital expenditures forecasts, 7) natural disasters.

Southwest Gas Holdings (SWX)
Our $73 PO is based on our 2023E Sum-of-the-parts (SOTP) analysis. We apply a 15.9x peer Gas LDC utility P/E to the utility EPS across the company's three major jurisdictions, which include Arizona, Nevada and California. We gross this peer multiple up by 5% to reflect capital appreciation across the sector. For AZ, we apply a 1.5x discount to the jurisdiction given lack of forward looking rate treatment/alternative rate making mechanisms. We apply a 1.0x discount to NV and CA as we take a more negative view on the jurisdictions' LT viability. Additionally, we value the FERC regulated Pauite Pipeline separately on a midstream peer group average EV/EBITDA multiple of 9.5x and net out associated debt. For the infrastructure services segment, Centuri, we apply 8.8x EV/EBITDA multiple, which is in-line with the business' closest industrial comps given Centuri's relatively insulated utility customers. Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Risks are: 1) M&A, 2) Activist shareholders, 3) infrastructure services performance, 4) construction margins, 5) regulatory outcomes, 6) ability to earn regulatory rates of return, 7) capital markets access, 8) rating agency actions.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith

BofA SECURITIES
BofA GLOBAL RESEARCH

	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
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	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
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	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
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UNDERPERFORM				
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	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
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SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
TPI Composites	TPIC	TPIC US	Adhok Bellurkar
Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith

Analyst Certification

We, Julien Dumoulin-Smith and Stephen Suttmeier, CFA, CMT, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Trending

Report

Equity Strategy Theme Screens (https://rsch.baml.com/r?q=wcUa!uC6bjwTI1z8yB99Pw&e=cturnure%40nisource.com&h=Dy-aHwJBKRoyAHM4TH0x8y5B9QPw&e=cturnure%40nisource.com)

Six themes, twenty screens
Savita Subramanian 2021-Oct-26

Report

US Equity Strategy in Pictures (https://rsch.baml.com/r?q=jBKRoyAHM4TH0x8y5B9QPw&e=cturnure%40nisource.com)

Investing for 4Q and beyond
Savita Subramanian 2021-Oct-25

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US Electric Utilities & IPPs

Power Points: DUK IRP, Freeport LNG, EXC IL rate case, NI OH rate case,

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Industry Overview | 01 July 2021 | Equity | United States | Electric Utilities

Key takeaways

- Parties in NC file motion for hearing on DUK IRP, SC rejected the IRP and is requiring modification, not a surprise following
- D's IRP earlier this year; Freeport LNG could contract for train 4 by YE, positive read for Cheniere; ICC approves modest
- rate hike for ComEd, focus remains on the future for FRP; NI OH files first rate case since 2008, proposes addl. mechanisms

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DUK: IRP developments are key to renewables ambitions

Environmental justice non-profit NC WARN and The Center for Biological Diversity (The Center or CBD) filed a motion for the North Carolina Utilities Commission to schedule an evidentiary hearing to address matters in Duke Energy Carolinas (DEC) and Duke Energy Progress (DEP)'s 2020 Integrated Resource Plans (IRPs). NC Warn and The Center assert several issues with the IRPs that they believe warrant an evidentiary hearing including principally the necessity of natural gas generation relative to battery storage.

Separately, on June 29th the SC PSC rejected the Duke's DEC/DEP IRP (2019-224-E and 2019-225-E) and required a response within 60 days. While a negative headline, we don't see this as a surprise, following the similar rejection of Dominion SC's IRP earlier in 2021. In fact, the details of the rejection represent a positive because the Commission requested a series of revisions that could lead to additional solar investment. For example the Commission requested solar/storage power purchase agreement (PPA) cost assumption revisions (presumably lower) and update associated capacity benefits (likely higher).

The IRPs have been contentious due to the natural tensions between broad stakeholder support for renewables and related cost pressures. The SC Commission requested modifications are a prime example of this pressure. We continue to monitor progress on NC HB951 that builds-off the IRP and would support accelerated coal retirement, step-function increase in utility-owned renewables, and favorable regulatory reforms.

Freeport LNG could have contracts for Train 4 by YE-21

Gulf Coast developer Freeport LNG management commented that they could have enough long-term contracts by year-end to FID (Final Investment Decision) on a fourth train at their export facility. Train 4 would need at least 75% of its 5mtpa capacity to FID and if contracts were signed by YE21, they could FID by summer 2022. The increase in expectations follows renewed customer conversations following the improvement in LNG prices. The company has not yet announced any firm contracts associated with Train 4, aside from the preliminary agreement signed in 2018 with Sumitomo for 2.2mtpa, which expired last year.

We see this commentary as a positive read-through for Cheniere, given the positive contracting environment for Corpus Christi Stage 3 growth project, for which they are also working on securing sufficient contracts to FID.

EXC: ICC backs small rate hike for ComEd

The Illinois Commerce Commission (ICC) staff has recommended (Docket 21-0367) a $31.6mn (+1.1%) revenue requirement increase which includes a $23.1mn filing year increase on a 7.36% ROE (48.7% equity) and a $38.4mn downward adjustment using a 7.29% ROE prior year reconciliation. Overall, the proceeding is not expected to be controversial given the formulaic nature of the process, particularly the ROE (12-month avg 30-year Treasury yield plus

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proceeding is not expected to be controversial given the formulaic nature of the process, particularly the ROE (12-month avg 30-year Treasury yield plus 580 bps premium). Although we note the proposed -7bp 'performance metrics penalty', albeit small, introduces a degree of uncertainty. The ICC is expected to issue a decision in Dec '21, with new rates taking effect in Jan '22.

Investor focus is on future ComEd earnings profile in various legislative scenarios regarding a potential FRP extension. If the FRP is not extended, we see potential for an improvement in the allowed ROE based on the 9.1% 2020 average allowed. For reference, ComEd's latest earned regulatory ROE is 6.88%.

NI: Columbia Gas of OH files rate case

Columbia Gas of OH filed a general rate case with proposed +$221Mn revenue requirement premised on a 10.95% ROE and 50.6% equity ratio. The filing was agreed to in Columbia Gas' 2017 rider update and is the first rate case since 2008. We note that the Public Utility Commission of OH (PUCO) recently hosted a forum to cost of capital considerations.

Aside from the earnings drivers, notable rate construct proposals include (1) increasing volumetric breakpoint between rate classes to minimize class switching; (2) establishing a monthly delivery charge for certain classes; (3) proposed Federal/State Tax Reform Rider; and (4) establishment of a voluntary $5/month Carbon Reduction Rider to fund the purchase of carbon offsets.

Ohio has historically been a constructive electric and gas jurisdiction but we expect an elevated focus given the 10+ years since the prior case and the magnitude of the request. Ultimately we see a constructive outcome as likely based on precedent.

Exhibit 1: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
LNG	LNG US	Cheniere Energy Inc	US$ 87.05	B-1-9
DUK	DUK US	Duke Energy	US$ 99.71	B-2-7
EXC	EXC US	Exelon Corp	US$ 45.00	B-1-7
NI	NI US	NiSource Inc	US$ 24.90	B-1-7

Source: BofA Global Research

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Price Objective Basis & Risk

Cheniere Energy Inc (LNG)
Our $90/sh PO is based on an SOTP in which we value LNG's stake in CQP using a fundamental DCF valuation of its ownership stake in Sabine Pass. We provide separate value to LNG's marketing business assuming excess capacity of SP 1-5 and CC 1-3 is marketed with a $2.35/MMBtu realized margin, applying a 9.0x multiple to corresponding EBITDA. We value CC 1-3 on a DCF basis, valuing the initial 20-year contract term at 100% and the 10-yr extension at 100% (risk reflecting in pricing assumptions). We discount cash flows at an 7% rate during the contracted period given the difference in risk profile. For CC3 we again assume initial 20-year contract term, given the asset is largely contracted we assume full value, again weighing the contract extension at 100%, same discount rates as for CC1&2. We ascribe 75% likelihood to the CCS3 expansion and 100% likelihood to the SP-6 expansion. We also attribute value for after-tax GP distributions using DCF approach at an 7% discount rate.

Downside risks are counterparty credit risk, construction delays, changes in trade policy limiting exports, and changes in commodities.

Duke Energy (DUK)
Our $105 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2023E P/E multiples. We apply a 3.0x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and recent sale valuation marker). We apply a 2x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2021. We value the other regulated electric utilities at 18.2x and the gas utilities at peer group multiples of 16.7x 2023E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2023E EV/EBITDA basis. We use a 9.0x multiple for midstream and transmission segment. We add the net present value of renewable segment using an 8% discount rate. We subtract out the impact of commercial debt, and add back for the renewable debt.

Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Exelon (EXC)
Our $52 PO is based on an SOTP valuation.
Utility: Our base electric peer P/E multiple of 18.1x for '23 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2022E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/EGE in the sector), to which we apply a premium/discount based

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then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a DCF for nuclear and Mystic.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

NiSource Inc (NI)
Our $29 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 16.1x for gas (from 16.3) and 17.8x (unchanged) for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, high natural gas prices, financing plan updates, unforeseen costs associated with the MA incident, and challenging steel production economics in Indiana.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
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	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
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Analyst Certification

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I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Important Disclosures

Cheniere Energy Inc (LNG) Price Chart

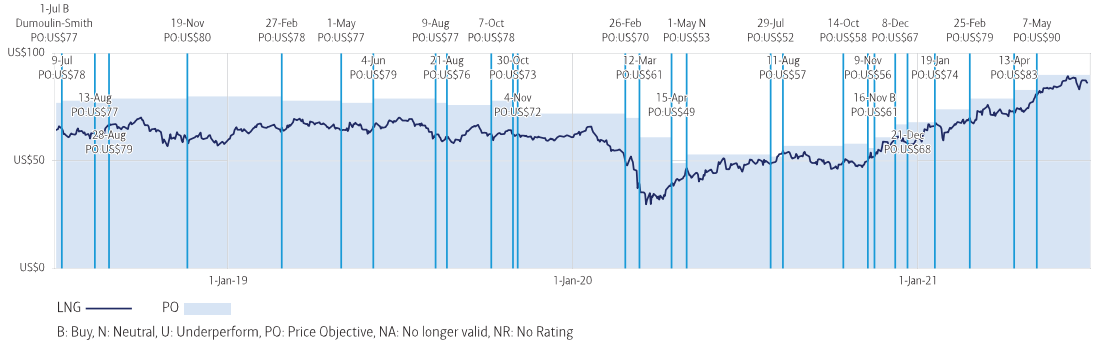

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Duke Energy (DUK) Price Chart

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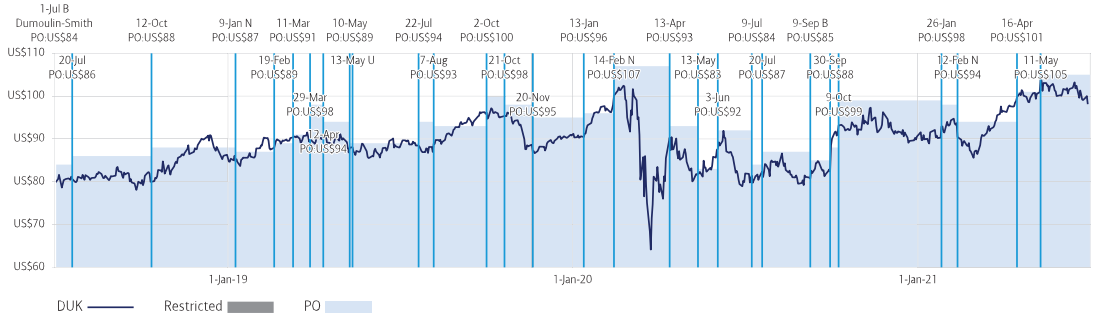

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Exelon Corp (EXC) Price Chart

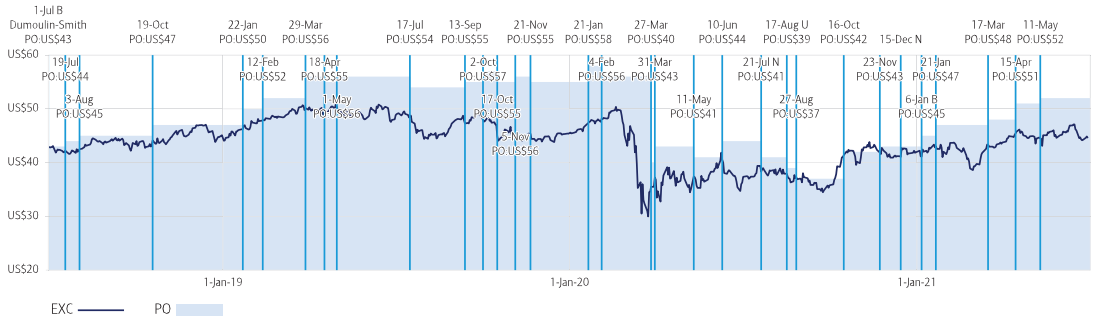

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NiSource Inc (NI) Price Chart

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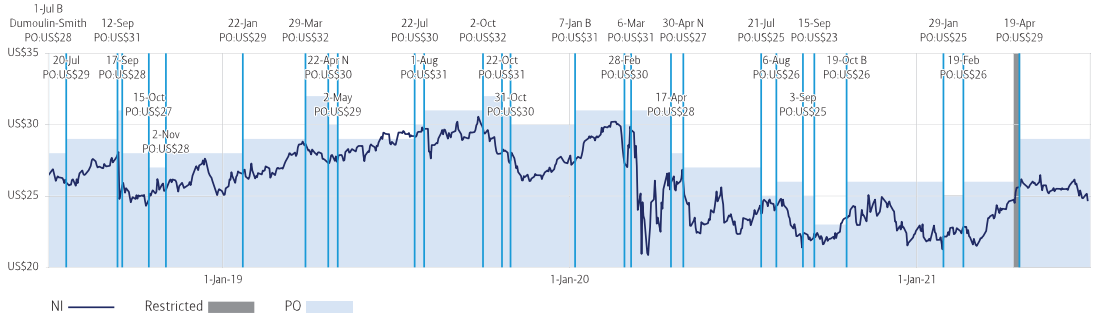

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	60.63%	Buy	57	74.03%
Hold	27	21.26%	Hold	15	55.56%
Sell	23	18.11%	Sell	13	56.52%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	49.68%	Buy	53	68.83%
Hold	39	25.16%	Hold	29	74.36%
Sell	39	25.16%	Sell	24	61.54%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1947	60.07%	Buy	1252	64.30%

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Hold	637	19.65%	Hold	395	62.01%
Sell	657	20.27%	Sell	340	51.75%

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US Electric Utilities & IPPs

Utility Bills Are Likely Going Up. What utilities have exposure? Who may profit?

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Industry Overview | 05 October 2021 | Equity | United States | Electric Utilities

Key takeaways

- Sharp rise in gas and power commodity costs is a sector risk due to regulatory/political intervention.

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- Sharp rise in gas and power commodity costs is a sector risk due to regulatory/political intervention.
- Less gas exposure, below avg bills, high reliability, above-average per capita incomes, and strong balance sheets key traits
- Eversource (ES) and Avangrid (AGR) two with challenged positioning plus NWE, & UTL. XEL, PEG, NEE, & EXC standout positively.

CL&P: Connecticut Light & Power
PSEG: Public Service Enterprise Group
LDC: Natural gas local distribution company

Distilling the rate storms: Identifying key attributes

In 2021 there has been significant increases in a wide range of commodities with key energy costs spiking higher in September. For example, New England wholesale natural gas forwards have increased +31% over the past month and +63% in the past six months. For regulated utilities commodity costs are a *'pass-through'* to customers without a profit margin but there are indirect implications. Higher bills reduces the bill headroom or "wallet share" available for utilities to invest in rate base that generates earnings. Additionally, a sharp increase in customer bills can lead to adverse regulatory or political actions. The energy price topic is multifaceted so we start by trying to decompose into the core elements: **(1)** where/for who are bills increasing the most for commodity costs; **(2)** where are bills already high and/or poised to increase before the latest commodity spikes: **(3)** what customer bases can better absorb a price shock; **(4)** who has quality service that makes increases more palatable; and **(5)** who was the strongest balance sheet to absorb any cash flow delays from customers. Please see Page 2 for analysis summary metrics and Page 4 for ratings rationales for stocks mentioned.

What utilities have the most exposure? ES, AGR, & UTL

Eversource Energy (ES) rated Neutral appears to have a large exposure for a potential rate shock. Eversource has above-average bills electric and gas), examples of extended customer outages, and below-average customer satisfaction. A favorable offset is high per capita income, although that fact did not prevent the 'Take Back Our Grid Act' from being enacted in Connecticut. Eversource's balance sheet is above average at Baa1 but Moody's has a negative outlook which weakens financial flexibility. Although Eversource recently reached a settlement with parties in its CL&P interim rate decrease docket (further details are available in our note here (https://rsch.baml.com/r?q=Sarlg6sG9FbHuxe6gEqxTw)), there are risks elsewhere in Connecticut (Yankee Gas) as well as the other Northeast utilities. Neighboring peer Avangrid (AGR) also similarly screens poorly on key metrics. Other companies relatively weakly positioned include **UTL, ETR, NWE, AQN, DUK, PNW, and FE.**

'All weather' utilities include XEL, PEG, NEE, and EXC

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Xcel Energy (XEL Neutral) is a clear positive standout from the analysis with relatively low average bills (electric and gas) coupled with above-average reliability, state per capita incomes, and Moody's credit rating. Another company enjoying strong attributes is **PSEG (PEG)** that has generally high per capita income and credit rating coupled with below-average outage durations to insulate the company. We also highlight **Exelon (EXC)** as its outage statistics are

favorable and it enjoys at least average demographics. Exelon is unique with its unregulated Constellation nuclear-oriented subsidiary a prime beneficiary of the power increases. Other companies that screen well include **NEE, AVA, IDA, and ATO**. Lastly we would be remiss to not highlight **American Water Works (AWK - Underperform)'s** favorable attribute of supplying water rather than gas.

Not all LDCs the same: Limited exposure to New England

As we show, the thesis is not as simple as being negative on LDCs for a variety of reasons but the primary factor is public companies not having Northeast concentration.

What are the investment implications?

Rising input costs impacts all companies but different utilities and companies have unique attributes that can present opportunities and risk. We present key takeaways below.

- ***Where are bills high today?*** Residential revenue per customer - electric and gas.
- ***Whose customers face the longest outages?*** *EIA statistics on outage durations*
- ***How do customers rate their utilities?*** *J.D. Power customer satisfaction surveys*
- ***What customer bases can afford bill increases?*** US per capita income stats
- ***What utilities can handle delayed cash flows?*** Moody's credit ratings

Exhibit 1: Distilling key characteristics across the electric & gas universe
Below-average bills & customer outages plus above-average customer satisfaction, per capita income, and credit ratings are important attributes to withstand bill spikes

Electric Revenue per Customer

Low		High	
ALE	NWE	HE	ES
XEL	AVA	CPK	EMA
MDU	AGR	SO	AQN
		D	NEE
		PNW	

Gas Revenue per Customer

Low		High	
SRE	PCG	UTL	AGR
MDU	CNP	ES	NJR
ATO	XEL	ED	SJI

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Electric Outage Duration

Low		High	
BKH	NEE	ES	ETR
EXC	XEL	AEP	DUK
PEG	EVRG	FE	

Per Capita Income

High		Low	
ES	EIX	ETR	DTE
ED	AVA	DUK	CMS
PEG	XEL	SO	NWE
PCG	EXC	AEP	PNW

Customer Satisfaction

High		Low	
NEE	SO	AQN	ES
IDA	PPL	CNP	AGR
ETR		PCG	NWE
		BKH	

Moody's Credit Rating

High		Low	
ATO	ALE	PCG	EVRG
PNW	XEL	FE	UTL
OGS	WEC	EIX	AGR
POR	AEE	FTS	ETR
PEG	NEE	EMA	NWE

Source: BofA Global Research

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As discussed on Page 1, we see key common attributes that recur across certain utilities. Companies with a mix of high bills and low service quality face more regulatory/political risk than similar companies facing the same rate increases with lower starting rates.

The analysis is more nuanced than simply having a negative disposition to natural gas LDCs. These companies tend to have lower overall bills than electrics, stronger balance sheets (see ATO/OGS), and unregulated operations than can benefit from market volatility (see NJR).

In general we think that the electric utilities are better positioned due to more diverse operations, the fact that gas prices have increased more than electric prices, and a larger mix of gas versus electric supply costs in the average bill. As a result we are incrementally cautious on the natural gas LDCs but it is important to not paint all companies with the same brush. The electric wholesale supply stack includes renewables, nuclear, and coal that dampens the impact from increasing natural gas prices - although we have seen input cost inflation for coal and nuclear as well.

The analysis starts by being cognizant of the relative mixes for companies. The pure-play natural gas LDCs have more exposure to the thesis as natural gas utilities clearly do not have a diversified supply mix. Electric utilities benefit from diversification with many utilities power sources including coal, hydro, nuclear, and renewables - all of which except coal have generally stable or zero fuel costs. The dynamics of gas-to-coal switching we have recently observed and detailed is naturally not an option for a natural gas utility.

We present a high level overview of natural gas utility business mix for companies in our earlier note here: Just How 'Gassy' are Utilities? 18 September 2020

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LDCs: Increasing gas prices represent a risk

We examine the apparent relationship between the performance of the gas local distribution companies (LDC) with movements in forward natural gas rates. We continue to receive daily investor questions about the opportunities and risks related to the gas price rally.

With natural gas prices significantly increasing in 2H21 (see blue line below as an example) we are incrementally cautious on the natural gas LDC sector as increasing commodity prices will reduce customer rate headroom. Even if the outcomes for utilities are benign, the perception of risk could lead to sub-sector underperformance. This is the latest example of macro factors potentially spilling into regulatory proceedings.

Exhibit 3: Natural Gas 24-Month Forward Pricing (Blue - Right) versus NiSource (NI Pink - Left) and Natural Gas LDCs (Orange - Right)

We show inverse correlations between natural gas and LDCs in late 2016, early 2018, most of 2019, and seemingly now in late 2021.

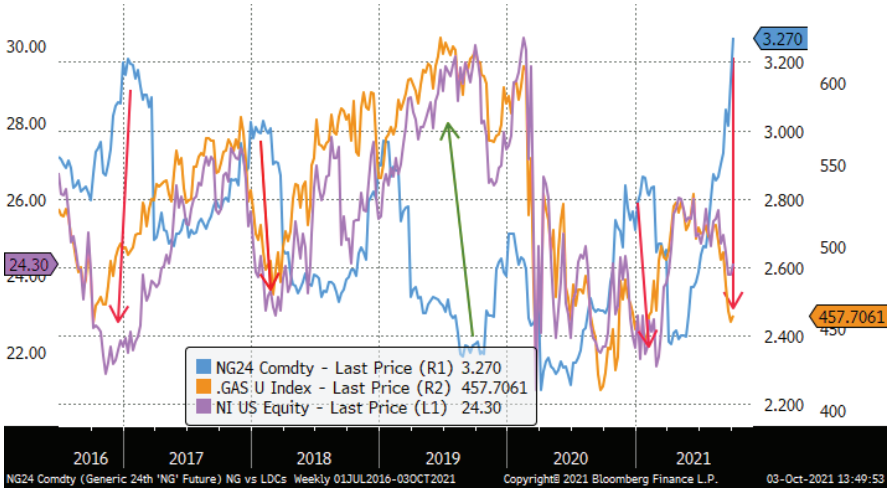

Source: Bloomberg and BofA Global Research

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Exhibit 3: Primary Stocks Mentioned in this Report

Prices, Ratings, and Rationale for Ratings for Primary Stocks Mentioned in This Report

BofA Ticker	BB ticker	Company name	Rationale of Rating	Price	Rating
AEP	AEP US	American Elec Power	Maintain Buy on AEP with favorable valuation and catalysts that over shadows inflationary concerns	US$ 83.04	B-1-7

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AGR	AGR US	Avangrid	Maintain Underperform on AGR due to uncertainty in achieving long-term earnings guidance	US$ 49.55	A-3-7
AQN	AQN US	Algonquin Power	Maintain Underperform on AQN based on upon execution concerns for targeted growth	US$ 14.85	B-3-8
ATO	ATO US	Atmos Energy	Maintain Neutral on ATO with balanced risk/return profile with rate concerns balanced by above-average growth	US$ 90.55	A-2-7
AVA	AVA US	Avista Corp	Maintain Underperform on AVA due to questions on achieving stated return profile in Washington state.	US$ 39.9	B-3-7
AWK	AWK US	American Water	Maintain Underperform on AWK based primarily on valuation considerations that outweigh potential positives.	US$ 170.91	B-3-7
BKH	BKH US	Black Hills	Maintain Buy on BKH with an above average growth profile at attractive valuation.	US$ 64.45	B-1-7
CNP	CNP US	CenterPoint Energy	Maintain Buy on CNP with one of the highest EPS growth rates at attractive valuation.	US$ 25.49	B-1-7
DUK	DUK US	Duke Energy	Maintain Neutral on DUK due to balanced risk/reward profile at current pricing.	US$ 100.76	A-2-7
EIX	EIX US	Edison Intl	Maintain Neutral on EIX due to balanced risk/reward profile at current pricing.	US$ 56.23	B-2-7
ES	ES US	Eversource Energy	Maintain Neutral on ES due to elevated regulatory uncertainties and rate concerns that balance valuation.	US$ 84.92	A-2-7
ETR	ETR US	Entergy Corp.	Maintain Buy on ETR due to above-average valuation that outweighs balance sheet and other risks.	US$ 101.38	B-1-7
EVRG	EVRG US	Evergy	Maintain Neutral on EVRG due to balanced risk/reward profile after recent re-rating.	US$ 62.62	B-2-7
EXC	EXC US	Exelon Corp	Maintain Buy on EXC with favorable valuations at the regulated and unregulated segments.	US$ 48.35	B-1-7
FE	FE US	FirstEnergy	Maintain Buy on FE with attractive valuation and positive catalysts expected in the next 12 months.	US$ 36.01	B-1-8
IDA	IDA US	Idacorp	Maintain Neutral on IDA with above-average valuation balanced against attractive low-risk profile.	US$ 105	B-2-7
NEE	NEE US	NextEra Energy	Maintain Buy on NEE with long track record of utility and renewable development growth successes.	US$ 79.36	B-1-7
NWE	NWE US	NorthWestern Corp	Maintain Neutral on NWE due to balanced risk/reward profile at current pricing.	US$ 58.92	B-2-7
OGE	OGE US	OGE Energy Corp	Maintain Buy on OGE with reasonable valuation as transition to pure-play regulated utility.	US$ 33.64	B-1-7
OGS	OGS US	ONE Gas, Inc	Maintain Underperform on OGS due primarily to valuation considerations but also inflation risks	US$ 67.37	A-3-7

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UGS	UGS US	UNL Gas, Inc.	Inflation risks.	US$ 67.37	A-3-7
PCG	PCG US	PG&E Corp.	Maintain Buy on PCG due to deeply discounted valuation and positive catalysts in early 2022.	US$ 9.82	C-1-9
PEG	PEG US	Public Service	Maintain Buy on PEG following fossil generation divestitures with attractive risk/return profile pro-forma.	US$ 61.15	B-1-7
PNW	PNW US	Pinnacle West Capit	Maintain Underperform on PNW with risk to long term earnings power in challenging Arizona jurisdiction.	US$ 73.97	B-3-7
SO	SO US	Southern Company	Maintain Buy on SO as construction of Vogtle nuclear plant draws to completion at attractive valuation.	US$ 62.43	A-1-7
SRE	SRE US	Sempra Energy	Maintain Neutral on EIX due to balanced risk/reward profile at current pricing.	US$ 126.52	B-2-7
UTL	UTL US	Unitil Corp	Maintain Underperform on UTL due primarily to valuation considerations but also inflation risks.	US$ 44.29	B-3-7
WEC	WEC US	WEC Energy Group Inc	Maintain Underperform on WEC due primarily to valuation considerations.	US$ 89.37	A-3-7
XEL	XEL US	Xcel Energy	Maintain Neutral on XEL with favorable inflationary metrics balanced by premium valuation.	US$ 63.9	A-2-7

Source: BofA Global Research

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Setting the stage: Looking at commodities

We start by 'level setting' showing the key wholesale power and natural gas inputs. Over the last six months **every major 2022 forward power hub has increased 45%+ and natural gas hubs are even stronger at 65%+.** This sets the stage for material bill increases in the upcoming winter and balance of 2022, a headwind for the sector.

Exhibit 4: Power, Natural Gas, Oil, and Other Energy Datapoint Performance Metrics
We highlight >25% (yellow), >50% (orange), and >75% (green) movements

Ticker	Name	Price	%1M	%3M	%6M	%1YR
2022 Power Hubs						
FNERY 22	NEPOOL FV ATC Yr	$68.14	23.2	**49.5**	**84.3**	**93.4**
FPWAY 22	PJM West DA ATC Yr	$44.32	17.1	**36.9**	**57.2**	**60.9**
FPGAY 22	PJM PSEG Zn DA ATC Yr	$41.82	19.8	**42.9**	**58.2**	**65.0**
FNIRY 22	NI Hub FV ATC Year	$40.46	17.4	**40.6**	**64.1**	**68.5**
FMIRY 22	MISO Ind DA ATC Yr	$42.41	10.5	**28.3**	**44.9**	**48.0**
FDAAY 22	AEP Dayton DA ATC Yr	$41.88	13.1	**32.4**	**52.9**	**57.2**

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FNGRY 22	NY Zn G FV ATC Yr	$53.29	17.2	**31.8**	**62.2**	**77.1**
FSPRY 22	SP15 ATC FV Year	$70.40	24.0	**40.5**	**56.1**	**94.7**
FHLRY 22	ERCOT Hous Ld Zn RT ATC Yr	$48.16	9.3	16.1	**55.6**	**58.5**
2023 Power Hubs						
FNERY 23	NEPOOL FV ATC Yr	$50.06	8.6	17.9	**35.6**	**37.4**
FPWAY 23	PJM West DA ATC Yr	$35.41	9.2	19.0	**30.7**	**28.9**
FPGAY 23	PJM PSEG Zn DA ATC Yr	$33.32	10.5	20.3	**31.6**	**29.6**
FNIRY 23	NI Hub FV ATC Year	$32.85	11.6	24.6	**38.8**	**40.1**
FMIRY 23	MISO Ind DA ATC Yr	$36.15	6.4	14.7	**25.7**	**28.0**
FDAAY 23	AEP Dayton DA ATC Yr	$33.77	7.3	16.6	**28.7**	**27.9**
FNGRY 23	NY Zn G FV ATC Yr	$41.37	6.6	7.9	24.3	**31.6**
FSPRY 23	SP15 ATC FV Year	$52.51	15.5	24.9	**31.6**	**49.7**
FHLRY 23	ERCOT Hous Ld Zn RT ATC Yr	$37.76	5.2	11.4	**28.0**	24.1
2022 Gas Hubs						
FFANY 22	Algonquin FV Fixed Year	$8.08	**31.3**	**63.1**	**118.2**	**118.5**
FFTMY 22	TETM3IF Fixed Year	$4.61	20.3	**44.0**	**76.4**	**71.5**
FFCHY 22	Chicago Fixed Fair Val Year	$4.38	13.8	**41.0**	**68.8**	**73.0**
FFCTY 22	TCO Fixed Fair Value Year	$3.68	16.0	**47.1**	**73.2**	**66.3**
FFT6Y 22	TRANZ6IF Fixed Year	$5.00	18.5	**42.6**	**66.9**	**63.0**
FFSCY 22	SoCal CG Fixed FV Year	$8.20	**27.1**	**61.4**	**112.9**	**145.7**
FFWAY 22	Waha Fixed FV Year	$4.02	13.7	**44.1**	**66.2**	**73.8**
FSNGY 22	Fair Value Nymex Natgas Swap	$4.31	13.8	**37.5**	**63.3**	**66.0**
2023 Gas Hubs						
FFANY 23	Algonquin FV Fixed Year	$5.67	15.8	**29.8**	**55.6**	**55.7**
FFTMY 23	TETM3IF Fixed Year	$3.69	16.1	**31.9**	**48.8**	**45.3**
FFCHY 23	Chicago Fixed Fair Val Year	$3.50	12.2	**26.3**	**38.9**	**43.4**
FFCTY 23	TCO Fixed Fair Value Year	$2.88	14.6	**30.1**	**41.9**	**37.7**
FFT6Y 23	TRANZ6IF Fixed Year	$3.93	12.0	**25.8**	**33.6**	**36.1**
FFSCY 23	SoCal CG Fixed FV Year	$5.90	20.6	**37.2**	**65.3**	**85.1**
FFWAY 23	Waha Fixed FV Year	$2.98	13.2	**37.3**	**37.8**	**36.4**
FSNGY 23	Fair Value Nymex Natgas Swap	$3.46	12.3	24.2	**35.9**	**40.0**
Oil & Gas						
CL1	Generic 1st 'CL' Future	$75.88	11.1	5.3	23.5	**96.0**
CL12	Generic 12th 'CL' Future	$69.82	8.8	6.8	20.8	**66.8**
NG1	Generic 1st 'NG' Future	$5.62	20.5	**53.3**	**112.9**	**122.4**
NG12	Generic 12th 'NG' Future	$3.88	10.2	**31.3**	**55.9**	**38.1**
NG24	Generic 24th 'NG' Future	$3.27	12.8	22.4	**37.2**	**32.6**

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FSNGY 21	Fair Value Nymex Natgas Swap	$5.62	19.7	**53.3**	**102.9**	**96.5**
FSNGY 22	Fair Value Nymex Natgas Swap	$4.31	13.8	**37.5**	**63.3**	**66.0**
FSNGY 23	Fair Value Nymex Natgas Swap	$3.46	12.3	24.2	**35.9**	**40.0**
Other Energy Datapoints						
NRG	NRG ENERGY	$40.66	(10.5)	(1.8)	8.5	**30.9**
VST	VISTRA CORP	$16.85	(11.8)	(11.5)	(4.9)	(6.3)
XLU	SPDR-UTIL SELECT	$63.88	(8.1)	(0.2)	(0.2)	5.3
XOP	SPDR OIL&GAS EXP	$99.24	17.1	2.1	16.0	**138.4**
AMLP	ALERIAN MLP ETF	$33.79	1.0	(8.6)	8.5	**68.4**
SPY	SPDR S&P 500 ETF	$434.24	(4.2)	0.1	8.4	**30.1**

Source: Bloomberg

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EIA Sales Data

For reference the U.S. Energy Information Administration (EIA) data for June 2021 shows the split of residential, commercial, industrial, transportation, and blended rates. Residential customers typically pay premium rates with higher margin in contrast to industrial customers that are less profitable for utilities in isolation.

- Residential: 13.85¢/kwh Transportation: 10.38¢/kwh
- Commercial: 11.34¢/kwh Industrial: 7.27¢/kwh
- Blended: 11.30¢/kwh

Overall US electric retail sales have been largely stagnant with ~0.5% CAGR from 2001-2019/2020 with 1% residential, ~1% commercial, and slightly negative for industrial. The primary driver has been improving energy efficiency that has caused a decoupling between GDP growth and electrical usage. 2020 showed the impact of covid with a sharp decline in C&I partially offset by higher residential consumption due to work-from-home dynamics. Prospectively most utilities forecast sales growth of +50bp with many companies closer to flat and a few outliers at 100bp or greater.

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Exhibit 5: Retail sales of electricity United States annual (Indexed to 2001 as percent)
Overall electric consumption has been stagnant

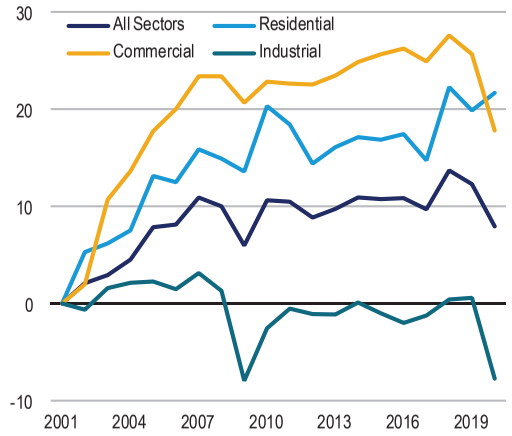

Source: U.S. Energy Information Administration

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Exhibit 6: Average Retail Price of Electricity (cents per kilowatt hour)
Residential rates have far outpaced C&I

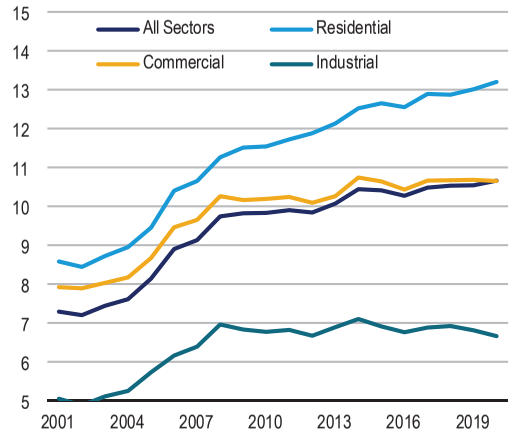

Source: U.S. Energy Information Administration

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What is in your bill? A mix of supply and delivery charges

We use Eversource (ES) useful sample electric and gas bills to provide high-level datapoints. Note that the information is from an April 2019 sample which understates the peak impact in July/August for Electric and January/February for Gas. The effect is far more pronounced for natural gas with consumption

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that is 2.5x higher in the winter than early Spring and negligible in the Summer.

Electric: Out of the company's $129 April 2019 sample bill 54% ($71) related to delivery charges with $58 related to supply. Holding the other variables constant and increasing the consumption +20% to the sample for August would increase the bill to $145, or +12%

Gas: Out of the company's $114 April 2019 sample bill 55% ($62) related to delivery charges while $52 related to supply (i.e. natural gas) charges. As mentioned the usage in the April period (65d cf) is much lower than March (128 dcf) and February (174 dcf). Holding the other variables constant and increasing the consumption +267% to the sample for February would increase the by 139%

Exhibit 7: Eversource Sample April 2019 Gas Bill
Gas bills are significantly higher in the winter

Sample Gas Bill	April 2019	March 2019	February 2019
Delivery Charges			
Customer	**$15**	$15	$15
Consumption	65	128	174
Rate	$0.72	$0.72	$0.72
Total Delivery Charge	**$62.06**	**$92.67**	**$125.98**
Supply Charge			
Consumption	65	128	174
Rate	$0.80	$0.80	$0.80
Total Supply Charge	**$52.20**	**$102.79**	**$139.74**
Total Bill	**$114.26**	**$195.47**	**$265.71**
Delivery Mix	54.3%	47.4%	47.4%
Supply Mix	45.7%	52.6%	52.6%
Increasing Supply Rate Scenario			
Base	$0.80	$0.80	$0.80
Assumed Increase	**10%**	10%	10%
New Supply Rate	$0.88	$0.88	$0.88
Prior Bill	$114.26	$195.47	$265.71
New Bill	**$119.48**	**$220.75**	**$294.68**
Increase (%)	**4.6%**	**12.9%**	**10.9%**
Increase ($)	**$5.22**	**$25.28**	**$28.97**

Source: Eversource Company Filings and BofA Global Research

Exhibit 8: Eversource Sample April 2019 Electric Bill
Approximately half of the bill is delivery based

Sample Electric Bill	April '19	July 2019	August 2019
Delivery Charges			
Customer	**$9**	$9	$9
Consumption	575	617	694
Rate	$0.11	$0.11	$0.11
Total Delivery Charge	**$71.02**	**$66.32**	**$74.60**
Supply Charge			
Consumption	575	617	694
Rate	$0.10	$0.10	$0.10
Total Supply Charge	**$58.32**	**$62.58**	**$70.39**
Total Bill	**$129.34**	**$128.90**	**$144.99**
Delivery Mix	54.9%	51.5%	51.5%
Supply Mix	45.1%	48.5%	48.5%
Increasing Supply Rate Scenario			
Base	$0.10	$0.10	$0.10
Assumed Increase	**10%**	10%	10%
New Supply Rate	$0.11	$0.11	$0.11
Prior Bill	$129.34	$128.90	$144.99
New Bill	**$135.17**	**$144.37**	**$161.24**
Increase (%)	**4.5%**	**12.0%**	**11.2%**
Increase ($)	**$5.83**	**$15.47**	**$16.25**

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Source: Eversource Company Filings and BofA Global Research

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Source: Eversource Company Filings and BofA Global Research

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For both electric and gas above we illustratively show the impact of a 10% increase in the supply cost which would increase the peak August electric bill by +$16 and peak February gas bill by +$29. Using recent data for ISO-New England NEPOOL 2022 power prices +90% and Algonquin 2022 natural gas prices +155% in the last year, there is a risk for much more significant customer bill increase. **If we include the +90%/+115% commodity price increases in an illustrative peak bill there would be +$63 electric and +$161 gas peak month increases.**

As another real-life example, Unitil (UTL) recently filed to increase its New Hampshire standard electric rate to $0.175/kWh versus $0.093/kWh Winter 2019/2020 and $0.071/kWh currently. Eversource's comparable filing is expected in December for new rates in the following February based on historical precedent.

We highlight Idacorp (IDA) as unique with its Power Cost Adjustment Mechanism (PCAM) where rates being fixed until June 1, 2022 if any adjustment is necessary.

Where are bills already high?

Utilizing 2019 EIA data for investor owned utilities we present the highest and lowest **electric residential** revenue per customer.

Exhibit 9: 2019 Electric Residential Sales Statistics for Investor Owned Utilities - Excluding Hawaii. Top 25 highest and bottom 25 lowest

Many utilities in the Southern states (AL, SC, FL, MS) have relatively high revenues per customer - this relates to high consumption

Entity	State	Ticker	Sales (MWh)	Revenues ($ Thousands)	Average Price (cents/kWh)	Customers (Count)	Revenue per Customer	Consumption per Customer
Alabama Power Co	AL	SO	18,264,230	2,448,683	13.41	1,280,955	**1,912**	14,258
Duke Energy Progress - (NC)	SC	DUK	2,106,868	259,951	12.34	137,456	**1,891**	15,328
Dominion Energy SC, Inc	SC	D	8,253,672	1,180,691	14.31	640,443	**1,844**	12,887
Kentucky Power Co	KY	AEP	2,051,369	246,422	12.01	133,978	**1,839**	15,311
Virginia Electric & Power Co	NC	D	1,609,927	188,944	11.74	103,458	**1,826**	15,561
Rockland Electric Co	NJ	ED	665,078	108,775	16.36	60,501	**1,798**	10,993
Gulf Power Co	FL	NEE	5,519,757	731,604	13.25	407,435	**1,796**	13,548
Mississippi Power Co	MS	SO	2,062,382	276,379	13.40	154,014	**1,795**	13,391

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Connecticut Light & Power Co	CT	ES	7,260,093	1,540,706	21.22	875,898	**1,759**	8,289
Empire District Electric Co	MO	AQN	1,708,220	229,756	13.45	131,232	**1,751**	13,017
Duke Energy Florida, LLC	FL	DUK	20,775,080	2,830,526	13.62	1,626,117	**1,741**	12,776
South. Indiana Gas & Elec Co	IN	CNP	1,409,212	216,149	15.34	124,590	**1,735**	11,311
Delmarva Power	MD	EXC	1,837,555	264,479	14.39	156,528	**1,690**	11,739
Appalachian Power Co	WV	AEP	5,059,375	592,670	11.71	353,017	**1,679**	14,332
United Illuminating Co	CT	AGR	1,377,863	347,574	25.23	214,360	**1,621**	6,428
Empire District Electric Co	KS	AQN	108,797	13,162	12.10	8,154	**1,614**	13,343
Virginia Electric & Power Co	VA	D	29,829,089	3,596,332	12.06	2,245,174	**1,602**	13,286
Arizona Public Service Co	AZ	PNW	13,189,233	1,793,584	13.60	1,123,829	**1,596**	11,736
Kentucky Utilities Co	VA	PPL	343,346	36,394	10.60	23,142	**1,573**	14,836
Potomac Electric Power Co	MD	EXC	4,568,893	671,825	14.70	427,744	**1,571**	10,681
Duke Energy Progress - (NC)	NC	DUK	16,135,938	1,909,185	11.83	1,221,129	**1,563**	13,214
Massachusetts Electric Co	MA	NG	4,388,013	1,045,766	23.83	670,255	**1,560**	6,547
SW Electric Power Co	LA	AEP	2,945,155	318,089	10.80	204,070	**1,559**	14,432
The Potomac Edison Company	WV	EXC	1,907,937	191,833	10.05	124,233	**1,544**	15,358
Tampa Electric Co	FL	EMA	9,584,236	1,047,720	10.93	685,122	**1,529**	13,989
Oklahoma Gas & Electric Co	AR	OGE	738,753	61,307	8.30	56,263	**1,090**	13,130
Avista Corp	WA	AVA	2,534,229	249,947	9.86	230,749	**1,083**	10,983
Duke Energy Kentucky	KY	DUK	1,507,639	138,630	9.20	128,049	**1,083**	11,774
Ameren Illinois Company	IL	AEE	4,875,758	459,465	9.42	435,634	**1,055**	11,192
Montana-Dakota Utilities Co	ND	MDU	782,110	82,851	10.59	78,685	**1,053**	9,940
NorthWestern Energy								

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LLC	MT	NWE	2,579,209	309,861	12.01	303,039	**1,023**	8,511
Avista Corp	ID	AVA	1,231,607	119,136	9.67	117,354	**1,015**	10,495
Madison Gas & Electric Co	WI	MGEE	833,646	138,021	16.56	135,967	**1,015**	6,131
Northern States Power Co	MN	XEL	8,552,013	1,165,203	13.62	1,159,579	**1,005**	7,375
Montana-Dakota Utilities Co	MT	MDU	184,427	19,846	10.76	19,839	**1,000**	9,296
Rochester Gas & Electric Corp	NY	AGR	2,293,322	294,696	12.85	296,612	**994**	7,732
Southwest. Electric Power Co	AR	AEP	1,175,211	101,365	8.63	102,627	**988**	11,451
Potomac Electric Power Co	DC	EXC	1,952,924	237,686	12.17	241,098	**986**	8,100
New York State Elec & Gas Co	NY	AGR	5,588,259	636,293	11.39	649,945	**979**	8,598
Northern States Power Co	ND	XEL	782,124	78,594	10.05	81,223	**968**	9,629
UNS Electric, Inc	AZ	FTS	898,002	83,561	9.31	86,869	**962**	10,337
Wisconsin Public Service Corp	WI	WEC	2,868,978	370,938	12.93	393,167	**943**	7,297
Niagara Mohawk Power Corp.	NY	NG	9,632,256	1,208,158	12.54	1,285,489	**940**	7,493
ALLETE, Inc.	MN	ALE	1,042,353	115,500	11.08	122,926	**940**	8,480
Commonwealth Edison Co	IL	EXC	17,616,341	2,343,491	13.30	2,520,161	**930**	6,990
Public Service Co of NM	NM	AGR	3,227,338	427,883	13.26	471,935	**907**	6,839
Cleveland Electric Illum Co	OH	FE	1,269,762	158,101	12.45	175,716	**900**	7,226
Liberty Utilities	CA	AQN	286,633	38,477	13.42	43,032	**894**	6,661
Superior Water and Light Co	WI	ALE	88,154	10,792	12.24	12,728	**848**	6,926
Public Service Co of Colorado	CO	XEL	9,446,626	1,047,994	11.09	1,281,850	**818**	7,370

Source: Energy Information Administration and BofA Global Research

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We aggregate the data above by utility holding company to show overall stock exposure. Hawaiian Electric (HE) is a clear outlier with its oil-fired mix driving a materially higher rate. In general we are less concerned for companies with sub-$1,200 annual revenue per customer (~$100 per month) but spikes are a clear risk as well. The focus is on high consumption and high rates with rates in the $0.15/kWh or higher range representing more risk. ED and ES are examples of high rates ($0.20+/kWh) coupled with high rates, a contrast from high rate California PCG and SRE that have well below average consumption.

Exhibit 10: 2019 Electric Residential Sales Statistics
Consistent with the exhibit above, there is a logical correlation between revenue per customer and consumption

Ticker	Sales (MWh)	Revenues (Thousands Dollars)	Average Price (cents/kWh)	Customers (Count)	Revenue per Customer	Consumption per Customer
HE	2,439,272	791,398	32.44	409,148	**1,934**	5,962
CPK	306,446	45,405	14.82	24,573	**1,848**	12,471
CNP	1,409,212	216,149	15.34	124,590	**1,735**	11,311
SO	48,527,692	6,136,593	12.65	3,673,118	**1,671**	13,212
D	39,692,688	4,965,966	12.51	2,989,075	**1,661**	13,279
PNW	13,189,233	1,793,584	13.60	1,123,829	**1,596**	11,736
ES	13,602,040	2,904,361	21.35	1,848,188	**1,571**	7,360
EMA	9,584,236	1,047,720	10.93	685,122	**1,529**	13,989
AQN	2,364,715	328,369	13.89	215,950	**1,521**	10,950
NEE	65,858,730	7,387,080	11.22	4,886,791	**1,512**	13,477
DUK	81,620,288	9,620,151	11.79	6,376,329	**1,509**	12,801
AEP	45,238,300	5,137,502	11.36	3,619,484	**1,419**	12,499
PCG	14,429,648	3,224,897	22.35	2,277,864	**1,416**	6,335
PPL	21,480,729	2,779,661	12.94	1,979,976	**1,404**	10,849
ETR	36,093,634	3,456,692	9.58	2,494,920	**1,385**	14,467
UTL	540,305	107,801	19.95	78,159	**1,379**	6,913
EVRG	15,492,427	1,899,249	12.26	1,402,526	**1,354**	11,046
LNT	7,206,677	1,094,351	15.19	819,473	**1,335**	8,794
OTTR	1,303,317	131,962	10.13	103,329	**1,277**	12,613
AES	7,953,235	880,558	11.07	692,063	**1,272**	11,492
FE	33,858,049	4,394,721	12.98	3,506,345	**1,253**	9,656
AEE	18,393,575	1,862,354	10.13	1,501,669	**1,240**	12,249
CMS	12,484,700	1,978,868	15.85	1,611,320	**1,228**	7,748

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OGE	9,722,352	891,067	9.17	729,158	**1,222**	13,334
DTE	15,065,768	2,426,890	16.11	2,003,620	**1,211**	7,519
FTS	6,338,535	833,737	13.15	696,729	**1,197**	9,098
SRE	5,981,976	1,542,153	25.78	1,298,976	**1,187**	4,605
BKH	1,420,475	213,569	15.04	181,192	**1,179**	7,840
POR	7,471,069	917,792	12.28	779,673	**1,177**	9,582
ED	12,296,522	2,990,100	24.32	2,574,558	**1,161**	4,776
NI	3,369,470	481,615	14.29	415,534	**1,159**	8,109
NG	14,020,269	2,253,923	16.08	1,955,744	**1,152**	7,169
EXC	52,718,687	6,744,274	12.79	5,889,537	**1,145**	8,951
PEG	12,028,061	2,009,160	16.70	1,789,766	**1,123**	6,720
IDA	5,272,660	528,572	10.02	471,298	**1,122**	11,188
WEC	10,687,062	1,578,737	14.77	1,412,192	**1,118**	7,568
EIX	24,712,671	4,005,617	16.21	3,593,459	**1,115**	6,877
UGI	565,747	60,240	10.65	54,903	**1,097**	10,304
AGR	15,787,546	2,278,186	14.43	2,116,934	**1,076**	7,458
AVA	3,909,044	389,393	9.96	362,896	**1,073**	10,772
NWE	3,167,893	372,318	11.75	353,654	**1,053**	8,958
MDU	1,107,406	117,690	10.63	112,136	**1,050**	9,876
MGEE	833,646	138,021	16.56	135,967	**1,015**	6,131
XEL	21,418,534	2,633,534	12.30	2,817,807	**935**	7,601
ALE	1,130,507	126,292	11.17	135,654	**931**	8,334
EE	2,998,517	348,449	11.62	380,155	**917**	7,888

Source: Energy Information Administration and BofA Global Research

BofA GLOBAL RESEARCH

We prepare a similar analysis for the highest and lowest **gas residential** revenue per customer.

Exhibit 11: 2019 Gas Residential Sales Statistics for Investor Owned Utilities - Top 25 highest and bottom 25 lowest
General concentration in the Northeast with consumption materially higher

Company	State	Ticker	Sales Volumes	Sales Revenue	Average Rate	Customers	Revenue per Cust.	Consumption per Customer
ORANGE & ROCKLAND UTILITIES INC	NY	ED	9,920,809	136,006,647	**14**	88,629	**1,535**	112
ENSTAR NAT GAS	AK	ALA	17,581,815	197,404,401	**11**	133,654	**1,477**	132
KEYSPAN ENERGY DBA NATIOAL GRID NY	NY	NG	53,696,858	748,674,917	**14**	516,748	**1,449**	104
CONNECTICUT NAT GAS CORP	CT	AGR	17,527,833	226,251,810	**13**	165,148	**1,421**	106

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CONNECTICUT NAT GAS CORP	CT	AGR	17,527,923	236,251,810	**13**	165,148	**1,431**	106
CENTRAL HUDSON GAS & ELECTRIC	NY	FTS	5,217,411	89,042,587	**17**	65,229	**1,365**	80
FITCHBURG GAS AND ELECTRIC COMPANY	MA	UTL	1,055,305	19,392,799	**18**	14,334	**1,353**	74
BERKSHIRE GAS COMPANY THE	MA	AGR	3,143,233	45,376,780	**14**	34,886	**1,301**	90
BOSTON GAS CO DBA NATIONAL GRID	MA	NG	51,081,667	812,649,556	**16**	631,730	**1,286**	81
COLUMBIA GAS OF MASSACHUSETTS	MA	ES	26,024,258	379,588,194	**15**	296,371	**1,281**	88
NORTHERN UTILITIES INC	NH	UTL	1,885,234	34,517,228	**18**	27,213	**1,268**	69
SOUTHERN CONNECTICUT GAS COMPANY	CT	AGR	16,216,001	225,132,631	**14**	180,189	**1,249**	90
NARRAGANSETT ELECTRIC CO GAS DIV RI	RI	PPL	19,891,520	305,581,491	**15**	246,267	**1,241**	81
YANKEE GAS SVC CO	CT	ES	16,007,557	262,347,059	**16**	212,028	**1,237**	75
PEOPLES GAS LIGHT AND COKE COMPANY	IL	WEC	80,346,654	925,837,069	**12**	749,429	**1,235**	107
THE BROOKLYN UNION GAS CO	NY	NG	92,250,823	1,305,037,162	**14**	1,060,820	**1,230**	87
LIBERTY UTILITIES-ST LAWRENCE GAS	NY	AQN	1,618,247	17,375,097	**11**	14,721	**1,180**	110
CONSOLIDATED EDISON NEW YORK INC	NY	ED	55,924,116	975,455,056	**17**	834,910	**1,168**	67
COLONIAL GAS CO CO KEYSPAN	MA	NG	15,064,203	214,279,174	**14**	188,231	**1,138**	80
COLUMBIA GAS OF PENNSYLVANIA	PA	NI	27,423,413	383,281,012	**14**	337,268	**1,136**	81
PEOPLES GAS COMPANY	PA	WTRG	4,958,886	64,663,363	**13**	57,182	**1,131**	87
LIBERTY UTILITIES DBA ENERGY NORTH N	NH	AQN	6,149,180	92,013,508	**15**	82,090	**1,121**	75
NORTHERN UTILITIES DBA UNITIL CORP	ME	UTL	1,686,830	27,220,237	**16**	24,295	**1,120**	69
NSTAR GAS COMPANY	MA	ES	22,211,409	285,367,730	**13**	261,655	**1,091**	85
NORTH SHORE GAS COMPANY	IL	WEC	18,574,688	147,300,285	**8**	137,405	**1,072**	135
DUKE ENERGY KENTUCKY	KY	DUK	6,076,554	66,031,924	**11**	62,448	**1,057**	97
AVISTA UTILITIES	ID	AVA	5,433,347	43,435,274	**8**	76,687	**566**	71
MONTANA DAKOTA UTILITIES CO	SD	MDU	4,305,662	30,924,895	**7**	54,610	**566**	79
PIEDMONT NATURAL GAS	SC	DUK	6,941,048	74,475,420	**11**	135,870	**548**	51
NORTHERN STATES PWR CO	ND	XEL	4,253,397	27,025,362	**6**	49,433	**547**	86
DOMINION ENERGY SOUTH CAROLINA INC	SC	D	12,867,461	193,864,813	**15**	358,124	**541**	36
NORTHWESTERN ENERGY	NE	NWE	2,826,255	20,194,177	**7**	37,612	**537**	75
ATMOS ENERGY CORPORATION	TN	ATO	7,682,195	70,179,077	**9**	131,624	**533**	58
SOUTHWEST GAS CORPORATION	NV	SWX	37,124,150	379,153,510	**10**	731,032	**519**	51
CENTERPOINT ENERGY ARKLA	LA	CNP	6,560,531	62,445,329	**10**	121,738	**513**	54
UNS GAS INC	AZ	FTS	8,404,148	75,500,000	**9**	147,235	**513**	57
CENTERPOINT ENERGY ENTEX	MS	CNP	5,298,867	59,795,451	**11**	117,422	**509**	45
FLORIDA PUBLIC UTILITIES	FL	CPK	1,380,919	28,946,991	**21**	56,939	**508**	24
SOUTHERN CALIFORNIA GAS COMPANY	CA	SRE	232,735,930	2,779,359,698	**12**	5,531,367	**502**	42
ATMOS ENERGY CORPORATION	LA	ATO	12,697,021	162,255,252	**13**	331,423	**490**	38
CENTERPOINT ENERGY ENTEX	TX	CNP	66,511,169	792,440,264	**12**	1,649,643	**480**	40

CHATTANOOGA GAS CO	TN	SO	2,827,732	26,992,780	**10**	58,230	**464**	49
INTERMOUNTAIN GAS COMPANY	ID	MDU	25,225,340	155,648,025	**6**	336,427	**463**	75
NEW MEXICO GAS COMPANY	NM	EMA	36,819,855	222,960,932	**6**	489,189	**456**	75
PEOPLES GAS SYS	FL	EMA	7,251,874	162,843,596	**22**	360,775	**451**	20
ENTERGY LOUISIANA LLC	LA	ETR	3,692,074	39,871,649	**11**	88,957	**448**	42
SOUTHWEST GAS CORPORATION	AZ	SWX	31,480,558	457,315,550	**15**	1,051,069	**435**	30
TEXAS GAS SERVICE	TX	OGS	23,046,868	273,340,372	**12**	630,655	**433**	37
SAN DIEGO GAS AND ELECTRIC COMPANY	CA	SRE	29,130,140	369,505,896	**13**	859,937	**430**	34
ENTERGY NEW ORLEANS INC	LA	ETR	3,718,564	42,982,576	**12**	102,531	**419**	36
FLORIDA CITY GAS	FL	NEE	1,408,870	36,582,736	**26**	104,134	**351**	14

Source: Energy Information Administration and BofA Global Research

BofA GLOBAL RESEARCH

Again we prepare a similar analysis for the gas utilities showing revenue per customer which is a function of consumption and the average therm rates.

Exhibit 12: 2019 Gas Residential Sales Statistics
Northeast utilities UTL, ES, ED, NG, AGR, NJR, and SJI are clear examples of higher revenue per customer

Company	Sales Volumes	Sales Revenue	Average Rate	Customers	Revenue per Customer	Consumption per Customer
UTL	4,627,369	81,130,264	**18**	65,842	**1,232**	70
ES	64,243,224	927,302,983	**14**	770,054	**1,204**	83
ED	65,844,925	1,111,461,703	**17**	923,539	**1,203**	71
NG	257,343,131	3,477,305,921	**14**	2,894,852	**1,201**	89
AGR	82,529,027	935,639,553	**11**	862,296	**1,085**	96
NJR	43,485,549	493,395,662	**11**	489,938	**1,007**	89
WTRG	48,008,432	512,951,430	**11**	536,198	**957**	90
PPL	38,751,922	518,831,620	**13**	547,239	**948**	71
SJI	46,973,740	562,141,784	**12**	618,997	**908**	76
AQN	20,837,182	271,157,617	**13**	302,123	**898**	69
ALA	112,260,263	1,211,646,632	**11**	1,366,168	**887**	82
EXC	72,014,202	867,640,190	**12**	1,030,296	**842**	70
UGI	56,351,118	594,321,124	**11**	706,262	**842**	80
NI	120,658,108	1,285,138,752	**11**	1,529,715	**840**	79
SR	91,587,283	984,786,594	**11**	1,180,120	**834**	78
CMS	165,628,128	1,372,826,821	**8**	1,649,304	**832**	100

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WEC	259,702,253	2,284,683,167	**9**	2,747,892	**831**	95
NFG	63,627,080	510,126,275	**8**	615,834	**828**	103
DTE	105,630,934	865,389,517	**8**	1,056,653	**819**	100
FTS	13,621,559	164,542,587	**12**	212,464	**774**	64
AEE	66,055,391	653,090,840	**10**	862,061	**758**	77
LNT	15,033,646	149,295,563	**10**	199,056	**750**	76
DUK	71,591,192	886,285,267	**12**	1,193,149	**743**	60
PEG	140,120,576	1,188,860,706	**8**	1,629,687	**730**	86
MGEE	12,510,985	108,543,305	**9**	149,561	**726**	84
BKH	63,411,863	576,633,328	**9**	815,223	**707**	78
SO	247,946,648	1,808,838,835	**7**	2,563,988	**705**	97
NWN	43,396,025	430,299,551	**10**	685,565	**628**	63
OGS	128,356,264	1,256,432,906	**10**	2,022,927	**621**	63
D	137,444,473	1,283,974,913	**9**	2,084,906	**616**	66
NWE	20,850,713	154,422,954	**7**	252,349	**612**	83
AVA	22,106,301	196,429,738	**9**	321,343	**611**	69
XEL	153,883,768	1,147,873,495	**7**	1,885,314	**609**	82
CNP	228,746,459	2,286,203,407	**10**	3,805,699	**601**	60
PCG	162,875,891	2,325,329,136	**14**	3,884,051	**599**	42
ATO	171,495,874	1,730,307,447	**10**	2,911,266	**594**	59
MDU	48,028,002	319,104,740	**7**	599,933	**532**	80
CPK	4,599,604	76,109,528	**17**	111,824	**681**	41
SWX	79,116,532	992,439,052	**13**	1,968,869	**504**	40
SRE	261,866,070	3,148,865,594	**12**	6,391,304	**493**	41
EMA	44,071,729	385,804,528	**9**	849,964	**454**	52
ETR	7,410,638	82,854,225	**11**	191,488	**433**	39
NEE	1,408,870	36,582,736	**26**	104,134	**351**	14

Source: Energy Information Administration and BofA Global Research

BofA GLOBAL RESEARCH

Who is requesting large increases already?

In the normal course of operations utilities pursue revenue increases to primarily recovery the capital costs and associated return for regulatory investments as well as other costs such as storm damage and accounting changes (ex. Accelerating depreciation).

Important states to watch for elevated regulatory risk include **Ohio** (sizable rate increase requests and recent FirstEnergy HB6 deferred prosecution

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agreement [DPA]), **California** (wildfire and other cost recoveries plus separate cost of capital proceeding),

Due to inconsistencies in disclosures we illustratively sort the data below by the rate increase request divided by 'in scope' rate base as determined by S&P Capital IQ SNL.

Exhibit 13: Selection of Large Pending Rate Case and Regulatory Proceedings per S&Ps
Sorted by rate increase as a percentage of 'in-scope' rate base as determined by S&P Capital IQ SNL

State	Company	Ticker	Filing Date	Rate Inc. ($M)	Rate Inc % of Rate Base	Rate Change/ Rev. (%)	ROE %	Equity Ratio %	'In Scope' Rate Base ($M)
Ohio	AES Ohio	AES	11/30/2020	121	15%	49.4	10.5	53.9	796
Ohio	Ohio Power Co.	AEP	6/1/2020	402	13%	60.6	10.2	54.4	3,105
California	Pacific Gas and Electric Co.	PCG	6/30/2021	2,683	9%	NA	NA	NA	30,822
Oklahoma	Public Service Co. of OK	AEP	4/30/2021	243	7%	31.8	10.0	53.1	3,293
New York	Corning Natural Gas Corp.	CNIG	7/16/2021	6	7%	NA	10.2	51.1	79
Massachusetts	Boston Gas Co.	NG.	11/13/2020	219	7%	NA	10.5	53.4	3,020
North Dakota	Northern States Power Co.	XEL	9/2/2021	8	7%	NA	10.5	52.5	124
Kentucky	Delta Natural Gas Co.	WTRG	5/28/2021	9	7%	18.6	11.0	51.8	137
Pennsylvania	UGI Utilities Inc.	UGI	2/8/2021	9	7%	10.0	10.8	51.2	132
New Jersey	New Jersey Natural Gas Co.	NJR	3/30/2021	164	6%	23.6	10.5	56.2	2,540
Ohio	Columbia Gas Ohio Inc.	NI	6/30/2021	221	6%	27.1	11.0	50.6	3,560
Illinois	Northern Illinois Gas Co.	SO	1/14/2021	293	6%	32.8	10.4	54.6	4,745
Indiana	Southern Indiana Gas & Elec Co	CNP	10/30/2020	28	6%	26.8	10.2	45.8	469
Kentucky	Columbia Gas of Kentucky Inc	NI	5/28/2021	27	6%	18.1	10.3	52.6	446
Wisconsin	Northern States Power Co.	XEL	7/2/2021	13	6%	NA	10.0	52.5	223
New Jersey	Rockland Electric Company	ED	5/21/2021	16	6%	NA	10.0	48.5	283
Louisiana	Southwestern Electric	AEP	12/13/2019	114	6%	NA	10.4	50.8	2,019

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Louisiana	Southwestern Electric Power Co	AEP	12/15/2019	144	5%	NA	10.4	38.8	2,545
Arkansas	Southwestern Electric Power Co	AEP	7/23/2021	85	5%	12.2	10.4	40.3	1,554
Florida	Tampa Electric Co.	EMA	2/1/2021	423	5%	NA	10.8	45.6	7,931
New Hampshire	Unitil Energy Systems Inc.	UTL	4/2/2021	12	5%	4.4	10.0	52.9	226
Texas	Southwestern Electric Power Co	AEP	10/13/2020	105	5%	30.3	10.4	49.4	2,026
Pennsylvania	Duquesne Light Co.		4/16/2021	115	5%	15.1	11.0	53.4	2,276
California	Pacific Gas and Electric Co.	PCG	6/30/2021	877	5%	NA	NA	NA	17,693
New Mexico	Southwestern Public Service Co	XEL	1/4/2021	88	5%	27.2	10.4	54.7	1,847
Maine	Versant Power		1/19/2021	20	5%	22.8	9.4	49.0	418
Colorado	Public Service Co. of CO	XEL	7/2/2021	470	5%	25.7	10.0	55.6	10,287
Kansas	Empire District Electric Co.	AQN	5/28/2021	4	4%	26.4	NA	NA	100
Kansas	Black Hills Kansas Gas Utility	BKH	5/7/2021	10	4%	19.5	10.2	50.3	230
Texas	Southwestern Public Service Co	XEL	2/8/2021	143	4%	23.1	10.4	54.6	3,325
Virginia	Kentucky Utilities Co.	PPL	8/31/2021	12	4%	18.1	10.4	53.8	286
Colorado	Black Hills Colorado Gas Inc.	BKH	6/1/2021	15	4%	16.9	10.0	50.3	344
New Hampshire	Northern Utilities Inc.	UTL	8/2/2021	8	4%	8.1	10.3	52.5	189
Missouri	Spire Missouri Inc.	SR	12/11/2020	111	4%	19.5	10.0	54.3	2,777
Pennsylvania	PECO Energy Co.	EXC	3/31/2021	246	4%	10.5	11.0	53.4	6,386
Washington	Northwest Natural Gas Co.	NWN	12/18/2020	9	4%	NA	9.4	49.0	247
Pennsylvania	Columbia Gas of Pennsylvania	NI	3/30/2021	98	4%	NA	11.0	54.3	2,673
Kentucky	Atmos Energy Corp.	ATO	6/30/2021	22	4%	12.6	10.4	57.1	596
Texas	El Paso Electric Co.		6/1/2021	70	3%	13.6	10.3	51.0	2,044
Kentucky	Duke Energy Kentucky Inc.	DUK	6/1/2021	15	3%	13.7	10.3	50.7	468
Wisconsin	Wisconsin Power and Light Co	LNT	5/5/2021	15	3%	8.6	10.0	52.5	489
Michigan	DTE Gas Co.	DTE	2/12/2021	177	3%	NA	10.3	39.9	5,608

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Maryland	Delmarva Power & Light Co.	EXC	9/1/2021	29	3%	12.0	10.1	50.6	930
Missouri	Union Electric Co.	AEE	3/31/2021	9	3%	12.5	9.8	51.9	310
Missouri	Union Electric Co.	AEE	3/31/2021	299	3%	12.0	9.9	51.9	10,053
North Carolina	Public Service Co. of NC	D	4/1/2021	50	3%	NA	10.3	54.9	1,707
Maryland	Columbia Gas of Maryland Inc	NI	5/14/2021	5	3%	NA	10.9	53.2	187
Florida	Florida Power & Light Co.	NEE	1/11/2021	1,680	3%	NA	11.5	48.0	59,503
Missouri	Empire District Gas Co.	AQN	8/16/2021	1	3%	4.0	10.0	52.4	49
New York	Orange & Rockland Utlts Inc.	ED	1/29/2021	28	3%	NA	9.5	50.0	1,042
New York	Central Hudson Gas & Electric	FTS	8/27/2020	14	3%	NA	9.1	50.0	539
Wisconsin	Northern States Power Co.	XEL	7/2/2021	52	3%	NA	10.0	52.5	1,976
New York	Central Hudson Gas & Electric	FTS	8/27/2020	33	3%	NA	9.1	50.0	1,278

Source: S&P Capital IQ SNL

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Note that this approach is limited as it is based on the company's rate case request.

What increases have we seen to do date

As an example in September Xcel filed to increase Colorado natural gas and electric rates primarily for the increase in commodity costs. Based upon Xcel's request the average residential **gas** customer monthly bill would increase +$11.22 (+14.4%) while the average commercial monthly bill would increase +$48.50 (+15.8%). In contrast to the sharp double-digit increases, Xcel is proposing more modest but notable +2-3% **electric** increases (+$2-$3/month). These commodity increases are incremental to the pending +$343Mn electric revenue request rate case proposal filed in July with approximately +$9.50/month residential and +$14.50/month commercial increases.

We examine Illinois as a case study due to the relatively high consumption and rates in the state. The Illinois Citizens Utility Board (CUB) estimates the following rate impacts effective October 1st utilizing filed information at the Illinois Commerce Commission (ICC) regulator. CUB estimates ComEd (EXC) +10% and Ameren Illinois +19% electric rate increases. For the gas utilities the forecasted bill increases are more significant with commodity rates that have doubled in some cases.

This is supported by media reports significant increases for the two large gas distribution companies. **Chicago Business estimated $188/month winter heating bill for WEC's Peoples Gas which would represent a +35% YoY increase. Similarly SO's Nicor Gas would have a $135/month winter heating bill an even more significant +48% YoY rise**.

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Winter storm Uri costs compound the commodity impacts

The ultimate cost of Winter Storm Uri has evolved as final commodity bills were delivered and audited but we present our initial estimates here: North American Utilities & IPPs: Just what is the customer bill impact from the winter event? 3/8/21 (https://rsch.baml.com/r?q=eRpAQH6qwaBuYIb5gbOIsQ) Two of the more extreme examples include Centerpoint Texas gas and OG&E Oklahoma Electric.

- CNP TX $1,141Mn as of 6/30/21: The Houston residential customer impact under securitization is $3.78/month $14.50/month if recovered directly over a three year period. (TX RRC 0 0007064)
- OGE OK $875Mn: The company estimates $3.93/month over 13 years compared to $5.67 potentially before securitization. The procedural schedule calls for resolution by December 15th (PUD 202100072).

BofA Global Research Reports

Relevant Initial Winter Storm Uri impacts notes	Primary Author	Date Published
ONE Gas, Inc.: The Uri Overhang on Rates: Reiterate Underperform (https://rsch.baml.com/r?q=YtSuGgEuL!5v6Aa9ICaQdQ)	Julien Dumoulin-Smith	05 May 2021
US Electric Utilities & IPPs: Texas Updates: What's the Latest on Uri Reform? Legislative, PUCT & Otherwise (https://rsch.baml.com/r?q=95hqQsXA!jAO5FPi78KyQ)	Julien Dumoulin-Smith	05 May 2021
Black Hills Corporation: Affirmation of '21 & Beyond Trajectory Despite Big Uri Miss (https://rsch.baml.com/r?q=O8r3WhyhE3IevUQy!sSpLw)	Julien Dumoulin-Smith	05 May 2021
NRG Energy: Further Uri 1Q Risks Appear Limited; Pressing Forward on Analyst Day (https://rsch.baml.com/r?q=QRRSQcjexwOrtxH69uytvA)	Julien Dumoulin-Smith	28 April 2021
Vistra Energy: Uri Impacts: More Complicated Than We Thought; Reiterate Neutral (https://rsch.baml.com/r?q=PKJqi-DzyguWUT9mNnZ2tw)	Julien Dumoulin-Smith	27 April 2021
North American Gas Utilities: Gas LDC 1Q21EPS preview: The day after the storm; measuring the Feb Uri (https://rsch.baml.com/r?q=JgLSrBgFr3X0DuNqWSLxPw)	Julien Dumoulin-Smith	19 April 2021

What customers are more secure?

There are many approaches to assessing customer affordability with the 'wallet share' growing in popularity although it lacks a standardization. We employ per capita personal income.

Exhibit 14: 2019 Per Capita Personal Income (PCPI)
Generally higher income in the Northeast states is mitigating factor to higher bills

Per Capita	Rank before	Purchasing power of	Rank after

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State (2019)	Per Capita Personal Income	Rank before adjustment	power of $1.00	Adjusted PCPI	Rank after adjustment
District of Columbia	83,406	1	0.87	72,563	2
Connecticut	77,289	2	0.95	73,425	1
Massachusetts	74,187	3	0.91	67,510	3
New York	71,717	4	0.86	61,677	7
New Jersey	70,471	5	0.86	60,605	10
California	66,619	6	0.86	57,292	22
Washington	64,758	7	0.92	59,577	18
Maryland	64,640	8	0.93	63,115	6
New Hampshire	63,502	9	0.94	59,692	16
Alaska	62,806	10	0.95	59,666	17
Wyoming	62,189	11	1.08	67,164	4
Colorado	61,157	12	0.98	59,933	13
Virginia	59,657	13	0.99	59,060	19
Minnesota	58,834	14	1.02	60,011	12
Illinois	58,764	15	1.03	60,527	11
Pennsylvania	58,032	16	1.03	59,773	15
North Dakota	57,232	17	1.12	64,100	5
Hawaii	57,015	17	0.84	47,893	49
United States	**56,490**		**1**	**56,490**	
Rhode Island	56,361	19	0.99	55,797	24
Vermont	55,293	18	0.97	53,634	32
Nebraska	54,515	21	1.12	61,057	9
Delaware	54,485	21	1.01	55,030	25
South Dakota	53,962	22	1.14	61,517	8
Kansas	53,426	23	1.12	59,837	14
Wisconsin	53,227	24	1.09	58,017	20
Oregon	53,191	25	0.98	52,127	37
Texas	52,813	26	1.04	54,926	28
Florida	52,426	27	0.99	51,902	39
Iowa	51,865	28	1.12	58,008	21
Nevada	51,161	29	1.03	52,696	35
Maine	50,634	30	1.01	51,140	42
Ohio	50,199	31	1.13	56,725	23
Montana	49,747	32	1.07	53,229	33
Michigan	49,228	33	1.08	53,166	34
Utah	48,939	34	1.04	50,897	43

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Tennessee	48,684	35	1.11 54,039	31
Indiana	48,678	36	1.13 55,006	26
Missouri	48,656	37	1.13 54,981	27
Georgia	48,236	38	1.07 51,615	41
North Carolina	47,766	39	1.09 52,065	38
Louisiana	47,460	40	1.14 54,104	30
Oklahoma	47,341	41	1.15 54,442	29
Arizona	46,058	42	1.04 47,900	48
Idaho	45,968	43	1.08 49,645	45
South Carolina	45,438	46	1.09 49,527	46
Arkansas	44,629	44	1.18 52,622	36
Alabama	44,145	45	1.17 51,649	40
Kentucky	43,770	48	1.14 49,898	44
New Mexico	43,326	49	1.1 47,659	50
West Virginia	42,315	50	1.15 48,662	47
Mississippi	38,914	51	1.18 45,919	51

Source: U.S. Bureau of Economic Analysis (BEA); BofA Research

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Energy Burden: which states are paying the highest bills?

We look into data around energy burden from the American Council for an Energy-Efficient Economy (ACEEE), a nonprofit research organization which conducts independent analysis and develops transformative policies to reduce energy waste and combat climate change. A household's energy burden is the percentage of income spent on home energy bills, and a high energy burden is considered to be above 6% whereas a severe energy burden is considered to be above 10%. We note six metro areas have a greater percentage of households with a high energy burden than the national average (25%), including Birmingham (34%), Detroit (30%), Riverside (29%), Rochester (29%), Atlanta (28%), and Philadelphia (26%). We highlight half of the aforementioned metro areas are in states with below average PCPI (PCPI rank for each state in bracket) - **AL** (#45), **GA** (#38), **MI** (#33), and MI grid is also near the bottom in terms of reliability.

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Exhibit 15: 2020 Reliability top & bottom performers
Underperformers: WV, ME, MS; outperformers: WI, MA, DC

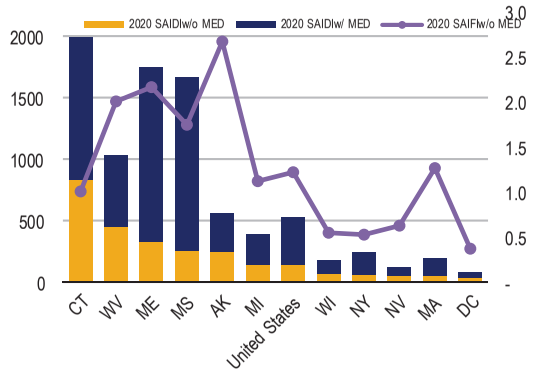

Source: Energy Information Administration and BofA Global Research

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Exhibit 16: 2019 Reliability top & bottom performers
Underperformers: WV, ME, MS; outperformers: WI, MA, DC

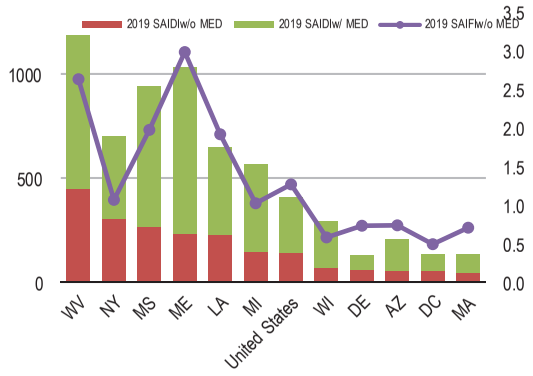

Source: Energy Information Administration and BofA Global Research

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Exhibit 17: 2018 Reliability top & bottom performers
Underperformers: WV, ME, MS; outperformers: WI, MA, DC

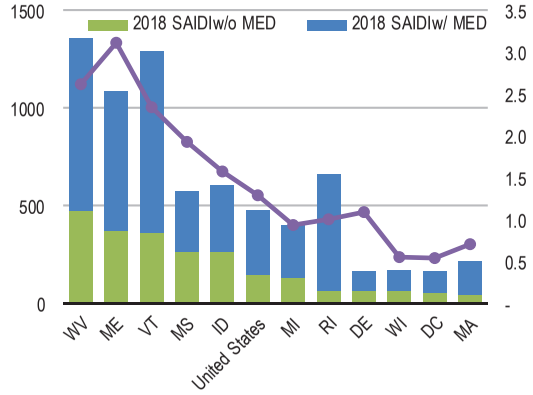

Source: Energy Information Administration and BofA Global Research

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What is the value received for service?

One of the most consistent predictors of increased regulatory scrutiny is operational challenges. Clearly the more acute the issue the larger the political and regulatory response as we have witnessed in Louisiana for Entergy in 2021 (Hurricane Ida), Connecticut for Eversource in 2020 (Tropical Storm Isaias), and more catastrophic incidents such as the Bay State (NI) & San Bruno (PCG) gas explosions.

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We utilize EIA industry standards of System Average Interruption **Duration** Index (SAIDI), System Average Interruption **Frequency** Index (SAIFI), and **Customer** Average Interruption Duration Index (CAIDI). Despite being an industry standard, data can be less comparable between utilities and it is important to reflect adjustments for major events (MED). The relative high duration of outages experienced in 2020 by **ES, AEP, FE, ETR, and DUK** could make large bill increases more challenging. On the opposite end of the spectrum we point to favorable performance by **BKH, EXC, PEG, NEE, XEL, and EVRG** where rate increases may be more palatable given high reliability.

Exhibit 18: 2020 EIA Highest SAIDI Without MED
ES in 2020 was an outlier but AEP, FE, ETR, and DUK experienced longer outage durations

Utility Name	State	Ticker	SAIDI With MED	SAIFI With MED	CAIDI With MED	SAIDI Without MED	SAIFI Without MED
Connecticut Light & Power Co	CT	ES	3,117.2	2.0	1,550.9	3,115.8	2.0
Appalachian Power Co	WV	AEP	818.8	2.8	288.4	618.2	2.5
Wheeling Power Co	WV	AEP	841.6	2.5	335.7	601.3	2.3
Kentucky Power Co	KY	AEP	1,751.0	2.7	651.4	410.7	2.1
Monongahela Power Co	WV	FE	513.0	2.5	204.6	406.8	2.2
Alaska Electric Light&Power Co	AK	AVA	574.0	8.3	69.5	395.0	7.3
Versant Power	ME	Private	1,602.0	4.1	390.3	319.0	2.4
Appalachian Power Co	VA	AEP	390.4	1.7	233.2	310.2	1.5
Entergy Texas Inc.	TX	ETR	2,538.8	3.3	775.7	275.9	1.7
Entergy Arkansas LLC	AR	ETR	1,190.5	2.1	567.2	270.1	1.5
Kingsport Power Co	TN	AEP	382.8	1.7	229.1	268.6	1.5
Northern States Power Co	MI	XEL	346.0	2.4	143.7	244.0	2.3
Liberty Utilities	CA	AQN	242.7	1.9	129.8	242.7	1.9
Indiana Michigan Power Co	MI	AEP	644.0	1.4	450.7	239.8	1.1
Entergy Mississippi LLC	MS	ETR	999.1	2.3	438.4	230.9	1.4
Upper Michigan Energy Resources Corp.	MI	Private	253.0	2.7	93.4	222.0	2.6
Central Maine Power Co	ME	AGR	1,774.8	3.7	474.5	220.8	2.0
Entergy Louisiana LLC	LA	ETR	5,591.5	3.3	1,685.2	211.9	1.4
Upper Peninsula Power Company	MI	Private	292.9	2.3	127.3	206.2	1.8
Pennsylvania Electric Co	PA	FE	322.9	1.9	169.2	200.0	1.6
Duke Energy Carolinas, LLC	SC	DUK	826.8	1.8	464.5	195.5	1.2
Consumers Energy Co	MI	CMS	510.3	1.3	378.6	194.7	1.0
Jersey Central Power & Lt Co	NJ	FE	2,197.8	2.7	801.5	185.9	1.7
Duke Energy Carolinas, LLC	NC	DUK	520.4	1.6	319.3	175.0	1.2

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Puget Sound Energy Inc	WA	Private	414.0	1.7	243.5	171.0	1.1
AEP Texas Central Company	TX	AEP	515.6	1.9	274.0	170.1	1.5
Ohio Power Co	OH	AEP	254.6	1.4	178.2	166.8	1.2
Maui Electric Co Ltd	HI	HE	235.6	1.9	123.9	166.4	1.7
PacifiCorp	ID	BRK	421.8	3.5	119.0	166.0	2.4
Idaho Power Co	OR	IDA	185.0	1.0	190.7	165.8	0.9
West Penn Power Company	PA	FE	258.3	1.3	203.1	161.0	1.1
Idaho Power Co	ID	IDA	209.8	1.2	170.6	160.5	1.1
The Potomac Edison Company	WV	EXC	156.5	1.1	147.9	156.5	1.1
Indiana Michigan Power Co	IN	AEP	300.3	1.1	268.4	154.1	0.9
Entergy New Orleans, LLC	LA	ETR	2,103.3	2.6	819.7	153.6	1.4
Duke Energy Progress - (NC)	NC	DUK	429.3	2.0	217.9	147.3	1.4
Avista Corp	ID	AVA	389.0	1.6	237.2	146.0	1.0
Metropolitan Edison Co	PA	FE	395.0	1.6	239.7	145.5	1.1

Source: Energy Information Administration and BofA Global Research

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AEP gets an unfortunate spotlight

AEP has had consistently high outage durations in recent years, particularly at West Virginia, Kentucky, and Virginia. Given the bottom-decile per capita income in West Virginia and Kentucky, this could make bill increases more challenging.

Exhibit 19: AEP Utility SAIDI Without MED

AEP has multiple utilities with well above-average (unfavorable) outage durations that have lasted many years

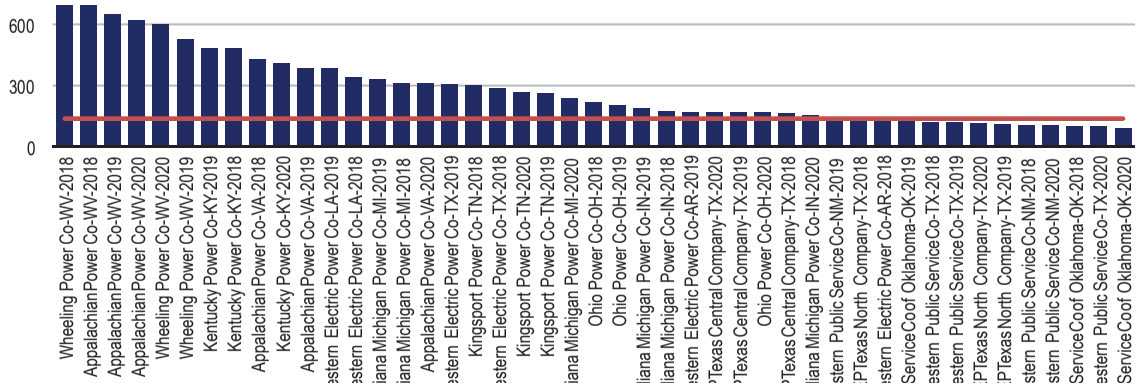

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Source: Energy Information Administration and BofA Global Research

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Perception is reality

Management teams frequently highlight their J.D. Power awards and we examine the latest results as an indication of customer service. While an imprecise measure, this is another tool in the analysis that should theoretically reflect the inherent rate vs service trade-off.

NEE highest Customer Satisfaction; FE near bottom

In terms of customer satisfaction, we look into J.D. Power 2020 Electric Utility Residential Customer Satisfaction Study in which electric utility residential customers score utilities on a 1,000-point scale from January through November 2020. We highlight **NEE** at the top of the list with its Florida Power & Light (FP&L) the industry standard. It is notable that Entergy scores quite well despite generally below-average outage statistics; this is a favorable attribute that offsets some of the risk. Algonquin's Empire District Electric (EDE) is the lowest rated utility in the survey. Again we point to ES and AGR towards the bottom of the listing.

Exhibit 20: J.D. Power 2020 Electric Utility Residential Customer Satisfaction Study
Customer satisfaction surveys do not always correlate with outages. ETR and AEP are examples of that

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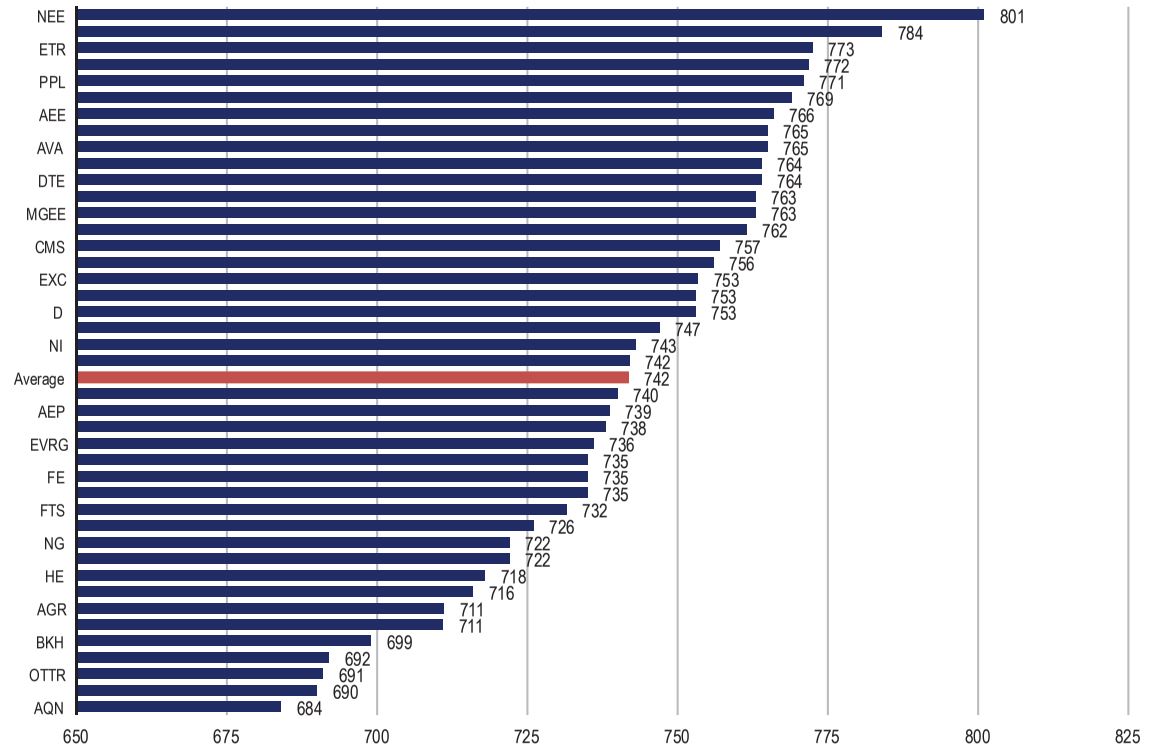

Source: J.D. Power, BofA Global Research

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Balance sheets can mitigate bill shock

Over recent years there have been multiple datapoints where utilities effectively traded cash flow earnings for accounting earnings as a way to mitigate customer rate impacts. These can relate to either the revenue or expense line items. Notable cases have been storms/hurricanes where utilities defer or spread the costs rather than collect from customers immediately. As discussed Winter Storm Uri recovery is a perfect example. Covid arrears and regulatory treatment had elements as well, although the increase in residential consumption at a higher rate fully or largely mitigated the net earnings impacts for

companies. The forward-thinking utilities have utilized non-cash levers like depreciation rates, deferred income taxes, and other regulatory tools to work collaboratively with stakeholders. This has allowed companies to avoid rate increases while showing earnings growth. **We highlight the Wisconsin utilities, particularly WEC as strong in this area.**

Balance sheets are poorly positioned for headwinds

After years of utilizing cash, non-earnings levers to mitigate the cash costs for customers, balance sheets are not as strong as they have been recently. Furthermore there has been a general re-leveraging of the sector from historical M&A and simplification with divestitures of higher FFO/Debt subsidiaries.

The gas utilities ATO and OGS have two of the better balance sheets although both are on negative outlook due to Winter Storm Uri's balance sheet impact. This leaves the companies with less flexibility than their balance sheet metrics would otherwise imply. Companies with Baa2 ratings and negative outlooks including SWX, NWE, and ETR are of a particular focus as utilities try to avoid being at Baa3, the lowest level of investment grade. Baa3 companies including Canadians EMA/FTS as well as EIX similarly have limited latitude to sacrifice cash flow for earnings. FE and PCG are both below-investment grade and have to weigh a variety of factors as part of their credit considerations.

Exhibit 21: Moody's Long Term Credit Ratings and Outlooks
Only PPL is on positive outlook

Company	Moody's LT Rating	Moody's Outlook
ATO US Equity	A1	NEG
PNW US Equity	A3	NEG
OGS US Equity	A3	NEG
POR US Equity	A3	STABLE
PEG US Equity	Baa1	NEG
ALE US Equity	Baa1	STABLE
IDA US Equity	Baa1	NEG
XEL US Equity	Baa1	STABLE
ES US Equity	Baa1	NEG
OGE US Equity	Baa1	NEG

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WEC US Equity	Baa1	STABLE
AEE US Equity	Baa1	STABLE
NEE US Equity	Baa1	STABLE
AWK US Equity	Baa1	STABLE
NI US Equity	Baa2	STABLE
SR US Equity	Baa2	STABLE
OTTR US Equity	Baa2	STABLE
AVA US Equity	Baa2	STABLE
CNP US Equity	Baa2	STABLE
BKH US Equity	Baa2	STABLE
ED US Equity	Baa2	STABLE
DUK US Equity	Baa2	STABLE
SWX US Equity	Baa2	NEG
AEP US Equity	Baa2	STABLE
D US Equity	Baa2	STABLE
NWE US Equity	Baa2	NEG
DTE US Equity	Baa2	STABLE
CMS US Equity	Baa2	STABLE
PPL US Equity	Baa2	POS
SRE US Equity	Baa2	STABLE
LNT US Equity	Baa2	STABLE
SO US Equity	Baa2	STABLE
WTRG US Equity	Baa2	STABLE
EXC US Equity	Baa2	STABLE
ETR US Equity	Baa2	NEG
AGR US Equity	Baa2	STABLE
UTL US Equity	Baa2	STABLE
EVRG US Equity	*Baa2 Unsecured*	STABLE
PNM US Equity	Baa3	STABLE
EMA CN Equity	Baa3	STABLE
FTS US Equity	Baa3	STABLE
EIX US Equity	Baa3	STABLE
TA CN Equity	Ba1	STABLE
FE US Equity	Ba1	STABLE
PCG US Equity	Ba2	STABLE

Source: Bloomberg

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Price Objective Basis & Risk

Algonquin Power & Utilities Corp (AQN)
Our SOTP PO is $15.00 (C$18.90). We assign P/E multiples on 2023E (17.4x for electric, 15.5x for gas, and 28.3x for water, respectively) earnings of its regulated seg based on expected 2024 breakdown. We value the utility seg at a 0.5x disc to the US peer avg 22E P/Es. We back out future tax differential stemming out of tax rate normalization.
We value AQN's non-reg seg on EV/EBITDA basis. We assign Hydro at 8x prem to the peer multiple of 10.0x given the stable nature of the biz. We value Wind and Solar seg at a 3x & 4x prem to peer multiple too. We assign a 2.0x disc to the thermal biz given the lack of growth prospects.
We valued AQN's 44.2% stake in AY on MtM basis and net out Debt at Liberty Power.
Our assumed shares o/s numbers reflect our estimated equity issuance including the DRIP between now and 2023E
Upside risks: 1) Higher USD/CAD F/X rate, 2) Constructive regulatory outcomes, 3) Lower interest rate, 4) Execution on the capital plan, 5) Dividend Growth from AY
Downside risks: 1) Higher interest rates, 2) Lower USD/CAD F/X rate depending upon the exposure to the US, 3) Dilution risk associated with substantial equity issuance to finance capex, 4) Unfavorable regulatory actions, 5) Increase in Tax rate, 6) AY may not be able to sustain its current dividend levels, 6) Exposure in CA Renewables, 7) Balance Sheet quality, and 8) Natural disasters which could impact utility operating systems.

Ameren Corporation (AEE)
Our $91 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2023E ratebase weighted peer multiple of 17.8x for electric. We apply a 2.0x premium to peers at AEE Missouri to account for the improving prospects of capital spend, supplemented by a regulatory jurisdiction becoming more favorable - but lack of decoupling. We apply a 2.0x premium to peers at AEE Illinois to account for decoupling on the distribution business which aids in earnings predictability. The overall business is expected to grow at a more meaningful clip than that of peers - we see a 10% EPS CAGR at IL 2020-2024. At ATXI, we apply a 4.0x premium to peers to reflect the FERC ROEs. At the Parent, we assume 2.0x multiple premium reflecting average of the subs and given the healthy debt metrics with FFO/Debt at 17%+. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. The risks to our price objective are the utilities earning their allowed returns or worse, a significant change in 30-year U.S. Treasury bond yields, and adverse regulatory outcomes that could impact mgmt's ability to earn its allowed return

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American Electric Power (AEP)
Our price objective of $97 is based on SOTP analysis. We ascribe a peer forward P/E multiple (17.4x) with a 1.0x premium for its transmission-only Utilities segments, a 1x discount for PSO, a 1x discount for SWEPCO, and a 0x premium for regulated utilities as well as 6x premium for Kentucky Power. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector.

Downside risks to our price objective are 1) regulatory outcomes are less favorable than expected, which could result in reduced ROE, 2) large capital intensive are subject to delays or cost overruns, which can change the return profile, 3) natural disasters or catastrophic events can affect system reliability and are subject to regulatory cost recovery risk, 4) utilities are subject to interest rate risk to fund their business, which affects cost of capital, 5) commodity risk affects the generation business margins and indirectly affects the regulated business as a pass through cost, 6) consumer advocates are focused on bill inflation, which can affect regulatory outcomes, 7) non-regulated businesses are inherently more risky and subject to execution risk and commodity variation.

American Water Works (AWK)
Our PO for American Water Works is $178. We apply the water sector average 30.8x to American Water's 2023E earnings based on the water peer multiple and a 8.1% group EPS CAGR for '18-'23E. We think this multiple is justified as in our view AWK largely drives the peer multiple as the largest publicly traded water utility. We ascribe a 3x premium for NJ, PA, IL & Other given scope of acquisition opportunities. Also a -1x P/E for Cali utility.

Risks to the outlook include: 1) ability to execute capital and operating expenditures forecasts, 2) equity needs, 3) regulatory outcomes, 4) state and Federal legislative changes, 5) NY transaction pending, and 6) NY subpoena.

Atmos Energy Corporation (ATO)
Our $103 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 15.9x.
Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2019-23E) to reflect capital appreciation across the sector. We then apply a 1x premium to the TX gas distribution utilities and 2x premium (aside from KS) to the other base gas LDC multiple to reflect the high-quality nature of the assets given a sustainable runway for capex/EPS underpinned by constructive regulatory mechanisms and jurisdictions.
For the Pipeline & Storage segment we apply a 9x EV/EBITDA multiple as a base to our '23E EBITDA. We then apply a 2x premium to the assets given their fully regulated nature and unique ability for APT to benefit from the spread differentials.
Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs.
Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

Avangrid (AGR)
Our $47 PO is based on an SOTP. The utilities are valued on '23E with a a discounted valuation to the NY P/E of 16.6x/15.7x for electric/gas, given perceived risk to earned ROEs. No prem for UI or CMP Elec. Both electric and gas peer P/Es are grossed up to 2020 by 5-5.1% to reflect capital

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appreciation across the sector. We apply a DCF approach on the existing renewables biz, with 30% prem-to-DCF in line with yieldco peers. We back out 50% of non-reg debt at the parent. We include value of the two offshore wind awards assuming $3500/kW cost, 6% disc, and 6% construction risk disc, with prem-to-DCF based on MtM of yieldco valuations. We use an in-line discount for NECEC, but probability weight it 75%.

Upside risks: 1) ROE improvement in AGR's network business 2) Improvement in wind resources net capacity factor 3) higher than expected growth

from offshore wind opportunities.

Downside risks: 1) Iberdrola owns over 80% of AGR common stock, limiting float and presenting a potential for governance conflicts, despite the BoD being majority unaffiliated with Iberdrola. 2) Reg. relationships/outcomes could deteriorate 3) Existing and likely increasing exposure to the renewables biz results in a number of PPA related risks including commodity, recontracting & tax benefit recovery risk 4) Lack of adequate capital recovery mechanisms could threaten ROEs 5) The renewables biz may not expand as fast as expected or have worse returns 6) Offshore delays.

Avista (AVA)

Our $38 PO is based on our 2023E sum-of-the-parts (SOTP) analysis, based on the large cap electric group multiple of 17.5x and the gas regulated multiple of 15.8x. Both electric and gas peer P/E multiples are grossed to reflect the group's 5% CAGR to reflect capital appreciation across the sector. We then use a blended electric and gas multiple of 77% and 23%, respectively, for AVA's WA and ID jurisdictions given the composition of its rate base. We apply the gas multiple to its OR jurisdiction as it is entirely comprised of natural gas distribution assets. Meanwhile, we apply an electric multiple to its Alaska subsidiary, AEL&P, as it is a vertically integrated electric utility. We apply a 12.0x multiple to AVA's Corp & Other businesses as we cannot apply a full utility multiple given it consists of investment funds with a lack of visibility in earnings relative to utilities. eastly, we apply a 2x discount to WA and ID to capture increased uncertainty associated with fire risk and regulatory risk. We apply a 1x discount to OR given regulatory risks but no fire risk as it is solely a gas utility.

Risks to upside are 1) improving regulatory relationships, 2) decrease in interest rates, 3) constructive rate case outcomes in any of the jurisdictions. Risks to downside are principally wildfire events in West, which have increasingly spread to PacNW. Risks to downside are 1) operational risks 2) gas regulations attempting to phase out gas LDC usage over time impede growth.

Black Hills Corporation (BKH)

Our $74 PO is based on a SoTP valuation. Gas Utilities: We apply the 16.0x peer P/E multiple on 2023E EPS. Electric Utilities: We apply the 17.7x peer P/E multiple on 2023E EPS. Both electric and gas peer P/E multiples are grossed up by 1-yr vs 2020 by 5% to reflect capital appreciation across the sector. Coal Mine: We apply an 8x peer EV/EBITDA multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a discount/prem multiple to that portion of the mine. IPP Assets: We use the recent sale price and '23/EVEBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag and debt.

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Downside risks: inability to earn the authorized rate of return, unfavorable regulatory outcomes, and reductions in capital expenditures forecasts
Upside risks: ability to earn above the authorized rate of return, favorable regulatory outcomes, higher capex deployment

CenterPoint Energy (CNP)

We value CenterPoint Energy at $27 using an SOTP approach: electric business on an 3x premium to account for incremental capital not yet in plan to the Houston Electric multiple of 16.9x on 2023E P/E. We take out any earnings attributable to the transition bonds amortization, as those are temporary and instead add back the DCF value of future payments. For CNP's gas utilities we use the 23E utility gas peer multiple of 14.0x. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector and apply prem/discounts. We integrate Vectren into our model and apply a 60/40% weighting to the gas/electric multiple (in line with the business mix) and apply a 3x premium to account for incremental capex not yet in plan. For VESCO we apply a 12x 23E P/E multiple. We subtract parent interest expenses at a weighted average multiple. Further we net out the perpetual preferred, and apply a 50/50 weighting to parent debt and add back interest expense for recapitalization. We net out holdco interest at the weighted average P/E.

Downside risks: execution risk, decreases in capex which could support or weaken earnings ability, lower authorized returns, and interest rate increases.
Upside risks: increase in capex, higher authorized returns, and interest rate decrease.

CMS Energy (CMS)
Our PO of $65 is based on a SotP relying on 2023E forward P/E multiples for the utility and banking business and a 2023E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 3.0x prem to the avg 23E regulated multiple P/E of 17.8x for the electric seg and of 15.9.x for the gas seg, with the 10-yr capex update providing clear sight on ratebase growth and further upside, as well as cont'd favorable regulatory environment, and finally historically proven ability to consistently perform at the high end of guidance range. Both electric and gas peer P/E multiples are grossed up to 2020 by 5% to reflect capital appreciation across the sector. For CMS' merchant business we apply a 7x EV/EBITDA multiple, in line with current market value of CMS power plants (specifically DIG), moreover DIG has relatively favorable contracts for the near future which strengthen plant earnings. Risks are: 1) earned ROEs declining which reduce CMS utility earnings 2) execution risk on capex and cost cutting which would primarily affect the utility earnings, 3) negatives changes to market energy prices which could affect the DIG plant's ability to re-contract at the assumed prices.

Consolidated Edison (ED)
Our $74 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 17.8x/15.9x for electric/gas respectively with a -3.0x disc. to Electric, Steam, & Gas to reflect Covid recovery overhang and Steam for lack of decoupling. Both electric and gas peer P/E multiples are grossed up to 2023E by 5% to reflect capital appreciation across the sector. We further apply an EV/EBITDA approach on 2023E EBITDA to the CEB business using a 10.0x multiple for both the legacy portfolio and the renewables portfolio seeing it as having higher quality returns.
Downside risks: ED, like all utility stocks, is also sensitive to changes in the market level of interest rates. Utilities historically underperform if bond yields rise, and outperform when they fall. Further downside risks are the inability to recontract storage, adverse regulatory outcomes, a deteriorating regulatory environment, or unforeseen disasters such as the Harlem gas explosion, the SRE transaction not being completed. Customer inflation is also

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a downside risk. PCG related counterparty exposure is among the nearest exposures to watch.

Dominion Energy (D)

We use SOTP to derive our $85/sh PO. Utilities: We value VEPCO at 4x prem multiple to elec. peers of 17.8x '23 P/E and 15.9x w/ 3x prem on our '23E P/E to D's portfolio of gas LDCs (East Ohio, Hope Gas (WVa), and Questar (UT)). Mults are grossed up to by 5% to reflect capital appreciation. We value Wexpro at 10x disc to gas utility peers for declining rate base/ROEs and reg. risks. We ascribe a 3x premium multiple for SCANA legacy utility assets, and a 2x disc. for the NND asset. We also net out NPV of ongoing bill credits. Merchant: We apply an 8x FCF multiple for Millstone and separately apply a 100% wt to our NPV est of the ZCP cash flows. We include the full EBITDA from the contracted renewables with a 16x '23 EV/EBITDA multi in line with peers. Cove Point: We apply an NPV approach with to our DCF adjusted for the 50% sell-down in the facility. For remaining debt beyond that allocated to state utilities, we incl a 50% wt towards a str netting of leverage, with the remaining 50% using a P/E multiple on associated interest expense, in line with the methodology employed for more highly levered diversified utilities.

Downside risks: increase in rates, capex below assumptions, unconstructive regulatory outcomes, delays and/or cancellation of key projects vs our expectation.

DTE Energy (DTE)

We value DTE Energy at $108 using an SOTP approach. We value the utility segment on a 2023E forward P/E multiple basis and the non-utility segment on a 2023E forward EV/EBITDA multiple basis. For the utility segment we apply a 3x premium to both our regulated electric and gas utility peer multiples (of 17.7x and 15.8x, respectively). Both electric and gas peer P/E multiples are grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector. We subtract out Corp & Other expense excl. interest rate. For P&I, we apply an 7x EV/EBITDA multiple (8x base given historical valuation compared to midstream, plus 2.0x premium given forecast growth) to cogeneration, despite the lower quality of these earnings and opaque disclosures, as management has been able to execute on new project origination. We value the reduced emissions fuel (REF) tax credits separately using a DCF methodology at 6% discount rate.
Upside risks to our PO are capex expansions, higher authorized ROEs, and strong performance in the ET segment. Downside risks are interest rate hikes, execution risk on organic growth initiatives at the nonregulated business, and less favorable regulatory environment.

Duke Energy (DUK)

Our $107 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2023E P/E multiples. We apply a 3.0x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and potential generation opps in IN). We apply a 3x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2021. We value the other regulated electric utilities at 17.8x and the gas utilities at peer group multiples of 15.9x 2023E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2023E EV/EBITDA basis. We use a 8.0x and 9.0x multiple for midstream and transmission segments,

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respectively. We add the net present value of renewable segment using an 8% discount rate. We subtract out the impact of commercial debt, and add back for the renewable debt.
Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Edison International (EIX)
Our $66 PO is based on sum of the parts analysis with a peer 17.2x 2023 P/E grossed-up 5% for group growth. A -2x P/E discount is applied to the CPUC and FERC jurisdictional utilities as well as the Parent/Other segment. The discount reflects below-average growth and regulatory considerations. The negative wildfire adjustments are netted-out to reflect a probabilistic approach to the risk of shareholder funded wildfires and the ongoing contribution to the CA fund on an NPV basis.

Downside risks: 1) Wildfire and other natural disasters/catastrophic events subject to regulatory cost recovery, 2) Unfavorable regulatory outcomes including slowing rate of investment opportunities, 3) Interest rate risk reflected in cost of capital, 4) Additional financing needs, 5) Inability to earn the regulatory authorized ROE, and 6) Unexpected unregulated Edison Energy losses.

Upside risks: 1) Favorable outcome in pending wildfire litigation, 2) Favorable regulatory outcomes, 3) Increases in the authorized cost of capital, 4) More constructive regulatory / legislative outcomes to address wildfire risk, 5) Ability to outperform the authorized ROE in the short-term, 6) Enhanced profitability from the Edison Energy.

Entergy (ETR)
Our $125 PO is SOTP based. We assign P/E multiples (peer multiple of 18.1x) for 2023E on most segments, in line with peer multiples (and grossed up by 5% to reflect capital appreciation across the group) due to similar growth, and strip out 50% of the holdco senior notes. Both electric peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector.

Downside risks: 1) Regulatory outcomes or earned ROE's could worsen, 2) Rate making mechanisms could change in the future, 3) Failure to get trackers or ROE adjustment mechanisms could hurt realized ROE, 4) weather can affect operations and earnings, 5) Interest rate risk affects cost of capital, 6) Consumer advocates or utility staff may focus more on issues that challenge the company ROE, 7) ETR has had safety issues in the past, which have affected regulatory relationships and company liabilities, 8) Exit from the competitive business could present unforeseen challenges.

Essential Utilities (WTRG)
Our price objective is $54 based on our SOTP approach, applying a peer multiple to the water utility and gas utility, respectively and accounting for expected growth for each sector. These peer multiples are 28.8x and 15.9x. We apply a 1.0x premium to Peoples Gas given the organic growth opportunities, while applying a variety of premiums to its water (3x previously) subsidiaries: +4x to PA, +3x to IL, +2x to OH, +2x for TX, +2x for OH, and no premium for balance of biz. We net out parent debt and parent interest expense associated with parent debt 50/50 weighed basis.

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Risks to the downside are acquisition risk, deteriorating regulatory outcomes, and risks from a lower rerating following the diversification into gas.

Evergy, Inc (EVRG)

Our $65 price objective for Evergy (EVRG) is based on sum of the parts valuation, applying an in-line utility peer 2023E P/E of 16.9x. The electric peer P/E multiple is grossed up for by one year by 5% to reflect capital appreciation across the sector. We further apply a -1.0x turn discount across the Kansas Central subsidiary based on our perception of a slightly more challenging regulation compared with the average utility due to concerns about bill pressure.
Downside risks to our price objective include adverse regulatory outcomes, inability to deploy capital expenditures consistent with guidance, operational performance issues including at the nuclear facility, and earning below the authorized rate of return.

Upside risks to our price objective include favorable regulatory outcomes in important proceedings, accretively deploying additional capital expenditures above guidance, higher than anticipated O&M benefits and merger synergies leading to a higher earned return on equity, and the ability to recover capital invested in retired coal assets.

Eversource Energy (ES)
Our sum of the parts based price objective of $90 uses P/E multiples on 2023E earnings. For electric utilities, we attribute a 3x premium NSTAR, 3x premium to PSNH, and a 2x discount for CL&P to peer 17.7x multiple, reflecting future potential positive revisions to capex and earnings and the latest challenges in CT. For gas, we apply a 3x premium to the peer 15.6x multiple, given capex upside particularly in MA and a 2x for Columbia Gas. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value Aquarion at the 29.3x water multiple. We reflect ES's 50% ownership in Revolution and South Fork offshore wind sites on an NPV basis. We further reflect a devco value with an assumption of an additional 3GW through 2031. We take out 50% of parent debt, and 50% of interest to accurately reflect parent leverage.

Upside risks to our price objective are additional capex announcements on the T&D side, as well as success in offshore wind RFPs.

Downside risks are reduction in authorized ROEs, inability to meet earned ROE expectations, as well as failure to receive permitting on incremental capex opportunities.

Exelon (EXC)
Our $55 PO is based on an SOTP valuation.
Utility: Our base electric peer P/E multiple of 16.6x for '23 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2023E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We

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then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a DCF for nuclear and Mystic.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may

or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

FirstEnergy (FE)

Our PO of $42 is based on an SOTP: Multiples are driven by relative P/E premiums/discounts to the 2023E regulated peer multiple. Electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. As for premiums/discounts, we view NJ as at a slight prem +1x given a generally constructive commission and asset sale potential, PA at -2x as we view our more punitive ests already account for industrial load sensitivity incl O&G royalties, and others as in line to small discounts. In OH, we apply a -2x P/E discount multiple to account for rate review risk. Finally, we apply a +1x P/E premium to peers 2023E multiple to the Transmission business given potential for sale of a noncontrol stake. We subtract out the holding co debt given the high parent leverage.

Downside risks: 1) Unfavorable regulatory outcomes, 2) larger than expected penalties, fine, litigation, refunds, and other outcomes from the Ohio investigations, 3) inability to earn the allowed ROEs and/or other deterioration of regulatory earnings, 4) increasing pension liabilities, 5) further negative investigation revelations.

Fortis Inc (FTS)

Our C$51 (US$41.46) PO is based on our sum of the parts methodology. We assign a 2023E forward base peer P/E multiple of 17.2x to the US utility business with a discount of -2.5x for UNS Energy (AZ), a 3.0x premium for ITC, and a discount of -2.0x for Central Hudson (NY).

For Canadian utilities, we assign a base peer 2023E P/E multiple of 16.7x. Lower ratebase growth profiles and generally lower authorized equity layers/ROEs, paired with a more challenging regulatory environment, will continue to warrant a discount to US peers, in our view.

At Caribbean utilities, we apply 60% ownership share to the publicly listed subsidiaries' current market cap.

We assign an 8.0x EV/EBITDA multiple to FTS's non-regulated segment seeing the contracted nature of its non-regulated segment positively offset lower growth opportunities. We account for FX upside based on current spot prices

Upside risks are: 1) favorable regulatory outcomes, 2) successful execution on upside capex initiatives including Lake Erie Connector and MISO long-term transmission, and 3) improvement in USD/CAD exchange rate

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Downside risks are: 1) unfavorable regulatory outcomes, 2) regulatory lag and overall inability to achieve the allowed ROEs, 3) deterioration in USD/CAD exchange rate, and 4) dilution from additional equity to strength credit ratings

Idacorp (IDA)

Our $109 PO is based on a sum-of-the-part valuation (SOTP) of the utility and parent segments.

Our utility valuation is based on applying a 17.8x peer P/E multiple to our 2023 EPS estimates. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. We apply a 2.0x premium to Idaho Power to account for acquisition premiums and ROE floor mechanism, upside to estimates, conservative guide, and the strong balance sheet. We factor in probability-weighted opportunities for more ratebase from Hells Canyon & large-scale transmission ownership announced at EEI.

Upside risks to our PO are getting additional capital approved on expedited basis. Downsides risks are regulatory shifts or using up ADITC bank which ensures consistent ROE and earnings floor.

New Jersey Resources Corp (NJR)

Our $38 PO is off our 2023E SOTP, based on gas peers of 15.9x. For non-reg biz, we apply a 12.0x multiple plus a 1.0x premium to account for the derisked nature of the AMAs. For Midstream, we capitalize EBITDA at 9.5x while weighting PennEast by 0% given uncertainty on full project execution (as mgmt. has removed this from its outlook). For CEV, we value CEV PowerCo for existing assets and DevCo assets to be deployed separately. We separately value DevCo assets to be deployed for '21 through '25 at NPV of unlevered FCF including upfront system install cost and ITC value for new deployment. We also value SREC balance that CEV has yet to monetize. We apply a 5.5% unlevered discount rate to project level CFs in-line with our discount rate for resi solar service providers. We incl. three additional years of DevCo NPV ('26-'29) with terminal value based on post-ITC step-down trough volumes/economics in '29 and utilize a 4x terminal value. We also attribute a 75% weighting for the full value of DevCo NPV for '24+. We assume 75% based on a likelihood of some action on ITCs. For parent, we apply a 50/50 weighting for holdco debt/interest expense for re-capitalization purposes.

Upside risks: Constructive regulatory outcomes, decrease in interest rates, incremental capex opportunities, extension of subsidies and further renewables acceleration

Downside risks: Poor regulatory outcomes, increase in interest rates, and lower capex.

NextEra Energy (NEE)

Our $94 PO is derived using a SOTP approach, with the utilities and parent segment valued on a 2023E P/E basis, and the generation segment valued on a 2023E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of IDRs (DCF, at 5% disc rate). We assign 23E peer multiple of 18.2x (grossed up by 5% to reflect capital appreciation) with disc/prem to reflect the growth/risk profile of

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the businesses. We provide value for possible regulated M&A as one strategy of capital redeployment, albeit weighted at 50% to reflect execution risk. Our valuation reflects the drag in new debt. For NEER, we apply a peer EV/EBITDA multiple of 8x, which we adjust depending on asset type. Give contracted renewables 12x prem given fuel type and contracted nature. We utilize a DCF of new renewable for projects beyond 2022. We value contracted nuclear on a DCF approach using a 7% discount rate. We apply a 1x prem multiple to pipelines (1x disc MVP), 1x discount to gas infrastructure and 1x discount for supply and trading given lower asset quality, line multiple for contracted gas peakers and 1x discount for merchant

peakers (other), again based on asset quality.
Downside risks: 1) unfavorable regulatory outcomes, 2) natural disasters, 3) adverse commodity price changes, 4) decline in stock price for YieldCo NextEra Energy Partners, 5) reduction in renewable development margins.

NiSource Inc (NI)
Our $28 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2023 forward P/E multiples that are marked-to-market to the lates peer utility multiples of 15.7x for gas and 17.6x for electric with a 2.0x premium for the electric utility's strong growth rates and incremental renewable buildout with capex potentially beginning in '24, but acknowledge industrial risk. We note that electric / gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We subtract the value of excess holding company debt at the parent not supporting the utility opcos. We believe NI's 5-7% EPS/dividend growth outlook, attractive regulated earnings profile and constructive legislation across NI's service territories are under-estimated given its discounted multiple versus peers.
Downside risks to our PO are a sustained period of economic weakness pressuring customer growth, interest rate increases, higher natural gas prices, and inability to execute on renewables additions.

NorthWestern Corporation (NWE)
Our $70 price objective is based on a 1.0x discounted multiple to the 2023E peer multiple of 17.8x on our 2023E EPS given higher risk and slower growth. We note that electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector.

Downside risks to our price objective are 1) adverse regulatory outcomes, 2) inability to recover costs via the traditional mechanisms, 3) changes in the Commission constructs, and 4) further equity dilution. Upside risks are 1) improvement in regulatory environment 2) capex increases.

OGE Energy Corp (OGE)
We value OGE at $40/share based on a sum of the parts, separating the utility biz from the Enable stake.

For the utility biz we apply the peer multiple of 17.7x on 2023E EPS. Electric peer P/E multiple is grossed up for a year to 2021 by 5% (based on average annual growth) to reflect capital appreciation across the sector. Note we apply an in-line multiple vs peersto account for robust incremental spending not yet in plan offset by a less favorable regulatory environment.

For the Energy Transfer stake we rely on the current market price of ET multiplied by the number of the shares owned by OGE to determine the equity value. We then apply a 50% tax effect to the equity value of the ET stake as there will be tax leakage upon a sale.

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Downside risks are further declines in the regulatory environment possibly resulting in lower ROEs or other hurdles hindering OGE's ability to earn its authorized return. While not as exposed due to low parent interest, we see interest rate hikes as another potential downside risk. Finally, execution risk on existing capex schedule could put further pressure on earnings growth. Declines in value of ENBL share could also provide downside to our valuation.

Upside risks are shifts towards a more favorable Oklahoma regulatory environment, which could ease OGEs ability to earn its authorized return in the jurisdiction and possibly increase capex plan as management views prospects in the state more positively. Improvements in value of ENBL share.

Pinnacle West (PNW)
Our price objective of $62 is based on a peer utility P/E multiple of 16.6x on our 2023E EPS of $4.62 with a -3.5x discount to account for future rate case risk, uncertain recovery of clean generation spend, resource adequacy concerns in the state, and general below-average regulatory environment in Arizona, PNW's sole jurisdiction. We also include a 50% prob-weighted SCR scrubber disallowance by applying a multiple to the estimated $45m earnings reduction from disallowance. Electric and gas peer P/E multiple is grossed up for a year to 2022 by 5% to reflect capital appreciation across the sector, for an effective multiple of 15.3x.

Upside risks: 1) Regulatory relationships/outcomes could improve, 2) load growth in territory above expectations 3) Riders and capital trackers could help achieve ROE 4) positive weather 5) interest rate risk changes cost of capital 6) Consumer advocates or utility staff could become focused on issues that improve ROE Downside risks: 1) Regulatory relationships/outcomes could decline, including changes at the elected commission 2) load growth in territory below expectations 3) Riders and capital trackers could hurt ROE 4) negative weather hurts earnings 5) interest rate risk changes cost of capital - higher rates could worsen 6) Consumer advocates or utility staff could become focused on issues that hurt ROE 7) Solar advocates in the state have engaged in public confrontations with the utility, which could change public relations in the future.

PNM Resources Inc. (PNM)
We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

Portland General Electric Company (POR)
Our $55 price objective is based on our 2023E EPS estimate discounted back to '21. We value shares based on a 2023E P/E methodology applying an inline multiple to the 2023 regulated utility PE multiple of 17.8x. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. While our PO is a 12-month forward projection, we use a 2023 multiple, which is reflective of a discount back to 2021.

Downside risks are 1) the ability to secure commission approval for future wind builds, 2) power market risk due to the Power Cost Adjustment Mechanism (PCAM), 3) liabilities under a negligence standard for current or future fires caused by POR equipment. 4) potential wildfires.
Upside risks are 1) continuation of small/midcap regulated rally, 2) better than expected weather adjusted load growth, 3) further strengthening of company balance sheet, 4) power market risk due to the PCAM.

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PPL Corporation (PPL)
Our $31 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2023E peer group multiple of 17.7x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector.

Downside risk to our price objective is integration with the pending RI assets from National Grid and finding an accretive way to deploy remaining proceeds.

Upside risk to our price objective includes successful execution of accretive re-deployment.

Public Service Enterprise Group (PEG)
Our $67 PO is derived from our SOTP valuation. For the regulated utilities we utilize the electric (16.8x) and gas (14.0x) 2023E sector P/E multiples, which we then gross-up by 5% to reflect capital appreciation across the sector. We continue to apply a company-specific +2x premium to the group multiples thus derived to reflect the above-average growth and low-risk transmission & distribution (T&D) nature of PEG's operations.

Downside risks are 1) unfavorable regulatory outcomes, 2) nuclear incidents, 3) inability to earn the regulatory allowed rate of return, 4) unexpected equity needs, 5) inability to deploy capital in line with guidance, and 5) cost overruns/delays on offshore wind.

Upside risks are 1) favorable regulatory outcomes, 2) better than expected nuclear performance, 3) ability to outperform the regulatory rate of return in the short-term, 4) credit agency reduction of required metrics, 5) ability to secure incremental capital expenditures, and 5) offshore wind construction under-budget and ahead of schedule.

Sempra Energy (SRE)
Our $132 PO is based on a SOTP valuation of '23E earnings. We apply a discounted valuation to the California utilities (SDG&E and SoCal Gas) and a group average multiple for the TX utility (Oncor). The Infrastructure segment (SIP) is valued at an implied premium on both EV/EBITDA and P/E due to its long duration contracted cash flows. The parent drag is treated on a balanced blend of P/E and HoldCo debt netting.

Downside risks: 1) unfavorable regulatory outcomes, 2) inability to achieve the regulatory allowed ROE, 3) adverse political actions, 4) additional financing needs, 5) commodity price headwinds, and 6) inability to deploy capital consistent with guidance.

Upside risks: 1) favorable regulatory outcomes, 2) ability to outperform the regulatory allowed ROE, 4) beneficial political actions, 5) share repurchases with excess balance sheet latitude, 5) positive commodity tailwinds, and 6) ability to exceed capital expenditure guidances.

South Jersey Industries (SJI)
Our $27 PO is premised upon our SOTP analysis where we utilize a 15.9x peer Gas LDC utility P/E to SJG and ETG on '23E EPS. We apply a 1x to the NJ utilities based on our view that SJI will continue to receive constructive regulatory treatment and upside to spending on RNG. We apply a 12x P/E to SJEG/SJES non-regulated earnings stream given variability and limited transparency. For the solar investments we utilize a NPV of investment tax

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credits at a 4.5% discount rate (in line with peers) to capture the transitory nature and eventual roll-off. We apply a 9x EV/EBITDA to PennEast and assume full project economics in our EPS assumptions, although net out 50% weighting. We utilized a DCF for RNG with NPV of cash flows at 7.4% discount rate. For parent debt we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Downside risks: Interest rates move higher, poor regulatory outcomes, lower capex levels.

Upside risks: Interest rates move lower, constructive regulatory outcomes, incremental capex opportunities, further credit latitude.

Southern Company (SO)

Our $71 PO is derived from a SOTP. We use a P/E val approach on 2023 and use peer multiples of 17.6x for electric and 14.8x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross this multiple by +5% to account for sector wide EPS growth to derive a 12-month forward PO. We subtract 50% of the 2023 parent interest expense multiple by an electric P/E peer multiple to reflect parent lev supporting the utilities. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector.

Upside risks are: 1) Regulatory outcomes or RO's could be better vs expectations, as exposed to multiple state jurisdictions 2) Additional riders and capital trackers can help the company achieve better than expected ROE, but failure to get riders would hurt SO 3) The nat. gas related biz are relatively new and could prove more or less able to earn an ROE in line with or different from their allowed ROE, 4) high capital forecasts and subsequent earnings streams vs our assumptions.

Downside risks are: 1) Regulatory outcomes or ROE's could be worse than expectations, particularly since exposed to mult. state jurisdictions, 2) SO has exposure to Vogtle which could shift earnings, 3) Weather patterns could influence usage or natural disasters could affect system reliability 4) Utilities are subject to interest rate risk.

Southwest Gas Holdings (SWX)

Our $73 PO is based on our 2023E Sum-of-the-parts (SOTP) analysis. We apply a 15.9x peer Gas LDC utility P/E to the utility EPS across the company's three major jurisdictions, which include Arizona, Nevada and California. We gross this peer multiple up by 5% to reflect capital appreciation across the sector. For AZ, we apply a 1.5x discount to the jurisdiction given lack of fwd looking rate treatment/alternative rate making mechanisms. We apply a 1.0x discount to NV and CA as we take a more negative view on the jurisdictions' LT viability. Additionally, we value the FERC regulated Pauite Pipeline separately on a midstream peer group average EV/EBITDA multiple of 9.5x and net out associated debt. For the infrastructure services segment, Centuri, we apply 8.8x EV/EBITDA multiple, which is in-line with the business' closest industrial comps given Centuri's relatively insulated utility customers. Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for re-capitalization and add back 50% of parent interest expense.

Upside risks: higher than expected infrastructure services earnings growth, increasing construction project margins, better than expected rate case results.

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Downside risks: Unfavorable regulatory outcomes and increased volatility at Centuri, disproportionately high foreclosure rates in SWX's territories, timing and execution of rate cases, rate base growth, underperformance at Centuri and expansion or contraction of sector valuations.

UGI Corp. (UGI)

Our $50 PO is derived from our SOTP analysis, applying specific multiples and premiums to assets. For the gas utility, we utilize a 23E 15.6x P/E multiple +1x premium given its de-risked backdrop, and an in-line electric multiple of 17.6x. For U.S./international propane, we utilize an 8.4x EBITDA, in line with other publicly traded comps. We use a 9.2x EBITDA multiple at midstream w/ a premium/discount depending on the asset & CMG expansion/PennEast both weighted at 50%, respectively, given uncertainty associated with expansion opportunities/project execution. We take the NPV of future renewable solutions cash flows, implying a 13+x EV/EBITDA multiple (in line to slightly higher than our valuation to peers biz mix, such as SJI). Lastly, for parent debt in the Corp & Other segment, we net out 50/50 weighting for recapitalization and add back 50% of parent interest expense.

Downside risk: unfavorable weather, propane logistics issues and shortages domestically or in Europe, reduced conversion rates or slower new home construction within PA, and unfavorable currency exchange rates. Macroeconomic concerns are rising interest rates, volatile and rising natural gas prices, and a general economic slowdown.

Unitil Corporation (UTL)

We value UTL at a $48 PO based on a 2023e forward P/E basis using a utility group multiple of 18.0x for electric and 15.5x for gas. Also, we apply a 1x premium to our weighted peer multiples to align with MA comps and capture electrification upside. Both electric and gas peer P/E multiples are grossed up for a year to 2023 by 5% each to reflect capital appreciation across the sector.
Risks to our price objective on the upside are capex updates around MA gas pipeline replacement, regulatory asks around ROEs, and M&A. On the downside, risks are interest rate risk which could reduce the appetite for M&A, regulatory challenges and mild weather.

WEC Energy Group Inc (WEC)

Our $92 PO is based on 2023E SoTP, with a large cap electric group multiple of 17.9x and gas regulated multiple of 16.0x. Electric and gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector. We apply a 3.0x premium to WEC's WI electric & gas subs for surety in earnings growth for the next two years following the Commission's recent settlement on above avg ROEs of 10%+. We apply a 1x premium to the gas utilities, incl IL's Peoples Gas and North Shore Gas with the Gas System Modernization Program (GSMP) and capex forecasts de-risked following the ICC order. We ascribe a 3x premium vs. the group at ATC to account for steady earnings growth as well as above avg ROE's that are set at a federal level by FERC. We give Power the Future (PTF) a 1.0x premium multiple as the ROE is set indefinitely on historical and new investments. We ascribe an in line multiple for the parent accounting for the interest expense which finances overall utility operations. We value Energy Infrastructure investments on a net present value basis using a WACC of 3.5%, in line with other renewable asset operators. We net out 50% of HoldCo debt from equity valuation and adjust to add back the parent drag on interest exp. Upside risks: stronger than expected execution and accelerating capital oppty. Downside risks: inability to achieve historical track record on cost cutting and to scale regulated investments given growing portion from contracted renewables.

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Xcel Energy Inc (XEL)

Our PO is $71. We value Xcel Energy using a sum of the parts (SOTP) approach. Given the difference in geography, earnings strength, growth opportunity and risk profile, we divide the segments by subsidiary.

We use 2023E forward P/E multiples to derive a value for the different business segments, including the parent segment.

We use a peer multiple of 17.8x. Electric peer P/E multiple is then grossed up for a year to 2021 by 5% to reflect capital appreciation across the sector.

We apply a 2x premium to most subsidiaries except in MN where we apply a 3.0x due to additional stimulus upside. We see this multiple as appropriate as the company has growth opportunities, resolving regulatory drag and resolving uncertainty around rate cases.

We stripped Mankato as a non-reg asset in our SOTP due to the sale. We also net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage.

Downside risks are interest rate increases, regulatory risk such as lower authorized ROEs or less favorable riders/trackers for renewables and transmission, interest rate risk, execution delays, and weather anomalies.

Coverage Cluster

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith

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Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
Dominion Energy	D	D US	Julien Dumoulin-Smith
Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
Enphase Energy	ENPH	ENPH US	Aric Li
Entergy	ETR	ETR US	Julien Dumoulin-Smith
Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
Exelon	EXC	EXC US	Julien Dumoulin-Smith
First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
FirstEnergy	FE	FE US	Julien Dumoulin-Smith
Hydro One	YH	H CN	Dariusz Lozny, CFA
MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
NiSource Inc	NI	NI US	Julien Dumoulin-Smith
NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
SolarEdge Technologies	SEDG	SEDG US	Aric Li
South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
Southern Company	SO	SO US	Julien Dumoulin-Smith
Spire	SR	SR US	Julien Dumoulin-Smith

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Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
SunRun	RUN	RUN US	Julien Dumoulin-Smith
TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
Vistra Energy	VST	VST US	Julien Dumoulin-Smith

NEUTRAL

Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
Bloom Energy	BE	BE US	Julien Dumoulin-Smith
ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
Edison International	EIX	EIX US	Julien Dumoulin-Smith
Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
Eversource Energy	ES	ES US	Julien Dumoulin-Smith
EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
Idacorp	IDA	IDA US	Julien Dumoulin-Smith
Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith

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Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith

UNDERPERFORM

Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
American Water Works	AWK	AWK US	Julien Dumoulin-Smith
Avangrid	AGR	AGR US	Julien Dumoulin-Smith
Avista	AVA	AVA US	Julien Dumoulin-Smith
DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
TPI Composites	TPIC	TPIC US	Adhok Bellurkar
Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

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Analyst Certification

We, Julien Dumoulin-Smith and Dariusz Lozny, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Special Disclosures

BofA Securities is currently acting as financial advisor to Iberdrola SA in connection with the proposed sale of 50% ownership of the Dry Lake II Wind Farm and 50% of the Copper Crossing Solar Project to Axium Infrastructure Inc, owned by its subsidiary Avangrid, which was announced on 17 September 2019.

Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	86	62.32%	Buy	65	75.58%
Hold	27	19.57%	Hold	15	55.56%
Sell	25	18.12%	Sell	15	60.00%

Equity Investment Rating Distribution: Utilities Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	79	50.32%	Buy	56	70.89%
Hold	37	23.57%	Hold	30	81.08%
Sell	41	26.11%	Sell	27	65.85%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent

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Buy	1973	59.66%	Buy	1254	63.56%
Hold	665	20.11%	Hold	404	60.75%
Sell	669	20.23%	Sell	343	51.27%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. *VOLATILITY RISK RATINGS*, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. *INVESTMENT RATINGS* reflect the analyst's assessment of both a stock's: absolute total return potential as well as its attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Algonquin Power, Amer Elec Power, Atmos Energy, Black Hills Corporat, CenterPoint, CMS Energy, Consolidated Edison, Duke Energy, Edison Intl, Entergy, Essential Utilities, Eversource Energy, Fortis, NiSource Inc, Portland Genl Elec, South Jersey, UGI Corp., Unitil Corporation.
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Xcel Energy Inc.

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Emissions and intensity targets vary across the sector

We examined in detail ESG data across our coverage including Regulated Premium & Value Utilities, SMIDs, IPPs, and Canadian Utilities as reported in the ICE ESG data tool. The objective is to identify trends among one of the most commonly cited ESG metrics – GHG emissions and intensity targets. Electricity producers are the largest emitters in aggregate so comparing and analyzing company goals is a key step in determining companies' overall commitment to decarbonization. We find, perhaps unsurprisingly, that most emissions targets are set with respect to general goals of 'carbon emissions' or 'carbon neutrality,' though some companies provide more specific goals such as Scope 1 & 2, while others set the goal more broadly at all GHG. This illustrates one of the main challenges in analyzing ESG goals in a systematic way: the number of variables involved make direct comparisons challenging. The GHG profile of a wires only company will naturally differ from an integrated utility - how to compare efforts? *Large-cap electric utilities appear to have the most ambitious goals; SMIDs are real relative laggards.*

Base year matters for interim goals, less so full neutrality

Of 54 companies under our coverage that report ESG metrics to ICE, we captured a population of 94 separate 'goals,' with some companies reporting multiple goals, usually with respect to target years for implementation (e.g. 2030 interim and 2050 final decarbonization goal). With respect to carbon and broader GHG emissions goals the majority of companies we reviewed set a percentage reduction target with respect to a base year. The majority of companies under our coverage use 2005 as the year for setting baseline emissions targets, though baselines in the 2010s are becoming more common. **AGR** has a goal of 35% GHG reduction vs. 2015 levels by 2025, for instance. Others including **EMA, NWN,** and **POR** use earlier base years such as 1990 and 1998 (in line with practices set by the pre-Paris Kyoto round of talks). At its recent Investor Day, **CNP** announced a net zero goal by 2035, among the earliest among its peers – expect this to add pressure on other regulated names to advance their own ambitions, with most companies currently crowded around 2050. The other key question raised by our analysis is that of true comparability: e.g. is a 40% reduction vs. 2005 levels "better" than a 20% reduction vs. 2015 levels?

Difficult for ambitious targets to stand out

The ICE platform provides detailed ESG data across most of the companies under our coverage, the nonstandardized nature of GHG emissions goals specifically means that the data is not easily captured or compared across companies. In addition to the base year issue discussed above, targets vary by type including Carbon Emissions, Carbon Neutrality, GHG Intensity, Methane Intensity, Scope 1, Scope 1&2, etc. Furthermore the ICE data does *not* readily distinguish between goals and commitments, a key measure of whether the target %s have 'teeth'. We highlight **CMS, ES, POR,** and now **CNP** as having relatively ambitious targets of carbon neutrality by either 2030 or 2040 – though even here the question of implementation is not obvious. Are companies targeting true emissions-free operations, or more likely utilization of credits/offsets? We expect still-greater efforts on the parts of industry bodies to bring greater levels of standardization.

27 September 2021

Equity
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ICE: Intercontinental Exchange

GHG: Greenhouse Gas

IPP: Independent Power Producer

LDC: Local Distribution Company

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Regulated Premium and Value Utilities

Below we show summaries of GHG targets for the Regulated Premium and Value Utilities under our coverage as reported by ICE.

Most of the premium regulated names under our coverage have at least one 100% target, defined either as Carbon Neutral or GHG Emissions in the case of **AGR**. Of the names that do have 100% targets, **AGR** and **ES** stand out for having relatively early target dates of 2035 and 2030, respectively. **AEE** does not have a 100% decarbonization goal though it does have a relatively ambitious 85% by 2040 target and has reported progress of more than 30% thus far. On balance the premium group's base years are relatively dispersed, though none is earlier than 2005.

We stress a key element of our investment thesis across ESG relates to scarcity for companies without meaningful fossil generation. We expect wires only utilities to emerge as relative premiums across the rest of the sector with **ES** and **AGR** already illustrating this dynamic; expect this to accrue to the likes of **EXC** once they break apart next year.

Exhibit 1: Regulated Premium emissions metrics
LNT, XEL demonstrated progress toward interim 2030 goals

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
AEE	Regulated Premium	Carbon Emissions	2005	2040	85%	31%
AGR	Regulated Premium	GHG Emissions	2015	2025	35%	nd
AGR	Regulated Premium	GHG Emissions	2015	2035	100%	nd
CMS	Regulated Premium	Carbon Neutrality	2005	2040	100%	nd
CMS	Regulated Premium	Carbon Emissions	2005	2040	90%	35%
CMS	Regulated Premium	Scope 1	2005	2040	80%	nd
ES	Regulated Premium	Carbon Neutrality	2018	2030	100%	nd
LNT	Regulated Premium	Carbon Emissions	2005	2030	50%	42%
LNT	Regulated Premium	Carbon Neutrality	2005	2050	100%	nd
NEE	Regulated Premium	Carbon Emissions	2005	2025	67%	57%
WEC	Regulated Premium	Methane Intensity	2011	2030	30%	nd
WEC	Regulated Premium	Carbon Emissions	2005	2030	70%	40%
WEC	Regulated Premium	Carbon Neutrality	2005	2050	100%	nd
XEL	Regulated Premium	Carbon Emissions	2005	2030	80%	51%
XEL	Regulated Premium	Carbon Neutrality	2005	2050	100%	nd

Source: InterContinental Exchange

BofA GLOBAL RESEARCH

The regulated value names generally report both interim and 2050 targets, many of which are for 100% reductions or full carbon neutrality. **NI** stands out as having a relatively ambitious 2030 time frame calling for a 90% cut in carbon emissions (consistent with peer **CNP** in Indiana), while **D** has set a comparably less strict requirement of 55% under the same parameters – reductions in carbon emissions by 2030 relative to a 2005 baseline. This is admittedly a bit surprising given its recent repositioning towards electric decarbonization in VA and could be readily accelerated vs peers.

Note that baseline years are less relevant for carbon neutrality targets which imply a 100% reduction irrespective of the base year – AEP, D, DTE, DUK, EIX, ETR, FE, PCG, PEG, and SO all have such targets (though again ICE data does not delineate whether the targets are binding).

Note that given the nature of the metrics (GHG emissions) **ED** stands out as among the few names not reporting reduction goals to ICE, though the company does have a 100% clean electricity generation by 2040 goal that is not explicitly linked to emissions cuts, and otherwise maintains one of the largest solar generation fleets in the US. Thus exclusion from this sample should not necessarily be taken as a sign of lacking ESG commitment elsewhere.

We also flag **CNP**'s recently-announced goal (not yet reflected by ICE) of achieving net zero / carbon neutrality by 2035. This is among the most ambitious goals in the sector –

per the company's release, the earliest target for a combined electric/gas utility that owns generation – and compares with peers such as DTE (2050), AEP (2050), D (2050), DUK (2050), and PEG (2050).

Exhibit 2: Regulated Value emissions metrics
Most companies report interim and 2050 targets – ED stands out though remains an ESG leader

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
AEP	Regulated Value	Carbon Emissions	2000	2030	80%	74%
AEP	Regulated Value	Carbon Neutrality	2000	2050	100%	nd
CNP	Regulated Value	GHG Emissions	2005	2035	70%	nd
CNP	Regulated Value	Carbon Neutrality	Nd	2035	100%	nd
D	Regulated Value	Carbon Emissions	2005	2030	55%	nd
D	Regulated Value	Carbon Emissions	nd	2050	80%	nd
D	Regulated Value	Carbon Neutrality	2020	2050	100%	nd
DTE	Regulated Value	Absolute Scope 1	2005	2030	50%	nd
DTE	Regulated Value	Carbon Emissions	2005	2040	80%	30%
DTE	Regulated Value	Carbon Neutrality	2005	2050	100%	nd
DUK	Regulated Value	Carbon Emissions	2021	2030	50%	nd
DUK	Regulated Value	Carbon Emissions	2005	2030	50%	39%
DUK	Regulated Value	Carbon Neutrality	2021	2050	100%	nd
DUK	Regulated Value	Carbon Neutrality	2005	2050	100%	39%
ED	Regulated Value	na	na	na	na	na
EIX	Regulated Value	Carbon Emissions	2021	2030	50%	nd
EIX	Regulated Value	Carbon Neutrality	2018	2045	100%	nd
ETR	Regulated Value	Carbon Emissions	2000	2030	50%	8%
ETR	Regulated Value	Carbon Emissions	2020	2050	100%	nd
ETR	Regulated Value	GHG Intensity	2000	2050	100%	37%
EVRG	Regulated Value	Carbon Emissions	2005	2030	70%	nd
EXC	Regulated Value	Carbon Emissions	2015	2022	15%	nd
FE	Regulated Value	Carbon Emissions	2005	2045	90%	80%
FE	Regulated Value	Carbon Neutrality	2019	2050	100%	nd
NI	Regulated Value	Scope 1	2005	2025	90%	63%
NI	Regulated Value	Methane Intensity	2005	2030	50%	39%
NI	Regulated Value	Carbon Emissions	2005	2030	90%	nd
PCG	Regulated Value	Carbon Emissions	2016	2022	10%	6%
PEG	Regulated Value	Scope 1 & 2	2005	2025	25%	186%
PEG	Regulated Value	Carbon Emissions	nd	2030	100%	nd
PEG	Regulated Value	Scope 1 & 2	2005	2046	80%	nd
PEG	Regulated Value	Scope 1	2005	2046	80%	58%
PEG	Regulated Value	Carbon Neutrality	2005	2050	100%	nd
PNW	Regulated Value	Scope 1	2005	2032	48%	nd
PPL	Regulated Value	Scope 1 & 2	2010	2040	70%	56%
PPL	Regulated Value	Carbon Emissions	2010	2050	80%	nd
SO	Regulated Value	Carbon Emissions	2007	2030	30%	nd
SO	Regulated Value	Carbon Emissions	2020	2050	100%	nd
SRE	Regulated Value	Scope 1	2005	2030	40%	18%
SRE	Regulated Value	Scope 1, 2, 3	2020	2050	100%	nd

Source: InterContinental Exchange, company report

BofA GLOBAL RESEARCH

SMID, IPP, Canadian Utilities

Among IPPs, both **AES** and **VST** have set neutrality targets, though AES is more ambitious with a 2040 target year. **NRG**'s goal of 50% reduction in carbon emissions relative to 2014 levels stands out as carrying a high degree of accountability given a 2025 target date and reported 41% progress to date – a measure of the current mgmt. team's commitment in our view.

Exhibit 3: IPP emissions metrics
AES leads the small sample

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
AES	IPP	GHG Intensity	2016	2022	50%	nd
AES	IPP	Carbon Neutrality	2016	2040	100%	nd
AES	IPP	Carbon Emissions	nd	2050	100%	nd
NRG	IPP	Carbon Emissions	2014	2025	50%	41%
VST	IPP	Scope 1 & 2	2010	2030	60%	45%
VST	IPP	Carbon Emissions	2010	2030	60%	nd

Exhibit 3: IPP emissions metrics
AES leads the small sample

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
VST	IPP	Carbon Neutrality	nd	2050	100%	nd

Source: InterContinental Exchange

BofA GLOBAL RESEARCH

Our SMID coverage is the only group where a majority of companies do not have GHG reduction targets reported in to ICE's platform (which largely scrubs available information databases), with **AVA, BKH, IDA,** and **NWE** showing no data – *not necessarily indicative of a lack of ESG efforts, though we find it instructive to flag that these companies screen negatively for any party relying on ICE for an efficient comparison across the sector, similar to the ED example discussed above.*

We highlight **POR, and HE** as having carbon neutrality targets with respective dates of 2040, 2045, and 2050. On the other side of the spectrum POR's carbon emissions target of -80% reductions relative to 1990 levels by 2050 appears out of date and not in line with its more ambitious neutrality target (2005 baseline). Could see this updated as well considering the states own ambitions.

We appreciate that ESG report and ESG metrics themselves appear to have a factor exposure towards larger market cap companies, more readily able to dedicate resources towards such metrics. That said, we perceive a wide bifurcation. We see this as potentially a defining bifurcation in prospects in smids as those positioned with states to accelerate decarbonization more readily benefit vs smids with less robust ambitions. We generally perceive a bias towards larger market cap companies considering they tend to have more urbanized service territories with more ambitious decarbonization goals as well.

Exhibit 4: SMID emissions metrics
Fewer goals and less binding commitments among SMID caps

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
AVA	SMID	na	na	na	na	na
BHK	SMID	na	na	na	na	na
HE	SMID	Carbon Neutrality	2018	2045	100%	nd
IDA	SMID	na	na	na	na	na
MGEE	SMID	Carbon Emissions	2005	2030	40%	22%
NWE	SMID	na	na	na	na	na
OGE	SMID	Carbon Emissions	2005	2050	50%	nd
PNM	SMID	Carbon Emissions	2005	2025	26%	20%
POR	SMID	Carbon Neutrality	nd	2040	100%	nd
POR	SMID	Carbon Emissions	1990	2050	80%	nd
UTI	SMID	Carbon Emissions	2019	2030	50%	nd
UTI	SMID	Carbon Neutrality	2019	2050	100%	nd

Source: InterContinental Exchange

BofA GLOBAL RESEARCH

ALA's target of reducing GHG emissions by 38% relative to its 2015 baseline year is notable given its large natural gas transmission and distribution business which historically has been called out for levels of leakage – note that its three key mid-Atlantic jurisdictions have approved multi-year accelerated pipe replacement projects which we expect to contribute to reductions toward the goal by 2025. Note that **EMA** and **FTS** are broadly in-line in emissions targets, seeking 80% reductions relative to the 2005 baselines by 2040 and 2035, respectively. As with Con Ed, **Hydro One** screens negatively on this metric though we note that as a pure poles and wires business the company is already in a strong position from an emissions perspective.

Exhibit 5: Canadians emissions metrics
ALA has one of the more ambitious targets calling for neutrality in 2025

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
ALA CN	Canadian	GHG Emissions	2015	2025	38%	nd
ALA CN	Canadian	Carbon Neutrality	2015	2025	100%	nd
AQN CN	Canadian	Carbon Emissions	2017	2023	31%	13%

Exhibit 5: Canadians emissions metrics
ALA has one of the more ambitious targets calling for neutrality in 2025

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
EMA	Canadian	Scope 1	1998	2023	50%	106%
EMA	Canadian	Carbon Emissions	2005	2040	80%	39%
EMA	Canadian	Carbon Neutrality	2005	2050	100%	39%
FTS	Canadian	Carbon Emissions	2019	2035	75%	nd
FTS	Canadian	Carbon Emissions	2005	2035	80%	nd
H	Canadian	na	na	na	na	na

Source: InterContinental Exchange

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Gas LDC names tend to have later baseline years than electrics, likely due to relatively modest progress made on emissions until recently as this has historically not been a large focus for investors; we stress 2005 was prior to the run-up in gas and appears a reasonable starting point by contrast for electrics considering sharp declines in coal seen through much of the last decade since.

We highlight **SR** as among the few companies using a 2005 baseline albeit for an ambitious 57% reduction target by 2025. **SWX** and **UGI** also have near-term targets with cuts of 20% and 55% respectively through 2025, albeit from different baselines of 2015 and 2020. **NWN** has perhaps the most long-lived target among our coverage, with a goal of 80% reductions relative to a 1990 baseline by 2050.

We expect carbon reductions to become increasingly common as part of refined thoughts on just *how* to reduce costs.

Exhibit 6: Gas LDC emissions metrics
More recent baseline years than electrics

Ticker	Group	Goal Type	Base Year	Target Year	Goal Target	Progress to Goal
ATO	Gas LDC	Methane Intensity	2017	2035	50%	nd
NJR	Gas LDC	Carbon Emissions	2006	2050	80%	nd
NWN	Gas LDC	Carbon Emissions	2015	2035	30%	nd
NWN	Gas LDC	Carbon Emissions	1990	2050	80%	nd
OGS	Gas LDC	Carbon Emissions	2014	2024	33%	22%
SJI	Gas LDC	Carbon Emissions	2019	2035	80%	53%
SJW	Gas LDC	na	na	na	na	na
SR	Gas LDC	Carbon Emissions	2005	2025	57%	nd
SWX	Gas LDC	Carbon Emissions	2015	2025	20%	nd
UGI	Gas LDC	Scope 1	2020	2025	55%	nd

Source: InterContinental Exchange

BofA GLOBAL RESEARCH

Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AGR	AGR US	Avangrid	US$ 50.7	A-3-7
ES	ES US	Eversource Energy	US$ 82.67	A-2-7
EXC	EXC US	Exelon Corp	US$ 49.24	B-1-7

Source: BofA Global Research

Price objective basis & risk

Avangrid (AGR)

Our $47 PO is based on an SOTP. The utilities are valued on '23E with a a discounted valuation to the NY P/E of 16.6x/15.7x for electric/gas, given perceived risk to earned ROEs. No prem for UI or CMP Elec. Both electric and gas peer P/Es are grossed up to 2020 by 5-5.1% to reflect capital appreciation across the sector. We apply a DCF approach on the existing renewables biz, with 30% prem-to-DCF in line with yieldco peers. We back out 50% of non-reg debt at the parent. We include value of the two offshore wind awards assuming $3500/kW cost, 6% disc, and 6% construction risk disc,

with prem-to-DCF based on MtM of yieldco valuations. We use an in-line discount for NECEC, but probability weight it 75%.

Upside risks: 1) ROE improvement in AGR's network business 2) Improvement in wind resources net capacity factor 3) higher than expected growth from offshore wind opportunities.

Downside risks: 1) Iberdrola owns over 80% of AGR common stock, limiting float and presenting a potential for governance conflicts, despite the BoD being majority unaffiliated with Iberdrola. 2) Reg. relationships/outcomes could deteriorate 3) Existing and likely increasing exposure to the renewables biz results in a number of PPA related risks including commodity, recontracting & tax benefit recovery risk 4) Lack of adequate capital recovery mechanisms could threaten ROEs 5) The renewables biz may not expand as fast as expected or have worse returns 6) Offshore delays.

Eversource Energy (ES)
Our sum of the parts based price objective of $90 uses P/E multiples on 2023E earnings. For electric utilities, we attribute a 3x premium NSTAR, 3x premium to PSNH, and a 2x discount for CL&P to peer 17.7x multiple, reflecting future potential positive revisions to capex and earnings and the latest challenges in CT. For gas, we apply a 3x premium to the peer 15.6x multiple, given capex upside particularly in MA and a 2x for Columbia Gas. Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value Aquarion at the 29.3x water multiple. We reflect ES's 50% ownership in Revolution and South Fork offshore wind sites on an NPV basis. We further reflect a devco value with an assumption of an additional 3GW through 2031. We take out 50% of parent debt, and 50% of interest to accurately reflect parent leverage.

Upside risks to our price objective are additional capex announcements on the T&D side, as well as success in offshore wind RFPs.

Downside risks are reduction in authorized ROEs, inability to meet earned ROE expectations, as well as failure to receive permitting on incremental capex opportunities.

Exelon (EXC)
Our $53 PO is based on an SOTP valuation.
Utility: Our base electric peer P/E multiple of 17.9x for '23 is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple for BGE and a 1x prem to PECO. We apply an in-line multiple to ComEd and a 1x discount to PHI.

Our Generation valuation is based on a 2022E SOTP. We start with our EBITDA estimates at each segment and subtract out maintenance capex. We then capitalize this at a 7.0x base multiple (based on the long-term average forward EV/FCF in the sector) to which we apply a premium/discount based on our views of the specific region and portfolio while we apply a DCF for nuclear and Mystic.

Risks: 1) the company may or may not experience adverse regulatory rulings in its future rate cases, 2) Rate making mechanisms may or may not change in the future, 3) the company may or may not experience an increase in the price of key inputs such as natural gas and coal 4) the company may or may not experience a decrease in wholesale power prices 5) the company may or may not have to deal with stricter environmental or safety regulations 6) the company may or may not be able to access capital markets, 7) the company's operations could be materially impacted by weather events.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Securities is currently acting as financial advisor to Iberdrola SA in connection with the proposed sale of 50% ownership of the Dry Lake II Wind Farm and 50% of the Copper Crossing Solar Project to Axium Infrastructure Inc, owned by its subsidiary Avangrid, which was announced on 17 September 2019.

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Aric Li
	South Jersey Industries	SJI	SJI US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Ryan Greenwald
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	EVgo Inc.	EVGO	EVGO US	Ryan Greenwald
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				

NA Utilities, Alt Energy, Charging Infrastructure and LNG Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Adhok Bellurkar
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Avangrid (AGR) Price Chart

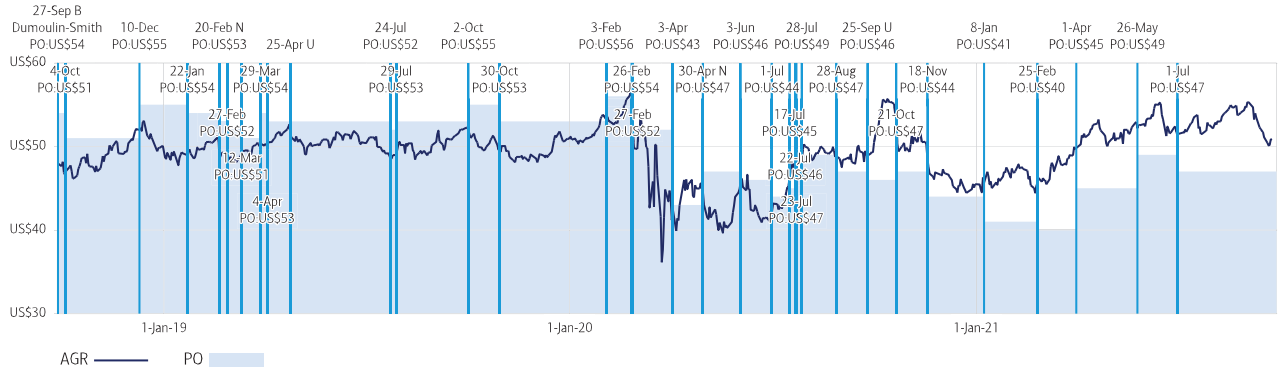

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Eversource Energy (ES) Price Chart

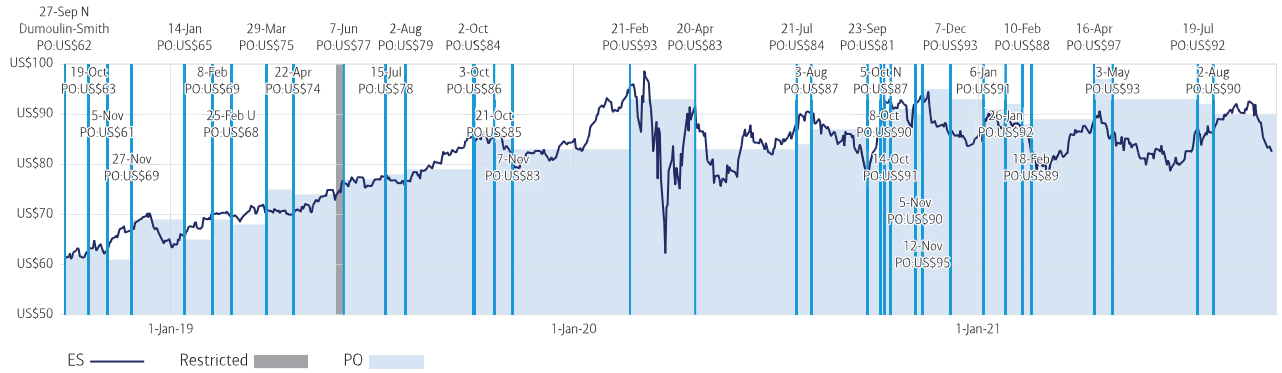

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Eversource Energy (ES) Price Chart

Exelon Corp (EXC) Price Chart

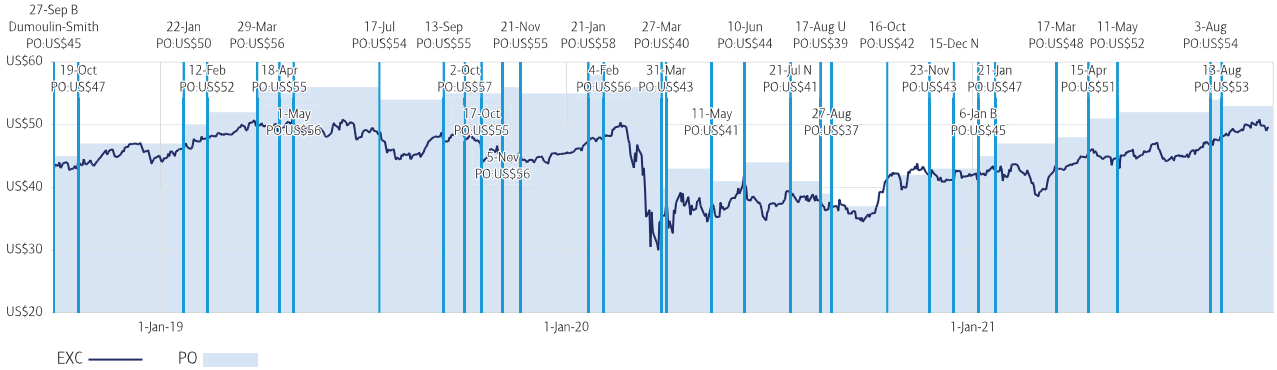

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	49.68%	Buy	53	68.83%
Hold	39	25.16%	Hold	29	74.36%
Sell	39	25.16%	Sell	24	61.54%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2021)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1947	60.07%	Buy	1252	64.30%
Hold	637	19.65%	Hold	395	62.01%
Sell	657	20.27%	Sell	340	51.75%

* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. *VOLATILITY RISK RATINGS*, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. *INVESTMENT RATINGS* reflect the analyst's assessment of both a stock's: absolute total return potential as well as its attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Avangrid, Eversource Energy, Exelon Corp.
BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Eversource Energy.
The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Avangrid, Eversource Energy, Exelon Corp.
BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Avangrid, Eversource Energy, Exelon Corp.
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Other Important Disclosures

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Citi Research

ACTION

08 Jul 2021 15:00:03 ET | 12 pages

NiSource Inc (NI.N)

Potential Solar Supply Chain Disruption May Impact EPS Growth

CITI'S TAKE

NI's earnings growth story is dependent on execution of $1.8-2.0B of solar and renewable projects. Citi's global solar view is that there's a risk to execution of solar development timeline given global supply chain disruptions impacting polysilicon, shipping, and panel management. NI has some exposure to this thesis. TP to $27.

Earnings Growth Most Pronounced in 2023 from Solar & Renewable Investment — NI has committed $1.8-$2.0B of solar investment by 2023 in their latest capital plan. Based on preliminary assumptions about the regulated projects the bulk of earnings is likely to come in 2024 when the projects have reached run rate earnings (see figure 1 for our analysis).

Supply Chain Dynamics Weigh on Solar. Not Good. — Citi's global solar team argued that there is real risk to utility scale solar installation in the US due to polysilicon price spike, panel management issues, and shipping delays. These developments could delay timing of installations for NiSource although the projects will still get completed in our view. See our team note Global Solar Power - Rising Installations an Irreversible Trend for more information.

NiSource's Contract Structure — NiSource has contractual protections built into its renewable build-transfer deals that provide NiSource with a combination of liquidated damages and lower purchase price protections. They don't shield the company 100%, but do give it a reasonable degree of protection against delays.

Impact to NiSource — A meaningful portion of near term earnings growth for NiSource comes from its renewable development projects. In figures 1-3, we provide an illustrative analysis of the impact of the solar projects of up to ~11% of earnings in 2024 coming from these projects (before issuance dilution). Of the projects identified, several are in advanced commercial negotiation or pending IURC approval. If some of these projects get delayed slightly, we may see a modest downward revision to guidance depending on the specific terms of the contracts and the nature of the delay.

EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2020A	0.76A	0.13A	0.09A	0.34A	1.32A	1.32A	-0.19A
2021E	**0.77A**	**0.11E**	**0.11E**	**0.34E**	**1.35E**	**1.35E**	**1.34E**
Previous	na	na	na	na	1.43E	na	na
2022E	**na**	**na**	**na**	**na**	**1.40E**	**1.41E**	**1.41E**
Previous	na	na	na	na	1.49E	na	na
2023E	**na**	**na**	**na**	**na**	**1.60E**	**1.52E**	**1.54E**
Previous	na	na	na	na	1.58E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.

Click here for Visible Alpha consensus data

Neutral

Price (07 Jul 21 16:00)	US$25.03
Target price	US$27.00↑
from US$24.00	
Expected share price return	7.9%
Expected dividend yield	3.2%
Expected total return	11.1%
Market Cap	US$9,817M

Price Performance
(RIC: NI.N, BB: NI US)

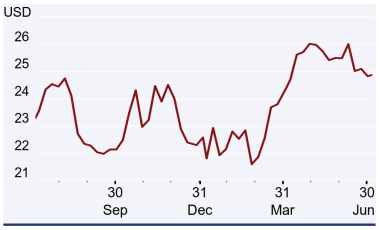

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Prepared for Christopher Turnure

NiSource Inc (NI.N)
08 July 2021

Citi Research

NI.N: Fiscal year end 31-Dec						Price: US$25.03; TP: US$27.00; Market Cap: US$9,817m; Recomm: Neutral				
Profit & Loss (US$m)	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**Valuation ratios**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Sales revenue	5,209	4,676	4,699	5,025	5,366	PE (x)	19.0	19.0	18.6	17.9	15.6
Cost of sales	-2,252	-1,855	-1,990	-2,028	-2,156	PB (x)	1.8	1.9	1.9	1.8	1.7
Gross profit	2,957	2,821	2,709	2,997	3,211	EV/EBITDA (x)	18.0	16.7	13.3	12.3	11.5
Gross Margin (%)	56.8	60.3	57.7	59.6	59.8	FCF yield (%)	-5.2	-5.9	-7.2	-12.2	-19.4
EBITDA (Adj)	**1,275**	**1,370**	**1,748**	**1,978**	**2,279**	Dividend yield (%)	3.2	3.3	3.4	3.4	3.5
EBITDA Margin (Adj) (%)	24.5	29.3	37.2	39.4	42.5	Payout ratio (%)	61	63	63	61	54
Depreciation	-717	-746	-682	-734	-840	ROE (%)	1.3	-0.1	10.0	10.3	11.2
Amortisation	0	0	0	0	0	**Cashflow (US$m)**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
EBIT (Adj)	**557**	**624**	**1,065**	**1,244**	**1,439**	EBITDA	1,275	1,370	1,748	1,978	2,279
EBIT Margin (Adj) (%)	10.7	13.4	22.7	24.8	26.8	Working capital	-75	72	-54	-54	-23
Net interest	-379	-371	-378	-444	-519	Other	118	-249	-429	-618	-718
Associates	0	0	0	0	0	**Operating cashflow**	**1,318**	**1,193**	**1,265**	**1,306**	**1,538**
Non-Op/Except/Other Adj	-5	-211	6	-22	-22	Capex	-1,802	-1,758	-1,980	-2,550	-3,550
Pre-tax profit	**173**	**42**	**693**	**778**	**899**	Net acq/disposals	-113	1,116	0	0	0
Tax	-56	12	-124	-152	-177	Other	-7	-237	-35	0	0
Extraord./Min.Int./Pref.div.	-55	-59	-56	-55	-55	**Investing cashflow**	**-1,922**	**-879**	**-2,014**	**-2,550**	**-3,550**
Reported net profit	**63**	**-4**	**513**	**571**	**666**	Dividends paid	-299	-322	-352	-383	-412
Net Margin (%)	1.2	-0.1	10.9	11.4	12.4	**Financing cashflow**	**423**	**-193**	**2,657**	**1,309**	**2,077**
Core NPAT	495	508	536	571	666	**Net change in cash**	**-182**	**121**	**1,908**	**65**	**66**
Per share data	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**Free cashflow to s/holders**	**-485**	**-566**	**-715**	**-1,244**	**-2,012**
Reported EPS ($)	0.17	-0.01	1.29	1.40	1.60						
Core EPS ($)	1.32	1.32	1.35	1.40	1.60						
DPS ($)	0.80	0.83	0.84	0.86	0.87						
CFPS ($)	3.51	3.10	3.18	3.19	3.70						
FCFPS ($)	-1.29	-1.47	-1.80	-3.04	-4.85						
BVPS ($)	13.63	12.90	13.39	14.17	14.80						
Wtd avg ord shares (m)	366	375	388	399	405						
Wtd avg diluted shares (m)	376	385	398	409	415						
Growth rates	**2019**	**2020**	**2021E**	**2022E**	**2023E**						
Sales revenue (%)	1.8	-10.2	0.5	6.9	6.8						
EBIT (Adj) (%)	346.8	12.1	70.6	16.7	15.7						
Core NPAT (%)	9.2	2.5	5.6	6.5	16.8						
Core EPS (%)	3.7	0.0	2.1	3.7	15.0						
Balance Sheet (US$m)	**2019**	**2020**	**2021E**	**2022E**	**2023E**						
Cash & cash equiv.	148	126	1,979	1,979	1,979						
Accounts receivables	857	791	804	845	868						
Inventory	425	401	391	408	417						
Net fixed & other tangibles	19,090	18,643	19,981	21,797	24,506						
Goodwill & intangibles	1,486	1,486	1,486	1,486	1,486						
Financial & other assets	654	593	647	658	664						
Total assets	**22,660**	**22,041**	**25,288**	**27,172**	**29,921**						
Accounts payable	666	589	584	594	604						
Short-term debt	1,787	526	1,985	2,477	3,941						
Long-term debt	7,856	9,220	9,802	10,702	11,602						
Provisions & other liab	6,364	5,868	5,960	5,965	5,970						
Total liabilities	**16,673**	**16,203**	**18,332**	**19,738**	**22,117**						
Shareholders' equity	5,987	5,838	6,946	7,406	7,755						
Minority interests	0	0	0	0	0						
Total equity	**5,987**	**5,838**	**6,946**	**7,406**	**7,755**						
Net debt (Adj)	**9,494**	**9,621**	**9,808**	**11,200**	**13,564**						
Net debt to equity (Adj) (%)	158.6	164.8	141.2	151.2	174.9						

For definitions of the items in this table, please click here.

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Prepared for Christopher Turnure

Sourcing Solar at NiSource

Our analysis uses a 30 year asset life, 9.75% ROE (in line with NIPSCO electric trackers) and assumed 50% equity layer to illustrate the earnings profile of the solar capex.

Figure 1. NiSource Solar Investment Illustration

		2021	2022	2023	2024
Capex Company Guide	$m	$150.0	$400.0	$1,350.0	
Rate Base Math		2021	2022	2023	2024
Beg	$m	0.0	141.7	505.6	1,733.7
Add	$m	$150.0	$400.0	$1,350.0	$0.0
Depreciation	$m	($2.5)	($11.7)	($40.8)	($63.3)
Deferred Tax Liability	$m	($5.8)	($24.4)	($81.1)	($97.2)
End	**$m**	**141.7**	**505.6**	**1,733.7**	**1,573.2**
Average Rate Base	$m	70.9	323.7	1,119.7	1,653.5
Equity Layer	%	50%	50%	50%	50%
ROE	%	9.75%	9.75%	9.75%	9.75%
NI	**$m**	**$3.5**	**$15.8**	**$54.6**	**$80.6**
Average Share Count	m shares	398	409	415	415
EPS	**$/share**	**$0.01**	**$0.04**	**$0.13**	**$0.19**
Citi EPS	$/share	$1.35	$1.40	$1.60	$1.76
EPS % of total	%	0.6%	2.8%	8.2%	11.0%

Source: Citi Research

Increasing Price Target: We are increasing our price target to reflect a roll forward of price target time period, updated estimates and company guidance, executed convertible equity issuance, higher gas utility transaction multiples, and our current business outlook. This increased our PT to $27.00.

Estimate Revision: We updated our estimates for recent results, updated spending and regulatory activity, the recent financing transaction and updated financing guidance.

Appendix

Figure 2. NiSource Capex Guidance

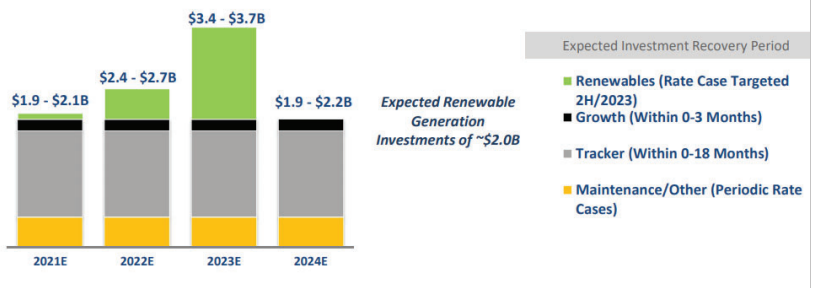

Source: Citi Research

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Figure 3. NiSource Solar Capital investment

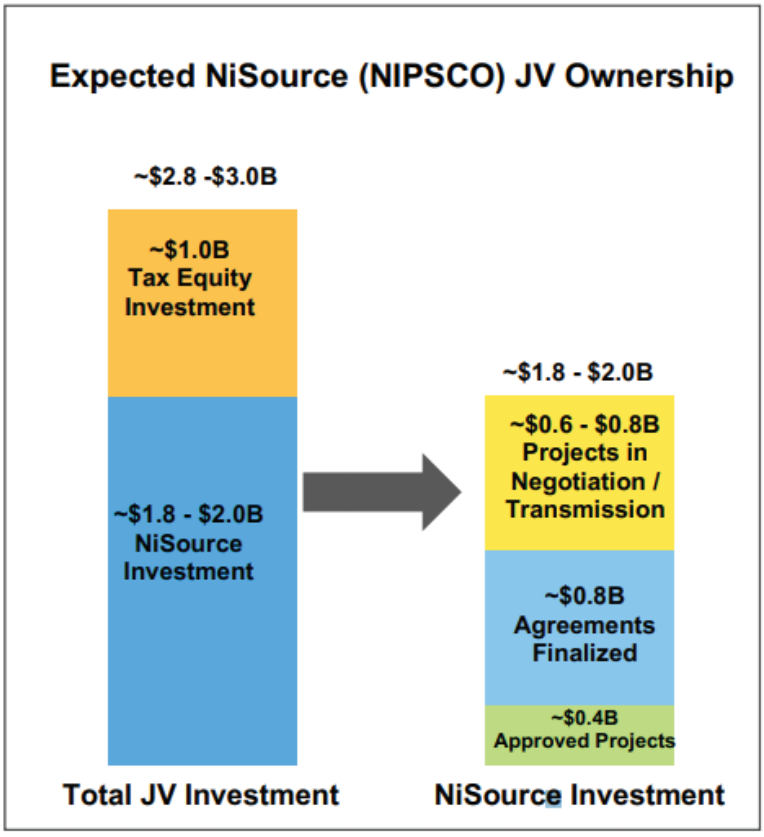

Source: Citi Research

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NiSource Inc

Company description

NiSource Inc (NI) is primarily a regulated utility with an integrated network of gas distribution in the Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana. The company serves around 4 million customers across seven states through its two main business segments, including: 1) Gas Distribution, which delivers natural gas in several states; 2) Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCO).

Investment strategy

We rate the shares of NiSource (NI) Neutral (2). We believe NI's long-term earnings are relatively stable due to diverse operations areas and constructive regulatory jurisdictions. Our estimates do not include: 1) Substantial industrial load growth at the utilities; 2) Colder-than-normal weather and faster than average customer growth; or 3) Slower than typical timeline in regulatory filing and approval process for new infrastructure projects and cost recovery mechanisms.

Valuation

We average multiple valuation methodologies to derive our $27 target price. Our NAV yields a value of $34. We value regulated assets at a multiple of 1.5x rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at $30 per share. Our P/E and EV/EBITDA analyses yield values of $27 per share.

Risks

The key risks to our investment thesis are: (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates. (2) Weather – Changes in weather impact the stability of earnings. (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. (4) Capital Markets — Access to cheap capital markets could be limited due to the size of the company. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target. (5) There is a risk that there will be negative political, financial, and regulatory backlash from the recent events in New England.

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Appendix A-1

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Ratings and Target Price History
Fundamental Research

Analyst: Ryan Levine

	Date	Rating	Target Price	Closing Price
1	28-Nov-18 16:01:00	2	*26.00	25.76
2	03-May-19 06:40:08	2	*28.00	27.86
3	23-Oct-19 22:00:00	2	*30.00	28.15
4	23-Apr-20 03:00:00	2	*29.00	25.85
5	01-Jul-20 14:08:34	2	*24.00	23.46

*Indicates Change

Rating/target price changes above reflect Eastern Time

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% of companies in each rating category that are investment banking clients	65%	66%	55%	68%	63%	71%

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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

Prepared for Christopher Turnure

Goldman Sachs | Equity Research

12 October 2021 | 4:31PM EDT

Americas Utilities

What a PM should consider in utilities heading into YE2021; XEL, NI up to Buy, SRE down to Neutral

PM Summary

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Utilities (XLU) to date lagged the market by 13% – and, in our view, few major new catalysts exist in the near term to drive a re-rating - despite relative P/E multiples appearing slightly attractive versus the market in this low, but rising interest rate environment. While utilities, among S&P500 constituents, screen as a relative winner if corporate tax rates rise and an expansion of renewable tax credits, as debated currently in Congress, would help drive renewable investment and utility growth, investors have likely digested much of this already during 2021. Earnings ahead in late October and in November – as well as a fall industry trade association conference – provide companies with opportunities to give multi-year updates to investors – we think this will prove more important at the micro or single stock level versus the macro level right now. On an absolute basis, utilities no longer trade at peak multiples on FY2 (2022E) or FY3 (2023E) multiples – we note regulated stocks, for example, trade at 18.6x and 17.4x versus peak levels of 21.6x/20.4x over the last 5 years – and the average multiples of 18.3x/17.4x in that time frame. Historically, in a low Treasury yield environment, utilities have traded at a premium to the market — but our analysis shows this has not necessarily occurred in periods of negative real interest rates – we assume a modest discount to the S&P500's multiple when setting our target multiples.

We structure this note with 4 key sections – the 4 R's - including (1) **renewables ahead** for utilities – as we expect renewable and related grid growth to drive rate base growth, which impacts earnings growth for utilities – companies are likely to provide updates to plans later this year and into 1H2022, especially if tax credit extensions occur, (2) the continued **recovery of demand** as WFH gradually moderates and economic expansion continues – with power demand trends a topic that we believe does not get enough investor attention, (3) **rates and utility valuations** – and how we set our target multiples using a macro oriented absolute and relative approach – and as we roll forward to use 2023 for valuation purposes for most stocks, and (4) **ratings revisions** – where we make 2 upgrades and 1 downgrade within the sector.

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We make 3 ratings changes in this note — upgrading XEL and NI to Buy, downgrading SRE to Neutral. After lagging the sector index so far this year, XEL's shares appear more attractive – as they trade below the historical premium that we believe XEL warranted despite delivering solid, consistent EPS growth – we view this as a high quality stock for defensive oriented investors. We upgrade NI given its attractive valuation and a ramp in EPS growth from renewable additions into its rate base – to replace coal-fired units retiring soon – that drive a strong 2023+ EPS view – we also note this stock's share price has underperformed other regulated utilities in the last 1-2 years. We downgrade SRE from Buy to Neutral as we revise our estimates to reflect the recently closed Sempra Infrastructure Partners sell-down as well as other adjustments to SRE's various segment forecasts. Our estimates are now near consensus versus previously where we were forecasting levels above street views. Further, we make minor adjustments to our sum of the parts valuation that implies total return upside less than the Buy rated stocks in our utilities coverage. We also update price targets for multiple stocks within our coverage to capture our updated baseline multiple, and update estimates for a few stocks to reflect idiosyncratic factors such as the EnerBank sale for CMS, the completion of a minority asset sale for DUK, Ida storm cost impact for ETR, lower RoE and higher equity for PNW, and so on. For those seeking exposure to California utilities – we prefer PCG or EIX over SRE on valuation - and for investors wanting exposure to natural gas exports, we favor LNG (Buy, on CL), a pure play gas export company, from our midstream universe. Top picks overall remain DTE among regulated utilities - and we still favor NRG among the IPPs and NEP for renewables exposure - with all 3 stocks on firm's Conviction Buy List.

Exhibit 1: We upgrade NI and XEL to Buy and downgrade SRE to Neutral
Ratings Grid

	Regulated Utilities	Diversified Utilities	IPPs
Buy	ATO, AWK, CMS DTE*, EIX, ETR EVRG, FE, NI PCG, WTRG, XEL	CNP EXC PEG	NEP* NRG*
Neutral	AEE, DUK ES POR	D NEE OGE SRE	CWEN
Sell	AEP ED PNW, SO WEC	AGR	
Not Rated	PPL		

*On Americas Conviction List

Source: Goldman Sachs Global Investment Research

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Renewables ahead - we expect more detail ahead on utilities clean energy plans

Renewable and grid investment remain the main driver of rate base and investment growth for utilities - we expect this to continue. As renewable costs continue to decline and more states promulgate clean energy initiatives and federal policy evolves, utilities continue to shift more of their capital deployment efforts into renewables or related transmission/distribution investments. Spend on conventional generation continues to become a less-important driver of long term growth. We forecast modest upticks in capital spend through 2023 (3%) and through 2024 (5%) — but can see upside to this, especially in renewables, if federal policy changes via the infrastructure/reconciliation bills create further tax incentives or benefits that lower the cost of renewable deployment. Our base case forecast for renewables still incorporates a sizable growth (to almost 700 GWs) trajectory through 2035, as detailed in Exhibit 2.

The latest versions of federal legislation includes potential renewable related tax credit extensions - key for wind and solar, as well as other technologies. While we note renewable costs in general have declined significantly within the past decade, on a purely un-subsidized basis new wind and solar builds today are nearing - but not quite competitive with a new build combined cycle natural gas plant (Exhibit 3 - assuming $2.75/MMBtu gas prices as normalized levels). An extension of tax credits would lower the cost of renewables and likely lead to more deployment, creating potential upside to our 700GW forecast — we forecast renewables to represent 36% of our coverage generation portfolio by 2025, up from 22% in 2020.

Exhibit 2: We forecast a cumulative total of 700GWs of renewables in the US by 2035
GS renewable forecast, 2019YE-2035

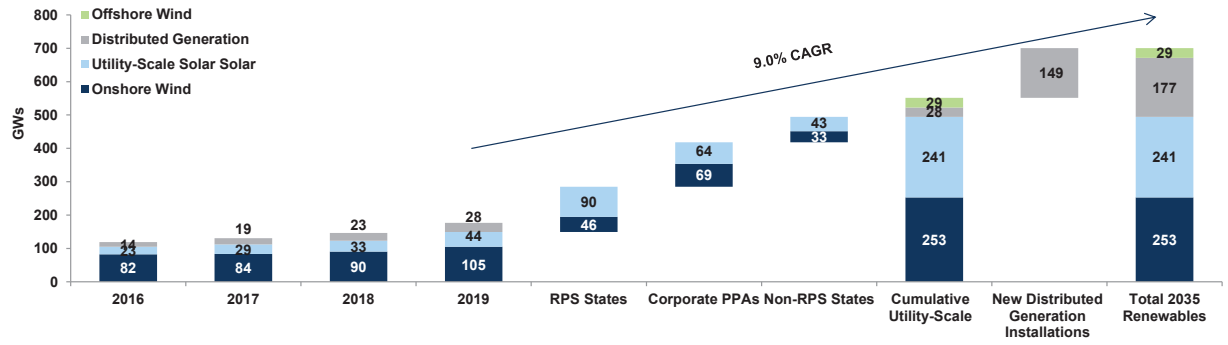

Source: DSIRE, SNL, Goldman Sachs Global Investment Research

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Exhibit 3: Renewables today are the lowest cost form of new generation on a subsidized basis, however utility scale wind and solar are fairly competitive even unsubsidized
LCOE of various technologies, $/MWh

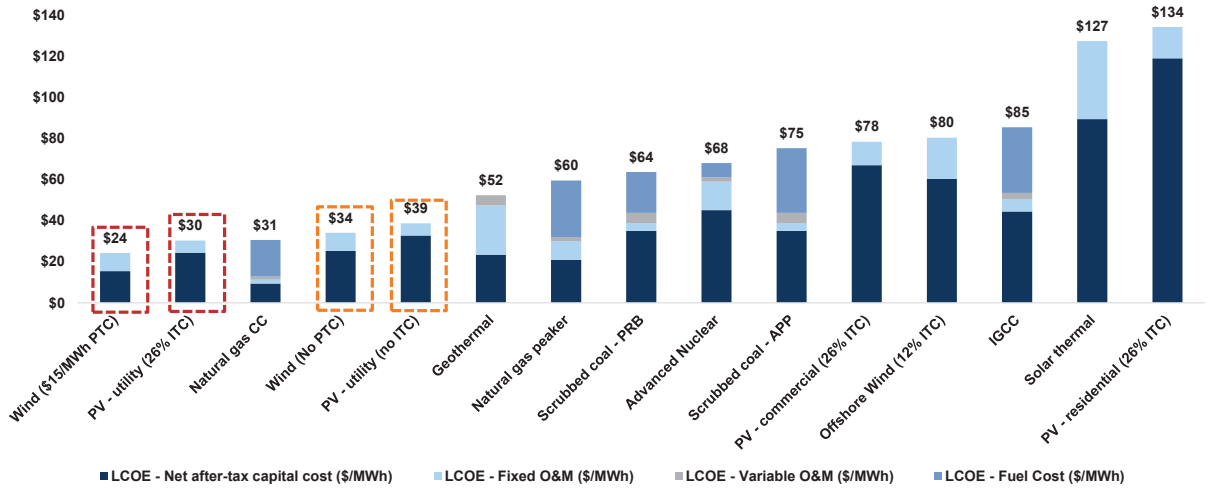

Source: Goldman Sachs Global Investment Research

Exhibit 4: Renewables are competitive with natural gas on a subsidized basis
Sensitivity levels to different PTC/ITC levels, LCOE of natural gas plant

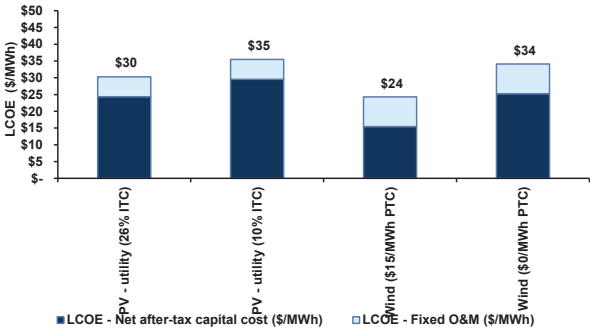

Source: Goldman Sachs Global Investment Research

Exhibit 5: Consensus shows an uptick in EPS growth, likely driven by increased capital expenditures at the regulated utilities
EPS growth CAGR of regulated utilities, based on Factset consensus estimates

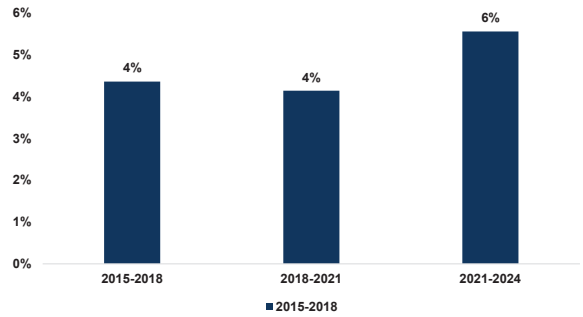

Regulated utilities includes AEP, DUK, ED, EIX, EVRG, ES, SO, WEC, XEL, AEE, CMS, NI, PNW, POR

Source: FactSet

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Exhibit 6: We look at the change in generation capacity from renewables across our coverage
Renewable capacity as a percentage of total generation capacity for 2020 and 2025E

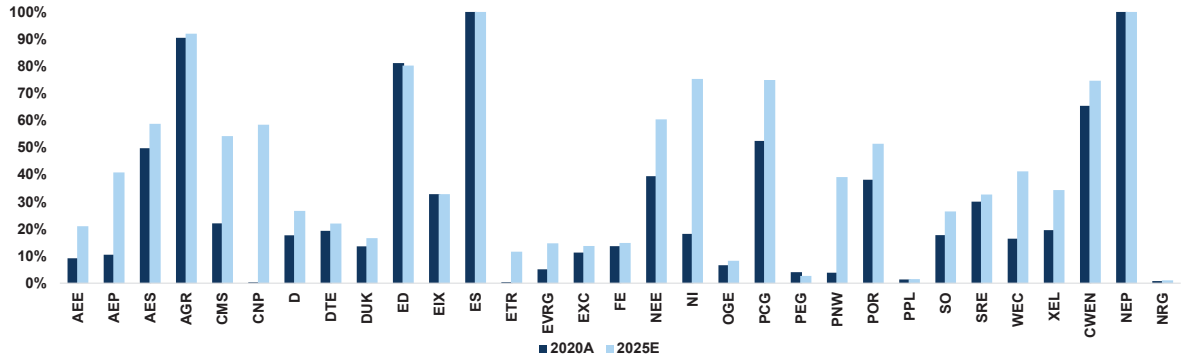

Renewables includes solar, wind, hydropower, and storage

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: We note 22% of generation from renewables in 2020...
2020 generation mix across our covered companies

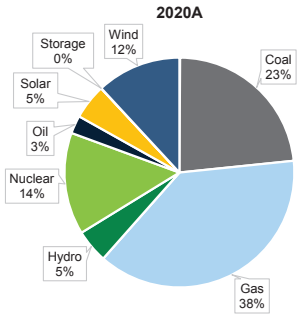

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 8: ...which increases to 36% by 2025
2025 generation mix across our covered companies

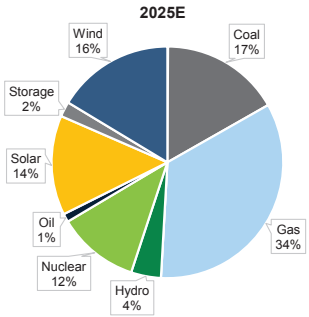

Source: Company data, Goldman Sachs Global Investment Research

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Power demand recovery to continue, albeit at a slower pace, in 2022

We expect the power demand recovery to continue through 2022, but at a slower pace compared to 2021. Our updated econometric based forecasts imply 3.2%/1.2% YoY weather-normal (WN) total power demand growth for the US in 2021/2022, directionally in line with the U.S. Energy Information Administration (EIA) Short-Term Energy Outlook (STEO). Our updated forecasts are driven by (1) actual realized sales and degree days through 1H2021, (2) revisions to underlying economic forecasts on industrial manufacturing/production levels, domestic demand, GDP and U6 (unemployment) estimates - by the GS economics research team - as these all impact forecasts for industrial, residential and commercial demand respectively, as well as (3) our assumption of continued elevated levels of work from home trends (WFH) compared to pre-COVID environment, which positively impact our residential demand forecasts.

But our forecasts for 2023/2024 appear more in line with the pre-COVID trends. We model 0.4%/0.7% power demand growth in 2023/2024, closer but still higher than +0.3% historical growth trajectory. We expect EVs to only significantly impact power demand in the later half of the decade and beyond.

Exhibit 9: We expect the power demand recovery to continue through 2022, but at a slower pace compared to 2021.
GSe, Annual demand forecasts by customer class

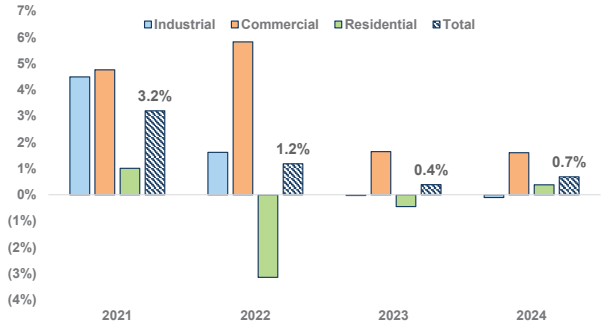

Source: EIA, NOAA, Goldman Sachs Global Investment Research

Exhibit 10: Our updated econometric based forecasts imply 3.2%/1.2% YoY weather-normal (WN) total power demand growth for the US in 2021/2022...
Forecast revision

	Updated Forecast				Prior Forecast (Jul - published #s)			
	2021	2022	2023	2024	2021	2022	2023	2024
Industrial	4.5%	1.6%	0.0%	-0.1%	3.9%	2.1%	-0.1%	0.0%
Commercial	4.8%	5.8%	1.6%	1.6%	5.5%	7.4%	1.6%	1.7%
Residential	1.0%	-3.1%	-0.5%	0.4%	0.5%	-3.4%	0.3%	0.4%
Total	3.2%	1.2%	0.4%	0.7%	3.1%	1.7%	0.7%	0.8%

Source: Goldman Sachs Global Investment Research

Exhibit 11: ...directionally in line with the EIA STEO
U.S. Energy Information Administration (EIA) Short-Term Energy Outlook (STEO)

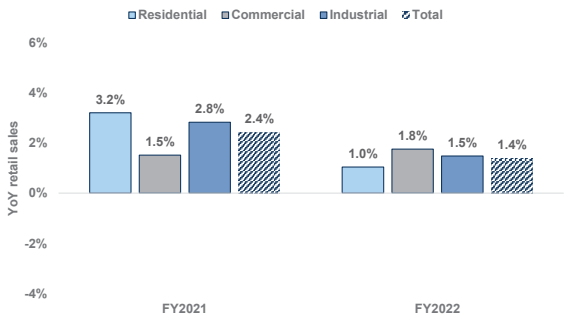

Source: EIA, Goldman Sachs Global Investment Research

Exhibit 12: Our updated forecasts are driven by actual realized sales normalized for weather through 1H2021 and updated economic forecasts
Monthly WN YoY demand by customer class

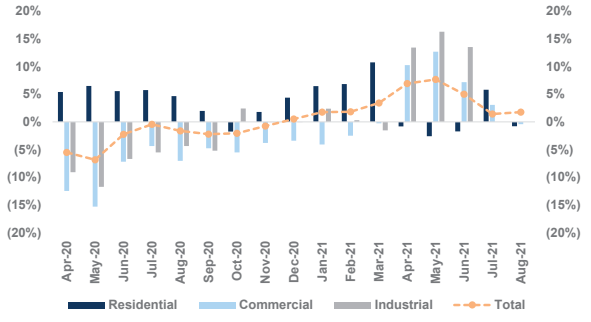

Source: EIA, NOAA, Goldman Sachs Global Investment Research

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Exhibit 13: Elevated work from home trends explain the improvement in residential demand through the pandemic...
YoY WN Residential Demand versus Population % working from home

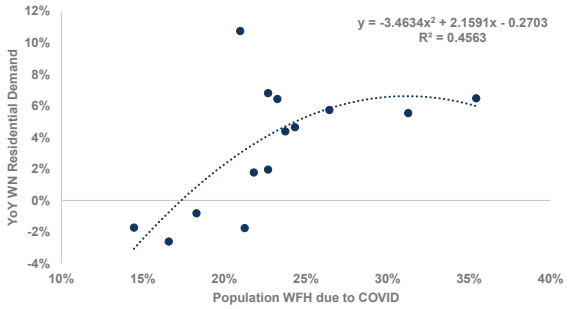

Source: US Bureau of Labor Statistics, EIA, NOAA, Goldman Sachs Global Investment Research

Exhibit 14: ...and the delta between our forecasted and actual realized quarterly demand. We embed 10% teleworking until 2Q2022, considering this as the new post-pandemic normal.
Delta between actual and econ implied residential weather normal demand, MWh vs population working from home

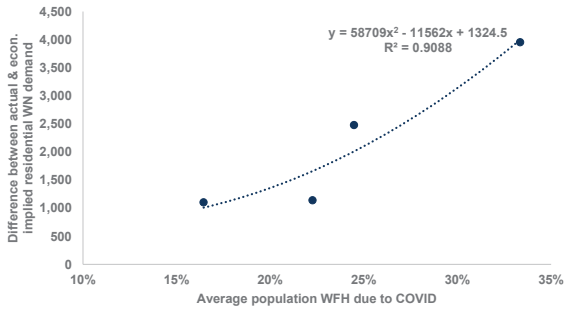

excluding 1Q2021 which skews the data

Source: US Bureau of Labor Statistics, Goldman Sachs Global Investment Research

Exhibit 15: We model 0.4%/0.7% power demand growth in 2023/2024, closer but still higher than +0.3% historical growth trajectory.
Weather normal monthly YoY power demand - Total

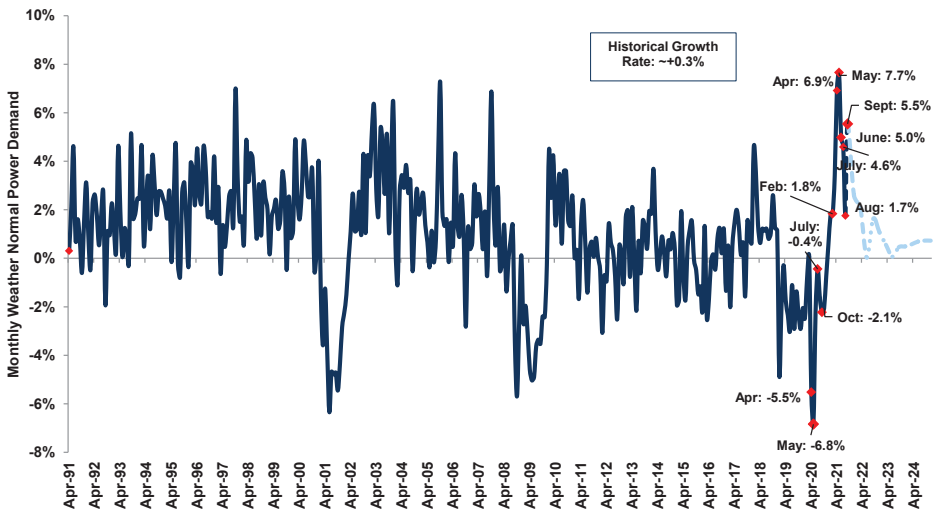

Source: EIA, NOAA, EEI, Goldman Sachs Global Investment Research

Rolling forward valuation — low rates a positive, negative real rates an ongoing headwind for utility P/E multiples

Utilities screen modestly attractive on our estimates, but negative real rates may cap P/E multiple upside slightly. We note today utilities trade both below their peak P/E multiples — almost 15% below these levels - and also trade at a discount to the

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S&P500, by several P/E multiple turns. Historically, utilities have traded at a premium (10%+) to the market in times where the 10-year treasury yield sat below 2.0% — we note, however, this time may prove slightly different, given expectations for rising rates and more importantly, negative real interest rates. Negative real rates present an offsetting headwind - our new analysis below (Exhibit 23, Exhibit 22) shows negative real rates have weighed on utility valuations versus the P/E multiple seen on the S&P500 . The interest rate and inflation forecasts by the GS economics research team implies TIPS levels of almost (0.8%)-(1.2%) on the 10- and 30-year yield - a headwind for utility sector P/E multiple expansion trends. That said, utilities already trade at a discount to the market — roughly 14% relative to the GS Portfolio Strategy team's S&P 500 FY2 forecast of 21.7x.

We roll forward valuations to use 2023 as our target year and apply an 18x P/E multiple on the regulated stocks as our baseline to set target prices. Utilities currently trade below their peak levels - at 18.6x on FY2 (in line with the 5-year average) — and well below the market multiple of 20.1x. However, utilities have already lagged the S&P500 so far this year - by 13% - we believe the market already priced in the expectation of rising yields and negative rates. Our target multiple of 18x implies roughly 16.9% total return across our regulated utility coverage, including a dividend yield of 3.4%, to the Regulated Utilities under coverage and 14.8% total return to Diversified Utilities. We note utilities could see further multiple expansion than embedded in our target multiple - as the sector stands out as a relative potential beneficiary if US corporate tax rates rise or if the federal reconciliation/infrastructure bills - with renewable tax credit extensions and benefits for transmission investment - lead to higher investment levels and earnings growth than currently forecast.

Exhibit 16: The sector trades roughly 15% below prior absolute P/FY2 EPS multiple peak levels of 21.6x compared to 18.6x today on FY2 EPS...
Market Cap. Weighted FY2 & FY3 Regulated Utilities' P/E

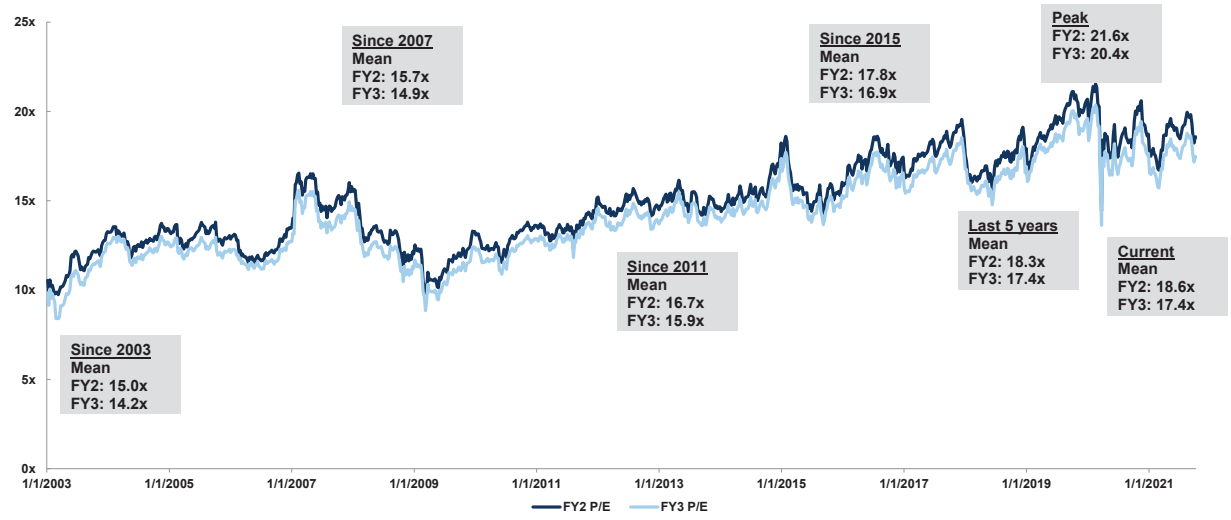

Source: FactSet, Goldman Sachs Global Investment Research

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Exhibit 17: Over the past 20 year history...
FY2 premium of utilities vs S&P 500 in different UST 30 year environments over the past 20 years

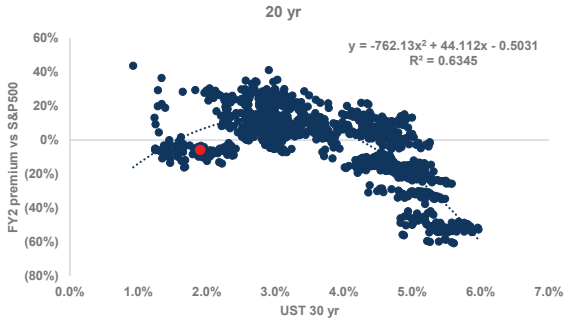

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 18: ...UST 10 and 30 year have had a reasonably good explanatory power wrt relative sector performance vs the broader market.
FY2 premium of utilities vs S&P 500 in different UST 10 year environments over the past 20 years

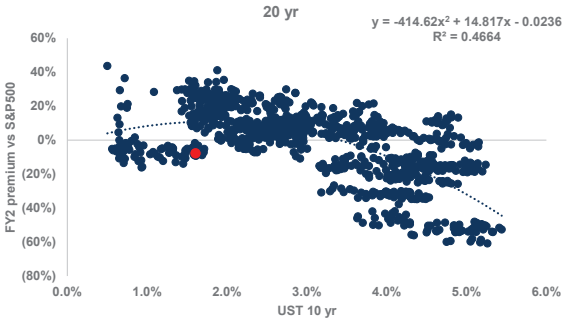

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 19: However, over the recent 3 year trading history...
FY2 premium for utilities vs S&P 500 in various UST 30 year environments, past 3 years

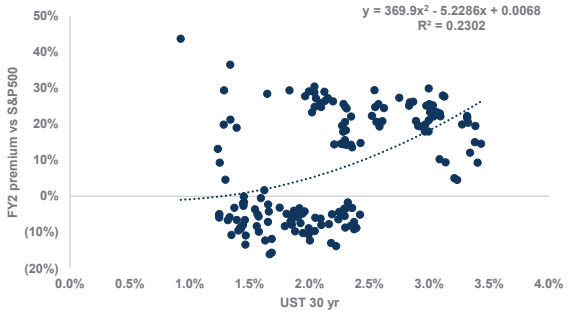

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 20: ...this relationship has not been as profound...
FY2 premium for utilities vs S&P 500 in various UST 10 year environments, past 3 years

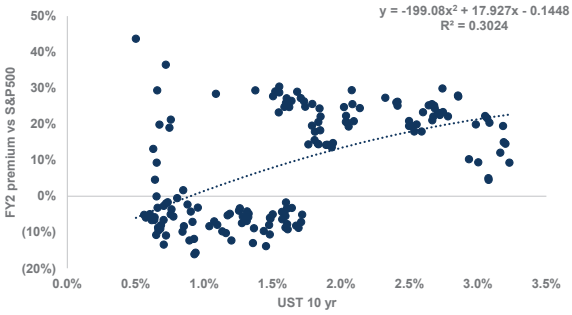

Source: FactSet, Goldman Sachs Global Investment Research

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Exhibit 21: ...with utilities trading at a discount in a covid impacted low rate environment.
FY2 Premium Regulated Utilities vs S&P 500 (LHS); UST 10 year inverted (RHS)

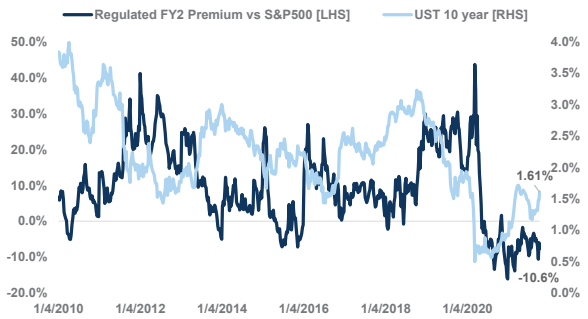

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 22: However, over the 3 year horizon, real rates have had a better explanatory power...
FY2 premium for utilities vs S&P 500 in various TIPS 30 yr environments, past 3 years

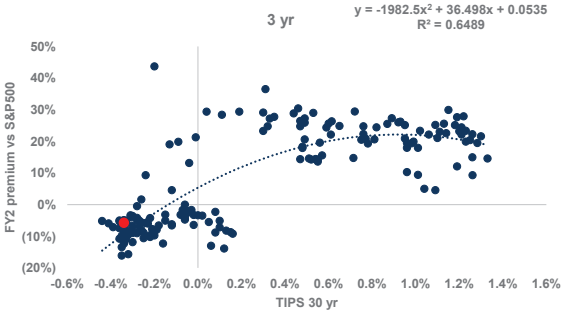

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 23: ... for Utilities' relative premium/(discount) vs S&P500
FY2 premium for utilities vs S&P 500 in various TIPS 10 yr environments, past 3 years

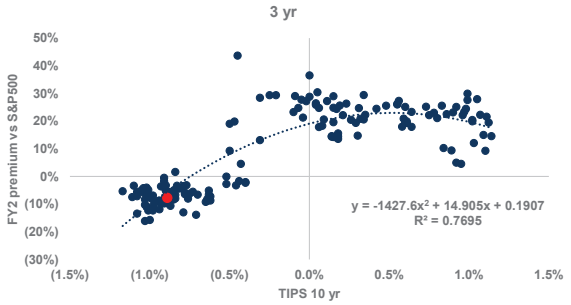

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 24: We view 13% YTD underperformance relative to the S&P 500 as an attractive entry point to capture our forecast of ~15% total return potential.
Price indexed to 100

Source: FactSet, Goldman Sachs Global Investment Research

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Exhibit 25: Utilities screen as a relative beneficiary in the case of tax reform.
Estimated impact of tax reform on 2022 sector EPS

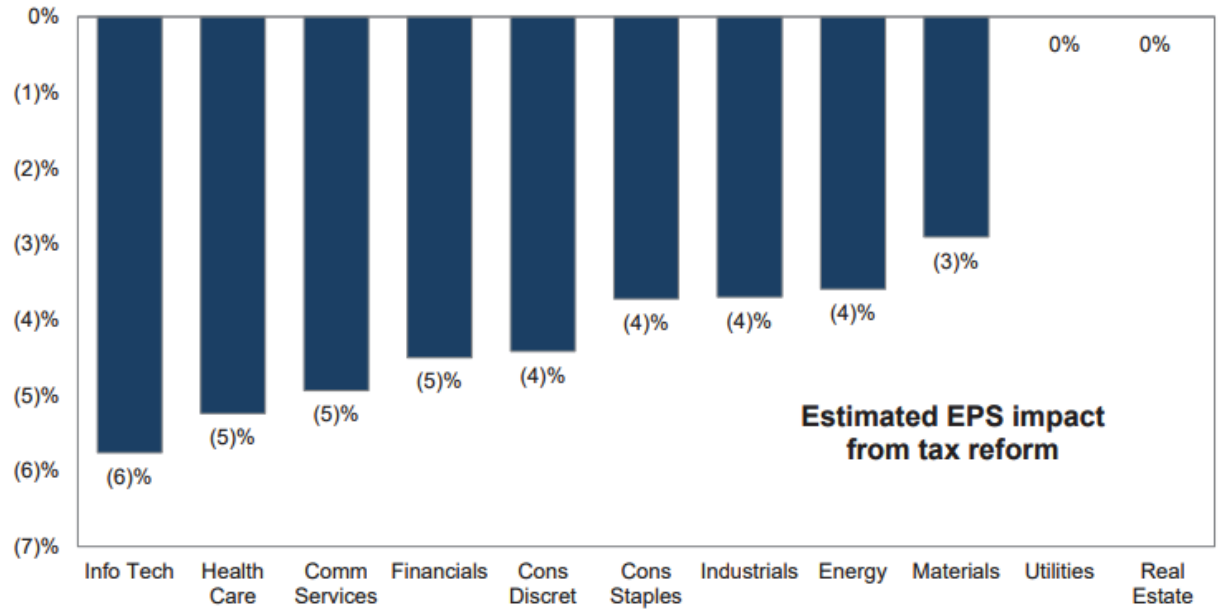

https://publishing.gs.com/content/research/en/reports/2021/09/20/caa554bd-4294-46e9-8e74-bb0a1d0736ec.pdf?utm_medium=pa

Source: Goldman Sachs Global Investment Research

Ratings re-stack - we make three ratings changes, upgrading XEL/NI, downgrading SRE

NI: Robust growth through generation de-carbonization under-appreciated; upgrade to Buy

We upgrade regulated utility NiSource (NI) to Buy from Neutral, as we view the current 8% P/E discount to Regulated Utilities as under-appreciating the company's robust rate base and EPS growth visibility driven by generation fleet de-carbonization. Combined with NI's secured forward equity financing early in the year that removed equity risk through 2024, we view NI as a more de-risked story with multiple expansion potential at current valuations, with the stock's recent under-performance offering an attractive entry point. Our increased $29, 12-month price target implies 22% total return versus 13% for regulated peers.

Reduced financing and regulatory risk paves a path for robust EPS growth through 2024. In our downgrade of NI earlier this year, we cited rate case risk in PA and elevated equity needs as the main reasons for our more tempered view of the stock. Since then, the PA utility constructively concluded the process, while recently reaching a settlement agreement in the following rate case, which makes us more constructive on the state's regulatory environment for the utility. In addition, NI also secured its equity financing

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needs via an equity units offering - consisting of a forward equity component and a mandatory convertible preferred stock - that meaningfully de-risked the story, in our view. While several rate cases outstanding - including the first OH gas rate case in over 10 years - require monitoring, we believe NI's more stable operational profile, and above-average (versus peers) EPS growth through 2024 driven by generation fleet de-carbonization, warrant a modest premium valuation versus regulated utility peers.

Longer-term capital upside from Indiana generation plan. We believe opportunities exist at NI's Indiana electric utility NIPSCO to further accelerate its remaining coal plant retirement, supporting potential utility capital upside. Based on slides from the September Integrated Resource Plan (IRP) advisory meeting, we note NI's Indiana electric utility - NIPSCO - estimates retirement of its 469MW Michigan City coal plant (the last remaining coal plant for NI post-2023) by 2026 (2018 IRP assumed 2028 retirement year) as an economically attractive option. Based on the four preferred scenarios for replacement capacity additions assuming 2026 retirement as per the recent draft, and assuming 50% split between company owned and PPA, we see potential for up to $600mn in incremental capital, or ~4% of 2021E rate base. We note NIPSCO's updated IRP filing deadline is November 15, 2021 and view this as a near-term catalyst that could support robust growth beyond our 2024 modeling period.

What's Changing in Our Estimates?

We update our EPS estimates to $1.33/$1.44/$1.57/$1.66 from $1.33/$1.41/$1.54/$1.64, reflecting a 7.8% CAGR 2021-2024 which screens near the mid-point of NI's 7-9% EPS CAGR guidance for the period; our 2022-2023 estimates are 2% above FactSet consensus. Primary drivers of the revisions include the PA gas rate case (D-R-2021-3024296) settlement agreement terms, as well as modest updates to operating and financing assumptions. We highlight multiple items to monitor in the months ahead, including (1) gas rate cases in OH, KY, MD, (2) 2021 NIPSCO Integrated Resource Plan (IRP) filing, and (3) construction progress on Indiana Crossroads wind project.

Valuation and Risks

Our 12-month price target of $29 (from $27prior) embeds an 18x P/E on the gas segment 2023 EPS estimate, in line with our baseline multiple, while applying a 19x P/E on the electric segment 2023E EPS, a 1x premium to our baseline multiple to reflect the segment's above-average (versus peers) growth through 2024E. NI currently trades at 15.9x on 2023E EPS vs smid-cap regulated peers trading at an average 17.8x, and at an 8% discount to all regulated peers vs 4% average premium over trailing 5-year trading history. The implied 22% total return potential also screens higher than our 13% average total return for Regulated Utilities. We upgrade to Buy from Neutral as we are now incrementally positive after recent underperformance.

Key downside risks include 1) regulatory approval process for the planned renewable investments in Indiana, 2) cash impact due to COVID-19, 3) unfavorable outcome in the outstanding and upcoming rate cases which lowers allowed returns (especially in OH), 4) NI fails to realize rate base additions and instead has more PPA generation, and 5)

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construction risk at the ongoing projects.

NI in Exhibits

Exhibit 26: We slightly revise our 2022-2024 EPS estimates, reflecting a 7.8% EPS CAGR from 2021-2024
New Vs Old Vs Consensus

	EPS Estimates			% Difference	
	GS-New	GS-Old	Cons.	vs. Old	vs. Cons.
2021E	$1.33	$1.33	$1.35	(0%)	(1%)
2022E	$1.44	$1.41	$1.42	2%	2%
2023E	$1.57	$1.54	$1.53	2%	2%
2024E	$1.66	$1.64	$1.69	1%	(2%)
CAGR	7.8%	7.3%	8.0%	0%	(0%)

Source: Goldman Sachs Global Investment Research, FactSet

Exhibit 27: We forecast strong operating income growth at the regulated gas and electric segments...
Operating Income by Segment ($mn)

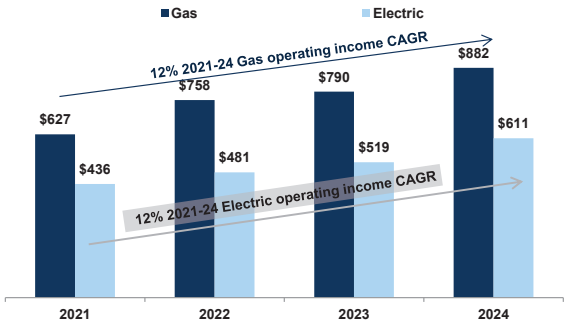

*2021 gas decline caused by completed sale of Columbia Gas

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 28: NI currently trades at an 8% discount to Regulated peers vs 4% average premium over 5 years.
FY2 Relative P/E vs Regulated Utilities

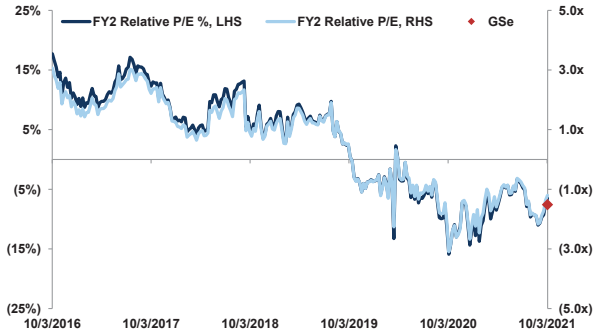

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 29: NI screens attractive as a value pick with an above-average 8% 2021-2023E EPS CAGR
Estimated 2021-2023 EPS CAGR across our coverage

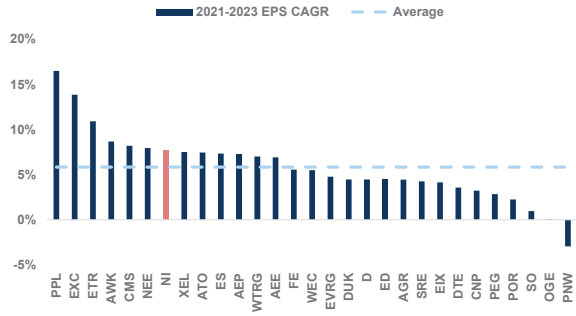

Source: Goldman Sachs Global Investment Research

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Exhibit 30: We see potential for further capital upside beyond 2024 that could add up to 4% of current rate base
Capital investments under preferred scenarios highlighted in NIPSCO's pre-IRP filings, $ millions

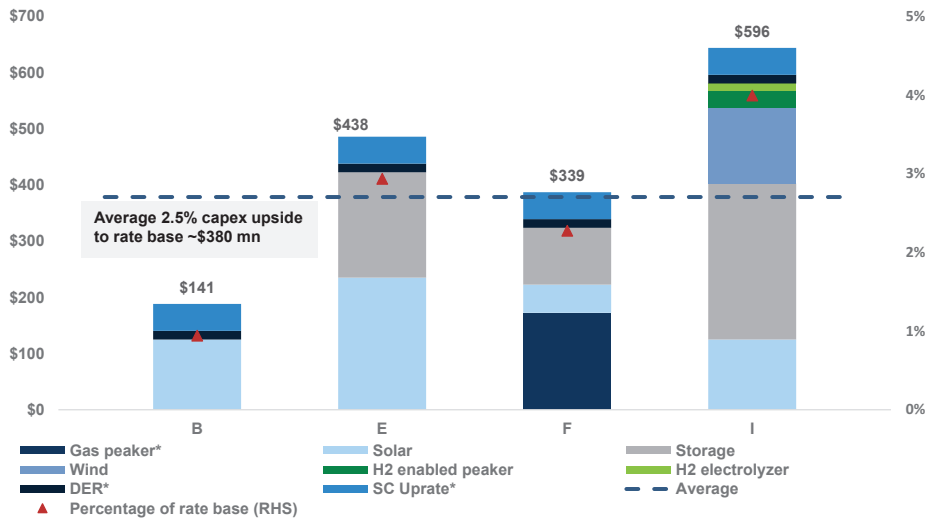

*Assuming equal split between utility-owned/PPA for capacity investments except for Gas Peaker, Sugar Creek Uprate & Distributed Energy Resources (DER) wherein 100% of investments are assumed to be utility-owned. Calculation of % of rate base utilitizes 2021E rate base figures.

Source: Goldman Sachs Global Investment Research

SRE: Downgrading from Buy to Neutral on lower estimates, new sum of the parts, and few catalysts

We downgrade Sempra Energy (SRE) from Buy to Neutral given (1) our lower estimates, as we update for the closed Sempra Infrastructure Partners transaction and incorporate the $1.45bn in Aliso Canyon costs (pretax charge net of insurance proceeds), (2) a revised sum of the parts and (3) see few positive catalysts ahead to move the shares. Our forecasts are now slightly below consensus — and we see limited new news-flow from the company that could drive a multiple re-rating higher. SRE has historically traded at a discount to peers on P/E multiples and we expect that to continue as the shrink-to-grow story has largely played out in our view. We recognize SRE will utilize the $3.37bn in cash proceeds from the 20% sell down of its Sempra Infrastructure Partners (SIP - its LNG and Mexico segments) business to enhance the balance sheet and support regulated growth capital spend in Texas and California — but also that the $1.45bn settlement for Aliso Canyon costs will likely require use of cash as well. We update our sum of the parts based target price — to incorporate revised estimates, to roll forward to 2023 as a valuation year for the regulated businesses, and given slightly revised target multiples on SRE's segments - our new $141, 12-month target price implies 17% total return versus 14% on average for our coverage group. Since being added to the Americas Buy List on 10/11/2017 SRE is up 7% versus the XLU 18% and S&P500 71%. We attribute share underperformance to negative sentiment on names with gas exposure and California exposure, and more recently due to costs

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associated with the Aliso Canyon litigation settlement.

What's changed in our view and estimates

We lower our EPS estimates by 1%-4% in 2021-2025 to reflect the recent 20% stake sale in SIP and the finalized charge from the 2015 Aliso Canyon gas leak. Our consolidated EPS estimates for 2021-2025 move from $8.26/$8.49/$8.98/$9.42/$10.11 to $8.19/$8.13/$8.75/$9.19/$9.86 — we are now below consensus for 2022-2024. We assume SRE uses the $3.75bn of cash proceeds from the partial SIP sale to pay down holding company debt and fund the Aliso Canyon related litigation costs - $1.45bn. We also make multiple other modest revisions - including revised tax rates, O&M adjustments and other minor changes. We now, on our new forecasts, no longer see material above-average EPS growth ahead for SRE - forecasting 4% CAGR from 2021-2024 (compared to peer average 6%-8%).

Exhibit 31: We revise our estimates and are below consensus in forward years
EPS new vs old vs consensus

	EPS Estimates			Difference	
	GS	GS- Old	Cons	vs Old	vs Cons
2021E	$8.19	$8.26	$8.18	(1%)	0%
2022E	$8.13	$8.49	$8.44	(4%)	(4%)
2023E	$8.75	$8.98	$8.94	(3%)	(2%)
2024E	$9.19	$9.42	$9.29	(2%)	(1%)
2025E	$9.86	$10.11	$9.77	(3%)	1%

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 32: Our updated forecasts reflect lower EPS at infrastructure following the SIP stake sale and reduced parent drag from debt paydown.
EPS by segment

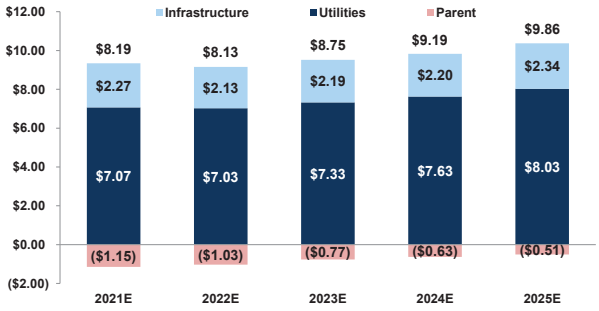

Source: Company data, Goldman Sachs Global Investment Research

Total return less compelling, shrink to grow completed for now

On P/E multiples, SRE trades at a discount - but may warrant this given its different mix of businesses, especially compared to regulated peers. In our sum of the parts, we apply different multiples to SRE's different businesses. We update for our utility baseline multiple of 18x (19x prior) and utilize a slight discount on the California utilities SRE owns (17x vs 18x prior), to reflect wildfire related risks for SDG&E (albeit a higher multiple than what we apply to PCG and EIX given fewer wildfire incidents in SDG&E's territory) and given slowing growth at SoCalGas. On SRE's Oncor business in Texas, we utilize a group average multiple (inline with prior) and for SRE's Mexico business, part of the new SIP segment, we apply a 13x multiple based on the 5-year trading history of that segment when this existed as a standalone entity separate from SRE (17.5x prior). For the LNG business, we apply an 11.5x EV/EBITDA multiple in our sum of the parts and give modest credit for the potential growth opportunities - we note we do not forecast major new projects at this segment occurring in the next 3-5 years, only the small 2.5mtpa expansion of the Costa Azul export facility.

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Key risks

What could make us more positive on SRE? Any reduction in wildfire related risk could drive implied multiples on SRE's utilities there - as well for the other California utilities - much higher given an otherwise positive regulatory framework. However, this remains hard to predict and while the 2019 legislation helps materially reduce LT risks, clarity on implementation may take many years to play out. Further growth in the LNG business remains a possible driver of higher earnings and growth - large scale expansions at the existing Cameron or Costa Azul sites - but we view SRE as lagging other LNG developers (like Buy rated (on CL) Cheniere Energy (LNG)) in announcing contracts needed to finance a new project. Texas related rate base growth would need to prove far more material than the current expected 8%, following the revised 5-year capital spending plan on the 2Q2021 earnings call, to drive material multiple escalation or EPS upside in the next few years. Valuation re-rating could present upside to our target price - we note sensitivities to our target multiples in the sum of the parts with (all else equal):

- **Every 1x P/E multiple change on the SDG&E and SoCalGas businesses** would each impact valuation by $2.67/sh and $2.55/sh, respectively
- ...**and a 1x P/E multiple change on Oncor would prove worth $2.11/sh,** while a 1x change on the smaller Mexico businesses would only revise our sum of the parts by $1.10/sh
- **Revisions to our target EV multiple on Sempra LNG would drive decent sized changes to our sum of the parts** - we estimate every 0.5x change to the 11.5x EV/EBITDA multiple used would drive $1.14/sh in upside to our target price

Downside risks for SRE include wildfire related exposure, utility regulation, project execution, litigation risk and financing, while upside potential includes potential sell-downs at similar multiples for its SIP (LNG/Mexico) business, higher rate base growth or higher than expected cost management.

Few catalysts appear ahead for SRE

We believe the shrink to grow story is largely done here — at least in the near term - and expect limited news-flow ahead that would drive a multiple re-rating higher. Since 2018, SRE engaged in a number of acquisitions and divestitures in order to reposition the business - with (1) the sale of its US Renewables business, (2) divestiture of the Chile and Peru businesses and recently (3) the 20% stake sale in SIP to a private equity/infrastructure fund, (4) the purchase of the utility business in Texas and (5) the acquisition of most of the portion of its Mexico business - the portion that SRE did not already own. We view further sell downs of its SIP business - at multiples that the market would consider attractive could serve as a positive catalyst, but that the previously announced and completed 20% sell down did not materially move SRE's shares on a relative basis.

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Exhibit 33: Sempra has historically traded at a discount to regulated peers, and our view a lack of catalysts will close the gap
SRE vs regulated FY2 P/E

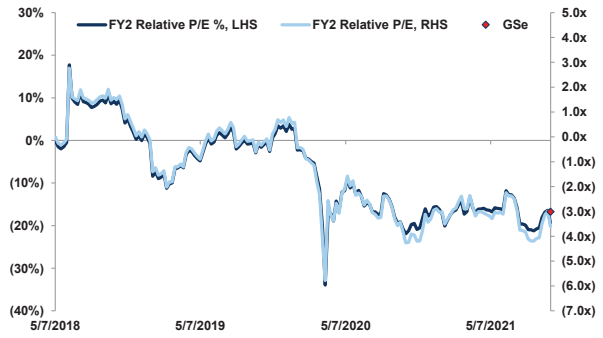

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 34: California utilities like peer EIX trade at a discount to regulated utilties in other jurisdictions
EIX vs large cap regulated peers and SRE

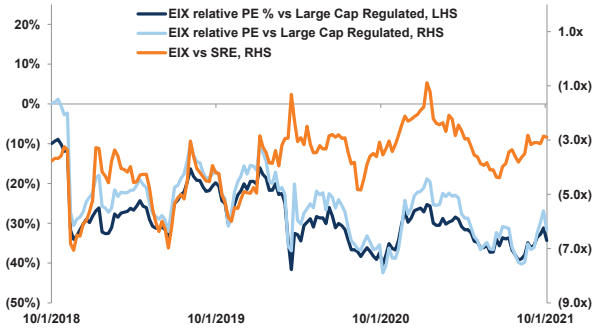

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 35: GAS LDCs, similar to SRE's SoCalGas segment, have traded recently traded at a slight discount to electric utilities
GAS LDCs vs Electric utes

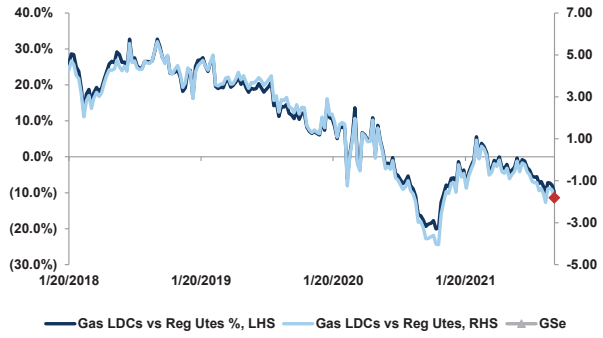

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 36: We expect FCF to gradually improve in forward years
CFO, CFI, FCF by year ($mn)

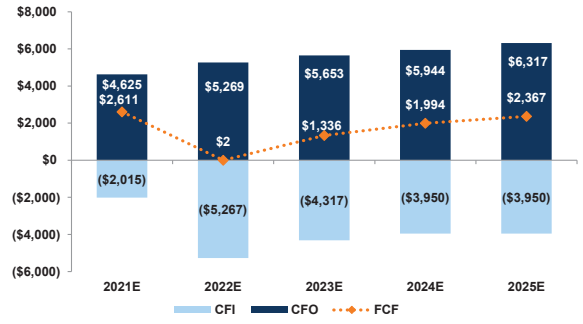

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 37: The US regulated utilities continue to make up the vast majority of the capital spending plan
Capex by segment ($mn)

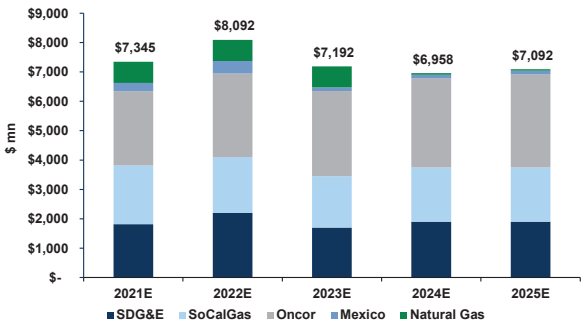

Source: Company data, Goldman Sachs Global Investment Research

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Exhibit 38: SRE simplified and streamlined the portfolio through multiple transactions in recent years
Recent M&A

Recent M&A activity			
Segment acquired/sold	**Date**	**Price**	**Transaction**
Oncor	March 2018	$9.45bn	Acquired regulated Texas utility Oncor Electric Delivery Company LLC
US Renewables	April 2019	$2.5bn	Sold renewables generation and non-utility natural gas storage assets
InfraREIT	May 2019	$1.275bn	Acquired InfraREIT and merged it with Oncor as a subsidiary
Peru Utilities	April 2020	$3.59bn	Sold Tecsur and Inland Energy S.A.C.
Chile Utilities	June 2020	$2.23bn	Sold Chilquinta Energía S.A.
IEnova tender offer	May 2021		Tender offer for IEnova shares not already owned
SIP stake sale	Oct 2021	$3.37bn	Sold a 20% stake in SIP to KKR

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 39: Our updated SOTP results in a $141 price target
SOTP

Sempra Fundamental Sum-of-the-Parts								
Segment	**2022 EPS**	**2022 EBITDA**	**P/E**	**EV**	**Net debt**	**Present value factor**	**Shares (mn)**	**Equity value/sh**
SDG&E	$2.67		17.0x					$45
SoCalGas	$2.55		17.0x					$43
Oncor	$2.11		18.0x					$38
Mexico	$1.10		13.0x					$14
Utilities								**$140**
Midstream/LNG		$739		$8,498	($4,854)	1.00	324	$11
US LNG Expansion	**2030 run-rate -->**	$1,664	**5% probability**	$19,136	($5,858)	1.96	324	$1
ECA Phase One	**2025 run-rate -->**	$148	**100% probability**	$1,700	($971)	1.30	324	$2
ECA Phase Two	**2030 run-rate -->**	$677	**5% probability**	$7,790	($4,450)	1.96	324	$0
LNG								**$14**
HoldCo	($0.77)		17.0x					($13)
SRE total								**$141**

Exhibit 40: SRE continues to trade at a discount to peers, however we do not see a clear path for multiple re-rating near term
Comp sheet

Diversified Utilities Comparable Analysis														
			Close	12-Mo	Tot Ret	EPS			P/E			Dividend	Dividend	
	Ticker	**Rating**	**10/08/21**	**Px. Tgt**	**to Target**	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**	**Yield**	**CAGR 2020A-23E**	
Diversified Utilities														
Avangrid, Inc.	AGR	Sell	$50.82	$45	(8%)	$2.22	$2.34	$2.40	22.9x	21.7x	21.2x	3.3%	0.0%	
CenterPoint Energy	CNP	Buy	$25.54	$30	20%	$1.53	$1.52	$1.63	16.7x	16.8x	15.7x	2.5%	0.3%	
Dominion Energy	D	Neutral	$72.70	$76	8%	$3.96	$4.16	$4.31	18.4x	17.5x	16.9x	3.5%	-8.4%	
Exelon	EXC	Buy	$48.35	$61	29%	$2.75	$3.13	$3.58	17.6x	15.4x	13.5x	3.2%	3.3%	
NextEra Energy	NEE	Neutral	$80.21	$87	10%	$2.57	$2.86	$3.00	31.2x	28.1x	26.8x	1.9%	10.0%	
OGE Energy Corp	OGE	Neutral	$33.06	$35	11%	$2.28	$2.20	$2.28	14.5x	15.0x	14.5x	5.0%	3.9%	
Public Service Enterprise Group	PEG	Buy	$59.89	$71	22%	$3.59	$3.90	$3.81	16.7x	15.4x	15.7x	3.4%	5.1%	
Sempra Energy	SRE	Neutral	$124.62	$141	17%	$8.19	$8.13	$8.75	15.2x	15.3x	14.2x	3.5%	7.7%	
Diversified Utilities Mean					**14%**				**19.1x**	**18.1x**	**17.3x**	**3.3%**	**2.7%**	
Diversified Utilities Median					**14%**				**17.1x**	**16.1x**	**15.7x**	**3.4%**	**3.6%**	
Large-Cap Regulated Utilities Mean					**14%**				**18.0x**	**16.9x**	**16.0x**	**3.4%**	**2.8%**	
Large-Cap Regulated Utilities Mean (ex. PCG, EIX, FE)					**8%**				**19.5x**	**18.3x**	**17.4x**	**3.5%**	**2.8%**	
Large-Cap Regulated Utilities Median					**14%**				**18.4x**	**17.5x**	**16.6x**	**3.5%**	**4.6%**	

Source: Company data, Goldman Sachs Global Investment Research

XEL: Uri cost recovery concerns overdone, underperformance an opportunity to capture premium growth with upside; Upgrade to Buy

We upgrade large-cap regulated utility Xcel Energy Inc. (XEL) to Buy from Neutral, as we view recent underperformance as presenting an attractive opportunity to gain exposure to an above-average EPS/DPS growth story driven by generation fleet transformation, with further upside potential from significant purchase power agreement (PPA) expiration through 2025 — through buyouts or favorable re-contracting

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— as well as incremental renewable generation opportunities. We view recent investor concerns around winter storm Uri cost recovery as overdone and view the company's earnings power and healthy balance sheet as intact. XEL currently trades at an 7% P/E premium to regulated peers, lower than its 3-year historical average of 13%, which we view as insufficient for this premium growth company with a track record of consistent execution, and view a higher premium going forward as justified given visible growth upside.

We view investor concerns around winter storm Uri cost recovery as overdone... In 1Q2021, XEL incurred ~$985mn of incremental fuel costs during the winter storm — $105mn of which has been approved for recovery thus far. Recovery of $831mn, split across Minnesota ($215mn), Colorado ($554mn) and Texas ($62mn) remains in progress, with decisions for Minnesota and Colorado expected in 2022, while Texas recovery will be subject to review during the utility's upcoming fuel reconciliation case. Based on intervenor testimony, we note recommended dis-allowances in the range of $21mn-$34mn for MN (Department of Commerce, Office of Attorney General) and $3mn-$131mn for CO (CPUC Staff, Colorado Office of the Utility Consumer Advocate, Colorado Energy Office). Even if the state commissions adopt the maximum recommended dis-allowances, we forecast XEL's FFO/debt metrics improving to 17% by 2023, up from ~16.5% in 2022. In addition, from our conversation with the company, we note XEL's EPS and growth guidance already embeds the carrying costs associated with financing the storm-related costs, which should therefore not impact XEL's ability to grow at the upper end of its 5-7% EPS CAGR guidance.

...and forecast robust 7.1% earnings growth, with potential for further upside through renewable additions. Our EPS estimates imply above-average growth vs peers for XEL while embedding a ~40-50bps lag versus authorized ROEs of 9.4% on a weighted-average basis. We do incorporate some incremental capital of about $785mn for the Allete Wind PPA buyout (approved) and Sherco Solar (decision expected in 4Q2021/1Q2022); we note incremental capital of ~$700mn (not included in our estimates) from CO transmission expansion could support further EPS upside. Our EPS estimates screen above consensus in 2022+, likely due to our assumption of higher renewable capex vs guidance. We also believe the MN and CO integrated resource plan (IRP) decisions — expected by 1Q2022 — could offer up to $8.5bn in incremental capital opportunities, with CO spending primarily 2025+.

We also see additional rate base/EPS growth opportunities through 2025 from PPA expirations. In the next 10 years, around 40% of XEL's 10.6 GW PPAs are set to expire, with 15% (or 1.6 GW) expected through 2025. We believe potential PPA buyouts and/or re-contracting could serve as another driver to help sustain robust growth while limiting customer rate increases. Our hypothetical analysis for 1.6 GW expirations highlights (1) 2-6% additional rate base/EPS potential through 2025, assuming XEL successfully buys out the existing PPA assets after contract expiration (we note ~219 MW buyouts are closed/approved), and (2) up to 1% bill headroom or 1-4% additional EPS potential through 2025, assuming XEL re-contracts expiring PPAs with existing counterparties but at current market rates.

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What's Changing in our Estimates?

We update our 2021-2024 EPS estimates to $2.93/$3.20/$3.47/$3.67 from $2.97/$3.18/$3.43/$3.63 prior, reflecting a 7.1% EPS CAGR from 2020A-2024E, at the upper end of XEL's 5-7% growth guidance. Primary drivers of the revisions include increases to our regulated capital/rate base estimates as well as modest revisions to various rate case and operating expense assumptions. We believe management's conservative guidance strategy, coupled with the visible upside to regulated investments highlighted above, support this above-average EPS growth, which is currently not reflected in valuations.

Valuations and Risks

Our 12-month price target of $76 (from $73 prior) implies 23% total return potential, including a 3.1% dividend yield, and is based on a 4.0x premium to our 18.0x industry baseline multiple on our 2023E EPS — reflecting the company's premium growth prospects and decarbonization focus with an intent to be coal free by 2040. XEL currently trades at around a 7% premium to regulated peers, which we view as insufficient for this premium regulated utility. **We upgrade to Buy from Neutral.**

Key downside risks include: 1) Negative rate case outcomes impact the utilities' earnings power, 2) XEL realizes less generation into rate base vs. PPA, impacting rate base growth and 3) PPA buyouts do not materialize, stemming incremental rate base growth opportunities.

Exhibit 41: Of the total $985m company cost assessment for Uri, $105m has been approved for recovery while $831m remains in progress, with decisions for MN and CO expected in 2022 and TX recovery subject to review during SPS' upcoming fuel reconciliation case.
Uri storm cost, $ millions

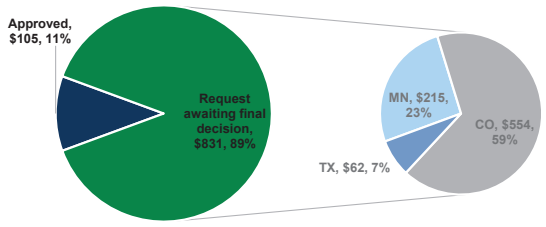

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 42: Based on intervenor testimony, we note recommended disallowances in the range of $21m-$34m for MN and $3m-$131m for CO.

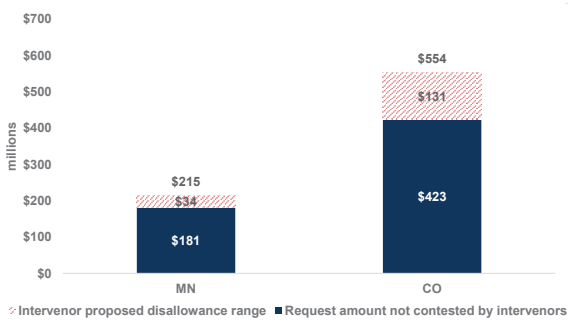

Source: Company data, Goldman Sachs Global Investment Research

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Exhibit 43: Even if the state commissions adopt the maximum recommended dis-allowances, we forecast XEL's FFO/debt metrics improving to 17% by 2023, up from ~16.5% in 2022.

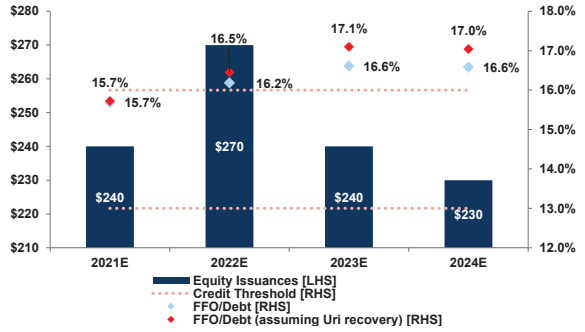

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 44: We forecast robust 7.1% earnings growth...
EPS by segment by year

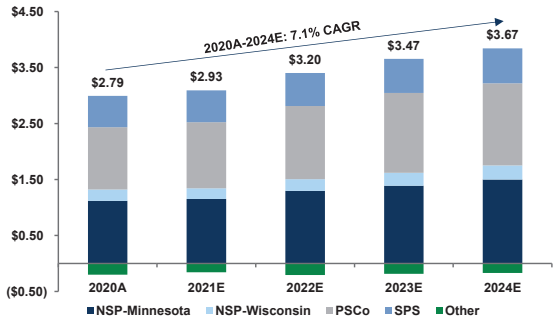

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 45: ...while embedding a ~40-50bps lag versus authorized ROEs of 9.4% on a weighted-average basis.

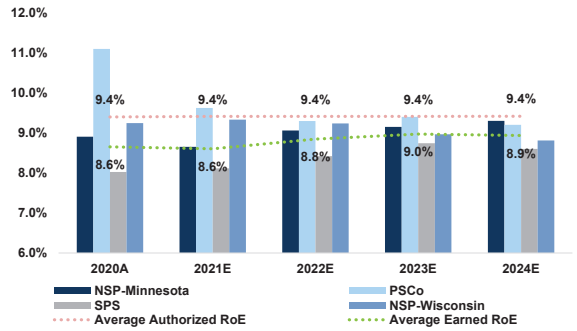

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 46: Our analysis suggests an incremental ~$4.5bn in capex based on the CO resource plan proposal...
Colorado Resource Plan Proposal, Potential Capex 2025+

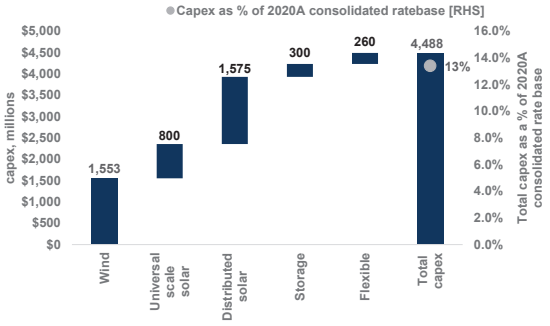

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 47: ...and ~$4bn from the MN alternative resource plan.
Alternative Minnesota Resource Plan Proposal

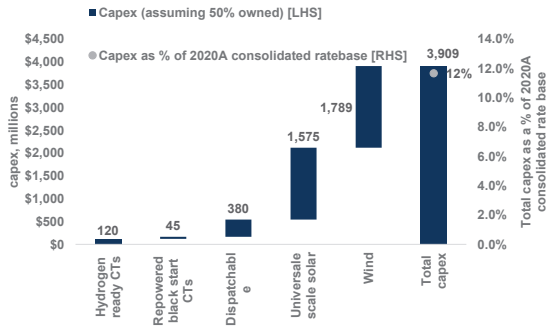

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 48: Our estimates screen above consensus in 2022+
EPS New vs Old vs Consensus

	EPS			% difference	
	New	Old	Cons.	Vs Old	Vs Cons.
2021E	$2.93	$2.97	$2.98	-1%	-2%
2022E	$3.20	$3.18	$3.17	1%	1%
2023E	$3.47	$3.43	$3.37	1%	3%
2024E	$3.67	$3.63	$3.59	1%	2%

Source: FactSet, Goldman Sachs Global Investment Research

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Exhibit 49: Based on 1.6 GW of PPA expirations expected through 2025...

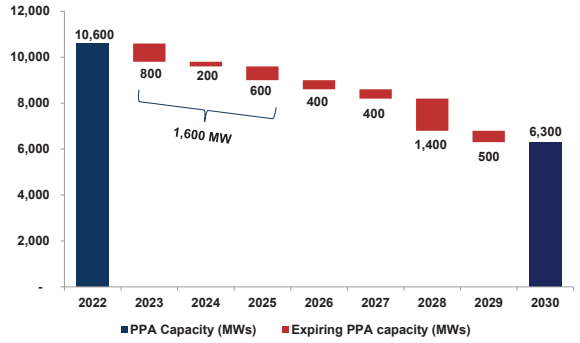

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 50: ...our hypothetical analysis highlights 2-6% additional rate base/EPS potential through 2025 from buyouts...
Potential rate base ($mn)/EPS % uplift (relative to 2022E) from PPA buyouts after 2023-2025 contract expiration

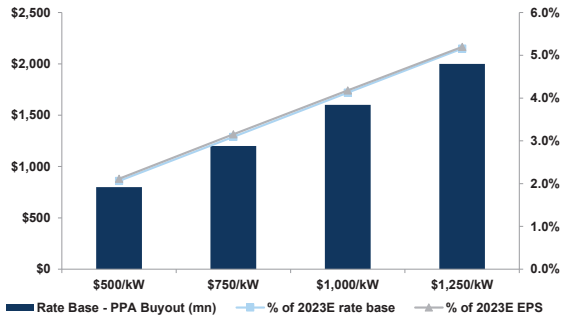

EPS uplift assumes PPA buyouts financed with 50% new equity

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 51: ...and up to 1% bill headroom or 1-4% additional EPS potential through 2025 from re-contracting.
Implied revenue/rate base headroom from re-contracting expiring PPAs at market rates

Expiring PPAs (MW) - '23-'25	Assumed PPA Px (per MWh)	PPA Cost (mn)	Market Px (NSP Hub)*	New PPA Cost (mn)	Revenue Headroom (mn)	% of 2023E Revenues	Incr. Rate Base Headroom (mn)	Incr. EPS	% of 2023E EPS	Assumptions (GS 2023E)	
										9.41%	Authorized ROE
1,600.0	$50	$315.4	$28.50	$179.8	$135.6	**1.0%**	$1,355.2	$0.13	**3.6%**	54.1%	Equity Ratio
	$45	$283.8	$28.50	$179.8	$104.1	**0.7%**	$1,040.0	$0.10	**2.8%**	10%	Tax Rate
	$40	$252.3	$28.50	$179.8	$72.5	**0.5%**	$724.9	$0.07	**1.9%**	4.0%	Kd
	$35	$220.8	$28.50	$179.8	$41.0	**0.3%**	$409.7	$0.04	**1.1%**	7.5%	Pre-tax WACC
										2.50%	D&A Rate

*Market price represents the average forward around-the-clock (ATC) price for the MISO power hub from 2023-2025. Allete 120MW approved buyout, Mower 99MW closed buyout.

Source: S&P Global Market Intelligence, Company data, Goldman Sachs Global Investment Research

Exhibit 52: Our 4.0x valuation premium to 18.0x industry baseline multiple reflects the company's growth prospects and decarbonization focus...
Energy Mix

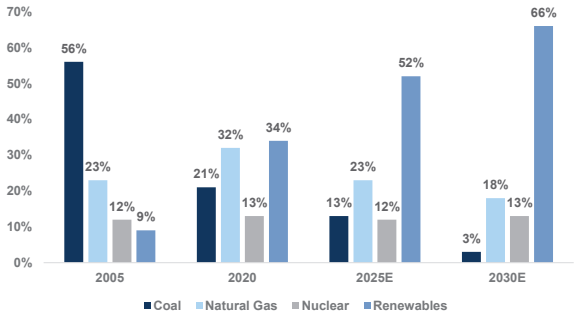

Source: Company data

Exhibit 53: ...with an intent to be coal free by 2040.

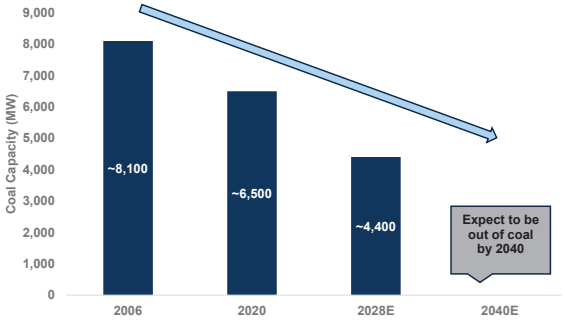

Source: Company data

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Exhibit 54: XEL is currently trading at an 8% premium to regulated peers, lower than its 5-year historical average.
Relative to regulated peers

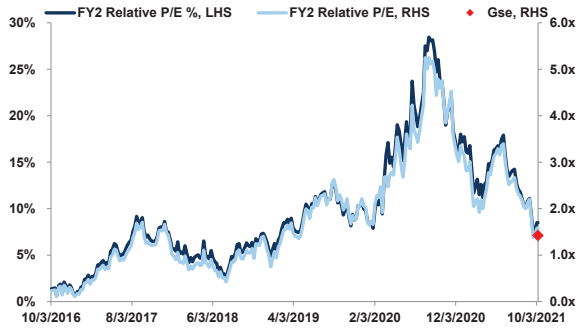

Source: FactSet, Goldman Sachs Global Investment Research

Assumptions used in PPA analysis:

1. Buyouts:
   - $500/kW-$1,250/kW purchase price accounting for some depreciation from GS-estimated new-build wind/gas construction economics of ~$1,500/KW and ~ $900/kW, respectively, as well as a ~$1,000/kW purchase price estimated from our conversations with the company;
   - inclusion into rate base at GSe weighted-average ROE/equity ratio of 9.41%/54.1%;
   - buyouts financed with 50% new equity, based on management's commentary on plans to finance incremental capex for approved buyout of Allete PPA.
2. Recontracting at market prices:
   - $35-$50/MWh cost of energy for expiring PPAs (based on XEL's disclosures stating bulk of wind PPAs embed above-$40/MWh cost of energy);
   - re-contracting/market purchases at market forward power prices (2023-2025) in MISO;
   - rate base headroom utilizing revenue headroom grossed up by GSe weighted average pre-tax WACC and 2.5% D&A rate.

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Estimate and price target changes

Exhibit 55: We update estimates for a few other utilities in our coverage
EPS New vs Old & Drivers

Ticker	EPS															Drivers
	2021			2022			2023			2024			2025			
	New	Old	vs Old	New	Old	vs Old	New	Old	vs Old	New	Old	vs Old	New	Old	vs Old	
PEG	$3.59	$3.59	0%	$3.90	$3.88	0%	$3.81	$3.80	0%	$3.61	$3.59	0%			--	solar portfolio sale
DUK	$5.25	$5.27	0%	$5.48	$5.48	0%	$5.72	$5.76	-1%			--			--	DEI-GIC transaction
ETR	$5.41	$5.66	-4%	$6.31	$6.57	-4%	$7.01	$6.96	1%	$7.24	$7.17	1%			--	Ida storm cost impact
CMS	$2.64	$2.65	0%	$2.87	$2.88	0%	$3.12	$3.10	0%	$3.37	$3.33	1%	$3.66	$3.58	2%	EnerBank sale close
AGR	$2.22	$2.19	1%	$2.34	$2.33	0%	$2.40	$2.39	0%	$2.51	$2.50	0%			--	financing assumptions
EIX	$4.59	$4.63	-1%	$4.72	$4.64	2%	$5.07	$5.02	1%	$5.41	$5.33	2%			--	updated capex, parent costs
EXC	$2.75	$2.75	0%	$3.13	$3.17	-1%	$3.58	$3.56	0%			--			--	updated hedging price
ES	$3.80	$3.80	0%	$4.07	$4.09	0%	$4.35	$4.37	0%	$4.67	$4.69	0%			--	update for 10Q
WTRG	$1.68	$1.68	0%	$1.80	$1.80	0%	$1.92	$1.92	0%	$2.06	$2.06	0%			--	financing assumptions
PCG	$1.02	$1.02	0%	$1.14	$1.13	0%	$1.26	$1.26	1%	$1.36	$1.34	1%	$1.44	$1.42	1%	updated share price
PNW	$4.97	$5.00	-1%	$4.37	$4.55	-4%	$4.52	$4.71	-4%	$4.79	$4.98	-4%			--	lower RoE, higher equity
ATO	$5.09	$5.09	0%	$5.48	$5.49	0%	$5.85	$5.88	-1%	$6.27	$6.33	-1%			--	updated share price
AEP	$4.52	$4.52	0%	$4.77	$4.78	0%	$5.19	$5.20	0%			--			--	updated share price
AWK	$4.24	$4.24	0%	$4.60	$4.60	0%	$5.01	$5.01	0%	$5.44	$5.44	0%			--	updated share price
ED	$4.21	$4.21	0%	$4.49	$4.49	0%	$4.59	$4.60	0%	$4.80	$4.81	0%			--	updated share price
D	$3.96	$3.96	0%	$4.16	$4.17	0%	$4.31	$4.32	0%	$4.62	$4.63	0%			--	updated share price
DTE	$5.82	$5.81	0%	$5.95	$5.94	0%	$6.24	$6.23	0%	$6.67	$6.65	0%			--	updated share price
FE	$2.60	$2.60	0%	$2.70	$2.70	0%	$2.88	$2.89	0%			--			--	updated share price
NEE	$2.57	$2.57	0%	$2.86	$2.86	0%	$3.00	$3.00	0%	$3.26	$3.26	0%	$3.52	$3.52	0%	updated share price

Source: Goldman Sachs Global Investment Research

Exhibit 56: Price Target, Methodology, Key risks
Diversified Utilities

Price Target Methodologies and Key Risks								
Ticker	Price Target Methodology	Rating	Price Target (New)	Price Target (Old)	10/11/2021	Dividend Yield	Total Return (%)	Key Risks
Diversified Utilities								
AGR	SOTP 18x P/E on Regulated Utilities & Corporate & Other 2023 EPS, 10x EV/EBITDA on Renewables 2023 EBITDA	Sell	$45	$45	$52	3.4%	-10%	1) approvals to defer all COVID-19 related costs, 2) incremental O&M savings, and 3) NECEC and offshore wind projects proceed per schedule and budget.
CNP	SOTP 19x P/E on Regulated Utilities & Parent 2023 EPS, 20% tax/liquidity discount on CNP's stake of ENBL market value	Buy	$30	$30	$26	2.7%	20%	1) customer/demand growth slows in Houston and in other regulated jurisdictions, 2) Indiana electric fails to secure utility-owned generation opportunities, and 3) execution risks with portfolio simplification strategy.
D	SOTP 18.5x P/E on Regulated Electric 2023 EPS, 18x P/E on Gas LDCs and Corporate 2023 EPS, 12.5x EV/EBITDA on Contracted Assets 2023 EBITDA	Neutral	$76	$76	$72	3.6%	9%	regulation, project execution, demand, and financing.
EXC	SOTP 18x P/E on Regulated Utilities & HoldCo 2023 EPS; 7.5x EV/EBITDA on 2023 Generation EBITDA	Buy	$61	$57	$48	3.4%	32%	downside: utility regulation, power prices, cost management and nuclear subsidies.
NEE	SOTP 23x P/E on FP&L, Gulf & Parent 2023 EPS, 18x EV/EBITDA on NEER 2023 EBITDA, NEP LP value derived using NEE's share, NEP GP value derived from 7% Ke, 5% LT growth.	Neutral	$87	$86	$78	2.2%	14%	Florida utility regulation, renewable development, tax credit legislation, and operating cost management levels.
OGE	SOTP 16x on Regulated Utility 2023 EPS, 20% liquidity discount to OGE's stake in current ENBL market value	Neutral	$35	$36	$33	5.2%	12%	upside: 1) higher regulated capital spending, and 2) the company could be a target of a take-out; downside: 1) non-construction decision in the next OK rate case, and 2) utility jurisdictions experience moderating/decreasing customer and demand growth.
PEG	SOTP 20x P/E on Regulated Utility and Enterprise/Other 2023 EPS, 7x EV/EBITDA on Power 2023 Open EBITDA after adjusting for value of hedges	Buy	$71	$73	$59	3.6%	23%	downside: power prices, power demand, maintaining nuclear subsidies, financing, and cost management.
SRE	SOTP 17x P/E on 2023 SDG&E, SoCalGas EPS; 18x P/E on 2023 Oncor EPS, 13x P/E on Mexico 2023 EPS; 11.5x EV/EBITDA on 2023 Sempra Midstream, US LNG, ECA (Phase 1 & 2) EBITDA & 17x P/E on HoldCo EPS	Neutral	$141	$147	$123	3.9%	18%	project development and execution, power demand in Texas, utility regulation and financing.
Diversified Utilities (mean)						**3.5%**	**14.8%**	

Source: FactSet, Goldman Sachs Global Investment Research

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Exhibit 57: Price Target, Methodology, Key risks
Regulated Large Cap Utilities

Price Target Methodologies and Key Risks								
Ticker	Price Target Methodology	Rating	Price Target (New)	Price Target (Old)	10/11/2021	Dividend Yield	Total Return (%)	Key Risks
Regulated Utilities (Large-Cap)								
AEP	16x P/E on 2023 EPS	Sell	$83	$81	$83	3.8%	4%	1) Improved rate making mechanisms in a few key states, (2) lower-than-expected O&M, and (3) removal of financing overhangs.
DTE*	22x P/E on 2023 EPS	Buy	$137	$137	$112	3.0%	25%	1) unfavorable regulatory changes, 2) incentive returns & equity layers, 3) unfavorable legislation, & 4) customer demand & usage, & cost management.
DUK	18x P/E on 2023 EPS	Neutral	$103	$104	$100	4.0%	7%	utility regulation, cost management, financing & future rate cases or proceedings in Carolinas/Midwest states DUK serves.
ED	14x P/E on 2023 EPS	Sell	$64	$67	$74	4.3%	-9%	1) NY utility commission authorizes recovery of the bulk of COVID-19 related costs & increased bad debt expense, 2) economic conditions in NYC from COVID-19 improve, & 3) ED's contracted renewable segment sees more robust growth elevating the company's ESG profile.
EIX	15x P/E on 2023 EPS	Buy	$76	$74	$56	5.0%	40%	downside: wildfires in California, financing, and state utility regulation.
ES	20x P/E on 2023 EPS	Neutral	$87	$86	$84	3.0%	6%	utility regulation, construction risks on major projects like offshore wind and financing.
ETR	17x P/E on 2023 EPS	Buy	$119	$118	$103	4.1%	20%	downside: utility regulation, power demand and financing.
EVRG	19x P/E on 2023 EPS	Buy	$72	$73	$62	3.5%	20%	downside: utility regulation, power demand and cost management.
FE	16x P/E on 2023 EPS	Buy	$46	$46	$36	4.4%	33%	various investigations at the federal and state level, power demand, higher than expected costs, and general rate case and regulatory risk.
PCG	50% weight each to (1) 13x P/E on 2023 EPS and, (2) DDM analysis on 40% dividend payout in 2025.	Buy	$15	$14	$10	0.0%	48%	2023 GRC proceeding & general regulatory risk in CA, wildfire related risk, and financing needs through both debt (including securitization) and equity issuance.
SO	14x P/E on 2023 EPS	Sell	$49	$52	$62	4.4%	-16%	upside: regulatory, construction, power demand and equity financing risk.
WEC	20x P/E on 2023 EPS	Sell	$90	$91	$87	3.3%	6%	higher than expected capital spend and rate base growth for 2021+, lower than expected operating costs, and better than expected power/gas demand.
XEL	22x P/E on 2023 EPS	Buy	$76	$73	$62	3.1%	25%	1) Negative rate case outcomes, 2) XEL realizes less generation into rate base vs. PPA, impacting rate base growth & 3) PPA buyouts do not materialize..
Regulated Utilities - Large Cap (mean)						**3.5%**	**16.1%**	
Regulated Utilities - Large & Small Cap (mean)						**3.4%**	**16.9%**	

*Denotes on Americas Conviction List

Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 58: Price Target, Methodology, Key risks
Regulated Small-Cap Utilities

Price Target Methodologies and Key Risks								
Ticker	Price Target Methodology	Rating	Price Target (New)	Price Target (Old)	10/11/2021	Dividend Yield	Total Return (%)	Key Risks
Regulated Utilities (Small-Cap)								
ATO	19x P/E on 2023 EPS	Buy	$111	$110	$89	3.0%	28%	Texas customer/demand growth, higher gas fuel costs, unfavorable regulation, and a negative finding from the June gas incident investigation.
AWK	39x P/E on 2023 EPS	Buy	$191	$189	$169	1.5%	15%	water quality issues, cost management, regulatory environment, growth at non-regulated segments and reduced ESG fund flows.
AEE	21x P/E on 2023 EPS	Neutral	$92	$90	$81	2.9%	16%	upside: 1) accelerated rate base/earnings growth, 2) Illinois passes rate-making legislation, & 3) better-than-expected cost management. downside: 1) unfavorable outcome in MO electric/gas rate case, 2) 30-year TSY yields trend down, and 3) lower free cash flows than forecasted.
CMS	23x P/E on 2023 EPS	Buy	$72	$72	$59	3.1%	24%	1) CMS fails to secure incremental regulated investments into rate base, 2) MI regulatory environment turns negative, & 3) the current IRP plan does not pass as proposed.
NI	18x P/E on Gas 2023 EPS, 19x P/E on Electric 2023 EPS	Buy	$29	$27	$24	3.8%	23%	1) regulatory approval process for the planned renewable investments in Indiana, and 2) cash impact due to COVID-19.
PNW	15x P/E on 2023 EPS	Sell	$68	$73	$68	4.9%	6%	1) PNW receives approval for contemporaneous recovery/return of clean energy investments, 2) a meaningfully constructive outcome in the current rate case, & 3) continued robust customer & demand growth.
POR	18x P/E on 2023 EPS	Neutral	$52	$53	$48	3.8%	13%	upside: 1) better than expected cost management, 2) continued strong demand, & 3) more robust capital plan; downside: 1) non-constructive outcome in the electric rate case, 2) only partial deferral treatment on COVID/winter storm/wildfire costs, & 3) only a modest amount of renewables into rate base at next RFP process, slated for 2022.
WTRG	SOTP 34x P/E on 2023 water EPS, 18x P/E on 2023 gas EPS, 29.04x blended P/E on 2023 Other EPS	Buy	$55	$55	$46	2.4%	21%	1) PA regulation turns less constructive, 2) water system acquisitions do not receive necessary approvals for completion, & 3) longer-term growth concerns about the gas utility segment compresses WTRG's valuation.
Regulated Utilities - Small Cap (mean)						**3.2%**	**18.2%**	
Regulated Utilities - Large & Small Cap (mean)						**3.4%**	**16.9%**	

Source: FactSet, Goldman Sachs Global Investment Research

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J.P.Morgan

North America Equity Research
31 August 2021

NiSource Inc.

Model Update

Overweight

NI, NI US
Price (31 Aug 21): $24.65

▲ **Price Target (Dec-22): $29.00**
Prior (Dec-21): $28.00

We are updating our model to account for 2Q earnings results. Please see changes below.

North American Utilities

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Key Changes (FYE Dec)

	Prev	Cur
Adj. EPS - 21E ($)	1.35	1.36
Adj. EPS - 22E ($)	1.43	1.42

Quarterly Forecasts (FYE Dec)

Adj. EPS ($)	2020A	2021E	2022E
Q1	0.76	0.77A	
Q2	0.13	0.13A	
Q3	0.09	0.10	
Q4	0.34	0.39	
FY	1.32	1.36	1.42

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	43	34	41	43	61
Growth	70	29	26	55	35
Momentum	57	63	87	54	19
Quality	77	83	90	74	66
Low Vol	34	35	32	39	100
ESGQ	1	30	18	5	12

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

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North America Equity Research
31 August 2021

J.P.Morgan

Price Performance

	YTD	1m	3m	12m
Abs	7.4%	-0.5%	-3.3%	11.2%
Rel	-13.2%	-3.5%	-11.1%	-18.1%

Company Data

Shares O/S (mn)	404
52-week range ($)	26.60-21.09
Market cap ($ mn)	9,963.78
Exchange rate	1.00
Free float(%)	99.5%
3M - Avg daily vol (mn)	3.08
3M - Avg daily val ($ mn)	77.8
Volatility (90 Day)	16
Index	S&P 500
BBG BUY|HOLD|SELL	9|3|0

Key Metrics (FYE Dec)

$ in millions	FY20A	FY21E	FY22E	FY23E
Financial Estimates				
Revenue	4,697	4,994	5,510	5,721
Adj. EBITDA	1,826	1,875	2,055	2,252
Adj. EBIT	1,064	1,128	1,272	1,408
Adj. net income	508	571	628	688
Adj. EPS	1.32	1.36	1.42	1.53
BBG EPS	1.31	1.34	1.41	1.53
Cashflow from operations	1,104	1,292	1,508	1,585
FCFF	(351)	(309)	(656)	(1,628)
Margins and Growth				
Revenue growth	(9.4%)	6.3%	10.3%	3.8%
EBITDA margin	38.9%	37.6%	37.3%	39.4%
EBITDA growth	3.8%	2.7%	9.6%	9.6%
EBIT margin	22.6%	22.6%	23.1%	24.6%
Net margin	10.8%	11.4%	11.4%	12.0%
Adj. EPS growth	(0.0%)	2.8%	4.6%	7.6%
Ratios				
Adj. tax rate	18.3%	20.9%	24.3%	23.8%
Interest cover	4.9	5.5	5.6	5.2
Net debt/Equity	1.6	1.4	1.5	1.7
Net debt/EBITDA	5.3	5.2	5.2	5.8
ROCE	5.6%	5.6%	5.6%	5.5%
ROE	8.6%	9.0%	8.9%	9.2%
Valuation				
FCFF yield	(3.7%)	(3.0%)	(6.0%)	(14.7%)
Dividend yield	3.4%	3.6%	3.8%	4.0%
EV/Revenue	3.5	3.4	3.3	3.7
EV/EBITDA	9.1	9.0	8.8	9.4
Adj. P/E	18.7	18.2	17.4	16.1

Summary Investment Thesis and Valuation

With renewables driving ~20% of the five-year capital plan, NI's "green hue" stands unique among LDCs. We expect this dynamic to capture increased attention should LDC weakness persist and electric vs gas multiples continue to diverge. Additionally, the company's potential portfolio optimization efforts could accelerate a relative re-weighting toward NI's electric operations should the company divest a smaller LDC jurisdiction to fund renewables investment. We remain constructive on NI's long-term outlook given its attractive growth, subject to manageable execution risk, and relative positioning vs LDC peers.

We base our December 2022 price target of $29/per share on a sum-of-the-parts analysis using our 2023 electric and gas segment EPS forecasts. We value the gas and electric segments using 18.0x and 20.9x P/E multiples, respectively.

Performance Drivers

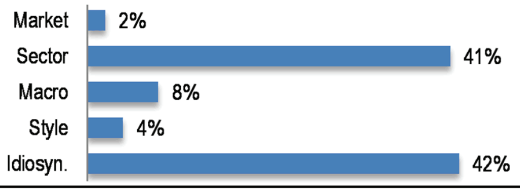

Factors	6M Corr	1Y Corr
Market: MSCI US	0.37	0.24
Sect: Utilities	0.67	0.67
Ind: Utilities	0.67	0.67
Macro:		
Economic Surprise	0.09	-0.21
Credit Spread	-0.25	-0.21
Non-Energy Commodity	0.27	0.08
Quant Styles:		
Momentum	-0.06	-0.36
Growth	0.00	-0.28
Value	0.04	0.27

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact

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Investment Thesis, Valuation and Risks

NiSource Inc. *(Overweight; Price Target: $29.00)*

Investment Thesis

With renewables driving ~20% of the five-year capital plan, NI's "green hue" stands unique among LDCs. We expect this dynamic to capture increased attention should LDC weakness persist and electric vs gas multiples continue to diverge. Additionally, the company's potential portfolio optimization efforts could accelerate a relative re-weighting toward NI's electric operations should the company divest a smaller LDC jurisdiction to fund renewables investment. We remain constructive on NI's long-term outlook given its attractive growth, subject to manageable execution risk, and relative positioning vs LDC peers.

Valuation

We are establishing our December 2022 price target of $29/share. We base our price target on a sum-of-the-parts analysis using our 2023 electric and gas segment EPS forecasts. We value the gas and electric segments using 18.0x and 20.9x P/E multiples, respectively. This represents a premium to peers on account of NI's coal generation transition, incremental renewables investment, and above-average growth as a result.

Risk to Rating and Price Target

- Gas pipeline accidents in the industry have heightened the importance of pipeline safety and integrity management. These accidents can result in significant financial strains related to pipeline replacement, accident investigations, life and property claims, regulatory fines, and disallowances.
- Achievement of NiSource's long-term rate base and EPS CAGR targets are heavily dependent on robust capital investments, regulatory support, and favorable ratemaking mechanism. Any deferral of spending could put the company at risk of falling short of the LT rate base and earnings growth CAGR in any one year.
- Regulated electric and gas utilities are subject to federal and state regulations, including determinations of allowed revenues. Negative changes to the regulatory environments may cause future earnings to be materially lower than current expectations.

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North America Equity Research
31 August 2021

J.P.Morgan

NiSource Inc.: Summary of Financials

Income Statement - Annual	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	**5,184**	**4,697**	**4,994**	**5,510**	**5,721**
COGS	(1,535)	(1,109)	(1,427)	(1,760)	(1,760)
Gross profit	**3,649**	**3,587**	**3,567**	**3,750**	**3,962**
SG&A	(1,885)	(1,794)	**(1,713)**	**(1,695)**	**(1,710)**
Adj. EBITDA	**1,759**	**1,826**	**1,875**	**2,055**	**2,252**
D&A	(717)	(762)	(747)	(783)	(843)
Adj. EBIT	**1,042**	**1,064**	**1,128**	**1,272**	**1,408**
Net Interest	(379)	(371)	(340)	(369)	(434)
Adj. PBT	**663**	**693**	**789**	**902**	**974**
Tax	(113)	(127)	(165)	(219)	(232)
Minority Interest	(55)	(59)	(53)	(55)	(55)
Adj. Net Income	**495**	**508**	**571**	**628**	**688**
Reported EPS	1.32	1.32	1.36	1.42	1.53
Adj. EPS	**1.32**	**1.32**	**1.36**	**1.42**	**1.53**
DPS	**0.80**	**0.84**	**0.88**	**0.93**	**0.99**
Payout ratio	60.6%	63.6%	64.8%	65.7%	64.7%
Shares outstanding	375	384	421	443	450

Income Statement - Quarterly	1Q21A	2Q21A	3Q21E	4Q21E
Revenue	**1,555A**	**980A**	**990**	**1,469**
COGS	(477)A	(228)A	(222)	(500)
Gross profit	**1,078A**	**752A**	**768**	**970**
SG&A	(427)A	(415)A	(420)	(451)
Adj. EBITDA	**660A**	**349A**	**348**	**519**
D&A	(185)A	(186)A	(187)	(189)
Adj. EBIT	**475A**	**163A**	**161**	**329**
Net Interest	(85)A	(85)A	(84)	(87)
Adj. PBT	**391A**	**78A**	**77**	**243**
Tax	(71)A	(15)A	(19)	(59)
Minority Interest	(15)A	(10)A	(14)	(14)
Adj. Net Income	**305A**	**53A**	**44**	**170**
Reported EPS	0.77A	0.12A	0.10	0.39
Adj. EPS	**0.77A**	**0.13A**	**0.10**	**0.39**
DPS	**0.22A**	**0.22A**	**0.22**	**0.22**
Payout ratio	28.4%A	176.9%A	217.2%	56.2%
Shares outstanding	394A	423A	431	435

Balance Sheet & Cash Flow Statement	FY19A	FY20A	FY21E	FY22E	FY23E
Cash and cash equivalents	148	126	0	0	0
Accounts receivable	857	791	564	564	564
Other current assets	849	743	784	906	1,083
Current assets	**1,854**	**1,659**	**1,347**	**1,470**	**1,647**
PP&E	16,912	16,620	17,851	19,512	22,213
Other non current assets	3,894	3,762	3,800	3,800	3,800
Total assets	**22,660**	**22,041**	**22,998**	**24,781**	**27,659**
Short term borrowings	1,773	503	200	442	1,921
Payables	666	589	480	480	480
Other short term liabilities	1,307	1,187	1,181	1,181	1,181
Current liabilities	**3,746**	**2,279**	**1,862**	**2,104**	**3,582**
Long-term debt	7,856	9,220	9,459	10,309	11,159
Other long term liabilities	5,071	4,704	4,870	5,089	5,320
Total liabilities	**16,673**	**16,203**	**16,191**	**17,502**	**20,062**
Shareholders' equity	5,987	5,838	6,807	7,279	7,597
Minority interests	-	-	-	-	-
Total liabilities & equity	**22,660**	**22,041**	**22,998**	**24,781**	**27,659**
BVPS	**15.67**	**14.90**	**17.02**	**17.70**	**16.81**
y/y Growth	*1.4%*	*(4.9%)*	*14.2%*	*4.0%*	*(5.0%)*
Net debt/(cash)	9,481	9,597	9,659	10,751	13,080
Cash flow from operating activities	**1,583**	**1,104**	**1,292**	**1,508**	**1,585**
o/w Depreciation & amortization	717	726	747	783	843
o/w Changes in working capital	(75)	(249)	(163)	(122)	(177)
Cash flow from investing activities	**(1,922)**	**(879)**	**(1,934)**	**(2,444)**	**(3,544)**
o/w Capital expenditure	(1,802)	(1,758)	(1,870)	(2,444)	(3,544)
as % of sales	*34.8%*	*37.4%*	*37.4%*	*44.4%*	*61.9%*
Cash flow from financing activities	**366**	**(248)**	**317**	**693**	**480**
o/w Dividends paid	(299)	(322)	(375)	(380)	(418)
o/w Net debt issued/(repaid)	494	82	(303)	850	850
Net change in cash	**27**	**(23)**	**(326)**	**(242)**	**(1,479)**
Adj. Free cash flow to firm	**95**	**(351)**	**(309)**	**(656)**	**(1,628)**
y/y Growth	*(109.6%)*	*(469.3%)*	*(12.1%)*	*112.3%*	*148.2%*

Ratio Analysis	FY19A	FY20A	FY21E	FY22E	FY23E
Gross margin	70.4%	76.4%	71.4%	68.1%	69.2%
EBITDA margin	33.9%	38.9%	37.6%	37.3%	39.4%
EBIT margin	20.1%	22.6%	22.6%	23.1%	24.6%
Net profit margin	9.5%	10.8%	11.4%	11.4%	12.0%
ROE	8.4%	8.6%	9.0%	8.9%	9.2%
ROA	2.2%	2.3%	2.5%	2.6%	2.6%
ROCE	5.7%	5.6%	5.6%	5.6%	5.5%
SG&A/Sales	36.4%	38.2%	34.3%	30.8%	29.9%
Net debt/equity	1.6	1.6	1.4	1.5	1.7
P/E (x)	18.7	18.7	18.2	17.4	16.1
P/BV (x)	1.6	1.7	1.4	1.4	1.5
EV/EBITDA (x)	9.3	9.1	9.0	8.8	9.4
Dividend Yield	3.2%	3.4%	3.6%	3.8%	4.0%
Sales/Assets (x)	0.2	0.2	0.2	0.2	0.2
Interest cover (x)	4.6	4.9	5.5	5.6	5.2
Operating leverage	496.0%	(22.1%)	96.4%	123.0%	280.0%
Revenue y/y Growth	2.0%	(9.4%)	6.3%	10.3%	3.8%
EBITDA y/y Growth	13.6%	3.8%	2.7%	9.6%	9.6%
Tax rate	17.1%	18.3%	20.9%	24.3%	23.8%
Adj. Net Income y/y Growth	6.8%	2.6%	12.6%	10.0%	9.4%
EPS y/y Growth	1.6%	(0.0%)	2.8%	4.6%	7.6%
DPS y/y Growth	2.6%	5.0%	4.8%	6.0%	6.0%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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NiSource Inc. (NI, NI US) Price Chart

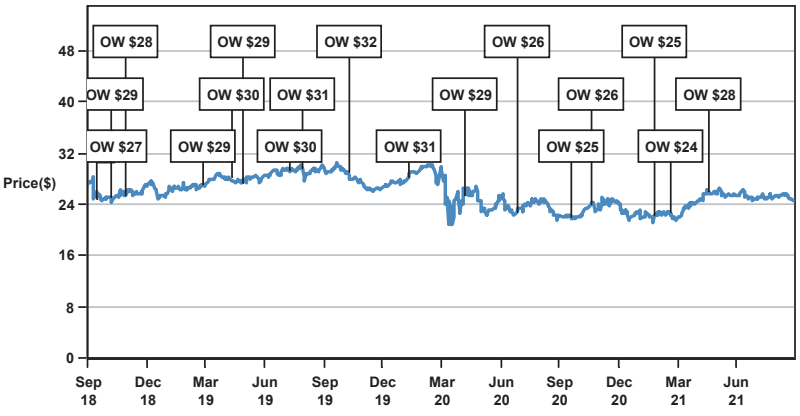

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
17-Sep-18	OW	24.79	27
09-Oct-18	OW	25.05	29
01-Nov-18	OW	25.36	28
01-Mar-19	OW	26.98	29
15-Apr-19	OW	28.07	30
02-May-19	OW	27.40	29
15-Jul-19	OW	29.34	30
01-Aug-19	OW	29.69	31
13-Oct-19	OW	29.14	32
15-Jan-20	OW	28.18	31
09-Apr-20	OW	25.47	29
01-Jul-20	OW	22.74	26
21-Sep-20	OW	21.98	25
23-Oct-20	OW	24.04	26
29-Jan-21	OW	22.17	25
22-Feb-21	OW	22.84	24
22-Apr-21	OW	26.03	28

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Completed 31 Aug 2021 05:46 PM EDT Disseminated 31 Aug 2021 06:00 PM EDT
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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

NiSource's Earnings Growth Will Start to Take Shape in 2022; Raising Fair Value Estimate

Travis Miller
Strategist
Morningstar

Analyst Note 15 Nov 2021

We are raising our fair value estimate to $30 per share from $28.50 after reviewing NiSource's latest investor update and meeting with senior management. We are reaffirming our narrow moat and stable moat trend ratings. The fair value change is due to an increase in our five- and 10-year growth outlook and time-value appreciation since our last update.

Developments in 2022 will be pivotal in NiSource's near-term growth plan. We forecast 8% annual earnings growth through 2025, in line with management's 7%-9% target starting from 2021. This excludes the impact from the Columbia Gas of Massachusetts sale in October 2020 and the $835 million equity units issued in April 2021, both of which depressed 2021 earnings.

The largest unknown piece of NiSource's investment plan is the potential $750 million of capital investment related to replacing retiring coal generation in Indiana by 2028. This could include investments in a mix of renewable energy, energy storage, and hydrogen-ready gas plants based on responses to its requests for proposals that will be announced in 2022. We assume regulators approve $600 million of investment for NiSource with the rest of the generation secured through earnings-neutral power purchase agreements.

NiSource also plans to file its request for electric rate increases in Indiana during 2022 with new rates effective in late 2023. The outcome of this request likely will determine whether NiSource hits the high end or low end of management's 7%-9% annual average earnings growth range.

We expect new, higher gas rates in all of its jurisdictions to take effect in 2022. The critical 2022 regulatory proceedings

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Research as of 15 Nov 2021
Estimates as of 15 Nov 2021
Pricing data as of 15 Nov 2021 15:10
Rating updated as of 15 Nov 2021 17:12

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.
Rating as of 03 Nov 2021 00:00

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Vital Statistics

Market Cap (USD Mil)	10,030
52-Week High (USD)	26.60
52-Week Low (USD)	21.09
52-Week Total Return %	8.0
YTD Total Return %	15.2
Last Fiscal Year End	31 Dec 2020
5-Yr Forward Revenue CAGR %	4.5
5-Yr Forward EPS CAGR %	6.8
Price/Fair Value	0.85

Valuation Summary and Forecasts

Fiscal Year:	2019	2020	*2021(E)*	*2022(E)*
Price/Earnings	21.1	17.4	*18.9*	*17.6*
EV/EBITDA	13.0	16.0	*11.7*	*10.6*
EV/EBIT	23.5	37.1	*19.9*	*18.1*
Free Cash Flow Yield %	-2.1	-7.3	*-6.3*	*-8.1*
Dividend Yield %	2.8	3.7	*3.5*	*3.6*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2019	2020	*2021(E)*	*2022(E)*
Revenue	5,209	4,682	*4,836*	*5,065*
Revenue YoY %	1.9	-10.1	*3.3*	*4.8*
EBIT	891	551	*1,073*	*1,181*
EBIT YoY %	614.3	-38.2	*94.8*	*10.1*
Net Income, Adjusted	495	508	*566*	*640*
Net Income YoY %	6.8	2.6	*11.6*	*13.0*
Diluted EPS	1.32	1.32	*1.35*	*1.45*
Diluted EPS YoY %	1.2	0.4	*2.1*	*7.6*
Free Cash Flow	-504	457	*-281*	*-543*
Free Cash Flow YoY %	-65.5	-190.7	*-161.6*	*93.0*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.5 million customers in Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana to about 500,000 customers. The regulated electric utility also owns more than 3,000 megawatts of generation capacity, most of which is now coal-fired but is being replaced by natural gas and renewables.

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25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

are in Ohio and Indiana, two of its three largest territories. We assume electric and gas systemwide customer growth and core investment can support core 5% earnings growth through 2024.

We expect dividend growth to stay near 5% in 2022-23 before a potential step-up in 2024, assuming constructive regulatory outcomes.

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2018	2019	2020	Forecast 2021	Forecast 2022	5-Year Proj. CAGR
Revenue	*-1.3*	4.9	1.9	-10.1	*3.3*	*4.8*	*4.5*
EBIT	*-15.4*	-86.3	614.3	-38.2	*94.8*	*10.1*	*23.5*
EBITDA	*-4.8*	-51.1	122.0	-20.6	*42.8*	*10.9*	*16.1*
Net Income	*8.3*	16.0	6.8	2.6	*11.6*	*13.0*	*10.4*
Diluted EPS	*3.0*	7.6	1.2	0.4	*2.1*	*7.6*	*6.8*
Earnings Before Interest, after Tax	—	651.8	-417.7	10.7	*19.6*	*6.0*	*10.8*
Free Cash Flow	—	-13.4	-65.5	-190.7	*-161.6*	*93.0*	*1.7*

Profitability	3-Year Hist. Avg	2018	2019	2020	2021	2022	5-Year Proj. Avg
Operating Margin %	*10.4*	2.4	17.1	11.8	*22.2*	*23.3*	*24.9*
EBITDA Margin %	*24.1*	14.2	30.9	27.3	*37.7*	*39.9*	*42.2*
Net Margin %	*9.8*	9.1	9.5	10.8	*11.7*	*12.6*	*13.2*
Free Cash Flow Margin %	*-9.5*	-28.6	-9.7	9.8	*-5.8*	*-10.7*	*-5.8*
ROIC %	*2.0*	-0.5	4.5	2.1	*5.0*	*4.9*	*5.0*
Adjusted ROIC %	*2.2*	-0.6	4.9	2.3	*5.4*	*5.3*	*5.4*
Return on Assets %	*-1.1*	-1.6	0.1	-1.7	*2.4*	*2.5*	*2.6*
Return on Equity %	*-4.8*	-7.4	0.6	-7.5	*10.2*	*9.8*	*10.2*

Leverage	3-Year Hist. Avg	2018	2019	2020	2021	2022	5-Year Proj. Avg
Debt/Capital	*0.62*	0.61	0.62	0.63	*0.55*	*0.56*	*0.56*
Total Debt/EBITDA	*8.75*	12.61	6.00	7.63	*5.35*	*5.32*	*5.12*
EBITDA/Interest Expense	*3.25*	2.05	4.24	3.44	*4.94*	*5.20*	*5.20*

Valuation Summary and Forecasts

	2019	2020	2021(E)	2022(E)
Price/Fair Value	1.01	0.80	—	—
Price/Earnings	21.1	17.4	*18.9*	*17.6*
EV/EBITDA	13.0	16.0	*11.7*	*10.6*
EV/EBIT	23.5	37.1	*19.9*	*18.1*
Free Cash Flow Yield %	-2.1	-7.3	*-6.3*	*-8.1*
Dividend Yield %	2.8	3.7	*3.5*	*3.6*

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.5
Weighted Average Cost of Capital %	5.8
Long-Run Tax Rate %	26.0
Stage II EBI Growth Rate %	5.0
Stage II Investment Rate %	55.6
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-1,311	-6.1	-3.01
Present Value Stage II	4,608	21.5	10.58
Present Value Stage III	18,123	84.6	41.59
Total Firm Value	**21,420**	**100.0**	**49.16**
Cash and Equivalents	126	—	0.29
Debt	-9,746	—	-22.37
Preferred Stock	-880	—	-2.02
Other Adjustments	1,631	—	3.74
Equity Value	**12,550**	**—**	**28.80**
Projected Diluted Shares	436		
Fair Value per Share (USD)	**30.00**		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

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NiSource Inc NI (NYSE) | ★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Capital Allocation	Industry Group	ESG Risk Rating Assessment[1]
25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Income Statement (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	*Forecast* 2021	*Forecast* 2022
Revenue	**5,115**	**5,209**	**4,682**	***4,836***	***5,065***
Cost of Goods Sold	1,761	1,535	1,109	*1,124*	*1,138*
Gross Profit	**3,353**	**3,674**	**3,572**	***3,712***	***3,927***
Selling, General & Administrative Expenses	2,353	1,355	1,586	*1,570*	*1,585*
Other Operating Expense (Income)	276	711	710	*320*	*321*
Other Operating Expense (Income)	—	—	—	—	—
Depreciation & Amortization (if reported separately)	600	717	726	*750*	*840*
Operating Income (ex charges)	**125**	**891**	**551**	***1,073***	***1,181***
Restructuring & Other Cash Charges	275	297	299	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**-150**	**594**	**252**	***1,073***	***1,181***
Interest Expense	353	379	371	*369*	*389*
Interest Income	-2	-5	-211	*40*	*40*
Pre-Tax Income	**-505**	**210**	**-331**	***744***	***832***
Income Tax Expense	-180	124	-17	*119*	*133*
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	—	-3	*-3*	*-3*
(Preferred Dividends)	-15	-55	-55	*-55*	*-55*
Net Income	**-340**	**31**	**-372**	***566***	***640***
Weighted Average Diluted Shares Outstanding	357	376	384	*420*	*441*
Diluted Earnings Per Share	**-0.95**	**0.08**	**-0.97**	***1.35***	***1.45***
Adjusted Net Income	463	495	508	*566*	*640*
Diluted Earnings Per Share (Adjusted)	**1.30**	**1.32**	**1.32**	***1.35***	***1.45***
Dividends Per Common Share	0.77	0.79	0.84	*0.88*	*0.92*
EBITDA	**450**	**1,311**	**978**	***1,823***	***2,021***
Adjusted EBITDA	**724**	**1,608**	**1,277**	***1,823***	***2,021***

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Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	Forecast 2021	Forecast 2022
Cash and Equivalents	121	148	126	*1,166*	*1,170*
Investments	—	—	—	—	—
Accounts Receivable	1,059	857	791	*821*	*805*
Inventory	423	425	401	*400*	*374*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	453	424	341	*350*	*350*
Current Assets	**2,055**	**1,854**	**1,659**	***2,737***	***2,699***
Net Property Plant, and Equipment	15,543	16,912	16,620	*17,890*	*19,570*
Goodwill	1,691	1,486	1,486	*1,486*	*1,486*
Other Intangibles	221	—	—	—	—
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,002	2,014	1,795	*1,800*	*1,800*
Long-Term Non-Operating Assets	293	394	481	*481*	*481*
Total Assets	**21,804**	**22,660**	**22,041**	***24,394***	***26,036***
Accounts Payable	884	666	589	*462*	*468*
Short-Term Debt	2,027	1,787	526	*526*	*526*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,126	1,293	1,164	*1,200*	*1,200*
Current Liabilities	**4,037**	**3,746**	**2,279**	***2,188***	***2,194***
Long-Term Debt	7,105	7,856	9,220	*9,220*	*10,220*
Deferred Tax Liabilities (Long-Term)	1,331	1,485	1,471	*1,600*	*1,700*
Other Long-Term Operating Liabilities	2,519	2,352	1,904	*2,000*	*2,000*
Long-Term Non-Operating Liabilities	1,061	1,234	1,329	*1,329*	*1,329*
Total Liabilities	**16,053**	**16,673**	**16,203**	***16,337***	***17,443***
Preferred Stock	880	880	880	*1,720*	*1,720*
Common Stock	4	4	4	*4*	*4*
Additional Paid-in Capital	6,404	6,666	6,890	*7,990*	*8,290*
Retained Earnings (Deficit)	-1,399	-1,371	-1,765	*-1,567*	*-1,331*
(Treasury Stock)	-100	-100	-100	*-100*	*-100*
Other Equity	-37	-93	-157	*-70*	*-70*
Shareholder's Equity	**5,751**	**5,987**	**5,752**	***7,977***	***8,513***
Minority Interest	—	—	86	*80*	*80*
Total Equity	**5,751**	**5,987**	**5,838**	***8,057***	***8,593***

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25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2018	2019	2020	*Forecast* 2021	*Forecast* 2022
Net Income	-51	383	-14	*625*	*699*
Depreciation	600	717	726	*750*	*840*
Amortization	—	—	—	—	—
Stock-Based Compensation	29	26	17	*17*	*17*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	-188	118	-29	*129*	*100*
Other Non-Cash Adjustments	41	414	653	—	—
(Increase) Decrease in Accounts Receivable	-186	188	-4	*-30*	*17*
(Increase) Decrease in Inventory	41	-2	-2	*1*	*26*
Change in Other Short-Term Assets	-11	-23	-236	*-9*	—
Increase (Decrease) in Accounts Payable	268	-300	-30	*-127*	*6*
Change in Other Short-Term Liabilities	-3	62	22	*36*	—
Cash From Operations	**540**	**1,583**	**1,104**	***1,392***	***1,705***
(Capital Expenditures)	-1,818	-1,802	-1,758	*-2,020*	*-2,520*
Net (Acquisitions), Asset Sales, and Disposals	—	—	—	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-108	-120	879	*91*	—
Cash From Investing	**-1,926**	**-1,922**	**-879**	***-1,929***	***-2,520***
Common Stock Issuance (or Repurchase)	844	244	211	*1,100*	*300*
Common Stock (Dividends)	-273	-299	-322	*-368*	*-404*
Short-Term Debt Issuance (or Retirement)	772	-204	-1,270	—	—
Long-Term Debt Issuance (or Retirement)	-742	681	1,106	—	*1,000*
Other Financing Cash Flows	868	-56	27	*759*	*-76*
Cash From Financing	**1,469**	**366**	**-248**	***1,490***	***820***
Exchange Rates, Discontinued Ops, etc. (net)	0	0	0	*87*	—
Net Change in Cash	**83**	**27**	**-23**	***1,040***	***4***

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Research Methodology for Valuing Companies

Qualitative Equity Research Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

To assess the sustainability of excess profits, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

Morningstar Research Methodology for Valuing Companies

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.
Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to

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Research Methodology for Valuing Companies

assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, exposure to material ESG risks, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate. In cases where there is less than a 25% probability of an event, but where the event could result in a material decline in value, analysts may adjust the uncertainty rating to reflect the increased risk. Analysts may also make a fair value adjustment to reflect the impact of this event.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very High–margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- Extreme–margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Equity Research Star Rating Methodology

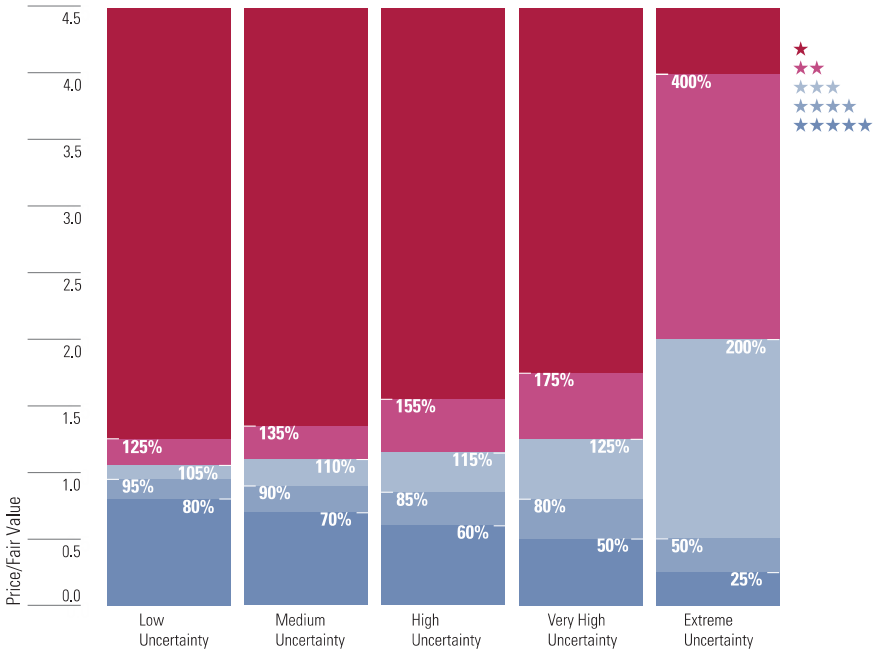

Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

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Research Methodology for Valuing Companies

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environmental, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/.

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- ► Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ► Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ► Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

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25.54 USD	30.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated	

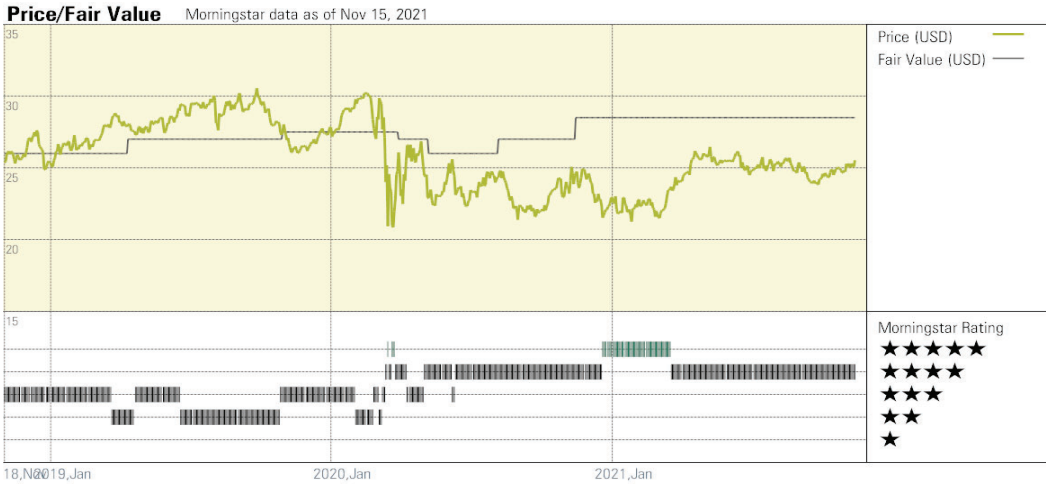

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UBS

Global Research | 16 August 2021

Gas Distribution
Question Bank

Equities

Americas
Gas Utilities

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Top Questions

If you are getting ready to join virtual meetings with management teams or attend sector conferences, these are the top questions we would ask.

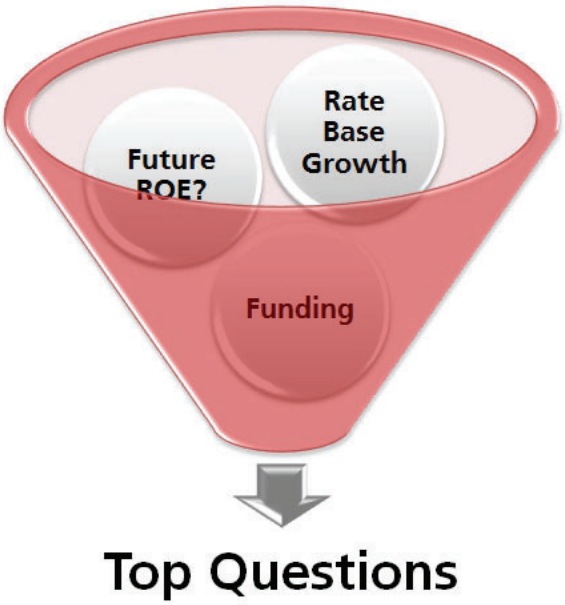

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Atmos Energy Corp (ATO)

1. Post Winter Storm Uri, what are the learnings from the event and is there potential for future investments in storage? How could ATO increase the diversification of its natural gas supply?

2. ATO filed its application to participate in the Texas securitization bill, has there been any update on the formal procedure schedule from the Texas RRC?

3. With FY3Q earnings, ATO reaffirmed '21 EPS guidance of $4.90-$5.10/share. Management also noted it expects FY21 EPS ending at the upper end of its guidance range. What are key risks that the management currently sees? What could push EPS into the lower end of the range or above the range for the year?

4. Is the $0.06/share tax benefit recognized YTD due to timing differences expected to reverse in FY4Q?

5. ATO has recognized a roughly $22MM YoY increase in bad debt, are any further increases expected or does ATO assume no additional costs as the economy recovers across its jurisdictions?

6. Can management discuss some of the RNG and CNG opportunities it is evaluating? How are conversations progressing in ATOs jurisdictions around RNG legislation?

7. Is there a risk of an equity block offering in 2022+? Would ATO consider selling some smaller LDCs?

8. How does ATO expect the average ROE to change in '21 and beyond? Is there a risk of a lower ROE as interest rates remain low?

Notes

CenterPoint Energy Inc (CNP)

1. What has been the progress on the acquisition of ENBL by ET? What would be the tax implications related to the potential sale of the interest in ENBL/ET? How quickly does management plan to reduce its midstream exposure?

2. CNP has noted a roughly $16B investment plan; however, with ~$1.5B of additional opportunities can we see the potential for the 5-year plan to be increased to ~$17.5B+?

3. Where does management expect the $1B in reserve capital investment opportunities previously identified to be spent?

4. With the plan to pull forward O&M from 2022 into 2021, should we expect 2022s O&M decline to be towards the higher end of the 1-2% annual reduction target?

5. How should we think about the funding of incremental growth going forward? Will it be funded with the incremental LDC sale proceeds, as well as the tax mitigation strategies of $250MM management discussed? Is there the potential for the incremental growth to be funded without equity as ET has appreciated in value since the announced merger with ENBL?

6. CNP raised its full-year EPS range with earnings; are there any headwinds we should be aware of in 2H as to why the guide wasn't raised more? What would cause CNP to come in above its guidance range?

7. The Electric business has seen strong customer growth, does management expect this to continue going forward?

8. What are the next milestones on the LDC sale and ENBL merger with ET? Are both expected to close before year end?

9. With the passing of the Natural Gas Innovation Act in Minnesota, what opportunities does this present for CNP? Does it have plans to submit an innovation plan? What could capital spend look like?

10. Can management discuss some of the potential additional opportunities resulting from the Texas bills that went into effect? Will these be longer-term or near-term opportunities?

11. On the 2Q call management noted that it has confidence that it will generate at least $1B in incremental tax reductions resulting in at least $250MM in additional cash, is there potential for this number to move higher?

12. Has there been any update on the Integrated Resource Plan in Indiana? How is the resource mix is expected to change in the coming years?

13. Has there been any update on the hydrogen pilot in Minnesota? What are the opportunities related to potential hydrogen economy around CNP's footprint in Texas? Could CNP accelerate pipeline replacement to make its pipelines hydrogen ready?

14. CNP noted that it is preparing a roll-out of its transition to net zero. What are the key drivers at the electric and gas utilities? Does management look at opportunities to connect its LDCs to renewable natural gas (RNG) supply or invest in RNG facilities?

15. Roughly 75% of capital is recovered via a regulatory mechanisms. Could CNP further reduce the regulatory lag?

Notes

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NiSource (NI)

1. Given NI's 2021 equity issuance it no longer plans to issue a block equity offering in 2022-2023. Would NI still consider some asset monetization to fund renewables capex in the future? What FFO/debt is expected to be in 2022-2023?

2. Can management discuss the next steps in the IRP process, will we likely hear more color on the 3Q earnings call? How should we be thinking about the potential capex for the IRP process? Can we look a 2018 as a guide?

3. Is there any initial color management can provide on the NIPSCO Electric 5-year plan that was filed in June?

4. Can management provide an update on the progress of the Pennsylvania, Ohio, Kentucky and Maryland rate cases?

5. How could energy transition and focus on decarbonization impact the gas utility? Does management see opportunities to invest in RNG or hydrogen blending pilots? Would potential tax credits incentivize investments?

6. With 13 of the 14 proposed renewable energy projects receiving approval, when is the remaining project expected to be approved?

7. How should we think about the potential financial impacts or benefits from the Safety Management System program?

Notes

Northwest Natural Holdings Inc (NWN)

1. With the multi-year settlement for the Washington rate case filed by NWN, is there any update on when we should expect an order from the commission? Any update on the process?

2. How does NWN plan to achieve its vision of carbon neutrality by 2050?

3. Looking at the partnership with Tyson Foods RNG partnership. NWN exercised its first option for an ~$8MM project. What are the expected returns? When should we expect the next projects to be announced?

4. Can management provide an update on its work on hydrogen with the electric utility in Eugene?

5. NWN initiated a request for proposal for additional RNG purchase or investment opportunities, can management provide an update on this?

6. Can management provide an update on its outlook for customer growth?

7. Does management see an opportunity to acquire additional water utilities in 2021+? Is there any annual run-rate that we should look for? Is there an update on the progress on the new wastewater facility at NWN's Sunriver, Oregon facility?

Notes

ONE Gas Inc. (OGS)

1.With 2021 EPS guidance reaffirmed, what would cause OGS to come in above or below the full-year guide?

2. With Securitization filings being made in all three states for OGS, is there any update on the process?

3. Is there any initial feedback from the Oklahoma rate case?

4. Has OGS had any dialogue with the agencies now that it has filed the securitization bills?

5. With all three of OGSs states having passed energy choice legislation, can management discuss some of the RNG opportunities it is exploring? How big of an opportunity does it see RNG becoming? Is there an update on the collaboration with Vanguard Renewables? What hydrogen opportunities does OGS see?

6. OGS has seen strong growth in its customer levels does management expect this trend to continue? What long-term customer base growth does OGS see now?

7. Is there a possibility to further reduce a regulatory lag with respect to capex rate recoverability?

8. Does OGS plan to continue to use to utilize its ATM program going forward?

Notes

Southwest Gas Holdings (SWX)

1. SWX filed a request for $74MM increase (related to VSP and COYL spending) in Arizona with a decision expected by the end of the year. What key risks does SWX see as it relates to the amount requested or timing of the recovery?

2. Has SWX filed its Nevada rate case? Are plans still to file the Arizona rate case by the end of the year?

3. With its $4.00-$4.20 EPS guidance range of 2021 reaffirmed with 2Q earnings, what would cause SWX to come in at the higher or lower end of the range?

4. Is the pending Riggs Distler acquisition still on track to close in 3Q, what are the next key dates we should be watching? Will management provide guidance at the close?

5. Customer growth across SWX's service territories has been strong, does management expect this level of growth to continue?

6. Has there been any update on SWX's proposed voluntary carbon offset program application filed with the Nevada PUC for its customers?

7. SWX has slowed its rate base growth to 7.5% CAGR between '21-'25. What are the key drivers of a decrease in CAGR from planned 8.6% between '20-'24? When will SWX replace all of its bare steel and cast iron pipelines?

8. Does SWX expect any changes to capital sources? What are the key sensitivities to the use of ATM program?

9. What opportunities is SWX currently pursuing to include RNG in the energy offering? Would management also consider hydrogen blending?

10. What is the cost for new houses to use only electricity vs. natural gas heating & cooking across SWX's jurisdictions?

Notes

Spire Inc (SR)

1. With three quarters of earnings for the year, and what implies a larger than historical 4Q loss, what are the main headwinds for 4Q, what could cause SR to come in above its guidance range for the year?

2. With the evidentiary hearings having concluded as well as the rebuttal testimony, can management provide an update on the next steps on the MO rate case? How is the process going?

3. Can management provide a timeline on the next steps for the STL pipeline following its request to FERC to grant a temporary certificate for the pipeline as well as its request to ask the DC Circuit Court to reconsider its decision to vacate the FERC order authorizing the pipeline?

4. Can management discuss its investment with Energy Capital Ventures and its focus?

5. Can management discuss its plans for RNG in the future with the new legislation in Missouri?

6. How has SR been applying technology to reduce costs and drive better customer experience? How scalable are these initiatives?

7. The recent equity offering reduced SR's future equity needs. Will SR balance its 2022-2023 equity needs with ATM program?

8. Has there been any update on the lawsuits filed on the marketers in Missouri?

9. SR targets to be carbon neutral by mid-century, what are the main drivers of that reduction? Are RNG and hydrogen projects being evaluated? What are the potential returns? What has been the challenges to accelerate RNG initiatives?

10. With energy choice laws in Missouri, Alabama, and Mississippi, is natural gas the preferred energy sources among SR's customers? What is the difference in cost for customers to switch from natural gas to electric heating?

11. Would SR be interested in M&A?

Notes

UGI Corp. (UGI)

1. Given YTD earnings, can management discuss some of the headwinds it sees in FY4Q21 vs. FY4Q20 as the quarter is implying a larger loss?

2. Can management discuss the agreement UGI Energy Services entered into with the Hamilton RNG JV? How will it be structured? Will UGI market the RINS and LCFS credits?

3. Is there an update on the regulatory process for the JV with SHV Energy for the production of rDME? Once finalized can facilities be built in Europe and the US? Do the economics on the facilities in the US work before RINS & credits?

4. Can management provide an update on the Mountaineer acquisition, is there a chance it can close this fiscal vs. calendar year?

5. What has been the progress on cost optimization and transformation initiatives at UGI's LPG businesses?

6. What has been the drilling activity in the Northeast? Has it improved with higher natural gas prices? What have been the returns on the UGI Appalachia acquisition?

7. What is the opportunity related to bio-LPG in the US and Europe?

8. Would management consider buybacks if leverage was below 4x or could UGI look at dividend growth acceleration?

9. Can management provide an update on how it is thinking about PennEast following the impairment taken?

Notes

Valuation Method and Risk Statement

Risks include, but are not limited to, the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth. We use SOTP of P/E multiples for Regulated Assets and EV/EBITDA for non-regulated assets to calculate our price targets.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	53%	32%
Neutral	FSR is between -6% and 6% of the MRA.	36%	30%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 June 2021.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
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Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
Atmos Energy Corp[16]	ATO.N	Buy	US$101.47	13 Aug 2021
CenterPoint Energy Inc[16]	CNP.N	Neutral	US$26.90	13 Aug 2021
NW Natural[16]	NWN.N	Neutral	US$53.53	13 Aug 2021
NiSource Inc.[13,16]	NI.N	Buy	US$25.47	13 Aug 2021
ONE Gas Inc[16]	OGS.N	Neutral	US$73.21	13 Aug 2021
Southwest Gas Holdings[3,4,5,16]	SWX.N	Buy	US$71.48	13 Aug 2021
Spire Inc[16]	SR.N	Buy	US$72.26	13 Aug 2021
UGI Corp[16,20]	UGI.N	Buy (CBE)	US$48.09	13 Aug 2021

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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WOLFE RESEARCH

UTILITIES & MIDSTREAM

Regulateds – Market Overweight
Clean Energy – Market Overweight
IPPs – Market Weight
Oil/Liquids Infrastructure – Market Weight

September 26, 2021

UTILITIES, MIDSTREAM & CLEAN ENERGY

Utilities, Midstream & Clean Energy Conference is here!

- **Conference preview and questions for managements**
  We look forward to seeing you virtually at our Wolfe Utilities, Midstream & Clean Energy conference this Tues-Thurs 9/28-9/30. Participating companies are on the right and there is still time to register (here). No canned presentations at this conference – it's a mix of CEO/CFO chats and discussions with key industry players. This report includes questions to ask and model summaries for participating cos and highlighted themes below.

- **Industry thought-leaders: Where's the best opportunities?**
  Our conference gives a rare opportunity to hear from strategic and PE thought leaders. Top utilities investment bankers, George Bilicic from Lazard and Jeff Holzschuh from Morgan Stanley, will talk to key strategic trends. Nomura Greentech will talk to the key themes they are seeing in Clean Energy. We have leading PE and infra investors to discuss where they are seeing opportunities – Jonathan Bram from GIP, Andrew Gilbert from ECP, David Foley from Blackstone and Paul Segal from LS Power. Finally, Moody's will give us the latest from the credit side on both utilities and midstream.

- **Figuring out of the GREEN Playbook; the key players are here**
  Investors are looking for ways to play the energy transition but also wary of current supply chain and inflation pressures. We will hear two of the leading CEOs, Jim Robo from NEE and Andres Gluski from AES, as well as the Yieldcos (CWEN, AY), Resi solar (NOVA) and Offshore wind (Orsted, AGR, ES). The Biden infra plan and clean energy credits could be a big catalyst. EEI will give us the lay of the land on DC and other regulatory developments. Quanta will also talk to their opportunities in transmission and renewables.

- **Don't forget the other key players in energy transition – Utilities & Power**
  Often overlooked, utilities are investing more than anyone in energy transition; we have CEOs from most of them here. Climate change remains in focus; ETR will be very topical given Ida impacts and of course the CA utilities EIX and PCG keep doing more to address fire risks. Nuclear is in focus post the IL law and potential PTCs – EXC and PEG will be here. NRG and VST CEOs will talk to the transitions of their companies and power markets along with representatives from PJM and EPSA.

- **Midstream – lots of tailwinds**
  Midstream is performing well with tailwinds from commodity prices and inflation as well as better capital return discipline. Many of the key players will be at the conference including DTM, EPD, ET, TRGP, PAA and ETRN.

Exhibit 1: Conference Participants

Companies – Questions to Ask	
AES Corp.	Eversource Energy
Alliant Energy	Exelon
Ameren	FirstEnergy Corp.
American Electric Power	NextEra Energy
American Water	NextEra Energy Partners
Avangrid	NiSource
CenterPoint Energy	NRG Energy
Clearway Energy	OGE Energy Corp.
CMS Energy	Ørsted
Consolidated Edison	PG&E Corp.
Dominion Energy	Plains All American Pipeline
DT Midstream	Portland General
DTE Energy	PPL Corp.
Duke Energy	PSEG
Edison International	Southern Company
Emera	Sunnova Energy Int'l
Energy Transfer	Targa Resources
Entergy Corp.	Vistra Corp.
Enterprise Products Partners	WEC Energy Group
Equitrans Midstream Corp.	Xcel Energy
Evergy	

Other Conference Participants / Companies
Atlantica Sustainable Infrastructure
Atmos Energy
Blackstone Energy Partners – David Foley
EEI – Brad Viator & Eric Grey
Electric Power Supply Association – Todd Snitchler
Energy Capital Partners – Andrew Gilbert
Global Infrastructure Partners – Jonathan Bram
Lazard – George Bilicic
LS Power – Paul Segal
Moody's – Mike Haggarty & Arvinder Saluja
Morgan Stanley – Jeff Holzschuh
Nomura Greentech – Derek Bentley & Jeff McDermott
PJM Interconnection, LLC – Asim Haque
Quanta Services, Inc. – Duke Austin

Source: Wolfe Utilities, Midstream & Clean Energy Research

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Note: All Exhibits in this report priced as of 9/24/21
**Mark-to-Market estimates are as of 9/16/21*

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DAY 1 AGENDA – TUESDAY, SEPTEMBER 28, 2021

TIME	PANELS, PRESENTATIONS & FIRESIDE CHATS
8:00 – 9:00am ET	**Private Equity, Infra and Strategic Views** Energy Capital Partners – Andrew Gilbert, Partner Global Infrastructure Partners - Jonathan Bram, Partner Lazard - George Bilicic, Vice Chairman, Global Head, Power Energy & Infrastructure
9:00 – 9:35am ET	**CenterPoint Energy** Jason Wells, EVP & CFO
9:35 – 10:10am ET	**Alliant Energy** John Larsen, Chairman, President & CEO
10:15 – 11:00am ET	**EEI – DC and Public Policy Views** Brad Viator, VP, External Affairs Eric Grey, Executive Director, Government Relations
11:00 – 11:40am ET	***BREAK***
11:40 – 12:20pm ET	**Renewables Plays** Clearway Energy – Chad Plotkin, CFO Sunnova Energy International – Robert Lane, CFO
12:20 – 1:00pm ET	**Moody's** Mike Haggarty, Team Managing Director Arvinder Saluja, CFA, Vice President Senior Credit Officer
1:00 – 1:40pm ET	**WEC Energy Group** Gale Klappa, Executive Chairman
1:40 – 2:20pm ET	**NRG Energy** Mauricio Gutierrez, CEO
2:20 – 3:10pm ET	**Private Equity Views** Blackstone Energy Partners - David Foley, CEO LS Power - Paul Segal, CEO
3:10 – 3:45pm ET	**Enterprise Products Partners L.P.** Chris Nelly, EVP, Finance, Sustainability & Treasurer
3:45 – 4:30pm ET	**Edison International** Pedro Pizarro, CEO
4:30 – 5:15pm ET	**PG&E Corporation** Patti Poppe, CEO

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DAY 2 AGENDA – WEDNESDAY, SEPTEMBER 29, 2021

TIME	PANELS, PRESENTATIONS & FIRESIDE CHATS
8:00 – 8:40am ET	**Ameren** Warner Baxter, President & CEO
8:45 – 9:30am ET	**Consolidated Edison** Tim Cawley, President & CEO
9:35 – 10:20am ET	**Dominion Energy** Robert "Bob" Blue, Chairman, President & CEO
10:25 – 11:00am ET	**Public Service Enterprise Group** Ralph Izzo, Chairman & CEO
11:00 – 11:45am ET	**DTE Energy** Jerry Norcia, CEO
11:50 – 12:30pm ET	**Entergy Corporation** Leo Denault, CEO
12:35 – 1:15pm ET	**Southern Company** Dan Tucker, CFO
1:20 – 2:00pm ET	**FirstEnergy Corp.** Steve Strah, President & CEO
2:05 – 2:45pm ET	***BREAK***
2:45 – 3:30pm ET	**AES Corporation** Andres Gluski, CEO Steve Coughlin, CFO & VP
3:30 – 4:15pm ET	**Evergy** David Campbell, CEO
4:15 – 5:00pm ET	**Strategic Views** Morgan Stanley - Jeff Holzschuh, Chairman

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DAY 3 AGENDA – THURSDAY, SEPTEMBER 30, 2021

TIME	PANELS, PRESENTATIONS & FIRESIDE CHATS
8:00 – 8:40am ET	**CMS Energy** Rejji Hayes, CFO
8:45 – 9:30am ET	**Equitrans Midstream Corp** Tom Karam, CEO
9:30 – 10:20am ET	**Power Markets and Clean Energy** Electric Power Supply Association - Todd Snitchler, President & CEO PJM Interconnection, LLC - Asim Haque, VP, State Policy and Member Services
10:25 – 11:00am ET	**Quanta Services, Inc.** Duke Austin, CEO
11:00 – 11:45am ET	**Duke Energy** Steve Young, EVP & CFO
11:45 – 12:30pm ET	**American Electric Power** Lisa Barton, EVP & COO Julie Sloat, EVP & CFO
12:30 – 1:20pm ET	**NextEra Energy** Jim Robo, CEO
1:20 – 2:00pm ET	**Nomura Greentech** Derek Bentley, Managing Director Jeff McDermott, Capital Advisor
2:00 – 2:40pm ET	**NiSource** Joe Hamrock, CEO
2:45 – 3:30pm ET	**Vistra Corp.** Curtis Morgan, CEO Jim Burke, President & CFO

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COMPANIES ONLY HOSTING 1x1 MEETINGS

American Water
Atlantica Sustainable Infrastructure
Atmos Energy
Avangrid
DT Midstream, Inc.
Emera, Inc.
Energy Transfer
Eversource Energy
Exelon
OGE Energy Corp.
Plains All American Pipeline, LP
Portland General Electric
PPL Corporation
Targa Resources
Ørsted
Xcel Energy

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Comparables Tables

Exhibit 2: Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$23.44	664	$15,561	15.2x	14.0x	13.1x	12.4x	2.6%	5.0%	39%	7.0x	18%
Alliant Energy	LNT	$57.11	250	$14,292	21.9x	20.7x	19.7x	18.7x	2.8%	5.9%	62%	2.5x	45%
Ameren	AEE	83.57	257	21,490	22.2x	20.5x	19.2x	18.1x	2.6%	7.0%	58%	2.3x	42%
American Electric	AEP	82.05	500	41,046	17.5x	16.4x	15.5x	14.6x	3.6%	5.7%	63%	1.9x	37%
Avangrid	AGR	50.70	387	19,631	24.2x	21.1x	19.9x	N/A	3.5%	0.0%	84%	1.0x	71%
CenterPoint Energy	CNP	25.41	502	12,762	20.0x	18.5x	17.1x	15.7x	2.5%	8.0%	49%	2.1x	35%
CMS Energy	CMS	60.76	290	17,599	21.1x	21.1x	19.2x	17.5x	2.9%	6.7%	61%	3.0x	32%
Con Edison	ED	73.00	353	25,797	17.1x	15.7x	15.3x	14.6x	4.3%	1.3%	73%	1.3x	44%
Dominion	D	74.58	823	61,386	19.3x	18.1x	17.0x	15.9x	3.4%	6.0%	65%	2.5x	40%
DTE Energy	DTE	113.71	192	21,844	15.5x	19.6x	18.2x	17.2x	3.9%	7.2%	60%	1.8x	35%
Duke Energy	DUK	98.46	769	75,737	19.1x	18.2x	17.2x	16.1x	4.0%	2.0%	76%	1.6x	42%
Edison International	EIX	57.57	380	21,860	12.7x	12.6x	11.8x	11.1x	4.6%	4.0%	58%	1.5x	36%
Emera*	EMA	58.04	257	14,887	20.9x	18.2x	17.2x	16.2x	4.4%	4.0%	93%	1.8x	38%
Entergy	ETR	100.85	201	20,266	16.7x	15.8x	14.8x	14.1x	4.0%	6.0%	67%	1.9x	30%
Evergy	EVRG	63.15	228	14,392	18.8x	17.8x	16.4x	15.6x	3.4%	6.0%	65%	1.6x	45%
Eversource Energy	ES	82.67	324	26,785	21.7x	20.3x	19.0x	18.0x	2.9%	6.2%	63%	2.0x	43%
Exelon	EXC	49.24	978	48,148	17.1x	21.8x	20.7x	19.5x	3.1%	0.0%	53%	1.5x	44%
FirstEnergy	FE	36.83	540	19,900	14.6x	14.0x	13.2x	N/A	4.2%	0.0%	62%	2.7x	23%
Fortis*	FTS	57.09	471	26,901	20.9x	19.5x	18.4x	17.6x	3.6%	6.0%	75%	1.6x	43%
NextEra Energy	NEE	80.70	1,962	158,314	31.8x	29.9x	27.6x	25.8x	1.9%	10.0%	61%	4.3x	41%
NiSource	NI	24.01	392	9,422	18.0x	17.0x	15.9x	14.1x	3.7%	6.0%	67%	2.0x	40%
OGE Energy	OGE	33.67	200	6,740	14.7x	15.8x	15.0x	14.4x	4.7%	2.0%	70%	1.9x	43%
PG&E	PCG	9.94	529	5,260	9.9x	9.2x	8.4x	7.7x	0.0%	N/A	0%	0.9x	33%
Pinnacle West	PNW	72.55	113	8,183	14.4x	15.7x	15.1x	14.3x	4.5%	2.0%	64%	1.4x	43%
Portland General	POR	48.32	89	4,320	17.4x	17.3x	16.8x	16.4x	3.5%	7.1%	61%	1.6x	45%
PPL Corp.	PPL	28.42	770	21,872	14.5x	16.9x	15.5x	N/A	5.8%	0.0%	85%	1.5x	53%
PSEG	PEG	60.70	506	30,689	16.9x	18.0x	17.2x	N/A	3.4%	4.1%	57%	1.9x	48%
Sempra	SRE	129.77	282	36,582	16.0x	15.5x	14.8x	14.1x	3.5%	8.0%	56%	1.7x	51%
Southern Company	SO	63.16	1,059	66,875	18.8x	18.1x	16.8x	15.4x	4.2%	3.9%	78%	2.3x	35%
WEC Energy Group	WEC	90.00	315	28,389	22.2x	21.0x	19.7x	18.5x	3.0%	7.1%	67%	2.6x	43%
Xcel Energy	XEL	63.32	538	34,094	21.3x	20.0x	18.8x	17.7x	2.9%	6.4%	62%	2.3x	37%
Average					**18.5x**	**18.0x**	**16.9x**	**16.0x**	**3.5%**	**4.8%**	**63%**	**2.1x**	**40%**
Average (ex EIX & PCG)					**19.0x**	**18.5x**	**17.4x**	**16.5x**	**3.5%**	**4.8%**	**65%**	**2.2x**	**41%**

Source: Wolfe Utilities & Power Research

Exhibit 3: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	42.96	245	10,516	9.3x	7.0x	6.3x	N/A	8.8%	16.0%	19.1%	N/A
Vistra Corp	VST	17.56	487	8,559	10.9x	5.0x	5.4x	N/A	4.6%	27.2%	24.4%	N/A
Average					**10.1x**	**6.0x**	**5.9x**	**N/A**	**6.7%**	**21.6%**	**21.7%**	**N/A**

Source: Wolfe Utilities & Power Research

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Exhibit 4: Midstream Comparables

Name	Ticker	Rating	Price	Market Cap	EV / EBITDA				Dividend Yield				FCF Yield Before Divs				Debt / EBITDA				Price / Earnings			
					2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
C-corps:																								
Cheniere Energy Inc	LNG	OP	94.67	23,786	13.3	10.4	8.8	8.3	N/A	N/A	1.4%	1.5%	(4.6%)	6.3%	11.6%	14.1%	7.8	6.0	5.1	4.9	N/A	25.8	10.6	10.5
DT Midstream, Inc	DTM	OP	45.25	4,383	10.6	9.8	9.2	8.6	N/A	5.4%	5.7%	6.1%	6.6%	9.1%	8.2%	8.9%	4.6	4.1	3.8	3.4	17.7	15.3	14.0	12.8
Enbridge Inc.*	ENB	PP	40.03	81,242	12.8	12.4	11.3	10.9	6.4%	6.6%	7.0%	7.4%	3.5%	2.9%	8.3%	8.8%	4.6	4.7	4.3	4.1	20.9	18.5	16.6	15.7
Equitrans Midstream	ETRN	OP	10.00	4,217	8.1	8.1	8.4	7.5	6.0%	6.0%	6.0%	6.0%	9.4%	10.8%	1.0%	16.9%	5.3	5.2	5.5	4.7	9.4	12.6	10.7	7.5
Kinder Morgan Inc	KMI	UP	16.53	37,343	10.0	8.7	9.6	9.3	6.4%	6.5%	6.7%	6.9%	6.8%	12.9%	9.6%	10.8%	4.6	3.9	4.3	4.0	18.6	12.7	16.4	15.7
ONEOK, Inc.	OKE	PP	57.47	25,608	14.1	11.6	11.2	10.9	6.5%	6.5%	6.5%	6.5%	(1.1%)	6.9%	8.3%	8.6%	4.9	4.2	4.0	3.8	40.6	17.3	16.3	15.8
Plains GP Holdings LP	PAGP	PP	10.66	7,188	8.0	8.7	8.0	7.6	6.8%	6.8%	6.8%	6.8%	1.5%	14.6%	16.6%	17.6%	4.4	4.6	4.1	3.8	6.7	10.6	6.9	6.3
Targa Resources Corp.	TRGP	OP	47.42	10,847	12.3	9.6	8.2	7.3	0.8%	0.8%	2.1%	2.6%	2.4%	9.2%	11.8%	13.0%	5.0	3.7	3.3	2.9	N/A	26.8	16.7	13.4
TC Energy Corp*	TRP	PP	49.67	48,220	11.8	11.7	11.0	10.8	5.2%	5.5%	5.9%	6.2%	(3.5%)	0.5%	2.9%	5.3%	4.7	4.9	4.8	4.8	13.3	29.7	13.6	13.5
Williams Companies	WMB	OP	25.40	30,945	10.7	9.9	9.7	9.4	6.3%	6.7%	7.1%	7.5%	5.8%	7.7%	8.3%	8.7%	4.3	3.8	3.7	3.5	148.4	22.3	22.3	20.7
C-corp Average:					**11.2**	**10.1**	**9.5**	**9.0**	**5.5%**	**5.6%**	**5.5%**	**5.7%**	**2.7%**	**8.1%**	**8.7%**	**11.3%**	**4.7**	**4.4**	**4.2**	**3.9**	**34.4**	**19.2**	**14.1**	**13.2**
MLPs:																								
Cheniere Energy Partners	CQP	PP	40.81	24,993	13.6	14.0	13.0	11.4	6.3%	6.5%	6.7%	8.3%	5.5%	7.7%	12.5%	13.6%	6.4	5.9	4.9	4.5	17.6	13.1	9.8	9.0
Energy Transfer LP	ET	OP	9.28	25,669	8.9	6.6	7.5	7.0	9.9%	6.6%	7.2%	8.7%	3.9%	26.3%	22.2%	23.8%	5.6	3.9	4.2	3.8	N/A	4.7	7.3	6.7
Enterprise Products Partners LP	EPD	OP	21.45	47,860	9.4	8.8	8.9	8.5	8.3%	8.4%	8.6%	8.8%	5.3%	11.2%	12.0%	13.3%	3.7	3.5	3.4	3.2	10.3	9.8	10.1	9.6
Magellan Midstream Partners	MMP	PP	46.20	10,454	11.3	10.8	10.4	9.7	8.9%	8.9%	8.9%	8.9%	5.5%	10.1%	10.9%	12.0%	3.7	3.6	3.3	3.1	12.0	10.5	10.8	10.1
MPLX LP	MPLX	PP	28.76	29,528	9.8	9.3	8.9	8.6	9.6%	9.6%	9.6%	9.6%	10.2%	12.6%	13.1%	13.4%	4.0	3.7	3.6	3.5	N/A	10.4	9.5	9.1
Plains All American LP	PAA	PP	10.03	7,188	7.9	8.5	7.8	7.4	7.2%	7.2%	7.2%	7.2%	1.6%	15.5%	17.6%	18.7%	4.4	4.6	4.1	3.8	6.3	10.0	6.5	5.9
MLP Average					**9.5**	**8.8**	**8.7**	**8.2**	**8.8%**	**8.1%**	**8.3%**	**8.6%**	**5.3%**	**15.2%**	**15.2%**	**16.2%**	**4.3**	**3.8**	**3.7**	**3.5**	**9.5**	**9.1**	**8.8**	**8.3**
Midstream Average					**10.8**	**9.7**	**9.3**	**8.9**	**6.8%**	**6.5%**	**6.4%**	**6.7%**	**3.7%**	**10.1%**	**10.4%**	**12.6%**	**4.6**	**4.1**	**4.0**	**3.7**	**16.6**	**15.7**	**12.2**	**11.3**

* Metrics calculated based on $CAD; ** D/EBITDA averages exclude LNG & CQP; *** Midstream averages exclude PAGP; **** MLP and Midstream averages exclude CQP

Source: Wolfe Midstream Research

Exhibit 5: Inverter Comparables

Name	Ticker	Price	Mkt Cap	EV/Sales				Sales Growth				P/E				Gross Margins			
				2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Inverters																			
Enphase Energy	ENPH	153.66	21,313	15.0	11.1	8.9	7.3	75%	35%	24%	20%	68.7	55.0	43.7	35.7	40.2%	39.7%	40.0%	40.1%
SolarEdge Technologies	SEDG	275.36	14,851	7.4	5.7	4.8	4.3	36%	31%	20%	14%	57.2	42.4	36.6	33.0	33.7%	32.7%	31.6%	30.7%
Generac Holdings*	GNRC	444.61	28,658	7.6	6.3	5.4	4.8	50%	18%	13%	10%	44.3	36.9	33.2	31.0	38.7%	39.5%	39.6%	42.7%
SMA Solar Technology AG*	S92	44.32	1,547	1.1	1.0	0.9	0.8	(3%)	13%	10%	6%	190.0	48.8	29.8	24.7	19.6%	21.3%	21.2%	N/A
Inverters Average				**7.8**	**6.0**	**5.0**	**4.3**	**40%**	**24%**	**17%**	**13%**	**90.1**	**45.8**	**35.9**	**31.1**	**33.0%**	**33.3%**	**33.1%**	**37.9%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices and Market Caps in USD

Exhibit 6: Hydrogen Play Comparables

Name	Ticker	Price	Mkt Cap	P/E				EV/EBITDA				Gross Margins				Sales Growth			
				2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Ballard Power Systems	BLDP	14.74	4,637	(54.1)	(65.2)	(92.3)	(164.3)	(42.8)	(55.3)	(99.0)	(619.7)	17%	20%	22%	25%	(0%)	43%	17%	29%
Bloom Energy Corp.	BE	19.02	2,864	(24.8)	(187.6)	88.0	32.6	(120.0)	78.7	35.1	20.9	23%	29%	30%	33%	23%	24%	13%	12%
Plug Power	PLUG	26.97	15,950	(83.1)	(753.6)	160.5	57.4	(68.9)	837.1	83.0	36.9	2%	27%	31%	34%	N/A	59%	44%	41%
FuelCell Energy*	FCEL	6.97	2,654	(25.8)	(48.1)	(69.7)	(139.4)	(67.3)	(233.9)	359.7	166.4	(9%)	15%	25%	21%	8%	57%	62%	37%
ITM Power PLC*	ITM	5.92	3,238	(109.1)	(215.3)	(403.2)	577.1	(128.5)	(908.9)	518.0	189.8	(25%)	4%	23%	36%	438%	191%	84%	46%
NEL ASA*	NEL	1.67	2,356	(25.3)	(58.5)	(111.6)	287.6	(50.8)	(89.8)	(2612.3)	74.0	33%	34%	27%	N/A	25%	68%	55%	37%
Hydrogen Plays Average				**(53.4)**	**(107.3)**	**(194.8)**	**241.8**	**(82.2)**	**(410.9)**	**(578.2)**	**143.4**	**(1%)**	**18%**	**25%**	**29%**	**157%**	**105%**	**67%**	**40%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices and Market Caps in USD

Exhibit 7: Panel Comparables

Name	Ticker	Price	Mkt Cap	P/E				EV/EBITDA				Gross Margins				EPS Growth			
				2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Peers:																			
Canadian Solar*	CSIQ	33.72	2,051	16.0	8.6	8.9	N/A	7.4	5.2	4.5	N/A	15%	19%	18%	N/A	(11%)	87%	(3%)	N/A
JA Solar*	002459	9.75	14,169	51.4	30.4	23.4	N/A	N/A	N/A	N/A	N/A	14%	16%	17%	N/A	28%	69%	30%	N/A
JinkoSolar Holding*	JKS	42.34	2,089	18.4	15.8	10.2	N/A	10.8	9.4	7.5	N/A	19%	22%	23%	N/A	(30%)	16%	55%	N/A
LONGi Green Energy*	601012	12.65	67,131	37.0	28.3	23.0	16.3	27.7	21.0	17.0	10.8	22%	21%	20%	20%	37%	31%	23%	42%
Trina Solar*	688599	8.27	16,343	56.8	32.0	24.4	N/A	N/A	N/A	N/A	N/A	14%	15%	15%	N/A	47%	78%	31%	N/A
Panels Average				**35.9**	**23.0**	**18.0**	**16.3**	**15.3**	**11.9**	**9.7**	**10.8**	**17%**	**19%**	**18%**	**20%**	**14%**	**56%**	**27%**	**42%**
First Solar	**FSLR**	**91.15**	**9,936**	**21.0**	**82.8**	**26.0**	**16.6**	**9.7**	**20.6**	**10.9**	**7.1**	**25%**	**18%**	**23%**	**25%**	**16%**	**(75%)**	**218%**	**57%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices and Market Caps in USD

Exhibit 8: Offshore Wind Comparables

				EV/EBITDA				P/E				Dividend Yield	Dividend Growth
Company Name	**Ticker**	**Price**	**Mkt Cap**	**2021**	**2022**	**2023**	**2024**	**2021**	**2022**	**2023**	**2024**	**2021**	**2021-2024**
AES Corp.	AES	23.44	15,686	10.8	10.4	10.1	9.7	15.2	14.0	13.1	12.4	2.6%	5.0%
EDP Renovaveis SA*	EDPR	25.96	25,473	15.7	14.4	13.7	13.3	42.7	39.0	34.1	31.7	0.4%	11.1%
Grenergy Renovables SA*	GRE	39.83	1,086	28.0	17.5	13.9	10.6	52.1	26.2	17.8	15.5	N/A	N/A
Iberdrola SA*	IBE	10.80	69,349	9.4	8.8	8.4	8.2	16.3	14.5	13.4	12.4	4.7%	7.0%
NextEra Energy, Inc.	NEE	80.70	159,432	18.0	17.0	15.9	14.8	31.8	29.9	27.6	25.8	1.9%	10.0%
Neoen SA*	NEOEN	42.00	4,474	20.3	18.0	16.0	14.1	100.2	68.4	46.7	36.9	0.1%	217.3%
RWE AG*	RWE	37.54	25,513	6.7	6.7	7.8	6.0	17.6	18.0	23.2	21.9	2.8%	4.4%
Solaria Energía y Medio Ambiente SA*	SLR	17.35	2,182	33.1	19.6	16.0	12.9	52.3	29.2	21.4	15.0	N/A	N/A
Offshore Wind Average				**17.7**	**14.1**	**12.7**	**11.2**	**41.0**	**29.9**	**24.7**	**21.4**	**2.1%**	**42.5%**
Offshore Wind Median				**16.8**	**15.7**	**13.8**	**11.7**	**37.3**	**27.7**	**22.3**	**18.7**	**2.2%**	**8.5%**
Ørsted A/S	**ORSTED**	**904.40**	**60,725**	**18.7**	**19.0**	**17.9**	**18.0**	**36.9**	**38.7**	**36.8**	**38.8**	**1.3%**	**10.2%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices in USD except ORSTED (DKK); Market Caps in USD

Exhibit 9: YieldCo Comparables

Company		Current	Current	Mkt Cap	EV/EBITDA				Div
Name	**Ticker**	**Price**	**Shares**	**($M)**	**2021E**	**2022E**	**2023E**	**2024E**	**Yield**
Clearway Energy	CWEN	31.83	202	6,421	12.3x	11.4x	11.9x	12.6x	4.2%
NextEra Energy Partners	NEP	78.30	177	13,880	11.0x	9.3x	9.1x	8.8x	3.4%
Atlantica Yield*	AY	35.76	111	3,963	11.3x	10.6x	10.2x	10.3x	4.8%
Brookfield Renewable Partners*	BEP	38.21	275	10,506	24.6x	23.2x	22.2x	21.4x	3.2%
Average					**14.8x**	**13.6x**	**13.3x**	**13.2x**	**3.9%**

Source: Wolfe Utilities & Power Research; *Not covered by Wolfe Research, estimates based on consensus

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Exhibit 10: Wolfe Research EPS Estimates for Utilities vs. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
AES Corp.	AES	1.54	1.54	1.67	1.68	1.79	1.80	1.89	1.90
Alliant Energy	LNT	2.61	2.58	2.76	2.74	2.90	2.89	3.06	3.07
Ameren	AEE	3.77	3.77	4.08	4.04	4.36	4.33	4.61	4.59
American Electric	AEP	4.69	4.69	5.01	4.97	5.30	5.26	5.62	5.61
American Water	AWK	4.24	4.25	4.58	4.61	4.95	4.98	5.34	5.33
Avangrid	AGR	2.10	2.18	2.40	2.39	2.55	2.52	N/A	2.68
CenterPoint Energy	CNP	1.27	1.43	1.37	1.41	1.49	1.51	1.61	1.59
CMS Energy	CMS	2.88	2.71	2.87	2.88	3.16	3.12	3.48	3.40
Consolidated Edison	ED	4.26	4.25	4.66	4.53	4.78	4.74	4.99	4.94
Dominion	D	3.87	3.87	4.13	4.11	4.38	4.37	4.70	4.64
DTE Energy	DTE	7.34	5.81	5.81	5.91	6.24	6.23	6.62	6.67
Duke Energy	DUK	5.15	5.22	5.40	5.47	5.74	5.78	6.13	6.13
Edison International	EIX	4.54	4.53	4.56	4.66	4.89	4.96	5.19	5.18
Emera*	EMA	2.78	2.81	3.20	3.07	3.37	3.22	3.57	3.49
Entergy	ETR	6.04	6.00	6.38	6.35	6.80	6.74	7.17	7.10
Evergy	EVRG	3.35	3.36	3.54	3.53	3.84	3.77	4.04	4.01
Eversource Energy	ES	3.80	3.83	4.08	4.09	4.35	4.37	4.60	4.64
Exelon	EXC	2.89	2.76	2.26	3.33	2.38	3.39	2.52	3.40
FirstEnergy	FE	2.52	2.54	2.64	2.59	2.78	2.70	N/A	2.73
Fortis*	FTS	2.74	2.70	2.92	2.89	3.10	3.04	3.24	3.24
NextEra Energy	NEE	2.53	2.52	2.70	2.74	2.92	2.94	3.13	3.16
NiSource	NI	1.34	1.35	1.41	1.42	1.51	1.53	1.70	1.69
OGE Energy	OGE	2.30	2.22	2.14	2.16	2.25	2.23	2.34	2.34
PG&E	PCG	1.01	1.01	1.08	1.10	1.18	1.23	1.30	1.32
Pinnacle West	PNW	5.03	5.03	4.61	4.81	4.82	5.03	5.08	5.20
Portland General	POR	2.78	2.76	2.79	2.79	2.88	2.90	2.94	2.96
PPL Corp.	PPL	1.96	1.21	1.68	1.65	1.83	1.84	N/A	1.91
PSEG	PEG	3.58	3.55	3.38	3.46	3.54	3.60	N/A	3.81
Sempra	SRE	8.10	8.14	8.38	8.45	8.74	8.94	9.21	9.34
Southern Company	SO	3.36	3.34	3.48	3.54	3.76	3.83	4.10	4.11
WEC Energy Group	WEC	4.05	4.05	4.29	4.30	4.57	4.57	4.86	4.88
Xcel Energy	XEL	2.98	2.98	3.17	3.17	3.37	3.37	3.57	3.59

Source: Wolfe Utilities & Power Research, FactSet
*Estimates in $CAD

Exhibit 11: Wolfe Research EBITDA Estimates for IPPs v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
NRG Energy	NRG	1,900	1,948	2,340	2,442	2,400	2,529	N/A	2,559
Vistra Corp	VST	1,643	1,665	3,444	3,347	3,077	3,211	N/A	3,098

Source: Wolfe Utilities & Power Research, FactSet

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Exhibit 12: Wolfe Research EBITDA Estimates for Midstream v. Consensus

		2021E		2022E		2023E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons
Cheniere Energy Inc	LNG	$4,886	$4,853	$5,565	$5,386	$5,606	$5,541
Cheniere Energy Partners LP	CQP	2,567	2,926	2,676	3,209	2,953	3,454
DT Midstream, Inc	DTM	750	753	788	788	831	828
Enbridge Inc.*	ENB	13,983	14,048	15,278	15,542	15,741	15,951
Energy Transfer LP	ET	13,180	13,283	11,250	11,513	11,430	11,733
Enterprise Products Partners LP	EPD	8,450	8,416	8,250	8,351	8,430	8,558
Equitrans Midstream	ETRN	1,130	1,114	1,245	1,251	1,480	1,412
Kinder Morgan Inc	KMI	7,900	7,903	7,040	7,032	7,105	7,114
Magellan Midstream Partners	MMP	1,400	1,379	1,400	1,406	1,475	1,449
MPLX LP	MPLX	5,435	5,421	5,560	5,527	5,605	5,584
ONEOK, Inc.	OKE	3,369	3,318	3,473	3,498	3,528	3,552
Plains All American LP	PAA	2,200	2,192	2,580	2,337	2,640	2,454
Plains GP Holdings LP	PAGP	2,200	2,189	2,580	2,337	2,640	2,454
Targa Resources Corp.	TRGP	1,985	1,952	2,300	2,124	2,415	2,254
TC Energy Corp*	TRP	9,464	9,426	10,060	9,924	10,278	10,335
Williams Companies	WMB	5,384	5,382	5,443	5,456	5,572	5,573

Sources: Wolfe Midstream Research; Factset; Bloomberg

EBITDA estimates in millions unless otherwise noted

*Note: WR Estimates/consensus in $CAD

Exhibit 13: Wolfe Research Sales Estimates for Inverters v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Enphase Energy	ENPH	1,355	1,338	1,830	1,790	2,270	2,229	2,735	2,613
SolarEdge Technologies	SEDG	1,990	1,971	2,610	2,552	3,130	3,074	3,570	3,315
Generac Holdings*	GNRC		3,719		4,397		4,947		5,429
SMA Solar Technology AG*	S92		997		1,126		1,239		1,316

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Sales estimates in USD millions, except SMA Solar (EUR millions)

Exhibit 14: Wolfe Research EBITDA Estimates for Hydrogen Plays v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Ballard Power Systems	BLDP	(70)	(65)	(59)	(53)	(34)	(31)	(6)	6
Bloom Energy Corp.	BE	46	57	131	131	193	204	272	266
Plug Power	PLUG	(158)	(106)	14	33	147	165	336	310
FuelCell Energy*	FCEL		(32)		(10)		7		15
ITM Power PLC*	ITM		(17)		(2)		4		12
NEL ASA*	NEL		(369)		(215)		(8)		265

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**EBITDA in USD millions, except ITM (GBP millions) and NEL (NOK millions)

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Exhibit 15: Wolfe Research EPS Estimates for Panels v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
First Solar	FSLR	4.33	4.17	1.10	2.67	3.50	3.43	5.50	4.59
Canadian Solar*	CSIQ		2.11		3.94		3.81		N/A
JA Solar*	002459		1.23		2.08		2.70		N/A
JinkoSolar Holding*	JKS		2.30		2.67		4.14		N/A
LONGi Green Energy*	601012		2.21		2.89		3.55		5.03
Trina Solar*	688599		0.94		1.67		2.20		N/A

Sources: Wolfe Clean Energy Research; FactSet
*Not covered by Wolfe Research, estimates based on consensus
**EPS in USD, except JA Solar, LONGi Green Energy, Trina Solar (CNH)

Exhibit 16: Wolfe Research EBITDA Estimates for Offshore Wind v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Ørsted A/S	ORSTED	21,712	23,319	21,737	24,736	22,736	25,956	23,143	28,578
AES Corp.	AES	3,532	3,413	3,703	3,877	3,863	4,160	4,072	4,072
EDP Renovaveis SA*	EDPR		1,579		1,757		1,900		2,045
Grenergy Renovables SA*	GRE		43		84		130		180
Iberdrola SA*	IBE		10,980		11,988		12,945		13,910
NextEra Energy, Inc.	NEE	12,129	10,884	13,012	12,605	13,960	13,870	14,864	12,904
Neoen SA*	NEOEN		302		373		470		541
RWE AG*	RWE		3,202		3,302		3,005		3,181
Solaria Energía y Medio Ambiente SA*	SLR		78		144		190		245

Sources: Wolfe Clean Energy Research; FactSet
*Not covered by Wolfe Research, estimates based on consensus
**EBITDA in USD millions, except EDPR, GRE, IBE, NEOEN, RWE, SLR (EUR millions) & ORSTED (DKK millions)

Exhibit 17: Wolfe Research EBITDA Estimates for YieldCos v. Consensus

		2021E		2022E		2023E		2024E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Clearway Energy	CWEN	$1,200	$1,188	$1,267	$1,252	$1,190	$1,267	$1,102	$1,178
NextEra Energy Partners	NEP	1,446	1,478	$1,602	1,644	$1,701	1,786	$1,847	1,888
Atlantica Yield*	AY		852		908		947		938
Brookfield Renewable Partners*	BEP		1,917		2,039		2,130		2,210

Sources: Wolfe Clean Energy Research; FactSet
*Not covered by Wolfe Research, estimates based on consensus
**EBITDA estimates in USD milllions unless otherw ise noted

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Utilities

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AES Corp. (AES)

1. What is the company's competitive advantage in renewables development in the U.S. and internationally? What kind of returns are you getting?
2. Are you seeing inflationary impacts on input costs for your various renewable projects? How much of your backlog is locked up (i.e., not exposed to these impacts)? Are you seeing any issues with your supply chain?
3. Can you discuss the line of sight you have to meeting your targeted 4-5 GW of signed renewable PPAs annually? How big is your pipeline? What is the split of U.S. vs international?
4. What do you see as the biggest benefit for AES from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
5. You recently disclosed that AES and Siemens were considering strategic options for Fluence. Any updates?
6. What is your long-term vision for Uplight – how big do you see this business getting? Same question for your other strategic investments (5B, Motor, etc.)
7. AES Ohio and Indiana are both growing rate base at a 9% CAGR through 2025 – what type of projects are driving this growth? Can you discuss timing of next rate cases for each utility and how this will impact the expected earnings contribution?
8. How do you balance being able to meet EPS / parent FCF growth targets while quickly transitioning away from coal?
9. How should we think about timing for future coal retirements and sell downs? Are you in any discussions currently or have most already been announced?
10. How are discussions going with the Bulgarian government over EU competition issues related to the Maritza plant contract? What are the possible solutions and on what terms are you hoping to resolve the issue?
11. What is the latest in Chile with respect to the constitutional re-write? Do you expect any radical changes? How might this impact AES Andes' plans for future renewable investment?
12. How long do you expect currency controls to remain in place in Argentina? If cash remains trapped in for an extended period, how do you expect to offset the impact? Is there any risk of further earnings degradation?
13. What is the latest on the LNG / CCGT projects in Vietnam? What size equity investment and levered return are you targeting for these projects?
14. Now that you are investment grade rated at Fitch and S&P, when do you expect that Moody's might follow suit?
15. Which businesses do you expect to provide the bulk of the cash distributions up to AES over the next few years? At what businesses do you have leverage capacity or an ability to increase cash dividends by pushing out debt amortizations and maturities?

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Exhibit 18: Financial Summary

Financial Summary	2021	2022	2023	2024
Adjusted EPS	1.54	1.67	1.79	1.89
Parent free cash flow	894	909	968	1,019
Adjusted pre-tax contribution	1,384	1,505	1,615	1,775
EBITDA (consolidated)	3,532	3,704	3,863	4,072
Dividends per share	0.60	0.63	0.66	0.70
Diluted Shares Outstanding	668	670	671	700
Pre-tax Contribution	**2021**	**2022**	**2023**	**2024**
US and Utilities	644	722	773	830
South America	435	498	548	591
MCAC	304	320	330	380
Eurasia	166	120	120	120
Corporate	(165)	(155)	(156)	(145)
Total adjusted PTC	**1,384**	**1,505**	**1,615**	**1,775**

Source: Wolfe Utilities & Power Research

Exhibit 19: Key Metrics / Modeling Assumptions

Financial Ratios	2021	2022	2023	2024
P/E Multiple	15.2x	14.0x	13.1x	12.4x
Dividend yield	2.6%	2.7%	2.8%	3.0%
Parent FCF yield	5.7%	5.8%	6.1%	6.2%
Net Debt / EBITDA	5.6x	5.5x	5.4x	5.2x
Recourse net debt / Unlevered Parent FCF	3.4x	3.4x	3.7x	3.9x
FFO / consolidated net debt	12%	12%	13%	13%
Parent FCF / debt - recourse	26%	26%	25%	23%
Debt - Recourse	3,446	3,446	3,946	4,446
Net Debt - Consolidated	19,830	20,336	20,975	21,361
Noncontrolling Interests	1,754	1,595	1,243	881
Preferred / Redeemable Stock	872	872	872	872
Market Cap	15,663	15,698	15,734	16,398
Enterprise Value	38,118	38,502	38,824	39,513
Capital Allocation	**2021**	**2022**	**2023**	**2024**
Share Repurchases	0	0	0	0
Dividends	401	422	444	486
Growth investments in subsidiaries	1,350	692	977	877

Source: Wolfe Utilities & Power Research

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Alliant Energy (LNT)

1. How do you feel about your overall 5-7% EPS growth rate? What gets you to the higher or lower end in any one particular year? What is driving you towards the top-half of the guidance range in 2021?
2. You recently wrapped up a large-scale wind investment program in Iowa and are about to roll-out a big solar build program in Wisconsin and Iowa. What drives the difference in selection of resource type? Have regulatory approvals been relatively straightforward? How are these investments being recovered?
3. What percentage of the generation mix are you ultimately targeting for renewables? Do you foresee any additional capacity needs beyond the next several years? How are you making sure that reliability and affordability remains intact during this transition?
4. The treatment/recovery of your latest coal plant retirement at Edgewater in Wisconsin seemed constructive. Do you believe a similar mechanism can be used for Columbia? What is the remaining book value on your co-owned coal plants in Iowa? When do you anticipate you'll be able to announce shutdown dates there? What is the precedent for coal investment recovery in Iowa?
5. You filed a balanced rate case settlement agreement in Wisconsin earlier this year. Can you list some of the key components? When do you expect the WI PSC to approve the settlement?
6. When will you next file a rate case in Iowa? How big of a deal was the renewables rider that you are able to use?
7. What has enabled you to be so successful in achieving rate case settlements over the last decade? What is your view on Wisconsin and Iowa regulation overall? Is there anything you would change?
8. What are some of the other key components of the capital plan? What is a normalized annual capex run-rate once beyond the big renewables programs? How much runway is there on your T&D undergrounding plan and how do the costs/benefits stack up there?
9. Are you seeing any inflationary pressures within your business, particular the current solar build-out? What can you do to manage increased costs on this front?
10. Under the current capital plan, should we expect any incremental equity after 2021? How do you weigh increased capex potential versus increased equity needs? When do you expect to start moving forward with the tax equity funding for your solar investments?
11. What are your latest views on sales growth in your service territories coming out of the COVID pandemic? How are you seeing the puts and takes of having a different sales mix by customer class going forward?
12. What are your thoughts on potential consolidation in the sector? Are you a buyer or seller?
13. Where do you see future rate base opportunities at ATC? What are some of the major projects in ATC's 10-year capital plan? Do you see any potential large-scale projects coming out of the MISO plan? Does your stake in ATC still make sense as part of the business mix?
14. What do you assume as the ongoing FERC-allowed ROE for transmission in MISO? What were your thoughts on the latest FERC NOPR regarding transmission RTO adders? When can we expect final resolution on this front?

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Exhibit 20: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.61	$2.76	$2.90	$3.06
Diluted Shares Outstanding	250	250	251	251
Dividends Per Share	1.61	1.71	1.81	1.92
Dividend Yield	2.8%	3.0%	3.2%	3.4%
Dividend Payout Ratio	61.7%	61.8%	62.4%	62.7%
Equity Ratio	43.0%	43.6%	45.5%	45.3%
FFO/Net Debt	16%	16%	16%	17%
Valuation Metrics				
P/E	21.9x	20.7x	19.7x	18.7x
Price/Book	2.4x	2.2x	2.0x	1.9x
Segment EPS				
IP&L	$1.38	$1.46	$1.54	$1.63
WP&L	1.06	1.14	1.21	1.28
ATC	0.14	0.14	0.14	0.15
Parent	0.03	0.02	0.01	0.00
Total EPS	**$2.61**	**$2.76**	**$2.90**	**$3.06**
IP&L Electric and Gas				
Realized ROE	9.3%	9.3%	9.3%	9.8%
Average Rate Base ex CWIP	$7,137	$7,404	$7,457	$8,103
WP&L Electric and Gas				
Realized ROE	9.9%	9.2%	9.7%	10.0%
Average Rate Base ex CWIP	$4,793	$5,068	$5,275	$5,800

Source: Wolfe Utilities & Power Research

Exhibit 21: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capital Spending ($M)				
IP&L	$375	$680	$735	$535
WP&L	$765	$780	$700	$675
Other	155	165	170	160
Total Capex	**$1,295**	**$1,625**	**$1,605**	**$1,370**
Financings ($M)				
Total Equity Issued/(Repurchased)	$25	$25	$25	$25
Total Debt Issued/(Repurchased)	525	450	325	440
Sales Forecast				
Electric	6.4%	0.8%	0.8%	0.8%
Gas	0.4%	0.4%	0.4%	0.4%

Source: Wolfe Utilities & Power Research

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Ameren Corp. (AEE)

General

1. What are the upside/downside risks to your 6-8% LT EPS and dividend growth targets? What's your conviction level on meeting them?
2. Describe your 2021-25 capital plan of $17B and the investment opportunities through 2030 of $23B+. How confident are you in those opportunities and will they be incremental to your 5yr plan?
3. What do you think Congress passes from the Biden clean energy plan and tax credits? How would that impact your current plan?
4. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
5. How about inflationary pressure? Do you see it as manageable?
6. What are your capital structure and FFO/Debt targets? What are your equity needs through 2025?
7. What is your strategy and views on 1) M&A and 2) ESG?

Missouri

8. Incremental renewables – What is the latest on the incremental renewable investments? Would they be incremental to your 8% rate base growth? When will you file CCNs?
9. MO rate case – What did you think of the Staff rec? What are the most contested items? What's the chance of settlement? Do you have any concerns about MO regulation?
10. PISA – How has it worked? What has been the feedback from regulators/lawmakers? What happens when it expires in a couple of years? Can it be extended?
11. Wind – What are the operational issues that you've encountered with the bats and your windfarms?
12. Securitization – With or without Biden's clean energy push, do you expect to accelerate your current fleet transition schedule in MO given this spring's securitization law?

Illinois

13. IL legislation – How does it impact your business? Do you see upside to LT growth, either through increased capex or higher ROE?
14. Gas business – What earned returns do you project going forward for AEE IL gas distribution? Any upside opportunities?

Transmission

15. MISO opportunities – Describe the potential opportunities from MISO's MTEP report expected in Dec 2021? When will investors know how much can be added to your $40B+ investment opportunities through 2030?
16. FERC ROE – What is the risk from the proposed elimination of the RTO/ISO ROE adder (50bp)? Do you see any mitigation, such as higher base ROEs? What FERC ROE do you assume in your outlook?

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Exhibit 22: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.77	$4.08	$4.36	$4.61
Consensus	$3.77	$4.04	$4.33	$4.59
Diluted Shares Outstanding	255	260	265	269
Indicated Dividend Per Share	$2.20	$2.35	$2.52	$2.70
Dividend Yield	2.6%	2.8%	3.0%	3.2%
Payout Ratio	56%	56%	56%	57%
Equity ratio (excl ST debt)	43%	43%	44%	44%
FFO/Net Debt	18%	18%	18%	18%
Valuation Metrics				
P/E	22.2x	20.5x	19.2x	18.1x
P/B	2.2x	2.1x	1.9x	1.8x
Segment EPS				
Ameren Missouri	$1.96	$2.10	$2.28	$2.41
Ameren Illinois (ex transmission)	1.04	1.12	1.17	1.23
Transmission (AIC and ATX)	0.90	1.01	1.06	1.12
Parent/Other	(0.14)	(0.15)	(0.15)	(0.15)
Total EPS	$3.77	$4.08	$4.36	$4.61
ROE				
Ameren Missouri	8.3%	8.4%	8.8%	8.9%
Ameren Illinois (ex transmission)	8.6%	8.7%	8.7%	8.8%
Transmission (AIC and ATX)	10.5%	10.5%	10.5%	10.5%

Source: Wolfe Utilities & Power Research

Exhibit 23: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Ameren Missouri	$2,174	$1,636	$1,654	$1,706
Ameren Illinois (ex transmission)	850	888	888	888
Transmission (AIC and ATX)	725	734	734	734
Parent/Other	3	3	3	3
Total Capital Spending	$3,753	$3,262	$3,280	$3,332
Financings ($M)				
Total Equity Issued/(Repurchased)	$365	$400	$400	$400
Total Debt Issued/(Repurchased)	1,524	1,065	915	940
Sales Forecast				
Ameren Missouri	5.0%	0.2%	0.2%	0.2%
Ameren Illinois	4.9%	0.5%	0.5%	0.5%

Source: Wolfe Utilities & Power Research

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American Electric Power (AEP)

1. What conviction level do have on your 5-7% EPS growth target? Are you targeting the top end? What are the key drivers?
2. What are your fleet transition opportunities in MW and dollars? And how much is incremental to your 5yr plan and your growth target?
3. What is the latest on KY Power sale process? Why is KYPSC investigating KY Power? Can the investigation delay or impede a sale?
4. If you divest KY Power, would you still need equity for North Central Wind? If not, then how much equity do you need in 2022?
5. What are your projected cash needs through 2025? What are your forecasted FFO/debt metrics? Will you need equity beyond that to fund NCW?
6. What do you think Congress passes from the Biden clean energy plan and tax credits, including for transmission? How would that impact your current capital plan?
7. What transmission opportunities do you see from MISO MTEP report in Dec or SPP planning? When will those opportunities show up in your plan? Would they be additive to your plan?
8. What is the risk to FERC ROEs? What transmission earnings growth do you project through 2025?
9. What is the latest on your OH rate case settlement?
10. Which of your pending or upcoming rate cases do you expect to be the most contentious? Which have you not yet settled? What's the 2021 calendar look like?
11. How much lag do you project across your utilities? Which are significantly under-earning?
12. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
13. How about inflationary pressure? Do you see it as manageable?
14. What level of growth do you expect from your nonutility contracted renewables segment? How does your tax position impact the returns from the various types of renewable projects?
15. What is your targeted dividend growth and payout?

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Exhibit 24: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.69	$5.01	$5.30	$5.62
Consensus EPS	$ 4.69	$ 4.97	$ 5.26	$ 5.61
Diluted Shares Outstanding	499	517	536	546
Dividends Per Share	$2.96	$3.14	$3.33	$3.53
Dividend Yield	3.6%	3.8%	4.1%	4.3%
Dividend Payout Ratio	63%	63%	63%	63%
Equity Ratio	40%	40%	40%	40%
FFO/Net Debt	15%	15%	15%	15%
Valuation Metrics				
P/E	17.5x	16.4x	15.5x	14.6x
Price/Book	1.8x	1.7x	1.6x	1.6x
Segment EPS				
Vertically Integrated Utilities	$2.21	$2.35	$2.45	$2.59
T&D Utilities	1.11	1.20	1.27	1.35
Transmission Holding Co	1.23	1.33	1.42	1.52
Generation & Marketing	0.34	0.37	0.40	0.42
Parent and Other	(0.20)	(0.24)	(0.23)	(0.25)
Total AEP	**$4.69**	**$5.01**	**$5.30**	**$5.62**

Source: Wolfe Utilities & Power Research

Exhibit 25: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Regulated Operations	$5,337	$6,150	$5,061	$4,872
Transmission Holding Co	1,597	1,404	1,370	1,647
Nonutility	531	434	436	434
Total Capex	**$7,465**	**$7,988**	**$6,867**	**$6,953**
Financings ($M)				
Total Equity Issued	600	1,400	100	600
Total Debt Issued/(Repurchas	3,249	2,775	2,637	2,187

Source: Wolfe Utilities & Power Research

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American Water Works (AWK)

1. What opportunities and risks do you face from the increasing focus on clean water and potential contaminants? What are you doing to ensure you customers' water is safe?
2. Are you seeing any inflationary impacts throughout the business? Has this pressured your ability to lower your O&M efficiency ratio?
3. What factors could determine whether or not you land in the top half of your 7-10% EPS CAGR?
4. Where are you at in the sale process of your NY subsidiary? How concerned are you about the local municipalities' attempting to take over parts of the water system? When do you expect the sale to close?
5. What is the latest with respect to the grand jury subpoena received at Homeowner Services? Any idea when you think the investigation will be resolved?
6. You disclosed the need for $700M of equity over the course of your 5-year plan, any sense on timing of the equity issuance? What consolidated capital structure do you target?
7. What is the unavoidable regulatory lag in the business? What states are you earning the lowest returns and what are you doing to improve them?
8. Where do you see the best opportunities for municipal tuck-in acquisitions? Can you discuss the process for getting these properties rolled into rate base? Has the COVID pandemic impacted your acquisition pipeline?
9. Is there any pending legislation which could aid in further consolidation of distressed municipal water systems? What other legislative items have passed or are currently being discussed in your major states?
10. How is Military Services performing? How many contracts do you expect the Dept. of Defense to award over the next 6-12 months?
11. How is Homeowner Services performing? What opportunities do you see to grow the business organically?
12. Water utilities already trade at big premiums to electric / gas – what opportunities do you see to expand your multiple further? How are you differentiated from peers on ESG?
13. What are your thoughts on M&A? Would you be interested in pursuing another water IOU? Are there any other states within your current portfolio that might be considered non-core?
14. At a high level, how does President Biden's infrastructure bill impact the water sector? What major benefits do you see for AWK as a result of that proposals?
15. What states do you have rate cases currently pending? When do you expect to file next in your largest jurisdictions (PA, NJ and MO)?

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Exhibit 26: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.24	$4.58	$4.95	$5.34
Diluted Shares Outstanding	181	184	186	186
Dividends Per Share	$2.37	$2.60	$2.86	$3.15
Dividend Yield	1.3%	1.5%	1.6%	1.8%
Dividend Payout Ratio	56%	57%	58%	59%
Equity Ratio	38%	41%	40%	39%
FFO/Debt	14%	14%	14%	14%
Valuation Metrics				
P/E	41.7x	38.6x	35.7x	33.1x
P/B	4.7x	4.1x	4.0x	3.8x
Segment EPS				
Utilities	$4.24	$4.43	$4.75	$5.14
Market-based businesses	$0.51	$0.61	$0.66	$0.71
Parent/other	($0.51)	($0.45)	($0.46)	($0.50)
Total EPS	4.24	4.58	4.95	5.34

Source: Wolfe Utilities & Power Research

Exhibit 27: Modeling Assumptions

	2021E	2022E	2023E	2024E
Investing and Financing ($M)				
Capex	$1,900	$2,125	$2,125	$2,125
Equity Issued/(Repurchased)	10	700	10	10
Debt Issued/(Repurchased)	74	450	900	950
Utility				
Sales growth	-0.9%	-0.9%	-0.9%	-0.9%

Source: Wolfe Utilities & Power Research

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Avangrid (AGR)

1. What are some of the key drivers in the 6-8% EPS growth outlook? What gives you conviction that this is achievable with reasonable conservatism, particularly given the company's prior track record?
2. What drove the strategic thinking on the PNM merger? Where do you see potential synergies? What is the opportunity set for regulated renewables in PNM's service territory?
3. Is Iberdrola interested in expanding even further in the U.S.? How do they think about M&A prospects from here?
4. Now that you have completed the latest equity offering, how do you think about funding needs from here? When will you need to issue common equity again and what financing structures are being looked at? Are you comfortable with you ~14-15% pro forma FFO/Debt target given your asset mix and how do the rating agencies view this?
5. What is AGR's story to tell from an ESG perspective? How does your business mix of 85% regulated utilities in 2022 change as we go out further in time and more renewables (offshore wind) come online?
6. How are you thinking about the impact of the Biden infrastructure and tax plan? What do certain provisions mean for your company (PTC/ITC for wind, solar, storage, hydrogen, transmission; plus direct pay)? What are the impacts from a higher tax rate, minimum book tax, or higher dividend tax?
7. How has your progress been on reaching authorized ROEs at all of your utilities? Do you have confidence that storm performance will be better going forward given some of the backlash last year in New York and Connecticut?
8. How are you feeling about the Connecticut regulatory climate following your rate freeze settlement agreement? What about in Maine where you have hit the service metrics to end the 100bps ROE penalty? Where do we stand on recovery of COVID impacts in New York?
9. How is construction going on NECEC transmission in Maine? Do any of the outstanding legal challenges or ballot referendum concern you? How much should this contribute to EPS?
10. What are your thoughts on FERC transmission ROEs and adders given the latest FERC rhetoric? When will this be settled once and for all? How should be think about impacts/sensitivities?
11. When can we expected Vineyard Wind to begin construction? How comfortable are you with the economics of the project? What will the ultimate financing structure look like?
12. What drove the changes to the JV relationship with Copenhagen? What is the status of some of the offshore wind RFPs in other states? Do you expect to win these processes? Are you still maintaining the same level of targeted returns discipline?
13. How have you been progressing on adding incremental contracted renewables projects? How competitive is the market and how much has the cost curve come down? Are you seeing any inflationary or supply chain pressures?
14. How has the market been to sell renewables development projects? Is this a sustainable earnings generator and funding strategy long-term?

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Exhibit 28: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$2.10	$2.40	$2.55
Consensus EPS	$2.18	$2.39	$2.52
Dividends Per Share	$1.76	$1.76	$1.76
Dividend Yield	3.5%	3.5%	3.5%
Dividend Payout Ratio	84%	73%	69%
FFO/Net Debt	19%	18%	18%
Net Debt/Capitalization	38%	40%	40%
Diluted Shares Outstanding	358	319	325
Valuation Metrics			
P/E	24.2x	21.1x	19.9x
Price/Book	1.1x	1.0x	1.0x
Segment EPS			
NYSE&G (Electric/Gas)	0.45	0.59	0.67
RG&E (Electric/Gas)	0.35	0.43	0.46
CMP (Electric/Transmission)	0.40	0.49	0.53
UI (Electric/Transmission)	0.30	0.35	0.35
SCG (Gas)	0.09	0.10	0.10
CNG (Gas)	0.07	0.08	0.08
Renewables	0.63	0.61	0.64
Parent / Other	(0.19)	(0.25)	(0.28)
Total EPS	**$2.10**	**$2.40**	**$2.55**

Source: Wolfe Utilities & Power Research

Exhibit 29: Modeling Assumptions

Assumptions	2021E	2022E	2022E
Capex by Segment ($M)			
NYSE&G	$743	$750	$750
RG&E	$471	$424	$424
CMP	$686	$776	$525
UI	$201	$200	$200
SCG	$97	$95	$95
CNG	$97	$95	$95
Renewables	$297	$287	$37
Parent & Other	$57	$58	$58
Total Capex	**$2,649**	**$2,685**	**$2,184**
Financing ($M)			
Total Equity Issued/(Repurchased)	$300	$300	$300
Total Debt Issued/(Repurchased)	$1,290	$965	$885

Source: Wolfe Utilities & Power Research

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CenterPoint Energy (CNP)

1. You expect to grow utility EPS 8% annually through 2024 and in the top-half of 6-8% then through 2030. Can you discuss the drivers and is there potential upside to your growth targets?
2. When do you expect the ET/ENBL merger to close? What has been the hang up at the FTC for getting HSR clearance?
3. You recently disclosed that you expected to exit midstream by YE22 – what factors will drive whether you exit sooner or later next year?
4. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
5. What do you see as the biggest benefit for CNP from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
6. How much do you plan to invest in renewables at Indiana Electric over the course of your 10-year plan? What is required for approval of these projects?
7. Given the great price (2.5x rate base) received for your AR/OK gas LDCs, would you consider additional LDC sales in the future? What would be the key determining factors? Do any of your LDCs underearn more than the others?
8. What is the latest on securitization efforts in TX regarding Storm Uri gas costs? When do you expect a resolution in your MN proceeding regarding the incremental gas costs there?
9. Can you talk about your expectation for 2% core sales growth at Houston Electric? What is driving this growth and are there incremental upsides from areas of electrification? How about growth at your gas LDCs?
10. O&M is now expected to decrease 1-2% annually through 2030. Can you talk about where you are finding these cost savings? Is the percentage of savings consistent each year through your planning period?
11. You recently committed to net-zero carbon by 2035 (Scope 1 & 2) – what are you doing specifically to achieve this? How would you characterize your ESG positioning vs peers?
12. What is your rate case calendar like over the next 1-2 years? What are your priorities for Houston Electric's next rate case?
13. Can you discuss the bills that were passed during recent the TX legislative session that positively impacted CNP? What else might you look to push forward to allow CNP to take an even more active role in hardening the system?
14. How do you see hydrogen and RNG playing a role in the gas sector long-term? Are you currently conducting any pilot projects in your jurisdictions?

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Exhibit 30: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$1.27	$1.37	$1.49	$1.61
Consensus	$1.43	$1.41	$1.51	$1.59
Diluted Shares Outstanding	608	636	636	637
Dividends Per Share	$0.63	$0.68	$0.73	$0.79
Dividend Yield	2.5%	2.7%	2.9%	3.1%
parent)	49%	49%	49%	49%
Equity Ratio	36%	39%	40%	38%
FFO/Net Debt	15%	17%	15%	15%
Valuation Metrics				
P/E	20.0x	18.5x	17.1x	15.7x
Price/Book	1.7x	1.7x	1.6x	1.6x
Segment EPS				
Houston Electric	$0.65	$0.69	$0.75	$0.77
CERC	$0.35	$0.34	$0.36	$0.41
VUHI utilities	$0.38	$0.39	$0.45	$0.52
Midstream	$0.21			
Corporate & Other	($0.12)	($0.06)	($0.08)	($0.09)
Total EPS	**$1.46**	**$1.37**	**$1.49**	**$1.61**
Adjusted Utility + Parent EPS	*$1.27*			
Adjusted ENBL EPS	*$0.19*			
Segment ROE & Rate Base				
Houston Electric Realized ROE	9.3%	9.3%	9.2%	9.2%
Houston Electric Average Rate Base	$8,020	$9,248	$10,384	$11,372
CERC Realized ROE	9.6%	9.6%	9.5%	9.5%
CERC Average Rate Base	$4,142	$4,258	$4,565	$5,204
VUHI Realized ROE	9.9%	9.9%	9.7%	9.7%
VUHI Average Rate Base	$4,925	$5,407	$6,339	$7,397
Total Average Rate Base	**$17,088**	**$18,913**	**$21,289**	**$23,973**

Source: Wolfe Utilities & Power Research

Exhibit 31: Modeling Assumptions

Capex by segment ($M)	2021E	2022E	2023E	2024E
Houston Electric	$1,807	$2,017	$1,694	$1,323
Indiana Electric	$293	$383	$1,106	$977
CERC	986	923	1,325	869
VUHI gas LDCs	414	477	575	531
Total Capex	**$3,500**	**$3,800**	**$4,700**	**$3,700**
Financings ($M)				
Equity Issued/(Repurchased)	$20	$20	$20	$20
Preferred Equity Issued/(Repurchased)	$0	$0	$0	$0
Debt Issued/(Repurchased)	$1,600	($443)	$2,200	$1,900
Sales Forecast				
Houston Electric	1.7%	1.7%	1.7%	1.8%
Natural Gas Distribution	0.5%	0.5%	0.5%	0.5%

Source: Wolfe Utilities & Power Research

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Clearway Energy (CWEN)

1. Please discuss the visibility and cushion you have on the commitment to 5-8%/yr DPS growth through 2023. Longer term, roughly how much renewable capacity would you need to acquire each year in order to keep this level of growth going, and how does this compare to GIP's pace of development? As renewables accelerate, could there be upside to the growth target?
2. How are you thinking about the strategic review of the thermal business and how far in the process are you? What criteria would you like to see met to execute on a transaction? How should we think about the use of proceeds from any sale? How are you thinking about equity needs while this process continues?
3. How has the renewables acquisition market evolved and do you expect CWEN to continue to be more active in third-party M&A going forward? How do transaction prices on third party M&A deals compare to drop-downs from the sponsor?
4. How are things progressing on efforts to re-contract the California gas plants? What are your main objectives on re-contracting in order to continue to own the assets over the long run? How have the reliability issues in California shaped your discussions? What is the biggest hurdle in re-contracting – getting sufficient term, high enough prices, regulatory, etc?
5. If the California gas plants can't be re-contracted in a way that is consistent with CWEN's low risk investment profile, how confident are you that the assets could be sold at reasonable value? Who would be the likely buyer of CA gas plants? How could proceeds be allocated?
6. What are you most focused on in the Democrats' reconciliation bill? How could this impact CWEN and how might this change the pace of renewables development by your sponsor GIP?
7. How do you think about the fuel mix of the portfolio as ESG and clean energy criteria play a larger role in the investment universe? Is there a particular mix you would aspire to over time and how much do you value fuel diversity? How do you screen for inclusion in the major clean energy indices?
8. How are things progressing in reaching financial terms with GIP over the next round of 1.7 GW of co-investments? Should we assume a similar structure, capital deployment, and returns as the first portfolio drop-down transaction?
9. How has GIP's pace of renewables development changed over the past year? Are there particular types of assets and locations where they are most focused?
10. How should we think about the sponsor GIP's timeframe for its continued ownership of Clearway?

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Exhibit 32: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
Adjusted EBITDA	$1,200	$1,267	$1,190	$1,102
Consensus EBITDA	$1,188	$1,252	$1,267	$1,178
Cash Available for Distribution	$340	$379	$310	$417
CAFD per Share	$1.66	$1.81	$1.46	$1.93
Dividends Per Share	$1.33	$1.42	$1.50	$1.59
Cash From Operations	$805	$860	$805	$732
Diluted Shares	204	209	212	216
Market Capitalization	$6,509	$6,650	$6,764	$6,881
Net Debt	$8,383	$8,073	$7,727	$7,483
Enterprise Value	$14,892	$14,723	$14,491	$14,364
Valuation Metrics				
EV/EBITDA	11.4x	11.8x	12.4x	13.2x
Dividend Yield	4.2%	4.5%	4.7%	5.0%
Credit Metrics				
Net Debt/EBITDA	6.9x	6.3x	6.4x	6.7x
Corporate Debt / CAFD	4.9x	4.5x	5.6x	4.4x
EBITDA/Interest Expense	2.8x	3.0x	3.0x	2.9x
Dividend Cash Payout	80%	78%	103%	82%

Source: Wolfe Utilities & Power Research

Exhibit 33: Modeling Assumptions

Segment EBITDA	2021E	2022E	2023E	2024E
Conventional	$394	$394	$285	$176
Renewables	774	840	872	894
Thermal	61	63	62	62
Corporate	(29)	(30)	(29)	(29)
Adj. EBITDA	**$1,200**	**$1,267**	**$1,190**	**$1,102**
Financings ($M)				
Equity Issued	$150	$100	$125	$125
Debt Issued / Repaid	$1,130	($293)	($328)	($244)

Source: Wolfe Utilities & Power Research

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CMS Energy (CMS)

1. What gives your confidence in the 6-8% earnings growth rate long-term? How long can you sustain hitting the top-end? Are you still pointing to the IRP-related capex as an upside?
2. How are you thinking about the company's ESG position? What has the reception been to your accelerated coal shutdown announcement? Do you think this will unlock new investors?
3. What has been the feedback to your Integrated Resource Plan overall? Have you gotten any pushback? Are parties comfortable with no coal from a reliability perspective and more existing gas from an emissions perspective? Are you confident you won't need to use securitization? How are you feeling about the ability to own more renewables versus PPAs? Can a settlement be attained and when should we expect approval?
4. How are you thinking about the implications of the Biden infrastructure and tax plans? How are you feeling on chances of approval and what are the most important factors for your business?
5. Have concerns about the gas LDC business calmed down? Has the recent high gas price environment brought this back at all? How do the economics compare to electrification of heating (ie: heat pumps)? What type of role could hydrogen have in the future considering your asset base?
6. A number of storms have hit Michigan in recent months that gained political and regulatory attention. What are you doing to address this? Anything you plan to do differently or any new capex needed?
7. Where do we stand on your electric rate case? Is a settlement still possible? When is your next gas rate case?
8. What is your view on the Michigan PSC overall? Are there any changes you would like to see from a regulatory / rate-making perspective? Do think allowed ROEs will remain stable at just below 10%? What is your EPS sensitivity to ROE changes?
9. What are some of the key drivers in 2021 and 2022 guidance? What are you seeing on sales growth trends coming out of COVID peak?
10. When will you make a decision on the 2022 dividend and how should we think about the growth trajectory long-term?
11. How are you thinking about your balance sheet and current credit metric targets? Are you confident in maintaining your current ratings now that Moody's has taken action? When will equity needs resume?
12. What are some of your long-term focus areas on the cost cutting side of the equation? How long can this runway continue?
13. What is the status of closing the Enerbank sale? How material could the change in proceeds be as book equity has changed?
14. How do you think about owning unregulated contracted renewables? Will we see more of this? How do the returns on this type of investment compare to regulated utility returns?
15. Anything else do to on the strategic front after Enerbank and the IRP? Do you look at M&A opportunities? Are you a buyer or seller? Do you think you need more scale long-term?

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Exhibit 34: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.88	$2.87	$3.16	$3.48
Diluted Shares Outstanding	287	288	288	288
Dividends Per Share	$1.74	$1.77	$1.90	$2.03
Dividend Yield	2.9%	2.9%	3.1%	3.3%
Dividend Payout Ratio	61%	62%	60%	58%
Equity Ratio	27%	31%	30%	29%
FFO/Net Debt	12%	14%	13%	13%
Valuation Metrics				
P/E	21.1x	21.1x	19.2x	17.5x
Price/Book	2.9x	2.8x	2.7x	2.5x
Segment EPS				
Consumers	$3.08	$3.32	$3.63	$3.95
Enterprises	0.13	0.13	0.13	0.13
Enerbank	0.22			
Parent	(0.56)	(0.58)	(0.60)	(0.60)
Total EPS	**$2.88**	**$2.87**	**$3.16**	**$3.48**
Consumers Energy				
Electric				
Realized ROE	10.0%	9.7%	9.5%	9.3%
Average Rate Base	$12,466	$13,391	$14,622	$15,907
Gas				
Realized ROE	9.7%	9.5%	9.3%	9.2%
Average Rate Base	$8,167	$8,985	$9,799	$10,512

Source: Wolfe Utilities & Power Research

Exhibit 35: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total CapEx by Segment ($M)				
Electric Capital	$1,400	$1,800	$2,008	$1,908
Gas Capital	1,100	1,200	1,100	1,000
Total Capex	**$2,500**	**$3,000**	**$3,108**	**$2,908**
Financings ($M)				
Total Equity Issued/(Repurchased)	$100	$0	$0	$0
Total Debt Issued/(Repurchased)	950	1,350	1,450	1,150
Sales Forecast				
Electric	2.4%	1.0%	1.0%	1.0%
Gas	0.8%	0.8%	0.8%	0.8%

Source: Wolfe Utilities & Power Research

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Consolidated Edison (ED)

1. What are upside/downside risks to your 4-6% EPS growth target? Do you expect the growth to be uniform through your planning period?
2. Do you see any upsides to your ~6% rate base CAGR over the next 3-5 years? When do you expect to get clarity on Phase II of your transmission proposals in NY? How much of the estimated $5.4B in capex for the 8 projects do you expect to go to CECONY?
3. When do you expect to be able to collect disconnect/late fees from residential and commercial customers? What does your 2021 EPS guidance assume? How much of an earnings headwind is this on a quarterly basis?
4. Can you discuss the petition you recently filed with the NY PSC to establish a surcharge recovery mechanism for disconnect/late fees that were foregone in 2020? When do you expect a ruling from the commission on your request?
5. Assuming MVP is completed in 2022, what is your strategy with respect to your stake in the project long-term? What does your long-term EPS and financing guidance assume with respect to MVP?
6. What opportunities are there for CECONY to earn above the allowed level under the current rate plan? Do you expect to be able to earn any EAMs in 2021?
7. NY has very aggressive clean energy coals. How realistic is it to meet those goals without sacrificing reliability and still keeping customer bills affordable?
8. What is your role in the New York's clean energy future? What are the implications for CECONY's gas business? Is there any chance you will be able to own renewables at your utilities in the future?
9. Are you actively involved in any RNG or hydrogen pilot projects at your gas LDCs?
10. What's the latest with the offshore wind in New York? Can you talk about Transco's signed MoU with ES/Ørsted on the Sunrise Wind Project – what exactly is your role? Any interest in investing in offshore wind in the future?
11. You have disclosed a $700M equity need in aggregate over 2022-23 – best to assume 50/50 split? What could impact whether you need more or less next year?
12. Do you foresee the ability to spend more on renewables over time or is the $400M/yr. run rate your target long-term? Any interest in doing more M&A (i.e., the SRE deal) or is there a preference to grow the business organically? What type of returns do you see for projects?
13. Are you seeing any cost inflation for inputs in your solar projects? How much of your backlog is already locked up (i.e., not subject to these impacts)? Have you seen an issues in your supply chain?
14. What do you see as the biggest benefit for ED from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
15. What is your targeted earnings mix long-term (i.e., regulated vs unregulated)?

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Exhibit 36: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.26	$4.66	$4.78	$4.99
Diluted Shares Outstanding	348	357	362	368
Dividends Per Share	$3.10	$3.20	$3.29	$3.39
Dividend Yield	4.3%	4.4%	4.5%	4.6%
Dividend Payout Ratio	73%	69%	69%	68%
Equity Ratio	49%	48%	48%	48%
FFO/Net Debt	14%	14%	15%	15%
Valuation Metrics				
P/E	17.1x	15.7x	15.3x	14.6x
Price/Book	1.2x	1.2x	1.2x	1.1x
Segment EPS	**2021E**	**2022E**	**2023E**	**2024E**
Consolidated Edison of NY	$3.70	$4.01	$4.19	$4.37
Orange & Rockland	0.19	0.21	0.22	0.23
Competitive Businesses	0.42	$0.49	$0.43	$0.44
Parent	($0.05)	($0.05)	($0.05)	($0.06)
Total ED EPS	**$4.26**	**$4.66**	**$4.78**	**$4.99**
Consolidated Edison of NY				
Earned ROE	8.1%	8.5%	8.6%	8.6%
Average Rate base ($M)	33,162	35,033	36,938	39,064
Orange & Rockland				
Earned ROE	8.0%	8.1%	8.2%	8.2%
Average Rate base ($M)	1,733	1,892	2,001	2,104
Total Average Rate base ($M)	34,895	36,924	38,939	41,168

Source: Wolfe Utilities & Power Research

Exhibit 37: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
Consolidated Edison of NY	$3,540	$3,475	$3,705	$3,605
Orange & Rockland	211	267	267	267
Competitive Businesses	297	465	447	400
Total Capex	**4,048**	**4,207**	**4,419**	**4,272**
Financings ($M)				
Total Equity Issued/(Repurchased)	$880	$450	$450	$600
Total Debt Issued/(Repurchased)	1,343	1,315	1,415	1,115
Utility Sales Forecast				
Consolidated Edison of NY	0%	0%	0%	0%
Orange & Rockland	0%	0%	0%	0%

Source: Wolfe Utilities & Power Research

Dominion Energy (D)

1. What are the drivers behind your 6.5% annual EPS growth expectation? What are potential upsides/downsides to your base case?
2. Can you talk about the different aspects of the Virginia Clean Economy Act? What is the total opportunity set for future capital investments? How likely is it that VEPCO will be able to own the second slug of offshore wind? How do these programs impact your 6.5% EPS growth expectation?
3. With all of the renewable investments you will be adding in Virginia over the next couple of decades, how do you intend to keep customer bills manageable? What percentage annual bill increases do you foresee to meet the targets set out in the Clean Economy Act?
4. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
5. What do you see as the biggest benefit for D from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
6. What are risks from cost inflation for your offshore wind project specifically? How much of your costs are locked up currently? How confident are you in bringing the project online below the $125/MWh cost cap?
7. Can you discuss the SCC Staff's recent testimony in VEPCO's triennial review? Where are Staff and the Company furthest apart on key issues? In a scenario where Staff's recommendation was approved, would you need to issue more equity for the $300M+ in customer refunds?
8. As part of the T1 review, Staff sees a $212M revenue sufficiency on a go-forward basis. Is it fair to believe this would likely still be the case in the T2 review - meaning, a $212M revenue reduction would be a worst-case outcome in the T2 review? Can you discuss potential offsets to any revenue sufficiency in the T2 review (CCROs, etc.)?
9. Can you talk about the transformation of VEPCO's rate base from base rate recovery to rider-based recovery over the next few years?
10. There is a Governor election in Virginia in 2022 - do you see the political dynamic shifting at all in the state? If a Republican candidate were to win, how might this impact the investments you plan to make through the Clean Economy Act?
11. How should we think about equity financing needs once investments in renewables really start to ramp up in the middle of the decade?
12. Can you talk about the DESC's most recent IRP? Do you see the ability to accelerate coal retirements and add more renewables under your preferred plan?
13. You have been one of the more vocal companies in the sector with respect to applications for hydrogen and renewable natural gas. Can you discuss any projects you are working on currently and what you believe is the potential for both longer-term?
14. What are your current views on M&A? Do you have any interest in adding or selling gas LDC(s)? What are your long-term plans for Cove Point and Millstone?

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Exhibit 38: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.87	$4.13	$4.38	$4.70
Diluted Shares Outstanding	810	825	841	848
Dividends Per Share	$2.52	$2.67	$2.83	$3.00
Dividend Yield	3.4%	3.6%	3.8%	4.0%
Dividend Payout Ratio	65%	65%	65%	64%
Equity Ratio	37%	37%	37%	37%
FFO/Net Debt	15%	15%	15%	15%
P/E	19.3x	18.1x	17.0x	15.9x
Price/Book	2.5x	2.4x	2.2x	2.1x
Segment EPS				
Virginia Electric Power	$2.46	$2.64	$2.87	$3.21
Dominion Energy South Carolina	$0.53	$0.54	$0.55	$0.56
Contracted Generation	0.27	0.29	0.22	0.22
Cove Point	0.24	0.24	0.23	0.22
Gas Distribution	0.75	0.82	0.88	0.90
Corporate & Other	(0.39)	(0.40)	(0.38)	(0.41)
Total EPS	**$3.87**	**$4.13**	**$4.38**	**$4.70**
Utility Rate Base (YE)				
Virginia Electric Power	$27,280	$29,936	$33,629	$39,367
Dominion Energy South Carolina	$7,137	$7,542	$8,017	$8,360
Gas LDCs	$9,806	$10,664	$11,479	$12,050
Total Utility Rate Base ($M)	**$44,223**	**$48,142**	**$53,126**	**$59,776**
Realized Operating ROE				
Virginia Electric Power	14.9%	14.8%	14.8%	14.5%
Dominion Energy South Carolina	9.6%	9.6%	9.6%	9.6%

Source: Wolfe Utilities & Power Research

Exhibit 39: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Virginia Electric Power	$4,160	$4,410	$5,527	$7,677
Dominion Energy South Carolina	1,000	900	1,000	900
Gas Distribution	1,500	1,300	1,300	1,100
Cove Point	45	45	45	45
Merchant Generation / Other	155	155	155	155
Total Capex	**$6,860**	**$6,810**	**$8,027**	**$9,877**
Financings ($M)				
Total Equity Issued/(Repurchased)	$300	$500	$500	$700
Total Converts Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$3,267	$2,400	$2,550	$4,800
Sales Forecast				
Volume Growth	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

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DTE Energy (DTE)

1. Now that the DTM spin is done what is the key message and reason to own DTE going forward?
2. What benefits have you noticed since the DTM spin? Any change in the way you manage the company?
3. You typically do a big five-year plan refresh at EEI. What can we expect this year? Do you see upsides to the utility capital plan? Is there more to do on the non-utility side?
4. What is your conviction in achieving the 5-7% EPS growth target? Historically you've grown above this level – can that continue? What is helping you offset the near-term pressure from the REF cliff and equity converts?
5. How would you describe the company's ESG position? You've alluded to plans of accelerating coal shutdowns – when will we hear more? How much coal in rate base is left and how do you plan to manage this?
6. Your voluntary renewables program has been very successful. What opportunities are you seeing in terms of wind and solar additions? When will you file your next IRP and what should we expect to hear?
7. How are you thinking about the Biden clean energy plan – tax credits and CEPP? How would this impact your plan and what is the likelihood it gets done?
8. How are you feeling about your gas LDC business from an ESG perspective and given the spike in natural gas prices? How are you protected from this volatility and is there any risk investment upsides are crowded out?
9. What is the latest on the recent storm in Michigan? This got a lot of attention in the political/regulatory arena – should we expect an adverse impact? Will there be more capex needed? What is the impact on customer rates and O&M?
10. The RNG business has gotten a lot of focus at the Power and Industrials segment. Are you seeing the potential for an acceleration in growth? In what parts of the country are there opportunities? Where do you see competition coming from?
11. What is the latest on your pending gas rate case? Is a settlement still possible? How much further can you push out for next electric rate case filing?
12. How are you thinking about balance sheet metrics and credit post-spin? How much cushion in the plan do you have and for how long can you minimize equity needs?
13. What is your target for regulated earnings percentage going forward? Could this vary at all?
14. Any change in strategic vision post-spin? Would you consider M&A? Is the P&I business a core segment long-term?

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Exhibit 40: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$7.34	$5.81	$6.24	$6.62
Consensus EPS	$5.81	$5.91	$6.23	$6.67
Dividends Per Share	$4.42	$3.53	$3.78	$4.04
Dividend Yield	3.9%	3.1%	3.3%	3.6%
Dividend Payout Ratio	60%	61%	61%	61%
FFO/Net Debt	14%	13%	13%	13%
Diluted Shares Outstanding	194	197	205	205
Valuation Metrics				
P/E	19.7x	19.6x	18.2x	17.2x
Price/Book	1.7x	1.6x	1.6x	1.6x
Segment EPS				
DTE Electric	4.47	4.85	5.00	5.30
DTE Gas	1.09	1.16	1.24	1.32
Gas Storage & Pipelines				
Power & Industrial	0.79	0.51	0.68	0.71
Energy Trading	0.18	0.10	0.09	0.09
Parent & Other	(0.76)	(0.81)	(0.79)	(0.80)
Total EPS	**$5.77**	**$5.81**	**$6.24**	**$6.62**
DTE Electric				
Realized ROE	10.0%	9.9%	9.7%	9.5%
Average Rate Base	$22,277	$24,018	$25,718	$27,376
DTE Gas				
Realized ROE	9.5%	9.2%	9.3%	9.0%
Average Rate Base	$5,521	$5,999	$6,467	$6,924

Source: Wolfe Utilities & Power Research

Exhibit 41: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
DTE Electric	$2,800	$2,800	$2,800	$2,800
DTE Gas	$600	$600	$600	$600
Gas Storage & Pipelines				
Power & Industrial	$240	$240	$240	$240
Total Capex	**$3,640**	**$3,640**	**$3,640**	**$3,640**
Financing ($M)				
Total Equity Issued/(Repurchased)	$50	$0	$50	$140
Total Debt Issued/(Repurchased)	$1,955	($950)	$1,175	$1,210
Sales Forecast				
DTE Electric	1.1%	0.0%	0.0%	0.0%
DTE Gas	1.0%	1.1%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

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Duke Energy (DUK)

General

1. What are the upside/downside risks to your 5-7% LT EPS growth target? What is your conviction on hitting the midpoint or better?
2. How much is M&A, including asset sales, part of the strategy from here? What is the rationale for the regional mix?
3. Where do things stand now with Elliott? Are you interacting with them? Do you expect a settlement?
4. What do you think Congress passes from the Biden clean energy plan and tax credits? How would that impact your current capital plan?
5. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
6. How about inflationary pressure? Do you see it as manageable?
7. What is your projected LT dividend growth?
8. What is your projected FFO/Debt? When will you next need equity?

NC legislation, fleet transition

9. What is the latest on NC legislation? Why has it stalled in the Senate? Are you confident it will pass? Is there a drop date deadline?
10. Describe the fleet transition options you are recommending in your Carolinas IRPs. What are the high level choices that have to be made on costs vs carbon reductions?
11. How much renewables ($ and MW) do you project through your forecast period if your base case IRP path were followed? How much incremental if the House energy legislation is enacted? What is the split between the utility and CR segment?
12. How do the new gas plants in some of your IRP scenarios fit in from a decarbonization perspective? Would you use RNG or hydrogen?
13. If there is no NC legislation this year, how would that impact your capital plan and rate case strategy in NC?

Other

14. What is the latest on fleet transition opportunities in IN? What about the appeal to your IN rate case?
15. Describe the recent FL rate plan for 2022-24. Where do you expect to earn within your 8.85-10.85% ROE band? Do you see the ROE mechanism being triggered allowing another 25bp on top of the range?

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Exhibit 42: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$5.15	$5.40	$5.74	$6.13
Diluted Shares Outstanding	769	769	769	769
Indicated Dividend Per Share	$3.93	$4.01	$4.09	$4.17
Dividend Yield	4.0%	4.1%	4.2%	4.2%
Payout Ratio	76%	74%	71%	68%
Equity ratio (excl ST debt)	42%	40%	40%	39%
FFO/Net Debt	13%	12%	13%	13%
Valuation Metrics				
P/E	19.1x	18.2x	17.2x	16.1x
EV/EBITDA	12.7x	12.7x	12.3x	12.0x
P/B	1.6x	1.6x	1.5x	1.5x
FCF/Yield	(2.4)%	(4.9)%	(3.0)%	(1.9)%
Segment EPS				
Electric	$5.07	$5.29	$5.62	$6.00
Gas	0.54	0.60	0.66	0.70
Commercial	0.28	0.29	0.29	0.29
Parent/Other	(0.75)	(0.79)	(0.83)	(0.87)
Total EPS	**$5.15**	**$5.40**	**$5.74**	**$6.13**
ROE on Regulated Rate Base (ex CWIP)				
Carolinas	10.2%	9.6%	9.6%	9.7%
Progress	9.9%	9.6%	9.6%	9.7%
Florida	10.1%	10.1%	10.1%	10.1%
Indiana	9.7%	9.7%	9.7%	9.7%
Ohio-KY	9.6%	9.6%	9.6%	9.6%
Gas	9.5%	9.6%	9.6%	9.6%

Source: Wolfe Utilities & Power Research

Exhibit 43: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Electric	$8,450	$10,400	$10,100	$10,025
Gas	1,150	1,275	1,150	1,000
Commercial	425	800	475	400
Parent/Other	350	275	275	275
Total Capital Spending	$10,375	$12,750	$12,000	$11,700
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	3,085	6,825	4,550	4,675
Sales Forecast				
Carolinas	4.0%	0.5%	0.5%	0.5%
Progress	4.0%	0.5%	0.5%	0.5%
Florida	1.0%	0.5%	0.5%	0.5%
Indiana	4.0%	0.5%	0.5%	0.5%
Ohio-KY	3.0%	0.5%	0.5%	0.5%
Gas	1.5%	1.5%	1.5%	1.5%

Source: Wolfe Utilities & Power Research

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Edison International (EIX)

1. What is the investment case for EIX stock? Why do you believe the stock continues to trade at a deep discount to utility peers?
2. What are the drivers of your 5-7% EPS growth and 6-8% rate base growth target through 2025?
3. What did you think of the GRC decision? What is the plan for covered conductor spend? What's your overall view of CA regulation?
4. What do you expect from the off-cycle Cost of Capital filing? What are the next steps? What is the impact of a ROE cut from the CoC mechanism being triggered for 2022?
5. How have your performed operationally this fire season? How have you improved your PSPS program?
6. What is the latest on your Wildfire Mitigation Plan? When do you expect to get a decision on your next wildfire safety certificate?
7. What are your thoughts on the AB 1054 Wildfire Fund and liability cap? Is there anything you can do to provide better conviction to investors this model will work?
8. What is the latest on the 2017/18 fires/mudslides? How much incremental debt/equity do you anticipate to fund settlements/payments?
9. What are the next steps for cost recovery? How will you show whether the costs are prudent? Do you expect any recoveries?
10. Will the $250M/yr of equity put you at the midpoint of your 15-17% FFO/debt target? If the CoC mechanism is triggered and ROE is cut, do you need more equity?
11. Do you see any investment opportunities to address the reliability issues in the state?
12. What are the L-T opportunities in CA generally, such as EVs, electrification, batteries, grid hardening?
13. What do you expect from NEM 3.0? Do you view residential solar as a threat or an opportunity? Would you partner with solar/storage developers?
14. What is the latest in your FERC transmission business? What is the risk to earnings if FERC cuts incentives? What portion of your overall rate base is transmission?
15. What dividend growth do you expect over the next few years? Will you keep it low given uncertainty and credit pressure? Or stick with current payout target of 45-55% of SCE earnings?

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Exhibit 44: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.54	$4.56	$4.89	$5.19
Consensus	$4.53	$4.66	$4.96	$5.18
Diluted Shares Outstanding	380	383	387	391
Dividends Per Share	$2.65	$2.75	$2.85	$2.95
Dividend Yield	4.6%	4.8%	5.0%	5.1%
Dividend Payout Ratio (EIX)	58%	60%	58%	57%
Dividend Payout Ratio (SCE)	52%	53%	51%	50%
Cons. Equity Ratio	37%	36%	36%	35%
SCE Equity Ratio (adjusted)	51%	51%	51%	51%
FFO/Net Debt	14%	11%	15%	14%
Valuation Metrics				
P/E	12.7x	12.6x	11.8x	11.1x
EV/EBITDA	8.0x	8.1x	8.0x	8.0x
Price/Book	1.5x	1.4x	1.3x	1.3x
Segment EPS				
Southern California Edison (SCE)	$5.08	$5.18	$5.55	$5.91
Parent/Edison Energy	(0.54)	(0.62)	(0.66)	(0.72)
Total EPS	**$4.54**	**$4.56**	**$4.89**	**$5.19**
SCE Rate Base, ROE				
Average Rate Base ($M)	$35,567	$37,767	$40,925	$44,099
ROE ex O&M/fin savings, EE	10.2%	9.9%	9.9%	9.9%

Source: Wolfe Utilities & Power Research

Exhibit 45: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
SCE	$5,303	$5,293	$5,479	$5,987
Total Capex	**$5,303**	**$5,293**	**$5,479**	**$5,987**
Financings ($M)				
Total Equity Issued/(Repurchased)	$100	$250	$250	$250
Total Debt Issued/(Repurchased)	2,000	1,450	2,300	2,550
SCE over/(under) allowed, $/sh				
Costs excluded from authorized	($0.22)	($0.21)	($0.21)	($0.21)
Financing, operating variances	$0.39	$0.38	$0.37	$0.37
AB 1054 safety spend (no ROE)	600	-	-	-

Source: Wolfe Utilities & Power Research

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Emera (EMA)

1. Can you talk about the key drivers of your 7.5-8.5% rate base CAGR through 2023? How should we think about EPS growth in relation to your rate base growth and dividend growth target of 4-5%/yr.?
2. Can you discuss the key aspects of your pending settlement in TECO's rate case? How confident are you in earning above the 9.95% ROE midpoint going forward - could you earn at the top end?
3. Can you talk about the balance sheet and steps you have taken/are taking to improve your credit metrics relative to peers? What level of equity/hybrid financing does your capital plan require over the next few years?
4. When do you expect to get your payout ratio within your targeted 70-75% range?
5. At 3Q20, you unveiled the potential Atlantic Loop transmission project in Canada. Can you talk about what would need to happen for the project to move forward? What is the size of the potential capital investment for EMA?
6. Can you comment on the recent trend in the sector to simplify business mixes with a bias towards becoming a pure-play utility? How do you view your non-utility businesses in that context?
7. How are managing through the FX headwinds this year? Have you found offsets elsewhere in the business? Do you still view the 1.33 FX rate as the correct rate for the long term?
8. How are the Caribbean utilities performing? Has Grand Bahama fully recovered from Hurricane Dorian? Are COVID restrictions on tourism still having a big impact on these utilities?
9. What is your view on M&A? Do you have any desire to pursue a large-scale acquisition, similar to the size of the TECO deal?
10. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
11. How has your gas marketing business performed amidst the recent rise in natural gas prices? Should we view the higher prices as a tailwind for that business?
12. What do you see as the biggest benefit for your U.S. utilities from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?

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Exhibit 46: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.78	$3.20	$3.37	$3.57
Consensus EPS	$2.81	$3.07	$3.22	$3.49
Dividends Per Share	$2.57	$2.68	$2.78	$2.89
Dividend Yield	4.4%	4.6%	4.8%	5.0%
Dividend Payout Ratio	92%	84%	83%	81%
FFO/Net Debt	11%	12%	12%	12%
Equity Ratio	34%	33%	34%	34%
Avg Diluted Shares Outstanding	255	262	269	275
Valuation Metrics				
P/E	20.9x	18.2x	17.2x	16.2x
Price/Book	1.7x	1.7x	1.6x	1.6x
Segment EPS				
Florida Electric Utility	$1.95	$2.22	$2.33	$2.46
Canadian Electric Utility	$0.95	$1.03	$1.03	$1.04
Other Electric Utilities	$0.13	$0.15	$0.15	$0.15
Gas Utilities & Infrastructure	$0.81	$0.89	$0.93	$0.97
Parent & Other	(1.06)	(1.09)	(1.08)	(1.05)
Total EPS	**2.78**	**3.20**	**3.37**	**3.57**
	4%	*15%*	*5%*	*6%*
Florida Electric Utility				
Realized ROE	9.3%	10.4%	10.3%	10.3%
Average Rate Base	$9,311	$10,602	$11,438	$12,341
Canadian Electric Utility				
Realized ROE	8.7%	9.1%	9.2%	9.2%
Average Rate Base	$4,438	$4,594	$4,774	$5,027
Other Electric Utilities				
Realized Return on Rate Base	7.0%	7.5%	7.7%	7.6%
Average Rate Base	$984	$1,035	$1,037	$1,081
Gas Utilities & Infrastructure				
Realized ROE	10.1%	10.1%	10.1%	10.1%
Average Rate Base	$2,783	$3,249	$3,559	$3,902
Total Utility Average Rate Base	$17,515	$19,479	$20,808	$22,352

Source: Wolfe Utilities & Power Research

Exhibit 47: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment (C$M)				
Florida Electric Utility	$1,360	$1,370	$1,360	$1,360
Canadian Electric Utility	$395	$365	$380	$380
Other Electric Utilities	$70	$100	$100	$100
Gas Utilities & Infrastructure	$520	$610	$530	$530
Parent & Other	$15	$260	$10	$10
Total Capex	**$2,360**	**$2,705**	**$2,380**	**$2,380**
Financing (C$M)				
Total Equity Issued/(Repurchased)	$425	$375	$375	$375
Total Hybrids Issued	$425	$0	$0	$0
Total Debt Issued/(Repurchased)	$700	$1,025	$650	$575
Sales Forecast				
Florida Electric Utility	1.0%	1.0%	1.0%	1.0%
Canadian Electric Utility	0.2%	0.2%	0.2%	0.2%
Gas Utilities & Infrastructure	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

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Entergy Corp. (ETR)

1. Are you still targeting the upper half of the 2021-23 EPS outlook, despite the 2020-21 storm costs?
2. What happened with the NOLA City Council? What is the risk to ETR? Is there risk to your regulatory relations with the LaPSC?
3. What is the sales impact from Ida? Will you be able to get federal relief for any of the $2.1-2.6B cost? How do you feel on securitization?
4. What are the upside/downside risks to your EPS growth outlook of 5-7% through 2024?
5. What is your dividend growth target? Any risk to your target of growing the dividend in line with EPS growth next month?
6. On the 2Q21 call you suggested potentially higher capex than the $21B plan for 2020-24? Do you see renewables investments beyond the $1.4B in your plan?
7. By how much can you reduce your originally planned $2.5B equity needs through 2024, given your 14% downgrade threshold at Moody's? How much preferred equity will you do?
8. What FFO/debt do you project? What is it if you exclude the roughly $4.5B of storm restoration costs? Is there any risk of credit downgrades?
9. What is the latest in the SERI proceedings at FERC? What is the risk to earnings or equity needs? Can you settle the Grand Guld prudency case?
10. What is the upside/downside to your sales growth outlook? What is the potential impact from rising natural gas and purchased power prices to sales and rates?
11. How much inflationary pressures are you seeing? Are they manageable? How much pension risk do you have at current rates? What's your assumed discount rate and rate of return on assets?
12. With your multiyear FRP extensions in AR and LA approved, when are the next major rate cases or FRP extensions?
13. Describe your Mitsubishi collaborative and Invenergy partnerships. What is your hydrogen and renewables strategies? What would be the impact on your business from Biden's clean energy and tax credits, including the hydrogen PTC?
14. Do you anticipate M&A in your region? Are you a buyer or a seller?
15. Are you on track to completely exit the merchant business next spring? What are the remaining approvals needed for Palisades? Aside from de-risking decommissioning, what are the financial implications of the nuke sales?

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Exhibit 48: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
Utility net parent EPS	$6.04	$6.38	$6.80	$7.17
Consensus	$6.00	$6.35	$6.74	$7.10
Diluted Shares Outstanding	201	206	211	217
Dividends Per Share	$4.03	$4.27	$4.53	$4.80
Dividend Yield	4.0%	4.2%	4.5%	4.8%
Payout Ratio on Utility net Parent	67%	67%	67%	67%
Equity Ratio	34%	34%	36%	37%
FFO/Net Debt	13%	14%	13%	13%
Parent Debt/Total Debt	21%	20%	20%	19%
Valuation Metrics				
P/E	16.7x	15.8x	14.8x	14.1x
EV/EBITDA	11.5x	9.5x	9.9x	9.8x
Segment EPS				
Utility	$7.40	$7.70	$8.08	$8.42
Parent & Other	($1.36)	($1.32)	($1.28)	($1.24)
Utility net parent/other	**$6.04**	**$6.38**	**$6.80**	**$7.17**
Utility segment				
Earned utility book ROE	9.0%	9.1%	9.4%	9.5%
Average Rate Base ($M)	$31,749	$33,376	$35,458	$38,018

Source: Wolfe Utilities & Power Research

Exhibit 49: Modeling Assumptions

	2021E	2022E	2023E	2024E
Total Capital Spending				
Utilities	3,415	3,510	4,560	4,635
Entergy Nuclear	10	5	0	0
Parent & Other	60	45	40	41
Total Capex	**$3,485**	**$3,560**	**$4,600**	**$4,676**
Financings ($M)				
Total Equity Issued/(Repurchased)	$400	$400	$700	$600
Total Debt Issued/(Repurchased)	575	850	775	1,125

Source: Wolfe Utilities & Power Research

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Evergy (EVRG)

1. What are some of the key messages from your Analyst Day last week? What do you think investors are missing and what will it take for EVRG to become a premium utility?
2. David and Kirk, now that you've been at EVRG for almost a year, what do you see as areas where you can add value and spur improvement? What are some of EVRG's existing strengths?
3. What is your conviction in your long-term EPS target of 6-8% growth? What brings you to the top-end of low-end of the range? What levers can you pull to offset unexpected headwinds in any given year?
4. Please summarize your latest Integrated Resource Plan. How are you thinking about the fleet transition overall and why not retire coal sooner? How do securitization laws change/help with this transition? How concerned are you about reliability? What is your pitch to ESG investors?
5. What caused you to pull forward some of your wind plans while pushing out your solar plans? Is there any concern that supply chain and inflation issues could last longer? How confident are you that you will be able to own these assets in rate base?
6. Please discuss the wind PPA buyout opportunity. How should we think about the economics and rate impact of this? How accepting do you think the PPA counter-parties and regulators will be to this?
7. How could the Democratic tax incentive proposals change your plans? What about the CEPP and higher corporate tax rate?
8. Can you please preview your upcoming rate cases in both states? What will be the key items you are looking to recover? How big could the rate ask be? How will you address the Sibley issue in Missouri? Do you expect it to be contentious or will settlements be achievable?
9. What do you expect to be the long-term cadence of rate case filings? Do you have the necessary regulatory mechanisms to file less frequently? What are the prospects for renewing PISA legislation? Are you concerned about regulatory lag in Missouri if this isn't renewed?
10. How are you tracking on regional rate competitiveness? Particularly in Kansas, has the noise around this calmed down?
11. How are you tracking on your cost cutting targets? What will it take to get to first quartile? How much rate headroom could you create?
12. Where do you see transmission opportunities long-term within SPP? When will these become more evident?
13. How are you tracking on credit metrics? When do you become a cash taxpayer? How long can you avoid equity issuances?
14. Where do we stand in terms of Elliott and Bluescape's involvement in the stock? Is there anything more they are looking for that hasn't been addressed? Is M&A officially off the table?

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Exhibit 50: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.35	$3.54	$3.84	$4.04
Consensus EPS	$3.36	$3.53	$3.77	$4.01
Dividends Per Share	$2.17	$2.30	$2.44	$2.59
Dividend Yield	3.4%	3.6%	3.9%	4.1%
Dividend Payout Ratio	65%	65%	64%	64%
FFO/Net Debt	16%	16%	16%	16%
Diluted Shares Outstanding	228	229	229	229
Valuation Metrics				
P/E	18.8x	17.8x	16.4x	15.6x
Price/Book	1.6x	1.5x	1.5x	1.4x
Segment EPS				
MO/KS Metro (KCP&L)	1.31	1.34	1.42	1.43
Missouri West (GMO)	0.43	0.49	0.54	0.60
Kansas Central (Westar)	1.77	1.87	2.04	2.16
Parent & Other	(0.16)	(0.16)	(0.16)	(0.16)
Total EPS	**$3.35**	**$3.54**	**$3.84**	**$4.04**
KCP&L				
Realized ROE	9.9%	9.9%	10.2%	10.1%
Average Rate Base	$6,132	$6,300	$6,463	$6,621
GMO				
Realized ROE	10.2%	10.2%	10.1%	10.2%
Average Rate Base	$1,872	$2,121	$2,362	$2,597
Westar				
Realized ROE	10.1%	9.9%	10.1%	10.0%
Average Rate Base	$8,195	$8,852	$9,504	$10,151

Source: Wolfe Utilities & Power Research

Exhibit 51: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
KCP&L	$586	$605	$598	$617
GMO	$391	$403	$399	$411
Westar	$977	$1,008	$997	$1,028
Parent & Other	$0	$0	$0	$0
Total Capex	**$1,953**	**$2,016**	**$1,993**	**$2,055**
Financing ($M)				
Total Equity Issued/(Repurchased)	$115	$0	$0	$0
Total Debt Issued/(Repurchased)	$450	$550	$550	$525
Sales Forecast				
KCP&L	3.7%	0.5%	0.5%	0.5%
GMO	3.6%	1.0%	1.0%	1.0%
Westar	0.0%	0.0%	0.0%	0.0%

Source: Wolfe Utilities & Power Research

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Eversource Energy (ES)

General

1. What's the upside/downside risks to your LT EPS growth target of the upper half of 5-7%?
2. How would Biden's clean energy plan and tax credits impact your business?
3. When do you anticipate adding offshore wind into your growth target? How much EPS could the three projects add in the first full year of operations?
4. How much new equity do you project through 2026? Do you need any more to fund offshore wind?
5. Will you grow the dividend in line with EPS, even after incorporating offshore wind? What's your target payout ratio?
6. What are your thoughts on M&A? Do you see consolidation in electric, gas or water?

CT regulatory risk

7. What happened with CT regulation this year? How are your relations with regulators (PURA) now?
8. What's your take on the recently issued draft decision in the interim rate decrease proceeding? If it stands, what is the earnings risk and would you need more equity?
9. Does the draft decision give you a path to lessen the 90bp ROE reduction and by when? What is the status of your appeal in state court?
10. Do you still think you can settle the case? When will you file a full rate case?

Offshore wind

11. What is the status of your projects with JV partner Ørsted? Can you meet the timelines? What are the key risks to meeting them?
12. How has Biden's offshore wind goals impacted your pending projects and longer-term strategy? What do you think of the changes at BOEM and in the key administrative offices (Commerce, Energy, Interior, Labor)?
13. What is your potential offshore wind market opportunity? Which states are driving that?
14. What ROE do you expect from your pending projects? Is it still mid-teens? What is your hurdle rate for future offshore wind projects?
15. How will offshore wind impact customer bills and reliability?
16. What are risks from cost inflation for your offshore wind projects? How much of your costs are locked up right now?

Other

17. What is the latest on your MA electric utility? How about your MA gas utility business? How is performance-based ratemaking working? When will you file a next round of rate cases in MA?
18. Do you expect to earn your allowed returns at each of your utilities (excluding CL&P) through your planning period?
19. What are the investment opportunities outside of your 2021-25 capital plan? What is the upside from AMI, grid mod, EV, storage, water investments if approved?
20. What is the risk from the proposed elimination of the RTO/ISO ROE adder (50bp) and general tone on ROEs from FERC? What FERC ROE do you assume in your outlook?

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Exhibit 52: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.80	$4.08	$4.35	$4.60
Diluted Shares Outstanding	342	345	349	353
Dividends Per Share	$2.41	$2.56	$2.72	$2.89
Dividend Yield	2.9%	3.1%	3.3%	3.5%
Dividend Payout Ratio	63%	63%	63%	63%
Equity ratio	44%	43%	43%	43%
FFO/Net Debt	14%	14%	13%	14%
Valuation Metrics				
P/E	21.7x	20.3x	19.0x	18.0x
P/B	2.0x	1.9x	1.8x	1.7x
Segment EPS				
Electric Distribution	$1.65	$1.75	$1.83	$1.93
Electric Transmission	1.52	1.63	1.70	1.74
Gas Distribution	0.50	0.58	0.67	0.77
Water	0.12	0.13	0.14	0.15
Parent/Unregulated/Other	0.01	(0.00)	0.01	0.02
Total EPS	**$3.80**	**$4.08**	**$4.35**	**$4.60**
Subsidiary EPS				
NSTAR Electric	$1.36	$1.45	$1.54	$1.62
Connecticut Light & Power	1.34	1.44	1.47	1.50
Public Service Co. of New Hampshire	0.47	0.49	0.52	0.55
Water	0.12	0.13	0.14	0.15
Yankee Gas	0.22	0.24	0.27	0.30
NSTAR Gas	0.19	0.21	0.23	0.26
Columbia Gas	0.09	0.12	0.17	0.21
Parent/Unregulated/Water	0.01	(0.00)	0.01	0.02
Total EPS	**$3.80**	**$4.08**	**$4.35**	**$4.60**

Source: Wolfe Utilities & Power Research

Exhibit 53: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Electric Distribution	$1,457	$1,580	$1,628	$1,564
Transmission	1,065	915	853	761
Gas Distribution	636	654	699	662
Water	149	143	154	162
Gas Pipelines	0	0	0	0
Other	217	249	211	194
Total Capital Spending	**$3,524**	**$3,541**	**$3,545**	**$3,343**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$233	$233	$233
Total Debt Issued/(Repurchased)	1,825	1,450	1,400	1,125
Sales Growth Forecast				
NSTAR Electric	0.0%	0.0%	0.0%	0.0%
Connecticut Light & Power	0.0%	0.0%	0.0%	0.0%
Public Service Co. of New Hampshire	0.0%	0.0%	0.0%	0.0%
Western Massachusetts Electric Co.	0.0%	0.0%	0.0%	0.0%
Yankee Gas	2.0%	2.0%	2.0%	2.0%
NSTAR Gas	2.0%	2.0%	2.0%	2.0%

Source: Wolfe Utilities & Power Research

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Exelon Corp. (EXC)

General

1. How does the recent IL legislation impact your businesses?
2. What is the latest on your merchant SpinCo? When will you complete the spin?
3. When will you give a long-term outlook for RemainCo and SpinCo?
4. How would Biden's clean energy plan and tax credits impact your businesses?
5. How have rising natural gas and power prices impacted your businesses?
6. Have you seen inflationary pressures? Are they manageable?

ExGen/SpinCo

7. How will you layout the growth outlook for SpinCo? Will you provide EBITDA guidance? What is a good EBITDA base year?
8. What modeling disclosures will you provide? Will you forecast 3-years out, as you previously did before PJM auctions were put on hold?
9. What is the breakdown of EBITDA by wholesale generation and retail supply? Do you still see $2-4/MWh margin in the retail business?
10. How about nuclear vs nonnuclear EBITDA? How much of your EBITDA comes from ZECs or state support in 2022 or 2023?
11. Have you seen any progress on support for your nuclear plants in other states, like PA?
12. What are the prospects for nuclear PTCs? How much upside do you project if the language in the pending House bill were enacted?
13. When will the next PJM auction occur? Do you see prices going up or down from last June's auction? How does the recent IL law impact your view of the auction?
14. What level of O&M reductions do you project next year and beyond? Do you see potential for consolidation in the merchant space, particularly nuclear operators?
15. How much leverage will SpinCo carry? Do you have a targeted D/EBITDA coverage?
16. Will SpinCo pay a dividend? What's the payout target?

Utilities/RemainCo

17. What is the investment story for RemainCo? What are its ESG credentials?
18. What is your conviction on 6-8% LT EPS growth for RemainCo? What are your payout and dividend growth targets?
19. How much equity does RemainCo need to fund growth? Where do you anticipate FFO/debt?
20. Are there any key rate cases next year? What is the latest on the ComEd franchise agreement with Chicago? Any risk to earnings?

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Exhibit 54: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS (utility/parent only post '21)	$2.89	$2.26	$2.38	$2.52
Consensus EPS	$2.76	$3.33	$3.39	$3.40
Dividends Per Share	$1.53	$1.35	$1.43	$1.51
Payout on Utility net Parent	73%	60%	60%	60%
Equity ratio	45%	35%	35%	35%
FFO/Net Debt	17%	14%	14%	15%
Diluted Shares Outstanding	982	987	993	999
Valuation Metrics				
P/E	19.7x	21.8x	20.7x	19.5x
Dividend Yield	3.1%	2.8%	2.9%	3.1%
Segment EPS - Utility post '21				
Generation	$0.79			
ComEd	0.81	0.87	0.91	0.95
PECO	0.54	0.60	0.64	0.70
BGE	0.41	0.45	0.47	0.50
Pepco	0.60	0.64	0.67	0.72
Parent	(0.26)	(0.29)	(0.32)	(0.34)
Total EPS	**$2.89**	**$2.26**	**$2.38**	**$2.52**
Utility, net Parent EPS	**$2.09**	**$2.26**	**$2.38**	**$2.52**
ExGen Key Stats				
Adjusted EBITDA		$2,479	$2,272	
Mark to Market Adj EBITDA				
Free Cash Flow	1,045	1,359	1,224	
FFO/Net Debt	52%	87%	129%	
Realized ROE by Utility				
ComEd	8.9%	9.0%	9.0%	9.1%
PECO	11.0%	11.0%	11.0%	11.0%
BGE	10.0%	10.0%	10.0%	10.0%
Pepco	9.8%	9.9%	9.9%	9.9%
Average Rate Base ($M)	$45,914	$49,767	$53,153	$56,670

Source: Wolfe Utilities & Power Research

Exhibit 55: Modeling Assumptions

Assumptions - Utility post '21	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
ComEd	$2,400	$2,450	$2,500	$2,325
PECO	1,250	1,275	1,275	1,400
BGE	1,200	1,250	1,225	1,200
Pepco	1,675	1,725	1,700	1,825
Generation (EXC interest)	600			
Nuclear Fuel (EXC interest)	650			
Parent/other	0	0	0	0
Total Capex	**$7,775**	**$6,700**	**$6,700**	**$6,750**
Financings - Utility post '21				
Equity Issued/(Repurchased)	$200	$267	$267	$267
Debt Issued/(Repurchased)	2,475	2,400	2,275	1,850
Midwest % Hedged	**95.5%**	**90.0%**	**60.0%**	
Hedge/Retail Price ($/MWh)	27.00	27.00	27.00	
Wholesale Mkt Price ($/MWh)	30.69	34.56	29.67	
Mid-Atlantic % Hedged	**99.5%**	**90.0%**	**60.0%**	
Hedge/Retail Price ($/MWh)	34.50	34.50	34.50	
Wholesale Mkt Price ($/MWh)	33.38	38.62	33.07	
Power Generated / Purchased (TWh)				
Midwest	97.3	97.3	97.3	
Mid-Atlantic	49.7	49.7	49.7	
ERCOT	20.3	20.3	20.3	
New York	16.4	16.4	16.4	
New England	3.8	4.2	4.2	
Other	6.8	6.8	6.9	
Total	**194.3**	**194.8**	**194.8**	
Capacity Revenue ($M)				
PJM	921	689	520	
Other	112	106	82	
Total	**1,033**	**795**	**602**	
Nuke subsidies ($M)				
IL - Clinton and QC ZECs	235	235	235	
IL - Braidwood, Byron, Dresden	-	(174)	(53)	
NJ	86	86	86	
NY	343	350	377	
Total	**664**	**497**	**645**	

Source: Wolfe Utilities & Power Research

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FirstEnergy (FE)

1. What is the status of all the noise/news around the Ohio investigation in the wake of the DoJ settlement? What litigation still needs to be worked out – shareholders, SEC, FERC, other states? Are you confident at this point that there will be now further separations/terminations of FE employees?
2. How are talks progressing on a comprehensive Ohio rate agreement? Do you believe parties are still willing to work something out? What is the timeline? How should we think about the potential outcomes? How big could refunds and/or rate credits be? What is your current normalized ROE and how much risk is there to it? Is it possible the 2024 rate case filing can be pulled forward?
3. How are you thinking about the Ohio regulatory climate overall? What did you think of the DCR and corporate separation audits? What are the remaining audits and what is the risk there is any issue? What are your thoughts on new PUCO Chair French and where is she focused? What about legislation that is seeking to end ESPs? Is there anything else to monitor at the regulatory or legislative level?
4. How is the asset sale process going and do we still expect an announcement in Q4? How do you weigh your different subsidiaries as candidates? Do you still think 30x P/Es are achievable?
5. How are you thinking about your balance sheet and equity needs going forward? What is your current FFO/Debt and where would you like to be relative to your thresholds? How soon could the rating agencies move you back to investment grade? Should we expect any ongoing equity once beyond the asset sale?
6. When do you expect to file your next rate cases in any other jurisdictions? What is your risk from lower FERC transmission ROEs or removal of the RTO adder? Do you see the opportunity for any large-scale transmission projects long-term?
7. Can you describe the FE Forward initiative? What are the benefits from a cash flow and cost savings perspective? Could this create capex opportunities long-term?
8. Are you seeing any pressures from inflationary costs or rising power/nat gas prices?
9. What do you believe Icahn's intentions are? How has their Board presence helped?
10. Once Ohio is resolved and the asset sale concludes, where are you focused? Would you consider M&A at all? Any other strategic ideas?
11. When can you resume giving a long-term EPS growth rate? What about giving 2022 guidance? When could dividend growth resume?
12. What are you seeing in terms of load growth across your service territories? How are things looking coming out of the peak of COVID?

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Exhibit 56: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$2.52	$2.64	$2.78
Consensus EPS	$2.54	$2.59	$2.70
Dividends Per Share	$1.56	$1.56	$1.56
Dividend Yield	4.2%	4.2%	4.2%
Dividend Payout Ratio	62%	59%	56%
FFO/Net Debt	11%	12%	13%
Diluted Shares Outstanding	545	552	566
Valuation Metrics			
P/E	14.6x	14.0x	13.2x
Price/Book	2.6x	2.3x	2.0x
Segment EPS			
Distribution	2.19	2.22	2.27
Transmission	0.88	0.95	1.02
Parent & Other	(0.55)	(0.53)	(0.51)
Utilities (ex-DMR) Net-Parent	**$2.52**	**$2.64**	**$2.78**
Total EPS	*$2.52*	*$2.64*	*$2.78*

Source: Wolfe Utilities & Power Research

Exhibit 57: Modeling Assumptions

Assumptions	2021E	2022E	2023E
Capex by Segment ($M)			
Ohio Edison	$305	$279	$259
Cleveland Illuminating	$213	$195	$180
Toledo Edison	$72	$66	$61
Met-Ed	$183	$181	$170
Penelec	$168	$167	$156
WestPenn Power	$214	$212	$199
Jersey Central Power & Light	$180	$175	$170
MonPower	$224	$237	$227
Potomac Edison	$126	$133	$128
FE Transmission	$750	$845	$853
Transmission Other	$350	$463	$423
Parent & Other	$90	$65	$55
Total Capex	**$2,875**	**$3,018**	**$2,880**
Financing ($M)			
Total Equity Issued/(Repurchased)	$105	$460	$640
Total Debt Issued/(Repurchased)	($321)	$484	$234
Sales Forecast			
Ohio Distribution	0.0%	0.0%	0.0%
Pennsylvania Distribution	0.4%	0.4%	0.4%
New Jersey Distribution	1.0%	1.0%	1.0%
West Virginia / Maryland Distributior	0.0%	0.0%	0.0%

Source: Wolfe Utilities & Power Research

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NextEra Energy / NextEra Energy Partners (NEE / NEP)

1. The stock is outperforming again after a weak start this year. The main pushback if any is valuation – how do you address NEE premium vs utility peers to a skeptical investor?
2. What is your high level view of the Biden clean energy plan? What are the chances it passes in current form and what provisions are at most risk of change? What do certain provisions mean for your company (PTC/ITC for wind, solar, storage, nuclear, hydrogen, transmission; plus direct pay)? What are the impacts from a higher tax rate, minimum book tax, or higher dividend tax?
3. Do you still have high conviction in hitting the top-end of your 6-8% EPS growth rate through 2023? What are some of the key drivers to the growth trajectory and how does the business mix of utilities and renewables evolve over time?
4. How are you tracking on renewables origination targets? Are you seeing any pressure on returns from increased competition, inflation, or supply chain? Has any of this seen a greater impact within wind versus solar (ie: tariffs and domestic content)? How do solar and wind economics compare right now? How are you seeing PPA demand evolve in the C&I and utility RFP market?
5. Where else are you seeing growth avenues within clean energy – hydrogen, resi solar, community solar, clean tech investing, bitcoin mining? What is the latest on the hydrogen front in particular as you have been talking to that for some time now? How much capital do you expect to deploy in these verticals in the coming years? Still skeptical on offshore wind?
6. What are your thoughts on the impact of EV adoption for the sector? What about electrification in general and how much demand can this add to the sector?
7. Can you walk us through some of the key components of your FP&L rate case settlement? Do you expect any pushback from the FL PSC? Does this change your outlook at the utility business at all? Where do you see rate base growth tracking long-term?
8. How interested are you in pursuing additional regulated M&A? Is there anything else on the table after Santee Cooper again failed to materialize? Where do you see opportunities from growth within your transmission business or potentially building out a water business?
9. What is the current funding strategy and how much capacity do you have on the balance sheet for M&A? What are the preferred ways to use this capacity, and how pressing of a need is it? How much can we expect in terms of equity needs going forward How much can the business mix change and still maintain the same credit thresholds? What are other ways to recycle capital beyond NEP and will this become more prevalent?
10. What is the investment proposition for NEP and why is it still important to NEE? Could the renewables MLP structure provision in the Biden tax bill attracting any new company formation?
11. How are you thinking about the growth opportunities for NEP? How do you balance convertible portfolio financings like the KKR deals last year to fund NEE drop-downs and the Brookfield acquisition this year?
12. Please review why a successful NEP is important for the outlook of NEE. What are the ways in which NEE can support NEP if its cost of capital increases? How long can you continue distribution growth at 15% based on NEE's current backlog?

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Exhibit 58: Financial Summary (NEE)

Financial Summary	2021	2022	2023	2024
EPS	$2.53	$2.70	$2.92	$3.13
Consensus	$2.52	$2.74	$2.94	$3.16
Diluted Shares Outstanding	2,001	2,001	2,001	2,001
Dividends Per Share	$1.54	$1.69	$1.86	$2.05
Dividend Yield	1.9%	2.1%	2.3%	2.5%
Dividend Payout Ratio	61%	63%	64%	65%
Equity Ratio	37%	37%	38%	40%
FFO/Net Debt	21%	21%	20%	20%
Valuation Metrics				
P/E	31.8	29.9	27.6	25.8
EV/EBITDA	18.0	17.0	15.9	14.9
Price/Book	4.7	4.4	4.2	3.6
FCF Yield	0%	-1%	1%	1%
Segment EPS	$1.12	$1.20	$1.31	$1.31
Florida Power & Light	$1.27	$1.36	$1.46	$1.55
NextEra Resources	$1.14	$1.22	$1.33	$1.44
Gulf Power	$0.12	$0.13	$0.14	$0.16
Corporate & Other	($0.00)	($0.01)	($0.01)	($0.02)
Total	**$2.53**	**$2.70**	**$2.92**	**$3.13**

Source: Wolfe Utilities & Power Research

Exhibit 59: Modeling Assumptions (NEE)

	2021	2022	2023	2024
Total Capital Spending by Segment ($M)				
FP&L	5,725	5,725	5,725	5,725
Resources	5,950	6,900	6,900	6,900
Parent	45	45	45	45
Total Capex	**11,720**	**12,670**	**12,670**	**12,670**
Financings ($M)				
Total Equity Issued/(Repurchased)	0	0	0	0
Total Debt Issued/(Repurchased)	1,626	3,538	2,375	2,375
Sales Forecast				
FP&L	1%	1%	1%	1%

Source: Wolfe Utilities & Power Research

Exhibit 60: Financial Summary (NEP)

Financial Summary	2021E	2022E	2023E	2024E
Adjusted EBITDA	$1,446	$1,602	$1,701	$1,847
Consensus EBITDA	$1,644	$1,786	$1,888	
Cash Available for Distribution	$659	$720	$743	$793
Cash Distributed to Common Units	$471	$556	$657	$788
Cash Distributed to GP/IDRs	$128	$154	$185	$225
Coverage Ratio	1.4x	1.3x	1.1x	1.0x
Dividends Per Share	$2.60	$2.99	$3.43	$3.95
Dividend Yield	3.3%	3.8%	4.4%	5.0%
Cash Flow from Operation	$835	$876	$887	$937
Diluted Shares Outstanding	186	187	196	203
Market Capitalization	14,531	14,618	15,369	15,870
Net Debt	$2,026	$975	$1,526	$2,289
Enterprise Value	$16,556	$15,592	$16,895	$18,158
Valuation Metrics				
EV/EBITDA	11.5x	9.7x	9.9x	9.8x
CAFD Yield	4.5%	4.9%	4.8%	5.0%

Source: Wolfe Utilities & Power Research

Exhibit 61: Modeling Assumptions (NEP)

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
Maintenance	$10	$10	$10	$10
Growth	$733	$320	$320	$640
Total Capex	**$743**	**$330**	**$330**	**$650**
Financing ($M)				
Total Equity Issued/(Repurchased)	$50	$100	$100	$100
CEPF Issued less Cash Buyouts	$1,727	$960	($551)	($362)
CEPF Equity Buyouts	$664	$100	$960	$703
Total Debt Issued/(Repurchased)	($13)	($14)	($221)	($716)

Source: Wolfe Utilities & Power Research

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NiSource (NI)

1. Do you expect your 5-7% annual EPS growth (2021-23) to be uniform at the midpoint? On your 7-9% EPS CAGR target (2021-24), how convicted are you in achieving this?
2. You recently stated that you are seeing 10%+ rate base growth at each of your gas LDCs. What type of projects are driving this level of growth? How long do you expect these growth rates to sustain?
3. What is your current view on strategic M&A? Do the recent robust valuation markers impact your thinking at all with respect to potentially selling any of your gas LDCs? What type of criteria do you look at for evaluating asset sales?
4. What will be the timing for when your different renewable projects will go into service? How do you anticipate managing the regulatory lag until you have the projects reflected in rate base?
5. Are you seeing any cost inflation for inputs in your renewable projects? What is the communication like with your developers on these projects – are they all currently on track/budget? What protections do you have in your contracts should something go awry?
6. Can you discuss the process for getting approval of the renewable projects from the IURC? When do you expect to file your next electric rate case at NIPSCO? Any concern about getting full recovery of the renewable investments?
7. What might we expect to see in your preferred IRP plan later this fall? Do you expect to own the next leg of renewable/replacement generation? How likely is it that the Michigan City retirement date will be accelerated?
8. When do you expect to get intervenor testimony in the OH rate case? Do you foresee the ability to settle in OH?
9. Last year you announced a multi-year strategic initiative to improve your cost structure across the company. What specifically do you intend to pursue? What level of O&M are you targeting long-term?
10. How would you describe the company's investment proposition from and ESG perspective? Do you get much pushback having a large portion of earnings coming from gas LDCs? What do you think is the right earnings mix long-term between gas and electric?
11. How do you see hydrogen playing a role in the sector long-term? Are there opportunities to use your existing LDC infrastructure for hydrogen or renewable natural gas? Are you working on any pilot programs?
12. What do you see as the biggest benefit for NI from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?

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Exhibit 62: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$1.34	$1.41	$1.51	$1.70
Diluted Shares Outstanding	415	443	451	477
Dividends Per Share	$0.89	$0.94	$1.00	$1.06
Dividend Yield	3.7%	3.9%	4.2%	4.4%
Dividend Payout Ratio	67%	67%	66%	62%
Equity Ratio	38%	38%	36%	36%
FFO/Net Debt	15%	15%	14%	15%
Valuation Metrics				
P/E	18.0x	17.0x	15.9x	14.1x
Price/Book	1.9x	1.8x	1.7x	1.8x
EV/rate base	1.3x	1.3x	1.2x	1.2x
Segment EPS				
Gas Distribution	$1.08	$1.12	$1.21	$1.26
NIPSCO Electric	0.54	0.55	0.60	0.72
Parent & Other	(0.29)	(0.27)	(0.30)	(0.29)
Total EPS	**$1.34**	**$1.41**	**$1.51**	**$1.70**

Source: Wolfe Utilities & Power Research

Exhibit 63: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Capital Spending by Segment ($M)				
Gas Distribution	$1,385	$1,435	$1,535	$1,535
Electric	590	1,090	1,940	490
Parent	25	25	25	25
Total Capex	**$2,000**	**$2,550**	**$3,500**	**$2,050**
Financings ($M)				
Total Equity Issued/(Repurchased)	$290	$290	$115	$40
Total Hybrids Issued/(Repurchased)	$863	$0	$863	$0
Total Debt Issued/(Repurchased)	$0	$650	$1,650	$400

Source: Wolfe Utilities & Power Research

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NRG Energy (NRG)

1. How is integration going on Direct Energy? Are there any areas that have been surprising and are you seeing any further opportunities to leverage the broader platform?
2. What is the company's exposure to higher power prices in 2022? Should we expect pressure on retail margins or are you comfortable fully passing through higher supply costs? Does Direct Energy benefit from higher gas prices and volatility?
3. How has the retail market in Texas evolved after winter storm Uri? Are you seeing changes in competitive behavior and pricing of risk in the market?
4. What potential market reforms are you focused on in Texas that could have implications for the business and strategy?
5. How is the broadening of the consumer strategy progressing? Where are you seeing success in cross-selling? How is customer count trending? Where have you seen challenges in expanding your business with customers?
6. How are efforts going to broaden the investor base and appeal to consumer focused investors? What types of disclosures do you think you need to provide to help you in this effort?
7. How are you thinking about capital allocation in 2022? Are you seeing many opportunities to invest in growth, or is it more likely most FCF is used for buybacks?
8. What is the latest timing for receiving offset money from winter storm Uri? Are you optimistic you will be successful in getting incremental recoveries (i.e., heat rate call option dispute, other issues)?
9. What's the latest outlook for the PJM coal plants? Are the retirements still on track or could you extend operations given higher gas and power prices? Are there any opportunities to take advantage of the sites in Illinois for solar development?
10. How is construction progressing on the solar projects the company has PPA contracts with? How many new contracts for solar supply would you look to add each year?

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Exhibit 64: Financial Summary

	2020A	2021E	2022E	2023E
EBITDA Estimates - Wolfe	$2,004	$1,900	$2,340	$2,400
EBITDA - Mark-to-market	N/A	N/A	2,478	2,504
Consensus EBITDA	N/A	1,948	2,442	2,529
Free Cash Flow (Wolfe basis)	$1,678	$938	$1,594	$1,653
Shares Outstanding	244	243	212	183
Market Capitalization	$10,497	$10,430	$9,109	$7,853
Net Debt	$4,768	$7,165	$7,266	$7,287
Enterprise Value	$15,265	$17,595	$16,375	$15,140
Valuation Metrics				
EV/EBITDA	7.6x	9.3x	7.0x	6.3x
FCF Yield	15.9%	8.8%	16.0%	19.1%
Dividend Yield	2.8%	3.0%	3.3%	3.5%
Credit Metrics				
Net Debt / EBITDA (GAAP)	2.4x	3.8x	3.1x	3.0x
Net Debt / EBITDA (NRG basis)	2.2x	3.5x	2.9x	2.9x

Source: Wolfe Utilities & Power Research

Exhibit 65: Modeling Assumptions

Segment EBITDA	2020E	2021E	2022E	2023E
Retail	$1,000	$993	$1,650	$1,825
Generation	1,008	921	704	590
Corporate	(4)	(15)	(14)	(15)
Adj. EBITDA	**$2,004**	**$1,900**	**$2,340**	**$2,400**
		1948	2442	2529
Capital Allocation ($M)	2020A	2021E	2022E	2023E
Maintenance Capex	156	190	200	200
Environmental Capex	3	10	10	10
Growth Capex, net	-	-	-	-
Total Capital Spending	**159**	**200**	**210**	**210**
Share Repurchases	228	100	1,300	1,300
Debt Issuance / Repayment	2,816	(755)	-	-
Commodity / Retail Prices	2020E	2021E	2022E	2023E
NYMEX Natural Gas ($/MMBtu)	$2.00	$2.77	$3.20	$2.81
ERCOT-Hou ATC Power ($/MWI	20.85	29.61	39.14	33.32
Retail Margin ($/MWh)	26.00	18.45	25.71	26.31
Generation by Region (TWh)	2020E	2021E	2022E	2023E
Gulf Coast	36.9	35.6	35.6	35.3
East / West	8.6	8.3	4.3	3.4
Renewables	1.4	1.1	1.1	1.1
Total Generation	**46.9**	**45.0**	**41.0**	**39.8**

Source: Wolfe Utilities & Power Research

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OGE Energy (OGE)

1. What upsides/downsides do you see to your 5% EPS growth target for OG&E?
2. You pointed to the lower half of your 2021 utility guidance range earlier this year. Can you talk about some of the puts and takes baked into that expectation? What could help you get back toward the midpoint or higher?
3. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
4. Rate base growth is a more modest than the sector average, but you have recently hinted at incremental capex being added in the future - when will you refresh your capital plan next?
5. Since the ET/ENBL transaction was announced, ET's unit price is up about 30% – does that impact the timing of your exit from midstream? How should we think about use of proceeds?
6. How much tax leakage do you anticipate when you eventually sell your ET/ENBL units? Are there any strategies that you are working on to minimize the tax bill?
7. What do you see as the biggest benefit for OGE from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
8. When do you anticipate filing your next rate case in Oklahoma? Should we expect the case to be fairly straight forward?
9. Securitization legislation was recently passed in Oklahoma to help deal with Winter Storm Uri costs. Can you talk about the steps from here and when you expect to receive the proceeds from the bonds?
10. You recently filed a draft IRP in OK and AR. Can you discuss the planned retirements and expected replacement capacity? How much of the replacement capacity do you expect to own in rate base?
11. How would you characterize the current regulatory environment in Oklahoma? Do you have the ability to earn your authorized 9.50% ROE?
12. What is your expectation for long-term load growth in your service territories? What does this translate to on a revenue or EPS basis?
13. What is your L-T dividend growth guidance? Do you have a targeted payout ratio? How might your thinking evolve here once you exit midstream?
14. Do you have any equity needs in the foreseeable future? Once you exit midstream, what credit metrics will you target?
15. What is your current view on M&A? Would you consider expanding OGE's utility footprint into any other states?

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Exhibit 66: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.30	$2.14	$2.25	$2.34
Consensus	$2.22	$2.16	$2.23	$2.34
Diluted Shares Outstanding	200	200	200	200
Dividends Per Share	$1.60	$1.63	$1.66	$1.69
Dividend Yield	4.7%	4.8%	4.9%	5.0%
Dividend Payout Ratio	70%	76%	74%	72%
Equity Ratio	44%	48%	47%	46%
FFO/Net Debt	17%	20%	19%	19%
Valuation Metrics				
P/E	14.7x	15.8x	15.0x	14.4x
P/E (utility only)	18.9x	17.5x	16.6x	15.9x
Price/Book	1.8x	1.7x	1.7x	1.6x
Segment EPS				
OG&E	$1.78	$1.92	$2.04	$2.14
Midstream	0.51	0.22	0.22	0.22
Parent & Other	0.00	(0.01)	(0.01)	(0.02)
Total EPS	**$2.30**	**$2.14**	**$2.25**	**$2.34**
OG&E				
Realized W/A ROE	9.2%	9.4%	9.5%	9.5%
Average rate base	$7,296	$7,724	$8,090	$8,496

Source: Wolfe Utilities & Power Research

Exhibit 67: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Spending by Segment ($M)				
Transmission	$150	$110	$115	$105
Distribution	300	310	285	320
Generation	105	85	125	125
Reliability and resiliency	295	280	285	285
Total Capex	**$850**	**$785**	**$810**	**$835**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$1,300	($650)	$260	$280
OG&E Sales Forecast				
Residential	(0.9%)	1.0%	1.0%	1.0%
Commercial	5.1%	1.0%	1.0%	1.0%
Industrial	3.7%	1.0%	1.0%	1.0%
Oilfield	0.2%	1.0%	1.0%	1.0%
Public Authorities and other	9.0%	1.0%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

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PG&E Corp (PCG)

1. What is the investment case for PCG stock? Why do you believe the stock continues to trade at the deepest discount to utility peers? What can you do to lift the price?
2. What are the risks to your 10% EPS CAGR through 2024? What are you projected equity needs?
3. How has new management acclimated to their roles this year? What have been your early accomplishments? How have regulators and policymakers responded?
4. What is the latest on the Dixie Fire? What was your role and what evidence suggests you were prudent? What is the risk from here? Have costs exceeded the ~$1B threshold under AB 1054?
5. How have you improved your PSPS program? What are the fast-trips that you have executed? What has been the pushback?
6. What is the latest on your Wildfire Mitigation Plan? When do you expect to get a decision on your next wildfire safety certificate?
7. What has been the feedback to your 10k miles of undergrounding proposal? When will you provide more detail and provide a dollar amount? Is $2M/mile a reasonable estimate? How will you fund the undergrounding?
8. What are your thoughts on the AB 1054 Wildfire Fund and liability cap? Is there anything you can do to provide better conviction to investors this model will work?
9. What is the latest on the 2019 Kincade and 2020 Zogg fires? What is the risk from criminal charges in both fires? Why are you confident no law was violated?
10. What is the latest on the six-step enhanced oversight and enforcement process under PCG's plan of reorganization? What is the risk you are moved to step 2 from step 1?
11. What do you expect from the off-cycle Cost of Capital filing? What are the next steps? What is the impact of a ROE cut from the CoC mechanism being triggered for 2022?
12. How is your relationship overall with the CPUC?
13. What do you expect the FV Trust will do with its 24% of the stocks outstanding? Do you have strategies to deal with this stock overhang?
14. Do you see any investment opportunities to address the reliability issues in the state?
15. What are the L-T opportunities in CA generally, such as EVs, electrification, batteries, grid hardening?
16. What do you expect from NEM 3.0? Do you view resi solar as a threat or an opportunity? Would you partner with solar/storage developers?
17. What is the latest in your FERC transmission business? What is the risk to earnings if FERC cuts incentives? What portion of your overall rate base is transmission?
18. Given your Gas LDC and GT&S businesses are over 25% of total rate base, do you have an opinion on the ESG debate over gas? How does gas fit into your LT strategy?
19. When can you resume paying the dividend? Do you need any regulatory or legal approval before resumption?
20. When do you expect the stock to join the S&P 500 Index? Will the 3Q21 charge related to the grantor trust impact the timing of joining the index?

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Exhibit 68: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
Operating EPS	$1.01	$1.08	$1.18	$1.30
Consensus	$1.01	$1.10	$1.23	$1.32
Diluted Shares Outstanding	2,135	2,141	2,141	2,141
Dividends Per Share	$0.00	$0.00	$0.00	$0.39
Dividend Yield	0.0%	0.0%	0.0%	3.9%
Dividend Payout Ratio	0%	0%	0%	30%
Equity Ratio	38%	39%	41%	42%
FFO/Total Debt	4%	14%	16%	18%
Cash on hand ($millions)	$1,594	$1,095	$1,250	$466
Valuation Metrics				
P/E	9.9x	9.2x	8.4x	7.7x
Price/Book	0.9x	0.9x	0.8x	0.7x
Segment EPS				
Utility	$1.04	$1.10	$1.20	$1.31
Parent	(0.03)	(0.03)	(0.02)	(0.02)
Total	**$1.01**	**$1.08**	**$1.18**	**$1.30**
Utility				
Realized ROE ex safety spend	9.0%	9.1%	8.5%	8.7%
Avg Rate Base ex safety spend	$47,182	$49,421	$57,798	$62,004

Source: Wolfe Utilities & Power Research

Exhibit 69: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
Electric Distrn (incl wildfire)	$3,800	$3,700	$4,200	$3,900
Gas Distribution	1,100	1,100	1,200	1,200
Generation	300	300	300	200
Common Plant	700	800	800	800
Electric Transmission	1,400	1,600	1,600	1,600
Cornerstone	0	0	0	0
Other	0	0	0	0
Total Capex	**$8,000**	**$8,300**	**$9,000**	**$8,600**
Financings ($M)				
Equity Issued/(Repurchased)	$200	$0	$0	$0
Debt Issued/(Repurchased)	(1,485)	1,370	1,671	419
Wildfire legislation				
Annual mandated safety spend	$1,300	$900	$0	$0
Fund contributions	(193)	(193)	(193)	(193)
Sales Forecast				
Electric Customer Growth	0.0%	0.0%	0.0%	0.0%
Gas Customer Growth	1.8%	1.8%	1.8%	1.8%

Source: Wolfe Utilities & Power Research

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Portland General Electric (POR)

1. At Q2 you raised your FY21 guidance – do you still feel confident in being able to achieve your revised guidance range? How have the elevated gas and power prices impacted your power cost adjustment mechanism (PCAM) since Q2?
2. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
3. You have pointed to a 4-6% L-T EPS growth target off a 2019 base – what are upsides or downsides to that target? Any capex upside opportunities in the outer years of your plan?
4. There has been a good amount of damage done to your system recently from extreme weather events. Can you talk about what investments are you making to harden your system? Do you see elevated risk from these types of events going forward?
5. Can you discuss your recent IRP action plan? When do you expect to launch RFPs for the renewable and firm capacity needs? Any indication of what will be utility-owned vs PPAs?
6. Can you talk about your Green Future Impact program? Recently the OPUC issued an order to expand the program by 200 MW – what is the possibility of POR being able to build and own a portion of those renewable resources? Are these incremental to what you will procure in the RFP?
7. What is your latest with respect to your pending rate case in Oregon? When should we expect to see intervenor testimony? How do you feel about being able to reach a settlement?
8. What do you see as the biggest benefit for POR from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
9. The Commodity Futures Trading Commission (CFTC) and Division of Enforcement at the SEC opened an investigation into the company for the 2020 energy trading losses. Can you talk about a likely timeline for the investigation and any potential outcomes? Any other outstanding legal items related to the trading losses?
10. What steps can you take, or have you taken to reduce the earnings volatility of the company? Has there been discussions to replace the Power Cost Adjustment Mechanism (PCAM) with the OPUC?
11. You have historically guided to 70-80bps of structural regulatory lag – is there anything that can be done to close that gap?
12. What is your guidance for O&M going forward? Do you have the opportunity to meaningfully cut costs in order to offset some of the company's structural lag?

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Exhibit 70: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.78	$2.79	$2.88	$2.94
Diluted Shares Outstanding	90	90	90	90
Dividends Per Share	$1.70	$1.79	$1.89	$1.99
Dividend Yield	3.5%	3.7%	3.9%	4.1%
Dividend Payout Ratio	63%	64%	66%	68%
Equity Ratio	46%	47%	47%	47%
FFO/Net Debt	18%	21%	20%	20%
Valuation Metrics				
P/E	17.4x	17.3x	16.8x	16.4x
Price/Book	1.6x	1.6x	1.5x	1.5x
Realized ROE	8.8%	8.7%	8.8%	8.8%
Average Rate Base ($M)	$5,490	$5,706	$5,843	$5,976

Source: Wolfe Utilities & Power Research

Exhibit 71: Modeling Assumptions

	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Hydro Relicensing	$0	$0	$0	$0
Ongoing capital expenditures	585	550	550	550
Other IRP Renewable Investments	15	0	0	0
Operations Center	100	0	0	0
Total Capex	**$700**	**$550**	**$550**	**$550**
Financings ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$140	$0	$0	$0
Sales Forecast				
POR	1.3%	1.0%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

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PPL Corp. (PPL)

1. What EPS growth do you project for pro forma PPL? Off what base EPS? What are the drivers?
2. What level of earnings do you project for your legacy KY/PA utilities and NEC? How should we view the growth/decline of your parent drag?
3. What attracted you to NEC? When do you expect a decision from RI regulators? What have intervenors said?
4. How are you tracking on your $500M share buyback program by YE21?
5. What are your plans for the $2.5-3.0B of net proceeds scheduled for buybacks? Do you see additional opportunities in expanding/acquiring US utilities and renewables?
6. Why are you targeting a 16-18% FFO-to-debt?
7. When do you expect to cut the dividend? What is your pro forma dividend policy? What payout target do you envision?
8. What portion of pro forma rate base is coal? What is your fleet transition strategy? How do you expect to achieve that? Is there an active or upcoming proceeding that will inform your plans?
9. What is your fleet transition strategy in KY? How would Biden's clean energy plan and tax credits impact fleet transition?
10. What is the impact to your earnings/cash outlook if natural gas and purchased power prices rise?
11. How about inflationary pressure? Do you see it as manageable?
12. What is your rate case schedule in PA? What are your earned returns?
13. With your ROE challenge at FERC complete, what level of earnings do you project at PA transmission?

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Exhibit 72: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$1.96	$1.68	$1.83
Consensus EPS	1.21	1.65	1.84
Dividends Per Share	1.66	1.05	1.14
Dividend Yield	5.8%	3.7%	4.0%
Dividend Payout Ratio	85%	63%	63%
Diluted Shares Outstanding	767	711	669
FFO/Net Debt	11%	16%	16%
Valuation Metrics			
P/E	14.5x	16.9x	15.5x
Segment EPS	**2021E**	**2022E**	**2023E**
Kentucky		$0.74	$0.80
Narragansett (RI)		0.22	0.25
Pennsylvania		0.74	0.81
Parent & Other		(0.03)	(0.03)
Total EPS		**$1.68**	**$1.83**

Source: Wolfe Utilities & Power Research

Exhibit 73: Modeling Assumptions

Capex Assumptions	2021E	2022E	2023E
Kentucky	$1,200	$800	$800
Narragansett (RI)	252	275	299
Pennsylvania	900	800	600
Parent & Other	0	0	0
Total Capex	**$2,352**	**$1,875**	**$1,699**
Regulated Utility Assumptions			
Kentucky Regulated:			
Total Average Rate Base	$11,094	$11,403	$11,456
Equity Ratio	53.0%	53.0%	53.0%
Earned ROE	8.3%	9.3%	9.3%
Pennsylvania Regulated:			
Total Average Rate Base	$9,318	$9,636	$9,823
Transmission ROE	10.70%	10.73%	10.77%
Distribution ROE	9.3%	9.0%	9.0%
Narragansett Regulated:			
Total Average Rate Base	$3,052	$3,327	$3,626
Equity Ratio	51%	51%	51%
Earned ROE	10.1%	9.6%	9.6%
Hedges on UK			
Hedged GBP-USD price	$1.32	NA	NA
% hedged	8%	0%	0%
Assumed market price	$1.40	$1.40	$1.40

Source: Wolfe Utilities & Power Research

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PSEG (PEG)

1. What are some of the key messages from your Analyst Day earlier this week? What do you think investors are missing about the PEG story?
2. How do you think about the ESG and renewables positioning of the new PSEG? Have you started to see new interest from investors that had not owned PEG in the past given your pivot toward being primarily regulated and out of fossil merchant generation?
3. How much visibility do you have on your long-term utility capex programs? Which ones will need to come up for renewal/extension? Are there any more clean energy spend programs still to come? How long can your current rate base growth trajectory continue? Any reason utility earnings won't track that?
4. When will the fossil sale close? Any expected issues with approvals?
5. What is your vision for the future of your nuclear fleet? Do you think the PTCs in the Democrat bill will hold up and how would these financially impact your plants given the NJ ZEC structure? What solutions can you pursue at the state level beyond the current 3-year ZEC program? Do you see yourself as the long-term owner of these assets?
6. What are your target credit metrics and how much cushion do you have versus thresholds? Were you surprised Moody's didn't lower your FFO/Debt target post-fossil sale? Can anything be done to lower this or is it possible this moves higher as you do more offshore wind? Now that you paid down debt at Power, do you anticipate re-levering there or at the parent at some point? How do you plan to fund offshore wind growth? How long can you go without issuing equity?
7. What is your view on the overall regulatory climate in New Jersey and the BPU? When do you expect to file your next PSE&G rate case in New Jersey?
8. What are your thoughts on the FERC NOPR regarding transmission ROE adders and the supplemental NOPR on removing RTO adders? What is your exposure to this and where do you think this ultimately settles out? Do you see any opportunities for large-scale projects in PJM?
9. How big is the investment opportunity for offshore wind-related transmission? How competitive do you envision the New Jersey solicitation process being? What type of returns do you expect? When will we know more?
10. What does the BOEM approval process look like for Ocean Wind? How are you thinking about returns targets and earnings contribution from the project? What does the opportunity set look like for future offshore wind bids? Are you concerned at all about the long-term impact this will have on customer rates and the PJM capacity market?
11. Where do you see the future of the PJM auction given all the delays and rule changes?
12. Where do we stand with respect to PSEG-LI in the aftermath of Hurricane Isaias? How do plan to regain some trust following the backlash faced on Long Island?
13. Are you seeing any pressures from rising inflation and power / natural gas costs?
14. What are your thoughts on M&A?

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Exhibit 74: Financial Summary

Financial Summary	2021E	2022E	2023E
EPS	$3.58	$3.38	$3.54
Mark to Market EPS	$3.64	$3.39	$3.65
Consensus EPS	$3.55	$3.46	$3.60
Dividends Per Share	$2.04	$2.12	$2.20
Dividend Payout Ratio	57%	63%	62%
FFO/Debt	20%	21%	22%
Diluted Shares Outstanding	507	507	508
Valuation Metrics			
P/E	16.9x	18.0x	17.2x
EV/EBITDA	11.9x	12.4x	12.2x
Dividend Yield	3.4%	3.5%	3.6%
FCF Yield	0.8%	(0.2%)	(0.4%)
Segment EPS			
PSE&G	$2.87	$3.00	$3.19
PSEG Power	$0.74	$0.44	$0.41
PSEG Holdings/Parent	($0.02)	($0.06)	($0.07)
Total EPS	**$3.58**	**$3.38**	**$3.54**

Source: Wolfe Utilities & Power Research

Exhibit 75: Modeling Assumptions

Assumptions	2021E	2022E	2023E
Segment Capex($M)			
PSE&G	$2,725	$2,925	$3,085
PSEG Power	320	320	322
Parent & Holdings	25	30	25
Total Capex	**$3,070**	**$3,275**	**$3,432**
Financings ($M)			
Equity Issued/(Repurchased)	-	-	-
Debt Issued/(Repurchased)	$800	($1,235)	$990
Sales Forecast			
PSE&G Electric	0.0%	0.0%	0.0%

Source: Wolfe Utilities & Power Research

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Southern Company (SO)

General

1. What are the drivers of your 5-7% LT EPS growth target? What is the shape of that growth both during Vogtle construction and post completion?
2. What is the breakdown of EPS growth by segment (electric utility, gas LDC, midstream, Southern Power)?
3. What level of electric rate base growth through 2025 do you project across your states? What are the drivers?
4. Do you expect to earn your allowed ROEs in your electric utilities? Can you earn above the allowed in any states?
5. What is your fleet transition strategy? What should we expect from your ELG filing next month and the Georgia Power IRP filing in Jan?
6. What do you expect from the Georgia Power rate case next year?
7. How are sales tracking given the in-migration growth in the Southeast?
8. How would Biden's clean energy plan and tax credits impact fleet transition?
9. What level of growth do you project for your Southern Company Gas unit? Can you earn your allowed ROEs at the LDCs?
10. What is the impact to your earnings/cash outlook if natural gas and power prices rise?
11. Are you seeing inflationary pressures? Do you view it as manageable?
12. Do you see more corporate level M&A in the regulated space? What is SO's strategy? What is the latest plan for Southern Power?

Vogtle

13. What is the latest on Vogtle? When do you expect to start and finish fuel load?
14. When do you anticipate Unit 3 to be online? How about Unit 4?
15. What do you expect from the GA PSC Staff next VCM testimony?
16. What happens if there are further delays or cost overruns? What delays/overruns are embedded in your EPS outlook?
17. When is prudency determined? What is the risk of disallowances? Vogtle 3 and 4 would represent how much of GA Power rate base when complete?
18. How do you view the GA PSC? Do expect continued support from all commissioners? Will the current five commissioners hear the Vogtle 3 prudency review?
19. As Vogtle comes online and generates cash, will dividend growth rise faster than $0.08/yr? What would be your payout target?
20. How much incremental free cash flow do you project once Unit 3 is online? And then Unit 4?

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Exhibit 76: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$3.36	$3.48	$3.76	$4.10
Diluted Shares Outstanding	1,060	1,078	1,096	1,096
Dividends Per Share	$2.64	$2.72	$2.80	$2.88
Dividend Yield	4.2%	4.3%	4.4%	4.6%
Dividend Payout Ratio	78%	78%	74%	70%
Equity Ratio	34%	34%	34%	35%
FFO/Net Debt (unadjusted)	17%	17%	17%	15%
Valuation Metrics				
P/E	18.8x	18.1x	16.8x	15.4x
Price/Book	2.3x	2.3x	2.2x	2.1x
Segment EPS				
Alabama Power	$1.17	$1.21	$1.24	$1.31
Georgia Power	1.76	1.81	1.99	2.18
Mississippi Power	0.15	0.15	0.16	0.16
Southern Power	0.21	0.22	0.24	0.25
Southern Company Gas	0.55	0.59	0.63	0.70
Parent/Other	(0.48)	(0.50)	(0.50)	(0.50)
Total EPS	**$3.36**	**$3.48**	**$3.76**	**$4.10**
Average Rate Base ($M)	$63,133	$67,270	$71,549	$75,841
Earned Return	11.3%	11.1%	10.8%	11.0%
Realized ROE by Utility				
Alabama Power	11.6%	11.4%	11.3%	11.3%
Georgia Power	10.9%	10.6%	11.2%	11.6%
Mississippi Power	8.7%	8.7%	8.7%	8.7%
Southern Company Gas	10.1%	9.9%	9.8%	9.8%

Source: Wolfe Utilities & Power Research

Exhibit 77: Modeling Assumptions

Model Assumptions	2021E	2022E	2023E	2024E
Total Capital Spending ($M)				
Alabama Power	$2,100	$2,100	$2,100	$2,000
Georgia Power	4,000	3,400	3,600	3,600
Mississippi Power	300	300	300	300
Southern Company Gas	0	0	0	0
Other	100	0	0	0
Southern Power	700	200	200	100
Total Capex	**$7,200**	**$6,000**	**$6,200**	**$6,000**
Financings ($M)				
Total Equity Issued/(Repurchased)	$200	$0	$0	$0
Total Debt Issued/(Repurchased)	3,196	1,684	1,332	2,100
Sales Forecast				
Alabama Power	2.8%	0.0%	0.5%	0.5%
Georgia Power	2.8%	0.0%	0.5%	0.5%
Gulf Power	2.8%	0.0%	0.5%	0.5%
Mississippi Power	2.8%	0.0%	0.5%	0.5%
Southern Company Gas	1.0%	1.0%	1.0%	1.0%

Source: Wolfe Utilities & Power Research

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Vistra Energy (VST)

1. What impacts are you seeing from some of the recent market conditions, particular the spike in natural gas? Does this have any long-term implications are the company or change your point of view on commodities at all?
2. How did Texas summer go for your business? Why do you think there was minimal volatility and no peak demand record – just weather? Did you notice any changes in reliability since Uri?
3. What is your view on the ERCOT market overall? What were some of the biggest changes made at the legislature post-Uri? What still needs to be done? Where do you think the rhetoric goes around incenting dispatchable generation and allocating costs to renewables? What do you see the long-term impact on the market being from the proliferation of solar/storage?
4. What is the latest on your renewables funding strategy and when can we expect an update? What is the latest on the Moss Landing battery issue? What opportunities are you seeing from the Illinois coal-to-solar legislation? Are you still planning to buildout ERCOT renewables primarily as merchant or can you find PPAs with your retail business or other parties?
5. Are you concerned at all about the future of capacity markets in PJM and New England? How do you see this ultimately playing out?
6. How do you feel about your retail/wholesale business mix overall and where would you like this to go? How do you envision your generation fleet changing over time?
7. What is your pitch to ESG investors? What is the long-term opportunity from electrification and how does VST fit into that? What is your view on resi solar and EVs?
8. When can we learn more on your latest capital allocation strategy? How much room for buybacks do you think can be created? Are you still targeting investment grade and how much debt paydown will be needed if your EBITDA declines along with power forwards?
9. What opportunities are you seeing for retail acquisitions? Is it possible to grow this business without M&A?
10. What is the long-term risk for outside involvement in the electric sector – either big oil building renewables at low returns or someone trying to encroach in the retail space? What about Tesla building a presence in Texas?
11. What are the key competitive advantages of your retail business relative to peers? What are your expectations for margins and customer retention over the next several years?
12. What are the implications for VST from the Biden clean energy plan? Tax incentives and CEPP?
13. What would it take for VST to consider taking the company private if public market valuations don't improve?

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Exhibit 78: Financial Summary

Financial Summary	2020A	2021E	2022E	2023E
Wolfe Research Adj. EBITDA	$3,766	$1,643	$3,444	$3,077
MTM EBITDA	3,766	N/A	3,582	3,301
Consensus EBITDA		1,665	3,347	3,211
Free Cash Flow	2,436	395	2,240	1,886
Diluted Shares Outstanding	491	486	469	440
Market Capitalization	8,624	8,540	8,243	7,733
Net Debt	8,905	9,354	8,931	8,913
Enterprise Value	17,529	17,895	17,173	16,646
Valuation Metrics				
EV/EBITDA	4.7x	10.9x	5.0x	5.4x
FCF Yield	28.2%	4.6%	27.2%	24.4%
FCF/share	$4.96	$0.81	$4.77	$4.28
Segment EBITDA	**2020A**	**2021E**	**2022E**	**2023E**
Retail (TXU)	$949	$596	$981	$1,018
Luminant / ERCOT	$1,579	$78	$1,519	$1,255
PJM	$742	$670	$599	$454
New England / New York	$255	$177	$174	$218
MISO / IPH	$70	$49	$43	$19
CA / Corporate / Other	$25	$74	$128	$113
EBITDA	**$3,620**	**$1,643**	**$3,444**	**$3,077**

Source: Wolfe Utilities & Power Research

Exhibit 79: Modeling Assumptions

Capital Spending ($M)	2020A	2021E	2022E	2023E
Maintenance	$591	$511	$486	$486
Environmental	73	73	73	73
Nuclear Fuel	83	108	89	83
Growth	377	428	760	760
Total Capital Spending	**$1,124**	**$1,120**	**$1,408**	**$1,402**
Share Repurchases ($M)	**$0**	**$125**	**$700**	**$750**
Debt Issuance ($M)	**$0**	**$3,176**	**($2,845)**	**($295)**
Dividend Payment ($M)	**$266**	**$292**	**$357**	**$358**
Overall Hedge Profile	98%	88%	75%	24%
Commodity Prices	**2020A**	**2021E**	**2022E**	**2023E**
NYMEX Natural Gas	$2.00	$2.77	$3.20	$2.81
Houston Ship Channel Gas	$1.95	$2.72	$3.15	$2.76
PJM West ATC Power	$19.81	$26.75	$31.62	$29.29
ERCOT North ATC Power	$19.53	$27.75	$36.01	$30.80
PJM Spark Spread	$10.49	$10.49	$13.26	$13.41
ERCOT Spark Spread	$11.94	$14.91	$21.40	$17.15
NE/NY Spark Spread	$10.81	$10.70	$13.86	$15.17
Generation Volume (TWh)	**2020A**	**2021E**	**2022E**	**2023E**
Luminant / ERCOT	83.1	84.5	85.9	86.2
PJM	52.9	52.0	46.9	43.0
New England / New York	19.0	16.3	16.3	16.3
MISO / IPH	11.7	11.5	11.3	5.6
California	1.8	1.8	1.8	1.8
Total Generation	**168.5**	**166.1**	**162.1**	**153.0**

Source: Wolfe Utilities & Power Research

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WEC Energy Group (WEC)

1. You are already off to a strong start in 2021 – what drove the guidance raise? You also indicated a strong bias to the upper-half of your 5-7% earnings growth target long-term – what is driving this?
2. You typically update your capex plan at EEI. What should we expect this time? In what spend categories are you seeing more opportunities?
3. How do you expect to handle the fleet transition from a regulatory perspective – what sort of approvals are needed? Do you envision securitization coming into play for the coal retirements? What sort of impact does this plan have on rates? What is the opportunity for fuel and O&M savings as an offset?
4. Are you still thinking about converting Power the Future coal plants to gas? What would the cost and regulatory process be? Does the recent spike in gas prices give you any pause? How much coal are you left with after the 1.4 GWs of announced retirements within your current plan?
5. How are you thinking about the implications of the Biden clean energy tax credits and the CEPP? What about the impact of higher rates and/or inflation?
6. How do you view the gas LDC business long-term? Do you see any risks and/or political pressures?
7. WEC has a long track record of reducing O&M costs. How much more room is there to run on this trajectory? What are the key drivers behind the cost cutting? What are you seeing in terms of customer rate impact from high power and nat gas prices? How will this impact your fuel band?
8. Do you see any lingering impacts from COVID19 on sales growth? What is your long-term sales outlook? How does Foxconn and other economic development in the state factor into this?
9. What enabled you to reach a rate case stay-out agreement in Wisconsin? What will be some of the key components of the case when you file next year?
10. What is your view of the WI PSC? Are you concerned at all about having enough rate headroom in the future?
11. What is the latest on the System Modernization Program in Illinois? Is there a risk to formulaic rates and riders in future legislation? What would the regulatory process look like otherwise?
12. Can you talk a little bit more about the non-utility energy infrastructure portion of your capital plan? It seems you are once again tracking well within the five-year plan – how big do you envision this business becoming? What sort of returns are you targeting? When do you become a cash taxpayer based on the current plan?
13. Where do you see the future of ATC? What are your thoughts on the latest transmission ROE notice of proposed rulemaking from FERC? What potential opportunities are you seeing from the MISO process?
14. What are you latest thoughts on M&A? Your stock continues to trade at one of the highest multiples in the sector – aren't you tempted to use this currency? What would be the key drivers for seeking additional growth through M&A?

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Exhibit 80: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$4.05	$4.29	$4.57	$4.86
Consensus EPS	$4.05	$4.30	$4.57	$4.88
Dividends Per Share	$2.71	$2.90	$3.10	$3.32
Dividend Yield	3.0%	3.2%	3.4%	3.7%
Dividend Payout Ratio	67%	68%	68%	68%
FFO/Net Debt	15%	14%	14%	14%
Diluted Shares Outstanding	317	317	317	317
Valuation Metrics				
P/E	22.2x	21.0x	19.7x	18.5x
Price/Book	2.6x	2.5x	2.4x	2.3x
Segment EPS				
WEPCO	1.33	1.38	1.48	1.60
WI Gas	0.24	0.27	0.30	0.32
ATC	0.45	0.49	0.52	0.56
Non-Utility	1.03	1.09	1.17	1.21
WPS (Gas/Electric)	0.73	0.78	0.81	0.85
PGL (Gas)	0.52	0.57	0.61	0.65
NSG (Gas)	0.05	0.06	0.07	0.07
Parent & Other	(0.32)	(0.36)	(0.38)	(0.40)
Total EPS	**$4.05**	**$4.29**	**$4.57**	**$4.86**

Source: Wolfe Utilities & Power Research

Exhibit 81: Modeling Assumptions

Assumptions	2021E	2022E	2023E	2024E
Capex by Segment ($M)				
WEPCO	$934	$1,032	$1,375	$1,375
WI Gas	$234	$256	$234	$234
ATC	$258	$289	$253	$253
Non-Utility	$640	$505	$434	$305
WPS (Gas/Electric)	$579	$538	$444	$444
PGL (Gas)	$510	$517	$599	$599
NSG (Gas)	$65	$65	$62	$62
Other Regulateds	$115	$126	$109	$109
Parent & Other	$17	$10	$4	$4
Total Capex	**$3,351**	**$3,337**	**$3,514**	**$3,385**
Financing ($M)				
Total Equity Issued/(Repurchased)	$0	$0	$0	$0
Total Debt Issued/(Repurchased)	$1,737	$1,475	$1,620	$1,445
Sales Forecast				
Electric (WEPCO + WPS)	1.1%	1.0%	1.3%	1.3%
Gas (WI Gas + WPS + PGL +NSG)	0.6%	1.2%	1.2%	1.2%

Source: Wolfe Utilities & Power Research

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Xcel Energy (XEL)

1. Can you talk about the underlying assumptions for your 2021 guidance? Do you see a bias toward one half of the guidance range?
2. What are upside/downside risks to your L-T 5-7% EPS growth target? Do you expect the growth to be uniform through 2025?
3. Are you seeing any inflationary impacts across your business? How should we think about the impact to customer bills from the recent rise in natural gas prices? Any concern in being able to pass through these costs to your customers?
4. What do you see as the biggest benefit for XEL from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
5. You recently announced the $1.7B Colorado Power Pathway transmission project. How likely is it that the incremental portion ($700M) gets added your base capex plan? What regulatory approvals do you need for this project?
6. Can you talk about future transmission opportunities to connect renewables more broadly? What is the investment opportunity set in MISO/SPP? How much of this investment do you expect to own? How much detail will MISO provide when it releases its set of initial projects later this year?
7. Can you discuss your IRP filing in Minnesota? Of the 5.75 GW of proposed utility-scale renewables, how much do you anticipate owning in rate base? When do you expect a decision from the MPUC?
8. Can you discuss your recent IRP filing in Colorado? Of the 3.9 GW of proposed utility-scale renewables, how much do you anticipate owning in rate base? When do you expect a decision from the CPUC?
9. You have several stakes in the fire on the regulatory front – what is the latest in your rate cases in TX and CO? Do you still expect to file in MN later this year?
10. Intervenors in Colorado recently recommended large disallowances for your Winter Storm Uri costs - can you discuss how they are coming to their recommendations? How confident are you that the CPUC will ultimately grant recovery of these costs?
11. What credit metrics do you target internally? What are your downgrade thresholds at the rating agencies?
12. How should we think about the timeline for announcing additional wind re-powerings/PPA buyouts? What are your state regulators' views on this strategy? How do these projects ultimately save customers money?
13. What are your latest thoughts on M&A? XEL has been on the sidelines historically – do you see that changing?

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Exhibit 82: Financial Summary

Financial Summary	2021E	2022E	2023E	2024E
EPS	$2.98	$3.17	$3.37	$3.57
Diluted Shares Outstanding	539	542	545	546
Dividends Per Share	$1.83	$1.94	$2.06	$2.18
Dividend Yield	2.9%	3.1%	3.2%	3.4%
Dividend Payout Ratio	62%	61%	61%	61%
Equity Ratio	41%	41%	41%	41%
FFO/Net Debt	17%	17%	16%	17%
	0.19			
Valuation Metrics				
P/E	21.3x	20.0x	18.8x	17.7x
Price/Book	2.2x	2.1x	2.0x	1.9x
Segment EPS				
NSP-Minnesota	$1.18	$1.28	$1.35	$1.42
NSP-Wisconsin	$0.18	$0.20	$0.22	$0.25
PS-Colorado	$1.32	$1.41	$1.50	$1.59
SPS	$0.52	$0.53	$0.57	$0.60
Parent & Other	($0.23)	($0.26)	($0.27)	($0.29)
Total EPS	**$2.98**	**$3.17**	**$3.37**	**$3.57**
Average Rate Base ($M)	$34,290	$36,797	$39,327	$41,794
Realized ROE by Utility				
NSP-MN/Dakotas	9.1%	9.2%	9.2%	9.2%
NSP-WI/MI	9.8%	9.8%	9.8%	9.8%
PSCo	8.9%	8.8%	8.9%	8.9%
SPS-TX/NM	9.3%	9.2%	9.2%	9.2%

Source: Wolfe Utilities & Power Research

Exhibit 83: Modeling Assumptions

	2021E	2022E	2023E	2024E
Capital Spending ($M)				
NSP-Minnesota	1,823	1,700	1,690	1,820
NSP-Wisconsin	360	430	395	515
PSCo	1,696	1,832	1,752	1,697
SPS	498	705	774	739
Total Capex	**$4,376**	**$4,666**	**$4,611**	**$4,771**
Nuclear Fuel Purchases	99	79	99	99
Financings ($M)				
Equity Issued/(Repurchased)	$202	$202	$202	$202
Debt Issued/(Repurchased)	1,500	1,450	1,375	1,225

Source: Wolfe Utilities & Power Research

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Midstream

DT Midstream (DTM)

1. How have things gone relative to plan since the spin over the summer? Any surprises that stick out?
2. DTM is situated in two key gas production basins - what is your view of the macro situation on gas? Do producers have to start putting foot on accelerator again given the price backdrop?
3. How are you looking at the growth potential in the Haynesville as compared to Appalachia? Can you review the 2022 EBITDA drivers? Are they all considered locked up or contracted, or how much is left for execution?
4. SWN/Indigo - how do you grow if they stick to flat volumes for the time being? One of the advantages they've laid out for the Indigo acquisition is the ability to flex between basins. If SWN stuck with flattish volumes but shifted toward the Haynesville, could that be a net positive or negative, or basically neutral?
5. What are the opportunities for a LEAP expansion? Who would drive that - new LNG projects on the coast, or producer behavior nearer term? How active are discussions on it now?
6. How is the NEXUS contracting effort going? Are you seeing more demand up toward Dawn or would new capacity still focus around industrial/utility load in Ohio and Michigan?
7. The dividend was set at roughy a 50% payout on DCF/sh. How do you see it growing over time - will it stay at about that payout going forward, so growth would roughly match DCF growth, or is there another longer term target you'd like to be at?
8. The capex plan remains roughly $1.5B over the next 3-5 years. How much of that do you see locked in now compared to things that are still being worked on? How much visibility is there on the backlog to give you confidence in getting to the $1B ballpark in the next 3-5 years?
9. What's the asset acquisition opportunity set look like - are there packages of assets that could be purchased at reasonable valuations that would contribute to the growth plan?
10. How do you feel about the long-term balance sheet target? Any desire to deleverage more, or well into the 3x range? What other criteria do you think you need to meet to get into the investment grade area?

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Exhibit 84: Financial Summary and Modeling Assumptions

	2020	2021	2022	2023
Financial Summary				
Adjusted EBITDA	710	750	788	831
Free Cash Flow	289	399	361	392
FCF/share	2.98	4.12	3.73	4.04
Dividend Per Share	0.00	2.42	2.57	2.76
EPS	2.55	2.95	3.24	3.54
Segment EBITDA				
Gathering	362	360	392	416
Pipeline and Other	348	389	396	415
Total Segment EBITDA	**710**	**749**	**788**	**831**
Valuation and Credit Metrics				
EV / EBITDA	10.6	9.8	9.1	8.5
FCF Yield	6.6%	9.2%	8.3%	9.0%
Dividend Yield	0.0%	5.4%	5.7%	6.1%
P / E	17.7	15.2	13.8	12.7
Debt / EBITDA - adjusted	4.6	4.1	3.8	3.4

	2020	2021	2022	2023
Capex / Financing				
Sustaining capex	22	35	42	50
Growth capex	540	225	200	200
Equity issuance (repurchase)	252	1	-	-
Debt issued (repurchased)	253	(135)	-	-

Source: Wolfe Midstream Research

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Energy Transfer (ET)

1. How are you thinking about capital allocation in 2022? How much incremental debt paydown do you think could be needed? How do you balance goals for increasing the distribution against unit buybacks?
2. Does the company aspire to ultimately get back to the prior distribution level or how do you think about the ideal payout ratio as a percentage of cash flow?
3. What is your run-rate expectation for capex? Are you seeing more opportunities to invest as markets have recovered and production increases modestly again? Under what scenarios would you still expect only $500-$700M/yr of growth capex in 2022-23?
4. Please give an update on regulatory approval for the Enable acquisition. What have been the areas of focus at the FTC and are asset sales likely? How might the company be able to help address the overhang created by CNP selling units post closing of the transaction?
5. Are you seeing many opportunities in the acquisition market? What types of businesses would you be interested in acquiring either in midstream or adjacent areas?
6. What is your outlook for the NGL and natural gas market into the peak winter season? How is the company positioned in the event prices remain elevated or strengthen further?
7. How important of a priority is it to eventually be upgraded to BBB at the agencies? What do you think you need to do and on what timeline to get there?
8. How are things progressing on construction of the final phases of Mariner East? What still needs to be built and what permits are needed? How can we think about the financial benefit of bringing the final phases into service?
9. Please give an update on the impacts of winter storm Uri. Are there any potential incremental recoveries from legal challenges? Have you seen upward pressure on pricing or more demand for contracts on your gas infrastructure?
10. What is the probability that you will move forward with a Lake Charles LNG export project by next year? How contracted would you need the project to be to move forward and would you look to find partners to help finance it?
11. What is the long-term strategic plan for SUN and USAC – could they be bought in by Energy Transfer? Would you consider exiting these businesses over time?
12. Isn’t it nice that we can’t think of any questions on DAPL in this report?

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Exhibit 85: Financial Summary and Modeling Assumptions

	2020	2021	2022	2023
Financial Summary				
Adjusted EBITDA (ET basis)	10,531	13,180	11,250	11,430
Proportional EBITDA (Wolfe basis)	9,313	11,959	9,990	10,170
Free cash flow	969	6,601	5,554	5,876
FCF / unit	0.36	2.44	2.06	2.21
Distributions per unit	0.92	0.61	0.67	0.81
Segment Adjusted EBITDA				
Intrastate	863	3,434	868	886
Interstate	1,680	1,525	1,410	1,405
Midstream	1,670	1,851	2,028	1,938
NGL & Refined Products	2,802	2,918	3,357	3,547
Crude	2,258	2,070	2,206	2,257
Sunoco LP	739	748	750	745
USAC	414	400	430	455
Other	105	233	202	198
Total Adjusted EBITDA	**10,531**	**13,180**	**11,250**	**11,430**
Valuation and Credit Metrics				
EV / EBITDA (Incl. noncontrol interests)	8.9	6.6	7.5	7.0
Free cash flow yield	3.9%	26.3%	22.2%	23.8%
Distribution yield	9.9%	6.6%	7.2%	8.7%
Distribution coverage	2.32x	4.97x	3.55x	3.14x
Debt / EBITDA (Wolfe basis)	5.6	3.9	4.2	3.8
ROCE	9.8%	13.1%	10.9%	11.4%

	2020	2021	2022	2023
Capex / Financing				
Maintenance capex	520	607	652	664
Growth capex - consolidated	3,239	1,836	886	886
Equity issuance	-	-	(300)	(400)
Debt issued (repurchased)	307	(5,180)	(4,200)	(3,200)
Commodity Assumptions				
NYMEX gas price ($/MMBtu)	2.02	3.84	3.75	3.15
NGL composite ($/gallon)	0.42	0.86	0.82	0.68
WTI oil ($/bbl)	39.26	66.08	65.00	60.00
LLS-Midland spread ($/bbl)	1.61	1.41	2.00	2.00
LLS-WTI spread ($/bbl)	1.87	1.75	2.00	2.00
WTI-butane spread ($/bbl)	17.26	18.33	20.15	25.20

Source: Wolfe Midstream Research

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Enterprise Products Partners (EPD)

1. What is your base case for how FCF will be allocated next year? Are you comfortable holding a lot of cash on the balance sheet if there aren't near-term opportunities to invest? How do you assess buybacks vs. reserving financial capacity for potential future opportunities?
2. The company recently issued $1B of debt which will be used in part to repay $1.4B of maturities in 1Q22. Do you anticipate any other debt repayment next year or is all other cash available for allocation?
3. How is the company thinking about distribution growth if we're in a slow growth environment but capital needs are low and the balance sheet is strong?
4. What types of businesses would you consider acquiring - midstream and lateral business areas? Is it likely you will find opportunities on this front?
5. What are you focused on in the Democrats' reconciliation bill? How do you assess the likelihood of certain items passing and does this impact your strategy or approach to capital allocation at all?
6. What is your outlook for the NGL market? Are you seeing any reduction in export activity? What are the possible scenarios as we head into winter?
7. How are production volumes tracking over the past few months and how is your outlook evolving?
8. Please give an update on the permitting progress for the SPOT offshore crude export terminal? Do you think there would be other interested partners if ENB were to back out given their purchase of Moda
9. How is the petrochemical business performing? Do you expect PGP-RGP spreads to remain wide for a prolonged period and how much can you benefit from this? How is construction going on PDH 2?
10. Are you seeing any further improvement in the processing business? What is your overall exposure to the strength in NGL and gas prices?
11. Are there any areas of your business where capacity is getting tight and new infrastructure will be needed in the next 2-3 years?

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Exhibit 86: Financial Summary and Modeling Assumptions

	2020	2021	2022	2023
Financial Summary				
Adjusted EBITDA	8,056	8,450	8,250	8,430
Free Cash Flow	2,488	5,309	5,587	6,131
FCF per unit	1.13	2.41	2.56	2.86
Distributions per unit	1.79	1.81	1.84	1.90
EPS	2.08	2.18	2.12	2.24
Segment Operating Margin				
NGLs	4,182	4,388	4,469	4,477
Crude Oil	1,997	1,683	1,712	1,793
Natural Gas	927	1,172	905	936
Petrochemicals & Refined Products	1,082	1,311	1,265	1,329
Total Operating Margin	**8,188**	**8,553**	**8,351**	**8,535**
Valuation and Credit Metrics				
EV / EBITDA	9.4	8.8	8.9	8.5
FCF yield	5.3%	11.2%	12.0%	13.3%
Distribution yield	8.3%	8.4%	8.6%	8.8%
P/E	10.3	9.8	10.1	9.6
Debt / EBITDA	3.7	3.5	3.4	3.2
ROCE	11.5%	11.8%	11.5%	11.9%

	2020	2021	2022	2023
Capex / Financing				
Sustaining capex	294	436	360	367
Growth capex	3,031	1,705	900	575
Equity issuance (repurchase)	(186)	(214)	(1,000)	(1,000)
Debt issued (repurchased)	2,266	(325)	(1,400)	(1,600)
Commodity Assumptions	**2020**	**2021**	**2022**	**2023**
WTI oil ($/bbl)	39.26	66.08	65.00	60.00
Brent-WTI spread ($/bbl)	3.72	2.38	3.00	3.00
LLS-WTI spread ($/bbl)	1.87	1.75	2.00	2.00
NYMEX gas ($/MMBtu)	2.02	3.84	3.75	3.15
NGL composite ($/bbl)	17.80	36.17	34.49	28.37
Frac spread ($/bbl)	10.27	21.87	20.51	16.63
Ethane frac spread ($/bbl)	0.54	0.33	0.75	0.53

Source: Wolfe Midstream Research

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Equitrans Midstream Corp. (ETRN)

1. Where do we stand on Mountain Valley Pipeline today? How far has construction progressed outside of the exclusion zone and water crossings? How are you feeling about the VA and Army Corps water permit approval processes?
2. On the Southgate extension, how is the progress on the FERC certificate side? What is your view of the North Carolina DEQ's push to wait on considering the extension until MVP mainline is closer to completion?
3. How much interest are you getting on an expansion of MVP once it is in service? How quickly can an expansion start up once there are commercial commitments?
4. Please give an update on the proposed Equitrans gas hub that had an open season earlier this year. How do the economics work with and without MVP?
5. Natural gas prices are at multi-year highs but it seems like most producers are holding production flat. What is your view of the macro situation on gas? Could we start to see volume responses from producers at some point?
6. How is the relationship with EQT? How do you feel that cooperation is going on the drilling optimization plans to keep capital spending low?
7. What is the take on the Appalachian takeaway situation? Is MVP going to be the only new way out of the region?
8. Outside of MVP where do you see the growth opportunities emerging? How do you weigh that vs. balance sheet improvement?
9. Looking forward beyond MVP and associated projects, how do you see the company's strategy evolving? Is there a desire to diversify geographically?
10. Can you review ETRN's cash flow positioning? How does the company see itself on cash flow post the dividend, with or without MVP?

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Exhibit 87: Financial Summary

	2020	2021	2022	2023
Financial Summary				
Adjusted EBITDA - consolidated	$1,215	$1,130	$1,245	$1,480
Dividends per share	0.60	0.60	0.60	0.60
Free cash flow	406	467	45	732
FCF/share	$0.94	$1.08	$0.10	$1.69
EPS	1.06	$0.79	$0.94	$1.34
Segment EBITDA				
Transmission	$330	$338	$431	$603
Gathering	828	786	817	866
Water	70	30	35	48
Other	(13)	(24)	(38)	(38)
Total EBITDA	**$1,215**	**$1,130**	**$1,245**	**$1,480**
Valuation and Credit Metrics				
EV/EBITDA	8.1x	8.1x	8.4x	7.5x
FCF yield	9.4%	10.8%	1.0%	16.9%
Distribution yield	6.0%	6.0%	6.0%	6.0%
P/E	9.4x	12.6x	10.7x	7.5x
Debt/EBITDA (Consolidated)	5.3x	5.2x	5.5x	4.7x

Source: Wolfe Midstream Research

Exhibit 88: Modeling Assumptions

	2020	2021	2022	2023
Capex/Financing				
Growth capex	735	590	955	355
Equity issued / (repurchased)	(52)	0	0	0
Debt issued / (repurchased)	891	(174)	(800)	(500)

Source: Wolfe Midstream Research

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Plains All American Pipeline (PAA/PAGP)

1. What is your latest outlook for Permian production growth? How has production through your infrastructure tracked vs. basin-wide activity? What do you think needs to happen to see a larger step-up in activity?
2. What do you see as the key strategic benefits of the Oryx transaction? Are there more efficient ways to redirect barrels on the combined system through long haul pipelines? How is the regulatory approval process going and do you see any potential concerns?
3. Can you talk to the trajectory of the Transportation segment next year? Do you expect material growth in volumes and EBITDA?
4. The company has executed well with the gas storage sale and Oryx JV. What else is management focused on to improve stock performance?
5. How do you see the capital allocation framework evolving over time? What percentage of FCF would you look to use for buybacks once you've reached your leverage target?
6. Moody's recently put the credit on positive outlook? How long do you expect it to take for the credit to be upgraded back to investment grade? Does getting back to IG change how you view capital allocation at all?
7. Are there other assets that could be viewed as non-core within the portfolio? Do you expect the pace of asset sales to slow after a lot of activity in recent years, or could you continue to see opportunities to monetize assets?
8. What are you focused on in the Democrats' reconciliation bill? If there was an adverse change for the MLP structure, are there options you would consider to transition to solely being treated as a C-Corp?
9. Please give an update on Permian pipeline consolidation. Are conversations active with potential partners? Are you optimistic any progress can be made over the next year?
10. When do you expect to provide 2022 financial guidance? Are you thinking about any segment changes considering the S&L segment is currently being guided to breakeven? EBITDA this year?

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Exhibit 89: Financial Summary and Modeling Assumptions

	2020	2021	2022	2023
Financial Summary				
Consolidated EBITDA (PAA basis)	2,560	2,200	2,580	2,640
Consolidated EBITDA (Wolfe basis)	2,541	2,181	2,561	2,621
Free cash flow	117	1,115	1,237	1,293
FCF / unit	0.16	1.56	1.77	1.88
Distributions per unit	0.72	0.72	0.72	0.72
EPS	1.60	1.00	1.55	1.69
Segment Adjusted EBITDA				
Transportation	1,616	1,637	2,021	2,078
Facilities	731	559	511	511
Supply & Logistics	210	2	48	51
Other	3	1	0	0
Total Adjusted EBITDA	**2,560**	**2,200**	**2,580**	**2,640**
Less: Oryx proportional EBITDA			(287)	(306)
PAA proportional EBITDA	**2,560**	**2,200**	**2,293**	**2,334**
Valuation and Credit Metrics				
EV/EBITDA	7.9	8.5	7.8	7.4
Distribution yield	7.2%	7.2%	7.2%	7.2%
Distribution coverage	3.21x	2.67x	3.35x	3.56x
P/E	6.3	10.0	6.5	5.9
Net Debt / EBITDA (Wolfe basis)	4.4x	4.6x	4.1x	3.8x
ROCE	9.3%	8.4%	10.5%	10.8%

Source: Wolfe Midstream Research

	2020	2021	2022	2023
Capex / Financing				
Sustaining capex	216	182	222	233
Growth capex	921	332	230	240
Equity issued (repurchased)	(50)	(203)	(150)	(200)
Debt issued (repurchased)	427	(1,106)	(600)	(600)

Commodity Assumptions	2020	2021	2022	2023
WTI Oil ($/bbl)	39.26	66.08	65.00	60.00
LLS Oil ($/bbl)	41.13	67.83	67.00	62.00
Midland Oil ($/bbl)	39.53	66.42	65.00	60.00
LLS-Midland differential ($/bbl)	1.61	1.41	2.00	2.00
WTI-Midland differential ($/bbl)	(0.27)	(0.34)	-	-
NGL Composite ($/bbl)	17.80	36.17	34.49	28.37
Frac spread ($/bbl)	10.27	21.87	20.51	16.63

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Targa Resources (TRGP)

1. Please give an update on the NGL and gas market and how TRGP is positioned for the environment. What are your market expectations into winter and could there be opportunities for the company?
2. How has Permian production been tracking both basin wide and through your infrastructure? Do you expect a larger step-up in activity next year if commodity prices remain elevated?
3. When do you anticipate buying in the DevCo and what is the financing plan? Do you still see this acquisition as 5-6x EBITDA?
4. How do you weigh the different capital allocation options next year across a dividend step up, buybacks, and paying down the legacy preferred equity? How would you look to size the dividend vs. midstream peers, the broader energy sector, and/or the broader market?
5. How might capital allocation evolve if commodity prices stay elevated, production growth continues, and the EBITDA outlook is better than expected? Could the mix of priorities change?
6. Are there any assets you view as non-core that could be monetized – Gulf Coast Express, Bakken, coastal, or any of the central G&P assets? How might capital be redeployed if you sold assets?
7. Are there any businesses or types of assets you'd be interested in acquiring that could be synergistic? Would buying out PXD's interest in the Midland plants make sense at some point over the long run?
8. How important is it to the company to achieve investment grade ratings? Over what timeline do you think this could happen and how have discussions with the agencies been going?
9. When would you expect to need to invest in new infrastructure aside from processing plants? How much excess capacity do you have on Grand Prix and LPG export facilities and when would you expect expansions to be needed under different scenarios?
10. How much of the Permian G&P volume still utilizes third party pipeline capacity? When would this shift over to Grand Prix?

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Exhibit 90: Financial Summary and Modeling Assumptions

	2020	2021	2022	2023
Financial Summary				
Consolidated EBITDA (TRGP basis)	1,637	1,985	2,300	2,415
Consolidated EBITDA (Wolfe basis)	1,570	1,925	2,240	2,355
Free cash flow	262	1,006	1,295	1,390
Free cash flow per share	1.13	4.37	5.62	6.16
Dividends per share	0.40	0.40	1.00	1.24
EPS	(7.26)	1.77	2.84	3.54
Segment Operating Margin				
Gathering and Processing	1,018	1,230	1,368	1,425
Logistics and Marketing	1,128	1,273	1,395	1,467
Other	230	(69)	0	0
Total Operating Margin	**2,375**	**2,434**	**2,763**	**2,892**
Valuation and Credit Metrics				
EV/EBITDA	12.3	9.6	8.2	7.3
FCF yield	2.4%	9.2%	11.8%	13.0%
Dividend yield	0.8%	0.8%	2.1%	2.6%
P/E	(6.5)	26.8	16.7	13.4
Debt / EBITDA (50% for prefs)	5.0x	3.7x	3.3x	2.9x
ROCE	6.5%	9.2%	10.9%	11.3%

	2020	2021	2022	2023
Capex / Financing				
Sustaining capex	110	117	130	134
Growth capex	598	407	405	425
Equity issuance (repurchased)	(97)	(9)	(75)	(400)
Debt issued (repurchased)	(11)	(787)	650	(600)

Commodity Assumptions	2020	2021	2022	2023
WTI Oil ($/bbl)	39.26	66.08	65.00	60.00
NGL Composite ($/gallon)	0.42	0.86	0.82	0.68
NYMEX Gas ($/MMBtu)	2.02	3.84	3.75	3.15
Waha Gas Basis ($/MMBtu)	(0.87)	1.54	(0.34)	(0.59)

Source: Wolfe Midstream Research

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Clean Energy

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Ørsted (ORSTED)

General

1. What is your conviction on hitting 12% growth in offshore/onshore EBITDA through 2027? What portion of EBITDA is offshore vs onshore?
2. How are the record natural gas and power prices in UK/Europe impacting your businesses? What is your hedging strategy?
3. Are you seeing inflationary pressures across your businesses? Is it manageable?
4. How would Biden's clean energy plan and tax credits impact your businesses? Does your ~30 GW offshore and ~17.5 GW onshore targeted incremental capacity and EBITDA growth assume tax credits are extended?
5. What is your LT dividend growth?
6. What is your projected Adj FFO/Debt? Why has it been over 60% in recent quarters?

Offshore/hydrogen

7. Does the global market continue to become increasingly competitive? Are there certain regions or subregions that have become too competitive on price?
8. What is the latest on your projects currently under construction or in the permitting phase?
9. What do you expect from the pending/upcoming auctions in each key region: Europe/UK, US and AsiaPac?
10. Europe/UK – How are your windfarms operating? Have wind speeds returned to normal?
11. US – Why did you not bid into the latest MA auction? Do you plan to bid into the NY Bight lease auction? When do you expect to complete the large projects (Revolution, Sunrise, Ocean Wind 1)? Is there incremental upside from using a PTC over an ITC under Biden's proposal?
12. AsiaPac – What are your expectations for the pending/upcoming auctions, such as Japan Round 1 auction? What is the latest on your Vietnamese venture?

Onshore

13. Describe the competitive landscape in onshore wind and solar? What returns are you currently seeing in the US and in Europe?
14. How does a potential solar PTC (vs current ITC) impact your onshore renewables strategy?
15. Do you still plan to acquire new onshore renewables outside of the US and UK/IRE? Which are your target markets?

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Exhibit 91: Financial Summary

Financial Summary	2021	2022	2023	2024	2025	2026	2027
EBITDA - consolidated	21,712	21,737	22,736	23,143	31,704	32,008	38,013
Consensus EBITDA	23,319	24,736	25,956	28,578	33,949	39,576	44,665
Clean EBITDA - offshore & onshore	19,696	19,982	20,981	21,388	29,948	30,253	36,258
Diluted Shares Outstanding	420	420	420	420	420	420	420
Indicated Dividend Per Share	11.5	12.7	14.0	15.4	16.9	18.6	20.5
Dividend Yield	1.3%	1.4%	1.5%	1.7%	1.9%	2.1%	2.3%
FFO/Adj Net Debt	47%	57%	60%	61%	62%	50%	69%
Valuation Metrics							
EV/EBITDA	1.2x	1.5x	1.2x	1.5x	1.7x	1.7x	1.0x
EV/2027 Clean EBITDA discounted			1.0x				
Segment EBITDA							
Offshore	17,562	16,194	16,659	16,403	24,298	24,283	29,692
Onshore	2,134	3,788	4,322	4,984	5,650	5,970	6,566
Bioenergy	1,996	1,734	1,734	1,734	1,734	1,734	1,734
Other	20	22	22	22	22	22	22
Total EBITDA	**21,712**	**21,737**	**22,736**	**23,143**	**31,704**	**32,008**	**38,013**

Source: Wolfe Clean Energy Research

Exhibit 92: Modeling Assumptions

	2021	2022	2023	2024	2025	2026	2027
Capital Spending							
Offshore	13,101	5,995	23,237	34,145	37,424	24,946	17,789
Onshore	11,581	4,751	5,747	5,478	5,363	6,033	6,033
Bioenergy	475	475	475	475	475	400	400
Other	0	0	0	0	0	0	0
Total Capex	**25,157**	**11,221**	**29,458**	**40,098**	**43,262**	**31,379**	**24,222**
Financings							
Equity Issued/(Repurchased)	0	0	0	0	0	0	0
Debt Issued/(Repurchased)	7,536	2,500	2,500	11,500	11,500	(2,000)	(18,000)
Farm-downs	(145)	4,882	8,176	12,836	17,386	18,524	19,968
Capacity (MW)							
Offshore Wind	4,675	5,125	5,191	5,191	7,401	8,901	10,401
Onshore Wind	2,947	3,277	3,727	4,177	4,627	5,077	5,527
Solar	574	914	1,439	1,964	2,489	3,014	3,539
Total net Capacity	**8,195**	**9,315**	**10,356**	**11,331**	**14,516**	**16,991**	**19,466**

Source: Wolfe Clean Energy Research

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Sunnova Energy (NOVA)

1. Can you explain how your dealer model works? Why do you prefer to acquire customers exclusively through a dealer network vs doing some of it in house too?
2. How has demand been recently for new solar additions? What are upsides/downsides to your 50% growth target for organic customer additions in 2022?
3. Your dealer network has grown considerably recently, and you expect at least 1,000 on the NOVA platform by YE22. Do most have exclusivity agreements with NOVA? Who are your largest dealers and what percentage of your volumes do they account for?
4. Can you discuss the key aspects of California's NEM 3.0 proceeding? What do you view as a likely or acceptable outcome? How do you think a grid access fee would impact future growth in the state? Is there any risk that NEM 1.0 and 2.0 customers could be impacted?
5. Can you discuss additional service opportunities that you are seeking to provide for your existing/new customers? How much margin upside do you see on a per customer basis from these different services? Which do you the have best line-of-sight to providing soon?
6. What level of battery attachment rates have you been seeing recently? How is the battery supply currently and when do you see the supply chain bottlenecks normalizing? What is your expectation for battery prices once the supply chain issues abate?
7. Solar cost pressures – supply chain, tariffs, etc. How is this impacting your business? On the flip side, do you see a tailwind for solar from rising nat gas and coal prices?
8. What was the strategic rationale for the Sunstreet acquisition? Do you see yourself making additional acquisitions in the near future?
9. Can you discuss your financing strategy? What percentage of your customer contracts do you seek to monetize upfront through tax equity and non-recourse debt? Does your current plan include any corporate capital needs (debt or equity)?
10. What do you see as the biggest benefit for NOVA and resi solar generally from the House's reconciliation bill proposal? When do you expect the Senate to come out with its version? What aspects of the House bill do you believe has support from both sides of the aisle?
11. What typical bill savings can you offer your customers upfront? What states are you seeing the best growth? Any new states you might look to enter soon? Any aspirations to look at international markets?
12. A common point of pushback on resi solar is the complexity of the financials and business model – is there anything that can be done to make this easier for investors to understand?
13. Can you discuss your key performance indicators (KPIs)? What is management most focused in executing on?

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Exhibit 93: Financial Summary

	2021	2022	2023	2024
Financial Summary				
Adjusted EBITDA	84	122	194	278
Principal + Interest	99	204	351	528
Adj. EBITDA + P&I	182	327	545	806
Growth	*57.7%*	*79.4%*	*66.7%*	*48.0%*
Revenue	235	355	520	720
Growth	*46.1%*	*51.1%*	*46.5%*	*38.6%*
Operating Metrics				
Gross customer value (per customer)	32,289	32,238	32,273	32,402
Net contracted customer value (per customer)	12,017	10,428	9,916	11,458
Creation costs (per customer)	28,504	27,908	27,629	27,353
Gross customer value ($M)	5,296	8,024	11,461	15,535
Net contracted customer value ($M)	1,971	2,595	3,522	5,494
Total debt/assets	64%	68%	72%	69%
Net debt/cap (tax equity as debt equiv)	72%	83%	88%	89%

Source: Wolfe Clean Energy Research

Exhibit 94: Modeling Assumptions

	2021	2022	2023	2024
Operating Assumptions				
Lease/PPA additions (MW)	227	314	375	439
Lease/PPA growth	*40%*	*38%*	*19%*	*17%*
Loan additions (MW)	185	323	422	493
Loans growth	*222%*	*74%*	*31%*	*17%*
% Loan vs PPA/lease	45%	51%	53%	53%
Total customer additions	56,457	84,887	106,248	124,318
Financing Assumptions				
Tax equity proceeds	412	740	879	1,083
Non-recourse debt, net	748	2,063	2,178	2,597
Corporate debt	911	-	500	-
Equity	10	-	-	-

Source: Wolfe Clean Energy Research

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Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

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Peer Perform:	38%	4% Investment Banking Clients
Underperform:	6%	0% Investment Banking Clients

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WOLFE RESEARCH

UTILITIES & MIDSTREAM

Regulateds – Market Overweight
IPPs – Market Weight
Oil/Liquids Infrastructure – Market Weight
Clean Energy – Market Overweight

September 30, 2021

UTILITIES, MIDSTREAM & CLEAN ENERGY

Wolfe Conference Takeaways: Storage Wars

- **Clean Energy transition dominates conference; GREEN trade back on.** Another Wolfe Conference is in the books. We have one broad takeaway: the Clean Energy transition is accelerating with a potential dramatic step-change if the Biden clean energy credits pass. Serious growing pains have made investors skeptical - reliability issues in CA/TX, supply chain and tariff pressures, and a messy process in D.C. But we think now is a great time to put the GREEN trade back on. The jump in natural gas prices have made renewables even more economic and most players see chances for Biden clean energy credits passing as better than 50% (with tax extenders as a back-up if reconciliation fails). Battery storage in particular appears to be on the verge of massive growth and most large renewables and PE players have this as a key focus; the standalone storage credit could have a huge impact. So how do you play this in the broader space? The blue-chip play is **NEE** and the value play is **AES** – we had very bullish meetings with both at the conference and we like their risk/reward going into the outcomes in D.C. **CWEN and NEP** remain easy names to own alongside their parent companies' renewables/storage growth plans too.
- **Utilities: stories sound a lot better than stocks act.** Going into the conference the UTY index fell for 14 days in a row likely on fears over rising rates and the spike in nat gas. But utilities stories still sounded very solid with a lot more talk on electrification, renewables transition, system hardening, etc. No one appears to be seeing a bill shock issue yet as hedging should blunt the impact. Messier regulatory stories like **ES and FE** sounded closer to settlements soon and overhang issues like **D's** triennial review don't appear as impactful as investor fears. **ETR**'s storm impacts were large, but equity needs were less than feared and the LT outlook remained on track. There was more optimism on FERC not being as punitive on transmission ROEs. LT transmission opportunities for companies like **AEE** should come in better focus in 2022 when MISO's plan is released. Nuclear has increasing hopes the nuclear PTC will be part of the Biden clean energy credits (**EXC, PEG** are the big winners). CA sounded better but investors may wait to see who the new PUC President is and how the rest of fire season goes.
- **Midstream: Macro tailwinds setting up attractive cap allocation stories.** Managements are very comfortable with their outlooks and are seeing modest tailwinds from higher commodity prices, inflation, and some early signs of a pickup in production growth. There's a consistent message of an all-of-the-above and flexible approach to capital allocation in 2022 with most assessing dividend growth, more buybacks, debt paydown and in some cases M&A. MLPs are feeling better on the reconciliation bill not being too punitive, but with some concerns on taxing swap investing and potential carbon/methane taxes. **TRGP** sounded very bullish with the macro wind at their backs.

Please see the full note for more panel commentary, investor poll responses and individual company takeaways.

Exhibit 1: Summary of Ratings

Name	Ticker	PT
High Quality / GREEN		
AES Corp.	AES	29
Clearway Energy	CWEN	33
NextEra Energy	NEE	91
NextEra Energy Partners	NEP	95
Eversource	ES	94
Alliant Energy	LNT	65
Dominion Energy	D	86
Ameren	AEE	90
Value Plays		
CenterPoint Energy	CNP	28
Evergy	EVRG	69
Exelon	EXC	56
PSEG	PEG	68
Entergy Corp.	ETR	122
FirstEnergy	FE	43
Vistra Corp.	VST	25
Edison International	EIX	68
PG&E Corp.	PCG	14
Sempra Energy	SRE	150
NiSource	NI	29
Midstream		
Cheniere Energy Inc	LNG	95
Energy Transfer	ET	13
Targa Resources Corp	TRGP	58

Source: Wolfe Utilities, Midstream & Clean Energy Research

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Conference Takeaways

Just a year ago, M&A was the top theme of our Wolfe Conference with reports that NEE and DUK might be merging. That seems like eons ago now as traditional M&A has become largely dormant. Companies are highly focused on their own growth plans and especially on moving to renewables and net zero carbon as quickly and responsibly as they can. This Clean Energy transition was the dominant theme of the conference this year. The Biden clean energy credits were a huge focus as most see them as having a dramatic step change on the pace of clean energy transition. But will they pass in reconciliation? Most see chances as better than 50% but also a back-up plan through tax extenders in the event reconciliation fails. Storage was the other hot topic within clean energy as most key companies and investors highlighted this as the area primed for the most explosive growth in coming years. Clean Energy challenges were also a focus – reliability issues, supply chain, tariffs, etc – but we think demand growth upside will likely overwhelm the negatives.

From a stock standpoint, we think it's time to put the GREEN trade back on especially with clean energy leaders like NEE and AES which we view as the blue-chip and value play, respectively. CWEN and NEP should go along for the ride with their parents too. In utilities, it's hard to find a bad story right now. We like FE as a value play, EXC/PEG on nuclear PTC upside and simplification, AEE and CNP as quality and growth, and D and ES as hopefully resolving regulatory overhangs. Power has a lot of cross-currents and VST's near-term numbers look mixed, but we are hopeful they can unlock value by separating their renewables business and buying back stock. In midstream, we see TRGP as the stock to own.

Key themes – Top 10

1) **Clean Energy transition accelerating, storage growth step change**
2) **Excitement over Biden clean energy credits, hoping they pass**
3) **Renewables growing pains – reliability, supply chain, tariffs, competition**
4) **Rising nat gas – concern for utilities but manageable for now, competitive benefit for renewables**
5) **Electrification as tailwind for utilities – more talk of benefits of EVs.**
6) **Transmission outlook bright long-term, hoping FERC lessens pressure on ROEs**
7) **Nuclear support progressing; most hopeful on PTC**
8) **Climate change events a bigger risk for utilities – CA utilities, ETR**
9) **Utilities keep leaning more on their balance sheets; risk to watch even as business risk declines**
10) **Midstream has lots of tailwinds**

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Investor Poll Results

Utilities, Midstream & Clean Energy Conference – September 28th

Private Equity, Infra and Strategic Views Panel – ECP, GIP, and Lazard		
Which sector do you think performs best over the next 12 months?	Utilities	9%
	Midstream	29%
	Clean Energy	44%
	IPPs/Power	18%
	Utilities	9%
CenterPoint Energy		
Do you think CNP stock will trade with the high-quality utility peer group (CMS, WEC) by 2022?	Yes	70%
	No	30%
Alliant Energy		
Do you think regulated utilities will part of ESG and clean energy portfolios going forward?	Yes	95%
	No	5%
EEI – DC and Public Policy Views		
Do you think the Biden infra plan and clean energy credits pass and are they reflected in stocks yet?	Biden plan passes and is already reflected in stocks	12%
	Biden plan passes but is not yet reflected in stocks	46%
	Biden plan fails and this is already reflected in stocks	15%
	Biden plan fails and this will be a negative event for stocks	27%
Renewables Plays – Clearway Energy and Sunnova Energy International		
Favorite way to play Clean Energy?	Yieldcos	50%
	Residential Solar	10%
	Renewables developers	20%
	Inverters	20%
	Panels	0%
Moody's on Utilities and Midstream Sectors		
A. Utilities capital allocation – what's your preference?	Invest in ratebase growth	68%
	Pay down debt	5%
	Repurchase stock	11%
	Grow dividend quicker	16%

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B. Midstream capital allocation – what's your preference?	Growth investment	5%
	Pay down debt	53%
	Repurchase stock	32%
	Grow dividend quicker	11%
WEC Energy Group		
Who's better at what they do?	Giannis playing basketball	37%
	Gale running a utility	63%
NRG Energy		
What would you prefer NRG do with free cash flow?	Growth investment	28%
	Share buybacks	56%
	Higher dividend	8%
	More debt reduction	8%
Private Equity Views Panel – Blackstone Energy Partners and LS Power		
If you were running a PE fund, what would you be looking to buy right now?	Puts	
	E&P assets	
	Gas pipes or generation	
Enterprise Products Partners L.P.		
How will EPD allocate its FCF in 2022 – what is most likely?	Stock buybacks	18%
	Debt paydown	9%
	Large distribution increase	18%
	New capital projects	36%
	Acquisitions	18%
Edison International		
Can CA electric utilities ultimately be viewed as decarbonization or ESG plays?	Yes	53%
	No	47%
PG&E Corporation		
What do you need to see to buy PCG?	More supportive political/regulatory environment	21%
	Better operations	4%
	Proof of lower fire risk	58%
	Support for undergrounding program	13%
	Won't buy no matter what	4%

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Utilities, Midstream & Clean Energy Conference – September 29th

Ameren		
What's your view on transmission?	Bullish – big long-term growth potential	83%
	Bearish – FERC ROE and project risks	17%
Consolidated Edison		
What's the biggest risk to utility stocks?	Bull market, no one wants to own them	12%
	Commodity price and inflation pressures	24%
	Climate event risks	12%
	Rising rates	53%
Dominion Energy		
What will it take for D stock to re-rate higher?	Resolution of 2021 triennial review	46%
	Need to wait until 2024 triennial	8%
	Governor Elections	8%
	Offshore wind project progress	0%
	Just continued execution	38%
Public Service Enterprise Group		
Do you think a nuclear PTC will pass Congress?	Yes	85%
	No	15%
DTE Energy		
What's most important quality of a premium utility?	Constructive regulation	31%
	ESG positioning	0%
	B/S and credit strength	8%
	Consistent earnings execution	62%
	Regulated business mix	0%
Entergy Corporation		
What are you most worried about for ETR post Ida?	Balance sheet, credit and equity needs	53%
	Rate impact to customers from storm recovery	7%
	New Orleans regulatory overhang	13%
	Can ETR still meet its financial targets	0%
	Risk of future storms	27%
Southern Company		
When does SO stock shed its Vogtle overhang?	Q4 21 with fuel load	0%
	Q1 22 with fuel load	25%
	Q2 22 with start-up	25%
	Q3 22 with start-up	25%
	Post 2022	25%

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FirstEnergy Corp.		
What do you need to see to buy FE?	Better balance sheet	19%
	Resolve OH investigation risks	44%
	Resolve OH rate case in 2024	31%
	Resolve other regulatory and legal risks	0%
	Execution on asset sales	6%
AES Corporation		
What does AES need to do to be valued as a Clean Energy leader?	Prove execution on renewables growth targets	27%
	Further simplify the company	35%
	Exit coal even quicker	23%
	Nothing else – the market will catch on	15%
Evergy		
Where should EVRG stock trade vs peers?	Premium	79%
	Average	21%
	Discount	0%
Strategic Views Panel – Morgan Stanley		
What's the next round of utility M&A?	Big utility mergers of equals	15%
	Subsidiary sales and selldowns	44%
	Gas LDC consolidation	4%
	Foreign or infra fund buyers of US utilities	15%

Utilities, Midstream & Clean Energy Conference – September 30th

CMS Energy		
Value plays have outperformed this year. Which do you prefer from here – high quality utilities or value utilities?	High-quality utilities	88%
	Value utilities	12%
Equitrans Midstream Corp		
When will MVP be completed?	Summer 2022	38%
	After the summer, but in 2022	38%
	2023 or later	25%
	It won't	0%
Power Markets and Clean Energy – EPSA and PJM		
What price do you expect in the next PJM auction vs the $50 MW-day in the recent one?	Higher	22%
	Same ballpark	39%
	Lower	39%

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Quanta Services, Inc.		
Does the Biden Administration succeed in accelerating transmission growth?	Yes	67%
	No	33%
Duke Energy		
Does NC Clean Energy legislation pass this year?	Yes	50%
	No	50%
American Electric Power		
What does AEP need to do to improve its discount valuation?	Execute on its 5-7% growth rate	11%
	Enhance the balance sheet	37%
	Resolve Ohio regulatory	5%
	Better visibility on renewables ratebase growth	11%
	Succeed on KY Power sale and sell more assets	37%
NextEra Energy		
NEE is at or near a record valuation premium to the utilities sector. Does the premium expand, flatline or decline from here?	Expand	41%
	Flatline	38%
	Decline	21%
Nomura Greentech		
What's your biggest concern on Clean Energy stocks?	Valuation	30%
	Competition/returns	30%
	Supply chain and tariff risks	0%
	Reliability and resiliency	20%
	Interest rate risk	20%
NiSource		
Gas LDC valuations are now at discounts to electrics. What happens to Gas LDC valuations from here?	Rebound	45%
	Stabilize	27%
	Deteriorate further	27%
Vistra Corp.		
What is the long-term future of the IPP sector?	Status quo survives	13%
	Shifts to Clean Energy focus	48%
	Goes fully private	29%
	Becomes part of big oil	7%
	Re-regulates and becomes part of utilities sector	3%

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Keynote Speaker / Company Dinner – NextEra Energy

Jim Robo – Chairman & CEO

In-person dinner and keynote lunch discussion was the highlight of our conference. So much to talk about across the sector landscape and Jim is more bullish than ever on his own company. At the highest level, the NEE plan seems to have more cushion than ever, an upward bias to growth, and more to come at a likely Analyst Day next year.

The FP&L rate case settlement was constructive with many balanced features to set-up future rate base growth – above-average allowed ROE and equity ratio plus solar investment recovery, while maintaining some of the lowest customer bills in the country. Approval by the FL PSC is expected in late-October. Jim sees investment opportunities as far as the eye can see and was most excited about solar/storage (PTC/ITC would really help respectively). The Florida economy also remains a big driver.

The NEER renewables business is set-up to remain a leader as the U.S. looks to decarbonize the economy. Jim sees this as a $1.7 trillion investment opportunity through the 2040-2050 time frame. He sees battery storage going gangbusters, where NEE already has a dominant 30% share of the market that it expects to maintain. This is especially attractive in the California, Texas, and Florida markets. There is huge demand for renewables coming from the data center and C&I world. Rising natural gas prices are just an added tailwind.

We've been hearing a lot of generalist pushback on NEE lately and Jim addressed the bear cases head-on. First and foremost was the Department of Commerce decision of solar tariffs – this ended up being punted 45 days with the DoC asking a lot of hard questions. NEE's view is this is ultimately either outright denied or punted again, and ends up being a non-issue. Utilities competing by rate-basing renewables – NEE only sees this cover 15-20% of the market and attractive build-own-transfer options are still available. On other competition from companies like oil majors – NEE has seen it for 20 years and feels confident in its competitive moat. In fact, renewables returns are better than they've ever been. On supply chain – NEE cited its scale advantage and isn't concerned. Finally on inflation – cost increases can temporarily be reflected in higher PPA prices, while very little is even being seen on the battery front.

Washington is clearly where Jim is spending a lot of his time. He sees 60/40 odds the reconciliation bill ultimately gets done (high for Washington), as the Democrats can't afford to fail, but this likely comes down to the wire (year-end). If it happens, this should include items like PTCs, ITCs, direct pay, etc. Even if it fails, there is more than one way to get this done like the tax extenders bill or reconciliation in lame duck next year. NEE is most excited about the solar PTC provision, as well as the hydrogen PTC and standalone storage ITC.

Lastly on M&A, this got a ton of attention during our conference this time last year when the Wall Street Journal leaked the NEE/DUK story. NEE still looks at deals, but this doesn't seem to be a priority. Smaller sized deals at less than $20B seem to be of more interest. Jim is very cognizant of not diluting the value of NEE's renewables business.

Private Equity Views – Blackstone and LS Power

David Foley – Blackstone Energy Partners, CEO
Paul Segal – LS Power, CEO

Both panelists and their firms are focused on investments in the energy transition. However, the risk/return profile for PE is bit different than that of the SPAC/VC world. Neither are looking at being first-movers on new technologies. Both see utility-scale solar returns as not compelling. Blackstone is doing investments in solar tracking (ARRY), steel towers/5G (Sabre), EE/HVAC (Therma). LS Power is investing in demand response, EV charging, micro grid, renewable fuels. Both are looking at Europe as a test case of energy transition.

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Both are looking at transmission investment potential, but acknowledged history has been difficult given permitting issues, time it takes, and incumbent utilities adverse to competition. LS Power hopeful that power/gas costs start to eat into utility rate headroom and crowds out transmission investment capacity, creating opportunities. Blackstone was early investor in GridLiance transmission and sold to NEE, and recently won NY solicitation for transmission line bringing power from Canada to NYC (Champlain Hudson Power Express).

David sees PCG as "dirt cheap" with risk fully priced in (they own it). Thrilled with Patti and new management team. Like 10% rate base growth trajectory and believe stock can go to $14. Also recently bought stakes in 3 MLPs – ET, MPLX, EPD (particularly like MPLX). Like attractive FCF and dividend yields, with better balance sheets as big projects fade. Not going away any time soon from terminal value standpoint.

LS Power sees most value in highly flexible generating assets on the power generator side. More CCGTs not needed. But could be long-term issues from relying too much on gas for reliability without market structure changes. Haven't look at VST recently, but there is value in assets. Vast majority of cash flow comes from their retail business, which relies on competitive wholesale markets remaining in place.

Nomura Greentech

Derek Bentley – Managing Director
Jeff McDermott – Capital Advisor

Nomura believes that we are in the 2nd inning of the energy transition and pointed to two reasons 1) we have historically way undershot the pace of renewable adds and cost curve declines; 2) we need to have green molecules to decarbonize chemicals/industrial processes and to have a sustainable baseload system – and a lot of innovation in this space has yet to come. Nomura's main clients include the incumbents (e.g., utilities), innovators, as well as ESG-focused investors. And a key theme discussed amongst all three groups is just how unprecedented the energy transformation is that we are currently experiencing. Given that, winners in the transition are likely to have a first mover advantage, quality management team and ideas that really challenge status quo. There is also a recognition in needing to create other grid adaptions to accommodate these changes – storage specifically was highlighted as a crucial aspect of the energy transition. The proliferation of EVs is another area, and Nomura believes bi-directional charging is huge for resiliency (e.g., F150 Lightening can supply a home's needs for 3 days)

Nomura does believe that current supply chain issues are likely to be more short-term in nature. There is some concern on cost inflation, but developers are expected to be able to pass the cost increases through in future contract pricing. One big imbalance that Nomura sees is in the tax equity market – much more demand than supply and sees that tilting even further if tax credits are raised and extended; getting a direct pay option will be important to efficiently monetize renewable tax benefits.

On fund flows, Nomura said putting an ESG moniker on a fund has been a great way to gather assets. Given the focus on ESG, Nomura believes that the SEC likely mandates standardized ESG reporting by 2023 for 10Ks. Interestingly, about 1/3 of all recent SPAC deals are considered ESG-plays, about half of which are in the EV space. About $130B of SPAC capital is still seeking a partner, of which Nomura thinks a similar portion will try to come into the ESG space.

DC and Public Policy Views – EEI

Eric Grey – Managing Director, Government Relations
Brad Viator – Vice President, External Affairs

Brad and Eric gave an update on key federal legislative proposals and state issues that could impact utility and clean energy industries. DC is sort of a mess right now. Discussions between moderate and progressive Dems has been contentious ahead of the 9/30 vote on the Bipartisan Infrastructure bill; this will be "a white knuckle"

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moment. House Speaker Pelosi is trying to show progress on the Reconciliation bill, which is critical for the Progressive wing of the Democratic caucus. Meanwhile gov't funding set to expire 9/30 and debt ceiling deadline by 10/18 are also important for Congress to address. Ultimately, Biden needs a win this year.

The Reconciliation bill includes utility and clean energy credits. EEI sees the bill getting pushed to end of year and thinks passage is north of a coin flip but at a lower cost than the $3.5T headline number. EEI anticipates the following credits will survive the legislative process, given broad support: standalone ITC for storage, direct pay for credits, nuclear PTC, hydrogen PTC and optionality between PTC and ITC. Lawmakers have many levers but don't know which ones will be pulled. For instance, some of the credits that are ten years could be pulled back to five. In the event the credits are not in the final Reconciliation bill, there is bipartisan momentum for an extenders bill at yearend, providing another opportunity to pass the clean energy and related credits.

On the dividend and capital gains tax, EEI was focused on keeping parity and made an educational push in Congress. The proposal out of the House increased the top rate to 25% from 20% (excluding the 3.8% Medicare surcharge on high-income filers); however, parity was maintained.

At the state level, VA's upcoming election is key, as it typically is a prelude to the midterm elections. The Gubernatorial and House races are razor thin. It is possible the VA House flips to Republicans. Former Gov McAuliffe (D) is ahead but only by three points. On the legislative front, IL's recent clean energy bill was a big deal. Other states to watch include NC, which is considering a clean energy legislative proposal. TX and CA will also be important to watch on the regulatory front.

Other items covered include FERC's proposed removal of the 50bp RTO adder for transmission projects, which may not have broad support. On solar tariffs, EEI is watching closely what the Dept of Commerce decides, but timing could still take time. EEI is also focused on broadband, which Congress supports, and RTO expansion, mostly in the West.

Private Equity, Infrastructure and Strategic Views

Andrew Gilbert – Partner, Energy Capital Partners
Jonathan Bram – Partner, Global Infrastructure Partners
George Bilicic – Vice Chairman, Global Head, Power Energy & Infrastructure

Everyone is focused on the next wave of the energy transition. The historical focus has been on utility-scale renewables build-out, but the landscape is evolving with opportunities growing across storage, energy management, and customer facing areas. Private players have to view everything through an ESG lens given importance of exit multiples and other stakeholder considerations as investors such as pension funds demand it.

Utility strategy. Lazard doesn't see a big strategic need for utilities to pursue M&A as standalone investment plans and growth outlooks are constructive. Utilities with gas LDCs are assessing strategies given ESG dynamics and could also look to diversify into energy transition areas like incorporating hydrogen and/or electrolyzers into their businesses. There could be a continuation selling minority stakes in utility businesses as there is big demand for the asset class as a simpler way to invest in energy transition.

Broader electrification > headwinds from DG. The threat to utilities from growth in distributed generation was viewed as overblown. The more important thematic is broader electrification of the economy which should provide a multi-decade tailwind for utilities. Other ways to invest in energy transition can be risky and unproven, whereas utilities are viewed as a safer way to invest and benefit, particularly as the stocks haven't re-rated higher.

Reconciliation bill. The panelists largely agreed something would eventually get done but thought it was hard to have clarity on investments until we know for sure what's in the bill. Key focus areas included tax credits for

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standalone storage projects that could allow for more flexibility on location; 2) refundability of tax credits; and 3) a solar PTC which was viewed as very impactful as solar has become more productive at a lower capital cost.

Commodity prices may remain elevated as this time could be different. The producers are disincentivized to invest in growing production so supply may not respond as much to price as it has historically. Despite a huge energy transition thematic, there was still a consistent view from the panelists that the country will remain dependent on natural gas fired power plants for a long time to come.

Strategic Views – Morgan Stanley

Jeff Holzschuh – Chairman

While the big company-to-company M&A deals have quieted in recent years, Jeff noted there's been a fair amount of activity across the board, as 7 of the top 20-sized utilities have done a deal in the last 18 months. There's been lots of simplifications. Lots of companies are still looking to transform to a greener future. It seems unlikely there will be company-to-company deals as a recurring theme, but we eventually could get more MoEs.

In terms of the future of the sector, Jeff sees further consolidation, but not the point of becoming a 10 company sector. Scale and synergies do matter. Cheap money and institutional dry powder remain key enablers. Jeff believes there are still buyers for gas LDC assets, but they may be more in the private markets (ie: CNP deal). Some companies have been precluded from M&A given business mix or in process strategic initiatives, but names like EXC and PPL could be in a position to engage following their recent simplification transactions. Reasons for why we aren't seeing more asset sales from companies include low tax basis (ie: transmission) and earnings must be replaced to continue growing. On the IPPs, Jeff seemed to suggest these names are easier in private hands given they trade on cash flow and can see volatility tied to commodities and the market. Believes there are buyers out there, but price signals in forward power market are not great and transformation to cleaner fleets is needed. Not seeing more IPPs created, while oils less likely to be interested in acquiring until asset base is greener.

Jeff does a lot of work with company Boards and has spent the most time talking about the macro environment (economic growth, commodities), Washington (tax incentives), and COVID challenges. There also is an increasing amount of discussions around climate events, as these are no longer black swan events.

On activism in the sector, Jeff believes it is here to stay until those funds stop making money (noting they've done very well so far). Activists are primarily looking to optimize disconnects in public market valuations (sale of assets, change in mgmt., etc.), while in some instances also looking to inject capital where needed. Further, there's been several instances of activists never becoming public, as companies have either addressed their concerns or been their own self-help activists.

Finally in terms of utilities as an investment relative to the market, Jeff has been disappointed by the underperformance of the sector given inherent risk in the market. That said, he acknowledged that there are only a limited number of liquid names to invest in and ESG restrictions have been an issue (particularly in Europe/Asia). Utilities will need to continue to "green up" to attract more capital. If the market pulls back at some point, utilities should be more in favor.

Moody's Panel – Utilities & Midstream

Mike Haggarty – Managing Director (Utilities)
Arvinder Saluja – Senior Credit Officer (Midstream)

Utilities
Moody's noted that a lot of its rating actions over the past year have been related to climate events. Most notably, these include Winter Storm Uri impacting several utilities and Hurricane Ida for ETR. Historically Moody's has

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viewed these as one-time type events, but given the increasing frequency due to climate change, that argument is getting harder to make. These types of events coupled with higher leverage from utilities' ever-increasing capex plans has led to a deterioration in metrics. That said, Moody's believes this has been offset to some degree by positive shifts in business mix for a lot companies. Moody's is finding that most utilities are committed to maintaining the Baa2 rating going forward. And underpinning all of this is a regulatory environment which Moody's described as "remarkably resilient" – the two exceptions that were highlighted were NY and CT (we would include AZ too). Moody's believes this will be key for the sector to maintain going forward.

Moody's did say that it doesn't believe $5 gas will sustain going forward. This view was shared by nearly every utility at the conference too. Still, this is something Moody's is watching closely along with potential rising interest rates given that both have been a big tailwind for sector over the past several years.

On specific credits, Moody's negative outlook on ETR reflects that it wants to see the regulatory process play out. Also, the company has issues that it is dealing with in New Orleans. Moody's did acknowledge that LA has been supportive of storm cost recovery in the past, but also caveated that the numbers are just getting quiet large. Moody's reiterated that it expects ExGen to be investment grade once it is spun out and highlighted the good week that utilities had in IL (EXC, AEE) as it relates to the recent legislation that was passed.

Midstream
Moody's sees midstream as a no- to slow-growth sector from here. The E&Ps have remained disciplined despite higher prices which has resulted in a stepdown of capex that Moody's thinks is likely to hold in the near-term. This frees up a lot of cash flow for deployment – slight increases in distributions and buybacks aren't much of a concern for ratings. Leverage targets still seem appropriate with the slowdown in growth, although companies will likely be held more accountable for hitting these targets in the near-term instead of being allowed to point to future growth into leverage metric ranges. For TRGP, Moody's thinks the company has passed the inflection point and is well-positioned to keep improving the balance sheet. Ba1 is possible after the DevCo buy in, while a full upgrade to investment grade will likely require further progress simplifying the story by paying down the preferred, technical changes with the revolver, and/or further simplification of asset ownership structures. This could take 12-15 months after moving to Ba1.

Power Markets and Clean Energy – EPSA and PJM

Todd Snitchler – Electric Power Supply Association, President & CEO
Asim Haque – PJM, Vice President State Policy and Member Services

For context, both come from an Ohio regulatory background (former PUCO Chairs), but are now most focused on market structure, particularly in PJM.

Both EPSA and PJM seem to agree that the most recent market structure changes are likely to result in downward pressure on capacity auction pricing. The new less restrictive MOPR and generator requirement to bid in at net avoidable cost rates (ACR) or use unit-specific exemptions subject to market monitor (IMM) review are driving this. It also seems like that PJM's next auction (2023-2024 period) is delayed from December into early-2022.

EPSA isn't supportive of these market structure changes. Also thinks some of the policies being considered at regional and federal levels are disconnected from the realities of grid operations – reliability must be front and center after challenges seen in Texas and California. Still advocating for price on carbon rather than some of the incentives/extenders being proposed in Congress (ie: CEPP, nuke PTCs, etc).

PJM believes the market structure changes were necessary to keep markets viable after states threatened to leave. Striking a balance is important – allowing state resource participation, making sure consumers don't pay

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twice, and preserving competitive markets. Now need to look at what is necessary from generation compensation perspective to maintain balance.

PJM is also focused on transmission planning issues such as interconnection reform and build/cost allocation policy. Strongly advocating for maintaining ROE adder for transmission RTO membership, but tough to say if FERC is listening.

Quanta Services, Inc.

Duke Austin – CEO

Duke sees a sustained elevated demand trend in utility spending.

More balanced risk profile. The majority of PWR's work is with utilities (60-70%) and nearly all of that is on projects that are $100M or less, reducing big project risk.

Bullish on long-term utility load growth. Beginning to see signs of an acceleration in utility load growth and it will continue to be a theme for the next 10-15 years: renewables, system hardening, and EV charging.

Renewables. Blattner will add to renewable capabilities on the E&C front and a lot of opportunities to provide grid interconnection services for these projects.

Climate events requiring more utility spend. In the West, utilities will need to underground more; it's expensive, but so are insurance costs and the legal framework on wildfire liability. Cost is highly determined by permitting and related issues; scaling up could help. In hurricane areas, there needs to be a continued shift toward replacing wood poles with steel and concrete as well as other hardening initiatives.

EV charging a big opportunity. PWR can serve as an intermediary between charging companies and the utilities. Charging infrastructure will require a lot of back-end spending on T&D redundancy. Thinks each $1B in charging infrastructure spend will require upwards of $25B in T&D infrastructure spending. This is just getting started.

Quanta is building out its craft/skilled labor and engineering forces via colleges and its own educational programs.

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Company Summaries

AES Corp. (AES): Very well positioned for the energy transition

- **Leader in renewables; Biden credits would be a big boost.** AES touted its position as a global leader in renewables development – noting that in addition to signing plain vanilla PPAs, the company is being very innovative to meet client needs (i.e., providing 24x7 renewable power for some corporates). AES' 37 GW pipeline is all real projects, half of which are in the U.S, as the company started buying up land and interconnection rights a couple years ago. Passage of the Biden credits would further boost its position. AES sees a high likelihood of a PTC/ITC extension (incl. PTC for solar), standalone ITC for storage either through the reconciliation process or through a tax extenders package – failure to get something done would be politically detrimental (i.e., Dems need a "win" before 2022 midterms).
- **Mostly insulated from supply chain issues.** For projects still to go in 2021, AES said it is exclusively using FSLR panels (i.e., no polysilicon and U.S.-based manufacturer). Further, AES said it has 18-months' worth of panels for U.S. installations currently in inventory. AES is in the midst of transitioning its supply chain for where it sources polysilicon – by mid-2022, AES expects to get its supply from Germany and South Korea (i.e., not subject to the AD/CVD duties in China and potentially in SE Asia).
- **Petition at Dept. of Commerce not expected to impact AES.** The DOC's decision to extend the timeline 45-days for whether to launch an investigation into potentially extending AD/CVD duties to Thailand, Vietnam, and Malaysia is not expected to impact AES (for reasons discussed above). Still, AES has advocated strongly against the petition, viewing it as sending a negative signal for the industry and counter to achieving the Biden Administration's top priority – progress on climate goals.
- **Clean tech incubator.** AES highlighted that it has produced 4-5 "unicorns" over the past decade or so in different areas of clean tech. These include s-Power, AES Distributed Gen, Fluence, Uplight, 5B and likely others still to come. We view this as a key differentiator for AES and believe it demonstrates management's unique perspective on the path the industry is heading. AES noted that by providing its platform to grow off of, while not suffocating the companies with bureaucracy, is part of its "secret sauce" for enabling them to succeed

Alliant Energy (LNT): Remains a renewables transition leader; seeing some cost/timing pressures

- **Strong conviction in continuing track record of 5-7% EPS growth.** Track record of 11 straight years of 5-7% EPS and dividend growth. Confident this will continue. Earnings are 98% regulated and not much interest in non-regulated investments or inorganic growth.
- **Still a leader in renewables transition.** Renewables already 20% of rate base, growing to 24% by 2024. Coal in rate base shrinking to 4% in 2020. Added close to 2 GWs of wind and now plan to add 1.5 GWs of solar. Evaluating whether more storage should be added to the plan, beyond 100 MWs already assumed.
- **Small delay in Iowa solar filing and some inflation/cost pressures.** LNT was set to make its 400 MWs solar filing in Iowa in Q3, but this has been slightly delayed. Given inflation and supply chain, numbers are moving around requiring new analysis in terms of what makes the most sense for customers. Should not impact the CODs of projects, which are several years out. In Wisconsin, 675 MWs of solar already approved and 414 MWs pending. Seeing modest increases in costs, but confident will be deemed prudent by regulators and recovered. On gas/power cost pressures, Iowa is pass-through and Wisconsin has fuel-band (updating in next 30 days), while hedging program covers 50-60% of winter costs and targeted 3-5% O&M reductions will help with customer bill pressure.
- **Regulatory environments remain constructive.** Balanced ratemaking demonstrated in latest Wisconsin rate settlement. Expect approval later this year. After that, next rate case in Wisconsin isn't until Spring 2023 and even longer before next Iowa rate case. Have forward-looking test-years and riders on over 50% of operating costs. Service territories have shown resilience coming out of COVID.

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Ameren Corp (AEE): Executing on plan one MTEP at a time

- **Still sees LT EPS and div growth of 6-8%.** AEE remains confident on executing its 6-8% EPS and dividend growth through 2025, driven by 8% rate base growth. AEE has $40B+ of investments through 2030; that excludes any new renewables from its MO IRP filing or transmission multi-value projects that is expected out of MISO's MTEP report.
- **MTEP expected to provide opportunities though report likely delayed.** AEE is bullish transmission. The range of MISO transmission spending could be $30B to $100B through 2039. AEE noted some of the potential projects anticipated in MISO's Transmission Expansion Plan report are in AEE's territory; AEE's share is unknown at this time (around a decade ago AEE got $2B out of $6.5B of large MISO projects). But AEE anticipates clarity in 1Q22 when the MTEP report is likely issued. AEE is hopeful that FERC will not eliminate the RTO ROE adder; but the risk is manageable as 50bp is only $0.04/sh.
- **MO rate case, renewables upside, Rush Island.** The bid/ask spread in AEE's pending MO rate case is narrower than usual. MoPSC Staff recommended a 9.5% ROE and 50% equity ratio; AEE requested 9.9% ROE. AEE has settled rate cases in recent years and will get a better sense of the playing field when parties file responses in mid-Oct. AEE's update to its Sep 2020 IRP is planned for Oct and is expected to address Rush Island coal plant, which a court ruled needs a scrubber. AEE could install one or retire it early (using this year's MO securitization law), among other options. AEE's IRP also calls includes 1,200 MW of incremental renewables by YE25; CCN filings in MO for an unspecified portion of that are expected by YE21.
- **IL law constructive.** AEE said the new utility law is a blend of traditional, performance based and forward-looking frameworks. The law allows for 4-yr rate plans beginning in 2024. While IL regulators will set the ROE (no longer formulaic), they gave AEE IL gas a 9.67% ROE just last year. Plus, under the new law, AEE could get 20-60bp incentives on the ROE.

American Electric Co (AEP): Why ask wh(KY)?

- **EPS growth target intact.** There is no change to AEP's 5-7% EPS growth target, and mgmt. would be disappointed if growth was not in the upper half of that range. AEP said its stock valuation was too cheap and pointed to potential catalysts, such as a KY Power sale and multiple RFPs.
- **Balance sheet improving in 2022.** AEP expects FFO/Debt next year and beyond to be "comfortably in the low to mid-teens" range from the 13% level currently, as this year was impacted by Uri. AEP has $1.4B of equity needs in 2022 but could mitigate them with a sale of KY Power. AEP plans to roll forward its capital plan to 2022-26 at EEI in Nov, and some incremental renewables capex is anticipated to creep into the later years. AEP wants to have a healthy B/S and will manage capex accordingly.
- **KY Power update.** The recently-initiated KY PSC investigation into KY Power revolves around the shared Mitchell coal plant with WV as well as customer impacts from a potential sale of KY Power. AEP still plans to make a sale or no sale decision on KY Power by yearend; regulators would have 4 months to review the sale. There will be some minor tax leakage, but the net proceeds would mitigate AEP's equity needs.
- **Fleet transition over time.** AEP sees 16.6 GW of renewables in its system through the decade. And AEP will fight to rate base as much of the associated spend as possible.
- **Rate cases not concerning.** AEP has not seen surprises. The OH settlement is awaiting approval, and a vote is possible at PUCO next month.

Avangrid (AGR): More offshore wind opportunities, PNM closure soon; trying to right the ship in Maine

- **Recently restructured offshore wind JV and bid into MA RFP.** Lots of news on the offshore wind front. AGR just restructured its offshore wind JV with Copenhagen Infrastructure Partners. Ownership of Vineyard Wind 1 will remain 50/50 (800 MWs). AGR will take full ownership of Park City Wind (804 MWs) and the recent Commonwealth Wind (800-1,200 MWs) bid in MA. Feeling good about recent MA bid – not much competition (one other party bid) and still good on economic returns. Seeing synergies from owning

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multiple lease areas next to each other. Near-term, Vineyard Wind reached financial close and on schedule to generate first energy in 2023. Long-term opportunity in North Carolina with 2.5 GW Kitty Hawk lease area.

- **PNM merger on track to close in Q4**. Analysis from case examiner can come any day. Then expecting the New Mexico PRC to vote and approve the deal. Have 17 parties signed on to stipulation or unopposed.
- **Addressing service issues in Maine and optimistic NECEC referendum defeated**. Recently filed to remove 100bps ROE penalty in Maine after hitting service metrics for 18 straight months. Construction underway on NECEC transmission on all parts except 1 mile currently under court review. Optimistic that benefits of project will be recognized and referendum vote against it will be defeated in November based on polling data.
- **Biden clean energy plan has attractive renewables provisions**. Tax credit extensions would improve economics for new projects. Direct pay could replace tax equity requirements and allow immediately monetizing tax credits. Would be difficult to qualify for offshore wind incentives given domestic content requirements and steel supply currently being sourced in Europe. Looking to do more on storage front and standalone ITC would be particularly helpful there.
- **Feel good on supply chain, watching nat gas bill pressure**. Watching Department of Commerce decision on anti-circumvention tariffs, as building out a lot of solar. Would have chilling effect on industry. Haven't seen any delays in supply chain thus far, as combined buying power with Iberdrola helps. Higher natural gas costs are pass-through for utilities, but concerned about customer bills – starting to have conversations with regulators to deal with this.

CenterPoint Energy (CNP): Highly convicted in executing on the new plan

- **High degree of conviction in hitting growth targets.** CNP recognizes that prior management had a history of disappointing shareholders. New management has conveyed high conviction in hitting its 8% annual EPS growth target through 2024. CNP noted there will be a theme of under-promising and over-delivering at the company, and that nothing in their plan would be considerable aspirational. Management was purposeful in improving all its regulatory relations to better position to deliver on these commitments.
- **Positioned well to handle rise in gas prices**. CNP highlighted that 50% of its winter supply is hedged. CNP views itself as uniquely positioned within the sector to deal with this issue given that it has 1-2% customer growth across its service territories and is committed to 1-2% annual O&M reductions – both of which provide rate headroom. Securitization roll-offs at CEHE will also be helpful (currently ~8% of the customer bill). CNP did mention that it may hedge gas more in the future but would want to do so in partnership with its regulators.
- **Midstream exit.** Management pointed to recent actions as a demonstration of its focus to exit midstream expeditiously. All the ET shares have been registered at this point, so there will be no waiting period after the deal closes for CNP to start monetizing its remaining stake. CNP said it is open to various methods – conducting a sale on a private basis (i.e., 144a-type sale), a marketed offering led by ET or to sell into the open market over time. Our sense is a swift exit.
- **Thoughts on future LDC sales.** CNP views its existing LDCs as "pre-paid debit cards", which provide a lot of flexibility to fund future capex opportunities above its $40B 10-year plan. CNP is very open to selling additional LDCs, the timing of which would depend on having a place to efficiently recycle the capital. Some areas could be around undergrounding existing transmission in TX and other opportunities out of the recent TX legislative session (new transmission, temporary generation, etc.).

Clearway Energy (CWEN): Thermal sale catalyst approaching; California heating up

- **Thermal strategic review.** A decision will likely be made by Q4. Proceeds are highly likely to be set aside for growth, including acquisitions from sponsor GIP and potential third-party deals. We sensed there could be some incentive to recycle the capital quickly, although CWEN is not afraid to have an elevated amount of cash on hand if necessary. Management referenced that a potential sale could have impacts on the company's overall cost of capital depending on the level of accretion.

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- **California gas plants.** Management hopes to give more of an update on the 3 plants with 2023 contract expirations on the Q3 call. They expect a majority of the capacity to be re-contracted through IOU procurements for up to 3-4 years term with a smaller amount done bilaterally with potentially longer terms. Of note, CWEN indicated that a sale of a portion of the three plants would probably make sense even if they are successful at re-contracting capacity as the short to medium-term contract duration is less consistent with the business model. Recent tight market conditions and reliability concerns in California are supportive both on re-contracting and potential sale values.
- **Competition in renewables.** CWEN views its cost of capital as around the lowest it's ever been, while GIP is advantaged in development given their scale, diversity of sites, and expertise. The co-investment drop-down structure also allows for some optimization by GIP while still supporting CWEN's growth. The company thinks they can be competitive on third-party M&A for assets that have stronger current income profiles.
- **Tariffs and legislation.** CWEN views their sponsor GIP as comfortable on tariff and related trade risks. The company expects to see more storage in the mix with a focus on potential tax credits for standalone storage. CWEN's plant sites in California could even offer opportunities for storage development.

CMS Energy (CMS): Capex tailwinds and IRP confidence

- **Lots of capex tailwinds unlocked by customer savings.** Seeing capital investment opportunities that will last for generations. Big part of that is large generation fleet that requires substantial decarbonization. Helpful that this is occurring in Michigan, which is one of the best regulatory environments. IRP filing reduces customer costs by $650M versus status quo and coupled with other O&M savings opportunities, creates rate base growth potential while maintaining affordability.
- **Feeling good on reception to IRP filing.** Had conversations with stakeholders before Integrated Resource Plan filing in June to incorporate feedback. Thinks this increases probability of success. Will get intervenor testimony in late-October and preliminary MI PSC order in April next year. Adding 8 GWs of solar long-term and well-positioned to own at least half, as cost differential of rate base versus PPAs has narrowed. Also adding two existing gas plants for reliability purposes as exit coal. IRP capex is all upside and lengthens/strengthens 6-8% EPS growth rate that is already biased to the high-end.
- **Well-positioned on higher nat gas costs.** Managing nat gas cost pressure well – have 70% hedged/storage for upcoming winter season at average $3.00 price. Other inflationary pressure seem manageable within the plan.
- **Enerbank sale made a lot of sense, no interest in other M&A.** Saw attractive valuations. Ultimately was going to require equity to fund given deposits imputed as debt by S&P. Allows more funding flexibility without equity needs near-term. Enerbank sale is on track to close in Q4 and has necessary regulatory approvals. Could be modestly higher than $960M sale price given book value accretion. Not interested in any other M&A given organic growth opportunities.

Con Edison (ED): Working to get change the narrative on NY regulation

- **Focused on improving shareholder returns.** CEO Tim Cawley noted this was a priority of his since taking over the role at the beginning of this year. Getting the regulatory construct right in the state was one area he pointed to – specifically ED's petition to begin recovering foregone late fees from 2020 ($50M) and be made whole for 2021 ($70M expected). Tim also mentioned making the case with regulators for ED to be the investment leader in helping the state achieve its climate goal (more on that below).
- **Planning to propose new investment programs.** ED will do this as part of CECONY's next rate case, which will be filed in January. Management mentioned that the new investment programs relate to resiliency following recent storm events and in the clean energy space (EVs, battery storage, energy efficiency). Getting NYPSC support for these would allow for upward momentum to CECONY's base $3.5B/yr. of capex spend and could help improve the company EPS growth profile to be more in-line with peers.

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- **Pushing hard to invest in renewables in NY.** ED is pursing this both at the legislature and through talks with the NYPSC. ED believes that allowing utilities to rate base renewables in NY makes sense for a couple reasons 1) more cost effective for the customer; 2) would go a long way in helping the state meet its renewables targets. It still seems very early in the process, though ED mentioned their proposal has piqued the interest of some environmental groups.

Dominion Energy (D): Shackles are off; triennial risk is overblown

- **Stock discount relative to actual triennial risk doesn't make sense.** D was pretty direct about this after seeing recent intervenor testimony. D compared its valuation relative to high-quality peers in the sector and said that the implied earnings hole doesn't at all match the risk that the company sees from the triennial reviews. **We agree with this and continue to see about a $0.15-0.20 EPS risk in the T2 review using the parameters from Staff's testimony**, which assumes an unlikely punitive allowed ROE (8.7%) and is before applying CCROs that would reduce the exposure. Underpinning all of this was management's confidence earlier this year to extend the 6.5% EPS growth rate through 2025, where any impact from the T2 review would be reflected.
- **Should get an update on Q-Pipe soon.** D has high conviction in being able to announce the buyer for Q-Pipe soon. Management said that there has been robust interest from both strategics and financials. While the backdrop for the energy industry has improved considerably since the first deal was announced, D was clear that these dynamics won't materially affect the valuation higher this time around.
- **VA politics in focus.** During our EEI panel, Virginia was labeled as THE state that they were watching next year given the gubernatorial and general assembly elections. While the governor's race is tight, D doesn't believe that energy policy is a key topic for either candidate. D did mention that the Republican candidate has expressed concern about bill affordability as it relates to the Clean Economy Act, but is still a supporter of offshore wind. Importantly, the senate is not up for re-election, so even if the Republicans win the governor's race and flip the general assembly, it will remain a divided government in VA.
- **Offshore wind project on track and budget.** No change in messaging here. D is still on schedule to make a rider filing before yearend with the SCC for the project and expects a record of decision by mid-2023 from BOEM. D expects to bring the project online within an LCOE range of $80-90/MWh – well below the $125/MWh cap.

DT Midstream (DTM): Happy with execution and focused on next steps on growth

- **Pleased with first few months post spin.** The company has been executing on the financial plan and has been successful in extending a few key contracts, boosting the LT clarity of the story.
- **Confidence in near term outlook.** DTM reiterated views of being in the upper end of the $710M-$750M 2021 guidance range and 5%-7% growth in 2022. The team sees 2022 as pretty locked in at this point and is mostly focused on building out the story for 2023-2024.
- **Private operators starting to grow volumes; may need to wait for more clarity on publics.** While a smaller part of the revenue picture, management noted that its private operators are starting to boost activity which should provide some tailwind. The public names have remained disciplined and are sticking to flattish outlooks into next year; will need to see if the tone evolves around any excess cash flow around yearend earnings.
- **Next steps on growth – Gulf access, decarbonization.** A potential expansion of LEAP in the coming years is a focus to help support the increases in LNG-based demand on the coast. Separately there are a series of opportunities to cut the carbon footprint of the gathering and transmission assets, citing the recent carbon neutral service proposal in the Haynesville. Will be particularly important for LNG exports where carbon footprint is an increasing focus of buyers.

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DTE Energy (DTE): Confident in financial outlook, addressing storm noise

- **Financial outlook tracking very strong in 2021, 2022, and beyond**. DTE sees 2021 continuing to be a very strong year financially. Hot summer weather (continued residential sales from WFH) and commodity price volatility (at trading) were likely added benefits. This is setting up an attractive 2022 outlook that will be introduced with Q3 earnings / EEI. DTE will also roll-forward its five-year plan and remains confident in beating expectations relative to its 5-7% EPS growth target.
- **Addressing noise around unprecedented storms, creating investment opportunities**. DTE's Michigan service territory saw unprecedented summer weather stemming from 11 storms and 5 tornadoes. There's been some noise from customers, regulators, and politicians – but DTE is addressing this. The first step is investing $70M/year more in tree trimming. Strategic undergrounding could help too. Mgmt feels good about being on the same page as stakeholders with MI PSC Staff supporting its plan to invest incrementally to address reliability. Feel good on Michigan regulation overall, with recent gas case ALJ manageable (9/50% ROE) – no settlement, but commission has shown gradualism on ROEs. Should be able to manage increase in nat gas prices – have bought three-quarters of gas for this winter and two-thirds for next winter already.
- **More to come on accelerated coal retirements with early IRP filing**. Customer preferences and cost are key driving factors in DTE's fleet transition. The next Integrated Resource Plan filing isn't due until September 2023, but DTE plans to pull this forward with more details to come later this year and early next. At a high level though, coal plant retirements will be accelerated (though most still occurring beyond the next 5 years), while maintaining a focus on reliability as gas becomes the only viable baseload resource. This could create cost reduction opportunities to open up future investments. Meanwhile, DTE's voluntary renewables program remains very successful with 950 MWs signed up already and approval to go up to 1,300 MWs.
- **Comfortable with 90/10 biz mix and doing bite-sized non-utility projects**. Following the midstream spin, DTE hasn't missed a beat. Mgmt. is comfortable with its 10% non-utility business, but isn't looking to grow beyond that. Small projects in RNG and cogeneration are being added that total $15/year in net income. Unlevered after-tax returns remain in the mid-teens with 3-4 year cash paybacks. Greenfield dairy RNG remains an attractive growth avenue. No real interest in M&A.

Duke Energy (DUK): Wait N-C

- **Remains optimistic on NC legislation.** DUK still feels there is strong support for comprehensive energy legislation. Dialogue continues with lawmakers and key stakeholders even though they are not visible. Legislative leaders have publicly stated that clean energy legislation is a priority this year. There is no deadline to pass legislation; in the past, some bills have been taken up well into Nov. In our conference poll on whether NC legislation would pass this year, respondents were evenly split.
- **Fleet transition is happening.** Whether it's state or federal legislation, there is need to replace coal with renewables/gas. DUK's 5-7% LT EPS growth outlook assumes some transition spend in 2024-25 but most will show up in second half of decade. DUK's $65-75B plan in 2026-30 is anchored off a 55% carbon reduction level in the Carolinas; but if that becomes 70-75%, then there will be even more capex. And in Indiana, DUK will soon file an IRP, in which fleet transition will catalyze the next leg of growth.
- **Looking for common ground with Elliott.** DUK has been talking with Elliott for over a year, and the dialogue continues (no specifics). DUK hopes it can find some common ground to reach a cooperation agreement; there is no timetable. DUK is open to ideas, even though management has disagreed with Elliott's past proposals. DUK thinks its current structure is working well.

Edison International (EIX): How deep is your discount? I really mean to learn

- **Stock discount too steep.** There has been uncertainties over the GRC, wildfires and 2017-18 fire damages possibly going higher; however, EIX said that explains just a fraction of the stock valuation gap from the utility group average. EIX gets investor questions such as what happens if EIX starts a fire and what happens if the wildfire fund is depleted. But EIX says the most important thing about CA's wildfire law (AB 1054) is prudency standards, which no longer presumes utilities are guilty if their equipment starts

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a fire. Those standards survive even if the fund is depleted. And the CPUC has been constructive on other parts of AB 1054 that have been tested to date.

- **Covered conductor, PSPS, enhanced VM mitigating wildfire risk.** EIX pointed to evidence of fewer faults in locations with covered conductor, enhanced overhead inspections and VM. PSPS is politically challenging but it's an important tool of last resort. EIX said nobody should be concerned that the utility will not use PSPS due to political challenges. EIX has been making improvements to PSPS and using them less and less.
- **GRC outcome was a good outcome.** EIX got 98% of its non-wildfire capex request. Covered conductor approval was good to see; 4,500 miles approved but could do more under the decision; 10,000 miles in high fire threat districts. EIX said CPUC President Batjer's resignation is not a concern; she brought structure to the CPUC, so the next appointee will be important.
- **Cost of capital outcome still unknown.** The intervenor comments on the off-cycle CoC filing last week were unsurprising. It is unclear how the CPUC will rule on the utilities' applications. The CoC mechanism, if triggered, would suggest over 50bp ROE cut in 2022; every 50bp is about $0.20. But EIX does not expect to need more equity if an ROE cut is triggered. EIX expects the cost of debt and preferred equity to be reduced in 2022 irrespective of CPUC's ruling on the CoC. That reduction is already in EIX's guidance.

Emera (EMA): Positive tone given TECO settlement

- **TECO settlement positions the company well.** EMA expects the FL PSC to approve its settlement in October (all intervenors are signed on). When looking at the totality of the settlement, EMA believes it is poised to earn above the 9.95% midpoint – likely in a range of 10.25-10.75%, consistent recent history. EMA mentioned that even with unfavorable weather, it would likely still be able to earn near the 9.95% midpoint.
- **Latest on Atlantic Loop project.** The support for Atlantic Loop hasn't changed at all as a result of the recent elections in Canada. In fact, EMA mentioned that the election in Nova Scotia – a win for the Progressive Conservatives over the Liberals – is equal or slightly better on the margin for Atlantic Loop. That said, 4-5 weeks of time negotiating logistics on the project were lost due to the election cycle. It's still unclear what amount the company could own and what the eventual price tag of the project would be – EMA has pointed to something north of C$2B. Management is hopeful to provide a more fulsome update at its Analyst Day in early December.
- **TECO has most exposure to rise in natural gas prices.** This is because EMA does zero hedging in FL at the direction of the FL PSC. EMA does have the ability to push through a mid-year increase in its fuel clause if there is a +/- 10% variance vs its estimated amount – in fact, it already did so earlier this year which resulted in a 15% increase to customer bills. EMA said there was no pushback from customers, but it will be something to monitor should nat gas prices remain elevated. EMA sees much less of an impact at Nova Scotia Power, NMGC and People's Gas.
- **Content with current set of assets.** EMA said it routinely considers if the current asset mix is optimal. Most simplification questions usually involve the Caribbean Utilities, but EMA sees this as very unlikely – unable to receive a valuation at or above where the company trades today and it likely negative credit implications. EMA does have Bear Swamp and some pipeline investments, neither of which sounded like the company was in a rush to move on from.

Energy Transfer (ET): Confident on ENBL closing; Likely an all-of-the-above plan on capital allocation

- **Enable and the CNP overhang.** ET is optimistic on closing the acquisition in Q4. The FTC's second request required a lot of data gathering but ET hasn't seen any notable areas of concern or focus from the commission. ET expects CNP to sell the ~200M units they will receive at closing fairly quickly with a possible incentive from potential tax changes that could be implemented next year. CNP already entered into an arrangement with a bank for a forward sale of 50M units at closing. Secondary sales are possible and ET expressed some openness to potentially buy back some stock as CNP sells.

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- **Broader capital allocation.** All-of-the-above is the message here. ET remains focused on debt paydown near-term, would like to raise the distribution next year as the balance sheet improves, and sees buybacks as very strong value. On distributions, we were reminded of tax dynamics for MLP investors that would support raising distributions as a percentage of cash flow back in the direction toward prior levels.
- **Open to M&A but doesn't sound imminent.** ET would like to see ENBL close before pursuing more M&A. Valuations still aren't attractive for some private equity owned assets, but there could be dislocation opportunities like ENBL that they could pursue. Overall, the message was more time may be needed prior to seeing a pickup in opportunities. Areas of interest would need to add to the integrated value chain and/or be located in regions where it's difficult to build and incumbent assets are advantaged. JV structures similar to the PAA-Oryx deal could also be interesting.
- **Commodities.** Management emphasized they are more levered to production volumes which they see as improving with higher prices. Higher absolute commodity price leverage is relatively small. There have been some more conversations on the Lake Charles LNG export project but it sounded more on the margin with no material change in the outlook for moving forward on the project.
- **Reconciliation.** Feeling comfortable the bill is moving toward adding renewables as eligible for inclusion in MLPs instead of stripping out fossil. ET indicated they think investors buying through swaps account for about 5-6% of their float so they're monitoring tax proposals there. The company mentioned that an up-C structure could be an option if liquidity was adversely affected by legislative changes.

Entergy (ETR): Storm shadow

- **Storms impact near-term financials but LT outlook intact.** ETR no longer points to the upper half of its 2021-23 EPS guidance ranges, given Ida's hit to revenue and the carrying charges on storm costs until securitization. ETR said the LT fundamentals remain intact and still sees 5-7% EPS growth. ETR lowered its equity needs by $1B (has $1.23B left to issue by 2024); that reduction reflects Moody's lower downgrade threshold this summer. ETR thinks Moody's negative outlook will go away once storm cost securitization occurs.
- **Dividend growth in line with EPS growth**: At this time, ETR still expects the Board to grow the dividend in line with EPS growth beginning at the meeting in Oct.
- **Regulatory reaction net constructive.** While NOLA City Council look to investigate the storm preparedness and future of ETR's sub ENO, state regulators at the LaPSC acknowledged customers were responsible for costs and pointed to the use of securitization as a tool to offset costs. ENO is just ~5% of the total company. ETR says there is a lot of support from LA regulators, the Gov, and Congressional delegation to get federal disaster relief, which could reduce costs to customers.
- **Resiliency investments paying off.** The storms showed resilience pays off, as the newer utility structures designed to withstand 150 mph winds were not damaged, while older structure were.

Enterprise Products Partners (EPD): Expect an all-of-the-above approach to capital allocation

- **Capital allocation and M&A.** We came away thinking an all-of-the-above approach to capital allocation is more likely across buybacks, distribution growth, new projects, and potential acquisitions if at good value. On acquisitions, EPD implied that prices have become a little more reasonable recently and they would be interested in areas that build on their integrated value chain. Uncertainties on federal legislation have to be factored into capital allocation plans.
- **Legislative risk.** Risks from the reconciliation bill are now lower than before since it looks like the push to eliminate the MLP structure has faded with renewables instead included as an MLP eligible asset. That said, there are still important issues to monitor, including a potential carbon or methane tax and tax on investing in MLPs with swaps.
- **Commodity markets.** Global and US inventories are low and there's been an underinvestment in storage, while intermittent renewables have become a bigger piece of the energy mix amidst the broader push for electrification. EPD stressed their fee-based business model and downplayed commodity exposure. We think some LPG export cargos could have been redirected to domestic markets depending on where the highest value is at any given time.

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- **Inflation.** EPD has some inflation protections built in – FERC regulated assets are more clear cut in their protections, but most bilaterally negotiated contracts also have some sort of PPI or CPI adjustor over time.
- **SPOT offshore crude export project.** The permitting process continues to take longer than expected and it seems unlikely permits will be received by Q4.

Equitrans Midstream Corp (ETRN): MVP progressing on track with some macro tailwinds

- **MVP update.** ETRN expects to have constructed about ~20 miles by the end of the season and will have about 18 miles to go next year. The permitting process has progressed as expected – the WV 401 water permit should come around the end of November, VA 401 around the end of December, and FERC approval is expected around the same time as the Army Corps 404 permit in January. The company remains very confident in their Summer 2022 completion target. Separately, they are seeing a lot of interest in Southgate, and permitting should progress as MVP completion becomes more certain.
- **Gas markets.** Management thinks gas prices will likely remain around current levels in the near-term – producers are remaining very disciplined, winter is creeping up, and there are several global supply chain constraints that may persist near-term. Appalachian producers in particular are not reacting to these higher prices, and may need MVP completion to help ease some of the takeaway constraints.
- **Post-MVP.** ETRN pointed to 3 key focuses following the eventual completion of MVP. 1) They need to improve the balance sheet, and see high 3x / low 4x leverage reasonable by 2024. 2) They need to lower their cost of capital. 3) They plan to reassess the marketplace, which could include expansions or extensions of MVP. The company remains focused on creating a comprehensive hub with outlets to the southeast, gulf coast, REX, Rover, etc., which could drive more low-cost compression expansion opportunities.
- **ESG.** ETRN believes they are making good progress and doing all the right things on carbon capture, methane reduction, and other ESG initiatives. The plan is to keep doing what they're doing but to be more vocal about it.
- **EQT.** The relationship with EQT remains very strong, and ETRN has been able to reduce some capex by coordinating and optimizing their spending plans with EQT's drilling plans.

Evergy (EVRG): Focused on execution and fleet transition opportunity post-Analyst Day

- **Focused on execution and narrowing valuation gap following Analyst Day.** Just held Analyst Day last week, where 6-8% EPS growth target was extended to 2025. 2021 is on track to reflect 7% growth and new 2022 guidance reflects that as well. Focused on execution to narrow valuation gap to high-quality Midwest peers. Executed well on targeted merger synergies thus far.
- **Big fleet transition opportunity**. EVRG has one of the highest percentages of coal in rate base, but this creates a sizable fleet transition opportunity. Believe company is geographically well-positioned for strong wind/solar resources. Recently filed Integrated Resource Plan that is aimed at balancing reliability and affordability, particularly following Winter Storm Uri. Still keeping some coal plants around well into the next decade, but securitization could create opportunities to accelerate. Also moving around wind/solar timing – pulling forward wind and pushing out solar, primarily due to supply chain and cost issues.
- **Pointing to constructive regulatory relations and working on rate competitiveness**. This was reflected in passage of securitization legislation in both states. Rate issues were driven by coal investments from a decade ago. Believe rates are set-up to be below inflation going forward. Particularly well-positioned relative to peers with rising nat gas prices, as gas is only 4% of fuel source – wind/nuclear is over 50% of fuel with big chunk of coal. Under-earning going into rate cases so limited risk there and encouraged by AEE case read-through in MO. Confident PISA can be extended in Missouri.
- **Seeing wind PPA buyout opportunity, transmission more long-dated**. Looking to buy-in wind PPAs and put in rate base, aligning with PTC expirations. PTC extension could create repowering opportunities. SPP is trailing MISO in terms of looking at transmission opportunities, will hear more in 2022. But most opportunities likely to be longer-dated.

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Eversource (ES): Friday night lights in CT

- **CT settlement to be filed 10/1.** ES and key parties filed a notice of settlement earlier this week and will submit the full settlement by the evening of Friday, Oct 1. The key issues to watch are the rate decrease, ROE, equity ratio and timing of next ES/CL&P rate case. The draft decision, issued by the PURA chair, has a 45bp ROE cut (on top of a previously ordered 90bp penalty) but left the equity ratio for ES' next rate case. ES felt good that PURA would approve the settlement.
- **Offshore wind.** ES still feels good on offshore wind, despite not bidding into the latest MA RFP; that auction only attracted two bidders, and under current law in MA, auction prices must be lower than previous auction results. ES has been disciplined in bidding and targets mid-teen levered ROEs. ES remains interested in future auctions; NY could have another RFP next year. On the existing projects, ES sees the New London deepwater port as a competitive advantage. The two larger projects (Revolution/Sunrise) are targeted to be online by YE25.
- **Potential capex opportunities.** Grid mod and AMI continue to be potential upside to ES' plan. Also, there could be incremental transmission opportunities as around 9 GW of offshore power will be coming into the MA/CT/RI later this decade. Transmission won't be needed for all of that, given power plant retirements, but a portion of that onshoring will.

Exelon (EXC): Watching DC for PTC

- **Nuke PTC proposal still possible.** On the heels of IL legislation, investors are watching all the DC action for nuclear production tax credits. If nuke PTCs are not in the final Reconciliation bill, they may still have a chance of being in the annual tax extenders bill. Although getting new credits into an extenders bill is not common, the nuke PTCs have broad support. Portions of ExGen's nuclear fleet would benefit from the PTCs.
- **Spin still expected by 1Q22.** EXC has received FERC approval for the ExGen spin. The NRC is expected to issue a ruling in November. The NYPSC does not have a deadline. NY Gov Hochul recently designated a new chair of the PSC (Rory Christian). EXC plans to host two independent analyst days for RemainCo and SpinCo some weeks after all the necessary approvals have been completed and a final Form 10 is filed.
- **Hedging.** The spike in gas and power prices have led to several investor questions on hedging. ExGen hasn't disclosed hedges beyond 2021. The historical practice is ratable 3-yr program. Notably, the 2024-25 gas and power prices have not moved nearly as much as 2022.
- **Utility will have a good story.** EXC's utilities are mostly electric and own no generation. With the IL law, multiyear rate plans are available to most of the utilities. And they have a good ESG story to tell. Hedging and lower capacity prices mitigate the near-term gas/power price increase.

FirstEnergy (FE): Encouraged working through OH settlement discussions; asset stake sale announcement on track for Q4

- **Ohio settlement discussions remain ongoing.** FE has been pleased with the level of effort and cooperation in its meetings with stakeholders in Ohio, which have picked up in frequency. The goal is to come to a resolution ahead of the mid-November hearing date for the SEET docket. In terms of offerings, FE is looking at some combination of upfront rate credits, prospective rate credits, and/or an accelerated rate case filing. Even if the 2024 rate case filing requirement isn't pulled forward, FE believes a settlement could address any concerns/risk on a step-down in Ohio earnings when the case ultimately is filed. Don't expect earnings power to be thrown off track given FE is at 13% earned ROE (100bps = $0.03). Relatedly, FE appears comfortable with some of the legislative proposals in Ohio as it relates to ratemaking such as doing away with Electric Security Plans (ESPs), as even under the Competitive Power Plan (CPP) bill FE's rider recoveries would be maintained (ie: grid mod and distribution capital recovery), and a 5-year rate case cycle seems reasonable.
- **Decision on minority stake asset sale still expected in Q4.** FE is still working to find the right partner and is on track to decide in Q4. Valuations being seen in the market place continue to look very good for both

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distribution and transmission, not a concern. Once this is known, along with Ohio resolution, FE will have a better sense of its balance sheet and equity needs. The goal is to return to an investment grade rating and hit the high-end of the 12-13% FFO/Debt target by 2024 at the latest. FE is also hopeful it can resume providing longer-term earnings guidance in early-2022 when it has more clarity.

- **Other HB6-related litigation remains pending and could slip to 2022**. The DoJ litigation was resolved with a $230M fine. But there remains litigation pending with the SEC, FERC, and shareholders. FE seemed to indicate that this could drag out into 2022, as they have less control over the timing.
- **Looking at opportunistic transmission growth tied to offshore wind**. This week FE filed a proposal with the NJ BPU – seeing $1.2B onshore transmission-related opportunity from offshore wind. Also partnering with Shell/EDF JV that is developing the offshore wind – will give FE option to exercise up to 20% stake in offshore transmission that could be 3-5x opportunity as onshore. Feeling good there will be enough opportunities for everyone to go around in the state.

NextEra Energy (NEE): See commentary above from our Dinner and Fireside Chat

NextEra Energy Partners (NEP): NEE backlog important to NEP, but NEP still very important to NEE

- **NEP matters to NEE**. The importance of NEE to NEP is unquestioned, given its extensive renewables backlog provides a massive runway for future growth. But, NEP remains important as ever to NEE, which enables the symbiotic relationship. The primary benefit to NEE is the ability to use NEP as a capital recycling vehicle that unlocks future growth potential and balance sheet capacity.
- **Cost of capital cheaper than ever**. One smaller pushback we've gotten on NEP is that the CAFD yields on recent drops have come down modestly (8-9% range from 9-10% historically). While this is true, NEP's cost of capital has come down commensurately, such that the spread on these drops has been consistent over time. Increasing access to cheap infrastructure capital (KKR, Blackrock, etc.) has enabled this.
- **Convertible equity remains cheapest form of financing, more balance sheet capacity**. The next CEPF coming due is later this year, where NEP will buy it out. This remains much more attractive than issuing units up front from a cash cost perspective. Additionally, Jim also pointed to a recent S&P change in methodology to reflect NEP's greater scale/diversity – moving to a 14% FFO/Debt target from 5x Debt/EBITDA historically – creating more balance sheet capacity.
- **Unlikely to join indices given governance**. Unlike some of its YieldCo peers, NEP is not part of some of the clean energy indices like the TAN. This remains due to governance restrictions, as NEP would need a majority independent Board and independent management. There doesn't appear to be an interest in changing this, as NEE believes this sets up conflicts of interest.

NiSource (NI): Capex tailwinds at its back; IRP plan coming soon

- **High conviction in regaining old track record.** Management feels that the company is in a really good place to regain the old track record of over-delivering on its financial commitments. NI believes that re-establishing that track record will help narrow the valuation gap vs where it has traded historically. NI also believes market fears over the demise of gas LDCs are overblown – highlighting its constructive territories and fact that natural gas will provide an effective pathway for the country to meet its decarbonization goals without sacrificing reliability.
- **Preferred IRP plan coming in October.** NI's preferred IRP will become known at its final stakeholder meeting on October 21st. Our sense is that this will likely include an accelerated retirement date for Michigan City (currently 2028). Replacement capacity is likely to include a mix of renewables and some form of firm capacity (MISO already saturated w/ renewables). This will spell out the next leg of NI's incremental generation investment opportunities. NI will hold an Analyst Day In the 1H of 2022 to discuss this in detail and extend its capital plan and growth outlook through at least 2025.
- **Asset sale seem unlikely, at least in the near term.** This continues to be a hot topic given the valuation that CNP received for its AR/OK LDCs earlier this year. Our sense is that NI is unlikely to do anything, at least in the near term – there is no clear funding need, and each subsidiary is growing rate base at 10%+.

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Even VA, which is not contiguous with its other states and is the most progressive state, was highlighted as have the best organic customer growth and constructive regulation.

- **Feel good on gas cost exposure.** NI doesn't see a big impact for a couple reasons. The first being that only about 50% of its residential and commercial customers actually get their gas from NI (lot of states have choice); the industrials procure their own. Of that 50%, NI said that about 40% of the exposure is hedged heading into the winter heating season. Longer-term, all the indicators are telling the company that prices will return to more normal levels next year.

NRG Energy (NRG): Comfortable on business stability through commodity cycles

- **Impact of higher gas and power prices.** NRG expects all retailers to pass through higher supply costs and they have seen rational behavior to date. The company noted their coal and nuclear benefits could provide a relative supply cost advantage, while the Direct Energy business can benefit from wide gas basis spreads and volatility given their access to storage and pipelines. NRG could seek to offer longer term contracts as existing contracts roll off in order to better smooth the impact of rate increases for customers. Overall, mgmt. was very comfortable on managing higher prices, although we sensed a prolonged higher price environment could create some more questions for margins.
- **ERCOT.** There should be very good clarity on receiving the "offsets" from winter storm Uri by mid-October as stakeholders have agreed on securitization. As a reminder, NRG expects $360M - $560M of offsets. This is important as it is the main item contributing to the $461M of expected excess cash this year that can potentially be allocated to buybacks before year end. Mgmt. is comfortable with other ERCOT reforms across weatherization, communications, and future potential changes to incentivize dispatchable generation.
- **Near-term strategic focus on track.** NRG feels as good as ever on achieving Direct Energy synergies. They remain focused near-term on converting one product customers to buy both power and gas. This involves some increased marketing spend, but the magnitude seems small.
- **Optimistic on building out medium-term growth avenues.** Mgmt. had an optimistic tone that they will find larger accretive investment opportunities to grow out from the core business in the 2023 and beyond timeframe. On residential solar, NRG emphasized that they will focus on their strengths, including leveraging their 6M customer relationships, sales organization, and billing capabilities. Having already tried to build a resi solar business before, mgmt. appears focused on finding partners that can provide other capabilities such as financing new residential solar installations. Announcements on next steps and potential partners are expected in the next 12-18 months.

OGE Energy (OGE): Slow and steady wins the race

- **Pointing to higher capital plan.** OGE continues to message that there is an upward bias to its capex plan. The limiter is doing it in a way to keep rates manageable and to not sticker shock OK regulators. Our expectation is to see modest increases in the coming quarters, but its unlikely to see a step change-type update until OGE at least works through its next OK rate case and has better clarity on the outcome of its generation RFPs.
- **Solar RFP on deck.** OGE will file its final OK/AR IRP on 10/1, which is expected to look just like the draft version – about a 1 GW capacity need over the next 5-6 years to replace its Horseshoe gas units and account for customer/load growth. The first tranche of replacement capacity will be through a solar RFP launched in the next couple months – likely targeting ~330 MW in total. OGE will look to add this in increments for rate gradualism –~200 MW in service by 2023, then add another ~150 MW in 2024 and 2025. The remaining capacity need is expected to be filed by smaller gas CTs, which likely wouldn't start being added until 2025. OGE believes it has a good shot at rate basing the solar and is very confident it will be the owner of the CTs. Any generation capex would be upside to OGE's current plan.
- **OK rate case upcoming; regulatory strategy.** OGE will file its next rate case in OK around yearend. Management is confident that case will go smoothly given that the rate increase ask will be modest. Going forward, OGE expects to file rate cases on an annual basis given incremental investment opportunities in grid mod and resiliency as well as on the generation front.

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- **Midstream exit.** While OGE is waiting for the merger to close before laying out its definitive exit plan, management did mention that CNP's forward sale might help OGE move a bit quicker in its exit than it thought originally.

Ørsted (ORSTED): I feel the need…the need for wind speed

- **Wind speeds.** UK energy giant SSE's recent release that its renewables assets produced 32% less than power expected between 4/1 and 9/22 due to dry and low-wind conditions reflects the weak wind speeds that Ørsted discussed on its 2Q21 call and follow up sell-side call. But Ørsted does not see any structural issue. Its new UK offshore wind projects are under a CfD framework. But its older windfarms under the RO framework could see some risk. Ørsted has hedges in place and does not expect the impact to be material. On the flip side, Ørsted is seeing significant outperformance from its Danish heat plants, which will mitigate any impact from lower wind speeds.
- **Watching any read-through from Spanish windfall tax.** Ørsted is not in Spain, but it is watching whether there is any fallout from the windfall tax, clawing back earnings from power companies. That is not helpful for the renewables theme.
- **MA no-bid not surprising.** The company did not bid into the latest MA offshore wind auction, which only attracted two bidders. Under current MA law, auction prices must be lower than previous auction results. Ørsted still anticipates participating in other expected auctions in the US over the next year or so, including NY, NJ, CT and RI. And it could bid into future MA auctions.
- **Sweden offshore wind project.** This week Ørsted submitted environmental impact assessment for two projects (1500 MW each); these are in the company's "opportunity pipeline" described at its June CMD. The projects would be merchant, not auction. Sweden has a lot of potential offshore wind capacity. But it is still early days.

PG&E (PCG): Irrational gloom

- **Stock disconnect is "irrational".** PCG acknowledges it needs to execute on its plans. But PCG said the stock discount to peers is irrational relative to the liability cap under AB 1054. The question is whether wildfires seem like uncontrollable and unmitigated risk. But PCG's safety certificate, new management and visibility PCG has in the execution of its plan should reassure investors. CA lawmakers recently affirmed their support with a cleanup bill to AB 1054, showing they want CA utilities to be attractive to global capital markets.
- **Making progress with wildfire mitigation plan.** The Office of Energy Infrastructure Safety, which is separate from the CPUC, approved PCG's latest wildfire mitigation plan. For PCG, that is enough to file for the wildfire safety certificate; the current WSC is in place until a ruling on the new WSC is rendered. PCG continues to refine its PSPS algorithm. Dixie occurred on a non-Red Flag Warning day, so PCG put in place enhanced power lines and fast trip settings, which are much more sensitive to disruption and reduced CPUC reportable ignitions by 50-60%. New settings, inspections and enhanced VM are working.
- **Detail on undergrounding proposal expected in Feb.** PCG recently received proposals to its Request for Information on undergrounding and will shortlist them soon. PCG also created an undergrounding council, which includes external parties from CAL Fire, tribal leaders, environmental groups, and others. More detail on PCG's 10k mile undergrounding proposal will be in the next WMP scheduled for Feb 2022. PCG already has dollars for system hardening, the bucket under which undergrounding will fall. PCG sees the $2.0-2.4M per mile cost today falling over time. Quanta Services, without providing an estimate, said costs of undergrounding could come down with scale; the infrastructure construction company suggested at our conference that the cost of not undergrounding is more than not in parts of the wildfire-prone West, citing cost of insurance, damages, etc.
- **Excited over EVs.** PCG is excited by bidirectional charging vehicles and has tests/pilots with multiple automakers. An EV is equivalent to 6 to 9 Tesla Powerwalls and could power a home for 3 to 5 days.

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- **Cost of capital not a major risk.** It is unclear how the CPUC will rule on the utilities' off-cycle CoC applications. The CoC mechanism, if triggered, would suggest over 50bp ROE cut in 2022. If the ROE is cut, PCG expects to find other costs to cut. PCG can deploy some cost savings faster. PCG suggested its 10% EPS growth would not be at risk.

Plains All American Pipeline (PAA / PAGP): More constructive tone on Permian growth

- **More constructive tone on Permian growth.** Plains has seen an improvement in activity and Permian production vs. their messaging on the Q2 call in early August. The company remains optimistic on an eventual Permian recovery to 6-7M bpd over the medium-term vs. 4.7-4.8M bpd currently. If this outlook proves out, they see risks around re-contracting long-haul pipes in 2025 as very manageable as the market will have rebalanced.
- **Oryx progressing on plan.** The company was confident on a Q4 close for the JV with Oryx and didn't flag any FTC issues. They remain confident on synergies and are optimistic on potential upside.
- **Inflation.** Most of the assets / contracts have direct escalators that track PPI or CPI. This should be a net benefit for the company next year as they hope to manage costs.
- **Reconciliation.** The company doesn't think taxation of investors buying MLPs through swap is too material given a limited number of units held through swap, and also reminded us that investors have the option to buy PAGP (which is treated as a C-corp) instead.
- **S&L and commodity prices.** The company is more levered to price spreads and time spreads, and less levered to absolute commodity prices. The Canadian business is seeing significant NGL frac spreads and opportunities, although PAA typically hedges a lot of the business so it's hard to know how much benefit there could be to near-term results.

Portland General (POR): Power cost headwinds but plan still intact

- **Q3 power costs a headwind…**POR mentioned that day ahead prices in its regional power markets spiked several times during the summer but without a corresponding surge in demand. This was mostly due to very poor hydro resource during Q3; wind conditions didn't sound great either. And under these conditions, POR was unlikely to have excess capacity of its own to sell into the market to take advantage of the price spikes. This is always a focus given how POR's PCAM mechanism and the net impact sounded like a definite headwind during Q3.
- **…but Q2 guidance update anticipated this.** Recall that POR raised its FY21 guidance at Q2. Despite the power cost headwinds faced in Q3, it sounds like POR remains on track to still deliver within the revised guidance range given that management anticipated that some of these headwinds might come to fruition.
- **Rate case going well.** POR held its first settlement conference earlier this month and talks will continue over the next couple months. Management has suggested talks have gone well thus far and hopes to reach a settlement, either piece-meal or comprehensively, similar to how it has in the past. Staff and intervenor testimony are due 10/25 and new rates are expected to be effective in May 2022 (statutory deadline).
- **Renewable RFP coming in Q4.** The RFP will target 150 MWa of new renewables to come online by 2024. POR will bid a benchmark resource, but it will likely take 6 months or more until details are known. In addition to the RFP, POR is also going to procure 100 MW for its Green Futures program and has a separate proposal in front of the OPUC to procure additional renewables for one large data center (likely in excess of 100 MW) – it's unclear if POR will be able to own or need to contract for these MWs.

PPL Corp (PPL): On the Rhode again

- **Financial outlook update expected soon after RI decision.** PPL plans to issue 2022 guidance and a LT EPS growth rate at an analyst day soon after RI regulators issue a decision on the NEC acquisition. That is expected in the Feb/Mar timeframe; RI is a no harm state. PPL expects its LT EPS growth rate to be higher than rate base.

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- **Buybacks on track.** The $500M share buyback authorized for 2021 is on track to be completed by YE21. PPL expects to provide an update on the remaining $2.5B of net proceeds at the analyst day. Regardless of the use of those proceeds, PPL expects to be solidly in the 16-18% range over its planning period.
- **Fleet transition in KY.** PPL's base plan is tied to the depreciable lives of its coal fleet, which generally go into the 2030s and beyond. PPL is watching the clean energy proposals in DC, which could have implications on fleet transition. But other factors could motivate the state to transition quicker; for instance, Ford's recent announcement on building its first US assembly plant and one battery factory in TN and two other battery factories in KY.
- **Transmission.** PPL said its recent investment in the $2.5B SOO Green HVDC underground line is "very small". It could open up opportunities in the future.

PSEG (PEG): Analyst Day aftermath; believes nuclear PTC ultimately passes

- **Officially the new PEG post-Analyst Day.** PEG held an Analyst Day earlier in the week and highlighted the company as 90% regulated earnings going forward, with remaining 10% being mostly contracted (LIPA, nuclear, offshore wind). Focused on gaining more ESG credit for carbon-free generation and methane reduction targets at gas business. Targeting 5-7% EPS growth going forward.
- **Lots of funding flexibility**. Strong balance sheet following asset sales and new business mix – 15-16% FFO/Debt versus 13-14% threshold. Increased utility capex plan by $1B and targeting 6-7.5% rate base growth. Increased dividend cadence by $0.12/sh (from $0.08) and doing $500M buyback. Still have funding capacity beyond that – $2B creates $3.5B investment potential.
- **Cautiously optimistic nuclear PTC ultimately passes**. Believes nuclear PTC will pass IF infrastructure bill passes. The nuclear component doesn't appear to be controversial. Thinks Congress will ultimately figure out a way to compromise. $15/MWh PTC would be reduced by $10/MWh NJ ZEC, but benefit state ratepayers and still be financial upside. Will pursue parallel path at state level for long-term solution.
- **In discussions with Ørsted on future offshore wind opportunities**. Already own stake in Ocean Wind 1. Future discussions will be dictated by Ørsted's Skipjack lease area bidding into Maryland (750 MWs). Will tie into PEG's 50% stake in the Garden State lease area and could create opportunities for future stakes. Also looking at offshore wind related transmission, where a BPU decision in expected in 2H22.

Southern Company (SO): Return of a familiar face and a familiar pre-Vogtle story

- **Vogtle continues to be the focus...**New CFO Dan Tucker, who was head IR years ago, acknowledged that investors continue to focus on Vogtle. But he thinks Hot Functional Testing was the biggest milestone and that was met for Unit 3 this past summer. Fuel load is the next milestone, but there will be a lot of updates coming over the next few months: SO's VCM filing on 10/21, SO's 3Q21 earnings call in early Nov, VCM hearings a week later, the EEI conference around then, and the GaPSC Staff VCM testimony in early December, followed by hearings. SO had no changes to its Jun 2022 and Mar 2023 CODs for U-3 and U-4.
- **…but SO pointing to a post-Vogtle construction fortress B/S.** But Dan made some familiar pitches about SO, harkening back to pre-Vogtle times. SO said a can't be quality equity without being a quality credit. SO expects FFO/Debt to be above its current 16%, maybe even in the "high teens" and sustaining that level given D&A from Vogtle once fully operational (~$800M/yr of cash).
- **Fleet transition opportunities.** SO will file a GA Power IRP in Jan 2022. There could be more renewables, including solar/storage, and small gas plants. Solar is concentrated in the southern part of GA; expect to see more outside of that region. The solar PTC would help SO, given normalization rules. SO expects more rate base opportunities in renewables given the generation mix is already near the GaPSC's 30% threshold for third-party PPA purchases.
- **Coal retirements:** SO has 22 coal units in operation, four of which already comply with the EPA's ELG guidelines; the rest are challenged.

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- **5-7% EPS growth reflective of potential upsides.** Still sees 5-7% growth and $4.00-4.30 in 2024; that atypically wide range reflects opportunities from fleet transition.

Sunnova Energy Int'l (NOVA): Managing well through all the headline risks

- **Service focused, both to dealers and customers.** NOVA noted this as a differentiator for itself vs peers, particularly the plain vanilla loan providers (Mosaic, Sunlight Financial, etc.). NOVA views the finance aspect as just the "enabler" of solar but believes the real value creation is through the ownership of the customer relationship – we agree. For loans specifically, NOVA noted it is the only company to offer both financing and servicing over the life of the loan.
- **NEM 3.0 likely a "win" for utilities.** NOVA believes that to be the case, BUT doesn't think it will be near the level the utilities are hoping for. NOVA thinks it is likely there will be some type of a grid services charge in the final order, but believes actions like this will lead to solar customers wanting to cut the cord entirely. For existing NEM 1.0 and 2.0 customers, management thinks any changes to their rules would include a significant grandfathering period (i.e., 10 years or more). NOVA believes the outcome will accelerate storage adoption in the state, which the company ultimately views as a "win" for resi solar (e.g., Hawaii doesn't have NEM but has 100% battery attachment rate).
- **Cost inflation pressures manageable.** NOVA pointed out that only 15-20% of the total cost stack is related to solar equipment, so the impact to the overall cost structure wouldn't be of the same magnitude as it would be for utility-scale. On the labor side, NOVA downplayed any material impact at its dealers (some are seeing an increase, others aren't) – nothing that is holding up installations. NOVA also believes that it can create efficiencies with its dealers to help offset any sustained impacts.
- **Encouraged by Dept. of Commerce response.** Yesterday's DOC decision to extend the timeline 45-days for whether to launch an investigation into potentially extending AD/CVD duties to Thailand, Vietnam, and Malaysia was not a surprise to NOVA. The company was pleasantly surprised by the level of questions from the DOC, which hopefully is an indication that the petition will ultimately be dismissed. NOVA pointed out that is uses a diverse list of suppliers, several of which were not even named in the petition.

Targa Resources (TRGP): Firing on all cylinders; Very bullish tone given favorable market conditions

- **Commodity environment.** TRGP expects to benefit from the stronger price environment on PoP contracts, including those with fee floors. It seems possible to us they could also benefit from volatility with their storage and logistics assets. Spot LPG export volumes have come in with high domestic prices but there may be opportunities to benefit by selling domestically in some cases instead.
- **Green shoots on stronger production growth.** TRGP has seen some improvement in activity in response to the spike higher in commodity prices, particularly from private players. It's harder to have visibility on FY 2022 yet though until we get through E&P budget seasons. The overall tone on volumes was constructive with TRGP noting they wish they had added Midland plants a little faster.
- **Inflation is a meaningful benefit.** It's not just commodities, TRGP also highlighted inflation as a key benefit starting next year given tariff structures. The benefit should compound in future years, which is something we heard from a few companies as inflation benefits may get phased in over time.
- **Flexible, all-of-the-above approach to capital allocation.** The improved outlook was cited as further improving flexibility on the capital allocation front in 2022 after the DevCo buy-in. TRGP plans to take out the ~$900M high cost preferred ratably through the end of 2023. They will also look to increase the dividend and continue with stock buybacks. On the dividend, TRGP will consider midstream peer levels but also other cyclical companies' policies. Flexibility was emphasized depending on market conditions and in the event the right acquisition opportunity became available.
- **Capex manageable even in faster growth environment; Plenty of operational leverage left.** There could be some modest upside to capex next year given the higher commodity price and resulting production outlook. However, TRGP stressed this is primarily focused on lower capex items like new plants, hook ups, and compression. There's plenty of operational leverage left in the downstream assets with minimal capex

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needs as volumes rise near term. Management noted that if there is some modest increase in capex it will be tied to EBITDA also being notably higher such that FCF is still rising.

Vistra (VST): Overall net neutral; strategic financing decision slight delay, hedge position impact mixed, Uri hit less bad

- **Strategic financing decision a little delayed.** VST continues to spend a lot of time with its Board on its strategic direction, specifically as it relates to growing its renewables/storage business with a cheaper cost of the capital. Part of the delay was related to the Moss Landing issue, but VST should be able to provide an update with the Q3 call and before year-end. Overall, the goal here is redirect cash flow headed towards this growth and instead use it to buyback shares.
- **Overall financial outlook feels on track, with some moves on the margin given hedging/commodities.** VST didn't formally reaffirm its 2021 guidance or give official 2022/2023 guidance yet, but it feels as though everything is still within its normal ranges. The recent commodity moves have been dramatic and there were a lot of questions on VST's hedge profile given the spike in natural gas and compression in 2022 sparks in recent weeks. The mild summer in ERCOT didn't help, but there were some offsetting positives in other markets. VST also disclosed a 20-30% power hedge position in 2023 and slightly higher on nat gas, with the ability to use the retail business length as well. Bottom line, VST still sees itself as a $3B+ EBITDA company with ~$2B in FCF generation.
- **Some positives on Uri and Texas market structure.** VST is tracking well on its ~$500M of Uri self-help initiatives this year, as it looks to offset some of the ~$2B financial hit. Further, the PUCT just approves securitization enabled through legislation, which should allow VST to recover ~25% of that hit. Going forward, VST is focused on potential market changes to the operating reserve demand curve that should incent dispatchable generation – a net benefit to its fleet.
- **Accelerating renewables build-out, working through Moss Land investigation.** VST pointed to the target capital raise as helping it to pull forward its 4-5 GW renewables pipeline to deployment between now and 2025. In Illinois, the recent energy bill allows for 425 MWs of solar/storage that are under long-term contracts/REC payment structures. In California, VST has expanded the root cause analysis on the Moss Landing issue – determining that it is not related to batteries overheating, with it seeming fixable as well.

WEC Energy Group (WEC): Pointing to upper-half of growth rate and pushing fleet transition

- **Strong bias to the upper-half of 5-7% EPS growth.** WEC has had a stated growth rate of 5-7% for years and typically grown above that, but is now pointing to a strong bias within the upper-half of the range (previously just stated the range). Additionally, Gale continues to highlight WEC's earnings quality relative to peers with no major adjustments or write-downs.
- **Big chunk of capital plan focused on renewables and fleet transition**. Overall $16.1B capex plan over 5-year is low-risk and executable. About a quarter of this is dedicated to regulated renewables and contracted renewables within the energy infrastructure segment. WEC is setting aggressive carbon reduction goals in an effort to become an ESG play – reducing coal as a percentage of revenue/assets to 8% in 2025. WEC has talked to the potential for the coal units at Power the Future to be converted to gas, but timing doesn't seem imminent. There is adequate pipeline capacity into the site and co-firing has been tested. However, this seems less about price and more about reliability, as this past winter demonstrated.
- **Rate case filing next year will address solar additions and coal retirements**. WEC recently had its rate stay-out settlement approved and will file its next Wisconsin rate case in 2022 for 2023-2024 rates. This will align with its coal unit retirements at Oak Creek and bringing online solar. Mgmt. seems confident it can continue to get a full return of/on remaining coal in rate base, as has been the track record in the state. Further, the O&M/fuel savings from the coal plants should help limit the size of the rate hike.
- **Diverse fuel mix helps impact of higher nat gas costs, could see some solar timing with tariffs**. WEC pointed to its diverse fuel mix as beneficial in the current environment of spiking power and gas prices. Nuclear supplies 25% of power for We Energies customers. WEC also has a hedging program and storage, with only modest spot price exposure for its gas LDC business. The total expected bill impact for gas customers was quantified as $180-200 higher over the course of the winter ($4.50/MMBtu avg. cost). On its

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solar projects, everything remains on-time, but WEC is monitoring the potential impact of solar tariffs on its Badger Hollow 2 timing. There also might be 5-10% cost increases in renewables overall, as steel and other commodities have risen.

- **MISO transmission opportunities seem long-dated, unclear what FERC does on ROEs**. The MISO long-term transmission plan has been pushed out to early-2022 and it's unclear if companies will even have a sense of what projects will be available to them. WEC noted that the last round of MISO projects that started 10 years ago are still in progress in some cases. On FERC transmission ROEs, it's unclear what happens with the RTO adder, but given the desire to incentivize a renewables buildout it would seem that any degradation here would be offset by other ROE incentives.

Xcel Energy (XEL): A premium utility on sale

- **Views recent stock weakness as a buying opportunity.** XEL didn't have any great answers to explain the recent stock weakness (U/P the UTY by 250bps MTD, 800bps YTD). While the regulatory calendar is busy, XEL is confident that it will be able to reach reasonable outcomes, consistent with history, and pointed to its 12-yr track record of meeting or beating the midpoint of its guidance.
- **Feel good about executing on rate cases.** XEL is in the midst of electric rate case in CO and plans to file an electric case in MN in Nov. – collectively, these two jurisdictions account for 65%+ of total rate base (XEL is also still working through its TX case which is 5-10% of total RB). XEL thinks the CO rate case will go smoothly as a lot of the capital has already been approved through riders and its ROE is already below the national average. Similarly, XEL expects a constructive outcome in MN and pointed to a recent Ottertail ALJ recommendation as a positive datapoint (9.48% allowed ROE, XEL is allowed 9.2%)
- **Capex refresh due at Q3, body language positive.** XEL's annual refresh of its 5-year plan is expected at Q3. The sense we get is that it will a constructive update – incremental capex from the CO Pathway plan ($700M) sounds promising, same with Sherco Solar ($450M). Capex from its CO and MN IRPs could also start to coming into view as XEL rolls forward to 2026.
- **IRP update.** XEL noted that both the MN and CO IRPs are progressing well and should be decided around the same time (1Q22). The MW additions of renewables in both plans are quite large – nearly 10,000 MW combined, most of which will be added in the 2H of the decade. XEL expects to own at least 50% of the MWs in rate base.

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Comparables Tables

Exhibit 2: Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$22.83	666	$15,213	14.8x	13.6x	12.7x	12.1x	2.6%	5.0%	39%	6.8x	18%
Alliant Energy	LNT	$55.98	250	$14,009	21.4x	20.3x	19.3x	18.3x	2.9%	5.9%	62%	2.4x	45%
Ameren	AEE	81.00	257	20,829	21.5x	19.9x	18.6x	17.6x	2.7%	7.0%	58%	2.2x	42%
American Electric	AEP	81.18	500	40,610	17.3x	16.2x	15.3x	14.4x	3.6%	5.7%	63%	1.9x	37%
Avangrid	AGR	48.60	387	18,818	23.2x	20.3x	19.1x	N/A	3.6%	0.0%	84%	1.0x	71%
CenterPoint Energy	CNP	24.60	629	15,469	19.4x	18.0x	16.5x	15.2x	2.5%	8.0%	49%	2.0x	35%
CMS Energy	CMS	59.73	290	17,301	20.8x	20.8x	18.9x	17.2x	2.9%	6.7%	61%	3.0x	32%
Con Edison	ED	72.59	353	25,652	17.0x	15.6x	15.2x	14.6x	4.3%	1.3%	73%	1.3x	44%
Dominion	D	73.02	807	58,892	18.9x	17.7x	16.7x	15.5x	3.5%	6.0%	65%	2.4x	40%
DTE Energy	DTE	111.71	194	21,644	15.2x	19.2x	17.9x	16.9x	4.0%	7.2%	60%	1.7x	35%
Duke Energy	DUK	97.59	769	75,068	19.0x	18.1x	17.0x	15.9x	4.0%	2.0%	76%	1.6x	42%
Edison International	EIX	55.47	380	21,062	12.2x	12.2x	11.3x	10.7x	4.8%	4.0%	58%	1.5x	36%
Emera*	EMA	57.36	257	14,713	20.6x	17.9x	17.0x	16.0x	4.5%	4.0%	93%	1.8x	38%
Entergy	ETR	99.31	201	19,957	16.4x	15.6x	14.6x	13.8x	4.1%	6.0%	67%	1.8x	30%
Evergy	EVRG	62.20	229	14,262	18.6x	17.5x	16.2x	15.4x	3.5%	6.0%	65%	1.6x	45%
Eversource Energy	ES	81.76	344	28,096	21.5x	20.0x	18.8x	17.8x	2.9%	6.2%	63%	2.0x	43%
Exelon	EXC	48.34	978	47,268	16.7x	21.4x	20.3x	19.2x	3.2%	0.0%	53%	1.5x	44%
FirstEnergy	FE	35.62	544	19,384	14.1x	13.5x	12.8x	N/A	4.4%	0.0%	62%	2.6x	23%
Fortis*	FTS	56.19	471	26,477	20.5x	19.2x	18.1x	17.3x	3.7%	6.0%	75%	1.5x	43%
NextEra Energy	NEE	78.52	1,962	154,037	31.0x	29.1x	26.9x	25.1x	2.0%	10.0%	61%	4.2x	41%
NiSource	NI	24.23	392	9,508	18.1x	17.2x	16.0x	14.3x	3.7%	6.0%	67%	2.0x	40%
OGE Energy	OGE	32.96	200	6,598	14.4x	15.4x	14.7x	14.1x	4.8%	2.0%	70%	1.8x	43%
PG&E	PCG	9.60	1,985	19,059	9.5x	8.9x	8.2x	7.4x	0.0%	N/A	0%	0.9x	33%
Pinnacle West	PNW	72.36	113	8,161	14.4x	15.7x	15.0x	14.2x	4.5%	2.0%	64%	1.4x	43%
Portland General	POR	46.99	89	4,201	16.9x	16.9x	16.3x	16.0x	3.6%	7.1%	61%	1.6x	45%
PPL Corp.	PPL	27.88	770	21,457	14.3x	16.6x	15.2x	N/A	6.0%	0.0%	85%	1.4x	53%
PSEG	PEG	60.90	506	30,790	17.0x	17.6x	16.8x	15.9x	3.3%	4.1%	57%	1.9x	48%
Sempra	SRE	126.50	319	40,395	15.3x	15.2x	14.6x	13.9x	3.6%	8.0%	54%	1.7x	51%
Southern Company	SO	61.97	1,059	65,615	18.4x	17.8x	16.5x	15.1x	4.3%	3.9%	78%	2.3x	35%
WEC Energy Group	WEC	88.20	315	27,821	21.8x	20.6x	19.3x	18.2x	3.1%	7.1%	67%	2.6x	43%
Xcel Energy	XEL	62.50	538	33,652	21.0x	19.7x	18.6x	17.5x	2.9%	6.4%	62%	2.3x	37%
Average					**18.1x**	**17.7x**	**16.6x**	**15.7x**	**3.5%**	**4.8%**	**63%**	**2.1x**	**40%**
Average (ex EIX & PCG)					**18.6x**	**18.2x**	**17.1x**	**16.2x**	**3.6%**	**4.8%**	**65%**	**2.2x**	**41%**

Source: Wolfe Utilities & Power Research

Exhibit 3: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	40.83	245	9,994	9.0x	6.8x	6.1x	N/A	9.3%	16.9%	20.1%	N/A
Vistra Corp	VST	17.10	483	8,251	10.8x	4.9x	5.3x	N/A	4.8%	27.9%	25.0%	N/A
Average					**9.9x**	**5.9x**	**5.7x**	**N/A**	**7.0%**	**22.4%**	**22.6%**	**N/A**

Source: Wolfe Utilities & Power Research

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Exhibit 4: Midstream Comparables

Name	Ticker	Rating	Price	Market Cap	EV / EBITDA				Dividend Yield				FCF Yield Before Divs				Debt / EBITDA				Price / Earnings			
					2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
C-corps:																								
Cheniere Energy Inc	LNG	OP	97.67	24,749	13.5	10.6	8.9	8.4	N/A	N/A	1.4%	1.4%	(4.4%)	6.1%	11.2%	13.6%	7.8	6.0	5.1	4.9	N/A	26.7	10.9	10.8
DT Midstream, Inc	DTM	OP	46.24	4,479	10.7	9.9	9.3	8.7	N/A	5.2%	5.6%	6.0%	6.5%	8.9%	8.1%	8.7%	4.6	4.1	3.8	3.4	18.1	15.7	14.3	13.1
Enbridge Inc.*	ENB	PP	39.80	80,719	12.8	12.3	11.2	10.8	6.4%	6.6%	7.0%	7.4%	3.5%	2.9%	8.3%	8.8%	4.6	4.7	4.3	4.1	20.8	18.4	16.5	15.6
Equitrans Midstream	ETRN	OP	10.14	4,477	8.2	8.1	8.5	7.6	5.9%	5.9%	5.9%	5.9%	9.3%	10.7%	1.0%	16.7%	5.3	5.2	5.5	4.7	9.6	12.8	10.8	7.6
Kinder Morgan Inc	KMI	UP	16.73	38,317	10.1	8.7	9.6	9.3	6.3%	6.5%	6.6%	6.8%	6.7%	12.7%	9.5%	10.7%	4.6	3.9	4.3	4.0	18.8	12.9	16.6	15.9
ONEOK, Inc.	OKE	PP	57.99	26,209	14.2	11.7	11.2	10.9	6.4%	6.4%	6.4%	6.4%	(1.1%)	6.8%	8.2%	8.5%	4.9	4.2	4.0	3.8	40.9	17.4	16.4	16.0
Plains GP Holdings LP	PAGP	PP	10.78	7,396	8.1	8.7	8.1	7.6	6.7%	6.7%	6.7%	6.7%	1.5%	14.4%	16.4%	17.4%	4.4	4.6	4.1	3.8	6.7	10.7	6.9	6.4
Targa Resources Corp.	TRGP	OP	49.21	11,318	12.6	9.8	8.3	7.4	0.8%	0.8%	2.0%	2.5%	2.3%	8.9%	11.4%	12.5%	5.0	3.7	3.3	2.9	N/A	27.8	17.3	13.9
TC Energy Corp*	TRP	PP	48.09	47,143	11.6	11.6	10.9	10.7	5.3%	5.7%	6.1%	6.4%	(3.6%)	0.5%	3.0%	5.5%	4.7	4.9	4.8	4.8	12.9	28.8	13.2	13.1
Williams Companies	WMB	OP	25.94	31,917	10.9	10.0	9.8	9.5	6.2%	6.5%	6.9%	7.3%	5.7%	7.5%	8.1%	8.5%	4.3	3.8	3.7	3.5	151.5	22.8	22.8	21.1
C-corp Average:					**11.2**	**10.1**	**9.6**	**9.1**	**5.5%**	**5.6%**	**5.5%**	**5.7%**	**2.6%**	**7.9%**	**8.5%**	**11.1%**	**4.7**	**4.4**	**4.2**	**3.9**	**34.9**	**19.4**	**14.3**	**13.3**
MLPs:																								
Cheniere Energy Partners	CQP	PP	40.67	25,536	13.6	14.0	13.0	11.4	6.4%	6.6%	6.8%	8.4%	5.5%	7.7%	12.6%	13.7%	6.4	5.9	4.9	4.5	17.6	13.1	9.8	8.9
Energy Transfer LP	ET	OP	9.58	25,913	9.0	6.6	7.6	7.1	9.6%	6.4%	7.0%	8.4%	3.8%	25.5%	21.5%	23.0%	5.6	3.9	4.2	3.8	N/A	4.9	7.5	7.0
Enterprise Products Partners LP	EPD	OP	21.64	47,816	9.4	8.9	8.9	8.5	8.2%	8.3%	8.5%	8.8%	5.2%	11.1%	11.9%	13.2%	3.7	3.5	3.4	3.2	10.4	9.9	10.2	9.7
Magellan Midstream Partners	MMP	PP	45.58	10,338	11.2	10.7	10.3	9.6	9.0%	9.0%	9.0%	9.0%	5.6%	10.2%	11.0%	12.2%	3.7	3.6	3.3	3.1	11.9	10.4	10.6	10.0
MPLX LP	MPLX	PP	28.47	29,487	9.7	9.2	8.8	8.6	9.7%	9.7%	9.7%	9.7%	10.3%	12.8%	13.3%	13.5%	4.0	3.7	3.6	3.5	N/A	10.3	9.4	9.0
Plains All American LP	PAA	PP	10.17	7,396	7.9	8.5	7.9	7.4	7.1%	7.1%	7.1%	7.1%	1.6%	15.3%	17.4%	18.5%	4.4	4.6	4.1	3.8	6.3	10.1	6.6	6.0
MLP Average					**9.5**	**8.8**	**8.7**	**8.2**	**8.7%**	**8.1%**	**8.2%**	**8.6%**	**5.3%**	**15.0%**	**15.0%**	**16.1%**	**4.3**	**3.8**	**3.7**	**3.5**	**9.5**	**9.1**	**8.8**	**8.3**
Midstream Average					**10.8**	**9.8**	**9.4**	**8.9**	**6.7%**	**6.5%**	**6.4%**	**6.7%**	**3.7%**	**10.0%**	**10.3%**	**12.4%**	**4.6**	**4.1**	**4.0**	**3.7**	**16.6**	**15.8**	**12.3**	**11.4**

* Metrics calculated based on $CAD; ** D/EBITDA averages exclude LNG & CQP; *** Midstream averages exclude PAGP; **** MLP and Midstream averages exclude CQP

Source: Wolfe Midstream Research

Exhibit 5: Inverter Comparables

Name	Ticker	Price	Mkt Cap	EV/Sales				Sales Growth				P/E				Gross Margins			
				2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Inverters																			
Enphase Energy	ENPH	149.97	19,978	14.7	10.9	8.7	7.2	75%	35%	24%	20%	67.1	53.7	42.6	34.8	40.2%	39.7%	40.0%	40.1%
SolarEdge Technologies	SEDG	265.22	13,688	7.1	5.5	4.6	4.1	36%	31%	20%	14%	55.1	40.8	35.2	31.7	33.7%	32.7%	31.6%	30.7%
Generac Holdings*	GNRC	408.67	25,660	7.0	5.7	4.9	4.2	50%	19%	13%	15%	40.8	33.9	30.5	28.1	38.7%	39.3%	39.2%	43.9%
SMA Solar Technology AG*	S92	43.07	1,494	1.1	0.9	0.8	0.8	(3%)	13%	10%	6%	186.6	47.9	29.3	24.3	19.6%	21.3%	21.2%	N/A
Inverters Average				**7.5**	**5.8**	**4.8**	**4.1**	**40%**	**25%**	**17%**	**14%**	**87.4**	**44.1**	**34.4**	**29.7**	**33.0%**	**33.3%**	**33.0%**	**38.2%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices and Market Caps in USD

Exhibit 6: Hydrogen Play Comparables

Name	Ticker	Price	Mkt Cap	P/E				EV/EBITDA				Gross Margins				Sales Growth			
				2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Ballard Power Systems	BLDP	14.05	4,100	(51.6)	(62.1)	(88.0)	(156.6)	(40.0)	(51.9)	(92.9)	(582.5)	17%	20%	22%	25%	(0%)	43%	17%	29%
Bloom Energy Corp.	BE	18.72	2,705	(24.4)	(184.7)	86.6	32.1	(118.3)	77.6	34.6	20.6	23%	29%	30%	33%	23%	24%	13%	12%
Plug Power	PLUG	25.54	14,468	(78.7)	(713.6)	152.0	54.3	(63.9)	780.1	77.5	34.4	2%	27%	31%	34%	N/A	59%	44%	41%
FuelCell Energy*	FCEL	6.69	2,409	(24.8)	(46.1)	(66.9)	(133.8)	(64.1)	(223.4)	343.9	159.5	(9%)	15%	25%	21%	8%	57%	62%	37%
ITM Power PLC*	ITM	5.81	3,170	(108.6)	(214.3)	(401.4)	574.4	(127.9)	(904.4)	515.5	188.9	(25%)	4%	23%	36%	438%	191%	84%	46%
NEL ASA*	NEL	1.50	2,297	(21.0)	(51.1)	(92.2)	261.3	(43.6)	(74.5)	(677.6)	66.8	40%	33%	28%	N/A	24%	59%	66%	36%
Hydrogen Plays Average				**(51.5)**	**(103.9)**	**(186.8)**	**234.0**	**(78.5)**	**(400.8)**	**60.6**	**138.4**	**2%**	**17%**	**25%**	**29%**	**157%**	**102%**	**70%**	**40%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices and Market Caps in USD

Exhibit 7: Panel Comparables

Name	Ticker	Price	Mkt Cap	P/E				EV/EBITDA				Gross Margins				EPS Growth			
				2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Peers:																			
Canadian Solar*	CSIQ	34.59	1,995	16.4	8.8	9.1	N/A	7.6	5.3	4.6	N/A	15%	19%	18%	N/A	(11%)	87%	(3%)	N/A
JA Solar*	002459	10.22	15,783	53.3	32.0	24.7	N/A	N/A	N/A	N/A	N/A	14%	16%	17%	N/A	29%	66%	30%	N/A
JinkoSolar Holding*	JKS	45.81	1,996	21.5	17.2	11.1	N/A	11.4	9.7	7.7	N/A	19%	22%	23%	N/A	(35%)	25%	56%	N/A
LONGi Green Energy*	601012	12.78	67,993	37.2	28.5	23.2	16.4	28.1	21.2	17.2	10.9	21%	21%	20%	20%	37%	31%	23%	41%
Trina Solar*	688599	8.30	16,079	56.9	32.0	24.4	N/A	N/A	N/A	N/A	N/A	14%	15%	15%	N/A	47%	78%	31%	N/A
Panels Average				**37.1**	**23.7**	**18.5**	**16.4**	**15.7**	**12.1**	**9.8**	**10.9**	**17%**	**19%**	**18%**	**20%**	**13%**	**57%**	**27%**	**41%**
First Solar	**FSLR**	**95.46**	**10,001**	**22.0**	**86.7**	**27.3**	**17.4**	**10.2**	**21.6**	**11.4**	**7.5**	**25%**	**18%**	**23%**	**25%**	**16%**	**(75%)**	**218%**	**57%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices and Market Caps in USD

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Exhibit 8: Offshore Wind Comparables

				EV/EBITDA				P/E				Dividend Yield	Dividend Growth
Company Name	**Ticker**	**Price**	**Mkt Cap**	**2021**	**2022**	**2023**	**2024**	**2021**	**2022**	**2023**	**2024**	**2021**	**2021-2024**
AES Corp.	AES	22.83	15,286	10.7	10.3	9.9	9.6	14.8	13.6	12.7	12.1	2.6%	5.0%
EDP Renovaveis SA*	EDPR	24.82	23,489	15.2	14.0	13.3	13.0	41.5	37.9	33.0	30.7	0.4%	11.1%
Grenergy Renovables SA*	GRE	35.52	997	25.8	16.4	13.1	10.1	47.0	23.6	16.1	14.0	N/A	N/A
Iberdrola SA*	IBE	10.06	65,915	9.1	8.5	8.2	8.0	15.3	13.7	12.6	11.7	5.0%	7.0%
NextEra Energy, Inc.	NEE	78.52	153,704	17.6	16.7	15.6	14.5	31.0	29.1	26.9	25.1	2.0%	10.0%
Neoen SA*	NEOEN	40.35	4,439	19.9	17.7	15.8	13.9	97.3	66.4	45.4	35.8	0.1%	217.3%
RWE AG*	RWE	35.41	24,624	6.3	6.4	7.5	5.7	16.8	17.2	22.2	20.9	2.9%	4.4%
Solaria Energía y Medio Ambiente SA*	SLR	15.85	2,088	31.2	19.2	15.0	11.4	48.3	27.8	19.2	12.9	N/A	N/A
Offshore Wind Average				**17.0**	**13.6**	**12.3**	**10.8**	**39.0**	**28.7**	**23.5**	**20.4**	**2.2%**	**42.5%**
Offshore Wind Median				**16.4**	**15.2**	**13.2**	**10.8**	**36.2**	**25.7**	**20.7**	**17.4**	**2.3%**	**8.5%**
Ørsted A/S	**ORSTED**	**848.80**	**57,120**	**17.6**	**18.0**	**16.9**	**17.0**	**34.6**	**36.3**	**34.6**	**36.4**	**1.4%**	**10.2%**

Sources: Wolfe Clean Energy Research; FactSet

*Not covered by Wolfe Research, estimates based on consensus

**Prices in USD except ORSTED (DKK); Market Caps in USD

Exhibit 9: YieldCo Comparables

Company		Current	Current	Mkt Cap	EV/EBITDA				Div
Name	**Ticker**	**Price**	**Shares**	**($M)**	**2021E**	**2022E**	**2023E**	**2024E**	**Yield**
Clearway Energy	CWEN	30.27	202	6,106	12.1x	11.2x	11.6x	12.3x	4.4%
NextEra Energy Partners	NEP	75.36	177	13,359	10.6x	8.9x	8.8x	8.5x	3.5%
Atlantica Yield*	AY	34.51	111	3,825	11.1x	10.4x	10.0x	10.1x	5.0%
Brookfield Renewable Partners*	BEP	36.91	275	10,148	24.4x	23.0x	22.0x	21.2x	3.3%
Average					**14.6x**	**13.4x**	**13.1x**	**13.0x**	**4.1%**

Source: Wolfe Utilities & Power Research; *Not covered by Wolfe Research, estimates based on consensus

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The Fleishman Daily 9/9/21 - EXC, NI, AGR, Midstream, Solar, Inverters, Offshore windSteve Fleishman to: cturnure 09/09/2021 09:17 AM
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WOLFE RESEARCH

The Fleishman Daily 9/9/21

Utilities: EXC, NI, AGR
Midstream: Midstream
Clean Energy: Solar, Inverters, Offshore wind

Utilities

EXC – IL House expected to consider energy bill today; finally
NI – Settlement reached in PA rate case, details not available yet though
AGR – FERC punts on dispute with NEE over Seabrook upgrades tied to NECEC transmission

Midstream

Midstream – Gas keeps ripping with 2022 NYMEX breaking above $4/MMbtu!

Clean Energy

Solar – DoE releases Solar Futures Study; sees potential for 40% of electricity to come from solar by 2035
Inverters – Generac announces formation of Grid Services group
Offshore wind – 6.1 GW added in 2020, led by China; 235 GW expected over next 10 years

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Valuation Charts, Models, Arb Spreads

Utilities

EXC – IL House expected to consider energy bill today; finally

- The IL House is expected to take up an energy bill today, as the bill was placed on the House calendar for second reading and short debate.
- Last week, the Senate passed an energy bill that included a hard closure date for Prairie State and CWLP (2045), but environmental groups and Gov Pritzker wanted interim targets as well.
- The House bill addresses the interim decarbonization of those coal plants. If it passes the House, it will be sent back to the Senate.
- The Byron nuclear plant is expected to close early next week, with Dresden expected in Nov, absent energy legislation.

This is it. We are cautiously optimistic that IL politicians will pass the energy bill today, as the state's largest and most reliable source of clean energy will be lost if they do not.

NI – Settlement reached in PA rate case, details not available yet though

- Yesterday, a filing in NI's PA rate case docket made mention that a joint petition for settlement had been filed on 9/7
- No terms of the actual settlement have been made public yet
- Parties who executed the settlement include the PUC's Office of Investigation and Enforcement (Staff), the consumer advocate, Columbia Industrials Intervenors, and several others
- Recall, NI requested a $98.3M base rate increase using 10.95% allowed ROE, 54.34% equity ratio and a $2,673M rate base with a test-year ending 12/31/22
  - NI is currently allowed a 9.86% allowed ROE and 54.19% equity ratio in PA
- New rates anticipated to go into effect in December 2021

While details of the settlement are unknown, we anticipate a constructive outcome for NI. This is particularly good to see given the 2020 rate case where an ALJ recommended NI's request be denied in its entirety due to COVID; prior to last year, NI had reached settlements in every PA case dating back to 2010. PA is NI's second largest gas LDC and accounts for about 15% of the company's entire rate base.

AGR – FERC punts on dispute with NEE over Seabrook upgrades tied to NECEC transmission

- Earlier this week, FERC opened an inquiry and directed further briefs regarding a dispute between AGR and its NECEC transmission line, and potential upgrades required at NEE's Seabrook nuclear plant
  - FERC noted that ISO-NE's tariff provisions may be unjust/unreasonable, while Commissioner Danly dissented and criticized the lack of timely action
- Recall that last year, NEE filed a petition after an ISO-NE's engineering study found that its Seabrook nuclear facility may need to install a new circuit breaker to accommodate the transmission line – arguing that it should be compensated for lost revenues during the maintenance outage, while also saying it would be difficult to complete by 2023
- AGR then responded by accusing NEE of "unlawfully interfering" and offering a substantially above market PPA in exchange for "removal of opposition"
- The 1,200 MW NECEC transmission line is currently under construction with completion expected in 2Q23

This is just one of many hurdles that seem to continue popping up for this project. There is also a state referendum in Maine that is expected to be on the November ballot, which would require a retroactive two-thirds vote by the legislature on NECEC's land leases. Then there was also a state judge ruling last month that vacated a lease of public land on a one-mile section of NECEC, which is being challenged. We continue to assume NECEC ultimately prevails given support by the Governor.

Midstream

Midstream – Gas keeps ripping with 2022 NYMEX breaking above $4/MMbtu!

- Yesterday, gas prices continued to surge higher with December and January contracts moving above $5/MMBtu. More importantly, the 2022 curve took a big step up above $4 for the full year after only clearing $3 just three months ago. **We are in a big bull market for natural gas!**
- Our E&P team gave some color on market dynamics in their report yesterday (link) noting potential short covering with continued domestic supply and international storage concerns into winter. Additionally, with global LNG prices through the roof there is no real ceiling to back off exports.
- Within midstream, we see the best ways to play higher natural gas prices as in stocks with Haynesville volume exposure like **DTM**, as well as some of the G&P names with commodity exposure like **TRGP** and **ET**. The move is also supportive for **WMB** and **MPLX** in Appalachia as producer financial health improves and volumes seem highly likely to eventually rise again once takeaway issues are addressed (there's certainly demand for more gas!).

For midstream, most of the attention is typically on oil and NGL prices given this is a bigger driver of volumes through midstream infrastructure and changes in cash flows. However, this move in gas has become quite large and should provide another modest tailwind for certain midstream stocks. Additionally, gas prices are directly supportive of ethane prices (often the largest component of the NGL barrel) due to recovery / rejection dynamics, providing further fuel to a very robust NGL market.

Clean Energy

Solar – DoE releases Solar Futures Study; sees potential for 40% of electricity to come from solar by 2035

- Yesterday, the U.S. Dept. of Energy (DoE) released the Solar Futures Study (here) which shows that solar has the potential to power 40% of the country's electricity by 2035
- The study lays out a blueprint for achieving the ambitious goal under two scenarios – Decarbonization and Decarbonization+Electrification
- The decarb scenario shows cumulative solar deployment of 760-1,000 GW by 2035, serving 37-42% of electricity demand; the decarb+E scenario envisions 1,050-1,570 GW of cumulative solar deployment, serving 44-45% of electricity demand by 2050
  - This is versus 76 GW of solar currently on the system as of 2020, satisfying only 3% of total electric demand
- The study projects that rooftop solar will make up 10-20% of the total solar deployment by 2050 or about 200 GW (vs 18.7 GW installed today)
  - The DoE believes the potential for rooftop solar is greater, but noted it would ultimately be influenced by the ability to expand transmission (to the benefit of utility scale) as well as any policies designed to encourage solar adoption
- To meet the targets laid out in these scenarios, the U.S. would need to install an average of 30 GW of solar capacity annually between now and 2025 and 60 GW per year from 2025-30
- Also in the study, from 2020-50 interregional transmission expansion would need to increase by 60% (86 terawatt-miles) under the decarb scenario

The DoE study provides an ambitious viewpoint and lays out some scenarios which are clearly bullish for the solar stocks in our coverage (SEDG, ENPH, FSLR, RUN and NOVA). It also underscores a big opportunity set for the large-scale developers like NEE and AES as well as the utilities who will ultimately own a lot of the solar in rate base (as well as the transmission needed to facilitate the build out). While there is likely some debate about the ultimate size of the solar deployment and the timeline, this study jives with what we are seeing broadly across the sector – a shift from wind to solar and battery storage as the dominant renewable resource being added in the years ahead.

Inverters – Generac announces formation of Grid Services group

- Yesterday after close Generac announced the formation of its new grid services group
- Generac Grid Services will provide solutions directly to utilities, grid operators, and energy markets by leveraging products from home standby generators, its PWRcell solar storage systems, gas generators, and more

We do not cover Generac, but note that it has been gaining a lot of attention as a potential competitor in US residential solar markets. Our understanding is that Generac acquired its grid services capabilities through its purchase of Enbala Power Systems last year, so we don't think there was anything particularly new in this announcement. Nonetheless, it underscores Generac's commitment to providing a complete home energy management solution comparable to that of ENPH and SEDG today, but we think it may be a little too early to be overly concerned about this.

Offshore wind – 6.1 GW added in 2020, led by China; 235 GW expected over next 10 years

- The Global Wind Energy Council found 6.1 GW of offshore wind capacity was added in 2020.
- China contributed over half of the 2020 growth; 28.3% of the world's 35.3 GW of offshore wind capacity is in Chinese waters.
- The UK is home to the most offshore wind capacity, representing 28.9% of global capacity.
- The GWEC's outlook is for more than 235 GW of new offshore wind capacity to be added over the next ten years, bringing the total installed capacity to 270 GW.
- The GWEC noted: "While those in the industry are bullish about offshore wind's capacity to innovate and deliver competitive costs, the unprecedented scale of deployment required over the next three decades will require political will as much as favorable economics and sustainable expansion of the industrial supply chain."

We noted the potential opportunity set through 2030 for Ørsted in our recent initiation **report**. Although the company does not have projects in China, it sees many opportunities in Europe, the US and AsiaPac. As the GWEC notes, there is risk to planned offshore wind growth, not to mention the increasing competition in most offshore wind markets.

Wolfe Events

September 28-30: Wolfe Utilities, Midstream, & Clean Energy Conference – register here
October 1: AEE non-deal roadshow in Boston
December 6: PNW non-deal roadshow in Australia

Most Popular Reports

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Power Supply Outlook 2020
Utility Proxy Review
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Utilities Credit Metrics Outlook
Midstream Credit Metrics Outlook
Utilities 2020 Election Preview
Utility Pension Review
Utility Liquidity Review
Midstream Leverage Report
Wolfe Midstream Primer
Wolfe Utility Primer

Calendar

Date	Ticker	Event	Case Docket Number	Description
9/9/21	EIX/PCG/SRE	CPUC Voting meeting		
9/10/21	NYSE	Short Interest Release		
9/10/21	EIX/PCG/SRE	Reply brief		NEM 3.0
9/13/21	FE	Corporate Separation	17-0974-EL-UNC	Audit Report Due
9/15/21	ES	Proposed interim decision		CT Interim Rate Decrease
9/17/21	D	Staff report due		VEPCO triennial review
9/21/21	SO	Company's Unit 3 completion target date		Vogtle
9/23/21	EIX/PCG/SRE	CPUC Voting meeting		
9/24/21	NYSE	Short Interest Release		
10/1/21	ES	Oral arguments		CT Interim Rate Decrease
10/6/21	XEL	Stipulations and settlement agreements due		CPCN CO Power Pathway Project
10/7/21	EIX/PCG/SRE	CPUC Voting meeting		
10/11/21	NYSE	Short Interest Release		

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The Fleishman Daily 9/10/21 - EXC, AEE/EXC, FERC, NI, NEE/EMA, PCG, Liquids Index, Clean Energy, StorageSteve Fleishman to: cturnure 09/10/2021 09:21 AM
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WOLFE RESEARCH

The Fleishman Daily 9/10/21

Utilities: EXC, AEE/EXC, FERC, NI, NEE/EMA, PCG
Midstream: Liquids Index
Clean Energy: Clean Energy, Storage
No Fleish on Fridays today

Never forget – On the 20th anniversary of the Sept 11 attacks, I am very grateful. 20 years of life lived – a long career, kids born and grown up and many happy times and memories. I was working at my office at the World Financial Center and heard and saw the attacks and aftermath. I was lucky to just rush out and run away. When I finally made it home to my town on Long Island that night, I saw the cars still there at the train station. Some were there the next morning too. People went to work and never came home. Never forget.

Utilities

EXC – IL House passes energy bill; Senate to vote Monday with Gov expected to sign; constructive
AEE/EXC – IL energy bill still ends utility formula rates but includes multiyear plans, equity ratio
FERC – DC PSC Chair Willie Phillips appointed to FERC seat; would give Dems 3-2 majority
NI – Black box settlement in PA rate case allows for $58.5M base rate increase vs $98.3M request; solid
NEE/EMA – FL Gov. DeSantis reappoints two members of PSC
PCG – Judge rejects PCG's motions to drop criminal charges filed by Sonoma DA 2019 Kincade fire

Midstream

FERC Liquids Pipeline Index – Preliminary August data up 0.7% from July, 10.5% from August 2020; Index rates effective July 2022 on pace to rise by almost 9% if August levels holds through YE

Clean Energy

Clean Energy – Wolfe autos team boosts EV adoption forecasts to 40% by 2030 up from 35%; constructive for clean energy & utilities but highlights risks for midstream
Storage – South Korean conglomerate SK buying U.S. storage developer Key Capture

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Valuation Charts, Models, Arb Spreads

Utilities

EXC – IL House passes energy bill; Senate to vote Monday with Gov expected to sign; constructive

- On 9/9, the IL House passed an energy bill 83-33, sending it to the Senate for a vote expected on 9/13.
- IL Senate President Harmon said of the bill (SB 2408): "The shared goal among the Senate, House and Governor Pritzker has been to position Illinois as a national leader on reliable, renewable and affordable energy policies. This proposal accomplishes that shared goal… Senate session will be scheduled for Monday to advance this vital proposal to the governor's desk so it can become law."
- IL Gov Pritzker said: "I look forward to SB 2408's swift passage in the Senate, and signing it into law as soon as possible, because our planet and the people of Illinois ought not wait any longer."
- The main hurdle was a decarbonization plan for the Prairie State and CWLP coal plants.
- The bill still includes nuclear support provisions: 54.5 TWh of carbon-free resources can qualify for carbon mitigation credits up to a baseline price less the sum of the Northern Illinois energy price, ComEd zone capacity price and any value of federal tax credits.
- We show those baseline prices (in $/MWh) for each delivery year (6/1-5/31) through mid-2027.
    - 2022/23: $30.30; 2023/24: $32.50; 2024/25: $33.43; 2025/26: $33.50; 2026/27: $34.50

- For CY23, the avg baseline price is $31.58; that compares to current energy + capacity market price of $32.50 (=NiHub price + latest ComEd zone auction price in $/MWh).

We should know definitively early next week, but the House's actions and state leaders' comments suggest the energy bill will be enacted. The CMCs for three of EXC's IL nuclear plants (La Salle does not qualify for the CMCs) provide better certainty and visibility and will allow the plants to survive.

AEE/EXC – IL energy bill still ends utility formula rates but includes multiyear plans, equity ratio

- For AEE's IL utility and EXC's ComEd utility, the IL energy bill ends formula rates but adds new 4-year rate plans, effective 1/1/24.
- The ROE is no longer based on a formula, as it currently is for electric distribution utilities (580bp + avg 30Y UST yield).
- A yearend capital structure that includes a common equity ratio of up to and including 50% shall be deemed prudent and reasonable.
- But a higher common equity ratio must be specifically approved by the IL Commerce Commission.

We're still reviewing the utility provisions, but they appear to be consistent with an earlier version. The end of formula rates creates some uncertainty; on the positive side, there will be 4 years of rate certainty and future authorized ROEs may be higher than that currently implied by the 30Y UST yield.

FERC – DC PSC Chair Willie Phillips appointed to FERC seat; would give Dems 3-2 majority

- Yesterday, the White House announced that it was nominating DC PSC Chairman Willie Phillips (D) to fill the open FERC seat left by Neil Chatterjee's (R) recent departure at the end of his term
- The nomination will be subject to Senate confirmation, which could take some time, but would give the Democrats a 3-2 majority at FERC

Chairman Phillips was one of the reported candidates, so this is unsurprising. It will be interesting to see how long the confirmation process takes. Most in focus at FERC have been transmission ROEs and planning, the former of which has seemed to take a more pro-consumer bent recently and could be further exacerbated by a Democratic majority. FERC also still needs to approve the new PJM MOPR that is far less stringent.

NI – Black box settlement in PA rate case allows for $58.5M base rate increase vs $98.3M request; solid

- While we knew a settlement had been reached prior to the open yesterday, details weren't made available until the afternoon
- Parties agreed to a $58.5M base rate increase; the settlement was black box though, meaning it was silent on ROE, equity ratio and several other items
- Recall, NI requested a $98.3M base rate increase using 10.95% allowed ROE, 54.34% equity ratio and a $2,673M rate base with a test-year ending 12/31/22
  - NI is currently allowed a 9.86% allowed ROE and 54.19% equity ratio in PA
- NI's COVID deferral through YE20 of $5.6M shall be amortized over a 5-year period beginning 1/1/22
- New rates are to go into effect on 12/29/21

The settlement was silent with respect to most items, but the rate increase agreed to by parties looks constructive vs the company's initial request. PA is NI's second largest gas LDC and accounts for about 15% of the company's entire rate base.

NEE/EMA – FL Gov. DeSantis reappoints two members of PSC

- Florida Governor Rick DeSantis (R) has appointed Arthur Graham (R) and Andrew Fay (R) to four year terms at the Public Service Commission (FL PSC)
- Graham has served at the PSC since 2010, while Fay has served since 2018
- The remainder of the 5-person FL PSC is all Republican

The Florida PSC is in focus this year, as both NEE and EMA are in the midst of rate cases. Both were able to achieve constructive settlements that are currently under review. We particularly thought the recent NEE settlement agreement, which is expected to be approved by October-end, was well-balanced. See our note (**link**) for more thoughts.

PCG – Judge rejects PCG's motions to drop criminal charges filed by Sonoma DA 2019 Kincade fire

- A CA Superior Court judge rejected PCG's motions to drop 25 of 33 criminal charges filed by Sonoma District Attorney Jill Ravitch related to the 2019 Kincade Fire.
- On 10/13, PCG is scheduled to enter a plea on the 5 felonies and 28 misdemeanors; the Kincade Fire, which destroyed 374 buildings, including 174 homes, in Oct 2019.
- CAL Fire has already determined PCG's transmission line ignited the fire; PCG previously said that it "will accept" that finding, even though it has not had access to CAL Fire's report or the evidence upon which it relies.
- But PCG said in an April statement it will dispute the charges, as it does "not believe there was any crime here."

- Last year PCG pleaded guilty to 84 counts of involuntary manslaughter for the 2018 Camp Fire; PCG also is under investigation by the Shasta DA's office in the 2020 Zogg Fire, which killed four; CAL Fire found PCG's equipment started Zogg.
- The criminal proceeding is a state matter and would not extend PCG's probationary period in federal court (Judge Alsup's court); probation is expected to end in Jan 2022.

Notably, Sonoma County DA Jill Ravitch is facing a recall effort on 9/14. One of the issues on the "Recall Ravitch" campaign is she "neglected to do her duty and prosecute [PCG]." We anticipate PCG to defend itself and continue to point to its wildfire mitigation efforts, such as its 2021 Wildfire Mitigation Plan.

Midstream

FERC Liquids Pipeline Index – Preliminary August data up 0.7% from July, 10.5% from August 2020; Index rates effective July 2022 on pace to rise by almost 9% if August levels holds through YE

- This morning, the U.S. Bureau of Labor Statistics released its preliminary August PPI data
- The August 2021 Final Demand-Finished Goods PPI reading of 224.5 reflects a 0.7% increase from July 2021 and a 10.5% increase from August 2020

We think inflation is an important tailwind to monitor for midstream as we progress through 2021. Midstream liquids pipelines have a natural hedge to inflation via their regulated rate structures – the FERC liquids pipeline index applies an "annual changes in PPI + adder" methodology, where the annual increase in 2021 PPI +0.78% will be added to regulated liquids pipeline rates for the July 1, 2022 to June 30, 2023 period. If August PPI levels were to hold flat through year end, the 2021 PPI would increase by 8.1%, which plus the 0.78% adder would amount to an annual tariff increase of just under 9% effective July 2022. MMP has noted that their costs are not rising as quickly as PPI, so we suspect most of the rate upside could flow through to the bottom line. MMP has the most exposure to the index in our coverage, but there are modest impacts for many different refined products and crude pipeline systems.

Clean Energy

Clean Energy – Wolfe autos team boosts EV adoption forecasts to 40% by 2030 up from 35%; constructive for clean energy & utilities but highlights risks for midstream

- Overnight the Wolfe Autos team raised its global forecasts for battery electric vehicle adoption (link to note here)
- The team now sees BEV penetration of 18%/40% by 2025/2030, up from 15%/35%
- The team cited the much higher sales growth of EVs in Europe, China and the US plus expectations of stronger regulatory support, increased BEV capex, increased battery manufacturing capacity, and cost parity with ICEs by mid-decade driven by 50%-70% reductions in battery costs
- Separately, the team initiated on SES and Solid Power, two battery technology companies (link to note here)

The autos team has been consistently raising EV adoption forecasts as sales growth and penetration especially in Europe and Asia continues to climb on top of the continued cost reductions and regulatory support of EVs. This has implications across all three areas of our coverage. 1) Utilities – higher EV adoption means increased need for generation, transmission and distribution infrastructure spending; 2) Midstream – we continue to be most focused on energy transition risks to crude and refined products demand – this is another highlight of that risk; 3) Clean energy – BEV adoption is likely to go hand in hand with renewable generation additions so this represents a tailwind on demand. On the hydrogen front however, continued technological and cost improvements on batteries could mean a bigger threat for fuel cells on more zero-emission mobility applications.

Storage – South Korean conglomerate SK buying U.S. storage developer Key Capture

- South Korean conglomerate, SK Inc. is acquiring Key Capture Energy – an energy storage developer based in the U.S.
- Key Capture currently has 254 MWs in storage projects under construction and reportedly a 3 GW pipeline across the country
- Most of its in proposed projects are concentrated in Texas And New York

SK Inc. has shown a lot of interest in investing across the clean energy value chain, including in our new coverage – rooftop solar player SunRun and hydrogen player Plug Power.

Wolfe Events

September 28-30: Wolfe Utilities, Midstream, & Clean Energy Conference – register here
October 1: AEE non-deal roadshow in Boston
December 6: PNW non-deal roadshow in Australia

Most Popular Reports

Wolfe Clean Energy Initiation

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Utilities 2020 Election Preview
Utility Pension Review
Utility Liquidity Review
Midstream Leverage Report
Wolfe Midstream Primer
Wolfe Utility Primer

Calendar

Date	Ticker	Event	Case Docket Number	Description
9/10/21	NYSE	Short Interest Release		
9/10/21	EIX/PCG/SRE	Reply brief		NEM 3.0
9/13/21	FE	Corporate Separation	17-0974-EL-UNC	Audit Report Due
9/15/21	ES	Proposed interim decision		CT Interim Rate Decrease
9/17/21	D	Staff report due		VEPCO triennial review
9/21/21	SO	Company's Unit 3 completion target date		Vogtle
9/23/21	EIX/PCG/SRE	CPUC Voting meeting		
9/24/21	NYSE	Short Interest Release		
10/1/21	ES	Oral arguments		CT Interim Rate Decrease
10/6/21	XEL	Stipulations and settlement agreements due		CPCN CO Power Pathway Project
10/7/21	EIX/PCG/SRE	CPUC Voting meeting		
10/11/21	NYSE	Short Interest Release		

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The Fleishman Daily 9/13/21 - EXC, Short Interest, ETR, EIX, SRE, PCG, CAL Watch, Midstream of Consciousness, DTM, Clean Energy, Wolfe GREEN Playbook, ØrstedSteve Fleishman to: cturnure 09/13/2021 09:31 AMPlease respond to utilities

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WOLFE RESEARCH

The Fleishman Daily 9/13/21

Utilities: EXC, Short Interest, ETR, EIX, SRE, PCG, CAL Watch
Midstream: Midstream of Consciousness, DTM, Short Interest
Clean Energy: Clean Energy, Wolfe GREEN Playbook, Short Interest, Ørsted

Utilities sentiment meter – up to "6" from "5". Utilities had a decent week as the market started to hit some turbulence. The sentiment meter is slowly creeping up as investors consider playing more defense. EXC progress on IL legislation was an important event and we think helped sentiment for the sector overall. AEE is also a potential beneficiary in IL. PEG seems to be on the short end of buying in EXC, but we think that stock is at a good buy point into their Analyst Day. We would own both. Finally, it's nice to see CNP bounce strongly from August weakness; we remain bullish into their Analyst Day.

Utilities
EXC – Fin-IL-ly?
Utility Short Interest – up 6% and back near recent highs; ETR short jumps on Ida but stock bounces; NI short contrarian buy
ETR – Tropical Storm Nicholas to bring heavy rainfall in areas impacted by Ida
EIX – S&P revises EIX and SCE outlooks to stable, sees FFO/Debt approaching 17% by 2023
SRE – Latest tender for IEnova shares expires; SRE now owns 99.9% of IEnova; will seek delisting of remaining shares
PCG – Dixie Fire update; 2/3 contained as acreage burned nears 1M
CAL Watch – AB 1054 clean up bill sent to Gov; minor but supportive change
CAL Watch – Latest poll shows Gov Newsom would keep job; election on 9/14
CAL Watch – Weekly update of implied 2022 ROEs; cut of at least 50bp unless CPUC rules otherwise

Midstream
Midstream of Consciousness – Gas leverage, capital return accelerates, and more on ENB's acquisition
DTM – Weekend Oil Drop highlights E&P team's chat with SWN CFO; sticking to no growth through at least 2022
Midstream Short Interest – Up 8% back near 2021 highs; Uneventful, but notable decline in WMB

Clean Energy
Clean Energy – House releases draft tax provisions for reconciliation bill; extends PTCs and ITCs, adds storage and hydrogen; would be a big step in LT support for clean energy
Wolfe GREEN Playbook – Clean Energy initiation feedback and inaugural sentiment meter
Clean Energy Short Interest – TAN short jumps 72% back to 2021 high; RUN short ratio at 2021 high; FSLR short at lowest since 2018
Ørsted – Mgmt touches on key topics ranging from European commodity prices to upcoming auctions to hydrogen

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Valuation Charts, Models, Arb Spreads

Utilities
EXC – Fin-IL-ly?
Click here to view our complete note
IL legislation appears imminent, averting nuke shutdowns; positive. This week, the IL Senate is expected to pass an energy bill that passed the House last week; Gov Pritzker has said he will sign it. The bill includes a carbon mitigation credit mechanism (see p. 3) for three of EXC's nuclear plants. The CMC provides an escalating fixed power price for a 5-year period (6/1/22-5/31/27). We think this certainty is constructive and averts early shutdowns of Byron and Dresden. Utility provisions in the bill also look reasonable but won't impact numbers till 2024. With utility-only value at $43 (using an avg P/E), EXC stock is implying $7 for ExGen. But the legislation not only adds EBITDA, but also adds certainty to ExGen's cashflow. Assuming legislation and current market forwards, we value ExGen at $13 and raise our PT to $56 from $52. That excludes any nuke PTCs for ExGen's nukes not currently expected to receive subsidies. Reiterate Outperform.

Utility Short Interest – up 6% and back near recent highs; ETR short jumps on Ida but stock bounces; NI short contrarian buy

- Utility short interest rose 6% this period and is nearly back to its high for the year. We view rising short interest as contrarian positive.
- ETR is the clear standout this period with short interest skyrocketing 118% on Hurricane Ida.
- This proved untimely as ETR has quickly regained most of its relative underperformance since Ida hit. Looks like a squeeze.
- ETR still needs to issue equity this year so shorts may wait around for that event.
- NI was the other standout with shorts rising 30% even as the stock has weakened on no news.
- Gas LDCs have been weak, but we still view this as a compelling value entry point for NI and the rising short makes it a contrarian buy.
- PCG short finally fell, down 21%, as the Dixie Fire reached more than 50% containment and Newsom's recall prospects improved (i.e., the recall likely fails this week).

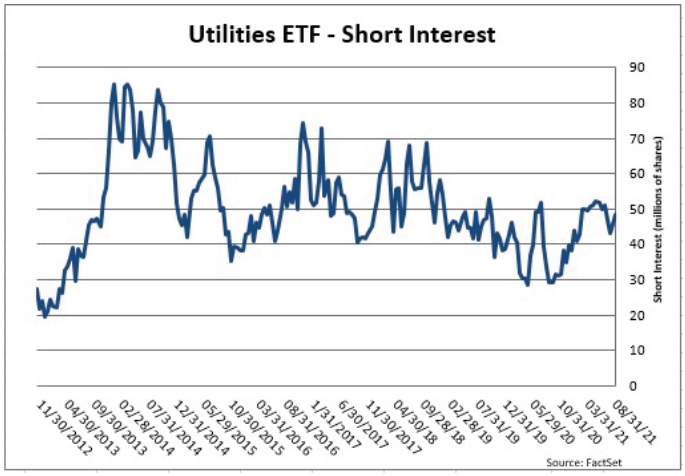

Largest increases

ETR	118%
AWR	42%
PNM	37%
NI	30%
CWT	14%

Largest decreases

MSEX	-40%
PCG	-21%
ED	-14%
D	-13%
OGE	-12%

Largest dollar value of short (ex-ETFs)

NEE	$1,746,911,454
SO	$753,309,313
DUK	$719,392,023
PCG	$707,112,473
EXC	$684,580,918

ETR – Tropical Storm Nicholas to bring heavy rainfall in areas impacted by Ida

- As of 9/12 evening, Tropical Storm Nicholas is expected to hit the TX coast this week but heavy rainfall will impact southwest LA, which was already affected by Ida a couple of weeks ago and Laura last summer.
- As for Ida, about 130k of ETR's 948k customers who lost power after Ida remain without power.
- ETR has yet to provide a cost estimate associated with Ida. The hurricanes that hit ETR's territory in summer/fall of 2020 caused over $2B of damages.
- ETR said last week that the number of damaged or destroyed poles from Ida is more than hurricanes Katrina, Ike, Delta and Zeta combined.

- ETR has requested securitization for the 2020 storms; a recent LA law helps with financing storm costs. ETR has consistently received storm cost recovery.

The stock has recovered its losses immediately before and after Ida. We anticipate ETR will provide an initial cost estimate related to Ida at some point this fall.

EIX – S&P revises EIX and SCE outlooks to stable, sees FFO/Debt approaching 17% by 2023

- On 9/10, S&P Global Ratings revised the outlooks for EIX and SoCal Edison to stable from negative, following the CPUC's decision in SCE's GRC.
- S&P forecasts EIX's FFO/Debt will be "approaching" 17% by 2023; its downgrade threshold is 15%.
- S&P sees EIX's business risk gradually improving over time "mostly through effective regulatory risk management and steady operational improvements in its wildfire mitigation practices." For example, S&P expects SCE to be issued an annual wildfire safety certification.
- S&P's base-case assumes annual capex averaging ~$5.5B through 2022 and an average of ~$4.6B beginning in 2023.
- S&P does not appear to mention any incremental equity (common or preferred) this year beyond the previously issued $1.25B of preferred equity.

The outlook revision is constructive and may be a good signal for EIX earnings guidance which we still await. The company anticipates issuing 2021 guidance soon and could provide a longer-term outlook. We also project FFO/Debt improvement by 2023, though on the bottom half of EIX's 15-17% target. But our estimate assumes a 50bp cut in the CPUC ROE beginning in 2022.

SRE – Latest tender for IEnova shares expires; SRE now owns 99.9% of IEnova; will seek delisting of remaining shares

- Over the weekend Sempra announced that the second tender for the remaining IEnova shares that it did not already own had expired
- Out of the 52.2M shares that were outstanding (3.6% of total IEnova count; rest owned by SRE), 51M shares accepted the tender of 78.97 pesos
- Sempra will now seek a delisting of IEnova from the Mexican exchange, and will hold open a trust to purchase the remaining shares at the last tender price of 78.97 pesos

While the tender doesn't meaningfully change SRE's numbers it is another step in completing the simplification work on the infrastructure side. We expect that in the coming months the move to delist the remaining shares should complete the process.

PCG – Dixie Fire update; 2/3 contained as acreage burned nears 1M

- As of 10:51pm EDT on 9/12, CAL Fire's official website said the Dixie Fire has burned 960,335 acres. It is 67% contained.
- Dixie has destroyed 1,329 structures and damaged 95. At least 688 homes are included.
- Dixie is closing in on the 2020 August Complex Fire, which burnt 1,032,648 acres and is the largest wildfire in CA's history (based on acreage).

The increasing containment is encouraging to see. Structures destroyed and damage has not changed much over the past several days.

CAL Watch – AB 1054 clean up bill sent to Gov; minor but supportive change

- Last week, the CA legislature passed a bill that cleans up several prior bills, including AB 1054 (enacted in 2019).
- In the event of a wildfire caused by an investor owned utility, the IOU must be found at fault for said wildfire by a state agency to be eligible for cost recovery under AB 1054.
- The clean-up bill (AB 242), among other things, allows an IOU to be eligible for cost recovery if a court finds the wildfire was caused by the IOU.

The change was minor but supportive, as it tightens up the paths to cost recovery.

CAL Watch – Latest poll shows Gov Newsom would keep job; election on 9/14

- Sixty percent of likely voters opposed recalling Gov Newsom (D) and 38.5% said they wanted him out, according to a poll released on 9/10 by the *Los Angeles Times* and the UC Berkeley Institute of Government Studies.
- Another poll by Data for Progress showed that 57% of voters supported keeping Newsom and 43% wanted to remove him.
- The recall election is on 9/14, and it has two questions:
  - Should Gov Newsom be removed, and if so, who should replace him?
  - A simple majority for the first question is enough to remove the Gov, who cannot appear as a candidate on the second question.

The recall appears unlikely. We view that as good for utilities because a change in administration would cause uncertainty.

CAL Watch – Weekly update of implied 2022 ROEs; cut of at least 50bp unless CPUC rules otherwise

- This is our weekly series on the bond yield used for the Cost of Capital mechanism. The allowed ROEs for CA utilities are 10.3% for EIX; 10.25% for PCG; and 10.20% for SRE's SDG&E and 10.05% for SRE's SoCal Gas.
- Cost of Capital mechanism: Every 9/30, if the difference between the 12-month average of the Moody's Bond Utility Baa Index and the benchmark value of 4.5% exceeds 100bp, then the allowed ROE for the next calendar year is adjusted by one-half of the difference, and the current value of the index becomes the new benchmark value.
  - If the difference is within 100bp, ROEs and the benchmark index value remain the same for the subsequent year. The last CoC decision applies to calendar years 2020 through 2022.
- Below is a chart with the Index values from 10/1/20 through last the last available date (light blue bar charts); the average over that period is 3.34% (solid blue line).
- Last index value was 3.15%, 2bp lower than the previous week; if that held constant through 9/30/21, the average would be 3.33%.
- During Q2 earnings season, we cut the CA ROE for EIX, PCG and SRE/SDG&E by 50bp; below are the sensitivities for every 50bp cut and our current 2022E:
  - EIX: ~$0.21; our current 2022E is $4.48 (includes the cut);
  - PCG: ~$0.05; current is $1.08 (includes the cut);
  - SRE/SDG&E: ~$0.06; current is $8.38 (includes the cut);
  - SRE/SoCalGas: uses a different benchmark (Moody's Utility A index) and is not at risk of being triggered; 50bp cut is ~$0.05.
- If the latest Index value held constant through 9/30/21, under the CoC mechanism, 2022 ROEs would be cut by 59bp [=(4.50-3.33)/2].
- An ROE cut of at least 50bp is set for 2022 unless the CPUC accepts the utilities' off-cycle CoC applications filed last month on the basis of extraordinary events arising from the pandemic. If those requests are denied, the utilities will file applications in Apr 2022 for 2023-25.

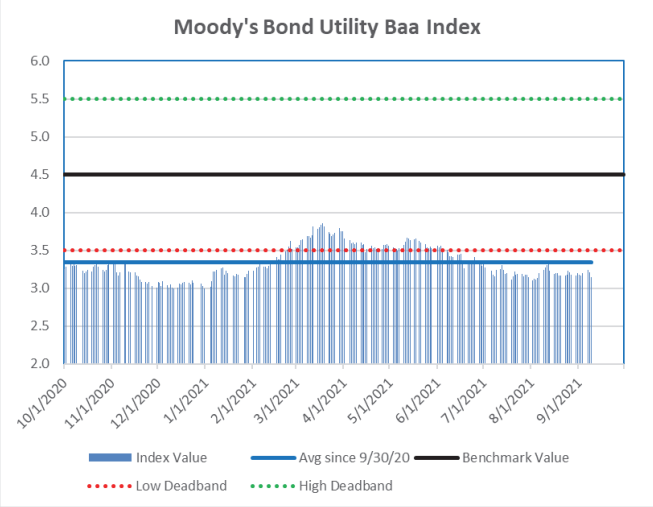

Midstream

Midstream of Consciousness – Gas leverage, capital return accelerates, and more on ENB's acquisition

- In yesterday's Midstream of Consciousness we take a look at exposures to rising gas prices, capital return after the LNG and WMB announcements, and Enbridge's acquisition of Moda Midstream
- **2022 gas prices cross above $4/MMBtu…how are companies positioned?** The market tends to focus on oil and NGL prices, but watch out for natgas! With the 2022 curve now above $4/MMBtu, we use this week's report to estimate high-level exposures for each company in our coverage to higher natgas and NGL prices, as well as volumes in the Haynesville and Appalachia
- **LNG and WMB capital allocation plans…majority of companies now buying back stock.** We also take an updated look at capital return for our coverage following LNG's and WMB's capital allocation announcements last week
- **Enbridge acquires Moda Midstream for only 8x EBITDA.** We conclude this week's report with a quick discussion of Enbridge's acquisition of Moda Midstream at a relatively low implied multiple
- Please see the full report here for more

DTM – Weekend Oil Drop highlights E&P team's chat with SWN CFO; sticking to no growth through at least 2022

- Our E&P team's weekly piece featured highlights from a conversation they had with Southwestern's new CFO Carl Giesler (link to slides here)

- Giesler reiterated SWN's plan to stick to being a no growth company at least through late 2022/early 2023 - consistent with previous discussions by the company
- He did indicate that the expanded platform following the close of the Indigo acquisition means that SWN has the ability to flex production between Appalachia and the Haynesville depending on relative economics
- The company is also advancing rapidly to 2x debt to EBITDA then to 1.5x, and considering whether to continue toward 1x or refocus on shareholder return

Overall the comments are worth reading from a DTM perspective though largely reconfirms our expectation that SWN - which will be by far DTM's largest customer once it completes the acquisition of Indigo - will stick with 2022 volumes largely flat with 2021 exit. The comments on being able to flex between Appalachia and Haynesville is interesting and could be constructive for DTM's Haynesville territory, though where exactly SWN would take its foot off the gas in Appalachia will be important as well. Finally, the improvement on the balance sheet front is constructive for DTM from a counterparty perspective as the midstream company aims toward investment grade over the next few years.

Midstream Short Interest – Up 8% back near 2021 highs; Uneventful, but notable decline in WMB

- MLP short interest as measured by the AMLP rose 8% over the two-week period ending 8/31 alongside a 1.4% drop in the AMZ Index
- WMB short fell 18%. Subsequent to the decline in short interest, the company announced a $1.5B share buyback on September 6
- The 31% jump in ENBL short interest suggests some fear either a delay or risk to FTC approval of the ET deal. We think it likely gets done though.

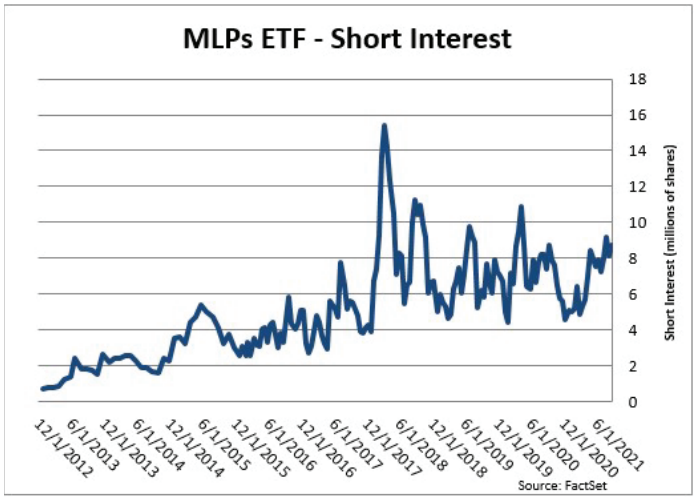

Largest increases	
ENBL	31%
CQP	26%
HEP	16%
NS	12%
ETRN	10%

Largest decreases	
SUN	-25%
WMB	-18%
PAGP	-12%
DCP	-10%
TRGP	-8%

Largest dollar value of short (ex-ETFs)	
EPD	$752,814,969
ET	$626,427,996
KMI	$616,221,109
MPLX	$546,940,411
MMP	$514,773,261

Clean Energy

Clean Energy – House releases draft tax provisions for reconciliation bill; extends PTCs and ITCs, adds storage and hydrogen; would be a big step in LT support for clean energy

- On Friday the House Ways and Means Committee released the initial draft of tax provisions to be included in the reconciliation bill
- There were several provisions relevant for clean energy – EV incentives, renewable tax credits, storage, and hydrogen
- EV incentives – the proposal keeps the $7,500 per vehicle tax credit but eliminates the manufacturer volume caps
  - There is a $4,500 adder if the EV is union made in the US; $500 additional if it meets domestic content requirements (i.e. total credit could be $12,500)
  - There are caps on MSRP by vehicle type, i.e., trucks need to cost less than $74,000, and income phaseouts above $800k married
- For PTC/ITC incentives there are requirements on using apprenticeships and wages otherwise the tax credits are much lower; 10% adder if meets domestic content requirements
- PTC – can apply to solar on top of wind - $25/MWh if it hits the labor/content requirements; runs through 2031 then phases out in 2032 and 2033
- ITC – would be at 30% through 2031 then phases down to 22% in 2033. Storage and electric transmission would be included
- Nuclear power production credit is included as a contract for differences
- Hydrogen PTC – includes a $3/kg PTC for production that is >95% cleaner than existing means; phases down for higher emission technologies likes CCS
  - Runs for facilities put into construction through 2028
- There are also provisions to classify renewable/green energy as qualified income for publicly traded partnerships

This is a quick rundown on a lot of details in the markup proposal, and we will be looking for how things change as the reconciliation package evolves. Clearly though the final form of the tax incentives will be extremely important for the Clean Energy space. The wind and solar extensions would provide a long term support signal for renewables, and the addition of storage will made an increasingly critical complement to renewables more economic. Domestic content adders in the ITC/PTC could be supportive for domestic solar manufacturers like FSLR by effectively reducing their cost relative to competitors. Production credit would be favorable for nuclear power too, with EXC/PEG as beneficiaries. The PTC for green hydrogen would be a game changer for the space, particularly at $3/kg, and would represent a further tailwind for renewable development. Finally, though indirect, the EV provisions would further provide an avenue for electricity demand growth, good for both utilities and renewable developers.

Wolfe GREEN Playbook – Clean Energy initiation feedback and inaugural sentiment meter

Click here to view our complete note

Clean Energy initiation feedback - lots of excitement and interest, struggling to find the right stocks; inaugural Clean Energy sentiment meter

Welcome to the Wolfe GREEN Playbook, our new weekly report on Clean Energy. Our first edition centers on investor feedback to our Clean Energy sector launch. Initiating the last week of summer heading into Labor Day, we didn't know what to expect. We worried we might be the proverbial tree falling in a forest – no one there to listen. But it's been the opposite. We have had very strong investor response across the board. In case you missed it, please see our Clean Energy initiation report, Hydrogen primer, and Residential Solar primer.

Clean Energy Short Interest – TAN short jumps 72% back to 2021 high; RUN short ratio at 2021 high; FSLR short at lowest since 2018

- TAN short interest skyrocketed this period likely due to continued supply chain concerns. Its back at 2021 highs.
- We continue to see risk near-term from supply chain into Q3 results, but would use weakness into YE to buy into a likely bullish Biden clean energy plan.
- Individual stock shorts did not change much but the already large short in RUN rose another 10%. RUN's short interest ratio is over 8x and at its highest level in over a year.
- On the other hand, FSLR short fell 10% and is at its lowest absolute level since 2018.

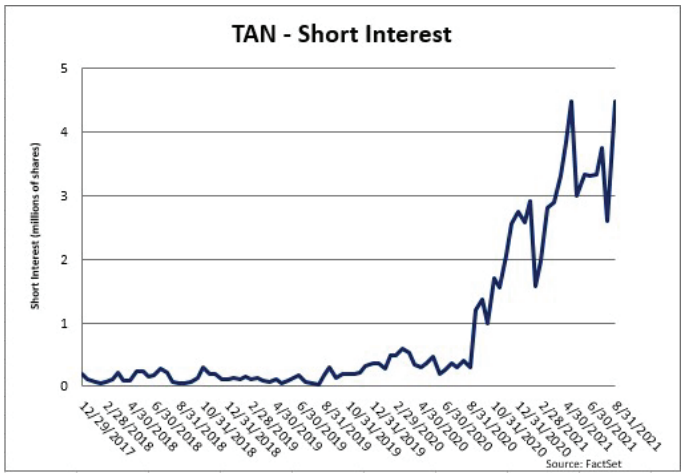

Largest increases	
BEP	10%
RUN	10%
GNRC	8%
PLUG	7%
NEP	4%

Largest decreases	
STEM	-30%
AY	-21%
SHLS	-12%
FSLR	-10%
CWEN	-5%

Largest dollar value of short (ex-ETFs)	
RUN	$1,581,156,443
PLUG	$1,409,649,846
ENPH	$760,053,983
FSLR	$498,499,860
NOVA	$495,909,375

Ørsted – Mgmt touches on key topics ranging from European commodity prices to upcoming auctions to hydrogen

- Early this morning, Ørsted management held a meeting with analysts, addressing a range of topical items; below are some:
- European power/gas prices – believe gas prices are not sustainable and not heavily exposed to the power price movement given contracted nature of business and hedges; small Danish heat and power business benefits.
- Wind speeds – 2Q21 was the worst quarter for wind over 22 years of detailed data; wind speeds returned to normal in August.
- Supply chain – mgmt. is not seeing any bottlenecks, as the company engaged early with suppliers; not worried about US offshore wind market, despite less mature market than Europe.
- Corporate PPAs – the market remains strong on both sides of the Atlantic, as corporates increasingly demand green products.
- Upcoming auctions – results are expected in Japan Round 1 and MD-US later this year; mgmt. does not expect 3 or 4 wins but expect something; feels good about the Toshi project working with Tepco in Japan. New auctions include UK CfD Round 4, on which there will be no cap for offshore wind.
- Hydrogen – mgmt. is seeing progress toward commercialization in Denmark, Holland and Germany.

As we noted in our feedback report, we see the biggest investor pushback on the stock's valuation. For more on our thoughts on Ørsted, see our recent initiation **report**.

Wolfe Events

September 28-30: Wolfe Utilities, Midstream, & Clean Energy Conference – register here
October 1: AEE non-deal roadshow in Boston
December 6: PNW non-deal roadshow in Australia

Most Popular Reports

Wolfe Clean Energy Initiation
Utilities Top 10 for 2021
Midstream Top 10 for 2021
Power Supply Outlook 2020
Utility Proxy Review
Midstream Proxy Review
PJM Auction Postview
Utilities Credit Metrics Outlook
Midstream Credit Metrics Outlook
Utilities 2020 Election Preview
Utility Pension Review
Utility Liquidity Review
Midstream Leverage Report
Wolfe Midstream Primer
Wolfe Utility Primer

Calendar

Date	Ticker	Event	Case Docket Number	Description
9/13/21	FE	Corporate Separation	17-0974-EL-UNC	Audit Report Due
9/15/21	ES	Proposed interim decision		CT Interim Rate Decrease
9/17/21	D	Staff report due		VEPCO triennial review
9/21/21	SO	Company's Unit 3 completion target date		Vogtle
9/23/21	EIX/PCG/SRE	CPUC Voting meeting		
9/24/21	NYSE	Short Interest Release		
10/1/21	ES	Oral arguments		CT Interim Rate Decrease
10/6/21	XEL	Stipulations and settlement agreements due		CPCN CO Power Pathway Project
10/7/21	EIX/PCG/SRE	CPUC Voting meeting		
10/11/21	NYSE	Short Interest Release		
10/13/21	ES	Final decision		CT Interim Rate Decrease

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The Fleishman Daily 10/13/21 - VST, Weekly Mark, PNW, AEP, NI, AGR, CAL Watch, ET, PLUG, Solar tariffs, BLDPSteve Fleishman
to: cturnure 10/13/2021 09:17 AMPlease respond to utilities

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WOLFE RESEARCH

The Fleishman Daily 10/13/21

Utilities: VST, Weekly Mark, PNW, AEP, NI, AGR, CAL Watch
Midstream: ET
Clean Energy: PLUG, Solar tariffs, BLDP
WEBCAST: Discussion with NJ BPU President Fiordaliso, TODAY at 12:00PM ET; register here

Utilities

VST – Say hello to my little friend
The Weekly Mark – Bitcoin demand growth and introducing the "coin spread"
PNW – Moody's places A3 rating on review for downgrade; Fitch downgrades to BBB+, outlook still negative
AEP – WVPSC approves ELG spend for three coal plants; unsurprising but suggests coal to be part of AEP story through 2040
NI – ALJ recommends PA rate settlement be approved without modification
AGR – Head of Renewables Alejandro de Hoz leaving; Bill White and Jose Antonio Miranda named Co-CEOs
CAL Watch – Alisal Fire grows in remote part of CA, threatens over 100 homes; does not appear to be utility caused

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ET – Pennsylvania Attorney General who charged Mariner East confirms he's running for Governor

Clean Energy

PLUG – Announces JVs with Airbus and PSX on hydrogen use; a lot of opportunities to talk about at tomorrow's Symposium
Solar tariffs – Petitioners to respond to Department of Commerce's questions on anti-circumvention petition by today
BLDP – Announces equipment supply agreement with Talgo on trains in Europe

Wolfe Utility, Midstream & Clean Energy Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Quarterly Data: Weather, Forward Prices, Spot Prices, Nuke Outages

Utilities

VST – Say hello to my little friend

Click here to view our complete note

VST announces big $2B buyback by 2022-end = 23% of market cap

After the close today, VST initiated a $2B share repurchase program. Part of this will be funded by a $1B perpetual preferred issuance at 8% via private offering. We view this as a strong move by the company that would effectively cover 23% of its market cap over a 14 month period. Moreover, VST pointed to the potential to buyback at least $5B in shares by 2025 (58%) and its entire market cap by 2030. The renewables funding plan is still expected later this year, but VST is wasting no time addressing its languishing stock performance with one of the most robust shareholder return plans we have seen**. We are raising our Price Target to $28 (from $25) and reiterate Outperform.**

The Weekly Mark – Bitcoin demand growth and introducing the "coin spread"

Click here to view our complete note

Bitcoin miner S-1 highlights attractive margins based on bitcoin/power spread

We took note of bitcoin miner Stronghold's latest S-1 filing, which features a plan to use waste coal plants in PA to fuel its operations. Stronghold projects 300 MWs of supply by 2023 with a net power cost of $18/MWh ($25 fuel + $18 O&M – $15 RECs – $6 capacity revenue – $4 tax credits). *Stronghold believes this corresponds to less than $3k per Bitcoin equivalent. Put another way, if $18/MWh = $3k bitcoin, then today's ~$58k bitcoin price would imply equilibrium at $348/MWh power cost. This is a massive arbitrage, which we dub a "coin spread".* Bitcoin margins are estimated at ~90% (link) and it's no surprise based on this math. In theory we should all become bitcoin miners, but the necessary hardware and siting can be difficult. Bottom line, there is incentive for significant mining growth from here to drive power demand.

PNW – Moody's places A3 rating on review for downgrade; Fitch downgrades to BBB+, outlook still negative

- Yesterday, Moody's announced that it placed both PNW's A3 senior unsecured rating and APS's A2 senior unsecured rating on review for downgrade
- Moody's said the review will "*focus on the provisions of APS's final rate case order…the review will also consider the state of APS's regulatory relationship, which has become increasingly challenged due to a number of issues including the utility's poor implementation of new rate plans in 2018, controversial disconnection policies during times of excessive heat in 2019, its provision of a faulty rate comparison tool to customers and the level of campaign contributions made by Pinnacle. These issues have stressed the company's relationship with the ACC and led regulators to open an investigation into APS's earnings, requiring APS's file a new rate case in 2019, and customer outreach program*"
  - A downgrade could result if Moody's expects PNW's CFO pre-WC to debt to be sustained below 21%
- Separately, Fitch downgraded PNW's unsecured rating to BBB+ from A- and APS's unsecured rating to A- from A; outlooks for both remain negative
- Fitch noted that the one-notch downgrade and negative outlook reflect anticipation of an adverse final order in APS's pending rate case; a final decision and clarity on management's capital spending plans and funding needs will be key factors in resolving the negative outlooks

We aren't surprised to see some action by the rating agencies after listening to the ACC's meetings last week. But we would note that PNW has been on negative outlook by these agencies for some time now (Moody's since early 2020 and Fitch since some time in 2019). PNW warned the Commissioners of this happening during the meetings last week, pointing to the higher borrowing costs that would ultimately be borne by ratepayers. While this is true, we don't find Moody's write up to be particularly helpful for the company given that it details many of PNW's missteps in recent years which has caused the friction with the ACC.

AEP – WVPSC approves ELG spend for three coal plants; unsurprising but suggests coal to be part of AEP story through 2040

- On 10/12, the WVPSC approved its Aug 2021 decision, allowing AEP's subsidiaries Appalachian Power Co and Wheeling Power Co to get recovery from WV customers for environmental upgrades at the John Amos, Mountaineer and Mitchell coal plants that would allow them to operate through 2040.
  - The capex for the environmental upgrades is about $450M and expected to be completed by YE28.
  - The upgrades are required to meet the EPA's coal-combustion residuals guidelines and effluent limitation guidelines (ELGs), which must be submitted to a permitting authority by today.
  - KY PSC previously rejected the ELG upgrades for Mitchell (50/50 between KY and WV); VA also denied those upgrades for the other two plants.
  - KY and VA customers are still expected to pay their share of the CCR-related capex.
- Approval of the ELG upgrades had support from labor, local/state government and even US Sen. Capito (R-WV), and WV Reps McKinley, Miller and Mooney, who all wrote a letter last month to the PSC.
- Last week, the KY PSC acknowledged it did not have jurisdiction over Wheeling Power (Mitchell's co-owner); Mitchell was one of several items in the KY PSC's pending investigation into KY Power's service, rates and facilities.

The WVPSC's decision is unsurprising, given the previous ruling and political support for those three large coal plants (over 5 GW). Although the environmental capex would be in rate base, AEP's move away from coal will be slower in WV than in its other states. None of the WV coal plants is expected to retire through 2030, and only 450 MW of renewables is currently planned in 2026-30 at AEP's WV/VA utilities. The continued coal ownership could be a headwind on AEP's stock valuation multiple, as some ESG-focused investors (including several overseas) screen for any coal ownership; even the ICLN Index this week appeared to remove renewables-bellwether NEE from the Clean Energy index because it has a tiny amount of coal-fired capacity.

NI – ALJ recommends PA rate settlement be approved without modification

- Yesterday, the ALJ assigned in NI's Pennsylvania rate case recommended that the company's settlement agreement be adopted and approved without modification
- Recall, parties agreed to a $58.5M base rate increase; the settlement was black box though, meaning it was silent on ROE, equity ratio and several other items
- NI requested a $98.3M base rate increase using 10.95% allowed ROE, 54.34% equity ratio and a $2,673M rate base with a test-year ending 12/31/22
  - NI is currently allowed a 9.86% allowed ROE and 54.19% equity ratio in PA

We didn't expect there to be any pushback on the settlement, though full support from the ALJ is still good to see. The PUC is expected to issue a final decision sometime between now and when new rates are scheduled to be effective (12/29/21).

AGR – Head of Renewables Alejandro de Hoz leaving; Bill White and Jose Antonio Miranda named Co-CEOs

- Yesterday, AGR announced that Bill White and Jose Antonio Miranda were named Co-Presidents/CEOs of Renewables
  - White will serve as head of Offshore and Miranda will serve as head of Onshore
  - White has already been serving as head of Offshore since October 2020, while Miranda was previously CEO of Onshore Americas region for Siemens Gamesa
- They will replace Alejandro de Hoz, who has decided to leave the company

This business segment is obviously a big focus area for the company – AGR is the third largest renewables generator in the country and is embarking on construction of the first large-scale offshore wind facility in the country. There has been a decent amount of turnover in this position at AGR – Frank Burkhartsmeyer led this division when AGR was formed in late-2015, Laura Beane then led for 2.5 years, followed by Alejandro for 2 years.

CAL Watch – Alisal Fire grows in remote part of CA, threatens over 100 homes; does not appear to be utility caused

- The Alisal Fire in the northern part of Santa Barbara county burned at least 13,400 acres, nearly 10,000 more acres than the day before; it is 5% contained.
- Alisal is threatening over 100 homes, ranches and other structures in a sparsely populated area around the Santa Ynez Mountains off the coastline, shutting portions of Highway 101.
- The area is in PCG's service territory; however, there does not appear to be any utility assets in the immediate proximity of the reported ignition site.
- The cause of the fire has not been finalized by the US Forest Service or Santa Barbara County Fire Dept.
- Red Flag Warnings dissipated in much of CA, but a RFW remains in effect in a small portion of the northern Sacramento Valley up toward Redding, CA.

We received several inbounds on the Alisal Fire, namely whether it was in PCG's territory – it is – and whether there were any indications the utility's assets caused the fire – there are none that we have seen.

Midstream

ET – Pennsylvania Attorney General who charged Mariner East confirms he's running for Governor

- Pennsylvania AG Josh Shapiro will formally announce today that he is running for governor on the Democratic ticket according to several local news reports. He is seeking to replace Governor Wolf who is term limited and is expected to endorse Shapiro. The election is in November of 2022.
- Recall, Shapiro announced 48 criminal charges against ET last week related to environmental issues on the Mariner East pipeline going back to 2017
    - See our report on the charges here

We continue to view the criminal charges as likely immaterial given limitations on the amount of fines per incident, and as the Department of Environmental Protection (DEP) has previously fined ET and suspended construction over the years for these same issues which were already known. It's notable that AG Shapiro is running for governor as 1) it could cause investors to suspect a more political rationale for the recent charges; and 2) if he wins election, a Governor Shapiro would then technically oversee the DEP. However, we'd note that the final expansion of Mariner should be in service well before this election takes place next year so we don't view this as much of a risk.

Clean Energy

PLUG – Announces JVs with Airbus and PSX on hydrogen use; a lot of opportunities to talk about at tomorrow's Symposium

- This morning Plug Power announced that it had formed partnerships with Airbus and Phillips 66 on scaling the use of hydrogen in air travel and industrial/fueling uses, respectively
- Airbus to work on integrating green hydrogen into air travel and airport operations; it has announced in the past a goal to bring net-zero aircraft to the market by 2035 and sees hydrogen as a potential solution
- Plug will contribute thoughts on hydrogen fueling infrastructure and support equipment and Airbus will work on the aircraft technology
- PSX will be working with Plug to integrate hydrogen into industrial use cases – refinery use would line up with PSX – as well as fueling and fuel cell infrastructure
- More detail on the JVs as well as updates on other business lines will come at the Plug symposium tomorrow

The announcements are more constructive datapoints on Plug's work to develop potential commercial partners in a wide range of hydrogen use cases. Plug's role in developing H2 infrastructure and supply should translate readily to airports. As for aircraft, the sense is that battery powered aircraft may work for short hops, but larger aircraft could use LH2 or potentially e-fuels developed from green hydrogen or biofuels. With PSX, refineries already use a lot of hydrogen and switching that demand from existing "gray" sources to green or blue is an opportunity for the hydrogen sector. With these on top of other announcements in the last few weeks, there's clearly going to be a lot to talk about at the Symposium tomorrow.

Solar tariffs – Petitioners to respond to Department of Commerce's questions on anti-circumvention petition by today

- The American Solar Manufacturers Against Chinese Circumvention (A-SMACC) is due to respond by today to Commerce's request for additional information on their petition seeking to extend antidumping and countervailing duties that have long been in place on China to now also apply to major manufacturers in Southeast Asia
    - Specifically, Commerce asked for more information showing A-SMACC is an interested party and identifying its members, while also asking for further information supporting A-SMACC's claim its identities need to remain confidential given potential retaliation from

the Chinese government. Commerce also wants information on A-SMACC members' international operations and any linkage to China.

A-SMACC's response should reset the 45-day clock for Commerce to make a decision on the petition. Overall, we think it is unlikely the petition is successful given the tough questions Commerce asked of the petitioners and the wide variety of resistance to the petition from government officials, utility groups like EEI, and various participants in the renewable industry.

BLDP – Announces equipment supply agreement with Talgo on trains in Europe

- Yesterday Ballard Power announced an agreement to sell 8 of its 70 kW fuel cells to Talgo, a Spanish train manufacturer
- The fuel cells will be tested for integration into Talgo's Vittal-One commuter/passenger train
- Talgo sees its fuel cell approach to be able to be added to all types of passenger trains including upgrades from diesel
- Commercial rollout is expected in 2023

This is another datapoint in Ballard's work to expand relationships as hydrogen moves from the study phase and into commercial rollouts in the coming years.

Wolfe Events

October 18-19: PEG non-deal roadshow in Australia
November 7-10: EEI Conference meetings
December 6: PNW non-deal roadshow in Australia

Most Popular Reports

Wolfe Clean Energy Initiation
Utilities Top 10 for 2021
Midstream Top 10 for 2021
Power Supply Outlook 2020
Utility Proxy Review
Midstream Proxy Review
PJM Auction Postview
Utilities Credit Metrics Outlook
Midstream Credit Metrics Outlook
Utilities 2020 Election Preview
Utility Pension Review
Utility Liquidity Review
Midstream Leverage Report
Wolfe Midstream Primer
Wolfe Utility Primer

Calendar

Date	Ticker	Event	Case Docket Number	Description
10/13/21	ES	Final decision		CT Interim Rate Decrease
10/15/21	AEE	Rebuttal testimony	ER-2021-0240	MO rate case
10/21/21	EIX/PCG/SRE	CPUC Voting meeting		
10/26/21	NEE	FL PSC Vote		Florida Rate Case
10/26/21	NYSE	Short Interest Release		
10/29/21	FE	DMR Audit	17-2474-EL-RDR	Final Audit Report Due
11/4/21	EIX/PCG/SRE	CPUC Voting meeting		
11/5/21	AEE	Surrebuttal testimony	ER-2021-0240	MO rate case
11/9/21	NYSE	Short Interest Release		
11/18/21	EIX/PCG/SRE	CPUC Voting meeting		

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The Fleishman Daily 10/22/21 - SO, PNW, NI, EIX, PCG, EMA, Technicals, LNG, Altus/EagleClaw, NEE/NEPSteve Fleishman to: cturnure 10/22/2021 09:25 AMPlease respond to utilities

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WOLFE RESEARCH

The Fleishman Daily 10/22/21

Utilities: SO, PNW, NI, EIX, PCG, EMA, Technicals
Midstream: LNG, Altus/EagleClaw
Clean Energy: NEE/NEP, Technicals
WEBCAST: Fleish on Fridays, TODAY at 11:00AM ET; register here

Utilities

SO – Vogtle in-service dates delayed another three months, cost to be updated on Q3 call; negative surprise
PNW – New amendment would have APS target avg retail rate of $0.09/kWh by 2030 through operating and capital expense reductions; bad
NI – Preferred IRP portfolio would add 600-800 MW in 2026-28, retire Michigan City coal by 2026
EIX – Announced a deal for 535 MW storage in summer 2022; small step but good to see
PCG – CPUC ratifies utility's 2021 WMP; expected based on statute but good to see
EMA – FL PSC approves TECO's rate case settlement
Technicals – Wolfe technicals team sees rising interest rate fears and persistent concerns around inflation continuing to weigh on the relative performance of utilities

Midstream

LNG – FERC approved higher production for Corpus Christi and Sabine Pass; supports the debottlenecking progress
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NEE/NEP – NEE dropping 50% interest in 2.52 GW renewables portfolio to NEP funded by new $824M CEPF w/ Apollo; CAFD yield low but financing cost even lower; EBITDA/CAFD guidance unchanged
Technicals – Wolfe technicals team sees momentum building into year end if clean energy can clear resistance

Wolfe Utility, Midstream & Clean Energy Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Valuation Charts, Models, Arb Spreads

Quarterly Data: Weather, Forward Prices, Spot Prices, Nuke Outages

Utilities

SO – Vogtle in-service dates delayed another three months, cost to be updated on Q3 call; negative surprise

- On 10/21, SO pushed out the in-service dates by one quarter to 3Q22 for Vogtle Unit 3 and to 2Q23 for Unit 4.
- SO said the primary drivers for U-3 delay include "continued identification of additional remediation work, construction productivity related to completion of remaining electrical installations and remediation work, and the subsequent resulting pace of system turnovers."
- U-3 fuel load could occur as early as 1Q22, but fuel load as late as May 2022 should support the new 3Q22 in-service target date. The NRC must sign off on all the ITAACs before fuel load – the last milestone before commercial operation – can begin.
- For U-4, the drivers include "productivity challenges and some craft and support resources being diverted temporarily to support construction efforts on Unit 3."
- SO plans to update the total project capital cost when it reports 3Q21 earnings on 11/4 and files its 10Q. SO has said every month delay was $25M for U-3 and $15M for U-4; but those are hoteling costs and do not reflect higher costs for items like staffing of electricians, etc.
- SO filed its VCM 25 testimony yesterday detailing the issues it noted in the 8K and press release; a hearing on that testimony is scheduled for 11/15. GaPSC Staff and other intervenors file testimony on 12/1, with a hearing on 12/16.

The delay was a bit surprising and negative. The key concern this year has been whether SO can complete remediation work and electrical installations in time to meet the schedule. When it last announced a delay in July, SO suggested that it had made good progress on electrical productivity and attrition at the site. But as SO's engineers thoroughly walked through each component/system more issues were found, and actual productivity in Q3 was lower than that earlier in the year. Going forward, we will also focus on whether fuel load can be completed in

around 4 months, as SO is targeting. The GaPSC Staff believes fuel load will take longer. Earlier this year, when SO was targeting by Jan 2022 for U-3, Staff projected U-3 in-service in the Jul-Aug timeframe, again proving it has been more accurate than the company on scheduling.

PNW – New amendment would have APS target avg retail rate of $0.09/kWh by 2030 through operating and capital expense reductions; bad

- Yesterday, Chair Marquez Peterson filed an amendment in APS's rate case which would adopt a performance incentive mechanism aimed at achieving a target average retail rate level by 2030
  - APS would target an average rate of $0.09/kWh by 2030 vs $0.1172/kWh in 2020
- APS would need to pursue cost reduction strategies for all controllable operating and capital expenses; specifically called out are purchased power and fuel expense, executive comp/bonuses, and rate base items
- In future rate cases, a performance incentive mechanism would allow APS to retain 45% of any achieved cost/capital savings provided that the rate case results in no increase to retail rates
- APS would need to file in the docket by April 15th of each year a comprehensive annual roadmap outlining cost reduction strategies that will be taken to meet the 2030 goal

This continues to be a slow-motion train wreck. This amendment seems totally nonsensical to us. It would seem impossible to make the necessary investments in the grid to ensure safety/reliability and to effectuate a clean energy transition without expecting some level of rate increases over time. There's only so many prudent operating expense reductions that PNW can control, and fuel/purchased power isn't one of them as the Chair suggests (and today, those are going in the wrong direction). Fortunately, this is just a proposed amendment for now and we have no reason to believe that there is broad support. The ACC will meet next week (26th & 27th) to hopefully issue a final decision in the case.

NI – Preferred IRP portfolio would add 600-800 MW in 2026-28, retire Michigan City coal by 2026

- Yesterday, NI unveiled its preferred portfolio in NIPSCO electric's pending IRP
- The most economical of NI's two preferred pathways would retire Michigan City Unit 12 by 2026 (469 MW of coal) and Schahfer Units 16A/B by 2028 (155 MW vintage gas peakers)
  - NI would be coal-free by 2026 under this scenario
- Expected capacity additions would total 600-800 MW over 2026-2028 via the following:
  - Sugar Creek Uprate (30-53 MW)
  - Solar (100-250 MW)
  - Energy storage (135-370 MW)
  - Gas Peaking (up to 300 MW) and has the potential to by hydrogen-enabled
  - Hydrogen electrolyzer pilot (20 MW)
- NI has also identified more transmission upgrades that would need to be completed prior to the Michigan City retirement (work would begin in 2022)
- NI will submit a finalized plan to the IURC by 11/15/21

The big question is what amount of the replacement capacity that NI will ultimately be able to own in rate base. Management has alluded to hoping to be able to own most of the replacement generation. The size of incremental capex will depend on the exact project types that are chosen; our rough estimate is that it could be somewhere in the range of $600-800M, assuming all is owned by NI. NI intends to hold an Analyst Day in 2Q22 to discuss these plans in detail and extend its capital plan and growth outlook.

EIX – Announced a deal for 535 MW storage in summer 2022; small step but good to see

- On 10/21, EIX announced 535 MW of batter energy storage at three of its existing substations by Aug 2022.
- Ameresco will install the storage systems; no pricing detail was provided.
- The 535 MW is in addition to the LT storage capacity contracts completed last year (1,355 MW utility scale); EIX's total amount of installed and procured storage capacity will be 2,810 MW.
- The new storage is in response to CA Gov Newsom's emergency proclamation to accelerate new clean energy projects for this past summer and next.
- EIX has estimated CA needs to add 30 GW of utility-scale storage to the grid and 10 GW of storage to meet its clean energy and carbon neutrality goals.

The capex was not disclosed but likely is north of $500M, or 10% of EIX's planned $5.3B capex in 2022. For instance, VST's CA storage project for 300 MW/1,200 MWh is around $360M. And in its 2020 Levelized Cost of Storage, Lazard pegs 100 MW/400 MWh wholesale storage capacity cost at $183-340/kW-year. EIX has pointed to storage, among other things, as investment opportunities, mostly post 2023. But in this case, given the emergency in CA, we will see incremental storage from EIX in 2022. And of course a storage tax credit, which is being proposed in the reconciliation bill, could be a tailwind for even more.

PCG – CPUC ratifies utility's 2021 WMP; expected based on statute but good to see

- On 10/21, the CPUC unanimously ratified the Office of Energy Infrastructure Safety's draft resolution to adopt PCG's 2021 Wildfire Mitigation Plan update.

- President Batjer noted the CPUC has no choice but to ratify the OEIS's approval of WMPs under AB 1054; the OEIS is a separate agency from the CPUC.
- Last month, the CPUC discussed the draft resolution and noted shortcomings in PCG's WMP; but those appear to have been addressed, as well as other procedural items.
- PCG is required to file a progress report on 11/1 and 30 new issues must be addressed in PCG's 2022 WMP filing in Feb.
- In addition, if PCG is planning to underground 10k miles of its system, it is required to detail those plans in the 2022 WMP, including the rate of pace of system hardening and whether undergrounding changes or delays/cancels deployment of advanced mitigation efforts.
- Approval of PCG's WMP is a precondition for a wildfire safety certificate, which in turn is a prerequisite for AB 1054 protections. PCG has yet to file for the next WSC, but its current WSC is in place until a decision on the new one is issued.

The CPUC's ratification was a foregone conclusion once the OEIS approved the WMP. But last month's CPUC tone on the matter was negative. It is good to see the commissioners appeared placated by the revisions made to the 2021 WMP. We believe PCG will work to address the CPUC/OEIS' concerns and await its progress report on 11/1. We also are watching for the WSC filing, which is expected by YE21.

EMA – FL PSC approves TECO's rate case settlement

- Yesterday, the FL PSC approved TECO's previously announced settlement agreement
- Recall, the revenue increases are $191M in 2022, $90M in 2023 and $21M in 2024
- TECO was allowed an ROE range of 9-11% (9.95% used for rate making), 54% equity ratio and $7.5B rate base
  - The ROE includes a trigger mechanism – if the 30-yr UST is 50bps higher for 6 months consecutively than the yield on the date the PSC approves the settlement, TECO's ROE shall increase by 25bps ($10M revenue increase)
- A Clean Energy Transition Mechanism (CETM) was included to provide recovery for remaining book value of Big Bend Units 1-3 and AMR meters on a levelized basis over 15-yrs
- There was also a provision that would allow TECO to update rates to address potential changes to federal and state corporate income tax rates

This was expected but still good to see, nonetheless. EMA now has rate certainty at its largest subsidiary for at least the next three years.

Technicals – Wolfe technicals team sees rising interest rate fears and persistent concerns around inflation continuing to weigh on the relative performance of utilities

- Yesterday, Wolfe's technicals team highlighted the utilities sector in its daily chart packet. Please see the slides here.
- The team noted that the 10-year treasury yield, currently above its 200-day moving average at 1.68%, looks primed to breakout next, especially if it closes the gap with breakevens or even just tracks them higher.
- Prior to the pandemic, a solid negative correlation existed between the 10-year treasury yield and utility performance. However, this correlation has been a bit more inconsistent since. That said, the team believes that rising interest rate fears continue to weigh on how utilities perform on a relative basis.
- 10-year inflation breakevens punched through decade long resistance yesterday, with only the September 2012 high of 2.73% remaining. Given this base and rising commodity prices, the team doubts the September 2012 high puts up much of a fight.
- Given the historically negative correlation between the relative performance of utilities and 10-year inflation breakevens, the team believes that persistent concerns around inflation are providing a headwind for utilities as well.
- Last month's deeply oversold signal helped utilities hold and respond at support, but the lack of relative performance on this bounce highlights the sector's broader lack of momentum.
- From our coverage, the team highlighted EIX, EXC, NEE, and PEG as longs & LNT, CMS, WEC, and XEL as shorts.

Midstream

LNG – FERC approved higher production for Corpus Christi and Sabine Pass; supports the debottlenecking progress

- Yesterday FERC approved Cheniere's request to boost the annual output capacity at Sabine Pass and Corpus Christi by about 12%
- For Sabine, the capacity would go to 1.67 Bcf/year, up from 1,5 Bcf/yr (both based on 6 trains)
- For Corpus the capacity increase is to 875 Bcf/year, up from 767 Bcf/year (3 trains)

We believe this capacity uprate request reflects the ongoing work that Cheniere has been doing to boost capacity off the existing assets – it has essentially uprated the facilities from 4.5 mtpa to 5 mtpa, which effectively means that off 9 trains it has unlocked basically an additional train to sell output from. The next major operating catalyst for Cheniere is introducing feed gas into Sabine 6 and start up commissioning cargoes. Given how stretched the global gas market is, those cargoes are really needed, and represent significant amounts of cash to Cheniere.

Altus/EagleClaw – Interesting consolidation of Permian pure plays

- After market close yesterday, Altus Midstream and EagleClaw announced an all-stock merger to create a larger Permian gas/NGL pure play.

  - Altus is a C-corp that is 79% owned by Apache and 21% by the public. They are focused on servicing the Alpine High development and own equity interests in several pipelines, including the GCX and PHP gas pipelines, Shin Oak NGL, and the EPIC crude pipeline. ALTM also owns 600 mmcf/d of processing capacity.
  - EagleClaw is a private company backed by Blackstone and I Squared Capital. The company operates 1.3 bcf/d of processing capacity and owns an equity interest in the Permian Highway Pipeline. They also own crude and water gathering pipelines.
  - The combined company will be owned 75% by Blackstone / I Squared, 20% by Apache, and 5% by the public
  - The combined company is expected to have $800-850M of EBITDA
- The CEO of the combined company will be Jamie Welch, who is currently CEO of EagleClaw and was the former CFO of Energy Transfer
- The companies are holding a call at 9:30am ET

This is an interesting combination for two Delaware Basin pure plays to consolidate and increase market share. It reminds us somewhat of what Plains and Oryx did on the crude side to consolidate Permian gathering / intrabasin assets. The combined Altus / EagleClaw company will only have a very small public ownership, but will own considerable Permian processing capacity and ownership in several key newer takeaway pipelines out of the basin.

Clean Energy

NEE/NEP – NEE dropping 50% interest in 2.52 GW renewables portfolio to NEP funded by new $824M CEPF w/ Apollo; CAFD yield low but financing cost even lower; EBITDA/CAFD guidance unchanged

- **This morning, NEP announced that it was acquiring a 50% interest in a 2.52 GW contracted renewables portfolio (plus 115 MWs storage) from NEE for $849M (plus $866M in tax equity)**
  - The portfolio is a mix of wind/solar/storage w/ IG counter-parties and 19-year average contract life
- **The assets are expected to contribute run-rate $184-194M of EBITDA and $58-67M CAFD – implying 9.1x EBITDA and 7.4% CAFD yield**
- **Additionally, NEP entered into a $824M convertible equity portfolio financing with Apollo –** 4.8% coupon over 10 years, 5.6% pre-tax unlevered IRR buy-out in years 6-10 at no NEP unit discount (100% equity option)
  - This compares w/ NEP's last CEPF done at a 4.4% coupon and 6.75% unlevered IRR over 10 years
- Reaffirms expecting upper-end of run-rate EBITDA range $1,440-1,620M and CAFD range $600-680M for YE21 (calendar '22)
- Reaffirms run-rate EBITDA range of $1,775-1,975M and CAFD range $675-765M for YE22 (calendar '23)
  - This transaction was baked in and closing is expected around year-end

While the CAFD yield is the lowest we've seen for NEP, it is also reflects a declining cost of capital, as the pre-tax IRR is the cheapest CEPF done to -date (250 bps lower than original CEPFs). This was essentially baked into the run-rate guidance for YE22 given earlier in the week though, so NEP is only reaffirming its outlook. Netting the cash cost of the CEPF against the CAFD, results in CAFD of ~$23M, which is essentially a one-year payback of the net purchase price (~$25M).

Technicals – Wolfe technicals team sees momentum building into year end if clean energy can clear resistance

- Yesterday, Wolfe's technicals team highlighted the clean energy sector in its daily chart packet. Please see the slides here.
- After looking quite distributive, clean energy responded with an encouraging oversold bounce over the past few weeks. Since clean energy is now overbought at resistance, some digestion is probable. However, the team believes that if clean energy can punch through resistance, momentum can really build into year end.
- The team called for PLUG stock to reach the mid to high $40s if it can top its 200-day moving average and cross $36.
- The team also noted that ENPH, currently trading above its 200-day moving average at $179.80, looks primed to breakout next.
- SEDG is digesting its recent overbought signal after clearing resistance (~$300). The team continues to expect SEDG stock to make a run at the January 2021 high of $377.00.
- With FSLR coiling and building, the team believes that its just a matter of time before it punches through resistance.

Wolfe Events

November 7-10: EEI Conference meetings
December 6: PNW non-deal roadshow in Australia

Most Popular Reports

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Utilities 2020 Election Preview

Utility Pension Review
Utility Liquidity Review
Midstream Leverage Report
Wolfe Midstream Primer
Wolfe Utility Primer

Calendar

Date	Ticker	Event	Case Docket Number	Description
10/26/21	NEE	FL PSC Vote		Florida Rate Case
10/26/21	NYSE	Short Interest Release		
11/4/21	EIX/PCG/SRE	CPUC Voting meeting		
11/5/21	AEE	Surrebuttal testimony	ER-2021-0240	MO rate case
11/9/21	NYSE	Short Interest Release		
11/15/21	SO	Hearing on company testimony		VCM 25
11/18/21	EIX/PCG/SRE	CPUC Voting meeting		
11/19/21	FE	Supplemental Audit on Brown Stadium Naming	20-1629-EL-RDR	DCR Audit
11/24/21	NYSE	Short Interest Release		
11/24/21	AEE	Final reconciliation	ER-2021-0240	MO rate case
11/29/21	AEE	Hearings begin	ER-2021-0240	MO rate case

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UTILITIES & POWER

Regulateds – Market Overweight
IPPs – Market Weight
Gas/Power Infrastructure – Market Overweight

August 24, 2021

UTILITIES & POWER

Utilities value drivers – ESG and beyond

ESG and quality differences drive utility valuations, not growth. Wolfe is hosting our inaugural ESG conference this week – see the agenda here. We thought it would be a good opportunity to look at what drives utility valuations vs peers, including ESG positioning and other metrics. The punchline is that quality and risk metrics matter most – B/S, credit, ESG position, business mix, regulation and risk exposures. While we don't rate it in the tables, we also think management execution, track record and communication matter a lot. And EPS growth rates appear to matter least – nearly all utilities are growing 5-8% and the higher growth rate utilities are spread across all valuation levels.

What defines a premium utility? In our tables in this report, we sort utilities by 2023 P/E. Premium utilities trade 1x above average or more. Discount utilities trade 1x below the average or less. And the Average utilities trade within +/- 1 turn. So, what makes a premium utility? They typically grow EPS 5-8%. Their credit ratings are mid BBB or higher and FFO/D is typically 15%+. Most are pure play utilities. Some like NEE are diversified but only in renewables. Many have little to no coal. The ones that have a lot of coal are aggressively shrinking it the next 5 years. ESG ratings are generally above average, but some are weaker due to current high coal exposure. All have average or above average regulation. Project/event risk issues are mainly just in offshore wind. Finally, nearly all have management with a long track record of execution.

What defines a discount utility? Some discount utilities have top growth targets (NI, AES, PCG), but many don't give a stated EPS growth target due to risk issues. FFO/debt is a little weaker on average and credit ratings tend to be mid-BBB or lower. Coal exposure is all over the map, but few have large renewables business, only AES. ESG ratings tend to be below average. Regulation is Average or Below. Most notably, discount utilities tend to have regulatory, event or project risks that keep investors away (like CA fires).

ESG ratings for Utilities – a review of MSCI and Sustainalytics ratings. More investors are using ESG ratings to find winners, screen out potential losers and improve the ESG profile of their funds. In this report, we show the most quoted ESG ratings – MSCI and Sustainalytics – and how utilities rank on their ratings. We have a few takeaways: 1) Top-ranked ESG winners are pretty consistent with what we hear from investors (NEE, ES, AGR) with the surprise exception of AWK; 2) Current coal exposure appears to be a big driver of ESG ratings with those having the highest % being toward the bottom (EVRG, VST, AES, PPL, WEC, SO, DTE). There appears to be little credit for planned coal reductions; and 3) The majority of ratings are consistent, but there are some wide discrepancies. Many of the discrepancies appear to be adjustments made by MSCI committee review (NI, XEL, PEG adjusted up, EIX, NRG adjusted down). EXC also has a wide discrepancy as MSCI dings them on their governance score likely due to the deferred prosecution agreement in IL.

Exhibit 1: Utility ESG Rankings

Ranking	MSCI	Sustainalytics
1	AGR	ES
2	NEE	CMS
3	NI	EXC
4	ES	ED
5	PEG	PNW
6	LNT	AGR
7	PNW	NEE
8	FTS	FTS
9	XEL	EIX
10	ED	AWK
11	CMS	LNT
12	OGE	D
13	CWEN	DUK
14	AWK	PEG
15	POR	AEE
16	ETR	XEL
17	EIX	SRE
18	DUK	NI
19	EXC	AEP
20	AEE	DTE
21	D	NRG
22	AEP	WEC
23	SRE	ETR
24	DTE	SO
25	WEC	PPL
26	PCG	FE
27	SO	AES
28	AES	CNP
29	PPL	VST
30	CNP	EMA
31	FE	PCG
32	NRG	OGE
33	VST	EVRG
34	EVRG	NR*

Source: Wolfe Utilities & Power Research
*NR refers to Not Ranked

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Utilities Value Drivers

We often get the question of how to determine a premium utility from a discount one. Utilities nearly all grow in the same 5-8% range, why do the premium ones trade at 21x (median P/E) and the discount ones at 16x? Exhibits 2-4 explain this. They sort utilities by 2023 P/E and show a summary of value drivers for utilities. The punchline is that quality and risk metrics matter most – B/S, credit, ESG position, business mix, regulation and risk exposures. We also think management execution, track record and communication matter a lot.too (though we prefer not to rate that in a table). ESG ratings are explained on Page 3.

Exhibit 2: Utilities Value Drivers – Utilities Trading at a Premium

Company Name	Ticker	2023 P/E Multiple	EPS Growth Rate	FFO/Debt (2022E)	Credit Ratings (Moody's/S&P)	Coal % EPS	Renewables % EPS	ESG Ratings (MSCI/ Sustainalytics)	Regulation	Diversified	Event/Project Risk
American Water	AWK	38.2x	7-10%	14%	Baa1/A	0%	0%	BBB/27.7	Average	✓	
NextEra Energy	NEE	28.8x	6-8%	20%	Baa1/A-	2%	26%	AAA/26.9	Above Average	✓	
Avangrid	AGR	21.1x	6-8%	13%	Baa2/BBB	0%	21%	AAA/26.6	Below Average	✓	✓
Alliant Energy	LNT	20.9x	5-7%	17%	Baa2/BBB+	13%	18%	AA/27.9	Above Average		
Eversource Energy	ES	20.9x	5-7%	15%	Baa1/BBB+	0%	1%	AA/21.8	Average	✓	✓
WEC Energy Group	WEC	20.7x	5-7%	16%	Baa1/BBB+	21%	6%	A/32.5	Above Average		
Exelon	EXC	20.5x	6-8%	20%	Baa2/BBB	0%	1%	A/24.4	Average	S	✓
Xcel Energy	XEL	20.3x	5-7%	17%	Baa1/BBB+	8%	12%	AA/29.3	Average		
CMS Energy	CMS	20.1x	6-8%	15%	Baa2/BBB	15%	4%	AA/23.9	Above Average		
Ameren	AEE	20.0x	6-8%	17%	Baa1/BBB	12%	3%	A/29.1	Average		
Median		20.8x	6-8%	17%		5%	5%				
Mean		23.1x	6-8%	16%		7%	9%				

Source: Wolfe Research Utilities & Power Research
*Regulated P/E avg is 18.3x as of 8/24/21
**Coal % EPS & Renewables % EPS are calculated for 2019
***S in the Diversified column refers to simplification in process

Exhibit 3: Utilities Value Drivers – Utilities Trading Near the Group Average

Company Name	Ticker	2023 P/E Multiple	EPS Growth Rate	FFO/Debt (2022E)	Credit Ratings (Moody's/S&P)	Coal % EPS	Renewables % EPS	ESG Ratings (MSCI/ Sustainalytics)	Regulation	Diversified	Event/Project Risk
DTE Energy	DTE	19.3x	5-7%	16%	Baa2/BBB	16%	6%	A/31.5	Above Average	✓	
Fortis	FTS	18.6x	N/A	13%	Baa3/BBB+	6%	2%	AA/27	Below Average		
Duke Energy	DUK	18.3x	5-7%	14%	Baa2/BBB	9%	6%	A/28.5	Average		
PSEG	PEG	18.0x	N/A	18%	Baa1/BBB	0%	0%	AA/28.9	Average	✓	
CenterPoint Energy	CNP	17.9x	6-8%	15%	Baa2/BBB	3%	0%	BBB/35.4	Average	S	
Dominion	D	17.9x	6.5%	15%	Baa2/BBB	8%	4%	A/28.2	Above Average	✓	✓
Evergy	EVRG	17.8x	6-8%	16%	Baa2/BBB+	33%	3%	BB/48	Average		
Portland General	POR	17.7x	4-6%	21%	A3/BBB+	3%	18%	A/N/A	Below Average		
Emera	EMA	17.5x	N/A	12%	Baa3/BBB-	12%	6%	N/A/39.1	Average	✓	
Southern Company	SO	17.5x	5-7%	16%	Baa2/BBB+	13%	4%	A/33.5	Above Average		✓
Median		17.9x	5-7%	15%		8%	4%				
Mean		17.9x	5-7%	16%		10%	5%				

Source: Wolfe Research Utilities & Power Research
*Regulated P/E avg is 18.3x as of 8/24/21
**Coal % EPS & Renewables % EPS are calculated for 2019
***S in the Diversified column refers to simplification in process

Exhibit 4: Utilities Value Drivers – Utilities Trading at a Discount

Company Name	Ticker	2023 P/E Multiple	EPS Growth Rate	FFO/Debt (2022E)	Credit Ratings (Moody's/S&P)	Coal % EPS	Renewables % EPS	ESG Ratings (MSCI/ Sustainalytics)	Regulation	Diversified	Event/Project Risk
American Electric	AEP	16.8x	5-7%	14%	Baa2/BBB+	11%	3%	A/30.6	Average		
Entergy	ETR	16.7x	5-7%	15%	Baa2/BBB	2%	0%	A/33.5	Average		
NiSource	NI	16.6x	7-9%	15%	Baa2/BBB+	14%	0%	AA/30.4	Average		
Pinnacle West	PNW	16.1x	N/A	18%	A3/BBB+	8%	1%	AA/26.3	Below Average		✓
PPL Corp.	PPL	16.0x	N/A	13%	Baa2/BBB+	14%	0%	BBB/33.6	Average		
OGE Energy	OGE	15.8x	5%	21%	Baa1/BBB+	8%	2%	A/42.2	Average	S	
Con Edison	ED	15.7x	4-6%	15%	Baa2/BBB+	0%	6%	AA/25.1	Below Average	✓	
Sempra Energy	SRE	15.0x	N/A	16%	Baa2/BBB	0%	3%	A/30.2	Average	✓	✓
FirstEnergy	FE	13.9x	N/A	10%	Ba1/BB	4%	0%	BB/34.5	Average		✓
AES Corp	AES	13.5x	7-9%	13%	Ba1/BBB-	23%	11%	A/35	Average	✓	
Edison International	EIX	12.4x	N/A	17%	Baa3/BBB-	0%	0%	BBB/27.3	Average		✓
PG&E	PCG	7.9x	10%	15%	Ba2/BB-	0%	0%	N/A/41.3	Average		✓
Median		15.7x	5-7%	15%		6%	1%				
Mean		14.7x	6-8%	15%		7%	2%				

Source: Wolfe Research Utilities & Power Research
*Regulated P/E avg is 18.3x as of 8/24/21
**Coal % EPS & Renewables % EPS are calculated for 2019
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ESG Ratings – Comparison of MSCI and Sustainalytics

ESG is becoming a key differentiator. While we have our own views of management and ESG for companies, many investors use rating services for this which could impact how stocks trade. MSCI and Sustainalytics are the most common we encounter. Exhibit 5 summarizes MSCI and Sustainalytics ESG rankings and ratings for utilities (for Sustainalytics on the far right, lower numbers are better than higher numbers). We see the majority of ratings being consistent between the two services. However, there are some discrepancies which mainly appear to come from MSCI committee adjustments (NI, XEL, PEG up and EIX, NRG down). Current coal exposure appears to be the #1 driver of ESG rating overall.

Exhibit 5: MSCI and Sustainalytics ESG Rankings and Ratings for Utilities

Company Name	Ticker	MSCI ESG Ranking	MSCI ESG Rating	Sustainalytics ESG Risk Ranking	Sustainalytics ESG Risk Rating
Ameren Corp.	AEE	20	A	15	29.1
American Electric Power Co Inc	AEP	22	A	19	30.6
AES Corp.	AES	28	A	27	35.0
Avangrid Inc	AGR	1	AAA	6	26.6
American Water Works Co Inc	AWK	14	BBB	10	27.7
CMS Energy Corp	CMS	11	AA	2	23.9
CenterPoint Energy Inc	CNP	30	BBB	28	35.4
Clearway Energy Inc.	CWEN	13	A	Not Ranked	N/A
Dominion Energy Inc	D	21	A	12	28.2
DTE Energy Co	DTE	24	A	20	31.5
Duke Energy Corp	DUK	18	A	13	28.5
Consolidated Edison Inc	ED	10	AA	4	25.1
Edison International	EIX	17	BBB	9	27.3
Emera, Inc.	EMA	Not Ranked	N/A	30	39.1
Eversource Energy	ES	4	AA	1	21.8
Entergy Corp	ETR	16	A	23	33.5
Evergy, Inc.	EVRG	34	BB	33	48.0
Exelon Corp.	EXC	19	A	3	24.4
FirstEnergy Corp.	FE	31	BB	26	34.5
Fortis Inc.	FTS	8	AA	8	27.0
Alliant Energy Corp.	LNT	6	AA	11	27.9
NextEra Energy Inc	NEE	2	AAA	7	26.9
NextEra Energy Partners LP	NEP	Not Ranked	N/A	Not Ranked	N/A
NiSource Inc.	NI	3	AA	18	30.4
NRG Energy, Inc.	NRG	32	B	21	31.8
OGE Energy Corp.	OGE	12	A	32	42.2
PG&E Corp	PCG	26	N/A	31	41.3
Public Service Enterprise Group, Inc.	PEG	5	AA	14	28.9
Pinnacle West Capital Corp.	PNW	7	AA	5	26.3
Portland General Electric Company	POR	15	A	Not Ranked	N/A
PPL Corp	PPL	29	BBB	25	33.6
Southern Co.	SO	27	A	23	33.5
Sempra Energy	SRE	23	A	17	30.2
Vistra Corp.	VST	33	B	29	38.6
WEC Energy Group, Inc.	WEC	25	A	22	32.5
Xcel Energy Inc.	XEL	9	AA	16	29.3

Source: Wolfe Utilities & Power Research, Company Reports
*Legend for Sustainalytics ESG Risk Ratings: 0-10 = Negligible Risk; 10-20 = Low Risk; 20-30 = Medium Risk; 30-40 = High Risk; and 40+ = Severe Risk

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UTILITIES & POWER

Regulateds – Market Overweight
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October 18, 2021

UTILITIES & POWER

And my utility bill is going up too! Impact of Rising Gas Prices

- **Assessing utilities exposure to rising nat gas and power prices**
  This report is an initial take on each utilities' position relative to rising nat gas and power prices with company takeaways we learned from our Wolfe Conference and pre-earnings calls. This is the #1 question we are getting from investors as many have never seen a rising gas and power price environment…it's been awhile. We remind them that nearly all utilities have very clear-cut passthrough mechanisms for power and fuel costs. And we have seen this movie before when nat gas rose from $2 to $10 from 2002 to 2008 and utility regulation still held up fine. That said, the next year or two will be the first time that utility bills may rise above inflation levels (a target for many utilities) and investors are rightly focused on the political/regulatory risk of bill shock and whether that could impact companies' ratebase growth plans.

- **How long does this last? This will be key for utilities exposure**
  The nat gas and power price spike is particularly acute now into 2022 led by soaring global gas prices and LNG demand and little supply growth. However, prices are highly backwardated and roll over meaningfully in 23/24. See Exhibits 6-9 in this report. Many utilities have partial hedges/storage in place for this winter so their exposure to near-term spikes is moderate. However, the longer prices stay elevated, the impact on bills will grow. Most are counting on prices to reset lower as the US has plenty of gas that is very economic at current prices. We agree, but the timing will be important. Either way, this winter will be a challenge. **The EIA just published their estimate of winter heating bills projecting gas heating bills up 30% and electric heating up 6%.**

- **Thoughts on who may be more or less exposed**
  So who is more exposed to bill pressure? Gas LDCs have the most since they have pure gas passthrough though some have hedged/stored more for this winter than others. FL utilities use a lot of gas and are not permitted to hedge, but all have recently achieved long-term rate deals. Wisconsin (WEC, LNT) and OR (POR) have fuel bands where the utility may absorb some cost but it is small. NE, NY and CA gas prices trade at big premiums to HH; NE/NY could particularly face pressure in a cold winter. Retailers like NRG and VST need to carefully manage resetting prices higher to offset higher supply costs.

  To the positive, companies like AEE and EVRG are net long and use a lot of nuke, coal and renewables such that they could even see customer benefits. EXC utilities mainly use nuclear too. Oncor (SRE) and CNP don't have any customers in TX – they are just wires companies.

See full report for company-by-company views.

Ex. 1: Natural Gas Price Trend

Natural Gas	12/31/20	10/14/21	Change
Spot Price	$2.54	$5.45	114.7%
2022	$2.59	$4.52	74.7%
2023	$2.46	$3.63	47.5%
2024	$2.48	$3.32	33.8%

Source: Platts, Wolfe Utilities & Power Research

Ex. 2: Power Price Trend

ERCOT	12/31/20	10/14/21	Change
2022	$25.31	$50.69	100.3%
2023	$23.68	$39.46	66.7%
2024	$24.32	$34.09	40.2%
PJM	**12/31/20**	**10/14/21**	**Change**
2022	$28.25	$50.83	79.9%
2023	$27.78	$39.67	42.8%
2024	$28.72	$37.56	30.7%
Northeast	**12/31/20**	**10/14/21**	**Change**
2022	$34.84	$74.60	114.1%
2023	$36.15	$53.89	49.1%
2024	$38.78	$50.64	30.6%

Source: Platts, Wolfe Utilities & Power Research

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Company Commentary

Please see our company-by-company commentary below. Please note that not all of this can be considered any apples-to-apples comparison, as not every company responded in a uniform fashion as to how to think about their exposure here. More detail or transparency should not necessarily be construed as more concerning exposure, nor should less commentary necessarily be read as minimal exposure.

AEE:

- A little over half of AEE is MO (vertically integrated mostly electric utility), just under 40% electric T&D (FERC and IL) and 10% gas LDC.
- In MO, 25% of AEE's capacity is gas but energy supply is only 0.5% and those are peaking units; most MO's capacity is baseload nuke (~20%) and coal (~70%), plus new renewables.
- In MO, AEE is about 1500-2000 MW long generation through 2035, as of its last IRP.
- If power prices spike, any margin AEE makes flows back to customers through FAC; 95% goes back to AEE customers, 5% shareholders.
- The margin flow back means MO customers could actually be benefiting as opposed to seeing their bills rise.
- In IL, large majority of purchased power is fixed contracts (1, 2, or 3 years); only 2% of resi customers were on hourly rates; if gas move is sustained, then could show up in customer bills.
- On the gas LDC side, AEE is 100% volumetrically hedged and 75% priced-hedged; so if winter ends up being mild, that price hedge goes up to 90%.

AEP:

- AEP's vertically integrated utilities make up about 45% of the company, with T&D and Transmission Holdco making up a slightly larger amount; G&M (non-regulated) represents less than 10%.
- AEP's owned capacity is 43% is coal, 27% gas, 7% nuke, 20% renewables. By 2030, coal is expected to decline to 18%, while renewables are projected to be 52%.
- AEP does not implement hedging on its coal plants; inventory levels were down to 30 days supply but that should be sufficient. Any hedging AEP has is at the G&M (non-regulated) segment.
- Purchased power costs is not impacting the T&D segment; could see some customer bill pressure if commodity price spikes persist.

AES:

- AES' biggest exposure to rising natural gas costs is at its LNG businesses in Central/South America. While AES doesn't have direct exposure to the price of the fuel, some tolling arrangements are structured such that 100% of the commitment doesn't need to be met if prices rise above a certain level. As of Q2, AES' EPS exposure to a 10% increase in natural gas above $3.65/mmbtu was ($0.005).
- Most of AES' generation business operates under long-term contracts. Contracts requiring fuel (i.e., non-renewables) are structured to recover the variable costs, including fuel & O&M, either through direct or indexation-based contractual pass-throughs or tolling arrangements.
- AES' total proportional MW in operation is as follows: 37% gas, 35% renewables (incl. hydro), 25% coal and 3% pet coke/oil/diesel. 100% of the 1,486 proportional MWs under construction are renewables.
- For the U.S. utilities, AES Ohio is only T&D. AES Indiana is vertically integrated with proportional ownership of ~2,600 MW – about 43% is coal, 45% is natural gas, 10% is wind/solar and the balance is oil.

AGR:

- Mostly T&D utility, with unregulated generation business almost entirely wind. Small amount of solar and 636 MW Klamath cogen/peaker plant
- Gas LDCs are ~23% of rate base. Gas and energy costs are pure pass-through across jurisdictions.
- Northeast service territory around among the highest bills in the nation. Starting to have conversations with regulators and have small LNG storage to address peak winter demand.

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CMS:

- Utility fuel fix of owned generation is 53% coal, 39% gas. Purchased power is 55% of supply, which is 100% at fixed prices. Use MISO market purchases for less than 15% of purchased power.
- Gas LDC is ~35% of rate base. Have fuel recovery mechanisms that allow for monthly adjustments and any under-recovery is trued-up the following year.
- Have 70% of winter purchased/stored at $3.00 weighted avg. cost. Will likely move toward $3.50 assuming $5 gas through the winter. Can seek recovery up to a ceiling of >$5. Cold weather will be larger driver of bills because 90%/80% electric/gas bills consist of volumetric charges.

CNP:

- CNP will be 60-65% electric vs gas LDC following its sale of AR/OK. The bulk of CNP's electric business (Houston Electric) is just a T&D utility.
- CNP said that for a sustained $1 increase in natural gas, the average annual residential bill increase would be 5-10%. CNP's average monthly bill ranges from $30 (TX) to $70 (MN).
- About 50% of CNP's gas supply for the winter heating season is hedged.
- As a percentage of the average disposable wallet, gas bills for CNP's customers only take ~1% share.

D:

- About 93% of D's generation is owned vs 7% through PPAs. For the owned capacity, 45% is natural gas, 40% is nuclear, 10% is coal and 5% is renewables.
- If current gas prices were to sustain, D estimates a $4.50-5.0 increase per month for the average residential electric customer (average bill is $117/mo.).
- D does have established hedging practices, though did not disclose specific percentages for gas or other commodities used in power generation.
- For D's LDCs (~20% of total rate base), roughly 60% of total throughput is competitively supplied.

DTE

- Utility fuel mix is 45% coal, 20% nuclear, 18% gas. Own 96% of generation.
- Gas LDC is ~18% of earnings. Natural gas costs are a pass-through.
- Have various coal purchase contracts at fixed prices to mitigate volatility.
- Use gas purchase-ahead program – covered 75% of requirements for September 2021-March 2022, 63% of requirements for April 2022-March 2023, and 24% of April 2023-March 2024.
- For every $1 of NYMEX price increase, average annual residential gas customer bill could increase $40-60 (6%).

DUK:

- DUK owns all of its generation in the Carolinas, FL, IN, KY; the only jurisdiction in which DUK doesn't own is OH.
- The generation mix differs by jurisdiction: coal is 85-100% of IN and KY, but 10-20% in the Carolinas and FL; gas is 20-40% in the Carolinas but 90% in FL; nuke is 50-55% in the Carolinas but zero elsewhere.
- The gas portion of electric bill is about 10-12%. DUK hedges in the Carolinas and IN but not in FL and KY.
- On the gas LDC side, all but OH/KY are hedged. The hedges are for rolling 12 month intervals; for the first 12 months in Carolinas, DUK procures at least 75% of the forecasted physical gas need and hedges 40% to 60% of that need. For the next 12 months, hedges 25% to 45%. In IN, hedges are up to 100% of the upcoming winter gas need; 50% for all the other months within 12 months.

ED:

- About 25% of ED's total rate base is gas LDC. ED's electric utilities are mostly T&D.
- The NY PSC issued a press release earlier in the month saying that electric utilities have on average hedged over 70% of their estimated residential needs, while gas utilities have hedged 53% of their

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estimated customer needs for upcoming winter season. ED has suggested this is a fair representation for CECONY and O&R.

EIX:

- EIX is fully electric T&D and decoupled.
- EIX's system avg rates rise 0.40-0.50 ₵/kWh for every $1/MMBtu increase; that is about a couple percentage points off of next year based on current hedges/contract rates.
- EIX never fully open, given hedges, PPAs and owned generation, which is about 15-20% (mostly hydro and ownership stakes in PV).
- EIX typically gets cash recovery over 12 months; it submits a forecast of power costs in its annual ERRA filing.

EMA:

- TECO is not allowed to hedge at the direction of the FL PSC. TECO already passed through a 12% rate increase in July through its fuel clause due to the higher gas prices. If prices sustain at these levels, it's possible TECO may need to re-up at an even higher rate when the adjustment rolls off in January. The average customer bill under TECO's new rate plan is expected to be $120/mo.
- Nova Scotia Power is fully hedged for the rest of 2021/2022 and is also 50% hedged for 2023.
- EMA doesn't see a big impact at its LDCs given that nominal bill levels at PGS and NMGC are fairly low to begin with.

ES:

- ES' electric utility business is T&D only and represents about 85% of the company; its gas LDCs represent about 15%.
- On the electric side, typically a $0.015/kwh increase every January in standard offer bills in CT and MA to reflect the inadequate gas supply in New England.
- Last winter had extremely low gas prices; so compared to that customers could see much higher bills if a normal or colder winter.
- ES is actually making money for the benefit of customers under the Millstone PPA agreement, given the current level of market prices.
- On the gas side, rate increases occur in November; ES is working with MA regulators on a mitigation plan for gas customers (collect over 12-18 months vs usual 6 months).

ETR:

- ETR owns generation in all of its jurisdictions and self-supplies its customers; costs are recovered over several months through fuel clause mechanisms.
- About half of ETR's generation is gas; another 45% is nuclear.
- ETR's forecasted bill increases do not use Nymex; instead, ETR uses various forward curves which had been above Nymex gas curve. ETR does some hedging.
- Industrial customers' health metrics are good, given rising underlying natural gas prices (e.g., LNG).
- ETR does not expect the storm cost securitization to start hitting customer bills until the backwardation portion of current gas curve.

EVRG:

- Utility fuel mix is 63% coal, 29% nuclear, 5% gas. Own 75% of generation with 25% under PPA almost all wind and fixed prices for energy.
- Have coal purchase contracts – covers 60% of 2021 requirements and 10% of 2022 as of 10K filing. Coal transportation contracts cover all of 2021 requirements and 80% of 2022, but adjust for changes in railroad costs.
- Own majority of Wolf Creek nuclear plant – have under contract all uranium, enrichment, and conversion services needed through 2027-2028 time frame.
- Should hold up relatively better than most given very small gas percentage of electric fuel mix and no gas LDC business.

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EXC:

- Utility is almost entirely electric T&D and does not own any generation.
- Lower capacity prices have created headroom in EXC's customer bills for higher purchased power costs.
- At the merchant/ExGen, the hedging strategy continues to be ratable, so ExGen is almost fully hedged for 2022.

FE:

- No gas LDC business. Mostly pure electric T&D. Have fuel recovery mechanism at West Virginia generation business.
- Only regulated generation is two big coal plants in West Virginia, Bath County hydro in Virginia and tiny stake in OVEC coal.

FTS:

- Mostly electric and gas T&D. Regulated generation business is only in Arizona, which is mix of coal/gas. Also have contracted hydro generation in Belize.
- Gas LDC is ~19% of earnings/rate base.
- Changes in commodity costs are pass-throughs across jurisdictions.

LNT:

- Utility fuel mix is 25% coal, 41% gas, 34% renewables. Generation mix is 60% owned and 40% PPA. All PPAs are fixed price.
- Gas LDC business is ~10% of rate base. Wisconsin has 2% fuel band, which has historically been very manageable. Any exposure outside of this to positive or negative is passed-through. Iowa is pure pass-through.
- Gas is hedged at ~60% for this winter. Coal is hedged at 100% through end of year, with additional hedges through 2023.

NEE/NEP:

- No gas LDC business. Unregulated generation is mostly renewables (82%) and contracted nuclear (9%). FPL utility fuel mix is 73% natural gas and 22% nuclear.
- Can't hedge as per Florida statute in 2016 rate settlement. Embedded $4.70 price in recent rate case filing. Fuel is pass-through.
- NEP could actually be modest beneficiary with 0.8 Bcf/d uncontracted pipeline capacity out of its total 4.3 Bcf/d.

NI:

- NI's rate base is about 65% gas LDC, 35% electric.
- For NI's LDCs, 100% of industrial customers procure their own gas and they account for 55% of total throughput. Of the 45% of throughput that is residential and commercial customers, about 1/3 is competitive supply.
- Of the 2/3 of the 45% that is supplied by NI, about 40% is hedged for calendar year 2022. The average bill for a gas customer is $70/mo., of which, about 1/3 is for fuel.
- Today, NI's owned generation is 74% coal, 25% gas and 1% hydro. However, that is expected to change dramatically in the coming years as renewables are added and coal is retired (NI will retire 80% of its coal in 2023, then 100% by 2028 or earlier).
- For electric customers, NI has estimated that the bill increase would be 2.5-3.0% for the full year for every $1 increase in natural gas prices (average annual bill is $1,430/yr.).

OGE:

- 95% of generation is owned by OG&E. Of the ~5% that is through PPAs, all are fixed prices. For owned generation, 21% is coal, 4% is dual coal/gas, 64% is gas and 11% is renewables.

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- OG&E recently had new fuel rates approved October 1st to include the under recovery of costs this year due to the increase in natural gas prices. Our understanding is that prices were submitted around mid-September, such that a good bit of the recent run-up was captured in the filing. It wasn't clear to us what the % impact was to the average customer bill.
- Relatedly, under the proposed settlement in OK, customer bills are projected to increase ~2% related to the securitization of Winter Storm Uri costs.
- No gas LDC business.

PCG:

- PCG is fully electric T&D and decoupled.
- Natural gas was 16% of PCG's power mix (both owned generation and PPAs); whereas nuclear (43%), renewables (31%) and large hydro (10%) made up the rest.
- PCG doesn't disclose hedging, but expects little impact on the electric bill and not much near-term on gas bill.
- The gas cost is 8% of the total bundled electric and gas customer bill.

PEG:

- Mostly pure T&D with exception of unregulated nuclear business. Have fossil sale expected to close around year-end – mostly CCGTs.
- Gas LDC is 20% of earnings (40% of distribution rate base).
- Supply is 40% of the bill for both electric/gas. Electric uses BGS to layer in commodity changes over 3 years, so would need to see sustained elevated prices. Expecting minimal electric bill impact.
- Can self-implement 2 gas rate increases of 5% max per winter in December/February (so 10% max impact). Overall expecting 4% max bill impact across electric/gas.

PNW:

- For owned generation 56.5% is gas, 21.5% is coal, 18% is nuclear and 4% is renewables. For total annual generation, about 75% is company-owned vs PPA.
- No gas LDC business.

POR:

- 65% of generation is owned vs 35% through PPA/ST-contracts. For owned generation, 53% is natural gas, 9% coal, 24% is wind and 14% is hydro.
- POR is one of the only utilities that has a direct earnings exposure to rising fuel costs through its power cost adjustment mechanism (PCAM). Under the PCAM, POR is on the hook for up to $30M of power costs above a baseline level set each year in its annual update tariff (AUT) before there is sharing with customers. Conversely, POR can benefit up to $15M below the baseline level before sharing with customers.
- POR's AUT is typically approved in November and then goes into effect the following year. POR's proposed change from AUT net variable power cost for 2022 is +2%.
- No gas LDC business

PPL:

- PPL owns generation in KY but not in PA or RI (home to the newly acquired NEC pending regulatory approval). KY is about 45% of the pro forma company. PA is about the same, and RI makes up the rest.
- In KY, a vast majority of the power comes from self-owned generation; 80% of that is coal.
- In PA, PPL enters into POLR contracts that go through an auction process. If high power/gas prices persist, then customer bills will go up.

SO: SoCo and time

- SO has a vertically integrated electric utility that makes up around 80% of the company, while its gas LDCs and midstream represent roughly 15% and the rest is Southern Power, Power Secure, and other small segments.

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- SO has a diverse mix of generating assets, with modest amounts of PPAs for renewables; currently SO still has about 10 GW of coal. The coal generation in 2020 was less than 20% coal, but as gas prices rise, SO dispatches coal more.
- SO has seen some supply chain issues due to rail for coal plants; but SO curtailed some coal to have adequate supplies for winter; this appears to be a minor issue.
- SO passes through fuel costs; even SO's unregulated Southern Power sub passes through fuel costs.
- For electric and LDCs, SO has hedging programs in place. For the LDCs, SO has storage in place for the short term.
- On electric side, customer bills could go up in the low single digits at current gas prices due to natural hedges and hedging policy.

SRE:

- SRE's electric utilities are pure T&D entities – SDG&E in California and Oncor in Texas. In California, T&D is fully decoupled and generation procured is mainly a combination of natural gas and renewables. In Texas, generation service by third parties is customer facing.
- In California given the temperate climate, energy usage is relatively low so the bill component exposed to energy prices is small; this is especially so for natural gas heating demand.
- On the gas LDC side, Southern California has the Aliso Canyon gas storage facility outside LA. Aliso stores about 35 Mcf of gas following the leak, but could store more than twice that. In any case, we understand that most anticipated natural gas requirements are secured well in advance of the heating season and thus we do not think that SoCalGas has much exposure to the elevated gas price environment.

WEC:

- Utility fuel mix is 36% coal, 36% gas, 22% nuclear. Derive 75% of generation from owned or long-term contracts (ie: Point Beach nuclear). MISO market purchases make up the remaining 25%.
- Gas LDC business is ~35% of assets/earnings. Wisconsin has 2% fuel band (we estimate about $0.05/sh), which has historically been very manageable. Any exposure outside of this to positive or negative is passed-through. Commodity is two-thirds of bill for gas LDC.
- Fully hedged with gas for generation through this winter, coal is fully hedged for this year and 90% for next year. Partially hedged 2 years out of gas and 3 years out on coal. Use gas storage as well.
- Residential natural gas bills could increase 30-45% or $25-40/month. Electric bills expected to increase low-single-digit percentage. Assuming $4.50 average price now, which could increase bills $180-200 for entire heating season.

XEL:

- For a $1 increase in natural gas prices, XEL projects a $7/mo. bill increase for its gas customers and $1/mo. bill increase for electric customers. The fuel component of XEL's electric customer bills was 32% in 2020 and shrinking due to the company's successful Steel for Fuel program.
- For XEL's electric business, it's energy mix is 21% coal, 32% gas, 13% nuclear and 34% renewables.
- About 20% of XEL's total rate base is gas LDC.
- 50% of the supply for XEL's gas LDC customers is hedged for the winter heating season.
- XEL supplies the gas for all its LDC customers (i.e., no competitive supply).

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Appendix

Exhibit 3: 2020 Nameplate Capacity (MWs) Mix by Fuel Type

Company Name	Ticker	Coal	Nuclear	Natural Gas	Renewable	Other
Alliant Energy	LNT	27%	0%	48%	23%	2%
Ameren	AEE	46%	11%	33%	1%	9%
American Electric Power	AEP	50%	9%	31%	7%	3%
Avangrid	AGR	0%	0%	7%	89%	4%
CenterPoint	CNP	80%	0%	15%	5%	0%
Clearway Energy	CWEN	0%	0%	40%	57%	3%
CMS Energy	CMS	25%	0%	48%	14%	14%
Con Edison	ED	0%	0%	18%	80%	2%
Dominion	D	17%	20%	41%	9%	14%
DTE Energy	DTE	47%	9%	22%	12%	10%
Duke Energy	DUK	28%	16%	41%	7%	8%
Edison Int'l	EIX	0%	18%	37%	11%	34%
Emera	EMA	33%	0%	46%	10%	12%
Entergy	ETR	9%	20%	70%	0%	0%
Evergy	EVRG	49%	9%	32%	5%	5%
Eversource Energy	ES	0%	0%	0%	100%	0%
Exelon	EXC	0%	61%	23%	6%	11%
FirstEnergy	FE	88%	0%	0%	0%	12%
Fortis	FTS	26%	0%	55%	7%	12%
NextEra Energy Partners	NEP	0%	0%	0%	98%	2%
NextEra Energy	NEE	3%	11%	44%	37%	5%
NiSource	NI	59%	0%	38%	2%	1%
NRG Energy	NRG	35%	5%	43%	1%	16%
OGE Energy	OGE	25%	0%	69%	6%	0%
PG&E	PCG	0%	30%	20%	2%	48%
Pinnacle West	PNW	20%	17%	59%	3%	1%
Portland General	POR	9%	0%	56%	22%	14%
PPL Corp.	PPL	63%	0%	35%	1%	1%
PSEG	PEG	0%	34%	62%	1%	3%
Sempra	SRE	0%	0%	70%	26%	3%
AES Corp.	AES	27%	0%	53%	18%	2%
Southern Company	SO	24%	9%	51%	9%	8%
Vistra Energy	VST	29%	6%	63%	0%	2%
WEC Energy Group	WEC	38%	0%	42%	16%	5%
Xcel Energy	XEL	30%	8%	39%	18%	5%
Average		**25%**	**8%**	**39%**	**20%**	**8%**
Median		**25%**	**0%**	**41%**	**9%**	**5%**

Source: Wolfe Research Utilities & Power Research, S&P Capital IQ; AES is U.S. generation only

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Exhibit 4: 2020 Net Generation of Reporting Plants (MWhs) Mix by Fuel Type

Company Name	Ticker	Coal	Nuclear	Natural Gas	Renewable	Other
Alliant Energy	LNT	32%	0%	44%	23%	2%
Ameren	AEE	72%	21%	1%	0%	6%
American Electric Power	AEP	52%	23%	19%	4%	2%
Avangrid	AGR	0%	0%	20%	79%	1%
CenterPoint	CNP	99%	0%	1%	0%	0%
Clearway Energy	CWEN	0%	0%	45%	55%	0%
CMS Energy	CMS	31%	0%	56%	6%	8%
Con Edison	ED	0%	0%	50%	50%	0%
Dominion	D	9%	39%	45%	4%	3%
DTE Energy	DTE	59%	19%	12%	7%	4%
Duke Energy	DUK	21%	35%	37%	2%	3%
Edison Int'l	EIX	0%	48%	29%	2%	21%
Emera	EMA	16%	0%	77%	6%	1%
Entergy	ETR	4%	45%	50%	0%	0%
Evergy	EVRG	63%	28%	5%	3%	0%
Eversource Energy	ES	0%	0%	0%	100%	0%
Exelon	EXC	0%	86%	10%	2%	2%
FirstEnergy	FE	75%	23%	0%	0%	3%
Fortis	FTS	38%	0%	61%	1%	0%
NextEra Energy Partners	NEP	0%	0%	0%	100%	0%
NextEra Energy	NEE	1%	26%	54%	18%	1%
NiSource	NI	55%	0%	44%	0%	0%
NRG Energy	NRG	45%	25%	28%	2%	0%
OGE Energy	OGE	21%	0%	73%	5%	0%
PG&E	PCG	0%	54%	21%	1%	23%
Pinnacle West	PNW	24%	34%	40%	2%	0%
Portland General	POR	23%	0%	59%	9%	9%
PPL Corp.	PPL	82%	0%	17%	0%	1%
PSEG	PEG	0%	57%	41%	0%	1%
Sempra	SRE	0%	0%	100%	0%	0%
AES Corp.	AES	43%	0%	49%	7%	0%
Southern Company	SO	17%	18%	56%	4%	5%
Vistra Energy	VST	33%	12%	55%	0%	0%
WEC Energy Group	WEC	44%	0%	44%	8%	3%
Xcel Energy	XEL	30%	21%	34%	13%	2%
Average		**28%**	**18%**	**36%**	**15%**	**3%**
Median		**23%**	**12%**	**41%**	**4%**	**1%**

Source: Wolfe Research Utilities & Power Research, S&P Capital IQ; AES is U.S. generation only

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Exhibit 5: Gas LDC Contribution to 2022 EPS for Regulated Utilities

Company Name	Ticker	Gas LDC % of 2022 EPS
NiSource	NI	65%
CenterPoint	CNP	40%
CMS Energy	CMS	35%
WEC Energy Group	WEC	35%
Sempra	SRE	28%
Con Edison	ED	21%
PSEG	PEG	20%
Fortis	FTS	19%
DTE Energy	DTE	18%
Dominion	D	17%
PG&E	PCG	17%
Avangrid	AGR	16%
Eversource Energy	ES	15%
Emera	EMA	13%
Xcel Energy	XEL	13%
Ameren	AEE	10%
Southern Company	SO	11%
Exelon	EXC	9%
Alliant Energy	LNT	8%
Duke Energy	DUK	8%
PPL Corp.	PPL	3%
Entergy	ETR	1%
AES Corp.	AES	0%
American Electric Power	AEP	0%
Edison Int'l	EIX	0%
Evergy	EVRG	0%
FirstEnergy	FE	0%
NextEra Energy	NEE	0%
OGE Energy	OGE	0%
Pinnacle West	PNW	0%
Portland General	POR	0%
Average		**14%**
Median		**11%**

Source: Wolfe Research Utilities & Power Research, Company Filings, S&P Global

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Exhibit 6: Natural Gas Price Trend

		Natural Gas							
		Spot Price	Change	2022	Change	2023	Change	2024	Change
Year End	12/31/20	$2.54	114.7%	$2.59	74.7%	$2.46	47.5%	$2.48	33.8%
Current	10/14/21	$5.45		$4.52		$3.63		$3.32	

Source: Platts, Wolfe Research Utilities & Power Research; Current spot price as of 10/18/21

Exhibit 7: ERCOT Power Price Trend

		ERCOT					
		2022	Change	2023	Change	2024	Change
Year End	12/31/20	$25.31	100.3%	$23.68	66.7%	$24.32	40.2%
Current	10/14/21	$50.69		$39.46		$34.09	

Source: Platts, Wolfe Research Utilities & Power Research

Exhibit 8: PJM Power Price Trend

		PJM					
		2022	Change	2023	Change	2024	Change
Year End	12/31/20	$28.25	79.9%	$27.78	42.8%	$28.72	30.7%
Current	10/14/21	$50.83		$39.67		$37.56	

Source: Platts, Wolfe Research Utilities & Power Research

Exhibit 9: Northeast Power Price Trend

		Northeast					
		2022	Change	2023	Change	2024	Change
Year End	12/31/20	$34.84	114.1%	$36.15	49.1%	$38.78	30.6%
Current	10/14/21	$74.60		$53.89		$50.64	

Source: Platts, Wolfe Research Utilities & Power Research

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ELECTRIC UTILITIES

Regulateds – Market Overweight
IPPs – Market Weight

December 8, 2021

UTILITIES & POWER

Utilities & Politics: CPA-Zicklin Index – 2021 refresh

Utilities score best of any sector on political disclosure, accountability. Political scandals in Ohio and Illinois over the past few years raised investor awareness of political/legal risks for the utility sector. We think some of the issues could have been avoided with better transparency on political donations. In this report we highlight where companies score within the CPA-Zicklin Index, which is used to rank corporate political disclosure and accountability. For 2021, utilities scored well-above the average for S&P 500 companies (80.5% vs 54.1%) and were the highest ranked amongst all GICs sectors for the 2nd year in a row. We are encouraged by this, and it coincides with a constructive 2021 on the political/regulatory front including an OH rate settlement for FE and an IL nuclear law for EXC. See the CPA-Zicklin report here for full details.

What is the CPA-Zicklin Index? The Index has been independently developed by the Center for Political Accountability along with the Zicklin Center for Business Ethics and UPenn's Wharton since 2011. The Index measures performance in three areas – disclosure, political spending policy, and board oversight. The Index uses 24 indicators, one of which is disclosure on 501c4 contributions (central to the FE controversy), including a ranking (1-6) for each company. Scores are based solely on public information. We view this metric as good as any to judge where companies stack up on transparency for their political activities.

FE, DTE and AEP lead utilities improvement; CNP a notable laggard. The average overall score for utilities in 2021 was 80.5%. This rose from 77.2% last year and 69.6% in 2019, helping maintain the group's top rank amongst all GICs sectors (Energy was notably 2nd at 74.2). Most companies improved their scores or remained flat. Biggest improvements were from FE (+43%), DTE (+36%) and AEP (+20%). The Ohio companies have clearly gotten the message! SO score also improved 10% after falling in 2020. The notable backslider this year was CNP whose score fell 40% to the lowest in the sector. We checked in with management on this and it frankly just appears to be a communication issue amidst changes in management last year, they actually still do all of the disclosures they did in the past. We expect this to be fixed in next year's survey.

ED/AEE/EIX best, CNP/ATO/NRG worst; Who still doesn't disclose 501c4? In Exhibit 1 we show top-10/bottom-10 scores within the sector. Only a handful of companies do not disclose 501c4 donations at this point – DTE, DUK, CMS, NEE, NRG, ATO and CNP (discloses 501c4, but got lost in '21 amidst mgmt. changes).

Utilities "Trendsetters" – ED, AEE, EIX, SRE, D, EXC, FE, PPL, ETR, EVRG. 87 companies within the S&P 500 received this designation, which means a score of 90% or higher. Utilities included in the group are ED, AEE, EIX, SRE, D, EXC, FE, PPL, ETR, EVRG. It's encouraging to see FE and EXC on this list after what the events of a few years ago.

See the full report for a summary of all company scores and 501c4 rankings

Exhibit 1: Best/Worst Index Scores

Ticker	2021 Score	▲ vs 2020	Disclose 501c4 Payments?
Top-10			
ED	100.0%	+5.7%	Yes
AEE	97.1%	0.0%	Yes
EIX	97.1%	0.0%	Yes
SRE	95.7%	0.0%	Yes
D	94.3%	+2.9%	Yes
EXC	92.9%	-1.4%	Yes
PPL	91.4%	0.0%	Yes
FE	91.4%	+42.9%	Yes
ETR	90.0%	0.0%	Yes
EVRG	90.0%	+1.4%	Yes
Bottom-10			
LNT	77.1%	-5.7%	Yes
NI	75.7%	+1.4%	Partial
DTE	72.9%	+35.7%	No
SO	71.4%	+10.0%	Partial
DUK	70.0%	+8.6%	No
CMS	68.6%	+7.1%	No
NEE	60.0%	0.0%	No
NRG	57.1%	0.0%	No
ATO	44.3%	-4.3%	No
CNP	32.9%	-40.0%	No
Utility Avg	80.5%		

Source: Wolfe Research Utilities & Power Research

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Utilities & Power

December 8, 2021

Exhibit 2: Summary of 2021 CPA-Zicklin Index Scores

Company	Ticker	Overall Score	Change vs 2020	Disclose Payments to 501c4s?	501c4 Ranking; 0 = lowest, 6 = best
Consolidated Edison Inc.	ED	100.0%	+5.7%	Yes	6
Ameren Corp.	AEE	97.1%	0.0%	Yes	6
Edison International	EIX	97.1%	0.0%	Yes	6
Sempra Energy	SRE	95.7%	0.0%	Yes	6
Dominion Energy Inc.	D	94.3%	+2.9%	Yes	6
Exelon Corp.	EXC	92.9%	-1.4%	Yes	6
PPL Corp.	PPL	91.4%	0.0%	Yes	6
FirstEnergy Corp.	FE	91.4%	+42.9%	Yes	6
Entergy Corp.	ETR	90.0%	0.0%	Yes	6
Evergy	EVRG	90.0%	+1.4%	Yes	6
WEC Energy Group Inc.	WEC	88.6%	+0.0%	Yes	6
Xcel Energy Inc.	XEL	87.1%	+5.7%	Partial	3
Pinnacle West Capital Corp.	PNW	85.7%	0.0%	Yes	6
Public Service Enterprise Group	PEG	85.7%	0.0%	Yes	6
American Electric Power Company Inc.	AEP	85.7%	+20.0%	Partial	3
Eversource Energy	ES	84.3%	-1.4%	Partial	3
AES Corp.	AES	84.3%	+4.3%	Yes	6
American Water Works Co., Inc.	AWK	82.9%	0.0%	Partial	3
Alliant Energy Corp.	LNT	77.1%	-5.7%	Yes	6
NiSource Inc.	NI	75.7%	+1.4%	Partial	3
DTE Energy Co.	DTE	72.9%	+35.7%	No	0
Southern Co.	SO	71.4%	+10.0%	Partial	3
Duke Energy Corp.	DUK	70.0%	+8.6%	No	0
CMS Energy Corp.	CMS	68.6%	+7.1%	No	0
NextEra Energy Inc.	NEE	60.0%	0.0%	No	0
NRG Energy Inc.	NRG	57.1%	0.0%	No	0
Atmos Energy Corporation	ATO	44.3%	-4.3%	No	0
CenterPoint Energy Inc.	CNP	32.9%	-40.0%	No	0

	2021	2020
Utility Average	**80.5%**	**77.2%**
Utility Median	**85.7%**	**82.9%**

	2021	2020
Average Index Score (S&P 500 Companies)	**54.1%**	**50.1%**
Median Index Score (S&P 500 Companies)	**64.3%**	**57.9%**

Source: Wolfe Utilities & Power Research, 2021 CPA-Zicklin Index of Corporate Political Disclosure and Accountability Report

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Exhibit 3: CPA-Zicklin Index Tier Ranking Criteria

Tier	Score (%)
First Tier	80 - 100
Second Tier	60 - 79.9
Third Tier	40 - 59.9
Fourth Tier	20 - 39.9
Bottom Tier	0 - 19.9

Source: 2021 CPA-Zicklin Index of Corporate Political Disclosure and Accountability Report

Exhibit 4: S&P 500 Scores and Rankings - 2021

	First Tier	Second Tier	Third Tier	Fourth Tier	Bottom Tier
Total Companies	171	89	52	53	128
Average Market Cap	$132.0B	$67.9B	$43.3B	$40.5B	$37.3B
Average Overall Score (%)	89.9	70.9	50.3	27.3	7.3

Source: 2021 CPA-Zicklin Index of Corporate Political Disclosure and Accountability Report

Exhibit 5: Average Sector Performance (2015 – 2021)

Sector	Average Score (%)							Number of Companies						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
Communication Services	46.3	47.4	50.4	68.6	80.5	55.4	70.0	5	5	4	3	3	5	5
Consumer Discretionary	32.2	33.0	36.4	36.2	40.7	47.4	44.1	78	83	82	77	75	72	73
Consumer Staples	47.1	48.0	46.7	52.3	54.9	62.5	69.5	34	35	37	32	33	33	32
Energy	45.7	49.1	49.9	53.4	55.0	60.1	74.2	38	39	34	31	29	27	23
Financials	42.4	48.0	50.0	49.1	52.3	53.3	56.7	60	64	66	71	71	70	69
Health Care	52.2	52.2	53.2	52.7	55.1	55.3	56.6	53	57	59	61	61	58	62
Industrials	37.1	38.0	37.3	37.7	41.9	39.1	45.7	61	64	66	67	67	70	70
Information Technology	35.4	40.0	37.4	37.9	37.8	42.0	47.4	59	65	67	68	72	74	78
Materials	47.7	47.9	50.5	47.2	53.2	60.2	59.6	28	27	25	24	26	26	26
Real Estate	19.5	14.8	17.8	20.8	23.2	26.7	39.0	22	27	31	31	31	29	27
Utilities	48.0	57.6	62.1	66.2	69.6	77.2	80.5	26	27	28	28	28	28	28

Source: 2021 CPA-Zicklin Index of Corporate Political Disclosure and Accountability Report

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Utilities & Power

December 8, 2021

Comparables Tables

Exhibit 6: Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$24.82	667	$16,548	16.6x	15.3x	14.2x	13.1x	2.4%	5.0%	40%	6.8x	18%
Alliant Energy	LNT	$58.33	250	$14,604	22.2x	21.3x	20.2x	19.1x	2.8%	5.9%	61%	2.4x	46%
Ameren	AEE	86.53	258	22,291	22.6x	21.2x	19.8x	18.8x	2.5%	7.0%	57%	2.3x	43%
American Electric	AEP	83.91	504	42,261	17.9x	16.8x	15.8x	15.0x	3.5%	5.7%	63%	1.9x	37%
Avangrid	AGR	51.01	387	19,751	24.3x	20.7x	19.6x	19.2x	3.5%	0.0%	84%	1.0x	70%
CenterPoint Energy	CNP	27.88	629	17,533	21.8x	20.2x	18.8x	17.3x	2.2%	8.0%	49%	2.2x	35%
CMS Energy	CMS	62.03	290	17,970	23.4x	21.6x	19.6x	17.8x	2.8%	6.7%	66%	3.1x	32%
Con Edison	ED	81.56	354	28,852	19.4x	17.5x	17.1x	16.3x	3.8%	1.3%	74%	1.4x	45%
Dominion	D	75.46	810	61,116	19.5x	18.3x	17.2x	16.0x	3.3%	6.0%	65%	2.5x	39%
DTE Energy	DTE	115.01	194	22,281	19.6x	19.6x	18.5x	17.4x	3.1%	7.2%	61%	2.6x	33%
Duke Energy	DUK	101.17	769	77,822	19.4x	18.7x	17.6x	16.5x	3.9%	2.0%	76%	1.6x	43%
Edison International	EIX	67.26	380	25,553	15.1x	14.5x	13.6x	12.7x	3.9%	4.0%	59%	1.9x	34%
Emera*	EMA	60.16	259	15,563	21.1x	19.1x	17.9x	17.0x	4.3%	4.0%	90%	1.9x	38%
Entergy	ETR	104.85	201	21,073	17.5x	16.6x	15.6x	14.7x	3.8%	6.0%	67%	1.9x	31%
Evergy	EVRG	66.67	229	15,288	18.8x	18.8x	17.4x	16.5x	3.3%	6.2%	61%	1.6x	46%
Eversource Energy	ES	87.30	344	30,014	22.6x	21.1x	19.8x	18.8x	2.8%	6.2%	62%	2.1x	43%
Exelon	EXC	53.92	978	52,751	19.7x	23.9x	22.6x	21.4x	2.8%	0.0%	56%	1.6x	45%
FirstEnergy	FE	39.46	544	21,483	15.2x	16.3x	15.3x	14.2x	4.0%	0.0%	60%	2.9x	24%
Fortis*	FTS	57.78	473	27,324	21.2x	19.8x	18.6x	17.9x	3.5%	5.8%	75%	1.6x	43%
NextEra Energy	NEE	90.41	1,962	177,397	35.7x	33.5x	31.0x	28.9x	1.7%	10.0%	61%	4.8x	40%
NiSource	NI	25.83	393	10,144	19.0x	17.8x	16.9x	14.9x	3.4%	6.0%	65%	2.1x	40%
OGE Energy	OGE	36.05	200	7,216	14.7x	16.9x	16.1x	15.4x	4.4%	2.0%	65%	1.9x	44%
PG&E	PCG	12.44	1,985	24,698	12.3x	11.4x	10.5x	9.5x	0.0%	N/A	0%	1.2x	32%
Pinnacle West	PNW	66.56	113	7,509	12.7x	17.0x	16.4x	15.4x	5.0%	5.1%	64%	1.2x	44%
Portland General	POR	50.87	89	4,548	18.3x	18.1x	17.4x	16.9x	3.3%	7.1%	61%	1.7x	44%
PPL Corp.	PPL	29.32	751	22,011	27.1x	17.6x	16.5x	N/A	5.7%	0.0%	153%	1.5x	57%
PSEG	PEG	64.62	506	32,676	17.8x	18.6x	17.7x	16.7x	3.2%	4.1%	56%	2.3x	41%
Sempra	SRE	126.91	319	40,527	15.3x	15.3x	14.7x	13.9x	3.6%	8.0%	54%	1.7x	48%
Southern Company	SO	64.47	1,059	68,262	19.0x	18.6x	17.2x	15.8x	4.1%	3.9%	78%	2.4x	35%
WEC Energy Group	WEC	92.34	315	29,127	22.7x	21.4x	20.1x	18.9x	2.9%	7.1%	67%	2.7x	43%
Xcel Energy	XEL	66.04	539	35,574	22.2x	20.8x	19.4x	18.3x	2.8%	6.4%	61%	2.3x	38%
Average					**19.8x**	**19.0x**	**17.8x**	**16.8x**	**3.3%**	**4.9%**	**65%**	**2.2x**	**40%**
Average (ex EIX & PCG)					**20.2x**	**19.4x**	**18.2x**	**17.2x**	**3.4%**	**4.9%**	**67%**	**2.3x**	**41%**

Source: Wolfe Utilities & Power Research, FactSet
*Current price shown in $CAD

Exhibit 7: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	37.47	202	7,558	13.9x	11.8x	12.6x	13.2x	3.6%
NextEra Energy Partners	NEP	85.06	177	15,079	12.3x	9.9x	9.6x	9.2x	3.2%
Atlantica Yield*	AY	38.55	111	4,273	11.9x	11.0x	10.4x	10.5x	4.5%
Brookfield Renewable Partners*	BEP	34.95	275	9,609	24.1x	22.6x	21.7x	20.3x	3.5%
Average					**15.6x**	**13.8x**	**13.6x**	**13.3x**	**3.7%**

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

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Exhibit 8: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	38.86	245	9,514	9.3x	7.6x	6.5x	N/A	8.5%	13.7%	18.9%	N/A
Vistra Corp	VST	20.93	483	10,101	9.6x	6.0x	5.7x	N/A	2.0%	24.9%	24.3%	N/A
Average					**9.4x**	**6.8x**	**6.1x**	**N/A**	**5.2%**	**19.3%**	**21.6%**	**N/A**

Source: Wolfe Utilities & Power Research, FactSet

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Utilities & Power

December 8, 2021

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UTILITIES & POWER

Regulateds – Market Overweight
IPPs – Market Weight
Gas/Power Infrastructure – Market Overweight

August 1, 2021

THE UTILITY TRADER

Utilities finally bottom; Mgmt change, activism is working

- **Utilities finally find a relative floor as virus concerns re-emerge**
  The Delta variant was the story in July reviving a slight defensive bid for the first time in several months. Utilities rose 4.2% beating the overall market gain of 2.3%. While it was nice to see utilities finally find a relative floor, they still trail the market by 1200bps YTD (up 5% vs market up 17%). Whether its Growth or Value, the market just seems to keep going up. This is now the 3rd year in a row of outsized S&P 500 returns – remember this year's 17% rise follows an 18% total return in 2020 and over 31% in 2019. We have not seen a bull market like this other than the tech bubble, when stocks posted 20%+ total returns 5 yrs in a row. We continue to view this as an opportune time for long-term investors to buy utilities; they are cheap vs the market (10%-20% discount to normal), out-of-favor and will provide stability when the bull market inevitably ends.

- **Does management/activism matter for utilities? The market says yes**
  The one common thread among 2021 top performers is management change and/or activism. Among the mid-to-large utilities, 7 of the top 8 performers fit this theme (see Ex 2 on right). Here's a quick rundown: FE – Icahn, new internal CEO; CNP – Elliott/Bluescape, new external CEO/CFO; EVRG - Elliott/Bluescape, new external CEO/CFO; DUK – Elliott; AGR – new external CEO; POR – new external CFO; and DTE – Elliott. Common themes among these include asset sales, business simplification, cost cutting, and better execution and investor communication. This begs the obvious question of who could be next. Discount utilities with no big externality risks that may fit include AEP, ETR, NI, OGE, PPL, and SRE (again).

- **PCG is one exception; what will it take for CA utilities to rebound?**
  Management change has not worked yet for PCG stock even with a very strong new team. Both EIX and PCG ended the month at new relative lows and are now heading into the main fire season. ROEs are likely to trigger lower, Newsom is in a recall election and of course we have to monitor the Dixie Fire. All that said, we still have not had any high-damage fires (beyond insurance) since 2018 and the actions being taken by the companies and state keep reducing this risk despite the drought. EIX's covered conductor program (which we think gets fully supported by the PUC) and PCG's undergrounding work provide a path to much lower risk in a few years. PCG will talk more about their strategy at their Aug 9 Analyst Day. Nonetheless, investors will likely want to see how this fire season progresses before stepping into the stocks.

- **Events names for August: EXC, PNW, ES, PEG/CNP/EVRG into Sept A.D.**
  EXC is in triple OT on an IL nuke bill to keep Byron and Dresden running. There's been little progress in recent weeks, but Byron shuts in early Sept without a bill and we think chances are better than 50/50% a bill passes. PNW is still waiting for an ALJ on its 2-yr old rate case. We remain cautious on the outcome and on regulatory lag risks for the company. ES has hearings on its CT interim rate review and has become more hopeful about potential settlement. PEG will announce its fossil sale this month; the market already expects a tepid outcome and we think the stock sets up well to hear the new PEG story at its Sept AD. We expect positive Sept ADs for CNP and EVRG. CNP may give some preview on its Q2 call this week, EVRG not likely.

Source for all exhibits in this report: FactSet, Wolfe Research; prices as of 7/30/21

Ex 1: 2021 Income Sectors Perf

Sector	Performance
MLP Index (AMZ)	31.5%
XLE Index	30.3%
REIT Index (FNER)	24.5%
S&P 500	17.0%
S&P Pharma	12.7%
S&P Consumer Staples	6.1%
S&P Utility	**5.0%**
WR IPP Index	3.6%
WR YieldCo Index	3.4%
Wolfe GREEN Basket	**(0.1%)**
S&P Telecom	(0.7%)

Source: FactSet, Wolfe Research

Ex 2: 2021 Utilities Perf

Company	Ticker	YTD Perf
Top 10	**Top 10**	
FirstEnergy	FE	25.2%
Hawaiian Electric	HE	22.5%
CenterPoint	CNP	17.7%
Evergy	EVRG	17.5%
NextEra Energy Partners	NEP	15.6%
Duke Energy	DUK	14.8%
Avangrid	AGR	14.7%
Portland General	POR	14.3%
Alliant Energy	LNT	13.6%
DTE Energy	DTE	13.6%
Bottom 10	**Bottom 10**	
NextEra Energy	NEE	1.0%
AES Corp.	AES	0.9%
PPL Corp	PPL	0.6%
Eversource Energy	ES	(0.3%)
PNM Resources	PNM	(0.4%)
Dominion	D	(0.4%)
Vistra Energy	VST	(2.6%)
Clearway Energy	CWEN	(10.2%)
Edison Intl	EIX	(13.2%)
PG&E Corp.	PCG	(29.5%)

Source: FactSet, Wolfe Research

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8/1/2021

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8/1/2021

WOLFE RESEARCH

S&P Utility Index vs Market

Utilities outperformed the S&P 500 by 190bps in July and now trail by 1200bps YTD. Renewed COVID fears from the delta variant coupled with mildly positive Q2 earnings spurred the utilities sector to show some signs of resurgence. The combination of the continued decline in the US 10Y and respite from growth/recovery stocks caused by renewed COVID concerns from the delta variant incentivized investors to flee to defensive stocks and income sectors, thereby benefitting utilities. Thus far, utility earnings have been characterized by mostly small beats with a couple of guidance raises and clearly improving sales growth with residential fall-off not as much as feared. Renewables inflation has not been as much an issue as feared either.

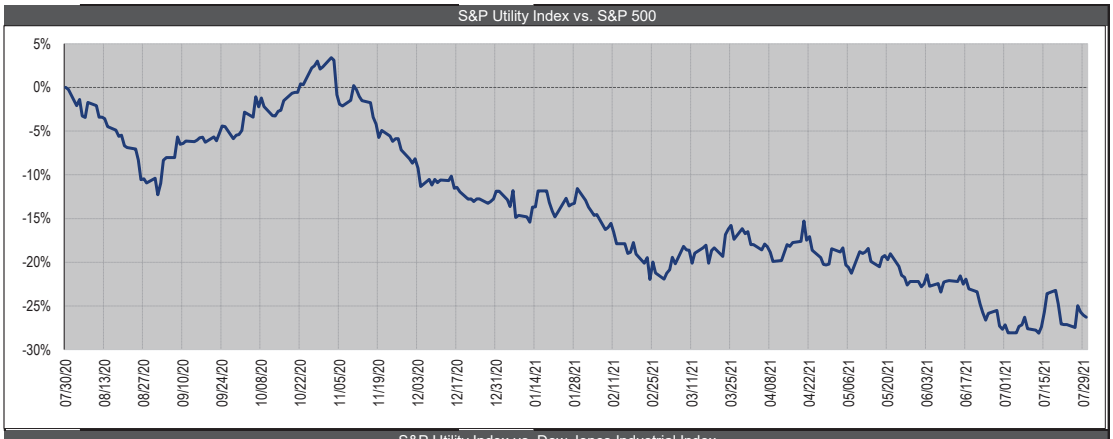

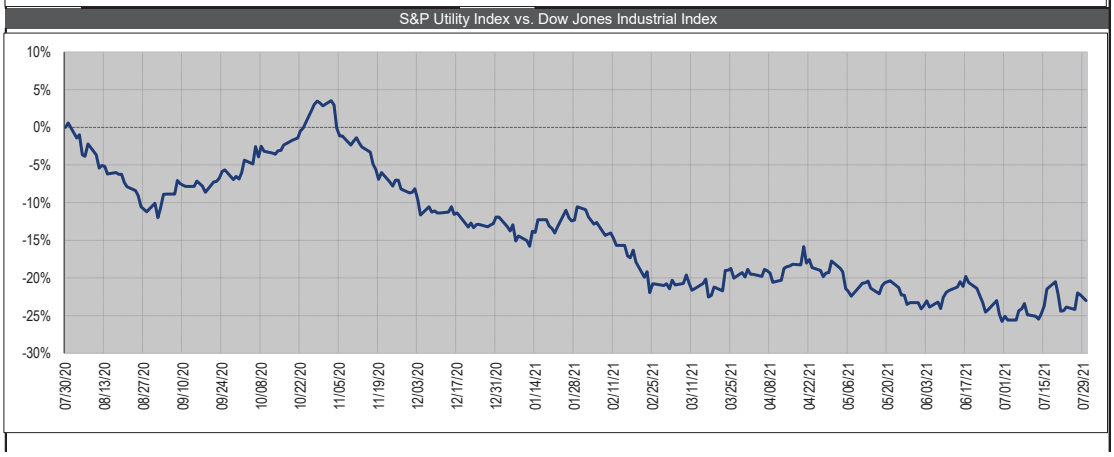

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8/1/2021

WOLFE RESEARCH

Utilities vs Other Sectors

In July, utilities (+4.2) outperformed Consumer Staples (+2.4%) and Telecom (-0.8%). On the other hand, utilities underperformed Pharma (+4.6%) in July

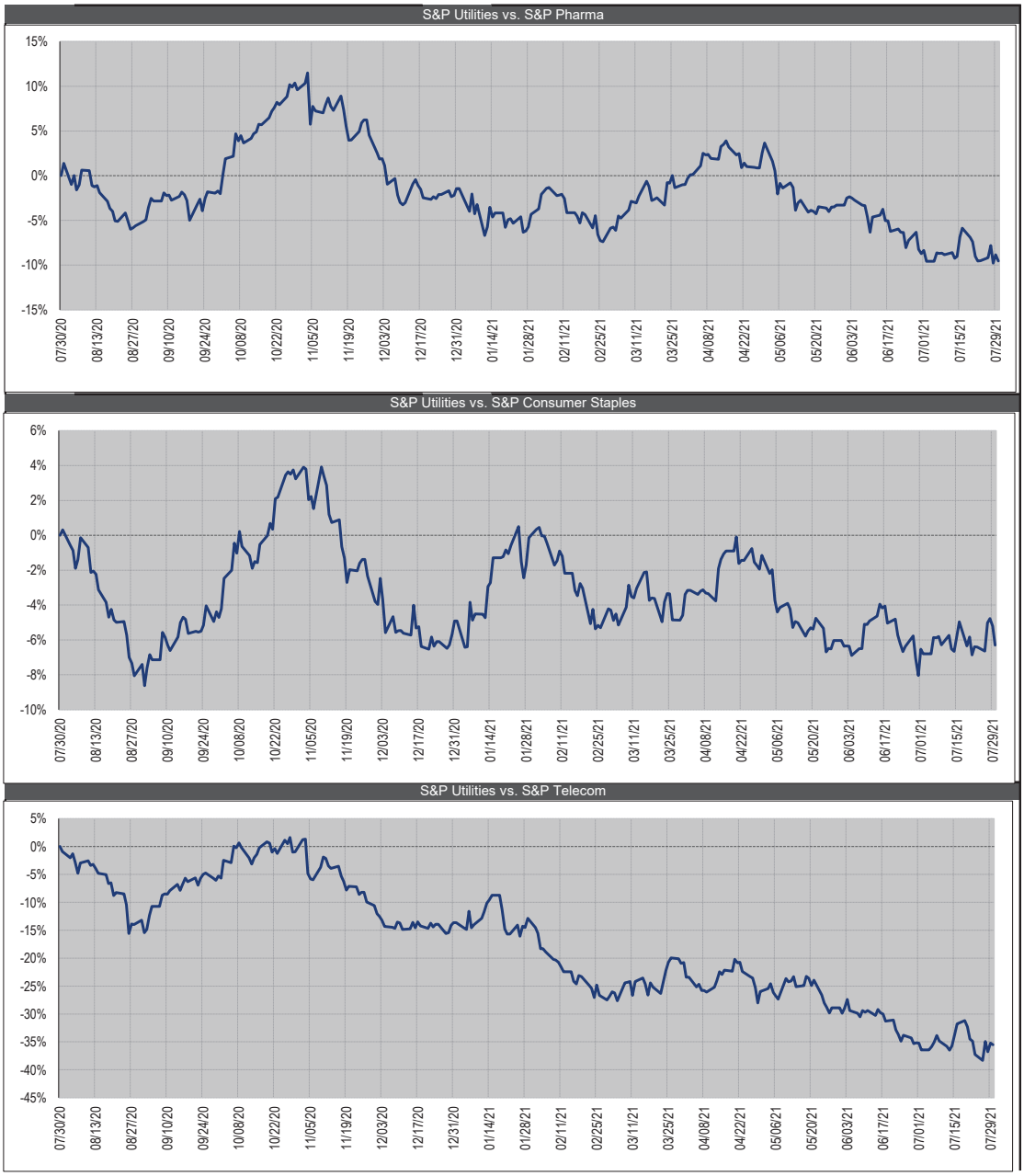

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WOLFE RESEARCH

Utilities vs Other Sectors continued

The AMZ Index (-7.1%) and Wolfe C-corp Basket (-2.9%) both underperformed the S&P 500 (+2.3%) in July, marking the first month of 2021 where the midstream group underperformed the market. We credit the underperformance to a broader thematic shift – we think investors are becoming more concerned that we've reach a cyclical peak with commodity prices trading near 5-year highs and the demand recovery having mostly played out. On top of this, renewed COVID concerns and a return of growth over value with falling interest rates have added further headwinds to energy stocks in the near-term. For a more thorough discussion of July stock performance, see our Midstream of Consciousness here. However, REITs (+4.1% in July) have continued to trade well through Q2 earnings.

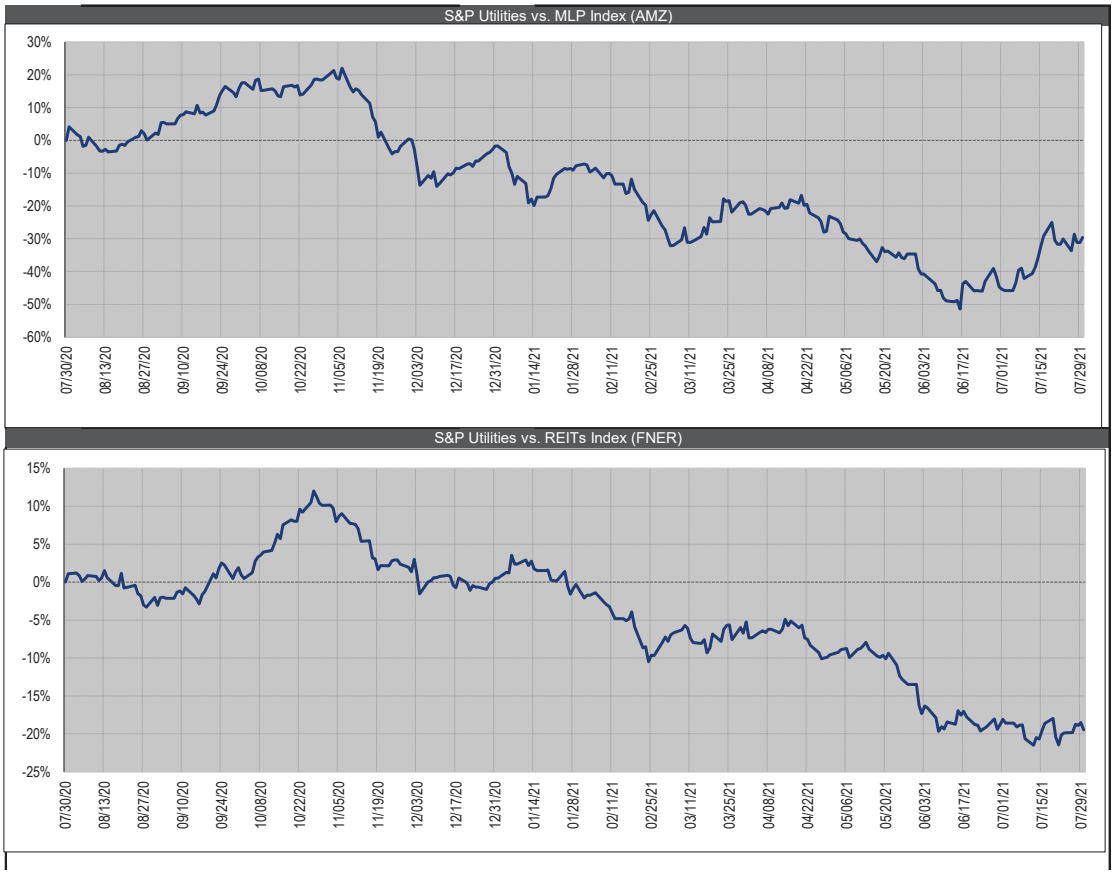

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8/1/2021

WOLFE RESEARCH

Month to Date and Year to Date performance of income sectors

The YieldCos led the way in July, rising 5.6% as a result of renewables inflation not being as much an issue as feared. Within the income sectors, Pharma and Utilities also performed well as renewed COVID apprehension of an economic downturn caused by the delta variant grappled investors. While Midstream, Telecom, and Consumer Staples are at the bottom of the board for July, Telecom, the YieldCos, and the IPPs occupy the bottom positions YTD. The defensive sectors (Consumer Staples, Utilities, and Telecom) remain laggards for 2021.

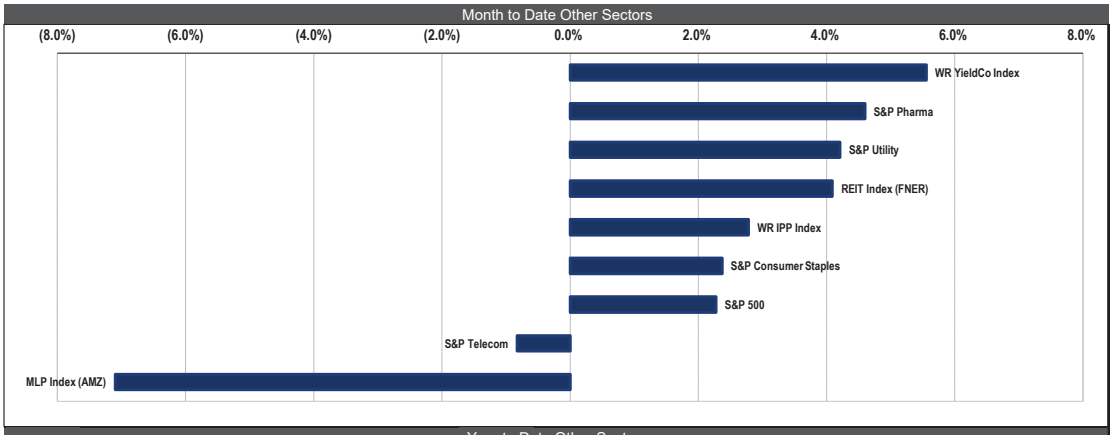

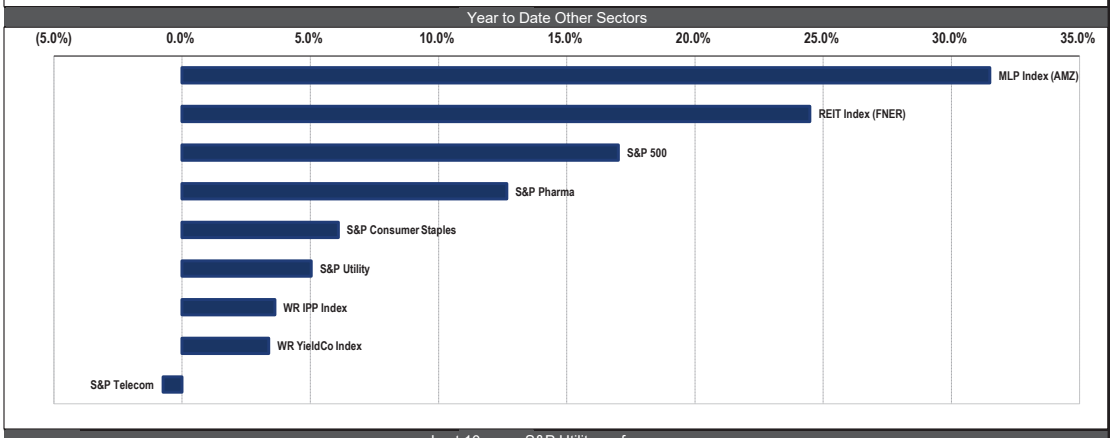

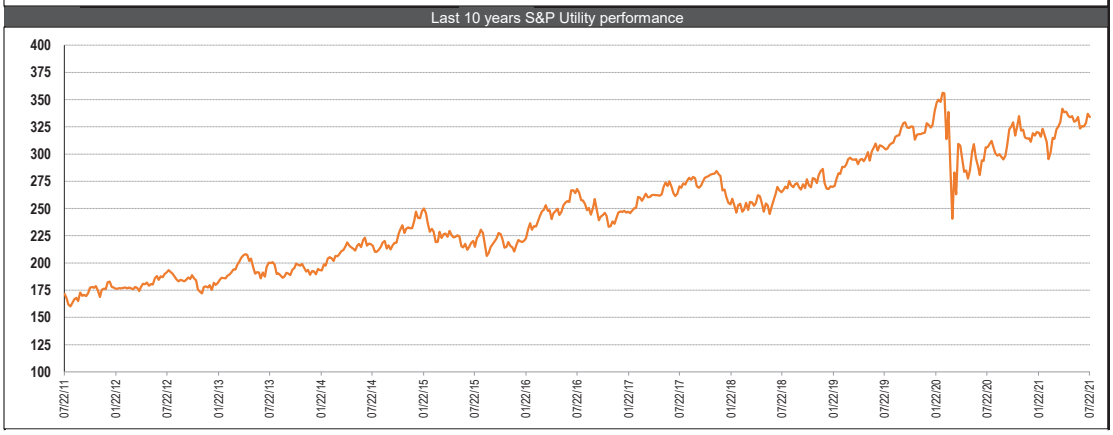

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8/1/2021

WOLFE RESEARCH

Month to Date performance of Utilities Group

AWK was the top-performer in July on no notable news with the overall resurgence of utility stocks as the US 10Y continued to decrease and investors took respite from growth / recovery stocks on COVID fears from the delta variant. CWEN also outperformed in July after recent investor attention has been focused on the potential of the company to sell its thermal business at an accretive valuation that would recycle capital and provide funding for new growth. EVRG was an outperformer in July on no notable news as momentum builds into the September Analyst Day that should better highlight the long-term plan under new mgmt. PCG was the worst-performer in July, after its reported involvement in the Dixie Fire and a possible ROE cut in 2022 appeared increasingly likely. AES also lagged in July despite no notable news. However, we mostly attribute the underperformance to inflation / supply chain concerns for renewable developers and perhaps some around renewed COVID fears given AES' exposure in emerging markets. EIX was an underperformer in July and hit new relative lows post Q2 earnings due to lower rate base recommendation in its GRC and possibly a ROE cut in 2022.

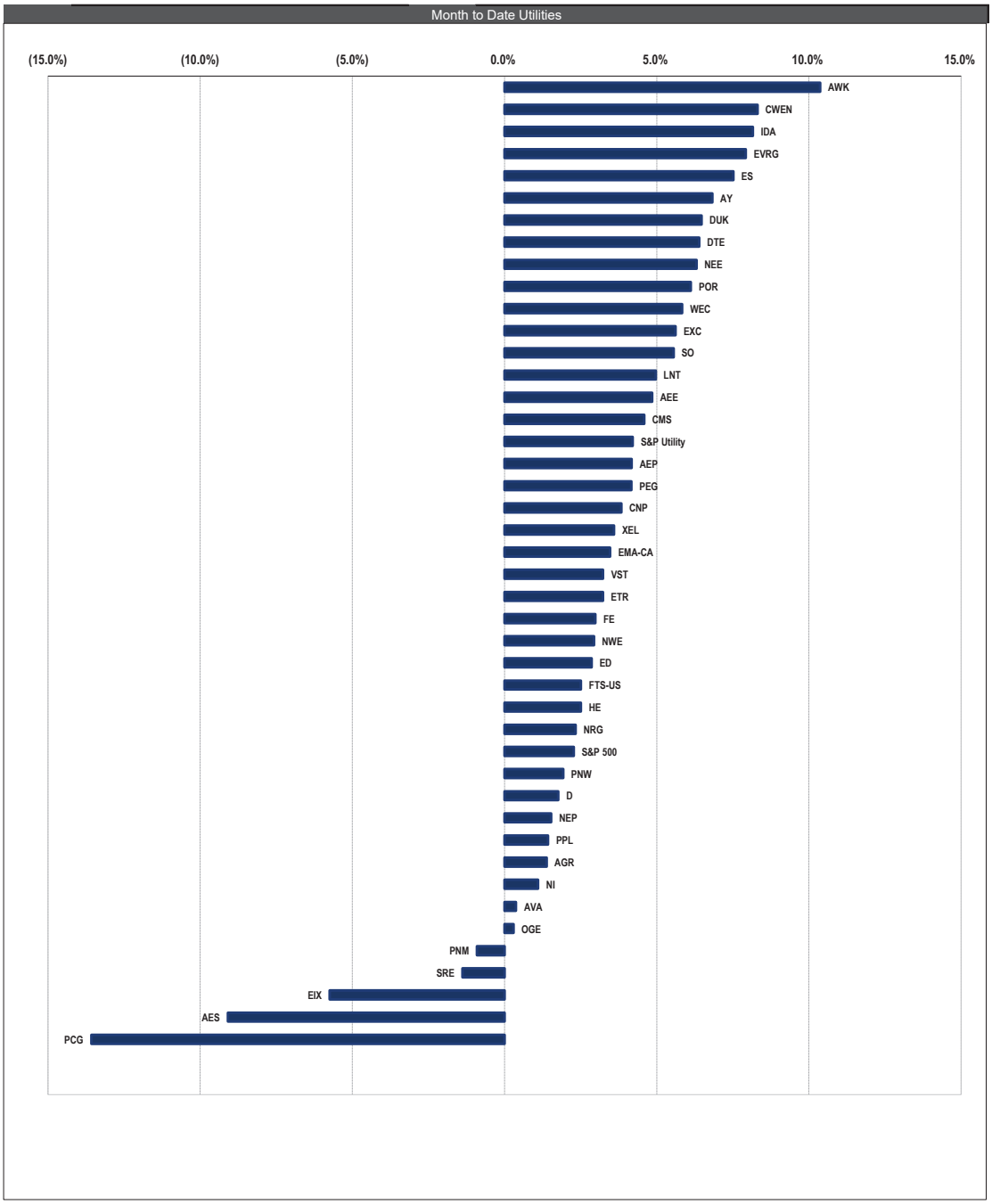

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8/1/2021

WOLFE RESEARCH

Year to Date performance of Utilities Group

FE maintained the top spot YTD. FE began its march higher earlier this year after it was revealed that activist Carl Icahn had taken a stake in the company. HE remains a top performer as small caps generally have fared well in 2021. CNP is still a top performer following its landmark gas LDC sales (2.5x rate base) in May and with the new management team pitching an effective story. PCG remains the worst performer YTD. Sentiment on both CA utes (EIX too) remains negative mostly due to wildfire risk overhang. CWEN remains a worst-performer YTD despite being one of the best performers in the broader utility group in July and outperforming its YieldCo peers.

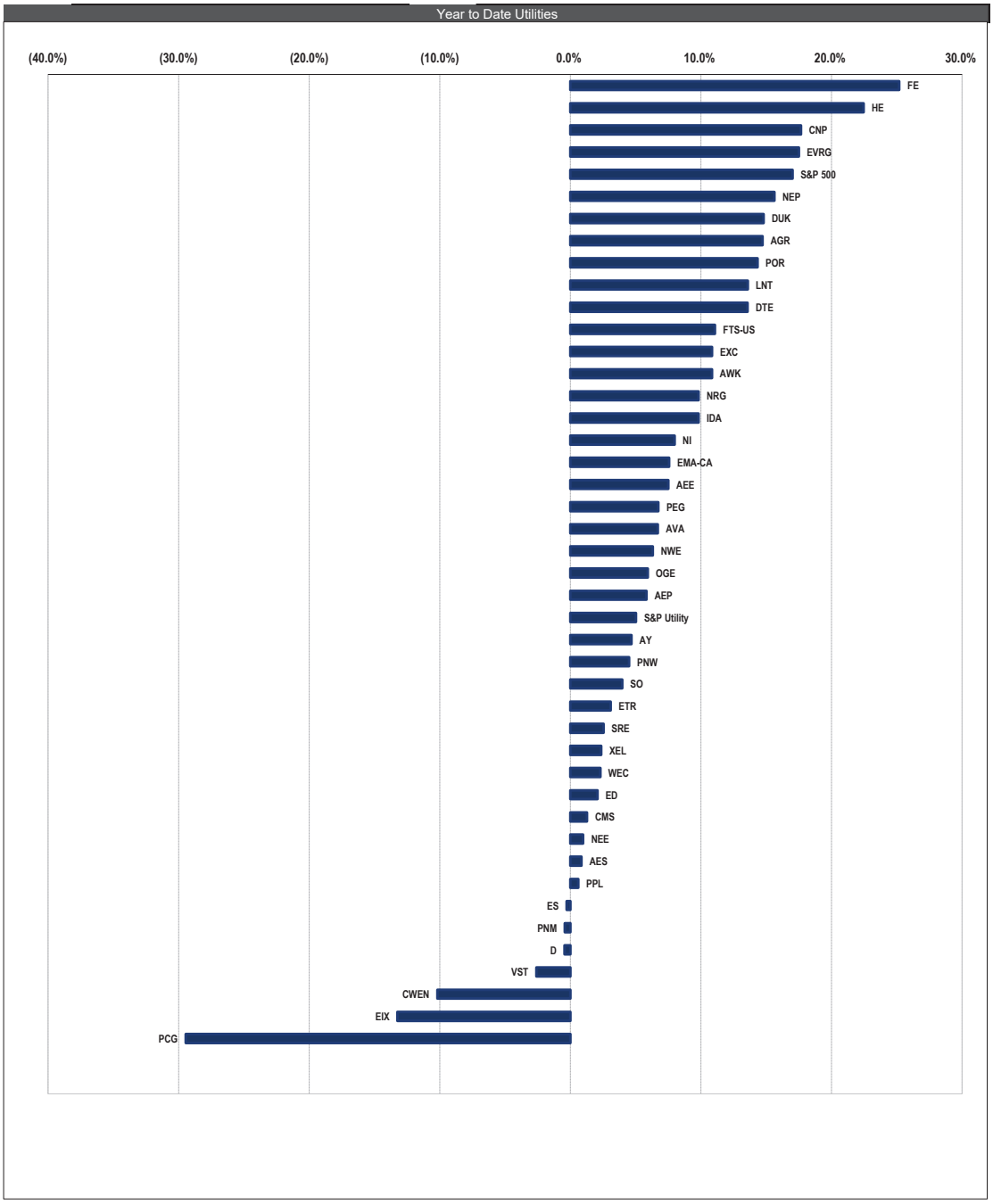

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8/1/2021

WOLFE RESEARCH

Month to Date performance of Regulated Utilities

Despite no notable news, AWK was the top-performer in July as, generally, utility stocks recovered with the US 10Y continuing to drop off and investors fled from growth / recovery stocks due to COVID fears from the delta variant. EVRG was an outperformer in July on no notable news as momentum builds into the September Analyst Day that should better highlight the long-term plan under new mgmt. ES also outperformed its peers for the second straight month in July, bouncing off its 52-week lows in early June, as there was more positive tone on a potential settlement in CT over rates, and likely ROE and capital structure. The California utilities, PCG and EIX, were the worst-performers in July mostly as a result of fire risk. NI also lagged in July on little notable news except the company filing a rate case at its largest gas LDC on June 30th – the subsidiary's first base rate case filing in Ohio in 13 years.

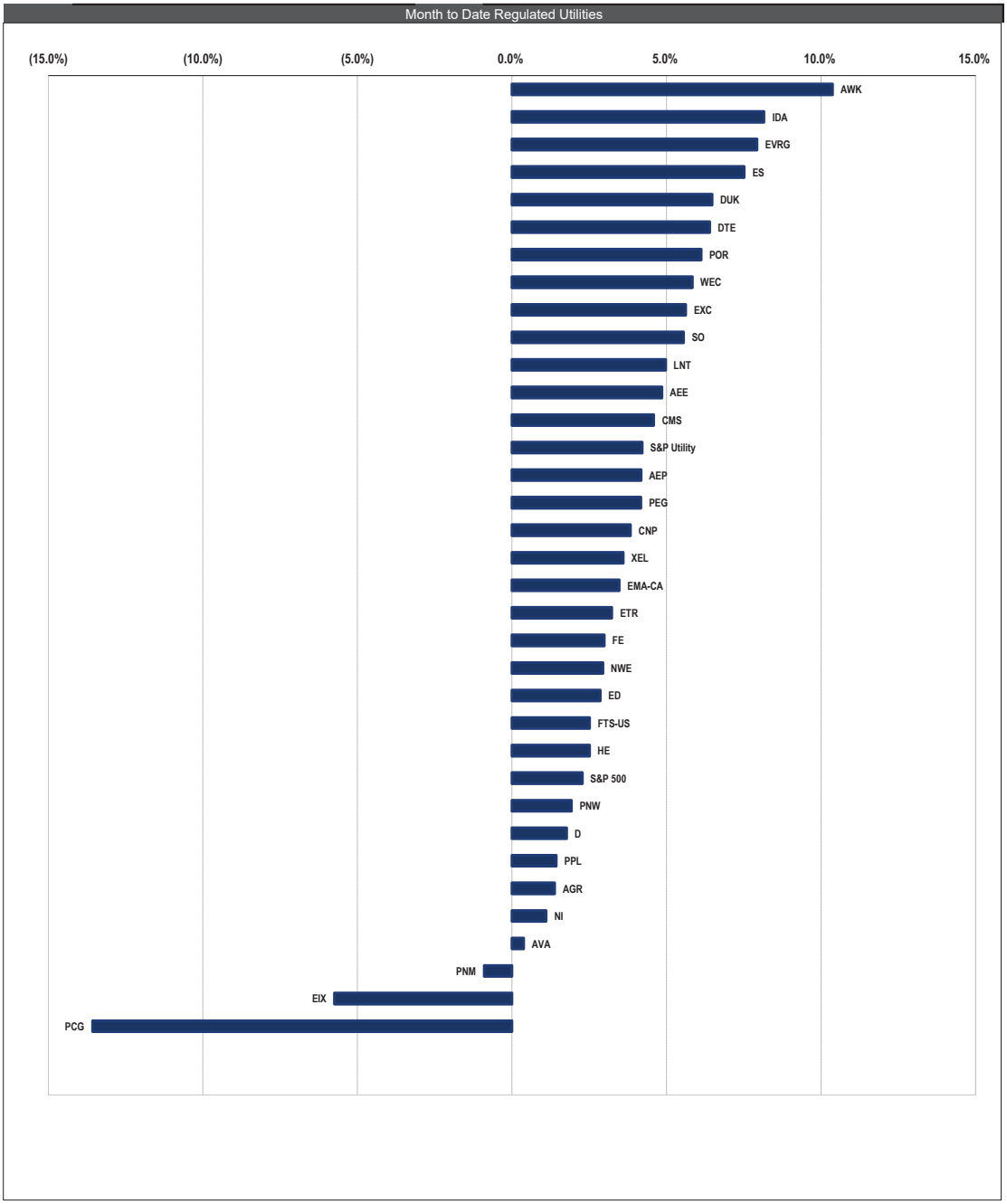

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WOLFE RESEARCH

Year to Date performance of Regulated Utilities

FE maintained the top spot YTD. FE began its march higher earlier this year after it was revealed that activist Carl Icahn had taken a stake in the company. HE remains a top performer – some of this was on HE being named a new candidate for the ICLN index in March as well as a potential unwind of some short positions earlier in the year. CNP is now a top performer as the new management team continues to pitch a compelling story; CNP's upcoming September Analyst Day should also be a positive catalyst for the stock. The California utilities, PCG and EIX, continue to trail mostly because of wildfire risk overhang. D is now a bottom performer as the stock seems to continue to get hit by the same issue – concerns over VEPCO's triennial review.

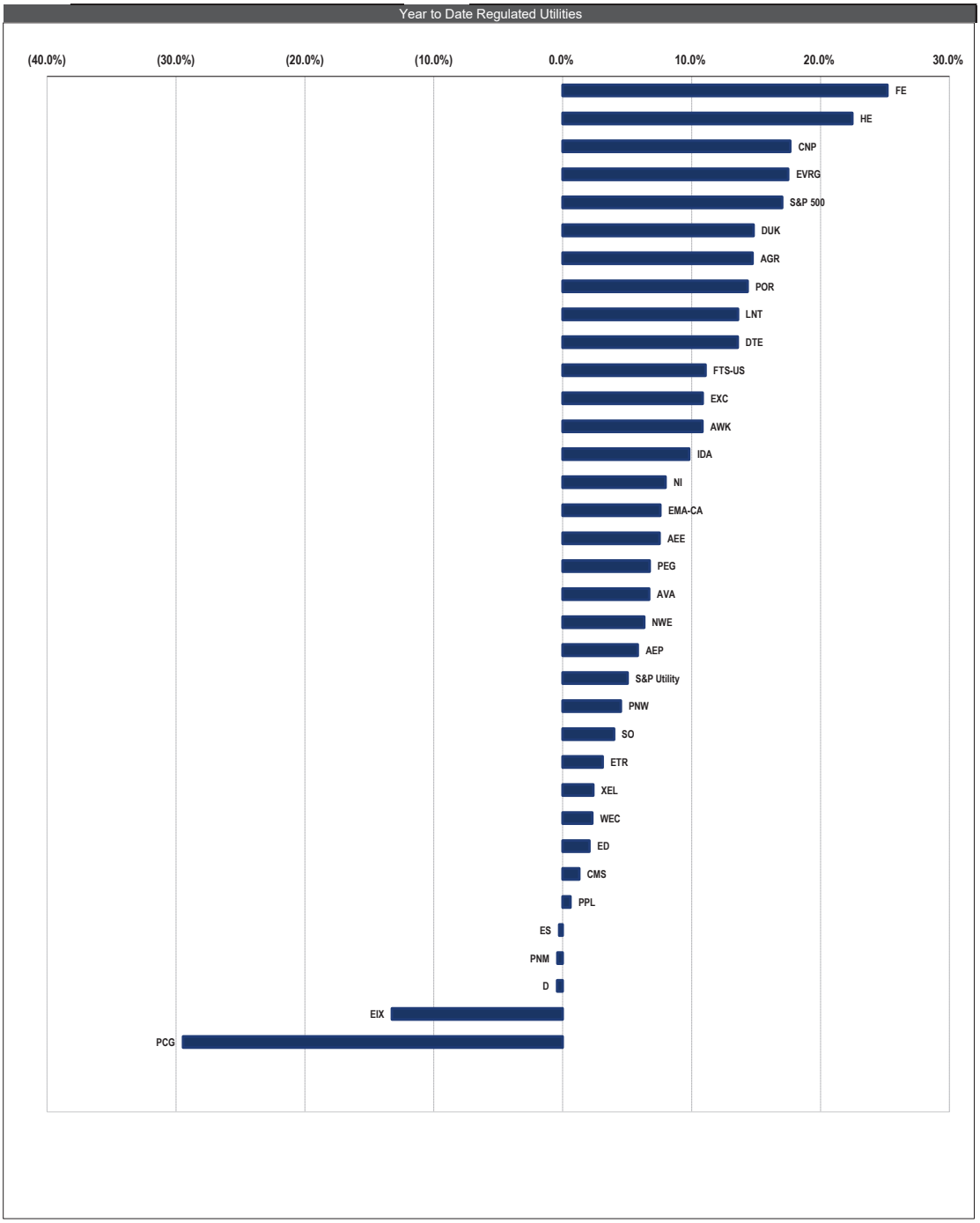

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WOLFE RESEARCH

Month to Date and Year to Date performance of Gas/Power Infrastructure

NEE was the top-performer in the Gas/Power Infrastructure group in July as it continued to bounce off of relative lows in mid-June, after renewables inflation fears weighed on the stock, with Q2 earnings so far suggesting that renewables inflation has not been as much an issue as feared. AES was the worst-performer in July and YTD despite no notable news. However, we mostly attribute the weakness to inflation / supply chain concerns for renewable developers and perhaps some around renewed COVID fears given AES' exposure in emerging markets. NEE continues to remain the big underperformer in the group YTD despite no fundamental issues with the company reporting just in-line earnings for Q2.

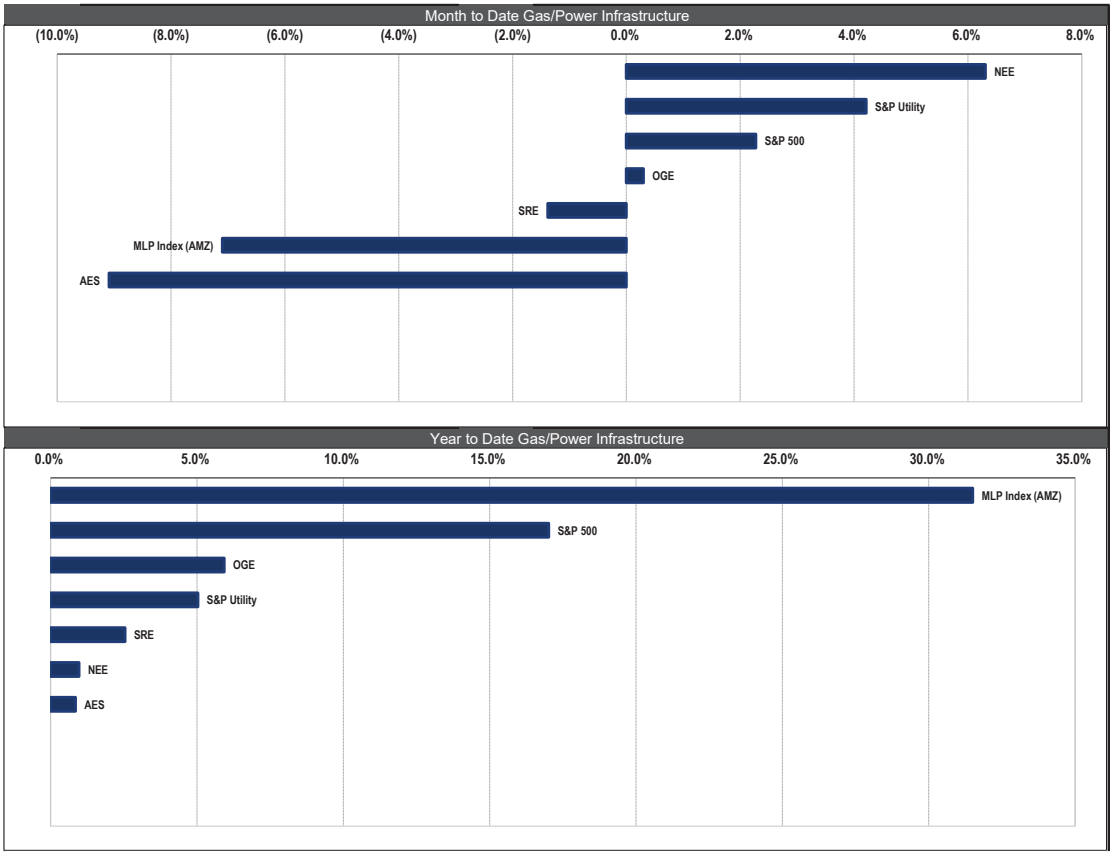

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WOLFE RESEARCH

Month to Date and Year to Date performance of IPPs

The IPPs traded slightly ahead of the market in July as energy prices continued to rally throughout the month. Despite gas and power prices continuing to rip up higher, VST remains considerably lagging the broader utilities sector and the S&P 500 YTD.

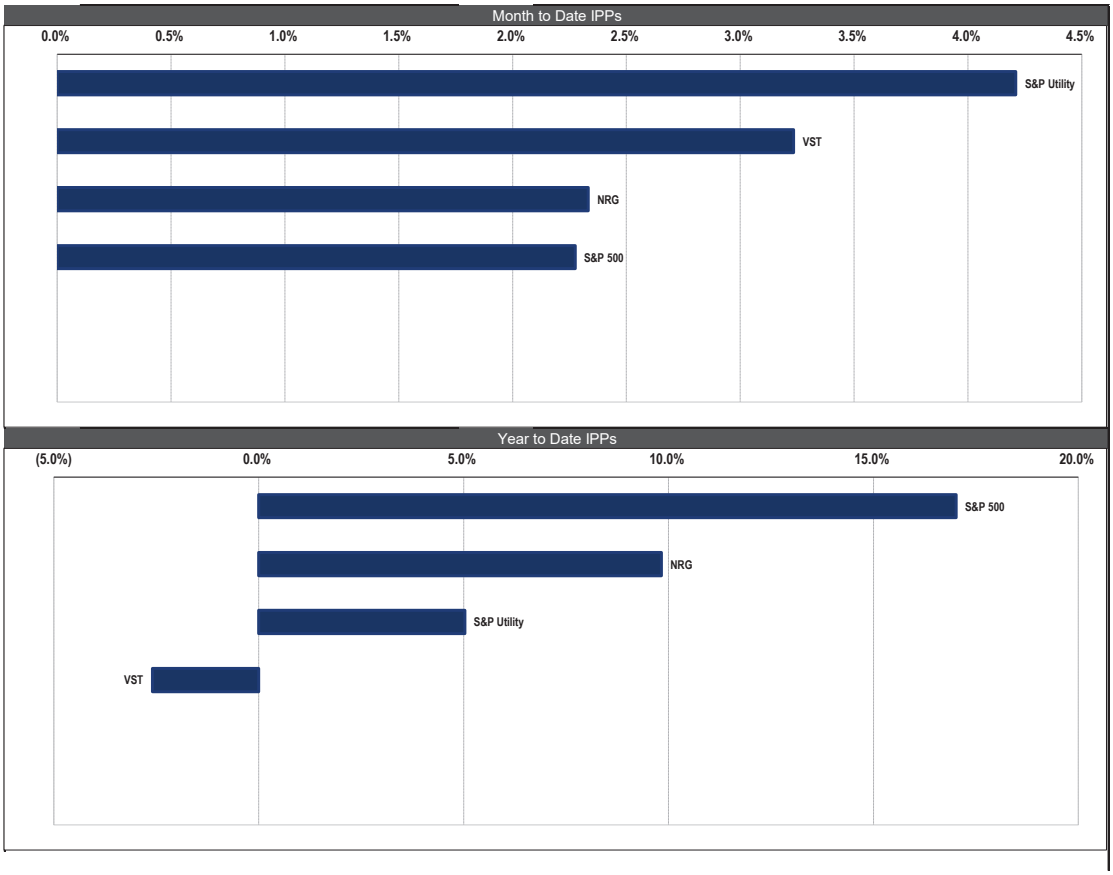

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WOLFE RESEARCH

Month to Date and Year to Date performance of YieldCos

The YieldCos traded well in July with CWEN and AY outperforming both the broader utilities sector and the S&P 500, but the YieldCos are still lagging the market YTD. CWEN was the top-performer in the group and narrowed its YTD trailing margin. Recent investor attention has been focused on the potential for the company to sell its thermal business at an accretive valuation that would recycle capital and provide funding for new growth. On the other hand, NEP underperformed both the broader utilities sector and the market in July due to slightly disappointing Q2, as EBITDA missed and the latest drop from NEE was done at the weakest CAFD yield yet (8.0%).

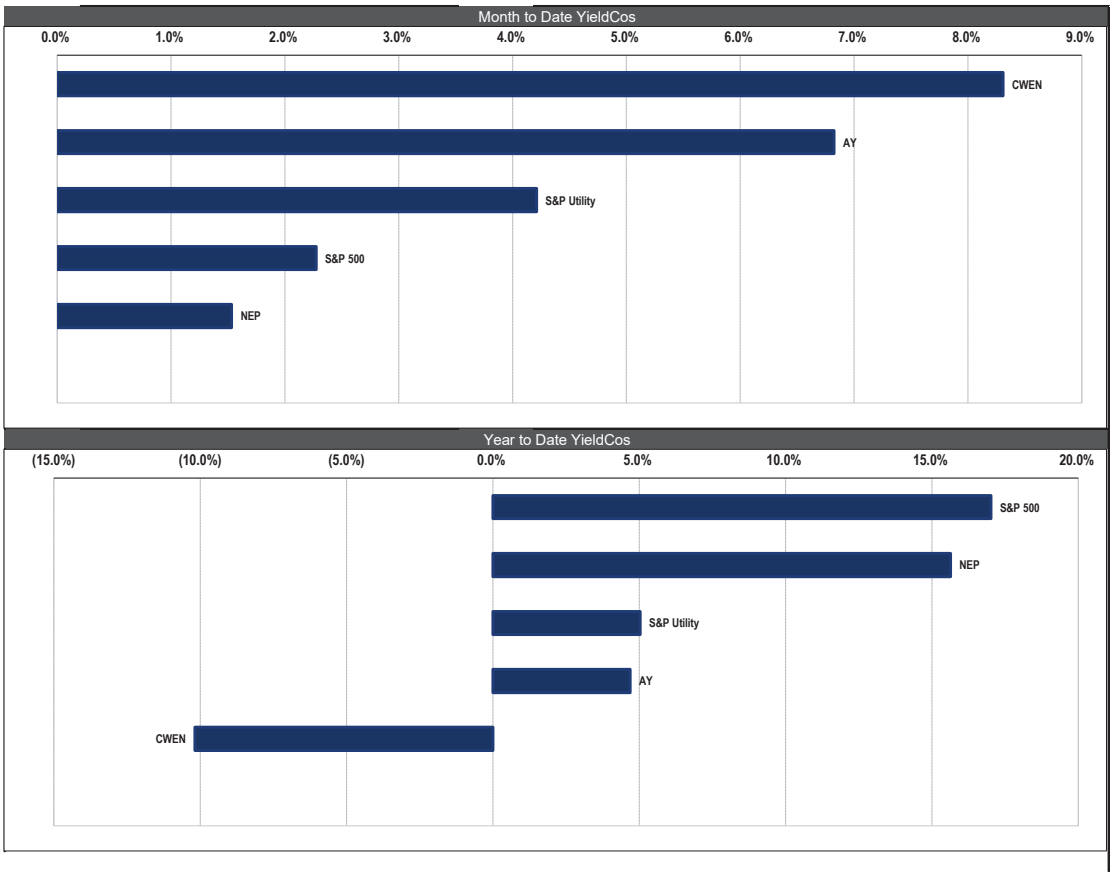

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WOLFE RESEARCH

Utilities Performance by Market Cap

- Large-caps underperformed the utility average in July, led by PCG (-13.6%) and EIX (-5.7%).
- Mid-caps underperformed the group average in July, led down by OGE (0.3%) and NI (1.1%).
- Small-caps outperformed the group average in July, led up by IDA (8.2%) and POR (6.1%).

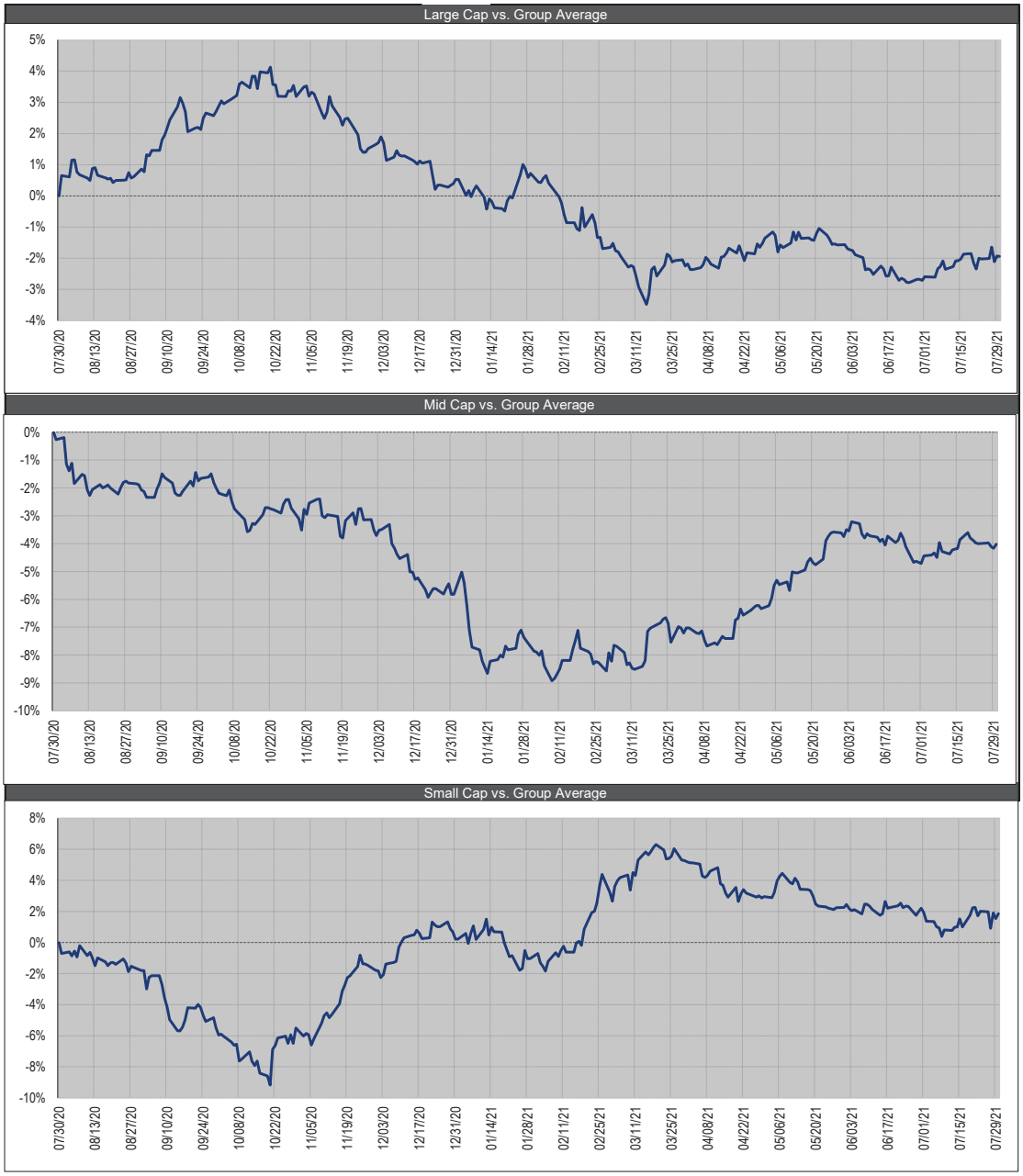

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WOLFE RESEARCH

Utilities Performance by Segment

•Regulateds underperformed the utility average in July, led down by PCG (-13.6%) and EIX (-5.7%).
•IPPs outperformed the group average in July, led up by VST (3.2%) and NRG (2.3%).

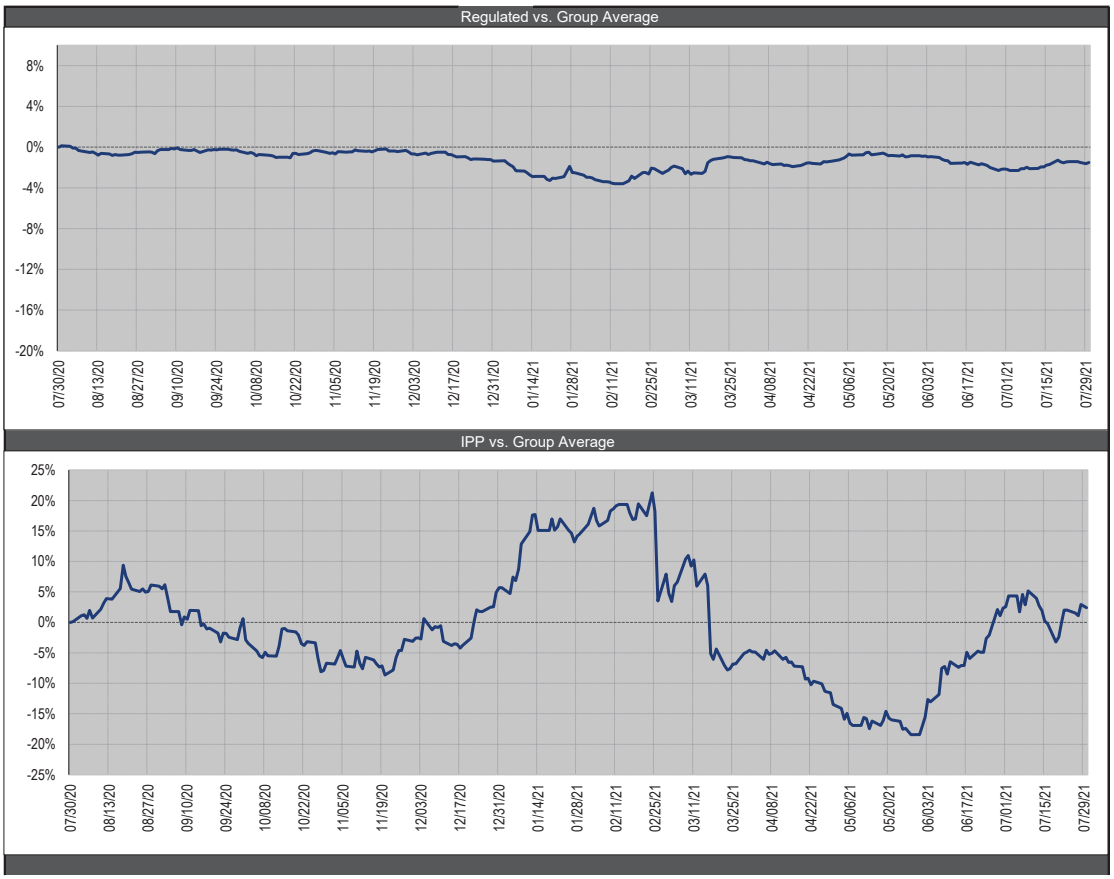

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WOLFE RESEARCH

Atlantica Yield (AY) $39.76, NR

Atlantica Sustainable Infrastructure had a strong month in July and has performed about in line YTD. There was no notable news during the month.

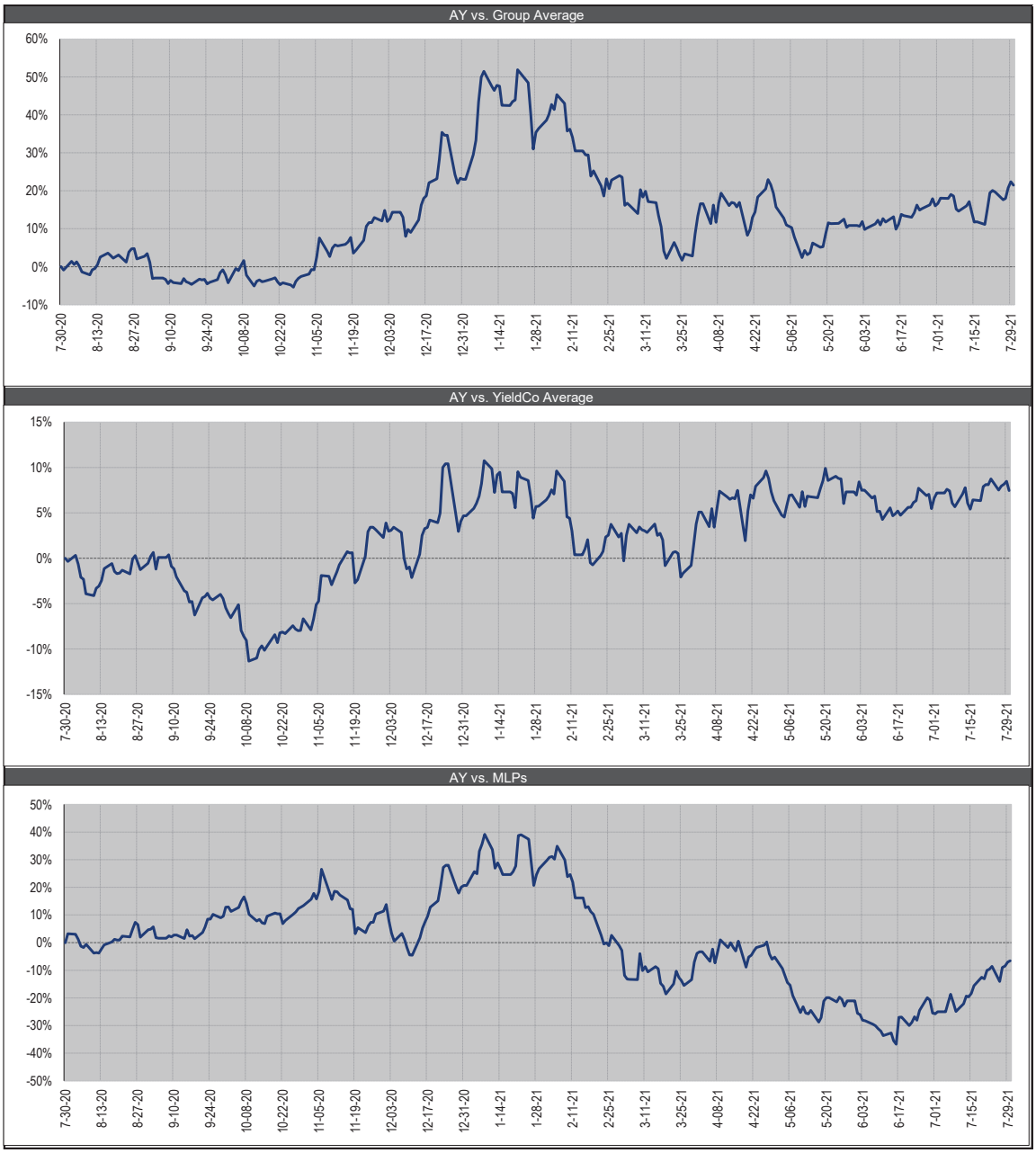

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8/1/2021

WOLFE RESEARCH

Ameren (AEE) $83.92, Outperform, $90 PT

AEE modestly outperformed peers on little company-specific news in Jul, as Q2 earnings and possibly IL legislation is expected in Aug.

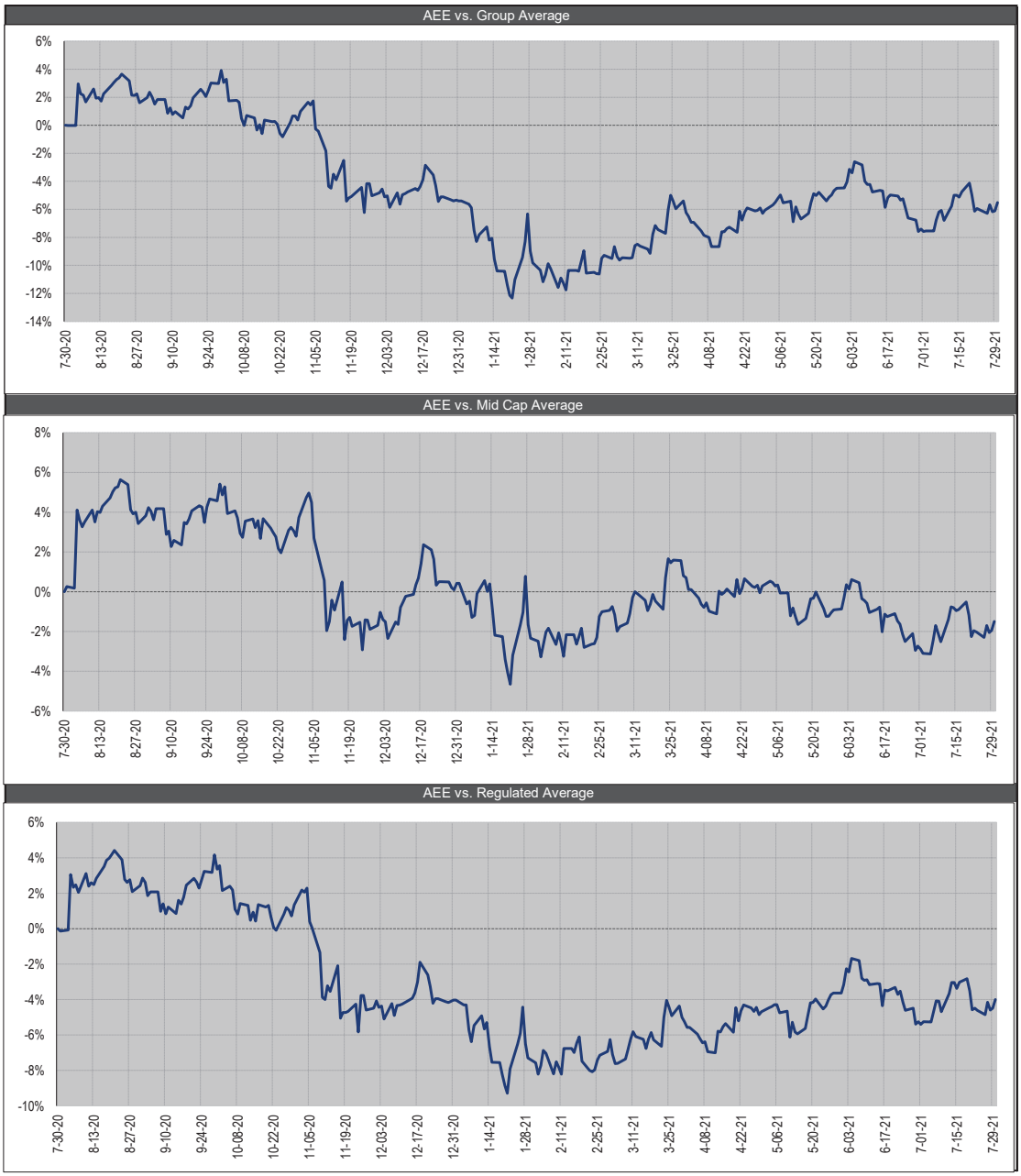

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WOLFE RESEARCH

American Electric Power (AEP) $88.12, Peer Perform, $93 PT

AEP continued its rebound that started after hitting 52-week lows in mid-June, including in line Q2 earnings results in late Jul.

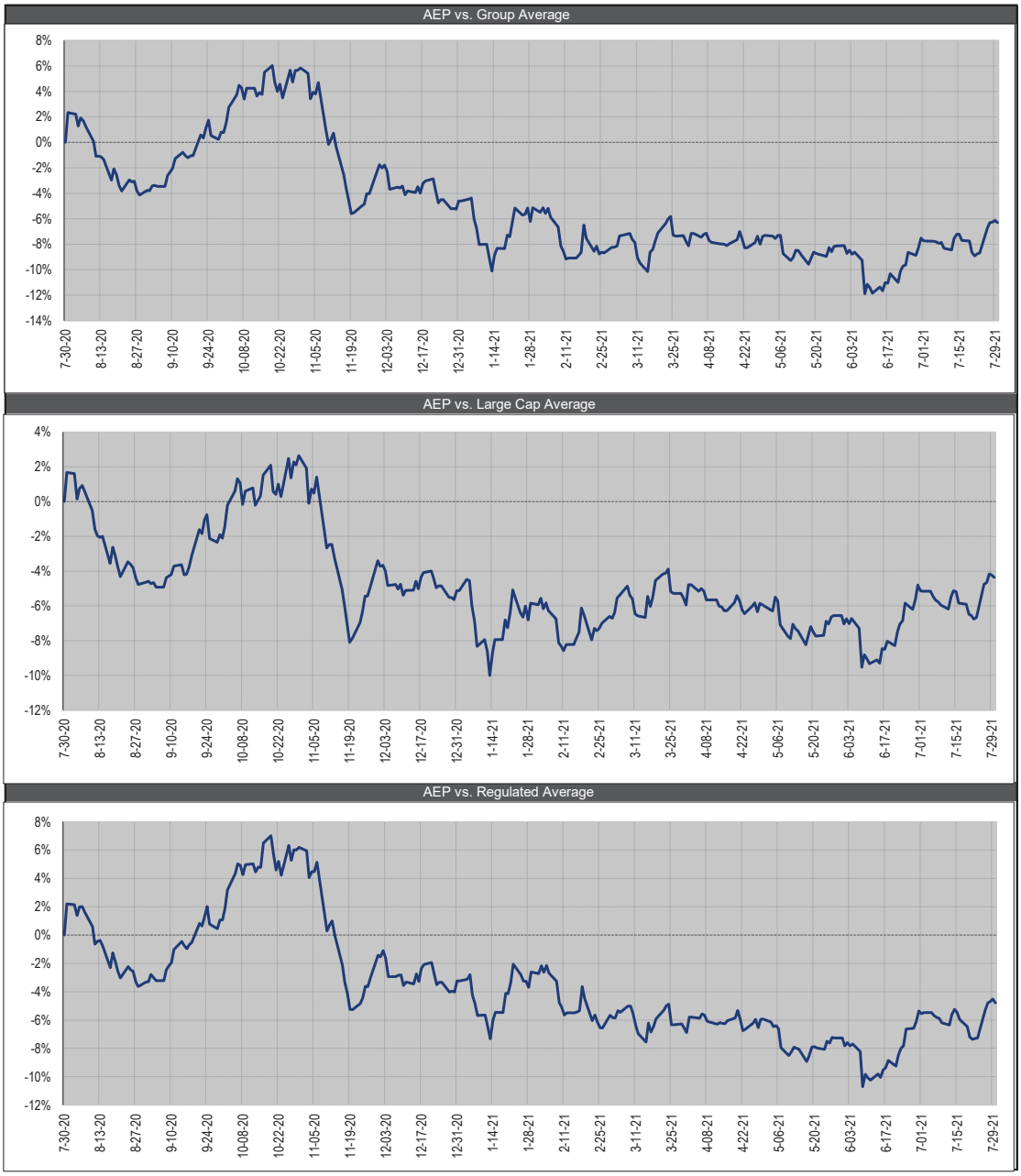

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8/1/2021

WOLFE RESEARCH

AES Corporation (AES) $23.70, Peer Perform, $29 PT

AES was the second worst performer in the group in July and underperformed the utilities index by over 1,300 bps. We saw no company specific news that would explain the underperformance. We mostly attribute the weakness to inflation / supply chain concerns for renewable developers and perhaps some around renewed COVID fears given AES' exposure in emerging markets.

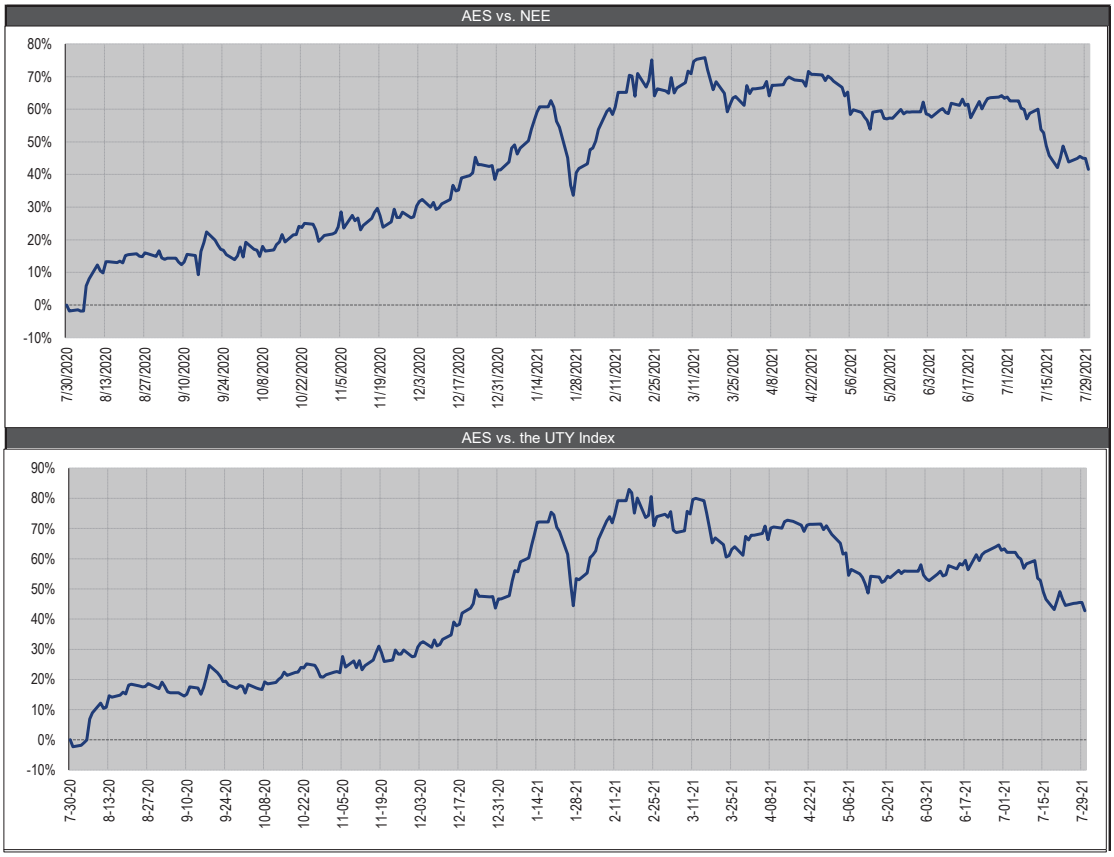

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WOLFE RESEARCH

Avangrid (AGR) $52.14, Underperform, $47 PT

AGR underperformed into its earnings call in the back-half of the month. That said, the stock is still outperforming on the year. The Q2 update was a bit messy, as AGR raised its net income guidance, but lowered its EPS guidance to reflect the share issuance associated with the PNM merger (without the PNM earnings contribution). Given the Winter Storm Uri benefit in Q1 of $0.27/sh, our sense is that the business is on track (not ahead or behind) for the year when adjusting for that the dilution.

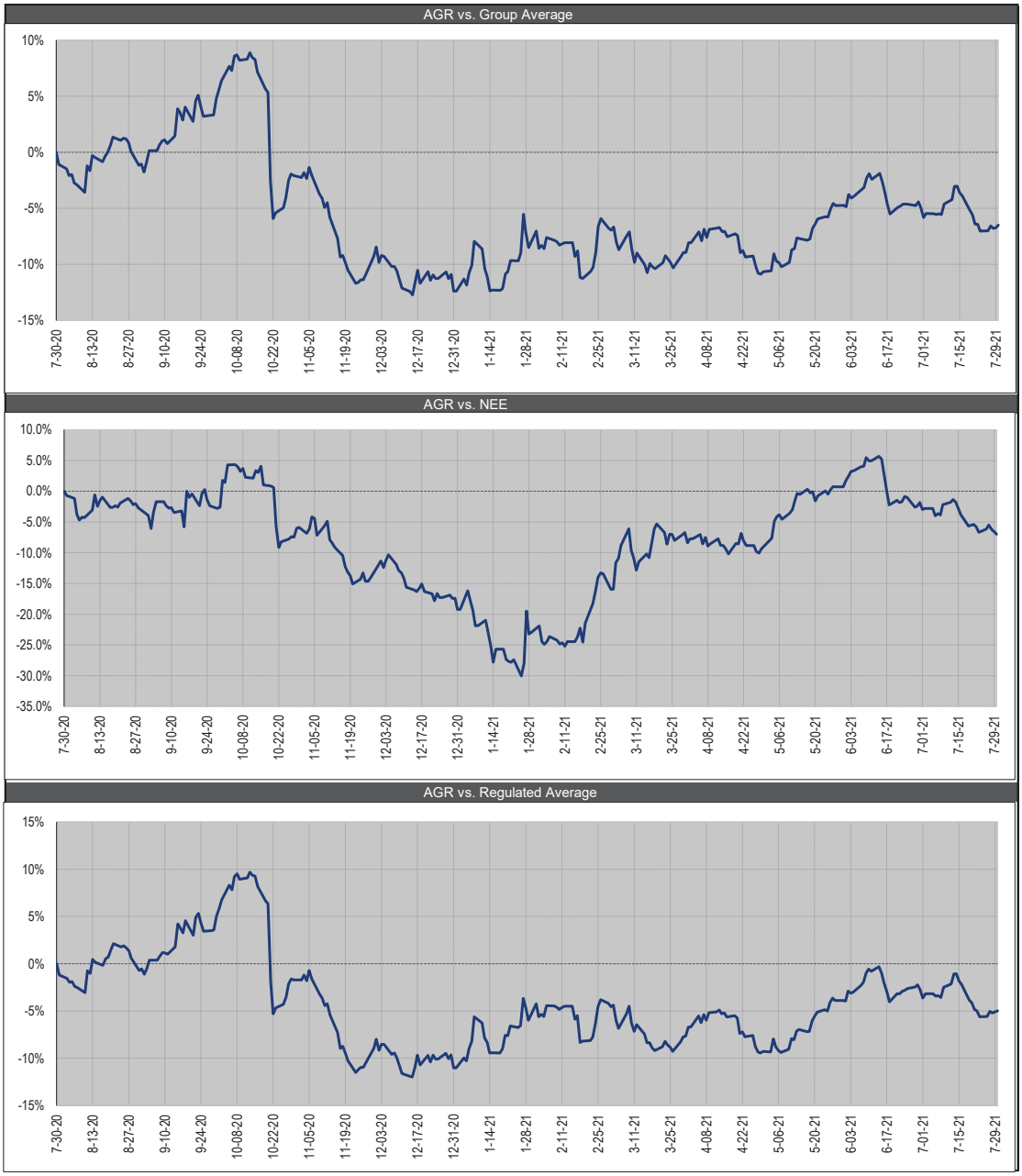

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WOLFE RESEARCH

Avista Corporation (AVA) $42.83, NR

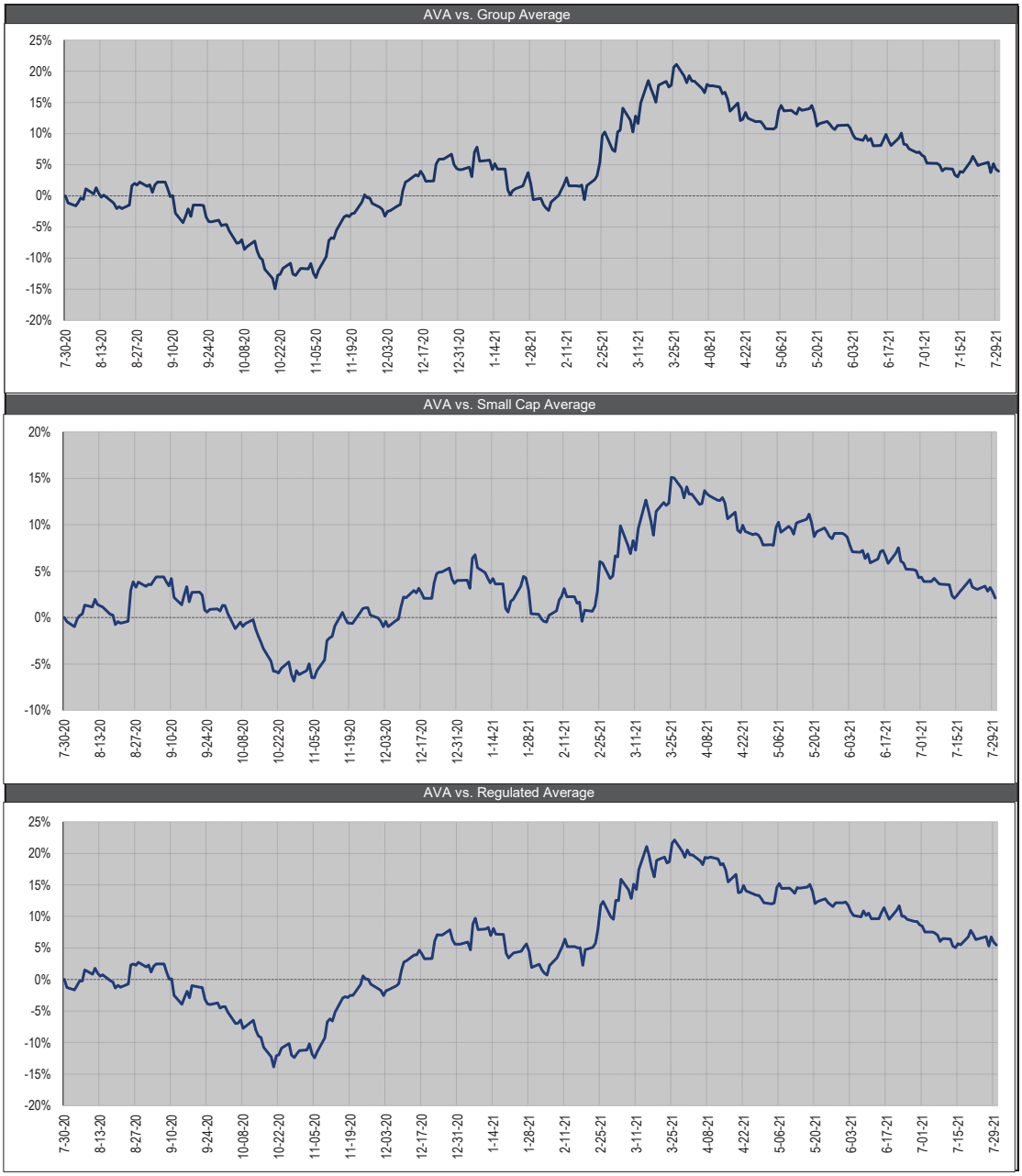

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WOLFE RESEARCH

American Water Works (AWK) $170.11, Peer Perform, $156 PT

AWK was the top performer in the group during the month of July. That said, AWK still underperformed its water utility peers (MSEX was up big after being added to the S&P Small Cap Index). It was a relatively quiet month for AWK, we attribute the outperformance to the revival of utility stocks generally – the US 10Y continued to fall and growth / recovery stocks took a breather on COVID fears from the delta variant.

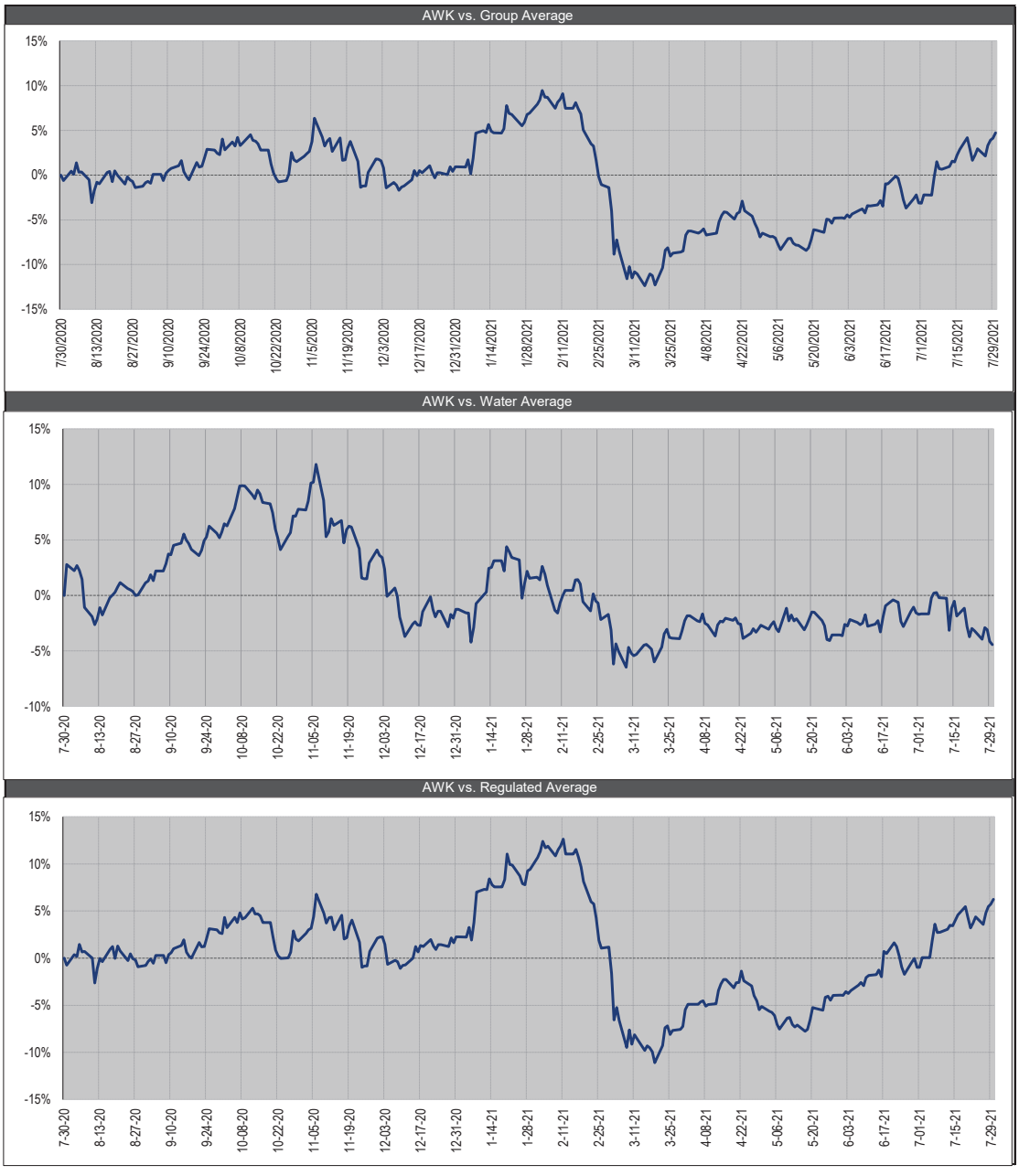

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WOLFE RESEARCH

CMS Energy (CMS) $61.79, Peer Perform, $64 PT

CMS traded in-line with peers for the month, but is trailing most of the sector in 2021. After a busy June that featured the Enerbank sale and IRP filing, news flow was a bit quieter in July. CMS set the record straight with a bullish tone on its Q2 call near month-end – pointing to the high-end of 2021 guidance and the 6-8% L-T EPS CAGR, with confidence in IRP approval that should result in $1B+ in incremental rate base opportunities tied to two existing gas plants.

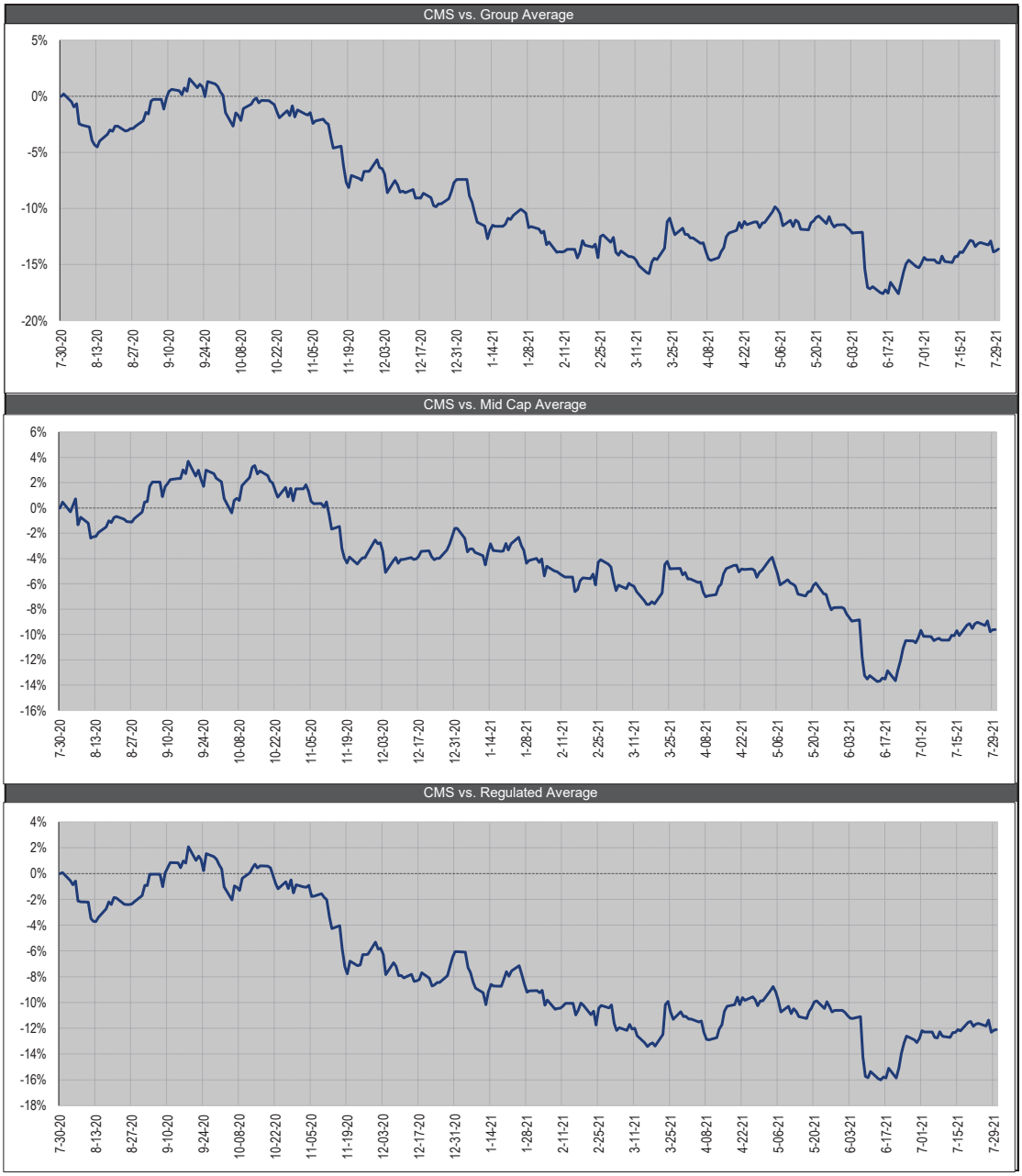

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WOLFE RESEARCH

CenterPoint Energy (CNP) $25.46, Outperform, $28 PT

CNP modestly underperformed the group in July. During the month, CNP announced several changes to its Board and governance structure. Most notable of which being that longtime Executive Chair, Milton Carroll, was leaving the company and that his position was being eliminated entirely in favor of new independent leadership. CEO Dave Lesar was also given a multi-year retention grant (1M shares over two years).

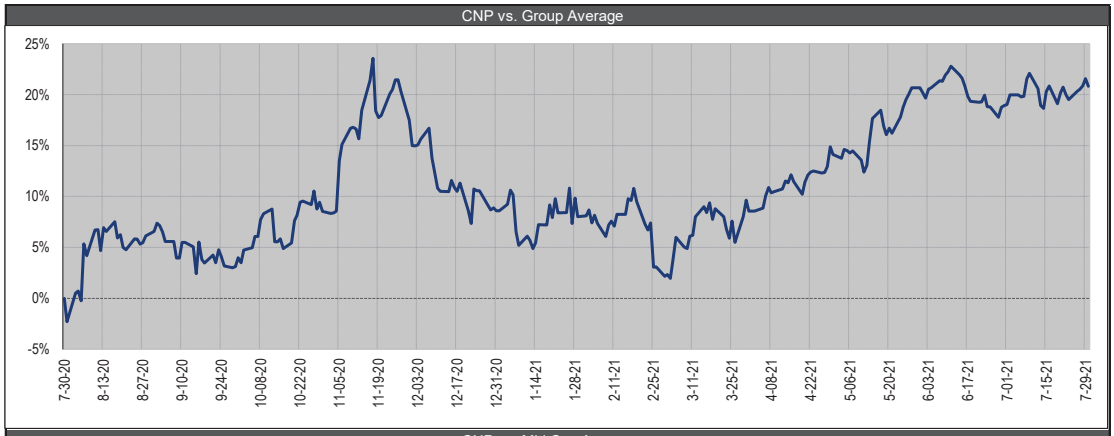

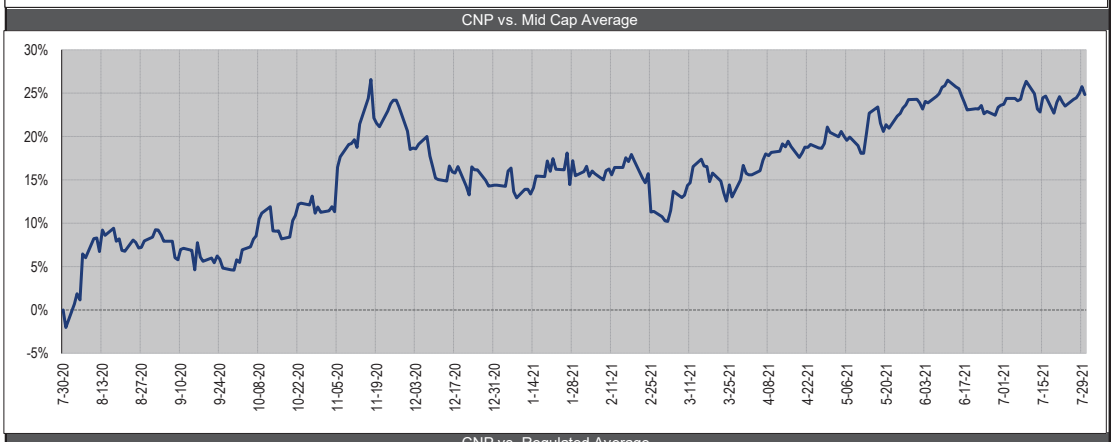

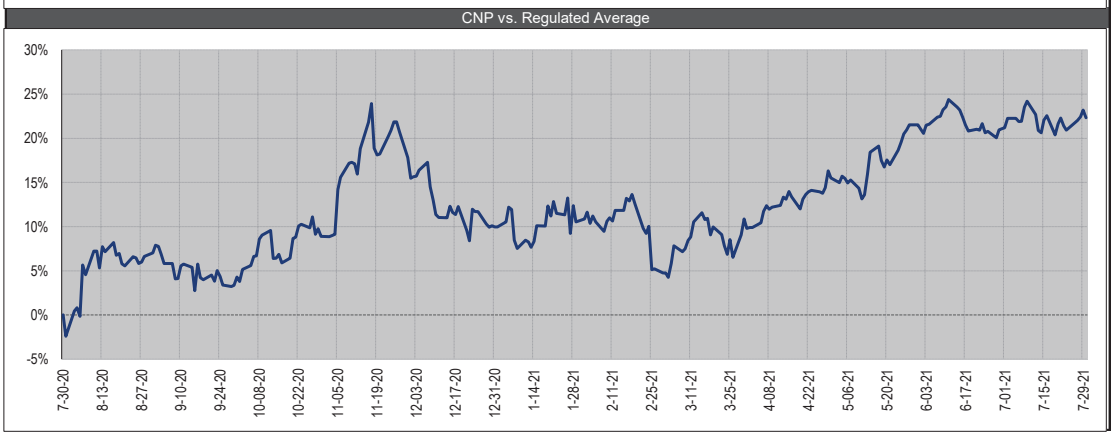

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WOLFE RESEARCH

Clearway Energy (CWEN) $28.68, Outperform, $33 PT

CWEN was one of the best performers in the broader group in July and outperformed YieldCo peers, although it still remains the worst performing YieldCo YTD. Recent attention has been on the potential for the company to sell its thermal business at an accretive valuation that would recycle capital and provide funding for new growth.

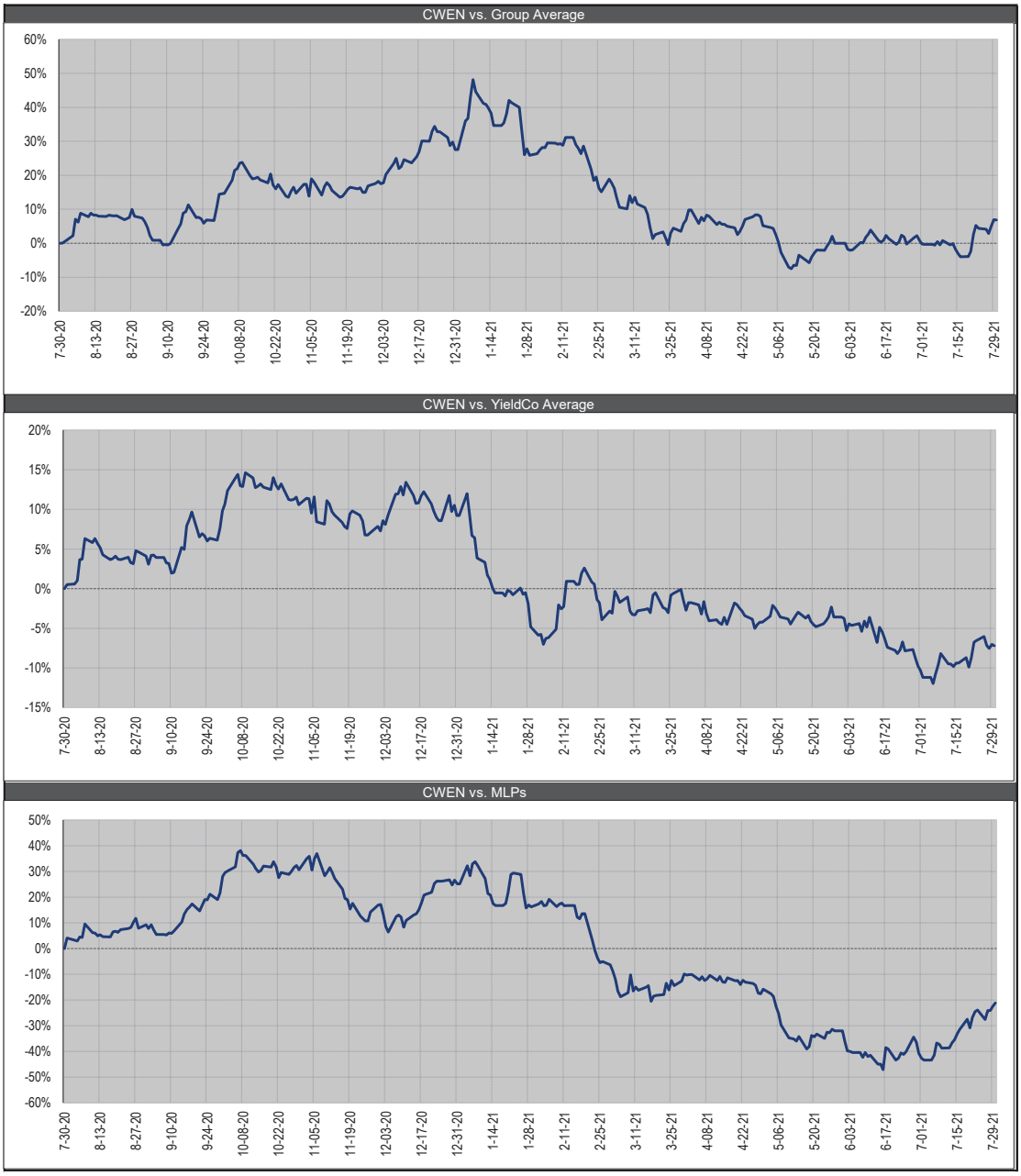

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WOLFE RESEARCH

Dominion Energy (D) $74.87, Outperform, $88 PT

D underperformed the utility average in July and is now the worst performing regulated utility YTD (ex-CA utilities PCG and EIX). During the month, D terminated its Q-Pipe transaction with Berkshire due to ongoing uncertainty associated with achieving the requisite HSR clearance from the FTC; but D is targeting a sale by YE to an alternative buyer. D did receive some good news out of South Carolina when the PSC approved DESC's rate case settlement.

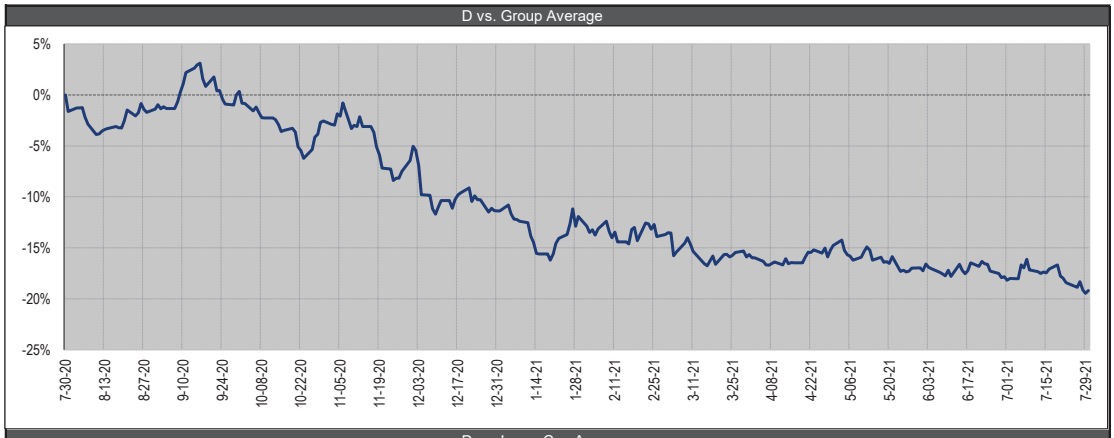

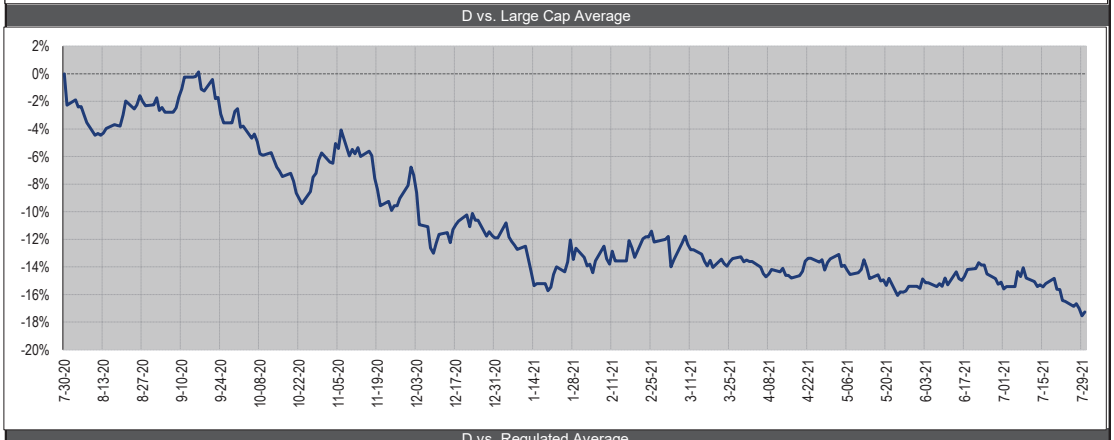

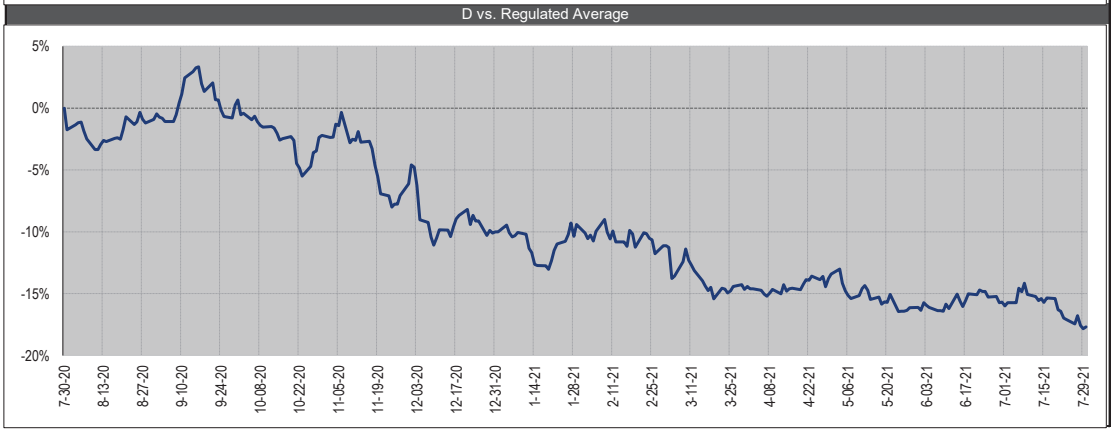

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8/1/2021

WOLFE RESEARCH

DTE Energy (DTE) $117.32, Peer Perform, $119 PT

DTE returned to outperforming in July, as the company completed its spin of DT Midstream. Earnings were strong as expected – Q2 beat consensus, 2021 guidance was raised, and mgmt. reiterated confidence in the L-T 5-7% EPS CAGR.

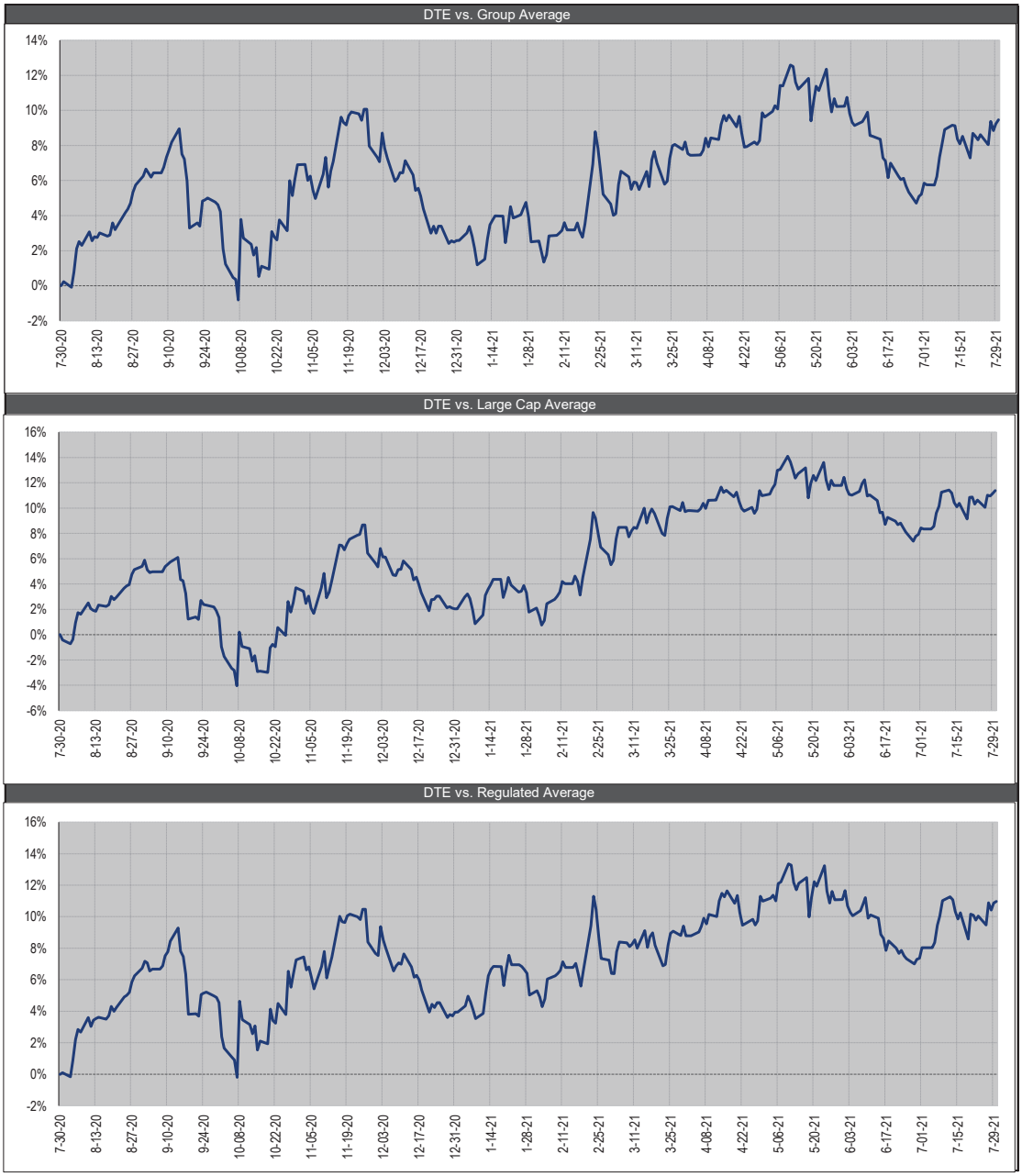

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WOLFE RESEARCH

Duke Energy (DUK) $105.11, Peer Perform, $106 PT

DUK again reached 52-week highs relative to peers, as legislation advanced in the NC House on a partisan vote (Gov still opposes) and activism continued with a letter exchange between Elliott and mgmt.

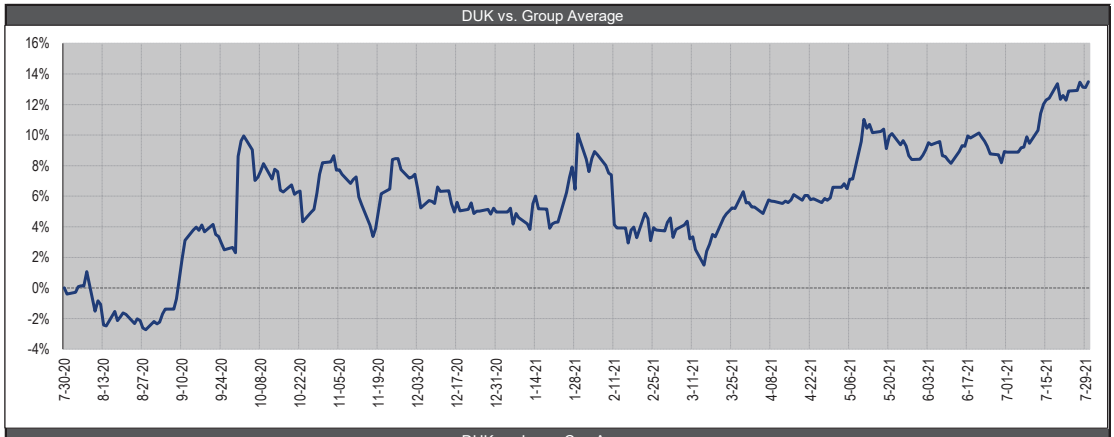

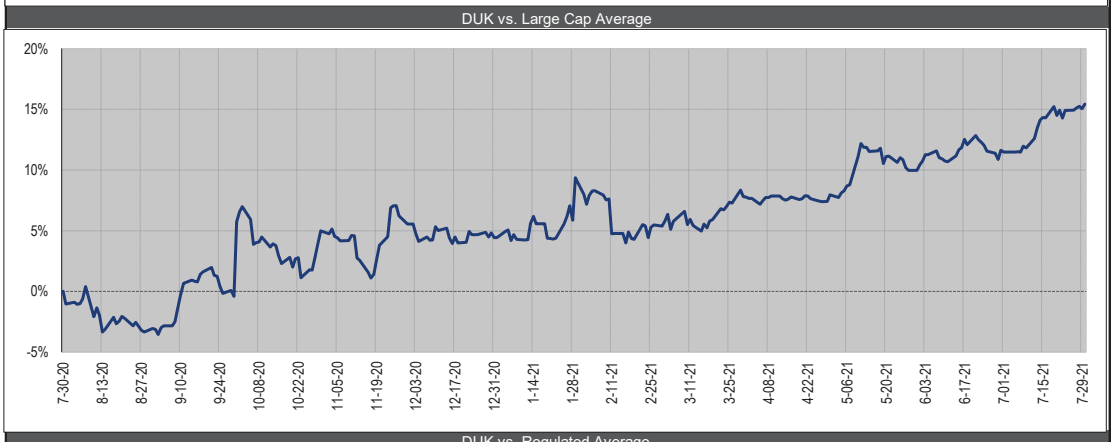

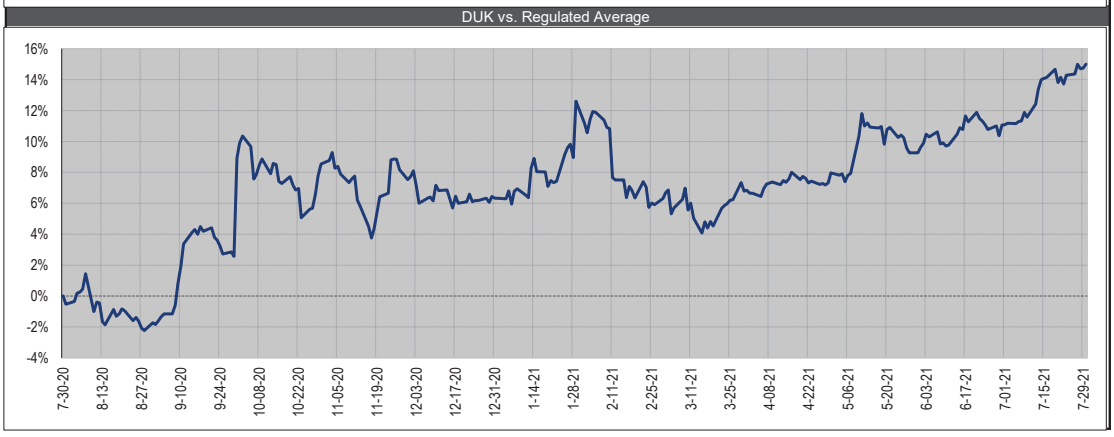

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8/1/2021

WOLFE RESEARCH

Consolidated Edison (ED) $73.77, Underperform, $73 PT

ED modestly underperformed the utility average in July. During the month, the NY PSC accepted settlement terms for alleged violations primarily associated with Tropical Storm Isaias. ED's CECONY and O&R utilities agreed to pay $82M in fines/penalties. Only $30-35M of that has yet to be spent or run through the P&L though. ED expects to find cost control offsets for the $0.07-0.08 EPS headwind.

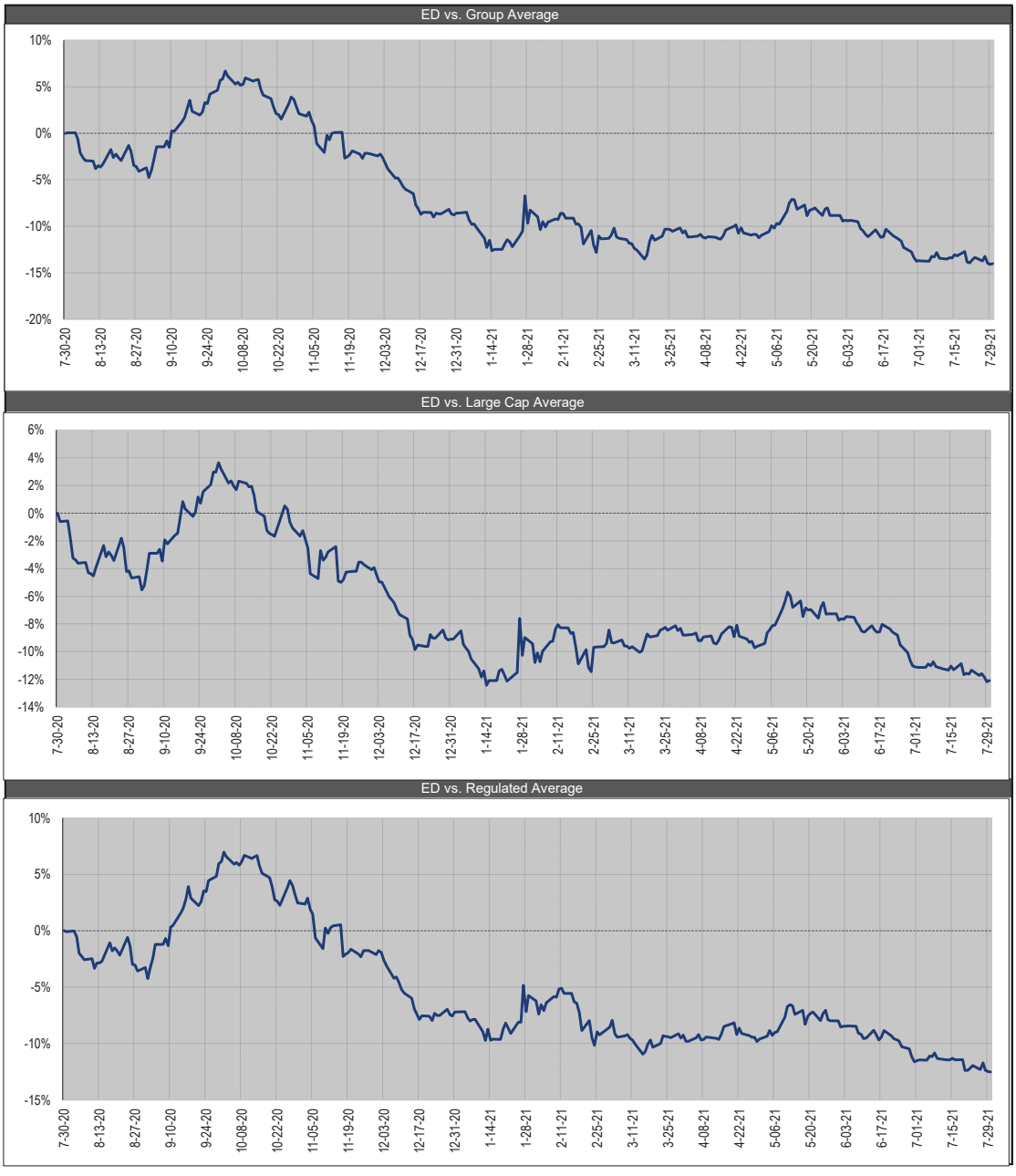

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8/1/2021

WOLFE RESEARCH

Emera (EMA) $58.19, Peer Perform, $60 PT

EMA finished about in line with the US utility average in July and slightly ahead of its closest Canadian peer FTS. In July, the Premier in Nova Scotia announced a more aggressive renewable standard for the province during the month – 80% of all energy to now come from renewables by 2030.

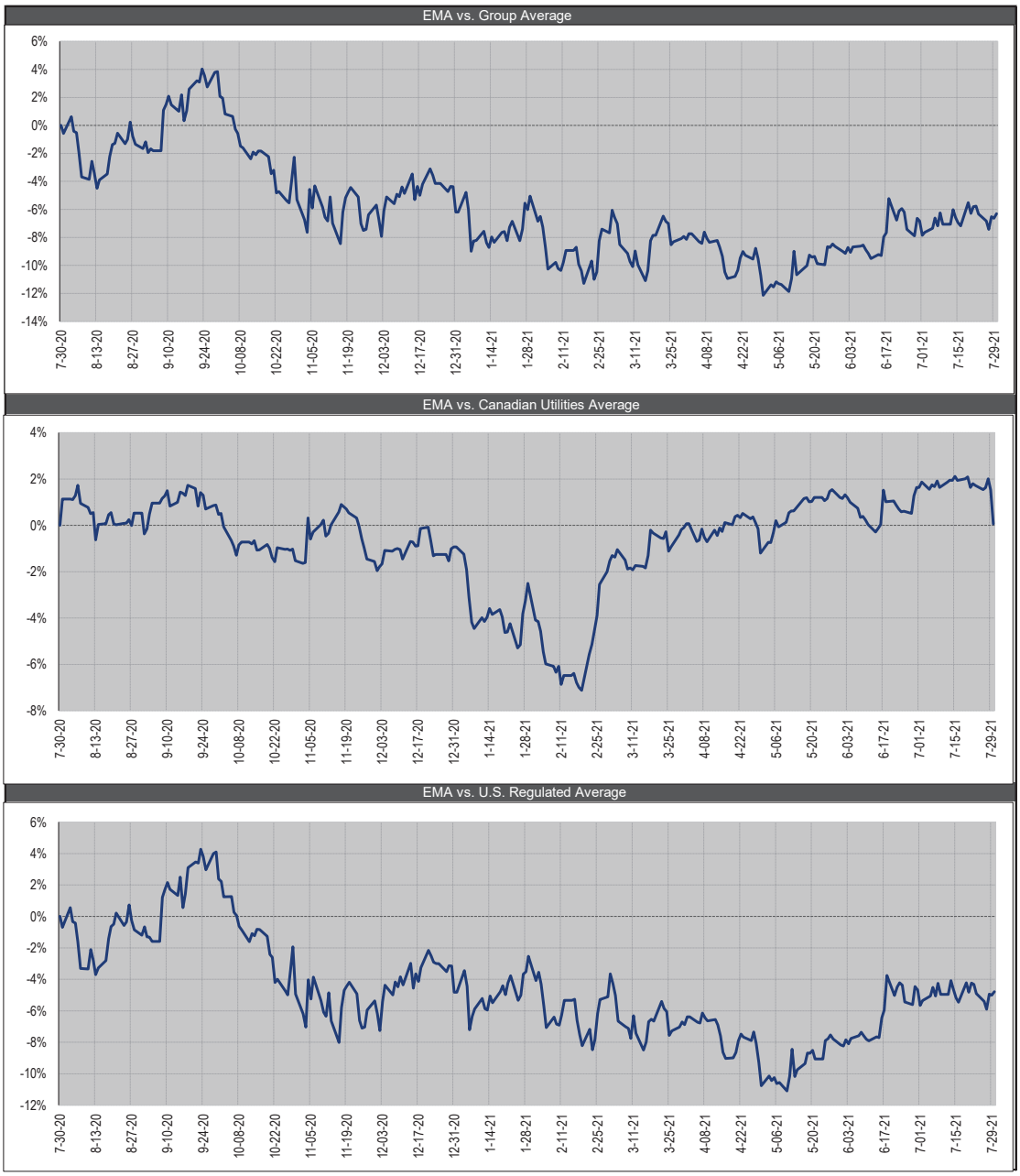

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8/1/2021

WOLFE RESEARCH

Edison International (EIX) $54.50, Outperform, $66 PT

EIX gave back all of its outperformance from the previous month and then hit new relative lows after Q2 earnings, which included a lower rate base recommendation in its GRC and possibly a ROE cut in 2022.

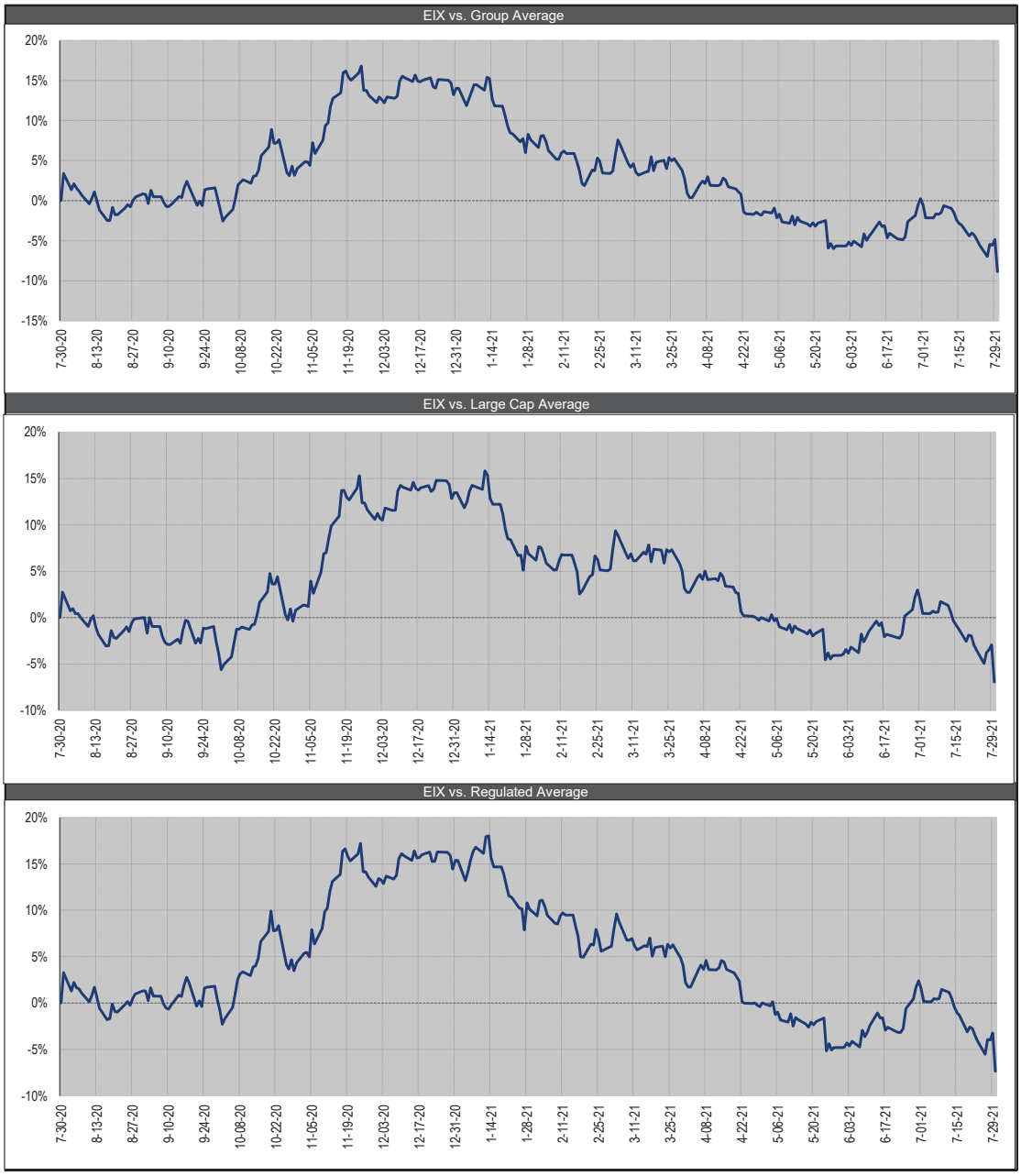

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8/1/2021

WOLFE RESEARCH

Eversource Energy (ES) $86.27, Outperform, $94 PT

ES outperformed peers for a second straight month after hitting 52-week lows in early Jun, as there was more positive tone on a potential settlement in CT over rates, and likely ROE and capital structure.

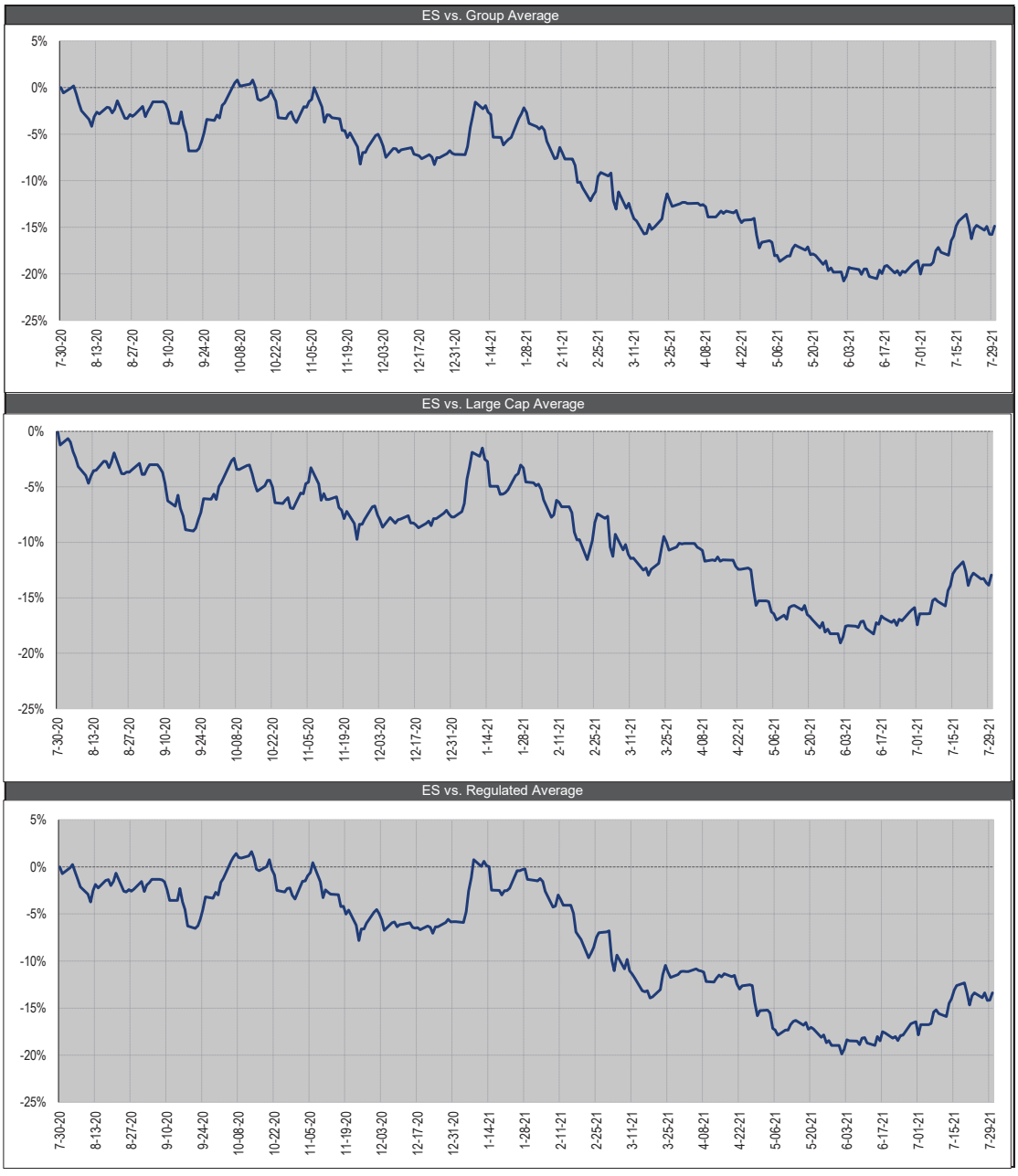

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8/1/2021

WOLFE RESEARCH

Entergy (ETR) $102.92, Outperform, $120 PT

ETR underperformed peers in Jul on little news, possible on concerns over equity or preferred equity issuances in 2H21.

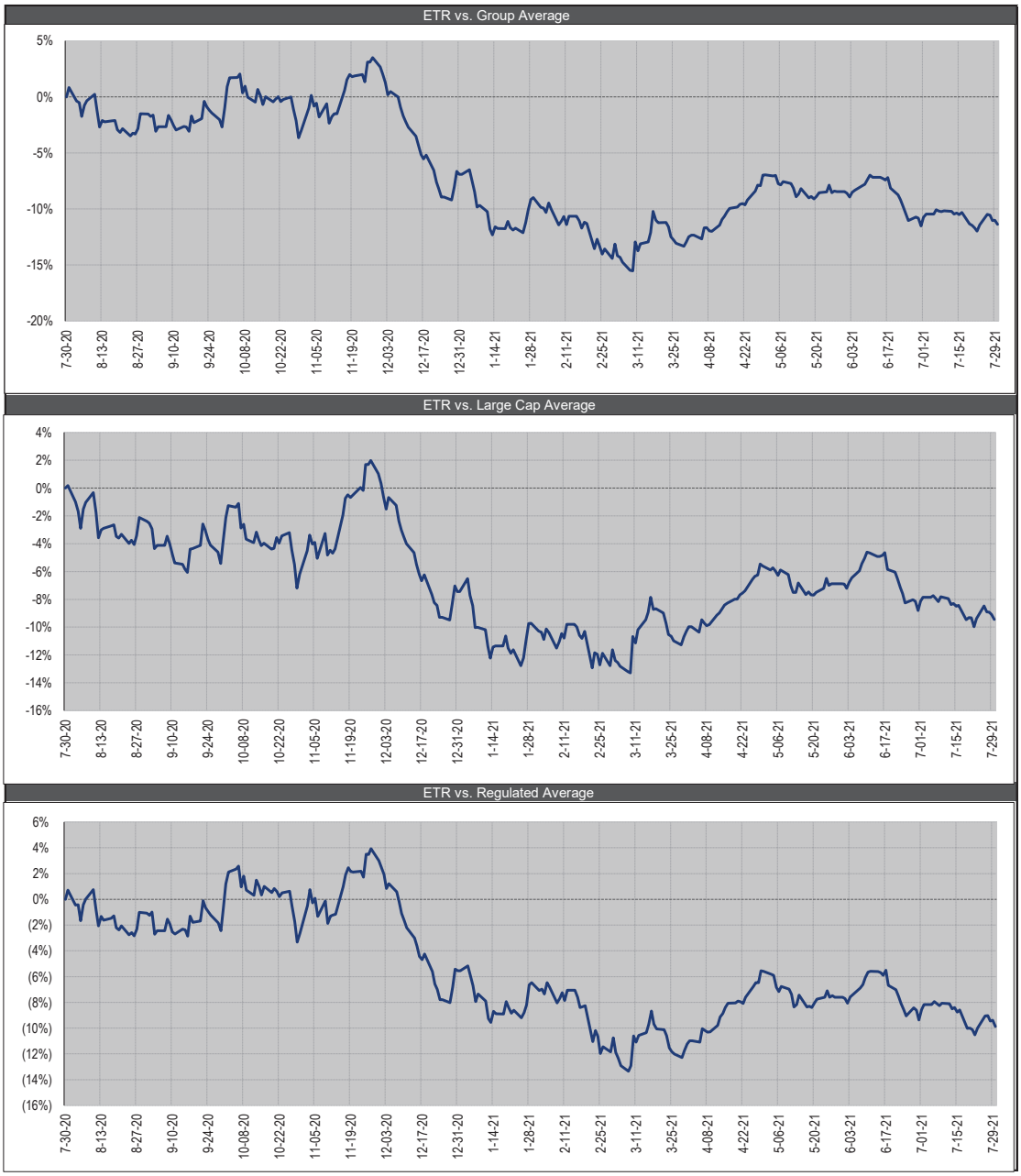

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8/1/2021

WOLFE RESEARCH

Evergy (EVRG) $65.22, Outperform, $69 PT

EVRG was one of the top-performers in July on no real news. This stock is also towards the top of the leaderboard for 2021. We see Q2 earnings as being relatively uneventful, but are buyers into the September Analyst Day that should better highlight the long-term plan under new mgmt.

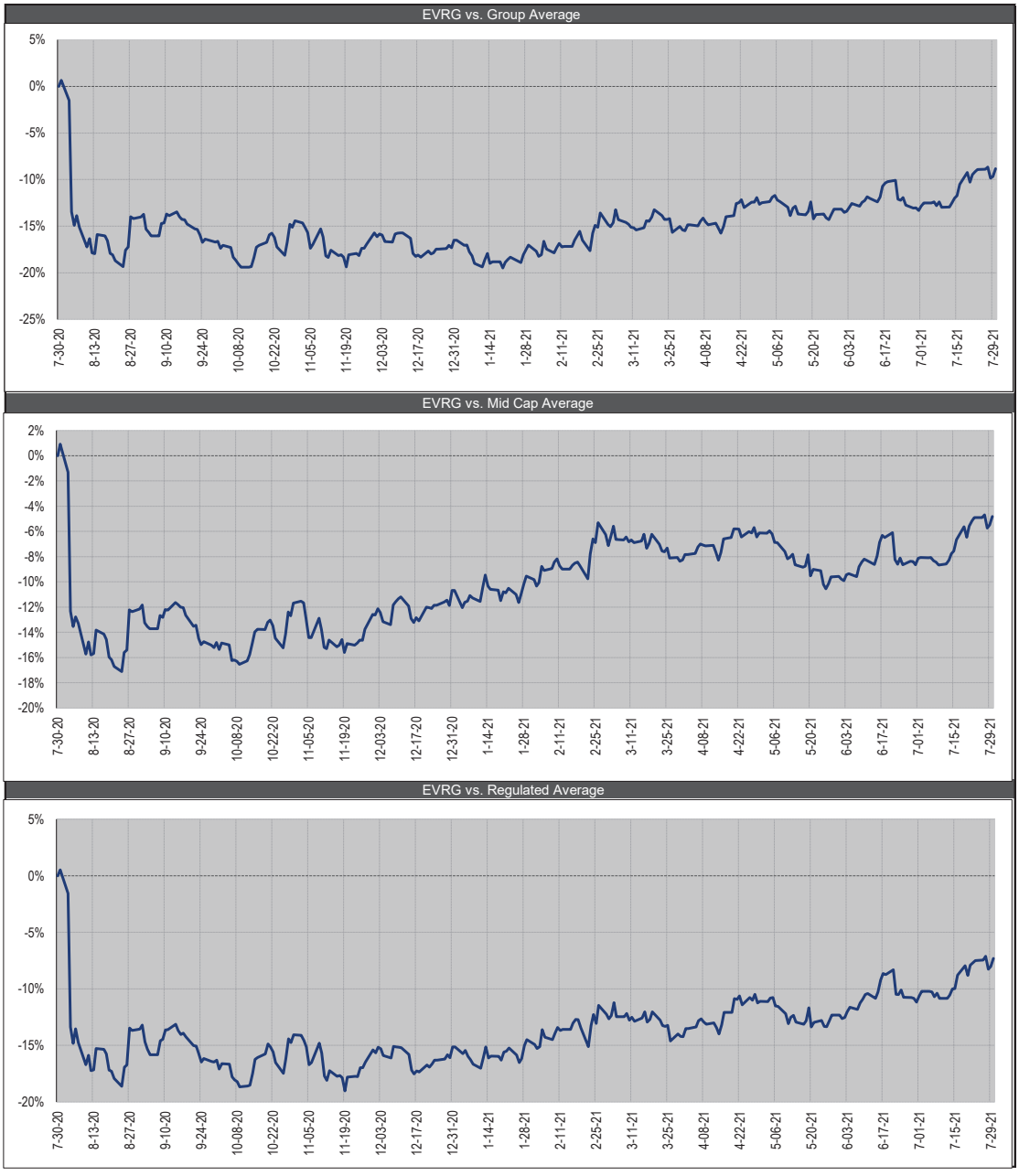

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8/1/2021

WOLFE RESEARCH

Exelon (EXC) $46.80, Outperform, $52 PT

EXC hit 52-week highs relative to large cap peers, despite no progress on IL legislation (for now) as federal nuke PTCs gained momentum and now looks poised to be included in the infra or reconciliation legislation.

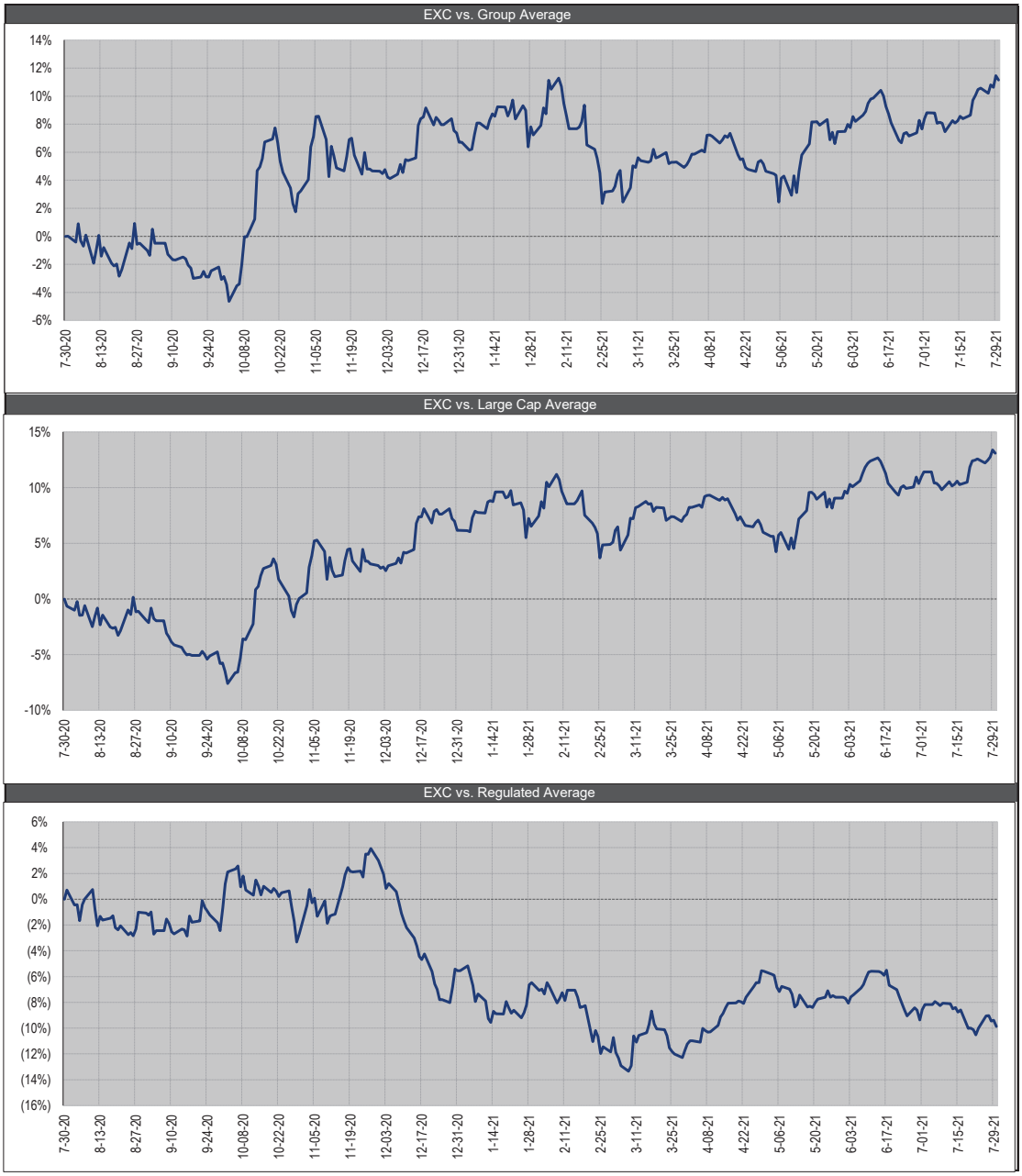

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WOLFE RESEARCH

FirstEnergy (FE) $38.32, Outperform, $43 PT

FE traded sideways for most of the month, before popping on the announcement of a deferred prosecution agreement with the DoJ that resulted in a $230M fine. From there the stock quickly gave back the gains, as attention and concern shifted to resolution in Ohio where we see less earnings downside than some of the bears. FE is still the top performer on the year though.

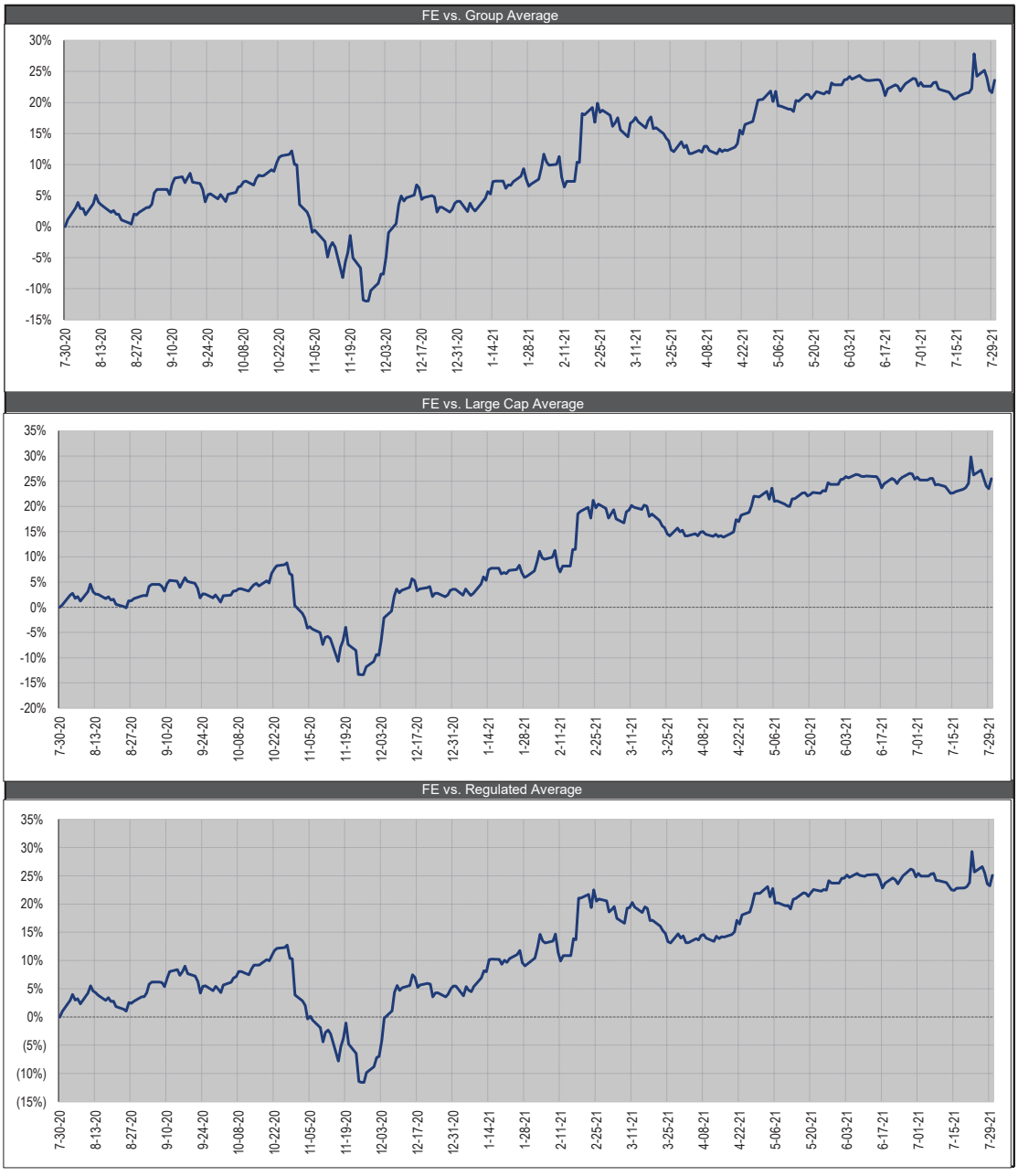

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WOLFE RESEARCH

Fortis (FTS) $45.34, Peer Perform, $44 PT

FTS continued to underperform in July, after touching relative highs in mid-June. There was more news flow on FERC transmission – some good in terms of long-term opportunities, and some not so good in terms of ROEs and adders. Then the company reported a Q2 miss on weaker FX.

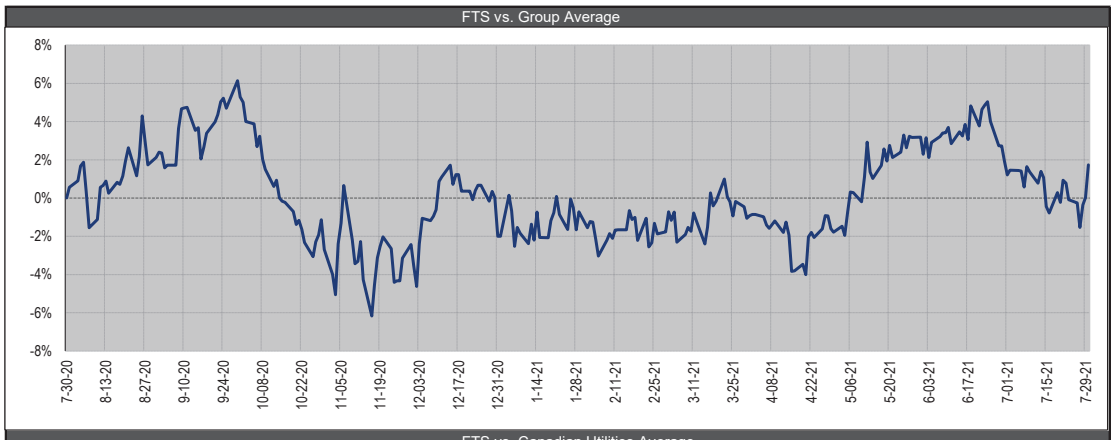

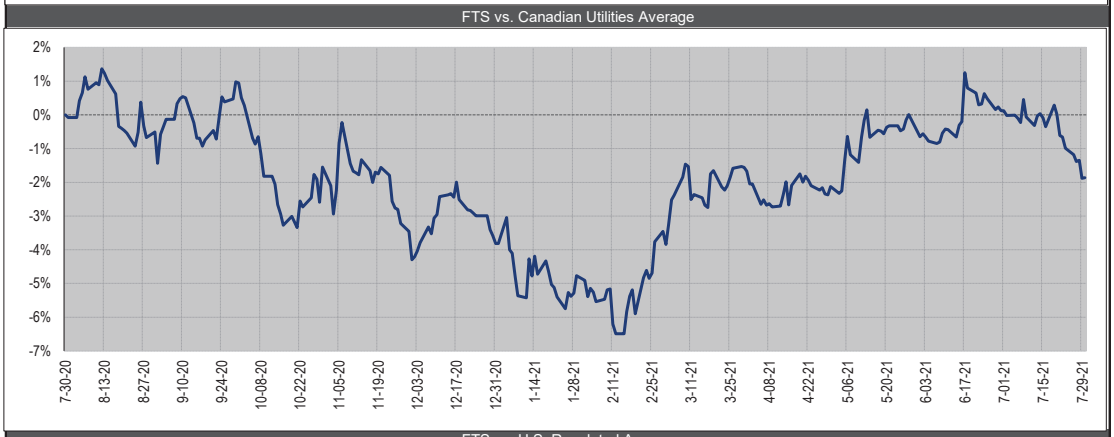

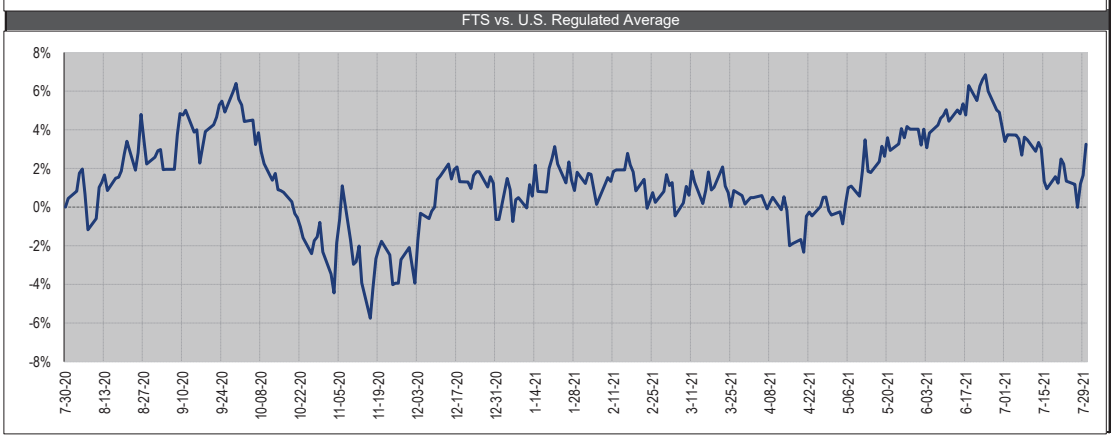

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WOLFE RESEARCH

Hawaiian Electric (HE) $43.34, NR

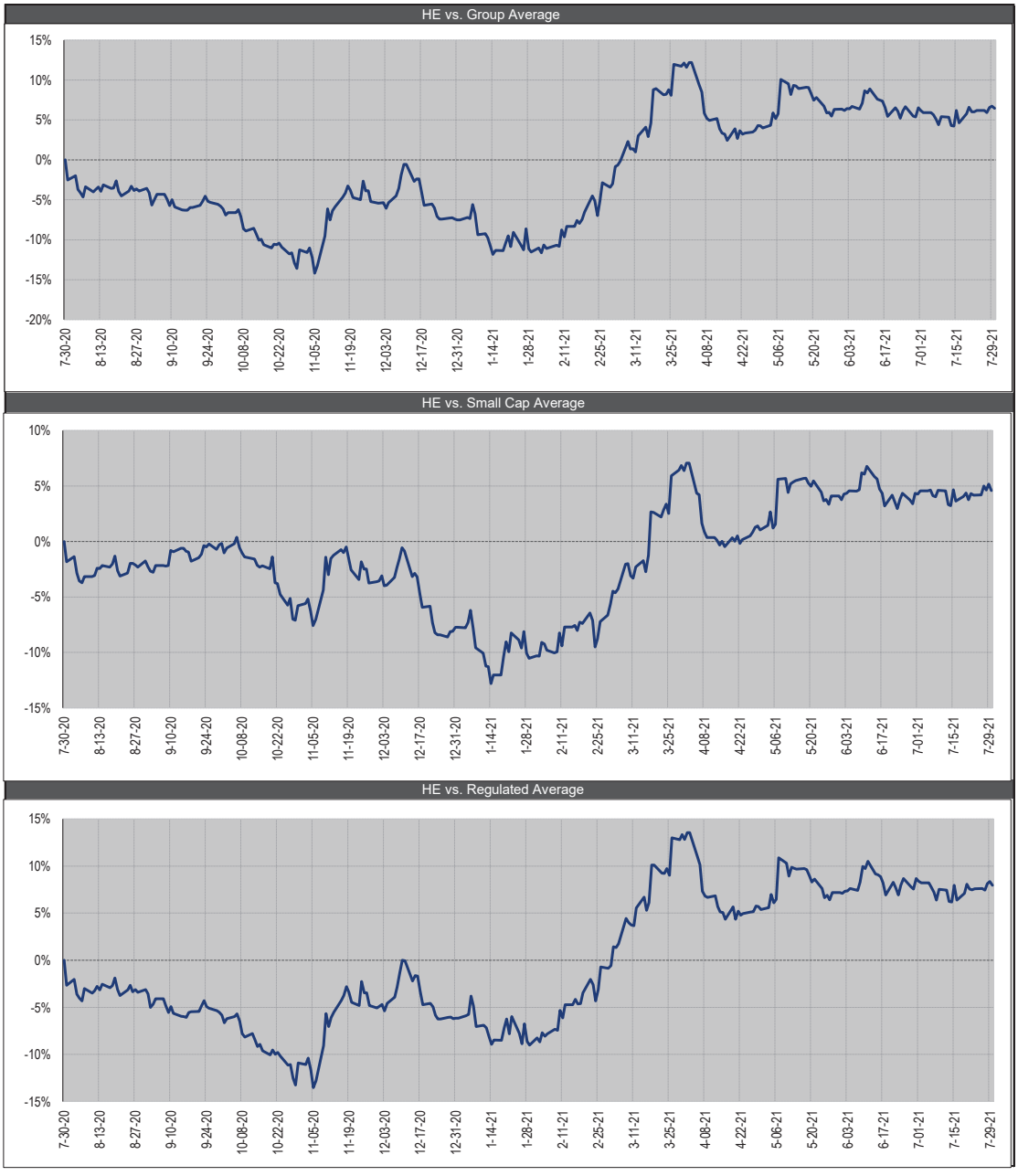

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8/1/2021

WOLFE RESEARCH

Alliant Energy (LNT) $58.53, Outperform, $61 PT

LNT resumed its outperformance in July and set fresh relative highs. The company hosted an ESG Investor Day that re-highlighted its attractive positioning in terms of minimal coal exposure and sector-leading renewables in rate base with plans to add more.

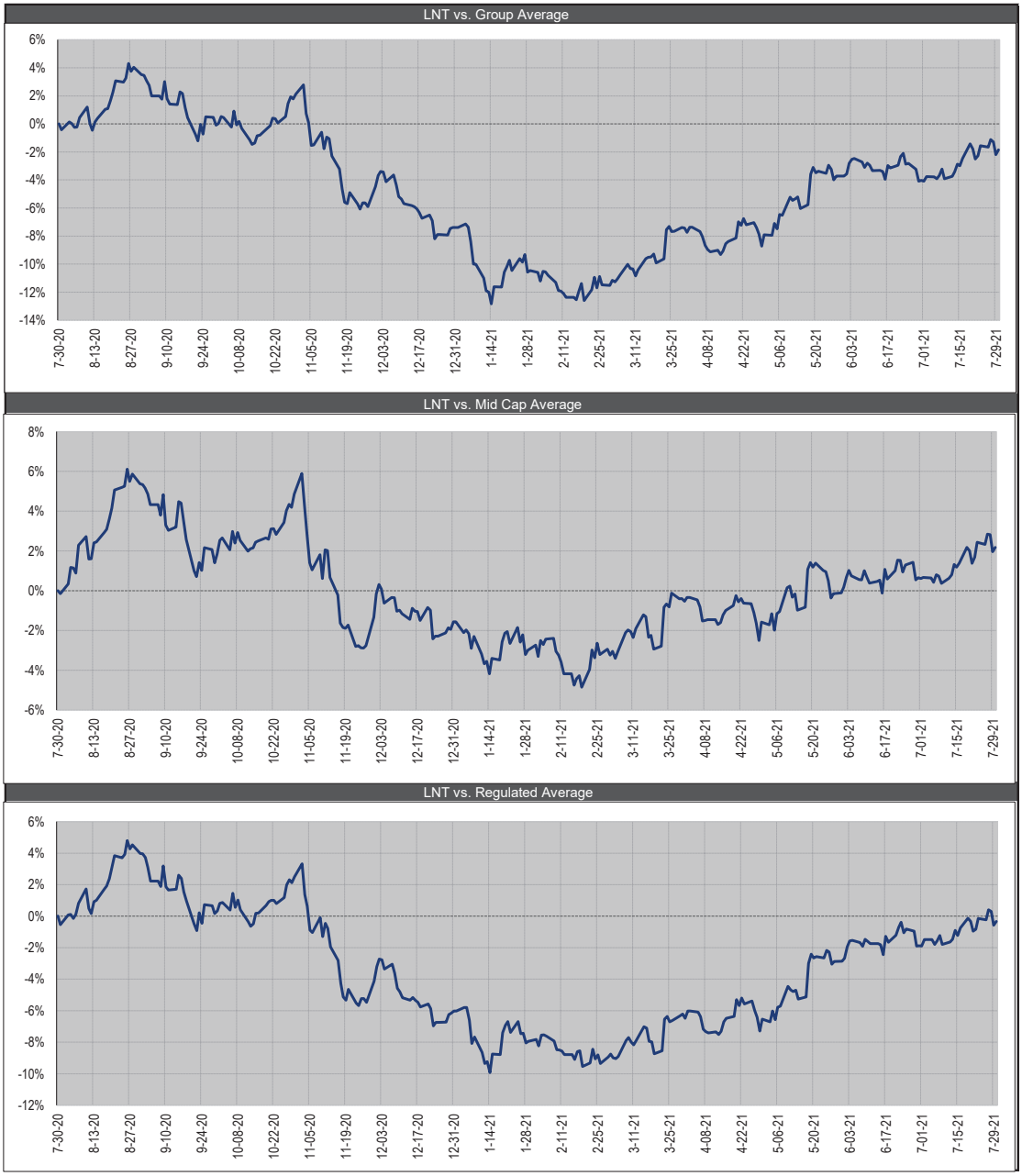

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8/1/2021

WOLFE RESEARCH

NextEra Energy (NEE) $77.90, Outperform, $91 PT

NEE continued its bounce off of relative lows set in mid-June, after renewables inflation fears weighed on the stock. In a bit of an opposite day, the company reported just in-line earnings for Q2, but outperformed. NEE is still in the rare position of underperforming on the year.

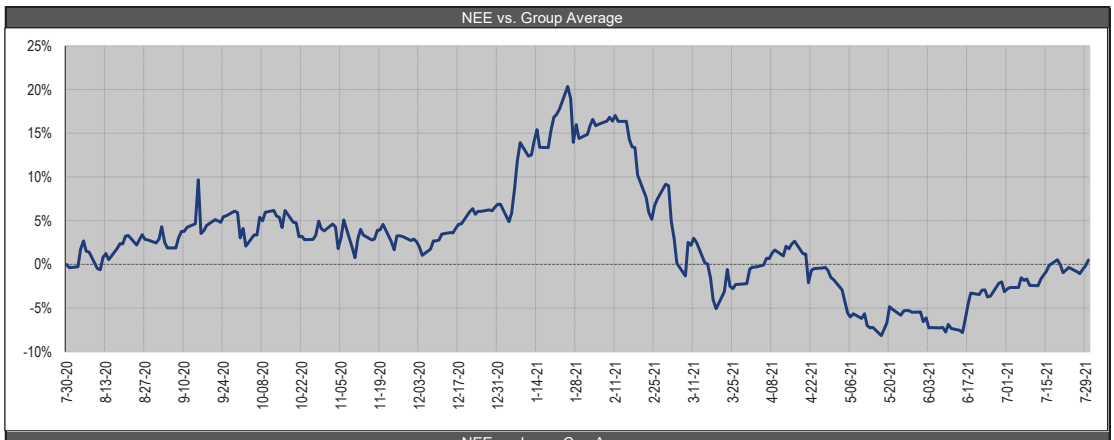

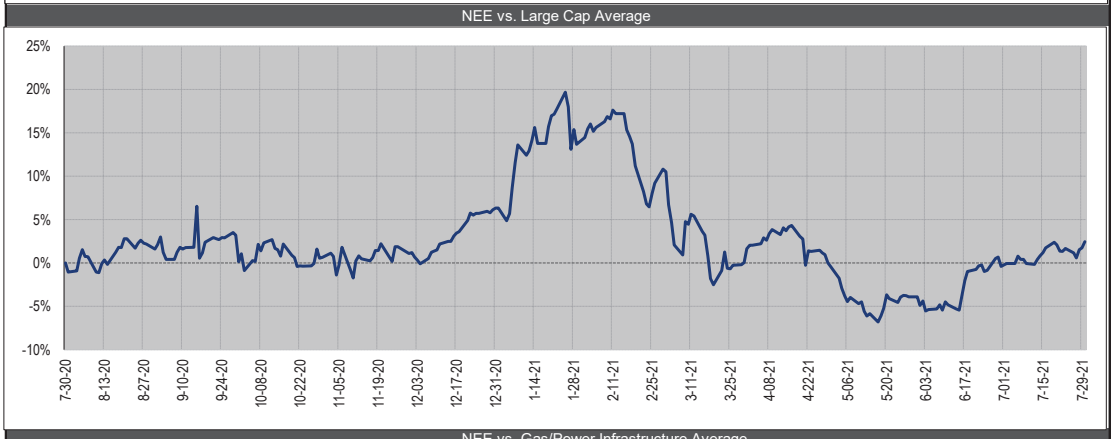

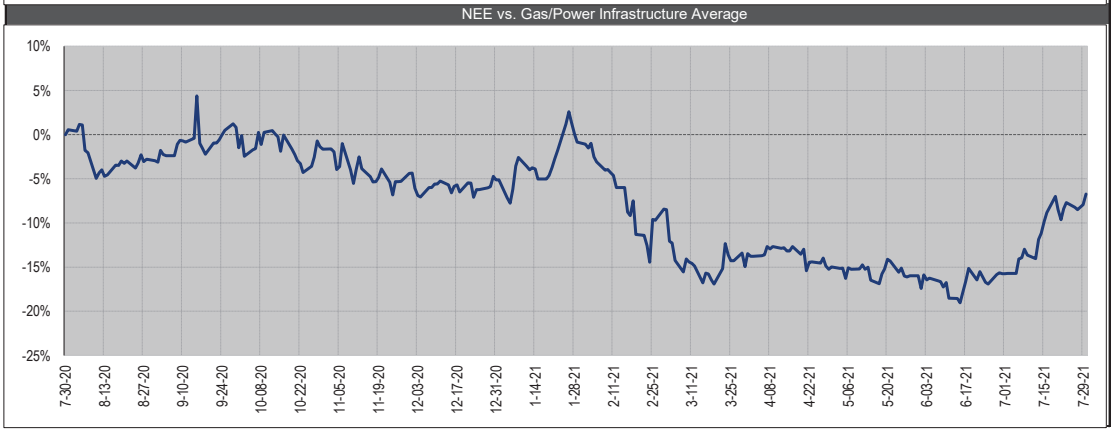

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8/1/2021

WOLFE RESEARCH

NextEra Energy Partners (NEP) $77.53, Outperform, $95 PT

NEP is in the opposite position from NEE – it underperformed on the month, but is still leading on the year. Q2 was a bit disappointing for them, as EBITDA missed and the latest drop from NEE was done at the weakest CAFD yield yet (8.0%).

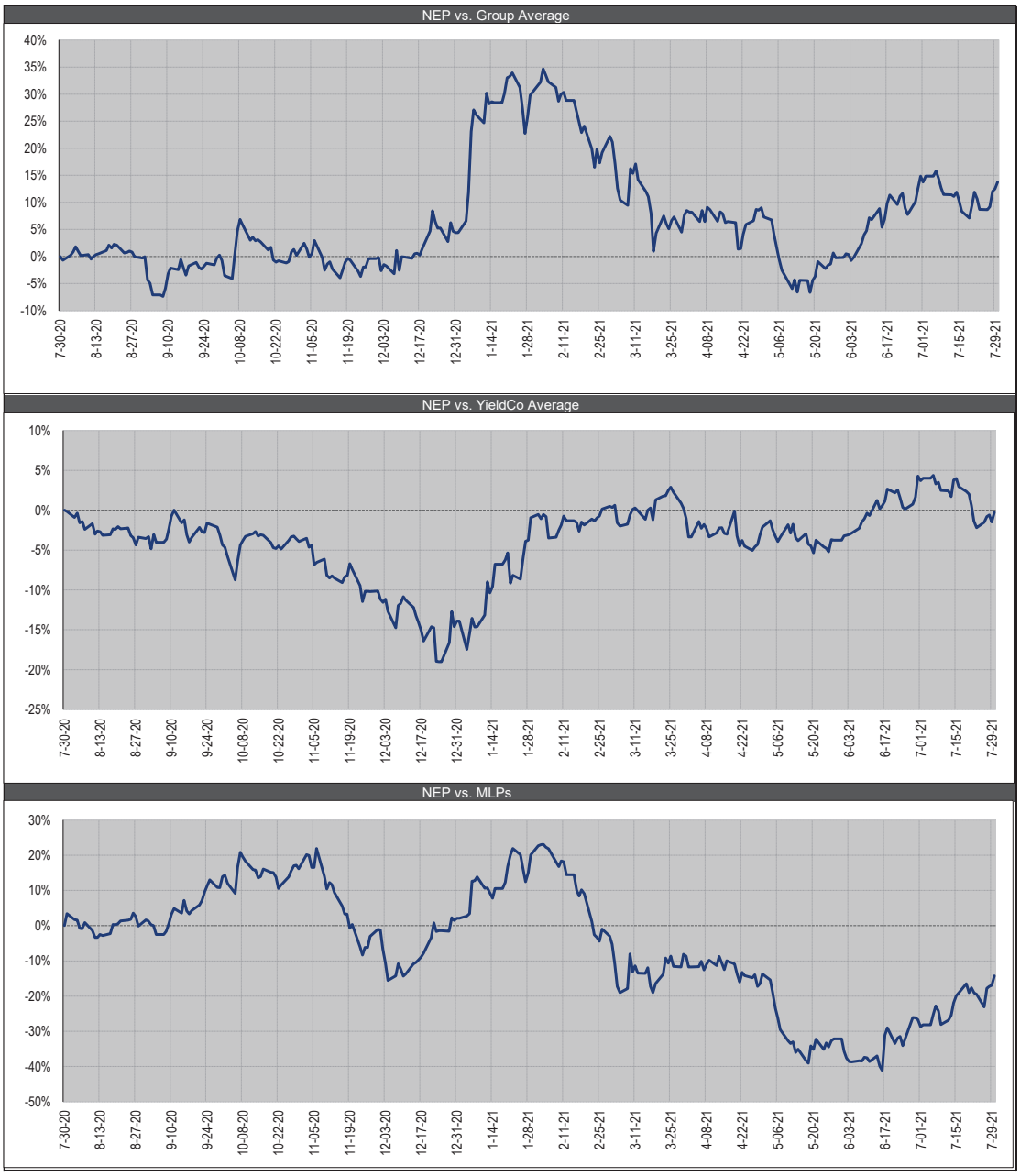

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WOLFE RESEARCH

NiSource (NI) $24.77, Outperform, $29 PT

NI underperformed the utility average in July. There was little news on the company during the month. NI did file a rate case at its largest gas LDC (Ohio) on the final day of June, where it's the subsidiary's first base rate case filing in 13 years.

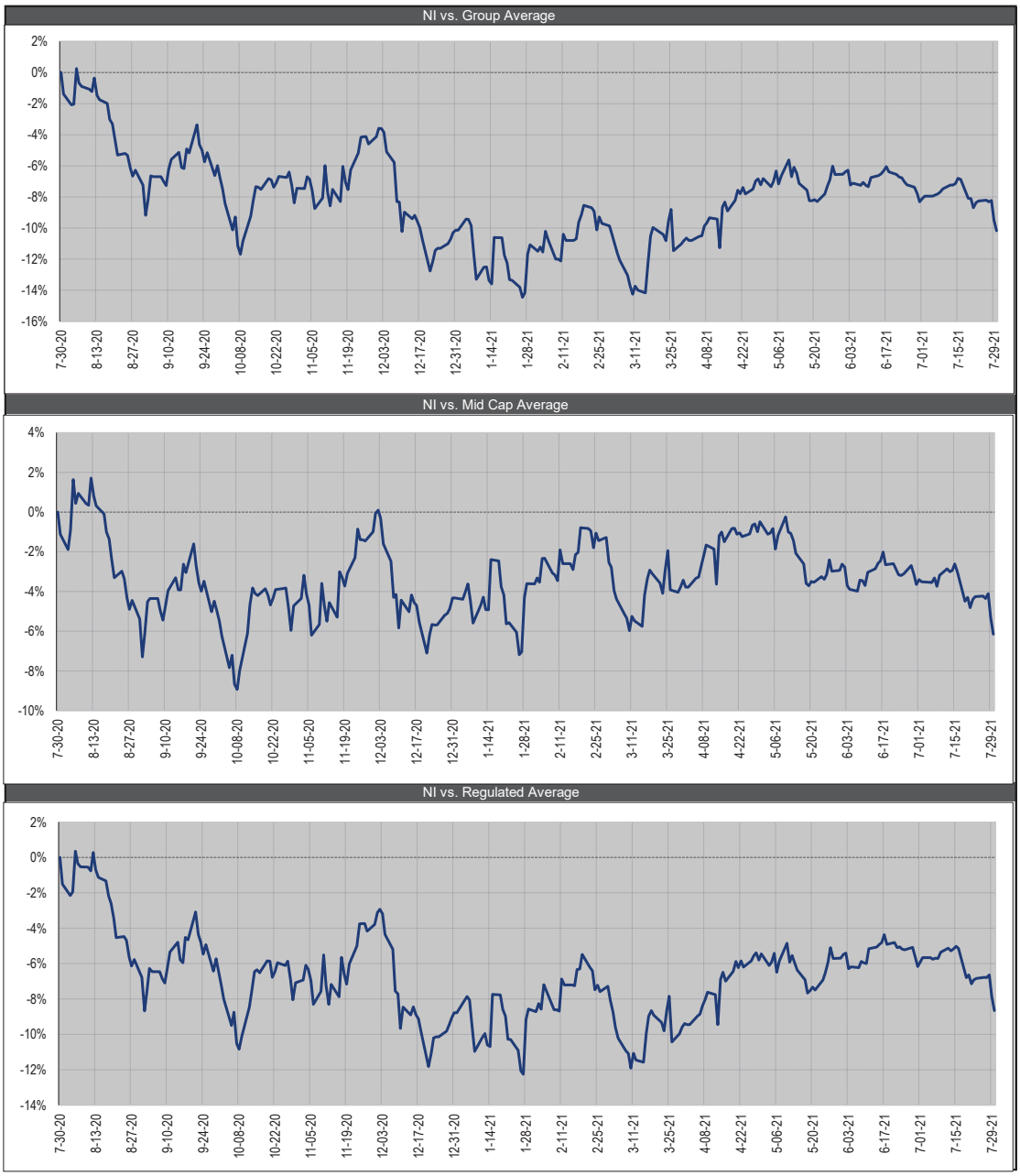

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8/1/2021

WOLFE RESEARCH

NRG Energy (NRG) $41.24, Peer Perform, $41 PT

NRG performed in line with the market in July on limited news post the analyst day. The stock has materially outperformed peer VST YTD.

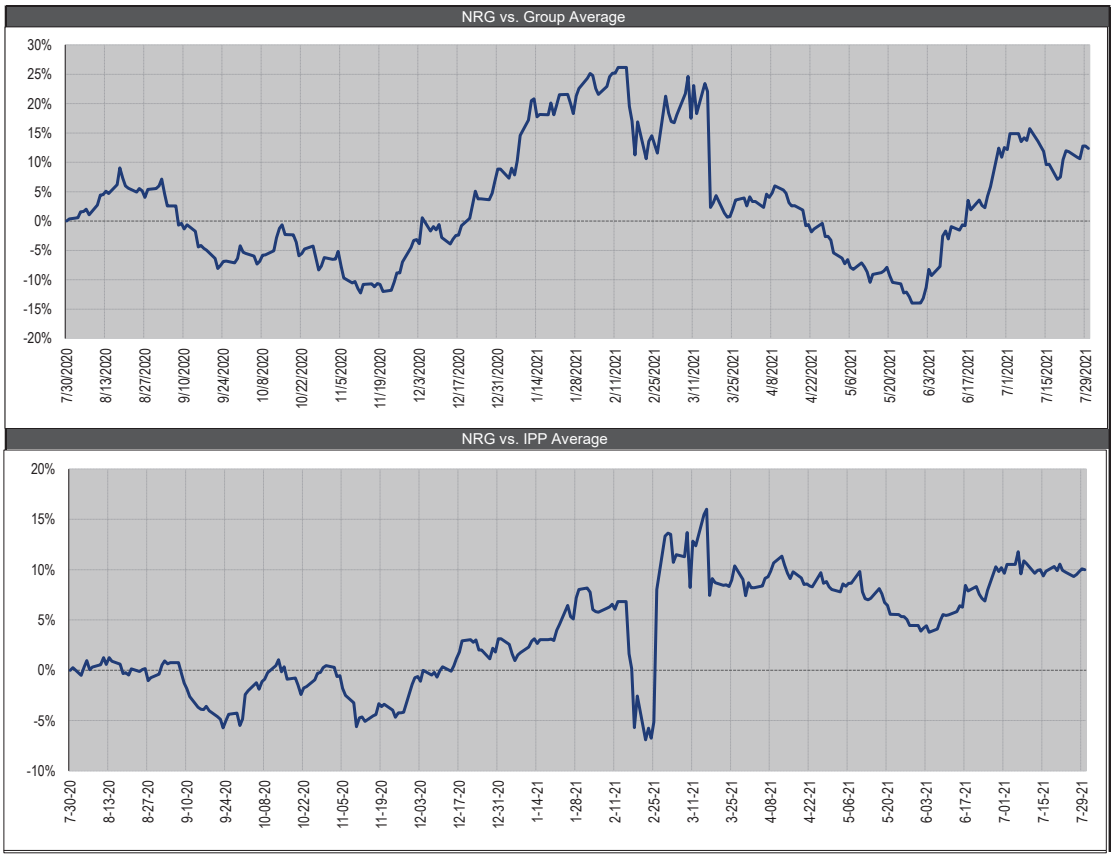

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WOLFE RESEARCH

NorthWestern Corp (NWE) $61.99, NR

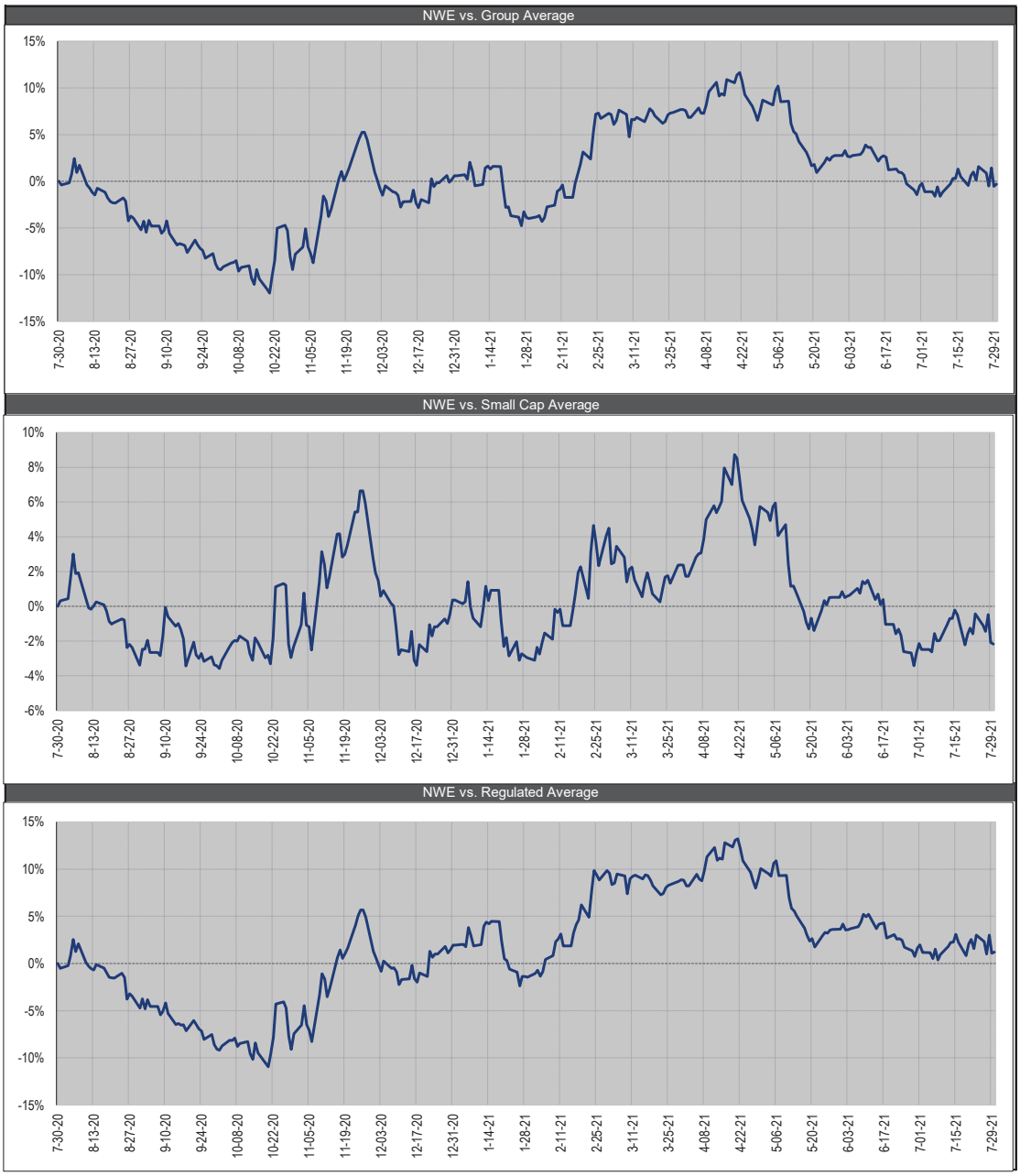

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8/1/2021

WOLFE RESEARCH

OGE Energy (OGE) $33.75, Peer Perform, $39 PT

OGE underperformed the utilities index in July. It was a quiet month for OGE. Perhaps the underperformance was explained by the weakness in ET/ENBL stocks – down -8.7%/-8.2% (the XLE was down similarly). There could also have been some concerns over the ENBL/ET merger given D's cancelation of its Q-Pipe Deal; we still believe the ENBL/ET merger will close, likely in late Q3 or early Q4.

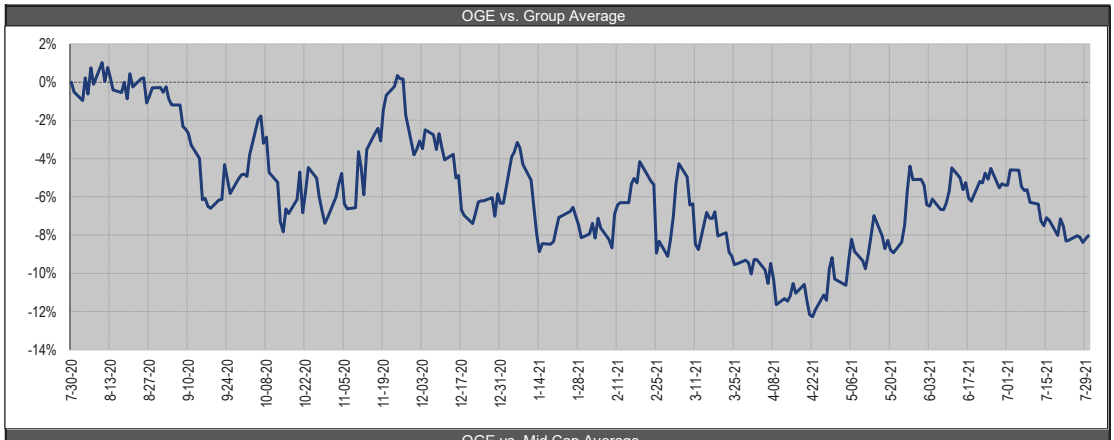

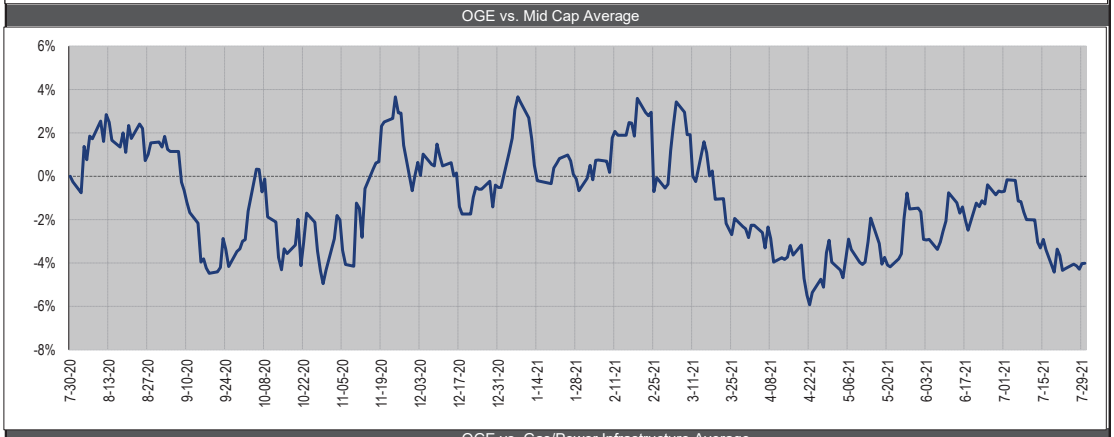

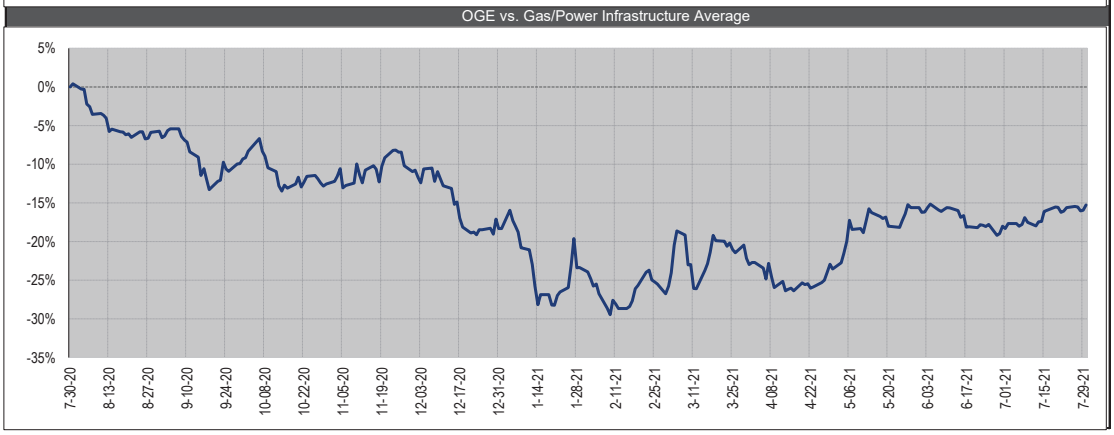

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WOLFE RESEARCH

PG&E Corporation (PCG) $8.79, Outperform, $14 PT

PCG lost over 1,500bp relative to peers in Jul, after its reported involvement in the Dixie Fire and a possible ROE cut in 2022 appeared increasingly likely.

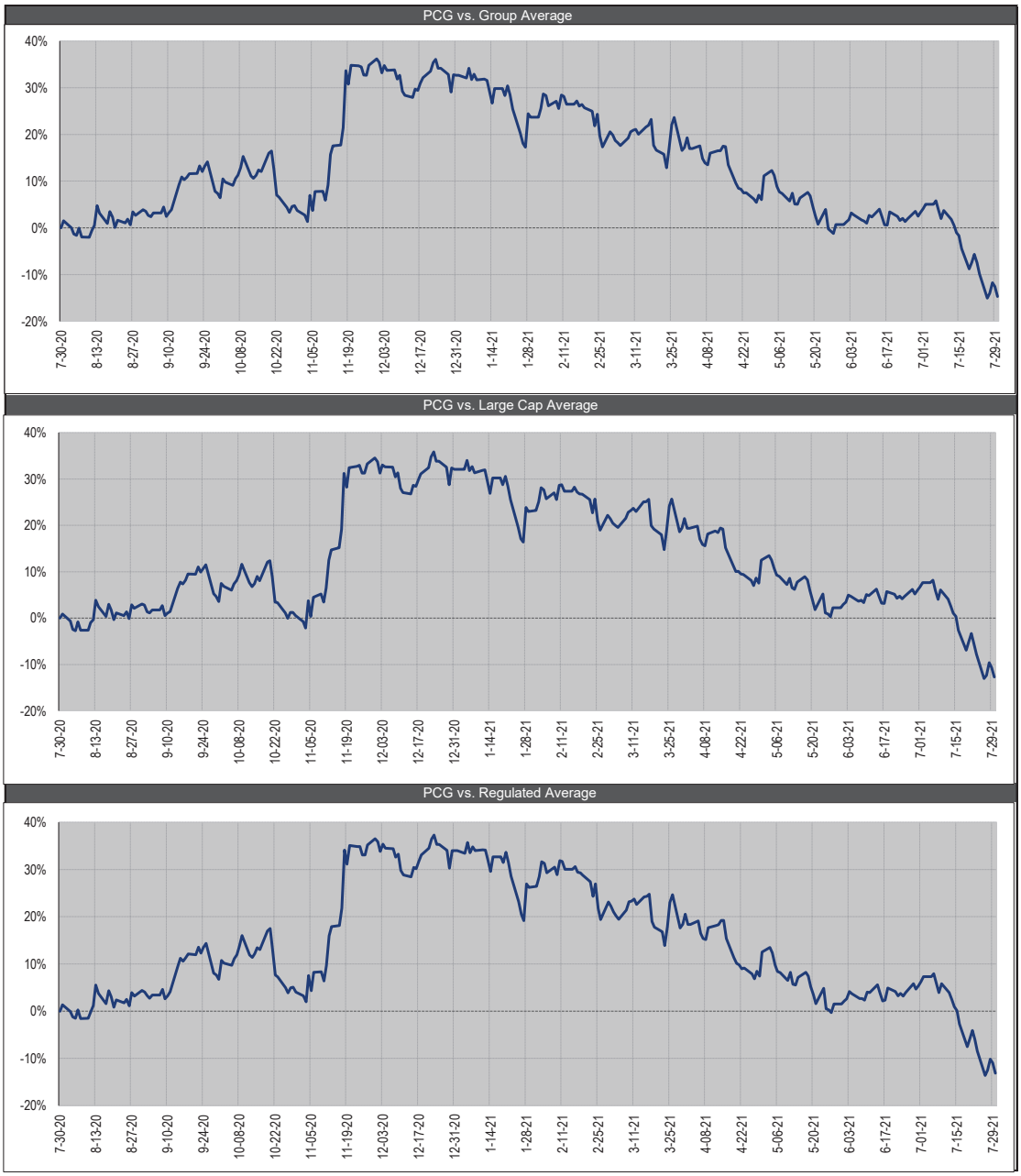

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8/1/2021

WOLFE RESEARCH

Public Service Enterprise Group (PEG) $62.23, Outperform, $65 PT

PEG started rallying sharply into the end of the month and towards the top-end of its recent trading range. Anticipation continues to build for its fossil sale announcement, long-term earnings outlook, plus potential nuclear support in the Biden infrastructure bill.

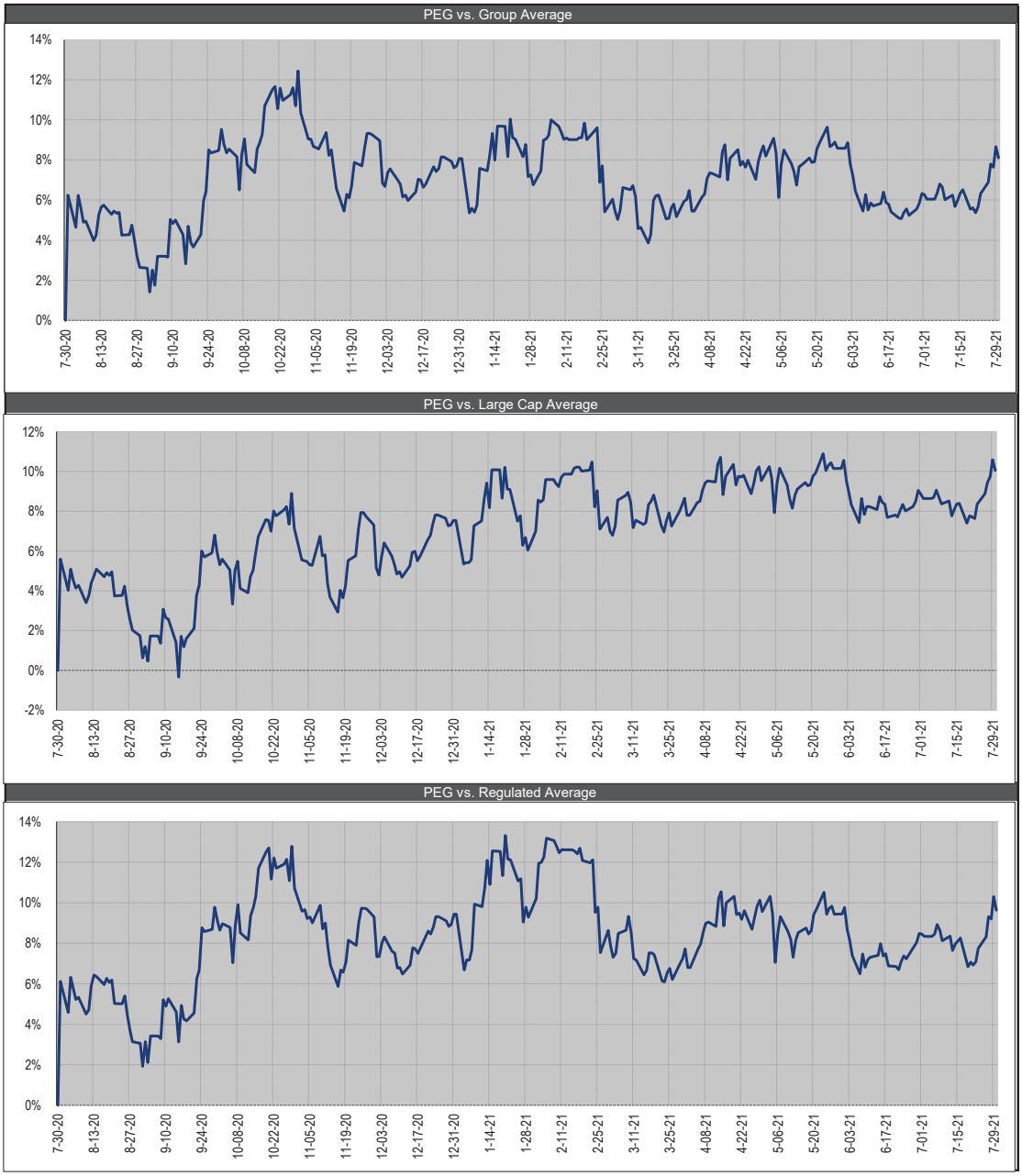

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WOLFE RESEARCH

PNM Resources (PNM) $48.33, NR

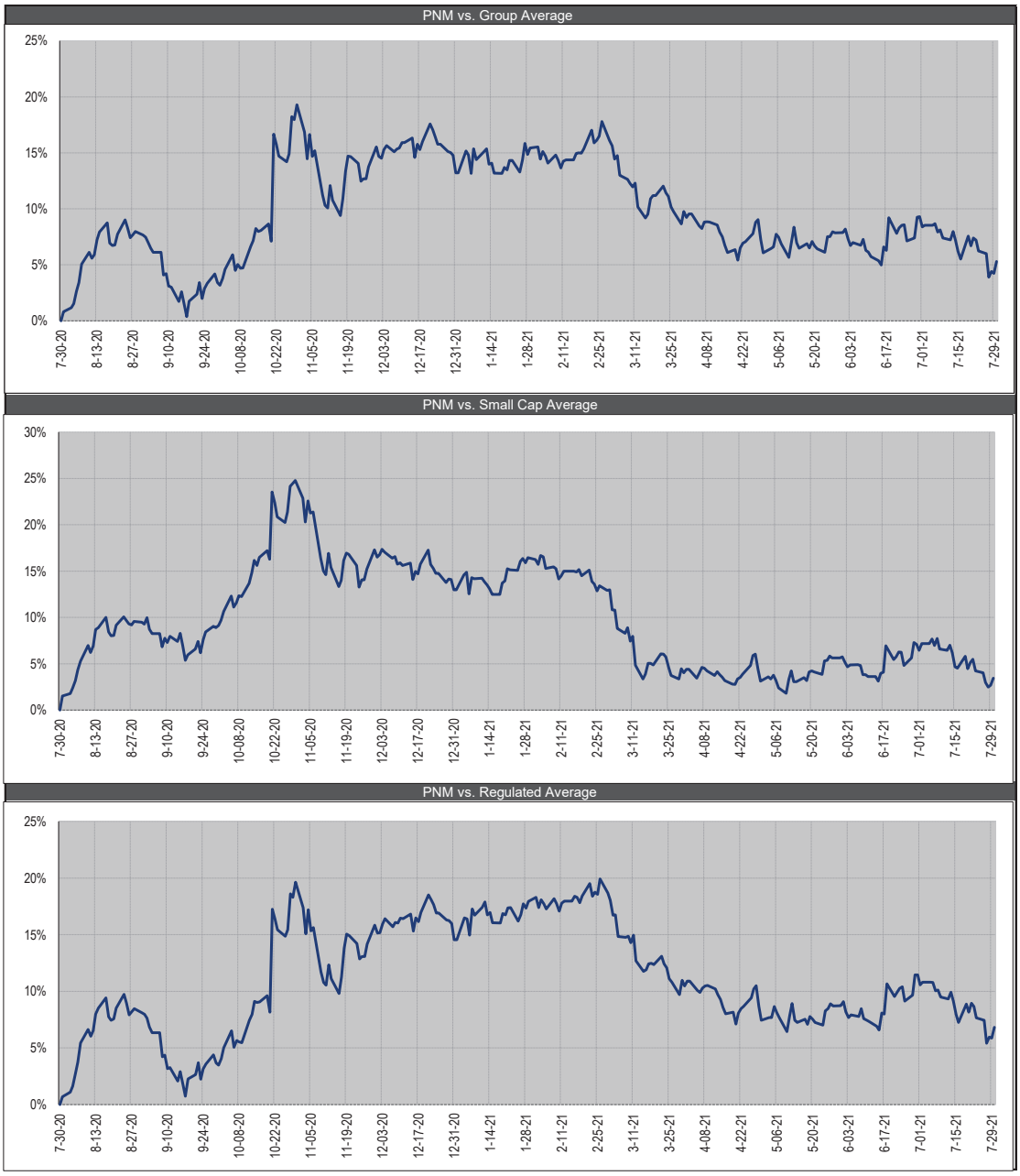

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WOLFE RESEARCH

Pinnacle West Capital (PNW) $83.55, Underperform, $80 PT

PNW underperformed the utility index in July as APS' rate case continues to linger. We are still waiting on an ALJ recommendation which could come any day (have been saying that since early June). We continue to have a cautious view on the eventual outcome of the case.

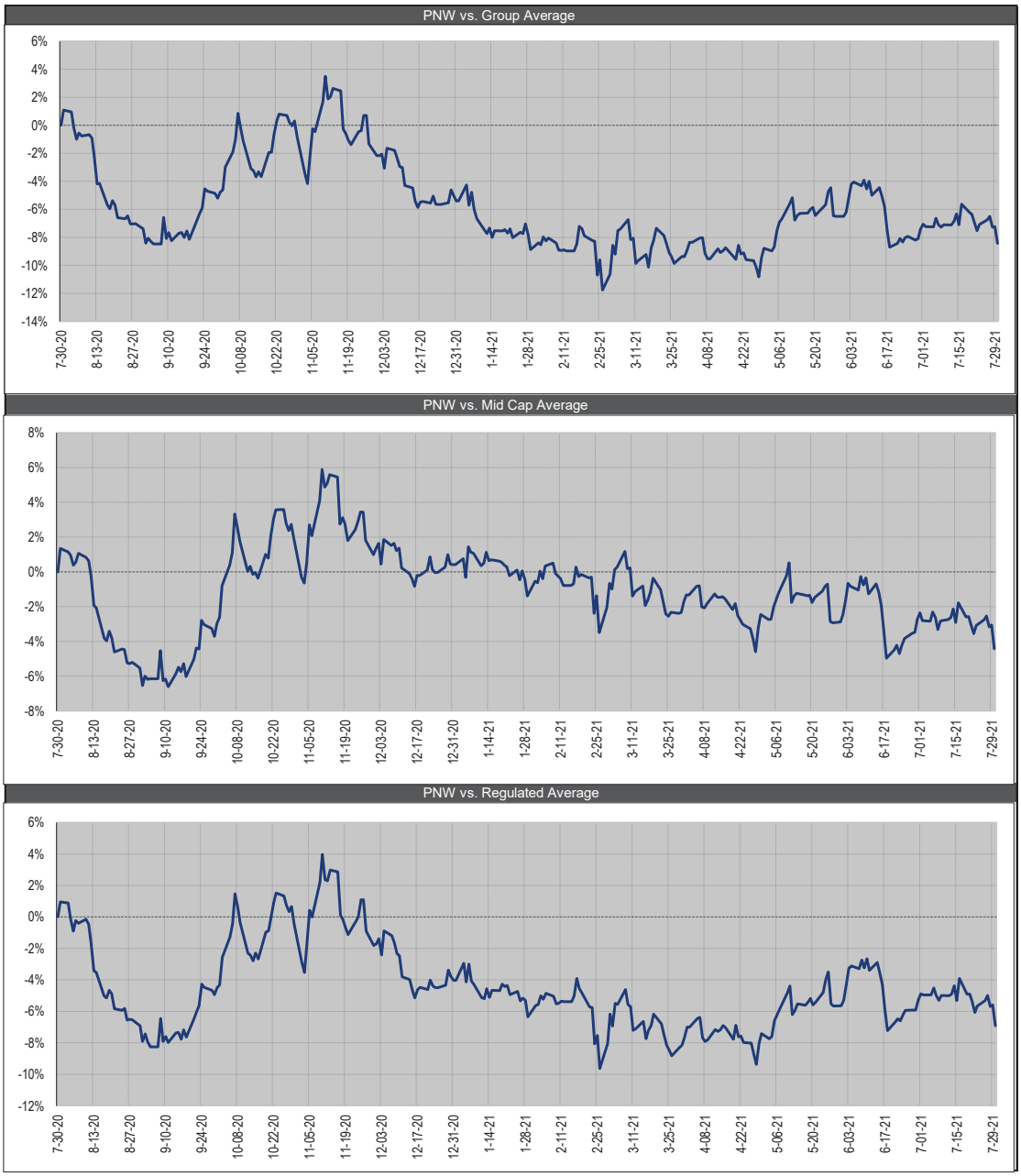

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8/1/2021

WOLFE RESEARCH

Portland General (POR) $48.90, Peer Perform, $52 PT

POR outperformed the utility average as well as its small-cap peers in July. It was a busy month for POR – formally filing its rate case early in the month, then disclosing that it reached a $6.75M settlement (covered by insurance) to fully resolve its putative securities class action related to last year's energy trading losses. The month was capped off by a positive earnings report where POR raised its FY21 guidance range on stronger than expected sales growth.

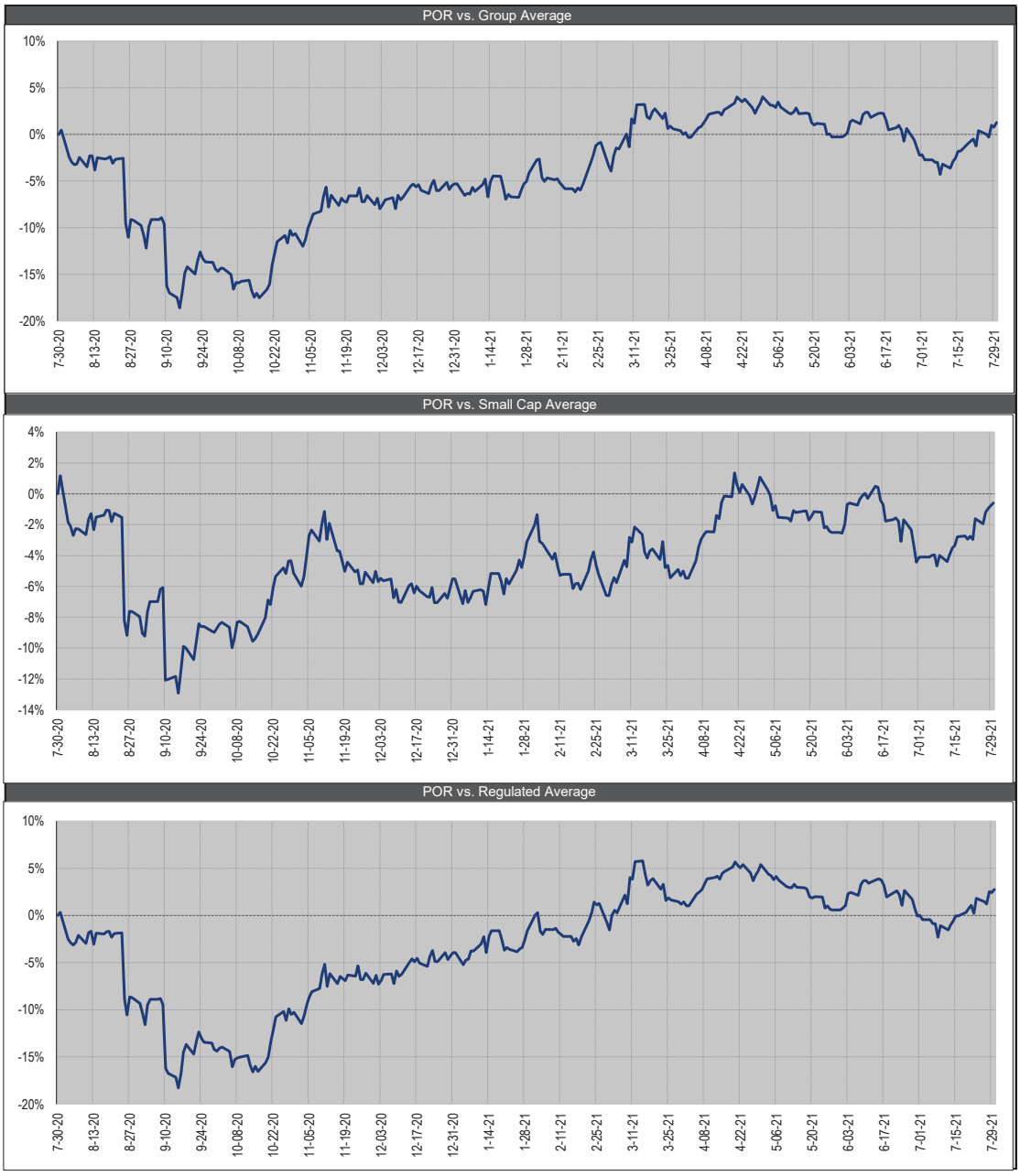

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8/1/2021

WOLFE RESEARCH

PPL Corporation (PPL) $28.37, Peer Perform, $31 PT

PPL underperformed peers in Jul but remains in a trading range, as investors await a decision on what to do with over $3B of residual proceeds from its UK sale.

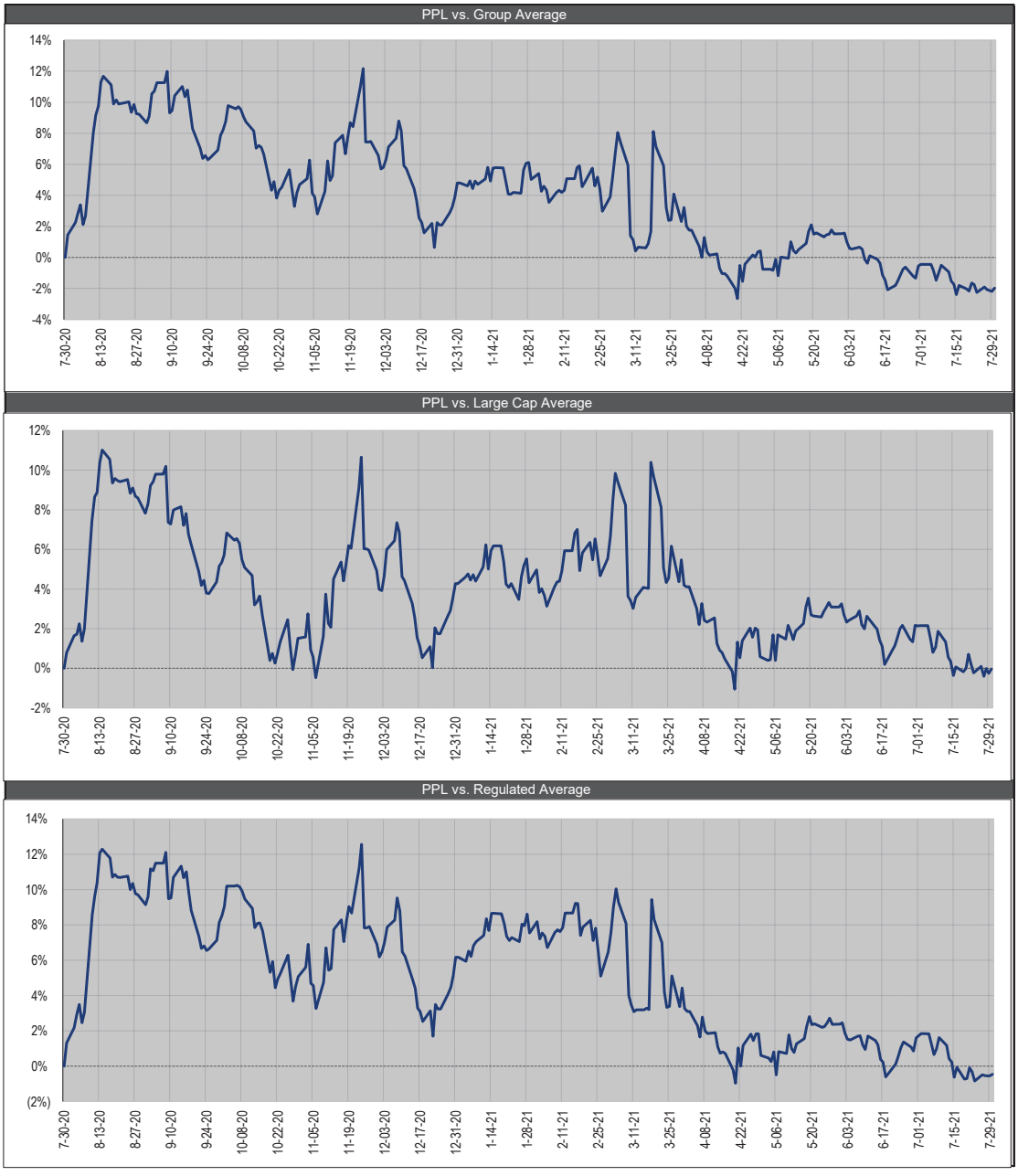

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WOLFE RESEARCH

Southern Company (SO) $63.87, Peer Perform, $64 PT

In Jul, SO recovered most of the weakness that followed GaPSC Staff's May/Jun prediction that Vogtle would be delayed; at end of month, SO announced a delay/overrun and the stock outperformed.

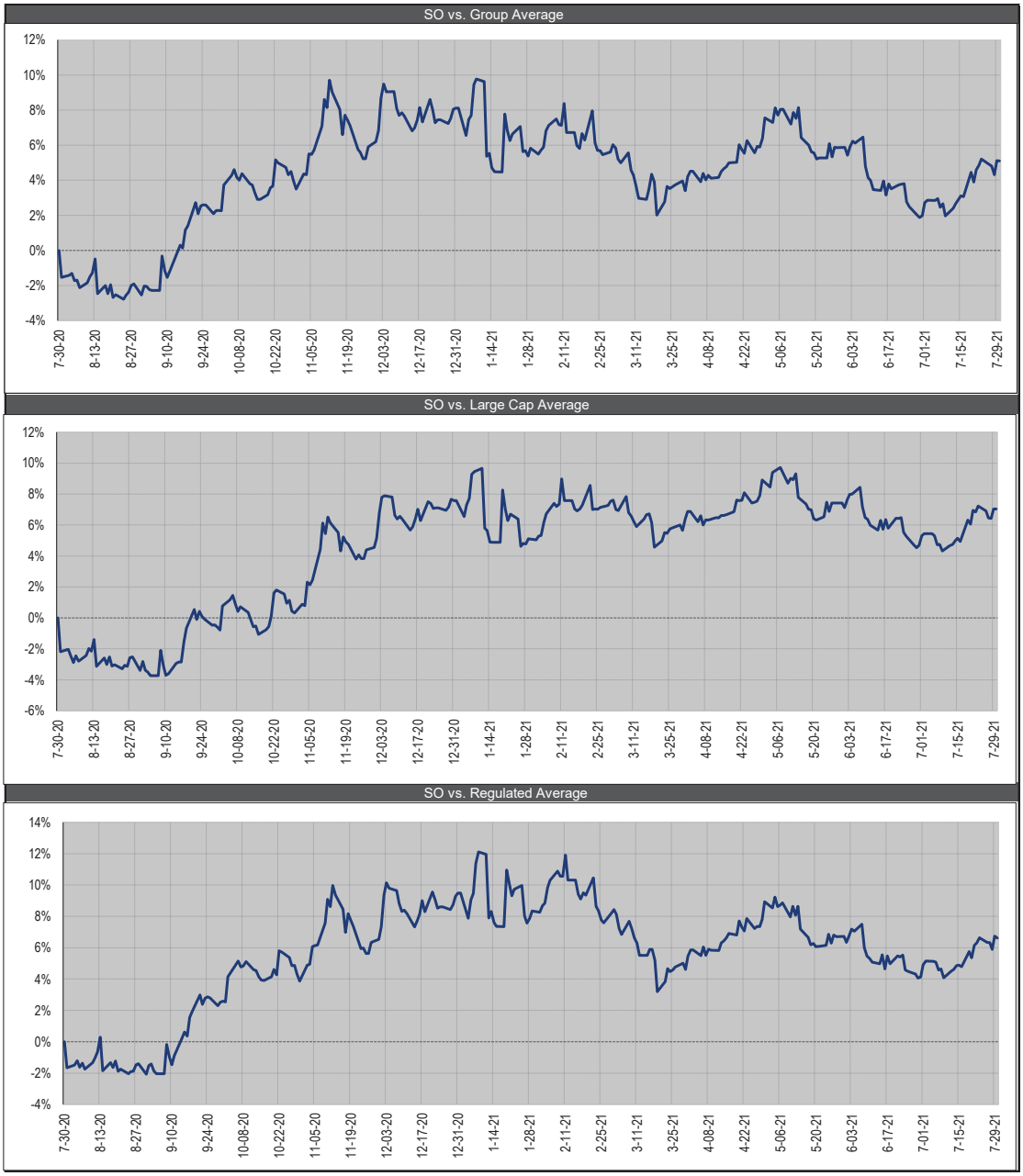

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8/1/2021

WOLFE RESEARCH

Sempra Energy (SRE) $130.65, Outperform, $153 PT

Shares of SRE were down 1.4% in July, the fourth worst performance in the sector last month and second worst in the gas/power infrastructure group. We attribute it to a few factors - California attributes as PCG and EIX were down as well and carry through from an analyst meeting at the end of June that had mixed feedback from investors that are concerned with the company's utility plus infrastructure strategy.

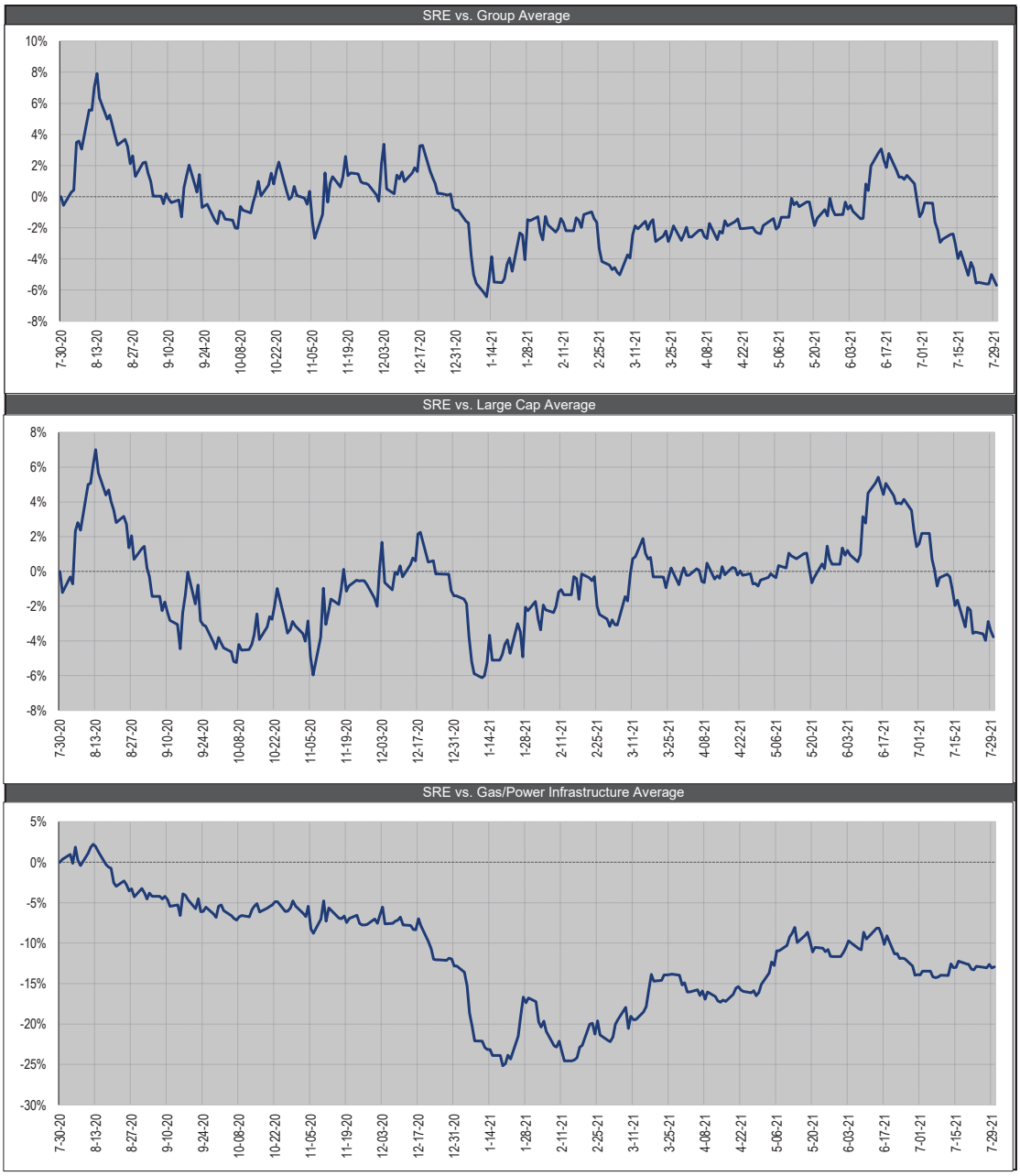

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WOLFE RESEARCH

Vistra Corporation (VST) $19.15, Peer Perform, $25 PT

VST traded in-line with the broader sector and slightly ahead of the S&P 500 in July, despite gas and power continuing to rip higher. The stock remains one of the worst performers on the year.

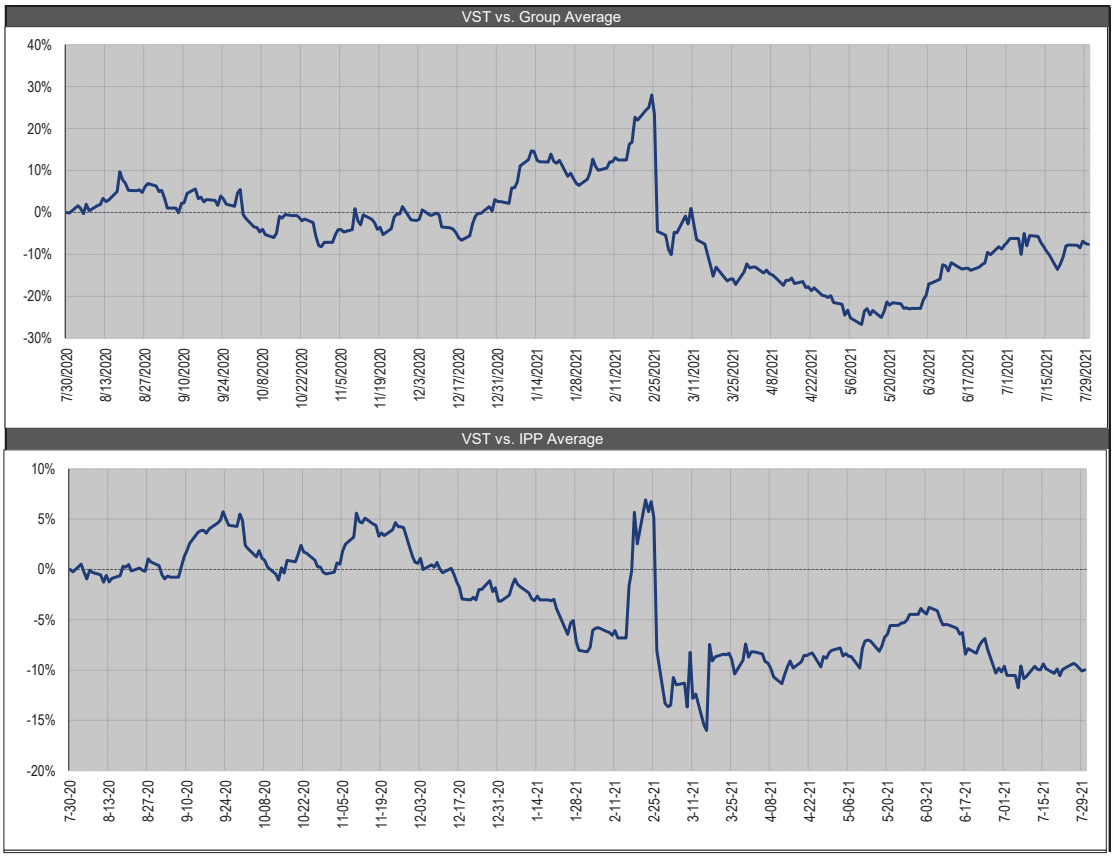

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WOLFE RESEARCH

WEC Energy Group (WEC) $94.14, Underperform, $95 PT

WEC outperformed some in July, but is still an underperformer on the year. It was a quiet month for the company, other than another energy infrastructure investment announcement.

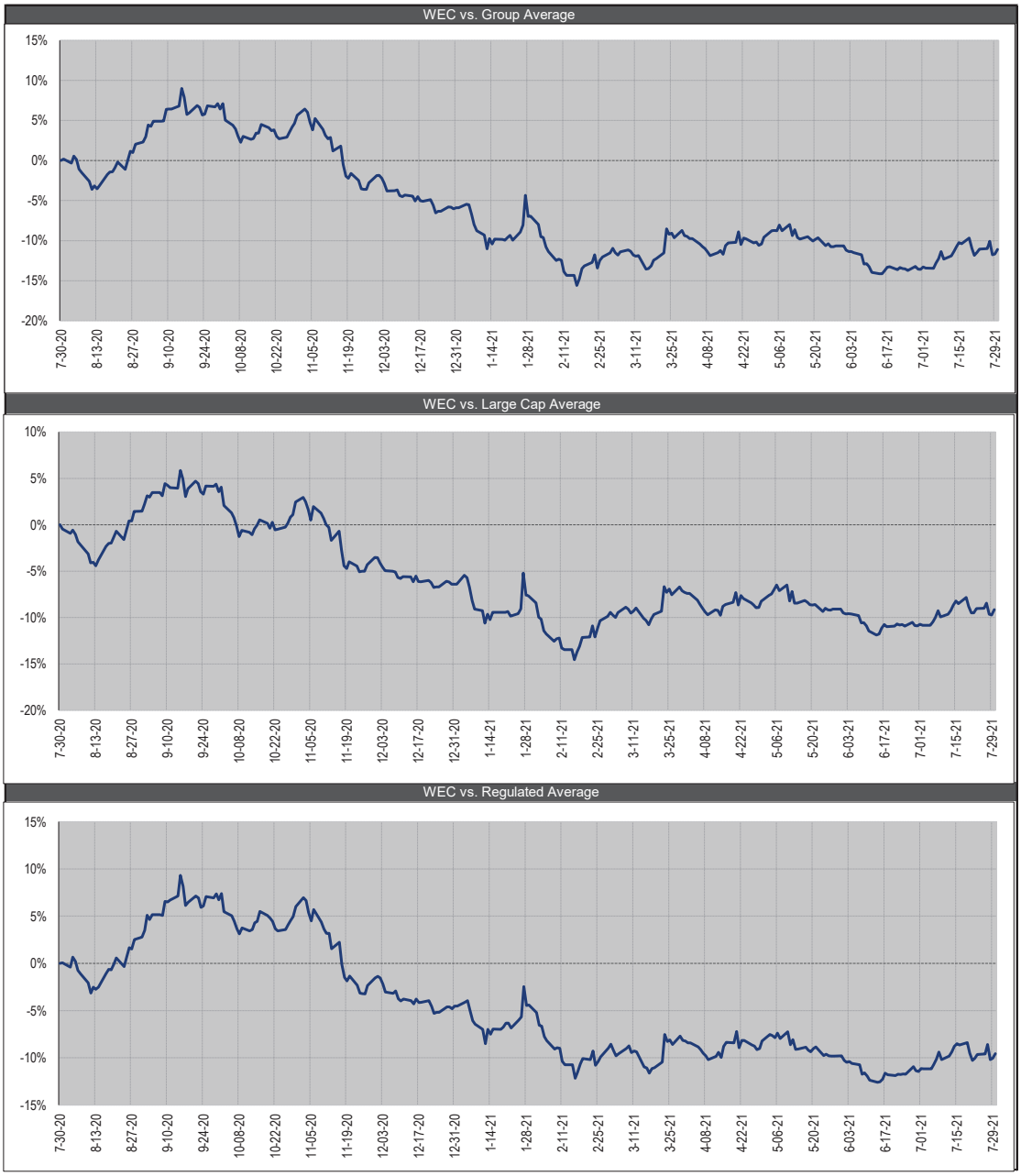

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WOLFE RESEARCH

Essential Utilities (WTRG) $49.12, NR

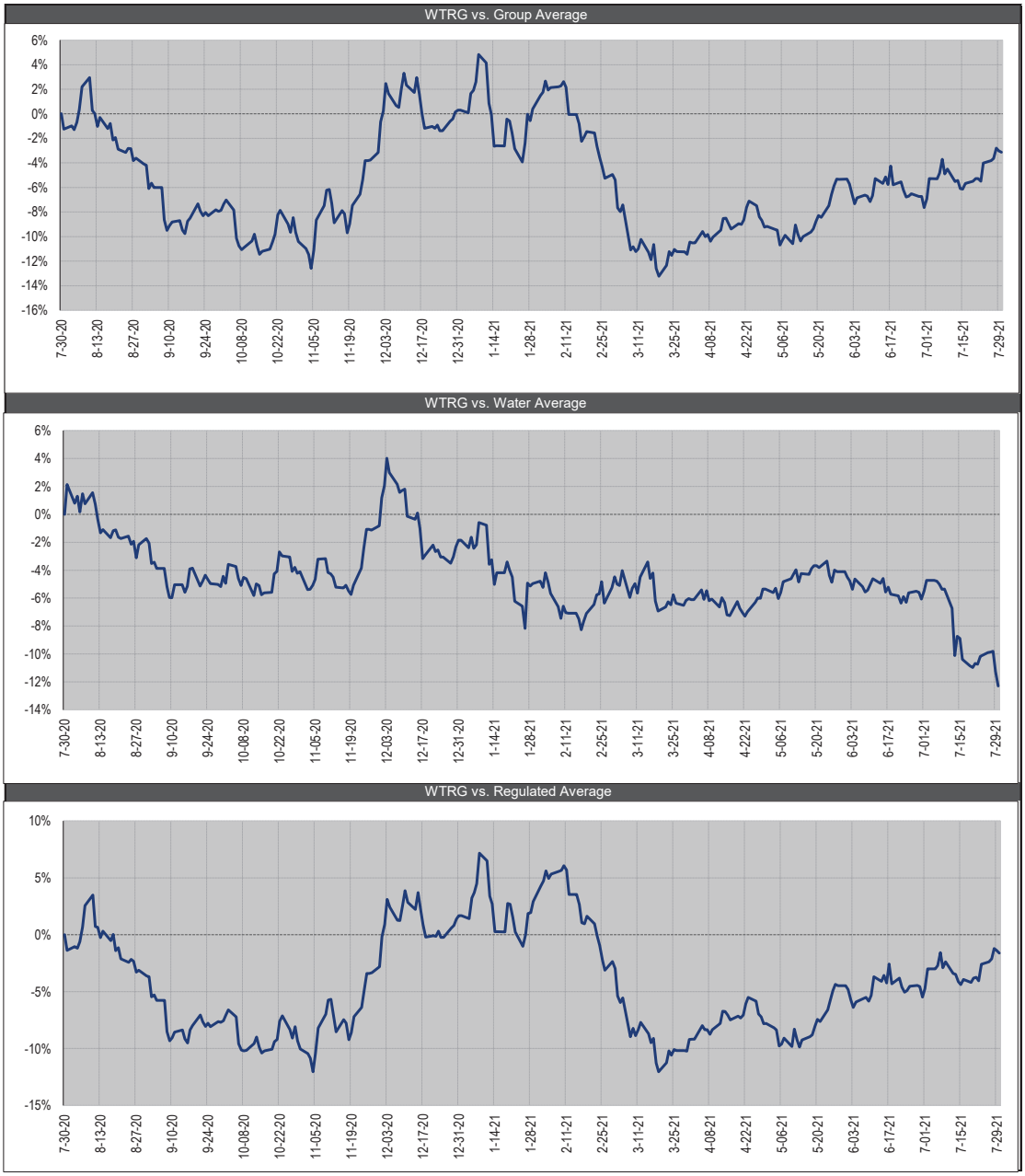

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WOLFE RESEARCH

Xcel Energy (XEL) $68.25, Peer Perform, $73 PT

XEL modestly underperformed the utility average in July. Early in the month XEL filed an electric rate case at PSCo. Then toward the end of the month, XEL reported Q2 earnings where it posted a small Q2 beat and reaffirmed FY21 guidance. We got the sense that XEL is ahead of plan through the 1H and that the company is tracking to deliver EPS in the upper half or toward the top end of its guidance range.

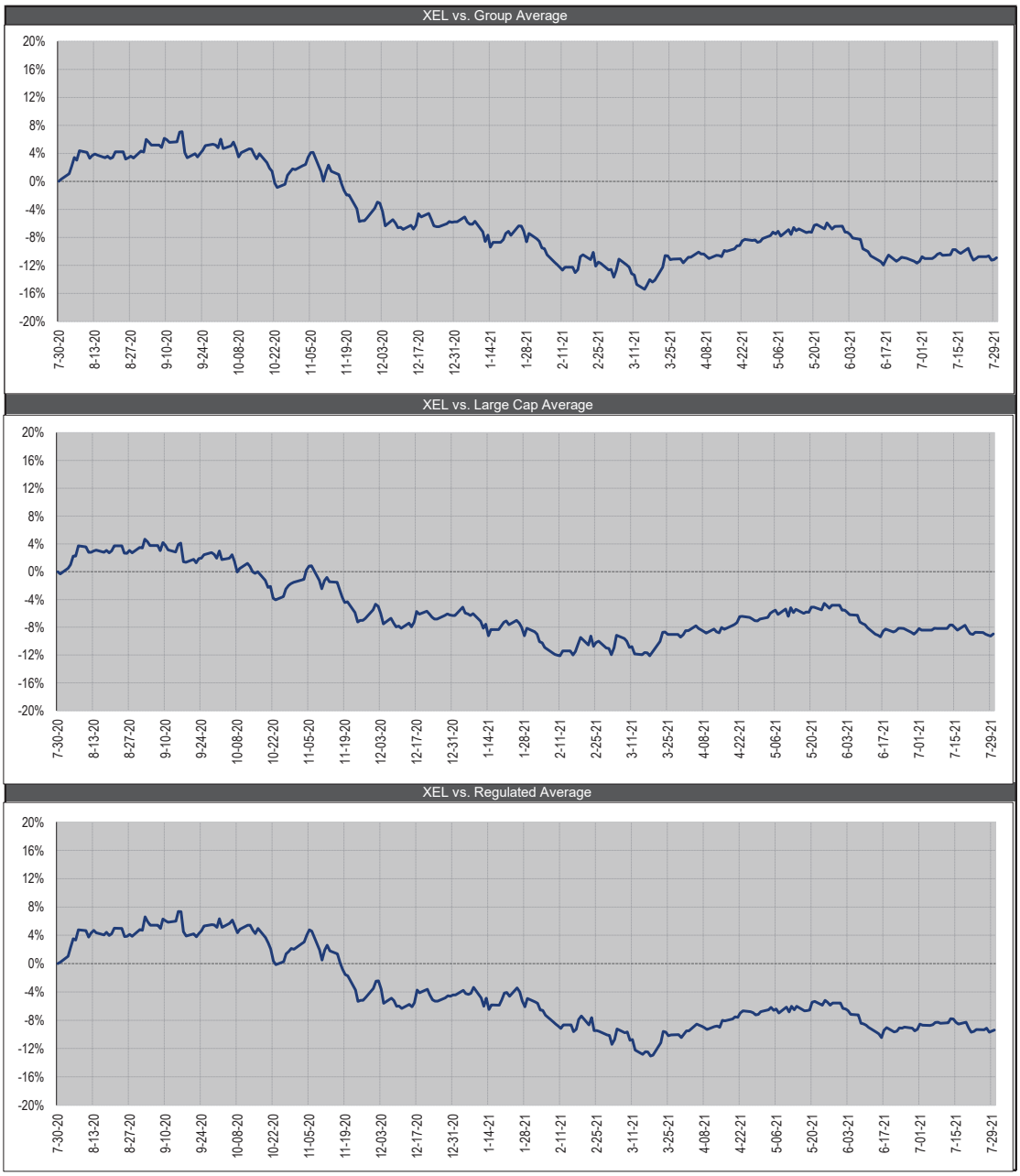

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Comparable Tables

Exhibit 3: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$58.53	250	$14,640	22.7x	21.4x	20.4x	19.3x	2.8%	5.9%	62%	2.5x	46%
Ameren	AEE	83.92	256	21,446	22.3x	20.6x	19.3x	18.2x	2.6%	7.0%	58%	2.3x	42%
American Electric	AEP	88.12	500	44,082	19.0x	17.6x	16.6x	15.7x	3.4%	5.7%	64%	2.1x	37%
Avangrid	AGR	52.14	387	20,188	23.2x	21.8x	20.4x	N/A	3.4%	0.0%	78%	1.0x	58%
CenterPoint Energy	CNP	25.46	580	14,779	20.4x	19.0x	17.8x	16.4x	2.5%	7.0%	50%	2.2x	36%
CMS Energy	CMS	61.79	290	17,898	21.5x	21.5x	19.6x	17.8x	2.8%	6.7%	61%	3.1x	27%
Con Edison	ED	73.77	353	26,046	17.3x	15.8x	15.4x	14.7x	4.2%	1.3%	73%	1.3x	43%
Dominion	D	74.87	807	60,384	19.3x	18.1x	17.1x	15.9x	3.4%	6.0%	65%	2.5x	41%
DTE Energy	DTE	117.32	194	22,731	16.0x	20.2x	18.8x	17.7x	3.8%	7.2%	60%	1.8x	35%
Duke Energy	DUK	105.11	769	80,853	20.5x	19.5x	18.3x	17.2x	3.7%	2.0%	77%	1.7x	42%
Edison International	EIX	54.50	379	20,679	12.0x	11.6x	10.7x	N/A	4.9%	4.0%	58%	1.5x	38%
Emera*	EMA	58.19	254	14,763	21.0x	18.2x	17.4x	16.5x	4.4%	4.0%	93%	1.8x	38%
Entergy	ETR	102.92	201	20,652	17.2x	16.3x	15.3x	14.5x	3.9%	6.0%	67%	1.9x	30%
Evergy	EVRG	65.22	229	14,953	19.7x	18.6x	17.2x	16.3x	3.3%	6.0%	66%	1.7x	44%
Eversource Energy	ES	86.27	343	29,631	22.7x	21.1x	19.8x	18.7x	2.8%	6.2%	63%	2.1x	44%
Exelon	EXC	46.80	977	45,732	16.7x	20.7x	19.7x	18.6x	3.3%	0.0%	54%	1.4x	43%
FirstEnergy	FE	38.32	544	20,854	15.2x	14.5x	13.8x	N/A	4.1%	0.0%	62%	2.8x	23%
Fortis*	FTS	56.58	469	26,559	20.7x	19.4x	18.3x	17.5x	3.6%	6.0%	75%	1.5x	43%
NiSource	NI	24.77	392	9,715	18.6x	17.6x	16.4x	14.6x	3.6%	6.0%	67%	1.9x	40%
PG&E	PCG	8.79	1,985	17,449	8.7x	7.8x	7.1x	6.5x	0.0%	N/A	0%	0.8x	33%
Pinnacle West	PNW	83.55	113	9,420	16.9x	16.7x	16.0x	15.3x	3.9%	2.0%	66%	1.7x	44%
Portland General	POR	48.90	90	4,382	17.6x	17.6x	17.0x	16.6x	3.5%	7.1%	61%	1.6x	45%
PPL Corp.	PPL	28.37	769	21,829	14.4x	16.0x	15.6x	N/A	5.9%	0.0%	84%	1.9x	42%
PSEG	PEG	62.23	505	31,456	18.2x	18.3x	17.4x	N/A	3.3%	4.1%	60%	1.9x	48%
Southern Company	SO	63.87	1,059	67,615	19.4x	18.3x	17.0x	15.6x	4.1%	3.9%	80%	2.4x	35%
WEC Energy Group	WEC	94.14	315	29,695	23.4x	21.9x	20.6x	19.4x	2.9%	7.1%	67%	2.8x	42%
Xcel Energy	XEL	68.25	538	36,733	22.9x	21.5x	20.3x	19.1x	2.7%	6.4%	62%	2.5x	38%
Average					**18.8x**	**18.2x**	**17.2x**	**16.5x**	**3.4%**	**4.5%**	**64%**	**2.0x**	**40%**
Average (ex EIX & PCG)					**19.5x**	**18.9x**	**17.8x**	**16.9x**	**3.5%**	**4.5%**	**67%**	**2.0x**	**40%**

Source: Wolfe Utilities & Power Research

Exhibit 4: Gas Power Infrastructure Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth	Payout Ratio
The AES Corporation	AES	$23.70	666	$15,790	15.4x	14.2x	13.2x	12.6x	2.5%	5.0%	39%
NextEra Energy	NEE	77.90	1,962	152,821	30.7x	28.8x	26.7x	N/A	2.0%	9.7%	61%
OGE Energy	OGE	33.75	200	6,756	15.3x	15.9x	15.2x	14.6x	4.7%	5.6%	72%
Sempra	SRE	130.65	319	41,720	16.3x	15.6x	14.8x	N/A	3.5%	8.0%	56%
Average					**19.4x**	**18.6x**	**17.5x**	**13.6x**	**3.2%**	**7.1%**	**57%**
Average Regulated (ex EIX and PCG)					*19.5x*	*18.9x*	*17.8x*	*16.9x*	*3.5%*	*4.5%*	*67%*

Source: Wolfe Utilities & Power Research

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Exhibit 5: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	28.68	193	5,529	11.6x	10.7x	11.1x	11.8x	4.6%
NextEra Energy Partners	NEP	77.53	156	12,095	10.2x	8.6x	8.5x	8.9x	3.4%
Atlantica Yield*	AY	39.76	111	4,405	10.9x	10.1x	9.7x	9.7x	4.3%
Average					**10.9x**	**8.6x**	**8.5x**	**8.9x**	**3.9%**

Source: Wolfe Utilities & Power Research
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 6: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	41.24	245	10,094	9.0x	6.8x	6.1x	N/A	9.1%	16.7%	19.7%	N/A
Vistra Corp	VST	19.15	482	9,231	11.4x	5.1x	5.6x	N/A	4.2%	25.4%	22.4%	N/A
Average					**10.2x**	**5.9x**	**5.9x**	**N/A**	**6.7%**	**21.0%**	**21.1%**	**N/A**

Source: Wolfe Utilities & Power Research

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Group Classifications

Group:
AEE AEP AES ALE AVA CMS CNP CWEN D DTE DUK ED EIX EMA
ES ETR EVRG EXC FE FTS HE IDA LNT NEE NI NRG NWE OGE
PCG PEG PNM PNW POR PPL SO SRE WEC XEL

Large Cap:
AEP D DTE DUK ED EIX ES ETR EXC FE NEE PCG PEG PPL SO SRE
WEC XEL

Mid Cap:
AEE CMS CNP EMA EVRG LNT NI PNW OGE

Small Cap:
ALE AVA EE HE IDA NWE PNM POR

Regulated:
AEE AEP ALE AVA CMS D DUK ED EIX EMA ES ETR EVRG EXC FE
FTS HE IDA LNT NI NWE PCG PEG PNM PNW POR PPL SO WEC XEL

Gas/Power Infrastructure:
AES DTE NEE OGE SRE

IPPs:
NRG VST

YieldCos:
AY NEP CWEN

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WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Overweight
IPPs – Market Weight
Gas/Power Infrastructure – Market Overweight

September 6, 2021

THE UTILITY TRADER

A September to remember, we hope

- **Utilities keeping pace as the bull market keeps chugging; NEE is back!**
  Utilities started strong and then survived another Fed-fueled market rally to eke out a small beat in August. Utilities rose 3.5% slightly ahead of the market's 2.9% rise. The giant has re-awoken; NEE is 20% of the sector and their constructive FL rate deal was a key event for the whole index. Utilities still trail the market by just under 1200bps YTD. Technicals looks great for the sector as it finally eclipsed the early 2020 high. But utilities likely need some market pullback for sustained outperformance. Playing defense is most valuable when no one else is doing it; we continue to be bullish utilities here.

- **We initiate on Clean Energy sector; reiterate NEE, AES, NEP/CWEN**
  Alongside our new coverage of the Clean Energy sector (link to note here), we highlighted NEE, AES, and NEP/CWEN as some of the best ways to play the space. NEE is the blue-chip play on renewables and storage and we think has a great pulse on what the next scale opportunities will be. AES is the "value" play in Clean Energy (not easy to find) as the company aggressively transitions its business mix to renewables/utilities with a free option on its incubator of new clean businesses. Both can be viewed as better risk/reward plays for green hydrogen which would require a massive expansion of the current renewables market. Finally, we better appreciate the Yieldcos NEP and CWEN as low-risk way to play Clean Energy with highly visible double-digit total returns alongside their leading sponsor companies.

- **Analyst Day hell week – EVRG, CNP, PEG - followed by our Wolfe Conference**
  We are hoping for a heavenly Analyst Day hell week – EVRG on 9/21, CNP on 9/23, PEG on 9/27. These are 3 of our top picks. EVRG, CNP are new management teams laying out their refreshed stories whereas PEG is highlighting their new regulated focus post their fossil plant sale. Ironically, EVRG has performed best going into this even though they have talked the least about it. We expect to hear new mgmt's version of the STP plan and their LT strategy to transition EVRG's fleet. CNP stock has pulled back and sets up well into the A.D. where we expect better color on deploying their $1B+ of extra cash proceeds into new ratebase plus their ESG vision and LT capital plan. We see upward bias to numbers for both EVRG, CNP. Finally, PEG owes us a baseline for earnings post asset sales (2022) and hopefully a LT growth rate for the first time (we project 5-7%) as well as their ESG cred as a no-coal utility with offshore wind. Finally, we wrap up the month with our Wolfe Utilities, Midstream and Clean Energy Conference (link to register here), hope you can join!

- **EXC one last chance; ES and D regulatory updates; NI good value here**
  The definition of insanity: 1) trying to pass a law in IL and 2) letting half of the state's current zero-carbon energy shut due to the future of a coal plant by 2045. One last chance this week for IL to pass a bill before Byron shuts on 9/13; we remain cautiously optimistic. ES gets a draft decision in its CT interim rate case on 9/15 unless they can achieve a settlement before then. D will finally get staff and intervenor recommendations in the VA triennial review on 9/17 – we expect them to be cautious but maybe the stock can move past this overhang once that event is over. No catalysts but NI stock is back near relative lows and is an attractive value here.

Source for all exhibits in this report: FactSet, Wolfe Research; prices as of 8/31/21

Ex 1: 2021 Income Sectors Perf

Sector	2021 Performance
XLE Index	27.7%
REIT Index (FNER)	27.1%
MLP Index (AMZ)	27.0%
S&P 500	20.4%
S&P Pharma	15.3%
WR IPP Index	9.4%
S&P Utility	**8.7%**
S&P Consumer Staples	7.4%
WR YieldCo Index	5.5%
Wolfe GREEN Basket	**4.2%**
S&P Telecom	(3.8%)

Source: FactSet, Wolfe Research

Ex 2: 2021 Utilities Perf

Company	Ticker	YTD Perf
Top 10	**Top 10**	
FirstEnergy	FE	27.0%
Evergy	EVRG	23.3%
Hawaiian Electric	HE	23.2%
NRG Energy	NRG	21.6%
Avangrid	AGR	20.2%
Portland General	POR	20.1%
NextEra Energy Partners	NEP	19.2%
American Water	AWK	18.8%
Alliant Energy	LNT	18.0%
DTE Energy	DTE	16.5%
Bottom 10	**Bottom 10**	
Xcel Energy	XEL	3.1%
WEC Energy Group	WEC	2.7%
PNM Resources	PNM	2.0%
AES Corp.	AES	1.6%
Atlantica Yield	AY	(1.0%)
Clearway Energy	CWEN	(1.7%)
Vistra Energy	VST	(2.9%)
Pinnacle West Cap	PNW	(3.8%)
Edison Intl	EIX	(7.9%)
PG&E Corp.	PCG	(26.4%)

Source: FactSet, Wolfe Research

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9/6/2021

WOLFE RESEARCH

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9/6/2021

WOLFE RESEARCH

S&P Utility Index vs Market

Utilities outperformed the S&P 500 by 60bps in August and now trail by 1170bps YTD. Utilities started strong and then survived another market rally fueled by the Fed to scrape out a small beat in August. NEE comprises 20% of the sector and their constructive rate deal in FL was a key driver for the whole index. From a technical point of view, utilities look strong as the sector finally surpassed the early 2020 high in the month.

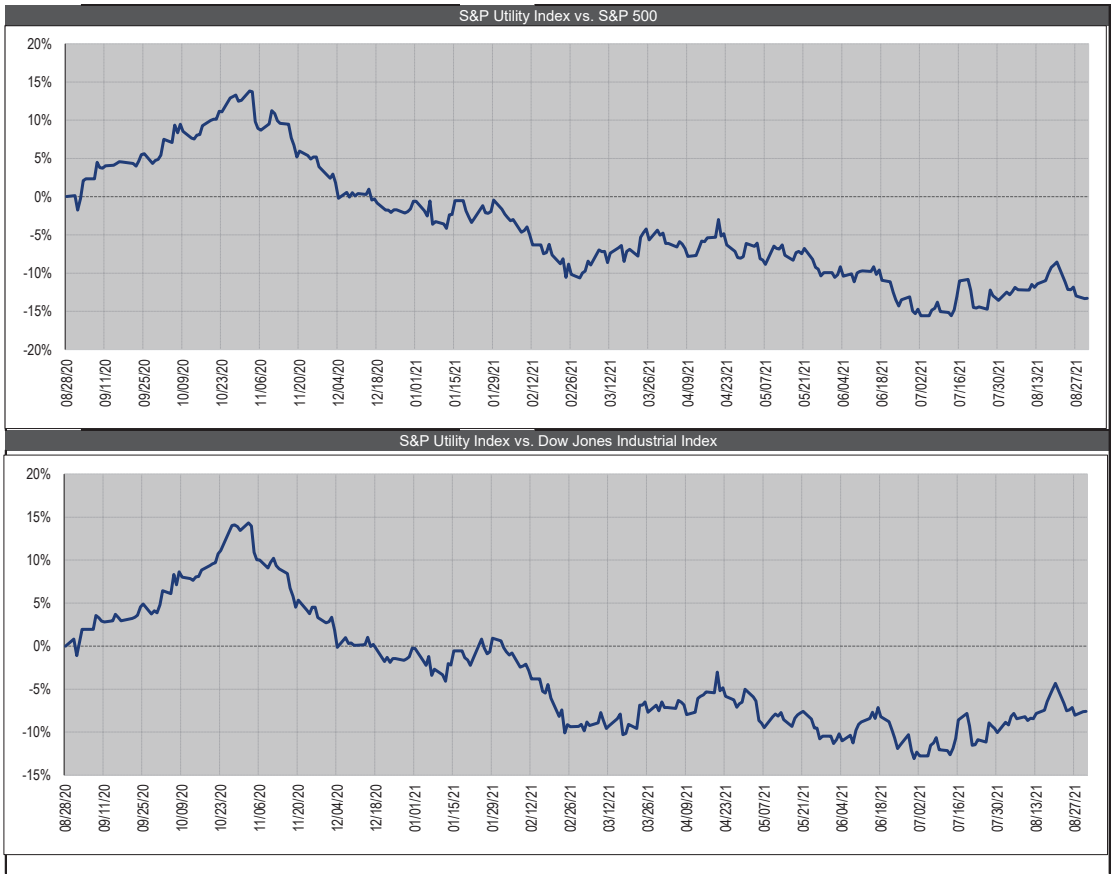

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9/6/2021

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Utilities vs Other Sectors

In August, Utilities (+3.5%) outperformed S&P Pharma (+2.3%), Consumer Staples (+1.3%), and Telecom (-2.6%).

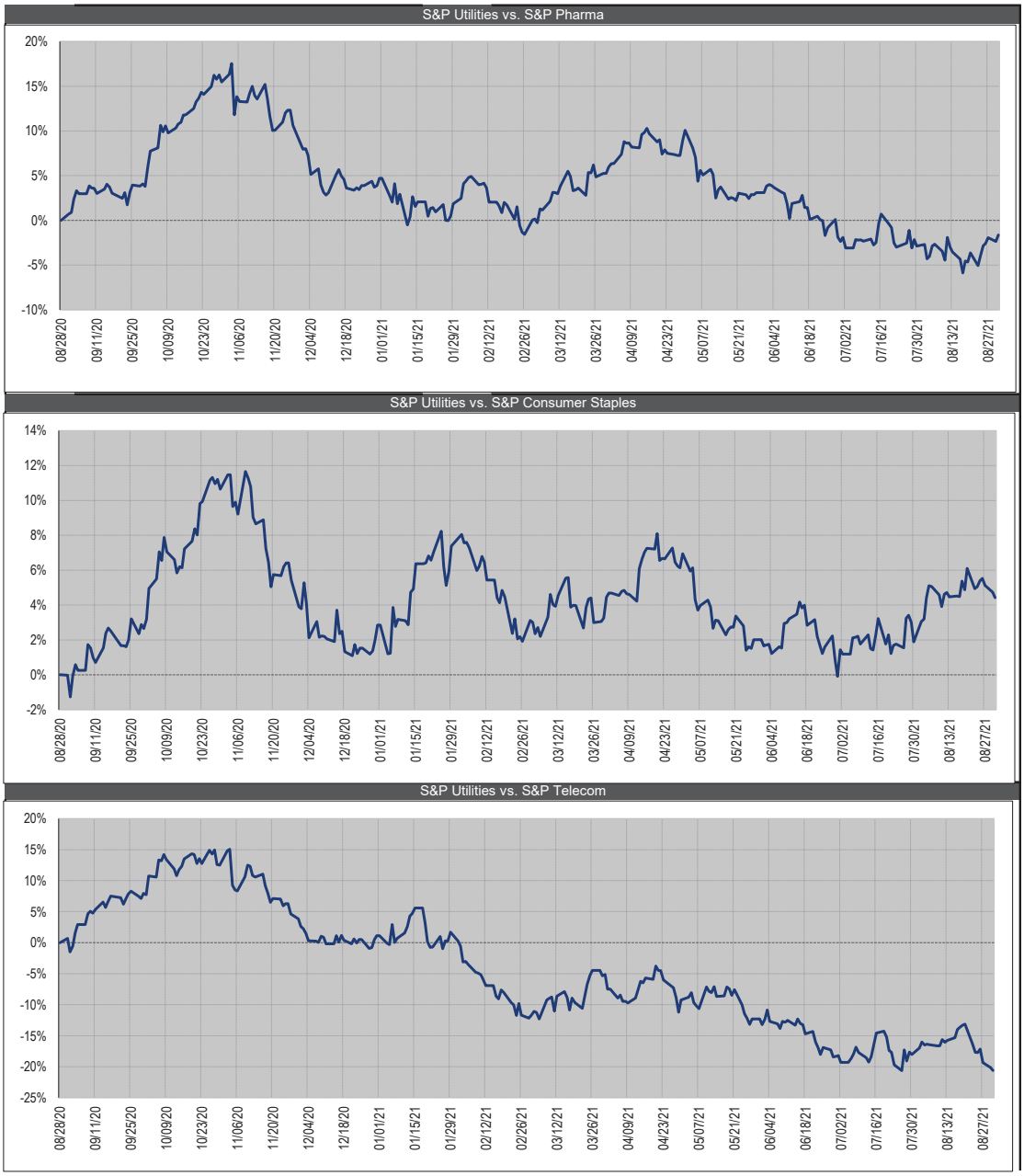

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Utilities vs Other Sectors continued

The AMZ Index (-3.4%) and Wolfe C-corp Basket (-0.8%) both underperformed the S&P 500 (+2.9%) in August, marking the second consecutive month of 2021 where the midstream group underperformed the market. We attribute this underperformance to a weakness in commodity prices in the month, as the midstream group, along with the broader energy group, lagged the market. WTI Crude Oil ended the month at $68.51/bbl, down 7.2%, from $73.81 at the start of August. Similarly, Brent Crude Oil ended August down 5.0%, at $71.63, from $75.41 at the start of the month. REITs (+2.0%) underperformed the S&P 500 (+2.9%) in August, but continue to be one of the best-performing income sectors in 2021 (+27.1% YTD).

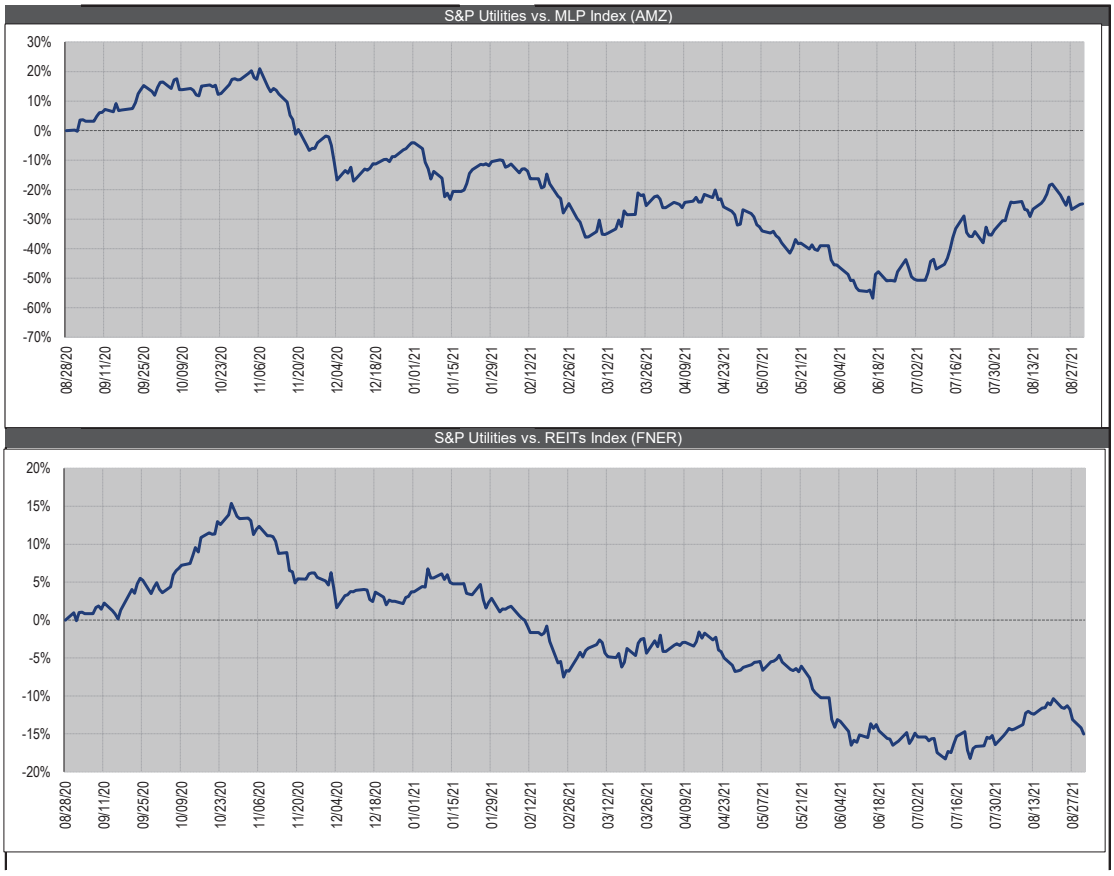

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9/6/2021

WOLFE RESEARCH

Month to Date and Year to Date performance of income sectors

The IPPs led the way in August, rising 5.2%, driven by NRG's strong rally on pointing to a resumption in buybacks later this year. Within the income sectors, Utilities performed well as NEE's (20% of the sector) constructive FL rate deal was a key driver was the whole index. While Midstream, Telecom, and Consumer Staples are at the bottom of the board for August, Telecom, the YieldCos, and Consumer Staples occupy the bottom positions YTD. The defensive sectors (Telecom, Consumer Staples, and Utilities) remain laggards for 2021.

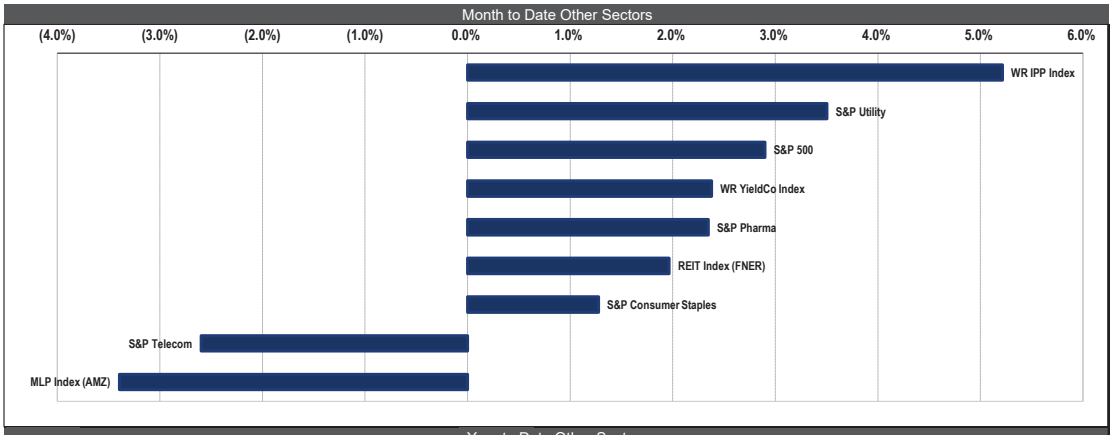

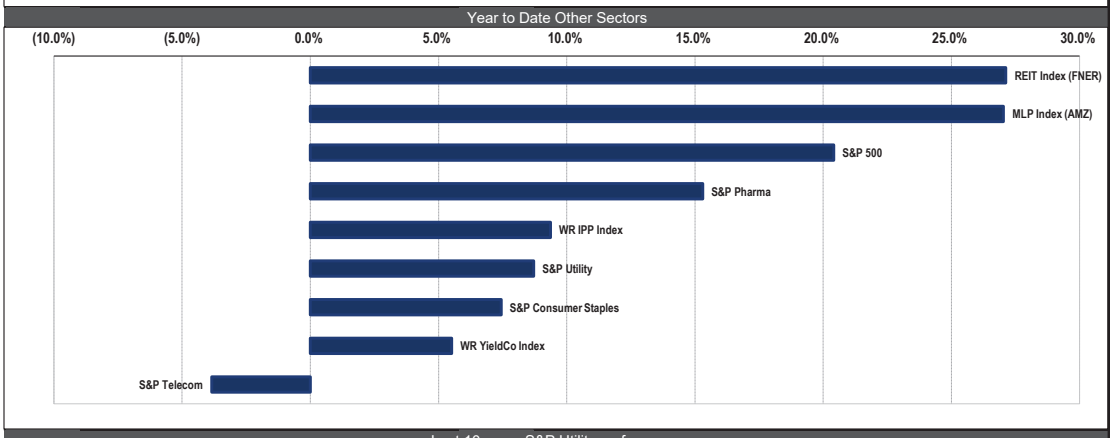

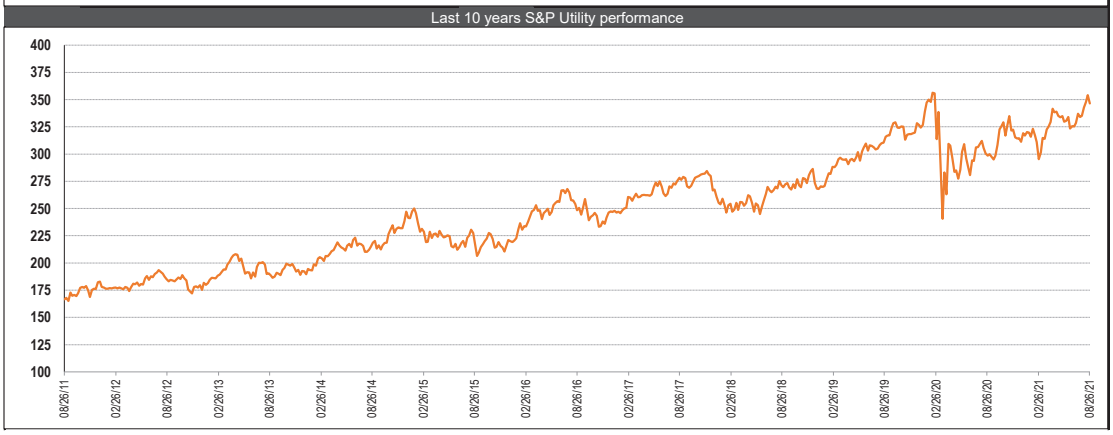

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9/6/2021

WOLFE RESEARCH

Month to Date performance of Utilities Group

NRG was the top-performer in the sector in August as the company reported an in-line Q2 and reaffirmed guidance, while pointing to a resumption in buybacks later this year. CWEN also outperformed in August as the company reported a solid Q2 and confirmed that it is exploring a sale of its attractively valued thermal business that would recycle capital and provide funding for new growth. NEE was an outperformer in August as it continued its strong bounce off relative lows set in mid-June, with the company reaching a constructive settlement with key parties in its Florida rate case. PNW was the worst-performer in August after an unfavorable ALJ recommendation in APS' longstanding rate case, leading to a $0.75-$0.80 potential decline in EPS, which represents a ~15% earnings risk vs then consensus. CNP also lagged in August maybe due to some profit taking given strong performance YTD and ENBL/ET being weak in the month, alongside energy generally. NI's underperformance was tied to weakness seen across the LDC space.

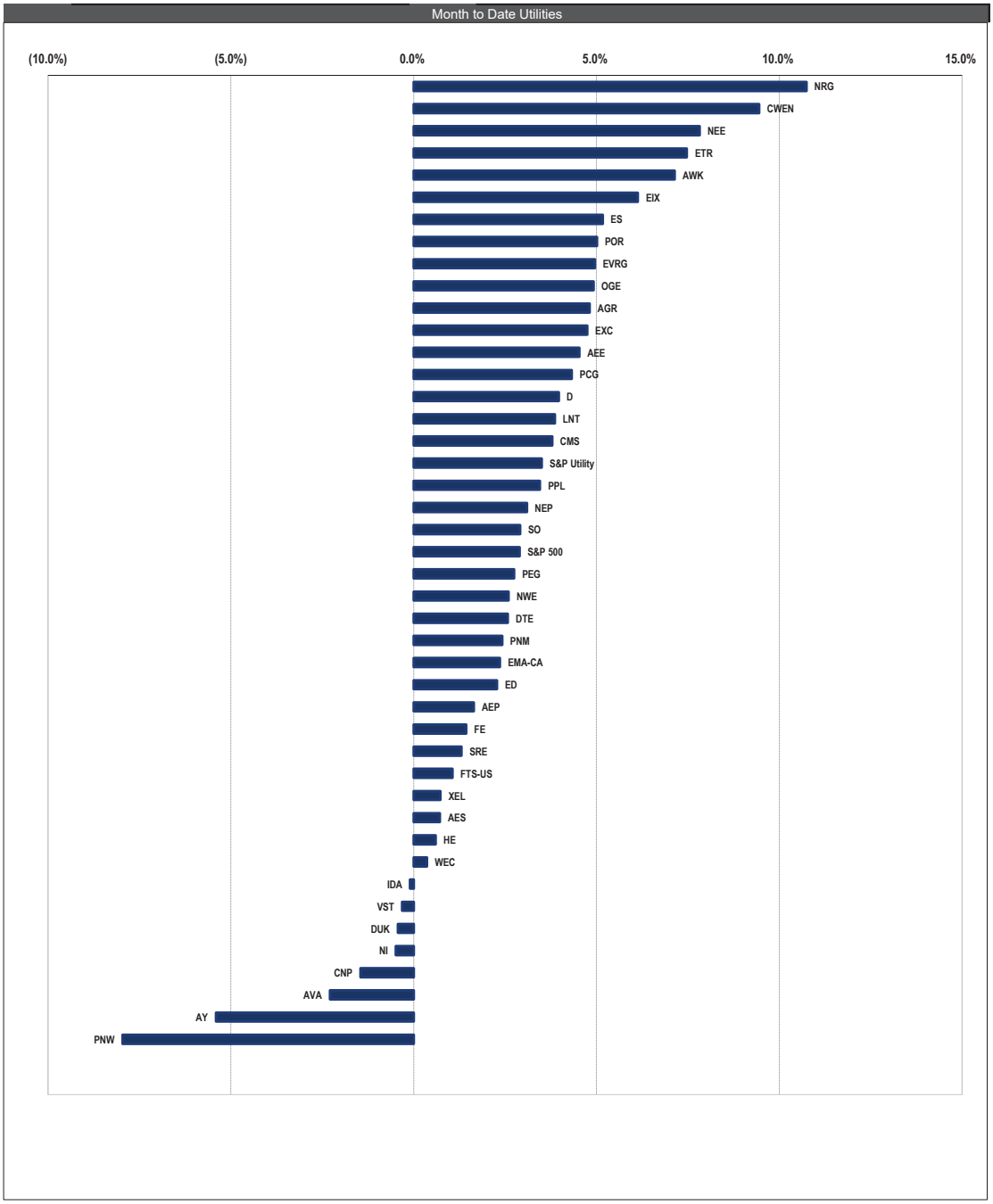

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9/6/2021

WOLFE RESEARCH

Year to Date performance of Utilities Group

FE maintained the top spot YTD. FE began its march higher earlier this year after it was revealed that activist Carl Icahn had taken a stake in the company. EVRG is now the second best for 2021 as anticipation continues to build for the September Analyst Day after the company reported a Q2 EPS beat and noted that 2021 guidance is tracking to the top-half. HE remains a top performer as small caps, generally, have fared well in 2021. PCG remains the worst performer YTD. Sentiment on both CA utilities (EIX too) remains negative mostly due to wildfire risk overhang. PNW is now a worst-performer YTD came after an unfavorable ALJ recommendation in APS' longstanding rate case.

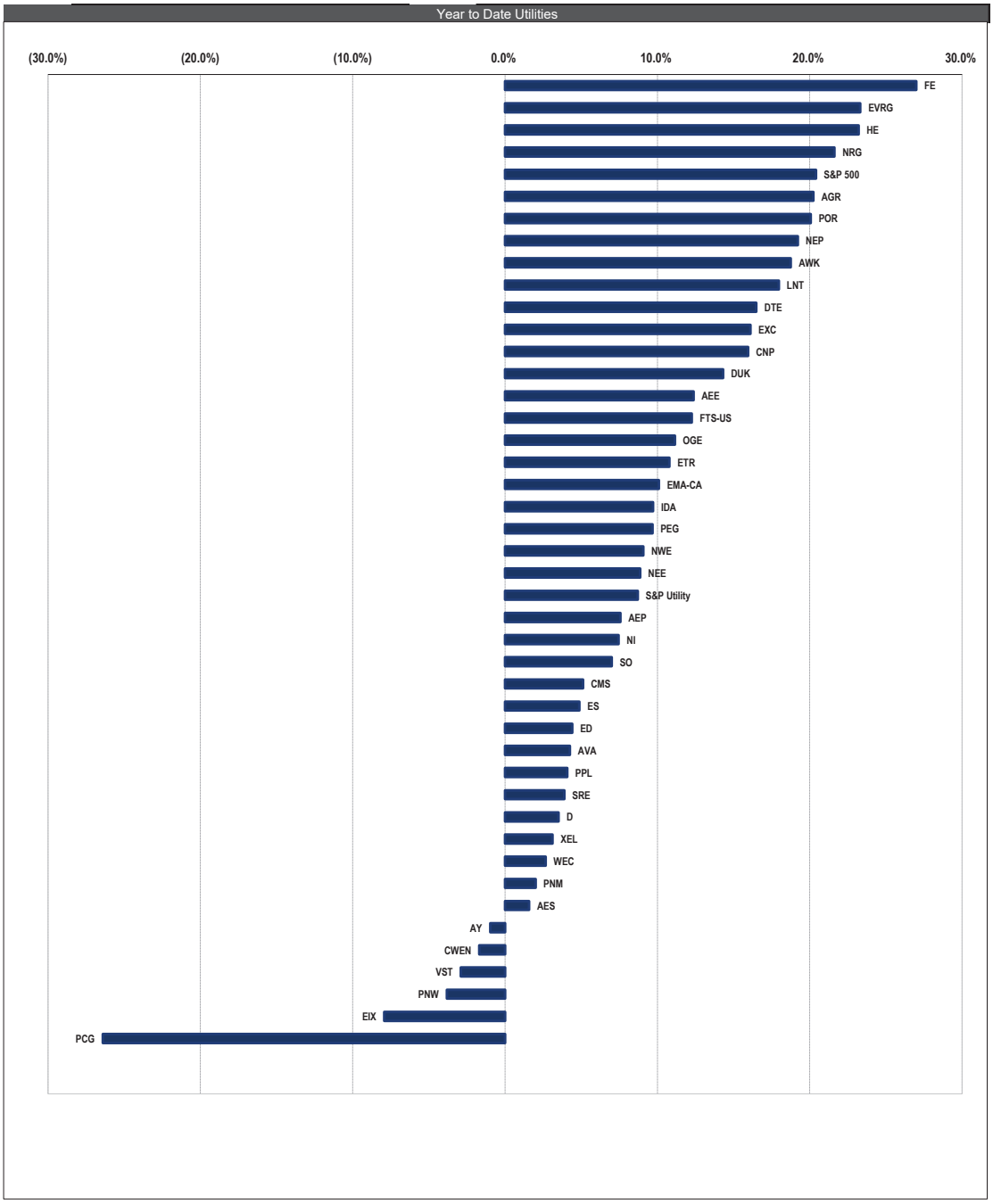

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9/6/2021

WOLFE RESEARCH

Month to Date performance of Regulated Utilities

Despite the impact of Hurricane Ida, ETR was the top-performer in August after mgmt. raised guidance through 2023 on lower equity needs and potentially more investments. AWK was an outperformer in August on no notable news, with the Q2 print being pretty uneventful, in our view. EIX hit 52-week relative lows in early August, but outperformed in the month after the CPUC approved higher rate base than the initial recommendation and the state found no evidence to pursue charges against the company for the 2018 Woolsey fire. PNW was the worst-performer in August after an unfavorable ALJ recommendation in APS' longstanding rate case, leading to a $0.75-$0.80 potential decline in EPS, which represents a ~15% earnings risk vs then consensus. CNP also lagged in August maybe due to some profit taking given strong performance YTD and ENBL/ET being weak in the month, alongside energy generally. NI's underperformance was tied to weakness seen across the LDC space.

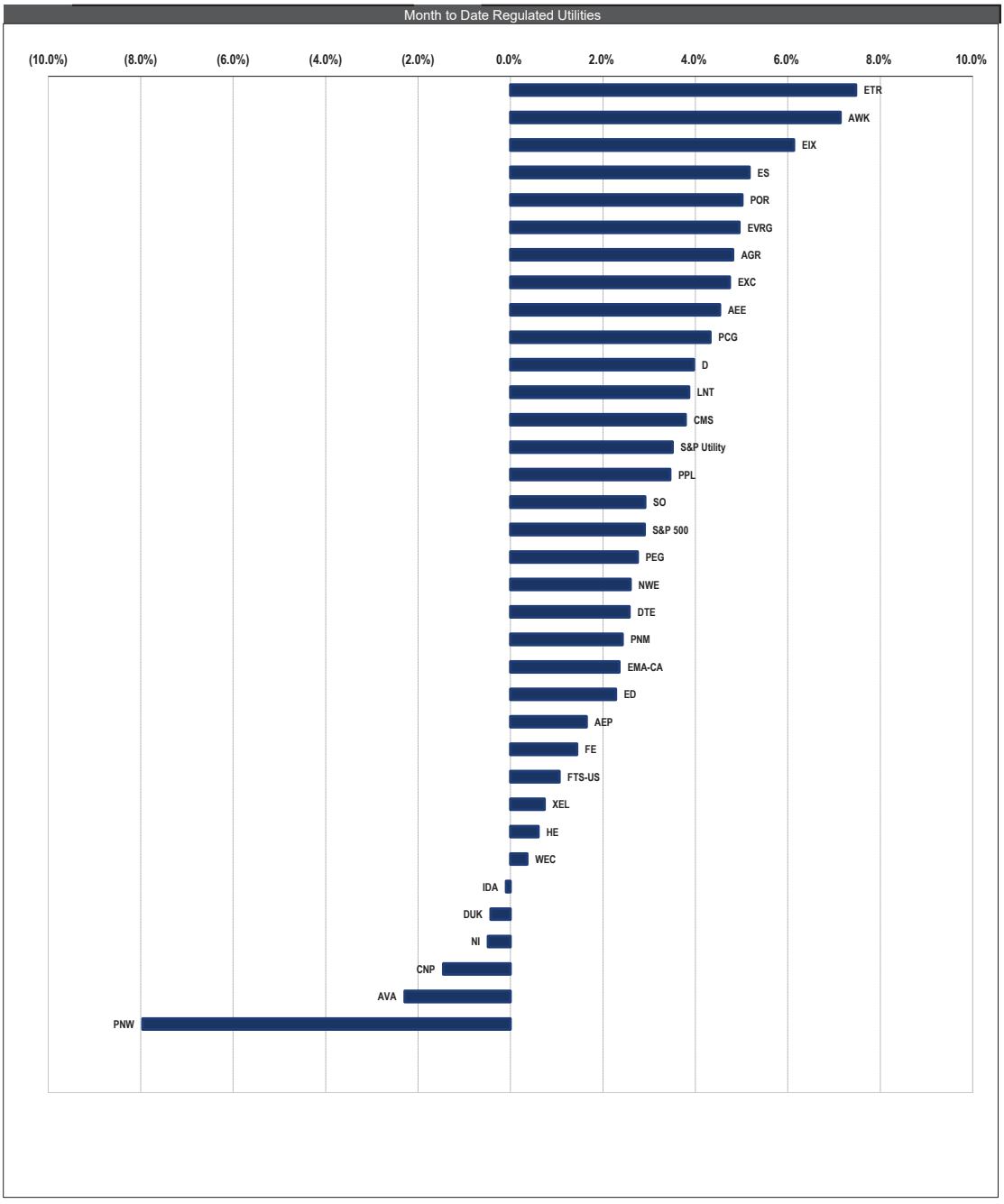

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9/6/2021

WOLFE RESEARCH

Year to Date performance of Regulated Utilities

FE maintained the top spot YTD. FE began its march higher earlier this year after it was revealed that activist Carl Icahn had taken a stake in the company. EVRG is now in second position for 2021 as anticipation continues to build for the September Analyst Day after the company reported a Q2 EPS beat and noted that 2021 guidance is tracking to the top-half. HE remains a top performer – some of this was on HE being named a new candidate for the ICLN index in March as well as a potential unwind of some short positions earlier in the year. The California utilities, PCG and EIX, continue to trail mostly because of wildfire risk overhang. PNW is now a bottom-performer after an unfavorable ALJ recommendation in APS' longstanding rate case, leading to a $0.75-$0.80 potential decline in EPS, which represents a ~15% earnings risk vs then consensus.

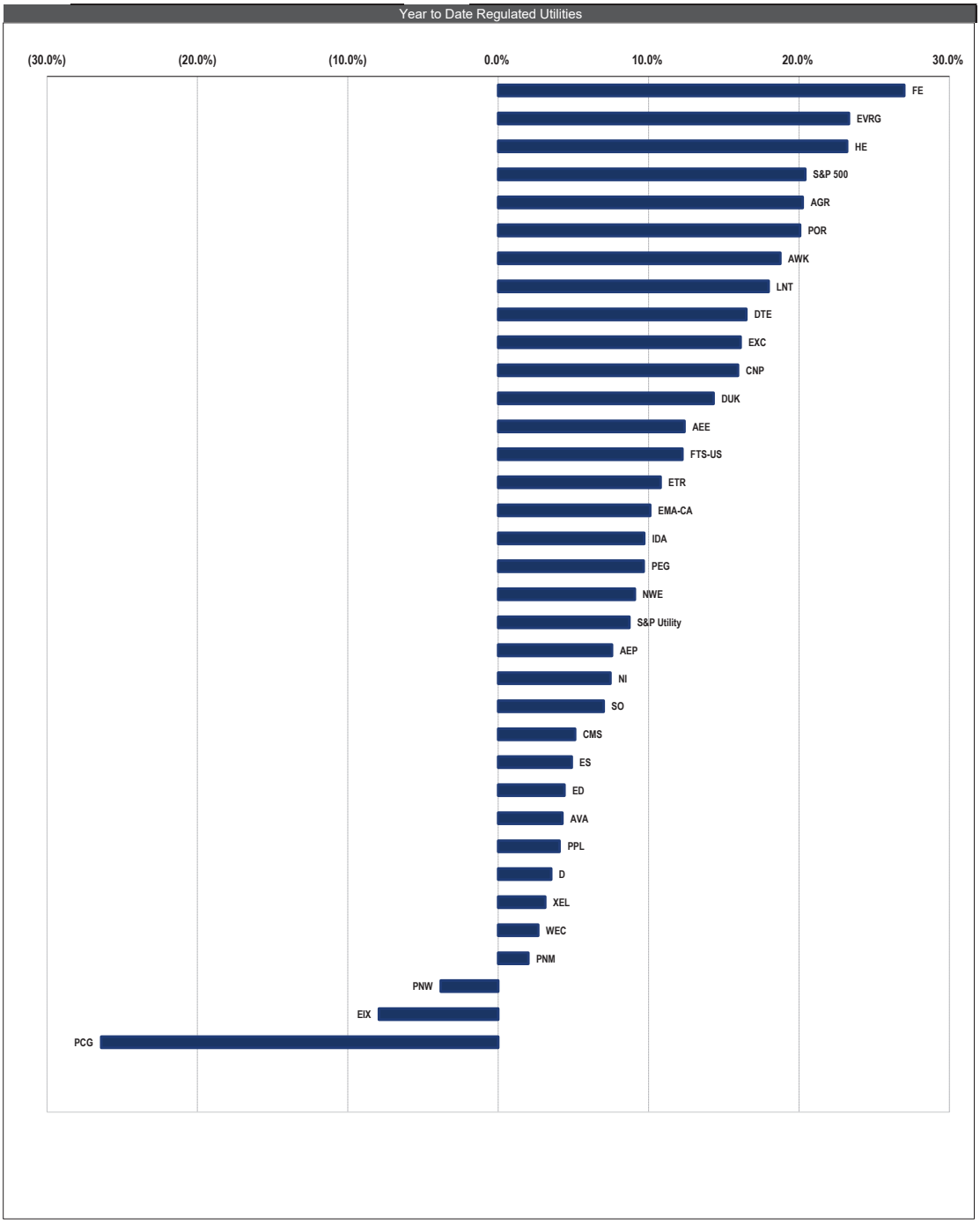

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WOLFE RESEARCH

Month to Date and Year to Date performance of Gas/Power Infrastructure

NEE was the top-performer in August as it continued its strong rally off relative lows set in mid-June, with the company reaching a constructive settlement with key parties in its Florida rate case. AES was the worst-performer in August, on no fundamental news that would explain the recent stock weakness. OGE remains the top-performer YTD as the company filed its draft IRP in OK/AR in August, with any incremental capex out of the IRPs providing upside to OGE's current capex plan. Notably, NEE is now no longer trailing the utilities index on the year. AES remains the bottom-performer YTD despite Q2 results being ahead of consensus and the company being well on track for the FY on renewable originations/PPAs.

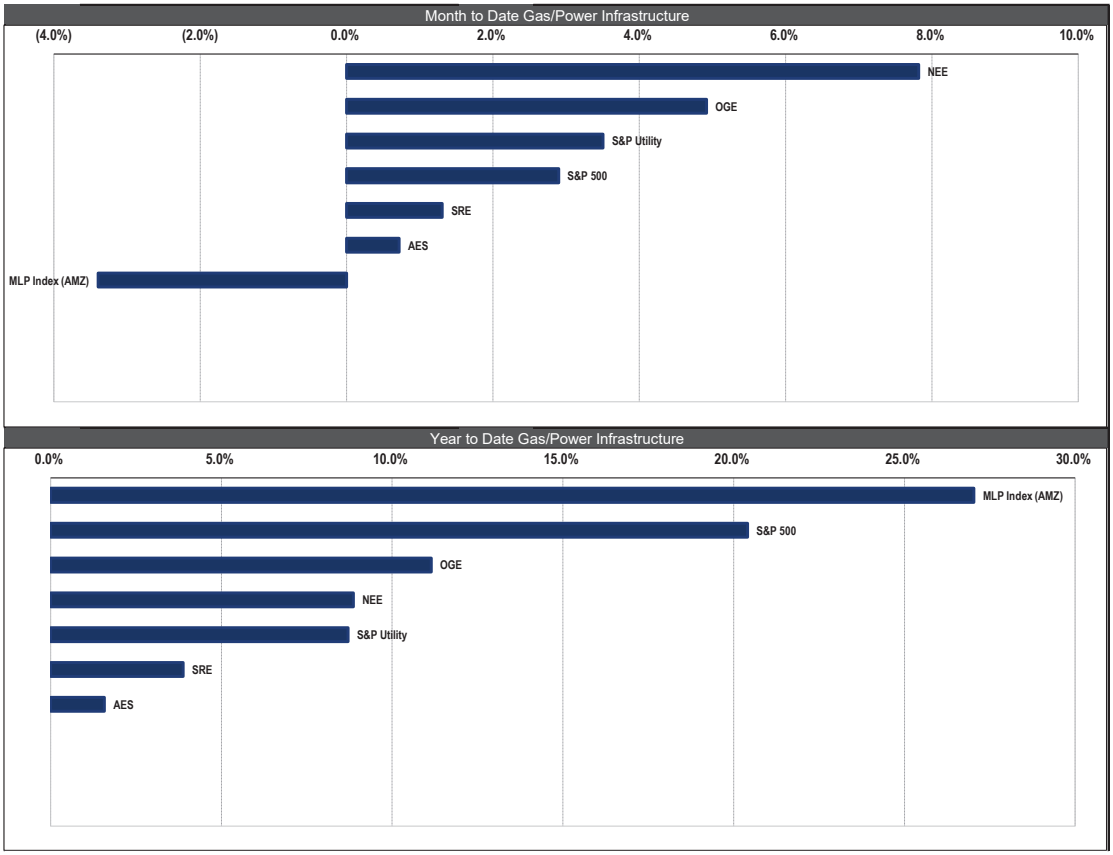

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9/6/2021

WOLFE RESEARCH

Month to Date and Year to Date performance of IPPs

NRG significantly outperformed both the market and the broader utilities sector in August as the company reported an in-line Q2 and reaffirmed guidance, while pointing to a resumption in buybacks later this year. VST underperformed both the S&P 500 and the broader utilities group in August and remains considerably lagging behind them as the company gave a first look at 2022 EBITDA that matched consensus and was lower than our estimates, but used lower power curves. Notably, NRG is now leading the S&P 500 on the year.

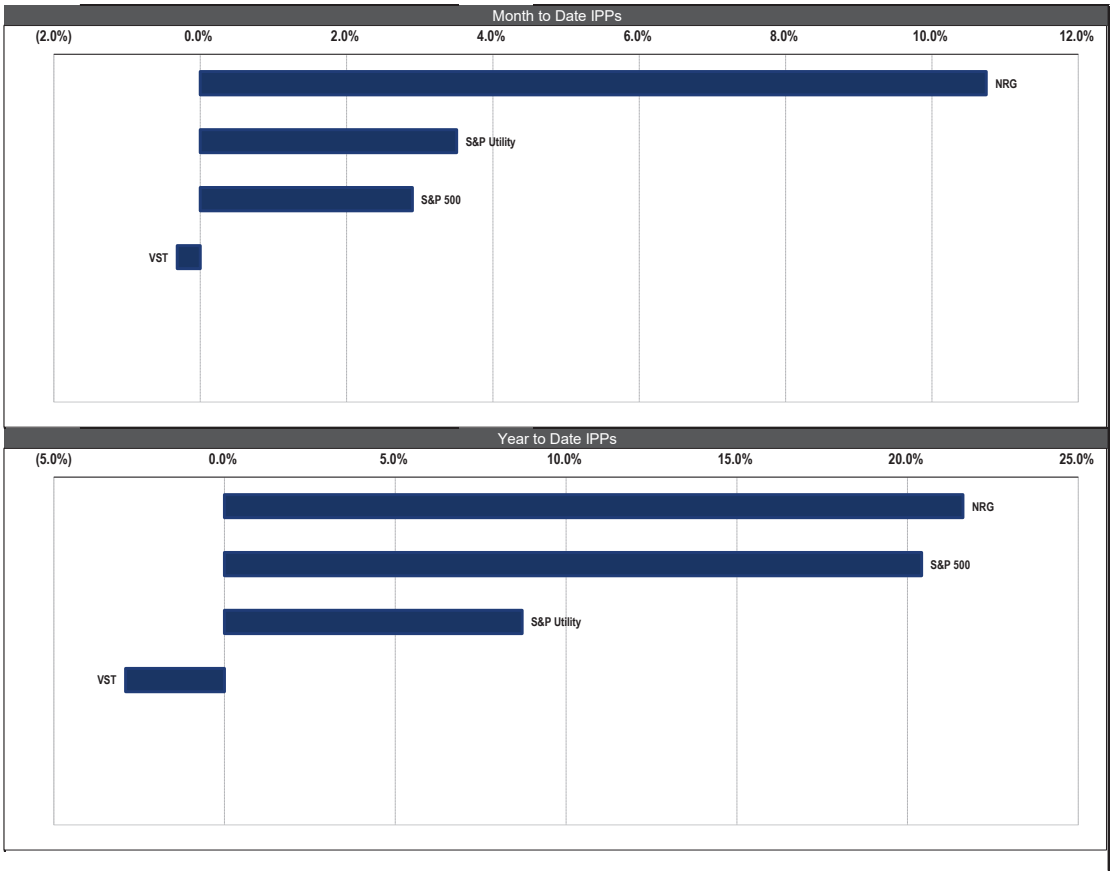

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WOLFE RESEARCH

Month to Date and Year to Date performance of YieldCos

The YieldCos traded slightly behind the market in August with AY substantially underperforming both the broader utilities sector and the S&P 500, and the YieldCos are still lagging the market YTD. CWEN sizably outperformed both the broader utilities group and the market in August, and narrowed its YTD trailing margin, with the company strongly bouncing after it reported a solid Q2 and confirmed that it is exploring a sale of its attractively valued thermal business that would recycle capital and provide funding for new growth. NEP traded in-line with the broader utilities sector in August, but is still outperforming on the year, with the company closing the previously announced Brookfield acquisition during the month.

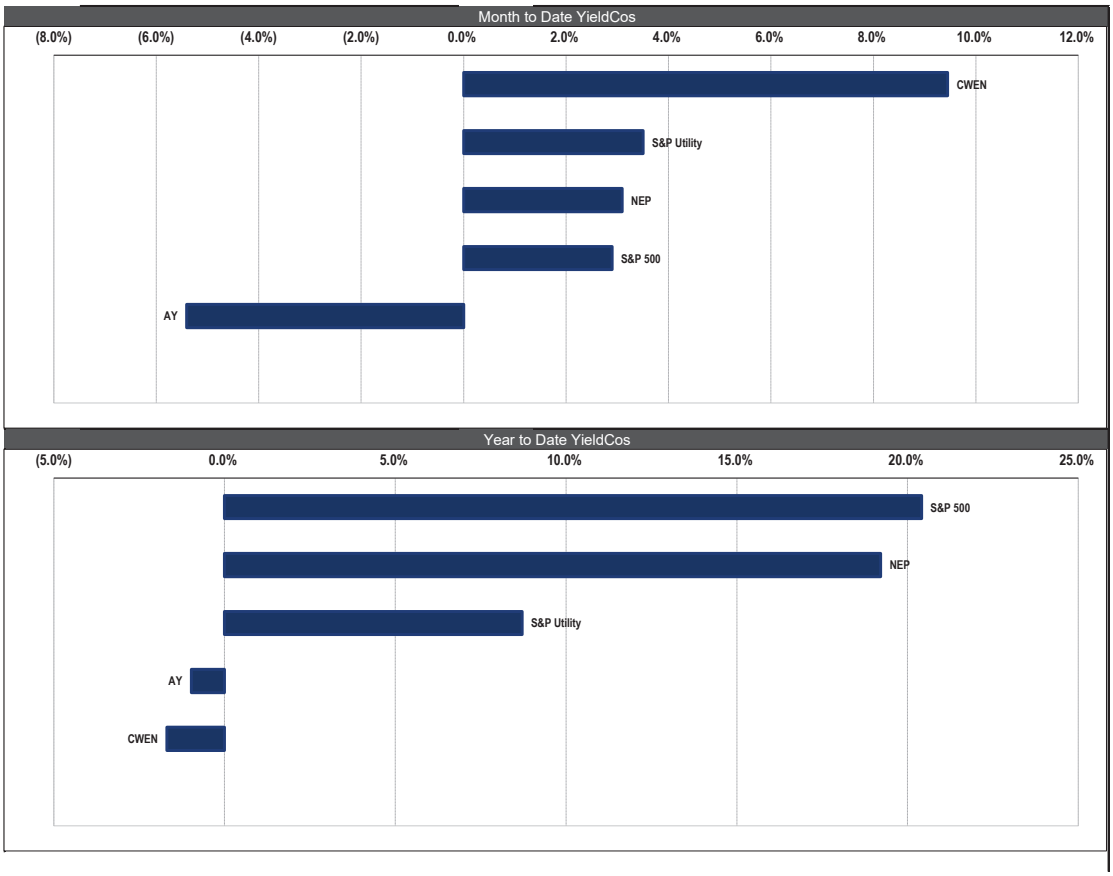

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9/6/2021

WOLFE RESEARCH

Utilities Performance by Market Cap

- Large-caps overperformed the utility average in August, led up by NEE (+7.8%) and ETR (+7.5%).
- Mid-caps underperformed the group average in August, led down by PNW (-8.0%) and CNP (-1.5%).
- Small-caps underperformed the group average in August, led down by AVA (-2.3%) and IDA (-0.1%).

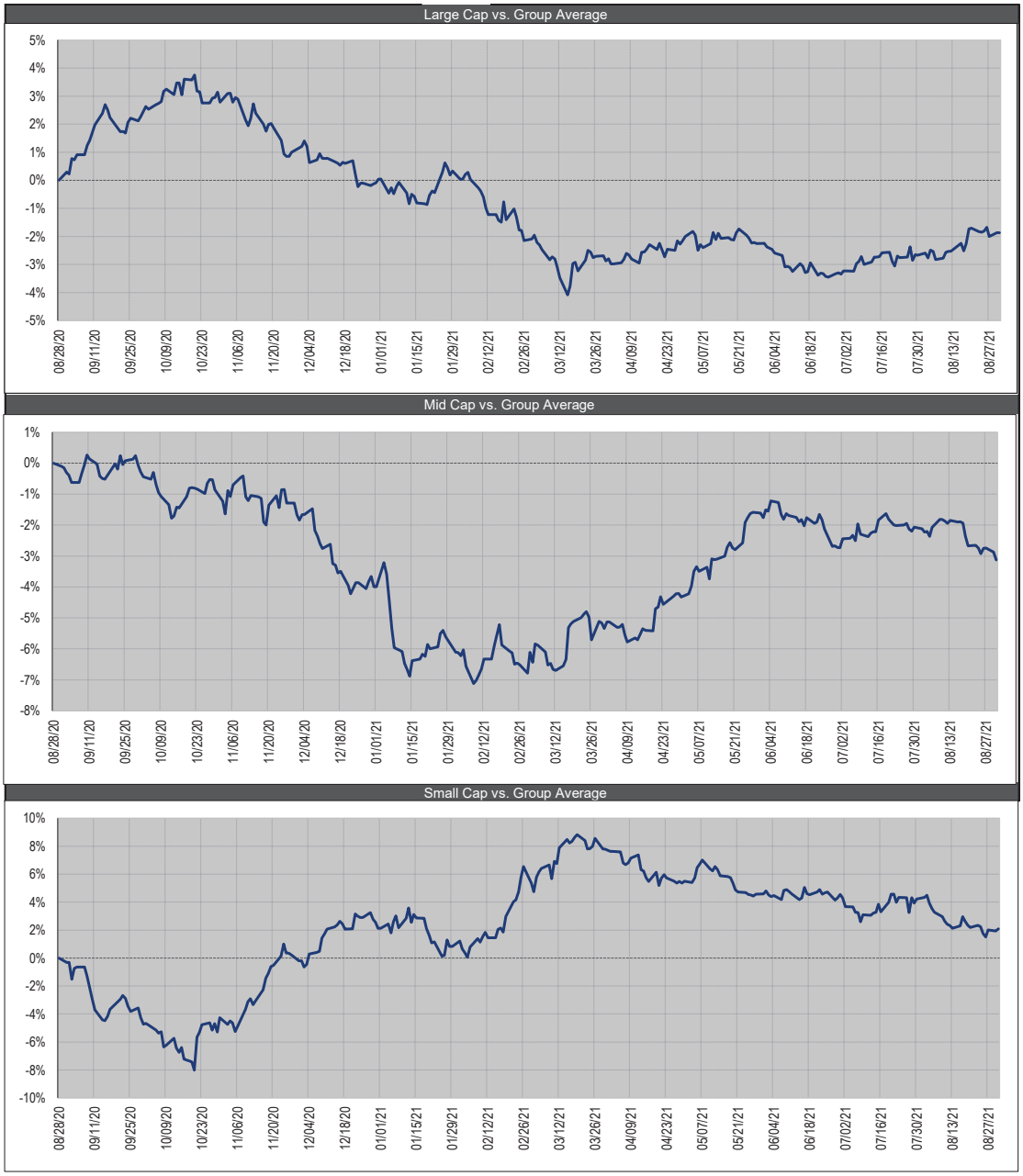

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9/6/2021

WOLFE RESEARCH

Utilities Performance by Segment

- Regulateds slightly underperformed the utility average in August, led down by PNW (-8.0%) and AVA (-2.3%).
- IPPs outperformed the group average in August, led up by NRG (+10.7%).

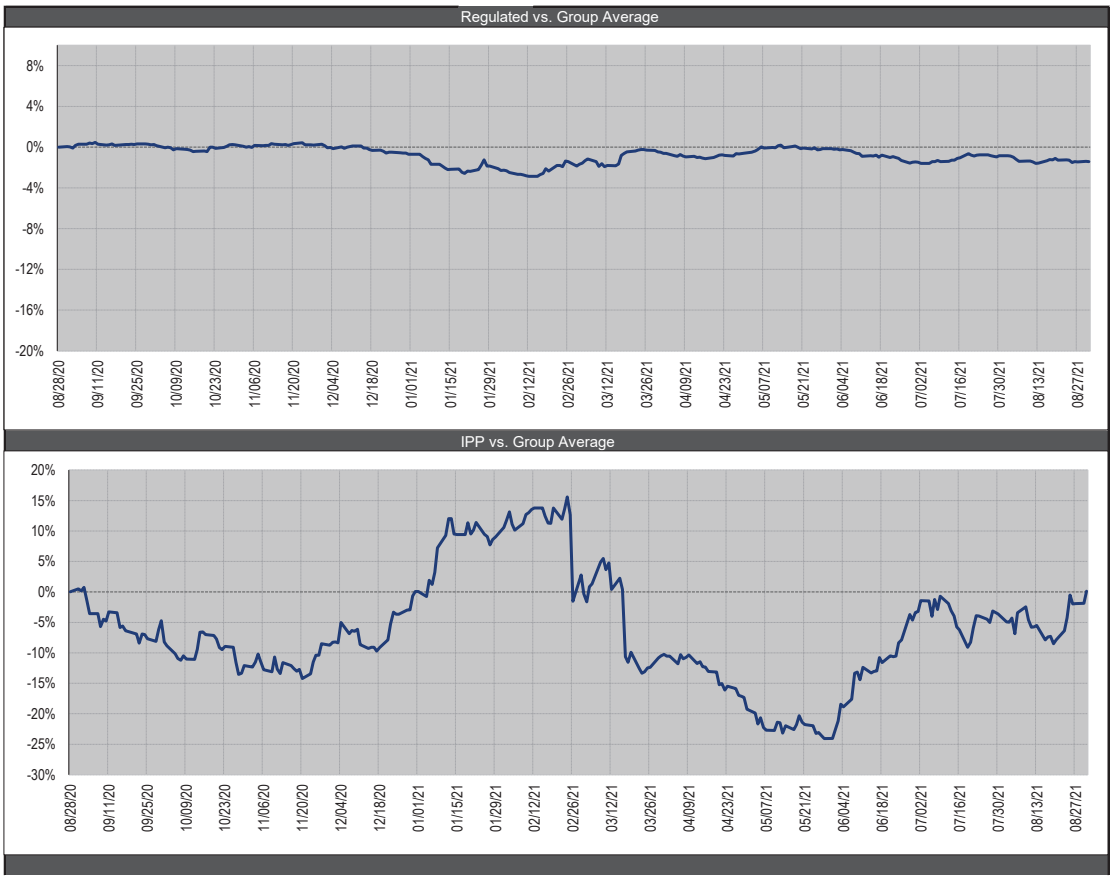

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9/6/2021

WOLFE RESEARCH

Atlantica Yield (AY) $37.61, NR

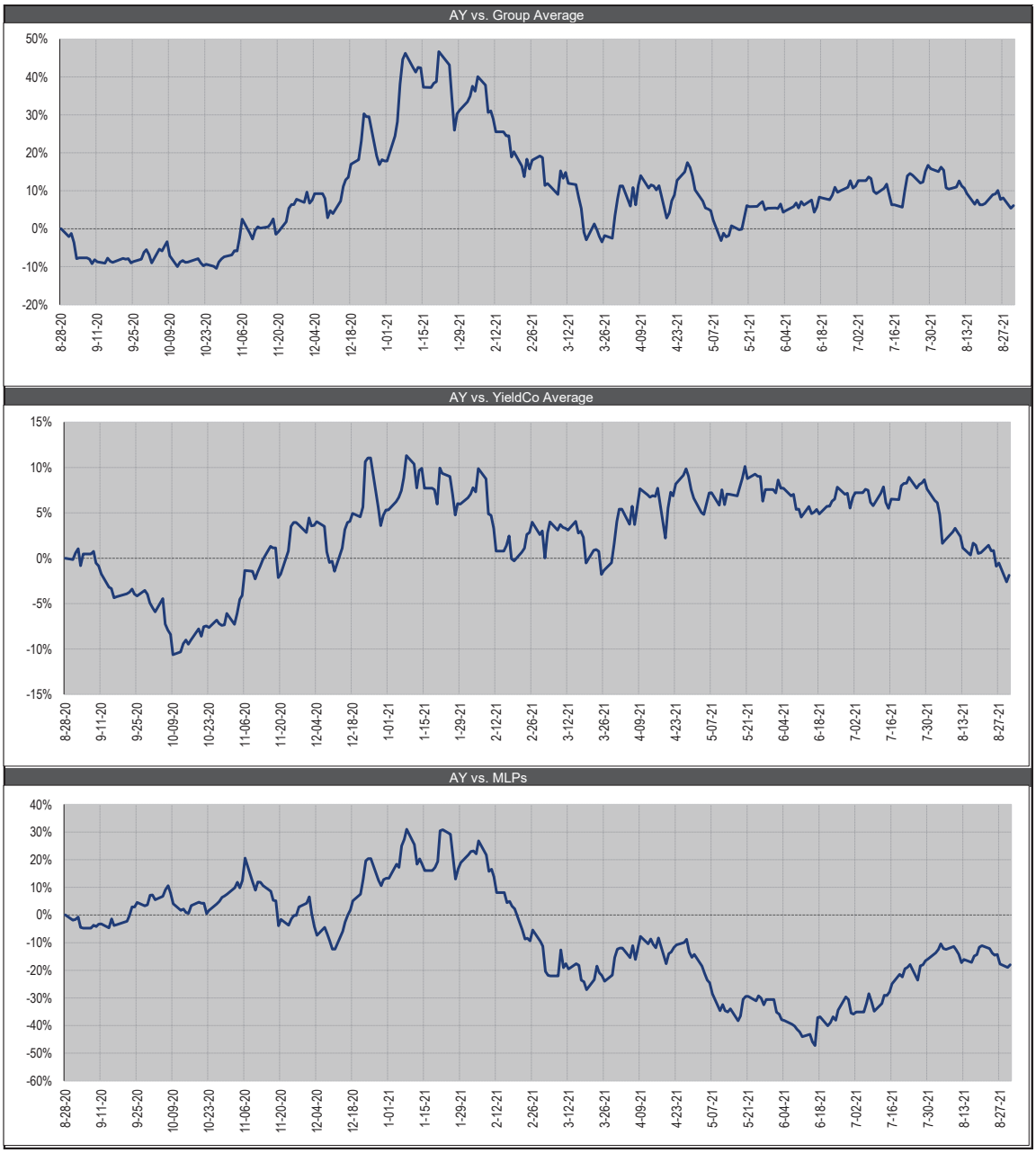

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9/6/2021

WOLFE RESEARCH

Ameren (AEE) $87.72, Outperform, $90 PT

AEE outperformed peers possibly on a Q2 beat and potential IL legislation, and despite a MO court ruling on environmental retrofits.

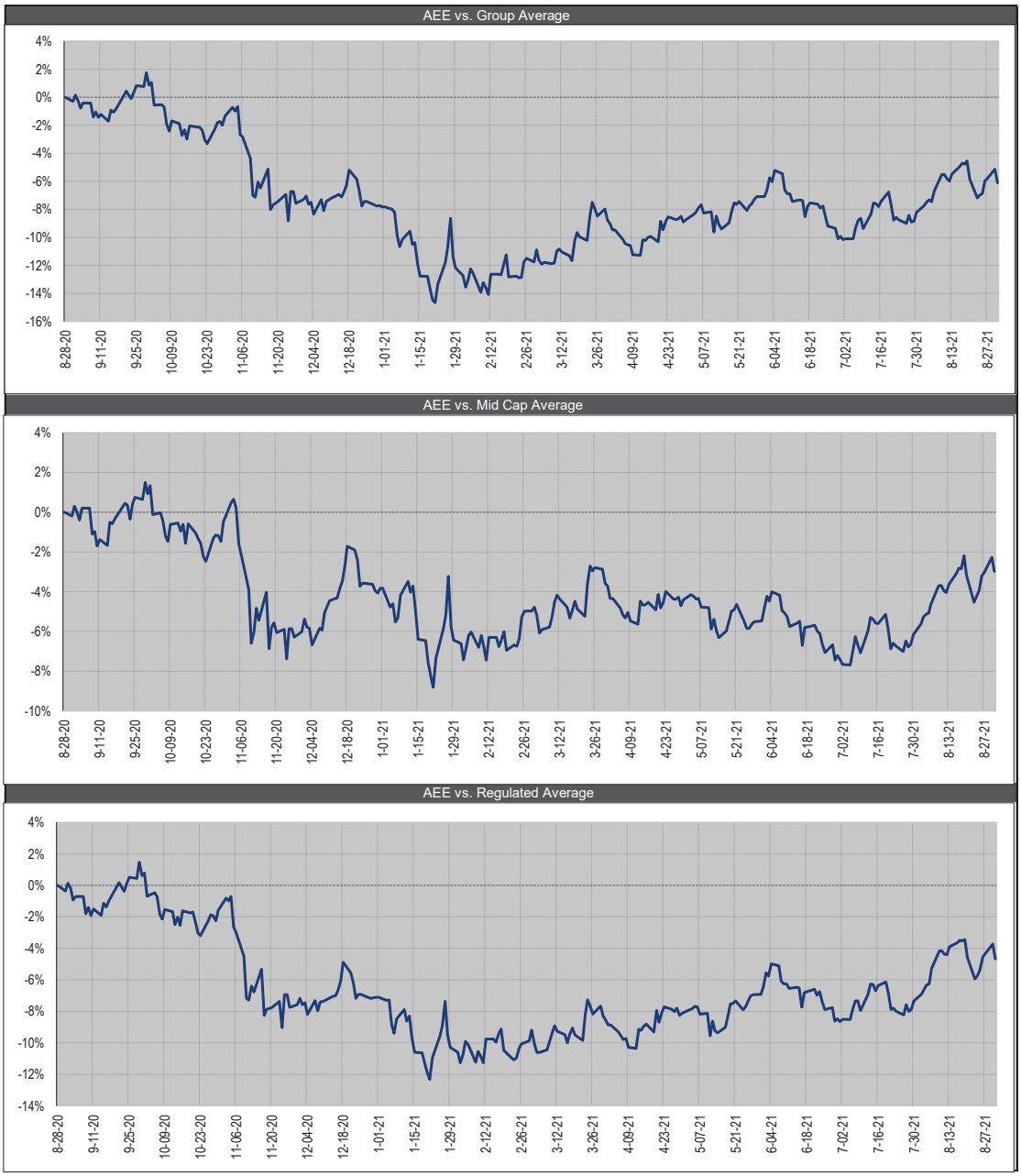

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9/6/2021

WOLFE RESEARCH

American Electric Power (AEP) $89.57, Peer Perform, $93 PT

AEP underperformed in Aug but largely before an unfavorable TX Appeals court ruling that had a modest headwind.

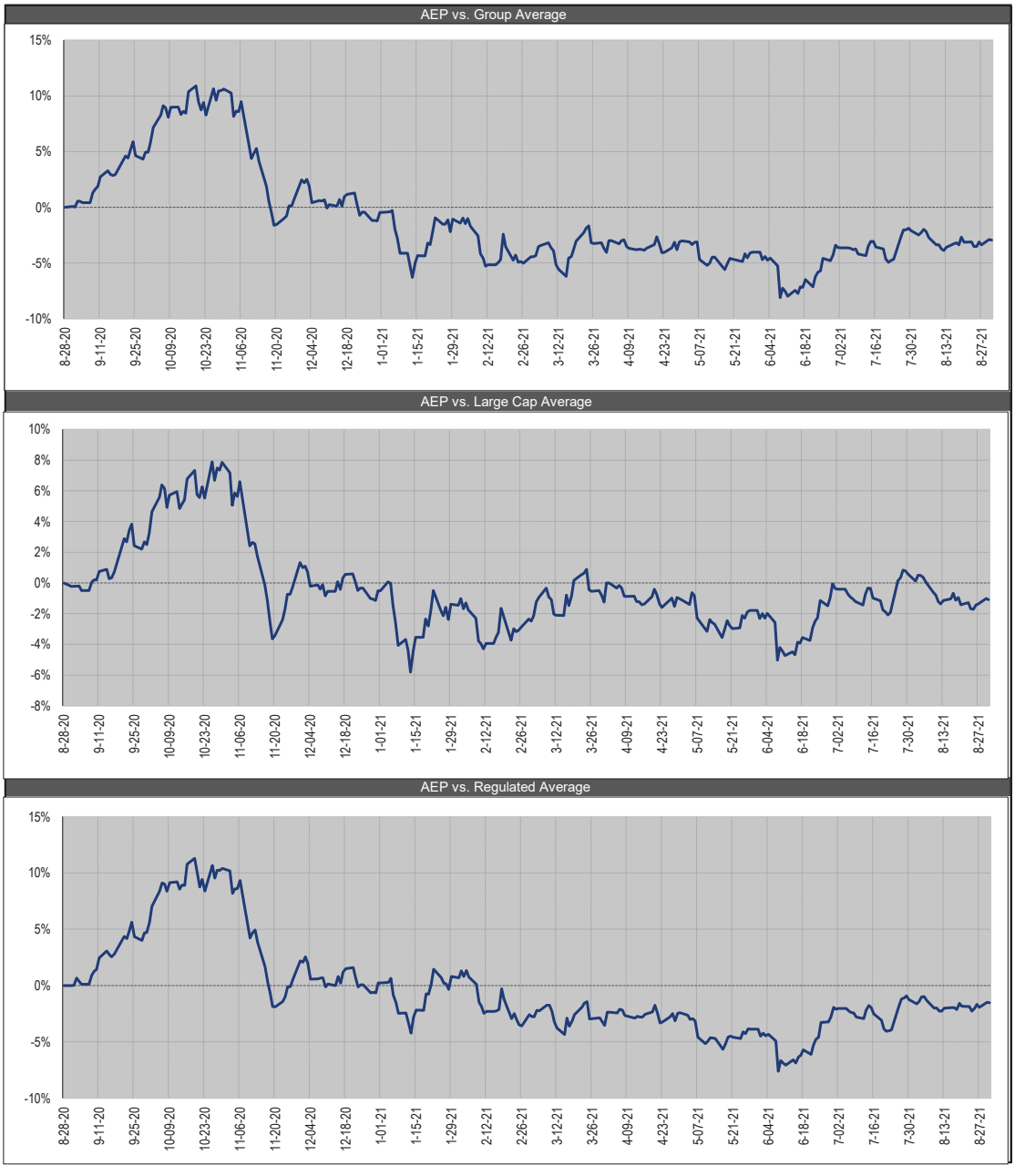

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9/6/2021

WOLFE RESEARCH

AES Corporation (AES) $23.87, Outperform, $29 PT

AES underperformed the utilities index by nearly 300bps in August, continuing its weak performance from the month prior. We haven't seen any fundamental news that would explain the recent stock weakness – Q2 results were ahead of cons and the company is well on track for the FY on renewable originations/PPAs. We upgraded AES to Outperform during the month and believe current levels are a compelling entry point for a clean energy leader.

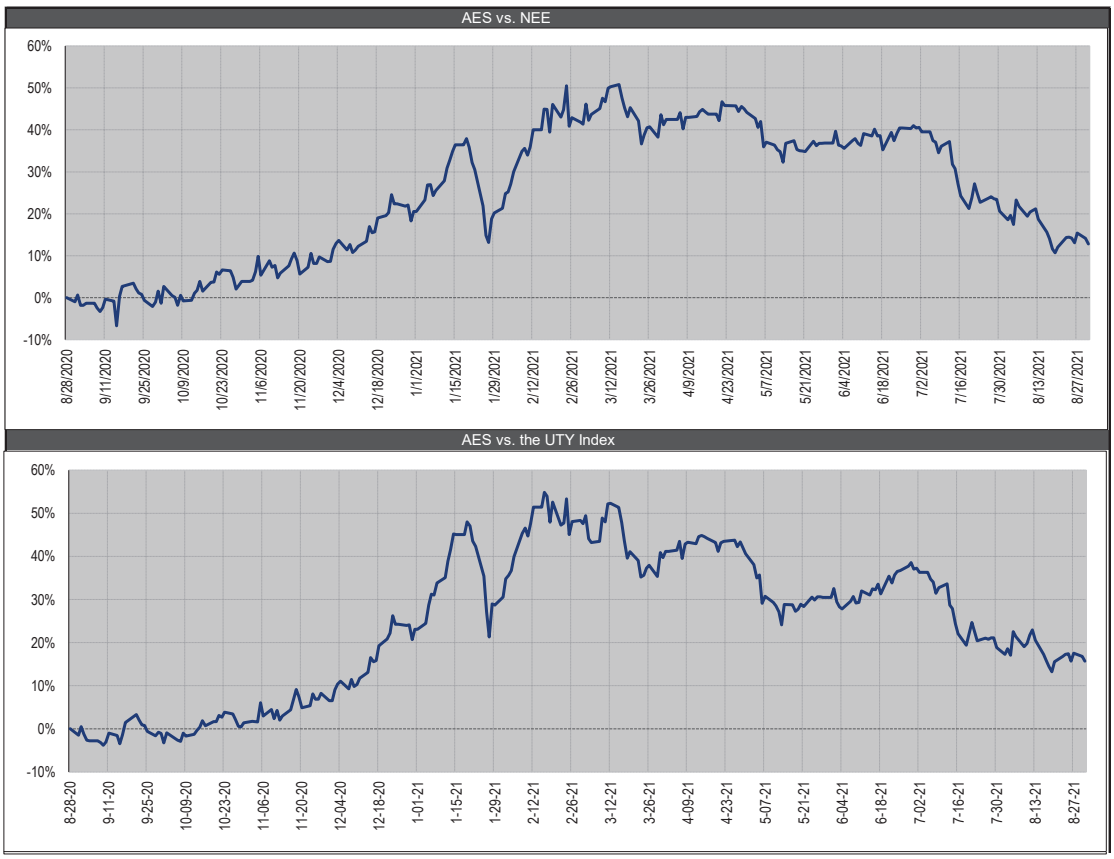

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9/6/2021

WOLFE RESEARCH

Avangrid (AGR) $54.65, Underperform, $47 PT

AGR outperformed modestly in August, as it continues to be one of the top stocks YTD. To the positive, AGR added more concessions and parties to its PNM merger settlement agreement in New Mexico. To the negative, there is more noise resurfacing on the NECEC transmission line with a state judge vacating the lease for a small portion of the line's land. PNM merger closing appears on track for Q4 with New Mexico the only approval remaining.

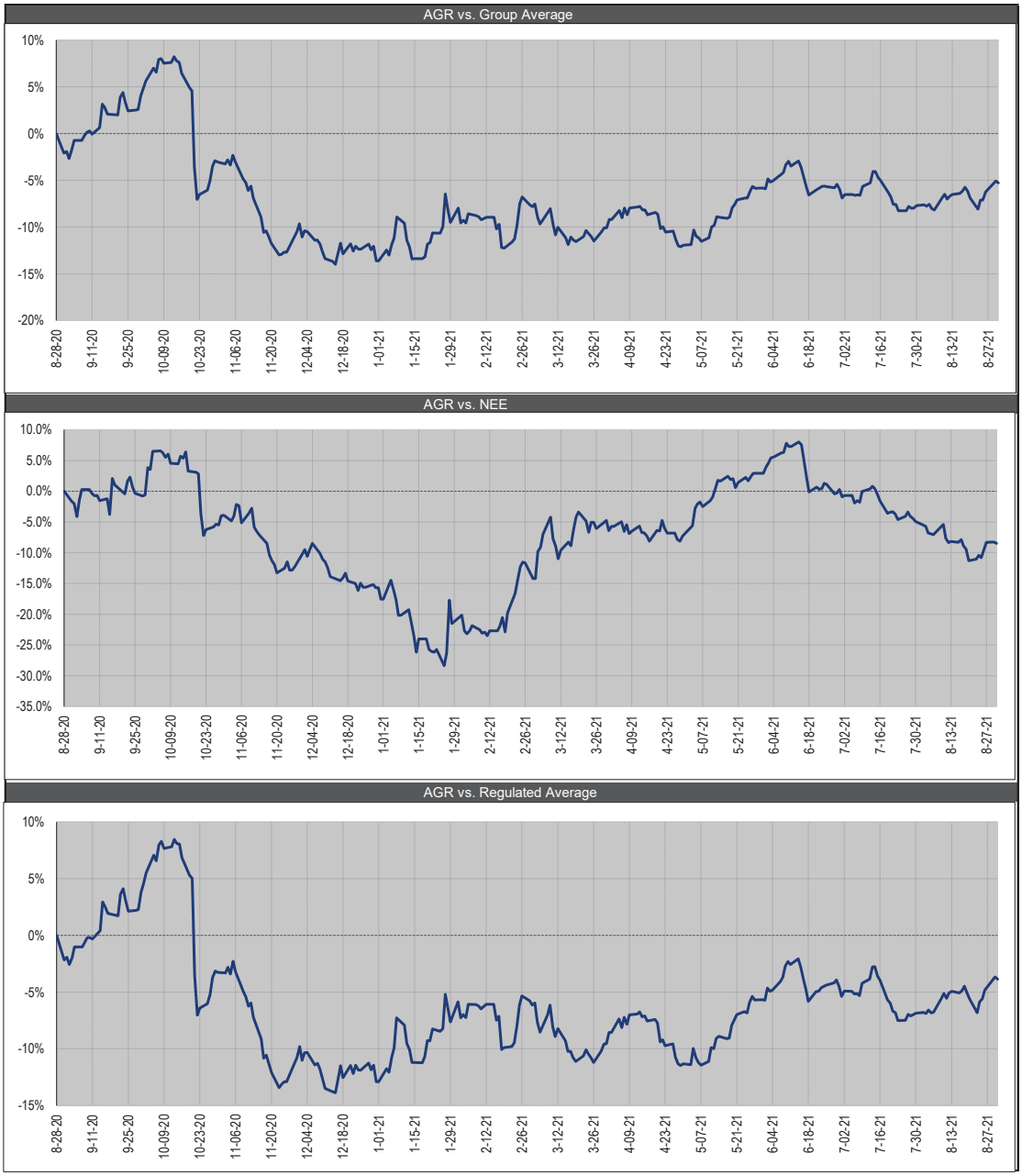

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9/6/2021

WOLFE RESEARCH

Avista Corporation (AVA) $41.85, NR

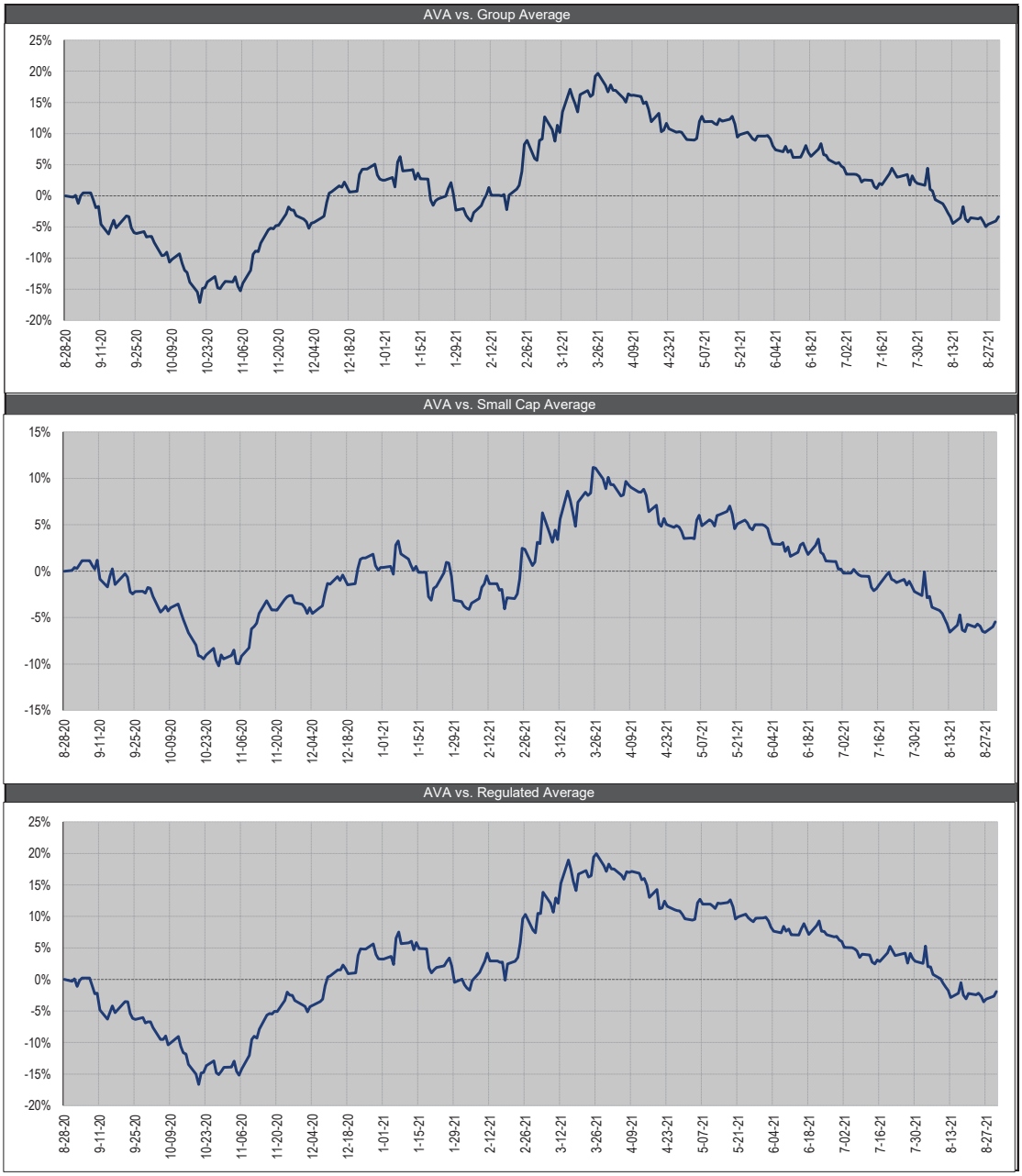

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9/6/2021

WOLFE RESEARCH

American Water Works (AWK) $182.25, Peer Perform, $179 PT

AWK outperformed the utility/water averages and was a top performer in August. News was relatively quiet on AWK during the month and the Q2 print was pretty uneventful, in our view.

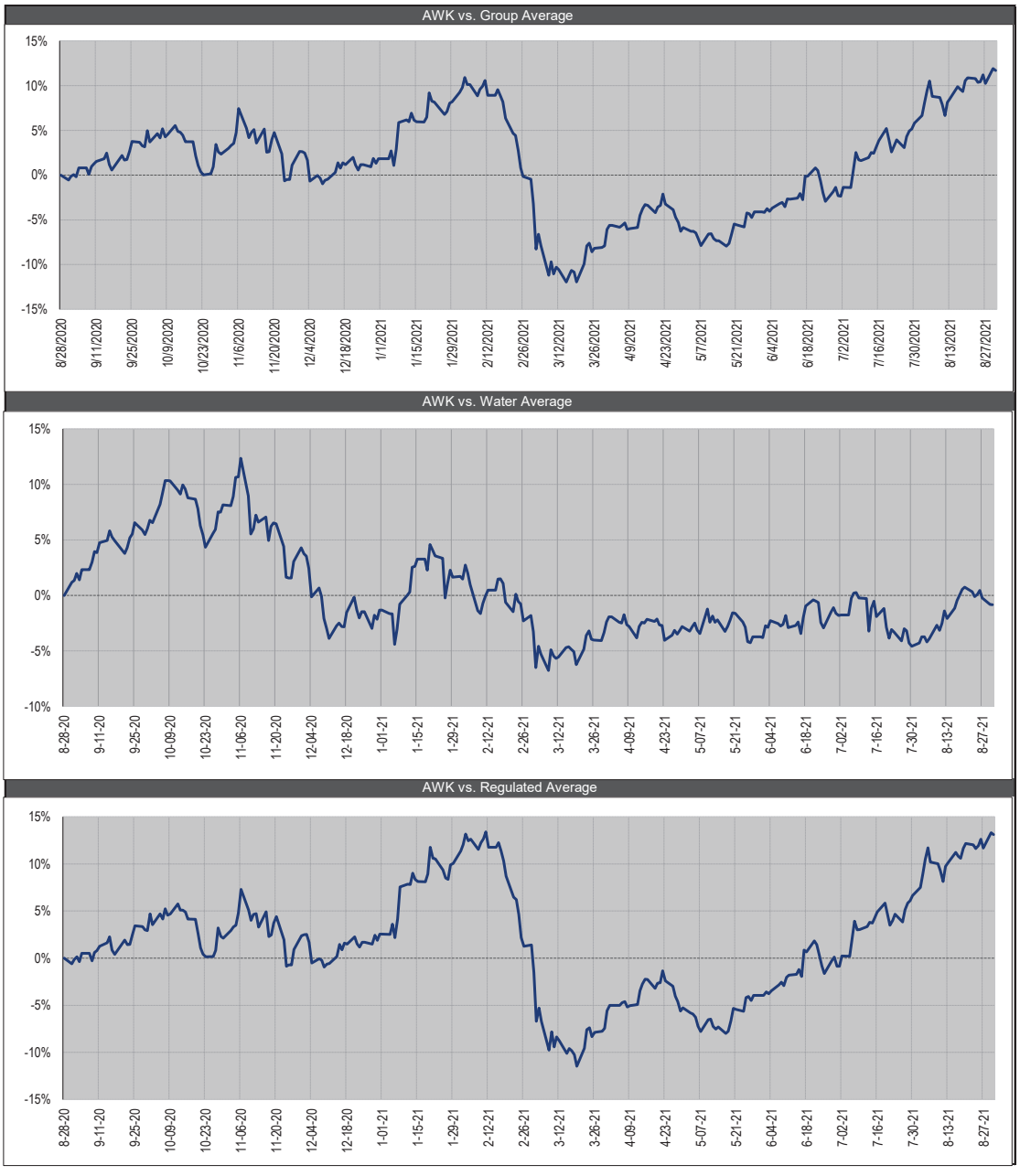

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9/6/2021

WOLFE RESEARCH

CMS Energy (CMS) $64.13, Peer Perform, $64 PT

CMS modestly outperformed in August, but is still trailing most peers on the year. Michigan was hit hard by a series of storms that generated some headlines following outages, though CMS performed relatively well in restoration time. As a result, the MI PSC launched a proceeding on the outages and utility reliability following comments from Governor Whitmer.

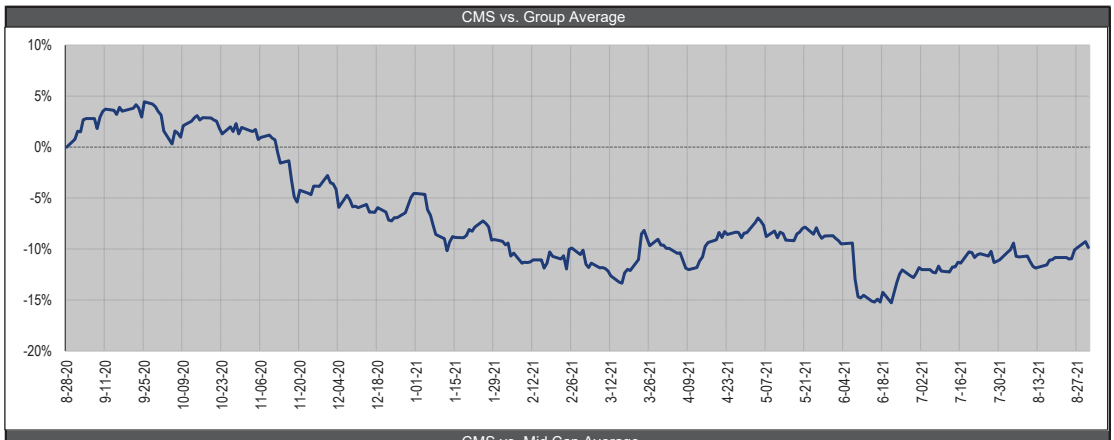

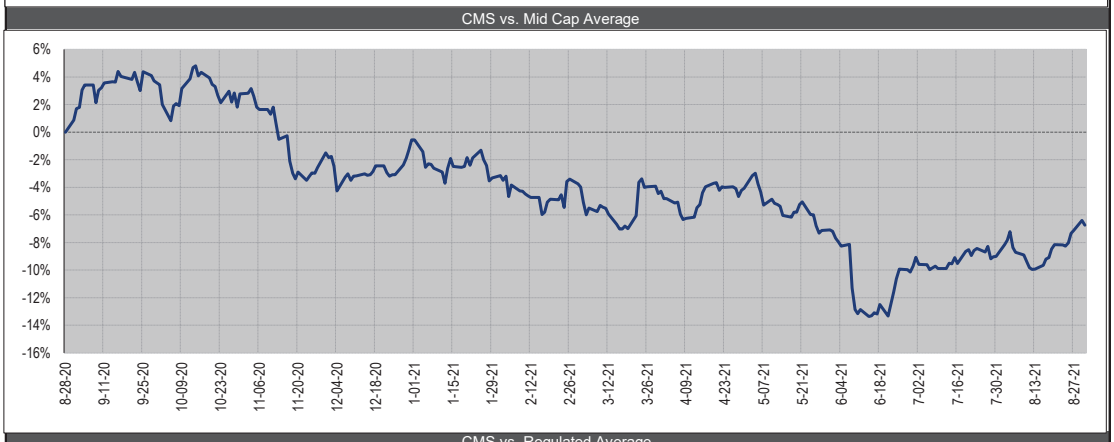

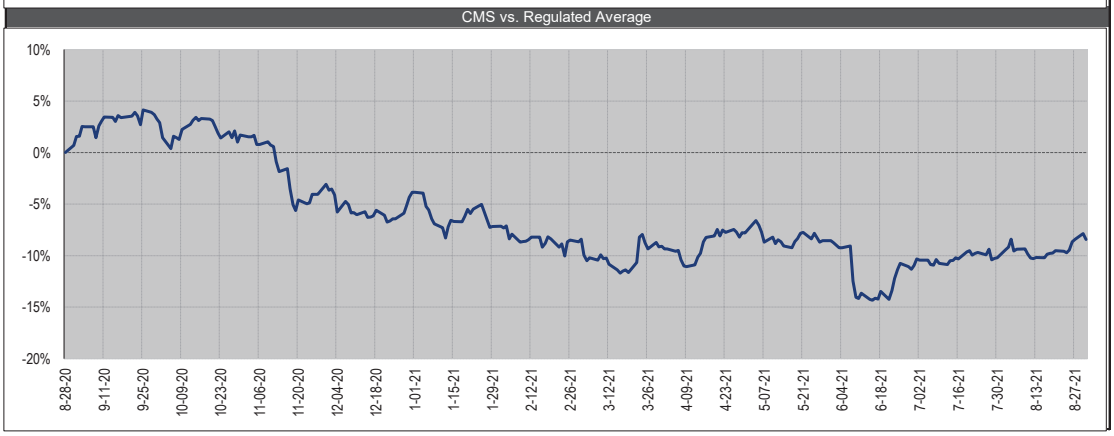

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9/6/2021

WOLFE RESEARCH

CenterPoint Energy (CNP) $25.09, Outperform, $29 PT

CNP underperformed the utility group by a decent margin in August and was one of the bottom performers in the entire group. From a CNP perspective the month was good – FY21 utility guidance was raised for the second time along with solid Q2 earnings and management identified at least $1.5B of incremental capex ahead of its September Analyst Day. We think the weakness was maybe due to some profit taking given strong performance YTD; ENBL/ET were also weak in August, alongside energy generally. We would be buyers ahead of the Analyst Day.

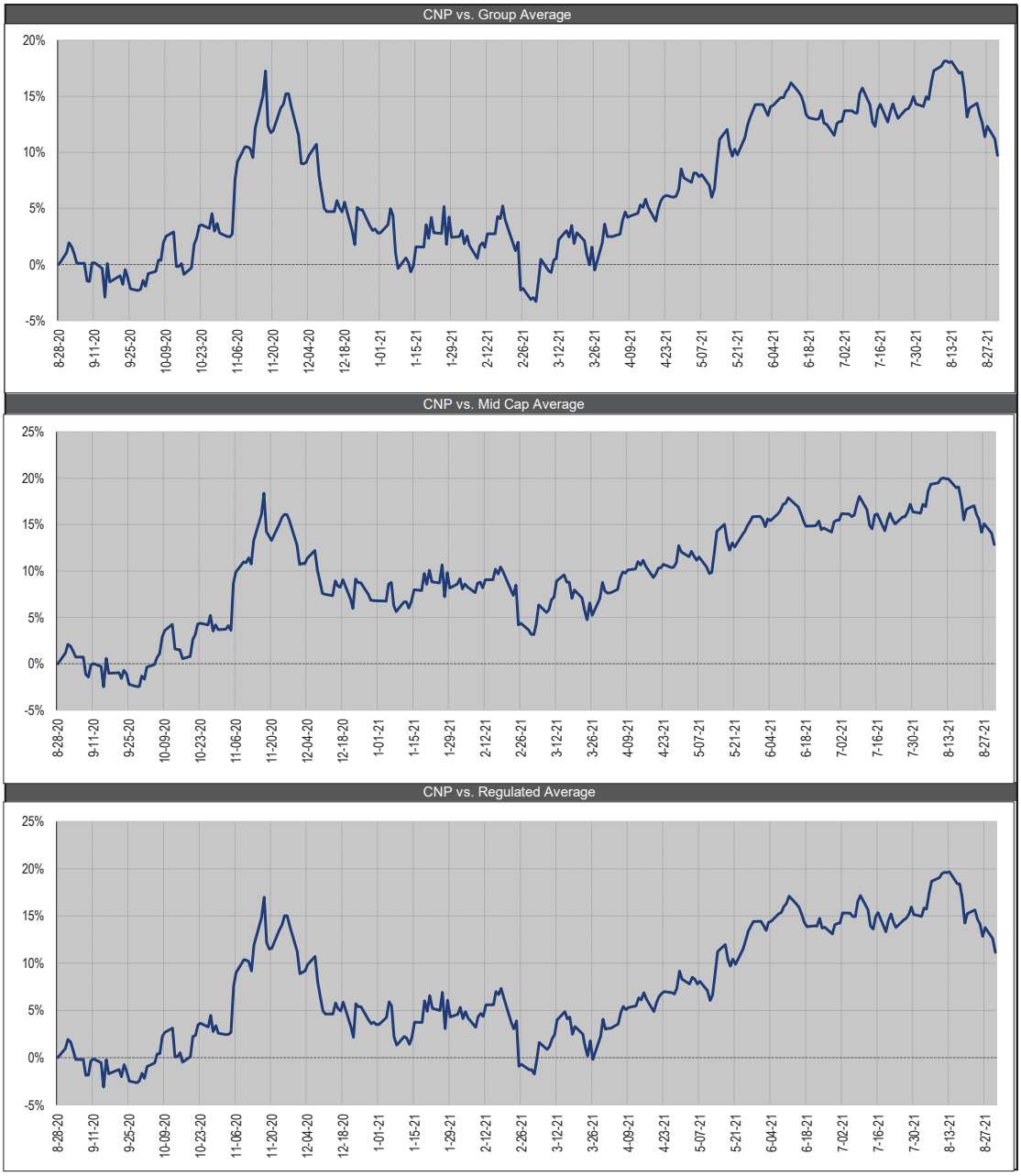

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9/6/2021

WOLFE RESEARCH

Clearway Energy (CWEN) $31.39, Outperform, $33 PT

CWEN was the second best performer in the sector in August, bested only by its former parent company NRG. That said, CWEN is still underperforming on the year. The company reported a solid Q2 and confirmed that it is exploring a sale of its attractively valued thermal business. CWEN also announced the acquisition of the remaining 50% interest in Utah solar facilities.

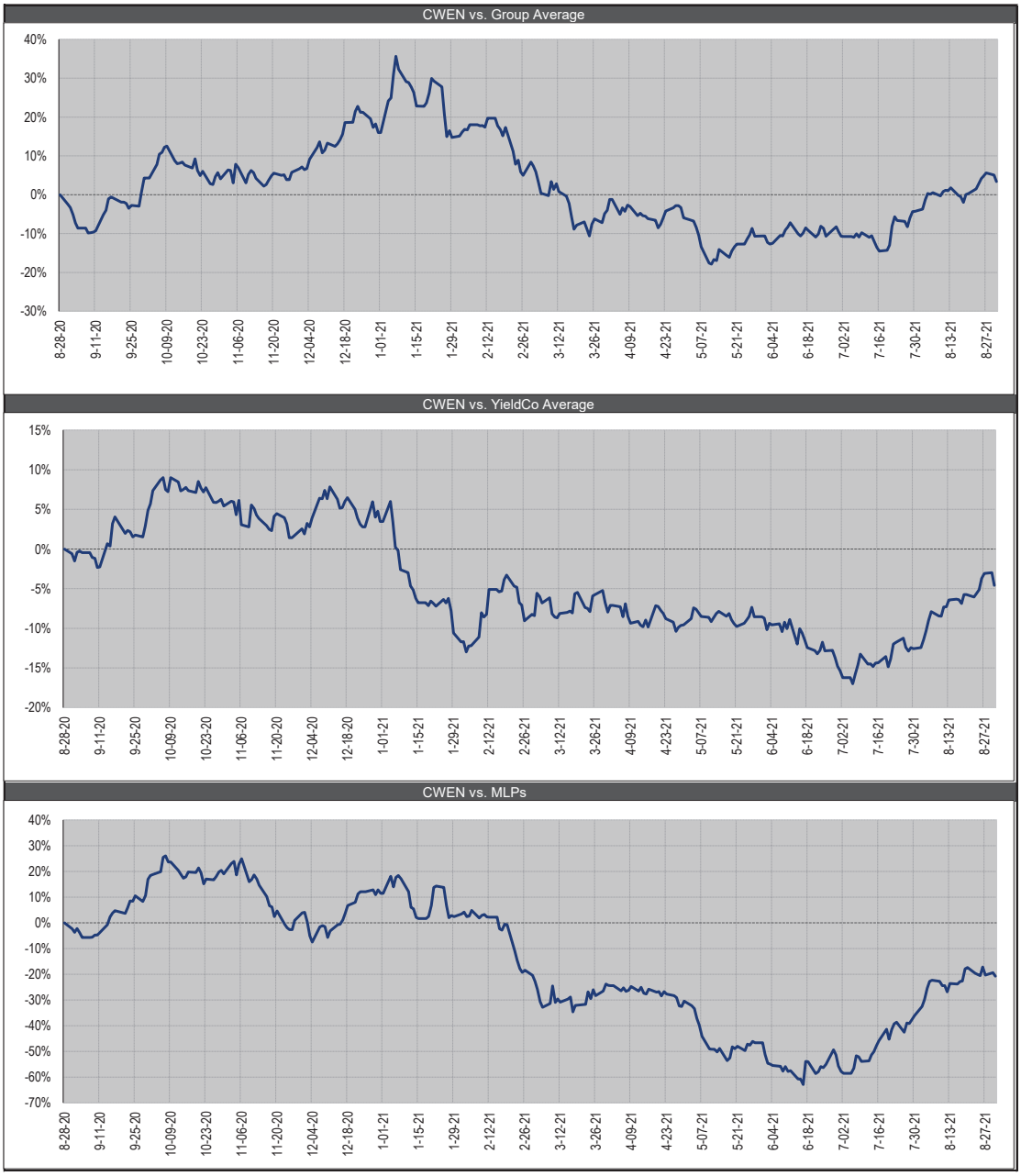

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9/6/2021

WOLFE RESEARCH

Dominion Energy (D) $77.84, Outperform, $86 PT

D rebounded some (finally) and outperformed the utility average modestly in August. Q2 results were in-line and FY21 guidance was reaffirmed – another straightforward update. This month all the attention will be on Staff's report in VEPCO's triennial review (Sept. 17th), where our expectation is that the recommendation won't exactly be aligned with D's view of things.

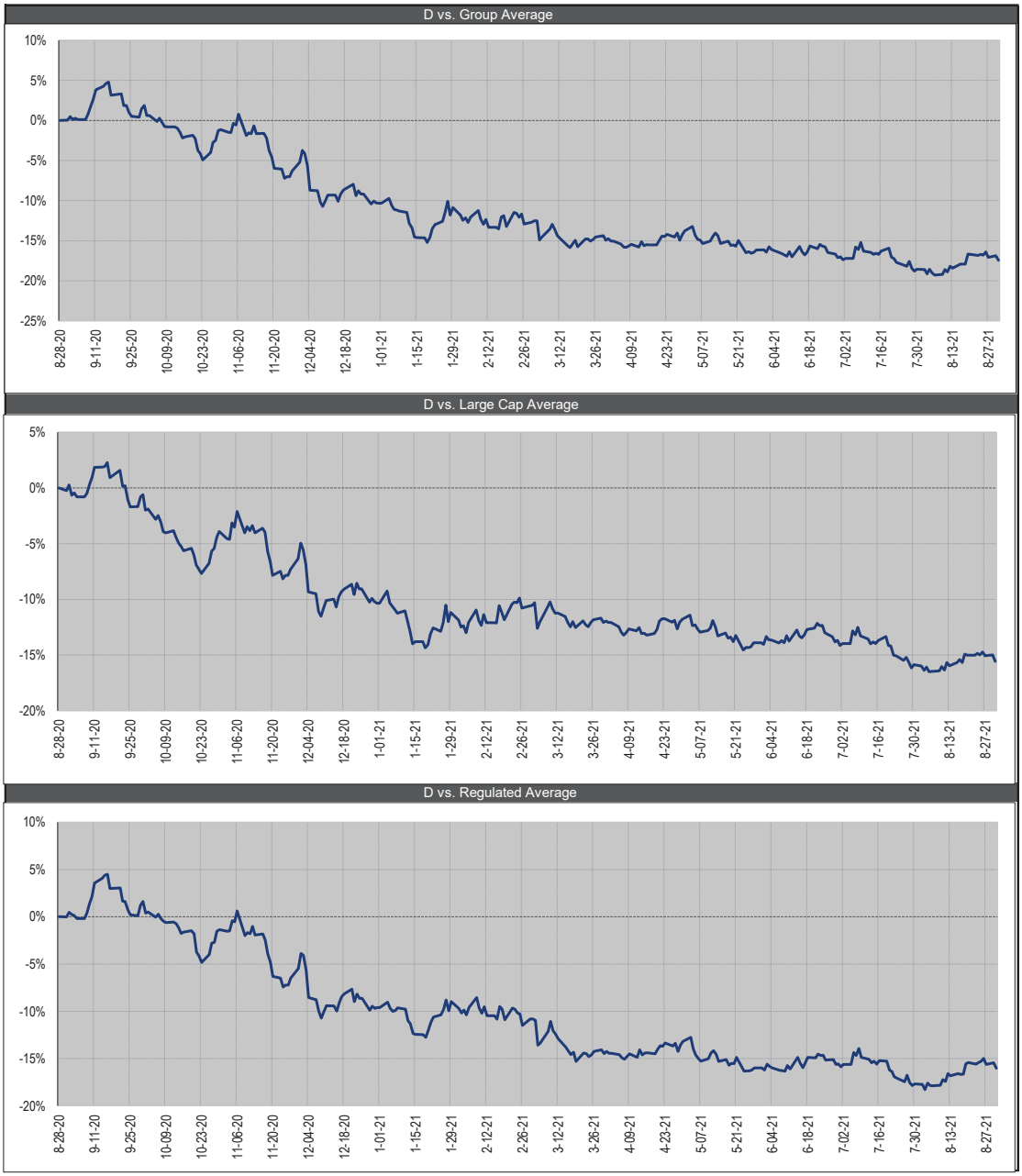

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9/6/2021

WOLFE RESEARCH

DTE Energy (DTE) $120.34, Peer Perform, $119 PT

DTE underperformed in August, but is still ahead of most peers YTD. Even more so than CMS, the company faced a series of storms that resulted in significant outages. There was noise in the press from the Governor and AG, with the MI PSC ultimately launching a proceeding to look closer at the outages and reliability.

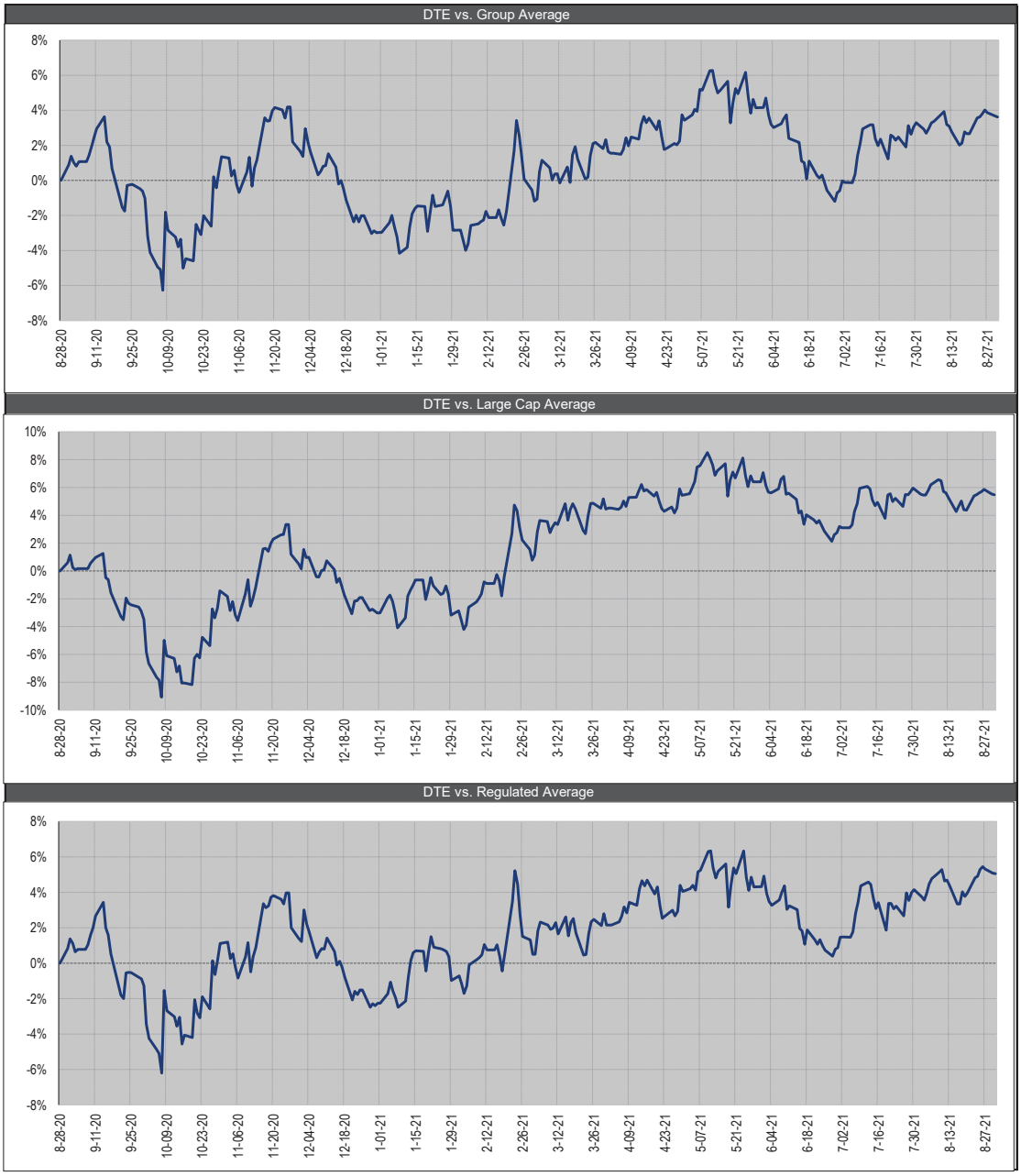

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9/6/2021

WOLFE RESEARCH

Duke Energy (DUK) $104.66, Peer Perform, $106 PT

DUK broke its months-long streak of setting 52-week highs relative to peers, despite a Q2 beat; legislation sits with the NC Senate following two hearings in Aug.

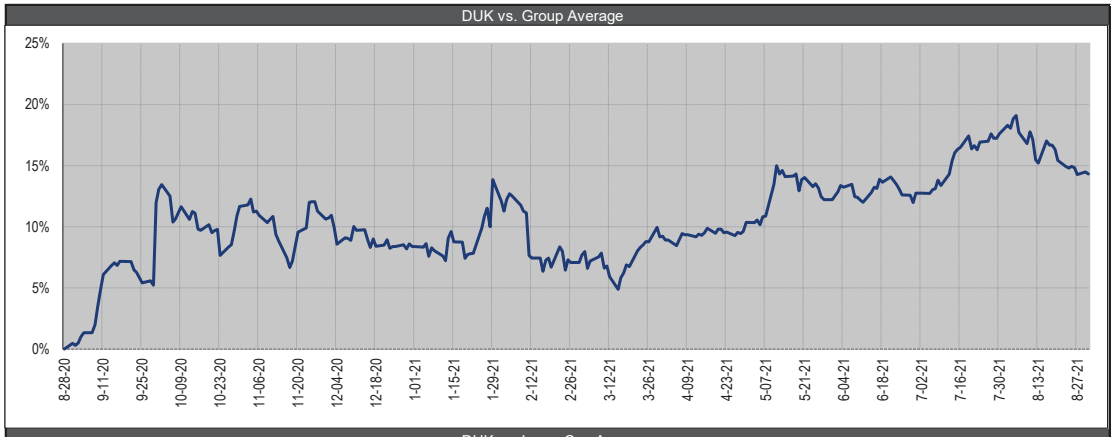

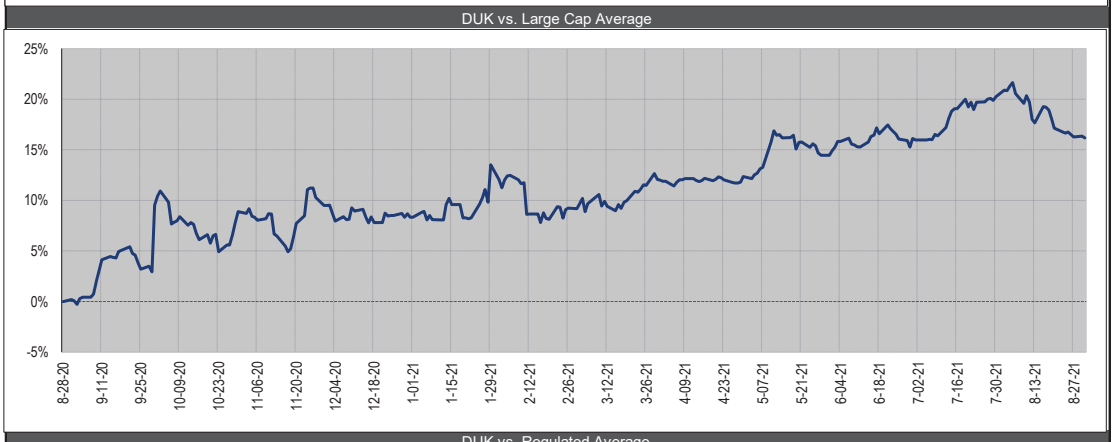

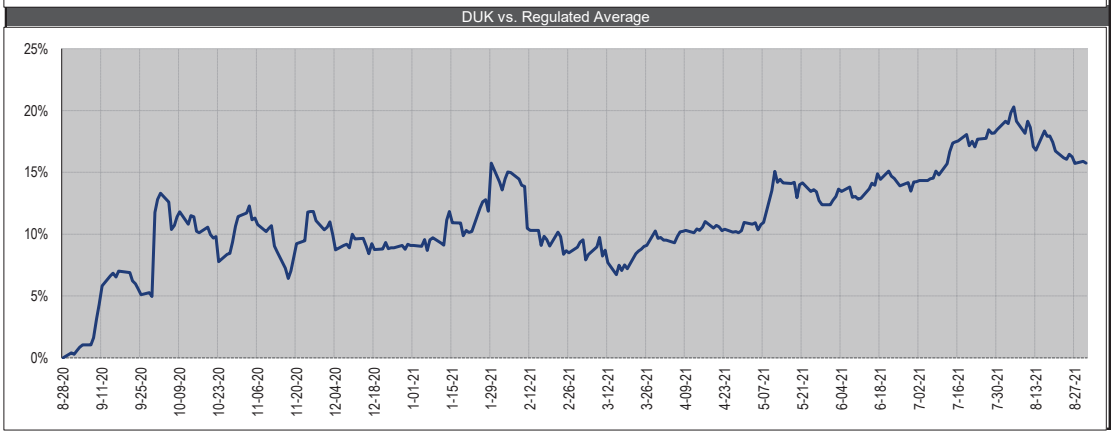

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9/6/2021

WOLFE RESEARCH

Consolidated Edison (ED) $75.45, Underperform, $73 PT

ED underperformed the utility average in August. ED posted a big Q2 miss, though guidance was reaffirmed. ED hosted its annual ESG day, where we thought the company did a solid job highlighting its ESG-friendly attributes. Also, during the month, NY Gov. Cuomo resigned – a potential benefit over time as he was historically was very tough on the utilities.

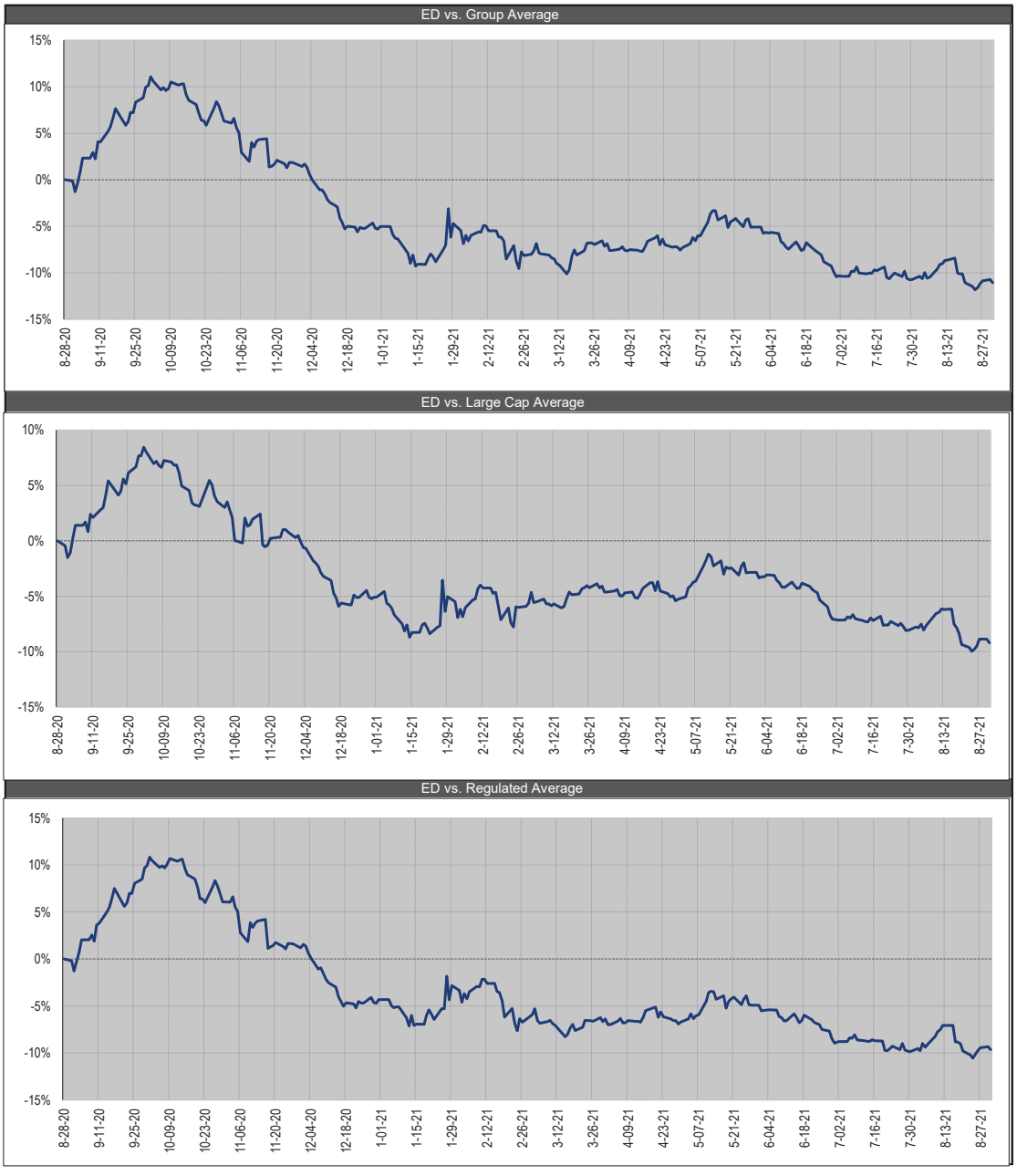

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9/6/2021

WOLFE RESEARCH

Emera (EMA) $59.59, Peer Perform, $61 PT

EMA underperformed the US utility in August but finished ahead of its closest Canadian peer FTS. This was a bit surprising given that TECO announced it reached a settlement in its Florida rate case – a key regulatory proceeding for EMA. Perhaps some of the luster was diminished when in-state peer NEE reached a settlement in its FPL case too which had meaningfully better terms. Q2 results for EMA were in-line.

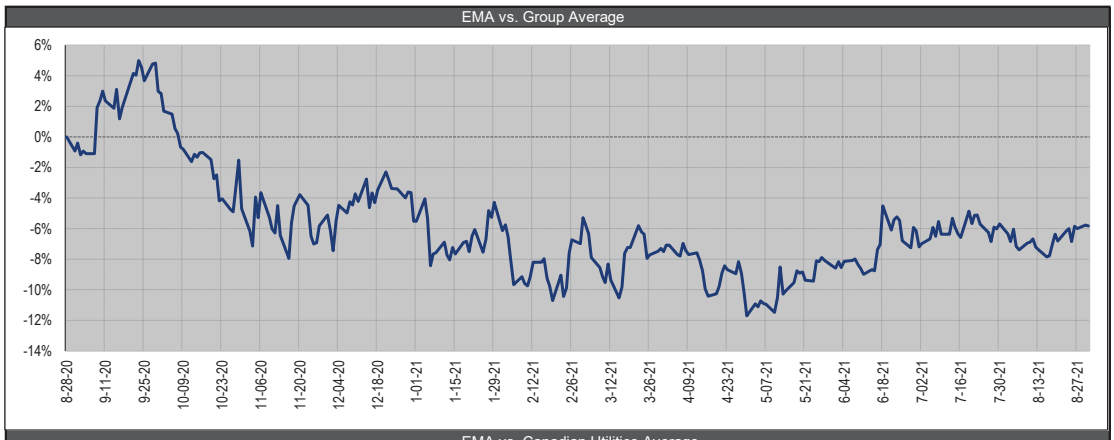

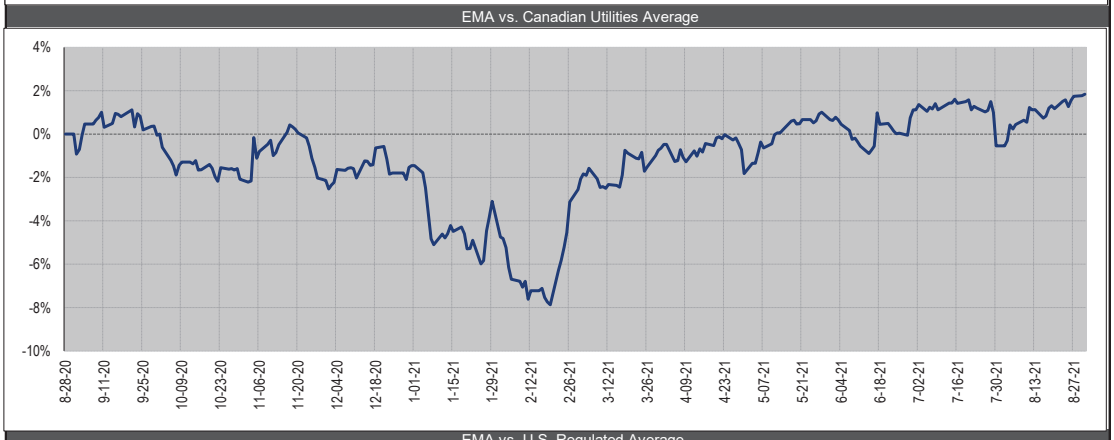

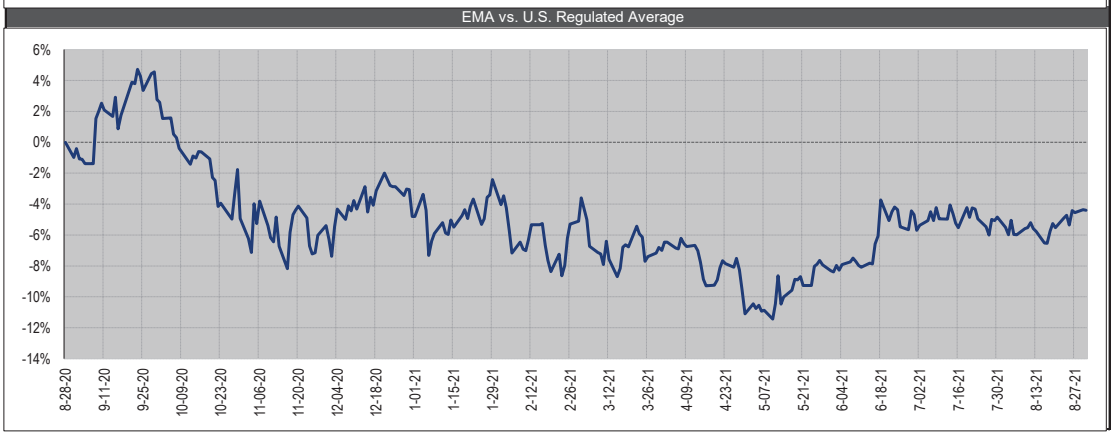

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9/6/2021

WOLFE RESEARCH

Edison International (EIX) $57.84, Outperform, $66 PT

EIX hit 52-week relative lows in early Aug after the CPUC approved higher rate base than the initial recommendation but ended up outperforming peers; the state also found no evidence to pursue charges against EIX for the 2018 Woolsey fire.

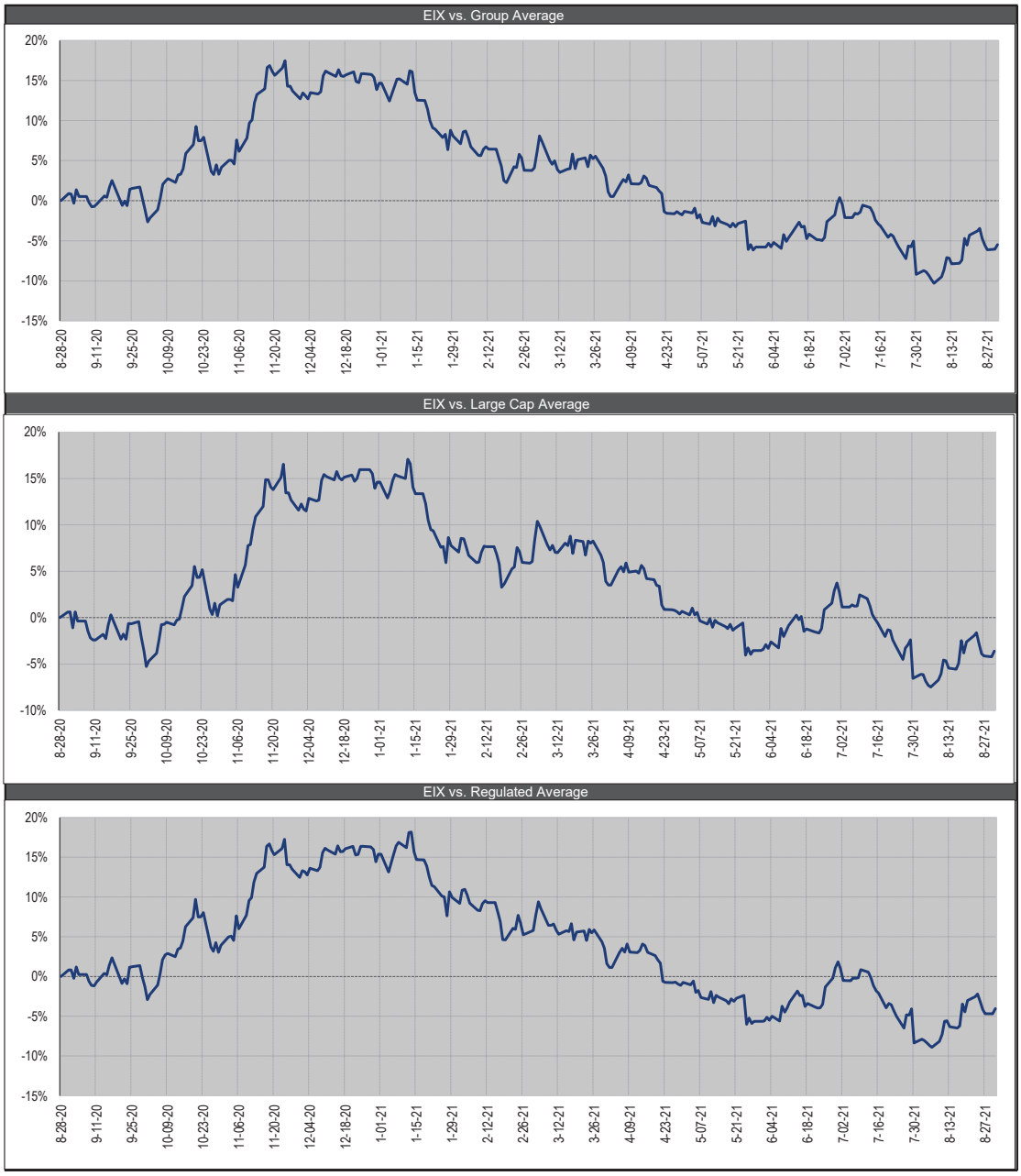

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9/6/2021

WOLFE RESEARCH

Eversource Energy (ES) $90.73, Outperform, $94 PT

ES continued its outperformance, possibly on the prospects of a CT settlement and progress on two of its planned offshore wind projects; it has now regained over 800bp relative to peers since hitting 52-week lows in early Jun.

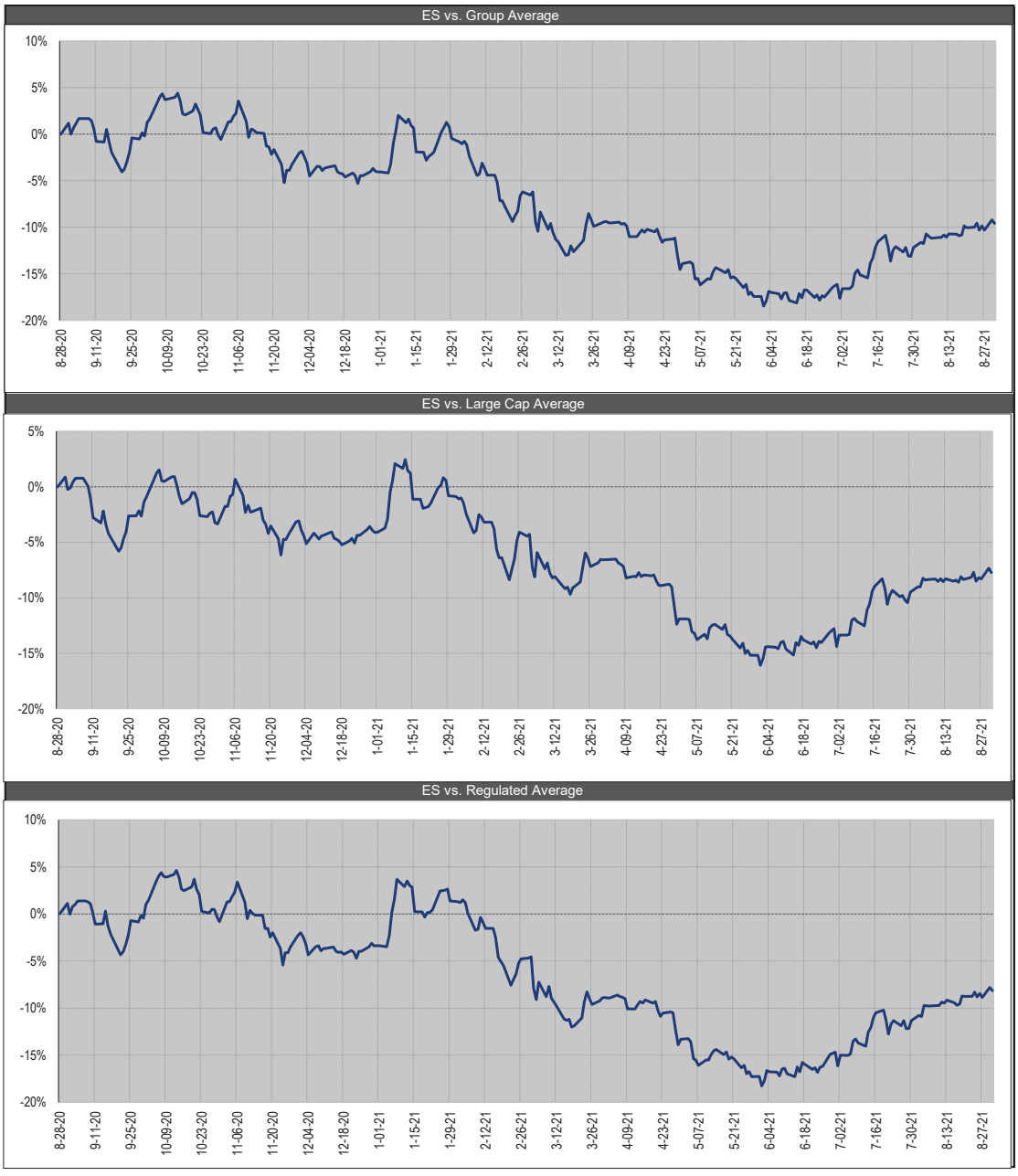

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9/6/2021

WOLFE RESEARCH

Entergy (ETR) $110.61, Outperform, $122 PT

ETR spiked after mgmt. raised guidance through 2023 on lower equity needs and potentially more investments; but the stock fell before and after Hurricane Ida, though it was still one the top performers in the month.

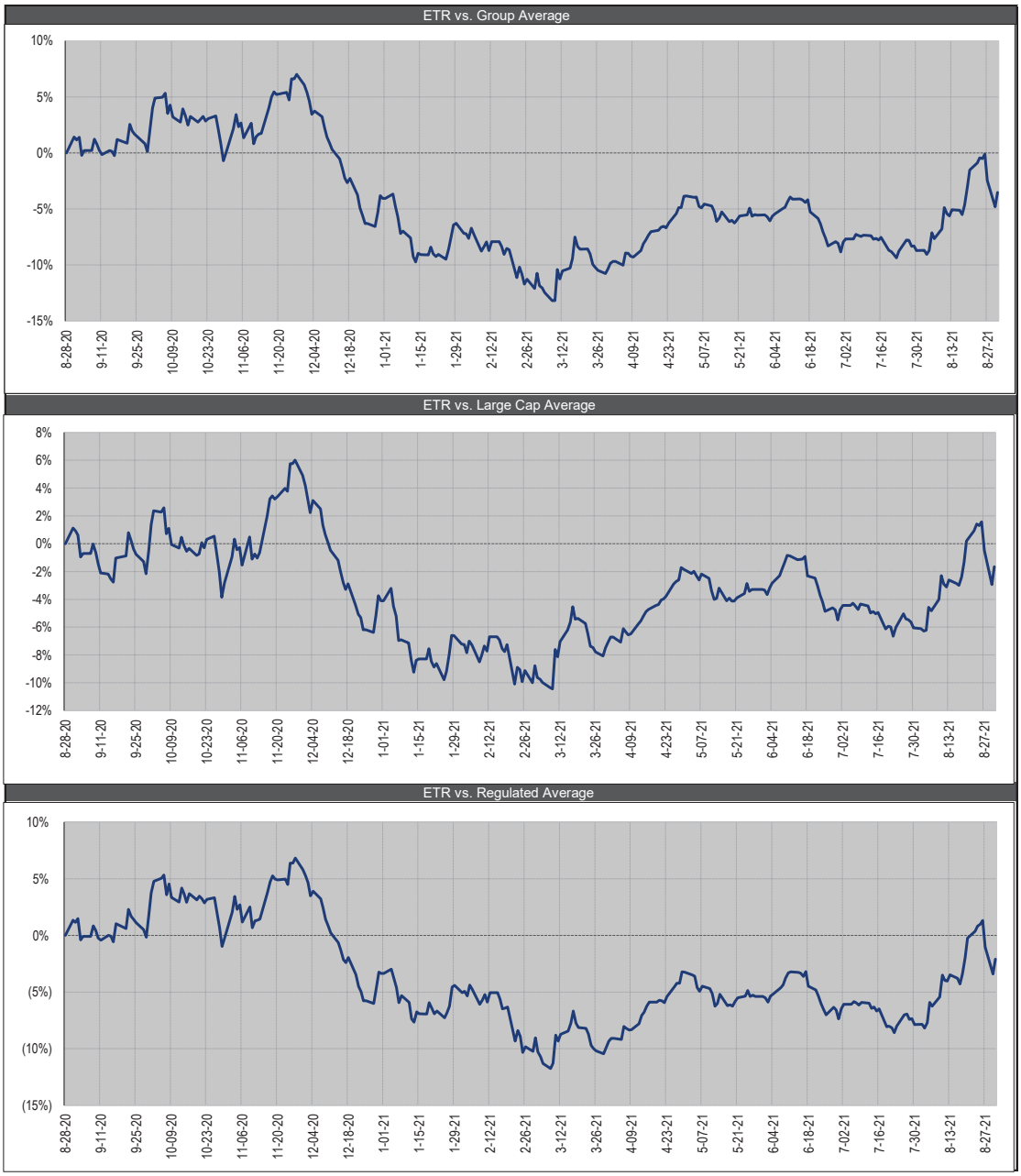

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9/6/2021

WOLFE RESEARCH

Evergy (EVRG) $68.45, Outperform, $71 PT

EVRG was once again one of the top-performers in the sector for the month and is now the second best for 2021 (only FE has done better). EVRG reported a Q2 EPS beat and 2021 guidance is tracking to the top-half, but more importantly anticipation continues to build for the September Analyst Day.

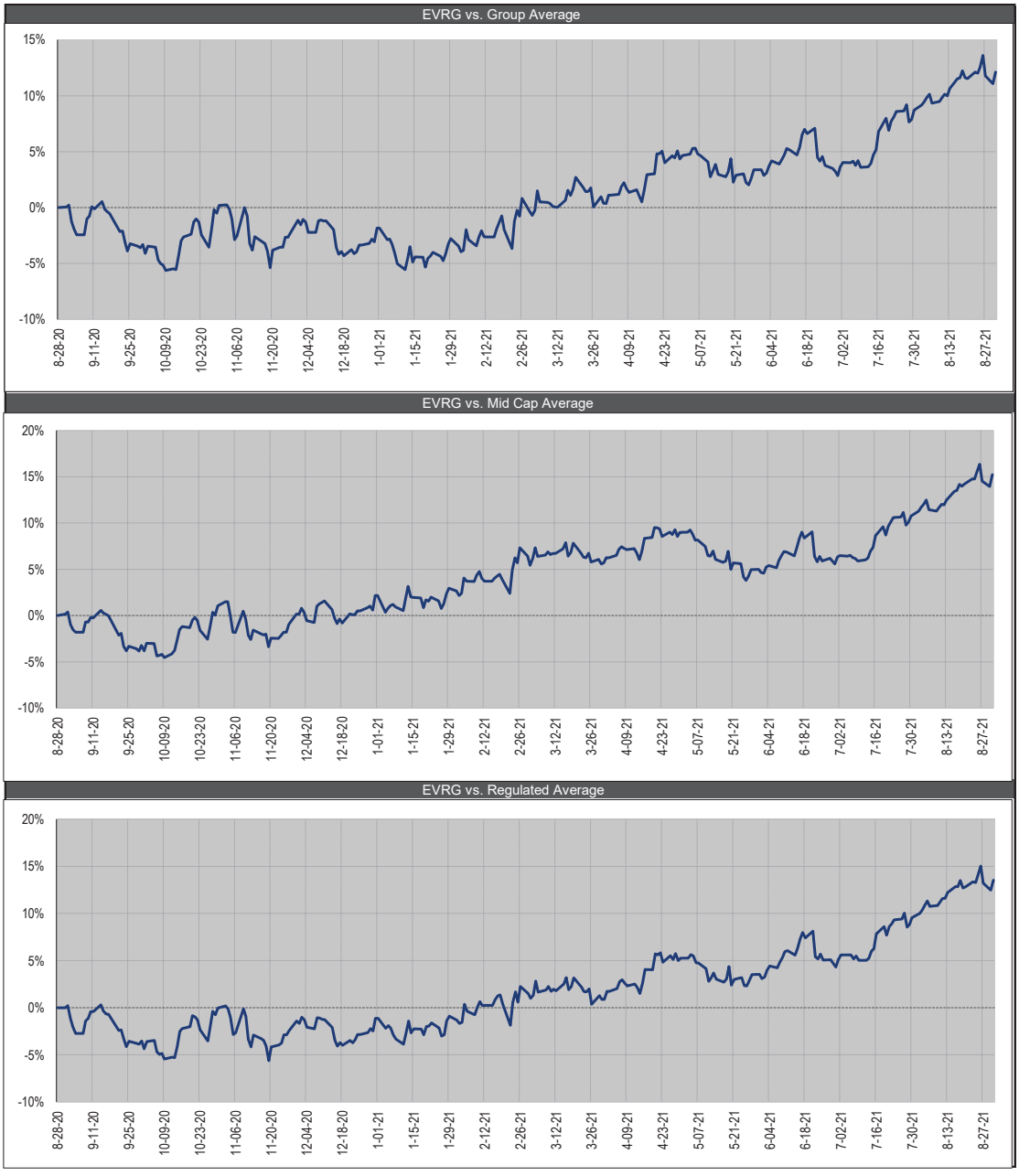

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9/6/2021

WOLFE RESEARCH

Exelon (EXC) $49.02, Outperform, $52 PT

EXC hit another 52-week high relative to large cap peers, as IL legislation seemed likely during a one-day special session on 8/31; but talks are ongoing with a final deadline of 9/13 to avert a shutdown of Byron (and Dresden will shut in Nov absent legislation).

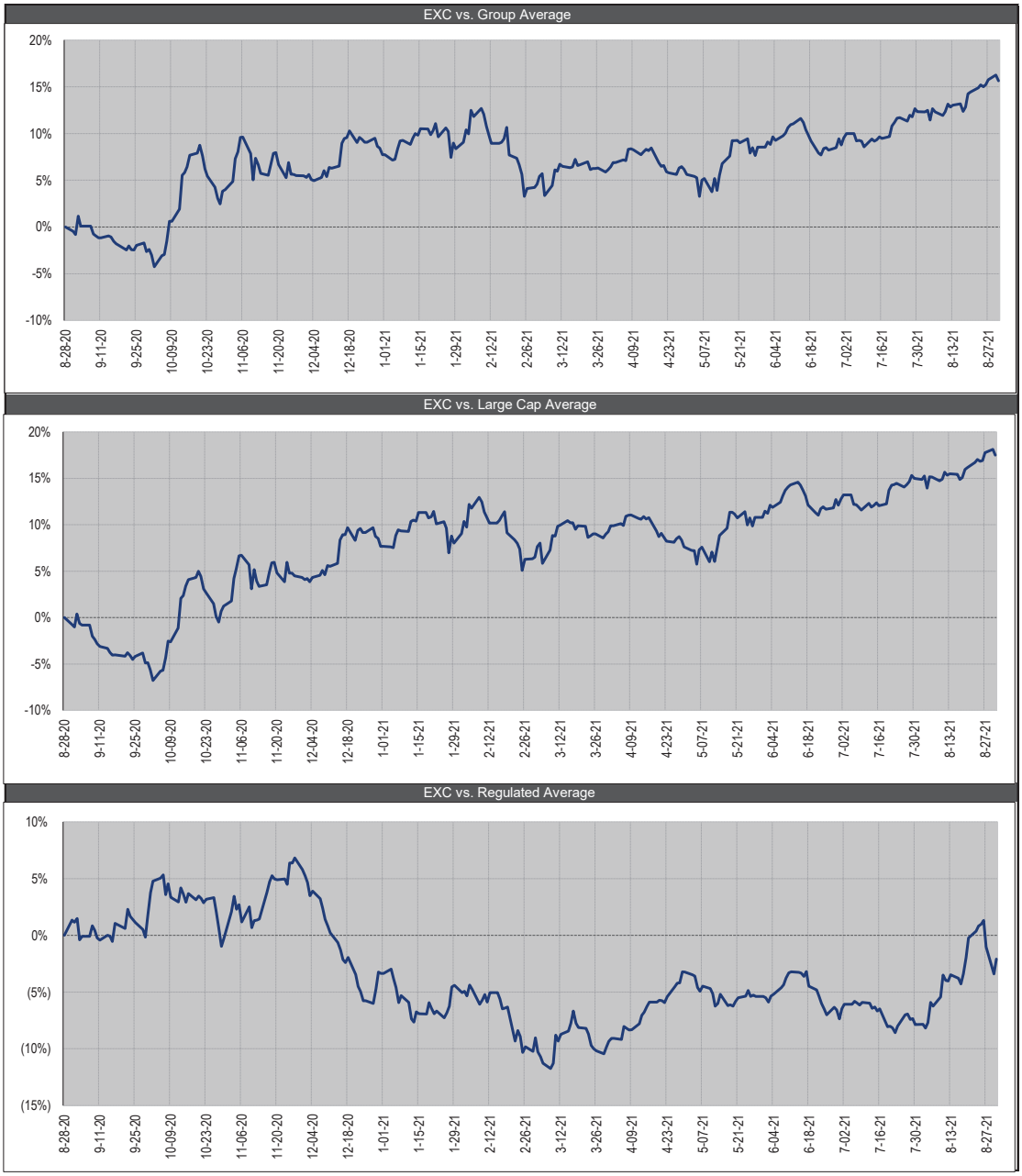

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9/6/2021

WOLFE RESEARCH

FirstEnergy (FE) $38.87, Outperform, $43 PT

FE underperformed in August, but maintained its spot as the top-performer in the sector for 2021. Following the eventful end of July that provided resolution on the DoJ front with the $230M fine, attention and concern has quickly shifted to resolution in Ohio on the ratemaking construct. We continue to see less earnings downside than some of the bears. There was also a Bloomberg story in August that reported FE was seeking to sell a stake in its transmission business.

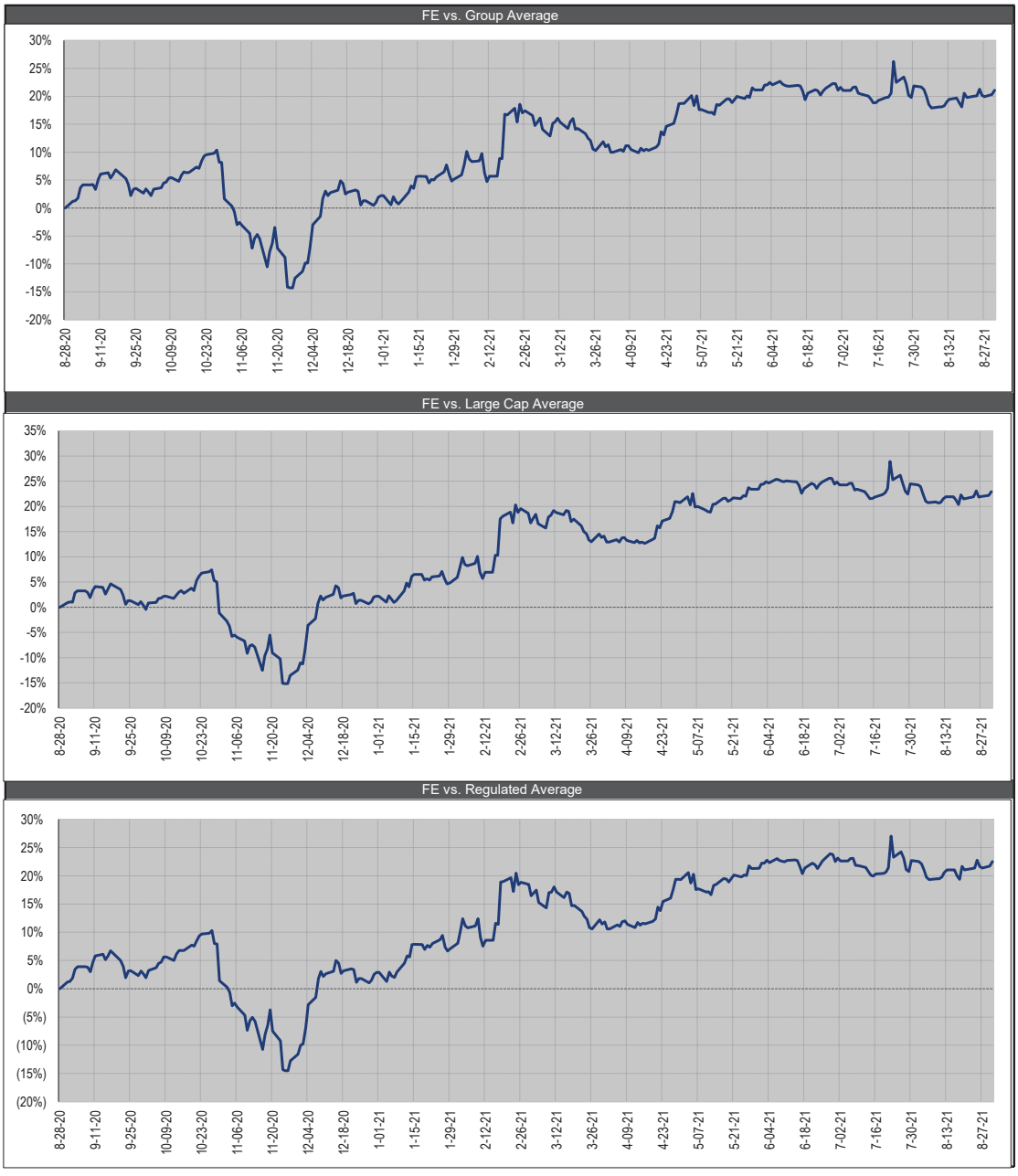

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9/6/2021

WOLFE RESEARCH

Fortis (FTS) $45.99, Peer Perform, $44 PT

FTS continued to underperform in August, but is still ahead of the pack on the year. News in August was limited other than a settlement filing in New York that resulted in higher ROEs and slightly lower equity ratios.

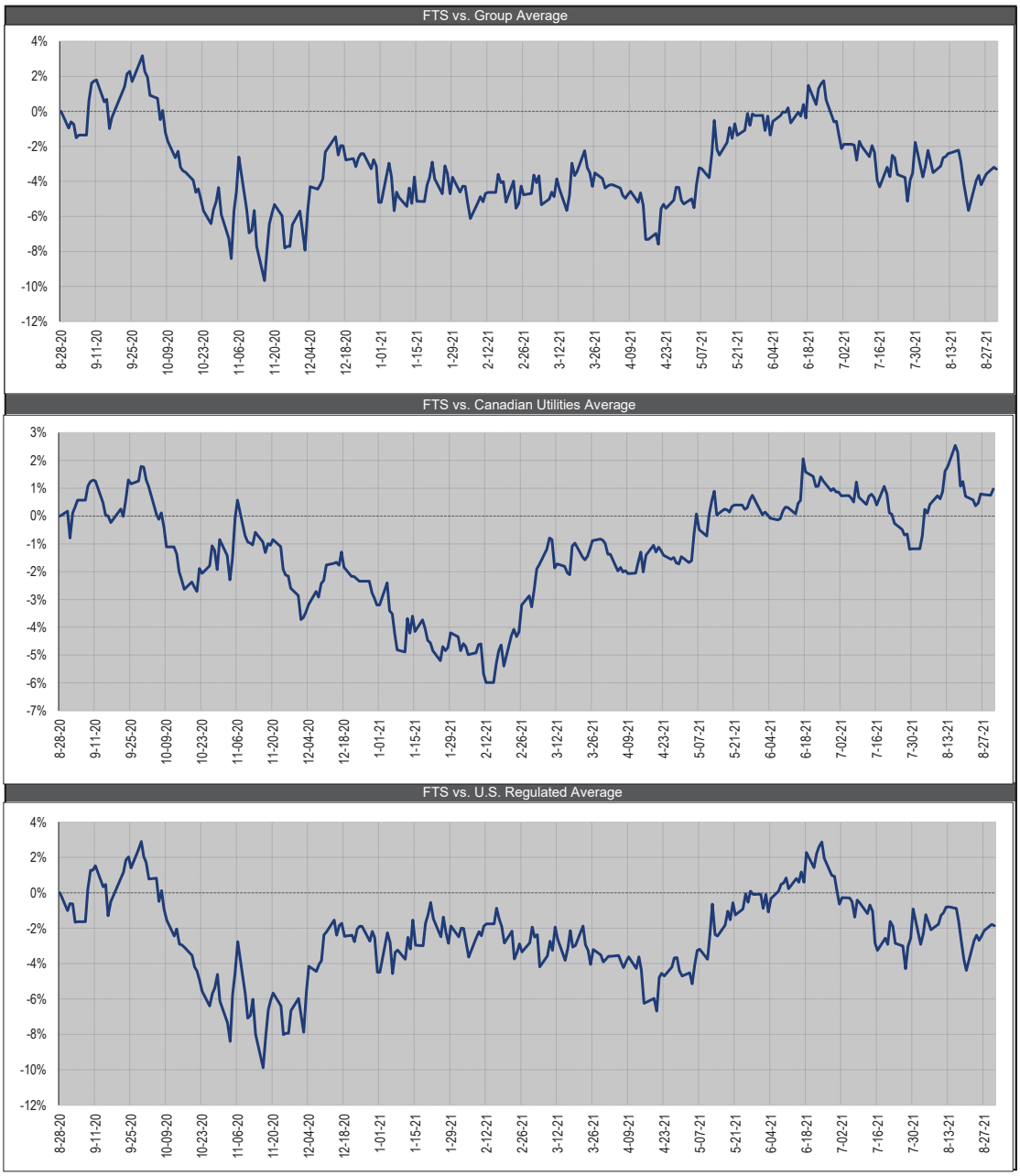

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9/6/2021

WOLFE RESEARCH

Hawaiian Electric (HE) $43.60, NR

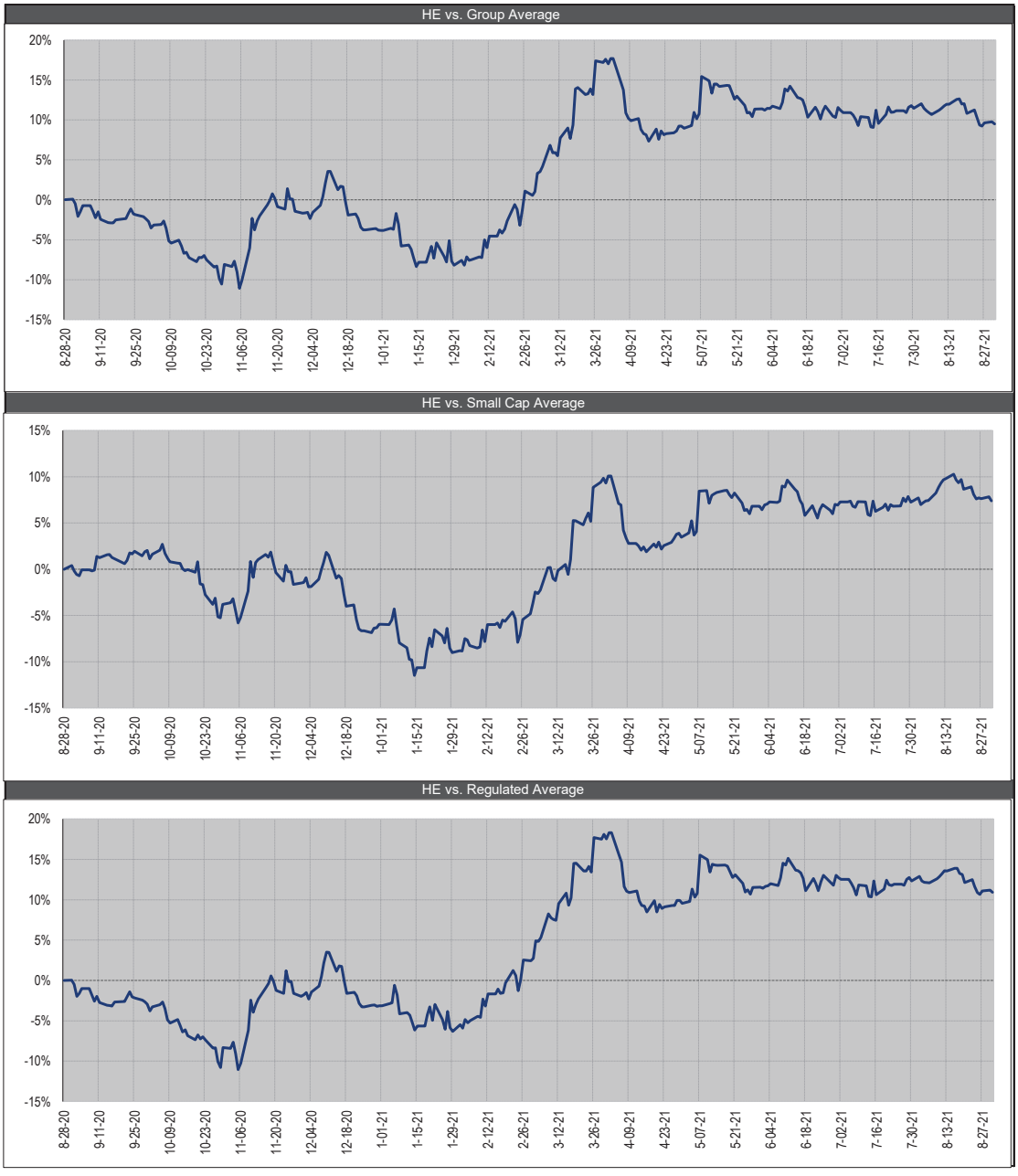

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9/6/2021

WOLFE RESEARCH

Alliant Energy (LNT) $60.79, Outperform, $65 PT

LNT traded in-line with the group in August and remains near relative highs. The company reported an in-line Q2, but is now tracking toward the upper-half of the 2021 guidance range.

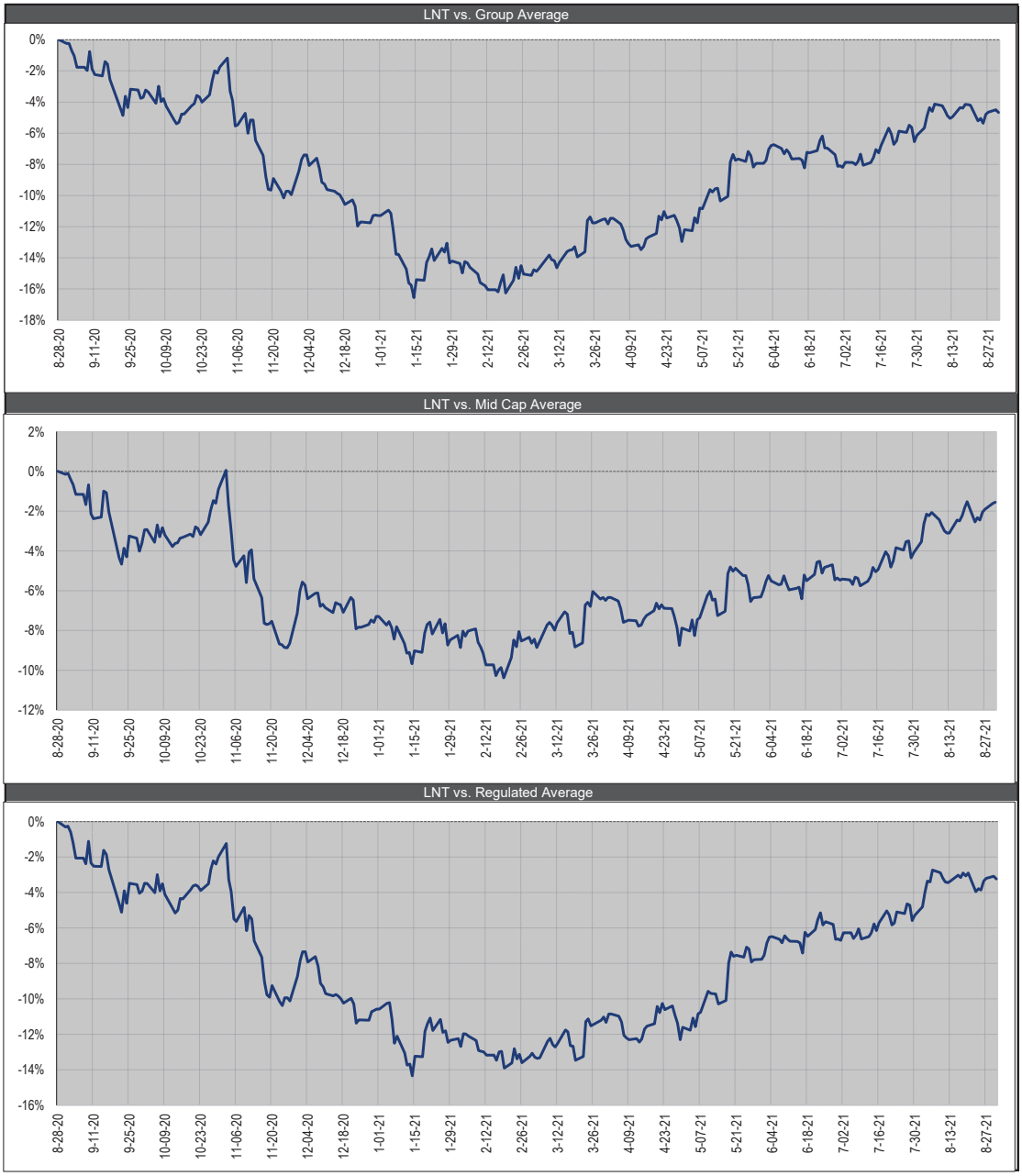

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9/6/2021

WOLFE RESEARCH

NextEra Energy (NEE) $83.99, Outperform, $91 PT

NEE was one of the best performers in the sector in August, as it continued its strong bounce off relative lows set in mid-June. NEE is now no longer trailing the utilities index on the year. The big news in August was a constructive settlement being reached with key parties in its Florida rate case. The allowed ROE midpoint actually went up slightly, the allowed equity ratio was maintained (both above average), and there is a provision for these to move higher with Treasury rates. NEE also got to keep is reserve surplus amortization mechanism, which helps with smoothing earning volatility.

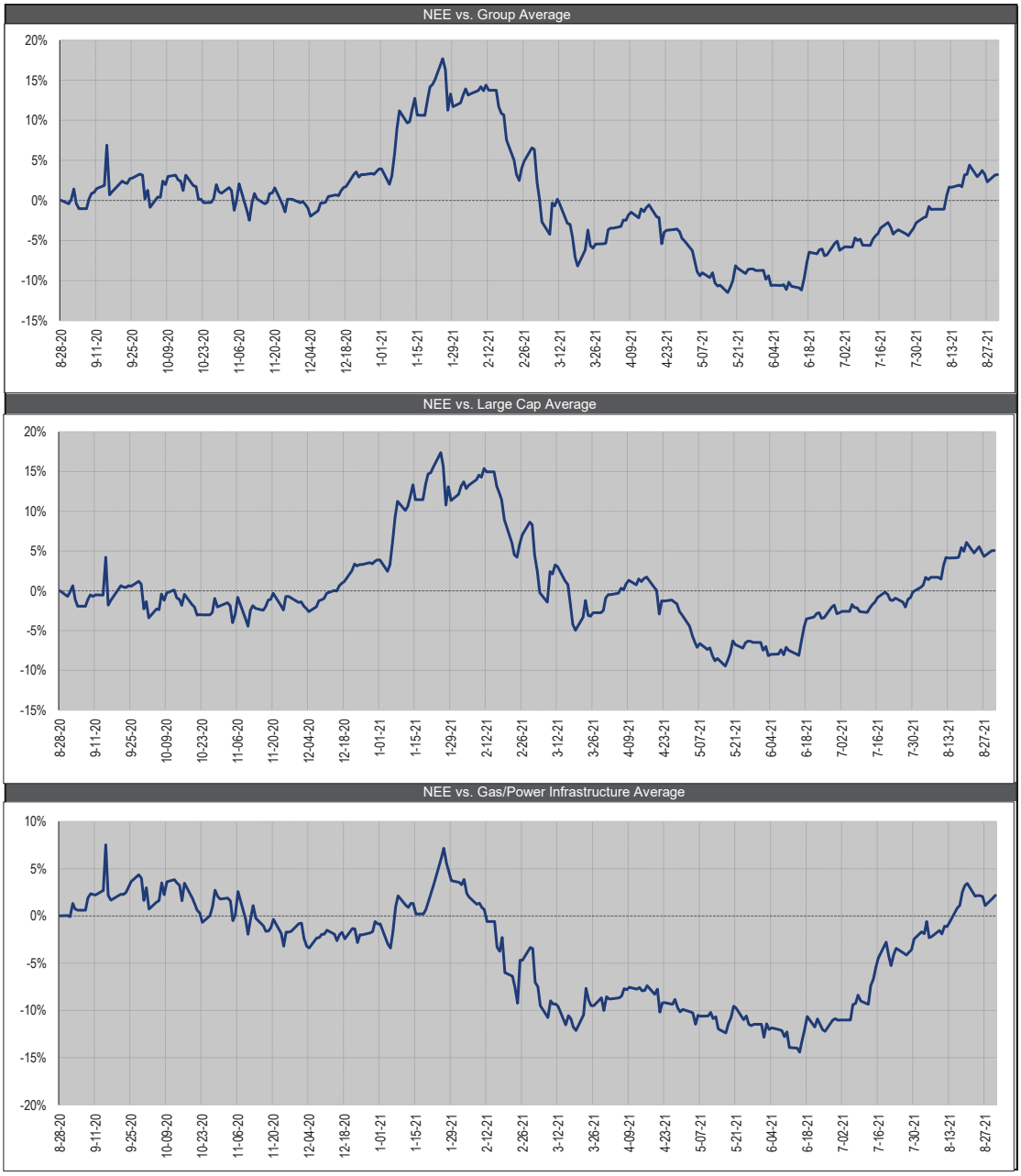

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9/6/2021

WOLFE RESEARCH

NextEra Energy Partners (NEP) $79.93, Outperform, $95 PT

NEP traded in-line with the group in August, but is still outperforming on the year. The company closed the previously announced Brookfield acquisition during the month.

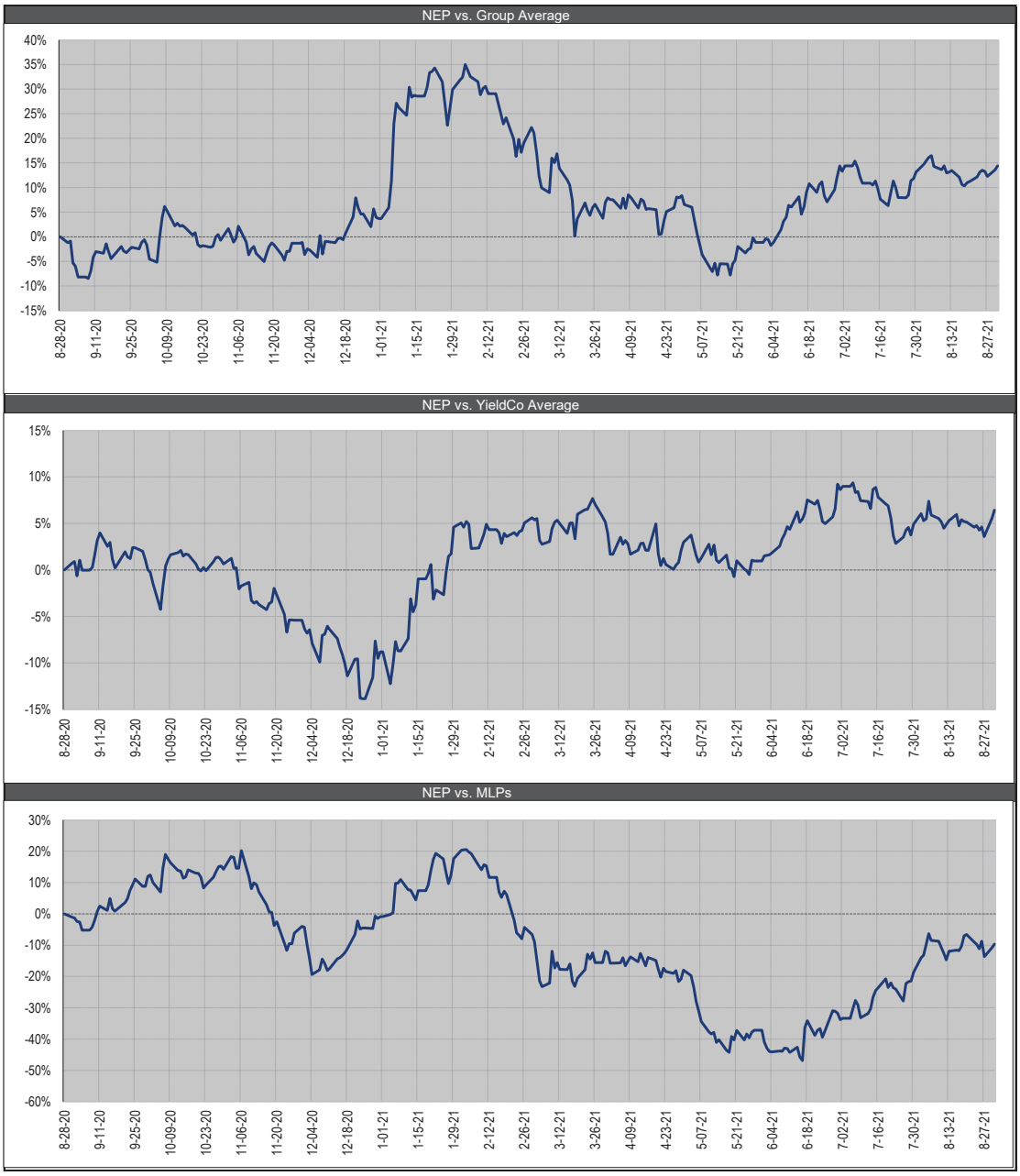

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9/6/2021

WOLFE RESEARCH

NiSource (NI) $24.65, Outperform, $29 PT

NI was a bottom performer in August. It was a quiet month for NI – Q2 results were in-line; FY21 guidance and L-T growth rates were reaffirmed. Our sense is NI's performance was tied to weakness seen across the LDC space – ATO and OGS were also down during the month. NI is catalyst-light at the moment, but we think the stock is a good value here, particularly as the market starts to look to 2024 where the full benefit from the renewable investments will be reflected.

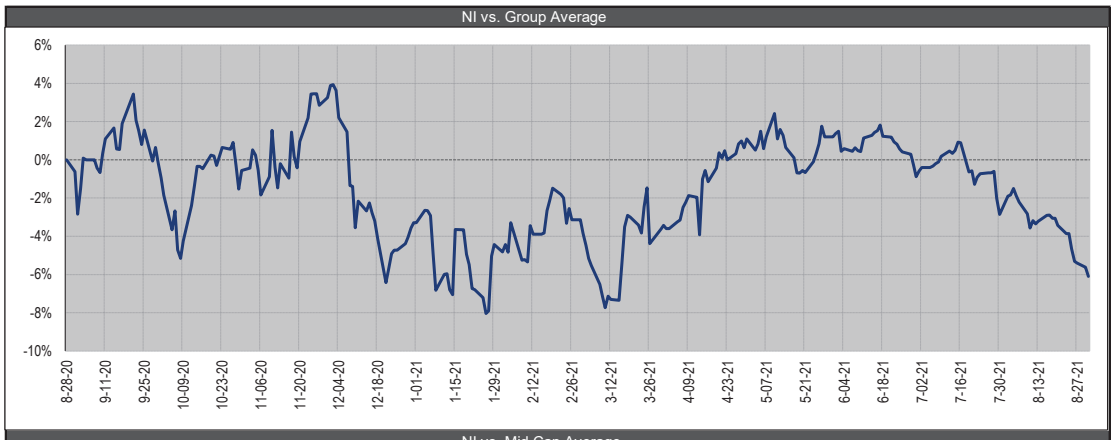

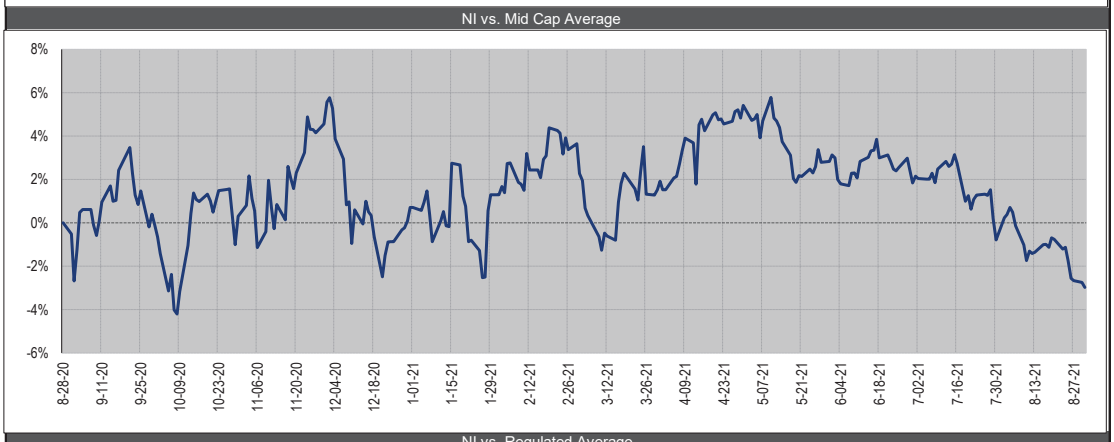

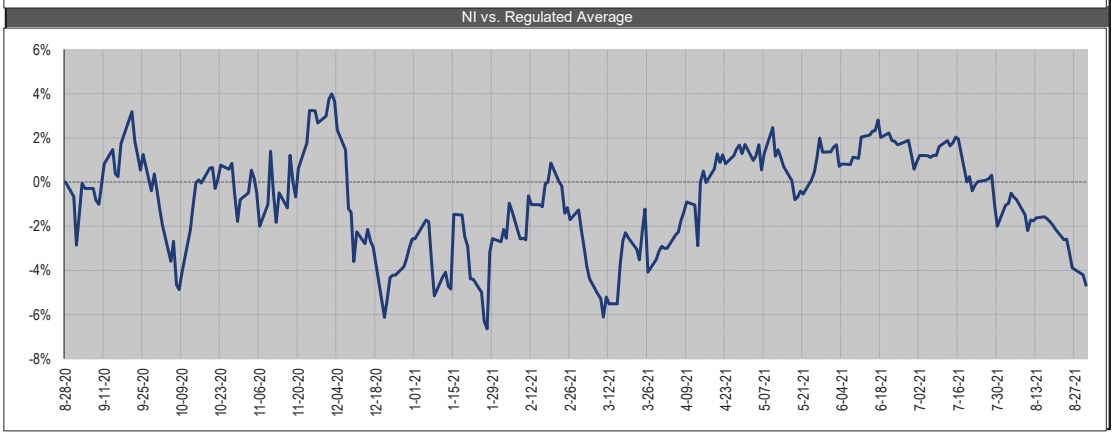

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9/6/2021

WOLFE RESEARCH

NRG Energy (NRG) $45.67, Peer Perform, $43 PT

NRG was the top-performing stock in the sector in August and is one of the top-performers on the year as well. NRG reported an in-line Q2 and reaffirmed guidance, while pointing to a resumption in buybacks later this year.

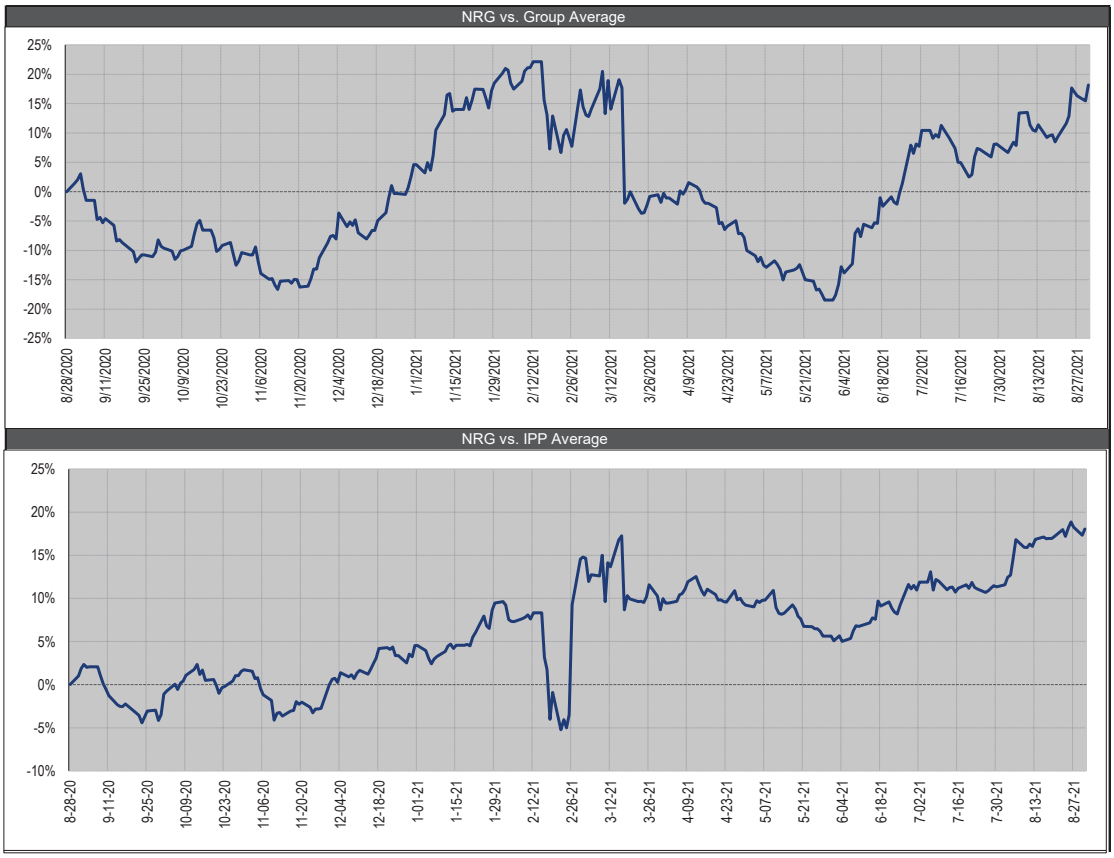

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9/6/2021

WOLFE RESEARCH

NorthWestern Corp (NWE) $63.60, NR

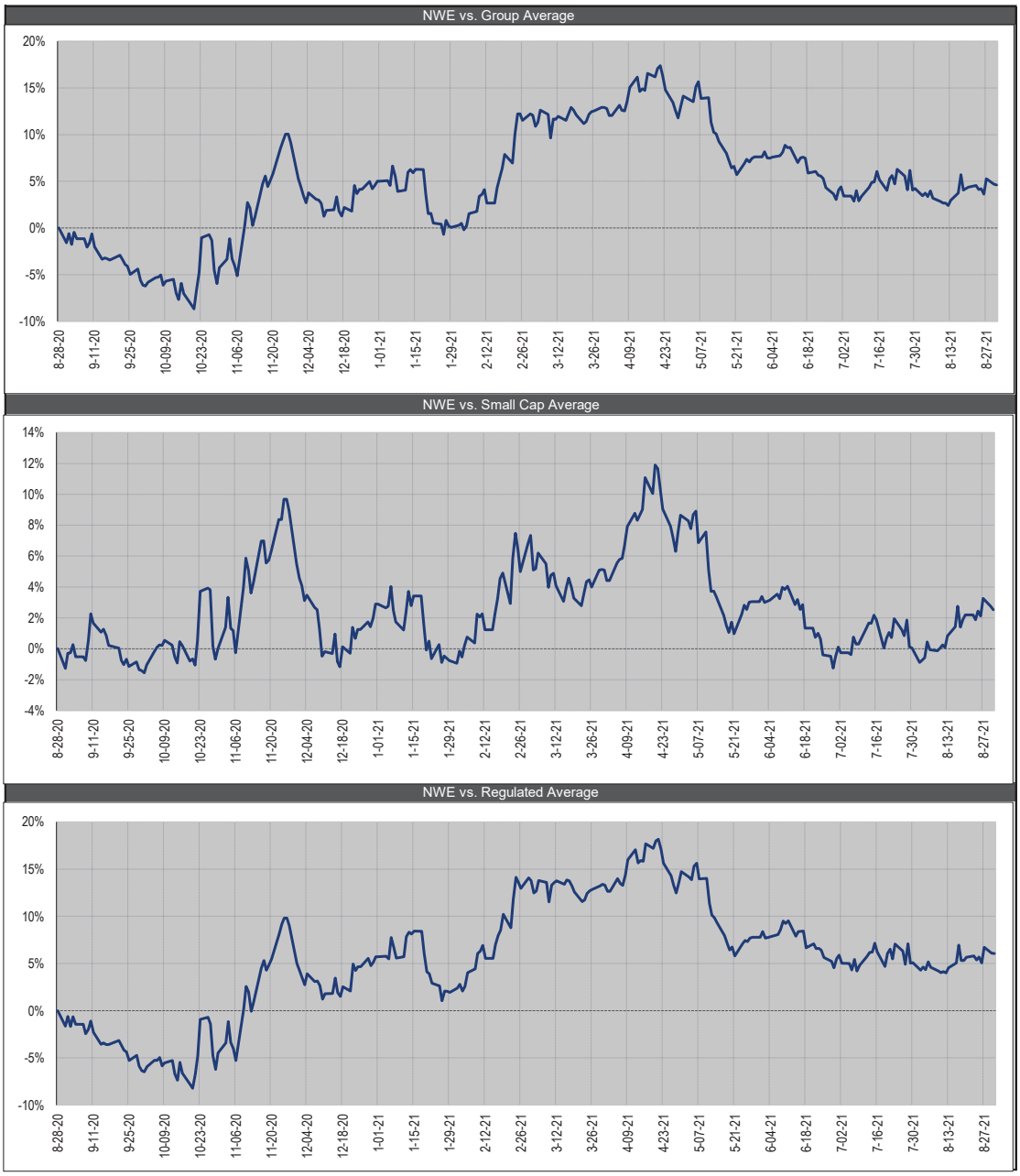

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9/6/2021

WOLFE RESEARCH

OGE Energy (OGE) $35.41, Peer Perform, $39 PT

OGE outperformed the utility index in August. Q2 results were strong, but primarily due to better-than-expected ENBL performance; FY21 utility guidance was reaffirmed in the lower half of the range. OGE did file its draft IRP in OK/AR – showing 850 MW of retirements over the next 5-6 years, with the expectation to add 100-150 MW of solar annually as a replacement. Any capex out of the IRPs would be upside to OGE's current capex plan.

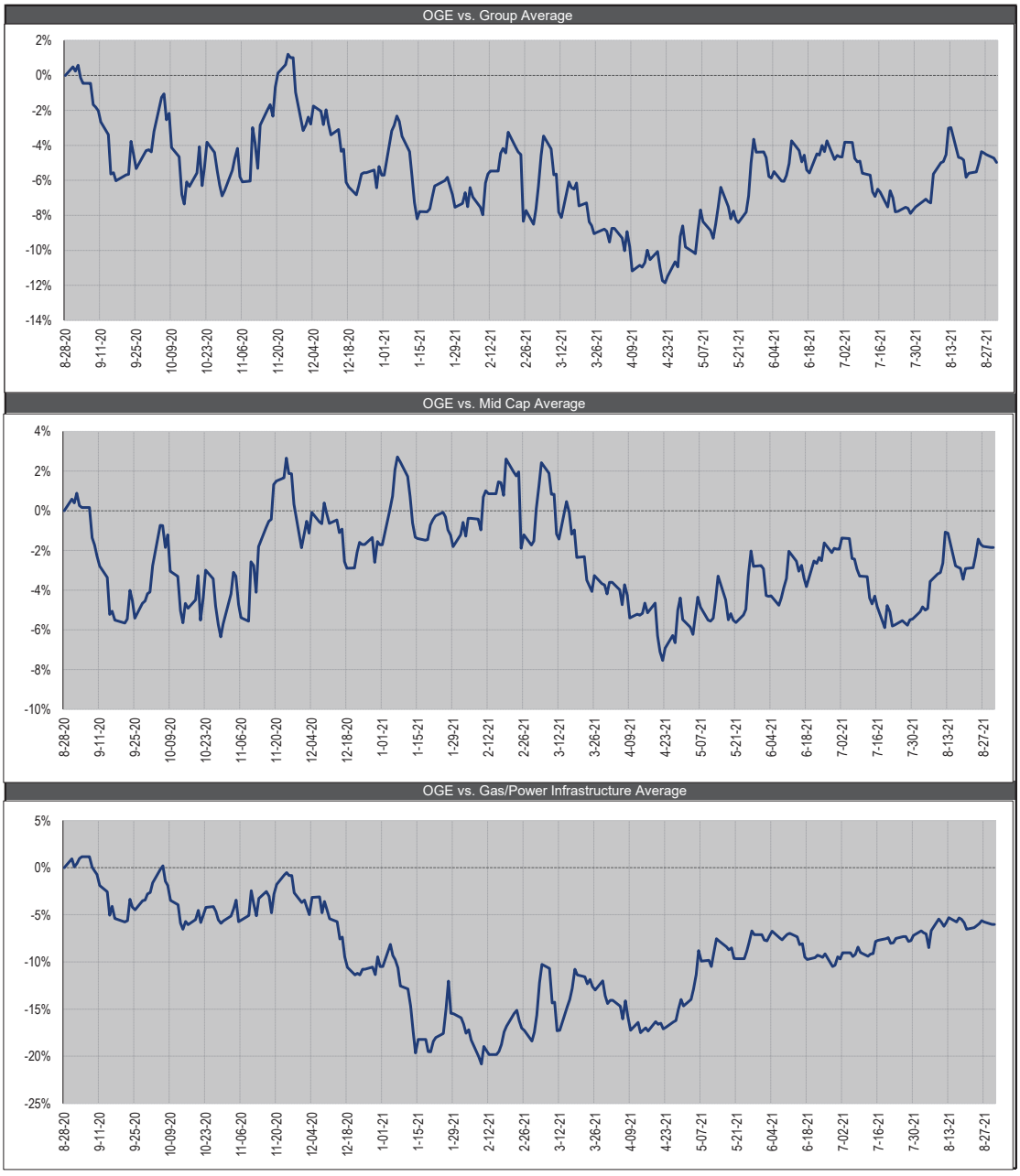

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9/6/2021

WOLFE RESEARCH

PG&E Corporation (PCG) $9.17, Outperform, $14 PT

PCG hit a 52-week relative low ahead of its 8/9 investor day as the Dixie Fire expanded, but the stock ended up outperforming despite the CPUC president conducting a fact-finding review to determine whether to move PCG up a step on the enforcement process.

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9/6/2021

WOLFE RESEARCH

Public Service Enterprise Group (PEG) $63.94, Outperform, $68 PT

The stock traded in-line for the month and is in a similar position for the year. The company finally announced its long-awaited fossil sale that went for a tepid price, but transitions the company to a nearly fully regulated story.

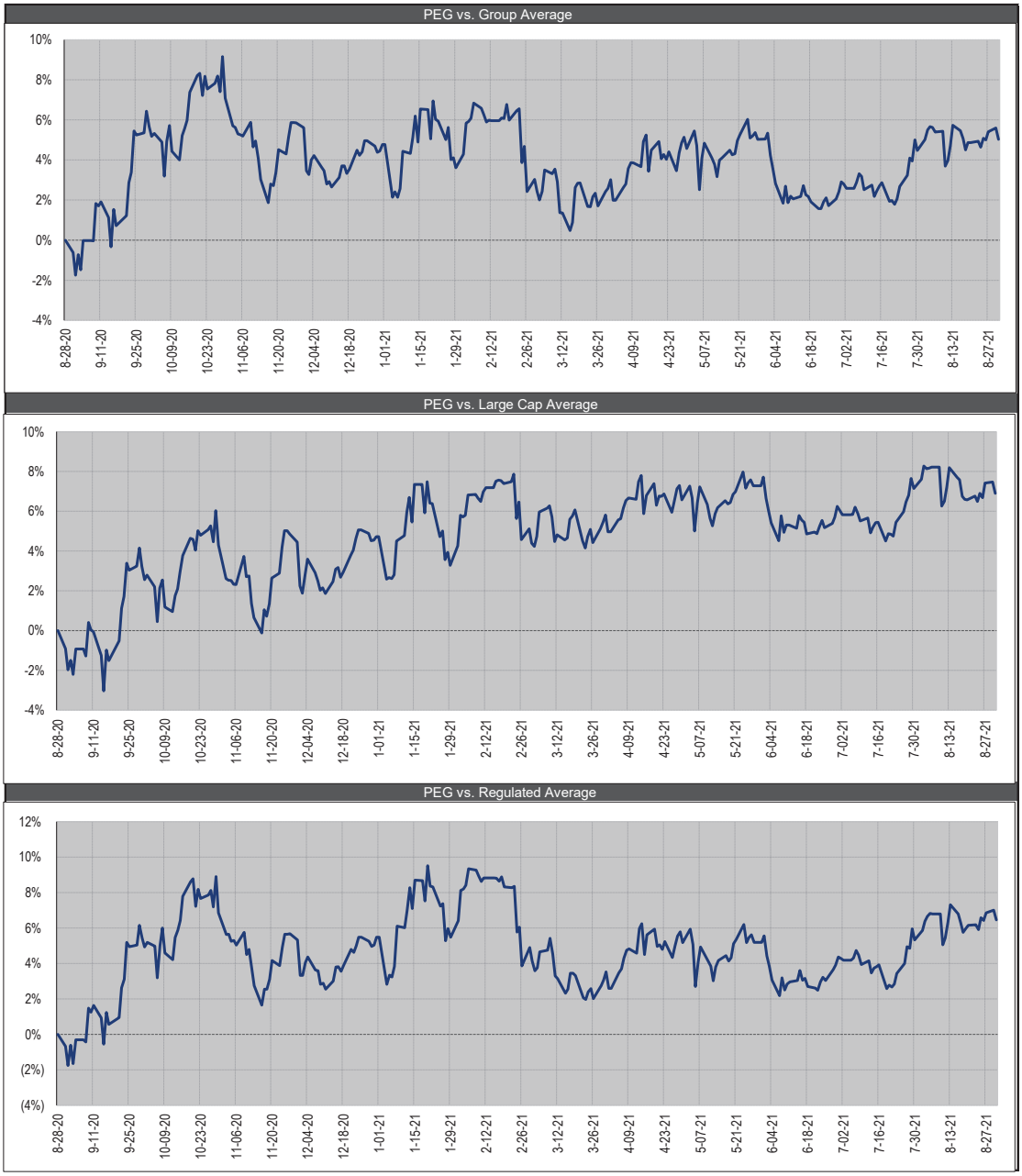

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9/6/2021

WOLFE RESEARCH

PNM Resources (PNM) $49.50, NR

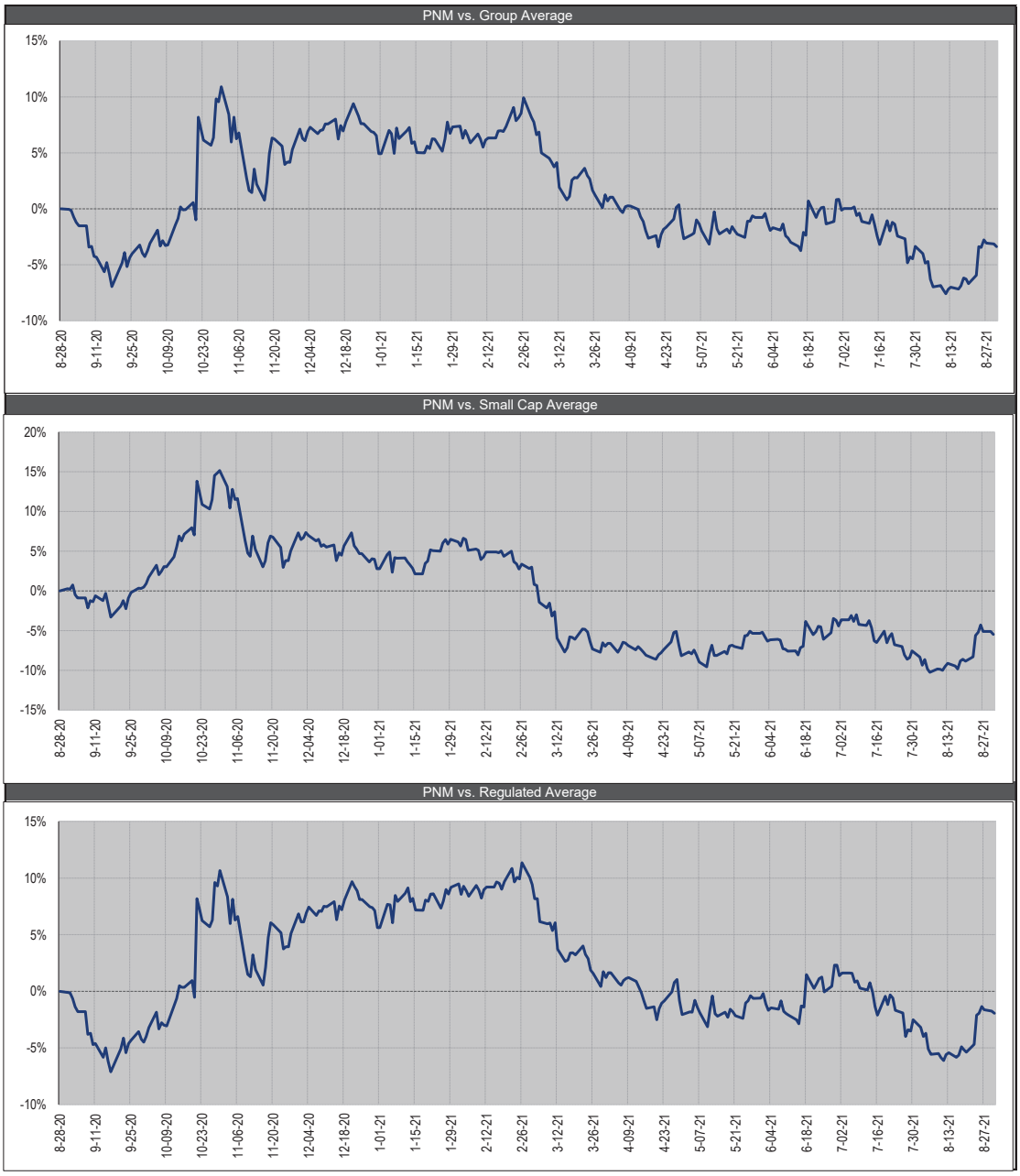

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9/6/2021

WOLFE RESEARCH

Pinnacle West Capital (PNW) $76.90, Underperform, $74 PT

PNW underperformed the utility index by 1150bps in August and was the worst performer in the group by a lot. This came after an unfavorable ALJ recommendation in APS' longstanding rate case. On its Q2 earnings call, PNW quantified that if the ALJ ROO was adopted as is, the company could see up to a $90M net income decrease – worth $0.75-0.80/sh. (~15% earnings risk vs then consensus).

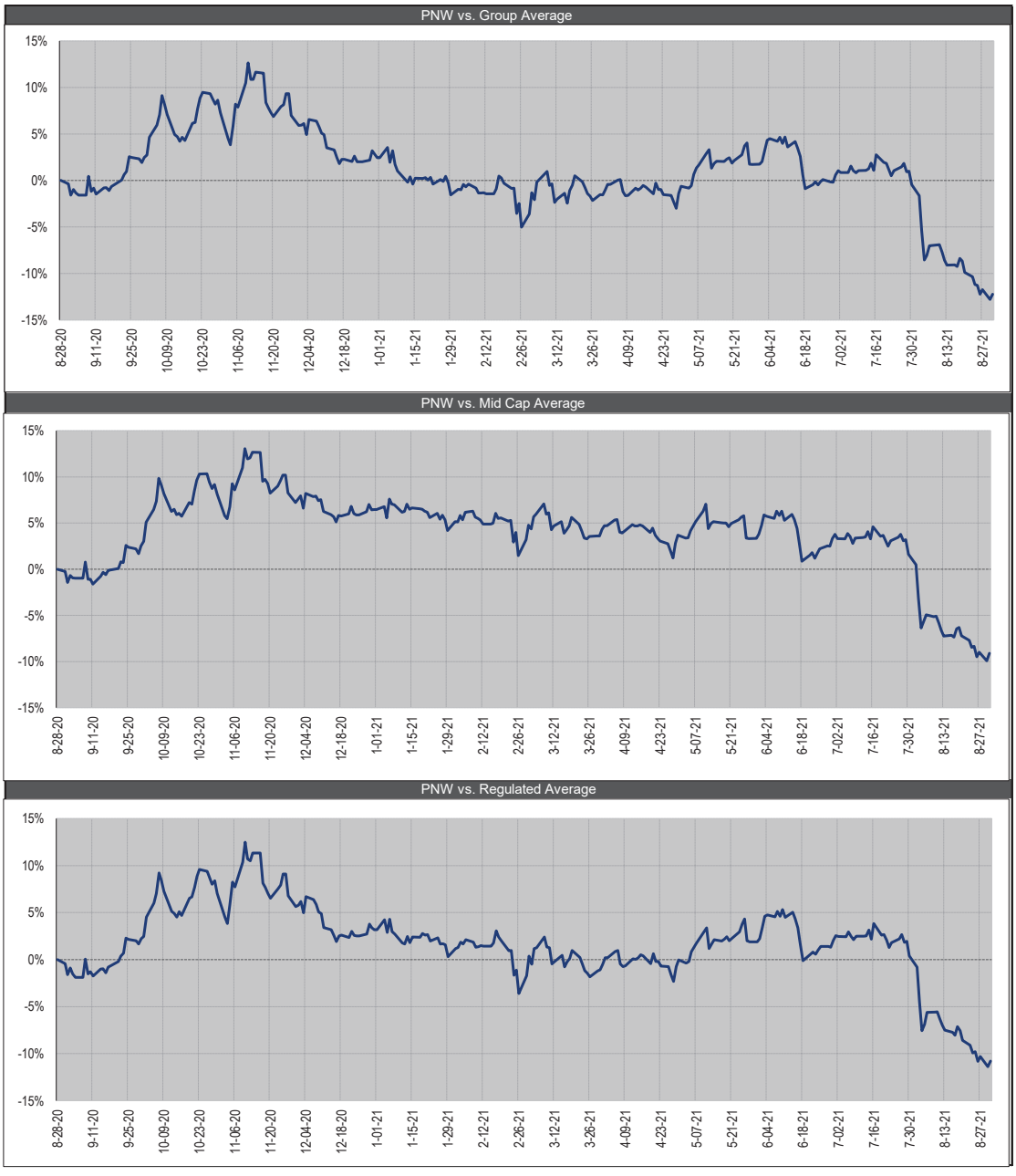

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9/6/2021

WOLFE RESEARCH

Portland General (POR) $51.35, Peer Perform, $52 PT

POR outperformed the utility average in August. We saw no notable news during the month; perhaps the momentum from July carried over where POR raised its FY21 guidance along with its Q2 earnings report.

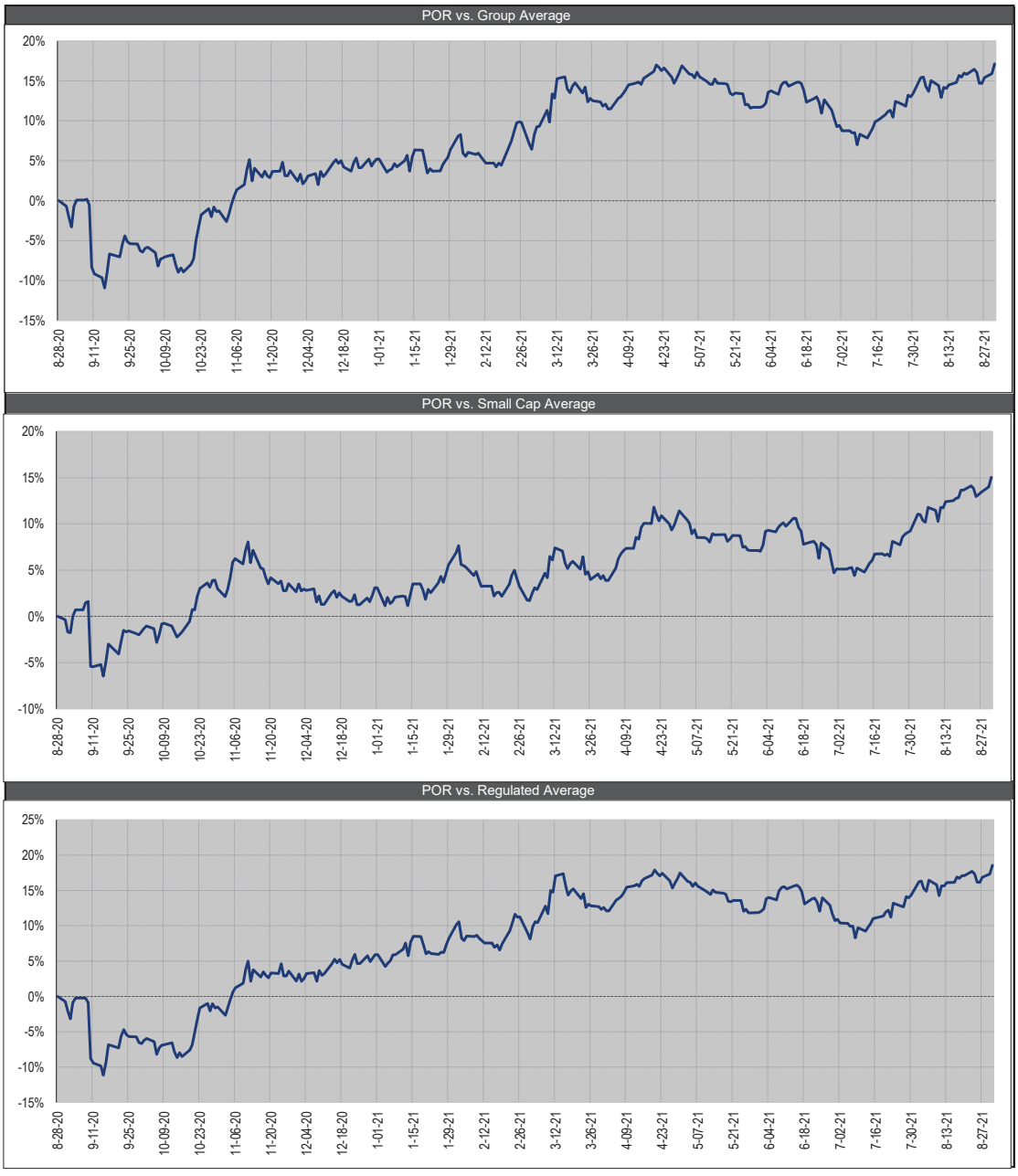

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9/6/2021

WOLFE RESEARCH

PPL Corporation (PPL) $29.35, Peer Perform, $31 PT

PPL outperformed peers in Aug, as PPL initiated a $3B share repurchase program with $500M targeted by YE21 and reached a deal on FERC ROE; but the stock is in a months-long trading range.

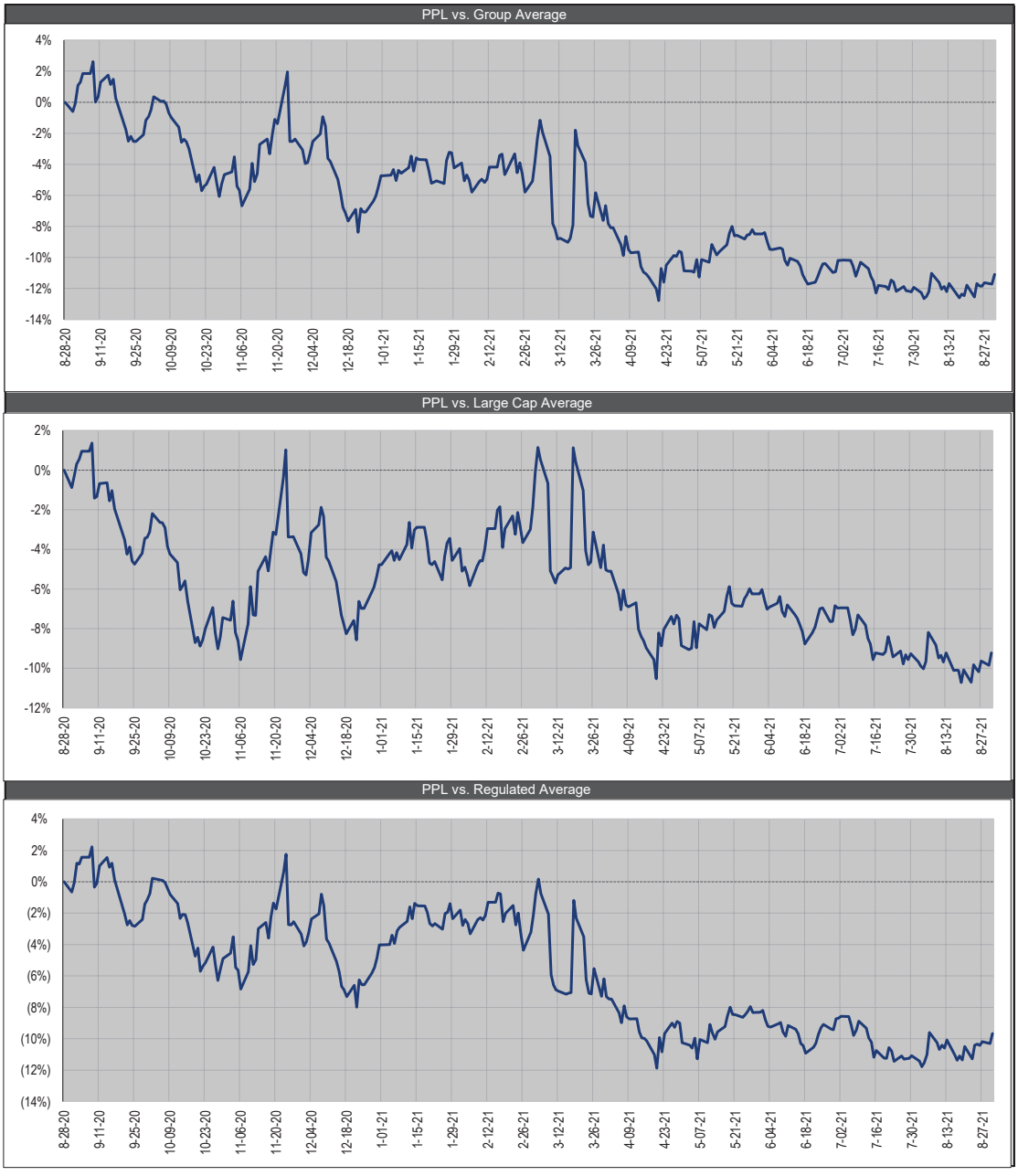

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9/6/2021

WOLFE RESEARCH

Southern Company (SO) $65.73, Peer Perform, $64 PT

SO outperformed peers in a month that saw a CFO unexpectedly retire and the NRC issue a special inspection report with potentially increased oversight at Vogtle. The new CFO is well known from his past investor-facing roles; and the NRC's findings were self-reported by SO.

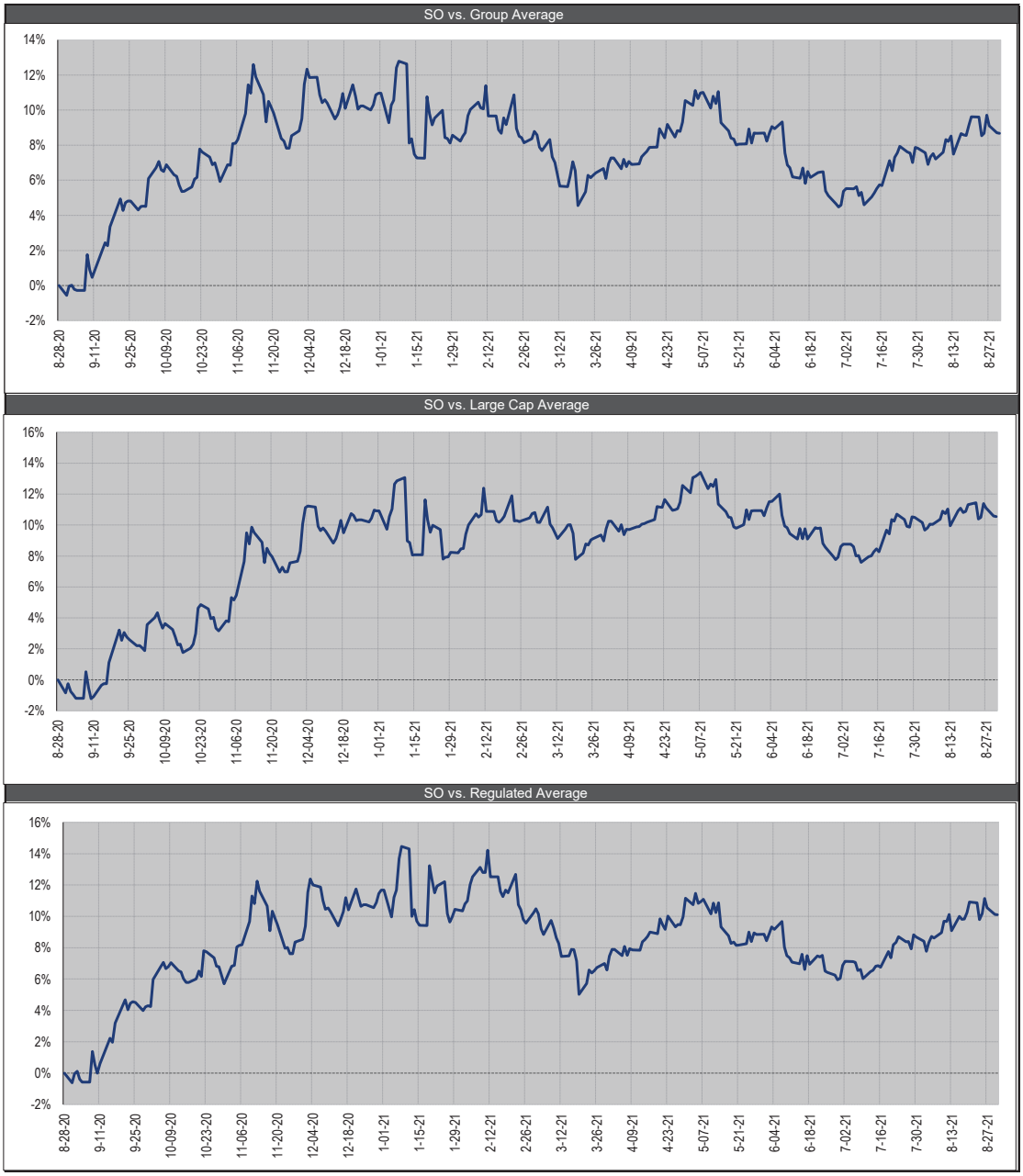

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9/6/2021

WOLFE RESEARCH

Sempra Energy (SRE) $132.36, Outperform, $151 PT

Shares of SRE rose 1.3%, underperforming the group average by about 200 bp. The main news in the month was the greater certainty on the likelihood of an ROE cut at SDG&E next year under the CA cost of capital mechanism – the impact could be 6-7c on EPS next year (<1% of total), though all the CA utilities are seeking an early cost of capital case to address this. Midstream stocks were also down on the month.

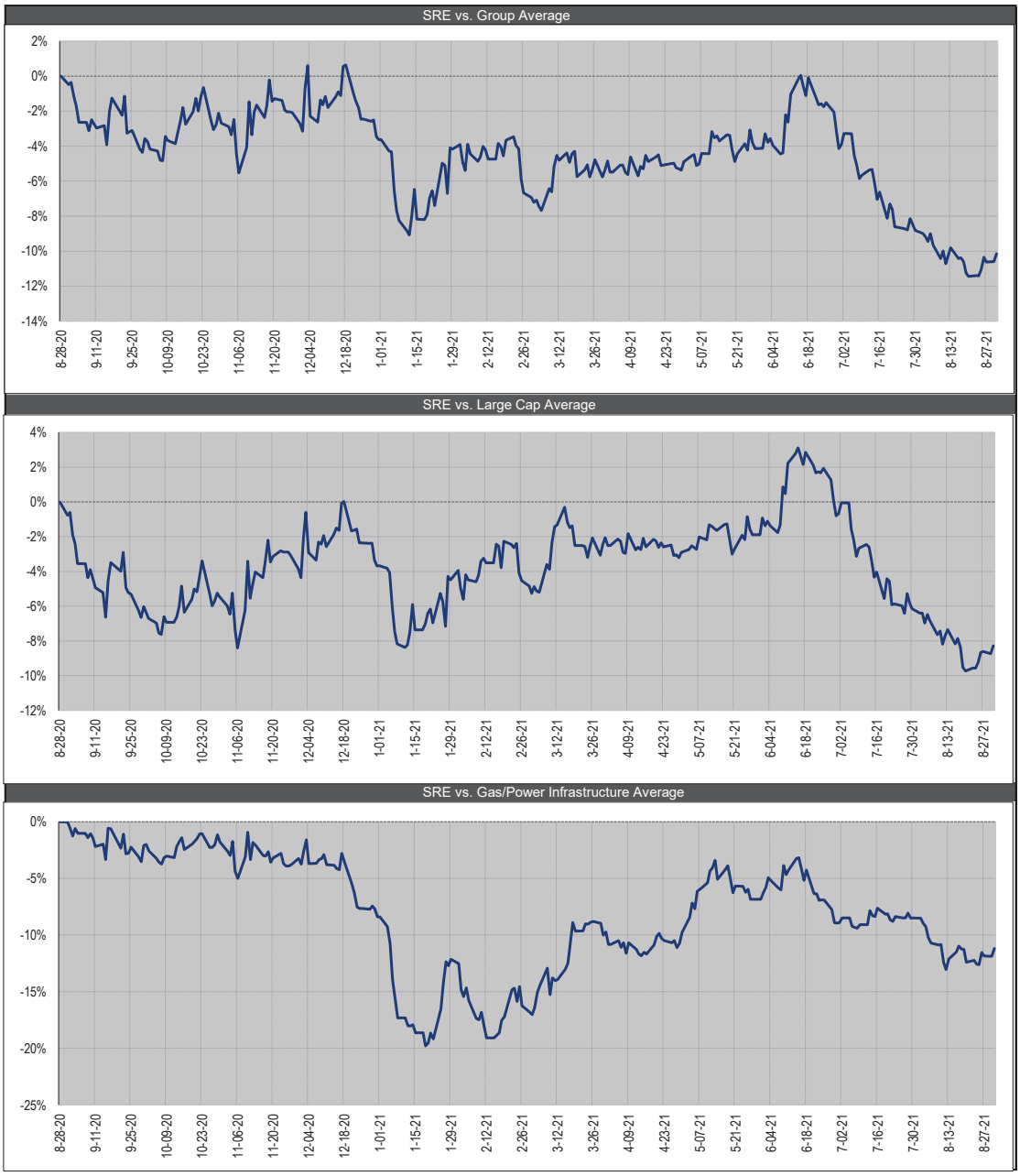

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9/6/2021

WOLFE RESEARCH

Vistra Corporation (VST) $19.09, Outperform, $25 PT

VST was one of the worst-performers in the group in August and is in a similar position YTD. The company reported an in-line Q2 and reaffirmed 2021 guidance ex-Uri. VST also gave a first look at 2022 EBITDA that matched consensus and was lower than us, but used lower power curves. More important in our view though, was the discussion on the potential renewables funding alternatives that could create more capital allocation flexibility to resume buybacks soon. VST expects to provide an update on its new plan by the Q3 call.

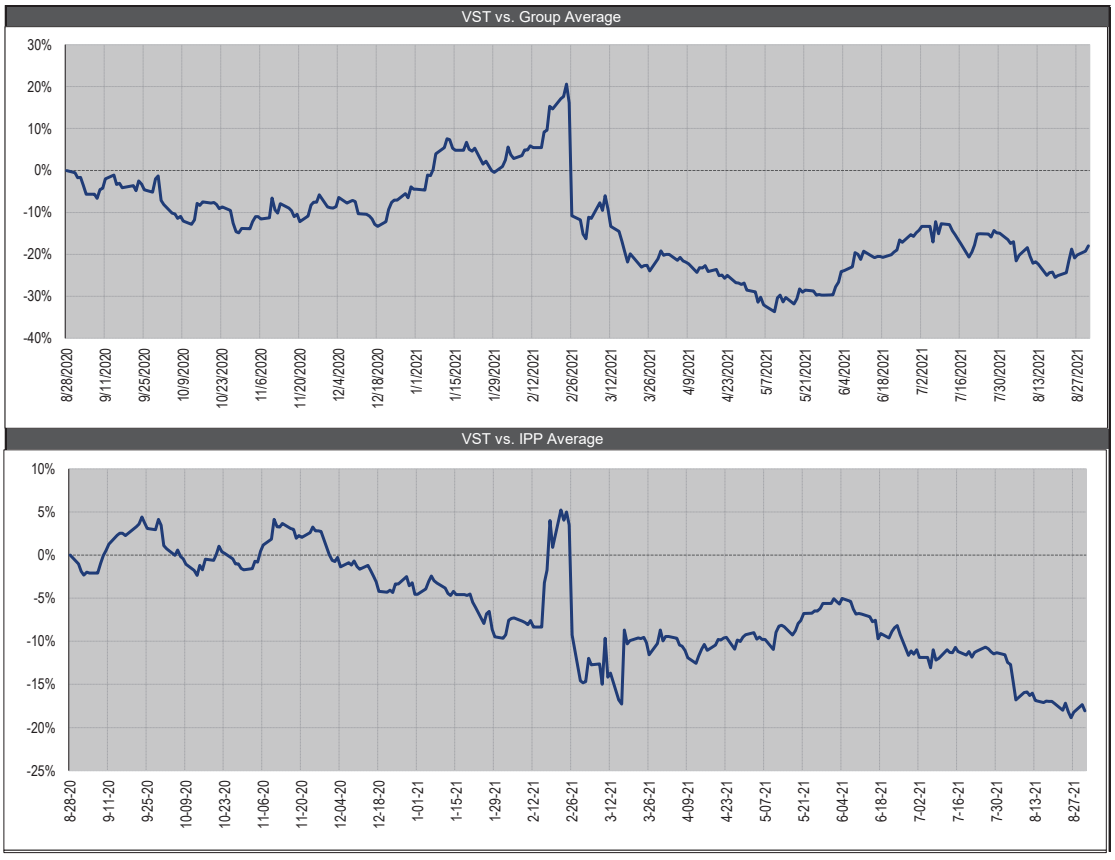

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9/6/2021

WOLFE RESEARCH

WEC Energy Group (WEC) $94.48, Underperform, $95 PT

WEC underperformed in August and is one of the worst-performers on the year. This despite a Q2 earnings beat and 2021 guidance raise, followed by WI PSC approval of its rate case stay-out agreement.

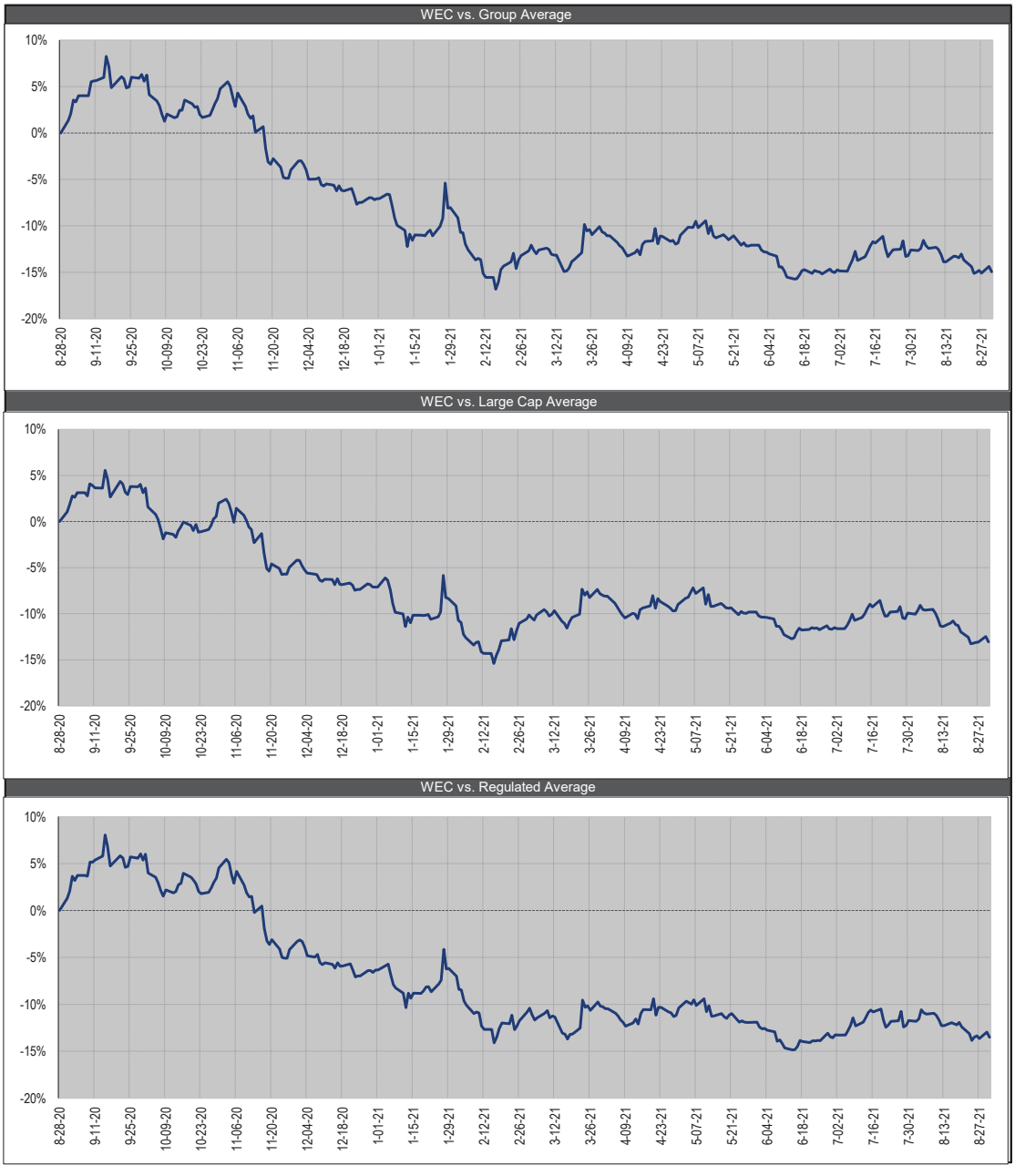

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WOLFE RESEARCH

Essential Utilities (WTRG) $49.63, NR

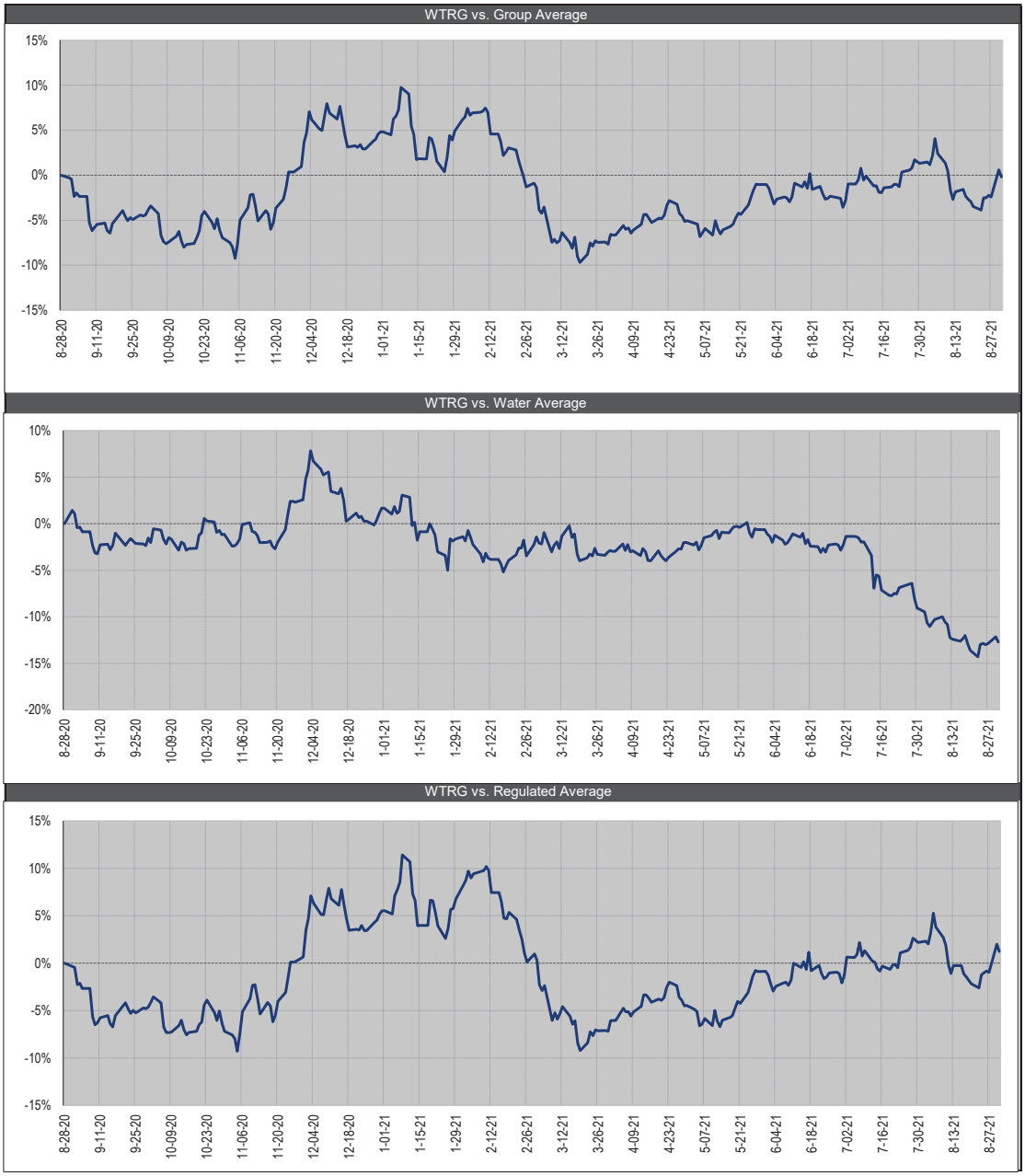

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9/6/2021

WOLFE RESEARCH

Xcel Energy (XEL) $68.75, Peer Perform, $73 PT

XEL underperformed again in August and is now sitting as one of the worst performing regulateds YTD. It was a relatively quiet month for XEL. PUCT Staff did provide a recommendation in SPS' rate case – a $110M rate increase vs XELs $143M ask, which included a 9.35% ROE and 51% equity ratio.

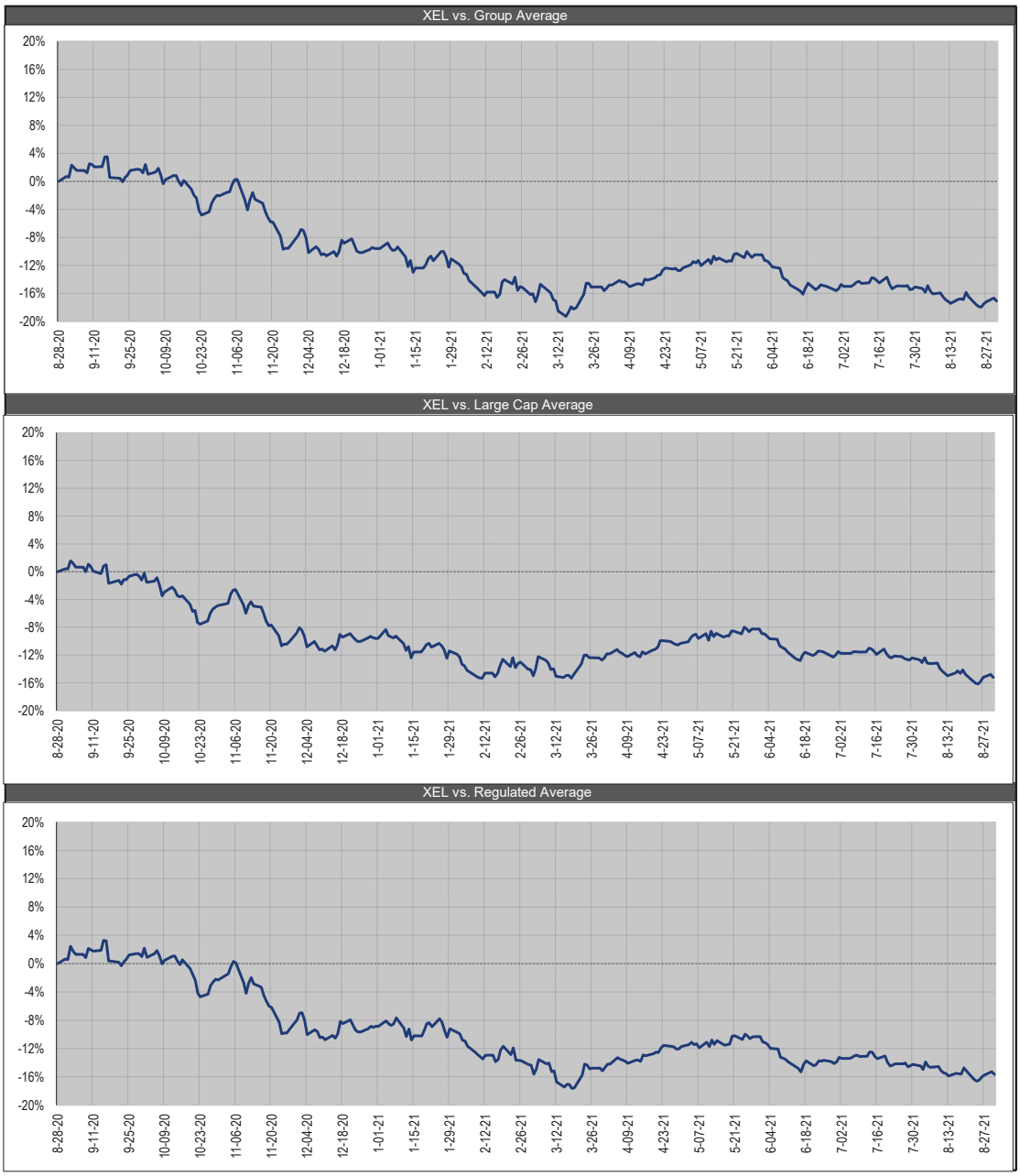

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Comparable Tables

Exhibit 3: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$60.79	250	$15,213	23.3x	22.0x	21.0x	19.9x	2.6%	5.9%	62%	2.6x	45%
Ameren	AEE	87.72	257	22,557	23.3x	21.5x	20.1x	19.0x	2.5%	7.0%	58%	2.4x	42%
American Electric	AEP	89.57	500	44,808	19.1x	17.9x	16.9x	15.9x	3.3%	5.7%	63%	2.1x	37%
Avangrid	AGR	54.65	387	21,161	26.0x	22.8x	21.4x	N/A	3.2%	0.0%	84%	1.1x	71%
CenterPoint Energy	CNP	25.09	593	14,876	20.0x	18.6x	17.4x	16.1x	2.5%	7.0%	50%	2.1x	35%
CMS Energy	CMS	64.13	290	18,576	22.3x	22.3x	20.3x	18.4x	2.7%	6.7%	61%	3.2x	32%
Con Edison	ED	75.45	353	26,663	17.7x	16.2x	15.8x	15.1x	4.1%	1.3%	73%	1.3x	44%
Dominion	D	77.84	807	62,780	20.1x	18.8x	17.8x	16.5x	3.2%	6.0%	65%	2.6x	40%
DTE Energy	DTE	120.34	194	23,316	16.4x	20.7x	19.3x	18.2x	3.7%	7.2%	60%	1.9x	35%
Duke Energy	DUK	104.66	769	80,506	20.3x	19.4x	18.2x	17.1x	3.8%	2.0%	76%	1.7x	42%
Edison International	EIX	57.84	380	21,962	13.0x	12.9x	12.2x	N/A	4.6%	4.0%	59%	1.5x	36%
Emera*	EMA	59.56	257	15,277	21.4x	18.4x	17.5x	16.6x	4.3%	4.0%	92%	1.9x	38%
Entergy	ETR	110.61	201	22,228	18.3x	17.3x	16.3x	15.4x	3.6%	6.0%	67%	2.0x	30%
Evergy	EVRG	68.45	229	15,695	20.5x	19.3x	17.8x	17.0x	3.2%	6.0%	65%	1.7x	45%
Eversource Energy	ES	90.73	344	31,179	23.9x	22.2x	20.9x	19.7x	2.7%	6.2%	63%	2.2x	43%
Exelon	EXC	49.02	978	47,933	17.4x	21.7x	20.6x	19.4x	3.1%	0.0%	54%	1.5x	44%
FirstEnergy	FE	38.87	544	21,153	15.4x	14.7x	14.0x	N/A	4.0%	0.0%	62%	2.8x	23%
Fortis*	FTS	57.80	471	27,235	21.1x	19.8x	18.7x	17.8x	3.6%	6.0%	75%	1.6x	43%
NiSource	NI	24.65	392	9,673	18.5x	17.5x	16.3x	14.5x	3.6%	6.0%	67%	1.9x	40%
PG&E	PCG	9.17	1,985	18,205	9.1x	8.5x	7.8x	7.1x	0.0%	N/A	0%	0.8x	33%
Pinnacle West	PNW	76.90	113	8,673	15.3x	16.7x	16.0x	15.1x	4.2%	2.0%	64%	1.5x	43%
Portland General	POR	51.35	89	4,591	18.4x	18.4x	17.8x	17.4x	3.3%	7.1%	61%	1.7x	45%
PPL Corp.	PPL	29.35	770	22,588	14.9x	17.5x	16.1x	N/A	5.7%	0.0%	84%	1.5x	53%
PSEG	PEG	63.94	506	32,327	17.8x	18.9x	18.1x	N/A	3.2%	4.1%	57%	2.0x	48%
Southern Company	SO	65.73	1,059	69,597	19.5x	18.9x	17.5x	16.0x	4.0%	3.9%	78%	2.5x	35%
WEC Energy Group	WEC	94.48	315	29,802	23.3x	22.0x	20.7x	19.5x	2.9%	7.1%	67%	2.8x	43%
Xcel Energy	XEL	68.75	538	37,018	23.1x	21.7x	20.4x	19.3x	2.7%	6.4%	62%	2.5x	37%
Average					**19.2x**	**18.8x**	**17.7x**	**16.9x**	**3.3%**	**4.5%**	**64%**	**2.0x**	**41%**
Average (ex EIX & PCG)					**19.9x**	**19.4x**	**18.3x**	**17.3x**	**3.4%**	**4.5%**	**67%**	**2.0x**	**41%**

Source: Wolfe Utilities & Power Research

Exhibit 4: Gas Power Infrastructure Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2021E	P/E 2022E	P/E 2023E	P/E 2024E	Div Yield	Div Growth	Payout Ratio
The AES Corporation	AES	$23.87	666	$15,906	15.5x	14.3x	13.3x	12.6x	2.5%	5.0%	39%
NextEra Energy	NEE	83.99	1,962	164,768	33.1x	31.1x	28.8x	26.8x	1.8%	9.7%	61%
OGE Energy	OGE	35.41	200	7,088	15.4x	16.6x	15.8x	15.1x	4.5%	5.6%	70%
Sempra	SRE	132.36	319	42,266	16.3x	15.8x	15.1x	14.4x	3.4%	8.0%	56%
Average					**20.1x**	**19.4x**	**18.2x**	**17.2x**	**3.1%**	**7.1%**	**56%**
Average Regulated (ex EIX and PCG)					*19.9x*	*19.4x*	*18.3x*	*17.3x*	*3.4%*	*4.5%*	*67%*

Source: Wolfe Utilities & Power Research

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Exhibit 5: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div Yield
Clearway Energy	CWEN	31.39	193	6,052	12.0x	11.1x	11.6x	12.3x	4.3%
NextEra Energy Partners	NEP	79.93	156	12,469	10.0x	8.4x	8.2x	8.0x	3.3%
Atlantica Yield*	AY	37.61	111	4,168	11.5x	10.8x	10.3x	10.3x	4.6%
Average					**11.2x**	**8.4x**	**8.2x**	**8.0x**	**3.9%**

Source: Wolfe Utilities & Power Research
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 6: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Free Cash Flow Yield 2021E	Free Cash Flow Yield 2022E	Free Cash Flow Yield 2023E	Free Cash Flow Yield 2024E
NRG Energy	NRG	45.67	245	11,179	9.6x	7.2x	6.5x	N/A	8.3%	15.1%	18.0%	N/A
Vistra Corp	VST	19.09	483	9,211	11.3x	5.2x	5.6x	N/A	4.3%	25.0%	22.4%	N/A
Average					**10.5x**	**6.2x**	**6.1x**	**N/A**	**6.3%**	**20.0%**	**20.2%**	**N/A**

Source: Wolfe Utilities & Power Research

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Group Classifications

Group:
AEE AEP AES ALE AVA CMS CNP CWEN D DTE DUK ED EIX EMA
ES ETR EVRG EXC FE FTS HE IDA LNT NEE NI NRG NWE OGE
PCG PEG PNM PNW POR PPL SO SRE WEC XEL

Large Cap:
AEP D DTE DUK ED EIX ES ETR EXC FE NEE PCG PEG PPL SO SRE
WEC XEL

Mid Cap:
AEE CMS CNP EMA EVRG LNT NI PNW OGE

Small Cap:
ALE AVA EE HE IDA NWE PNM POR

Regulated:
AEE AEP ALE AVA CMS D DUK ED EIX EMA ES ETR EVRG EXC FE
FTS HE IDA LNT NI NWE PCG PEG PNM PNW POR PPL SO WEC XEL

Gas/Power Infrastructure:
AES DTE NEE OGE SRE

IPPs:
NRG VST

YieldCos:
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May 5, 2021

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NI – Equity Done and CMA Sold, NI Turns to Execution

Key Message: NiSource reported 1Q21 earnings generally in line with Guggenheim and consensus estimates while reiterating LT EPS growth and narrowing FY21 EPS guidance. The company also provided some additional details on capital spending, its ongoing renewables efforts, and other regulatory items. While the company has completed the equity offering and has a well-charted financing plan through 2023, we continue to believe portfolio optimization is on the table for NI in the future.

NI reported 1Q21 adj. EPS of $0.77, slightly below our estimate of $0.80 and in line with consensus of $0.77. Results were only $0.01 higher YoY; however, 2021 does not include Columbia Gas of Massachusetts, which contributed to $84mm in lower operating revenues at the gas segment. **Mgmt. also reiterated the FY21-FY24 annual base capital spending guidance of $1.9B-$2.2B, while narrowing the renewables investments to ~ $2bn from the previous $1.8-2.0bn range.** EPS growth of 5-7% and 7-9% from 2021-2023 and 2021-2024, respectively, was also reaffirmed – consistent with our model. Finally, the company also narrowed 2021 guidance to $1.32 to $1.36, versus our $1.35, which remains unchanged.

We still think portfolio optimization is a possibility. Mgmt. is looking closely at the deals that have been announced (i.e., DEI sale to GIC, CNP) and continuously reviews its assets and would not be opposed to divesting additional LDCs if it is accretive for shareholders. Mgmt. does not assume any portfolio optimization in its financing plan, but additional LDC and non-core asset sales could offset some financing needs. We believe mgmt. would transact if a sale were value-add to shareholders and, in our view, the chances of a sale have improved with LDCs somewhat rerating. **We believe there are infrastructure funds that have the appetite for these assets and are willing to transact to an attractive price (we think a deal for the CNP assets could come in at potentially a healthy valuation).** If mgmt. were to divest any of its gas operations, they would essentially be swapping gas for electric, which could be multiple accretive. *See our more in-depth thoughts and modeling in our outlook piece HERE.*

NI BUY

NiSource Inc.
Sector: Power, Utilities & Alternative Energy

Earnings Release

Share Price	$25.78
Price Target	$27.00

EPS ($) (FY DEC)	1Q	2Q	3Q	4Q	FY
2021	0.77	0.14E	0.03E	0.42E	1.35E
Prior	*0.80*	—	—	*0.39E*	—
P/E					19.1x
2022	0.85E	0.14E	0.04E	0.40E	1.43E
Prior	—	*0.15E*	*0.03E*	*0.41E*	—
P/E					18.0x
2023	0.89E	0.16E	0.07E	0.42E	1.53E
Prior	—	*0.17E*	*0.06E*	—	—
P/E					16.8x

Market Data

52-Week Range	$21.09 - $26.30
Dividend	$1.57
Dividend Yield	6.1%
Market Cap (M)	$10,111
Shares Out (M)	392.2
ADV (3 mo; 000)	4,364

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See pages 3 - 4 for analyst certification and important disclosures.

Valuation: We apply our base 18.5x multiple on the electric utility and add a 1x premium to account for additional renewables opportunities and our base 18.5x multiple on the gas LDCs. We arrive at our valuation utilizing a sum-of-the-parts analysis, based on: (1) ~$11/share for the regulated electric utility; (2) ~$18/share value for the regulated gas segment given the limited spread from LDCs after recent market volatility; and (3) (~$-2)/share for other adjustments for Corp and Other. We use this sum of the parts to arrive at our $27 valuation.

Risks: The primary risk on the regulated utility encompass the traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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POWER, UTILITIES & ALTERNATIVE ENERGY

NISOURCE INC. **May 5, 2021**

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Rating and Price Target History for: NiSource Inc. (NI) as of 05-04-2021

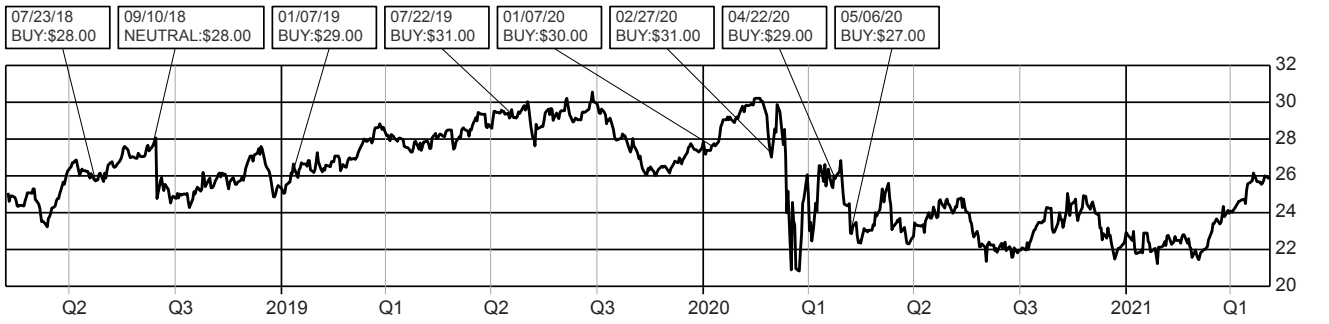

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Rating and Price Target History for: CenterPoint Energy, Inc. (CNP) as of 05-04-2021

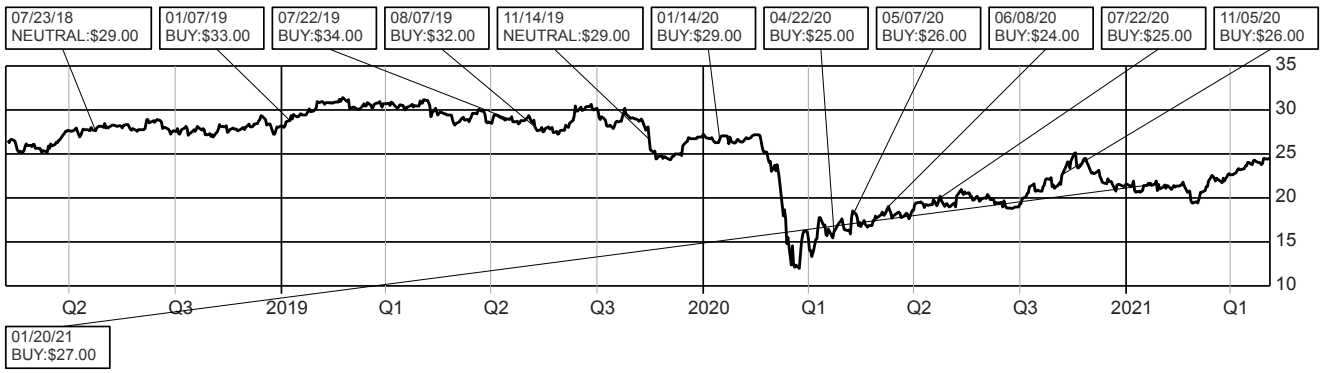

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NEUTRAL	132	33.08%	8	6.06%
SELL	6	1.50%	1	16.67%

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Power & Utilities August 4, 2021

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Ticker	Price	Rating
AEP	89.09	Buy
ALE	71.60	Neutral
ALTO	5.66	Buy
AVA	44.24	Sell
AWK	175.30	Neutral
CNP	25.87	Buy
ETR	103.97	Buy
EXC	47.38	Neutral
FE	38.54	Neutral
NI	25.31	Buy
OGS	74.88	Neutral
PCG	8.99	Buy
PEG	63.51	Buy
WEC	95.61	Neutral

For details on our Guggenheim Hosted Client Utility Events, including our SO NDR, SO CEO Video Call w/Clients, NEE NDR, EEI Financial Conference Schedule, and more, scroll down…

PEG – 2Q EPS In-Line; 2Q Notches Further De-Risking; Upcoming Analyst Day Looks to Provide Catalyst Update (see our note HERE)

WEC – Strong Quarter Comes with Guidance Raise; Textbook WEC (see our note HERE)

AWK: Straightforward 2Q; Guidance Reaffirmed as NYAW Process Grinds On (see our note HERE)

OGS – 2Q EPS Beat; Customer and Margin Growth Materializes, Regulatory Constructs Support Growth (see our note HERE)

ALTO: 2Q Miss on Commodity Woes, But 2022 Specialty Contracting and Strategic Expansion Looks to Set a Path for Success (see our note HERE)

ETR - reports 2Q miss, largely from weather impact; 2021-2023 guidance reiterated and now anticipated at the top end

AVA - reports 2Q Miss; 2022 guidance adjusted down, but 2023 remains intact

EXC – Exelon reports 2Q21 earnings

ALE – ALLETE reports 2Q21 earnings

NI – NiSource reports 2Q21 earnings

FE/OH – PUCO releases DCR audit; DOJ subpoenaed PCUO for Randazzo records

AEP – Stakeholders oppose new cost scenarios for Mitchell plant

Power – Talen partners with bitcoin miner to use Susquehanna nuclear plant's output

EPA – EPA settles upwind suit with northeast states

ERCOT – GIS report points to almost 600MW of resources entering commercial operation

PCG – Dixie fire growth slows, but drought and fire conditions prompt continued evacuation orders; fire grows to 254,000 acres and remains 35% contained

CNP – Enable Midstream sales get scrutiny by FTC with potential delays in approval

ETR reports 2Q miss, largely from weather impact; 2021-2023 guidance reiterated and now anticipated at the top end

- Entergy reports 2Q adjusted EPS of $1.34, vs. consensus $1.40 and our $1.37 estimate.
- 2Q results included -$0.09 of weather vs. normal, bringing normalized results ahead of our estimates and consensus.
- ETR reaffirms 2021-2023 EPS guidance of $5.80–$6.10, $6.15–$6.45, $6.55–$6.85, respectively.
- ETR now anticipates being in the top half of the range in 2021-2023; vs. our EPS expectation of $6.79 for 2023 EPS.

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AVA reports 2Q Miss; 2022 guidance adjusted down, but 2023 remains intact

- AVA reported 2Q EPS of $0.20 vs. $0.25 consensus and our $0.30 estimate.
- In 2Q, AVA experienced increases in net power supply costs, and lower hydro generation due to drought conditions.
- AVA confirmed 2021 earnings guidance of $1.96 to $2.16, adjusting 2021 segment ranges to lower Avista Utilities by $0.10 and raise other businesses by $0.10.
- AVA lowered 2022 EPS guidance by $0.15 per diluted share to a range of $2.03 to $2.23 for the same reasons.
- AVA reiterated 2023 EPS guidance of $2.42 to $2.62.

EXC – Exelon reports 2Q21 earnings

- Reported 2Q21 EPS of $0.89 vs. Gugg $0.72 and Street $0.67.
- Results at the utilities were $0.17 higher at EXC Utilities, $0.14 at ExGen, and $0.03 at parent.
- ExGen results included $0.10 of favorable gains on equity investments vs. 2Q20 and $0.04 of NDT gains.
- AVA lowered 2022 guidance by $0.15 per diluted share to a range of $2.03 to $2.23 for the same reasons.
- AVA reiterated 2023 EPS guidance of $2.42 to $2.62.
- EXC Utilities TTM ROE improved to 9.4% from 8.9%, attributed to 2020 storms rolling off.
- EXC Utilities announces net zero by 2050 goal, 50% reduction by 2030 goal.

ALE – ALLETE reports 2Q21 earnings

- Reported 2Q21 earnings of $0.53 vs. Gugg $0.47 and Street $0.52.
- Reaffirms 2021 EPS guidance of $3.00 to $3.30 range.
- Results reflect higher earnings at MN Power and ACE, partially offset by parent drag from marketable securities and higher tax.

NI – NiSource reports 2Q21 earnings

- Reported 2Q21 EPS of $0.13 vs. Gugg $0.14 and street $0.12.
- Reaffirmed 2021 EPS guidance of $1.32 to $1.36.
- Reaffirmed 10-12% rate base growth guidance through 2024.

FE/OH – PUCO releases DCR audit; DOJ subpoenaed PCUO for Randazzo records

- The 215-page third party audit calls for a $6.6mm refund to customers.
- “Today the Public Utilities Commission of Ohio’s (PUCO) issued an expanded audit report of FirstEnergy’s Ohio electric distribution companies’ delivery capital recovery rider for the 2020 calendar year. The audit report recommends $6.6 million should be returned to customers…The audit report examined expenses identified by FirstEnergy Corp. in its Feb. 18, 2021 report to the Securities and Exchange Commission (SEC) to be improperly classified, misallocated, or lacked supporting documentation. The audit examined payments to 17 vendors over a 10-year period, totaling $24.5 million.” - report
- The audit report identifies $6.6 million of the $24.5 million total that were included in customer bills and should be refunded.
- “Based on information reviewed, and except for the recommendations noted above, Blue Ridge concludes that the Companies’ controls were adequate and not unreasonable.” – consultant
- Audit HERE, press release HERE.
- The DOJ has also reportedly subpoenaed PUCO for records related to former Chair Randazzo and his involvement in the 2024 ESP – more HERE.

Guggenheim takeaway: *Yet more noise in the process, but also not altogether surprising to us. The Randazzo linkage is not new at this point, although we remain on the lookout for any other data points that could come from the regulatory investigations or DOJ criminal charges against individuals. Still, we believe the new team at FE is working hard to reset its relationships –* ***see our note from last week’s lunch with CEO/CFO and TreasurerHERE for more****.*

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AEP – Stakeholders oppose new cost scenarios for Mitchell plant

- A series of stakeholders, including consumer advocate groups are opposed to the provision of new cost scenarios on the grounds that they would deprive stakeholders of due process.
- More HERE

Guggenheim takeaway: *Zero surprise to us given the parties in question and the initial decision by the KY PSC.*

Power – Talen partners with bitcoin miner to use Susquehanna nuclear plant's output

- Talen [PRIVATE] has "entered into a Joint Venture with TeraWulf Inc. ("TeraWulf") [PRIVATE], a U.S.-based bitcoin mining company, to develop up to 300 Megawatts of zero-carbon bitcoin mining capacity. The Joint Venture, named Nautilus Cryptomine will leverage the strengths of both Talen and TeraWulf as they collectively work to advance the convergence of clean energy sources and digital infrastructure assets. Phase I of the Nautilus Cryptomine facility is a 180-megawatt bitcoin mining facility which will be built on Talen's digital infrastructure campus adjacent to its Susquehanna nuclear power generation station." - release
- More HERE.

Guggenheim takeaway: *Interesting heads up.*

EPA – EPA settles upwind suit with northeast states

- "The agreement announced today with the Biden-Harris Administration's EPA resolves the coalition's lawsuit and ends the EPA's illegal delay by establishing deadlines for action. The agreement requires the EPA to approve or reject Good Neighbor SIPs from the upwind states by April 30, 2022." – AG James
- More HERE.

Guggenheim takeaway: *Minor ICYMI from last week and not a surprise to us.*

ERCOT – GIS report points to almost 600MW of resources entering commercial operation

- Just over 500MW of wind and 40MW of storage was approved for commercial operation in July.
- More HERE.

Guggenheim takeaway: *Minor FYI as the ISO and PUCT continue to weight tweaks to support dispatchability.*

PCG – Dixie fire growth slows, but drought and fire conditions prompt continued evacuation orders; fire grows to 254,000 acres and remains 35% contained

- The Dixie fire in northern California slowed expansion but weather conditions continue to threaten further expansion.
- The fire is currently estimated at 254,000 acres burned with 35% containment.
- Evacuation orders are continued to be considered in the affected areas.
- Damage assessments are currently estimating 67 structures destroyed.
- The Butte county DA along with CalFire is investigating the incident.

Guggenheim takeaway: *FYI. We continue to monitor the report for datapoints on structure damage and potential future liabilities. While current estimates may be incomplete due to access, no major population centers have reported damage, and 67 structures destroyed is a very small number relative to the overall size of the fire, which speaks to the unpopulated nature of the terrain and CalFire efforts to guide the fire away from population centers.*

CNP – Enable Midstream sales get scrutiny by FTC with potential delays in approval

- The FTC continues issuing requests for information and extending the approval timeline for antitrust clearance in the Enable Midstream deal (ENBL).
- Energy Transfer (ET) addressed the deal with CNP on the quarterly call, still expecting to close in the second half of 2021.

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- The ET team does not see antitrust issues for the ENBL footprint since there is adequate competition in the area.

Guggenheim takeaway: *FYI. The delays were not anticipated by us or the ET mgmt. team, per comments on the call, given the relatively straight forward nature of the sale, but FTC's extensions have moved the timeline twice. We continue to monitor but do not anticipate any delays beyond 2021.*

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Equity Research | Corporate Access

Southern Company (SO)

Drew Evans, *Chief Financial Officer*
Scott Gammill, *Director, Investor Relations*

Date
Wednesday, August 4, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $65.67bn
Southern Co (SO) is a holding company. The firm engages in the sale of electricity. It operates through the following segments: Traditional Electric Operating Companies, Southern Power and Southern Company Gas. The Traditional Electric Operating Companies segment refers to vertically integrated utilities that own generation, transmission and distribution facilities, and supplies electric services in the states of Alabama, Georgia, Florida, and Mississippi. The Southern Power segment constructs, acquires, owns, and manages generation assets such as renewable energy projects and sells electricity in the wholesale market. The Southern Company Gas segment distributes natural gas through natural gas distribution facilities in the states of Illinois, Georgia, Virginia, New Jersey, Florida, Tennessee, and Maryland. The company was founded on November 9, 1945 and is headquartered in Atlanta, GA. (Source: FactSet)

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Equity Research | Corporate Access

Southern Company (SO)

Tom Fanning, *Chairman, President & Chief Executive Officer*

Please join Guggenheim Research Analyst Shar Pourreza for a discussion with Southern Company's Tom Fanning.

Date and Time

Friday, August 13, 2021
12:00PM ET | Group Call

Company Information

Market Cap: $65.67bn

Southern Co (SO) is a holding company. The firm engages in the sale of electricity. It operates through the following segments: Traditional Electric Operating Companies, Southern Power and Southern Company Gas. The Traditional Electric Operating Companies segment refers to vertically integrated utilities that own generation, transmission and distribution facilities, and supplies electric services in the states of Alabama, Georgia, Florida, and Mississippi. The Southern Power segment constructs, acquires, owns, and manages generation assets such as renewable energy projects and sells electricity in the wholesale market. The Southern Company Gas segment distributes natural gas through natural gas distribution facilities in the states of Illinois, Georgia, Virginia, New Jersey, Florida, Tennessee, and Maryland. The company was founded on November 9, 1945 and is headquartered in Atlanta, GA. (Source: FactSet)

Participating Guggenheim Analyst

Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power & Utilities*

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Equity Research | Corporate Access

NextEra Energy, Inc. (NEE)

Rebecca Kujawa, *Chief Financial Officer*
Jessica Aldridge, *Head of Investor Relations*

Dates & Locations

September 13 | Los Angeles
September 14 | San Francisco

Meeting Format

1:1 Meetings & Small Group Meeting

Company Information

Market Cap: $145.87bn

NextEra Energy, Inc. (NEE) is an electric power and energy infrastructure company. It operates through the following segments: FPL & NEER. The FPL segment engages primarily in the generation, transmission, distribution and sale of electric energy in Florida. The NEER segment produces electricity from clean and renewable sources, including wind and solar. It provides full energy and capacity requirements services; engages in power and gas marketing and trading activities; participates in natural gas production and pipeline infrastructure development; and owns a retail electricity provider. The company was founded in 1984 and is headquartered in Juno Beach, FL. (Source: FactSet)

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Save the Date: 56th EEI Financial Conference

Dates

November 7 - 9, 2021

Company Dinners (Hosted by Guggenheim)

Sunday, November 7, 2021

6:00 p.m. | Cocktail Reception with full Guggenheim Securities Team & corporate utility clients

7:00 p.m. | Dinner with **Duke Energy Corp (DUK)** CEO & CEO of Duke Carolinas
Lynn Good, *Chairman, President & Chief Executive Officer*
Julie Janson, *EVP & Chief Executive Officer, Duke Energy Carolinas*
Location TBD

Monday, November 8, 2021

6:00 p.m. | Cocktail Reception with full Guggenheim Securities Team & corporate utility clients

7:30 p.m. | Dinner with **Entergy (ETR)** CEO, Group President & CFO
Leo Denault, *Chief Executive Officer*
Rod West, *Group President, Utility Operations*
Andrew Marsh, *Chief Financial Officer*
Location TBD

Guggenheim Hosted Utilities Investor Discussion Panel with Mark McLain and Shar Pourreza
Tuesday, November 9, 2021
7:30 p.m. | Location TBD

Company Meetings

More Utilities may be added and we will update schedule accordingly

Sunday, November 7th	
Time	*Co.*
11:00AM	LNT
12:00PM	POR
2:00PM	WEC
3:00PM	CNP
4:00PM	AWK
5:00PM	ALE

Monday, November 8th	
Time	*Co.*
8:00AM	PCG
9:00AM	OGE
10:00AM	PNW
11:00AM	DTE
12:00PM	CMS
1:00PM	PPL
2:00PM	FE
3:00PM	AEP
4:00PM	D
5:00PM	NI

Tuesday, November 9th	
Time	*Co.*
8:00AM	EVRG
9:00AM	EIX
10:00AM	NEE
11:00AM	EXC
12:00PM	PEG
1:00PM	SO
2:00PM	NWE
2:00PM	SRE
3:00PM	ES
4:00PM	AEE
5:00PM	ED
6:00PM	AVA

Participating Guggenheim Analyst

Shar Pourreza, *Senior Managing Director, Senior Equity Research Analyst – Power & Utilities*

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Guggenheim's Power & Utility Comp Sheet

Updated as of 8/3/2021

									Guggenheim						Consensus		
Regulated Electric Utilities [1]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	Earnings Per Share '21E	'22E	'23E	Price / Earnings '21E	'22E	'23E	Price / Earnings '21E	'22E	'23E
AEE	Ameren	21.8	Buy	$90	$85.61	NA	#VALUE!	256	3.73	4.02	4.30	23.0	21.3	19.9	22.7	21.2	19.8
AEP	American Electric Power	44.5	Buy	$98	$89.09	NA	#VALUE!	500	4.70	5.03	5.30	19.0	17.7	16.8	19.0	17.9	16.9
ALE	ALLETE	3.7	Neutral	$65	$71.60	NA	#VALUE!	52	3.18	3.85	3.98	22.5	18.6	18.0	22.6	18.5	18.0
AVA	Avista	3.1	Sell	$32	$44.24	NA	#VALUE!	69	2.06	2.26	2.47	21.5	19.6	17.9	21.0	19.4	17.9
CMS	CMS Energy	18.3	Neutral	$63	$63.24	NA	#VALUE!	290	2.69	2.88	3.14	23.5	22.0	20.1	23.1	21.9	20.2
D	Dominion	60.8	Buy	$89	$75.50	3.3%	65%	807	3.86	4.15	4.44	19.6	18.2	17.0	19.5	18.3	17.3
DTE	DTE Energy	22.7	Buy	$126	$118.13	3.6%	74%	194	5.80	5.95	6.19	20.4	19.9	19.1	20.6	20.2	19.2
DUK	Duke Energy	81.8	Buy	$107	$106.61	NA	#VALUE!	769	5.17	5.48	5.81	20.6	19.5	18.3	20.5	19.5	18.4
ED	Consolidated Edison	26.4	Neutral	$77	$74.85	NA	#VALUE!	353	4.25	4.42	4.63	17.6	16.9	16.2	17.6	16.6	15.8
EIX	Edison International	21.0	Buy	$79	$55.39	NA	NA	380	4.51	4.76	5.04	12.3	11.6	11.0	12.2	11.9	11.2
ES	Eversource Energy	30.1	Neutral	$87	$87.80	NA	#VALUE!	343	3.83	4.12	4.36	22.9	21.3	20.1	22.9	21.4	20.1
ETR	Entergy	20.9	Buy	$120	$103.97	NA	#VALUE!	201	6.01	6.33	6.79	17.3	16.4	15.3	17.4	16.5	15.5
EVRG	Evergy	15.2	Buy	$70	$66.38	NA	#VALUE!	229	3.29	3.43	3.71	20.2	19.4	17.9	19.9	19.0	17.6
FE	FirstEnergy	20.9	Neutral	NA	$38.54	NA	#VALUE!	544	2.53	2.60	2.71	15.2	14.8	14.2	15.2	14.9	14.3
HE	Hawaiian Electric	4.8	Sell	$37	$43.83	NA	#VALUE!	109	2.01	1.96	2.11	21.8	22.4	20.8	22.0	21.3	20.2
LNT	Alliant Energy	15.0	Buy	$64	$59.98	NA	#VALUE!	250	2.57	2.72	2.87	23.3	22.1	20.9	23.4	21.9	20.7
NWE	NorthWestern	3.2	Neutral	$62	$62.47	4.0%	71%	52	3.51	3.64	3.84	17.8	17.2	16.3	17.7	17.1	16.3
PCG	PG&E Corporation	17.8	Buy	$17	$8.99	NA	NA	1985	1.03	1.13	1.25	8.7	8.0	7.2	8.9	8.2	7.3
PNW	Pinnacle West	9.1	Buy	$97	$80.98	4.2%	68%	113	5.05	5.23	5.49	16.0	15.5	14.8	16.3	15.9	15.2
POR	Portland General Electric	4.5	Buy	$54	$50.22	3.3%	60%	89	2.78	2.75	2.84	18.1	18.3	17.7	18.3	18.0	17.3
PPL	PPL Corporation	21.8	Buy	$32	$28.56	5.4%	115%	769	1.34	1.65	1.84	21.3	17.3	15.5	12.6	17.0	15.3
SO	Southern Company	67.8	Neutral	$63	$64.13	4.1%	79%	1059	3.32	3.59	3.85	19.3	17.9	16.7	19.3	18.1	16.7
WEC	WEC Energy	30.3	Neutral	$92	$95.61	2.8%	67%	315	4.03	4.26	4.50	23.7	22.4	21.2	23.7	22.2	20.9
Average (Excl. EIX, PCG, and PPL for P/E)						**3.6%**	**#VALUE!**					**20.2**	**19.1**	**18.0**	**20.1**	**19.0**	**17.9**
Regulated Gas Utilities [2]		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CPK	Chesapeake Utilities	2.3	Neutral	$108	$128.55	1.3%	37%	18	4.59	4.98	5.35	28.0	25.8	24.0	28.0	26.1	24.1
NI	NiSource	9.9	Buy	$27	$25.31	3.6%	67%	392	1.35	1.43	1.53	18.7	17.7	16.5	18.8	17.9	16.5
NJR	New Jersey Resources	3.7	Neutral	$39	$39.24	3.4%	65%	96	2.09	2.28	2.35	18.8	17.2	16.7	18.5	17.4	16.2
NWN	NW Natural Gas	1.7	Sell	$38	$54.06	3.6%	77%	31	2.50	2.64	2.73	21.6	20.5	19.8	21.3	20.5	19.3
OGS	ONE Gas	4.0	Neutral	$80	$74.88	3.1%	61%	53	3.82	4.12	4.43	19.6	18.2	16.9	19.6	18.2	17.1
SJI	South Jersey Industries	2.9	Buy	$28	$25.67	4.6%	73%	112	1.61	1.71	1.85	15.9	15.0	13.9	15.8	15.1	14.4
SR	Spire	3.7	Buy	$84	$73.15	3.6%	60%	52	4.43	4.41	4.67	16.5	16.6	15.7	16.4	16.5	15.6
Average						**3.3%**	**62.7%**					**18.5**	**17.5**	**16.6**	**18.4**	**17.6**	**16.5**
Integrated Utilities [3]		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
EXC	Exelon	46.3	Neutral	$45	$47.38	3.3%	56%	977	2.80	2.98	3.02	16.9	15.9	15.7	17.3	15.8	15.5
PEG	PSEG	32.0	Buy	$66	$63.51	3.2%	59%	505	3.52	3.51	3.61	18.0	18.1	17.6	18.2	18.3	17.9
Average						**3.3%**	**57%**					**17.5**	**17.0**	**16.6**	**17.8**	**17.1**	**16.7**
Independent Power Producers (IPPs) [4]		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
NRG	NRG Energy	10.2	Neutral	NA	$41.64	3.1%	-	245	2,412	2,471	2,472	7.3	6.6	6.2	9.2	6.9	6.6
VST	Vistra Energy	9.1	Buy	$24	$18.95	3.2%	-	482	1,672	3,375	3,141	10.6	5.1	5.2	11.4	5.4	5.5
Average												**9.0**	**5.8**	**5.7**	**10.3**	**6.2**	**NA**
Multi-Industry Utilities [5]		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CNP	CenterPoint	14.9	Buy	$27	$25.87	2.4%	44%	580	1.41	1.50	1.62	18.3	17.2	16.0	18.4	18.1	16.8
NEE	NextEra	155.3	Buy	$90	$79.42	1.8%	56%	1962	2.56	2.77	2.95	31.0	28.7	26.9	31.5	29.2	27.2
OGE	OGE Energy	6.9	Buy	$39	$34.34	5.0%	78%	200	2.17	2.27	2.38	15.8	15.1	14.4	15.6	16.0	15.3
SRE	Sempra Energy	42.1	Buy	$167	$131.98	3.5%	57%	319	8.11	8.50	9.05	16.3	15.5	14.6	16.2	15.6	14.8
Average						**3.2%**	**58.8%**					**20.4**	**19.1**	**18.0**	**20.4**	**19.7**	**18.5**
Other		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AWK	American Water Works	31.8	Neutral	$146	$175.30	1.2%	50%	181	4.24	4.63	4.99	41.3	37.9	35.1	41.3	38.1	35.2
ALTO	Alto Ingredients, Inc.	0.4	Buy	$9	$5.66	-	-	73	0.62	0.66	0.80	9.1	8.6	7.1	9.3	6.1	7.1
		Market ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AMRC	Ameresco, Inc. Class A	3.2	Buy	$67	$62.02	-	-	53	146	163	184	NA	NA	NA	23.9	21.1	18.8
ARRY	Array Technologies	1.7	Buy	$51	$13.46	-	-	127	157	198	224	13.3	10.5	9.3	22.9	14.4	9.0
IEA	Infrastructure & Energy Alterna	0.6	Buy	$17	$12.13	NA	-	183	141	162	178	7.1	6.1	5.3	NA	NA	NA
NEP	NextEra Energy Partners	6.0	Buy	$88	$79.77	3.3%	-	77	1,532	1,660	1,775	7.8	7.4	6.9	12.1	11.1	10.7
SHLS	Shoals Technologies Group, I	5.3	Buy	$46	$30.51	-	-	175	77.2	125.8	195.7	70.6	42.7	26.9	70.1	44.0	27.5

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
(5) Mult-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addtion to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: FactSet

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Share Price Performance (Year-to-Date, Three-Month, & One-Month Trailing)

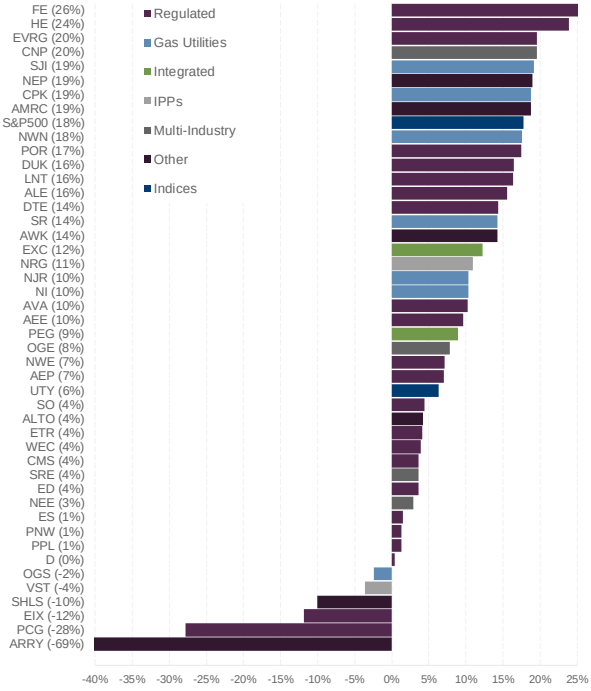

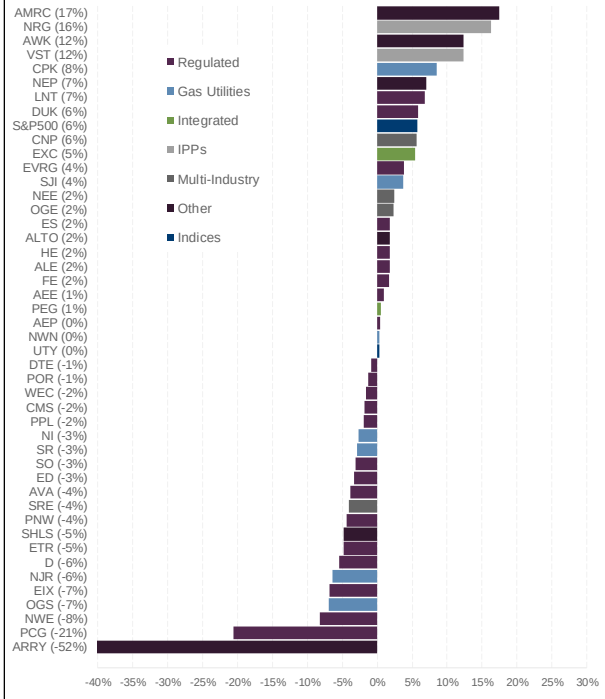

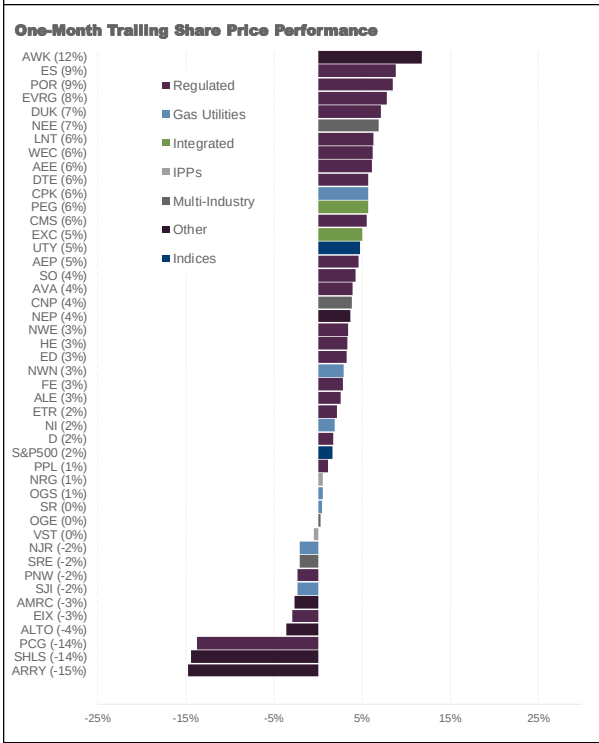

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
utilities own and

(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

Source: Bloomberg, Guggenheim Securities, LLC estimates.

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Guggenheim 2021 Client and Corporate Access Utility Events

Ticker	Dates	Regions	Ticker	Dates	Regions
EIX	1/8	NYC	**ARRY**	5/14	Multiple
'21 Utilities Call	1/21 – 8:15AM ET	Call	**OGE**	5/24	Multiple
Investor Discussion	1/25 – 4:30PM ET	Virtual	**SHLS**	6/1	Multiple
PNW	1/26-1/27	Multiple	**LNT**	6/2-6/3	Multiple
SRE	1/27 – 4:30PM ET	Virtual	**EVRG**	6/10	Multiple
WEC	2/16-2/17	Multiple	**NWE**	6/16	Multiple
DUK	2/18	Multiple	**ALE**	6/17	Multiple
D	2/19	NYC	**DTE**	6/29	Multiple
AWK	3/10	Multiple	**PEG**	7/13-7/14	Multiple
PPL	3/23	West Coast	**SRE**	7/15	Multiple
AEP	3/30	Multiple	**Investor Dinner**	8/2	NYC
VST	3/31	Multiple	**EIX**	8/3	NYC
ETR	4/8	Multiple	**SO**	8/4	Multiple
SR	4/15	Multiple	**SO** (CEO Fireside)	8/13	Multiple
PCG	5/5	Multiple	**NEE**	9/13-14	West Coast
CNP	5/10	Multiple	**ES**	10/7	Multiple
CMS	5/12-5/13	Multiple	**ETR**	10/11-10/12	NYC/Boston
POR	5/12-5/13	Multiple	**EEI**	11/7-11/9	-

MORE TO BE ADDED…

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Peak Load

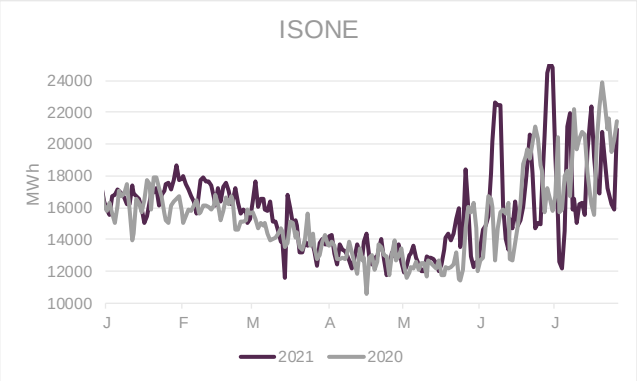

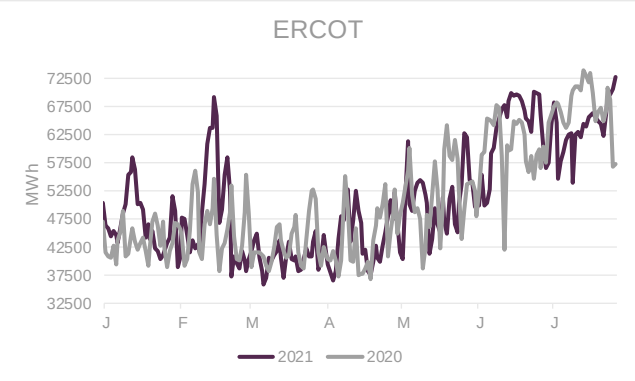

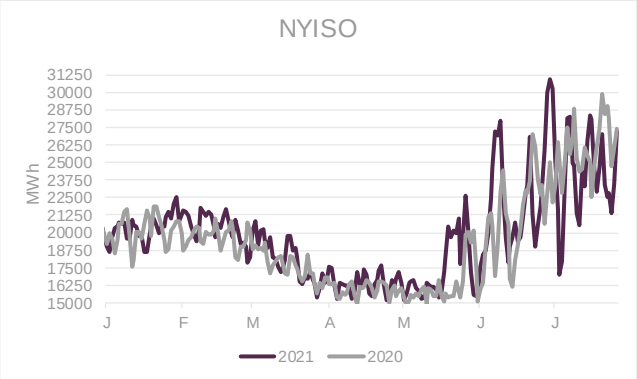

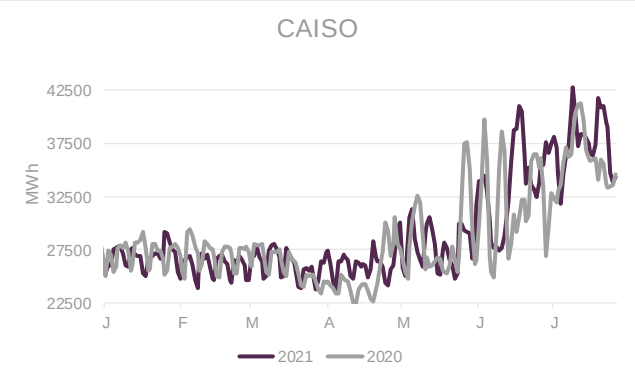

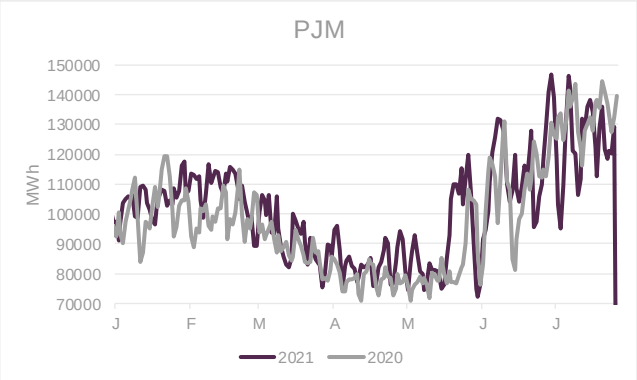

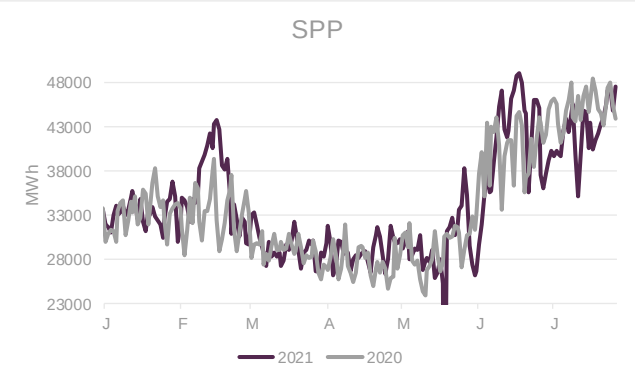

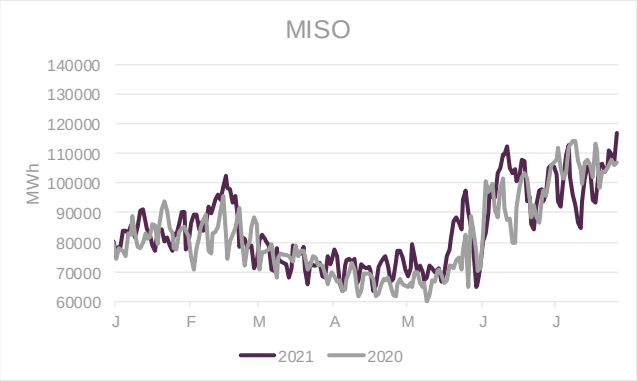

Average Deviation in Peak Load vs Prior Year

RTO/ISO	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
ISONE	-5.1%	0.1%	2.4%	2.4%	4.1%	6.2%
NYISO	-5.8%	-3.8%	0.0%	0.0%	2.5%	6.1%
PJM	-6.9%	-4.7%	-1.8%	-1.8%	5.0%	8%
MISO	-4.7%	-5.2%	-3.7%	-3.7%	3.6%	7.2%
CAISO	-1.7%	1.4%	3.2%	3.4%	2.0%	4.0%
ERCOT	2.7%	1.7%	-4.1%	3.0%	1.4%	1.9%
SPP	-4.6%	0.0%	-4.4%	-4.4%	2.2%	3.2%

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Generation and Mix

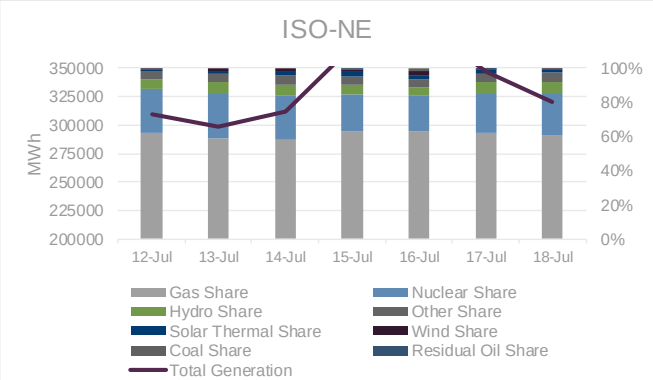

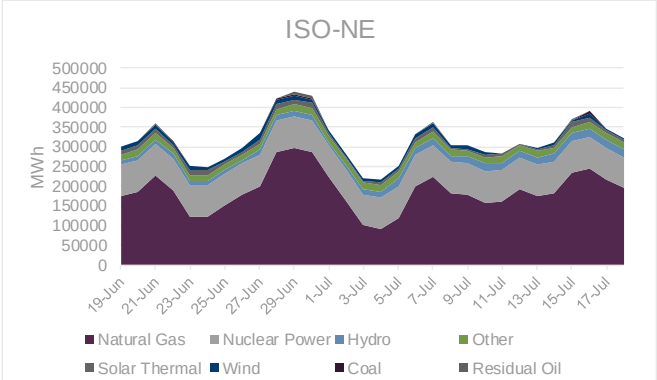

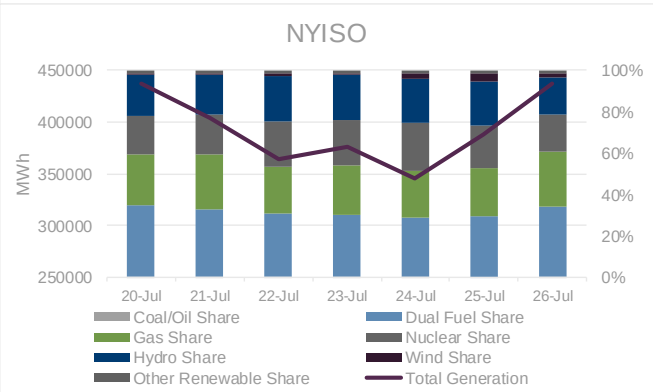

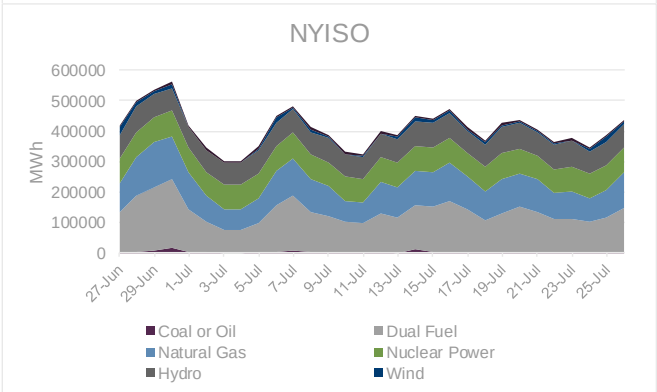

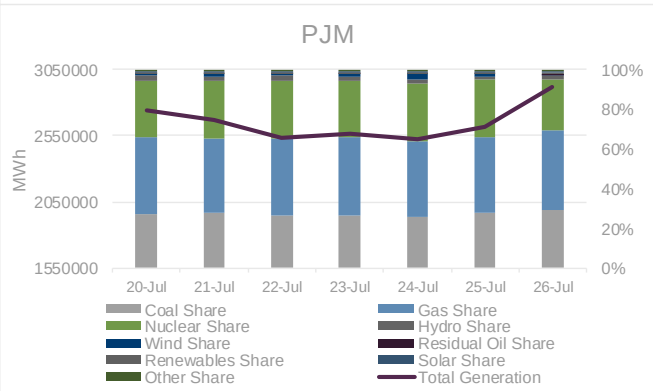

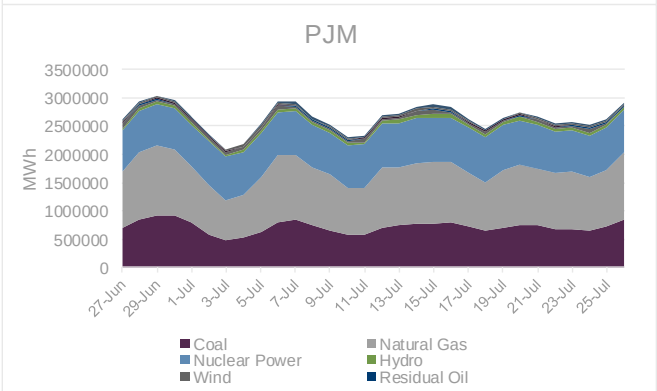

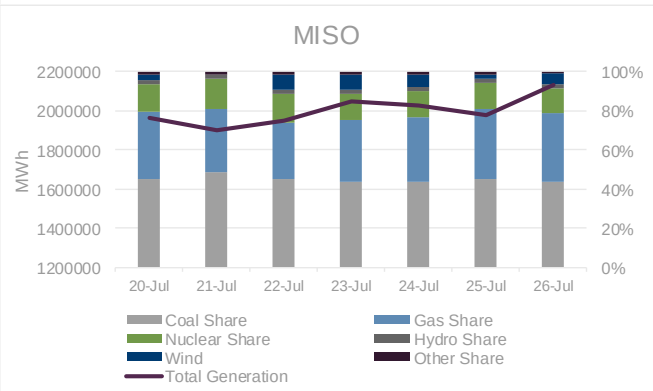

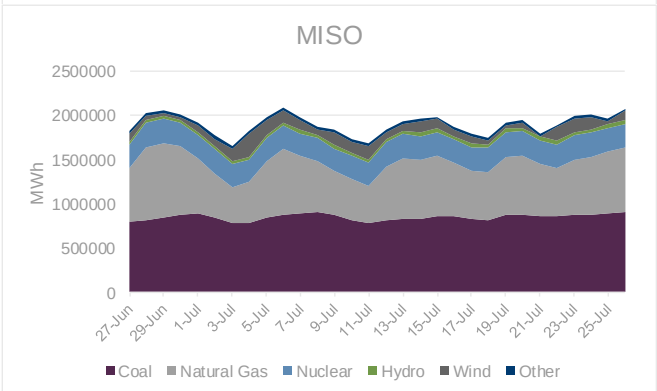

Source: S&P Global Platts, Guggenheim Securities, LLC.

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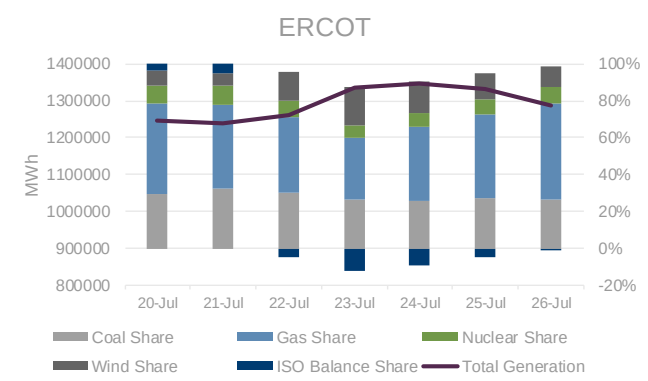

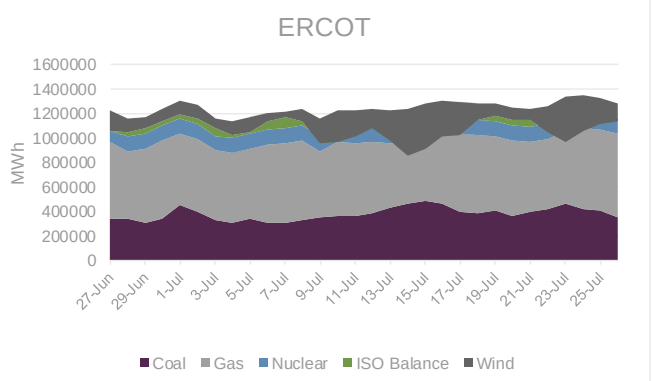

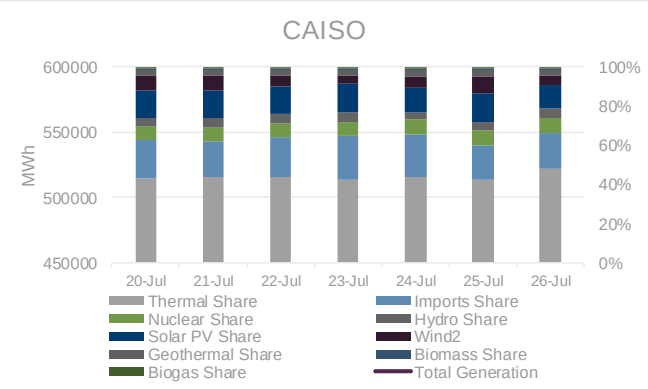

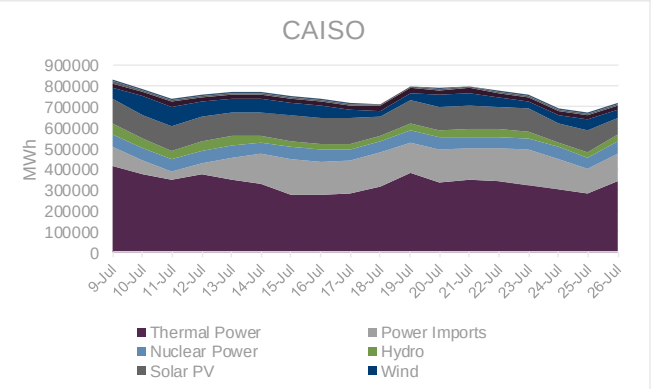

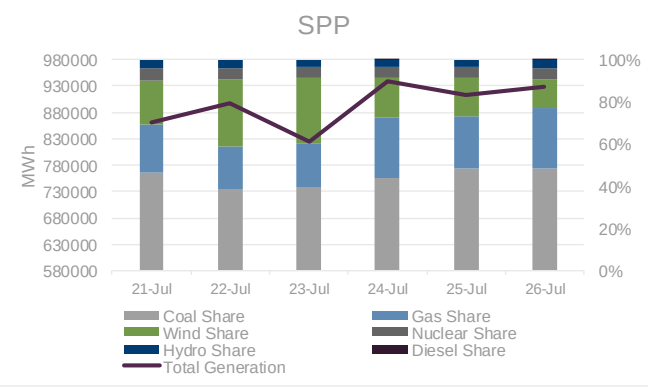

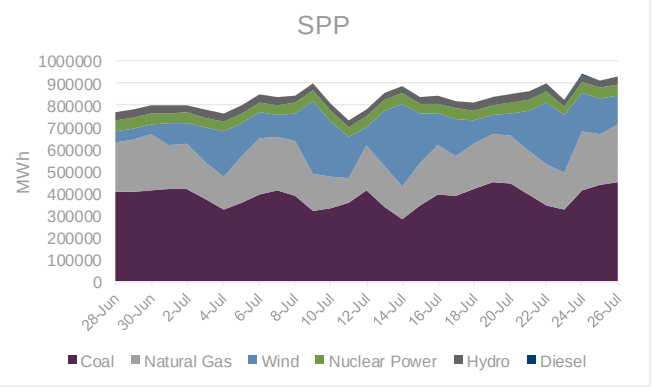

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Weather

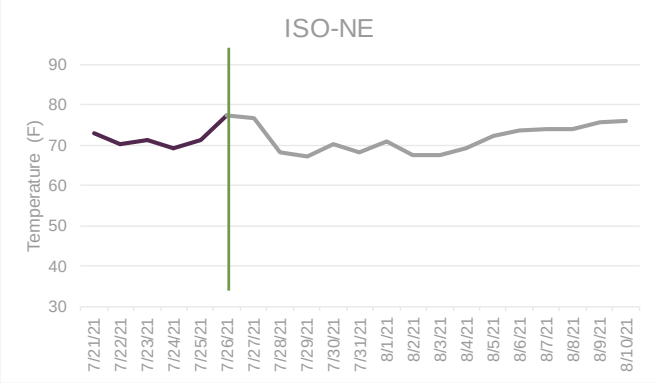

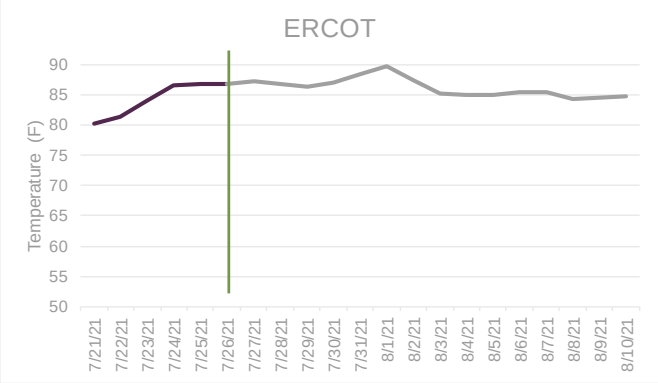

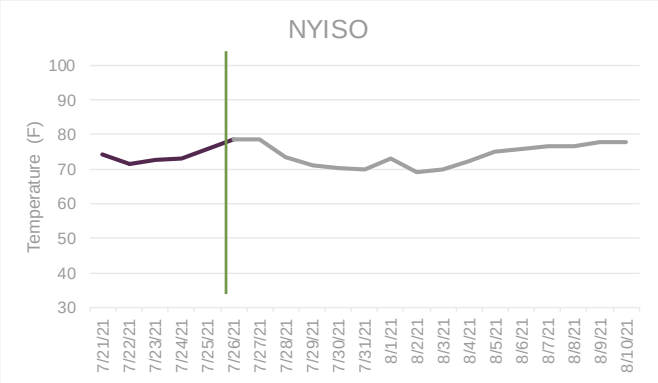

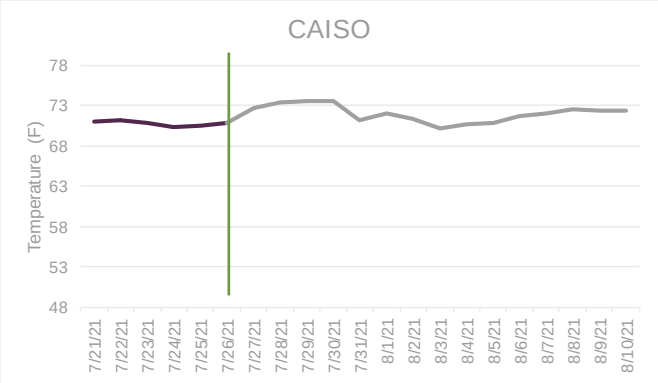

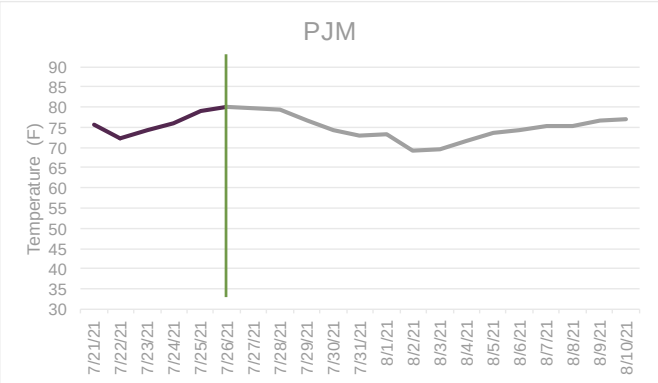

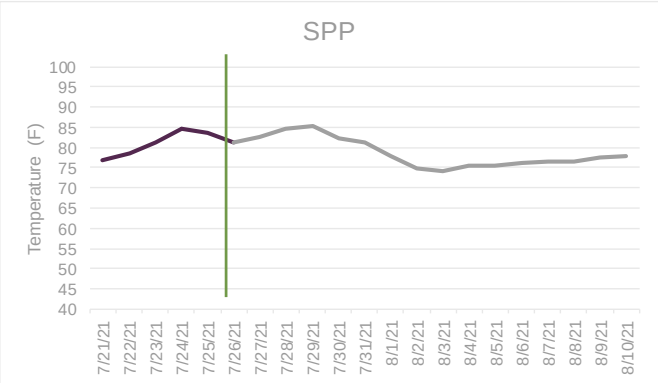

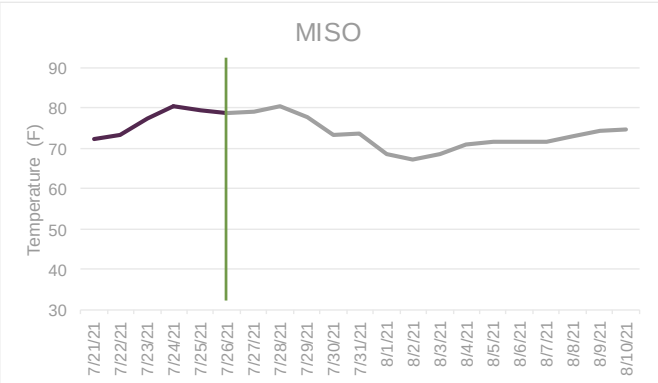

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Regulatory Calendar

Power and Utilities: Coverage Calendar (5/15/2021 - 8/15/2021)

Date	State	Ticker	Utility/Event	Docket	Description
3/1/2021-6/30/2021	DC	EXC	Potomac Electric Power Co.	FC-1156	Commission decision may be issued in electric rate proceeding
4/15/2021-5/15/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	ALJ recommendation expected in rate case in late April-early May
5/1/2021-6/30/2021	TX	SRE	Oncor Electric Delivery Co.		Rate case filing expected
5/17/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Settlement meeting scheduled in rate case
5/18/2021-5/19/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearings scheduled in RAC-EE proceeding
5/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Settlement conference scheduled
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	PSC staff and intervenor testimony due
5/19/2021-5/28/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Hearings scheduled in rate case
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	PSC staff and intervenor testimony due
5/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Settlement conference scheduled
5/21/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for staff and intervenor opening testimony
5/21/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Rebuttal testimony due in E-RAC proceeding
5/21/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Rebuttal testimony due in Rider E proceeding
5/21/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Initial briefs due in rate case
5/24/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Hearing to begin in rate proceeding
5/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Intervenor testimony on class cost of service due in rate proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UG-200901	Deadline for company reply testimony; staff and intervenor cross-answering testimony
5/28/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	SCC staff testimony due in BC-RAC proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UE-200900	Deadline for company reply testimony; staff and intervenor cross-answering testimony
6/1/2021-6/15/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearing examiner's report may be issued in RAC-EE proceeding
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co		Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (gas)	Decision possible in rate proceeding
6/1/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Reply briefs due in rate case
6/1/2021-6/30/2021	OH	AEP	Ohio Power Co.	C-20-0585-EL-AIR	Decision possible in rate proceeding
6/1/2021-6/30/2021	KY	PPL	Kentucky Utilities Co.	C-2020-00349	Decision possible in rate proceeding
6/1/2021-6/30/2021	VA		Virginia Natural Gas Inc.	C-PUR-2020-00095	Hearing Examiner's report may be issued in base rate case
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co	Ca-PUD202100063	Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (elec.)	Decision possible in rate proceeding
6/3/2021	MI	DTE	DTE Gas Co.	C-U-20940	Staff and intervenor testimony due
6/4/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Intervening parties to file testimony in rate case
6/8/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Company rebuttal testimony due in rate proceeding
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Rebuttal testimony to be filed in rate case
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Rebuttal testimony to be filed in rate case
6/17/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Rebuttal testimony due in rate proceeding
6/17/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Initial briefs due in rate case
6/17/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Intervening parties to file testimony in Rider CCR proceeding
6/21/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Intervenor testimony due
6/22/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Staff, intervenor testimony due
6/22/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Staff to file testimony in Rider CCR proceeding
6/23/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Staff, intervenor testimony due
6/23/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Hearing scheduled in E-RAC proceeding
6/23/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Settlement conference
6/23/2021	MI	DTE	DTE Gas Co.	C-U-20940	Rebuttal testimony due
6/23/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Staff, intervenor testimony due
6/25/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Hearing examiner report due in rate proceeding
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Evidentiary hearings to commence in rate case
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Evidentiary hearings to commence in rate case
6/30/2021	NH				Commissioner Kate Bailey — term expires
6/30/2021	KY				Commissioner Talina Rose Mathews — term expires
6/30/2021	MD				Commissioner Anthony J. O'Donnell — term expires
6/30/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Decision expected in muulti-year rate plan proceeding
6/30/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	Decision likely in gas rate case
6/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00197 (Rider RBB)	Decision expected in rural broadband pilot proceeding (Rider RBB)
6/30/2021	WV				Commissioner Brooks McCabe — term expires
6/30/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Decision expected in RAC-EE proceeding
6/30/2021	NC				Commissioner Lyons Gray — term expires
7/1/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Reply briefs due in rate case
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	PUR-2020-00231 (Rider US-2)	Decision expected in Rider US-2 update proceeding
7/1/2021	IL	SO	North Shore Gas Co.	D-20-0810	ALJ recommendation due in rate proceeding
7/1/2021-7/31/2021	OK	CNP	CenterPoint Energy Resources	Ca-PUD202100054	Decision expected in PBR proceeding
7/1/2021-7/31/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Decision possible in rate proceeding
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00230 (Rider BW)	Decision expeced in Rider BW update proceeding
7/2/2021	MI				Commissioner Katherine Peretick — term expires
7/6/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Staff testimony due in electric rate case
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UG-200901	Hearing in rate case
7/7/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Rebuttal testimony due in Rider CCR proceeding
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UE-200900	Hearing in rate case
7/12/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Rebuttal testimony due in electric rate case
7/12/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Rebuttal tesimony due
7/15/2021-8/15/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Hearing Examiner report may be issued in Rider E proceeding
7/16/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for company reply testimony; staff and intervenor cross-answering testimony
7/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Company rebuttal testimony due
7/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Company rebuttal testimony due
7/21/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Hearing to begin in rate proceeding
7/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Hearing to begin in rate proceeding
7/27/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Public hearing scheduled on Rider CCR proceeding
7/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00058	Intervening parties to file testimony in triennial review proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00274 (Rider DSM)	Decision expected in Rider DSM proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00169 (Rider RGGI)	Decision expected in Rider RGGI proceeding
8/1/2021-8/31/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	Hearing Examiner recommendation expected in BC-RAC proceeding
8/1/2021	MO	SR			Commissioner Maida Coleman — term expires
8/5/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Commission decision expected to be issued
8/5/2021	MI	DTE	DTE Gas Co.	C-U-20940	Briefs due in gas rate case
8/10/2021-8/17/2021	NJ	DTE	Atlantic City Electric Co.	D-ER20120746	Hearings scheduled in rate case
8/13/2021	TX	AEP	Southwestern Public Service Co	D-51802	Parties to file testimony in rate case

Source: SNL, Company Filings, Guggenheim Securities, LLC.

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Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM and Weekly Commentary

Key Company Research

1. DTE NDR: Post Spin DTE To Redouble MI Decarbonization Efforts – Value Remains To Be Unlocked
2. SRE: Show Me the Upside… Analyst Day Brings Guidance and Capex Raises, Tone Remains Disciplined and Conservative But In Line w/Guggenheim
3. ALE NDR: Deep in Execution Amid a Transitional Year
4. NWE NDR: Consistent Messaging as Potential Generation Needs Power the LT Growth Narrative
5. EVRG NDR: Familiar Faces at a New Place; Management Looks to Build on LT Growth Visibility
6. LNT NDR: Straightforward Update Underscores Consistent Execution
7. OGE NDR: Regulated Story Takes Center Stage, Balance Sheet Capacity and Reinvestment Point to Growth Upside
8. CMS NDR – Simple, Modular Growth Story Leaves Investors with No Surprises, Upcoming IRP Updates Already ESG Story
9. ARRY NDR: L-T Fundamentals Intact but Management Still Working Through N-T Impacts of COGS Shock…
10. POR NDR: 5-7% Growth in Stumptown? Not Yet, But Things Are Looking Up…
11. CNP NDR – CNP Leaning into Organic Capex and O&M Savings, with a Few Tweaks to Business Mix, ESG, and Tax Efficiency
12. PCG NDR: Finding Sure Footing in Familiar Places… Operational Improvement on Mgmt.'s Mind
13. SR NDR: Storage, Marketing Pay Off as SR Escapes February Relatively Unscathed; L-T Plans Unchanged
14. VST NDR: Past Is Prologue
15. SRE: SIP 20% Sale Announced at ~13x EV/EBITDA; Above Our Range, With Opportunity for Earnings Accretion
16. AEP – C-Suite NDR: On the Precipice of Change and It's a Wonderful View from Here
17. PPL NDR: Hard Part Is Done, Now the Real Work Begins – Transformation Path, Further Re-Rating Set
18. ETR – FERC ALJ Issues Initial Decision on SERI ROE and Cap Structure; 9.32% ROE; 48.15% ER
19. SRE – San Diego Opens Utility Franchise Bidding Under Expanded Criteria; Allow for Negotiated Outcome
20. PPL: WPD Sells at "Very" Healthy Multiple in Key First Step, Despite Previous Media Reports
21. NRG: Post-Call Management Catch Up
22. NRG/VST: Stepping to the Sidelines for Now as ERCOT's Collateral Damage Continues to Propagate
23. FE Reaches Agreement with Icahn
24. AWK NDR: "When the Levee Breaks" American Water Keeps Flowing
25. AEP – Healthy AEP Ohio Rate Case Settlement Supports Thesis; Construct Still Attractive
26. PCG: C-Suite Builds on Operational Improvement for Turnaround Success; Hands-on CEO Is a Tailwind
27. ARRY – 4Q Earnings; Investing Now for Wallet Share Later; FY21 Guidance Comes In Strong
28. WEC NDR: Cutting Through the Noise; Dependable Growth and LT Decarbonization Define Our Meetings
29. D – C-Suite NDR; Strategy Equals Execution; Execution Equals Decarbonization…
30. DUK – CEO NDR; NC Legislation Finally Has Momentum; Driving Decarbonization, Higher Growth
31. AMRC – 2020 Closes with a Beat as 2021 Guidance Points to Continued Growth
32. NRG – Surprise, Surprise: Guidance Intact After Strong Storm Performance; Transformation Continues
33. OGS – 4Q Earnings; Fundamentals Remain Stout Despite Old Man Winter's Best Efforts
34. PEG – 2020 FY In Line; Fossil Sale On Track; LT Business Mix Gains Traction
35. VST – Is the Integrated Model Broken? No, But the Sandbox Might Be
36. EVRG – Coming Out Swinging: EPS Beat, Healthy '21 Guide, Higher CapEx, New Mgmt. Bench & Key Investor Infusion
37. EIX: In-Line 2020; No Major Updates - Holding Pattern Ahead of GRC
38. AEP – Better Load Recovery and Cost Mitigation; Long Renewables Runway w/ Potential Financing From Asset Rotation
39. SRE: '21 Guide Reaffirmed w/Upside Post Transaction; Utility CapEx Increased – Focus Remains on SIP Transaction
40. OGE: No Surprises as 2020 Closes; 2021 Winter Storms Costs Large but Fundamentals Strong
41. CNP: We Aren't Sweating the Details; Managing Storm Event; LDC Sales on Track, Midstream Full Exit on the Forefront
42. PNW – In Line 2020 as Capex Gets a Shuffle – a Consistent Message Following Our NDR
43. EXC – End of an Era: Exelon Loses a Neutron
44. ETR – 2020FY EPS Beat; 2021 Guidance Reaffirmed, Biased to a Strong Midpoint; Arkansas Concerns? No Cracks Here
45. AVA – 4Q Earnings Not as Bad as Some Thought; Guidance Largely In Line With Our Expectations
46. LNT – Ol' Reliable: Inline 2020 as Focus Pivots to PSCW
47. AEE – 4Q Earnings; Callaway Cause For Concern? Not in Our View; Base Plan Remains Strong
48. POR – 2021 Kicks Off on the Right Foot
49. DTE – Continues Strong Execution; 4Q Earnings Beat, '21 Reaffirmed, GS&P Spin Is the Next Major Potential Catalyst
50. FE – Righting the Ship as the DOJ Overhang Persists; Icahn Makes a Splash and Shifts Investor Focus
51. ED – 4Q EPS in Line, 2021 a Reset Year; Capex Roll Points to Higher Quality L-T Recovery
52. SO – 4Q Earnings; Telegraphed LT Growth Rate Raise with Incremental Opportunities on the Horizon
53. PPL: Straightforward Update as WPD Process Forges On
54. ES – 4Q Earnings; Healthy Capex Raise Drives Guidance to the Top Half of Growth Range
55. NI – 4Q Earnings; Straightforward Update With Renewables Projects Continuing to Take Shape
56. ALE – A Transitional Year Comes with a Focus on Execution at ACE

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57. DUK – 4Q20 Earnings; Foundation Set With Eye on NC Legislation – We See Pathway to Overachieve Expectations
58. AEP – Racine Hydro Sale; Very in Line with Our Thesis and Potentially More on the Horizon – Reiterate BUY
59. WEC – 2020 Closes with A Beat as Management Evaluates Case Optionality in WI
60. CMS – 4Q Earnings In-Line; Capex/Equity Increase, O&M Flex to Carry Into '21; We See Smooth Sailing to Firm "7%" Growth
61. NJR – F1Q21 Earnings; NJRES AMAs Drive FY22 Guidance Raise, Though Focus Remains on Core Utility and CEV Segments
62. SR – F1Q21 Earnings; Progressing on Regulatory Matters as Mgmt. Has Eyes Set on Sustainability
63. FE/OH: Yost Holds Press Conference on HB6; Reaches Agreement With FE on Decoupling
64. PNW NDR: All Quiet on the Southwestern Front…
65. DUK – Healthy Indiana Equity Sale Highlights Private Infrastructure Appetite for US Assets
66. AMRC: A Unique Blend of Familiar Businesses – Finding a Decarbonization Niche; Initiating Coverage at BUY, $63 PT
67. PEIX Initiation: A Rising Tide Lifts All Ships - Decoupling from Fuel Ethanol, '21 an Inflection Year for Strong CF Story
68. SRE: CEO Catch Up - Value Upside to SIP Deal; Constructive Guidance Forthcoming; Remains Distinctive on Catalysts
69. NEE/NEP: NEE EPS Beats, MVP Takes Write-Down; Organic Growth and FPL Rate Case Are the Next Leg of Growth
70. DUK – Settlement Reached on Coal Ash; Overhang Removed with Allowance for Return on Expenditures – Time to Move On
71. EIX – Another WF Settlement Bites the Dust; Total Expected Loss Unchanged
72. NEE: Starting 2021 with a Bang: FPL Files Rate Case – 11% Base ROE, 50bp Adder, and SOBRA Adds
73. FE/OH: Ohio Situation Continues to Deteriorate

Key Industry Research

1. AGA: Day 2 Flash Recap…
2. AGA: Day 1 Flash Recap…
3. IL: Second Opinion Confirms Grim Prognosis
4. IL: Groundhog Day for Energy Policy in Springfield?
5. ERCOT: PUCT Declines to Reprice Energy Market – Consistent with Our Expectations
6. ERCOT: Lone Star State Remains 'Out of Phase'
7. ERCOT: Who's Exposed? Generator-Owner Data Set
8. ERCOT: Deep Freeze Precipitates Rolling Blackouts in Heartland
9. IL: CEJA Re-emerges; Take with a Grain of Salt - More Iterations to Come
10. '21 Utilities Outlook: Getting Ready for Another Bumpy Ride
11. Congress Reaches Deal on Stimulus Package and Appropriations; Clean Energy Boosted With Tax Credit Extension
12. ERCOT CDR Preview: More Solar Points to Slightly Looser CDR; Caveats Remain the Same
13. EEI – An EEI Unlike Any Other...
14. Guggenheim EEI Takeaways - Day One
15. Guggenheim EEI Takeaways - Day Two
16. Guggenheim EEI Takeaways - Day Three
17. Li-Ion the End-All-Be-All Battery Storage Solution? Not in Our Book – Zinc-Based Battery Presents Compelling Alternative
18. Ohio Policy Call Part Two – Federal and Political, Not State and Regulatory
19. Ohio Policy Call Part One – Investigation Churns On
20. Guggenheim Call Series: Power Gen Economics Expert Confirms Robust Solar/Wind Demand as Tech Moves to Parity with Fossil
21. FERC - Life's Absolutes: Death, Taxes, and Transmission ROE Complaints
22. 2020 LCOE Update – Nothing Is Constant but Change: Renewable Economics Point to Persistent Disruptions
23. FERC: Commission Revisits Base ROE Methodology, Boosts MISO Allowed
24. ERCOT: Another CDR to Take with a Grain of Salt
25. PJM: Proposed Auction Timeline Features State Policy Accommodation

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Power, Utilities & Alternative Energy May 20, 2021

AGA: Day 1 Flash Recap…

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Ticker	Price	Rating
CNP	24.48	Buy
D	76.98	Buy
DUK	101.16	Buy
ES	83.25	Neutral
LNT	57.70	Buy
NI	25.18	Buy
NWN	53.77	Sell
SJI	25.74	Buy
SO	63.98	Neutral
WEC	94.87	Neutral

Key Message: Enclosed please find our brief AGA Day 1 recap, featuring updates from 9 utilities – DUK, ES, WEC, NI, D, SJI, NWN, SO, and CNP. Conversations have generally focused on iterative items from the 1Q21 calls, with several names focused on legislation legislative efforts (IL, NC, NJ) as summer quickly approaches. While some names were more focused on straightforward capex and regulatory execution (D, SO, WEC), others remain activist topics (DUK, NI). See below for our full schedule of Day 2 meetings.

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SAVE THE DATE

2021 AGA Virtual Financial Forum

The Guggenheim Utilities Research Team will be hosting virtual meetings with company management

Dates

May 19 – 20, 2021

Company Meetings

More companies to be added and meeting schedule to follow

Ameren Corp. (AEE)
Avista Corp. (AVA)
CMS Energy Corp. (CMS)
CenterPoint Energy, Inc. (CNP)
Chesapeake Utilities Corp. (CPK)
Dominion Energy, Inc. (D)
DTE Energy Co. (DTE)
Duke Energy Corp. (DUK)
Eversource Energy (ES)
NiSource, Inc. (NI)
New Jersey Resources Corp. (NJR)
NorthWestern Corp. (NWE)
Northwest Natural Gas Company (NWN)
ONE Gas, Inc. (OGS)
Southern Company (SO)
Spire Inc. (SR)
WEC Energy Group, Inc. (WEC)

Wednesday, May 19th		Thursday, May 20th	
Time	*Co.*	*Time*	*Co.*
8:00AM	DUK	8:00AM	AEE
9:30AM	ES	9:30AM	OGS
10:15AM	WEC	10:15AM	DTE
11:00AM	NI	11:00AM	SR
11:45AM	D	11:45AM	CPK
3:00PM	NWN	12:45PM	CMS
3:45PM	SO	3:00PM	NWE
4:30PM	CNP	3:45PM	NJR
		4:30PM	AVA

Participating Guggenheim Analyst

Shar Pourreza, *Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

Continued on the next page…

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DUKE: ACTIVIST AND LEGISLATION

Our conversations with DUK senior management (CFO, etc.) focused heavily on the recent activist headlines, with management again laying out in great detail its rationale for why a fracturing of the conglomerate is in their view, illogical. Chief among the reasons is the credit impact, with management highlighting its current ~12% FFO/Debt as in danger under a breakup scenario as smaller utilities demand better profiles. The holdco debt issue is intertwined with this in their view, with the combination of the credit issues requiring billions of equity to repair the balance sheets – before dissynergies. Management indicated, as it did previously, that it took ~$600mm out of Progress and $300mm from Piedmont, indicative of the kinds of costs that could flow back to each company in a split scenario. **The company also indicated to us that it had previously looked at the potential sale of Florida internally,** however there are several issues, including: 1) substantial tax leakage ($5bn+), 2) the need for a substantial (30x+) premium/multiple to keep the remainco whole under the ensuing credit metric impacts, and 3) Florida is the fastest growing and best credit of the utility groups. While management indicated that the Board is aware of the proposals and has been involved, our overall impression of the situation remains consistent – there are large gaps between the parties here, to say nothing of the regulatory challenges. The next proxy season is in the January/February time frame.

See our prior note on this HERE.

Turning to the utilities, our conversations generally focused on the legislative process in NC and the potential outcomes therein. **Management cautioned that legislators are generally in the sausage-making phase right now with limited external visibility for stakeholders (next data point likely draft legislation), but they remain optimistic on the prospects for the overall process.** The company continues to look for directional alignment between the parties on a coal exit pathway, renewables, and regulatory reform, with management speaking highly of both decoupling (the LDCs already do it) and MYPs (already used at DEF). With regards to timing of some of these initiatives and interaction with the current growth guide, management generally deferred on details, given where the process is, although they did note that coal retirement accelerations could begin to show towards the end of the current plan in the ’24-25 timeframe. Legislation that could yield renewable rate base growth opportunities, multiyear rate plan yielding regulatory lag and acceleration of renewable spend etc. could be accretive to Mgmt’s 5-7% growth guide. Finally, current customer/load growth trends are slightly outpacing internal planning assumptions.

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EVERSOURCE: FENCE MENDING AND OSW

Our conversations with ES senior management (full C-Suite) generally focused on the fallout from the recent decisions by PURA in CT, with management laying out its ongoing and planned efforts to improve dialogue in the state. The company secured the AG's first in-person meeting in over a year to discuss its work to improve, supported by frequent lawmaker meetings and outreach. The company is looking forward to the impending start of the PBR discussions at PURA, with a docket expected by ~June. The company already operates under PBRs in other states, so the concepts are familiar – management expects the process to be collaborative and constructive. In line with the 1Q call, the company expects the 90bps ROE reduction to potentially come in 4Q21 with a low income/economic development docket already open. **While the reduction appears to be indefinite, management noted that it has not changed its growth outlook as a result.** Some investors also probed the team on their FERC ROE policy thoughts; however, the conversation was generally in line with prior/recent dialogues we have had with them. The balance of our meeting was focused on offshore wind updates, with status checks on South Fork, Revolution, and Sunrise largely unchanged from the 1Q21 call. **The company reiterated its intentions to remain a disciplined bidder in the numerous ongoing RFPs underway,** with a particular focus on the non-MA processes that have some additional weighting towards non-cost metrics (e.g., local dev). Finally, while the next capex roll remains very far off, we got the impression that the current plan retains ample opportunities for traditional utility spend, in addition to things like: 1) grid mod (AMI is a big thread in CT and MA, potentially $400mm in each), 2) ratebased solar in MA (current approval for 280MW), and 3) OSW interconnections among other drivers.

WEC: EXECUTION AS IL VIEWS SOFTEN

Our conversations with WEC senior management (Chair, COO, CFO, etc.) generally focused on economic development, regulatory activity, and Illinois policy perspectives, in addition to more straightforward execution updates. Management echoed its 1Q21 sentiment that the year is off to a good start, with robust economic activity and growth across the footprint, including a new relocation by Milwaukee Tools [SEHK: 669] and potential EV manufacturing opportunities. On the regulatory front, management highlighted its recent stay out agreement in WI. **We also asked for their views on LNT's recent settlement, including readthrough from the coal recovery plan to WEC's own units like Weston.** Management had two key takes on this: 1) the settlement is a testament to the quality of the regulatory and stakeholder environment as it was incredibly quick (as was WEC's), and 2) the recovery on coal is a very interesting approach that they are looking into further – a good marker for how intervenors feel about coal and recovery in their view, and slightly different than the small securitization tested in the Pleasant Prairie process. **On Illinois policy**

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prospects, management sounded marginally more optimistic, with the process coming down the wire in their view. The chances for a broad package remain challenged in their view given all of the moving pieces, **but there is potentially room for something skinnier to advance – perhaps nuclear subsidies + ethics/FRPs.** In their view, gas utilities and the QIP remain tertiary items in the overall process, which we generally agree with. The work at Peoples replacing bare steel and wooden Civil War era components still needs to get done. Finally, we note that the capex plan remains on track, with infrastructure still running ahead of schedule. Based on our conversation, we expect future roles to remain weighted towards storage and solar, with federal tax credits an unknown variable in the equation to monitor. Point Beach dialogue remains nascent but ongoing.

NISOURCE: STRATEGY AND THE INDIANA IRP

With MA sold, equity done, and the plan solidified, our update with NI senior management (CEO, CFO, etc.) was largely straightforward, with a strategic tone in light of recent activist actions and LDC sales. We and others asked management about potentially getting smaller or optimizing assets, with management highlighted the significant number of dissynergies involved in such processes. The company is eyeing 10% growth at each of its utilities and has gotten the equity out of the way, but management still noted that it is always exploring opportunities. The confidence in the current plan and portfolio comes from the constructive environments in its jurisdictions, with supportive mechanisms and policies (e.g., bans on gas bans). The IRP in Indiana was the other key point of discussion, with a meeting today (5/20) and the launch of the RFP process. Management sees ~3 channels, including solar/wind+storage and new technologies for Schaefer's replacement. The RFP does present the opportunity to a higher proportion of utility-owned projects, but management indicated it is far too early to think about the IRP opps and the growth rate. The IRP will also help illuminate the potential to accelerate the coal exit. With equity needs solved in the NT, any asset optimization opportunities on the gas LDC side could come in time with incremental spending arising from the new '21 IRP.

DOMINION: EXECUTION

Dominion's messaging was well defined; they're focused on the blockbuster renewables buildout underway and managing the associated regulatory processes. Senior management's (CFO, etc.) update was built around that narrative, with few incremental data points from the 1Q21 call. The Fast 41 schedule was reiterated, while management again sounded a positive tone on the underlying post-COVID growth trends. The company continues to work through the onshore wind and solar tranches (CE1/CE2), with 110k+ acres under option. Investors in our meeting

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queried on whether the ~$17bn in planned offshore wind investment could see some shrinkage based on bids in the northeast; however, management noted that the comparison is not direct given some key differences (some projects don't have transmission included, different capacity factors, etc.). The company remains active on the RNG front and looking at agriculture opportunities. To the south, the settlement process remains ongoing in South Carolina during the pause, **with management sounding a positive tone on the prospects for a settlement.** While we asked on Santee Cooper, there were no new thoughts. Finally, we asked about the noncore nature of assets like Millstone, however management noted that it is comfortable with such a small non-regulated portion of the business (<10%), which will only shrink further as the regulated side continues to grow. No material updates around the VA triennial review though, we continue to believe the process should run smoothly given the construct and legislative mandates in place.

SJI: GROWTH AND NJ LEGISLATION IN FOCUS

Coming off its recent analyst day, SJI's senior management (CEO,CFO, etc.) update was generally focused on execution and ongoing legislative conversations. The company continues to see solid growth as the state recovers from COVID, with ETG a particular area of strength. Management struck a very comfortable tone with the current ~1.5% customer growth guide. The company also continues to navigate legislative opportunities around rate treatment of RNG investments (e.g., ratebasing RNG projects, link HERE). We asked about ratebasing projects vs. keeping them non-regulated, with management acknowledging that current returns are quite healthy on the nonreg side—they continue to evaluate all options. We also asked about the drivers of management's slightly wider 5-8% EPS growth rate guidance, with the company pointing to some flexibility on regulatory items (it has multiple cases built in to the current plan) and the potential investment opportunities. Management did note that a federal biogas ITC could be an earnings game changer if some iteration of it were to come to pass. The company also continues to work through its current ~$743mm infrastructure ask, with discovery expected to finish within a week and potential settlement discussion thereafter. The plan does not assume the whole ~$743 ask. Finally, our conversation also touched on PennEast, with management largely reiterating the process data points and timelines.

NW NATURAL: RNG AND EXECUTION

Our conversations with NWN senior management (CEO, CFO, etc.) largely centered on execution and decarbonization, with the company working through its first tranche of RNG procurements and looking ahead to meeting the aggressive goals under SB98. While the company has already made strong progress on decarbonization to date (no bare steel

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left in system and a strong visibility on EE), there remains ample opportunity to add RNG under the existing constructs. The current ~$38mm in spend will help meet roughly 1.6% of NWN's OR sales volume and represents only projects with a clear line of sight. Under the SB98 caps, the company could approach another $162mm in spend over the 5 year period, however the procurement process remains in its early days. With regard to policy, the company continues to work with stakeholders in somewhat hostile localities like Eugene to educate on the value of gas and the company's decarbonization plans, however some noise may continue in our view given the regional dynamics. Based on our conversations, we expect the water business to continue its expansion, with management pointing to a pickup in overall activity post-COVID. Finally, we note that the WA MYP case remains ongoing, with management pointing to the potential for some resolution in the coming month or two based on current conversations.

SOUTHERN COMPANY: VOGTLE, VOGTLE, VOGTLE

Hot off Tuesday's construction news, our conversations with SO senior management (CFO, etc.) were decidedly focused on the HFT process and the prospects for schedule slippage. Management provided additional color on the process and what had been seen to date, with the pressurize bracket alignment the chief bottleneck in the process. The support for the pressurizer wasn't perfectly centered, leading to some misaligned thermal expansion. This and other thermal expansion items were somewhat expected (the Chinese also dealt with them), however the pressurizer situation required cooling the system given the limited clearances for worker access, adding ~2-3 weeks to the process. The schedule shift will cost a little bit of the contingency, however management continued to strike an upbeat tone on the prospects for the Unit 4 schedule once 3 is complete. Remaining items post-HFT at unit 3 are largely minor mechanical systems (emergency lighting, potable water, etc.). With regard to prudency, the company reiterated it expects to pursue all ~$700mm, but it is also cognizant of other processes in the state that will be ongoing by that time (rate case, IRP). We asked about LDC M&A and other noncore assets at the company given the recent Sequent sale, with management acknowledging healthy multiples while simultaneously re-emphasizing its own lack of equity needs in the NT.

CENTERPOINT: LONGER DATED UPDATES

We sat down with CNP's CFO and other senior leaders for the latest updates on a story we have been *very* close to for several quarters, with most data points focused on longer-term items like outer year capex and decarbonization opportunities. The company is taking a closer look at its decarbonization narrative and how it will fit into future net zero economies, **including the potential for a longer term 10-year capex outlook and**

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conversations on longer-dated asset replacements (e.g., coal transitions). For example, at the moment the company has no EV infrastructure in its current plan despite nascent favorable policy positioning in places like Houston. Management is also looking at potential opportunities for limited rate base storage in Texas on the distribution system (~25MW). We asked about potential disclosures around such a long-dated outlook, with management reiterating no block equity. What about RNG? Opportunities remain pretty nascent based on our conversation, with Minnesota presenting the most immediate application as the state takes an interest in the resource. **We note that the team also recently sat down with the newly constituted PUCT** to reestablish the relationships that had been severed after the February storms prompted a bench-clearing, with management noting a concerted interest in reliability during the dialogue. **Finally, we also touched on the ongoing IN IRP, with hearings on the first tranche coming in June and a filing for a gas peaker in the same time frame.** The balance of the filings and processes will run through next year. Note – when Mgmt. discloses their longer-term CapEx update around decarbonization in Q3, they continue to believe they will not need block equity, with funding in time being sourced from OCF, O&M levers and further asset optimization opportunities.

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Ticker	Price	Rating
EXC	45.74	Neutral
PNW	85.37	Buy
POR	48.89	Buy

Power, Utilities & Alternative Energy May 21, 2021

The Guggenheim Daily Transmission: AGA, EXC, IL, POR, RGGI, PA, PNW, PJM

For details on our Guggenheim Hosted Client Utility Events, including our OGE Virtual NDR, ALE Virtual NDR, SHLS Virtual NDR, LNT Virtual NDR, EVRG Virtual NDR, SO Virtual NDR, and more, scroll down…

AGA: Day 2 Flash Recap… (see our note HERE)

EXC/IL – Details on IL report redactions and process emerge

POR – OPUC adopts temporary rules on PSPS

RGGI/PA – DEP releases data on consumer cost modeling

PNW – Bright Canyon inks 25MW Navy microgrid contract

PJM – Summer outlook points to plentiful supply

EXC/IL – Details on IL report redactions and process emerge

- Byron and Dresden employed ~1,300 people in 2020 according to a review of the unredacted report, as EXC continues to push its case for subsidies higher than the consultant's recommendations
- More from Crain's HERE

Guggenheim takeaway: *For your awareness. The process is frustratingly opaque at this point, and while we remain of the view that a comprehensive package could be an uphill lift in the remaining week of the session, we note that some of our AGA conversations were slightly more open to the potential for a slimmer 'subisidy+ethics' package to emerge. Stay tuned… As a reminder, we hosted two different experts recently for their views on the situation in Springfield – see our note on the first conversation HERE and the second HERE.* ***We also discussed the issue in our AGA meetings – see above for AEE and HERE for WEC's updated thoughts.***

POR – OPUC adopts temporary rules on PSPS

- Docket and OPUC Staff presentation on the PSPS HERE

Guggenheim takeaway: *Zero surprise given the wildfire docket process we have been tracking for some time, and something POR has already been a leader on in the state.*

RGGI/PA – DEP releases data on consumer cost modeling

- "Residential electricity bills are slightly higher with RGGI participation with bill impacts declining to just $.84- $1.19 per month by 2030" - DEP
- Presentation HERE, more HERE

Guggenheim takeaway: *Minor FYI.*

NOAA – NOAA predicts another active hurricane season

- "For 2021, a likely range of 13 to 20 named storms (winds of 39 mph or higher), of which 6 to 10 could become hurricanes (winds of 74 mph or higher), including 3 to 5 major hurricanes (category 3, 4 or 5; with winds of 111 mph or higher) is expected. NOAA provides these ranges with a 70% confidence. The Atlantic hurricane season extends from June 1 through November 30." - NOAA
- More HERE

Guggenheim takeaway: *Heads up.*

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PNW – Bright Canyon inks 25MW Navy microgrid contract

- More HERE

Guggenheim takeaway: *Interesting heads up, and exactly the kind of project management has indicated in the past the nascent segment was targeting.*

PJM – Summer outlook points to plentiful supply

- "PJM power system operators have forecasted a peak demand for electricity this summer at approximately 149,000 MW but have performed reliability studies at even higher loads – in excess of 155,000 MW – for the region that includes 13 states and the District of Columbia. PJM has over 185,000 MW of installed generating capacity available to meet customer needs, with sufficient resources available in reserve to cover generation that is unexpectedly unavailable, or for other unanticipated changes in demand." - PJM
- More HERE

Guggenheim takeaway: *Zero surprise - PJM remains oversupplied.*

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Equity Research | Corporate Access

OGE Energy Corp. (OGE)

Bryan Buckler, *Chief Financial Officer*
Jason Bailey, *Director, Investor Relations*
Casey Strange, *Manager, Investor Relations*

Date
Monday, May 24, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $6.7bn
OGE Energy Corp. (OGE) is a holding company, which engages in the provision of physical delivery and related services for both electricity and natural gas. It operates through the Electric Utility and Natural Gas Midstream Operations segments. The Electric Utility segment generates, transmits, distributes, and sells electric energy in Oklahoma and Western Arkansas. The Natural Gas Midstream Operations segment involves gathering, processing, transporting, storing, and marketing of natural gas. The company was founded in August 1995 and is headquartered in Oklahoma City, OK. (Source: FactSet)

Participating Guggenheim Analyst
Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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Equity Research | Corporate Access

ALLETE, Inc. (ALE)

Bethany Owen, *President & Chief Executive Officer*
Bob Adams, *Chief Financial Officer*
Steven Morris, *Controller & Chief Accounting Officer*

Date
Thursday, May 27, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $3.67bn
ALLETE, Inc. (ALE) engages in the provision of electric and natural gas utility services. It operates through the following business segments: Regulated Operations, ALLETE Clean Energy, and U.S. Water Services. The Regulated Operations segment includes regulated utilities; Minnesota Power; SWL&P; and investment in ATC, which regulates utilities that owns and maintains electric transmission assets. The ALLETE Clean Energy segment develops, acquires, and operates clean and renewable energy projects. The U.S. Water Services segment provides integrated water management for industry by combining chemical, equipment, engineering, and service for customized solutions to reduce water and energy usage and improve efficiency. The company was founded in 1906 and is headquartered in Duluth, MN. (Source: FactSet)

Participating Guggenheim Analyst
Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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Equity Research | Corporate Access

Shoals Technologies Group, Inc. (SHLS)

Jason Whitaker, *President & Chief Executive Officer*
Philip Garton, *Chief Financial Officer*

Date

Tuesday, June 1, 2021

Meeting Format

Virtual NDR - 1:1 Meetings & Group Meeting

Company Information

Market Cap: $4.75bn

Shoals Technologies (SHLS) provides electrical balance of system solutions for solar energy projects. Its EBOS components include cable assemblies, inline fuses, combiners, disconnects, recombiners, wireless monitoring systems, junction boxes, transition enclosures and splice boxes. The company was founded by Dean Solon in November 1996 and is headquartered in Portland, TN. (Source: FactSet)

Participating Guggenheim Analyst

Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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Equity Research | Corporate Access

Alliant Energy Corp (LNT)

John Larsen, *Chair, President & Chief Executive Officer*
Robert Durian, *EVP & Chief Financial Officer*

Date
June 2 - 3, 2021

Meeting Format
Virtual NDR - 1:1 Meetings & Group Meeting

Company Information
Market Cap: $14.31bn
Alliant Energy Corp (LNT) is a regulated investor-owned public utility holding company that engages in the provision of regulated electricity and natural gas service to natural gas customers in the Midwest through its two public utility subsidiaries. It operates its business through following segments: utility electric operations, utility gas operations; and utility other. The company was founded in 1981 and is headquartered in Madison, WI. (Source: FactSet)

Participating Guggenheim Analyst
Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power, Utilities & Alternative Energy*

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Guggenheim's Power & Utility Comp Sheet

Updated as of 5/20/2021

									Guggenheim						Consensus		
		Market	Rating	Target	Current	Dividend ('21E)	Payout	Diluted	Earnings Per Share			Price / Earnings			Price / Earnings		
Regulated Electric Utilities[1]		Cap ($bn)		Price	Price	Yield	Ratio	Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AEE	Ameren	21.6	Buy	$90	$84.50	2.6%	59%	256	3.73	4.02	4.30	22.7	21.0	19.7	22.5	21.0	19.5
AEP	American Electric Power	43.1	Buy	$98	$86.26	3.5%	65%	500	4.65	5.03	5.30	18.6	17.1	16.3	18.5	17.3	16.4
ALE	ALLETE	3.6	Neutral	$65	$69.85	3.7%	81%	52	3.18	3.85	3.98	22.0	18.1	17.6	21.9	18.1	17.4
AVA	Avista	3.2	Sell	$32	$45.62	3.7%	82%	69	2.06	2.26	2.47	22.1	20.2	18.5	21.6	19.8	18.3
CMS	CMS Energy	18.5	Neutral	$63	$63.74	2.7%	61%	289	2.86	3.06	3.26	22.3	20.8	19.6	22.3	20.8	19.5
D	Dominion	62.4	Buy	$89	$77.24	3.2%	65%	807	3.86	4.15	4.44	20.0	18.6	17.4	19.9	18.7	17.7
DUK	Duke Energy	78.7	Buy	$107	$102.27	3.9%	77%	769	5.17	5.48	5.81	19.8	18.7	17.6	19.7	18.8	17.8
ED	Consolidated Edison	26.9	Neutral	$77	$78.42	4.0%	73%	343	4.25	4.42	4.63	18.5	17.7	16.9	18.4	17.4	16.6
EIX	Edison International	21.9	Buy	$79	$57.68	4.7%	60%	379	4.51	4.76	5.04	12.8	12.1	11.4	12.7	12.2	11.5
ES	Eversource Energy	28.8	Neutral	$87	$83.76	2.9%	63%	343	3.83	4.12	4.36	21.9	20.3	19.2	21.8	20.4	19.1
ETR	Entergy	21.2	Buy	$120	$105.74	3.7%	65%	201	6.01	6.33	6.79	17.6	16.7	15.6	17.7	16.8	15.8
EVRG	Evergy	14.2	Buy	$70	$61.90	3.5%	66%	229	3.29	3.43	3.71	18.8	18.0	16.7	18.7	17.8	16.5
FE	FirstEnergy	20.5	Neutral	NA	$37.69	4.1%	62%	544	2.50	2.60	2.71	15.1	14.5	13.9	15.0	14.5	14.1
HE	Hawaiian Electric	4.8	Sell	$37	$43.80	3.2%	69%	109	2.01	1.96	2.11	21.8	22.3	20.8	22.4	21.7	20.2
LNT	Alliant Energy	14.5	Buy	$64	$57.76	2.8%	63%	250	2.57	2.72	2.87	22.5	21.2	20.1	22.5	21.1	20.0
NWE	NorthWestern	3.2	Neutral	$62	$63.31	3.9%	72%	51	3.46	3.64	3.84	18.3	17.4	16.5	18.1	17.2	16.3
PCG	PG&E Corporation	20.6	Buy	$17	$10.40	NA	NA	1985	1.03	1.13	1.25	10.1	9.2	8.3	10.3	9.3	8.4
PNW	Pinnacle West	9.7	Buy	$97	$85.37	4.0%	68%	113	5.05	5.23	5.49	16.9	16.3	15.6	17.1	16.6	15.9
POR	Portland General Electric	4.4	Buy	$54	$48.89	3.4%	62%	90	2.71	2.75	2.84	18.0	17.8	17.2	18.4	17.8	17.0
PPL	PPL Corporation	22.6	Buy	$32	$29.34	5.2%	115%	769	1.34	1.65	1.84	21.9	17.8	15.9	12.2	11.8	11.1
SO	Southern Company	67.7	Neutral	$63	$64.06	4.1%	79%	1059	3.32	3.59	3.85	19.3	17.8	16.6	19.3	18.0	16.6
WEC	WEC Energy	30.2	Neutral	$92	$95.52	2.8%	67%	315	4.03	4.26	4.50	23.7	22.4	21.2	23.7	22.3	20.9
***Average (Excl. EIX, PCG, and PPL for P/E)**						**3.5%**	**68.3%**					**20.0**	**18.8**	**17.7**	**20.0**	**18.7**	**17.7**
Regulated Gas Utilities[2]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CPK	Chesapeake Utilities	2.0	Neutral	$108	$116.82	1.5%	37%	18	4.59	4.98	5.35	25.5	23.5	21.8	25.5	23.7	22.0
NI	NiSource	9.9	Buy	$27	$25.32	3.6%	67%	392	1.35	1.43	1.53	18.8	17.7	16.5	18.8	17.9	16.7
NJR	New Jersey Resources	4.1	Neutral	$39	$42.49	3.2%	65%	96	2.09	2.28	2.35	20.3	18.6	18.1	20.5	18.7	17.6
NWN	NW Natural Gas	1.6	Sell	$38	$53.64	3.6%	77%	31	2.50	2.64	2.73	21.5	20.3	19.6	21.2	20.4	19.3
OGS	ONE Gas	3.9	Neutral	$80	$73.61	3.2%	61%	53	3.82	4.12	4.43	19.3	17.9	16.6	19.4	17.9	16.9
SJI	South Jersey Industries	2.9	Buy	$28	$25.97	4.5%	73%	112	1.61	1.71	1.85	16.1	15.2	14.0	16.1	15.6	15.0
SR	Spire	3.8	Buy	$84	$72.92	3.6%	60%	52	4.43	4.41	4.67	16.5	16.5	15.6	16.7	16.5	15.7
Average						**3.3%**	**62.7%**					**18.7**	**17.7**	**16.8**	**18.8**	**17.9**	**16.9**
Integrated Utilities[3]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
EXC	Exelon	44.7	Neutral	$45	$45.74	3.4%	56%	977	2.80	2.98	3.02	16.3	15.3	15.1	16.6	15.5	14.9
PEG	PSEG	31.6	Buy	$67	$62.58	3.3%	59%	505	3.52	3.51	3.61	17.8	17.8	17.3	18.1	17.9	17.3
Average						**3.4%**	**57%**					**17.1**	**16.6**	**16.2**	**17.3**	**16.7**	**16.1**
Independent Power Producers (IPPs)[4]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
NRG	NRG Energy	8.3	Neutral	NA	$34.04	3.8%	-	245	2,412	2,471	2,472	6.6	5.8	5.4	9.2	6.3	6.0
VST	Vistra Energy	7.9	Neutral	NA	$16.48	3.6%	-	482	1,678	3,230	3,107	9.9	5.0	4.9	10.8	5.3	5.0
Average												**8.2**	**5.4**	**5.2**	**10.0**	**5.8**	**NA**
Multi-Industry Utilities[5]		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
CNP	CenterPoint	14.2	Buy	$27	$24.70	2.5%	44%	580	1.41	1.50	1.62	17.5	16.5	15.2	17.8	17.1	15.9
DTE	DTE Energy	27.2	Buy	$148	$140.36	3.1%	60%	194	7.20	7.62	7.84	19.5	18.4	17.9	19.5	18.9	18.0
NEE	NextEra	145.7	Buy	$90	$74.29	1.9%	56%	1961	2.56	2.77	2.95	29.0	26.8	25.2	29.5	27.2	25.4
OGE	OGE Energy	6.7	Buy	$39	$33.58	5.1%	78%	200	2.17	2.27	2.38	15.5	14.8	14.1	15.3	15.7	15.1
SRE	Sempra Energy	41.1	Buy	$167	$135.74	3.4%	56%	303	8.16	8.58	9.21	16.6	15.8	14.7	16.7	15.9	15.1
Average						**3.2%**	**58.9%**					**19.6**	**18.5**	**17.4**	**19.8**	**18.9**	**17.9**
Other		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AWK	American Water Works	28.0	Neutral	$146	$154.42	1.4%	50%	181	4.24	4.63	4.99	36.4	33.4	30.9	36.4	33.5	31.0
ALTO	Alto Ingredients, Inc.	0.4	Buy	$9	$5.71	-	-	73	0.62	0.66	0.80	9.2	8.7	7.1	9.4	6.1	7.1
		Market Cap ($bn)	Rating	Target Price	Current Price	Dividend ('21E) Yield	Payout Ratio	Diluted Shares	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
AMRC	Ameresco, Inc. Class A	2.6	Buy	$67	$51.12	-	-	50	146	163	184	NA	NA	NA	NA	NA	NA
ARRY	Array Technologies	1.9	Buy	$51	$15.24	-	-	127	174	198	224	13.2	11.6	10.3	20.9	12.9	10.0
CWEN	Clearway Energy	6.1	Suspended	NA	$26.35	NA	-	183	NA	NA	NA	NA	NA	NA	10.5	9.7	9.7
NEP	NextEra Energy Partners	5.1	Buy	$88	$66.75	4.0%	-	76	1,532	1,660	1,775	7.2	6.8	6.3	10.3	9.6	9.3
SHLS	Shoals Technologies Group, Inc	3.9	Buy	$46	$23.45	-	-	167	77.2	125.8	195.7	52.0	31.3	19.6	52.0	31.8	20.2

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
(5) Mult-Industry Utilities operate some comibination of regulated electric and/or gas utilities, in addtion to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, FactSet, Guggenheim Securities, LLC estimates.

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Share Price Performance (Year-to-Date, Three-Month, & One-Month Trailing)

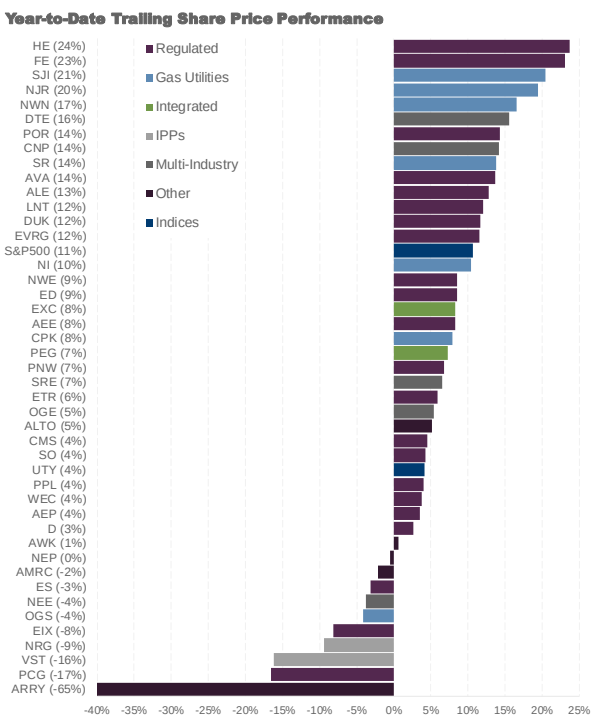

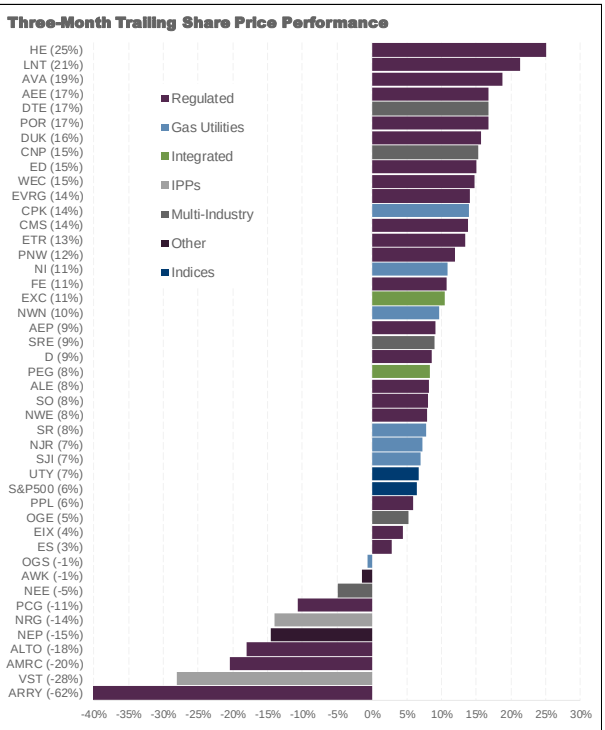

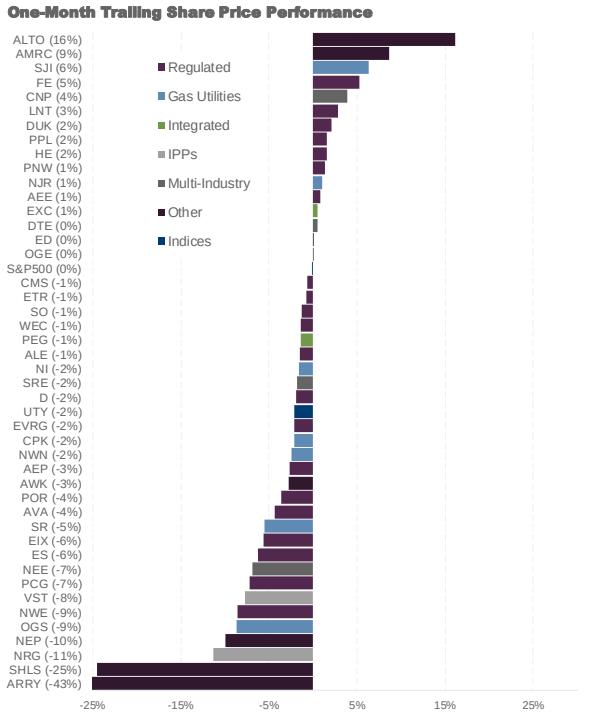

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
(3) Integrated
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
Source: Bloomberg, Guggenheim Securities, LLC estimates.

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Guggenheim 2021 Client and Corporate Access Utility Events

Ticker	Dates	Regions	Ticker	Dates	Regions
EIX	1/8	NYC	**CMS**	5/12-5/13	Multiple
'21 Utilities Call	1/21 – 8:15AM ET	Call	**POR**	5/12-5/13	Multiple
Investor Discussion	1/25 – 4:30PM ET	Virtual	**ARRY**	5/14	Multiple
PNW	1/26-1/27	Multiple	**OGE**	5/25-5/26	Multiple
SRE	1/27 – 4:30PM ET	Virtual	**ALE**	5/27	Multiple
WEC	2/16-2/17	Multiple	**SHLS**	6/1	Multiple
DUK	2/18	Multiple	**LNT**	6/2-6/3	Multiple
D	2/19	NYC	**PEG**	6/8-6/9	Multiple
AWK	3/10	Multiple	**EVRG**	6/10	Multiple
PPL	3/23	West Coast	**NWE**	6/16	Multiple
AEP	3/30	Multiple	**DTE**	6/29	Multiple
VST	3/31	Multiple	**ES**	TBD	Multiple
ETR	4/8	Multiple	**SO**	8/9-8/10	Multiple
SR	4/15	Multiple	**SO** (CEO Fireside)	8/10	Multiple
PCG	5/5	Multiple	**NEE**	8/30-9/2	West Coast
CNP	5/10	Multiple			

MORE TO BE ADDED…

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Peak Load

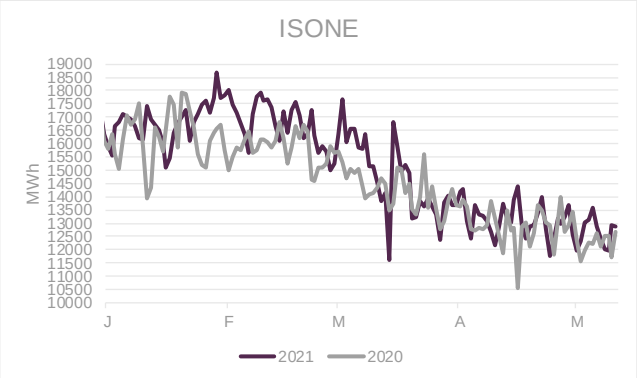

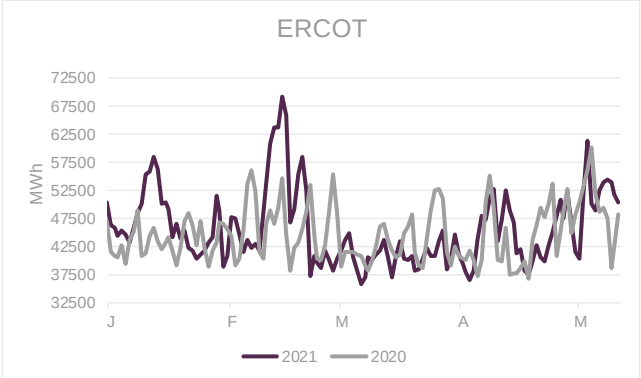

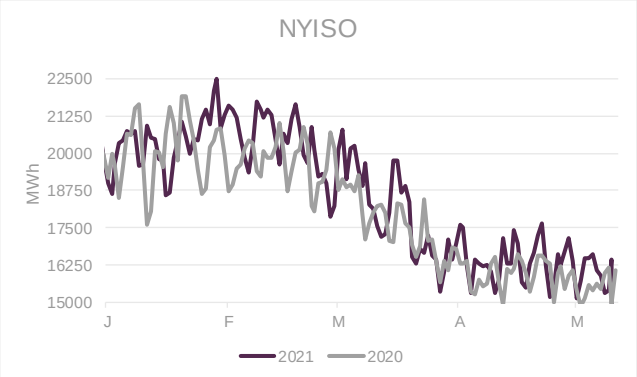

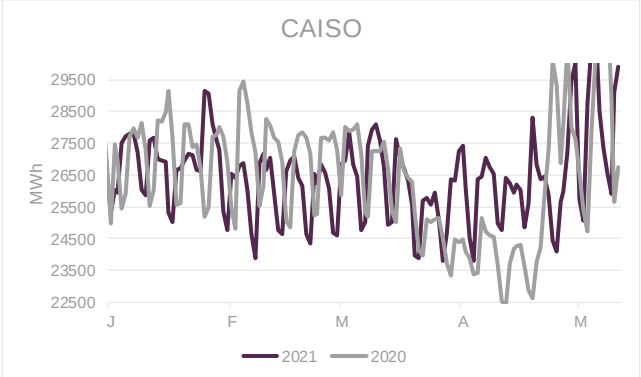

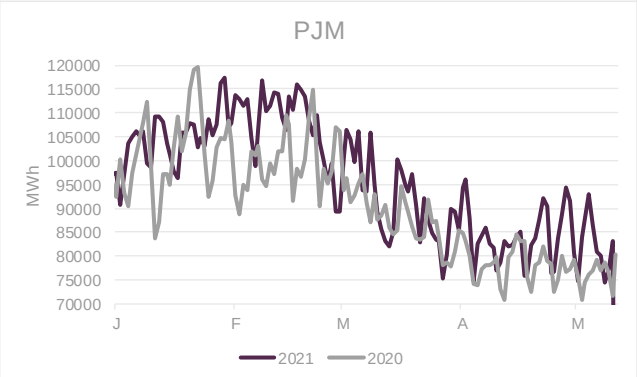

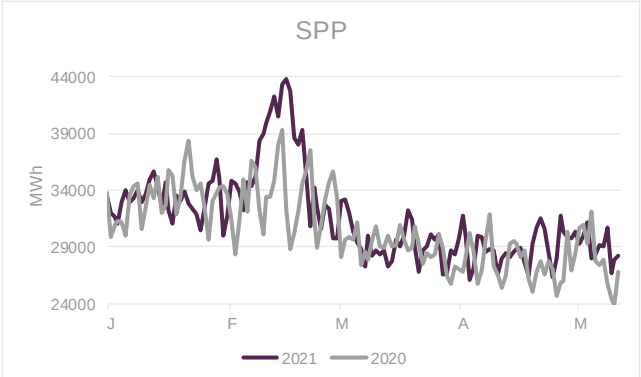

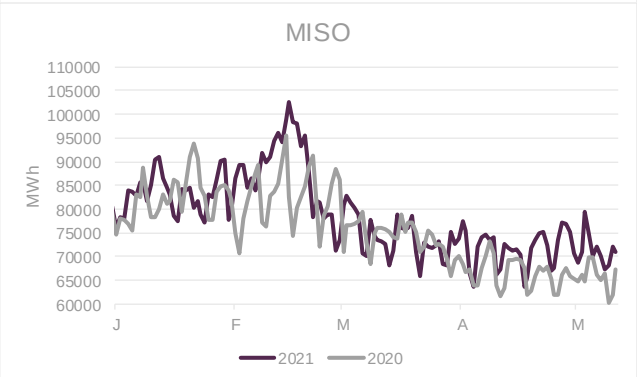

Average Deviation in Peak Load vs Prior Year

RTO/ISO	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
ISONE	-5.1%	0.1%	2.4%	2.4%	4.1%	2.5%
NYISO	-5.8%	-3.8%	0.0%	0.0%	2.5%	3.0%
PJM	-6.9%	-4.7%	-1.8%	-1.8%	6.1%	8%
MISO	-4.7%	-5.2%	-3.7%	-3.7%	4.3%	8.1%
CAISO	-1.7%	1.4%	3.2%	3.4%	0.4%	3.6%
ERCOT	2.7%	1.7%	-4.1%	3.0%	2.8%	2.8%
SPP	-4.6%	0.0%	-4.4%	-4.4%	4.1%	5.3%

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Generation and Mix

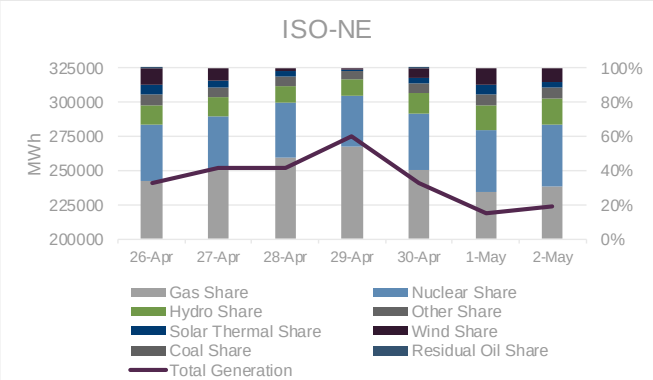

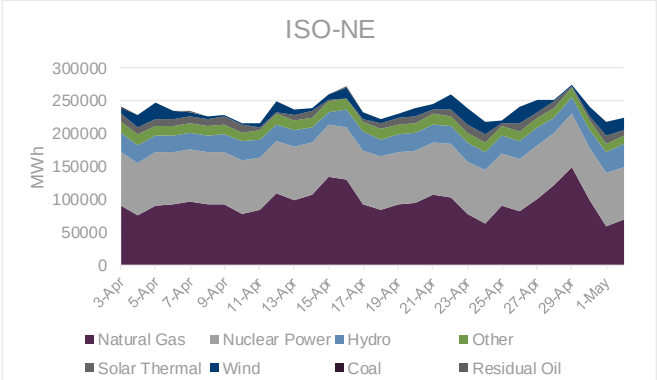

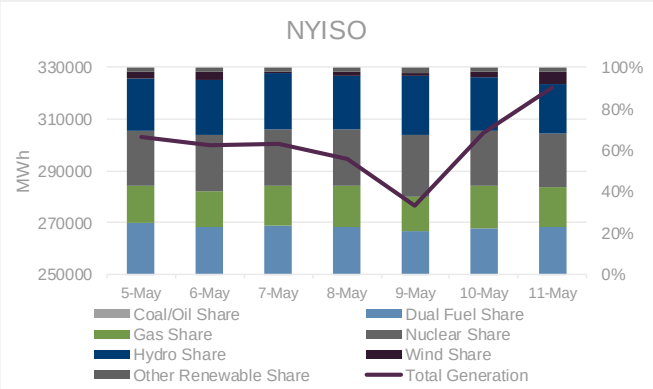

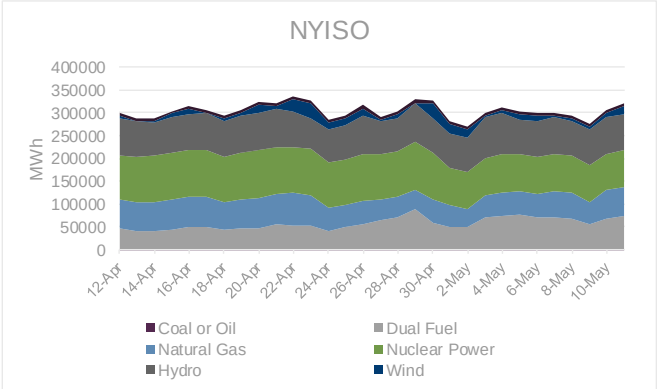

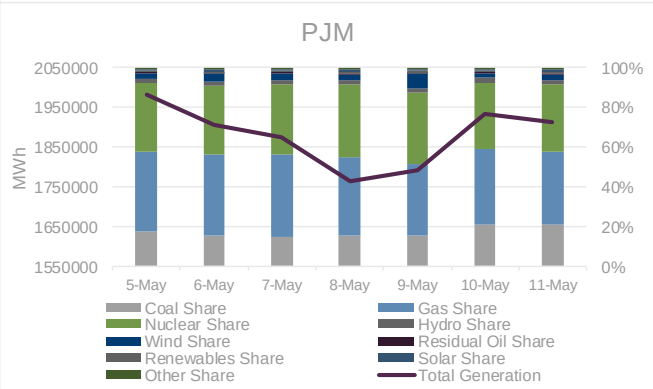

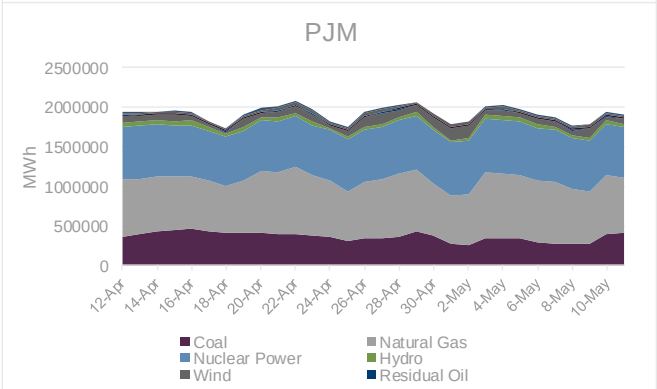

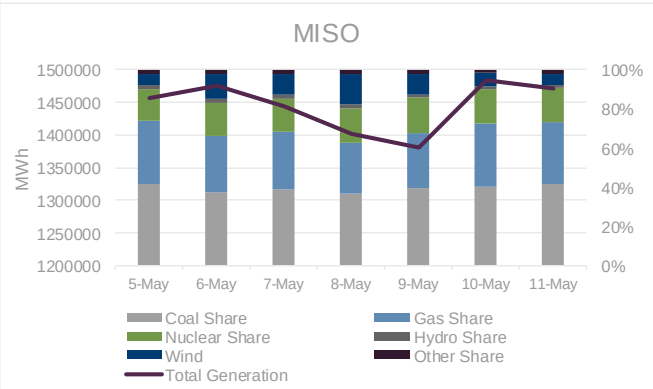

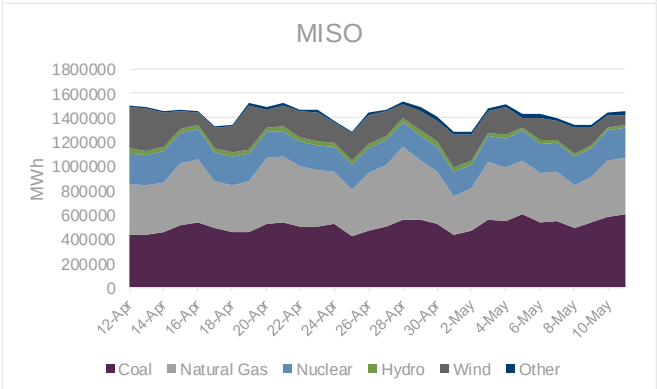

Source: S&P Global Platts, Guggenheim Securities, LLC.

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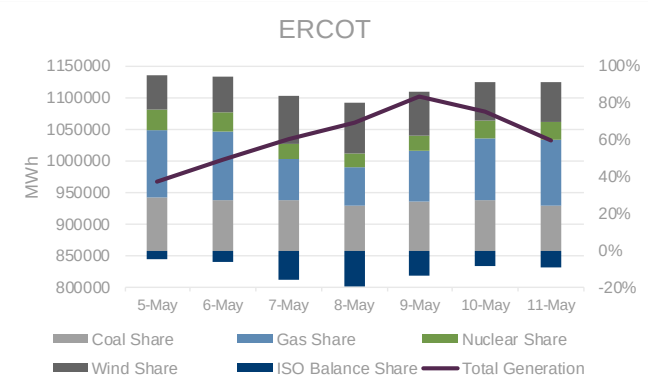

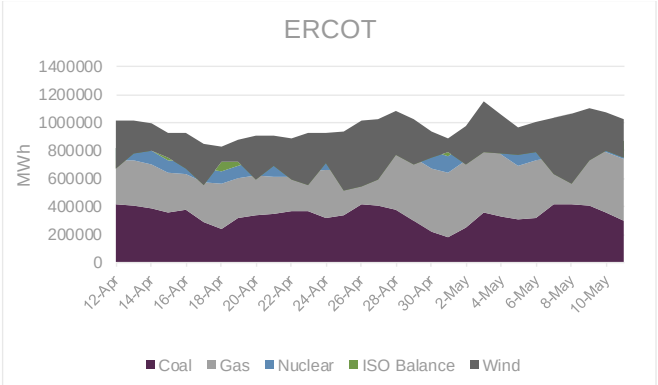

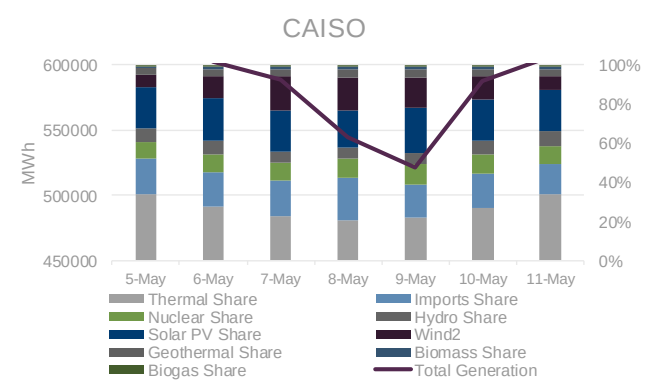

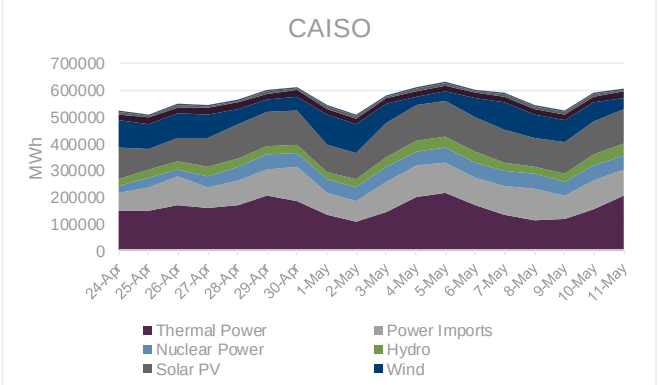

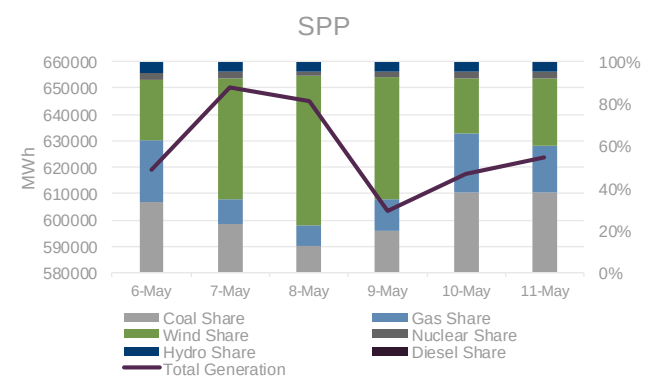

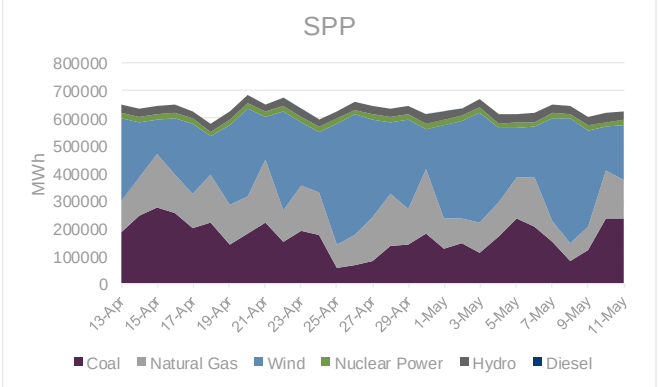

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Weather

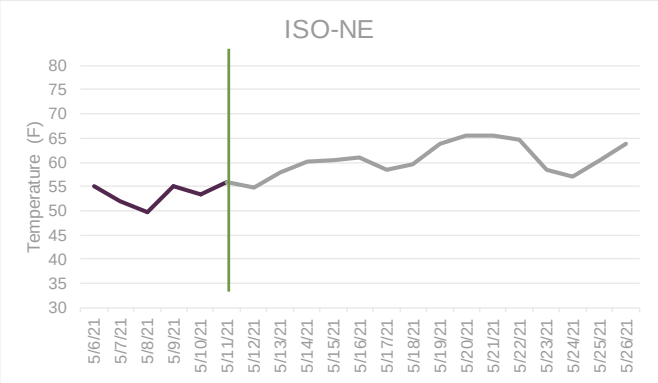

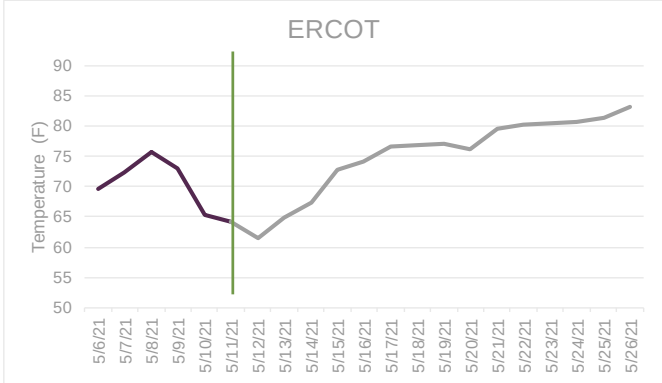

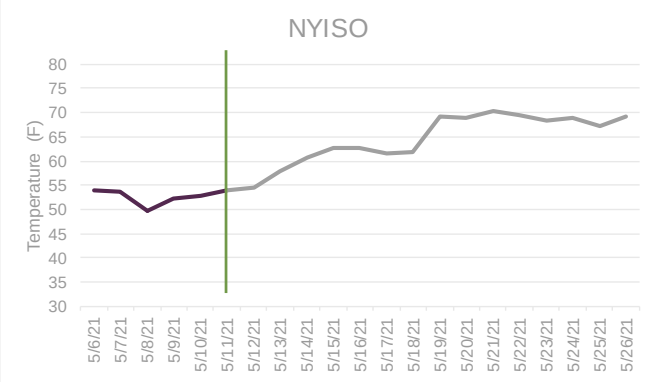

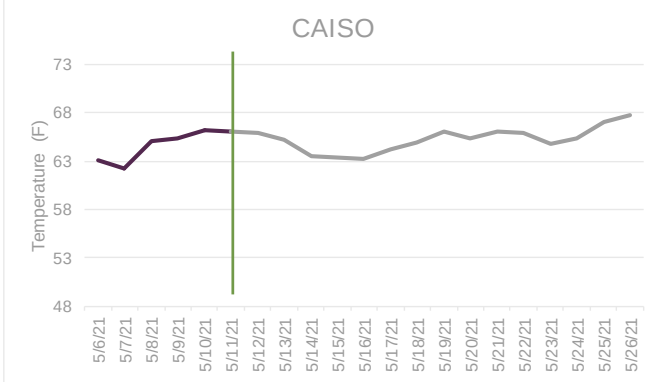

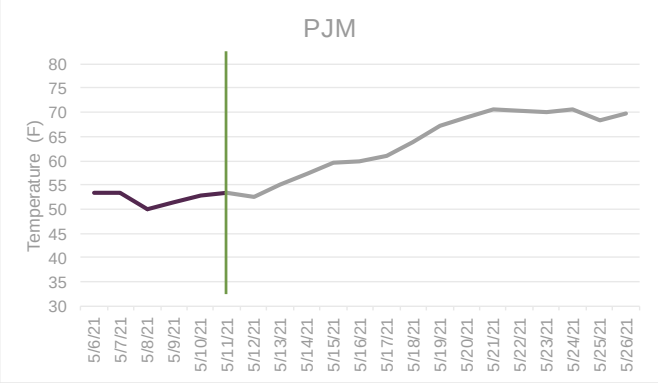

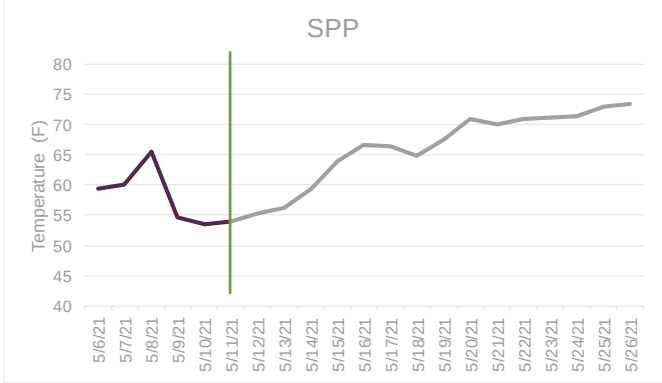

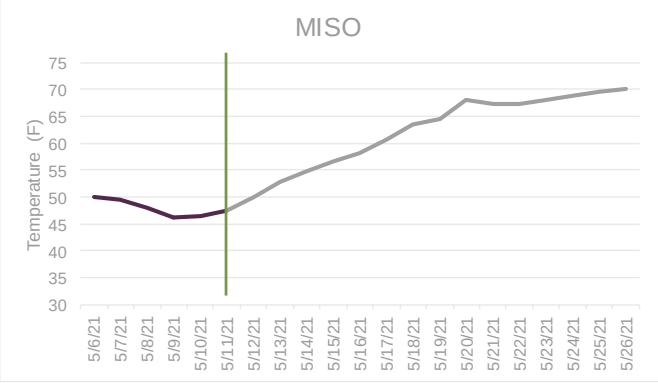

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Regulatory Calendar

Power and Utilities: Coverage Calendar (5/15/2021 - 8/15/2021)

Date	State	Ticker	Utility/Event	Docket	Description
3/1/2021-6/30/2021	DC	EXC	Potomac Electric Power Co.	FC-1156	Commission decision may be issued in electric rate proceeding
4/15/2021-5/15/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	ALJ recommendation expected in rate case in late April-early May
5/1/2021-6/30/2021	TX	SRE	Oncor Electric Delivery Co.		Rate case filing expected
5/17/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Settlement meeting scheduled in rate case
5/18/2021-5/19/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearings scheduled in RAC-EE proceeding
5/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Settlement conference scheduled
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	PSC staff and intervenor testimony due
5/19/2021-5/28/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Hearings scheduled in rate case
5/19/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	PSC staff and intervenor testimony due
5/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Settlement conference scheduled
5/21/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for staff and intervenor opening testimony
5/21/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Rebuttal testimony due in E-RAC proceeding
5/21/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Rebuttal testimony due in Rider E proceeding
5/21/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Initial briefs due in rate case
5/24/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Hearing to begin in rate proceeding
5/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Intervenor testimony on class cost of service due in rate proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UG-200901	Deadline for company reply testimony; staff and intervenor cross-answering testimony
5/28/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	SCC staff testimony due in BC-RAC proceeding
5/28/2021	WA	AVA	Avista Corp.	D-UE-200900	Deadline for company reply testimony; staff and intervenor cross-answering testimony
6/1/2021-6/15/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Hearing examiner's report may be issued in RAC-EE proceeding
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co		Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (gas)	Decision possible in rate proceeding
6/1/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Reply briefs due in rate case
6/1/2021-6/30/2021	OH	AEP	Ohio Power Co.	C-20-0585-EL-AIR	Decision possible in rate proceeding
6/1/2021-6/30/2021	KY	PPL	Kentucky Utilities Co.	C-2020-00349	Decision possible in rate proceeding
6/1/2021-6/30/2021	VA		Virginia Natural Gas Inc.	C-PUR-2020-00095	Hearing Examiner's report may be issued in base rate case
6/1/2021-6/30/2021	OK		Oklahoma Natural Gas Co	Ca-PUD202100063	Rate case filing expected
6/1/2021-6/30/2021	KY	PPL	Louisville Gas & Electric Co.	C-2020-00350 (elec.)	Decision possible in rate proceeding
6/3/2021	MI	DTE	DTE Gas Co.	C-U-20940	Staff and intervenor testimony due
6/4/2021	NJ	EXC	Atlantic City Electric Co.	D-ER20120746	Intervening parties to file testimony in rate case
6/8/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Company rebuttal testimony due in rate proceeding
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Rebuttal testimony to be filed in rate case
6/9/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Rebuttal testimony to be filed in rate case
6/17/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Rebuttal testimony due in rate proceeding
6/17/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Initial briefs due in rate case
6/17/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Intervening parties to file testimony in Rider CCR proceeding
6/21/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Intervenor testimony due
6/22/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Staff, intervenor testimony due
6/22/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Staff to file testimony in Rider CCR proceeding
6/23/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Staff, intervenor testimony due
6/23/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00258 (E-RAC)	Hearing scheduled in E-RAC proceeding
6/23/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Settlement conference
6/23/2021	MI	DTE	DTE Gas Co.	C-U-20940	Rebuttal testimony due
6/23/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Staff, intervenor testimony due
6/25/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Hearing examiner report due in rate proceeding
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-G-0073	Evidentiary hearings to commence in rate case
6/28/2021	NY	ED	Orange & Rockland Utlts Inc.	C-21-E-0074	Evidentiary hearings to commence in rate case
6/30/2021	NH				Commissioner Kate Bailey — term expires
6/30/2021	KY				Commissioner Talina Rose Mathews — term expires
6/30/2021	MD				Commissioner Anthony J. O'Donnell — term expires
6/30/2021	MD	EXC	Potomac Electric Power Co.	C-9655	Decision expected in muulti-year rate plan proceeding
6/30/2021	PA	EXC	PECO Energy Co.	D-R-2020-3018929	Decision likely in gas rate case
6/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00197 (Rider RBB)	Decision expected in rural broadband pilot proceeding (Rider RBB)
6/30/2021	WV				Commissioner Brooks McCabe — term expires
6/30/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00251 (RAC-EE)	Decision expected in RAC-EE proceeding
6/30/2021	NC				Commissioner Lyons Gray — term expires
7/1/2021	TX	AEP	Southwestern Electric Power Co	D-51415	Reply briefs due in rate case
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	PUR-2020-00231 (Rider US-2)	Decision expected in Rider US-2 update proceeding
7/1/2021	IL	SO	North Shore Gas Co.	D-20-0810	ALJ recommendation due in rate proceeding
7/1/2021-7/31/2021	OK	CNP	CenterPoint Energy Resources	Ca-PUD202100054	Decision expected in PBR proceeding
7/1/2021-7/31/2021	IN	CNP	Indiana Gas Co.	Ca-45468	Decision possible in rate proceeding
7/1/2021-7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00230 (Rider BW)	Decision expeced in Rider BW update proceeding
7/2/2021	MI				Commissioner Katherine Peretick — term expires
7/6/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Staff testimony due in electric rate case
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UG-200901	Hearing in rate case
7/7/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Rebuttal testimony due in Rider CCR proceeding
7/7/2021-7/9/2021	WA	AVA	Avista Corp.	D-UE-200900	Hearing in rate case
7/12/2021	FL	NEE	Florida Power & Light Co.	D-20210015-EI	Rebuttal testimony due in electric rate case
7/12/2021	MI	CMS	Consumers Energy Co.	C-U-20963	Rebuttal tesimony due
7/15/2021-8/15/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00013 (Rider E)	Hearing Examiner report may be issued in Rider E proceeding
7/16/2021	WA	NWN	Northwest Natural Holding Co.	D-UG-200994	Deadline for company reply testimony; staff and intervenor cross-answering testimony
7/19/2021	ID	AVA	Avista Corp.	C-AVU-E-21-01	Company rebuttal testimony due
7/19/2021	ID	AVA	Avista Corp.	C-AVU-G-21-01	Company rebuttal testimony due
7/21/2021	IL	SO	Northern Illinois Gas Co.	D-21-0098	Hearing to begin in rate proceeding
7/26/2021	MO	SR	Spire Missouri Inc.	C-GR-2021-0108	Hearing to begin in rate proceeding
7/27/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00045 (Rider CCR)	Public hearing scheduled on Rider CCR proceeding
7/30/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2021-00058	Intervening parties to file testimony in triennial review proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00274 (Rider DSM)	Decision expected in Rider DSM proceeding
7/31/2021	VA	D	Virginia Electric & Power Co.	C-PUR-2020-00169 (Rider RGGI)	Decision expected in Rider RGGI proceeding
8/1/2021-8/31/2021	VA	AEP	Appalachian Power Co.	C-PUR-2020-00259 (BC-RAC)	Hearing Examiner recommendation expected in BC-RAC proceeding
8/1/2021	MO	SR			Commissioner Maida Coleman — term expires
8/5/2021	DE	EXC	Delmarva Power & Light Co.	D-20-0149	Commission decision expected to be issued
8/5/2021	MI	DTE	DTE Gas Co.	C-U-20940	Briefs due in gas rate case
8/10/2021-8/17/2021	NJ	DTE	Atlantic City Electric Co.	D-ER20120746	Hearings scheduled in rate case
8/13/2021	TX	AEP	Southwestern Public Service Co	D-51802	Parties to file testimony in rate case

Source: SNL, Company Filings, Guggenheim Securities, LLC.

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Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM and Weekly Commentary

Key Company Research

1. VST NDR: Past Is Prologue
2. SRE: SIP 20% Sale Announced at ~13x EV/EBITDA; Above Our Range, With Opportunity for Earnings Accretion
3. AEP – C-Suite NDR: On the Precipice of Change and It's a Wonderful View from Here
4. PPL NDR: Hard Part Is Done, Now the Real Work Begins – Transformation Path, Further Re-Rating Set
5. ETR – FERC ALJ Issues Initial Decision on SERI ROE and Cap Structure; 9.32% ROE; 48.15% ER
6. SRE – San Diego Opens Utility Franchise Bidding Under Expanded Criteria; Allow for Negotiated Outcome
7. PPL: WPD Sells at "Very" Healthy Multiple in Key First Step, Despite Previous Media Reports
8. NRG: Post-Call Management Catch Up
9. NRG/VST: Stepping to the Sidelines for Now as ERCOT's Collateral Damage Continues to Propagate
10. FE Reaches Agreement with Icahn
11. SHLS – 4Q Earnings; Category Killer Makes Public Market Debut; Tees Up Conservative Guide and Accelerates EV Infrastructure Development
12. AWK NDR: "When the Levee Breaks" American Water Keeps Flowing
13. AEP – Healthy AEP Ohio Rate Case Settlement Supports Thesis; Construct Still Attractive
14. PCG: C-Suite Builds on Operational Improvement for Turnaround Success; Hands-on CEO Is a Tailwind
15. ARRY – 4Q Earnings; Investing Now for Wallet Share Later; FY21 Guidance Comes In Strong
16. WEC NDR: Cutting Through the Noise; Dependable Growth and LT Decarbonization Define Our Meetings
17. D – C-Suite NDR; Strategy Equals Execution; Execution Equals Decarbonization…
18. DUK – CEO NDR; NC Legislation Finally Has Momentum; Driving Decarbonization, Higher Growth
19. AMRC – 2020 Closes with a Beat as 2021 Guidance Points to Continued Growth
20. NRG – Surprise, Surprise: Guidance Intact After Strong Storm Performance; Transformation Continues
21. OGS – 4Q Earnings; Fundamentals Remain Stout Despite Old Man Winter's Best Efforts
22. PEG – 2020 FY In Line; Fossil Sale On Track; LT Business Mix Gains Traction
23. VST – Is the Integrated Model Broken? No, But the Sandbox Might Be
24. EVRG – Coming Out Swinging: EPS Beat, Healthy '21 Guide, Higher CapEx, New Mgmt. Bench & Key Investor Infusion
25. EIX: In-Line 2020; No Major Updates - Holding Pattern Ahead of GRC
26. AEP – Better Load Recovery and Cost Mitigation; Long Renewables Runway w/ Potential Financing From Asset Rotation
27. SRE: '21 Guide Reaffirmed w/Upside Post Transaction; Utility CapEx Increased – Focus Remains on SIP Transaction
28. OGE: No Surprises as 2020 Closes; 2021 Winter Storms Costs Large but Fundamentals Strong
29. CNP: We Aren't Sweating the Details; Managing Storm Event; LDC Sales on Track, Midstream Full Exit on the Forefront
30. PNW – In Line 2020 as Capex Gets a Shuffle – a Consistent Message Following Our NDR
31. EXC – End of an Era: Exelon Loses a Neutron
32. ETR – 2020FY EPS Beat; 2021 Guidance Reaffirmed, Biased to a Strong Midpoint; Arkansas Concerns? No Cracks Here
33. AVA – 4Q Earnings Not as Bad as Some Thought; Guidance Largely In Line With Our Expectations
34. LNT – Ol' Reliable: Inline 2020 as Focus Pivots to PSCW
35. SHLS: Plug-n-"Growth"; Initiating Coverage with a Buy Rating and $48 PT
36. AEE – 4Q Earnings; Callaway Cause For Concern? Not in Our View; Base Plan Remains Strong
37. POR – 2021 Kicks Off on the Right Foot
38. DTE – Continues Strong Execution; 4Q Earnings Beat, '21 Reaffirmed, GS&P Spin Is the Next Major Potential Catalyst
39. FE – Righting the Ship as the DOJ Overhang Persists; Icahn Makes a Splash and Shifts Investor Focus
40. ED – 4Q EPS in Line, 2021 a Reset Year; Capex Roll Points to Higher Quality L-T Recovery
41. SO – 4Q Earnings; Telegraphed LT Growth Rate Raise with Incremental Opportunities on the Horizon
42. PPL: Straightforward Update as WPD Process Forges On
43. ES – 4Q Earnings; Healthy Capex Raise Drives Guidance to the Top Half of Growth Range
44. NI – 4Q Earnings; Straightforward Update With Renewables Projects Continuing to Take Shape
45. ALE – A Transitional Year Comes with a Focus on Execution at ACE
46. DUK – 4Q20 Earnings; Foundation Set With Eye on NC Legislation – We See Pathway to Overachieve Expectations
47. AEP – Racine Hydro Sale; Very in Line with Our Thesis and Potentially More on the Horizon – Reiterate BUY
48. WEC – 2020 Closes with A Beat as Management Evaluates Case Optionality in WI
49. CMS – 4Q Earnings In-Line; Capex/Equity Increase, O&M Flex to Carry Into '21; We See Smooth Sailing to Firm "7%" Growth
50. NJR – F1Q21 Earnings; NJRES AMAs Drive FY22 Guidance Raise, Though Focus Remains on Core Utility and CEV Segments
51. SR – F1Q21 Earnings; Progressing on Regulatory Matters as Mgmt. Has Eyes Set on Sustainability
52. FE/OH: Yost Holds Press Conference on HB6; Reaches Agreement With FE on Decoupling
53. PNW NDR: All Quiet on the Southwestern Front…
54. DUK – Healthy Indiana Equity Sale Highlights Private Infrastructure Appetite for US Assets
55. AMRC: A Unique Blend of Familiar Businesses – Finding a Decarbonization Niche; Initiating Coverage at BUY, $63 PT
56. PEIX Initiation: A Rising Tide Lifts All Ships - Decoupling from Fuel Ethanol, '21 an Inflection Year for Strong CF Story

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57. SRE: CEO Catch Up - Value Upside to SIP Deal; Constructive Guidance Forthcoming; Remains Distinctive on Catalysts
58. NEE/NEP: NEE EPS Beats, MVP Takes Write-Down; Organic Growth and FPL Rate Case Are the Next Leg of Growth
59. DUK – Settlement Reached on Coal Ash; Overhang Removed with Allowance for Return on Expenditures – Time to Move On
60. EIX – Another WF Settlement Bites the Dust; Total Expected Loss Unchanged
61. NEE: Starting 2021 with a Bang: FPL Files Rate Case – 11% Base ROE, 50bp Adder, and SOBRA Adds
62. FE/OH: Ohio Situation Continues to Deteriorate
63. DUK – Coal Ash Thoughts Post Our Call With Duke C-Suite This AM
64. FE: JCP&L Creditworthiness Hearing Recap
65. PCG-EIX: Cali Dreamin' on a Winter Day – We're Back and Under a New Utility Construct: Resuming EIX, PCG w/ BUY Ratings
66. EXC: Exelon Divests Distributed Solar Assets
67. CNP: Analyst Day Sets New 6-8% EPS Plan; AR/OK LDC Sale Announced, ENBL Advisor, OGE on Board; Keep the Hits Coming
68. PNW: Staff/Intervenor Surrebuttal Testimony Lands
69. SRE: IENOVA Buyout, Combination with LNG for an SRE Infrastructure Offering – Favorable Setup for Next Steps
70. FE: Payment Fallout Continues – Revolver Draw Potentially Hedges Against New DOJ Outcomes
71. AEP – Upgrading to NEUTRAL from SELL; Risk/Reward Finds Balance Post Our Original Thesis
72. FE: 10-Q and Amended K May Point to Potential PUCO Linkages; Possible Connection to Randazzo Search
73. FE: PUCO Chair Has Home Searched by FBI
74. SRE NDR: Catch Up With SRE Mgmt. Puts Light on Commitment to Value and NorAm Strategy
75. EXC – Integrated Platform Increasingly Endangered as Exelon "Formally" Announces Strategic Review
76. NEP: 2020 KKR Deal; New Assets Accretive to Growth, Cheap Financing Deal Sets Up 4x Investment Capacity
77. FE – Darkest Before the Dawn? A New Day Will Come…
78. PNW – No Surprises as Summer Heat Drives Beat
79. POR – Putting a Rough Quarter to Rest – Update Checks Most Boxes
80. PEG – 3Q In-line; PSE&G Growth Set to 7-8%; Strategic Shuffle Continues on Fossil, Offshore Wind
81. POR – Putting a Rough Quarter to Rest – Update Checks Most Boxes
82. PNW – No Surprises as Summer Heat Drives Beat
83. FE: CEO and Two Other Executives Terminated over Internal Investigation
84. NWE – Colstrip Transaction Terminated; What's Next? NWE Is Left Severely Short of Peak
85. EXC: Downgrading to Neutral, Lowering PT – Taking the Spring out of Springfield
86. SRE– Franchise "Sale" Saga Next Step? San Diego Releases ITB Q&A, City Maintains Strict Tone, No Upsets Yet, in Our View
87. ETR NDR – C Suite Event Highlights Conservative Planning & Incremental Opportunities; "Premium" View Reinforced
88. DUK – CEO Group Call; Alignment with Stakeholders Driving Capital Growth While Setting Manageable Expectations
89. FE: Incremental Details on DOJ Probe Emerge; Energy Harbor Executives in Focus
90. AEE – CEO Client Event; Environmental Stewardship in MO; Navigating the Policy Environment in IL
91. FE: Incremental Details on DOJ Probe Emerge; Energy Harbor Executives in Focus
92. DUK – ESG Investor Day; A Win-Win for ESG and Fundamental Investors
93. NEE-DUK: "Spreadsheet Exercises" Aside – Easily EPS Accretive, But Value/Credit Risk, Regulatory Hurdles Are High Risk
94. ES - CT House Passes Bill in Special Session to Reform Utilities' Construct
95. OGS NDR – Simple Story, Covid Recovery, Supportive Jurisdictions and Capex Ahead of Plan; RNG, Hydrogen on the Radar
96. NI Investor Day – Robust Update, Though Mostly In Line with Expectations
97. VST: A Platform Evolves, a Platform Matures
98. EVRG NDR: Smooth Sailing to 2024? Standalone Course to Top Tier Growth Follows Well-Worn Routes
99. AEE – MO IRP Brings Step Function Increase in Renewable Energy Investments
100. ETR Analyst Day– Expanding Capex with Equity Needs; EPS Growth Remains 5-7%, but ETR May Become a "Premium" Utility
101. SRE – Cat Out of the Bag: San Diego Issues ITB, Minimum Fee, Balanced by City's Right to Reject; No Upsets at This Point
102. SRE – San Diego Franchise Deep Dive; Competitive Process? Yes; Benefits to Transfer? No! Downside Risk Appears Minimal
103. POR NDR: Upgrading to BUY on CEO Conversations; Clarity on Wildfires Implies Sound Entry Point
104. ED – Upgrade to NEUTRAL; COVID Bites a Hole in the Big Apple; ED's Return to Normal Limits Downside From Here
105. POR: Where There Is Smoke, There Is Fire, But Not Likely in This Case – Additional Fire Details
106. EVRG: KCC Staff file Report and Recommendation Regarding Evergy's Pre-STP Capital Plan
107. AWK NDR: Thirst Quencher - Top Tier Growth Platform Built to Last
108. EXC: No Pressure, No Diamonds…
109. POR: CAISO's Collateral Damage - Losses Contained, L-T Fundamentals Intact Post Mgmt. Call
110. ES – Downgrading to NEUTRAL on Valuation; Want Offshore Wind Exposure? Try Dominion…
111. EXC: Neutrons Starting to Flow in Springfield; Criticality Still Far from Certain
112. OGE – Anticipated Alignment of Views on ENBL Causes Us to Upgrade; Strategic Optionality Becoming More Apparent
113. PPL: The Long Goodbye – PPL Initiates WPD Sale Process

Key Industry Research

1. ERCOT: PUCT Declines to Reprice Energy Market – Consistent with Our Expectations
2. ERCOT: Lone Star State Remains 'Out of Phase'
3. ERCOT: Who's Exposed? Generator-Owner Data Set
4. ERCOT: Deep Freeze Precipitates Rolling Blackouts in Heartland
5. IL: CEJA Re-emerges; Take with a Grain of Salt - More Iterations to Come
6. '21 Utilities Outlook: Getting Ready for Another Bumpy Ride

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7. Congress Reaches Deal on Stimulus Package and Appropriations; Clean Energy Boosted With Tax Credit Extension
8. ERCOT CDR Preview: More Solar Points to Slightly Looser CDR; Caveats Remain the Same
9. EEI – An EEI Unlike Any Other...
10. Guggenheim EEI Takeaways - Day One
11. Guggenheim EEI Takeaways - Day Two
12. Guggenheim EEI Takeaways - Day Three
13. Li-Ion the End-All-Be-All Battery Storage Solution? Not in Our Book – Zinc-Based Battery Presents Compelling Alternative
14. Ohio Policy Call Part Two – Federal and Political, Not State and Regulatory
15. Ohio Policy Call Part One – Investigation Churns On
16. Guggenheim Call Series: Power Gen Economics Expert Confirms Robust Solar/Wind Demand as Tech Moves to Parity with Fossil
17. FERC - Life's Absolutes: Death, Taxes, and Transmission ROE Complaints
18. 2020 LCOE Update – Nothing Is Constant but Change: Renewable Economics Point to Persistent Disruptions
19. FERC: Commission Revisits Base ROE Methodology, Boosts MISO Allowed
20. ERCOT: Another CDR to Take with a Grain of Salt
21. PJM: Proposed Auction Timeline Features State Policy Accommodation
22. FERC ROE Policy Call: Different Commissioner, Similar Expectations
23. FERC ROEs: Former Commissioner Policy Call Points to No Easy Answers
24. Illinois Policy Call: Too Clean to Drain the Swamp? Will Springfield Lawmakers Reach Criticality? Still Too Early to Say…
25. PJM: As Fluid as It Gets - Expert Call Highlights Still-Challenging Auction Dynamics

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Rating and Price Target History for: Exelon Corporation (EXC) as of 05-20-2021

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Rating and Price Target History for: Pinnacle West Capital Corporation (PNW) as of 05-20-2021

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Rating and Price Target History for: Portland General Electric Company (POR) as of 05-20-2021

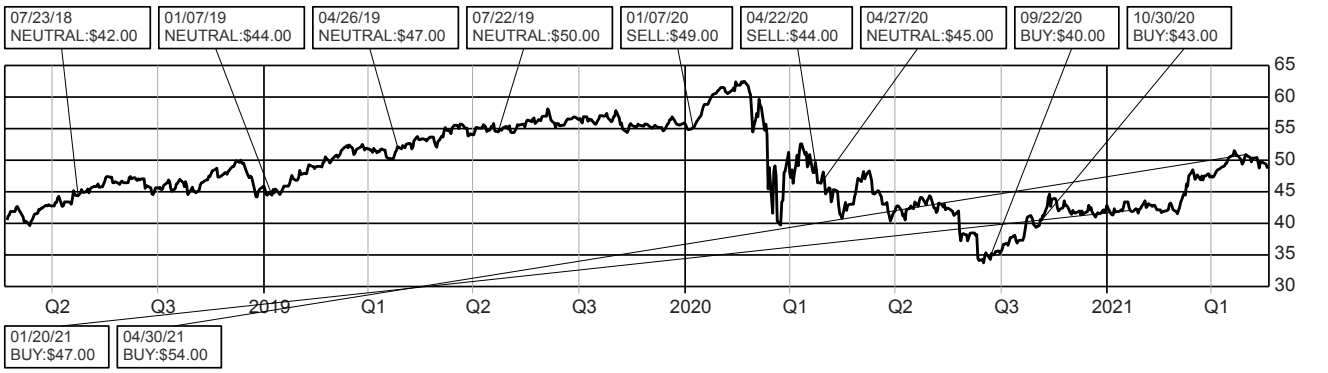

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BUY (B) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

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NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Guggenheim Securities, LLC policies.

CS - Coverage Suspended. Guggenheim Securities, LLC has suspended coverage of this company.

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Price targets are assigned for Buy- and Sell-rated stocks. Price targets for Neutral-rated stocks are provided at the discretion of the analyst.

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NEUTRAL	131	32.51%	8	6.11%
SELL	5	1.24%	1	20.00%

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Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-011:

If applicable, please supply a listing of all common equity infusions from the parent to the Company over the past five years. In each case, identify date and dollar amount.

Response:

Attachment A shows Columbia Gas of Pennsylvania received equity infusions of $45,000,000 in June 2018, $55,000,000 in March 2020, $60,000,000 in June 2021, and $25,000,000 in December 2021.

RECEIPT OF CAPITAL CONTRIBUTION

Columbia Gas of Pennsylvania, Inc. hereby acknowledges receipt of an equity capital contribution in the amount of $45,000,000 from its sole stockholder, NiSource Gas Distribution Group, Inc.

Dated: June 29, 2018

COLUMBIA GAS OF PENNSYLVANIA, INC.

Summa D. Simmons, Assistant Treasurer

RECEIPT OF CAPITAL CONTRIBUTION

Columbia Gas of Pennsylvania, Inc. hereby acknowledges receipt of an equity capital contribution in the amount of $55,000,000 from its sole stockholder NiSource Gas Distribution Group, INC.

Dated: March 31, 2020

COLUMBIA GAS OF PENNSYLVANIA, INC.

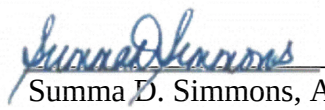

Summa D. Simmons, Assistant Treasurer

RECEIPT OF CAPITAL CONTRIBUTION

Columbia Gas of Pennsylvania, Inc. hereby acknowledges receipt of an equity capital contribution in the amount of $60,000,000 from its sole stockholder, NiSource Gas Distribution Group, Inc.

Dated: June 30, 2021

COLUMBIA GAS OF PENNSYLVANIA, INC.

Randy G. Hulen, Treasurer

RECEIPT OF CAPITAL CONTRIBUTION

Columbia Gas of Pennsylvania, Inc. hereby acknowledges receipt of an equity capital contribution in the amount of $25,000,000 from its sole stockholder, NiSource Gas Distribution Group, Inc.

Dated: December 31, 2021

COLUMBIA GAS OF PENNSYLVANIA, INC.

Randy G. Hulen, Treasurer

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-012:

If applicable, please identify the Company's common dividend payments to its parent for each of the last five years.

Response:

Common Dividend payments to the Parent Company for the last 5 years were as follows:

2017 - $0
2018 - $0
2019 - $0
2020 - $0
2021 - $0

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-013:

Please provide the latest year-by-year financial projections for the Company for the next five years. Also, please indicate the date these projections were prepared; whether approved by management; and whether the projections have been submitted to bond rating agencies. (Information should be treated in a confidential manner.)

Response:

The financial projections of the Company are confidential and will be made available upon request, subject to an appropriate confidentiality agreement or protective order.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-014:

Please provide the Company's five-year construction budget.

Response:

GAS-ROR-014 Attachment A provides Columbia Gas of Pennsylvania's current five year Capital Program (2022-2026) broken down by Business Class, summarized by Gross Capital Expenditures, Net Capital Expenditures, and Contributions and Reimbursements.

Columbia Gas of Pennsylvania
Capital Program
($000)

Budgeted Capital Expenditures

Class	2022	2023	2024	2025	2026
Growth	$43,580	$43,041	$44,893	$48,904	$61,358
Betterment	$15,603	$6,825	$15,125	$9,780	$10,069
Public Improvement	$14,550	$7,900	$8,000	$7,500	$8,000
Replacement	$275,831	$342,392	$341,438	$371,463	$384,945
Support Services	$10,431	$3,085	$4,013	$3,800	$3,699
Total Gross Capital					
Shared Services Allocation	$19,871	$21,934	$20,375	$20,375	$20,375
Total Gross Capital Including Shared Services	**$19,871**	**$21,934**	**$20,375**	**$20,375**	**$20,375**

	2022	2023	2024	2025	2026
Contributions - Growth		($1,249)	($603)		
Reimbursement - Betterment					
Reimbursement - Public Improvement	($800)	($800)	($500)	($500)	($500)
Reimbursement - Replacement					
Total Contributions & Reimbursements	**($800)**	**($2,049)**	**($1,103)**	**($500)**	**($500)**

Capital Expenditures Net Reimbursements

Class	2022	2023	2024	2025	2026
Growth	$43,580	$41,793	$44,290	$48,904	$61,358
Betterment	$15,603	$6,825	$15,125	$9,780	$10,069
Public Improvement	$13,750	$7,100	$7,500	$7,000	$7,500
Replacement	$275,831	$342,392	$341,438	$371,463	$384,945
Support Services	$10,431	$3,085	$4,013	$3,800	$3,699
Total Net Capital	**$359,195**	**$401,195**	**$412,366**	**$440,948**	**$467,571**
Shared Services Allocation	$19,871	$21,934	$20,375	$20,375	$20,375
Total Net Capital Including Shared Services	**$379,065**	**$423,129**	**$432,740**	**$461,322**	**$487,946**

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-015:

Please identify the Company's and, if applicable, its parent's capital structure targets (percentages of capital types). Provide the complete basis for the capital structure targets.

Response: Columbia Gas of Pennsylvania, Inc.

The Company targets an equity ratio of between 53-55% and a debt ratio, including short term debt, of between 45-47%. These ranges have been acceptable in Pennsylvania in the past. They also fall within the ranges of the Gas Group as described in Paul Moul's direct testimony, Columbia Statement No. 8.

Response: NiSource Inc.

NiSource Inc. does not formally publish a capital structure target, but it implements its financial strategy with the goal of maintaining an investment grade bond rating.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-016:

For each month, of the most recent 24 months, please supply the Company's

a. short-term debt balance;

b. short-term debt interest rate;

c. balance of construction work in progress; and

d. balance of construction work in progress which is eligible for AFUDC accrual.

Response:

Please see GAS-ROR-016 Attachment A.

COLUMBIA GAS OF PENNSYLVANIA, INC.

	Part A	Part B	Part C	Part D
	Short Term Debt		Construction Work in Progress	
	Balance	Rate	CWIP Balance	CWIP Eligible for AFUDC
	($000)	%	(Dollars$)	(Dollars$)
January 2020	109,822	2.05%	52,901,455	36,566,219
February	97,355	1.81%	45,527,031	41,122,602
March	0	1.88%	45,748,245	38,336,778
April	0	1.32%	54,626,030	39,253,371
May	0	0.41%	57,480,882	45,926,715
June	0	0.16%	59,862,442	46,803,716
July	6,012	0.13%	76,783,353	51,534,331
August	36,026	0.13%	50,866,819	52,696,463
September	68,331	0.13%	55,366,327	46,727,146
October	108,922	0.15%	54,286,873	45,353,111
November	131,914	0.22%	46,888,433	49,536,066
December 2020	168,183	0.23%	43,992,078	41,038,546
January 2021	157,731	0.20%	43,611,515	31,521,378
February	144,381	0.17%	48,225,888	34,264,544
March	0	0.16%	58,950,197	43,221,185
April	0	0.13%	66,506,257	48,948,783
May	0	0.02%	71,274,085	54,177,792
June	0	0.02%	80,418,132	58,974,449
July	1,661	0.04%	87,529,722	61,054,072
August	40,283	0.13%	96,479,402	69,974,885
September	82,023	0.16%	98,701,792	73,692,570
October	116,411	0.16%	102,099,802	82,547,819
November	170,860	0.16%	103,631,256	80,174,295
December 2021	165,691	0.20%	67,521,691	80,098,440

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-017:

If applicable, please provide the currently authorized returns on equity for each of the parent's utility subsidiaries of the same industry type as the Company. In each case identify the approximate date when the current return on equity was approved by the state commission.

Response:

Company		Date		ROE
Columbia Gas of Kentucky		December 28, 2021		9.35%*
Columbia Gas of Ohio		December 3, 2008		10.39%
Columbia Gas of Maryland		December 3, 2021		9.65%**
Columbia Gas of Virginia		June 12, 2019		9.70%***
NIPSCO - Gas		September 19, 2018		9.85%

*Columbia Gas of Kentucky received a Final Order on December 28, 2021 in Case No. 2021-00183 approving a 9.35% ROE applied to the approved rate base (13 month average for rate year/calendar year 2022). Additionally, the Order approved a 9.275% ROE for SMRP (Safety Modification and Replacement Program) investments included in future capital infrastructure filings.

**On December 3, 2021, the Public Utility Law Judge's October 29, 2021 Proposed Order in Columbia Gas of Maryland's 2021 Rate Case, Case Number 9664, (recommending approval of the Settlement without modification) became the Final Order of the Maryland Public Service Commission.

***Columbia Gas of Virginia received a final order June 12, 2019 approving a settlement in a base rate proceeding. While the settlement indicated no specific ROE used to establish base rates, it did establish a ROE of 9.7% to be used in any application or filing other than a base rate filing. Additionally, it established an ROE range of 9.2% to 10.2% with a midpoint of 9.7% for use in Earnings Tests filings.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-018:

Has the Utility reacquired or repurchased any debt within the last five years? If so, provide a summary of each gain or loss on reacquired debt, the date on which the utility commenced amortization of such a gain or loss, the regulatory commission decision addressing the treatment of such gain or loss on reacquired debt, if any, on interest expense.

Response:

Columbia has not reacquired or repurchased any debt within the last five years.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-019:

Fully identify all debt (other than instruments traded in public markets) owed to all shareholders, corporate officers, or members of the board of directors, its affiliates, parent company, or subsidiaries.

Response:

Columbia Gas of Pennsylvania, Inc. (the Company) is a wholly owned subsidiary of NiSource Gas Distribution, Inc., which is a subsidiary of NiSource Inc. (the Parent). All debt of the Company is held by the Parent and is not publicly traded.

Please see GAS-ROR-019 Attachment A to this Response.

COLUMBIA GAS OF PENNSYLVANIA, INC.

STATEMENT OF OUTSTANDING LONG TERM NOTES AT DECEMBER 31, 2021

Line No.	Description	Date of Issue (1)	Date of Maturity (2)	Principal Amount Issued (3) $	Amount Paid (4) $	Amount Outstanding (5) $	Coupon Interest Rate (6)	Annualized Cost (7) $
	Columbia Gas of Pennsylvania, Inc.							
	LONG TERM DEBT							
1	Debentures	11/28/2005	11/28/2025	54,515,000	$ -	54,515,000	5.9200%	3,227,288
2	Debentures	12/14/2007	12/14/2027	58,000,000	$ -	58,000,000	6.8650%	3,981,700
3	Debentures	12/16/2010	12/16/2030	28,000,000	$ -	28,000,000	6.0200%	1,685,600
4	Debentures	3/28/2012	3/26/2032	30,000,000	$ -	30,000,000	5.3550%	1,606,500
5	Debentures	3/28/2012	3/26/2042	35,000,000	$ -	35,000,000	5.8900%	2,061,500
6	Debentures	11/28/2012	11/28/2042	65,000,000	$ -	65,000,000	5.2600%	3,419,000
7	Debentures	6/19/2013	06/19/2043	23,000,000	$ -	23,000,000	5.5300%	1,271,900
8	Debentures	12/18/2013	12/18/2043	32,000,000	$ -	32,000,000	6.2900%	2,012,800
9	Debentures	12/18/2014	12/16/2044	30,000,000	$ -	30,000,000	4.4300%	1,329,000
10	Debentures	3/24/2015	3/24/2045	60,000,000	$ -	60,000,000	4.1500%	2,490,000
11	Debentures	9/28/2015	9/28/2035	60,000,000	$ -	60,000,000	4.5051%	2,703,060
12	Debentures	3/31/2016	3/30/2046	45,000,000	$ -	45,000,000	4.1858%	1,883,610
13	Debentures	1/31/2017	1/31/2047	85,000,000	$ -	85,000,000	4.4386%	3,772,810
14	Debentures	6/29/2018	6/29/2048	80,000,000	$ -	80,000,000	4.5279%	3,622,320
15	Debentures	11/22/2019	11/22/2049	80,000,000	$ -	80,000,000	3.6870%	2,949,600
16	Debentures	3/31/2020	3/31/2050	110,000,000		110,000,000	3.8716%	4,258,760
17	Debentures	3/31/2021	3/31/2051	110,000,000		110,000,000	3.6521%	4,017,310
18	Debentures	12/31/2021	12/31/2051	50,000,000		50,000,000	3.2671%	1,633,550
19	TOTAL INSTALLMENT FROM NOTES PAYABLE			1,035,515,000	$ -	1,035,515,000		47,926,308
20	TOTAL AVERAGE WEIGHTED EFFECTIVE COST RATE [Col. 7/Col. 5]							4.628%

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-20:

Provide a summary statement of all stock dividends, splits, or par value changes during the two (2) year calendar period preceding the rate case filing.

Response:

Columbia Gas of Pennsylvania paid no dividends during the two year calendar period preceding the rate case.

Cash dividends on NiSource Inc. stock during the two year calendar period preceding the rate case were as follows:

Date Declared		Record Date		Date of Payment		Dividend Per share
10-Aug-21		29-Oct-21		19-Nov-21		$0.2200
25-May-21		30-Jul-21		20-Aug-21		$0.2200
16-Mar-21		30-Apr-21		20-May-21		$0.2200
27-Jan-21		9-Feb-21		19-Feb-21		$0.2200
11-Aug-20		30-Oct-20		20-Nov-20		$0.2100
19-May-20		31-Jul-20		20-Aug-20		$0.2100
17-Mar-20		30-Apr-20		20-May-20		$0.2100
31-Jan-20		11-Feb-20		20-Feb-20		$0.2100

NiSource Inc. also had two classes of outstanding preferred stock that paid out dividends during the past two years. This is detailed below:

Series A:

Date Declared		Record Date		Date of Payment		Dividend Per share
10-Aug-21		23-Nov-21		15-Dec-21		$25.25 per share equal to 0.02825 per $1 of its liquidation preference

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

16-Mar-21		24-May-21		13-June-21		$25.25 per share equal to 0.02825 per $1 of its liquidation preference
11-Aug-20		23-Nov-20		15-Dec-20		$25.25 per share equal to 0.02825 per $1 of its liquidation preference
17-Mar-20		22-May-20		15-Jun-20		25.25 per share equal to 0.02825 per $1 of its liquidation preference

Series B:

Date Declared		Record Date		Date of Payment		Dividend Per share
10-Aug-21		23-Nov-21		15-Dec-21		$406.25 per share equal to 0.4559 per depositary share
25-May-21		24-Aug-21		15-Sep-21		$406.25 per share equal to 0.4559 per depositary share
16-Mar-21		24-May-21		15-Jun-21		$406.25 per share equal to 0.4559 per depositary share
29-Jan-21		22-Feb-21		15-Mar-21		$406.25 per share equal to 0.4559 per depositary share
11-Aug-20		23-Nov-20		15-Dec-20		$406.25 per share equal to 0.4559 per depositary share

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

19-May-20		24-Aug-20		15-Sep-20		$406.25 per share equal to 0.4559 per depositary share
17-Mar-20		22-May-20		15-Jun-20		$406.25 per share equal to 0.4559 per depositary share
31-Jan-20		24-Feb-20		16-Mar-20		$406.25 per share equal to 0.4559 per depositary share

NiSource Inc. did not have any stock splits or par value changes during the two year calendar period preceding the rate case.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-021:

If a claim of the filing utility is based on utilization of the capital structure or capital costs of the parent company and system--consolidated, the reasons for this claim must be fully stated and supported.

Response:

The filing utility, Columbia Gas of Pennsylvania, Inc., is not utilizing the capital structure of the parent company (NiSource Gas Distribution, Inc.), or the system consolidated (NiSource Inc.) in its claim.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-022:

To the extent not provided in SDR III-A.13, supply projected capital requirements and sources of the filing utility, its parent and system--consolidated--for the test year and each of three (3) comparable future years.

Response:

Please see GAS-ROR-022 Attachment A, page 1, which provides Columbia Gas of Pennsylvania's capital requirements and sources for the test year (November 30, 2021). See GAS-ROR-022 Attachment A, page 2, which provides NiSource capital requirements and sources for November 30, 2021.

Please refer to Exhibit No. 405 concerning the three future years.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL Utilities

USES OF FUNDS	**`November 2021 000's**
Constructions	$352,574
Allowance for Funds Used During Contruction	1,335
Debt Retirement and Redemption	21,077
Other Investing Activities	5,969
Common Dividends	-
Total Funds Required	380,956
SOURCES OF FUNDS	
Internal Sources	
Net Income	$106,253
Depreciation	87,224
Deferred Taxes	10,757
Other Cash Flow from Operations	(4,793)
Working Capital	(14,177)
Total Internal Sources	185,264
External Sources	
Common Stock/Additional Paid in Capital	60,000
Net Increase(Decrease) in Short-Term Borrowings	25,693
Issuance of Long-Term debt	110,000
Total External Sources	195,693
Total Sources of Funds	380,956

NiSource
53.53 II. RATE OF RETURN
A. ALL Utilities

USES OF FUNDS	**`November 2021** 000's
Constructions	$1,816,722
Allowance for Funds Used During Contruction	12,875
Debt Retirement and Redemption	25,322
Other Investing Activities	222,940
Dividends / Distributions	401,044
Total Funds Required	2,478,902
SOURCES OF FUNDS	
Internal Sources	
Net Income	$563,892
Depreciation	752,857
Deferred Taxes	106,470
Other Cash Flow from Operations	3,704
Working Capital	(211,471)
Total Internal Sources	1,215,451
External Sources	
Common & Preferred Stock/Additional Paid in Capital	1,003,451
Net Increase(Decrease) in Short-Term Borrowings	260,000
Issuance of Long-Term debt	-
Total External Sources	1,263,451
Total Sources of Funds	2,478,902

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-023:

To the extent not provided elsewhere, supply financial data of Company and/or parent for the last five (5) years.

a. Times interest earned ratio – pre and post tax basis.

b. Preferred stock dividend coverage ratio – post tax basis.

c. Times fixed charges earned ratio – pre tax basis.

d. Dividend payout ratio.

e. AFUDC as a percent of earnings available for common equity.

f. Construction work in progress as a percent of net utility plant.

g. Effective income tax rate.

h. Internal cash generations as a percent of total capital requirements.

Response:

Please see GAS-ROR-023 Attachment A, page 1 for Company financial data and page 2 for parent financial data.

COLUMBIA GAS OF PENNSYLVANIA, INC.
Standard Data Request - Rate of Return
SDR No. 23 - Exhibit

a. Times Interest earned ratio -- pre and post tax basis.

	2017	2018	2019	2020	2021
Pre-tax	4.05	4.12	4.09	3.55	4.07
Post-tax	2.92	3.66	3.41	3.03	3.40

b. Preferred stock dividend coverage ratio -- post tax basis.

2017	2018	2019	2020	2021
N/A	N/A	N/A	N/A	N/A

c. Time fixed charges earned ratio -- pre tax basis.

2017	2018	2019	2020	2021
4.36	4.57	4.55	3.70	4.22

d. Dividend payout ratio.

2017	2018	2019	2020	2021
0.00	0.00	0.00	0.00	0.00

e. AFUDC as earnings available for common equity.

2017	2018	2019	2020	2021
1.59%	0.46%	0.63%	1.00%	1.27%

f. Construction work in progress as a percent of net utility plant.

2017	2018	2019	2020	2021
1.37%	2.31%	1.98%	1.80%	1.52%

g. Effective income tax rate

2017	2018	2019	2020	2021
37.20%	14.87%	21.98%	20.53%	21.77%

h. Internal cash generations as a percent of total capital requirements.

2017	2018	2019	2020	2021
59.51%	62.57%	56.14%	56.70%	57.96%

NiSource Inc.
Standard Data Request - Rate of Return
SDR No. 23 - Exhibit

a. Times Interest earned ratio -- pre and post tax basis.

	2017	2018	2019	2020	2021
Pre-tax	2.25	0.36	2.48	0.92	3.07
Post-tax	1.36	0.86	2.15	0.96	2.73

b. Preferred stock dividend coverage ratio -- post tax basis.

2017	2018	2019	2020	2021
N/A	(3.37)	7.92	(0.26)	10.69

c. Time fixed charges earned ratio -- pre tax basis.

2017	2018	2019	2020	2021
2.24	0.39	2.86	0.96	3.11

d. Dividend payout ratio.

2017	2018	2019	2020	2021
1.78	(5.70)	0.81	(26.56)	0.68

e. AFUDC as earnings available for common equity.

2017	2018	2019	2020	2021
9.81%	-21.65%	2.10%	-13.62%	2.47%

f. Construction work in progress as a percent of net utility plant.

2017	2018	2019	2020	2021
6.75%	3.06%	2.70%	3.75%	4.52%

g. Effective income tax rate.

2017	2018	2019	2020	2021
70.99%	78.06%	24.38%	54.63%	16.67%

h. Internal cash generations as a percent of total capital requirements.

2017	2018	2019	2020	2021
45.38%	3.42%	47.71%	18.56%	56.75%

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-01:

Please provide a copy of the Company's detailed quarterly balance sheet and monthly income statements for the historic test year through the most recent month available.

Response:

Please see the GAS-RR-001 Attachment A for the quarterly Balance Sheet and Income Statements for the months December 2020 through December 2021.

Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of December 31, 2020
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
Assets and Other Debits			
Utility Plant			
Total Utility Plant	3,085,582,559.09	16,526,904.92	284,292,286.52
Accum Prov - Amort and Depr	(535,533,696.67)	9,146,870.84	(45,982,256.01)
Net Utility Plant	2,550,048,862.42	25,673,775.76	238,310,030.51
Other Plant Adjustments	-	-	-
Gas Store Undergrd_SysBal	731,872.25	-	-
Total Utility Plant	**2,550,780,734.67**	**25,673,775.76**	**238,310,030.51**
Other Property and Investments			
Non Utility Other Property	8,346.49	-	-
Accum Prov - Deprec Oth Plant	-	-	-
Investments in Associated Cos	-	-	-
Investments in Subsidiary Cos	20,751,219.06	36,170.96	467,991.12
Other Investments	-	-	-
Sinking Fund	-	-	-
Other Special Funds	15,305,515.98	9,537,533.73	10,552,954.95
Total Other Property and Investments	**36,065,081.53**	**9,573,704.69**	**11,020,946.07**
Current and Accrued Assets			
Cash	1,846,823.69	2,010.43	(252,381.15)
Special Deposits	-	-	-
Working Funds	2,550.00	-	-
Temp Cash Investments	-	-	-
Notes Receivable	-	-	-
Customer Accounts Receivable	0.00	(0.00)	0.00
Other Accounts Receivable	253,000.00	(0.00)	(0.00)
Accum Prov Uncollectible - Cr	0.00	(0.00)	(0.00)
NR from Associated Cos	111,116,332.88	37,852,614.30	68,106,276.81
AR from Associated Cos	268,307.17	88,969.57	(533,909.82)
Fuel Stock	-	-	-
Fuel Stock Expenses Undistrib	-	-	-
Residuals & Extracted Products	-	-	-
Plant Materials & Supplies	1,214,644.63	32,857.55	50,807.15
Merchandise	-	-	-
Allowances	-	-	-
Stores Exp Undistributed	-	-	-
Gas Stored Underground - Curr	34,531,497.79	(7,675,929.12)	(13,547,061.48)
LNG Stored & Held for Process	-	-	-
Prepayments	5,021,560.26	(440,802.25)	(1,130,457.48)
Interest & Dividends Rec	-	-	-
Rent Receivable	-	-	-
Accrued Utility Revenues	-	-	-
Misc Current & Accrued Assets	3,688,036.76	1,732,368.42	849,709.41
Derivative Instrument Assets	-	-	-
Derivative Assets - Hedging	-	-	-
Total Current and Accrued Assets	**157,942,753.18**	**31,592,088.90**	**53,542,983.44**
Deferred Debits			
Unamortized Debt Expense	-	-	-
Extraordinary Property Loss	-	-	-
Other Regulatory Asset	228,744,963.58	(47,967,518.25)	(50,298,969.82)
Preliminary Surveys	4,574,196.04	(2,235,009.37)	147,193.17
Clearing Accounts	-	(57,193.85)	-
Miscellaneous Deferred Debits	4,151,476.04	172,824.64	(182,737.20)
Research & Development Expense	-	-	-
Unamort Loss Reacquired Debt	-	-	-
Accum Deferred Income Taxes	119,156,394.00	(70,565.00)	(3,759,627.00)
Unrecovered Purchase Gas Costs	(4,202,420.69)	(5,443,857.48)	(3,371,582.28)
Total Deferred Debits	**352,424,608.97**	**(55,601,319.31)**	**(57,465,723.13)**
Total Assets and Other Debits	**3,097,213,178.35**	**11,238,250.04**	**245,408,236.89**

Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of December 31, 2020
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
CAPITALIZATION and LIABILITIES			
Proprietary Capital			
Common Stock FERC	45,127,800.00	-	-
Preferred Stock Issued	-	-	-
Capital Stock Subscribed	-	-	-
Premium on Capital Stock	-	-	-
Other Paid-in Capital	107,889,827.00	-	55,000,000.00
Capital Stock Expense	-	-	-
Retained Earnings	885,402,388.17	-	-
Retained Earnings - Current Year	86,585,046.61	22,818,939.99	86,585,046.61
Unapprop Undistrib Sub Earning	-	-	-
Reacquired Capital Stock	-	-	-
Accumulated OCI	-	-	-
Total Proprietary Capital	**1,125,005,061.78**	**22,818,939.99**	**141,585,046.61**
Long Term Debt			
Bonds	-	-	-
Advances from Associated Cos	895,515,000.00	-	110,000,000.00
Other Long Term Debt	-	-	-
Unamortized Premium on LTD	-	-	-
Unamortized Discount on LTD	-	-	-
Total Long Term Debt	**895,515,000.00**	**-**	**110,000,000.00**
Other Noncurrent Liabilities			
Obligations - Cap Leases - NC	24,900,682.49	(386,832.46)	(2,287,019.60)
Accum Prov - Property Ins	-	-	-
Accum Prov - Injuries & Damage	109,678.44	3,298.57	(32,356.60)
Accum Prov - Pension & Benefit	2,628,257.44	192,722.45	75,017.30
Accum Misc Operating Provision	2,922,869.92	431,959.11	2,922,869.92
Provision for Rate Refunds	-	-	-
Asset Retirement Obligations	-	-	-
Total Other Noncurrent Liabilities	**30,561,488.29**	**241,147.67**	**678,511.02**
Current & Accrued Liabilities			
Curr Portion of Long-Term Debt	-	-	-
Notes Payable	-	-	-
Accounts Payable	44,013,087.35	5,307,735.54	(2,504,205.65)
NP to Associated Cos	-	-	-
AP to Associated Cos	185,008,659.77	22,536,634.47	28,147,796.46
Customer Deposits	3,479,442.11	(21,493.00)	(43,067.00)
Taxes Accrued	23,568,771.88	9,955,888.08	11,799,208.13
Interest Accrued	283,175.62	1,291.61	(6,756.23)
Dividends Declared	-	-	-
Tax Collections Payable	271,374.68	130,506.98	(167,209.27)
Misc Current & Accrued Liab	61,938,674.41	(6,226,786.75)	(2,018,558.40)
Obligation Cap Lease - Current	2,663,606.77	(422,571.76)	(125,244.98)
Derivative Liability	-	-	-
Derivative Liability - Hedge	-	-	-
Total Current & Accrued Liabilities	**321,226,792.59**	**31,261,205.17**	**35,081,963.06**
Deferred Credits			
Customer Adv. for Construction	3,793,774.87	(49,956.92)	(412,481.07)
Acc Defd Investment Tax Credit	1,245,058.00	(22,557.00)	(284,704.00)
Other Deferred Credits	6,553,645.37	(392,802.32)	897,750.46
Other Regulatory Liabilities	220,866,696.76	(1,529,492.55)	(20,514,924.19)
Accum Defer Inc Tax - Oth Prop	485,726,079.70	(40,752,706.00)	(21,070,377.00)
Accum Defer Inc Tax - Other	6,719,580.99	(335,528.00)	(552,548.00)
Total Deferred Credits	**724,904,835.69**	**(43,083,042.79)**	**(41,937,283.80)**
Total Capitalization & Liabilities	**3,097,213,178.35**	**11,238,250.04**	**245,408,236.89**

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Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of March 31, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
Assets and Other Debits			
Utility Plant			
Total Utility Plant	3,141,236,075.78	23,255,838.23	55,653,516.69
Accum Prov - Amort and Depr	(550,944,713.51)	(4,935,156.45)	(15,411,016.84)
Net Utility Plant	2,590,291,362.27	18,320,681.78	40,242,499.85
Other Plant Adjustments	-	-	-
Gas Store Undergrd_SysBal	731,872.25	-	-
Total Utility Plant	**2,591,023,234.52**	**18,320,681.78**	**40,242,499.85**
Other Property and Investments			
Non Utility Other Property	8,346.49	-	-
Accum Prov - Deprec Oth Plant	-	-	-
Investments in Associated Cos	-	-	-
Investments in Subsidiary Cos	20,859,700.07	29,144.53	108,481.01
Other Investments	-	-	-
Sinking Fund	-	-	-
Other Special Funds	15,267,418.23	(697,631.41)	(38,097.75)
Total Other Property and Investments	**36,135,464.79**	**(668,486.88)**	**70,383.26**
Current and Accrued Assets			
Cash	3,009,038.80	(249,595.68)	1,162,215.11
Special Deposits	-	-	-
Working Funds	2,550.00	-	-
Temp Cash Investments	48,690.61	48,690.61	48,690.61
Notes Receivable	-	-	-
Customer Accounts Receivable	(0.00)	0.00	0.00
Other Accounts Receivable	253,000.00	(195,775.96)	0.00
Accum Prov Uncollectible - Cr	0.00	0.00	(0.00)
NR from Associated Cos	113,880,498.46	(20,842,791.10)	2,764,165.58
AR from Associated Cos	9,382,841.14	9,071,739.14	9,114,533.97
Fuel Stock	-	-	-
Fuel Stock Expenses Undistrib	-	-	-
Residuals & Extracted Products	-	-	-
Plant Materials & Supplies	1,231,848.80	5,014.98	17,204.17
Merchandise	-	-	-
Allowances	-	-	-
Stores Exp Undistributed	-	-	-
Gas Stored Underground - Curr	10,843,199.07	(4,456,348.62)	(23,688,298.72)
LNG Stored & Held for Process	-	-	-
Prepayments	3,586,461.42	222,440.51	(1,435,098.84)
Interest & Dividends Rec	-	-	-
Rent Receivable	-	-	-
Accrued Utility Revenues	-	-	-
Misc Current & Accrued Assets	4,844,468.86	(591,275.17)	1,156,432.10
Derivative Instrument Assets	-	-	-
Derivative Assets - Hedging	-	-	-
Total Current and Accrued Assets	**147,082,597.16**	**(16,987,901.29)**	**(10,860,156.02)**
Deferred Debits			
Unamortized Debt Expense	-	-	-
Extraordinary Property Loss	-	-	-
Other Regulatory Asset	230,161,634.86	2,766,532.72	1,416,671.28
Preliminary Surveys	6,225,244.72	525,326.67	1,651,048.68
Clearing Accounts	81,763.60	(77,082.03)	81,763.60
Miscellaneous Deferred Debits	4,289,736.59	186,374.19	138,260.55
Research & Development Expense	-	-	-
Unamort Loss Reacquired Debt	-	-	-
Accum Deferred Income Taxes	112,960,091.00	(1,484,506.00)	(6,196,303.00)
Unrecovered Purchase Gas Costs	(17,824,554.62)	34,531.68	(13,622,133.93)
Total Deferred Debits	**335,893,916.15**	**1,951,177.23**	**(16,530,692.82)**
Total Assets and Other Debits	**3,110,135,212.62**	**2,615,470.84**	**12,922,034.27**

Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of March 31, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
CAPITALIZATION and LIABILITIES			
Proprietary Capital			
Common Stock FERC	45,127,800.00	-	-
Preferred Stock Issued	-	-	-
Capital Stock Subscribed	-	-	-
Premium on Capital Stock	-	-	-
Other Paid-in Capital	107,889,827.00	-	-
Capital Stock Expense	-	-	-
Retained Earnings	971,987,434.78	-	-
Retained Earnings - Current Year	90,097,013.58	30,049,831.15	90,097,013.58
Unapprop Undistrib Sub Earning	-	-	-
Reacquired Capital Stock	-	-	-
Accumulated OCI	-	-	-
Total Proprietary Capital	**1,215,102,075.36**	**30,049,831.15**	**90,097,013.58**
Long Term Debt			
Bonds	-	-	-
Advances from Associated Cos	1,005,515,000.00	110,000,000.00	110,000,000.00
Other Long Term Debt	-	-	-
Unamortized Premium on LTD	-	-	-
Unamortized Discount on LTD	-	-	-
Total Long Term Debt	**1,005,515,000.00**	**110,000,000.00**	**110,000,000.00**
Other Noncurrent Liabilities			
Obligations - Cap Leases - NC	24,492,075.05	(67,237.54)	(408,607.44)
Accum Prov - Property Ins	-	-	-
Accum Prov - Injuries & Damage	150,409.92	(2,540.53)	40,731.48
Accum Prov - Pension & Benefit	2,392,055.65	68,397.72	(236,201.79)
Accum Misc Operating Provision	1,461,434.96	(1,461,434.96)	(1,461,434.96)
Provision for Rate Refunds	-	-	-
Asset Retirement Obligations	-	-	-
Total Other Noncurrent Liabilities	**28,495,975.58**	**(1,462,815.31)**	**(2,065,512.71)**
Current & Accrued Liabilities			
Curr Portion of Long-Term Debt	-	-	-
Notes Payable	-	-	-
Accounts Payable	42,897,647.51	5,182,345.50	(1,115,439.84)
NP to Associated Cos	-	-	-
AP to Associated Cos	25,235,723.58	(139,187,540.17)	(159,772,936.19)
Customer Deposits	3,388,265.11	(27,744.00)	(91,177.00)
Taxes Accrued	36,996,912.56	7,095,117.02	13,428,140.68
Interest Accrued	294,726.60	3,051.92	11,550.98
Dividends Declared	-	-	-
Tax Collections Payable	683,705.19	(94,467.26)	412,330.51
Misc Current & Accrued Liab	27,073,234.49	(6,483,108.87)	(34,865,439.92)
Obligation Cap Lease - Current	2,550,285.85	(57,250.37)	(113,320.92)
Derivative Liability	-	-	-
Derivative Liability - Hedge	-	-	-
Total Current & Accrued Liabilities	**139,120,500.89**	**(133,569,596.23)**	**(182,106,291.70)**
Deferred Credits			
Customer Adv. for Construction	3,703,594.40	(10,449.69)	(90,180.47)
Acc Defd Investment Tax Credit	1,177,642.00	(22,472.00)	(67,416.00)
Other Deferred Credits	6,665,070.92	141,126.50	111,425.55
Other Regulatory Liabilities	212,192,153.78	(5,080,849.58)	(8,674,542.98)
Accum Defer Inc Tax - Oth Prop	491,291,255.70	1,359,292.00	5,565,176.00
Accum Defer Inc Tax - Other	6,871,943.99	1,211,404.00	152,363.00
Total Deferred Credits	**721,901,660.79**	**(2,401,948.77)**	**(3,003,174.90)**
Total Capitalization & Liabilities	**3,110,135,212.62**	**2,615,470.84**	**12,922,034.27**

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Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of June 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
Assets and Other Debits			
Utility Plant			
Total Utility Plant	3,225,351,897.67	30,347,446.46	139,769,338.58
Accum Prov - Amort and Depr	(564,285,077.16)	(5,857,627.98)	(28,751,380.49)
Net Utility Plant	2,661,066,820.51	24,489,818.48	111,017,958.09
Other Plant Adjustments	-	-	-
Gas Store Undergrd_SysBal	731,872.25	-	-
Total Utility Plant	**2,661,798,692.76**	**24,489,818.48**	**111,017,958.09**
Other Property and Investments			
Non Utility Other Property	8,346.49	-	-
Accum Prov - Deprec Oth Plant	-	-	-
Investments in Associated Cos	-	-	-
Investments in Subsidiary Cos	20,904,640.82	(6,715.12)	153,421.76
Other Investments	-	-	-
Sinking Fund	-	-	-
Other Special Funds	16,056,380.47	265,809.76	750,864.49
Total Other Property and Investments	**36,969,367.78**	**259,094.64**	**904,286.25**
Current and Accrued Assets			
Cash	1,777,296.60	(460,732.19)	(69,527.09)
Special Deposits	-	-	-
Working Funds	2,550.00	-	-
Temp Cash Investments	175,716.77	(109,716.97)	175,716.77
Notes Receivable	-	-	-
Customer Accounts Receivable	9,350,029.00	9,350,029.00	9,350,029.00
Other Accounts Receivable	(9,097,029.00)	(9,350,029.00)	(9,350,029.00)
Accum Prov Uncollectible - Cr	0.00	(0.00)	0.00
NR from Associated Cos	42,115,648.15	(24,182,742.41)	(69,000,684.73)
AR from Associated Cos	29,056,015.85	18,529,509.18	28,787,708.68
Fuel Stock	-	-	-
Fuel Stock Expenses Undistrib	-	-	-
Residuals & Extracted Products	-	-	-
Plant Materials & Supplies	1,235,039.03	(3,959.72)	20,394.40
Merchandise	-	-	-
Allowances	-	-	-
Stores Exp Undistributed	-	-	-
Gas Stored Underground - Curr	35,238,444.64	8,877,970.91	706,946.85
LNG Stored & Held for Process	-	-	-
Prepayments	2,457,565.48	506,933.17	(2,563,994.78)
Interest & Dividends Rec	-	-	-
Rent Receivable	-	-	-
Accrued Utility Revenues	-	-	-
Misc Current & Accrued Assets	2,044,188.82	(777,053.44)	(1,643,847.94)
Derivative Instrument Assets	-	-	-
Derivative Assets - Hedging	-	-	-
Total Current and Accrued Assets	**114,355,465.34**	**2,380,208.53**	**(43,587,287.84)**
Deferred Debits			
Unamortized Debt Expense	-	-	-
Extraordinary Property Loss	-	-	-
Other Regulatory Asset	228,695,543.15	(329,118.32)	(49,420.43)
Preliminary Surveys	7,051,032.64	342,895.69	2,476,836.60
Clearing Accounts	9,456.57	(247,899.91)	9,456.57
Miscellaneous Deferred Debits	4,326,865.35	(20,936.64)	175,389.31
Research & Development Expense	-	-	-
Unamort Loss Reacquired Debt	-	-	-
Accum Deferred Income Taxes	114,091,731.00	1,045,569.00	(5,064,663.00)
Unrecovered Purchase Gas Costs	(5,608,601.66)	6,725,499.12	(1,406,180.97)
Total Deferred Debits	**348,566,027.05**	**7,516,008.94**	**(3,858,581.92)**
Total Assets and Other Debits	**3,161,689,552.93**	**34,645,130.59**	**64,476,374.58**

Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of June 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
CAPITALIZATION and LIABILITIES			
Proprietary Capital			
Common Stock FERC	45,127,800.00	-	-
Preferred Stock Issued	-	-	-
Capital Stock Subscribed	-	-	-
Premium on Capital Stock	-	-	-
Other Paid-in Capital	167,889,827.00	60,000,000.00	60,000,000.00
Capital Stock Expense	-	-	-
Retained Earnings	971,987,434.78	-	-
Retained Earnings - Current Year	87,469,515.87	(7,589,718.42)	87,469,515.87
Unapprop Undistrib Sub Earning	-	-	-
Reacquired Capital Stock	-	-	-
Accumulated OCI	-	-	-
Total Proprietary Capital	**1,272,474,577.65**	**52,410,281.58**	**147,469,515.87**
Long Term Debt			
Bonds	-	-	-
Advances from Associated Cos	1,005,515,000.00	-	110,000,000.00
Other Long Term Debt	-	-	-
Unamortized Premium on LTD	-	-	-
Unamortized Discount on LTD	-	-	-
Total Long Term Debt	**1,005,515,000.00**	**-**	**110,000,000.00**
Other Noncurrent Liabilities			
Obligations - Cap Leases - NC	24,170,400.01	(550,173.19)	(730,282.48)
Accum Prov - Property Ins	-	-	-
Accum Prov - Injuries & Damage	170,404.74	25,349.32	60,726.30
Accum Prov - Pension & Benefit	2,706,459.71	200,164.84	78,202.27
Accum Misc Operating Provision	1,461,434.96	-	(1,461,434.96)
Provision for Rate Refunds	-	-	-
Asset Retirement Obligations	-	-	-
Total Other Noncurrent Liabilities	**28,508,699.42**	**(324,659.03)**	**(2,052,788.87)**
Current & Accrued Liabilities			
Curr Portion of Long-Term Debt	-	-	-
Notes Payable	-	-	-
Accounts Payable	47,757,495.51	(1,400,583.09)	3,744,408.16
NP to Associated Cos	-	-	-
AP to Associated Cos	15,114,701.50	(17,996,876.49)	(169,893,958.27)
Customer Deposits	3,363,912.11	18,537.00	(115,530.00)
Taxes Accrued	29,980,933.55	(4,788,148.41)	6,412,161.67
Interest Accrued	305,001.56	3,235.77	21,825.94
Dividends Declared	-	-	-
Tax Collections Payable	64,330.57	(87,724.62)	(207,044.11)
Misc Current & Accrued Liab	31,742,188.94	5,072,649.59	(30,196,485.47)
Obligation Cap Lease - Current	2,641,795.79	423,820.53	(21,810.98)
Derivative Liability	-	-	-
Derivative Liability - Hedge	-	-	-
Total Current & Accrued Liabilities	**130,970,359.53**	**(18,755,089.72)**	**(190,256,433.06)**
Deferred Credits			
Customer Adv. for Construction	3,624,023.92	(25,342.71)	(169,750.95)
Acc Defd Investment Tax Credit	1,110,226.00	(22,472.00)	(134,832.00)
Other Deferred Credits	6,723,164.00	99,063.44	169,518.63
Other Regulatory Liabilities	208,360,667.72	(908,147.97)	(12,506,029.04)
Accum Defer Inc Tax - Oth Prop	496,856,416.70	1,855,052.00	11,130,337.00
Accum Defer Inc Tax - Other	7,546,417.99	316,445.00	826,837.00
Total Deferred Credits	**724,220,916.33**	**1,314,597.76**	**(683,919.36)**
Total Capitalization & Liabilities	**3,161,689,552.93**	**34,645,130.59**	**64,476,374.58**

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Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of September 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
Assets and Other Debits			
Utility Plant			
Total Utility Plant	3,321,519,430.84	33,603,268.88	235,936,871.75
Accum Prov - Amort and Depr	(577,821,039.54)	(5,777,599.16)	(42,287,342.87)
Net Utility Plant	2,743,698,391.30	27,825,669.72	193,649,528.88
Other Plant Adjustments	-	-	-
Gas Store Undergrd_SysBal	731,872.25	-	-
Total Utility Plant	**2,744,430,263.55**	**27,825,669.72**	**193,649,528.88**
Other Property and Investments			
Non Utility Other Property	8,346.49	-	-
Accum Prov - Deprec Oth Plant	-	-	-
Investments in Associated Cos	-	-	-
Investments in Subsidiary Cos	20,982,825.93	15,696.51	231,606.87
Other Investments	-	-	-
Sinking Fund	-	-	-
Other Special Funds	16,670,564.68	92,303.75	1,365,048.70
Total Other Property and Investments	**37,661,737.10**	**108,000.26**	**1,596,655.57**
Current and Accrued Assets			
Cash	1,038,576.20	(29,761.05)	(808,247.49)
Special Deposits	-	-	-
Working Funds	2,550.00	-	-
Temp Cash Investments	-	-	-
Notes Receivable	-	-	-
Customer Accounts Receivable	(0.00)	(0.00)	(0.00)
Other Accounts Receivable	253,000.00	(0.00)	0.00
Accum Prov Uncollectible - Cr	(0.00)	(0.00)	0.00
NR from Associated Cos	34,220,843.94	1,710,387.93	(76,895,488.94)
AR from Associated Cos	280,428.39	78,039.78	12,121.22
Fuel Stock	-	-	-
Fuel Stock Expenses Undistrib	-	-	-
Residuals & Extracted Products	-	-	-
Plant Materials & Supplies	1,190,666.48	7,465.76	(23,978.15)
Merchandise	-	-	-
Allowances	-	-	-
Stores Exp Undistributed	-	-	-
Gas Stored Underground - Curr	67,871,057.71	11,658,452.79	33,339,559.92
LNG Stored & Held for Process	-	-	-
Prepayments	4,573,104.90	(593,939.63)	(448,455.36)
Interest & Dividends Rec	-	-	-
Rent Receivable	-	-	-
Accrued Utility Revenues	-	-	-
Misc Current & Accrued Assets	3,345,153.87	167,128.45	(342,882.89)
Derivative Instrument Assets	-	-	-
Derivative Assets - Hedging	-	-	-
Total Current and Accrued Assets	**112,775,381.49**	**12,997,774.03**	**(45,167,371.69)**
Deferred Debits			
Unamortized Debt Expense	-	-	-
Extraordinary Property Loss	-	-	-
Other Regulatory Asset	226,900,940.61	(1,073,577.33)	(1,844,022.97)
Preliminary Surveys	8,584,611.70	558,502.13	4,010,415.66
Clearing Accounts	161,171.29	66,148.18	161,171.29
Miscellaneous Deferred Debits	4,284,421.13	(7,473.67)	132,945.09
Research & Development Expense	-	-	-
Unamort Loss Reacquired Debt	-	-	-
Accum Deferred Income Taxes	115,563,392.00	813,086.00	(3,593,002.00)
Unrecovered Purchase Gas Costs	15,747,382.52	7,024,400.09	19,949,803.21
Total Deferred Debits	**371,241,919.25**	**7,381,085.40**	**18,817,310.28**
Total Assets and Other Debits	**3,266,109,301.39**	**48,312,529.41**	**168,896,123.04**

Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of September 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
CAPITALIZATION and LIABILITIES			
Proprietary Capital			
Common Stock FERC	45,127,800.00	-	-
Preferred Stock Issued	-	-	-
Capital Stock Subscribed	-	-	-
Premium on Capital Stock	-	-	-
Other Paid-in Capital	167,889,827.00	-	60,000,000.00
Capital Stock Expense	-	-	-
Retained Earnings	971,987,434.78	-	-
Retained Earnings - Current Year	67,728,214.08	(6,018,024.60)	67,728,214.08
Unapprop Undistrib Sub Earning	-	-	-
Reacquired Capital Stock	-	-	-
Accumulated OCI	-	-	-
Total Proprietary Capital	**1,252,733,275.86**	**(6,018,024.60)**	**127,728,214.08**
Long Term Debt			
Bonds	-	-	-
Advances from Associated Cos	1,005,515,000.00	-	110,000,000.00
Other Long Term Debt	-	-	-
Unamortized Premium on LTD	-	-	-
Unamortized Discount on LTD	-	-	-
Total Long Term Debt	**1,005,515,000.00**	**-**	**110,000,000.00**
Other Noncurrent Liabilities			
Obligations - Cap Leases - NC	23,652,571.56	(174,274.02)	(1,248,110.93)
Accum Prov - Property Ins	-	-	-
Accum Prov - Injuries & Damage	189,907.01	(14,924.88)	80,228.57
Accum Prov - Pension & Benefit	2,662,897.72	23,360.93	34,640.28
Accum Misc Operating Provision	1,461,434.96	-	(1,461,434.96)
Provision for Rate Refunds	-	-	-
Asset Retirement Obligations	-	-	-
Total Other Noncurrent Liabilities	**27,966,811.25**	**(165,837.97)**	**(2,594,677.04)**
Current & Accrued Liabilities			
Curr Portion of Long-Term Debt	-	-	-
Notes Payable	-	-	-
Accounts Payable	51,839,217.09	513,431.99	7,826,129.74
NP to Associated Cos	-	-	-
AP to Associated Cos	107,796,464.96	40,383,403.00	(77,212,194.81)
Customer Deposits	3,548,129.11	89,097.00	68,687.00
Taxes Accrued	17,619,116.46	(3,818,968.03)	(5,949,655.42)
Interest Accrued	319,726.29	5,810.18	36,550.67
Dividends Declared	-	-	-
Tax Collections Payable	63,444.35	(12,958.72)	(207,930.33)
Misc Current & Accrued Liab	66,120,465.57	15,876,832.79	4,181,791.16
Obligation Cap Lease - Current	2,804,831.16	3,443.50	141,224.39
Derivative Liability	-	-	-
Derivative Liability - Hedge	-	-	-
Total Current & Accrued Liabilities	**250,111,394.99**	**53,040,091.71**	**(71,115,397.60)**
Deferred Credits			
Customer Adv. for Construction	3,552,508.04	15,405.02	(241,266.83)
Acc Defd Investment Tax Credit	1,048,933.00	(20,431.00)	(196,125.00)
Other Deferred Credits	6,768,313.53	76,262.89	214,668.16
Other Regulatory Liabilities	208,442,918.03	(384,843.64)	(12,423,778.73)
Accum Defer Inc Tax - Oth Prop	502,421,549.70	1,855,042.00	16,695,470.00
Accum Defer Inc Tax - Other	7,548,596.99	(85,135.00)	829,016.00
Total Deferred Credits	**729,782,819.29**	**1,456,300.27**	**4,877,983.60**
Total Capitalization & Liabilities	**3,266,109,301.39**	**48,312,529.41**	**168,896,123.04**

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Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of December 31, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
Assets and Other Debits			
Utility Plant			
Total Utility Plant	3,420,597,772.27	33,255,454.46	335,015,213.18
Accum Prov - Amort and Depr	(584,697,322.58)	1,393,055.58	(49,163,625.91)
Net Utility Plant	2,835,900,449.69	34,648,510.04	285,851,587.27
Other Plant Adjustments	-	-	-
Gas Store Undergrd_SysBal	731,872.25	-	-
Total Utility Plant	**2,836,632,321.94**	**34,648,510.04**	**285,851,587.27**
Other Property and Investments			
Non Utility Other Property	8,346.49	-	-
Accum Prov - Deprec Oth Plant	-	-	-
Investments in Associated Cos	-	-	-
Investments in Subsidiary Cos	21,102,042.66	40,510.27	350,823.60
Other Investments	-	-	-
Sinking Fund	-	-	-
Other Special Funds	21,854,004.87	4,661,559.73	6,548,488.89
Total Other Property and Investments	**42,964,394.02**	**4,702,070.00**	**6,899,312.49**
Current and Accrued Assets			
Cash	1,061,400.68	(739,566.12)	(785,423.01)
Special Deposits	-	-	-
Working Funds	2,550.00	-	-
Temp Cash Investments	-	-	-
Notes Receivable	-	-	-
Customer Accounts Receivable	(0.00)	(0.00)	0.00
Other Accounts Receivable	253,000.00	0.00	0.00
Accum Prov Uncollectible - Cr	(0.00)	(0.00)	(0.00)
NR from Associated Cos	114,560,736.98	28,043,898.90	3,444,404.10
AR from Associated Cos	157,917.11	83,452.57	(110,390.06)
Fuel Stock	-	-	-
Fuel Stock Expenses Undistrib	-	-	-
Residuals & Extracted Products	-	-	-
Plant Materials & Supplies	1,341,498.20	25,555.22	126,853.57
Merchandise	-	(842.71)	-
Allowances	-	-	-
Stores Exp Undistributed	-	-	-
Gas Stored Underground - Curr	62,974,531.58	(9,995,952.18)	28,443,033.79
LNG Stored & Held for Process	-	-	-
Prepayments	4,753,424.17	(1,914,250.56)	(268,136.09)
Interest & Dividends Rec	-	-	-
Rent Receivable	-	-	-
Accrued Utility Revenues	-	-	-
Misc Current & Accrued Assets	6,753,837.37	3,068,445.60	3,065,800.61
Derivative Instrument Assets	-	-	-
Derivative Assets - Hedging	-	-	-
Total Current and Accrued Assets	**191,858,896.09**	**18,570,740.72**	**33,916,142.91**
Deferred Debits			
Unamortized Debt Expense	-	-	-
Extraordinary Property Loss	-	-	-
Other Regulatory Asset	220,175,054.56	(3,898,147.48)	(8,569,909.02)
Preliminary Surveys	10,127,747.64	655,919.89	5,553,551.60
Clearing Accounts	-	(163,241.86)	-
Miscellaneous Deferred Debits	3,563,393.00	(237,030.49)	(588,083.04)
Research & Development Expense	-	-	-
Unamort Loss Reacquired Debt	-	-	-
Accum Deferred Income Taxes	111,254,418.00	(2,891,820.00)	(7,901,976.00)
Unrecovered Purchase Gas Costs	21,160,695.67	(5,863,178.38)	25,363,116.36
Total Deferred Debits	**366,281,308.87**	**(12,397,498.32)**	**13,856,699.90**
Total Assets and Other Debits	**3,437,736,920.92**	**45,523,822.44**	**340,523,742.57**

Columbia Gas of Pennsylvania
Balance Sheet-FERC
Regulatory View - FERC Account
As of December 31, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Change from Prior Year-End
CAPITALIZATION and LIABILITIES			
Proprietary Capital			
Common Stock FERC	45,127,800.00	-	-
Preferred Stock Issued	-	-	-
Capital Stock Subscribed	-	-	-
Premium on Capital Stock	-	-	-
Other Paid-in Capital	192,889,827.00	25,000,000.00	85,000,000.00
Capital Stock Expense	-	-	-
Retained Earnings	971,987,434.78	-	-
Retained Earnings - Current Year	110,474,747.49	27,909,816.74	110,474,747.49
Unapprop Undistrib Sub Earning	-	-	-
Reacquired Capital Stock	-	-	-
Accumulated OCI	-	-	-
Total Proprietary Capital	**1,320,479,809.27**	**52,909,816.74**	**195,474,747.49**
Long Term Debt			
Bonds	-	-	-
Advances from Associated Cos	1,035,515,000.00	50,000,000.00	140,000,000.00
Other Long Term Debt	-	-	-
Unamortized Premium on LTD	-	-	-
Unamortized Discount on LTD	-	-	-
Total Long Term Debt	**1,035,515,000.00**	**50,000,000.00**	**140,000,000.00**
Other Noncurrent Liabilities			
Obligations - Cap Leases - NC	14,586,213.79	(8,715,453.68)	(10,314,468.70)
Accum Prov - Property Ins	-	-	-
Accum Prov - Injuries & Damage	174,025.87	(3,872.00)	64,347.43
Accum Prov - Pension & Benefit	2,346,339.61	19,707.44	(281,917.83)
Accum Misc Operating Provision	-	(1,461,434.96)	(2,922,869.92)
Provision for Rate Refunds	-	-	-
Asset Retirement Obligations	-	-	-
Total Other Noncurrent Liabilities	**17,106,579.27**	**(10,161,053.20)**	**(13,454,909.02)**
Current & Accrued Liabilities			
Curr Portion of Long-Term Debt	-	-	-
Notes Payable	-	-	-
Accounts Payable	54,364,542.28	(2,673,021.46)	10,351,454.93
NP to Associated Cos	-	-	-
AP to Associated Cos	181,303,742.29	(28,122,185.58)	(3,704,917.48)
Customer Deposits	3,924,505.11	53,618.00	445,063.00
Taxes Accrued	17,490,344.27	(1,804,350.20)	(6,078,427.61)
Interest Accrued	335,065.01	3,661.09	51,889.39
Dividends Declared	-	-	-
Tax Collections Payable	718,250.16	443,257.07	446,875.48
Misc Current & Accrued Liab	74,581,714.03	(12,417,141.53)	12,643,039.62
Obligation Cap Lease - Current	2,323,376.79	(362,386.29)	(340,229.98)
Derivative Liability	-	-	-
Derivative Liability - Hedge	-	-	-
Total Current & Accrued Liabilities	**335,041,539.94**	**(44,878,548.90)**	**13,814,747.35**
Deferred Credits			
Customer Adv. for Construction	2,847,671.72	(200,602.86)	(946,103.15)
Acc Defd Investment Tax Credit	987,643.00	(20,428.00)	(257,415.00)
Other Deferred Credits	6,584,367.34	(75,539.05)	30,721.97
Other Regulatory Liabilities	208,487,138.69	(737,673.29)	(12,379,558.07)
Accum Defer Inc Tax - Oth Prop	505,455,621.70	(707,046.00)	19,729,542.00
Accum Defer Inc Tax - Other	5,231,549.99	(605,103.00)	(1,488,031.00)
Total Deferred Credits	**729,593,992.44**	**(2,346,392.20)**	**4,689,156.75**
Total Capitalization & Liabilities	**3,437,736,920.92**	**45,523,822.44**	**340,523,742.57**

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Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended December 31, 2020
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Operating Revenues			
Gas Residential Sales	47,406,460.62	21,995,003.07	354,280,077.18
Gas Comm & Indust Revenues	8,756,713.95	4,305,195.14	66,895,851.18
Gas Sales for Resale	-	-	-
Gas Interdepartmental Sales	-	-	-
Gas Intercompany Transfers	-	-	-
Total Sales of Gas	56,163,174.57	26,300,198.21	421,175,928.36
Electric Residential Revenues	-	-	-
Elec Comm & Indust Rev	-	-	-
Public Street & Hwy Lighting	-	-	-
Elec Oth Sales to Public Auth	-	-	-
Sales to Railroads & Railways	-	-	-
Electric Sales for Resale	-	-	-
Elec Interdepartmental Sales	-	-	-
Total Sales of Electricity	-	-	-
Forfeited Discounts - Gas	19,891.04	5,359.69	451,826.99
Forfeited Discounts - Ele	-	-	-
Total Forfeited Discounts	19,891.04	5,359.69	451,826.99
Misc Service Revenues - Gas	1,932.00	244.00	(20,270.76)
Misc Service Revenues - Ele	-	-	-
Total Miscellaneous Service Revenues	1,932.00	244.00	(20,270.76)
Rent from Electricity Property	-	-	-
Other Electric Revenues	-	-	-
Rev Transm of Elec of Oth	-	-	-
Nonutility Revenues - Serv Co	-	-	-
Regional Transm Service Rev	-	-	-
Rev Transp Gas of Oth - Gather	-	-	-
Rev Transp Gas of Oth - Transm	-	-	-
Rev Transp Gas of Oth - Distr	19,803,854.14	8,570,654.32	127,080,447.21
Rev from Storing Gas of Oth	-	-	-
Sales - Prod Extracted from NG	-	-	-
Incidental Gasoline & Oil Sale	-	-	-
Rent from Gas Property	-	-	-
Other Gas Revenues	13,469,189.65	1,265,934.39	6,653,372.54
Gas Provision of Rate Refunds	-	-	-
Total Other Operating Revenues	33,294,866.83	9,842,192.40	134,165,375.98
Total Operating Revenues	89,458,041.40	36,142,390.61	555,341,304.34
Operating Expenses			
Operation Expenses			
Manufac Gas Production - Oper	-	-	-
NG Production & Gather - Oper	-	-	-
Products Extraction - Oper	-	-	-
Other Gas Supply - Operations	25,336,339.85	12,627,580.39	133,917,744.16
Steam Power - Operations	-	-	-
Hydraulic Power - Operations	-	-	-
Other Power - Operations	-	-	-
Other Power Supply - Oper	-	280.36	-
NG Stor, Term & Proc - Oper	509.31	184.40	72,742.13
Transmission Exp - Oper	-	(550.54)	13,152.23
Regional Market Exp - Oper	-	-	-
Distribution Exp - Oper	4,103,550.11	780,109.96	41,298,701.42

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended December 31, 2020
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Customer Accounts - Oper	3,256,483.19	1,510,189.56	30,809,430.20
Cust Serv & Info Exp - Oper	694,392.38	313,771.14	5,248,154.00
Sales Expenses - Oper	27,921.33	17,976.21	377,742.08
Admin & General Exp - Oper	12,326,790.00	4,530,745.54	84,561,774.75
Total Operation Expenses	45,745,986.17	19,780,287.02	296,299,440.97
Maintenance Expenses			
Production Expenses - Maint	-	-	-
NG Stor, Term & Proc - Maint	-	-	-
Transmission Exp - Maint	-	-	119.99
Distribution Exp - Maint	2,136,357.73	(157,533.63)	22,449,876.76
Maintenance Gen and Admin	299,829.56	79,420.27	3,281,953.07
Total Maintenance Expenses	2,436,187.29	(78,113.36)	25,731,949.82
Depreciation Expense	6,459,988.67	230,253.59	72,257,205.01
Depreciation Expense for AROs	-	-	-
Amort & Deplet of Util Plant	584,623.76	(14,074.75)	6,898,883.94
Amort of Gas Plant Acq Adj	-	-	-
Amort of Conversion Exp	-	-	-
Reg Debits	-	-	-
Reg Credits	-	-	-
Other Taxes FERC	439,357.23	151,650.62	3,477,376.44
Income Taxes - State	2,384,742.00	2,413,083.00	2,401,510.00
Income Taxes - Federal	7,634,449.00	5,585,413.00	10,687,342.00
Total Utilities Current Fed State	10,019,191.00	7,998,496.00	13,088,852.00
Deferred Income Taxes	6,055,506.00	5,664,435.00	40,159,928.00
Prov Deferred Inc Tax - Cr	(8,843,706.00)	(9,148,074.00)	(30,379,708.00)
Investment Tax Credit Adj	(22,557.00)	(84.00)	(284,704.00)
Gain from Disposition of Plant	-	-	-
Loss from Disposition of Plant	-	-	-
Accretion Expenses	-	-	-
Total Operating Expenses	62,874,577.12	24,584,776.12	427,249,224.18
Net Utility Operating Income(Loss)	26,583,464.28	11,557,614.49	128,092,080.16
Other Income & Deductions			
Revenues from Merchandising	440.00	(40.00)	7,000.40
Costs and Exp Merch Job	(3,031.51)	(296.25)	(40,232.99)
NonUtility Revenues	(305,244.07)	(111,252.28)	(2,133,544.29)
NonUtility Unaffil	-	-	-
Nonoperating Rental Revenue	-	-	-
Earnings of Subsidiaries	36,170.96	(2,368.50)	467,991.12
Interest and Dividend Income	(50,633.59)	(62,326.62)	(272,051.77)
Allow for Other FUDC	62,077.39	(453,073.96)	878,763.91
Misc Nonoperating Income	(293,711.32)	(560,344.41)	1,664,889.03
Gain Disposition of Property	41,754.29	41,754.29	41,863.13
Total Other Income	(512,177.85)	(1,147,947.73)	614,678.54
Loss on Disposal of Property	-	-	-
Misc Amortization	-	-	-
Other Inc Exp Donations	-	(100.00)	10,387.50
Corporate Owned Life Ins	-	-	-
Penalties	(48,848.00)	(648,848.00)	562,272.00
Other Inc Exp PoliticalContrib	-	-	-

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended December 31, 2020
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Other Inc Deductions	2,196.94	4,959.67	50,893.92
Total Other Income Deductions	(46,651.06)	(643,988.33)	623,553.42
NonUtility Taxes	-	-	-
Income Taxes - Federal	(7,066.00)	(138,194.00)	38,712.00
Income Taxes - State	(50,995.00)	(120,298.00)	(26,801.00)
Total Income Taxes Federal Other	(58,061.00)	(258,492.00)	11,911.00
Other Deferred Income Taxes	-	(48,957.00)	409,939.00
Prov Defer Inc Tax - Oth - Cr	(199,932.00)	(199,932.00)	(368,976.00)
Invest Tax Credits Adjust -Net	-	-	-
Amortization of ITC	-	-	-
Total Taxes Other Income & Deduct	(257,993.00)	(507,381.00)	52,874.00
Total Other Income (Deductions)	(207,533.79)	3,421.60	(61,748.88)
Interest LT Debt	-	-	-
Amort of Debt Disc & Exp	-	-	-
Amort of Loss on Reacq Debt	-	-	-
Amort of Prem on Debt - Cr	-	-	-
Interest Exp Affiliate	3,487,917.07	44,284.11	42,074,704.65
Other Interest Expense	115,552.24	150,118.06	91,054.36
AFUDIC PISCC	(46,478.81)	(178,494.23)	(720,474.34)
Total Interest Charges	3,556,990.50	15,907.94	41,445,284.67
Income Before Extraordinary Items	22,818,939.99	11,545,128.15	86,585,046.61
Extraordinary Income	-	-	-
Extraordinary Deductions	-	-	-
Net Extraordinary Items	-	-	-
Extraordinary Taxes	-	-	-
Deferred Extraordinary Taxes	-	-	-
Income Taxes - Federal & Other	-	-	-
Total Extraordinary Items	-	-	-
Net Income	**22,818,939.99**	**11,545,128.15**	**86,585,046.61**

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Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended March 31, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Operating Revenues			
Gas Residential Sales	64,198,903.96	(5,906,196.19)	200,753,703.53
Gas Comm & Indust Revenues	13,747,079.71	(933,290.49)	41,669,748.96
Gas Sales for Resale	-	-	-
Gas Interdepartmental Sales	-	-	-
Gas Intercompany Transfers	-	-	-
Total Sales of Gas	77,945,983.67	(6,839,486.68)	242,423,452.49
Electric Residential Revenues	-	-	-
Elec Comm & Indust Rev	-	-	-
Public Street & Hwy Lighting	-	-	-
Elec Oth Sales to Public Auth	-	-	-
Sales to Railroads & Railways	-	-	-
Electric Sales for Resale	-	-	-
Elec Interdepartmental Sales	-	-	-
Total Sales of Electricity	-	-	-
Forfeited Discounts - Gas	77,364.55	3,625.31	215,838.19
Forfeited Discounts - Ele	-	-	-
Total Forfeited Discounts	77,364.55	3,625.31	215,838.19
Misc Service Revenues - Gas	1,566.38	(1,064.86)	10,618.72
Misc Service Revenues - Ele	-	-	-
Total Miscellaneous Service Revenues	1,566.38	(1,064.86)	10,618.72
Rent from Electricity Property	-	-	-
Other Electric Revenues	-	-	-
Rev Transm of Elec of Oth	-	-	-
Nonutility Revenues - Serv Co	-	-	-
Regional Transm Service Rev	-	-	-
Rev Transp Gas of Oth - Gather	-	-	-
Rev Transp Gas of Oth - Transm	-	-	-
Rev Transp Gas of Oth - Distr	18,465,533.09	(639,920.84)	56,898,143.94
Rev from Storing Gas of Oth	-	-	-
Sales - Prod Extracted from NG	-	-	-
Incidental Gasoline & Oil Sale	-	-	-
Rent from Gas Property	-	-	-
Other Gas Revenues	(9,288,123.13)	(5,054,779.04)	(12,592,015.57)
Gas Provision of Rate Refunds	-	-	-
Total Other Operating Revenues	9,256,340.89	(5,692,139.43)	44,532,585.28
Total Operating Revenues	87,202,324.56	(12,531,626.11)	286,956,037.77
Operating Expenses			
Operation Expenses			
Manufac Gas Production - Oper	-	-	-
NG Production & Gather - Oper	-	-	-
Products Extraction - Oper	-	-	-
Other Gas Supply - Operations	19,901,512.03	(10,822,520.74)	79,469,876.82
Steam Power - Operations	-	-	-
Hydraulic Power - Operations	-	-	-
Other Power - Operations	-	-	-
Other Power Supply - Oper	(623.14)	(623.14)	(623.14)
NG Stor, Term & Proc - Oper	3,942.80	1,323.55	10,372.98
Transmission Exp - Oper	-	-	-
Regional Market Exp - Oper	-	-	-
Distribution Exp - Oper	3,625,805.63	120,278.16	10,642,438.15

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended March 31, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Customer Accounts - Oper	5,344,896.38	727,441.43	16,641,825.70
Cust Serv & Info Exp - Oper	750,818.17	(169,042.16)	2,531,446.74
Sales Expenses - Oper	(1,077.38)	(578.04)	988.51
Admin & General Exp - Oper	6,141,371.44	(415,097.75)	18,968,370.55
Total Operation Expenses	35,766,645.93	(10,558,818.69)	128,264,696.31
Maintenance Expenses			
Production Expenses - Maint	-	-	-
NG Stor, Term & Proc - Maint	-	-	-
Transmission Exp - Maint	-	-	-
Distribution Exp - Maint	2,066,880.34	848,562.28	4,709,983.46
Maintenance Gen and Admin	351,228.47	(861.76)	1,065,221.93
Total Maintenance Expenses	2,418,108.81	847,700.52	5,775,205.39
Depreciation Expense	6,146,906.15	(584,956.03)	19,555,728.22
Depreciation Expense for AROs	-	-	-
Amort & Deplet of Util Plant	581,406.93	(42,338.40)	1,787,482.96
Amort of Gas Plant Acq Adj	-	-	-
Amort of Conversion Exp	-	-	-
Reg Debits	-	-	-
Reg Credits	-	-	-
Other Taxes FERC	189,548.87	(228,082.24)	946,389.88
Income Taxes - State	1,982,773.00	109,623.00	5,976,086.00
Income Taxes - Federal	6,111,273.00	188,465.00	18,754,670.00
Total Utilities Current Fed State	8,094,046.00	298,088.00	24,730,756.00
Deferred Income Taxes	5,108,085.00	(1,022,870.00)	18,527,967.00
Prov Deferred Inc Tax - Cr	(3,338,328.00)	523,442.00	(13,402,366.00)
Investment Tax Credit Adj	(22,472.00)	1,021.00	(67,416.00)
Gain from Disposition of Plant	-	-	-
Loss from Disposition of Plant	-	-	-
Accretion Expenses	-	-	-
Total Operating Expenses	54,943,947.69	(10,766,813.84)	186,118,443.76
Net Utility Operating Income(Loss)	32,258,376.87	(1,764,812.27)	100,837,594.01
Other Income & Deductions			
Revenues from Merchandising	440.00	80.00	1,240.00
Costs and Exp Merch Job	(1,465.36)	356.32	(5,107.27)
NonUtility Revenues	(264,163.66)	39,975.85	(856,611.46)
NonUtility Unaffil	-	-	-
Nonoperating Rental Revenue	-	-	-
Earnings of Subsidiaries	29,144.53	(19,058.37)	108,481.01
Interest and Dividend Income	(84,836.08)	(24,243.29)	(154,861.05)
Allow for Other FUDC	73,321.98	19,872.49	153,877.44
Misc Nonoperating Income	1,276,998.44	2,019,826.44	(189,183.92)
Gain Disposition of Property	-	-	-
Total Other Income	1,029,439.85	2,036,809.44	(942,165.25)
Loss on Disposal of Property	115,124.23	83,777.97	146,470.49
Misc Amortization	-	-	-
Other Inc Exp Donations	-	(175,100.00)	175,100.00
Corporate Owned Life Ins	-	-	-
Penalties	750.00	750.00	750.00
Other Inc Exp PoliticalContrib	-	-	-

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended March 31, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Other Inc Deductions	1,000.59	819.95	1,847.91
Total Other Income Deductions	116,874.82	(89,752.08)	324,168.40
NonUtility Taxes	-	-	-
Income Taxes - Federal	(207,905.00)	(129,524.00)	(304,491.00)
Income Taxes - State	(109,880.00)	(68,455.00)	(160,927.00)
Total Income Taxes Federal Other	(317,785.00)	(197,979.00)	(465,418.00)
Other Deferred Income Taxes	307,486.00	307,486.00	307,486.00
Prov Defer Inc Tax - Oth - Cr	-	279,828.00	(535,111.00)
Invest Tax Credits Adjust -Net	-	-	-
Amortization of ITC	-	-	-
Total Taxes Other Income & Deduct	(10,299.00)	389,335.00	(693,043.00)
Total Other Income (Deductions)	922,864.03	1,737,226.52	(573,290.65)
Interest LT Debt	-	-	-
Amort of Debt Disc & Exp	-	-	-
Amort of Loss on Reacq Debt	-	-	-
Amort of Prem on Debt - Cr	-	-	-
Interest Exp Affiliate	3,481,637.47	386,868.35	10,025,439.68
Other Interest Expense	(291,226.37)	(573,536.33)	249,387.84
AFUDIC PISCC	(59,001.35)	(17,061.63)	(107,537.74)
Total Interest Charges	3,131,409.75	(203,729.61)	10,167,289.78
Income Before Extraordinary Items	30,049,831.15	176,143.86	90,097,013.58
Extraordinary Income	-	-	-
Extraordinary Deductions	-	-	-
Net Extraordinary Items	-	-	-
Extraordinary Taxes	-	-	-
Deferred Extraordinary Taxes	-	-	-
Income Taxes - Federal & Other	-	-	-
Total Extraordinary Items	-	-	-
Net Income	**30,049,831.15**	**176,143.86**	**90,097,013.58**

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Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended June 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Operating Revenues			
Gas Residential Sales	16,193,826.70	(7,555,680.53)	279,332,389.47
Gas Comm & Indust Revenues	3,147,455.44	(1,705,119.06)	57,097,733.51
Gas Sales for Resale	-	-	-
Gas Interdepartmental Sales	-	-	-
Gas Intercompany Transfers	-	-	-
Total Sales of Gas	19,341,282.14	(9,260,799.59)	336,430,122.98
Electric Residential Revenues	-	-	-
Elec Comm & Indust Rev	-	-	-
Public Street & Hwy Lighting	-	-	-
Elec Oth Sales to Public Auth	-	-	-
Sales to Railroads & Railways	-	-	-
Electric Sales for Resale	-	-	-
Elec Interdepartmental Sales	-	-	-
Total Sales of Electricity	-	-	-
Forfeited Discounts - Gas	26,590.94	(52,332.29)	366,231.36
Forfeited Discounts - Ele	-	-	-
Total Forfeited Discounts	26,590.94	(52,332.29)	366,231.36
Misc Service Revenues - Gas	10,825.39	(4,568.19)	38,016.04
Misc Service Revenues - Ele	-	-	-
Total Miscellaneous Service Revenues	10,825.39	(4,568.19)	38,016.04
Rent from Electricity Property	-	-	-
Other Electric Revenues	-	-	-
Rev Transm of Elec of Oth	-	-	-
Nonutility Revenues - Serv Co	-	-	-
Regional Transm Service Rev	-	-	-
Rev Transp Gas of Oth - Gather	-	-	-
Rev Transp Gas of Oth - Transm	-	-	-
Rev Transp Gas of Oth - Distr	5,495,794.24	(2,016,148.23)	81,064,739.01
Rev from Storing Gas of Oth	-	-	-
Sales - Prod Extracted from NG	-	-	-
Incidental Gasoline & Oil Sale	-	-	-
Rent from Gas Property	-	-	-
Other Gas Revenues	(4,936,850.44)	(923,708.14)	(31,952,895.47)
Gas Provision of Rate Refunds	-	-	-
Total Other Operating Revenues	596,360.13	(2,996,756.85)	49,516,090.94
Total Operating Revenues	19,937,642.27	(12,257,556.44)	385,946,213.92
Operating Expenses			
Operation Expenses			
Manufac Gas Production - Oper	-	-	-
NG Production & Gather - Oper	-	-	-
Products Extraction - Oper	-	-	-
Other Gas Supply - Operations	3,128,082.50	(4,673,159.00)	101,684,648.13
Steam Power - Operations	-	-	-
Hydraulic Power - Operations	-	-	-
Other Power - Operations	-	-	-
Other Power Supply - Oper	623.14	623.14	-
NG Stor, Term & Proc - Oper	773.63	(588.41)	13,428.70
Transmission Exp - Oper	-	-	-
Regional Market Exp - Oper	-	-	-
Distribution Exp - Oper	3,856,447.94	421,553.55	21,677,258.06

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended June 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Customer Accounts - Oper	1,920,922.08	(828,718.59)	24,564,624.25
Cust Serv & Info Exp - Oper	297,917.10	(90,352.52)	3,733,723.77
Sales Expenses - Oper	787.31	(4,406.05)	10,334.00
Admin & General Exp - Oper	6,945,598.46	628,214.49	38,849,340.61
Total Operation Expenses	16,151,152.16	(4,546,833.39)	190,533,357.52
Maintenance Expenses			
Production Expenses - Maint	-	-	-
NG Stor, Term & Proc - Maint	-	-	-
Transmission Exp - Maint	-	-	-
Distribution Exp - Maint	2,698,094.00	608,511.46	11,671,859.19
Maintenance Gen and Admin	397,710.28	(351,023.14)	2,643,035.36
Total Maintenance Expenses	3,095,804.28	257,488.32	14,314,894.55
Depreciation Expense	6,590,943.18	35,384.27	38,451,039.80
Depreciation Expense for AROs	-	-	-
Amort & Deplet of Util Plant	648,565.47	6,686.68	3,713,966.91
Amort of Gas Plant Acq Adj	-	-	-
Amort of Conversion Exp	-	-	-
Reg Debits	-	-	-
Reg Credits	-	-	-
Other Taxes FERC	306,775.00	35,165.04	1,811,750.06
Income Taxes - State	(1,071,661.00)	(446,949.00)	4,339,927.00
Income Taxes - Federal	(3,114,073.00)	(1,369,919.00)	14,252,534.00
Total Utilities Current Fed State	(4,185,734.00)	(1,816,868.00)	18,592,461.00
Deferred Income Taxes	1,570,517.00	(261,431.00)	24,820,417.00
Prov Deferred Inc Tax - Cr	(539,523.00)	15,297.00	(16,013,675.00)
Investment Tax Credit Adj	(22,472.00)	-	(134,832.00)
Gain from Disposition of Plant	-	-	-
Loss from Disposition of Plant	-	-	-
Accretion Expenses	-	-	-
Total Operating Expenses	23,616,028.09	(6,275,111.08)	276,089,379.84
Net Utility Operating Income(Loss)	(3,678,385.82)	(5,982,445.36)	109,856,834.08
Other Income & Deductions			
Revenues from Merchandising	2,080.00	(120.00)	5,920.00
Costs and Exp Merch Job	(13,023.42)	(6,002.82)	(26,156.15)
NonUtility Revenues	(107,393.58)	72,358.42	(1,363,466.04)
NonUtility Unaffil	-	-	-
Nonoperating Rental Revenue	-	-	-
Earnings of Subsidiaries	(6,715.12)	(34,077.06)	153,421.76
Interest and Dividend Income	(54,905.34)	38,752.03	(371,771.80)
Allow for Other FUDC	116,744.79	(24,466.36)	490,130.74
Misc Nonoperating Income	(17,498.72)	(19,352.71)	(157,069.70)
Gain Disposition of Property	-	-	-
Total Other Income	(80,711.39)	27,091.50	(1,268,991.19)
Loss on Disposal of Property	-	-	146,470.49
Misc Amortization	-	-	-
Other Inc Exp Donations	-	-	175,138.25
Corporate Owned Life Ins	-	-	-
Penalties	-	64,750.00	(64,000.00)
Other Inc Exp PoliticalContrib	-	-	-

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended June 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Other Inc Deductions	2,234.32	2,234.32	2,809.68
Total Other Income Deductions	2,234.32	66,984.32	260,418.42
NonUtility Taxes	-	-	-
Income Taxes - Federal	(2,825.00)	8,634.00	(342,007.00)
Income Taxes - State	(1,493.00)	4,563.00	(180,755.00)
Total Income Taxes Federal Other	(4,318.00)	13,197.00	(522,762.00)
Other Deferred Income Taxes	-	-	307,486.00
Prov Defer Inc Tax - Oth - Cr	(13,163.00)	3,831.00	(590,550.00)
Invest Tax Credits Adjust -Net	-	-	-
Amortization of ITC	-	-	-
Total Taxes Other Income & Deduct	(17,481.00)	17,028.00	(805,826.00)
Total Other Income (Deductions)	(65,464.71)	(56,920.82)	(723,583.61)
Interest LT Debt	-	-	-
Amort of Debt Disc & Exp	-	-	-
Amort of Loss on Reacq Debt	-	-	-
Amort of Prem on Debt - Cr	-	-	-
Interest Exp Affiliate	3,835,652.00	(56,907.96)	21,490,732.35
Other Interest Expense	59,880.31	34,655.69	367,899.02
AFUDIC PISCC	(49,664.42)	(76,394.82)	(194,896.77)
Total Interest Charges	3,845,867.89	(98,647.09)	21,663,734.60
Income Before Extraordinary Items	(7,589,718.42)	(5,940,719.09)	87,469,515.87
Extraordinary Income	-	-	-
Extraordinary Deductions	-	-	-
Net Extraordinary Items	-	-	-
Extraordinary Taxes	-	-	-
Deferred Extraordinary Taxes	-	-	-
Income Taxes - Federal & Other	-	-	-
Total Extraordinary Items	-	-	-
Net Income	**(7,589,718.42)**	**(5,940,719.09)**	**87,469,515.87**

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Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended September 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Operating Revenues			
Gas Residential Sales	11,364,835.43	244,607.30	313,556,824.08
Gas Comm & Indust Revenues	2,405,945.51	95,016.05	64,297,865.61
Gas Sales for Resale	-	-	-
Gas Interdepartmental Sales	-	-	-
Gas Intercompany Transfers	-	-	-
Total Sales of Gas	13,770,780.94	339,623.35	377,854,689.69
Electric Residential Revenues	-	-	-
Elec Comm & Indust Rev	-	-	-
Public Street & Hwy Lighting	-	-	-
Elec Oth Sales to Public Auth	-	-	-
Sales to Railroads & Railways	-	-	-
Electric Sales for Resale	-	-	-
Elec Interdepartmental Sales	-	-	-
Total Sales of Electricity	-	-	-
Forfeited Discounts - Gas	11,943.88	(6,279.13)	411,192.31
Forfeited Discounts - Ele	-	-	-
Total Forfeited Discounts	11,943.88	(6,279.13)	411,192.31
Misc Service Revenues - Gas	9,972.37	(1,900.43)	72,784.32
Misc Service Revenues - Ele	-	-	-
Total Miscellaneous Service Revenues	9,972.37	(1,900.43)	72,784.32
Rent from Electricity Property	-	-	-
Other Electric Revenues	-	-	-
Rev Transm of Elec of Oth	-	-	-
Nonutility Revenues - Serv Co	-	-	-
Regional Transm Service Rev	-	-	-
Rev Transp Gas of Oth - Gather	-	-	-
Rev Transp Gas of Oth - Transm	-	-	-
Rev Transp Gas of Oth - Distr	6,371,260.89	499,992.13	99,102,070.77
Rev from Storing Gas of Oth	-	-	-
Sales - Prod Extracted from NG	-	-	-
Incidental Gasoline & Oil Sale	-	-	-
Rent from Gas Property	-	-	-
Other Gas Revenues	2,954,696.90	2,311,015.72	(28,244,376.49)
Gas Provision of Rate Refunds	-	-	-
Total Other Operating Revenues	9,347,874.04	2,802,828.29	71,341,670.91
Total Operating Revenues	23,118,654.98	3,142,451.64	449,196,360.60
Operating Expenses			
Operation Expenses			
Manufac Gas Production - Oper	-	-	-
NG Production & Gather - Oper	-	-	-
Products Extraction - Oper	-	-	-
Other Gas Supply - Operations	5,249,411.39	2,018,939.36	113,358,977.79
Steam Power - Operations	-	-	-
Hydraulic Power - Operations	-	-	-
Other Power - Operations	-	-	-
Other Power Supply - Oper	245.80	245.80	245.80
NG Stor, Term & Proc - Oper	803.41	62.88	15,381.99
Transmission Exp - Oper	-	-	-
Regional Market Exp - Oper	-	-	-
Distribution Exp - Oper	3,853,830.79	(228,450.01)	33,021,845.93

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended September 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Customer Accounts - Oper	1,447,411.67	(33,601.25)	28,969,877.71
Cust Serv & Info Exp - Oper	180,926.18	2,488.53	4,288,138.15
Sales Expenses - Oper	10,228.79	3,070.14	34,798.30
Admin & General Exp - Oper	7,299,286.02	44,468.61	59,833,148.35
Total Operation Expenses	18,042,144.05	1,807,224.06	239,522,414.02
Maintenance Expenses			
Production Expenses - Maint	-	-	-
NG Stor, Term & Proc - Maint	-	-	-
Transmission Exp - Maint	-	-	-
Distribution Exp - Maint	2,378,910.74	19,813.86	18,757,624.75
Maintenance Gen and Admin	(9,786.42)	(329,042.48)	3,316,532.77
Total Maintenance Expenses	2,369,124.32	(309,228.62)	22,074,157.52
Depreciation Expense	6,720,761.01	56,832.50	58,455,733.30
Depreciation Expense for AROs	-	-	-
Amort & Deplet of Util Plant	747,759.53	(65,629.53)	6,139,253.31
Amort of Gas Plant Acq Adj	-	-	-
Amort of Conversion Exp	-	-	-
Reg Debits	-	-	-
Reg Credits	-	-	-
Other Taxes FERC	333,898.45	60,124.00	2,708,933.21
Income Taxes - State	(897,720.00)	270,251.00	1,206,934.00
Income Taxes - Federal	(2,552,845.00)	844,637.00	5,202,751.00
Total Utilities Current Fed State	(3,450,565.00)	1,114,888.00	6,409,685.00
Deferred Income Taxes	1,818,132.00	581,328.00	29,022,284.00
Prov Deferred Inc Tax - Cr	(1,110,733.00)	(1,352,184.00)	(16,518,266.00)
Investment Tax Credit Adj	(20,431.00)	-	(196,125.00)
Gain from Disposition of Plant	-	-	-
Loss from Disposition of Plant	-	-	-
Accretion Expenses	-	-	-
Total Operating Expenses	25,450,090.36	1,893,354.41	347,618,069.36
Net Utility Operating Income(Loss)	(2,331,435.38)	1,249,097.23	101,578,291.24
Other Income & Deductions			
Revenues from Merchandising	1,440.00	(320.00)	10,120.00
Costs and Exp Merch Job	(12,822.27)	(2,977.24)	(58,138.72)
NonUtility Revenues	(112,868.89)	(2,477.90)	(1,706,300.08)
NonUtility Unaffil	-	-	-
Nonoperating Rental Revenue	-	-	-
Earnings of Subsidiaries	15,696.51	(15,818.33)	231,606.87
Interest and Dividend Income	209,619.52	141,091.35	(101,360.81)
Allow for Other FUDC	93,273.38	(22,220.13)	816,135.99
Misc Nonoperating Income	5,657.51	(4,681.26)	(161,915.54)
Gain Disposition of Property	-	-	-
Total Other Income	199,995.76	92,596.49	(969,852.29)
Loss on Disposal of Property	-	-	146,470.49
Misc Amortization	-	-	-
Other Inc Exp Donations	5,125.00	5,125.00	180,513.25
Corporate Owned Life Ins	-	-	-
Penalties	-	-	(64,000.00)
Other Inc Exp PoliticalContrib	-	-	-

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended September 30, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Other Inc Deductions	440.00	418.00	3,271.68
Total Other Income Deductions	5,565.00	5,543.00	266,255.42
NonUtility Taxes	-	-	-
Income Taxes - Federal	38,663.00	20,804.00	(286,387.00)
Income Taxes - State	20,434.00	10,995.00	(151,359.00)
Total Income Taxes Federal Other	59,097.00	31,799.00	(437,746.00)
Other Deferred Income Taxes	-	-	307,486.00
Prov Defer Inc Tax - Oth - Cr	(2,915.00)	(22.00)	(599,786.00)
Invest Tax Credits Adjust -Net	-	-	-
Amortization of ITC	-	-	-
Total Taxes Other Income & Deduct	56,182.00	31,777.00	(730,046.00)
Total Other Income (Deductions)	138,248.76	55,276.49	(506,061.71)
Interest LT Debt	-	-	-
Amort of Debt Disc & Exp	-	-	-
Amort of Loss on Reacq Debt	-	-	-
Amort of Prem on Debt - Cr	-	-	-
Interest Exp Affiliate	3,839,439.73	(124,983.16)	33,249,535.69
Other Interest Expense	17,448.23	4,874.21	409,621.83
AFUDIC PISCC	(32,049.98)	9,771.46	(315,142.07)
Total Interest Charges	3,824,837.98	(110,337.49)	33,344,015.45
Income Before Extraordinary Items	(6,018,024.60)	1,414,711.21	67,728,214.08
Extraordinary Income	-	-	-
Extraordinary Deductions	-	-	-
Net Extraordinary Items	-	-	-
Extraordinary Taxes	-	-	-
Deferred Extraordinary Taxes	-	-	-
Income Taxes - Federal & Other	-	-	-
Total Extraordinary Items	-	-	-
Net Income	**(6,018,024.60)**	**1,414,711.21**	**67,728,214.08**

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Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended December 31, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Operating Revenues			
Gas Residential Sales	66,566,317.03	34,789,396.21	424,960,782.41
Gas Comm & Indust Revenues	14,025,779.87	7,629,198.86	87,725,940.06
Gas Sales for Resale	-	-	-
Gas Interdepartmental Sales	-	-	-
Gas Intercompany Transfers	-	-	-
Total Sales of Gas	80,592,096.90	42,418,595.07	512,686,722.47
Electric Residential Revenues	-	-	-
Elec Comm & Indust Rev	-	-	-
Public Street & Hwy Lighting	-	-	-
Elec Oth Sales to Public Auth	-	-	-
Sales to Railroads & Railways	-	-	-
Electric Sales for Resale	-	-	-
Elec Interdepartmental Sales	-	-	-
Total Sales of Electricity	-	-	-
Forfeited Discounts - Gas	23,734.42	16,289.95	454,928.16
Forfeited Discounts - Ele	-	-	-
Total Forfeited Discounts	23,734.42	16,289.95	454,928.16
Misc Service Revenues - Gas	10,561.82	(1,315.87)	107,070.86
Misc Service Revenues - Ele	-	-	-
Total Miscellaneous Service Revenues	10,561.82	(1,315.87)	107,070.86
Rent from Electricity Property	-	-	-
Other Electric Revenues	-	-	-
Rev Transm of Elec of Oth	-	-	-
Nonutility Revenues - Serv Co	-	-	-
Regional Transm Service Rev	-	-	-
Rev Transp Gas of Oth - Gather	-	-	-
Rev Transp Gas of Oth - Transm	-	-	-
Rev Transp Gas of Oth - Distr	18,155,020.92	1,783,564.82	141,866,350.28
Rev from Storing Gas of Oth	-	-	-
Sales - Prod Extracted from NG	-	-	-
Incidental Gasoline & Oil Sale	-	-	-
Rent from Gas Property	-	-	-
Other Gas Revenues	4,540,962.69	(21,400,929.49)	11,454,263.84
Gas Provision of Rate Refunds	-	-	-
Total Other Operating Revenues	22,730,279.85	(19,602,390.59)	153,882,613.14
Total Operating Revenues	103,322,376.75	22,816,204.48	666,569,335.61
Operating Expenses			
Operation Expenses			
Manufac Gas Production - Oper	-	-	-
NG Production & Gather - Oper	-	-	-
Products Extraction - Oper	-	-	-
Other Gas Supply - Operations	32,334,922.95	3,937,413.42	182,070,863.22
Steam Power - Operations	-	-	-
Hydraulic Power - Operations	-	-	-
Other Power - Operations	(11.98)	(23.96)	-
Other Power Supply - Oper	(245.80)	(245.80)	-
NG Stor, Term & Proc - Oper	1,021.97	518.31	17,632.68
Transmission Exp - Oper	-	-	-
Regional Market Exp - Oper	-	-	-
Distribution Exp - Oper	3,614,599.76	(273,176.48)	44,230,184.39

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended December 31, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Customer Accounts - Oper	6,089,157.91	2,888,490.67	39,888,710.66
Cust Serv & Info Exp - Oper	1,054,883.03	551,882.55	6,074,830.12
Sales Expenses - Oper	75,859.83	73,706.55	205,154.72
Admin & General Exp - Oper	9,735,137.34	406,928.97	86,733,733.55
Total Operation Expenses	52,905,325.01	7,585,494.23	359,221,109.34
Maintenance Expenses			
Production Expenses - Maint	-	-	-
NG Stor, Term & Proc - Maint	-	-	-
Transmission Exp - Maint	-	-	-
Distribution Exp - Maint	1,548,376.89	(129,051.81)	23,733,770.02
Maintenance Gen and Admin	632,083.63	276,599.02	4,769,069.24
Total Maintenance Expenses	2,180,460.52	147,547.21	28,502,839.26
Depreciation Expense	6,939,487.95	94,860.29	79,023,411.64
Depreciation Expense for AROs	-	-	-
Amort & Deplet of Util Plant	804,766.91	(10,923.07)	8,541,493.88
Amort of Gas Plant Acq Adj	-	-	-
Amort of Conversion Exp	-	-	-
Reg Debits	-	-	-
Reg Credits	-	-	-
Other Taxes FERC	365,436.18	61,310.20	3,625,538.02
Income Taxes - State	2,249,246.00	1,247,840.00	4,074,145.00
Income Taxes - Federal	7,331,967.00	4,015,912.00	14,865,370.00
Total Utilities Current Fed State	9,581,213.00	5,263,752.00	18,939,515.00
Deferred Income Taxes	3,880,038.00	433,397.00	37,747,524.00
Prov Deferred Inc Tax - Cr	(4,679,509.00)	(1,980,315.00)	(24,891,862.00)
Investment Tax Credit Adj	(20,428.00)	3.00	(257,415.00)
Gain from Disposition of Plant	-	-	-
Loss from Disposition of Plant	-	-	-
Accretion Expenses	-	-	-
Total Operating Expenses	71,956,790.57	11,595,125.86	510,452,154.14
Net Utility Operating Income(Loss)	31,365,586.18	11,221,078.62	156,117,181.47
Other Income & Deductions			
Revenues from Merchandising	2,400.00	(213.00)	16,973.00
Costs and Exp Merch Job	(8,385.37)	6,589.48	(98,043.03)
NonUtility Revenues	(405,645.37)	(179,936.30)	(2,472,436.03)
NonUtility Unaffil	-	-	-
Nonoperating Rental Revenue	-	-	-
Earnings of Subsidiaries	40,510.27	(5,084.24)	350,823.60
Interest and Dividend Income	4,787.63	(80,563.42)	18,685.14
Allow for Other FUDC	131,269.54	(167,423.96)	1,404,670.68
Misc Nonoperating Income	19,159.96	39,466.04	(141,004.85)
Gain Disposition of Property	-	-	-
Total Other Income	(215,903.34)	(387,165.40)	(920,331.49)
Loss on Disposal of Property	6.33	6.33	146,476.82
Misc Amortization	-	-	-
Other Inc Exp Donations	(5,000.00)	(40,000.00)	210,513.25
Corporate Owned Life Ins	-	-	-
Penalties	1,500.00	1,500.00	1,143,000.00
Other Inc Exp PoliticalContrib	-	-	-

Columbia Gas of Pennsylvania
Income Statement-FERC
Regulatory View - FERC Account
For the Month Ended December 31, 2021
For Internal Use Only

	Current Month	Change from Prior Month	Year-To-Date
Other Inc Deductions	47,787.19	57,689.05	41,804.87
Total Other Income Deductions	44,293.52	19,195.38	1,541,794.94
NonUtility Taxes	-	-	-
Income Taxes - Federal	(326,851.00)	(276,084.00)	(649,397.00)
Income Taxes - State	(163,218.00)	(133,563.00)	(336,512.00)
Total Income Taxes Federal Other	(490,069.00)	(409,647.00)	(985,909.00)
Other Deferred Income Taxes	-	-	307,486.00
Prov Defer Inc Tax - Oth - Cr	(138.00)	5,238.00	(605,635.00)
Invest Tax Credits Adjust -Net	-	-	-
Amortization of ITC	-	-	-
Total Taxes Other Income & Deduct	(490,207.00)	(404,409.00)	(1,284,058.00)
Total Other Income (Deductions)	230,010.14	(1,951.78)	(1,178,068.43)
Interest LT Debt	-	-	-
Amort of Debt Disc & Exp	-	-	-
Amort of Loss on Reacq Debt	-	-	-
Amort of Prem on Debt - Cr	-	-	-
Interest Exp Affiliate	3,722,650.13	76,852.00	44,570,654.23
Other Interest Expense	16,195.06	6,275.11	445,135.59
AFUDIC PISCC	(53,065.61)	62,990.85	(551,424.27)
Total Interest Charges	3,685,779.58	146,117.96	44,464,365.55
Income Before Extraordinary Items	27,909,816.74	11,073,008.88	110,474,747.49
Extraordinary Income	-	-	-
Extraordinary Deductions	-	-	-
Net Extraordinary Items	-	-	-
Extraordinary Taxes	-	-	-
Deferred Extraordinary Taxes	-	-	-
Income Taxes - Federal & Other	-	-	-
Total Extraordinary Items	-	-	-
Net Income	**27,909,816.74**	**11,073,008.88**	**110,474,747.49**

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Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-002:

Please provide the actual number of customers by rate schedule as of December 31 for the last five years.

Response:

Please see GAS-RR-002 Attachment A.

Columbia Gas of Pennsylvania, Inc.
Customers by Rate Schedule at December 31st
For the Five Year Period (2017 - 2021)

Line No.	Description	Dec-17 (2)	Dec-18 (3)	Dec-19 (4)	Dec-20 (5)	Dec-21 (5)
1	**Rate Schedule RSS - Residential Sales Service**					
2	Rate Schedule RSS	297,725	308,876	315,177	322,930	329,147
3	Residential Distribution Service (CAP)					
4	Rate Schedule RC2	22,355	22,961	22,091	23,167	24,446
5	**Rate Schedule SGSS - Small General Sales Service**					
6	Less Than 6,440 Therms Annually	24,002	23,558	21,949	22,519	23,323
7	6,440 - 64,400 Therms Annually	2,497	2,487	2,802	2,815	2,660
8	Total Rate Schedule SGSS	26,499	26,045	24,751	25,334	25,983
9	**Rate Schedule NSS - Negotiated Sales Service**					
10	Less Than 6,440 Therms Annually	0	0	0	0	0
11	6,440 - 64,400 Therms Annually	0	0	0	0	0
12	> 64,400 to ≤ 110,00 Therms Annually	0	0	0	0	0
13	>110,000 to ≤ 540,000 Therms Annually	0	0	0	0	0
14	>540,000 to ≤ 1,074,000 Therms Annually	1	1	1	1	1
15	Total Rate Schedule NSS	1	1	1	1	1
16	**Rate Schedule LGSS - Large General Sales Service**					
17	> 64,400 to ≤ 110,000 Therms Annually	44	42	49	54	41
18	>110,000 to ≤ 540,000 Therms Annually	22	28	32	39	38
19	>540,000 to ≤ 1,074,000 Therms Annually	0	1	1	2	2
20	>1,074,000 to ≤ 3,400,000 Therms Annually	0	0	0	1	2
21	>3,400,000 to ≤ 7,400,000 Therms Annually	0	0	0	0	0
22	> 7,400,000 Therms Annually	0	0	0	0	0
23	Total Rate Schedule LGSS	66	71	82	96	83
24	**Tariff Sales Summary by Customer Class**					
25	Total Residential Sales	320,080	331,837	337,268	346,097	353,593
26	Total Small General Service Sales Sales	26,499	26,045	24,751	25,334	25,983
27	Total Negotiated Sales Service	1	1	1	1	1
28	Total Large General Service Sales	66	71	82	96	83
29	Total Tariff Sales	346,646	357,954	362,102	371,528	379,660

Columbia Gas of Pennsylvania, Inc.
Customers by Rate Schedule at December 31st
For the Five Year Period (2017 - 2021)

Line No.	Description	Dec-17 (2)	Dec-18 (3)	Dec-19 (4)	Dec-20 (5)	Dec-21 (5)
1	**Rate Schedule RDS - Residential Distribution Service (Choice)**					
2	Total Rate Schedule RDS	72,269	63,866	61,808	56,911	51,583
3	**Rate Schedule SCD - Small Commercial Distribution (Choice)**					
4	Total Rate Schedule SCD	8,025	8,418	9,703	9,247	8,643
5	**Rate Schedule SGDS - Small General Distribution Service**					
6	Less Than 6,440 Therms Annually	863	893	846	922	931
7	6,440 - 64,400 Therms Annually	1,577	1,590	1,629	1,527	1,377
8	Flex	10	4	3	3	3
9	Total Rate Schedule SGDS	2,450	2,487	2,478	2,452	2,311
10	**Rate Schedule SDS - Small Distribution Service**					
11	> 64,400 to ≤ 110,00 Therms Annually	158	146	180	185	176
12	>110,000 to ≤ 540,000 Therms Annually	192	202	222	218	200
13	Flex	9	9	6	5	3
14	Total Rate Schedule SDS	359	357	408	408	379
15	**Rate Schedule LDS - Large Distribution Service**					
16	> 540,000 to <= 1,074,000 Therms Annually	40	35	39	40	41
17	> 1,074,000 to <= 3,400,000 Therms Annually	23	26	25	27	25
18	> 3,400,000 to <= 7,500,000 Therms Annually	3	3	4	6	5
19	> 7,500,000 Therms Annually	1	1	1	1	1
20	Flex	18	17	17	13	14
21	Total Rate Schedule LDS	85	82	86	87	86
22	**Rate Schedule MLDS - Main Line Distribution Service - Class I**					
23	> 274,000 to <= 540,000 Therms Annually	1	1	1	2	1
24	> 540,000 to <= 1,074,000 Therms Annually	1	1	1	0	1
25	> 1,074,000 to <= 3,400,000 Therms Annually	1	0	0	1	0
26	> 3,400,000 to <= 7,500,000 Therms Annually	0	0	0	0	0
27	> 7,500,000 Therms Annually	0	0	0	0	0
28	Flex	1	1	1	1	1
29	Total Rate Schedule MLDS - Class I	4	3	3	4	3

Columbia Gas of Pennsylvania, Inc.
Customers by Rate Schedule at December 31st
For the Five Year Period (2017 - 2021)

Line No.	Description	Dec-17 (2)	Dec-18 (3)	Dec-19 (4)	Dec-20 (5)	Dec-21 (5)
1	**Rate Schedule MLDS - Main Line Distribution Service - Class II**					
2	> 274,000 to <= 540,000 Therms Annually	0	0	0	0	1
3	> 540,000 to <= 1,074,000 Therms Annually	0	0	0	0	1
4	> 1,074,000 to <= 3,400,000 Therms Annually	0	0	0	0	0
5	> 3,400,000 to <= 7,500,000 Therms Annually	0	1	2	3	3
6	> 7,500,000 Therms Annually	0	0	0	1	0
7	Flexed	5	3	2	1	1
8	Total Rate Schedule MLDS - Class II	5	4	4	5	6
9	**Distribution Service Summary by Customer Class**					
10	Total Residential Distribution Service	72,269	63,866	61,808	56,911	51,583
11	Total Small Distribution Service (SCD, SGDS, SDS)	10,834	11,262	12,589	12,107	11,333
12	Total Large Distribtuion Serivce	85	82	86	87	86
13	Total Mainline Distribution Service	9	7	7	9	9
14	Total Distribution Service	83,197	75,217	74,490	69,114	63,011
15	**Total Company**	**429,843**	**433,171**	**436,592**	**440,642**	**442,671**

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-003:

Please provide the average number of customers by rate schedule for the last five years.

Response:

Please see GAS-RR-003 Attachment A.

Columbia Gas of Pennsylvania, Inc.
Average Number of Customers by Rate Schedule
For the Five Year Period (2017- 2021)

Line No.	Description	Twelve Mth Avg-17 (1)	Twelve Mth Avg-18 (2)	Twelve Mth Avg-19 (3)	Twelve Mth Avg-20 (4)	Twelve Mth Avg-21 (5)
1	**Rate Schedule RSS - Residential Sales Service**					
2	Rate Schedule RSS	292,616	301,582	309,783	318,455	325,468
3	**Residential Distribution Service (CAP)**					
4	Total Rate Schedule RCC	22,145	21,751	22,896	22,847	24,110
5	**Rate Schedule SGSS - Small General Sales Service**					
6	Less Than 6,440 Therms Annually	23,571	23,860	22,014	22,130	22,964
7	6,440 - 64,400 Therms Annually	2,596	2,684	3,025	2,851	2,714
8	Total Rate Schedule SGSS	26,167	26,544	25,039	24,981	25,678
9	**Rate Schedule NSS - Negotiated Sales Service**					
10	Less Than 6,440 Therms Annually	0	0	0	0	0
11	6,440 - 64,400 Therms Annually	0	0	0	0	0
12	> 64,400 to ≤ 110,00 Therms Annually	0	0	0	0	0
13	>110,000 to ≤ 540,000 Therms Annually	0	0	0	0	0
14	>540,000 to ≤ 1,074,000 Therms Annually	1	1	1	1	1
15	Total Rate Schedule NSS	1	1	1	1	1
16	**Rate Schedule LGSS - Large General Sales Service**					
17	> 64,400 to ≤ 110,000 Therms Annually	44	45	50	48	45
18	>110,000 to ≤ 540,000 Therms Annually	23	29	39	38	40
19	>540,000 to ≤ 1,074,000 Therms Annually	0	1	0	1	1
20	>1,074,000 to ≤ 3,400,000 Therms Annually	0	0	0	0	1
21	>3,400,000 to ≤ 7,400,000 Therms Annually	0	0	0	0	0
22	> 7,400,000 Therms Annually	0	0	0	0	0
23	Total Rate Schedule LGSS	67	75	89	87	87
24	**Tariff Sales Summary by Customer Class**					
25	Total Residential Sales	314,761	323,333	332,679	341,302	349,578
26	Total Small General Sales Service	26,167	26,544	25,039	24,981	25,678
27	Total Negotiated Sales	1	1	1	1	1
28	Total Large General Sales Service	67	75	89	87	87
29	Total Tariff Sales	340,996	349,953	357,808	366,371	375,344
30	**Rate Schedule RDS - Residential Distribution Service (Choice)**					
31	Total Rate Schedule RDS	74,229	67,290	62,910	59,616	53,487
5	**Rate Schedule SCD - Small Commercial Distribution (Choice)**					
6	Total Rate Schedule SCD	8,169	8,616	9,336	9,416	8,885

Columbia Gas of Pennsylvania, Inc.
Average Number of Customers by Rate Schedule
For the Five Year Period (2017- 2021)

Line No.	Description	Twelve Mth Avg-17 (1)	Twelve Mth Avg-18 (2)	Twelve Mth Avg-19 (3)	Twelve Mth Avg-20 (4)	Twelve Mth Avg-21 (5)
1	**Rate Schedule SGDS - Small General Distribution Service**					
2	Less Than 6,440 Therms Annually	911	893	818	729	957
3	6,440 - 64,400 Therms Annually	1,583	1,590	1,615	1,224	1,425
4	Flex	10	4	3	3	3
5	Total Rate Schedule SGDS	2,504	2,487	2,436	1,956	2,385
6	**Rate Schedule SDS - Small Distribution Service**					
7	> 64,400 to ≤ 110,00 Therms Annually	159	146	176	186	177
8	>110,000 to ≤ 540,000 Therms Annually	192	202	220	218	203
9	Flex	10	9	8	5	3
10	Total Rate Schedule SDS	361	357	404	409	383
11	**Rate Schedule LDS - Large Distribution Service**					
12	> 540,000 to <= 1,074,000 Therms Annually	40	35	39	40	41
13	> 1,074,000 to <= 3,400,000 Therms Annually	23	26	26	27	25
14	> 3,400,000 to <= 7,500,000 Therms Annually	3	3	3	2	5
15	> 7,500,000 Therms Annually	1	1	1	1	1
16	Flex	17	17	18	14	14
17	Total Rate Schedule LDS	84	82	87	84	86
18	**Rate Schedule MLDS - Main Line Distribution Service - Class I**					
19	> 274,000 to <= 540,000 Therms Annually	0	1	1	2	2
20	> 540,000 to <= 1,074,000 Therms Annually	1	1	1	1	1
21	> 1,074,000 to <= 3,400,000 Therms Annually	1	1	0	2	0
22	> 3,400,000 to <= 7,500,000 Therms Annually	0	0	0	0	0
23	> 7,500,000 Therms Annually	0	0	0	0	0
24	Flex	1	1	1	1	1
25	Total Rate Schedule MLDS - Class I	3	4	3	6	4
26	**Rate Schedule MLDS - Main Line Distribution Service - Class II**					
27	> 274,000 to <= 540,000 Therms Annually	0	0	0	2	0
28	> 1,074,000 to <= 3,400,000 Therms Annually	0	0	0	1	1
29	> 3,400,000 to <= 7,500,000 Therms Annually	0	1	2	1	3
30	Flexed	5	3	2	1	1
31	Total Rate Schedule MLDS - Class II	5	4	4	5	5
32	**Distribution Service Summary by Customer Class**					
33	Total Residential Distribution Service	74,229	67,290	62,910	59,616	53,487
34	Total Small Distribution Service (SCD, SGDS, SDS)	11,034	11,460	12,176	11,781	11,653
35	Total Large Distribution Service	84	82	87	84	86
36	Total Mainline Distribution Service	8	8	7	11	9
37	Total Distribution	85,355	78,840	75,179	71,492	65,235
38	**Total Company**	426,351	428,793	432,988	437,863	440,579

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-004:

Please provide the actual number of customers by rate schedule at the end of each month from the commencement of the historic test year through the most recent month available and update as additional data become available.

Response:

Please see GAS-RR-004 Attachment A for the twelve months ended November 30, 2021 and GAS-RR-004 Attachment B for the month of December 2021.

Columbia Gas of Pennsylvania, Inc.
Customers By Rate Schedule by Month
For the Period Ending November 30, 2021

Line No.	Description	Dec. 2020 (1)	Jan. 2021 (2)	Feb. (3)	Mar (4)	Apr (5)	May (6)	Jun (7)	Jul (8)	Aug (9)	Sep (10)	Oct (11)	Nov (12)	Total (13)
1	**Rate Schedule RSS - Residential Sales Service**													
2	Rate Schedule RSS	322,930	324,156	325,041	325,680	326,048	325,350	324,341	324,066	324,159	324,775	325,452	327,396	3,899,394
25	**Rate Schedule CAP - Residential Distribution Service**													
26	Rate Schedule RC2	23,167	23,292	23,534	23,830	24,116	24,323	24,364	24,391	24,320	24,244	24,218	24,247	288,046
27	**Tariff Sales Summary by Customer Class**													
28	Total Residential Sales	346,097	347,448	348,575	349,510	350,164	349,673	348,705	348,457	348,479	349,019	349,670	351,643	4,187,440
29	Total Small General Sales	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Total Negotiated Sales	0	0	0	0	0	0	0	0	0	0	0	0	0
31	Total Large General Sales	0	0	0	0	0	0	0	0	0	0	0	0	0
32	Total Tariff Sales	346,097	347,448	348,575	349,510	350,164	349,673	348,705	348,457	348,479	349,019	349,670	351,643	4,187,440
3	**Rate Schedule SGSS - Small General Sales Service (< 6,000 Mcf Annually)**													
4	Less Than 6,440 Therms Annually	22,621	22,769	22,871	22,918	22,944	22,985	22,895	22,870	22,910	22,939	23,026	23,163	274,911
5	>6,440 to ≤ 64,400 Therms Annually	2,775	2,791	2,783	2,771	2,770	2,752	2,728	2,715	2,693	2,680	2,674	2,668	32,800
6	Total Rate Schedule SGSS	25,544	25,662	25,701	25,715	25,755	25,647	25,598	25,625	25,632	25,706	25,837	25,289	307,711
7	**Rate Schedule NSS - Negotiated Sales Service**													
8	> 540,000 to ≤ 1,074,000 Therms Annually	1	1	1	1	1	1	1	1	1	1	1	1	12
9	**Rate Schedule LGSS - Large General Sales Service**													
10	Less Than 110,000 Therms Annually	41	41	44	43	41	41	41	41	41	41	42	40	497
11	> 110,000 to ≤ 540,000 Therms Annually	39	40	40	40	41	41	39	38	38	38	38	38	470
12	>540,000 to ≤ 1,074,000 Therms Annually	1	1	1	1	1	1	1	1	1	1	1	1	12
13	> 1,074,000 to ≤ 3,400,000 Therms Annually	1	1	1	1	1	1	1	1	1	1	2	2	14
14	> 3,400,000 to ≤ 7,500,000 Therms Annually	0	0	0	0	0	0	0	0	0	0	0	0	0
15	> 7,500,000 Therms Annually	0	0	0	0	0	0	0	0	0	0	0	0	0
16	Total Rate Schedule LGSS	82	83	86	85	84	84	82	81	81	81	83	81	993
17	**Tariff Sales Summary by Customer Class**													
18	Total Residential Sales	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Total Small General Sales	25,544	25,662	25,701	25,715	25,755	25,647	25,598	25,625	25,632	25,706	25,837	25,289	307,711
20	Total Negotiated Sales	1	1	1	1	1	1	1	1	1	1	1	1	12
21	Total Large General Sales	82	83	86	85	84	84	82	81	81	81	83	81	993
22	Total Tariff Sales	25,627	25,746	25,788	25,801	25,840	25,732	25,681	25,707	25,714	25,788	25,921	25,371	308,716
23	**Rate Schedule RDS - Residential Distribution Service (Choice)**													
24	Total Rate Schedule RDS	56,911	56,337	55,749	55,122	54,529	53,977	53,432	52,889	52,434	52,168	51,949	51,671	647,168
27	**Rate Schedule SCD - Small Commercial Distribution (Choice)**													
28	Total Rate Schedule SCD	9,259	9,186	9,136	9,088	9,047	8,989	8,937	8,883	8,837	8,789	8,736	8,679	107,566

Columbia Gas of Pennsylvania, Inc.
Customers By Rate Schedule by Month
For the Period Ending November 30, 2021

Line No.	Description	Dec. 2020 (1)	Jan. 2021 (2)	Feb. (3)	Mar (4)	Apr (5)	May (6)	Jun (7)	Jul (8)	Aug (9)	Sep (10)	Oct (11)	Nov (12)	Total (13)
1	**Rate Schedule SGDS - Small General Distribution Service**													
2	Less Than 6,440 Therms Annually	961	955	951	953	950	948	945	942	942	939	938	935	11,359
3	>6,440 to ≤ 64,400 Therms Annually	1,444	1,423	1,417	1,413	1,408	1,399	1,396	1,396	1,394	1,389	1,385	1,385	16,849
4	Flex and NCS	4	4	4	4	4	4	4	4	4	4	4	4	48
5	Total Rate Schedule SGDS	2,409	2,382	2,372	2,370	2,362	2,351	2,345	2,342	2,340	2,332	2,327	2,324	28,256
6	**Rate Schedule SDS - Small Distribution Service**													
7	> 64,400 to ≤ 110,000 Therms Annually	178	178	178	178	178	178	178	178	178	177	177	177	2,133
8	> 110,000 to ≤ 540,000 Therms Annually	204	204	204	204	204	204	204	204	204	203	203	201	2,443
9	Flex and NCS	4	4	4	4	4	4	4	4	4	4	4	3	47
10	Total Rate Schedule SDS	386	386	386	386	386	386	386	386	386	384	384	381	4,623
11	**Rate Schedule LDS - Large Distribution Service**													
12	> 540,000 to ≤ 1,074,000 Therms Annually	41	41	41	41	41	41	41	41	41	41	41	41	492
13	> 1,074,000 to ≤ 3,400,000 Therms Annually	25	25	25	25	25	25	25	25	25	25	25	25	300
14	> 3,400,000 to ≤ 7,500,000 Therms Annually	5	5	5	5	5	5	5	5	5	5	5	5	60
15	> 7,500,000 Therms Annually	1	1	1	1	1	1	1	1	1	1	1	1	12
16	Flex and NCS	13	13	13	13	13	13	13	13	13	13	13	13	156
17	Total Rate Schedule LDS	85	85	85	85	85	85	85	85	85	85	85	85	1,020
18	**Rate Schedule MLDS - Main Line Distribution Service - Class I**													
19	> 274,000 to <= 540,000 Therms Annually	2	2	2	2	2	2	2	2	2	2	2	2	24
20	> 540,000 to <= 1,074,000 Therms Annually	1	1	1	1	1	1	1	1	1	1	1	1	12
21	> 1,074,000 to <= 3,400,000 Therms Annually	0	0	0	0	0	0	0	0	0	0	0	0	0
22	> 3,400,000 to ≤ 7,500,000 Therms Annually	0	0	0	0	0	0	0	0	0	0	0	0	0
23	Flex and NCS	1	1	1	1	1	1	1	1	1	1	1	1	12
24	Total Rate Schedule MLDS - Class I	4	4	4	4	4	4	4	4	4	4	4	4	48
25	**Rate Schedule MLDS - Main Line Distribution Service - Class II**													
26	> 3,400,000 to <= 7,500,000 Therms Annually	1	1	1	1	1	1	1	1	1	1	1	1	12
27	> 7,500,000 Therms Annually	3	3	3	3	3	3	3	3	3	3	3	3	36
27	Flex and NCS	1	1	1	1	1	1	1	1	1	1	1	1	12
28	Total Rate Schedule MLDS - Class II	5	5	5	5	5	5	5	5	5	5	5	5	60
29	**Distribution Summary by Rate Class**													
30	Total Residential Distribution Service	403,008	403,785	404,324	404,632	404,693	403,650	402,137	401,346	400,913	401,187	401,619	403,314	4,834,608
31	Total Small Distribution Service (SCD, SGDS, SDS)	12,054	11,954	11,894	11,844	11,795	11,726	11,668	11,611	11,563	11,505	11,447	11,384	140,445
32	Total Large Distribution Service	85	85	85	85	85	85	85	85	85	85	85	85	1,020
33	Total Main Line Distribution Service	9	9	9	9	9	9	9	9	9	9	9	9	108
33	Total Distribution Service	415,156	415,833	416,312	416,570	416,582	415,470	413,899	413,051	412,570	412,786	413,160	414,792	4,976,181
34	**Total Company**	440,783	441,579	442,100	442,371	442,422	441,202	439,580	438,758	438,284	438,574	439,081	440,163	5,284,897

Columbia Gas of Pennsylvania, Inc.
Customers By Rate Schedule by Month
For the Period Ending December 31, 2021

Line No.	Description	Dec. 2021 (2)
1	**Rate Schedule RSS - Residential Sales Service**	
2	Rate Schedule RSS	322,930
3	**Rate Schedule SGSS - Small General Sales Service (< 6,000 Mcf Annually)**	
4	Less Than 6,440 Therms Annually	22,519
5	>6,440 to ≤ 64,400 Therms Annually	2,815
6	Total Rate Schedule SGSS	25,334
7	**Rate Schedule NSS - Negotiated Sales Service**	
8	> 540,000 to ≤ 1,074,000 Therms Annually	1
9	**Rate Schedule LGSS - Large General Sales Service**	
10	Less Than 110,000 Therms Annually	44
11	> 110,000 to ≤ 540,000 Therms Annually	39
12	>540,000 to ≤ 1,074,000 Therms Annually	2
13	> 1,074,000 to ≤ 3,400,000 Therms Annually	1
14	> 3,400,000 to ≤ 7,500,000 Therms Annually	0
15	> 7,500,000 Therms Annually	0
16	Total Rate Schedule LGSS	86
17	**Tariff Sales Summary by Customer Class**	
18	Total Residential Sales	322,930
19	Total Small General Sales	25,334
20	Total Negotiated Sales	1
21	Total Large General Sales	86
22	**Total Tariff Sales**	**348,351**
23	**Rate Schedule RDS - Residential Distribution Service (Choice)**	
24	Total Rate Schedule RDS	56,911
25	**Residential Distribution Service**	
26	Rate Schedule RCC	23,167
27	**Rate Schedule SCD - Small Commercial Distribution (Choice)**	
28	Total Rate Schedule SCD	9,247
29	**Rate Schedule SGDS - Small General Distribution Service**	
30	Less Than 6,440 Therms Annually	922
31	>6,440 to ≤ 64,400 Therms Annually	1,527
32	Flex	3
33	Total Rate Schedule SGDS	2,452

Columbia Gas of Pennsylvania, Inc.
Customers By Rate Schedule by Month
For the Period Ending December 31, 2021

Line No.	Description	Dec. 2021 (2)
1	**Rate Schedule SDS - Small Distribution Service**	
2	> 64,400 to ≤ 110,000 Therms Annually	185
3	> 110,000 to ≤ 540,000 Therms Annually	218
4	Flex	4
5	Total Rate Schedule SDS	407
6	**Rate Schedule LDS - Large Distribution Service**	
7	> 540,000 to ≤ 1,074,000 Therms Annually	40
8	> 1,074,000 to ≤ 3,400,000 Therms Annually	0
9	> 3,400,000 to ≤ 7,500,000 Therms Annually	33
10	> 7,500,000 Therms Annually	1
11	Flex	14
12	Total Rate Schedule LDS	88
1	**Rate Schedule MLDS - Main Line Distribution Service - Class I**	
2	'> 274,000 to <= 540,000 Therms Annually	2
3	> 540,000 to <= 1,074,000 Therms Annually	0
4	> 1,074,000 to <= 3,400,000 Therms Annually	1
5	Flex	1
6	Total Rate Schedule MLDS - Class I	4
7	**Rate Schedule MLDS - Main Line Distribution Service - Class II**	
8	> 3,400,000 to <= 7,500,000 Therms Annually	3
9	> 7,500,000 Therms Annually	1
10	Flex	1
11	Total Rate Schedule MLDS - Class II	5
12	**Distribution Summary by Rate Class**	
13	Total Residential Distribution Service	80,078
14	Total SmalL Distribution Service (SCD, SGDS, SDS)	12,106
15	Total Large Distribution Service	88
16	Total Main Line Distribution Service	9
17	**Total Distribution Service**	**92,281**
18	**Total Company**	**440,632**

Columbia Gas of Pennsylvania, Inc.
Standard Data Request

Revenue Requirements

Question No. RR-005:

If past weather normalized sales or sales trends are used in models or otherwise relied on in reaching sales projections, please provide actual and normalized throughput by rate schedule as of December 31 for the last three years. Where applicable, separately identify sales and transportation throughput.

Response:

Models were built for total quantity per customer for the residential and commercial classes. The following table reflects the comparable throughput for 2019-2021.

Columbia Gas of Pennsylvania, Inc.
Standard Data Request

Revenue Requirements

Columbia Gas of Pennsylvania

	Residential Throughput (Dth)		Commercial Throughput (Dth)	
	Actual	Normalized	Actual	Normalized
2019	34,295,449	34,112,956	24,527,320	24,459,901
2020	31,396,086	33,569,705	21,988,022	23,265,847
2021	33,665,107	34,483,587	23,378,786	23,941,353
2022	Not Available	Not Available	Not Available	Not Available

Columbia Gas of Pennsylvania

	Residential Tariff (Dth)		Commercial Tariff (Dth)	
	Actual	Normalized	Actual	Normalized
2019	28,309,954	28,159,311	8,605,727	8,582,072
2020	24,294,229	25,976,172	7,630,559	8,074,006
2021	28,825,755	29,526,579	8,702,190	8,911,592
2022	Not Available	Not Available	Not Available	Not Available

Columbia Gas of Pennsylvania

	Residential Choice (Dth)		Commercial GTS (Dth)	
	Actual	Normalized	Actual	Normalized
2019	5,985,495	5,953,645	15,921,593	15,877,829
2020	7,101,856	7,593,533	14,357,463	15,191,841
2021	4,839,352	4,957,008	14,676,596	15,029,761
2022	Not Available	Not Available	Not Available	Not Available

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-006:

If past weather normalized sales or sales trends are used in models or otherwise relied on in reaching sales projections, please provide actual and normalized throughput by month by rate schedule from the beginning of the historic test year and the future test year through the most recent month available and update as additional data become available. Separately identify sales and transportation throughput and provide the work papers which develop normalized sales.

Response:

Models were built for total Dth per customer for the residential and commercial classes. Normalized choice and tariff Dth in Table A are an allocation of total residential and commercial normalized throughput in Table B. Table A reflects comparable throughput for the historic test year only. Please see Exhibit No. 10 Schedule 2 page 7 for the Future Test Year data and the response to GAS-COS-018 for the Fully Projected Future Test Year data. Table B illustrates the normalization routine for the residential and commercial classes and reflects test year sales. A description of the normalization procedure is described in Columbia Statement No. 2.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Table A

Residential

Historic Test Year – TME November 2021

	Actual Tariff	Actual GTS	Actual Dth	Normal Tariff	Normal GTS	Normal Dth
Dec	3,702,092	632,366	4,334,457	4,051,659	692,076	4,743,736
Jan	5,520,279	921,675	6,441,954	5,637,203	941,197	6,578,400
Feb	5,779,465	949,563	6,729,028	5,664,362	930,652	6,595,014
Mar	4,663,086	753,284	5,416,371	4,823,352	779,174	5,602,526
Apr	2,474,705	397,066	2,871,771	2,953,603	473,905	3,427,508
May	1,664,232	265,730	1,929,961	1,478,727	236,110	1,714,837
Jun	844,387	133,940	978,327	757,797	120,205	878,002
Jul	479,345	77,038	556,383	479,345	77,038	556,383
Aug	427,010	67,062	494,072	427,010	67,062	494,072
Sep	447,930	69,087	517,016	447,930	69,087	517,016
Oct	548,910	83,534	632,444	629,729	95,833	725,562
Nov	1,729,108	264,124	1,993,232	1,884,144	287,806	2,171,949
	28,280,548	4,614,468	32,895,016	29,234,862	4,770,144	34,005,006

Commercial

Historic Test Year – TME November 2021

	Actual Tariff	Actual Choice	Actual Traditional GTS	Actual Dth	Normal Tariff	Normal Choice	Normal Traditional GTS	Normal Dth
Dec	1,036,097	365,137	1,365,006	2,766,240	1,117,599	393,860	1,472,380	2,983,838
Jan	1,596,788	553,065	1,740,963	3,890,816	1,626,481	563,350	1,773,337	3,963,168
Feb	1,714,265	579,747	1,876,813	4,170,825	1,683,455	569,327	1,843,082	4,095,864
Mar	1,386,446	472,687	1,490,570	3,349,703	1,428,191	486,919	1,535,450	3,450,560
Apr	738,752	246,736	1,007,371	1,992,858	850,911	284,196	1,160,313	2,295,419
May	475,500	157,648	769,168	1,402,315	438,965	145,535	710,070	1,294,570
Jun	261,330	88,951	533,127	883,408	250,177	85,155	510,375	845,707
Jul	189,351	62,104	452,172	703,627	189,351	62,104	452,172	703,627
Aug	176,728	58,395	451,815	686,938	176,728	58,395	451,815	686,938
Sep	186,605	59,375	479,103	725,083	189,323	60,240	486,080	735,642
Oct	220,141	69,495	541,308	830,945	247,442	78,114	608,439	933,994
Nov	524,175	166,834	945,252	1,636,261	560,836	178,502	1,011,363	1,750,701
	8,506,177	2,880,174	11,652,667	23,039,018	8,759,458	2,965,697	12,014,873	23,740,029

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Table B

Residential Normalization Routine

			Normal = Actual	2002	2021	Dth/Cus		20 year average			
		Customers	Dth	Actual	NTS	TS Actual	TS Normal	Normal	HDD Actual	HDD Normal	Normal Dth
2021	Jan	403,785	6,441,954	15.95	1.40	14.56	14.90	16.29	1,034	1,058	6,578,400
2021	Feb	404,324	6,729,028	16.64	1.24	15.41	15.07	16.31	1,069	1,046	6,595,014
2021	Mar	404,632	5,416,371	13.39	1.24	12.15	12.61	13.85	845	877	5,602,526
2021	Apr	404,693	2,871,771	7.10	1.29	5.81	7.18	8.47	457	565	3,427,508
2021	May	403,650	1,929,961	4.78	1.24	3.54	3.01	4.25	319	271	1,714,837
2021	Jun	402,137	978,327	2.43	1.29	1.14	0.89	2.18	110	86	878,002
2021	Jul	401,346	556,383	1.39	1.39	0.00	0.00	1.39	12	8	556,383
2021	Aug	400,913	494,072	1.23	1.23	0.00	0.00	1.23	2	2	494,072
2021	Sep	401,187	517,016	1.29	1.29	0.00	0.00	1.29	12	17	517,016
2021	Oct	401,619	632,444	1.57	1.25	0.32	0.55	1.81	79	136	725,562
2021	Nov	403,314	1,993,232	4.94	1.23	3.71	4.15	5.39	385	431	2,171,949
2020	Dec	403,008	4,334,457	10.76	1.36	9.39	10.41	11.77	740	820	4,743,736
			32,895,016	81.47	15.44	66.03	68.78	84.22	5,064	5,317	34,005,006

Commercial Normalization Routine

			Normal = Actual	2002	2021	Dth/Cus		20 year average			
		Customers	Dth	Actual	NTS	TS Actual	TS Normal	Normal	HDD Actual	HDD Normal	Normal Dth
2021	Jan	37,417	3,890,816	103.99	20.68	83.31	85.24	105.92	1,034	1,058	3,963,168
2021	Feb	37,454	4,170,825	111.36	18.34	93.02	91.02	109.36	1,069	1,046	4,095,864
2021	Mar	37,437	3,349,703	89.48	18.34	71.14	73.83	92.17	845	877	3,450,560
2021	Apr	37,412	1,992,858	53.27	19.05	34.22	42.31	61.36	457	565	2,295,419
2021	May	37,367	1,402,315	37.53	18.37	19.16	16.28	34.64	319	271	1,294,570
2021	Jun	37,193	883,408	23.75	19.11	4.65	3.63	22.74	110	86	845,707
2021	Jul	37,098	703,627	18.97	18.97	0.00	0.00	18.97	12	8	703,627
2021	Aug	37,068	686,938	18.53	18.53	0.00	0.00	18.53	2	2	686,938
2021	Sep	37,026	725,083	19.58	18.90	0.68	0.97	19.87	12	17	735,642
2021	Oct	37,050	830,945	22.43	18.57	3.85	6.64	25.21	79	136	933,994
2021	Nov	37,121	1,636,261	44.08	18.28	25.80	28.89	47.16	385	431	1,750,701
2020	Dec	37,351	2,766,240	74.06	20.17	53.89	59.71	79.89	740	820	2,983,838
			23,039,018	617.02	227.28	389.73	408.52	635.81	5,064	5,317	23,740,029

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-007:

Please provide the work paper developing the Company's FTY load growth adjustment.

Response:

The forecasted load growth was produced with the econometric models described in Columbia Statement No. 2. Please see GAS-RR-008 Attachment A for the econometric models.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-008:

Please provide a complete copy of the computer output generated by the Company's statistical analysis package for all residential, commercial, public authority and industrial econometric models of gas demand estimated by the Company, but not presented in the filing.

Response:

Please see GAS-RR-008 Attachment A.

PENNSYLVANIA RESIDENTIAL CUSTOMER FORECAST REGRESSION

The AUTOREG Procedure

Dependent Variable HCUST = PENNSYLVANIA RESDENTIAL TOTAL CUSTOMERS

Structural Change Test

Structural Change Test

Test	Break Point	Num DF	Den DF	F Value	Pr > F
Chow	18	17	49	2.82	0.0024
Chow	24	17	49	0.83	0.6475
Chow	30	17	49	0.22	0.9993
Chow	36	17	49	0.23	0.9992
Chow	42	17	49	0.18	0.9999
Chow	48	17	49	0.89	0.5832
Chow	49	17	49	0.99	0.4813
Chow	50	17	49	1.09	0.3935
Chow	51	17	49	1.15	0.3369
Chow	52	17	49	1.2	0.3006
Chow	53	17	49	1.22	0.2823
Chow	54	17	49	1.27	0.2492
Chow	55	17	49	1.32	0.222
Chow	56	17	49	1.43	0.1648
Chow	57	17	49	1.59	0.1029
Chow	58	17	49	1.89	0.0427
Chow	59	17	49	2.16	0.0186
Chow	60	17	49	2.04	0.0271
Chow	66	17	49	0.51	0.9375

Preliminary MSE 370010

Estimates of Autoregressive Parameters

Lag	Coefficient	Standard Error	t Value
1	-0.824023	0.063708	-12.93
12	0.150490	0.063708	2.36

Yule-Walker Estimates

SSE	12309242.1	DFE	64
MSE	192332	Root MSE	438.55662
SBC	1309.94343	AIC	1263.98546
MAE	291.953327	AICC	1276.04895
MAPE	0.07406952	HQC	1282.4488
		Transformed Regression R-Square	0.9720
		Total R-Square	0.9971

Durbin-Watson Statistics

Order	DW	Pr < DW	Pr > DW
1	0.8102	<.0001	1.0000
2	1.1478	0.0001	0.9999
3	1.3049	0.0022	0.9978
4	1.5483	0.0485	0.9515
5	1.6133	0.1028	0.8972
6	1.6409	0.1295	0.8705
7	1.6405	0.1789	0.8211
8	1.7141	0.3206	0.6794
9	1.9660	0.7783	0.2217
10	1.7230	0.4314	0.5686
11	1.7104	0.4585	0.5415
12	1.6392	0.0488	0.9512

NOTE: Pr<DW is the p-value for testing positive autocorrelation, and Pr>DW is the p-value for testing negative autocorrelation.

Parameter Estimates

Variable	DF	Estimate	Standard Error	t Value	Approx Pr > |t|	Variable Label
Intercept	1	-47193	19053	-2.48	0.0159	
hhc	1	284.8862	12.0885	23.57	<.0001	HOUSEHOLD FOR COUNTY
M1	1	5544	246.8544	22.46	<.0001	January
M2	1	5986	254.5063	23.52	<.0001	February

Variable	DF	Estimate	Standard Error	t Value	Approx Pr > |t|	Variable Label
M3	1	6191	255.6151	24.22	<.0001	March
M4	1	5070	256.7143	19.75	<.0001	April
M5	1	3471	245.7385	14.13	<.0001	May
M6	1	1808	220.2126	8.21	<.0001	June
M7	1	692.7091	170.5291	4.06	0.0001	July
M10	1	772.8031	155.4685	4.97	<.0001	October
M11	1	2648	201.0372	13.17	<.0001	November
M12	1	4583	233.0592	19.66	<.0001	December
D202004	1	1932	466.9957	4.14	0.0001	Dummy variable for April 2020
D202005	1	4082	583.0315	7.00	<.0001	Dummy variable for May 2020
D202006	1	6155	623.5302	9.87	<.0001	Dummy variable for June 2020
D202007	1	7102	620.1884	11.45	<.0001	Dummy variable for July 2020
D4	1	-7758	565.1921	-13.73	<.0001	Yearmonth Before July 2020

PENNSYLVANIA RESIDENTIAL TOTAL USE PER CUSTOMER FORECAST REGRESSION

The AUTOREG Procedure

Dependent Variable UPC = USE PER CUSTOMER

Structural Change Test

Test	Break Point	Num DF	Den DF	F Value	Pr > F
Chow	24	18	107	1.18	0.2887
Chow	30	18	107	1.92	0.0215
Chow	36	18	107	2.42	0.0027

Test	Break Point	Num DF	Den DF	F Value	Pr > F
Chow	42	18	107	2.13	0.0092
Chow	48	18	107	2.07	0.0116
Chow	54	18	107	2.08	0.0110
Chow	60	18	107	2.39	0.0031
Chow	66	18	107	2.23	0.0061
Chow	72	18	107	2.08	0.0114
Chow	78	18	107	2.23	0.0060
Chow	84	18	107	1.97	0.0175
Chow	90	18	107	1.39	0.1505
Chow	96	18	107	1.21	0.2643
Chow	102	18	107	1.10	0.3646
Chow	108	18	107	0.90	0.5812
Chow	114	18	107	0.98	0.4931
Chow	120	18	107	0.84	0.6522
Chow	126	18	107	0.82	0.6700

Backward Elimination of
Autoregressive Terms

Lag	Estimate	t Value	Pr > |t|
12	-0.012002	-0.14	0.8890
2	0.017023	0.19	0.8505

Preliminary MSE 0.0466

Estimates of Autoregressive Parameters

Lag	Coefficient	Standard Error	t Value
1	-0.339702	0.084462	-4.02

Yule-Walker Estimates

SSE	6.3569638	DFE	124
MSE	0.05127	Root MSE	0.22642
SBC	55.032078	AIC	-1.2619699

MAE	0.16597894	AICC	4.91689186
MAPE	4.05901947	HQC	21.6132355
		Transformed Regression R-Square	0.9978
		Total R-Square	0.9988

Durbin-Watson Statistics

Order	DW	Pr < DW	Pr > DW
1	1.7400	0.0678	0.9322
2	1.9270	0.3463	0.6537
3	1.8738	0.2639	0.7361
4	1.7872	0.1488	0.8512
5	2.2584	0.9638	0.0362
6	2.1446	0.9011	0.0989
7	2.1510	0.9099	0.0901
8	2.0576	0.8142	0.1858
9	2.0255	0.7896	0.2104
10	1.7112	0.1690	0.8310
11	1.5587	0.0350	0.9650
12	1.8258	0.1343	0.8657

NOTE: Pr<DW is the p-value for testing positive autocorrelation, and Pr>DW is the p-value for testing negative autocorrelation.

Parameter Estimates

Variable	DF	Estimate	Standard Error	t Value	Approx Pr > |t|	Variable Label
Intercept	1	-1.7340	1.1910	-1.46	0.1479	
HDD	1	0.0157	0.000274	57.42	<.0001	HEATING DEGREE DAYS
PAPR	1	-0.0997	0.0427	-2.33	0.0213	PRICE
MAR	1	0.005116	0.001914	2.67	0.0085	INTENSITY
M1	1	-1.5431	0.3089	-5.00	<.0001	January
M2	1	-1.0320	0.2937	-3.51	0.0006	February
M3	1	-0.9429	0.2505	-3.76	0.0003	March
M4	1	-1.0647	0.1743	-6.11	<.0001	April
M5	1	-1.2317	0.1146	-10.75	<.0001	May
M6	1	-0.3223	0.0775	-4.16	<.0001	June
M9	1	-0.2595	0.0756	-3.43	0.0008	September
M10	1	-1.3941	0.0935	-14.92	<.0001	October
M11	1	-2.4311	0.1521	-15.98	<.0001	November
M12	1	-2.1387	0.2443	-8.75	<.0001	December
D201203	1	1.3569	0.2263	6.00	<.0001	Dummy Variable for March 2012

Variable	DF	Estimate	Standard Error	t Value	Approx Pr > |t|	Variable Label
D201805	1	0.6369	0.2248	2.83	0.0054	Dummy Variable for May 2018
D202004	1	-0.5965	0.2262	-2.64	0.0094	Dummy Variable for April 2020
D1M11	1	0.5454	0.1677	3.25	0.0015	November*Yearmonth before February 2012

PENNSYLVANIA COMMERCIAL CUSTOMER FORECAST REGRESSION 1

The AUTOREG Procedure

Dependent Variable HCUST = PENNSYLVANIA COMMERCIAL TOTAL CUSTOMERS

Structural Change Test

Test	Break Point	Num DF	Den DF	F Value	Pr > F
Chow	24	21	53	0.63	0.8751
Chow	30	21	53	0.52	0.9515
Chow	36	21	53	0.35	0.9946
Chow	42	21	53	0.37	0.9924
Chow	48	21	53	0.24	0.9997
Chow	54	21	53	0.43	0.9820
Chow	60	21	53	0.60	0.8999
Chow	66	21	53	2.47	0.0041
Chow	72	21	53	2.73	0.0016

Backward Elimination of Autoregressive Terms

Lag	Estimate	t Value	Pr > |t|
2	0.049692	0.42	0.6746
12	-0.067881	-0.97	0.3357

Preliminary MSE 830.5

Estimates of Autoregressive Parameters

Lag	Coefficient	Standard Error	t Value
1	-0.803142	0.069732	-11.52

Yule-Walker Estimates

SSE	61345.4358	DFE	73
MSE	840.34844	Root MSE	28.98876
SBC	985.507273	AIC	929.321981
MAE	19.8749649	AICC	943.377537

MAPE 0.05358535	HQC	952.025054
	Transformed Regression R-Square	0.9923
	Total R-Square	0.9923

Durbin-Watson Statistics

Order	DW	Pr < DW	Pr > DW
1	1.4932	0.0214	0.9786
2	1.8280	0.2909	0.7091
3	1.7333	0.1871	0.8129
4	1.7730	0.2688	0.7312
5	1.7811	0.3119	0.6881
6	2.1789	0.9409	0.0591
7	2.0181	0.7906	0.2094
8	1.8239	0.5014	0.4986
9	1.8968	0.6780	0.3220
10	1.5940	0.1901	0.8099
11	1.5231	0.1214	0.8786
12	1.3958	0.0014	0.9986

NOTE: Pr<DW is the p-value for testing positive autocorrelation, and Pr>DW is the p-value for testing negative autocorrelation.

Parameter Estimates

Variable	DF	Estimate	Standard Error	t Value	Approx Pr > |t|	Variable Label
Intercept	1	35410	463.0344	76.47	<.0001	
rgcp	1	0.007673	0.002358	3.25	0.0017	REAL GROSS COUNTY PRODUCT
M1	1	369.7609	18.1288	20.40	<.0001	January
M2	1	409.1475	18.5881	22.01	<.0001	February
M3	1	400.3720	18.5529	21.58	<.0001	March
M4	1	339.4953	18.0339	18.83	<.0001	April
M5	1	229.8565	17.0270	13.50	<.0001	May
M6	1	120.5832	15.0945	7.99	<.0001	June

Variable	DF	Estimate	Standard Error	t Value	Approx Pr > |t|	Variable Label
M7	1	37.2971	11.6946	3.19	0.0021	July
M10	1	31.0826	11.3129	2.75	0.0076	October
M11	1	143.1183	15.2344	9.39	<.0001	November
M12	1	301.2954	17.0656	17.66	<.0001	December
D201411	1	-388.8524	24.5730	-15.82	<.0001	Dummy Variable for November 2014
D201608	1	-2048	23.3488	-87.73	<.0001	Dummy Variable for August 2016
D202005	1	94.7333	30.8333	3.07	0.0030	Dummy Variable for May 2020
D202006	1	159.5607	39.2183	4.07	0.0001	Dummy Variable for June 2020
D202007	1	188.9458	42.6610	4.43	<.0001	Dummy Variable for July 2020
D202008	1	196.2974	43.4862	4.51	<.0001	Dummy Variable for August 2020
D202009	1	193.9148	42.4518	4.57	<.0001	Dummy Variable for September 2020
D202010	1	175.5017	38.9087	4.51	<.0001	Dummy Variable for October 2020
D202011	1	131.5351	31.1763	4.22	<.0001	Dummy Variable for November 2020

PENNSYLVANIA COMMERCIAL TOTAL USE PER CUSTOMER FORECAST REGRESSION

The AUTOREG Procedure

Dependent Variable UPC = USE PER CUSTOMER

Structural Change Test

Test	Break Point	Num DF	Den DF	F Value	Pr > F
Chow	18	16	87	1.63	0.0776
Chow	24	16	87	0.85	0.6263
Chow	30	16	87	0.75	0.7369
Chow	36	16	87	0.95	0.5224
Chow	42	16	87	1.96	0.0253
Chow	48	16	87	1.62	0.0811
Chow	54	16	87	2.00	0.0219
Chow	60	16	87	1.94	0.0271
Chow	66	16	87	1.89	0.0317
Chow	72	16	87	1.72	0.0567
Chow	78	16	87	1.11	0.3592
Chow	84	16	87	1.18	0.2970
Chow	90	16	87	0.92	0.5470
Chow	96	16	87	1.15	0.3260
Chow	102	16	87	1.29	0.2231

Backward Elimination of Autoregressive Terms

Lag	Coefficient	Standard Error	t Value
1	-0.282813	0.096487	-2.93
2	-0.244384	0.096487	-2.53

Preliminary MSE 2.2994

Estimates of Autoregressive Parameters

Lag	Coefficient	Standard Error	t Value
1	-0.282813	0.096487	-2.93
2	-0.244384	0.096487	-2.53

Yule-Walker Estimates

SSE	261.15161	DFE	101
MSE	2.58566	Root MSE	1.60800
SBC	517.537019	AIC	467.512796
MAE	1.13081859	AICC	474.352796
MAPE	2.91976315	HQC	487.826054
		Transformed Regression R-Square	0.9966
		Total R-Square	0.9981

Durbin-Watson Statistics

Order	DW	Pr < DW	Pr > DW
1	1.8900	0.2609	0.7391
2	1.8241	0.2202	0.7798
3	1.7075	0.0843	0.9157
4	1.7506	0.1533	0.8467
5	1.9627	0.5851	0.4149
6	1.9465	0.5968	0.4032
7	1.7695	0.2651	0.7349
8	1.4545	0.0115	0.9885
9	1.7382	0.2670	0.7330
10	1.7096	0.2503	0.7497
11	1.6435	0.1624	0.8376
12	1.7047	0.0605	0.9395

NOTE: Pr<DW is the p-value for testing positive autocorrelation, and Pr>DW is the p-value for testing negative autocorrelation.

Parameter Estimates

Variable	DF	Estimate	Standard Error	t Value	Approx Pr > |t|	Variable Label
Intercept	1	26.7782	3.7422	7.16	<.0001	
HDD	1	0.0869	0.000649	133.98	<.0001	HEATING DEGREE DAYS
PAPC	1	-0.7914	0.3365	-2.35	0.0206	PRICE
M1	1	-6.6588	0.7994	-8.33	<.0001	January
M3	1	-3.2839	0.5835	-5.63	<.0001	March
M4	1	-4.3027	0.5719	-7.52	<.0001	April
M5	1	-6.0507	0.5776	-10.48	<.0001	May
M6	1	-2.1188	0.5385	-3.93	0.0002	June
M10	1	-5.0886	0.5296	-9.61	<.0001	October

Variable	DF	Estimate	Standard Error	t Value	Approx Pr > |t|	Variable Label
M11	1	-9.2957	0.5533	-16.80	<.0001	November
M12	1	-8.4187	0.6055	-13.90	<.0001	December
D201607	1	5.2234	1.5279	3.42	0.0009	Dummy Variable for July 2016
D2HDD	1	-0.005466	0.001133	-4.82	<.0001	HDD*Yearmonth Before April 2013
D1M1	1	3.7779	0.9835	3.84	0.0002	January*Yearmonth After October 2016
D202004	1	-6.8797	1.6169	-4.25	<.0001	Dummy Variable for April 2020
D202005	1	-6.2216	1.6221	-3.84	0.0002	Dummy Variable for May 2020

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-009:

Identify the historical data source(s) for each dependent and independent variable utilized to develop the econometric models of gas demands for each forecasted customer group.

Response:

Historical data for each dependent variable are obtained from the Company's databases. The gas price variable is obtained from the US Energy Information Administration (EIA). Historical data for independent variables, including deflators and economic variables, are provided by IHS Global Insight, Inc., a data consulting firm. Historical data for efficiency variables are provided by Itron, Inc., a national utility consulting firm. Historical weather data is provided by DTN, a weather consulting service. The dependent and independent variables can be found in RR-011 Attachments A, B, C, and D.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-010:

Identify the source(s) and supporting documentation for the FTY value of each independent variable which required forecasting in the Company's gas demand models.

Response:

Future values of each independent economic variable and deflator are provided by IHS Global Insight, Inc., a data consultant. Future values for the efficiency and intensity variables are provided by Itron, Inc., a national utility consulting firm. Future values of the gas price variable are provided by the U.S Energy Information Administration. Normal Heating Degree Days are calculated using historical weather data provided by DTN, a weather consulting service. The independent variables can be found in RR-011 Attachments A, B, C, and D.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-011:

Please provide in hard copy and on a computer diskette in Lotus 1-2-3, QuattroPro or other spreadsheet format, the dependent and independent variable databases relied upon to produce the Company's gas demand models. For variables based on averages, include the observations which comprise the average (e.g., gas prices).

Response:

Historical and forecast values for the independent and dependent variables available for the Company's gas demand models are contained in four attachments to this response: GAS-RR-011 Attachments A, B, C, and D.

Residential

Year	Month	Total Customers	Household County Level
2015	1	385189	1534.40
2015	2	385720	1533.99
2015	3	386107	1533.58
2015	4	384945	1533.17
2015	5	383546	1532.76
2015	6	381645	1532.35
2015	7	380414	1532.11
2015	8	379774	1531.87
2015	9	379880	1531.64
2015	10	381211	1531.40
2015	11	383420	1531.16
2015	12	385616	1530.93
2016	1	387022	1530.69
2016	2	387739	1530.46
2016	3	388108	1530.22
2016	4	386798	1529.98
2016	5	385327	1529.75
2016	6	384212	1529.51
2016	7	383324	1530.74
2016	8	383130	1531.97
2016	9	383098	1533.21
2016	10	384130	1534.44
2016	11	386175	1535.67
2016	12	388830	1536.90
2017	1	390254	1538.14
2017	2	390777	1539.37
2017	3	391078	1540.60
2017	4	390176	1541.83
2017	5	388794	1543.06
2017	6	387557	1544.30
2017	7	386740	1545.67
2017	8	386176	1547.05
2017	9	386501	1548.43
2017	10	387583	1549.80
2017	11	389897	1551.18
2017	12	392349	1552.56
2018	1	393759	1553.94
2018	2	394172	1555.31
2018	3	394418	1556.69
2018	4	393550	1558.07
2018	5	392010	1559.44
2018	6	390689	1560.82
2018	7	389727	1562.18
2018	8	389241	1563.53
2018	9	389708	1564.89
2018	10	390942	1566.24
2018	11	393551	1567.60
2018	12	395703	1568.96

Residential

Year	Month	Total Customers	Household County Level
2019	1	396660	1570.31
2019	2	397257	1571.67
2019	3	397564	1573.03
2019	4	396747	1574.38
2019	5	395563	1575.74
2019	6	394045	1577.09
2019	7	393293	1576.03
2019	8	392735	1574.97
2019	9	393051	1573.91
2019	10	394141	1572.85
2019	11	396927	1571.79
2019	12	399076	1570.73
2020	1	399994	1569.67
2020	2	400464	1568.61
2020	3	400735	1567.55
2020	4	400727	1566.49
2020	5	400673	1565.42
2020	6	400630	1564.36
2020	7	400444	1565.06
2020	8	400410	1565.75
2020	9	400686	1566.44
2020	10	401227	1567.13
2020	11	402017	1567.83
2020	12	403008	1568.52
2021	1	403785	1569.21
2021	2	404324	1569.90
2021	3	404632	1570.59
2021	4	404693	1571.29
2021	5	403650	1571.98
2021	6	402137	1572.67
2021	7	401346	1573.13
2021	8	400913	1573.60
2021	9	401187	1574.06
2021	10	401619	1574.52
2021	11	403314	1574.98
2021	12		1575.44
2022	1		1575.91
2022	2		1576.37
2022	3		1576.83
2022	4		1577.29
2022	5		1577.76
2022	6		1578.22
2022	7		1578.83
2022	8		1579.44
2022	9		1580.05
2022	10		1580.66
2022	11		1581.27
2022	12		1581.88

Residential

Year	Month	Total Customers	Household County Level
2023	1		1582.49
2023	2		1583.10
2023	3		1583.71
2023	4		1584.32
2023	5		1584.93
2023	6		1585.53
2023	7		1586.08
2023	8		1586.62
2023	9		1587.16
2023	10		1587.70
2023	11		1588.24
2023	12		1588.78
2024	1		1589.32
2024	2		1589.87
2024	3		1590.41
2024	4		1590.95
2024	5		1591.49
2024	6		1592.03
2024	7		1592.48
2024	8		1592.92
2024	9		1593.37
2024	10		1593.81
2024	11		1594.26
2024	12		1594.71
2025	1		1595.15
2025	2		1595.60
2025	3		1596.04
2025	4		1596.49
2025	5		1596.93
2025	6		1597.38
2025	7		1597.80
2025	8		1598.22
2025	9		1598.64
2025	10		1599.06
2025	11		1599.48
2025	12		1599.90
2026	1		1600.32
2026	2		1600.74
2026	3		1601.16
2026	4		1601.58
2026	5		1602.00
2026	6		1602.42
2026	7		1602.94
2026	8		1603.45
2026	9		1603.97
2026	10		1604.48
2026	11		1605.00
2026	12		1605.51

Commercial

Year	Month	Total Customers	Real Gross County Product
2014	1	37204	185612.44
2014	2	37280	185928.61
2014	3	37281	186244.77
2014	4	37196	186560.94
2014	5	37044	186877.11
2014	6	36934	187193.28
2014	7	36838	187581.45
2014	8	36833	187969.62
2014	9	36795	188357.79
2014	10	36837	188745.96
2014	11	36619	189134.13
2014	12	37225	189522.30
2015	1	37283	189910.48
2015	2	37312	190298.65
2015	3	37317	190686.82
2015	4	37242	191074.99
2015	5	37089	191463.16
2015	6	36944	191851.33
2015	7	36871	191780.98
2015	8	36819	191710.63
2015	9	36789	191640.28
2015	10	36848	191569.93
2015	11	36961	191499.58
2015	12	37102	191429.24
2016	1	37226	191358.89
2016	2	37289	191288.54
2016	3	37280	191218.19
2016	4	37211	191147.84
2016	5	37136	191077.49
2016	6	37034	191007.14
2016	7	36967	191372.14
2016	8	34851	191737.14
2016	9	36870	192102.14
2016	10	36892	192467.13
2016	11	36987	192832.13
2016	12	37136	193197.13
2017	1	37233	193562.13
2017	2	37260	193927.12
2017	3	37263	194292.12
2017	4	37193	194657.12
2017	5	37088	195022.12
2017	6	37049	195387.12
2017	7	36952	195741.57
2017	8	36919	196096.03
2017	9	36894	196450.48
2017	10	36927	196804.94
2017	11	37069	197159.39
2017	12	37222	197513.85

Commercial

Year	Month	Total Customers	Real Gross County Product
2018	1	37311	197868.31
2018	2	37313	198222.76
2018	3	37275	198577.22
2018	4	37227	198931.67
2018	5	37127	199286.13
2018	6	37056	199640.59
2018	7	36980	199936.51
2018	8	36938	200232.43
2018	9	36933	200528.36
2018	10	36965	200824.28
2018	11	37057	201120.21
2018	12	37202	201416.13
2019	1	37221	201712.05
2019	2	37278	202007.98
2019	3	37281	202303.90
2019	4	37254	202599.83
2019	5	37147	202895.75
2019	6	37051	203191.67
2019	7	36994	202422.43
2019	8	36985	201653.19
2019	9	36973	200883.95
2019	10	36998	200114.70
2019	11	37107	199345.46
2019	12	37245	198576.22
2020	1	37290	197806.98
2020	2	37336	197037.74
2020	3	37343	196268.49
2020	4	37279	195499.25
2020	5	37261	194730.01
2020	6	37215	193960.77
2020	7	37173	194716.98
2020	8	37157	195473.20
2020	9	37171	196229.41
2020	10	37203	196985.62
2020	11	37294	197741.84
2020	12	37348	198498.05
2021	1	37416	199254.27
2021	2	37454	200010.48
2021	3	37435	200766.69
2021	4	37410	201522.91
2021	5	37363	202279.12
2021	6	37190	203035.33
2021	7	37095	203853.25
2021	8	37066	204671.17
2021	9	37023	205489.08
2021	10	37046	206307.00
2021	11	37120	207124.92
2021	12		207942.83

Commercial

Year	Month	Total Customers	Real Gross County Product
2022	1		208760.75
2022	2		209578.67
2022	3		210396.58
2022	4		211214.50
2022	5		212032.42
2022	6		212850.33
2022	7		213375.69
2022	8		213901.05
2022	9		214426.40
2022	10		214951.76
2022	11		215477.11
2022	12		216002.47
2023	1		216527.82
2023	2		217053.18
2023	3		217578.54
2023	4		218103.89
2023	5		218629.25
2023	6		219154.60
2023	7		219603.20
2023	8		220051.80
2023	9		220500.39
2023	10		220948.99
2023	11		221397.59
2023	12		221846.18
2024	1		222294.78
2024	2		222743.38
2024	3		223191.97
2024	4		223640.57
2024	5		224089.17
2024	6		224537.76
2024	7		224930.58
2024	8		225323.40
2024	9		225716.22
2024	10		226109.04
2024	11		226501.86
2024	12		226894.68
2025	1		227287.50
2025	2		227680.31
2025	3		228073.13
2025	4		228465.95
2025	5		228858.77
2025	6		229251.59
2025	7		229610.21
2025	8		229968.83
2025	9		230327.45
2025	10		230686.08
2025	11		231044.70
2025	12		231403.32

Commercial

Year	Month	Total Customers	Real Gross County Product
2026	1		231761.94
2026	2		232120.56
2026	3		232479.19
2026	4		232837.81
2026	5		233196.43
2026	6		233555.05
2026	7		234245.97
2026	8		234936.89
2026	9		235627.82
2026	10		236318.74
2026	11		237009.66
2026	12		237700.58

Residential

Year	Month	Residential Use per Customer	Real Residential Gas Price	Residential Intensity	Heating Degree Days
2010	1	18.55	19.55	956.99	1220
2010	2	17.53	19.18	955.44	1098
2010	3	14.52	18.85	953.90	879
2010	4	7.26	18.60	952.35	420
2010	5	4.22	18.51	950.80	258
2010	6	2.22	18.32	949.25	64
2010	7	1.68	18.23	948.45	10
2010	8	1.40	18.16	947.66	2
2010	9	1.46	18.13	946.86	26
2010	10	2.63	18.12	946.06	175
2010	11	6.44	18.23	945.26	455
2010	12	13.31	18.16	944.46	941
2011	1	19.72	18.08	943.67	1271
2011	2	17.98	17.99	942.87	1114
2011	3	13.37	17.90	942.07	820
2011	4	10.05	17.80	941.27	629
2011	5	4.43	17.57	940.47	274
2011	6	2.13	17.42	939.68	53
2011	7	1.60	17.38	939.00	7
2011	8	1.41	17.33	938.33	1
2011	9	1.47	17.27	937.66	30
2011	10	2.68	17.21	936.98	176
2011	11	6.61	17.11	936.31	467
2011	12	9.99	17.07	935.64	705
2012	1	14.73	17.07	934.97	986
2012	2	13.82	17.02	934.29	902
2012	3	11.95	16.96	933.62	671
2012	4	5.95	16.87	932.95	393
2012	5	4.53	16.86	932.27	268
2012	6	1.94	16.78	931.60	50
2012	7	1.53	16.78	930.98	6
2012	8	1.39	16.68	930.36	2
2012	9	1.47	16.60	929.74	31
2012	10	2.72	16.55	929.13	212
2012	11	6.75	16.46	928.51	495
2012	12	11.66	16.28	927.89	784
2013	1	16.05	16.15	927.27	1029
2013	2	16.66	16.09	926.65	1031
2013	3	15.31	16.00	926.03	930
2013	4	11.16	15.91	925.41	669
2013	5	4.08	15.82	924.79	241
2013	6	2.45	15.84	924.17	99
2013	7	1.55	15.71	923.50	6
2013	8	1.45	15.80	922.83	9
2013	9	1.57	15.82	922.15	37
2013	10	2.06	15.80	921.48	141
2013	11	6.34	15.94	920.81	472

Year	Month	Residential Use per Customer	Real Residential Gas Price	Residential Intensity	Heating Degree Days
2013	12	13.86	15.98	920.14	920
2014	1	18.98	15.97	919.46	1183
2014	2	20.11	15.96	918.79	1222
2014	3	17.25	15.96	918.12	1040
2014	4	10.70	15.99	917.44	634
2014	5	4.97	16.03	916.77	295
2014	6	2.13	16.02	916.10	64
2014	7	1.52	16.14	915.61	7
2014	8	1.46	16.14	915.13	16
2014	9	1.54	16.12	914.64	38
2014	10	2.38	16.11	914.16	171
2014	11	6.18	16.03	913.67	465
2014	12	13.57	16.01	913.19	909
2015	1	17.40	16.02	912.70	1131
2015	2	18.89	16.02	912.22	1208
2015	3	18.43	16.00	911.73	1145
2015	4	9.87	15.90	911.25	597
2015	5	4.05	15.79	910.76	227
2015	6	1.98	15.77	910.27	63
2015	7	1.54	15.51	909.36	8
2015	8	1.37	15.28	908.44	2
2015	9	1.43	15.10	907.52	16
2015	10	2.31	15.05	906.61	146
2015	11	4.98	14.80	905.69	368
2015	12	9.37	14.70	904.77	647
2016	1	14.18	14.60	903.86	929
2016	2	16.60	14.43	902.94	1022
2016	3	12.17	14.27	902.02	724
2016	4	7.96	14.21	901.11	493
2016	5	4.18	14.12	900.19	278
2016	6	2.35	13.90	899.27	90
2016	7	1.46	13.87	898.39	6
2016	8	1.26	13.90	897.50	1
2016	9	1.31	13.97	896.61	4
2016	10	1.79	14.00	895.72	108
2016	11	4.85	14.10	894.84	369
2016	12	12.20	14.09	893.95	807
2017	1	16.48	14.02	893.06	1036
2017	2	13.41	14.09	892.18	826
2017	3	11.50	14.22	891.29	724
2017	4	8.13	14.27	890.40	493
2017	5	3.49	14.41	889.51	220
2017	6	2.16	14.54	888.63	86
2017	7	1.44	14.61	887.77	10
2017	8	1.30	14.67	886.92	3
2017	9	1.52	14.68	886.07	47
2017	10	1.71	14.53	885.22	88
2017	11	5.79	14.77	884.37	430
2017	12	12.75	14.82	883.52	856

Year	Month	Residential Use per Customer	Real Residential Gas Price	Residential Intensity	Heating Degree Days
2018	1	20.76	14.90	882.66	1313
2018	2	15.47	14.91	881.81	946
2018	3	12.44	14.94	880.96	787
2018	4	11.77	14.92	880.11	748
2018	5	4.78	14.82	879.26	259
2018	6	1.65	14.89	878.40	28
2018	7	1.38	14.95	877.57	5
2018	8	1.25	14.94	876.74	1
2018	9	1.34	14.93	875.91	15
2018	10	2.01	15.05	875.08	133
2018	11	7.39	14.69	874.25	566
2018	12	14.20	14.58	873.41	951
2019	1	15.57	14.56	872.58	1018
2019	2	17.03	14.57	871.75	1062
2019	3	14.40	14.52	870.92	911
2019	4	8.41	14.53	870.09	525
2019	5	3.36	14.74	869.26	204
2019	6	1.90	14.78	868.42	61
2019	7	1.39	14.77	867.74	7
2019	8	1.22	14.79	867.06	1
2019	9	1.33	14.82	866.37	8
2019	10	1.89	14.85	865.69	116
2019	11	6.38	15.02	865.01	492
2019	12	13.46	15.07	864.32	904
2020	1	14.61	15.03	863.64	941
2020	2	13.75	15.02	862.96	874
2020	3	11.83	15.02	862.27	746
2020	4	7.41	15.01	861.59	511
2020	5	6.33	14.81	860.90	426
2020	6	2.60	14.54	860.22	102
2020	7	1.40	14.38	859.45	5
2020	8	1.22	14.34	858.69	0
2020	9	1.37	14.27	857.92	23
2020	10	2.30	14.15	857.15	171
2020	11	4.99	14.01	856.38	375
2020	12	10.76	13.99	855.62	740
2021	1	15.96	13.98	854.85	1034
2021	2	16.65	13.92	854.08	1069
2021	3	13.38	13.85	853.31	845
2021	4	7.10	13.82	852.55	457
2021	5	4.78	13.84	851.78	319
2021	6	2.41	13.91	851.01	110
2021	7	1.40	13.94	850.26	12
2021	8	1.24	13.89	849.50	2
2021	9	1.29	13.85	848.75	12
2021	10	1.58	13.89	848.00	79
2021	11	4.94	14.18	847.24	385
2021	12		14.11	846.49	832
2022	1		14.05	845.74	1054

Year	Month	Residential Use per Customer	Real Residential Gas Price	Residential Intensity	Heating Degree Days
2022	2		14.01	844.98	1047
2022	3		13.97	844.23	870
2022	4		13.93	843.47	552
2022	5		13.89	842.72	277
2022	6		13.86	841.97	85
2022	7		13.81	841.22	7
2022	8		13.77	840.47	2
2022	9		13.73	839.72	18
2022	10		13.69	838.97	139
2022	11		13.67	838.22	440
2022	12		13.65	837.47	829
2023	1		13.64	836.73	1054
2023	2		13.61	835.98	1047
2023	3		13.58	835.23	870
2023	4		13.54	834.48	552
2023	5		13.50	833.73	277
2023	6		13.46	832.98	85
2023	7		13.40	832.30	7
2023	8		13.34	831.62	2
2023	9		13.27	830.93	18
2023	10		13.21	830.25	139
2023	11		13.15	829.57	440
2023	12		13.12	828.88	829
2024	1		13.08	828.20	1054
2024	2		13.05	827.52	1047
2024	3		13.01	826.84	870
2024	4		12.97	826.15	552
2024	5		12.93	825.47	277
2024	6		12.88	824.79	85
2024	7		12.82	824.11	7
2024	8		12.75	823.43	2
2024	9		12.67	822.76	18
2024	10		12.60	822.08	139
2024	11		12.53	821.41	440
2024	12		12.49	820.73	829
2025	1		12.46	820.05	1054
2025	2		12.46	819.38	1047
2025	3		12.46	818.70	870
2025	4		12.46	818.03	552
2025	5		12.46	817.35	277
2025	6		12.46	816.67	85
2025	7		12.46	816.01	7
2025	8		12.46	815.34	2
2025	9		12.46	814.67	18
2025	10		12.47	814.01	139
2025	11		12.47	813.34	440
2025	12		12.47	812.67	829
2026	1		12.47	812.01	1054
2026	2		12.47	811.34	1047

Year	Month	Residential Use per Customer	Real Residential Gas Price	Residential Intensity	Heating Degree Days
2026	3		12.47	810.68	870
2026	4		12.48	810.01	552
2026	5		12.48	809.34	277
2026	6		12.48	808.68	85
2026	7		12.49	808.07	7
2026	8		12.49	807.46	2
2026	9		12.49	806.86	18
2026	10		12.50	806.25	139
2026	11		12.50	805.64	440
2026	12		12.50	805.04	829

Commercial

Year	Month	Commercial Use Per Customer	Real Commercial Gas Price	Heating Degree Days
2012	1	87.65	12.64	986
2012	2	84.13	12.61	902
2012	3	68.63	12.57	671
2012	4	42.26	12.52	393
2012	5	32.46	12.49	268
2012	6	20.78	12.49	50
2012	7	17.96	12.55	6
2012	8	17.91	12.48	2
2012	9	19.11	12.46	31
2012	10	26.55	12.46	212
2012	11	49.99	12.43	495
2012	12	73.22	12.34	784
2013	1	95.51	12.29	1029
2013	2	104.70	12.21	1031
2013	3	92.13	12.13	930
2013	4	69.75	12.08	669
2013	5	32.06	12.08	241
2013	6	22.36	12.07	99
2013	7	17.91	12.06	6
2013	8	18.67	12.15	9
2013	9	19.66	12.19	37
2013	10	23.52	12.26	141
2013	11	50.08	12.29	472
2013	12	87.31	12.31	920
2014	1	113.98	12.31	1183
2014	2	124.27	12.28	1222
2014	3	103.11	12.27	1040
2014	4	68.18	12.28	634
2014	5	36.09	12.31	295
2014	6	21.54	12.29	64
2014	7	18.67	12.32	7
2014	8	19.55	12.31	16
2014	9	19.99	12.31	38
2014	10	24.67	12.28	171
2014	11	47.60	12.27	465
2014	12	85.45	12.23	909
2015	1	108.09	12.23	1131
2015	2	119.22	12.23	1208
2015	3	112.76	12.20	1145
2015	4	65.53	12.10	597
2015	5	33.30	12.00	227
2015	6	22.21	11.92	63
2015	7	19.59	11.76	8
2015	8	18.68	11.66	2
2015	9	20.07	11.49	16
2015	10	25.78	11.37	146
2015	11	40.11	11.20	368
2015	12	63.08	11.09	647
2016	1	91.52	10.94	929
2016	2	106.78	10.74	1022
2016	3	77.10	10.56	724
2016	4	55.42	10.47	493
2016	5	34.97	10.30	278
2016	6	23.66	10.14	90
2016	7	24.07	10.08	6
2016	8	19.41	9.98	1
2016	9	19.10	9.94	4
2016	10	24.06	9.93	108
2016	11	40.96	9.95	369
2016	12	81.49	9.94	807
2017	1	106.21	9.92	1036
2017	2	88.58	10.00	826
2017	3	77.18	10.10	724
2017	4	57.21	10.14	493
2017	5	31.23	10.24	220
2017	6	23.66	10.37	86
2017	7	19.00	10.44	10
2017	8	18.86	10.50	3

Year	Month	Commercial Use Per Customer	Real Commercial Gas Price	Heating Degree Days
2017	9	20.90	10.55	47
2017	10	22.75	10.54	88
2017	11	47.37	10.62	430
2017	12	85.56	10.65	856
2018	1	131.83	10.71	1313
2018	2	103.40	10.73	946
2018	3	83.51	10.79	787
2018	4	80.18	10.78	748
2018	5	38.50	10.77	259
2018	6	21.44	10.77	28
2018	7	19.14	10.76	5
2018	8	19.10	10.76	1
2018	9	20.06	10.76	15
2018	10	27.32	10.72	133
2018	11	55.05	10.64	566
2018	12	94.78	10.61	951
2019	1	103.50	10.61	1018
2019	2	114.78	10.58	1062
2019	3	95.79	10.53	911
2019	4	61.53	10.54	525
2019	5	31.76	10.54	204
2019	6	23.02	10.81	61
2019	7	19.39	10.83	7
2019	8	19.24	10.82	1
2019	9	20.83	10.84	8
2019	10	25.28	10.90	116
2019	11	52.70	10.99	492
2019	12	91.85	10.97	904
2020	1	98.84	10.93	941
2020	2	93.97	10.91	874
2020	3	78.85	10.85	746
2020	4	50.33	10.89	511
2020	5	41.60	10.86	426
2020	6	22.32	10.58	102
2020	7	16.99	10.44	5
2020	8	16.76	10.37	0
2020	9	18.91	10.36	23
2020	10	25.61	10.17	171
2020	11	41.62	10.04	375
2020	12	74.02	9.99	740
2021	1	103.82	9.95	1034
2021	2	111.66	9.92	1069
2021	3	89.37	9.90	845
2021	4	53.33	9.83	457
2021	5	37.59	9.81	319
2021	6	23.62	9.70	110
2021	7	18.90	9.74	12
2021	8	18.46	9.68	2
2021	9	19.59	9.57	12
2021	10	22.46	9.69	79
2021	11	44.08	9.81	385
2021	12		9.78	832
2022	1		9.75	1054
2022	2		9.74	1047
2022	3		9.74	870
2022	4		9.74	552
2022	5		9.74	277
2022	6		9.75	85
2022	7		9.76	7
2022	8		9.78	2
2022	9		9.80	18
2022	10		9.82	139
2022	11		9.84	440
2022	12		9.86	829
2023	1		9.88	1054
2023	2		9.84	1047
2023	3		9.80	870
2023	4		9.75	552
2023	5		9.71	277
2023	6		9.66	85

Year	Month	Commercial Use Per Customer	Real Commercial Gas Price	Heating Degree Days
2023	7		9.60	7
2023	8		9.54	2
2023	9		9.49	18
2023	10		9.43	139
2023	11		9.37	440
2023	12		9.33	829
2024	1		9.29	1054
2024	2		9.25	1047
2024	3		9.20	870
2024	4		9.15	552
2024	5		9.10	277
2024	6		9.05	85
2024	7		8.98	7
2024	8		8.92	2
2024	9		8.86	18
2024	10		8.79	139
2024	11		8.73	440
2024	12		8.69	829
2025	1		8.64	1054
2025	2		8.64	1047
2025	3		8.64	870
2025	4		8.64	552
2025	5		8.64	277
2025	6		8.64	85
2025	7		8.63	7
2025	8		8.63	2
2025	9		8.63	18
2025	10		8.63	139
2025	11		8.63	440
2025	12		8.63	829
2026	1		8.63	1054
2026	2		8.63	1047
2026	3		8.63	870
2026	4		8.63	552
2026	5		8.63	277
2026	6		8.63	85
2026	7		8.64	7
2026	8		8.64	2
2026	9		8.64	18
2026	10		8.64	139
2026	11		8.64	440
2026	12		8.64	829

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-012:

In the form identical to the previous question, please provide a database for all independent variables which were analyzed by the Company, but exclude from the filed gas demand models.

Response:

Please see GAS-RR-011 Attachments A, B, C, and D.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-013:

For each customer receiving service at less than the maximum applicable tariff rate, please provide:

a. actual consumption for the two most recent calendar years;

b. actual consumption for the HTY and the most recent twelve month period for which data is available;

c. the currently applicable rate;

d. an explanation for the rate discount.

Response:

a. Please see GAS-RR-013 Attachment A.
b. Please see GAS-RR-013 Attachment A.
c. Flex rate information is proprietary and will be provided subject to an appropriate protective order or confidentiality agreement.
d. Please see GAS-RR-013 Attachment A.

Columbia Gas of Pennsylvania, Inc
For Customers Receiving Service at Less Than Maximum Applicable Tariff Rates
For the TME December 31, 2020, December 31, 2021 and November 30, 2021

Description	12 Months Ended 12/31/2020	12 Months Ended 12/31/2021	12 Months Ended 11/30/2021	Reason for Discount	Tariff Rate Schedule
	DTH	DTH	DTH		
802	505,898.0	458,680.0	450,529.0	Bypass to Interstate Pipeline	MLDS II 3,400,000-7,500,000
803 [1]	N/A	N/A	N/A	Bypass to Interstate Pipeline	
808	414,779.0	445,017.0	436,795.0	Bypass to Interstate Pipeline	LDS 3,400,000-7,500,000
809 - Account # 1	211,404.0	190,016.0	190,590.0	Bypass to Interstate Pipeline	LDS 1,074,000-3,400,000
809 - Account # 2	516,051.0	576,094.0	569,103.0	Bypass to Interstate Pipeline	LDS 3,400,000-7,500,000
810 - Account #1	529,616.0	571,726.0	565,928.0	Bypass to Interstate Pipeline	LDS 3,400,000-7,500,000
810 - Account #2	39,149.0	13,819.0	10,113.0	Bypass to Interstate Pipeline	SDS 110,000-540,000
816	182,651.0	96,826.0	N/A	Bypass to Interstate Pipeline	LDS 1,074,000-3,400,000
819 [1]	N/A	N/A	N/A	Bypass to Interstate Pipeline	
820 [1]	N/A	N/A	N/A	Bypass to Interstate Pipeline	
830 [1]	N/A	N/A	N/A	Bypass to LDC	
831	2,187,289.0	2,193,209.0	2,178,351.0	Bypass to Interstate Pipeline	MLDS I Greater than 7,500,000
833	434,448.0	427,776.0	422,837.0	Bypass to Interstate Pipeline	LDS 3,400,000-7,500,000
838 [1]	N/A	N/A	N/A	Bypass to LDC	
840	75,731.0	83,086.0	84,397.0	Bypass to LDC	LDS 540,000-1,074,000
845	213,839.0	243,815.0	241,814.0	Bypass to LDC	LDS 1,074,000-3,400,000
846	682,486.0	711,402.0	721,966.0	Bypass to Interstate Pipeline	LDS 3,400,000-7,500,000
847	21,915.0	23,758.0	23,910.0	Bypass to LDC	SDS 110,000-540,000
848	4,755.0	3,828.0	3,714.0	Bypass to LDC	SGDS 6,440-64,400
856 [1]	N/A	N/A	N/A	Bypass to LDC	
857	2,117.0	1,684.0	1,794.0	Bypass to LDC	SGDS 6,440-64,400
868 [3]	11,776.0	420.0	683.0	Rate EGDS	SDS 110,000-540,000
872 [2]	N/A	N/A	N/A	Bypass to Interstate Pipeline	
873	108,099.0	103,057.0	102,683.0	Bypass to LDC	LDS 1,074,000-3,400,000
875	1,847,418.0	1,987,581.0	1,970,867.0	Bypass to Interstate Pipeline	LDS Greater than 7,500,000
876	11,040.0	11,632.0	11,663.0	Bypass to LDC	SDS 110,000-540,000
877	3,869.0	4,347.0	4,300.0	Bypass to LDC	SGDS 6,440-64,400
879	7,912.0	8,044.0	8,057.0	Bypass to LDC	SDS 64,400-110,000
880	3,101,933.0	3,365,459.0	3,381,235.0	Bypass to Interstate Pipeline	LDS Greater than 7,500,000
881	67,835.0	47,379.0	47,373.0	Bypass to Interstate Pipeline	LDS 540,000-1,074,000
882	N/A	458,680.0	450,529.0	Bypass to Interstate Pipeline	LDS 1,074,000-3,400,000

1 No longer flex
2 Account no longer active as of December 2019
3 Inactive as of 11/17/21

CPA Budgeted Capital Expenditures by Activity ($000)

Gen	Description	2021 Budget	2022 Projected	2023 Projected
New Business				
376	Mains - New Business	24,959	18,564	22,115
380	Service Lines - New	12,969	13,386	15,946
381	Meters - New	537	569	593
382	Meter Installation - New	460	488	508
383	Regulators - House - New	921	810	1,017
378	Regulators - Plant - New	410	410	410
374	Regulator Sites	240	240	240
375	Regulator Structures - New	170	170	170
384	Service Regulators - New	21	21	21
385	Large Vol/XS Press Meas Station - New	200	200	200
378	Large Projects	0	8,722	573
Total New Business		**40,886**	**43,580**	**41,793**
Replacement - Age & Condition				
355	Measuring and Regulating Station	0	0	0
354	Compressor Stations	0	0	0
Various	Acquisition or Sale of Gas Plant in Serv	0	0	0
376	Mains - Leakage Elimination	176,932	175,990	215,723
380	Service Lines - Replace	68,191	66,903	75,737
381	Meters - Replace	900	950	1,000
382	Meter Installation - Replace	1,050	1,100	1,150
383	Regulators - House - Replace	70	80	90
378	Regulators - Plant - Replace	1,700	5,550	5,650
375	Regulator Structures - Replace	300	885	885
385	Large Vol/XS Press Meas Station - Replace	900	900	900
376	Corrosion Mitigation Installation	150	150	150
383	Service Regulators - Replacement	20	20	20
376	Large Projects	6,000	23,253	41,088
378	Large Projects	4,625	50	0
Total Replacement - Age & Condition		**260,838**	**275,831**	**342,392**
Replacement - Mandatory				
376	Mains - Street Improvement	8,997	8,125	7,100
376	Major Projects	0	5,625	0
Total Replacement - Mandatory		**8,997**	**13,750**	**7,100**
Betterment				
376	Major Projects	22,500	4,338	4,825
376	Mains - Service Improvement	20,115	11,264	2,000
Total Betterment		**42,615**	**15,603**	**6,825**
Support Services and Other				
391	Misc - Office Furniture and Equipment	0	0	0
375/390	Misc - General Structures	0	0	0
398	Misc - Building Equipment	0	0	0
375.71	Misc - Structures and Improvements	0	0	0
397	Comm Equip (W GPS & ERX)	1,251	1,418	1,096
394	Misc - Miscellaneous	1,499	9,013	1,989
378	Acquisition - Affiliate	0	0	0
Total Support Services and Other		**2,750**	**10,431**	**3,085**
Total Operations Budget		**356,086**	**359,195**	**401,195**
	Shared Services Allocation	32,795	19,871	21,934
Total Capital Program		**388,881**	**379,065**	**423,129**

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-014:

Please provide a copy of the Company's detailed capital budgets for the preceding and current calendar years which underlie the projected test year capital additions in this case.

Response:

Please see GAS-RR-014 Attachment A.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-015:

Please provide a variance or other similar report comparing actual and budgeted construction expenditures at the conclusion of each budget period for the past three years and as of the most recent date available.

Response:

Please see GAS RR-015 Attachment A.

CPA Capital Budget to Actual by Activity (000)

Activity	Description	2019 Budget	Dec 2019 YTD Actuals	2019 Variance Fav/(Unfav)	2020 Budget	Dec 2020 YTD Actuals	2020 Variance Fav/(Unfav)	2021 Budget	Dec 2021 YTD Actuals	2021 Variance Fav/(Unfav)
New Business										
555	Mains - New Business	27,341	37,611	(10,271)	21,118	20,254	863	24,959	10,506	14,452
563	Service Lines - New	13,097	13,495	(398)	11,759	11,844	(85)	12,969	14,565	(1,595)
567	Meters - New	500	504	(5)	515	700	(185)	537	987	(450)
569	Meter Installation - New	899	435	464	927	723	204	460	906	(446)
571	Regulators - House - New	500	864	(364)	143	930	(788)	921	898	23
573	Regulators - Plant - New	410	(16)	426	410	129	281	410	183	227
575	Regulator Sites	240	147	93	240	225	15	240	293	(53)
577	Regulator Structures - New	170	5	165	170	174	(4)	170	75	95
587	Large Vol/XS Press Meas Station - New	200	55	145	200	77	123	200	32	168
593	Service Regulators - New	20	43	(23)	20	48	(28)	21	21	(0)
837	Large Projects	0	0	0	0	0	0	0	98	(98)
Total New Business		**43,376**	**53,143**	**(9,767)**	**35,502**	**35,105**	**396**	**40,886**	**28,563**	**12,323**
Replacement - Age & Condition										
109	Measuring and Regulating Station	0	0	0	0	0	0	0	4	(4)
311	Compressor Stations	0	9	(9)	0	1,037	(1,037)	0	276	(276)
557	Mains - Leakage Elimination	119,870	92,741	27,129	161,005	173,856	(12,852)	176,932	166,333	10,599
557	Mains/Customer Owned Service Lines	22,640	68,672	(46,032)	19,651	8,935	10,716	0	0	0
565	Service Lines - Replace	52,229	50,291	1,938	65,000	54,199	10,801	68,191	68,996	(804)
567	Meters - Replace	798	883	(85)	850	1,225	(375)	900	1,091	(191)
579	Meter Installation - Replace	1,796	701	1,095	1,000	99	901	1,050	384	666
581	Regulators - House - Replace	60	23	37	59	24	34	70	33	37
583	Regulators - Plant - Replace	1,500	11,680	(10,180)	1,600	10,838	(9,238)	1,700	8,033	(6,333)
585	Regulator Structures - Replace	239	268	(29)	300	193	107	300	325	(25)
587	Large Vol/XS Press Meas Station - Replace	898	110	788	900	154	746	900	65	835
998	Intercompany Transfers	110	89	21	100	68	32	0	0	0
595	Corrosion Mitigation Installation	120	176	(56)	150	129	21	150	173	(23)
597	Service Regulators Replace	20	22	(2)	20	8	12	20	6	14
376	Large Projects	0	0	0	0	0	0	6,000	22,699	(16,699)
378	Large Projects	0	0	0	0	0	0	4,625	0	4,625
Total Replacement - Age & Condition		**200,280**	**225,663**	**(25,382)**	**250,634**	**250,763**	**(130)**	**260,838**	**268,417**	**(7,579)**
Replacement - Mandatory										
561	Mains - Street Improvement	5,500	6,957	(1,457)	7,000	7,710	(710)	8,997	8,941	56
Total Replacement - Mandatory		**5,500**	**6,957**	**(1,457)**	**7,000**	**7,710**	**(710)**	**8,997**	**8,941**	**56**
Betterment										
549	Major Projects	0	0	0	0	0	0	22,500	0	22,500
559	Mains - Service Improvement	18,373	20,039	(1,667)	11,700	9,743	1,957	20,115	19,201	914
Total Betterment		**18,373**	**20,039**	**(1,667)**	**11,700**	**9,743**	**1,957**	**42,615**	**19,201**	**23,414**

CPA Capital Budget to Actual by Activity (000)

Activity	Description	2019 Budget	Dec 2019 YTD Actuals	2019 Variance Fav/(Unfav)	2020 Budget	Dec 2020 YTD Actuals	2020 Variance Fav/(Unfav)	2021 Budget	Dec 2021 YTD Actuals	2021 Variance Fav/(Unfav)
Support Services and Other										
909	EDP Equipment	1,165	467	698	800	757	43	1,251	962	289
889/913	Misc - Miscellaneous	0	0	0	0	0	0	1,499	372	1,127
915	GPS Project - CPA	1,200	990	210	1,200	671	529	0	3,170	(3,170)
8461	Acquisition - Affiliate	0	0	0	0	0	0	0	426	(426)
Total Support Services and Other		**2,365**	**1,457**	**908**	**2,000**	**1,428**	**572**	**2,750**	**4,930**	**(2,180)**
Total Operations Budget		**269,894**	**307,259**	**(37,364)**	**306,835**	**304,750**	**2,086**	**356,087**	**330,051**	**26,035**
889/913	Shared Services Allocation	7,699	15,079	(7,380)	12,476	9,158	3,318	32,795	43,594	(10,799)
	Unallocated Capital Spend		1,713			429	(429)	0	(306)	306
Total Capital Program		**277,593**	**324,051**	**(44,744)**	**319,311**	**314,336**	**4,975**	**388,881**	**373,339**	**15,542**

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-16:

Please provide a breakdown of other gas revenue for the three preceding calendar years.

Response:

Account		**2021**	**2020**	**2019**
Number	**Type**	**Amount**	**Amount**	**Amount**
		$	**$**	**$**
487	Forfeited Discounts	451,085	502,806	1,075,649
488	Miscellaneous Service	98,441	(4,774)	239,469
493	Rent from Gas Property	0	0	1,103
495	Other Gas Revenues	10,055	16,358	137,437
	Total	559,581	514,390	1,453,657

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-017:

For those items for which data is available, please provide the following actual monthly balance by account for the historic and future test periods to present:

a. depreciable utility plant in service

b. non-depreciable utility plan in service

c. construction work in progress

d. accumulated deferred income tax

e. materials and supplies

f. customer advances for construction

g. contributions in aid of construction

h. accumulated depreciation

i. prepayments by type

j. customer deposits

k. injury and damage reserve

Response:

The historic information for items a, b and h may be found on GAS-RR-017 Attachment A. The future information for items a, b, and h may be found on GAS-RR-017 Attachment B. Data for items c, d, e, f, g, i, j, and k may be found on GAS-RR-017 Attachment C.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Note: Since November 2003, the Company has netted contributions in aid of construction against account 101-1000 (plant in service) instead of identifying them in contra accounts 101-2000, 101-3000, or 101-4000.

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Production								
CPA 30500 Structures & Improvements								
Dec/2020	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
Jan/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
Feb/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
Mar/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
Apr/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
May/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
Jun/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
Jul/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
Aug/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
Sep/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
Oct/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
Nov/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
			Depr Group Total:	0.00	30,158.49		0.00	-30,158.49
			Depr Summ2 Total:	0.00	30,158.49		0.00	-30,158.49
Storage								
CPA 35020 Rights-of-Way Storage								
Dec/2020	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
Jan/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
Feb/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
Mar/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
Apr/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
May/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
Jun/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
Jul/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
Aug/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
Sep/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
Oct/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Storage								
CPA 35020 Rights-of-Way Storage								
Nov/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
			Depr Group Total:	0.00	1,931.40		0.00	0.00
CPA 35120 Compressor Structures								
Dec/2020	3250036.97	3,250,036.97	8.0400%	21,775.25	2,090,184.50	0.0000%	0.00	-21,427.52
Jan/2021	3819250.64	3,534,643.81	8.0400%	23,682.11	2,113,866.61	0.0000%	0.00	-21,427.52
Feb/2021	3819250.64	3,819,250.64	8.0400%	25,588.98	2,139,455.59	0.0000%	0.00	-21,427.52
Mar/2021	3878311.82	3,848,781.23	7.9100%	24,573.21	2,164,028.80	0.0000%	0.00	-21,427.52
Apr/2021	3878311.82	3,878,311.82	7.9100%	25,564.54	2,189,593.34	0.0000%	0.00	-21,427.52
May/2021	3900631.82	3,889,471.82	7.9100%	25,638.10	2,215,231.44	0.0000%	0.00	-21,427.52
Jun/2021	3790920.31	3,845,776.07	7.9100%	25,350.07	2,240,581.51	0.0000%	0.00	-21,427.52
Jul/2021	4002171.88	3,896,546.10	7.9100%	25,684.73	2,266,266.24	0.0000%	0.00	-21,427.52
Aug/2021	4542805.55	4,272,488.72	7.9100%	28,162.82	2,294,429.06	0.0000%	0.00	-21,427.52
Sep/2021	4542805.55	4,542,805.55	7.9100%	29,944.66	2,324,373.72	0.0000%	0.00	-21,427.52
Oct/2021	4542805.55	4,542,805.55	7.9100%	29,944.66	2,354,318.38	0.0000%	0.00	-21,427.52
Nov/2021	4542805.55	4,542,805.55	7.9100%	29,944.66	2,384,263.04	0.0000%	0.00	-21,427.52
			Depr Group Total:	315,853.79	2,384,263.04		0.00	-21,427.52
CPA 35201 Well Construction								
Dec/2020	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
Jan/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
Feb/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
Mar/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
Apr/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
May/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
Jun/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
Jul/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
Aug/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
Sep/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
Oct/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Storage								
CPA 35201 Well Construction								
Nov/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
			Depr Group Total:	0.00	738,926.05		0.00	0.00
CPA 35202 Well Equipment								
Dec/2020	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
Jan/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
Feb/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
Mar/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
Apr/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
May/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
Jun/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
Jul/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
Aug/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
Sep/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
Oct/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
Nov/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
			Depr Group Total:	0.00	168,031.87		0.00	0.00
CPA 35210 Storage Lhds & Rights								
Dec/2020	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
Jan/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
Feb/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
Mar/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
Apr/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
May/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
Jun/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
Jul/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
Aug/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
Sep/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
Oct/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Storage								
CPA 35210 Storage Lhds & Rights								
Nov/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
			Depr Group Total:	0.00	139,442.44		0.00	-8.50
CPA 35300 Lines								
Dec/2020	389345.13	389,345.13	0.0000%	0.00	389,345.13	0.0000%	0.00	-854.11
Jan/2021	389345.13	389,345.13	0.0000%	0.00	389,345.13	0.0000%	0.00	-854.11
Feb/2021	389345.13	389,345.13	0.0000%	0.00	389,345.13	0.0000%	0.00	-854.11
Mar/2021	389345.13	389,345.13	0.0200%	0.00	389,345.13	0.0000%	0.00	-854.11
Apr/2021	389345.13	389,345.13	0.0200%	0.00	389,345.13	0.0000%	0.00	-854.11
May/2021	389345.13	389,345.13	0.0200%	0.00	389,345.13	0.0000%	0.00	-854.11
Jun/2021	389345.13	389,345.13	0.0200%	0.00	389,345.13	0.0000%	0.00	-854.11
Jul/2021	389345.13	389,345.13	0.0200%	0.00	389,345.13	0.0000%	0.00	-854.11
Aug/2021	389345.13	389,345.13	0.0200%	0.00	389,345.13	0.0000%	0.00	-854.11
Sep/2021	389345.13	389,345.13	0.0200%	0.00	389,345.13	0.0000%	0.00	-854.11
Oct/2021	389345.13	389,345.13	0.0200%	0.00	389,345.13	0.0000%	0.00	-854.11
Nov/2021	389345.13	389,345.13	0.0200%	0.00	389,345.13	0.0000%	0.00	-854.11
			Depr Group Total:	0.00	389,345.13		0.00	-854.11
CPA 35400 Compressor Equipment								
Dec/2020	948176.69	948,176.69	2.5500%	2,014.88	787,361.51	0.0000%	0.00	-1,400.70
Jan/2021	948176.69	948,176.69	2.5500%	2,014.88	789,376.39	0.0000%	0.00	-1,400.70
Feb/2021	948176.69	948,176.69	2.5500%	2,014.88	791,391.27	0.0000%	0.00	-1,400.70
Mar/2021	948176.69	948,176.69	3.5700%	4,432.73	795,824.00	0.0000%	31.75	-1,368.95
Apr/2021	948176.69	948,176.69	3.5700%	2,820.83	798,644.83	0.0000%	-31.75	-1,400.70
May/2021	948176.69	948,176.69	3.5700%	2,820.83	801,465.66	0.0000%	0.00	-1,400.70
Jun/2021	948176.69	948,176.69	3.5700%	2,820.83	804,286.49	0.0000%	0.00	-1,400.70
Jul/2021	948176.69	948,176.69	3.5700%	2,820.83	807,107.32	0.0000%	0.00	-1,400.70
Aug/2021	948176.69	948,176.69	3.5700%	2,820.83	809,928.15	0.0000%	0.00	-1,400.70
Sep/2021	948176.69	948,176.69	3.5700%	2,820.83	812,748.98	0.0000%	0.00	-1,400.70
Oct/2021	948176.69	948,176.69	3.5700%	2,820.83	815,569.81	0.0000%	0.00	-1,400.70

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Storage								
CPA 35400 Compressor Equipment								
Nov/2021	948176.69	948,176.69	3.5700%	2,820.83	818,390.64	0.0000%	0.00	-1,400.70
			Depr Group Total:	33,044.01	818,390.64		0.00	-1,400.70
CPA 35500 Meas & Reg Equipment								
Dec/2020	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
Jan/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
Feb/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
Mar/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
Apr/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
May/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
Jun/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
Jul/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
Aug/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
Sep/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
Oct/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
Nov/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
			Depr Group Total:	0.00	104,476.92		0.00	0.00
CPA 36200 Gas Holders								
Dec/2020	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
Jan/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
Feb/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
Mar/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
Apr/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
May/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
Jun/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
Jul/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
Aug/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
Sep/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
Oct/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Storage								
CPA 36200 Gas Holders								
Nov/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
			Depr Group Total:	0.00	1,275,537.92		0.00	-1,277,592.32
			Depr Summ2 Total:	348,897.80	6,020,345.41		0.00	-1,301,283.15
Distribution								
CPA 37430 Land Rts CG & ML Ind M&R								
Dec/2020	95360.94	95,360.94	1.4800%	117.61	43,768.73	0.0000%	0.00	0.00
Jan/2021	95360.94	95,360.94	1.4800%	117.61	43,886.34	0.0000%	0.00	0.00
Feb/2021	95360.94	95,360.94	1.4800%	117.61	44,003.95	0.0000%	0.00	0.00
Mar/2021	95360.94	95,360.94	1.4800%	117.61	44,121.56	0.0000%	0.00	0.00
Apr/2021	95360.94	95,360.94	1.4800%	117.61	44,239.17	0.0000%	0.00	0.00
May/2021	95360.94	95,360.94	1.4800%	117.61	44,356.78	0.0000%	0.00	0.00
Jun/2021	95360.94	95,360.94	1.4800%	117.61	44,474.39	0.0000%	0.00	0.00
Jul/2021	95360.94	95,360.94	1.4800%	117.61	44,592.00	0.0000%	0.00	0.00
Aug/2021	95360.94	95,360.94	1.4800%	117.61	44,709.61	0.0000%	0.00	0.00
Sep/2021	95360.94	95,360.94	1.4800%	117.61	44,827.22	0.0000%	0.00	0.00
Oct/2021	95360.94	95,360.94	1.4800%	117.61	44,944.83	0.0000%	0.00	0.00
Nov/2021	95360.94	95,360.94	1.4800%	117.61	45,062.44	0.0000%	0.00	0.00
			Depr Group Total:	1,411.32	45,062.44		0.00	0.00
CPA 37440 Land Rights, Other Dist								
Dec/2020	3425940.4	3,389,484.19	1.6600%	4,688.79	786,427.97	0.0000%	810.72	-21,424.42
Jan/2021	3428456.47	3,427,198.44	1.6600%	4,740.96	791,156.46	0.0000%	768.56	-20,655.86
Feb/2021	3474440.26	3,451,448.37	1.6600%	4,774.50	795,876.67	0.0000%	768.56	-19,887.30
Mar/2021	3474440.26	3,474,440.26	1.7100%	5,163.26	801,039.93	0.0000%	-482.85	-20,370.15
Apr/2021	3474440.26	3,474,440.26	1.7100%	5,025.51	806,065.44	0.0000%	482.85	-19,887.30
May/2021	3471668.98	3,473,054.62	1.7100%	4,949.10	808,235.34	0.0000%	768.56	-19,118.74
Jun/2021	3602180.8	3,536,924.89	1.7100%	5,040.12	813,275.46	0.0000%	768.56	-18,350.18
Jul/2021	3658324.63	3,630,252.72	1.7100%	5,173.11	818,250.41	0.0000%	768.56	-17,581.62
Aug/2021	3671595.07	3,664,959.85	1.7100%	5,222.57	823,472.91	0.0000%	768.56	-16,813.06

Note: This report is filtered.

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 37440 Land Rights, Other Dist								
Sep/2021	3673999.69	3,672,797.38	1.7100%	5,233.74	828,706.65	0.0000%	768.56	-16,044.50
Oct/2021	3674139.67	3,674,069.68	1.7100%	5,235.55	833,942.20	0.0000%	768.56	-15,275.94
Nov/2021	3716994.49	3,695,567.08	1.7100%	5,266.18	839,208.38	0.0000%	768.56	-18,149.30
			Depr Group Total:	60,513.39	839,208.38		7,727.76	-18,149.30
CPA 37441 Land Rts, Local Gas Purch								
Dec/2020	12.94	12.94	1.4800%	0.02	9.82	0.0000%	0.00	0.00
Jan/2021	12.94	12.94	1.4800%	0.02	9.84	0.0000%	0.00	0.00
Feb/2021	12.94	12.94	1.4800%	0.02	9.86	0.0000%	0.00	0.00
Mar/2021	12.94	12.94	1.4800%	0.02	9.88	0.0000%	0.00	0.00
Apr/2021	12.94	12.94	1.4800%	0.02	9.90	0.0000%	0.00	0.00
May/2021	12.94	12.94	1.4800%	0.02	9.92	0.0000%	0.00	0.00
Jun/2021	12.94	12.94	1.4800%	0.02	9.94	0.0000%	0.00	0.00
Jul/2021	12.94	12.94	1.4800%	0.02	9.96	0.0000%	0.00	0.00
Aug/2021	12.94	12.94	1.4800%	0.02	9.98	0.0000%	0.00	0.00
Sep/2021	12.94	12.94	1.4800%	0.02	10.00	0.0000%	0.00	0.00
Oct/2021	12.94	12.94	1.4800%	0.02	10.02	0.0000%	0.00	0.00
Nov/2021	12.94	12.94	1.4800%	0.02	10.04	0.0000%	0.00	0.00
			Depr Group Total:	0.24	10.04		0.00	0.00
CPA 37450 Rights of Way								
Dec/2020	3233171.42	3,233,171.42	1.1000%	2,963.74	1,759,950.31	0.0000%	0.00	-10.04
Jan/2021	3233171.42	3,233,171.42	1.1000%	2,963.74	1,762,914.05	0.0000%	0.00	-10.04
Feb/2021	3233171.42	3,233,171.42	1.1000%	2,963.74	1,765,877.79	0.0000%	0.00	-10.04
Mar/2021	3233171.42	3,233,171.42	1.0800%	2,802.07	1,768,679.86	0.0000%	16.21	6.17
Apr/2021	3233171.42	3,233,171.42	1.0800%	2,909.85	1,771,589.71	0.0000%	-16.21	-10.04
May/2021	3233171.42	3,233,171.42	1.0800%	2,909.85	1,774,499.56	0.0000%	0.00	-10.04
Jun/2021	3233171.42	3,233,171.42	1.0800%	2,909.85	1,777,409.41	0.0000%	0.00	-10.04
Jul/2021	3233171.42	3,233,171.42	1.0800%	2,909.85	1,780,319.26	0.0000%	0.00	-10.04
Aug/2021	3233171.42	3,233,171.42	1.0800%	2,909.85	1,783,229.11	0.0000%	0.00	-10.04

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Depreciable Assets								
Distribution								
CPA 37450 Rights of Way								
Sep/2021	3233171.42	3,233,171.42	1.0800%	2,909.85	1,786,138.96	0.0000%	0.00	-10.04
Oct/2021	3233171.42	3,233,171.42	1.0800%	2,909.85	1,789,048.81	0.0000%	0.00	-10.04
Nov/2021	3233171.42	3,233,171.42	1.0800%	2,909.85	1,791,958.66	0.0000%	0.00	-10.04
			Depr Group Total:	34,972.09	1,791,958.66		0.00	-10.04
CPA 37520 CG M&R Structures								
Dec/2020	7026.41	7,026.41	2.2500%	13.17	4,455.18	0.0000%	0.00	0.00
Jan/2021	7026.41	7,026.41	2.2500%	13.17	4,468.35	0.0000%	0.00	0.00
Feb/2021	7026.41	7,026.41	2.2500%	13.17	4,481.52	0.0000%	0.00	0.00
Mar/2021	7026.41	7,026.41	2.2500%	13.17	4,494.69	0.0000%	0.00	0.00
Apr/2021	7026.41	7,026.41	2.2500%	13.17	4,507.86	0.0000%	0.00	0.00
May/2021	7026.41	7,026.41	2.2500%	13.17	4,521.03	0.0000%	0.00	0.00
Jun/2021	7026.41	7,026.41	2.2500%	13.17	4,534.20	0.0000%	0.00	0.00
Jul/2021	7026.41	7,026.41	2.2500%	13.17	4,547.37	0.0000%	0.00	0.00
Aug/2021	7026.41	7,026.41	2.2500%	13.17	4,560.54	0.0000%	0.00	0.00
Sep/2021	7026.41	7,026.41	2.2500%	13.17	4,573.71	0.0000%	0.00	0.00
Oct/2021	7026.41	7,026.41	2.2500%	13.17	4,586.88	0.0000%	0.00	0.00
Nov/2021	7026.41	7,026.41	2.2500%	13.17	4,600.05	0.0000%	0.00	0.00
			Depr Group Total:	158.04	4,600.05		0.00	0.00
CPA 37531 M&R Str-Local Gas Purc								
Dec/2020	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
Jan/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
Feb/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
Mar/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
Apr/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
May/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
Jun/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
Jul/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
Aug/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00

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Depreciable Assets								
Distribution								
CPA 37531 M&R Str-Local Gas Purc								
Sep/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
Oct/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
Nov/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
			Depr Group Total:	0.00	4,012.39		0.00	0.00
CPA 37540 Regulating Structures								
Dec/2020	5590826.99	5,556,049.78	2.3700%	10,973.20	1,491,602.73	0.0000%	2,109.26	-132,696.90
Jan/2021	5597581.07	5,594,204.03	2.3700%	11,048.55	1,501,109.80	0.0000%	2,751.82	-129,945.08
Feb/2021	5887160.81	5,742,370.94	2.3700%	11,341.18	1,504,113.17	0.0000%	2,751.82	-127,193.26
Mar/2021	5899259.61	5,893,210.21	2.1900%	9,047.82	1,508,715.09	0.0000%	8,249.89	-118,957.41
Apr/2021	5899259.61	5,899,259.61	2.1900%	10,772.96	1,519,488.05	0.0000%	-8,249.89	-127,207.30
May/2021	5899172.7	5,899,216.16	2.1900%	10,766.07	1,529,790.78	0.0000%	2,751.82	-132,020.89
Jun/2021	5921177.6	5,910,175.15	2.1900%	10,786.07	1,528,759.81	0.0000%	2,751.82	-132,875.63
Jul/2021	5922490.42	5,921,834.01	2.1900%	10,807.35	1,525,678.60	0.0000%	2,751.82	-130,123.81
Aug/2021	5919157.54	5,920,823.98	2.1900%	10,805.50	1,528,320.89	0.0000%	2,751.82	-131,479.03
Sep/2021	5964846.31	5,942,001.93	2.1900%	10,844.15	1,538,091.12	0.0000%	2,751.82	-128,727.21
Oct/2021	5969032.11	5,966,939.21	2.1900%	10,889.66	1,543,329.06	0.0000%	2,751.82	-138,250.39
Nov/2021	6003250.53	5,986,141.32	2.1900%	10,924.71	1,551,687.62	0.0000%	2,751.82	-139,332.52
			Depr Group Total:	129,007.22	1,551,687.62		26,875.64	-139,332.52
CPA 37560 Dist Ind M&R Structures								
Dec/2020	86227.87	86,227.87	0.6700%	48.14	77,789.80	0.0000%	0.00	-2,942.93
Jan/2021	86227.87	86,227.87	0.6700%	48.14	77,837.94	0.0000%	0.00	-2,942.93
Feb/2021	86227.87	86,227.87	0.6700%	48.14	77,886.08	0.0000%	0.00	-2,942.93
Mar/2021	86227.87	86,227.87	0.6000%	33.05	77,919.13	0.0000%	0.00	-2,942.93
Apr/2021	86227.87	86,227.87	0.6000%	43.11	77,962.24	0.0000%	0.00	-2,942.93
May/2021	86227.87	86,227.87	0.6000%	43.11	78,005.35	0.0000%	0.00	-2,942.93
Jun/2021	86227.87	86,227.87	0.6000%	43.11	78,048.46	0.0000%	0.00	-2,942.93
Jul/2021	86227.87	86,227.87	0.6000%	43.11	78,091.57	0.0000%	0.00	-2,942.93
Aug/2021	86227.87	86,227.87	0.6000%	43.11	78,134.68	0.0000%	0.00	-2,942.93

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Depreciable Assets								
Distribution								
CPA 37560 Dist Ind M&R Structures								
Sep/2021	86227.87	86,227.87	0.6000%	43.11	78,177.79	0.0000%	0.00	-2,942.93
Oct/2021	86227.87	86,227.87	0.6000%	43.11	78,220.90	0.0000%	0.00	-2,942.93
Nov/2021	86227.87	86,227.87	0.6000%	43.11	78,264.01	0.0000%	0.00	-2,942.93
			Depr Group Total:	522.35	78,264.01		0.00	-2,942.93
CPA 37570 Other Structures								
Dec/2020	17786059.05	17,754,052.49	2.7500%	40,686.37	3,670,184.94	0.0000%	369.00	12,178.03
Jan/2021	17815695.55	17,800,877.30	2.7500%	40,793.68	3,710,978.62	0.0000%	0.12	12,178.15
Feb/2021	17815695.55	17,815,695.55	2.7500%	40,827.64	3,751,806.26	0.0000%	0.12	12,178.27
Mar/2021	17823887.51	17,819,791.53	2.9600%	18,388.07	3,770,194.33	0.0000%	3,904.14	16,082.41
Apr/2021	17823887.51	17,823,887.51	2.9600%	75,765.90	3,845,960.23	0.0000%	-3,904.14	12,178.27
May/2021	17823894.23	17,823,890.87	2.9600%	43,965.60	3,889,925.83	0.0000%	0.12	12,178.39
Jun/2021	17823894.23	17,823,894.23	2.9600%	43,965.61	3,933,891.44	0.0000%	0.12	12,178.51
Jul/2021	17823894.23	17,823,894.23	2.9600%	43,965.61	3,977,857.05	0.0000%	0.12	12,178.63
Aug/2021	17823894.23	17,823,894.23	2.9600%	43,965.61	4,021,822.66	0.0000%	0.12	12,178.75
Sep/2021	17923753.48	17,873,823.86	2.9600%	44,088.77	4,065,911.43	0.0000%	0.12	12,178.87
Oct/2021	17923753.48	17,923,753.48	2.9600%	44,211.93	4,110,123.36	0.0000%	0.12	12,178.99
Nov/2021	17923745.12	17,923,749.30	2.9600%	44,211.91	4,154,335.27	0.0000%	0.12	12,179.11
			Depr Group Total:	524,836.70	4,154,335.27		370.08	12,179.11
CPA 37580 Comm Structures-Dist								
Dec/2020	16515.16	16,515.16	2.2600%	31.10	7,927.39	0.0000%	0.00	0.00
Jan/2021	16515.16	16,515.16	2.2600%	31.10	7,958.49	0.0000%	0.00	0.00
Feb/2021	16515.16	16,515.16	2.2600%	31.10	7,989.59	0.0000%	0.00	0.00
Mar/2021	16515.16	16,515.16	2.1700%	27.38	8,016.97	0.0000%	0.00	0.00
Apr/2021	16515.16	16,515.16	2.1700%	29.86	8,046.83	0.0000%	0.00	0.00
May/2021	16515.16	16,515.16	2.1700%	29.86	8,076.69	0.0000%	0.00	0.00
Jun/2021	16515.16	16,515.16	2.1700%	29.86	8,106.55	0.0000%	0.00	0.00
Jul/2021	16515.16	16,515.16	2.1700%	29.86	8,136.41	0.0000%	0.00	0.00
Aug/2021	16515.16	16,515.16	2.1700%	29.86	8,166.27	0.0000%	0.00	0.00

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Depreciable Assets								
Distribution								
CPA 37580 Comm Structures-Dist								
Sep/2021	16515.16	16,515.16	2.1700%	29.86	8,196.13	0.0000%	0.00	0.00
Oct/2021	16515.16	16,515.16	2.1700%	29.86	8,225.99	0.0000%	0.00	0.00
Nov/2021	16515.16	16,515.16	2.1700%	29.86	8,255.85	0.0000%	0.00	0.00
			Depr Group Total:	359.56	8,255.85		0.00	0.00
CPA 37600 Mains								
Dec/2020	1914655585.21	1,909,705,082.32	2.2000%	3,501,125.98	215,265,326.01	0.0000%	63,782.14	-2,455,315.28
Jan/2021	1928081030.45	1,921,368,307.83	2.2000%	3,522,508.56	218,037,728.66	0.0000%	67,851.64	-2,429,453.02
Feb/2021	1934139634.35	1,930,903,092.29	2.2000%	3,539,989.00	221,456,525.03	0.0000%	67,851.64	-2,527,812.50
Mar/2021	1943016978.68	1,938,578,306.52	2.1700%	3,408,678.58	224,493,067.59	0.0000%	117,657.70	-2,502,991.47
Apr/2021	1955642051.06	1,949,329,514.87	2.1700%	3,526,022.71	227,817,338.86	0.0000%	-117,657.70	-2,680,822.94
May/2021	1972190629.65	1,963,916,340.36	2.1700%	3,551,415.38	230,781,301.35	0.0000%	67,851.64	-2,762,991.71
Jun/2021	1985421778.18	1,978,806,203.92	2.1700%	3,578,341.22	233,971,038.97	0.0000%	67,851.64	-2,742,697.22
Jul/2021	1998705689.99	1,992,063,734.09	2.1700%	3,602,315.25	237,243,529.11	0.0000%	67,851.64	-2,700,745.22
Aug/2021	2015336250.13	2,007,020,970.06	2.1700%	3,629,362.92	240,385,933.27	0.0000%	67,851.64	-2,647,182.26
Sep/2021	2036997292.4	2,026,166,771.27	2.1700%	3,663,984.91	243,482,094.65	0.0000%	67,851.64	-2,625,758.46
Oct/2021	2056775045.49	2,046,886,168.95	2.1700%	3,701,452.49	246,470,346.34	0.0000%	67,851.64	-2,629,314.66
Nov/2021	2079559394.57	2,068,167,220.03	2.1700%	3,739,935.72	249,043,874.98	0.0000%	67,851.64	-2,695,294.47
			Depr Group Total:	42,965,132.72	249,043,874.98		674,446.90	-2,695,294.47
CPA 37608 Mains affl w CSL Replace								
Dec/2020	23515480.9	23,515,480.90	2.2000%	43,111.71	4,322,694.93	0.0000%	233.35	-3,811.07
Jan/2021	23515480.9	23,515,480.90	2.2000%	43,111.71	4,365,806.64	0.0000%	250.00	-3,561.07
Feb/2021	23515480.9	23,515,480.90	2.2000%	43,111.71	4,408,918.35	0.0000%	249.94	-3,311.13
Mar/2021	23515480.9	23,515,480.90	2.1700%	41,348.07	4,450,266.42	0.0000%	-246.79	-3,557.92
Apr/2021	23515480.9	23,515,480.90	2.1700%	42,523.83	4,492,790.25	0.0000%	246.73	-3,311.19
May/2021	23515480.9	23,515,480.90	2.1700%	42,523.83	4,535,314.08	0.0000%	249.94	-3,061.25
Jun/2021	23515480.9	23,515,480.90	2.1700%	42,523.83	4,577,837.91	0.0000%	249.94	-2,811.31
Jul/2021	23515480.9	23,515,480.90	2.1700%	42,523.83	4,620,361.74	0.0000%	249.94	-2,561.37
Aug/2021	23515480.9	23,515,480.90	2.1700%	42,523.83	4,662,885.57	0.0000%	249.94	-2,311.43

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Depreciable Assets								
Distribution								
CPA 37608 Mains affl w CSL Replace								
Sep/2021	23515480.9	23,515,480.90	2.1700%	42,523.83	4,705,409.40	0.0000%	249.94	-2,061.49
Oct/2021	23515480.9	23,515,480.90	2.1700%	42,523.83	4,747,933.23	0.0000%	249.94	-1,811.55
Nov/2021	23515480.9	23,515,480.90	2.1700%	42,523.83	4,790,457.06	0.0000%	249.94	-1,561.61
			Depr Group Total:	510,873.84	4,790,457.06		2,482.81	-1,561.61
CPA 37620 Mains - Coated/Wrapped								
Dec/2020	0	0.00	2.2000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	0	0.00	2.2000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	2.2000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37630 Mains - Bare Steel								
Dec/2020	63815738.84	63,972,642.80	0.4800%	162.43	63,815,738.84	0.0000%	40,976.76	-3,200,119.16
Jan/2021	63797277.27	63,806,508.06	0.4800%	328.19	63,797,277.27	0.0000%	35,933.06	-3,201,386.31
Feb/2021	63779939.19	63,788,608.23	0.4800%	0.00	63,779,939.83	0.0000%	35,932.90	-3,184,526.99
Mar/2021	63716034.06	63,747,986.63	3.5100%	1,089.48	63,716,034.06	0.0000%	35,869.83	-3,161,382.67
Apr/2021	63698889.57	63,707,461.82	3.5100%	3,613.66	63,698,889.57	0.0000%	-35,869.99	-3,219,628.76
May/2021	63662881.34	63,680,885.46	3.5100%	0.83	63,662,881.34	0.0000%	35,932.90	-3,212,035.79
Jun/2021	63644528.88	63,653,705.11	3.5100%	0.41	63,644,528.88	0.0000%	35,932.90	-3,180,221.41
Jul/2021	63619491.49	63,632,010.19	3.5100%	5.79	63,619,491.49	0.0000%	35,932.90	-3,300,982.05
Aug/2021	63598197.73	63,608,844.61	3.5100%	0.00	63,598,197.73	0.0000%	35,932.90	-3,272,431.90

Note: This report is filtered.

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 37630 Mains - Bare Steel								
Sep/2021	63534896.66	63,566,547.20	3.5100%	0.00	63,534,896.66	0.0000%	35,932.90	-3,276,468.82
Oct/2021	63421774.4	63,478,335.53	3.5100%	0.00	63,422,863.94	0.0000%	35,932.90	-3,245,301.43
Nov/2021	63368272.39	63,395,023.40	3.5100%	0.00	63,369,361.93	0.0000%	35,932.90	-3,209,368.53
			Depr Group Total:	5,200.79	63,369,361.93		364,372.86	-3,209,368.53
CPA 37640 Mains - Plastic								
Dec/2020	0	0.00	2.2000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	0	0.00	2.2000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	2.2000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37670 Mains - Other Valves								
Dec/2020	0	0.00	2.2000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	0	0.00	2.2000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	2.2000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 37670 Mains - Other Valves								
Sep/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37680 Mains - Cast iron								
Dec/2020	197069.57	201,468.43	1.5200%	0.00	214,477.20	0.0000%	1,211.80	-63,741.60
Jan/2021	196076.16	196,572.87	1.5200%	0.00	213,483.79	0.0000%	1,005.68	-62,735.92
Feb/2021	188285.4	192,180.78	1.5200%	0.00	205,693.03	0.0000%	1,005.67	-61,862.22
Mar/2021	187554.34	187,919.87	5.7400%	0.00	204,961.97	0.0000%	379.92	-61,482.30
Apr/2021	187554.34	187,554.34	5.7400%	0.00	204,961.97	0.0000%	-379.93	-63,593.19
May/2021	184801.1	186,177.72	5.7400%	0.00	202,208.73	0.0000%	1,005.67	-62,587.52
Jun/2021	184801.1	184,801.10	5.7400%	0.00	202,208.73	0.0000%	1,005.67	-61,581.85
Jul/2021	184801.1	184,801.10	5.7400%	0.00	202,208.73	0.0000%	1,005.67	-60,576.18
Aug/2021	181792.3	183,296.70	5.7400%	0.00	199,199.93	0.0000%	1,005.67	-59,570.51
Sep/2021	178600.04	180,196.17	5.7400%	0.00	196,007.67	0.0000%	1,005.67	-58,564.84
Oct/2021	175430.02	177,015.03	5.7400%	0.00	192,837.65	0.0000%	1,005.67	-57,559.17
Nov/2021	169992.49	172,711.26	5.7400%	0.00	187,400.12	0.0000%	1,005.67	-56,553.50
			Depr Group Total:	0.00	187,400.12		10,262.83	-56,553.50
CPA 37810 M&R Equip-General								
Dec/2020	1444656.42	1,444,656.42	3.9800%	4,791.44	283,906.58	0.0000%	62.70	-2,916.52
Jan/2021	1444656.42	1,444,656.42	3.9800%	4,791.44	288,698.02	0.0000%	59.48	-2,857.04
Feb/2021	1444656.42	1,444,656.42	3.9800%	4,791.44	293,489.46	0.0000%	59.34	-2,797.70
Mar/2021	1444656.42	1,444,656.42	4.1600%	5,441.54	298,931.00	0.0000%	-1.31	-2,799.01
Apr/2021	1444656.42	1,444,656.42	4.1600%	5,008.14	303,939.14	0.0000%	1.17	-2,797.84
May/2021	1444656.42	1,444,656.42	4.1600%	5,008.14	308,947.28	0.0000%	59.34	-2,738.50
Jun/2021	1444656.42	1,444,656.42	4.1600%	5,008.14	313,955.42	0.0000%	59.34	-2,679.16
Jul/2021	1444656.42	1,444,656.42	4.1600%	5,008.14	318,963.56	0.0000%	59.34	-2,619.82
Aug/2021	1444656.42	1,444,656.42	4.1600%	5,008.14	323,971.70	0.0000%	59.34	-2,560.48

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 37810 M&R Equip-General								
Sep/2021	1444656.42	1,444,656.42	4.1600%	5,008.14	328,979.84	0.0000%	59.34	-2,501.14
Oct/2021	1444656.42	1,444,656.42	4.1600%	5,008.14	333,987.98	0.0000%	59.34	-2,441.80
Nov/2021	1444656.42	1,444,656.42	4.1600%	5,008.14	338,996.12	0.0000%	59.34	-2,382.46
			Depr Group Total:	59,880.98	338,996.12		596.76	-2,382.46
CPA 37820 M&R Equip-General-Reg								
Dec/2020	113377816.32	112,178,548.45	3.9800%	372,058.85	17,825,092.76	0.0000%	16,280.05	-707,124.42
Jan/2021	113678200	113,528,008.16	3.9800%	376,534.56	18,195,909.42	0.0000%	16,832.73	-690,964.54
Feb/2021	114123445.04	113,900,822.52	3.9800%	377,771.06	18,523,157.63	0.0000%	16,832.73	-674,763.40
Mar/2021	115256213.64	114,689,829.34	4.1600%	431,658.48	18,830,363.16	0.0000%	578.14	-677,838.45
Apr/2021	115247195.73	115,251,704.69	4.1600%	399,586.49	19,040,037.72	0.0000%	-578.14	-690,383.91
May/2021	115429442.97	115,338,319.35	4.1600%	399,839.51	19,403,294.85	0.0000%	16,832.73	-675,261.06
Jun/2021	116128144.85	115,778,793.91	4.1600%	401,366.49	19,789,910.19	0.0000%	16,832.73	-661,437.79
Jul/2021	116889610.14	116,508,877.50	4.1600%	403,897.44	20,164,136.53	0.0000%	16,832.73	-648,881.37
Aug/2021	117838050.36	117,363,830.25	4.1600%	406,861.28	20,292,922.27	0.0000%	16,832.73	-638,394.20
Sep/2021	119748509.59	118,793,279.98	4.1600%	411,816.70	20,450,545.42	0.0000%	16,832.73	-625,598.84
Oct/2021	122498102.97	121,123,306.28	4.1600%	419,894.13	20,772,922.54	0.0000%	16,832.73	-612,932.41
Nov/2021	124091262.7	123,294,682.84	4.1600%	427,421.57	21,069,120.52	0.0000%	16,832.73	-599,598.51
			Depr Group Total:	4,828,706.56	21,069,120.52		167,774.62	-599,598.51
CPA 37830 M&R Equip-Local Gas Purc								
Dec/2020	437493.02	437,997.99	3.9800%	1,452.69	429,685.40	0.0000%	46.41	-1,286.89
Jan/2021	437493.02	437,493.02	3.9800%	1,451.02	431,136.42	0.0000%	46.83	-1,240.06
Feb/2021	437493.02	437,493.02	3.9800%	1,451.02	432,587.44	0.0000%	46.83	-1,193.23
Mar/2021	437493.02	437,493.02	4.1600%	1,647.88	434,235.32	0.0000%	246.35	-946.88
Apr/2021	437493.02	437,493.02	4.1600%	1,516.64	435,751.96	0.0000%	-246.35	-1,193.23
May/2021	437493.02	437,493.02	4.1600%	1,516.64	437,268.60	0.0000%	46.83	-1,146.40
Jun/2021	437493.02	437,493.02	4.1600%	224.42	437,493.02	0.0000%	46.83	-1,099.57
Jul/2021	437493.02	437,493.02	4.1600%	0.00	437,493.02	0.0000%	46.83	-1,052.74
Aug/2021	437493.02	437,493.02	4.1600%	0.00	437,493.02	0.0000%	46.83	-1,005.91

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 37830 M&R Equip-Local Gas Purc								
Sep/2021	436319.64	436,906.33	4.1600%	0.00	436,319.64	0.0000%	46.83	-959.08
Oct/2021	422584.11	429,451.88	4.1600%	1,488.77	420,423.45	0.0000%	46.83	-912.25
Nov/2021	419236.4	420,910.26	4.1600%	1,459.16	418,532.59	0.0000%	46.83	-865.42
			Depr Group Total:	12,208.24	418,532.59		467.88	-865.42
CPA 37910 M&R Equip-CG Check St								
Dec/2020	136416.67	136,416.67	2.8700%	326.26	106,782.32	0.0000%	0.00	-77,371.50
Jan/2021	136416.67	136,416.67	2.8700%	326.26	107,108.58	0.0000%	0.00	-77,371.50
Feb/2021	136416.67	136,416.67	2.8700%	326.26	107,434.84	0.0000%	0.00	-77,371.50
Mar/2021	136416.67	136,416.67	4.8000%	984.49	108,419.33	0.0000%	0.00	-77,371.50
Apr/2021	136416.67	136,416.67	4.8000%	545.67	108,965.00	0.0000%	0.00	-77,371.50
May/2021	136416.67	136,416.67	4.8000%	545.67	109,510.67	0.0000%	0.00	-77,371.50
Jun/2021	136416.67	136,416.67	4.8000%	545.67	110,056.34	0.0000%	0.00	-77,371.50
Jul/2021	136416.67	136,416.67	4.8000%	545.67	110,602.01	0.0000%	0.00	-77,371.50
Aug/2021	136416.67	136,416.67	4.8000%	545.67	111,147.68	0.0000%	0.00	-77,371.50
Sep/2021	136416.67	136,416.67	4.8000%	545.67	111,693.35	0.0000%	0.00	-77,371.50
Oct/2021	136416.67	136,416.67	4.8000%	545.67	112,239.02	0.0000%	0.00	-77,371.50
Nov/2021	136416.67	136,416.67	4.8000%	545.67	112,784.69	0.0000%	0.00	-77,371.50
			Depr Group Total:	6,328.63	112,784.69		0.00	-77,371.50
CPA 37911 M&R Equip-Exchange GA								
Dec/2020	-449.77	-449.77	2.8700%	0.00	-1,773.67	0.0000%	0.00	0.00
Jan/2021	-449.77	-449.77	2.8700%	0.00	-1,773.67	0.0000%	0.00	0.00
Feb/2021	-449.77	-449.77	2.8700%	0.00	-1,773.67	0.0000%	0.00	0.00
Mar/2021	-449.77	-449.77	4.8000%	0.00	-1,773.67	0.0000%	0.00	0.00
Apr/2021	-449.77	-449.77	4.8000%	0.00	-1,773.67	0.0000%	0.00	0.00
May/2021	-449.77	-449.77	4.8000%	0.00	-1,773.67	0.0000%	0.00	0.00
Jun/2021	-449.77	-449.77	4.8000%	0.00	-1,773.67	0.0000%	0.00	0.00
Jul/2021	-449.77	-449.77	4.8000%	0.00	-1,773.67	0.0000%	0.00	0.00
Aug/2021	-449.77	-449.77	4.8000%	0.00	-1,773.67	0.0000%	0.00	0.00

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 37911 M&R Equip-Exchange GA								
Sep/2021	-449.77	-449.77	4.8000%	0.00	-1,773.67	0.0000%	0.00	0.00
Oct/2021	-449.77	-449.77	4.8000%	0.00	-1,773.67	0.0000%	0.00	0.00
Nov/2021	-449.77	-449.77	4.8000%	0.00	-1,773.67	0.0000%	0.00	0.00
			Depr Group Total:	0.00	-1,773.67		0.00	0.00
CPA 38000 Services								
Dec/2020	637644467.08	634,052,361.68	2.9000%	1,532,293.21	140,441,921.50	0.0000%	238,671.70	-12,013,139.45
Jan/2021	641632255.23	639,638,361.16	2.9000%	1,545,792.71	141,856,580.97	0.0000%	259,907.77	-12,015,484.99
Feb/2021	643515003.7	642,573,629.47	2.9000%	1,552,886.27	142,630,198.17	0.0000%	259,907.77	-12,056,908.77
Mar/2021	646552295.56	645,033,649.63	3.0600%	1,815,654.30	143,734,525.76	0.0000%	267,487.99	-12,102,716.70
Apr/2021	651697643.62	649,124,969.59	3.0600%	1,655,411.78	144,401,363.28	0.0000%	-267,487.99	-12,759,882.43
May/2021	655752955.72	653,725,299.67	3.0600%	1,666,999.51	144,252,810.99	0.0000%	259,907.77	-12,803,379.11
Jun/2021	660744056.68	658,248,506.20	3.0600%	1,678,533.69	145,809,081.06	0.0000%	259,907.77	-12,796,582.71
Jul/2021	664978390.88	662,861,223.78	3.0600%	1,690,296.12	146,358,085.98	0.0000%	259,907.77	-12,736,359.44
Aug/2021	670071431.67	667,524,911.28	3.0600%	1,702,188.52	147,117,922.76	0.0000%	259,907.77	-12,778,104.22
Sep/2021	676414431.72	673,242,931.70	3.0600%	1,716,769.48	148,477,499.27	0.0000%	259,907.77	-12,787,060.42
Oct/2021	683613423.73	680,013,927.73	3.0600%	1,734,035.52	149,621,559.97	0.0000%	259,907.77	-12,878,626.26
Nov/2021	687964414.87	685,788,919.30	3.0600%	1,748,761.74	149,400,319.08	0.0000%	259,907.77	-12,914,322.08
			Depr Group Total:	20,039,622.85	149,400,319.08		2,577,841.63	-12,914,322.08
CPA 38020 Services - Coated/Wrapped								
Dec/2020	0	0.00	2.9000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	0	0.00	2.9000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	2.9000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00

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Start Month: Dec/2020
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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 38020 Services - Coated/Wrapped								
Sep/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 38030 Services - Bare Steel								
Dec/2020	0	0.00	2.0500%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	0	0.00	2.0500%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	2.0500%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	2.9900%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	2.9900%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	2.9900%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	2.9900%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	2.9900%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	2.9900%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	0	0.00	2.9900%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	2.9900%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	0	0.00	2.9900%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 38040 Services - Plastic								
Dec/2020	0	0.00	2.9000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	0	0.00	2.9000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	2.9000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 38040 Services - Plastic								
Sep/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 38100 Meters								
Dec/2020	40792447.91	40,767,725.76	2.4100%	81,252.27	17,066,011.97	0.0000%	104.17	60,682.70
Jan/2021	40758030.21	40,775,239.06	2.4100%	81,267.36	17,096,390.76	0.0000%	104.17	60,786.87
Feb/2021	40837783.85	40,797,907.03	2.4100%	81,312.89	17,178,881.02	0.0000%	104.17	60,891.04
Mar/2021	40766255.82	40,802,019.84	2.3600%	72,615.28	17,166,933.23	0.0000%	-1,597.85	59,293.19
Apr/2021	41120537.97	40,943,396.90	2.3600%	84,751.81	17,208,876.54	0.0000%	1,597.85	60,891.04
May/2021	41071368.55	41,095,953.26	2.3600%	80,199.13	17,229,939.32	0.0000%	104.17	60,995.21
Jun/2021	41469224.54	41,270,296.55	2.3600%	80,542.01	17,276,162.07	0.0000%	104.17	61,099.38
Jul/2021	41468384.13	41,468,804.34	2.3600%	80,932.41	17,334,384.65	0.0000%	104.17	61,203.55
Aug/2021	41427147.46	41,447,765.80	2.3600%	80,891.03	17,374,389.24	0.0000%	104.17	61,307.72
Sep/2021	41940699.55	41,683,923.51	2.3600%	81,355.47	17,407,158.65	0.0000%	104.17	61,411.89
Oct/2021	42116650.27	42,028,674.91	2.3600%	82,033.48	17,443,877.48	0.0000%	104.17	61,516.06
Nov/2021	42389554.3	42,253,102.29	2.3600%	82,474.86	17,497,740.95	0.0000%	104.17	61,620.23
			Depr Group Total:	969,628.00	17,497,740.95		1,041.70	61,620.23
CPA 38110 Auto Meter Reading Dev								
Dec/2020	24645195.47	24,645,195.47	7.2400%	148,692.68	15,683,581.73	0.0000%	0.00	0.00
Jan/2021	24645195.47	24,645,195.47	7.2400%	148,692.68	15,832,274.41	0.0000%	0.00	0.00
Feb/2021	24646682.24	24,645,938.86	7.2400%	148,697.16	15,980,971.57	0.0000%	0.00	0.00
Mar/2021	24657115.27	24,651,898.76	5.6700%	51,990.99	16,032,962.56	0.0000%	0.00	0.00
Apr/2021	24657115.27	24,657,115.27	5.6700%	116,504.87	16,149,467.43	0.0000%	0.00	0.00
May/2021	24657115.27	24,657,115.27	5.6700%	116,504.87	16,265,972.30	0.0000%	0.00	0.00
Jun/2021	24657115.27	24,657,115.27	5.6700%	116,504.87	16,382,477.17	0.0000%	0.00	0.00
Jul/2021	24657115.27	24,657,115.27	5.6700%	116,504.87	16,498,982.04	0.0000%	0.00	0.00
Aug/2021	24657115.27	24,657,115.27	5.6700%	116,504.87	16,615,486.91	0.0000%	0.00	0.00

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 38110 Auto Meter Reading Dev								
Sep/2021	24657115.27	24,657,115.27	5.6700%	116,504.87	16,731,991.78	0.0000%	0.00	0.00
Oct/2021	24657115.27	24,657,115.27	5.6700%	116,504.87	16,848,496.65	0.0000%	0.00	0.00
Nov/2021	24657115.27	24,657,115.27	5.6700%	116,504.87	16,965,001.52	0.0000%	0.00	0.00
			Depr Group Total:	1,430,112.47	16,965,001.52		0.00	0.00
CPA 38200 Meter Installations								
Dec/2020	41378758.76	41,324,681.84	1.8900%	65,086.37	14,479,718.11	0.0000%	0.17	-12,506.28
Jan/2021	41438569.69	41,408,664.23	1.8900%	65,218.65	14,538,360.63	0.0000%	0.17	-12,506.11
Feb/2021	41524610.81	41,481,590.25	1.8900%	65,333.50	14,600,372.37	0.0000%	0.17	-12,505.94
Mar/2021	41590702.75	41,557,656.78	1.8900%	65,445.61	14,640,412.54	0.0000%	712.93	-11,793.01
Apr/2021	41684469.54	41,637,586.15	1.8900%	65,586.90	14,697,083.92	0.0000%	-712.93	-12,505.94
May/2021	41709394.09	41,696,931.82	1.8900%	65,672.67	14,752,750.43	0.0000%	0.17	-12,505.77
Jun/2021	41793536.21	41,751,465.15	1.8900%	65,758.56	14,818,508.99	0.0000%	0.17	-12,505.60
Jul/2021	41873856.52	41,833,696.37	1.8900%	65,888.07	14,872,176.85	0.0000%	0.17	-12,505.43
Aug/2021	41963130.45	41,918,493.49	1.8900%	66,021.63	14,931,185.79	0.0000%	0.17	-12,505.26
Sep/2021	42010736.46	41,986,933.46	1.8900%	66,129.42	14,984,349.95	0.0000%	0.17	-12,505.09
Oct/2021	42308130.93	42,159,433.70	1.8900%	66,401.11	15,039,245.26	0.0000%	0.17	-12,504.92
Nov/2021	42326880.57	42,317,505.75	1.8900%	66,650.07	15,084,138.49	0.0000%	0.17	-12,504.75
			Depr Group Total:	789,192.56	15,084,138.49		1.70	-12,504.75
CPA 38300 House Regulators								
Dec/2020	14774995.6	14,714,979.23	2.2000%	26,977.46	4,803,804.25	0.0000%	0.00	-860.78
Jan/2021	14868991.65	14,821,993.63	2.2000%	27,173.65	4,830,373.68	0.0000%	15.42	-845.36
Feb/2021	14942946.57	14,905,969.11	2.2000%	27,327.61	4,857,426.98	0.0000%	15.42	-829.94
Mar/2021	15040347.93	14,991,647.25	1.9900%	19,648.97	4,876,471.28	0.0000%	163.18	-666.76
Apr/2021	15119022.71	15,079,685.32	1.9900%	25,016.94	4,899,962.01	0.0000%	-163.18	-829.94
May/2021	15163056.87	15,141,039.79	1.9900%	25,108.89	4,924,113.57	0.0000%	15.42	-814.52
Jun/2021	15229101.35	15,196,079.11	1.9900%	25,200.16	4,949,313.73	0.0000%	15.42	-799.10
Jul/2021	15325248.17	15,277,174.76	1.9900%	25,334.65	4,973,724.88	0.0000%	15.42	-783.68
Aug/2021	15396576.93	15,360,912.55	1.9900%	25,473.51	4,998,485.88	0.0000%	15.42	-768.26

Note: This report is filtered.

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 38300 House Regulators								
Sep/2021	15465471.68	15,431,024.31	1.9900%	25,589.78	5,023,127.18	0.0000%	15.42	-752.84
Oct/2021	15566522.55	15,515,997.12	1.9900%	25,730.70	5,047,803.23	0.0000%	15.42	-737.42
Nov/2021	15644797.11	15,605,659.83	1.9900%	25,879.39	5,071,315.45	0.0000%	15.42	-722.00
			Depr Group Total:	304,461.71	5,071,315.45		138.78	-722.00
CPA 38400 House Reg Installations								
Dec/2020	3484788.15	3,484,788.15	1.0000%	2,903.99	2,795,411.19	0.0000%	0.00	-3,232.41
Jan/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,798,315.18	0.0000%	0.00	-3,232.41
Feb/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,801,219.17	0.0000%	0.00	-3,232.41
Mar/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,804,123.16	0.0000%	0.00	-3,232.41
Apr/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,807,027.15	0.0000%	0.00	-3,232.41
May/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,809,931.14	0.0000%	0.00	-3,232.41
Jun/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,812,835.13	0.0000%	0.00	-3,232.41
Jul/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,815,739.12	0.0000%	0.00	-3,232.41
Aug/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,818,643.11	0.0000%	0.00	-3,232.41
Sep/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,821,547.10	0.0000%	0.00	-3,232.41
Oct/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,824,451.09	0.0000%	0.00	-3,232.41
Nov/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,827,355.08	0.0000%	0.00	-3,232.41
			Depr Group Total:	34,847.88	2,827,355.08		0.00	-3,232.41
CPA 38500 Ind M&R Equipment								
Dec/2020	5991509.42	5,975,992.48	4.6600%	23,206.77	1,514,383.59	0.0000%	6,509.13	-365,683.17
Jan/2021	5978085.13	5,984,797.28	4.6600%	23,240.96	1,522,210.22	0.0000%	7,013.60	-362,839.67
Feb/2021	5977378.69	5,977,731.91	4.6600%	23,213.53	1,544,717.31	0.0000%	7,013.60	-355,969.85
Mar/2021	5977378.69	5,977,378.69	4.6100%	22,464.62	1,567,181.93	0.0000%	-404.49	-356,695.29
Apr/2021	5968308.2	5,972,843.45	4.6100%	22,945.71	1,578,192.24	0.0000%	404.49	-356,695.32
May/2021	5954785.17	5,961,546.69	4.6100%	22,902.28	1,584,246.69	0.0000%	7,013.60	-349,681.72
Jun/2021	5934497.84	5,944,641.51	4.6100%	22,837.33	1,580,600.05	0.0000%	7,013.60	-342,668.12
Jul/2021	5861033.31	5,897,765.58	4.6100%	22,657.25	1,518,182.98	0.0000%	7,013.60	-335,654.52
Aug/2021	5840309.64	5,850,671.48	4.6100%	22,476.33	1,514,473.67	0.0000%	7,013.60	-329,298.47

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Depreciable Assets								
Distribution								
CPA 38500 Ind M&R Eqiupment								
Sep/2021	5835554.88	5,837,932.26	4.6100%	22,427.39	1,529,624.87	0.0000%	7,013.60	-322,336.78
Oct/2021	5837161.53	5,836,358.21	4.6100%	22,421.34	1,543,555.28	0.0000%	7,013.60	-318,880.03
Nov/2021	5819405.83	5,828,283.68	4.6100%	22,390.32	1,546,003.60	0.0000%	7,013.60	-319,059.22
			Depr Group Total:	273,183.83	1,546,003.60		69,631.53	-319,059.22
CPA 38510 Ind M&R Eq-Other Lg V								
Dec/2020	1037969.78	1,037,969.78	4.6600%	0.00	1,038,010.41	0.0000%	2,121.75	-102,193.16
Jan/2021	1036671.51	1,037,320.65	4.6600%	0.00	1,036,712.14	0.0000%	2,537.49	-99,655.67
Feb/2021	1035865.96	1,036,268.74	4.6600%	0.00	1,035,906.59	0.0000%	2,537.35	-97,118.32
Mar/2021	1035865.96	1,035,865.96	4.6100%	0.00	1,035,906.59	0.0000%	992.56	-99,649.45
Apr/2021	1035865.96	1,035,865.96	4.6100%	0.00	1,035,906.59	0.0000%	-992.70	-100,642.15
May/2021	1028246.5	1,032,056.23	4.6100%	0.00	1,028,287.13	0.0000%	2,537.35	-100,125.34
Jun/2021	1028246.5	1,028,246.50	4.6100%	0.00	1,028,287.13	0.0000%	2,537.35	-97,587.99
Jul/2021	1028246.5	1,028,246.50	4.6100%	0.00	1,028,287.13	0.0000%	2,537.35	-95,050.64
Aug/2021	1023574.29	1,025,910.40	4.6100%	0.00	1,023,614.92	0.0000%	2,537.35	-92,513.29
Sep/2021	1023490.49	1,023,532.39	4.6100%	0.00	1,023,531.12	0.0000%	2,537.35	-90,086.82
Oct/2021	1023229.4	1,023,359.95	4.6100%	0.00	1,023,270.03	0.0000%	2,537.35	-87,549.47
Nov/2021	1022427.32	1,022,828.36	4.6100%	0.00	1,022,467.95	0.0000%	2,537.35	-85,881.58
			Depr Group Total:	0.00	1,022,467.95		24,957.90	-85,881.58
CPA 38710 Other Equipment								
Dec/2020	19450.41	19,450.41	2.7700%	44.90	-6,410.29	0.0000%	0.00	26,983.20
Jan/2021	19450.41	19,450.41	2.7700%	44.90	-6,365.39	0.0000%	0.00	26,983.20
Feb/2021	19450.41	19,450.41	2.7700%	44.90	-6,320.49	0.0000%	0.00	26,983.20
Mar/2021	19450.41	19,450.41	2.7900%	45.86	-6,274.63	0.0000%	0.00	26,983.20
Apr/2021	19450.41	19,450.41	2.7900%	45.22	-6,229.41	0.0000%	0.00	26,983.20
May/2021	19450.41	19,450.41	2.7900%	45.22	-6,184.19	0.0000%	0.00	26,983.20
Jun/2021	19450.41	19,450.41	2.7900%	45.22	-6,138.97	0.0000%	0.00	26,983.20
Jul/2021	19450.41	19,450.41	2.7900%	45.22	-6,093.75	0.0000%	0.00	26,983.20
Aug/2021	19450.41	19,450.41	2.7900%	45.22	-6,048.53	0.0000%	0.00	26,983.20

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Depreciable Assets								
Distribution								
CPA 38710 Other Equipment								
Sep/2021	19450.41	19,450.41	2.7900%	45.22	-6,003.31	0.0000%	0.00	26,983.20
Oct/2021	19450.41	19,450.41	2.7900%	45.22	-5,958.09	0.0000%	0.00	26,983.20
Nov/2021	19450.41	19,450.41	2.7900%	45.22	-5,912.87	0.0000%	0.00	26,983.20
			Depr Group Total:	542.32	-5,912.87		0.00	26,983.20
CPA 38720 Other Eq-Odorization								
Dec/2020	117247.73	117,247.73	2.7700%	270.65	81,261.50	0.0000%	0.00	-29,323.62
Jan/2021	117247.73	117,247.73	2.7700%	270.65	81,532.15	0.0000%	0.00	-29,323.62
Feb/2021	117247.73	117,247.73	2.7700%	270.65	81,802.80	0.0000%	0.00	-29,323.62
Mar/2021	117247.73	117,247.73	2.7900%	276.50	82,079.30	0.0000%	0.00	-29,323.62
Apr/2021	117247.73	117,247.73	2.7900%	272.60	82,351.90	0.0000%	0.00	-29,323.62
May/2021	117247.73	117,247.73	2.7900%	272.60	82,624.50	0.0000%	0.00	-29,323.62
Jun/2021	117247.73	117,247.73	2.7900%	272.60	82,897.10	0.0000%	0.00	-29,323.62
Jul/2021	117247.73	117,247.73	2.7900%	272.60	83,169.70	0.0000%	0.00	-29,323.62
Aug/2021	117247.73	117,247.73	2.7900%	272.60	83,442.30	0.0000%	0.00	-29,323.62
Sep/2021	117247.73	117,247.73	2.7900%	272.60	83,714.90	0.0000%	0.00	-29,323.62
Oct/2021	117247.73	117,247.73	2.7900%	272.60	83,987.50	0.0000%	0.00	-29,323.62
Nov/2021	117247.73	117,247.73	2.7900%	272.60	84,260.10	0.0000%	0.00	-29,323.62
			Depr Group Total:	3,269.25	84,260.10		0.00	-29,323.62
CPA 38742 Other Eq-Radio								
Dec/2020	119609.27	119,609.27	5.3700%	535.25	64,465.95	0.0000%	0.00	-434.00
Jan/2021	119609.27	119,609.27	5.3700%	535.25	65,001.20	0.0000%	0.00	-434.00
Feb/2021	119609.27	119,609.27	5.3700%	535.25	65,536.45	0.0000%	0.00	-434.00
Mar/2021	119609.27	119,609.27	4.6400%	316.97	65,853.42	0.0000%	0.00	-434.00
Apr/2021	119609.27	119,609.27	4.6400%	462.49	66,315.91	0.0000%	0.00	-434.00
May/2021	119609.27	119,609.27	4.6400%	462.49	66,778.40	0.0000%	0.00	-434.00
Jun/2021	119609.27	119,609.27	4.6400%	462.49	67,240.89	0.0000%	0.00	-434.00
Jul/2021	119609.27	119,609.27	4.6400%	462.49	67,703.38	0.0000%	0.00	-434.00
Aug/2021	119609.27	119,609.27	4.6400%	462.49	68,165.87	0.0000%	0.00	-434.00

Note: This report is filtered.

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 38742 Other Eq-Radio								
Sep/2021	119609.27	119,609.27	4.6400%	462.49	68,628.36	0.0000%	0.00	-434.00
Oct/2021	119609.27	119,609.27	4.6400%	462.49	69,090.85	0.0000%	0.00	-434.00
Nov/2021	119609.27	119,609.27	4.6400%	462.49	69,553.34	0.0000%	0.00	-434.00
			Depr Group Total:	5,622.64	69,553.34		0.00	-434.00
CPA 38744 Other Eq-Other Comm								
Dec/2020	623932.17	623,932.17	5.3700%	2,792.10	371,865.10	0.0000%	0.00	-2,042.54
Jan/2021	623932.17	623,932.17	5.3700%	2,792.10	374,657.20	0.0000%	0.00	-2,042.54
Feb/2021	623932.17	623,932.17	5.3700%	2,792.10	377,449.30	0.0000%	0.00	-2,042.54
Mar/2021	623932.17	623,932.17	4.6400%	1,653.42	379,102.72	0.0000%	0.00	-2,042.54
Apr/2021	623932.17	623,932.17	4.6400%	2,412.54	381,515.26	0.0000%	0.00	-2,042.54
May/2021	623932.17	623,932.17	4.6400%	2,412.54	383,927.80	0.0000%	0.00	-2,042.54
Jun/2021	623932.17	623,932.17	4.6400%	2,412.54	386,340.34	0.0000%	0.00	-2,042.54
Jul/2021	623932.17	623,932.17	4.6400%	2,412.54	388,752.88	0.0000%	0.00	-2,042.54
Aug/2021	623932.17	623,932.17	4.6400%	2,412.54	391,165.42	0.0000%	0.00	-2,042.54
Sep/2021	623932.17	623,932.17	4.6400%	2,412.54	393,577.96	0.0000%	0.00	-2,042.54
Oct/2021	623932.17	623,932.17	4.6400%	2,412.54	395,990.50	0.0000%	0.00	-2,042.54
Nov/2021	622663.79	623,297.98	4.6400%	2,410.09	397,132.21	0.0000%	0.00	-2,042.54
			Depr Group Total:	29,327.59	397,132.21		0.00	-2,042.54
CPA 38745 Other Eq-Telemetering								
Dec/2020	10441020.63	10,383,677.84	5.3700%	46,466.96	1,605,031.11	0.0000%	0.00	-10,303.77
Jan/2021	10680740.5	10,560,880.57	5.3700%	47,259.94	1,652,291.05	0.0000%	0.00	-10,303.77
Feb/2021	10698534.35	10,689,637.43	5.3700%	47,836.13	1,691,848.27	0.0000%	0.00	-10,303.77
Mar/2021	10678676.64	10,688,605.50	4.6400%	28,401.86	1,699,672.20	0.0000%	0.00	-10,989.01
Apr/2021	10678676.64	10,678,676.64	4.6400%	41,290.88	1,740,963.08	0.0000%	0.00	-10,989.01
May/2021	10683888	10,681,282.32	4.6400%	41,300.96	1,780,699.12	0.0000%	0.00	-10,989.01
Jun/2021	10945199.73	10,814,543.87	4.6400%	41,816.24	1,775,325.43	0.0000%	0.00	-10,989.01
Jul/2021	10929227.52	10,937,213.63	4.6400%	42,290.56	1,780,863.12	0.0000%	0.00	-10,989.01
Aug/2021	10957730.76	10,943,479.14	4.6400%	42,314.79	1,797,132.70	0.0000%	0.00	-10,989.01

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 38745 Other Eq-Telemetering								
Sep/2021	10958572.48	10,958,151.62	4.6400%	42,371.52	1,831,615.88	0.0000%	0.00	-10,989.01
Oct/2021	10962776.78	10,960,674.63	4.6400%	42,381.28	1,863,167.48	0.0000%	0.00	-10,989.01
Nov/2021	10859868.05	10,911,322.42	4.6400%	42,190.45	1,802,400.35	0.0000%	0.00	-10,989.01
			Depr Group Total:	505,921.57	1,802,400.35		0.00	-10,989.01
CPA 38746 Other Eq-Cust Info Se								
Dec/2020	259436.01	259,436.01	5.3700%	0.00	260,801.56	0.0000%	0.00	-1,365.55
Jan/2021	259436.01	259,436.01	5.3700%	0.00	260,801.56	0.0000%	0.00	-1,365.55
Feb/2021	259436.01	259,436.01	5.3700%	0.00	260,801.56	0.0000%	0.00	-1,365.55
Mar/2021	259436.01	259,436.01	4.6400%	0.00	260,801.56	0.0000%	0.00	-1,365.55
Apr/2021	259436.01	259,436.01	4.6400%	0.00	260,801.56	0.0000%	0.00	-1,365.55
May/2021	259436.01	259,436.01	4.6400%	0.00	260,801.56	0.0000%	0.00	-1,365.55
Jun/2021	259436.01	259,436.01	4.6400%	0.00	260,801.56	0.0000%	0.00	-1,365.55
Jul/2021	259436.01	259,436.01	4.6400%	0.00	260,801.56	0.0000%	0.00	-1,365.55
Aug/2021	259436.01	259,436.01	4.6400%	0.00	260,801.56	0.0000%	0.00	-1,365.55
Sep/2021	259436.01	259,436.01	4.6400%	0.00	260,801.56	0.0000%	0.00	-1,365.55
Oct/2021	259436.01	259,436.01	4.6400%	0.00	260,801.56	0.0000%	0.00	-1,365.55
Nov/2021	259436.01	259,436.01	4.6400%	0.00	260,801.56	0.0000%	0.00	-1,365.55
			Depr Group Total:	0.00	260,801.56		0.00	-1,365.55
CPA 38750 GPS Pipe Locators								
Dec/2020	2201371.95	2,201,371.95	12.6100%	23,132.75	1,337,026.74	0.0000%	0.00	-499.22
Jan/2021	2201371.95	2,201,371.95	12.6100%	23,132.75	1,360,159.49	0.0000%	0.00	-499.22
Feb/2021	2201371.95	2,201,371.95	12.6100%	23,132.75	1,383,292.24	0.0000%	0.00	-499.22
Mar/2021	2201371.95	2,201,371.95	9.4600%	5,796.95	1,389,089.19	0.0000%	0.00	-499.22
Apr/2021	2201371.95	2,201,371.95	9.4600%	17,354.15	1,406,443.34	0.0000%	0.00	-499.22
May/2021	2201371.95	2,201,371.95	9.4600%	17,354.15	1,423,797.49	0.0000%	0.00	-499.22
Jun/2021	2201371.95	2,201,371.95	9.4600%	17,354.15	1,441,151.64	0.0000%	0.00	-499.22
Jul/2021	2201371.95	2,201,371.95	9.4600%	17,354.15	1,458,505.79	0.0000%	0.00	-499.22
Aug/2021	2201371.95	2,201,371.95	9.4600%	17,354.15	1,475,859.94	0.0000%	0.00	-499.22

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Depreciable Assets								
Distribution								
CPA 38750 GPS Pipe Locators								
Sep/2021	2201371.95	2,201,371.95	9.4600%	17,354.15	1,493,214.09	0.0000%	0.00	-499.22
Oct/2021	2201371.95	2,201,371.95	9.4600%	17,354.15	1,510,568.24	0.0000%	0.00	-499.22
Nov/2021	2201371.95	2,201,371.95	9.4600%	17,354.15	1,527,922.39	0.0000%	0.00	-499.22
			Depr Group Total:	214,028.40	1,527,922.39		0.00	-499.22
			Depr Summ2 Total:	73,739,873.74	561,356,648.25		3,928,991.38	-20,083,024.23
General								
CPA 39010 Comm Structures-General								
Dec/2020	49821.42	49,821.42	1.5900%	0.00	49,821.42	0.0000%	0.00	0.00
Jan/2021	49821.42	49,821.42	1.5900%	0.00	49,821.42	0.0000%	0.00	0.00
Feb/2021	49821.42	49,821.42	1.5900%	0.00	49,821.42	0.0000%	0.00	0.00
Mar/2021	49821.42	49,821.42	0.0000%	0.00	49,821.42	0.0000%	0.00	0.00
Apr/2021	49821.42	49,821.42	0.0000%	0.00	49,821.42	0.0000%	0.00	0.00
May/2021	49821.42	49,821.42	0.0000%	0.00	49,821.42	0.0000%	0.00	0.00
Jun/2021	49821.42	49,821.42	0.0000%	0.00	49,821.42	0.0000%	0.00	0.00
Jul/2021	49821.42	49,821.42	0.0000%	0.00	49,821.42	0.0000%	0.00	0.00
Aug/2021	49821.42	49,821.42	0.0000%	0.00	49,821.42	0.0000%	0.00	0.00
Sep/2021	49821.42	49,821.42	0.0000%	0.00	49,821.42	0.0000%	0.00	0.00
Oct/2021	49821.42	49,821.42	0.0000%	0.00	49,821.42	0.0000%	0.00	0.00
Nov/2021	49821.42	49,821.42	0.0000%	0.00	49,821.42	0.0000%	0.00	0.00
			Depr Group Total:	0.00	49,821.42		0.00	0.00
CPA 39411 CNG Equip - Stationary								
Dec/2020	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	0.00	-3,646.64
Jan/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-3,592.65
Feb/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-3,538.66
Mar/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-3,484.67
Apr/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-3,430.68
May/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-3,376.69
Jun/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-3,322.70

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						COR Rate	COR Depr Exp	
Depreciable Assets								
General								
CPA 39411 CNG Equip - Stationary								
Jul/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-3,268.71
Aug/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-3,214.72
Sep/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-3,160.73
Oct/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-3,106.74
Nov/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-3,052.75
			Depr Group Total:	0.00	2,235,476.33		593.89	-3,052.75
CPA 39412 CNG Equip - Portable GPS								
Dec/2020	179308.21	179,308.21	0.0100%	0.00	179,308.21	0.0000%	0.00	0.00
Jan/2021	0	89,654.11	0.0100%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	0.0100%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	0.0100%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	0.0100%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	0.0100%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	0.0100%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	0.0100%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	0.0100%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	0	0.00	0.0100%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	0.0100%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	0	0.00	0.0100%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 39431 H. P. Stoppling Equip								
Dec/2020	10846.9	10,846.90	0.0100%	0.09	6,174.15	0.0000%	0.00	0.00
Jan/2021	10846.9	10,846.90	0.0100%	0.09	6,174.24	0.0000%	0.00	0.00
Feb/2021	10846.9	10,846.90	0.0100%	0.09	6,174.33	0.0000%	0.00	0.00
Mar/2021	10846.9	10,846.90	0.0100%	0.09	6,174.42	0.0000%	0.00	0.00
Apr/2021	10846.9	10,846.90	0.0100%	0.09	6,174.51	0.0000%	0.00	0.00
May/2021	10846.9	10,846.90	0.0100%	0.09	6,174.60	0.0000%	0.00	0.00
Jun/2021	10846.9	10,846.90	0.0100%	0.09	6,174.69	0.0000%	0.00	0.00

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
General								
CPA 39431 H. P. Stoppling Equip								
Jul/2021	10846.9	10,846.90	0.0100%	0.09	6,174.78	0.0000%	0.00	0.00
Aug/2021	10846.9	10,846.90	0.0100%	0.09	6,174.87	0.0000%	0.00	0.00
Sep/2021	10846.9	10,846.90	0.0100%	0.09	6,174.96	0.0000%	0.00	0.00
Oct/2021	10846.9	10,846.90	0.0100%	0.09	6,175.05	0.0000%	0.00	0.00
Nov/2021	10846.9	10,846.90	0.0100%	0.09	6,175.14	0.0000%	0.00	0.00
			Depr Group Total:	1.08	6,175.14		0.00	0.00
CPA 39600 Power Op Eq-Gen Tools								
Dec/2020	948698.04	948,698.04	0.0000%	-807.20	898,371.97	0.0000%	0.00	28,401.50
Jan/2021	948698.04	948,698.04	0.0000%	-0.10	898,371.87	0.0000%	0.00	28,401.50
Feb/2021	948698.04	948,698.04	0.0000%	0.00	898,371.87	0.0000%	0.00	28,401.50
Mar/2021	948698.04	948,698.04	3.0100%	-6,100.49	892,271.38	0.0000%	-0.48	28,401.02
Apr/2021	948698.04	948,698.04	3.0100%	13,239.54	905,510.92	0.0000%	0.48	28,401.50
May/2021	948698.04	948,698.04	3.0100%	2,379.65	907,890.57	0.0000%	0.00	28,401.50
Jun/2021	948698.04	948,698.04	3.0100%	2,379.65	910,270.22	0.0000%	0.00	28,401.50
Jul/2021	948698.04	948,698.04	3.0100%	2,379.65	912,649.87	0.0000%	0.00	28,401.50
Aug/2021	948698.04	948,698.04	3.0100%	2,379.65	915,029.52	0.0000%	0.00	28,401.50
Sep/2021	948698.04	948,698.04	3.0100%	2,379.65	917,409.17	0.0000%	0.00	28,401.50
Oct/2021	948698.04	948,698.04	3.0100%	2,379.65	919,788.82	0.0000%	0.00	28,401.50
Nov/2021	948698.04	948,698.04	3.0100%	2,379.65	922,168.47	0.0000%	0.00	28,401.50
			Depr Group Total:	22,989.30	922,168.47		0.00	28,401.50
CPA 39700 Communication Equipment								
Dec/2020	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00

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Depreciable Assets								
General								
CPA 39700 Communication Equipment								
Jul/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 39750 Comm Equip-Telemetering								
Dec/2020	787915.68	787,915.68	11.0900%	0.00	787,915.68	0.0000%	494.33	-1,291.01
Jan/2021	787915.68	787,915.68	11.0900%	0.00	787,915.68	0.0000%	4.45	-1,286.56
Feb/2021	787915.68	787,915.68	11.0900%	0.00	787,915.68	0.0000%	4.29	-1,282.27
Mar/2021	787915.68	787,915.68	6.2600%	0.00	787,915.68	0.0000%	506.48	-775.79
Apr/2021	787915.68	787,915.68	6.2600%	64.17	787,979.85	0.0000%	-506.64	-1,282.43
May/2021	787915.68	787,915.68	6.2600%	0.00	787,979.85	0.0000%	4.29	-1,278.14
Jun/2021	787915.68	787,915.68	6.2600%	0.00	787,979.85	0.0000%	4.29	-1,273.85
Jul/2021	787915.68	787,915.68	6.2600%	0.00	787,979.85	0.0000%	4.29	-1,269.56
Aug/2021	787915.68	787,915.68	6.2600%	0.00	787,979.85	0.0000%	4.29	-1,265.27
Sep/2021	787915.68	787,915.68	6.2600%	0.00	787,979.85	0.0000%	4.29	-1,260.98
Oct/2021	787915.68	787,915.68	6.2600%	0.00	787,979.85	0.0000%	4.29	-1,256.69
Nov/2021	787915.68	787,915.68	6.2600%	0.00	787,979.85	0.0000%	4.29	-1,252.40
			Depr Group Total:	64.17	787,979.85		532.94	-1,252.40
			Depr Summ2 Total:	23,054.55	4,001,621.21		1,126.83	24,096.35
			Depr Summ1 Total:	74,111,826.09	571,408,773.36		3,930,118.21	-21,390,369.52
Amortizable Assets								
Intangibles								
CPA 30300 Intangible Plant								
Dec/2020	4809062.23	3,530,661.16	0.0000%	12,405.67	1,290,806.74	0.0000%	0.00	0.00
Jan/2021	4809062.23	3,518,255.49	0.0000%	12,405.66	1,303,212.40	0.0000%	0.00	0.00
Feb/2021	4809062.23	3,505,849.83	0.0000%	12,405.68	1,315,618.08	0.0000%	0.00	0.00

Depreciation Summary History

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Start Month: Dec/2020
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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Intangibles								
CPA 30300 Intangible Plant								
Mar/2021	4809062.23	3,493,444.15	0.0000%	12,405.66	1,328,023.74	0.0000%	0.00	0.00
Apr/2021	4809062.23	3,481,038.49	0.0000%	12,405.69	1,340,429.43	0.0000%	0.00	0.00
May/2021	4809062.23	3,468,632.80	0.0000%	12,405.69	1,352,835.12	0.0000%	0.00	0.00
Jun/2021	4809062.23	3,456,227.11	0.0000%	12,405.67	1,365,240.79	0.0000%	0.00	0.00
Jul/2021	4809062.23	3,443,821.44	0.0000%	12,405.67	1,377,646.46	0.0000%	0.00	0.00
Aug/2021	4809062.23	3,431,415.77	0.0000%	12,405.67	1,390,052.13	0.0000%	0.00	0.00
Sep/2021	4809062.23	3,419,010.10	0.0000%	12,405.67	1,402,457.80	0.0000%	0.00	0.00
Oct/2021	4809062.23	3,406,604.43	0.0000%	12,405.66	1,414,863.46	0.0000%	0.00	0.00
Nov/2021	4809062.23	3,394,198.77	0.0000%	12,405.67	1,427,269.13	0.0000%	0.00	0.00
			Depr Group Total:	148,868.06	1,427,269.13		0.00	0.00
			Depr Summ2 Total:	148,868.06	1,427,269.13		0.00	0.00
Software								
CPA 30310 DIS Software								
Dec/2020	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 30320 FARA Software								
Dec/2020	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base		COR End Reserve
						COR Rate	COR Depr Exp	
Amortizable Assets								
Software								
CPA 30320 FARA Software								
Jan/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 30330 Other Software								
Dec/2020	27992233.39	12,477,379.38	0.0000%	380,020.26	15,764,890.35	0.0000%	0.00	0.00
Jan/2021	27679558.28	12,317,415.31	0.0000%	381,454.24	15,742,266.49	0.0000%	0.00	0.00
Feb/2021	28801642.11	13,130,873.54	0.0000%	417,399.52	16,038,559.67	0.0000%	0.00	0.00
Mar/2021	28689867.59	12,842,937.68	0.0000%	397,807.84	16,166,600.20	0.0000%	0.00	0.00
Apr/2021	31715955.46	14,458,256.99	0.0000%	436,453.72	16,458,310.87	0.0000%	0.00	0.00
May/2021	31321063.77	15,295,546.55	0.0000%	444,163.62	16,423,786.45	0.0000%	0.00	0.00
Jun/2021	31960311.77	15,276,491.68	0.0000%	447,648.95	16,787,873.59	0.0000%	0.00	0.00
Jul/2021	36120212.34	19,217,386.40	0.0000%	629,320.67	17,388,842.93	0.0000%	0.00	0.00
Aug/2021	34930196.34	20,100,528.09	0.0000%	591,089.62	15,008,829.99	0.0000%	0.00	0.00
Sep/2021	34996953.86	19,962,027.51	0.0000%	518,805.05	15,512,823.48	0.0000%	0.00	0.00
Oct/2021	34826935.06	19,504,574.22	0.0000%	518,056.74	15,816,339.77	0.0000%	0.00	0.00
Nov/2021	36260798.04	20,228,954.41	0.0000%	572,369.62	16,302,410.44	0.0000%	0.00	0.00
			Depr Group Total:	5,734,589.85	16,302,410.44		0.00	0.00
CPA 30399 Cloud Software								
Dec/2020	1722493.76	1,407,259.27	0.0000%	31,137.17	344,730.96	0.0000%	0.00	0.00

Note: This report is filtered.

Depreciation Summary History

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Software								
CPA 30399 Cloud Software								
Jan/2021	1722493.76	1,377,762.80	0.0000%	31,167.27	375,898.23	0.0000%	0.00	0.00
Feb/2021	1874008.09	1,494,053.34	0.0000%	37,749.03	413,647.26	0.0000%	0.00	0.00
Mar/2021	1881694.64	1,464,204.11	0.0000%	33,759.37	447,406.63	0.0000%	0.00	0.00
Apr/2021	2027054.56	1,578,226.02	0.0000%	37,454.49	484,861.12	0.0000%	0.00	0.00
May/2021	2028365.73	1,542,849.03	0.0000%	36,262.37	521,123.49	0.0000%	0.00	0.00
Jun/2021	2644648.25	1,815,383.52	0.0000%	41,411.22	562,534.71	0.0000%	0.00	0.00
Jul/2021	4035975.73	3,405,639.52	0.0000%	83,117.25	645,651.96	0.0000%	0.00	0.00
Aug/2021	4102762	3,423,716.92	0.0000%	70,355.62	716,007.58	0.0000%	0.00	0.00
Sep/2021	4784235.62	3,727,491.25	0.0000%	76,887.46	792,895.04	0.0000%	0.00	0.00
Oct/2021	5672510.92	4,782,547.55	0.0000%	114,782.74	907,677.78	0.0000%	0.00	0.00
Nov/2021	5766616.45	4,816,413.53	0.0000%	98,901.60	1,006,579.38	0.0000%	0.00	0.00
			Depr Group Total:	692,985.59	1,006,579.38		0.00	0.00
			Depr Summ2 Total:	6,427,575.44	17,308,989.82		0.00	0.00
Leaseholds - Distribution								
CPA 37571 L 171 Uniontown MOD								
Dec/2020	729012.74	5,931.81	66.6667%	329.55	726,279.09	0.0000%	0.00	-2,868.61
Jan/2021	729012.74	5,602.26	70.5882%	329.54	726,608.63	0.0000%	0.00	-2,868.61
Feb/2021	729012.74	5,272.72	75.0000%	329.55	726,938.18	0.0000%	0.00	-2,868.61
Mar/2021	729012.74	4,943.17	80.0000%	329.54	727,267.72	0.0000%	0.00	-2,868.61
Apr/2021	729012.74	4,613.63	85.7143%	329.55	727,597.27	0.0000%	0.00	-2,868.61
May/2021	729012.74	4,284.08	92.3077%	329.54	727,926.81	0.0000%	0.00	-2,868.61
Jun/2021	729012.74	3,954.54	100.0000%	329.55	728,256.36	0.0000%	0.00	-2,868.61
Jul/2021	729012.74	3,624.99	109.0909%	329.54	728,585.90	0.0000%	0.00	-2,868.61
Aug/2021	729012.74	3,295.45	120.0000%	329.55	728,915.45	0.0000%	0.00	-2,868.61
Sep/2021	729012.74	2,965.90	133.3333%	97.29	729,012.74	0.0000%	0.00	-2,868.61
Oct/2021	729012.74	2,868.61	150.0000%	0.00	729,012.74	0.0000%	0.00	-2,868.61
Nov/2021	729012.74	2,868.61	171.4286%	0.00	729,012.74	0.0000%	0.00	-2,868.61
			Depr Group Total:	3,063.20	729,012.74		0.00	-2,868.61

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
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Start Month: Dec/2020
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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L 79 Bradford								
Dec/2020	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jan/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Feb/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Mar/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Apr/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
May/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jun/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L1691 Charleroi MOD								
Dec/2020	442832.98	118,992.03	16.0000%	1,586.56	326,344.12	0.0000%	0.00	-916.61
Jan/2021	442832.98	117,405.47	16.2162%	1,586.56	327,930.68	0.0000%	0.00	-916.61
Feb/2021	442832.98	115,818.91	16.4384%	1,586.56	329,517.24	0.0000%	0.00	-916.61
Mar/2021	442832.98	114,232.35	16.6667%	1,586.56	331,103.80	0.0000%	0.00	-916.61
Apr/2021	442832.98	112,645.79	16.9014%	1,586.56	332,690.36	0.0000%	0.00	-916.61
May/2021	442832.98	111,059.23	17.1429%	1,586.56	334,276.92	0.0000%	0.00	-916.61
Jun/2021	442832.98	109,472.67	17.3913%	1,586.56	335,863.48	0.0000%	0.00	-916.61
Jul/2021	442832.98	107,886.11	17.6471%	1,586.56	337,450.04	0.0000%	0.00	-916.61
Aug/2021	442832.98	106,299.55	17.9104%	1,586.56	339,036.60	0.0000%	0.00	-916.61
Sep/2021	458856.65	112,724.83	18.1818%	1,707.95	340,744.55	0.0000%	0.00	-916.61
Oct/2021	458856.65	119,028.71	18.4615%	1,831.21	342,575.76	0.0000%	0.00	-916.61
Nov/2021	458860.44	117,199.40	18.7500%	1,831.24	344,407.00	0.0000%	0.00	-916.61
			Depr Group Total:	19,649.44	344,407.00		0.00	-916.61

Depreciation Summary History

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Start Month: Dec/2020
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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base		COR End Reserve
						COR Rate	COR Depr Exp	
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L1701 Rochester								
Dec/2020	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
Jan/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
Feb/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
Mar/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
Apr/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
May/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
Jun/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
Jul/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
Aug/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
Sep/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
Oct/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
Nov/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
			Depr Group Total:	0.00	0.00		0.00	-2,607.11
CPA 37571 L2989 New Castle								
Dec/2020	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jan/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Feb/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Mar/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Apr/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
May/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jun/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
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NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L3250								
Dec/2020	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jan/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Feb/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Mar/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Apr/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
May/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jun/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3376								
Dec/2020	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jan/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Feb/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Mar/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Apr/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
May/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jun/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L3477								
Dec/2020	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jan/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Feb/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Mar/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Apr/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
May/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jun/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3495 York								
Dec/2020	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jan/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Feb/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Mar/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Apr/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
May/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jun/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L3531 Bethel Park								
Dec/2020	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jan/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Feb/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Mar/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Apr/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
May/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jun/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3611 Bursca MOD								
Dec/2020	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jan/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Feb/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Mar/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Apr/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
May/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jun/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L3632 Neville Island								
Dec/2020	77205.88	11,672.64	200.0000%	1,945.44	67,478.68	200.0000%	0.00	0.00
Jan/2021	77205.88	9,727.20	240.0000%	1,945.44	69,424.12	240.0000%	0.00	0.00
Feb/2021	77205.88	7,781.76	300.0000%	1,945.44	71,369.56	300.0000%	0.00	0.00
Mar/2021	77205.88	5,836.32	400.0000%	1,945.44	73,315.00	400.0000%	0.00	0.00
Apr/2021	77205.88	3,890.88	600.0000%	1,945.44	75,260.44	600.0000%	0.00	0.00
May/2021	77205.88	1,945.44	1,200.0000%	1,945.44	77,205.88	1200.0000%	0.00	0.00
Jun/2021	77205.88	0.00	1,200.0000%	0.00	77,205.88	1200.0000%	0.00	0.00
Jul/2021	77205.88	0.00	1,200.0000%	0.00	77,205.88	1200.0000%	0.00	0.00
Aug/2021	77205.88	0.00	1,200.0000%	0.00	77,205.88	1200.0000%	0.00	0.00
Sep/2021	77205.88	0.00	1,200.0000%	0.00	77,205.88	1200.0000%	0.00	0.00
Oct/2021	77906.46	350.29	1,200.0000%	350.29	77,556.17	1200.0000%	0.00	0.00
Nov/2021	77906.46	350.29	1,200.0000%	350.29	77,906.46	1200.0000%	0.00	0.00
			Depr Group Total:	12,373.22	77,906.46		0.00	0.00
CPA 37571 L3675 Canonsburg								
Dec/2020	431226.08	48,019.82	171.4286%	6,859.97	390,066.23	171.4286%	0.00	0.00
Jan/2021	431226.08	41,159.85	200.0000%	6,859.98	396,926.21	200.0000%	0.00	0.00
Feb/2021	431226.08	34,299.87	240.0000%	6,859.97	403,786.18	240.0000%	0.00	0.00
Mar/2021	431226.08	27,439.90	300.0000%	6,859.98	410,646.16	300.0000%	0.00	0.00
Apr/2021	431226.08	20,579.92	400.0000%	6,859.97	417,506.13	400.0000%	0.00	0.00
May/2021	431226.08	13,719.95	600.0000%	6,859.98	424,366.11	600.0000%	0.00	0.00
Jun/2021	431226.08	6,859.97	1,200.0000%	6,859.97	431,226.08	1200.0000%	0.00	0.00
Jul/2021	431226.08	0.00	1,200.0000%	0.00	431,226.08	1200.0000%	0.00	0.00
Aug/2021	431226.08	0.00	1,200.0000%	0.00	431,226.08	1200.0000%	0.00	0.00
Sep/2021	431226.08	0.00	1,200.0000%	0.00	431,226.08	1200.0000%	0.00	0.00
Oct/2021	431226.08	0.00	1,200.0000%	0.00	431,226.08	1200.0000%	0.00	0.00
Nov/2021	431226.08	0.00	1,200.0000%	0.00	431,226.08	1200.0000%	0.00	0.00
			Depr Group Total:	48,019.82	431,226.08		0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L3738 York								
Dec/2020	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
Jan/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
Feb/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
Mar/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
Apr/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
May/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
Jun/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
Jul/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
Aug/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
Sep/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
Oct/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
Nov/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	4,454.31		0.00	0.00
CPA 37571 L3750 Cranberry								
Dec/2020	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
Jan/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
Feb/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
Mar/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
Apr/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
May/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
Jun/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
Jul/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
Aug/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
Sep/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
Oct/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
Nov/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	15,032.97		0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L3767 Greensburg Weldshop								
Dec/2020	55968.02	9,981.92	171.4286%	1,425.99	47,412.09	171.4286%	0.00	0.00
Jan/2021	55968.02	8,555.93	200.0000%	1,425.99	48,838.08	200.0000%	0.00	0.00
Feb/2021	55968.02	7,129.94	240.0000%	1,425.99	50,264.07	240.0000%	0.00	0.00
Mar/2021	55968.02	5,703.95	300.0000%	1,425.99	51,690.06	300.0000%	0.00	0.00
Apr/2021	55968.02	4,277.96	400.0000%	1,425.99	53,116.05	400.0000%	0.00	0.00
May/2021	55968.02	2,851.97	600.0000%	1,425.99	54,542.04	600.0000%	0.00	0.00
Jun/2021	55968.02	1,425.98	1,200.0000%	1,425.98	55,968.02	1200.0000%	0.00	0.00
Jul/2021	55968.02	0.00	1,200.0000%	0.00	55,968.02	1200.0000%	0.00	0.00
Aug/2021	55968.02	0.00	1,200.0000%	0.00	55,968.02	1200.0000%	0.00	0.00
Sep/2021	55968.02	0.00	1,200.0000%	0.00	55,968.02	1200.0000%	0.00	0.00
Oct/2021	55968.02	0.00	1,200.0000%	0.00	55,968.02	1200.0000%	0.00	0.00
Nov/2021	55968.02	0.00	1,200.0000%	0.00	55,968.02	1200.0000%	0.00	0.00
			Depr Group Total:	9,981.92	55,968.02		0.00	0.00
CPA 37571 L3772								
Dec/2020	136756.28	4,492.19	1,200.0000%	4,492.19	136,756.28	1200.0000%	0.02	0.00
Jan/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
Feb/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
Mar/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
Apr/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
May/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
Jun/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
Jul/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
Aug/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
Sep/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
Oct/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
Nov/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
			Depr Group Total:	4,492.19	136,756.28		0.02	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L3783 Connellsvile								
Dec/2020	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jan/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Feb/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Mar/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Apr/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
May/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jun/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3787 New Castle MOD								
Dec/2020	0	0.00	6.8966%	0.00	0.00	6.8966%	0.00	0.00
Jan/2021	0	0.00	6.9364%	0.00	0.00	6.9364%	0.00	0.00
Feb/2021	0	0.00	6.9767%	0.00	0.00	6.9767%	0.00	0.00
Mar/2021	0	0.00	7.0175%	0.00	0.00	7.0175%	0.00	0.00
Apr/2021	0	0.00	7.0588%	0.00	0.00	7.0588%	0.00	0.00
May/2021	0	0.00	7.1006%	0.00	0.00	7.1006%	0.00	0.00
Jun/2021	0	0.00	7.1429%	0.00	0.00	7.1429%	0.00	0.00
Jul/2021	0	0.00	7.1856%	0.00	0.00	7.1856%	0.00	0.00
Aug/2021	0	0.00	7.2289%	0.00	0.00	7.2289%	0.00	0.00
Sep/2021	0	0.00	7.2727%	0.00	0.00	7.2727%	0.00	0.00
Oct/2021	0	0.00	7.3171%	0.00	0.00	7.3171%	0.00	0.00
Nov/2021	0	0.00	7.3620%	0.00	0.00	7.3620%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L3792 Greentree Rd								
Dec/2020	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
Jan/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
Feb/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
Mar/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
Apr/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
May/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
Jun/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
Jul/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
Aug/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
Sep/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
Oct/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
Nov/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	75,972.57		0.00	0.00
CPA 37571 L500954 Washington Constr								
Dec/2020	11940.94	10,053.12	13.6364%	114.24	2,002.06	13.6364%	0.00	0.00
Jan/2021	11940.94	9,938.88	13.7931%	114.24	2,116.30	13.7931%	0.00	0.00
Feb/2021	11940.94	9,824.64	13.9535%	114.24	2,230.54	13.9535%	0.00	0.00
Mar/2021	11940.94	9,710.40	14.1176%	114.24	2,344.78	14.1176%	0.00	0.00
Apr/2021	11940.94	9,596.16	14.2857%	114.24	2,459.02	14.2857%	0.00	0.00
May/2021	11940.94	9,481.92	14.4578%	114.24	2,573.26	14.4578%	0.00	0.00
Jun/2021	11940.94	9,367.68	14.6341%	114.24	2,687.50	14.6341%	0.00	0.00
Jul/2021	11940.94	9,253.44	14.8148%	114.24	2,801.74	14.8148%	0.00	0.00
Aug/2021	11940.94	9,139.20	15.0000%	114.24	2,915.98	15.0000%	0.00	0.00
Sep/2021	11940.94	9,024.96	15.1899%	114.24	3,030.22	15.1899%	0.00	0.00
Oct/2021	11940.94	8,910.72	15.3846%	114.24	3,144.46	15.3846%	0.00	0.00
Nov/2021	11940.94	8,796.48	15.5844%	114.24	3,258.70	15.5844%	0.00	0.00
			Depr Group Total:	1,370.88	3,258.70		0.00	0.00

Depreciation Summary History

Columbia Gas of Pennsylvania
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Start Month: Dec/2020
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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 LSE 3704 Alpine Point								
Dec/2020	948593.48	654,539.65	14.8148%	8,080.74	262,921.06	14.8148%	0.00	0.00
Jan/2021	948593.48	685,672.42	15.0000%	8,570.91	271,491.97	15.0000%	0.00	0.00
Feb/2021	948593.48	677,101.51	15.1899%	8,570.91	280,062.88	15.1899%	0.00	0.00
Mar/2021	948593.48	668,530.60	15.3846%	8,570.91	288,633.79	15.3846%	0.00	0.00
Apr/2021	948593.48	659,959.69	15.5844%	8,570.91	297,204.70	15.5844%	0.00	0.00
May/2021	948593.48	651,388.78	15.7895%	8,570.91	305,775.61	15.7895%	0.00	0.00
Jun/2021	948593.48	642,817.87	16.0000%	8,570.90	314,346.51	16.0000%	0.00	0.00
Jul/2021	948593.48	634,246.97	16.2162%	8,570.91	322,917.42	16.2162%	0.00	0.00
Aug/2021	948593.48	625,676.06	16.4384%	8,570.90	331,488.32	16.4384%	0.00	0.00
Sep/2021	948593.48	617,105.16	16.6667%	8,570.91	340,059.23	16.6667%	0.00	0.00
Oct/2021	948593.48	608,534.25	16.9014%	8,570.90	348,630.13	16.9014%	0.00	0.00
Nov/2021	948593.48	599,963.35	17.1429%	8,570.91	357,201.04	17.1429%	0.00	0.00
			Depr Group Total:	102,360.72	357,201.04		0.00	0.00
CPA 37571 LSE 500216 Horning Rd MOD								
Dec/2020	11882.74	11,104.61	6.4171%	59.38	837.51	6.4171%	0.00	0.00
Jan/2021	11882.74	11,045.23	6.4516%	59.38	896.89	6.4516%	0.00	0.00
Feb/2021	11882.74	10,985.85	6.4865%	59.38	956.27	6.4865%	0.00	0.00
Mar/2021	11882.74	10,926.47	6.5217%	59.38	1,015.65	6.5217%	0.00	0.00
Apr/2021	11882.74	10,867.09	6.5574%	59.38	1,075.03	6.5574%	0.00	0.00
May/2021	11882.74	10,807.71	6.5934%	59.38	1,134.41	6.5934%	0.00	0.00
Jun/2021	11882.74	10,748.33	6.6298%	59.38	1,193.79	6.6298%	0.00	0.00
Jul/2021	11882.74	10,688.95	6.6667%	59.38	1,253.17	6.6667%	0.00	0.00
Aug/2021	11882.74	10,629.57	6.7039%	59.38	1,312.55	6.7039%	0.00	0.00
Sep/2021	11882.74	10,570.19	6.7416%	59.38	1,371.93	6.7416%	0.00	0.00
Oct/2021	11882.74	10,510.81	6.7797%	59.38	1,431.31	6.7797%	0.00	0.00
Nov/2021	11882.74	10,451.43	6.8182%	59.38	1,490.69	6.8182%	0.00	0.00
			Depr Group Total:	712.56	1,490.69		0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 LSE 500814 Monaca Op Cent								
Dec/2020	0	0.00	6.4865%	0.00	0.00	6.4865%	0.00	0.00
Jan/2021	0	0.00	6.5217%	0.00	0.00	6.5217%	0.00	0.00
Feb/2021	0	0.00	6.5574%	0.00	0.00	6.5574%	0.00	0.00
Mar/2021	0	0.00	6.5934%	0.00	0.00	6.5934%	0.00	0.00
Apr/2021	0	0.00	6.6298%	0.00	0.00	6.6298%	0.00	0.00
May/2021	0	0.00	6.6667%	0.00	0.00	6.6667%	0.00	0.00
Jun/2021	0	0.00	6.7039%	0.00	0.00	6.7039%	0.00	0.00
Jul/2021	0	0.00	6.7416%	0.00	0.00	6.7416%	0.00	0.00
Aug/2021	0	0.00	6.7797%	0.00	0.00	6.7797%	0.00	0.00
Sep/2021	0	0.00	6.8182%	0.00	0.00	6.8182%	0.00	0.00
Oct/2021	0	0.00	6.8571%	0.00	0.00	6.8571%	0.00	0.00
Nov/2021	0	0.00	6.8966%	0.00	0.00	6.8966%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 LSE3748 York Operating Ct								
Dec/2020	0	0.00	10.7143%	0.00	0.00	10.7143%	0.00	0.00
Jan/2021	0	0.00	10.8108%	0.00	0.00	10.8108%	0.00	0.00
Feb/2021	0	0.00	10.9091%	0.00	0.00	10.9091%	0.00	0.00
Mar/2021	0	0.00	11.0092%	0.00	0.00	11.0092%	0.00	0.00
Apr/2021	0	0.00	11.1111%	0.00	0.00	11.1111%	0.00	0.00
May/2021	0	0.00	11.2150%	0.00	0.00	11.2150%	0.00	0.00
Jun/2021	0	0.00	11.3208%	0.00	0.00	11.3208%	0.00	0.00
Jul/2021	0	0.00	11.4286%	0.00	0.00	11.4286%	0.00	0.00
Aug/2021	0	0.00	11.5385%	0.00	0.00	11.5385%	0.00	0.00
Sep/2021	0	0.00	11.6505%	0.00	0.00	11.6505%	0.00	0.00
Oct/2021	0	0.00	11.7647%	0.00	0.00	11.7647%	0.00	0.00
Nov/2021	0	0.00	11.8812%	0.00	0.00	11.8812%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
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Start Month: Dec/2020
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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 LSE3767 Canonsburg								
Dec/2020	0	0.00	171.4286%	0.00	0.00	171.4286%	0.00	0.00
Jan/2021	0	0.00	200.0000%	0.00	0.00	200.0000%	0.00	0.00
Feb/2021	0	0.00	240.0000%	0.00	0.00	240.0000%	0.00	0.00
Mar/2021	0	0.00	300.0000%	0.00	0.00	300.0000%	0.00	0.00
Apr/2021	0	0.00	400.0000%	0.00	0.00	400.0000%	0.00	0.00
May/2021	0	0.00	600.0000%	0.00	0.00	600.0000%	0.00	0.00
Jun/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 LSE500921 Monaca TraingCt								
Dec/2020	1520969.97	1,283,877.22	6.4865%	6,939.88	244,032.63	6.4865%	0.00	0.00
Jan/2021	1520969.97	1,276,937.34	6.5217%	6,939.88	250,972.51	6.5217%	0.00	0.00
Feb/2021	1520969.97	1,269,997.46	6.5574%	6,939.88	257,912.39	6.5574%	0.00	0.00
Mar/2021	1520969.97	1,263,057.58	6.5934%	6,939.88	264,852.27	6.5934%	0.00	0.00
Apr/2021	1520969.97	1,256,117.70	6.6298%	6,939.88	271,792.15	6.6298%	0.00	0.00
May/2021	1520969.97	1,249,177.82	6.6667%	6,939.88	278,732.03	6.6667%	0.00	0.00
Jun/2021	1520969.97	1,242,237.94	6.7039%	6,939.88	285,671.91	6.7039%	0.00	0.00
Jul/2021	1520969.97	1,235,298.06	6.7416%	6,939.88	292,611.79	6.7416%	0.00	0.00
Aug/2021	1520969.97	1,228,358.18	6.7797%	6,939.88	299,551.67	6.7797%	0.00	0.00
Sep/2021	1520969.97	1,221,418.30	6.8182%	6,939.88	306,491.55	6.8182%	0.00	0.00
Oct/2021	1520969.97	1,214,478.42	6.8571%	6,939.88	313,431.43	6.8571%	0.00	0.00
Nov/2021	1520969.97	1,207,538.54	6.8966%	6,939.88	320,371.31	6.8966%	0.00	0.00
			Depr Group Total:	83,278.56	320,371.31		0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
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NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 Subs MAS								
Dec/2020	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jan/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
Feb/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
Mar/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
Apr/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
May/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jun/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 TCOB								
Dec/2020	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jan/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Feb/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Mar/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Apr/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
May/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jun/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Jul/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Aug/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Sep/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Oct/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
Nov/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
			Depr Summ2 Total:	285,302.51	2,553,058.17		0.02	-6,392.33

Depreciation Summary History

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Storage								
CPA 35212 Storage & Gas Rts Owned								
Dec/2020	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
Jan/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
Feb/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
Mar/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
Apr/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
May/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
Jun/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
Jul/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
Aug/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
Sep/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
Oct/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
Nov/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	67,498.34		0.00	0.00
			Depr Summ2 Total:	0.00	67,498.34		0.00	0.00
General								
CPA 38920 Land Rights								
Dec/2020	0	0.00	4.0000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	0	0.00	4.0000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	4.0000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	3.6600%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	3.6600%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	3.6600%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	3.6600%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	3.6600%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	3.6600%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	0	0.00	3.6600%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	3.6600%	0.00	0.00	0.0000%	0.00	0.00

Note: This report is filtered.

Depreciation Summary History

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
General								
CPA 38920 Land Rights								
Nov/2021	0	0.00	3.6600%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 39110 Office Furniture & Equip								
Dec/2020	2282826.26	2,294,071.22	5.0000%	9,558.63	1,058,801.19	0.0000%	0.00	-417.27
Jan/2021	2173530.67	2,228,178.47	5.0000%	9,284.08	958,789.68	0.0000%	0.00	-417.27
Feb/2021	2173530.67	2,173,530.67	5.0000%	9,056.38	967,846.06	0.0000%	0.00	-417.27
Mar/2021	2147804.3	2,160,667.49	5.1900%	10,041.82	952,161.51	0.0000%	0.00	-417.27
Apr/2021	2147804.3	2,147,804.30	5.1900%	9,289.25	961,450.76	0.0000%	0.00	-417.27
May/2021	2147804.3	2,147,804.30	5.1900%	9,289.25	970,740.01	0.0000%	0.00	-417.27
Jun/2021	2147804.3	2,147,804.30	5.1900%	9,289.25	980,029.26	0.0000%	0.00	-417.27
Jul/2021	2140486.07	2,144,145.19	5.1900%	9,273.43	981,984.46	0.0000%	0.00	-417.27
Aug/2021	2139642.07	2,140,064.07	5.1900%	9,255.78	990,396.24	0.0000%	0.00	-417.27
Sep/2021	2139642.07	2,139,642.07	5.1900%	9,253.95	999,650.19	0.0000%	0.00	-417.27
Oct/2021	2109562.96	2,124,602.52	5.1900%	9,188.91	978,759.99	0.0000%	0.00	-417.27
Nov/2021	2109562.96	2,109,562.96	5.1900%	9,123.86	987,883.85	0.0000%	0.00	-417.27
			Depr Group Total:	111,904.59	987,883.85		0.00	-417.27
CPA 39111 Data Handling Equip								
Dec/2020	91303.67	91,303.67	6.6667%	507.24	41,901.35	0.0000%	0.00	-0.01
Jan/2021	91303.67	91,303.67	6.6667%	507.24	42,408.59	0.0000%	0.00	-0.01
Feb/2021	91303.67	91,303.67	6.6667%	507.24	42,915.83	0.0000%	0.00	-0.01
Mar/2021	91303.67	91,303.67	6.2200%	405.30	43,321.13	0.0000%	0.00	-0.01
Apr/2021	91303.67	91,303.67	6.2200%	473.26	43,794.39	0.0000%	0.00	-0.01
May/2021	91303.67	91,303.67	6.2200%	473.26	44,267.65	0.0000%	0.00	-0.01
Jun/2021	91303.67	91,303.67	6.2200%	473.26	44,740.91	0.0000%	0.00	-0.01
Jul/2021	91303.67	91,303.67	6.2200%	473.26	45,214.17	0.0000%	0.00	-0.01
Aug/2021	91303.67	91,303.67	6.2200%	473.26	45,687.43	0.0000%	0.00	-0.01
Sep/2021	91303.67	91,303.67	6.2200%	473.26	46,160.69	0.0000%	0.00	-0.01
Oct/2021	91303.67	91,303.67	6.2200%	473.26	46,633.95	0.0000%	0.00	-0.01

Depreciation Summary History

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NiSource

Start Month: Dec/2020
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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
General								
CPA 39111 Data Handling Equip								
Nov/2021	91303.67	91,303.67	6.2200%	473.26	47,107.21	0.0000%	0.00	-0.01
			Depr Group Total:	5,713.10	47,107.21		0.00	-0.01
CPA 39112 Information Systems								
Dec/2020	3440394.42	3,355,544.01	20.0000%	55,925.73	2,355,681.35	0.0000%	0.00	-2,745.74
Jan/2021	3322654.37	3,381,524.40	20.0000%	56,358.74	2,130,337.44	0.0000%	0.00	-2,745.74
Feb/2021	3322654.37	3,322,654.37	20.0000%	55,377.57	2,185,715.01	0.0000%	0.00	-2,745.74
Mar/2021	3322654.37	3,322,654.37	19.5000%	51,199.72	2,236,914.73	0.0000%	-45.72	-2,791.46
Apr/2021	3322654.37	3,322,654.37	19.5000%	53,993.13	2,290,907.86	0.0000%	45.72	-2,745.74
May/2021	3322733.93	3,322,694.15	19.5000%	53,993.78	2,344,901.64	0.0000%	0.00	-2,745.74
Jun/2021	3322733.93	3,322,733.93	19.5000%	53,994.43	2,398,896.07	0.0000%	0.00	-2,745.74
Jul/2021	3322733.93	3,322,733.93	19.5000%	53,994.43	2,452,890.50	0.0000%	0.00	-2,745.74
Aug/2021	3322733.93	3,322,733.93	19.5000%	53,994.43	2,506,884.93	0.0000%	0.00	-2,745.74
Sep/2021	3322733.93	3,322,733.93	19.5000%	53,994.43	2,560,879.36	0.0000%	0.00	-2,745.74
Oct/2021	2861128.27	3,091,931.10	19.5000%	50,243.88	2,149,517.58	0.0000%	0.00	-2,745.74
Nov/2021	2705700.42	2,783,414.35	19.5000%	45,230.48	2,039,452.06	0.0000%	0.00	-2,745.74
			Depr Group Total:	638,300.75	2,039,452.06		0.00	-2,745.74
CPA 39120 OF&E, Air Cond Equip								
Dec/2020	3006.98	3,006.98	5.0000%	0.00	3,006.98	0.0000%	0.00	0.00
Jan/2021	3006.98	3,006.98	5.0000%	0.00	3,006.98	0.0000%	0.00	0.00
Feb/2021	3006.98	3,006.98	5.0000%	0.00	3,006.98	0.0000%	0.00	0.00
Mar/2021	3006.98	3,006.98	5.1900%	0.00	3,006.98	0.0000%	0.00	0.00
Apr/2021	3006.98	3,006.98	5.1900%	0.00	3,006.98	0.0000%	0.00	0.00
May/2021	3006.98	3,006.98	5.1900%	0.00	3,006.98	0.0000%	0.00	0.00
Jun/2021	3006.98	3,006.98	5.1900%	0.00	3,006.98	0.0000%	0.00	0.00
Jul/2021	3006.98	3,006.98	5.1900%	0.00	3,006.98	0.0000%	0.00	0.00
Aug/2021	3006.98	3,006.98	5.1900%	0.00	3,006.98	0.0000%	0.00	0.00
Sep/2021	3006.98	3,006.98	5.1900%	0.00	3,006.98	0.0000%	0.00	0.00
Oct/2021	3006.98	3,006.98	5.1900%	0.00	3,006.98	0.0000%	0.00	0.00

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
General								
CPA 39120 OF&E, Air Cond Equip								
Nov/2021	3006.98	3,006.98	5.1900%	0.00	3,006.98	0.0000%	0.00	0.00
			Depr Group Total:	0.00	3,006.98		0.00	0.00
CPA 39220 Trailers over 1,000								
Dec/2020	14787.39	14,787.39	6.6667%	0.00	15,393.89	0.0000%	0.00	0.00
Jan/2021	14787.39	14,787.39	6.6667%	0.00	15,393.89	0.0000%	0.00	0.00
Feb/2021	14787.39	14,787.39	6.6667%	0.00	15,393.89	0.0000%	0.00	0.00
Mar/2021	14787.39	14,787.39	6.2200%	0.00	15,393.89	0.0000%	0.00	0.00
Apr/2021	14787.39	14,787.39	6.2200%	0.00	15,393.89	0.0000%	0.00	0.00
May/2021	14787.39	14,787.39	6.2200%	0.00	15,393.89	0.0000%	0.00	0.00
Jun/2021	14787.39	14,787.39	6.2200%	0.00	15,393.89	0.0000%	0.00	0.00
Jul/2021	14787.39	14,787.39	6.2200%	0.00	15,393.89	0.0000%	0.00	0.00
Aug/2021	14787.39	14,787.39	6.2200%	0.00	15,393.89	0.0000%	0.00	0.00
Sep/2021	14787.39	14,787.39	6.2200%	0.00	15,393.89	0.0000%	0.00	0.00
Oct/2021	14787.39	14,787.39	6.2200%	0.00	15,393.89	0.0000%	0.00	0.00
Nov/2021	14787.39	14,787.39	6.2200%	0.00	15,393.89	0.0000%	0.00	0.00
			Depr Group Total:	0.00	15,393.89		0.00	0.00
CPA 39221 Trailers 1,000 & less								
Dec/2020	10829.5	10,829.50	6.6667%	0.00	10,949.82	0.0000%	0.00	0.00
Jan/2021	10829.5	10,829.50	6.6667%	0.00	10,949.82	0.0000%	0.00	0.00
Feb/2021	10829.5	10,829.50	6.6667%	0.00	10,949.82	0.0000%	0.00	0.00
Mar/2021	10829.5	10,829.50	6.2200%	0.00	10,949.82	0.0000%	0.00	0.00
Apr/2021	10829.5	10,829.50	6.2200%	0.00	10,949.82	0.0000%	0.00	0.00
May/2021	10829.5	10,829.50	6.2200%	0.00	10,949.82	0.0000%	0.00	0.00
Jun/2021	10829.5	10,829.50	6.2200%	0.00	10,949.82	0.0000%	0.00	0.00
Jul/2021	10829.5	10,829.50	6.2200%	0.00	10,949.82	0.0000%	0.00	0.00
Aug/2021	10829.5	10,829.50	6.2200%	0.00	10,949.82	0.0000%	0.00	0.00
Sep/2021	10829.5	10,829.50	6.2200%	0.00	10,949.82	0.0000%	0.00	0.00
Oct/2021	10829.5	10,829.50	6.2200%	0.00	10,949.82	0.0000%	0.00	0.00

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
General								
CPA 39221 Trailers 1,000 & less								
Nov/2021	10829.5	10,829.50	6.2200%	0.00	10,949.82	0.0000%	0.00	0.00
			Depr Group Total:	0.00	10,949.82		0.00	0.00
CPA 39300 Stores Equipment								
Dec/2020	0	0.00	5.0000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	0	0.00	5.0000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	5.0000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	5.1900%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	5.1900%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	5.1900%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	5.1900%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	5.1900%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	5.1900%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	0	0.00	5.1900%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	5.1900%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	0	0.00	5.1900%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 39410 Garage & Service Equip								
Dec/2020	60884.34	60,884.34	4.0000%	0.00	422,133.35	0.0000%	0.00	-365,361.38
Jan/2021	60884.34	60,884.34	4.0000%	0.00	422,133.35	0.0000%	0.00	-365,361.38
Feb/2021	60884.34	60,884.34	4.0000%	0.00	422,133.35	0.0000%	0.00	-365,361.38
Mar/2021	60884.34	60,884.34	3.6600%	0.00	422,133.35	0.0000%	0.00	-365,361.38
Apr/2021	59067.86	59,976.10	3.6600%	0.00	420,316.87	0.0000%	0.00	-365,361.38
May/2021	59067.86	59,067.86	3.6600%	0.00	420,316.87	0.0000%	0.00	-365,361.38
Jun/2021	57140	58,103.93	3.6600%	0.00	418,389.01	0.0000%	0.00	-365,361.38
Jul/2021	57140	57,140.00	3.6600%	0.00	418,389.01	0.0000%	0.00	-365,361.38
Aug/2021	57140	57,140.00	3.6600%	0.00	418,389.01	0.0000%	0.00	-365,361.38
Sep/2021	57140	57,140.00	3.6600%	0.00	418,389.01	0.0000%	0.00	-365,361.38
Oct/2021	57140	57,140.00	3.6600%	0.00	418,389.01	0.0000%	0.00	-365,361.38

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
General								
CPA 39410 Garage & Service Equip								
Nov/2021	57140	57,140.00	3.6600%	0.00	418,389.01	0.0000%	0.00	-365,361.38
			Depr Group Total:	0.00	418,389.01		0.00	-365,361.38
CPA 39420 Shop Equipment								
Dec/2020	35453.64	35,453.64	4.0000%	0.00	35,453.64	0.0000%	0.00	0.00
Jan/2021	35453.64	35,453.64	4.0000%	0.00	35,453.64	0.0000%	0.00	0.00
Feb/2021	35453.64	35,453.64	4.0000%	0.00	35,453.64	0.0000%	0.00	0.00
Mar/2021	35453.64	35,453.64	3.6600%	0.00	35,453.64	0.0000%	0.00	0.00
Apr/2021	17534.33	26,493.99	3.6600%	0.00	17,534.33	0.0000%	0.00	0.00
May/2021	17534.33	17,534.33	3.6600%	0.00	17,534.33	0.0000%	0.00	0.00
Jun/2021	17534.33	17,534.33	3.6600%	0.00	17,534.33	0.0000%	0.00	0.00
Jul/2021	17534.33	17,534.33	3.6600%	0.00	17,534.33	0.0000%	0.00	0.00
Aug/2021	17534.33	17,534.33	3.6600%	0.00	17,534.33	0.0000%	0.00	0.00
Sep/2021	17534.33	17,534.33	3.6600%	0.00	17,534.33	0.0000%	0.00	0.00
Oct/2021	17534.33	17,534.33	3.6600%	0.00	17,534.33	0.0000%	0.00	0.00
Nov/2021	17534.33	17,534.33	3.6600%	0.00	17,534.33	0.0000%	0.00	0.00
			Depr Group Total:	0.00	17,534.33		0.00	0.00
CPA 39430 Tools & Other Equipment								
Dec/2020	17057031.41	17,049,198.10	4.0000%	56,830.66	6,968,327.35	0.0000%	0.00	-10,291.84
Jan/2021	17093237.45	17,075,134.43	4.0000%	56,917.11	7,019,283.66	0.0000%	0.00	-10,291.84
Feb/2021	17114893.21	17,104,065.33	4.0000%	57,013.55	7,076,297.21	0.0000%	0.00	-10,291.84
Mar/2021	17126950.11	17,120,921.66	3.6600%	42,534.71	7,118,831.92	0.0000%	0.00	-10,291.84
Apr/2021	16971921.19	17,049,435.65	3.6600%	52,000.78	6,996,485.63	0.0000%	0.00	-10,291.84
May/2021	16711466.59	16,841,693.89	3.6600%	51,367.17	6,776,968.18	0.0000%	0.00	-10,291.84
Jun/2021	16970173.63	16,840,820.11	3.6600%	51,364.50	6,798,668.61	0.0000%	0.00	-10,291.84
Jul/2021	17036949.72	17,003,561.68	3.6600%	51,860.86	6,850,529.47	0.0000%	0.00	-10,291.84
Aug/2021	17141696.43	17,089,323.08	3.6600%	52,122.44	6,900,907.94	0.0000%	0.00	-10,291.84
Sep/2021	17191636.11	17,166,666.27	3.6600%	52,358.33	6,953,266.27	0.0000%	0.00	-10,291.84
Oct/2021	17351299.09	17,271,467.60	3.6600%	52,677.98	6,971,620.65	0.0000%	0.00	-10,291.84

Note: This report is filtered.

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
General								
CPA 39430 Tools & Other Equipment								
Nov/2021	17556282.09	17,453,790.59	3.6600%	53,234.06	7,024,854.71	0.0000%	0.00	-10,291.84
			Depr Group Total:	630,282.15	7,024,854.71		0.00	-10,291.84
CPA 39500 Laboratory Equipment								
Dec/2020	266039.42	266,039.42	5.0000%	1,108.50	70,442.28	0.0000%	0.00	0.00
Jan/2021	266039.42	266,039.42	5.0000%	1,108.50	71,550.78	0.0000%	0.00	0.00
Feb/2021	266039.42	266,039.42	5.0000%	1,108.50	72,659.28	0.0000%	0.00	0.00
Mar/2021	266039.42	266,039.42	5.1900%	1,234.86	73,894.14	0.0000%	0.00	0.00
Apr/2021	266039.42	266,039.42	5.1900%	1,150.62	75,044.76	0.0000%	0.00	0.00
May/2021	266039.42	266,039.42	5.1900%	1,150.62	76,195.38	0.0000%	0.00	0.00
Jun/2021	266039.42	266,039.42	5.1900%	1,150.62	77,346.00	0.0000%	0.00	0.00
Jul/2021	266039.42	266,039.42	5.1900%	1,150.62	78,496.62	0.0000%	0.00	0.00
Aug/2021	266039.42	266,039.42	5.1900%	1,150.62	79,647.24	0.0000%	0.00	0.00
Sep/2021	266039.42	266,039.42	5.1900%	1,150.62	80,797.86	0.0000%	0.00	0.00
Oct/2021	266039.42	266,039.42	5.1900%	1,150.62	81,948.48	0.0000%	0.00	0.00
Nov/2021	266039.42	266,039.42	5.1900%	1,150.62	83,099.10	0.0000%	0.00	0.00
			Depr Group Total:	13,765.32	83,099.10		0.00	0.00
CPA 39710 Comm Eq, Telephone								
Dec/2020	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
Jan/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
Feb/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
Mar/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
Apr/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
May/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
Jun/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
Jul/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
Aug/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
Sep/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
Oct/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
General								
CPA 39710 Comm Eq, Telephone								
Nov/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
			Depr Group Total:	0.00	21,493.02		0.00	-21,493.02
CPA 39720 Comm Eq, Radio								
Dec/2020	0	0.00	6.6667%	0.00	267.74	0.0000%	0.00	-267.74
Jan/2021	0	0.00	6.6667%	0.00	267.74	0.0000%	0.00	-267.74
Feb/2021	0	0.00	6.6667%	0.00	267.74	0.0000%	0.00	-267.74
Mar/2021	0	0.00	6.2200%	0.00	267.74	0.0000%	0.00	-267.74
Apr/2021	0	0.00	6.2200%	0.00	267.74	0.0000%	0.00	-267.74
May/2021	0	0.00	6.2200%	0.00	267.74	0.0000%	0.00	-267.74
Jun/2021	0	0.00	6.2200%	0.00	267.74	0.0000%	0.00	-267.74
Jul/2021	0	0.00	6.2200%	0.00	267.74	0.0000%	0.00	-267.74
Aug/2021	0	0.00	6.2200%	0.00	267.74	0.0000%	0.00	-267.74
Sep/2021	0	0.00	6.2200%	0.00	267.74	0.0000%	0.00	-267.74
Oct/2021	0	0.00	6.2200%	0.00	267.74	0.0000%	0.00	-267.74
Nov/2021	0	0.00	6.2200%	0.00	267.74	0.0000%	0.00	-267.74
			Depr Group Total:	0.00	267.74		0.00	-267.74
CPA 39740 Comm Eq, Other								
Dec/2020	0	0.00	6.6667%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	0	0.00	6.6667%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	0	0.00	6.6667%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	0	0.00	6.2200%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	0	0.00	6.2200%	0.00	0.00	0.0000%	0.00	0.00
May/2021	0	0.00	6.2200%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	0	0.00	6.2200%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	0	0.00	6.2200%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	0	0.00	6.2200%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	0	0.00	6.2200%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	0	0.00	6.2200%	0.00	0.00	0.0000%	0.00	0.00

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Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
General								
CPA 39740 Comm Eq, Other								
Nov/2021	0	0.00	6.2200%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 39800 Misc Equipment								
Dec/2020	953269.7	953,269.70	6.6667%	5,295.94	425,415.98	0.0000%	0.00	407.07
Jan/2021	953269.7	953,269.70	6.6667%	5,295.94	430,711.92	0.0000%	0.00	407.07
Feb/2021	953269.7	953,269.70	6.6667%	5,295.94	436,007.86	0.0000%	0.00	407.07
Mar/2021	953269.7	953,269.70	6.2200%	4,231.45	440,239.31	0.0000%	0.00	407.07
Apr/2021	953269.7	953,269.70	6.2200%	4,941.11	445,180.42	0.0000%	0.00	407.07
May/2021	953269.7	953,269.70	6.2200%	4,941.11	450,121.53	0.0000%	0.00	407.07
Jun/2021	953269.7	953,269.70	6.2200%	4,941.11	455,062.64	0.0000%	0.00	407.07
Jul/2021	953269.7	953,269.70	6.2200%	4,941.11	460,003.75	0.0000%	0.00	407.07
Aug/2021	953269.7	953,269.70	6.2200%	4,941.11	464,944.86	0.0000%	0.00	407.07
Sep/2021	953269.7	953,269.70	6.2200%	4,941.11	469,885.97	0.0000%	0.00	407.07
Oct/2021	952065.04	952,667.37	6.2200%	4,937.99	473,619.30	0.0000%	0.00	407.07
Nov/2021	952065.04	952,065.04	6.2200%	4,934.87	478,554.17	0.0000%	0.00	407.07
			Depr Group Total:	59,638.79	478,554.17		0.00	407.07
			Depr Summ2 Total:	1,459,604.70	11,147,985.89		0.00	-400,169.93
Other								
CPA 11710 Gas Stored Underground								
Dec/2020	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
Jan/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
Feb/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
Mar/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
Apr/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
May/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
Jun/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
Jul/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
Aug/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
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NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Other								
CPA 11710 Gas Stored Underground								
Sep/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
Oct/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
Nov/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
			Depr Group Total:	0.00	163,466.81		0.00	0.00
			Depr Summ2 Total:	0.00	163,466.81		0.00	0.00
			Depr Summ1 Total:	8,321,350.71	32,668,268.16		0.02	-406,562.26
Future Use								
Other								
CPA 105.000 Future Use								
Dec/2020	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
May/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
			Depr Summ2 Total:	0.00	0.00		0.00	0.00
			Depr Summ1 Total:	0.00	0.00		0.00	0.00

Depreciation Summary History

Columbia Gas of Pennsylvania
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Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base		COR End Reserve
						COR Rate	COR Depr Exp	
Non-Depreciable								
Intangibles								
CPA 30100 Organization Costs								
Dec/2020	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
May/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 30210 Franchise & Consent, Per								
Dec/2020	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
Jan/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
Feb/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
Mar/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
Apr/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
May/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
Jun/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
Jul/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
Aug/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
Sep/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
Oct/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
Nov/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
			Depr Group Total:	0.00	-272.50		0.00	0.00
			Depr Summ2 Total:	0.00	-272.50		0.00	0.00

Depreciation Summary History

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Start Month: Dec/2020
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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Non-Depreciable								
Storage								
CPA 35010 Land								
Dec/2020	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
May/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
			Depr Summ2 Total:	0.00	0.00		0.00	0.00
Distribution								
CPA 37410 Land, CG & ML Ind M&R								
Dec/2020	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
May/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
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Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Non-Depreciable								
Distribution								
CPA 37410 Land, CG & ML Ind M&R								
Nov/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37420 Land, Other Dist								
Dec/2020	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
Jan/2021	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
Feb/2021	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
Mar/2021	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
Apr/2021	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
May/2021	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
Jun/2021	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
Jul/2021	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
Aug/2021	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
Sep/2021	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
Oct/2021	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
Nov/2021	3361100.2	3,361,100.20	0.0000%	0.00	25,218.74	0.0000%	0.00	209,747.21
			Depr Group Total:	0.00	25,218.74		0.00	209,747.21
			Depr Summ2 Total:	0.00	25,218.74		0.00	209,747.21
Other								
CPA None								
Dec/2020	1436682.6	1,436,292.60	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
Jan/2021	1436682.6	1,436,682.60	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
Feb/2021	1436682.6	1,436,682.60	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
Mar/2021	1436682.6	1,436,682.60	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
Apr/2021	1436682.6	1,436,682.60	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
May/2021	1436682.6	1,436,682.60	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
Jun/2021	1436682.6	1,436,682.60	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
Jul/2021	1436682.6	1,436,682.60	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
Aug/2021	1436682.6	1,436,682.60	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96

Depreciation Summary History

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Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Non-Depreciable								
Other								
CPA None								
Sep/2021	1463987.49	1,450,335.05	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
Oct/2021	1463987.49	1,463,987.49	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
Nov/2021	1503102.83	1,483,545.16	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
			Depr Group Total:	0.00	1,278.10		0.00	40.96
			Depr Summ2 Total:	0.00	1,278.10		0.00	40.96
			Depr Summ1 Total:	0.00	26,224.34		0.00	209,788.17
Non-Utility								
Other								
CPA 121.000 Non-Utility								
Dec/2020	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jan/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Feb/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Mar/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Apr/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
May/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jun/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Jul/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Aug/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Sep/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Oct/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
Nov/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
			Depr Summ2 Total:	0.00	0.00		0.00	0.00
			Depr Summ1 Total:	0.00	0.00		0.00	0.00

Depreciation Summary History

Columbia Gas of Pennsylvania
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NiSource

Start Month: Dec/2020
End Month: Nov/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Production								
Other								
CPA 36210 Environmental Remediation								
Dec/2020	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,444.10	1,871,519.96
Jan/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,600.30	1,872,191.94
Feb/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,600.02	1,871,181.38
Mar/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,600.02	1,876,019.13
Apr/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,600.02	1,881,619.15
May/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,600.02	1,886,654.66
Jun/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,600.02	1,872,778.07
Jul/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,600.02	1,861,918.55
Aug/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,600.02	1,866,614.02
Sep/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,600.02	1,870,599.57
Oct/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,600.02	1,858,609.89
Nov/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,600.02	1,854,235.98
			Depr Group Total:	0.00	-2,084,416.19		67,044.60	1,854,235.98
			Depr Summ2 Total:	0.00	-2,084,416.19		67,044.60	1,854,235.98
			Depr Summ1 Total:	0.00	-2,084,416.19		67,044.60	1,854,235.98
	37378064079.88		**Company/Set of Books Total:**	82,433,176.80	602,018,849.67		3,997,162.83	-19,732,907.63

Depreciation Summary History

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Start Month: Dec/2021
End Month: Dec/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Production								
CPA 30500 Structures & Improvements								
Dec/2021	0	0.00	0.0000%	0.00	30,158.49	0.0000%	0.00	-30,158.49
			Depr Group Total:	0.00	30,158.49		0.00	-30,158.49
			Depr Summ2 Total:	0.00	30,158.49		0.00	-30,158.49
Storage								
CPA 35020 Rights-of-Way Storage								
Dec/2021	1932.08	1,932.08	0.0000%	0.00	1,931.40	0.0000%	0.00	0.00
			Depr Group Total:	0.00	1,931.40		0.00	0.00
CPA 35120 Compressor Structures								
Dec/2021	4587608.62	4,565,207.09	7.9100%	30,092.32	2,414,355.36	0.0000%	0.00	-21,427.52
			Depr Group Total:	30,092.32	2,414,355.36		0.00	-21,427.52
CPA 35201 Well Construction								
Dec/2021	738941.36	738,941.36	0.0000%	0.00	738,926.05	0.0000%	0.00	0.00
			Depr Group Total:	0.00	738,926.05		0.00	0.00
CPA 35202 Well Equipment								
Dec/2021	168031.87	168,031.87	0.0000%	0.00	168,031.87	0.0000%	0.00	0.00
			Depr Group Total:	0.00	168,031.87		0.00	0.00
CPA 35210 Storage Lhds & Rights								
Dec/2021	139442.44	139,442.44	0.0600%	0.00	139,442.44	0.0000%	0.00	-8.50
			Depr Group Total:	0.00	139,442.44		0.00	-8.50
CPA 35300 Lines								
Dec/2021	389345.13	389,345.13	0.0200%	0.00	389,345.13	0.0000%	0.00	-854.11
			Depr Group Total:	0.00	389,345.13		0.00	-854.11
CPA 35400 Compressor Equipment								
Dec/2021	948176.69	948,176.69	3.5700%	2,820.83	821,211.47	0.0000%	0.00	-1,400.70
			Depr Group Total:	2,820.83	821,211.47		0.00	-1,400.70
CPA 35500 Meas & Reg Equipment								
Dec/2021	104476.92	104,476.92	0.0000%	0.00	104,476.92	0.0000%	0.00	0.00
			Depr Group Total:	0.00	104,476.92		0.00	0.00

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Depreciable Assets								
Storage								
CPA 36200 Gas Holders								
Dec/2021	0	0.00	0.0000%	0.00	1,275,537.92	0.0000%	0.00	-1,277,592.32
			Depr Group Total:	0.00	1,275,537.92		0.00	-1,277,592.32
			Depr Summ2 Total:	32,913.15	6,053,258.56		0.00	-1,301,283.15
Distribution								
CPA 37430 Land Rts CG & ML Ind M&R								
Dec/2021	95360.94	95,360.94	1.4800%	117.61	45,180.05	0.0000%	0.00	0.00
			Depr Group Total:	117.61	45,180.05		0.00	0.00
CPA 37440 Land Rights, Other Dist								
Dec/2021	3766380.55	3,741,687.52	1.7100%	5,331.90	844,540.28	0.0000%	768.29	-17,381.01
			Depr Group Total:	5,331.90	844,540.28		768.29	-17,381.01
CPA 37441 Land Rts, Local Gas Purch								
Dec/2021	12.94	12.94	1.4800%	0.02	10.06	0.0000%	0.00	0.00
			Depr Group Total:	0.02	10.06		0.00	0.00
CPA 37450 Rights of Way								
Dec/2021	3233171.42	3,233,171.42	1.0800%	2,909.85	1,794,868.51	0.0000%	0.00	-10.04
			Depr Group Total:	2,909.85	1,794,868.51		0.00	-10.04
CPA 37520 CG M&R Structures								
Dec/2021	7026.41	7,026.41	2.2500%	13.17	4,613.22	0.0000%	0.00	0.00
			Depr Group Total:	13.17	4,613.22		0.00	0.00
CPA 37531 M&R Str-Local Gas Purc								
Dec/2021	4012.39	4,012.39	2.2500%	0.00	4,012.39	0.0000%	0.00	0.00
			Depr Group Total:	0.00	4,012.39		0.00	0.00
CPA 37540 Regulating Structures								
Dec/2021	6025261.99	6,014,256.26	2.1900%	10,976.02	1,552,387.26	0.0000%	2,751.82	-136,580.70
			Depr Group Total:	10,976.02	1,552,387.26		2,751.82	-136,580.70
CPA 37560 Dist Ind M&R Structures								
Dec/2021	86227.87	86,227.87	0.6000%	43.11	78,307.12	0.0000%	0.00	-2,942.93
			Depr Group Total:	43.11	78,307.12		0.00	-2,942.93

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Depreciable Assets								
Distribution								
CPA 37570 Other Structures								
Dec/2021	30615278.92	24,269,512.02	2.9600%	59,864.80	4,214,200.07	0.0000%	0.12	12,179.23
			Depr Group Total:	59,864.80	4,214,200.07		0.12	12,179.23
CPA 37580 Comm Structures-Dist								
Dec/2021	16515.16	16,515.16	2.1700%	29.86	8,285.71	0.0000%	0.00	0.00
			Depr Group Total:	29.86	8,285.71		0.00	0.00
CPA 37600 Mains								
Dec/2021	2120399622.73	2,099,979,508.65	2.1700%	3,797,462.94	249,044,295.97	0.0000%	67,851.64	-2,677,847.07
			Depr Group Total:	3,797,462.94	249,044,295.97		67,851.64	-2,677,847.07
CPA 37608 Mains affl w CSL Replace								
Dec/2021	23515480.9	23,515,480.90	2.1700%	42,523.83	4,832,980.89	0.0000%	249.94	-1,311.67
			Depr Group Total:	42,523.83	4,832,980.89		249.94	-1,311.67
CPA 37620 Mains - Coated/Wrapped								
Dec/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37630 Mains - Bare Steel								
Dec/2021	62880967.91	63,124,620.15	3.5100%	0.00	62,881,945.27	0.0000%	35,932.90	-3,184,899.30
			Depr Group Total:	0.00	62,881,945.27		35,932.90	-3,184,899.30
CPA 37640 Mains - Plastic								
Dec/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37670 Mains - Other Valves								
Dec/2021	0	0.00	2.1700%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37680 Mains - Cast iron								
Dec/2021	165618.74	167,805.62	5.7400%	0.00	183,026.37	0.0000%	1,005.67	-55,550.38
			Depr Group Total:	0.00	183,026.37		1,005.67	-55,550.38

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 37810 M&R Equip-General								
Dec/2021	1444656.42	1,444,656.42	4.1600%	5,008.14	344,004.26	0.0000%	59.27	-2,323.19
			Depr Group Total:	5,008.14	344,004.26		59.27	-2,323.19
CPA 37820 M&R Equip-General-Reg								
Dec/2021	125186661.08	124,638,961.89	4.1600%	432,081.73	21,430,315.01	0.0000%	16,832.54	-670,312.03
			Depr Group Total:	432,081.73	21,430,315.01		16,832.54	-670,312.03
CPA 37830 M&R Equip-Local Gas Purc								
Dec/2021	419227.96	419,232.18	4.1600%	695.37	419,227.96	0.0000%	46.83	-818.59
			Depr Group Total:	695.37	419,227.96		46.83	-818.59
CPA 37910 M&R Equip-CG Check St								
Dec/2021	136416.67	136,416.67	4.8000%	545.67	113,330.36	0.0000%	0.00	-77,371.50
			Depr Group Total:	545.67	113,330.36		0.00	-77,371.50
CPA 37911 M&R Equip-Exchange GA								
Dec/2021	-449.77	-449.77	4.8000%	0.00	-1,773.67	0.0000%	0.00	0.00
			Depr Group Total:	0.00	-1,773.67		0.00	0.00
CPA 38000 Services								
Dec/2021	696956669.73	692,460,542.30	3.0600%	1,765,774.38	151,149,822.12	0.0000%	259,907.68	-13,161,372.75
			Depr Group Total:	1,765,774.38	151,149,822.12		259,907.68	-13,161,372.75
CPA 38020 Services - Coated/Wrapped								
Dec/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 38030 Services - Bare Steel								
Dec/2021	0	0.00	2.9900%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 38040 Services - Plastic								
Dec/2021	0	0.00	3.0600%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 38100 Meters								
Dec/2021	42403769.41	42,396,661.86	2.3600%	82,757.19	17,548,136.20	0.0000%	104.17	61,724.40
			Depr Group Total:	82,757.19	17,548,136.20		104.17	61,724.40
CPA 38110 Auto Meter Reading Dev								
Dec/2021	24668228.32	24,662,671.80	5.6700%	116,531.12	17,081,532.64	0.0000%	0.00	0.00
			Depr Group Total:	116,531.12	17,081,532.64		0.00	0.00
CPA 38200 Meter Installations								
Dec/2021	42556225.2	42,441,552.89	1.8900%	66,845.45	15,150,983.94	0.0000%	0.17	-14,907.97
			Depr Group Total:	66,845.45	15,150,983.94		0.17	-14,907.97
CPA 38300 House Regulators								
Dec/2021	15743401.86	15,694,099.49	1.9900%	26,026.05	5,097,341.50	0.0000%	15.42	-706.58
			Depr Group Total:	26,026.05	5,097,341.50		15.42	-706.58
CPA 38400 House Reg Installations								
Dec/2021	3484788.15	3,484,788.15	1.0000%	2,903.99	2,830,259.07	0.0000%	0.00	-3,232.41
			Depr Group Total:	2,903.99	2,830,259.07		0.00	-3,232.41
CPA 38500 Ind M&R Eqiupment								
Dec/2021	5779240.72	5,799,323.28	4.6100%	22,279.07	1,525,509.80	0.0000%	7,013.51	-317,031.54
			Depr Group Total:	22,279.07	1,525,509.80		7,013.51	-317,031.54
CPA 38510 Ind M&R Eq-Other Lg V								
Dec/2021	1018903.73	1,020,665.53	4.6100%	0.00	1,018,944.36	0.0000%	2,537.23	-83,560.44
			Depr Group Total:	0.00	1,018,944.36		2,537.23	-83,560.44
CPA 38710 Other Equipment								
Dec/2021	19450.41	19,450.41	2.7900%	45.22	-5,867.65	0.0000%	0.00	26,983.20
			Depr Group Total:	45.22	-5,867.65		0.00	26,983.20
CPA 38720 Other Eq-Odorization								
Dec/2021	117247.73	117,247.73	2.7900%	272.60	84,532.70	0.0000%	0.00	-29,323.62
			Depr Group Total:	272.60	84,532.70		0.00	-29,323.62

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Depreciable Assets								
Distribution								
CPA 38742 Other Eq-Radio								
Dec/2021	119609.27	119,609.27	4.6400%	462.49	70,015.83	0.0000%	0.00	-434.00
			Depr Group Total:	462.49	70,015.83		0.00	-434.00
CPA 38744 Other Eq-Other Comm								
Dec/2021	588831.2	605,747.50	4.6400%	2,342.22	365,641.84	0.0000%	0.00	-2,042.54
			Depr Group Total:	2,342.22	365,641.84		0.00	-2,042.54
CPA 38745 Other Eq-Telemetering								
Dec/2021	10923051.54	10,891,459.80	4.6400%	42,113.64	1,776,987.18	0.0000%	0.00	-11,368.80
			Depr Group Total:	42,113.64	1,776,987.18		0.00	-11,368.80
CPA 38746 Other Eq-Cust Info Se								
Dec/2021	259436.01	259,436.01	4.6400%	0.00	260,801.56	0.0000%	0.00	-1,365.55
			Depr Group Total:	0.00	260,801.56		0.00	-1,365.55
CPA 38750 GPS Pipe Locators								
Dec/2021	2201371.95	2,201,371.95	9.4600%	17,354.15	1,545,276.54	0.0000%	0.00	-499.22
			Depr Group Total:	17,354.15	1,545,276.54		0.00	-499.22
			Depr Summ2 Total:	6,503,311.59	563,293,674.72		395,077.20	-20,352,307.00
General								
CPA 39010 Comm Structures-General								
Dec/2021	49821.42	49,821.42	0.0000%	0.00	49,821.42	0.0000%	0.00	0.00
			Depr Group Total:	0.00	49,821.42		0.00	0.00
CPA 39411 CNG Equip - Stationary								
Dec/2021	2235476.33	2,235,476.33	0.0000%	0.00	2,235,476.33	0.0000%	53.99	-2,998.76
			Depr Group Total:	0.00	2,235,476.33		53.99	-2,998.76
CPA 39412 CNG Equip - Portable GPS								
Dec/2021	0	0.00	0.0100%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 39431 H. P. Stoppling Equip								
Dec/2021	10846.9	10,846.90	0.0100%	0.09	6,175.23	0.0000%	0.00	0.00
			Depr Group Total:	0.09	6,175.23		0.00	0.00

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Depreciable Assets								
General								
CPA 39600 Power Op Eq-Gen Tools								
Dec/2021	948698.04	948,698.04	3.0100%	2,379.65	924,548.12	0.0000%	0.00	28,401.50
			Depr Group Total:	2,379.65	924,548.12		0.00	28,401.50
CPA 39700 Communication Equipment								
Dec/2021	0	0.00	10.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 39750 Comm Equip-Telemetering								
Dec/2021	784068.59	785,992.14	6.2600%	0.00	784,132.76	0.0000%	4.29	-1,248.11
			Depr Group Total:	0.00	784,132.76		4.29	-1,248.11
			Depr Summ2 Total:	2,379.74	4,000,153.86		58.28	24,154.63
			Depr Summ1 Total:	6,538,604.48	573,377,245.63		395,135.48	-21,659,594.01
Amortizable Assets								
Intangibles								
CPA 30300 Intangible Plant								
Dec/2021	4809062.23	3,381,793.10	0.0000%	12,405.67	1,439,674.80	0.0000%	0.00	0.00
			Depr Group Total:	12,405.67	1,439,674.80		0.00	0.00
			Depr Summ2 Total:	12,405.67	1,439,674.80		0.00	0.00
Software								
CPA 30310 DIS Software								
Dec/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 30320 FARA Software								
Dec/2021	0	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 30330 Other Software								
Dec/2021	38307645.72	21,214,411.46	0.0000%	559,658.97	16,400,869.18	0.0000%	0.00	0.00
			Depr Group Total:	559,658.97	16,400,869.18		0.00	0.00

Note: This report is filtered.

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	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Software								
CPA 30399 Cloud Software								
Dec/2021	6012678.92	4,883,068.32	0.0000%	101,764.97	1,108,344.35	0.0000%	0.00	0.00
			Depr Group Total:	101,764.97	1,108,344.35		0.00	0.00
			Depr Summ2 Total:	661,423.94	17,509,213.53		0.00	0.00
Leaseholds - Distribution								
CPA 37571 L 171 Uniontown MOD								
Dec/2021	729012.74	2,868.61	200.0000%	0.00	729,012.74	0.0000%	0.00	-2,868.61
			Depr Group Total:	0.00	729,012.74		0.00	-2,868.61
CPA 37571 L 79 Bradford								
Dec/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L1691 Charleroi MOD								
Dec/2021	458860.44	115,370.05	19.0476%	1,831.27	346,238.27	0.0000%	0.00	-916.61
			Depr Group Total:	1,831.27	346,238.27		0.00	-916.61
CPA 37571 L1701 Rochester								
Dec/2021	0	2,607.11	1,200.0000%	0.00	0.00	0.0000%	0.00	-2,607.11
			Depr Group Total:	0.00	0.00		0.00	-2,607.11
CPA 37571 L2989 New Castle								
Dec/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3250								
Dec/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3376								
Dec/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3477								
Dec/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00

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Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L3495 York								
Dec/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3531 Bethel Park								
Dec/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3611 Bursca MOD								
Dec/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3632 Neville Island								
Dec/2021	77906.46	0.00	1,200.0000%	0.00	77,906.46	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	77,906.46		0.00	0.00
CPA 37571 L3675 Canonsburg								
Dec/2021	431226.08	0.00	1,200.0000%	0.00	431,226.08	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	431,226.08		0.00	0.00
CPA 37571 L3738 York								
Dec/2021	4454.31	0.00	1,200.0000%	0.00	4,454.31	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	4,454.31		0.00	0.00
CPA 37571 L3750 Cranberry								
Dec/2021	15032.97	0.00	1,200.0000%	0.00	15,032.97	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	15,032.97		0.00	0.00
CPA 37571 L3767 Greensburg Weldshop								
Dec/2021	55968.02	0.00	1,200.0000%	0.00	55,968.02	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	55,968.02		0.00	0.00
CPA 37571 L3772								
Dec/2021	136756.28	0.00	1,200.0000%	0.00	136,756.28	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	136,756.28		0.00	0.00

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2021
End Month: Dec/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 L3783 Connellsvile								
Dec/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3787 New Castle MOD								
Dec/2021	0	0.00	7.4074%	0.00	0.00	7.4074%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 L3792 Greentree Rd								
Dec/2021	75972.57	0.00	1,200.0000%	0.00	75,972.57	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	75,972.57		0.00	0.00
CPA 37571 L500954 Washington Constr								
Dec/2021	11940.94	8,682.24	15.7895%	114.24	3,372.94	15.7895%	0.00	0.00
			Depr Group Total:	114.24	3,372.94		0.00	0.00
CPA 37571 LSE 3704 Alpine Point								
Dec/2021	948593.48	591,392.44	17.3913%	8,570.90	365,771.94	17.3913%	0.00	0.00
			Depr Group Total:	8,570.90	365,771.94		0.00	0.00
CPA 37571 LSE 500216 Horning Rd MOD								
Dec/2021	11882.74	10,392.05	6.8571%	59.38	1,550.07	6.8571%	0.00	0.00
			Depr Group Total:	59.38	1,550.07		0.00	0.00
CPA 37571 LSE 500814 Monaca Op Cent								
Dec/2021	0	0.00	6.9364%	0.00	0.00	6.9364%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 LSE3748 York Operating Ct								
Dec/2021	0	0.00	12.0000%	0.00	0.00	12.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 LSE3767 Canonsburg								
Dec/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2021
End Month: Dec/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
Leaseholds - Distribution								
CPA 37571 LSE500921 Monaca TraingCt								
Dec/2021	1520969.97	1,200,598.66	6.9364%	6,939.88	327,311.19	6.9364%	0.00	0.00
			Depr Group Total:	6,939.88	327,311.19		0.00	0.00
CPA 37571 Subs MAS								
Dec/2021	0	0.00	2,400.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37571 TCOB								
Dec/2021	0	0.00	1,200.0000%	0.00	0.00	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
			Depr Summ2 Total:	17,515.67	2,570,573.84		0.00	-6,392.33
Storage								
CPA 35212 Storage & Gas Rts Owned								
Dec/2021	67498.34	0.00	1,200.0000%	0.00	67,498.34	1200.0000%	0.00	0.00
			Depr Group Total:	0.00	67,498.34		0.00	0.00
			Depr Summ2 Total:	0.00	67,498.34		0.00	0.00
General								
CPA 38920 Land Rights								
Dec/2021	0	0.00	3.6600%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 39110 Office Furniture & Equip								
Dec/2021	2703685.2	2,406,624.08	5.1900%	10,408.65	920,716.13	0.0000%	0.00	-417.27
			Depr Group Total:	10,408.65	920,716.13		0.00	-417.27
CPA 39111 Data Handling Equip								
Dec/2021	91303.67	91,303.67	6.2200%	473.26	47,580.47	0.0000%	0.00	-0.01
			Depr Group Total:	473.26	47,580.47		0.00	-0.01
CPA 39112 Information Systems								
Dec/2021	2178866.8	2,442,283.61	19.5000%	39,687.11	1,552,305.55	0.0000%	0.00	-2,745.74
			Depr Group Total:	39,687.11	1,552,305.55		0.00	-2,745.74

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2021
End Month: Dec/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
General								
CPA 39120 OF&E, Air Cond Equip								
Dec/2021	3006.98	3,006.98	5.1900%	0.00	3,006.98	0.0000%	0.00	0.00
			Depr Group Total:	0.00	3,006.98		0.00	0.00
CPA 39220 Trailers over 1,000								
Dec/2021	14787.39	14,787.39	6.2200%	0.00	15,393.89	0.0000%	0.00	0.00
			Depr Group Total:	0.00	15,393.89		0.00	0.00
CPA 39221 Trailers 1,000 & less								
Dec/2021	10829.5	10,829.50	6.2200%	0.00	10,949.82	0.0000%	0.00	0.00
			Depr Group Total:	0.00	10,949.82		0.00	0.00
CPA 39300 Stores Equipment								
Dec/2021	0	0.00	5.1900%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 39410 Garage & Service Equip								
Dec/2021	57140	57,140.00	3.6600%	0.00	418,389.01	0.0000%	0.00	-365,361.38
			Depr Group Total:	0.00	418,389.01		0.00	-365,361.38
CPA 39420 Shop Equipment								
Dec/2021	17534.33	17,534.33	3.6600%	0.00	17,534.33	0.0000%	0.00	0.00
			Depr Group Total:	0.00	17,534.33		0.00	0.00
CPA 39430 Tools & Other Equipment								
Dec/2021	19669951.24	18,613,116.67	3.6600%	56,770.01	7,071,717.44	0.0000%	0.00	-10,291.84
			Depr Group Total:	56,770.01	7,071,717.44		0.00	-10,291.84
CPA 39500 Laboratory Equipment								
Dec/2021	266039.42	266,039.42	5.1900%	1,150.62	84,249.72	0.0000%	0.00	0.00
			Depr Group Total:	1,150.62	84,249.72		0.00	0.00
CPA 39710 Comm Eq, Telephone								
Dec/2021	0	0.00	10.0000%	0.00	21,493.02	0.0000%	0.00	-21,493.02
			Depr Group Total:	0.00	21,493.02		0.00	-21,493.02

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2021
End Month: Dec/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Amortizable Assets								
General								
CPA 39720 Comm Eq, Radio								
Dec/2021	0	0.00	6.2200%	0.00	267.74	0.0000%	0.00	-267.74
			Depr Group Total:	0.00	267.74		0.00	-267.74
CPA 39740 Comm Eq, Other								
Dec/2021	0	0.00	6.2200%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 39800 Misc Equipment								
Dec/2021	950950.58	951,507.81	6.2200%	4,931.98	476,462.68	0.0000%	0.00	407.07
			Depr Group Total:	4,931.98	476,462.68		0.00	407.07
			Depr Summ2 Total:	113,421.63	10,640,066.78		0.00	-400,169.93
Other								
CPA 11710 Gas Stored Underground								
Dec/2021	895339.06	895,339.06	0.0000%	0.00	163,466.81	0.0000%	0.00	0.00
			Depr Group Total:	0.00	163,466.81		0.00	0.00
			Depr Summ2 Total:	0.00	163,466.81		0.00	0.00
			Depr Summ1 Total:	804,766.91	32,390,494.10		0.00	-406,562.26
Future Use								
Other								
CPA 105.000 Future Use								
Dec/2021	41227.41	41,227.41	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
			Depr Summ2 Total:	0.00	0.00		0.00	0.00
			Depr Summ1 Total:	0.00	0.00		0.00	0.00
Non-Depreciable								
Intangibles								
CPA 30100 Organization Costs								
Dec/2021	100099.21	100,099.21	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00

Note: This report is filtered.

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2021
End Month: Dec/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Non-Depreciable								
Intangibles								
CPA 30210 Franchise & Consent, Per								
Dec/2021	26216.29	26,216.29	0.0000%	0.00	-272.50	0.0000%	0.00	0.00
			Depr Group Total:	0.00	-272.50		0.00	0.00
			Depr Summ2 Total:	0.00	-272.50		0.00	0.00
Storage								
CPA 35010 Land								
Dec/2021	23881.54	23,881.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
			Depr Summ2 Total:	0.00	0.00		0.00	0.00
Distribution								
CPA 37410 Land, CG & ML Ind M&R								
Dec/2021	21943.54	21,943.54	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
CPA 37420 Land, Other Dist								
Dec/2021	3361092.78	3,361,096.49	0.0000%	0.00	25,217.65	0.0000%	0.00	209,747.21
			Depr Group Total:	0.00	25,217.65		0.00	209,747.21
			Depr Summ2 Total:	0.00	25,217.65		0.00	209,747.21
Other								
CPA None								
Dec/2021	1503308.18	1,503,205.51	0.0000%	0.00	1,278.10	0.0000%	0.00	40.96
			Depr Group Total:	0.00	1,278.10		0.00	40.96
			Depr Summ2 Total:	0.00	1,278.10		0.00	40.96
			Depr Summ1 Total:	0.00	26,223.25		0.00	209,788.17

Depreciation Summary History

Columbia Gas of Pennsylvania
Financial/SEC

NiSource

Start Month: Dec/2021
End Month: Dec/2021

	Ending Plant Balance	Life + Salvage Depreciation Base	Life + Salvage Annual Depreciation Rate	Life + Salvage Depreciation	Ending Reserve	COR Base COR Rate	COR Base COR Depr Exp	COR End Reserve
Non-Utility								
Other								
CPA 121.000 Non-Utility								
Dec/2021	8346.49	8,346.49	0.0000%	0.00	0.00	0.0000%	0.00	0.00
			Depr Group Total:	0.00	0.00		0.00	0.00
			Depr Summ2 Total:	0.00	0.00		0.00	0.00
			Depr Summ1 Total:	0.00	0.00		0.00	0.00
Production								
Other								
CPA 36210 Environmental Remediation								
Dec/2021	0	0.00	0.0000%	0.00	-2,084,416.19	0.0000%	5,599.92	1,855,640.66
			Depr Group Total:	0.00	-2,084,416.19		5,599.92	1,855,640.66
			Depr Summ2 Total:	0.00	-2,084,416.19		5,599.92	1,855,640.66
			Depr Summ1 Total:	0.00	-2,084,416.19		5,599.92	1,855,640.66
	3321565554.67		**Company/Set of Books Total:**	7,343,371.39	603,709,546.79		400,735.40	-20,000,727.44

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Revenue Requirements

C. Construction Work In Progress

Twelve Months Ending November 30, 2021		Twelve Months Ending November 30, 2022	
Month	Amount	Month	Amount
(1)	(2)	(3)	(4)
	$		$
Dec-20	43,992,078	Dec-21	67,521,691
Jan-21	43,611,515	Jan-22	
Feb-21	48,225,888	Feb-22	
Mar-21	58,950,197	Mar-22	
Apr-21	66,506,257	Apr-22	
May-21	71,274,085	May-22	
Jun-21	80,418,132	Jun-22	
Jul-21	87,529,722	Jul-22	
Aug-21	96,479,401	Aug-22	
Sep-21	98,701,791	Sep-22	
Oct-21	102,099,802	Oct-22	
Nov-21	103,631,256	Nov-22	

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Revenue Requirements

D.

Accumulated Deferred Income Taxes
Twelve Months Ending November 30, 2021

Month	Account 190	Liberalized Depreciation Account 282	Other Account 283
(1)	(2)	(3)	(4)
	$	$	$
Dec-20	119,156,394	(485,726,080)	(6,719,581)
Jan-21	117,020,626	(487,829,023)	(5,934,040)
Feb-21	114,444,597	(489,931,964)	(5,660,540)
Mar-21	112,960,091	(491,291,256)	(6,871,944)
Apr-21	112,722,925	(493,146,314)	(7,065,900)
May-21	113,046,162	(495,001,365)	(7,229,973)
Jun-21	114,091,731	(496,856,417)	(7,546,418)
Jul-21	114,366,138	(498,711,462)	(7,585,221)
Aug-21	114,750,306	(500,566,508)	(7,633,732)
Sep-21	115,563,392	(502,421,550)	(7,548,597)
Oct-21	116,078,028	(504,276,591)	(7,235,347)
Nov-21	114,146,238	(506,162,668)	(5,836,653)

Accumulated Deferred Income Taxes
Twelve Months Ending November 30, 2022

Month	Account 190	Liberalized Depreciation Account 282	Other Account 283
(5)	(6)	(7)	(8)
	$	$	$
Dec-21	111,254,418	(505,455,622)	(5,231,550)
Jan-22			
Feb-22			
Mar-22			
Apr-22			
May-22			
Jun-22			
Jul-22			
Aug-22			
Sep-22			
Oct-22			
Nov-22			

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Revenue Requirements

E. Materials and Supplies
Twelve Months Ending November 30, 2021

Month	Amount
(1)	(2)
	$
Dec-20	1,214,645
Jan-21	1,231,625
Feb-21	1,226,834
Mar-21	1,231,849
Apr-21	1,234,152
May-21	1,238,999
Jun-21	1,235,039
Jul-21	1,238,512
Aug-21	1,183,201
Sep-21	1,190,666
Oct-21	1,354,351
Nov-21	1,315,943

Materials and Supplies
Twelve Months Ending November 30, 2022

Month	Amount
(3)	(4)
	$
Dec-21	1,341,498
Jan-22	
Feb-22	
Mar-22	
Apr-22	
May-22	
Jun-22	
Jul-22	
Aug-22	
Sep-22	
Oct-22	
Nov-22	

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Revenue Requirements

F.

Month	Customer Advances - Deposit Account 25200000	Customer Advances - Deposit (Post 12/31/99) Account 18600400	Net 252
(1)	(2)	(3)	(4=2+3)
	$	$	$
Dec-20	(3,793,775)	3,813,300	19,525
Jan-21	(3,725,959)	3,783,624	57,665
Feb-21	(3,714,044)	3,721,158	7,114
Mar-21	(3,703,594)	3,706,482	2,887
Apr-21	(3,682,203)	3,683,357	1,155
May-21	(3,649,367)	3,650,451	1,084
Jun-21	(3,624,024)	3,627,264	3,240
Jul-21	(3,571,409)	3,577,733	6,323
Aug-21	(3,537,103)	3,542,517	5,414
Sep-21	(3,552,508)	3,526,718	(25,790)
Oct-21	(3,496,072)	3,525,425	29,353
Nov-21	(3,048,275)	3,050,106	1,832

Month	Customer Advances - Deposit Account 25200000	Customer Advances - Deposit (Post 12/31/99) Account 18600400	Net 252
(1)	(2)	(3)	(4=2+3)
	$	$	$
Dec-21	(2,847,672)	2,858,937	11,265
Jan-22			0
Feb-22			0
Mar-22			0
Apr-22			0
May-22			0
Jun-22			0
Jul-22			0
Aug-22			0
Sep-22			0
Oct-22			0
Nov-22			0

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Revenue Requirements

G.

Contributions In Aid of Construction
Twelve Months Ending November 30, 2021

Month	Contribution In Aid of Construction Account 101-2000	Contribution In Aid of Construction Affiliated Companies Account 101-3000	Non-Taxable Relocation Reimbursements Account 101-4000	Customer Advances for Construction (Deposits) Account 101-4005
(1)	(2)	(3)	(4)	(5)
	$	$	$	$
Dec-20	(10,361,531)	(8,637)	(4,050,699)	(19,760)
Jan-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)
Feb-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)
Mar-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)
Apr-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)
May-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)
Jun-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)
Jul-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)
Aug-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)
Sep-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)
Oct-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)
Nov-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)

Contributions In Aid of Construction
Twelve Months Ending November 30, 2022

Month	Contribution In Aid of Construction Account 101-2000	Contribution In Aid of Construction Affiliated Companies Account 101-3000	Non-Taxable Relocation Reimbursements Account 101-4000	Customer Advances for Construction (Deposits) Account 101-4005
(6)	(7)	(8)	(9)	(10)
	$	$	$	$
Dec-21	(10,361,531)	(8,637)	(4,050,699)	(19,760)
Jan-22				
Feb-22				
Mar-22				
Apr-22				
May-22				
Jun-22				
Jul-22				
Aug-22				
Sep-22				
Oct-22				
Nov-22				

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Revenue Requirements

I. Historic Test Year Prepayments

Line No.	Month	Prepaid Leases 16500000	PUC,OCA, OSBA Fees 16503600	Prepaid Permits 16503700	Prepaid Ins. I/C 16520000	Corp. Ins. 16521000	Total
	(1)	(2)	(3)	(3)	(4)	(5)	(6)
		$	$	$	$	$	$
1	Dec-20	13,494	1,004,396	107,542	1,103,287	2,598,079	4,826,797
2	Jan-21	(77,498)	836,997	110,242	1,162,454	2,199,866	4,232,061
3	Feb-21	(188,882)	669,597	125,457	956,196	1,801,652	3,364,021
4	Mar-21	148,140	502,198	169,192	1,148,441	1,618,490	3,586,461
5	Apr-21	52,043	334,799	215,000	897,905	1,194,397	2,694,144
6	May-21	141,189	167,399	224,370	647,369	770,304	1,950,632
7	Jun-21	146,002	-	241,135	419,731	520,031	1,326,900
8	Jul-21	155,377	-	247,857	602,315	2,224,622	3,230,171
9	Aug-21	187,029	-	239,997	1,588,115	3,124,379	5,139,520
10	Sep-21	215,510	-	190,065	1,391,713	2,758,122	4,555,411
11	Oct-21	219,702	1,591,211	29,076	1,192,055	2,382,558	5,414,602
12	Nov-21	177,660	1,392,309	-	992,398	2,777,962	5,340,329

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Revenue Requirements

I. Forecasted Test Year Prepayments

Line No.	Month	Prepaid Leases 16500000	PUC,OCA, OSBA Fees 16503600	Prepaid Permits 16503700	Prepaid Ins. I/C 16520000	Corp. Ins. 16521000	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		$	$	$	$	$	$
1	Dec-21	187,509	1,193,408	0	792,740	2,387,275	4,560,932
2	Jan-22						
3	Feb-22						
4	Mar-22						
5	Apr-22						
6	May-22						
7	Jun-22						
8	Jul-22						
9	Aug-22						
10	Sep-22						
11	Oct-22						
12	Nov-22						

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Revenue Requirements

J. Historic Test Year Customer Deposits

Line No.	Month (1)	Account 23500000 (2) $	Account 23500300 (3) $
1	Dec-20	(3,339,442)	(140,000)
2	Jan-21	(3,310,725)	(140,000)
3	Feb-21	(3,276,009)	(140,000)
4	Mar-21	(3,248,265)	(140,000)
5	Apr-21	(3,253,165)	(140,000)
6	May-21	(3,205,375)	(140,000)
7	Jun-21	(3,223,912)	(140,000)
8	Jul-21	(3,256,638)	(140,000)
9	Aug-21	(3,319,032)	(140,000)
10	Sep-21	(3,408,129)	(140,000)
11	Oct-21	(3,581,183)	(140,000)
12	Nov-21	(3,730,887)	(140,000)

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Revenue Requirements

J. Forecasted Test Year Customer Deposits

Line No.	Month	Account 23500000	Account 23500300
	(1)	(2)	(3)
		$	$
1	Dec-21	(3,784,505)	(140,000)
2	Jan-22		
3	Feb-22		
4	Mar-22		
5	Apr-22		
6	May-22		
7	Jun-22		
8	Jul-22		
9	Aug-22		
10	Sep-22		
11	Oct-22		
12	Nov-22		

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Revenue Requirements

K. Injury and Damages Reserve
Account 2282000
Twelve Months Ending November 30, 2021

Month	Amount
(1)	(2)
	$
Dec-20	(109,678)
Jan-21	(123,040)
Feb-21	(152,950)
Mar-21	(150,410)
Apr-21	(160,356)
May-21	(145,055)
Jun-21	(170,405)
Jul-21	(185,606)
Aug-21	(204,832)
Sep-21	(189,907)
Oct-21	(179,905)
Nov-21	(177,898)

Injury and Damages Reserve
Account 2282000
Twelve Months Ending November 30, 2022

Month	Amount
(3)	(4)
	$
Dec-21	(174,026)
Jan-22	
Feb-22	
Mar-22	
Apr-22	
May-22	
Jun-22	
Jul-22	
Aug-22	
Sep-22	
Oct-22	
Nov-22	

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-18:

Please provide a copy of all work papers supporting the Company's lead/lag study.

Response:

Columbia Gas of Pennsylvania has not made a claim for cash working capital.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-019:

Please provide the payroll distribution showing the percentage of wages charged to O&M and other categories for each of the preceding three calendar years and the most recent annual period available.

Response:

See GAS-RR-019 Attachment A.

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Revenue Requirements

Line No.		TME 12/31/2018	TME 12/31/2019	TME 12/31/2020	TME 11/30/2021
	Labor				
1	O&M Expense	33,836,341	37,716,757	38,429,815	39,717,599
2	CWIP	24,810,322	27,919,752	30,320,848	32,881,819
3	RWIP	1,094,722	1,316,872	1,859,401	1,475,038
4	Intercompany	(403,460)	231,270	348,320	442,904
5	Fleet/Other	(116,213)	(287,473)	(403,646)	1,078,845
6	Total Gross Labor	59,221,712	66,897,178	70,554,739	75,596,205
7	O&M Labor Percentage (Ln 1 / Ln 5)	57.14%	56.38%	54.47%	52.54%

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-020:

Please state whether the future test year budgeted labor includes any increases or decreases in the number of employees during the future test year. If increases have been budgeted, please state whether the future test year includes budgeted positions which have not been filled.

Response:

Please see Columbia Statement No. 9, under the heading "Forecasted Labor Expense."

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-21:

Please explain how the Company has treated routine or normal position vacancies which occur as a result of terminations or retirements in its budgeted labor projections.

Response:

The bulk of Columbia's workforce and labor expense is Field Operations and Construction. The budgets are built from a work plan using internal and contractor resources. When vacancies exist due to terminations, retirements or position changes, the gap is filled by an increase in contracted labor or increased overtime by existing employees. A calculation of a vacancy or turnover rate therefore would require a corresponding (and potentially greater) upwards adjustment for outside services expense for contractors.

The starting point for the budgeted labor projections is the normalized labor expense for the Historic Test Year ended November 30, 2021. The normalization reflects all filled positions at that time at their full annual rate. Funding for the vacancies that existed at that point in time is reflected in the FTY or the FPFTY labor expense as they are expected to be filled at that time. Incremental positions (and associated expense) to be added during the FPFTY are reflected in the response to GAS-RR-26.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-022:

Please provide the most recent insurance premiums for each type of insurance coverage (i.e., employee benefit and those purchased by the Company) reflected in the Company's filing. If available, please provide estimated premiums for the subsequent calendar year.

Response:

See GAS-RR-022 Attachment A for the most recent insurance premiums.

COLUMBIA GAS OF PENNSYLVANIA, INC.
INSURANCE PAYMENTS - 2021/2022

Line No.	Type of Coverage	Policy Period	Premium $	CPA Portion	CPA Premium $
1	**Property**				
2	AEGIS, EIM, Swiss Re, Lloyd's Combined	6/1/21 - 6/1/22	4,207,806.12	3.705%	155,899.22
3	Lloyd's Cyber PD Wrap	6/1/21 - 6/1/22	361,636.75	3.705%	13,398.64
4	NICI Property	6/1/21 - 6/1/22	628,614.00	3.705%	23,290.15
5	AEGIS Loss Control	6/1/20 - 6/1/21	21,047.00	3.705%	779.79
6	Arise Jurisdictional Inspections	6/1/21 - 6/1/22	26,630.00	3.705%	986.64
7	Arise Endt - PA	6/1/21 - 6/1/22	825.00	100.000%	825.00
	Arise Endt - VA	6/1/21 - 6/1/22	825.00	0.000%	0.00
8	GRC Infrared	8/1/21-6/1/22	33,100.00	3.705%	1,226.36
9	MSW Fee	6/1/21 - 6/1/22	239,625.00	3.705%	8,878.11
10	BMS Fee	6/1/21 - 6/1/22	150,000.00	3.705%	5,557.50
11	**Total Property Premiums**		**5,670,108.87**		**210,841.40**
12					
13	**Primary Liability**				
14	ACE American - General Liability	7/1/21 - 7/1/22	95,616.00	12.4%	11,856.38
	ACE American - Auto Liability	7/1/21 - 7/1/22	102,666.00	11.8%	12,114.59
	AEGIS (NICI) AL/GL Buy down	7/1/21 - 7/1/22	4,776,051.00	12.3%	587,347.53
15	ESIS Service Fee	7/1/21 - 7/1/22	1,145,712.00	12.3%	140,896.97
16	MSW GL/AL Fee	7/1/21 - 7/1/22	133,333.33	12.1%	16,133.33
17	**Total General & Auto Liability**		**6,253,378.33**		**768,348.80**
18					
19	**Excess Liability**				
20	MSW - AEGIS $35M/ NICI XOl incl SLT	7/1/21 - 7/1/22	14,741,326.55	12.3%	1,812,853.70
21	EIM 100 x 35	7/1/21 - 7/1/22	2,783,000.00	12.3%	342,246.80
22	MSW - EIM 100 x 35 SLT, Cedar Hamilton	7/1/21 - 7/1/22	399,368.75	12.3%	49,113.43
23	McGriff Everest	7/1/21 - 7/1/22	205,653.95	12.3%	25,290.84
24	McGriff Lloyd's	7/1/21 - 7/1/22	1,293,052.88	12.3%	159,016.60
25	BMS Bermuda Excess	7/1/21 - 7/1/22	6,437,028.00	12.3%	791,610.58
26	BMS London Excess	7/1/21 - 7/1/22	901,100.00	12.3%	110,815.16
27	BMS Bermuda Punitive Damages	7/1/21 - 7/1/22	265,387.17	12.3%	32,636.69
28	BMS London Punitive Damages	7/1/21 - 7/1/22	24,091.00	12.3%	2,962.65
29	NICI Hiscox Reinsurance	7/1/21 - 7/1/22	191,875.00	12.3%	23,596.34
30	NICI Punitivie Damages DIC	7/1/21 - 7/1/22	32,175.00	12.3%	3,956.81
31	NICI High Excess	7/1/21 - 7/1/22	1,500,000.00	12.3%	184,466.47
32	BMS Excess Liability Fee	7/1/21 - 7/1/21	360,000.00	12.3%	44,271.95
33	MSW Excess Liability Fee	7/1/21 - 7/1/22	531,115.00	12.3%	65,315.27
34	**Total Excess Liability Premiums**		**29,665,173.30**		**3,648,153.30**
35					
36	**Directors & Officers Liability**				
37	MSW - Various Carriers	11/1/21 - 11/1/22	2,488,801.63	13.76%	342,459.10
38	Side A MSW - Various Carriers	11/1/21 - 11/1/22	700,478.00	13.76%	96,385.77
39	Energy Insurance Mutual 15X90	11/1/21 - 11/1/22	142,319.00	13.76%	19,583.09
40	Energy Insurance Mutual 10X35	11/1/21 - 11/1/22	271,974.00	13.76%	37,423.62
	Ed Broking Main Program	11/1/21 - 11/1/22	58,890.00	13.76%	8,103.26
41	Ed Broking Side A	11/1/21 - 11/1/22	55,368.00	13.76%	7,618.64
42	MSW Fee	7/1/21 - 7/1/22	175,000.00	13.76%	24,080.00
43	Ed Broking Fee	11/1/21 - 11/1/22	15,000.00	13.76%	2,064.00
44	**Total Directors & Officers Liability Premiums**		**3,907,830.63**		**537,717.49**
45					
46	**Fiduciary Liability**				
47	MSW - Various Carriers	11/1/21 - 11/1/22	462,556.00	11.69%	63,647.71
48	Energy Insurance Mutual 25X40	11/1/21 - 11/1/22	119,000.00	11.69%	16,374.40
49	**Total Fiduciary Liability Premiums**		**581,556.00**		**80,022.11**
50					
51	**Commercial Crime**	11/1/21 - 11/1/22	**127,851.00**	11.69%	**17,592.30**
52					

53	**Aviation**				
54	MSW - Global Aerospace	11/01/21-11/01/22	90,254.00		0.00
55	Marsh - LJA	10/01/21-10/01/22	29,941.00		0.00
56	MSW - Drone	01/19/21-11/01/21	6,841.00		0.00
57	MSW - Trakka	10/14/21-11/01/21	394.00		0.00
58	Vista Return	11/01/20-11/01/21	-6,223.00		0.00
59	MSW - Return Premium	11/01/21-11/01/22	-12,749.00		0.00
60	Marsh - LJA Return Premium	10/01/21-10/01/22	-23,485.00		0.00
61	**Total Aviation**		**84,973.00**		
62					
63	**Professional**	7/1/21 - 7/1/22	**199,875.00**		20,997.49
64					
65	**Cyber**				
66	MSW - AEGIS	11/1/21 - 11/1/22	1,261,599.00	10.3%	**130,449.34**
67	EIM	11/1/21 - 11/1/22	110,000.00	10.3%	11,374.00
68	**Total Cyber**		**1,371,599.00**	10.3%	**141,823.34**
69					
70					
71	**Travel Accident**	1/1/21-1/1/22	**23,193.00**	10.3%	**2,381.92**
72					
73	**MSL True Up 2020**	1/1/20-1/1/21	**18,114.66**	7.9%	**1,425.48**
74					
75	**Surety Bonds**	2021	**257,268.80**	31.6%	**81,336.00**
76					
77	**Medical Stop Loss**	1/1/21 - 1/1/22	**3,050,871.00**	8.5%	**259,878.63**
78					
79	**Total Other Miscellaneous Insurance Premiums**		**45,541,683.72**		**5,559,676.86**
80					
81	**Workers Compensation**				
82	ACE American - Work Comp	7/1/21 - 7/1/22	1,170,115.00	10.2%	119,066.29
83	AEGIS (NICI) WC	7/1/21 - 7/1/22	3,274,420.00	10.2%	333,192.08
84	ESIS Service Fee	7/1/21 - 7/1/22	91,765.00	10.2%	9,337.64
85	Travelers Service Fee	7/1/21 - 7/1/22	1,500.00	10.2%	152.63
86	MSW WC Fee	7/1/21 - 7/1/22	66,666.66	10.2%	6,783.74
87	**Total Workers Compensation Premiums**		**4,604,466.66**		**468,532.39**
88					
89	**Total 2021 / 2022 Insurance Premiums**		**55,816,259.25**		**6,239,050.65**
90					
91					
92	**Short Term Disability Claims Administration**	7/1/21 - 6/30/22	254,796.00	11.5%	23,592.23
93					
94	**Group Term Life Program**	1/1/21-12/31/21	6,809,211.00	9.49%	646,512.84
95	**Fee**	1/1/21-12/31/21	150,000.00	9.49%	14,242.02
96	**Total Group Term Life Program Premiums**		6,959,211.00		660,754.86
97					
98	**Group Long Term Disability**	1/1/21-12/31/21	3,648,816.00	10.35%	377,498.68
99	**Fee**	1/1/21-12/31/21	200,000.00	10.35%	20,691.57
100	**Group Long Term Disability**		3,848,816.00	10.35%	398,190.25
101					
102	**WC True Up - 2020-2021**	7/1/20-7/1/21	397.00	10.40%	41.29
103					
104	**LTD True Up 2020**	01/01/20-01/01/21	(31,152.25)	9.07%	(2,826.12)
105					
106	RoseWater Wind Farm	12/29/20-12/29/21	576,489.93		0.00
107	Indiana Crossroads Wind Farm	12/16/21-12/16/22	1,322,052.73		0.00
108					
109	SLT (filed 2.1.21)	7/1/20-12/31/20	532,300.23	10.53%	56,068.57
110	SLT (filed 8.1.21)	1/1/21 - 6/30/21	95,737.13	7.54%	7,218.16
111					
112	EIM Member Distribution	Various	(482,928.00)	14.80%	(71,473.34)
113					
114					
115	**Life True Up 2020**	01/01/20-01/01/21	**(17,080.00)**	8.61%	(1,470.04)
116					
117	**Total All Premiums**		**68,874,899.02**		**7,309,146.50**
118		Bonds Variance			
			68,874,899.02		7,309,146.50

[1] All MSW and Haywood Fees accounted for in one invoice

[2] The primary, auto and work comp Ace American premiums, and STD Claims Administration are all accounted for in one invoice.
[3] Filed directly with State on February 1st for SLT due on premiums that were paid the preceding 6 months (July 1st - December 31st)
* AEGIS (NICI) and EIM SLT are accounted for in one invoice

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-023:

Please provide a copy of the Company's two most recent FERC Form 2.

Response:

Columbia Gas of Pennsylvania, Inc. does not file a FERC Form 2. However, see Columbia's 2020 Annual Report in GAS-RR-023 Attachment A and Columbia's 2019 Annual Report in GAS-RR-023 Attachment B.

Contact File_____ By_____

Database_____ By_____

GAS UTILITIES

ANNUAL REPORT

OF

COLUMBIA GAS OF PENNSYLVANIA, INC.

(Give exact legal title of Utility, using "The" and "Company" only if part of corporate name)

TO THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

FOR THE YEAR ENDED DEC. 31, 2020

THIS REPORT MUST BE FILED NOT LATER THAN APR 30, 2021

GAS ANNUAL REPORT
OF

Columbia Gas of Pennsylvania, Inc.
Exact legal name of reporting gas company or corporation
(If name was changed during year, show also the previous name and date of change)

121 Champion Way, Suite 100, Cannonsburg, Pennsylvania
(Address of principal business office at end of year)

FOR THE

YEAR ENDED DECEMBER 31, 2020

TO THE

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

Name, title, address and telephone number (including the area code), E-Mail Address, and Web Site Address of the person to be contacted concerning this report:

Jeffrey Eing	**Accounting Manager**
Name	Title
290 West Nationwide Boulevard, Columbus, Ohio 43215	**614-460-4281**
Address	Phone
JEING@NISOURCE.COM	
E-mail Address	

Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2020

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Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2020

GENERAL INSTRUCTIONS

1. The completed original and an electronic (e-mail) copy of this report shall be filed with the Pennsylvania Public Utility Commission, P.O. Box 3265, Harrisburg, Pennsylvania, 17105-3265 on or before the 30th of April following the end of the year to which the report applies.

2. All Natural Gas Distribution Companies subject to the jurisdiction of the Pennsylvania Public Utility Commission, upon which this report is served are required by statute to complete and file this report. The statute further provides that when any such report is defective or believed to be erroneous, the reporting corporation shall be duly notified and given a reasonable time within which to make the necessary amendments or corrections. All data comprising this report shall be submitted in electronic and permanent form.

3. All accounting terms and phrases used in this form are to be interpreted in accordance with the effective applicable Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission Title 18 under "Part 201-Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act", (18 CFR Part 201). Whenever the term respondent is used, it shall mean the reporting company.

4. Standard accounting procedures will apply in determining the nature of any entry (e.g., Uncollectibles, a revenue item, is normally a debit entry, and should be entered as a "positive" number unless the reported balance is a credit). Entries of a reverse or contrary character shall be indicated by parenthesis around the number.

5. If the report is made for a period less than the calendar year, the period covered must be clearly stated on the front cover and elsewhere throughout the report where the period covered is shown. When operations cease during the year because of the disposition of property, the balance sheet and supporting schedules should consist of balances and items immediately prior to transfer (for accounting purposes). If the books are not closed as of that date, the data in the report should nevertheless be complete, and the amounts reported should be supported by information set forth in, or as part of, the books of account.

6. All instructions shall be followed and each question shall be answered fully and accurately. Sufficient answers shall appear to show that no question or schedule has been overlooked. The expression "none" or "not applicable" shall be given as the answer to any particular inquiry or schedule where it truly and completely states the fact. Unless otherwise indicated, no information will be accepted which incorporates by reference information from another document or report. Where information called for herein is not given, state fully the reason for its omission.

7. Extra copies of any page will be furnished upon request. If it is necessary or desirable to insert additional statements for the purpose of further explanation of accounts or schedules, they shall be legibly made on paper of durable quality and shall correspond to this form in size of page and width of margin. Additional sheets, ruled either vertically or horizontally, will be furnished on request. Inserts, if any, should be appropriately identified with the schedules to which they relate.

8. If the gas distribution service provider conducts operations both within and outside the Commonwealth of Pennsylvania, data should be reported so that there will be shown the number of subscribers within this state, and (separately by accounts) the operating revenues from sources within this state, and the plant investment as of the end of the year within the state.

9. Whenever schedules call for comparison of figures of a previous year, the figures reported must be based upon those shown by the annual report of the previous year or an appropriate explanation given why different figures were used.

10. Throughout the report, money items shall be shown in units of dollars adjusted to accord with footings. Omitting cents does not apply, however, to items in which cents are of significance, as for instance, in averages and in unit costs.

11. If this report is not completed electronically, the name of the respondent and the year to which the report relates shall be inserted on the top of each page.

GENERAL INFORMATION

1. Name and title of officer having custody of the general books of account and address of the office where such books are kept.

Kevin Stanley - Controller
290 West Nationwide Boulevard
Columbus, Ohio 43215

2. Name of State under the laws of which respondent is incorporated and the date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and date organized.

Commonwealth of Pennsylvania
June 23, 1960
Natural Gas Act-P.L. dated May 29, 1885

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, (d) date when possession by receiver or trustee ceased.

Not Applicable

4. State the classes of utility and other services furnished by respondent during the year in each state in which the respondent operated.

Sale of gas to residential, commercial, other sales (field), and industrial customers in the Commonwealth of Pennsylvania and off-system sales in the states of Maryland, Pennsylvania, and West Virginia. Respondent also distributes natural gas to residential, industrial and commercial consumers under general distribution rate schedules.

IMPORTANT CHANGES DURING YEAR

Hereunder give particulars concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry must be answered. However, if the word "None" states the fact, it may be used in answering any inquiry.

1. Changes in, and additions to franchise rights; describing (a) the actual consideration given therefor, and (b) from whom acquired. If acquired without the payment of any consideration, state that fact.
2. Acquisition of other companies, reorganization, merger or consolidation with other companies: give names of companies involved, particulars concerning the transactions, and references to Commission authorization, if any.
3. Purchase or sale of substantial operating units, such as generating stations, transmission lines or distribution lines, specifying items, parties, effective dates and also reference to Commission authorization, if any.
4. Important leaseholds (other than leaseholds for natural gas lands) acquired, given, assigned, or surrendered, giving effective dates, lengths of terms, names of parties, rents, Commission authorization, if any, and other conditions.
5. Important extensions of system, giving location, new territory covered by distribution systems, and dates of beginning operations. Give, also, the number of new customers of each class, and for each class of customers the estimated annual revenues.
6. Estimated increase or decrease in annual revenues due to important rate changes, and the approximate extent to which such increase or decrease is reflected in revenues for the reporting year.
7. Important wage scale changes, showing dates of changes, effect on operating expenses for the year, and estimated annual effect of such wage scale changes on operating expenses.
8. Obligations incurred or assumed by respondent as guantantor for the performance by another of any agreement for the performance by another of any agreement or obligation, excluding ordinary commercial paper maturing on demand or not later than one year after date of issue, and giving Commission authorization, if any.
9. Changes in articles of incorporation or amendments to charter: explain the nature and purpose of such changes or amendments.
10. Other important changes not elsewhere provided for.

1. N/A
2. N/A
3. N/A
4.
• Columbia Gas of Pennsylvania, Inc.'s lease at 5217 Route 30, Greensburg, PA was assigned to Mohler Limited Family Partnership and the lease was extended 36 months to June 30, 2021, effective July 1, 2018, with a base monthly rent of $2,100.

• Columbia Gas of Pennsylvania, Inc. extended its lease at 121 Champion Way, Canonsburg, PA with 121 Champion Way, LLC. The lease extension was effective as of July 1, 2018 and has been extended to June 30, 2030. The current monthly rent payment is $59,639.63.

• Columbia Gas of Pennsylvania, Inc. extended its lease at 600 Horning Road, Pittsburgh, PA with Kentor, Inc. effective August 1, 2018 and the lease was extended to July 31, 2023 with a current rent payment of $6,000 per month.

5. N/A

6.

• Columbia Gas of Pennsylvania, Inc. received the Final Order for its 2020 base rate case, entered on February 19, 2021, which granted an annual revenue increase of $63.5 million through PUC approval at Docket No. R-2020-3018835. New rates are to become effective retroactive for the service rendered on and after January 23, 2021.
7. N/A
8. N/A
9. N/A
10. N/A

DEFINITIONS

"Accounts" means the accounts prescribed in the Federal Code Regulations Title 18, Part 201.

"Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, which may be over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

"Book Cost" means the amount at which property is recorded in the applicable account without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

"Control" (including the terms; "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, affiliated companies, contract or any other direct or indirect means.

"Cost" means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

"Debt Expense" means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen or marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

"Depreciation", as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of the utility plant in the course of providing service. This includes causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of regulatory bodies.

"Distribution Service Line", A distribution line that transports gas from a common source of supply to a customer meter or the connection to a customer's piping, whichever is further downstream, or the connection to a customer's piping if there is no customer meter.

DEFINITIONS
(Continued)

"Investment Advances" means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

"Minor Items of Property" means the associated parts or items of which retirement units are composed.

"Net Salvage Value" means the salvage value of property retired less the cost of removal.

"Nominally Issued", as applied to securities issued or assumed by the utility means those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the utility, but which have not been sold, or issued directly to trustees of sinking funds in accordance with contractual requirements.

"Original Cost", as applied to utility plant, means the cost of such property to the person first devoting it to public service.

"Property Retired", as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

"Replacing or Replacement", when not otherwise indicated in the context, means the construction or installation of utility plant in place of property retired, together with the removal of the property retired.

"Retained Earnings" means the accumulated net income of the utility less distributions to stockholders and transfers to other capital accounts, and other adjustments.

"Salvage Value" means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.

"Straight-Line Remaining Life Method", as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual changes during its service life. "Remaining Life" implies that estimates of the future life and salvage shall be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

100. VOTING POWERS AND ELECTIONS

1. Has each share of stock the right to one vote? Yes/No
Yes

2. Are voting rights attached only to stock? Yes/No (If the answer to either query 1 or 2 is "No," give particulars on a separate sheet.)
Yes

3. Give date of the latest closing of the stock book prior to end of year and state the purpose of such closing.
December 31, 2020

4. Is cumulative voting permitted? Yes/No
No

6. State the date and place of the latest general meeting held prior to the end of the year for the election of directors?
The lastest election of directors was by written consent of the sole Stockholder on July 27, 2020.

7. State the total number of votes cast at the latest general meeting and the total number cast by proxy.
The sole shareholder elected the directors by unanimous written consent in lieu of an annual meeting.

8. State the total number of voting security holders and the total of all voting securities as of such date.
One security holder - 1,805,112

9. If any security has preferences, special privileges, or restrictions in the election of directors, trustees or managers, or in the determination of any corporate action, give details.
None

10. State the number of votes controlled by management, other than officers of the Corporation.
None

Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2020

101 SECURITY HOLDER INFORMATION AND VOTING POWERS

1. Report the requested information for each holder of one percent or more of the voting securities or if there are fewer than ten such holders, the ten who hold the highest voting powers. Data should be the latest available nearest the end of the year. When the holder of record is a trustee, or other intermediate agency (except a corporation), the data should be reported opposite the names of the beneficial owners, designated as such, under a general heading identifying the trustee or other agency. Securities with contingent voting rights may be disregarded.
2. Attach hereto a certified copy of every effective voting trust established and a certified copy of every other agreement (trustee or otherwise) under which voting securities are held for beneficial owners. If any such agreement has been filed with a previous report, reference to the earlier report will be sufficient provided changes or modification since filing are shown.

Line No.	Last Name (a)	First Name (b)	Street Address (c)	City (d)	State (e)	Zip (f)	Total Votes (g)	Common Stock (h)	Preferred Stock (i)	Other (j)	Nonvoting Securities (see instruction 2) Principal, Par Value, or Stated Value (Specify issue-omit cents) (k)
1	Total votes of all voting securities						1,805,112	1,805,112	-	-	-
2	Total number of security holders										
3	Total votes of security holders listed below										
4											
5	One Shareholder on 12/31/20										
6											
7	NiSource Gas Distribution Group, Inc.										
8	801 E. 86th Avenue										
9	Merrillville, Indiana 46410-6272										
10											
11	Each share is entitled to one vote										
12											
13	Total # of shares held is 1,805,112										
14											
15											

102. COMPANIES CONTROLLED BY RESPONDENT

1. Show below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year.
   If control ceased prior to end of the year, give particulars in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediates involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

Line No.	Name of Company Controlled (a)	Kind of Business (b)	Street Address (c)	City (d)	State (e)	Zip (f)	Voting % of Stock (g)	Footnote Ref. (h)
1	Columbia Gas of Pennsylvania Receivables	Financing Subsidiary	2711 Centerville Road, Suite 400	Wilmington	DE	19808	100% owned by Columbia Gas of Pennsylvania, Inc.	
2	Corporation						100 shares issued and outstanding	
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16							-	

103. Directors

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of respondent.
2. Designate by an asterisk names of members of Executive Committee, and by double asterisk the Chairman of the Executive Committee.

Line No.	Directors Name and Title (a)	Principal Business Address					Term Began (i)	Term Email (j)	Meetings Attended (k)	Fees Paid (l)
		Street Address (b)	City (c)	State (d)	Zip (e)	Telephone (h)				
1	Pablo A. Vegas - CEO	290 W. Nationwide Blvd.	Columbus	OH	43215	614-460-7844	5/3/2016 - Current	N/A	N/A	N/A
2	Mark Kempic - Pres. and COO	121 Champion Way	Canonsburg	PA	15317	724-416-6328	9/01/2020 - Current	N/A	N/A	N/A
3	Michael J. Davidson - VP and GM	121 Champion Way	Canonsburg	PA	15317	724-416-6308	7/1/2013 - 12/31/2020	N/A	N/A	N/A
4										
5										
6										
7										
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Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2020

104. Officers

Line No.	Official Title & Name (a)	Principal Business Address						
		Street Address (b)	City (c)	State (d)	Zip (e)	Telephone (h)	Fax (i)	Email (j)
1	**President and Chief Operating Officer**							
2	Mark Kempic	121 Champion Way	Canonsburg	PA	15317	724-416-6328	724-416-6384	mhuwar@nisource.com
3	**Chief Executive Officer**							
4	Pablo A. Vegas	290 W Nationwide Blvd	Columbus	OH	43215	614-460-7844		pvegas@nisource.com
5	**Executive Vice President and Chief Financial Officer**							
6	Donald E. Brown	290 W Nationwide Blvd	Columbus	OH	43215	614-460-6030		debrown@nisource.com
7	**Senior Vice President and Chief Strategy and Risk Officer**							
8	Shawn Anderson	290 W Nationwide Blvd	Columbus	OH	43215	614-460-5454		sanderson@nisource.com
9	**Senior Vice President, Gas Utilities**							
10	Daniel A. Creekmur	290 W Nationwide Blvd	Columbus	OH	43215	614-460-4680		dcreekmur@nisource.com
11	**Senior Vice President and Corporate Secretary**							
12	Anne-Marie W. D'Angelo	801 E. 86th Avenue	Merrillville	IN	46410	219-647-6329	219-647-6247	adangelo@nisource.com
13	**Senior Vice President, Human Resources**							
14	Kenneth E. Keener	290 W Nationwide Blvd	Columbus	OH	43215	614-460-4606		kkenner@nisource.com
15	**Vice President and General Manager**							
16	Michael J. Davidson	121 Champion Way	Canonsburg	PA	15317	724-416-6308	724-416-6383	mdavids@nisource.com
17	**Vice President and Treasurer**							
18	Randy G. Hulen	801 E. 86th Avenue	Merrillville	IN	46410	219-647-5688		rhulen@nisource.com
19	**Vice President, Customer Experience**							
20	Heather Bauer	290 W Nationwide Blvd	Columbus	OH	43215	614-460-5554	614-460-8447	hbauer@nisource.com
21	**Vice President, Tax Services**							
22	Sandra Brummitt	290 W Nationwide Blvd	Columbus	OH	43215	614-460-4995		sbrummitt@nisource.com
23	**Vice President, Construction and Engineering Services**							
24	Robert M. Kitchell	121 Champion Way	Canonsburg	PA	15317	724-416-6314		rkitchell@nisource.com
25	**Vice President and Chief Accounting Officer and Controller**							
26	Gunnar J. Gode	290 W Nationwide Blvd	Columbus	OH	43215	614-460-6004		ggode@nisource.com
27	**Vice President, Customer Operations and New Business**							
28	Karl E. Stanley	801 E. 86th Avenue	Merrillville	IN	46410	219-647-4810		kestanley@nisource.com
29	**Vice President, External and Customer Affairs**							
30	Andrew S. Tubbs	800 North Third Street	Harrisburg	PA	17102	717-238-0463		astubbs@nisource.com
31	**Assistant Treasurer**							
32	Nicholas Drew	290 W Nationwide Blvd	Columbus	OH	43215	614-460-4638		ndrew@nisource.com
33	**Assistant Corporate Secretary**							
34	Kimberly V. Loies	801 E. 86th Avenue	Merrillville	IN	46410	219-647-4387	219-647-6247	kloies@nisource.com
35	**Assistant Corporate Secretary**							
36	Angela M. Hatseras	801 E. 86th Avenue	Merrillville	IN	46410	219-647-4211	219-647-6247	ahatseras@nisource.com

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200. COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)		Schedule Page No. (b)	Balance Beginning of Year (c)	Balance End of Year (d)	Increase/ Decrease (e)
1		**UTILITY PLANT**				
2	101.0	Utility Plant in Service	205	2,568,659,276	2,851,060,008	282,400,732
3	101.1	Property Under Capital Leases		33,256,305	32,000,756	(1,255,549)
4	102.0	Gas Plant Purchased or Sold				-
5	103.0	Experimental Gas Plant Unclassified				-
6	104.0	Gas Plant Leased to Others				-
7	105.0	Gas Plant Held for Future Use		41,227	41,227	0
8	105.1	Production Properties Held For Future Use				-
9	106.0	Completed Construction Not Classified-Gas		153,601,682	158,488,490	4,886,808
10	107.0	Construction Work in Progress-Gas	208	45,731,782	43,992,078	(1,739,704)
11	108.0	Accumulated Provision for Depreciation of Gas Utility Plant	206	(463,183,990)	(504,742,428)	(41,558,438)
12	111.0	Accumulated Prov. For Amortization & Depletion of Gas Utility Pl.	206	(26,367,451)	(30,791,268)	(4,423,817)
13	114.0	Gas Plant Acquisition Adjustments	207			-
14	115.0	Accumulated Prov. For Amortization & Depletion of Gas Plant				-
15		Acquisition Adjustments	206			-
16	116.0	Other Gas Plant Adjustments				-
17	117.1	Gas Stored-Base Gas		895,339	895,339	0
18	117.2	System Balancing Gas		(163,467)	(163,467)	0
19	117.3	Gas Stored in Reservoirs and Pipelines-Noncurrent				-
20	117.4	Gas Owed to System Gas				-
21	118.0	Other Utility Plant Adjustments				-
22	119.0	Accumulated Provision for Depreciation and Amortization of Other				-
23		Utility Plant	206			-
24		**TOTAL UTILITY PLANT**		**2,312,470,703**	**2,550,780,735**	**238,310,032**
25		**OTHER PROPERTY AND INVESTMENTS**				
26	121.0	Non-Utility Property		8,346	8,346	0
27	122.0	Accumulated Depreciation & Amortization of Non-Utility Property				-
28	123.0	Investments in Associated Companies	210	20,283,228	20,751,219	467,991
29	123.1	Other Investments	210			-
30	124.0	Other Investments	210			-
31	125.0	Sinking Funds				-
32	126.0	Depreciation Fund				-
33	128.0	Other Special Funds		4,752,561	15,305,516	10,552,955
34		**TOTAL OTHER PROPERTY AND INVESTMENTS**		**25,044,135**	**36,065,082**	**11,020,947**

200. COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Beginning of Year (c)	Balance End of Year (d)	Increase/ Decrease (e)
1	**CURRENT AND ACCRUED ASSETS**				
2	131.0 Cash		2,099,205	1,846,824	(252,381)
3	132.0 Interest Special Deposits				-
4	133.0 Dividend Special Deposits				-
5	134.0 Other Special Deposits				-
6	135.0 Working Funds		2,550	2,550	-
7	136.0 Temporary Cash Investments	210	-	-	-
8	141.0 Notes Receivable	211			-
9	142.0 Customer Accounts Receivable		-	-	-
10	143.0 Other Accounts Receivable	211	253,000	253,000	(0)
11	144.0 Accumulated Provision for Uncollectible Accounts-Cr.		-	-	-
12	145.0 Notes Receivable from Associated Companies	212	43,010,056	111,116,333	68,106,277
13	146.0 Accounts Receivable for Associated Companies-Short Term	213	802,217	268,307	(533,910)
14	151.0 Fuel Stock				-
15	152.0 Fuel Stock Expenses Undistributed				-
16	153.0 Residuals and Extracted Products				-
17	154.0 Plant Materials and Operating Supplies	215	1,163,837	1,214,645	50,808
18	155.0 Merchandise				-
19	156.0 Other Materials and Supplies				-
20	163.0 Stores Expense-Undistributed				-
21	164.1 Gas Stored-Current		48,078,559	34,531,498	(13,547,061)
22	164.2 Liquefied Natural Gas Stored				-
23	164.3 Liquefied Natural Gas Held for Processing				-
24	165.0 Prepayments		6,152,018	5,021,560	(1,130,458)
25	166.0 Advances for Gas Exploration, Development and Production				-
26	167.0 Other Advances for Gas				-
27	171.0 Interest and Dividends Receivable				-
28	172.0 Rents Receivable				-
29	173.0 Accrued Utility Revenues		-	-	-
30	174.0 Miscellaneous Current and Accrued Assets		2,838,327	3,688,037	849,710
31	175.1 Derivative Instrument Asset - Current		-	-	-
32	**TOTAL CURRENT & ACCRUED ASSETS**		104,399,769	157,942,753	53,542,984
33	**DEFERRED DEBITS**				
34	146.0 Accounts Receivable for Associated Companies-Long Term				-
35	175.2 Derivative Instrument Asset - Non-Current				-
35	181.0 Unamortized Debt Expense	216			-
36	182.1 Extraordinary Property Losses	217			-
37	182.2 Unrecovered Plant and Regulatory Study Costs	217			-
38	182.3 Other Regulatory Assets		279,043,933	228,744,964	(50,298,969)
39	183.1 Preliminary Natural Gas Survey and Investigation Charges				-
40	183.2 Other Preliminary Survey and Investigation Charges		4,427,003	4,574,196	147,193
41	184.0 Clearing Accounts				-
42	185.0 Temporary Facilities				-
43	186.0 Miscellaneous Deferred Debits		4,334,215	4,151,476	(182,739)
44	187.0 Deferred Loses from Disposition of Utility Plant				-
45	188.0 Research, Development and Demonstration Expenditures				-
46	189.0 Unamortized Loss on Reacquired Debt				-
47	190.0 Accumulated Deferred Income Taxes		122,916,021	119,156,394	(3,759,627)
48	191.0 Unrecovered Purchased Gas Costs		(830,838)	(4,202,421)	(3,371,583)
49	**TOTAL DEFERRED DEBITS**		409,890,334	352,424,609	(57,465,725)
50	**TOTAL ASSETS & TOTAL DEBITS**		**2,851,804,941**	**3,097,213,178**	**245,408,237**

200. COMPARATIVE BALANCE SHEET
LIABILITIES AND OTHER CREDITS

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Beginning of Year (c)	Balance End of Year (d)	Increase/ Decrease (e)
1	**LIABILITIES AND OTHER CREDITS**				
2	**PROPRIETARY CAPITAL**				
3	201.0 Common Stock Issued		45,127,800	45,127,800	-
4	202.0 Common Stock Subscribed				-
5	203.0 Common Stock Liability for Conversion				-
6	204.0 Preferred Stock Issued				-
7	205.0 Preferred Stock Subscribed				-
8	206.0 Preferred Stock Liability for Conversion				-
9	207.0 Premium on Capital Stock				-
10	208.0 Donations Received from Stockholders				-
11	209.0 Reduction in Par or Stated Value of Capital Stock				-
12	210.0 Gain on Resale or Cancellation of Reacquired				-
13	Capital Stock				-
14	211.0 Miscellaneous Paid-In Capital		52,889,827	107,889,827	55,000,000
15	212.0 Installments Received on Capital Stock				-
16	213.0 Discount on Capital Stock				-
17	214.0 Capital Stock Expense				-
18	215.0 Appropriated Retained Earnings				-
19	216.0 Unappropriated Retained Earnings		885,402,388	971,987,435	86,585,047
20	216.1 Unappropriated Undistributed Subsidiary Earnings				-
21	217.0 Reacquired Capital Stock				-
22	219.0 Other Comprehensive Income		-	-	-
23	**TOTAL PROPRIETARY CAPITAL**		983,420,015	1,125,005,062	141,585,047
24					
25	**LONG-TERM DEBT**				
26	221.0 Bonds	231			-
27	222.0 Reacquired Bonds	231			-
28	223.0 Advances from Associated Companies		785,515,000	895,515,000	110,000,000
29	224.0 Other Long-term Debt	231			-
30	225.0 Unamortized Premium on Long-Term Debt				-
31	226.0 Unamortized Discount on Long-Term Debt-Debit				-
32	**TOTAL LONG TERM DEBT**		785,515,000	895,515,000	110,000,000
33					
34	**OTHER NONCURRENT LIABILITIES**				
35	227 Obligation Under Capital Leases-NonCurrent		27,187,702	24,900,682	(2,287,020)
36	228.1 Accumulated Provision for Property Insurance				-
37	228.2 Accumulated Provision for Injuries and Damages		142,035	109,678	(32,357)
38	228.3 Accumulated Provision for Pensions and Benefits		2,553,240	2,628,257	75,017
39	228.4 Accumulated Miscellaneous Operating Provisions		-	2,922,870	2,922,870
40	229 Accumulated Provision for Rate Refunds				-
41	234 Accounts Payable to Affiliated Companies-Long Term				-
42	244 Price Risk Liablity-Non Current				-
43	**TOTAL OTHER NONCURRENT LIABILITIES**		29,882,977	30,561,488	678,511
44					

200. COMPARATIVE BALANCE SHEET
LIABILITIES AND OTHER CREDITS

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Beginning of Year (c)	Balance End of Year (d)	Increase/ Decrease (e)
1	**CURRENT AND ACCRUED LIABILITIES**				
2	231.00 Notes Payable				
3	232.00 Accounts Payable		46,517,292	44,013,087	(2,504,205)
4	233.00 Notes Payable to Associated Companies		-	-	-
5	234.00 Accounts Payable to Affiliated Companies-Short Term	213	156,860,863	185,008,660	28,147,797
6	235.00 Customers' Deposits-Billing		3,522,509	3,479,442	(43,067)
7	236.10 Accrued Taxes, Taxes Other Than Income		1,769,402	1,716,716	(52,686)
8	236.20 Accrued Taxes, Income Taxes		10,000,162	21,852,056	11,851,894
9	237.10 Accrued Interest on Long-term Debt				-
10	237.20 Accrued Interest on Other Liabilities		289,932	283,176	(6,756)
11	238.00 Dividends Declared				-
12	239.00 Matured Long-term Debt				-
13	240.00 Matured Interest				-
14	241.00 Tax Collections Payable		438,584	271,375	(167,209)
15	242.00 Miscellaneous Current and Accrued Liabilities		63,957,233	61,938,674	(2,018,559)
16	243.00 Obligations Under Capital Leases-Current		2,788,852	2,663,607	(125,245)
17	244.00 Price Risk Liability - Current				-
18	245.00 Derivative Inst. Liab. Hedges-Current				-
19	**TOTAL CURRENT AND ACCRUED LIABILITIES**		**286,144,829**	**321,226,793**	**35,081,964**
20					
21	**DEFERRED CREDITS**				-
22	252.00 Customer Advances for Construction		4,206,256	3,793,775	(412,481)
23	253.00 Other Deferred Credits		5,655,895	6,553,645	897,750
24	254.00 Other Regulatory Liabilities		241,381,621	220,866,697	(20,514,924)
25	255.00 Accumulated Deferred Investment Tax Credits		1,529,762	1,245,058	(284,704)
26	256.00 Deferred Gains from Disposition of Utility Plant				-
27	257.00 Unamortized Gain on Reacquired Debt				-
28	281.00 Accum. Deferred Income Taxes-Assume. Amortization Property				-
29	282.00 Accum. Deferred Income Taxes-Other Property		506,796,457	485,726,080	(21,070,377)
30	283.00 Accum. Deferred Income Taxes-Other		7,272,129	6,719,581	(552,548)
31	**TOTAL DEFERRED CREDITS**		**766,842,120**	**724,904,836**	**(41,937,284)**
32					
33	**TOTAL LIABILITIES & OTHER CREDITS**		**2,851,804,941**	**3,097,213,178**	**245,408,237**

201. NOTES TO BALANCE SHEET

l. The space below is provided for important notes regarding the balance sheet or any account thereof.,
2. Furnish particulars as to any contingent assets or liabilities existing at end of year. Minor items may be grouped by classes. For any dividends in arrears at the end of the year on cumulative preferred stock, state the date of the last dividend, the arrearage per share, and the total amount of the arrearage.
3. For Other Plant Adjustments, Account 116, explain the origin of such amount, debits and credits during the year and plan of disposition contemplated, giving references to Commission orders or to other authorizations repeating classification of amounts as plant adjustments and requirements as to disposition thereof.
4. If the notes to balance sheet, appearing in the annual report to the stockholders are applicable in every respect and furnish the data required by instructions 2 and 3 above, such notes may be attached hereto.
5. Columbia Gas of Pennsylvania changed storage accounting method to WACOG from LIFO effective 1/1/11 (P-2010-220925). The value of base gas was revalued for regulatory purposes. The additional revalued amount for base gas ($2,994,257) is included in account 191.

Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2020

205. UTILITY PLANT IN SERVICE - Account No. 101.0

1. Report by prescribed accounts the original cost of utility plant in service and the additions and retirements of such plant during the year.
2. Do not include as adjustments, corrections to additions and retirements for the current or preceding year. Such items should be included in appropriate Column (c) or (d).
3. Credit adjustments in Column (e) should be shown in red, or in black enclosed in parenthesis. State in a footnote the general character of any adjustments in Column (e).
4. Submit, in a footnote, an explanation of amounts included in Columns (e) and/or (f), Line 34, for lowering or changing the location of mains.

Line No.	Account Number and Title (a)		Balance Previous Year (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Balance End of Year (f)
1		**INTANGIBLE PLANT**	XXX	XXX	XXX	XXX	XXX
2	301	Organization	100,100				100,100
3	302	Franchises & Consents	26,216				26,216
4	303	Other Plant and Miscellaneous Equipment	29,959,476	5,806,601	(1,242,288)	-	34,523,789
5		Total Intangible Plant	30,085,792	5,806,601	(1,242,288)	-	34,650,105
6		**MANUFACTURED GAS PRODUCTION PLANT**	XXX	XXX	XXX	XXX	XXX
7	304	Land and Land Rights	-				-
8	305	Structures and Improvements	-				-
9	306	Boiler Plant Equipment	-				-
10	307	Other Power Equipment	-				-
11	308	Coke Ovens	-				-
12	309	Infiltration Galleries and Tunnels	-				-
13	310	Producer Gas Equipment	-				-
14	311	Liquefied Petroleum Gas Equipment	-				-
15	312	Oil Gas Generating Equipment	-				-
16	313	Generating Equipment-Other Processes	-				-
17	314	Coal, Coke and Ash Handling Equipment	-				-
18	315	Catalytic Cracking Equipment	-				-
19	316	Other Reforming Equipment	-				-
20	317	Purification Equipment	-				-
21	318	Residential Refining Equipment	-				-
22	319	Gas Mixing Equipment	-				-
23	320	Other Equipment	-				-
24		Total Gas Manufacturing Plant	-	-	-	-	-
25		**NATURAL GAS PRODUCTION & GATHERING PLANT**	XXX	XXX	XXX	XXX	XXX
26	325.1	Producing Lands	-				-
27	325.2	Producing Leaseholds	-				-
28	325.3	Gas Rights	-				-
29	325.4	Rights of Way	-				-
30	325.5	Other Land and Land Rights	-				-
31	326	Other Plant and Miscellaneous Equipment	-				-
32	327	Field Compressor Station Structures	-				-
33	328	Field Measuring & Regulating Station Structures	-				-
34	329	Other Structures	-				-
35	330	Producing Gas Wells-Well Construction	-				-
36	331	Producing Gas Wells-Well Equipment	-				-
37	332	Field Lines	-				-
38	333	Field Compressor Station Equipment	-				-
39	334	Field Measuring & Regulating Station Equipment	-				-
40	335	Drilling & Cleaning Equipment	-				-
41	336	Purification Equipment	-				-
42	337	Other Equipment	-				-
43	338	Unsuccessful Exploration & Development Costs	-				-
44		Total Natural Gas Production & Gathering Plant	-	-	-	-	-
45		**PRODUCTS EXTRACTION PLANT**	XXX	XXX	XXX	XXX	XXX
46	340	Land and Land Rights	-				-
47	341	Other Plant and Miscellaneous Equipment	-				-
48	342	Extraction & Refining Equipment	-				-
49	343	Pipe Lines	-				-
50	344	Extracted Product Storage Equipment	-				-
51	345	Compressor Equipment	-				-
52	346	Gas Measuring and Regulating Equipment	-				-
53	347	Other Equipment	-				-
54		Total Products Extraction Plant	-	-	-	-	-
55		**NATURAL GAS PRODUCTION & PROCESSING PLANT**	XXX	XXX	XXX	XXX	XXX
56	350.1	Land	23,882	-	-	-	23,882
57	350.2	Rights of Way	1,932	-	-	-	1,932
58	351	Structures and Improvements	3,220,858	-	-	-	3,220,858
59	352	Wells	906,973	-	-	-	906,973
60	352.1	Storage Leaseholds and Rights	206,941	-	-	-	206,941
61	352.2	Reservoirs	-	-	-	-	-
62	352.3	Nonrecoverable Natural Gas	-	-	-	-	-
63	353	Lines	389,345	-	-	-	389,345

205. UTILITY PLANT IN SERVICE - Account No. 101.0

Line No.	Account Number and Title (a)		Balance Previous Year (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Balance End of Year (f)
64	354	Compressor Station Equipment	948,272	-	(96)	-	948,177
65	355	Measuring and Regulating Equipment	104,477	-		-	104,477
66	356	Purification Equipment	-	-	-	-	-
67	357	Other Equipment	-	-	-	-	-
68		Total Natural Gas Production and Processing Plant	5,802,680	-	(96)	-	5,802,584
69		**OTHER STORAGE PLANT**	XXX	XXX	XXX	XXX	XXX
70	360	Land & Land Rights	-				-
71	361	Structures and Improvements	-				-
72	362	Gas Holders	-				-
73	363	Purification Equipment	-				-
74	363.1	Liquefaction Equipment	-				-
75	363.2	Vaporizing Equipment	-				-
76	363.3	Compressor Equipment	-				-
77	363.4	Measuring and Regulating Equipment	-				-
78	363.5	Other Equipment	-				-
79		Total Other Storage Plant	-	-	-	-	-
80		**BASE LOAD LIQUEFIED NATURAL GAS**	-				-
81		**TERMINATING AND PROCESSING PLANT**	XXX	XXX	XXX	XXX	XXX
82	364.1	Land and Land Rights	-				-
83	364.2	Structures and Improvements	-				-
84	364.3	LNG Processing Terminal Equipment	-				-
85	364.4	LNG Transportation Equipment	-				-
86	364.5	Measuring and Regulating Equipment	-				-
87	364.6	Compressor Station Equipment	-				-
88	364.7	Communication Equipment	-				-
89	364.8	Other Equipment	-				-
90		Total Base Load Liquefied Natural Gas Term. & Proc. Plant	-	-	-	-	-
91		**TRANSMISSION PLANT**	XXX	XXX	XXX	XXX	XXX
92	365.1	Land and Land Rights	-				-
93	365.2	Rights of Way	-				-
94	366	Structures and Improvements	-				-
95	367	Mains	-				-
96	368	Compressor Station Equipment	-				-
97	369	Measuring and Regulating Station Equipment	-				-
98	370	Communication Equipment	-				-
99	371	Other Equipment	-				-
100		Total Transmission Plant	-	-	-	-	-
101		**DISTRIBUTION PLANT**	XXX	XXX	XXX	XXX	XXX
102	374	Land & Land Rights	9,733,285	181,900	(2,224)	-	9,912,961
103	375	Structures and Improvements	28,482,103	799,994	(82,598)	-	29,199,499
104	376	Mains	1,655,918,721	227,307,331	(11,960,447)	-	1,871,265,605
105	377	Compressor Station Equipment	-	-	-	-	-
106	378	Measuring & Regulating Station Equipment-General	83,751,751	6,324,248	(350,647)	-	89,725,353
107	379	Measuring & Regulating Station Equipment-City Gate C. St.	135,967	-	-	-	135,967
108	380	Services	584,262,949	65,118,613	(12,050,607)	-	637,330,954
109	381	Meters	63,888,325	2,087,015	(541,339)	-	65,434,001
110	382	Meter Installations	40,670,352	790,378	(81,972)	-	41,378,759
111	383	House Regulators	13,782,505	1,000,581	(8,090)	-	14,774,996
112	384	House Regulatory Installations	3,484,788	-	-	-	3,484,788
113	385	Industrial Measuring and Regulating Station Equipment	7,285,247	146,070	(693,838)	-	6,737,479
114	386	Other Property on Customers' Premises	-	-	-	-	-
115	387	Other Equipment	12,630,104	312,586	(79,636)		12,863,053
116		Total Distribution Plant	2,504,026,097	304,068,716	(25,851,399)	-	2,782,243,414
117		**GENERAL PLANT**	XXX	XXX	XXX	XXX	XXX
118	389	Land & Land Rights	-	-	-	-	-
119	390	Structures and Improvements	49,821	-	-	-	49,821
120	391	Office Furniture & Equipment	6,664,579	191,017	(1,038,065)		5,817,531
121	392	Transportation Equipment	25,617	-	-	-	25,617
122	393	Stores Equipment	-	-	-	-	-
123	394	Tools & Garage Equipment	19,018,151	670,669	(173,810)	-	19,515,010
124	395	Laboratory Equipment	269,030	-	(2,990)	-	266,039
125	396	Power Operated Equipment	948,698	-	-	-	948,698
126	397	Communication Equipment	787,916	-		-	787,916
127	398	Miscellaneous Equipment	971,184	-	(17,913)	-	953,270
128	399	Other Tangible Property	-	-	-	-	-
129		Total General Plant	28,734,995	861,686	(1,232,779)	-	28,363,902
128		Total Plant	2,568,659,563	310,737,004	(28,326,561)	-	2,851,060,006

206. ACCUMULATED DEPRECIATION OF UTILITY PLANT -
Account Nos. 108, 111, 115 and 119

1. Report below an analysis of the changes in accumulated depreciation during the year and the amounts applicable to prescribed functional classifications.
2. Explain and give particulars of important adjustments during the year.

			101	104	105	107
Line No.	Item (a)	Total (b)	Utility Plant In Service (c)	Utility Plant Leased to Others (d)	Property Held for Future Use (e)	Construction Work In Progress (f)
1	**Balance Beginning of Year**	489,551,441	489,551,441			
2	Credits During Year	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
3	Depreciation Provisions charged to:	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
4	403. Depreciation	73,109,064	73,109,064			
5	413. Income from Utility Plant Leased to Others					
6	404. Amortization	6,554,153	6,554,153			
7						
8						
9						
10	Total Depreciation Provisions	79,663,217	79,663,217	-	-	-
11	Recoveries from Insurance	-	-			
12	Salvage Realized from Retirements	32,622	32,622			
13	Facility Damages	-	-			
14	Other Credits Sale of Land	-	-			
15	Other Credits Meter transfers	68,559	68,559			
16	Other Credit transfer	1,314	1,314			
17	Other Credits Capital Lease	1,355,988	1,355,988			
18	Other Credits DSIC Deferral	(267,058)	(267,058)			
19						
20	Total Credits During Year	1,191,426	1,191,426	-	-	-
21	**Total Credits**	80,854,643	80,854,643	-	-	-
22	Debits During Year	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
23	Retirement of Utility Plant	28,326,561	28,326,561			
24	Cost of Removal	6,545,826	6,545,826			
25	Other Debits (Gain on Land)	-	-			
26						
27						
28						
29						
30	**Total Debits During Year**	34,872,387	34,872,387	-	-	-
31	**Balance at End of Year**	535,533,697	535,533,697	-	-	-

Describe the basis upon which depreciation provisions for the year were determined and attach worksheets showing the computations made in arriving at the annual provisions.

207. GAS PLANT ACQUISITIONS ADJUSTMENTS - Account No. 114.0

Line No.	Item (a)	Project No. 1 Amount (b)	Project No. 2 Amount (c)	Project No. 3 Amount (d)	Project No. 4 Amount (e)	Totals (f)
1	Book Plant - Net	Not Applicable				-
2	PUC Difference (Ratemaking)					-
3	Less Contributions (Net)					-
4	Net Utility Plant Acquired					-
5	Purchase Price					-
6	Acquisition Adjustment					-
7						
8						

208. CONSTRUCTION WORK IN PROGRESS - Account No. 107

1. Describe the particulars concerning utility plant in process of construction but not ready for service at end of the Calendar Year.
2. Describe separately each work order that exceeds the lesser of an estimated expenditure of $300,000 or 10% of the book cost of utility plant at the beginning of the year. All other work orders may be grouped by nature of project.

Line No.	Description of Work (a)		Balance End of Year (b)	Estimate Total Cost of Construction (c)	Projected In-Service Date (d)
1	303.30	Intangible Plant, Misc Software	5,625,016	1,355,629	
2	303.99	Cloud Software	1,061,054	255,714	
3	351.20	Compressor Station Structures	1,067,493	257,266	
4	374.40	Land Rights - Other Distribution System	765,217	184,417	
5	375.40	Regulating Structures	425,349	102,509	
6	375.70	Other Structures - Distribution System	67,562	16,283	
7	376.00	Mains	25,150,088	6,061,171	
8	376.08	Mains for CSL Replacement		0	
9	376.25	BS & CI Replaced	941	227	
10	378.20	M&R Station Equipment - Regulating	6,227,755	1,500,889	
11	378.30	M&R Station Equipment - Local Gas	-	0	
12	380.00	Services	1,850,525	445,976	
13	381.00	Meters	14,568	3,511	
14	381.10	AMR Devices	43,378	10,454	
15	382.00	Meter Installations	156,350	37,680	
16	383.00	House Regulators	76,891	18,531	
17	385.00	Industrial M&R Station Equipment	418,214	100,790	
18	387.45	Other Equipment -Telemetering	1,041,629	251,033	
19	391.10	Office Equipment - Unspecified	0	0	
20	391.12	Office Equipment - Information Systems	-	-	
21	394.30	Tools	(3,251)	(783)	
22	397.00	Communication Equipment	-	-	
23	398.00	Miscellaneous Equipment	3,300	795	
24		TOTALS	43,992,078	10,602,091	

Work Orders over $300,000:

Work Order	Description	Work Order Type	Location
NCSB20UNIONTOPC	Uniontown, Pa. Ops Non IT - Capital	30330 Intangible Plt, Misc Softwar	Fayette County, PA City of Uniontown
NCSE200012537C	CPA CAP Changes for approved USECP	30330 Intangible Plt, Misc Softwar	Allegheny County, PA Mt Lebanon Township
NCSP200012613C	Indust Training Svcs - Oper Qualifi	30330 Intangible Plt, Misc Softwar	Allegheny County, PA Mt Lebanon Township
NCST200012420C	Cross BU Enablement - Data Platform	30330 Intangible Plt, Misc Softwar	Allegheny County, PA Mt Lebanon Township
NCSP200012279X	Workday Implementation - Def	30399 Cloud Software	Allegheny County, PA Mt Lebanon Township
0909.37150242913	Emigsville Scada Rebuild	38745 Other Equip, Telemetering	York County, PA Manchester Township
1029.37200226001	Install Efc Trinity Industries	38500 Industrial Mea & Reg Sta E	Allegheny County, PA Stowe Township
0563.37B23910011	Installation New By Company	38000 Services	Washington County, PA City of Washington
0583.37180224446	Inst. Fn 21425 Extra Lp Opp	37820 Mea & Reg Sta Eq, Regulat	Beaver County, PA City Of Beaver Falls
0123.3705A037017	Capitalized bonus accrual	37600 Mains	Allegheny County, PA Mt Lebanon Township
0555.37190224949	Oc ~2602'-8" Pmmp & Csmp	37600 Mains	Beaver County, PA Chippewa Township
0557.37130241893	Inst 3195'-8",4",2" Pmmp	37600 Mains	York County, PA Hanover Borough
0557.37170235995	Install ~2,660 2" & 4" Pmmp	37600 Mains	Fayette County, PA City Of Uniontown
0557.37180223092	Install ~3310'-4"Pmmp	37600 Mains	Beaver County, PA Harmony Township
0557.37180236685	Install 4904'-6",4",2"Pmmp/Cs	37600 Mains	Greene County, PA Rices Landing Borough
0557.37180236725	Ins 25,885'-8",4",2" Pmmp	37600 Mains	Fayette County, PA Luzerne Township
0557.37190225019	Inst 2375'-4"&2" Phhp	37600 Mains	Allegheny County, PA Mckees Rocks Borough
0557.37190225269	Install~350' 8" Plmp	37600 Mains	Lawrence County, PA City Of New Castle
0557.37190225511	Replace Main - Leakage	37600 Mains	Allegheny County, PA Brentwood Borough
0557.37190225759	Install ~1660'-4" & 6" Pmmp	37600 Mains	Lawrence County, PA City Of New Castle
0557.37190237873	3710-8"P,240'-4"P,410'-2"Pmmp	37600 Mains	Allegheny County, PA North Fayette Township
0557.37190238170	Install ~ 5222' 2" & 4" Pmmp	37600 Mains	Washington County, PA Charleroi Borough
0557.37200226429	Replace 16" Hp Main	37600 Mains	Allegheny County, PA City Pittsburgh
0557.37200238782	Install 3909'-2&4" Pmmp	37600 Mains	Fayette County, PA Masontown Borough
0557.37200238797	Install 1707'-2"&1935'-4"Pmmp	37600 Mains	Fayette County, PA Masontown Borough
0559.37170244269	Row For E Berlin Rd Project	37600 Mains	York County, PA West Manchester Township
0559.37180222932	Install 6200'-6" Pmmp	37600 Mains	Allegheny County, PA Kilbuck Township
1080.37B00000000	Supervision And Engineering Co	37600 Mains	Allegheny County, PA Mt Lebanon Township
8827.37170222135	Hp Replacement 20" Cshp	37600 Mains	Allegheny County, PA City Of Pittsburgh
0311.37200227035	Replace C3 Well Casing	35120 Compressor Station Structu	Beaver County, PA South Beaver Township
0311.37200227037	Replace C7 Well Casing	35120 Compressor Station Structu	Beaver County, PA South Beaver Township
NCSS18IAMENHANC	4IAM Management Enhancement Cap	30330 Intangible Plt, Misc Softwar	York County, PA City Of York

210. INVESTMENTS (Accounts 123 - 123.1 - 124 - 136)

l. Report below investments in Accounts 123, Investments in Associated Companies 123.1, Investments in Subsidiary Companies, 124, Other Investments and 136, Temporary Cash Investments.
2. Provide a subheading for each account and list thereunder the information called for, observing the instructions below.
3. Investments in Securities - List and describe each security owned giving name of issuer. For bonds give also principal amount, date of issue, maturity, and interest rate. For capital stock state number of shares, class and series of stock. Minor investments may be grouped by classes.
4. Investment Advances - Report separately for each person or company the amounts of loans or investment advances which are subject to repayment but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. Each note should be listed giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees.
5. For any securities, notes, or accounts that were pledged, designate such securities acquired, designate such fact and in a footnote state the name of pledges and purpose of the pledge.
6. If Commission approval was required for any advance made or security acquired, designate such fact and in a footnote give date of authorization and case or docket number.
7. Interest and dividend revenues from investments should be reported in column (g), including such revenues from securities disposed of during the year.
8. In column (h) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price therefor, not including any dividend or interest adjustment incredible in column (g).

Line No.	Description of Investment (a)	Date Acquired (b)	Date of Maturity (c)	Book Costs* Beginning of Year (d)	Principal Amount or No. of Shares (e)	Book Cost End of Year (f)	Revenues For Year (g)	Gain or Loss From Invest Disposed of (h)
1	Temporary Cash Investments:							
2	Excess Money Pool	Various	Various	-		-	-	
3	Investments in Associated Companies	2010	Various	20,283,228		20,751,219.00	1,023,987	
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25				20,283,228	-	20,751,219	1,023,987	-

* If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference.

Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2020

211. NOTES AND OTHER ACCOUNTS RECEIVABLE (Accounts 141, and 143)

If interest was derived during year from notes liquidated before the end of the year, include such interest revenue in column (d).

Line No.	Item (a)	Notes Receivable 12/31/2018 (b)	Notes Receivable 12/31/2019 (c)	Interest Revenue (d)	Other Accounts Receivable 12/31/2019 (e)	Other Accounts Receivable 12/31/2020 (f)
1	A/R - Off System Sales				1,717,565	334,960
2	A/R - LIHEAP Program				520,680	455,283
3	A/R - Transportation				9,442,020	10,365,122
4	A/R - Customer Assistance Program				1,169,375	2,494,349
5	A/R - Income Tax Refunds Receivable				253,000	253,000
6	A/R - Miscellaneous				6,707,106	6,087,575
7	A/R - Columbia Gas of Pennsylvania Receivables Corporation				(19,556,746)	(19,737,289)
8					-	-
9					-	-
10					-	
11					-	-

212. NOTES RECEIVABLE FROM ASSOCIATED COMPANIES (Account 145)

1. Furnish below the particulars indicated concerning notes receivable from associated companies at end of year.
2. If any note was received in satisfaction of an open account indebtedness, state the period covered by such open account.
3. Include in column (f) the amount of any interest revenue during the year on notes that were paid off before the end of year.
4. Give particulars of any notes pledged or discounted. This schedule shall include all transactions during the year with each affiliated interest affecting account 145 and account 233.

Line No.	Name of Associated Company (a)	Date of Issue (b)	Date of Maturity (c)	Amount End of Year (d)	Interest Rate (e)	Amount (f)
1	Columbia Gas of Pennsylvania Receivables Corporation			111,116,333		111,116,333
2						
3						
4						
5						
6						
7						
8						

**213. ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES (ACCOUNT 146)
AND ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (ACCOUNT 234)**

1. Furnish below the particulars called for concerning Account Receivables and Payables from Associated Companies.
2. The term "Services Received" set forth on line 21 of this schedule means the Management, Construction, Engineering, Purchasing Legal, Accounting or other similar service which has been rendered to respondent under written, oral or implied contracts.
3. The term "Joint Expenses Transferred" set forth on lines 6 and 22 means Central office and/or other expenses continuously assessed against respondent covering all locations of common operating costs.
4. This schedule shall include all transactions during the year with each affiliated interest affecting Account 146.

Line No.	Item (a)	Entries During Year (b)
1	**Debits During Year**	
2	Cash Dispensed	249,438,104
3	Materials and Supplies Sold	-
4	Services Rendered	33,235,442
5	Joint Expense Transferred	-
6	Interest and Dividends Receivable	107,147
7	Interest and Dividends Payable	42,919,381
8	Rents Receivable	71,338
9	Securities Sold	-
10	Other Debits (Specify)	-
11	Loans Receivable (Short Term)	373,929,957
12	Loans Payable (Short Term)	576,991,608
13		
14		
15	**Total Debits During Year**	1,276,692,977
16		
17	**Credits During Year**	
18	Cash Received	(470,682,787)
19	Gas Purchased	-
20	Fuel Purchased	-
21	Materials and Supplies Purchased	
22	Services Received	(188,816,620)
23	Joint Expense Transferred	-
24	Interest and Dividends Payable	(43,098,692)
25	Rents Payable	-
26	Securities Purchased	-
27	Transferred to Account "145"	-
28	Other Credits (Specify)	-
29	Loans Payable (Short Term)	(602,776,583)
30		
31		
32	**Total Credits During Year**	(1,305,374,682)
33	**Balance at End of Year**	(28,681,705)

215. PLANT MATERIALS AND OPERATING SUPPLIES (Account 154)

1. Summarize below by character of materials and supplies, the balances in account 154 at the beginning and end of the year.
2. Account entries totaling $300,000 or 1% of gross revenues, (whichever is less), during the year shall be explained, showing the class of materials affected and the various classes of accounts (operating expenses, clearing accounts, plant accounts, etc.) debited or credited.

Line No.	Classification of Materials And Supplies (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase /Decrease (d)
1	**Other Inventories**	1,163,837	1,214,645	50,808
2				-
3				-
4				-
5				-
6				-
7				-
8				-
9				-
10				-
11				-
12				-
13				-
14				-
15				-
16				-
17	**Total**	1,163,837	1,214,645	50,808

216. UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND UNAMORTIZED PREMIUM ON DEBT (Accounts 181, 225)

1. Report under separate subheadings for Unamortized Debt Discount and Unamortized Premium on Debt, particulars of discount and expense or premium applicable to each class and series of long-term debt.
2. Show premium amounts in red or by enclosure in parenthesis
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the discount and expense or premium with respect to the amount of bonds or other long-term debt originally issued.
5. Furnish particulars regarding the treatment of unamortized debt discount and expense or premium, redemption premium, and redemption expenses associated with issues redeemed during the year, also, date of the Commission's authorization of treatment other than by debit or credit to Surplus.
6. Set out separately and identify amounts applicable to issues which have been redeemed, although those amounts, prior to the effective date of the Uniform System of Accounts may have prior to the effective date of the Uniform System of Accounts may have been combined with the discount and expense on the refunding issue.
7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt.

Line No.	Designation of Long-Term Debt (a)	PRINCIPAL AMOUNT AMOUNT OF SECURITIES TO WHICH OR PREMIUM RELATES (b)	TOTAL DISCOUNT AND EXPENSE OR NET PREMIUM (c)	Amortization Period From (d)	Amortization Period To (e)	Balance Beginning of Year (f)	Debits During Year (g)	Credits During Year (h)	Balance End of Year (i)
1	Not Applicable								
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15	**Total**	-	-	-	-	-	-	-	-

217. EXTRAORDINARY PROPERTY LOSSES (Account 182)

1. Report below the information indicated concerning this account, grouping the items by departments, and showing totals for each department.
2. Include in the description the date property was abandoned or other extraordinary loss incurred.

Line No.	Description of Property Loss Or Damage (a)	Comm. Auth. No. (b)	Amortization Period (Give Years Only) From (c)	Amortization Period (Give Years Only) To (d)	Total Amount of Loss (e)	Previously Written off (f)	Written off During Year Account Charged (g)	Written off During Year Amount (h)	Balances At End of Year (i)
1	Not Applicable								
2									
3									
4									
5									
6									
7									
8	**Total**								-

231. LONG-TERM DEBT (Accounts 221,222,224)

(Excluding Advances from Affiliated Companies)

1. Give below the particulars indicated of the long-term debt at end of year represented by unmatured obligations issued or assumed by the respondent, exclusive of advances from affiliated companies.
2. Group entries according to accounts and show the total for each account.
3. For obligations assumed by the respondent show in column (a) the name of the issuing company and the class and series of such obligations.
4. For Receivers' Certificates show the name of the court and date of court order under which such certificates were issued.
5. If respondent has pledged any of its long-term debt securities give particulars in a footnote, including name of the pledge name of the pledge and purpose of pledge.
6. If interest expense was incurred during the year on any obligations retired or reacquired before end of year include such interest expense in column (g).
7. If interest was matured but unpaid on any obligation, state in a footnote the class and series and principal amount of such obligation and the amount of interest matured thereon.

Line No.	Class and Series of Obligations (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Principal Amount Authorized (d)	Outstanding Per Balance Sheet (e)	Interest For Year		Held By Respondent	
						Rate (f)	Amount (g)	As Reacquired. Lg.-Term Debt (h)	In Sinking & Other Funds (i)
1	Not Applicable								
2									
3									
4									
5									
6									
7									
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34									
35	TOTAL			-	-		-	-	-

*Total amount outstanding without reduction for amount held by respondent.

400. INCOME STATEMENT
REVENUES AND EXPENSES

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance End of Current Year (c)	Balance End of Previous Year (d)	Increase/ Decrease (e)
1	**SALES OF GAS**				
2	480.0 Residential Sales	600	354,280,077	386,219,405	(31,939,328)
3	481.0 Commercial and Industrial Sales	600	66,895,851	84,140,211	(17,244,360)
4	482.0 Other Sales to Public Authorities	600			-
5	**Sub Total Sales of Gas**		421,175,928	470,359,616	(49,183,688)
6					-
7					-
8	**REVENUES FROM TRANSPORTATION OF GAS OF OTHERS**				-
9	489.1 Through Gathering Facilities				-
10	489.2 Through Transmission Facilities				-
11	489.3 Through Distribution Facilities		127,080,447	130,872,567	(3,792,120)
12	489.4 Revenues from Storing Gas of Others				-
13	**Sub Total Transportation Revenue**		127,080,447	130,872,567	(3,792,120)
14					-
15	**TOTAL SALES AND TRANSPORTATION REVENUE 1**		548,256,376	601,232,183	(52,975,807)
16					-
17	**OTHER OPERATING REVENUES**				-
18	483.0 Sales for Resale	501			-
19	484.0 Interdepartmental Sales	600			-
20	485.0 Intracompany Transfers	600			-
21	487.0 Forfeited Discounts	600	451,827	1,075,649	(623,822)
22	488.0 Miscellaneous Service Revenues	600	(20,271)	239,469	(259,740)
23	490.0 Sales of Products Extracted from Natural Gas				-
24	491.0 Revenues from Natural Gas Processed by Others				-
25	492.0 Incidental Gasoline and Oil Sales				-
26	493.0 Rent from Gas Property	600		1,103	(1,103)
27	494.0 Interdepartmental Rents	600			-
28	495.0 Other Gas Revenues	600	6,653,373	(150,990)	6,804,363
29	496.0 Provision for Rate Refunds				-
30	**Sub Total Other Operating Revenues**		7,084,929	1,165,231	5,919,698
31					-
32	**TOTAL REVENUES**		555,341,304	602,397,414	(47,056,110)
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44	1 This line - Total Sales and Transportation Revenue - is to be reported in Section 2				
45	of the Revised Annual Assessment Report (Form GAO-09).				

400. INCOME STATEMENT
REVENUES AND EXPENSES
Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	**OPERATING EXPENSES**				
2	401 Operation Expenses		296,299,441	339,963,923	(43,664,482)
3	402 Maintenance Expenses		25,731,950	23,848,318	1,883,632
4	403 Depreciation Expenses		72,257,205	65,671,849	6,585,356
5	404.1 Amort. & Depletion of Prod. Natural Gas Land & Rights				-
6	404.2 Amort. Of Underground Storage Land & Land Rights				-
7	404.3 Amort. Of Other Limited-Term Gas Plant		2,035,229	1,760,192	275,037
8	405.0 Amortization of Other Gas Plant		4,863,655	4,440,688	422,967
9	406.0 Amortization of Gas Plant Acquisition Adjustments				-
10	407.1 Amort. Of Prop. Losses, Unrec. Plant & Reg. Study C.				-
11	407.2 Amortization of Conversion Expense				-
12	407.3 Regulatory Debits				-
13	407.4 Regulatory Credits				-
14	408.1 Taxes Other Than Income Taxes, Utility Opr. Income	408	3,477,376	3,576,150	(98,774)
15	409.1 Income Taxes, Utility Operating Income	409	13,088,852	17,018,006	(3,929,154)
16	410.1 Provision for Deferred Income Taxes, Ut. Opr. Income	411	40,159,928	50,170,470	(10,010,542)
17	411.1 Prov. For Def. Income Taxes-Credit, Ut. Opr. Income	412	(30,379,708)	(39,368,627)	8,988,919
18	411.4 Investment Tax Credit Adjustments, Ut. Operations		(284,704)	(299,568)	14,864
19	411.6 Gains from Disposition of Utility Plant				-
20	411.7 Losses from Disp. of Utility Plant				-
21	Total Utility Operating Expenses		427,249,224	466,781,401	(39,532,177)
22	**OTHER OPERATING INCOME**				-
23	412.0 Revenues from Gas Plant Leased to Others				-
24	413.0 Expenses of Gas Plant Leased to Others				-
25	414.0 Other Utility Operating Income				-
26	Total Other Operating Income		-	-	-
27	**OTHER INCOME**				-
28	415.0 Rev. from Merchandising, Jobbing and Contract Work		7,000	20,436	(13,436)
29	416.0 Costs and Exp. of Merchandising Jobbing & Contract Wk		(40,233)	(122,697)	82,464
30	417.0 Revenue from Non-Utility Operations		(2,133,544)	(1,984,768)	(148,776)
31	418.0 Non Operating Rental Income		-	-	-
32	418.1 Equity in Earnings of Subsidiary Companies		467,991	315,108	152,883
33	419.0 Interest & Dividend Income		(272,052)	(191,861)	(80,191)
34	419.1 Allowance for Other Funds Used During Construction		878,764	614,624	264,140
35	421.0 Miscellaneous Non Operating Income		1,664,889	1,060,842	604,047
36	421.1 Gain on Disposition of Property, Total Other Income		41,863	75,000	(33,137)
37	Total Other Income		614,679	(213,316)	827,995
38	**OTHER INCOME DEDUCTIONS**				-
39	421.2 Loss on Disposition of Property		-	144,059	(144,059)
40	425.0 Miscellaneous Amortization		-	-	-
41	426.1 Donations		10,388	425,818	(415,431)
42	426.2 Life Insurance		-	-	-
43	426.3 Penalties		562,272	8,808	553,464
44	426.4 Exp. for Certain Civic, Political & Related Activities		-	-	-
45	426.5 Other Deductions		50,894	19,887	31,007
46	Total Other Income Deductions		623,553	598,572	24,981
47	**TAXES APPLICABLE TO OTHER INCOME & DED.**				-
48	408.2 Taxes Other Than Income Taxes, Otr. Income & Ded.				-
49	409.2 Income Taxes, Other Income & Deductions		11,911	(191,962)	203,873
50	410.2 Prov. for Deferred Income Taxes, Otr. Income & Ded.		409,939	3,681	406,258
51	411.2 Prov. for Def. Income Taxes, Credit, Otr Income & Ded.		(368,976)	(92,312)	(276,664)
52	411.5 Investment Tax Cr. Adjustments, Nonutility Operations				-
53	420.0 Investment Tax Credits				-
54	Total Taxes on Other Income and Deductions		52,874	(280,593)	333,467
55	Net Other Income and Deductions		(61,749)	(531,295)	469,546

400. INCOME STATEMENT
REVENUES AND EXPENSES
Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	**INTEREST CHARGES**				
2	427 Interest on Long-Term Debt				-
3	428 Amortization of Debt Discount and Expense				-
4	428.1 Amortization of Loss on Reacquired Debt				-
5	429 Amortization of Premium on Debt-Credit				-
6	429.1 Amortization of Gain on Reacquired Debt-Credit				-
7	430 Interest on Debt to Associated Companies		42,074,705	38,022,228	4,052,477
8	431 Other Interest Expense		91,054	1,037,738	(946,684)
9	432 Allowance for Borrowed Funds Used During Construction-Cr		(720,474)	(997,908)	277,434
10	Net Interest Charges		41,445,285	38,062,058	3,383,227
11	**EXTRAORDINARY ITEMS**				-
12	434 Extraordinary Income				-
13	435 Extraordinary Deductions				-
14	409.3 Income Taxes-Extraordinary Items				-
15	Net Income		86,585,047	97,022,660	(10,437,613)
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405. OPERATION AND MAINTENANCE EXPENSES

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	**MANUFACTURED GAS PRODUCTION EXPENSES**		XXX	XXX	XXX
2	**Steam Production Expenses**				
3	**Operation**				
4	700.0 Operation Supervision and Engineering				-
5	701.0 Operating Labor				-
6	702.0 Boiler Fuel				-
7	703.0 Miscellaneous Steam Expenses				-
8	**Total Steam Production Operation Expenses**		-	-	-
9	**Maintenance**				
10	704.0 Steam Transferred-Credit				-
11	705.0 Maintenance, Supervision and Engineering				-
12	706.0 Maintenance of Structures and Improvements				-
13	707.0 Maintenance of Boiler Plant Improvement				-
14	708.0 Maintenance of Other Steam Production Plant				-
	Total Steam Production Maintenance Expenses				-
15	**Manufactured Gas Production**				
16	710.0 Operation Supervision and Engineering				-
17	**Production Labor and Expenses**				
18	711.0 Steam Expenses				-
19	712.0 Other Power Expenses				-
20	713.0 Coke Oven Expenses				-
21	714.0 Producer Gas Expenses				-
22	715.0 Water Gas Generating Expenses				-
23	716.0 Oil Gas Generating Expenses				-
24	717.0 Liquefied Petroleum Gas Expenses		-	-	-
25	718.0 Other Process Production Expenses				-
	Total Production Labor and Expenses		-	-	-
26	**Gas Fuels**				
27	719.0 Fuel Under Coke Ovens				-
28	720.0 Producer Gas Fuel				-
29	721.0 Water Gas Generator Fuel				-
30	722.0 Fuel for Oil Gas				-
31	723.0 Fuel for Liquefied Petroleum Gas Process				-
32	724.0 Other Gas Fuels				-
	Total Gas Fuels Expenses		-	-	-
33	**Gas Raw Materials**				
34	725.0 Coal Carbonized in Coke Ovens				-
35	726.0 Oil for Water Gas				-
36	727.0 Oil for Oil Gas				-
37	728.0 Liquefied Petroleum Gas Expenses				-
38	729.0 Raw Materials for Other Gas Processes				-
39	730.0 Residuals Expenses				-
40	731.0 Residuals Produced-Credit				-
41	732.0 Purification Expenses				-
42	733.0 Gas Mixing Expenses				-
43	734.0 Duplicate Charges-Credit				-
44	735.0 Miscellaneous Production Expenses				-
45	736.0 Rents				-
	Total Gas Raw Materials Expenses		-	-	-
46	**Maintenance**				
47	740.0 Maintenance Supervision and Engineering				-
48	741.0 Maintenance of Structures and Improvements				-
49	742.0 Maintenance of Production Equipment				-
	Total Maintenance Expenses		-	-	-
	Total Manufactured Gas Production Expenses		-	-	-
50	**NATURAL GAS PRODUCTION EXPENSES**		XXX	XXX	XXX
51	**Production and Gathering**				
52	**Operation**				
53	750.0 Operating Supervision and Engineering				-
53	751.0 Production Maps and Records				-
54	752.0 Gas Wells Expenses				-

405. OPERATION AND MAINTENANCE EXPENSES (Continue)

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	753.0 Field Lines Expenses				-
2	754.0 Field Compressor Station Expenses				-
3	755.0 Field Compressor Station Fuel and Power				-
4	756.0 Field Measuring and Regulating Station Expenses				-
5	757.0 Purification Expenses				-
6	758.0 Gas Well Royalties				-
7	759.0 Other Expenses				-
8	760.0 Rents				-
	Total Production & Gathering Operation Expenses		-	-	-
9	**Maintenance**				
10	761.0 Maintenance Supervision and Engineering				-
11	762.0 Maintenance of Structures and Improvements				-
12	763.0 Maintenance of Producing Gas Wells				-
13	764.0 Maintenance of Field Lines				-
14	765.0 Maintenance of Field Compressor Station Equipment				-
15	766.0 Maintenance of Field Measuring and Reg. Station Equip.				-
16	767.0 Maintenance of Purification Equipment				-
17	768.0 Maintenance of Drilling and Cleaning Equipment				-
18	769.0 Maintenance of Other Equipment				-
	Total Production & Gathering Maintenance Expenses		-	-	-
19	**Products Extraction**				
20	**Operation**				
21	770.0 Operation Supervision and Engineering				-
22	771.0 Operating Labor				-
23	772.0 Gas Shrinkage				-
24	773.0 Fuel				-
25	774.0 Power				-
26	775.0 Materials				-
27	776.0 Operation Supplies and Expenses				-
28	777.0 Gas Processed by Others				-
29	778.0 Royalties on Products Extracted				-
30	779.0 Marketing Expenses				-
31	780.0 Products Purchased for Resale				-
32	781.0 Variation in Products Inventory				-
33	782.0 Extracted Products Used by the Utility-Credit				-
34	783.0 Rents				-
	Total Products Extraction Operation Expenses		-	-	-
35	**Maintenance**				
36	784.0 Maintenance Supervision and Engineering				-
37	785.0 Maintenance of Structures and Improvements				-
38	786.0 Maintenance of Extraction and Refining Equipment				-
39	787.0 Maintenance of Pipe Lines				-
40	788.0 Maintenance of Extracted Products Storage Equipment				-
41	789.0 Maintenance of Compressor Equipment				-
42	790.0 Maintenance of Gas Measuring & Regulating Equipment				-
43	791.0 Maintenance of Other Equipment				-
	Total Products Extraction Maintenance Expenses		-	-	-
	Total Natural Gas Production Expenses		-	-	-
44	**EXPLORATION AND DEVELOPMENT EXPENSES**		XXX	XXX	XXX
45	**Operation**				
46	795.0 Delay Rentals				-
47	796.0 Nonproductive Well Drilling				-
48	797.0 Abandoned Leases				-
49	798.0 Other Exploration				-
	Total Exploration and Development Operation Exp.		-	-	-
50	**OTHER GAS SUPPLY EXPENSES**		XXX	XXX	XXX
51	**Operation**				
52	800.0 Natural Gas Well Head Purchases				-
53	801.0 Natural Gas Well Head Purchases, Intercompany Trans.		177,016	305,732	(128,716)
54	802.0 Natural Gas Gasoline Plant Outlet Purchases		-	-	-
55	803.0 Natural Gas Transmission Line Purchases		107,804,045	138,498,819	(30,694,774)
56	804.0 Natural Gas City Gate Purchases		9,297,434	13,235,438	(3,938,004)

405. OPERATION AND MAINTENANCE EXPENSES (Continued)

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	804.1 Liquefied Natural Gas Purchases				-
2	805.0 Other Gas Purchases		9,767,315	9,775,903	(8,588)
3	805.1 Purchases Gas Cost Adjustments		(6,180,351)	(4,412,901)	(1,767,450)
4	806.0 Exchange Gas		(1,311,777)	(1,113,286)	(198,491)
5	807.0 Purchased Gas Expenses		1,196,013	1,011,412	184,601
6	808.1 Gas Withdrawn from Storage-Debit		43,588,553	64,330,432	(20,741,879)
7	808.2 Gas Delivered to Storage-Credit		(30,043,034)	(52,089,356)	22,046,322
8	809.1 Withdrawals of Liquefied Nat. Gas Held for Processing				-
9	809.2 Deliveries of Natural Gas for Processing				-
10	810.0 Gas Used for Compressor Station Fuel-Credit				-
11	811.0 Gas Used for Products Extraction-Credit				-
12	812.0 Gas Used for Other Utility Operations-Credit		(377,472)	(416,686)	39,214
13	813.0 Other Gas Supply Expenses		-	-	-
	Total Gas Supply Operation Expenses		133,917,744	169,125,507	(35,207,763)
14	**Natural Gas Storage, Terminating & Processing Exp.**				
15	**Underground Storage Expenses**				
16	814.0 Operation Supervision and Engineering				
17	815.0 Maps and Records				-
18	816.0 Wells Expenses		-	-	-
19	817.0 Lines Expenses		-	-	-
20	818.0 Compressor Station Expenses		8,914	8,357	557
21	819.0 Compressor Station Fuel and Power		-	-	-
22	820.0 Measuring and Regulating Station Expenses		151,728	139,437	12,291
23	821.0 Purification Expenses		-	-	-
24	822.0 Exploration and Development		-	-	-
25	823.0 Gas Losses		1,542	1,991	(449)
26	824.0 Other Expenses		-	-	-
27	825.0 Storage Well Royalties		5,364	5,643	(279)
28	826.0 Rents				-
	Total Underground Storage Expenses		167,548	60,622	106,926
29	**Maintenance**				-
30	830.0 Maintenance Supervision and Engineering				
31	831.0 Maintenance of Structures and Improvements				-
32	832.0 Maintenance of Reservoirs and Wells		-	-	-
33	833.0 Maintenance of Lines				-
34	834.0 Maintenance of Compressor Station Equipment		-	-	-
35	835.0 Maintenance of Measuring & Regulating Station Equip.				-
36	836.0 Maintenance of Purification Equipment		-	-	-
37	837.0 Maintenance of Other Equipment				-
	Total Maintenance Expenses		-	-	-
38	**Other Storage Expenses**				-
39	**Operation**				
40	840.0 Operating Supervision and Engineering				
41	841.0 Operation Labor and Expenses				-
42	842.0 Rents				-
43	842.1 Fuel				-
44	842.2 Power				-
45	842.3 Gas Losses				-
	Total Operation Expenses		-	-	-
46	**Maintenance**				-
47	843.1 Maintenance Supervision and Engineering				
48	843.2 Maintenance of Structures and Improvements				-
49	843.3 Maintenance of Gas Holders				-
50	843.4 Maintenance of Purification Equipment				-
51	843.5 Maintenance of Liquefaction Equipment				-
52	843.6 Maintenance of Vaporizing Equipment				-
53	843.7 Maintenance of Compressor Equipment				-
54	843.8 Maintenance of Measuring and Regulatory Equipment				-
55	843.9 Maintenance of Other Equipment				-
	Total Maintenance Expenses		-	-	-

405. OPERATION AND MAINTENANCE EXPENSES (Continued)

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)		Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1						
2	**LIQUEFIED NATURAL GAS TERMINATING AND**					
3	**PROCESSING EXPENSES**			XXX	XXX	XXX
4	**Operation**					
5	844.1	Operation Supervision and Engineering				-
6	844.2	LNG Processing Terminal Labor and Expenses				-
7	844.3	Liquefaction Processing Labor and Expenses				-
8	844.4	LNG Transportation Labor and Expenses				-
9	844.5	Measuring and Regulating Labor and Expenses				-
10	844.6	Compressor Station Labor and Expenses				-
11	844.7	Communication System Expenses				-
12	844.8	System Control and Load Dispatching				-
13	845.1	Fuel				-
14	845.2	Power				-
15	845.3	Rents				-
16	845.4	Demurrage Charges				-
17	845.5	Warfare Receipts-Credit				-
18	845.6	Processing Liquefied or Vaporized Gas by Others				-
19	846.1	Gas Losses				-
20	846.2	Other Expenses				-
		Total Liq. N.G. Term & Proc. Operation Expenses		-	-	-
21	**Maintenance**					
22	847.1	Maintenance Supervision and Engineering				-
23	847.2	Maintenance of Structures and Improvements				-
24	847.3	Maintenance of LNG Processing Terminal Equipment				-
25	847.4	Maintenance of LNG Transportation Equipment				-
26	847.5	Maintenance of Measuring and Regulating Equipment				-
27	847.6	Maintenance of Compressor Station Equipment				-
28	847.7	Maintenance of Communication Equipment				-
29	847.8	Maintenance of Other Equipment				-
		Total Liq. N.G. Term. Proc. Maintenance Expenses		-	-	-
30	**TRANSMISSION EXPENSES**			XXX	XXX	XXX
31	**Operation**					
32	850.0	Operating Supervision and Engineering		11,945		11,945
33	851.0	System Control and Load Dispatching				-
34	852.0	Communication System Expenses		1,101	975	126
35	853.0	Compressor Station Labor and Expenses				-
36	854.0	Gas for Compressor Station Fuel				-
37	855.0	Other Fuel and Power for Compressor Stations				-
38	856.0	Mains Expenses				-
39	857.0	Measuring and Regulating Station Expenses		107		107
40	858.0	Transmission and Compression of gas by Others				-
41	859.0	Other Expenses				-
42	860.0	Rents				-
		Total Transmission Operation Expenses		13,152	975	12,177
43	**Maintenance**					
44	861.0	Maintenance Supervision and Engineering				-
45	862.0	Maintenance of Structures and Improvements				-
46	863.0	Maintenance of Mains				-
47	864.0	Maintenance of Compressor Station Equipment				-
48	865.0	Maintenance of Measuring and Regulating Station Equip.				-
49	866.0	Maintenance of Communication Equipment				-
50	867.0	Maintenance of Other Equipment				-
		Total Transmission Maintenance Expenses		-	-	-
51	**DISTRIBUTION EXPENSES**			XXX	XXX	XXX
52	**Operation**					
53	870.0	Operation Supervision and Engineering		7,655,526	12,617,037	(4,961,511)
54	871.0	Distribution Load Dispatching		284,224	251,623	32,601
55	872.0	Compressor Station Labor and Expenses		-	-	-
56	873.0	Compressor Station Fuel and Power (Major Only)		-	-	-
57	874.0	Mains and Services Expenses		19,570,055	22,316,243	(2,746,188)
58	875.0	Measuring and Regulating Station Expenses-General		809,204	785,768	23,436

405. OPERATION AND MAINTENANCE EXPENSES (Continued)

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)		Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	876.0	Measuring and Regulating Station Expenses-Industrial		351,286	352,036	(750)
2	877.0	Measuring and Regulating Station Expenses-City Gate		-	-	-
3	878.0	Meter and House Regulator Expenses		2,000,502	2,512,309	(511,807)
4	879.0	Customer Installations Expenses		6,571,352	6,420,243	151,109
5	880.0	Other Expenses		4,030,177	4,486,817	(456,641)
6	881.0	Rents		26,375	11,437	14,938
		Total Distribution Operation Expenses		**41,298,701**	**49,753,513**	**(8,454,812)**
7		**Maintenance**				
8	885.0	Maintenance Supervision and Engineering		154,140	149,865	4,275
9	886.0	Maintenance of Structures and Improvements		63,041	64,315	(1,274)
10	887.0	Maintenance of Mains		15,323,753	12,844,051	2,479,702
11	888.0	Maintenance of Compressor Station Equipment		-	-	-
12	889.0	Maintenance of Measuring & Reg. Station Equip.-Genl.		1,343,246	976,808	366,438
13	890.0	Maintenance of Measuring & Reg. Station Equip.-Indtrl.		153,712	141,718	11,994
14	891.0	Maintenance of Measuring & Reg. Station Equip.-City G		-	-	-
15	892.0	Maintenance of Services		3,147,478	4,570,415	(1,422,937)
16	893.0	Maintenance of Meters & House Regulators		991,820	362,098	629,722
17	894.0	Maintenance of Other Equipment		1,272,686	1,099,644	173,042
		Total Maintenance Expenses		**22,449,877**	**20,208,914**	**2,240,963**
18		**CUSTOMER ACCOUNTS EXPENSES**		XXX	XXX	XXX
19		**Operations**				
20	901.0	Supervision		**-**	21	(21)
21	902.0	Meter Reading Expenses		609,051	685,537	(76,486)
22	903.0	Customer Records & Collection Expenses		6,712,939	8,212,014	(1,499,075)
23	904.0	Uncollectable Accounts		23,484,843	28,025,984	(4,541,141)
24	905.0	Miscellaneous Customer Accounts Expenses		2,597	3,018	(421)
		Total Customer Account Operations Expenses		**30,809,430**	**36,926,574**	**(6,117,144)**
25		**CUSTOMER SERVICE & INFORM. EXPENSES**		XXX	XXX	XXX
26		**Operations**				-
27	907.0	Supervision		-	-	-
28	908.0	Customer Assistance Expenses		3,446,010	7,280,710	(3,834,700)
29	909.0	Informational & Instructional Advertising Expenses		293,668	157,664	136,004
30	910.0	Miscellaneous Customer Service & Informational Exp.		1,508,476	1,481,665	26,811
		Total Cust. Service & Inform. Operations Expenses		**5,248,154**	**8,920,039**	**(3,671,885)**
31		**SALES EXPENSES**		XXX	XXX	XXX
32		**Operation**				
33	911.0	Supervision		21,061	36,137	(15,077)
34	912.0	Demonstrating and Selling Expenses		321,060	651,240	(330,180)
35	913.0	Advertising Expenses		35,622	179,951	(144,329)
36	914.0	(Reserved)		-	-	-
37	915.0	(Reserved)		-	-	-
38	916.0	Miscellaneous Sales Expenses		-	-	-
		Total Operation Sales Expenses		**377,742**	**867,328**	**(489,586)**
39		**ADMINISTRATIVE AND GENERAL EXPENSES**		XXX	XXX	XXX
40		**Operation**				
41	920.0	Administrative and General Salaries		26,975,624	20,575,277	6,400,347
42	921.0	Office Supplies and Expenses		5,621,005	4,284,203	1,336,802
43	922.0	Administrative Expenses Transferred-Credit		-	-	-
44	923.0	Outside Service Employed		24,519,302	21,890,510	2,628,792
45	924.0	Property Insurance		137,961	141,143	(3,182)
46	925.0	Injuries and Damages		6,434,762	4,717,065	1,717,697
47	926.0	Employee Pensions and Benefits		12,325,027	13,742,886	(1,417,859)
48	927.0	Franchise Requirements		-	-	-
49	928.0	Regulatory Commission Expenses		2,715,434	2,063,274	652,160
50	929.0	Duplicate Charges-Credit		-	-	-
51	930.1	General Advertising Expenses		323,016	195,352	127,664
52	930.2	Miscellaneous General Expenses		709,345	649,137	60,208
53	931.0	Rents		4,800,299	5,955,712	(1,155,413)
54		**Total Adminstrative and General Operation Expeness**		**84,561,775**	**74,214,559**	**10,347,216**
54		**Maintenance**				
55	932.0	Maintenance of General Plant		3,281,423	3,639,404	(357,981)
	935.0	Maint General Plant Electric		530		
57		**Total Gas Operation and Maintenance Expenses**		**87,843,198**	**77,853,963**	**9,989,235**
58						
59		Total Gas Operation Expenses		296,394,247	339,963,923	(43,569,676)
60		Total Maintenance Expenses		25,731,830	23,848,318	1,883,512

408. TAXES OTHER THAN INCOME TAXES, UTILITY OPERATING INCOME (Account 408.1)

This schedule shall include a breakdown of the various tax expenses that constitute the ending balance in Account No. 408.1-Taxes Other Than Income Taxes Utility Operating Income. The information should also reflect related entries to Account No. 165-Prepayments; and Account No. 236-Taxes Accrued.

Line No.	Type of Tax (a)	Account 165 Prepayments (b)	Account 236 Taxes Accrued (c)	Account 408.1 Taxes Other Than Income (d)
1	**Social Security (FICA)**	-	(5,138,249)	2,707,552
2	**Federal Unemployment (FUTA)**	-	(34,360)	18,712
3	**Pennsylvania Unemployment (SUTA)**	-	(148,421)	81,938
4	**Local Property Taxes**	-	(72,631)	72,631
5	**Public Utility Realty Tax**	-	(195,515)	195,515
6	**State Capital Stock Tax**	-	-	-
7	**Sales Tax**	-	(337,162)	148,274
8	**West Virginia Property Tax on Stored Gas**	-	(252,129)	252,129
9	**License & Franchise Tax & Tax on CNG**	-	(625)	625
10	**Ohio Commercial Activity Tax (CAT)**	-	-	-
11	**TOTAL**	-	(6,179,090)	3,477,376

409. INCOME TAXES, UTILITY OPERATING INCOME (Account 409.1)

This schedule shall include a breakdown of the various tax expenses that constitute the ending balance in Account No. 409.1-Income Taxes, Ut. Operating Income. The information should also reflect related entries to Account No. 165-Prepayments; Account No. 190-Accumulated Deferred Income Taxes and Account No. 236-Accrued Utility Operating Income.

Line No.	Type of Tax (a)	Account 165 Prepayments (b)	Account 190 Accumulated Def. Income Taxes (c)	Account 236 Accrued Taxes (d)	Account 409.1 Income Taxes Opr Income (e)
1	**Federal Income Taxes**	-	673,857	(10,687,342)	10,687,342
2	**State Income Taxes**	-	673,497	(2,401,510)	2,401,510
3	**Local Income Taxes**	-	-	-	-
4					
5					
6					
7					
8	**Other Taxes (specify)**				
9					
10					
11	**TOTAL**	-	1,347,354	(13,088,852)	13,088,852

410. CALCULATION OF FEDERAL INCOME TAXES - CURRENT PERIOD

1. The totals as reported on this schedule should conform with amounts reported on corresponding Schedules.

Line No.	Item (a)	Total (b)	Current (c)	Deferred Property Related (d)	Deferred Other (e)
1	Operating Revenues	555,341,304	555,341,304	-	-
2	Operating Expenses	401,187,480	401,187,480	-	-
3	Operating Taxes (Non-Income)	3,477,376	3,477,376	-	-
4	Interest & Other Expense	41,445,285	41,445,285	-	-
5	Pre-Tax Operating Income Total Line 1 Minus Lines 2-3-4	109,231,163	109,231,163	-	-
6	Other Income (Expense)	(8,875)	(8,875)	-	-
7	Pre Tax Book Income Total Lines 5+6	109,222,289	109,222,289	-	-
8	Permanent and Flow-Through Differ.	5,781,182	(61,347,671)	67,128,853	-
9	Temporary Differences	-	7,293,359	-	(7,293,359)
10	State Only Differences	(83,761,055)	(32,290,253)	(67,128,853)	15,658,051
11	Subtotal	31,242,416	22,877,724	-	8,364,692
12	State Tax at Current Rate	3,121,118	2,285,485	-	835,633
13	Adjustments to State Tax	6,853	89,224	-	(82,371)
14	Adjustments for St. Tax Rate Changes	-	-	-	-
15	State Tax Accrual Total Lines 12+13+14	3,127,971	2,374,709	-	753,262
16	Federal Taxable Income Total Line 11 Minus Lines 10-12-13	111,875,500	52,793,268	67,128,853	(8,046,621)
17	Federal Tax at Current Rate	23,493,855	11,086,586	14,097,059	(1,689,790)
18	ITC Authorization	(284,704)	-	-	(284,704)
19	Adjustment for Fed. Tax Rate Changes	(2,397,611)	-	-	(2,397,611)
20	R & D Credits	-	-		-
21	IRS Audit Settlement				
22	Tax Rate Change on Extraord. Activity				
23	Other	(1,302,270)	(360,532)	-	(941,738)
24	Federal Tax Accrual Total Lines 17 through 23	19,509,271	10,726,054	14,097,059	(5,313,842)

411. PROVISION FOR DEFERRED INCOME TAXES,
UTILITY OPERATING INCOME (Account 410.1)

This schedule shall include a breakdown of the various tax expenses that constitute the ending balance in Account No. 410.1-Provision for Deferred Income Taxes, Utility Operating Income. The information should also reflect related entries to Account No. 165-Prepayments; Account No. 190-Accumulated Deferred Income Taxes & Account No. 236-Accrued Taxes, Utility Operating Income.

Line No.	**DEBITS** Type of Tax (a)	Account 165 Prepayments (b)	Account 190 Accumulated Deferred Income Taxes (c)	Account 236 Accrued Taxes (d)	Account 410.1 Provision for Deferred Income Taxes (e)
1	Federal	-	(5,129,967)	(23,935,642)	24,700,447
2	State	-	(1,897,868)	(13,115,979)	15,459,481
3	Other	-	-	-	-
4					
5					
6					
7	Total	-	(7,027,835)	(37,051,621)	40,159,928

412. PROVISION FOR DEFERRED INCOME TAXES
UTILITY OPR. INCOME, CREDIT (Account 411.1)

This schedule shall include a breakdown of the various tax expenses that constitute the ending balance in Account No. 411.1-Provision for Deferred Income Taxes-Credit. The information should also reflect related entries to Account No. 165-Prepayments; Account No. 190-Accumulated Deferred Income Taxes & Account No. 236-Accrued Taxes.

Line No.	**DEBITS** Type of Tax (a)	Account 165 Prepayments (b)	Account 190 Accumulated Deferred Income Taxes (c)	Account 236 Accrued Taxes (d)	Account 411.1 Provision for Deferred Income Taxes (e)
1	Federal	-	5,803,824	15,436,209	(15,595,929)
2	State	-	2,571,365	14,699,371	(14,783,779)
3	Other	-	-	-	-
4					
5					
6					
7	Total	-	8,375,189	30,135,580	(30,379,708)

500. GAS PURCHASED

1. Report below the information called for concerning gas purchased for resale during year.
2. Purchases from independent natural gas producers shall be grouped on one line and columns (a), (d), (g) and (h) only shall be reported with respect to such purchase.
3. The quantities reported should be those shown by the bills rendered by the vendor. Indicate MCF, CCF or Therms
4. Report separately non-interruptible and interruptible purchases from the same company. Designate purchases from affiliated interest by an asterisk following the name in column (d).

Line No.	Purchased From (a)	Point of Delivery (b)	B.T.U. Per Cu. Ft. (c)	MCF (d)	Commodity Charges (e)	Other Charges (f)	Total (g)	Cost Per Unit (h)
1	801. Natural Gas Field Line Purchases			99,599	177,016		177,016	1.78
2	803. Natural Gas Transmission Line Purchase			28,160,928	48,207,740	59,596,306	107,804,045	3.83
3	804. Natural Gas City Gate Purchases			5,307,511	9,297,434		9,297,434	1.75
4	805. Other Gas Purchases			-	-	3,586,965	3,586,965	
5								
6								
7								
8								
9								
10								
Totals			-	33,568,039	57,682,189	63,183,271	120,865,460	

501. SALES FOR RESALE

1. Report below the information called for concerning gas sold during year to other gas utilities or to public authorities for resale.
2. The quantities shown should be those shown by the bills rendered to the purchasers. Indicate MCF, CCF or Therms.
3. Report separately non-interruptible and interruptible sales to the same company. Designate sales to affiliated interest by an asterisk following the name in column (a)
4. Designate any sales which are other than firm sales.

Line No.	Sold To (a)	Point of Delivery (b)	BTU Per Cu. Ft. (c)	MCF (d)	Commodity Charges (e)	Other Charges (f)	Total (g)	Revenue Per Unit (h)
1	Not Applicable							
2								
3								
4								
5								
6								
7								
8								
9								
10								
Totals			-	-		-	-	

505. GAS ACCOUNT-NATURAL GAS

1 The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent adjusted for any differences in pressure bases used in measuring MCF of natural gas received and delivered.

2 If the respondent operates two or more systems which are not interconnected, separate schedules should be submitted. Insert pages should be used for this purpose.

No.	Item (a)	MCF as Reported (b)
1	**GAS RECEIVED**	
2	Natural Gas Produced	
3	L.P.G. Gas Produced and Mixed with Natural Gas	
4	Manufactured Gas Produced and Mixed with Natural Gas	
5	Purchased Gas	33,663,007
6	Gas of Others Received for Transportation	39,096,286
7	Receipts of Respondent's Gas Transported or Compressed by Others	
8	Exchange Gas Received	27,435,677
9	Gas Received from Underground Storage	20,051,942
10	Other Receipts (Gas Lost from Storage)	768
11		
12		
13		
14	**Total Receipts:**	120,247,679
15	**GAS DELIVERED**	
16	Natural Gas Sales:	
17	Local Distribution by Respondent	31,838,487
18	Main Line Industrial Sales	1,139,655
19	Sales for Resale	
20	Interdepartmental Sales	
21	Unbilled Sales	326,562
21		
22	**Total Sales**	33,304,704
23	Deliveries of Gas Transported or Compressed for Others	39,096,286
24	Deliveries of Respondent's Gas for Trans. Or Compressed by Others	
25	Exchange Gas Delivered	27,752,676
26	Natural Gas used by Respondent	107,010
27	Natural Gas Delivered to Storage	19,062,954
28	Natural Gas for Franchise Requirements	
29	Other Deliveries (Off System Sales)	1,019,918
30	**Total Deliveries**	120,343,548
31	**UNACCOUNTED FOR**	
32	Production System Losses	
33	Storage Losses	768
34	Transmission System Losses	2,042
35	Distribution System Losses	(98,679)
36	Other Losses	
37		
38	**Total Unaccounted For**	(95,870)
39	**Total Deliveries and Unaccounted For**	120,247,679

510. UNDERGROUND GAS STORAGE

1. Report particulars for each underground gas storage project.
2. Give particulars of any gas stored for the benefit of another company under a gas exchange arrangement or on a basis of purchase and resale to another company. Designate if other company is an associated company.
3. Pressure base of gas volumes reported below.

Line No.	Month (a)	Total (b)	Project Location (c)	Project Location (d)	Project Location (e)
1	**Storage Operations**	MCF	MCF	MCF	MCF
2	**Gas Delivered to Storage**				
1	January	-	-		
2	February	-	-		
3	March	-	-		
4	April	-	-		
5	May	-	-		
6	June	-	-		
7	July	-	-		
8	August	-	-		
9	September	2,401	2,401		
10	October	-	-		
11	November	-	-		
12	December	-	-		
13	Totals	2,401	2,401		
14	**Gas Withdrawn From Storage**		-		
15	January	4,346	4,346		
16	February	4,062	4,062		
17	March	4,038	4,038		
18	April	3,285	3,285		
19	May	1,621	1,621		
20	June	64	64		
21	July	64	64		
22	August	64	64		
23	September	64	64		
24	October	641	641		
25	November	158	158		
26	December	64	64		
27	Totals	18,471	18,471		
28	Stored Gas End of Year-MCF	2,424,145			
29	Est. Native Gas in Storage Reservoir-MCF	-			
30	Total Gas in Reservoir-MCF (Lines 28 plus 29)	2,424,145			
31	Storage Capacity (Escl. Native Gas)-MCF	-			
32	Reservoir Pressure at which Storage Cap.-Computed	-			
33	Number of Storage Wells in Project	8			
34	Number of Acres of Storage Area	1,350			
35	Maximum Day's Withdrawal from Storage	577			
36	Date of Maximum Day's Withdrawal	October 5, 2020			
37	Year Storage Operations Commenced	June 4, 1970			

511. MANUFACTURED GAS PRODUCTION PLANT

1 Kind or Type of Plant_____ Location_____
2 Maximum Daily Capacity of Plant_____ MCF_____
3 Maximum Daily MCF of Gas Produced During Year_____ Date_____
4 Maximum Daily MCF of Gas Produced During Life of Plant_____ Date_____
5 Number of Days Plant was Commercially Operated During Year_____
6 Date Plant was last Commercially Operated_____
7 MCF of Gas Produced During the Year_____
8 Average BTU Content of Gas Produced_____
0

Not Applicable

512. LIQUEFIED PETROLEUM GAS OPERATIONS

1 Location of Plant_____
2 MCF of Gas Produced During Year_____
3 Gallons of L.P.G. Used During Year_____
4 Function of Plant_____
5 Storage Capacity for L.P.G. (Gallons)_____

Not Applicable

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515. GAS AND OIL WELLS

Line No.			
1	**GAS WELLS**	Not Applicable	
2	Productive Wells at Beginning of Year		
3	Productive Wells Drilled During the Year		
4	Oil Wells Restored to Productive Basis During Year		
5	Wells Purchased During the Year		
6	Wells Abandoned During the Year		
7	Wells Sold During the Year		
8			
9	**Productive Wells at End of Year**		
10	Number of Wells Drilled Deeper During the Year		
11	Dry Holes Drilled During the Year		
12			
13	**NATURAL GAS ACREAGE**	**Operative**	**Non Operative**
14	Number of Acres Owned at End of Year		
15	Number of Acres Leased at End of Year		
16			
17	**OIL WELLS**		
18	Productive Wells at Beginning of Year		
19	Productive Wells Drilled During the Year		
20	Wells Abandoned and Sold During the Year		
21			
22	**Productive Wells at End of Year**		

516. GAS LINES, METERS AND SERVICES

	Size of Pipe Inches	Field Lines M. Ft.	Prod. Ext. Lines M. Ft.	Storage Lines M. Ft.	Distr. Mains M. Ft.	Transmission M. Ft.
28	Under 2"	702				
29	2"	14,305				
30	3"	3,106				
31	4"	11,694				
32	5"	86				
33	6"	5,805				
34	7"	166				
35	8"	3,185				
36	9"	11				
37	10"	798				
38	12"	461				
39	14"	1				
40	16"	368				
41	20"	37				
42	24"	4			-	-

Meters in Service at End of Year	440,651	Services at End of Year, Company Owned	440,651
Meters in Stock or Shop at End of Year	3,728	Services at End of Year, Customer Owned	-

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517. CUSTOMER GAS METERS

Line No.	(a)	Size (b)	Number of Meters: First of Year (c)	Added During Year (d)	Removed Or Disconnected During Year (e)	End of Year (e)
1	**In residential use**					
2	Information not available by size		399,076	11,468	7,536	403,008
3			-			-
4			-			-
5			-			-
6			-			-
7			-			-
8			-			-
9			-			-
10	**Total in residential use**		399,076	11,468	7,536	403,008
11	**In commercial use**		-			-
12	Information not available by size		37,254	1,064	946	37,372
13			-			-
14			-			-
15			-			-
16			-			-
17			-			-
18			-			-
19			-			-
20	**Total in commercial use**		37,254	1,064	946	37,372
21	**In industrial use**		-			-
22	Information not available by size		265	8	8	265
23			-			-
24			-			-
25			-			-
26			-			-
27			-			-
28			-			-
29			-			-
30	**Total in industrial use**		265	8	2	271
31	**In public (municipal or government) use**		-			-
32			-			-
33			-			-
34			-			-
35			-			-
36			-			-
37			-			-
38			-			-
39			-			-
40	**Total in public (municipal or government) use**		-	-	-	-
41	**Total in use**		436,595	12,540	8,484	440,651
42	**In Stock**		3,108	620		3,728
43			-			-
44			-			-
45			-			-
46			-			-
47			-			-
48			-			-
49			-			-
50	**Total in stock**		3,108	620	-	3,728
51	**Total all meters**		439,703	13,160	8,484	444,379

METERS TESTED BY SIZES

	(a)	1/2 (a)	5/8 (b)	3/4 (c)	1 (d)	(e)	(f)	(g)	Total (h)
52	Number tested during the year								-

Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2020

600. CLASSIFICATION OF CUSTOMERS, UNITS SOLD AND OPERATING REVENUES BY TARIFF SCHEDULE

1. Report below the details called for concerning Customers, MCF, CCF or Therms (Indicate Unit Used) Sold, and Opr. Revenues by Tariff Schedule.
2. Customers should be reported on the basis of number of meters, plus number of unmetered accounts, except that where separate meter readings are added for billing purposes, one customer shall be counted for each group of meters so added.
3. Quantities of gas sold to flat-rate customers shown in column (e), should explain in a footnote the basis upon which quantities were determined.
4. Respondent should use additional sheets if necessary.

Line No.	Account	Number of Customers			Sales During Year			Revenues	
		Beginning of Year	End of Year	Average During Year	Total MCF	Total Operating Revenue	MCF Per Customer	Per Customer	Per Unit
.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
2	**Metered Sales by Tariff Schedule**								
3	**Residential**								
4	Sales	337,268	346,100	341,684	25,453,422	354,280,077	74	1,024	13.92
5	Transportation	61,808	56,908	59,358	4,637,697	55,411,177	81	974	11.95
6									
7									
8									
9									
10									
11									
12				-					
13	**Total Residential Metered Sales**	399,076	403,008	401,042	30,091,119	409,691,254	75	1,017	13.62
14	**Commercial**								
15	Sales	24,782	25,355	25,069	7,345,275	65,625,124	290	2,588	8.93
16	Transportation	12,472	12,017	12,245	13,911,302	50,388,647	1,158	4,193	3.62
17									
18									
19									
20									
21									
22									
23				-					
24	**Total Commercial Metered Sales**	37,254	37,372	37,313	21,256,576	116,013,770	569	3,104	5.46
25	**Industrial**								
26	Sales	62	71	67	179,446	1,270,727	2,527	19,109	7.08
27	Transportation	203	200	202	21,893,766	27,933,996	109,469	139,670	1.28
28									
29									
30									
31				-					
32	**Total Industrial Metered Sales**	265	271	268	22,073,212	29,204,724	81,451	107,767	1.32
33	Public								
34	Interdepartmental								
35	Other								
36	**Total Metered Sales**	436,595	440,651	438,623	73,420,908	554,909,748	167	1,259	7.56
37	**Unmetered Sales-All Categories**								
38	Other								
39	**Total Unmetered Sales**	-	-	-	-	-			
40	**Total Sales of Gas**	436,595	440,651	438,623	73,420,908	554,909,748	167	1,259	7.56
41	Other Gas Revenues:								
42	Rent from Gas Property				-				
43	Interdepartmental Rents								
44	Operating Revenue Other Than Gas Sales								
45	Allowance to Customers								
46	Customers Forfeited Discounts & Penalties				-	451,827			
47	Miscellaneous Gas Revenues				-	(20,271)			
48	**Total Other Gas Revenues**	-	-	-	-	431,556			
49	**Total Gas Operating Revenues**	436,595	440,651	438,623	73,420,908	555,341,304			

Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2020

605. NUMBER OF EMPLOYEES

Report the requested information concerning the number of employees on respondent's payrolls at end of year.

Line No.	Classification According to Occupation (a)	Number at Year End (b)
1	Total Officials and Senior Manager Employees	94
2	Total Professional and Semiprofessional Employees	79
3	Total Business Office, Sales And Professional Employees	99
4	Total Clerical Employees	79
5	Total Operators	-
6	Total Construction, Installation and Maintenance Employees	413
7	Total Building, Supplies and Motor Vehicle Employees	-
8	All Other Employees Not Elsewhere Classified	1
9	Total All Employees	765

Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2020

610. Territory Served

Report below the number of customers at the end of the year in respondent's distribution system in which service is furnished setting forth by counties the number of customers and the average number of customers during the year. Respondent should place an X in the box in column (b) if that county is served and supply related customer information in columns (d) and (e).

County Code (a)	Serves County (b)	Name of Pennsylvania County (c)	Number Of Customers At End Of Year (d)	Average Number Of Customers During Year (e)
01	X	Adams	15,979	15,891
02	X	Allegheny	109,510	109,067
03	X	Armstrong	924	921
04	X	Beaver	38,813	38,660
05	X	Bedford	14	14
06		Berks	-	-
07		Blair	-	-
08		Bradford	-	-
09		Bucks	-	-
10	X	Butler	10,419	10,347
11		Cambria	-	-
12		Cameron	-	-
13		Carbon	-	-
14	X	Centre	15,336	15,154
15		Chester	1	1
16	X	Clarion	3,967	3,960
17	X	Clearfield	1	1
18		Clinton	-	-
19		Columbia	-	-
20		Crawford	-	-
21		Cumberland	-	-
22		Dauphin	-	-
23		Delaware	-	-
24	X	Elk	33	33
25		Erie	-	-
26	X	Fayette	24,951	24,819
27		Forest	1	1
28	X	Franklin	5,268	5,250
29	X	Fulton	6	6
30	X	Greene	3,034	3,025
31		Huntingdon	-	-
32	X	Indiana	632	629
33	X	Jefferson	386	385
34		Juniata	-	-
35		Lackawanna	-	-
36		Lancaster	-	-
37	X	Lawrence	20,124	20,032
38		Lebanon	-	-
39		Lehigh	-	-
40		Luzerne	-	-
41		Lycoming	-	-
42	X	McKean	3,636	3,629
43	X	Mercer	31	31
44		Mifflin	-	-
45		Monroe	-	-
46		Montgomery	-	-
47		Montour	-	-
48		Northampton	-	-
49		Northumberland	-	-
50		Perry	-	-
51		Philadelphia	-	-
52		Pike	-	-
53		Potter	-	-
54		Schuylkill	-	-
55		Snyder	-	-
56	X	Somerset	5,731	5,697
57		Sullivan	-	-
58		Susquehanna	-	-
59		Tioga	-	-
60		Union	-	-
61	X	Venango	776	772
62	X	Warren	2,626	2,618
63	X	Washington	47,330	46,984
64		Wayne	-	-
65	X	Westmoreland	22,949	22,884
66		Wyoming	-	-
67	X	York	108,175	109,109
Totals			440,651	439,914

VERIFICATION

The foregoing report must be verified by the oath of the officer having control of the accounting of the respondent. It shall be verified, also, by the oath of the president or other chief officer of the respondent. The oaths required may be taken before any person authorized to administer an oath by the laws of the State in which the same is taken.

OATH

(To be made by the officer having control of the accounting of the respondent)

State of Ohio
as:
County of Franklin

Kevin Stanley (Name of affiant) makes oath and says that he/she is Controller (Official title of affiant)

of Columbia Gas of Pennsylvania, Inc. (Exact legal title or name of the respondent)

The signed officer has reviewed the report.

Based on the officer's knowledge, the report does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading.

Based on such officer's knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the issuer as of, and for, the periods presented in the report.

He/she believes that all other statements contained in the said report are true, and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including January 1, 2020 to and including December 31, 2020

Kevin Stanley
(Signature of affiant)

Subscribed and sworn to and before me, a Notary Public in and for the State and County above-named, this 28 day of April 2021

My commission expires 10/27/2024 Maye Traetow (Signature of officer authorized to administer oaths)

Mary E Traetow
Notary Public, State of Ohio
My Commission Expires 10-27-2024

SUPPLEMENTAL OATH

(By the president or other chief officer of

State of Pennsylvania
as:
County of Washington

mark Kempic (Name of affiant) makes oath and says that he/she is President & COO (Official title of affiant)

of Columbia Gas of Pennsylvania, Inc. (Exact legal title or name of the respondent)

that he has carefully examined the foregoing report; that he believes that all statements of fact contained in the said report are true, and that the said report is a correct and complete statement of the business and affairs of the above named respondent during the period of time from and including January 1, 2020, to and including December 31, 2020

Mark Kempic
(Signature of affiant)

Subscribed and sworn to before me, a Notary Public in and for the State and County above-named, this 21 day of April, 2021

My commission expires 11/13/21 Tracy L. Schrock (Signature of officer authorized to administer oaths)

Commonwealth of Pennsylvania - Notary Seal
Tracy L. Schrock, Notary Public
Washington County
My commission expires November 13, 2021
Commission number 1147123
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

Contact File_____ By_____

Database_____ By_____

GAS UTILITIES

ANNUAL REPORT

OF

COLUMBIA GAS OF PENNSYLVANIA, INC.

(Give exact legal title of Utility, using "The" and "Company" only if part of corporate name)

TO THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

FOR THE YEAR ENDED DEC. 31, 2019

THIS REPORT MUST BE FILED NOT LATER THAN APR 30, 2020

GAS ANNUAL REPORT
OF

Columbia Gas of Pennsylvania, Inc.
Exact legal name of reporting gas company or corporation
(If name was changed during year, show also the previous name and date of change)

121 Champion Way, Suite 100, Canonsburg, Pennsylvania
(Address of principal business office at end of year)

FOR THE

YEAR ENDED DECEMBER 31, 2019

TO THE

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

Name, title, address and telephone number (including the area code), E-Mail Address, and Web Site Address of the person to be contacted concerning this report:

Jeffrey Eing	**Accounting Manager**
Name	Title
290 West Nationwide Boulevard, Columbus, Ohio 43215	**614-460-4281**
Address	Phone
JEING@NISOURCE.COM	
E-mail Address	

Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2019

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GENERAL INSTRUCTIONS

1. The completed original and an electronic (e-mail) copy of this report shall be filed with the Pennsylvania Public Utility Commission, P.O. Box 3265, Harrisburg, Pennsylvania, 17105-3265 on or before the 30th of April following the end of the year to which the report applies.

2. All Natural Gas Distribution Companies subject to the jurisdiction of the Pennsylvania Public Utility Commission, upon which this report is served are required by statute to complete and file this report. The statute further provides that when any such report is defective or believed to be erroneous, the reporting corporation shall be duly notified and given a reasonable time within which to make the necessary amendments or corrections. All data comprising this report shall be submitted in electronic and permanent form.

3. All accounting terms and phrases used in this form are to be interpreted in accordance with the effective applicable Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission Title 18 under "Part 201-Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act", (18 CFR Part 201). Whenever the term respondent is used, it shall mean the reporting company.

4. Standard accounting procedures will apply in determining the nature of any entry (e.g., Uncollectibles, a revenue item, is normally a debit entry, and should be entered as a "positive" number unless the reported balance is a credit). Entries of a reverse or contrary character shall be indicated by parenthesis around the number.

5. If the report is made for a period less than the calendar year, the period covered must be clearly stated on the front cover and elsewhere throughout the report where the period covered is shown. When operations cease during the year because of the disposition of property, the balance sheet and supporting schedules should consist of balances and items immediately prior to transfer (for accounting purposes). If the books are not closed as of that date, the data in the report should nevertheless be complete, and the amounts reported should be supported by information set forth in, or as part of, the books of account.

6. All instructions shall be followed and each question shall be answered fully and accurately. Sufficient answers shall appear to show that no question or schedule has been overlooked. The expression "none" or "not applicable" shall be given as the answer to any particular inquiry or schedule where it truly and completely states the fact. Unless otherwise indicated, no information will be accepted which incorporates by reference information from another document or report. Where information called for herein is not given, state fully the reason for its omission.

7. Extra copies of any page will be furnished upon request. If it is necessary or desirable to insert additional statements for the purpose of further explanation of accounts or schedules, they shall be legibly made on paper of durable quality and shall correspond to this form in size of page and width of margin. Additional sheets, ruled either vertically or horizontally, will be furnished on request. Inserts, if any, should be appropriately identified with the schedules to which they relate.

8. If the gas distribution service provider conducts operations both within and outside the Commonwealth of Pennsylvania, data should be reported so that there will be shown the number of subscribers within this state, and (separately by accounts) the operating revenues from sources within this state, and the plant investment as of the end of the year within the state.

9. Whenever schedules call for comparison of figures of a previous year, the figures reported must be based upon those shown by the annual report of the previous year or an appropriate explanation given why different figures were used.

10. Throughout the report, money items shall be shown in units of dollars adjusted to accord with footings. Omitting cents does not apply, however, to items in which cents are of significance, as for instance, in averages and in unit costs.

11. If this report is not completed electronically, the name of the respondent and the year to which the report relates shall be inserted on the top of each page.

GENERAL INFORMATION

1. Name and title of officer having custody of the general books of account and address of the office where such books are kept.

Kevin Stanley - Controller
240 West Nationwide Boulevard
Columbus, Ohio 43215

2. Name of State under the laws of which respondent is incorporated and the date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and date organized.

Commonwealth of Pennsylvania
June 23, 1960
Natural Gas Act-P.L. dated May 29, 1885

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, (d) date when possession by receiver or trustee ceased.

Not Applicable

4. State the classes of utility and other services furnished by respondent during the year in each state in which the respondent operated.

Sale of gas to residential, commercial, other sales (field), and industrial customers in the Commonwealth of Pennsylvania and off-system sales in the states of Maryland, Pennsylvania, and West Virginia. Respondent also distributes natural gas to residential, industrial and commercial consumers under general distr bution rate schedules.

IMPORTANT CHANGES DURING YEAR

Hereunder give particulars concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry must be answered. However, if the word "None" states the fact, it may be used in answering any inquiry.

1. Changes in, and additions to franchise rights; describing (a) the actual consideration given therefor, and (b) from whom acquired. If acquired without the payment of any consideration, state that fact.
2. Acquisition of other companies, reorganization, merger or consolidation with other companies: give names of companies involved, particulars concerning the transactions, and references to Commission authorization, if any.
3. Purchase or sale of substantial operating units, such as generating stations, transmission lines or distribution lines, specifying items, parties, effective dates and also reference to Commission authorization, if any.
4. Important leaseholds (other than leaseholds for natural gas lands) acquired, given, assigned, or surrendered, giving effective dates, lengths of terms, names of parties, rents, Commission authorization, if any, and other conditions.
5. Important extensions of system, giving location, new territory covered by distribution systems, and dates of beginning operations. Give, also, the number of new customers of each class, and for each class of customers the estimated annual revenues.
6. Estimated increase or decrease in annual revenues due to important rate changes, and the approximate extent to which such increase or decrease is reflected in revenues for the reporting year.
7. Important wage scale changes, showing dates of changes, effect on operating expenses for the year, and estimated annual effect of such wage scale changes on operating expenses.
8. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement for the performance by another of any agreement or obligation, excluding ordinary commercial paper maturing on demand or not later than one year after date of issue, and giving Commission authorization, if any.
9. Changes in articles of incorporation or amendments to charter: explain the nature and purpose of such changes or amendments.
10. Other important changes not elsewhere provided for.

1. N/A
2. N/A
3. N/A

4.
• The Columbia Gas of Pennsylvania lease at 1851 Grantie Station Road in Gettysburg, Pennsylvania automatically extended for an additional two-year term. The extension is effective July 1, 2019 through June 30, 2021. The monthly rent during this extension term is $1,010.51.

• The Columbia Gas of Pennsylvania lease at 1452 Gun Club Drive in Uniontown, Pennsylvania was extended for a three-year term from June 1, 2019 to May 31, 2022. The base rent during this term is $3,750 per month.

• The Columbia Gas of Pennsylvania lease at 729 Loucks Mill Road in York, Pennsylvania was extended for a five-year term and the leased spaced was expanded. The amendment extended this lease from October 1, 2019, through September 30, 2004, with a monthly rental rate beginning at $6,405 that increases 2.5% annually. The expansion increased the leased square footage by 2,150 square feet to a total of 4,880 square feet.

• The Columbia Gas of Pennsylvania lease at Five Parkway Center, 875 Greentree Road, Pittsburgh, Pennsylvania was extended for a five-year term from January 1, 2020 to December 31, 2024. The base rent during this extension started at $4,185.67 per month and increases 2% annually.

• The Columbia Gas of Pennsylvania lease at 1600 Colony Road in York, Pennsylvania was amended on November 20, 2019 to permit Columbia Gas to construct an outdoor pole building on the site.

• On September 19, 2019, the Pennsylvania Public Utility Commission approved an August 7, 2019, application by Columbia Gas of Pennsylvania, Inc. to acquire the property at 101 Stoney Ridge Drive, Monaca, PA 15061 from Mosaic Development Operations, L.P. . This property has been leased by the Company since 2014.

5. N/A
6. N/A
7. N/A
8. N/A
9. N/A

10.
• Columbia Gas of Pennsylvania donated the property at 260 Seaward Avenue in Bradford, Pennsylvania to a charitable organization on December 31, 2019.

DEFINITIONS

"Accounts" means the accounts prescribed in the Federal Code Regulations Title 18, Part 201.

"Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, which may be over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

"Book Cost" means the amount at which property is recorded in the applicable account without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

"Control" (including the terms; "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, affiliated companies, contract or any other direct or indirect means.

"Cost" means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

"Debt Expense" means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen or marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

"Depreciation", as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of the utility plant in the course of providing service. This includes causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence,changes in the art, changes in demand, and requirements of regulatory bodies.

"Distribution Service Line", A distribution line that transports gas from a common source of supply to a customer meter or the connection to a customer's piping, whichever is further downstream, or the connection to a customer's piping if there is no customer meter.

DEFINITIONS
(Continued)

"Investment Advances" means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

"Minor Items of Property" means the associated parts or items of which retirement units are

"Net Salvage Value" means the salvage value of property retired less the cost of removal.

"Nominally Issued", as applied to securities issued or assumed by the utility means those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the utility, but which have not been sold, or issued directly to trustees of sinking funds in accordance with contractual requirements.

"Original Cost", as applied to utility plant, means the cost of such property to the person first devoting it to public service.

"Property Retired", as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

"Replacing or Replacement", when not otherwise indicated in the context, means the construction or installation of utility plant in place of property retired, together with the removal of the property retired.

"Retained Earnings" means the accumulated net income of the utility less distributions to stockholders and transfers to other capital accounts, and other adjustments.

"Salvage Value" means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.

"Straight-Line Remaining Life Method", as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual changes during its service life. "Remaining Life" implies that estimates of the future life and salvage shall be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

100. VOTING POWERS AND ELECTIONS

1. Has each share of stock the right to one vote? Yes/No
Yes

2. Are voting rights attached only to stock? Yes/No (If the answer to either query 1 or 2 is "No," give particulars on a separate sheet.)
Yes

3. Give date of the latest closing of the stock book prior to end of year and state the purpose of such closing.
December 31, 2019

4. Is cumulative voting permitted? Yes/No
No

6. State the date and place of the latest general meeting held prior to the end of the year for the election of directors?
The latest election of directors was by written consent on July 1, 2019.

7. State the total number of votes cast at the latest general meeting and the total number cast by proxy.
The sole shareholder elected the directors by unanimous written consent in lieu of an annual meeting.

8. State the total number of voting security holders and the total of all voting securities as of such date.
One security holder - 1,805,112

9. If any security has preferences, special privileges, or restrictions in the election of directors, trustees or managers, or in the determination of any corporate action, give details.
None

10. State the number of votes controlled by management, other than officers of the Corporation.
None

101 SECURITY HOLDER INFORMATION AND VOTING POWERS

1. Report the requested information for each holder of one percent or more of the voting securities or if there are fewer than ten such holders, the ten who hold the highest voting powers. Data should be the latest available nearest the end of the year. When the holder of record is a trustee, or other intermediate agency (except a corporation), the data should be reported opposite the names of the beneficial owners, designated as such, under a general heading identifying the trustee or other agency. Securities with contingent voting rights may be disregarded.
2. Attach hereto a certified copy of every effective voting trust established and a certified copy of every other agreement (trustee or otherwise) under which voting securities are held for beneficial owners. If any such agreement has been filed with a previous report, reference to the earlier report will be sufficient provided changes or modification since filing are shown.

Line No.	Last Name (a)	First Name (b)	Street Address (c)	City (d)	State (e)	Zip (f)	Total Votes (g)	Common Stock (h)	Preferred Stock (i)	Other (j)	Nonvoting Securities (see instruction 2) Principal, Par Value, or Stated Value (Specify issue-omit cents) (k)
1	Total votes of all voting securities						1,805,112	1,805,112	-	-	-
2	Total number of security holders										
3	Total votes of security holders listed below										
4											
5	One Shareholder on 12/31/19										
6											
7	NiSource Gas Distribution Group, Inc.										
8	801 E. 86th Avenue										
9	Merillville, Indiana 46410-6272										
10											
11	Each share is entitled to one vote										
12											
13	Total # of shares is 1 805 112										
14											
15											

102. COMPANIES CONTROLLED BY RESPONDENT

1. Show below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of the year, give particulars in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediates involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

Line No.	Name of Company Controlled (a)	Kind of Business (b)	Street Address (c)	City (d)	State (e)	Zip (f)	Voting % of Stock (g)	Footnote Ref. (h)
1	Columbia Gas of Pennsylvania Receivables	Financing Subsidiary	2711 Centerville Road, Suite 400	Wilmington	DE	19808	100% owned by Columbia Gas of Pennsylvania, Inc.	
2	Corporation						100 shares issued and outstanding	
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16							-	

103. Directors

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of respondent.
2. Designate by an asterisk names of members of Executive Committee, and by double asterisk the Chairman of the Executive Committee.

Line No.	Directors Name and Title (a)	Principal Business Address					Term Began (i)	Term Email (j)	Meetings Attended (k)	Fees Paid (l)
		Street Address (b)	City (c)	State (d)	Zip (e)	Telephone (h)				
1	Pablo A. Vegas (Executive Vice-President & President Gas Utilities)	290 W Nationwide Blvd	Columbus	OH	43215	614-460-7844	5/3/2016-Current	N/A	N/A	N/A
2	Michael A. Huwar (President & Chief Operating Offier)	121 Champion Way	Canonsburg	PA	15317	724-416-6327	2/13/2017-Current	N/A	N/A	N/A
3	Michael J. Davidson (Vice President and General Manager)	121 Champion Way	Canonsburg	PA	15317	724-416-6308	7/1/2013-Current	N/A	N/A	N/A
4										
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104. Officers

Line No.	Official Title & Name (a)	Principal Business Address						
		Street Address (b)	City (c)	State (d)	Zip (e)	Telephone (h)	Fax (i)	Email (j)
1	**President & Chief Operating Officer**							
2	Michael A. Huwar	121 Champion Way	Canonsburg	PA	15317	724-416-6327	724-416-6384	mhuwar@nisource.com
3	**Executive Vice-President & President Gas Utilities**							
4	Pablo A. Vegas	290 W Nationwide Blvd	Columbus	OH	43215	614-460-7844		pvegas@nisource.com
5	**Executive Vice President and Chief Financial Officer**							
6	Donald E. Brown	290 W Nationwide Blvd	Columbus	OH	43215	614-460-6030		debrown@nisource.com
7	**Chief Customer Officer**							
8	Heather Bauer	290 W Nationwide Blvd	Columbus	OH	43215	614-460-5554	614-460-8447	hbauer@nisource.com
9	**Senior Vice President and Corporate Secretary**							
10	Anne-Marie W. D'Angelo	801 East 86th Avenue	Merrillville	IN	46410	219-647-6329	219-647-6247	adangelo@nisource.com
11	**Senior Vice President, Human Resources**							
12	Kenneth E. Keener	290 W Nationwide Blvd	Columbus	OH	43215	614-460-9866		kkeener@nisource.com
13	**Vice President and General Manager**							
14	Michael J. Davidson	121 Champion Way	Canonsburg	PA	15317	724-416-6308	724-416-6383	mdavids@nisource.com
15	**Vice President, Strategy and Chief Risk Officer**							
16	Shawn Anderson	290 W Nationwide Blvd	Columbus	OH	43215	614-460-5454		sanderson@nisource.com
17	**Vice President, Projects and Construction, Gas**							
18	Robert M. Kitchell	121 Champion Way	Canonsburg	PA	15317	724-416-6314		rkitchell@nisource.com
19	**Vice President and Treasurer**							
20	Randy G. Hulen	801 E. 86th Avenue	Merrillville	IN	46410	219-647-5688	219-647-6247	rghulen@nisource.com
21	**Vice President, Tax Services**							
22	Sandra Brummitt	290 W Nationwide Blvd	Columbus	OH	43215	614-460-4995		sbrummitt@nisource.com
23	**Vice President, Construction and Engineering Services**							
24	Robert V. Mooney	290 W Nationwide Blvd	Columbus	OH	43215	804-768-6429	804-323-5430	rmooney@nisource.com
25	**Vice President, Chief Accounting Officer and Controller**							
26	Joseph W. Mulpas	290 W Nationwide Blvd	Columbus	OH	43215	614-460-6004		jmulpas@nisource.com
27	**Vice President, Customer Operations and New Business**							
28	Karl E. Stanley	801 E. 86th Avenue	Merrillville	IN	46410	219-647-4810		kestanley@nisource.com
29	**Vice President, External and Customer Affairs**							
30	Andrew S. Tubbs	800 North Third Street	Harrisburg	PA	17102	717-238-0463		astubbs@nisource.com
31	**Vice President, Supply and Optimization**							
32	Michael D. Watson	290 W Nationwide Blvd	Columbus	OH	43215	614-460-6080		mwatson@nisource.com
33	**Assistant Treasurer**							
34	Nicholas Drew	290 W Nationwide Blvd	Columbus	OH	43215	614-460-4638		ndrew@nisource.com
35	**Assistant Treasurer**							
36	Summa D. Simmons	290 W Nationwide Blvd	Columbus	OH	43215	614-460-6898		ssimmons@nisource.com
37	**Assistant Corporate Secretary**							
38	Kimberly V. Loies	801 E. 86th Avenue	Merrillville	IN	46410	219-647-4387	219-647-6247	kloies@nisource.com
39	**Assistant Corporate Secretary**							
40	Angela M. Hatseras	801 E. 86th Avenue	Merrillville	IN	46410	219-647-4211	219-647-6247	ahatseras@nisource.com

Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2019

200. COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)		Schedule Page No. (b)	Balance Beginning of Year (c)	Balance End of Year (d)	Increase/ Decrease (e)
1		**UTILITY PLANT**				
2	101.0	Utility Plant in Service	205	2,330,626,096	2,568,659,276	238,033,180
3	101.1	Property Under Capital Leases		32,886,587	33,256,305	369,718
4	102.0	Gas Plant Purchased or Sold				-
5	103.0	Experimental Gas Plant Unclassified				-
6	104.0	Gas Plant Leased to Others				-
7	105.0	Gas Plant Held for Future Use		41,227	41,227	-
8	105.1	Production Properties Held For Future Use				-
9	106.0	Completed Construction Not Classified-Gas		106,517,151	153,601,682	47,084,531
10	107.0	Construction Work in Progress-Gas	208	47,472,392	45,731,782	(1,740,610)
11	108.0	Accumulated Provision for Depreciation of Gas Utility Plant	206	(440,381,903)	(463,183,990)	(22,802,087)
12	111.0	Accumulated Prov. For Amortization & Depletion of Gas Utility Pl.	206	(23,464,456)	(26,367,451)	(2,902,995)
13	114.0	Gas Plant Acquisition Adjustments	207			-
14	115.0	Accumulated Prov. For Amortization & Depletion of Gas Plant				-
15		Acquisition Adjustments	206			-
16	116.0	Other Gas Plant Adjustments				-
17	117.1	Gas Stored-Base Gas		895,339	895,339	-
18	117.2	System Balancing Gas		(163,467)	(163,467)	-
19	117.3	Gas Stored in Reservoirs and Pipelines-Noncurrent				-
20	117.4	Gas Owed to System Gas				-
21	118.0	Other Utility Plant Adjustments				-
22	119.0	Accumulated Provision for Depreciation and Amortization of Other				-
23		Utility Plant	206			-
24		**TOTAL UTILITY PLANT**		**2,054,428,966**	**2,312,470,703**	**258,041,737**
25		**OTHER PROPERTY AND INVESTMENTS**				
26	121.0	Non-Utility Property		8,346	8,346	-
27	122.0	Accumulated Depreciation & Amortization of Non-Utility Property				-
28	123.0	Investments in Associated Companies	210	19,968,120	20,283,228	315,108
29	123.1	Other Investments	210			-
30	124.0	Other Investments	210			-
31	125.0	Sinking Funds				-
32	126.0	Depreciation Fund				-
33	128.0	Other Special Funds		634,282	4,752,561	4,118,279
34		**TOTAL OTHER PROPERTY AND INVESTMENTS**		**20,610,748**	**25,044,135**	**4,433,387**

200. COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)		Schedule Page No. (b)	Balance Beginning of Year (c)	Balance End of Year (d)	Increase/ Decrease (e)
1		**CURRENT AND ACCRUED ASSETS**				
2	131.0	Cash		3,928,067	2,099,205	(1,828,862)
3	132.0	Interest Special Deposits				-
4	133.0	Dividend Special Deposits				-
5	134.0	Other Special Deposits				-
6	135.0	Working Funds		2,550	2,550	-
7	136.0	Temporary Cash Investments	210	-	-	-
8	141.0	Notes Receivable	211			-
9	142.0	Customer Accounts Receivable		-	-	-
10	143.0	Other Accounts Receivable	211	253,205	253,000	(205)
11	144.0	Accumulated Provision for Uncollectible Accounts-Cr.		-	-	-
12	145.0	Notes Receivable from Associated Companies	212	44,704,353	43,010,056	(1,694,297)
13	146.0	Accounts Receivable for Associated Companies-Short Term	213	153,584	802,217	648,633
14	151.0	Fuel Stock				-
15	152.0	Fuel Stock Expenses Undistributed				-
16	153.0	Residuals and Extracted Products				-
17	154.0	Plant Materials and Operating Supplies	215	1,040,237	1,163,837	123,600
18	155.0	Merchandise				-
19	156.0	Other Materials and Supplies				-
20	163.0	Stores Expense-Undistributed				-
21	164.1	Gas Stored-Current		60,321,627	48,078,559	(12,243,068)
22	164.2	Liquefied Natural Gas Stored				-
23	164.3	Liquefied Natural Gas Held for Processing				-
24	165.0	Prepayments		4,717,579	6,152,018	1,434,439
25	166.0	Advances for Gas Exploration, Development and Produc ion				-
26	167.0	Other Advances for Gas				-
27	171.0	Interest and Dividends Receivable				-
28	172.0	Rents Receivable				-
29	173.0	Accrued Utility Revenues		-	-	-
30	174.0	Miscellaneous Current and Accrued Assets		234,291	2,838,327	2,604,036
31	175.1	Derivative Instrument Asset - Current		-	-	-
32		**TOTAL CURRENT & ACCRUED ASSETS**		**115,355,493**	**104,399,769**	**(10,955,724)**
33		**DEFERRED DEBITS**				
34	146.0	Accounts Receivable for Associated Companies-Long Term				-
35	175.2	Derivative Instrument Asset - Non-Current				-
35	181.0	Unamor ized Debt Expense	216			-
36	182.1	Extraordinary Property Losses	217			-
37	182.2	Unrecovered Plant and Regulatory Study Costs	217			-
38	182.3	Other Regulatory Assets		292,807,240	279,043,933	(13,763,307)
39	183.1	Preliminary Natural Gas Survey and Investigation Charges				-
40	183.2	Other Preliminary Survey and Investigation Charges		1,766,047	4,427,003	2,660,956
41	184.0	Clearing Accounts				-
42	185.0	Temporary Facilities				-
43	186.0	Miscellaneous Deferred Debits		5,012,468	4,334,215	(678,253)
44	187.0	Deferred Loses from Disposition of U ility Plant				-
45	188.0	Research, Development and Demonstra ion Expenditures				-
46	189.0	Unamor ized Loss on Reacquired Debt				-
47	190.0	Accumulated Deferred Income Taxes		130,360,758	122,916,021	(7,444,737)
48	191.0	Unrecovered Purchased Gas Costs		5,792,438	(830,838)	(6,623,276)
49		**TOTAL DEFERRED DEBITS**		**435,738,951**	**409,890,334**	**(25,848,617)**
50		**TOTAL ASSETS & TOTAL DEBITS**		**2,626,134,158**	**2,851,804,941**	**225,670,783**

200. COMPARATIVE BALANCE SHEET
LIABILITIES AND OTHER CREDITS

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Beginning of Year (c)	Balance End of Year (d)	Increase/ Decrease (e)
1	**LIABILITIES AND OTHER CREDITS**				
2	**PROPRIETARY CAPITAL**				
3	201.0 Common Stock Issued		45,127,800	45,127,800	-
4	202.0 Common Stock Subscribed				-
5	203.0 Common Stock Liability for Conversion				-
6	204.0 Preferred Stock Issued				-
7	205.0 Preferred Stock Subscr bed				-
8	206.0 Preferred Stock Liability for Conversion				-
9	207.0 Premium on Capital Stock				-
10	208.0 Donations Received from Stockholders				-
11	209.0 Reduction in Par or Stated Value of Capital Stock				-
12	210.0 Gain on Resale or Cancellation of Reacquired				-
13	Capital Stock				-
14	211.0 Miscellaneous Paid-In Capital		52,889,827	52,889,827	-
15	212.0 Installments Received on Capital Stock				-
16	213.0 Discount on Capital Stock				-
17	214.0 Capital Stock Expense				-
18	215.0 Appropriated Retained Earnings				-
19	216.0 Unappropriated Retained Earnings		788,379,728	885,402,388	97,022,660
20	216.1 Unappropriated Undistr buted Subsidiary Earnings				-
21	217.0 Reacquired Capital Stock				-
22	219.0 Other Comprehensive Income		-	-	-
23	**TOTAL PROPRIETARY CAPITAL**		**886,397,355**	**983,420,015**	**97,022,660**
24					
25	**LONG-TERM DEBT**				
26	221.0 Bonds	231			-
27	222.0 Reacquired Bonds	231			-
28	223.0 Advances from Associated Companies		705,515,000	785,515,000	80,000,000
29	224.0 Other Long-term Debt	231			-
30	225.0 Unamortized Premium on Long-Term Debt				-
31	226.0 Unamortized Discount on Long-Term Debt-Debit				-
32	**TOTAL LONG TERM DEBT**		**705,515,000**	**785,515,000**	**80,000,000**
33					
34	**OTHER NONCURRENT LIABILITIES**				
35	227 Obligation Under Capital Leases-NonCurrent		28,879,266	27,187,702	(1,691,564)
36	228.1 Accumulated Provision for Property Insurance				-
37	228.2 Accumulated Provision for Injuries and Damages		113,922	142,035	28,113
38	228.3 Accumulated Provision for Pensions and Benefits		6,164,096	2,553,240	(3,610,856)
39	228.4 Accumulated Miscellaneous Operating Provisions		-	-	-
40	229 Accumulated Provision for Rate Refunds				-
41	234 Accounts Payable to Affiliated Companies-Long Term				-
42	244 Price Risk Liablity-Non Current				-
43	**TOTAL OTHER NONCURRENT LIABILITIES**		**35,157,284**	**29,882,977**	**(5,274,307)**
44					

200. COMPARATIVE BALANCE SHEET
LIABILITIES AND OTHER CREDITS

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Beginning of Year (c)	Balance End of Year (d)	Increase/ Decrease (e)
1	**CURRENT AND ACCRUED LIABILITIES**				
2	231.00 Notes Payable				
3	232.00 Accounts Payable		51,512,287	46,517,292	(4,994,995)
4	233.00 Notes Payable to Associated Companies		-	-	-
5	234.00 Accounts Payable to Affiliated Companies-Short Term	213	85,227,081	156,860,863	71,633,782
6	235.00 Customers' Deposits-Billing		3,341,169	3,522,509	181,340
7	236.10 Accrued Taxes, Taxes Other Than Income		1,452,956	1,769,402	316,446
8	236.20 Accrued Taxes, Income Taxes		15,623,516	10,000,162	(5,623,354)
9	237.10 Accrued Interest on Long-term Debt				-
10	237.20 Accrued Interest on Other Liabilities		320,693	289,932	(30,761)
11	238.00 Dividends Declared				-
12	239.00 Matured Long-term Debt				-
13	240.00 Matured Interest				-
14	241.00 Tax Collections Payable		501,507	438,584	(62,923)
15	242.00 Miscellaneous Current and Accrued Liabilities		60,809,351	63,957,233	3,147,882
16	243.00 Obligations Under Capital Leases-Current		1,088,458	2,788,852	1,700,394
17	244.00 Price Risk Liability - Current				-
18	245.00 Derivative Inst. Liab. Hedges-Current				-
19	**TOTAL CURRENT AND ACCRUED LIABILITIES**		**219,877,018**	**286,144,829**	**66,267,811**
20					
21	**DEFERRED CREDITS**				-
22	252.00 Customer Advances for Construction		4,954,204	4,206,256	(747,948)
23	253.00 Other Deferred Credits		5,734,277	5,655,895	(78,382)
24	254.00 Other Regulatory Liabilities		267,658,578	241,381,621	(26,276,957)
25	255.00 Accumulated Deferred Investment Tax Credits		1,829,330	1,529,762	(299,568)
26	256.00 Deferred Gains from Disposition of Utility Plant				-
27	257.00 Unamortized Gain on Reacquired Debt				-
28	281.00 Accum. Deferred Income Taxes-Assume. Amortization Property				-
29	282.00 Accum. Deferred Income Taxes-Other Property		492,715,526	506,796,457	14,080,931
30	283.00 Accum. Deferred Income Taxes-Other		6,295,586	7,272,129	976,543
31	**TOTAL DEFERRED CREDITS**		**779,187,501**	**766,842,120**	**(12,345,381)**
32					
33	**TOTAL LIABILITIES & OTHER CREDITS**		**2,626,134,158**	**2,851,804,941**	**225,670,783**

201. NOTES TO BALANCE SHEET

I. The space below is provided for important notes regarding he balance sheet or any account thereof.,
2. Furnish par iculars as to any contingent assets or liabilities exis ing at end of year. Minor items may be grouped by classes. For any dividends in arrears at the end of the year on cumulative preferred stock, state the date of the last dividend, the arrearage per share, and the total amount of the arrearage.
3. For Other Plant Adjustments, Account 116, explain he origin of such amount, debits and credits during he year and plan of disposition contemplated, giving references to Commission orders or to other authorizations repeating classification of amounts as plant adjustments and requirements as to disposition thereof.
4. If the notes to balance sheet, appearing in the annual report to the stockholders are applicable in every respect and furnish the data required by instructions 2 and 3 above, such notes may be attached hereto.
5. Columbia Gas of Pennsylvania changed storage accounting method to WACOG from LIFO effective 1/1/11 (P-2010-220925). The value of base gas was revalued for regulatory purposes. The additional revalued amount for base gas ($2,994,257) is included in account 191.

Annual Report of: Columbia Gas of Pennsylvania, Inc. Year Ended December 31, 2019

205. UTILITY PLANT IN SERVICE - Account No. 101.0

1. Report by prescribed accounts the original cost of utility plant in service and the additions and retirements of such plant during the year.
2. Do not include as adjustments, corrections to additions and retirements for the current or preceding year. Such items should be included in appropriate Column (c) or (d).
3. Credit adjustments in Column (e) should be shown in red, or in black enclosed in parenthesis. State in a footnote the general character of any adjustments in Column (e).
4. Submit, in a footnote, an explanation of amounts included in Columns (e) and/or (f), Line 34, for lowering or changing the location of mains.

Line No.	Account Number and Title (a)		Balance Previous Year (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Balance End of Year (f)
1		**INTANGIBLE PLANT**	XXX	XXX	XXX	XXX	XXX
2	301	Organization	100,100				100,100
3	302	Franchises & Consents	26,216		-		26,216
4	303	Other Plant and Miscellaneous Equipment	27,526,483	4,840,965	(2,407,973)	-	29,959,476
5		Total Intangible Plant	27,652,799	4,840,965	(2,407,973)	-	30,085,792
6		**MANUFACTURED GAS PRODUCTION PLANT**	XXX	XXX	XXX	XXX	XXX
7	304	Land and Land Rights	-				-
8	305	Structures and Improvements	-				-
9	306	Boiler Plant Equipment	-				-
10	307	Other Power Equipment	-				-
11	308	Coke Ovens	-				-
12	309	Infiltration Galleries and Tunnels	-				-
13	310	Producer Gas Equipment	-				-
14	311	Liquefied Petroleum Gas Equipment	-				-
15	312	Oil Gas Generating Equipment	-				-
16	313	Generating Equipment-Other Processes	-				-
17	314	Coal, Coke and Ash Handling Equipment	-				-
18	315	Catalytic Cracking Equipment	-				-
19	316	Other Reforming Equipment	-				-
20	317	Purification Equipment	-				-
21	318	Residential Refining Equipment	-				-
22	319	Gas Mixing Equipment	-				-
23	320	Other Equipment	-				-
24		Total Gas Manufacturing Plant	-	-	-	-	-
25		**NATURAL GAS PRODUCTION & GATHERING PLANT**	XXX	XXX	XXX	XXX	XXX
26	325.1	Producing Lands	-				-
27	325.2	Producing Leaseholds	-				-
28	325.3	Gas Rights	-				-
29	325.4	Rights of Way	-				-
30	325.5	Other Land and Land Rights	-				-
31	326	Other Plant and Miscellaneous Equipment	-				-
32	327	Field Compressor Station Structures	-				-
33	328	Field Measuring & Regulating Station Structures	-				-
34	329	Other Structures	-				-
35	330	Producing Gas Wells-Well Construction	-				-
36	331	Producing Gas Wells-Well Equipment	-				-
37	332	Field Lines	-				-
38	333	Field Compressor Station Equipment	-				-
39	334	Field Measuring & Regulating Station Equipment	-				-
40	335	Drilling & Cleaning Equipment	-				-
41	336	Purification Equipment	-				-
42	337	Other Equipment	-				-
43	338	Unsuccessful Exploration & Development Costs	-				-
44		Total Natural Gas Production & Gathering Plant	-	-	-	-	-
45		**PRODUCTS EXTRACTION PLANT**	XXX	XXX	XXX	XXX	XXX
46	340	Land and Land Rights	-				-
47	341	Other Plant and Miscellaneous Equipment	-				-
48	342	Extraction & Refining Equipment	-				-
49	343	Pipe Lines	-				-
50	344	Extracted Product Storage Equipment	-				-
51	345	Compressor Equipment	-				-
52	346	Gas Measuring and Regulating Equipment	-				-
53	347	Other Equipment	-				-
54		Total Products Extraction Plant	-	-	-	-	-
55		**NATURAL GAS PRODUCTION & PROCESSING PLANT**	XXX	XXX	XXX	XXX	XXX
56	350.1	Land	23,882	-	-	-	23,882
57	350.2	Rights of Way	1,932	-	-	-	1,932
58	351	Structures and Improvements	3,220,856	-	-	-	3,220,856
59	352	Wells	967,813	-	(60,840)	-	906,973
60	352.1	Storage Leaseholds and Rights	206,941	-	-	-	206,941
61	352.2	Reservoirs	-	-	-	-	-
62	352.3	Nonrecoverable Natural Gas	-	-	-	-	-
63	353	Lines	399,488	-	(10,142)	-	389,346

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205. UTILITY PLANT IN SERVICE - Account No. 101.0

Line No.	Account Number and Title (a)		Balance Previous Year (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Balance End of Year (f)
64	354	Compressor Station Equipment	949,048	-	(775)	-	948,273
65	355	Measuring and Regulating Equipment	104,477	-		-	104,477
66	356	Purification Equipment	-	-	-	-	-
67	357	Other Equipment	-	-	-	-	-
68		Total Natural Gas Production and Processing Plant	5,874,438	-	(71,757)	-	5,802,681
69		**OTHER STORAGE PLANT**	XXX	XXX	XXX	XXX	XXX
70	360	Land & Land Rights	-				-
71	361	Structures and Improvements	-				-
72	362	Gas Holders	-				-
73	363	Purification Equipment	-				-
74	363.1	Liquefaction Equipment	-				-
75	363.2	Vaporizing Equipment	-				-
76	363.3	Compressor Equipment	-				-
77	363.4	Measuring and Regulating Equipment	-				-
78	363.5	Other Equipment	-				-
79		Total Other Storage Plant	-	-	-	-	-
80		**BASE LOAD LIQUEFIED NATURAL GAS**	-				-
81		**TERMINATING AND PROCESSING PLANT**	XXX	XXX	XXX	XXX	XXX
82	364.1	Land and Land Rights	-				-
83	364.2	Structures and Improvements	-				-
84	364.3	LNG Processing Terminal Equipment	-				-
85	364.4	LNG Transportation Equipment	-				-
86	364.5	Measuring and Regulating Equipment	-				-
87	364.6	Compressor Station Equipment	-				-
88	364.7	Communication Equipment	-				-
89	364.8	Other Equipment	-				-
90		Total Base Load Liquefied Natural Gas Term. & Proc. Plant	-	-	-	-	-
91		**TRANSMISSION PLANT**	XXX	XXX	XXX	XXX	XXX
92	365.1	Land and Land Rights	-				-
93	365.2	Rights of Way	-				-
94	366	Structures and Improvements	-				-
95	367	Mains	-				-
96	368	Compressor Station Equipment	-				-
97	369	Measuring and Regulating Station Equipment	-				-
98	370	Communication Equipment	-				-
99	371	Other Equipment	-				-
100		Total Transmission Plant	-	-	-	-	-
101		**DISTRIBUTION PLANT**	XXX	XXX	XXX	XXX	XXX
102	374	Land & Land Rights	6,668,273	3,066,476	(1,464)	-	9,733,285
103	375	Structures and Improvements	17,811,473	10,927,780	(66,890)	(189,576)	28,482,788
104	376	Mains	1,513,167,518	166,870,192	(24,109,963)	-	1,655,927,747
105	377	Compressor Station Equipment	-	-	-	-	-
106	378	Measuring & Regulating Station Equipment-General	63,188,592	21,350,489	(787,330)	-	83,751,751
107	379	Measuring & Regulating Station Equipment-City Gate C. St.	135,967	-	-	-	135,967
108	380	Services	531,273,167	63,922,447	(10,932,665)	-	584,262,949
109	381	Meters	62,866,793	1,599,119	(577,587)	-	63,888,325
110	382	Meter Installations	39,685,845	1,086,844	(102,337)	-	40,670,352
111	383	House Regulators	12,843,434	949,616	(10,546)	-	13,782,505
112	384	House Regulatory Installations	3,864,772	-	(379,984)	-	3,484,789
113	385	Industrial Measuring and Regulating Station Equipment	6,836,914	709,818	(261,485)	-	7,285,247
114	386	Other Property on Customers' Premises	-	-	-	-	-
115	387	Other Equipment	10,832,886	1,965,138	(167,920)	-	12,630,104
116		Total Distribution Plant	2,269,175,634	272,447,920	(37,398,170)	(189,576)	2,504,035,608
117		**GENERAL PLANT**	XXX	XXX	XXX	XXX	XXX
118	389	Land & Land Rights	-	-	-	-	-
119	390	Structures and Improvements	49,821	-	-	-	49,821
120	391	Office Furniture & Equipment	6,855,138	470,372	(460,931)		6,864,579
121	392	Transportation Equipment	56,142	-	(30,526)	-	25,617
122	393	Stores Equipment	-	-	-	-	-
123	394	Tools & Garage Equipment	18,189,782	953,772	(105,383)	-	19,018,151
124	395	Laboratory Equipment	269,030	-	-	-	269,030
125	396	Power Operated Equipment	948,698	-	-	-	948,698
126	397	Communication Equipment	792,264	-	(4,348)	-	787,916
127	398	Miscellaneous Equipment	982,370	-	(11,186)	-	971,184
128	399	Other Tangible Property	-	-	-	-	-
129		Total General Plant	27,923,224	1,424,144	(612,373)	-	28,734,995
128		Total Plant	2,330,626,096	278,713,029	(40,490,273)	(189,576)	2,568,659,276

206. ACCUMULATED DEPRECIATION OF UTILITY PLANT - Account Nos. 108, 111, 115 and 119

1. Report below an analysis of the changes in accumulated depreciation during the year and the amounts applicable to prescribed functional classifications.
2. Explain and give particulars of important adjustments during the year.

Line No.	Item (a)	Total (b)	101 Utility Plant In Service (c)	104 Utility Plant Leased to Others (d)	105 Property Held for Future Use (e)	107 Construction Work In Progress (f)
1	**Balance Beginning of Year**	463,846,359	463,846,359			
2	Credits During Year	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
3	Depreciation Provisions charged to:	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
4	403. Depreciation	65,485,222	65,485,222			
5	413. Income from Utility Plant Leased to Others					
6	404. Amortization	6,200,880	6,200,880			
7						
8						
9						
10	Total Depreciation Provisions	71,686,102	71,686,102	-	-	-
11	Recoveries from Insurance	-	-			
12	Salvage Realized from Retirements	4 010	4 010			
13	Facility Damages	-	-			
14	Other Credits Sale of Land	-	-			
15	Other Credits Meter transfers	39,688	39,688			
16	Other Credit transfer	5,341	5,341			
17	Other Credits Capital Lease	1,776,331	1,776,331			
18	Other Credits DSIC Deferral	93,309	93,309			
19						
20	Total Credits During Year	1,918,679	1,918,679	-	-	-
21	**Total Credits**	73 604 781	73 604 781	-	-	-
22	Debits During Year	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
23	Retirement of Utility Plant	42,244,858	42,244,858			
24	Cost of Removal	5,654,841	5,654,841			
25	Other Debits (Gain on Land)	-	-			
26						
27						
28						
29						
30	**Total Debits During Year**	47 899 699	47 899 699	-	-	-
31	**Balance at End of Year**	489,551,441	489,551,441	-	-	-

Describe the basis upon which depreciation provisions for the year were determined and attach worksheets showing the computations made in arriving at the annual provisions.

207. GAS PLANT ACQUISITIONS ADJUSTMENTS - Account No. 114.0

Line No.	Item (a)	Project No. 1 Amount (b)	Project No. 2 Amount (c)	Project No. 3 Amount (d)	Project No. 4 Amount (e)	Totals (f)
1	Book Plant - Net	Not Applicable				-
2	PUC Difference (Ratemaking)					-
3	Less Contributions (Net)					-
4	Net Utility Plant Acquired					-
5	Purchase Price					-
6	Acquisition Adjustment					-
7						
8						

208. CONSTRUCTION WORK IN PROGRESS - Account No. 107

1. Describe the particulars concerning utility plant in process of construction but not ready for service at end of the Calendar Year.
2. Describe separately each work order that exceeds the lesser of an estimated expenditure of $300,000 or 10% of the book cost of utility plant at the beginning of the year. All other work orders may be grouped by nature of project.

Line No.	Description of Work (a)		Balance End of Year (b)	Estimate Total Cost of Construction (c)	Projected In-Service Date (d)
1	303.30	Intangible Plant, Misc Software	2,054,573	495,152	
2	351.20	Compressor Station Structures	60,095	14,483	
3	374.40	Land Rights - Other Distribution System	634,402	152,891	
4	375.40	Regulating Structures	504,873	121,674	
5	375.70	Other Structures - Distribution System	59	14	
6	376.00	Mains	33 710 544	8 124 241	
7	376.08	Mains for CSL Replacement		-	
8	376.25	BS & CI Replaced	879,077	211,857	
9	378.20	M&R Station Equipment - Regulating	5,642,262	1,359,785	
10	378.30	M&R Station Equipment - Local Gas	-	-	
11	380.00	Services	921,568	222,098	
12	381.00	Meters	27 075	6 525	
13	381.10	AMR Devices	29 178	7 032	
14	382.00	Meter Installations	132,820	32,010	
15	383.00	House Regulators	67,105	16,172	
16	385.00	Industrial M&R Station Equipment	111,554	26,884	
17	387.45	Other Equipment -Telemetering	909,734	219,246	
18	391.10	Office Equipment - Unspecified	0	0	
19	391.12	Office Equipment - Information Systems	-	-	
20	394.30	Tools	43,563	10,499	
21	397.00	Communication Equipment	-	-	
22	398.00	Miscellaneous Equipment	3,300	795	
23		TOTALS	45,731,782	11,021,360	

Work Orders over $300,000:

Work Order	Description	Work Order Type	Location
0123.3705A037017	Capitalized bonus accrual	Mains - Service Improvement	Allegheny County Mt Lebanon Township
0555.37170235906	Install 4,620'-4" Plp	Mains - New Business	Greene County Richhill Township
0555.37180222990	Install 6,730'-4"&2" Pmmp	Mains - New Business	Butler County Center Township
0555.37180224587	Oc~3575' 6",~1825' 4" Pmip	Mains - New Business	Beaver County Center Township
0555.37180224630	Install 10,250'-8" Pmmp	Mains - New Business	Allegheny County Pine Township
0555.37180237739	Ins5953'-6",2220'-4",4857'-2"P	Mains - New Business	Fayette County South Union Township
0555.37180245172	Inst ~10986'-2" Pmmp Mle	Mains - New Business	Centre County Ferguson Township
0555.37190246039	Inst 4,900'-4" & 3,500'-2"Pmmp	Mains - New Business	Adams County Straban Township
0555.37190246159	Install 12158'-2&4" Pmmp	Mains - New Business	York County York Township
0557.37170221825	Install 29,060'-6"&2" Pmmp	Mains - Leakage Elimination	Venango County Richland Township
0557.37170222020	Install 1,845'-8" Phhp	Mains - Leakage Elimination	Warren County Pleasant Township
0557.37170222445	Install 962' 4" Lp Main	Mains - Leakage Elimination	Allegheny County Pittsburgh, City
0557.37170244460	Inst 2898'-2"Pmmp	Mains - Leakage Elimination	York County West York Borough
0557.37180224499	Install 2970-4",2" Pmp	Mains - Leakage Elimination	Allegheny County Stowe Township
0557.37180236757	590'-2"P,3920'-4"P,5'-6"Pmmp	Mains - Leakage Elimination	Washington County Peters Township
0557.37180236975	Install 5,550'-2/4 P	Mains - Leakage Elimination	Greene County Richhill Township
0557.37190225606	Install 4,205-4/8" Phhp	Mains - Leakage Elimination	Allegheny County Pittsburgh, City
0557.37190238126	Install 4398'-2",4" Pm/Cs Mp	Mains - Leakage Elimination	Fayette County South Union Township
0559.37170244269	Row For E Berlin Rd Project	Mains - Service Improvement	York County West Manchester Township
0909.37150242913	Emigsville Scada Rebuild	Communication Equipment	York County Manchester Township
1009.37180223035	Pm New Groveton Pod	Plant Regulators Replacement	Allegheny County Robinson Township
1080.37B00000000	Supervision And Engineering Co	Mains - Service Improvement	Allegheny County Mt Lebanon Township
7445.37160234991	Inst 4257'-4", 8335'-2" Pmp	Mains - Leakage Elimination	Washington County Independence Township
7761.37B22210052	Customer Service Line Replacement	Mains - Service Line Replacemer	Allegheny County Mt Lebanon Township
7853.37170222108	Install ~13,000' Of 8" Hdpe	Mains - Leakage Elimination	Lawrence County New Beaver Borough
7879.37170221713	Db~3,927'-6", Oc~950'-2/4"Pmmp	Mains - Service Improvement	Allegheny County Coraopolis Borough
7921.37180236468	14210'-2",670-4",4435'-8"Pmmp	Mains - Leakage Elimination	Washington County South Strabane Township
8827.37170222135	Hp Replacement 20" Cshp	Mains - Leakage Elimination	Allegheny County Pittsburgh, City
8837.37190246091	Pm - Centre Hall Pod	New Plant Regulators	Centre County Spring Township
8837.37190246300	Install ~18482'-6"4"2" Mdpe Mp	Mains - New Business	Allegheny County Mt Lebanon Township
8843.37170222329	Relocate ~2300'-12"Phhp	Mains - Street Improvement	Beaver County Big Beaver Borough
9801.37180224549	Pm D 82 Phase Ii 12"Hdpe	Mains - Service Improvement	Allegheny County Marshall Township
NCSS18IAMENHANC	4IAM Management Enhancement Cap	Shared WO	York County York City

210. INVESTMENTS (Accounts 123 - 123.1 - 124 - 136)

1. Report below investments in Accounts 123, Investments in Associated Companies 123.1, Investments in Subsidiary Companies, 124, Other Investments and 136, Temporary Cash Investments.
2. Provide a subheading for each account and list thereunder the information called for, observing the instructions below.
3. Investments in Securities - List and describe each security owned giving name of issuer. For bonds give also principal amount, date of issue, maturity, and interest rate. For capital stock state number of shares, class and series of stock. Minor investments may be grouped by classes.
4. Investment Advances - Report separately for each person or company the amounts of loans or investment advances which are subject to repayment but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. Each note should be listed giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees.
5. For any securities, notes, or accounts that were pledged, designate such securities acquired, designate such fact and in a footnote state the name of pledges and purpose of the pledge.
6. If Commission approval was required for any advance made or security acquired, designate such fact and in a footnote give date of authorization and case or docket number.
7. Interest and dividend revenues from investments should be reported in column (g), including such revenues from securities disposed of during the year.
8. In column (h) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price therefor, not including any dividend or interest adjustment incredible in column (g).

Line No.	Description of Investment (a)	Date Acquired (b)	Date of Maturity (c)	Book Costs* Beginning of Year (d)	Principal Amount or No. of Shares (e)	Book Cost End of Year (f)	Revenues For Year (g)	Gain or Loss From Invest Disposed of (h)
1	Temporary Cash Investments:							
2	Excess Money Pool	Various	Various	-		-	-	
3	Investments in Associated Companies	2010	Various	19,968,120		20,283,228	640,442	
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25				19 968 120	-	20 283 228	640 442	-

* If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference.

211. NOTES AND OTHER ACCOUNTS RECEIVABLE (Accounts 141, and 143)

If interest was derived during year from notes liquidated before the end of the year, include such interest revenue in column (d).

Line No.	Item (a)	Notes Receivable 12/31/2018 (b)	Notes Receivable 12/31/2019 (c)	Interest Revenue (d)	Other Accounts Receivable 12/31/2018 (e)	Other Accounts Receivable 12/31/2019 (f)
1	A/R - Off System Sales				597,656	1,717,565
2	A/R - LIHEAP Program				1,691,537	520,680
3	A/R - Transportation				208,676,877	9,442,020
4	A/R - Customer Assistance Program				1,191,471	1,169,375
5	A/R - Income Tax Refunds Receivable				253,000	253,000
6	A/R - Miscellaneous				2,930,525	6,707,106
7	A/R - Columbia Gas of Pennsylvania Receivables Company				(215,087,861)	(19,556,746)
8					-	-
9					-	-
10					-	-
11					-	-

212. NOTES RECEIVABLE FROM ASSOCIATED COMPANIES (Account 145)

1. Furnish below the particulars indicated concerning notes receivable from associated companies at end of year.
2. If any note was received in satisfaction of an open account indebtedness, state the period covered by such open account.
3. Include in column (f) the amount of any interest revenue during the year on notes that were paid off before the end of year.
4. Give particulars of any notes pledged or discounted. This schedule shall include all transactions during the year with each affiliated interest affecting account 145 and account 233.

Line No.	Name of Associated Company (a)	Date of Issue (b)	Date of Maturity (c)	Amount End of Year (d)	Interest Rate (e)	Amount (f)
1	Columbia Gas of Pennsylvania Receivables Corporation			43,010,056		43,010,056
2						
3						
4						
5						
6						
7						
8						

213. ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES (ACCOUNT 146) AND ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (ACCOUNT 234)

1. Furnish below the particulars called for concerning Account Receivables and Payables from Associated Companies.
2. The term "Services Received" set forth on line 21 of this schedule means the Management, Construction, Engineering, Purchasing Legal, Accounting or other similar service which has been rendered to respondent under written, oral or implied contracts.
3. The term "Joint Expenses Transferred" set forth on lines 6 and 22 means Central office and/or other expenses continuously assessed against respondent covering all locations of common operating costs.
4. This schedule shall include all transactions during the year with each affiliated interest affecting Account 146.

Line No.	Item (a)	Entries During Year (b)
1	**Debits During Year**	
2	Cash Dispensed	248,038,286
3	Materials and Supplies Sold	-
4	Services Rendered	9,673,927
5	Joint Expense Transferred	-
6	Interest and Dividends Receivable	125,005
7	Interest and Dividends Payable	38,396,803
8	Rents Receivable	59,426
9	Securities Sold	-
10	Other Debits (Specify)	-
11	Loans Receivable (Short Term)	20,277,189
12	Loans Payable (Short Term)	900,080,850
13		
14		
15	**Total Debits During Year**	1,216,651,486
16		
17	**Credits During Year**	
18	Cash Received	(94,878,433)
19	Gas Purchased	-
20	Fuel Purchased	-
21	Materials and Supplies Purchased	
22	Services Received	(185,464,676)
23	Joint Expense Transferred	-
24	Interest and Dividends Payable	(38,662,669)
25	Rents Payable	-
26	Securities Purchased	-
27	Transferred to Account "145"	-
28	Other Credits (Specify)	-
29	Loans Payable (Short Term)	(968,630,857)
30		
31		
32	**Total Credits During Year**	(1,287,636,635)
33	**Balance at End of Year**	(70,985,149)

215. PLANT MATERIALS AND OPERATING SUPPLIES (Account 154)

1. Summarize below by character of materials and supplies, the balances in account 154 at the beginning and end of the year.
2. Account entries totaling $300,000 or 1% of gross revenues, (whichever is less), during the year shall be explained, showing the class of materials affected and the various classes of accounts (operating expenses, clearing accounts, plant accounts, etc.) debited or credited.

Line No.	Classification of Materials And Supplies (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase /Decrease (d)
1	**Other Inventories**	1,040,237	1,163,837	123,600
2				-
3				-
4				-
5				-
6				-
7				-
8				-
9				-
10				-
11				-
12				-
13				-
14				-
15				-
16				-
17	**Total**	1,040,237	1,163,837	123,600

216. UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND UNAMORTIZED PREMIUM ON DEBT (Accounts 181, 225)

1. Report under separate subheadings for Unamortized Debt Discount and Unamortized Premium on Debt, particulars of discount and expense or premium applicable to each class and series of long-term debt.
2. Show premium amounts in red or by enclosure in parenthesis
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the discount and expense or premium with respect to the amount of bonds or other long-term debt originally issued.
5. Furnish particulars regarding the treatment of unamortized debt discount and expense or premium, redemption premium, and redemption expenses associated with issues redeemed during the year, also, date of the Commission's authorization of treatment other than by debit or credit to Surplus.
6. Set out separately and identify amounts applicable to issues which have been redeemed, although those amounts, prior to the effective date of the Uniform System of Accounts may have prior to the effective date of the Uniform System of Accounts may have been combined with the discount and expense on the refunding issue.
7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt.

Line No.	Designation of Long-Term Debt (a)	PRINCIPAL AMOUNT AMOUNT OF SECURITIES TO WHICH OR PREMIUM RELATES (b)	TOTAL DISCOUNT AND EXPENSE OR NET PREMIUM (c)	Amortization Period From (d)	Amortization Period To (e)	Balance Beginning of Year (f)	Debits During Year (g)	Credits During Year (h)	Balance End of Year (i)
1	Not Applicable								
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15	Total	-	-	-	-	-	-	-	-

217. EXTRAORDINARY PROPERTY LOSSES (Account 182)

1. Report below the information indicated concerning this account, grouping the items by departments, and showing totals for each department.
2. Include in the description the date property was abandoned or other extraordinary loss incurred.

Line No.	Description of Property Loss Or Damage (a)	Comm. Auth. No. (b)	Amortization Period (Give Years Only) From (c)	Amortization Period (Give Years Only) To (d)	Total Amount of Loss (e)	Previously Written off (f)	Written off During Year Account Charged (g)	Written off During Year Amount (h)	Balances At End of Year (i)
1	Not Applicable								
2									
3									
4									
5									
6									
7									
8	Total								-

231. LONG-TERM DEBT (Accounts 221,222,224)

(Excluding Advances from Affiliated Companies)

1. Give below the particulars indicated of the long-term debt at end of year represented by unmatured obligations issued or assumed by the respondent, exclusive of advances from affiliated companies.
2. Group entries according to accounts and show the total for each account.
3. For obligations assumed by the respondent show in column (a) the name of the issuing company and the class and series of such obligations.
4. For Receivers' Certificates show the name of the court and date of court order under which such certificates were issued.
5. If respondent has pledged any of its long-term debt securities give particulars in a footnote, including name of the pledge name of the pledge and purpose of pledge.
6. If interest expense was incurred during the year on any obligations retired or reacquired before end of year include such interest expense in column (g).
7. If interest was matured but unpaid on any obligation state in a footnote the class and series and principal amount of such obligation and the amount of interest matured thereon.

Line No.	Class and Series of Obligations (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Principal Amount Authorized (d)	Outstanding Per Balance Sheet (e)	Interest For Year		Held By Respondent	
						Rate (f)	Amount (g)	As Reacquired. Lg.-Term Debt (h)	In Sinking & Other Funds (i)
1	Not Applicable								
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32									
33									
34									
35	TOTAL			-	-		-	-	-

*Total amount outstanding without reduction for amount held by respondent.

400. INCOME STATEMENT
REVENUES AND EXPENSES
Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance End of Current Year (c)	Balance End of Previous Year (d)	Increase/ Decrease (e)
1	**SALES OF GAS**				
2	480.0 Residential Sales	600	386 219 405	372 637 019	13 582 386
3	481.0 Commercial and Industrial Sales	600	84,140,211	88,652,528	(4,512,317)
4	482.0 Other Sales to Public Authorities	600			-
5	**Sub Total Sales of Gas**		470,359,616	461,289,547	9,070,069
6					-
7					-
8	**REVENUES FROM TRANSPORTATION OF GAS OF OTHERS**				-
9	489.1 Through Gathering Facilities				-
10	489.2 Through Transmission Facilities				-
11	489.3 Through Distribution Facilities		130 872 567	124 708 531	6 164 036
12	489.4 Revenues from Storing Gas of Others				-
13	**Sub Total Transportation Revenue**		130,872,567	124,708,531	6,164,036
14					-
15	**TOTAL SALES AND TRANSPORTATION REVENUE 1**		601,232,183	585,998,078	15,234,105
16					-
17	**OTHER OPERATING REVENUES**				-
18	483.0 Sales for Resale	501			-
19	484.0 Interdepartmental Sales	600			-
20	485.0 Intracompany Transfers	600			-
21	487.0 Forfeited Discounts	600	1,075,649	1,140,714	(65,065)
22	488.0 Miscellaneous Service Revenues	600	239,469	102,892	136,577
23	490.0 Sales of Products Extracted from Natural Gas				-
24	491.0 Revenues from Natural Gas Processed by Others				-
25	492.0 Incidental Gasoline and Oil Sales				-
26	493.0 Rent from Gas Property	600	1,103	1,338	(235)
27	494.0 Interdepartmental Rents	600			-
28	495.0 Other Gas Revenues	600	(150,990)	2,998,147	(3,149,137)
29	496.0 Provision for Rate Refunds				-
30	**Sub Total Other Operating Revenues**		1,165,231	4,243,091	(3,077,860)
31					-
32	**TOTAL REVENUES**		602,397,414	590,241,169	12,156,245
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44	1 This line - Total Sales and Transportation Revenue - is to be reported in Section 2				
45	of the Revised Annual Assessment Report (Form GAO-09).				

400. INCOME STATEMENT
REVENUES AND EXPENSES

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	**OPERATING EXPENSES**				
2	401 Operation Expenses		339,963,923	343,692,129	(3,728,206)
3	402 Maintenance Expenses		23,848,318	22,255,030	1,593,288
4	403 Depreciation Expenses		65,671,849	55,612,321	10,059,528
5	404.1 Amort. & Depletion of Prod. Natural Gas Land & Rights				-
6	404.2 Amort. Of Underground Storage Land & Land Rights				-
7	404.3 Amort. Of Other Limited-Term Gas Plant		1,760,192	1,706,834	53,358
8	405.0 Amortization of Other Gas Plant		4,440,688	3,864,810	575,878
9	406.0 Amortization of Gas Plant Acquisition Adjustments				-
10	407.1 Amort. Of Prop. Losses, Unrec. Plant & Reg. Study C.				-
11	407.2 Amortization of Conversion Expense				-
12	407.3 Regulatory Debits				-
13	407.4 Regulatory Credits				-
14	408.1 Taxes Other Than Income Taxes, Utility Opr. Income	408	3,576,150	3,212,510	363,640
15	409.1 Income Taxes, Utility Operating Income	409	17,018,006	17,608,839	(590,833)
16	410.1 Provision for Deferred Income Taxes, Ut. Opr. Income	411	50,170,470	101,656,487	(51,486,017)
17	411.1 Prov. For Def. Income Taxes-Credit, Ut. Opr. Income	412	(39,368,627)	(99,123,080)	59,754,453
18	411.4 Investment Tax Credit Adjustments, Ut. Operations		(299,568)	(301,223)	1,655
19	411.6 Gains from Disposition of Utility Plant				-
20	411.7 Losses from Disp. of Utility Plant				-
21	Total Utility Operating Expenses		466,781,401	450,184,657	16,596,744
22	**OTHER OPERATING INCOME**				-
23	412.0 Revenues from Gas Plant Leased to Others				-
24	413.0 Expenses of Gas Plant Leased to Others				-
25	414.0 Other Utility Operating Income				-
26	Total Other Operating Income		-	-	-
27	**OTHER INCOME**				-
28	415.0 Rev. from Merchandising, Jobbing and Contract Work		20,436	23,078	(2,642)
29	416.0 Costs and Exp. of Merchandising Jobbing & Contract Wk		(122,697)	(130,477)	7,780
30	417.0 Revenue from Non-Utility Operations		(1,984,768)	(1,863,203)	(121,565)
31	418.0 Non Operating Rental Income		-	-	-
32	418.1 Equity in Earnings of Subsidiary Companies		315,108	415,853	(100,745)
33	419.0 Interest & Dividend Income		(191,861)	(613,950)	422,089
34	419.1 Allowance for Other Funds Used During Construction		614,624	454,173	160,451
35	421.0 Miscellaneous Non Operating Income		1,060,842	2,869,842	(1,809,000)
36	421.1 Gain on Disposition of Property, Total Other Income		75,000	1,000	74,000
37	Total Other Income		(213,316)	1,156,316	(1,369,632)
38	**OTHER INCOME DEDUCTIONS**				-
39	421.2 Loss on Disposition of Property		144,059	1	144,058
40	425.0 Miscellaneous Amortization		-	-	-
41	426.1 Donations		425,818	403,842	21,976
42	426.2 Life Insurance		-	-	-
43	426.3 Penalties		8,808	9,071	(263)
44	426.4 Exp. for Certain Civic, Political & Related Activities		-	-	-
45	426.5 Other Deductions		19 887	(36 380)	56 267
46	Total Other Income Deductions		598,572	376,534	222,038
47	**TAXES APPLICABLE TO OTHER INCOME & DED.**				-
48	408.2 Taxes Other Than Income Taxes, Otr. Income & Ded.				-
49	409.2 Income Taxes, Other Income & Deductions		(191,962)	37,804	(229,766)
50	410.2 Prov. for Deferred Income Taxes, Otr. Income & Ded.		3,681	3,385	296
51	411.2 Prov. for Def. Income Taxes, Credit, Otr Income & Ded.		(92,312)	82,872	(175,184)
52	411.5 Investment Tax Cr. Adjustments, Nonutility Operations				-
53	420.0 Investment Tax Credits				-
54	Total Taxes on Other Income and Deductions		(280,593)	124,061	(404,654)
55	Net Other Income and Deductions		(531,295)	655,721	(1,187,016)

400. INCOME STATEMENT
REVENUES AND EXPENSES

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	**INTEREST CHARGES**				
2	427 Interest on Long-Term Debt				-
3	428 Amortization of Debt Discount and Expense				-
4	428.1 Amortization of Loss on Reacquired Debt				-
5	429 Amortization of Premium on Debt-Credit				-
6	429.1 Amortization of Gain on Reacquired Debt-Credit				-
7	430 Interest on Debt to Associated Companies		38,022,228	35,123,458	2,898,770
8	431 Other Interest Expense		1,037,738	635,900	401,838
9	432 Allowance for Borrowed Funds Used During Construction-Cr		(997,908)	(843,836)	(154,072)
10	Net Interest Charges		38,062,058	34,915,522	3,146,536
11	**EXTRAORDINARY ITEMS**				-
12	434 Extraordinary Income				-
13	435 Extraordinary Deductions				-
14	409.3 Income Taxes-Extraordinary Items				-
15	Net Income		97,022,660	105,796,711	(8,774,051)
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405. OPERATION AND MAINTENANCE EXPENSES

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	**MANUFACTURED GAS PRODUCTION EXPENSES**		XXX	XXX	XXX
2	**Steam Production Expenses**				
3	**Operation**				
4	700.0 Operation Supervision and Engineering				-
5	701.0 Operating Labor				-
6	702.0 Boiler Fuel				-
7	703.0 Miscellaneous Steam Expenses				-
8	**Total Steam Production Operation Expenses**		-	-	-
9	**Maintenance**				
10	704.0 Steam Transferred-Credit				-
11	705.0 Maintenance, Supervision and Engineering				-
12	706.0 Maintenance of Structures and Improvements				-
13	707.0 Maintenance of Boiler Plant Improvement				-
14	708.0 Maintenance of Other Steam Production Plant				-
	Total Steam Production Maintenance Expenses			-	-
15	**Manufactured Gas Production**				
16	710.0 Operation Supervision and Engineering				-
17	**Production Labor and Expenses**				
18	711.0 Steam Expenses				-
19	712.0 Other Power Expenses				-
20	713.0 Coke Oven Expenses				-
21	714.0 Producer Gas Expenses				-
22	715.0 Water Gas Generating Expenses				-
23	716.0 Oil Gas Generating Expenses				-
24	717.0 Liquefied Petroleum Gas Expenses		-	-	-
25	718.0 Other Process Production Expenses				-
	Total Production Labor and Expenses		-	-	-
26	**Gas Fuels**				
27	719.0 Fuel Under Coke Ovens				-
28	720.0 Producer Gas Fuel				-
29	721.0 Water Gas Generator Fuel				-
30	722.0 Fuel for Oil Gas				-
31	723.0 Fuel for Liquefied Petroleum Gas Process				-
32	724.0 Other Gas Fuels				-
	Total Gas Fuels Expenses		-	-	-
33	**Gas Raw Materials**				
34	725.0 Coal Carbonized in Coke Ovens				-
35	726.0 Oil for Water Gas				-
36	727.0 Oil for Oil Gas				-
37	728.0 Liquefied Petroleum Gas Expenses				-
38	729.0 Raw Materials for Other Gas Processes				-
39	730.0 Residuals Expenses				-
40	731.0 Residuals Produced-Credit				-
41	732.0 Purification Expenses				-
42	733.0 Gas Mixing Expenses				-
43	734.0 Duplicate Charges-Credit				-
44	735.0 Miscellaneous Production Expenses				-
45	736.0 Rents				-
	Total Gas Raw Materials Expenses		-	-	-
46	**Maintenance**				
47	740.0 Maintenance Supervision and Engineering				-
48	741.0 Maintenance of Structures and Improvements				-
49	742.0 Maintenance of Production Equipment				-
	Total Maintenance Expenses		-	-	-
	Total Manufactured Gas Production Expenses		-	-	-
50	**NATURAL GAS PRODUCTION EXPENSES**		XXX	XXX	XXX
51	**Production and Gathering**				
52	**Operation**				
53	750.0 Operating Supervision and Engineering				-
53	751.0 Production Maps and Records				-
54	752.0 Gas Wells Expenses				-

405. OPERATION AND MAINTENANCE EXPENSES (Continue)

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	753.0 Field Lines Expenses				-
2	754.0 Field Compressor Station Expenses				-
3	755.0 Field Compressor Station Fuel and Power				-
4	756.0 Field Measuring and Regulating Station Expenses				-
5	757.0 Purification Expenses				-
6	758.0 Gas Well Royalties				-
7	759.0 Other Expenses				-
8	760.0 Rents				-
	Total Production & Gathering Operation Expenses		-	-	-
9	**Maintenance**				
10	761.0 Maintenance Supervision and Engineering				-
11	762.0 Maintenance of Structures and Improvements				-
12	763.0 Maintenance of Producing Gas Wells				-
13	764.0 Maintenance of Field Lines				-
14	765.0 Maintenance of Field Compressor Station Equipment				-
15	766.0 Maintenance of Field Measuring and Reg. Station Equip.				-
16	767.0 Maintenance of Purification Equipment				-
17	768.0 Maintenance of Drilling and Cleaning Equipment				-
18	769.0 Maintenance of Other Equipment				-
	Total Production & Gathering Maintenance Expenses		-	-	-
19	**Products Extraction**				
20	**Operation**				
21	770.0 Operation Supervision and Engineering				-
22	771.0 Operating Labor				-
23	772.0 Gas Shrinkage				-
24	773.0 Fuel				-
25	774.0 Power				-
26	775.0 Materials				-
27	776.0 Operation Supplies and Expenses				-
28	777.0 Gas Processed by Others				-
29	778.0 Royalties on Products Extracted				-
30	779.0 Marketing Expenses				-
31	780.0 Products Purchased for Resale				-
32	781.0 Variation in Products Inventory				-
33	782.0 Extracted Products Used by the Utility-Credit				-
34	783.0 Rents				-
	Total Products Extraction Operation Expenses		-	-	-
35	**Maintenance**				
36	784.0 Maintenance Supervision and Engineering				-
37	785.0 Maintenance of Structures and Improvements				-
38	786.0 Maintenance of Extraction and Refining Equipment				-
39	787.0 Maintenance of Pipe Lines				-
40	788.0 Maintenance of Extracted Products Storage Equipment				-
41	789.0 Maintenance of Compressor Equipment				-
42	790.0 Maintenance of Gas Measuring & Regulating Equipment				-
43	791.0 Maintenance of Other Equipment				-
	Total Products Extraction Maintenance Expenses		-	-	-
	Total Natural Gas Production Expenses		-	-	-
44	**EXPLORATION AND DEVELOPMENT EXPENSES**		XXX	XXX	XXX
45	**Operation**				
46	795.0 Delay Rentals				-
47	796.0 Nonproductive Well Drilling				-
48	797.0 Abandoned Leases				-
49	798.0 Other Exploration				-
	Total Exploration and Development Operation Exp.		-	-	-
50	**OTHER GAS SUPPLY EXPENSES**		XXX	XXX	XXX
51	**Operation**				
52	800.0 Natural Gas Well Head Purchases				-
53	801.0 Natural Gas Well Head Purchases, Intercompany Trans.		305,732	331,646	(25,914)
54	802.0 Natural Gas Gasoline Plant Outlet Purchases		-	-	-
55	803.0 Natural Gas Transmission Line Purchases		138,498,819	172,861,109	(34,362,290)
56	804.0 Natural Gas City Gate Purchases		13,235,438	16,116,479	(2,881,041)

405. OPERATION AND MAINTENANCE EXPENSES (Continued)

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)	Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	804.1 Liquefied Natural Gas Purchases				-
2	805.0 Other Gas Purchases		9,775,903	10,543,960	(768,057)
3	805.1 Purchases Gas Cost Adjustments		(4,412,901)	(15,681,110)	11,268,209
4	806.0 Exchange Gas		(1,113,286)	(409,735)	(703,551)
5	807.0 Purchased Gas Expenses		1,011,412	1,035,295	(23,883)
6	808.1 Gas Withdrawn from Storage-Debit		64,330,432	67,912,133	(3,581,701)
7	808.2 Gas Delivered to Storage-Credit		(52,089,356)	(65,198,955)	13,109,599
8	809.1 Withdrawals of Liquefied Nat. Gas Held for Processing				-
9	809.2 Deliveries of Natural Gas for Processing				-
10	810.0 Gas Used for Compressor Station Fuel-Credit				-
11	811.0 Gas Used for Products Extraction-Credit				-
12	812.0 Gas Used for Other Utility Operations-Credit		(416,686)	(396,970)	(19,716)
13	813.0 Other Gas Supply Expenses		-	-	-
	Total Gas Supply Operation Expenses		169,125,507	187,113,852	(17,988,345)
14	**Natural Gas Storage, Terminating & Processing Exp.**				
15	**Underground Storage Expenses**				
16	814.0 Operation Supervision and Engineering				
17	815.0 Maps and Records				-
18	816.0 Wells Expenses		-	-	-
19	817.0 Lines Expenses		-	-	-
20	818.0 Compressor Station Expenses		8 357	-	8 357
21	819.0 Compressor Station Fuel and Power		-	-	-
22	820.0 Measuring and Regulating Station Expenses		139,437	196,275	(56,838)
23	821.0 Purification Expenses		-	-	-
24	822.0 Exploration and Development		-	-	-
25	823.0 Gas Losses		1,991	2,175	(184)
26	824.0 Other Expenses		-	-	-
27	825.0 Storage Well Royalties		5,643	5,536	107
28	826.0 Rents				-
	Total Underground Storage Expenses		155,428	203,986	(48,558)
29	**Maintenance**				-
30	830.0 Maintenance Supervision and Engineering				
31	831.0 Maintenance of Structures and Improvements				-
32	832.0 Maintenance of Reservoirs and Wells		-	-	-
33	833.0 Maintenance of Lines				-
34	834.0 Maintenance of Compressor Station Equipment		-	-	-
35	835.0 Maintenance of Measuring & Regulating Station Equip.				-
36	836.0 Maintenance of Purification Equipment		-	-	-
37	837.0 Maintenance of Other Equipment				-
	Total Maintenance Expenses		-	-	-
38	**Other Storage Expenses**				-
39	**Operation**				
40	840.0 Operating Supervision and Engineering				
41	841.0 Operation Labor and Expenses				-
42	842.0 Rents				-
43	842.1 Fuel				-
44	842.2 Power				-
45	842.3 Gas Losses				-
	Total Operation Expenses		-	-	-
46	**Maintenance**				-
47	843.1 Maintenance Supervision and Engineering				
48	843.2 Maintenance of Structures and Improvements				-
49	843.3 Maintenance of Gas Holders				-
50	843.4 Maintenance of Purification Equipment				-
51	843.5 Maintenance of Liquefaction Equipment				-
52	843.6 Maintenance of Vaporizing Equipment				-
53	843.7 Maintenance of Compressor Equipment				-
54	843.8 Maintenance of Measuring and Regulatory Equipment				-
55	843.9 Maintenance of Other Equipment				-
	Total Maintenance Expenses		-	-	-

405. OPERATION AND MAINTENANCE EXPENSES (Continued)
Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)		Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1						
2		**LIQUEFIED NATURAL GAS TERMINATING AND**				
3		**PROCESSING EXPENSES**		XXX	XXX	XXX
4		**Operation**				
5	844.1	Operation Supervision and Engineering				-
6	844 2	LNG Processing Terminal Labor and Expenses				-
7	844 3	Liquefaction Processing Labor and Expenses				-
8	844.4	LNG Transportation Labor and Expenses				-
9	844 5	Measuring and Regulating Labor and Expenses				-
10	844 6	Compressor Station Labor and Expenses				-
11	844.7	Communication System Expenses				-
12	844 8	System Control and Load Dispatching				-
13	845.1	Fuel				-
14	845 2	Power				-
15	845 3	Rents				-
16	845.4	Demurrage Charges				-
17	845 5	Warfare Receipts-Credit				-
18	845 6	Processing Liquefied or Vaporized Gas by Others				-
19	846.1	Gas Losses				-
20	846 2	Other Expenses				-
		Total Liq. N.G. Term & Proc. Operation Expenses		-	-	-
21		**Maintenance**				
22	847.1	Maintenance Supervision and Engineering				-
23	847 2	Maintenance of Structures and Improvements				-
24	847 3	Maintenance of LNG Processing Terminal Equipment				-
25	847.4	Maintenance of LNG Transportation Equipment				-
26	847 5	Maintenance of Measuring and Regulating Equipment				-
27	847 6	Maintenance of Compressor Station Equipment				-
28	847.7	Maintenance of Communication Equipment				-
29	847 8	Maintenance of Other Equipment				-
		Total Liq. N.G. Term. Proc. Maintenance Expenses		-	-	-
30		**TRANSMISSION EXPENSES**		XXX	XXX	XXX
31		**Operation**				
32	850 0	Operating Supervision and Engineering				-
33	851 0	System Control and Load Dispatching				-
34	852 0	Communication System Expenses		975	-	975
35	853 0	Compressor Station Labor and Expenses				-
36	854 0	Gas for Compressor Station Fuel				-
37	855 0	Other Fuel and Power for Compressor Stations				-
38	856 0	Mains Expenses				-
39	857 0	Measuring and Regulating Station Expenses				-
40	858 0	Transmission and Compression of gas by Others				-
41	859 0	Other Expenses				-
42	860 0	Rents				-
		Total Transmission Operation Expenses		975	-	975
43		**Maintenance**				
44	861 0	Maintenance Supervision and Engineering				-
45	862 0	Maintenance of Structures and Improvements				-
46	863 0	Maintenance of Mains				-
47	864 0	Maintenance of Compressor Station Equipment				-
48	865 0	Maintenance of Measuring and Regulating Station Equip.				-
49	866 0	Maintenance of Communication Equipment				-
50	867 0	Maintenance of Other Equipment				-
		Total Transmission Maintenance Expenses		-	-	-
51		**DISTRIBUTION EXPENSES**		XXX	XXX	XXX
52		**Operation**				
53	870 0	Operation Supervision and Engineering		12,617,037	7,237,215	5,379,822
54	871 0	Distribution Load Dispatching		251,623	205,387	46,236
55	872 0	Compressor Station Labor and Expenses		-	-	-
56	873 0	Compressor Station Fuel and Power (Major Only)		-	-	-
57	874 0	Mains and Services Expenses		22,316,243	20,505,011	1,811,232
58	875 0	Measuring and Regulating Station Expenses-General		785,768	561,103	224,665

405. OPERATION AND MAINTENANCE EXPENSES (Continued)
Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Number and Title (a)		Schedule Page No. (b)	Balance Current Year (c)	Balance Previous Year (d)	Increase/ Decrease (e)
1	876.0	Measuring and Regulating Station Expenses-Industrial		352,036	296,539	55,497
2	877.0	Measuring and Regulating Station Expenses-City Gate		-	-	-
3	878.0	Meter and House Regulator Expenses		2,512,309	2,369,105	143,204
4	879.0	Customer Installations Expenses		6,420,243	5,891,238	529,005
5	880.0	Other Expenses		4,486,817	4,127,117	359,700
6	881.0	Rents		11,437	184,435	(172,998)
		Total Distribution Operation Expenses		**49,753,513**	**41,377,150**	**8,376,363**
7		**Maintenance**				
8	885.0	Maintenance Supervision and Engineering		149,865	145,251	4,614
9	886.0	Maintenance of Structures and Improvements		64,315	98,780	(34,465)
10	887.0	Maintenance of Mains		12,844,051	11,665,601	1,178,450
11	888.0	Maintenance of Compressor Station Equipment		-	-	-
12	889.0	Maintenance of Measuring & Reg. Station Equip.-Genl.		976,808	737,064	239,744
13	890.0	Maintenance of Measuring & Reg. Station Equip.-Indtrl.		141,718	264,099	(122,381)
14	891.0	Maintenance of Measuring & Reg. Station Equip.-City G		-	-	-
15	892.0	Maintenance of Services		4,570,415	4,190,866	379,549
16	893.0	Maintenance of Meters & House Regulators		362,098	468,032	(105,934)
17	894.0	Maintenance of Other Equipment		1,099,644	1,012,714	86,930
		Total Maintenance Expenses		**20,208,914**	**18,582,407**	**1,626,507**
18		**CUSTOMER ACCOUNTS EXPENSES**		XXX	XXX	XXX
19		**Operations**				
20	901.0	Supervision		21	-	21
21	902.0	Meter Reading Expenses		685,537	727,886	(42,349)
22	903.0	Customer Records & Collection Expenses		8,212,014	8,382,921	(170,907)
23	904.0	Uncollectable Accounts		28,025,984	30,054,587	(2,028,603)
24	905.0	Miscellaneous Customer Accounts Expenses		3,018	17,656	(14,638)
		Total Customer Account Operations Expenses		**36,926,574**	**39,183,050**	**(2,256,476)**
25		**CUSTOMER SERVICE & INFORM. EXPENSES**		XXX	XXX	XXX
26		**Operations**				-
27	907.0	Supervision		-	-	-
28	908.0	Customer Assistance Expenses		7,280,710	8,818,428	(1,537,718)
29	909.0	Informational & Instructional Advertising Expenses		157,664	130,334	27,330
30	910.0	Miscellaneous Customer Service & Informational Exp.		1,481,665	1,141,053	340,612
		Total Cust. Service & Inform. Operations Expenses		**8,920,039**	**10,089,815**	**(1,169,776)**
31		**SALES EXPENSES**		XXX	XXX	XXX
32		**Operation**				
33	911.0	Supervision		36,137	27,467	8,670
34	912.0	Demonstrating and Selling Expenses		651,240	737,882	(86,642)
35	913.0	Advertising Expenses		179,951	186,462	(6,511)
36	914.0	(Reserved)		-	-	-
37	915.0	(Reserved)		-	-	-
38	916.0	Miscellaneous Sales Expenses		-	-	-
		Total Operation Sales Expenses		**867,328**	**951,811**	**(84,483)**
39		**ADMINISTRATIVE AND GENERAL EXPENSES**		XXX	XXX	XXX
40		**Operation**				
41	920.0	Administrative and General Salaries		20,575,277	19,793,323	781,954
42	921.0	Office Supplies and Expenses		4,284,203	4,119,524	164,679
43	922.0	Administrative Expenses Transferred-Credit		-	-	-
44	923.0	Outside Service Employed		21,890,510	25,700,157	(3,809,647)
45	924.0	Property Insurance		141,143	53,261	87,882
46	925.0	Injuries and Damages		4,717,065	3,587,060	1,130,005
47	926.0	Employee Pensions and Benefits		13 742 886	2 697 594	11 045 292
48	927.0	Franchise Requirements		-	-	-
49	928.0	Regulatory Commission Expenses		2,063,274	2,623,298	(560,024)
50	929.0	Duplicate Charges-Credit		-	-	-
51	930.1	General Advertising Expenses		195,352	216,097	(20,745)
52	930.2	Miscellaneous General Expenses		649,137	589,902	59,235
53	931.0	Rents		5,955,712	5,392,249	563,463
54		**Total Adminstrative and General Operation Expeness**		**74,214,559**	**64,772,465**	**9,442,094**
54		**Maintenance**				
55	932.0	Maintenance of General Plant		3,639,404	3,672,623	(33,219)
57		**Total Gas Operation and Maintenance Expenses**		**77,853,963**	**68,445,088**	**9,408,875**
58						
59		Total Gas Operation Expenses		339,963,923	343,692,129	(3,728,206)
60		Total Maintenance Expenses		23,848,318	22,255,030	1,593,288

408. TAXES OTHER THAN INCOME TAXES, UTILITY OPERATING INCOME (Account 408.1)

This schedule shall include a breakdown of the various tax expenses that constitute the ending balance in Account No. 408.1-Taxes Other Than Income Taxes Utility Operating Income. The information should also reflect related entries to Account No. 165-Prepayments; and Account No. 236-Taxes Accrued.

Line No.	Type of Tax (a)	Account 165 Prepayments (b)	Account 236 Taxes Accrued (c)	Account 408.1 Taxes Other Than Income (d)
1	Social Security (FICA)	-	(4,926,642)	2,754,565
2	Federal Unemployment (FUTA)	-	(34,299)	20,721
3	Pennsylvania Unemployment (SUTA)	-	(237,734)	139,245
4	Local Property Taxes	-	(32,131)	37,292
5	Public Utility Realty Tax	-	(234,078)	229,751
6	State Capital Stock Tax	-	-	-
7	Sales Tax	-	(370,474)	136,272
8	West Virginia Property Tax on Stored Gas	-	(258 332)	258 331
9	License & Franchise Tax & Tax on CNG	-	(100)	(27)
10	Ohio Commercial Activity Tax (CAT)	-	-	-
11	TOTAL	-	(6,093,789)	3,576,150

409. INCOME TAXES, UTILITY OPERATING INCOME (Account 409.1)

This schedule shall include a breakdown of the various tax expenses that constitute the ending balance in Account No. 409.1-Income Taxes, Ut. Operating Income. The information should also reflect related entries to Account No. 165-Prepayments; Account No. 190-Accumulated Deferred Income Taxes and Account No. 236-Accrued Utility Operating Income.

Line No.	Type of Tax (a)	Account 165 Prepayments (b)	Account 190 Accumulated Def. Income Taxes (c)	Account 236 Accrued Taxes (d)	Account 409.1 Income Taxes Opr Income (e)
1	Federal Income Taxes	-	(1,702,540)	(14,073,948)	14,073,948
2	State Income Taxes	-	(473,005)	(2,944,058)	2,944,058
3	Local Income Taxes	-	-	-	-
4					
5					
6					
7					
8	Other Taxes (specify)				
9					
10					
11	TOTAL	-	(2,175,545)	(17,018,006)	17,018,006

410. CALCULATION OF FEDERAL INCOME TAXES - CURRENT PERIOD

1. The totals as reported on this schedule should conform with amounts reported on corresponding Schedules.

Line No.	Item (a)	Total (b)	Current (c)	Deferred Property Related (d)	Deferred Other (e)
1	Operating Revenues	602,397,414	602,397,414	-	-
2	Operating Expenses	435,684,970	435,684,970	-	-
3	Operating Taxes (Non-Income)	3,576,150	3,576,150	-	-
4	Interest & Other Expense	38,062,058	38,062,058	-	-
5	Pre-Tax Operating Income Total Line 1 Minus Lines 2-3-4	125,074,236	125,074,236	-	-
6	Other Income (Expense)	(811,888)	(811,888)	-	-
7	Pre Tax Book Income Total Lines 5+6	124,262,348	124,262,348	-	-
8	Permanent and Flow-Through Differ.	5,791,377	(41,267,887)	47,059,264	-
9	Temporary Differences	-	(10,735,915)	-	10,735,915
10	State Only Differences	(72,946,156)	(43,678,275)	(47,059,264)	17,791,383
11	Subtotal	57,107,569	28,580,271	-	28,527,298
12	State Tax at Current Rate	5,705,046	2,855,169	-	2,849,877
13	Adjustments to State Tax	(2,038,259)	22,516	-	(2,060,775)
14	Adjustments for St. Tax Rate Changes	-	-	-	-
15	State Tax Accrual Total Lines 12+13+14	3,666,787	2,877,685	-	789,102
16	Federal Taxable Income Total Line 11 Minus Lines 10-12-13	126,386,938	69,380,861	47,059,264	9,946,813
17	Federal Tax at Current Rate	26,541,258	14,569,981	9,882,446	2,088,831
18	ITC Authorization	(299,568)	-	-	(299,568)
19	Adjustment for Fed. Tax Rate Changes	(2,577,509)	-	-	(2,577,509)
20	R & D Credits	-	-		-
21	IRS Audit Settlement				
22	Tax Rate Change on Extraord. Activity				
23	Other	(91,280)	(621,622)	-	530,342
24	Federal Tax Accrual Total Lines 17 through 23	23,572,901	13,948,359	9,882,446	(257,904)

411. PROVISION FOR DEFERRED INCOME TAXES, UTILITY OPERATING INCOME (Account 410.1)

This schedule shall include a breakdown of the various tax expenses that constitute the ending balance in Account No. 410.1-Provision for Deferred Income Taxes, Utility Operating Income. The information should also reflect related entries to Account No. 165-Prepayments; Account No. 190-Accumulated Deferred Income Taxes & Account No. 236-Accrued Taxes, Utility Operating Income.

Line No.	DEBITS Type of Tax (a)	Account 165 Prepayments (b)	Account 190 Accumulated Deferred Income Taxes (c)	Account 236 Accrued Taxes (d)	Account 410.1 Provision for Deferred Income Taxes (e)
1	Federal	-	(5,164,092)	(21,704,377)	21,938,700
2	State	-	(2,302,479)	(25,666,490)	28,231,770
3	Other	-	-	-	-
4					
5					
6					
7	Total	-	(7,466,571)	(47,370,867)	50,170,470

412. PROVISION FOR DEFERRED INCOME TAXES UTILITY OPR. INCOME, CREDIT (Account 411.1)

This schedule shall include a breakdown of the various tax expenses that constitute the ending balance in Account No. 411.1-Provision for Deferred Income Taxes-Credit. The information should also reflect related entries to Account No. 165-Prepayments; Account No. 190-Accumulated Deferred Income Taxes & Account No. 236-Accrued Taxes.

Line No.	DEBITS Type of Tax (a)	Account 165 Prepayments (b)	Account 190 Accumulated Deferred Income Taxes (c)	Account 236 Accrued Taxes (d)	Account 411.1 Provision for Deferred Income Taxes (e)
1	Federal	-	3,461,552	11,796,888	(11,956,608)
2	State	-	1,829,474	27,327,610	(27,412,019)
3	Other	-	-	-	-
4					
5					
6					
7	Total	-	5,291,026	39,124,498	(39,368,627)

500. GAS PURCHASED

1. Report below the information called for concerning gas purchased for resale during year.
2. Purchases from independent natural gas producers shall be grouped on one line and columns (a), (d), (g) and (h) only shall be reported with respect to such purchase.
3. The quantities reported should be those shown by the bills rendered by the vendor. Indicate MCF, CCF or Therms
4. Report separately non-interruptible and interruptible purchases from the same company. Designate purchases from affiliated interest by an asterisk following the name in column (d).

Line No.	Purchased From (a)	Point of Delivery (b)	B.T.U. Per Cu. Ft. (c)	MCF (d)	Commodity Charges (e)	Other Charges (f)	Total (g)	Cost Per Unit (h)
1	801. Natural Gas Field Line Purchases			112,239	305,732		305,732	2.72
2	803. Natural Gas Transmission Line Purchase			31,630,666	76,800,045	61,698,774	138,498,819	4.38
3	804. Natural Gas City Gate Purchases			4,869,948	13,235,438		13,235,438	2.72
4	805. Other Gas Purchases			-	-	5,363,002	5,363,002	
5								
6								
7								
8								
9								
10								
Totals			-	36,612,853	90,341,215	67,061,776	157,402,991	

501. SALES FOR RESALE

1. Report below the information called for concerning gas sold during year to other gas utilities or to public authorities for resale.
2. The quantities shown should be those shown by the bills rendered to he purchasers. Indicate MCF, CCF or Therms.
3. Report separately non-interruptible and interruptible sales to the same company. Designate sales to affiliated interest by an asterisk following the name in column (a)
4. Designate any sales which are other than firm sales.

Line No.	Sold To (a)	Point of Delivery (b)	BTU Per Cu. Ft. (c)	MCF (d)	Commodity Charges (e)	Other Charges (f)	Total (g)	Revenue Per Unit (h)
1	Not Applicable							
2								
3								
4								
5								
6								
7								
8								
9								
10								
Totals			-	-		-	-	

505. GAS ACCOUNT-NATURAL GAS

1 The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent adjusted for any differences in pressure bases used in measuring MCF of natural gas received and delivered.
2 If the respondent operates two or more systems which are not interconnected, separate schedules should be submitted. Insert pages should be used for this purpose.

No.	Item (a)	MCF as Reported (b)
1	**GAS RECEIVED**	
2	Natural Gas Produced	
3	L.P.G. Gas Produced and Mixed with Natural Gas	
4	Manufactured Gas Produced and Mixed with Natural Gas	
5	Purchased Gas	36,612,853
6	Gas of Others Received for Transportation	42,783,836
7	Receipts of Respondent's Gas Transported or Compressed by Others	
8	Exchange Gas Received	13,618,981
9	Gas Received from Underground Storage	23,653,539
10	Other Receipts (Gas Lost from Storage)	768
11		
12		
13		
14	**Total Receipts:**	116,669,977
15	**GAS DELIVERED**	
16	Natural Gas Sales:	
17	Local Distribution by Respondent	33,100,324
18	Main Line Industrial Sales	3,081,246
19	Sales for Resale	
20	Interdepartmental Sales	
21	Unbilled Sales	102,986
21		
22	**Total Sales**	36,284,556
23	Deliveries of Gas Transported or Compressed for Others	42,783,836
24	Deliveries of Respondent's Gas for Trans. Or Compressed by Others	
25	Exchange Gas Delivered	12,682,704
26	Natural Gas used by Respondent	94,057
27	Natural Gas Delivered to Storage	23,171,010
28	Natural Gas for Franchise Requirements	
29	Other Deliveries (Off System Sales)	1,538,332
30	**Total Deliveries**	116,554,495
31	**UNACCOUNTED FOR**	
32	Production System Losses	
33	Storage Losses	768
34	Transmission System Losses	4,324
35	Distribution System Losses	110,390
36	Other Losses	
37		
38	**Total Unaccounted For**	115,482
39	**Total Deliveries and Unaccounted For**	116,669,977

510. UNDERGROUND GAS STORAGE

1. Report particulars for each underground gas storage project.
2. Give par iculars of any gas stored for the benefit of another company under a gas exchange arrangement or on a basis of purchase and resale to another company. Designate if other company is an associated company.
3. Pressure base of gas volumes reported below.

Line No.	Month (a)	Total (b)	Project Location (c)	Project Location (d)	Project Location (e)
1	**Storage Operations**	MCF	MCF	MCF	MCF
2	**Gas Delivered to Storage**				
1	January	-	-		
2	February	-	-		
3	March	-	-		
4	April	-	-		
5	May	-	-		
6	June	-	-		
7	July	-	-		
8	August	-	-		
9	September	-	-		
10	October	1,867	1,867		
11	November	-	-		
12	December	-	-		
13	Totals	1,867	1,867		
14	**Gas Withdrawn From Storage**		-		
15	January	7,988	7,988		
16	February	1,254	1,254		
17	March	3,767	3,767		
18	April	6,611	6,611		
19	May	2,572	2,572		
20	June	64	64		
21	July	64	64		
22	August	64	64		
23	September	567	567		
24	October	6,557	6,557		
25	November	6,075	6,075		
26	December	2,199	2,199		
27	Totals	37,782	37,782		
28	Stored Gas End of Year-MCF	2,424,145			
29	Est. Native Gas in Storage Reservoir-MCF	-			
30	Total Gas in Reservoir-MCF (Lines 28 plus 29)	2,424,145			
31	Storage Capacity (Escl. Native Gas)-MCF	-			
32	Reservoir Pressure at which Storage Cap.-Computed	-			
33	Number of Storage Wells in Project	8			
34	Number of Acres of Storage Area	1,350			
35	Maximum Day's Withdrawal from Storage	1,000			
36	Date of Maximum Day's Withdrawal	November 5, 2019			
37	Year Storage Operations Commenced	June 4, 1970			

511. MANUFACTURED GAS PRODUCTION PLANT

1 Kind or Type of Plant_____ Location_____
2 Maximum Daily Capacity of Plant_____ MCF_____
3 Maximum Daily MCF of Gas Produced During Year_____ Date_____
4 Maximum Daily MCF of Gas Produced During Life of Plant_____ Date_____
5 Number of Days Plant was Commercially Operated During Year_____
6 Date Plant was last Commercially Operated_____
7 MCF of Gas Produced During the Year_____
8 Average BTU Content of Gas Produced_____
0

Not Applicable

512. LIQUEFIED PETROLEUM GAS OPERATIONS

1 Location of Plant_____
2 MCF of Gas Produced During Year_____
3 Gallons of L.P.G. Used During Year_____
4 Function of Plant_____
5 Storage Capacity for L.P.G. (Gallons)_____

Not Applicable

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515. GAS AND OIL WELLS

Line No.			
1	**GAS WELLS**	Not Applicable	
2	Productive Wells at Beginning of Year		
3	Productive Wells Drilled During the Year		
4	Oil Wells Restored to Productive Basis During Year		
5	Wells Purchased During the Year		
6	Wells Abandoned During the Year		
7	Wells Sold During the Year		
8			
9	**Productive Wells at End of Year**		
10	Number of Wells Drilled Deeper During the Year		
11	Dry Holes Drilled During the Year		
12			
13	**NATURAL GAS ACREAGE**	**Operative**	**Non Operative**
14	Number of Acres Owned at End of Year		
15	Number of Acres Leased at End of Year		
16			
17	**OIL WELLS**		
18	Productive Wells at Beginning of Year		
19	Productive Wells Drilled During the Year		
20	Wells Abandoned and Sold During the Year		
21			
22	**Productive Wells at End of Year**		

516. GAS LINES, METERS AND SERVICES

	Size of Pipe Inches	Field Lines M. Ft.	Prod. Ext. Lines M. Ft.	Storage Lines M. Ft.	Distr. Mains M. Ft.	Transmission M. Ft.
28	Under 2"	702				
29	2"	14,305				
30	3"	3,106				
31	4"	11,694				
32	5"	86				
33	6"	5,805				
34	7"	166				
35	8"	3,185				
36	9"	11				
37	10"	798				
38	12"	461				
39	14"	1				
40	16"	368				
41	20"	37				
42	24"	4			-	-

Meters in Service at End of Year	436,595	Services at End of Year, Company Owned	436,595
Meters in Stock or Shop at End of Year	3,108	Services at End of Year, Customer Owned	-

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517. CUSTOMER GAS METERS

Line No.	(a)	Size (b)	Number of Meters: First of Year (c)	Added During Year (d)	Removed Or Disconnected During Year (e)	End of Year (e)
1	**In residential use**					
2	Information not available by size		395,703	11,492	8,119	399,076
3						-
4						-
5						-
6						-
7						-
8						-
9						-
10	**Total in residential use**		395 703	11 492	8 119	399 076
11	**In commercial use**					-
12	Information not available by size		37,219	1,073	1,038	37,254
13						-
14						-
15						-
16						-
17						-
18						-
19						-
20	**Total in commercial use**		37,219	1,073	1,038	37,254
21	**In industrial use**					-
22	Information not available by size		265	8	8	265
23						-
24						-
25						-
26						-
27						-
28						-
29						-
30	**Total in industrial use**		265	8	8	265
31	**In public (municipal or government) use**					-
32						-
33						-
34						-
35						-
36						-
37						-
38						-
39						-
40	**Total in public (municipal or government) use**		-	-	-	-
41	**Total in use**		433,187	12,573	9,165	436,595
42	**In Stock**		3 159		51	3 108
43						-
44						-
45						-
46						-
47						-
48						-
49						-
50	**Total in stock**		3 159	-	51	3 108
51	**Total all meters**		436,346	12,573	9,216	439,703

METERS TESTED BY SIZES

	(a)	1/2 (a)	5/8 (b)	3/4 (c)	1 (d)	(e)	(f)	(g)	Total (h)
52	Number tested during the year								-

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600. CLASSIFICATION OF CUSTOMERS, UNITS SOLD AND OPERATING REVENUES BY TARIFF SCHEDULE

1. Report below the details called for concerning Customers, MCF, CCF or Therms (Indicate Unit Used) Sold, and Opr. Revenues by Tariff Schedule.
2. Customers should be reported on the basis of number of meters, plus number of unmetered accounts, except that where separate meter readings are added for billing purposes, one customer shall be counted for each group of meters so added.
3. Quantities of gas sold to flat-rate customers shown in column (e), should explain in a footnote the basis upon which quantities were determined.
4. Respondent should use additional sheets if necessary.

Line No.	Account (a)	Number of Customers: Beginning of Year (b)	Number of Customers: End of Year (c)	Number of Customers: Average During Year (d)	Sales During Year: Total MCF (e)	Sales During Year: Total Operating Revenue (f)	Sales During Year: MCF Per Customer (g)	Revenues: Per Customer (h)	Revenues: Per Unit (i)
2	**Metered Sales by Tariff Schedule**								
3	**Residential**								
4	Sales	331,837	337,268	334,553	27,336,647	386,219,405	81	1,145	14.13
5	Transportation	63,866	61,808	62,837	5,306,019	57,422,170	86	929	10.82
6									
7									
8									
9									
10									
11									
12				-					
13	**Total Residential Metered Sales**	395,703	399,076	397,390	32,642,666	443,641,575	82	1,112	13.59
14	**Commercial**								
15	Sales	26,078	24,782	25,430	8,638,551	82,598,806	349	3,333	9.56
16	Transportation	11,141	12,472	11,807	14,897,656	50,847,854	1,194	4,077	3.41
17									
18									
19									
20									
21									
22									
23				-					
24	**Total Commercial Metered Sales**	37,219	37,254	37,237	23,536,207	133,446,660	632	3,582	5.67
25	**Industrial**								
26	Sales	62	62	62	206,372	1,541,405	3,329	24,861	7.47
27	Transportation	203	203	203	22 580 161	22 602 543	111 232	111 343	1.00
28									
29									
30									
31				-					
32	**Total Industrial Metered Sales**	265	265	265	22,786,533	24,143,948	85,987	91,109	1.06
33	Public								
34	Interdepartmental								
35	Other								
36	**Total Metered Sales**	433 187	436 595	434 891	78 965 406	601 232 183	181	1 377	7.61
37	**Unmetered Sales-All Categories**								
38	Other								
39	**Total Unmetered Sales**	-	-	-	-	-			
40	**Total Sales of Gas**	433,187	436,595	434,891	78,965,406	601,232,183	181	1,377	7.61
41	Other Gas Revenues:				1,641,318	(150,990)			
42	Rent from Gas Property				-	1,103			
43	Interdepartmental Rents								
44	Operating Revenue Other Than Gas Sales								
45	Allowance to Customers								
46	Customers Forfeited Discounts & Penalties				-	1,075,649			
47	Miscellaneous Gas Revenues				-	239,469			
48	**Total Other Gas Revenues**	-	-	-	1,641,318	1,165,231			
49	**Total Gas Operating Revenues**	433,187	436,595	434,891	80,606,724	602,397,414			

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605. NUMBER OF EMPLOYEES

Report the requested information concerning the number of employees on respondent's payrolls at end of year.

Line No.	Classification According to Occupation (a)	Number at Year End (b)
1	Total Officials and Senior Manager Employees	92
2	Total Professional and Semiprofessional Employees	78
3	Total Business Office, Sales And Professional Employees	98
4	Total Clerical Employees	80
5	Total Operators	-
6	Total Construction, Installation and Maintenance Employees	418
7	Total Building, Supplies and Motor Vehicle Employees	-
8	All Other Employees Not Elsewhere Classified	1
9	Total All Employees	767

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610. Territory Served

Report below the number of customers at the end of the year in respondent's distribution system in which service is furnished setting forth by counties the number of customers and the average number of customers during the year. Respondent should place an X in the box in column (b) if that county is served and supply related customer information in columns (d) and (e).

County Code (a)	Serves County (b)	Name of Pennsylvania County (c)	Number Of Customers At End Of Year (d)	Average Number Of Customers During Year (e)
01	X	Adams	15,803	15,710
02	X	Allegheny	108 623	108 152
03	X	Armstrong	917	918
04	X	Beaver	38 507	38 292
05	X	Bedford	14	14
06		Berks		-
07		Blair		-
08		Bradford		-
09		Bucks		-
10	X	Butler	10,274	10,179
11		Cambria		-
12		Cameron		-
13		Carbon		-
14	X	Centre	14 972	14 698
15		Chester	1	1
16	X	Clarion	3 952	3 943
17	X	Clearfield	1	1
18		Clinton		-
19		Columbia		-
20		Crawford		-
21		Cumberland		-
22		Dauphin		-
23		Delaware		-
24	X	Elk	33	33
25		Erie		-
26	X	Fayette	24,687	24,630
27	X	Franklin	5 231	5 191
28	X	Fulton	6	6
29	X	Greene	3 016	3 012
30		Huntingdon		-
31	X	Indiana	626	622
32	X	Jefferson	383	384
33		Juniata		-
34		Lackawanna		-
35		Lancaster		-
36	X	Lawrence	19,939	19,881
37		Lebanon		-
38		Lehigh		-
39		Luzerne		-
40		Lycoming		-
41	X	McKean	3 622	3 620
42	X	Mercer	31	31
43		Mifflin		-
44		Monroe		-
45		Montgomery		-
46		Montour		-
47		Northampton		-
48		Northumberland		-
49		Perry		-
50		Philadelphia		-
51		Pike		-
52		Potter		-
53		Schuylkill		-
54		Snyder		-
55	X	Somerset	5,663	5,621
56		Sullivan		-
57		Susquehanna		-
58		Tioga		-
59		Union		-
60	X	Venango	767	763
61	X	Warren	2,610	2,602
62	X	Washington	46,637	46,381
63		Wayne		-
64	X	Westmoreland	22 818	22 743
65		Wyoming		-
66	X	York	107 462	107 470
Totals			436 595	434 892

VERIFICATION

The foregoing report must be verified by the oath of the officer having control of the accounting of the respondent. It shall be verified also by the oath of the president or other chief officer of the respondent. The oaths required may be taken before any person authorized to administer an oath by the laws of the State in which the same is taken.

OATH

(To be made by the officer having control of the accounting of the respondent)

State of Ohio
as
County of Franklin

Kevin Stanley (Name of affiant) makes oath and says that he/she is Controller (Official title of affiant)

of Columbia Gas of Pennsylvania, Inc. (Exact legal title or name of the respondent)

The signed offier has reviewed the report.

Based on the officer's knowledge, the report does not contain any unture statements of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading.

Based on such officer's knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the issuer as of, and for, the periods presented in the report.

He/she believes that all other statements contained in the said report are true, and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including January 1, 2019 to and including December 31, 2019

Kevin M Stanley
(Signature of affiant)

Subscribed and sworn to and before me, a Kevin Stanley in and for the State and County above-named, this 28 day of April 2020

My commission expires 10/27/2024 Mary E Traetow
(Signature of officer authorized to administer oaths)

NOTARIAL SEAL STATE OF OHIO

Mary E Traetow
Notary Public, State of Ohio
My Commission Expires 10-27-2024

SUPPLEMENTAL OATH

(By the president or other chief officer of the respondent)

State of Pennsylvania
as
County of Washington

Michael A Huwar (Name of affiant) makes oath and says that he/she is President & COO (Official title of affiant)

of Columbia Gas of Pennsylvania, Inc (Exact legal title or name of the respondent)

that he has carefully examined the foregoing report; that he believes that all statements of fact contained in the said report are true, and that the said report is a correct and complete statement of the business and affairs of the above named respondent during the period of time from and including _____ to and including _____

Michael A. Huwar
(Signature of affiant)

Subscribed and sworn to before me, a Notary Public in and for the State and County above-named, this 23rd day of April, 2020

Tracy L. Schrock
(Signature of officer authorized to administer oaths)

My commission expires 11/13/2021

Commonwealth of Pennsylvania - Notary Seal
Tracy L. Schrock, Notary Public
Washington County
My commission expires November 13, 2021
Commission number 1147123
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-024:

Please provide a description of each employee benefit program or plan.

Response:

The following Summary Plan Descriptions ("SPD") are provided as Attachments:

2019 Salaried Pension Plan AB II SPD – Attachment A

2019 CEG Pension Plan AB II SPD – Attachment B

2021 NiSource Health and Welfare Benefits SPD (v.4) for Non-Exempt, Non-Union, Part-Time Employees Hired Before January 1, 2013 [ABP 102] (eff. 1-1-2021) – Attachment C

2021 NiSource Health and Welfare Benefits SPD (v.2) for Non-Exempt, Non-Union, Full-Time Employees Hired Before January 1, 2013 [ABP 101] (eff. 1-1-2021) – Attachment D

2021 NiSource Health and Welfare Benefits SPD (v.3) for Non-Exempt, Non-Union, Part-Time Employees Hired on or After January 1, 2013 [ABP 109] (eff. 1-1-2021) – Attachment E

2021 NiSource Health and Welfare Benefits SPD (v.2) for Non-Exempt, Non-Union, Full-Time Employees Hired on or After January 1, 2013 [ABP 108] (eff. 1-1-21) – Attachment F

2021 NiSource Health and Welfare Benefits SPD (v.3) for Exempt Part-Time Employees Hired Before January 1, 2010 [ABP 105] (eff. 1-1-2021) – Attachment G

2021 NiSource Health and Welfare Benefits SPD (v.2) for Exempt Full-Time Employees Hired Before January 1, 2010 [ABP 104] (eff. 1-1-2021) – Attachment H

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

2021 NiSource Health and Welfare Benefits SPD (v.3) for Exempt Part-Time Employees Hired On or After January 1, 2010 [ABP 107] (eff. 1-1-2021) – Attachment I

2021 NiSource Health and Welfare Benefits SPD (v.2) for Exempt Full-Time Employees Hired On or After January 1, 2010 [ABP 106] (eff. 1-1-2021) – Attachment J

2021 SPD NiSource Health and Welfare Benefits Version ABP 621 – Attachment K

2021 SPD NiSource Health and Welfare Benefits Version ABP 623 – Attachment L

2021 NiSource Health and Welfare Benefits SPD for Retirees [RBP 104] [v.9] – Attachment M

2021 NiSource Health and Welfare Benefits SPD for Retirees [RBP 101] [v.28] – Attachment N

2021 NiSource Health and Welfare Benefits SPD for Retirees [RBP 101Y21] [v.7] – Attachment O

2021 NiSource Health and Welfare Benefits SPD for Retirees [RBP 621) [v.6] CEG Union Full-Time, hired before 1-1-2013 and retired after 1-1-2004 – Attachment P

2021 NiSource Health and Welfare Benefits SPD for Retirees [RBP 622) [v.2) CEG Union Part-Time, hired before 1-1-2013 and retired aft 2-1-2004 – Attachment Q

NiSource Retirement Savings Plan-2020 SPD – Attachment R

NiSource Holiday Policy – Attachment S

NiSource Vacation Policy – Attachment T

NiSource Tuition Reimbursement Plan – Attachment U

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

NiSource Inc. Adoption Assistance Plan – Attachment V
First Amendment to the NiSource Inc. Adoption Assistance Plan – Attachment W

NiSource Inc. and Northern Indiana
Public Service Company LLC

Summary Plan Description

for the

NiSource Salaried Pension Plan

A Description of Your Retirement Pension Benefits

For Employees in the
AB II Benefit
January 2019

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INTRODUCTION

Retirement can be the most exciting time of your life. Of course, you must work hard and save during your career to achieve the kind of financial security needed to enjoy those years to the fullest. Early on, you will need to ask yourself: "What sources of income will I have for my retirement?" You will likely be relying on (1) your pension benefit from the **NiSource Salaried Pension Plan** (previously known as the NiSource Inc. and Northern Indiana Public Service Company Pension Plan Provisions Pertaining to Salaried and Non-Exempt Employees, hereinafter referred to as the "**Plan**"), (2) a retirement benefit from Social Security, (3) your own personal savings, and (4) if applicable, savings under the NiSource Inc. Retirement Savings Plan or any other employer-sponsored retirement plan. Your employer, NiSource Inc.; Northern Indiana Public Service Company LLC (prior to January 1, 2018, Northern Indiana Public Service Company; hereinafter "NIPSCO"); or any affiliate adopting the Plan, offers the Plan for the benefit of employees and their beneficiaries in order to help provide for retirement.

Overview of the Plan

An innovative retirement plan that helps you prepare more effectively for your future, the Plan is a defined benefit pension plan funded entirely by contributions from NiSource Inc. or its affiliates. Its purpose is to provide you with retirement income that is in addition to any other retirement income you have or may be eligible to receive.

As an employee of NiSource Inc., NIPSCO or any affiliate that adopts the Plan for its employees (collectively, the "Company") satisfying the criteria described in the "Eligibility and Enrollment" section, you are eligible for the AB II Benefit of the Plan.

Introduction to the AB II Benefit

You are covered under the **AB II Benefit** of the Plan. The AB II Benefit (formerly the "Account Balance 2011 Option Benefit") is a "cash balance" option that makes it easy to understand your retirement benefit under the Plan. This option is unique because it offers you both a visible and a portable benefit.

Once you become a participant in the Plan, the Company sets up a bookkeeping account in your name. Each year, the Company adds *pay credits* equal to a percentage of your pay to your account. Your account also grows with interest in the form of annual *interest credits* throughout your career. The total of these pay credits and interest credits, plus, if applicable, any "opening balance" reflecting the benefit you earned prior to becoming an AB II Benefit participant make up your account balance. Periodically (in general, annually), you will receive personalized statements showing your current account balance. Because you will always see your account balance, you can easily monitor the growth of your retirement benefit – so your benefit is *visible*. When you retire, you can choose to receive your account balance in one of several payment methods (also explained in more detail later in this Summary). What's more, you are entitled to receive the "vested" portion of your account balance if you leave the Company prior to retirement, so your benefit is also *portable*.

Again, it costs you nothing to participate because the Company makes all contributions necessary to fund your AB II Benefit under the Plan on your behalf.

About this Plan Summary and Plan Administration

This handbook serves as a Summary Plan Description ("SPD" or "Summary") of the Plan, prepared in accordance with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official Plan document. The official Plan document is the governing document in the event that questions arise or if there is a conflict between the SPD and the official Plan document. Your rights and benefits under the Plan are determined by the actual provisions of the Plan. This SPD does not extend or change the Plan in any way.

The NiSource Benefits Committee (the "Committee") serves as business manager and administrator for the Plan (the "Plan Administrator"). The Plan Administrator utilizes the NiSource Human Resource Benefits Department and other specified individuals to carry out a number of administrative tasks for the Plan. See "Administrative Information" found later in this Summary. A trust fund has been established for the purpose of holding funds contributed to the Plan. The trust fund is administered by a trustee (the "Trustee") appointed by the Committee.

While the Committee intends to continue the Plan described in this handbook, the Committee reserves the right to change, modify, or discontinue the Plan and any of its terms at its discretion.

HIGHLIGHTS: AB II BENEFIT

ARE THERE EMPLOYEE CONTRIBUTIONS?	No, all contributions are made by the Company.
ARE THERE COMPANY CONTRIBUTIONS?	Yes; the Company makes contributions to fund your AB II Benefit, which is based on: • Your age; • Your years of service; • Your Eligible Pay, taking into consideration the Social Security Taxable Wage Base; and • The Plan's interest credit rate (currently the annual interest rate on 30-year Treasury Securities as published by the IRS for the month of September immediately preceding the first day of the Plan Year, but no less than 4%)
WHEN AM I VESTED IN MY BENEFIT?	You are fully vested after 3 years of service (if you terminated prior to January 1, 2008, you generally were vested after 5 years of service).
WHAT IS ELIGIBLE PAY FOR PURPOSES OF DETERMINING MY BENEFIT?	In order to calculate your pay credits under the Plan, Eligible Pay includes your base salary and commissions, plus your performance-based pay (such as bonuses or annual incentives) paid in or prior to the month of your termination of service, any salary reduction contributions made for a Company cafeteria or 401(k) plan, any "banked" vacation paid under the NiSource Vacation Policy, any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum merit pay), and, for certain participants on active duty in the uniformed services, differential wage payments. However, the Plan does <u>not</u> consider certain items to be Eligible Pay. These excluded items include, but are not limited to, overtime, shift differential pay, amounts deferred to a nonqualified plan, and other special forms of pay such as call-out, standby, upgrades, temporary reclassifications/promotions, relocation allowances, sign-on bonuses, retention premiums, payments for waiving certain benefits including health care and dental benefits (referred to as "flex credits"), attendance bonuses and awards, and imputed income. In addition, the Plan also excludes from Eligible Pay any unused and accrued vacation paid on or after your termination of service. Note again, Eligible Pay excludes any incentive-based pay (such as payments from the corporate annual incentive plan or any plan created in lieu of the corporate annual incentive plan, commissions, spot awards, discretionary awards, lump-sum merit pay, and performance-based pay) when paid in any month following your termination of service.
WHEN IS MY BENEFIT PAID?	Provided you are vested, you can be paid: • When you terminate employment; • When you retire; • When you reach age 70-1/2 and are a terminated employee (payments <u>must</u> begin at this time); or • In the event of your death
HOW CAN I RECEIVE MY BENEFIT?	You may elect to receive your benefit in the form of: • One of several Monthly Annuity Options • A Lump Sum

	• A Rollover

PARTICIPATING IN THE PLAN

Eligibility and Enrollment

You must be a "Pension Eligible Employee" of the Company to actively participate in the Plan. Generally, you are eligible to participate in the AB II Benefit of the Plan (*i.e.*, you are a "Pension Eligible Employee" who is an "AB II Participant") if you are a regular full-time or part-time non-union employee (as classified by the Company) and fall within one of the categories described in the box below. In addition, certain employees employed in the role of Damage Prevention Coordinators with job code NP3459 (or other job title/code that is applicable to this specific position) are eligible to participate in the AB II Benefit of the Plan through April 30, 2019. On and after May 1, 2019, no union employee in the position of Damage Prevention Coordinator will be eligible to participate in the Plan.

A Pension Eligible Employee is either (1) an "exempt employee" (as classified by the Company) whose most recent hire date is before January 1, 2010, or (2) a "non-exempt employee" (as classified by the Company) whose most recent hire date is before January 1, 2013.[1] In other words, if you are an exempt employee hired or rehired on or after January 1, 2010, or a non-exempt employee hired or rehired on or after January 1, 2013, you are not a Pension Eligible Employee and not eligible to participate in the Plan. In addition, you are not eligible to participate in the Plan if you are an intern, an independent contractor, or a leased employee of the Company, or if you are a union employee covered under the NIPSCO Union Pension Plan.

[1] Effective as of July 1, 2015, NiSource Inc. implemented the spin-off of its pipeline and transmission business, comprised of Columbia Pipeline Group, Inc. and its related entities (collectively, the "CPG Entities"), to become independent and unrelated to NiSource Inc. (the "Spin-off Transaction"). The former employees of the Company who transferred to the CPG Entities as a result of the Spin-off Transaction are no longer eligible to participate in the Plan.

More specifically, an AB II Participant is:

- All *exempt* employees (except exempt employees hired or rehired on or after January 1, 2010), including:
  - -- Any exempt employee newly hired or rehired on or after October 1, 2005 but before January 1, 2010;
  - -- Any exempt employee who elected to participate in the AB II Benefit effective January 1, 2006*;
  - -- Any exempt employee on long-term disability as of October 1, 2005 who returned to active employment and who elected to participate in the AB II Benefit or who automatically transitioned to the AB II Benefit effective upon return to employment; and
  - -- All other exempt employees who were participating in the Plan and transitioned to the AB II Benefit effective January 1, 2011 (January 1, 2012 for Disabled exempt employees).
- All *non-exempt* employees (except non-exempt employees hired or rehired on or after January 1, 2013), including:
  - -- Any *non*-exempt employee newly hired or rehired on or after January 1, 2008 but before January 1, 2013; and
  - -- All other *non-exempt* (active and Disabled) employees who were participating in the Plan and transitioned to the AB II Benefit effective January 1, 2013.
- Any employee employed in the position of Damage Prevention Coordinator (Job Code NP3459) from June 1, 2016 through April 30, 2019 who was previously eligible to accrue an AB II Benefit immediately under the Plan prior to employment in the Damage Prevention Coordinator position.
- Certain other persons who are allowed to elect to participate in the AB II Benefit pursuant to terms of the Plan.

***Note:** Each exempt employee who participated in the Final Average Pay Benefit ("FAP Benefit") or the AB I Benefit of the Plan had the opportunity to make an irrevocable Plan choice in December 2005 to stay in his or her current option or switch to the AB II Benefit ("Choice"). If no Choice was made, the employee remained in his or her option under the Plan. The 2005 Choice elections were made and documented in a manner specified by the Plan.

When Your Participation Begins

If you met the eligibility requirements, your participation started on your first day of work with the Company. Note that if you are a full-time employee hired prior to May 1, 2007, your participation in the Plan started upon the completion of your first 12-month period of employment (regardless of the number of hours worked during that period) or, if earlier, as of May 1, 2007.[2] Once you started to participate in the Plan, you continue to participate as long as you are a Pension Eligible Employee of the Company. Note again, that if you terminate employment and are rehired, you are not a Pension Eligible Employee and you are no longer eligible to earn additional benefits under the Plan (though you will continue to earn interest credits on your vested account).

[2] Note that if you were previously an employee of Northern Indiana Fuel and Light Company, Inc. or Kokomo Gas and Fuel Company, and were a participant in the NiSource Subsidiary Pension Plan at that plan's merger into the Plan effective December 31, 2012 (a "Former NIFL Participant" or a "Former Kokomo Participant"), if you are a full-time employee hired prior to May 1, 2007, your participation in the Subsidiary Pension Plan started on the January 1, or July 1 coincident with or next following the completion of your first 12-month period of employment (regardless of the number of hours worked during that period) or, if earlier, May 1, 2007.

When Your Participation Ends

Your participation in the Plan ends when:

- You are no longer a Pension Eligible Employee (*i.e.*, you terminate employment or your employment status changes to one that is not eligible to participate in the Plan);*
- Your employer terminates its participation in the Plan;
- The Plan ends; or
- You die.

* Note that once you are no longer a Pension Eligible Employee, you will remain an inactive Plan participant (continuing to earn interest credits on your vested account) until you take a full distribution of your vested benefit from the Plan.

Service

Your Service with the Company and its predecessors, and also any breaks in your Service, have an effect on your participation in and benefits under the Plan. As explained in the following paragraphs, your "Service" with the Company is used as a component to calculate your benefit under the Plan. Also, the Plan uses Service to determine when you are entitled to (or "vested" in) your benefit under the Plan. Note that if you terminate and return to work, you are no longer a Pension Eligible Employee and will no longer earn Point Service under the Plan upon your return to work. However, you will earn additional Vesting Service as described below.

Point Service

"Point Service" is the number of your years and partial years (*i.e.*, months) of Service as an employee of the Company (or any eligible affiliate of the Company) from the first day of the month in which your employment began through the last day of the year in which your termination of employment, for any reason, occurs. Notwithstanding the foregoing, if you were a FAP Benefit Participant who voluntarily elected to become an AB II Participant, your Point Service for the period prior to your conversion to the AB II Benefit is equal to the amount of credited service you earned prior to your conversion. Point Service is used to determine, in part, the amount of pay credits that are added to your Account. Please see the "How the Plan Works" section later in this Summary for a complete explanation of how your pay credits are calculated.

Vesting Service

"Vesting Service" is the number of your years of Service as an employee of the Company (or any affiliate) from your date of employment through the date of your termination of employment for any reason. To be "vested" means you have a non-forfeitable right to your Plan benefit. You are fully vested in your pension benefit after completing three years of Vesting Service with the Company and/or an affiliate. Note that if you terminated prior to January 1, 2008, you generally had to complete five years of Vesting Service before becoming fully vested in your benefit (unless you terminated at a time when an even higher vesting requirement applied, in which case the terms of the Plan in effect at your termination will control).

Special rules may apply if you experience a break in service, become Disabled (as defined in "If You Become Disabled" found later in this Summary) or if you were previously a leased employee of the Company or an affiliate.

Break in Service

A break in employment (called a "Break in Service") may affect how you are credited with Vesting Service under the Plan. With respect to Vesting Service, a Break in Service occurs if you terminate employment with the Company and are not employed for a period of 12 consecutive months. If you incur a Break in Service, the effect on your Vesting Service will depend on the following: (1) the length of your Break in Service and (2) whether you were vested in your pension benefit prior to the Break in Service.

Note again that if you terminate and return to work, you are no longer a Pension Eligible Employee and will no longer earn Point Service under the Plan upon your return to work. Accordingly, the following Break in Service provisions only apply for purposes of determining your Vesting Service. If you experience a transfer of employment within the Company or from/to an affiliate of the Company, see the section entitled "Changes in Employment Status" later in this Summary for an explanation of the impact on your benefit and Service crediting under the Plan.

Break in Service Less Than 1 Year

If you terminate employment and are reemployed by the Company within 12 consecutive months, you are not considered to have a Break in Service. In this case, your hours of Service earned prior to your termination of employment will be reinstated and the Plan will consider your period of absence as part of your Vesting Service under the Plan.

Break in Service of 1 to 5 Years

If you terminate employment and your Break in Service lasts more than 1 year but less than 5 years, the Vesting Service you earned before your termination will be added to the Vesting Service you earn after you return to work for vesting purposes under the Plan. If you are re-employed, the period of your absence will not count as part of your Vesting Service for any purpose.

Break in Service More Than 5 Years

If you are not vested in your pension benefit prior to your Break in Service, and your Break in Service lasts for 5 or more years, you will lose credit for all of your prior Vesting Service and will forfeit the unvested pension benefit accrued prior to your Break in Service.

If you are vested when you terminate employment and you are later re-employed after a Break in Service of 5 or more years, you will remain vested upon your return to work.

Effect of Leaves on Break in Service

If you are on an "Authorized Leave of Absence" as discussed below, the Break in Service rules do not apply to the extent you continue to earn Service during the authorized leave. If the authorized leave provisions don't apply and you are absent from work due to pregnancy, birth of a child, placement of an adopted child or caring for a child immediately after such birth or placement, then different rules apply when determining if a Break in Service has occurred. In general, if you are absent from work for one of the foregoing reasons beyond the first anniversary of the first date of your absence, you will not be considered to have a severance from Service until the second anniversary of the first date of your absence. In addition, you will not have a Break in Service if you are on an Authorized Leave of Absence pursuant to the Family and Medical Leave Act, or if you are absent from employment due to service in the "uniformed services" (as that term is defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA")) and if you return to work at the end of your Authorized Leave of Absence.

Other Circumstances Impacting Service

Authorized Leaves of Absence. If you are on a leave of absence that is approved by the Company in accordance with its procedures and the Plan (an "Authorized Leave of Absence"), you will continue to earn Vesting Service and Point Service while the authorized leave continues for a period of up to 12 months. Service crediting will cease as of the expiration of the 12 month period or, if earlier, the date the Authorized Leave of Absence ends (unless you return to work at that time).

Disability. Vesting Service and Point Service are also impacted if you become Disabled (as defined in the Plan). For information on how the Plan defines "Disability", and to learn how a Disability affects your benefit and the Service you earn under the Plan, see "If You Become Disabled" found later in this Summary.

HOW THE PLAN WORKS

As explained at the beginning of this Summary, the AB II Benefit of the Plan is a "cash balance" pension plan. A cash balance pension plan is just like other pension plans in that it can provide you with a guaranteed monthly pension benefit for life after you retire. A cash balance plan is different from other pension plans in how it defines what your benefit will be. "Traditional" pension plans use a formula, often based on your years of service and average pay leading up to retirement, to define how much your monthly pension will be. Under this kind of plan, it is hard to know the value of what you will ultimately receive when you retire until you near or reach retirement.

A cash balance plan is designed to help you better understand the value of your benefit. Instead of using a formula to define your monthly retirement pension, a cash balance plan provides an accounting of the value of your benefit (the value of your **AB II Benefit**, also known as your "**Account**"). Your benefit is based on the value of the Account kept for you. As you work, credits are made to your Account. When you retire, you will receive the value of your Account in one of the payment forms available under the Plan (these are explained in detail later in this Summary).

Also, while most traditional pension plans only let you receive your benefit as a monthly payment (*i.e.*, an annuity), the AB II Benefit gives you the option of receiving a single lump-sum cash payment. In addition, while many traditional defined benefit plans provide your benefit as a monthly annuity that ends at your death or your surviving spouse's death,[3] with the AB II Benefit you can name any beneficiary to receive your benefit in the event of your death, such as a child or unrelated beneficiary, provided the consent requirements explained later in this Summary are satisfied.

Your Account

The Company sets up an account in your name (your "Account") once you become a participant in the Plan. Your Account is a bookkeeping account maintained for plan administration to keep track of your pay credits and interest credits and any distributions made to you from the Plan. *The dollar amount in your Account generally tells you the current cash value of the benefits payable to you at your retirement (subject also to any Protected Benefit calculation described later in this Summary)*.

Opening Balance

Transition from the FAP Benefit to the AB II Benefit. If you participated in the FAP Benefit under the Plan before becoming an AB II Benefit participant, your accrued FAP Benefit was converted to a lump sum "Opening Balance" and credited to your Account as of the date you converted to the AB II Benefit (your "Conversion Date"). The Opening Balance is calculated by following these steps:

1. The value of your accrued FAP Benefit is determined as of your Conversion Date;

2. If your projected credited service to the first day of the month following the date you would attain age 60 (or actual credited service if over age 60) equals or exceeds 25 years, the Opening Balance reflects an unreduced benefit;

3. If your projected credited service to the first day of the month following the date you would attain age 60 (or actual credited service if over age 60) does not equal or exceed 25 years, the value of the accrued benefit is reduced by an early retirement reduction factor (0.5% per month) for each month between the first day of the month following the date you attain age 65 and the later of (a) the Conversion Date or (b) the first day of the month following the date on which you would attain age 60; and

[3] The term "spouse" shall mean any individual who is lawfully married to a Plan participant under any state law, including individuals married to participants of the same sex.

4. The present value of the lump sum benefit is calculated using standard mortality and interest rate assumptions as provided in the Plan.

Transition from the AB I Benefit to the AB II Benefit. If you participated in the AB I Benefit under the Plan before becoming an AB II Benefit participant, your Opening Balance simply equals the balance of your AB I Benefit account as of your Conversion Date, including any Pay Credits or Interest Credits (described below) earned up to that date.

Determining Your Eligible Pay

As described below, your Pay Credits are based upon your **Eligible Pay**, which refers to the compensation on which your Pay Credits are calculated. Your Eligible Pay generally equals:

- Your annual base pay received from the Company, including
- Salary reduction contributions made for you under a cafeteria plan or a 401(k) plan, plus
- Commissions, if you are compensated in whole or in part on a commission basis, plus
- Performance-based pay such as bonuses or annual incentive payments (provided such amounts are paid in or prior to the month of your termination of service), plus
- Any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum merit pay)[4], plus
- Any amounts attributable to "banked" vacation and paid to you under the NiSource Vacation Policy, plus
- For certain participants on leave as a result of active duty in the uniformed services, differential wage payments.

However, Eligible Pay does <u>not</u> include all types of compensation you might receive from the Company. Specifically, items <u>excluded</u> from Eligible Pay include, but are not limited to the following:

- Overtime pay,
- Shift differential pay,
- Amounts deferred to a nonqualified plan,
- Any unused and accrued vacation paid on or after termination of service,
- Any portion of performance-based pay (such as payments from the corporate annual incentive plan or any plan created in lieu of the corporate annual incentive plan, commissions, spot awards, discretionary awards, lump-sum merit pay, and performance-based pay) that is paid in any month following your termination of service, and
- Other special forms of compensation, such as call-out, standby, upgrades, temporary reclassifications/promotions, relocation allowances, sign-on bonuses, retention premiums, payments for waiving certain benefits including health care and dental benefits (referred to as "flex credits"), attendance bonuses and awards, and imputed income.

In general, Eligible Pay shall be determined on a monthly basis. If you are a full-time employee paid on a monthly, semi-monthly, biweekly, or weekly basis, your monthly Eligible Pay equals one-twelfth of your annual base rate of pay last in effect for the month, plus pay inclusions described above such as actual commissions paid in the month. If you are a part-time employee, your monthly Eligible Pay equals the sum of your actual Eligible Pay, plus pay inclusions described above (such as commissions) paid to you for each pay period during the month. For purposes of determining your Pay Credits (described below), Eligible Pay means the sum of the monthly Eligible Pay for each month during the Plan Year in which you are an AB II Participant, including actual bonuses received by the Employee while actively employed in the month.

The IRS imposes a limit on the amount of Eligible Pay that may be taken into account by the Plan. As a result, Eligible Pay above $275,000 for 2018 (as adjusted annually by the IRS for cost-of-living increases) does not count for purposes of determining Pay Credits under the Plan.

[4] Included effective September 1, 2009.

Impact of Disability Leave, an Authorized Leave of Absence, or Other Absence on Your Eligible Pay: If you are participating in the Plan, and you are on a leave due to Disability (as defined in the Plan and as further described in "If You Become Disabled" found later in this Summary) or on an Authorized Leave of Absence or other absence approved by the Company, you will be deemed to receive Eligible Pay for purposes of calculating your Plan benefit during your period of leave. However, similar to service crediting described earlier, if on an Authorized Leave of Absence or other approved (non-Disability) leave, you will only receive Eligible Pay crediting for up to 12 months. Your Eligible Pay for each month during the period of pay crediting for Disability, Authorized Leave of Absence, or other approved absence (as applicable) generally shall equal one-twelfth of your annual base rate of pay last in effect for the month in which the employment absence occurred. In addition, solely for the month in which the Disability, Authorized Leave of Absence, or other approved absence begins, your Eligible Pay will include any other items that are generally included in Eligible Pay that you receive in the month the absence begins (but such amounts will not otherwise affect the rate of Eligible Compensation crediting during the absence). For more specific information on how Eligible Pay is calculated during any of the above-described absences from employment, please contact the NiSource Human Resource Benefits Department.

Pay Credits

The Plan provides for two types of Pay Credits: Basic Pay Credits and Excess Pay Credits. You are eligible to receive Basic Pay Credits and, if applicable, Excess Pay Credits effective generally as of the date you become an AB II Participant and up until the time you terminate service or otherwise stop accruing a benefit under the AB II Benefit provisions of the Plan.

The Company allocates Basic Pay Credits to your Account as of December 31 of each year. These Basic Pay Credits are equal to a percentage of your annual Eligible Pay. The total age and years of Point Service you accumulate each year, as measured on December 31, determines the annual Basic Pay Credit percentage. If you leave the Company mid-year, you will receive prorated Basic Pay Credits through your termination date.

The Company also allocates Excess Pay Credits as of December 31 of each year to qualifying participants' Accounts. Excess Pay Credits are available if you earn more than one-half of the Social Security Wage Base for that year. If you qualify, the Excess Pay Credit is 1% of your Eligible Pay that exceeds one-half of the Social Security Wage Base.

The table below shows how Basic Pay Credits and Excess Pay Credits are calculated:

AB II Pay Credits			
If your age plus years of Point Service at the end of the year total…	Less than 50	50-69	70+
Your Basic Pay Credit for that year will be equal to this percentage of your Eligible Pay…	4 %	5 %	6 %
Your Excess Pay Credit will be equal to an additional percentage of your Eligible Pay over one-half of the Social Security Wage Base* in effect that year…	1 %		

*The Social Security Wage Base (SSWB) is the maximum amount of eligible pay on which you and the Company pay Social Security (or OASDI) taxes each year. For 2018, the SSWB is $128,400. Because you do not pay Social Security taxes on eligible pay in excess of the SSWB, you also do not earn Social Security benefits on eligible pay in excess of the SSWB. To help compensate affected employees, the AB II Benefit provides additional credit on pay over one-half the SSWB, which is $64,200 in 2018 ($128,400 divided by two).

Example

Assume that on December 31, 2018, a participant has attained age 40 years and 6 months, and has earned Point Service of 8 years and 10 months. Because the participant will have a total age plus Point Service of 49 years and 4 months, he or she will be eligible for a Basic Pay Credit of 4%. Let's assume the participant earns $40,000 for the year. The participant would receive a Basic Pay Credit to his Account of $1,600 for 2018 (4% of $40,000). The participant would not be eligible for the Excess Pay Credit because his Eligible Pay is not in excess of one-half of

the SSWB for the year. However, if the same participant's Eligible Pay were $65,000 for 2018, he would receive a Basic Pay Credit of $2,600 (4% of $65,000), plus an Excess Pay Credit of $8.00 (1% of $800, which is the excess of Eligible Pay over one-half of the SSWB).

Interest Credits

Interest is credited to your Account each Plan Year effective as of December 31 up until the time you commence retirement benefits. Interest Credits are based on the 30-year Treasury Securities Rate as published by the IRS for September of the preceding year (but not less than 4%) and are applied to your Account based on the value of your Account as of the last day of the prior Plan Year.

Your Account will continue to receive Interest Credits until you commence your retirement benefit payments under the Plan, regardless of whether you have stopped working for the Company as a Pension Eligible Employee. However, if you terminate employment with the Company before you are vested in your benefit, you will not receive Interest Credits after your termination. If you are subsequently reemployed, you will receive Interest Credits effective as of the date of your reemployment. In the year you begin receiving benefits, you will receive prorated Interest Credits for the portion of the year before the benefit starts. If you become a participant in the Plan mid-year, you will receive prorated Interest Credits from the date your participation began.

Example

Assume that on January 1, 2018, your Account is $50,000, and that the Interest Credit rate for the Plan Year is 4% (*i.e.*, the greater of the 30-year Treasury Securities rate as published by the IRS for September 2017 or 4%). On December 31, 2018, your Account would receive an Interest Credit of $2,000 (or $50,000 × 4%).

Summing it Up: How Your Account Grows

Altogether, taking into account the Pay Credit (both Basic and Excess) and Interest Credit components, your Account is thus the sum of:

- Y*our Opening Balance*, if any, under the Plan as of the beginning of the year; plus
- *Pay Credits* allocated to your Account as an annual percentage of eligible pay based on age plus Point Service as outlined in the table above; plus
- *Interest Credits* allocated to your Account based on the annual interest rate on 30-year Treasury Securities as published by the IRS for the September immediately preceding the first day of the Plan Year (but no less than 4%).

Example

With the addition of both Interest and Pay Credits each year, you can see your Account balance grow. Here is an example of how your Account can grow in one year, using the assumptions set forth below.

First, calculate the Basic and Excess Pay Credit:

If you are 49 years old, have eligible earnings of $65,000 and have completed 17 years of Point Service at the end of 2018, your 2018 Pay Credit would be calculated as follows:

Basic Pay Credit

Your 2018 Eligible Pay	$65,000
Your Basic Pay Credit % (49 + 17 = 66 points = 5%)	x 5%
Your Basic Pay Credit amount on December 31, 2018	***$3,250***

Excess Pay Credit

Your 2018 Eligible Pay over ½ SSWB ($65,000 – $64,200)	$800
Your Excess Pay Credit %	x 1%
Your Excess Pay Credit amount on December 31, 2018	***$8.00***

Your total Pay Credit on December 31, 2018 is the sum of $3,250 + $8.00 or a total of $3,258.00 for the year.

Second, add the Interest Credit:

If the interest rate is at 4% for the Plan Year, your Interest Credit would be 4% of your Account balance as of the beginning of the Plan Year. Assuming your Account balance as of January 1, 2018 was $50,000, then you received an Interest Credit effective as of December 31, 2018 equal to $2,000.

Finally, total the Pay Credits and Interest Credit, and add to the Account balance at the beginning of the year:

January 1 Account Balance (includes your "Opening Balance," if any)	$50,000
	+
December 31 Interest Credit (4%)	$2,000
	+
December 31 Basic Pay Credit (5%)	$3,250
	+
December 31 Excess Pay Credit (1%)	$8.00
December 31 Account Balance	***$55,258.00***

Remember, how your Account grows over time depends on the actual Eligible Pay you receive and the Interest Credits allocated to your Account. In other words, items impacting Eligible Pay, such as base pay increases and performance-based pay (*e.g.*, bonuses or annual incentive payments paid before employment termination) will impact how your Account will grow.

Monitoring the Growth of Your Account

To help you track the growth of your Account, you will receive personalized statements (generally on an annual basis) that will keep you up-to-date on your Account activity. These statements show your:

- Account;
- Pay Credits since the last statement;
- Any applicable Interest Credits since the last statement.

You can also obtain information on the value of your Account any time by contacting the Benefits Center at **1-888-640-3320** or by visiting the Web site **www.mysourceforhr.com**.

Benefits From Your Account

Although your Account is communicated to you as a lump-sum amount, when you leave the Company and commence benefits, as previously mentioned, your Account can provide a monthly annuity based on prevailing interest rates at the time you commence benefits. See the "Payment Options Under the Plan" section later in this Summary for details on how you may receive your benefit, and see the "Designation of Beneficiary" section for

details on how you may designate your spouse or another individual to receive your benefit in the event of your death.

For example, if your Account balance on the date you commence benefits is $200,000 and the annuity factor for your age (to convert your Account to an annual benefit) at that time is 14, you would receive either a lump sum of $200,000 (minus applicable withholding taxes) or a monthly benefit for life of approximately $1,190, as follows:

Calculating Annuity Example	
Account Balance:	$200,000
Annuity Factor:	÷ 14
Annual Benefit:	$ 14,285
	÷ 12
Monthly Benefit:	$ 1,190

Protected Benefit

In addition to your Account, the Plan may also consider a "Protected Benefit" in calculating your retirement benefit.

Former FAP Benefit Participants

If you previously participated in the FAP Benefit of the Plan, your Plan benefit under the AB II Benefit is guaranteed to be no less than the sum of (1) the lump-sum actuarial equivalent of your accrued benefit under the FAP Benefit (which does not include any supplemental benefit) using eligible pay and Service through your Conversion Date (your "**Protected Benefit**"), plus (2) your Pay Credits (and Interest Credits earned on those Pay Credits) under the AB II Benefit from your Conversion Date (*i.e.*, the date of conversion to your AB II Benefit) through your termination of employment.[5]

If you are eligible for this Protected Benefit, the Protected Benefit component of your benefit generally will be reduced if you elect to receive it prior to your "Normal Retirement Date" to reflect early commencement of payment. Because your Protected Benefit is derived from a traditional pension plan formula, you would generally not be able to receive your benefit until you retired. As noted earlier though, one benefit of the Plan's cash balance status is that you may receive your benefits anytime after your termination of employment. However, for purposes of valuing *only* the Protected Benefit portion of your Plan benefit, the Plan will consider whether you begin to receive benefits before your "Normal Retirement Date." The following subsections describe how the calculation of your Protected Benefit may be affected by when you choose to receive your benefit.

As a reminder, your AB II Benefit is calculated as described in the preceding portions of the "How the Plan Works" section. The following subsections apply *only* for any Protected Benefit portion of your Plan benefit and *do not* apply to the calculation of your AB II Benefit. For additional information regarding your FAP Benefit (if applicable), which is the basis of your Protected Benefit, please refer to the Summary Plan Description that you received for your FAP Benefit.

Normal Retirement

If you retire on or after your "Normal Retirement Date," your Protected Benefit will be not be impacted. Your "**Normal Retirement Date**" is the first day of the month following the later of (1) the date you reach age 65 (your

[5] Note that if you were (1) previously an employee of Northern Indiana Fuel and Light Company, Inc. or Kokomo Gas and Fuel Company, (2) employed by either of those entities on January 1, 1994, and (3) a participant in the NiSource Subsidiary Pension Plan at that plan's merger into the Plan effective December 31, 2012 (a "Former NIFL Participant" or a "Former Kokomo Participant"), your Protected Benefit may include a component from the prior plans of the respective prior entity. See the Plan Administrator for more information on such benefits and distributions options associated with such benefits.

"**Normal Retirement Age**"[6], as defined under the Plan); or (2) the fifth anniversary of the date you began participation in the Plan. If you retire on or after your Normal Retirement Date, the amount of your Protected Benefit will be based on the full amount of your Protected Benefit up to your Conversion Date (provided that your Protected Benefit will be no less than $350 per month if you terminated on or after June 1, 1990 or $250 per month if you terminated prior to June 1, 1990) Your benefit will not be reduced for early commencement of payment.

Note that if you were previously an employee of Northern Indiana Fuel and Light Company, Inc. or Kokomo Gas and Fuel Company and a participant in the NiSource Subsidiary Pension Plan at that plan's merger into the Plan effective December 31, 2012 (a "Former NIFL Participant" or a "Former Kokomo Participant"), the minimum monthly benefit of $350 or $250 described above in this subsection does not apply to you.

Early Retirement

If you retire on or after reaching your "Early Retirement Age" (*i.e.*, on your "Early Retirement Date") but before your Normal Retirement Date and elect to receive your Plan benefit, the Protected Benefit portion will be reduced to reflect the early commencement of your benefit. Your "**Early Retirement Date**" is the first day of the month following your employment termination on or after the date that you have both attained age 55 (or older) and completed at least 10 years of Service. If you reach your Early Retirement Date, you may elect to retire and receive your benefits immediately or defer the commencement of your benefits until you reach your Normal Retirement Date.

If you retire with less than 25 years of Service for benefit accrual purposes under the Plan and elect to receive benefits at or after your Early Retirement Date, the amount of your Protected Benefit would be reduced by 6% for each of the first 5 years that your benefit commencement precedes your Normal Retirement Date, and 4% for each of the next five years that your benefit commencement precedes your Normal Retirement Date (provided that your Protected Benefit will not be reduced below $350 per month if you have 20 or more years of Service for benefit accrual purposes or below $250 per month if you have less than 20 years).

If you retire with 25 or more years of Service for benefit accrual purposes and elect to receive your benefits at or after your Early Retirement Date, the amount of your Protected Benefit would be reduced as follows (provided that your Protected Benefit will not be reduced below $350 per month):

Age at Retirement	Percent of Reduction	Age at Retirement	Percent of Reduction
64 to 65	0	59 to 60	6
63 to 64	0	58 to 59	10
62 to 63	0	57 to 58	14
61 to 62	0	56 to 57	18
60 to 61	0	55 to 56	22

If you defer the receipt of your benefits until your Normal Retirement Date, the amount of your Protected Benefit will not be reduced.

Note that if you are a Former NIFL Participant or a Former Kokomo Participant, the Early Retirement reduction that would apply to your Protected Benefit if you have less than 25 years of Service would be the same as described above. However, if you have 25 or more years of Service, the reductions in the chart above do not apply. Instead, your Protected Benefit would be reduced by 0.5% for each month or partial month that you commence benefits prior to age 60. In addition, also note that the $350 or $250 minimum monthly benefit amounts described above in this subsection do not apply to you.

Distribution Prior to Early Retirement

If you terminate prior to your Early Retirement Date and elect to receive your Plan benefit, the Protected Benefit portion will be reduced actuarially to reflect the early commencement of your benefit (provided that your Protected

[6] Note that reaching your "Normal Retirement Age" as defined under the Plan does not necessarily mean you are entitled to a retirement benefit from Social Security. For more information on when you may be eligible to receive benefits from Social Security, see "A Note on Social Security Benefits" later in this Summary.

Benefit will not be less than $25 times your years of Service up to 10 years). This actuarial reduction will be calculated using the interest rate and mortality factors specified in the Plan.

Note that if you are a Former NIFL Participant or a Former Kokomo Participant, the minimum benefit of $25 multiplied by years of Service up to 10 years does not apply to you.

Former AB I Benefit Participants

As indicated earlier under the "Your Account" portion of this Summary, if you previously participated in the AB I Benefit under the Plan, your Plan benefit under the AB II Benefit will be no less than the sum of (1) the balance of your AB I Benefit account as of your Conversion Date, plus (2) your Pay Credits (and Interest Credits earned on those Pay Credits) under the AB II Benefit from your Conversion Date. If you participated in the FAP Benefit prior to transitioning to the AB I Benefit, then your Plan benefit under the AB II Benefit shall also be no less than your FAP Benefit when it was converted to the AB I Benefit.

Calculating Your Benefit

The calculation of your benefit under the Plan depends on how and when you wish to receive your benefit. Of course, if you terminate employment and elect to begin receiving your Plan benefit right away, your Account will have a smaller balance than if you had worked longer or waited to receive your benefits until a later date. Remember, you stop accruing Pay Credits when you terminate employment, and you no longer earn Interest Credits once you begin receiving your benefit. In addition, if you begin payment of your benefits prior to your Normal Retirement Age, your Protected Benefit (if applicable) would be reduced as explained above.

Your total benefit under the Plan is your Accrued Benefit. Your "**Accrued Benefit**" is the value of your benefit under the Plan as of any date before you reach your Normal Retirement Date. Your Accrued Benefit is generally the current value of your entire Account. However, if you have a Protected Benefit as described above, your Accrued Benefit is generally equal to the greater of:

1. Your entire Account (reflecting all Pay Credits, Interest Credits and any Opening Balance); **or**
2. Your benefit you earned under the FAP Benefit as of your Conversion Date (*i.e.*, your Protected Benefit, which does not include any supplemental benefit), PLUS the portion of your AB II Benefit Account reflecting Pay Credits and Interest Credits earned from conversion to the AB II Benefit until termination of service (with Interest Credits continuing until commencement of benefits). In other words, the calculation under this subparagraph 2 considers your Protected Benefit plus your Account but without consideration of any Opening Balance (or interest thereon) (*i.e.*, under this calculation, your prior FAP Benefit is considered as your Protected Benefit rather than as your Opening Balance).

If you are interested in finding out your benefit under the Plan, you may have your benefit calculated by calling the Benefits Center at 1-888-640-3320 or visiting the Web site **www.mysourceforhr.com**.

Funding: Who Pays For Your Benefit

The Plan is funded with contributions made by the Company. On an annual basis, the Plan Administrator actuarially determines the amount that the Company must contribute in order to fund the pension benefits for you and your fellow co-workers that participate in the Plan.

Vesting: When Do You Own Your Benefit

As discussed earlier in this Summary, to be vested means you have a permanent right to your Plan benefit and are entitled to receive that benefit whenever you stop working for the Company. You become fully vested in your Plan benefit once you have completed 3 years of Vesting Service (5 years of Vesting Service for employees terminating

prior to January 1, 2008) (see "Service" section described earlier in this Summary). There is no partial vesting in your Plan benefit. You are not vested until you reach 3 years of Vesting Service, and you become fully vested once you reach 3 years of Vesting Service (5 years for employees terminating prior to January 1, 2008).

Thus, for example, if you terminate employment with only 2 years of Vesting Service, then you will receive no benefit under the Plan. That is, you are not vested in your benefit because you have less than 3 years of Vesting Service. If you terminate employment with 3 or more years of Vesting Service, you are fully vested in your benefit.

RECEIVING YOUR BENEFIT

When Is Your Benefit Paid?

Provided you are vested in your benefit as described above, you (or your beneficiary) may receive or begin to receive your benefit under the Plan as soon as possible following: (1) your termination of service with the Company or an affiliate; or (2) your death (see "Death Benefits" found later in this Summary).

If you are vested in your benefit and terminate employment with the Company, you may receive your benefit at any time after your termination.

If the present value of your Account is $1,000 or less at the time of termination of employment, you will automatically be paid a single lump sum cash distribution as soon as practicable after your termination. If the present value of your Account is more than $1,000, once you have terminated employment, you may elect to begin receiving your Plan benefit or you may defer receipt of your benefit until a later time, such as the date you would have reached Early Retirement or Normal Retirement. By law, you must begin to receive payment of your Plan benefit by April 1 of the calendar year following the later of either (1) the year you turn age 70½, or (2) the year in which you retire.

The amount you would be eligible to receive would be the amount of your Account (subject also to any Protected Benefit provisions). Remember, if you leave the Company before you are vested in your benefit, you are not entitled to a benefit under the Plan.

How Is Your Account Paid?

Regardless of *when* you receive your benefits, generally you will need to elect the *form* of your benefit. You can elect to receive your Plan benefit in an immediate single lump-sum payment or in an annuity form. Once you terminate employment, you can request a distribution of your benefit at any time in any of the forms available under the Plan (described below).

A Note on "Actuarially Equivalent" Benefits

The various benefit form options are considered to be *"actuarially equivalent"* meaning that, statistically, they should produce the same total benefit amount even though they provide very different monthly benefit payments or the benefit may be paid in a lump sum. To calculate actuarial equivalence, the Plan uses specified interest rate and mortality factors or other stated factors as set forth in the Plan. For instance, to calculate the lump-sum present value for your Protected Benefit (if applicable), the Plan uses as its interest rate the rate for 30-year Treasury Securities as published by the IRS for September of the prior year (or a minimum interest rate prescribed by the IRS if it produces a larger benefit).

Note that to receive the current year's interest rate for certain calculations, such as calculating the Protected Benefit, the last day worked must be November 30 (*i.e.*, a December 1 benefits commencement date). A December 1 benefits commencement date requires a retirement date of December 1 and filing proper paperwork (described below) with the Benefits Center at 1-888-640-3320 or by visiting the Web site at www.mysourceforhr.com on or before November 30 requesting commencement of pension distribution.

Applying for Benefits

If you are retiring, you must call the Benefits Center at **1-888-640-3320** or visit the Web site **www.mysourceforhr.com** to request a pension benefit commencement kit. If you contact by phone, please ask to speak with a Retirement Specialist.

You should request the kit 30 to 90 days before you want your pension benefit to begin. In the kit, you will find further information regarding your pension benefit and payment options. In addition, all the appropriate forms are

included along with instructions on what you need to do to commence your pension benefit. You may change your payment option at any time before your first payment is processed. However, once your payments begin, you may not change the form of payment you have elected. Generally, all forms must be returned by the 10th of the month preceding the date your benefits are calculated to commence (your "**Benefit Commencement Date**"). The actual payment(s) will be made as soon as practicable following your Benefit Commencement Date.

If you leave the Company before retirement age and have a vested benefit, a notice will automatically be sent to you as soon as administratively practicable after your termination. The notice will provide information regarding your pension benefit and the payment options available to you.

Payment Options Under the Plan

When you retire or leave the Company, you may elect to receive your vested benefit under the Plan in any of the payment forms outlined below. As previously stated, various benefit forms are "actuarially equivalent."

Automatic Form of Payment

If you do not make a payment election, your benefit will be paid in the form of a "Single Life Annuity" if you are not married, or as a "50% Pop-Up Annuity" if you are married. If you are married, you may elect a different form of payment, but you must generally obtain your spouse's notarized written consent.

Lump-Sum Payment

You may receive your Account balance in a single lump-sum payment. If you select this distribution option, no further benefits would be payable from the Plan. If you are married at the time you want your pension benefit to be paid, your spouse must provide notarized written consent to the lump-sum form of payment, unless the benefit is $1,000 or less. Again, if your vested Plan benefit is $1,000 or less, the Plan automatically pays this amount as a lump-sum distribution (*i.e.*, annuity payments are not available).

Rollovers – If you receive your Account balance under the Plan in the form of a single lump sum, you may elect to roll over all or a portion of the distribution into an individual retirement account annuity ("IRA") or to another eligible retirement plan that accepts rollovers. If your benefit is $1,000 or less when you leave the Company, and you do not affirmatively elect to roll it over, then the Plan automatically pays this single lump-sum amount directly to you.

Annuity Payment Forms

If the value of your Account is over $1,000, you may choose to receive a monthly benefit for your lifetime (also called an annuity) from the Plan. If you elect this option, the value of your Account is converted to an annuity. To determine your monthly benefit, your Account balance is divided by an actuarial factor based on your age when benefits start. In calculating your benefit amount, the Plan considers the type of annuity you elect and, if applicable, your beneficiary's age. The following annuity options are available to you:

- **Single Life Annuity**—As stated above, if you are single, the single life annuity option is the automatic form of payment. This means that, unless you elect to receive your benefit in a different form of payment, you will receive it as a single life annuity. With a single life annuity, you receive monthly payments for your lifetime. When you die, payments end. If you are married, you may not elect this form of payment without your spouse's notarized written consent.

- **50% Pop-Up Annuity**—As stated above, if you are married, the 50% Pop-Up Annuity (with no reduction for the value of the pop-up feature), with your spouse as the contingent annuitant, is the automatic form of payment under the Plan. This means that you will receive your benefit in this form of payment unless you elect a different form.

  If you are married, you may choose the 50% Pop-Up Annuity distribution option, naming a beneficiary other than your spouse (and with a reduction for the value of the pop-up feature), provided your spouse consents to the alternate beneficiary. Your spouse's written consent must be notarized.

If you are single, you may choose the 50% Pop-Up Annuity distribution option (also reduced for the value of the pop-up feature) naming a beneficiary of your choice.

Under the 50% Pop-Up Annuity distribution option, you receive reduced benefits monthly for your lifetime. If you die before your beneficiary, he or she receives monthly payments equal to 50% of your benefit for his or her lifetime.

If your beneficiary dies within 60 months after your Benefit Commencement Date and before you die, your monthly payment is increased to the amount you would have received under the single life annuity option. In that case, all benefits would stop at your death.

If your beneficiary dies more than 60 months after your Benefit Commencement Date and before you die, your monthly payment will remain the same as when your beneficiary was living and all payments will stop at your death.

- **33-1/3% Annuity**—Under this option, you receive reduced benefits monthly for your lifetime. After your death, if your beneficiary lives longer than you do, he or she receives monthly payments equal to 33-1/3% of your benefit for his or her lifetime. If you are married, you may not elect this form of payment without your spouse's notarized written consent.

- **66-2/3% Annuity**—Under this option, you receive reduced benefits monthly for your lifetime. After your death, if your beneficiary lives longer than you do, he or she receives monthly payments equal to 66-2/3% of your benefit for his or her lifetime. If you are married, you may not name a non-spouse beneficiary to receive this form of payment without your spouse's notarized written consent.

- **75% Annuity**—Under this option, you receive reduced benefits monthly for your lifetime. After your death, if your beneficiary lives longer than you do, he or she receives monthly payments equal to 75% of your benefits for his or her lifetime. If you are married, you may not name a non-spouse beneficiary to receive this form of payment without your spouse's notarized written consent.

- **100% Annuity**—Under this option, you receive reduced benefits monthly for your lifetime. After your death, if your beneficiary lives longer than you do, he or she receives monthly payments equal to the benefit you were receiving for his or her lifetime. If you are married, you may not name a non-spouse beneficiary to receive this form of payment without your spouse's notarized written consent.

- **Five or Ten Year Certain and Life Annuity Option—**Under this option, you will receive a benefit for the rest of your life. However, your payments are guaranteed for a minimum of either five or ten years (whichever you select). If you die within five (or ten) years after you retire, your beneficiary will receive the same benefit you were receiving for the balance of the five (or ten) year period. If you select this option, the benefit paid to you during your life will be reduced to provide the five (or ten) year guaranteed benefit. If you are married, you may not elect this form of payment without your spouse's notarized written consent.

Payments under any of these options will be based on your Account (as well as any Protected Benefit, if applicable). Subject to the spousal consent requirements noted above, you may choose any form of distribution as well as choose any beneficiary as your joint annuitant. If you die before an elected form of distribution begins, your (or your beneficiary's) benefit will be determined as provided in the "Death Benefits" section of this Summary.

A Comparison of Payment Options

If you choose to receive your benefit as a lump sum, you will receive the total vested value of your Account (or, if greater, the benefit calculated under the Protected Benefit provisions described previously). If you choose to receive your benefit as an annuity, the total vested value of your benefit will be converted into an annuity form of payment. To determine how much any annuity option would pay, your benefit is first defined as a single life annuity. If you choose a different annuity payment option providing benefits for a beneficiary after your death, your actual payment will be reduced to reflect the cost or value of guaranteeing payments over the lives of two people. For example,

assume you are married and retiring when both you and your spouse are age 55. Assume also that your Account is valued at $200,000 and the applicable interest rate is 2.78% at the time you retire (note that the applicable interest rate fluctuates from year to year). See below for examples of estimated monthly amounts under some of the payment options that you could choose, and the amounts your surviving spouse could receive if you die after payments begin. Note that these examples do not incorporate any Protected Benefit you may have.

Payment Options	Your Monthly Benefit for Life	Your Spouse's Monthly Benefit for Life After Your Death
Lump Sum Payment *($200,000)*	None	None
Single Life Annuity	$882.88	$0.00
50% Pop-Up Annuity (unreduced for pop-up feature with spouse as beneficiary)	$844.03	$422.02
33-1/3 % Annuity	$857.28	$285.76
66-2/3% Annuity	$832.56	$555.04
75% Annuity	$826.38	$619.79
100% Annuity	$808.72	$808.72
5 Year Certain and Life Annuity	$879.35	$879.35 (paid until the end of 5-year period if participant dies before such date)
10 Year Certain and Life Annuity	$869.64	$869.64 (paid until the end of 10-year period if participant dies before such date)

Situations Affecting Your Plan Benefit

The Plan is designed to provide you with income during your retirement years, but some situations could affect Plan benefits.

Several situations are summarized here:

- Subject to the rules described in the "Break in Service" section found earlier in this Summary, if your employment terminates before you have completed three years of vesting service (five years of vesting service if you terminated prior to January 1, 2008) you will not be entitled to a pension benefit and your pension benefit is forfeited.
- If you do not make the proper application for benefits, do not provide necessary information, or do not provide your current address, your pension benefits could be delayed.
- If you die before your pension benefits begin and are unmarried, your pension benefit is payable to your beneficiary, estate, or trust. See "Death Benefits" below.

- If required by a qualified domestic relations order, all or a portion of your pension benefit may be assigned to someone other than you or your designated beneficiary to meet payments for child support, alimony, or marital property rights. See "In the Event of Divorce or Dissolution" below.
- If there is a mistake or misstatement about eligibility, participation, or service, or if the amount of payment made to you or your beneficiary is incorrect, the Plan Administrator has the authority to correct the situation. This may be done by withholding, accelerating or adjusting payments as necessary to ensure the proper payment from the Plan is made. In addition, in the event that an overpayment is made from the Plan and no additional payments are due to be paid, the Plan Administrator has the authority to seek reimbursement of such overpaid amounts from the Participant, Beneficiary, or other individual entitled to payment under the Plan (plus interest calculated in accordance with IRS guidance).
- If you are a highly paid employee, the law limits the annual benefit from the retirement and tax-deferred investment plans that can be distributed to you. The amount of annual compensation, which may be considered in determining pension benefits from the Plan, is also limited by law. You will be notified if this affects you.

A Note on Social Security Benefits

In addition to your benefits from the Plan, you can receive benefits from Social Security. Currently, if you were born before 1938, your full Social Security retirement benefits are payable at age 65. If you were born after 1937, your full Social Security benefits will be payable between ages 65 and 67, depending on your year of birth. You may elect to receive Social Security benefits as early as age 62, but the monthly amount will be reduced because you will be expected to receive it over a longer period of time.

Social Security benefits are not paid automatically; you must apply. You can apply for Social Security benefits no earlier than four months before the date you want your benefits to start and there are three ways to apply: (1) online at www.ssa.gov/planners/retire/applying8.html, (2) by phone by calling 1-800-772-1213, or (3) in person at your local Social Security office (visit https://secure.ssa.gov/ICON/main.jsp to locate your nearest Social Security office).

DEATH BENEFITS

Death After Pension Payments Begin

If you die after you have begun receiving your pension benefit, additional payments to a named beneficiary will depend on the form of benefit payment you selected (see "Payment Options Under the Plan" above).

Death Before Pension Payments Begin

If you die before you begin receiving your pension benefit and you were vested under the Plan at the time of your death (see "Vesting: When Do You Own Your Benefit" above), the Plan will provide pre-retirement death benefits to your spouse or other beneficiary.

The death benefit payable will equal the full value of your vested Account. If you were married on the date of your death, your surviving spouse will be entitled to a Pre-retirement Survivor Annuity equal to the value of your vested Account (or if greater, equal to the survivor annuity portion of a joint and 50% survivor annuity calculated as if you terminated employment on the date of your death and considering any Protected Benefit calculation). Generally, a "**Pre-retirement Survivor Annuity**" provides your surviving spouse with a single life annuity benefit for his or her remaining lifetime. If you do not wish for your surviving spouse to receive a Pre-retirement Survivor Annuity in the event of your death, or if you wish to name a beneficiary other than your surviving spouse to receive benefits at your death, you may, with your spouse's written consent, waive the Pre-retirement Survivor Annuity and/or elect another beneficiary.

Even if you do not elect a different form of payment, your surviving spouse may elect to receive the death benefit as follows:

- Single Life Annuity. A monthly benefit payable for the life of your spouse, commencing as of the first day of the month following your death. Alternatively, your spouse can elect to delay beginning payment of this annuity up to the date you would have attained age 65, but no later.
- Single Lump Sum. Payment in the form of a single lump sum payable as soon as practicable after your death.

If your beneficiary is someone other than your spouse, your Account will be paid out as a lump sum. Note that if the present value of the death benefit payable to your spouse or other beneficiary is $5,000 or less, the Trustee will automatically distribute your death benefit to your surviving spouse or other beneficiary in a single lump sum payment.

Death Benefit Rollovers

Your beneficiary (whether spouse or non-spouse) may elect to rollover a lump sum death benefit to an individual retirement account/annuity (IRA) or, for a spouse beneficiary, to some other qualifying retirement plan. Note that non-spouse beneficiaries must request that the Plan make a "direct rollover" to the applicable IRA (*i.e.*, the Plan pays the lump sum death benefit directly to the IRA). A non-spouse beneficiary may not receive a distribution and then try to deposit it into an IRA as a rollover. For further information, see "Rollovers" below.

Designation of Beneficiary

In anticipation of receiving your AB II Benefit, if you have not already done so, you will need to name a beneficiary of your AB II Benefit. On your beneficiary designation form, you indicate the person(s) who will receive the remaining payments of your Plan benefit, if any, in the event of your death. You may change your beneficiary at any time prior to commencing benefit payment(s) by completing and returning a new form. Contact the Benefits Center at **1-888-640-3320** or visit the Web site at **www.mysourceforhr.com** to change your beneficiary.

If you are married: By law, you must name your spouse as your beneficiary. If you wish to designate someone other than your spouse, your spouse must consent to your election in writing. The consent must be witnessed by a Notary Public and returned to the Benefits Center.

If you are single: You may name anyone as your beneficiary.

Some points on naming a beneficiary:

- If you marry, **your spouse automatically becomes your beneficiary** regardless of your previous designation, unless your new spouse consents in writing to another designation. You should notify the Benefits Center at 1-888-640-3320 of any changes in your marital status. See "In the Event of Divorce or Dissolution" (the following section) for an explanation of how a divorce may affect your beneficiary designation under the Plan.
- If you designate more than one beneficiary, payment of your Plan benefit will be divided evenly among your beneficiaries unless you designate otherwise.

Failure of Beneficiary Designation

If you do not designate a beneficiary, or if your beneficiary designation is for any reason illegal or ineffective, or if none of the beneficiaries that you have designated survives you, your Plan benefit will be paid in the following order of priority:

- your surviving spouse;
- your descendants, per stirpes; or
- to the legal representative of your estate.

Duty to Report Participant's Death

If you die while receiving pension payments, the Plan Administrator must be notified of your death so that appropriate action may be taken concerning your benefits (*e.g.,* beginning payments to a designated beneficiary; stopping payments; etc.). It is illegal for any person or entity to continue to receive after your death benefit payments that are supposed to be made only for the duration of your life. Accordingly, please advise those persons who may ultimately represent your estate, or who may be in a position to receive your benefit payments, of this legal duty to contact the Benefits Center at 1-888-640-3320 upon your death.

IN THE EVENT OF DIVORCE OR DISSOLUTION

If you are married and you go through a divorce or dissolution, such proceedings may affect your Plan benefit or your beneficiary designation under the Plan, as explained below. You must inform the Plan Administrator if you are divorced by contacting the Benefits Center at **1-888-640-3320.**

Beneficiary Designations After Divorce/Dissolution

If you are married and your marriage terminates by reason of divorce, dissolution or other similar operation of domestic relations law, any beneficiary designation you have previously made will remain unchanged. Note that while some state laws may invalidate a spousal beneficiary designation upon divorce, that is not the case under the Plan. Upon divorce, if you had named your former spouse as your beneficiary under the Plan, your beneficiary designation will not change unless you make a new beneficiary designation that revokes your prior beneficiary designation, or you remarry.

If you subsequently re-marry a different spouse, your previous beneficiary designation is *automatically* revoked and your new spouse becomes your beneficiary, unless a valid "qualified domestic relations order" provides otherwise. As explained below, a qualified domestic relations order may limit your ability to name another beneficiary in the event of a divorce or dissolution.

Qualified Domestic Relations Order (QDRO)

If you become divorced or legally separated, a specific type of court order could require that part of your benefit be paid to someone else – your former spouse, for example. This is known as a "qualified domestic relations order" ("QDRO"). By federal law, the Plan must comply with a QDRO. A QDRO is a legal judgment or decree that recognizes the rights of or support obligation toward a spouse, former spouse, child or other dependent. A domestic relations order must satisfy specific requirements to be "qualified," and it must be recognized by the Plan Administrator.

If required by a QDRO, all or a portion of your benefit may be assigned to your former spouse or a dependent rather than you or your designated beneficiary to meet payments for child support, alimony or marital property rights. A QDRO may require that your former spouse be treated as your surviving spouse for all or any part of the survivor benefits payable after your death. This means that if you re-marry, your subsequent spouse may not be treated as your surviving spouse for the portion of your benefit assigned to your former spouse if a valid QDRO so provides.

You and your beneficiaries may obtain, free of charge, a copy of the procedures used to determine the "qualified" status of a domestic relations order from the Benefits Center at **1-888-640-3320** or visit the Web site at **www.mysourceforhr.com**. You or your spouse should submit a draft version of a domestic relations order to the Benefits Center for review and approval before such order is finalized under domestic relations law.

As soon as you are aware of any court proceedings that may affect your Account, contact the Benefits Center at **1-888-640-3320**. When the Benefits Center receives notice of a pending QDRO, a hold will be placed on your Account that will prevent you from making any withdrawals until the QDRO is processed.

CHANGES IN EMPLOYMENT STATUS[7]

Rehired Employees

If You Are Rehired in the Future

If you terminate employment after becoming a Plan participant and later return to employment, you are no longer considered a Pension Eligible Employee (see the "Eligibility and Enrollment" section of this Summary). Accordingly, upon your reemployment, you will not accrue any additional benefit under the Plan. You will remain an inactive Plan participant as long as you maintain a benefit under the Plan, but you will no longer receive any additional Pay Credits to your Account. You will, however, continue to earn Interest Credits on your Account until you take a full distribution of your vested benefit from the Plan

If You Previously Were Rehired

If you previously terminated employment after becoming a Plan participant and previously returned to employment as a Pension Eligible Employee, you generally participated in the Plan immediately upon your rehire. If your benefit was not already determined under the AB II Benefit, and you returned to employment as a Pension Eligible Employee between January 1, 2008 and December 31, 2012, you were covered under the AB II Benefit at your reemployment. The Plan created an Opening Balance for you as described earlier in this Summary if you had not received a distribution of your benefit. If you had received a lump sum distribution of your prior benefit, then at your reemployment, you began participating in the AB II Benefit as a new employee (*i.e.*, with a $0 Opening Balance and 0 years of Point Service, though your prior Service counted for vesting purposes).

Additional Impacts of Rehire

Regardless of whether you are rehired as a non-Pension Eligible Employee or previously were hired as a Pension Eligible Employee, if you are/were receiving your benefits in the form of an annuity at the time of your return to employment, your annuity payments will be (or were) suspended. The unpaid portion of your prior benefit will be (or was) treated as follows:

- If you are or were rehired as a non-Pension Eligible Employee, on your subsequent Benefit Commencement Date, your benefit (if any) will be reduced by the amount of annuity benefits you received. For purposes of calculating your Pay Credits (described earlier), you are <u>not</u> credited with Point Service for your period of absence or for your period of reemployment;
- If you were rehired as a Pension Eligible Employee, the unpaid portion of your prior benefit was converted to an AB II Benefit Opening Balance as of the date of your reemployment. On your subsequent Benefit Commencement Date, your Protected Benefit (if any) will be reduced by the amount of annuity benefits you received. For purposes of calculating your Pay Credits (described earlier), you are credited with Point Service both before and after your absence from employment.

In either case, your prior Service (as well as your Service earned after your reemployment) counts for vesting purposes. Note that the suspension of benefits and any conversion to an Opening Balance may be impacted if you return to work after your Normal Retirement Age. In such instances, contact the NiSource Human Resource Benefits Department for additional details regarding the effect of reemployment on your retirement benefit.

Transfers to/from the NIPSCO Union Pension Plan

From the NIPSCO Union Pension Plan

[7] Note, for transfers to or from a Damage Prevention Coordinator position (job code NP3459) occurring between June 1, 2016 and April 30, 2019, the transfer rules provided in this "Changes in Employment Status" section may not apply. For more information regarding how a transfer to or from a Damage Prevention Coordinator position occurring between June 1, 2016 and April 30, 2019 would affect your Plan benefit, please contact the NiSource Human Resource Benefits Department.

If you transfer from a position providing coverage under the NIPSCO Union Pension Plan (the "NIPSCO Plan") to a position providing coverage under the Plan (whether as an exempt or non-exempt employee), your benefit will be determined under the AB II Benefit of the Plan, provided you are a Pension Eligible Employee under the Plan. Your benefit under the NIPSCO Plan shall end as of the date of your transfer and your benefit under the NIPSCO Plan will be converted to an AB II Opening Balance in the Plan. You will receive credit for Vesting Service and Point Service for your Service both before and after the transfer.

To the NIPSCO Union Pension Plan

If you transfer from a position providing coverage under the AB II Benefit of the Plan to a union position providing coverage under the NIPSCO Plan, your participation in the AB II Benefit of the Plan shall end as of the date of your transfer and your AB II Benefit under the Plan will be converted to an opening balance under the AB I Benefit option under the NIPSCO Plan. You will receive credit for vesting service and point service under the NIPSCO Plan for your service both before and after the transfer.

Transfers Within the Plan

Changes between Exempt and Non-Exempt Status

If you are a Pension Eligible Employee who is participating in the AB II Benefit (see "Eligibility and Enrollment" section earlier in this Summary) and you transfer between employment positions with the Company that are both covered under the Plan (*e.g.*, non-exempt to exempt (or vice versa), or between exempt or non-exempt positions within the Company), you will continue to participate in the AB II Benefit after your transfer, subject to the exception in the following sentence. If you were hired or rehired as a Pension Eligible Employee in a *non-exempt* position on or after January 1, 2010, and then transferred to an *exempt* position on or after January 1, 2010, you will no longer be a Pension Eligible Employee on and after the date of your transfer. If you fall into this category, any additional accruals to your AB II Benefit Account will cease as of the date of transfer, but you will continue to earn Interest Credits until you commence distribution of your benefit and your service following transfer shall be counted solely for purposes of vesting and determining eligibility for an early retirement benefit under the Plan (*i.e.*, for your Protected Benefit, if applicable).

If you were not a Pension Eligible Employee at your hire date, you will not become a Pension Eligible Employee through a transfer within the Plan.

Transfers to/from Affiliates

From An Affiliate

The following chart generally describes the impact on your pension benefit if you transfer *from* a particular employment position providing coverage under an affiliate's pension plan *to* an employment position with the Company that is otherwise considered a Pension Eligible Employee position providing coverage under the Plan (see "Eligibility and Enrollment" found earlier in this Summary). Unless specific provisions in the Plan or an affiliate's plan provide otherwise, your benefit will be determined as set forth below. See the NiSource Human Resource Benefits Department for further information.

If you transfer from an affiliate in the following position:	to the Company in the following position:	The impact on plan benefits will be as follows:*
Non-union (exempt or non-exempt)	Non-union (exempt or non-exempt)	You will remain in the affiliate's plan and will accrue no benefit under the Plan. In accordance with the terms of the affiliate's plan, you will remain subject to your plan benefit terms in effect prior to your transfer.
Union	Non-union (exempt or non-exempt)	Your benefit under the affiliate's plan will be frozen as of your transfer date and you will begin to participate in the AB II Benefit of the Plan. Your prior benefit will remain in the affiliate's plan and you will begin participation in

		this Plan with a $0 Opening Balance. You will receive credit for Vesting Service and Point Service for your Service both before and after the transfer. With respect to your benefit under the affiliate's plan, you generally will cease to earn service for benefit accrual as of the date of transfer. However, service following transfer shall be counted for purposes of vesting and determining eligibility for an early retirement benefit under such plan.

*With respect to the above chart, please note the following exception: In order to accrue a benefit after a transfer to the Company (whether accruing under the affiliate's plan or the Plan), you must be a Pension Eligible Employee as described under "Eligibility and Enrollment." Thus, you will continue to accrue a benefit only if your most recent hire date with the affiliate is prior to the hire/rehire date needed to be considered a Pension Eligible Employee under the Plan (i.e., prior to January 1, 2010 for transfers to an exempt position or prior to January 1, 2013 for transfers to a non-exempt position). For example, if you were hired/rehired in a non-exempt position with an affiliate on or after January 1, 2010 and participate in the affiliate's plan, and then you transfer to an exempt position with the Company, you will not be considered a Pension Eligible Employee and will not participate in the Plan (or the affiliate's plan). If you are actively accruing a benefit in the affiliate's plan and after your transfer you are not considered a Pension Eligible Employee, your benefit will be frozen as of the date of transfer.

Note also that if an employee is not considered a "Pension Eligible Employee" under an affiliate's plan and he/she transfers to the Company, the employee will not become a Pension Eligible Employee through a transfer to the Plan.

To An Affiliate

The following chart generally describes the impact on your pension benefit if you are a Pension Eligible Employee and you transfer *from* a particular employment position providing coverage under the AB II Benefit of the Plan *to* an employment position with an affiliate that does not sponsor the Plan (because the affiliate offers a different plan or no plan). Unless specific provisions in the Plan or an affiliate's plan provide otherwise, your benefit will be determined as set forth below. See the NiSource Human Resource Benefits Department for further information.

If you transfer from the Company in the following position:	**to an affiliate in the following position:**	**The impact on plan benefits will be as follows:***
Non-union (exempt or non-exempt)	Non-union (exempt or non-exempt)	You will remain in the AB II Benefit of the Plan and will continue to earn Vesting Service and Point Service under the Plan after the transfer.
Non-union (exempt or non-exempt)	Union	Your AB II Benefit Account in the Plan will be frozen as of the date of your transfer, but will continue to earn Interest Credits until you commence distribution of your benefit. With respect to your benefit under the Plan, you generally will cease to earn service for benefit accrual as of the date of transfer. However, service following transfer shall be counted for purposes of vesting and determining eligibility for an early retirement benefit under the Plan (i.e., for your Protected Benefit, if applicable). You will begin participating in the affiliate's plan as a new participant (assuming you are classified as a "Pension Eligible Employee" under that plan). If the affiliate's plan provides for your participation in an AB I or AB II Benefit option, you shall begin participation in such option with a $0 opening balance, though you will receive credit for vesting service and point service both before and after the transfer.

*With respect to the above chart, please note the following exception: If you transfer to a position with an affiliate that does <u>not</u> consider you to be a "Pension Eligible Employee" under the affiliate's plan (due to your most recent hire date with the Company), you will not be eligible to participate in the affiliate's plan nor continue to participate in the Plan. Thus, for example, if you were hired or rehired as a Pension Eligible Employee in a non-exempt position under the Plan on or after January 1, 2010, and then transfer to an exempt position with an affiliate, you will no longer be a Pension Eligible Employee under the Plan or the affiliate's plan on and after the date of your transfer. If you are actively accruing a benefit in the Plan, that benefit will be frozen as of the date of transfer, but will continue to earn Interest Credits until you commence distribution of your benefit and your service following transfer shall be counted solely for purposes of vesting and determining eligibility for an early retirement benefit under the Plan.

If you are a Pension Eligible Employee and transfer from employment providing coverage under the Plan to a union or a non-union position with an affiliate that does sponsor the Plan, then you will remain in the AB II Benefit of the Plan (assuming you continue to be considered a Pension Eligible Employee).

If You Continue to Work After Normal Retirement Age

If you choose to work beyond your Normal Retirement Age, you will continue to earn Pay Credits and Interest Credits until you retire. If you work 40 or more hours per month on and after reaching Normal Retirement Age, you may not begin receiving your pension benefit from the Plan. If you work fewer than 40 hours per month on and after reaching Normal Retirement Age, you may begin receiving your pension benefit from the Plan.

If You Become Disabled

If you become Disabled while working for the Company, the calculation of your Plan benefit will be impacted as described in this section. In general, "**Disability**" or "**Disabled**" under the Plan means any physical or mental condition that constitutes a disability under the long-term disability plan (the "LTD Plan") maintained by the Company. A Disability commences when you first qualify for benefits under the Company's LTD Plan and ceases when you no longer qualify for benefits under such LTD Plan.

If you are considered Disabled under the Plan and later return to active employment as a Pension Eligible Employee, you will continue to be covered under the AB II Benefit once you return to active work. Note that if not already considered an AB II Participant, any Disabled Pension Eligible Employee became an AB II Participant (effective as of January 1, 2012 for any exempt Pension Eligible Employee and effective as of January 1, 2013 for any non-exempt Pension Eligible Employee). Note that you will only continue to accrue benefits under the Plan if prior to the commencement of your Disability you were a Pension Eligible Employee and you remain a Pension Eligible Employee after your return to active employment.

Service Crediting. If you are considered Disabled under the Plan, you will continue to earn Vesting Service and Point Service while the Disability continues without regard to whether the Disability lasts beyond one year and could thus constitute a "Severance from Service" (as defined in the Plan). Point Service under the Disability provision shall cease to be credited as of the earliest of (1) the date on which your Disability ends pursuant to the Company LTD Plan (which shall be deemed your "Termination of Service" (as defined in the Plan) unless you return to employment with the Company or unless the Company determines a different "Termination of Service" date), (2) the date on which you return to employment, or (3) the date your benefit under the Plan commences.

Your Account. You will continue to receive Pay Credits and Interest Credits to your Account while you are Disabled. For these purposes, you will be deemed to receive Eligible Pay at the same level of Eligible Pay in effect for the month when you became Disabled (but excluding any performance-based components of Eligible Pay). See the "How the Plan Works" section earlier this summary for an explanation of what compensation counts as Eligible Pay.

You may elect to start your Plan benefit payments at any time once you are considered to have terminated employment by the Company. You may receive your benefit under any of the payment options described in "Payment Options Under the Plan" above. Note that if you elect to begin benefit payments, you will stop earning Pay Credits and Interest Credits. In addition, commencing your Plan benefit might mean that your LTD benefits would no longer be payable. For more information about electing payment of your Plan benefit and whether such an election would impact your LTD payments, contact the Benefits Center at 1-888-640-3320 and consult your LTD Plan.

CLAIMS FOR BENEFITS

Applying for Your Plan Benefit

As stated above, to request your Plan benefits you must obtain a pension benefit commencement kit from the Benefits Center (1-888-640-3320; www.mysourceforhr.com).

Claim Denial and Appeal Process

If you disagree with any decision the Plan Administrator may make regarding your interest in the Plan, the Plan contains the administrative review procedure you must follow. If you think benefits owed to you are not paid, or are too low, or are paid at a time other than when you think they should be, you can make a "claim" for benefits to the Plan Administrator.

If your claim for a pension benefit is denied in whole or in part, you have the right to request a review of the denial. You (or your beneficiary) will be notified of a denial of your claim in writing by the Plan Administrator within 90 days of the receipt of your claim (180 days if special circumstances apply). This written notice of the denial will include:

- The specific reason(s) for the denial;
- Specific reference to the Plan provision(s) on which the denial is based;
- A description of any additional material or information that is necessary to complete the claim; and
- The procedures for appealing the decision.

You or your authorized representative may review all documents related to any denial of a pension benefit. If you disagree with the Plan Administrator's decision, you have 60 days from the receipt of the original denial to request a review. This request should be in writing and sent to the NiSource Benefits Committee at the following address:

NiSource Inc.
Attn: NiSource Benefits Committee
801 East 86th Avenue
Merrillville, IN 46410

Your appeal will be reviewed and you will receive written notification of a decision within 60 days. If special circumstances require more time for this process, you will be notified in writing no later than 120 days after the receipt of your request. Notwithstanding the foregoing, if the NiSource Benefits Committee's meeting schedule is such that it holds regularly scheduled meetings at least quarterly, the final determination may be made within the period outlined in Department of Labor Regulations Section 2560.503-1(i)(1)(ii) in lieu of the 60-day period (120-day period if extended due to special circumstances) described above.

If your appeal is denied, you will be told why and which Plan provisions support that decision. If the final determination is made in your favor, the determination shall be binding and conclusive. If the final determination is not made in your favor, the determination shall be binding and conclusive unless you notify the NiSource Benefits Committee within 90 days after the mailing or delivery of the determination that you intend to institute legal proceedings under Section 502(a) of ERISA challenging the determination, and you actually institute such legal proceedings within 180 days after such mailing or delivery. All questions arising with respect to the Plan during any such legal proceedings shall be governed by Indiana law, except to the extent superseded by federal law.

TAX CONSEQUENCES

How and When Your Plan Benefits are Taxed

Generally, federal and state income tax laws do not require you to pay tax on your Plan benefits until you actually receive distributions under the Plan. Once you begin to receive benefit payments, you will have taxable income on these payments in the year that you receive them. In the year(s) of any distribution from the Plan, you will receive a tax form that will provide you with the information you need to file your taxes. You may be able to defer federal income taxes and avoid any penalty taxes if you transfer or "roll over" your distribution (see the Rollover section below). You should consult your tax advisor concerning any distribution you receive from the Plan.

Withholding Requirements

The Company is required by law to withhold taxes on payments from the Plan according to federal and state withholding rules in effect at the time of distribution. Under IRS rules, if you receive a lump-sum payment from the Plan, the Company is required to automatically withhold 20% of the amount payable toward your federal tax liability for that year. You can avoid the 20% withholding by having the money directly transferred to the NiSource Inc. Retirement Savings Plan, a 403(b) plan, a governmental 457 plan, another employer's qualified plan or to an IRA, including a Roth IRA (see the Rollover section below). You should consult with your personal tax adviser regarding this matter.

Rollovers

If you receive your benefit under the plan in the form of a single lump-sum, you may elect to roll over all or a portion of the distribution to an Individual Retirement Account/Annuity (an "IRA") or into another retirement plan that accepts rollovers from qualified plans. If you directly roll over your distribution from the Plan into a traditional IRA or another retirement plan, no income tax will be due on the amount rolled over and earnings thereon until you begin withdrawing the funds from the traditional IRA or retirement plan. If you roll over your distribution to a Roth IRA, the amount rolled over *is* subject to income tax in the year of the rollover. Under certain circumstances, all or a portion of a distribution may not qualify for rollover treatment.

As stated above, if you elect to have your benefit paid directly to you in a lump-sum payment, rather than rolled over, 20% of your distribution will be withheld and paid to the IRS. Even if you elect to have your benefit paid directly to you, you may still decide to roll over all or a portion of your distribution to an IRA or another retirement plan. If you decide to roll over your distribution, you must make the rollover within 60 days after you receive the distribution. If you choose to roll over 100% of your distribution, you must replace the 20% that has been withheld with other money available to you within the 60-day period. If you do not replace the 20% that has been withheld and you roll over only the 80% that you actually received, you will be taxed on the 20% that was withheld.

Note that in contrast to a single lump-sum payment, you cannot roll over monthly benefit payments into an IRA or another retirement plan.

Distributions Prior to Age 59 ½

In addition to being taxed as ordinary income, the taxable portion of a distribution taken prior to age 59 ½ (an early distribution) may be subject to a nondeductible federal penalty tax of 10%. Additional penalties may exist under state tax law. Early distributions are exempt from federal penalty taxes if the distribution was made for one of the following reasons:

- Distribution to your named beneficiary due to your death;
- Distribution that is made in the form of annuity payments over your life expectancy or over the life expectancy of you and your beneficiary;

- Distribution is made after termination of employment if you terminate after you reach age 55;
- Distribution that is made because you are totally and permanently disabled;
- For deductible medical expenses;
- Payment to an alternate payee under a qualified domestic relations order upon dissolution of a marriage; or
- To roll over to an IRA or other retirement plan within 60 days of receipt.

Please contact your Plan Administrator to receive a copy of the Special Tax Notice regarding payments from the Plan. This notice contains important information that you need to know before making a payment/withholding election.

AMENDMENT OR PLAN TERMINATION

The Committee expects to continue the Plan, but reserves the right to suspend, amend, modify or terminate the Plan in whole or in part at any time. If the Plan is amended, the amendments will not decrease your Accrued Benefit as of the time an amendment is adopted.

The Committee may only amend the Plan in writing. Any amendment shall be duly authorized if approved or ratified by the Committee. Thus, the Plan may not be modified or amended simply by representations, oral or otherwise, that may be made to you concerning the Plan. Accordingly, you should not consider the Plan to have been amended based on assertions made by a supervisor or human resources representative, for instance. If you believe you have received information that is contrary to the terms of the Plan or this Summary, please contact the Plan Administrator for clarification or confirmation.

If the Plan is terminated, or if there is a partial termination affecting you, you immediately will be fully vested as of the date of the termination. Benefits will be paid, according to law, as described in the following paragraph. Any money left in the trust will be returned to the Company after all required benefit obligations have been met. Trust fund assets would be used first to provide benefits to retirees, beneficiaries and active participants.

Before terminating the Plan, the Company would be required to notify the Pension Benefit Guaranty Corporation, a federal government agency. You also would receive notice of this termination. Once approval has been received, Plan assets would be used to pay benefits to retirees, beneficiaries and active participants, up to the total amount of assets in the Plan's trust. If for any reason the funds are insufficient to pay full benefits to all participants, payments would be made in the following order of priority: (1) benefits that are being paid or that will begin to be paid within three years; (2) benefits guaranteed by the Pension Benefit Guaranty Corporation; (3) benefits that were already vested before the Plan's termination; and (4) all other benefits.

Benefits for certain highly paid employees may be limited when the Plan terminates. If this applies to you, you will be provided with details.

Your Benefits are Insured

Your pension benefits, under the Plan, are insured by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. If the Plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits.

The PBGC guarantee generally covers:

- Normal and early retirement benefits;
- Disability benefits if you become disabled before the Plan terminates; and
- Certain benefits for your survivors.

The PBGC guarantee generally does not cover:

- Benefits greater than the maximum guaranteed amount set by law for the year in which the Plan terminates;
- Some or all of benefit increases and new benefits based on Plan provisions that have been in place for less than five years at the time the Plan terminates;
- Benefits that are not vested because you have not worked long enough for the Company;
- Benefits for which you have not met all of the requirements at the time the Plan terminates;
- Certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the Plan's normal retirement age; and
- Non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if a portion of your benefits is not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money the Plan has and on how much the PBGC collects from the Company.

For more information about the PBGC and the benefits it guarantees, contact the Benefits Center at **1-888-640-3320** or contact the PBGC's Technical Assistance Division, 1200 K Street NW, Suite 930, Washington D.C. 20005-4026 or call **1-202-326-4000** (not a toll-free number). TTY/TDD users may call the federal relay service toll-free at **1-800-877-8339** and ask to be connected to **1-202-326-4000**.

Additional information about the PBGC's pension insurance program is available through the PBGC's Web site on the Internet at **www.pbgc.gov**.

ADMINISTRATIVE / LEGAL OVERVIEW

Administrative Information

Plan Sponsor

The Plan Sponsor is NiSource Inc.

Plan Administrator

The Plan Administrator is the NiSource Benefits Committee (the "Committee"). In its discretion, the Committee may designate members of the NiSource Human Resources Department or other individuals to act on its behalf with respect to the administration of the Plan. The Committee has the sole authority to interpret the terms of the Plan. You may contact the Committee/Plan Administrator at:

NiSource Inc.
Attn: NiSource Benefits Committee
801 East 86th Avenue
Merrillville, IN 46410
1-219-647-4334

Employer Identification Number

The Employer Identification Number ("EIN") assigned by the IRS for NiSource is 35-0552990.

Plan Type, Name and Number

The Plan is classified as a defined benefit plan generally providing pension benefits to eligible retirees and their survivors, and has been assigned Plan number 001. The AB II Benefit is a cash balance plan. The Plan name is the NiSource Salaried Pension Plan. Note that a collective master trust applies to the assets of the Plan as well as the assets of the NIPSCO Union Pension Plan. While the Plan and the NIPSCO Union Pension Plan have different plan documents and provisions, the two plans are collectively filed with the IRS as the "NiSource Pension Plan."

Plan Year

The official Plan year is the calendar year, January 1 through December 31.

Plan Trustee

The Plan Trustee is The Northern Trust Company. The Plan Trustee is responsible for holding the assets of the trust fund according to the Committee's directions, and for distributing Plan payments. The money in the trust fund is set aside for the exclusive benefit of Plan participants and their beneficiaries.

You may contact the Plan Trustee at:

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675

Legal Information/Issues

Employment Rights

The Plan is neither a contract for employment nor consideration for employment. Participation in the Plan is not a guarantee of or contract for new or continued employment. All employees remain subject to termination, layoff, or discipline as if the Plan had never been put into effect.

If the Plan Becomes "Top-Heavy"; A Legal Limitation

As required by law, alternate Plan provisions go into effect if the Plan becomes top-heavy. The Plan is "top-heavy" if more than 60% of accumulated account balances or benefits are payable to certain "key employees." Key employees are officers with annual compensation of more than $175,000 (indexed for 2018), and employees who are 1 percent owners of the Company with annual compensation of more than $150,000 (not indexed), 5 percent owners of the Company, and beneficiaries of the above. You will be notified if this affects you.

Agent for Service of Legal Process

The agent for service of legal process is:

NiSource Inc.
Manager, Benefits Accounting & Compliance
801 East 86th Avenue
Merrillville, IN 46410

Legal process may also be served on the Plan Administrator or the Plan Trustee.

Governing Law and Venue

Indiana law shall determine all questions arising with respect to the provisions of the Plan, except to the extent superseded by federal law. Any suit, action, or proceeding related to the Plan or benefits under the Plan shall be brought in any court of the State of Indiana and of the United States for the Northern District of Indiana.

No Guarantee

All benefits provided under the Plan will be paid solely from the assets of the trust associated with the Plan. Except to the extent provided by law, nothing in the Plan or the trust will constitute a guarantee by the Company that the assets of the trust will be sufficient to pay any pension benefits to any person. Nothing in the Plan will give you or your beneficiary an interest in any specific part of the assets of the trust, or any other interest, except the right to receive pension benefits out of the assets of the trust as provided for in the Plan.

Assignment of Benefits

Your pension benefit belongs to you and may not be sold, assigned, transferred, pledged or garnished, except under a Qualified Domestic Relations Order or as otherwise required under applicable law.

If you (or your beneficiary) are unable to care for your own affairs, any payments due may be paid to someone who is authorized to manage your affairs. This may be a relative, a friend or a court-appointed guardian.

Mergers, Consolidations or Transfers

If the Plan is merged or consolidated with another plan, or if Plan assets are transferred to another plan, your accrued benefit will be protected. Your accrued benefit under the new plan would, immediately after the change, at least equal the amount you would be entitled to immediately before the merger if the Plan had terminated just before the change.

Your ERISA Rights

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

ERISA provides that all Plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

- Examine (without charge) at the Plan Administrator's office and at other specified locations—such as work sites and union halls—all documents governing the Plan, including insurance contracts and collective bargaining agreements and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the

U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Obtain a statement telling you whether you have a right to receive a pension at normal retirement age (Social Security retirement age) and, if so, what your benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every 12 months. The Plan must provide the statement free of charge.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called fiduciaries of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your employer, your union or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a pension benefit is denied or ignored—in whole or in part—you have a right to know why this was done, to obtain copies of documents relating to the decision without charge and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce your ERISA rights. For instance:

- If you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials—unless the materials were not sent because of reasons beyond the control of the Administrator.
- If you have a claim for benefits that is denied or ignored—in whole or in part—you may file suit in a state or federal court.
- If you disagree with the Plan's decision or lack thereof concerning the qualified status of a QDRO, you may file suit in federal court.
- If Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your ERISA rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court.
- If you file suit against the Plan, the court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees—for example, if it finds your claim is frivolous.

Assistance With Your Questions

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration ("EBSA"), U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, D.C. 20210.

You may also obtain certain publications about your rights and responsibilities under ERISA by calling the "Publications Hotline" of the EBSA.

OUTSIDE BACK COVER

DMS/10380879v.7

NiSource Inc.

Summary Plan Description

for the

Columbia Energy Group Pension Plan

A Description of Your Retirement Pension Benefits

For Employees in the
AB II Benefit
January 2019

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INTRODUCTION

Retirement can be the most exciting time of your life. Of course, you must work hard and save during your career to achieve the kind of financial security needed to enjoy those years to the fullest. Early on, you will need to ask yourself: "What sources of income will I have for my retirement?" You will likely be relying on (1) your pension benefit from the **Columbia Energy Group Pension Plan** (previously known as the Retirement Plan of Columbia Energy Group Companies, hereinafter referred to as the "**Plan**"), (2) a retirement benefit from Social Security, (3) your own personal savings, and (4) if applicable, savings under the NiSource Inc. Retirement Savings Plan or any other employer-sponsored retirement plan. Your employer, a Columbia Gas company, offers the Plan for the benefit of its employees and their beneficiaries in order to help provide for retirement.

Overview of the Plan

An innovative retirement plan that helps you prepare more effectively for your future, the Plan is a defined benefit pension plan funded entirely by contributions from NiSource Inc. or its affiliates. Its purpose is to provide you with retirement income that is in addition to any other retirement income you have or may be eligible to receive.

As an employee of a Columbia Gas company or any affiliate that adopts the Plan for its employees (collectively, the "Company") satisfying the criteria described in the "Eligibility and Enrollment" section, you are eligible for the AB II Benefit of the Plan. Note that if you are a union employee of the Company, you will not participate in the AB II Benefit unless the collective bargaining agreement that covers you provides for your participation.

Introduction to the AB II Benefit

You are covered under the **AB II Benefit** of the Plan. The AB II Benefit (formerly the "Account Balance 2011 Option Benefit") is a "cash balance" option that makes it easy to understand your retirement benefit under the Plan. This option is unique because it offers you both a visible and a portable benefit.

Once you become a participant in the Plan, the Company sets up a bookkeeping account in your name. Each year, the Company adds *pay credits* equal to a percentage of your pay to your account. Your account also grows with interest in the form of annual *interest credits* throughout your career. The total of these pay credits and interest credits, plus, if applicable, any "opening balance" reflecting the benefit you earned prior to becoming an AB II Benefit participant make up your account balance. Periodically (in general, annually), you will receive personalized statements showing your current account balance. Because you will always see your account balance, you can easily monitor the growth of your retirement benefit – so your benefit is *visible*. When you retire, you can choose to receive your account balance in one of several payment methods (also explained in more detail later in this Summary). What's more, you are entitled to receive the "vested" portion of your account balance if you leave the Company prior to retirement, so your benefit is also *portable*.

Again, it costs you nothing to participate because the Company makes all contributions necessary to fund your AB II Benefit under the Plan on your behalf.

About this Plan Summary and Plan Administration

This handbook serves as a Summary Plan Description ("SPD" or "Summary") of the Plan, prepared in accordance with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official Plan document. The official Plan document is the governing document in the event that questions arise or if there is a conflict between the SPD and the official Plan document. Your rights and benefits under the Plan are determined by the actual provisions of the Plan. This SPD does not extend or change the Plan in any way.

The NiSource Benefits Committee (the "Committee") serves as business manager and administrator for the Plan (the "Plan Administrator"). The Plan Administrator utilizes the NiSource Human Resource Benefits Department and other specified individuals to carry out a number of administrative tasks for the Plan. See "Administrative Information" found later in this Summary. A trust fund has been established for the purpose of holding funds contributed to the Plan. The trust fund is administered by a trustee (the "Trustee") appointed by the Committee.

While the Committee intends to continue the Plan described in this handbook, the Committee reserves the right to change, modify, or discontinue the Plan and any of its terms at its discretion, subject to any applicable collective bargaining agreement.

HIGHLIGHTS: AB II BENEFIT

ARE THERE EMPLOYEE CONTRIBUTIONS?	No, all contributions are made by the Company.
ARE THERE COMPANY CONTRIBUTIONS?	Yes; the Company makes contributions to fund your AB II Benefit, which is based on: • Your age; • Your years of service; • Your Eligible Pay, taking into consideration the Social Security Taxable Wage Base; and • The Plan's interest credit rate (currently the annual interest rate on 30-year Treasury Securities as published by the IRS for the month of September immediately preceding the first day of the Plan Year, but no less than 4%)
WHEN AM I VESTED IN MY BENEFIT?	You are fully vested after 3 years of service (if you terminated prior to January 1, 2008, you generally were vested after 5 years of service).
WHAT IS ELIGIBLE PAY FOR PURPOSES OF DETERMINING MY BENEFIT?	In order to calculate your pay credits under the Plan, Eligible Pay includes your base salary and commissions, plus your performance based pay (such as bonuses or annual incentives) paid in or prior to the month of your termination of service, any salary reduction contributions made for a Company cafeteria or 401(k) plan, any "banked" vacation paid under the NiSource Vacation Policy, any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum merit pay), and, for certain participants on active duty in the uniformed services, differential wage payments. However, the Plan does <u>not</u> consider certain items to be Eligible Pay. These excluded items include, but are not limited to, overtime, shift differential pay, amounts deferred to a nonqualified plan, and other special forms of pay such as call-out, standby, upgrades, temporary reclassifications/promotions, relocation allowances, sign-on bonuses, retention premiums, payments for waiving certain benefits including health care and dental benefits (referred to as "flex credits"), attendance bonuses and awards, and imputed income. In addition, the Plan also excludes from Eligible Pay any unused and accrued vacation paid on or after your termination of service. Note again, Eligible Pay excludes any incentive-based pay (such as payments from the corporate annual incentive plan or any plan created in lieu of the corporate annual incentive plan, commissions, spot awards, discretionary awards, lump-sum merit pay, and performance based pay) when paid in any month following your termination of service.
WHEN IS MY BENEFIT PAID?	Provided you are vested, you can be paid: • When you terminate employment; • When you retire; • When you reach age 70-1/2 and are a terminated employee (payments <u>must</u> begin at this time); or • In the event of your death
HOW CAN I RECEIVE MY BENEFIT?	You may elect to receive your benefit in the form of: • One of several Monthly Annuity Options

	• A Lump Sum • A Rollover

PARTICIPATING IN THE PLAN

Eligibility and Enrollment

You must be a "Pension Eligible Employee" of the Company to actively participate in the Plan. Generally, you are eligible to participate in the AB II Benefit of the Plan (*i.e.*, you are a "Pension Eligible Employee" who is an "AB II Participant") if you are a regular full-time or part-time employee and fall within one of the categories described in the box below. A Pension Eligible Employee is any of the following: (1) an "exempt employee" (as classified by the Company) whose most recent hire date is before January 1, 2010; (2) a non-union "non-exempt employee" (as classified by the Company) whose most recent hire date is before January 1, 2013; or (3) a union employee whose most recent hire date is before January 1, 2013.[1] In other words, if you are an exempt employee hired or rehired on or after January 1, 2010 or a non-exempt or union employee hired or rehired on or after January 1, 2013, you are not a Pension Eligible Employee and not eligible to participate in the Plan. In addition, you are not eligible to participate if you are an intern, an independent contractor, or a leased employee of the Company, or if you are a union employee whose collective bargaining agreement does not provide for Plan participation.

More specifically, an AB II Participant is:

- All *exempt* employees (except exempt employees hired or rehired on or after January 1, 2010), including:
  - -- Any exempt employee newly hired or rehired on or after October 1, 2005 but before January 1, 2010;
  - -- Any exempt employee who elected to participate in the AB II Benefit effective January 1, 2006*;
  - -- Any exempt employee on long-term disability as of October 1, 2005 who returned to active employment and who elected to participate in the AB II Benefit or who automatically transitioned to the AB II Benefit effective upon return to employment; and
  - -- All other exempt employees who are participating in the Plan and transitioned to the AB II Benefit effective January 1, 2011 (January 1, 2012 for Disabled exempt employees).
- All *non-exempt* employees (union and non-union) (except non-exempt employees hired or rehired on or after January 1, 2013), including:
  - -- Any non-exempt (union or non-union) employee newly hired or rehired on or after January 1, 2008 but before January 1, 2013.
  - -- All other non-exempt (union and non-union, active and Disabled) employees who are participating in the Plan and transitioned to the AB II Benefit effective January 1, 2013.
- Certain other persons who are allowed to elect to participate in the AB II Benefit pursuant to terms of the Plan.

***Note:** Each non-union exempt employee who participated in the Final Average Pay Benefit ("FAP Benefit") or the AB I Benefit of the Plan had the opportunity to make an irrevocable Plan choice in December 2005 to stay in his or her current option or switch to the AB II Benefit ("Choice"). If no Choice was made, the employee remained in his or her option under the Plan. The 2005 Choice elections were made and documented in a manner specified by the Plan.

[1] Effective as of July 1, 2015, NiSource Inc. implemented the spin-off of its pipeline and transmission business, comprised of Columbia Pipeline Group, Inc. and its related entities (collectively, the "CPG Entities"), to become independent and unrelated to NiSource Inc. (the "Spin-off Transaction"). The former employees of NiSource Inc. or the Company who transferred to the CPG Entities as a result of the Spin-off Transaction are no longer eligible to participate in the Plan.

When Your Participation Begins

If you met the eligibility requirements, your participation started on your first day of work with the Company. Once you started to participate in the Plan, you continue to participate as long as you are a Pension Eligible Employee of the Company. Note again that if you terminate employment and are rehired, you are not a Pension Eligible Employee and you are no longer eligible to earn additional benefits under the Plan (though you will continue to earn interest credits on your vested account).

When Your Participation Ends

Your participation in the Plan ends when:

- You are no longer a Pension Eligible Employee (*i.e.*, you terminate employment or your employment status changes to one that is not eligible to participate in the Plan);*
- Your employer terminates its participation in the Plan;
- The Plan ends; or
- You die.

* Note that once you are no longer a Pension Eligible Employee, you will remain an inactive Plan participant (continuing to earn interest credits on your vested account) until you take a full distribution of your vested benefit from the Plan.

Service

Your Service with the Company and its predecessors, and also any breaks in your Service, have an effect on your participation in and benefits under the Plan. As explained in the following paragraphs, your "Service" with the Company is used as a component to calculate your benefit under the Plan. Also, the Plan uses Service to determine when you are entitled to (or "vested" in) your benefit under the Plan. Note that if you terminate and return to work, you are no longer a Pension Eligible Employee and will no longer earn Point Service under the Plan upon your return to work. However, you will earn additional Vesting Service as described below.

Point Service

"Point Service" is the number of your years and partial years (*i.e.*, months) of Service as an employee of the Company (or any eligible affiliate of the Company) from the first day of the month in which your employment began through the last day of the year in which your termination of employment, for any reason, occurs. Notwithstanding the foregoing, if you were a FAP Benefit Participant who voluntarily elected to become an AB II Participant, your Point Service for the period prior to your conversion to the AB II Benefit is equal to the amount of credited service you earned prior to your conversion. Point Service is used to determine, in part, the amount of pay credits that are added to your Account. Please see the "How the Plan Works" section later in this Summary for a complete explanation of how your pay credits are calculated.

Vesting Service

"Vesting Service" is the number of your years of Service as an employee of the Company (or any affiliate) from your date of employment through the date of your termination of employment for any reason. To be "vested" means you have a non-forfeitable right to your Plan benefit. You are fully vested in your pension benefit after completing three years of Vesting Service with the Company and/or an affiliate. Note that if you terminated prior to January 1, 2008, you generally had to complete five years of Vesting Service before becoming fully vested in your benefit (unless you terminated at a time when an even higher vesting requirement applied, in which case the terms of the Plan in effect at your termination will control).

Special rules may apply if you experience a break in service, become Disabled (as defined in "If You Become Disabled" found later in this Summary) or if you were previously a leased employee of the Company or an affiliate.

Break in Service

A break in employment (called a "Break in Service") may affect how you are credited with Vesting Service under the Plan. With respect to Vesting Service, a Break in Service occurs if you terminate employment with the Company and are not employed for a period of 12 consecutive months. If you incur a Break in Service, the effect on your Vesting Service will depend on the following: (1) the length of your Break in Service and (2) whether you were vested in your pension benefit prior to the Break in Service.

Note again that if you terminate and return to work, you are no longer a Pension Eligible Employee and will no longer earn Point Service under the Plan upon your return to work. Accordingly, the following Break in Service provisions only apply for purposes of determining your Vesting Service. If you experience a transfer of employment within the Company or from/to an affiliate of the Company, see the section entitled "Changes in Employment Status" later in this Summary for an explanation of the impact on your benefit and Service crediting under the Plan.

Break in Service Less Than 1 Year

If you terminate employment and are reemployed by the Company within 12 consecutive months, you are not considered to have a Break in Service. In this case, your hours of Service earned prior to your termination of employment will be reinstated and the Plan will consider your period of absence as part of your Vesting Service under the Plan.

Break in Service of 1 to 5 Years

If you terminate employment and your Break in Service lasts more than 1 year but less than 5 years, the Vesting Service you earned before your termination will be added to the Vesting Service you earn after you return to work for vesting purposes under the Plan. If you are re-employed, the period of your absence will not count as part of your Vesting Service for any purpose.

Break in Service More Than 5 Years

If you are not vested in your pension benefit prior to your Break in Service, and your Break in Service lasts for 5 or more years, you will lose credit for all of your prior Vesting Service and will forfeit the unvested pension benefit accrued prior to your Break in Service.

If you are vested when you terminate employment and you are later re-employed after a Break in Service of 5 or more years, you will remain vested upon your return to work.

Effect of Leaves on Break in Service

If you are on an "Authorized Leave of Absence" as discussed below, the Break in Service rules do not apply to the extent you continue to earn Service during the authorized leave. If the authorized leave provisions don't apply and you are absent from work due to pregnancy, birth of a child, placement of an adopted child or caring for a child immediately after such birth or placement, then different rules apply when determining if a Break in Service has occurred. In general, if you are absent from work for one of the foregoing reasons beyond the first anniversary of the first date of your absence, you will not be considered to have a severance from Service until the second anniversary of the first date of your absence. In addition, you will not have a Break in Service if you are on an Authorized Leave of Absence pursuant to the Family and Medical Leave Act, or if you are absent from employment due to service in the "uniformed services" (as that term is defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA")) and if you return to work at the end of your Authorized Leave of Absence.

Other Circumstances Impacting Service

Authorized Leaves of Absence. If you are on a leave of absence that is approved by the Company in accordance with its procedures and the Plan (an "Authorized Leave of Absence"), you will continue to earn Vesting Service and Point Service while the authorized leave continues for a period of up to 12 months. Service crediting will cease as

of the expiration of the 12 month period or, if earlier, the date the Authorized Leave of Absence ends (unless you return to work at that time).

Disability. Vesting Service and Point Service are also impacted if you become Disabled (as defined in the Plan). For information on how the Plan defines "Disability", and to learn how a Disability affects your benefit and the Service you earn under the Plan, see "If You Become Disabled" found later in this Summary.

HOW THE PLAN WORKS

As explained at the beginning of this Summary, the AB II Benefit of the Plan is a "cash balance" pension plan. A cash balance pension plan is just like other pension plans in that it can provide you with a guaranteed monthly pension benefit for life after you retire. A cash balance plan is different from other pension plans in how it defines what your benefit will be. "Traditional" pension plans use a formula, often based on your years of service and average pay leading up to retirement, to define how much your monthly pension will be. Under this kind of plan, it is hard to know the value of what you will ultimately receive when you retire until you near or reach retirement.

A cash balance plan is designed to help you better understand the value of your benefit. Instead of using a formula to define your monthly retirement pension, a cash balance plan provides an accounting of the value of your benefit (the value of your **AB II Benefit**, also known as your "**Account**"). Your benefit is based on the value of the Account kept for you. As you work, credits are made to your Account. When you retire, you will receive the value of your Account in one of the payment forms available under the Plan (these are explained in detail later in this Summary).

Also, while most traditional pension plans only let you receive your benefit as a monthly payment (*i.e.*, an annuity), the AB II Benefit gives you the option of receiving a single lump sum cash payment. In addition, while many traditional defined benefit plans provide your benefit as a monthly annuity that ends at your death or your surviving spouse's death,[2] with the AB II Benefit you can name any beneficiary to receive your benefit in the event of your death, such as a child or unrelated beneficiary, provided the consent requirements explained later in this Summary are satisfied.

Your Account

The Company sets up an account in your name (your "Account") once you become a participant in the Plan. Your Account is a bookkeeping account maintained for plan administration to keep track of your pay credits and interest credits and any distributions made to you from the Plan. *The dollar amount in your Account generally tells you the current cash value of the benefits payable to you at your retirement (subject also to any Protected Benefit calculation described later in this Summary)*.

Opening Balance

Transition from the FAP Benefit to the AB II Benefit. If you participated in the FAP Benefit under the Plan before becoming an AB II Benefit participant, your accrued FAP Benefit was converted to a lump sum "Opening Balance" and credited to your Account as of the date you converted to the AB II Benefit (your "Conversion Date"). The Opening Balance is calculated by following these steps:

1. The value of your accrued FAP Benefit is determined as of your Conversion Date;

2. If you became an AB II Benefit participant *on or after* the first day of the month following (or coincident with) your "Calculation Date" (defined below), then your Opening Balance will reflect an unreduced benefit;

3. If you became an AB II Benefit participant *before* the first day of the month following (or coincident with) your Calculation Date, then an early retirement reduction factor (0.25% per month) is applied based on the number of months between your Calculation Date and the later of (a) the Conversion Date or (b) the first day of the month following the date you reach age 60; and

4. The present value of the lump sum benefit is calculated using standard mortality and interest rate assumptions as provided in the Plan.

[2] The term "spouse" shall mean any individual who is lawfully married to a Plan participant under any state law, including individuals married to participants of the same sex.

For purposes of the above Opening Balance calculation, your "*Calculation Date*" is generally the date that is three years before your Normal Retirement Date. Your "Normal Retirement Date" is defined later in this Summary as the first day of the month following the later of (1) your full "Social Security Retirement Age" (age 65 to 67, depending on when you were born), or (2) the fifth anniversary of your participation in the Plan. (Note that if you first became a participant before January 1, 1989, then solely for calculating the minimum benefit amount earned prior to January 1, 1989, your Calculation Date is modified as follows: (1) if you first became a participant between January 1, 1976 and January 1, 1989, your Calculation Date is the first day of the month coincident with or next following your 62nd birthday; (2) if you first became a participant prior to January 1, 1976, your Calculation Date is the first day of the month coincident with or next following your 65th birthday.)

Transition from the AB I Benefit to the AB II Benefit. If you participated in the AB I Benefit under the Plan before becoming an AB II Benefit participant, your Opening Balance simply equals the balance of your AB I Benefit account as of your Conversion Date, including any Pay Credits or Interest Credits (described below) earned up to that date.

Determining Your Eligible Pay

As described below, your Pay Credits are based upon your **Eligible Pay**, which refers to the compensation on which your Pay Credits are calculated. Your Eligible Pay generally equals:

- Your annual base pay received from the Company, including
- Salary reduction contributions made for you under a cafeteria plan or a 401(k) plan, plus
- Commissions, if you are compensated in whole or in part on a commission basis, plus
- Performance-based pay such as bonuses or annual incentive payments (provided such amounts are paid in or prior to the month of your termination of service), plus
- Any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum merit pay)[3], plus
- Any amounts attributable to “banked” vacation and paid to you under the NiSource Vacation Policy, plus
- For certain participants on leave as a result of active duty in the uniformed services, differential wage payments.

However, Eligible Pay does not include all types of compensation you might receive from the Company. Specifically, items excluded from Eligible Pay include, but are not limited to the following:

- Overtime pay,
- Shift differential pay,
- Amounts deferred to a nonqualified plan,
- Any unused and accrued vacation paid on or after termination of service,
- Any portion of performance-based pay (such as payments from the corporate annual incentive plan or any plan created in lieu of the corporate annual incentive plan, commissions, spot awards, discretionary awards, lump-sum merit pay, and performance based pay) that is paid in any month following your termination of service, and
- Other special forms of compensation, such as call-out, standby, upgrades, temporary reclassifications/promotions, relocation allowances, sign-on bonuses, retention premiums, payments for waiving certain benefits including health care and dental benefits (referred to as "flex credits"), attendance bonuses and awards, and imputed income.

[3] Included effective September 1, 2009.

In general, Eligible Pay shall be determined on a monthly basis. If you are a full-time employee paid on a monthly, semi-monthly, biweekly, or weekly basis, your monthly Eligible Pay equals one-twelfth of your annual base rate of pay last in effect for the month, plus pay inclusions described above such as actual commissions paid in the month. If you are a part-time employee, your monthly Eligible Pay equals the sum of your actual Eligible Pay, plus pay inclusions described above (such as commissions) paid to you for each pay period during the month. For purposes of determining your Pay Credits (described below), Eligible Pay means the sum of the monthly Eligible Pay for each month during the Plan Year in which you are an AB II Participant, including actual bonuses received by the Employee while actively employed in the month.

The IRS imposes a limit on the amount of Eligible Pay that may be taken into account by the Plan. As a result, Eligible Pay above $275,000 for 2018 (as adjusted annually by the IRS for cost-of-living increases) does not count for purposes of determining Pay Credits under the Plan.

Impact of Disability Leave, an Authorized Leave of Absence, or Other Absence on Your Eligible Pay: If you are participating in the Plan, and you are on a leave due to Disability (as defined in the Plan and as further described in "If You Become Disabled" found later in this Summary) or on an Authorized Leave of Absence or other absence approved by the Company, you will be deemed to receive Eligible Pay for purposes of calculating your Plan benefit during your period of leave. However, similar to service crediting described earlier, if on an Authorized Leave of Absence or other approved (non-Disability) leave, you will only receive Eligible Pay crediting for up to 12 months. Your Eligible Pay for each month during the period of pay crediting for Disability, Authorized Leave of Absence, or other approved absence (as applicable) generally shall equal one-twelfth of your annual base rate of pay last in effect for the month in which the employment absence occurred. In addition, solely for the month in which the Disability, Authorized Leave of Absence, or other approved absence begins, your Eligible Pay will include any other items that are generally included in Eligible Pay that you receive in the month the absence begins (but such amounts will not otherwise affect the rate of Eligible Compensation crediting during the absence). For more specific information on how Eligible Pay is calculated during any of the above-described absences from employment, please contact the NiSource Human Resource Benefits Department.

Pay Credits

The Plan provides for two types of Pay Credits: Basic Pay Credits and Excess Pay Credits. You are eligible to receive Basic Pay Credits and, if applicable, Excess Pay Credits effective generally as of the date you become an AB II Participant and up until the time you terminate service or otherwise stop accruing a benefit under the AB II Benefit provisions of the Plan.

The Company allocates Basic Pay Credits to your Account as of December 31 of each year. These Basic Pay Credits are equal to a percentage of your annual Eligible Pay. The total age and years of Point Service you accumulate each year, as measured on December 31, determines the annual Basic Pay Credit percentage. If you leave the Company mid-year, you will receive prorated Basic Pay Credits through your termination date.

The Company also allocates Excess Pay Credits as of December 31 of each year to qualifying participants' Accounts. Excess Pay Credits are available if you earn more than one-half of the Social Security Wage Base for that year. If you qualify, the Excess Pay Credit is 1% of your Eligible Pay that exceeds one-half of the Social Security Wage Base.

The table below shows how Basic Pay Credits and Excess Pay Credits are calculated:

AB II Pay Credits			
If your age plus years of Point Service at the end of the year total…	Less than 50	50-69	70+
Your Basic Pay Credit for that year will be equal to this percentage of your Eligible Pay…	4 %	5 %	6 %

Your Excess Pay Credit will be equal to an additional percentage of your Eligible Pay over one-half of the Social Security Wage Base* in effect that year…	1 %

*The Social Security Wage Base (SSWB) is the maximum amount of eligible pay on which you and the Company pay Social Security (or OASDI) taxes each year. For 2018, the SSWB is $128,400. Because you do not pay Social Security taxes on eligible pay in excess of the SSWB, you also do not earn Social Security benefits on eligible pay in excess of the SSWB. To help compensate affected employees, the AB II Benefit provides additional credit on pay over one-half the SSWB, which is $64,200 in 2018 ($128,400 divided by two).

Example

Assume that on December 31, 2018, a participant has attained age 40 years and 6 months and has earned Point Service of 8 years and 10 months. Because the participant will have a total age plus Point Service of 49 years and 4 months, he/she will be eligible for a Basic Pay Credit of 4%. Let's assume the participant earns $40,000 for the year. The participant would receive a Basic Pay Credit to his Account of $1,600 for 2018 (4% of $40,000). The participant would not be eligible for the Excess Pay Credit because his Eligible Pay is not in excess of one-half of the SSWB for the year. However, if the same participant's Eligible Pay were $65,000 for 2018, he would receive a Basic Pay Credit of $2,600 (4% of $65,000), plus an Excess Pay Credit of $8.00 (1% of $800, which is the excess of Eligible Pay over one-half of the SSWB).

Interest Credits

Interest is credited to your Account each Plan Year effective as of December 31 up until the time you commence retirement benefits. Interest Credits are based on the 30-year Treasury Securities Rate as published by the IRS for September of the preceding year (but not less than 4%) and are applied to your Account based on the value of your Account as of the last day of the prior Plan Year.

Your Account will continue to receive Interest Credits until you commence your retirement benefit payments under the Plan, regardless of whether you have stopped working for the Company as a Pension Eligible Employee. However, if you terminate employment with the Company before you are vested in your benefit, you will not receive Interest Credits after your termination. If you are subsequently reemployed, you will receive Interest Credits effective as of the date of your reemployment. In the year you begin receiving benefits, you will receive prorated Interest Credits for the portion of the year before the benefit starts. If you become a participant in the Plan mid-year, you will receive prorated Interest Credits from the date your participation began.

Example

Assume that on January 1, 2018, your Account is $50,000, and that the Interest Credit rate for the Plan Year is 4% (*i.e.*, the greater of the 30-year Treasury Securities rate as published by the IRS for September 2017 or 4%). On December 31, 2018, your Account would receive an Interest Credit of $2,000 (or $50,000 × 4%).

Summing it Up: How Your Account Grows

Altogether, taking into account the Pay Credit (both Basic and Excess) and Interest Credit components, your Account is thus the sum of:

- Y*our Opening Balance*, if any, under the Plan as of the beginning of the year; plus
- *Pay Credits* allocated to your Account as an annual percentage of eligible pay based on age plus Point Service as outlined in the table above; plus
- *Interest Credits* allocated to your Account based on the annual interest rate on 30-year Treasury Securities as published by the IRS for the September immediately preceding the first day of the Plan Year (but no less than 4%).

Example

With the addition of both Interest and Pay Credits each year, you can see your Account balance grow. Here is an example of how your Account can grow in one year, using the assumptions set forth below.

First, calculate the Basic and Excess Pay Credit:

If you are 49 years old, have eligible earnings of $65,000 and have completed 17 years of Point Service at the end of 2018, your 2018 Pay Credit would be calculated as follows:

Basic Pay Credit

Your 2018 Eligible Pay	$65,000
Your Basic Pay Credit % (49 + 17 = 66 points = 5%)	x 5%
Your Basic Pay Credit amount on December 31, 2018	***$3,250***

Excess Pay Credit

Your 2018 Eligible Pay over ½ SSWB ($65,000 – $64,200)	$800
Your Excess Pay Credit %	x 1%
Your Excess Pay Credit amount on December 31, 2018	***$8.00***

Your total Pay Credit on December 31, 2018 is the sum of $3,250 + $8.00 or a total of $3,258.00 for the year.

Second, add the Interest Credit:

If the interest rate is at 4% for the Plan Year, your Interest Credit would be 4% of your Account balance as of the beginning of the Plan Year. Assuming your Account balance as of January 1, 2018 was $50,000, then you received an Interest Credit effective as of December 31, 2018 equal to $2,000.

Finally, total the Pay Credits and Interest Credit, and add to the Account balance at the beginning of the year:

January 1 Account Balance (includes your "Opening Balance," if any)	$50,000
	+
December 31 Interest Credit (4%)	$2,000
	+
December 31 Basic Pay Credit (5%)	$3,250
	+
December 31 Excess Pay Credit (1%)	$8.00
December 31 Account Balance	***$55,258.00***

Remember, how your Account grows over time depends on the actual Eligible Pay you receive and the Interest Credits allocated to your Account. In other words, items impacting Eligible Pay, such as base pay increases and performance-based pay (*e.g.*, bonuses or annual incentive payments paid before employment termination) will impact how your Account will grow.

Monitoring the Growth of Your Account

To help you track the growth of your Account, you will receive personalized statements (generally on an annual basis) that will keep you up-to-date on your Account activity. These statements show your:

- Account;

- Pay Credits since the last statement;
- Any applicable Interest Credits since the last statement.

You can also obtain information on the value of your Account any time by contacting the Benefits Center at **1-888-640-3320** or by visiting the Web site **www.mysourceforhr.com**.

Benefits From Your Account

Although your Account is communicated to you as a lump-sum amount, when you leave the Company and commence benefits, as previously mentioned, your Account can provide a monthly annuity based on prevailing interest rates at the time you commence benefits. See the "Payment Options Under the Plan" section later in this Summary for details on how you may receive your benefit, and see the "Designation of Beneficiary" section for details on how you may designate your spouse or another individual to receive your benefit in the event of your death.

For example, if your Account balance on the date you commence benefits is $200,000 and the annuity factor for your age (to convert your Account to an annual benefit) at that time is 14, you would receive either a lump sum of $200,000 (minus applicable withholding taxes) or a monthly benefit for life of approximately $1,190, as follows:

Calculating Annuity Example	
Account Balance:	$200,000
Annuity Factor:	÷ 14
Annual Benefit:	$ 14,285
	÷ 12
Monthly Benefit:	$ 1,190

Protected Benefit

In addition to your Account, the Plan may also consider a "Protected Benefit" in calculating your retirement benefit.

Former FAP Benefit Participants

If you previously participated in the FAP Benefit of the Plan, your Plan benefit under the AB II Benefit is guaranteed to be no less than the sum of (1) the lump sum actuarial equivalent of your accrued benefit under the FAP Benefit (which does not include any supplemental benefit) using eligible pay and Service through your Conversion Date (your **"Protected Benefit"**), plus (2) your Pay Credits (and Interest Credits earned on those Pay Credits) under the AB II Benefit from your Conversion Date (*i.e.*, the date of conversion to your AB II Benefit) through your termination of employment.

If you are eligible for this Protected Benefit, the Protected Benefit component of your benefit could be reduced if you elect to receive it prior to your "Normal Retirement Date" to reflect early commencement of payment. Because your Protected Benefit is derived from a traditional pension plan formula, you would generally not be able to receive your benefit until you retired. As noted earlier though, one benefit of the Plan's cash balance status is that you may receive your benefits anytime after your termination of employment. However, for purposes of valuing *only* the Protected Benefit portion of your Plan benefit, the Plan will consider whether you begin to receive benefits before your "Normal Retirement Date." The following subsections describe how the calculation of your Protected Benefit may be affected by when you choose to receive your benefit.

As a reminder, your AB II Benefit is calculated as described in the preceding portions of the "How the Plan Works" section. The following subsections apply *only* for any Protected Benefit portion of your Plan benefit and *do not* apply to the calculation of your AB II Benefit. For additional information regarding your FAP Benefit (if applicable), which is the basis of your Protected Benefit, please refer to the Summary Plan Description that you received for your FAP Benefit.

Normal Retirement

If you retire on or after your "Normal Retirement Date," your Protected Benefit will be not be impacted. Your "**Normal Retirement Date**" is the first day of the month following the later of (1) your full "Social Security Retirement Age" (age 65 to 67, depending on when you were born) (your "**Normal Retirement Age**"[4], as defined under the Plan); or (2) the fifth anniversary of the date you began participation in the Plan. (Note that if you first became a participant before January 1, 1989, then solely for calculating the minimum benefit amount earned prior to January 1, 1989, your Normal Retirement Date is the first day of the month following your 65th birthday.) If you retire on or after your Normal Retirement Date, the amount of your Protected Benefit will be based on the full amount of your Protected Benefit up to your Conversion Date (*i.e.*, your benefit will not be reduced for early commencement of payment.)

Early Retirement

If you retire on or after reaching your "Early Retirement Age" (*i.e.*, on your "Early Retirement Date") but before your Normal Retirement Date and elect to receive your Plan benefit, the Protected Benefit portion will be reduced to reflect the early commencement of your benefit. Your "**Early Retirement Date**" is the first day of the month following your employment termination on or after the date that you have (1) both attained age 60 or older and completed at least five years of Service; or (2) both attained age 55 (or older) and completed 10 years of Service. If you reach your Early Retirement Date, you may elect to receive your benefits immediately or defer the commencement of your benefits until you reach your Normal Retirement Date.

If you retire and elect to receive benefits at or after your Early Retirement Date, the amount of your Protected Benefit would be reduced by 0.25% for each month by which your Early Retirement Date precedes the first day of the month following the date that is three years prior to your Social Security Retirement Age.

If you defer the receipt of your benefits until your Normal Retirement Date, the amount of your Protected Benefit will not be reduced.

Distribution Prior to Early Retirement

If you terminate prior to your Early Retirement Date and elect to receive your Plan benefit, the Protected Benefit portion will be reduced to reflect the early commencement of your benefit. If you elect to receive your benefit prior to your Early Retirement Date, the amount of your Protected Benefit will be reduced actuarially using the interest rate and mortality factors specified in the Plan.

Former AB I Benefit Participants

As indicated earlier under the "Your Account" portion of this Summary, if you previously participated in the AB I Benefit under the Plan, your Plan benefit under the AB II Benefit will be no less than the sum of (1) the balance of your AB I Benefit account as of your Conversion Date, plus (2) your Pay Credits (and Interest Credits earned on those Pay Credits) under the AB II Benefit from your Conversion Date. If you participated in the FAP Benefit prior to transitioning to the AB I Benefit, then your Plan benefit under the AB II Benefit shall also be no less than your FAP Benefit when it was converted to the AB I Benefit.

[4] Note that reaching your "Normal Retirement Age" as defined under the Plan does not necessarily mean you are entitled to a retirement benefit from Social Security. For more information on when you may be eligible to receive benefits from Social Security, see "A Note on Social Security Benefits" later in this Summary.

Calculating Your Benefit

The calculation of your benefit under the Plan depends on how and when you wish to receive your benefit. Of course, if you terminate employment and elect to begin receiving your Plan benefit right away, your Account will have a smaller balance than if you had worked longer or waited to receive your benefits until a later date. Remember, you stop accruing Pay Credits when you terminate employment, and you no longer earn Interest Credits once you begin receiving your benefit. In addition, if you begin payment of your benefits prior to your Normal Retirement Age, your Protected Benefit (if applicable) would be reduced as explained above.

Your total benefit under the Plan is your Accrued Benefit. Your "**Accrued Benefit**" is the value of your benefit under the Plan as of any date before you reach your Normal Retirement Date. Your Accrued Benefit is generally the current value of your entire Account. However, if you have a Protected Benefit as described above, your Accrued Benefit is generally equal to the greater of:

1. Your entire Account (reflecting all Pay Credits, Interest Credits, and any Opening Balance); **or**

2. Your benefit you earned under the FAP Benefit as of your Conversion Date (*i.e.*, your Protected Benefit, which does not include any supplemental benefit), PLUS the portion of your AB II Benefit Account reflecting Pay Credits and Interest Credits earned from conversion to the AB II Benefit until termination of service (with Interest Credits continuing until commencement of benefits). In other words, the calculation under this subparagraph 2 considers your Protected Benefit plus your Account, but without consideration of any Opening Balance (or interest thereon) (*i.e.*, under this calculation, your prior FAP Benefit is considered as your Protected Benefit rather than as your Opening Balance).

If you are interested in finding out your benefit under the Plan, you may have your benefit calculated by calling the Benefits Center at 1-888-640-3320 or visiting the Web site **www.mysourceforhr.com**.

Funding: Who Pays For Your Benefit

The Plan is funded with contributions made by the Company. On an annual basis, the Plan Administrator actuarially determines the amount that the Company must contribute in order to fund the pension benefits for you and your fellow co-workers that participate in the Plan.

Vesting: When Do You Own Your Benefit

As discussed earlier in this Summary, to be vested means you have a permanent right to your Plan benefit and are entitled to receive that benefit whenever you stop working for the Company. You become fully vested in your Plan benefit once you have completed 3 years of Vesting Service (5 years of Vesting Service for employees terminating prior to January 1, 2008) (see "Service" section described earlier in this Summary). There is no partial vesting in your Plan benefit. You are not vested until you reach 3 years of Vesting Service, and you become fully vested once you reach 3 years of Vesting Service (5 years for employees terminating prior to January 1, 2008).

Thus, for example, if you terminate employment with only 2 years of Vesting Service, then you will receive no benefit under the Plan. That is, you are not vested in your benefit because you have less than 3 years of Vesting Service. If you terminate employment with 3 or more years of Vesting Service, you are fully vested in your benefit.

Notwithstanding the foregoing, if you terminated employment between January 1, 1999 and December 31, 2001, you are 100% vested in your Plan benefit, regardless of the number of years of Vesting Service you completed as of your termination of employment.

RECEIVING YOUR BENEFIT

When Is Your Benefit Paid?

Provided you are vested in your benefit as described above, you (or your beneficiary) may receive or begin to receive your benefit under the Plan as soon as possible following: (1) your termination of service with the Company or an affiliate; or (2) your death (see "Death Benefits" found later in this Summary).

If you are vested in your benefit and terminate employment with the Company, you may receive your benefit at any time after your termination.

If the present value of your Account is $1,000 or less at the time of termination of employment, you will automatically be paid a single lump sum cash distribution as soon as practicable after your termination. If the present value of your Account is more than $1,000, once you have terminated employment, you may elect to begin receiving your Plan benefit or you may defer receipt of your benefit until a later time, such as the date you would have reached Early Retirement or Normal Retirement. By law, you must begin to receive payment of your Plan benefit by April 1 of the calendar year following the later of either (1) the year you turn age 70½, or (2) the year in which you retire.

The amount you would be eligible to receive would be the amount of your Account (subject also to any Protected Benefit provisions). Remember, if you leave the Company before you are vested in your benefit, you are not entitled to a benefit under the Plan.

How Is Your Account Paid?

Regardless of *when* you receive your benefits, generally you will need to elect the *form* of your benefit. You can elect to receive your Plan benefit in an immediate single lump-sum payment or in an annuity form. Once you terminate employment, you can request a distribution of your benefit at any time in any of the forms available under the Plan (described below).

A Note on "Actuarially Equivalent" Benefits

The various benefit form options are considered to be *"actuarially equivalent"* meaning that, statistically, they should produce the same total benefit amount even though they provide very different monthly benefit payments or the benefit may be paid in a lump sum. To calculate actuarial equivalence, the Plan uses specified interest rate and mortality factors or other stated factors as set forth in the Plan. For instance, to calculate the lump-sum present value for your Protected Benefit (if applicable), the Plan uses as its interest rate the rate for 30-year Treasury Securities as published by the IRS for September of the prior year (or a minimum interest rate prescribed by the IRS if it produces a larger benefit).

Note that to receive the current year's interest rate for certain calculations, such as calculating the Protected Benefit, the last day worked must be November 30 (*i.e.*, a December 1 benefits commencement date). A December 1 benefits commencement date requires a retirement date of December 1 and filing proper paperwork (described below) with the Benefits Center at 1-888-640-3320 or by visiting the Web site at www.mysourceforhr.com on or before November 30 requesting commencement of pension distribution.

Applying for Benefits

If you are retiring, you must call the Benefits Center at **1-888-640-3320** or visit the Web site **www.mysourceforhr.com** to request a pension benefit commencement kit. If you contact by phone, please ask to speak with a Retirement Specialist.

You should request the kit 30 to 90 days before you want your pension benefit to begin. In the kit, you will find further information regarding your pension benefit and payment options. In addition, all the appropriate forms are

included along with instructions on what you need to do to commence your pension benefit. You may change your payment option at any time before your first payment is processed. However, once your payments begin, you may not change the form of payment you have elected. Generally, all forms must be returned by the 10th of the month preceding the date your benefits are calculated to commence (your "**Benefit Commencement Date**"). The actual payment(s) will be made as soon as practicable following your Benefit Commencement Date.

If you leave the Company before retirement age and have a vested benefit, a notice will automatically be sent to you as soon as administratively practicable after your termination. The notice will provide information regarding your pension benefit and the payment options available to you.

Payment Options Under the Plan

When you retire or leave the Company, you may elect to receive your vested benefit under the Plan in any of the payment forms outlined below. As previously stated, various benefit forms are "actuarially equivalent."

Automatic Form of Payment

If you do not make a payment election, your benefit will be paid in the form of a "Single Life Annuity" if you are not married, or as a "50% Pop-Up Annuity" if you are married. If you are married, you may elect a different form of payment, but you must generally obtain your spouse's notarized written consent.

Lump-Sum Payment

You may receive your Account balance in a single lump-sum payment. If you select this distribution option, no further benefits would be payable from the Plan. If you are married at the time you want your pension benefit to be paid, your spouse must provide notarized written consent to the lump-sum form of payment, unless the benefit is $1,000 or less. Again, if your vested Plan benefit is $1,000 or less, the Plan automatically pays this amount as a lump sum distribution (*i.e.*, annuity payments are not available).

Rollovers – If you receive your Account balance under the Plan in the form of a single lump sum, you may elect to roll over all or a portion of the distribution into an individual retirement account annuity ("IRA") or to another eligible retirement plan that accepts rollovers. If your benefit is $1,000 or less when you leave the Company, and you do not affirmatively elect to roll it over, then the Plan automatically pays this single lump-sum amount directly to you.

Annuity Payment Forms

If the value of your Account is over $1,000, you may choose to receive a monthly benefit for your lifetime (also called an annuity) from the Plan. If you elect this option, the value of your Account is converted to an annuity. To determine your monthly benefit, your Account balance is divided by an actuarial factor based on your age when benefits start. In calculating your benefit amount, the Plan considers the type of annuity you elect and, if applicable, your beneficiary's age. The following annuity options are available to you:

- **Single Life Annuity**—As stated above, if you are single, the single life annuity option is the automatic form of payment. This means that, unless you elect to receive your benefit in a different form of payment, you will receive it as a single life annuity. With a single life annuity, you receive monthly payments for your lifetime. When you die, payments end. If you are married, you may not elect this form of payment without your spouse's notarized written consent.
- **50% Pop-Up Annuity**—As stated above, if you are married, the 50% Pop-Up Annuity (with no reduction for the value of the pop-up feature), with your spouse as the contingent annuitant, is the automatic form of payment under the Plan. This means that you will receive your benefit in this form of payment unless you elect a different form.

  If you are married, you may choose the 50% Pop-Up Annuity distribution option, naming a beneficiary other than your spouse (and with a reduction for the value of the pop-up feature), provided your spouse consents to the alternate beneficiary. Your spouse's written consent must be notarized.

  If you are single, you may choose the 50% Pop-Up Annuity distribution option (also reduced for the value of the pop-up feature) naming a beneficiary of your choice.

Under the 50% Pop-Up Annuity distribution option, you receive reduced benefits monthly for your lifetime. If you die before your beneficiary, he or she receives monthly payments equal to 50% of your benefit for his or her lifetime.

If your beneficiary dies within 60 months after your Benefit Commencement Date and before you die, your monthly payment is increased to the amount you would have received under the single life annuity option. In that case, all benefits would stop at your death.

If your beneficiary dies more than 60 months after your Benefit Commencement Date and before you die, your monthly payment will remain the same as when your beneficiary was living and all payments will stop at your death.

- **33-1/3% Annuity**—Under this option, you receive reduced benefits monthly for your lifetime. After your death, if your beneficiary lives longer than you do, he or she receives monthly payments equal to 33-1/3% of your benefit for his or her lifetime. If you are married, you may not elect this form of payment without your spouse's notarized written consent.
- **66-2/3% Annuity**—Under this option, you receive reduced benefits monthly for your lifetime. After your death, if your beneficiary lives longer than you do, he or she receives monthly payments equal to 66-2/3% of your benefit for his or her lifetime. If you are married, you may not name a non-spouse beneficiary to receive this form of payment without your spouse's notarized written consent.
- **75% Annuity**—Under this option, you receive reduced benefits monthly for your lifetime. After your death, if your beneficiary lives longer than you do, he or she receives monthly payments equal to 75% of your benefits for his or her lifetime. If you are married, you may not name a non-spouse beneficiary to receive this form of payment without your spouse's notarized written consent.
- **100% Annuity**—Under this option, you receive reduced benefits monthly for your lifetime. After your death, if your beneficiary lives longer than you do, he or she receives monthly payments equal to the benefit you were receiving for his or her lifetime. If you are married, you may not name a non-spouse beneficiary to receive this form of payment without your spouse's notarized written consent.
- **Five or Ten Year Certain and Life Annuity Option—**Under this option, you will receive a benefit for the rest of your life. However, your payments are guaranteed for a minimum of either five or ten years (whichever you select). If you die within five (or ten) years after you retire, your beneficiary will receive the same benefit you were receiving for the balance of the five (or ten) year period. If you select this option, the benefit paid to you during your life will be reduced to provide the five (or ten) year guaranteed benefit. If you are married, you may not elect this form of payment without your spouse's notarized written consent.

Payments under any of these options will be based on your Account (as well as any Protected Benefit, if applicable). Subject to the spousal consent requirements noted above, you may choose any form of distribution as well as choose any beneficiary as your joint annuitant. If you die before an elected form of distribution begins, your (or your beneficiary's) benefit will be determined as provided in the "Death Benefits" section of this Summary.

A Comparison of Payment Options

If you choose to receive your benefit as a lump sum, you will receive the total vested value of your Account (or, if greater, the benefit calculated under the Protected Benefit provisions described previously). If you choose to receive your benefit as an annuity, the total vested value of your benefit will be converted into an annuity form of payment. To determine how much any annuity option would pay, your benefit is first defined as a single life annuity. If you choose a different annuity payment option providing benefits for a beneficiary after your death, your actual payment will be reduced to reflect the cost or value of guaranteeing payments over the lives of two people. For example, assume you are married and retiring when both you and your spouse are age 55. Assume also that your Account is valued at $200,000 and the applicable interest rate is 2.78% at the time you retire (note that the applicable interest rate fluctuates from year to year). See below for examples of estimated monthly amounts under some of the

payment options that you could choose, and the amounts your surviving spouse could receive if you die after payments begin. Note that these examples do not incorporate any Protected Benefit you may have.

Payment Options	Your Monthly Benefit for Life	Your Spouse's Monthly Benefit for Life After Your Death
Lump Sum Payment *($200,000)*	None	None
Single Life Annuity	$882.88	$0.00
50% Pop-Up Annuity (unreduced for pop-up feature with spouse as beneficiary)	$844.03	$422.02
33-1/3 % Annuity	$857.28	$285.76
66-2/3% Annuity	$832.56	$555.04
75% Annuity	$826.38	$619.79
100% Annuity	$808.72	$808.72
5 Year Certain and Life Annuity	$879.35	$879.35 (paid until the end of 5-year period if participant dies before such date)
10 Year Certain and Life Annuity	$869.64	$869.64 (paid until the end of 10-year period if participant dies before such date)

Situations Affecting Your Plan Benefit

The Plan is designed to provide you with income during your retirement years, but some situations could affect Plan benefits.

Several situations are summarized here:

- Subject to the rules described in the "Break in Service" section found earlier in this Summary, if your employment terminates before you have completed three years of vesting service (five years of vesting service if you terminated prior to January 1, 2008) you will not be entitled to a pension benefit and your pension benefit is forfeited.
- If you do not make the proper application for benefits, do not provide necessary information, or do not provide your current address, your pension benefits could be delayed.
- If you die before your pension benefits begin and are unmarried, your pension benefit is payable to your beneficiary, estate, or trust. See "Death Benefits" below.
- If required by a qualified domestic relations order, all or a portion of your pension benefit may be assigned to someone other than you or your designated beneficiary to meet payments for child support, alimony, or marital property rights. See "In the Event of Divorce or Dissolution" below.

- If there is a mistake or misstatement about eligibility, participation, or service, or if the amount of payment made to you or your beneficiary is incorrect, the Plan Administrator has the authority to correct the situation. This may be done by withholding, accelerating or adjusting payments as necessary to ensure the proper payment from the Plan is made. In addition, in the event that an overpayment is made from the Plan and no additional payments are due to be paid, the Plan Administrator has the authority to seek reimbursement of such overpaid amounts from the Participant, Beneficiary, or other individual entitled to payment under the Plan (plus interest calculated in accordance with IRS guidance).
- If you are a highly paid employee, the law limits the annual benefit from the retirement and tax-deferred investment plans that can be distributed to you. The amount of annual compensation, which may be considered in determining pension benefits from the Plan, is also limited by law. You will be notified if this affects you.

A Note on Social Security Benefits

In addition to your benefits from the Plan, you can receive benefits from Social Security. Currently, if you were born before 1938, your full Social Security retirement benefits are payable at age 65. If you were born after 1937, your full Social Security benefits will be payable between ages 65 and 67, depending on your year of birth. You may elect to receive Social Security benefits as early as age 62, but the monthly amount will be reduced because you will be expected to receive it over a longer period of time.

Social Security benefits are not paid automatically; you must apply. You can apply for Social Security benefits no earlier than four months before the date you want your benefits to start and there are three ways to apply: (1) online at www.ssa.gov/planners/retire/applying8.html, (2) by phone by calling 1-800-772-1213, or (3) in person at your local Social Security office (visit https://secure.ssa.gov/ICON/main.jsp to locate your nearest Social Security office).

DEATH BENEFITS

Death After Pension Payments Begin

If you die after you have begun receiving your pension benefit, additional payments to a named beneficiary will depend on the form of benefit payment you selected (see "Payment Options Under the Plan" above).

Death Before Pension Payments Begin

If you die before you begin receiving your pension benefit and you were vested under the Plan at the time of your death (see "Vesting: When Do You Own Your Benefit" above), the Plan will provide pre-retirement death benefits to your spouse or other beneficiary.

The death benefit payable will equal the full value of your vested Account. If you were married on the date of your death, your surviving spouse will be entitled to a Pre-retirement Survivor Annuity equal to the value of your vested Account (or if greater, equal to the survivor annuity portion of a joint and 50% survivor annuity calculated as if you terminated employment on the date of your death and considering any Protected Benefit calculation). Generally, a "**Pre-retirement Survivor Annuity**" provides your surviving spouse with a single life annuity benefit for his or her remaining lifetime. If you do not wish for your surviving spouse to receive a Pre-retirement Survivor Annuity in the event of your death, or if you wish to name a beneficiary other than your surviving spouse to receive benefits at your death, you may, with your spouse's written consent, waive the Pre-retirement Survivor Annuity and/or elect another beneficiary.

Even if you do not elect a different form of payment, your surviving spouse may elect to receive the death benefit as follows:

- Single Life Annuity. A monthly benefit payable for the life of your spouse, commencing as of the first day of the month following your death. Alternatively, your spouse can elect to delay beginning payment of this annuity up to the date you would have attained age 65, but no later.
- Single Lump Sum. Payment in the form of a single lump sum payable as soon as practicable after your death.

If your beneficiary is someone other than your spouse, your Account will be paid out as a lump sum. Note that if the present value of the death benefit payable to your spouse or other beneficiary is $5,000 or less, the Trustee will automatically distribute your death benefit to your surviving spouse or other beneficiary in a single lump sum payment.

Death Benefit Rollovers

Your beneficiary (whether spouse or non-spouse) may elect to rollover a lump sum death benefit to an individual retirement account/annuity (IRA) or, for a spouse beneficiary, to some other qualifying retirement plan. Note that non-spouse beneficiaries must request that the Plan make a "direct rollover" to the applicable IRA (*i.e.*, the Plan pays the lump sum death benefit directly to the IRA). A non-spouse beneficiary may not receive a distribution and then try to deposit it into an IRA as a rollover. For further information, see "Rollovers" below.

Designation of Beneficiary

In anticipation of receiving your AB II Benefit, if you have not already done so, you will need to name a beneficiary of your AB II Benefit. On your beneficiary designation form, you indicate the person(s) who will receive the remaining payments of your Plan benefit, if any, in the event of your death. You may change your beneficiary at any time prior to commencing benefit payment(s) by completing and returning a new form. Contact the Benefits Center at **1-888-640-3320** or visit the Web site at **www.mysourceforhr.com** to change your beneficiary.

If you are married: By law, you must name your spouse as your beneficiary. If you wish to designate someone other than your spouse, your spouse must consent to your election in writing. The consent must be witnessed by a Notary Public and returned to the Benefits Center.

If you are single: You may name anyone as your beneficiary.

Some points on naming a beneficiary:

- If you marry, **your spouse automatically becomes your beneficiary** regardless of your previous designation, unless your new spouse consents in writing to another designation. You should notify the Benefits Center at 1-888-640-3320 of any changes in your marital status. See "In the Event of Divorce or Dissolution" (the following section) for an explanation of how a divorce may affect your beneficiary designation under the Plan.
- If you designate more than one beneficiary, payment of your Plan benefit will be divided evenly among your beneficiaries unless you designate otherwise.

Failure of Beneficiary Designation

If you do not designate a beneficiary, or if your beneficiary designation is for any reason illegal or ineffective, or if none of the beneficiaries that you have designated survives you, your Plan benefit will be paid in the following order of priority:

- your surviving spouse;
- your descendants, per stirpes; or
- to the legal representative of your estate.

Duty to Report Participant's Death

If you die while receiving pension payments, the Plan Administrator must be notified of your death so that appropriate action may be taken concerning your benefits (*e.g.,* beginning payments to a designated beneficiary; stopping payments; etc.). It is illegal for any person or entity to continue to receive after your death benefit payments that are supposed to be made only for the duration of your life. Accordingly, please advise those persons who may ultimately represent your estate, or who may be in a position to receive your benefit payments, of this legal duty to contact the Benefits Center at 1-888-640-3320 upon your death.

IN THE EVENT OF DIVORCE OR DISSOLUTION

If you are married and you go through a divorce or dissolution, such proceedings may affect your Plan benefit or your beneficiary designation under the Plan, as explained below. You must inform the Plan Administrator if you are divorced by contacting the Benefits Center at **1-888-640-3320.**

Beneficiary Designations After Divorce/Dissolution

If you are married and your marriage terminates by reason of divorce, dissolution, or other similar operation of domestic relations law, any beneficiary designation you have previously made will remain unchanged. Note that while some state laws may invalidate a spousal beneficiary designation upon divorce, that is not the case under the Plan. Upon divorce, if you had named your former spouse as your beneficiary under the Plan, your beneficiary designation will not change unless you make a new beneficiary designation that revokes your prior beneficiary designation, or you remarry.

If you subsequently re-marry a different spouse, your previous beneficiary designation is *automatically* revoked and your new spouse becomes your beneficiary, unless a valid "qualified domestic relations order" provides otherwise. As explained below, a qualified domestic relations order may limit your ability to name another beneficiary in the event of a divorce or dissolution.

Qualified Domestic Relations Order (QDRO)

If you become divorced or legally separated, a specific type of court order could require that part of your benefit be paid to someone else – your former spouse, for example. This is known as a "qualified domestic relations order" ("QDRO"). By federal law, the Plan must comply with a QDRO. A QDRO is a legal judgment or decree that recognizes the rights of or support obligation toward a spouse, former spouse, child, or other dependent. A domestic relations order must satisfy specific requirements to be "qualified," and it must be recognized by the Plan Administrator.

If required by a QDRO, all or a portion of your benefit may be assigned to your former spouse or a dependent rather than you or your designated beneficiary to meet payments for child support, alimony, or marital property rights. A QDRO may require that your former spouse be treated as your surviving spouse for all or any part of the survivor benefits payable after your death. This means that if you re-marry, your subsequent spouse may not be treated as your surviving spouse for the portion of your benefit assigned to your former spouse if a valid QDRO so provides.

You and your beneficiaries may obtain, free of charge, a copy of the procedures used to determine the "qualified" status of a domestic relations order from the Benefits Center at **1-888-640-3320** or visit the Web site at **www.mysourceforhr.com**. You or your spouse should submit a draft version of a domestic relations order to the Benefits Center for review and approval before such order is finalized under domestic relations law.

As soon as you are aware of any court proceedings that may affect your Account, contact the Benefits Center at **1-888-640-3320**. When the Benefits Center receives notice of a pending QDRO, a hold will be placed on your Account that will prevent you from making any withdrawals until the QDRO is processed.

CHANGES IN EMPLOYMENT STATUS

Rehired Employees

If You Are Rehired in the Future

If you terminate employment after becoming a Plan participant and later return to employment, you are no longer considered a Pension Eligible Employee (see the "Eligibility and Enrollment" section of this Summary). Accordingly, upon your reemployment, you will not accrue any additional benefit under the Plan. You will remain an inactive Plan participant as long as you maintain a benefit under the Plan, but you will no longer receive any additional Pay Credits to your Account. You will, however, continue to earn Interest Credits on your Account until you take a full distribution of your vested benefit from the Plan.

If You Previously Were Rehired

If you previously terminated employment after becoming a Plan participant and previously returned to employment as a Pension Eligible Employee, you generally participated in the Plan immediately upon your rehire. If your benefit was not already determined under the AB II Benefit, and you returned to employment as a Pension Eligible Employee between January 1, 2008 and December 31, 2012, you were covered under the AB II Benefit at your reemployment. The Plan created an Opening Balance for you as described earlier in this Summary if you had not received a distribution of your benefit. If you had received a lump sum distribution of your prior benefit, then at your reemployment, you began participating in the AB II Benefit as a new employee (*i.e.*, with a $0 Opening Balance and 0 years of Point Service, though your prior Service counts for vesting purposes).

Additional Impacts of Rehire

Regardless of whether you are rehired as a non-Pension Eligible Employee or previously were hired as a Pension Eligible Employee, if you are/were receiving your benefits in the form of an annuity at the time of your return to employment, your annuity payments will be (or were) suspended. The unpaid portion of your prior benefit will be (or was) treated as follows:

- If you are or were rehired as a non-Pension Eligible Employee, on your subsequent Benefit Commencement Date, your benefit (if any) will be reduced by the amount of annuity benefits you received. For purposes of calculating your Pay Credits (described earlier), you are <u>not</u> credited with Point Service for your period of absence or for your period of reemployment.
- If you were rehired as a Pension Eligible Employee, the unpaid portion of your prior benefit was converted to an AB II Benefit Opening Balance as of the date of your reemployment. On your subsequent Benefit Commencement Date, your Protected Benefit (if any) will be reduced by the amount of annuity benefits you received. For purposes of calculating your Pay Credits (described earlier), you are credited with Point Service both before and after your absence from employment.

In either case, your prior Service (as well as your Service earned after your reemployment) counts for vesting purposes. Note that the suspension of benefits and any conversion to an Opening Balance may be impacted if you return to work after your Normal Retirement Age and you return to employment working less than 40 hours per month. In such instances, contact the NiSource Human Resource Benefits Department for additional details regarding the effect of reemployment on your retirement benefit.

Transfers Within the Plan

If you are a Pension Eligible Employee who is participating in the AB II Benefit (see "Eligibility and Enrollment" section earlier in this Summary) and you transfer between employment positions with the Company that are both covered under the Plan (*e.g.*, non-exempt to exempt (or vice versa); union to non-union (or vice versa); or between exempt, non-exempt, or union positions with different divisions covered under the Plan), you will continue to participate in the AB II Benefit after your transfer, subject to the exception in the following sentence. If you were

hired or rehired as a Pension Eligible Employee in either a *non-exempt* position or a *union* position on or after January 1, 2010, and then transferred to an *exempt* position on or after January 1, 2010, you will no longer be a Pension Eligible Employee on and after the date of your transfer. If you fall into this category, any additional accruals to your AB II Benefit Account will cease as of the date of transfer, but you will continue to earn Interest Credits until you commence distribution of your benefit and your service following transfer shall be counted solely for purposes of vesting and determining eligibility for an early retirement benefit under the Plan (*i.e.*, for your Protected Benefit, if applicable).

If you were not a Pension Eligible Employee at your hire date, you will not become a Pension Eligible Employee through a transfer within the Plan.

Transfers to/from Affiliates

From an Affiliate

The following chart generally describes the impact on your pension benefit if you transfer *from* a particular employment position providing coverage under an affiliate's pension plan *to* an employment position with the Company that is otherwise considered a Pension Eligible Employee position providing coverage under the Plan (see "Eligibility and Enrollment" found earlier in this Summary). Unless specific provisions in the Plan or an affiliate's plan provide otherwise, your benefit will be determined as set forth below. See the NiSource Human Resource Benefits Department for further information.

<table>
<tr><th>If you transfer from an affiliate in the following position:</th><th>to the Company in the following position:</th><th>The impact on plan benefits will be as follows:*</th></tr>
<tr><td>Non-union
(exempt or non-exempt)</td><td>Non-union
(exempt or non-exempt)</td><td>You will remain in the affiliate's plan and will accrue no benefit under the Plan. In accordance with the terms of the affiliate's plan, you will remain subject to your plan benefit terms in effect prior to your transfer.</td></tr>
<tr><td>Union</td><td>Non-union
(exempt or non-exempt)</td><td rowspan="3">Your benefit under the affiliate's plan will be frozen as of your transfer date and you will begin to participate in the AB II Benefit of the Plan. Your prior benefit will remain in the affiliate's plan and you will begin participation in this Plan with a $0 Opening Balance. You will receive credit for Vesting Service and Point Service for your Service both before and after the transfer. With respect to your benefit under the affiliate's plan, you generally will cease to earn service for benefit accrual as of the date of transfer. However, service following transfer shall be counted for purposes of vesting and determining eligibility for an early retirement benefit under such plan.</td></tr>
<tr><td>Non-union
(exempt or non-exempt)</td><td>Union</td></tr>
<tr><td>Union</td><td>Union</td></tr>
</table>

*With respect to the above chart, please note the following exception: In order to accrue a benefit after a transfer to the Company (whether accruing under the affiliate's plan or the Plan), you must be a Pension Eligible Employee as described under "Eligibility and Enrollment." Thus, you will continue to accrue a benefit only if your most recent hire date with the affiliate is prior to the hire/rehire date needed to be considered a Pension Eligible Employee under the Plan (i.e., prior to January 1, 2010 for transfers to an exempt position or prior to January 1, 2013 for transfers to a non-exempt or union position). For example, if you were hired/rehired in a non-exempt position with an affiliate on or after January 1, 2010 and participate in the affiliate's plan, and then you transfer to an exempt position with the Company, you will not be considered a Pension Eligible Employee and will not participate in the Plan (or the affiliate's plan). If you are actively accruing a benefit in the affiliate's plan and after your transfer you are not considered a Pension Eligible Employee, your benefit will be frozen as of the date of transfer.

Note also that if an employee is not considered a "Pension Eligible Employee" under an affiliate's plan and he/she transfers to the Company, the employee will not become a Pension Eligible Employee through a transfer to the Plan.

To an Affiliate

The following chart generally describes the impact on your pension benefit if you are a Pension Eligible Employee and you transfer *from* a particular employment position providing coverage under the AB II Benefit of the Plan *to* an

employment position with an affiliate that does not sponsor the Plan (because the affiliate offers a different plan or no plan). Unless specific provisions in the Plan or an affiliate's plan provide otherwise, your benefit will be determined as set forth below. See the NiSource Human Resource Benefits Department for further information.

<table>
<tr><th>If you transfer from the Company in the following position:</th><th>to an affiliate in the following position:</th><th>The impact on plan benefits will be as follows:*</th></tr>
<tr><td>Non-union
(exempt or non-exempt)</td><td>Non-union
(exempt or non-exempt)</td><td>You will remain in the AB II Benefit of the Plan and will continue to earn Vesting Service and Point Service under the Plan after the transfer.</td></tr>
<tr><td>Union</td><td>Non-union
(exempt or non-exempt)</td><td rowspan="3">Your AB II Benefit Account in the Plan will be frozen as of the date of your transfer, but will continue to earn Interest Credits until you commence distribution of your benefit. With respect to your benefit under the Plan, you generally will cease to earn service for benefit accrual as of the date of transfer. However, service following transfer shall be counted for purposes of vesting and determining eligibility for an early retirement benefit under the Plan (i.e., for your Protected Benefit, if applicable). You will begin participating in the affiliate’s plan as a new participant (assuming you are classified as a "Pension Eligible Employee" under that plan). If the affiliate’s plan provides for your participation in an AB I or AB II Benefit option, you shall begin participation in such option with a $0 opening balance, though you will receive credit for vesting service and point service both before and after the transfer.</td></tr>
<tr><td>Non-union
(exempt or non-exempt)</td><td>Union</td></tr>
<tr><td>Union</td><td>Union</td></tr>
<tr><td>Union</td><td>NiSource Corporate Services</td><td rowspan="2">You will remain in the AB II Benefit of the Plan and will continue to earn Vesting Service and Point Service under the Plan after the transfer.</td></tr>
<tr><td>Non-union
(exempt or non-exempt)</td><td>NiSource Corporate Services</td></tr>
</table>

*With respect to the above chart, please note the following exception: If you transfer to a position with an affiliate that does not consider you to be a "Pension Eligible Employee" under the affiliate's plan (due to your most recent hire date with the Company), you will not be eligible to participate in the affiliate's plan nor continue to participate in the Plan. Thus, for example, if you were hired or rehired as a Pension Eligible Employee in a non-exempt position under the Plan on or after January 1, 2010, and then transfer to an exempt position with an affiliate, you will no longer be a Pension Eligible Employee under the Plan or the affiliate's plan on and after the date of your transfer. If you are actively accruing a benefit in the Plan, that benefit will be frozen as of the date of transfer, but will continue to earn Interest Credits until you commence distribution of your benefit and your service following transfer shall be counted solely for purposes of vesting and determining eligibility for an early retirement benefit under the Plan.

If you are a Pension Eligible Employee and transfer from employment providing coverage under the Plan to a union or a non-union position with an affiliate that does sponsor the Plan, then you will remain in the AB II Benefit of the Plan (assuming you continue to be considered a Pension Eligible Employee).

If You Continue to Work After Normal Retirement Age

If you choose to work beyond your Normal Retirement Age, you will continue to earn Pay Credits and Interest Credits until you retire. If you work 40 or more hours per month on and after reaching Normal Retirement Age, you may not begin receiving your pension benefit from the Plan. If you work fewer than 40 hours per month on and after reaching Normal Retirement Age, you may begin receiving your pension benefit from the Plan.

If You Become Disabled

If you become Disabled while working for the Company, the calculation of your Plan benefit will be impacted as described in this section. In general, “**Disability**” or “**Disabled**” under the Plan means any physical or mental condition that constitutes a disability under the long-term disability plan (the “LTD Plan”) maintained by the

Company. A Disability commences when you first qualify for benefits under the Company's LTD Plan and ceases when you no longer qualify for benefits under such LTD Plan.

If you are considered Disabled under the Plan and later return to active employment as a Pension Eligible Employee, you will continue to be covered under the AB II Benefit once you return to active work. Note that if not already considered an AB II Participant, any Disabled Pension Eligible Employee became an AB II Participant (effective as of January 1, 2012 for any exempt Pension Eligible Employee and effective as of January 1, 2013 for any non-exempt or union Pension Eligible Employee). Note that you will only continue to accrue benefits under the Plan if prior to the commencement of your Disability you were a Pension Eligible Employee and you remain a Pension Eligible Employee after your return to active employment.

Service Crediting. If you are considered Disabled under the Plan, you will continue to earn Vesting Service and Point Service while the Disability continues without regard to whether the Disability lasts beyond one year and could thus constitute a "Severance from Service" (as defined in the Plan). Point Service under the Disability provision shall cease to be credited as of the earliest of (1) the date on which your Disability ends pursuant to the Company LTD Plan (which shall be deemed your "Termination of Service" (as defined in the Plan) unless you return to employment with the Company or unless the Company determines a different "Termination of Service" date), (2) the date on which you return to employment, or (3) the date your benefit under the Plan commences. Note that if your Disability under the Company LTD Plan commenced prior to January 1, 2000, you earned Point Service during the period of your Disability prior to January 1, 2000 only if you were both Disabled under the Plan and eligible for disability benefits under the Social Security Act.

Your Account. You will continue to receive Pay Credits and Interest Credits to your Account while you are Disabled. For these purposes, you will be deemed to receive Eligible Pay at the same level of Eligible Pay in effect for the month when you became Disabled (but excluding any performance-based components of Eligible Pay). See the "How the Plan Works" section earlier this summary for an explanation of what compensation counts as Eligible Pay.

You may elect to start your Plan benefit payments at any time once you are considered to have terminated employment by the Company. You may receive your benefit under any of the payment options described in "Payment Options Under the Plan" above. Note that if you elect to begin benefit payments, you will stop earning Pay Credits and Interest Credits. In addition, commencing your Plan benefit might mean that your LTD benefits would no longer be payable. For more information about electing payment of your Plan benefit and whether such an election would impact your LTD payments, contact the Benefits Center at 1-888-640-3320 and consult your LTD Plan.

CLAIMS FOR BENEFITS

Applying for Your Plan Benefit

As stated above, to request your Plan benefits you must obtain a pension benefit commencement kit from the Benefits Center (1-888-640-3320; www.mysourceforhr.com).

Claim Denial and Appeal Process

If you disagree with any decision the Plan Administrator may make regarding your interest in the Plan, the Plan contains the administrative review procedure you must follow. If you think benefits owed to you are not paid, or are too low, or are paid at a time other than when you think they should be, you can make a "claim" for benefits to the Plan Administrator.

If your claim for a pension benefit is denied in whole or in part, you have the right to request a review of the denial. You (or your beneficiary) will be notified of a denial of your claim in writing by the Plan Administrator within 90 days of the receipt of your claim (180 days if special circumstances apply). This written notice of the denial will include:

- The specific reason(s) for the denial;
- Specific reference to the Plan provision(s) on which the denial is based;
- A description of any additional material or information that is necessary to complete the claim; and
- The procedures for appealing the decision.

You or your authorized representative may review all documents related to any denial of a pension benefit. If you disagree with the Plan Administrator's decision, you have 60 days from the receipt of the original denial to request a review. This request should be in writing and sent to the NiSource Benefits Committee at the following address:

NiSource Inc.
Attn: NiSource Benefits Committee
801 East 86th Avenue
Merrillville, IN 46410

Your appeal will be reviewed and you will receive written notification of a decision within 60 days. If special circumstances require more time for this process, you will be notified in writing no later than 120 days after the receipt of your request. Notwithstanding the foregoing, if the NiSource Benefits Committee's meeting schedule is such that it holds regularly scheduled meetings at least quarterly, the final determination may be made within the period outlined in Department of Labor Regulations Section 2560.503-1(i)(1)(ii) in lieu of the 60-day period (120-day period if extended due to special circumstances) described above.

If your appeal is denied, you will be told why and which Plan provisions support that decision. If the final determination is made in your favor, the determination shall be binding and conclusive. If the final determination is not made in your favor, the determination shall be binding and conclusive unless you notify the NiSource Benefits Committee within 90 days after the mailing or delivery of the determination that you intend to institute legal proceedings under Section 502(a) of ERISA challenging the determination, and you actually institute such legal proceedings within 180 days after such mailing or delivery. All questions arising with respect to the Plan during any such legal proceedings shall be governed by Indiana law, except to the extent superseded by federal law.

TAX CONSEQUENCES

How and When Your Plan Benefits are Taxed

Generally, federal and state income tax laws do not require you to pay tax on your Plan benefits until you actually receive distributions under the Plan. Once you begin to receive benefit payments, you will have taxable income on these payments in the year that you receive them. In the year(s) of any distribution from the Plan, you will receive a tax form that will provide you with the information you need to file your taxes. You may be able to defer federal income taxes and avoid any penalty taxes if you transfer or "roll over" your distribution (see the Rollover section below). You should consult your tax advisor concerning any distribution you receive from the Plan.

Withholding Requirements

The Company is required by law to withhold taxes on payments from the Plan according to federal and state withholding rules in effect at the time of distribution. Under IRS rules, if you receive a lump-sum payment from the Plan, the Company is required to automatically withhold 20% of the amount payable toward your federal tax liability for that year. You can avoid the 20% withholding by having the money directly transferred to the NiSource Inc. Retirement Savings Plan, a 403(b) plan, a governmental 457 plan, another employer's qualified plan or to an IRA, including a Roth IRA (see the Rollover section below). You should consult with your personal tax adviser regarding this matter.

Rollovers

If you receive your benefit under the plan in the form of a single lump-sum, you may elect to roll over all or a portion of the distribution to an Individual Retirement Account/Annuity (an "IRA") or into another retirement plan that accepts rollovers from qualified plans. If you directly roll over your distribution from the Plan into a traditional IRA or another retirement plan, no income tax will be due on the amount rolled over and earnings thereon until you begin withdrawing the funds from the traditional IRA or retirement plan. If you roll over your distribution to a Roth IRA, the amount rolled over *is* subject to income tax in the year of the rollover. Under certain circumstances, all or a portion of a distribution may not qualify for rollover treatment.

As stated above, if you elect to have your benefit paid directly to you in a lump-sum payment, rather than rolled over, 20% of your distribution will be withheld and paid to the IRS. Even if you elect to have your benefit paid directly to you, you may still decide to roll over all or a portion of your distribution to an IRA or another retirement plan. If you decide to roll over your distribution, you must make the rollover within 60 days after you receive the distribution. If you choose to roll over 100% of your distribution, you must replace the 20% that has been withheld with other money available to you within the 60-day period. If you do not replace the 20% that has been withheld and you roll over only the 80% that you actually received, you will be taxed on the 20% that was withheld.

Note that in contrast to a single lump-sum payment, you cannot roll over monthly benefit payments into an IRA or another retirement plan.

Distributions Prior to Age 59 ½

In addition to being taxed as ordinary income, the taxable portion of a distribution taken prior to age 59 ½ (an early distribution) may be subject to a nondeductible federal penalty tax of 10%. Additional penalties may exist under state tax law. Early distributions are exempt from federal penalty taxes if the distribution was made for one of the following reasons:

- Distribution to your named beneficiary due to your death;

- Distribution that is made in the form of annuity payments over your life expectancy or over the life expectancy of you and your beneficiary;
- Distribution is made after termination of employment if you terminate after you reach age 55;
- Distribution that is made because you are totally and permanently disabled;
- For deductible medical expenses;
- Payment to an alternate payee under a qualified domestic relations order upon dissolution of a marriage; or
- To roll over to an IRA or other retirement plan within 60 days of receipt.

Please contact your Plan Administrator to receive a copy of the Special Tax Notice regarding payments from the Plan. This notice contains important information that you need to know before making a payment/withholding election.

AMENDMENT OR PLAN TERMINATION

The Committee expects to continue the Plan, but reserves the right to suspend, amend, modify, or terminate the Plan in whole or in part at any time. If the Plan is amended, the amendments will not decrease your Accrued Benefit as of the time an amendment is adopted.

The Committee may only amend the Plan in writing. Any amendment shall be duly authorized if approved or ratified by the Committee. Thus, the Plan may not be modified or amended simply by representations, oral or otherwise, that may be made to you concerning the Plan. Accordingly, you should not consider the Plan to have been amended based on assertions made by a supervisor or human resources representative, for instance. If you believe you have received information that is contrary to the terms of the Plan or this Summary, please contact the Plan Administrator for clarification or confirmation.

If the Plan is terminated, or if there is a partial termination affecting you, you immediately will be fully vested as of the date of the termination. Benefits will be paid, according to law, as described in the following paragraph. Any money left in the trust will be returned to the Company after all required benefit obligations have been met. Trust fund assets would be used first to provide benefits to retirees, beneficiaries and active participants.

Before terminating the Plan, the Company would be required to notify the Pension Benefit Guaranty Corporation, a federal government agency. You also would receive notice of this termination. Once approval has been received, Plan assets would be used to pay benefits to retirees, beneficiaries, and active participants, up to the total amount of assets in the Plan's trust. If for any reason the funds are insufficient to pay full benefits to all participants, payments would be made in the following order of priority: (1) benefits that are being paid or that will begin to be paid within three years; (2) benefits guaranteed by the Pension Benefit Guaranty Corporation; (3) benefits that were already vested before the Plan's termination; and (4) all other benefits.

Benefits for certain highly paid employees may be limited when the Plan terminates. If this applies to you, you will be provided with details.

Your Benefits are Insured

Your pension benefits, under the Plan, are insured by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. If the Plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits.

The PBGC guarantee generally covers:

- Normal and early retirement benefits;
- Disability benefits if you become disabled before the Plan terminates; and
- Certain benefits for your survivors.

The PBGC guarantee generally does not cover:

- Benefits greater than the maximum guaranteed amount set by law for the year in which the Plan terminates;
- Some or all of benefit increases and new benefits based on Plan provisions that have been in place for less than five years at the time the Plan terminates;
- Benefits that are not vested because you have not worked long enough for the Company;
- Benefits for which you have not met all of the requirements at the time the Plan terminates;
- Certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the Plan's normal retirement age; and

- Non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if a portion of your benefits is not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money the Plan has and on how much the PBGC collects from the Company.

For more information about the PBGC and the benefits it guarantees, contact the Benefits Center at **1-888-640-3320** or contact the PBGC's Technical Assistance Division, 1200 K Street NW, Suite 930, Washington D.C. 20005-4026 or call **1-202-326-4000** (not a toll-free number). TTY/TDD users may call the federal relay service toll-free at **1-800-877-8339** and ask to be connected to **1-202-326-4000**.

Additional information about the PBGC's pension insurance program is available through the PBGC's Web site on the Internet at **www.pbgc.gov**.

ADMINISTRATIVE / LEGAL OVERVIEW

Administrative Information

Plan Sponsor

The Plan Sponsor is NiSource Inc.

Plan Administrator

The Plan Administrator is the NiSource Benefits Committee (the "Committee"). In its discretion, the Committee may designate members of the NiSource Human Resources Department or other individuals to act on its behalf with respect to the administration of the Plan. The Committee has the sole authority to interpret the terms of the Plan. You may contact the Committee/Plan Administrator at:

NiSource Inc.
Attn: NiSource Benefits Committee
801 East 86th Avenue
Merrillville, IN 46410
1-219-647-4334

Employer Identification Number

The Employer Identification Number ("EIN") assigned by the IRS for NiSource Inc. is 35-2108964.

Plan Type, Name and Number

The Plan is classified as a defined benefit plan generally providing pension benefits to eligible retirees and their survivors, and has been assigned Plan number 001. The AB II Benefit is a cash balance plan. The official Plan name is the Columbia Energy Group Pension Plan.

Plan Year

The official Plan year is the calendar year, January 1 through December 31.

Plan Trustee

The Plan Trustee is The Northern Trust Company. The Plan Trustee is responsible for holding the assets of the trust fund according to the Committee's directions, and for distributing Plan payments. The money in the trust fund is set aside for the exclusive benefit of Plan participants and their beneficiaries.

You may contact the Plan Trustee at:

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675

Legal Information/Issues

Employment Rights

The Plan is neither a contract for employment nor consideration for employment. Participation in the Plan is not a guarantee of or contract for new or continued employment. All employees remain subject to termination, layoff, or discipline as if the Plan had never been put into effect.

If the Plan Becomes "Top-Heavy"; A Legal Limitation

As required by law, alternate Plan provisions go into effect if the Plan becomes top-heavy. The Plan is "top-heavy" if more than 60% of accumulated account balances or benefits are payable to certain "key employees." Key employees are officers with annual compensation of more than $175,000 (indexed for 2018), and employees who are 1 percent owners of the Company with annual compensation of more than $150,000 (not indexed), 5 percent owners of the Company, and beneficiaries of the above. You will be notified if this affects you.

Agent for Service of Legal Process

The agent for service of legal process is:

NiSource Inc.
Manager, Benefits Accounting & Compliance
801 East 86th Avenue
Merrillville, IN 46410

Legal process may also be served on the Plan Administrator or the Plan Trustee.

Governing Law and Venue

Indiana law shall determine all questions arising with respect to the provisions of the Plan, except to the extent superseded by federal law. Any suit, action, or proceeding related to the Plan or benefits under the Plan shall be brought in any court of the State of Indiana and of the United States for the Northern District of Indiana.

No Guarantee

All benefits provided under the Plan will be paid solely from the assets of the trust associated with the Plan. Except to the extent provided by law, nothing in the Plan or the trust will constitute a guarantee by the Company that the assets of the trust will be sufficient to pay any pension benefits to any person. Nothing in the Plan will give you or your beneficiary an interest in any specific part of the assets of the trust, or any other interest, except the right to receive pension benefits out of the assets of the trust as provided for in the Plan.

Collective Bargaining Agreements

As stated earlier in this SPD, employees who are covered by a collective bargaining agreement are not eligible for the Plan unless the applicable collective bargaining agreement provides for participation in the Plan. For those employees who are covered by a collective bargaining agreement providing for participation in the Plan, the Plan is maintained pursuant to a collective bargaining agreement.

Assignment of Benefits

Your pension benefit belongs to you and may not be sold, assigned, transferred, pledged, or garnished, except under a Qualified Domestic Relations Order or as otherwise required under applicable law.

If you (or your beneficiary) are unable to care for your own affairs, any payments due may be paid to someone who is authorized to manage your affairs. This may be a relative, a friend, or a court-appointed guardian.

Mergers, Consolidations or Transfers

If the Plan is merged or consolidated with another plan, or if Plan assets are transferred to another plan, your accrued benefit will be protected. Your accrued benefit under the new plan would, immediately after the change, at least equal the amount you would be entitled to immediately before the merger if the Plan had terminated just before the change.

Your ERISA Rights

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

ERISA provides that all Plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

- Examine (without charge) at the Plan Administrator's office and at other specified locations—such as work sites and union halls—all documents governing the Plan, including insurance contracts and collective bargaining agreements and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Obtain a statement telling you whether you have a right to receive a pension at normal retirement age (Social Security retirement age) and, if so, what your benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every 12 months. The Plan must provide the statement free of charge.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called fiduciaries of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a pension benefit is denied or ignored—in whole or in part—you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce your ERISA rights. For instance:

- If you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials—unless the materials were not sent because of reasons beyond the control of the Administrator.
- If you have a claim for benefits that is denied or ignored—in whole or in part—you may file suit in a state or federal court.
- If you disagree with the Plan's decision or lack thereof concerning the qualified status of a QDRO, you may file suit in federal court.
- If Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your ERISA rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court.

- If you file suit against the Plan, the court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees—for example, if it finds your claim is frivolous.

Assistance With Your Questions

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration ("EBSA"), U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, D.C. 20210.

You may also obtain certain publications about your rights and responsibilities under ERISA by calling the "Publications Hotline" of the EBSA.

OUTSIDE BACK COVER

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NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Non-Exempt, Non-Union, Part-Time Employees Hired or Rehired Before January 1, 2013

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

As an employee of a NiSource Inc. ("NiSource" or "Company") or one of its affiliates (to the extent described below), you have the benefit of choosing your own portfolio of benefit coverages from the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program (collectively the "Program") each year.

The benefit information contained in this Handbook applies to all eligible regular part-time non-exempt, non-union employees hired or rehired before January 1, 2013 who work for the Company or a participating employer and who are covered under the Program. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible employees as belonging to Active Benefit Program 102.

A participating employer is an affiliate of the Company that has adopted, or is deemed to have adopted, the Program, as evidenced by the Company's books and records reflecting that eligible employees of such employer may participate in certain of the benefits thereunder. The NiSource Benefits Committee (the "Committee") has sole discretion to determine who is a participating employer.

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the Benefit Plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The Committee reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program (or various component benefit plans thereof) also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource offers you the following coverages in accordance with the terms of the applicable benefit plans (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan" or a "Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Medical Plan")
- Dental Coverage (NiSource Dental Plan – referred to as the "Dental Plan")
- Vision Coverage (NiSource Vision Plan – referred to as the "Vision Plan")
- Flexible Benefits (NiSource Flexible Benefits Plan – referred to as the "Flexible Benefits Plan," and comprised of the "FSA Plan" and provisions for contributions to Health Savings Accounts, or "HSAs")
- Life and AD&D Coverages (NiSource Life Insurance Plan – referred to as the "Life and AD&D Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – Pension and 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Medical, Dental, Vision and Flexible Benefits Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Medical Plan, the Dental Plan, the Vision Plan, and the Flexible Benefit Plan, the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before a Plan will pay benefits.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement

under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"PBM" means the Pharmacy Benefit Manager for the Medical Plan. As of the date of this Handbook, the PBM is Anthem.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

Definitions Applicable to All Benefit Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program**

Overview and in the individual Benefit Plan sections, the following terms when used in this Handbook shall have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Employer" means the Company or any Participating Employer by whom you are employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A and to such other limitations or guidance that may be issued by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, or Department of the Treasury.

"Participating Employer" means, with respect to any Benefit Plan, the Company, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Safety Plan Rehire" means (i) a person eligible for retiree medical and retiree life insurance benefits who is rehired by Columbia Gas of Ohio, Inc. after January 1, 2019 to support the construction activities associated with regulator station replacement in conjunction with the LP-Enhanced Safety Plan and natural gas system replacement projects, or (ii) a retiree who was rehired by Bay State Gas Company after January 1, 2019 for a short-term position as Department of Public Utilities liaison for the third-party audit of post-incident construction.

"Spouse" means a person who is treated as your spouse under the Code. ***Please Note:*** See "Eligibility under the Medical, Dental, and Vision Plans" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for medical plan coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to elect to participate in the Benefit Plans when and to the extent provided under the applicable Benefit Plan.

Please Note: It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits, required repayment of any ineligible expenses, and disciplinary action up to and including dismissal.* Also, enrollment of a dependent under the Medical Plan may be

denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the Plan.

Please note that the Affordable Care Act requires us to collect the Social Security Number of each individual covered under the Medical Plan. Covered individuals may face a tax penalty for failure to provide this information. To report this information, please contact the Benefits Source at **1-888-640-3320**.

Eligibility under the Medical, Dental and Vision Plans

You and your eligible dependents may elect to participate in the Medical, Dental, or Vision Plans if you are actively at work and you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former Spouse or your Spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated; (3) the child is dependent upon you for financial support and maintenance; (4) you continue to be covered by the Plan; (5) with respect to the Dental or Vision Plan coverage, the child is also covered under the Medical Plan, or was covered under the Dental Plan and/or Vision Plan, as the case may be, as of December 31, 2018, and has remained covered under such Plan or Plans continuously since that date; (6) the child's disability continues, and (7) the child has not attained age 65;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent.

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether*

you are eligible to participate in the Medical, Dental or Vision Plan.

Eligibility under the Flexible Benefits Plan

FSA Plan

You can elect to participate in the FSA Plan provided you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week. However, if you make contributions, or if contributions are made on your behalf, to an HSA during the Plan Year, you may not elect to make contributions to a Heath Care FSA during such Plan Year.

For purposes of reimbursement of eligible expense under the Health Care FSA, your eligible dependents include your Spouse or persons who qualify under the Code as your tax dependents for health coverage purposes.

For purposes of reimbursement of eligible expenses under the Dependent Care FSA, your eligible dependents include:

- Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child;
- Your Spouse who is physically or mentally incapable of caring for himself or herself, provided the Spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, your Spouse must regularly spend at least eight hours each day in your home;
- Any other person, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year. This includes a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step–daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.

HSAs

You can elect to contribute to a health savings account("HSA") if you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week and who is enrolled in either the HDPPO 1 or HDPPO 2 option. Contributions to an HSA can only be made when enrolled in an HDPPO. You cannot contribute to an HSA or receive Employer contributions if you have coverage under any other health plan that is impermissible coverage for purposes of Section 223 of the Code.

Please note: *You may not contribute to your HSA and the Health Care FSA at the same time.*

The limitation on the amount you may contribute to an HSA is determined on a monthly basis. The monthly contribution limit is zero for any month in which you are enrolled in Medicare. Please note that if you first apply for Medicare benefits after you attain age 65, your Medicare enrollment will be retroactive to a date that is six months prior to the month in which you apply for benefits, but not earlier than the first month you were eligible for Medicare. Thus, your monthly HSA contribution limit may be zero for a number of months that precede your application for Medicare benefits. It is your responsibility to make sure your HSA contributions do not exceed the maximum amount permitted under the Code. Please consult your tax advisor if you have questions regarding the amount you may contribute to an HSA, including for the months leading up to your application for Medicare benefits.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits*

*Source automated telephone system at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Flexible Benefits Plan.*

Eligibility under the Life and AD&D Plan

Employees

You are eligible to participate in the Life and AD&D Plan if you (i) are a regular part-time employee of a Participating Employer, (ii) regularly work less than 40 hours per week, and (iii) are actively at work. You are actively at work if you are fully performing your customary duties for your regularly scheduled number of hours at your Employer's normal place of business, or at other places your Employer's business requires you to travel. Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select coverages for you and your eligible dependents.

Generally, to be covered, you must initially enroll for the medical, dental, flexible benefits, and vision coverages within 31 days following the date on which your enrollment materials are sent to you. **(This Benefits Program Overview or the individual Benefit Plan sections of this Handbook contain additional information about enrollment in each Plan.)**

You are automatically enrolled for EAP/Work Life/Legal & Financial Services (regardless of whether you enroll in PPO, HDPPO or HMO coverage under the Medical Plan), basic life and basic AD&D coverages upon the date you become eligible for such coverage.

To enroll in coverage that is not provided automatically, you must log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320.**

The enrollment materials detail how to enroll online and by phone. If you do not enroll within the 31-day period described above, as applicable **(the deadline date is included in the enrollment materials)**, you will automatically receive default coverage **(as described in this Benefits Program Overview or in the applicable individual Benefit Plan section of this Handbook)**, if applicable, for the remainder of that calendar year.

> **Please Note:**
>
> Dependents will not be eligible to receive any of the benefit coverages if you fail to enroll them during your initial 31-day enrollment period, during any subsequent annual enrollment or within 31 days following a qualified life event.

Enrollment in the Medical, Dental, and Vision Plans

Provided you meet the eligibility requirements, as described in the section above entitled "*Eligibility under the Medical, Dental and Vision Plans*", you and your eligible dependents can participate in the Medical Plan, Dental Plan and/or Vision Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. If you fail to enroll, you will be deemed to have elected (i) the HDPPO 1 medical option with no dependent coverage under the Medical Plan, (ii) the Preventive Dental option with no dependent coverage under the Dental Plan, and (iii) the Basic Vision option with no dependent coverage under the Vision Plan. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year and can only be changed during annual open enrollment. If you do not enroll or elect to change coverage, if applicable, within the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you

may enroll or change existing elections during the year in certain circumstances. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of this **Benefits Program Overview** for further details.

Please Note:

If you do not enroll in the Medical Plan, Vision Plan or Dental Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment. Also, if you do not enroll an eligible newborn child for coverage within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or the next qualified life event that permits the child's enrollment.

Enrollment in the Flexible Benefits Plan

FSA Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Flexible Benefits Plan,*" you may participate in the FSA Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year. In addition, participation in the FSA Plan requires annual enrollment, at which time you must elect the amount that you want to contribute to the FSA Plan for the year. If there is a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Changing and Continuing Elections*" of the **Benefits Program Overview** for further details.

HSAs

To enroll in an HSA, you must meet the following requirements:

- You must be enrolled in HDPPO 1 or HDPPO 2.
- You cannot be covered by another medical plan (e.g., you cannot be a dependent on anyone else's plan, except for vision and dental coverage) that is not a high deductible health plan.
- You cannot be enrolled for Medicare benefits. (Part A or Part B)
- You cannot be claimed as a dependent on another person's tax return.
- You cannot be covered by a general-purpose Health Care Flexible Spending Account, including the Health Care FSA

You must satisfy any requirements or conditions for establishing or activating your HSA that are prescribed by the Claims Administrator for HSAs. Failure to do so may result in the delay or failure to receive an employer HSA contribution to which you might otherwise be entitled.

Enrollment in the Life and AD&D Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Life and AD&D Plan*" section above, you will be automatically enrolled in the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option (collectively referred to as "Employee Life and AD&D Insurance").

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (Spouse or child) are eligible for Program benefits as active or retired employees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active or retired employee cannot be covered under the Benefit Plan both as a

participant and as a dependent. Likewise, if you and your Spouse are both employees of NiSource or one of its affiliates, either of you may choose to cover your child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan. Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects coverage under the Medical, Dental, and/or Vision Plans, or makes no coverage election and is thereby deemed to have elected coverage under such Plans, you will be deemed to have requested that coverage be dropped for such dependent under the Medical, Dental, and/or Vision Plans, as the case may be.

Coverage under the Program for retired employees or for active employees other than the eligible employees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides medical, prescription drug, vision, and dental coverage for your eligible child (as well as participation in the Health Care Flexible Spending Account, to the extent the child is a tax dependent for health coverage purposes under Federal law) pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or a Participating Employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

Additionally, your Employer may withhold from your wages any contributions required for such coverage.

You may obtain from the Company, without charge, a copy of the Benefit Plans' QMCSO procedures.

Special Rule for Rehired Employees

If you terminate employment and are rehired after your termination date, the benefit elections that were in effect on the date of your termination **will not be** automatically reinstated. You will need to re-elect coverages once you again become eligible upon your return.

Upon your rehire, you will be no longer be entitled to benefits under Active Benefit Program 102, but will instead designated as being entitled to the Active Benefit Program applicable to similarly situated eligible employees hired as of the date of your rehire. In addition, unless you are rehired as a Safety Plan Rehire or as a union employee of Northern Indiana Public Service Company LLC , as a rehired employee, you will not be entitled to any retiree medical or retiree life insurance benefits upon your retirement or other termination of employment.

Special Rule for Certain Employment Transfers

If you were hired or rehired on or after January 1, 2010, and you thereafter transfer to an "exempt employee" status, you will not be eligible for retiree medical or retiree life insurance benefits upon your retirement or other termination of employment. An "exempt employee" includes a non-union employee (an employee whose employment is not subject to the terms of a collective bargaining agreement) and an employee who is not entitled to overtime under the Fair Labor Standards Act, 29 U.S.C. §201, et seq.

This special rule does not apply to a Safety Plan Rehire, to the extent such Safety Plan Rehire is not thereafter rehired by an Employer or transferred to another employee status.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. If you do not enroll within the annual enrollment period, your current coverages generally remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans,

plans that require enrollment and the deadline date. **However, if you want to participate in the Health and/or Dependent Care Flexible Spending Accounts or in a Health Savings Account (HSA), you need to elect to participate each year. Your Flexible Spending Account and Health Savings Account contribution elections will not carry over from one Plan Year to the next.**

If you add a new dependent to Benefit Plan coverage during annual enrollment, you must provide the dependent's social security number to the Benefit Plan by calling the Benefits Source at **1-888-640-3320** or by visiting the Benefits Source website at mysourceforhr.com,

In the event your current Medical, Dental, or Vision Plan coverage is not available and you fail to elect coverage under another plan or option that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "*Enrollment in the Medical, Dental, and Vision Plans*" for further details.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Medical Plan at your home address.

The cards should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options, or, if applicable, your HMO in the case of an HMO option.

There are no ID cards for the Vision Plan, Dental Plan or other coverages.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans

Coverage Begins

Generally, coverage under the Medical Plan, Dental Plan, Vision Plan, or FSA Plan may become effective, if you properly enroll, (1) on your first day of active employment for regular new hires, (2) on the first day of the following Plan Year for eligible employees who enroll during the annual enrollment period, or (3) on the date the Plan approves your enrollment based upon a qualified life event. Eligible dependents have the same effective date provided you properly enroll them.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation on or after January 30, 2020 (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to an employee;
- The date an employee is no longer eligible for coverage under the Plan;
- The date an employee commences active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made;

- The end of the month following the date an employee terminated employment.

In addition, coverage under the Health Care FSA will cease if an HDPPO coverage option is elected under the Medical Plan.

A dependent shall cease to participate in the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the employee's coverage ends (except that, in the case of the employee's death, a dependent shall cease to participate in the Plan on the last day of the month in which the employee dies) (see also the section below entitled "*Survivor Coverage"* for circumstances under which coverage under the Medical Plan for an eligible surviving dependent may continue beyond an employee's death);
- The last date for which any required contributions for the dependent's coverage was made;
- For a Spouse, the date of divorce or legal separation, except in the case of insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law;
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if you or your eligible dependents experiences a COBRA qualifying event, EAP/Work Life/Legal & Financial Services coverage will cease one day after the maximum COBRA continuation coverage period would otherwise expire on account of such qualifying event. See the section below entitled "*COBRA*" for an explanation of what constitutes a COBRA qualifying event.

When Coverage Begins and Ends - HSA

Coverage Begins

You may enroll in an HSA at any time provided you have properly enrolled in either the HDPPO 1 or HDPPO 2 option.

Coverage Ends

Your contributions to an HSA through the Flexible Benefits Plan will terminate as follows:

- The date on which the Plan terminates;
- The date you are no longer eligible;
- The date you are no longer actively at work; or
- The date on which you request that your contributions cease or that the HSA Account be closed.

If you are no longer enrolled in HDPPO 1 or HDPPO 2 or you have terminated employment or retired, you will be required to pay a monthly account fee to the HSA Trustee/Custodian for as long as money remains in your HSA. You will also receive a new HSA debit card that will allow you to continue using the remaining money in your account for qualified medical expenses.

When Coverage Begins and Ends – Life and AD&D Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Life and AD&D Plan,"* coverage under the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option of the Life and AD&D Plan may generally become effective on the first day you are actively at work, if you are a regular new hire, or on the first day you are newly eligible for coverage, provided you are actively at work on such day.

If you are not actively at work on the date coverage would otherwise begin, you will not be eligible for the coverage until you return to active work. However, if the absence is on a non-work day, coverage will not be delayed provided you were actively at work on the work day immediately preceding the non-work day. Except as otherwise provided herein or in the group insurance contracts (collectively, the "Group Contract") or group insurance certificates issued by Securian, you are eligible to continue to be insured only while you remain actively at work.

Coverage Ends

Your Employee Life and AD&D Insurance will end when the first of these occurs:

- The date as of which the Life and AD&D Plan is terminated;
- The date the Group Contract is canceled, or with respect to a particular Life and AD&D Coverage Option, the date such Life and AD&D Coverage Option is terminated;
- The date that the Life and AD&D Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you terminate employment or are otherwise no longer eligible for coverage under the Plan as a regular part-time employee or as a member of another eligible class;

If your Employee Life and AD&D Insurance terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

If you stop active part-time work for any reason, you should contact the Company or your Employer at once to determine what arrangements, if any, have been made to continue any of your insurance coverage, or whether you belong to another class of employees that may be eligible for coverage under the Plan.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, the Internal Revenue Service will allow you to enroll for or change certain pre-tax elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain pre-tax elections if you experience a "qualified status change" that affects your, your Spouse's, or your dependent's eligibility for benefits under the Medical Plan, the Dental Plan, the Vision Plan, or the Flexible Benefits Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.***

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company, the Plan Administrator, or the Claims Administrator. In addition to satisfying any requirements established by the applicable Benefit Plan and any insurer (with respect to insured coverage), any requested change in election must satisfy all

requirements imposed by the Internal Revenue Service.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee +family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Please Note:

If you do not request a change in election within 31 days of your qualified status change or other qualified life event, your next opportunity to change elections will not be until the next annual enrollment period or until you experience another qualified life event. For example, if you do not enroll an eligible newborn child within 31 days of the child's birth, even if you do not have the child's social security number, your next opportunity to enroll the child will not be until the next annual enrollment period, unless you experience another qualified life event that would permit you to change elections.

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan (this does not apply to the Health Care Flexible Spending Account).
- With respect to the Medical Plan only, you qualify for special enrollment during the year under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Medical

Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***

- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.
- You or your eligible dependents lose coverage under any group health coverage sponsored by a governmental or educational institution,
- You take leave under the Family and Medical Leave Act.

If a dependent you are covering under the Medical, Dental or Vision Plan is hired by an Employer and either timely elects coverage under such Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Plan coverage for such dependent in connection his or her change in employment status.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical, prescription drug, vision or dental plan or program, your medical, prescription drug, vision and dental benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

The following provisions of this *"Coordination of Benefits (COB)"* subsection apply to the Medical Plan and the Dental Plan. Please see the Vision Plan section for details about coordination of benefits provisions applicable to the Vision Plan.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable Benefit Plan is primary, the Benefit Plan pays the amount payable under such plan.

If your coverage under the applicable Benefit Plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

The "Birthday Rule"

Under the "Birthday Rule" the plan of the parent whose birthday falls earlier in the calendar year is the primary plan and the other parent's plan is secondary.

In the case of a divorce or separation, the following order will establish responsibility for payment:

- If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.
- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits.

How Coordination of Benefits Works for Those in "Current Employment Status"

If you are in "current employment status" within the meaning of Medicare regulations, and if you or your spouse become Medicare-

eligible, you or your spouse may have either of the following:

- Medical coverage under both the Medical Plan and Medicare (the Medical Plan under the Program is primary, it pays benefits as described in this Handbook, and Medicare is secondary); or
- Coverage under Medicare only (if that is what you have elected).

Please Note:

End-Stage Renal Disease. If you or your covered dependent enroll in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary at the time you or your covered dependent enroll, the Medical Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

If you are in "current employment status" and you and your Spouse are covered under the Medical Plan, Medicare coverage becomes secondary. You may decline coverage under the Medical Plan, in which case Medicare would be the primary carrier. Your Spouse may, if age 65 or older, make a separate Medicare election. However, your Spouse may not elect medical coverage under the Medical Plan if you do not elect coverage.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under the Medical Plan but are no longer considered in "current employment status" for purposes of Medicare, and you and your spouse are Medicare-eligible, then Medicare is the primary payor regardless of your or your covered spouse's age. You are responsible for notifying the Claims Administrator if you, your Spouse, or your other eligible dependents become Medicare-eligible.

If you are not in "current employment status" and if a covered person is eligible for, but not enrolled in, Medicare benefits, the Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are not in "current employment status" and are eligible for, but not enrolled in, Medicare Part B, and if you incur a claim that would be payable in whole or in part by Medicare Part B, the Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

Please Note:

Late Enrollment Penalties for Medicare Parts B and D. If you are eligible for Medicare by reason of age or disability, are no longer in current employment status for purposes of Medicare, and do not enroll in Medicare Part B or Medicare Part D during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. For more information concerning Medicare late enrollment penalties, see the Medicare & You publication at https://www.medicare.gov/medicare-and-you or contact your local Social Security Administration office.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide claims and certain appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section of this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, or SPDs, please see below or the individual Benefit Plan sections of the Handbook.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified below or in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Medical Plan

The claim determination and appeal process described below applies to the Medical Plan. The term "Plan" as used in this section refers to the Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse

benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the

circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;
- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your

receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (for the Medical Plan, this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Medical Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to

request a voluntary second-level internal appeal under the Medical Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;

- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective

review, were covered under the Plan at the time the health care item or service was provided;

- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the

criteria are inconsistent with the terms of the Plan or with applicable law;

- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA

Unless otherwise noted, the claim determination and appeal process described below applies to each of the Dental Plan, the Vision Plan and the Health Care FSA. The term "Plan" as used in this section refers to the Dental Plan, the Vision Plan or the Health Care FSA, as the case may be, and the term "Claims Administrator" refers to the claims administrator appointed for the respective Plan.

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has

not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Plan.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The day the Claims Administrator receives the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan or FSA Plan, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and

- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes and adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes and adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan, or the Health Care FSA, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or

comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to

contact your local U.S. Department of Labor Office."

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process - Dependent Care FSA

The claim determination and appeal process described below applies to the Dependent Care FSA Plan. As used in this section, the term "Claims Administrator" refers to the claims administrator appointed for the Dependent Care FSA Plan. The term "Plan" as used in this section refers to the Dependent Care FSA Plan.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Flexible Benefits Plan.

Consideration of Initial Claim

Within 90 days of receiving the claim, the Claims Administrator will provide you (or your beneficiary) with a written notice of its decision. If, because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your request for review within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you may be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; (3) a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and (4) a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.

Appeal to Claims Administrator

If your claim is denied or deemed to have been denied in whole or in part, you have the right to appeal the decision to the Claims Administrator by sending a written request

for review within 60 days of the claim denial or deemed denial.

Upon receipt of your request, your claim will be reviewed. You will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written request for review is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your claim for benefits within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you will be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; and (3) a statement that you are entitled to receive upon request and free of charge reasonable access to, and copies of, all documents, records and other information relevant to your claim for benefits.

Second Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your claim on appeal, you or your duly authorized representative may request a review of such denial by the Plan Administrator. Each such request for review must be in writing signed by you or your duly authorized representative, must specify that it is a request for review of a denied claim and must be filed with the Plan Administrator no later than 60 days after receipt of the denial or 90 days after the claim is deemed to be denied because the Claims Administrator did not respond within the requisite time period.

The decision of the Plan Administrator upon a request for review shall be made within 60 days after the request for review is received by the Plan Administrator unless special circumstances require an extension of time for processing such review, in which event you shall be notified in writing prior to the expiration of such 60 days, and the decision of the Plan Administrator shall be rendered within 120 days of the receipt of the request for review. In connection with a request for review, you or your duly authorized representative may submit issues and comments in writing to the Plan Administrator. All communications between the Plan Administrator and you or your duly authorized representative shall be in writing unless you or your duly authorized representative requests otherwise and the Plan Administrator consents thereto. Each decision of the Plan Administrator on a request for review shall be in writing and shall include (1) the specific reason or reasons for the decision; (2) specific reference to the Plan provisions upon which the decision is based; and (3) a statement that you are entitled to receive upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Life and AD&D Plan

The claim determination and appeal process described below applies to the Life and AD&D

Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accelerated death benefits, for accidental dismemberment benefits, or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a

claim and an explanation of why such information is necessary, and

- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a

notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal, you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its

discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage under the Medical, Dental, Vision and FSA Plans

General

Generally, coverage under the Medical, Dental, Vision and FSA Plans is only available to you if you are actively at work. However, if the Company or a Participating Employer under its personnel policies continues to treat you as an employee after you cease to be actively at work due to any of the following leaves, then you will continue to be treated as an employee eligible to participate in one or more of the Plans described above, subject to the terms and conditions of each such Plan. Provided, however, your participation will cease as of the earliest of the dates set forth above under "*When Coverage Begins and Ends under the Medical, Dental, Vision and FSA Plans – Coverage Ends*." The leaves referred to above are:

Family and Medical Leave Act ("FMLA") Leave – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents continues at the same level of contribution and under the same conditions if you are granted a leave of absence under the Family and Medical Leave Act ("FMLA"). However, you may revoke your health benefit elections upon the commencement of your FMLA leave of absence. If you return from an unpaid FMLA leave of absence after having revoked health benefit elections on account of taking FMLA leave, you may reinstate your elections on the same terms as prior to taking FMLA Leave, to the extent that reinstatement is required under the FMLA. If your health benefit elections are revoked for non-payment of premiums during an approved FMLA leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

The Company and the applicable Participating Employer may recover its cost of coverage if you exhaust your leave and do not return to active employment for reasons other than the continuation or onset of a serious health condition or other circumstances beyond your control. The Company or the applicable Participating Employer may require you to provide certification of a health care provider if you are unable to return to work because of the continuation, recurrence, or onset of a serious health condition.

You may continue to participate in the Health Care FSA and/or Dependent Care FSA on a pre-tax basis while on a FMLA leave by pre-paying with pre-tax dollars any contributions due for coverage during the Plan Year in which your leave commences. You have the option to continue to participate in the Health Care FSA during your FMLA leave on an after-tax basis by making payments according to the same schedule in effect before your leave. If your participation in a Flexible Spending Account ceases on account

of your leave, you may still use the existing balance in your account to pay for any eligible expenses that you incur prior to your last day worked before your FMLA leave. Also, if you ceased participation in the Health Care FSA during your leave, you may resume participation upon return from leave during the same Plan Year and either make up the unpaid contributions or resume coverage at a reduced level under the proration rule, with payments at your original contribution level.

Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") – If you are absent from employment because of service in the "uniformed services" (as that term is defined by USERRA), you may elect to continue coverage under a Plan during the period of your service to the extent provided by USERRA and the NiSource Military Leave of Absence Policy. Without limiting the generality of the foregoing, if your health benefit elections are revoked for non-payment of premiums during an approved military leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Medical, Dental and Vision Plans and under the Health Care FSA (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."*

COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial Services coverage.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, (ii) the date for making COBRA premium payments, and (iii) the date for notifying the Plan of a qualifying event or determination of disability.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your Spouse (if he or she is treated as a Spouse under the Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. (This extended coverage

does not apply to the Health Care FSA.) These costs are subject to change.

You will have 60 days to elect COBRA (measured from the later of your coverage loss date or the date the Plan Administrator notifies you of your right to elect COBRA coverage).

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

You will become a qualified beneficiary on account of coverage under a Plan if you lose your coverage under such Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct.

Your Spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your Spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of your employment or reduction of hours of employment, your death, or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the Benefits Source website at mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your Spouse, and parents may elect COBRA continuation coverage on behalf of their children.

[This paragraph applies only to the Medical, Dental and Visions Plans. It does not apply to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the end of your employment or reduction of your hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months. There are two ways in which this 18 month period of COBRA continuation coverage can be extended (as described below). When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. When the qualifying event is the end of your employment or reduction of your hours of employment, and you became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than you lasts until 36 months after the date of Medicare entitlement. For example, if you become entitled to Medicare 18 months before the date on which your employment terminates, COBRA continuation coverage for your Spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 18 months after the date of the qualifying event (36 months minus 18 months).

[This paragraph applies only to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. Upon experiencing a qualifying event, which causes a loss of coverage under the Health Care FSA, you may continue your current contributions to your Health Care FSA on an *after-tax* basis through COBRA only for the remainder of the Plan Year in which your active coverage ended. This means that you will lose the pre-tax benefit of the FSA Plan by continuing coverage through COBRA. However, COBRA continuation coverage under the Health Care FSA option of the FSA Plan allows you to continue to incur and seek reimbursement of eligible claims for the remainder of the Plan Year. If COBRA continuation coverage is not elected, only those expenses incurred prior to the qualifying event will be eligible for reimbursement.

Disability Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If you or anyone in your family covered under a Plan is determined by the Social Security Administration to be disabled and you notify the Plan Administrator (in a form prescribed by the Plan Administrator) (i) within 60 days of the later of the date of the disability determination by Social Security and the date the qualified beneficiary loses coverage under the Plan as a result of your termination or reduction of hours of employment, and (ii) before the end of the initial 18-month period of COBRA continuation coverage, you and the qualified beneficiaries in your family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. If proper notice is not provided within the 60-day period and before the end of your initial 18-month period of COBRA continuation coverage, you will not be entitled to a disability extension. The disability would have to have started at some time before the 61st day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage. You must also notify the Plan Administrator within 30 days of the date the Social Security Administration determines that you or your dependent are no longer disabled.

Second Qualifying Event Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If your family experiences another

qualifying event while receiving 18 months of COBRA continuation coverage, your Spouse and dependent children can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan Administrator within 60 days of the date of the second qualifying event. If proper notice is not provided within the 60-day period, you will not be entitled to an extension on account of the second qualifying event. This extension may be available to your Spouse and any dependent children receiving continuation coverage if you die, become entitled to Medicare benefits (under Part A, Part B, or both), or you get divorced or legally separated, or if your dependent child stops being eligible under a Plan as a dependent child, but only if the event would have caused your Spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. For example, when the qualifying event is the termination of your employment, COBRA continuation coverage for you, your Spouse and dependent children can last up to 18 months. If within that initial 18-month period you become legally separated or divorced (i.e., experience a second qualifying event), COBRA continuation coverage may be extended by an additional 18 months (for a total of 36 months from the date of the termination of employment) for your Spouse and dependent children who lose coverage due to the divorce or legal separation, if notice of such event is properly given to the Plan Administrator.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above (i.e., 18, 29 or 36 months, in the case of the Medical, Dental and Vision Plans, or the remainder of the Plan Year, in the case of the Health Care FSA), COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in the Program cease to provide any group health plan or coverage to any employee.
- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- Provided such date is after the initial 18-month COBRA period and no other extension of such period (other than the disability extension) applies, the first day of the month coincident with or next following 30 days from the date the Social Security Administration determines that a qualified beneficiary is no longer disabled.
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" section below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under

ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at dol.gov/ebsa (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Employee's death at any time on or after January 1, 2004, if COBRA continuation coverage has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Employee's surviving dependents who are covered under the Medical Plan on the date of that Employee's death, then coverage under the Medical Plan for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Employee's surviving spouse dies, (ii) the last day of the month in which the Employee's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer with whom the Employee was employed ceases to be a "related employer," as defined in the Medical Plan.

If medical coverage under the Medical Plan ends for an Employee's dependent because of such Employee's death within 30 days preceding, or at any time on or after, May 1, 2010, and if such Employee would have satisfied the conditions for eligibility for retiree medical coverage under the Medical Plan or the NiSource Post-65 Retiree Medical Plan had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the Medical Plan at the time of the Employee's death, the Employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and have been a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the NiSource Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the NiSource Post-65 Retiree Medical Plan.

If survivor coverage under the Medical Plan will end for a surviving dependent of a Deemed Retiree solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the NiSource Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Medical Plan or the Dental Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to an illness, a sickness, or a bodily injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the illness, sickness or bodily injury;
- The insurer or other indemnifier of the party or parties who caused the illness, sickness or bodily injury;
- A guarantor of the party or parties who caused the illness, sickness or bodily injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);

- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the illness, sickness or bodily injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the illness, sickness or bodily injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the illness, sickness or bodily injury so that the applicable Benefit Plan may recover any sums paid under such Benefit Plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable for the Benefit Plan to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements, or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust of r the benefit of the Benefit Plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the illness, sickness or bodily injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the illness, sickness or bodily injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the illness, sickness or bodily injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The employee;
- The employee's covered dependent;
- The estate of any covered person; or
- On behalf of any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the employee or a covered dependent, the employee or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you

use an in-network provider rather than an out-of-network provider. For the Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company, a Participating Employer, or any of their affiliates. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice

President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit Plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Code with respect to the Benefit Plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though an Employee may receive a benefit check from a Claims Administrator, the Company, a Participating Employer, or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may

have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to the Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company, the Participating Employers, or their affiliates or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called "fiduciaries" of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is

denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Certain Benefit Plans and Accounts Not Subject to ERISA

Notwithstanding anything to the contrary contained in this Handbook, neither the Dependent Care FSA nor the HSAs (to which contributions are made through the Flexible Benefits Plan) are employee benefit plans subject to ERISA.

Consolidated Flex Medical Plan

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Medical Plan Options

This is the SPD (the "Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Medical Plan. In this Medical Plan SPD, the Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible employees and their eligible dependents with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA). The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at livehealthonline.com for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions**. If you still have questions, you can email **help@livehealthonline.com** or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are

covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Medical Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Medical Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Medical Coverage for Retirees

You may be eligible for medical benefits as a retired employee if you meet certain eligibility requirements. For further information about your eligibility for medical benefits as a retired employee or to notify the Company or your Employer of your retirement, contact the Benefits Source at **1-888-640-3320**.

Unless you are rehired as a Safety Plan Rehire or as a union employee of Northern Indiana Public Service Company LLC , if you retire or otherwise terminate employment and are later rehired by the Company, a Participating Employer, or any of their affiliates, you will not be eligible for retiree medical or retiree life insurance benefits, including after your subsequent retirement or other termination of employment.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan

benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	Out-of-Network
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	Out-of-Network
	Plan Pays	Plan Pays
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$3,000	$6,000	$5,000	$10,000

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at 1-888-640-3320 for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which claims are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's

application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or

- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the PBM for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers,

distributors, and/or similar vendors, which may be related to certain prescription drug purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HDPPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 29.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and

  - Prescribed medications (Outpatient prescription drug services are covered under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).
- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;

  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam and one hearing aid per ear during a two calendar-year period; and
- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational

therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;
- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance,

when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;
  — Alcohol misuse: screening and counseling
  — Blood pressure screening in adults;
  — BRCA risk assessment and genetic counseling/testing;
  — Breast cancer preventive medications;
  — Breast cancer screening;
  — Cervical cancer screening;
  — Colorectal cancer screening;
  — Diabetes screening;
  — Lung cancer screening;
  — Obesity screening and counseling: adults and children;
  — Osteoporosis screening: women;

  See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

  — Diphtheria;
  — Hepatitis A;
  — Hepatitis B;
  — Herpes Zoster;
  — Human Papillomavirus;
  — Influenza (flu shot)
  — Measles
  — Meningococcal;
  — Mumps;
  — Pertussis;
  — Pneumococcal;
  — Rubella;
  — Tetanus;
  — Varicella (chickenpox).

  The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age,

gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

  See the following website for additional information:
  https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Well-woman visits;
  - Counseling and screening for human immune-deficiency virus;
  - Human papillomavirus testing;

- Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);
- Screening for gestational diabetes;
- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain Covered Services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);

- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Employee-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

> **Please Note:**
>
> If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;

  - Medically necessary services, supplies, and medications.

- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:

  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

  - Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
  - Inpatient covered hospital services related to the transplant procedure.
  - Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses

incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).

- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

Medical Expenses Not Covered

Expenses Not Covered Under Medical Plan

The medical expenses **not** covered under the Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;

- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;

- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;

- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or

astigmatism or any other correction of vision due to a refractive problem; and

- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The PPO coverage option utilizes a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The PPO coverage option utilizes a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name

drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		

* You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The High Deductible Options utilize a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program

you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		MAIL ORDER		NINETY-DAY SUPPLY AT RETAIL	
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	Retail Pharmacy		**Mail Order**		**Ninety-Day Supply at Retail**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

***Please Note**:* Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life/Legal & Financial Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life/Legal & Financial Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law, with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

Please see the *"Health Savings Account"* subsection of the **Flexible Benefits Plan** section of the Handbook for information concerning establishing and contributing to a health savings account when you enroll in an HDPPO.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;

  - Name and Social Security number of Employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348 Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Dental Plan

Dental Plan

Dental Plus

Your Dental Plan Options

This is the SPD (the "Dental Plan SPD") for the NiSource Dental Plan, also referred to as the Dental Plan. In this Dental Plan, SPD, the Dental Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Dental Plan to eligible employees and their dependents with the following dental coverage options:

- Preventive Dental;
- Dental Plan; and
- Dental Plus;

Both Dental Plan and Dental Plus provide coverage for eligible dental services such as preventive care services, basic services, and major services. The Dental Plus coverage option is an employee contributory option that also provides for orthodontia benefits.

The Preventive Dental coverage option provides preventive care at 100% of applicable charges and covers fillings and routine extractions at 50% of applicable charges after the deductible. Orthodontia is not covered and there is a deductible required. See "*Highlights of the Dental Plan Coverage*" for further details.

All dental coverage options use a network of providers. When you use an in-network provider you receive the added benefit of lower, negotiated fees. In addition, you are not responsible for fees over the negotiated rate. If you use an out-of-network provider, the amount of the claim that is paid is the product of the applicable coinsurance percentage (set forth below) multiplied by the "Maximum Reimbursable Charge," after the application of any deductible. You are responsible to pay any amount your dentist charges that exceeds the applicable percentage of the Maximum Reimbursable Charge. The Maximum Reimbursable Charge is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. If you have a question about the determination of the Maximum Reimbursable Charge, contact the Claims Administrator.

To find a provider in your area, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source automated telephone system at **1-888-640-3320**. Customer service associates can then connect you with a provider directly so that you can locate a participating dentist near you.

Eligibility

For information regarding eligibility under the Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320.**

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of the Dental Coverage

Here is a summary of the benefits under each option.

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)		DENTAL PLAN (In or Out-of-Network)		DENTAL PLUS (In or Out-of-Network)	
Annual Deductible	**You Pay**		**You Pay**		**You Pay**	
Covered Member	$75		$50		None	
Covered Member + Spouse	$150		$100		None	
Covered Member + Child(ren)	$75 per covered member up to $225		$50 per covered member up to $150		None	
Covered Member +Family	$75 per covered member up to $225		$50 per covered member up to $150		None	
Coinsurance	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**
Preventive and Diagnostic Treatment	N/A	100%	N/A	100%	N/A	100%
Basic Treatment	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Major Treatment (other than oral surgery or anesthesia)	100%	N/A	50% (after deductible)	50% (after deductible)	50%	50%
Major Treatment (oral surgery or anesthesia only)	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Orthodontia (adult and child)	100%	N/A	100%	N/A	50% (up to lifetime maximum); 100% thereafter	50% (up to the lifetime maximum)
Maximums	Plan Pays		Plan Pays		Plan Pays	
Annual Maximum	Up to $2,000 per person per year		No annual maximum		Up to $2,000 per person per year	
Annual Maximum - Implants	No Coverage		No annual maximum		Up to $600 per person per year	

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)	DENTAL PLAN (In or Out-of-Network)	DENTAL PLUS (In or Out-of-Network)
Orthodontia Lifetime Maximum	No Coverage	No Coverage	Up to $1,500 per person

All expenses incurred, whether care is received from a dentist in- or out-of-network, will be applied toward the calendar year deductible and maximum amounts according to the summary above.

For out-of-network providers, after you pay any applicable deductible, the Plan will pay the applicable percentage of Maximum Reimbursable Charges that are covered expenses. In addition to your share of Maximum Reimbursable Charge, you will be required to pay any amount your dentist charges over the Maximum Reimbursable Charge.

Dental Expenses Covered

The Plan pays for certain services and supplies that are considered necessary in terms of generally accepted dental standards, appropriate to properly treat the dental condition, and must be recommended by the participant's dentist.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 35.

Covered expenses include, but may not be limited to, the following eligible dental services and supplies up to the maximum allowance and/or applicable percentage of the Maximum Reimbursable Charge:

Preventive Treatment (Covered Under All Options)

Preventive Treatment is treatment designed to prevent dental disease, defect or injury and includes:

- Oral examination;
- Prophylaxis (cleaning and scaling of teeth);
- Periodontal maintenance procedures (following active therapy) and Periodontal prophylaxis;
- Topical application of fluoride solutions;
- Bite-wing x-rays;

Note: The services described above are each limited to twice in a calendar year.

- Topical application of sealant on a posterior tooth for covered persons under age 19 (only one treatment per tooth in any 3 consecutive calendar years);
- Panoramic (Panorex) x-ray once in any 3 consecutive calendar years;
- Full-mouth series of x-rays once in any 3 consecutive calendar years; and
- Space maintainers, fixed unilateral – limited to nonorthodontic treatment, up to age 19.

Basic Treatment (Covered Under All Options)

Basic Treatment is designed to correct dental disease, defect or injury and includes:

- Routine extractions;
- Amalgam and composite/resin restorations;
- Root canal therapy (any x-ray, test, laboratory exam or follow-up care is part of the allowance for root canal therapy and not a separate dental service);
- Osseous surgery (flap entry and closure is part of the allowance for osseous surgery and not a separate dental service);
- Periodontal scaling and root planing – entire mouth
- Adjustments – complete denture

  - any adjustment of or repair to a denture within 6 months of its installation is not a separate dental service.
- Recement bridge
- Surgical removal of erupted tooth requiring elevation of mucoperiosteal flap and removal of bone and/or section of tooth
  - Removal of impacted tooth, soft tissue
  - Removal of impacted tooth, partially bony
  - Removal of impacted tooth, completely bony
- Local anesthetic, analgesic and routine postoperative care for extractions and other oral surgery procedures are not separately reimbursed but are considered as part of the submitted fee for the global surgical procedure.
- General anesthesia – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.
- I.V. sedation – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.

Major Treatment (Covered Under the Dental Plan and Dental Plus Options)

The Plan pays for Major Treatment, provided you select the Dental Plan or Dental Plus coverage option. If you elect the Preventive Dental Option, the Plan does not pay benefits for Major Treatment.

Major Treatment is designed to correct dental disease, defect or injury and includes:

- Crowns

  Note: Crown restorations are dental services only when the tooth, as a result of extensive caries or fracture, cannot be restored with amalgam, composite/resin, silicate, acrylic or plastic restoration.

  - Porcelain fused to high noble metal
  - Full cast, high noble metal
  - Three-fourths cast, metallic
- Removable Appliances
  - Complete (full) dentures, upper or lower
  - Partial dentures
  - Lower, cast metal base with resin saddles (including any conventional clasps, rests and teeth)
  - Upper, cast metal base with resin saddles (including any conventional clasps rests and teeth)
- Fixed Appliances
  - Bridge pontics - cast high noble metal
  - Bridge pontics - porcelain fused to high noble metal
  - Bridge pontics - resin with high noble metal
  - Retainer crowns - resin with high noble metal
  - Retainer crowns - porcelain fused to high noble metal
  - Retainer crowns - full cast high noble metal
- Prosthesis over implant – a prosthetic device, supported by an implant or implant abutment is a covered expense. Replacement of any type of prosthesis with a prosthesis supported by an implant or implant abutment is only payable if the existing prosthesis is at least 5 calendar years old, is not serviceable and cannot be repaired.
- Implants - covered dental expenses include: the surgical placement of the implant body or framework of any type; any device, index, or surgical template guide used for implant surgery; prefabricated or custom implant abutments; or removal of an existing implant. Implant removal is covered only if the implant is not serviceable and cannot be repaired. Implant

coverage has a separate yearly maximum as shown in *Highlights of the Dental Plan Coverage*.

- Treatment of Temporomandibular Joint Dysfunction (TMJ)
  - Office visit – Adjustment to appliance (no more than six (6) adjustments in six (6) consecutive months after seating or placement of appliance)
  - Transcutaneous Electro-neural Stimulation (no more than four (4) treatments in a six (6)-month period)
  - Trigger Point Injection of Local Anesthetic into Muscle Fascia (no more than four (4) treatments in a six (6)-month period)
  - Mandibular Orthopedic Repositioning Appliance (only one appliance per person in any five (5) year period)

Orthodontia Services (Covered Under Dental Plus)

The Plan pays benefits for orthodontia services, provided you select the Dental Plus coverage option and remain covered under such option throughout the course of treatment. If you select the Preventive Dental or Dental Plan coverage option, the Plan does not pay benefits for orthodontia services. The Claims Administrator must determine that the service is necessary, and all orthodontia appliances and treatment must be part of a course of orthodontic treatment that begins while your coverage is in effect.

Subject to the foregoing, the Plan pays benefits for the following orthodontia services:

- Orthodontic work-up including x-rays, diagnostic casts and treatment plan and the first month of active treatment including all active treatment and retention appliances.
- Continued active treatment after the first month.
- Fixed or Removable Appliances - Only one appliance per person for tooth guidance or to control harmful habits.

The total amount payable for all expenses incurred for orthodontics during a person's lifetime will not be more than the orthodontia maximum shown in the *Highlights of the Dental Plan Coverage*.

Benefit payments for comprehensive full-banded orthodontic treatment are made in installments. Benefit payments will be made every 3 months. The first benefit payment is payable when the appliance is installed. Later payments are payable at the end of each 3-month period. The first installment is the lesser of (x) the lifetime maximum for orthodontia services, or (y) the product of (i) 25% of the charge for the entire course of treatment, multiplied by (ii) the applicable covered percentage. The remainder of the charge is prorated over the estimated duration of treatment. Payments are only made for services provided while a person is covered. If coverage ends or treatment ceases, payment for the last 3-month period will be prorated.

Orthodontia Payment Example: If your orthodontia treatment costs $5,000 and is estimated to take three years from installation of the appliance to complete, and if you have not been reimbursed for any orthodontia treatment in the past, your first installment will be $625 [the product of 25% multiplied by $5,000 (total cost of treatment) multiplied by 50% (covered percentage), which product is less than $1,500 (lifetime maximum)]. Assuming you remain covered under the Plan and complete the three-year treatment, the remaining charge will be paid in quarterly installments of $156.25 [calculated as set forth above] until you reach your lifetime maximum [$875 remaining after initial installment].

Orthodontia Payment Example

Total Treatment	$5,000.00
Initial Installment	
CIGNA Allowable (25% of total)	1,250.00
CIGNA Payment (50% of Allowable)	625.00
Remaining Installments	
Remaining Balance	$3,750.00
CIGNA Allowable (Remaining Balance/12 quarters)	312.50
CIGNA Quarterly Payment (50% of Allowable)	156.25*

*Subject to Lifetime Maximum

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Dental Expenses Not Covered

The Plan pays benefits for a variety of dental services, provided they are necessary according to generally accepted dental standards, appropriate to properly treat the dental condition, and recommended by your dentist. However, some limits and exclusions do apply.

The dental expenses **not** covered include, but are not limited to the following:

- Replacement of teeth that are missing when a person first becomes covered under the Plan;
- Services performed solely for cosmetic reasons;
- Replacement of a lost or stolen appliance;
- Replacement of a bridge, crown or denture within 5 years after the date it was originally installed unless: (a) the replacement is made necessary by the placement of an original opposing full denture or the necessary extraction of natural teeth; or (b) the bridge, crown or denture, while in the mouth, has been damaged beyond repair as a result of an injury received while a person is insured for these benefits;
- Any replacement of a bridge, crown or denture which is or can be made useable according to common dental standards;
- Procedures, appliances or restorations (except full dentures) whose main purpose is to: (a) change vertical dimension; (b) diagnose or treat conditions or dysfunction of the temporomandibular joint; (c) stabilize periodontally involved teeth; or (d) restore occlusion;
- Porcelain or acrylic veneers of crowns or pontics on, or replacing the upper and lower first, second and third molars;
- Bite registrations; precision or semiprecision attachments; or splinting;
- Instruction for plaque control, oral hygiene and diet;
- Dental services that do not meet common dental standards;
- Services that are deemed to be medical services;
- Services and supplies received from a hospital;
- Services for which benefits are not payable according to the immediately following paragraph.

In addition to the foregoing, no payment will be made for expenses incurred for you or any one of your dependents:

- For or in connection with an injury arising out of, or in the course of, any employment for wage or profit;
- For or in connection with a sickness which is covered under any workers' compensation or similar law;
- For charges made by a hospital owned or operated by or which provides care or performs services for, the United States government, if such charges are directly related to a military-service-connected condition;
- For charges for services provided by the covered person’s parent, spouse, brother, sister, son or daughter;
- For services or supplies received as a result of dental disease, defect or injury due to an act of war, declared or undeclared;
- To the extent that payment is unlawful where the person resides when the expenses are incurred;
- For charges which the person is not legally required to pay;
- For charges which would not have been made if the person had no insurance;
- To the extent that billed charges exceed the rate of reimbursement as described in the *Highlights of the Dental Plan Coverage,* including any charge in excess of the Maximum Reimbursable Charge;

- For charges for unnecessary care, treatment or surgery;
- To the extent that you or any of your dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid;
- For or in connection with experimental procedures or treatment methods not approved by the American Dental Association or the appropriate dental specialty society.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible dental expenses that are not covered by the Dental Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any dental care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

If you or your dependents have dental coverage under another dental plan, this Plan coordinates benefits with the other benefits to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits*" section of the **Benefits Program Overview** to learn more about the Plan's COB features.

Filing a Claim

General

Generally, dentists file claims electronically on your behalf provided that the dentist is a participating dentist. If you see a non-participating dentist, you may need to file your own claim. Claims should be submitted to the Claims Administrator.

How to File Claims

If you file your own claim form, follow these steps.

- Complete your portion of the claim form (your form will include step-by-step instructions for completing the correct information). Your dentist will need to complete his or her portion of the form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator online via the Benefits Source website mysourceforhr.com.
- Attach copies of all available dental bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the dental expense.
- Submit your completed claim form to the Claims Administrator. Claims should be submitted to:
  CIGNA
  P.O. Box 188037
  Chattanooga, TN 37422-8037

Any claims not submitted after 18 months from the date of service generally will not be considered for payment.

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Dental Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or by any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	CIGNA P.O. Box 188037 Chattanooga, TN 37422-8037 cigna.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Vision Plan

Vision Plan Option

Basic Vision Option

Your Vision Plan Options

This is the SPD (the "Vision Plan SPD") for the NiSource Vision Plan, also referred to as the Vision Plan. In this Vision Plan SPD, the Vision Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Vision Plan to eligible employees and their dependents with the following coverage options:

- Vision Plan option; and
- Basic Vision option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") with Vision Service Plan Insurance Company who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract, on the one hand, and this Vision Plan SPD, on the other hand, the terms of the Group Contract shall prevail. **You should refer to the Group Contract for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Vision Plan SPD.** *You may obtain a copy of the Group Contract by contacting the Benefits Source at **1-888-640-3320**.*

This Plan is designed to cover certain costs associated with your vision correction. *Please note that any illness or injury to your eyes would be covered under the Medical Plan, subject to any terms, conditions and limitations set forth in the Medical Plan*.

The Plan utilizes a network of VSP Providers referred to as the VSP Choice Network. The Plan pays vision benefits for eligible expenses regardless of whether you receive services and/or eyewear from a VSP Choice Network Provider or from a non-VSP Provider. However, if you go to a VSP Choice Network Provider, the Plan pays a higher level of benefits. You also have the option to receive benefit coverage from non-VSP Providers. However, your level of benefit payment will be subject to the non-VSP provider schedule as outlined in the "*Highlights of Your Vision Plan Coverage*".

- **VSP Choice Network Provider** – offers the convenience of "one-stop shopping" and can provide everything you need (eye exams, and if applicable, prescription glasses, and contacts). As long as you receive care or eyewear from a VSP Choice Network Provider, you are responsible for the amount in excess of the Plan's allowance, any applicable co-pays, and the cost of any eyewear or service that the Plan does not cover.
- **Non-VSP Providers** – you have the option to receive your services and eyewear outside the VSP Choice Network. If you do, you must pay the Provider in full at the time of your appointment and submit a claim to VSP. Once you submit an itemized receipt, the Plan then reimburses you for the eligible expense (up to the Plan's allowance).

To find a Provider who participates in the VSP Choice Network, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to request assistance.

Eligibility

For information regarding eligibility under the Vision Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Vision Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320** or log on to the Benefits Source website at mysourceforhr.com.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of Your Vision Plan Coverage

Vision Plan Option

The Vision Plan option pays for the following services and materials:

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year for Adults Twice every calendar year for Children	100%	Up to a $45 allowance
Lenses (per pair)			
Regular (single vision)	Once every calendar year	100%	Up to a $30 allowance
Lined Bifocal	Once every calendar year	100%	Up to a $50 allowance
Lined Trifocal	Once every calendar year	100%	Up to a $65 allowance
Lenticular	Once every calendar year	100%	Up to a $100 allowance
Frame	Once every other calendar years for Adults Once every calendar year for Children	100%, Up to a $200 frame allowance Featured Frames 100%, Up to a $250 frame allowance	Up to a $70 allowance
Contacts			
Visually Necessary	Once every calendar year in place of glasses	100%	Up to a $210 allowance
Elective	Once every calendar year in place of glasses	100% up to a $175 annual allowance	Up to a $105 allowance

If you choose contacts instead of glasses, you will pay up to a $50 copay for the contact lens exam (fitting and evaluation) after a 15% discount. The contact lens exam is in addition to your WellVision Exam® to ensure proper fit of contacts.

Polycarbonate lenses are covered in full for dependent Children up to the end of the month in which they turn age 26.

Standard Progressive Lenses are covered in full for all members.

KidsCare - the VSP® KidsCare Plan is designed to meet the eye care and eyewear needs of active and growing children by providing two WellVision Exams® and one pair of glasses every calendar year.

Basic Vision Option

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year	100%	Up to a $45 allowance

Vision Expenses Covered

The Plan will pay for vision services and materials, as described in the "*Highlights of Your Vision Plan Coverage*." However, in the event of any conflict with that section and the Group Contract, the terms of the Group Contract will prevail.

For purposes of this Vision Plan SPD, (i) "Adult" means either you or your Spouse, provided such person is eligible for, and has enrolled in, coverage under the Plan, (ii) "Child" or "Children" refers to a Child, as defined in the *Definitions* section of the **Benefits Program Overview**, provided such Child is eligible for, and enrolled in, coverage under the Plan, and (iii) "Covered Person" or "member" or "covered member" refers to any person who satisfies the eligibility requirements of the Plan and who is enrolled in coverage under the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 35.

For the Vision Plan Option, the services and materials that the Plan covers include, but are not limited to, the following:

- One WellVision Exam® in every calendar year for Adults.
- Two WellVision Exams® in every calendar year for Children.
- Prescription eyeglass lenses, one pair in every calendar year, up to a specified lens allowance.
- Frame for Adults, one pair every other calendar year (up to the frame allowance).
- Frame for Children, one pair every calendar year (up to the frame allowance)
- Contacts, one pair in every calendar year, up to a specified allowance. The allowance applies to the contacts only. There is an additional copay up to $50 for the contact lens exam (fitting and evaluation). This exam is in addition to your WellVision Exam® to ensure proper fit of your contacts. You can elect to receive an annual allowance toward the cost of contacts in lieu of frame and lenses.

Extra Discounts and Savings

When visiting a VSP Choice Network Provider, you may receive the following, provided that some of the discounts/savings listed below may not apply to the Basic Vision Option:

- Average savings of 30% on non-covered lens enhancements, such as scratch resistant and anti-reflective coatings, light reactive, custom or premium progressives, etc.; 20% off additional prescription glasses and sunglasses within 12 months of your last WellVision Exam®;
- 15% discount off the cost of an elective contact lens exam (fitting and evaluation);
- Polycarbonate lenses are covered in full for dependent Children;
- Standard progressive lenses covered in full for all members; Routine retinal screening discount;
- Laser vision correction discounts.

Other Programs/Resources Offered by the VSP

Laser VisionCare℠ Program

If you are considering laser vision correction, the Plan can help you make an informed decision. The Plan contracts with laser surgery facilities and doctors. As a result, you can access laser vision correction surgery for hundreds of dollars less than what you might pay privately. VSP has arranged for members to receive PRK, LASIK and Custom LASIK, at a discounted fee with an average 15% off the regular price or 5% off the promotional price. Visit the Claims Administrator's website at vsp.com or call **1-800-877-7195** to learn more about this program.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Vision Expenses Not Covered

Some vision care services and/or materials are not covered under this Plan and certain other limitations may apply. In addition, some brands of spectacle frames may be unavailable for purchase as Plan benefits or may be subject to additional limitations. Covered Persons may obtain details regarding service, material and/or frames exclusions from their VSP Choice Network Provider or by calling VSP's Member Services at (800) 877-7195.

Patient Options

This Plan is designed to cover visual needs rather than cosmetic eyewear. When a covered member selects non-covered lens enhancements, the covered member will pay the additional costs for the options. Some non-covered lens enhancements include:

- Optional cosmetic processes;
- Anti-reflective coating;
- Color coating;
- Mirror coating;
- Hi Index Lenses
- Scratch resistant coating;
- Blended lenses;
- Cosmetic lenses;
- Laminated lenses;
- Oversize lenses;
- Photochromic lenses, tinted lenses except Pink #1 and Pink #2;
- Custom and Premium Progressive lenses;
- UV (ultraviolet) protected lenses; or
- Certain limitations may apply on low vision care

For the cost of a non-covered lens enhancement, speak with your VSP Choice Network Provider or call VSP Member Service at (800) 877-7195

Not Covered

There are no benefits for:

- Services and/or materials not specifically included in this Vision Plan SPD as covered Plan benefits.
- Plano lenses (lenses with refractive correction of less than ± .50 diopter).

- Two pair of glasses instead of bifocals.
- Replacement of lenses, frames and/or contact lenses furnished under this Plan which are lost or damaged, except at the normal intervals when Plan benefits are otherwise available.
- Orthoptics or vision training and any associated supplemental testing.
- Medical or surgical treatment of the eyes.
- Contact lens insurance policies or service agreements.
- Refitting of contact lenses after the initial (90-day) fitting period.
- Contact lens modification, polishing or cleaning.
- Local, state and/or federal taxes, except where VSP is required by law to pay.
- Services associated with Corneal Refractive Therapy (CRT) or Orthokeratology.
- Corrective vision treatment of an experimental nature;
- Costs for services and/or eyewear above Plan benefit allowances; and
- KidsCare - Services and/or materials provided by someone other than a VSP Network Provider

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible vision care expenses that are not covered under the Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any vision care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

A Covered Person who is covered under two or more insurance plans that include vision care benefits may be eligible for Coordination of Benefits ("COB"). VSP will combine other insurance plans' claim payments or reimbursements, if any, with benefits available under the Plan, which may reduce or eliminate the Covered Person's out-of-pocket expense. A Covered Person covered under more than one VSP Plan may also be able to take advantage of COB. In order to process claims involving COB, VSP may need to share personal information regarding the Covered Person with other parties (such as another insurance company). When this is necessary, VSP will only share such information with those persons or organizations having a legitimate interest in that information and only where such sharing is not prohibited by law.

When coordinating benefits, it must be determined which plan is billed first. The plan that covers the member as an employee is "primary". The plan that covers the member as a dependent is "secondary".

If the Covered Person is a dependent child and is covered under both parents' plans, typically the parent whose birthdate falls first in the calendar year has the primary plan. If the parents are separated or divorced, the parent with custody is primary, unless otherwise ordered by the court.

The primary plan must pay or provide benefits as if the secondary plan does not exist.

When VSP administers the secondary plan, the member will receive a specified allowance for each service (exam, lenses, frame or contacts) that will be used to pay up to, but not more than the billed amount. Only services received on the primary benefit may be used for coordinating like services on the secondary benefit. Secondary allowances are applied first to the same service of the primary plan. Any remaining amount may be used to cover additional expenses on other services.

VSP will reimburse the Covered Person according to each benefit's out-of-network

schedule of allowances, not to exceed the actual exam fee and the cost of corrective eyewear.

Please Note: Coordination of benefits does not guarantee that all out-of-pocket expenses will be covered-in-full. The Member is responsible for any remaining expenses.

How to Access the Vision Benefits

Selecting a VSP Choice Network Provider

- Log on to the Benefits Source website at mysourceforhr.com to find the link to VSP's website that houses the most up-to-date list of VSP Choice Network Providers; or call the Benefits Source at **1-888-640-3320** to locate a VSP Choice Network Provider near you. Call the VSP Choice Network Provider to make an appointment. Identify yourself as a VSP member.
- At the time of the visit, pay any amounts that are in excess of the allowance or the Plan's covered services. The VSP network provider files all necessary claims directly from his or her office. The Claims Administrator takes care of all of the necessary paperwork, and pays the provider directly for the eligible expenses.

If you select a Non-VSP Provider

If you receive care from a non-VSP provider, you are required to submit a VSP Request for Reimbursement claim form or you can submit the claim online by signing in as a Member to vsp.com. Here are the steps to follow when filing your own claim with the Claims Administrator:

- Complete all required fields of the VSP Request for Reimbursement claim form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator via the Benefits Source website mysourceforhr.com and link to the Claims Administrator's website.
- Attach copies of your itemized bill and paid receipts to your claim form. These bills should include:
  - Name of patient;
  - Doctor's name or office name;
  - Date of service;
  - Each service received and the amount paid;

Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

VSP
P.O. Box 385018
Birmingham, AL 35238-5018

Be sure to submit your completed claim to the Claims Administrator within 1 year of the date of your service.

Your claim will be processed upon receipt. The Plan then pays eligible benefits directly to you. Regardless of whether you will receive care from a VSP Choice Network Provider or a non-VSP provider, you receive a statement that tells you how much the Plan paid. In some cases, the Claims Administrator sends the payment to a designated representative (as in the case of a Qualified Medical Child Support Order).

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Vision Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Fully Insured
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurance Company. Claims are administered by the Claims Administrator listed below under the group insurance contract.
Claims Administrator (VSP Choice Network Providers):	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670 vsp.com
Claims Administrator (Non-VSP Providers):	Vision Service Plan Insurance Company P.O. Box 385018 Birmingham, AL 35238-5018
Insurance Company:	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The group insurance contract (the "Group Contract") underwritten by Vision Service Plan Insurance Company provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and a certificate or evidence of coverage (the "Group Insurance Certificate"). In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail.

Vision Service Plan Insurance Company, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Flexible Benefits Plan

Flexible Spending Account Plan

Health Savings Account

Your Flexible Benefits Plan Options

NiSource Inc. (the "Company") maintains the NiSource Flexible Benefits Plan (the "Plan"), which provides eligible employees with the option to participate in a Flexible Spending Account Plan (an "FSA Plan") and to contribute to a Health Savings Account (an "HSA"); provided, however, that you may not contribute to a Health Care FSA and an HSA at the same time.

The Claims Administrator for the FSA Plan is Alight Solutions, LLC, dba "Your Spending Account" or "YSA".

Flexible Spending Account

The FSA Plan has two different Flexible Spending Accounts. They are:

- The Health Care FSA; and
- The Dependent Care FSA.

You may participate in one or both of these accounts. The contributions you make to the Flexible Spending Accounts are not subject to Federal, and in many cases, state and local income tax, which reduces your taxable income.

The Health Care FSA allows you to set aside before-tax money from your paychecks to pay for certain eligible health care expenses that are not covered by the Medical, Dental or Vision Plans. You may set aside up to $2,750 a year (deducted from your pay in equal installments throughout the year) to pay for eligible out-of-pocket expenses such as deductibles, co-payments, or expenses that the Plan limits or excludes. The maximum limit for Health Care FSA may be adjusted periodically for inflation. Please contact the Benefits Source at **1-888-640-3320** to find out the current limit.

The Dependent Care FSA works similarly to the Health Care FSA. However, the before-tax money that you can set aside can only be used for reimbursement for dependent care expenses for eligible dependents. You may set aside up to $5,000 per year, or $2,500 per year if you are married and file separate federal income tax returns.

You may not claim any other tax benefit (e.g., the federal dependent care tax credit) for the amount of your before-tax salary reductions under the Dependent Care FSA, although your eligible dependent care expenses in excess of that amount may be eligible for the federal dependent care tax credit. The federal dependent care tax credit is a credit against your federal income tax liability under the Code. It is a non-refundable tax credit, which means that any portion of it that exceeds your federal income tax liability will be of no value to you. For more information about how the dependent care tax credit works, see IRS Publication No. 503 ("Child and Dependent Care Expenses"). For most individuals, participating in the Dependent Care FSA will produce greater federal tax savings than the dependent care tax credit, but there are some for whom the opposite is true. You should consult a tax advisor to determine what course of action would be best in your situation.

Eligibility

For information regarding eligibility under the FSA Plan, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

Highlights of the Flexible Spending Accounts (FSAs)

FSA FEATURES	Eligible Dependents	Eligible Expenses
Health Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $2,750*	The Health Care FSA can be used to reimburse eligible out-of-pocket expenses incurred by you, your eligible spouse, or any person who is your dependent for federal income tax purposes (as determined without regard to such person's gross income).	Certain medical, dental, and vision expenses not covered under the Medical, Dental, or Vision Plans, such as deductibles, co-payments and coinsurance amounts. The expense must be considered as one incurred for "medical care," as defined in the Code. A non-exhaustive list of eligible expenses can be found later in this section.
Dependent Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $5,000; $2,500 if you are married and file separate federal income tax returns.	For purposes of the Dependent Care Flexible Spending Account, eligible dependents are: • Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child; • Your spouse who is physically or mentally incapable of caring for himself or herself, provided the spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, the spouse must regularly spend at least eight hours each day in your home.	Expenses you incur to care for your child or a dependent family member while at work. If you are married, your spouse also must work, be looking for work, be a full-time student for at least five months during the calendar year, or be physically or mentally unable to care for your dependent(s). A non-exhaustive list of eligible expenses can be found later in this section.

FSA FEATURES	Eligible Dependents	Eligible Expenses
	• Any one of the following persons, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year: a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step-daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.	

*Amount is subject to change on at least an annual basis. Please contact the Benefits Source at 1-888-640-3320 for the current maximum annual contribution amount for the Health Care FSA.

Health Care Eligible Expenses

Health care expenses that are eligible for reimbursement from the Health Care FSA are those expenses incurred for "medical care" (as defined under the Code and regulations issued thereunder) by you, your spouse or persons who qualify under the Code as your tax dependents for health coverage purposes, to the extent such expenses are not reimbursed from any other source, are not taken as a deduction on the your income tax return and are not otherwise excluded from eligibility under the terms of the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Health Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 35.

Eligible health care expenses include, but may not be limited to the following:

- Expenses covered by an employer-sponsored health care plan, but not reimbursed due to a deductible or co-payment.
- Prescription vision expenses (including eyewear, contact lenses and optometrist), contact lens solution, a guide dog for the blind and special education devices for the blind (such as a special typewriter).
- Expenses that may not be covered by an employer-sponsored health care plan, including (but not limited to):
  - — Confinement to a facility primarily for screening tests and physical therapy or hydrotherapy;
  - — Cosmetic surgery if it is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting

from an accident or trauma, or disfiguring disease;

- Services for chromosome or fertility studies;
- Treatment (other than surgery, which is covered by the Medical Plan) of corns, bunions, calluses, foot structural disorders, etc.;
- Services related to sexual dysfunctions or inadequacies;
- Ace bandages, support hose, or other pressure garments prescribed by a physician;
- Charges for medical expenses in excess of reasonable and customary expenses;
- Acupuncture for pain relief as performed by a licensed practitioner;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Orthodontic services not covered by a health care plan;
- Transportation expense to receive medical care, including fares for public transportation and actual out-of-pocket car expense, such as gas and oil. In lieu of out-of-pocket expenses, a standard mileage rate (plus tolls and parking) may be used;
- Hearing expenses including hearing aids, special instructions or training for the deaf (such as lip reading), the cost of acquiring and training a dog for the deaf, and special telephone and audio display equipment for the deaf;
- Hypnosis for treatment of an illness;
- "Halfway house" care to help individuals adjust from life in a mental hospital to community living;
- Tutoring by a licensed therapist for a child with a severe learning disability and special schooling for handicapped individuals;
- Lifetime care advance payment to a private institution for lifetime care, treatment, or training of a mentally or physically handicapped patient;
- Medical information plan fees paid to a plan maintaining an individual's medical information by computer;
- Special car controls for the handicapped; and
- Full or partial reimbursement for certain capital expenditures that are primarily made for health care reasons (e.g., an air conditioner installed in the home of a person with severe allergies may qualify for partial reimbursement, and an exercise swimming pool to aid in the recovery of a stroke victim may qualify for reimbursement).

This list of covered expenses is subject to change. An expense may not be reimbursed if the IRS would not consider the expense to be eligible.

To confirm if an expense is eligible for reimbursement, call YSA via the Benefits Source at ***1-888-640-3320.***

Health Care Expenses Not Eligible

The health care expenses that are **not** eligible for reimbursement from the Health Care FSA include, but may not be limited to the following:

- Marriage or family counseling;
- The salary expense of a licensed practical nurse (LPN) incurred in connection with the care of a normal and healthy newborn (even though such care may be required due to the death of the mother in childbirth);
- Funeral and burial expenses;
- Household and domestic help (even though recommended by a qualified physician due to your or dependent's inability to perform physical housework);
- Custodial care in an institution;
- Costs for sending a "problem child" to a special school for benefits the child may

receive from a special course of study and disciplinary methods;

- Health club dues, YMCA dues, steam bath, etc.;
- Social activities, such as dance lessons or classes (even if recommended by a qualified physician for general health improvement);
- Membership fees or costs associated with weight loss or smoking cessation programs for general health and well-being purposes;
- Maternity clothes, diaper services, etc.;
- Cosmetics, toiletries, toothpaste, etc.;
- General health care aids purchased without a prescription, such as dietary supplements (e.g., vitamins);
- Premiums for other group or individual insurance coverage;
- The segment of automobile insurance premiums providing medical coverage for persons injured through an accident involving your care;
- Vacation or travel taken for general health purposes, a change in environment, improvement of morale, etc., or taken to relieve physical or mental discomfort not related to a particular disease or physical defect;
- Retin-A when used solely for cosmetic purposes;
- Herbs (even if they are used to treat an illness or injury); and
- Premiums for contact lens replacement insurance.

Filing a Health Care FSA Claim

If your health care-related expenses are eligible for reimbursement from the Program's Medical, Dental, or Vision Plans (or another medical, dental, or vision plan outside the Program), those expenses should be submitted to that plan first. After a payment determination is made, the unreimbursed expenses can then be submitted to your Health Care FSA.

The total annual amount that you can elect to contribute to the Health Care FSA (less any previous reimbursements) is available for reimbursement (regardless of the amount that you have contributed to your FSA to-date). Contributions then continue to be deducted from your paychecks until your annual goal amount is reached.

You may incur eligible health care expenses until December 31. You then have until March 31 of the following year to submit claims for expenses you incurred between January 1 and December 31 of the previous year.

Reimbursement of Health Care FSA Claims

You may submit a claim for reimbursement under your Health Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Completed forms should be submitted along with the following documentation:

- **The Explanation of Benefits** (EOB): The EOB from the Claims Administrator indicates what expenses were covered by your medical/dental/vision plans. If you have another benefit plan available to you, you must submit your EOB with your completed health care reimbursement form.
- **A Co-pay Receipt**: This receipt is from the provider, and may be the only documentation if the co-pay is the only expense.
- **An Itemized Bill or Statement**: This is from the provider, and shows what expenses are not covered by the medical/dental/vision plan. It may include the:
  - Name and address of the service provider;
  - Dates of service (not the billing date or the paid date);
  - Dollar amount charged;
  - Patient's name; and

— Description or type of services rendered.

Please note that canceled checks and balance-forward statements are not acceptable documentation for reimbursement.

Submit the completed form and documentation to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

Debit Cards

In addition, if the total annual amount that you elect to contribute to the Health Care FSA is $60 or greater, you will be issued a debit card for use with your Health Care FSA. The debit card may be used only for eligible health-related expenses. When you use your debit card, you are automatically certifying that you have not been reimbursed for the expense and that you will not seek reimbursement for the expense from any other plan.

You may use your debit card to obtain reimbursement for certain approved over-the-counter medications and supplies that are used to treat an illness, injury, or disease and that are purchased from registered vendors. However, you may not use your debit card to obtain reimbursement for over-the-counter medications or supplies that require a prescription or a statement of health or medical need.

The FSA Plan will try to automatically verify any claims you submit through your debit card. However, you should retain documents (such as an EOB, receipt, and itemized bill or statement) to support your claim in case the Claims Administrator requests such information. All expenses you incur must be substantiated in accordance with rules established by the IRS.

If you are paid for an excess or ineligible claim through your debit card, or if you fail to provide requested information to the Claims Administrator regarding substantiation of a claim, your debit card privileges may be suspended and the Plan and Claims Administrator reserve the right to recoup the mistaken payment. If you fail to repay such amount to the Plan, such amount may be withheld from your wages, be offset against other eligible Health Care FSA claims you submit, or be reported on your W-2 as taxable income.

Dependent Care Eligible Expenses

The dependent care expenses that are eligible for reimbursement from the Dependent Care FSA include, but may not be limited to:

- Family day care providers;
- Babysitter;
- Caregivers for a disabled dependent or spouse who resides in the participant's home;
- Housekeeper, maid or cook (provided the services are attributable in part to the care of an eligible dependent);
- Dependent care provided outside your home by an eligible care provider, including care provided in a neighbor's home or in an approved nursery school or dependent day care center. If the care is for a dependent age 13 or over, the dependent must regularly spend at least eight hours each day in your home. For example, day care centers for children and disabled adults qualify, but 24-hour nursing care facilities do not. Also, facilities that care for seven or more nonresident individuals must comply with all applicable state and local regulations governing day care centers;
- Payments for before- and after-school care for eligible children from kindergarten up to and including age 12;
- Payments in lieu of regular dependent day care to summer day camp or other summer programs (but not overnight camp); and
- Certain expenses for children not yet in the first grade, for example:
  - — Nursery school;
  - — Pre-school.

To confirm if an expense is eligible, call YSA via the Benefits Source at **1-888-640-3320**.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Dependent Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dependent Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 36.

Dependent Care Expenses Not Eligible

The dependent care expenses that are **not** eligible for reimbursement from the Dependent Care FSA include, but may not be limited to the following:

- Dependent care expenses that you incur before (or after) your participation in the Dependent Care FSA begins (or ends);
- Any expense that you claim for the dependent care tax credit on your federal income tax return, or any expense that is paid by any other similar reimbursement-type plan or program;
- Any expenses that are reimbursed by your Health Care FSA;
- Expenses for the education of a qualified dependent;
- Expenses paid for food and clothing;
- Dependent care provided by a family member who is under age 19 at the end of the taxable year, or by another dependent for whom you claim a dependent exemption on your tax return;
- Expenses for health care;
- Educational expenses for kindergarten or higher;
- Housekeeping expenses that are not related to dependent care, or payments for services while you are at home from work because of an illness;
- Child or dependent care provided while:
  - You are at work and your spouse is doing volunteer work, even if a nominal fee is paid (or vice versa);
  - You and your spouse are doing volunteer work (even if a nominal fee is paid); or
  - You and your spouse are not working (such as weekend or evening babysitting fees);
- Expenses for food, clothing, health care, or entertainment of a qualified dependent;
- Transportation expenses to and from the dependent care location;
- Expenses for overnight camps;
- Services of a gardener or chauffeur; and
- Care provided by a round-the-clock nursing home.

Filing a Dependent Care FSA Claim

For Dependent Care FSA reimbursements, only the current balance in your Dependent Care FSA is available for reimbursement. This means that you are reimbursed up to the amount that you have actually set aside from each paycheck up to that point (less any previous reimbursements). So, if the reimbursement request that you submit exceeds the amount currently in your Dependent Care FSA, you are reimbursed for the remainder after you contribute more money to your Dependent Care FSA via future paychecks.

You may submit a claim for reimbursement under your Dependent Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Submit the completed form along with the following documentation:

- **Provider's Bill or Itemized Receipt**:. The provider must sign this documentation, and it must itemize the date(s) of service as well as the amount(s) charged. Canceled checks are not considered acceptable documentation.
- **Dependent Care Provider's Name, Address, and Social Security Number (or Federal Tax Identification Number)**. For tax-reporting purposes, you must include the provider's name and his or her Social Security number (or taxpayer identification number). The taxpayer identification number is not necessary if the provider is a nonprofit, religious, charitable, or educational organization.

If the provider completely fills out the 'Provider Certification' section of the reimbursement form, then you need only submit the completed reimbursement form for your reimbursement request.

Submit the completed form and documentation (if required) to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

FSA Filing Deadlines

You may submit a health care reimbursement claim at any time after you incur an eligible health care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Health Care FSA after March 31 will be forfeited.

You may submit a dependent care reimbursement claim at any time after you incur an eligible dependent care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Dependent Care FSA after March 31 will be forfeited.

Claim Determination and Appeal Process – Health Care FSA

For information regarding the Health Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Claim Determination and Appeal Process – Dependent Care FSA

For information regarding the Dependent Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dependent Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the FSA Plan, including COBRA continuation coverage under the Health Care FSA, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Health Savings Account

If you enroll in one of the High Deductible PPO options (HDPPO 1 or HDPPO 2) you may be eligible to contribute to a Health Savings Account (HSA). An HSA is a portable savings account established and maintained outside the Plan that can be used to pay present and future medical and prescription drug expenses. An HSA is not an employer-sponsored employee benefit plan — it is an individual trust or custodial account that you open with a separate HSA trustee/custodian, such as a bank, life insurance company or other financial institution. Your HSA will be subject to the terms of an agreement you enter into with the HSA trustee/custodian. Such agreement may impose fees and restrictions upon how you use your HSA. The Plan merely allows you to contribute to your HSA in an amount up to the IRS statutory limit. Unlike a Health Care FSA, the HSA account balance can roll over from year to year until withdrawn and earnings accumulate tax-free.

The Health Savings Account is administered by Alight. Your Employer has no authority or control over the funds deposited in your HSA. As a result, the HSA is not subject to ERISA.

You can use the dollars in your HSA to pay the deductible and coinsurance required under the HDPPOs, along with other qualified medical expenses not covered by the plans. Qualified medical expenses are expenses you pay for medical care (as defined in Section 213(d) of the Code) for you, your spouse or dependents (as defined in Section 223 of the Code), to the extent such expenses are not reimbursed by insurance or otherwise.

Funds in the HSA remain in the account until you apply for reimbursement. If you are enrolled in the HDPPO 1 or HDPPO 2, your Employer may make an annual contribution into your HSA on your behalf. However, you must establish or activate your HSA before the end of the Plan Year in order to receive any Employer contributions. If you fail to do so, you will forfeit any Employer contributions for that Plan Year.

The amount you can contribute to your HSA is governed by federal law. Please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Flexible Benefits Plan – HSAs"* for a discussion of limitations upon the amount you may contribute to an HSA. Please call the Benefits Source at **1-888-640-3320** for more information.

Three Ways to Use Your Health Savings Account

- Pay for current qualified medical expenses, such as deductibles and coinsurance, or eligible expenses not covered by the HDPPOs.
- Pay for qualified medical expenses in future years, even if you are no longer enrolled in the HDPPOs.
- Once you reach age 65 (or become disabled), you can use any remaining money in your HSA to pay for qualified medical expenses on a tax-free basis, or you can take a distribution for non-qualified medical expenses, subject to income tax but without incurring a penalty .

Please note: *The information above describes the federal tax treatment of an HSA, but the favorable tax treatment described above may be limited or unavailable for state tax*

purposes. Please consult your tax advisor for more information.

Eligibility

For information regarding eligibility for an HSA, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in an HSA, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

HSA Qualified Medical Expenses

In addition to those services covered under the HDPPOs, you can use your HSA to pay for other qualified medical expenses including, but not limited to the following expenses, to the extent they are not reimbursed from any other source:

- Laser eye surgery;
- Weight loss programs;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Long-term care premiums;
- COBRA premiums;
- Health care plan premiums while receiving unemployment;
- Over age 65, you can use the HSA funds to pay for Medicare Parts A or B; and
- Many other services defined as expenses for medical care under Section 213(d) of the Code.

If you use your HSA for a non-medical or non-qualified medical expense, you will have to pay income tax on the account distribution as well as a 20% penalty. However, if a distribution is made after age 65, after disability, or after death, the distribution will be subject to income tax, but no penalty tax.

If you have a question about what constitutes a qualified medical expense, please consult your tax advisor or Publication 969 that may be found on the IRS website at irs.gov.

How to Open an HSA

After you have enrolled in an HDPPO option and agreed to the terms and conditions of the HSA custodial agreement, YSA will send you a packet containing basic information on how to use a Health Savings Account.

Paying for Covered Expenses Using the Health Savings Account

The Health Savings Accounts are administered by YSA. When you visit a network provider, you typically do not pay at the time of service. Simply show your Anthem ID card and the following steps will be followed:

1. The claim will be sent to Anthem for processing.
2. You will receive an Explanation of Benefits (EOB) statement showing what was paid under the Plan.
3. Your provider will receive the same statement and bill you for the balance not covered under the Plan.
4. You can then either pay the balance with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

Paying for prescription drugs works differently. The following steps will be followed:

1. You must show the pharmacist your Anthem ID card (the same one you use for medical services).
2. When you pick up your prescription, you can either pay with your HSA debit card (if accepted by your provider) or pay out

of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

A similar procedure applies for mail-order prescription drug service.

Paying a Provider Who Does Not Participate in the Network

If you visit a provider who is not in the Network, you must either pay the provider at the time of service with your HSA debit card (if accepted by your provider) or pay the provider out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

To enroll or to find out more information about the Health Savings Account, please visit the Benefits Source website mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to speak with a representative.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Flexible Benefits Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Code Section 125 Plan containing group health plan and non-group health plan components and providing for Pre-Tax Payment of Medical Expenses (Health Plan), Pre-Tax Payment of Dependent Care Expenses and Pre-Tax Contributions to Health Savings Accounts
Plan Number:	537
Type of Funding:	Not applicable
Contribution Source:	Employee. In addition, subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Fiduciary and Plan Administrator:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute the entire cost of the Benefit Plan coverage they select. Provided, however, that subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Distributions from HSAs are not administered through the Plan. Questions concerning investments, distributions or other matters pertaining to an HSA should be directed to Alight, who administers the HSAs. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator for Flexible Spending Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com

Claims Administrator for Health Savings Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Life and AD&D Plan

Employee Term Life Coverage – Basic Plan

Employee AD&D Coverage – Basic Plan

Your Life Insurance and AD&D Options

This is the SPD (the "Life and AD&D SPD") for the NiSource Life Insurance Plan, also referred to as the Life and AD&D Plan. In this Life and AD&D SPD, the Life and AD&D Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible employees with the following coverage options (each a "Life and AD&D Coverage Option"):

- Basic Employee Term Life Coverage Option;
- Basic Employee Accidental Death and Dismemberment ("AD&D") Coverage Option;

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this summary plan description, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at* ***1-888-640-3320****.*

The Plan provides life insurance and AD&D coverage on the persons of eligible employees ("Employee Insurance"). See the individual Benefit Plan sections below for a summary of the benefits offered under each of the Coverage Options listed above.

Eligibility

For information regarding eligibility under the Life and AD&D Plan, please see the *"Eligibility under the Life and AD&D Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Life and AD&D Plan"*.

Contributions

Premium contributions are not required for the Basic Employee Term Life Coverage Option or the Basic Employee AD&D Coverage Option.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Life and AD&D Plan"*.

Definition of "Earnings"

For commission paid employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings include the annualized average commissions earned during the shorter of (i) the 24 month period just prior to your date of loss; or (ii) your period of employment. Bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer are not included.

For all other employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings do not include commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under each Life and AD&D Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at **1-888-640-3320**.

Insurance under a Life and AD&D Coverage Option may not be assigned.

Basic Employee Term Life Coverage

The Basic Employee Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in the amount of $20,000.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Option to Accelerate Payment of Death Benefits

If you have a Terminal Condition while insured under the Basic Employee Term Life Coverage Option (the "Employee Term Life Insurance"), you may elect to have an Accelerated Benefit paid to you in one lump sum, or in any other manner agreeable to you and Securian, when Securian receives proof satisfactory to it that you have a Terminal Condition.

You have a "Terminal Condition" if you have a condition caused by sickness or accident that directly results in a life expectancy of twelve months or less. Securian must be given evidence that is satisfactory to it that your life expectancy, because of sickness or accident, is twelve months or less. That evidence must include a certification by a physician, other than you or a member of your immediate family, who is licensed to practice medicine or treat illness in the state in which treatment is received. Securian has the right to have you medically examined at its own expense to verify your medical condition. Securian may do this as often as reasonably required while Accelerated Benefits are being considered or paid.

"Accelerated Benefit" means the amount of your Employee Term Life Insurance that Securian will pay if you are eligible under the Group Insurance Certificate rider with respect to Accelerated Benefits. You must take the entire Accelerated Benefit. Securian calculates the Accelerated Benefit by multiplying your death benefit (the amount of your life insurance as shown on the specifications page attached to the certificate furnished to you by Securian) by the accelerated benefit factor. The accelerated benefit factor will be stated as a percentage of your death benefit. In calculating this factor, Securian considers your age and gender. Securian also bases its calculation of the factor upon certain assumptions, which it may change from time to time, including without limitation assumptions about expected future premiums and your life expectancy. The minimum death benefit eligible for an Accelerated Benefit is $10,000.

If you elect to accelerate the full amount of your death benefit, your Employee Term Life Insurance coverage and all other benefits under your certificate of insurance and any certificate supplements will end.

Your right to be paid under this option is subject to the following terms: (1) Your Employee Term Life Insurance must be in force and all premiums due must be fully paid; (2) You must make application in writing and in a form that is satisfactory to the Claims Administrator; (3) You must be the sole owner of your certificate of insurance; (4) You must not have designated an irrevocable beneficiary for your Employee Term Life Insurance; (5) You must not be required by law to use this option to meet the claims of creditors, whether in bankruptcy or otherwise; and (6) You must not be required by a government agency to use this option in order to apply for, obtain, or keep a government benefit or entitlement.

Please note that any payment of an Accelerated Benefit may be taxable. You should consult your tax advisor for assistance with any questions you may have.

Refer to the Group Insurance Certificate for additional details, terms and conditions regarding this option.

Payment of Death Benefits under Life Coverage

If you die while covered under the Plan, the amount of insurance on you is payable when Securian's home office receives written proof satisfactory to it that you died while covered under the Plan and insured under the Group Insurance Certificate. If you die within 31 days after ceasing to be covered under the Plan, but while you are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Employee Term Life Insurance are payable according to Securian's beneficiary and mode of settlement rules.

Conversion Privilege for Life Coverage

If all or a part of your Employee Term Life Insurance terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Neither the conversion right nor the limited conversion right is available if your coverage under the Plan or Group Contract terminates due to failure to make, when due, required premium contributions. Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by Securian for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features*" below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Basic Employee AD&D Coverage Option

The Basic Employee AD&D Coverage Option provides a benefit in the amount of $20,000.

Additional AD&D Coverage

The Plan provides additional benefits under the Basic AD&D Coverage Option for your loss of life as a result of a covered accident in an automobile while using a seat belt and as a result of an accident in an automobile while using an air bag. The additional benefit is in an amount equal to the lesser of (1) 10% of your full amount of insurance, and (2) $10,000. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; one hand and one foot; one hand and sight of one eye; one foot and sight of one eye; speech and hearing; quadriplegia	100%
Paraplegia	75%
One hand; one foot; sight of one eye; speech; hearing; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

Benefits may be paid for more than one accidental injury but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A Loss is not covered if it results from any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted Injuries, or any attempt to inflict such Injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the Loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including

Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit an assault or felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Portability of Life and AD&D Coverage

If coverage under any of the Life and AD&D Coverage Options ceases, you may have the right to apply for coverage for yourself and for your "eligible dependent," as the case may be, under a Portability Plan maintained by Securian. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Policy would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue dependent coverage under a Life and AD&D Coverage Option, you must port your corresponding employee coverage. In addition, life insurance coverage must be ported in order to port accidental death and dismemberment insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Portability Coverage in Lieu of Conversion Coverage

The right to elect term life coverage under the Portability Plan is in lieu of the conversion privilege under the Employee Term Life Insurance, except that you may convert the amount of insurance under the Employee Term Life Insurance that exceeds the maximum amount of coverage that may be obtained under the Portability Plan.

Your Eligibility for Portability Coverage

You are eligible to continue your Employee Insurance under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you terminate employment, including retirement; or

(2) you are no longer in a class eligible for coverage or you are on a leave or layoff; or

(3) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by

Securian or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) with respect to Term Life Coverage, have converted your insurance to an individual life policy as permitted by any conversion rights under the Plan; or

(3) were not actively at work due to sickness or injury on the date immediately preceding your portability date; or

(4) lose eligibility due to termination of the Plan or Group Policy.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date.

When an insured attains age 65, the amount of insurance on his or her life continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Conversion of Portability Coverage

At any time after insurance has been continued under the Portability Plan, it may be converted to a policy of individual insurance with Securian. All other conditions and provisions applicable to conversion coverage will apply. See the Group Insurance Certificate for additional details.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) 31 days after the due date of any premium contribution which is not made.

Highlights of Conversion and Portability Features

	Conversion	Portability
Can Basic Life be converted or ported?	Yes	Yes
Can AD&D be converted or ported?	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No	No.
Application Deadline	Application and first month premium due 31 days after your coverage termination.	For life coverage, application due 31 days after your coverage termination. Securian will bill the participant directly. For AD&D coverage, 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101

Conformity with State Law

If any provision of this summary plan description or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should obtain a claim form and follow the instructions on the form. For AD&D claims, Securian must be given written proof of the loss for which claim is made. This proof must cover the occurrence, character and extent of that loss. It must be furnished within 90 days after the date of the loss. But, if any Life and AD&D Coverage Option provides for periodic payment of benefits at monthly or shorter intervals, the proof of loss for each such period must be furnished within 90 days after its end. A claim will not be considered valid unless the proof is furnished within these time limits. However, it may not be reasonably possible to do so. In that case, the claim will still be considered valid if the proof is furnished as soon as reasonably possible.

Claim forms are available from Securian. Claim forms can be obtained from Securian by phone via the Benefits Source at ***1-888-640-3320****, or online via the Benefits Source website at* mysourceforhr.com*. If you do not receive the form from Securian within 15 days of your request, send Securian written* proof of claim without waiting for the form.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Life and AD&D Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance and accidental death and dismemberment benefits
Plan Number:	536
Contribution Source:	Basic Employee Insurance: Employer Optional Employee and Dependents Insurance: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Non-Exempt, Non-Union, Full-Time Employees Hired or Rehired Before January 1, 2013

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

As an employee of a NiSource Inc. ("NiSource" or "Company") or one of its affiliates (to the extent described below), you have the benefit of choosing your own portfolio of benefit coverages from the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program (collectively the "Program") each year.

The benefit information contained in this Handbook applies to all eligible regular full-time non-exempt, non-union employees hired or rehired before January 1, 2013 who work for the Company or a participating employer and who are covered under the Program. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible employees as belonging to Active Benefit Program 101.

A participating employer is an affiliate of the Company that has adopted, or is deemed to have adopted, the Program, as evidenced by the Company's books and records reflecting that eligible employees of such employer may participate in certain of the benefits thereunder. The NiSource Benefits Committee (the "Committee") has sole discretion to determine who is a participating employer.

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the Benefit Plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The Committee reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program (or various component benefit plans thereof) also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource offers you the following coverages in accordance with the terms of the applicable benefit plans (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan" or a "Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Medical Plan")
- Dental Coverage (NiSource Dental Plan – referred to as the "Dental Plan")
- Vision Coverage (NiSource Vision Plan – referred to as the "Vision Plan")
- Flexible Benefits (NiSource Flexible Benefits Plan – referred to as the "Flexible Benefits Plan," and comprised of the "FSA Plan" and provisions for contributions to Health Savings Accounts, or "HSAs")
- Travel Accident Coverage (NiSource Travel Accident Plan – referred to as the "Travel Accident Plan")
- Short-Term Disability Coverage (NiSource Short-Term Disability Plan –

referred to as the "Short-Term Disability Plan")

- Long-Term Disability Coverage (NiSource Long-Term Disability Plan – referred to as the "Long-Term Disability Plan")
- Life and AD&D Coverages (NiSource Life Insurance Plan – referred to as the "Life and AD&D Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – Pension and 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Medical, Dental, Vision and Flexible Benefits Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Medical Plan, the Dental Plan, the Vision Plan, and the Flexible Benefit Plan, the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before a Plan will pay benefits.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by physicians practicing the

applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"PBM" means the Pharmacy Benefit Manager for the Medical Plan. As of the date of this Handbook, the PBM is Anthem.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a

person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

Definitions Applicable to All Benefit Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview** and in the individual Benefit Plan sections, the following terms when used in this Handbook shall have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Employer" means the Company or any Participating Employer by whom you are employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A and to such other limitations or guidance that may be issued by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, or Department of the Treasury.

"Participating Employer" means, with respect to any Benefit Plan, the Company, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Safety Plan Rehire" means (i) a person eligible for retiree medical and retiree life insurance benefits who is rehired by Columbia Gas of Ohio, Inc. after January 1, 2019 to support the construction activities associated with regulator station replacement in conjunction with the LP-Enhanced Safety Plan and natural gas system replacement projects, or (ii) a retiree who was rehired by Bay State Gas Company after January 1, 2019 for a short-term position as Department of Public Utilities liaison for the third-party audit of post-incident construction.

"Spouse" means a person who is treated as your spouse under the Code. ***Please Note:*** See "Eligibility under the Medical, Dental, and Vision Plans" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for medical plan coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to elect to participate in the Benefit Plans when and to the extent provided under the applicable Benefit Plan.

Please Note: It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a

Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits, required repayment of any ineligible expenses, and disciplinary action up to and including dismissal.* Also, enrollment of a dependent under the Medical Plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the Plan.

Please note that the Affordable Care Act requires us to collect the Social Security Number of each individual covered under the Medical Plan. Covered individuals may face a tax penalty for failure to provide this information. To report this information, please contact the Benefits Source at **1-888-640-3320**.

Eligibility under the Medical, Dental and Vision Plans

You and your eligible dependents may elect to participate in the Medical, Dental, or Vision Plans if you are actively at work and you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former Spouse or your Spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated; (3) the child is dependent upon you for financial support and maintenance; (4) you continue to be covered by the Plan; (5) with respect to the Dental or Vision Plan coverage, the child is also covered under the Medical Plan, or was covered under the Dental Plan and/or Vision Plan, as the case may be, as of December 31, 2018, and has remained covered under such Plan or Plans continuously since that date; (6) the child's disability continues; and (7) the child has not attained age 65;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent.

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under

a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Medical, Dental or Vision Plan.*

Eligibility under the Flexible Benefits Plan

FSA Plan

You can elect to participate in the FSA Plan provided you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week. However, if you make contributions, or if contributions are made on your behalf, to an HSA during the Plan Year, you may not elect to make contributions to a Heath Care FSA during such Plan Year.

For purposes of reimbursement of eligible expense under the Health Care FSA, your eligible dependents include your Spouse or persons who qualify under the Code as your tax dependents for health coverage purposes.

For purposes of reimbursement of eligible expenses under the Dependent Care FSA, your eligible dependents include:

- Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child;
- Your Spouse who is physically or mentally incapable of caring for himself or herself, provided the Spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, your Spouse must regularly spend at least eight hours each day in your home;
- Any other person, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year. This includes a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step–daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.

HSAs

You can elect to contribute to a health savings account("HSA") if you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week and who is enrolled in either the HDPPO 1 or HDPPO 2 option. Contributions to an HSA can only be made when enrolled in an HDPPO. You cannot contribute to an HSA or receive Employer contributions if you have coverage under any other health plan that is impermissible coverage for purposes of Section 223 of the Code.

Please note: *You may not contribute to your HSA and the Health Care FSA at the same time.*

The limitation on the amount you may contribute to an HSA is determined on a monthly basis. The monthly contribution limit is zero for any month in which you are enrolled in Medicare. Please note that if you first apply for Medicare benefits after you attain age 65, your Medicare enrollment will be retroactive to a date that is six months

prior to the month in which you apply for benefits, but not earlier than the first month you were eligible for Medicare. Thus, your monthly HSA contribution limit may be zero for a number of months that precede your application for Medicare benefits. It is your responsibility to make sure your HSA contributions do not exceed the maximum amount permitted under the Code. Please consult your tax advisor if you have questions regarding the amount you may contribute to an HSA, including for the months leading up to your application for Medicare benefits.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Flexible Benefits Plan.*

Eligibility under the Travel Accident Plan

If you are classified as a full-time employee, you will be eligible to participate in the Travel Accident Plan as of your first day of active, full-time employment with a Participating Employer. You are a "full-time employee" if you are characterized by your Employer as a full-time employee who regularly works 40 or more hours per week.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Travel Accident Plan.*

Eligibility under the Short-Term Disability Plan

If you are a full-time employee, you will be covered under the Short-Term Disability Plan as of the first day of the month coincident with or next following your completion of six continuous months of active, full-time employment with a Participating Employer. You are a "full-time employee" if you are characterized by your Employer as a full-time employee who regularly works 40 hours per week. Newly hired employees must be actively at work on the date coverage is scheduled to begin.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Short-Term Disability Plan.*

Eligibility under the Long-Term Disability Plan

You are eligible to participate in the Long-Term Disability Plan if you are a regular full-time employee of a Participating Employer who works 40 or more hours per week and are in active employment. You are in active employment if you are working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. Your worksite must be your Employer's usual place of business, an alternate work site at the direction of your Employer other than your home, unless clear specific expectations and duties are documented, or a location to which your job requires you to travel. Your eligibility for optional, contributory coverage may be subject to your satisfying other requirements established by Prudential Insurance Company of America. Refer to the group insurance certificate issued by Prudential for more details.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Long-Term Disability Plan.*

Eligibility under the Life and AD&D Plan

Employees

You are eligible to participate in the Life and AD&D Plan if you (i) are a regular full-time employee of a Participating Employer, (ii) regularly work 40 or more hours per week, and (iii) are actively at work. You are actively at work if you are fully performing your customary duties for your regularly scheduled number of hours at your Employer's normal place of business, or at other places your Employer's business requires you to travel. Provided your coverage has already commenced, your coverage may be continued

if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

Your eligibility for optional, contributory coverage may be subject to your providing evidence of insurability and satisfying other requirements established by the insurer, Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc.

See the Life and AD&D Benefit Plan section below and refer to the group insurance certificate issued by Securian for further details.

Eligible Dependents

If you are eligible to participate in the Life and AD&D Plan, you may obtain certain coverage for your "eligible dependents." Your "eligible dependents" are:

- Your lawful Spouse, provided you are not legally separated; and
- Your unmarried children from live birth to the end of the month in which the unmarried child attains age 26; and

Your "children" include: (1) your natural children, legally adopted children and children placed with you for adoption prior to legal adoption; and (2) each of your stepchildren, foster children, children subject to legal guardianship, grandchildren, and other children who are blood relatives who depend on you for more than fifty percent of their support and maintenance. A child placed with you for adoption prior to legal adoption is considered an eligible dependent from the date of placement for adoption, and is treated as though the child were a newborn child born to you.

Notwithstanding the foregoing, your unmarried children age 26 or older are also eligible if they are physically or mentally incapable of self-support, were incapable of self-support prior to age 26 and are financially dependent on you for more than 50% of their support and maintenance.

Also notwithstanding the foregoing,

(1) Your spouse is not your "eligible dependent" while on active duty in the armed forces of any country; and

(2) Your child is not your "eligible dependent" while (a) on active duty in the armed forces of any country; or (b) insured under any Employee Insurance.

A child will not be considered the "eligible dependent" of more than one employee. If this would otherwise be the case, the child will be considered the "eligible dependent" of the employee named in a written agreement of all such employees filed with the Company. If there is no written agreement, the child will be considered the "eligible dependent" of:

(1) the employee who became insured under the Plan with respect to the child while the child was an "eligible dependent" of only that employee; and otherwise

(2) the employee who has the longest continuous service with a Participating Employer, based on the Company's records.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits Source at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Life and AD&D Plan.*

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select coverages for you and your eligible dependents.

Generally, to be covered, you must initially enroll for the medical, dental, flexible benefits, vision, supplemental and dependent life and AD&D and supplemental long-term disability coverages within 31 days following the date on which your enrollment materials are sent to you. **(This Benefits Program Overview or the individual Benefit Plan sections of this Handbook contain additional information about enrollment in each Plan.)**

You are automatically enrolled for EAP/Work Life/Legal & Financial Services (regardless of whether you enroll in PPO, HDPPO or HMO coverage under the Medical Plan), travel accident, short-term disability, basic long-term disability, basic life and basic AD&D coverages upon the date you become eligible for such coverage.

To enroll in coverage that is not provided automatically, you must log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320.** To enroll in supplemental and dependent life and AD&D and supplemental long-term disability coverages, you must use enrollment forms approved by Securian (with respect to life and AD&D coverage) and Prudential (with respect to long-term disability coverage). You may obtain these enrollment forms by contacting the Benefits Source at **1-888-640-3320.**

The enrollment materials detail how to enroll online and by phone. If you do not enroll within the 31-day period described above, as applicable **(the deadline date is included in the enrollment materials)**, you will automatically receive default coverage **(as described in this Benefits Program Overview or in the applicable individual Benefit Plan section of this Handbook)**, if applicable, for the remainder of that calendar year.

Please Note:

Dependents will not be eligible to receive any of the benefit coverages if you fail to enroll them during your initial 31-day enrollment period, during any subsequent annual enrollment or within 31 days following a qualified life event.

Enrollment in the Medical, Dental, and Vision Plans

Provided you meet the eligibility requirements, as described in the section above entitled "*Eligibility under the Medical, Dental and Vision Plans*", you and your eligible dependents can participate in the Medical Plan, Dental Plan and/or Vision Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. If you fail to enroll, you will be deemed to have elected (i) the HDPPO 1 medical option with no dependent coverage under the Medical Plan, (ii) the Preventive Dental option with no dependent coverage under the Dental Plan, and (iii) the Basic Vision option with no dependent coverage under the Vision Plan. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year and can only be changed during annual open enrollment. If you do not enroll or elect to change coverage, if applicable, within the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of this **Benefits Program Overview** for further details.

Please Note:

If you do not enroll in the Medical Plan, Vision Plan or Dental Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment. Also, if you do not enroll an eligible newborn child for coverage within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or the next qualified life event that permits the child's enrollment.

Enrollment in the Flexible Benefits Plan

FSA Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Flexible Benefits Plan,*" you may participate in the FSA Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. In general, once you enroll for (or decline) coverage, your elections stay in effect

for the entire Plan Year. In addition, participation in the FSA Plan requires annual enrollment, at which time you must elect the amount that you want to contribute to the FSA Plan for the year. If there is a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Changing and Continuing Elections*" of the **Benefits Program Overview** for further details.

HSAs

To enroll in an HSA, you must meet the following requirements:

- You must be enrolled in HDPPO 1 or HDPPO 2.
- You cannot be covered by another medical plan (e.g., you cannot be a dependent on anyone else's plan, except for vision and dental coverage) that is not a high deductible health plan.
- You cannot be enrolled for Medicare benefits. (Part A or Part B)
- You cannot be claimed as a dependent on another person's tax return.
- You cannot be covered by a general-purpose Health Care Flexible Spending Account, including the Health Care FSA

You must satisfy any requirements or conditions for establishing or activating your HSA that are prescribed by the Claims Administrator for HSAs. Failure to do so may result in the delay or failure to receive an employer HSA contribution to which you might otherwise be entitled.

Enrollment in the Travel Accident Plan

No affirmative enrollment is required for the Travel Accident Plan. You are automatically enrolled upon the date you become eligible for such coverage.

Enrollment in the Short-Term Disability Plan

No affirmative enrollment is required for the Short-Term Disability Plan. You are automatically enrolled upon the date you become eligible for such coverage.

Enrollment in the Long-Term Disability Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Long-Term Disability Plan*" section above, you will be automatically enrolled in the Basic LTD Coverage Option, unless you choose to enroll in the Supplemental LTD Coverage Option. Newly eligible employees must enroll in the Supplemental LTD Coverage Option within 31 days of their date of hire or, if later, the date they first become eligible for coverage. If you fail to enroll, you will automatically be covered under the Basic LTD Coverage Option. In general, once you enroll in (or decline) the Supplemental LTD Coverage Option, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.)

Enrollment in the Life and AD&D Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Life and AD&D Plan*" section above, you will be automatically enrolled in the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option (such Life and AD&D Coverage Options, together with the Optional Employee Term Life Coverage Option and the Supplemental Employee AD&D Coverage Option, are collectively referred to as "Employee Life and AD&D Insurance"). If you desire coverage under the Optional Employee Term Life Coverage Option, the Dependents Term Life Coverage Option, the Supplemental Employee AD&D Coverage Option, or the Dependents AD&D Coverage Option (collectively the "Optional Life and AD&D Coverage Options") as a newly eligible employee, you must enroll in such Optional Life and AD&D Coverage Option within 31 days of your date of hire or the

date you become newly eligible. If you do not enroll in an Optional Life and AD&D Coverage Option during this initial 31-day period, you may need to provide evidence of insurability if you decide to enroll at a later date. You must enroll using forms approved by Securian. *You may obtain forms for enrolling in, or changing, your Optional Life and AD&D Coverage Options by contacting the Benefits Source at* ***1-888-640-3320.***

In general, once you enroll in (or decline) any of the Optional Life and AD&D Coverage Options, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage election will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.) If any change in coverage is subject to evidence of insurability, Securian must decide that such evidence is satisfactory.

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (Spouse or child) are eligible for Program benefits as active or retired employees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active or retired employee cannot be covered under the Benefit Plan both as a participant and as a dependent. Likewise, if you and your Spouse are both employees of NiSource or one of its affiliates, either of you may choose to cover your child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan (e.g., child life insurance). Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects coverage under the Medical, Dental, and/or Vision Plans, or makes no coverage election and is thereby deemed to have elected coverage under such Plans, you will be deemed to have requested that coverage be dropped for such dependent under the Medical, Dental, and/or Vision Plans, as the case may be.

Coverage under the Program for retired employees or for active employees other than the eligible employees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides medical, prescription drug, vision, and dental coverage for your eligible child (as well as participation in the Health Care Flexible Spending Account, to the extent the child is a tax dependent for health coverage purposes under Federal law) pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or a Participating Employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

Additionally, your Employer may withhold from your wages any contributions required for such coverage.

You may obtain from the Company, without charge, a copy of the Benefit Plans' QMCSO procedures.

Special Rule for Rehired Employees

If you terminate employment and are rehired after your termination date, the benefit elections that were in effect on the date of your termination **will not be** automatically

reinstated. You will need to re-elect coverages once you again become eligible upon your return.

Upon your rehire, you will no longer be entitled to benefits under Active Benefit Program 101, but will instead be designated as being entitled to the Active Benefit Program applicable to similarly situated eligible employees hired as of the date of your rehire. In addition, unless you are rehired as a Safety Plan Rehire or as a union employee of Northern Indiana Public Service Company LLC , as a rehired employee, you will not be entitled to any retiree medical or retiree life insurance benefits upon your retirement or other termination of employment.

Special Rule for Certain Employment Transfers

If you were hired or rehired on or after January 1, 2010, and you thereafter transfer to an "exempt employee" status, you will not be eligible for retiree medical or retiree life insurance benefits upon your retirement or other termination of employment. An "exempt employee" includes a non-union employee (an employee whose employment is not subject to the terms of a collective bargaining agreement) and an employee who is not entitled to overtime under the Fair Labor Standards Act, 29 U.S.C. §201, et seq.

This special rule does not apply to a Safety Plan Rehire, to the extent such Safety Plan Rehire is not thereafter rehired by an Employer or transferred to another employee status.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. If you do not enroll within the annual enrollment period, your current coverages generally remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans, plans that require enrollment and the deadline date. **However, if you want to participate in the Health and/or Dependent Care Flexible Spending Accounts or in a Health Savings Account (HSA), you need to elect to participate each year. Your Flexible Spending Account and Health Savings Account contribution elections will not carry over from one Plan Year to the next.**

If you add a new dependent to Benefit Plan coverage during annual enrollment, you must provide the dependent's social security number to the Benefit Plan by calling the Benefits Source at **1-888-640-3320** or by visiting the Benefits Source website at mysourceforhr.com,

In the event your current Medical, Dental, or Vision Plan coverage is not available and you fail to elect coverage under another plan or option that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "*Enrollment in the Medical, Dental, and Vision Plans*" for further details.

Opt-Out Credit

If you are a full-time employee and have coverage elsewhere and decline medical or dental coverage under the Medical or Dental Plans, you may be eligible for an opt-out credit, if available. Please refer to the enrollment material to see if this option is currently being offered. If you have declined coverage, but your Spouse or parent is also an employee or retiree and is covering you as a dependent, you are not entitled to an opt-out credit. If you are a covered dependent under the Medical and/or Dental Plans, you must call the Benefits Source at **1-888-640-3320** during enrollment to update your status. The Company will recover payment of ineligible opt-out credits through payroll deductions.

Please Note:

If you have declined Medical Plan coverage, but your Spouse or parent is also an employee or retiree who is covering you under the Medical Plan as a dependent, you are not entitled to an opt-out credit. You must call the Benefits Source at **1-888-640-3320** during enrollment to update your status.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Medical Plan at your home address.

The cards should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options, or, if applicable, your HMO in the case of an HMO option.

There are no ID cards for the Vision Plan, Dental Plan or other coverages.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans

Coverage Begins

Generally, coverage under the Medical Plan, Dental Plan, Vision Plan, or FSA Plan may become effective, if you properly enroll, (1) on your first day of active employment for regular new hires, (2) on the first day of the following Plan Year for eligible employees who enroll during the annual enrollment period, or (3) on the date the Plan approves your enrollment based upon a qualified life event. Eligible dependents have the same effective date provided you properly enroll them.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation on or after January 30, 2020 (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to an employee;
- The date an employee is no longer eligible for coverage under the Plan;
- The date an employee commences active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made;
- The end of the month following the date an employee terminated employment.

In addition, coverage under the Health Care FSA will cease if an HDPPO coverage option is elected under the Medical Plan.

A dependent shall cease to participate in the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the employee's coverage ends (except that, in the case of the employee's death, a dependent shall cease to participate in the Plan on the last day of the month in which the employee dies) (see also the section below entitled "*Survivor Coverage*" for circumstances under which coverage under the Medical Plan for an eligible surviving dependent may continue beyond an employee's death);
- The last date for which any required contributions for the dependent's coverage was made;
- For a Spouse, the date of divorce or legal separation, except in the case of insured Medical Plan coverage that is provided

under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law;

- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if you or your eligible dependents experiences a COBRA qualifying event, EAP/Work Life/Legal & Financial Services coverage will cease one day after the maximum COBRA continuation coverage period would otherwise expire on account of such qualifying event. See the section below entitled "*COBRA*" for an explanation of what constitutes a COBRA qualifying event.

When Coverage Begins and Ends - HSA

Coverage Begins

You may enroll in an HSA at any time provided you have properly enrolled in either the HDPPO 1 or HDPPO 2 option.

Coverage Ends

Your contributions to an HSA through the Flexible Benefits Plan will terminate as follows:

- The date on which the Plan terminates;
- The date you are no longer eligible;
- The date you are no longer actively at work; or
- The date on which you request that your contributions cease or that the HSA Account be closed.

If you are no longer enrolled in HDPPO 1 or HDPPO 2 or you have terminated employment or retired, you will be required to pay a monthly account fee to the HSA Trustee/Custodian for as long as money remains in your HSA. You will also receive a new HSA debit card that will allow you to continue using the remaining money in your account for qualified medical expenses.

When Coverage Begins and Ends – Travel Accident Plan

Coverage Begins

Your Travel Accident Plan coverage becomes effective on the first day of your active, full-time employment with a Participating Employer.

Coverage Ends

You will cease to be covered under the Travel Accident Plan for benefits on the earliest of the following:

- The date as of which the Plan is terminated;
- The date that the Plan is amended to terminate your coverage;
- The date you are no longer eligible for coverage under the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy; and
- The date you terminate employment.

When Coverage Begins and Ends – Short-Term Disability Plan

Coverage Begins

Your Short-Term Disability Plan coverage became effective on the first day of the month coincident with or next following the date you completed six continuous months of active, full-time employment with a Participating Employer.

Coverage Ends

You will cease to be covered under the Short-Term Disability Plan for benefits on the earliest of the following:

- The date the Plan is terminated;

- The effective date of any Plan amendment that terminates coverage with respect to you;
- The date you are no longer eligible for coverage under the Plan, including without limitation as a result of your Employer no longer being affiliated with the Company or no longer being a Participating Employer in the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994;
- The last day for which you made any required contribution toward the cost of Plan coverage;
- The date you begin any leave of absence; and
- The date your employment terminates.

When Coverage Begins and Ends – Long-Term Disability Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Long-Term Disability Plan,"* coverage under the Basic LTD Coverage Option of the Long-Term Disability Plan generally may become effective on the later of (1) your first day of active employment, for regular new hires, (2) the day you become a member of a class eligible for coverage under the Plan, (3) the first day of the following Plan Year, for eligible employees who choose not to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period, or (4) the date the Plan approves such enrollment, for employees who disenroll from the Supplemental LTD Coverage Option due to a qualified life event.

Coverage under the Supplemental LTD Coverage Option generally may become effective on the later of (1) the date you are eligible for coverage, if you enroll on or before that date; (2) the date you enroll for coverage, if you enroll within 31 days after the date you are eligible for coverage; (3) the date Prudential approves your application, if evidence of insurability is required; (4) the date you are in active employment; (5) the first day of the following Plan Year, for eligible employees who choose to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period; or (6) the date the Plan approves such enrollment due to a qualified life event.

Evidence of insurability means a statement of your medical history that Prudential will use to determine if you are approved for coverage. You must give evidence of insurability, at your expense, if (1) you enroll for coverage more than 31 days after the date you are eligible for it; (2) you re-enroll for coverage after you voluntarily cancelled it; (3) you enroll after any coverage ends because you did not pay a required contribution; or (4) you have not met a previous evidence requirement to become covered under any plan NiSource has with Prudential. Prudential will decide when evidence of insurability is satisfactory.

Once your coverage begins, any increased or additional coverage will take effect on the latest of: (1) the effective date of the change, if you are in active employment, on a temporary layoff, on leave of absence, or working reduced hours (for reasons other than disability); (2) the date Prudential approves your application, if evidence of insurability is required; or (3) the date you return to active employment, if you are not in active employment due to injury or sickness.

Coverage Ends

Your coverage under the Long-Term Disability Plan will end on the date you lose eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the group insurance contract issued by The Prudential Insurance Company of America is canceled;
- The date that the Plan is amended to terminate your coverage;

- The date you terminate employment or are no longer eligible for coverage under the Plan;
- The date you are no longer in active employment due to a disability that is not covered under the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made; or
- The date you are no longer in active employment, except as provided below and except to the extent continuation coverage is required by the Family and Medical Leave Act of 1993 ("FMLA").

If you are on a temporary layoff or are working reduced hours for reasons other than disability and the premium is paid, you will be covered to the end of the month following the month in which your temporary layoff or reduced hours begin. If you are on a leave of absence and the premium is paid, you will be covered to the end of the month in which your leave begins. Neither temporary layoff nor leave of absence includes normal vacation time or any period of disability or absence in connection with any severance or termination agreement. Your FMLA leave also is not considered a temporary layoff.

When Coverage Begins and Ends – Life and AD&D Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Life and AD&D Plan,"* coverage under the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option of the Life and AD&D Plan may generally become effective on the first day you are actively at work, if you are a regular new hire, or on the first day you are newly eligible for coverage, provided you are actively at work on such day.

Provided you have satisfied the eligibility requirements described above, coverage under the Employee Optional Life and AD&D Coverage Options may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) with respect to the Optional Employee Term Life Coverage Option, the Claims Administrator is satisfied with your evidence of insurability, if evidence is required (provided that coverage will become effective as of the first day of the month following the Claims Administrator's determination that evidence is satisfactory), and (3) the Claims Administrator has received the required premium.

If you are not actively at work on the date coverage would otherwise begin, or on the date an increase in your amount of insurance would otherwise be effective, you will not be eligible for the coverage or increase until you return to active work. However, if the absence is on a non-work day, coverage will not be delayed provided you were actively at work on the work day immediately preceding the non-work day. Except as otherwise provided herein or in the group insurance contracts (collectively, the "Group Contract") or group insurance certificates issued by Securian, you are eligible to continue to be insured only while you remain actively at work.

Provided you have satisfied the eligibility requirements described above, coverage of your "eligible dependents" under the Dependents Term Life Coverage Option and the Dependents AD&D Coverage Option ("Dependents Life and AD&D Insurance") generally may become effective on the first day on which each of the following conditions are met: (1) you have enrolled for dependent coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) the person to be covered is your "eligible dependent", (3) you are insured for employee coverage under the particular coverage sought (e.g., for the Dependents Term Life Coverage Option, you are covered under the Basic Employee Term

Life Coverage Option, and for the Dependents AD&D Coverage Option, you are covered under the Supplemental Employee AD&D Coverage Option), (4) for the Dependents Term Life Coverage Option, the Claims Administrator is satisfied with your eligible dependent's evidence of insurability, if evidence is required, and (5) the Claims Administrator has received the required premium.

If an eligible dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released from such hospitalization or confinement.

Evidence of your insurability may be required under certain circumstances if you apply for coverage under the Optional Employee Term Life Coverage Option. Evidence of your eligible dependent's insurability may also be required under certain circumstances if you apply for coverage for your eligible dependent under the Dependents Term Life Coverage Option. See the sections in the Life and AD&D Benefits Plan section below entitled *"Optional Employee Term Life Coverage"* and *"Dependents Term Life Coverage"* for more details concerning evidence of insurability requirements.

If you apply for coverage that requires evidence of insurability, your coverage election will be autocorrected to the greatest amount of coverage, consistent with your election, to which you would otherwise be entitled without evidence of insurability. Once evidence of insurability is approved by Securian, your coverage will be updated effective the first of the month following approval (or, if later, January 1, in the case of an election made during annual enrollment).

Coverage Ends

Your Employee Life and AD&D Insurance or Dependents Life and AD&D Insurance under a Life and AD&D Coverage Option will end when the first of these occurs:

- The date as of which the Life and AD&D Plan is terminated;
- The date the Group Contract is canceled, or with respect to a particular Life and AD&D Coverage Option, the date such Life and AD&D Coverage Option is terminated;
- The date that the Life and AD&D Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you terminate employment or are otherwise no longer eligible for coverage under the Plan as a regular full-time employee or as a member of another eligible class;
- For Life and AD&D Coverage Options that are contributory, 31 days after the due date of any required contribution that is not paid, provided that failure to contribute for Dependents Life and AD&D Insurance will not cause your Employee Life and AD&D Insurance to end;
- For the Dependents Term Life Coverage Option, the date your coverage under the Basic Employee Term Life Coverage Option ends;
- For the Dependents AD&D Coverage Option, the date your coverage under the Supplemental Employee AD&D Coverage Option ends;
- For Dependents Life and AD&D Insurance, the last day of the month in which your "eligible dependent" ceases to be an "eligible dependent" for the coverage or is no longer covered under the Group Contract.
- For coverage under an Employee Optional Life and AD&D Coverage Option, the last day for which premium contributions have been made following your written request to end coverage under such Employee Optional Life and AD&D Coverage Option.
- For Dependents Life and AD&D Insurance, the last day for which premium contributions have been made following your written request to end Dependents Life and AD&D Insurance for an "eligible dependent"

You must notify the Claims Administrator or the Benefits Source at **1-888-640-3320** when a dependent is no longer eligible for

coverage under the Life and AD&D Plan so that premiums may be discontinued. No claims will be paid under the Life and AD&D Plan in respect of an ineligible dependent.

If your Employee Life and AD&D Insurance terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

If you stop active full-time work for any reason, you should contact the Company or your Employer at once to determine what arrangements, if any, have been made to continue any of your insurance coverage, or whether you belong to another class of employees that may be eligible for coverage under the Plan.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, the Internal Revenue Service will allow you to enroll for or change certain pre-tax elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain pre-tax elections if you experience a "qualified status change" that affects your, your Spouse's, or your dependent's eligibility for benefits under the Medical Plan, the Dental Plan, the Vision Plan, the Flexible Benefits Plan, the Life and AD&D Plan or the Long-Term Disability Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.***

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company, the Plan Administrator, or the Claims Administrator. In addition to satisfying any requirements established by the applicable Benefit Plan and any insurer (with respect to insured coverage), any requested change in election must satisfy all requirements imposed by the Internal Revenue Service.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee +family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.

- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Please Note:

If you do not request a change in election within 31 days of your qualified status change or other qualified life event, your next opportunity to change elections will not be until the next annual enrollment period or until you experience another qualified life event. For example, if you do not enroll an eligible newborn child within 31 days of the child's birth, even if you do not have the child's social security number, your next opportunity to enroll the child will not be until the next annual enrollment period, unless you experience another qualified life event that would permit you to change elections.

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan (this does not apply to the Health Care Flexible Spending Account).
- With respect to the Medical Plan only, you qualify for special enrollment during the year under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Medical Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***
- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.
- You or your eligible dependents lose coverage under any group health coverage sponsored by a governmental or educational institution,
- You take leave under the Family and Medical Leave Act.

If a dependent you are covering under the Medical, Dental or Vision Plan is hired by an Employer and either timely elects coverage under such Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Plan coverage for such dependent in connection his or her change in employment status.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical, prescription drug, vision or dental plan or program, your medical, prescription drug, vision and dental benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

The following provisions of this *"Coordination of Benefits (COB)"* subsection apply to the Medical Plan and the Dental Plan. Please see the Vision Plan section for details about coordination of benefits provisions applicable to the Vision Plan.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable Benefit Plan is primary, the Benefit Plan pays the amount payable under such plan.

If your coverage under the applicable Benefit Plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday

Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

The "Birthday Rule"

Under the "Birthday Rule" the plan of the parent whose birthday falls earlier in the calendar year is the primary plan and the other parent's plan is secondary.

In the case of a divorce or separation, the following order will establish responsibility for payment:

- If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.
- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits.

How Coordination of Benefits Works for Those in "Current Employment Status"

If you are in "current employment status" within the meaning of Medicare regulations, and if you or your spouse become Medicare-eligible, you or your spouse may have either of the following:

- Medical coverage under both the Medical Plan and Medicare (the Medical Plan under the Program is primary, it pays benefits as described in this Handbook, and Medicare is secondary); or
- Coverage under Medicare only (if that is what you have elected).

Please Note:

End-Stage Renal Disease. If you or your covered dependent enroll in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary at the time you or your covered dependent enroll, the Medical Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

If you are in "current employment status" and you and your Spouse are covered under the Medical Plan, Medicare coverage becomes secondary. You may decline coverage under the Medical Plan, in which case Medicare would be the primary carrier. Your Spouse may, if age 65 or older, make a separate Medicare election. However, your Spouse may

not elect medical coverage under the Medical Plan if you do not elect coverage.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under the Medical Plan but are no longer considered in "current employment status" for purposes of Medicare, and you and your spouse are Medicare-eligible, then Medicare is the primary payor regardless of your or your covered spouse's age. You are responsible for notifying the Claims Administrator if you, your Spouse, or your other eligible dependents become Medicare-eligible.

If you are not in "current employment status" and if a covered person is eligible for, but not enrolled in, Medicare benefits, the Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are not in "current employment status" and are eligible for, but not enrolled in, Medicare Part B, and if you incur a claim that would be payable in whole or in part by Medicare Part B, the Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

Please Note:

Late Enrollment Penalties for Medicare Parts B and D. If you are eligible for Medicare by reason of age or disability, are no longer in current employment status for purposes of Medicare, and do not enroll in Medicare Part B or Medicare Part D during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. For more information concerning Medicare late enrollment penalties, see the Medicare & You publication at https://www.medicare.gov/medicare-and-you or contact your local Social Security Administration office.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide claims and certain appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section of this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, or SPDs, please see below or the individual Benefit Plan sections of the Handbook.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified below or in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Medical Plan

The claim determination and appeal process described below applies to the Medical Plan. The term "Plan" as used in this section refers to the Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations.

Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;
- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that

is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (for the Medical Plan, this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and

- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Medical Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to request a voluntary second-level internal appeal under the Medical Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any

deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;
- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective review, were covered under the Plan at the time the health care item or service was provided;
- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider

additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the criteria are inconsistent with the terms of the Plan or with applicable law;
- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;

- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA

Unless otherwise noted, the claim determination and appeal process described below applies to each of the Dental Plan, the Vision Plan and the Health Care FSA. The term "Plan" as used in this section refers to the Dental Plan, the Vision Plan or the Health Care FSA, as the case may be, and the term "Claims Administrator" refers to the claims administrator appointed for the respective Plan.

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Plan.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim.

Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The day the Claims Administrator receives the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan or FSA Plan, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that

takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes and adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA

following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes and adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan, or the Health Care FSA, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process - Dependent Care FSA

The claim determination and appeal process described below applies to the Dependent Care FSA Plan. As used in this section, the term "Claims Administrator" refers to the claims administrator appointed for the Dependent Care FSA Plan. The term "Plan" as used in this section refers to the Dependent Care FSA Plan.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Flexible Benefits Plan.

Consideration of Initial Claim

Within 90 days of receiving the claim, the Claims Administrator will provide you (or your beneficiary) with a written notice of its decision. If, because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your request for review within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you may be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; (3) a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and (4) a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.

Appeal to Claims Administrator

If your claim is denied or deemed to have been denied in whole or in part, you have the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial or deemed denial.

Upon receipt of your request, your claim will be reviewed. You will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written request for review is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your claim for benefits within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you will be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; and (3) a statement that you are entitled to receive upon request and free of charge reasonable access to, and copies of, all documents, records and other information relevant to your claim for benefits.

Second Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your claim on appeal, you or your duly authorized representative may request a review of such denial by the Plan Administrator. Each such request for review must be in writing signed by you or your duly

authorized representative, must specify that it is a request for review of a denied claim and must be filed with the Plan Administrator no later than 60 days after receipt of the denial or 90 days after the claim is deemed to be denied because the Claims Administrator did not respond within the requisite time period.

The decision of the Plan Administrator upon a request for review shall be made within 60 days after the request for review is received by the Plan Administrator unless special circumstances require an extension of time for processing such review, in which event you shall be notified in writing prior to the expiration of such 60 days, and the decision of the Plan Administrator shall be rendered within 120 days of the receipt of the request for review. In connection with a request for review, you or your duly authorized representative may submit issues and comments in writing to the Plan Administrator. All communications between the Plan Administrator and you or your duly authorized representative shall be in writing unless you or your duly authorized representative requests otherwise and the Plan Administrator consents thereto. Each decision of the Plan Administrator on a request for review shall be in writing and shall include (1) the specific reason or reasons for the decision; (2) specific reference to the Plan provisions upon which the decision is based; and (3) a statement that you are entitled to receive upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Travel Accident Plan

The claim determination and appeal process described below applies to the Travel Accident Plan. As used in this section, (i) the term "Plan" refers to the Travel Accident Plan, and (ii) the term "Claims Administrator" refers to the NiSource Benefits Department or such other claims administrator appointed for the Plan. Any claim for benefits submitted after eighteen months from the date of a covered person's death may not be considered for payment.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

Within 90 days of receiving a claim, the Claims Administrator will provide your beneficiary with a written notice of its decision. If because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide your beneficiary with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension and the date by which the Claims Administrator expects to render its decision.

If the Claims Administrator Denies the Claim

If the Claims Administrator denies your beneficiary's claim in whole or in part, your

beneficiary will be provided with written notice of the denial. Such notice shall be written in a manner calculated to be understood by your beneficiary and shall include:

- The specific reason or reasons for the denial;
- Specific references to the pertinent provisions in the Plan on which the denial is based;
- A description of any additional material or information necessary for your beneficiary to perfect the claim and an explanation of why such material or information is necessary; and
- A description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse determination on all appeals.

Appeal to Claims Administrator

If your beneficiary has a claim denied in whole or in part, your beneficiary has the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial.

Your beneficiary's request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Travel Accident Plan.

Your beneficiary may submit written comments, documents, records, and other information relating to the claim for benefits. Upon his or her request, your beneficiary will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim.

Your beneficiary's written request should state why he or she thinks the claim should not have been denied. Your beneficiary's request also should include any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your beneficiary's request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by your beneficiary relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

Your beneficiary will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written claim is received). The Claims Administrator will provide your beneficiary with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension and the date by which the Claims Administrator expects to render its decision.

If the Claims Administrator Denies the Appeal

If the Claims Administrator denies your beneficiary's appeal in whole or in part, your beneficiary will be provided with written notice of the denial. Such notice shall be written in a manner calculated to be understood by your beneficiary and shall include:

- The specific reason or reasons for the denial;
- Specific references to the Plan provisions upon which the denial is based;
- A statement that your beneficiary is entitled to receive upon request and free of charge, reasonable access to and copies of, all documents, records, and other information relevant to the claim for benefits; and

- A statement indicating the beneficiary's right to file a lawsuit upon completion of the claims procedure process.

Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your beneficiary's claim on appeal, your beneficiary may file a written claim with the Plan Administrator within 60 days after your appeal has been denied in whole or in part by the Claims Administrator.

Any claim for benefits with the Plan Administrator will be processed within 60 days of its receipt unless additional time is required to process the claim, in which event your beneficiary will be notified that an additional period of 60 days is required to process the claim. The notice will include the special circumstances requiring the extension and the date by which the Plan Administrator expects to render its decision.

If the Plan Administrator Denies the Appeal

If your beneficiary's claim for benefits is denied in whole or part by the Plan Administrator, written notice of the decision to deny such application will be promptly furnished to your beneficiary within 60 days after receipt of the claim for benefits, or within 120 days of receipt of such claim if the Plan Administrator gives notice in writing that an extension of time is required for processing the claim. Notwithstanding the foregoing, if the Plan Administrator's meeting schedule is such that it holds regularly scheduled meetings at least quarterly, the Plan Administrator's final determination may be made within the period specified in Department of Labor Regulations Section 2560.503-1(i)(ii). Each notice of denial of an application shall be in writing and shall contain the following information:

- The specific reason or reasons for the denial;
- Specific references to the Plan provisions upon which the denial is based;
- A statement that your beneficiary is entitled to receive upon request and free of charge, reasonable access to and copies of, all documents, records, and other information relevant to the claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claimant has exhausted all claims and appeals to the Claims Administrator and Plan Administrator. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date of the covered person's death.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Short-Term Disability Plan

The claim determination and appeal process described below applies to the Short-Term Disability Plan. As used in this section, (i) the term "Plan" refers to the Short-Term Disability Plan, (ii) the term "Claims Administrator" refers to the applicable claims administrator appointed for the Plan, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in the Plan or a rescission of your disability coverage (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) before you request a formal appeal. If you are not satisfied with a benefit determination, you can appeal it.

Consideration of the Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but generally not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding Your Claim

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason or reasons for the denial;
- reference to the specific Plan provisions on which the denial is based;
- a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or,

alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written or electronic notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary;
- a description of the Plan's review procedures and time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following exhaustion of the claims procedure process;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits, you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 180 days of the receipt of the written adverse benefit determination.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford deference to the initial adverse benefit determination and will be conducted by an

individual who is neither the person who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such person.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of the appeal, nor the subordinate of any such individual.

The Claims Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, before the Claims Administrator issues and averse benefit determination on appeal, it will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person (or at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on appeal based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator will notify you of its determination on review within a reasonable period of time, but generally not later than 45 days after receipt of your request for review, unless the Claims Administrator determines that special circumstances require an extension of time for processing the claim. If the Claims Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Claims Administrator expects to render the determination on review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- reference to the specific Plan provisions on which the benefit determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and
- a statement indicating your right to file a lawsuit upon completion of the appeal process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or,

alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures, and (C) the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Appeal to the Plan Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your duly authorized representative may appeal the Claims Administrator's determination by sending a written request to the Plan Administrator within 45 days of your receipt of the Claims Administrator's adverse benefit determination on review.

The Committee, as Plan Administrator, has delegated to the Director, Benefits, the Director, Corporate Insurance and the Senior Vice President and Chief Human Resources Officer, and to the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons, the authority to decide appeals of denied claims on behalf of the Plan Administrator. Such appeals shall be decided by the Director, Benefits and the Director, Corporate Insurance, or by the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons. In the event such persons do not agree on the decision with respect to an appeal, the Senior Vice President and Chief Human Resources Officer, or the officer or employee of the Company or of its affiliates succeeding to the duties and responsibilities of such person, shall decide the appeal. References in this section to the "Plan Administrator" shall be deemed to constitute references to those persons to whom the Plan Administrator has delegated authority to decide appeals of denied claims.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written appeal should state why you think your claim should not have been denied. Your appeal should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Plan Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in your appeal to the Claims Administrator. The review will not afford deference to the Claims Administrator's decision.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Plan Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of your appeal, nor the subordinate of any such individual.

The Plan Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, the Plan Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Plan Administrator or other person (or at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Plan Administrator will notify you of its determination on review within a reasonable period of time, but generally not later than 45 days after receipt of your request for review by the Plan, unless the Plan Administrator determines that special circumstances (such as the need to hold a hearing) require an extension of time for processing the claim. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

If the Plan Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Plan Administrator makes an adverse benefit determination with respect to your claim on appeal, it will notify you of the following, in a manner calculated to be understood by you:

- The specific reason or reasons for the adverse determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all

documents, records, and other information relevant to your claim; and

- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Plan Administrator makes an adverse benefit determination on your claim on review, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures, and (C) the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated the claimant; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Physical Examinations

The Company has the right, at its own expense, to have any person for whom a claim is pending examined as often as is reasonably necessary.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Long-Term Disability Plan

The claim determination and appeal process described below applies to the Long-Term Disability Plan. As used in this section, claims made under the Long-Term Disability Plan are referred to as "disability claims." The term "Plan" as used in this section refers to the Long-Term Disability Plan, and the term "Claims Administrator" refers to The Prudential Insurance Company of America. As used in this section, "adverse benefit determination" or "adverse determination" shall mean any of the following: (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in the Plan, or (ii) any rescission of disability coverage with respect to a claimant (whether or not, in connection with the rescission, there is an adverse effect on any particular benefit at that time). For this purpose, the term "rescission" means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions towards the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 after the receipt of your claim. This period may be extended by 30 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 45-day period. This period may be extended for an additional 30 days beyond the original 30-day extension if necessary due to matters beyond the control of the Plan. A written notice of the additional extension, the reason for the additional extension and the date by which the Plan expects to decide on your claim, shall be furnished to you within the first 30-day extension period if an additional extension of time is needed. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if your claim for benefits is denied, in whole or in part, you or your authorized representative will receive a written notice from the Claims Administrator of your denial. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the denial,
- references to the specific Plan provisions on which the benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary,
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process,

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, it shall provide you with a written notice of the adverse benefit determination setting forth

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary;
- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following completion of all required appeals;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you;
  - the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the plan do not exist; and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

First Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim for benefits, you or your representative may appeal the determination in writing to the Claims Administrator within 180 days of your receipt of written notice of the adverse determination. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your written request, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim free of charge.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, without regard to whether such information was submitted or

considered in the initial adverse benefit determination, and utilizing individuals who were not involved, and who are not subordinates of the individuals involved, in that determination. This review will not afford any deference to the initial adverse benefit determination.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if the claim on appeal is denied in whole or in part, you will receive a written notification from the Claims Administrator of the denial. The notice will be written in a manner calculated to be understood by the applicant and shall include:

- the specific reason(s) for the adverse determination,
- references to the specific Plan provisions on which the determination was based,
- a statement that you are entitled to receive upon request and free of charge reasonable access to, and make copies of, all records, documents and other information relevant to your benefit claim upon request,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures; and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your disability claim on review, it will provide you with written notice. The notice shall set forth, in a manner calculated to be understood by you,

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim;
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures;
- a statement indicating
  - your right to bring an action under section 502(a) of ERISA upon completion of all required appeals,
  - that any such action must be brought no later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator, and
  - the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you;
  - the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Second Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your representative may make a second, voluntary appeal of the adverse determination in writing to the Claims Administrator within 180 days of your receipt of the written notice of adverse benefit determination. You may submit with your second appeal any written comments, documents, records and any other information relating to your claim. Upon your request, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim free of charge.

The Claims Administrator shall make a determination on your second claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date by which the Claims Administrator expects to render a decision shall be furnished to you within the

initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

Your decision to submit a benefit dispute to this voluntary second level of appeal has no effect on your right to any other benefits under the Plan. If you elect to initiate a lawsuit without submitting to a second level of appeal, the Plan waives any right to assert that you failed to exhaust administrative remedies. If you elect to submit the dispute to the second level of appeal, the Plan agrees that any statute of limitations or other defense based on timeliness is tolled during the time that the appeal is pending.

If the Claims Administrator makes an adverse benefit determination with respect to your second-level, voluntary appeal, you will receive a written notification from the Claims Administrator of the adverse determination. The notice will be written in a manner calculated to be understood by you and shall include the same type of information that was included in the letter notifying you of the adverse benefit determination on your first-level appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud, (ii) any error the Claims Administrator makes in processing a claim, and (iii) your receipt of deductible sources of income. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, unless otherwise provided under federal law, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States

District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Life and AD&D Plan

The claim determination and appeal process described below applies to the Life and AD&D Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accelerated death benefits, for accidental dismemberment benefits, or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a

manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon,

or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal, you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage under the Medical, Dental, Vision and FSA Plans

General

Generally, coverage under the Medical, Dental, Vision and FSA Plans is only available to you if you are actively at work. However, if the Company or a Participating Employer under its personnel policies continues to treat you as an employee after you cease to be actively at work due to any of the following leaves, then you will continue to be treated as an employee eligible to participate in one or more of the Plans described above, subject to the terms and conditions of each such Plan. Provided, however, your participation will cease as of the earliest of the dates set forth above under "*When Coverage Begins and Ends under the Medical, Dental, Vision and FSA Plans – Coverage Ends*." For example, as of the date of this Handbook, the personnel policy of the Company and each Participating Employer is to terminate your employment if the claims fiduciary of the Company's long-term disability plan determines you no longer qualify for benefits under the long-term disability plan. The leaves referred to above are:

Sick Leave – Coverage under the Medical, Dental, Vision and FSA Plans for you and your eligible dependents continues if you are on sick leave and your Employer under its personnel policies continues to treat you as an employee. Your contributions for this coverage will continue to be deducted from your check.

Long Term Disability Leave ("LTD") – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents, as well as coverage under the Health Care FSA, continues if you are on LTD leave and your Employer under its personnel policies continues to treat you as an employee. You must continue to make your required contribution. You may also receive an Employer contribution to your Health Savings Account if you are enrolled in an HDPPO coverage option and are eligible to contribute to a Health Savings Account.

You **cannot** continue to participate in the Dependent Care FSA while you are receiving Long-Term Disability Plan benefits. You may, however, use the existing balance in your account to pay for any eligible expense you incur before you commence your LTD leave.

Family and Medical Leave Act ("FMLA") Leave – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents continues at the same level of contribution and under the same conditions if you are granted a leave of absence under the Family and Medical Leave Act ("FMLA"). However, you may revoke your health benefit elections upon the commencement of your FMLA leave of absence. If you return from an unpaid FMLA leave of absence after having revoked health benefit elections on account of taking FMLA leave, you may reinstate your elections on the same terms as prior to taking FMLA Leave, to the extent that reinstatement is required under the FMLA. If your health benefit elections are revoked for non-payment of premiums during an approved FMLA leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

The Company and the applicable Participating Employer may recover its cost of coverage if you exhaust your leave and do not return to active employment for reasons other than the continuation or onset of a serious health condition or other circumstances beyond your control. The Company or the applicable Participating Employer may require you to provide certification of a health care provider if you are unable to return to work because of the continuation, recurrence, or onset of a serious health condition.

You may continue to participate in the Health Care FSA and/or Dependent Care FSA on a pre-tax basis while on a FMLA leave by pre-paying with pre-tax dollars any contributions due for coverage during the Plan Year in which your leave commences. You have the option to continue to participate in the Health Care FSA during your FMLA leave on an after-tax basis by making payments according to the same schedule in effect before your leave. If your participation in a Flexible Spending Account ceases on account of your leave, you may still use the existing balance in your account to pay for any eligible expenses that you incur prior to your last day worked before your FMLA leave. Also, if you ceased participation in the Health Care FSA during your leave, you may resume participation upon return from leave during the same Plan Year and either make up the unpaid contributions or resume coverage at a reduced level under the proration rule, with payments at your original contribution level.

Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") – If you are absent from employment because of service in the "uniformed services" (as that term is defined by USERRA), you may elect to continue coverage under a Plan during the period of your service to the extent provided by USERRA and the NiSource Military Leave of Absence Policy. Without limiting the generality of the foregoing, if your health benefit elections are revoked for non-payment of premiums during an approved military leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Medical, Dental and Vision Plans and under the Health Care FSA (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."*

COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial Services coverage.

In the event you are eligible for COBRA continuation coverage, there may be other

coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, (ii) the date for making COBRA premium payments, and (iii) the date for notifying the Plan of a qualifying event or determination of disability.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your Spouse (if he or she is treated as a Spouse under the Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. (This extended coverage does not apply to the Health Care FSA.) These costs are subject to change.

You will have 60 days to elect COBRA (measured from the later of your coverage loss date or the date the Plan Administrator notifies you of your right to elect COBRA coverage).

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

You will become a qualified beneficiary on account of coverage under a Plan if you lose your coverage under such Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct.

Your Spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your Spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;

- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of your employment or reduction of hours of employment, your death, or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the Benefits Source website at mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your Spouse, and parents may elect COBRA continuation coverage on behalf of their children.

[This paragraph applies only to the Medical, Dental and Visions Plans. It does not apply to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the end of your employment or reduction of your hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months. There are two ways in which this 18 month period of COBRA continuation coverage can be extended (as described below). When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. When the qualifying event is the end of your employment or reduction of your hours of employment, and you became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than you lasts until 36 months after the date of Medicare entitlement. For example, if you become entitled to Medicare 18 months before the date on which your employment terminates, COBRA continuation coverage for your Spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 18 months after the date of the qualifying event (36 months minus 18 months).

[This paragraph applies only to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. Upon experiencing a qualifying event, which causes a loss of coverage under the Health Care FSA, you may continue your current contributions

to your Health Care FSA on an *after-tax* basis through COBRA only for the remainder of the Plan Year in which your active coverage ended. This means that you will lose the pre-tax benefit of the FSA Plan by continuing coverage through COBRA. However, COBRA continuation coverage under the Health Care FSA option of the FSA Plan allows you to continue to incur and seek reimbursement of eligible claims for the remainder of the Plan Year. If COBRA continuation coverage is not elected, only those expenses incurred prior to the qualifying event will be eligible for reimbursement.

Disability Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If you or anyone in your family covered under a Plan is determined by the Social Security Administration to be disabled and you notify the Plan Administrator (in a form prescribed by the Plan Administrator) (i) within 60 days of the later of the date of the disability determination by Social Security and the date the qualified beneficiary loses coverage under the Plan as a result of your termination or reduction of hours of employment, and (ii) before the end of the initial 18-month period of COBRA continuation coverage, you and the qualified beneficiaries in your family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. If proper notice is not provided within the 60-day period and before the end of your initial 18-month period of COBRA continuation coverage, you will not be entitled to a disability extension. The disability would have to have started at some time before the 61st day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage. You must also notify the Plan Administrator within 30 days of the date the Social Security Administration determines that you or your dependent are no longer disabled.

Second Qualifying Event Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If your family experiences another qualifying event while receiving 18 months of COBRA continuation coverage, your Spouse and dependent children can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan Administrator within 60 days of the date of the second qualifying event. If proper notice is not provided within the 60-day period, you will not be entitled to an extension on account of the second qualifying event. This extension may be available to your Spouse and any dependent children receiving continuation coverage if you die, become entitled to Medicare benefits (under Part A, Part B, or both), or you get divorced or legally separated, or if your dependent child stops being eligible under a Plan as a dependent child, but only if the event would have caused your Spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. For example, when the qualifying event is the termination of your employment, COBRA continuation coverage for you, your Spouse and dependent children can last up to 18 months. If within that initial 18-month period you become legally separated or divorced (i.e., experience a second qualifying event), COBRA continuation coverage may be extended by an additional 18 months (for a total of 36 months from the date of the termination of employment) for your Spouse and dependent children who lose coverage due to the divorce or legal separation, if notice of such event is properly given to the Plan Administrator.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above (i.e., 18, 29 or 36 months, in the case of the Medical, Dental and Vision Plans, or the remainder of the Plan Year, in the case of the Health Care FSA), COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in the Program cease to

provide any group health plan or coverage to any employee.

- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- Provided such date is after the initial 18-month COBRA period and no other extension of such period (other than the disability extension) applies, the first day of the month coincident with or next following 30 days from the date the Social Security Administration determines that a qualified beneficiary is no longer disabled.
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" section below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at **dol.gov/ebsa** (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Employee's death at any time on or after January 1, 2004, if COBRA continuation coverage has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Employee's surviving dependents who are covered under the Medical Plan on the date of that Employee's death, then coverage under the Medical Plan for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Employee's surviving spouse dies, (ii) the last day of the month in which the Employee's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer with whom the Employee was employed ceases to be a "related employer," as defined in the Medical Plan.

If medical coverage under the Medical Plan ends for an Employee's dependent because of such Employee's death within 30 days preceding, or at any time on or after, May 1, 2010, and if such Employee would have satisfied the conditions for eligibility for retiree medical coverage under the Medical Plan or the NiSource Post-65 Retiree Medical Plan had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the Medical Plan at the time of the Employee's death, the Employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and have been a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the NiSource Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the NiSource Post-65 Retiree Medical Plan.

If survivor coverage under the Medical Plan will end for a surviving dependent of a Deemed Retiree solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the NiSource Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Medical Plan or the Dental Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any

other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to an illness, a sickness, or a bodily injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the illness, sickness or bodily injury;
- The insurer or other indemnifier of the party or parties who caused the illness, sickness or bodily injury;
- A guarantor of the party or parties who caused the illness, sickness or bodily injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the illness, sickness or bodily injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the illness, sickness or bodily injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the illness, sickness or bodily injury so that the applicable Benefit Plan may recover any sums paid under such Benefit Plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable for the Benefit Plan to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements, or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust of r the benefit of the Benefit Plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the illness, sickness or bodily injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the illness, sickness or bodily injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the illness, sickness or bodily injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to

any funds recovered from the Other Party by or on behalf of:

- The employee;
- The employee's covered dependent;
- The estate of any covered person; or
- On behalf of any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the employee or a covered dependent, the employee or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an in-network provider rather than an out-of-network provider. For the Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected

Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company, a Participating Employer, or any of their affiliates. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit Plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Code with respect to the Benefit Plans; employ or appoint persons to help or advise in any administrative functions;

and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though an Employee may receive a benefit check from a Claims Administrator, the Company, a Participating Employer, or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to the Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company, the Participating Employers, or their affiliates or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan

Description. The Plan Administrator may make a reasonable charge for the copies.

- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called "fiduciaries" of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Certain Benefit Plans and Accounts Not Subject to ERISA

Notwithstanding anything to the contrary contained in this Handbook, neither the Dependent Care FSA nor the HSAs (to which contributions are made through the Flexible Benefits Plan) are employee benefit plans subject to ERISA.

Consolidated Flex Medical Plan

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Medical Plan Options

This is the SPD (the "Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Medical Plan. In this Medical Plan SPD, the Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible employees and their eligible dependents with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA). The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at livehealthonline.com for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions**. If you still have questions, you can email **help@livehealthonline.com** or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are

covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Medical Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Medical Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Medical Coverage for Retirees

You may be eligible for medical benefits as a retired employee if you meet certain eligibility requirements. For further information about your eligibility for medical benefits as a retired employee or to notify the Company or your Employer of your retirement, contact the Benefits Source at **1-888-640-3320**.

Unless you are rehired as a Safety Plan Rehire or as a union employee of Northern Indiana Public Service Company LLC , if you retire or otherwise terminate employment and are later rehired by the Company, a Participating Employer, or any of their affiliates, you will not be eligible for retiree medical or retiree life insurance benefits, including after your subsequent retirement or other termination of employment.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	**Out-of-Network**
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

	PPO	
	In-Network (or out of area)	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible.

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

	HDPPO 1		HDPPO 2	
FEATURE	**In-Network**	**Out-of-Network**	**In-Network**	**Out-of-Network**
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse	$3,000	$6,000	$5,000	$10,000
Covered Member + Child(ren)				
Covered Member + Family				

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which claims are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's

application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or

- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the PBM for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers, distributors, and/or similar vendors, which may be related to certain prescription drug

purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HDPPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and
  - Prescribed medications (Outpatient prescription drug services are covered

under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).

- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;
  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam

and one hearing aid per ear during a two calendar-year period; and

- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor

performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;

- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance, when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;
  — Alcohol misuse: screening and counseling
  — Blood pressure screening in adults;
  — BRCA risk assessment and genetic counseling/testing;
  — Breast cancer preventive medications;
  — Breast cancer screening;
  — Cervical cancer screening;
  — Colorectal cancer screening;
  — Diabetes screening;
  — Lung cancer screening;
  — Obesity screening and counseling: adults and children;
  — Osteoporosis screening: women;

See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

  — Diphtheria;
  — Hepatitis A;
  — Hepatitis B;
  — Herpes Zoster;
  — Human Papillomavirus;
  — Influenza (flu shot)
  — Measles
  — Meningococcal;
  — Mumps;
  — Pertussis;
  — Pneumococcal;
  — Rubella;
  — Tetanus;
  — Varicella (chickenpox).

  The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

See the following website for additional information:
https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Well-woman visits;
  - Counseling and screening for human immune-deficiency virus;
  - Human papillomavirus testing;
  - Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);
  - Screening for gestational diabetes;

- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain Covered Services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);

- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Employee-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

> **Please Note:**
>
> If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;

  - Medically necessary services, supplies, and medications.

- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:

  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

  - Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
  - Inpatient covered hospital services related to the transplant procedure.
  - Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses

incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).

- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

Medical Expenses Not Covered

Expenses Not Covered Under Medical Plan

The medical expenses **not** covered under the Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;

- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;

- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;

- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or

astigmatism or any other correction of vision due to a refractive problem; and

- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The PPO coverage option utilizes a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The PPO coverage option utilizes a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name

drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	Plan Pays	You Pay*	Plan Pays	You Pay*
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:		Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications	

* You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The High Deductible Options utilize a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day

Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		MAIL ORDER		NINETY-DAY SUPPLY AT RETAIL	
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	Retail Pharmacy		**Mail Order**		**Ninety-Day Supply at Retail**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

Please Note: Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life/Legal & Financial Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life/Legal & Financial Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law, with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

Please see the *"Health Savings Account"* subsection of the **Flexible Benefits Plan** section of the Handbook for information concerning establishing and contributing to a health savings account when you enroll in an HDPPO.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;

  - Name and Social Security number of Employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348 Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Dental Plan

Preventive Dental

Dental Plan

Dental Plus

Your Dental Plan Options

This is the SPD (the "Dental Plan SPD") for the NiSource Dental Plan, also referred to as the Dental Plan. In this Dental Plan, SPD, the Dental Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Dental Plan to eligible employees and their dependents with the following dental coverage options:

- Preventive Dental;
- Dental Plan; and
- Dental Plus;

Both Dental Plan and Dental Plus provide coverage for eligible dental services such as preventive care services, basic services, and major services. The Dental Plus coverage option is an employee contributory option that also provides for orthodontia benefits.

The Preventive Dental coverage option provides preventive care at 100% of applicable charges and covers fillings and routine extractions at 50% of applicable charges after the deductible. Orthodontia is not covered and there is a deductible required. See "*Highlights of the Dental Plan Coverage*" for further details.

All dental coverage options use a network of providers. When you use an in-network provider you receive the added benefit of lower, negotiated fees. In addition, you are not responsible for fees over the negotiated rate. If you use an out-of-network provider, the amount of the claim that is paid is the product of the applicable coinsurance percentage (set forth below) multiplied by the "Maximum Reimbursable Charge," after the application of any deductible. You are responsible to pay any amount your dentist charges that exceeds the applicable percentage of the Maximum Reimbursable Charge. The Maximum Reimbursable Charge is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. If you have a question about the determination of the Maximum Reimbursable Charge, contact the Claims Administrator.

To find a provider in your area, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source automated telephone system at **1-888-640-3320**. Customer service associates can then connect you with a provider directly so that you can locate a participating dentist near you.

Eligibility

For information regarding eligibility under the Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320.**

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of the Dental Coverage

Here is a summary of the benefits under each option.

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)		DENTAL PLAN (In or Out-of-Network)		DENTAL PLUS (In or Out-of-Network)	
Annual Deductible	**You Pay**		**You Pay**		**You Pay**	
Covered Member	$75		$50		None	
Covered Member + Spouse	$150		$100		None	
Covered Member + Child(ren)	$75 per covered member up to $225		$50 per covered member up to $150		None	
Covered Member +Family	$75 per covered member up to $225		$50 per covered member up to $150		None	
Coinsurance	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**
Preventive and Diagnostic Treatment	N/A	100%	N/A	100%	N/A	100%
Basic Treatment	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Major Treatment (other than oral surgery or anesthesia)	100%	N/A	50% (after deductible)	50% (after deductible)	50%	50%
Major Treatment (oral surgery or anesthesia only)	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Orthodontia (adult and child)	100%	N/A	100%	N/A	50% (up to lifetime maximum); 100% thereafter	50% (up to the lifetime maximum)
Maximums	**Plan Pays**		**Plan Pays**		**Plan Pays**	
Annual Maximum	Up to $2,000 per person per year		No annual maximum		Up to $2,000 per person per year	
Annual Maximum - Implants	No Coverage		No annual maximum		Up to $600 per person per year	

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)	DENTAL PLAN (In or Out-of-Network)	DENTAL PLUS (In or Out-of-Network)
Orthodontia Lifetime Maximum	No Coverage	No Coverage	Up to $1,500 per person

All expenses incurred, whether care is received from a dentist in- or out-of-network, will be applied toward the calendar year deductible and maximum amounts according to the summary above.

For out-of-network providers, after you pay any applicable deductible, the Plan will pay the applicable percentage of Maximum Reimbursable Charges that are covered expenses. In addition to your share of Maximum Reimbursable Charge, you will be required to pay any amount your dentist charges over the Maximum Reimbursable Charge.

Dental Expenses Covered

The Plan pays for certain services and supplies that are considered necessary in terms of generally accepted dental standards, appropriate to properly treat the dental condition, and must be recommended by the participant's dentist.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Covered expenses include, but may not be limited to, the following eligible dental services and supplies up to the maximum allowance and/or applicable percentage of the Maximum Reimbursable Charge:

Preventive Treatment (Covered Under All Options)

Preventive Treatment is treatment designed to prevent dental disease, defect or injury and includes:

- Oral examination;
- Prophylaxis (cleaning and scaling of teeth);
- Periodontal maintenance procedures (following active therapy) and Periodontal prophylaxis;
- Topical application of fluoride solutions;
- Bite-wing x-rays;

Note: The services described above are each limited to twice in a calendar year.

- Topical application of sealant on a posterior tooth for covered persons under age 19 (only one treatment per tooth in any 3 consecutive calendar years);
- Panoramic (Panorex) x-ray once in any 3 consecutive calendar years;
- Full-mouth series of x-rays once in any 3 consecutive calendar years; and
- Space maintainers, fixed unilateral – limited to nonorthodontic treatment, up to age 19.

Basic Treatment (Covered Under All Options)

Basic Treatment is designed to correct dental disease, defect or injury and includes:

- Routine extractions;
- Amalgam and composite/resin restorations;
- Root canal therapy (any x-ray, test, laboratory exam or follow-up care is part of the allowance for root canal therapy and not a separate dental service);
- Osseous surgery (flap entry and closure is part of the allowance for osseous surgery and not a separate dental service);
- Periodontal scaling and root planing – entire mouth
- Adjustments – complete denture

  - any adjustment of or repair to a denture within 6 months of its installation is not a separate dental service.
- Recement bridge
- Surgical removal of erupted tooth requiring elevation of mucoperiosteal flap and removal of bone and/or section of tooth
  - Removal of impacted tooth, soft tissue
  - Removal of impacted tooth, partially bony
  - Removal of impacted tooth, completely bony
- Local anesthetic, analgesic and routine postoperative care for extractions and other oral surgery procedures are not separately reimbursed but are considered as part of the submitted fee for the global surgical procedure.
- General anesthesia – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.
- I.V. sedation – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.

Major Treatment (Covered Under the Dental Plan and Dental Plus Options)

The Plan pays for Major Treatment, provided you select the Dental Plan or Dental Plus coverage option. If you elect the Preventive Dental Option, the Plan does not pay benefits for Major Treatment.

Major Treatment is designed to correct dental disease, defect or injury and includes:

- Crowns

  Note: Crown restorations are dental services only when the tooth, as a result of extensive caries or fracture, cannot be restored with amalgam, composite/resin, silicate, acrylic or plastic restoration.

  - Porcelain fused to high noble metal
  - Full cast, high noble metal
  - Three-fourths cast, metallic
- Removable Appliances
  - Complete (full) dentures, upper or lower
  - Partial dentures
  - Lower, cast metal base with resin saddles (including any conventional clasps, rests and teeth)
  - Upper, cast metal base with resin saddles (including any conventional clasps rests and teeth)
- Fixed Appliances
  - Bridge pontics - cast high noble metal
  - Bridge pontics - porcelain fused to high noble metal
  - Bridge pontics - resin with high noble metal
  - Retainer crowns - resin with high noble metal
  - Retainer crowns - porcelain fused to high noble metal
  - Retainer crowns - full cast high noble metal
- Prosthesis over implant – a prosthetic device, supported by an implant or implant abutment is a covered expense. Replacement of any type of prosthesis with a prosthesis supported by an implant or implant abutment is only payable if the existing prosthesis is at least 5 calendar years old, is not serviceable and cannot be repaired.
- Implants - covered dental expenses include: the surgical placement of the implant body or framework of any type; any device, index, or surgical template guide used for implant surgery; prefabricated or custom implant abutments; or removal of an existing implant. Implant removal is covered only if the implant is not serviceable and cannot be repaired. Implant

coverage has a separate yearly maximum as shown in *Highlights of the Dental Plan Coverage*.

- Treatment of Temporomandibular Joint Dysfunction (TMJ)
  - Office visit – Adjustment to appliance (no more than six (6) adjustments in six (6) consecutive months after seating or placement of appliance)
  - Transcutaneous Electro-neural Stimulation (no more than four (4) treatments in a six (6)-month period)
  - Trigger Point Injection of Local Anesthetic into Muscle Fascia (no more than four (4) treatments in a six (6)-month period)
  - Mandibular Orthopedic Repositioning Appliance (only one appliance per person in any five (5) year period)

Orthodontia Services (Covered Under Dental Plus)

The Plan pays benefits for orthodontia services, provided you select the Dental Plus coverage option and remain covered under such option throughout the course of treatment. If you select the Preventive Dental or Dental Plan coverage option, the Plan does not pay benefits for orthodontia services. The Claims Administrator must determine that the service is necessary, and all orthodontia appliances and treatment must be part of a course of orthodontic treatment that begins while your coverage is in effect.

Subject to the foregoing, the Plan pays benefits for the following orthodontia services:

- Orthodontic work-up including x-rays, diagnostic casts and treatment plan and the first month of active treatment including all active treatment and retention appliances.
- Continued active treatment after the first month.
- Fixed or Removable Appliances - Only one appliance per person for tooth guidance or to control harmful habits.

The total amount payable for all expenses incurred for orthodontics during a person's lifetime will not be more than the orthodontia maximum shown in the *Highlights of the Dental Plan Coverage*.

Benefit payments for comprehensive full-banded orthodontic treatment are made in installments. Benefit payments will be made every 3 months. The first benefit payment is payable when the appliance is installed. Later payments are payable at the end of each 3-month period. The first installment is the lesser of (x) the lifetime maximum for orthodontia services, or (y) the product of (i) 25% of the charge for the entire course of treatment, multiplied by (ii) the applicable covered percentage. The remainder of the charge is prorated over the estimated duration of treatment. Payments are only made for services provided while a person is covered. If coverage ends or treatment ceases, payment for the last 3-month period will be prorated.

Orthodontia Payment Example: If your orthodontia treatment costs $5,000 and is estimated to take three years from installation of the appliance to complete, and if you have not been reimbursed for any orthodontia treatment in the past, your first installment will be $625 [the product of 25% multiplied by $5,000 (total cost of treatment) multiplied by 50% (covered percentage), which product is less than $1,500 (lifetime maximum)]. Assuming you remain covered under the Plan and complete the three-year treatment, the remaining charge will be paid in quarterly installments of $156.25 [calculated as set forth above] until you reach your lifetime maximum [$875 remaining after initial installment].

Orthodontia Payment Example

Total Treatment	$5,000.00
Initial Installment	
CIGNA Allowable (25% of total)	1,250.00
CIGNA Payment (50% of Allowable)	625.00
Remaining Installments	
Remaining Balance	$3,750.00
CIGNA Allowable (Remaining Balance/12 quarters)	312.50
CIGNA Quarterly Payment (50% of Allowable)	156.25*

*Subject to Lifetime Maximum

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Dental Expenses Not Covered

The Plan pays benefits for a variety of dental services, provided they are necessary according to generally accepted dental standards, appropriate to properly treat the dental condition, and recommended by your dentist. However, some limits and exclusions do apply.

The dental expenses **not** covered include, but are not limited to the following:

- Replacement of teeth that are missing when a person first becomes covered under the Plan;
- Services performed solely for cosmetic reasons;
- Replacement of a lost or stolen appliance;
- Replacement of a bridge, crown or denture within 5 years after the date it was originally installed unless: (a) the replacement is made necessary by the placement of an original opposing full denture or the necessary extraction of natural teeth; or (b) the bridge, crown or denture, while in the mouth, has been damaged beyond repair as a result of an injury received while a person is insured for these benefits;
- Any replacement of a bridge, crown or denture which is or can be made useable according to common dental standards;
- Procedures, appliances or restorations (except full dentures) whose main purpose is to: (a) change vertical dimension; (b) diagnose or treat conditions or dysfunction of the temporomandibular joint; (c) stabilize periodontally involved teeth; or (d) restore occlusion;
- Porcelain or acrylic veneers of crowns or pontics on, or replacing the upper and lower first, second and third molars;
- Bite registrations; precision or semiprecision attachments; or splinting;
- Instruction for plaque control, oral hygiene and diet;
- Dental services that do not meet common dental standards;
- Services that are deemed to be medical services;
- Services and supplies received from a hospital;
- Services for which benefits are not payable according to the immediately following paragraph.

In addition to the foregoing, no payment will be made for expenses incurred for you or any one of your dependents:

- For or in connection with an injury arising out of, or in the course of, any employment for wage or profit;
- For or in connection with a sickness which is covered under any workers' compensation or similar law;
- For charges made by a hospital owned or operated by or which provides care or performs services for, the United States government, if such charges are directly related to a military-service-connected condition;
- For charges for services provided by the covered person’s parent, spouse, brother, sister, son or daughter;
- For services or supplies received as a result of dental disease, defect or injury due to an act of war, declared or undeclared;
- To the extent that payment is unlawful where the person resides when the expenses are incurred;
- For charges which the person is not legally required to pay;
- For charges which would not have been made if the person had no insurance;
- To the extent that billed charges exceed the rate of reimbursement as described in the *Highlights of the Dental Plan Coverage,* including any charge in excess of the Maximum Reimbursable Charge;

- For charges for unnecessary care, treatment or surgery;
- To the extent that you or any of your dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid;
- For or in connection with experimental procedures or treatment methods not approved by the American Dental Association or the appropriate dental specialty society.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible dental expenses that are not covered by the Dental Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any dental care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

If you or your dependents have dental coverage under another dental plan, this Plan coordinates benefits with the other benefits to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits*" section of the **Benefits Program Overview** to learn more about the Plan's COB features.

Filing a Claim

General

Generally, dentists file claims electronically on your behalf provided that the dentist is a participating dentist. If you see a non-participating dentist, you may need to file your own claim. Claims should be submitted to the Claims Administrator.

How to File Claims

If you file your own claim form, follow these steps.

- Complete your portion of the claim form (your form will include step-by-step instructions for completing the correct information). Your dentist will need to complete his or her portion of the form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator online via the Benefits Source website mysourceforhr.com.
- Attach copies of all available dental bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the dental expense.
- Submit your completed claim form to the Claims Administrator. Claims should be submitted to:
  CIGNA
  P.O. Box 188037
  Chattanooga, TN 37422-8037

Any claims not submitted after 18 months from the date of service generally will not be considered for payment.

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Dental Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or by any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	CIGNA P.O. Box 188037 Chattanooga, TN 37422-8037 cigna.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Vision Plan

Vision Plan Option

Basic Vision Option

Your Vision Plan Options

This is the SPD (the "Vision Plan SPD") for the NiSource Vision Plan, also referred to as the Vision Plan. In this Vision Plan SPD, the Vision Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Vision Plan to eligible employees and their dependents with the following coverage options:

- Vision Plan option; and
- Basic Vision option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") with Vision Service Plan Insurance Company who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract, on the one hand, and this Vision Plan SPD, on the other hand, the terms of the Group Contract shall prevail. **You should refer to the Group Contract for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Vision Plan SPD.** *You may obtain a copy of the Group Contract by contacting the Benefits Source at **1-888-640-3320**.*

This Plan is designed to cover certain costs associated with your vision correction. *Please note that any illness or injury to your eyes would be covered under the Medical Plan, subject to any terms, conditions and limitations set forth in the Medical Plan*.

The Plan utilizes a network of VSP Providers referred to as the VSP Choice Network. The Plan pays vision benefits for eligible expenses regardless of whether you receive services and/or eyewear from a VSP Choice Network Provider or from a non-VSP Provider. However, if you go to a VSP Choice Network Provider, the Plan pays a higher level of benefits. You also have the option to receive benefit coverage from non-VSP Providers. However, your level of benefit payment will be subject to the non-VSP provider schedule as outlined in the "*Highlights of Your Vision Plan Coverage*".

- **VSP Choice Network Provider** – offers the convenience of "one-stop shopping" and can provide everything you need (eye exams, and if applicable, prescription glasses, and contacts). As long as you receive care or eyewear from a VSP Choice Network Provider, you are responsible for the amount in excess of the Plan's allowance, any applicable co-pays, and the cost of any eyewear or service that the Plan does not cover.
- **Non-VSP Providers** – you have the option to receive your services and eyewear outside the VSP Choice Network. If you do, you must pay the Provider in full at the time of your appointment and submit a claim to VSP. Once you submit an itemized receipt, the Plan then reimburses you for the eligible expense (up to the Plan's allowance).

To find a Provider who participates in the VSP Choice Network, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to request assistance.

Eligibility

For information regarding eligibility under the Vision Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Vision Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320** or log on to the Benefits Source website at mysourceforhr.com.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of Your Vision Plan Coverage

Vision Plan Option

The Vision Plan option pays for the following services and materials:

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year for Adults Twice every calendar year for Children	100%	Up to a $45 allowance
Lenses (per pair)			
Regular (single vision)	Once every calendar year	100%	Up to a $30 allowance
Lined Bifocal	Once every calendar year	100%	Up to a $50 allowance
Lined Trifocal	Once every calendar year	100%	Up to a $65 allowance
Lenticular	Once every calendar year	100%	Up to a $100 allowance
Frame	Once every other calendar years for Adults Once every calendar year for Children	100%, Up to a $200 frame allowance Featured Frames 100%, Up to a $250 frame allowance	Up to a $70 allowance
Contacts			
Visually Necessary	Once every calendar year in place of glasses	100%	Up to a $210 allowance
Elective	Once every calendar year in place of glasses	100% up to a $175 annual allowance	Up to a $105 allowance

If you choose contacts instead of glasses, you will pay up to a $50 copay for the contact lens exam (fitting and evaluation) after a 15% discount. The contact lens exam is in addition to your WellVision Exam® to ensure proper fit of contacts.

Polycarbonate lenses are covered in full for dependent Children up to the end of the month in which they turn age 26.

Standard Progressive Lenses are covered in full for all members.

KidsCare - the VSP® KidsCare Plan is designed to meet the eye care and eyewear needs of active and growing children by providing two WellVision Exams® and one pair of glasses every calendar year.

Basic Vision Option

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year	100%	Up to a $45 allowance

Vision Expenses Covered

The Plan will pay for vision services and materials, as described in the "*Highlights of Your Vision Plan Coverage*." However, in the event of any conflict with that section and the Group Contract, the terms of the Group Contract will prevail.

For purposes of this Vision Plan SPD, (i) "Adult" means either you or your Spouse, provided such person is eligible for, and has enrolled in, coverage under the Plan, (ii) "Child" or "Children" refers to a Child, as defined in the *Definitions* section of the **Benefits Program Overview**, provided such Child is eligible for, and enrolled in, coverage under the Plan, and (iii) "Covered Person" or "member" or "covered member" refers to any person who satisfies the eligibility requirements of the Plan and who is enrolled in coverage under the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process –* Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

For the Vision Plan Option, the services and materials that the Plan covers include, but are not limited to, the following:

- One WellVision Exam® in every calendar year for Adults.
- Two WellVision Exams® in every calendar year for Children.
- Prescription eyeglass lenses, one pair in every calendar year, up to a specified lens allowance.
- Frame for Adults, one pair every other calendar year (up to the frame allowance).
- Frame for Children, one pair every calendar year (up to the frame allowance)
- Contacts, one pair in every calendar year, up to a specified allowance. The allowance applies to the contacts only. There is an additional copay up to $50 for the contact lens exam (fitting and evaluation). This exam is in addition to your WellVision Exam® to ensure proper fit of your contacts. You can elect to receive an annual allowance toward the cost of contacts in lieu of frame and lenses.

Extra Discounts and Savings

When visiting a VSP Choice Network Provider, you may receive the following, provided that some of the discounts/savings listed below may not apply to the Basic Vision Option:

- Average savings of 30% on non-covered lens enhancements, such as scratch resistant and anti-reflective coatings, light reactive, custom or premium progressives, etc.; 20% off additional prescription glasses and sunglasses within 12 months of your last WellVision Exam®;
- 15% discount off the cost of an elective contact lens exam (fitting and evaluation);
- Polycarbonate lenses are covered in full for dependent Children;
- Standard progressive lenses covered in full for all members; Routine retinal screening discount;
- Laser vision correction discounts.

Other Programs/Resources Offered by the VSP

Laser VisionCare℠ Program

If you are considering laser vision correction, the Plan can help you make an informed decision. The Plan contracts with laser surgery facilities and doctors. As a result, you can access laser vision correction surgery for hundreds of dollars less than what you might pay privately. VSP has arranged for members to receive PRK, LASIK and Custom LASIK, at a discounted fee with an average 15% off the regular price or 5% off the promotional price. Visit the Claims Administrator's website at vsp.com or call **1-800-877-7195** to learn more about this program.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Vision Expenses Not Covered

Some vision care services and/or materials are not covered under this Plan and certain other limitations may apply. In addition, some brands of spectacle frames may be unavailable for purchase as Plan benefits or may be subject to additional limitations. Covered Persons may obtain details regarding service, material and/or frames exclusions from their VSP Choice Network Provider or by calling VSP's Member Services at (800) 877-7195.

Patient Options

This Plan is designed to cover visual needs rather than cosmetic eyewear. When a covered member selects non-covered lens enhancements, the covered member will pay the additional costs for the options. Some non-covered lens enhancements include:

- Optional cosmetic processes;
- Anti-reflective coating;
- Color coating;
- Mirror coating;
- Hi Index Lenses
- Scratch resistant coating;
- Blended lenses;
- Cosmetic lenses;
- Laminated lenses;
- Oversize lenses;
- Photochromic lenses, tinted lenses except Pink #1 and Pink #2;
- Custom and Premium Progressive lenses;
- UV (ultraviolet) protected lenses; or
- Certain limitations may apply on low vision care

For the cost of a non-covered lens enhancement, speak with your VSP Choice Network Provider or call VSP Member Service at (800) 877-7195

Not Covered

There are no benefits for:

- Services and/or materials not specifically included in this Vision Plan SPD as covered Plan benefits.
- Plano lenses (lenses with refractive correction of less than ± .50 diopter).

- Two pair of glasses instead of bifocals.
- Replacement of lenses, frames and/or contact lenses furnished under this Plan which are lost or damaged, except at the normal intervals when Plan benefits are otherwise available.
- Orthoptics or vision training and any associated supplemental testing.
- Medical or surgical treatment of the eyes.
- Contact lens insurance policies or service agreements.
- Refitting of contact lenses after the initial (90-day) fitting period.
- Contact lens modification, polishing or cleaning.
- Local, state and/or federal taxes, except where VSP is required by law to pay.
- Services associated with Corneal Refractive Therapy (CRT) or Orthokeratology.
- Corrective vision treatment of an experimental nature;
- Costs for services and/or eyewear above Plan benefit allowances; and
- KidsCare - Services and/or materials provided by someone other than a VSP Network Provider

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible vision care expenses that are not covered under the Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any vision care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

A Covered Person who is covered under two or more insurance plans that include vision care benefits may be eligible for Coordination of Benefits ("COB"). VSP will combine other insurance plans' claim payments or reimbursements, if any, with benefits available under the Plan, which may reduce or eliminate the Covered Person's out-of-pocket expense. A Covered Person covered under more than one VSP Plan may also be able to take advantage of COB. In order to process claims involving COB, VSP may need to share personal information regarding the Covered Person with other parties (such as another insurance company). When this is necessary, VSP will only share such information with those persons or organizations having a legitimate interest in that information and only where such sharing is not prohibited by law.

When coordinating benefits, it must be determined which plan is billed first. The plan that covers the member as an employee is "primary". The plan that covers the member as a dependent is "secondary".

If the Covered Person is a dependent child and is covered under both parents' plans, typically the parent whose birthdate falls first in the calendar year has the primary plan. If the parents are separated or divorced, the parent with custody is primary, unless otherwise ordered by the court.

The primary plan must pay or provide benefits as if the secondary plan does not exist.

When VSP administers the secondary plan, the member will receive a specified allowance for each service (exam, lenses, frame or contacts) that will be used to pay up to, but not more than the billed amount. Only services received on the primary benefit may be used for coordinating like services on the secondary benefit. Secondary allowances are applied first to the same service of the primary plan. Any remaining amount may be used to cover additional expenses on other services.

VSP will reimburse the Covered Person according to each benefit's out-of-network

schedule of allowances, not to exceed the actual exam fee and the cost of corrective eyewear.

Please Note: Coordination of benefits does not guarantee that all out-of-pocket expenses will be covered-in-full. The Member is responsible for any remaining expenses.

How to Access the Vision Benefits

Selecting a VSP Choice Network Provider

- Log on to the Benefits Source website at mysourceforhr.com to find the link to VSP's website that houses the most up-to-date list of VSP Choice Network Providers; or call the Benefits Source at **1-888-640-3320** to locate a VSP Choice Network Provider near you. Call the VSP Choice Network Provider to make an appointment. Identify yourself as a VSP member.
- At the time of the visit, pay any amounts that are in excess of the allowance or the Plan's covered services. The VSP network provider files all necessary claims directly from his or her office. The Claims Administrator takes care of all of the necessary paperwork, and pays the provider directly for the eligible expenses.

If you select a Non-VSP Provider

If you receive care from a non-VSP provider, you are required to submit a VSP Request for Reimbursement claim form or you can submit the claim online by signing in as a Member to vsp.com. Here are the steps to follow when filing your own claim with the Claims Administrator:

- Complete all required fields of the VSP Request for Reimbursement claim form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator via the Benefits Source website mysourceforhr.com and link to the Claims Administrator's website.
- Attach copies of your itemized bill and paid receipts to your claim form. These bills should include:
  - Name of patient;
  - Doctor's name or office name;
  - Date of service;
  - Each service received and the amount paid;

Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

VSP
P.O. Box 385018
Birmingham, AL 35238-5018

Be sure to submit your completed claim to the Claims Administrator within 1 year of the date of your service.

Your claim will be processed upon receipt. The Plan then pays eligible benefits directly to you. Regardless of whether you will receive care from a VSP Choice Network Provider or a non-VSP provider, you receive a statement that tells you how much the Plan paid. In some cases, the Claims Administrator sends the payment to a designated representative (as in the case of a Qualified Medical Child Support Order).

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Vision Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Fully Insured
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurance Company. Claims are administered by the Claims Administrator listed below under the group insurance contract.
Claims Administrator (VSP Choice Network Providers):	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670 vsp.com
Claims Administrator (Non-VSP Providers):	Vision Service Plan Insurance Company P.O. Box 385018 Birmingham, AL 35238-5018
Insurance Company:	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The group insurance contract (the "Group Contract") underwritten by Vision Service Plan Insurance Company provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and a certificate or evidence of coverage (the "Group Insurance Certificate"). In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail.

Vision Service Plan Insurance Company, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Flexible Benefits Plan

Flexible Spending Account Plan

Health Savings Account

Your Flexible Benefits Plan Options

NiSource Inc. (the "Company") maintains the NiSource Flexible Benefits Plan (the "Plan"), which provides eligible employees with the option to participate in a Flexible Spending Account Plan (an "FSA Plan") and to contribute to a Health Savings Account (an "HSA"); provided, however, that you may not contribute to a Health Care FSA and an HSA at the same time.

The Claims Administrator for the FSA Plan is Alight Solutions, LLC, dba "Your Spending Account" or "YSA".

Flexible Spending Account

The FSA Plan has two different Flexible Spending Accounts. They are:

- The Health Care FSA; and
- The Dependent Care FSA.

You may participate in one or both of these accounts. The contributions you make to the Flexible Spending Accounts are not subject to Federal, and in many cases, state and local income tax, which reduces your taxable income.

The Health Care FSA allows you to set aside before-tax money from your paychecks to pay for certain eligible health care expenses that are not covered by the Medical, Dental or Vision Plans. You may set aside up to $2,750 a year (deducted from your pay in equal installments throughout the year) to pay for eligible out-of-pocket expenses such as deductibles, co-payments, or expenses that the Plan limits or excludes. The maximum limit for Health Care FSA may be adjusted periodically for inflation. Please contact the Benefits Source at **1-888-640-3320** to find out the current limit.

The Dependent Care FSA works similarly to the Health Care FSA. However, the before-tax money that you can set aside can only be used for reimbursement for dependent care expenses for eligible dependents. You may set aside up to $5,000 per year, or $2,500 per year if you are married and file separate federal income tax returns.

You may not claim any other tax benefit (e.g., the federal dependent care tax credit) for the amount of your before-tax salary reductions under the Dependent Care FSA, although your eligible dependent care expenses in excess of that amount may be eligible for the federal dependent care tax credit. The federal dependent care tax credit is a credit against your federal income tax liability under the Code. It is a non-refundable tax credit, which means that any portion of it that exceeds your federal income tax liability will be of no value to you. For more information about how the dependent care tax credit works, see IRS Publication No. 503 ("Child and Dependent Care Expenses"). For most individuals, participating in the Dependent Care FSA will produce greater federal tax savings than the dependent care tax credit, but there are some for whom the opposite is true. You should consult a tax advisor to determine what course of action would be best in your situation.

Eligibility

For information regarding eligibility under the FSA Plan, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

Highlights of the Flexible Spending Accounts (FSAs)

FSA FEATURES	Eligible Dependents	Eligible Expenses
Health Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $2,750*	The Health Care FSA can be used to reimburse eligible out-of-pocket expenses incurred by you, your eligible spouse, or any person who is your dependent for federal income tax purposes (as determined without regard to such person's gross income).	Certain medical, dental, and vision expenses not covered under the Medical, Dental, or Vision Plans, such as deductibles, co-payments and coinsurance amounts. The expense must be considered as one incurred for "medical care," as defined in the Code. A non-exhaustive list of eligible expenses can be found later in this section.
Dependent Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $5,000; $2,500 if you are married and file separate federal income tax returns.	For purposes of the Dependent Care Flexible Spending Account, eligible dependents are: • Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child; • Your spouse who is physically or mentally incapable of caring for himself or herself, provided the spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, the spouse must regularly spend at least eight hours each day in your home.	Expenses you incur to care for your child or a dependent family member while at work. If you are married, your spouse also must work, be looking for work, be a full-time student for at least five months during the calendar year, or be physically or mentally unable to care for your dependent(s). *A non-exhaustive list of eligible expenses can be found later in this section.*

FSA FEATURES	Eligible Dependents	Eligible Expenses
	• Any one of the following persons, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year: a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step-daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.	

*Amount is subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current maximum annual contribution amount for the Health Care FSA.

Health Care Eligible Expenses

Health care expenses that are eligible for reimbursement from the Health Care FSA are those expenses incurred for "medical care" (as defined under the Code and regulations issued thereunder) by you, your spouse or persons who qualify under the Code as your tax dependents for health coverage purposes, to the extent such expenses are not reimbursed from any other source, are not taken as a deduction on the your income tax return and are not otherwise excluded from eligibility under the terms of the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Health Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Eligible health care expenses include, but may not be limited to the following:

- Expenses covered by an employer-sponsored health care plan, but not reimbursed due to a deductible or co-payment.
- Prescription vision expenses (including eyewear, contact lenses and optometrist), contact lens solution, a guide dog for the blind and special education devices for the blind (such as a special typewriter).
- Expenses that may not be covered by an employer-sponsored health care plan, including (but not limited to):
  - Confinement to a facility primarily for screening tests and physical therapy or hydrotherapy;
  - Cosmetic surgery if it is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease;

- Services for chromosome or fertility studies;
- Treatment (other than surgery, which is covered by the Medical Plan) of corns, bunions, calluses, foot structural disorders, etc.;
- Services related to sexual dysfunctions or inadequacies;
- Ace bandages, support hose, or other pressure garments prescribed by a physician;
- Charges for medical expenses in excess of reasonable and customary expenses;
- Acupuncture for pain relief as performed by a licensed practitioner;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Orthodontic services not covered by a health care plan;
- Transportation expense to receive medical care, including fares for public transportation and actual out-of-pocket car expense, such as gas and oil. In lieu of out-of-pocket expenses, a standard mileage rate (plus tolls and parking) may be used;
- Hearing expenses including hearing aids, special instructions or training for the deaf (such as lip reading), the cost of acquiring and training a dog for the deaf, and special telephone and audio display equipment for the deaf;
- Hypnosis for treatment of an illness;
- "Halfway house" care to help individuals adjust from life in a mental hospital to community living;
- Tutoring by a licensed therapist for a child with a severe learning disability and special schooling for handicapped individuals;
- Lifetime care advance payment to a private institution for lifetime care, treatment, or training of a mentally or physically handicapped patient;
- Medical information plan fees paid to a plan maintaining an individual's medical information by computer;
- Special car controls for the handicapped; and
- Full or partial reimbursement for certain capital expenditures that are primarily made for health care reasons (e.g., an air conditioner installed in the home of a person with severe allergies may qualify for partial reimbursement, and an exercise swimming pool to aid in the recovery of a stroke victim may qualify for reimbursement).

This list of covered expenses is subject to change. An expense may not be reimbursed if the IRS would not consider the expense to be eligible.

To confirm if an expense is eligible for reimbursement, call YSA via the Benefits Source at ***1-888-640-3320.***

Health Care Expenses Not Eligible

The health care expenses that are **not** eligible for reimbursement from the Health Care FSA include, but may not be limited to the following:

- Marriage or family counseling;
- The salary expense of a licensed practical nurse (LPN) incurred in connection with the care of a normal and healthy newborn (even though such care may be required due to the death of the mother in childbirth);
- Funeral and burial expenses;
- Household and domestic help (even though recommended by a qualified physician due to your or dependent's inability to perform physical housework);
- Custodial care in an institution;
- Costs for sending a "problem child" to a special school for benefits the child may receive from a special course of study and disciplinary methods;

- Health club dues, YMCA dues, steam bath, etc.;
- Social activities, such as dance lessons or classes (even if recommended by a qualified physician for general health improvement);
- Membership fees or costs associated with weight loss or smoking cessation programs for general health and well-being purposes;
- Maternity clothes, diaper services, etc.;
- Cosmetics, toiletries, toothpaste, etc.;
- General health care aids purchased without a prescription, such as dietary supplements (e.g., vitamins);
- Premiums for other group or individual insurance coverage;
- The segment of automobile insurance premiums providing medical coverage for persons injured through an accident involving your care;
- Vacation or travel taken for general health purposes, a change in environment, improvement of morale, etc., or taken to relieve physical or mental discomfort not related to a particular disease or physical defect;
- Retin-A when used solely for cosmetic purposes;
- Herbs (even if they are used to treat an illness or injury); and
- Premiums for contact lens replacement insurance.

Filing a Health Care FSA Claim

If your health care-related expenses are eligible for reimbursement from the Program's Medical, Dental, or Vision Plans (or another medical, dental, or vision plan outside the Program), those expenses should be submitted to that plan first. After a payment determination is made, the unreimbursed expenses can then be submitted to your Health Care FSA.

The total annual amount that you can elect to contribute to the Health Care FSA (less any previous reimbursements) is available for reimbursement (regardless of the amount that you have contributed to your FSA to-date). Contributions then continue to be deducted from your paychecks until your annual goal amount is reached.

You may incur eligible health care expenses until December 31. You then have until March 31 of the following year to submit claims for expenses you incurred between January 1 and December 31 of the previous year.

Reimbursement of Health Care FSA Claims

You may submit a claim for reimbursement under your Health Care FSA via the Benefits Source website **mysourceforhr.com**.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Completed forms should be submitted along with the following documentation:

- **The Explanation of Benefits** (EOB): The EOB from the Claims Administrator indicates what expenses were covered by your medical/dental/vision plans. If you have another benefit plan available to you, you must submit your EOB with your completed health care reimbursement form.
- **A Co-pay Receipt**: This receipt is from the provider, and may be the only documentation if the co-pay is the only expense.
- **An Itemized Bill or Statement**: This is from the provider, and shows what expenses are not covered by the medical/dental/vision plan. It may include the:
  - Name and address of the service provider;
  - Dates of service (not the billing date or the paid date);
  - Dollar amount charged;
  - Patient's name; and
  - Description or type of services rendered.

Please note that canceled checks and balance-forward statements are not acceptable documentation for reimbursement.

Submit the completed form and documentation to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

Debit Cards

In addition, if the total annual amount that you elect to contribute to the Health Care FSA is $60 or greater, you will be issued a debit card for use with your Health Care FSA. The debit card may be used only for eligible health-related expenses. When you use your debit card, you are automatically certifying that you have not been reimbursed for the expense and that you will not seek reimbursement for the expense from any other plan.

You may use your debit card to obtain reimbursement for certain approved over-the-counter medications and supplies that are used to treat an illness, injury, or disease and that are purchased from registered vendors. However, you may not use your debit card to obtain reimbursement for over-the-counter medications or supplies that require a prescription or a statement of health or medical need.

The FSA Plan will try to automatically verify any claims you submit through your debit card. However, you should retain documents (such as an EOB, receipt, and itemized bill or statement) to support your claim in case the Claims Administrator requests such information. All expenses you incur must be substantiated in accordance with rules established by the IRS.

If you are paid for an excess or ineligible claim through your debit card, or if you fail to provide requested information to the Claims Administrator regarding substantiation of a claim, your debit card privileges may be suspended and the Plan and Claims Administrator reserve the right to recoup the mistaken payment. If you fail to repay such amount to the Plan, such amount may be withheld from your wages, be offset against other eligible Health Care FSA claims you submit, or be reported on your W-2 as taxable income.

Dependent Care Eligible Expenses

The dependent care expenses that are eligible for reimbursement from the Dependent Care FSA include, but may not be limited to:

- Family day care providers;
- Babysitter;
- Caregivers for a disabled dependent or spouse who resides in the participant's home;
- Housekeeper, maid or cook (provided the services are attributable in part to the care of an eligible dependent);
- Dependent care provided outside your home by an eligible care provider, including care provided in a neighbor's home or in an approved nursery school or dependent day care center. If the care is for a dependent age 13 or over, the dependent must regularly spend at least eight hours each day in your home. For example, day care centers for children and disabled adults qualify, but 24-hour nursing care facilities do not. Also, facilities that care for seven or more nonresident individuals must comply with all applicable state and local regulations governing day care centers;
- Payments for before- and after-school care for eligible children from kindergarten up to and including age 12;
- Payments in lieu of regular dependent day care to summer day camp or other summer programs (but not overnight camp); and
- Certain expenses for children not yet in the first grade, for example:
  - Nursery school;
  - Pre-school.

To confirm if an expense is eligible, call YSA via the Benefits Source at **1-888-640-3320**.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Dependent Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dependent Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 42.

Dependent Care Expenses Not Eligible

The dependent care expenses that are **not** eligible for reimbursement from the Dependent Care FSA include, but may not be limited to the following:

- Dependent care expenses that you incur before (or after) your participation in the Dependent Care FSA begins (or ends);
- Any expense that you claim for the dependent care tax credit on your federal income tax return, or any expense that is paid by any other similar reimbursement-type plan or program;
- Any expenses that are reimbursed by your Health Care FSA;
- Expenses for the education of a qualified dependent;
- Expenses paid for food and clothing;
- Dependent care provided by a family member who is under age 19 at the end of the taxable year, or by another dependent for whom you claim a dependent exemption on your tax return;
- Expenses for health care;
- Educational expenses for kindergarten or higher;
- Housekeeping expenses that are not related to dependent care, or payments for services while you are at home from work because of an illness;
- Child or dependent care provided while:
  - You are at work and your spouse is doing volunteer work, even if a nominal fee is paid (or vice versa);
  - You and your spouse are doing volunteer work (even if a nominal fee is paid); or
  - You and your spouse are not working (such as weekend or evening babysitting fees);
- Expenses for food, clothing, health care, or entertainment of a qualified dependent;
- Transportation expenses to and from the dependent care location;
- Expenses for overnight camps;
- Services of a gardener or chauffeur; and
- Care provided by a round-the-clock nursing home.

Filing a Dependent Care FSA Claim

For Dependent Care FSA reimbursements, only the current balance in your Dependent Care FSA is available for reimbursement. This means that you are reimbursed up to the amount that you have actually set aside from each paycheck up to that point (less any previous reimbursements). So, if the reimbursement request that you submit exceeds the amount currently in your Dependent Care FSA, you are reimbursed for the remainder after you contribute more money to your Dependent Care FSA via future paychecks.

You may submit a claim for reimbursement under your Dependent Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Submit the completed form along with the following documentation:

- **Provider's Bill or Itemized Receipt**:. The provider must sign this documentation, and it must itemize the date(s) of service as well as the amount(s) charged. Canceled checks are not considered acceptable documentation.
- **Dependent Care Provider's Name, Address, and Social Security Number (or Federal Tax Identification Number)**. For tax-reporting purposes, you must include the provider's name and his or her Social Security number (or taxpayer identification number). The taxpayer identification number is not necessary if the provider is a nonprofit, religious, charitable, or educational organization.

If the provider completely fills out the 'Provider Certification' section of the reimbursement form, then you need only submit the completed reimbursement form for your reimbursement request.

Submit the completed form and documentation (if required) to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

FSA Filing Deadlines

You may submit a health care reimbursement claim at any time after you incur an eligible health care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Health Care FSA after March 31 will be forfeited.

You may submit a dependent care reimbursement claim at any time after you incur an eligible dependent care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Dependent Care FSA after March 31 will be forfeited.

Claim Determination and Appeal Process – Health Care FSA

For information regarding the Health Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Claim Determination and Appeal Process – Dependent Care FSA

For information regarding the Dependent Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dependent Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the FSA Plan, including COBRA continuation coverage under the Health Care FSA, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Health Savings Account

If you enroll in one of the High Deductible PPO options (HDPPO 1 or HDPPO 2) you may be eligible to contribute to a Health Savings Account (HSA). An HSA is a portable savings account established and maintained outside the Plan that can be used to pay present and future medical and prescription drug expenses. An HSA is not an employer-sponsored employee benefit plan — it is an individual trust or custodial account that you open with a separate HSA trustee/custodian, such as a bank, life insurance company or other financial institution. Your HSA will be subject to the terms of an agreement you enter into with the HSA trustee/custodian. Such agreement may impose fees and restrictions upon how you use your HSA. The Plan merely allows you to contribute to your HSA in an amount up to the IRS statutory limit. Unlike a Health Care FSA, the HSA account balance can roll over from year to year until withdrawn and earnings accumulate tax-free.

The Health Savings Account is administered by Alight. Your Employer has no authority or control over the funds deposited in your HSA. As a result, the HSA is not subject to ERISA.

You can use the dollars in your HSA to pay the deductible and coinsurance required under the HDPPOs, along with other qualified medical expenses not covered by the plans. Qualified medical expenses are expenses you pay for medical care (as defined in Section 213(d) of the Code) for you, your spouse or dependents (as defined in Section 223 of the Code), to the extent such expenses are not reimbursed by insurance or otherwise.

Funds in the HSA remain in the account until you apply for reimbursement. If you are enrolled in the HDPPO 1 or HDPPO 2, your Employer may make an annual contribution into your HSA on your behalf. However, you must establish or activate your HSA before the end of the Plan Year in order to receive any Employer contributions. If you fail to do so, you will forfeit any Employer contributions for that Plan Year.

The amount you can contribute to your HSA is governed by federal law. Please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Flexible Benefits Plan – HSAs"* for a discussion of limitations upon the amount you may contribute to an HSA. Please call the Benefits Source at **1-888-640-3320** for more information.

Three Ways to Use Your Health Savings Account

- Pay for current qualified medical expenses, such as deductibles and coinsurance, or eligible expenses not covered by the HDPPOs.
- Pay for qualified medical expenses in future years, even if you are no longer enrolled in the HDPPOs.
- Once you reach age 65 (or become disabled), you can use any remaining money in your HSA to pay for qualified medical expenses on a tax-free basis, or you can take a distribution for non-qualified medical expenses, subject to income tax but without incurring a penalty .

Please note: *The information above describes the federal tax treatment of an HSA, but the favorable tax treatment described above may be limited or unavailable for state tax*

purposes. Please consult your tax advisor for more information.

Eligibility

For information regarding eligibility for an HSA, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in an HSA, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

HSA Qualified Medical Expenses

In addition to those services covered under the HDPPOs, you can use your HSA to pay for other qualified medical expenses including, but not limited to the following expenses, to the extent they are not reimbursed from any other source:

- Laser eye surgery;
- Weight loss programs;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Long-term care premiums;
- COBRA premiums;
- Health care plan premiums while receiving unemployment;
- Over age 65, you can use the HSA funds to pay for Medicare Parts A or B; and
- Many other services defined as expenses for medical care under Section 213(d) of the Code.

If you use your HSA for a non-medical or non-qualified medical expense, you will have to pay income tax on the account distribution as well as a 20% penalty. However, if a distribution is made after age 65, after disability, or after death, the distribution will be subject to income tax, but no penalty tax.

If you have a question about what constitutes a qualified medical expense, please consult your tax advisor or Publication 969 that may be found on the IRS website at irs.gov.

How to Open an HSA

After you have enrolled in an HDPPO option and agreed to the terms and conditions of the HSA custodial agreement, YSA will send you a packet containing basic information on how to use a Health Savings Account.

Paying for Covered Expenses Using the Health Savings Account

The Health Savings Accounts are administered by YSA. When you visit a network provider, you typically do not pay at the time of service. Simply show your Anthem ID card and the following steps will be followed:

1. The claim will be sent to Anthem for processing.
2. You will receive an Explanation of Benefits (EOB) statement showing what was paid under the Plan.
3. Your provider will receive the same statement and bill you for the balance not covered under the Plan.
4. You can then either pay the balance with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

Paying for prescription drugs works differently. The following steps will be followed:

1. You must show the pharmacist your Anthem ID card (the same one you use for medical services).
2. When you pick up your prescription, you can either pay with your HSA debit card (if accepted by your provider) or pay out

of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

A similar procedure applies for mail-order prescription drug service.

Paying a Provider Who Does Not Participate in the Network

If you visit a provider who is not in the Network, you must either pay the provider at the time of service with your HSA debit card (if accepted by your provider) or pay the provider out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

To enroll or to find out more information about the Health Savings Account, please visit the Benefits Source website mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to speak with a representative.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Flexible Benefits Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Code Section 125 Plan containing group health plan and non-group health plan components and providing for Pre-Tax Payment of Medical Expenses (Health Plan), Pre-Tax Payment of Dependent Care Expenses and Pre-Tax Contributions to Health Savings Accounts
Plan Number:	537
Type of Funding:	Not applicable
Contribution Source:	Employee. In addition, subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Fiduciary and Plan Administrator:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute the entire cost of the Benefit Plan coverage they select. Provided, however, that subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Distributions from HSAs are not administered through the Plan. Questions concerning investments, distributions or other matters pertaining to an HSA should be directed to Alight, who administers the HSAs. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator for Flexible Spending Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com

Claims Administrator for Health Savings Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Travel Accident Plan

Your Travel Accident Benefit

This is the SPD (the "Travel Accident SPD") for the NiSource Travel Accident Plan, also referred to as the Travel Accident Plan. In this Travel Accident SPD, the Travel Accident Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the Plan to eligible employees to cover accidental death sustained during the course of a trip made on behalf of a Participating Employer.

For purposes of the Plan, a trip "made on behalf of a Participating Employer" means travel and sojourn authorized by, or at the direction of, a Participating Employer for purposes of furthering the business of the Participating Employer. A trip will be considered as commencing when you leave your residence or place of employment, whichever you leave last, for the purpose of going on such trip, and the trip will continue until you return to your residence or place of regular employment, whichever you return to first.

All eligible employees are covered for $50,000 in death benefits.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process – Travel Accident Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 44.

Eligibility

For information regarding eligibility under the Travel Accident Plan, please see the *"Eligibility under the Travel Accident Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Travel Accident Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Travel Accident Plan"*.

Contributions

The Employer pays the full cost of the Travel Accident Plan. There are no employee contributions.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Travel Accident Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Travel Accident Plan"*.

Beneficiary Designation

Your beneficiary will be the beneficiary or beneficiaries that you named under the NiSource Life Insurance Plan. (Please see the "*Life and AD&D Plan"* section of this Handbook for further details on beneficiary designation.)

If you fail to designate a beneficiary before your death, or if your beneficiary dies before you die, benefits are paid according to the default rules established under the NiSource Life Insurance Plan.

You and your beneficiary need to keep the Company advised of the addresses at which each of you can be located. If the Company cannot locate you or your beneficiary when benefits become payable, notification will be mailed to the most recent address on file. The Claims Administrator is not required to search for, or locate, you or your beneficiary. Please be sure to notify the Benefits Source should you or your beneficiary change addresses.

If a beneficiary becomes entitled to a payment under the Plan and it cannot be

made because (1) the current address is incorrect, (2) the beneficiary does not respond to the notice sent to the current address, (3) there are conflicting claims to such payment, or (4) any other reason, the amount of such payment, if and when made, shall be that determined under the terms of the Plan, without interest.

To designate or change your beneficiary(ies) go online via the Benefits Source website at mysourceforhr.com or call the Benefits Source toll-free number at **1-888-640-3320** to speak with a customer service associate.

Travel Accident Benefit Exclusions

The Plan does not cover any accidental death incurred due to:

- Commuting to and from work, and any travel during lunches, breaks and vacations;
- Suicide or any attempted suicide while sane or self-destruction or an attempted suicide while insane;
- Declared or undeclared war or any act of either within the United States, the District of Columbia or Canada;
- Service in the armed forces of any country; provided, however, orders to active military service for two months or less will not constitute service in the armed forces; or
- Sickness or disease, except infections that occur through an accidental cut or wound.

Filing a Claim

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim under the claims procedures described below.

In the event of death or covered loss, your beneficiary must contact the NiSource Benefits Department at 801 E. 86th Avenue, Merrillville, Indiana 46410 within 31 days or as soon as reasonably possible in order to receive benefits.

Any claims submitted after 18 months from the date of death or covered loss may not be considered for payment.

The Plan pays benefits based on the coverage that was in effect on the date of your death. The benefit is paid in the form of a lump-sum payment.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Travel Accident Plan."*

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Travel Accident Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Travel Accident
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Company and Participating Employers
Contribution Source:	Employer
Plan Sponsor:	NiSource Inc. 801 E. 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 E. 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Claims are administered by the Claims Administrator listed below Benefits will be paid under the Plan only if the applicable Plan Administrator or its delegate (e.g. the Claims Administrator) determines that the claimant is entitled to them.
Claims Administrator:	NiSource Benefits Department 801 E. 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator

Short-Term Disability Plan

Your Short-Term Disability Plan

This is the SPD for the NiSource Short-Term Disability Plan (the "Plan" or "Short-Term Disability Plan").

NiSource Inc. (the "Company") and the Participating Employers provide eligible employees with short-term disability ("STD") and sick leave coverage under the Plan at no cost to the employee. Your Employer provides you with limited income continuation should you become Disabled and unable to work because of a short-term Sickness or Injury (as defined below).

How Your Paid Sick Leave Works

Generally, if you are an eligible employee, you are granted paid sick leave on the first day of the month coincident with or next following the completion of six continuous months of active full-time employment with an Employer. All covered absences due to Sickness or Injury will be deducted from your sick leave balance and will be paid in accordance with the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Your Plan benefit is determined by your credited service years. Please see the *"Highlights of Your Disability Plan Coverage"* section for further details.

If you use all of your paid sick leave time and you are still unable to return to work, you will be on an unpaid leave of absence. You may continue in this unpaid status until:

- You are eligible to receive Long Term Disability Plan Benefits;
- You return to work;
- You terminate employment; or
- You retire.

If you are still on sick leave at the end of December and you remain unable to work into the next calendar year, you continue to use remaining sick leave from the previous year. Subject to the terms, conditions and limitations described below in "*Recurring or Separate Periods of Disability," y*ou will not receive additional hours of paid leave until you return to work for one full day in the new year. This means that you will not be granted additional hours of paid sick leave for the new year while you are absent due to Sickness or Injury.

For purposes of the Plan, "Sickness" means a disease, disorder or condition of the body or mind, including pregnancy, abortion, miscarriage or childbirth, that requires treatment by a Physician (as defined below), but does not include an Injury. Disability resulting from a Sickness must begin while you are covered under the Plan.

For purposes of the Plan, "Injury" means a bodily injury that is the direct result of an accident, that is not related to any cause other than the accident, the results in immediate disability, and that requires treatment by a Physician. Disability resulting from an Injury must begin while you are covered under the Plan.

Disability Under the Short-Term Disability Plan

If you are Disabled (as described below), you will be eligible for Plan benefits for up to maximum period of 26 weeks, at which time you may be eligible to receive Long-Term Disability Plan benefits. (See the *"Long-Term Disability Plan"* section of this Health and Welfare Benefits Handbook for details.) For Plan benefit purposes, as explained in greater detail below, you are considered "Disabled" or to have incurred a "Disability" if your Sickness (including pregnancy) or Injury prevents you from performing the essential functions of your own occupation.

There are different types of Disabilities for which you may qualify. They are defined as follows:

Total Disability

You are considered Totally Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are reasonably qualified because of your education, training, or experience. If this is the case and you are absent from work for

more than four consecutive work days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator. As used in the Plan, "essential functions" means functions that (i) are normally required for performance of your own occupation or any job requiring similar education or training that an Employer offers you and for which you are reasonably qualified by reason of your education, training, or experience, and (ii) cannot be reasonably omitted or modified.

Partial Disability

You are considered Partially Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform, on a full time basis, the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are reasonably qualified because of your education, training, or experience. If this is the case and you are absent from work for more than four consecutive days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator.

Please Note: If you are Partially Disabled, you may be assigned temporary modified work. The temporary modified work assignment must be approved by your personal physician, the Company physician (where appropriate) and your supervisor.

Please Note: If you require a professional license or certification for your occupation and you lose that license or certification, the loss (in and of itself) does not constitute a Disability under the Plan.

**As used in this SPD, "Physician" means a person who is performing tasks that are within the limits of his or her medical license and is licensed to practice medicine and prescribe and administer drugs or to perform surgery; or who has a doctoral degree in psychology (Ph.D or Psy.D) whose primary practice is treating patients; or who is a legally qualified medical practitioner according to the laws and regulations of the governing jurisdiction. It cannot be any relative including, but not limited to, you, your spouse, or a child, brother, sister, or parent of you or your spouse as a doctor for a claim that you send to us.*

Recurring or Separate Periods of Disability

If you are collecting Plan benefits due to a Disability, you temporarily recover, you return to work for your Employer for 180 consecutive calendar days or less, and you then again become Disabled due to the same or a related Sickness or Injury, your subsequent Disability is considered a recurring Disability. This means that you will be entitled to benefits for the recurring Disability for the maximum benefit period, less the benefits you have already received for that Disability.

If you are collecting Plan benefits, you temporarily recover, you return to work for your Employer for 181 or more consecutive calendar days, and you then again become Disabled due to the same Sickness or Injury, your Disability is considered a separate Disability. This means that you will be entitled to benefits for the separate Disability for your maximum benefit period. This amount will not be reduced by the benefits you already received for that Disability.*

*However, in no event will you entitled to benefits under the Plan during a calendar year in excess of the benefits applicable to you as described in the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Eligibility

For information regarding eligibility under the Short-Term Disability Plan, please see the *"Eligibility under the Short-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Short-Term Disability Plan"*.

Contributions

Your Employer pays the full cost of the Plan. There are no employee contributions.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Short-Term Disability Plan"*.

Highlights of Your Short-Term Disability Plan Coverage

Your Plan benefit is determined according to your length of service and can extend up to 26 weeks during a calendar year, based on the following schedule:

CREDITED YEARS OF SERVICE	You Receive 100% of Your Base Salary for the First…	Then You Receive 60% of Your Base Salary for the Remaining…
More Than Six Months of Service But Less Than One Year of Service	1 Week	0 Weeks
From One Year of Service to Nine Years of Service	8 Weeks	18 Weeks
From Ten Years of Service to Nineteen Years of Service	16 Weeks	10 Weeks
Twenty or More Years of Service	26 Weeks	0 Weeks

For purpose of determining the number of weeks of benefits to which you are entitled, Base Salary and Years of Service shall be determined as of the January 1st immediately prior to the date of Total Disability, except that

(i) if you have more than six months but less than one Year of Service, Base Salary and Years of Service shall be determined as of the date of Total Disability, and

(ii) (ii) if you are a rehired employee who is entitled to credit for prior Years of Service, in the year you are rehired, Base Salary shall be determined as of the date of Total Disability and Years of Service shall be determined as of the date of your rehire according to rules described below with respect to crediting of service for rehires.

Your Plan benefits may end prior to the periods set forth in this schedule for reasons described in the "When Benefits End" section below.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed. For more information, see the *"Claims Determination and Appeal Proc*ess – STD Plan*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 50.

Determining Years of Service

Generally

Upon your first year anniversary, you are credited with one Year of Service. On the December 31 following your first anniversary and each subsequent December 31 thereafter, you are credited with an additional Year of Service.

Crediting of Service for Rehires

If you terminated employment with, or retired from, an Employer and are rehired, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
Less than one year after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, including time of break
At least one year, but less than five years, after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, but excluding time during break in service.
At least five years after termination of employment or retirement from employment	No service credit. Participant begins with zero Years of Service upon rehire.

Crediting of Service for Rehires Who Previously Worked for Columbia Pipeline Group

If (i) you were an active employee of Columbia Pipeline Group, Inc. or its affiliates as of July 1, 2015, (ii) you terminated employment, or retired from employment, with Columbia Pipeline Group, Inc. or its affiliates on or after July 1, 2015, and (iii) you were thereafter rehired by an Employer, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
On or after July 1, 2015 and before July 1, 2016	All service with an Employer from the date of original hire prior to July 1, 2015 to and including the date of rehire by an Employer on or after July 1, 2015.
On or after July 1, 2016 and before July 1, 2020	All service with an Employer from the date of original hire prior to July 1, 2015, to and including June 30, 2015
On or after July 1, 2020	No service credit. Participant begins with zero Years of Service upon rehire.

Determination of Benefits Generally

Subject to the "How Your Paid Sick Leave Works" and the "Recurring or Separate Periods of Disability" sections of this SPD and upon your first year anniversary, you are entitled to receive benefits for the full benefit period of 26 weeks (1040 hours) for each calendar year.

To determine your Plan benefit, the Plan takes a percentage of your Base Salary*. This is called your "gross Plan benefit" The Plan then deducts any "other sources of disability income" from this amount to determine your "net Plan benefit."

Special provisions apply and are described below if you are Partially Disabled and are able to perform a temporary modified work assignment.

*"Base salary" means your basic earnings plus any before tax deposits deferred under a qualified retirement plan of an Employer. If you receive sales commissions, your Base Salary will be your average hourly wage based on the 12 consecutive calendar months immediately preceding the last day you were actively at work.

Your Base Salary does not include:

- Overtime;
- Shift differentials;
- Bonuses; or
- Any other form of special compensation.

Other Sources of Disability Income

You may be eligible for income from other sources due to your Disability. If this is the case, your benefits under the Plan will be fully offset by such other sources of Disability income.

Other sources of Disability income for which you are eligible, or that have been paid to you or to a third party on your behalf may include, but are not limited to, the amount of any benefit for loss of income for the same Disability from:

- The United States Social Security Act, the Railroad Retirement Act, the Jones Act, or similar plan or act
- Any temporary or permanent disability benefits under a Workers' Compensation law (does not include permanent impairment award), occupational disease law, or similar law
- The Veteran's Administration or any other foreign or domestic governmental agency
- Any governmental law or program that provides disability or unemployment benefits as a result of your employment with an Employer, including any state disability program;
- Disability benefits from any compulsory "no-fault" automobile insurance.

If you receive a benefit from another source of income in the form of a single lump sum, the amount of offset to the weekly benefit amount will be determined by prorating the lump sum over a period of 26 weeks.

State Disability Programs

If you work in a state that requires a state-defined disability plan, you are also covered under the provisions of the laws and regulations of that state plan. Your gross Plan benefit is reduced by the amount you are eligible to receive under any state disability program.

Applying for Other Sources of Disability Benefits

If you are eligible to receive disability benefits from other sources, you should apply as soon as possible. You should notify the Claims Administrator that you are eligible to receive other disability income as soon as possible.

When Benefits End

Your benefit payments will end as set forth in the schedule above, or sooner if any of the following events occur:

- You fail to submit evidence of your Disability or such other documents (if any) that the Plan deems necessary to administer the Plan, in accordance with Plan procedures;
- You do not comply with the Plan's request for evidence of your continuing Disability,

an independent medical examination or other examinations or tests;

- You fail or refuse to perform any temporary modified work assignment, in the case of a Partial Disability;
- You fail to participate in or comply with all requirements of the Disability Management Program;
- You are engaged in any other occupation or earn any self-employment income in excess of a de minimis amount;
- You are not under the regular care of a physician as required by your condition or you are not following the physician's treatment plan;
- You participate in and are convicted of a felony offense. In such case, your Disability will be determined to have ceased as of the date that you first participated in the felony offense;
- You commit or partake in any actions of fraud against the Plan or an Employer;
- You are no longer considered by the Plan to be Disabled;
- Your 26-week benefit period ends;
- You become eligible for LTD Plan benefits;
- You have been terminated or have voluntarily terminated employment with an Employer (other than transfer to another Employer);
- You are no longer eligible for coverage under the Plan; or,
- You die.

Plan Benefit Exclusions

The Plan does not pay benefits under certain circumstances. These circumstances include, but may not be limited to, the following:

- Failure to participate in or provide the Disability Management Program with all the required documentation regarding your Disability.
- Sickness or Injury that occurs while:
  - You are on a leave of absence;
  - You are furloughed from work;
  - You are suspended from work; or
  - You are considered an inactive employee.
- Disability that is caused or contributed to by an intentionally self-inflicted injury.
- If you are absent from work for more than four consecutive work days and the disability is not being treated by a Physician.
- Disability caused or contributed to by war or an act of war (declared or not).
- Disability caused by your commission of or attempt to commit a crime for which you have been convicted, or to which a contributing cause was your involvement in an illegal occupation.

Claiming Benefits

If you are unable to work because of Sickness or Injury, you must adhere to the following procedures to qualify for Plan benefits:

- Call your supervisor before your normal work day begins. If that is not possible, be sure to contact your supervisor as soon as you can. If you cannot call in, please be sure that someone calls in on your behalf. *Your Employer may require that you provide a Physician's statement confirming your Sickness or Injury before your absence is actually approved.*
- If you are, or know you will be, absent from work for more than four consecutive work days, call the Benefits Source at **1-888-640-3320** or the Claims Reporting Hotline at 1-877-ENERGY4, Option #3, then Option #1, to report your Sickness or Injury to the Plan's Disability Management Program.

Disability Management Program

You must participate in the Disability Management Program to qualify for Plan benefits. The Disability Management Program certifies that you qualify for Plan benefits beyond the fourth day of absence. You will

be assigned a "Claims Administrator" who will:

- Guide you through the disability benefits that may apply to your situation;
- Certify whether your disability qualifies for STD pay; and
- Help develop a reasonable return-to-work plan with you, your physician, and your supervisor.

You will be expected to participate fully in the Disability Management Program. You must:

- Supply the authorization and documentation as described in the following section;
- Maintain contact with your Claims Administrator;
- Follow the medical treatment plan that is agreed to by your Claims Administrator and your physician; and
- Return to work at the time that is agreed to by you, your Claims Administrator, your physician, and your supervisor.

Authorization and Documentation You Will Need to Supply

Upon request from the Claims Administrator, you may need to provide certain information. Failure to provide this information may deny, suspend or terminate your Plan benefits. The information includes, but is not limited to the following:

- Signed authorization form for the Claims Administrator to obtain all reasonably necessary medical, financial, or other non-medical information that supports your Disability claim.
- Proof that you have applied for other sources of disability income (i.e., Workers' Compensation, State Disability Benefits, or Social Security Disability Benefits, when applicable).
- Notification of when you receive or are awarded a benefit from another source of disability income, including the:
  - Type of income benefit;
  - Amount you are receiving;
  - Period for which the benefit applies; and
  - Duration for which the benefit is being paid (if you are receiving installment payments).

Also, your Employer may require a "doctor's release" to return to work.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Short-Term Disability Plan."*

Other Information

If Your Disability Reaches Five Months in Duration

You should apply for Social Security disability benefits by the end of the fourth month from the day your Disability began. (The Claims Administrator can help you with the filing process). In addition, if you are eligible to receive disability benefits from another source, you should apply as soon as possible.

Temporary Modified Work Assignment

If you qualify for a Partial Disability and you are working on a temporary modified work assignment, you will receive your Base Salary for the hours you work and Plan benefits (based on the Plan's provisions) for the hours you are not working.

If, in the Claims Administrator's opinion, you could perform a temporary modified work assignment (given your condition) and you refuse the assignment, the Plan benefit for which you would be otherwise eligible ends.

Family and Medical Leave Act (FMLA)

While collecting Plan benefits, you may also be eligible for leave under the Family and

Medical Leave Act of 1993 (FMLA). If you are eligible for and approved for a FMLA leave for your own serious health condition, your FMLA leave will run concurrently with Plan coverage for up to 12 weeks. Please refer to your Employer's FMLA Policy.

Continuation of Other Coverages

Certain coverages provided to you under the Program may continue while you are receiving Plan benefits or if you have an appeal pending in accordance with the provisions of the Plan. Any contributions that you are required to make toward the cost of these coverages (as well as your contributions to a retirement plan sponsored by an Employer) will be deducted from your Plan benefits. If your Plan benefits are insufficient to cover all of your benefit deductions, the Benefits Source will work with you to set up a direct billing arrangement. If you have any questions regarding these coverages, call the Benefits Source at **1-888-640-3320.**

Medical, Dental, Vision, and FSA Plans

For continuation of coverage under the Medical, Dental, Vision, and FSA Plans , see the General-Sick Leave subsection of the section of the **Benefits Program Overview** entitled "Continuation of Coverage under the Medical, Dental, Vision and FSA Plans."

Life and AD&D

Life and AD&D coverage for you and your eligible dependents continues.

LTD Disability

LTD coverage continues.

(Please Note: If your Disability continues and you meet the eligibility requirements, you may qualify for Long-Term Disability Plan benefits. See the *"Long-Term Disability Plan"* section of this Handbook for details.)

Retirement Plans

You continue to earn service under any retirement plan sponsored by an Employer for which you are otherwise eligible while collecting Plan benefits. In addition, you can continue to make elective deferrals (and the Company will continue to make matching contributions, as applicable) to any retirement plan allowing elective deferrals for which you are otherwise eligible while you are collecting Plan benefits. You may, however, stop your contribution to such retirement plan(s) at any time. Please see the applicable retirement plan(s) for further information.

Other Programs

If benefits under the Adoption Assistance Plan would otherwise be available to you, these benefits will not be available to you while you are collecting Plan benefits.

Contact Information

If you need answers to specific coverage related questions, contact the Benefits Source by going to their website or using their automated telephone system. Both the website and the automated telephone system can connect you with the Claims Administrator (if necessary).

Coverage Option	Contact
Short-Term Disability Plan	ESIS mysourceforhr.com (link to ESIS.com) **1-888-640-3320** (Benefits Source) You can connect with the Claims Administrator by phone via the Benefits Source automated telephone system.

General Plan Information

Program Name	NiSource Welfare Benefits Program
Plan Name:	NiSource Short-Term Disability Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Short-Term Disability
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions, and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-5539
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under the Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., the Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	ESIS Two Riverway Suite 1100 Houston, Texas 77056
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410 Service of legal process may also be made upon the Plan Administrator.

Long-Term Disability Plan

Basic LTD Coverage

Supplemental LTD Coverage

Your Long-Term Disability Options

NiSource Inc. (the "Company") offers the NiSource Long-Term Disability Plan (the "Plan") to eligible employees with the following coverage options:

- Basic LTD Coverage Option; and
- Supplemental LTD Coverage Option.

Benefits are provided under a group insurance contract (the "Group Contract") and a group insurance certificate (the "Group Insurance Certificate") issued by The Prudential Insurance Company of America ("Prudential"), who is the Claims Administrator and is wholly responsible for the payment of benefits.

You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description. *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at* ***1-888-640-3320****.*

The Plan provides financial protection for you by paying a portion of your income while you have a long period of disability. The amount you receive is based on the amount you earned before your disability began. In some cases, you can receive disability payments even if you work while you are disabled. Benefits begin after the elimination period is completed. The elimination period is the period of continuous disability that must be satisfied before you are eligible to receive benefits and is the longest of (i) 180 days; (ii) the length of time for which you receive loss of time benefits, salary continuation or accumulated sick leave; and (iii) the date that you are absent from work for 1040 hours due to your disability.

If you are determined to be disabled, the Basic LTD Coverage Option provides monthly benefits of the lesser of (i) 50% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $8,333.00.

If you are determined to be disabled, the Supplemental LTD Coverage Option provides monthly benefits of the lesser of (i) 60% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $10,000.00. You pay a portion of the cost of the Supplemental LTD Coverage Option.

Your benefit may be reduced by deductible sources of income and disability earnings. Some disabilities may not be covered or may have limited coverage under the Plan. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan. Refer to the Group Insurance Certificate for further details.

See "*Highlights of the Long-Term Disability Plan Coverage*" below for examples illustrating the payment of monthly benefits.

Eligibility

For information regarding eligibility under the Long-Term Disability Plan, please see the *"Eligibility under the Long-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Long-Term Disability Plan"*.

Contributions

The Basic LTD Coverage Option is provided at no cost to you. If you elect the Supplemental LTD Coverage Option, you and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at* ***1-888-640-3320****.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends –Long-Term Disability Plan"*.

Highlights of the Long-Term Disability Plan Coverage

The information below describes how the Plan pays benefits if a participant becomes disabled and is unable to work and when a participant becomes disabled, but continues working. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan.

If you are Disabled and Not Working

If you have the Basic LTD Coverage Option, your Monthly Payment is the lesser of:

- 50% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $8,333.00 per month.

If you have elected the Supplemental LTD Coverage Option, your monthly payment is the lesser of:

- 60% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $10,000.00 per month

If You Are Disabled and Working

If your monthly disability earnings ("Disability Earnings") are less than 20% of your indexed monthly earnings ("Indexed Monthly Earnings"), your LTD benefit is the same as it would be if you were not working.

If your Disability Earnings are greater than 80% of your Indexed Monthly Earnings, no benefit is payable to you. If benefits have already commenced, Prudential will stop sending you payments and your claim will end.

If you are disabled and your monthly Disability earnings are at least 20%, but not more than 80%, of your Indexed Monthly Earnings, due to the same sickness or injury, Prudential will figure your payment as follows:

During the first 12 months of payments, while working, your monthly payment will not be reduced as long as Disability Earnings plus the gross disability payment does not exceed 100% of Indexed Monthly Earnings.

1. Add your monthly Disability Earnings to your gross disability payment.
2. Compare the answer in item 1 to your Indexed Monthly Earnings.

If the answer from item 1 is less than or equal to 100% of your Indexed Monthly Earnings, Prudential will not further reduce your monthly payment.

If the answer from item 1 is more than 100% of your Indexed Monthly Earnings, Prudential will subtract the amount over 100% from your monthly payment.

After 12 months of payments, while working, you will receive payments based on the percentage of income you are losing due to your Disability.

1. Subtract your Disability Earnings from your Indexed Monthly Earnings.
2. Divide the answer in item 1 by your Indexed Monthly Earnings. This is your percentage of lost earnings.
3. Multiply your monthly payment by the answer in item 2.

This is the amount Prudential will pay you each month.

The minimum monthly payment is the greater of (a) 10% of the gross disability payment otherwise payable, and (b) $100.

If your Disability Earnings are expected to fluctuate widely from month to month, Prudential may average your Disability Earnings over the most recent 3 months to determine if your claim should continue subject to all other terms and conditions of the Plan. If Prudential averages your

Disability Earnings, it will terminate your claim if the average of your Disability Earnings form the last 3 months exceeds 80% of Indexed Monthly Earnings. Prudential will not pay you for any month during which Disability Earnings exceed the foregoing amounts.

Definition of "Disability"

You are "disabled" when Prudential determines that:

- you are unable to perform the material and substantial duties of your regular occupation due to your sickness or injury;
- you have a 20% or more loss in your monthly earnings due to that sickness or injury; and
- you are under the regular care of a doctor.

After 24 months of payments, you are disabled when Prudential determines that due to the same sickness or injury,

- you are unable to perform the duties of any gainful occupation for which you are reasonably fitted by education, training or experience; and
- you are under the regular care of a doctor.

The loss of a professional or occupational license or certification does not, in itself, constitute disability.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received by Prudential within 30 days of its request.

Prudential may require you to be examined by doctors, other medical practitioners or vocational experts of its choice. It will pay for these examinations. Prudential can require examinations as often as it is reasonable to do so. It may also require you to be interviewed by an authorized Prudential Representative. Refusal to be examined or interviewed may result in denial or termination of your claim.

Additional Definitions

Active employment means you are classified as working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. You must be working at least 40 hours per week. Your worksite must be: your Employer's usual place of business; an alternate worksite at the direction of your Employer other than your home unless clear specific expectations and duties are documented; or a location to which your job requires you to travel. Normal vacation is considered active employment. Individuals whose employment status is being continued under a severance or termination agreement will not be considered in active employment.

Deductible sources of income means income from deductible sources listed in the Group Insurance Certificate that you receive or are entitled to receive while you are disabled. This income may be subtracted from your gross disability payment. Examples of deductible sources of income include but are not limited to (a) amounts you receive or are entitled to receive as (i) loss of time benefits under a workers' compensation law, an occupational disease law or any other act or law with similar intent; or (ii) loss of time disability income payments under any state compulsory benefit act or law, any insurance, health or welfare plan or other group insurance plan where the Employer, directly or indirectly, has paid all or part of the cost or made payroll deductions, or any governmental retirement system as a result of your job with your Employer; (b) the gross amount you receive or are entitled to receive as loss of time disability payments because of your disability under the United States Social Security Act or any similar plan or act; (c) the gross amount you receive as retirement payments under the United States Social Security Act or any similar plan or act; (d) the amount your receive as "wages" under the maritime doctrine of maintenance, wages and cure; and (e) the amount you receive, due to your disability, from a third party (after subtracting attorneys' fees and a pro-rata share of reasonable fees and costs) by judgement, settlement or otherwise. Refer to

the Group Insurance Certificate for a complete list of these sources.

Disability earnings means the earnings which you receive while you are disabled and working, plus the earnings you could receive if you were working to your greatest extent possible. This would be, based on your restrictions and limitations: (i) during the first 24 months of disability payments, the greatest extent of work you are able to do in your regular occupation, that is reasonably available; and (ii) beyond 24 months of disability payments, the greatest extent of work you are able to do in any occupation, that is reasonably available, for which you are reasonably fitted by education, training or experience. Salary continuance paid to supplement your disability earnings will not be included as disability earnings because it is not payment for work performed.

Gainful occupation means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 50% of your monthly earnings, if you are not working. However, if you enrolled in the Supplemental LTD Coverage Option, it means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 60% of your monthly earnings, if you are not working

Gross disability payment means the benefit amount before Prudential subtracts deductible sources of income and disability earnings.

Indexed monthly earnings means your monthly earnings as adjusted on each July 1, provided you were disabled for all of the 12 months before that date. Your monthly earnings will be adjusted on that date by the lesser of 10% or the current annual percentage increase in the Consumer Price Index. Your indexed monthly earnings may increase or remain the same, but will never decrease.

Injury means a bodily injury that is the direct result of an accident, that is not related to any other cause, and that results in immediate disability. Disability must begin while you are covered under the Plan.

Material and substantial duties means duties that:

- are normally required for the performance of your regular occupation; and
- cannot be reasonably omitted or modified, except that if you are required to work on average in excess of 40 hours per week, Prudential will consider you able to perform that requirement if you are working or have the capacity to work 40 hours per week.

Monthly earnings means your total annual income before taxes divided by 12. It is determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan, or flexible spending account. It includes income actually received from commissions but does not include renewal commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer. Commissions will be averaged for the lesser of: (a) the 24 full calendar month period of your employment with your Participating Employer just prior to the date disability begins; or (b) the period of actual employment with your Employer.

Regular occupation means the occupation you are routinely performing when your disability occurs. Prudential will look at your occupation as it is normally performed instead of how the work tasks are performed for a specific employer or at a specific location.

Sickness means any disorder of your body or mind, but not an injury; pregnancy including abortion, miscarriage or childbirth. Disability must begin while you are covered under the Plan.

Taxability of Monthly Benefits

Because your Employer pays the entire cost of your Basic LTD Coverage and does not include this cost in your gross-income, and because you pay for any Supplemental LTD Coverage

on a pre-tax basis, any monthly benefits you receive under the Plan will be taxable to you pursuant to the Code and guidance issued thereunder.

Maximum Period of Payments

The longest period of time the Plan will make payments to you for any one period of disability (your "maximum period of payment") is as follows:

Your Age on Date Disability Begins	Your Maximum Period of Payment
Less than 60	To age 65
Age 60 and over	60 months

Prudential will stop sending you payments while you are incarcerated as a result of a conviction.

In addition, Prudential will stop sending you payments and your claim will end on the earliest of the following:

- During the first 24 months of payments, when you are able to work in your regular occupation on a "part-time basis" but you choose not to; after 24 months of payments, when you are able to work in any gainful occupation on a part-time basis but you choose not to. "Part-time basis" means the ability to work and earn 20% or more of your indexed monthly earnings.
- The end of the maximum period of payment.
- The date you are no longer disabled under the terms of the Plan.
- The date you fail to submit proof of continuing disability satisfactory to Prudential.
- The date your disability earnings exceed the amount allowable under the Plan.
- The date you retire.
- The date you die.
- The date you decline to participate in a rehabilitation program that Prudential considers appropriate for your situation and that is approved by your doctor.

Notwithstanding the above, disabilities due to a sickness or injury which, as determined by Prudential, are primarily based on self-reported symptoms have a limited pay period during your lifetime. "Self-reported symptoms" means the manifestations of your condition, which you tell your doctor, that are not verifiable using tests, procedures and clinical examinations standardly accepted in the practice of medicine. Examples include, without limitation, headache, pain, fatigue, stiffness, soreness, ringing in ears, dizziness, numbness and loss of energy.

Also, disabilities which, as determined by Prudential, are due in whole or part to mental illness also have a limited pay period during your lifetime. "Mental illness" means a psychiatric or psychological condition regardless of cause and includes, without limitation, schizophrenia, depression, manic depressive, or bipolar illness, anxiety, somatization, substance related disorders, and/or adjustment disorders or other conditions. These conditions are usually treated by a mental health provider or other qualified provider using psychotherapy, psychotropic drugs, or other similar methods of treatment as standardly accepted in the practice of medicine.

The limited pay period for self-reported symptoms and mental illness combined is 24 months during your lifetime. There are exceptions to the limited pay period rules. Refer to the Group Insurance Certificate for a detailed explanation of these exceptions.

Recurrent Disabilities

If you have a "recurrent disability," as determined by Prudential, your disability will be treated as part of your prior claim and you will not have to complete another elimination period if (a) you were continuously insured under the Plan for the period between your prior claim and your current disability; and (b) your recurrent disability occurs within 180 days of the end of your prior claim.

Your recurrent disability will be subject to the same terms of the Plan as your prior claim.

Any disability which occurs after 180 days from the date your prior claim ended will be treated as a new claim. The new claim will be subject to all of the Plan provisions.

If you become covered under any other group long term disability plan, you will not be eligible for payments under the Plan.

A "recurrent disability" is a disability that is (a) caused by a worsening in your condition; and (b) due to the same cause(s) as your prior disability for which the Plan made a Long Term Disability payment.

Exclusions from Coverage

The Plan does not cover any disabilities caused by, contributed to by, or resulting from your:

- intentionally self-inflicted injuries;
- active participation in a riot; or
- commission of a crime for which you have been convicted under state or federal law.

The Plan does not cover a disability which is due to a pre-existing condition.

The plan does not cover a disability due to war, declared or undeclared, or any act of war.

You have a pre-existing condition if:

- You received medical treatment, consultation, care or services including diagnostic measures, took prescribed drugs or medicines, or followed treatment recommendation in the 3 months just prior to your effective date of coverage or the date an increase in benefits would otherwise be available; and
- Your disability begins within 12 months of the date your coverage under the Plan becomes effective.

Pre-existing conditions may also affect an increase in your benefits due to an amendment of the Plan or your enrollment in another Plan option. *For further details, refer to the Group Insurance Certificate. You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

Survivor Benefits

When Prudential receives proof that you have died, it will pay your spouse, if living; otherwise, your children under age 25 (your "eligible survivors"), a lump sum benefit equal to 3 months of your gross disability payment if, on the date of your death:

- your disability had continued for 180 or more consecutive days; and
- you were receiving or were entitled to receive payments under the plan.

If you have no eligible survivors, payment will be made to your estate. However, Prudential will first apply the survivor benefit to any overpayment which may exist on your claim.

Other Services Provided Under the Plan

As part of your coverage under the Plan, Prudential also provides certain benefits in the nature of a Social Security Claimant Assistance Program, a Rehabilitation Program and a program of reimbursing employers for the cost of certain worksite modifications that are identified by your Employer and Prudential as being likely to help you remain at work or return to work. Refer to the Group Insurance Certificate for further details regarding these programs. With respect to the Rehabilitation Program, if at any time you decline to take part in or cooperate in a rehabilitation evaluation/assessment or program that Prudential feels is appropriate for your disability and that has been approved by your doctor, Prudential will cease paying your monthly benefit.

Filing A Claim

General

Written notice of a claim should be sent to Prudential within 30 days after the date your disability begins. However, you must send Prudential written proof of your claim no later than 90 days after your elimination period ends. If it is not possible to give proof within 90 days, it must be given no later than

1 year after the time proof is otherwise required except in the absence of legal capacity. You must notify us immediately when you return to work in any capacity.

*Claim forms can be obtained from Prudential by phone via the Benefits Source at **1-888-640-3320**, or online via the Benefits Source website at mysourceforhr.com. If you do not receive the form from Prudential within 15 days of your request, send Prudential written proof of claim without waiting for the form.*

How to File Claims

You and your Employer must fill out your own section of the claim form and then give it to your attending doctor. Your doctor should fill out his or her section of the form and send it directly to Prudential.

Your proof of claim, provided at your expense, must show:

- That you are under the regular care of a doctor.
- Appropriate documentation of your monthly earnings.
- The date your disability began.
- Appropriate documentation of the disabling disorder.
- The extent of your disability, including restrictions and limitations preventing you from performing your regular occupation or any gainful occupation.
- The name and address of any hospital or institution where you received treatment, including all attending doctors.
- The name and address of any doctor you have seen.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received within 30 days of a request by Prudential.

In some cases, you will be required to give Prudential authorization to obtain additional medical information, and to provide non-medical information as part of your proof of claim, or proof of continuing disability. This proof, provided at your expense, must be received within 30 days of a request by Prudential. Prudential will deny your claim or stop sending you payments if the appropriate information is not submitted.

Recovery of Overpayments

Prudential has the right to recover any overpayments due to (i) fraud; (ii) any error Prudential makes in processing a claim, and (iii) your receipt of deductible sources of income.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Long-Term Disability Plan."*

Continuation of Other Coverages

Certain coverages provided to you under the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program continue while you are Disabled and receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee. Any contributions that you are required to make toward the cost of these coverages will be billed to you. For further information regarding the billing arrangement, contact the Benefits Source.

Medical, Prescription Drug, Vision and Dental
Medical, vision and dental coverages for you and your eligible dependents continue while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee and so long as premiums are timely paid.

Life and AD&D
Life and AD&D coverages for you and your eligible dependents continue while you are

receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee and so long as premiums are timely paid.

Health Care Flexible Spending Account

Your Health Care FSA coverage continues while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee.

Dependent Care Flexible Spending Account

You cannot continue to make contributions to the Dependent Care FSA while you are receiving Plan benefits. You may use the existing balance in your account to pay for any eligible expense that you incurred prior to the commencement of your Plan benefits.

HSAs

You may receive an Employer contribution to your HSA if you are enrolled in an HDPPO coverage option and are otherwise eligible to contribute to a Health Savings Account. You may also contribute to your HSA while you are receiving Plan benefits; however your contribution may not be funded out of your Plan benefit payments.

Retirement Plans

While you are receiving Plan benefits, you may continue to earn service under your retirement plans. However, your contributions to the Savings Plan automatically stop. You are eligible to receive the value of your Savings Plan Account due to your disability. Refer to the Savings Plan and your other retirement plans for further information.

Other Programs

The Adoption Assistance and the Tuition Reimbursement Programs are not available to you while you are receiving Plan benefits.

Important Information For Residents Of Certain States

There are state-specific requirements that may change the provisions under the Coverage(s) described in the Group Insurance Certificate and in this summary plan description. If you live in a state that has such requirements, those requirements will apply to your Coverage(s) and are made a part of your Group Insurance Certificate and this summary plan description. Prudential has a website that describes these state-specific requirements. You may access the website at prudential.com/etonline. When you access the website, you will be asked to enter your state of residence and your Access Code. Your Access Code is 93191.

If you are unable to access this website, and if you want to receive a printed copy of these requirements or have any questions, call Prudential at 1-866-439-9026.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Long-Term Disability Plan (a component of NiSource Welfare Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing disability benefits
Plan Number:	537
Contribution Source:	Basic LTD Coverage: Employer Supplemental LTD Coverage: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	The Prudential Insurance Company of America 751 Broad Street Newark, New Jersey 07102
Claims Administrator: (if you need to submit a claim)	The Prudential Insurance Company of America Prudential Disability Management Services P.O. Box 13480 Philadelphia, Pennsylvania 19176
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by The Prudential Insurance Company of America provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. ***In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail***. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

The Prudential Insurance Company of America, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Life and AD&D Plan

Employee Term Life Coverage -Basic and Optional Plans

Dependents Term Life Coverage

Employee AD&D Coverage - Basic and Supplemental Plans

Dependents AD&D Coverage

Your Life Insurance and AD&D Options

This is the SPD (the "Life and AD&D SPD") for the NiSource Life Insurance Plan, also referred to as the Life and AD&D Plan. In this Life and AD&D SPD, the Life and AD&D Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible employees with the following coverage options (each a "Life and AD&D Coverage Option"):

- Basic Employee Term Life Coverage Option;
- Optional Employee Term Life Coverage Option;
- Dependents Term Life Coverage Option;
- Basic Employee Accidental Death and Dismemberment ("AD&D") Coverage Option;
- Supplemental Employee AD&D Coverage Option; and
- Dependents AD&D Coverage Option

The Life and AD&D Coverage Options other than the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option are referred to collectively as the "Optional Life and AD&D Coverage Options."

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this summary plan description, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

The Plan provides life insurance and AD&D coverage on the persons of eligible employees ("Employee Insurance") and, if elected, on the persons of your "eligible dependents" ("Dependents Insurance"). See the individual Benefit Plan sections below for a summary of the benefits offered under each of the Coverage Options listed above.

Eligibility

For information regarding eligibility under the Life and AD&D Plan, please see the *"Eligibility under the Life and AD&D Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Life and AD&D Plan"*.

Contributions

Premium contributions are not required for the Basic Employee Term Life Coverage Option or the Basic Employee AD&D Coverage Option. If you elect coverage under any of the Optional Life and AD&D Coverage Options, you will pay for the cost of such coverage. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at **1-888-640-3320**.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Life and

AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Life and AD&D Plan"*.

Definition of "Earnings"

For commission paid employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings include the annualized average commissions earned during the shorter of (i) the 24 month period just prior to your date of loss; or (ii) your period of employment. Bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer are not included.

For all other employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings do not include commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under each Life and AD&D Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at **1-888-640-3320**.

Insurance under a Life and AD&D Coverage Option may not be assigned.

Basic Employee Term Life Coverage

The Basic Employee Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. If you are also enrolled in Optional Employee Term Life Coverage, the amount of your Basic Employee Term Life Coverage will be added to your Optional Term Life Coverage before rounding takes place. The maximum benefit (for Basic and Optional Employee Term Life Coverage combined) is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 59.

Optional Employee Term Life Coverage

You may enroll in one of the options below for optional term life coverage.

	Amount of Insurance (Multiple of Annual Earnings)	
Benefit Classes	**Sum of Basic + Optional**	**Optional**
Option 1	3x annual Earnings	1x annual Earnings
Option 2	4x annual Earnings	2x annual Earnings
Option 3	5x annual Earnings	3x annual Earnings
Option 4	6x annual Earnings	4x annual Earnings
Option 5	7x annual Earnings	5x annual Earnings

If the amount of your Basic Employee Term Life Coverage, when added to the amount of your Optional Employee Term Life Coverage, is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. However, the maximum benefit for Basic and Optional Employee Term Life Coverage combined is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Any requested change in coverage (increase or decrease) must be made within 31 days of a qualified life event or in connection with annual enrollment.

Notwithstanding the foregoing, the amount of your coverage may not exceed the "guaranteed issue amount" unless you submit evidence of insurability that is satisfactory to Securian and you are actively at work. The "guaranteed issue amount" is the lesser of (1) three times (3x) your annual Earnings, and (2) $500,000. Also, you must submit evidence of insurability if you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and your application is made more than 31 days after the date you first became eligible for coverage.

Without limiting the generality of the foregoing, you will need to provide evidence of insurability

- If you are a regular new hire or newly eligible for coverage and you apply for coverage under the Optional Employee Term Life Coverage Option in an amount greater than three times (3x) your annual Earnings (Basic plus Optional Coverage combined), or if the total amount of your Term Life Coverage after giving effect to your Optional Employee Term Life Coverage exceeds $500,000;
- If you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and the date you apply during annual enrollment is more than 31 days after your date of hire or the date you newly became eligible for coverage;
- If you are currently enrolled in the Optional Employee Term Life Coverage Option, you want to increase your coverage during annual enrollment, and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your Term Life Coverage after giving effect to your requested increase in coverage exceeds $500,000;
- If you request an increase in coverage due to a qualified life event and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your combined coverage under the Basic Employee Term Life Coverage Option and the Optional Employee Term Life Coverage Option (your "Employee Term Life Insurance") after giving effect to your requested increase in coverage exceeds $500,000;
- If you desire life insurance coverage and have an individual life insurance contract you obtained by converting your coverage under the Plan;
- The insurance for which you previously enrolled did not go into effect or was terminated because you failed to make a required premium contribution; and
- If you have not met a previous evidence requirement to become insured under any plan a Participating Employer has with Securian.

Any new enrollment or requested increase in coverage that is subject to evidence of insurability will become effective when Securian decides the evidence is satisfactory and you are actively at work; provided, however, that any such new enrollment or requested increase in coverage that is made in connection with annual enrollment will be effective on the later of (1) the following January 1, and (2) the first day of the month following the date Securian decides the evidence is satisfactory and you are actively at work.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any

lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 59.

Option to Accelerate Payment of Death Benefits

If you have a Terminal Condition while insured under the Basic Employee Term Life Coverage Option or the Optional Employee Term Life Coverage Option (the "Employee Term Life Insurance"), you may elect to have an Accelerated Benefit paid to you in one lump sum, or in any other manner agreeable to you and Securian, when Securian receives proof satisfactory to it that you have a Terminal Condition.

You have a "Terminal Condition" if you have a condition caused by sickness or accident that directly results in a life expectancy of twelve months or less. Securian must be given evidence that is satisfactory to it that your life expectancy, because of sickness or accident, is twelve months or less. That evidence must include a certification by a physician, other than you or a member of your immediate family, who is licensed to practice medicine or treat illness in the state in which treatment is received. Securian has the right to have you medically examined at its own expense to verify your medical condition. Securian may do this as often as reasonably required while Accelerated Benefits are being considered or paid.

"Accelerated Benefit" means the amount of your Employee Term Life Insurance that Securian will pay if you are eligible under the Group Insurance Certificate rider with respect to Accelerated Benefits. You must take the entire Accelerated Benefit. Securian calculates the Accelerated Benefit by multiplying your death benefit (the amount of your life insurance as shown on the specifications page attached to the certificate furnished to you by Securian) by the accelerated benefit factor.

The accelerated benefit factor will be stated as a percentage of your death benefit. In calculating this factor, Securian considers your age and gender. Securian also bases its calculation of the factor upon certain assumptions, which it may change from time to time, including without limitation assumptions about expected future premiums and your life expectancy. The minimum death benefit eligible for an Accelerated Benefit is $10,000. The maximum death benefit eligible for an Accelerated Benefit is $1,000,000.

If you elect to accelerate the full amount of your death benefit, your Employee Term Life Insurance coverage and all other benefits under your certificate of insurance and any certificate supplements will end.

Your right to be paid under this option is subject to the following terms: (1) Your Employee Term Life Insurance must be in force and all premiums due must be fully paid; (2) You must make application in writing and in a form that is satisfactory to the Claims Administrator; (3) You must be the sole owner of your certificate of insurance; (4) You must not have designated an irrevocable beneficiary for your Employee Term Life Insurance; (5) You must not be required by law to use this option to meet the claims of creditors, whether in bankruptcy or otherwise; and (6) You must not be required by a government agency to use this option in order to apply for, obtain, or keep a government benefit or entitlement.

If you elect an Accelerated Benefit and the termination of your Employee Term Life Insurance causes an eligible dependent to lose life insurance coverage, he or she will be allowed to convert any such insurance to a policy of individual life insurance as discussed below under the section entitled "Conversion Privilege for Life Coverage."

If the amount of your Employee Term Life Insurance exceeds the maximum Accelerated Benefit, your Employee Term Life Insurance coverage (reduced by the amount of the Accelerated Benefit) will continue after your election of the Accelerated Benefit and your premiums will be reduced accordingly. The amount of the Accelerated Benefit will be applied first to reduce your outstanding Optional Employee Term Life Coverage and

then to reduce your outstanding Basic Employee Term Life Coverage.

Please note that any payment of an Accelerated Benefit may be taxable. You should consult your tax advisor for assistance with any questions you may have.

Refer to the Group Insurance Certificate for additional details, terms and conditions regarding this option.

Dependents Term Life Coverage

Under the Dependents Term Life Coverage Option, you may enroll your "eligible dependents" for coverage in the amounts shown below.

Your spouse who is an "eligible dependent"	
Benefit Classes	**Amount of Insurance**
Option 1	$10,000
Option 2	$25,000
Option 3	$50,000

Your children who are "eligible dependents"	
Benefit Classes	**Amount of Insurance***
Option 1	$5,000
Option 2	$10,000

You must provide evidence of insurability under the following circumstances:

- If you choose Option 3 spousal coverage (coverage in the amount of $50,000);
- If any dependent's coverage for which you previously enrolled did not go into effect under the Plan or was terminated because you did not pay a required contribution;
- If, during a previous period of eligibility, you failed to submit evidence of insurability that was required for a dependent or that which was submitted was not satisfactory to Securian; or
- Your dependent is insured by an individual policy issued under the terms of the conversion right.

Option 3 spousal coverage will become effective on the date Securian decides the evidence of insurability is satisfactory.

If a dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released form such hospitalization or confinement.

No enrollment or increases in coverage may become effective so long as your "eligible dependents" are confined for medical care or treatment, whether at home or elsewhere.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 59.

Payment of Death Benefits under Life Coverage

If you or your "eligible dependent" dies while covered under the Plan, the amount of insurance on you or your "eligible dependent" is payable when Securian's home office receives written proof satisfactory to it that you or your eligible dependent died while covered under the Plan and insured under the Group Insurance Certificate. If you or an "eligible dependent" die within 31 days after ceasing to be covered under the Plan, but while you or your "eligible dependent," as the case may be, are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of

insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Employee Term Life Insurance are payable according to Securian's beneficiary and mode of settlement rules. Death benefits under the Dependents Term Life Coverage Option are payable to you, if you are living. If you are not living, benefits are payable to your estate.

Conversion Privilege for Life Coverage

If all or a part of your Employee Term Life Insurance or your coverage under the Dependents Term Life Coverage Option terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Neither the conversion right nor the limited conversion right is available if your coverage under the Plan or Group Contract terminates due to failure to make, when due, required premium contributions. Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by Securian for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features"* below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Basic Employee AD&D Coverage Option

The Basic Employee AD&D Coverage Option provides a benefit in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. The maximum benefit (for Basic and Supplemental Employee AD&D Coverage combined) is $1,500,000.

Supplemental Employee AD&D Coverage Option

You may enroll for supplemental employee AD&D coverage in any multiple of $10,000 up to the lesser of (1) ten times your annual Earnings, and (2) $1,500,000 minus the amount of your insurance under the Basic Employee AD&D Coverage Option).

Dependents AD&D Coverage Option

You may enroll for AD&D coverage on each of your "eligible dependents" in an amount equal to a percentage of your Supplemental Employee AD&D Coverage, as set forth below:

Eligible dependents	Amount of Insurance on each Eligible Dependent (as % of Employee AD&D Coverage)
Spouse only	60% on spouse
Child(ren) only	10% on each child
Spouse and child(ren)	50% on spouse; 10% on each child

Additional AD&D Coverage

The Plan provides additional benefits under the Basic, Supplemental Employee, and Dependents AD&D Coverage Options for a person's loss of life as a result of a covered accident in an automobile while using a seat belt and as a result of an accident in an automobile while using an air bag. The additional benefit is in an amount equal to the lesser of (1) 10% of your full amount of insurance on the person, and (2) $10,000. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; one hand and one foot; one hand and sight of one eye; one foot and sight of one eye; speech and hearing; quadriplegia	100%
Paraplegia	75%
One hand; one foot; sight of one eye; speech; hearing; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

Benefits may be paid for more than one accidental injury but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A Loss is not covered if it results from any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted Injuries, or any attempt to inflict such Injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the Loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including

Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit an assault or felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 59.

Portability of Life and AD&D Coverage

If coverage under any of the Life and AD&D Coverage Options ceases, you may have the right to apply for coverage for yourself and for your "eligible dependent," as the case may be, under a Portability Plan maintained by Securian. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Policy would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue dependent coverage under a Life and AD&D Coverage Option, you must port your corresponding employee coverage. In addition, life insurance coverage must be ported in order to port accidental death and dismemberment insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Portability Coverage in Lieu of Conversion Coverage

The right to elect term life coverage under the Portability Plan is in lieu of the conversion privilege under the Employee Term Life Insurance and the Dependents Term Life Coverage Option, except that you or your "eligible dependent," as the case may be, may convert the amount of insurance under the Employee Term Life Insurance or the Dependents Term Life Coverage Option that exceeds the maximum amount of coverage that may be obtained under the Portability Plan.

Your Eligibility for Portability Coverage

You and your eligible dependents are eligible to continue your Employee Insurance and Dependents Insurance under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you terminate employment, including retirement; or

(2) you are no longer in a class eligible for coverage or you are on a leave or layoff; or

(3) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by Securian or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) with respect to Term Life Coverage, have converted your insurance to an individual life policy as permitted by any conversion rights under the Plan; or

(3) were not actively at work due to sickness or injury on the date immediately preceding your portability date; or

(4) lose eligibility due to termination of the Plan or Group Policy.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date, but not more than $1,000,000 for an employee or $50,000 for a spouse. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date to a maximum of $650,000 for an employee or $32,500 for a spouse.

When an insured attains age 65, the amount of insurance on his or her life continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000. This minimum does not apply to a dependent.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Conversion of Portability Coverage

At any time after insurance has been continued under the Portability Plan, it may be converted to a policy of individual insurance with Securian. All other conditions and provisions applicable to conversion coverage will apply. See the Group Insurance Certificate for additional details.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) in the case of your dependent child or a spouse who is covered under the Plan, the date your coverage is no longer being continued under the Portability Plan or the date your spouse or child ceases to be eligible under the Plan; or

(4) 31 days after the due date of any premium contribution which is not made.

Highlights of Conversion and Portability Features

	Conversion	Portability
Can Basic Life, Optional Life, Dependent Life, be converted or ported?	Yes	Yes
Can AD&D be converted or ported?	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No. except for conversion of Dependent Life	No.
Application Deadline	Application and first month premium due 31 days after your coverage termination.	For life coverage, application due 31 days after your coverage termination. Securian will bill the participant directly. For AD&D coverage, 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101

Conformity with State Law

If any provision of this summary plan description or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should obtain a claim form and follow the instructions on the form. For AD&D claims, Securian must be given written proof of the loss for which claim is made. This proof must cover the occurrence, character and extent of that loss. It must be furnished within 90 days after the date of the loss. But, if any Life and AD&D Coverage Option provides for periodic payment of benefits at monthly or shorter intervals, the proof of loss for each such period must be furnished within 90 days after its end. A claim will not be considered valid unless the proof is furnished within these time limits. However, it may not be reasonably possible to do so. In that case, the claim will still be considered valid if the proof is furnished as soon as reasonably possible.

*Claim forms are available from Securian. Claim forms can be obtained from Securian by phone via the Benefits Source at **1-888-640-3320**, or online via the Benefits Source website at* mysourceforhr.com. *If you do not receive the form from Securian within 15 days of your request, send Securian written* proof of claim without waiting for the form.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process –Life and AD&D Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance and accidental death and dismemberment benefits
Plan Number:	536
Contribution Source:	Basic Employee Insurance: Employer Optional Employee and Dependents Insurance: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Non-Exempt, Non-Union, Part-Time Employees Hired or Rehired On or After January 1, 2013

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

As an employee of a NiSource Inc. ("NiSource" or "Company") or one of its affiliates (to the extent described below), you have the benefit of choosing your own portfolio of benefit coverages from the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program (collectively the "Program") each year.

The benefit information contained in this Handbook applies to all eligible regular part-time non-exempt, non-union employees hired or rehired on or after January 1, 2013 who work for the Company or a participating employer and who are covered under the Program. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible employees as belonging to Active Benefit Program 109.

A participating employer is an affiliate of the Company that has adopted, or is deemed to have adopted, the Program, as evidenced by the Company's books and records reflecting that eligible employees of such employer may participate in certain of the benefits thereunder. The NiSource Benefits Committee (the "Committee") has sole discretion to determine who is a participating employer.

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the Benefit Plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The Committee reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program (or various component benefit plans thereof) also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource offers you the following coverages in accordance with the terms of the applicable benefit plans (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan" or a "Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Medical Plan")
- Dental Coverage (NiSource Dental Plan – referred to as the "Dental Plan")
- Vision Coverage (NiSource Vision Plan – referred to as the "Vision Plan")
- Flexible Benefits (NiSource Flexible Benefits Plan – referred to as the "Flexible Benefits Plan," and comprised of the "FSA Plan" and provisions for contributions to Health Savings Accounts, or "HSAs")
- Life and AD&D Coverages (NiSource Life Insurance Plan – referred to as the "Life and AD&D Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Medical, Dental, Vision and Flexible Benefits Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Medical Plan, the Dental Plan, the Vision Plan, and the Flexible Benefit Plan, the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before a Plan will pay benefits.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement

under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"PBM" means the Pharmacy Benefit Manager for the Medical Plan. As of the date of this Handbook, the PBM is Anthem.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

Definitions Applicable to All Benefit Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program**

Overview and in the individual Benefit Plan sections, the following terms when used in this Handbook shall have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Employer" means the Company or any Participating Employer by whom you are employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A and to such other limitations or guidance that may be issued by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, or Department of the Treasury.

"Participating Employer" means, with respect to any Benefit Plan, the Company, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Spouse" means a person who is treated as your spouse under the Code. ***Please Note:*** See "Eligibility under the Medical, Dental, and Vision Plans" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for medical plan coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to elect to participate in the Benefit Plans when and to the extent provided under the applicable Benefit Plan.

Please Note: It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits, required repayment of any ineligible expenses, and disciplinary action up to and including dismissal.* Also, enrollment of a dependent under the Medical Plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the Plan.

Please note that the Affordable Care Act requires us to collect the Social Security Number of each individual covered under the Medical Plan. Covered individuals may face a tax penalty for failure to provide this information. To report this information, please contact the Benefits Source at **1-888-640-3320**.

Eligibility under the Medical, Dental and Vision Plans

You and your eligible dependents may elect to participate in the Medical, Dental, or Vision Plans if you are actively at work and you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former Spouse or your Spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated; (3) the child is dependent upon you for financial support and maintenance; (4) you continue to be covered by the Plan; (5) with respect to the Dental or Vision Plan coverage, the child is also covered under the Medical Plan, or was covered under the Dental Plan and/or Vision Plan, as the case may be, as of December 31, 2018, and has remained covered under such Plan or Plans continuously since that date; (6) the child's disability continues; and (7) the child has not attained age 65;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent.

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Medical, Dental or Vision Plan.*

Eligibility under the Flexible Benefits Plan

FSA Plan

You can elect to participate in the FSA Plan provided you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week. However, if you make contributions, or if contributions are made on your behalf, to an HSA during the Plan Year,

you may not elect to make contributions to a Heath Care FSA during such Plan Year.

For purposes of reimbursement of eligible expense under the Health Care FSA, your eligible dependents include your Spouse or persons who qualify under the Code as your tax dependents for health coverage purposes.

For purposes of reimbursement of eligible expenses under the Dependent Care FSA, your eligible dependents include:

- Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child;
- Your Spouse who is physically or mentally incapable of caring for himself or herself, provided the Spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, your Spouse must regularly spend at least eight hours each day in your home;
- Any other person, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year. This includes a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step–daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.

HSAs

You can elect to contribute to a health savings account("HSA") if you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week and who is enrolled in either the HDPPO 1 or HDPPO 2 option. Contributions to an HSA can only be made when enrolled in an HDPPO. You cannot contribute to an HSA or receive Employer contributions if you have coverage under any other health plan that is impermissible coverage for purposes of Section 223 of the Code.

Please note: *You may not contribute to your HSA and the Health Care FSA at the same time.*

The limitation on the amount you may contribute to an HSA is determined on a monthly basis. The monthly contribution limit is zero for any month in which you are enrolled in Medicare. Please note that if you first apply for Medicare benefits after you attain age 65, your Medicare enrollment will be retroactive to a date that is six months prior to the month in which you apply for benefits, but not earlier than the first month you were eligible for Medicare. Thus, your monthly HSA contribution limit may be zero for a number of months that precede your application for Medicare benefits. It is your responsibility to make sure your HSA contributions do not exceed the maximum amount permitted under the Code. Please consult your tax advisor if you have questions regarding the amount you may contribute to an HSA, including for the months leading up to your application for Medicare benefits.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Flexible Benefits Plan.*

Eligibility under the Life and AD&D Plan

Employees

You are eligible to participate in the Life and AD&D Plan if you (i) are a regular part-time employee of a Participating Employer, (ii)

regularly work less than 40 hours per week, and (iii) are actively at work. You are actively at work if you are fully performing your customary duties for your regularly scheduled number of hours at your Employer's normal place of business, or at other places your Employer's business requires you to travel. Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select coverages for you and your eligible dependents.

Generally, to be covered, you must initially enroll for the medical, dental, flexible benefits, and vision coverages within 31 days following the date on which your enrollment materials are sent to you. **(This Benefits Program Overview or the individual Benefit Plan sections of this Handbook contain additional information about enrollment in each Plan.)**

You are automatically enrolled for EAP/Work Life/Legal & Financial Services (regardless of whether you enroll in PPO, HDPPO or HMO coverage under the Medical Plan), basic life and basic AD&D coverages upon the date you become eligible for such coverage.

To enroll in coverage that is not provided automatically, you must log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320.**

The enrollment materials detail how to enroll online and by phone. If you do not enroll within the 31-day period described above, as applicable **(the deadline date is included in the enrollment materials)**, you will automatically receive default coverage **(as described in this Benefits Program Overview or in the applicable individual Benefit Plan section of this Handbook)**, if applicable, for the remainder of that calendar year.

> **Please Note:**
>
> Dependents will not be eligible to receive any of the benefit coverages if you fail to enroll them during your initial 31-day enrollment period, during any subsequent annual enrollment or within 31 days following a qualified life event.

Enrollment in the Medical, Dental, and Vision Plans

Provided you meet the eligibility requirements, as described in the section above entitled "*Eligibility under the Medical, Dental and Vision Plans*", you and your eligible dependents can participate in the Medical Plan, Dental Plan and/or Vision Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. If you fail to enroll, you will be deemed to have elected (i) the HDPPO 1 medical option with no dependent coverage under the Medical Plan, (ii) the Preventive Dental option with no dependent coverage under the Dental Plan, and (iii) the Basic Vision option with no dependent coverage under the Vision Plan. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year and can only be changed during annual open enrollment. If you do not enroll or elect to change coverage, if applicable, within the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of this **Benefits Program Overview** for further details.

Please Note:

If you do not enroll in the Medical Plan, Vision Plan or Dental Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment. Also, if you do not enroll an eligible newborn child for coverage within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or the next qualified life event that permits the child's enrollment.

Enrollment in the Flexible Benefits Plan

FSA Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Flexible Benefits Plan,*" you may participate in the FSA Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year. In addition, participation in the FSA Plan requires annual enrollment, at which time you must elect the amount that you want to contribute to the FSA Plan for the year. If there is a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Changing and Continuing Elections*" of the **Benefits Program Overview** for further details.

HSAs

To enroll in an HSA, you must meet the following requirements:

- You must be enrolled in HDPPO 1 or HDPPO 2.
- You cannot be covered by another medical plan (e.g., you cannot be a dependent on anyone else's plan, except for vision and dental coverage) that is not a high deductible health plan.
- You cannot be enrolled for Medicare benefits. (Part A or Part B)
- You cannot be claimed as a dependent on another person's tax return.
- You cannot be covered by a general-purpose Health Care Flexible Spending Account, including the Health Care FSA

You must satisfy any requirements or conditions for establishing or activating your HSA that are prescribed by the Claims Administrator for HSAs. Failure to do so may result in the delay or failure to receive an employer HSA contribution to which you might otherwise be entitled.

Enrollment in the Life and AD&D Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Life and AD&D Plan*" section above, you will be automatically enrolled in the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option (collectively referred to as "Employee Life and AD&D Insurance").

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (Spouse or child) are eligible for Program benefits as active or retired employees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active or retired employee cannot be covered under the Benefit Plan both as a participant and as a dependent. Likewise, if you and your Spouse are both employees of NiSource or one of its affiliates, either of you may choose to cover your child(ren); however, it is not possible for both of you to cover your

child(ren) under the same plan. Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects coverage under the Medical, Dental, and/or Vision Plans, or makes no coverage election and is thereby deemed to have elected coverage under such Plans, you will be deemed to have requested that coverage be dropped for such dependent under the Medical, Dental, and/or Vision Plans, as the case may be.

Coverage under the Program for retired employees or for active employees other than the eligible employees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides medical, prescription drug, vision, and dental coverage for your eligible child (as well as participation in the Health Care Flexible Spending Account, to the extent the child is a tax dependent for health coverage purposes under Federal law) pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or a Participating Employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

Additionally, your Employer may withhold from your wages any contributions required for such coverage.

You may obtain from the Company, without charge, a copy of the Benefit Plans' QMCSO procedures.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. If you do not enroll within the annual enrollment period, your current coverages generally remain in effect for the upcoming Plan Year, if available, at the applicable rates.

You will be advised of any new benefit plans, plans that require enrollment and the deadline date. **However, if you want to participate in the Health and/or Dependent Care Flexible Spending Accounts or in a Health Savings Account (HSA), you need to elect to participate each year. Your Flexible Spending Account and Health Savings Account contribution elections will not carry over from one Plan Year to the next.**

If you add a new dependent to Benefit Plan coverage during annual enrollment, you must provide the dependent's social security number to the Benefit Plan by calling the Benefits Source at **1-888-640-3320** or by visiting the Benefits Source website at mysourceforhr.com,

In the event your current Medical, Dental, or Vision Plan coverage is not available and you fail to elect coverage under another plan or option that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "*Enrollment in the Medical, Dental, and Vision Plans*" for further details.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Medical Plan at your home address.

The cards should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options, or, if applicable, your HMO in the case of an HMO option.

There are no ID cards for the Vision Plan, Dental Plan or other coverages.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans

Coverage Begins

Generally, coverage under the Medical Plan, Dental Plan, Vision Plan, or FSA Plan may become effective, if you properly enroll, (1) on your first day of active employment for regular new hires, (2) on the first day of the following Plan Year for eligible employees who enroll during the annual enrollment period, or (3) on the date the Plan approves your enrollment based upon a qualified life event. Eligible dependents have the same effective date provided you properly enroll them.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation on or after January 30, 2020 (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to an employee;
- The date an employee is no longer eligible for coverage under the Plan;
- The date an employee commences active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made;
- The end of the month following the date an employee terminated employment.

In addition, coverage under the Health Care FSA will cease if an HDPPO coverage option is elected under the Medical Plan.

A dependent shall cease to participate in the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the employee's coverage ends (except that, in the case of the employee's death, a dependent shall cease to participate in the Plan on the last day of the month in which the employee dies) (see also the section below entitled "*Survivor Coverage"* for circumstances under which coverage under the Medical Plan for an eligible surviving dependent may continue beyond an employee's death);
- The last date for which any required contributions for the dependent's coverage was made;
- For a Spouse, the date of divorce or legal separation, except in the case of insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law;
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if you or your eligible dependents experiences a COBRA qualifying event, EAP/Work Life/Legal & Financial Services coverage will cease one day after the maximum COBRA continuation coverage period would otherwise expire on account of such qualifying event. See the section below entitled "*COBRA*" for an explanation of what constitutes a COBRA qualifying event.

When Coverage Begins and Ends - HSA

Coverage Begins

You may enroll in an HSA at any time provided you have properly enrolled in either the HDPPO 1 or HDPPO 2 option.

Coverage Ends

Your contributions to an HSA through the Flexible Benefits Plan will terminate as follows:

- The date on which the Plan terminates;
- The date you are no longer eligible;
- The date you are no longer actively at work; or
- The date on which you request that your contributions cease or that the HSA Account be closed.

If you are no longer enrolled in HDPPO 1 or HDPPO 2 or you have terminated employment or retired, you will be required to pay a monthly account fee to the HSA Trustee/Custodian for as long as money remains in your HSA. You will also receive a new HSA debit card that will allow you to continue using the remaining money in your account for qualified medical expenses.

When Coverage Begins and Ends – Life and AD&D Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Life and AD&D Plan,"* coverage under the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option of the Life and AD&D Plan may generally become effective on the first day you are actively at work, if you are a regular new hire, or on the first day you are newly eligible for coverage, provided you are actively at work on such day.

If you are not actively at work on the date coverage would otherwise begin, you will not be eligible for the coverage until you return to active work. However, if the absence is on a non-work day, coverage will not be delayed provided you were actively at work on the work day immediately preceding the non-work day. Except as otherwise provided herein or in the group insurance contracts (collectively, the "Group Contract") or group insurance certificates issued by Securian, you are eligible to continue to be insured only while you remain actively at work.

Coverage Ends

Your Employee Life and AD&D Insurance will end when the first of these occurs:

- The date as of which the Life and AD&D Plan is terminated;
- The date the Group Contract is canceled, or with respect to a particular Life and AD&D Coverage Option, the date such Life and AD&D Coverage Option is terminated;
- The date that the Life and AD&D Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you terminate employment or are otherwise no longer eligible for coverage under the Plan as a regular part-time employee or as a member of another eligible class;

If your Employee Life and AD&D Insurance terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

If you stop active part-time work for any reason, you should contact the Company or your Employer at once to determine what arrangements, if any, have been made to continue any of your insurance coverage, or

whether you belong to another class of employees that may be eligible for coverage under the Plan.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, the Internal Revenue Service will allow you to enroll for or change certain pre-tax elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain pre-tax elections if you experience a "qualified status change" that affects your, your Spouse's, or your dependent's eligibility for benefits under the Medical Plan, the Dental Plan, the Vision Plan, or the Flexible Benefits Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.***

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company, the Plan Administrator, or the Claims Administrator. In addition to satisfying any requirements established by the applicable Benefit Plan and any insurer (with respect to insured coverage), any requested change in election must satisfy all requirements imposed by the Internal Revenue Service.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee +family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Please Note:

If you do not request a change in election within 31 days of your qualified status change or other qualified life event, your next opportunity to change elections will not be until the next annual enrollment period or until you experience another qualified life event. For example, if you do not enroll an eligible newborn child within 31 days of the child's birth, even if you do not have the child's social security number, your next opportunity to enroll the child will not be until the next annual enrollment period, unless you experience another qualified life event that would permit you to change elections.

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan (this does not apply to the Health Care Flexible Spending Account).
- With respect to the Medical Plan only, you qualify for special enrollment during the year under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Medical Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***
- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.
- You or your eligible dependents lose coverage under any group health coverage sponsored by a governmental or educational institution,
- You take leave under the Family and Medical Leave Act.

If a dependent you are covering under the Medical, Dental or Vision Plan is hired by an Employer and either timely elects coverage under such Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Plan coverage for such dependent in connection his or her change in employment status.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical, prescription drug, vision or dental plan or program, your medical, prescription drug, vision and dental benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

The following provisions of this *"Coordination of Benefits (COB)"* subsection apply to the Medical Plan and the Dental Plan. Please see the Vision Plan section for

details about coordination of benefits provisions applicable to the Vision Plan.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable Benefit Plan is primary, the Benefit Plan pays the amount payable under such plan.

If your coverage under the applicable Benefit Plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

The "Birthday Rule"

Under the "Birthday Rule" the plan of the parent whose birthday falls earlier in the calendar year is the primary plan and the other parent's plan is secondary.

In the case of a divorce or separation, the following order will establish responsibility for payment:

— If there is a court order that requires a parent to take financial responsibility

for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.

- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits.

How Coordination of Benefits Works for Those in "Current Employment Status"

If you are in "current employment status" within the meaning of Medicare regulations, and if you or your spouse become Medicare-eligible, you or your spouse may have either of the following:

- Medical coverage under both the Medical Plan and Medicare (the Medical Plan under the Program is primary, it pays benefits as described in this Handbook, and Medicare is secondary); or
- Coverage under Medicare only (if that is what you have elected).

Please Note:

End-Stage Renal Disease. If you or your covered dependent enroll in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary at the time you or your covered dependent enroll, the Medical Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

If you are in "current employment status" and you and your Spouse are covered under the Medical Plan, Medicare coverage becomes secondary. You may decline coverage under the Medical Plan, in which case Medicare would be the primary carrier. Your Spouse may, if age 65 or older, make a separate Medicare election. However, your Spouse may not elect medical coverage under the Medical Plan if you do not elect coverage.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under the Medical Plan but are no longer considered in "current employment status" for purposes of Medicare, and you and your spouse are Medicare-eligible, then Medicare is the primary payor regardless of your or your covered spouse's age. You are responsible for notifying the Claims Administrator if you, your Spouse, or your other eligible dependents become Medicare-eligible.

If you are not in "current employment status" and if a covered person is eligible for, but not enrolled in, Medicare benefits,

the Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are not in "current employment status" and are eligible for, but not enrolled in, Medicare Part B, and if you incur a claim that would be payable in whole or in part by Medicare Part B, the Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

Please Note:

Late Enrollment Penalties for Medicare Parts B and D. If you are eligible for Medicare by reason of age or disability, are no longer in current employment status for purposes of Medicare, and do not enroll in Medicare Part B or Medicare Part D during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. For more information concerning Medicare late enrollment penalties, see the Medicare & You publication at https://www.medicare.gov/medicare-and-you or contact your local Social Security Administration office.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide claims and certain appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section of this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, or SPDs, please see below or the individual Benefit Plan sections of the Handbook.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified below or in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Medical Plan

The claim determination and appeal process described below applies to the Medical Plan. The term "Plan" as used in this section refers to the Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide

should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well

as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;

- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or

vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (for the Medical Plan, this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical

necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Medical Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to request a voluntary second-level internal appeal under the Medical Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of

any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;
- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based

upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective review, were covered under the Plan at the time the health care item or service was provided;
- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the criteria are inconsistent with the terms of the Plan or with applicable law;
- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care

claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA

Unless otherwise noted, the claim determination and appeal process described below applies to each of the Dental Plan, the Vision Plan and the Health Care FSA. The term "Plan" as used in this section refers to the Dental Plan, the Vision Plan or the Health Care FSA, as the case may be, and the term "Claims Administrator" refers to the claims administrator appointed for the respective Plan.

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Plan.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the

Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The day the Claims Administrator receives the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan or FSA Plan, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a

health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes and adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the

determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes and adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan, or the Health Care FSA, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process - Dependent Care FSA

The claim determination and appeal process described below applies to the Dependent Care FSA Plan. As used in this section, the term "Claims Administrator" refers to the claims administrator appointed for the Dependent Care FSA Plan. The term "Plan" as used in this section refers to the Dependent Care FSA Plan.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims

Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Flexible Benefits Plan.

Consideration of Initial Claim

Within 90 days of receiving the claim, the Claims Administrator will provide you (or your beneficiary) with a written notice of its decision. If, because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your request for review within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you may be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; (3) a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and (4) a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.

Appeal to Claims Administrator

If your claim is denied or deemed to have been denied in whole or in part, you have the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial or deemed denial.

Upon receipt of your request, your claim will be reviewed. You will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written request for review is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your claim for benefits within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you will be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; and (3) a statement that you are entitled to receive upon request and free of charge reasonable access to, and copies of, all documents, records and other information relevant to your claim for benefits.

Second Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your claim on appeal, you or your duly authorized representative may request a review of such denial by the Plan Administrator. Each such request for review must be in writing signed by you or your duly authorized representative, must specify that it is a request for review of a denied claim and must be filed with the Plan Administrator no later than 60 days after receipt of the denial or 90 days after the claim is deemed to be denied because the Claims Administrator did not respond within the requisite time period.

The decision of the Plan Administrator upon a request for review shall be made within 60 days after the request for review is received by the Plan Administrator unless special circumstances require an extension of time for processing such review, in which

event you shall be notified in writing prior to the expiration of such 60 days, and the decision of the Plan Administrator shall be rendered within 120 days of the receipt of the request for review. In connection with a request for review, you or your duly authorized representative may submit issues and comments in writing to the Plan Administrator. All communications between the Plan Administrator and you or your duly authorized representative shall be in writing unless you or your duly authorized representative requests otherwise and the Plan Administrator consents thereto. Each decision of the Plan Administrator on a request for review shall be in writing and shall include (1) the specific reason or reasons for the decision; (2) specific reference to the Plan provisions upon which the decision is based; and (3) a statement that you are entitled to receive upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Life and AD&D Plan

The claim determination and appeal process described below applies to the Life and AD&D Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accelerated death benefits, for accidental dismemberment benefits, or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for

matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the

written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal, you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA

following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage under the Medical, Dental, Vision and FSA Plans

General

Generally, coverage under the Medical, Dental, Vision and FSA Plans is only available to you if you are actively at work. However, if the Company or a Participating Employer under its personnel policies continues to treat you as an employee after you cease to be actively at work due to any of the following leaves, then you will continue to be treated as an employee eligible to participate in one or more of the Plans described above, subject to the terms and conditions of each such Plan.

Provided, however, your participation will cease as of the earliest of the dates set forth above under "*When Coverage Begins and Ends under the Medical, Dental, Vision and FSA Plans – Coverage Ends*." The leaves referred to above are:

Family and Medical Leave Act ("FMLA") Leave – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents continues at the same level of contribution and under the same conditions if you are granted a leave of absence under the Family and Medical Leave Act ("FMLA"). However, you may revoke your health benefit elections upon the commencement of your FMLA leave of absence. If you return from an unpaid FMLA leave of absence after having revoked health benefit elections on account of taking FMLA leave, you may reinstate your elections on the same terms as prior to taking FMLA Leave, to the extent that reinstatement is required under the FMLA. If your health benefit elections are revoked for non-payment of premiums during an approved FMLA leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

The Company and the applicable Participating Employer may recover its cost of coverage if you exhaust your leave and do not return to active employment for reasons other than the continuation or onset of a serious health condition or other circumstances beyond your control. The Company or the applicable Participating Employer may require you to provide certification of a health care provider if you are unable to return to work because of the continuation, recurrence, or onset of a serious health condition.

You may continue to participate in the Health Care FSA and/or Dependent Care FSA on a pre-tax basis while on a FMLA leave by pre-paying with pre-tax dollars any contributions due for coverage during the Plan Year in which your leave commences. You have the option to continue to participate in the Health Care FSA during your FMLA leave on an after-tax basis by making payments according to the same schedule in effect before your leave. If your participation in a Flexible Spending Account ceases on account of your leave, you may still use the existing balance in your account to pay for any eligible expenses that you incur prior to your last day worked before your FMLA leave. Also, if you ceased participation in the Health Care FSA during your leave, you may resume participation upon return from leave during the same Plan Year and either make up the unpaid contributions or resume coverage at a reduced level under the proration rule, with payments at your original contribution level.

Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") – If you are absent from employment because of service in the "uniformed services" (as that term is defined by USERRA), you may elect to continue coverage under a Plan during the period of your service to the extent provided by USERRA and the NiSource Military Leave of Absence Policy. Without limiting the generality of the foregoing, if your health benefit elections are revoked for non-payment of premiums during an approved military leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Medical, Dental and Vision Plans and under the Health Care FSA (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."*

COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial Services coverage.

In the event you are eligible for COBRA continuation coverage, there may be other

coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, (ii) the date for making COBRA premium payments, and (iii) the date for notifying the Plan of a qualifying event or determination of disability.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your Spouse (if he or she is treated as a Spouse under the Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. (This extended coverage does not apply to the Health Care FSA.) These costs are subject to change.

You will have 60 days to elect COBRA (measured from the later of your coverage loss date or the date the Plan Administrator notifies you of your right to elect COBRA coverage).

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

You will become a qualified beneficiary on account of coverage under a Plan if you lose your coverage under such Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct.

Your Spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your Spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;

- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of your employment or reduction of hours of employment, your death, or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the Benefits Source website at mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your Spouse, and parents may elect COBRA continuation coverage on behalf of their children.

[This paragraph applies only to the Medical, Dental and Visions Plans. It does not apply to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the end of your employment or reduction of your hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months. There are two ways in which this 18 month period of COBRA continuation coverage can be extended (as described below). When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. When the qualifying event is the end of your employment or reduction of your hours of employment, and you became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than you lasts until 36 months after the date of Medicare entitlement. For example, if you become entitled to Medicare 18 months before the date on which your employment terminates, COBRA continuation coverage for your Spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 18 months after the date of the qualifying event (36 months minus 18 months).

[This paragraph applies only to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. Upon experiencing a qualifying event, which causes a loss of coverage under the Health Care FSA, you may continue your current contributions

to your Health Care FSA on an *after-tax* basis through COBRA only for the remainder of the Plan Year in which your active coverage ended. This means that you will lose the pre-tax benefit of the FSA Plan by continuing coverage through COBRA. However, COBRA continuation coverage under the Health Care FSA option of the FSA Plan allows you to continue to incur and seek reimbursement of eligible claims for the remainder of the Plan Year. If COBRA continuation coverage is not elected, only those expenses incurred prior to the qualifying event will be eligible for reimbursement.

Disability Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If you or anyone in your family covered under a Plan is determined by the Social Security Administration to be disabled and you notify the Plan Administrator (in a form prescribed by the Plan Administrator) (i) within 60 days of the later of the date of the disability determination by Social Security and the date the qualified beneficiary loses coverage under the Plan as a result of your termination or reduction of hours of employment, and (ii) before the end of the initial 18-month period of COBRA continuation coverage, you and the qualified beneficiaries in your family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. If proper notice is not provided within the 60-day period and before the end of your initial 18-month period of COBRA continuation coverage, you will not be entitled to a disability extension. The disability would have to have started at some time before the 61st day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage. You must also notify the Plan Administrator within 30 days of the date the Social Security Administration determines that you or your dependent are no longer disabled.

Second Qualifying Event Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If your family experiences another qualifying event while receiving 18 months of COBRA continuation coverage, your Spouse and dependent children can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan Administrator within 60 days of the date of the second qualifying event. If proper notice is not provided within the 60-day period, you will not be entitled to an extension on account of the second qualifying event. This extension may be available to your Spouse and any dependent children receiving continuation coverage if you die, become entitled to Medicare benefits (under Part A, Part B, or both), or you get divorced or legally separated, or if your dependent child stops being eligible under a Plan as a dependent child, but only if the event would have caused your Spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. For example, when the qualifying event is the termination of your employment, COBRA continuation coverage for you, your Spouse and dependent children can last up to 18 months. If within that initial 18-month period you become legally separated or divorced (i.e., experience a second qualifying event), COBRA continuation coverage may be extended by an additional 18 months (for a total of 36 months from the date of the termination of employment) for your Spouse and dependent children who lose coverage due to the divorce or legal separation, if notice of such event is properly given to the Plan Administrator.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above (i.e., 18, 29 or 36 months, in the case of the Medical, Dental and Vision Plans, or the remainder of the Plan Year, in the case of the Health Care FSA), COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in the Program cease to

provide any group health plan or coverage to any employee.

- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- Provided such date is after the initial 18-month COBRA period and no other extension of such period (other than the disability extension) applies, the first day of the month coincident with or next following 30 days from the date the Social Security Administration determines that a qualified beneficiary is no longer disabled.
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" section below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at **dol.gov/ebsa** (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Employee's death at any time on or after January 1, 2004, if COBRA continuation coverage has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Employee's surviving dependents who are covered under the Medical Plan on the date of that Employee's death, then coverage under the Medical Plan for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Employee's surviving spouse dies, (ii) the last day of the month in which the Employee's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer with whom the Employee was employed ceases to be a "related employer," as defined in the Medical Plan.

If medical coverage under the Medical Plan ends for an Employee's dependent because of such Employee's death within 30 days preceding, or at any time on or after, May 1, 2010, and if such Employee would have satisfied the conditions for eligibility for retiree medical coverage under the Medical Plan or the NiSource Post-65 Retiree Medical Plan had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the Medical Plan at the time of the Employee's death, the Employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and have been a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the NiSource Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the NiSource Post-65 Retiree Medical Plan.

If survivor coverage under the Medical Plan will end for a surviving dependent of a Deemed Retiree solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the NiSource Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Medical Plan or the Dental Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any

other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to an illness, a sickness, or a bodily injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the illness, sickness or bodily injury;
- The insurer or other indemnifier of the party or parties who caused the illness, sickness or bodily injury;
- A guarantor of the party or parties who caused the illness, sickness or bodily injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the illness, sickness or bodily injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the illness, sickness or bodily injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the illness, sickness or bodily injury so that the applicable Benefit Plan may recover any sums paid under such Benefit Plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable for the Benefit Plan to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements, or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust of r the benefit of the Benefit Plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the illness, sickness or bodily injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the illness, sickness or bodily injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the illness, sickness or bodily injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to

any funds recovered from the Other Party by or on behalf of:

- The employee;
- The employee's covered dependent;
- The estate of any covered person; or
- On behalf of any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the employee or a covered dependent, the employee or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an in-network provider rather than an out-of-network provider. For the Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected

Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company, a Participating Employer, or any of their affiliates. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit Plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Code with respect to the Benefit Plans; employ or appoint persons to help or advise in any administrative functions;

and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though an Employee may receive a benefit check from a Claims Administrator, the Company, a Participating Employer, or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to the Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company, the Participating Employers, or their affiliates or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan

Description. The Plan Administrator may make a reasonable charge for the copies.

- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called "fiduciaries" of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Certain Benefit Plans and Accounts Not Subject to ERISA

Notwithstanding anything to the contrary contained in this Handbook, neither the Dependent Care FSA nor the HSAs (to which contributions are made through the Flexible Benefits Plan) are employee benefit plans subject to ERISA.

Consolidated Flex Medical Plan

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Medical Plan Options

This is the SPD (the "Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Medical Plan. In this Medical Plan SPD, the Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible employees and their eligible dependents with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA). The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at livehealthonline.com for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions**. If you still have questions, you can email **help@livehealthonline.com** or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are

covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Medical Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Medical Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	Out-of-Network
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	Out-of-Network
	Plan Pays	Plan Pays
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

	HDPPO 1		HDPPO 2	
FEATURE	**In-Network**	**Out-of-Network**	**In-Network**	**Out-of-Network**
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$3,000	$6,000	$5,000	$10,000

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at 1-888-640-3320 for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which claims are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's

application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or

- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the PBM for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers, distributors, and/or similar vendors, which may be related to certain prescription drug

purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HDPPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 28.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and
  - Prescribed medications (Outpatient prescription drug services are covered

under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).

- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;
  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam

and one hearing aid per ear during a two calendar-year period; and

- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor

performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;

- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance, when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;
  — Alcohol misuse: screening and counseling
  — Blood pressure screening in adults;
  — BRCA risk assessment and genetic counseling/testing;
  — Breast cancer preventive medications;
  — Breast cancer screening;
  — Cervical cancer screening;
  — Colorectal cancer screening;
  — Diabetes screening;
  — Lung cancer screening;
  — Obesity screening and counseling: adults and children;
  — Osteoporosis screening: women;

See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

  — Diphtheria;
  — Hepatitis A;
  — Hepatitis B;
  — Herpes Zoster;
  — Human Papillomavirus;
  — Influenza (flu shot)
  — Measles
  — Meningococcal;
  — Mumps;
  — Pertussis;
  — Pneumococcal;
  — Rubella;
  — Tetanus;
  — Varicella (chickenpox).

  The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

See the following website for additional information:
https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Well-woman visits;
  - Counseling and screening for human immune-deficiency virus;
  - Human papillomavirus testing;
  - Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);
  - Screening for gestational diabetes;

- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain Covered Services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);

- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Employee-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

> **Please Note:**
>
> If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;

  - Medically necessary services, supplies, and medications.

- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:

  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

  - Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
  - Inpatient covered hospital services related to the transplant procedure.
  - Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses

incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).

- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

Medical Expenses Not Covered

Expenses Not Covered Under Medical Plan

The medical expenses **not** covered under the Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;

- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;

- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;

- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or

astigmatism or any other correction of vision due to a refractive problem; and

- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The PPO coverage option utilizes a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The PPO coverage option utilizes a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name

drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	Plan Pays	You Pay*	Plan Pays	You Pay*
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:		Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications	

* You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The High Deductible Options utilize a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program

you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

[Material continued on next page]

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		MAIL ORDER		NINETY-DAY SUPPLY AT RETAIL	
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	Retail Pharmacy		**Mail Order**		**Ninety-Day Supply at Retail**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

***Please Note**:* Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life/Legal & Financial Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life/Legal & Financial Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law, with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

Please see the *"Health Savings Account"* subsection of the **Flexible Benefits Plan** section of the Handbook for information concerning establishing and contributing to a health savings account when you enroll in an HDPPO.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;

  - Name and Social Security number of Employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

[Material continued on next page]

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348 Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Dental Plan

Preventive Dental

Dental Plan

Dental Plus

Your Dental Plan Options

This is the SPD (the "Dental Plan SPD") for the NiSource Dental Plan, also referred to as the Dental Plan. In this Dental Plan, SPD, the Dental Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Dental Plan to eligible employees and their dependents with the following dental coverage options:

- Preventive Dental;
- Dental Plan; and
- Dental Plus;

Both Dental Plan and Dental Plus provide coverage for eligible dental services such as preventive care services, basic services, and major services. The Dental Plus coverage option is an employee contributory option that also provides for orthodontia benefits.

The Preventive Dental coverage option provides preventive care at 100% of applicable charges and covers fillings and routine extractions at 50% of applicable charges after the deductible. Orthodontia is not covered and there is a deductible required. See "*Highlights of the Dental Plan Coverage*" for further details.

All dental coverage options use a network of providers. When you use an in-network provider you receive the added benefit of lower, negotiated fees. In addition, you are not responsible for fees over the negotiated rate. If you use an out-of-network provider, the amount of the claim that is paid is the product of the applicable coinsurance percentage (set forth below) multiplied by the "Maximum Reimbursable Charge," after the application of any deductible. You are responsible to pay any amount your dentist charges that exceeds the applicable percentage of the Maximum Reimbursable Charge. The Maximum Reimbursable Charge is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. If you have a question about the determination of the Maximum Reimbursable Charge, contact the Claims Administrator.

To find a provider in your area, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source automated telephone system at **1-888-640-3320**. Customer service associates can then connect you with a provider directly so that you can locate a participating dentist near you.

Eligibility

For information regarding eligibility under the Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320.**

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of the Dental Coverage

Here is a summary of the benefits under each option.

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)		DENTAL PLAN (In or Out-of-Network)		DENTAL PLUS (In or Out-of-Network)	
Annual Deductible	**You Pay**		**You Pay**		**You Pay**	
Covered Member	$75		$50		None	
Covered Member + Spouse	$150		$100		None	
Covered Member + Child(ren)	$75 per covered member up to $225		$50 per covered member up to $150		None	
Covered Member +Family	$75 per covered member up to $225		$50 per covered member up to $150		None	
Coinsurance	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**
Preventive and Diagnostic Treatment	N/A	100%	N/A	100%	N/A	100%
Basic Treatment	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Major Treatment (other than oral surgery or anesthesia)	100%	N/A	50% (after deductible)	50% (after deductible)	50%	50%
Major Treatment (oral surgery or anesthesia only)	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Orthodontia (adult and child)	100%	N/A	100%	N/A	50% (up to lifetime maximum); 100% thereafter	50% (up to the lifetime maximum)
Maximums	**Plan Pays**		**Plan Pays**		**Plan Pays**	
Annual Maximum	Up to $2,000 per person per year		No annual maximum		Up to $2,000 per person per year	
Annual Maximum - Implants	No Coverage		No annual maximum		Up to $600 per person per year	

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)	DENTAL PLAN (In or Out-of-Network)	DENTAL PLUS (In or Out-of-Network)
Orthodontia Lifetime Maximum	No Coverage	No Coverage	Up to $1,500 per person

All expenses incurred, whether care is received from a dentist in- or out-of-network, will be applied toward the calendar year deductible and maximum amounts according to the summary above.

For out-of-network providers, after you pay any applicable deductible, the Plan will pay the applicable percentage of Maximum Reimbursable Charges that are covered expenses. In addition to your share of Maximum Reimbursable Charge, you will be required to pay any amount your dentist charges over the Maximum Reimbursable Charge.

Dental Expenses Covered

The Plan pays for certain services and supplies that are considered necessary in terms of generally accepted dental standards, appropriate to properly treat the dental condition, and must be recommended by the participant's dentist.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34.

Covered expenses include, but may not be limited to, the following eligible dental services and supplies up to the maximum allowance and/or applicable percentage of the Maximum Reimbursable Charge:

Preventive Treatment (Covered Under All Options)

Preventive Treatment is treatment designed to prevent dental disease, defect or injury and includes:

- Oral examination;
- Prophylaxis (cleaning and scaling of teeth);
- Periodontal maintenance procedures (following active therapy) and Periodontal prophylaxis;
- Topical application of fluoride solutions;
- Bite-wing x-rays;

Note: The services described above are each limited to twice in a calendar year.

- Topical application of sealant on a posterior tooth for covered persons under age 19 (only one treatment per tooth in any 3 consecutive calendar years);
- Panoramic (Panorex) x-ray once in any 3 consecutive calendar years;
- Full-mouth series of x-rays once in any 3 consecutive calendar years; and
- Space maintainers, fixed unilateral – limited to nonorthodontic treatment, up to age 19.

Basic Treatment (Covered Under All Options)

Basic Treatment is designed to correct dental disease, defect or injury and includes:

- Routine extractions;
- Amalgam and composite/resin restorations;
- Root canal therapy (any x-ray, test, laboratory exam or follow-up care is part of the allowance for root canal therapy and not a separate dental service);
- Osseous surgery (flap entry and closure is part of the allowance for osseous surgery and not a separate dental service);
- Periodontal scaling and root planing – entire mouth
- Adjustments – complete denture

  - any adjustment of or repair to a denture within 6 months of its installation is not a separate dental service.
- Recement bridge
- Surgical removal of erupted tooth requiring elevation of mucoperiosteal flap and removal of bone and/or section of tooth
  - Removal of impacted tooth, soft tissue
  - Removal of impacted tooth, partially bony
  - Removal of impacted tooth, completely bony
- Local anesthetic, analgesic and routine postoperative care for extractions and other oral surgery procedures are not separately reimbursed but are considered as part of the submitted fee for the global surgical procedure.
- General anesthesia – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.
- I.V. sedation – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.

Major Treatment (Covered Under the Dental Plan and Dental Plus Options)

The Plan pays for Major Treatment, provided you select the Dental Plan or Dental Plus coverage option. If you elect the Preventive Dental Option, the Plan does not pay benefits for Major Treatment.

Major Treatment is designed to correct dental disease, defect or injury and includes:

- Crowns

  Note: Crown restorations are dental services only when the tooth, as a result of extensive caries or fracture, cannot be restored with amalgam, composite/resin, silicate, acrylic or plastic restoration.

  - Porcelain fused to high noble metal
  - Full cast, high noble metal
  - Three-fourths cast, metallic
- Removable Appliances
  - Complete (full) dentures, upper or lower
  - Partial dentures
  - Lower, cast metal base with resin saddles (including any conventional clasps, rests and teeth)
  - Upper, cast metal base with resin saddles (including any conventional clasps rests and teeth)
- Fixed Appliances
  - Bridge pontics - cast high noble metal
  - Bridge pontics - porcelain fused to high noble metal
  - Bridge pontics - resin with high noble metal
  - Retainer crowns - resin with high noble metal
  - Retainer crowns - porcelain fused to high noble metal
  - Retainer crowns - full cast high noble metal
- Prosthesis over implant – a prosthetic device, supported by an implant or implant abutment is a covered expense. Replacement of any type of prosthesis with a prosthesis supported by an implant or implant abutment is only payable if the existing prosthesis is at least 5 calendar years old, is not serviceable and cannot be repaired.
- Implants - covered dental expenses include: the surgical placement of the implant body or framework of any type; any device, index, or surgical template guide used for implant surgery; prefabricated or custom implant abutments; or removal of an existing implant. Implant removal is covered only if the implant is not serviceable and cannot be repaired. Implant

coverage has a separate yearly maximum as shown in *Highlights of the Dental Plan Coverage*.

- Treatment of Temporomandibular Joint Dysfunction (TMJ)
  - Office visit – Adjustment to appliance (no more than six (6) adjustments in six (6) consecutive months after seating or placement of appliance)
  - Transcutaneous Electro-neural Stimulation (no more than four (4) treatments in a six (6)-month period)
  - Trigger Point Injection of Local Anesthetic into Muscle Fascia (no more than four (4) treatments in a six (6)-month period)
  - Mandibular Orthopedic Repositioning Appliance (only one appliance per person in any five (5) year period)

Orthodontia Services (Covered Under Dental Plus)

The Plan pays benefits for orthodontia services, provided you select the Dental Plus coverage option and remain covered under such option throughout the course of treatment. If you select the Preventive Dental or Dental Plan coverage option, the Plan does not pay benefits for orthodontia services. The Claims Administrator must determine that the service is necessary, and all orthodontia appliances and treatment must be part of a course of orthodontic treatment that begins while your coverage is in effect.

Subject to the foregoing, the Plan pays benefits for the following orthodontia services:

- Orthodontic work-up including x-rays, diagnostic casts and treatment plan and the first month of active treatment including all active treatment and retention appliances.
- Continued active treatment after the first month.
- Fixed or Removable Appliances - Only one appliance per person for tooth guidance or to control harmful habits.

The total amount payable for all expenses incurred for orthodontics during a person's lifetime will not be more than the orthodontia maximum shown in the *Highlights of the Dental Plan Coverage*.

Benefit payments for comprehensive full-banded orthodontic treatment are made in installments. Benefit payments will be made every 3 months. The first benefit payment is payable when the appliance is installed. Later payments are payable at the end of each 3-month period. The first installment is the lesser of (x) the lifetime maximum for orthodontia services, or (y) the product of (i) 25% of the charge for the entire course of treatment, multiplied by (ii) the applicable covered percentage. The remainder of the charge is prorated over the estimated duration of treatment. Payments are only made for services provided while a person is covered. If coverage ends or treatment ceases, payment for the last 3-month period will be prorated.

Orthodontia Payment Example: If your orthodontia treatment costs $5,000 and is estimated to take three years from installation of the appliance to complete, and if you have not been reimbursed for any orthodontia treatment in the past, your first installment will be $625 [the product of 25% multiplied by $5,000 (total cost of treatment) multiplied by 50% (covered percentage), which product is less than $1,500 (lifetime maximum)]. Assuming you remain covered under the Plan and complete the three-year treatment, the remaining charge will be paid in quarterly installments of $156.25 [calculated as set forth above] until you reach your lifetime maximum [$875 remaining after initial installment].

Orthodontia Payment Example

Total Treatment	$5,000.00
Initial Installment	
CIGNA Allowable (25% of total)	1,250.00
CIGNA Payment (50% of Allowable)	625.00
Remaining Installments	
Remaining Balance	$3,750.00
CIGNA Allowable (Remaining Balance/12 quarters)	312.50
CIGNA Quarterly Payment (50% of Allowable)	156.25*

*Subject to Lifetime Maximum

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Dental Expenses Not Covered

The Plan pays benefits for a variety of dental services, provided they are necessary according to generally accepted dental standards, appropriate to properly treat the dental condition, and recommended by your dentist. However, some limits and exclusions do apply.

The dental expenses **not** covered include, but are not limited to the following:

- Replacement of teeth that are missing when a person first becomes covered under the Plan;
- Services performed solely for cosmetic reasons;
- Replacement of a lost or stolen appliance;
- Replacement of a bridge, crown or denture within 5 years after the date it was originally installed unless: (a) the replacement is made necessary by the placement of an original opposing full denture or the necessary extraction of natural teeth; or (b) the bridge, crown or denture, while in the mouth, has been damaged beyond repair as a result of an injury received while a person is insured for these benefits;
- Any replacement of a bridge, crown or denture which is or can be made useable according to common dental standards;
- Procedures, appliances or restorations (except full dentures) whose main purpose is to: (a) change vertical dimension; (b) diagnose or treat conditions or dysfunction of the temporomandibular joint; (c) stabilize periodontally involved teeth; or (d) restore occlusion;
- Porcelain or acrylic veneers of crowns or pontics on, or replacing the upper and lower first, second and third molars;
- Bite registrations; precision or semiprecision attachments; or splinting;
- Instruction for plaque control, oral hygiene and diet;
- Dental services that do not meet common dental standards;
- Services that are deemed to be medical services;
- Services and supplies received from a hospital;
- Services for which benefits are not payable according to the immediately following paragraph.

In addition to the foregoing, no payment will be made for expenses incurred for you or any one of your dependents:

- For or in connection with an injury arising out of, or in the course of, any employment for wage or profit;
- For or in connection with a sickness which is covered under any workers' compensation or similar law;
- For charges made by a hospital owned or operated by or which provides care or performs services for, the United States government, if such charges are directly related to a military-service-connected condition;
- For charges for services provided by the covered person’s parent, spouse, brother, sister, son or daughter;
- For services or supplies received as a result of dental disease, defect or injury due to an act of war, declared or undeclared;
- To the extent that payment is unlawful where the person resides when the expenses are incurred;
- For charges which the person is not legally required to pay;
- For charges which would not have been made if the person had no insurance;
- To the extent that billed charges exceed the rate of reimbursement as described in the *Highlights of the Dental Plan Coverage,* including any charge in excess of the Maximum Reimbursable Charge;

- For charges for unnecessary care, treatment or surgery;
- To the extent that you or any of your dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid;
- For or in connection with experimental procedures or treatment methods not approved by the American Dental Association or the appropriate dental specialty society.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible dental expenses that are not covered by the Dental Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any dental care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

If you or your dependents have dental coverage under another dental plan, this Plan coordinates benefits with the other benefits to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits*" section of the **Benefits Program Overview** to learn more about the Plan's COB features.

Filing a Claim

General

Generally, dentists file claims electronically on your behalf provided that the dentist is a participating dentist. If you see a non-participating dentist, you may need to file your own claim. Claims should be submitted to the Claims Administrator.

How to File Claims

If you file your own claim form, follow these steps.

- Complete your portion of the claim form (your form will include step-by-step instructions for completing the correct information). Your dentist will need to complete his or her portion of the form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator online via the Benefits Source website mysourceforhr.com.
- Attach copies of all available dental bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the dental expense.
- Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

  CIGNA
  P.O. Box 188037
  Chattanooga, TN 37422-8037

Any claims not submitted after 18 months from the date of service generally will not be considered for payment.

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Dental Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or by any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	CIGNA P.O. Box 188037 Chattanooga, TN 37422-8037 cigna.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Vision Plan

Vision Plan Option

Basic Vision Option

Your Vision Plan Options

This is the SPD (the "Vision Plan SPD") for the NiSource Vision Plan, also referred to as the Vision Plan. In this Vision Plan SPD, the Vision Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Vision Plan to eligible employees and their dependents with the following coverage options:

- Vision Plan option; and
- Basic Vision option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") with Vision Service Plan Insurance Company who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract, on the one hand, and this Vision Plan SPD, on the other hand, the terms of the Group Contract shall prevail. **You should refer to the Group Contract for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Vision Plan SPD.** *You may obtain a copy of the Group Contract by contacting the Benefits Source at **1-888-640-3320**.*

This Plan is designed to cover certain costs associated with your vision correction. *Please note that any illness or injury to your eyes would be covered under the Medical Plan, subject to any terms, conditions and limitations set forth in the Medical Plan*.

The Plan utilizes a network of VSP Providers referred to as the VSP Choice Network. The Plan pays vision benefits for eligible expenses regardless of whether you receive services and/or eyewear from a VSP Choice Network Provider or from a non-VSP Provider. However, if you go to a VSP Choice Network Provider, the Plan pays a higher level of benefits. You also have the option to receive benefit coverage from non-VSP Providers. However, your level of benefit payment will be subject to the non-VSP provider schedule as outlined in the "*Highlights of Your Vision Plan Coverage*".

- **VSP Choice Network Provider** – offers the convenience of "one-stop shopping" and can provide everything you need (eye exams, and if applicable, prescription glasses, and contacts). As long as you receive care or eyewear from a VSP Choice Network Provider, you are responsible for the amount in excess of the Plan's allowance, any applicable co-pays, and the cost of any eyewear or service that the Plan does not cover.
- **Non-VSP Providers** – you have the option to receive your services and eyewear outside the VSP Choice Network. If you do, you must pay the Provider in full at the time of your appointment and submit a claim to VSP. Once you submit an itemized receipt, the Plan then reimburses you for the eligible expense (up to the Plan's allowance).

To find a Provider who participates in the VSP Choice Network, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to request assistance.

Eligibility

For information regarding eligibility under the Vision Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Vision Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320** or log on to the Benefits Source website at mysourceforhr.com.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of Your Vision Plan Coverage

Vision Plan Option

The Vision Plan option pays for the following services and materials:

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year for Adults Twice every calendar year for Children	100%	Up to a $45 allowance
Lenses (per pair)			
Regular (single vision)	Once every calendar year	100%	Up to a $30 allowance
Lined Bifocal	Once every calendar year	100%	Up to a $50 allowance
Lined Trifocal	Once every calendar year	100%	Up to a $65 allowance
Lenticular	Once every calendar year	100%	Up to a $100 allowance
Frame	Once every other calendar years for Adults Once every calendar year for Children	100%, Up to a $200 frame allowance Featured Frames 100%, Up to a $250 frame allowance	Up to a $70 allowance
Contacts			
Visually Necessary	Once every calendar year in place of glasses	100%	Up to a $210 allowance
Elective	Once every calendar year in place of glasses	100% up to a $175 annual allowance	Up to a $105 allowance

If you choose contacts instead of glasses, you will pay up to a $50 copay for the contact lens exam (fitting and evaluation) after a 15% discount. The contact lens exam is in addition to your WellVision Exam® to ensure proper fit of contacts.

Polycarbonate lenses are covered in full for dependent Children up to the end of the month in which they turn age 26.

Standard Progressive Lenses are covered in full for all members.

KidsCare - the VSP® KidsCare Plan is designed to meet the eye care and eyewear needs of active and growing children by providing two WellVision Exams® and one pair of glasses every calendar year.

Basic Vision Option

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year	100%	Up to a $45 allowance

Vision Expenses Covered

The Plan will pay for vision services and materials, as described in the "*Highlights of Your Vision Plan Coverage*." However, in the event of any conflict with that section and the Group Contract, the terms of the Group Contract will prevail.

For purposes of this Vision Plan SPD, (i) "Adult" means either you or your Spouse, provided such person is eligible for, and has enrolled in, coverage under the Plan, (ii) "Child" or "Children" refers to a Child, as defined in the *Definitions* section of the **Benefits Program Overview**, provided such Child is eligible for, and enrolled in, coverage under the Plan, and (iii) "Covered Person" or "member" or "covered member" refers to any person who satisfies the eligibility requirements of the Plan and who is enrolled in coverage under the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34.

For the Vision Plan Option, the services and materials that the Plan covers include, but are not limited to, the following:

- One WellVision Exam® in every calendar year for Adults.
- Two WellVision Exams® in every calendar year for Children.
- Prescription eyeglass lenses, one pair in every calendar year, up to a specified lens allowance.
- Frame for Adults, one pair every other calendar year (up to the frame allowance).
- Frame for Children, one pair every calendar year (up to the frame allowance)
- Contacts, one pair in every calendar year, up to a specified allowance. The allowance applies to the contacts only. There is an additional copay up to $50 for the contact lens exam (fitting and evaluation). This exam is in addition to your WellVision Exam® to ensure proper fit of your contacts. You can elect to receive an annual allowance toward the cost of contacts in lieu of frame and lenses.

Extra Discounts and Savings

When visiting a VSP Choice Network Provider, you may receive the following, provided that some of the discounts/savings listed below may not apply to the Basic Vision Option:

- Average savings of 30% on non-covered lens enhancements, such as scratch resistant and anti-reflective coatings, light reactive, custom or premium progressives, etc.; 20% off additional prescription glasses and sunglasses within 12 months of your last WellVision Exam®;
- 15% discount off the cost of an elective contact lens exam (fitting and evaluation);
- Polycarbonate lenses are covered in full for dependent Children;
- Standard progressive lenses covered in full for all members; Routine retinal screening discount;
- Laser vision correction discounts.

Other Programs/Resources Offered by the VSP

Laser VisionCare℠ Program

If you are considering laser vision correction, the Plan can help you make an informed decision. The Plan contracts with laser surgery facilities and doctors. As a result, you can access laser vision correction surgery for hundreds of dollars less than what you might pay privately. VSP has arranged for members to receive PRK, LASIK and Custom LASIK, at a discounted fee with an average 15% off the regular price or 5% off the promotional price. Visit the Claims Administrator's website at vsp.com or call **1-800-877-7195** to learn more about this program.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Vision Expenses Not Covered

Some vision care services and/or materials are not covered under this Plan and certain other limitations may apply. In addition, some brands of spectacle frames may be unavailable for purchase as Plan benefits or may be subject to additional limitations. Covered Persons may obtain details regarding service, material and/or frames exclusions from their VSP Choice Network Provider or by calling VSP's Member Services at (800) 877-7195.

Patient Options

This Plan is designed to cover visual needs rather than cosmetic eyewear. When a covered member selects non-covered lens enhancements, the covered member will pay the additional costs for the options. Some non-covered lens enhancements include:

- Optional cosmetic processes;
- Anti-reflective coating;
- Color coating;
- Mirror coating;
- Hi Index Lenses
- Scratch resistant coating;
- Blended lenses;
- Cosmetic lenses;
- Laminated lenses;
- Oversize lenses;
- Photochromic lenses, tinted lenses except Pink #1 and Pink #2;
- Custom and Premium Progressive lenses;
- UV (ultraviolet) protected lenses; or
- Certain limitations may apply on low vision care

For the cost of a non-covered lens enhancement, speak with your VSP Choice Network Provider or call VSP Member Service at (800) 877-7195

Not Covered

There are no benefits for:

- Services and/or materials not specifically included in this Vision Plan SPD as covered Plan benefits.
- Plano lenses (lenses with refractive correction of less than ± .50 diopter).

- Two pair of glasses instead of bifocals.
- Replacement of lenses, frames and/or contact lenses furnished under this Plan which are lost or damaged, except at the normal intervals when Plan benefits are otherwise available.
- Orthoptics or vision training and any associated supplemental testing.
- Medical or surgical treatment of the eyes.
- Contact lens insurance policies or service agreements.
- Refitting of contact lenses after the initial (90-day) fitting period.
- Contact lens modification, polishing or cleaning.
- Local, state and/or federal taxes, except where VSP is required by law to pay.
- Services associated with Corneal Refractive Therapy (CRT) or Orthokeratology.
- Corrective vision treatment of an experimental nature;
- Costs for services and/or eyewear above Plan benefit allowances; and
- KidsCare - Services and/or materials provided by someone other than a VSP Network Provider

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible vision care expenses that are not covered under the Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any vision care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

A Covered Person who is covered under two or more insurance plans that include vision care benefits may be eligible for Coordination of Benefits ("COB"). VSP will combine other insurance plans' claim payments or reimbursements, if any, with benefits available under the Plan, which may reduce or eliminate the Covered Person's out-of-pocket expense. A Covered Person covered under more than one VSP Plan may also be able to take advantage of COB. In order to process claims involving COB, VSP may need to share personal information regarding the Covered Person with other parties (such as another insurance company). When this is necessary, VSP will only share such information with those persons or organizations having a legitimate interest in that information and only where such sharing is not prohibited by law.

When coordinating benefits, it must be determined which plan is billed first. The plan that covers the member as an employee is "primary". The plan that covers the member as a dependent is "secondary".

If the Covered Person is a dependent child and is covered under both parents' plans, typically the parent whose birthdate falls first in the calendar year has the primary plan. If the parents are separated or divorced, the parent with custody is primary, unless otherwise ordered by the court.

The primary plan must pay or provide benefits as if the secondary plan does not exist.

When VSP administers the secondary plan, the member will receive a specified allowance for each service (exam, lenses, frame or contacts) that will be used to pay up to, but not more than the billed amount. Only services received on the primary benefit may be used for coordinating like services on the secondary benefit. Secondary allowances are applied first to the same service of the primary plan. Any remaining amount may be used to cover additional expenses on other services.

VSP will reimburse the Covered Person according to each benefit's out-of-network

schedule of allowances, not to exceed the actual exam fee and the cost of corrective eyewear.

Please Note: Coordination of benefits does not guarantee that all out-of-pocket expenses will be covered-in-full. The Member is responsible for any remaining expenses.

How to Access the Vision Benefits

Selecting a VSP Choice Network Provider

- Log on to the Benefits Source website at mysourceforhr.com to find the link to VSP's website that houses the most up-to-date list of VSP Choice Network Providers; or call the Benefits Source at **1-888-640-3320** to locate a VSP Choice Network Provider near you. Call the VSP Choice Network Provider to make an appointment. Identify yourself as a VSP member.
- At the time of the visit, pay any amounts that are in excess of the allowance or the Plan's covered services. The VSP network provider files all necessary claims directly from his or her office. The Claims Administrator takes care of all of the necessary paperwork, and pays the provider directly for the eligible expenses.

If you select a Non-VSP Provider

If you receive care from a non-VSP provider, you are required to submit a VSP Request for Reimbursement claim form or you can submit the claim online by signing in as a Member to vsp.com. Here are the steps to follow when filing your own claim with the Claims Administrator:

- Complete all required fields of the VSP Request for Reimbursement claim form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator via the Benefits Source website mysourceforhr.com and link to the Claims Administrator's website.
- Attach copies of your itemized bill and paid receipts to your claim form. These bills should include:
  - Name of patient;
  - Doctor's name or office name;
  - Date of service;
  - Each service received and the amount paid;

Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

VSP
P.O. Box 385018
Birmingham, AL 35238-5018

Be sure to submit your completed claim to the Claims Administrator within 1 year of the date of your service.

Your claim will be processed upon receipt. The Plan then pays eligible benefits directly to you. Regardless of whether you will receive care from a VSP Choice Network Provider or a non-VSP provider, you receive a statement that tells you how much the Plan paid. In some cases, the Claims Administrator sends the payment to a designated representative (as in the case of a Qualified Medical Child Support Order).

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Vision Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Fully Insured
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurance Company. Claims are administered by the Claims Administrator listed below under the group insurance contract.
Claims Administrator (VSP Choice Network Providers):	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670 vsp.com
Claims Administrator (Non-VSP Providers):	Vision Service Plan Insurance Company P.O. Box 385018 Birmingham, AL 35238-5018
Insurance Company:	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The group insurance contract (the "Group Contract") underwritten by Vision Service Plan Insurance Company provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and a certificate or evidence of coverage (the "Group Insurance Certificate"). In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail.

Vision Service Plan Insurance Company, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Flexible Benefits Plan

Flexible Spending Account Plan

Health Savings Account

Your Flexible Benefits Plan Options

NiSource Inc. (the "Company") maintains the NiSource Flexible Benefits Plan (the "Plan"), which provides eligible employees with the option to participate in a Flexible Spending Account Plan (an "FSA Plan") and to contribute to a Health Savings Account (an "HSA"); provided, however, that you may not contribute to a Health Care FSA and an HSA at the same time.

The Claims Administrator for the FSA Plan is Alight Solutions, LLC, dba "Your Spending Account" or "YSA".

Flexible Spending Account

The FSA Plan has two different Flexible Spending Accounts. They are:

- The Health Care FSA; and
- The Dependent Care FSA.

You may participate in one or both of these accounts. The contributions you make to the Flexible Spending Accounts are not subject to Federal, and in many cases, state and local income tax, which reduces your taxable income.

The Health Care FSA allows you to set aside before-tax money from your paychecks to pay for certain eligible health care expenses that are not covered by the Medical, Dental or Vision Plans. You may set aside up to $2,750 a year (deducted from your pay in equal installments throughout the year) to pay for eligible out-of-pocket expenses such as deductibles, co-payments, or expenses that the Plan limits or excludes. The maximum limit for Health Care FSA may be adjusted periodically for inflation. Please contact the Benefits Source at **1-888-640-3320** to find out the current limit.

The Dependent Care FSA works similarly to the Health Care FSA. However, the before-tax money that you can set aside can only be used for reimbursement for dependent care expenses for eligible dependents. You may set aside up to $5,000 per year, or $2,500 per year if you are married and file separate federal income tax returns.

You may not claim any other tax benefit (e.g., the federal dependent care tax credit) for the amount of your before-tax salary reductions under the Dependent Care FSA, although your eligible dependent care expenses in excess of that amount may be eligible for the federal dependent care tax credit. The federal dependent care tax credit is a credit against your federal income tax liability under the Code. It is a non-refundable tax credit, which means that any portion of it that exceeds your federal income tax liability will be of no value to you. For more information about how the dependent care tax credit works, see IRS Publication No. 503 ("Child and Dependent Care Expenses"). For most individuals, participating in the Dependent Care FSA will produce greater federal tax savings than the dependent care tax credit, but there are some for whom the opposite is true. You should consult a tax advisor to determine what course of action would be best in your situation.

Eligibility

For information regarding eligibility under the FSA Plan, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

Highlights of the Flexible Spending Accounts (FSAs)

FSA FEATURES	Eligible Dependents	Eligible Expenses
Health Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $2,750*	The Health Care FSA can be used to reimburse eligible out-of-pocket expenses incurred by you, your eligible spouse, or any person who is your dependent for federal income tax purposes (as determined without regard to such person's gross income).	Certain medical, dental, and vision expenses not covered under the Medical, Dental, or Vision Plans, such as deductibles, co-payments and coinsurance amounts. The expense must be considered as one incurred for "medical care," as defined in the Code. *A non-exhaustive list of eligible expenses can be found later in this section.*
Dependent Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $5,000; $2,500 if you are married and file separate federal income tax returns.	For purposes of the Dependent Care Flexible Spending Account, eligible dependents are: • Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child; • Your spouse who is physically or mentally incapable of caring for himself or herself, provided the spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, the spouse must regularly spend at least eight hours each day in your home.	Expenses you incur to care for your child or a dependent family member while at work. If you are married, your spouse also must work, be looking for work, be a full-time student for at least five months during the calendar year, or be physically or mentally unable to care for your dependent(s). *A non-exhaustive list of eligible expenses can be found later in this section.*

FSA FEATURES	Eligible Dependents	Eligible Expenses
	• Any one of the following persons, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year: a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step-daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.	

*Amount is subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current maximum annual contribution amount for the Health Care FSA.

Health Care Eligible Expenses

Health care expenses that are eligible for reimbursement from the Health Care FSA are those expenses incurred for "medical care" (as defined under the Code and regulations issued thereunder) by you, your spouse or persons who qualify under the Code as your tax dependents for health coverage purposes, to the extent such expenses are not reimbursed from any other source, are not taken as a deduction on the your income tax return and are not otherwise excluded from eligibility under the terms of the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Health Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34.

Eligible health care expenses include, but may not be limited to the following:

- Expenses covered by an employer-sponsored health care plan, but not reimbursed due to a deductible or co-payment.
- Prescription vision expenses (including eyewear, contact lenses and optometrist), contact lens solution, a guide dog for the blind and special education devices for the blind (such as a special typewriter).
- Expenses that may not be covered by an employer-sponsored health care plan, including (but not limited to):
  - Confinement to a facility primarily for screening tests and physical therapy or hydrotherapy;
  - Cosmetic surgery if it is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease;

- Services for chromosome or fertility studies;
- Treatment (other than surgery, which is covered by the Medical Plan) of corns, bunions, calluses, foot structural disorders, etc.;
- Services related to sexual dysfunctions or inadequacies;
- Ace bandages, support hose, or other pressure garments prescribed by a physician;
- Charges for medical expenses in excess of reasonable and customary expenses;
- Acupuncture for pain relief as performed by a licensed practitioner;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Orthodontic services not covered by a health care plan;
- Transportation expense to receive medical care, including fares for public transportation and actual out-of-pocket car expense, such as gas and oil. In lieu of out-of-pocket expenses, a standard mileage rate (plus tolls and parking) may be used;
- Hearing expenses including hearing aids, special instructions or training for the deaf (such as lip reading), the cost of acquiring and training a dog for the deaf, and special telephone and audio display equipment for the deaf;
- Hypnosis for treatment of an illness;
- "Halfway house" care to help individuals adjust from life in a mental hospital to community living;
- Tutoring by a licensed therapist for a child with a severe learning disability and special schooling for handicapped individuals;
- Lifetime care advance payment to a private institution for lifetime care, treatment, or training of a mentally or physically handicapped patient;
- Medical information plan fees paid to a plan maintaining an individual's medical information by computer;
- Special car controls for the handicapped; and
- Full or partial reimbursement for certain capital expenditures that are primarily made for health care reasons (e.g., an air conditioner installed in the home of a person with severe allergies may qualify for partial reimbursement, and an exercise swimming pool to aid in the recovery of a stroke victim may qualify for reimbursement).

This list of covered expenses is subject to change. An expense may not be reimbursed if the IRS would not consider the expense to be eligible.

To confirm if an expense is eligible for reimbursement, call YSA via the Benefits Source at ***1-888-640-3320.***

Health Care Expenses Not Eligible

The health care expenses that are **not** eligible for reimbursement from the Health Care FSA include, but may not be limited to the following:

- Marriage or family counseling;
- The salary expense of a licensed practical nurse (LPN) incurred in connection with the care of a normal and healthy newborn (even though such care may be required due to the death of the mother in childbirth);
- Funeral and burial expenses;
- Household and domestic help (even though recommended by a qualified physician due to your or dependent's inability to perform physical housework);
- Custodial care in an institution;
- Costs for sending a "problem child" to a special school for benefits the child may receive from a special course of study and disciplinary methods;

- Health club dues, YMCA dues, steam bath, etc.;
- Social activities, such as dance lessons or classes (even if recommended by a qualified physician for general health improvement);
- Membership fees or costs associated with weight loss or smoking cessation programs for general health and well-being purposes;
- Maternity clothes, diaper services, etc.;
- Cosmetics, toiletries, toothpaste, etc.;
- General health care aids purchased without a prescription, such as dietary supplements (e.g., vitamins);
- Premiums for other group or individual insurance coverage;
- The segment of automobile insurance premiums providing medical coverage for persons injured through an accident involving your care;
- Vacation or travel taken for general health purposes, a change in environment, improvement of morale, etc., or taken to relieve physical or mental discomfort not related to a particular disease or physical defect;
- Retin-A when used solely for cosmetic purposes;
- Herbs (even if they are used to treat an illness or injury); and
- Premiums for contact lens replacement insurance.

Filing a Health Care FSA Claim

If your health care-related expenses are eligible for reimbursement from the Program's Medical, Dental, or Vision Plans (or another medical, dental, or vision plan outside the Program), those expenses should be submitted to that plan first. After a payment determination is made, the unreimbursed expenses can then be submitted to your Health Care FSA.

The total annual amount that you can elect to contribute to the Health Care FSA (less any previous reimbursements) is available for reimbursement (regardless of the amount that you have contributed to your FSA to-date). Contributions then continue to be deducted from your paychecks until your annual goal amount is reached.

You may incur eligible health care expenses until December 31. You then have until March 31 of the following year to submit claims for expenses you incurred between January 1 and December 31 of the previous year.

Reimbursement of Health Care FSA Claims

You may submit a claim for reimbursement under your Health Care FSA via the Benefits Source website **mysourceforhr.com**.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Completed forms should be submitted along with the following documentation:

- **The Explanation of Benefits** (EOB): The EOB from the Claims Administrator indicates what expenses were covered by your medical/dental/vision plans. If you have another benefit plan available to you, you must submit your EOB with your completed health care reimbursement form.
- **A Co-pay Receipt**: This receipt is from the provider, and may be the only documentation if the co-pay is the only expense.
- **An Itemized Bill or Statement**: This is from the provider, and shows what expenses are not covered by the medical/dental/vision plan. It may include the:
  - Name and address of the service provider;
  - Dates of service (not the billing date or the paid date);
  - Dollar amount charged;
  - Patient's name; and
  - Description or type of services rendered.

Please note that canceled checks and balance-forward statements are not acceptable documentation for reimbursement.

Submit the completed form and documentation to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

Debit Cards

In addition, if the total annual amount that you elect to contribute to the Health Care FSA is $60 or greater, you will be issued a debit card for use with your Health Care FSA. The debit card may be used only for eligible health-related expenses. When you use your debit card, you are automatically certifying that you have not been reimbursed for the expense and that you will not seek reimbursement for the expense from any other plan.

You may use your debit card to obtain reimbursement for certain approved over-the-counter medications and supplies that are used to treat an illness, injury, or disease and that are purchased from registered vendors. However, you may not use your debit card to obtain reimbursement for over-the-counter medications or supplies that require a prescription or a statement of health or medical need.

The FSA Plan will try to automatically verify any claims you submit through your debit card. However, you should retain documents (such as an EOB, receipt, and itemized bill or statement) to support your claim in case the Claims Administrator requests such information. All expenses you incur must be substantiated in accordance with rules established by the IRS.

If you are paid for an excess or ineligible claim through your debit card, or if you fail to provide requested information to the Claims Administrator regarding substantiation of a claim, your debit card privileges may be suspended and the Plan and Claims Administrator reserve the right to recoup the mistaken payment. If you fail to repay such amount to the Plan, such amount may be withheld from your wages, be offset against other eligible Health Care FSA claims you submit, or be reported on your W-2 as taxable income.

Dependent Care Eligible Expenses

The dependent care expenses that are eligible for reimbursement from the Dependent Care FSA include, but may not be limited to:

- Family day care providers;
- Babysitter;
- Caregivers for a disabled dependent or spouse who resides in the participant's home;
- Housekeeper, maid or cook (provided the services are attributable in part to the care of an eligible dependent);
- Dependent care provided outside your home by an eligible care provider, including care provided in a neighbor's home or in an approved nursery school or dependent day care center. If the care is for a dependent age 13 or over, the dependent must regularly spend at least eight hours each day in your home. For example, day care centers for children and disabled adults qualify, but 24-hour nursing care facilities do not. Also, facilities that care for seven or more nonresident individuals must comply with all applicable state and local regulations governing day care centers;
- Payments for before- and after-school care for eligible children from kindergarten up to and including age 12;
- Payments in lieu of regular dependent day care to summer day camp or other summer programs (but not overnight camp); and
- Certain expenses for children not yet in the first grade, for example:
  - Nursery school;
  - Pre-school.

To confirm if an expense is eligible, call YSA via the Benefits Source at **1-888-640-3320**.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Dependent Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dependent Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 36.

Dependent Care Expenses Not Eligible

The dependent care expenses that are **not** eligible for reimbursement from the Dependent Care FSA include, but may not be limited to the following:

- Dependent care expenses that you incur before (or after) your participation in the Dependent Care FSA begins (or ends);
- Any expense that you claim for the dependent care tax credit on your federal income tax return, or any expense that is paid by any other similar reimbursement-type plan or program;
- Any expenses that are reimbursed by your Health Care FSA;
- Expenses for the education of a qualified dependent;
- Expenses paid for food and clothing;
- Dependent care provided by a family member who is under age 19 at the end of the taxable year, or by another dependent for whom you claim a dependent exemption on your tax return;
- Expenses for health care;
- Educational expenses for kindergarten or higher;
- Housekeeping expenses that are not related to dependent care, or payments for services while you are at home from work because of an illness;
- Child or dependent care provided while:
  - You are at work and your spouse is doing volunteer work, even if a nominal fee is paid (or vice versa);
  - You and your spouse are doing volunteer work (even if a nominal fee is paid); or
  - You and your spouse are not working (such as weekend or evening babysitting fees);
- Expenses for food, clothing, health care, or entertainment of a qualified dependent;
- Transportation expenses to and from the dependent care location;
- Expenses for overnight camps;
- Services of a gardener or chauffeur; and
- Care provided by a round-the-clock nursing home.

Filing a Dependent Care FSA Claim

For Dependent Care FSA reimbursements, only the current balance in your Dependent Care FSA is available for reimbursement. This means that you are reimbursed up to the amount that you have actually set aside from each paycheck up to that point (less any previous reimbursements). So, if the reimbursement request that you submit exceeds the amount currently in your Dependent Care FSA, you are reimbursed for the remainder after you contribute more money to your Dependent Care FSA via future paychecks.

You may submit a claim for reimbursement under your Dependent Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Submit the completed form along with the following documentation:

- **Provider's Bill or Itemized Receipt**:. The provider must sign this documentation, and it must itemize the date(s) of service as well as the amount(s) charged. Canceled checks are not considered acceptable documentation.
- **Dependent Care Provider's Name, Address, and Social Security Number (or Federal Tax Identification Number)**. For tax-reporting purposes, you must include the provider's name and his or her Social Security number (or taxpayer identification number). The taxpayer identification number is not necessary if the provider is a nonprofit, religious, charitable, or educational organization.

If the provider completely fills out the 'Provider Certification' section of the reimbursement form, then you need only submit the completed reimbursement form for your reimbursement request.

Submit the completed form and documentation (if required) to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

FSA Filing Deadlines

You may submit a health care reimbursement claim at any time after you incur an eligible health care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Health Care FSA after March 31 will be forfeited.

You may submit a dependent care reimbursement claim at any time after you incur an eligible dependent care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Dependent Care FSA after March 31 will be forfeited.

Claim Determination and Appeal Process – Health Care FSA

For information regarding the Health Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Claim Determination and Appeal Process – Dependent Care FSA

For information regarding the Dependent Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dependent Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the FSA Plan, including COBRA continuation coverage under the Health Care FSA, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Health Savings Account

If you enroll in one of the High Deductible PPO options (HDPPO 1 or HDPPO 2) you may be eligible to contribute to a Health Savings Account (HSA). An HSA is a portable savings account established and maintained outside the Plan that can be used to pay present and future medical and prescription drug expenses. An HSA is not an employer-sponsored employee benefit plan — it is an individual trust or custodial account that you open with a separate HSA trustee/custodian, such as a bank, life insurance company or other financial institution. Your HSA will be subject to the terms of an agreement you enter into with the HSA trustee/custodian. Such agreement may impose fees and restrictions upon how you use your HSA. The Plan merely allows you to contribute to your HSA in an amount up to the IRS statutory limit. Unlike a Health Care FSA, the HSA account balance can roll over from year to year until withdrawn and earnings accumulate tax-free.

The Health Savings Account is administered by Alight. Your Employer has no authority or control over the funds deposited in your HSA. As a result, the HSA is not subject to ERISA.

You can use the dollars in your HSA to pay the deductible and coinsurance required under the HDPPOs, along with other qualified medical expenses not covered by the plans. Qualified medical expenses are expenses you pay for medical care (as defined in Section 213(d) of the Code) for you, your spouse or dependents (as defined in Section 223 of the Code), to the extent such expenses are not reimbursed by insurance or otherwise.

Funds in the HSA remain in the account until you apply for reimbursement. If you are enrolled in the HDPPO 1 or HDPPO 2, your Employer may make an annual contribution into your HSA on your behalf. However, you must establish or activate your HSA before the end of the Plan Year in order to receive any Employer contributions. If you fail to do so, you will forfeit any Employer contributions for that Plan Year.

The amount you can contribute to your HSA is governed by federal law. Please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Flexible Benefits Plan – HSAs"* for a discussion of limitations upon the amount you may contribute to an HSA. Please call the Benefits Source at **1-888-640-3320** for more information.

Three Ways to Use Your Health Savings Account

- Pay for current qualified medical expenses, such as deductibles and coinsurance, or eligible expenses not covered by the HDPPOs.
- Pay for qualified medical expenses in future years, even if you are no longer enrolled in the HDPPOs.
- Once you reach age 65 (or become disabled), you can use any remaining money in your HSA to pay for qualified medical expenses on a tax-free basis, or you can take a distribution for non-qualified medical expenses, subject to income tax but without incurring a penalty .

Please note: *The information above describes the federal tax treatment of an HSA, but the favorable tax treatment described above may be limited or unavailable for state tax*

purposes. Please consult your tax advisor for more information.

Eligibility

For information regarding eligibility for an HSA, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in an HSA, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

HSA Qualified Medical Expenses

In addition to those services covered under the HDPPOs, you can use your HSA to pay for other qualified medical expenses including, but not limited to the following expenses, to the extent they are not reimbursed from any other source:

- Laser eye surgery;
- Weight loss programs;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Long-term care premiums;
- COBRA premiums;
- Health care plan premiums while receiving unemployment;
- Over age 65, you can use the HSA funds to pay for Medicare Parts A or B; and
- Many other services defined as expenses for medical care under Section 213(d) of the Code.

If you use your HSA for a non-medical or non-qualified medical expense, you will have to pay income tax on the account distribution as well as a 20% penalty. However, if a distribution is made after age 65, after disability, or after death, the distribution will be subject to income tax, but no penalty tax.

If you have a question about what constitutes a qualified medical expense, please consult your tax advisor or Publication 969 that may be found on the IRS website at irs.gov.

How to Open an HSA

After you have enrolled in an HDPPO option and agreed to the terms and conditions of the HSA custodial agreement, YSA will send you a packet containing basic information on how to use a Health Savings Account.

Paying for Covered Expenses Using the Health Savings Account

The Health Savings Accounts are administered by YSA. When you visit a network provider, you typically do not pay at the time of service. Simply show your Anthem ID card and the following steps will be followed:

1. The claim will be sent to Anthem for processing.
2. You will receive an Explanation of Benefits (EOB) statement showing what was paid under the Plan.
3. Your provider will receive the same statement and bill you for the balance not covered under the Plan.
4. You can then either pay the balance with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

Paying for prescription drugs works differently. The following steps will be followed:

1. You must show the pharmacist your Anthem ID card (the same one you use for medical services).
2. When you pick up your prescription, you can either pay with your HSA debit card (if accepted by your provider) or pay out

of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

A similar procedure applies for mail-order prescription drug service.

Paying a Provider Who Does Not Participate in the Network

If you visit a provider who is not in the Network, you must either pay the provider at the time of service with your HSA debit card (if accepted by your provider) or pay the provider out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

To enroll or to find out more information about the Health Savings Account, please visit the Benefits Source website mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to speak with a representative.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Flexible Benefits Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Code Section 125 Plan containing group health plan and non-group health plan components and providing for Pre-Tax Payment of Medical Expenses (Health Plan), Pre-Tax Payment of Dependent Care Expenses and Pre-Tax Contributions to Health Savings Accounts
Plan Number:	537
Type of Funding:	Not applicable
Contribution Source:	Employee. In addition, subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Fiduciary and Plan Administrator:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute the entire cost of the Benefit Plan coverage they select. Provided, however, that subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Distributions from HSAs are not administered through the Plan. Questions concerning investments, distributions or other matters pertaining to an HSA should be directed to Alight, who administers the HSAs. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator for Flexible Spending Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com

Claims Administrator for Health Savings Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Life and AD&D Plan

Employee Term Life Coverage – Basic Plan

Employee AD&D Coverage – Basic Plan

Your Life Insurance and AD&D Options

This is the SPD (the "Life and AD&D SPD") for the NiSource Life Insurance Plan, also referred to as the Life and AD&D Plan. In this Life and AD&D SPD, the Life and AD&D Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible employees with the following coverage options (each a "Life and AD&D Coverage Option"):

- Basic Employee Term Life Coverage Option;
- Basic Employee Accidental Death and Dismemberment ("AD&D") Coverage Option;

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this summary plan description, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

The Plan provides life insurance and AD&D coverage on the persons of eligible employees ("Employee Insurance"). See the individual Benefit Plan sections below for a summary of the benefits offered under each of the Coverage Options listed above.

Eligibility

For information regarding eligibility under the Life and AD&D Plan, please see the *"Eligibility under the Life and AD&D Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Life and AD&D Plan"*.

Contributions

Premium contributions are not required for the Basic Employee Term Life Coverage Option or the Basic Employee AD&D Coverage Option.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Life and AD&D Plan"*.

Definition of "Earnings"

For commission paid employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings include the annualized average commissions earned during the shorter of (i) the 24 month period just prior to your date of loss; or (ii) your period of employment. Bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer are not included.

For all other employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings do not include commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under each Life and AD&D Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at **1-888-640-3320**.

Insurance under a Life and AD&D Coverage Option may not be assigned.

Basic Employee Term Life Coverage

The Basic Employee Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in the amount of $20,000.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 39.

Option to Accelerate Payment of Death Benefits

If you have a Terminal Condition while insured under the Basic Employee Term Life Coverage Option (the "Employee Term Life Insurance"), you may elect to have an Accelerated Benefit paid to you in one lump sum, or in any other manner agreeable to you and Securian, when Securian receives proof satisfactory to it that you have a Terminal Condition.

You have a "Terminal Condition" if you have a condition caused by sickness or accident that directly results in a life expectancy of twelve months or less. Securian must be given evidence that is satisfactory to it that your life expectancy, because of sickness or accident, is twelve months or less. That evidence must include a certification by a physician, other than you or a member of your immediate family, who is licensed to practice medicine or treat illness in the state in which treatment is received. Securian has the right to have you medically examined at its own expense to verify your medical condition. Securian may do this as often as reasonably required while Accelerated Benefits are being considered or paid.

"Accelerated Benefit" means the amount of your Employee Term Life Insurance that Securian will pay if you are eligible under the Group Insurance Certificate rider with respect to Accelerated Benefits. You must take the entire Accelerated Benefit. Securian calculates the Accelerated Benefit by multiplying your death benefit (the amount of your life insurance as shown on the specifications page attached to the certificate furnished to you by Securian) by the accelerated benefit factor. The accelerated benefit factor will be stated as a percentage of your death benefit. In calculating this factor, Securian considers your age and gender. Securian also bases its calculation of the factor upon certain assumptions, which it may change from time to time, including without limitation assumptions about expected future premiums and your life expectancy. The minimum death benefit eligible for an Accelerated Benefit is $10,000.

If you elect to accelerate the full amount of your death benefit, your Employee Term Life Insurance coverage and all other benefits under your certificate of insurance and any certificate supplements will end.

Your right to be paid under this option is subject to the following terms: (1) Your Employee Term Life Insurance must be in force and all premiums due must be fully paid; (2) You must make application in writing and in a form that is satisfactory to the Claims Administrator; (3) You must be the sole owner of your certificate of insurance; (4) You must not have designated an irrevocable beneficiary for your Employee Term Life Insurance; (5) You must not be required by law to use this option to meet the claims of creditors, whether in bankruptcy or otherwise; and (6) You must not be required by a government agency to use this option in order to apply for, obtain, or keep a government benefit or entitlement.

Please note that any payment of an Accelerated Benefit may be taxable. You should consult your tax advisor for assistance with any questions you may have.

Refer to the Group Insurance Certificate for additional details, terms and conditions regarding this option.

Payment of Death Benefits under Life Coverage

If you die while covered under the Plan, the amount of insurance on you is payable when Securian's home office receives written proof satisfactory to it that you died while covered under the Plan and insured under the Group Insurance Certificate. If you die within 31 days after ceasing to be covered under the Plan, but while you are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Employee Term Life Insurance are payable according to Securian's beneficiary and mode of settlement rules.

Conversion Privilege for Life Coverage

If all or a part of your Employee Term Life Insurance terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Neither the conversion right nor the limited conversion right is available if your coverage under the Plan or Group Contract terminates due to failure to make, when due, required premium contributions. Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by Securian for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features*" below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Basic Employee AD&D Coverage Option

The Basic Employee AD&D Coverage Option provides a benefit in the amount of $20.000.

Additional AD&D Coverage

The Plan provides additional benefits under the Basic AD&D Coverage Option for your loss of life as a result of a covered accident in an automobile while using a seat belt and as a result of an accident in an automobile while using an air bag. The additional benefit is in an amount equal to the lesser of (1) 10% of your full amount of insurance, and (2) $10,000. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; one hand and one foot; one hand and sight of one eye; one foot and sight of one eye; speech and hearing; quadriplegia	100%
Paraplegia	75%
One hand; one foot; sight of one eye; speech; hearing; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

Benefits may be paid for more than one accidental injury but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A Loss is not covered if it results from any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted Injuries, or any attempt to inflict such Injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the Loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including Reserve or National Guard active duty for training); (8) travel in or descent from any

aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit an assault or felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 39.

Portability of Life and AD&D Coverage

If coverage under any of the Life and AD&D Coverage Options ceases, you may have the right to apply for coverage for yourself and for your "eligible dependent," as the case may be, under a Portability Plan maintained by Securian. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Policy would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue dependent coverage under a Life and AD&D Coverage Option, you must port your corresponding employee coverage. In addition, life insurance coverage must be ported in order to port accidental death and dismemberment insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Portability Coverage in Lieu of Conversion Coverage

The right to elect term life coverage under the Portability Plan is in lieu of the conversion privilege under the Employee Term Life Insurance, except that you may convert the amount of insurance under the Employee Term Life Insurance that exceeds the maximum amount of coverage that may be obtained under the Portability Plan.

Your Eligibility for Portability Coverage

You are eligible to continue your Employee Insurance under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you terminate employment, including retirement; or

(2) you are no longer in a class eligible for coverage or you are on a leave or layoff; or

(3) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by Securian or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) with respect to Term Life Coverage, have converted your insurance to an individual life policy as permitted by any conversion rights under the Plan; or

(3) were not actively at work due to sickness or injury on the date immediately preceding your portability date; or

(4) lose eligibility due to termination of the Plan or Group Policy.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date.

When an insured attains age 65, the amount of insurance on his or her life continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Conversion of Portability Coverage

At any time after insurance has been continued under the Portability Plan, it may be converted to a policy of individual insurance with Securian. All other conditions and provisions applicable to conversion coverage will apply. See the Group Insurance Certificate for additional details.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) 31 days after the due date of any premium contribution which is not made.

Highlights of Conversion and Portability Features

	Conversion	Portability
Can Basic Life be converted or ported?	Yes	Yes
Can AD&D be converted or ported?	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No.	No.
Application Deadline	Application and first month premium due 31 days after your coverage termination.	For life coverage, application due 31 days after your coverage termination. Securian will bill the participant directly. For AD&D coverage, 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101

Conformity with State Law

If any provision of this summary plan description or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should obtain a claim form and follow the instructions on the form. For AD&D claims, Securian must be given written proof of the loss for which claim is made. This proof must cover the occurrence, character and extent of that loss. It must be furnished within 90 days after the date of the loss. But, if any Life and AD&D Coverage Option provides for periodic payment of benefits at monthly or shorter intervals, the proof of loss for each such period must be furnished within 90 days after its end. A claim will not be considered valid unless the proof is furnished within these time limits. However, it may not be reasonably possible to do so. In that case, the claim will still be considered valid if the proof is furnished as soon as reasonably possible.

Claim forms are available from Securian. Claim forms can be obtained from Securian by phone via the Benefits Source at ***1-888-640-3320****, or online via the Benefits Source website at* mysourceforhr.com*. If you do not receive the form from Securian within 15 days of your request, send Securian written* proof of claim without waiting for the form.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process –Life and AD&D Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance and accidental death and dismemberment benefits
Plan Number:	536
Contribution Source:	Basic Employee Insurance: Employer Optional Employee and Dependents Insurance: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Non-Exempt, Non-Union, Full-Time Employees Hired or Rehired On or After January 1, 2013

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

As an employee of a NiSource Inc. ("NiSource" or "Company") or one of its affiliates (to the extent described below), you have the benefit of choosing your own portfolio of benefit coverages from the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program (collectively the "Program") each year.

The benefit information contained in this Handbook applies to all eligible regular full-time non-exempt, non-union employees hired or rehired on or after January 1, 2013 who work for the Company or a participating employer and who are covered under the Program. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible employees as belonging to Active Benefit Program 108.

A participating employer is an affiliate of the Company that has adopted, or is deemed to have adopted, the Program, as evidenced by the Company's books and records reflecting that eligible employees of such employer may participate in certain of the benefits thereunder. The NiSource Benefits Committee (the "Committee") has sole discretion to determine who is a participating employer.

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the Benefit Plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The Committee reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program (or various component benefit plans thereof) also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource offers you the following coverages in accordance with the terms of the applicable benefit plans (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan" or a "Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Medical Plan")
- Dental Coverage (NiSource Dental Plan – referred to as the "Dental Plan")
- Vision Coverage (NiSource Vision Plan – referred to as the "Vision Plan")
- Flexible Benefits (NiSource Flexible Benefits Plan – referred to as the "Flexible Benefits Plan," and comprised of the "FSA Plan" and provisions for contributions to Health Savings Accounts, or "HSAs")
- Travel Accident Coverage (NiSource Travel Accident Plan – referred to as the "Travel Accident Plan")

- Short-Term Disability Coverage (NiSource Short-Term Disability Plan – referred to as the "Short-Term Disability Plan")
- Long-Term Disability Coverage (NiSource Long-Term Disability Plan – referred to as the "Long-Term Disability Plan")
- Life and AD&D Coverages (NiSource Life Insurance Plan – referred to as the "Life and AD&D Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Medical, Dental, Vision and Flexible Benefits Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Medical Plan, the Dental Plan, the Vision Plan, and the Flexible Benefit Plan, the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before a Plan will pay benefits.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by physicians practicing the

applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"PBM" means the Pharmacy Benefit Manager for the Medical Plan. As of the date of this Handbook, the PBM is Anthem.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a

person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

Definitions Applicable to All Benefit Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview** and in the individual Benefit Plan sections, the following terms when used in this Handbook shall have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Employer" means the Company or any Participating Employer by whom you are employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A and to such other limitations or guidance that may be issued by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, or Department of the Treasury.

"Participating Employer" means, with respect to any Benefit Plan, the Company, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Spouse" means a person who is treated as your spouse under the Code. ***Please Note:*** See "Eligibility under the Medical, Dental, and Vision Plans" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for medical plan coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to elect to participate in the Benefit Plans when and to the extent provided under the applicable Benefit Plan.

Please Note: It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits, required repayment of any ineligible expenses, and disciplinary action up to and including dismissal.* Also, enrollment of a dependent under the Medical Plan may be

denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the Plan.

Please note that the Affordable Care Act requires us to collect the Social Security Number of each individual covered under the Medical Plan. Covered individuals may face a tax penalty for failure to provide this information. To report this information, please contact the Benefits Source at **1-888-640-3320**.

Eligibility under the Medical, Dental and Vision Plans

You and your eligible dependents may elect to participate in the Medical, Dental, or Vision Plans if you are actively at work and you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former Spouse or your Spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated; (3) the child is dependent upon you for financial support and maintenance; (4) you continue to be covered by the Plan; (5) with respect to the Dental or Vision Plan coverage, the child is also covered under the Medical Plan, or was covered under the Dental Plan and/or Vision Plan, as the case may be, as of December 31, 2018, and has remained covered under such Plan or Plans continuously since that date; (6) the child's disability continues; and (7) the child has not attained age 65;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent.

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

Please refer to the Benefits Source website at ***mysourceforhr.com****, or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether*

you are eligible to participate in the Medical, Dental or Vision Plan.

Eligibility under the Flexible Benefits Plan

FSA Plan

You can elect to participate in the FSA Plan provided you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week. However, if you make contributions, or if contributions are made on your behalf, to an HSA during the Plan Year, you may not elect to make contributions to a Heath Care FSA during such Plan Year.

For purposes of reimbursement of eligible expense under the Health Care FSA, your eligible dependents include your Spouse or persons who qualify under the Code as your tax dependents for health coverage purposes.

For purposes of reimbursement of eligible expenses under the Dependent Care FSA, your eligible dependents include:

- Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child;
- Your Spouse who is physically or mentally incapable of caring for himself or herself, provided the Spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, your Spouse must regularly spend at least eight hours each day in your home;
- Any other person, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year. This includes a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step–daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.

HSAs

You can elect to contribute to a health savings account("HSA") if you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week and who is enrolled in either the HDPPO 1 or HDPPO 2 option. Contributions to an HSA can only be made when enrolled in an HDPPO. You cannot contribute to an HSA or receive Employer contributions if you have coverage under any other health plan that is impermissible coverage for purposes of Section 223 of the Code.

Please note: *You may not contribute to your HSA and the Health Care FSA at the same time.*

The limitation on the amount you may contribute to an HSA is determined on a monthly basis. The monthly contribution limit is zero for any month in which you are enrolled in Medicare. Please note that if you first apply for Medicare benefits after you attain age 65, your Medicare enrollment will be retroactive to a date that is six months prior to the month in which you apply for benefits, but not earlier than the first month you were eligible for Medicare. Thus, your monthly HSA contribution limit may be zero for a number of months that precede your application for Medicare benefits. It is your responsibility to make sure your HSA contributions do not exceed the maximum amount permitted under the Code. Please consult your tax advisor if you have questions regarding the amount you may contribute to an HSA, including for the months leading up to your application for Medicare benefits.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits*

*Source automated telephone system at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Flexible Benefits Plan.*

Eligibility under the Travel Accident Plan

If you are classified as a full-time employee, you will be eligible to participate in the Travel Accident Plan as of your first day of active, full-time employment with a Participating Employer. You are a "full-time employee" if you are characterized by your Employer as a full-time employee who regularly works 40 or more hours per week.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source automated telephone system at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Travel Accident Plan.*

Eligibility under the Short-Term Disability Plan

If you are a full-time employee who was hired before January 1, 2017, you were covered under the Short-Term Disability Plan as of the first day of the month coincident with or next following your completion of six continuous months of active, full-time employment with a Participating Employer. If you are a full-time employee who was hired on or after January 1, 2017, you will be covered under the Short-Term Disability Plan as of your first day of active, full-time employment with a Participating Employer. You are a "full-time employee" if you are characterized by your Employer as a full-time employee who regularly works 40 hours per week. Newly hired employees must be actively at work on the date coverage is scheduled to begin.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source automated telephone system at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Short-Term Disability Plan.*

Eligibility under the Long-Term Disability Plan

You are eligible to participate in the Long-Term Disability Plan if you are a regular full-time employee of a Participating Employer who works 40 or more hours per week and are in active employment. You are in active employment if you are working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. Your worksite must be your Employer's usual place of business, an alternate work site at the direction of your Employer other than your home, unless clear specific expectations and duties are documented, or a location to which your job requires you to travel. Your eligibility for optional, contributory coverage may be subject to your satisfying other requirements established by Prudential Insurance Company of America. Refer to the group insurance certificate issued by Prudential for more details.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Long-Term Disability Plan.*

Eligibility under the Life and AD&D Plan

Employees

You are eligible to participate in the Life and AD&D Plan if you (i) are a regular full-time employee of a Participating Employer, (ii) regularly work 40 or more hours per week, and (iii) are actively at work. You are actively at work if you are fully performing your customary duties for your regularly scheduled number of hours at your Employer's normal place of business, or at other places your Employer's business requires you to travel. Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

Your eligibility for optional, contributory coverage may be subject to your providing evidence of insurability and satisfying other

requirements established by the insurer, Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc.

See the Life and AD&D Benefit Plan section below and refer to the group insurance certificate issued by Securian for further details.

Eligible Dependents

If you are eligible to participate in the Life and AD&D Plan, you may obtain certain coverage for your "eligible dependents." Your "eligible dependents" are:

- Your lawful Spouse, provided you are not legally separated; and
- Your unmarried children from live birth to the end of the month in which the unmarried child attains age 26; and

Your "children" include: (1) your natural children, legally adopted children and children placed with you for adoption prior to legal adoption; and (2) each of your stepchildren, foster children, children subject to legal guardianship, grandchildren, and other children who are blood relatives who depend on you for more than fifty percent of their support and maintenance. A child placed with you for adoption prior to legal adoption is considered an eligible dependent from the date of placement for adoption, and is treated as though the child were a newborn child born to you.

Notwithstanding the foregoing, your unmarried children age 26 or older are also eligible if they are physically or mentally incapable of self-support, were incapable of self-support prior to age 26 and are financially dependent on you for more than 50% of their support and maintenance.

Also notwithstanding the foregoing,

(1) Your spouse is not your "eligible dependent" while on active duty in the armed forces of any country; and
(2) Your child is not your "eligible dependent" while (a) on active duty in the armed forces of any country; or (b) insured under any Employee Insurance.

A child will not be considered the "eligible dependent" of more than one employee. If this would otherwise be the case, the child will be considered the "eligible dependent" of the employee named in a written agreement of all such employees filed with the Company. If there is no written agreement, the child will be considered the "eligible dependent" of:

(1) the employee who became insured under the Plan with respect to the child while the child was an "eligible dependent" of only that employee; and otherwise
(2) the employee who has the longest continuous service with a Participating Employer, based on the Company's records.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Life and AD&D Plan.*

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select coverages for you and your eligible dependents.

Generally, to be covered, you must initially enroll for the medical, dental, flexible benefits, vision, supplemental and dependent life and AD&D and supplemental long-term disability coverages within 31 days following the date on which your enrollment materials are sent to you. **(This Benefits Program Overview or the individual Benefit Plan sections of this Handbook contain additional information about enrollment in each Plan.)**

You are automatically enrolled for EAP/Work Life/Legal & Financial Services (regardless of whether you enroll in PPO, HDPPO or HMO coverage under the Medical Plan), travel accident, short-term disability, basic long-term disability, basic life and basic AD&D coverages upon the date you become eligible for such coverage.

To enroll in coverage that is not provided automatically, you must log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320.** To enroll in supplemental and dependent life and AD&D and supplemental long-term disability coverages, you must use enrollment forms approved by Securian (with respect to life and AD&D coverage) and Prudential (with respect to long-term disability coverage). You may obtain these enrollment forms by contacting the Benefits Source at **1-888-640-3320.**

The enrollment materials detail how to enroll online and by phone. If you do not enroll within the 31-day period described above, as applicable **(the deadline date is included in the enrollment materials)**, you will automatically receive default coverage **(as described in this Benefits Program Overview or in the applicable individual Benefit Plan section of this Handbook)**, if applicable, for the remainder of that calendar year.

Please Note:

Dependents will not be eligible to receive any of the benefit coverages if you fail to enroll them during your initial 31-day enrollment period, during any subsequent annual enrollment or within 31 days following a qualified life event.

Enrollment in the Medical, Dental, and Vision Plans

Provided you meet the eligibility requirements, as described in the section above entitled "*Eligibility under the Medical, Dental and Vision Plans*", you and your eligible dependents can participate in the Medical Plan, Dental Plan and/or Vision Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. If you fail to enroll, you will be deemed to have elected (i) the HDPPO 1 medical option with no dependent coverage under the Medical Plan, (ii) the Preventive Dental option with no dependent coverage under the Dental Plan, and (iii) the Basic Vision option with no dependent coverage under the Vision Plan. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year and can only be changed during annual open enrollment. If you do not enroll or elect to change coverage, if applicable, within the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of this **Benefits Program Overview** for further details.

Please Note:

If you do not enroll in the Medical Plan, Vision Plan or Dental Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment. Also, if you do not enroll an eligible newborn child for coverage within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or the next qualified life event that permits the child's enrollment.

Enrollment in the Flexible Benefits Plan

FSA Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Flexible Benefits Plan,*" you may participate in the FSA Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year. In addition, participation in the FSA Plan requires annual enrollment, at which time you must elect the amount that you want to contribute to the FSA Plan for the year. If there is a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Changing and*

Continuing Elections" of the **Benefits Program Overview** for further details.

HSAs

To enroll in an HSA, you must meet the following requirements:

- You must be enrolled in HDPPO 1 or HDPPO 2.
- You cannot be covered by another medical plan (e.g., you cannot be a dependent on anyone else's plan, except for vision and dental coverage) that is not a high deductible health plan.
- You cannot be enrolled for Medicare benefits. (Part A or Part B)
- You cannot be claimed as a dependent on another person's tax return.
- You cannot be covered by a general-purpose Health Care Flexible Spending Account, including the Health Care FSA

You must satisfy any requirements or conditions for establishing or activating your HSA that are prescribed by the Claims Administrator for HSAs. Failure to do so may result in the delay or failure to receive an employer HSA contribution to which you might otherwise be entitled.

Enrollment in the Travel Accident Plan

No affirmative enrollment is required for the Travel Accident Plan. You are automatically enrolled upon the date you become eligible for such coverage.

Enrollment in the Short-Term Disability Plan

No affirmative enrollment is required for the Short-Term Disability Plan. You are automatically enrolled upon the date you become eligible for such coverage.

Enrollment in the Long-Term Disability Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Long-Term Disability Plan*" section above, you will be automatically enrolled in the Basic LTD Coverage Option, unless you choose to enroll in the Supplemental LTD Coverage Option. Newly eligible employees must enroll in the Supplemental LTD Coverage Option within 31 days of their date of hire or, if later, the date they first become eligible for coverage. If you fail to enroll, you will automatically be covered under the Basic LTD Coverage Option. In general, once you enroll in (or decline) the Supplemental LTD Coverage Option, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.)

Enrollment in the Life and AD&D Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Life and AD&D Plan*" section above, you will be automatically enrolled in the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option (such Life and AD&D Coverage Options, together with the Optional Employee Term Life Coverage Option and the Supplemental Employee AD&D Coverage Option, are collectively referred to as "Employee Life and AD&D Insurance"). If you desire coverage under the Optional Employee Term Life Coverage Option, the Dependents Term Life Coverage Option, the Supplemental Employee AD&D Coverage Option, or the Dependents AD&D Coverage Option (collectively the "Optional Life and AD&D Coverage Options") as a newly eligible employee, you must enroll in such Optional Life and AD&D Coverage Option within 31 days of your date of hire or the date you become newly eligible. If you do not enroll in an Optional Life and AD&D Coverage Option during this initial 31-day period, you may need to provide evidence of insurability if you decide to enroll at a later date. You must enroll using forms approved by Securian. *You may obtain forms for*

enrolling in, or changing, your Optional Life and AD&D Coverage Options by contacting the Benefits Source at ***1-888-640-3320.***

In general, once you enroll in (or decline) any of the Optional Life and AD&D Coverage Options, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage election will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.) If any change in coverage is subject to evidence of insurability, Securian must decide that such evidence is satisfactory.

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (Spouse or child) are eligible for Program benefits as active or retired employees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active or retired employee cannot be covered under the Benefit Plan both as a participant and as a dependent. Likewise, if you and your Spouse are both employees of NiSource or one of its affiliates, either of you may choose to cover your child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan (e.g., child life insurance). Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects coverage under the Medical, Dental, and/or Vision Plans, or makes no coverage election and is thereby deemed to have elected coverage under such Plans, you will be deemed to have requested that coverage be dropped for such dependent under the Medical, Dental, and/or Vision Plans, as the case may be.

Coverage under the Program for retired employees or for active employees other than the eligible employees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides medical, prescription drug, vision, and dental coverage for your eligible child (as well as participation in the Health Care Flexible Spending Account, to the extent the child is a tax dependent for health coverage purposes under Federal law) pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or a Participating Employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

Additionally, your Employer may withhold from your wages any contributions required for such coverage.

You may obtain from the Company, without charge, a copy of the Benefit Plans' QMCSO procedures.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. If you do not enroll within the annual enrollment period, your current coverages generally remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans, plans that require enrollment and the deadline date. **However, if you want to participate in the Health and/or Dependent Care Flexible Spending Accounts or in a**

Health Savings Account (HSA), you need to elect to participate each year. Your Flexible Spending Account and Health Savings Account contribution elections will not carry over from one Plan Year to the next.

If you add a new dependent to Benefit Plan coverage during annual enrollment, you must provide the dependent's social security number to the Benefit Plan by calling the Benefits Source at **1-888-640-3320** or by visiting the Benefits Source website at mysourceforhr.com,

In the event your current Medical, Dental, or Vision Plan coverage is not available and you fail to elect coverage under another plan or option that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "*Enrollment in the Medical, Dental, and Vision Plans*" for further details.

Opt-Out Credit

If you are a full-time employee and have coverage elsewhere and decline medical or dental coverage under the Medical or Dental Plans, you may be eligible for an opt-out credit, if available. Please refer to the enrollment material to see if this option is currently being offered. If you have declined coverage, but your Spouse or parent is also an employee or retiree and is covering you as a dependent, you are not entitled to an opt-out credit. If you are a covered dependent under the Medical and/or Dental Plans, you must call the Benefits Source at **1-888-640-3320** during enrollment to update your status**.** The Company will recover payment of ineligible opt-out credits through payroll deductions.

Please Note:

If you have declined Medical Plan coverage, but your Spouse or parent is also an employee or retiree who is covering you under the Medical Plan as a dependent, you are not entitled to an opt-out credit. You must call the Benefits Source at **1-888-640-3320** during enrollment to update your status.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Medical Plan at your home address.

The cards should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options, or, if applicable, your HMO in the case of an HMO option.

There are no ID cards for the Vision Plan, Dental Plan or other coverages.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans

Coverage Begins

Generally, coverage under the Medical Plan, Dental Plan, Vision Plan, or FSA Plan may become effective, if you properly enroll, (1) on your first day of active employment for regular new hires, (2) on the first day of the following Plan Year for eligible employees who enroll during the annual enrollment period, or (3) on the date the Plan approves your enrollment based upon a qualified life event. Eligible dependents have the same effective date provided you properly enroll them.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation on or after January 30, 2020 (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan will

end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to an employee;
- The date an employee is no longer eligible for coverage under the Plan;
- The date an employee commences active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made;
- The end of the month following the date an employee terminated employment.

In addition, coverage under the Health Care FSA will cease if an HDPPO coverage option is elected under the Medical Plan.

A dependent shall cease to participate in the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the employee's coverage ends (except that, in the case of the employee's death, a dependent shall cease to participate in the Plan on the last day of the month in which the employee dies) (see also the section below entitled "*Survivor Coverage"* for circumstances under which coverage under the Medical Plan for an eligible surviving dependent may continue beyond an employee's death);
- The last date for which any required contributions for the dependent's coverage was made;
- For a Spouse, the date of divorce or legal separation, except in the case of insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law;
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if you or your eligible dependents experiences a COBRA qualifying event, EAP/Work Life/Legal & Financial Services coverage will cease one day after the maximum COBRA continuation coverage period would otherwise expire on account of such qualifying event. See the section below entitled "*COBRA*" for an explanation of what constitutes a COBRA qualifying event.

When Coverage Begins and Ends - HSA

Coverage Begins

You may enroll in an HSA at any time provided you have properly enrolled in either the HDPPO 1 or HDPPO 2 option.

Coverage Ends

Your contributions to an HSA through the Flexible Benefits Plan will terminate as follows:

- The date on which the Plan terminates;
- The date you are no longer eligible;
- The date you are no longer actively at work; or
- The date on which you request that your contributions cease or that the HSA Account be closed.

If you are no longer enrolled in HDPPO 1 or HDPPO 2 or you have terminated employment or retired, you will be required to pay a monthly account fee to the HSA Trustee/Custodian for as long as money remains in your HSA. You will also receive a new HSA debit card that will allow you to continue using the remaining money in your account for qualified medical expenses.

When Coverage Begins and Ends – Travel Accident Plan

Coverage Begins

Your Travel Accident Plan coverage becomes effective on the first day of your active, full-time employment with a Participating Employer.

Coverage Ends

You will cease to be covered under the Travel Accident Plan for benefits on the earliest of the following:

- The date as of which the Plan is terminated;
- The date that the Plan is amended to terminate your coverage;
- The date you are no longer eligible for coverage under the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy; and
- The date you terminate employment.

When Coverage Begins and Ends – Short-Term Disability Plan

Coverage Begins

Your Short-Term Disability Plan coverage became effective on the first day of the month coincident with or next following the date you completed six continuous months of active, full-time employment with a Participating Employer.

Coverage Ends

You will cease to be covered under the Short-Term Disability Plan for benefits on the earliest of the following:

- The date the Plan is terminated;
- The effective date of any Plan amendment that terminates coverage with respect to you;
- The date you are no longer eligible for coverage under the Plan, including without limitation as a result of your Employer no longer being affiliated with the Company or no longer being a Participating Employer in the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994;
- The last day for which you made any required contribution toward the cost of Plan coverage;
- The date you begin any leave of absence; and
- The date your employment terminates.

When Coverage Begins and Ends – Long-Term Disability Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Long-Term Disability Plan,"* coverage under the Basic LTD Coverage Option of the Long-Term Disability Plan generally may become effective on the later of (1) your first day of active employment, for regular new hires, (2) the day you become a member of a class eligible for coverage under the Plan, (3) the first day of the following Plan Year, for eligible employees who choose not to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period, or (4) the date the Plan approves such enrollment, for employees who disenroll from the Supplemental LTD Coverage Option due to a qualified life event.

Coverage under the Supplemental LTD Coverage Option generally may become effective on the later of (1) the date you are eligible for coverage, if you enroll on or

before that date; (2) the date you enroll for coverage, if you enroll within 31 days after the date you are eligible for coverage; (3) the date Prudential approves your application, if evidence of insurability is required; (4) the date you are in active employment; (5) the first day of the following Plan Year, for eligible employees who choose to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period; or (6) the date the Plan approves such enrollment due to a qualified life event.

Evidence of insurability means a statement of your medical history that Prudential will use to determine if you are approved for coverage. You must give evidence of insurability, at your expense, if (1) you enroll for coverage more than 31 days after the date you are eligible for it; (2) you re-enroll for coverage after you voluntarily cancelled it; (3) you enroll after any coverage ends because you did not pay a required contribution; or (4) you have not met a previous evidence requirement to become covered under any plan NiSource has with Prudential. Prudential will decide when evidence of insurability is satisfactory.

Once your coverage begins, any increased or additional coverage will take effect on the latest of: (1) the effective date of the change, if you are in active employment, on a temporary layoff, on leave of absence, or working reduced hours (for reasons other than disability); (2) the date Prudential approves your application, if evidence of insurability is required; or (3) the date you return to active employment, if you are not in active employment due to injury or sickness.

Coverage Ends

Your coverage under the Long-Term Disability Plan will end on the date you lose eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the group insurance contract issued by The Prudential Insurance Company of America is canceled;
- The date that the Plan is amended to terminate your coverage;
- The date you terminate employment or are no longer eligible for coverage under the Plan;
- The date you are no longer in active employment due to a disability that is not covered under the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made; or
- The date you are no longer in active employment, except as provided below and except to the extent continuation coverage is required by the Family and Medical Leave Act of 1993 ("FMLA").

If you are on a temporary layoff or are working reduced hours for reasons other than disability and the premium is paid, you will be covered to the end of the month following the month in which your temporary layoff or reduced hours begin. If you are on a leave of absence and the premium is paid, you will be covered to the end of the month in which your leave begins. Neither temporary layoff nor leave of absence includes normal vacation time or any period of disability or absence in connection with any severance or termination agreement. Your FMLA leave also is not considered a temporary layoff.

When Coverage Begins and Ends – Life and AD&D Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Life and AD&D Plan,"* coverage under the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option of the Life and AD&D Plan may generally become effective on the first day you are actively at work, if you are a regular new hire, or on the first day you are newly eligible for coverage,

provided you are actively at work on such day.

Provided you have satisfied the eligibility requirements described above, coverage under the Employee Optional Life and AD&D Coverage Options may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) with respect to the Optional Employee Term Life Coverage Option, the Claims Administrator is satisfied with your evidence of insurability, if evidence is required (provided that coverage will become effective as of the first day of the month following the Claims Administrator's determination that evidence is satisfactory), and (3) the Claims Administrator has received the required premium.

If you are not actively at work on the date coverage would otherwise begin, or on the date an increase in your amount of insurance would otherwise be effective, you will not be eligible for the coverage or increase until you return to active work. However, if the absence is on a non-work day, coverage will not be delayed provided you were actively at work on the work day immediately preceding the non-work day. Except as otherwise provided herein or in the group insurance contracts (collectively, the "Group Contract") or group insurance certificates issued by Securian, you are eligible to continue to be insured only while you remain actively at work.

Provided you have satisfied the eligibility requirements described above, coverage of your "eligible dependents" under the Dependents Term Life Coverage Option and the Dependents AD&D Coverage Option ("Dependents Life and AD&D Insurance") generally may become effective on the first day on which each of the following conditions are met: (1) you have enrolled for dependent coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) the person to be covered is your "eligible dependent", (3) you are insured for employee coverage under the particular coverage sought (e.g., for the Dependents Term Life Coverage Option, you are covered under the Basic Employee Term Life Coverage Option, and for the Dependents AD&D Coverage Option, you are covered under the Supplemental Employee AD&D Coverage Option), (4) for the Dependents Term Life Coverage Option, the Claims Administrator is satisfied with your eligible dependent's evidence of insurability, if evidence is required, and (5) the Claims Administrator has received the required premium.

If an eligible dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released from such hospitalization or confinement.

Evidence of your insurability may be required under certain circumstances if you apply for coverage under the Optional Employee Term Life Coverage Option. Evidence of your eligible dependent's insurability may also be required under certain circumstances if you apply for coverage for your eligible dependent under the Dependents Term Life Coverage Option. See the sections in the Life and AD&D Benefits Plan section below entitled *"Optional Employee Term Life Coverage"* and *"Dependents Term Life Coverage"* for more details concerning evidence of insurability requirements.

If you apply for coverage that requires evidence of insurability, your coverage election will be autocorrected to the greatest amount of coverage, consistent with your election, to which you would otherwise be entitled without evidence of insurability. Once evidence of insurability is approved by Securian, your coverage will be updated effective the first of the month following approval (or, if later, January 1, in the case of an election made during annual enrollment).

Coverage Ends

Your Employee Life and AD&D Insurance or Dependents Life and AD&D Insurance under a Life and AD&D Coverage Option will end when the first of these occurs:

- The date as of which the Life and AD&D Plan is terminated;
- The date the Group Contract is canceled, or with respect to a particular Life and AD&D

Coverage Option, the date such Life and AD&D Coverage Option is terminated;

- The date that the Life and AD&D Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you terminate employment or are otherwise no longer eligible for coverage under the Plan as a regular full-time employee or as a member of another eligible class;
- For Life and AD&D Coverage Options that are contributory, 31 days after the due date of any required contribution that is not paid, provided that failure to contribute for Dependents Life and AD&D Insurance will not cause your Employee Life and AD&D Insurance to end;
- For the Dependents Term Life Coverage Option, the date your coverage under the Basic Employee Term Life Coverage Option ends;
- For the Dependents AD&D Coverage Option, the date your coverage under the Supplemental Employee AD&D Coverage Option ends;
- For Dependents Life and AD&D Insurance, the last day of the month in which your "eligible dependent" ceases to be an "eligible dependent" for the coverage or is no longer covered under the Group Contract.
- For coverage under an Employee Optional Life and AD&D Coverage Option, the last day for which premium contributions have been made following your written request to end coverage under such Employee Optional Life and AD&D Coverage Option.
- For Dependents Life and AD&D Insurance, the last day for which premium contributions have been made following your written request to end Dependents Life and AD&D Insurance for an "eligible dependent"

You must notify the Claims Administrator or the Benefits Source at **1-888-640-3320** when a dependent is no longer eligible for coverage under the Life and AD&D Plan so that premiums may be discontinued. No claims will be paid under the Life and AD&D Plan in respect of an ineligible dependent.

If your Employee Life and AD&D Insurance terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

If you stop active full-time work for any reason, you should contact the Company or your Employer at once to determine what arrangements, if any, have been made to continue any of your insurance coverage, or whether you belong to another class of employees that may be eligible for coverage under the Plan.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, the Internal Revenue Service will allow you to enroll for or change certain pre-tax elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain pre-tax elections if you experience a "qualified status change" that affects your, your Spouse's, or your dependent's eligibility for benefits under the Medical Plan, the Dental Plan, the Vision Plan, the Flexible Benefits Plan, the Life and AD&D Plan or the Long-Term Disability Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special

enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.***

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company, the Plan Administrator, or the Claims Administrator. In addition to satisfying any requirements established by the applicable Benefit Plan and any insurer (with respect to insured coverage), any requested change in election must satisfy all requirements imposed by the Internal Revenue Service.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee +family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Please Note:

If you do not request a change in election within 31 days of your qualified status change or other qualified life event, your next opportunity to change elections will not be until the next annual enrollment period or until you experience another qualified life event. For example, if you do not enroll an eligible newborn child within 31 days of the child's birth, even if you do not have the child's social security number, your next opportunity to enroll the child will not be until the next annual enrollment period, unless you experience another qualified life event that would permit you to change elections.

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan (this does not apply to the Health Care Flexible Spending Account).
- With respect to the Medical Plan only, you qualify for special enrollment during the year under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause),

termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Medical Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***

- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.
- You or your eligible dependents lose coverage under any group health coverage sponsored by a governmental or educational institution,
- You take leave under the Family and Medical Leave Act.

If a dependent you are covering under the Medical, Dental or Vision Plan is hired by an Employer and either timely elects coverage under such Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Plan coverage for such dependent in connection his or her change in employment status.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical, prescription drug, vision or dental plan or program, your medical, prescription drug, vision and dental benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

The following provisions of this *"Coordination of Benefits (COB)"* subsection apply to the Medical Plan and the Dental Plan. Please see the Vision Plan section for details about coordination of benefits provisions applicable to the Vision Plan.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the

other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable Benefit Plan is primary, the Benefit Plan pays the amount payable under such plan.

If your coverage under the applicable Benefit Plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

The "Birthday Rule"

Under the "Birthday Rule" the plan of the parent whose birthday falls earlier in the calendar year is the primary plan and the other parent's plan is secondary.

In the case of a divorce or separation, the following order will establish responsibility for payment:

- If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.
- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits.

How Coordination of Benefits Works for Those in "Current Employment Status"

If you are in "current employment status" within the meaning of Medicare regulations, and if you or your spouse become Medicare-eligible, you or your spouse may have either of the following:

- Medical coverage under both the Medical Plan and Medicare (the Medical Plan under the Program is primary, it pays benefits as described in this Handbook, and Medicare is secondary); or
- Coverage under Medicare only (if that is what you have elected).

Please Note:

End-Stage Renal Disease. If you or your covered dependent enroll in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary at the time you or your covered dependent enroll, the Medical Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

If you are in "current employment status" and you and your Spouse are covered under the Medical Plan, Medicare coverage becomes secondary. You may decline coverage under the Medical Plan, in which case Medicare would be the primary carrier. Your Spouse may, if age 65 or older, make a separate Medicare election. However, your Spouse may not elect medical coverage under the Medical Plan if you do not elect coverage.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under the Medical Plan but are no longer considered in "current employment status" for purposes of Medicare, and you and your spouse are Medicare-eligible, then Medicare is the primary payor regardless of your or your covered spouse's age. You are responsible for notifying the Claims Administrator if you, your Spouse, or your other eligible dependents become Medicare-eligible.

If you are not in "current employment status" and if a covered person is eligible for, but not enrolled in, Medicare benefits, the Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are not in "current employment status" and are eligible for, but not enrolled in, Medicare Part B, and if you incur a claim that would be payable in whole or in part by Medicare Part B, the Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

Please Note:

Late Enrollment Penalties for Medicare Parts B and D. If you are eligible for Medicare by reason of age or disability, are no longer in current employment status for purposes of Medicare, and do not enroll in Medicare Part B or Medicare Part D during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. For more information concerning Medicare late enrollment penalties, see the Medicare & You publication at https://www.medicare.gov/medicare-and-you or contact your local Social Security Administration office.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide claims and certain appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section of this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, or SPDs, please see below or the individual Benefit Plan sections of the Handbook.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified below or in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Medical Plan

The claim determination and appeal process described below applies to the Medical Plan. The term "Plan" as used in this section refers to the Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims

Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations.

Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;
- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth

below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;

- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (for the Medical Plan, this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an

independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Medical Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to request a voluntary second-level internal appeal under the Medical Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis

code and its corresponding meaning, and the treatment code and its corresponding meaning;

- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;
- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request

must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective review, were covered under the Plan at the time the health care item or service was provided;
- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;

- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the criteria are inconsistent with the terms of the Plan or with applicable law;
- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan’s internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator’s determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider’s name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA

Unless otherwise noted, the claim determination and appeal process described below applies to each of the Dental Plan, the Vision Plan and the Health Care FSA. The term "Plan" as used in this section refers to the Dental Plan, the Vision Plan or the Health Care FSA, as the case may be, and the term "Claims Administrator" refers to the claims administrator appointed for the respective Plan.

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial,

reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Plan.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The day the Claims Administrator receives the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse

benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan or FSA Plan, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims

Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes and adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes and adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan, or the Health Care FSA, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process - Dependent Care FSA

The claim determination and appeal process described below applies to the Dependent Care FSA Plan. As used in this section, the term "Claims Administrator" refers to the claims administrator appointed for the Dependent Care FSA Plan. The term "Plan" as used in this section refers to the Dependent Care FSA Plan.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Flexible Benefits Plan.

Consideration of Initial Claim

Within 90 days of receiving the claim, the Claims Administrator will provide you (or your beneficiary) with a written notice of its decision. If, because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your request for review within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you may be provided with

written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; (3) a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and (4) a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.

Appeal to Claims Administrator

If your claim is denied or deemed to have been denied in whole or in part, you have the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial or deemed denial.

Upon receipt of your request, your claim will be reviewed. You will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written request for review is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your claim for benefits within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you will be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; and (3) a statement that you are entitled to receive upon request and free of charge reasonable access to, and copies of, all documents, records and other information relevant to your claim for benefits.

Second Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your claim on appeal, you or your duly authorized representative may request a review of such denial by the Plan Administrator. Each such request for review must be in writing signed by you or your duly authorized representative, must specify that it is a request for review of a denied claim and must be filed with the Plan Administrator no later than 60 days after receipt of the denial or 90 days after the claim is deemed to be denied because the Claims Administrator did not respond within the requisite time period.

The decision of the Plan Administrator upon a request for review shall be made within 60 days after the request for review is received by the Plan Administrator unless special circumstances require an extension of time for processing such review, in which event you shall be notified in writing prior to the expiration of such 60 days, and the decision of the Plan Administrator shall be rendered within 120 days of the receipt of the request for review. In connection with a request for review, you or your duly authorized representative may submit issues and comments in writing to the Plan Administrator. All communications between the Plan Administrator and you or your duly authorized representative shall be in writing unless you or your duly authorized representative requests otherwise and the Plan Administrator consents thereto. Each decision of the Plan Administrator on a request for review shall be in writing and shall include (1) the specific reason or reasons for the decision; (2) specific reference to the Plan provisions upon which the decision is based; and (3) a statement that you are entitled to receive upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the

services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Travel Accident Plan

The claim determination and appeal process described below applies to the Travel Accident Plan. As used in this section, (i) the term "Plan" refers to the Travel Accident Plan, and (ii) the term "Claims Administrator" refers to the NiSource Benefits Department or such other claims administrator appointed for the Plan. Any claim for benefits submitted after eighteen months from the date of a covered person's death may not be considered for payment.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

Within 90 days of receiving a claim, the Claims Administrator will provide your beneficiary with a written notice of its decision. If because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide your beneficiary with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension and the date by which the Claims Administrator expects to render its decision.

If the Claims Administrator Denies the Claim

If the Claims Administrator denies your beneficiary's claim in whole or in part, your beneficiary will be provided with written notice of the denial. Such notice shall be written in a manner calculated to be understood by your beneficiary and shall include:

- The specific reason or reasons for the denial;
- Specific references to the pertinent provisions in the Plan on which the denial is based;
- A description of any additional material or information necessary for your beneficiary to perfect the claim and an explanation of why such material or information is necessary; and
- A description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse determination on all appeals.

Appeal to Claims Administrator

If your beneficiary has a claim denied in whole or in part, your beneficiary has the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial.

Your beneficiary's request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Travel Accident Plan.

Your beneficiary may submit written comments, documents, records, and other information relating to the claim for benefits. Upon his or her request, your beneficiary will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim.

Your beneficiary's written request should state why he or she thinks the claim should not have been denied. Your beneficiary's request also should include any adverse

benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your beneficiary's request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by your beneficiary relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

Your beneficiary will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written claim is received). The Claims Administrator will provide your beneficiary with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension and the date by which the Claims Administrator expects to render its decision.

If the Claims Administrator Denies the Appeal

If the Claims Administrator denies your beneficiary's appeal in whole or in part, your beneficiary will be provided with written notice of the denial. Such notice shall be written in a manner calculated to be understood by your beneficiary and shall include:

- The specific reason or reasons for the denial;
- Specific references to the Plan provisions upon which the denial is based;
- A statement that your beneficiary is entitled to receive upon request and free of charge, reasonable access to and copies of, all documents, records, and other information relevant to the claim for benefits; and
- A statement indicating the beneficiary's right to file a lawsuit upon completion of the claims procedure process.

Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your beneficiary's claim on appeal, your beneficiary may file a written claim with the Plan Administrator within 60 days after your appeal has been denied in whole or in part by the Claims Administrator.

Any claim for benefits with the Plan Administrator will be processed within 60 days of its receipt unless additional time is required to process the claim, in which event your beneficiary will be notified that an additional period of 60 days is required to process the claim. The notice will include the special circumstances requiring the extension and the date by which the Plan Administrator expects to render its decision.

If the Plan Administrator Denies the Appeal

If your beneficiary's claim for benefits is denied in whole or part by the Plan Administrator, written notice of the decision to deny such application will be promptly furnished to your beneficiary within 60 days after receipt of the claim for benefits, or within 120 days of receipt of such claim if the Plan Administrator gives notice in writing that an extension of time is required for processing the claim. Notwithstanding the foregoing, if the Plan Administrator's meeting schedule is such that it holds regularly scheduled meetings at least quarterly, the Plan Administrator's final determination may be made within the period specified in Department of Labor Regulations Section 2560.503-1(i)(ii). Each notice of denial of an application shall be in writing and shall contain the following information:

- The specific reason or reasons for the denial;

- Specific references to the Plan provisions upon which the denial is based;
- A statement that your beneficiary is entitled to receive upon request and free of charge, reasonable access to and copies of, all documents, records, and other information relevant to the claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claimant has exhausted all claims and appeals to the Claims Administrator and Plan Administrator. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date of the covered person's death.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Short-Term Disability Plan

The claim determination and appeal process described below applies to the Short-Term Disability Plan. As used in this section, (i) the term "Plan" refers to the Short-Term Disability Plan, (ii) the term "Claims Administrator" refers to the applicable claims administrator appointed for the Plan, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in the Plan or a rescission of your disability coverage (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) before you request a formal appeal. If you are not satisfied with a benefit determination, you can appeal it.

Consideration of the Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but generally not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall

specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding Your Claim

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason or reasons for the denial;
- reference to the specific Plan provisions on which the denial is based;
- a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written or electronic notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary;
- a description of the Plan's review procedures and time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following exhaustion of the claims procedure process;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding

you that was made by the Social Security Administration and that you presented to the Plan,

- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits, you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 180 days of the receipt of the written adverse benefit determination.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford deference to the initial adverse benefit determination and will be conducted by an individual who is neither the person who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such person.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of the appeal, nor the subordinate of any such individual.

The Claims Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, before the Claims Administrator issues and averse benefit determination on appeal, it will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person (or at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on appeal based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which a notice of the adverse benefit

determination on review is required to be provided.

The Claims Administrator will notify you of its determination on review within a reasonable period of time, but generally not later than 45 days after receipt of your request for review, unless the Claims Administrator determines that special circumstances require an extension of time for processing the claim. If the Claims Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Claims Administrator expects to render the determination on review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- reference to the specific Plan provisions on which the benefit determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and
- a statement indicating your right to file a lawsuit upon completion of the appeal process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures, and (C) the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination;

and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;

- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Appeal to the Plan Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your duly authorized representative may appeal the Claims Administrator's determination by sending a written request to the Plan Administrator within 45 days of your receipt of the Claims Administrator's adverse benefit determination on review.

The Committee, as Plan Administrator, has delegated to the Director, Benefits, the Director, Corporate Insurance and the Senior Vice President and Chief Human Resources Officer, and to the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons, the authority to decide appeals of denied claims on behalf of the Plan Administrator. Such appeals shall be decided by the Director, Benefits and the Director, Corporate Insurance, or by the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons. In the event such persons do not agree on the decision with respect to an appeal, the Senior Vice President and Chief Human Resources Officer, or the officer or employee of the Company or of its affiliates succeeding to the duties and responsibilities of such person, shall decide the appeal. References in this section to the "Plan Administrator" shall be deemed to constitute references to those persons to whom the Plan Administrator has delegated authority to decide appeals of denied claims.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written appeal should state why you think your claim should not have been denied. Your appeal should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Plan Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in your appeal to the Claims Administrator. The review will not afford deference to the Claims Administrator's decision.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Plan Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of your appeal, nor the subordinate of any such individual.

The Plan Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, the Plan Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Plan Administrator or other person (or at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Plan Administrator will notify you of its determination on review within a reasonable period of time, but generally not later than 45 days after receipt of your request for review by the Plan, unless the Plan Administrator determines that special circumstances (such as the need to hold a hearing) require an extension of time for processing the claim. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

If the Plan Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Plan Administrator makes an adverse benefit determination with respect to your claim on appeal, it will notify you of the following, in a manner calculated to be understood by you:

- The specific reason or reasons for the adverse determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Plan Administrator makes an adverse benefit determination on your claim on review, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;

- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures, and (C) the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated the claimant; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Physical Examinations

The Company has the right, at its own expense, to have any person for whom a claim is pending examined as often as is reasonably necessary.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Long-Term Disability Plan

The claim determination and appeal process described below applies to the Long-Term Disability Plan. As used in this section, claims made under the Long-Term Disability Plan are referred to as "disability claims." The term "Plan" as used in this section refers to the Long-Term Disability Plan, and the term "Claims Administrator" refers to The Prudential Insurance Company of America. As used in this section, "adverse benefit determination" or "adverse determination" shall mean any of the following: (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in the Plan, or (ii) any rescission of disability coverage with respect to a claimant (whether or not, in connection with the rescission, there is an adverse effect on any particular benefit at that time). For this purpose, the term "rescission" means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely

pay required premiums or contributions towards the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 after the receipt of your claim. This period may be extended by 30 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 45-day period. This period may be extended for an additional 30 days beyond the original 30-day extension if necessary due to matters beyond the control of the Plan. A written notice of the additional extension, the reason for the additional extension and the date by which the Plan expects to decide on your claim, shall be furnished to you within the first 30-day extension period if an additional extension of time is needed. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if your claim for benefits is denied, in whole or in part, you or your authorized representative will receive a written notice from the Claims Administrator of your denial. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the denial,
- references to the specific Plan provisions on which the benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary,
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process,

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, it shall provide you with a written notice of the adverse benefit determination setting forth

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary;
- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures, including a statement of your right to bring

a civil action under section 502(a) of ERISA following completion of all required appeals;

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you;
  - the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the plan do not exist; and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

First Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim for benefits, you or your representative may appeal the determination in writing to the Claims Administrator within 180 days of your receipt of written notice of the adverse determination. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your written request, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim free of charge.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, without regard to whether such information was submitted or considered in the initial adverse benefit determination, and utilizing individuals who were not involved, and who are not subordinates of the individuals involved, in that determination. This review will not afford any deference to the initial adverse benefit determination.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be

provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if the claim on appeal is denied in whole or in part, you will receive a written notification from the Claims Administrator of the denial. The notice will be written in a manner calculated to be understood by the applicant and shall include:

- the specific reason(s) for the adverse determination,
- references to the specific Plan provisions on which the determination was based,
- a statement that you are entitled to receive upon request and free of charge reasonable access to, and make copies of, all records, documents and other information relevant to your benefit claim upon request,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures; and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your disability claim on review, it will provide you with written notice. The notice shall set forth, in a manner calculated to be understood by you,

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim;
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures;
- a statement indicating
  - your right to bring an action under section 502(a) of ERISA upon completion of all required appeals,
  - that any such action must be brought no later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator, and
  - the calendar date upon which such limitations period expires;

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you;
  - the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Second Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your representative may make a second, voluntary appeal of the adverse determination in writing to the Claims Administrator within 180 days of your receipt of the written notice of adverse benefit determination. You may submit with your second appeal any written comments, documents, records and any other information relating to your claim. Upon your request, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim free of charge.

The Claims Administrator shall make a determination on your second claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date by which the Claims Administrator expects to render a decision shall be furnished to you within the initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

Your decision to submit a benefit dispute to this voluntary second level of appeal has no

effect on your right to any other benefits under the Plan. If you elect to initiate a lawsuit without submitting to a second level of appeal, the Plan waives any right to assert that you failed to exhaust administrative remedies. If you elect to submit the dispute to the second level of appeal, the Plan agrees that any statute of limitations or other defense based on timeliness is tolled during the time that the appeal is pending.

If the Claims Administrator makes an adverse benefit determination with respect to your second-level, voluntary appeal, you will receive a written notification from the Claims Administrator of the adverse determination. The notice will be written in a manner calculated to be understood by you and shall include the same type of information that was included in the letter notifying you of the adverse benefit determination on your first-level appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud, (ii) any error the Claims Administrator makes in processing a claim, and (iii) your receipt of deductible sources of income. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, unless otherwise provided under federal law, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Life and AD&D Plan

The claim determination and appeal process described below applies to the Life and AD&D Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accelerated death benefits, for accidental dismemberment benefits, or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining

the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,

- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal, you will

receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the

State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage under the Medical, Dental, Vision and FSA Plans

General

Generally, coverage under the Medical, Dental, Vision and FSA Plans is only available to you if you are actively at work. However, if the Company or a Participating Employer under its personnel policies continues to treat you as an employee after you cease to be actively at work due to any of the following leaves, then you will continue to be treated as an employee eligible to participate in one or more of the Plans described above, subject to the terms and conditions of each such Plan. Provided, however, your participation will cease as of the earliest of the dates set forth above under "*When Coverage Begins and Ends under the Medical, Dental, Vision and FSA Plans – Coverage Ends*." For example, as of the date of this Handbook, the personnel policy of the Company and each Participating Employer is to terminate your employment if the claims fiduciary of the Company's long-term disability plan determines you no longer qualify for benefits under the long-term disability plan. The leaves referred to above are:

Sick Leave – Coverage under the Medical, Dental, Vision and FSA Plans for you and your eligible dependents continues if you are on sick leave and your Employer under its personnel policies continues to treat you as an employee. Your contributions for this coverage will continue to be deducted from your check.

Long Term Disability Leave ("LTD") – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents, as well as coverage under the Health Care FSA, continues if you are on LTD leave and your Employer under its personnel policies continues to treat you as an employee. You must continue to make your required contribution. You may also receive an Employer contribution to your Health Savings Account if you are enrolled in an HDPPO coverage option and are eligible to contribute to a Health Savings Account.

You **cannot** continue to participate in the Dependent Care FSA while you are receiving Long-Term Disability Plan benefits. You may, however, use the existing balance in your account to pay for any eligible expense you incur before you commence your LTD leave.

Family and Medical Leave Act ("FMLA") Leave – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents continues at the same level of contribution and under the same conditions if you are granted a leave of absence under the Family and Medical Leave Act ("FMLA"). However, you may revoke your health benefit elections upon the commencement of your FMLA leave of absence. If you return from an unpaid FMLA leave of absence after having revoked health benefit elections on account of taking FMLA leave, you may reinstate your elections on the same terms as prior to taking FMLA Leave, to the extent that reinstatement is required under the FMLA. If your health benefit elections are revoked for non-payment of premiums during an approved FMLA leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

The Company and the applicable Participating Employer may recover its cost of coverage if you exhaust your leave and do not return to active employment for reasons other than the continuation or onset of a serious health condition or other circumstances beyond your control. The Company or the applicable Participating Employer may require you to provide certification of a health care provider if you are unable to return to work because of the continuation, recurrence, or onset of a serious health condition.

You may continue to participate in the Health Care FSA and/or Dependent Care FSA on a pre-tax basis while on a FMLA leave by pre-paying with pre-tax dollars any contributions due for coverage during the Plan Year in which your leave commences. You have the option to continue to participate in the

Health Care FSA during your FMLA leave on an after-tax basis by making payments according to the same schedule in effect before your leave. If your participation in a Flexible Spending Account ceases on account of your leave, you may still use the existing balance in your account to pay for any eligible expenses that you incur prior to your last day worked before your FMLA leave. Also, if you ceased participation in the Health Care FSA during your leave, you may resume participation upon return from leave during the same Plan Year and either make up the unpaid contributions or resume coverage at a reduced level under the proration rule, with payments at your original contribution level.

Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") – If you are absent from employment because of service in the "uniformed services" (as that term is defined by USERRA), you may elect to continue coverage under a Plan during the period of your service to the extent provided by USERRA and the NiSource Military Leave of Absence Policy. Without limiting the generality of the foregoing, if your health benefit elections are revoked for non-payment of premiums during an approved military leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Medical, Dental and Vision Plans and under the Health Care FSA (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."*

COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial Services coverage.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, (ii) the date for making COBRA premium payments, and (iii) the date for notifying the Plan of a qualifying event or determination of disability.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your Spouse (if he or she is treated as a Spouse under the Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two

percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. (This extended coverage does not apply to the Health Care FSA.) These costs are subject to change.

You will have 60 days to elect COBRA (measured from the later of your coverage loss date or the date the Plan Administrator notifies you of your right to elect COBRA coverage).

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

You will become a qualified beneficiary on account of coverage under a Plan if you lose your coverage under such Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct.

Your Spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your Spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of your employment or reduction of hours of employment, your death, or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the Benefits Source website at mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day

period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your Spouse, and parents may elect COBRA continuation coverage on behalf of their children.

[This paragraph applies only to the Medical, Dental and Visions Plans. It does not apply to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the end of your employment or reduction of your hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months. There are two ways in which this 18 month period of COBRA continuation coverage can be extended (as described below). When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. When the qualifying event is the end of your employment or reduction of your hours of employment, and you became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than you lasts until 36 months after the date of Medicare entitlement. For example, if you become entitled to Medicare 18 months before the date on which your employment terminates, COBRA continuation coverage for your Spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 18 months after the date of the qualifying event (36 months minus 18 months).

[This paragraph applies only to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. Upon experiencing a qualifying event, which causes a loss of coverage under the Health Care FSA, you may continue your current contributions to your Health Care FSA on an *after-tax* basis through COBRA only for the remainder of the Plan Year in which your active coverage ended. This means that you will lose the pre-tax benefit of the FSA Plan by continuing coverage through COBRA. However, COBRA continuation coverage under the Health Care FSA option of the FSA Plan allows you to continue to incur and seek reimbursement of eligible claims for the remainder of the Plan Year. If COBRA continuation coverage is not elected, only those expenses incurred prior to the qualifying event will be eligible for reimbursement.

Disability Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If you or anyone in your family covered under a Plan is determined by the Social Security Administration to be disabled and you notify the Plan Administrator (in a form prescribed by the Plan Administrator) (i) within 60 days of the later of the date of the disability determination by Social Security and the date the qualified beneficiary loses coverage under the Plan as a result of your termination or reduction of hours of employment, and (ii) before the end of the initial 18-month period of COBRA continuation coverage, you and the qualified beneficiaries in your family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. If proper notice is not provided within the 60-day period and before the end of your initial 18-month period of COBRA continuation coverage, you will not be entitled to a disability extension. The disability would have to have started at some time before the 61st day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage. You must also notify the Plan Administrator within 30 days of the date the Social Security Administration determines that you or your dependent are no longer disabled.

Second Qualifying Event Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If your family experiences another qualifying event while receiving 18 months of COBRA continuation coverage, your Spouse and dependent children can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan Administrator within 60 days of the date of the second qualifying event. If proper notice is not provided within the 60-day period, you will not be entitled to an extension on account of the second qualifying event. This extension may be available to your Spouse and any dependent children receiving continuation coverage if you die, become entitled to Medicare benefits (under Part A, Part B, or both), or you get divorced or legally separated, or if your dependent child stops being eligible under a Plan as a dependent child, but only if the event would have caused your Spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. For example, when the qualifying event is the termination of your employment, COBRA continuation coverage for you, your Spouse and dependent children can last up to 18 months. If within that initial 18-month period you become legally separated or divorced (i.e., experience a second qualifying event), COBRA continuation coverage may be extended by an additional 18 months (for a total of 36 months from the date of the termination of employment) for your Spouse and dependent children who lose coverage due to the divorce or legal separation, if notice of such event is properly given to the Plan Administrator.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above (i.e., 18, 29 or 36 months, in the case of the Medical, Dental and Vision Plans, or the remainder of the Plan Year, in the case of the Health Care FSA), COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in the Program cease to provide any group health plan or coverage to any employee.
- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- Provided such date is after the initial 18-month COBRA period and no other extension of such period (other than the disability extension) applies, the first day of the month coincident with or next following 30 days from the date the Social Security Administration determines that a qualified beneficiary is no longer disabled.
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" section below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at dol.gov/ebsa (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Employee's death at any time on or after January 1, 2004, if COBRA continuation coverage has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Employee's surviving dependents who are covered under the Medical Plan on the date of that Employee's death, then coverage under the Medical Plan for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Employee's surviving spouse dies, (ii) the last day of the month in which the Employee's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer with whom the Employee was employed ceases to be a "related employer," as defined in the Medical Plan.

If medical coverage under the Medical Plan ends for an Employee's dependent because of such Employee's death within 30 days preceding, or at any time on or after, May 1, 2010, and if such Employee would have satisfied the conditions for eligibility for retiree medical coverage under the Medical Plan or the NiSource Post-65 Retiree Medical Plan had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the Medical Plan at the time of the Employee's death, the Employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and have been a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the NiSource Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the NiSource Post-65 Retiree Medical Plan.

If survivor coverage under the Medical Plan will end for a surviving dependent of a Deemed Retiree solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the NiSource Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an

available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Medical Plan or the Dental Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to an illness, a sickness, or a bodily injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the illness, sickness or bodily injury;
- The insurer or other indemnifier of the party or parties who caused the illness, sickness or bodily injury;
- A guarantor of the party or parties who caused the illness, sickness or bodily injury;

- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the illness, sickness or bodily injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the illness, sickness or bodily injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the illness, sickness or bodily injury so that the applicable Benefit Plan may recover any sums paid under such Benefit Plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable for the Benefit Plan to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements, or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who

shall hold the same in trust of r the benefit of the Benefit Plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the illness, sickness or bodily injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the illness, sickness or bodily injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the illness, sickness or bodily injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The employee;
- The employee's covered dependent;
- The estate of any covered person; or
- On behalf of any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the employee or a covered dependent, the employee or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an in-network provider rather than an out-of-network provider. For the Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company, a Participating Employer, or any of their affiliates. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director,

Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit Plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Code with respect to the Benefit Plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though an Employee may

receive a benefit check from a Claims Administrator, the Company, a Participating Employer, or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to the Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company, the Participating Employers, or their affiliates or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called "fiduciaries" of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator

to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Certain Benefit Plans and Accounts Not Subject to ERISA

Notwithstanding anything to the contrary contained in this Handbook, neither the Dependent Care FSA nor the HSAs (to which contributions are made through the Flexible Benefits Plan) are employee benefit plans subject to ERISA.

Consolidated Flex Medical Plan

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Medical Plan Options

This is the SPD (the "Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Medical Plan. In this Medical Plan SPD, the Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible employees and their eligible dependents with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA). The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at livehealthonline.com for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions**. If you still have questions, you can email **help@livehealthonline.com** or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are

covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Medical Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Medical Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	**Out-of-Network**
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

	PPO	
	In-Network (or out of area)	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse	$3,000	$6,000	$5,000	$10,000
Covered Member + Child(ren)				
Covered Member + Family				

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which claims are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's

application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or

- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the PBM for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers, distributors, and/or similar vendors, which may be related to certain prescription drug

purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HDPPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and
  - Prescribed medications (Outpatient prescription drug services are covered

under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).

- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;
  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam

and one hearing aid per ear during a two calendar-year period; and

- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor

performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;

- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance, when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;
  — Alcohol misuse: screening and counseling
  — Blood pressure screening in adults;
  — BRCA risk assessment and genetic counseling/testing;
  — Breast cancer preventive medications;
  — Breast cancer screening;
  — Cervical cancer screening;
  — Colorectal cancer screening;
  — Diabetes screening;
  — Lung cancer screening;
  — Obesity screening and counseling: adults and children;
  — Osteoporosis screening: women;

See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

  — Diphtheria;
  — Hepatitis A;
  — Hepatitis B;
  — Herpes Zoster;
  — Human Papillomavirus;
  — Influenza (flu shot)
  — Measles
  — Meningococcal;
  — Mumps;
  — Pertussis;
  — Pneumococcal;
  — Rubella;
  — Tetanus;
  — Varicella (chickenpox).

  The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

  See the following website for additional information:
  https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Well-woman visits;
  - Counseling and screening for human immune-deficiency virus;
  - Human papillomavirus testing;
  - Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);

- Screening for gestational diabetes;
- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain Covered Services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);

- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Employee-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

> **Please Note:**
>
> If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;

- Medically necessary services, supplies, and medications.

- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:

  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

- Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
- Inpatient covered hospital services related to the transplant procedure.
- Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses

incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).

- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

Medical Expenses Not Covered

Expenses Not Covered Under Medical Plan

The medical expenses **not** covered under the Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;

- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;

- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;

- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or

astigmatism or any other correction of vision due to a refractive problem; and

- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The PPO coverage option utilizes a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The PPO coverage option utilizes a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name

drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	You Pay*
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		

* You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The High Deductible Options utilize a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program

you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

[Material continued on next page]

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		MAIL ORDER		NINETY-DAY SUPPLY AT RETAIL	
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	Retail Pharmacy		**Mail Order**		**Ninety-Day Supply at Retail**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

Please Note: Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life/Legal & Financial Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life/Legal & Financial Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law, with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

Please see the *"Health Savings Account"* subsection of the **Flexible Benefits Plan** section of the Handbook for information concerning establishing and contributing to a health savings account when you enroll in an HDPPO.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;

  - Name and Social Security number of Employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

[Material continued on next page]

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348 Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Dental Plan

Preventive Dental

Dental Plan

Dental Plus

Your Dental Plan Options

This is the SPD (the "Dental Plan SPD") for the NiSource Dental Plan, also referred to as the Dental Plan. In this Dental Plan, SPD, the Dental Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Dental Plan to eligible employees and their dependents with the following dental coverage options:

- Preventive Dental;
- Dental Plan; and
- Dental Plus;

Both Dental Plan and Dental Plus provide coverage for eligible dental services such as preventive care services, basic services, and major services. The Dental Plus coverage option is an employee contributory option that also provides for orthodontia benefits.

The Preventive Dental coverage option provides preventive care at 100% of applicable charges and covers fillings and routine extractions at 50% of applicable charges after the deductible. Orthodontia is not covered and there is a deductible required. See "*Highlights of the Dental Plan Coverage*" for further details.

All dental coverage options use a network of providers. When you use an in-network provider you receive the added benefit of lower, negotiated fees. In addition, you are not responsible for fees over the negotiated rate. If you use an out-of-network provider, the amount of the claim that is paid is the product of the applicable coinsurance percentage (set forth below) multiplied by the "Maximum Reimbursable Charge," after the application of any deductible. You are responsible to pay any amount your dentist charges that exceeds the applicable percentage of the Maximum Reimbursable Charge. The Maximum Reimbursable Charge is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. If you have a question about the determination of the Maximum Reimbursable Charge, contact the Claims Administrator.

To find a provider in your area, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source automated telephone system at **1-888-640-3320**. Customer service associates can then connect you with a provider directly so that you can locate a participating dentist near you.

Eligibility

For information regarding eligibility under the Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320.**

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of the Dental Coverage

Here is a summary of the benefits under each option.

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)		DENTAL PLAN (In or Out-of-Network)		DENTAL PLUS (In or Out-of-Network)	
Annual Deductible	You Pay		You Pay		You Pay	
Covered Member	$75		$50		None	
Covered Member + Spouse	$150		$100		None	
Covered Member + Child(ren)	$75 per covered member up to $225		$50 per covered member up to $150		None	
Covered Member +Family	$75 per covered member up to $225		$50 per covered member up to $150		None	
Coinsurance	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**
Preventive and Diagnostic Treatment	N/A	100%	N/A	100%	N/A	100%
Basic Treatment	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Major Treatment (other than oral surgery or anesthesia)	100%	N/A	50% (after deductible)	50% (after deductible)	50%	50%
Major Treatment (oral surgery or anesthesia only)	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Orthodontia (adult and child)	100%	N/A	100%	N/A	50% (up to lifetime maximum); 100% thereafter	50% (up to the lifetime maximum)
Maximums	**Plan Pays**		**Plan Pays**		**Plan Pays**	
Annual Maximum	Up to $2,000 per person per year		No annual maximum		Up to $2,000 per person per year	
Annual Maximum - Implants	No Coverage		No annual maximum		Up to $600 per person per year	

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)	DENTAL PLAN (In or Out-of-Network)	DENTAL PLUS (In or Out-of-Network)
Orthodontia Lifetime Maximum	No Coverage	No Coverage	Up to $1,500 per person

All expenses incurred, whether care is received from a dentist in- or out-of-network, will be applied toward the calendar year deductible and maximum amounts according to the summary above.

For out-of-network providers, after you pay any applicable deductible, the Plan will pay the applicable percentage of Maximum Reimbursable Charges that are covered expenses. In addition to your share of Maximum Reimbursable Charge, you will be required to pay any amount your dentist charges over the Maximum Reimbursable Charge.

Dental Expenses Covered

The Plan pays for certain services and supplies that are considered necessary in terms of generally accepted dental standards, appropriate to properly treat the dental condition, and must be recommended by the participant's dentist.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Covered expenses include, but may not be limited to, the following eligible dental services and supplies up to the maximum allowance and/or applicable percentage of the Maximum Reimbursable Charge:

Preventive Treatment (Covered Under All Options)

Preventive Treatment is treatment designed to prevent dental disease, defect or injury and includes:

- Oral examination;
- Prophylaxis (cleaning and scaling of teeth);
- Periodontal maintenance procedures (following active therapy) and Periodontal prophylaxis;
- Topical application of fluoride solutions;
- Bite-wing x-rays;

Note: The services described above are each limited to twice in a calendar year.

- Topical application of sealant on a posterior tooth for covered persons under age 19 (only one treatment per tooth in any 3 consecutive calendar years);
- Panoramic (Panorex) x-ray once in any 3 consecutive calendar years;
- Full-mouth series of x-rays once in any 3 consecutive calendar years; and
- Space maintainers, fixed unilateral – limited to nonorthodontic treatment, up to age 19.

Basic Treatment (Covered Under All Options)

Basic Treatment is designed to correct dental disease, defect or injury and includes:

- Routine extractions;
- Amalgam and composite/resin restorations;
- Root canal therapy (any x-ray, test, laboratory exam or follow-up care is part of the allowance for root canal therapy and not a separate dental service);
- Osseous surgery (flap entry and closure is part of the allowance for osseous surgery and not a separate dental service);
- Periodontal scaling and root planing – entire mouth
- Adjustments – complete denture

  - any adjustment of or repair to a denture within 6 months of its installation is not a separate dental service.
- Recement bridge
- Surgical removal of erupted tooth requiring elevation of mucoperiosteal flap and removal of bone and/or section of tooth
  - Removal of impacted tooth, soft tissue
  - Removal of impacted tooth, partially bony
  - Removal of impacted tooth, completely bony
- Local anesthetic, analgesic and routine postoperative care for extractions and other oral surgery procedures are not separately reimbursed but are considered as part of the submitted fee for the global surgical procedure.
- General anesthesia – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.
- I.V. sedation – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.

Major Treatment (Covered Under the Dental Plan and Dental Plus Options)

The Plan pays for Major Treatment, provided you select the Dental Plan or Dental Plus coverage option. If you elect the Preventive Dental Option, the Plan does not pay benefits for Major Treatment.

Major Treatment is designed to correct dental disease, defect or injury and includes:

- Crowns

  Note: Crown restorations are dental services only when the tooth, as a result of extensive caries or fracture, cannot be restored with amalgam, composite/resin, silicate, acrylic or plastic restoration.

  - Porcelain fused to high noble metal
  - Full cast, high noble metal
  - Three-fourths cast, metallic
- Removable Appliances
  - Complete (full) dentures, upper or lower
  - Partial dentures
  - Lower, cast metal base with resin saddles (including any conventional clasps, rests and teeth)
  - Upper, cast metal base with resin saddles (including any conventional clasps rests and teeth)
- Fixed Appliances
  - Bridge pontics - cast high noble metal
  - Bridge pontics - porcelain fused to high noble metal
  - Bridge pontics - resin with high noble metal
  - Retainer crowns - resin with high noble metal
  - Retainer crowns - porcelain fused to high noble metal
  - Retainer crowns - full cast high noble metal
- Prosthesis over implant – a prosthetic device, supported by an implant or implant abutment is a covered expense. Replacement of any type of prosthesis with a prosthesis supported by an implant or implant abutment is only payable if the existing prosthesis is at least 5 calendar years old, is not serviceable and cannot be repaired.
- Implants - covered dental expenses include: the surgical placement of the implant body or framework of any type; any device, index, or surgical template guide used for implant surgery; prefabricated or custom implant abutments; or removal of an existing implant. Implant removal is covered only if the implant is not serviceable and cannot be repaired. Implant

coverage has a separate yearly maximum as shown in *Highlights of the Dental Plan Coverage*.

- Treatment of Temporomandibular Joint Dysfunction (TMJ)
  - Office visit – Adjustment to appliance (no more than six (6) adjustments in six (6) consecutive months after seating or placement of appliance)
  - Transcutaneous Electro-neural Stimulation (no more than four (4) treatments in a six (6)-month period)
  - Trigger Point Injection of Local Anesthetic into Muscle Fascia (no more than four (4) treatments in a six (6)-month period)
  - Mandibular Orthopedic Repositioning Appliance (only one appliance per person in any five (5) year period)

Orthodontia Services (Covered Under Dental Plus)

The Plan pays benefits for orthodontia services, provided you select the Dental Plus coverage option and remain covered under such option throughout the course of treatment. If you select the Preventive Dental or Dental Plan coverage option, the Plan does not pay benefits for orthodontia services. The Claims Administrator must determine that the service is necessary, and all orthodontia appliances and treatment must be part of a course of orthodontic treatment that begins while your coverage is in effect.

Subject to the foregoing, the Plan pays benefits for the following orthodontia services:

- Orthodontic work-up including x-rays, diagnostic casts and treatment plan and the first month of active treatment including all active treatment and retention appliances.
- Continued active treatment after the first month.
- Fixed or Removable Appliances - Only one appliance per person for tooth guidance or to control harmful habits.

The total amount payable for all expenses incurred for orthodontics during a person's lifetime will not be more than the orthodontia maximum shown in the *Highlights of the Dental Plan Coverage*.

Benefit payments for comprehensive full-banded orthodontic treatment are made in installments. Benefit payments will be made every 3 months. The first benefit payment is payable when the appliance is installed. Later payments are payable at the end of each 3-month period. The first installment is the lesser of (x) the lifetime maximum for orthodontia services, or (y) the product of (i) 25% of the charge for the entire course of treatment, multiplied by (ii) the applicable covered percentage. The remainder of the charge is prorated over the estimated duration of treatment. Payments are only made for services provided while a person is covered. If coverage ends or treatment ceases, payment for the last 3-month period will be prorated.

Orthodontia Payment Example: If your orthodontia treatment costs $5,000 and is estimated to take three years from installation of the appliance to complete, and if you have not been reimbursed for any orthodontia treatment in the past, your first installment will be $625 [the product of 25% multiplied by $5,000 (total cost of treatment) multiplied by 50% (covered percentage), which product is less than $1,500 (lifetime maximum)]. Assuming you remain covered under the Plan and complete the three-year treatment, the remaining charge will be paid in quarterly installments of $156.25 [calculated as set forth above] until you reach your lifetime maximum [$875 remaining after initial installment].

Orthodontia Payment Example

Total Treatment	$5,000.00
Initial Installment	
CIGNA Allowable (25% of total)	1,250.00
CIGNA Payment (50% of Allowable)	625.00
Remaining Installments	
Remaining Balance	$3,750.00
CIGNA Allowable (Remaining Balance/12 quarters)	312.50
CIGNA Quarterly Payment (50% of Allowable)	156.25*

*Subject to Lifetime Maximum

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Dental Expenses Not Covered

The Plan pays benefits for a variety of dental services, provided they are necessary according to generally accepted dental standards, appropriate to properly treat the dental condition, and recommended by your dentist. However, some limits and exclusions do apply.

The dental expenses **not** covered include, but are not limited to the following:

- Replacement of teeth that are missing when a person first becomes covered under the Plan;
- Services performed solely for cosmetic reasons;
- Replacement of a lost or stolen appliance;
- Replacement of a bridge, crown or denture within 5 years after the date it was originally installed unless: (a) the replacement is made necessary by the placement of an original opposing full denture or the necessary extraction of natural teeth; or (b) the bridge, crown or denture, while in the mouth, has been damaged beyond repair as a result of an injury received while a person is insured for these benefits;
- Any replacement of a bridge, crown or denture which is or can be made useable according to common dental standards;
- Procedures, appliances or restorations (except full dentures) whose main purpose is to: (a) change vertical dimension; (b) diagnose or treat conditions or dysfunction of the temporomandibular joint; (c) stabilize periodontally involved teeth; or (d) restore occlusion;
- Porcelain or acrylic veneers of crowns or pontics on, or replacing the upper and lower first, second and third molars;
- Bite registrations; precision or semiprecision attachments; or splinting;
- Instruction for plaque control, oral hygiene and diet;
- Dental services that do not meet common dental standards;
- Services that are deemed to be medical services;
- Services and supplies received from a hospital;
- Services for which benefits are not payable according to the immediately following paragraph.

In addition to the foregoing, no payment will be made for expenses incurred for you or any one of your dependents:

- For or in connection with an injury arising out of, or in the course of, any employment for wage or profit;
- For or in connection with a sickness which is covered under any workers' compensation or similar law;
- For charges made by a hospital owned or operated by or which provides care or performs services for, the United States government, if such charges are directly related to a military-service-connected condition;
- For charges for services provided by the covered person’s parent, spouse, brother, sister, son or daughter;
- For services or supplies received as a result of dental disease, defect or injury due to an act of war, declared or undeclared;
- To the extent that payment is unlawful where the person resides when the expenses are incurred;
- For charges which the person is not legally required to pay;
- For charges which would not have been made if the person had no insurance;
- To the extent that billed charges exceed the rate of reimbursement as described in the *Highlights of the Dental Plan Coverage,* including any charge in excess of the Maximum Reimbursable Charge;

- For charges for unnecessary care, treatment or surgery;
- To the extent that you or any of your dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid;
- For or in connection with experimental procedures or treatment methods not approved by the American Dental Association or the appropriate dental specialty society.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible dental expenses that are not covered by the Dental Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any dental care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

If you or your dependents have dental coverage under another dental plan, this Plan coordinates benefits with the other benefits to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits*" section of the **Benefits Program Overview** to learn more about the Plan's COB features.

Filing a Claim

General

Generally, dentists file claims electronically on your behalf provided that the dentist is a participating dentist. If you see a non-participating dentist, you may need to file your own claim. Claims should be submitted to the Claims Administrator.

How to File Claims

If you file your own claim form, follow these steps.

- Complete your portion of the claim form (your form will include step-by-step instructions for completing the correct information). Your dentist will need to complete his or her portion of the form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator online via the Benefits Source website mysourceforhr.com.
- Attach copies of all available dental bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the dental expense.
- Submit your completed claim form to the Claims Administrator. Claims should be submitted to:
  CIGNA
  P.O. Box 188037
  Chattanooga, TN 37422-8037

Any claims not submitted after 18 months from the date of service generally will not be considered for payment.

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

[Material continued on next page]

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Dental Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or by any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	CIGNA P.O. Box 188037 Chattanooga, TN 37422-8037 cigna.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Vision Plan

Vision Plan Option

Basic Vision Option

Your Vision Plan Options

This is the SPD (the "Vision Plan SPD") for the NiSource Vision Plan, also referred to as the Vision Plan. In this Vision Plan SPD, the Vision Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Vision Plan to eligible employees and their dependents with the following coverage options:

- Vision Plan option; and
- Basic Vision option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") with Vision Service Plan Insurance Company who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract, on the one hand, and this Vision Plan SPD, on the other hand, the terms of the Group Contract shall prevail. **You should refer to the Group Contract for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Vision Plan SPD.** *You may obtain a copy of the Group Contract by contacting the Benefits Source at **1-888-640-3320**.*

This Plan is designed to cover certain costs associated with your vision correction. *Please note that any illness or injury to your eyes would be covered under the Medical Plan, subject to any terms, conditions and limitations set forth in the Medical Plan*.

The Plan utilizes a network of VSP Providers referred to as the VSP Choice Network. The Plan pays vision benefits for eligible expenses regardless of whether you receive services and/or eyewear from a VSP Choice Network Provider or from a non-VSP Provider. However, if you go to a VSP Choice Network Provider, the Plan pays a higher level of benefits. You also have the option to receive benefit coverage from non-VSP Providers. However, your level of benefit payment will be subject to the non-VSP provider schedule as outlined in the "*Highlights of Your Vision Plan Coverage*".

- **VSP Choice Network Provider** – offers the convenience of "one-stop shopping" and can provide everything you need (eye exams, and if applicable, prescription glasses, and contacts). As long as you receive care or eyewear from a VSP Choice Network Provider, you are responsible for the amount in excess of the Plan's allowance, any applicable co-pays, and the cost of any eyewear or service that the Plan does not cover.
- **Non-VSP Providers** – you have the option to receive your services and eyewear outside the VSP Choice Network. If you do, you must pay the Provider in full at the time of your appointment and submit a claim to VSP. Once you submit an itemized receipt, the Plan then reimburses you for the eligible expense (up to the Plan's allowance).

To find a Provider who participates in the VSP Choice Network, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to request assistance.

Eligibility

For information regarding eligibility under the Vision Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Vision Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320** or log on to the Benefits Source website at mysourceforhr.com.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of Your Vision Plan Coverage

Vision Plan Option

The Vision Plan option pays for the following services and materials:

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year for Adults Twice every calendar year for Children	100%	Up to a $45 allowance
Lenses (per pair)			
Regular (single vision)	Once every calendar year	100%	Up to a $30 allowance
Lined Bifocal	Once every calendar year	100%	Up to a $50 allowance
Lined Trifocal	Once every calendar year	100%	Up to a $65 allowance
Lenticular	Once every calendar year	100%	Up to a $100 allowance
Frame	Once every other calendar years for Adults Once every calendar year for Children	100%, Up to a $200 frame allowance Featured Frames 100%, Up to a $250 frame allowance	Up to a $70 allowance
Contacts			
Visually Necessary	Once every calendar year in place of glasses	100%	Up to a $210 allowance
Elective	Once every calendar year in place of glasses	100% up to a $175 annual allowance	Up to a $105 allowance

If you choose contacts instead of glasses, you will pay up to a $50 copay for the contact lens exam (fitting and evaluation) after a 15% discount. The contact lens exam is in addition to your WellVision Exam® to ensure proper fit of contacts.

Polycarbonate lenses are covered in full for dependent Children up to the end of the month in which they turn age 26.

Standard Progressive Lenses are covered in full for all members.

KidsCare - the VSP® KidsCare Plan is designed to meet the eye care and eyewear needs of active and growing children by providing two WellVision Exams® and one pair of glasses every calendar year.

Basic Vision Option

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year	100%	Up to a $45 allowance

Vision Expenses Covered

The Plan will pay for vision services and materials, as described in the "*Highlights of Your Vision Plan Coverage*." However, in the event of any conflict with that section and the Group Contract, the terms of the Group Contract will prevail.

For purposes of this Vision Plan SPD, (i) "Adult" means either you or your Spouse, provided such person is eligible for, and has enrolled in, coverage under the Plan, (ii) "Child" or "Children" refers to a Child, as defined in the *Definitions* section of the **Benefits Program Overview**, provided such Child is eligible for, and enrolled in, coverage under the Plan, and (iii) "Covered Person" or "member" or "covered member" refers to any person who satisfies the eligibility requirements of the Plan and who is enrolled in coverage under the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process –* Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

For the Vision Plan Option, the services and materials that the Plan covers include, but are not limited to, the following:

- One WellVision Exam® in every calendar year for Adults.
- Two WellVision Exams® in every calendar year for Children.
- Prescription eyeglass lenses, one pair in every calendar year, up to a specified lens allowance.
- Frame for Adults, one pair every other calendar year (up to the frame allowance).
- Frame for Children, one pair every calendar year (up to the frame allowance)
- Contacts, one pair in every calendar year, up to a specified allowance. The allowance applies to the contacts only. There is an additional copay up to $50 for the contact lens exam (fitting and evaluation). This exam is in addition to your WellVision Exam® to ensure proper fit of your contacts. You can elect to receive an annual allowance toward the cost of contacts in lieu of frame and lenses.

Extra Discounts and Savings

When visiting a VSP Choice Network Provider, you may receive the following, provided that some of the discounts/savings listed below may not apply to the Basic Vision Option:

- Average savings of 30% on non-covered lens enhancements, such as scratch resistant and anti-reflective coatings, light reactive, custom or premium progressives, etc.; 20% off additional prescription glasses and sunglasses within 12 months of your last WellVision Exam®;
- 15% discount off the cost of an elective contact lens exam (fitting and evaluation);
- Polycarbonate lenses are covered in full for dependent Children;
- Standard progressive lenses covered in full for all members; Routine retinal screening discount;
- Laser vision correction discounts.

Other Programs/Resources Offered by the VSP

Laser VisionCare℠ Program

If you are considering laser vision correction, the Plan can help you make an informed decision. The Plan contracts with laser surgery facilities and doctors. As a result, you can access laser vision correction surgery for hundreds of dollars less than what you might pay privately. VSP has arranged for members to receive PRK, LASIK and Custom LASIK, at a discounted fee with an average 15% off the regular price or 5% off the promotional price. Visit the Claims Administrator's website at vsp.com or call **1-800-877-7195** to learn more about this program.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Vision Expenses Not Covered

Some vision care services and/or materials are not covered under this Plan and certain other limitations may apply. In addition, some brands of spectacle frames may be unavailable for purchase as Plan benefits or may be subject to additional limitations. Covered Persons may obtain details regarding service, material and/or frames exclusions from their VSP Choice Network Provider or by calling VSP's Member Services at (800) 877-7195.

Patient Options

This Plan is designed to cover visual needs rather than cosmetic eyewear. When a covered member selects non-covered lens enhancements, the covered member will pay the additional costs for the options. Some non-covered lens enhancements include:

- Optional cosmetic processes;
- Anti-reflective coating;
- Color coating;
- Mirror coating;
- Hi Index Lenses
- Scratch resistant coating;
- Blended lenses;
- Cosmetic lenses;
- Laminated lenses;
- Oversize lenses;
- Photochromic lenses, tinted lenses except Pink #1 and Pink #2;
- Custom and Premium Progressive lenses;
- UV (ultraviolet) protected lenses; or
- Certain limitations may apply on low vision care

For the cost of a non-covered lens enhancement, speak with your VSP Choice Network Provider or call VSP Member Service at (800) 877-7195

Not Covered

There are no benefits for:

- Services and/or materials not specifically included in this Vision Plan SPD as covered Plan benefits.
- Plano lenses (lenses with refractive correction of less than ± .50 diopter).

- Two pair of glasses instead of bifocals.
- Replacement of lenses, frames and/or contact lenses furnished under this Plan which are lost or damaged, except at the normal intervals when Plan benefits are otherwise available.
- Orthoptics or vision training and any associated supplemental testing.
- Medical or surgical treatment of the eyes.
- Contact lens insurance policies or service agreements.
- Refitting of contact lenses after the initial (90-day) fitting period.
- Contact lens modification, polishing or cleaning.
- Local, state and/or federal taxes, except where VSP is required by law to pay.
- Services associated with Corneal Refractive Therapy (CRT) or Orthokeratology.
- Corrective vision treatment of an experimental nature;
- Costs for services and/or eyewear above Plan benefit allowances; and
- KidsCare - Services and/or materials provided by someone other than a VSP Network Provider

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible vision care expenses that are not covered under the Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any vision care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

A Covered Person who is covered under two or more insurance plans that include vision care benefits may be eligible for Coordination of Benefits ("COB"). VSP will combine other insurance plans' claim payments or reimbursements, if any, with benefits available under the Plan, which may reduce or eliminate the Covered Person's out-of-pocket expense. A Covered Person covered under more than one VSP Plan may also be able to take advantage of COB. In order to process claims involving COB, VSP may need to share personal information regarding the Covered Person with other parties (such as another insurance company). When this is necessary, VSP will only share such information with those persons or organizations having a legitimate interest in that information and only where such sharing is not prohibited by law.

When coordinating benefits, it must be determined which plan is billed first. The plan that covers the member as an employee is "primary". The plan that covers the member as a dependent is "secondary".

If the Covered Person is a dependent child and is covered under both parents' plans, typically the parent whose birthdate falls first in the calendar year has the primary plan. If the parents are separated or divorced, the parent with custody is primary, unless otherwise ordered by the court.

The primary plan must pay or provide benefits as if the secondary plan does not exist.

When VSP administers the secondary plan, the member will receive a specified allowance for each service (exam, lenses, frame or contacts) that will be used to pay up to, but not more than the billed amount. Only services received on the primary benefit may be used for coordinating like services on the secondary benefit. Secondary allowances are applied first to the same service of the primary plan. Any remaining amount may be used to cover additional expenses on other services.

VSP will reimburse the Covered Person according to each benefit's out-of-network

schedule of allowances, not to exceed the actual exam fee and the cost of corrective eyewear.

Please Note: Coordination of benefits does not guarantee that all out-of-pocket expenses will be covered-in-full. The Member is responsible for any remaining expenses.

How to Access the Vision Benefits

Selecting a VSP Choice Network Provider

- Log on to the Benefits Source website at mysourceforhr.com to find the link to VSP's website that houses the most up-to-date list of VSP Choice Network Providers; or call the Benefits Source at **1-888-640-3320** to locate a VSP Choice Network Provider near you. Call the VSP Choice Network Provider to make an appointment. Identify yourself as a VSP member.
- At the time of the visit, pay any amounts that are in excess of the allowance or the Plan's covered services. The VSP network provider files all necessary claims directly from his or her office. The Claims Administrator takes care of all of the necessary paperwork, and pays the provider directly for the eligible expenses.

If you select a Non-VSP Provider

If you receive care from a non-VSP provider, you are required to submit a VSP Request for Reimbursement claim form or you can submit the claim online by signing in as a Member to vsp.com. Here are the steps to follow when filing your own claim with the Claims Administrator:

- Complete all required fields of the VSP Request for Reimbursement claim form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator via the Benefits Source website mysourceforhr.com and link to the Claims Administrator's website.
- Attach copies of your itemized bill and paid receipts to your claim form. These bills should include:
  - Name of patient;
  - Doctor's name or office name;
  - Date of service;
  - Each service received and the amount paid;

Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

VSP
P.O. Box 385018
Birmingham, AL 35238-5018

Be sure to submit your completed claim to the Claims Administrator within 1 year of the date of your service.

Your claim will be processed upon receipt. The Plan then pays eligible benefits directly to you. Regardless of whether you will receive care from a VSP Choice Network Provider or a non-VSP provider, you receive a statement that tells you how much the Plan paid. In some cases, the Claims Administrator sends the payment to a designated representative (as in the case of a Qualified Medical Child Support Order).

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Vision Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Fully Insured
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurance Company. Claims are administered by the Claims Administrator listed below under the group insurance contract.
Claims Administrator (VSP Choice Network Providers):	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670 vsp.com
Claims Administrator (Non-VSP Providers):	Vision Service Plan Insurance Company P.O. Box 385018 Birmingham, AL 35238-5018
Insurance Company:	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The group insurance contract (the "Group Contract") underwritten by Vision Service Plan Insurance Company provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and a certificate or evidence of coverage (the "Group Insurance Certificate"). In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail.

Vision Service Plan Insurance Company, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Flexible Benefits Plan

Flexible Spending Account Plan

Health Savings Account

Your Flexible Benefits Plan Options

NiSource Inc. (the "Company") maintains the NiSource Flexible Benefits Plan (the "Plan"), which provides eligible employees with the option to participate in a Flexible Spending Account Plan (an "FSA Plan") and to contribute to a Health Savings Account (an "HSA"); provided, however, that you may not contribute to a Health Care FSA and an HSA at the same time.

The Claims Administrator for the FSA Plan is Alight Solutions, LLC, dba "Your Spending Account" or "YSA".

Flexible Spending Account

The FSA Plan has two different Flexible Spending Accounts. They are:

- The Health Care FSA; and
- The Dependent Care FSA.

You may participate in one or both of these accounts. The contributions you make to the Flexible Spending Accounts are not subject to Federal, and in many cases, state and local income tax, which reduces your taxable income.

The Health Care FSA allows you to set aside before-tax money from your paychecks to pay for certain eligible health care expenses that are not covered by the Medical, Dental or Vision Plans. You may set aside up to $2,750 a year (deducted from your pay in equal installments throughout the year) to pay for eligible out-of-pocket expenses such as deductibles, co-payments, or expenses that the Plan limits or excludes. The maximum limit for Health Care FSA may be adjusted periodically for inflation. Please contact the Benefits Source at **1-888-640-3320** to find out the current limit.

The Dependent Care FSA works similarly to the Health Care FSA. However, the before-tax money that you can set aside can only be used for reimbursement for dependent care expenses for eligible dependents. You may set aside up to $5,000 per year, or $2,500 per year if you are married and file separate federal income tax returns.

You may not claim any other tax benefit (e.g., the federal dependent care tax credit) for the amount of your before-tax salary reductions under the Dependent Care FSA, although your eligible dependent care expenses in excess of that amount may be eligible for the federal dependent care tax credit. The federal dependent care tax credit is a credit against your federal income tax liability under the Code. It is a non-refundable tax credit, which means that any portion of it that exceeds your federal income tax liability will be of no value to you. For more information about how the dependent care tax credit works, see IRS Publication No. 503 ("Child and Dependent Care Expenses"). For most individuals, participating in the Dependent Care FSA will produce greater federal tax savings than the dependent care tax credit, but there are some for whom the opposite is true. You should consult a tax advisor to determine what course of action would be best in your situation.

Eligibility

For information regarding eligibility under the FSA Plan, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

Highlights of the Flexible Spending Accounts (FSAs)

FSA FEATURES	Eligible Dependents	Eligible Expenses
Health Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $2,750*	The Health Care FSA can be used to reimburse eligible out-of-pocket expenses incurred by you, your eligible spouse, or any person who is your dependent for federal income tax purposes (as determined without regard to such person's gross income).	Certain medical, dental, and vision expenses not covered under the Medical, Dental, or Vision Plans, such as deductibles, co-payments and coinsurance amounts. The expense must be considered as one incurred for "medical care," as defined in the Code. *A non-exhaustive list of eligible expenses can be found later in this section.*
Dependent Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $5,000; $2,500 if you are married and file separate federal income tax returns.	For purposes of the Dependent Care Flexible Spending Account, eligible dependents are: • Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child; • Your spouse who is physically or mentally incapable of caring for himself or herself, provided the spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, the spouse must regularly spend at least eight hours each day in your home.	Expenses you incur to care for your child or a dependent family member while at work. If you are married, your spouse also must work, be looking for work, be a full-time student for at least five months during the calendar year, or be physically or mentally unable to care for your dependent(s). *A non-exhaustive list of eligible expenses can be found later in this section.*

FSA FEATURES	Eligible Dependents	Eligible Expenses
	• Any one of the following persons, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year: a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step-daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.	

*Amount is subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current maximum annual contribution amount for the Health Care FSA.

Health Care Eligible Expenses

Health care expenses that are eligible for reimbursement from the Health Care FSA are those expenses incurred for "medical care" (as defined under the Code and regulations issued thereunder) by you, your spouse or persons who qualify under the Code as your tax dependents for health coverage purposes, to the extent such expenses are not reimbursed from any other source, are not taken as a deduction on the your income tax return and are not otherwise excluded from eligibility under the terms of the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Health Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Eligible health care expenses include, but may not be limited to the following:

- Expenses covered by an employer-sponsored health care plan, but not reimbursed due to a deductible or co-payment.
- Prescription vision expenses (including eyewear, contact lenses and optometrist), contact lens solution, a guide dog for the blind and special education devices for the blind (such as a special typewriter).
- Expenses that may not be covered by an employer-sponsored health care plan, including (but not limited to):
  - Confinement to a facility primarily for screening tests and physical therapy or hydrotherapy;
  - Cosmetic surgery if it is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease;

- Services for chromosome or fertility studies;
- Treatment (other than surgery, which is covered by the Medical Plan) of corns, bunions, calluses, foot structural disorders, etc.;
- Services related to sexual dysfunctions or inadequacies;
- Ace bandages, support hose, or other pressure garments prescribed by a physician;
- Charges for medical expenses in excess of reasonable and customary expenses;
- Acupuncture for pain relief as performed by a licensed practitioner;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Orthodontic services not covered by a health care plan;
- Transportation expense to receive medical care, including fares for public transportation and actual out-of-pocket car expense, such as gas and oil. In lieu of out-of-pocket expenses, a standard mileage rate (plus tolls and parking) may be used;
- Hearing expenses including hearing aids, special instructions or training for the deaf (such as lip reading), the cost of acquiring and training a dog for the deaf, and special telephone and audio display equipment for the deaf;
- Hypnosis for treatment of an illness;
- "Halfway house" care to help individuals adjust from life in a mental hospital to community living;
- Tutoring by a licensed therapist for a child with a severe learning disability and special schooling for handicapped individuals;
- Lifetime care advance payment to a private institution for lifetime care, treatment, or training of a mentally or physically handicapped patient;
- Medical information plan fees paid to a plan maintaining an individual's medical information by computer;
- Special car controls for the handicapped; and
- Full or partial reimbursement for certain capital expenditures that are primarily made for health care reasons (e.g., an air conditioner installed in the home of a person with severe allergies may qualify for partial reimbursement, and an exercise swimming pool to aid in the recovery of a stroke victim may qualify for reimbursement).

This list of covered expenses is subject to change. An expense may not be reimbursed if the IRS would not consider the expense to be eligible.

To confirm if an expense is eligible for reimbursement, call YSA via the Benefits Source at ***1-888-640-3320.***

Health Care Expenses Not Eligible

The health care expenses that are **not** eligible for reimbursement from the Health Care FSA include, but may not be limited to the following:

- Marriage or family counseling;
- The salary expense of a licensed practical nurse (LPN) incurred in connection with the care of a normal and healthy newborn (even though such care may be required due to the death of the mother in childbirth);
- Funeral and burial expenses;
- Household and domestic help (even though recommended by a qualified physician due to your or dependent's inability to perform physical housework);
- Custodial care in an institution;
- Costs for sending a "problem child" to a special school for benefits the child may receive from a special course of study and disciplinary methods;

- Health club dues, YMCA dues, steam bath, etc.;
- Social activities, such as dance lessons or classes (even if recommended by a qualified physician for general health improvement);
- Membership fees or costs associated with weight loss or smoking cessation programs for general health and well-being purposes;
- Maternity clothes, diaper services, etc.;
- Cosmetics, toiletries, toothpaste, etc.;
- General health care aids purchased without a prescription, such as dietary supplements (e.g., vitamins);
- Premiums for other group or individual insurance coverage;
- The segment of automobile insurance premiums providing medical coverage for persons injured through an accident involving your care;
- Vacation or travel taken for general health purposes, a change in environment, improvement of morale, etc., or taken to relieve physical or mental discomfort not related to a particular disease or physical defect;
- Retin-A when used solely for cosmetic purposes;
- Herbs (even if they are used to treat an illness or injury); and
- Premiums for contact lens replacement insurance.

Filing a Health Care FSA Claim

If your health care-related expenses are eligible for reimbursement from the Program's Medical, Dental, or Vision Plans (or another medical, dental, or vision plan outside the Program), those expenses should be submitted to that plan first. After a payment determination is made, the unreimbursed expenses can then be submitted to your Health Care FSA.

The total annual amount that you can elect to contribute to the Health Care FSA (less any previous reimbursements) is available for reimbursement (regardless of the amount that you have contributed to your FSA to-date). Contributions then continue to be deducted from your paychecks until your annual goal amount is reached.

You may incur eligible health care expenses until December 31. You then have until March 31 of the following year to submit claims for expenses you incurred between January 1 and December 31 of the previous year.

Reimbursement of Health Care FSA Claims

You may submit a claim for reimbursement under your Health Care FSA via the Benefits Source website **mysourceforhr.com**.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Completed forms should be submitted along with the following documentation:

- **The Explanation of Benefits** (EOB): The EOB from the Claims Administrator indicates what expenses were covered by your medical/dental/vision plans. If you have another benefit plan available to you, you must submit your EOB with your completed health care reimbursement form.
- **A Co-pay Receipt**: This receipt is from the provider, and may be the only documentation if the co-pay is the only expense.
- **An Itemized Bill or Statement**: This is from the provider, and shows what expenses are not covered by the medical/dental/vision plan. It may include the:
  - Name and address of the service provider;
  - Dates of service (not the billing date or the paid date);
  - Dollar amount charged;
  - Patient's name; and
  - Description or type of services rendered.

Please note that canceled checks and balance-forward statements are not acceptable documentation for reimbursement.

Submit the completed form and documentation to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

Debit Cards

In addition, if the total annual amount that you elect to contribute to the Health Care FSA is $60 or greater, you will be issued a debit card for use with your Health Care FSA. The debit card may be used only for eligible health-related expenses. When you use your debit card, you are automatically certifying that you have not been reimbursed for the expense and that you will not seek reimbursement for the expense from any other plan.

You may use your debit card to obtain reimbursement for certain approved over-the-counter medications and supplies that are used to treat an illness, injury, or disease and that are purchased from registered vendors. However, you may not use your debit card to obtain reimbursement for over-the-counter medications or supplies that require a prescription or a statement of health or medical need.

The FSA Plan will try to automatically verify any claims you submit through your debit card. However, you should retain documents (such as an EOB, receipt, and itemized bill or statement) to support your claim in case the Claims Administrator requests such information. All expenses you incur must be substantiated in accordance with rules established by the IRS.

If you are paid for an excess or ineligible claim through your debit card, or if you fail to provide requested information to the Claims Administrator regarding substantiation of a claim, your debit card privileges may be suspended and the Plan and Claims Administrator reserve the right to recoup the mistaken payment. If you fail to repay such amount to the Plan, such amount may be withheld from your wages, be offset against other eligible Health Care FSA claims you submit, or be reported on your W-2 as taxable income.

Dependent Care Eligible Expenses

The dependent care expenses that are eligible for reimbursement from the Dependent Care FSA include, but may not be limited to:

- Family day care providers;
- Babysitter;
- Caregivers for a disabled dependent or spouse who resides in the participant's home;
- Housekeeper, maid or cook (provided the services are attributable in part to the care of an eligible dependent);
- Dependent care provided outside your home by an eligible care provider, including care provided in a neighbor's home or in an approved nursery school or dependent day care center. If the care is for a dependent age 13 or over, the dependent must regularly spend at least eight hours each day in your home. For example, day care centers for children and disabled adults qualify, but 24-hour nursing care facilities do not. Also, facilities that care for seven or more nonresident individuals must comply with all applicable state and local regulations governing day care centers;
- Payments for before- and after-school care for eligible children from kindergarten up to and including age 12;
- Payments in lieu of regular dependent day care to summer day camp or other summer programs (but not overnight camp); and
- Certain expenses for children not yet in the first grade, for example:
  - Nursery school;
  - Pre-school.

To confirm if an expense is eligible, call YSA via the Benefits Source at **1-888-640-3320**.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Dependent Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dependent Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 41.

Dependent Care Expenses Not Eligible

The dependent care expenses that are **not** eligible for reimbursement from the Dependent Care FSA include, but may not be limited to the following:

- Dependent care expenses that you incur before (or after) your participation in the Dependent Care FSA begins (or ends);
- Any expense that you claim for the dependent care tax credit on your federal income tax return, or any expense that is paid by any other similar reimbursement-type plan or program;
- Any expenses that are reimbursed by your Health Care FSA;
- Expenses for the education of a qualified dependent;
- Expenses paid for food and clothing;
- Dependent care provided by a family member who is under age 19 at the end of the taxable year, or by another dependent for whom you claim a dependent exemption on your tax return;
- Expenses for health care;
- Educational expenses for kindergarten or higher;
- Housekeeping expenses that are not related to dependent care, or payments for services while you are at home from work because of an illness;
- Child or dependent care provided while:
  - You are at work and your spouse is doing volunteer work, even if a nominal fee is paid (or vice versa);
  - You and your spouse are doing volunteer work (even if a nominal fee is paid); or
  - You and your spouse are not working (such as weekend or evening babysitting fees);
- Expenses for food, clothing, health care, or entertainment of a qualified dependent;
- Transportation expenses to and from the dependent care location;
- Expenses for overnight camps;
- Services of a gardener or chauffeur; and
- Care provided by a round-the-clock nursing home.

Filing a Dependent Care FSA Claim

For Dependent Care FSA reimbursements, only the current balance in your Dependent Care FSA is available for reimbursement. This means that you are reimbursed up to the amount that you have actually set aside from each paycheck up to that point (less any previous reimbursements). So, if the reimbursement request that you submit exceeds the amount currently in your Dependent Care FSA, you are reimbursed for the remainder after you contribute more money to your Dependent Care FSA via future paychecks.

You may submit a claim for reimbursement under your Dependent Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Submit the completed form along with the following documentation:

- **Provider's Bill or Itemized Receipt**:. The provider must sign this documentation, and it must itemize the date(s) of service as well as the amount(s) charged. Canceled checks are not considered acceptable documentation.
- **Dependent Care Provider's Name, Address, and Social Security Number (or Federal Tax Identification Number)**. For tax-reporting purposes, you must include the provider's name and his or her Social Security number (or taxpayer identification number). The taxpayer identification number is not necessary if the provider is a nonprofit, religious, charitable, or educational organization.

If the provider completely fills out the 'Provider Certification' section of the reimbursement form, then you need only submit the completed reimbursement form for your reimbursement request.

Submit the completed form and documentation (if required) to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

FSA Filing Deadlines

You may submit a health care reimbursement claim at any time after you incur an eligible health care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Health Care FSA after March 31 will be forfeited.

You may submit a dependent care reimbursement claim at any time after you incur an eligible dependent care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Dependent Care FSA after March 31 will be forfeited.

Claim Determination and Appeal Process – Health Care FSA

For information regarding the Health Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Claim Determination and Appeal Process – Dependent Care FSA

For information regarding the Dependent Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dependent Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the FSA Plan, including COBRA continuation coverage under the Health Care FSA, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Health Savings Account

If you enroll in one of the High Deductible PPO options (HDPPO 1 or HDPPO 2) you may be eligible to contribute to a Health Savings Account (HSA). An HSA is a portable savings account established and maintained outside the Plan that can be used to pay present and future medical and prescription drug expenses. An HSA is not an employer-sponsored employee benefit plan — it is an individual trust or custodial account that you open with a separate HSA trustee/custodian, such as a bank, life insurance company or other financial institution. Your HSA will be subject to the terms of an agreement you enter into with the HSA trustee/custodian. Such agreement may impose fees and restrictions upon how you use your HSA. The Plan merely allows you to contribute to your HSA in an amount up to the IRS statutory limit. Unlike a Health Care FSA, the HSA account balance can roll over from year to year until withdrawn and earnings accumulate tax-free.

The Health Savings Account is administered by Alight. Your Employer has no authority or control over the funds deposited in your HSA. As a result, the HSA is not subject to ERISA.

You can use the dollars in your HSA to pay the deductible and coinsurance required under the HDPPOs, along with other qualified medical expenses not covered by the plans. Qualified medical expenses are expenses you pay for medical care (as defined in Section 213(d) of the Code) for you, your spouse or dependents (as defined in Section 223 of the Code), to the extent such expenses are not reimbursed by insurance or otherwise.

Funds in the HSA remain in the account until you apply for reimbursement. If you are enrolled in the HDPPO 1 or HDPPO 2, your Employer may make an annual contribution into your HSA on your behalf. However, you must establish or activate your HSA before the end of the Plan Year in order to receive any Employer contributions. If you fail to do so, you will forfeit any Employer contributions for that Plan Year.

The amount you can contribute to your HSA is governed by federal law. Please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Flexible Benefits Plan – HSAs"* for a discussion of limitations upon the amount you may contribute to an HSA. Please call the Benefits Source at **1-888-640-3320** for more information.

Three Ways to Use Your Health Savings Account

- Pay for current qualified medical expenses, such as deductibles and coinsurance, or eligible expenses not covered by the HDPPOs.
- Pay for qualified medical expenses in future years, even if you are no longer enrolled in the HDPPOs.
- Once you reach age 65 (or become disabled), you can use any remaining money in your HSA to pay for qualified medical expenses on a tax-free basis, or you can take a distribution for non-qualified medical expenses, subject to income tax but without incurring a penalty .

Please note: *The information above describes the federal tax treatment of an HSA, but the favorable tax treatment described above may be limited or unavailable for state tax*

purposes. Please consult your tax advisor for more information.

Eligibility

For information regarding eligibility for an HSA, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in an HSA, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

HSA Qualified Medical Expenses

In addition to those services covered under the HDPPOs, you can use your HSA to pay for other qualified medical expenses including, but not limited to the following expenses, to the extent they are not reimbursed from any other source:

- Laser eye surgery;
- Weight loss programs;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Long-term care premiums;
- COBRA premiums;
- Health care plan premiums while receiving unemployment;
- Over age 65, you can use the HSA funds to pay for Medicare Parts A or B; and
- Many other services defined as expenses for medical care under Section 213(d) of the Code.

If you use your HSA for a non-medical or non-qualified medical expense, you will have to pay income tax on the account distribution as well as a 20% penalty. However, if a distribution is made after age 65, after disability, or after death, the distribution will be subject to income tax, but no penalty tax.

If you have a question about what constitutes a qualified medical expense, please consult your tax advisor or Publication 969 that may be found on the IRS website at irs.gov.

How to Open an HSA

After you have enrolled in an HDPPO option and agreed to the terms and conditions of the HSA custodial agreement, YSA will send you a packet containing basic information on how to use a Health Savings Account.

Paying for Covered Expenses Using the Health Savings Account

The Health Savings Accounts are administered by YSA. When you visit a network provider, you typically do not pay at the time of service. Simply show your Anthem ID card and the following steps will be followed:

1. The claim will be sent to Anthem for processing.
2. You will receive an Explanation of Benefits (EOB) statement showing what was paid under the Plan.
3. Your provider will receive the same statement and bill you for the balance not covered under the Plan.
4. You can then either pay the balance with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

Paying for prescription drugs works differently. The following steps will be followed:

1. You must show the pharmacist your Anthem ID card (the same one you use for medical services).
2. When you pick up your prescription, you can either pay with your HSA debit card (if accepted by your provider) or pay out

of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

A similar procedure applies for mail-order prescription drug service.

Paying a Provider Who Does Not Participate in the Network

If you visit a provider who is not in the Network, you must either pay the provider at the time of service with your HSA debit card (if accepted by your provider) or pay the provider out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

To enroll or to find out more information about the Health Savings Account, please visit the Benefits Source website mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to speak with a representative.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Flexible Benefits Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Code Section 125 Plan containing group health plan and non-group health plan components and providing for Pre-Tax Payment of Medical Expenses (Health Plan), Pre-Tax Payment of Dependent Care Expenses and Pre-Tax Contributions to Health Savings Accounts
Plan Number:	537
Type of Funding:	Not applicable
Contribution Source:	Employee. In addition, subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Fiduciary and Plan Administrator:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute the entire cost of the Benefit Plan coverage they select. Provided, however, that subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Distributions from HSAs are not administered through the Plan. Questions concerning investments, distributions or other matters pertaining to an HSA should be directed to Alight, who administers the HSAs. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator for Flexible Spending Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com

Claims Administrator for Health Savings Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Travel Accident Plan

Your Travel Accident Benefit

This is the SPD (the "Travel Accident SPD") for the NiSource Travel Accident Plan, also referred to as the Travel Accident Plan. In this Travel Accident SPD, the Travel Accident Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the Plan to eligible employees to cover accidental death sustained during the course of a trip made on behalf of a Participating Employer.

For purposes of the Plan, a trip "made on behalf of a Participating Employer" means travel and sojourn authorized by, or at the direction of, a Participating Employer for purposes of furthering the business of the Participating Employer. A trip will be considered as commencing when you leave your residence or place of employment, whichever you leave last, for the purpose of going on such trip, and the trip will continue until you return to your residence or place of regular employment, whichever you return to first.

All eligible employees are covered for $50,000 in death benefits.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process – Travel Accident Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 44.

Eligibility

For information regarding eligibility under the Travel Accident Plan, please see the *"Eligibility under the Travel Accident Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Travel Accident Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Travel Accident Plan"*.

Contributions

The Employer pays the full cost of the Travel Accident Plan. There are no employee contributions.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Travel Accident Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Travel Accident Plan"*.

Beneficiary Designation

Your beneficiary will be the beneficiary or beneficiaries that you named under the NiSource Life Insurance Plan. (Please see the "*Life and AD&D Plan"* section of this Handbook for further details on beneficiary designation.)

If you fail to designate a beneficiary before your death, or if your beneficiary dies before you die, benefits are paid according to the default rules established under the NiSource Life Insurance Plan.

You and your beneficiary need to keep the Company advised of the addresses at which each of you can be located. If the Company cannot locate you or your beneficiary when benefits become payable, notification will be mailed to the most recent address on file. The Claims Administrator is not required to search for, or locate, you or your beneficiary. Please be sure to notify the Benefits Source should you or your beneficiary change addresses.

If a beneficiary becomes entitled to a payment under the Plan and it cannot be

made because (1) the current address is incorrect, (2) the beneficiary does not respond to the notice sent to the current address, (3) there are conflicting claims to such payment, or (4) any other reason, the amount of such payment, if and when made, shall be that determined under the terms of the Plan, without interest.

To designate or change your beneficiary(ies) go online via the Benefits Source website at mysourceforhr.com or call the Benefits Source toll-free number at **1-888-640-3320** to speak with a customer service associate.

Travel Accident Benefit Exclusions

The Plan does not cover any accidental death incurred due to:

- Commuting to and from work, and any travel during lunches, breaks and vacations;
- Suicide or any attempted suicide while sane or self-destruction or an attempted suicide while insane;
- Declared or undeclared war or any act of either within the United States, the District of Columbia or Canada;
- Service in the armed forces of any country; provided, however, orders to active military service for two months or less will not constitute service in the armed forces; or
- Sickness or disease, except infections that occur through an accidental cut or wound.

Filing a Claim

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim under the claims procedures described below.

In the event of death or covered loss, your beneficiary must contact the NiSource Benefits Department at 801 E. 86th Avenue, Merrillville, Indiana 46410 within 31 days or as soon as reasonably possible in order to receive benefits.

Any claims submitted after 18 months from the date of death or covered loss may not be considered for payment.

The Plan pays benefits based on the coverage that was in effect on the date of your death. The benefit is paid in the form of a lump-sum payment.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Travel Accident Plan."*

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Travel Accident Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Travel Accident
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Company and Participating Employers
Contribution Source:	Employer
Plan Sponsor:	NiSource Inc. 801 E. 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 E. 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Claims are administered by the Claims Administrator listed below Benefits will be paid under the Plan only if the applicable Plan Administrator or its delegate (e.g. the Claims Administrator) determines that the claimant is entitled to them.
Claims Administrator:	NiSource Benefits Department 801 E. 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator

Short-Term Disability Plan

Your Short-Term Disability Plan

This is the SPD for the NiSource Short-Term Disability Plan (the "Plan" or "Short-Term Disability Plan").

NiSource Inc. (the "Company") and the Participating Employers provide eligible employees with short-term disability ("STD") and sick leave coverage under the Plan at no cost to the employee. Your Employer provides you with limited income continuation should you become Disabled and unable to work because of a short-term Sickness or Injury (as defined below).

How Your Paid Sick Leave Works

Generally, if you are an eligible employee, you are granted paid sick leave on the first day of the month coincident with or next following the completion of six continuous months of active full-time employment with an Employer. All covered absences due to Sickness or Injury will be deducted from your sick leave balance and will be paid in accordance with the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Your Plan benefit is determined by your credited service years. Please see the *"Highlights of Your Disability Plan Coverage"* section for further details.

If you use all of your paid sick leave time and you are still unable to return to work, you will be on an unpaid leave of absence. You may continue in this unpaid status until:

- You are eligible to receive Long Term Disability Plan Benefits;
- You return to work;
- You terminate employment; or
- You retire.

If you are still on sick leave at the end of December and you remain unable to work into the next calendar year, you continue to use remaining sick leave from the previous year. Subject to the terms, conditions and limitations described below in "*Recurring or Separate Periods of Disability," y*ou will not receive additional hours of paid leave until you return to work for one full day in the new year. This means that you will not be granted additional hours of paid sick leave for the new year while you are absent due to Sickness or Injury.

For purposes of the Plan, "Sickness" means a disease, disorder or condition of the body or mind, including pregnancy, abortion, miscarriage or childbirth, that requires treatment by a Physician (as defined below), but does not include an Injury. Disability resulting from a Sickness must begin while you are covered under the Plan.

For purposes of the Plan, "Injury" means a bodily injury that is the direct result of an accident, that is not related to any cause other than the accident, the results in immediate disability, and that requires treatment by a Physician. Disability resulting from an Injury must begin while you are covered under the Plan.

Disability Under the Short-Term Disability Plan

If you are Disabled (as described below), you will be eligible for Plan benefits for up to maximum period of 26 weeks, at which time you may be eligible to receive Long-Term Disability Plan benefits. (See the *"Long-Term Disability Plan"* section of this Health and Welfare Benefits Handbook for details.) For Plan benefit purposes, as explained in greater detail below, you are considered "Disabled" or to have incurred a "Disability" if your Sickness (including pregnancy) or Injury prevents you from performing the essential functions of your own occupation.

There are different types of Disabilities for which you may qualify. They are defined as follows:

Total Disability

You are considered Totally Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are reasonably qualified because of your education, training, or experience. If this is the case and you are absent from work for

more than four consecutive work days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator. As used in the Plan, "essential functions" means functions that (i) are normally required for performance of your own occupation or any job requiring similar education or training that an Employer offers you and for which you are reasonably qualified by reason of your education, training, or experience, and (ii) cannot be reasonably omitted or modified.

Partial Disability

You are considered Partially Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform, on a full time basis, the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are reasonably qualified because of your education, training, or experience. If this is the case and you are absent from work for more than four consecutive days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator.

Please Note: If you are Partially Disabled, you may be assigned temporary modified work. The temporary modified work assignment must be approved by your personal physician, the Company physician (where appropriate) and your supervisor.

Please Note: If you require a professional license or certification for your occupation and you lose that license or certification, the loss (in and of itself) does not constitute a Disability under the Plan.

**As used in this SPD, "Physician" means a person who is performing tasks that are within the limits of his or her medical license and is licensed to practice medicine and prescribe and administer drugs or to perform surgery; or who has a doctoral degree in psychology (Ph.D or Psy.D) whose primary practice is treating patients; or who is a legally qualified medical practitioner according to the laws and regulations of the governing jurisdiction. It cannot be any relative including, but not limited to, you, your spouse, or a child, brother, sister, or parent of you or your spouse as a doctor for a claim that you send to us.*

Recurring or Separate Periods of Disability

If you are collecting Plan benefits due to a Disability, you temporarily recover, you return to work for your Employer for 180 consecutive calendar days or less, and you then again become Disabled due to the same or a related Sickness or Injury, your subsequent Disability is considered a recurring Disability. This means that you will be entitled to benefits for the recurring Disability for the maximum benefit period, less the benefits you have already received for that Disability.

If you are collecting Plan benefits, you temporarily recover, you return to work for your Employer for 181 or more consecutive calendar days, and you then again become Disabled due to the same Sickness or Injury, your Disability is considered a separate Disability. This means that you will be entitled to benefits for the separate Disability for your maximum benefit period. This amount will not be reduced by the benefits you already received for that Disability.*

*However, in no event will you entitled to benefits under the Plan during a calendar year in excess of the benefits applicable to you as described in the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Eligibility

For information regarding eligibility under the Short-Term Disability Plan, please see the *"Eligibility under the Short-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Short-Term Disability Plan"*.

Contributions

Your Employer pays the full cost of the Plan. There are no employee contributions.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Short-Term Disability Plan"*.

Highlights of Your Short-Term Disability Plan Coverage

Your Plan benefit is determined according to your length of service and can extend up to 26 weeks during a calendar year, based on the following schedule:

For Employees Hired Before January 1, 2017:

CREDITED YEARS OF SERVICE	You Receive 100% of Your Base Salary for the First…	Then You Receive 60% of Your Base Salary for the Remaining…
More Than Six Months of Service But Less Than One Year of Service	1 Week	0 Weeks
From One Year of Service to Nine Years of Service	8 Weeks	18 Weeks
From Ten Years of Service to Nineteen Years of Service	16 Weeks	10 Weeks
Twenty or More Years of Service	26 Weeks	0 Weeks

For Employees Hired On or After January 1, 2017:

CREDITED YEARS OF SERVICE	You Receive 100% of Your Base Salary for the First…	Then You Receive 60% of Your Base Salary for the Remaining…
Hired (or rehired with no credit for prior Years of Service) in 1st quarter of calendar year	4 days	0 days
Hired (or rehired with no credit for prior Years of Service) in 2nd quarter of calendar year	3 days	0 days
Hired (or rehired with no credit for prior Years of Service) in 3rd quarter of calendar year	2 days	0 days

CREDITED YEARS OF SERVICE	You Receive 100% of Your Base Salary for the First…	Then You Receive 60% of Your Base Salary for the Remaining…
Hired (or rehired with no credit for prior Years of Service) in 4th quarter of calendar year	1 day	0 days
January 1 after date of hire (or after date of rehire with no credit for prior Years of Service) to 9 years	8 weeks	18 weeks
10 years to 19 years	16 weeks	10 weeks
20 years or more	26 weeks	0 weeks

For purpose of determining the number of weeks of benefits to which you are entitled, Base Salary and Years of Service shall be determined as of the January 1st immediately prior to the date of Total Disability, except that

(i) for employees hired before January 1, 2017, (a) if you have more than six months but less than one Year of Service, Base Salary and Years of Service shall be determined as of the date of Total Disability, and (b) if you are a rehired employee who is entitled to credit for prior Years of Service, in the year you are rehired, Base Salary shall be determined as of the date of Total Disability and Years of Service shall be determined as of the date of your rehire according to rules described below with respect to crediting of service for rehires; and

(ii) for employees hired on or after January 1, 2017, in the year you are hired or rehired, Base Salary shall be determined as of the date of Disability and the calendar quarter in which you are hired or rehired shall be substituted for Years of Service, unless you are entitled to credit upon rehire for prior Years of Service, in which case Years of Service shall be determined as of the date of rehire.

Your Plan benefits may end prior to the periods set forth in this schedule for reasons described in the "When Benefits End" section below.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed. For more information, see the *"Claims Determination and Appeal Proc*ess – STD Plan*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 50.

Determining Years of Service

Generally

Upon your first year anniversary, you are credited with one Year of Service. On the December 31 following your first anniversary and each subsequent December 31 thereafter, you are credited with an additional Year of Service.

Crediting of Service for Rehires

If you terminated employment with, or retired from, an Employer and are rehired, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
Less than one year after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, including time of break
At least one year, but less than five years, after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, but excluding time during break in service.
At least five years after termination of employment or retirement from employment	No service credit. Participant begins with zero Years of Service upon rehire.

Crediting of Service for Rehires Who Previously Worked for Columbia Pipeline Group

If (i) you were an active employee of Columbia Pipeline Group, Inc. or its affiliates as of July 1, 2015, (ii) you terminated employment, or retired from employment, with Columbia Pipeline Group, Inc. or its affiliates on or after July 1, 2015, and (iii) you were thereafter rehired by an Employer, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
On or after July 1, 2015 and before July 1, 2016	All service with an Employer from the date of original hire prior to July 1, 2015 to and including the date of rehire by an Employer on or after July 1, 2015.
On or after July 1, 2016 and before July 1, 2020	All service with an Employer from the date of original hire prior to July 1, 2015, to and including June 30, 2015
On or after July 1, 2020	No service credit. Participant begins with zero Years of Service upon rehire.

Determination of Benefits Generally

Subject to the "How Your Paid Sick Leave Works" and the "Recurring or Separate Periods of Disability" sections of this SPD and upon your first year anniversary, you are entitled to receive benefits for the full benefit period of 26 weeks (1040 hours) for each calendar year.

To determine your Plan benefit, the Plan takes a percentage of your Base Salary*. This is called your "gross Plan benefit" The Plan then deducts any "other sources of disability income" from this amount to determine your "net Plan benefit."

Special provisions apply and are described below if you are Partially Disabled and are able to perform a temporary modified work assignment.

*"Base salary" means your basic earnings plus any before tax deposits deferred under a qualified retirement plan of an Employer. If you receive sales commissions, your Base Salary will be your average hourly wage based on the 12 consecutive calendar months immediately preceding the last day you were actively at work.

Your Base Salary does not include:

- Overtime;
- Shift differentials;
- Bonuses; or
- Any other form of special compensation.

Other Sources of Disability Income

You may be eligible for income from other sources due to your Disability. If this is the case, your benefits under the Plan will be fully offset by such other sources of Disability income.

Other sources of Disability income for which you are eligible, or that have been paid to you or to a third party on your behalf may include, but are not limited to, the amount of any benefit for loss of income for the same Disability from:

- The United States Social Security Act, the Railroad Retirement Act, the Jones Act, or similar plan or act
- Any temporary or permanent disability benefits under a Workers' Compensation law (does not include permanent impairment award), occupational disease law, or similar law
- The Veteran's Administration or any other foreign or domestic governmental agency
- Any governmental law or program that provides disability or unemployment benefits as a result of your employment with an Employer, including any state disability program;
- Disability benefits from any compulsory "no-fault" automobile insurance.

If you receive a benefit from another source of income in the form of a single lump sum, the amount of offset to the weekly benefit amount will be determined by prorating the lump sum over a period of 26 weeks.

State Disability Programs

If you work in a state that requires a state-defined disability plan, you are also covered under the provisions of the laws and regulations of that state plan. Your gross Plan benefit is reduced by the amount you are eligible to receive under any state disability program.

Applying for Other Sources of Disability Benefits

If you are eligible to receive disability benefits from other sources, you should apply as soon as possible. You should notify the Claims Administrator that you are eligible to receive other disability income as soon as possible.

When Benefits End

Your benefit payments will end as set forth in the schedule above, or sooner if any of the following events occur:

- You fail to submit evidence of your Disability or such other documents (if any) that the Plan deems necessary to administer the Plan, in accordance with Plan procedures;
- You do not comply with the Plan's request for evidence of your continuing Disability,

an independent medical examination or other examinations or tests;

- You fail or refuse to perform any temporary modified work assignment, in the case of a Partial Disability;
- You fail to participate in or comply with all requirements of the Disability Management Program;
- You are engaged in any other occupation or earn any self-employment income in excess of a de minimis amount;
- You are not under the regular care of a physician as required by your condition or you are not following the physician's treatment plan;
- You participate in and are convicted of a felony offense. In such case, your Disability will be determined to have ceased as of the date that you first participated in the felony offense;
- You commit or partake in any actions of fraud against the Plan or an Employer;
- You are no longer considered by the Plan to be Disabled;
- Your 26-week benefit period ends;
- You become eligible for LTD Plan benefits;
- You have been terminated or have voluntarily terminated employment with an Employer (other than transfer to another Employer);
- You are no longer eligible for coverage under the Plan; or,
- You die.

Plan Benefit Exclusions

The Plan does not pay benefits under certain circumstances. These circumstances include, but may not be limited to, the following:

- Failure to participate in or provide the Disability Management Program with all the required documentation regarding your Disability.
- Sickness or Injury that occurs while:
  - You are on a leave of absence;
  - You are furloughed from work;
  - You are suspended from work; or
  - You are considered an inactive employee.
- Disability that is caused or contributed to by an intentionally self-inflicted injury.
- If you are absent from work for more than four consecutive work days and the disability is not being treated by a Physician.
- Disability caused or contributed to by war or an act of war (declared or not).
- Disability caused by your commission of or attempt to commit a crime for which you have been convicted, or to which a contributing cause was your involvement in an illegal occupation.

Claiming Benefits

If you are unable to work because of Sickness or Injury, you must adhere to the following procedures to qualify for Plan benefits:

- Call your supervisor before your normal work day begins. If that is not possible, be sure to contact your supervisor as soon as you can. If you cannot call in, please be sure that someone calls in on your behalf. *Your Employer may require that you provide a Physician's statement confirming your Sickness or Injury before your absence is actually approved.*
- If you are, or know you will be, absent from work for more than four consecutive work days, call the Benefits Source at 1-888-640-3320 or the Claims Reporting Hotline at 1-877-ENERGY4, Option #3, then Option #1, to report your Sickness or Injury to the Plan's Disability Management Program.

Disability Management Program

You must participate in the Disability Management Program to qualify for Plan benefits. The Disability Management Program certifies that you qualify for Plan benefits beyond the fourth day of absence. You will

be assigned a "Claims Administrator" who will:

- Guide you through the disability benefits that may apply to your situation;
- Certify whether your disability qualifies for STD pay; and
- Help develop a reasonable return-to-work plan with you, your physician, and your supervisor.

You will be expected to participate fully in the Disability Management Program. You must:

- Supply the authorization and documentation as described in the following section;
- Maintain contact with your Claims Administrator;
- Follow the medical treatment plan that is agreed to by your Claims Administrator and your physician; and
- Return to work at the time that is agreed to by you, your Claims Administrator, your physician, and your supervisor.

Authorization and Documentation You Will Need to Supply

Upon request from the Claims Administrator, you may need to provide certain information. Failure to provide this information may deny, suspend or terminate your Plan benefits. The information includes, but is not limited to the following:

- Signed authorization form for the Claims Administrator to obtain all reasonably necessary medical, financial, or other non-medical information that supports your Disability claim.
- Proof that you have applied for other sources of disability income (i.e., Workers' Compensation, State Disability Benefits, or Social Security Disability Benefits, when applicable).
- Notification of when you receive or are awarded a benefit from another source of disability income, including the:
  - Type of income benefit;
  - Amount you are receiving;
  - Period for which the benefit applies; and
  - Duration for which the benefit is being paid (if you are receiving installment payments).

Also, your Employer may require a "doctor's release" to return to work.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Short-Term Disability Plan."*

Other Information

If Your Disability Reaches Five Months in Duration

You should apply for Social Security disability benefits by the end of the fourth month from the day your Disability began. (The Claims Administrator can help you with the filing process). In addition, if you are eligible to receive disability benefits from another source, you should apply as soon as possible.

Temporary Modified Work Assignment

If you qualify for a Partial Disability and you are working on a temporary modified work assignment, you will receive your Base Salary for the hours you work and Plan benefits (based on the Plan's provisions) for the hours you are not working.

If, in the Claims Administrator's opinion, you could perform a temporary modified work assignment (given your condition) and you refuse the assignment, the Plan benefit for which you would be otherwise eligible ends.

Family and Medical Leave Act (FMLA)

While collecting Plan benefits, you may also be eligible for leave under the Family and

Medical Leave Act of 1993 (FMLA). If you are eligible for and approved for a FMLA leave for your own serious health condition, your FMLA leave will run concurrently with Plan coverage for up to 12 weeks. Please refer to your Employer's FMLA Policy.

Continuation of Other Coverages

Certain coverages provided to you under the Program may continue while you are receiving Plan benefits or if you have an appeal pending in accordance with the provisions of the Plan. Any contributions that you are required to make toward the cost of these coverages (as well as your contributions to a retirement plan sponsored by an Employer) will be deducted from your Plan benefits. If your Plan benefits are insufficient to cover all of your benefit deductions, the Benefits Source will work with you to set up a direct billing arrangement. If you have any questions regarding these coverages, call the Benefits Source at **1-888-640-3320.**

Medical, Dental, Vision, and FSA Plans

For continuation of coverage under the Medical, Dental, Vision, and FSA Plans , see the General-Sick Leave subsection of the section of the **Benefits Program Overview** entitled "Continuation of Coverage under the Medical, Dental, Vision and FSA Plans."

Life and AD&D

Life and AD&D coverage for you and your eligible dependents continues.

LTD Disability

LTD coverage continues.

(Please Note: If your Disability continues and you meet the eligibility requirements, you may qualify for Long-Term Disability Plan benefits. See the *"Long-Term Disability Plan"* section of this Handbook for details.)

Retirement Plans

You continue to earn service under any retirement plan sponsored by an Employer for which you are otherwise eligible while collecting Plan benefits. In addition, you can continue to make elective deferrals (and the Company will continue to make matching contributions, as applicable) to any retirement plan allowing elective deferrals for which you are otherwise eligible while you are collecting Plan benefits. You may, however, stop your contribution to such retirement plan(s) at any time. Please see the applicable retirement plan(s) for further information.

Other Programs

If benefits under the Adoption Assistance Plan would otherwise be available to you, these benefits will not be available to you while you are collecting Plan benefits.

Contact Information

If you need answers to specific coverage related questions, contact the Benefits Source by going to their website or using their automated telephone system. Both the website and the automated telephone system can connect you with the Claims Administrator (if necessary).

Coverage Option	Contact
Short-Term Disability Plan	ESIS mysourceforhr.com (link to **ESIS.com**) 1-888-640-3320 (Benefits Source) You can connect with the Claims Administrator by phone via the Benefits Source automated telephone system.

General Plan Information

Program Name	NiSource Welfare Benefits Program
Plan Name:	NiSource Short-Term Disability Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Short-Term Disability
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions, and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-5539
EIN:	35-2108964
Plan Year:	January 1 through Decmber 31
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under the Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., the Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	ESIS Two Riverway Suite 1100 Houston, Texas 77056
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may also be made upon the Plan Administrator.

Long-Term Disability Plan

Basic LTD Coverage

Supplemental LTD Coverage

Your Long-Term Disability Options

NiSource Inc. (the "Company") offers the NiSource Long-Term Disability Plan (the "Plan") to eligible employees with the following coverage options:

- Basic LTD Coverage Option; and
- Supplemental LTD Coverage Option.

Benefits are provided under a group insurance contract (the "Group Contract") and a group insurance certificate (the "Group Insurance Certificate") issued by The Prudential Insurance Company of America ("Prudential"), who is the Claims Administrator and is wholly responsible for the payment of benefits.

You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description. *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at 1-888-640-3320.*

The Plan provides financial protection for you by paying a portion of your income while you have a long period of disability. The amount you receive is based on the amount you earned before your disability began. In some cases, you can receive disability payments even if you work while you are disabled. Benefits begin after the elimination period is completed. The elimination period is the period of continuous disability that must be satisfied before you are eligible to receive benefits and is the longest of (i) 180 days; (ii) the length of time for which you receive loss of time benefits, salary continuation or accumulated sick leave; and (iii) the date that you are absent from work for 1040 hours due to your disability.

If you are determined to be disabled, the Basic LTD Coverage Option provides monthly benefits of the lesser of (i) 50% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $8,333.00.

If you are determined to be disabled, the Supplemental LTD Coverage Option provides monthly benefits of the lesser of (i) 60% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $10,000.00. You pay a portion of the cost of the Supplemental LTD Coverage Option.

Your benefit may be reduced by deductible sources of income and disability earnings. Some disabilities may not be covered or may have limited coverage under the Plan. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan. Refer to the Group Insurance Certificate for further details.

See "*Highlights of the Long-Term Disability Plan Coverage*" below for examples illustrating the payment of monthly benefits.

Eligibility

For information regarding eligibility under the Long-Term Disability Plan, please see the *"Eligibility under the Long-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Long-Term Disability Plan"*.

Contributions

The Basic LTD Coverage Option is provided at no cost to you. If you elect the Supplemental LTD Coverage Option, you and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at* ***1-888-640-3320****.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends –Long-Term Disability Plan"*.

Highlights of the Long-Term Disability Plan Coverage

The information below describes how the Plan pays benefits if a participant becomes disabled and is unable to work and when a participant becomes disabled, but continues working. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan.

If you are Disabled and Not Working

If you have the Basic LTD Coverage Option, your Monthly Payment is the lesser of:

- 50% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $8,333.00 per month.

If you have elected the Supplemental LTD Coverage Option, your monthly payment is the lesser of:

- 60% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $10,000.00 per month

If You Are Disabled and Working

If your monthly disability earnings ("Disability Earnings") are less than 20% of your indexed monthly earnings ("Indexed Monthly Earnings"), your LTD benefit is the same as it would be if you were not working.

If your Disability Earnings are greater than 80% of your Indexed Monthly Earnings, no benefit is payable to you. If benefits have already commenced, Prudential will stop sending you payments and your claim will end.

If you are disabled and your monthly Disability earnings are at least 20%, but not more than 80%, of your Indexed Monthly Earnings, due to the same sickness or injury, Prudential will figure your payment as follows:

During the first 12 months of payments, while working, your monthly payment will not be reduced as long as Disability Earnings plus the gross disability payment does not exceed 100% of Indexed Monthly Earnings.

1. Add your monthly Disability Earnings to your gross disability payment.

2. Compare the answer in item 1 to your Indexed Monthly Earnings.

If the answer from item 1 is less than or equal to 100% of your Indexed Monthly Earnings, Prudential will not further reduce your monthly payment.

If the answer from item 1 is more than 100% of your Indexed Monthly Earnings, Prudential will subtract the amount over 100% from your monthly payment.

After 12 months of payments, while working, you will receive payments based on the percentage of income you are losing due to your Disability.

1. Subtract your Disability Earnings from your Indexed Monthly Earnings.

2. Divide the answer in item 1 by your Indexed Monthly Earnings. This is your percentage of lost earnings.

3. Multiply your monthly payment by the answer in item 2.

This is the amount Prudential will pay you each month.

The minimum monthly payment is the greater of (a) 10% of the gross disability payment otherwise payable, and (b) $100.

If your Disability Earnings are expected to fluctuate widely from month to month, Prudential may average your Disability Earnings over the most recent 3 months to determine if your claim should continue subject to all other terms and conditions of the Plan. If Prudential averages your

Disability Earnings, it will terminate your claim if the average of your Disability Earnings form the last 3 months exceeds 80% of Indexed Monthly Earnings. Prudential will not pay you for any month during which Disability Earnings exceed the foregoing amounts.

Definition of "Disability"

You are "disabled" when Prudential determines that:

- you are unable to perform the material and substantial duties of your regular occupation due to your sickness or injury;
- you have a 20% or more loss in your monthly earnings due to that sickness or injury; and
- you are under the regular care of a doctor.

After 24 months of payments, you are disabled when Prudential determines that due to the same sickness or injury,

- you are unable to perform the duties of any gainful occupation for which you are reasonably fitted by education, training or experience; and
- you are under the regular care of a doctor.

The loss of a professional or occupational license or certification does not, in itself, constitute disability.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received by Prudential within 30 days of its request.

Prudential may require you to be examined by doctors, other medical practitioners or vocational experts of its choice. It will pay for these examinations. Prudential can require examinations as often as it is reasonable to do so. It may also require you to be interviewed by an authorized Prudential Representative. Refusal to be examined or interviewed may result in denial or termination of your claim.

Additional Definitions

Active employment means you are classified as working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. You must be working at least 40 hours per week. Your worksite must be: your Employer's usual place of business; an alternate worksite at the direction of your Employer other than your home unless clear specific expectations and duties are documented; or a location to which your job requires you to travel. Normal vacation is considered active employment. Individuals whose employment status is being continued under a severance or termination agreement will not be considered in active employment.

Deductible sources of income means income from deductible sources listed in the Group Insurance Certificate that you receive or are entitled to receive while you are disabled. This income may be subtracted from your gross disability payment. Examples of deductible sources of income include but are not limited to (a) amounts you receive or are entitled to receive as (i) loss of time benefits under a workers' compensation law, an occupational disease law or any other act or law with similar intent; or (ii) loss of time disability income payments under any state compulsory benefit act or law, any insurance, health or welfare plan or other group insurance plan where the Employer, directly or indirectly, has paid all or part of the cost or made payroll deductions, or any governmental retirement system as a result of your job with your Employer; (b) the gross amount you receive or are entitled to receive as loss of time disability payments because of your disability under the United States Social Security Act or any similar plan or act; (c) the gross amount you receive as retirement payments under the United States Social Security Act or any similar plan or act; (d) the amount your receive as "wages" under the maritime doctrine of maintenance, wages and cure; and (e) the amount you receive, due to your disability, from a third party (after subtracting attorneys' fees and a pro-rata share of reasonable fees and costs) by judgement, settlement or otherwise. Refer to

the Group Insurance Certificate for a complete list of these sources.

Disability earnings means the earnings which you receive while you are disabled and working, plus the earnings you could receive if you were working to your greatest extent possible. This would be, based on your restrictions and limitations: (i) during the first 24 months of disability payments, the greatest extent of work you are able to do in your regular occupation, that is reasonably available; and (ii) beyond 24 months of disability payments, the greatest extent of work you are able to do in any occupation, that is reasonably available, for which you are reasonably fitted by education, training or experience. Salary continuance paid to supplement your disability earnings will not be included as disability earnings because it is not payment for work performed.

Gainful occupation means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 50% of your monthly earnings, if you are not working. However, if you enrolled in the Supplemental LTD Coverage Option, it means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 60% of your monthly earnings, if you are not working

Gross disability payment means the benefit amount before Prudential subtracts deductible sources of income and disability earnings.

Indexed monthly earnings means your monthly earnings as adjusted on each July 1, provided you were disabled for all of the 12 months before that date. Your monthly earnings will be adjusted on that date by the lesser of 10% or the current annual percentage increase in the Consumer Price Index. Your indexed monthly earnings may increase or remain the same, but will never decrease.

Injury means a bodily injury that is the direct result of an accident, that is not related to any other cause, and that results in immediate disability. Disability must begin while you are covered under the Plan.

Material and substantial duties means duties that:

- are normally required for the performance of your regular occupation; and
- cannot be reasonably omitted or modified, except that if you are required to work on average in excess of 40 hours per week, Prudential will consider you able to perform that requirement if you are working or have the capacity to work 40 hours per week.

Monthly earnings means your total annual income before taxes divided by 12. It is determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan, or flexible spending account. It includes income actually received from commissions but does not include renewal commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer. Commissions will be averaged for the lesser of: (a) the 24 full calendar month period of your employment with your Participating Employer just prior to the date disability begins; or (b) the period of actual employment with your Employer.

Regular occupation means the occupation you are routinely performing when your disability occurs. Prudential will look at your occupation as it is normally performed instead of how the work tasks are performed for a specific employer or at a specific location.

Sickness means any disorder of your body or mind, but not an injury; pregnancy including abortion, miscarriage or childbirth. Disability must begin while you are covered under the Plan.

Taxability of Monthly Benefits

Because your Employer pays the entire cost of your Basic LTD Coverage and does not include this cost in your gross-income, and because you pay for any Supplemental LTD Coverage

on a pre-tax basis, any monthly benefits you receive under the Plan will be taxable to you pursuant to the Code and guidance issued thereunder.

Maximum Period of Payments

The longest period of time the Plan will make payments to you for any one period of disability (your "maximum period of payment") is as follows:

Your Age on Date Disability Begins	Your Maximum Period of Payment
Less than 60	To age 65
Age 60 and over	60 months

Prudential will stop sending you payments while you are incarcerated as a result of a conviction.

In addition, Prudential will stop sending you payments and your claim will end on the earliest of the following:

- During the first 24 months of payments, when you are able to work in your regular occupation on a "part-time basis" but you choose not to; after 24 months of payments, when you are able to work in any gainful occupation on a part-time basis but you choose not to. "Part-time basis" means the ability to work and earn 20% or more of your indexed monthly earnings.
- The end of the maximum period of payment.
- The date you are no longer disabled under the terms of the Plan.
- The date you fail to submit proof of continuing disability satisfactory to Prudential.
- The date your disability earnings exceed the amount allowable under the Plan.
- The date you retire.
- The date you die.
- The date you decline to participate in a rehabilitation program that Prudential considers appropriate for your situation and that is approved by your doctor.

Notwithstanding the above, disabilities due to a sickness or injury which, as determined by Prudential, are primarily based on self-reported symptoms have a limited pay period during your lifetime. "Self-reported symptoms" means the manifestations of your condition, which you tell your doctor, that are not verifiable using tests, procedures and clinical examinations standardly accepted in the practice of medicine. Examples include, without limitation, headache, pain, fatigue, stiffness, soreness, ringing in ears, dizziness, numbness and loss of energy.

Also, disabilities which, as determined by Prudential, are due in whole or part to mental illness also have a limited pay period during your lifetime. "Mental illness" means a psychiatric or psychological condition regardless of cause and includes, without limitation, schizophrenia, depression, manic depressive, or bipolar illness, anxiety, somatization, substance related disorders, and/or adjustment disorders or other conditions. These conditions are usually treated by a mental health provider or other qualified provider using psychotherapy, psychotropic drugs, or other similar methods of treatment as standardly accepted in the practice of medicine.

The limited pay period for self-reported symptoms and mental illness combined is 24 months during your lifetime. There are exceptions to the limited pay period rules. Refer to the Group Insurance Certificate for a detailed explanation of these exceptions.

Recurrent Disabilities

If you have a "recurrent disability," as determined by Prudential, your disability will be treated as part of your prior claim and you will not have to complete another elimination period if (a) you were continuously insured under the Plan for the period between your prior claim and your current disability; and (b) your recurrent disability occurs within 180 days of the end of your prior claim.

Your recurrent disability will be subject to the same terms of the Plan as your prior claim.

Any disability which occurs after 180 days from the date your prior claim ended will be treated as a new claim. The new claim will be subject to all of the Plan provisions.

If you become covered under any other group long term disability plan, you will not be eligible for payments under the Plan.

A "recurrent disability" is a disability that is (a) caused by a worsening in your condition; and (b) due to the same cause(s) as your prior disability for which the Plan made a Long Term Disability payment.

Exclusions from Coverage

The Plan does not cover any disabilities caused by, contributed to by, or resulting from your:

- intentionally self-inflicted injuries;
- active participation in a riot; or
- commission of a crime for which you have been convicted under state or federal law.

The Plan does not cover a disability which is due to a pre-existing condition.

The plan does not cover a disability due to war, declared or undeclared, or any act of war.

You have a pre-existing condition if:

- You received medical treatment, consultation, care or services including diagnostic measures, took prescribed drugs or medicines, or followed treatment recommendation in the 3 months just prior to your effective date of coverage or the date an increase in benefits would otherwise be available; and
- Your disability begins within 12 months of the date your coverage under the Plan becomes effective.

Pre-existing conditions may also affect an increase in your benefits due to an amendment of the Plan or your enrollment in another Plan option. *For further details, refer to the Group Insurance Certificate. You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

Survivor Benefits

When Prudential receives proof that you have died, it will pay your spouse, if living; otherwise, your children under age 25 (your "eligible survivors"), a lump sum benefit equal to 3 months of your gross disability payment if, on the date of your death:

- your disability had continued for 180 or more consecutive days; and
- you were receiving or were entitled to receive payments under the plan.

If you have no eligible survivors, payment will be made to your estate. However, Prudential will first apply the survivor benefit to any overpayment which may exist on your claim.

Other Services Provided Under the Plan

As part of your coverage under the Plan, Prudential also provides certain benefits in the nature of a Social Security Claimant Assistance Program, a Rehabilitation Program and a program of reimbursing employers for the cost of certain worksite modifications that are identified by your Employer and Prudential as being likely to help you remain at work or return to work. Refer to the Group Insurance Certificate for further details regarding these programs. With respect to the Rehabilitation Program, if at any time you decline to take part in or cooperate in a rehabilitation evaluation/assessment or program that Prudential feels is appropriate for your disability and that has been approved by your doctor, Prudential will cease paying your monthly benefit.

Filing A Claim

General

Written notice of a claim should be sent to Prudential within 30 days after the date your disability begins. However, you must send Prudential written proof of your claim no later than 90 days after your elimination period ends. If it is not possible to give proof within 90 days, it must be given no later than

1 year after the time proof is otherwise required except in the absence of legal capacity. You must notify us immediately when you return to work in any capacity.

*Claim forms can be obtained from Prudential by phone via the Benefits Source at **1-888-640-3320**, or online via the Benefits Source website at mysourceforhr.com. If you do not receive the form from Prudential within 15 days of your request, send Prudential written proof of claim without waiting for the form.*

How to File Claims

You and your Employer must fill out your own section of the claim form and then give it to your attending doctor. Your doctor should fill out his or her section of the form and send it directly to Prudential.

Your proof of claim, provided at your expense, must show:

- That you are under the regular care of a doctor.
- Appropriate documentation of your monthly earnings.
- The date your disability began.
- Appropriate documentation of the disabling disorder.
- The extent of your disability, including restrictions and limitations preventing you from performing your regular occupation or any gainful occupation.
- The name and address of any hospital or institution where you received treatment, including all attending doctors.
- The name and address of any doctor you have seen.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received within 30 days of a request by Prudential.

In some cases, you will be required to give Prudential authorization to obtain additional medical information, and to provide non-medical information as part of your proof of claim, or proof of continuing disability. This proof, provided at your expense, must be received within 30 days of a request by Prudential. Prudential will deny your claim or stop sending you payments if the appropriate information is not submitted.

Recovery of Overpayments

Prudential has the right to recover any overpayments due to (i) fraud; (ii) any error Prudential makes in processing a claim, and (iii) your receipt of deductible sources of income.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Long-Term Disability Plan."*

Continuation of Other Coverages

Certain coverages provided to you under the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program continue while you are Disabled and receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee. Any contributions that you are required to make toward the cost of these coverages will be billed to you. For further information regarding the billing arrangement, contact the Benefits Source.

Medical, Prescription Drug, Vision and Dental
Medical, vision and dental coverages for you and your eligible dependents continue while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee and so long as premiums are timely paid.

Life and AD&D
Life and AD&D coverages for you and your eligible dependents continue while you are

receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee and so long as premiums are timely paid.

Health Care Flexible Spending Account

Your Health Care FSA coverage continues while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee.

Dependent Care Flexible Spending Account

You cannot continue to make contributions to the Dependent Care FSA while you are receiving Plan benefits. You may use the existing balance in your account to pay for any eligible expense that you incurred prior to the commencement of your Plan benefits.

HSAs

You may receive an Employer contribution to your HSA if you are enrolled in an HDPPO coverage option and are otherwise eligible to contribute to a Health Savings Account. You may also contribute to your HSA while you are receiving Plan benefits; however your contribution may not be funded out of your Plan benefit payments.

Retirement Plans

While you are receiving Plan benefits, you may continue to earn service under your retirement plans. However, your contributions to the Savings Plan automatically stop. You are eligible to receive the value of your Savings Plan Account due to your disability. Refer to the Savings Plan and your other retirement plans for further information.

Other Programs

The Adoption Assistance and the Tuition Reimbursement Programs are not available to you while you are receiving Plan benefits.

Important Information For Residents Of Certain States

There are state-specific requirements that may change the provisions under the Coverage(s) described in the Group Insurance Certificate and in this summary plan description. If you live in a state that has such requirements, those requirements will apply to your Coverage(s) and are made a part of your Group Insurance Certificate and this summary plan description. Prudential has a website that describes these state-specific requirements. You may access the website at prudential.com/etonline. When you access the website, you will be asked to enter your state of residence and your Access Code. Your Access Code is 93191.

If you are unable to access this website, and if you want to receive a printed copy of these requirements or have any questions, call Prudential at 1-866-439-9026.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Long-Term Disability Plan (a component of NiSource Welfare Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing disability benefits
Plan Number:	537
Contribution Source:	Basic LTD Coverage: Employer Supplemental LTD Coverage: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	The Prudential Insurance Company of America 751 Broad Street Newark, New Jersey 07102
Claims Administrator: (if you need to submit a claim)	The Prudential Insurance Company of America Prudential Disability Management Services P.O. Box 13480 Philadelphia, Pennsylvania 19176
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by The Prudential Insurance Company of America provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. ***In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail***. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

The Prudential Insurance Company of America, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Life and AD&D Plan

Employee Term Life Coverage – Basic and Optional Plans

Dependents Term Life Coverage

Employee AD&D Coverage – Basic and Supplemental Plans

Dependents AD&D Coverage

Your Life Insurance and AD&D Options

This is the SPD (the "Life and AD&D SPD") for the NiSource Life Insurance Plan, also referred to as the Life and AD&D Plan. In this Life and AD&D SPD, the Life and AD&D Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible employees with the following coverage options (each a "Life and AD&D Coverage Option"):

- Basic Employee Term Life Coverage Option;
- Optional Employee Term Life Coverage Option;
- Dependents Term Life Coverage Option;
- Basic Employee Accidental Death and Dismemberment ("AD&D") Coverage Option;
- Supplemental Employee AD&D Coverage Option; and
- Dependents AD&D Coverage Option

The Life and AD&D Coverage Options other than the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option are referred to collectively as the "Optional Life and AD&D Coverage Options."

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this summary plan description, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

The Plan provides life insurance and AD&D coverage on the persons of eligible employees ("Employee Insurance") and, if elected, on the persons of your "eligible dependents" ("Dependents Insurance"). See the individual Benefit Plan sections below for a summary of the benefits offered under each of the Coverage Options listed above.

Eligibility

For information regarding eligibility under the Life and AD&D Plan, please see the *"Eligibility under the Life and AD&D Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Life and AD&D Plan"*.

Contributions

Premium contributions are not required for the Basic Employee Term Life Coverage Option or the Basic Employee AD&D Coverage Option. If you elect coverage under any of the Optional Life and AD&D Coverage Options, you will pay for the cost of such coverage. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at **1-888-640-3320**.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Life and

AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Life and AD&D Plan"*.

Definition of "Earnings"

For commission paid employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings include the annualized average commissions earned during the shorter of (i) the 24 month period just prior to your date of loss; or (ii) your period of employment. Bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer are not included.

For all other employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings do not include commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under each Life and AD&D Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at **1-888-640-3320**.

Insurance under a Life and AD&D Coverage Option may not be assigned.

Basic Employee Term Life Coverage

The Basic Employee Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. If you are also enrolled in Optional Employee Term Life Coverage, the amount of your Basic Employee Term Life Coverage will be added to your Optional Term Life Coverage before rounding takes place. The maximum benefit (for Basic and Optional Employee Term Life Coverage combined) is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 58.

Optional Employee Term Life Coverage

You may enroll in one of the options below for optional term life coverage.

Benefit Classes	Amount of Insurance (Multiple of Annual Earnings)	
	Sum of Basic + Optional	Optional
Option 1	3x annual Earnings	1x annual Earnings
Option 2	4x annual Earnings	2x annual Earnings
Option 3	5x annual Earnings	3x annual Earnings
Option 4	6x annual Earnings	4x annual Earnings
Option 5	7x annual Earnings	5x annual Earnings

If the amount of your Basic Employee Term Life Coverage, when added to the amount of your Optional Employee Term Life Coverage, is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. However, the maximum benefit for Basic and Optional Employee Term Life Coverage combined is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Any requested change in coverage (increase or decrease) must be made within 31 days of a qualified life event or in connection with annual enrollment.

Notwithstanding the foregoing, the amount of your coverage may not exceed the "guaranteed issue amount" unless you submit evidence of insurability that is satisfactory to Securian and you are actively at work. The "guaranteed issue amount" is the lesser of (1) three times (3x) your annual Earnings, and (2) $500,000. Also, you must submit evidence of insurability if you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and your application is made more than 31 days after the date you first became eligible for coverage.

Without limiting the generality of the foregoing, you will need to provide evidence of insurability

- If you are a regular new hire or newly eligible for coverage and you apply for coverage under the Optional Employee Term Life Coverage Option in an amount greater than three times (3x) your annual Earnings (Basic plus Optional Coverage combined), or if the total amount of your Term Life Coverage after giving effect to your Optional Employee Term Life Coverage exceeds $500,000;
- If you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and the date you apply during annual enrollment is more than 31 days after your date of hire or the date you newly became eligible for coverage;
- If you are currently enrolled in the Optional Employee Term Life Coverage Option, you want to increase your coverage during annual enrollment, and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your Term Life Coverage after giving effect to your requested increase in coverage exceeds $500,000;
- If you request an increase in coverage due to a qualified life event and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your combined coverage under the Basic Employee Term Life Coverage Option and the Optional Employee Term Life Coverage Option (your "Employee Term Life Insurance") after giving effect to your requested increase in coverage exceeds $500,000;
- If you desire life insurance coverage and have an individual life insurance contract you obtained by converting your coverage under the Plan;
- The insurance for which you previously enrolled did not go into effect or was terminated because you failed to make a required premium contribution; and
- If you have not met a previous evidence requirement to become insured under any plan a Participating Employer has with Securian.

Any new enrollment or requested increase in coverage that is subject to evidence of insurability will become effective when Securian decides the evidence is satisfactory and you are actively at work; provided, however, that any such new enrollment or requested increase in coverage that is made in connection with annual enrollment will be effective on the later of (1) the following January 1, and (2) the first day of the month following the date Securian decides the evidence is satisfactory and you are actively at work.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any

lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 58.

Option to Accelerate Payment of Death Benefits

If you have a Terminal Condition while insured under the Basic Employee Term Life Coverage Option or the Optional Employee Term Life Coverage Option (the "Employee Term Life Insurance"), you may elect to have an Accelerated Benefit paid to you in one lump sum, or in any other manner agreeable to you and Securian, when Securian receives proof satisfactory to it that you have a Terminal Condition.

You have a "Terminal Condition" if you have a condition caused by sickness or accident that directly results in a life expectancy of twelve months or less. Securian must be given evidence that is satisfactory to it that your life expectancy, because of sickness or accident, is twelve months or less. That evidence must include a certification by a physician, other than you or a member of your immediate family, who is licensed to practice medicine or treat illness in the state in which treatment is received. Securian has the right to have you medically examined at its own expense to verify your medical condition. Securian may do this as often as reasonably required while Accelerated Benefits are being considered or paid.

"Accelerated Benefit" means the amount of your Employee Term Life Insurance that Securian will pay if you are eligible under the Group Insurance Certificate rider with respect to Accelerated Benefits. You must take the entire Accelerated Benefit. Securian calculates the Accelerated Benefit by multiplying your death benefit (the amount of your life insurance as shown on the specifications page attached to the certificate furnished to you by Securian) by the accelerated benefit factor.

The accelerated benefit factor will be stated as a percentage of your death benefit. In calculating this factor, Securian considers your age and gender. Securian also bases its calculation of the factor upon certain assumptions, which it may change from time to time, including without limitation assumptions about expected future premiums and your life expectancy. The minimum death benefit eligible for an Accelerated Benefit is $10,000. The maximum death benefit eligible for an Accelerated Benefit is $1,000,000.

If you elect to accelerate the full amount of your death benefit, your Employee Term Life Insurance coverage and all other benefits under your certificate of insurance and any certificate supplements will end.

Your right to be paid under this option is subject to the following terms: (1) Your Employee Term Life Insurance must be in force and all premiums due must be fully paid; (2) You must make application in writing and in a form that is satisfactory to the Claims Administrator; (3) You must be the sole owner of your certificate of insurance; (4) You must not have designated an irrevocable beneficiary for your Employee Term Life Insurance; (5) You must not be required by law to use this option to meet the claims of creditors, whether in bankruptcy or otherwise; and (6) You must not be required by a government agency to use this option in order to apply for, obtain, or keep a government benefit or entitlement.

If you elect an Accelerated Benefit and the termination of your Employee Term Life Insurance causes an eligible dependent to lose life insurance coverage, he or she will be allowed to convert any such insurance to a policy of individual life insurance as discussed below under the section entitled "Conversion Privilege for Life Coverage."

If the amount of your Employee Term Life Insurance exceeds the maximum Accelerated Benefit, your Employee Term Life Insurance coverage (reduced by the amount of the Accelerated Benefit) will continue after your election of the Accelerated Benefit and your premiums will be reduced accordingly. The amount of the Accelerated Benefit will be applied first to reduce your outstanding Optional Employee Term Life Coverage and

then to reduce your outstanding Basic Employee Term Life Coverage.

Please note that any payment of an Accelerated Benefit may be taxable. You should consult your tax advisor for assistance with any questions you may have.

Refer to the Group Insurance Certificate for additional details, terms and conditions regarding this option.

Dependents Term Life Coverage

Under the Dependents Term Life Coverage Option, you may enroll your "eligible dependents" for coverage in the amounts shown below.

Your spouse who is an "eligible dependent"	
Benefit Classes	**Amount of Insurance**
Option 1	$10,000
Option 2	$25,000
Option 3	$50,000

Your children who are "eligible dependents"	
Benefit Classes	**Amount of Insurance***
Option 1	$5,000
Option 2	$10,000

You must provide evidence of insurability under the following circumstances:

- If you choose Option 3 spousal coverage (coverage in the amount of $50,000);
- If any dependent's coverage for which you previously enrolled did not go into effect under the Plan or was terminated because you did not pay a required contribution;
- If, during a previous period of eligibility, you failed to submit evidence of insurability that was required for a dependent or that which was submitted was not satisfactory to Securian; or
- Your dependent is insured by an individual policy issued under the terms of the conversion right.

Option 3 spousal coverage will become effective on the date Securian decides the evidence of insurability is satisfactory.

If a dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released form such hospitalization or confinement.

No enrollment or increases in coverage may become effective so long as your "eligible dependents" are confined for medical care or treatment, whether at home or elsewhere.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 58.

Payment of Death Benefits under Life Coverage

If you or your "eligible dependent" dies while covered under the Plan, the amount of insurance on you or your "eligible dependent" is payable when Securian's home office receives written proof satisfactory to it that you or your eligible dependent died while covered under the Plan and insured under the Group Insurance Certificate. If you or an "eligible dependent" die within 31 days after ceasing to be covered under the Plan, but while you or your "eligible dependent,"

as the case may be, are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Employee Term Life Insurance are payable according to Securian's beneficiary and mode of settlement rules. Death benefits under the Dependents Term Life Coverage Option are payable to you, if you are living. If you are not living, benefits are payable to your estate.

Conversion Privilege for Life Coverage

If all or a part of your Employee Term Life Insurance or your coverage under the Dependents Term Life Coverage Option terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Neither the conversion right nor the limited conversion right is available if your coverage under the Plan or Group Contract terminates due to failure to make, when due, required premium contributions. Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by Securian for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features"* below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Basic Employee AD&D Coverage Option

The Basic Employee AD&D Coverage Option provides a benefit in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. The maximum benefit (for Basic and Supplemental Employee AD&D Coverage combined) is $1,500,000.

Supplemental Employee AD&D Coverage Option

You may enroll for supplemental employee AD&D coverage in any multiple of $10,000 up to the lesser of (1) ten times your annual Earnings, and (2) $1,500,000 minus the amount of your insurance under the Basic Employee AD&D Coverage Option).

Dependents AD&D Coverage Option

You may enroll for AD&D coverage on each of your "eligible dependents" in an amount equal to a percentage of your Supplemental Employee AD&D Coverage, as set forth below:

Eligible dependents	Amount of Insurance on each Eligible Dependent (as % of Employee AD&D Coverage)
Spouse only	60% on spouse
Child(ren) only	10% on each child
Spouse and child(ren)	50% on spouse; 10% on each child

Additional AD&D Coverage

The Plan provides additional benefits under the Basic, Supplemental Employee, and Dependents AD&D Coverage Options for a person's loss of life as a result of a covered accident in an automobile while using a seat belt and as a result of an accident in an automobile while using an air bag. The additional benefit is in an amount equal to the lesser of (1) 10% of your full amount of insurance on the person, and (2) $10,000. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; one hand and one foot; one hand and sight of one eye; one foot and sight of one eye; speech and hearing; quadriplegia	100%
Paraplegia	75%
One hand; one foot; sight of one eye; speech; hearing; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

Benefits may be paid for more than one accidental injury but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A Loss is not covered if it results from any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted Injuries, or any attempt to inflict such Injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the Loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including

Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit an assault or felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 58.

Portability of Life and AD&D Coverage

If coverage under any of the Life and AD&D Coverage Options ceases, you may have the right to apply for coverage for yourself and for your "eligible dependent," as the case may be, under a Portability Plan maintained by Securian. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Policy would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue dependent coverage under a Life and AD&D Coverage Option, you must port your corresponding employee coverage. In addition, life insurance coverage must be ported in order to port accidental death and dismemberment insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Portability Coverage in Lieu of Conversion Coverage

The right to elect term life coverage under the Portability Plan is in lieu of the conversion privilege under the Employee Term Life Insurance and the Dependents Term Life Coverage Option, except that you or your "eligible dependent," as the case may be, may convert the amount of insurance under the Employee Term Life Insurance or the Dependents Term Life Coverage Option that exceeds the maximum amount of coverage that may be obtained under the Portability Plan.

Your Eligibility for Portability Coverage

You and your eligible dependents are eligible to continue your Employee Insurance and Dependents Insurance under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you terminate employment, including retirement; or

(2) you are no longer in a class eligible for coverage or you are on a leave or layoff; or

(3) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by Securian or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) with respect to Term Life Coverage, have converted your insurance to an individual life policy as permitted by any conversion rights under the Plan; or

(3) were not actively at work due to sickness or injury on the date immediately preceding your portability date; or

(4) lose eligibility due to termination of the Plan or Group Policy.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date, but not more than $1,000,000 for an employee or $50,000 for a spouse. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date to a maximum of $650,000 for an employee or $32,500 for a spouse.

When an insured attains age 65, the amount of insurance on his or her life continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000. This minimum does not apply to a dependent.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Conversion of Portability Coverage

At any time after insurance has been continued under the Portability Plan, it may be converted to a policy of individual insurance with Securian. All other conditions and provisions applicable to conversion coverage will apply. See the Group Insurance Certificate for additional details.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) in the case of your dependent child or a spouse who is covered under the Plan, the date your coverage is no longer being continued under the Portability Plan or the date your spouse or child ceases to be eligible under the Plan; or

(4) 31 days after the due date of any premium contribution which is not made.

Highlights of Conversion and Portability Features

	Conversion	Portability
Can Basic Life, Optional Life, Dependent Life, be converted or ported?	Yes	Yes
Can AD&D be converted or ported?	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No. except for conversion of Dependent Life	No.
Application Deadline	Application and first month premium due 31 days after your coverage termination.	For life coverage, application due 31 days after your coverage termination. Securian will bill the participant directly. For AD&D coverage, 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101

Conformity with State Law

If any provision of this summary plan description or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should obtain a claim form and follow the instructions on the form. For AD&D claims, Securian must be given written proof of the loss for which claim is made. This proof must cover the occurrence, character and extent of that loss. It must be furnished within 90 days after the date of the loss. But, if any Life and AD&D Coverage Option provides for periodic payment of benefits at monthly or shorter intervals, the proof of loss for each such period must be furnished within 90 days after its end. A claim will not be considered valid unless the proof is furnished within these time limits. However, it may not be reasonably possible to do so. In that case, the claim will still be considered valid if the proof is furnished as soon as reasonably possible.

*Claim forms are available from Securian. Claim forms can be obtained from Securian by phone via the Benefits Source at **1-888-640-3320**, or online via the Benefits Source website at* mysourceforhr.com*. If you do not receive the form from Securian within 15 days of your request, send Securian written* proof of claim without waiting for the form.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process –Life and AD&D Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance and accidental death and dismemberment benefits
Plan Number:	536
Contribution Source:	Basic Employee Insurance: Employer Optional Employee and Dependents Insurance: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Exempt Part-Time Employees Hired or Rehired Before January 1, 2010

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

As an employee of a NiSource Inc. ("NiSource" or "Company") or one of its affiliates (to the extent described below), you have the benefit of choosing your own portfolio of benefit coverages from the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program (collectively the "Program") each year.

The benefit information contained in this Handbook applies to all eligible regular part-time exempt employees hired or rehired before January 1, 2010 who work for the Company or a participating employer and who are covered under the Program. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible employees as belonging to Active Benefit Program 105.

A participating employer is an affiliate of the Company that has adopted, or is deemed to have adopted, the Program, as evidenced by the Company's books and records reflecting that eligible employees of such employer may participate in certain of the benefits thereunder. The NiSource Benefits Committee (the "Committee") has sole discretion to determine who is a participating employer.

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the Benefit Plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The Committee reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program (or various component benefit plans thereof) also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource offers you the following coverages in accordance with the terms of the applicable benefit plans (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan" or a "Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Medical Plan")
- Dental Coverage (NiSource Dental Plan – referred to as the "Dental Plan")
- Vision Coverage (NiSource Vision Plan – referred to as the "Vision Plan")
- Flexible Benefits (NiSource Flexible Benefits Plan – referred to as the "Flexible Benefits Plan," and comprised of the "FSA Plan" and provisions for contributions to Health Savings Accounts, or "HSAs")
- Life and AD&D Coverages (NiSource Life Insurance Plan – referred to as the "Life and AD&D Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – Pension and 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Medical, Dental, Vision and Flexible Benefits Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Medical Plan, the Dental Plan, the Vision Plan, and the Flexible Benefit Plan, the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before a Plan will pay benefits.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement

under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"PBM" means the Pharmacy Benefit Manager for the Medical Plan. As of the date of this Handbook, the PBM is Anthem.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

Definitions Applicable to All Benefit Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program**

Overview and in the individual Benefit Plan sections, the following terms when used in this Handbook shall have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Employer" means the Company or any Participating Employer by whom you are employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A and to such other limitations or guidance that may be issued by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, or Department of the Treasury.

"Participating Employer" means, with respect to any Benefit Plan, the Company, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Safety Plan Rehire" means (i) a person eligible for retiree medical and retiree life insurance benefits who is rehired by Columbia Gas of Ohio, Inc. after January 1, 2019 to support the construction activities associated with regulator station replacement in conjunction with the LP-Enhanced Safety Plan and natural gas system replacement projects, or (ii) a retiree who was rehired by Bay State Gas Company after January 1, 2019 for a short-term position as Department of Public Utilities liaison for the third-party audit of post-incident construction.

"Spouse" means a person who is treated as your spouse under the Code. ***Please Note:*** See "Eligibility under the Medical, Dental, and Vision Plans" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for medical plan coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to elect to participate in the Benefit Plans when and to the extent provided under the applicable Benefit Plan.

Please Note: It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits, required repayment of any ineligible expenses, and disciplinary action up to and including dismissal.* Also, enrollment of a dependent under the Medical Plan may be

denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the Plan.

Please note that the Affordable Care Act requires us to collect the Social Security Number of each individual covered under the Medical Plan. Covered individuals may face a tax penalty for failure to provide this information. To report this information, please contact the Benefits Source at **1-888-640-3320**.

Eligibility under the Medical, Dental and Vision Plans

You and your eligible dependents may elect to participate in the Medical, Dental, or Vision Plans if you are actively at work and you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former Spouse or your Spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated; (3) the child is dependent upon you for financial support and maintenance; (4) you continue to be covered by the Plan; (5) with respect to the Dental or Vision Plan coverage, the child is also covered under the Medical Plan, or was covered under the Dental Plan and/or Vision Plan, as the case may be, as of December 31, 2018, and has remained covered under such Plan or Plans continuously since that date; (6) the child's disability continues, and (7) the child has not attained age 65;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent.

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether*

you are eligible to participate in the Medical, Dental or Vision Plan.

Eligibility under the Flexible Benefits Plan

FSA Plan

You can elect to participate in the FSA Plan provided you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week. However, if you make contributions, or if contributions are made on your behalf, to an HSA during the Plan Year, you may not elect to make contributions to a Heath Care FSA during such Plan Year.

For purposes of reimbursement of eligible expense under the Health Care FSA, your eligible dependents include your Spouse or persons who qualify under the Code as your tax dependents for health coverage purposes.

For purposes of reimbursement of eligible expenses under the Dependent Care FSA, your eligible dependents include:

- Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child;
- Your Spouse who is physically or mentally incapable of caring for himself or herself, provided the Spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, your Spouse must regularly spend at least eight hours each day in your home;
- Any other person, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year. This includes a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step–daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.

HSAs

You can elect to contribute to a health savings account("HSA") if you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week and who is enrolled in either the HDPPO 1 or HDPPO 2 option. Contributions to an HSA can only be made when enrolled in an HDPPO. You cannot contribute to an HSA or receive Employer contributions if you have coverage under any other health plan that is impermissible coverage for purposes of Section 223 of the Code.

Please note: *You may not contribute to your HSA and the Health Care FSA at the same time.*

The limitation on the amount you may contribute to an HSA is determined on a monthly basis. The monthly contribution limit is zero for any month in which you are enrolled in Medicare. Please note that if you first apply for Medicare benefits after you attain age 65, your Medicare enrollment will be retroactive to a date that is six months prior to the month in which you apply for benefits, but not earlier than the first month you were eligible for Medicare. Thus, your monthly HSA contribution limit may be zero for a number of months that precede your application for Medicare benefits. It is your responsibility to make sure your HSA contributions do not exceed the maximum amount permitted under the Code. Please consult your tax advisor if you have questions regarding the amount you may contribute to an HSA, including for the months leading up to your application for Medicare benefits.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits*

*Source automated telephone system at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Flexible Benefits Plan.*

Eligibility under the Life and AD&D Plan

Employees

You are eligible to participate in the Life and AD&D Plan if you (i) are a regular part-time employee of a Participating Employer, (ii) regularly work less than 40 hours per week, and (iii) are actively at work. You are actively at work if you are fully performing your customary duties for your regularly scheduled number of hours at your Employer's normal place of business, or at other places your Employer's business requires you to travel. Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select coverages for you and your eligible dependents.

Generally, to be covered, you must initially enroll for the medical, dental, flexible benefits, and vision coverages within 31 days following the date on which your enrollment materials are sent to you. **(This Benefits Program Overview or the individual Benefit Plan sections of this Handbook contain additional information about enrollment in each Plan.)**

You are automatically enrolled for EAP/Work Life/Legal & Financial Services (regardless of whether you enroll in PPO, HDPPO or HMO coverage under the Medical Plan), basic life and basic AD&D coverages upon the date you become eligible for such coverage.

To enroll in coverage that is not provided automatically, you must log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320.**

The enrollment materials detail how to enroll online and by phone. If you do not enroll within the 31-day period described above, as applicable **(the deadline date is included in the enrollment materials)**, you will automatically receive default coverage **(as described in this Benefits Program Overview or in the applicable individual Benefit Plan section of this Handbook)**, if applicable, for the remainder of that calendar year.

> **Please Note:**
>
> Dependents will not be eligible to receive any of the benefit coverages if you fail to enroll them during your initial 31-day enrollment period, during any subsequent annual enrollment or within 31 days following a qualified life event.

Enrollment in the Medical, Dental, and Vision Plans

Provided you meet the eligibility requirements, as described in the section above entitled "*Eligibility under the Medical, Dental and Vision Plans*", you and your eligible dependents can participate in the Medical Plan, Dental Plan and/or Vision Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. If you fail to enroll, you will be deemed to have elected (i) the HDPPO 1 medical option with no dependent coverage under the Medical Plan, (ii) the Preventive Dental option with no dependent coverage under the Dental Plan, and (iii) the Basic Vision option with no dependent coverage under the Vision Plan. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year and can only be changed during annual open enrollment. If you do not enroll or elect to change coverage, if applicable, within the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you

may enroll or change existing elections during the year in certain circumstances. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of this **Benefits Program Overview** for further details.

Please Note:

If you do not enroll in the Medical Plan, Vision Plan or Dental Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment. Also, if you do not enroll an eligible newborn child for coverage within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or the next qualified life event that permits the child's enrollment.

Enrollment in the Flexible Benefits Plan

FSA Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Flexible Benefits Plan,*" you may participate in the FSA Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year. In addition, participation in the FSA Plan requires annual enrollment, at which time you must elect the amount that you want to contribute to the FSA Plan for the year. If there is a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Changing and Continuing Elections*" of the **Benefits Program Overview** for further details.

HSAs

To enroll in an HSA, you must meet the following requirements:

- You must be enrolled in HDPPO 1 or HDPPO 2.
- You cannot be covered by another medical plan (e.g., you cannot be a dependent on anyone else's plan, except for vision and dental coverage) that is not a high deductible health plan.
- You cannot be enrolled for Medicare benefits. (Part A or Part B)
- You cannot be claimed as a dependent on another person's tax return.
- You cannot be covered by a general-purpose Health Care Flexible Spending Account, including the Health Care FSA

You must satisfy any requirements or conditions for establishing or activating your HSA that are prescribed by the Claims Administrator for HSAs. Failure to do so may result in the delay or failure to receive an employer HSA contribution to which you might otherwise be entitled.

Enrollment in the Life and AD&D Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Life and AD&D Plan*" section above, you will be automatically enrolled in the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option (collectively referred to as "Employee Life and AD&D Insurance").

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (Spouse or child) are eligible for Program benefits as active or retired employees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active or retired employee cannot be covered under the Benefit Plan both as a

participant and as a dependent. Likewise, if you and your Spouse are both employees of NiSource or one of its affiliates, either of you may choose to cover your child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan. Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects coverage under the Medical, Dental, and/or Vision Plans, or makes no coverage election and is thereby deemed to have elected coverage under such Plans, you will be deemed to have requested that coverage be dropped for such dependent under the Medical, Dental, and/or Vision Plans, as the case may be.

Coverage under the Program for retired employees or for active employees other than the eligible employees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides medical, prescription drug, vision, and dental coverage for your eligible child (as well as participation in the Health Care Flexible Spending Account, to the extent the child is a tax dependent for health coverage purposes under Federal law) pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or a Participating Employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

Additionally, your Employer may withhold from your wages any contributions required for such coverage.

You may obtain from the Company, without charge, a copy of the Benefit Plans' QMCSO procedures.

Special Rule for Rehired Employees

If you terminate employment and are rehired after your termination date, the benefit elections that were in effect on the date of your termination **will not be** automatically reinstated. You will need to re-elect coverages once you again become eligible upon your return.

Upon your rehire, you will be no longer be entitled to benefits under Active Benefit Program 105, but will instead designated as being entitled to the Active Benefit Program applicable to similarly situated eligible employees hired as of the date of your rehire. In addition, unless you are rehired as a Safety Plan Rehire or as a union employee of Northern Indiana Public Service Company LLC , as a rehired employee, you will not be entitled to any retiree medical or retiree life insurance benefits upon your retirement or other termination of employment.

Special Rule for Certain Employment Transfers

If you were hired or rehired on or after January 1, 2010, and you thereafter transfer to an "exempt employee" status, you will not be eligible for retiree medical or retiree life insurance benefits upon your retirement or other termination of employment. An "exempt employee" includes a non-union employee (an employee whose employment is not subject to the terms of a collective bargaining agreement) and an employee who is not entitled to overtime under the Fair Labor Standards Act, 29 U.S.C. §201, et seq.

This special rule does not apply to a Safety Plan Rehire, to the extent such Safety Plan Rehire is not thereafter rehired by an Employer or transferred to another employee status.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. If you do not enroll within the annual enrollment period, your current coverages generally remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans,

plans that require enrollment and the deadline date. **However, if you want to participate in the Health and/or Dependent Care Flexible Spending Accounts or in a Health Savings Account (HSA), you need to elect to participate each year. Your Flexible Spending Account and Health Savings Account contribution elections will not carry over from one Plan Year to the next.**

If you add a new dependent to Benefit Plan coverage during annual enrollment, you must provide the dependent's social security number to the Benefit Plan by calling the Benefits Source at **1-888-640-3320** or by visiting the Benefits Source website at mysourceforhr.com,

In the event your current Medical, Dental, or Vision Plan coverage is not available and you fail to elect coverage under another plan or option that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "*Enrollment in the Medical, Dental, and Vision Plans*" for further details.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Medical Plan at your home address.

The cards should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options, or, if applicable, your HMO in the case of an HMO option.

There are no ID cards for the Vision Plan, Dental Plan or other coverages.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans

Coverage Begins

Generally, coverage under the Medical Plan, Dental Plan, Vision Plan, or FSA Plan may become effective, if you properly enroll, (1) on your first day of active employment for regular new hires, (2) on the first day of the following Plan Year for eligible employees who enroll during the annual enrollment period, or (3) on the date the Plan approves your enrollment based upon a qualified life event. Eligible dependents have the same effective date provided you properly enroll them.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation on or after January 30, 2020 (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to an employee;
- The date an employee is no longer eligible for coverage under the Plan;
- The date an employee commences active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made;

- The end of the month following the date an employee terminated employment.

In addition, coverage under the Health Care FSA will cease if an HDPPO coverage option is elected under the Medical Plan.

A dependent shall cease to participate in the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the employee's coverage ends (except that, in the case of the employee's death, a dependent shall cease to participate in the Plan on the last day of the month in which the employee dies) (see also the section below entitled "*Survivor Coverage"* for circumstances under which coverage under the Medical Plan for an eligible surviving dependent may continue beyond an employee's death);
- The last date for which any required contributions for the dependent's coverage was made;
- For a Spouse, the date of divorce or legal separation, except in the case of insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law;
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if you or your eligible dependents experiences a COBRA qualifying event, EAP/Work Life/Legal & Financial Services coverage will cease one day after the maximum COBRA continuation coverage period would otherwise expire on account of such qualifying event. See the section below entitled "*COBRA*" for an explanation of what constitutes a COBRA qualifying event.

When Coverage Begins and Ends - HSA

Coverage Begins

You may enroll in an HSA at any time provided you have properly enrolled in either the HDPPO 1 or HDPPO 2 option.

Coverage Ends

Your contributions to an HSA through the Flexible Benefits Plan will terminate as follows:

- The date on which the Plan terminates;
- The date you are no longer eligible;
- The date you are no longer actively at work; or
- The date on which you request that your contributions cease or that the HSA Account be closed.

If you are no longer enrolled in HDPPO 1 or HDPPO 2 or you have terminated employment or retired, you will be required to pay a monthly account fee to the HSA Trustee/Custodian for as long as money remains in your HSA. You will also receive a new HSA debit card that will allow you to continue using the remaining money in your account for qualified medical expenses.

When Coverage Begins and Ends – Life and AD&D Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Life and AD&D Plan,"* coverage under the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option of the Life and AD&D Plan may generally become effective on the first day you are actively at work, if you are a regular new hire, or on the first day you are newly eligible for coverage, provided you are actively at work on such day.

If you are not actively at work on the date coverage would otherwise begin, you will not be eligible for the coverage until you return to active work. However, if the absence is on a non-work day, coverage will not be delayed provided you were actively at work on the work day immediately preceding the non-work day. Except as otherwise provided herein or in the group insurance contracts (collectively, the "Group Contract") or group insurance certificates issued by Securian, you are eligible to continue to be insured only while you remain actively at work.

Coverage Ends

Your Employee Life and AD&D Insurance will end when the first of these occurs:

- The date as of which the Life and AD&D Plan is terminated;
- The date the Group Contract is canceled, or with respect to a particular Life and AD&D Coverage Option, the date such Life and AD&D Coverage Option is terminated;
- The date that the Life and AD&D Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you terminate employment or are otherwise no longer eligible for coverage under the Plan as a regular part-time employee or as a member of another eligible class;

If your Employee Life and AD&D Insurance terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

If you stop active part-time work for any reason, you should contact the Company or your Employer at once to determine what arrangements, if any, have been made to continue any of your insurance coverage, or whether you belong to another class of employees that may be eligible for coverage under the Plan.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, the Internal Revenue Service will allow you to enroll for or change certain pre-tax elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain pre-tax elections if you experience a "qualified status change" that affects your, your Spouse's, or your dependent's eligibility for benefits under the Medical Plan, the Dental Plan, the Vision Plan, or the Flexible Benefits Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.***

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company, the Plan Administrator, or the Claims Administrator. In addition to satisfying any requirements established by the applicable Benefit Plan and any insurer (with respect to insured coverage), any requested change in election must satisfy all

requirements imposed by the Internal Revenue Service.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee +family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Please Note:

If you do not request a change in election within 31 days of your qualified status change or other qualified life event, your next opportunity to change elections will not be until the next annual enrollment period or until you experience another qualified life event. For example, if you do not enroll an eligible newborn child within 31 days of the child's birth, even if you do not have the child's social security number, your next opportunity to enroll the child will not be until the next annual enrollment period, unless you experience another qualified life event that would permit you to change elections.

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan (this does not apply to the Health Care Flexible Spending Account).
- With respect to the Medical Plan only, you qualify for special enrollment during the year under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Medical

Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***

- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.
- You or your eligible dependents lose coverage under any group health coverage sponsored by a governmental or educational institution,
- You take leave under the Family and Medical Leave Act.

If a dependent you are covering under the Medical, Dental or Vision Plan is hired by an Employer and either timely elects coverage under such Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Plan coverage for such dependent in connection his or her change in employment status.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical, prescription drug, vision or dental plan or program, your medical, prescription drug, vision and dental benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

The following provisions of this *"Coordination of Benefits (COB)"* subsection apply to the Medical Plan and the Dental Plan. Please see the Vision Plan section for details about coordination of benefits provisions applicable to the Vision Plan.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable Benefit Plan is primary, the Benefit Plan pays the amount payable under such plan.

If your coverage under the applicable Benefit Plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

The "Birthday Rule"

Under the "Birthday Rule" the plan of the parent whose birthday falls earlier in the calendar year is the primary plan and the other parent's plan is secondary.

In the case of a divorce or separation, the following order will establish responsibility for payment:

— If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.

— The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.

— If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.

— The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits.

How Coordination of Benefits Works for Those in "Current Employment Status"

If you are in "current employment status" within the meaning of Medicare regulations, and if you or your spouse become Medicare-

eligible, you or your spouse may have either of the following:

- Medical coverage under both the Medical Plan and Medicare (the Medical Plan under the Program is primary, it pays benefits as described in this Handbook, and Medicare is secondary); or
- Coverage under Medicare only (if that is what you have elected).

Please Note:

End-Stage Renal Disease. If you or your covered dependent enroll in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary at the time you or your covered dependent enroll, the Medical Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

If you are in "current employment status" and you and your Spouse are covered under the Medical Plan, Medicare coverage becomes secondary. You may decline coverage under the Medical Plan, in which case Medicare would be the primary carrier. Your Spouse may, if age 65 or older, make a separate Medicare election. However, your Spouse may not elect medical coverage under the Medical Plan if you do not elect coverage.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under the Medical Plan but are no longer considered in "current employment status" for purposes of Medicare, and you and your spouse are Medicare-eligible, then Medicare is the primary payor regardless of your or your covered spouse's age. You are responsible for notifying the Claims Administrator if you, your Spouse, or your other eligible dependents become Medicare-eligible.

If you are not in "current employment status" and if a covered person is eligible for, but not enrolled in, Medicare benefits, the Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are not in "current employment status" and are eligible for, but not enrolled in, Medicare Part B, and if you incur a claim that would be payable in whole or in part by Medicare Part B, the Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

Please Note:

Late Enrollment Penalties for Medicare Parts B and D. If you are eligible for Medicare by reason of age or disability, are no longer in current employment status for purposes of Medicare, and do not enroll in Medicare Part B or Medicare Part D during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. For more information concerning Medicare late enrollment penalties, see the Medicare & You publication at https://www.medicare.gov/medicare-and-you or contact your local Social Security Administration office.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide claims and certain appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section of this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, or SPDs, please see below or the individual Benefit Plan sections of the Handbook.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified below or in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Medical Plan

The claim determination and appeal process described below applies to the Medical Plan. The term "Plan" as used in this section refers to the Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse

benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the

circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;
- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your

receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (for the Medical Plan, this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Medical Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to

request a voluntary second-level internal appeal under the Medical Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;

- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective

review, were covered under the Plan at the time the health care item or service was provided;

- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the

criteria are inconsistent with the terms of the Plan or with applicable law;

- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA

Unless otherwise noted, the claim determination and appeal process described below applies to each of the Dental Plan, the Vision Plan and the Health Care FSA. The term "Plan" as used in this section refers to the Dental Plan, the Vision Plan or the Health Care FSA, as the case may be, and the term "Claims Administrator" refers to the claims administrator appointed for the respective Plan.

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has

not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Plan.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The day the Claims Administrator receives the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan or FSA Plan, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and

- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes and adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes and adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan, or the Health Care FSA, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or

comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to

contact your local U.S. Department of Labor Office."

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process - Dependent Care FSA

The claim determination and appeal process described below applies to the Dependent Care FSA Plan. As used in this section, the term "Claims Administrator" refers to the claims administrator appointed for the Dependent Care FSA Plan. The term "Plan" as used in this section refers to the Dependent Care FSA Plan.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Flexible Benefits Plan.

Consideration of Initial Claim

Within 90 days of receiving the claim, the Claims Administrator will provide you (or your beneficiary) with a written notice of its decision. If, because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your request for review within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you may be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; (3) a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and (4) a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.

Appeal to Claims Administrator

If your claim is denied or deemed to have been denied in whole or in part, you have the right to appeal the decision to the Claims Administrator by sending a written request

for review within 60 days of the claim denial or deemed denial.

Upon receipt of your request, your claim will be reviewed. You will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written request for review is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your claim for benefits within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you will be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; and (3) a statement that you are entitled to receive upon request and free of charge reasonable access to, and copies of, all documents, records and other information relevant to your claim for benefits.

Second Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your claim on appeal, you or your duly authorized representative may request a review of such denial by the Plan Administrator. Each such request for review must be in writing signed by you or your duly authorized representative, must specify that it is a request for review of a denied claim and must be filed with the Plan Administrator no later than 60 days after receipt of the denial or 90 days after the claim is deemed to be denied because the Claims Administrator did not respond within the requisite time period.

The decision of the Plan Administrator upon a request for review shall be made within 60 days after the request for review is received by the Plan Administrator unless special circumstances require an extension of time for processing such review, in which event you shall be notified in writing prior to the expiration of such 60 days, and the decision of the Plan Administrator shall be rendered within 120 days of the receipt of the request for review. In connection with a request for review, you or your duly authorized representative may submit issues and comments in writing to the Plan Administrator. All communications between the Plan Administrator and you or your duly authorized representative shall be in writing unless you or your duly authorized representative requests otherwise and the Plan Administrator consents thereto. Each decision of the Plan Administrator on a request for review shall be in writing and shall include (1) the specific reason or reasons for the decision; (2) specific reference to the Plan provisions upon which the decision is based; and (3) a statement that you are entitled to receive upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Life and AD&D Plan

The claim determination and appeal process described below applies to the Life and AD&D

Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accelerated death benefits, for accidental dismemberment benefits, or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a

claim and an explanation of why such information is necessary, and

- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a

notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal, you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its

discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage under the Medical, Dental, Vision and FSA Plans

General

Generally, coverage under the Medical, Dental, Vision and FSA Plans is only available to you if you are actively at work. However, if the Company or a Participating Employer under its personnel policies continues to treat you as an employee after you cease to be actively at work due to any of the following leaves, then you will continue to be treated as an employee eligible to participate in one or more of the Plans described above, subject to the terms and conditions of each such Plan. Provided, however, your participation will cease as of the earliest of the dates set forth above under "*When Coverage Begins and Ends under the Medical, Dental, Vision and FSA Plans – Coverage Ends*." The leaves referred to above are:

Family and Medical Leave Act ("FMLA") Leave – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents continues at the same level of contribution and under the same conditions if you are granted a leave of absence under the Family and Medical Leave Act ("FMLA"). However, you may revoke your health benefit elections upon the commencement of your FMLA leave of absence. If you return from an unpaid FMLA leave of absence after having revoked health benefit elections on account of taking FMLA leave, you may reinstate your elections on the same terms as prior to taking FMLA Leave, to the extent that reinstatement is required under the FMLA. If your health benefit elections are revoked for non-payment of premiums during an approved FMLA leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

The Company and the applicable Participating Employer may recover its cost of coverage if you exhaust your leave and do not return to active employment for reasons other than the continuation or onset of a serious health condition or other circumstances beyond your control. The Company or the applicable Participating Employer may require you to provide certification of a health care provider if you are unable to return to work because of the continuation, recurrence, or onset of a serious health condition.

You may continue to participate in the Health Care FSA and/or Dependent Care FSA on a pre-tax basis while on a FMLA leave by pre-paying with pre-tax dollars any contributions due for coverage during the Plan Year in which your leave commences. You have the option to continue to participate in the Health Care FSA during your FMLA leave on an after-tax basis by making payments according to the same schedule in effect before your leave. If your participation in a Flexible Spending Account ceases on account

of your leave, you may still use the existing balance in your account to pay for any eligible expenses that you incur prior to your last day worked before your FMLA leave. Also, if you ceased participation in the Health Care FSA during your leave, you may resume participation upon return from leave during the same Plan Year and either make up the unpaid contributions or resume coverage at a reduced level under the proration rule, with payments at your original contribution level.

Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") – If you are absent from employment because of service in the "uniformed services" (as that term is defined by USERRA), you may elect to continue coverage under a Plan during the period of your service to the extent provided by USERRA and the NiSource Military Leave of Absence Policy. Without limiting the generality of the foregoing, if your health benefit elections are revoked for non-payment of premiums during an approved military leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Medical, Dental and Vision Plans and under the Health Care FSA (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."*

COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial Services coverage.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, (ii) the date for making COBRA premium payments, and (iii) the date for notifying the Plan of a qualifying event or determination of disability.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your Spouse (if he or she is treated as a Spouse under the Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. (This extended coverage

does not apply to the Health Care FSA.) These costs are subject to change.

You will have 60 days to elect COBRA (measured from the later of your coverage loss date or the date the Plan Administrator notifies you of your right to elect COBRA coverage).

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

You will become a qualified beneficiary on account of coverage under a Plan if you lose your coverage under such Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct.

Your Spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your Spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of your employment or reduction of hours of employment, your death, or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the Benefits Source website at mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your Spouse, and parents may elect COBRA continuation coverage on behalf of their children.

[This paragraph applies only to the Medical, Dental and Visions Plans. It does not apply to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the end of your employment or reduction of your hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months. There are two ways in which this 18 month period of COBRA continuation coverage can be extended (as described below). When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. When the qualifying event is the end of your employment or reduction of your hours of employment, and you became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than you lasts until 36 months after the date of Medicare entitlement. For example, if you become entitled to Medicare 18 months before the date on which your employment terminates, COBRA continuation coverage for your Spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 18 months after the date of the qualifying event (36 months minus 18 months).

[This paragraph applies only to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. Upon experiencing a qualifying event, which causes a loss of coverage under the Health Care FSA, you may continue your current contributions to your Health Care FSA on an *after-tax* basis through COBRA only for the remainder of the Plan Year in which your active coverage ended. This means that you will lose the pre-tax benefit of the FSA Plan by continuing coverage through COBRA. However, COBRA continuation coverage under the Health Care FSA option of the FSA Plan allows you to continue to incur and seek reimbursement of eligible claims for the remainder of the Plan Year. If COBRA continuation coverage is not elected, only those expenses incurred prior to the qualifying event will be eligible for reimbursement.

Disability Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If you or anyone in your family covered under a Plan is determined by the Social Security Administration to be disabled and you notify the Plan Administrator (in a form prescribed by the Plan Administrator) (i) within 60 days of the later of the date of the disability determination by Social Security and the date the qualified beneficiary loses coverage under the Plan as a result of your termination or reduction of hours of employment, and (ii) before the end of the initial 18-month period of COBRA continuation coverage, you and the qualified beneficiaries in your family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. If proper notice is not provided within the 60-day period and before the end of your initial 18-month period of COBRA continuation coverage, you will not be entitled to a disability extension. The disability would have to have started at some time before the 61st day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage. You must also notify the Plan Administrator within 30 days of the date the Social Security Administration determines that you or your dependent are no longer disabled.

Second Qualifying Event Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If your family experiences another

qualifying event while receiving 18 months of COBRA continuation coverage, your Spouse and dependent children can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan Administrator within 60 days of the date of the second qualifying event. If proper notice is not provided within the 60-day period, you will not be entitled to an extension on account of the second qualifying event. This extension may be available to your Spouse and any dependent children receiving continuation coverage if you die, become entitled to Medicare benefits (under Part A, Part B, or both), or you get divorced or legally separated, or if your dependent child stops being eligible under a Plan as a dependent child, but only if the event would have caused your Spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. For example, when the qualifying event is the termination of your employment, COBRA continuation coverage for you, your Spouse and dependent children can last up to 18 months. If within that initial 18-month period you become legally separated or divorced (i.e., experience a second qualifying event), COBRA continuation coverage may be extended by an additional 18 months (for a total of 36 months from the date of the termination of employment) for your Spouse and dependent children who lose coverage due to the divorce or legal separation, if notice of such event is properly given to the Plan Administrator.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above (i.e., 18, 29 or 36 months, in the case of the Medical, Dental and Vision Plans, or the remainder of the Plan Year, in the case of the Health Care FSA), COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in the Program cease to provide any group health plan or coverage to any employee.
- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- Provided such date is after the initial 18-month COBRA period and no other extension of such period (other than the disability extension) applies, the first day of the month coincident with or next following 30 days from the date the Social Security Administration determines that a qualified beneficiary is no longer disabled.
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" section below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under

ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at dol.gov/ebsa (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Employee's death at any time on or after January 1, 2004, if COBRA continuation coverage has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Employee's surviving dependents who are covered under the Medical Plan on the date of that Employee's death, then coverage under the Medical Plan for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Employee's surviving spouse dies, (ii) the last day of the month in which the Employee's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer with whom the Employee was employed ceases to be a "related employer," as defined in the Medical Plan.

If medical coverage under the Medical Plan ends for an Employee's dependent because of such Employee's death within 30 days preceding, or at any time on or after, May 1, 2010, and if such Employee would have satisfied the conditions for eligibility for retiree medical coverage under the Medical Plan or the NiSource Post-65 Retiree Medical Plan had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the Medical Plan at the time of the Employee's death, the Employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and have been a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the NiSource Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the NiSource Post-65 Retiree Medical Plan.

If survivor coverage under the Medical Plan will end for a surviving dependent of a Deemed Retiree solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the NiSource Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Medical Plan or the Dental Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to an illness, a sickness, or a bodily injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the illness, sickness or bodily injury;
- The insurer or other indemnifier of the party or parties who caused the illness, sickness or bodily injury;
- A guarantor of the party or parties who caused the illness, sickness or bodily injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);

- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the illness, sickness or bodily injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the illness, sickness or bodily injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the illness, sickness or bodily injury so that the applicable Benefit Plan may recover any sums paid under such Benefit Plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable for the Benefit Plan to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements, or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust of r the benefit of the Benefit Plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the illness, sickness or bodily injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the illness, sickness or bodily injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the illness, sickness or bodily injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The employee;
- The employee's covered dependent;
- The estate of any covered person; or
- On behalf of any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the employee or a covered dependent, the employee or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you

use an in-network provider rather than an out-of-network provider. For the Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company, a Participating Employer, or any of their affiliates. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice

President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit Plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Code with respect to the Benefit Plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though an Employee may receive a benefit check from a Claims Administrator, the Company, a Participating Employer, or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may

have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to the Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company, the Participating Employers, or their affiliates or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called "fiduciaries" of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is

denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Certain Benefit Plans and Accounts Not Subject to ERISA

Notwithstanding anything to the contrary contained in this Handbook, neither the Dependent Care FSA nor the HSAs (to which contributions are made through the Flexible Benefits Plan) are employee benefit plans subject to ERISA.

Consolidated Flex Medical Plan

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Medical Plan Options

This is the SPD (the "Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Medical Plan. In this Medical Plan SPD, the Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible employees and their eligible dependents with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA). The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at livehealthonline.com for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions**. If you still have questions, you can email **help@livehealthonline.com** or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are

covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Medical Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Medical Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Medical Coverage for Retirees

You may be eligible for medical benefits as a retired employee if you meet certain eligibility requirements. For further information about your eligibility for medical benefits as a retired employee or to notify the Company or your Employer of your retirement, contact the Benefits Source at **1-888-640-3320**.

Unless you are rehired as a Safety Plan Rehire or as a union employee of Northern Indiana Public Service Company LLC , if you retire or otherwise terminate employment and are later rehired by the Company, a Participating Employer, or any of their affiliates, you will not be eligible for retiree medical or retiree life insurance benefits, including after your subsequent retirement or other termination of employment.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan

benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible[†]	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

[†]Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	Out-of-Network
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

	HDPPO 1		HDPPO 2	
FEATURE	**In-Network**	**Out-of-Network**	**In-Network**	**Out-of-Network**
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$3,000	$6,000	$5,000	$10,000

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at 1-888-640-3320 for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which claims are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's

application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or

- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the PBM for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers,

distributors, and/or similar vendors, which may be related to certain prescription drug purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HDPPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 29.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and

  - Prescribed medications (Outpatient prescription drug services are covered under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).
- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;

  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam and one hearing aid per ear during a two calendar-year period; and
- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational

therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;
- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance,

when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;
  — Alcohol misuse: screening and counseling
  — Blood pressure screening in adults;
  — BRCA risk assessment and genetic counseling/testing;
  — Breast cancer preventive medications;
  — Breast cancer screening;
  — Cervical cancer screening;
  — Colorectal cancer screening;
  — Diabetes screening;
  — Lung cancer screening;
  — Obesity screening and counseling: adults and children;
  — Osteoporosis screening: women;

  See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

  — Diphtheria;
  — Hepatitis A;
  — Hepatitis B;
  — Herpes Zoster;
  — Human Papillomavirus;
  — Influenza (flu shot)
  — Measles
  — Meningococcal;
  — Mumps;
  — Pertussis;
  — Pneumococcal;
  — Rubella;
  — Tetanus;
  — Varicella (chickenpox).

  The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age,

gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

  See the following website for additional information:
  https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Well-woman visits;
  - Counseling and screening for human immune-deficiency virus;
  - Human papillomavirus testing;

- Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);
- Screening for gestational diabetes;
- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain Covered Services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);

- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Employee-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

> **Please Note:**
>
> If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;

- Medically necessary services, supplies, and medications.

- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:

  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

- Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
- Inpatient covered hospital services related to the transplant procedure.
- Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses

incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).

- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

Medical Expenses Not Covered

Expenses Not Covered Under Medical Plan

The medical expenses **not** covered under the Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;

- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;

- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;

- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or

astigmatism or any other correction of vision due to a refractive problem; and

- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The PPO coverage option utilizes a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The PPO coverage option utilizes a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name

drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	Plan Pays	You Pay*	Plan Pays	You Pay*
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		

* You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The High Deductible Options utilize a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program

you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		MAIL ORDER		NINETY-DAY SUPPLY AT RETAIL	
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	Retail Pharmacy		**Mail Order**		**Ninety-Day Supply at Retail**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

***Please Note**:* Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life/Legal & Financial Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life/Legal & Financial Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law, with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

Please see the *"Health Savings Account"* subsection of the **Flexible Benefits Plan** section of the Handbook for information concerning establishing and contributing to a health savings account when you enroll in an HDPPO.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;

  - Name and Social Security number of Employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348 Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Dental Plan

Preventive Dental

Dental Plan

Dental Plus

Your Dental Plan Options

This is the SPD (the "Dental Plan SPD") for the NiSource Dental Plan, also referred to as the Dental Plan. In this Dental Plan, SPD, the Dental Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Dental Plan to eligible employees and their dependents with the following dental coverage options:

- Preventive Dental;
- Dental Plan; and
- Dental Plus;

Both Dental Plan and Dental Plus provide coverage for eligible dental services such as preventive care services, basic services, and major services. The Dental Plus coverage option is an employee contributory option that also provides for orthodontia benefits.

The Preventive Dental coverage option provides preventive care at 100% of applicable charges and covers fillings and routine extractions at 50% of applicable charges after the deductible. Orthodontia is not covered and there is a deductible required. See "*Highlights of the Dental Plan Coverage*" for further details.

All dental coverage options use a network of providers. When you use an in-network provider you receive the added benefit of lower, negotiated fees. In addition, you are not responsible for fees over the negotiated rate. If you use an out-of-network provider, the amount of the claim that is paid is the product of the applicable coinsurance percentage (set forth below) multiplied by the "Maximum Reimbursable Charge," after the application of any deductible. You are responsible to pay any amount your dentist charges that exceeds the applicable percentage of the Maximum Reimbursable Charge. The Maximum Reimbursable Charge is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. If you have a question about the determination of the Maximum Reimbursable Charge, contact the Claims Administrator.

To find a provider in your area, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source automated telephone system at **1-888-640-3320**. Customer service associates can then connect you with a provider directly so that you can locate a participating dentist near you.

Eligibility

For information regarding eligibility under the Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320.**

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of the Dental Coverage

Here is a summary of the benefits under each option.

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)		DENTAL PLAN (In or Out-of-Network)		DENTAL PLUS (In or Out-of-Network)	
Annual Deductible	**You Pay**		**You Pay**		**You Pay**	
Covered Member	$75		$50		None	
Covered Member + Spouse	$150		$100		None	
Covered Member + Child(ren)	$75 per covered member up to $225		$50 per covered member up to $150		None	
Covered Member +Family	$75 per covered member up to $225		$50 per covered member up to $150		None	
Coinsurance	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**
Preventive and Diagnostic Treatment	N/A	100%	N/A	100%	N/A	100%
Basic Treatment	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Major Treatment (other than oral surgery or anesthesia)	100%	N/A	50% (after deductible)	50% (after deductible)	50%	50%
Major Treatment (oral surgery or anesthesia only)	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Orthodontia (adult and child)	100%	N/A	100%	N/A	50% (up to lifetime maximum); 100% thereafter	50% (up to the lifetime maximum)
Maximums	**Plan Pays**		**Plan Pays**		**Plan Pays**	
Annual Maximum	Up to $2,000 per person per year		No annual maximum		Up to $2,000 per person per year	
Annual Maximum - Implants	No Coverage		No annual maximum		Up to $600 per person per year	

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)	DENTAL PLAN (In or Out-of-Network)	DENTAL PLUS (In or Out-of-Network)
Orthodontia Lifetime Maximum	No Coverage	No Coverage	Up to $1,500 per person

All expenses incurred, whether care is received from a dentist in- or out-of-network, will be applied toward the calendar year deductible and maximum amounts according to the summary above.

For out-of-network providers, after you pay any applicable deductible, the Plan will pay the applicable percentage of Maximum Reimbursable Charges that are covered expenses. In addition to your share of Maximum Reimbursable Charge, you will be required to pay any amount your dentist charges over the Maximum Reimbursable Charge.

Dental Expenses Covered

The Plan pays for certain services and supplies that are considered necessary in terms of generally accepted dental standards, appropriate to properly treat the dental condition, and must be recommended by the participant's dentist.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 35.

Covered expenses include, but may not be limited to, the following eligible dental services and supplies up to the maximum allowance and/or applicable percentage of the Maximum Reimbursable Charge:

Preventive Treatment (Covered Under All Options)

Preventive Treatment is treatment designed to prevent dental disease, defect or injury and includes:

- Oral examination;
- Prophylaxis (cleaning and scaling of teeth);
- Periodontal maintenance procedures (following active therapy) and Periodontal prophylaxis;
- Topical application of fluoride solutions;
- Bite-wing x-rays;

Note: The services described above are each limited to twice in a calendar year.

- Topical application of sealant on a posterior tooth for covered persons under age 19 (only one treatment per tooth in any 3 consecutive calendar years);
- Panoramic (Panorex) x-ray once in any 3 consecutive calendar years;
- Full-mouth series of x-rays once in any 3 consecutive calendar years; and
- Space maintainers, fixed unilateral – limited to nonorthodontic treatment, up to age 19.

Basic Treatment (Covered Under All Options)

Basic Treatment is designed to correct dental disease, defect or injury and includes:

- Routine extractions;
- Amalgam and composite/resin restorations;
- Root canal therapy (any x-ray, test, laboratory exam or follow-up care is part of the allowance for root canal therapy and not a separate dental service);
- Osseous surgery (flap entry and closure is part of the allowance for osseous surgery and not a separate dental service);
- Periodontal scaling and root planing – entire mouth
- Adjustments – complete denture

  - any adjustment of or repair to a denture within 6 months of its installation is not a separate dental service.
- Recement bridge
- Surgical removal of erupted tooth requiring elevation of mucoperiosteal flap and removal of bone and/or section of tooth
  - Removal of impacted tooth, soft tissue
  - Removal of impacted tooth, partially bony
  - Removal of impacted tooth, completely bony
- Local anesthetic, analgesic and routine postoperative care for extractions and other oral surgery procedures are not separately reimbursed but are considered as part of the submitted fee for the global surgical procedure.
- General anesthesia – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.
- I.V. sedation – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.

Major Treatment (Covered Under the Dental Plan and Dental Plus Options)

The Plan pays for Major Treatment, provided you select the Dental Plan or Dental Plus coverage option. If you elect the Preventive Dental Option, the Plan does not pay benefits for Major Treatment.

Major Treatment is designed to correct dental disease, defect or injury and includes:

- Crowns

  Note: Crown restorations are dental services only when the tooth, as a result of extensive caries or fracture, cannot be restored with amalgam, composite/resin, silicate, acrylic or plastic restoration.

  - Porcelain fused to high noble metal
  - Full cast, high noble metal
  - Three-fourths cast, metallic
- Removable Appliances
  - Complete (full) dentures, upper or lower
  - Partial dentures
  - Lower, cast metal base with resin saddles (including any conventional clasps, rests and teeth)
  - Upper, cast metal base with resin saddles (including any conventional clasps rests and teeth)
- Fixed Appliances
  - Bridge pontics - cast high noble metal
  - Bridge pontics - porcelain fused to high noble metal
  - Bridge pontics - resin with high noble metal
  - Retainer crowns - resin with high noble metal
  - Retainer crowns - porcelain fused to high noble metal
  - Retainer crowns - full cast high noble metal
- Prosthesis over implant – a prosthetic device, supported by an implant or implant abutment is a covered expense. Replacement of any type of prosthesis with a prosthesis supported by an implant or implant abutment is only payable if the existing prosthesis is at least 5 calendar years old, is not serviceable and cannot be repaired.
- Implants - covered dental expenses include: the surgical placement of the implant body or framework of any type; any device, index, or surgical template guide used for implant surgery; prefabricated or custom implant abutments; or removal of an existing implant. Implant removal is covered only if the implant is not serviceable and cannot be repaired. Implant

coverage has a separate yearly maximum as shown in *Highlights of the Dental Plan Coverage*.

- Treatment of Temporomandibular Joint Dysfunction (TMJ)
  - Office visit – Adjustment to appliance (no more than six (6) adjustments in six (6) consecutive months after seating or placement of appliance)
  - Transcutaneous Electro-neural Stimulation (no more than four (4) treatments in a six (6)-month period)
  - Trigger Point Injection of Local Anesthetic into Muscle Fascia (no more than four (4) treatments in a six (6)-month period)
  - Mandibular Orthopedic Repositioning Appliance (only one appliance per person in any five (5) year period)

Orthodontia Services (Covered Under Dental Plus)

The Plan pays benefits for orthodontia services, provided you select the Dental Plus coverage option and remain covered under such option throughout the course of treatment. If you select the Preventive Dental or Dental Plan coverage option, the Plan does not pay benefits for orthodontia services. The Claims Administrator must determine that the service is necessary, and all orthodontia appliances and treatment must be part of a course of orthodontic treatment that begins while your coverage is in effect.

Subject to the foregoing, the Plan pays benefits for the following orthodontia services:

- Orthodontic work-up including x-rays, diagnostic casts and treatment plan and the first month of active treatment including all active treatment and retention appliances.
- Continued active treatment after the first month.
- Fixed or Removable Appliances - Only one appliance per person for tooth guidance or to control harmful habits.

The total amount payable for all expenses incurred for orthodontics during a person's lifetime will not be more than the orthodontia maximum shown in the *Highlights of the Dental Plan Coverage*.

Benefit payments for comprehensive full-banded orthodontic treatment are made in installments. Benefit payments will be made every 3 months. The first benefit payment is payable when the appliance is installed. Later payments are payable at the end of each 3-month period. The first installment is the lesser of (x) the lifetime maximum for orthodontia services, or (y) the product of (i) 25% of the charge for the entire course of treatment, multiplied by (ii) the applicable covered percentage. The remainder of the charge is prorated over the estimated duration of treatment. Payments are only made for services provided while a person is covered. If coverage ends or treatment ceases, payment for the last 3-month period will be prorated.

Orthodontia Payment Example: If your orthodontia treatment costs $5,000 and is estimated to take three years from installation of the appliance to complete, and if you have not been reimbursed for any orthodontia treatment in the past, your first installment will be $625 [the product of 25% multiplied by $5,000 (total cost of treatment) multiplied by 50% (covered percentage), which product is less than $1,500 (lifetime maximum)]. Assuming you remain covered under the Plan and complete the three-year treatment, the remaining charge will be paid in quarterly installments of $156.25 [calculated as set forth above] until you reach your lifetime maximum [$875 remaining after initial installment].

Orthodontia Payment Example

Total Treatment	$5,000.00
Initial Installment	
CIGNA Allowable (25% of total)	1,250.00
CIGNA Payment (50% of Allowable)	625.00
Remaining Installments	
Remaining Balance	$3,750.00
CIGNA Allowable (Remaining Balance/12 quarters)	312.50
CIGNA Quarterly Payment (50% of Allowable)	156.25*

*Subject to Lifetime Maximum

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Dental Expenses Not Covered

The Plan pays benefits for a variety of dental services, provided they are necessary according to generally accepted dental standards, appropriate to properly treat the dental condition, and recommended by your dentist. However, some limits and exclusions do apply.

The dental expenses **not** covered include, but are not limited to the following:

- Replacement of teeth that are missing when a person first becomes covered under the Plan;
- Services performed solely for cosmetic reasons;
- Replacement of a lost or stolen appliance;
- Replacement of a bridge, crown or denture within 5 years after the date it was originally installed unless: (a) the replacement is made necessary by the placement of an original opposing full denture or the necessary extraction of natural teeth; or (b) the bridge, crown or denture, while in the mouth, has been damaged beyond repair as a result of an injury received while a person is insured for these benefits;
- Any replacement of a bridge, crown or denture which is or can be made useable according to common dental standards;
- Procedures, appliances or restorations (except full dentures) whose main purpose is to: (a) change vertical dimension; (b) diagnose or treat conditions or dysfunction of the temporomandibular joint; (c) stabilize periodontally involved teeth; or (d) restore occlusion;
- Porcelain or acrylic veneers of crowns or pontics on, or replacing the upper and lower first, second and third molars;
- Bite registrations; precision or semiprecision attachments; or splinting;
- Instruction for plaque control, oral hygiene and diet;
- Dental services that do not meet common dental standards;
- Services that are deemed to be medical services;
- Services and supplies received from a hospital;
- Services for which benefits are not payable according to the immediately following paragraph.

In addition to the foregoing, no payment will be made for expenses incurred for you or any one of your dependents:

- For or in connection with an injury arising out of, or in the course of, any employment for wage or profit;
- For or in connection with a sickness which is covered under any workers' compensation or similar law;
- For charges made by a hospital owned or operated by or which provides care or performs services for, the United States government, if such charges are directly related to a military-service-connected condition;
- For charges for services provided by the covered person’s parent, spouse, brother, sister, son or daughter;
- For services or supplies received as a result of dental disease, defect or injury due to an act of war, declared or undeclared;
- To the extent that payment is unlawful where the person resides when the expenses are incurred;
- For charges which the person is not legally required to pay;
- For charges which would not have been made if the person had no insurance;
- To the extent that billed charges exceed the rate of reimbursement as described in the *Highlights of the Dental Plan Coverage,* including any charge in excess of the Maximum Reimbursable Charge;

- For charges for unnecessary care, treatment or surgery;
- To the extent that you or any of your dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid;
- For or in connection with experimental procedures or treatment methods not approved by the American Dental Association or the appropriate dental specialty society.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible dental expenses that are not covered by the Dental Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any dental care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

If you or your dependents have dental coverage under another dental plan, this Plan coordinates benefits with the other benefits to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits*" section of the **Benefits Program Overview** to learn more about the Plan's COB features.

Filing a Claim

General

Generally, dentists file claims electronically on your behalf provided that the dentist is a participating dentist. If you see a non-participating dentist, you may need to file your own claim. Claims should be submitted to the Claims Administrator.

How to File Claims

If you file your own claim form, follow these steps.

- Complete your portion of the claim form (your form will include step-by-step instructions for completing the correct information). Your dentist will need to complete his or her portion of the form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator online via the Benefits Source website mysourceforhr.com.
- Attach copies of all available dental bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the dental expense.
- Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

  CIGNA
  P.O. Box 188037
  Chattanooga, TN 37422-8037

Any claims not submitted after 18 months from the date of service generally will not be considered for payment.

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Dental Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or by any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	CIGNA P.O. Box 188037 Chattanooga, TN 37422-8037 cigna.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Vision Plan

Vision Plan Option

Basic Vision Option

Your Vision Plan Options

This is the SPD (the "Vision Plan SPD") for the NiSource Vision Plan, also referred to as the Vision Plan. In this Vision Plan SPD, the Vision Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Vision Plan to eligible employees and their dependents with the following coverage options:

- Vision Plan option; and
- Basic Vision option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") with Vision Service Plan Insurance Company who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract, on the one hand, and this Vision Plan SPD, on the other hand, the terms of the Group Contract shall prevail. **You should refer to the Group Contract for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Vision Plan SPD.** *You may obtain a copy of the Group Contract by contacting the Benefits Source at **1-888-640-3320**.*

This Plan is designed to cover certain costs associated with your vision correction. *Please note that any illness or injury to your eyes would be covered under the Medical Plan, subject to any terms, conditions and limitations set forth in the Medical Plan*.

The Plan utilizes a network of VSP Providers referred to as the VSP Choice Network. The Plan pays vision benefits for eligible expenses regardless of whether you receive services and/or eyewear from a VSP Choice Network Provider or from a non-VSP Provider. However, if you go to a VSP Choice Network Provider, the Plan pays a higher level of benefits. You also have the option to receive benefit coverage from non-VSP Providers. However, your level of benefit payment will be subject to the non-VSP provider schedule as outlined in the "*Highlights of Your Vision Plan Coverage*".

- **VSP Choice Network Provider** – offers the convenience of "one-stop shopping" and can provide everything you need (eye exams, and if applicable, prescription glasses, and contacts). As long as you receive care or eyewear from a VSP Choice Network Provider, you are responsible for the amount in excess of the Plan's allowance, any applicable co-pays, and the cost of any eyewear or service that the Plan does not cover.
- **Non-VSP Providers** – you have the option to receive your services and eyewear outside the VSP Choice Network. If you do, you must pay the Provider in full at the time of your appointment and submit a claim to VSP. Once you submit an itemized receipt, the Plan then reimburses you for the eligible expense (up to the Plan's allowance).

To find a Provider who participates in the VSP Choice Network, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to request assistance.

Eligibility

For information regarding eligibility under the Vision Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Vision Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320** or log on to the Benefits Source website at mysourceforhr.com.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of Your Vision Plan Coverage

Vision Plan Option

The Vision Plan option pays for the following services and materials:

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year for Adults Twice every calendar year for Children	100%	Up to a $45 allowance
Lenses (per pair)			
Regular (single vision)	Once every calendar year	100%	Up to a $30 allowance
Lined Bifocal	Once every calendar year	100%	Up to a $50 allowance
Lined Trifocal	Once every calendar year	100%	Up to a $65 allowance
Lenticular	Once every calendar year	100%	Up to a $100 allowance
Frame	Once every other calendar years for Adults Once every calendar year for Children	100%, Up to a $200 frame allowance Featured Frames 100%, Up to a $250 frame allowance	Up to a $70 allowance
Contacts			
Visually Necessary	Once every calendar year in place of glasses	100%	Up to a $210 allowance
Elective	Once every calendar year in place of glasses	100% up to a $175 annual allowance	Up to a $105 allowance

If you choose contacts instead of glasses, you will pay up to a $50 copay for the contact lens exam (fitting and evaluation) after a 15% discount. The contact lens exam is in addition to your WellVision Exam® to ensure proper fit of contacts.

Polycarbonate lenses are covered in full for dependent Children up to the end of the month in which they turn age 26.

Standard Progressive Lenses are covered in full for all members.

KidsCare - the VSP® KidsCare Plan is designed to meet the eye care and eyewear needs of active and growing children by providing two WellVision Exams® and one pair of glasses every calendar year.

Basic Vision Option

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year	100%	Up to a $45 allowance

Vision Expenses Covered

The Plan will pay for vision services and materials, as described in the "*Highlights of Your Vision Plan Coverage*." However, in the event of any conflict with that section and the Group Contract, the terms of the Group Contract will prevail.

For purposes of this Vision Plan SPD, (i) "Adult" means either you or your Spouse, provided such person is eligible for, and has enrolled in, coverage under the Plan, (ii) "Child" or "Children" refers to a Child, as defined in the *Definitions* section of the **Benefits Program Overview**, provided such Child is eligible for, and enrolled in, coverage under the Plan, and (iii) "Covered Person" or "member" or "covered member" refers to any person who satisfies the eligibility requirements of the Plan and who is enrolled in coverage under the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 35.

For the Vision Plan Option, the services and materials that the Plan covers include, but are not limited to, the following:

- One WellVision Exam® in every calendar year for Adults.
- Two WellVision Exams® in every calendar year for Children.
- Prescription eyeglass lenses, one pair in every calendar year, up to a specified lens allowance.
- Frame for Adults, one pair every other calendar year (up to the frame allowance).
- Frame for Children, one pair every calendar year (up to the frame allowance)
- Contacts, one pair in every calendar year, up to a specified allowance. The allowance applies to the contacts only. There is an additional copay up to $50 for the contact lens exam (fitting and evaluation). This exam is in addition to your WellVision Exam® to ensure proper fit of your contacts. You can elect to receive an annual allowance toward the cost of contacts in lieu of frame and lenses.

Extra Discounts and Savings

When visiting a VSP Choice Network Provider, you may receive the following, provided that some of the discounts/savings listed below may not apply to the Basic Vision Option:

- Average savings of 30% on non-covered lens enhancements, such as scratch resistant and anti-reflective coatings, light reactive, custom or premium progressives, etc.; 20% off additional prescription glasses and sunglasses within 12 months of your last WellVision Exam®;
- 15% discount off the cost of an elective contact lens exam (fitting and evaluation);
- Polycarbonate lenses are covered in full for dependent Children;
- Standard progressive lenses covered in full for all members; Routine retinal screening discount;
- Laser vision correction discounts.

Other Programs/Resources Offered by the VSP

Laser VisionCare℠ Program

If you are considering laser vision correction, the Plan can help you make an informed decision. The Plan contracts with laser surgery facilities and doctors. As a result, you can access laser vision correction surgery for hundreds of dollars less than what you might pay privately. VSP has arranged for members to receive PRK, LASIK and Custom LASIK, at a discounted fee with an average 15% off the regular price or 5% off the promotional price. Visit the Claims Administrator's website at vsp.com or call **1-800-877-7195** to learn more about this program.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Vision Expenses Not Covered

Some vision care services and/or materials are not covered under this Plan and certain other limitations may apply. In addition, some brands of spectacle frames may be unavailable for purchase as Plan benefits or may be subject to additional limitations. Covered Persons may obtain details regarding service, material and/or frames exclusions from their VSP Choice Network Provider or by calling VSP's Member Services at (800) 877-7195.

Patient Options

This Plan is designed to cover visual needs rather than cosmetic eyewear. When a covered member selects non-covered lens enhancements, the covered member will pay the additional costs for the options. Some non-covered lens enhancements include:

- Optional cosmetic processes;
- Anti-reflective coating;
- Color coating;
- Mirror coating;
- Hi Index Lenses
- Scratch resistant coating;
- Blended lenses;
- Cosmetic lenses;
- Laminated lenses;
- Oversize lenses;
- Photochromic lenses, tinted lenses except Pink #1 and Pink #2;
- Custom and Premium Progressive lenses;
- UV (ultraviolet) protected lenses; or
- Certain limitations may apply on low vision care

For the cost of a non-covered lens enhancement, speak with your VSP Choice Network Provider or call VSP Member Service at (800) 877-7195

Not Covered

There are no benefits for:

- Services and/or materials not specifically included in this Vision Plan SPD as covered Plan benefits.
- Plano lenses (lenses with refractive correction of less than ± .50 diopter).

- Two pair of glasses instead of bifocals.
- Replacement of lenses, frames and/or contact lenses furnished under this Plan which are lost or damaged, except at the normal intervals when Plan benefits are otherwise available.
- Orthoptics or vision training and any associated supplemental testing.
- Medical or surgical treatment of the eyes.
- Contact lens insurance policies or service agreements.
- Refitting of contact lenses after the initial (90-day) fitting period.
- Contact lens modification, polishing or cleaning.
- Local, state and/or federal taxes, except where VSP is required by law to pay.
- Services associated with Corneal Refractive Therapy (CRT) or Orthokeratology.
- Corrective vision treatment of an experimental nature;
- Costs for services and/or eyewear above Plan benefit allowances; and
- KidsCare - Services and/or materials provided by someone other than a VSP Network Provider

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible vision care expenses that are not covered under the Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any vision care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

A Covered Person who is covered under two or more insurance plans that include vision care benefits may be eligible for Coordination of Benefits ("COB"). VSP will combine other insurance plans' claim payments or reimbursements, if any, with benefits available under the Plan, which may reduce or eliminate the Covered Person's out-of-pocket expense. A Covered Person covered under more than one VSP Plan may also be able to take advantage of COB. In order to process claims involving COB, VSP may need to share personal information regarding the Covered Person with other parties (such as another insurance company). When this is necessary, VSP will only share such information with those persons or organizations having a legitimate interest in that information and only where such sharing is not prohibited by law.

When coordinating benefits, it must be determined which plan is billed first. The plan that covers the member as an employee is "primary". The plan that covers the member as a dependent is "secondary".

If the Covered Person is a dependent child and is covered under both parents' plans, typically the parent whose birthdate falls first in the calendar year has the primary plan. If the parents are separated or divorced, the parent with custody is primary, unless otherwise ordered by the court.

The primary plan must pay or provide benefits as if the secondary plan does not exist.

When VSP administers the secondary plan, the member will receive a specified allowance for each service (exam, lenses, frame or contacts) that will be used to pay up to, but not more than the billed amount. Only services received on the primary benefit may be used for coordinating like services on the secondary benefit. Secondary allowances are applied first to the same service of the primary plan. Any remaining amount may be used to cover additional expenses on other services.

VSP will reimburse the Covered Person according to each benefit's out-of-network schedule of allowances, not to exceed the actual exam fee and the cost of corrective eyewear.

Please Note: Coordination of benefits does not guarantee that all out-of-pocket expenses will be covered-in-full. The Member is responsible for any remaining expenses.

How to Access the Vision Benefits

Selecting a VSP Choice Network Provider

- Log on to the Benefits Source website at mysourceforhr.com to find the link to VSP's website that houses the most up-to-date list of VSP Choice Network Providers; or call the Benefits Source at **1-888-640-3320** to locate a VSP Choice Network Provider near you. Call the VSP Choice Network Provider to make an appointment. Identify yourself as a VSP member.
- At the time of the visit, pay any amounts that are in excess of the allowance or the Plan's covered services. The VSP network provider files all necessary claims directly from his or her office. The Claims Administrator takes care of all of the necessary paperwork, and pays the provider directly for the eligible expenses.

If you select a Non-VSP Provider

If you receive care from a non-VSP provider, you are required to submit a VSP Request for Reimbursement claim form or you can submit the claim online by signing in as a Member to vsp.com. Here are the steps to follow when filing your own claim with the Claims Administrator:

- Complete all required fields of the VSP Request for Reimbursement claim form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator via the Benefits Source website mysourceforhr.com and link to the Claims Administrator's website.
- Attach copies of your itemized bill and paid receipts to your claim form. These bills should include:
  - Name of patient;
  - Doctor's name or office name;
  - Date of service;
  - Each service received and the amount paid;

Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

VSP
P.O. Box 385018
Birmingham, AL 35238-5018

Be sure to submit your completed claim to the Claims Administrator within 1 year of the date of your service.

Your claim will be processed upon receipt. The Plan then pays eligible benefits directly to you. Regardless of whether you will receive care from a VSP Choice Network Provider or a non-VSP provider, you receive a statement that tells you how much the Plan paid. In some cases, the Claims Administrator sends the payment to a designated representative (as in the case of a Qualified Medical Child Support Order).

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Vision Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Fully Insured
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurance Company. Claims are administered by the Claims Administrator listed below under the group insurance contract.
Claims Administrator (VSP Choice Network Providers):	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670 vsp.com
Claims Administrator (Non-VSP Providers):	Vision Service Plan Insurance Company P.O. Box 385018 Birmingham, AL 35238-5018
Insurance Company:	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The group insurance contract (the "Group Contract") underwritten by Vision Service Plan Insurance Company provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and a certificate or evidence of coverage (the "Group Insurance Certificate"). In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail.

Vision Service Plan Insurance Company, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Flexible Benefits Plan

Flexible Spending Account Plan

Health Savings Account

Your Flexible Benefits Plan Options

NiSource Inc. (the "Company") maintains the NiSource Flexible Benefits Plan (the "Plan"), which provides eligible employees with the option to participate in a Flexible Spending Account Plan (an "FSA Plan") and to contribute to a Health Savings Account (an "HSA"); provided, however, that you may not contribute to a Health Care FSA and an HSA at the same time.

The Claims Administrator for the FSA Plan is Alight Solutions, LLC, dba "Your Spending Account" or "YSA".

Flexible Spending Account

The FSA Plan has two different Flexible Spending Accounts. They are:

- The Health Care FSA; and
- The Dependent Care FSA.

You may participate in one or both of these accounts. The contributions you make to the Flexible Spending Accounts are not subject to Federal, and in many cases, state and local income tax, which reduces your taxable income.

The Health Care FSA allows you to set aside before-tax money from your paychecks to pay for certain eligible health care expenses that are not covered by the Medical, Dental or Vision Plans. You may set aside up to $2,750 a year (deducted from your pay in equal installments throughout the year) to pay for eligible out-of-pocket expenses such as deductibles, co-payments, or expenses that the Plan limits or excludes. The maximum limit for Health Care FSA may be adjusted periodically for inflation. Please contact the Benefits Source at **1-888-640-3320** to find out the current limit.

The Dependent Care FSA works similarly to the Health Care FSA. However, the before-tax money that you can set aside can only be used for reimbursement for dependent care expenses for eligible dependents. You may set aside up to $5,000 per year, or $2,500 per year if you are married and file separate federal income tax returns.

You may not claim any other tax benefit (e.g., the federal dependent care tax credit) for the amount of your before-tax salary reductions under the Dependent Care FSA, although your eligible dependent care expenses in excess of that amount may be eligible for the federal dependent care tax credit. The federal dependent care tax credit is a credit against your federal income tax liability under the Code. It is a non-refundable tax credit, which means that any portion of it that exceeds your federal income tax liability will be of no value to you. For more information about how the dependent care tax credit works, see IRS Publication No. 503 ("Child and Dependent Care Expenses"). For most individuals, participating in the Dependent Care FSA will produce greater federal tax savings than the dependent care tax credit, but there are some for whom the opposite is true. You should consult a tax advisor to determine what course of action would be best in your situation.

Eligibility

For information regarding eligibility under the FSA Plan, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

Highlights of the Flexible Spending Accounts (FSAs)

FSA Features	Eligible Dependents	Eligible Expenses
Health Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $2,750*	The Health Care FSA can be used to reimburse eligible out-of-pocket expenses incurred by you, your eligible spouse, or any person who is your dependent for federal income tax purposes (as determined without regard to such person's gross income).	Certain medical, dental, and vision expenses not covered under the Medical, Dental, or Vision Plans, such as deductibles, co-payments and coinsurance amounts. The expense must be considered as one incurred for "medical care," as defined in the Code. *A non-exhaustive list of eligible expenses can be found later in this section.*
Dependent Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $5,000; $2,500 if you are married and file separate federal income tax returns.	For purposes of the Dependent Care Flexible Spending Account, eligible dependents are: • Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child; • Your spouse who is physically or mentally incapable of caring for himself or herself, provided the spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, the spouse must regularly spend at least eight hours each day in your home.	Expenses you incur to care for your child or a dependent family member while at work. If you are married, your spouse also must work, be looking for work, be a full-time student for at least five months during the calendar year, or be physically or mentally unable to care for your dependent(s). *A non-exhaustive list of eligible expenses can be found later in this section.*

FSA Features	Eligible Dependents	Eligible Expenses
	• Any one of the following persons, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year: a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step-daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.	

*Amount is subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current maximum annual contribution amount for the Health Care FSA.

Health Care Eligible Expenses

Health care expenses that are eligible for reimbursement from the Health Care FSA are those expenses incurred for "medical care" (as defined under the Code and regulations issued thereunder) by you, your spouse or persons who qualify under the Code as your tax dependents for health coverage purposes, to the extent such expenses are not reimbursed from any other source, are not taken as a deduction on the your income tax return and are not otherwise excluded from eligibility under the terms of the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Health Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 35.

Eligible health care expenses include, but may not be limited to the following:

- Expenses covered by an employer-sponsored health care plan, but not reimbursed due to a deductible or co-payment.
- Prescription vision expenses (including eyewear, contact lenses and optometrist), contact lens solution, a guide dog for the blind and special education devices for the blind (such as a special typewriter).
- Expenses that may not be covered by an employer-sponsored health care plan, including (but not limited to):
  - Confinement to a facility primarily for screening tests and physical therapy or hydrotherapy;
  - Cosmetic surgery if it is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease;

- Services for chromosome or fertility studies;
- Treatment (other than surgery, which is covered by the Medical Plan) of corns, bunions, calluses, foot structural disorders, etc.;
- Services related to sexual dysfunctions or inadequacies;
- Ace bandages, support hose, or other pressure garments prescribed by a physician;
- Charges for medical expenses in excess of reasonable and customary expenses;
- Acupuncture for pain relief as performed by a licensed practitioner;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Orthodontic services not covered by a health care plan;
- Transportation expense to receive medical care, including fares for public transportation and actual out-of-pocket car expense, such as gas and oil. In lieu of out-of-pocket expenses, a standard mileage rate (plus tolls and parking) may be used;
- Hearing expenses including hearing aids, special instructions or training for the deaf (such as lip reading), the cost of acquiring and training a dog for the deaf, and special telephone and audio display equipment for the deaf;
- Hypnosis for treatment of an illness;
- "Halfway house" care to help individuals adjust from life in a mental hospital to community living;
- Tutoring by a licensed therapist for a child with a severe learning disability and special schooling for handicapped individuals;
- Lifetime care advance payment to a private institution for lifetime care, treatment, or training of a mentally or physically handicapped patient;
- Medical information plan fees paid to a plan maintaining an individual's medical information by computer;
- Special car controls for the handicapped; and
- Full or partial reimbursement for certain capital expenditures that are primarily made for health care reasons (e.g., an air conditioner installed in the home of a person with severe allergies may qualify for partial reimbursement, and an exercise swimming pool to aid in the recovery of a stroke victim may qualify for reimbursement).

This list of covered expenses is subject to change. An expense may not be reimbursed if the IRS would not consider the expense to be eligible.

To confirm if an expense is eligible for reimbursement, call YSA via the Benefits Source at ***1-888-640-3320.***

Health Care Expenses Not Eligible

The health care expenses that are **not** eligible for reimbursement from the Health Care FSA include, but may not be limited to the following:

- Marriage or family counseling;
- The salary expense of a licensed practical nurse (LPN) incurred in connection with the care of a normal and healthy newborn (even though such care may be required due to the death of the mother in childbirth);
- Funeral and burial expenses;
- Household and domestic help (even though recommended by a qualified physician due to your or dependent's inability to perform physical housework);
- Custodial care in an institution;
- Costs for sending a "problem child" to a special school for benefits the child may receive from a special course of study and disciplinary methods;

- Health club dues, YMCA dues, steam bath, etc.;
- Social activities, such as dance lessons or classes (even if recommended by a qualified physician for general health improvement);
- Membership fees or costs associated with weight loss or smoking cessation programs for general health and well-being purposes;
- Maternity clothes, diaper services, etc.;
- Cosmetics, toiletries, toothpaste, etc.;
- General health care aids purchased without a prescription, such as dietary supplements (e.g., vitamins);
- Premiums for other group or individual insurance coverage;
- The segment of automobile insurance premiums providing medical coverage for persons injured through an accident involving your care;
- Vacation or travel taken for general health purposes, a change in environment, improvement of morale, etc., or taken to relieve physical or mental discomfort not related to a particular disease or physical defect;
- Retin-A when used solely for cosmetic purposes;
- Herbs (even if they are used to treat an illness or injury); and
- Premiums for contact lens replacement insurance.

Filing a Health Care FSA Claim

If your health care-related expenses are eligible for reimbursement from the Program's Medical, Dental, or Vision Plans (or another medical, dental, or vision plan outside the Program), those expenses should be submitted to that plan first. After a payment determination is made, the unreimbursed expenses can then be submitted to your Health Care FSA.

The total annual amount that you can elect to contribute to the Health Care FSA (less any previous reimbursements) is available for reimbursement (regardless of the amount that you have contributed to your FSA to-date). Contributions then continue to be deducted from your paychecks until your annual goal amount is reached.

You may incur eligible health care expenses until December 31. You then have until March 31 of the following year to submit claims for expenses you incurred between January 1 and December 31 of the previous year.

Reimbursement of Health Care FSA Claims

You may submit a claim for reimbursement under your Health Care FSA via the Benefits Source website **mysourceforhr.com**.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Completed forms should be submitted along with the following documentation:

- **The Explanation of Benefits** (EOB): The EOB from the Claims Administrator indicates what expenses were covered by your medical/dental/vision plans. If you have another benefit plan available to you, you must submit your EOB with your completed health care reimbursement form.
- **A Co-pay Receipt**: This receipt is from the provider, and may be the only documentation if the co-pay is the only expense.
- **An Itemized Bill or Statement**: This is from the provider, and shows what expenses are not covered by the medical/dental/vision plan. It may include the:
  - Name and address of the service provider;
  - Dates of service (not the billing date or the paid date);
  - Dollar amount charged;
  - Patient's name; and
  - Description or type of services rendered.

Please note that canceled checks and balance-forward statements are not acceptable documentation for reimbursement.

Submit the completed form and documentation to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

Debit Cards

In addition, if the total annual amount that you elect to contribute to the Health Care FSA is $60 or greater, you will be issued a debit card for use with your Health Care FSA. The debit card may be used only for eligible health-related expenses. When you use your debit card, you are automatically certifying that you have not been reimbursed for the expense and that you will not seek reimbursement for the expense from any other plan.

You may use your debit card to obtain reimbursement for certain approved over-the-counter medications and supplies that are used to treat an illness, injury, or disease and that are purchased from registered vendors. However, you may not use your debit card to obtain reimbursement for over-the-counter medications or supplies that require a prescription or a statement of health or medical need.

The FSA Plan will try to automatically verify any claims you submit through your debit card. However, you should retain documents (such as an EOB, receipt, and itemized bill or statement) to support your claim in case the Claims Administrator requests such information. All expenses you incur must be substantiated in accordance with rules established by the IRS.

If you are paid for an excess or ineligible claim through your debit card, or if you fail to provide requested information to the Claims Administrator regarding substantiation of a claim, your debit card privileges may be suspended and the Plan and Claims Administrator reserve the right to recoup the mistaken payment. If you fail to repay such amount to the Plan, such amount may be withheld from your wages, be offset against other eligible Health Care FSA claims you submit, or be reported on your W-2 as taxable income.

Dependent Care Eligible Expenses

The dependent care expenses that are eligible for reimbursement from the Dependent Care FSA include, but may not be limited to:

- Family day care providers;
- Babysitter;
- Caregivers for a disabled dependent or spouse who resides in the participant's home;
- Housekeeper, maid or cook (provided the services are attributable in part to the care of an eligible dependent);
- Dependent care provided outside your home by an eligible care provider, including care provided in a neighbor's home or in an approved nursery school or dependent day care center. If the care is for a dependent age 13 or over, the dependent must regularly spend at least eight hours each day in your home. For example, day care centers for children and disabled adults qualify, but 24-hour nursing care facilities do not. Also, facilities that care for seven or more nonresident individuals must comply with all applicable state and local regulations governing day care centers;
- Payments for before- and after-school care for eligible children from kindergarten up to and including age 12;
- Payments in lieu of regular dependent day care to summer day camp or other summer programs (but not overnight camp); and
- Certain expenses for children not yet in the first grade, for example:
  - Nursery school;
  - Pre-school.

To confirm if an expense is eligible, call YSA via the Benefits Source at **1-888-640-3320**.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Dependent Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dependent Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 36.

Dependent Care Expenses Not Eligible

The dependent care expenses that are **not** eligible for reimbursement from the Dependent Care FSA include, but may not be limited to the following:

- Dependent care expenses that you incur before (or after) your participation in the Dependent Care FSA begins (or ends);
- Any expense that you claim for the dependent care tax credit on your federal income tax return, or any expense that is paid by any other similar reimbursement-type plan or program;
- Any expenses that are reimbursed by your Health Care FSA;
- Expenses for the education of a qualified dependent;
- Expenses paid for food and clothing;
- Dependent care provided by a family member who is under age 19 at the end of the taxable year, or by another dependent for whom you claim a dependent exemption on your tax return;
- Expenses for health care;
- Educational expenses for kindergarten or higher;
- Housekeeping expenses that are not related to dependent care, or payments for services while you are at home from work because of an illness;
- Child or dependent care provided while:
  - You are at work and your spouse is doing volunteer work, even if a nominal fee is paid (or vice versa);
  - You and your spouse are doing volunteer work (even if a nominal fee is paid); or
  - You and your spouse are not working (such as weekend or evening babysitting fees);
- Expenses for food, clothing, health care, or entertainment of a qualified dependent;
- Transportation expenses to and from the dependent care location;
- Expenses for overnight camps;
- Services of a gardener or chauffeur; and
- Care provided by a round-the-clock nursing home.

Filing a Dependent Care FSA Claim

For Dependent Care FSA reimbursements, only the current balance in your Dependent Care FSA is available for reimbursement. This means that you are reimbursed up to the amount that you have actually set aside from each paycheck up to that point (less any previous reimbursements). So, if the reimbursement request that you submit exceeds the amount currently in your Dependent Care FSA, you are reimbursed for the remainder after you contribute more money to your Dependent Care FSA via future paychecks.

You may submit a claim for reimbursement under your Dependent Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Submit the completed form along with the following documentation:

- **Provider's Bill or Itemized Receipt**:. The provider must sign this documentation, and it must itemize the date(s) of service as well as the amount(s) charged. Canceled checks are not considered acceptable documentation.
- **Dependent Care Provider's Name, Address, and Social Security Number (or Federal Tax Identification Number)**. For tax-reporting purposes, you must include the provider's name and his or her Social Security number (or taxpayer identification number). The taxpayer identification number is not necessary if the provider is a nonprofit, religious, charitable, or educational organization.

If the provider completely fills out the 'Provider Certification' section of the reimbursement form, then you need only submit the completed reimbursement form for your reimbursement request.

Submit the completed form and documentation (if required) to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

FSA Filing Deadlines

You may submit a health care reimbursement claim at any time after you incur an eligible health care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Health Care FSA after March 31 will be forfeited.

You may submit a dependent care reimbursement claim at any time after you incur an eligible dependent care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Dependent Care FSA after March 31 will be forfeited.

Claim Determination and Appeal Process – Health Care FSA

For information regarding the Health Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Claim Determination and Appeal Process – Dependent Care FSA

For information regarding the Dependent Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dependent Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the FSA Plan, including COBRA continuation coverage under the Health Care FSA, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Health Savings Account

If you enroll in one of the High Deductible PPO options (HDPPO 1 or HDPPO 2) you may be eligible to contribute to a Health Savings Account (HSA). An HSA is a portable savings account established and maintained outside the Plan that can be used to pay present and future medical and prescription drug expenses. An HSA is not an employer-sponsored employee benefit plan — it is an individual trust or custodial account that you open with a separate HSA trustee/custodian, such as a bank, life insurance company or other financial institution. Your HSA will be subject to the terms of an agreement you enter into with the HSA trustee/custodian. Such agreement may impose fees and restrictions upon how you use your HSA. The Plan merely allows you to contribute to your HSA in an amount up to the IRS statutory limit. Unlike a Health Care FSA, the HSA account balance can roll over from year to year until withdrawn and earnings accumulate tax-free.

The Health Savings Account is administered by Alight. Your Employer has no authority or control over the funds deposited in your HSA. As a result, the HSA is not subject to ERISA.

You can use the dollars in your HSA to pay the deductible and coinsurance required under the HDPPOs, along with other qualified medical expenses not covered by the plans. Qualified medical expenses are expenses you pay for medical care (as defined in Section 213(d) of the Code) for you, your spouse or dependents (as defined in Section 223 of the Code), to the extent such expenses are not reimbursed by insurance or otherwise.

Funds in the HSA remain in the account until you apply for reimbursement. If you are enrolled in the HDPPO 1 or HDPPO 2, your Employer may make an annual contribution into your HSA on your behalf. However, you must establish or activate your HSA before the end of the Plan Year in order to receive any Employer contributions. If you fail to do so, you will forfeit any Employer contributions for that Plan Year.

The amount you can contribute to your HSA is governed by federal law. Please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Flexible Benefits Plan – HSAs"* for a discussion of limitations upon the amount you may contribute to an HSA. Please call the Benefits Source at **1-888-640-3320** for more information.

Three Ways to Use Your Health Savings Account

- Pay for current qualified medical expenses, such as deductibles and coinsurance, or eligible expenses not covered by the HDPPOs.
- Pay for qualified medical expenses in future years, even if you are no longer enrolled in the HDPPOs.
- Once you reach age 65 (or become disabled), you can use any remaining money in your HSA to pay for qualified medical expenses on a tax-free basis, or you can take a distribution for non-qualified medical expenses, subject to income tax but without incurring a penalty .

Please note: *The information above describes the federal tax treatment of an HSA, but the favorable tax treatment described above may be limited or unavailable for state tax*

purposes. Please consult your tax advisor for more information.

Eligibility

For information regarding eligibility for an HSA, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in an HSA, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

HSA Qualified Medical Expenses

In addition to those services covered under the HDPPOs, you can use your HSA to pay for other qualified medical expenses including, but not limited to the following expenses, to the extent they are not reimbursed from any other source:

- Laser eye surgery;
- Weight loss programs;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Long-term care premiums;
- COBRA premiums;
- Health care plan premiums while receiving unemployment;
- Over age 65, you can use the HSA funds to pay for Medicare Parts A or B; and
- Many other services defined as expenses for medical care under Section 213(d) of the Code.

If you use your HSA for a non-medical or non-qualified medical expense, you will have to pay income tax on the account distribution as well as a 20% penalty. However, if a distribution is made after age 65, after disability, or after death, the distribution will be subject to income tax, but no penalty tax.

If you have a question about what constitutes a qualified medical expense, please consult your tax advisor or Publication 969 that may be found on the IRS website at irs.gov.

How to Open an HSA

After you have enrolled in an HDPPO option and agreed to the terms and conditions of the HSA custodial agreement, YSA will send you a packet containing basic information on how to use a Health Savings Account.

Paying for Covered Expenses Using the Health Savings Account

The Health Savings Accounts are administered by YSA. When you visit a network provider, you typically do not pay at the time of service. Simply show your Anthem ID card and the following steps will be followed:

1. The claim will be sent to Anthem for processing.
2. You will receive an Explanation of Benefits (EOB) statement showing what was paid under the Plan.
3. Your provider will receive the same statement and bill you for the balance not covered under the Plan.
4. You can then either pay the balance with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

Paying for prescription drugs works differently. The following steps will be followed:

1. You must show the pharmacist your Anthem ID card (the same one you use for medical services).
2. When you pick up your prescription, you can either pay with your HSA debit card (if accepted by your provider) or pay out

of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

A similar procedure applies for mail-order prescription drug service.

Paying a Provider Who Does Not Participate in the Network

If you visit a provider who is not in the Network, you must either pay the provider at the time of service with your HSA debit card (if accepted by your provider) or pay the provider out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

To enroll or to find out more information about the Health Savings Account, please visit the Benefits Source website mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to speak with a representative.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Flexible Benefits Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Code Section 125 Plan containing group health plan and non-group health plan components and providing for Pre-Tax Payment of Medical Expenses (Health Plan), Pre-Tax Payment of Dependent Care Expenses and Pre-Tax Contributions to Health Savings Accounts
Plan Number:	537
Type of Funding:	Not applicable
Contribution Source:	Employee. In addition, subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Fiduciary and Plan Administrator:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute the entire cost of the Benefit Plan coverage they select. Provided, however, that subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Distributions from HSAs are not administered through the Plan. Questions concerning investments, distributions or other matters pertaining to an HSA should be directed to Alight, who administers the HSAs. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator for Flexible Spending Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com

Claims Administrator for Health Savings Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Life and AD&D Plan

Employee Term Life Coverage – Basic Plan

Employee AD&D Coverage – Basic Plan

Your Life Insurance and AD&D Options

This is the SPD (the "Life and AD&D SPD") for the NiSource Life Insurance Plan, also referred to as the Life and AD&D Plan. In this Life and AD&D SPD, the Life and AD&D Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible employees with the following coverage options (each a "Life and AD&D Coverage Option"):

- Basic Employee Term Life Coverage Option;
- Basic Employee Accidental Death and Dismemberment ("AD&D") Coverage Option;

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this summary plan description, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at* ***1-888-640-3320****.*

The Plan provides life insurance and AD&D coverage on the persons of eligible employees ("Employee Insurance"). See the individual Benefit Plan sections below for a summary of the benefits offered under each of the Coverage Options listed above.

Eligibility

For information regarding eligibility under the Life and AD&D Plan, please see the *"Eligibility under the Life and AD&D Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Life and AD&D Plan"*.

Contributions

Premium contributions are not required for the Basic Employee Term Life Coverage Option or the Basic Employee AD&D Coverage Option.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Life and AD&D Plan"*.

Definition of "Earnings"

For commission paid employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings include the annualized average commissions earned during the shorter of (i) the 24 month period just prior to your date of loss; or (ii) your period of employment. Bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer are not included.

For all other employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings do not include commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under each Life and AD&D Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at **1-888-640-3320**.

Insurance under a Life and AD&D Coverage Option may not be assigned.

Basic Employee Term Life Coverage

The Basic Employee Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in the amount of $20,000.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Option to Accelerate Payment of Death Benefits

If you have a Terminal Condition while insured under the Basic Employee Term Life Coverage Option (the "Employee Term Life Insurance"), you may elect to have an Accelerated Benefit paid to you in one lump sum, or in any other manner agreeable to you and Securian, when Securian receives proof satisfactory to it that you have a Terminal Condition.

You have a "Terminal Condition" if you have a condition caused by sickness or accident that directly results in a life expectancy of twelve months or less. Securian must be given evidence that is satisfactory to it that your life expectancy, because of sickness or accident, is twelve months or less. That evidence must include a certification by a physician, other than you or a member of your immediate family, who is licensed to practice medicine or treat illness in the state in which treatment is received. Securian has the right to have you medically examined at its own expense to verify your medical condition. Securian may do this as often as reasonably required while Accelerated Benefits are being considered or paid.

"Accelerated Benefit" means the amount of your Employee Term Life Insurance that Securian will pay if you are eligible under the Group Insurance Certificate rider with respect to Accelerated Benefits. You must take the entire Accelerated Benefit. Securian calculates the Accelerated Benefit by multiplying your death benefit (the amount of your life insurance as shown on the specifications page attached to the certificate furnished to you by Securian) by the accelerated benefit factor. The accelerated benefit factor will be stated as a percentage of your death benefit. In calculating this factor, Securian considers your age and gender. Securian also bases its calculation of the factor upon certain assumptions, which it may change from time to time, including without limitation assumptions about expected future premiums and your life expectancy. The minimum death benefit eligible for an Accelerated Benefit is $10,000.

If you elect to accelerate the full amount of your death benefit, your Employee Term Life Insurance coverage and all other benefits under your certificate of insurance and any certificate supplements will end.

Your right to be paid under this option is subject to the following terms: (1) Your Employee Term Life Insurance must be in force and all premiums due must be fully paid; (2) You must make application in writing and in a form that is satisfactory to the Claims Administrator; (3) You must be the sole owner of your certificate of insurance; (4) You must not have designated an irrevocable beneficiary for your Employee Term Life Insurance; (5) You must not be required by law to use this option to meet the claims of creditors, whether in bankruptcy or otherwise; and (6) You must not be required by a government agency to use this option in order to apply for, obtain, or keep a government benefit or entitlement.

Please note that any payment of an Accelerated Benefit may be taxable. You should consult your tax advisor for assistance with any questions you may have.

Refer to the Group Insurance Certificate for additional details, terms and conditions regarding this option.

Payment of Death Benefits under Life Coverage

If you die while covered under the Plan, the amount of insurance on you is payable when Securian's home office receives written proof satisfactory to it that you died while covered under the Plan and insured under the Group Insurance Certificate. If you die within 31 days after ceasing to be covered under the Plan, but while you are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Employee Term Life Insurance are payable according to Securian's beneficiary and mode of settlement rules.

Conversion Privilege for Life Coverage

If all or a part of your Employee Term Life Insurance terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Neither the conversion right nor the limited conversion right is available if your coverage under the Plan or Group Contract terminates due to failure to make, when due, required premium contributions. Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by Securian for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features*" below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Basic Employee AD&D Coverage Option

The Basic Employee AD&D Coverage Option provides a benefit in the amount of $20,000.

Additional AD&D Coverage

The Plan provides additional benefits under the Basic AD&D Coverage Option for your loss of life as a result of a covered accident in an automobile while using a seat belt and as a result of an accident in an automobile while using an air bag. The additional benefit is in an amount equal to the lesser of (1) 10% of your full amount of insurance, and (2) $10,000. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; one hand and one foot; one hand and sight of one eye; one foot and sight of one eye; speech and hearing; quadriplegia	100%
Paraplegia	75%
One hand; one foot; sight of one eye; speech; hearing; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

Benefits may be paid for more than one accidental injury but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A Loss is not covered if it results from any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted Injuries, or any attempt to inflict such Injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the Loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including

Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit an assault or felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Portability of Life and AD&D Coverage

If coverage under any of the Life and AD&D Coverage Options ceases, you may have the right to apply for coverage for yourself and for your "eligible dependent," as the case may be, under a Portability Plan maintained by Securian. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Policy would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue dependent coverage under a Life and AD&D Coverage Option, you must port your corresponding employee coverage. In addition, life insurance coverage must be ported in order to port accidental death and dismemberment insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Portability Coverage in Lieu of Conversion Coverage

The right to elect term life coverage under the Portability Plan is in lieu of the conversion privilege under the Employee Term Life Insurance, except that you may convert the amount of insurance under the Employee Term Life Insurance that exceeds the maximum amount of coverage that may be obtained under the Portability Plan.

Your Eligibility for Portability Coverage

You are eligible to continue your Employee Insurance under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you terminate employment, including retirement; or

(2) you are no longer in a class eligible for coverage or you are on a leave or layoff; or

(3) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by

Securian or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) with respect to Term Life Coverage, have converted your insurance to an individual life policy as permitted by any conversion rights under the Plan; or

(3) were not actively at work due to sickness or injury on the date immediately preceding your portability date; or

(4) lose eligibility due to termination of the Plan or Group Policy.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date.

When an insured attains age 65, the amount of insurance on his or her life continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Conversion of Portability Coverage

At any time after insurance has been continued under the Portability Plan, it may be converted to a policy of individual insurance with Securian. All other conditions and provisions applicable to conversion coverage will apply. See the Group Insurance Certificate for additional details.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) 31 days after the due date of any premium contribution which is not made.

Highlights of Conversion and Portability Features

	Conversion	Portability
Can Basic Life be converted or ported?	Yes	Yes
Can AD&D be converted or ported?	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No	No.
Application Deadline	Application and first month premium due 31 days after your coverage termination.	For life coverage, application due 31 days after your coverage termination. Securian will bill the participant directly. For AD&D coverage, 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101

Conformity with State Law

If any provision of this summary plan description or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should obtain a claim form and follow the instructions on the form. For AD&D claims, Securian must be given written proof of the loss for which claim is made. This proof must cover the occurrence, character and extent of that loss. It must be furnished within 90 days after the date of the loss. But, if any Life and AD&D Coverage Option provides for periodic payment of benefits at monthly or shorter intervals, the proof of loss for each such period must be furnished within 90 days after its end. A claim will not be considered valid unless the proof is furnished within these time limits. However, it may not be reasonably possible to do so. In that case, the claim will still be considered valid if the proof is furnished as soon as reasonably possible.

Claim forms are available from Securian. Claim forms can be obtained from Securian by phone via the Benefits Source at ***1-888-640-3320****, or online via the Benefits Source website at* mysourceforhr.com*. If you do not receive the form from Securian within 15 days of your request, send Securian written* proof of claim without waiting for the form.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Life and AD&D Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance and accidental death and dismemberment benefits
Plan Number:	536
Contribution Source:	Basic Employee Insurance: Employer Optional Employee and Dependents Insurance: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Exempt Full-Time Employees Hired or Rehired Before January 1, 2010

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

As an employee of a NiSource Inc. ("NiSource" or "Company") or one of its affiliates (to the extent described below), you have the benefit of choosing your own portfolio of benefit coverages from the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program (collectively the "Program") each year.

The benefit information contained in this Handbook applies to all eligible regular full-time exempt employees hired or rehired before January 1, 2010 who work for the Company or a participating employer and who are covered under the Program. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible employees as belonging to Active Benefit Program 104.

A participating employer is an affiliate of the Company that has adopted, or is deemed to have adopted, the Program, as evidenced by the Company's books and records reflecting that eligible employees of such employer may participate in certain of the benefits thereunder. The NiSource Benefits Committee (the "Committee") has sole discretion to determine who is a participating employer.

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the Benefit Plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The Committee reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program (or various component benefit plans thereof) also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource offers you the following coverages in accordance with the terms of the applicable benefit plans (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan" or a "Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Medical Plan")
- Dental Coverage (NiSource Dental Plan – referred to as the "Dental Plan")
- Vision Coverage (NiSource Vision Plan – referred to as the "Vision Plan")
- Flexible Benefits (NiSource Flexible Benefits Plan – referred to as the "Flexible Benefits Plan," and comprised of the "FSA Plan" and provisions for contributions to Health Savings Accounts, or "HSAs")
- Travel Accident Coverage (NiSource Travel Accident Plan – referred to as the "Travel Accident Plan")
- Short-Term Disability Coverage (NiSource Short-Term Disability Plan –

referred to as the "Short-Term Disability Plan")

- Long-Term Disability Coverage (NiSource Long-Term Disability Plan – referred to as the "Long-Term Disability Plan")
- Life and AD&D Coverages (NiSource Life Insurance Plan – referred to as the "Life and AD&D Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – Pension and 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Medical, Dental, Vision and Flexible Benefits Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Medical Plan, the Dental Plan, the Vision Plan, and the Flexible Benefit Plan, the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before a Plan will pay benefits.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by physicians practicing the

applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"PBM" means the Pharmacy Benefit Manager for the Medical Plan. As of the date of this Handbook, the PBM is Anthem.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a

person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

Definitions Applicable to All Benefit Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview** and in the individual Benefit Plan sections, the following terms when used in this Handbook shall have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Employer" means the Company or any Participating Employer by whom you are employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A and to such other limitations or guidance that may be issued by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, or Department of the Treasury.

"Participating Employer" means, with respect to any Benefit Plan, the Company, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Safety Plan Rehire" means (i) a person eligible for retiree medical and retiree life insurance benefits who is rehired by Columbia Gas of Ohio, Inc. after January 1, 2019 to support the construction activities associated with regulator station replacement in conjunction with the LP-Enhanced Safety Plan and natural gas system replacement projects, or (ii) a retiree who was rehired by Bay State Gas Company after January 1, 2019 for a short-term position as Department of Public Utilities liaison for the third-party audit of post-incident construction.

"Spouse" means a person who is treated as your spouse under the Code. ***Please Note:*** See "Eligibility under the Medical, Dental, and Vision Plans" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for medical plan coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to elect to participate in the Benefit Plans when and to the extent provided under the applicable Benefit Plan.

Please Note: It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a

Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits, required repayment of any ineligible expenses, and disciplinary action up to and including dismissal.* Also, enrollment of a dependent under the Medical Plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the Plan.

Please note that the Affordable Care Act requires us to collect the Social Security Number of each individual covered under the Medical Plan. Covered individuals may face a tax penalty for failure to provide this information. To report this information, please contact the Benefits Source at **1-888-640-3320**.

Eligibility under the Medical, Dental and Vision Plans

You and your eligible dependents may elect to participate in the Medical, Dental, or Vision Plans if you are actively at work and you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former Spouse or your Spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated; (3) the child is dependent upon you for financial support and maintenance; (4) you continue to be covered by the Plan; (5) with respect to the Dental or Vision Plan coverage, the child is also covered under the Medical Plan, or was covered under the Dental Plan and/or Vision Plan, as the case may be, as of December 31, 2018, and has remained covered under such Plan or Plans continuously since that date; (6) the child's disability continues; and (7) the child has not attained age 65;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent.

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance,

legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Medical, Dental or Vision Plan.*

Eligibility under the Flexible Benefits Plan

FSA Plan

You can elect to participate in the FSA Plan provided you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week. However, if you make contributions, or if contributions are made on your behalf, to an HSA during the Plan Year, you may not elect to make contributions to a Heath Care FSA during such Plan Year.

For purposes of reimbursement of eligible expense under the Health Care FSA, your eligible dependents include your Spouse or persons who qualify under the Code as your tax dependents for health coverage purposes.

For purposes of reimbursement of eligible expenses under the Dependent Care FSA, your eligible dependents include:

- Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child;
- Your Spouse who is physically or mentally incapable of caring for himself or herself, provided the Spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, your Spouse must regularly spend at least eight hours each day in your home;
- Any other person, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year. This includes a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step–daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.

HSAs

You can elect to contribute to a health savings account("HSA") if you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week and who is enrolled in either the HDPPO 1 or HDPPO 2 option. Contributions to an HSA can only be made when enrolled in an HDPPO. You cannot contribute to an HSA or receive Employer contributions if you have coverage under any other health plan that is impermissible coverage for purposes of Section 223 of the Code.

Please note: *You may not contribute to your HSA and the Health Care FSA at the same time.*

The limitation on the amount you may contribute to an HSA is determined on a monthly basis. The monthly contribution limit is zero for any month in which you are enrolled in Medicare. Please note that if you first apply for Medicare benefits after you attain age 65, your Medicare enrollment will be retroactive to a date that is six months prior to the month in which you apply for benefits, but not earlier than the first month

you were eligible for Medicare. Thus, your monthly HSA contribution limit may be zero for a number of months that precede your application for Medicare benefits. It is your responsibility to make sure your HSA contributions do not exceed the maximum amount permitted under the Code. Please consult your tax advisor if you have questions regarding the amount you may contribute to an HSA, including for the months leading up to your application for Medicare benefits.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source automated telephone system at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Flexible Benefits Plan.*

Eligibility under the Travel Accident Plan

If you are classified as a full-time employee, you will be eligible to participate in the Travel Accident Plan as of your first day of active, full-time employment with a Participating Employer. You are a "full-time employee" if you are characterized by your Employer as a full-time employee who regularly works 40 or more hours per week.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source automated telephone system at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Travel Accident Plan.*

Eligibility under the Short-Term Disability Plan

If you are a full-time employee, you will be covered under the Short-Term Disability Plan as of the first day of the month coincident with or next following your completion of six continuous months of active, full-time employment with a Participating Employer. You are a "full-time employee" if you are characterized by your Employer as a full-time employee who regularly works 40 hours per week. Newly hired employees must be actively at work on the date coverage is scheduled to begin.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source automated telephone system at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Short-Term Disability Plan.*

Eligibility under the Long-Term Disability Plan

You are eligible to participate in the Long-Term Disability Plan if you are a regular full-time employee of a Participating Employer who works 40 or more hours per week and are in active employment. You are in active employment if you are working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. Your worksite must be your Employer's usual place of business, an alternate work site at the direction of your Employer other than your home, unless clear specific expectations and duties are documented, or a location to which your job requires you to travel. Your eligibility for optional, contributory coverage may be subject to your satisfying other requirements established by Prudential Insurance Company of America. Refer to the group insurance certificate issued by Prudential for more details.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Long-Term Disability Plan.*

Eligibility under the Life and AD&D Plan

Employees

You are eligible to participate in the Life and AD&D Plan if you (i) are a regular full-time employee of a Participating Employer, (ii) regularly work 40 or more hours per week, and (iii) are actively at work. You are actively at work if you are fully performing your customary duties for your regularly scheduled number of hours at your Employer's normal place of business, or at other places your Employer's business requires you to travel. Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff,

subject to your Employer's practices and procedures.

Your eligibility for optional, contributory coverage may be subject to your providing evidence of insurability and satisfying other requirements established by the insurer, Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc.

See the Life and AD&D Benefit Plan section below and refer to the group insurance certificate issued by Securian for further details.

Eligible Dependents

If you are eligible to participate in the Life and AD&D Plan, you may obtain certain coverage for your "eligible dependents." Your "eligible dependents" are:

- Your lawful Spouse, provided you are not legally separated; and
- Your unmarried children from live birth to the end of the month in which the unmarried child attains age 26; and

Your "children" include: (1) your natural children, legally adopted children and children placed with you for adoption prior to legal adoption; and (2) each of your stepchildren, foster children, children subject to legal guardianship, grandchildren, and other children who are blood relatives who depend on you for more than fifty percent of their support and maintenance. A child placed with you for adoption prior to legal adoption is considered an eligible dependent from the date of placement for adoption, and is treated as though the child were a newborn child born to you.

Notwithstanding the foregoing, your unmarried children age 26 or older are also eligible if they are physically or mentally incapable of self-support, were incapable of self-support prior to age 26 and are financially dependent on you for more than 50% of their support and maintenance.

Also notwithstanding the foregoing,

(1) Your spouse is not your "eligible dependent" while on active duty in the armed forces of any country; and

(2) Your child is not your "eligible dependent" while (a) on active duty in the armed forces of any country; or (b) insured under any Employee Insurance.

A child will not be considered the "eligible dependent" of more than one employee. If this would otherwise be the case, the child will be considered the "eligible dependent" of the employee named in a written agreement of all such employees filed with the Company. If there is no written agreement, the child will be considered the "eligible dependent" of:

(1) the employee who became insured under the Plan with respect to the child while the child was an "eligible dependent" of only that employee; and otherwise

(2) the employee who has the longest continuous service with a Participating Employer, based on the Company's records.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Life and AD&D Plan.*

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select coverages for you and your eligible dependents.

Generally, to be covered, you must initially enroll for the medical, dental, flexible benefits, vision, supplemental and dependent life and AD&D and supplemental long-term disability coverages within 31 days following the date on which your enrollment materials are sent to you. **(This Benefits Program Overview or the individual Benefit Plan sections of this Handbook contain additional information about enrollment in each Plan.)**

You are automatically enrolled for EAP/Work Life/Legal & Financial Services (regardless of whether you enroll in PPO, HDPPO or HMO

coverage under the Medical Plan), travel accident, short-term disability, basic long-term disability, basic life and basic AD&D coverages upon the date you become eligible for such coverage.

To enroll in coverage that is not provided automatically, you must log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320.** To enroll in supplemental and dependent life and AD&D and supplemental long-term disability coverages, you must use enrollment forms approved by Securian (with respect to life and AD&D coverage) and Prudential (with respect to long-term disability coverage). You may obtain these enrollment forms by contacting the Benefits Source at **1-888-640-3320.**

The enrollment materials detail how to enroll online and by phone. If you do not enroll within the 31-day period described above, as applicable **(the deadline date is included in the enrollment materials)**, you will automatically receive default coverage **(as described in this Benefits Program Overview or in the applicable individual Benefit Plan section of this Handbook)**, if applicable, for the remainder of that calendar year.

Please Note:

Dependents will not be eligible to receive any of the benefit coverages if you fail to enroll them during your initial 31-day enrollment period, during any subsequent annual enrollment or within 31 days following a qualified life event.

Enrollment in the Medical, Dental, and Vision Plans

Provided you meet the eligibility requirements, as described in the section above entitled "*Eligibility under the Medical, Dental and Vision Plans*", you and your eligible dependents can participate in the Medical Plan, Dental Plan and/or Vision Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. If you fail to enroll, you will be deemed to have elected (i) the HDPPO 1 medical option with no dependent coverage under the Medical Plan, (ii) the Preventive Dental option with no dependent coverage under the Dental Plan, and (iii) the Basic Vision option with no dependent coverage under the Vision Plan. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year and can only be changed during annual open enrollment. If you do not enroll or elect to change coverage, if applicable, within the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of this **Benefits Program Overview** for further details.

Please Note:

If you do not enroll in the Medical Plan, Vision Plan or Dental Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment. Also, if you do not enroll an eligible newborn child for coverage within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or the next qualified life event that permits the child's enrollment.

Enrollment in the Flexible Benefits Plan

FSA Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Flexible Benefits Plan,*" you may participate in the FSA Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year. In addition, participation in the FSA Plan requires annual enrollment, at which time you must elect the

amount that you want to contribute to the FSA Plan for the year. If there is a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Changing and Continuing Elections*" of the **Benefits Program Overview** for further details.

HSAs

To enroll in an HSA, you must meet the following requirements:

- You must be enrolled in HDPPO 1 or HDPPO 2.
- You cannot be covered by another medical plan (e.g., you cannot be a dependent on anyone else's plan, except for vision and dental coverage) that is not a high deductible health plan.
- You cannot be enrolled for Medicare benefits. (Part A or Part B)
- You cannot be claimed as a dependent on another person's tax return.
- You cannot be covered by a general-purpose Health Care Flexible Spending Account, including the Health Care FSA

You must satisfy any requirements or conditions for establishing or activating your HSA that are prescribed by the Claims Administrator for HSAs. Failure to do so may result in the delay or failure to receive an employer HSA contribution to which you might otherwise be entitled.

Enrollment in the Travel Accident Plan

No affirmative enrollment is required for the Travel Accident Plan. You are automatically enrolled upon the date you become eligible for such coverage.

Enrollment in the Short-Term Disability Plan

No affirmative enrollment is required for the Short-Term Disability Plan. You are automatically enrolled upon the date you become eligible for such coverage.

Enrollment in the Long-Term Disability Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Long-Term Disability Plan*" section above, you will be automatically enrolled in the Basic LTD Coverage Option, unless you choose to enroll in the Supplemental LTD Coverage Option. Newly eligible employees must enroll in the Supplemental LTD Coverage Option within 31 days of their date of hire or, if later, the date they first become eligible for coverage. If you fail to enroll, you will automatically be covered under the Basic LTD Coverage Option. In general, once you enroll in (or decline) the Supplemental LTD Coverage Option, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.)

Enrollment in the Life and AD&D Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Life and AD&D Plan*" section above, you will be automatically enrolled in the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option (such Life and AD&D Coverage Options, together with the Optional Employee Term Life Coverage Option and the Supplemental Employee AD&D Coverage Option, are collectively referred to as "Employee Life and AD&D Insurance"). If you desire coverage under the Optional Employee Term Life Coverage Option, the Dependents Term Life Coverage Option, the Supplemental Employee AD&D Coverage Option, or the Dependents AD&D Coverage Option (collectively the "Optional Life and AD&D Coverage Options") as a newly eligible employee, you must enroll in such Optional Life and AD&D Coverage Option within 31 days of your date of hire or the

date you become newly eligible. If you do not enroll in an Optional Life and AD&D Coverage Option during this initial 31-day period, you may need to provide evidence of insurability if you decide to enroll at a later date. You must enroll using forms approved by Securian. *You may obtain forms for enrolling in, or changing, your Optional Life and AD&D Coverage Options by contacting the Benefits Source at* ***1-888-640-3320.***

In general, once you enroll in (or decline) any of the Optional Life and AD&D Coverage Options, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage election will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.) If any change in coverage is subject to evidence of insurability, Securian must decide that such evidence is satisfactory.

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (Spouse or child) are eligible for Program benefits as active or retired employees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active or retired employee cannot be covered under the Benefit Plan both as a participant and as a dependent. Likewise, if you and your Spouse are both employees of NiSource or one of its affiliates, either of you may choose to cover your child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan (e.g., child life insurance). Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects coverage under the Medical, Dental, and/or Vision Plans, or makes no coverage election and is thereby deemed to have elected coverage under such Plans, you will be deemed to have requested that coverage be dropped for such dependent under the Medical, Dental, and/or Vision Plans, as the case may be.

Coverage under the Program for retired employees or for active employees other than the eligible employees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides medical, prescription drug, vision, and dental coverage for your eligible child (as well as participation in the Health Care Flexible Spending Account, to the extent the child is a tax dependent for health coverage purposes under Federal law) pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or a Participating Employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

Additionally, your Employer may withhold from your wages any contributions required for such coverage.

You may obtain from the Company, without charge, a copy of the Benefit Plans' QMCSO procedures.

Special Rule for Rehired Employees

If you terminate employment and are rehired after your termination date, the benefit elections that were in effect on the date of your termination **will not be** automatically

reinstated. You will need to re-elect coverages once you again become eligible upon your return.

Upon your rehire, you will no longer be entitled to benefits under Active Benefit Program 104, but will instead be designated as being entitled to the Active Benefit Program applicable to similarly situated eligible employees hired as of the date of your rehire. In addition, unless you are rehired as a Safety Plan Rehire or as a union employee of Northern Indiana Public Service Company LLC , as a rehired employee, you will not be entitled to any retiree medical or retiree life insurance benefits upon your retirement or other termination of employment.

Special Rule for Certain Employment Transfers

If you were hired or rehired on or after January 1, 2010, and you thereafter transfer to an "exempt employee" status, you will not be eligible for retiree medical or retiree life insurance benefits upon your retirement or other termination of employment. An "exempt employee" includes a non-union employee (an employee whose employment is not subject to the terms of a collective bargaining agreement) and an employee who is not entitled to overtime under the Fair Labor Standards Act, 29 U.S.C. §201, et seq.

This special rule does not apply to a Safety Plan Rehire, to the extent such Safety Plan Rehire is not thereafter rehired by an Employer or transferred to another employee status.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. If you do not enroll within the annual enrollment period, your current coverages generally remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans, plans that require enrollment and the deadline date. **However, if you want to participate in the Health and/or Dependent Care Flexible Spending Accounts or in a Health Savings Account (HSA), you need to elect to participate each year. Your Flexible Spending Account and Health Savings Account contribution elections will not carry over from one Plan Year to the next.**

If you add a new dependent to Benefit Plan coverage during annual enrollment, you must provide the dependent's social security number to the Benefit Plan by calling the Benefits Source at **1-888-640-3320** or by visiting the Benefits Source website at mysourceforhr.com,

In the event your current Medical, Dental, or Vision Plan coverage is not available and you fail to elect coverage under another plan or option that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "*Enrollment in the Medical, Dental, and Vision Plans*" for further details.

Opt-Out Credit

If you are a full-time employee and have coverage elsewhere and decline medical or dental coverage under the Medical or Dental Plans, you may be eligible for an opt-out credit, if available. Please refer to the enrollment material to see if this option is currently being offered. If you have declined coverage, but your Spouse or parent is also an employee or retiree and is covering you as a dependent, you are not entitled to an opt-out credit. If you are a covered dependent under the Medical and/or Dental Plans, you must call the Benefits Source at **1-888-640-3320** during enrollment to update your status. The Company will recover payment of ineligible opt-out credits through payroll deductions.

Please Note:

If you have declined Medical Plan coverage, but your Spouse or parent is also an employee or retiree who is covering you under the Medical Plan as a dependent, you are not entitled to an opt-out credit. You must call the Benefits Source at **1-888-640-3320** during enrollment to update your status.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Medical Plan at your home address.

The cards should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options, or, if applicable, your HMO in the case of an HMO option.

There are no ID cards for the Vision Plan, Dental Plan or other coverages.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans

Coverage Begins

Generally, coverage under the Medical Plan, Dental Plan, Vision Plan, or FSA Plan may become effective, if you properly enroll, (1) on your first day of active employment for regular new hires, (2) on the first day of the following Plan Year for eligible employees who enroll during the annual enrollment period, or (3) on the date the Plan approves your enrollment based upon a qualified life event. Eligible dependents have the same effective date provided you properly enroll them.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation on or after January 30, 2020 (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to an employee;
- The date an employee is no longer eligible for coverage under the Plan;
- The date an employee commences active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made;
- The end of the month following the date an employee terminated employment.

In addition, coverage under the Health Care FSA will cease if an HDPPO coverage option is elected under the Medical Plan.

A dependent shall cease to participate in the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the employee's coverage ends (except that, in the case of the employee's death, a dependent shall cease to participate in the Plan on the last day of the month in which the employee dies) (see also the section below entitled "*Survivor Coverage*" for circumstances under which coverage under the Medical Plan for an eligible surviving dependent may continue beyond an employee's death);
- The last date for which any required contributions for the dependent's coverage was made;
- For a Spouse, the date of divorce or legal separation, except in the case of insured Medical Plan coverage that is provided

under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law;

- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if you or your eligible dependents experiences a COBRA qualifying event, EAP/Work Life/Legal & Financial Services coverage will cease one day after the maximum COBRA continuation coverage period would otherwise expire on account of such qualifying event. See the section below entitled "*COBRA*" for an explanation of what constitutes a COBRA qualifying event.

When Coverage Begins and Ends - HSA

Coverage Begins

You may enroll in an HSA at any time provided you have properly enrolled in either the HDPPO 1 or HDPPO 2 option.

Coverage Ends

Your contributions to an HSA through the Flexible Benefits Plan will terminate as follows:

- The date on which the Plan terminates;
- The date you are no longer eligible;
- The date you are no longer actively at work; or
- The date on which you request that your contributions cease or that the HSA Account be closed.

If you are no longer enrolled in HDPPO 1 or HDPPO 2 or you have terminated employment or retired, you will be required to pay a monthly account fee to the HSA Trustee/Custodian for as long as money remains in your HSA. You will also receive a new HSA debit card that will allow you to continue using the remaining money in your account for qualified medical expenses.

When Coverage Begins and Ends – Travel Accident Plan

Coverage Begins

Your Travel Accident Plan coverage becomes effective on the first day of your active, full-time employment with a Participating Employer.

Coverage Ends

You will cease to be covered under the Travel Accident Plan for benefits on the earliest of the following:

- The date as of which the Plan is terminated;
- The date that the Plan is amended to terminate your coverage;
- The date you are no longer eligible for coverage under the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy; and
- The date you terminate employment.

When Coverage Begins and Ends – Short-Term Disability Plan

Coverage Begins

Your Short-Term Disability Plan coverage became effective on the first day of the month coincident with or next following the date you completed six continuous months of active, full-time employment with a Participating Employer.

Coverage Ends

You will cease to be covered under the Short-Term Disability Plan for benefits on the earliest of the following:

- The date the Plan is terminated;

- The effective date of any Plan amendment that terminates coverage with respect to you;
- The date you are no longer eligible for coverage under the Plan, including without limitation as a result of your Employer no longer being affiliated with the Company or no longer being a Participating Employer in the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994;
- The last day for which you made any required contribution toward the cost of Plan coverage;
- The date you begin any leave of absence; and
- The date your employment terminates.

When Coverage Begins and Ends – Long-Term Disability Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Long-Term Disability Plan,"* coverage under the Basic LTD Coverage Option of the Long-Term Disability Plan generally may become effective on the later of (1) your first day of active employment, for regular new hires, (2) the day you become a member of a class eligible for coverage under the Plan, (3) the first day of the following Plan Year, for eligible employees who choose not to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period, or (4) the date the Plan approves such enrollment, for employees who disenroll from the Supplemental LTD Coverage Option due to a qualified life event.

Coverage under the Supplemental LTD Coverage Option generally may become effective on the later of (1) the date you are eligible for coverage, if you enroll on or before that date; (2) the date you enroll for coverage, if you enroll within 31 days after the date you are eligible for coverage; (3) the date Prudential approves your application, if evidence of insurability is required; (4) the date you are in active employment; (5) the first day of the following Plan Year, for eligible employees who choose to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period; or (6) the date the Plan approves such enrollment due to a qualified life event.

Evidence of insurability means a statement of your medical history that Prudential will use to determine if you are approved for coverage. You must give evidence of insurability, at your expense, if (1) you enroll for coverage more than 31 days after the date you are eligible for it; (2) you re-enroll for coverage after you voluntarily cancelled it; (3) you enroll after any coverage ends because you did not pay a required contribution; or (4) you have not met a previous evidence requirement to become covered under any plan NiSource has with Prudential. Prudential will decide when evidence of insurability is satisfactory.

Once your coverage begins, any increased or additional coverage will take effect on the latest of: (1) the effective date of the change, if you are in active employment, on a temporary layoff, on leave of absence, or working reduced hours (for reasons other than disability); (2) the date Prudential approves your application, if evidence of insurability is required; or (3) the date you return to active employment, if you are not in active employment due to injury or sickness.

Coverage Ends

Your coverage under the Long-Term Disability Plan will end on the date you lose eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the group insurance contract issued by The Prudential Insurance Company of America is canceled;
- The date that the Plan is amended to terminate your coverage;

- The date you terminate employment or are no longer eligible for coverage under the Plan;
- The date you are no longer in active employment due to a disability that is not covered under the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made; or
- The date you are no longer in active employment, except as provided below and except to the extent continuation coverage is required by the Family and Medical Leave Act of 1993 ("FMLA").

If you are on a temporary layoff or are working reduced hours for reasons other than disability and the premium is paid, you will be covered to the end of the month following the month in which your temporary layoff or reduced hours begin. If you are on a leave of absence and the premium is paid, you will be covered to the end of the month in which your leave begins. Neither temporary layoff nor leave of absence includes normal vacation time or any period of disability or absence in connection with any severance or termination agreement. Your FMLA leave also is not considered a temporary layoff.

When Coverage Begins and Ends – Life and AD&D Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Life and AD&D Plan,"* coverage under the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option of the Life and AD&D Plan may generally become effective on the first day you are actively at work, if you are a regular new hire, or on the first day you are newly eligible for coverage, provided you are actively at work on such day.

Provided you have satisfied the eligibility requirements described above, coverage under the Employee Optional Life and AD&D Coverage Options may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) with respect to the Optional Employee Term Life Coverage Option, the Claims Administrator is satisfied with your evidence of insurability, if evidence is required (provided that coverage will become effective as of the first day of the month following the Claims Administrator's determination that evidence is satisfactory), and (3) the Claims Administrator has received the required premium.

If you are not actively at work on the date coverage would otherwise begin, or on the date an increase in your amount of insurance would otherwise be effective, you will not be eligible for the coverage or increase until you return to active work. However, if the absence is on a non-work day, coverage will not be delayed provided you were actively at work on the work day immediately preceding the non-work day. Except as otherwise provided herein or in the group insurance contracts (collectively, the "Group Contract") or group insurance certificates issued by Securian, you are eligible to continue to be insured only while you remain actively at work.

Provided you have satisfied the eligibility requirements described above, coverage of your "eligible dependents" under the Dependents Term Life Coverage Option and the Dependents AD&D Coverage Option ("Dependents Life and AD&D Insurance") generally may become effective on the first day on which each of the following conditions are met: (1) you have enrolled for dependent coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) the person to be covered is your "eligible dependent", (3) you are insured for employee coverage under the particular coverage sought (e.g., for the Dependents Term Life Coverage Option, you are covered under the Basic Employee Term

Life Coverage Option, and for the Dependents AD&D Coverage Option, you are covered under the Supplemental Employee AD&D Coverage Option), (4) for the Dependents Term Life Coverage Option, the Claims Administrator is satisfied with your eligible dependent's evidence of insurability, if evidence is required, and (5) the Claims Administrator has received the required premium.

If an eligible dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released from such hospitalization or confinement.

Evidence of your insurability may be required under certain circumstances if you apply for coverage under the Optional Employee Term Life Coverage Option. Evidence of your eligible dependent's insurability may also be required under certain circumstances if you apply for coverage for your eligible dependent under the Dependents Term Life Coverage Option. See the sections in the Life and AD&D Benefits Plan section below entitled *"Optional Employee Term Life Coverage"* and *"Dependents Term Life Coverage"* for more details concerning evidence of insurability requirements.

If you apply for coverage that requires evidence of insurability, your coverage election will be autocorrected to the greatest amount of coverage, consistent with your election, to which you would otherwise be entitled without evidence of insurability. Once evidence of insurability is approved by Securian, your coverage will be updated effective the first of the month following approval (or, if later, January 1, in the case of an election made during annual enrollment).

Coverage Ends

Your Employee Life and AD&D Insurance or Dependents Life and AD&D Insurance under a Life and AD&D Coverage Option will end when the first of these occurs:

- The date as of which the Life and AD&D Plan is terminated;
- The date the Group Contract is canceled, or with respect to a particular Life and AD&D Coverage Option, the date such Life and AD&D Coverage Option is terminated;
- The date that the Life and AD&D Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you terminate employment or are otherwise no longer eligible for coverage under the Plan as a regular full-time employee or as a member of another eligible class;
- For Life and AD&D Coverage Options that are contributory, 31 days after the due date of any required contribution that is not paid, provided that failure to contribute for Dependents Life and AD&D Insurance will not cause your Employee Life and AD&D Insurance to end;
- For the Dependents Term Life Coverage Option, the date your coverage under the Basic Employee Term Life Coverage Option ends;
- For the Dependents AD&D Coverage Option, the date your coverage under the Supplemental Employee AD&D Coverage Option ends;
- For Dependents Life and AD&D Insurance, the last day of the month in which your "eligible dependent" ceases to be an "eligible dependent" for the coverage or is no longer covered under the Group Contract.
- For coverage under an Employee Optional Life and AD&D Coverage Option, the last day for which premium contributions have been made following your written request to end coverage under such Employee Optional Life and AD&D Coverage Option.
- For Dependents Life and AD&D Insurance, the last day for which premium contributions have been made following your written request to end Dependents Life and AD&D Insurance for an "eligible dependent"

You must notify the Claims Administrator or the Benefits Source at **1-888-640-3320** when a dependent is no longer eligible for

coverage under the Life and AD&D Plan so that premiums may be discontinued. No claims will be paid under the Life and AD&D Plan in respect of an ineligible dependent.

If your Employee Life and AD&D Insurance terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

If you stop active full-time work for any reason, you should contact the Company or your Employer at once to determine what arrangements, if any, have been made to continue any of your insurance coverage, or whether you belong to another class of employees that may be eligible for coverage under the Plan.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, the Internal Revenue Service will allow you to enroll for or change certain pre-tax elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain pre-tax elections if you experience a "qualified status change" that affects your, your Spouse's, or your dependent's eligibility for benefits under the Medical Plan, the Dental Plan, the Vision Plan, the Flexible Benefits Plan, the Life and AD&D Plan or the Long-Term Disability Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.***

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company, the Plan Administrator, or the Claims Administrator. In addition to satisfying any requirements established by the applicable Benefit Plan and any insurer (with respect to insured coverage), any requested change in election must satisfy all requirements imposed by the Internal Revenue Service.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee +family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.

- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Please Note:

If you do not request a change in election within 31 days of your qualified status change or other qualified life event, your next opportunity to change elections will not be until the next annual enrollment period or until you experience another qualified life event. For example, if you do not enroll an eligible newborn child within 31 days of the child's birth, even if you do not have the child's social security number, your next opportunity to enroll the child will not be until the next annual enrollment period, unless you experience another qualified life event that would permit you to change elections.

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan (this does not apply to the Health Care Flexible Spending Account).
- With respect to the Medical Plan only, you qualify for special enrollment during the year under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Medical Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***
- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.
- You or your eligible dependents lose coverage under any group health coverage sponsored by a governmental or educational institution,
- You take leave under the Family and Medical Leave Act.

If a dependent you are covering under the Medical, Dental or Vision Plan is hired by an Employer and either timely elects coverage under such Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Plan coverage for such dependent in connection his or her change in employment status.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical, prescription drug, vision or dental plan or program, your medical, prescription drug, vision and dental benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

The following provisions of this *"Coordination of Benefits (COB)"* subsection apply to the Medical Plan and the Dental Plan. Please see the Vision Plan section for details about coordination of benefits provisions applicable to the Vision Plan.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable Benefit Plan is primary, the Benefit Plan pays the amount payable under such plan.

If your coverage under the applicable Benefit Plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday

Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

The "Birthday Rule"

Under the "Birthday Rule" the plan of the parent whose birthday falls earlier in the calendar year is the primary plan and the other parent's plan is secondary.

In the case of a divorce or separation, the following order will establish responsibility for payment:

- If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.
- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits.

How Coordination of Benefits Works for Those in "Current Employment Status"

If you are in "current employment status" within the meaning of Medicare regulations, and if you or your spouse become Medicare-eligible, you or your spouse may have either of the following:

- Medical coverage under both the Medical Plan and Medicare (the Medical Plan under the Program is primary, it pays benefits as described in this Handbook, and Medicare is secondary); or
- Coverage under Medicare only (if that is what you have elected).

Please Note:

End-Stage Renal Disease. If you or your covered dependent enroll in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary at the time you or your covered dependent enroll, the Medical Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

If you are in "current employment status" and you and your Spouse are covered under the Medical Plan, Medicare coverage becomes secondary. You may decline coverage under the Medical Plan, in which case Medicare would be the primary carrier. Your Spouse may, if age 65 or older, make a separate Medicare election. However, your Spouse may

not elect medical coverage under the Medical Plan if you do not elect coverage.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under the Medical Plan but are no longer considered in "current employment status" for purposes of Medicare, and you and your spouse are Medicare-eligible, then Medicare is the primary payor regardless of your or your covered spouse's age. You are responsible for notifying the Claims Administrator if you, your Spouse, or your other eligible dependents become Medicare-eligible.

If you are not in "current employment status" and if a covered person is eligible for, but not enrolled in, Medicare benefits, the Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are not in "current employment status" and are eligible for, but not enrolled in, Medicare Part B, and if you incur a claim that would be payable in whole or in part by Medicare Part B, the Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

Please Note:

Late Enrollment Penalties for Medicare Parts B and D. If you are eligible for Medicare by reason of age or disability, are no longer in current employment status for purposes of Medicare, and do not enroll in Medicare Part B or Medicare Part D during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. For more information concerning Medicare late enrollment penalties, see the Medicare & You publication at https://www.medicare.gov/medicare-and-you or contact your local Social Security Administration office.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide claims and certain appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section of this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, or SPDs, please see below or the individual Benefit Plan sections of the Handbook.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified below or in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Medical Plan

The claim determination and appeal process described below applies to the Medical Plan. The term "Plan" as used in this section refers to the Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations.

Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;
- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that

is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (for the Medical Plan, this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and

- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Medical Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to request a voluntary second-level internal appeal under the Medical Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any

deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;
- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective review, were covered under the Plan at the time the health care item or service was provided;
- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider

additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the criteria are inconsistent with the terms of the Plan or with applicable law;
- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;

- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA

Unless otherwise noted, the claim determination and appeal process described below applies to each of the Dental Plan, the Vision Plan and the Health Care FSA. The term "Plan" as used in this section refers to the Dental Plan, the Vision Plan or the Health Care FSA, as the case may be, and the term "Claims Administrator" refers to the claims administrator appointed for the respective Plan.

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Plan.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim.

Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The day the Claims Administrator receives the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan or FSA Plan, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that

takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes and adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA

following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes and adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan, or the Health Care FSA, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process - Dependent Care FSA

The claim determination and appeal process described below applies to the Dependent Care FSA Plan. As used in this section, the term "Claims Administrator" refers to the claims administrator appointed for the Dependent Care FSA Plan. The term "Plan" as

used in this section refers to the Dependent Care FSA Plan.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Flexible Benefits Plan.

Consideration of Initial Claim

Within 90 days of receiving the claim, the Claims Administrator will provide you (or your beneficiary) with a written notice of its decision. If, because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your request for review within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you may be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; (3) a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and (4) a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.

Appeal to Claims Administrator

If your claim is denied or deemed to have been denied in whole or in part, you have the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial or deemed denial.

Upon receipt of your request, your claim will be reviewed. You will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written request for review is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your claim for benefits within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you will be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; and (3) a statement that you are entitled to receive upon request and free of charge reasonable access to, and copies of, all documents, records and other information relevant to your claim for benefits.

Second Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your claim on appeal, you or your

duly authorized representative may request a review of such denial by the Plan Administrator. Each such request for review must be in writing signed by you or your duly authorized representative, must specify that it is a request for review of a denied claim and must be filed with the Plan Administrator no later than 60 days after receipt of the denial or 90 days after the claim is deemed to be denied because the Claims Administrator did not respond within the requisite time period.

The decision of the Plan Administrator upon a request for review shall be made within 60 days after the request for review is received by the Plan Administrator unless special circumstances require an extension of time for processing such review, in which event you shall be notified in writing prior to the expiration of such 60 days, and the decision of the Plan Administrator shall be rendered within 120 days of the receipt of the request for review. In connection with a request for review, you or your duly authorized representative may submit issues and comments in writing to the Plan Administrator. All communications between the Plan Administrator and you or your duly authorized representative shall be in writing unless you or your duly authorized representative requests otherwise and the Plan Administrator consents thereto. Each decision of the Plan Administrator on a request for review shall be in writing and shall include (1) the specific reason or reasons for the decision; (2) specific reference to the Plan provisions upon which the decision is based; and (3) a statement that you are entitled to receive upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Travel Accident Plan

The claim determination and appeal process described below applies to the Travel Accident Plan. As used in this section, (i) the term "Plan" refers to the Travel Accident Plan, and (ii) the term "Claims Administrator" refers to the NiSource Benefits Department or such other claims administrator appointed for the Plan. Any claim for benefits submitted after eighteen months from the date of a covered person's death may not be considered for payment.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

Within 90 days of receiving a claim, the Claims Administrator will provide your beneficiary with a written notice of its decision. If because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide your beneficiary with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension and the date by which the Claims Administrator expects to render its decision.

If the Claims Administrator Denies the Claim

If the Claims Administrator denies your beneficiary's claim in whole or in part, your beneficiary will be provided with written notice of the denial. Such notice shall be written in a manner calculated to be understood by your beneficiary and shall include:

- The specific reason or reasons for the denial;
- Specific references to the pertinent provisions in the Plan on which the denial is based;
- A description of any additional material or information necessary for your beneficiary to perfect the claim and an explanation of why such material or information is necessary; and
- A description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse determination on all appeals.

Appeal to Claims Administrator

If your beneficiary has a claim denied in whole or in part, your beneficiary has the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial.

Your beneficiary's request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Travel Accident Plan.

Your beneficiary may submit written comments, documents, records, and other information relating to the claim for benefits. Upon his or her request, your beneficiary will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim.

Your beneficiary's written request should state why he or she thinks the claim should not have been denied. Your beneficiary's request also should include any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your beneficiary's request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by your beneficiary relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

Your beneficiary will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written claim is received). The Claims Administrator will provide your beneficiary with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension and the date by which the Claims Administrator expects to render its decision.

If the Claims Administrator Denies the Appeal

If the Claims Administrator denies your beneficiary's appeal in whole or in part, your beneficiary will be provided with written notice of the denial. Such notice shall be written in a manner calculated to be understood by your beneficiary and shall include:

- The specific reason or reasons for the denial;
- Specific references to the Plan provisions upon which the denial is based;
- A statement that your beneficiary is entitled to receive upon request and free of

charge, reasonable access to and copies of, all documents, records, and other information relevant to the claim for benefits; and

- A statement indicating the beneficiary's right to file a lawsuit upon completion of the claims procedure process.

Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your beneficiary's claim on appeal, your beneficiary may file a written claim with the Plan Administrator within 60 days after your appeal has been denied in whole or in part by the Claims Administrator.

Any claim for benefits with the Plan Administrator will be processed within 60 days of its receipt unless additional time is required to process the claim, in which event your beneficiary will be notified that an additional period of 60 days is required to process the claim. The notice will include the special circumstances requiring the extension and the date by which the Plan Administrator expects to render its decision.

If the Plan Administrator Denies the Appeal

If your beneficiary's claim for benefits is denied in whole or part by the Plan Administrator, written notice of the decision to deny such application will be promptly furnished to your beneficiary within 60 days after receipt of the claim for benefits, or within 120 days of receipt of such claim if the Plan Administrator gives notice in writing that an extension of time is required for processing the claim. Notwithstanding the foregoing, if the Plan Administrator's meeting schedule is such that it holds regularly scheduled meetings at least quarterly, the Plan Administrator's final determination may be made within the period specified in Department of Labor Regulations Section 2560.503-1(i)(ii). Each notice of denial of an application shall be in writing and shall contain the following information:

- The specific reason or reasons for the denial;
- Specific references to the Plan provisions upon which the denial is based;
- A statement that your beneficiary is entitled to receive upon request and free of charge, reasonable access to and copies of, all documents, records, and other information relevant to the claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claimant has exhausted all claims and appeals to the Claims Administrator and Plan Administrator. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date of the covered person's death.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Short-Term Disability Plan

The claim determination and appeal process described below applies to the Short-Term Disability Plan. As used in this section, (i) the term "Plan" refers to the Short-Term Disability Plan, (ii) the term "Claims Administrator" refers to the applicable claims administrator appointed for the Plan, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in the Plan or a rescission of your disability coverage (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission,"

means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) before you request a formal appeal. If you are not satisfied with a benefit determination, you can appeal it.

Consideration of the Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but generally not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding Your Claim

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason or reasons for the denial;
- reference to the specific Plan provisions on which the denial is based;
- a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a

statement that such explanation will be provided free of charge upon request; and

- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written or electronic notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary;
- a description of the Plan's review procedures and time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following exhaustion of the claims procedure process;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits, you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 180 days of the receipt of the written adverse benefit determination.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by

you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford deference to the initial adverse benefit determination and will be conducted by an individual who is neither the person who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such person.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of the appeal, nor the subordinate of any such individual.

The Claims Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, before the Claims Administrator issues and averse benefit determination on appeal, it will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person (or at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on appeal based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator will notify you of its determination on review within a reasonable period of time, but generally not later than 45 days after receipt of your request for review, unless the Claims Administrator determines that special circumstances require an extension of time for processing the claim. If the Claims Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Claims Administrator expects to render the determination on review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- reference to the specific Plan provisions on which the benefit determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and
- a statement indicating your right to file a lawsuit upon completion of the appeal process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the

Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and

- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures, and (C) the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Appeal to the Plan Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your duly authorized representative may appeal the Claims Administrator's determination by sending a written request to the Plan Administrator within 45 days of your receipt of the Claims Administrator's adverse benefit determination on review.

The Committee, as Plan Administrator, has delegated to the Director, Benefits, the Director, Corporate Insurance and the Senior Vice President and Chief Human Resources Officer, and to the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons, the authority to decide appeals of denied claims on behalf of the Plan Administrator. Such appeals shall be decided by the Director, Benefits and the Director, Corporate Insurance, or by the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons. In the event such persons do not agree on the decision with respect to an appeal, the Senior Vice President and Chief Human Resources Officer, or the officer or employee of the Company or of its affiliates succeeding to the duties and responsibilities

of such person, shall decide the appeal. References in this section to the "Plan Administrator" shall be deemed to constitute references to those persons to whom the Plan Administrator has delegated authority to decide appeals of denied claims.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written appeal should state why you think your claim should not have been denied. Your appeal should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Plan Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in your appeal to the Claims Administrator. The review will not afford deference to the Claims Administrator's decision.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Plan Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of your appeal, nor the subordinate of any such individual.

The Plan Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, the Plan Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Plan Administrator or other person (or at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Plan Administrator will notify you of its determination on review within a reasonable period of time, but generally not later than 45 days after receipt of your request for review by the Plan, unless the Plan Administrator determines that special circumstances (such as the need to hold a hearing) require an extension of time for processing the claim. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

If the Plan Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Plan Administrator makes an adverse benefit determination with respect to your claim on appeal, it will notify you of the following, in a manner calculated to be understood by you:

- The specific reason or reasons for the adverse determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Plan Administrator makes an adverse benefit determination on your claim on review, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures, and (C) the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated the claimant; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Physical Examinations

The Company has the right, at its own expense, to have any person for whom a claim is pending examined as often as is reasonably necessary.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Long-Term Disability Plan

The claim determination and appeal process described below applies to the Long-Term Disability Plan. As used in this section, claims made under the Long-Term Disability Plan are referred to as "disability claims." The term "Plan" as used in this section refers to the Long-Term Disability Plan, and the term "Claims Administrator" refers to The Prudential Insurance Company of America. As used in this section, "adverse benefit determination" or "adverse determination" shall mean any of the following: (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in the Plan, or (ii) any rescission of disability coverage with respect to a claimant (whether or not, in connection with the rescission, there is an adverse effect on any particular benefit at that time). For this purpose, the term "rescission" means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions towards the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 after the receipt of your claim. This period may be extended by 30 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 45-day period. This period may be extended for an additional 30 days beyond the original 30-day extension if necessary due to matters beyond the control of the Plan. A written notice of the additional extension, the reason for the additional extension and the date by which the Plan expects to decide on your claim, shall be furnished to you within the first 30-day extension period if an additional extension of time is needed. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if your claim for benefits is denied, in whole or in part, you or your authorized representative will receive a written notice from the Claims Administrator of your denial. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the denial,

- references to the specific Plan provisions on which the benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary,
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process,

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, it shall provide you with a written notice of the adverse benefit determination setting forth

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary;
- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following completion of all required appeals;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you;
  - the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the plan do not exist; and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

First Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim for benefits, you or your representative may appeal the determination in writing to

the Claims Administrator within 180 days of your receipt of written notice of the adverse determination. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your written request, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim free of charge.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, without regard to whether such information was submitted or considered in the initial adverse benefit determination, and utilizing individuals who were not involved, and who are not subordinates of the individuals involved, in that determination. This review will not afford any deference to the initial adverse benefit determination.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if the claim on appeal is denied in whole or in part, you will receive a written notification from the Claims Administrator of the denial. The notice will be written in a manner calculated to be understood by the applicant and shall include:

- the specific reason(s) for the adverse determination,
- references to the specific Plan provisions on which the determination was based,
- a statement that you are entitled to receive upon request and free of charge reasonable access to, and make copies of, all records, documents and other information relevant to your benefit claim upon request,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures; and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free

of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your disability claim on review, it will provide you with written notice. The notice shall set forth, in a manner calculated to be understood by you,

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim;
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures;
- a statement indicating
  - your right to bring an action under section 502(a) of ERISA upon completion of all required appeals,
  - that any such action must be brought no later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator, and
  - the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you;
  - the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Second Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your representative may make a second, voluntary appeal of the adverse determination in writing to the Claims Administrator within 180 days of your receipt of the written notice of adverse benefit determination. You may submit with your second appeal any written comments, documents, records and any other information relating to your claim. Upon your request, you will also have access to, and the

right to obtain copies of, all documents, records and information relevant to your claim free of charge.

The Claims Administrator shall make a determination on your second claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date by which the Claims Administrator expects to render a decision shall be furnished to you within the initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

Your decision to submit a benefit dispute to this voluntary second level of appeal has no effect on your right to any other benefits under the Plan. If you elect to initiate a lawsuit without submitting to a second level of appeal, the Plan waives any right to assert that you failed to exhaust administrative remedies. If you elect to submit the dispute to the second level of appeal, the Plan agrees that any statute of limitations or other defense based on timeliness is tolled during the time that the appeal is pending.

If the Claims Administrator makes an adverse benefit determination with respect to your second-level, voluntary appeal, you will receive a written notification from the Claims Administrator of the adverse determination. The notice will be written in a manner calculated to be understood by you and shall include the same type of information that was included in the letter notifying you of the adverse benefit determination on your first-level appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud, (ii) any error the Claims Administrator makes in processing a claim, and (iii) your receipt of deductible sources of income. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims

procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, unless otherwise provided under federal law, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Life and AD&D Plan

The claim determination and appeal process described below applies to the Life and AD&D Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accelerated death benefits, for accidental dismemberment benefits, or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to

decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the

subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal, you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and

- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage under the Medical, Dental, Vision and FSA Plans

General

Generally, coverage under the Medical, Dental, Vision and FSA Plans is only available to you if you are actively at work. However, if the Company or a Participating Employer under its personnel policies continues to treat you as an employee after you cease to be actively at work due to any of the following leaves, then you will continue to be treated as an employee eligible to participate in one or more of the Plans described above, subject to the terms and conditions of each such Plan. Provided, however, your participation will cease as of the earliest of the dates set forth above under "*When Coverage Begins and Ends under the Medical, Dental, Vision and FSA Plans – Coverage Ends*." For example, as of the date of this Handbook, the personnel policy of the Company and each Participating Employer is to terminate your employment if the claims fiduciary of the Company's long-term disability plan determines you no longer qualify for benefits under the long-term disability plan. The leaves referred to above are:

Sick Leave – Coverage under the Medical, Dental, Vision and FSA Plans for you and your eligible dependents continues if you are on sick leave and your Employer under its personnel policies continues to treat you as an employee. Your contributions for this coverage will continue to be deducted from your check.

Long Term Disability Leave ("LTD") – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents, as well as coverage under the Health Care FSA, continues if you are on LTD leave and your Employer under its personnel policies continues to treat you as an employee. You must continue to make your required contribution. You may also receive

an Employer contribution to your Health Savings Account if you are enrolled in an HDPPO coverage option and are eligible to contribute to a Health Savings Account.

You **cannot** continue to participate in the Dependent Care FSA while you are receiving Long-Term Disability Plan benefits. You may, however, use the existing balance in your account to pay for any eligible expense you incur before you commence your LTD leave.

Family and Medical Leave Act ("FMLA") Leave – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents continues at the same level of contribution and under the same conditions if you are granted a leave of absence under the Family and Medical Leave Act ("FMLA"). However, you may revoke your health benefit elections upon the commencement of your FMLA leave of absence. If you return from an unpaid FMLA leave of absence after having revoked health benefit elections on account of taking FMLA leave, you may reinstate your elections on the same terms as prior to taking FMLA Leave, to the extent that reinstatement is required under the FMLA. If your health benefit elections are revoked for non-payment of premiums during an approved FMLA leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

The Company and the applicable Participating Employer may recover its cost of coverage if you exhaust your leave and do not return to active employment for reasons other than the continuation or onset of a serious health condition or other circumstances beyond your control. The Company or the applicable Participating Employer may require you to provide certification of a health care provider if you are unable to return to work because of the continuation, recurrence, or onset of a serious health condition.

You may continue to participate in the Health Care FSA and/or Dependent Care FSA on a pre-tax basis while on a FMLA leave by pre-paying with pre-tax dollars any contributions due for coverage during the Plan Year in which your leave commences. You have the option to continue to participate in the Health Care FSA during your FMLA leave on an after-tax basis by making payments according to the same schedule in effect before your leave. If your participation in a Flexible Spending Account ceases on account of your leave, you may still use the existing balance in your account to pay for any eligible expenses that you incur prior to your last day worked before your FMLA leave. Also, if you ceased participation in the Health Care FSA during your leave, you may resume participation upon return from leave during the same Plan Year and either make up the unpaid contributions or resume coverage at a reduced level under the proration rule, with payments at your original contribution level.

Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") – If you are absent from employment because of service in the "uniformed services" (as that term is defined by USERRA), you may elect to continue coverage under a Plan during the period of your service to the extent provided by USERRA and the NiSource Military Leave of Absence Policy. Without limiting the generality of the foregoing, if your health benefit elections are revoked for non-payment of premiums during an approved military leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Medical, Dental and Vision Plans and under the Health Care FSA (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."*

COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial Services coverage.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, (ii) the date for making COBRA premium payments, and (iii) the date for notifying the Plan of a qualifying event or determination of disability.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your Spouse (if he or she is treated as a Spouse under the Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. (This extended coverage does not apply to the Health Care FSA.) These costs are subject to change.

You will have 60 days to elect COBRA (measured from the later of your coverage loss date or the date the Plan Administrator notifies you of your right to elect COBRA coverage).

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

You will become a qualified beneficiary on account of coverage under a Plan if you lose your coverage under such Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct.

Your Spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your Spouse.

Your dependent children will become qualified beneficiaries on account of coverage

under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of your employment or reduction of hours of employment, your death, or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the Benefits Source website at mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your Spouse, and parents may elect COBRA continuation coverage on behalf of their children.

[This paragraph applies only to the Medical, Dental and Visions Plans. It does not apply to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the end of your employment or reduction of your hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months. There are two ways in which this 18 month period of COBRA continuation coverage can be extended (as described below). When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. When the qualifying event is the end of your employment or reduction of your hours of employment, and you became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than you lasts until 36 months after the date of Medicare entitlement. For example, if you become entitled to Medicare 18 months before the date on which your employment terminates, COBRA continuation coverage for your Spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 18 months after the date of the qualifying event (36 months minus 18 months).

[This paragraph applies only to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. Upon experiencing a qualifying event, which causes

a loss of coverage under the Health Care FSA, you may continue your current contributions to your Health Care FSA on an *after-tax* basis through COBRA only for the remainder of the Plan Year in which your active coverage ended. This means that you will lose the pre-tax benefit of the FSA Plan by continuing coverage through COBRA. However, COBRA continuation coverage under the Health Care FSA option of the FSA Plan allows you to continue to incur and seek reimbursement of eligible claims for the remainder of the Plan Year. If COBRA continuation coverage is not elected, only those expenses incurred prior to the qualifying event will be eligible for reimbursement.

Disability Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If you or anyone in your family covered under a Plan is determined by the Social Security Administration to be disabled and you notify the Plan Administrator (in a form prescribed by the Plan Administrator) (i) within 60 days of the later of the date of the disability determination by Social Security and the date the qualified beneficiary loses coverage under the Plan as a result of your termination or reduction of hours of employment, and (ii) before the end of the initial 18-month period of COBRA continuation coverage, you and the qualified beneficiaries in your family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. If proper notice is not provided within the 60-day period and before the end of your initial 18-month period of COBRA continuation coverage, you will not be entitled to a disability extension. The disability would have to have started at some time before the 61st day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage. You must also notify the Plan Administrator within 30 days of the date the Social Security Administration determines that you or your dependent are no longer disabled.

Second Qualifying Event Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If your family experiences another qualifying event while receiving 18 months of COBRA continuation coverage, your Spouse and dependent children can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan Administrator within 60 days of the date of the second qualifying event. If proper notice is not provided within the 60-day period, you will not be entitled to an extension on account of the second qualifying event. This extension may be available to your Spouse and any dependent children receiving continuation coverage if you die, become entitled to Medicare benefits (under Part A, Part B, or both), or you get divorced or legally separated, or if your dependent child stops being eligible under a Plan as a dependent child, but only if the event would have caused your Spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. For example, when the qualifying event is the termination of your employment, COBRA continuation coverage for you, your Spouse and dependent children can last up to 18 months. If within that initial 18-month period you become legally separated or divorced (i.e., experience a second qualifying event), COBRA continuation coverage may be extended by an additional 18 months (for a total of 36 months from the date of the termination of employment) for your Spouse and dependent children who lose coverage due to the divorce or legal separation, if notice of such event is properly given to the Plan Administrator.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above (i.e., 18, 29 or 36 months, in the case of the Medical, Dental and Vision Plans, or the remainder of the Plan Year, in the case of the Health Care FSA), COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in the Program cease to provide any group health plan or coverage to any employee.
- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- Provided such date is after the initial 18-month COBRA period and no other extension of such period (other than the disability extension) applies, the first day of the month coincident with or next following 30 days from the date the Social Security Administration determines that a qualified beneficiary is no longer disabled.
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" section below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at dol.gov/ebsa (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Employee's death at any time on or after January 1, 2004, if COBRA continuation coverage has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Employee's surviving dependents who are covered under the Medical Plan on the date of that Employee's death, then coverage under the Medical Plan for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Employee's surviving spouse dies, (ii) the last day of the month in which the Employee's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Medical Plan, the date such dependent reaches age 65, and (vi) the date the

Employer with whom the Employee was employed ceases to be a "related employer," as defined in the Medical Plan.

If medical coverage under the Medical Plan ends for an Employee's dependent because of such Employee's death within 30 days preceding, or at any time on or after, May 1, 2010, and if such Employee would have satisfied the conditions for eligibility for retiree medical coverage under the Medical Plan or the NiSource Post-65 Retiree Medical Plan had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the Medical Plan at the time of the Employee's death, the Employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and have been a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the NiSource Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the NiSource Post-65 Retiree Medical Plan.

If survivor coverage under the Medical Plan will end for a surviving dependent of a Deemed Retiree solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the NiSource Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Medical Plan or the Dental Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your

direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to an illness, a sickness, or a bodily injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the illness, sickness or bodily injury;
- The insurer or other indemnifier of the party or parties who caused the illness, sickness or bodily injury;
- A guarantor of the party or parties who caused the illness, sickness or bodily injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the illness, sickness or bodily injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the illness, sickness or bodily injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the illness, sickness or bodily injury so that the applicable Benefit Plan may recover any sums paid under such Benefit Plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable for the Benefit Plan to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements, or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce

future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust of r the benefit of the Benefit Plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the illness, sickness or bodily injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the illness, sickness or bodily injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the illness, sickness or bodily injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The employee;
- The employee's covered dependent;
- The estate of any covered person; or
- On behalf of any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the employee or a covered dependent, the employee or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an in-network provider rather than an out-of-network provider. For the Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure

that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company, a Participating Employer, or any of their affiliates. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit Plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Code with respect to the

Benefit Plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though an Employee may receive a benefit check from a Claims Administrator, the Company, a Participating Employer, or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to the Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company, the Participating Employers, or their affiliates or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form

5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.

- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called "fiduciaries" of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Certain Benefit Plans and Accounts Not Subject to ERISA

Notwithstanding anything to the contrary contained in this Handbook, neither the Dependent Care FSA nor the HSAs (to which contributions are made through the Flexible Benefits Plan) are employee benefit plans subject to ERISA.

Consolidated Flex Medical Plan

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Medical Plan Options

This is the SPD (the "Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Medical Plan. In this Medical Plan SPD, the Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible employees and their eligible dependents with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA). The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at livehealthonline.com for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions**. If you still have questions, you can email **help@livehealthonline.com** or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are

covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Medical Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Medical Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Medical Coverage for Retirees

You may be eligible for medical benefits as a retired employee if you meet certain eligibility requirements. For further information about your eligibility for medical benefits as a retired employee or to notify the Company or your Employer of your retirement, contact the Benefits Source at **1-888-640-3320**.

Unless you are rehired as a Safety Plan Rehire or as a union employee of Northern Indiana Public Service Company LLC , if you retire or otherwise terminate employment and are later rehired by the Company, a Participating Employer, or any of their affiliates, you will not be eligible for retiree medical or retiree life insurance benefits, including after your subsequent retirement or other termination of employment.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	**Out-of-Network**
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

	PPO	
	In-Network (or out of area)	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$3,000	$6,000	$5,000	$10,000

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*

TYPE OF SERVICE	HDPPO 1 In-Network Plan Pays	HDPPO 1 Out-of-Network Plan Pays	HDPPO 2 In-Network Plan Pays	HDPPO 2 Out-of-Network Plan Pays
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which claims are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's

application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or

- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the PBM for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers,

distributors, and/or similar vendors, which may be related to certain prescription drug purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HDPPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and

  - Prescribed medications (Outpatient prescription drug services are covered under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).
- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;

  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam and one hearing aid per ear during a two calendar-year period; and
- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational

therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;
- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance,

when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;
  — Alcohol misuse: screening and counseling
  — Blood pressure screening in adults;
  — BRCA risk assessment and genetic counseling/testing;
  — Breast cancer preventive medications;
  — Breast cancer screening;
  — Cervical cancer screening;
  — Colorectal cancer screening;
  — Diabetes screening;
  — Lung cancer screening;
  — Obesity screening and counseling: adults and children;
  — Osteoporosis screening: women;

  See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

  — Diphtheria;
  — Hepatitis A;
  — Hepatitis B;
  — Herpes Zoster;
  — Human Papillomavirus;
  — Influenza (flu shot)
  — Measles
  — Meningococcal;
  — Mumps;
  — Pertussis;
  — Pneumococcal;
  — Rubella;
  — Tetanus;
  — Varicella (chickenpox).

  The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age,

gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

  See the following website for additional information:
  https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Well-woman visits;
  - Counseling and screening for human immune-deficiency virus;
  - Human papillomavirus testing;

- Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);
- Screening for gestational diabetes;
- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain Covered Services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);

- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Employee-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

> **Please Note:**
>
> If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;

  - Medically necessary services, supplies, and medications.

- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:

  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

  - Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
  - Inpatient covered hospital services related to the transplant procedure.
  - Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses

incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).

- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

Medical Expenses Not Covered

Expenses Not Covered Under Medical Plan

The medical expenses **not** covered under the Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;

- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;

- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;

- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or

astigmatism or any other correction of vision due to a refractive problem; and

- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The PPO coverage option utilizes a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The PPO coverage option utilizes a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name

drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	Plan Pays	You Pay*	Plan Pays	You Pay*
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		

* You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The High Deductible Options utilize a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program

you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		MAIL ORDER		NINETY-DAY SUPPLY AT RETAIL	
	You Pay *	**Plan Pays**	**You Pay ***	**Plan Pays**	**You Pay ***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	Retail Pharmacy		**Mail Order**		**Ninety-Day Supply at Retail**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

Please Note: Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life/Legal & Financial Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life/Legal & Financial Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law, with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

Please see the *"Health Savings Account"* subsection of the **Flexible Benefits Plan** section of the Handbook for information concerning establishing and contributing to a health savings account when you enroll in an HDPPO.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;

  - Name and Social Security number of Employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348 Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Dental Plan

Preventive Dental

Dental Plan

Dental Plus

Your Dental Plan Options

This is the SPD (the "Dental Plan SPD") for the NiSource Dental Plan, also referred to as the Dental Plan. In this Dental Plan, SPD, the Dental Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Dental Plan to eligible employees and their dependents with the following dental coverage options:

- Preventive Dental;
- Dental Plan; and
- Dental Plus;

Both Dental Plan and Dental Plus provide coverage for eligible dental services such as preventive care services, basic services, and major services. The Dental Plus coverage option is an employee contributory option that also provides for orthodontia benefits.

The Preventive Dental coverage option provides preventive care at 100% of applicable charges and covers fillings and routine extractions at 50% of applicable charges after the deductible. Orthodontia is not covered and there is a deductible required. See "*Highlights of the Dental Plan Coverage*" for further details.

All dental coverage options use a network of providers. When you use an in-network provider you receive the added benefit of lower, negotiated fees. In addition, you are not responsible for fees over the negotiated rate. If you use an out-of-network provider, the amount of the claim that is paid is the product of the applicable coinsurance percentage (set forth below) multiplied by the "Maximum Reimbursable Charge," after the application of any deductible. You are responsible to pay any amount your dentist charges that exceeds the applicable percentage of the Maximum Reimbursable Charge. The Maximum Reimbursable Charge is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. If you have a question about the determination of the Maximum Reimbursable Charge, contact the Claims Administrator.

To find a provider in your area, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source automated telephone system at **1-888-640-3320**. Customer service associates can then connect you with a provider directly so that you can locate a participating dentist near you.

Eligibility

For information regarding eligibility under the Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320.**

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of the Dental Coverage

Here is a summary of the benefits under each option.

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)		DENTAL PLAN (In or Out-of-Network)		DENTAL PLUS (In or Out-of-Network)	
Annual Deductible	**You Pay**		**You Pay**		**You Pay**	
Covered Member	$75		$50		None	
Covered Member + Spouse	$150		$100		None	
Covered Member + Child(ren)	$75 per covered member up to $225		$50 per covered member up to $150		None	
Covered Member +Family	$75 per covered member up to $225		$50 per covered member up to $150		None	
Coinsurance	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**
Preventive and Diagnostic Treatment	N/A	100%	N/A	100%	N/A	100%
Basic Treatment	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Major Treatment (other than oral surgery or anesthesia)	100%	N/A	50% (after deductible)	50% (after deductible)	50%	50%
Major Treatment (oral surgery or anesthesia only)	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Orthodontia (adult and child)	100%	N/A	100%	N/A	50% (up to lifetime maximum); 100% thereafter	50% (up to the lifetime maximum)
Maximums	**Plan Pays**		**Plan Pays**		**Plan Pays**	
Annual Maximum	Up to $2,000 per person per year		No annual maximum		Up to $2,000 per person per year	
Annual Maximum - Implants	No Coverage		No annual maximum		Up to $600 per person per year	

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)	DENTAL PLAN (In or Out-of-Network)	DENTAL PLUS (In or Out-of-Network)
Orthodontia Lifetime Maximum	No Coverage	No Coverage	Up to $1,500 per person

All expenses incurred, whether care is received from a dentist in- or out-of-network, will be applied toward the calendar year deductible and maximum amounts according to the summary above.

For out-of-network providers, after you pay any applicable deductible, the Plan will pay the applicable percentage of Maximum Reimbursable Charges that are covered expenses. In addition to your share of Maximum Reimbursable Charge, you will be required to pay any amount your dentist charges over the Maximum Reimbursable Charge.

Dental Expenses Covered

The Plan pays for certain services and supplies that are considered necessary in terms of generally accepted dental standards, appropriate to properly treat the dental condition, and must be recommended by the participant's dentist.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Covered expenses include, but may not be limited to, the following eligible dental services and supplies up to the maximum allowance and/or applicable percentage of the Maximum Reimbursable Charge:

Preventive Treatment (Covered Under All Options)

Preventive Treatment is treatment designed to prevent dental disease, defect or injury and includes:

- Oral examination;
- Prophylaxis (cleaning and scaling of teeth);
- Periodontal maintenance procedures (following active therapy) and Periodontal prophylaxis;
- Topical application of fluoride solutions;
- Bite-wing x-rays;

Note: The services described above are each limited to twice in a calendar year.

- Topical application of sealant on a posterior tooth for covered persons under age 19 (only one treatment per tooth in any 3 consecutive calendar years);
- Panoramic (Panorex) x-ray once in any 3 consecutive calendar years;
- Full-mouth series of x-rays once in any 3 consecutive calendar years; and
- Space maintainers, fixed unilateral – limited to nonorthodontic treatment, up to age 19.

Basic Treatment (Covered Under All Options)

Basic Treatment is designed to correct dental disease, defect or injury and includes:

- Routine extractions;
- Amalgam and composite/resin restorations;
- Root canal therapy (any x-ray, test, laboratory exam or follow-up care is part of the allowance for root canal therapy and not a separate dental service);
- Osseous surgery (flap entry and closure is part of the allowance for osseous surgery and not a separate dental service);
- Periodontal scaling and root planing – entire mouth
- Adjustments – complete denture

  - any adjustment of or repair to a denture within 6 months of its installation is not a separate dental service.
- Recement bridge
- Surgical removal of erupted tooth requiring elevation of mucoperiosteal flap and removal of bone and/or section of tooth
  - Removal of impacted tooth, soft tissue
  - Removal of impacted tooth, partially bony
  - Removal of impacted tooth, completely bony
- Local anesthetic, analgesic and routine postoperative care for extractions and other oral surgery procedures are not separately reimbursed but are considered as part of the submitted fee for the global surgical procedure.
- General anesthesia – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.
- I.V. sedation – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.

Major Treatment (Covered Under the Dental Plan and Dental Plus Options)

The Plan pays for Major Treatment, provided you select the Dental Plan or Dental Plus coverage option. If you elect the Preventive Dental Option, the Plan does not pay benefits for Major Treatment.

Major Treatment is designed to correct dental disease, defect or injury and includes:

- Crowns

  Note: Crown restorations are dental services only when the tooth, as a result of extensive caries or fracture, cannot be restored with amalgam, composite/resin, silicate, acrylic or plastic restoration.

  - Porcelain fused to high noble metal
  - Full cast, high noble metal
  - Three-fourths cast, metallic
- Removable Appliances
  - Complete (full) dentures, upper or lower
  - Partial dentures
  - Lower, cast metal base with resin saddles (including any conventional clasps, rests and teeth)
  - Upper, cast metal base with resin saddles (including any conventional clasps rests and teeth)
- Fixed Appliances
  - Bridge pontics - cast high noble metal
  - Bridge pontics - porcelain fused to high noble metal
  - Bridge pontics - resin with high noble metal
  - Retainer crowns - resin with high noble metal
  - Retainer crowns - porcelain fused to high noble metal
  - Retainer crowns - full cast high noble metal
- Prosthesis over implant – a prosthetic device, supported by an implant or implant abutment is a covered expense. Replacement of any type of prosthesis with a prosthesis supported by an implant or implant abutment is only payable if the existing prosthesis is at least 5 calendar years old, is not serviceable and cannot be repaired.
- Implants - covered dental expenses include: the surgical placement of the implant body or framework of any type; any device, index, or surgical template guide used for implant surgery; prefabricated or custom implant abutments; or removal of an existing implant. Implant removal is covered only if the implant is not serviceable and cannot be repaired. Implant

coverage has a separate yearly maximum as shown in *Highlights of the Dental Plan Coverage*.

- Treatment of Temporomandibular Joint Dysfunction (TMJ)
  - Office visit – Adjustment to appliance (no more than six (6) adjustments in six (6) consecutive months after seating or placement of appliance)
  - Transcutaneous Electro-neural Stimulation (no more than four (4) treatments in a six (6)-month period)
  - Trigger Point Injection of Local Anesthetic into Muscle Fascia (no more than four (4) treatments in a six (6)-month period)
  - Mandibular Orthopedic Repositioning Appliance (only one appliance per person in any five (5) year period)

Orthodontia Services (Covered Under Dental Plus)

The Plan pays benefits for orthodontia services, provided you select the Dental Plus coverage option and remain covered under such option throughout the course of treatment. If you select the Preventive Dental or Dental Plan coverage option, the Plan does not pay benefits for orthodontia services. The Claims Administrator must determine that the service is necessary, and all orthodontia appliances and treatment must be part of a course of orthodontic treatment that begins while your coverage is in effect.

Subject to the foregoing, the Plan pays benefits for the following orthodontia services:

- Orthodontic work-up including x-rays, diagnostic casts and treatment plan and the first month of active treatment including all active treatment and retention appliances.
- Continued active treatment after the first month.
- Fixed or Removable Appliances - Only one appliance per person for tooth guidance or to control harmful habits.

The total amount payable for all expenses incurred for orthodontics during a person's lifetime will not be more than the orthodontia maximum shown in the *Highlights of the Dental Plan Coverage*.

Benefit payments for comprehensive full-banded orthodontic treatment are made in installments. Benefit payments will be made every 3 months. The first benefit payment is payable when the appliance is installed. Later payments are payable at the end of each 3-month period. The first installment is the lesser of (x) the lifetime maximum for orthodontia services, or (y) the product of (i) 25% of the charge for the entire course of treatment, multiplied by (ii) the applicable covered percentage. The remainder of the charge is prorated over the estimated duration of treatment. Payments are only made for services provided while a person is covered. If coverage ends or treatment ceases, payment for the last 3-month period will be prorated.

Orthodontia Payment Example: If your orthodontia treatment costs $5,000 and is estimated to take three years from installation of the appliance to complete, and if you have not been reimbursed for any orthodontia treatment in the past, your first installment will be $625 [the product of 25% multiplied by $5,000 (total cost of treatment) multiplied by 50% (covered percentage), which product is less than $1,500 (lifetime maximum)]. Assuming you remain covered under the Plan and complete the three-year treatment, the remaining charge will be paid in quarterly installments of $156.25 [calculated as set forth above] until you reach your lifetime maximum [$875 remaining after initial installment].

Orthodontia Payment Example

Total Treatment	$5,000.00
Initial Installment	
CIGNA Allowable (25% of total)	1,250.00
CIGNA Payment (50% of Allowable)	625.00
Remaining Installments	
Remaining Balance	$3,750.00
CIGNA Allowable (Remaining Balance/12 quarters)	312.50
CIGNA Quarterly Payment (50% of Allowable)	156.25*

*Subject to Lifetime Maximum

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Dental Expenses Not Covered

The Plan pays benefits for a variety of dental services, provided they are necessary according to generally accepted dental standards, appropriate to properly treat the dental condition, and recommended by your dentist. However, some limits and exclusions do apply.

The dental expenses **not** covered include, but are not limited to the following:

- Replacement of teeth that are missing when a person first becomes covered under the Plan;
- Services performed solely for cosmetic reasons;
- Replacement of a lost or stolen appliance;
- Replacement of a bridge, crown or denture within 5 years after the date it was originally installed unless: (a) the replacement is made necessary by the placement of an original opposing full denture or the necessary extraction of natural teeth; or (b) the bridge, crown or denture, while in the mouth, has been damaged beyond repair as a result of an injury received while a person is insured for these benefits;
- Any replacement of a bridge, crown or denture which is or can be made useable according to common dental standards;
- Procedures, appliances or restorations (except full dentures) whose main purpose is to: (a) change vertical dimension; (b) diagnose or treat conditions or dysfunction of the temporomandibular joint; (c) stabilize periodontally involved teeth; or (d) restore occlusion;
- Porcelain or acrylic veneers of crowns or pontics on, or replacing the upper and lower first, second and third molars;
- Bite registrations; precision or semiprecision attachments; or splinting;
- Instruction for plaque control, oral hygiene and diet;
- Dental services that do not meet common dental standards;
- Services that are deemed to be medical services;
- Services and supplies received from a hospital;
- Services for which benefits are not payable according to the immediately following paragraph.

In addition to the foregoing, no payment will be made for expenses incurred for you or any one of your dependents:

- For or in connection with an injury arising out of, or in the course of, any employment for wage or profit;
- For or in connection with a sickness which is covered under any workers' compensation or similar law;
- For charges made by a hospital owned or operated by or which provides care or performs services for, the United States government, if such charges are directly related to a military-service-connected condition;
- For charges for services provided by the covered person’s parent, spouse, brother, sister, son or daughter;
- For services or supplies received as a result of dental disease, defect or injury due to an act of war, declared or undeclared;
- To the extent that payment is unlawful where the person resides when the expenses are incurred;
- For charges which the person is not legally required to pay;
- For charges which would not have been made if the person had no insurance;
- To the extent that billed charges exceed the rate of reimbursement as described in the *Highlights of the Dental Plan Coverage,* including any charge in excess of the Maximum Reimbursable Charge;

- For charges for unnecessary care, treatment or surgery;
- To the extent that you or any of your dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid;
- For or in connection with experimental procedures or treatment methods not approved by the American Dental Association or the appropriate dental specialty society.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible dental expenses that are not covered by the Dental Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any dental care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

If you or your dependents have dental coverage under another dental plan, this Plan coordinates benefits with the other benefits to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits*" section of the **Benefits Program Overview** to learn more about the Plan's COB features.

Filing a Claim

General

Generally, dentists file claims electronically on your behalf provided that the dentist is a participating dentist. If you see a non-participating dentist, you may need to file your own claim. Claims should be submitted to the Claims Administrator.

How to File Claims

If you file your own claim form, follow these steps.

- Complete your portion of the claim form (your form will include step-by-step instructions for completing the correct information). Your dentist will need to complete his or her portion of the form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator online via the Benefits Source website mysourceforhr.com.
- Attach copies of all available dental bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the dental expense.
- Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

  CIGNA
  P.O. Box 188037
  Chattanooga, TN 37422-8037

Any claims not submitted after 18 months from the date of service generally will not be considered for payment.

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Dental Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or by any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	CIGNA P.O. Box 188037 Chattanooga, TN 37422-8037 cigna.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Vision Plan

Vision Plan Option

Basic Vision Option

Your Vision Plan Options

This is the SPD (the "Vision Plan SPD") for the NiSource Vision Plan, also referred to as the Vision Plan. In this Vision Plan SPD, the Vision Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Vision Plan to eligible employees and their dependents with the following coverage options:

- Vision Plan option; and
- Basic Vision option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") with Vision Service Plan Insurance Company who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract, on the one hand, and this Vision Plan SPD, on the other hand, the terms of the Group Contract shall prevail. **You should refer to the Group Contract for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Vision Plan SPD.** *You may obtain a copy of the Group Contract by contacting the Benefits Source at **1-888-640-3320**.*

This Plan is designed to cover certain costs associated with your vision correction. *Please note that any illness or injury to your eyes would be covered under the Medical Plan, subject to any terms, conditions and limitations set forth in the Medical Plan*.

The Plan utilizes a network of VSP Providers referred to as the VSP Choice Network. The Plan pays vision benefits for eligible expenses regardless of whether you receive services and/or eyewear from a VSP Choice Network Provider or from a non-VSP Provider. However, if you go to a VSP Choice Network Provider, the Plan pays a higher level of benefits. You also have the option to receive benefit coverage from non-VSP Providers. However, your level of benefit payment will be subject to the non-VSP provider schedule as outlined in the "*Highlights of Your Vision Plan Coverage*".

- **VSP Choice Network Provider** – offers the convenience of "one-stop shopping" and can provide everything you need (eye exams, and if applicable, prescription glasses, and contacts). As long as you receive care or eyewear from a VSP Choice Network Provider, you are responsible for the amount in excess of the Plan's allowance, any applicable co-pays, and the cost of any eyewear or service that the Plan does not cover.
- **Non-VSP Providers** – you have the option to receive your services and eyewear outside the VSP Choice Network. If you do, you must pay the Provider in full at the time of your appointment and submit a claim to VSP. Once you submit an itemized receipt, the Plan then reimburses you for the eligible expense (up to the Plan's allowance).

To find a Provider who participates in the VSP Choice Network, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to request assistance.

Eligibility

For information regarding eligibility under the Vision Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Vision Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320** or log on to the Benefits Source website at mysourceforhr.com.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of Your Vision Plan Coverage

Vision Plan Option

The Vision Plan option pays for the following services and materials:

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year for Adults Twice every calendar year for Children	100%	Up to a $45 allowance
Lenses (per pair)			
Regular (single vision)	Once every calendar year	100%	Up to a $30 allowance
Lined Bifocal	Once every calendar year	100%	Up to a $50 allowance
Lined Trifocal	Once every calendar year	100%	Up to a $65 allowance
Lenticular	Once every calendar year	100%	Up to a $100 allowance
Frame	Once every other calendar years for Adults Once every calendar year for Children	100%, Up to a $200 frame allowance Featured Frames 100%, Up to a $250 frame allowance	Up to a $70 allowance
Contacts			
Visually Necessary	Once every calendar year in place of glasses	100%	Up to a $210 allowance
Elective	Once every calendar year in place of glasses	100% up to a $175 annual allowance	Up to a $105 allowance

If you choose contacts instead of glasses, you will pay up to a $50 copay for the contact lens exam (fitting and evaluation) after a 15% discount. The contact lens exam is in addition to your WellVision Exam® to ensure proper fit of contacts.

Polycarbonate lenses are covered in full for dependent Children up to the end of the month in which they turn age 26.

Standard Progressive Lenses are covered in full for all members.

KidsCare - the VSP® KidsCare Plan is designed to meet the eye care and eyewear needs of active and growing children by providing two WellVision Exams® and one pair of glasses every calendar year.

Basic Vision Option

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year	100%	Up to a $45 allowance

Vision Expenses Covered

The Plan will pay for vision services and materials, as described in the "*Highlights of Your Vision Plan Coverage*." However, in the event of any conflict with that section and the Group Contract, the terms of the Group Contract will prevail.

For purposes of this Vision Plan SPD, (i) "Adult" means either you or your Spouse, provided such person is eligible for, and has enrolled in, coverage under the Plan, (ii) "Child" or "Children" refers to a Child, as defined in the *Definitions* section of the **Benefits Program Overview**, provided such Child is eligible for, and enrolled in, coverage under the Plan, and (iii) "Covered Person" or "member" or "covered member" refers to any person who satisfies the eligibility requirements of the Plan and who is enrolled in coverage under the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process –* Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

For the Vision Plan Option, the services and materials that the Plan covers include, but are not limited to, the following:

- One WellVision Exam® in every calendar year for Adults.
- Two WellVision Exams® in every calendar year for Children.
- Prescription eyeglass lenses, one pair in every calendar year, up to a specified lens allowance.
- Frame for Adults, one pair every other calendar year (up to the frame allowance).
- Frame for Children, one pair every calendar year (up to the frame allowance)
- Contacts, one pair in every calendar year, up to a specified allowance. The allowance applies to the contacts only. There is an additional copay up to $50 for the contact lens exam (fitting and evaluation). This exam is in addition to your WellVision Exam® to ensure proper fit of your contacts. You can elect to receive an annual allowance toward the cost of contacts in lieu of frame and lenses.

Extra Discounts and Savings

When visiting a VSP Choice Network Provider, you may receive the following, provided that some of the discounts/savings listed below may not apply to the Basic Vision Option:

- Average savings of 30% on non-covered lens enhancements, such as scratch resistant and anti-reflective coatings, light reactive, custom or premium progressives, etc.; 20% off additional prescription glasses and sunglasses within 12 months of your last WellVision Exam®;
- 15% discount off the cost of an elective contact lens exam (fitting and evaluation);
- Polycarbonate lenses are covered in full for dependent Children;
- Standard progressive lenses covered in full for all members; Routine retinal screening discount;
- Laser vision correction discounts.

Other Programs/Resources Offered by the VSP

Laser VisionCare℠ Program

If you are considering laser vision correction, the Plan can help you make an informed decision. The Plan contracts with laser surgery facilities and doctors. As a result, you can access laser vision correction surgery for hundreds of dollars less than what you might pay privately. VSP has arranged for members to receive PRK, LASIK and Custom LASIK, at a discounted fee with an average 15% off the regular price or 5% off the promotional price. Visit the Claims Administrator's website at vsp.com or call **1-800-877-7195** to learn more about this program.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Vision Expenses Not Covered

Some vision care services and/or materials are not covered under this Plan and certain other limitations may apply. In addition, some brands of spectacle frames may be unavailable for purchase as Plan benefits or may be subject to additional limitations. Covered Persons may obtain details regarding service, material and/or frames exclusions from their VSP Choice Network Provider or by calling VSP's Member Services at (800) 877-7195.

Patient Options

This Plan is designed to cover visual needs rather than cosmetic eyewear. When a covered member selects non-covered lens enhancements, the covered member will pay the additional costs for the options. Some non-covered lens enhancements include:

- Optional cosmetic processes;
- Anti-reflective coating;
- Color coating;
- Mirror coating;
- Hi Index Lenses
- Scratch resistant coating;
- Blended lenses;
- Cosmetic lenses;
- Laminated lenses;
- Oversize lenses;
- Photochromic lenses, tinted lenses except Pink #1 and Pink #2;
- Custom and Premium Progressive lenses;
- UV (ultraviolet) protected lenses; or
- Certain limitations may apply on low vision care

For the cost of a non-covered lens enhancement, speak with your VSP Choice Network Provider or call VSP Member Service at (800) 877-7195

Not Covered

There are no benefits for:

- Services and/or materials not specifically included in this Vision Plan SPD as covered Plan benefits.
- Plano lenses (lenses with refractive correction of less than ± .50 diopter).

- Two pair of glasses instead of bifocals.
- Replacement of lenses, frames and/or contact lenses furnished under this Plan which are lost or damaged, except at the normal intervals when Plan benefits are otherwise available.
- Orthoptics or vision training and any associated supplemental testing.
- Medical or surgical treatment of the eyes.
- Contact lens insurance policies or service agreements.
- Refitting of contact lenses after the initial (90-day) fitting period.
- Contact lens modification, polishing or cleaning.
- Local, state and/or federal taxes, except where VSP is required by law to pay.
- Services associated with Corneal Refractive Therapy (CRT) or Orthokeratology.
- Corrective vision treatment of an experimental nature;
- Costs for services and/or eyewear above Plan benefit allowances; and
- KidsCare - Services and/or materials provided by someone other than a VSP Network Provider

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible vision care expenses that are not covered under the Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any vision care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

A Covered Person who is covered under two or more insurance plans that include vision care benefits may be eligible for Coordination of Benefits ("COB"). VSP will combine other insurance plans' claim payments or reimbursements, if any, with benefits available under the Plan, which may reduce or eliminate the Covered Person's out-of-pocket expense. A Covered Person covered under more than one VSP Plan may also be able to take advantage of COB. In order to process claims involving COB, VSP may need to share personal information regarding the Covered Person with other parties (such as another insurance company). When this is necessary, VSP will only share such information with those persons or organizations having a legitimate interest in that information and only where such sharing is not prohibited by law.

When coordinating benefits, it must be determined which plan is billed first. The plan that covers the member as an employee is "primary". The plan that covers the member as a dependent is "secondary".

If the Covered Person is a dependent child and is covered under both parents' plans, typically the parent whose birthdate falls first in the calendar year has the primary plan. If the parents are separated or divorced, the parent with custody is primary, unless otherwise ordered by the court.

The primary plan must pay or provide benefits as if the secondary plan does not exist.

When VSP administers the secondary plan, the member will receive a specified allowance for each service (exam, lenses, frame or contacts) that will be used to pay up to, but not more than the billed amount. Only services received on the primary benefit may be used for coordinating like services on the secondary benefit. Secondary allowances are applied first to the same service of the primary plan. Any remaining amount may be used to cover additional expenses on other services.

VSP will reimburse the Covered Person according to each benefit's out-of-network

schedule of allowances, not to exceed the actual exam fee and the cost of corrective eyewear.

Please Note: Coordination of benefits does not guarantee that all out-of-pocket expenses will be covered-in-full. The Member is responsible for any remaining expenses.

How to Access the Vision Benefits

Selecting a VSP Choice Network Provider

- Log on to the Benefits Source website at mysourceforhr.com to find the link to VSP's website that houses the most up-to-date list of VSP Choice Network Providers; or call the Benefits Source at **1-888-640-3320** to locate a VSP Choice Network Provider near you. Call the VSP Choice Network Provider to make an appointment. Identify yourself as a VSP member.
- At the time of the visit, pay any amounts that are in excess of the allowance or the Plan's covered services. The VSP network provider files all necessary claims directly from his or her office. The Claims Administrator takes care of all of the necessary paperwork, and pays the provider directly for the eligible expenses.

If you select a Non-VSP Provider

If you receive care from a non-VSP provider, you are required to submit a VSP Request for Reimbursement claim form or you can submit the claim online by signing in as a Member to vsp.com. Here are the steps to follow when filing your own claim with the Claims Administrator:

- Complete all required fields of the VSP Request for Reimbursement claim form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator via the Benefits Source website mysourceforhr.com and link to the Claims Administrator's website.
- Attach copies of your itemized bill and paid receipts to your claim form. These bills should include:
  - Name of patient;
  - Doctor's name or office name;
  - Date of service;
  - Each service received and the amount paid;

Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

VSP
P.O. Box 385018
Birmingham, AL 35238-5018

Be sure to submit your completed claim to the Claims Administrator within 1 year of the date of your service.

Your claim will be processed upon receipt. The Plan then pays eligible benefits directly to you. Regardless of whether you will receive care from a VSP Choice Network Provider or a non-VSP provider, you receive a statement that tells you how much the Plan paid. In some cases, the Claims Administrator sends the payment to a designated representative (as in the case of a Qualified Medical Child Support Order).

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Vision Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Fully Insured
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurance Company. Claims are administered by the Claims Administrator listed below under the group insurance contract.
Claims Administrator (VSP Choice Network Providers):	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670 vsp.com
Claims Administrator (Non-VSP Providers):	Vision Service Plan Insurance Company P.O. Box 385018 Birmingham, AL 35238-5018
Insurance Company:	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The group insurance contract (the "Group Contract") underwritten by Vision Service Plan Insurance Company provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and a certificate or evidence of coverage (the "Group Insurance Certificate"). In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail.

Vision Service Plan Insurance Company, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Flexible Benefits Plan

Flexible Spending Account Plan

Health Savings Account

Your Flexible Benefits Plan Options

NiSource Inc. (the "Company") maintains the NiSource Flexible Benefits Plan (the "Plan"), which provides eligible employees with the option to participate in a Flexible Spending Account Plan (an "FSA Plan") and to contribute to a Health Savings Account (an "HSA"); provided, however, that you may not contribute to a Health Care FSA and an HSA at the same time.

The Claims Administrator for the FSA Plan is Alight Solutions, LLC, dba "Your Spending Account" or "YSA".

Flexible Spending Account

The FSA Plan has two different Flexible Spending Accounts. They are:

- The Health Care FSA; and
- The Dependent Care FSA.

You may participate in one or both of these accounts. The contributions you make to the Flexible Spending Accounts are not subject to Federal, and in many cases, state and local income tax, which reduces your taxable income.

The Health Care FSA allows you to set aside before-tax money from your paychecks to pay for certain eligible health care expenses that are not covered by the Medical, Dental or Vision Plans. You may set aside up to $2,750 a year (deducted from your pay in equal installments throughout the year) to pay for eligible out-of-pocket expenses such as deductibles, co-payments, or expenses that the Plan limits or excludes. The maximum limit for Health Care FSA may be adjusted periodically for inflation. Please contact the Benefits Source at **1-888-640-3320** to find out the current limit.

The Dependent Care FSA works similarly to the Health Care FSA. However, the before-tax money that you can set aside can only be used for reimbursement for dependent care expenses for eligible dependents. You may set aside up to $5,000 per year, or $2,500 per year if you are married and file separate federal income tax returns.

You may not claim any other tax benefit (e.g., the federal dependent care tax credit) for the amount of your before-tax salary reductions under the Dependent Care FSA, although your eligible dependent care expenses in excess of that amount may be eligible for the federal dependent care tax credit. The federal dependent care tax credit is a credit against your federal income tax liability under the Code. It is a non-refundable tax credit, which means that any portion of it that exceeds your federal income tax liability will be of no value to you. For more information about how the dependent care tax credit works, see IRS Publication No. 503 ("Child and Dependent Care Expenses"). For most individuals, participating in the Dependent Care FSA will produce greater federal tax savings than the dependent care tax credit, but there are some for whom the opposite is true. You should consult a tax advisor to determine what course of action would be best in your situation.

Eligibility

For information regarding eligibility under the FSA Plan, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

Highlights of the Flexible Spending Accounts (FSAs)

FSA FEATURES	Eligible Dependents	Eligible Expenses
Health Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $2,750*	The Health Care FSA can be used to reimburse eligible out-of-pocket expenses incurred by you, your eligible spouse, or any person who is your dependent for federal income tax purposes (as determined without regard to such person's gross income).	Certain medical, dental, and vision expenses not covered under the Medical, Dental, or Vision Plans, such as deductibles, co-payments and coinsurance amounts. The expense must be considered as one incurred for "medical care," as defined in the Code. *A non-exhaustive list of eligible expenses can be found later in this section.*
Dependent Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $5,000; $2,500 if you are married and file separate federal income tax returns.	For purposes of the Dependent Care Flexible Spending Account, eligible dependents are: • Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child; • Your spouse who is physically or mentally incapable of caring for himself or herself, provided the spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, the spouse must regularly spend at least eight hours each day in your home.	Expenses you incur to care for your child or a dependent family member while at work. If you are married, your spouse also must work, be looking for work, be a full-time student for at least five months during the calendar year, or be physically or mentally unable to care for your dependent(s). *A non-exhaustive list of eligible expenses can be found later in this section.*

FSA FEATURES	Eligible Dependents	Eligible Expenses
	• Any one of the following persons, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year: a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step-daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.	

*Amount is subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current maximum annual contribution amount for the Health Care FSA.

Health Care Eligible Expenses

Health care expenses that are eligible for reimbursement from the Health Care FSA are those expenses incurred for "medical care" (as defined under the Code and regulations issued thereunder) by you, your spouse or persons who qualify under the Code as your tax dependents for health coverage purposes, to the extent such expenses are not reimbursed from any other source, are not taken as a deduction on the your income tax return and are not otherwise excluded from eligibility under the terms of the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Health Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Eligible health care expenses include, but may not be limited to the following:

- Expenses covered by an employer-sponsored health care plan, but not reimbursed due to a deductible or co-payment.
- Prescription vision expenses (including eyewear, contact lenses and optometrist), contact lens solution, a guide dog for the blind and special education devices for the blind (such as a special typewriter).
- Expenses that may not be covered by an employer-sponsored health care plan, including (but not limited to):
  - Confinement to a facility primarily for screening tests and physical therapy or hydrotherapy;
  - Cosmetic surgery if it is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease;

- Services for chromosome or fertility studies;
- Treatment (other than surgery, which is covered by the Medical Plan) of corns, bunions, calluses, foot structural disorders, etc.;
- Services related to sexual dysfunctions or inadequacies;
- Ace bandages, support hose, or other pressure garments prescribed by a physician;
- Charges for medical expenses in excess of reasonable and customary expenses;
- Acupuncture for pain relief as performed by a licensed practitioner;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Orthodontic services not covered by a health care plan;
- Transportation expense to receive medical care, including fares for public transportation and actual out-of-pocket car expense, such as gas and oil. In lieu of out-of-pocket expenses, a standard mileage rate (plus tolls and parking) may be used;
- Hearing expenses including hearing aids, special instructions or training for the deaf (such as lip reading), the cost of acquiring and training a dog for the deaf, and special telephone and audio display equipment for the deaf;
- Hypnosis for treatment of an illness;
- "Halfway house" care to help individuals adjust from life in a mental hospital to community living;
- Tutoring by a licensed therapist for a child with a severe learning disability and special schooling for handicapped individuals;
- Lifetime care advance payment to a private institution for lifetime care, treatment, or training of a mentally or physically handicapped patient;
- Medical information plan fees paid to a plan maintaining an individual's medical information by computer;
- Special car controls for the handicapped; and
- Full or partial reimbursement for certain capital expenditures that are primarily made for health care reasons (e.g., an air conditioner installed in the home of a person with severe allergies may qualify for partial reimbursement, and an exercise swimming pool to aid in the recovery of a stroke victim may qualify for reimbursement).

This list of covered expenses is subject to change. An expense may not be reimbursed if the IRS would not consider the expense to be eligible.

To confirm if an expense is eligible for reimbursement, call YSA via the Benefits Source at ***1-888-640-3320.***

Health Care Expenses Not Eligible

The health care expenses that are **not** eligible for reimbursement from the Health Care FSA include, but may not be limited to the following:

- Marriage or family counseling;
- The salary expense of a licensed practical nurse (LPN) incurred in connection with the care of a normal and healthy newborn (even though such care may be required due to the death of the mother in childbirth);
- Funeral and burial expenses;
- Household and domestic help (even though recommended by a qualified physician due to your or dependent's inability to perform physical housework);
- Custodial care in an institution;
- Costs for sending a "problem child" to a special school for benefits the child may receive from a special course of study and disciplinary methods;

- Health club dues, YMCA dues, steam bath, etc.;
- Social activities, such as dance lessons or classes (even if recommended by a qualified physician for general health improvement);
- Membership fees or costs associated with weight loss or smoking cessation programs for general health and well-being purposes;
- Maternity clothes, diaper services, etc.;
- Cosmetics, toiletries, toothpaste, etc.;
- General health care aids purchased without a prescription, such as dietary supplements (e.g., vitamins);
- Premiums for other group or individual insurance coverage;
- The segment of automobile insurance premiums providing medical coverage for persons injured through an accident involving your care;
- Vacation or travel taken for general health purposes, a change in environment, improvement of morale, etc., or taken to relieve physical or mental discomfort not related to a particular disease or physical defect;
- Retin-A when used solely for cosmetic purposes;
- Herbs (even if they are used to treat an illness or injury); and
- Premiums for contact lens replacement insurance.

Filing a Health Care FSA Claim

If your health care-related expenses are eligible for reimbursement from the Program's Medical, Dental, or Vision Plans (or another medical, dental, or vision plan outside the Program), those expenses should be submitted to that plan first. After a payment determination is made, the unreimbursed expenses can then be submitted to your Health Care FSA.

The total annual amount that you can elect to contribute to the Health Care FSA (less any previous reimbursements) is available for reimbursement (regardless of the amount that you have contributed to your FSA to-date). Contributions then continue to be deducted from your paychecks until your annual goal amount is reached.

You may incur eligible health care expenses until December 31. You then have until March 31 of the following year to submit claims for expenses you incurred between January 1 and December 31 of the previous year.

Reimbursement of Health Care FSA Claims

You may submit a claim for reimbursement under your Health Care FSA via the Benefits Source website **mysourceforhr.com**.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Completed forms should be submitted along with the following documentation:

- **The Explanation of Benefits** (EOB): The EOB from the Claims Administrator indicates what expenses were covered by your medical/dental/vision plans. If you have another benefit plan available to you, you must submit your EOB with your completed health care reimbursement form.
- **A Co-pay Receipt**: This receipt is from the provider, and may be the only documentation if the co-pay is the only expense.
- **An Itemized Bill or Statement**: This is from the provider, and shows what expenses are not covered by the medical/dental/vision plan. It may include the:
  - Name and address of the service provider;
  - Dates of service (not the billing date or the paid date);
  - Dollar amount charged;
  - Patient's name; and
  - Description or type of services rendered.

Please note that canceled checks and balance-forward statements are not acceptable documentation for reimbursement.

Submit the completed form and documentation to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

Debit Cards

In addition, if the total annual amount that you elect to contribute to the Health Care FSA is $60 or greater, you will be issued a debit card for use with your Health Care FSA. The debit card may be used only for eligible health-related expenses. When you use your debit card, you are automatically certifying that you have not been reimbursed for the expense and that you will not seek reimbursement for the expense from any other plan.

You may use your debit card to obtain reimbursement for certain approved over-the-counter medications and supplies that are used to treat an illness, injury, or disease and that are purchased from registered vendors. However, you may not use your debit card to obtain reimbursement for over-the-counter medications or supplies that require a prescription or a statement of health or medical need.

The FSA Plan will try to automatically verify any claims you submit through your debit card. However, you should retain documents (such as an EOB, receipt, and itemized bill or statement) to support your claim in case the Claims Administrator requests such information. All expenses you incur must be substantiated in accordance with rules established by the IRS.

If you are paid for an excess or ineligible claim through your debit card, or if you fail to provide requested information to the Claims Administrator regarding substantiation of a claim, your debit card privileges may be suspended and the Plan and Claims Administrator reserve the right to recoup the mistaken payment. If you fail to repay such amount to the Plan, such amount may be withheld from your wages, be offset against other eligible Health Care FSA claims you submit, or be reported on your W-2 as taxable income.

Dependent Care Eligible Expenses

The dependent care expenses that are eligible for reimbursement from the Dependent Care FSA include, but may not be limited to:

- Family day care providers;
- Babysitter;
- Caregivers for a disabled dependent or spouse who resides in the participant's home;
- Housekeeper, maid or cook (provided the services are attributable in part to the care of an eligible dependent);
- Dependent care provided outside your home by an eligible care provider, including care provided in a neighbor's home or in an approved nursery school or dependent day care center. If the care is for a dependent age 13 or over, the dependent must regularly spend at least eight hours each day in your home. For example, day care centers for children and disabled adults qualify, but 24-hour nursing care facilities do not. Also, facilities that care for seven or more nonresident individuals must comply with all applicable state and local regulations governing day care centers;
- Payments for before- and after-school care for eligible children from kindergarten up to and including age 12;
- Payments in lieu of regular dependent day care to summer day camp or other summer programs (but not overnight camp); and
- Certain expenses for children not yet in the first grade, for example:
  - Nursery school;
  - Pre-school.

To confirm if an expense is eligible, call YSA via the Benefits Source at **1-888-640-3320**.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Dependent Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dependent Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 42.

Dependent Care Expenses Not Eligible

The dependent care expenses that are **not** eligible for reimbursement from the Dependent Care FSA include, but may not be limited to the following:

- Dependent care expenses that you incur before (or after) your participation in the Dependent Care FSA begins (or ends);
- Any expense that you claim for the dependent care tax credit on your federal income tax return, or any expense that is paid by any other similar reimbursement-type plan or program;
- Any expenses that are reimbursed by your Health Care FSA;
- Expenses for the education of a qualified dependent;
- Expenses paid for food and clothing;
- Dependent care provided by a family member who is under age 19 at the end of the taxable year, or by another dependent for whom you claim a dependent exemption on your tax return;
- Expenses for health care;
- Educational expenses for kindergarten or higher;
- Housekeeping expenses that are not related to dependent care, or payments for services while you are at home from work because of an illness;
- Child or dependent care provided while:
  - You are at work and your spouse is doing volunteer work, even if a nominal fee is paid (or vice versa);
  - You and your spouse are doing volunteer work (even if a nominal fee is paid); or
  - You and your spouse are not working (such as weekend or evening babysitting fees);
- Expenses for food, clothing, health care, or entertainment of a qualified dependent;
- Transportation expenses to and from the dependent care location;
- Expenses for overnight camps;
- Services of a gardener or chauffeur; and
- Care provided by a round-the-clock nursing home.

Filing a Dependent Care FSA Claim

For Dependent Care FSA reimbursements, only the current balance in your Dependent Care FSA is available for reimbursement. This means that you are reimbursed up to the amount that you have actually set aside from each paycheck up to that point (less any previous reimbursements). So, if the reimbursement request that you submit exceeds the amount currently in your Dependent Care FSA, you are reimbursed for the remainder after you contribute more money to your Dependent Care FSA via future paychecks.

You may submit a claim for reimbursement under your Dependent Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Submit the completed form along with the following documentation:

- **Provider's Bill or Itemized Receipt**:. The provider must sign this documentation, and it must itemize the date(s) of service as well as the amount(s) charged. Canceled checks are not considered acceptable documentation.
- **Dependent Care Provider's Name, Address, and Social Security Number (or Federal Tax Identification Number)**. For tax-reporting purposes, you must include the provider's name and his or her Social Security number (or taxpayer identification number). The taxpayer identification number is not necessary if the provider is a nonprofit, religious, charitable, or educational organization.

If the provider completely fills out the 'Provider Certification' section of the reimbursement form, then you need only submit the completed reimbursement form for your reimbursement request.

Submit the completed form and documentation (if required) to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

FSA Filing Deadlines

You may submit a health care reimbursement claim at any time after you incur an eligible health care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Health Care FSA after March 31 will be forfeited.

You may submit a dependent care reimbursement claim at any time after you incur an eligible dependent care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Dependent Care FSA after March 31 will be forfeited.

Claim Determination and Appeal Process – Health Care FSA

For information regarding the Health Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Claim Determination and Appeal Process – Dependent Care FSA

For information regarding the Dependent Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dependent Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the FSA Plan, including COBRA continuation coverage under the Health Care FSA, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Health Savings Account

If you enroll in one of the High Deductible PPO options (HDPPO 1 or HDPPO 2) you may be eligible to contribute to a Health Savings Account (HSA). An HSA is a portable savings account established and maintained outside the Plan that can be used to pay present and future medical and prescription drug expenses. An HSA is not an employer-sponsored employee benefit plan — it is an individual trust or custodial account that you open with a separate HSA trustee/custodian, such as a bank, life insurance company or other financial institution. Your HSA will be subject to the terms of an agreement you enter into with the HSA trustee/custodian. Such agreement may impose fees and restrictions upon how you use your HSA. The Plan merely allows you to contribute to your HSA in an amount up to the IRS statutory limit. Unlike a Health Care FSA, the HSA account balance can roll over from year to year until withdrawn and earnings accumulate tax-free.

The Health Savings Account is administered by Alight. Your Employer has no authority or control over the funds deposited in your HSA. As a result, the HSA is not subject to ERISA.

You can use the dollars in your HSA to pay the deductible and coinsurance required under the HDPPOs, along with other qualified medical expenses not covered by the plans. Qualified medical expenses are expenses you pay for medical care (as defined in Section 213(d) of the Code) for you, your spouse or dependents (as defined in Section 223 of the Code), to the extent such expenses are not reimbursed by insurance or otherwise.

Funds in the HSA remain in the account until you apply for reimbursement. If you are enrolled in the HDPPO 1 or HDPPO 2, your Employer may make an annual contribution into your HSA on your behalf. However, you must establish or activate your HSA before the end of the Plan Year in order to receive any Employer contributions. If you fail to do so, you will forfeit any Employer contributions for that Plan Year.

The amount you can contribute to your HSA is governed by federal law. Please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Flexible Benefits Plan – HSAs"* for a discussion of limitations upon the amount you may contribute to an HSA. Please call the Benefits Source at **1-888-640-3320** for more information.

Three Ways to Use Your Health Savings Account

- Pay for current qualified medical expenses, such as deductibles and coinsurance, or eligible expenses not covered by the HDPPOs.
- Pay for qualified medical expenses in future years, even if you are no longer enrolled in the HDPPOs.
- Once you reach age 65 (or become disabled), you can use any remaining money in your HSA to pay for qualified medical expenses on a tax-free basis, or you can take a distribution for non-qualified medical expenses, subject to income tax but without incurring a penalty .

Please note: *The information above describes the federal tax treatment of an HSA, but the favorable tax treatment described above may be limited or unavailable for state tax*

purposes. Please consult your tax advisor for more information.

Eligibility

For information regarding eligibility for an HSA, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in an HSA, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

HSA Qualified Medical Expenses

In addition to those services covered under the HDPPOs, you can use your HSA to pay for other qualified medical expenses including, but not limited to the following expenses, to the extent they are not reimbursed from any other source:

- Laser eye surgery;
- Weight loss programs;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Long-term care premiums;
- COBRA premiums;
- Health care plan premiums while receiving unemployment;
- Over age 65, you can use the HSA funds to pay for Medicare Parts A or B; and
- Many other services defined as expenses for medical care under Section 213(d) of the Code.

If you use your HSA for a non-medical or non-qualified medical expense, you will have to pay income tax on the account distribution as well as a 20% penalty. However, if a distribution is made after age 65, after disability, or after death, the distribution will be subject to income tax, but no penalty tax.

If you have a question about what constitutes a qualified medical expense, please consult your tax advisor or Publication 969 that may be found on the IRS website at irs.gov.

How to Open an HSA

After you have enrolled in an HDPPO option and agreed to the terms and conditions of the HSA custodial agreement, YSA will send you a packet containing basic information on how to use a Health Savings Account.

Paying for Covered Expenses Using the Health Savings Account

The Health Savings Accounts are administered by YSA. When you visit a network provider, you typically do not pay at the time of service. Simply show your Anthem ID card and the following steps will be followed:

1. The claim will be sent to Anthem for processing.
2. You will receive an Explanation of Benefits (EOB) statement showing what was paid under the Plan.
3. Your provider will receive the same statement and bill you for the balance not covered under the Plan.
4. You can then either pay the balance with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

Paying for prescription drugs works differently. The following steps will be followed:

1. You must show the pharmacist your Anthem ID card (the same one you use for medical services).
2. When you pick up your prescription, you can either pay with your HSA debit card (if accepted by your provider) or pay out

of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

A similar procedure applies for mail-order prescription drug service.

Paying a Provider Who Does Not Participate in the Network

If you visit a provider who is not in the Network, you must either pay the provider at the time of service with your HSA debit card (if accepted by your provider) or pay the provider out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

To enroll or to find out more information about the Health Savings Account, please visit the Benefits Source website mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to speak with a representative.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Flexible Benefits Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Code Section 125 Plan containing group health plan and non-group health plan components and providing for Pre-Tax Payment of Medical Expenses (Health Plan), Pre-Tax Payment of Dependent Care Expenses and Pre-Tax Contributions to Health Savings Accounts
Plan Number:	537
Type of Funding:	Not applicable
Contribution Source:	Employee. In addition, subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Fiduciary and Plan Administrator:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute the entire cost of the Benefit Plan coverage they select. Provided, however, that subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Distributions from HSAs are not administered through the Plan. Questions concerning investments, distributions or other matters pertaining to an HSA should be directed to Alight, who administers the HSAs. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator for Flexible Spending Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com

Claims Administrator for Health Savings Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Travel Accident Plan

Your Travel Accident Benefit

This is the SPD (the "Travel Accident SPD") for the NiSource Travel Accident Plan, also referred to as the Travel Accident Plan. In this Travel Accident SPD, the Travel Accident Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the Plan to eligible employees to cover accidental death sustained during the course of a trip made on behalf of a Participating Employer.

For purposes of the Plan, a trip "made on behalf of a Participating Employer" means travel and sojourn authorized by, or at the direction of, a Participating Employer for purposes of furthering the business of the Participating Employer. A trip will be considered as commencing when you leave your residence or place of employment, whichever you leave last, for the purpose of going on such trip, and the trip will continue until you return to your residence or place of regular employment, whichever you return to first.

All eligible employees are covered for $50,000 in death benefits.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process – Travel Accident Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 44.

Eligibility

For information regarding eligibility under the Travel Accident Plan, please see the *"Eligibility under the Travel Accident Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Travel Accident Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Travel Accident Plan"*.

Contributions

The Employer pays the full cost of the Travel Accident Plan. There are no employee contributions.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Travel Accident Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Travel Accident Plan"*.

Beneficiary Designation

Your beneficiary will be the beneficiary or beneficiaries that you named under the NiSource Life Insurance Plan. (Please see the "*Life and AD&D Plan"* section of this Handbook for further details on beneficiary designation.)

If you fail to designate a beneficiary before your death, or if your beneficiary dies before you die, benefits are paid according to the default rules established under the NiSource Life Insurance Plan.

You and your beneficiary need to keep the Company advised of the addresses at which each of you can be located. If the Company cannot locate you or your beneficiary when benefits become payable, notification will be mailed to the most recent address on file. The Claims Administrator is not required to search for, or locate, you or your beneficiary. Please be sure to notify the Benefits Source should you or your beneficiary change addresses.

If a beneficiary becomes entitled to a payment under the Plan and it cannot be

made because (1) the current address is incorrect, (2) the beneficiary does not respond to the notice sent to the current address, (3) there are conflicting claims to such payment, or (4) any other reason, the amount of such payment, if and when made, shall be that determined under the terms of the Plan, without interest.

To designate or change your beneficiary(ies) go online via the Benefits Source website at mysourceforhr.com or call the Benefits Source toll-free number at **1-888-640-3320** to speak with a customer service associate.

Travel Accident Benefit Exclusions

The Plan does not cover any accidental death incurred due to:

- Commuting to and from work, and any travel during lunches, breaks and vacations;
- Suicide or any attempted suicide while sane or self-destruction or an attempted suicide while insane;
- Declared or undeclared war or any act of either within the United States, the District of Columbia or Canada;
- Service in the armed forces of any country; provided, however, orders to active military service for two months or less will not constitute service in the armed forces; or
- Sickness or disease, except infections that occur through an accidental cut or wound.

Filing a Claim

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim under the claims procedures described below.

In the event of death or covered loss, your beneficiary must contact the NiSource Benefits Department at 801 E. 86th Avenue, Merrillville, Indiana 46410 within 31 days or as soon as reasonably possible in order to receive benefits.

Any claims submitted after 18 months from the date of death or covered loss may not be considered for payment.

The Plan pays benefits based on the coverage that was in effect on the date of your death. The benefit is paid in the form of a lump-sum payment.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Travel Accident Plan."*

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Travel Accident Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Travel Accident
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Company and Participating Employers
Contribution Source:	Employer
Plan Sponsor:	NiSource Inc. 801 E. 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 E. 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Claims are administered by the Claims Administrator listed below Benefits will be paid under the Plan only if the applicable Plan Administrator or its delegate (e.g. the Claims Administrator) determines that the claimant is entitled to them.
Claims Administrator:	NiSource Benefits Department 801 E. 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator

Short-Term Disability Plan

Your Short-Term Disability Plan

This is the SPD for the NiSource Short-Term Disability Plan (the "Plan" or "Short-Term Disability Plan").

NiSource Inc. (the "Company") and the Participating Employers provide eligible employees with short-term disability ("STD") and sick leave coverage under the Plan at no cost to the employee. Your Employer provides you with limited income continuation should you become Disabled and unable to work because of a short-term Sickness or Injury (as defined below).

How Your Paid Sick Leave Works

Generally, if you are an eligible employee, you are granted paid sick leave on the first day of the month coincident with or next following the completion of six continuous months of active full-time employment with an Employer. All covered absences due to Sickness or Injury will be deducted from your sick leave balance and will be paid in accordance with the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Your Plan benefit is determined by your credited service years. Please see the *"Highlights of Your Disability Plan Coverage"* section for further details.

If you use all of your paid sick leave time and you are still unable to return to work, you will be on an unpaid leave of absence. You may continue in this unpaid status until:

- You are eligible to receive Long Term Disability Plan Benefits;
- You return to work;
- You terminate employment; or
- You retire.

If you are still on sick leave at the end of December and you remain unable to work into the next calendar year, you continue to use remaining sick leave from the previous year. Subject to the terms, conditions and limitations described below in "*Recurring or Separate Periods of Disability," y*ou will not receive additional hours of paid leave until you return to work for one full day in the new year. This means that you will not be granted additional hours of paid sick leave for the new year while you are absent due to Sickness or Injury.

For purposes of the Plan, "Sickness" means a disease, disorder or condition of the body or mind, including pregnancy, abortion, miscarriage or childbirth, that requires treatment by a Physician (as defined below), but does not include an Injury. Disability resulting from a Sickness must begin while you are covered under the Plan.

For purposes of the Plan, "Injury" means a bodily injury that is the direct result of an accident, that is not related to any cause other than the accident, the results in immediate disability, and that requires treatment by a Physician. Disability resulting from an Injury must begin while you are covered under the Plan.

Disability Under the Short-Term Disability Plan

If you are Disabled (as described below), you will be eligible for Plan benefits for up to maximum period of 26 weeks, at which time you may be eligible to receive Long-Term Disability Plan benefits. (See the *"Long-Term Disability Plan"* section of this Health and Welfare Benefits Handbook for details.) For Plan benefit purposes, as explained in greater detail below, you are considered "Disabled" or to have incurred a "Disability" if your Sickness (including pregnancy) or Injury prevents you from performing the essential functions of your own occupation.

There are different types of Disabilities for which you may qualify. They are defined as follows:

Total Disability

You are considered Totally Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are reasonably qualified because of your education, training, or experience. If this is the case and you are absent from work for

more than four consecutive work days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator. As used in the Plan, "essential functions" means functions that (i) are normally required for performance of your own occupation or any job requiring similar education or training that an Employer offers you and for which you are reasonably qualified by reason of your education, training, or experience, and (ii) cannot be reasonably omitted or modified.

Partial Disability

You are considered Partially Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform, on a full time basis, the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are reasonably qualified because of your education, training, or experience. If this is the case and you are absent from work for more than four consecutive days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator.

Please Note: If you are Partially Disabled, you may be assigned temporary modified work. The temporary modified work assignment must be approved by your personal physician, the Company physician (where appropriate) and your supervisor.

Please Note: If you require a professional license or certification for your occupation and you lose that license or certification, the loss (in and of itself) does not constitute a Disability under the Plan.

**As used in this SPD, "Physician" means a person who is performing tasks that are within the limits of his or her medical license and is licensed to practice medicine and prescribe and administer drugs or to perform surgery; or who has a doctoral degree in psychology (Ph.D or Psy.D) whose primary practice is treating patients; or who is a legally qualified medical practitioner according to the laws and regulations of the governing jurisdiction. It cannot be any relative including, but not limited to, you, your spouse, or a child, brother, sister, or parent of you or your spouse as a doctor for a claim that you send to us.*

Recurring or Separate Periods of Disability

If you are collecting Plan benefits due to a Disability, you temporarily recover, you return to work for your Employer for 180 consecutive calendar days or less, and you then again become Disabled due to the same or a related Sickness or Injury, your subsequent Disability is considered a recurring Disability. This means that you will be entitled to benefits for the recurring Disability for the maximum benefit period, less the benefits you have already received for that Disability.

If you are collecting Plan benefits, you temporarily recover, you return to work for your Employer for 181 or more consecutive calendar days, and you then again become Disabled due to the same Sickness or Injury, your Disability is considered a separate Disability. This means that you will be entitled to benefits for the separate Disability for your maximum benefit period. This amount will not be reduced by the benefits you already received for that Disability.*

*However, in no event will you entitled to benefits under the Plan during a calendar year in excess of the benefits applicable to you as described in the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Eligibility

For information regarding eligibility under the Short-Term Disability Plan, please see the *"Eligibility under the Short-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Short-Term Disability Plan"*.

Contributions

Your Employer pays the full cost of the Plan. There are no employee contributions.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Short-Term Disability Plan"*.

Highlights of Your Short-Term Disability Plan Coverage

Your Plan benefit is determined according to your length of service and can extend up to 26 weeks during a calendar year, based on the following schedule:

CREDITED YEARS OF SERVICE	You Receive 100% of Your Base Salary for the First…	Then You Receive 60% of Your Base Salary for the Remaining…
More Than Six Months of Service But Less Than One Year of Service	1 Week	0 Weeks
From One Year of Service to Nine Years of Service	8 Weeks	18 Weeks
From Ten Years of Service to Nineteen Years of Service	16 Weeks	10 Weeks
Twenty or More Years of Service	26 Weeks	0 Weeks

For purpose of determining the number of weeks of benefits to which you are entitled, Base Salary and Years of Service shall be determined as of the January 1st immediately prior to the date of Total Disability, except that

(i) if you have more than six months but less than one Year of Service, Base Salary and Years of Service shall be determined as of the date of Total Disability, and

(ii) (ii) if you are a rehired employee who is entitled to credit for prior Years of Service, in the year you are rehired, Base Salary shall be determined as of the date of Total Disability and Years of Service shall be determined as of the date of your rehire according to rules described below with respect to crediting of service for rehires.

Your Plan benefits may end prior to the periods set forth in this schedule for reasons described in the "When Benefits End" section below.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed. For more information, see the *"Claims Determination and Appeal Proc*ess – STD Plan*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 51.

Determining Years of Service

Generally

Upon your first year anniversary, you are credited with one Year of Service. On the December 31 following your first anniversary and each subsequent December 31 thereafter, you are credited with an additional Year of Service.

Crediting of Service for Rehires

If you terminated employment with, or retired from, an Employer and are rehired, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
Less than one year after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, including time of break
At least one year, but less than five years, after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, but excluding time during break in service.
At least five years after termination of employment or retirement from employment	No service credit. Participant begins with zero Years of Service upon rehire.

Crediting of Service for Rehires Who Previously Worked for Columbia Pipeline Group

If (i) you were an active employee of Columbia Pipeline Group, Inc. or its affiliates as of July 1, 2015, (ii) you terminated employment, or retired from employment, with Columbia Pipeline Group, Inc. or its affiliates on or after July 1, 2015, and (iii) you were thereafter rehired by an Employer, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
On or after July 1, 2015 and before July 1, 2016	All service with an Employer from the date of original hire prior to July 1, 2015 to and including the date of rehire by an Employer on or after July 1, 2015.
On or after July 1, 2016 and before July 1, 2020	All service with an Employer from the date of original hire prior to July 1, 2015, to and including June 30, 2015
On or after July 1, 2020	No service credit. Participant begins with zero Years of Service upon rehire.

Determination of Benefits Generally

Subject to the "How Your Paid Sick Leave Works" and the "Recurring or Separate Periods of Disability" sections of this SPD and upon your first year anniversary, you are entitled to receive benefits for the full benefit period of 26 weeks (1040 hours) for each calendar year.

To determine your Plan benefit, the Plan takes a percentage of your Base Salary*. This is called your "gross Plan benefit" The Plan then deducts any "other sources of disability income" from this amount to determine your "net Plan benefit."

Special provisions apply and are described below if you are Partially Disabled and are able to perform a temporary modified work assignment.

*"Base salary" means your basic earnings plus any before tax deposits deferred under a qualified retirement plan of an Employer. If you receive sales commissions, your Base Salary will be your average hourly wage based on the 12 consecutive calendar months immediately preceding the last day you were actively at work.

Your Base Salary does not include:

- Overtime;
- Shift differentials;
- Bonuses; or
- Any other form of special compensation.

Other Sources of Disability Income

You may be eligible for income from other sources due to your Disability. If this is the case, your benefits under the Plan will be fully offset by such other sources of Disability income.

Other sources of Disability income for which you are eligible, or that have been paid to you or to a third party on your behalf may include, but are not limited to, the amount of any benefit for loss of income for the same Disability from:

- The United States Social Security Act, the Railroad Retirement Act, the Jones Act, or similar plan or act
- Any temporary or permanent disability benefits under a Workers' Compensation law (does not include permanent impairment award), occupational disease law, or similar law
- The Veteran's Administration or any other foreign or domestic governmental agency
- Any governmental law or program that provides disability or unemployment benefits as a result of your employment with an Employer, including any state disability program;
- Disability benefits from any compulsory "no-fault" automobile insurance.

If you receive a benefit from another source of income in the form of a single lump sum, the amount of offset to the weekly benefit amount will be determined by prorating the lump sum over a period of 26 weeks.

State Disability Programs

If you work in a state that requires a state-defined disability plan, you are also covered under the provisions of the laws and regulations of that state plan. Your gross Plan benefit is reduced by the amount you are eligible to receive under any state disability program.

Applying for Other Sources of Disability Benefits

If you are eligible to receive disability benefits from other sources, you should apply as soon as possible. You should notify the Claims Administrator that you are eligible to receive other disability income as soon as possible.

When Benefits End

Your benefit payments will end as set forth in the schedule above, or sooner if any of the following events occur:

- You fail to submit evidence of your Disability or such other documents (if any) that the Plan deems necessary to administer the Plan, in accordance with Plan procedures;
- You do not comply with the Plan's request for evidence of your continuing Disability,

an independent medical examination or other examinations or tests;

- You fail or refuse to perform any temporary modified work assignment, in the case of a Partial Disability;
- You fail to participate in or comply with all requirements of the Disability Management Program;
- You are engaged in any other occupation or earn any self-employment income in excess of a de minimis amount;
- You are not under the regular care of a physician as required by your condition or you are not following the physician's treatment plan;
- You participate in and are convicted of a felony offense. In such case, your Disability will be determined to have ceased as of the date that you first participated in the felony offense;
- You commit or partake in any actions of fraud against the Plan or an Employer;
- You are no longer considered by the Plan to be Disabled;
- Your 26-week benefit period ends;
- You become eligible for LTD Plan benefits;
- You have been terminated or have voluntarily terminated employment with an Employer (other than transfer to another Employer);
- You are no longer eligible for coverage under the Plan; or,
- You die.

Plan Benefit Exclusions

The Plan does not pay benefits under certain circumstances. These circumstances include, but may not be limited to, the following:

- Failure to participate in or provide the Disability Management Program with all the required documentation regarding your Disability.
- Sickness or Injury that occurs while:
  - You are on a leave of absence;
  - You are furloughed from work;
  - You are suspended from work; or
  - You are considered an inactive employee.
- Disability that is caused or contributed to by an intentionally self-inflicted injury.
- If you are absent from work for more than four consecutive work days and the disability is not being treated by a Physician.
- Disability caused or contributed to by war or an act of war (declared or not).
- Disability caused by your commission of or attempt to commit a crime for which you have been convicted, or to which a contributing cause was your involvement in an illegal occupation.

Claiming Benefits

If you are unable to work because of Sickness or Injury, you must adhere to the following procedures to qualify for Plan benefits:

- Call your supervisor before your normal work day begins. If that is not possible, be sure to contact your supervisor as soon as you can. If you cannot call in, please be sure that someone calls in on your behalf. *Your Employer may require that you provide a Physician's statement confirming your Sickness or Injury before your absence is actually approved.*
- If you are, or know you will be, absent from work for more than four consecutive work days, call the Benefits Source at 1-888-640-3320 or the Claims Reporting Hotline at 1-877-ENERGY4, Option #3, then Option #1, to report your Sickness or Injury to the Plan's Disability Management Program.

Disability Management Program

You must participate in the Disability Management Program to qualify for Plan benefits. The Disability Management Program certifies that you qualify for Plan benefits beyond the fourth day of absence. You will

be assigned a "Claims Administrator" who will:

- Guide you through the disability benefits that may apply to your situation;
- Certify whether your disability qualifies for STD pay; and
- Help develop a reasonable return-to-work plan with you, your physician, and your supervisor.

You will be expected to participate fully in the Disability Management Program. You must:

- Supply the authorization and documentation as described in the following section;
- Maintain contact with your Claims Administrator;
- Follow the medical treatment plan that is agreed to by your Claims Administrator and your physician; and
- Return to work at the time that is agreed to by you, your Claims Administrator, your physician, and your supervisor.

Authorization and Documentation You Will Need to Supply

Upon request from the Claims Administrator, you may need to provide certain information. Failure to provide this information may deny, suspend or terminate your Plan benefits. The information includes, but is not limited to the following:

- Signed authorization form for the Claims Administrator to obtain all reasonably necessary medical, financial, or other non-medical information that supports your Disability claim.
- Proof that you have applied for other sources of disability income (i.e., Workers' Compensation, State Disability Benefits, or Social Security Disability Benefits, when applicable).
- Notification of when you receive or are awarded a benefit from another source of disability income, including the:
  - Type of income benefit;
  - Amount you are receiving;
  - Period for which the benefit applies; and
  - Duration for which the benefit is being paid (if you are receiving installment payments).

Also, your Employer may require a "doctor's release" to return to work.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Short-Term Disability Plan."*

Other Information

If Your Disability Reaches Five Months in Duration

You should apply for Social Security disability benefits by the end of the fourth month from the day your Disability began. (The Claims Administrator can help you with the filing process). In addition, if you are eligible to receive disability benefits from another source, you should apply as soon as possible.

Temporary Modified Work Assignment

If you qualify for a Partial Disability and you are working on a temporary modified work assignment, you will receive your Base Salary for the hours you work and Plan benefits (based on the Plan's provisions) for the hours you are not working.

If, in the Claims Administrator's opinion, you could perform a temporary modified work assignment (given your condition) and you refuse the assignment, the Plan benefit for which you would be otherwise eligible ends.

Family and Medical Leave Act (FMLA)

While collecting Plan benefits, you may also be eligible for leave under the Family and

Medical Leave Act of 1993 (FMLA). If you are eligible for and approved for a FMLA leave for your own serious health condition, your FMLA leave will run concurrently with Plan coverage for up to 12 weeks. Please refer to your Employer's FMLA Policy.

Continuation of Other Coverages

Certain coverages provided to you under the Program may continue while you are receiving Plan benefits or if you have an appeal pending in accordance with the provisions of the Plan. Any contributions that you are required to make toward the cost of these coverages (as well as your contributions to a retirement plan sponsored by an Employer) will be deducted from your Plan benefits. If your Plan benefits are insufficient to cover all of your benefit deductions, the Benefits Source will work with you to set up a direct billing arrangement. If you have any questions regarding these coverages, call the Benefits Source at **1-888-640-3320.**

Medical, Dental, Vision, and FSA Plans

For continuation of coverage under the Medical, Dental, Vision, and FSA Plans , see the General-Sick Leave subsection of the section of the **Benefits Program Overview** entitled "Continuation of Coverage under the Medical, Dental, Vision and FSA Plans."

Life and AD&D

Life and AD&D coverage for you and your eligible dependents continues.

LTD Disability

LTD coverage continues.

(Please Note: If your Disability continues and you meet the eligibility requirements, you may qualify for Long-Term Disability Plan benefits. See the *"Long-Term Disability Plan"* section of this Handbook for details.)

Retirement Plans

You continue to earn service under any retirement plan sponsored by an Employer for which you are otherwise eligible while collecting Plan benefits. In addition, you can continue to make elective deferrals (and the Company will continue to make matching contributions, as applicable) to any retirement plan allowing elective deferrals for which you are otherwise eligible while you are collecting Plan benefits. You may, however, stop your contribution to such retirement plan(s) at any time. Please see the applicable retirement plan(s) for further information.

Other Programs

If benefits under the Adoption Assistance Plan would otherwise be available to you, these benefits will not be available to you while you are collecting Plan benefits.

Contact Information

If you need answers to specific coverage related questions, contact the Benefits Source by going to their website or using their automated telephone system. Both the website and the automated telephone system can connect you with the Claims Administrator (if necessary).

Coverage Option	Contact
Short-Term Disability Plan	ESIS mysourceforhr.com (link to ESIS.com) 1-888-640-3320 (Benefits Source) You can connect with the Claims Administrator by phone via the Benefits Source automated telephone system.

General Plan Information

Program Name	NiSource Welfare Benefits Program
Plan Name:	NiSource Short-Term Disability Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Short-Term Disability
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions, and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-5539
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under the Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., the Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	ESIS Two Riverway Suite 1100 Houston, Texas 77056
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may also be made upon the Plan Administrator.

Long-Term Disability Plan

Basic LTD Coverage

Supplemental LTD Coverage

Your Long-Term Disability Options

NiSource Inc. (the "Company") offers the NiSource Long-Term Disability Plan (the "Plan") to eligible employees with the following coverage options:

- Basic LTD Coverage Option; and
- Supplemental LTD Coverage Option.

Benefits are provided under a group insurance contract (the "Group Contract") and a group insurance certificate (the "Group Insurance Certificate") issued by The Prudential Insurance Company of America ("Prudential"), who is the Claims Administrator and is wholly responsible for the payment of benefits.

You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description. *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at 1-888-640-3320.*

The Plan provides financial protection for you by paying a portion of your income while you have a long period of disability. The amount you receive is based on the amount you earned before your disability began. In some cases, you can receive disability payments even if you work while you are disabled. Benefits begin after the elimination period is completed. The elimination period is the period of continuous disability that must be satisfied before you are eligible to receive benefits and is the longest of (i) 180 days; (ii) the length of time for which you receive loss of time benefits, salary continuation or accumulated sick leave; and (iii) the date that you are absent from work for 1040 hours due to your disability.

If you are determined to be disabled, the Basic LTD Coverage Option provides monthly benefits of the lesser of (i) 50% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $8,333.00.

If you are determined to be disabled, the Supplemental LTD Coverage Option provides monthly benefits of the lesser of (i) 60% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $10,000.00. You pay a portion of the cost of the Supplemental LTD Coverage Option.

Your benefit may be reduced by deductible sources of income and disability earnings. Some disabilities may not be covered or may have limited coverage under the Plan. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan. Refer to the Group Insurance Certificate for further details.

See "*Highlights of the Long-Term Disability Plan Coverage*" below for examples illustrating the payment of monthly benefits.

Eligibility

For information regarding eligibility under the Long-Term Disability Plan, please see the *"Eligibility under the Long-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Long-Term Disability Plan"*.

Contributions

The Basic LTD Coverage Option is provided at no cost to you. If you elect the Supplemental LTD Coverage Option, you and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at* ***1-888-640-3320****.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends –Long-Term Disability Plan"*.

Highlights of the Long-Term Disability Plan Coverage

The information below describes how the Plan pays benefits if a participant becomes disabled and is unable to work and when a participant becomes disabled, but continues working. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan.

If you are Disabled and Not Working

If you have the Basic LTD Coverage Option, your Monthly Payment is the lesser of:

- 50% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $8,333.00 per month.

If you have elected the Supplemental LTD Coverage Option, your monthly payment is the lesser of:

- 60% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $10,000.00 per month

If You Are Disabled and Working

If your monthly disability earnings ("Disability Earnings") are less than 20% of your indexed monthly earnings ("Indexed Monthly Earnings"), your LTD benefit is the same as it would be if you were not working.

If your Disability Earnings are greater than 80% of your Indexed Monthly Earnings, no benefit is payable to you. If benefits have already commenced, Prudential will stop sending you payments and your claim will end.

If you are disabled and your monthly Disability earnings are at least 20%, but not more than 80%, of your Indexed Monthly Earnings, due to the same sickness or injury, Prudential will figure your payment as follows:

During the first 12 months of payments, while working, your monthly payment will not be reduced as long as Disability Earnings plus the gross disability payment does not exceed 100% of Indexed Monthly Earnings.

1. Add your monthly Disability Earnings to your gross disability payment.
2. Compare the answer in item 1 to your Indexed Monthly Earnings.

If the answer from item 1 is less than or equal to 100% of your Indexed Monthly Earnings, Prudential will not further reduce your monthly payment.

If the answer from item 1 is more than 100% of your Indexed Monthly Earnings, Prudential will subtract the amount over 100% from your monthly payment.

After 12 months of payments, while working, you will receive payments based on the percentage of income you are losing due to your Disability.

1. Subtract your Disability Earnings from your Indexed Monthly Earnings.
2. Divide the answer in item 1 by your Indexed Monthly Earnings. This is your percentage of lost earnings.
3. Multiply your monthly payment by the answer in item 2.

This is the amount Prudential will pay you each month.

The minimum monthly payment is the greater of (a) 10% of the gross disability payment otherwise payable, and (b) $100.

If your Disability Earnings are expected to fluctuate widely from month to month, Prudential may average your Disability Earnings over the most recent 3 months to determine if your claim should continue subject to all other terms and conditions of the Plan. If Prudential averages your

Disability Earnings, it will terminate your claim if the average of your Disability Earnings form the last 3 months exceeds 80% of Indexed Monthly Earnings. Prudential will not pay you for any month during which Disability Earnings exceed the foregoing amounts.

Definition of "Disability"

You are "disabled" when Prudential determines that:

- you are unable to perform the material and substantial duties of your regular occupation due to your sickness or injury;
- you have a 20% or more loss in your monthly earnings due to that sickness or injury; and
- you are under the regular care of a doctor.

After 24 months of payments, you are disabled when Prudential determines that due to the same sickness or injury,

- you are unable to perform the duties of any gainful occupation for which you are reasonably fitted by education, training or experience; and
- you are under the regular care of a doctor.

The loss of a professional or occupational license or certification does not, in itself, constitute disability.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received by Prudential within 30 days of its request.

Prudential may require you to be examined by doctors, other medical practitioners or vocational experts of its choice. It will pay for these examinations. Prudential can require examinations as often as it is reasonable to do so. It may also require you to be interviewed by an authorized Prudential Representative. Refusal to be examined or interviewed may result in denial or termination of your claim.

Additional Definitions

Active employment means you are classified as working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. You must be working at least 40 hours per week. Your worksite must be: your Employer's usual place of business; an alternate worksite at the direction of your Employer other than your home unless clear specific expectations and duties are documented; or a location to which your job requires you to travel. Normal vacation is considered active employment. Individuals whose employment status is being continued under a severance or termination agreement will not be considered in active employment.

Deductible sources of income means income from deductible sources listed in the Group Insurance Certificate that you receive or are entitled to receive while you are disabled. This income may be subtracted from your gross disability payment. Examples of deductible sources of income include but are not limited to (a) amounts you receive or are entitled to receive as (i) loss of time benefits under a workers' compensation law, an occupational disease law or any other act or law with similar intent; or (ii) loss of time disability income payments under any state compulsory benefit act or law, any insurance, health or welfare plan or other group insurance plan where the Employer, directly or indirectly, has paid all or part of the cost or made payroll deductions, or any governmental retirement system as a result of your job with your Employer; (b) the gross amount you receive or are entitled to receive as loss of time disability payments because of your disability under the United States Social Security Act or any similar plan or act; (c) the gross amount you receive as retirement payments under the United States Social Security Act or any similar plan or act; (d) the amount your receive as "wages" under the maritime doctrine of maintenance, wages and cure; and (e) the amount you receive, due to your disability, from a third party (after subtracting attorneys' fees and a pro-rata share of reasonable fees and costs) by judgement, settlement or otherwise. Refer to

the Group Insurance Certificate for a complete list of these sources.

Disability earnings means the earnings which you receive while you are disabled and working, plus the earnings you could receive if you were working to your greatest extent possible. This would be, based on your restrictions and limitations: (i) during the first 24 months of disability payments, the greatest extent of work you are able to do in your regular occupation, that is reasonably available; and (ii) beyond 24 months of disability payments, the greatest extent of work you are able to do in any occupation, that is reasonably available, for which you are reasonably fitted by education, training or experience. Salary continuance paid to supplement your disability earnings will not be included as disability earnings because it is not payment for work performed.

Gainful occupation means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 50% of your monthly earnings, if you are not working. However, if you enrolled in the Supplemental LTD Coverage Option, it means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 60% of your monthly earnings, if you are not working

Gross disability payment means the benefit amount before Prudential subtracts deductible sources of income and disability earnings.

Indexed monthly earnings means your monthly earnings as adjusted on each July 1, provided you were disabled for all of the 12 months before that date. Your monthly earnings will be adjusted on that date by the lesser of 10% or the current annual percentage increase in the Consumer Price Index. Your indexed monthly earnings may increase or remain the same, but will never decrease.

Injury means a bodily injury that is the direct result of an accident, that is not related to any other cause, and that results in immediate disability. Disability must begin while you are covered under the Plan.

Material and substantial duties means duties that:

- are normally required for the performance of your regular occupation; and
- cannot be reasonably omitted or modified, except that if you are required to work on average in excess of 40 hours per week, Prudential will consider you able to perform that requirement if you are working or have the capacity to work 40 hours per week.

Monthly earnings means your total annual income before taxes divided by 12. It is determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan, or flexible spending account. It includes income actually received from commissions but does not include renewal commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer. Commissions will be averaged for the lesser of: (a) the 24 full calendar month period of your employment with your Participating Employer just prior to the date disability begins; or (b) the period of actual employment with your Employer.

Regular occupation means the occupation you are routinely performing when your disability occurs. Prudential will look at your occupation as it is normally performed instead of how the work tasks are performed for a specific employer or at a specific location.

Sickness means any disorder of your body or mind, but not an injury; pregnancy including abortion, miscarriage or childbirth. Disability must begin while you are covered under the Plan.

Taxability of Monthly Benefits

Because your Employer pays the entire cost of your Basic LTD Coverage and does not include this cost in your gross-income, and because you pay for any Supplemental LTD Coverage

on a pre-tax basis, any monthly benefits you receive under the Plan will be taxable to you pursuant to the Code and guidance issued thereunder.

Maximum Period of Payments

The longest period of time the Plan will make payments to you for any one period of disability (your "maximum period of payment") is as follows:

Your Age on Date Disability Begins	Your Maximum Period of Payment
Less than 60	To age 65
Age 60 and over	60 months

Prudential will stop sending you payments while you are incarcerated as a result of a conviction.

In addition, Prudential will stop sending you payments and your claim will end on the earliest of the following:

- During the first 24 months of payments, when you are able to work in your regular occupation on a "part-time basis" but you choose not to; after 24 months of payments, when you are able to work in any gainful occupation on a part-time basis but you choose not to. "Part-time basis" means the ability to work and earn 20% or more of your indexed monthly earnings.
- The end of the maximum period of payment.
- The date you are no longer disabled under the terms of the Plan.
- The date you fail to submit proof of continuing disability satisfactory to Prudential.
- The date your disability earnings exceed the amount allowable under the Plan.
- The date you retire.
- The date you die.
- The date you decline to participate in a rehabilitation program that Prudential considers appropriate for your situation and that is approved by your doctor.

Notwithstanding the above, disabilities due to a sickness or injury which, as determined by Prudential, are primarily based on self-reported symptoms have a limited pay period during your lifetime. "Self-reported symptoms" means the manifestations of your condition, which you tell your doctor, that are not verifiable using tests, procedures and clinical examinations standardly accepted in the practice of medicine. Examples include, without limitation, headache, pain, fatigue, stiffness, soreness, ringing in ears, dizziness, numbness and loss of energy.

Also, disabilities which, as determined by Prudential, are due in whole or part to mental illness also have a limited pay period during your lifetime. "Mental illness" means a psychiatric or psychological condition regardless of cause and includes, without limitation, schizophrenia, depression, manic depressive, or bipolar illness, anxiety, somatization, substance related disorders, and/or adjustment disorders or other conditions. These conditions are usually treated by a mental health provider or other qualified provider using psychotherapy, psychotropic drugs, or other similar methods of treatment as standardly accepted in the practice of medicine.

The limited pay period for self-reported symptoms and mental illness combined is 24 months during your lifetime. There are exceptions to the limited pay period rules. Refer to the Group Insurance Certificate for a detailed explanation of these exceptions.

Recurrent Disabilities

If you have a "recurrent disability," as determined by Prudential, your disability will be treated as part of your prior claim and you will not have to complete another elimination period if (a) you were continuously insured under the Plan for the period between your prior claim and your current disability; and (b) your recurrent disability occurs within 180 days of the end of your prior claim.

Your recurrent disability will be subject to the same terms of the Plan as your prior claim.

Any disability which occurs after 180 days from the date your prior claim ended will be treated as a new claim. The new claim will be subject to all of the Plan provisions.

If you become covered under any other group long term disability plan, you will not be eligible for payments under the Plan.

A "recurrent disability" is a disability that is (a) caused by a worsening in your condition; and (b) due to the same cause(s) as your prior disability for which the Plan made a Long Term Disability payment.

Exclusions from Coverage

The Plan does not cover any disabilities caused by, contributed to by, or resulting from your:

- intentionally self-inflicted injuries;
- active participation in a riot; or
- commission of a crime for which you have been convicted under state or federal law.

The Plan does not cover a disability which is due to a pre-existing condition.

The plan does not cover a disability due to war, declared or undeclared, or any act of war.

You have a pre-existing condition if:

- You received medical treatment, consultation, care or services including diagnostic measures, took prescribed drugs or medicines, or followed treatment recommendation in the 3 months just prior to your effective date of coverage or the date an increase in benefits would otherwise be available; and
- Your disability begins within 12 months of the date your coverage under the Plan becomes effective.

Pre-existing conditions may also affect an increase in your benefits due to an amendment of the Plan or your enrollment in another Plan option. *For further details, refer to the Group Insurance Certificate. You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

Survivor Benefits

When Prudential receives proof that you have died, it will pay your spouse, if living; otherwise, your children under age 25 (your "eligible survivors"), a lump sum benefit equal to 3 months of your gross disability payment if, on the date of your death:

- your disability had continued for 180 or more consecutive days; and
- you were receiving or were entitled to receive payments under the plan.

If you have no eligible survivors, payment will be made to your estate. However, Prudential will first apply the survivor benefit to any overpayment which may exist on your claim.

Other Services Provided Under the Plan

As part of your coverage under the Plan, Prudential also provides certain benefits in the nature of a Social Security Claimant Assistance Program, a Rehabilitation Program and a program of reimbursing employers for the cost of certain worksite modifications that are identified by your Employer and Prudential as being likely to help you remain at work or return to work. Refer to the Group Insurance Certificate for further details regarding these programs. With respect to the Rehabilitation Program, if at any time you decline to take part in or cooperate in a rehabilitation evaluation/assessment or program that Prudential feels is appropriate for your disability and that has been approved by your doctor, Prudential will cease paying your monthly benefit.

Filing A Claim

General

Written notice of a claim should be sent to Prudential within 30 days after the date your disability begins. However, you must send Prudential written proof of your claim no later than 90 days after your elimination period ends. If it is not possible to give proof within 90 days, it must be given no later than

1 year after the time proof is otherwise required except in the absence of legal capacity. You must notify us immediately when you return to work in any capacity.

*Claim forms can be obtained from Prudential by phone via the Benefits Source at **1-888-640-3320**, or online via the Benefits Source website at mysourceforhr.com. If you do not receive the form from Prudential within 15 days of your request, send Prudential written proof of claim without waiting for the form.*

How to File Claims

You and your Employer must fill out your own section of the claim form and then give it to your attending doctor. Your doctor should fill out his or her section of the form and send it directly to Prudential.

Your proof of claim, provided at your expense, must show:

- That you are under the regular care of a doctor.
- Appropriate documentation of your monthly earnings.
- The date your disability began.
- Appropriate documentation of the disabling disorder.
- The extent of your disability, including restrictions and limitations preventing you from performing your regular occupation or any gainful occupation.
- The name and address of any hospital or institution where you received treatment, including all attending doctors.
- The name and address of any doctor you have seen.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received within 30 days of a request by Prudential.

In some cases, you will be required to give Prudential authorization to obtain additional medical information, and to provide non-medical information as part of your proof of claim, or proof of continuing disability. This proof, provided at your expense, must be received within 30 days of a request by Prudential. Prudential will deny your claim or stop sending you payments if the appropriate information is not submitted.

Recovery of Overpayments

Prudential has the right to recover any overpayments due to (i) fraud; (ii) any error Prudential makes in processing a claim, and (iii) your receipt of deductible sources of income.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Long-Term Disability Plan."*

Continuation of Other Coverages

Certain coverages provided to you under the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program continue while you are Disabled and receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee. Any contributions that you are required to make toward the cost of these coverages will be billed to you. For further information regarding the billing arrangement, contact the Benefits Source.

Medical, Prescription Drug, Vision and Dental
Medical, vision and dental coverages for you and your eligible dependents continue while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee and so long as premiums are timely paid.

Life and AD&D
Life and AD&D coverages for you and your eligible dependents continue while you are

receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee and so long as premiums are timely paid.

Health Care Flexible Spending Account

Your Health Care FSA coverage continues while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee.

Dependent Care Flexible Spending Account

You cannot continue to make contributions to the Dependent Care FSA while you are receiving Plan benefits. You may use the existing balance in your account to pay for any eligible expense that you incurred prior to the commencement of your Plan benefits.

HSAs

You may receive an Employer contribution to your HSA if you are enrolled in an HDPPO coverage option and are otherwise eligible to contribute to a Health Savings Account. You may also contribute to your HSA while you are receiving Plan benefits; however your contribution may not be funded out of your Plan benefit payments.

Retirement Plans

While you are receiving Plan benefits, you may continue to earn service under your retirement plans. However, your contributions to the Savings Plan automatically stop. You are eligible to receive the value of your Savings Plan Account due to your disability. Refer to the Savings Plan and your other retirement plans for further information.

Other Programs

The Adoption Assistance and the Tuition Reimbursement Programs are not available to you while you are receiving Plan benefits.

Important Information For Residents Of Certain States

There are state-specific requirements that may change the provisions under the Coverage(s) described in the Group Insurance Certificate and in this summary plan description. If you live in a state that has such requirements, those requirements will apply to your Coverage(s) and are made a part of your Group Insurance Certificate and this summary plan description. Prudential has a website that describes these state-specific requirements. You may access the website at prudential.com/etonline. When you access the website, you will be asked to enter your state of residence and your Access Code. Your Access Code is 93191.

If you are unable to access this website, and if you want to receive a printed copy of these requirements or have any questions, call Prudential at 1-866-439-9026.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Long-Term Disability Plan (a component of NiSource Welfare Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing disability benefits
Plan Number:	537
Contribution Source:	Basic LTD Coverage: Employer Supplemental LTD Coverage: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	The Prudential Insurance Company of America 751 Broad Street Newark, New Jersey 07102
Claims Administrator: (if you need to submit a claim)	The Prudential Insurance Company of America Prudential Disability Management Services P.O. Box 13480 Philadelphia, Pennsylvania 19176
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by The Prudential Insurance Company of America provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. ***In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail***. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

The Prudential Insurance Company of America, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Life and AD&D Plan

Employee Term Life Coverage – Basic and Optional Plans

Dependents Term Life Coverage

Employee AD&D Coverage – Basic and Supplemental Plans

Dependents AD&D Coverage

Your Life Insurance and AD&D Options

This is the SPD (the "Life and AD&D SPD") for the NiSource Life Insurance Plan, also referred to as the Life and AD&D Plan. In this Life and AD&D SPD, the Life and AD&D Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible employees with the following coverage options (each a "Life and AD&D Coverage Option"):

- Basic Employee Term Life Coverage Option;
- Optional Employee Term Life Coverage Option;
- Dependents Term Life Coverage Option;
- Basic Employee Accidental Death and Dismemberment ("AD&D") Coverage Option;
- Supplemental Employee AD&D Coverage Option; and
- Dependents AD&D Coverage Option

The Life and AD&D Coverage Options other than the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option are referred to collectively as the "Optional Life and AD&D Coverage Options."

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this summary plan description, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

The Plan provides life insurance and AD&D coverage on the persons of eligible employees ("Employee Insurance") and, if elected, on the persons of your "eligible dependents" ("Dependents Insurance"). See the individual Benefit Plan sections below for a summary of the benefits offered under each of the Coverage Options listed above.

Eligibility

For information regarding eligibility under the Life and AD&D Plan, please see the *"Eligibility under the Life and AD&D Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Life and AD&D Plan"*.

Contributions

Premium contributions are not required for the Basic Employee Term Life Coverage Option or the Basic Employee AD&D Coverage Option. If you elect coverage under any of the Optional Life and AD&D Coverage Options, you will pay for the cost of such coverage. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at **1-888-640-3320**.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Life and

AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Life and AD&D Plan"*.

Definition of "Earnings"

For commission paid employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings include the annualized average commissions earned during the shorter of (i) the 24 month period just prior to your date of loss; or (ii) your period of employment. Bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer are not included.

For all other employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings do not include commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under each Life and AD&D Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at **1-888-640-3320**.

Insurance under a Life and AD&D Coverage Option may not be assigned.

Basic Employee Term Life Coverage

The Basic Employee Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. If you are also enrolled in Optional Employee Term Life Coverage, the amount of your Basic Employee Term Life Coverage will be added to your Optional Term Life Coverage before rounding takes place. The maximum benefit (for Basic and Optional Employee Term Life Coverage combined) is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 59.

Optional Employee Term Life Coverage

You may enroll in one of the options below for optional term life coverage.

Benefit Classes	Amount of Insurance (Multiple of Annual Earnings)	
	Sum of Basic + Optional	Optional
Option 1	3x annual Earnings	1x annual Earnings
Option 2	4x annual Earnings	2x annual Earnings
Option 3	5x annual Earnings	3x annual Earnings
Option 4	6x annual Earnings	4x annual Earnings
Option 5	7x annual Earnings	5x annual Earnings

If the amount of your Basic Employee Term Life Coverage, when added to the amount of your Optional Employee Term Life Coverage, is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. However, the maximum benefit for Basic and Optional Employee Term Life Coverage combined is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Any requested change in coverage (increase or decrease) must be made within 31 days of a qualified life event or in connection with annual enrollment.

Notwithstanding the foregoing, the amount of your coverage may not exceed the "guaranteed issue amount" unless you submit evidence of insurability that is satisfactory to Securian and you are actively at work. The "guaranteed issue amount" is the lesser of (1) three times (3x) your annual Earnings, and (2) $500,000. Also, you must submit evidence of insurability if you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and your application is made more than 31 days after the date you first became eligible for coverage.

Without limiting the generality of the foregoing, you will need to provide evidence of insurability

- If you are a regular new hire or newly eligible for coverage and you apply for coverage under the Optional Employee Term Life Coverage Option in an amount greater than three times (3x) your annual Earnings (Basic plus Optional Coverage combined), or if the total amount of your Term Life Coverage after giving effect to your Optional Employee Term Life Coverage exceeds $500,000;
- If you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and the date you apply during annual enrollment is more than 31 days after your date of hire or the date you newly became eligible for coverage;
- If you are currently enrolled in the Optional Employee Term Life Coverage Option, you want to increase your coverage during annual enrollment, and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your Term Life Coverage after giving effect to your requested increase in coverage exceeds $500,000;
- If you request an increase in coverage due to a qualified life event and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your combined coverage under the Basic Employee Term Life Coverage Option and the Optional Employee Term Life Coverage Option (your "Employee Term Life Insurance") after giving effect to your requested increase in coverage exceeds $500,000;
- If you desire life insurance coverage and have an individual life insurance contract you obtained by converting your coverage under the Plan;
- The insurance for which you previously enrolled did not go into effect or was terminated because you failed to make a required premium contribution; and
- If you have not met a previous evidence requirement to become insured under any plan a Participating Employer has with Securian.

Any new enrollment or requested increase in coverage that is subject to evidence of insurability will become effective when Securian decides the evidence is satisfactory and you are actively at work; provided, however, that any such new enrollment or requested increase in coverage that is made in connection with annual enrollment will be effective on the later of (1) the following January 1, and (2) the first day of the month following the date Securian decides the evidence is satisfactory and you are actively at work.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any

lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 59.

Option to Accelerate Payment of Death Benefits

If you have a Terminal Condition while insured under the Basic Employee Term Life Coverage Option or the Optional Employee Term Life Coverage Option (the "Employee Term Life Insurance"), you may elect to have an Accelerated Benefit paid to you in one lump sum, or in any other manner agreeable to you and Securian, when Securian receives proof satisfactory to it that you have a Terminal Condition.

You have a "Terminal Condition" if you have a condition caused by sickness or accident that directly results in a life expectancy of twelve months or less. Securian must be given evidence that is satisfactory to it that your life expectancy, because of sickness or accident, is twelve months or less. That evidence must include a certification by a physician, other than you or a member of your immediate family, who is licensed to practice medicine or treat illness in the state in which treatment is received. Securian has the right to have you medically examined at its own expense to verify your medical condition. Securian may do this as often as reasonably required while Accelerated Benefits are being considered or paid.

"Accelerated Benefit" means the amount of your Employee Term Life Insurance that Securian will pay if you are eligible under the Group Insurance Certificate rider with respect to Accelerated Benefits. You must take the entire Accelerated Benefit. Securian calculates the Accelerated Benefit by multiplying your death benefit (the amount of your life insurance as shown on the specifications page attached to the certificate furnished to you by Securian) by the accelerated benefit factor.

The accelerated benefit factor will be stated as a percentage of your death benefit. In calculating this factor, Securian considers your age and gender. Securian also bases its calculation of the factor upon certain assumptions, which it may change from time to time, including without limitation assumptions about expected future premiums and your life expectancy. The minimum death benefit eligible for an Accelerated Benefit is $10,000. The maximum death benefit eligible for an Accelerated Benefit is $1,000,000.

If you elect to accelerate the full amount of your death benefit, your Employee Term Life Insurance coverage and all other benefits under your certificate of insurance and any certificate supplements will end.

Your right to be paid under this option is subject to the following terms: (1) Your Employee Term Life Insurance must be in force and all premiums due must be fully paid; (2) You must make application in writing and in a form that is satisfactory to the Claims Administrator; (3) You must be the sole owner of your certificate of insurance; (4) You must not have designated an irrevocable beneficiary for your Employee Term Life Insurance; (5) You must not be required by law to use this option to meet the claims of creditors, whether in bankruptcy or otherwise; and (6) You must not be required by a government agency to use this option in order to apply for, obtain, or keep a government benefit or entitlement.

If you elect an Accelerated Benefit and the termination of your Employee Term Life Insurance causes an eligible dependent to lose life insurance coverage, he or she will be allowed to convert any such insurance to a policy of individual life insurance as discussed below under the section entitled "Conversion Privilege for Life Coverage."

If the amount of your Employee Term Life Insurance exceeds the maximum Accelerated Benefit, your Employee Term Life Insurance coverage (reduced by the amount of the Accelerated Benefit) will continue after your election of the Accelerated Benefit and your premiums will be reduced accordingly. The amount of the Accelerated Benefit will be applied first to reduce your outstanding Optional Employee Term Life Coverage and

then to reduce your outstanding Basic Employee Term Life Coverage.

Please note that any payment of an Accelerated Benefit may be taxable. You should consult your tax advisor for assistance with any questions you may have.

Refer to the Group Insurance Certificate for additional details, terms and conditions regarding this option.

Dependents Term Life Coverage

Under the Dependents Term Life Coverage Option, you may enroll your "eligible dependents" for coverage in the amounts shown below.

Your spouse who is an "eligible dependent"	
Benefit Classes	**Amount of Insurance**
Option 1	$10,000
Option 2	$25,000
Option 3	$50,000

Your children who are "eligible dependents"	
Benefit Classes	**Amount of Insurance***
Option 1	$5,000
Option 2	$10,000

You must provide evidence of insurability under the following circumstances:

- If you choose Option 3 spousal coverage (coverage in the amount of $50,000);
- If any dependent's coverage for which you previously enrolled did not go into effect under the Plan or was terminated because you did not pay a required contribution;
- If, during a previous period of eligibility, you failed to submit evidence of insurability that was required for a dependent or that which was submitted was not satisfactory to Securian; or
- Your dependent is insured by an individual policy issued under the terms of the conversion right.

Option 3 spousal coverage will become effective on the date Securian decides the evidence of insurability is satisfactory.

If a dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released form such hospitalization or confinement.

No enrollment or increases in coverage may become effective so long as your "eligible dependents" are confined for medical care or treatment, whether at home or elsewhere.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 59.

Payment of Death Benefits under Life Coverage

If you or your "eligible dependent" dies while covered under the Plan, the amount of insurance on you or your "eligible dependent" is payable when Securian's home office receives written proof satisfactory to it that you or your eligible dependent died while covered under the Plan and insured under the Group Insurance Certificate. If you or an "eligible dependent" die within 31 days after ceasing to be covered under the Plan, but while you or your "eligible dependent," as the case may be, are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of

insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Employee Term Life Insurance are payable according to Securian's beneficiary and mode of settlement rules. Death benefits under the Dependents Term Life Coverage Option are payable to you, if you are living. If you are not living, benefits are payable to your estate.

Conversion Privilege for Life Coverage

If all or a part of your Employee Term Life Insurance or your coverage under the Dependents Term Life Coverage Option terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Neither the conversion right nor the limited conversion right is available if your coverage under the Plan or Group Contract terminates due to failure to make, when due, required premium contributions. Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by Securian for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features"* below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Basic Employee AD&D Coverage Option

The Basic Employee AD&D Coverage Option provides a benefit in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. The maximum benefit (for Basic and Supplemental Employee AD&D Coverage combined) is $1,500,000.

Supplemental Employee AD&D Coverage Option

You may enroll for supplemental employee AD&D coverage in any multiple of $10,000 up to the lesser of (1) ten times your annual Earnings, and (2) $1,500,000 minus the amount of your insurance under the Basic Employee AD&D Coverage Option).

Dependents AD&D Coverage Option

You may enroll for AD&D coverage on each of your "eligible dependents" in an amount equal to a percentage of your Supplemental Employee AD&D Coverage, as set forth below:

Eligible dependents	Amount of Insurance on each Eligible Dependent (as % of Employee AD&D Coverage)
Spouse only	60% on spouse
Child(ren) only	10% on each child
Spouse and child(ren)	50% on spouse; 10% on each child

Additional AD&D Coverage

The Plan provides additional benefits under the Basic, Supplemental Employee, and Dependents AD&D Coverage Options for a person's loss of life as a result of a covered accident in an automobile while using a seat belt and as a result of an accident in an automobile while using an air bag. The additional benefit is in an amount equal to the lesser of (1) 10% of your full amount of insurance on the person, and (2) $10,000. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; one hand and one foot; one hand and sight of one eye; one foot and sight of one eye; speech and hearing; quadriplegia	100%
Paraplegia	75%
One hand; one foot; sight of one eye; speech; hearing; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

Benefits may be paid for more than one accidental injury but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A Loss is not covered if it results from any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted Injuries, or any attempt to inflict such Injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the Loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including

Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit an assault or felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 59.

Portability of Life and AD&D Coverage

If coverage under any of the Life and AD&D Coverage Options ceases, you may have the right to apply for coverage for yourself and for your "eligible dependent," as the case may be, under a Portability Plan maintained by Securian. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Policy would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue dependent coverage under a Life and AD&D Coverage Option, you must port your corresponding employee coverage. In addition, life insurance coverage must be ported in order to port accidental death and dismemberment insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Portability Coverage in Lieu of Conversion Coverage

The right to elect term life coverage under the Portability Plan is in lieu of the conversion privilege under the Employee Term Life Insurance and the Dependents Term Life Coverage Option, except that you or your "eligible dependent," as the case may be, may convert the amount of insurance under the Employee Term Life Insurance or the Dependents Term Life Coverage Option that exceeds the maximum amount of coverage that may be obtained under the Portability Plan.

Your Eligibility for Portability Coverage

You and your eligible dependents are eligible to continue your Employee Insurance and Dependents Insurance under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you terminate employment, including retirement; or

(2) you are no longer in a class eligible for coverage or you are on a leave or layoff; or

(3) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by Securian or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) with respect to Term Life Coverage, have converted your insurance to an individual life policy as permitted by any conversion rights under the Plan; or

(3) were not actively at work due to sickness or injury on the date immediately preceding your portability date; or

(4) lose eligibility due to termination of the Plan or Group Policy.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date, but not more than $1,000,000 for an employee or $50,000 for a spouse. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date to a maximum of $650,000 for an employee or $32,500 for a spouse.

When an insured attains age 65, the amount of insurance on his or her life continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000. This minimum does not apply to a dependent.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Conversion of Portability Coverage

At any time after insurance has been continued under the Portability Plan, it may be converted to a policy of individual insurance with Securian. All other conditions and provisions applicable to conversion coverage will apply. See the Group Insurance Certificate for additional details.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) in the case of your dependent child or a spouse who is covered under the Plan, the date your coverage is no longer being continued under the Portability Plan or the date your spouse or child ceases to be eligible under the Plan; or

(4) 31 days after the due date of any premium contribution which is not made.

Highlights of Conversion and Portability Features

	Conversion	Portability
Can Basic Life, Optional Life, Dependent Life, be converted or ported?	Yes	Yes
Can AD&D be converted or ported?	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No. except for conversion of Dependent Life	No.
Application Deadline	Application and first month premium due 31 days after your coverage termination.	For life coverage, application due 31 days after your coverage termination. Securian will bill the participant directly. For AD&D coverage, 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101

Conformity with State Law

If any provision of this summary plan description or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should obtain a claim form and follow the instructions on the form. For AD&D claims, Securian must be given written proof of the loss for which claim is made. This proof must cover the occurrence, character and extent of that loss. It must be furnished within 90 days after the date of the loss. But, if any Life and AD&D Coverage Option provides for periodic payment of benefits at monthly or shorter intervals, the proof of loss for each such period must be furnished within 90 days after its end. A claim will not be considered valid unless the proof is furnished within these time limits. However, it may not be reasonably possible to do so. In that case, the claim will still be considered valid if the proof is furnished as soon as reasonably possible.

*Claim forms are available from Securian. Claim forms can be obtained from Securian by phone via the Benefits Source at **1-888-640-3320**, or online via the Benefits Source website at* mysourceforhr.com. *If you do not receive the form from Securian within 15 days of your request, send Securian written* proof of claim without waiting for the form.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process –Life and AD&D Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance and accidental death and dismemberment benefits
Plan Number:	536
Contribution Source:	Basic Employee Insurance: Employer Optional Employee and Dependents Insurance: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Exempt Part-Time Employees Hired or Rehired On or After January 1, 2010

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

As an employee of a NiSource Inc. ("NiSource" or "Company") or one of its affiliates (to the extent described below), you have the benefit of choosing your own portfolio of benefit coverages from the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program (collectively the "Program") each year.

The benefit information contained in this Handbook applies to all eligible regular part-time exempt employees hired or rehired on or after January 1, 2010 who work for the Company or a participating employer and who are covered under the Program. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible employees as belonging to Active Benefit Program 107.

A participating employer is an affiliate of the Company that has adopted, or is deemed to have adopted, the Program, as evidenced by the Company's books and records reflecting that eligible employees of such employer may participate in certain of the benefits thereunder. The NiSource Benefits Committee (the "Committee") has sole discretion to determine who is a participating employer.

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the Benefit Plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The Committee reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program (or various component benefit plans thereof) also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource offers you the following coverages in accordance with the terms of the applicable benefit plans (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan" or a "Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Medical Plan")
- Dental Coverage (NiSource Dental Plan – referred to as the "Dental Plan")
- Vision Coverage (NiSource Vision Plan – referred to as the "Vision Plan")
- Flexible Benefits (NiSource Flexible Benefits Plan – referred to as the "Flexible Benefits Plan," and comprised of the "FSA Plan" and provisions for contributions to Health Savings Accounts, or "HSAs")
- Life and AD&D Coverages (NiSource Life Insurance Plan – referred to as the "Life and AD&D Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Medical, Dental, Vision and Flexible Benefits Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Medical Plan, the Dental Plan, the Vision Plan, and the Flexible Benefit Plan, the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before a Plan will pay benefits.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement

under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"PBM" means the Pharmacy Benefit Manager for the Medical Plan. As of the date of this Handbook, the PBM is Anthem.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

Definitions Applicable to All Benefit Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program**

Overview and in the individual Benefit Plan sections, the following terms when used in this Handbook shall have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Employer" means the Company or any Participating Employer by whom you are employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A and to such other limitations or guidance that may be issued by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, or Department of the Treasury.

"Participating Employer" means, with respect to any Benefit Plan, the Company, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Spouse" means a person who is treated as your spouse under the Code. ***Please Note:*** See "Eligibility under the Medical, Dental, and Vision Plans" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for medical plan coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to elect to participate in the Benefit Plans when and to the extent provided under the applicable Benefit Plan.

Please Note*:* It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits, required repayment of any ineligible expenses, and disciplinary action up to and including dismissal.* Also, enrollment of a dependent under the Medical Plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the Plan.

Please note that the Affordable Care Act requires us to collect the Social Security Number of each individual covered under the Medical Plan. Covered individuals may face a tax penalty for failure to provide this information. To report this information, please contact the Benefits Source at **1-888-640-3320**.

Eligibility under the Medical, Dental and Vision Plans

You and your eligible dependents may elect to participate in the Medical, Dental, or Vision Plans if you are actively at work and you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former Spouse or your Spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated; (3) the child is dependent upon you for financial support and maintenance; (4) you continue to be covered by the Plan; (5) with respect to the Dental or Vision Plan coverage, the child is also covered under the Medical Plan, or was covered under the Dental Plan and/or Vision Plan, as the case may be, as of December 31, 2018, and has remained covered under such Plan or Plans continuously since that date; (6) the child's disability continues; and (7) the child has not attained age 65;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent.

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Medical, Dental or Vision Plan.*

Eligibility under the Flexible Benefits Plan

FSA Plan

You can elect to participate in the FSA Plan provided you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week. However, if you make contributions, or if contributions are made on your behalf, to an HSA during the Plan Year,

you may not elect to make contributions to a Heath Care FSA during such Plan Year.

For purposes of reimbursement of eligible expense under the Health Care FSA, your eligible dependents include your Spouse or persons who qualify under the Code as your tax dependents for health coverage purposes.

For purposes of reimbursement of eligible expenses under the Dependent Care FSA, your eligible dependents include:

- Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child;
- Your Spouse who is physically or mentally incapable of caring for himself or herself, provided the Spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, your Spouse must regularly spend at least eight hours each day in your home;
- Any other person, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year. This includes a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step–daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.

HSAs

You can elect to contribute to a health savings account("HSA") if you are characterized as a regular part-time employee of a Participating Employer who regularly works less than 40 hours per week and who is enrolled in either the HDPPO 1 or HDPPO 2 option. Contributions to an HSA can only be made when enrolled in an HDPPO. You cannot contribute to an HSA or receive Employer contributions if you have coverage under any other health plan that is impermissible coverage for purposes of Section 223 of the Code.

Please note: *You may not contribute to your HSA and the Health Care FSA at the same time.*

The limitation on the amount you may contribute to an HSA is determined on a monthly basis. The monthly contribution limit is zero for any month in which you are enrolled in Medicare. Please note that if you first apply for Medicare benefits after you attain age 65, your Medicare enrollment will be retroactive to a date that is six months prior to the month in which you apply for benefits, but not earlier than the first month you were eligible for Medicare. Thus, your monthly HSA contribution limit may be zero for a number of months that precede your application for Medicare benefits. It is your responsibility to make sure your HSA contributions do not exceed the maximum amount permitted under the Code. Please consult your tax advisor if you have questions regarding the amount you may contribute to an HSA, including for the months leading up to your application for Medicare benefits.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Flexible Benefits Plan.*

Eligibility under the Life and AD&D Plan

Employees

You are eligible to participate in the Life and AD&D Plan if you (i) are a regular part-time employee of a Participating Employer, (ii)

regularly work less than 40 hours per week, and (iii) are actively at work. You are actively at work if you are fully performing your customary duties for your regularly scheduled number of hours at your Employer's normal place of business, or at other places your Employer's business requires you to travel. Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select coverages for you and your eligible dependents.

Generally, to be covered, you must initially enroll for the medical, dental, flexible benefits, and vision coverages within 31 days following the date on which your enrollment materials are sent to you. **(This Benefits Program Overview or the individual Benefit Plan sections of this Handbook contain additional information about enrollment in each Plan.)**

You are automatically enrolled for EAP/Work Life/Legal & Financial Services (regardless of whether you enroll in PPO, HDPPO or HMO coverage under the Medical Plan), basic life and basic AD&D coverages upon the date you become eligible for such coverage.

To enroll in coverage that is not provided automatically, you must log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320.**

The enrollment materials detail how to enroll online and by phone. If you do not enroll within the 31-day period described above, as applicable **(the deadline date is included in the enrollment materials)**, you will automatically receive default coverage **(as described in this Benefits Program Overview or in the applicable individual Benefit Plan section of this Handbook)**, if applicable, for the remainder of that calendar year.

> **Please Note:**
>
> Dependents will not be eligible to receive any of the benefit coverages if you fail to enroll them during your initial 31-day enrollment period, during any subsequent annual enrollment or within 31 days following a qualified life event.

Enrollment in the Medical, Dental, and Vision Plans

Provided you meet the eligibility requirements, as described in the section above entitled "*Eligibility under the Medical, Dental and Vision Plans*", you and your eligible dependents can participate in the Medical Plan, Dental Plan and/or Vision Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. If you fail to enroll, you will be deemed to have elected (i) the HDPPO 1 medical option with no dependent coverage under the Medical Plan, (ii) the Preventive Dental option with no dependent coverage under the Dental Plan, and (iii) the Basic Vision option with no dependent coverage under the Vision Plan. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year and can only be changed during annual open enrollment. If you do not enroll or elect to change coverage, if applicable, within the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of this **Benefits Program Overview** for further details.

Please Note:

If you do not enroll in the Medical Plan, Vision Plan or Dental Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment. Also, if you do not enroll an eligible newborn child for coverage within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or the next qualified life event that permits the child's enrollment.

Enrollment in the Flexible Benefits Plan

FSA Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Flexible Benefits Plan,*" you may participate in the FSA Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year. In addition, participation in the FSA Plan requires annual enrollment, at which time you must elect the amount that you want to contribute to the FSA Plan for the year. If there is a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Changing and Continuing Elections*" of the **Benefits Program Overview** for further details.

HSAs

To enroll in an HSA, you must meet the following requirements:

- You must be enrolled in HDPPO 1 or HDPPO 2.
- You cannot be covered by another medical plan (e.g., you cannot be a dependent on anyone else's plan, except for vision and dental coverage) that is not a high deductible health plan.
- You cannot be enrolled for Medicare benefits. (Part A or Part B)
- You cannot be claimed as a dependent on another person's tax return.
- You cannot be covered by a general-purpose Health Care Flexible Spending Account, including the Health Care FSA

You must satisfy any requirements or conditions for establishing or activating your HSA that are prescribed by the Claims Administrator for HSAs. Failure to do so may result in the delay or failure to receive an employer HSA contribution to which you might otherwise be entitled.

Enrollment in the Life and AD&D Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Life and AD&D Plan*" section above, you will be automatically enrolled in the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option (collectively referred to as "Employee Life and AD&D Insurance").

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (Spouse or child) are eligible for Program benefits as active or retired employees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active or retired employee cannot be covered under the Benefit Plan both as a participant and as a dependent. Likewise, if you and your Spouse are both employees of NiSource or one of its affiliates, either of you may choose to cover your child(ren); however, it is not possible for both of you to cover your

child(ren) under the same plan. Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects coverage under the Medical, Dental, and/or Vision Plans, or makes no coverage election and is thereby deemed to have elected coverage under such Plans, you will be deemed to have requested that coverage be dropped for such dependent under the Medical, Dental, and/or Vision Plans, as the case may be.

Coverage under the Program for retired employees or for active employees other than the eligible employees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides medical, prescription drug, vision, and dental coverage for your eligible child (as well as participation in the Health Care Flexible Spending Account, to the extent the child is a tax dependent for health coverage purposes under Federal law) pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or a Participating Employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

Additionally, your Employer may withhold from your wages any contributions required for such coverage.

You may obtain from the Company, without charge, a copy of the Benefit Plans' QMCSO procedures.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. If you do not enroll within the annual enrollment period, your current coverages generally remain in effect for the upcoming Plan Year, if available, at the applicable rates.

You will be advised of any new benefit plans, plans that require enrollment and the deadline date. **However, if you want to participate in the Health and/or Dependent Care Flexible Spending Accounts or in a Health Savings Account (HSA), you need to elect to participate each year. Your Flexible Spending Account and Health Savings Account contribution elections will not carry over from one Plan Year to the next.**

If you add a new dependent to Benefit Plan coverage during annual enrollment, you must provide the dependent's social security number to the Benefit Plan by calling the Benefits Source at **1-888-640-3320** or by visiting the Benefits Source website at mysourceforhr.com,

In the event your current Medical, Dental, or Vision Plan coverage is not available and you fail to elect coverage under another plan or option that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "*Enrollment in the Medical, Dental, and Vision Plans*" for further details.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Medical Plan at your home address.

The cards should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options, or, if applicable, your HMO in the case of an HMO option.

There are no ID cards for the Vision Plan, Dental Plan or other coverages.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans

Coverage Begins

Generally, coverage under the Medical Plan, Dental Plan, Vision Plan, or FSA Plan may become effective, if you properly enroll, (1) on your first day of active employment for regular new hires, (2) on the first day of the following Plan Year for eligible employees who enroll during the annual enrollment period, or (3) on the date the Plan approves your enrollment based upon a qualified life event. Eligible dependents have the same effective date provided you properly enroll them.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation on or after January 30, 2020 (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to an employee;
- The date an employee is no longer eligible for coverage under the Plan;
- The date an employee commences active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made;
- The end of the month following the date an employee terminated employment.

In addition, coverage under the Health Care FSA will cease if an HDPPO coverage option is elected under the Medical Plan.

A dependent shall cease to participate in the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the employee's coverage ends (except that, in the case of the employee's death, a dependent shall cease to participate in the Plan on the last day of the month in which the employee dies) (see also the section below entitled "*Survivor Coverage"* for circumstances under which coverage under the Medical Plan for an eligible surviving dependent may continue beyond an employee's death);
- The last date for which any required contributions for the dependent's coverage was made;
- For a Spouse, the date of divorce or legal separation, except in the case of insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law;
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if you or your eligible dependents experiences a COBRA qualifying event, EAP/Work Life/Legal & Financial Services coverage will cease one day after the maximum COBRA continuation coverage period would otherwise expire on account of such qualifying event. See the section below entitled "*COBRA*" for an explanation of what constitutes a COBRA qualifying event.

When Coverage Begins and Ends - HSA

Coverage Begins

You may enroll in an HSA at any time provided you have properly enrolled in either the HDPPO 1 or HDPPO 2 option.

Coverage Ends

Your contributions to an HSA through the Flexible Benefits Plan will terminate as follows:

- The date on which the Plan terminates;
- The date you are no longer eligible;
- The date you are no longer actively at work; or
- The date on which you request that your contributions cease or that the HSA Account be closed.

If you are no longer enrolled in HDPPO 1 or HDPPO 2 or you have terminated employment or retired, you will be required to pay a monthly account fee to the HSA Trustee/Custodian for as long as money remains in your HSA. You will also receive a new HSA debit card that will allow you to continue using the remaining money in your account for qualified medical expenses.

When Coverage Begins and Ends – Life and AD&D Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Life and AD&D Plan,"* coverage under the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option of the Life and AD&D Plan may generally become effective on the first day you are actively at work, if you are a regular new hire, or on the first day you are newly eligible for coverage, provided you are actively at work on such day.

If you are not actively at work on the date coverage would otherwise begin, you will not be eligible for the coverage until you return to active work. However, if the absence is on a non-work day, coverage will not be delayed provided you were actively at work on the work day immediately preceding the non-work day. Except as otherwise provided herein or in the group insurance contracts (collectively, the "Group Contract") or group insurance certificates issued by Securian, you are eligible to continue to be insured only while you remain actively at work.

Coverage Ends

Your Employee Life and AD&D Insurance will end when the first of these occurs:

- The date as of which the Life and AD&D Plan is terminated;
- The date the Group Contract is canceled, or with respect to a particular Life and AD&D Coverage Option, the date such Life and AD&D Coverage Option is terminated;
- The date that the Life and AD&D Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you terminate employment or are otherwise no longer eligible for coverage under the Plan as a regular part-time employee or as a member of another eligible class;

If your Employee Life and AD&D Insurance terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

If you stop active part-time work for any reason, you should contact the Company or your Employer at once to determine what arrangements, if any, have been made to continue any of your insurance coverage, or

whether you belong to another class of employees that may be eligible for coverage under the Plan.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, the Internal Revenue Service will allow you to enroll for or change certain pre-tax elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain pre-tax elections if you experience a "qualified status change" that affects your, your Spouse's, or your dependent's eligibility for benefits under the Medical Plan, the Dental Plan, the Vision Plan, or the Flexible Benefits Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.***

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company, the Plan Administrator, or the Claims Administrator. In addition to satisfying any requirements established by the applicable Benefit Plan and any insurer (with respect to insured coverage), any requested change in election must satisfy all requirements imposed by the Internal Revenue Service.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee +family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Please Note:

If you do not request a change in election within 31 days of your qualified status change or other qualified life event, your next opportunity to change elections will not be until the next annual enrollment period or until you experience another qualified life event. For example, if you do not enroll an eligible newborn child within 31 days of the child's birth, even if you do not have the child's social security number, your next opportunity to enroll the child will not be until the next annual enrollment period, unless you experience another qualified life event that would permit you to change elections.

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan (this does not apply to the Health Care Flexible Spending Account).
- With respect to the Medical Plan only, you qualify for special enrollment during the year under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Medical Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***
- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.
- You or your eligible dependents lose coverage under any group health coverage sponsored by a governmental or educational institution,
- You take leave under the Family and Medical Leave Act.

If a dependent you are covering under the Medical, Dental or Vision Plan is hired by an Employer and either timely elects coverage under such Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Plan coverage for such dependent in connection his or her change in employment status.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical, prescription drug, vision or dental plan or program, your medical, prescription drug, vision and dental benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

The following provisions of this *"Coordination of Benefits (COB)"* subsection apply to the Medical Plan and the Dental Plan. Please see the Vision Plan section for

details about coordination of benefits provisions applicable to the Vision Plan.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable Benefit Plan is primary, the Benefit Plan pays the amount payable under such plan.

If your coverage under the applicable Benefit Plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

The "Birthday Rule"

Under the "Birthday Rule" the plan of the parent whose birthday falls earlier in the calendar year is the primary plan and the other parent's plan is secondary. 98

In the case of a divorce or separation, the following order will establish responsibility for payment:

— If there is a court order that requires a parent to take financial responsibility

for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.

- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits.

How Coordination of Benefits Works for Those in "Current Employment Status"

If you are in "current employment status" within the meaning of Medicare regulations, and if you or your spouse become Medicare-eligible, you or your spouse may have either of the following:

- Medical coverage under both the Medical Plan and Medicare (the Medical Plan under the Program is primary, it pays benefits as described in this Handbook, and Medicare is secondary); or
- Coverage under Medicare only (if that is what you have elected).

Please Note:

End-Stage Renal Disease. If you or your covered dependent enroll in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary at the time you or your covered dependent enroll, the Medical Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

If you are in "current employment status" and you and your Spouse are covered under the Medical Plan, Medicare coverage becomes secondary. You may decline coverage under the Medical Plan, in which case Medicare would be the primary carrier. Your Spouse may, if age 65 or older, make a separate Medicare election. However, your Spouse may not elect medical coverage under the Medical Plan if you do not elect coverage.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under the Medical Plan but are no longer considered in "current employment status" for purposes of Medicare, and you and your spouse are Medicare-eligible, then Medicare is the primary payor regardless of your or your covered spouse's age. You are responsible for notifying the Claims Administrator if you, your Spouse, or your other eligible dependents become Medicare-eligible.

If you are not in "current employment status" and if a covered person is eligible for, but not enrolled in, Medicare benefits,

the Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are not in "current employment status" and are eligible for, but not enrolled in, Medicare Part B, and if you incur a claim that would be payable in whole or in part by Medicare Part B, the Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

Please Note:

Late Enrollment Penalties for Medicare Parts B and D. If you are eligible for Medicare by reason of age or disability, are no longer in current employment status for purposes of Medicare, and do not enroll in Medicare Part B or Medicare Part D during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. For more information concerning Medicare late enrollment penalties, see the Medicare & You publication at https://www.medicare.gov/medicare-and-you or contact your local Social Security Administration office.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide claims and certain appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section of this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, or SPDs, please see below or the individual Benefit Plan sections of the Handbook.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified below or in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Medical Plan

The claim determination and appeal process described below applies to the Medical Plan. The term "Plan" as used in this section refers to the Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide

should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well

as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;

- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or

vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (for the Medical Plan, this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical

necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Medical Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to request a voluntary second-level internal appeal under the Medical Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of

any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;
- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based

upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective review, were covered under the Plan at the time the health care item or service was provided;
- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the criteria are inconsistent with the terms of the Plan or with applicable law;
- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care

claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA

Unless otherwise noted, the claim determination and appeal process described below applies to each of the Dental Plan, the Vision Plan and the Health Care FSA. The term "Plan" as used in this section refers to the Dental Plan, the Vision Plan or the Health Care FSA, as the case may be, and the term "Claims Administrator" refers to the claims administrator appointed for the respective Plan.

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Plan.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the

Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The day the Claims Administrator receives the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan or FSA Plan, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a

health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes and adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the

determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes and adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan, or the Health Care FSA, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process - Dependent Care FSA

The claim determination and appeal process described below applies to the Dependent Care FSA Plan. As used in this section, the term "Claims Administrator" refers to the claims administrator appointed for the Dependent Care FSA Plan. The term "Plan" as used in this section refers to the Dependent Care FSA Plan.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims

Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Flexible Benefits Plan.

Consideration of Initial Claim

Within 90 days of receiving the claim, the Claims Administrator will provide you (or your beneficiary) with a written notice of its decision. If, because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your request for review within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you may be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; (3) a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and (4) a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.

Appeal to Claims Administrator

If your claim is denied or deemed to have been denied in whole or in part, you have the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial or deemed denial.

Upon receipt of your request, your claim will be reviewed. You will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written request for review is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your claim for benefits within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you will be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; and (3) a statement that you are entitled to receive upon request and free of charge reasonable access to, and copies of, all documents, records and other information relevant to your claim for benefits.

Second Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your claim on appeal, you or your duly authorized representative may request a review of such denial by the Plan Administrator. Each such request for review must be in writing signed by you or your duly authorized representative, must specify that it is a request for review of a denied claim and must be filed with the Plan Administrator no later than 60 days after receipt of the denial or 90 days after the claim is deemed to be denied because the Claims Administrator did not respond within the requisite time period.

The decision of the Plan Administrator upon a request for review shall be made within 60 days after the request for review is received by the Plan Administrator unless special circumstances require an extension of time for processing such review, in which

event you shall be notified in writing prior to the expiration of such 60 days, and the decision of the Plan Administrator shall be rendered within 120 days of the receipt of the request for review. In connection with a request for review, you or your duly authorized representative may submit issues and comments in writing to the Plan Administrator. All communications between the Plan Administrator and you or your duly authorized representative shall be in writing unless you or your duly authorized representative requests otherwise and the Plan Administrator consents thereto. Each decision of the Plan Administrator on a request for review shall be in writing and shall include (1) the specific reason or reasons for the decision; (2) specific reference to the Plan provisions upon which the decision is based; and (3) a statement that you are entitled to receive upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Life and AD&D Plan

The claim determination and appeal process described below applies to the Life and AD&D Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accelerated death benefits, for accidental dismemberment benefits, or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for

matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the

written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal, you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA

following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage under the Medical, Dental, Vision and FSA Plans

General

Generally, coverage under the Medical, Dental, Vision and FSA Plans is only available to you if you are actively at work. However, if the Company or a Participating Employer under its personnel policies continues to treat you as an employee after you cease to be actively at work due to any of the following leaves, then you will continue to be treated as an employee eligible to participate in one or more of the Plans described above, subject to the terms and conditions of each such Plan.

Provided, however, your participation will cease as of the earliest of the dates set forth above under "*When Coverage Begins and Ends under the Medical, Dental, Vision and FSA Plans – Coverage Ends*." The leaves referred to above are:

Family and Medical Leave Act ("FMLA") Leave – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents continues at the same level of contribution and under the same conditions if you are granted a leave of absence under the Family and Medical Leave Act ("FMLA"). However, you may revoke your health benefit elections upon the commencement of your FMLA leave of absence. If you return from an unpaid FMLA leave of absence after having revoked health benefit elections on account of taking FMLA leave, you may reinstate your elections on the same terms as prior to taking FMLA Leave, to the extent that reinstatement is required under the FMLA. If your health benefit elections are revoked for non-payment of premiums during an approved FMLA leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

The Company and the applicable Participating Employer may recover its cost of coverage if you exhaust your leave and do not return to active employment for reasons other than the continuation or onset of a serious health condition or other circumstances beyond your control. The Company or the applicable Participating Employer may require you to provide certification of a health care provider if you are unable to return to work because of the continuation, recurrence, or onset of a serious health condition.

You may continue to participate in the Health Care FSA and/or Dependent Care FSA on a pre-tax basis while on a FMLA leave by pre-paying with pre-tax dollars any contributions due for coverage during the Plan Year in which your leave commences. You have the option to continue to participate in the Health Care FSA during your FMLA leave on an after-tax basis by making payments according to the same schedule in effect before your leave. If your participation in a Flexible Spending Account ceases on account of your leave, you may still use the existing balance in your account to pay for any eligible expenses that you incur prior to your last day worked before your FMLA leave. Also, if you ceased participation in the Health Care FSA during your leave, you may resume participation upon return from leave during the same Plan Year and either make up the unpaid contributions or resume coverage at a reduced level under the proration rule, with payments at your original contribution level.

Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") – If you are absent from employment because of service in the "uniformed services" (as that term is defined by USERRA), you may elect to continue coverage under a Plan during the period of your service to the extent provided by USERRA and the NiSource Military Leave of Absence Policy. Without limiting the generality of the foregoing, if your health benefit elections are revoked for non-payment of premiums during an approved military leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Medical, Dental and Vision Plans and under the Health Care FSA (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."*

COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial Services coverage.

In the event you are eligible for COBRA continuation coverage, there may be other

coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, (ii) the date for making COBRA premium payments, and (iii) the date for notifying the Plan of a qualifying event or determination of disability.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your Spouse (if he or she is treated as a Spouse under the Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. (This extended coverage does not apply to the Health Care FSA.) These costs are subject to change.

You will have 60 days to elect COBRA (measured from the later of your coverage loss date or the date the Plan Administrator notifies you of your right to elect COBRA coverage).

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

You will become a qualified beneficiary on account of coverage under a Plan if you lose your coverage under such Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct.

Your Spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your Spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;

- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of your employment or reduction of hours of employment, your death, or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the Benefits Source website at mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your Spouse, and parents may elect COBRA continuation coverage on behalf of their children.

[This paragraph applies only to the Medical, Dental and Visions Plans. It does not apply to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the end of your employment or reduction of your hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months. There are two ways in which this 18 month period of COBRA continuation coverage can be extended (as described below). When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. When the qualifying event is the end of your employment or reduction of your hours of employment, and you became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than you lasts until 36 months after the date of Medicare entitlement. For example, if you become entitled to Medicare 18 months before the date on which your employment terminates, COBRA continuation coverage for your Spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 18 months after the date of the qualifying event (36 months minus 18 months).

[This paragraph applies only to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. Upon experiencing a qualifying event, which causes a loss of coverage under the Health Care FSA, you may continue your current contributions

to your Health Care FSA on an *after-tax* basis through COBRA only for the remainder of the Plan Year in which your active coverage ended. This means that you will lose the pre-tax benefit of the FSA Plan by continuing coverage through COBRA. However, COBRA continuation coverage under the Health Care FSA option of the FSA Plan allows you to continue to incur and seek reimbursement of eligible claims for the remainder of the Plan Year. If COBRA continuation coverage is not elected, only those expenses incurred prior to the qualifying event will be eligible for reimbursement.

Disability Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If you or anyone in your family covered under a Plan is determined by the Social Security Administration to be disabled and you notify the Plan Administrator (in a form prescribed by the Plan Administrator) (i) within 60 days of the later of the date of the disability determination by Social Security and the date the qualified beneficiary loses coverage under the Plan as a result of your termination or reduction of hours of employment, and (ii) before the end of the initial 18-month period of COBRA continuation coverage, you and the qualified beneficiaries in your family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. If proper notice is not provided within the 60-day period and before the end of your initial 18-month period of COBRA continuation coverage, you will not be entitled to a disability extension. The disability would have to have started at some time before the 61st day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage. You must also notify the Plan Administrator within 30 days of the date the Social Security Administration determines that you or your dependent are no longer disabled.

Second Qualifying Event Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If your family experiences another qualifying event while receiving 18 months of COBRA continuation coverage, your Spouse and dependent children can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan Administrator within 60 days of the date of the second qualifying event. If proper notice is not provided within the 60-day period, you will not be entitled to an extension on account of the second qualifying event. This extension may be available to your Spouse and any dependent children receiving continuation coverage if you die, become entitled to Medicare benefits (under Part A, Part B, or both), or you get divorced or legally separated, or if your dependent child stops being eligible under a Plan as a dependent child, but only if the event would have caused your Spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. For example, when the qualifying event is the termination of your employment, COBRA continuation coverage for you, your Spouse and dependent children can last up to 18 months. If within that initial 18-month period you become legally separated or divorced (i.e., experience a second qualifying event), COBRA continuation coverage may be extended by an additional 18 months (for a total of 36 months from the date of the termination of employment) for your Spouse and dependent children who lose coverage due to the divorce or legal separation, if notice of such event is properly given to the Plan Administrator.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above (i.e., 18, 29 or 36 months, in the case of the Medical, Dental and Vision Plans, or the remainder of the Plan Year, in the case of the Health Care FSA), COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in the Program cease to

provide any group health plan or coverage to any employee.

- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- Provided such date is after the initial 18-month COBRA period and no other extension of such period (other than the disability extension) applies, the first day of the month coincident with or next following 30 days from the date the Social Security Administration determines that a qualified beneficiary is no longer disabled.
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" section below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at **dol.gov/ebsa** (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Employee's death at any time on or after January 1, 2004, if COBRA continuation coverage has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Employee's surviving dependents who are covered under the Medical Plan on the date of that Employee's death, then coverage under the Medical Plan for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Employee's surviving spouse dies, (ii) the last day of the month in which the Employee's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer with whom the Employee was employed ceases to be a "related employer," as defined in the Medical Plan.

If medical coverage under the Medical Plan ends for an Employee's dependent because of such Employee's death within 30 days preceding, or at any time on or after, May 1, 2010, and if such Employee would have satisfied the conditions for eligibility for retiree medical coverage under the Medical Plan or the NiSource Post-65 Retiree Medical Plan had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the Medical Plan at the time of the Employee's death, the Employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and have been a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the NiSource Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the NiSource Post-65 Retiree Medical Plan.

If survivor coverage under the Medical Plan will end for a surviving dependent of a Deemed Retiree solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the NiSource Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Medical Plan or the Dental Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any

other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to an illness, a sickness, or a bodily injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the illness, sickness or bodily injury;
- The insurer or other indemnifier of the party or parties who caused the illness, sickness or bodily injury;
- A guarantor of the party or parties who caused the illness, sickness or bodily injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the illness, sickness or bodily injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the illness, sickness or bodily injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the illness, sickness or bodily injury so that the applicable Benefit Plan may recover any sums paid under such Benefit Plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable for the Benefit Plan to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements, or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust of r the benefit of the Benefit Plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the illness, sickness or bodily injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the illness, sickness or bodily injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the illness, sickness or bodily injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to

any funds recovered from the Other Party by or on behalf of:

- The employee;
- The employee's covered dependent;
- The estate of any covered person; or
- On behalf of any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the employee or a covered dependent, the employee or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an in-network provider rather than an out-of-network provider. For the Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected

Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company, a Participating Employer, or any of their affiliates. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit Plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Code with respect to the Benefit Plans; employ or appoint persons to help or advise in any administrative functions;

and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though an Employee may receive a benefit check from a Claims Administrator, the Company, a Participating Employer, or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to the Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company, the Participating Employers, or their affiliates or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan

Description. The Plan Administrator may make a reasonable charge for the copies.

- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called "fiduciaries" of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Certain Benefit Plans and Accounts Not Subject to ERISA

Notwithstanding anything to the contrary contained in this Handbook, neither the Dependent Care FSA nor the HSAs (to which contributions are made through the Flexible Benefits Plan) are employee benefit plans subject to ERISA.

Consolidated Flex Medical Plan

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Medical Plan Options

This is the SPD (the "Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Medical Plan. In this Medical Plan SPD, the Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible employees and their eligible dependents with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA). The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at livehealthonline.com for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions**. If you still have questions, you can email **help@livehealthonline.com** or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are

covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Medical Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Medical Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	**Out-of-Network**
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$3,000	$6,000	$5,000	$10,000

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at 1-888-640-3320 for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which claims are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's

application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or

- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the PBM for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers, distributors, and/or similar vendors, which may be related to certain prescription drug

purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HDPPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 28.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and
  - Prescribed medications (Outpatient prescription drug services are covered

under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).

- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;
  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam

and one hearing aid per ear during a two calendar-year period; and

- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor

performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;

- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance, when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;
  — Alcohol misuse: screening and counseling
  — Blood pressure screening in adults;
  — BRCA risk assessment and genetic counseling/testing;
  — Breast cancer preventive medications;
  — Breast cancer screening;
  — Cervical cancer screening;
  — Colorectal cancer screening;
  — Diabetes screening;
  — Lung cancer screening;
  — Obesity screening and counseling: adults and children;
  — Osteoporosis screening: women;

See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

  — Diphtheria;
  — Hepatitis A;
  — Hepatitis B;
  — Herpes Zoster;
  — Human Papillomavirus;
  — Influenza (flu shot)
  — Measles
  — Meningococcal;
  — Mumps;
  — Pertussis;
  — Pneumococcal;
  — Rubella;
  — Tetanus;
  — Varicella (chickenpox).

  The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

See the following website for additional information:
https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Well-woman visits;
  - Counseling and screening for human immune-deficiency virus;
  - Human papillomavirus testing;
  - Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);

- Screening for gestational diabetes;
- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain Covered Services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);

- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Employee-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

> **Please Note:**
>
> If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;

  - Medically necessary services, supplies, and medications.

- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:

  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

  - Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
  - Inpatient covered hospital services related to the transplant procedure.
  - Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses

incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).

- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

Medical Expenses Not Covered

Expenses Not Covered Under Medical Plan

The medical expenses **not** covered under the Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;

- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;

- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;

- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or

astigmatism or any other correction of vision due to a refractive problem; and

- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The PPO coverage option utilizes a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The PPO coverage option utilizes a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name

drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		

* You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The High Deductible Options utilize a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program

you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

[Material continued on next page]

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		MAIL ORDER		NINETY-DAY SUPPLY AT RETAIL	
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	Retail Pharmacy		**Mail Order**		**Ninety-Day Supply at Retail**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

Please Note: Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life/Legal & Financial Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life/Legal & Financial Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law, with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

Please see the *"Health Savings Account"* subsection of the **Flexible Benefits Plan** section of the Handbook for information concerning establishing and contributing to a health savings account when you enroll in an HDPPO.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;

  - Name and Social Security number of Employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

[Material continued on next page]

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348 Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Dental Plan

Preventive Dental

Dental Plan

Dental Plus

Your Dental Plan Options

This is the SPD (the "Dental Plan SPD") for the NiSource Dental Plan, also referred to as the Dental Plan. In this Dental Plan, SPD, the Dental Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Dental Plan to eligible employees and their dependents with the following dental coverage options:

- Preventive Dental;
- Dental Plan; and
- Dental Plus;

Both Dental Plan and Dental Plus provide coverage for eligible dental services such as preventive care services, basic services, and major services. The Dental Plus coverage option is an employee contributory option that also provides for orthodontia benefits.

The Preventive Dental coverage option provides preventive care at 100% of applicable charges and covers fillings and routine extractions at 50% of applicable charges after the deductible. Orthodontia is not covered and there is a deductible required. See "*Highlights of the Dental Plan Coverage*" for further details.

All dental coverage options use a network of providers. When you use an in-network provider you receive the added benefit of lower, negotiated fees. In addition, you are not responsible for fees over the negotiated rate. If you use an out-of-network provider, the amount of the claim that is paid is the product of the applicable coinsurance percentage (set forth below) multiplied by the "Maximum Reimbursable Charge," after the application of any deductible. You are responsible to pay any amount your dentist charges that exceeds the applicable percentage of the Maximum Reimbursable Charge. The Maximum Reimbursable Charge is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. If you have a question about the determination of the Maximum Reimbursable Charge, contact the Claims Administrator.

To find a provider in your area, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source automated telephone system at **1-888-640-3320**. Customer service associates can then connect you with a provider directly so that you can locate a participating dentist near you.

Eligibility

For information regarding eligibility under the Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320.**

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of the Dental Coverage

Here is a summary of the benefits under each option.

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)		DENTAL PLAN (In or Out-of-Network)		DENTAL PLUS (In or Out-of-Network)	
Annual Deductible	**You Pay**		**You Pay**		**You Pay**	
Covered Member	$75		$50		None	
Covered Member + Spouse	$150		$100		None	
Covered Member + Child(ren)	$75 per covered member up to $225		$50 per covered member up to $150		None	
Covered Member +Family	$75 per covered member up to $225		$50 per covered member up to $150		None	
Coinsurance	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**
Preventive and Diagnostic Treatment	N/A	100%	N/A	100%	N/A	100%
Basic Treatment	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Major Treatment (other than oral surgery or anesthesia)	100%	N/A	50% (after deductible)	50% (after deductible)	50%	50%
Major Treatment (oral surgery or anesthesia only)	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Orthodontia (adult and child)	100%	N/A	100%	N/A	50% (up to lifetime maximum) ; 100% thereafter	50% (up to the lifetime maximum)
Maximums	**Plan Pays**		**Plan Pays**		**Plan Pays**	
Annual Maximum	Up to $2,000 per person per year		No annual maximum		Up to $2,000 per person per year	
Annual Maximum - Implants	No Coverage		No annual maximum		Up to $600 per person per year	

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)	DENTAL PLAN (In or Out-of-Network)	DENTAL PLUS (In or Out-of-Network)
Orthodontia Lifetime Maximum	No Coverage	No Coverage	Up to $1,500 per person

All expenses incurred, whether care is received from a dentist in- or out-of-network, will be applied toward the calendar year deductible and maximum amounts according to the summary above.

For out-of-network providers, after you pay any applicable deductible, the Plan will pay the applicable percentage of Maximum Reimbursable Charges that are covered expenses. In addition to your share of Maximum Reimbursable Charge, you will be required to pay any amount your dentist charges over the Maximum Reimbursable Charge.

Dental Expenses Covered

The Plan pays for certain services and supplies that are considered necessary in terms of generally accepted dental standards, appropriate to properly treat the dental condition, and must be recommended by the participant's dentist.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34.

Covered expenses include, but may not be limited to, the following eligible dental services and supplies up to the maximum allowance and/or applicable percentage of the Maximum Reimbursable Charge:

Preventive Treatment (Covered Under All Options)

Preventive Treatment is treatment designed to prevent dental disease, defect or injury and includes:

- Oral examination;
- Prophylaxis (cleaning and scaling of teeth);
- Periodontal maintenance procedures (following active therapy) and Periodontal prophylaxis;
- Topical application of fluoride solutions;
- Bite-wing x-rays;

Note: The services described above are each limited to twice in a calendar year.

- Topical application of sealant on a posterior tooth for covered persons under age 19 (only one treatment per tooth in any 3 consecutive calendar years);
- Panoramic (Panorex) x-ray once in any 3 consecutive calendar years;
- Full-mouth series of x-rays once in any 3 consecutive calendar years; and
- Space maintainers, fixed unilateral – limited to nonorthodontic treatment, up to age 19.

Basic Treatment (Covered Under All Options)

Basic Treatment is designed to correct dental disease, defect or injury and includes:

- Routine extractions;
- Amalgam and composite/resin restorations;
- Root canal therapy (any x-ray, test, laboratory exam or follow-up care is part of the allowance for root canal therapy and not a separate dental service);
- Osseous surgery (flap entry and closure is part of the allowance for osseous surgery and not a separate dental service);
- Periodontal scaling and root planing – entire mouth
- Adjustments – complete denture

  - any adjustment of or repair to a denture within 6 months of its installation is not a separate dental service.
- Recement bridge
- Surgical removal of erupted tooth requiring elevation of mucoperiosteal flap and removal of bone and/or section of tooth
  - Removal of impacted tooth, soft tissue
  - Removal of impacted tooth, partially bony
  - Removal of impacted tooth, completely bony
- Local anesthetic, analgesic and routine postoperative care for extractions and other oral surgery procedures are not separately reimbursed but are considered as part of the submitted fee for the global surgical procedure.
- General anesthesia – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.
- I.V. sedation – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.

Major Treatment (Covered Under the Dental Plan and Dental Plus Options)

The Plan pays for Major Treatment, provided you select the Dental Plan or Dental Plus coverage option. If you elect the Preventive Dental Option, the Plan does not pay benefits for Major Treatment.

Major Treatment is designed to correct dental disease, defect or injury and includes:

- Crowns

  Note: Crown restorations are dental services only when the tooth, as a result of extensive caries or fracture, cannot be restored with amalgam, composite/resin, silicate, acrylic or plastic restoration.

  - Porcelain fused to high noble metal
  - Full cast, high noble metal
  - Three-fourths cast, metallic
- Removable Appliances
  - Complete (full) dentures, upper or lower
  - Partial dentures
  - Lower, cast metal base with resin saddles (including any conventional clasps, rests and teeth)
  - Upper, cast metal base with resin saddles (including any conventional clasps rests and teeth)
- Fixed Appliances
  - Bridge pontics - cast high noble metal
  - Bridge pontics - porcelain fused to high noble metal
  - Bridge pontics - resin with high noble metal
  - Retainer crowns - resin with high noble metal
  - Retainer crowns - porcelain fused to high noble metal
  - Retainer crowns - full cast high noble metal
- Prosthesis over implant – a prosthetic device, supported by an implant or implant abutment is a covered expense. Replacement of any type of prosthesis with a prosthesis supported by an implant or implant abutment is only payable if the existing prosthesis is at least 5 calendar years old, is not serviceable and cannot be repaired.
- Implants - covered dental expenses include: the surgical placement of the implant body or framework of any type; any device, index, or surgical template guide used for implant surgery; prefabricated or custom implant abutments; or removal of an existing implant. Implant removal is covered only if the implant is not serviceable and cannot be repaired. Implant

coverage has a separate yearly maximum as shown in *Highlights of the Dental Plan Coverage*.

- Treatment of Temporomandibular Joint Dysfunction (TMJ)
  - Office visit – Adjustment to appliance (no more than six (6) adjustments in six (6) consecutive months after seating or placement of appliance)
  - Transcutaneous Electro-neural Stimulation (no more than four (4) treatments in a six (6)-month period)
  - Trigger Point Injection of Local Anesthetic into Muscle Fascia (no more than four (4) treatments in a six (6)-month period)
  - Mandibular Orthopedic Repositioning Appliance (only one appliance per person in any five (5) year period)

Orthodontia Services (Covered Under Dental Plus)

The Plan pays benefits for orthodontia services, provided you select the Dental Plus coverage option and remain covered under such option throughout the course of treatment. If you select the Preventive Dental or Dental Plan coverage option, the Plan does not pay benefits for orthodontia services. The Claims Administrator must determine that the service is necessary, and all orthodontia appliances and treatment must be part of a course of orthodontic treatment that begins while your coverage is in effect.

Subject to the foregoing, the Plan pays benefits for the following orthodontia services:

- Orthodontic work-up including x-rays, diagnostic casts and treatment plan and the first month of active treatment including all active treatment and retention appliances.
- Continued active treatment after the first month.
- Fixed or Removable Appliances - Only one appliance per person for tooth guidance or to control harmful habits.

The total amount payable for all expenses incurred for orthodontics during a person's lifetime will not be more than the orthodontia maximum shown in the *Highlights of the Dental Plan Coverage*.

Benefit payments for comprehensive full-banded orthodontic treatment are made in installments. Benefit payments will be made every 3 months. The first benefit payment is payable when the appliance is installed. Later payments are payable at the end of each 3-month period. The first installment is the lesser of (x) the lifetime maximum for orthodontia services, or (y) the product of (i) 25% of the charge for the entire course of treatment, multiplied by (ii) the applicable covered percentage. The remainder of the charge is prorated over the estimated duration of treatment. Payments are only made for services provided while a person is covered. If coverage ends or treatment ceases, payment for the last 3-month period will be prorated.

Orthodontia Payment Example: If your orthodontia treatment costs $5,000 and is estimated to take three years from installation of the appliance to complete, and if you have not been reimbursed for any orthodontia treatment in the past, your first installment will be $625 [the product of 25% multiplied by $5,000 (total cost of treatment) multiplied by 50% (covered percentage), which product is less than $1,500 (lifetime maximum)]. Assuming you remain covered under the Plan and complete the three-year treatment, the remaining charge will be paid in quarterly installments of $156.25 [calculated as set forth above] until you reach your lifetime maximum [$875 remaining after initial installment].

Orthodontia Payment Example

Total Treatment	$5,000.00
Initial Installment	
CIGNA Allowable (25% of total)	1,250.00
CIGNA Payment (50% of Allowable)	625.00
Remaining Installments	
Remaining Balance	$3,750.00
CIGNA Allowable (Remaining Balance/12 quarters)	312.50
CIGNA Quarterly Payment (50% of Allowable)	156.25*

*Subject to Lifetime Maximum

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Dental Expenses Not Covered

The Plan pays benefits for a variety of dental services, provided they are necessary according to generally accepted dental standards, appropriate to properly treat the dental condition, and recommended by your dentist. However, some limits and exclusions do apply.

The dental expenses **not** covered include, but are not limited to the following:

- Replacement of teeth that are missing when a person first becomes covered under the Plan;
- Services performed solely for cosmetic reasons;
- Replacement of a lost or stolen appliance;
- Replacement of a bridge, crown or denture within 5 years after the date it was originally installed unless: (a) the replacement is made necessary by the placement of an original opposing full denture or the necessary extraction of natural teeth; or (b) the bridge, crown or denture, while in the mouth, has been damaged beyond repair as a result of an injury received while a person is insured for these benefits;
- Any replacement of a bridge, crown or denture which is or can be made useable according to common dental standards;
- Procedures, appliances or restorations (except full dentures) whose main purpose is to: (a) change vertical dimension; (b) diagnose or treat conditions or dysfunction of the temporomandibular joint; (c) stabilize periodontally involved teeth; or (d) restore occlusion;
- Porcelain or acrylic veneers of crowns or pontics on, or replacing the upper and lower first, second and third molars;
- Bite registrations; precision or semiprecision attachments; or splinting;
- Instruction for plaque control, oral hygiene and diet;
- Dental services that do not meet common dental standards;
- Services that are deemed to be medical services;
- Services and supplies received from a hospital;
- Services for which benefits are not payable according to the immediately following paragraph.

In addition to the foregoing, no payment will be made for expenses incurred for you or any one of your dependents:

- For or in connection with an injury arising out of, or in the course of, any employment for wage or profit;
- For or in connection with a sickness which is covered under any workers' compensation or similar law;
- For charges made by a hospital owned or operated by or which provides care or performs services for, the United States government, if such charges are directly related to a military-service-connected condition;
- For charges for services provided by the covered person’s parent, spouse, brother, sister, son or daughter;
- For services or supplies received as a result of dental disease, defect or injury due to an act of war, declared or undeclared;
- To the extent that payment is unlawful where the person resides when the expenses are incurred;
- For charges which the person is not legally required to pay;
- For charges which would not have been made if the person had no insurance;
- To the extent that billed charges exceed the rate of reimbursement as described in the *Highlights of the Dental Plan Coverage,* including any charge in excess of the Maximum Reimbursable Charge;

- For charges for unnecessary care, treatment or surgery;
- To the extent that you or any of your dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid;
- For or in connection with experimental procedures or treatment methods not approved by the American Dental Association or the appropriate dental specialty society.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible dental expenses that are not covered by the Dental Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any dental care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

If you or your dependents have dental coverage under another dental plan, this Plan coordinates benefits with the other benefits to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits*" section of the **Benefits Program Overview** to learn more about the Plan's COB features.

Filing a Claim

General

Generally, dentists file claims electronically on your behalf provided that the dentist is a participating dentist. If you see a non-participating dentist, you may need to file your own claim. Claims should be submitted to the Claims Administrator.

How to File Claims

If you file your own claim form, follow these steps.

- Complete your portion of the claim form (your form will include step-by-step instructions for completing the correct information). Your dentist will need to complete his or her portion of the form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator online via the Benefits Source website mysourceforhr.com.
- Attach copies of all available dental bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the dental expense.
- Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

  CIGNA
  P.O. Box 188037
  Chattanooga, TN 37422-8037

Any claims not submitted after 18 months from the date of service generally will not be considered for payment.

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Dental Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or by any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	CIGNA P.O. Box 188037 Chattanooga, TN 37422-8037 cigna.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Vision Plan

Vision Plan Option

Basic Vision Option

Your Vision Plan Options

This is the SPD (the "Vision Plan SPD") for the NiSource Vision Plan, also referred to as the Vision Plan. In this Vision Plan SPD, the Vision Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Vision Plan to eligible employees and their dependents with the following coverage options:

- Vision Plan option; and
- Basic Vision option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") with Vision Service Plan Insurance Company who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract, on the one hand, and this Vision Plan SPD, on the other hand, the terms of the Group Contract shall prevail. **You should refer to the Group Contract for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Vision Plan SPD.** *You may obtain a copy of the Group Contract by contacting the Benefits Source at **1-888-640-3320**.*

This Plan is designed to cover certain costs associated with your vision correction. *Please note that any illness or injury to your eyes would be covered under the Medical Plan, subject to any terms, conditions and limitations set forth in the Medical Plan*.

The Plan utilizes a network of VSP Providers referred to as the VSP Choice Network. The Plan pays vision benefits for eligible expenses regardless of whether you receive services and/or eyewear from a VSP Choice Network Provider or from a non-VSP Provider. However, if you go to a VSP Choice Network Provider, the Plan pays a higher level of benefits. You also have the option to receive benefit coverage from non-VSP Providers. However, your level of benefit payment will be subject to the non-VSP provider schedule as outlined in the "*Highlights of Your Vision Plan Coverage*".

- **VSP Choice Network Provider** – offers the convenience of "one-stop shopping" and can provide everything you need (eye exams, and if applicable, prescription glasses, and contacts). As long as you receive care or eyewear from a VSP Choice Network Provider, you are responsible for the amount in excess of the Plan's allowance, any applicable co-pays, and the cost of any eyewear or service that the Plan does not cover.
- **Non-VSP Providers** – you have the option to receive your services and eyewear outside the VSP Choice Network. If you do, you must pay the Provider in full at the time of your appointment and submit a claim to VSP. Once you submit an itemized receipt, the Plan then reimburses you for the eligible expense (up to the Plan's allowance).

To find a Provider who participates in the VSP Choice Network, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to request assistance.

Eligibility

For information regarding eligibility under the Vision Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Vision Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320** or log on to the Benefits Source website at mysourceforhr.com.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of Your Vision Plan Coverage

Vision Plan Option

The Vision Plan option pays for the following services and materials:

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year for Adults Twice every calendar year for Children	100%	Up to a $45 allowance
Lenses (per pair)			
Regular (single vision)	Once every calendar year	100%	Up to a $30 allowance
Lined Bifocal	Once every calendar year	100%	Up to a $50 allowance
Lined Trifocal	Once every calendar year	100%	Up to a $65 allowance
Lenticular	Once every calendar year	100%	Up to a $100 allowance
Frame	Once every other calendar years for Adults Once every calendar year for Children	100%, Up to a $200 frame allowance Featured Frames 100%, Up to a $250 frame allowance	Up to a $70 allowance
Contacts			
Visually Necessary	Once every calendar year in place of glasses	100%	Up to a $210 allowance
Elective	Once every calendar year in place of glasses	100% up to a $175 annual allowance	Up to a $105 allowance

If you choose contacts instead of glasses, you will pay up to a $50 copay for the contact lens exam (fitting and evaluation) after a 15% discount. The contact lens exam is in addition to your WellVision Exam® to ensure proper fit of contacts.

Polycarbonate lenses are covered in full for dependent Children up to the end of the month in which they turn age 26.

Standard Progressive Lenses are covered in full for all members.

KidsCare - the VSP® KidsCare Plan is designed to meet the eye care and eyewear needs of active and growing children by providing two WellVision Exams® and one pair of glasses every calendar year.

Basic Vision Option

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year	100%	Up to a $45 allowance

Vision Expenses Covered

The Plan will pay for vision services and materials, as described in the "*Highlights of Your Vision Plan Coverage*." However, in the event of any conflict with that section and the Group Contract, the terms of the Group Contract will prevail.

For purposes of this Vision Plan SPD, (i) "Adult" means either you or your Spouse, provided such person is eligible for, and has enrolled in, coverage under the Plan, (ii) "Child" or "Children" refers to a Child, as defined in the *Definitions* section of the **Benefits Program Overview**, provided such Child is eligible for, and enrolled in, coverage under the Plan, and (iii) "Covered Person" or "member" or "covered member" refers to any person who satisfies the eligibility requirements of the Plan and who is enrolled in coverage under the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34.

For the Vision Plan Option, the services and materials that the Plan covers include, but are not limited to, the following:

- One WellVision Exam® in every calendar year for Adults.
- Two WellVision Exams® in every calendar year for Children.
- Prescription eyeglass lenses, one pair in every calendar year, up to a specified lens allowance.
- Frame for Adults, one pair every other calendar year (up to the frame allowance).
- Frame for Children, one pair every calendar year (up to the frame allowance)
- Contacts, one pair in every calendar year, up to a specified allowance. The allowance applies to the contacts only. There is an additional copay up to $50 for the contact lens exam (fitting and evaluation). This exam is in addition to your WellVision Exam® to ensure proper fit of your contacts. You can elect to receive an annual allowance toward the cost of contacts in lieu of frame and lenses.

Extra Discounts and Savings

When visiting a VSP Choice Network Provider, you may receive the following, provided that some of the discounts/savings listed below may not apply to the Basic Vision Option:

- Average savings of 30% on non-covered lens enhancements, such as scratch resistant and anti-reflective coatings, light reactive, custom or premium progressives, etc.; 20% off additional prescription glasses and sunglasses within 12 months of your last WellVision Exam®;
- 15% discount off the cost of an elective contact lens exam (fitting and evaluation);
- Polycarbonate lenses are covered in full for dependent Children;
- Standard progressive lenses covered in full for all members; Routine retinal screening discount;
- Laser vision correction discounts.

Other Programs/Resources Offered by the VSP

Laser VisionCare℠ Program

If you are considering laser vision correction, the Plan can help you make an informed decision. The Plan contracts with laser surgery facilities and doctors. As a result, you can access laser vision correction surgery for hundreds of dollars less than what you might pay privately. VSP has arranged for members to receive PRK, LASIK and Custom LASIK, at a discounted fee with an average 15% off the regular price or 5% off the promotional price. Visit the Claims Administrator's website at vsp.com or call **1-800-877-7195** to learn more about this program.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Vision Expenses Not Covered

Some vision care services and/or materials are not covered under this Plan and certain other limitations may apply. In addition, some brands of spectacle frames may be unavailable for purchase as Plan benefits or may be subject to additional limitations. Covered Persons may obtain details regarding service, material and/or frames exclusions from their VSP Choice Network Provider or by calling VSP's Member Services at (800) 877-7195.

Patient Options

This Plan is designed to cover visual needs rather than cosmetic eyewear. When a covered member selects non-covered lens enhancements, the covered member will pay the additional costs for the options. Some non-covered lens enhancements include:

- Optional cosmetic processes;
- Anti-reflective coating;
- Color coating;
- Mirror coating;
- Hi Index Lenses
- Scratch resistant coating;
- Blended lenses;
- Cosmetic lenses;
- Laminated lenses;
- Oversize lenses;
- Photochromic lenses, tinted lenses except Pink #1 and Pink #2;
- Custom and Premium Progressive lenses;
- UV (ultraviolet) protected lenses; or
- Certain limitations may apply on low vision care

For the cost of a non-covered lens enhancement, speak with your VSP Choice Network Provider or call VSP Member Service at (800) 877-7195

Not Covered

There are no benefits for:

- Services and/or materials not specifically included in this Vision Plan SPD as covered Plan benefits.
- Plano lenses (lenses with refractive correction of less than ± .50 diopter).

- Two pair of glasses instead of bifocals.
- Replacement of lenses, frames and/or contact lenses furnished under this Plan which are lost or damaged, except at the normal intervals when Plan benefits are otherwise available.
- Orthoptics or vision training and any associated supplemental testing.
- Medical or surgical treatment of the eyes.
- Contact lens insurance policies or service agreements.
- Refitting of contact lenses after the initial (90-day) fitting period.
- Contact lens modification, polishing or cleaning.
- Local, state and/or federal taxes, except where VSP is required by law to pay.
- Services associated with Corneal Refractive Therapy (CRT) or Orthokeratology.
- Corrective vision treatment of an experimental nature;
- Costs for services and/or eyewear above Plan benefit allowances; and
- KidsCare - Services and/or materials provided by someone other than a VSP Network Provider

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible vision care expenses that are not covered under the Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any vision care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

A Covered Person who is covered under two or more insurance plans that include vision care benefits may be eligible for Coordination of Benefits ("COB"). VSP will combine other insurance plans' claim payments or reimbursements, if any, with benefits available under the Plan, which may reduce or eliminate the Covered Person's out-of-pocket expense. A Covered Person covered under more than one VSP Plan may also be able to take advantage of COB. In order to process claims involving COB, VSP may need to share personal information regarding the Covered Person with other parties (such as another insurance company). When this is necessary, VSP will only share such information with those persons or organizations having a legitimate interest in that information and only where such sharing is not prohibited by law.

When coordinating benefits, it must be determined which plan is billed first. The plan that covers the member as an employee is "primary". The plan that covers the member as a dependent is "secondary".

If the Covered Person is a dependent child and is covered under both parents' plans, typically the parent whose birthdate falls first in the calendar year has the primary plan. If the parents are separated or divorced, the parent with custody is primary, unless otherwise ordered by the court.

The primary plan must pay or provide benefits as if the secondary plan does not exist.

When VSP administers the secondary plan, the member will receive a specified allowance for each service (exam, lenses, frame or contacts) that will be used to pay up to, but not more than the billed amount. Only services received on the primary benefit may be used for coordinating like services on the secondary benefit. Secondary allowances are applied first to the same service of the primary plan. Any remaining amount may be used to cover additional expenses on other services.

VSP will reimburse the Covered Person according to each benefit's out-of-network schedule of allowances, not to exceed the actual exam fee and the cost of corrective eyewear.

Please Note: Coordination of benefits does not guarantee that all out-of-pocket expenses will be covered-in-full. The Member is responsible for any remaining expenses.

How to Access the Vision Benefits

Selecting a VSP Choice Network Provider

- Log on to the Benefits Source website at mysourceforhr.com to find the link to VSP's website that houses the most up-to-date list of VSP Choice Network Providers; or call the Benefits Source at **1-888-640-3320** to locate a VSP Choice Network Provider near you. Call the VSP Choice Network Provider to make an appointment. Identify yourself as a VSP member.
- At the time of the visit, pay any amounts that are in excess of the allowance or the Plan's covered services. The VSP network provider files all necessary claims directly from his or her office. The Claims Administrator takes care of all of the necessary paperwork, and pays the provider directly for the eligible expenses.

If you select a Non-VSP Provider

If you receive care from a non-VSP provider, you are required to submit a VSP Request for Reimbursement claim form or you can submit the claim online by signing in as a Member to vsp.com. Here are the steps to follow when filing your own claim with the Claims Administrator:

- Complete all required fields of the VSP Request for Reimbursement claim form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator via the Benefits Source website mysourceforhr.com and link to the Claims Administrator's website.
- Attach copies of your itemized bill and paid receipts to your claim form. These bills should include:
  - Name of patient;
  - Doctor's name or office name;
  - Date of service;
  - Each service received and the amount paid;

Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

VSP
P.O. Box 385018
Birmingham, AL 35238-5018

Be sure to submit your completed claim to the Claims Administrator within 1 year of the date of your service.

Your claim will be processed upon receipt. The Plan then pays eligible benefits directly to you. Regardless of whether you will receive care from a VSP Choice Network Provider or a non-VSP provider, you receive a statement that tells you how much the Plan paid. In some cases, the Claims Administrator sends the payment to a designated representative (as in the case of a Qualified Medical Child Support Order).

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Vision Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Fully Insured
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurance Company. Claims are administered by the Claims Administrator listed below under the group insurance contract.
Claims Administrator (VSP Choice Network Providers):	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670 vsp.com
Claims Administrator (Non-VSP Providers):	Vision Service Plan Insurance Company P.O. Box 385018 Birmingham, AL 35238-5018
Insurance Company:	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The group insurance contract (the "Group Contract") underwritten by Vision Service Plan Insurance Company provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and a certificate or evidence of coverage (the "Group Insurance Certificate"). In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail.

Vision Service Plan Insurance Company, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Flexible Benefits Plan

Flexible Spending Account Plan

Health Savings Account

Your Flexible Benefits Plan Options

NiSource Inc. (the "Company") maintains the NiSource Flexible Benefits Plan (the "Plan"), which provides eligible employees with the option to participate in a Flexible Spending Account Plan (an "FSA Plan") and to contribute to a Health Savings Account (an "HSA"); provided, however, that you may not contribute to a Health Care FSA and an HSA at the same time.

The Claims Administrator for the FSA Plan is Alight Solutions, LLC, dba "Your Spending Account" or "YSA".

Flexible Spending Account

The FSA Plan has two different Flexible Spending Accounts. They are:

- The Health Care FSA; and
- The Dependent Care FSA.

You may participate in one or both of these accounts. The contributions you make to the Flexible Spending Accounts are not subject to Federal, and in many cases, state and local income tax, which reduces your taxable income.

The Health Care FSA allows you to set aside before-tax money from your paychecks to pay for certain eligible health care expenses that are not covered by the Medical, Dental or Vision Plans. You may set aside up to $2,750 a year (deducted from your pay in equal installments throughout the year) to pay for eligible out-of-pocket expenses such as deductibles, co-payments, or expenses that the Plan limits or excludes. The maximum limit for Health Care FSA may be adjusted periodically for inflation. Please contact the Benefits Source at **1-888-640-3320** to find out the current limit.

The Dependent Care FSA works similarly to the Health Care FSA. However, the before-tax money that you can set aside can only be used for reimbursement for dependent care expenses for eligible dependents. You may set aside up to $5,000 per year, or $2,500 per year if you are married and file separate federal income tax returns.

You may not claim any other tax benefit (e.g., the federal dependent care tax credit) for the amount of your before-tax salary reductions under the Dependent Care FSA, although your eligible dependent care expenses in excess of that amount may be eligible for the federal dependent care tax credit. The federal dependent care tax credit is a credit against your federal income tax liability under the Code. It is a non-refundable tax credit, which means that any portion of it that exceeds your federal income tax liability will be of no value to you. For more information about how the dependent care tax credit works, see IRS Publication No. 503 ("Child and Dependent Care Expenses"). For most individuals, participating in the Dependent Care FSA will produce greater federal tax savings than the dependent care tax credit, but there are some for whom the opposite is true. You should consult a tax advisor to determine what course of action would be best in your situation.

Eligibility

For information regarding eligibility under the FSA Plan, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

Highlights of the Flexible Spending Accounts (FSAs)

FSA Features	Eligible Dependents	Eligible Expenses
Health Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $2,750*	The Health Care FSA can be used to reimburse eligible out-of-pocket expenses incurred by you, your eligible spouse, or any person who is your dependent for federal income tax purposes (as determined without regard to such person's gross income).	Certain medical, dental, and vision expenses not covered under the Medical, Dental, or Vision Plans, such as deductibles, co-payments and coinsurance amounts. The expense must be considered as one incurred for "medical care," as defined in the Code. *A non-exhaustive list of eligible expenses can be found later in this section.*
Dependent Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $5,000; $2,500 if you are married and file separate federal income tax returns.	For purposes of the Dependent Care Flexible Spending Account, eligible dependents are: • Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child; • Your spouse who is physically or mentally incapable of caring for himself or herself, provided the spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, the spouse must regularly spend at least eight hours each day in your home.	Expenses you incur to care for your child or a dependent family member while at work. If you are married, your spouse also must work, be looking for work, be a full-time student for at least five months during the calendar year, or be physically or mentally unable to care for your dependent(s). *A non-exhaustive list of eligible expenses can be found later in this section.*

FSA Features	Eligible Dependents	Eligible Expenses
	• Any one of the following persons, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year: a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step-daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.	

*Amount is subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current maximum annual contribution amount for the Health Care FSA.

Health Care Eligible Expenses

Health care expenses that are eligible for reimbursement from the Health Care FSA are those expenses incurred for "medical care" (as defined under the Code and regulations issued thereunder) by you, your spouse or persons who qualify under the Code as your tax dependents for health coverage purposes, to the extent such expenses are not reimbursed from any other source, are not taken as a deduction on the your income tax return and are not otherwise excluded from eligibility under the terms of the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Health Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34.

Eligible health care expenses include, but may not be limited to the following:

- Expenses covered by an employer-sponsored health care plan, but not reimbursed due to a deductible or co-payment.
- Prescription vision expenses (including eyewear, contact lenses and optometrist), contact lens solution, a guide dog for the blind and special education devices for the blind (such as a special typewriter).
- Expenses that may not be covered by an employer-sponsored health care plan, including (but not limited to):
  - Confinement to a facility primarily for screening tests and physical therapy or hydrotherapy;
  - Cosmetic surgery if it is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease;
  - Services for chromosome or fertility studies;

- Treatment (other than surgery, which is covered by the Medical Plan) of corns, bunions, calluses, foot structural disorders, etc.;
- Services related to sexual dysfunctions or inadequacies;
- Ace bandages, support hose, or other pressure garments prescribed by a physician;
- Charges for medical expenses in excess of reasonable and customary expenses;
- Acupuncture for pain relief as performed by a licensed practitioner;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Orthodontic services not covered by a health care plan;
- Transportation expense to receive medical care, including fares for public transportation and actual out-of-pocket car expense, such as gas and oil. In lieu of out-of-pocket expenses, a standard mileage rate (plus tolls and parking) may be used;
- Hearing expenses including hearing aids, special instructions or training for the deaf (such as lip reading), the cost of acquiring and training a dog for the deaf, and special telephone and audio display equipment for the deaf;
- Hypnosis for treatment of an illness;
- "Halfway house" care to help individuals adjust from life in a mental hospital to community living;
- Tutoring by a licensed therapist for a child with a severe learning disability and special schooling for handicapped individuals;
- Lifetime care advance payment to a private institution for lifetime care, treatment, or training of a mentally or physically handicapped patient;
- Medical information plan fees paid to a plan maintaining an individual's medical information by computer;
- Special car controls for the handicapped; and
- Full or partial reimbursement for certain capital expenditures that are primarily made for health care reasons (e.g., an air conditioner installed in the home of a person with severe allergies may qualify for partial reimbursement, and an exercise swimming pool to aid in the recovery of a stroke victim may qualify for reimbursement).

This list of covered expenses is subject to change. An expense may not be reimbursed if the IRS would not consider the expense to be eligible.

To confirm if an expense is eligible for reimbursement, call YSA via the Benefits Source at ***1-888-640-3320.***

Health Care Expenses Not Eligible

The health care expenses that are **not** eligible for reimbursement from the Health Care FSA include, but may not be limited to the following:

- Marriage or family counseling;
- The salary expense of a licensed practical nurse (LPN) incurred in connection with the care of a normal and healthy newborn (even though such care may be required due to the death of the mother in childbirth);
- Funeral and burial expenses;
- Household and domestic help (even though recommended by a qualified physician due to your or dependent's inability to perform physical housework);
- Custodial care in an institution;
- Costs for sending a "problem child" to a special school for benefits the child may receive from a special course of study and disciplinary methods;
- Health club dues, YMCA dues, steam bath, etc.;

- Social activities, such as dance lessons or classes (even if recommended by a qualified physician for general health improvement);
- Membership fees or costs associated with weight loss or smoking cessation programs for general health and well-being purposes;
- Maternity clothes, diaper services, etc.;
- Cosmetics, toiletries, toothpaste, etc.;
- General health care aids purchased without a prescription, such as dietary supplements (e.g., vitamins);
- Premiums for other group or individual insurance coverage;
- The segment of automobile insurance premiums providing medical coverage for persons injured through an accident involving your care;
- Vacation or travel taken for general health purposes, a change in environment, improvement of morale, etc., or taken to relieve physical or mental discomfort not related to a particular disease or physical defect;
- Retin-A when used solely for cosmetic purposes;
- Herbs (even if they are used to treat an illness or injury); and
- Premiums for contact lens replacement insurance.

Filing a Health Care FSA Claim

If your health care-related expenses are eligible for reimbursement from the Program's Medical, Dental, or Vision Plans (or another medical, dental, or vision plan outside the Program), those expenses should be submitted to that plan first. After a payment determination is made, the unreimbursed expenses can then be submitted to your Health Care FSA.

The total annual amount that you can elect to contribute to the Health Care FSA (less any previous reimbursements) is available for reimbursement (regardless of the amount that you have contributed to your FSA to-date). Contributions then continue to be deducted from your paychecks until your annual goal amount is reached.

You may incur eligible health care expenses until December 31. You then have until March 31 of the following year to submit claims for expenses you incurred between January 1 and December 31 of the previous year.

Reimbursement of Health Care FSA Claims

You may submit a claim for reimbursement under your Health Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Completed forms should be submitted along with the following documentation:

- **The Explanation of Benefits** (EOB): The EOB from the Claims Administrator indicates what expenses were covered by your medical/dental/vision plans. If you have another benefit plan available to you, you must submit your EOB with your completed health care reimbursement form.
- **A Co-pay Receipt**: This receipt is from the provider, and may be the only documentation if the co-pay is the only expense.
- **An Itemized Bill or Statement**: This is from the provider, and shows what expenses are not covered by the medical/dental/vision plan. It may include the:
  - Name and address of the service provider;
  - Dates of service (not the billing date or the paid date);
  - Dollar amount charged;
  - Patient's name; and
  - Description or type of services rendered.

Please note that canceled checks and balance-forward statements are not acceptable documentation for reimbursement.

Submit the completed form and documentation to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

Debit Cards

In addition, if the total annual amount that you elect to contribute to the Health Care FSA is $60 or greater, you will be issued a debit card for use with your Health Care FSA. The debit card may be used only for eligible health-related expenses. When you use your debit card, you are automatically certifying that you have not been reimbursed for the expense and that you will not seek reimbursement for the expense from any other plan.

You may use your debit card to obtain reimbursement for certain approved over-the-counter medications and supplies that are used to treat an illness, injury, or disease and that are purchased from registered vendors. However, you may not use your debit card to obtain reimbursement for over-the-counter medications or supplies that require a prescription or a statement of health or medical need.

The FSA Plan will try to automatically verify any claims you submit through your debit card. However, you should retain documents (such as an EOB, receipt, and itemized bill or statement) to support your claim in case the Claims Administrator requests such information. All expenses you incur must be substantiated in accordance with rules established by the IRS.

If you are paid for an excess or ineligible claim through your debit card, or if you fail to provide requested information to the Claims Administrator regarding substantiation of a claim, your debit card privileges may be suspended and the Plan and Claims Administrator reserve the right to recoup the mistaken payment. If you fail to repay such amount to the Plan, such amount may be withheld from your wages, be offset against other eligible Health Care FSA claims you submit, or be reported on your W-2 as taxable income.

Dependent Care Eligible Expenses

The dependent care expenses that are eligible for reimbursement from the Dependent Care FSA include, but may not be limited to:

- Family day care providers;
- Babysitter;
- Caregivers for a disabled dependent or spouse who resides in the participant's home;
- Housekeeper, maid or cook (provided the services are attributable in part to the care of an eligible dependent);
- Dependent care provided outside your home by an eligible care provider, including care provided in a neighbor's home or in an approved nursery school or dependent day care center. If the care is for a dependent age 13 or over, the dependent must regularly spend at least eight hours each day in your home. For example, day care centers for children and disabled adults qualify, but 24-hour nursing care facilities do not. Also, facilities that care for seven or more nonresident individuals must comply with all applicable state and local regulations governing day care centers;
- Payments for before- and after-school care for eligible children from kindergarten up to and including age 12;
- Payments in lieu of regular dependent day care to summer day camp or other summer programs (but not overnight camp); and
- Certain expenses for children not yet in the first grade, for example:
  - Nursery school;
  - Pre-school.

To confirm if an expense is eligible, call YSA via the Benefits Source at **1-888-640-3320**.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with

respect to the Dependent Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dependent Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 36.

Dependent Care Expenses Not Eligible

The dependent care expenses that are **not** eligible for reimbursement from the Dependent Care FSA include, but may not be limited to the following:

- Dependent care expenses that you incur before (or after) your participation in the Dependent Care FSA begins (or ends);
- Any expense that you claim for the dependent care tax credit on your federal income tax return, or any expense that is paid by any other similar reimbursement-type plan or program;
- Any expenses that are reimbursed by your Health Care FSA;
- Expenses for the education of a qualified dependent;
- Expenses paid for food and clothing;
- Dependent care provided by a family member who is under age 19 at the end of the taxable year, or by another dependent for whom you claim a dependent exemption on your tax return;
- Expenses for health care;
- Educational expenses for kindergarten or higher;
- Housekeeping expenses that are not related to dependent care, or payments for services while you are at home from work because of an illness;
- Child or dependent care provided while:
  - You are at work and your spouse is doing volunteer work, even if a nominal fee is paid (or vice versa);
  - You and your spouse are doing volunteer work (even if a nominal fee is paid); or
  - You and your spouse are not working (such as weekend or evening babysitting fees);
- Expenses for food, clothing, health care, or entertainment of a qualified dependent;
- Transportation expenses to and from the dependent care location;
- Expenses for overnight camps;
- Services of a gardener or chauffeur; and
- Care provided by a round-the-clock nursing home.

Filing a Dependent Care FSA Claim

For Dependent Care FSA reimbursements, only the current balance in your Dependent Care FSA is available for reimbursement. This means that you are reimbursed up to the amount that you have actually set aside from each paycheck up to that point (less any previous reimbursements). So, if the reimbursement request that you submit exceeds the amount currently in your Dependent Care FSA, you are reimbursed for the remainder after you contribute more money to your Dependent Care FSA via future paychecks.

You may submit a claim for reimbursement under your Dependent Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Submit the completed form along with the following documentation:

- **Provider's Bill or Itemized Receipt**:. The provider must sign this documentation, and

it must itemize the date(s) of service as well as the amount(s) charged. Canceled checks are not considered acceptable documentation.

- **Dependent Care Provider's Name, Address, and Social Security Number (or Federal Tax Identification Number)**. For tax-reporting purposes, you must include the provider's name and his or her Social Security number (or taxpayer identification number). The taxpayer identification number is not necessary if the provider is a nonprofit, religious, charitable, or educational organization.

If the provider completely fills out the 'Provider Certification' section of the reimbursement form, then you need only submit the completed reimbursement form for your reimbursement request.

Submit the completed form and documentation (if required) to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

FSA Filing Deadlines

You may submit a health care reimbursement claim at any time after you incur an eligible health care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Health Care FSA after March 31 will be forfeited.

You may submit a dependent care reimbursement claim at any time after you incur an eligible dependent care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Dependent Care FSA after March 31 will be forfeited.

Claim Determination and Appeal Process – Health Care FSA

For information regarding the Health Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Claim Determination and Appeal Process – Dependent Care FSA

For information regarding the Dependent Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dependent Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the FSA Plan, including COBRA continuation coverage under the Health Care FSA, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of

stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Health Savings Account

If you enroll in one of the High Deductible PPO options (HDPPO 1 or HDPPO 2) you may be eligible to contribute to a Health Savings Account (HSA). An HSA is a portable savings account established and maintained outside the Plan that can be used to pay present and future medical and prescription drug expenses. An HSA is not an employer-sponsored employee benefit plan — it is an individual trust or custodial account that you open with a separate HSA trustee/custodian, such as a bank, life insurance company or other financial institution. Your HSA will be subject to the terms of an agreement you enter into with the HSA trustee/custodian. Such agreement may impose fees and restrictions upon how you use your HSA. The Plan merely allows you to contribute to your HSA in an amount up to the IRS statutory limit. Unlike a Health Care FSA, the HSA account balance can roll over from year to year until withdrawn and earnings accumulate tax-free.

The Health Savings Account is administered by Alight. Your Employer has no authority or control over the funds deposited in your HSA. As a result, the HSA is not subject to ERISA.

You can use the dollars in your HSA to pay the deductible and coinsurance required under the HDPPOs, along with other qualified medical expenses not covered by the plans. Qualified medical expenses are expenses you pay for medical care (as defined in Section 213(d) of the Code) for you, your spouse or dependents (as defined in Section 223 of the Code), to the extent such expenses are not reimbursed by insurance or otherwise.

Funds in the HSA remain in the account until you apply for reimbursement. If you are enrolled in the HDPPO 1 or HDPPO 2, your Employer may make an annual contribution into your HSA on your behalf. However, you must establish or activate your HSA before the end of the Plan Year in order to receive any Employer contributions. If you fail to do so, you will forfeit any Employer contributions for that Plan Year.

The amount you can contribute to your HSA is governed by federal law. Please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Flexible Benefits Plan – HSAs"* for a discussion of limitations upon the amount you may contribute to an HSA. Please call the Benefits Source at **1-888-640-3320** for more information.

Three Ways to Use Your Health Savings Account

- Pay for current qualified medical expenses, such as deductibles and coinsurance, or eligible expenses not covered by the HDPPOs.
- Pay for qualified medical expenses in future years, even if you are no longer enrolled in the HDPPOs.
- Once you reach age 65 (or become disabled), you can use any remaining money in your HSA to pay for qualified medical expenses on a tax-free basis, or you can take a distribution for non-qualified medical expenses, subject to income tax but without incurring a penalty .

Please note: *The information above describes the federal tax treatment of an HSA, but the favorable tax treatment described above may be limited or unavailable for state tax purposes. Please consult your tax advisor for more information.*

Eligibility

For information regarding eligibility for an HSA, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in an HSA, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

HSA Qualified Medical Expenses

In addition to those services covered under the HDPPOs, you can use your HSA to pay for other qualified medical expenses including, but not limited to the following expenses, to the extent they are not reimbursed from any other source:

- Laser eye surgery;
- Weight loss programs;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Long-term care premiums;
- COBRA premiums;
- Health care plan premiums while receiving unemployment;
- Over age 65, you can use the HSA funds to pay for Medicare Parts A or B; and
- Many other services defined as expenses for medical care under Section 213(d) of the Code.

If you use your HSA for a non-medical or non-qualified medical expense, you will have to pay income tax on the account distribution as well as a 20% penalty. However, if a distribution is made after age 65, after disability, or after death, the distribution will be subject to income tax, but no penalty tax.

If you have a question about what constitutes a qualified medical expense, please consult your tax advisor or Publication 969 that may be found on the IRS website at irs.gov.

How to Open an HSA

After you have enrolled in an HDPPO option and agreed to the terms and conditions of the HSA custodial agreement, YSA will send you a packet containing basic information on how to use a Health Savings Account.

Paying for Covered Expenses Using the Health Savings Account

The Health Savings Accounts are administered by YSA. When you visit a network provider, you typically do not pay at the time of service. Simply show your Anthem ID card and the following steps will be followed:

1. The claim will be sent to Anthem for processing.
2. You will receive an Explanation of Benefits (EOB) statement showing what was paid under the Plan.
3. Your provider will receive the same statement and bill you for the balance not covered under the Plan.
4. You can then either pay the balance with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

Paying for prescription drugs works differently. The following steps will be followed:

1. You must show the pharmacist your Anthem ID card (the same one you use for medical services).
2. When you pick up your prescription, you can either pay with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

A similar procedure applies for mail-order prescription drug service.

Paying a Provider Who Does Not Participate in the Network

If you visit a provider who is not in the Network, you must either pay the provider at the time of service with your HSA debit card (if accepted by your provider) or pay the provider out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

To enroll or to find out more information about the Health Savings Account, please visit the Benefits Source website mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to speak with a representative.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Flexible Benefits Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Code Section 125 Plan containing group health plan and non-group health plan components and providing for Pre-Tax Payment of Medical Expenses (Health Plan), Pre-Tax Payment of Dependent Care Expenses and Pre-Tax Contributions to Health Savings Accounts
Plan Number:	537
Type of Funding:	Not applicable
Contribution Source:	Employee. In addition, subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Fiduciary and Plan Administrator:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute the entire cost of the Benefit Plan coverage they select. Provided, however, that subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Distributions from HSAs are not administered through the Plan. Questions concerning investments, distributions or other matters pertaining to an HSA should be directed to Alight, who administers the HSAs. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator for Flexible Spending Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com

Claims Administrator for Health Savings Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Life and AD&D Plan

Employee Term Life Coverage -Basic Plan

Employee AD&D Coverage - Basic Plan

Your Life Insurance and AD&D Options

This is the SPD (the "Life and AD&D SPD") for the NiSource Life Insurance Plan, also referred to as the Life and AD&D Plan. In this Life and AD&D SPD, the Life and AD&D Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible employees with the following coverage options (each a "Life and AD&D Coverage Option"):

- Basic Employee Term Life Coverage Option;
- Basic Employee Accidental Death and Dismemberment ("AD&D") Coverage Option;

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this summary plan description, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

The Plan provides life insurance and AD&D coverage on the persons of eligible employees ("Employee Insurance"). See the individual Benefit Plan sections below for a summary of the benefits offered under each of the Coverage Options listed above.

Eligibility

For information regarding eligibility under the Life and AD&D Plan, please see the *"Eligibility under the Life and AD&D Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Life and AD&D Plan"*.

Contributions

Premium contributions are not required for the Basic Employee Term Life Coverage Option or the Basic Employee AD&D Coverage Option.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Life and AD&D Plan"*.

Definition of "Earnings"

For commission paid employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings include the annualized average commissions earned during the shorter of (i) the 24 month period just prior to your date of loss; or (ii) your period of employment. Bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer are not included.

For all other employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings do not include commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under each Life and AD&D Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at **1-888-640-3320**.

Insurance under a Life and AD&D Coverage Option may not be assigned.

Basic Employee Term Life Coverage

The Basic Employee Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in the amount of $20,000.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 39.

Option to Accelerate Payment of Death Benefits

If you have a Terminal Condition while insured under the Basic Employee Term Life Coverage Option (the "Employee Term Life Insurance"), you may elect to have an Accelerated Benefit paid to you in one lump sum, or in any other manner agreeable to you and Securian, when Securian receives proof satisfactory to it that you have a Terminal Condition.

You have a "Terminal Condition" if you have a condition caused by sickness or accident that directly results in a life expectancy of twelve months or less. Securian must be given evidence that is satisfactory to it that your life expectancy, because of sickness or accident, is twelve months or less. That evidence must include a certification by a physician, other than you or a member of your immediate family, who is licensed to practice medicine or treat illness in the state in which treatment is received. Securian has the right to have you medically examined at its own expense to verify your medical condition. Securian may do this as often as reasonably required while Accelerated Benefits are being considered or paid.

"Accelerated Benefit" means the amount of your Employee Term Life Insurance that Securian will pay if you are eligible under the Group Insurance Certificate rider with respect to Accelerated Benefits. You must take the entire Accelerated Benefit. Securian calculates the Accelerated Benefit by multiplying your death benefit (the amount of your life insurance as shown on the specifications page attached to the certificate furnished to you by Securian) by the accelerated benefit factor. The accelerated benefit factor will be stated as a percentage of your death benefit. In calculating this factor, Securian considers your age and gender. Securian also bases its calculation of the factor upon certain assumptions, which it may change from time to time, including without limitation assumptions about expected future premiums and your life expectancy. The minimum death benefit eligible for an Accelerated Benefit is $10,000.

If you elect to accelerate the full amount of your death benefit, your Employee Term Life Insurance coverage and all other benefits under your certificate of insurance and any certificate supplements will end.

Your right to be paid under this option is subject to the following terms: (1) Your

Employee Term Life Insurance must be in force and all premiums due must be fully paid; (2) You must make application in writing and in a form that is satisfactory to the Claims Administrator; (3) You must be the sole owner of your certificate of insurance; (4) You must not have designated an irrevocable beneficiary for your Employee Term Life Insurance; (5) You must not be required by law to use this option to meet the claims of creditors, whether in bankruptcy or otherwise; and (6) You must not be required by a government agency to use this option in order to apply for, obtain, or keep a government benefit or entitlement.

Please note that any payment of an Accelerated Benefit may be taxable. You should consult your tax advisor for assistance with any questions you may have.

Refer to the Group Insurance Certificate for additional details, terms and conditions regarding this option.

Payment of Death Benefits under Life Coverage

If you die while covered under the Plan, the amount of insurance on you is payable when Securian's home office receives written proof satisfactory to it that you died while covered under the Plan and insured under the Group Insurance Certificate. If you die within 31 days after ceasing to be covered under the Plan, but while you are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Employee Term Life Insurance are payable according to Securian's beneficiary and mode of settlement rules.

Conversion Privilege for Life Coverage

If all or a part of your Employee Term Life Insurance terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Neither the conversion right nor the limited conversion right is available if your coverage under the Plan or Group Contract terminates due to failure to make, when due, required premium contributions. Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by Securian for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features*" below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Basic Employee AD&D Coverage Option

The Basic Employee AD&D Coverage Option provides a benefit in the amount of $20.000.

Additional AD&D Coverage

The Plan provides additional benefits under the Basic AD&D Coverage Option for your loss

of life as a result of a covered accident in an automobile while using a seat belt and as a result of an accident in an automobile while using an air bag. The additional benefit is in an amount equal to the lesser of (1) 10% of your full amount of insurance, and (2) $10,000. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; one hand and one foot; one hand and sight of one eye; one foot and sight of one eye; speech and hearing; quadriplegia	100%
Paraplegia	75%
One hand; one foot; sight of one eye; speech; hearing; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

Benefits may be paid for more than one accidental injury but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A Loss is not covered if it results from any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted Injuries, or any attempt to inflict such Injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the Loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew

member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit an assault or felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 39.

Portability of Life and AD&D Coverage

If coverage under any of the Life and AD&D Coverage Options ceases, you may have the right to apply for coverage for yourself and for your "eligible dependent," as the case may be, under a Portability Plan maintained by Securian. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Policy would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue dependent coverage under a Life and AD&D Coverage Option, you must port your corresponding employee coverage. In addition, life insurance coverage must be ported in order to port accidental death and dismemberment insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Portability Coverage in Lieu of Conversion Coverage

The right to elect term life coverage under the Portability Plan is in lieu of the conversion privilege under the Employee Term Life Insurance, except that you may convert the amount of insurance under the Employee Term Life Insurance that exceeds the maximum amount of coverage that may be obtained under the Portability Plan.

Your Eligibility for Portability Coverage

You are eligible to continue your Employee Insurance under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you terminate employment, including retirement; or

(2) you are no longer in a class eligible for coverage or you are on a leave or layoff; or

(3) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by Securian or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) with respect to Term Life Coverage, have converted your insurance to an individual life policy as permitted by any conversion rights under the Plan; or

(3) were not actively at work due to sickness or injury on the date immediately preceding your portability date; or

(4) lose eligibility due to termination of the Plan or Group Policy.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date.

When an insured attains age 65, the amount of insurance on his or her life continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Conversion of Portability Coverage

At any time after insurance has been continued under the Portability Plan, it may be converted to a policy of individual insurance with Securian. All other conditions and provisions applicable to conversion coverage will apply. See the Group Insurance Certificate for additional details.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) 31 days after the due date of any premium contribution which is not made.

Highlights of Conversion and Portability Features

	Conversion	Portability
Can Basic Life be converted or ported?	Yes	Yes
Can AD&D be converted or ported?	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No.	No.
Application Deadline	Application and first month premium due 31 days after your coverage termination.	For life coverage, application due 31 days after your coverage termination. Securian will bill the participant directly. For AD&D coverage, 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101

Conformity with State Law

If any provision of this summary plan description or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should obtain a claim form and follow the instructions on the form. For AD&D claims, Securian must be given written proof of the loss for which claim is made. This proof must cover the occurrence, character and extent of that loss. It must be furnished within 90 days after the date of the loss. But, if any Life and AD&D Coverage Option provides for periodic payment of benefits at monthly or shorter intervals, the proof of loss for each such period must be furnished within 90 days after its end. A claim will not be considered valid unless the proof is furnished within these time limits. However, it may not be reasonably possible to do so. In that case, the claim will still be considered valid if the proof is furnished as soon as reasonably possible.

Claim forms are available from Securian. Claim forms can be obtained from Securian by phone via the Benefits Source at ***1-888-640-3320****, or online via the Benefits Source website at* mysourceforhr.com*. If you do not receive the form from Securian within 15 days of your request, send Securian written* proof of claim without waiting for the form.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process –Life and AD&D Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance and accidental death and dismemberment benefits
Plan Number:	536
Contribution Source:	Basic Employee Insurance: Employer Optional Employee and Dependents Insurance: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Exempt Full-Time Employees Hired or Rehired On or After January 1, 2010

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

As an employee of a NiSource Inc. ("NiSource" or "Company") or one of its affiliates (to the extent described below), you have the benefit of choosing your own portfolio of benefit coverages from the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program (collectively the "Program") each year.

The benefit information contained in this Handbook applies to all eligible regular full-time exempt employees hired or rehired on or after January 1, 2010 who work for the Company or a participating employer and who are covered under the Program. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible employees as belonging to Active Benefit Program 106.

A participating employer is an affiliate of the Company that has adopted, or is deemed to have adopted, the Program, as evidenced by the Company's books and records reflecting that eligible employees of such employer may participate in certain of the benefits thereunder. The NiSource Benefits Committee (the "Committee") has sole discretion to determine who is a participating employer.

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the Benefit Plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The Committee reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program (or various component benefit plans thereof) also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource offers you the following coverages in accordance with the terms of the applicable benefit plans (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan" or a "Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Medical Plan")
- Dental Coverage (NiSource Dental Plan – referred to as the "Dental Plan")
- Vision Coverage (NiSource Vision Plan – referred to as the "Vision Plan")
- Flexible Benefits (NiSource Flexible Benefits Plan – referred to as the "Flexible Benefits Plan," and comprised of the "FSA Plan" and provisions for contributions to Health Savings Accounts, or "HSAs")
- Travel Accident Coverage (NiSource Travel Accident Plan – referred to as the "Travel Accident Plan")
- Short-Term Disability Coverage (NiSource Short-Term Disability Plan –

referred to as the "Short-Term Disability Plan")

- Long-Term Disability Coverage (NiSource Long-Term Disability Plan – referred to as the "Long-Term Disability Plan")
- Life and AD&D Coverages (NiSource Life Insurance Plan – referred to as the "Life and AD&D Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Medical, Dental, Vision and Flexible Benefits Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Medical Plan, the Dental Plan, the Vision Plan, and the Flexible Benefit Plan, the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before a Plan will pay benefits.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness

and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"PBM" means the Pharmacy Benefit Manager for the Medical Plan. As of the date of this Handbook, the PBM is Anthem.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage,

childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

Definitions Applicable to All Benefit Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview** and in the individual Benefit Plan sections, the following terms when used in this Handbook shall have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Employer" means the Company or any Participating Employer by whom you are employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A and to such other limitations or guidance that may be issued by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, or Department of the Treasury.

"Participating Employer" means, with respect to any Benefit Plan, the Company, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Spouse" means a person who is treated as your spouse under the Code. ***Please Note:*** See "Eligibility under the Medical, Dental, and Vision Plans" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for medical plan coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to elect to participate in the Benefit Plans when and to the extent provided under the applicable Benefit Plan.

Please Note*:* It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits, required repayment of any ineligible expenses, and disciplinary action up to and including dismissal.* Also, enrollment of a dependent under the Medical Plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee

concerning the dependent's eligibility for coverage under the Plan.

Please note that the Affordable Care Act requires us to collect the Social Security Number of each individual covered under the Medical Plan. Covered individuals may face a tax penalty for failure to provide this information. To report this information, please contact the Benefits Source at **1-888-640-3320**.

Eligibility under the Medical, Dental and Vision Plans

You and your eligible dependents may elect to participate in the Medical, Dental, or Vision Plans if you are actively at work and you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former Spouse or your Spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated; (3) the child is dependent upon you for financial support and maintenance; (4) you continue to be covered by the Plan; (5) with respect to the Dental or Vision Plan coverage, the child is also covered under the Medical Plan, or was covered under the Dental Plan and/or Vision Plan, as the case may be, as of December 31, 2018, and has remained covered under such Plan or Plans continuously since that date; (6) the child's disability continues; and (7) the child has not attained age 65;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent.

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source automated telephone system at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Medical, Dental or Vision Plan.*

Eligibility under the Flexible Benefits Plan

FSA Plan

You can elect to participate in the FSA Plan provided you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week. However, if you make contributions, or if contributions are made on your behalf, to an HSA during the Plan Year, you may not elect to make contributions to a Heath Care FSA during such Plan Year.

For purposes of reimbursement of eligible expense under the Health Care FSA, your eligible dependents include your Spouse or persons who qualify under the Code as your tax dependents for health coverage purposes.

For purposes of reimbursement of eligible expenses under the Dependent Care FSA, your eligible dependents include:

- Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child;
- Your Spouse who is physically or mentally incapable of caring for himself or herself, provided the Spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, your Spouse must regularly spend at least eight hours each day in your home;
- Any other person, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year. This includes a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step–daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.

HSAs

You can elect to contribute to a health savings account("HSA") if you are characterized as a regular full-time employee of a Participating Employer who regularly works 40 or more hours per week and who is enrolled in either the HDPPO 1 or HDPPO 2 option. Contributions to an HSA can only be made when enrolled in an HDPPO. You cannot contribute to an HSA or receive Employer contributions if you have coverage under any other health plan that is impermissible coverage for purposes of Section 223 of the Code.

Please note: *You may not contribute to your HSA and the Health Care FSA at the same time.*

The limitation on the amount you may contribute to an HSA is determined on a monthly basis. The monthly contribution limit is zero for any month in which you are enrolled in Medicare. Please note that if you first apply for Medicare benefits after you attain age 65, your Medicare enrollment will be retroactive to a date that is six months prior to the month in which you apply for benefits, but not earlier than the first month you were eligible for Medicare. Thus, your monthly HSA contribution limit may be zero for a number of months that precede your application for Medicare benefits. It is your responsibility to make sure your HSA contributions do not exceed the maximum amount permitted under the Code. Please consult your tax advisor if you have questions regarding the amount you may contribute to an HSA, including for the months leading up to your application for Medicare benefits.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether*

you are eligible to participate in the Flexible Benefits Plan.

Eligibility under the Travel Accident Plan

If you are classified as a full-time employee, you will be eligible to participate in the Travel Accident Plan as of your first day of active, full-time employment with a Participating Employer. You are a "full-time employee" if you are characterized by your Employer as a full-time employee who regularly works 40 or more hours per week.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source automated telephone system at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Travel Accident Plan.*

Eligibility under the Short-Term Disability Plan

If you are a full-time employee who was hired before January 1, 2017, you were covered under the Short-Term Disability Plan as of the first day of the month coincident with or next following your completion of six continuous months of active, full-time employment with a Participating Employer. If you are a full-time employee who was hired on or after January 1, 2017, you will be covered under the Short-Term Disability Plan as of your first day of active, full-time employment with a Participating Employer. You are a "full-time employee" if you are characterized by your Employer as a full-time employee who regularly works 40 hours per week. Newly hired employees must be actively at work on the date coverage is scheduled to begin.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source automated telephone system at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Short-Term Disability Plan.*

Eligibility under the Long-Term Disability Plan

You are eligible to participate in the Long-Term Disability Plan if you are a regular full-time employee of a Participating Employer who works 40 or more hours per week and are in active employment. You are in active employment if you are working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. Your worksite must be your Employer's usual place of business, an alternate work site at the direction of your Employer other than your home, unless clear specific expectations and duties are documented, or a location to which your job requires you to travel. Your eligibility for optional, contributory coverage may be subject to your satisfying other requirements established by Prudential Insurance Company of America. Refer to the group insurance certificate issued by Prudential for more details.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Long-Term Disability Plan.*

Eligibility under the Life and AD&D Plan

Employees

You are eligible to participate in the Life and AD&D Plan if you (i) are a regular full-time employee of a Participating Employer, (ii) regularly work 40 or more hours per week, and (iii) are actively at work. You are actively at work if you are fully performing your customary duties for your regularly scheduled number of hours at your Employer's normal place of business, or at other places your Employer's business requires you to travel. Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

Your eligibility for optional, contributory coverage may be subject to your providing evidence of insurability and satisfying other requirements established by the insurer, Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc.

See the Life and AD&D Benefit Plan section below and refer to the group insurance certificate issued by Securian for further details.

Eligible Dependents

If you are eligible to participate in the Life and AD&D Plan, you may obtain certain coverage for your "eligible dependents." Your "eligible dependents" are:

- Your lawful Spouse, provided you are not legally separated; and
- Your unmarried children from live birth to the end of the month in which the unmarried child attains age 26; and

Your "children" include: (1) your natural children, legally adopted children and children placed with you for adoption prior to legal adoption; and (2) each of your stepchildren, foster children, children subject to legal guardianship, grandchildren, and other children who are blood relatives who depend on you for more than fifty percent of their support and maintenance. A child placed with you for adoption prior to legal adoption is considered an eligible dependent from the date of placement for adoption, and is treated as though the child were a newborn child born to you.

Notwithstanding the foregoing, your unmarried children age 26 or older are also eligible if they are physically or mentally incapable of self-support, were incapable of self-support prior to age 26 and are financially dependent on you for more than 50% of their support and maintenance.

Also notwithstanding the foregoing,

(1) Your spouse is not your "eligible dependent" while on active duty in the armed forces of any country; and
(2) Your child is not your "eligible dependent" while (a) on active duty in the armed forces of any country; or (b) insured under any Employee Insurance.

A child will not be considered the "eligible dependent" of more than one employee. If this would otherwise be the case, the child will be considered the "eligible dependent" of the employee named in a written agreement of all such employees filed with the Company. If there is no written agreement, the child will be considered the "eligible dependent" of:

(1) the employee who became insured under the Plan with respect to the child while the child was an "eligible dependent" of only that employee; and otherwise
(2) the employee who has the longest continuous service with a Participating Employer, based on the Company's records.

*Please refer to the Benefits Source website at mysourceforhr.com, or call the Benefits Source at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Life and AD&D Plan.*

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select coverages for you and your eligible dependents.

Generally, to be covered, you must initially enroll for the medical, dental, flexible benefits, vision, supplemental and dependent life and AD&D and supplemental long-term disability coverages within 31 days following the date on which your enrollment materials are sent to you. **(This Benefits Program Overview or the individual Benefit Plan sections of this Handbook contain additional information about enrollment in each Plan.)**

You are automatically enrolled for EAP/Work Life/Legal & Financial Services (regardless of whether you enroll in PPO, HDPPO or HMO coverage under the Medical Plan), travel accident, short-term disability, basic long-term disability, basic life and basic AD&D coverages upon the date you become eligible for such coverage.

To enroll in coverage that is not provided automatically, you must log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320.** To enroll in

supplemental and dependent life and AD&D and supplemental long-term disability coverages, you must use enrollment forms approved by Securian (with respect to life and AD&D coverage) and Prudential (with respect to long-term disability coverage). You may obtain these enrollment forms by contacting the Benefits Source at **1-888-640-3320.**

The enrollment materials detail how to enroll online and by phone. If you do not enroll within the 31-day period described above, as applicable **(the deadline date is included in the enrollment materials)**, you will automatically receive default coverage **(as described in this Benefits Program Overview or in the applicable individual Benefit Plan section of this Handbook)**, if applicable, for the remainder of that calendar year.

Please Note:

Dependents will not be eligible to receive any of the benefit coverages if you fail to enroll them during your initial 31-day enrollment period, during any subsequent annual enrollment or within 31 days following a qualified life event.

Enrollment in the Medical, Dental, and Vision Plans

Provided you meet the eligibility requirements, as described in the section above entitled "*Eligibility under the Medical, Dental and Vision Plans*", you and your eligible dependents can participate in the Medical Plan, Dental Plan and/or Vision Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. If you fail to enroll, you will be deemed to have elected (i) the HDPPO 1 medical option with no dependent coverage under the Medical Plan, (ii) the Preventive Dental option with no dependent coverage under the Dental Plan, and (iii) the Basic Vision option with no dependent coverage under the Vision Plan. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year and can only be changed during annual open enrollment. If you do not enroll or elect to change coverage, if applicable, within the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of this **Benefits Program Overview** for further details.

Please Note:

If you do not enroll in the Medical Plan, Vision Plan or Dental Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment. Also, if you do not enroll an eligible newborn child for coverage within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or the next qualified life event that permits the child's enrollment.

Enrollment in the Flexible Benefits Plan

FSA Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Flexible Benefits Plan,*" you may participate in the FSA Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year. In addition, participation in the FSA Plan requires annual enrollment, at which time you must elect the amount that you want to contribute to the FSA Plan for the year. If there is a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Changing and Continuing Elections*" of the **Benefits Program Overview** for further details.

HSAs

To enroll in an HSA, you must meet the following requirements:

- You must be enrolled in HDPPO 1 or HDPPO 2.
- You cannot be covered by another medical plan (e.g., you cannot be a dependent on anyone else's plan, except for vision and dental coverage) that is not a high deductible health plan.
- You cannot be enrolled for Medicare benefits. (Part A or Part B)
- You cannot be claimed as a dependent on another person's tax return.
- You cannot be covered by a general-purpose Health Care Flexible Spending Account, including the Health Care FSA

You must satisfy any requirements or conditions for establishing or activating your HSA that are prescribed by the Claims Administrator for HSAs. Failure to do so may result in the delay or failure to receive an employer HSA contribution to which you might otherwise be entitled.

Enrollment in the Travel Accident Plan

No affirmative enrollment is required for the Travel Accident Plan. You are automatically enrolled upon the date you become eligible for such coverage.

Enrollment in the Short-Term Disability Plan

No affirmative enrollment is required for the Short-Term Disability Plan. You are automatically enrolled upon the date you become eligible for such coverage.

Enrollment in the Long-Term Disability Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Long-Term Disability Plan*" section above, you will be automatically enrolled in the Basic LTD Coverage Option, unless you choose to enroll in the Supplemental LTD Coverage Option. Newly eligible employees must enroll in the Supplemental LTD Coverage Option within 31 days of their date of hire or, if later, the date they first become eligible for coverage. If you fail to enroll, you will automatically be covered under the Basic LTD Coverage Option. In general, once you enroll in (or decline) the Supplemental LTD Coverage Option, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.)

Enrollment in the Life and AD&D Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Life and AD&D Plan*" section above, you will be automatically enrolled in the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option (such Life and AD&D Coverage Options, together with the Optional Employee Term Life Coverage Option and the Supplemental Employee AD&D Coverage Option, are collectively referred to as "Employee Life and AD&D Insurance"). If you desire coverage under the Optional Employee Term Life Coverage Option, the Dependents Term Life Coverage Option, the Supplemental Employee AD&D Coverage Option, or the Dependents AD&D Coverage Option (collectively the "Optional Life and AD&D Coverage Options") as a newly eligible employee, you must enroll in such Optional Life and AD&D Coverage Option within 31 days of your date of hire or the date you become newly eligible. If you do not enroll in an Optional Life and AD&D Coverage Option during this initial 31-day period, you may need to provide evidence of insurability if you decide to enroll at a later date. You must enroll using forms approved by Securian. *You may obtain forms for enrolling in, or changing, your Optional Life and AD&D Coverage Options by contacting the Benefits Source at* ***1-888-640-3320.***

In general, once you enroll in (or decline) any of the Optional Life and AD&D Coverage Options, your elections stay in effect for the entire Plan Year and can only be changed

during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage election will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.) If any change in coverage is subject to evidence of insurability, Securian must decide that such evidence is satisfactory.

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (Spouse or child) are eligible for Program benefits as active or retired employees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active or retired employee cannot be covered under the Benefit Plan both as a participant and as a dependent. Likewise, if you and your Spouse are both employees of NiSource or one of its affiliates, either of you may choose to cover your child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan (e.g., child life insurance). Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects coverage under the Medical, Dental, and/or Vision Plans, or makes no coverage election and is thereby deemed to have elected coverage under such Plans, you will be deemed to have requested that coverage be dropped for such dependent under the Medical, Dental, and/or Vision Plans, as the case may be.

Coverage under the Program for retired employees or for active employees other than the eligible employees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides medical, prescription drug, vision, and dental coverage for your eligible child (as well as participation in the Health Care Flexible Spending Account, to the extent the child is a tax dependent for health coverage purposes under Federal law) pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or a Participating Employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

Additionally, your Employer may withhold from your wages any contributions required for such coverage.

You may obtain from the Company, without charge, a copy of the Benefit Plans' QMCSO procedures.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. If you do not enroll within the annual enrollment period, your current coverages generally remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans, plans that require enrollment and the deadline date. **However, if you want to participate in the Health and/or Dependent Care Flexible Spending Accounts or in a Health Savings Account (HSA), you need to elect to participate each year. Your Flexible Spending Account and Health Savings Account contribution elections will not carry over from one Plan Year to the next.**

If you add a new dependent to Benefit Plan coverage during annual enrollment, you must

provide the dependent's social security number to the Benefit Plan by calling the Benefits Source at **1-888-640-3320** or by visiting the Benefits Source website at mysourceforhr.com,

In the event your current Medical, Dental, or Vision Plan coverage is not available and you fail to elect coverage under another plan or option that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "*Enrollment in the Medical, Dental, and Vision Plans*" for further details.

Opt-Out Credit

If you are a full-time employee and have coverage elsewhere and decline medical or dental coverage under the Medical or Dental Plans, you may be eligible for an opt-out credit, if available. Please refer to the enrollment material to see if this option is currently being offered. If you have declined coverage, but your Spouse or parent is also an employee or retiree and is covering you as a dependent, you are not entitled to an opt-out credit. If you are a covered dependent under the Medical and/or Dental Plans, you must call the Benefits Source at **1-888-640-3320** during enrollment to update your status**.** The Company will recover payment of ineligible opt-out credits through payroll deductions.

Please Note:

If you have declined Medical Plan coverage, but your Spouse or parent is also an employee or retiree who is covering you under the Medical Plan as a dependent, you are not entitled to an opt-out credit. You must call the Benefits Source at **1-888-640-3320** during enrollment to update your status.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Medical Plan at your home address.

The cards should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options, or, if applicable, your HMO in the case of an HMO option.

There are no ID cards for the Vision Plan, Dental Plan or other coverages.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans

Coverage Begins

Generally, coverage under the Medical Plan, Dental Plan, Vision Plan, or FSA Plan may become effective, if you properly enroll, (1) on your first day of active employment for regular new hires, (2) on the first day of the following Plan Year for eligible employees who enroll during the annual enrollment period, or (3) on the date the Plan approves your enrollment based upon a qualified life event. Eligible dependents have the same effective date provided you properly enroll them.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation on or after January 30, 2020 (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to an employee;

- The date an employee is no longer eligible for coverage under the Plan;
- The date an employee commences active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made;
- The end of the month following the date an employee terminated employment.

In addition, coverage under the Health Care FSA will cease if an HDPPO coverage option is elected under the Medical Plan.

A dependent shall cease to participate in the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the employee's coverage ends (except that, in the case of the employee's death, a dependent shall cease to participate in the Plan on the last day of the month in which the employee dies) (see also the section below entitled "*Survivor Coverage"* for circumstances under which coverage under the Medical Plan for an eligible surviving dependent may continue beyond an employee's death);
- The last date for which any required contributions for the dependent's coverage was made;
- For a Spouse, the date of divorce or legal separation, except in the case of insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law;
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if you or your eligible dependents experiences a COBRA qualifying event, EAP/Work Life/Legal & Financial Services coverage will cease one day after the maximum COBRA continuation coverage period would otherwise expire on account of such qualifying event. See the section below entitled "*COBRA*" for an explanation of what constitutes a COBRA qualifying event.

When Coverage Begins and Ends - HSA

Coverage Begins

You may enroll in an HSA at any time provided you have properly enrolled in either the HDPPO 1 or HDPPO 2 option.

Coverage Ends

Your contributions to an HSA through the Flexible Benefits Plan will terminate as follows:

- The date on which the Plan terminates;
- The date you are no longer eligible;
- The date you are no longer actively at work; or
- The date on which you request that your contributions cease or that the HSA Account be closed.

If you are no longer enrolled in HDPPO 1 or HDPPO 2 or you have terminated employment or retired, you will be required to pay a monthly account fee to the HSA Trustee/Custodian for as long as money remains in your HSA. You will also receive a new HSA debit card that will allow you to continue using the remaining money in your account for qualified medical expenses.

When Coverage Begins and Ends – Travel Accident Plan

Coverage Begins

Your Travel Accident Plan coverage becomes effective on the first day of your active, full-time employment with a Participating Employer.

Coverage Ends

You will cease to be covered under the Travel Accident Plan for benefits on the earliest of the following:

- The date as of which the Plan is terminated;
- The date that the Plan is amended to terminate your coverage;
- The date you are no longer eligible for coverage under the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy; and
- The date you terminate employment.

When Coverage Begins and Ends – Short-Term Disability Plan

Coverage Begins

Your Short-Term Disability Plan coverage became effective on the first day of the month coincident with or next following the date you completed six continuous months of active, full-time employment with a Participating Employer.

Coverage Ends

You will cease to be covered under the Short-Term Disability Plan for benefits on the earliest of the following:

- The date the Plan is terminated;
- The effective date of any Plan amendment that terminates coverage with respect to you;
- The date you are no longer eligible for coverage under the Plan, including without limitation as a result of your Employer no longer being affiliated with the Company or no longer being a Participating Employer in the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994;
- The last day for which you made any required contribution toward the cost of Plan coverage;
- The date you begin any leave of absence; and
- The date your employment terminates.

When Coverage Begins and Ends – Long-Term Disability Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Long-Term Disability Plan,"* coverage under the Basic LTD Coverage Option of the Long-Term Disability Plan generally may become effective on the later of (1) your first day of active employment, for regular new hires, (2) the day you become a member of a class eligible for coverage under the Plan, (3) the first day of the following Plan Year, for eligible employees who choose not to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period, or (4) the date the Plan approves such enrollment, for employees who disenroll from the Supplemental LTD Coverage Option due to a qualified life event.

Coverage under the Supplemental LTD Coverage Option generally may become effective on the later of (1) the date you are eligible for coverage, if you enroll on or before that date; (2) the date you enroll for coverage, if you enroll within 31 days after the date you are eligible for coverage; (3) the date Prudential approves your application, if evidence of insurability is required; (4) the date you are in active employment; (5) the first day of the following Plan Year, for eligible employees who choose to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period; or (6)

the date the Plan approves such enrollment due to a qualified life event.

Evidence of insurability means a statement of your medical history that Prudential will use to determine if you are approved for coverage. You must give evidence of insurability, at your expense, if (1) you enroll for coverage more than 31 days after the date you are eligible for it; (2) you re-enroll for coverage after you voluntarily cancelled it; (3) you enroll after any coverage ends because you did not pay a required contribution; or (4) you have not met a previous evidence requirement to become covered under any plan NiSource has with Prudential. Prudential will decide when evidence of insurability is satisfactory.

Once your coverage begins, any increased or additional coverage will take effect on the latest of: (1) the effective date of the change, if you are in active employment, on a temporary layoff, on leave of absence, or working reduced hours (for reasons other than disability); (2) the date Prudential approves your application, if evidence of insurability is required; or (3) the date you return to active employment, if you are not in active employment due to injury or sickness.

Coverage Ends

Your coverage under the Long-Term Disability Plan will end on the date you lose eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the group insurance contract issued by The Prudential Insurance Company of America is canceled;
- The date that the Plan is amended to terminate your coverage;
- The date you terminate employment or are no longer eligible for coverage under the Plan;
- The date you are no longer in active employment due to a disability that is not covered under the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy;
- The last date for which any required contribution was made; or
- The date you are no longer in active employment, except as provided below and except to the extent continuation coverage is required by the Family and Medical Leave Act of 1993 ("FMLA").

If you are on a temporary layoff or are working reduced hours for reasons other than disability and the premium is paid, you will be covered to the end of the month following the month in which your temporary layoff or reduced hours begin. If you are on a leave of absence and the premium is paid, you will be covered to the end of the month in which your leave begins. Neither temporary layoff nor leave of absence includes normal vacation time or any period of disability or absence in connection with any severance or termination agreement. Your FMLA leave also is not considered a temporary layoff.

When Coverage Begins and Ends – Life and AD&D Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Life and AD&D Plan,"* coverage under the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option of the Life and AD&D Plan may generally become effective on the first day you are actively at work, if you are a regular new hire, or on the first day you are newly eligible for coverage, provided you are actively at work on such day.

Provided you have satisfied the eligibility requirements described above, coverage under the Employee Optional Life and AD&D Coverage Options may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for coverage, including, if required,

applying for coverage on forms approved by the Claims Administrator, (2) with respect to the Optional Employee Term Life Coverage Option, the Claims Administrator is satisfied with your evidence of insurability, if evidence is required (provided that coverage will become effective as of the first day of the month following the Claims Administrator's determination that evidence is satisfactory), and (3) the Claims Administrator has received the required premium.

If you are not actively at work on the date coverage would otherwise begin, or on the date an increase in your amount of insurance would otherwise be effective, you will not be eligible for the coverage or increase until you return to active work. However, if the absence is on a non-work day, coverage will not be delayed provided you were actively at work on the work day immediately preceding the non-work day. Except as otherwise provided herein or in the group insurance contracts (collectively, the "Group Contract") or group insurance certificates issued by Securian, you are eligible to continue to be insured only while you remain actively at work.

Provided you have satisfied the eligibility requirements described above, coverage of your "eligible dependents" under the Dependents Term Life Coverage Option and the Dependents AD&D Coverage Option ("Dependents Life and AD&D Insurance") generally may become effective on the first day on which each of the following conditions are met: (1) you have enrolled for dependent coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) the person to be covered is your "eligible dependent", (3) you are insured for employee coverage under the particular coverage sought (e.g., for the Dependents Term Life Coverage Option, you are covered under the Basic Employee Term Life Coverage Option, and for the Dependents AD&D Coverage Option, you are covered under the Supplemental Employee AD&D Coverage Option), (4) for the Dependents Term Life Coverage Option, the Claims Administrator is satisfied with your eligible dependent's evidence of insurability, if evidence is required, and (5) the Claims Administrator has received the required premium.

If an eligible dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released from such hospitalization or confinement.

Evidence of your insurability may be required under certain circumstances if you apply for coverage under the Optional Employee Term Life Coverage Option. Evidence of your eligible dependent's insurability may also be required under certain circumstances if you apply for coverage for your eligible dependent under the Dependents Term Life Coverage Option. See the sections in the Life and AD&D Benefits Plan section below entitled *"Optional Employee Term Life Coverage"* and *"Dependents Term Life Coverage"* for more details concerning evidence of insurability requirements.

If you apply for coverage that requires evidence of insurability, your coverage election will be autocorrected to the greatest amount of coverage, consistent with your election, to which you would otherwise be entitled without evidence of insurability. Once evidence of insurability is approved by Securian, your coverage will be updated effective the first of the month following approval (or, if later, January 1, in the case of an election made during annual enrollment).

Coverage Ends

Your Employee Life and AD&D Insurance or Dependents Life and AD&D Insurance under a Life and AD&D Coverage Option will end when the first of these occurs:

- The date as of which the Life and AD&D Plan is terminated;
- The date the Group Contract is canceled, or with respect to a particular Life and AD&D Coverage Option, the date such Life and AD&D Coverage Option is terminated;
- The date that the Life and AD&D Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;

- The last day of the month in which you terminate employment or are otherwise no longer eligible for coverage under the Plan as a regular full-time employee or as a member of another eligible class;
- For Life and AD&D Coverage Options that are contributory, 31 days after the due date of any required contribution that is not paid, provided that failure to contribute for Dependents Life and AD&D Insurance will not cause your Employee Life and AD&D Insurance to end;
- For the Dependents Term Life Coverage Option, the date your coverage under the Basic Employee Term Life Coverage Option ends;
- For the Dependents AD&D Coverage Option, the date your coverage under the Supplemental Employee AD&D Coverage Option ends;
- For Dependents Life and AD&D Insurance, the last day of the month in which your "eligible dependent" ceases to be an "eligible dependent" for the coverage or is no longer covered under the Group Contract.
- For coverage under an Employee Optional Life and AD&D Coverage Option, the last day for which premium contributions have been made following your written request to end coverage under such Employee Optional Life and AD&D Coverage Option.
- For Dependents Life and AD&D Insurance, the last day for which premium contributions have been made following your written request to end Dependents Life and AD&D Insurance for an "eligible dependent"

You must notify the Claims Administrator or the Benefits Source at **1-888-640-3320** when a dependent is no longer eligible for coverage under the Life and AD&D Plan so that premiums may be discontinued. No claims will be paid under the Life and AD&D Plan in respect of an ineligible dependent.

If your Employee Life and AD&D Insurance terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

If you stop active full-time work for any reason, you should contact the Company or your Employer at once to determine what arrangements, if any, have been made to continue any of your insurance coverage, or whether you belong to another class of employees that may be eligible for coverage under the Plan.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, the Internal Revenue Service will allow you to enroll for or change certain pre-tax elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain pre-tax elections if you experience a "qualified status change" that affects your, your Spouse's, or your dependent's eligibility for benefits under the Medical Plan, the Dental Plan, the Vision Plan, the Flexible Benefits Plan, the Life and AD&D Plan or the Long-Term Disability Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is***

before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company, the Plan Administrator, or the Claims Administrator. In addition to satisfying any requirements established by the applicable Benefit Plan and any insurer (with respect to insured coverage), any requested change in election must satisfy all requirements imposed by the Internal Revenue Service.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee +family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Please Note:

If you do not request a change in election within 31 days of your qualified status change or other qualified life event, your next opportunity to change elections will not be until the next annual enrollment period or until you experience another qualified life event. For example, if you do not enroll an eligible newborn child within 31 days of the child's birth, even if you do not have the child's social security number, your next opportunity to enroll the child will not be until the next annual enrollment period, unless you experience another qualified life event that would permit you to change elections.

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan (this does not apply to the Health Care Flexible Spending Account).
- With respect to the Medical Plan only, you qualify for special enrollment during the year under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent)

lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Medical Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***

- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.
- You or your eligible dependents lose coverage under any group health coverage sponsored by a governmental or educational institution,
- You take leave under the Family and Medical Leave Act.

If a dependent you are covering under the Medical, Dental or Vision Plan is hired by an Employer and either timely elects coverage under such Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Plan coverage for such dependent in connection his or her change in employment status.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical, prescription drug, vision or dental plan or program, your medical, prescription drug, vision and dental benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

The following provisions of this *"Coordination of Benefits (COB)"* subsection apply to the Medical Plan and the Dental Plan. Please see the Vision Plan section for details about coordination of benefits provisions applicable to the Vision Plan.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable Benefit Plan is primary, the Benefit Plan pays the amount payable under such plan.

If your coverage under the applicable Benefit Plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

The "Birthday Rule"

Under the "Birthday Rule" the plan of the parent whose birthday falls earlier in the calendar year is the primary plan and the other parent's plan is secondary.

In the case of a divorce or separation, the following order will establish responsibility for payment:

- If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.
- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits.

How Coordination of Benefits Works for Those in "Current Employment Status"

If you are in "current employment status" within the meaning of Medicare regulations, and if you or your spouse become Medicare-eligible, you or your spouse may have either of the following:

- Medical coverage under both the Medical Plan and Medicare (the Medical Plan under the Program is primary, it pays benefits as described in this Handbook, and Medicare is secondary); or
- Coverage under Medicare only (if that is what you have elected).

Please Note:

End-Stage Renal Disease. If you or your covered dependent enroll in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary at the time you or your covered dependent enroll, the Medical Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

If you are in "current employment status" and you and your Spouse are covered under the Medical Plan, Medicare coverage becomes secondary. You may decline coverage under the Medical Plan, in which case Medicare would be the primary carrier. Your Spouse may, if age 65 or older, make a separate Medicare election. However, your Spouse may not elect medical coverage under the Medical Plan if you do not elect coverage.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under the Medical Plan but are no longer considered in "current employment status" for purposes of Medicare, and you and your spouse are Medicare-eligible, then Medicare is the primary payor regardless of your or your covered spouse's age. You are responsible for notifying the Claims Administrator if you, your Spouse, or your other eligible dependents become Medicare-eligible.

If you are not in "current employment status" and if a covered person is eligible for, but not enrolled in, Medicare benefits, the Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are not in "current employment status" and are eligible for, but not enrolled in, Medicare Part B, and if you incur a claim that would be payable in whole or in part by Medicare Part B, the Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

Please Note:

Late Enrollment Penalties for Medicare Parts B and D. If you are eligible for Medicare by reason of age or disability, are no longer in current employment status for purposes of Medicare, and do not enroll in Medicare Part B or Medicare Part D during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. For more information concerning Medicare late enrollment penalties, see the Medicare & You publication at https://www.medicare.gov/medicare-and-you or contact your local Social Security Administration office.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide claims and certain appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section of this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, or SPDs, please see below or the individual Benefit Plan sections of the Handbook.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified below or in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Medical Plan

The claim determination and appeal process described below applies to the Medical Plan. The term "Plan" as used in this section refers to the Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims

Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations.

Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;
- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth

below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;

- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (for the Medical Plan, this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an

independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Medical Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to request a voluntary second-level internal appeal under the Medical Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis

code and its corresponding meaning, and the treatment code and its corresponding meaning;

- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;
- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request

must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective review, were covered under the Plan at the time the health care item or service was provided;
- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;

- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the criteria are inconsistent with the terms of the Plan or with applicable law;
- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan’s internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator’s determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider’s name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA

Unless otherwise noted, the claim determination and appeal process described below applies to each of the Dental Plan, the Vision Plan and the Health Care FSA. The term "Plan" as used in this section refers to the Dental Plan, the Vision Plan or the Health Care FSA, as the case may be, and the term "Claims Administrator" refers to the claims administrator appointed for the respective Plan.

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial,

reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Plan.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The day the Claims Administrator receives the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse

benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan or FSA Plan, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims

Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes and adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes and adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan, or the Health Care FSA, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process - Dependent Care FSA

The claim determination and appeal process described below applies to the Dependent Care FSA Plan. As used in this section, the term "Claims Administrator" refers to the claims administrator appointed for the Dependent Care FSA Plan. The term "Plan" as used in this section refers to the Dependent Care FSA Plan.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for the Flexible Benefits Plan.

Consideration of Initial Claim

Within 90 days of receiving the claim, the Claims Administrator will provide you (or your beneficiary) with a written notice of its decision. If, because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your request for review within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you may be provided with

written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; (3) a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and (4) a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.

Appeal to Claims Administrator

If your claim is denied or deemed to have been denied in whole or in part, you have the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial or deemed denial.

Upon receipt of your request, your claim will be reviewed. You will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written request for review is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your claim for benefits within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you will be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; and (3) a statement that you are entitled to receive upon request and free of charge reasonable access to, and copies of, all documents, records and other information relevant to your claim for benefits.

Second Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your claim on appeal, you or your duly authorized representative may request a review of such denial by the Plan Administrator. Each such request for review must be in writing signed by you or your duly authorized representative, must specify that it is a request for review of a denied claim and must be filed with the Plan Administrator no later than 60 days after receipt of the denial or 90 days after the claim is deemed to be denied because the Claims Administrator did not respond within the requisite time period.

The decision of the Plan Administrator upon a request for review shall be made within 60 days after the request for review is received by the Plan Administrator unless special circumstances require an extension of time for processing such review, in which event you shall be notified in writing prior to the expiration of such 60 days, and the decision of the Plan Administrator shall be rendered within 120 days of the receipt of the request for review. In connection with a request for review, you or your duly authorized representative may submit issues and comments in writing to the Plan Administrator. All communications between the Plan Administrator and you or your duly authorized representative shall be in writing unless you or your duly authorized representative requests otherwise and the Plan Administrator consents thereto. Each decision of the Plan Administrator on a request for review shall be in writing and shall include (1) the specific reason or reasons for the decision; (2) specific reference to the Plan provisions upon which the decision is based; and (3) a statement that you are entitled to receive upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the

services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Travel Accident Plan

The claim determination and appeal process described below applies to the Travel Accident Plan. As used in this section, (i) the term "Plan" refers to the Travel Accident Plan, and (ii) the term "Claims Administrator" refers to the NiSource Benefits Department or such other claims administrator appointed for the Plan. Any claim for benefits submitted after eighteen months from the date of a covered person's death may not be considered for payment.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

Within 90 days of receiving a claim, the Claims Administrator will provide your beneficiary with a written notice of its decision. If because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide your beneficiary with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension and the date by which the Claims Administrator expects to render its decision.

If the Claims Administrator Denies the Claim

If the Claims Administrator denies your beneficiary's claim in whole or in part, your beneficiary will be provided with written notice of the denial. Such notice shall be written in a manner calculated to be understood by your beneficiary and shall include:

- The specific reason or reasons for the denial;
- Specific references to the pertinent provisions in the Plan on which the denial is based;
- A description of any additional material or information necessary for your beneficiary to perfect the claim and an explanation of why such material or information is necessary; and
- A description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse determination on all appeals.

Appeal to Claims Administrator

If your beneficiary has a claim denied in whole or in part, your beneficiary has the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial.

Your beneficiary's request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Travel Accident Plan.

Your beneficiary may submit written comments, documents, records, and other information relating to the claim for benefits. Upon his or her request, your beneficiary will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim.

Your beneficiary's written request should state why he or she thinks the claim should not have been denied. Your beneficiary's request also should include any adverse

benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your beneficiary's request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by your beneficiary relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

Your beneficiary will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written claim is received). The Claims Administrator will provide your beneficiary with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension and the date by which the Claims Administrator expects to render its decision.

If the Claims Administrator Denies the Appeal

If the Claims Administrator denies your beneficiary's appeal in whole or in part, your beneficiary will be provided with written notice of the denial. Such notice shall be written in a manner calculated to be understood by your beneficiary and shall include:

- The specific reason or reasons for the denial;
- Specific references to the Plan provisions upon which the denial is based;
- A statement that your beneficiary is entitled to receive upon request and free of charge, reasonable access to and copies of, all documents, records, and other information relevant to the claim for benefits; and
- A statement indicating the beneficiary's right to file a lawsuit upon completion of the claims procedure process.

Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your beneficiary's claim on appeal, your beneficiary may file a written claim with the Plan Administrator within 60 days after your appeal has been denied in whole or in part by the Claims Administrator.

Any claim for benefits with the Plan Administrator will be processed within 60 days of its receipt unless additional time is required to process the claim, in which event your beneficiary will be notified that an additional period of 60 days is required to process the claim. The notice will include the special circumstances requiring the extension and the date by which the Plan Administrator expects to render its decision.

If the Plan Administrator Denies the Appeal

If your beneficiary's claim for benefits is denied in whole or part by the Plan Administrator, written notice of the decision to deny such application will be promptly furnished to your beneficiary within 60 days after receipt of the claim for benefits, or within 120 days of receipt of such claim if the Plan Administrator gives notice in writing that an extension of time is required for processing the claim. Notwithstanding the foregoing, if the Plan Administrator's meeting schedule is such that it holds regularly scheduled meetings at least quarterly, the Plan Administrator's final determination may be made within the period specified in Department of Labor Regulations Section 2560.503-1(i)(ii). Each notice of denial of an application shall be in writing and shall contain the following information:

- The specific reason or reasons for the denial;

- Specific references to the Plan provisions upon which the denial is based;
- A statement that your beneficiary is entitled to receive upon request and free of charge, reasonable access to and copies of, all documents, records, and other information relevant to the claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claimant has exhausted all claims and appeals to the Claims Administrator and Plan Administrator. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date of the covered person's death.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Short-Term Disability Plan

The claim determination and appeal process described below applies to the Short-Term Disability Plan. As used in this section, (i) the term "Plan" refers to the Short-Term Disability Plan, (ii) the term "Claims Administrator" refers to the applicable claims administrator appointed for the Plan, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in the Plan or a rescission of your disability coverage (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) before you request a formal appeal. If you are not satisfied with a benefit determination, you can appeal it.

Consideration of the Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but generally not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which

entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding Your Claim

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason or reasons for the denial;
- reference to the specific Plan provisions on which the denial is based;
- a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written or electronic notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary;
- a description of the Plan's review procedures and time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following exhaustion of the claims procedure process;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,

- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits, you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 180 days of the receipt of the written adverse benefit determination.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford deference to the initial adverse benefit determination and will be conducted by an individual who is neither the person who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such person.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of the appeal, nor the subordinate of any such individual.

The Claims Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, before the Claims Administrator issues and averse benefit determination on appeal, it will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person (or at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on appeal based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator will notify you of its determination on review within a reasonable

period of time, but generally not later than 45 days after receipt of your request for review, unless the Claims Administrator determines that special circumstances require an extension of time for processing the claim. If the Claims Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Claims Administrator expects to render the determination on review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- reference to the specific Plan provisions on which the benefit determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and
- a statement indicating your right to file a lawsuit upon completion of the appeal process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures, and (C) the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;

- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Appeal to the Plan Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your duly authorized representative may appeal the Claims Administrator's determination by sending a written request to the Plan Administrator within 45 days of your receipt of the Claims Administrator's adverse benefit determination on review.

The Committee, as Plan Administrator, has delegated to the Director, Benefits, the Director, Corporate Insurance and the Senior Vice President and Chief Human Resources Officer, and to the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons, the authority to decide appeals of denied claims on behalf of the Plan Administrator. Such appeals shall be decided by the Director, Benefits and the Director, Corporate Insurance, or by the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons. In the event such persons do not agree on the decision with respect to an appeal, the Senior Vice President and Chief Human Resources Officer, or the officer or employee of the Company or of its affiliates succeeding to the duties and responsibilities of such person, shall decide the appeal. References in this section to the "Plan Administrator" shall be deemed to constitute references to those persons to whom the Plan Administrator has delegated authority to decide appeals of denied claims.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written appeal should state why you think your claim should not have been denied. Your appeal should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Plan Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in your appeal to the Claims Administrator. The review will not afford deference to the Claims Administrator's decision.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Plan Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of your appeal, nor the subordinate of any such individual.

The Plan Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, the Plan Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Plan Administrator or other person (or

at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Plan Administrator will notify you of its determination on review within a reasonable period of time, but generally not later than 45 days after receipt of your request for review by the Plan, unless the Plan Administrator determines that special circumstances (such as the need to hold a hearing) require an extension of time for processing the claim. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

If the Plan Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Plan Administrator makes an adverse benefit determination with respect to your claim on appeal, it will notify you of the following, in a manner calculated to be understood by you:

- The specific reason or reasons for the adverse determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Plan Administrator makes an adverse benefit determination on your claim on review, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures,

and (C) the calendar date upon which such limitations period expires;

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated the claimant; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Physical Examinations

The Company has the right, at its own expense, to have any person for whom a claim is pending examined as often as is reasonably necessary.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Long-Term Disability Plan

The claim determination and appeal process described below applies to the Long-Term Disability Plan. As used in this section, claims made under the Long-Term Disability Plan are referred to as "disability claims." The term "Plan" as used in this section refers to the Long-Term Disability Plan, and the term "Claims Administrator" refers to The Prudential Insurance Company of America. As used in this section, "adverse benefit determination" or "adverse determination" shall mean any of the following: (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in the Plan, or (ii) any rescission of disability coverage with respect to a claimant (whether or not, in connection with the rescission, there is an adverse effect on any particular benefit at that time). For this purpose, the term "rescission" means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions towards the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 after the receipt of your claim. This period may be extended by 30 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 45-day period. This period may be extended for an additional 30 days beyond the original 30-day extension if necessary due to matters beyond the control of the Plan. A written notice of the additional extension, the reason for the additional extension and the date by which the Plan expects to decide on your claim, shall be furnished to you within the first 30-day extension period if an additional extension of time is needed. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if your claim for benefits is denied, in whole or in part, you or your authorized representative will receive a written notice from the Claims Administrator of your denial. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the denial,
- references to the specific Plan provisions on which the benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary,
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process,

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, it shall provide you with a written notice of the adverse benefit determination setting forth

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary;
- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following completion of all required appeals;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals

treating you and of vocational professionals who evaluated you;

- the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
- a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;

- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the plan do not exist; and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

First Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim for benefits, you or your representative may appeal the determination in writing to the Claims Administrator within 180 days of your receipt of written notice of the adverse determination. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your written request, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim free of charge.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, without regard to whether such information was submitted or considered in the initial adverse benefit determination, and utilizing individuals who were not involved, and who are not subordinates of the individuals involved, in that determination. This review will not afford any deference to the initial adverse benefit determination.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it

shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if the claim on appeal is denied in whole or in part, you will receive a written notification from the Claims Administrator of the denial. The notice will be written in a manner calculated to be understood by the applicant and shall include:

- the specific reason(s) for the adverse determination,
- references to the specific Plan provisions on which the determination was based,
- a statement that you are entitled to receive upon request and free of charge reasonable access to, and make copies of, all records, documents and other information relevant to your benefit claim upon request,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures; and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your disability claim on review, it will provide you with written notice. The notice shall set forth, in a manner calculated to be understood by you,

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim;
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures;
- a statement indicating
  - your right to bring an action under section 502(a) of ERISA upon completion of all required appeals,
  - that any such action must be brought no later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator, and
  - the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you;
  - the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with

your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and

  - a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;

- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Second Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your representative may make a second, voluntary appeal of the adverse determination in writing to the Claims Administrator within 180 days of your receipt of the written notice of adverse benefit determination. You may submit with your second appeal any written comments, documents, records and any other information relating to your claim. Upon your request, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim free of charge.

The Claims Administrator shall make a determination on your second claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date by which the Claims Administrator expects to render a decision shall be furnished to you within the initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

Your decision to submit a benefit dispute to this voluntary second level of appeal has no effect on your right to any other benefits under the Plan. If you elect to initiate a lawsuit without submitting to a second level of appeal, the Plan waives any right to assert that you failed to exhaust administrative remedies. If you elect to submit the dispute to the second level of appeal, the Plan agrees that any statute of limitations or other defense based on timeliness is tolled during the time that the appeal is pending.

If the Claims Administrator makes an adverse benefit determination with respect to your second-level, voluntary appeal, you will receive a written notification from the Claims Administrator of the adverse determination. The notice will be written in a manner calculated to be understood by you and shall include the same type of information that was included in the letter notifying you of the adverse benefit determination on your first-level appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud, (ii) any error the Claims Administrator makes in processing a claim, and (iii) your receipt of deductible sources of income. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, unless otherwise provided under federal law, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Life and AD&D Plan

The claim determination and appeal process described below applies to the Life and AD&D Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accelerated death benefits, for accidental dismemberment benefits, or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than

90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge,

reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal, you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,

- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage under the Medical, Dental, Vision and FSA Plans

General

Generally, coverage under the Medical, Dental, Vision and FSA Plans is only available to you if you are actively at work. However, if the Company or a Participating Employer under its personnel policies continues to treat you as an employee after you cease to be actively at work due to any of the following leaves, then you will continue to be treated as an employee eligible to participate in one or more of the Plans described above, subject to the terms and conditions of each such Plan. Provided, however, your participation will cease as of the earliest of the dates set forth above under "*When Coverage Begins and Ends under the Medical, Dental, Vision and FSA Plans – Coverage Ends*." For example, as of the date of this Handbook, the personnel policy of the Company and each Participating Employer is to terminate your employment if the claims fiduciary of the Company's long-term disability plan determines you no longer qualify for benefits under the long-term disability plan. The leaves referred to above are:

Sick Leave – Coverage under the Medical, Dental, Vision and FSA Plans for you and your eligible dependents continues if you are on sick leave and your Employer under its personnel policies continues to treat you as an employee. Your contributions for this coverage will continue to be deducted from your check.

Long Term Disability Leave ("LTD") – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents, as well as coverage under the Health Care FSA, continues if you are on LTD leave and your Employer under its personnel policies continues to treat you as an employee. You must continue to make your required contribution. You may also receive an Employer contribution to your Health Savings Account if you are enrolled in an HDPPO coverage option and are eligible to contribute to a Health Savings Account.

You **cannot** continue to participate in the Dependent Care FSA while you are receiving Long-Term Disability Plan benefits. You may, however, use the existing balance in your account to pay for any eligible expense you incur before you commence your LTD leave.

Family and Medical Leave Act ("FMLA") Leave – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents continues at the same level of contribution and under the same conditions if you are granted a leave of absence under the Family and Medical Leave Act ("FMLA"). However, you may revoke your health benefit elections upon the commencement of your FMLA leave of absence. If you return from an unpaid FMLA leave of absence after having revoked health benefit elections on account of taking FMLA leave, you may reinstate your elections on the same terms as prior to taking FMLA Leave, to the extent that reinstatement is required under the FMLA. If your health benefit elections are revoked for non-payment of premiums during an approved FMLA leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

The Company and the applicable Participating Employer may recover its cost of coverage if you exhaust your leave and do not return to active employment for reasons other than the continuation or onset of a serious health condition or other circumstances beyond your control. The Company or the applicable Participating Employer may require you to provide certification of a health care provider if you are unable to return to work because of the continuation, recurrence, or onset of a serious health condition.

You may continue to participate in the Health Care FSA and/or Dependent Care FSA on a pre-tax basis while on a FMLA leave by pre-paying with pre-tax dollars any contributions due for coverage during the Plan Year in which your leave commences. You have the option to continue to participate in the Health Care FSA during your FMLA leave on an after-tax basis by making payments according to the same schedule in effect before your leave. If your participation in a Flexible Spending Account ceases on account

of your leave, you may still use the existing balance in your account to pay for any eligible expenses that you incur prior to your last day worked before your FMLA leave. Also, if you ceased participation in the Health Care FSA during your leave, you may resume participation upon return from leave during the same Plan Year and either make up the unpaid contributions or resume coverage at a reduced level under the proration rule, with payments at your original contribution level.

Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") – If you are absent from employment because of service in the "uniformed services" (as that term is defined by USERRA), you may elect to continue coverage under a Plan during the period of your service to the extent provided by USERRA and the NiSource Military Leave of Absence Policy. Without limiting the generality of the foregoing, if your health benefit elections are revoked for non-payment of premiums during an approved military leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Medical, Dental and Vision Plans and under the Health Care FSA (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."*

COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial Services coverage.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, (ii) the date for making COBRA premium payments, and (iii) the date for notifying the Plan of a qualifying event or determination of disability.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your Spouse (if he or she is treated as a Spouse under the Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. (This extended coverage

does not apply to the Health Care FSA.) These costs are subject to change.

You will have 60 days to elect COBRA (measured from the later of your coverage loss date or the date the Plan Administrator notifies you of your right to elect COBRA coverage).

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

You will become a qualified beneficiary on account of coverage under a Plan if you lose your coverage under such Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct.

Your Spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your Spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of your employment or reduction of hours of employment, your death, or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the Benefits Source website at mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your Spouse, and parents may elect COBRA continuation coverage on behalf of their children.

[This paragraph applies only to the Medical, Dental and Visions Plans. It does not apply to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the end of your employment or reduction of your hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months. There are two ways in which this 18 month period of COBRA continuation coverage can be extended (as described below). When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. When the qualifying event is the end of your employment or reduction of your hours of employment, and you became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than you lasts until 36 months after the date of Medicare entitlement. For example, if you become entitled to Medicare 18 months before the date on which your employment terminates, COBRA continuation coverage for your Spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 18 months after the date of the qualifying event (36 months minus 18 months).

[This paragraph applies only to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. Upon experiencing a qualifying event, which causes a loss of coverage under the Health Care FSA, you may continue your current contributions to your Health Care FSA on an *after-tax* basis through COBRA only for the remainder of the Plan Year in which your active coverage ended. This means that you will lose the pre-tax benefit of the FSA Plan by continuing coverage through COBRA. However, COBRA continuation coverage under the Health Care FSA option of the FSA Plan allows you to continue to incur and seek reimbursement of eligible claims for the remainder of the Plan Year. If COBRA continuation coverage is not elected, only those expenses incurred prior to the qualifying event will be eligible for reimbursement.

Disability Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If you or anyone in your family covered under a Plan is determined by the Social Security Administration to be disabled and you notify the Plan Administrator (in a form prescribed by the Plan Administrator) (i) within 60 days of the later of the date of the disability determination by Social Security and the date the qualified beneficiary loses coverage under the Plan as a result of your termination or reduction of hours of employment, and (ii) before the end of the initial 18-month period of COBRA continuation coverage, you and the qualified beneficiaries in your family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. If proper notice is not provided within the 60-day period and before the end of your initial 18-month period of COBRA continuation coverage, you will not be entitled to a disability extension. The disability would have to have started at some time before the 61st day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage. You must also notify the Plan Administrator within 30 days of the date the Social Security Administration determines that you or your dependent are no longer disabled.

Second Qualifying Event Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If your family experiences another

qualifying event while receiving 18 months of COBRA continuation coverage, your Spouse and dependent children can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan Administrator within 60 days of the date of the second qualifying event. If proper notice is not provided within the 60-day period, you will not be entitled to an extension on account of the second qualifying event. This extension may be available to your Spouse and any dependent children receiving continuation coverage if you die, become entitled to Medicare benefits (under Part A, Part B, or both), or you get divorced or legally separated, or if your dependent child stops being eligible under a Plan as a dependent child, but only if the event would have caused your Spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. For example, when the qualifying event is the termination of your employment, COBRA continuation coverage for you, your Spouse and dependent children can last up to 18 months. If within that initial 18-month period you become legally separated or divorced (i.e., experience a second qualifying event), COBRA continuation coverage may be extended by an additional 18 months (for a total of 36 months from the date of the termination of employment) for your Spouse and dependent children who lose coverage due to the divorce or legal separation, if notice of such event is properly given to the Plan Administrator.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above (i.e., 18, 29 or 36 months, in the case of the Medical, Dental and Vision Plans, or the remainder of the Plan Year, in the case of the Health Care FSA), COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in the Program cease to provide any group health plan or coverage to any employee.
- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- Provided such date is after the initial 18-month COBRA period and no other extension of such period (other than the disability extension) applies, the first day of the month coincident with or next following 30 days from the date the Social Security Administration determines that a qualified beneficiary is no longer disabled.
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" section below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under

ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at dol.gov/ebsa (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Employee's death at any time on or after January 1, 2004, if COBRA continuation coverage has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Employee's surviving dependents who are covered under the Medical Plan on the date of that Employee's death, then coverage under the Medical Plan for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Employee's surviving spouse dies, (ii) the last day of the month in which the Employee's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer with whom the Employee was employed ceases to be a "related employer," as defined in the Medical Plan.

If medical coverage under the Medical Plan ends for an Employee's dependent because of such Employee's death within 30 days preceding, or at any time on or after, May 1, 2010, and if such Employee would have satisfied the conditions for eligibility for retiree medical coverage under the Medical Plan or the NiSource Post-65 Retiree Medical Plan had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the Medical Plan at the time of the Employee's death, the Employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and have been a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the NiSource Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the NiSource Post-65 Retiree Medical Plan.

If survivor coverage under the Medical Plan will end for a surviving dependent of a Deemed Retiree solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the NiSource Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Medical Plan or the Dental Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to an illness, a sickness, or a bodily injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the illness, sickness or bodily injury;
- The insurer or other indemnifier of the party or parties who caused the illness, sickness or bodily injury;
- A guarantor of the party or parties who caused the illness, sickness or bodily injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);

- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the illness, sickness or bodily injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the illness, sickness or bodily injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the illness, sickness or bodily injury so that the applicable Benefit Plan may recover any sums paid under such Benefit Plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable for the Benefit Plan to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements, or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust of r the benefit of the Benefit Plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the illness, sickness or bodily injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the illness, sickness or bodily injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the illness, sickness or bodily injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The employee;
- The employee's covered dependent;
- The estate of any covered person; or
- On behalf of any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the employee or a covered dependent, the employee or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you

use an in-network provider rather than an out-of-network provider. For the Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company, a Participating Employer, or any of their affiliates. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice

President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit Plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Code with respect to the Benefit Plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though an Employee may receive a benefit check from a Claims Administrator, the Company, a Participating Employer, or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may

have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to the Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company, the Participating Employers, or their affiliates or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called "fiduciaries" of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is

denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Certain Benefit Plans and Accounts Not Subject to ERISA

Notwithstanding anything to the contrary contained in this Handbook, neither the Dependent Care FSA nor the HSAs (to which contributions are made through the Flexible Benefits Plan) are employee benefit plans subject to ERISA.

Consolidated Flex Medical Plan

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Medical Plan Options

This is the SPD (the "Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Medical Plan. In this Medical Plan SPD, the Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible employees and their eligible dependents with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA). The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at livehealthonline.com for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions**. If you still have questions, you can email **help@livehealthonline.com** or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are

covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Medical Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Medical Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	Out-of-Network
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	Out-of-Network
	Plan Pays	Plan Pays
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$3,000	$6,000	$5,000	$10,000

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at 1-888-640-3320 for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which claims are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's

application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or

- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the PBM for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers, distributors, and/or similar vendors, which may be related to certain prescription drug

purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HDPPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and
  - Prescribed medications (Outpatient prescription drug services are covered

under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).

- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;
  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam

and one hearing aid per ear during a two calendar-year period; and

- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor

performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;

- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance, when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;
  — Alcohol misuse: screening and counseling
  — Blood pressure screening in adults;
  — BRCA risk assessment and genetic counseling/testing;
  — Breast cancer preventive medications;
  — Breast cancer screening;
  — Cervical cancer screening;
  — Colorectal cancer screening;
  — Diabetes screening;
  — Lung cancer screening;
  — Obesity screening and counseling: adults and children;
  — Osteoporosis screening: women;

See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

  — Diphtheria;
  — Hepatitis A;
  — Hepatitis B;
  — Herpes Zoster;
  — Human Papillomavirus;
  — Influenza (flu shot)
  — Measles
  — Meningococcal;
  — Mumps;
  — Pertussis;
  — Pneumococcal;
  — Rubella;
  — Tetanus;
  — Varicella (chickenpox).

  The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

See the following website for additional information:
https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Well-woman visits;
  - Counseling and screening for human immune-deficiency virus;
  - Human papillomavirus testing;
  - Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);
  - Screening for gestational diabetes;

- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain Covered Services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);

- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Employee-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

> **Please Note:**
>
> If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;

- Medically necessary services, supplies, and medications.

- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:

  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

- Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
- Inpatient covered hospital services related to the transplant procedure.
- Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses

incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).

- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

Medical Expenses Not Covered

Expenses Not Covered Under Medical Plan

The medical expenses **not** covered under the Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;

- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;

- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;

- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or

astigmatism or any other correction of vision due to a refractive problem; and

- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The PPO coverage option utilizes a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The PPO coverage option utilizes a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name

drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	Plan Pays	You Pay*	Plan Pays	You Pay*
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:		Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications	

* You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The High Deductible Options utilize a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program

you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

[Material continued on next page]

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		MAIL ORDER		NINETY-DAY SUPPLY AT RETAIL	
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	Retail Pharmacy		**Mail Order**		**Ninety-Day Supply at Retail**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

Please Note: Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life/Legal & Financial Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life/Legal & Financial Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law, with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

Please see the *"Health Savings Account"* subsection of the **Flexible Benefits Plan** section of the Handbook for information concerning establishing and contributing to a health savings account when you enroll in an HDPPO.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;

  - Name and Social Security number of Employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

[Material continued on next page]

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348 Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Dental Plan

Preventive Dental

Dental Plan

Dental Plus

Your Dental Plan Options

This is the SPD (the "Dental Plan SPD") for the NiSource Dental Plan, also referred to as the Dental Plan. In this Dental Plan, SPD, the Dental Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Dental Plan to eligible employees and their dependents with the following dental coverage options:

- Preventive Dental;
- Dental Plan; and
- Dental Plus;

Both Dental Plan and Dental Plus provide coverage for eligible dental services such as preventive care services, basic services, and major services. The Dental Plus coverage option is an employee contributory option that also provides for orthodontia benefits.

The Preventive Dental coverage option provides preventive care at 100% of applicable charges and covers fillings and routine extractions at 50% of applicable charges after the deductible. Orthodontia is not covered and there is a deductible required. See "*Highlights of the Dental Plan Coverage*" for further details.

All dental coverage options use a network of providers. When you use an in-network provider you receive the added benefit of lower, negotiated fees. In addition, you are not responsible for fees over the negotiated rate. If you use an out-of-network provider, the amount of the claim that is paid is the product of the applicable coinsurance percentage (set forth below) multiplied by the "Maximum Reimbursable Charge," after the application of any deductible. You are responsible to pay any amount your dentist charges that exceeds the applicable percentage of the Maximum Reimbursable Charge. The Maximum Reimbursable Charge is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. If you have a question about the determination of the Maximum Reimbursable Charge, contact the Claims Administrator.

To find a provider in your area, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source automated telephone system at **1-888-640-3320**. Customer service associates can then connect you with a provider directly so that you can locate a participating dentist near you.

Eligibility

For information regarding eligibility under the Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320.**

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of the Dental Coverage

Here is a summary of the benefits under each option.

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)		DENTAL PLAN (In or Out-of-Network)		DENTAL PLUS (In or Out-of-Network)	
Annual Deductible	**You Pay**		**You Pay**		**You Pay**	
Covered Member	$75		$50		None	
Covered Member + Spouse	$150		$100		None	
Covered Member + Child(ren)	$75 per covered member up to $225		$50 per covered member up to $150		None	
Covered Member +Family	$75 per covered member up to $225		$50 per covered member up to $150		None	
Coinsurance	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**
Preventive and Diagnostic Treatment	N/A	100%	N/A	100%	N/A	100%
Basic Treatment	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Major Treatment (other than oral surgery or anesthesia)	100%	N/A	50% (after deductible)	50% (after deductible)	50%	50%
Major Treatment (oral surgery or anesthesia only)	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Orthodontia (adult and child)	100%	N/A	100%	N/A	50% (up to lifetime maximum); 100% thereafter	50% (up to the lifetime maximum)
Maximums	**Plan Pays**		**Plan Pays**		**Plan Pays**	
Annual Maximum	Up to $2,000 per person per year		No annual maximum		Up to $2,000 per person per year	
Annual Maximum - Implants	No Coverage		No annual maximum		Up to $600 per person per year	

FEATURE	PREVENTIVE DENTAL (In or Out-of-Network)	DENTAL PLAN (In or Out-of-Network)	DENTAL PLUS (In or Out-of-Network)
Orthodontia Lifetime Maximum	No Coverage	No Coverage	Up to $1,500 per person

All expenses incurred, whether care is received from a dentist in- or out-of-network, will be applied toward the calendar year deductible and maximum amounts according to the summary above.

For out-of-network providers, after you pay any applicable deductible, the Plan will pay the applicable percentage of Maximum Reimbursable Charges that are covered expenses. In addition to your share of Maximum Reimbursable Charge, you will be required to pay any amount your dentist charges over the Maximum Reimbursable Charge.

Dental Expenses Covered

The Plan pays for certain services and supplies that are considered necessary in terms of generally accepted dental standards, appropriate to properly treat the dental condition, and must be recommended by the participant's dentist.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Covered expenses include, but may not be limited to, the following eligible dental services and supplies up to the maximum allowance and/or applicable percentage of the Maximum Reimbursable Charge:

Preventive Treatment (Covered Under All Options)

Preventive Treatment is treatment designed to prevent dental disease, defect or injury and includes:

- Oral examination;
- Prophylaxis (cleaning and scaling of teeth);
- Periodontal maintenance procedures (following active therapy) and Periodontal prophylaxis;
- Topical application of fluoride solutions;
- Bite-wing x-rays;

Note: The services described above are each limited to twice in a calendar year.

- Topical application of sealant on a posterior tooth for covered persons under age 19 (only one treatment per tooth in any 3 consecutive calendar years);
- Panoramic (Panorex) x-ray once in any 3 consecutive calendar years;
- Full-mouth series of x-rays once in any 3 consecutive calendar years; and
- Space maintainers, fixed unilateral – limited to nonorthodontic treatment, up to age 19.

Basic Treatment (Covered Under All Options)

Basic Treatment is designed to correct dental disease, defect or injury and includes:

- Routine extractions;
- Amalgam and composite/resin restorations;
- Root canal therapy (any x-ray, test, laboratory exam or follow-up care is part of the allowance for root canal therapy and not a separate dental service);
- Osseous surgery (flap entry and closure is part of the allowance for osseous surgery and not a separate dental service);
- Periodontal scaling and root planing – entire mouth
- Adjustments – complete denture

  - any adjustment of or repair to a denture within 6 months of its installation is not a separate dental service.
- Recement bridge
- Surgical removal of erupted tooth requiring elevation of mucoperiosteal flap and removal of bone and/or section of tooth
  - Removal of impacted tooth, soft tissue
  - Removal of impacted tooth, partially bony
  - Removal of impacted tooth, completely bony
- Local anesthetic, analgesic and routine postoperative care for extractions and other oral surgery procedures are not separately reimbursed but are considered as part of the submitted fee for the global surgical procedure.
- General anesthesia – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.
- I.V. sedation – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.

Major Treatment (Covered Under the Dental Plan and Dental Plus Options)

The Plan pays for Major Treatment, provided you select the Dental Plan or Dental Plus coverage option. If you elect the Preventive Dental Option, the Plan does not pay benefits for Major Treatment.

Major Treatment is designed to correct dental disease, defect or injury and includes:

- Crowns

  Note: Crown restorations are dental services only when the tooth, as a result of extensive caries or fracture, cannot be restored with amalgam, composite/resin, silicate, acrylic or plastic restoration.

  - Porcelain fused to high noble metal
  - Full cast, high noble metal
  - Three-fourths cast, metallic
- Removable Appliances
  - Complete (full) dentures, upper or lower
  - Partial dentures
  - Lower, cast metal base with resin saddles (including any conventional clasps, rests and teeth)
  - Upper, cast metal base with resin saddles (including any conventional clasps rests and teeth)
- Fixed Appliances
  - Bridge pontics - cast high noble metal
  - Bridge pontics - porcelain fused to high noble metal
  - Bridge pontics - resin with high noble metal
  - Retainer crowns - resin with high noble metal
  - Retainer crowns - porcelain fused to high noble metal
  - Retainer crowns - full cast high noble metal
- Prosthesis over implant – a prosthetic device, supported by an implant or implant abutment is a covered expense. Replacement of any type of prosthesis with a prosthesis supported by an implant or implant abutment is only payable if the existing prosthesis is at least 5 calendar years old, is not serviceable and cannot be repaired.
- Implants - covered dental expenses include: the surgical placement of the implant body or framework of any type; any device, index, or surgical template guide used for implant surgery; prefabricated or custom implant abutments; or removal of an existing implant. Implant removal is covered only if the implant is not serviceable and cannot be repaired. Implant

coverage has a separate yearly maximum as shown in *Highlights of the Dental Plan Coverage*.

- Treatment of Temporomandibular Joint Dysfunction (TMJ)
  - Office visit – Adjustment to appliance (no more than six (6) adjustments in six (6) consecutive months after seating or placement of appliance)
  - Transcutaneous Electro-neural Stimulation (no more than four (4) treatments in a six (6)-month period)
  - Trigger Point Injection of Local Anesthetic into Muscle Fascia (no more than four (4) treatments in a six (6)-month period)
  - Mandibular Orthopedic Repositioning Appliance (only one appliance per person in any five (5) year period)

Orthodontia Services (Covered Under Dental Plus)

The Plan pays benefits for orthodontia services, provided you select the Dental Plus coverage option and remain covered under such option throughout the course of treatment. If you select the Preventive Dental or Dental Plan coverage option, the Plan does not pay benefits for orthodontia services. The Claims Administrator must determine that the service is necessary, and all orthodontia appliances and treatment must be part of a course of orthodontic treatment that begins while your coverage is in effect.

Subject to the foregoing, the Plan pays benefits for the following orthodontia services:

- Orthodontic work-up including x-rays, diagnostic casts and treatment plan and the first month of active treatment including all active treatment and retention appliances.
- Continued active treatment after the first month.
- Fixed or Removable Appliances - Only one appliance per person for tooth guidance or to control harmful habits.

The total amount payable for all expenses incurred for orthodontics during a person's lifetime will not be more than the orthodontia maximum shown in the *Highlights of the Dental Plan Coverage*.

Benefit payments for comprehensive full-banded orthodontic treatment are made in installments. Benefit payments will be made every 3 months. The first benefit payment is payable when the appliance is installed. Later payments are payable at the end of each 3-month period. The first installment is the lesser of (x) the lifetime maximum for orthodontia services, or (y) the product of (i) 25% of the charge for the entire course of treatment, multiplied by (ii) the applicable covered percentage. The remainder of the charge is prorated over the estimated duration of treatment. Payments are only made for services provided while a person is covered. If coverage ends or treatment ceases, payment for the last 3-month period will be prorated.

Orthodontia Payment Example: If your orthodontia treatment costs $5,000 and is estimated to take three years from installation of the appliance to complete, and if you have not been reimbursed for any orthodontia treatment in the past, your first installment will be $625 [the product of 25% multiplied by $5,000 (total cost of treatment) multiplied by 50% (covered percentage), which product is less than $1,500 (lifetime maximum)]. Assuming you remain covered under the Plan and complete the three-year treatment, the remaining charge will be paid in quarterly installments of $156.25 [calculated as set forth above] until you reach your lifetime maximum [$875 remaining after initial installment].

Orthodontia Payment Example

Total Treatment	$5,000.00
Initial Installment	
CIGNA Allowable (25% of total)	1,250.00
CIGNA Payment (50% of Allowable)	625.00
Remaining Installments	
Remaining Balance	$3,750.00
CIGNA Allowable (Remaining Balance/12 quarters)	312.50
CIGNA Quarterly Payment (50% of Allowable)	156.25*

*Subject to Lifetime Maximum

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Dental Expenses Not Covered

The Plan pays benefits for a variety of dental services, provided they are necessary according to generally accepted dental standards, appropriate to properly treat the dental condition, and recommended by your dentist. However, some limits and exclusions do apply.

The dental expenses **not** covered include, but are not limited to the following:

- Replacement of teeth that are missing when a person first becomes covered under the Plan;
- Services performed solely for cosmetic reasons;
- Replacement of a lost or stolen appliance;
- Replacement of a bridge, crown or denture within 5 years after the date it was originally installed unless: (a) the replacement is made necessary by the placement of an original opposing full denture or the necessary extraction of natural teeth; or (b) the bridge, crown or denture, while in the mouth, has been damaged beyond repair as a result of an injury received while a person is insured for these benefits;
- Any replacement of a bridge, crown or denture which is or can be made useable according to common dental standards;
- Procedures, appliances or restorations (except full dentures) whose main purpose is to: (a) change vertical dimension; (b) diagnose or treat conditions or dysfunction of the temporomandibular joint; (c) stabilize periodontally involved teeth; or (d) restore occlusion;
- Porcelain or acrylic veneers of crowns or pontics on, or replacing the upper and lower first, second and third molars;
- Bite registrations; precision or semiprecision attachments; or splinting;
- Instruction for plaque control, oral hygiene and diet;
- Dental services that do not meet common dental standards;
- Services that are deemed to be medical services;
- Services and supplies received from a hospital;
- Services for which benefits are not payable according to the immediately following paragraph.

In addition to the foregoing, no payment will be made for expenses incurred for you or any one of your dependents:

- For or in connection with an injury arising out of, or in the course of, any employment for wage or profit;
- For or in connection with a sickness which is covered under any workers' compensation or similar law;
- For charges made by a hospital owned or operated by or which provides care or performs services for, the United States government, if such charges are directly related to a military-service-connected condition;
- For charges for services provided by the covered person’s parent, spouse, brother, sister, son or daughter;
- For services or supplies received as a result of dental disease, defect or injury due to an act of war, declared or undeclared;
- To the extent that payment is unlawful where the person resides when the expenses are incurred;
- For charges which the person is not legally required to pay;
- For charges which would not have been made if the person had no insurance;
- To the extent that billed charges exceed the rate of reimbursement as described in the *Highlights of the Dental Plan Coverage,* including any charge in excess of the Maximum Reimbursable Charge;

- For charges for unnecessary care, treatment or surgery;
- To the extent that you or any of your dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid;
- For or in connection with experimental procedures or treatment methods not approved by the American Dental Association or the appropriate dental specialty society.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible dental expenses that are not covered by the Dental Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any dental care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

If you or your dependents have dental coverage under another dental plan, this Plan coordinates benefits with the other benefits to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits*" section of the **Benefits Program Overview** to learn more about the Plan's COB features.

Filing a Claim

General

Generally, dentists file claims electronically on your behalf provided that the dentist is a participating dentist. If you see a non-participating dentist, you may need to file your own claim. Claims should be submitted to the Claims Administrator.

How to File Claims

If you file your own claim form, follow these steps.

- Complete your portion of the claim form (your form will include step-by-step instructions for completing the correct information). Your dentist will need to complete his or her portion of the form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator online via the Benefits Source website mysourceforhr.com.
- Attach copies of all available dental bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the dental expense.
- Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

  CIGNA
  P.O. Box 188037
  Chattanooga, TN 37422-8037

Any claims not submitted after 18 months from the date of service generally will not be considered for payment.

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

[Material continued on next page]

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Dental Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or by any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	CIGNA P.O. Box 188037 Chattanooga, TN 37422-8037 cigna.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Vision Plan

Vision Plan Option

Basic Vision Option

Your Vision Plan Options

This is the SPD (the "Vision Plan SPD") for the NiSource Vision Plan, also referred to as the Vision Plan. In this Vision Plan SPD, the Vision Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Vision Plan to eligible employees and their dependents with the following coverage options:

- Vision Plan option; and
- Basic Vision option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") with Vision Service Plan Insurance Company who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract, on the one hand, and this Vision Plan SPD, on the other hand, the terms of the Group Contract shall prevail. **You should refer to the Group Contract for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Vision Plan SPD.** *You may obtain a copy of the Group Contract by contacting the Benefits Source at **1-888-640-3320**.*

This Plan is designed to cover certain costs associated with your vision correction. *Please note that any illness or injury to your eyes would be covered under the Medical Plan, subject to any terms, conditions and limitations set forth in the Medical Plan*.

The Plan utilizes a network of VSP Providers referred to as the VSP Choice Network. The Plan pays vision benefits for eligible expenses regardless of whether you receive services and/or eyewear from a VSP Choice Network Provider or from a non-VSP Provider. However, if you go to a VSP Choice Network Provider, the Plan pays a higher level of benefits. You also have the option to receive benefit coverage from non-VSP Providers. However, your level of benefit payment will be subject to the non-VSP provider schedule as outlined in the "*Highlights of Your Vision Plan Coverage*".

- **VSP Choice Network Provider** – offers the convenience of "one-stop shopping" and can provide everything you need (eye exams, and if applicable, prescription glasses, and contacts). As long as you receive care or eyewear from a VSP Choice Network Provider, you are responsible for the amount in excess of the Plan's allowance, any applicable co-pays, and the cost of any eyewear or service that the Plan does not cover.
- **Non-VSP Providers** – you have the option to receive your services and eyewear outside the VSP Choice Network. If you do, you must pay the Provider in full at the time of your appointment and submit a claim to VSP. Once you submit an itemized receipt, the Plan then reimburses you for the eligible expense (up to the Plan's allowance).

To find a Provider who participates in the VSP Choice Network, log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to request assistance.

Eligibility

For information regarding eligibility under the Vision Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Vision Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. For further questions, please contact the Benefits Source at **1-888-640-3320** or log on to the Benefits Source website at mysourceforhr.com.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of Your Vision Plan Coverage

Vision Plan Option

The Vision Plan option pays for the following services and materials:

COVERED SERVICES	FREQUENCY	VSP CHOICE NETWORK PROVIDER	NON-VSP PROVIDER
WellVision Exam®	Once every calendar year for Adults Twice every calendar year for Children	100%	Up to a $45 allowance
Lenses (per pair)			
Regular (single vision)	Once every calendar year	100%	Up to a $30 allowance
Lined Bifocal	Once every calendar year	100%	Up to a $50 allowance
Lined Trifocal	Once every calendar year	100%	Up to a $65 allowance
Lenticular	Once every calendar year	100%	Up to a $100 allowance
Frame	Once every other calendar years for Adults Once every calendar year for Children	100%, Up to a $200 frame allowance Featured Frames 100%, Up to a $250 frame allowance	Up to a $70 allowance
Contacts			
Visually Necessary	Once every calendar year in place of glasses	100%	Up to a $210 allowance
Elective	Once every calendar year in place of glasses	100% up to a $175 annual allowance	Up to a $105 allowance

If you choose contacts instead of glasses, you will pay up to a $50 copay for the contact lens exam (fitting and evaluation) after a 15% discount. The contact lens exam is in addition to your WellVision Exam® to ensure proper fit of contacts.

Polycarbonate lenses are covered in full for dependent Children up to the end of the month in which they turn age 26.

Standard Progressive Lenses are covered in full for all members.

KidsCare - the VSP® KidsCare Plan is designed to meet the eye care and eyewear needs of active and growing children by providing two WellVision Exams® and one pair of glasses every calendar year.

Basic Vision Option

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year	100%	Up to a $45 allowance

Vision Expenses Covered

The Plan will pay for vision services and materials, as described in the "*Highlights of Your Vision Plan Coverage*." However, in the event of any conflict with that section and the Group Contract, the terms of the Group Contract will prevail.

For purposes of this Vision Plan SPD, (i) "Adult" means either you or your Spouse, provided such person is eligible for, and has enrolled in, coverage under the Plan, (ii) "Child" or "Children" refers to a Child, as defined in the *Definitions* section of the **Benefits Program Overview**, provided such Child is eligible for, and enrolled in, coverage under the Plan, and (iii) "Covered Person" or "member" or "covered member" refers to any person who satisfies the eligibility requirements of the Plan and who is enrolled in coverage under the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

For the Vision Plan Option, the services and materials that the Plan covers include, but are not limited to, the following:

- One WellVision Exam® in every calendar year for Adults.
- Two WellVision Exams® in every calendar year for Children.
- Prescription eyeglass lenses, one pair in every calendar year, up to a specified lens allowance.
- Frame for Adults, one pair every other calendar year (up to the frame allowance).
- Frame for Children, one pair every calendar year (up to the frame allowance)
- Contacts, one pair in every calendar year, up to a specified allowance. The allowance applies to the contacts only. There is an additional copay up to $50 for the contact lens exam (fitting and evaluation). This exam is in addition to your WellVision Exam® to ensure proper fit of your contacts. You can elect to receive an annual allowance toward the cost of contacts in lieu of frame and lenses.

Extra Discounts and Savings

When visiting a VSP Choice Network Provider, you may receive the following, provided that some of the discounts/savings listed below may not apply to the Basic Vision Option:

- Average savings of 30% on non-covered lens enhancements, such as scratch resistant and anti-reflective coatings, light reactive, custom or premium progressives, etc.; 20% off additional prescription glasses and sunglasses within 12 months of your last WellVision Exam®;
- 15% discount off the cost of an elective contact lens exam (fitting and evaluation);
- Polycarbonate lenses are covered in full for dependent Children;
- Standard progressive lenses covered in full for all members; Routine retinal screening discount;
- Laser vision correction discounts.

Other Programs/Resources Offered by the VSP

Laser VisionCare℠ Program

If you are considering laser vision correction, the Plan can help you make an informed decision. The Plan contracts with laser surgery facilities and doctors. As a result, you can access laser vision correction surgery for hundreds of dollars less than what you might pay privately. VSP has arranged for members to receive PRK, LASIK and Custom LASIK, at a discounted fee with an average 15% off the regular price or 5% off the promotional price. Visit the Claims Administrator's website at vsp.com or call **1-800-877-7195** to learn more about this program.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Vision Expenses Not Covered

Some vision care services and/or materials are not covered under this Plan and certain other limitations may apply. In addition, some brands of spectacle frames may be unavailable for purchase as Plan benefits or may be subject to additional limitations. Covered Persons may obtain details regarding service, material and/or frames exclusions from their VSP Choice Network Provider or by calling VSP's Member Services at (800) 877-7195.

Patient Options

This Plan is designed to cover visual needs rather than cosmetic eyewear. When a covered member selects non-covered lens enhancements, the covered member will pay the additional costs for the options. Some non-covered lens enhancements include:

- Optional cosmetic processes;
- Anti-reflective coating;
- Color coating;
- Mirror coating;
- Hi Index Lenses
- Scratch resistant coating;
- Blended lenses;
- Cosmetic lenses;
- Laminated lenses;
- Oversize lenses;
- Photochromic lenses, tinted lenses except Pink #1 and Pink #2;
- Custom and Premium Progressive lenses;
- UV (ultraviolet) protected lenses; or
- Certain limitations may apply on low vision care

For the cost of a non-covered lens enhancement, speak with your VSP Choice Network Provider or call VSP Member Service at (800) 877-7195

Not Covered

There are no benefits for:

- Services and/or materials not specifically included in this Vision Plan SPD as covered Plan benefits.
- Plano lenses (lenses with refractive correction of less than ± .50 diopter).

- Two pair of glasses instead of bifocals.
- Replacement of lenses, frames and/or contact lenses furnished under this Plan which are lost or damaged, except at the normal intervals when Plan benefits are otherwise available.
- Orthoptics or vision training and any associated supplemental testing.
- Medical or surgical treatment of the eyes.
- Contact lens insurance policies or service agreements.
- Refitting of contact lenses after the initial (90-day) fitting period.
- Contact lens modification, polishing or cleaning.
- Local, state and/or federal taxes, except where VSP is required by law to pay.
- Services associated with Corneal Refractive Therapy (CRT) or Orthokeratology.
- Corrective vision treatment of an experimental nature;
- Costs for services and/or eyewear above Plan benefit allowances; and
- KidsCare - Services and/or materials provided by someone other than a VSP Network Provider

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible vision care expenses that are not covered under the Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any vision care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

A Covered Person who is covered under two or more insurance plans that include vision care benefits may be eligible for Coordination of Benefits ("COB"). VSP will combine other insurance plans' claim payments or reimbursements, if any, with benefits available under the Plan, which may reduce or eliminate the Covered Person's out-of-pocket expense. A Covered Person covered under more than one VSP Plan may also be able to take advantage of COB. In order to process claims involving COB, VSP may need to share personal information regarding the Covered Person with other parties (such as another insurance company). When this is necessary, VSP will only share such information with those persons or organizations having a legitimate interest in that information and only where such sharing is not prohibited by law.

When coordinating benefits, it must be determined which plan is billed first. The plan that covers the member as an employee is "primary". The plan that covers the member as a dependent is "secondary".

If the Covered Person is a dependent child and is covered under both parents' plans, typically the parent whose birthdate falls first in the calendar year has the primary plan. If the parents are separated or divorced, the parent with custody is primary, unless otherwise ordered by the court.

The primary plan must pay or provide benefits as if the secondary plan does not exist.

When VSP administers the secondary plan, the member will receive a specified allowance for each service (exam, lenses, frame or contacts) that will be used to pay up to, but not more than the billed amount. Only services received on the primary benefit may be used for coordinating like services on the secondary benefit. Secondary allowances are applied first to the same service of the primary plan. Any remaining amount may be used to cover additional expenses on other services.

VSP will reimburse the Covered Person according to each benefit's out-of-network schedule of allowances, not to exceed the

actual exam fee and the cost of corrective eyewear.

Please Note: Coordination of benefits does not guarantee that all out-of-pocket expenses will be covered-in-full. The Member is responsible for any remaining expenses.

How to Access the Vision Benefits

Selecting a VSP Choice Network Provider

- Log on to the Benefits Source website at mysourceforhr.com to find the link to VSP's website that houses the most up-to-date list of VSP Choice Network Providers; or call the Benefits Source at **1-888-640-3320** to locate a VSP Choice Network Provider near you. Call the VSP Choice Network Provider to make an appointment. Identify yourself as a VSP member.
- At the time of the visit, pay any amounts that are in excess of the allowance or the Plan's covered services. The VSP network provider files all necessary claims directly from his or her office. The Claims Administrator takes care of all of the necessary paperwork, and pays the provider directly for the eligible expenses.

If you select a Non-VSP Provider

If you receive care from a non-VSP provider, you are required to submit a VSP Request for Reimbursement claim form or you can submit the claim online by signing in as a Member to vsp.com. Here are the steps to follow when filing your own claim with the Claims Administrator:

- Complete all required fields of the VSP Request for Reimbursement claim form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator via the Benefits Source website mysourceforhr.com and link to the Claims Administrator's website.
- Attach copies of your itemized bill and paid receipts to your claim form. These bills should include:
  - Name of patient;
  - Doctor's name or office name;
  - Date of service;
  - Each service received and the amount paid;

Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

VSP
P.O. Box 385018
Birmingham, AL 35238-5018

Be sure to submit your completed claim to the Claims Administrator within 1 year of the date of your service.

Your claim will be processed upon receipt. The Plan then pays eligible benefits directly to you. Regardless of whether you will receive care from a VSP Choice Network Provider or a non-VSP provider, you receive a statement that tells you how much the Plan paid. In some cases, the Claims Administrator sends the payment to a designated representative (as in the case of a Qualified Medical Child Support Order).

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Vision Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Fully Insured
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurance Company. Claims are administered by the Claims Administrator listed below under the group insurance contract.
Claims Administrator (VSP Choice Network Providers):	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670 vsp.com
Claims Administrator (Non-VSP Providers):	Vision Service Plan Insurance Company P.O. Box 385018 Birmingham, AL 35238-5018
Insurance Company:	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The group insurance contract (the "Group Contract") underwritten by Vision Service Plan Insurance Company provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and a certificate or evidence of coverage (the "Group Insurance Certificate"). In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail.

Vision Service Plan Insurance Company, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Flexible Benefits Plan

Flexible Spending Account Plan

Health Savings Account

Your Flexible Benefits Plan Options

NiSource Inc. (the "Company") maintains the NiSource Flexible Benefits Plan (the "Plan"), which provides eligible employees with the option to participate in a Flexible Spending Account Plan (an "FSA Plan") and to contribute to a Health Savings Account (an "HSA"); provided, however, that you may not contribute to a Health Care FSA and an HSA at the same time.

The Claims Administrator for the FSA Plan is Alight Solutions, LLC, dba "Your Spending Account" or "YSA".

Flexible Spending Account

The FSA Plan has two different Flexible Spending Accounts. They are:

- The Health Care FSA; and
- The Dependent Care FSA.

You may participate in one or both of these accounts. The contributions you make to the Flexible Spending Accounts are not subject to Federal, and in many cases, state and local income tax, which reduces your taxable income.

The Health Care FSA allows you to set aside before-tax money from your paychecks to pay for certain eligible health care expenses that are not covered by the Medical, Dental or Vision Plans. You may set aside up to $2,750 a year (deducted from your pay in equal installments throughout the year) to pay for eligible out-of-pocket expenses such as deductibles, co-payments, or expenses that the Plan limits or excludes. The maximum limit for Health Care FSA may be adjusted periodically for inflation. Please contact the Benefits Source at **1-888-640-3320** to find out the current limit.

The Dependent Care FSA works similarly to the Health Care FSA. However, the before-tax money that you can set aside can only be used for reimbursement for dependent care expenses for eligible dependents. You may set aside up to $5,000 per year, or $2,500 per year if you are married and file separate federal income tax returns.

You may not claim any other tax benefit (e.g., the federal dependent care tax credit) for the amount of your before-tax salary reductions under the Dependent Care FSA, although your eligible dependent care expenses in excess of that amount may be eligible for the federal dependent care tax credit. The federal dependent care tax credit is a credit against your federal income tax liability under the Code. It is a non-refundable tax credit, which means that any portion of it that exceeds your federal income tax liability will be of no value to you. For more information about how the dependent care tax credit works, see IRS Publication No. 503 ("Child and Dependent Care Expenses"). For most individuals, participating in the Dependent Care FSA will produce greater federal tax savings than the dependent care tax credit, but there are some for whom the opposite is true. You should consult a tax advisor to determine what course of action would be best in your situation.

Eligibility

For information regarding eligibility under the FSA Plan, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

Highlights of the Flexible Spending Accounts (FSAs)

FSA Features	Eligible Dependents	Eligible Expenses
Health Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $2,750*	The Health Care FSA can be used to reimburse eligible out-of-pocket expenses incurred by you, your eligible spouse, or any person who is your dependent for federal income tax purposes (as determined without regard to such person's gross income).	Certain medical, dental, and vision expenses not covered under the Medical, Dental, or Vision Plans, such as deductibles, co-payments and coinsurance amounts. The expense must be considered as one incurred for "medical care," as defined in the Code. *A non-exhaustive list of eligible expenses can be found later in this section.*
Dependent Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $5,000; $2,500 if you are married and file separate federal income tax returns.	For purposes of the Dependent Care Flexible Spending Account, eligible dependents are: • Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child; • Your spouse who is physically or mentally incapable of caring for himself or herself, provided the spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, the spouse must regularly spend at least eight hours each day in your home.	Expenses you incur to care for your child or a dependent family member while at work. If you are married, your spouse also must work, be looking for work, be a full-time student for at least five months during the calendar year, or be physically or mentally unable to care for your dependent(s). *A non-exhaustive list of eligible expenses can be found later in this section.*

FSA Features	Eligible Dependents	Eligible Expenses
	• Any one of the following persons, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year: a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step-daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.	

*Amount is subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current maximum annual contribution amount for the Health Care FSA.

Health Care Eligible Expenses

Health care expenses that are eligible for reimbursement from the Health Care FSA are those expenses incurred for "medical care" (as defined under the Code and regulations issued thereunder) by you, your spouse or persons who qualify under the Code as your tax dependents for health coverage purposes, to the extent such expenses are not reimbursed from any other source, are not taken as a deduction on the your income tax return and are not otherwise excluded from eligibility under the terms of the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Health Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

Eligible health care expenses include, but may not be limited to the following:

- Expenses covered by an employer-sponsored health care plan, but not reimbursed due to a deductible or co-payment.
- Prescription vision expenses (including eyewear, contact lenses and optometrist), contact lens solution, a guide dog for the blind and special education devices for the blind (such as a special typewriter).
- Expenses that may not be covered by an employer-sponsored health care plan, including (but not limited to):
  - Confinement to a facility primarily for screening tests and physical therapy or hydrotherapy;
  - Cosmetic surgery if it is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease;
  - Services for chromosome or fertility studies;

- Treatment (other than surgery, which is covered by the Medical Plan) of corns, bunions, calluses, foot structural disorders, etc.;
- Services related to sexual dysfunctions or inadequacies;
- Ace bandages, support hose, or other pressure garments prescribed by a physician;
- Charges for medical expenses in excess of reasonable and customary expenses;
- Acupuncture for pain relief as performed by a licensed practitioner;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Orthodontic services not covered by a health care plan;
- Transportation expense to receive medical care, including fares for public transportation and actual out-of-pocket car expense, such as gas and oil. In lieu of out-of-pocket expenses, a standard mileage rate (plus tolls and parking) may be used;
- Hearing expenses including hearing aids, special instructions or training for the deaf (such as lip reading), the cost of acquiring and training a dog for the deaf, and special telephone and audio display equipment for the deaf;
- Hypnosis for treatment of an illness;
- "Halfway house" care to help individuals adjust from life in a mental hospital to community living;
- Tutoring by a licensed therapist for a child with a severe learning disability and special schooling for handicapped individuals;
- Lifetime care advance payment to a private institution for lifetime care, treatment, or training of a mentally or physically handicapped patient;
- Medical information plan fees paid to a plan maintaining an individual's medical information by computer;
- Special car controls for the handicapped; and
- Full or partial reimbursement for certain capital expenditures that are primarily made for health care reasons (e.g., an air conditioner installed in the home of a person with severe allergies may qualify for partial reimbursement, and an exercise swimming pool to aid in the recovery of a stroke victim may qualify for reimbursement).

This list of covered expenses is subject to change. An expense may not be reimbursed if the IRS would not consider the expense to be eligible.

To confirm if an expense is eligible for reimbursement, call YSA via the Benefits Source at ***1-888-640-3320.***

Health Care Expenses Not Eligible

The health care expenses that are **not** eligible for reimbursement from the Health Care FSA include, but may not be limited to the following:

- Marriage or family counseling;
- The salary expense of a licensed practical nurse (LPN) incurred in connection with the care of a normal and healthy newborn (even though such care may be required due to the death of the mother in childbirth);
- Funeral and burial expenses;
- Household and domestic help (even though recommended by a qualified physician due to your or dependent's inability to perform physical housework);
- Custodial care in an institution;
- Costs for sending a "problem child" to a special school for benefits the child may receive from a special course of study and disciplinary methods;
- Health club dues, YMCA dues, steam bath, etc.;

- Social activities, such as dance lessons or classes (even if recommended by a qualified physician for general health improvement);
- Membership fees or costs associated with weight loss or smoking cessation programs for general health and well-being purposes;
- Maternity clothes, diaper services, etc.;
- Cosmetics, toiletries, toothpaste, etc.;
- General health care aids purchased without a prescription, such as dietary supplements (e.g., vitamins);
- Premiums for other group or individual insurance coverage;
- The segment of automobile insurance premiums providing medical coverage for persons injured through an accident involving your care;
- Vacation or travel taken for general health purposes, a change in environment, improvement of morale, etc., or taken to relieve physical or mental discomfort not related to a particular disease or physical defect;
- Retin-A when used solely for cosmetic purposes;
- Herbs (even if they are used to treat an illness or injury); and
- Premiums for contact lens replacement insurance.

Filing a Health Care FSA Claim

If your health care-related expenses are eligible for reimbursement from the Program's Medical, Dental, or Vision Plans (or another medical, dental, or vision plan outside the Program), those expenses should be submitted to that plan first. After a payment determination is made, the unreimbursed expenses can then be submitted to your Health Care FSA.

The total annual amount that you can elect to contribute to the Health Care FSA (less any previous reimbursements) is available for reimbursement (regardless of the amount that you have contributed to your FSA to-date). Contributions then continue to be deducted from your paychecks until your annual goal amount is reached.

You may incur eligible health care expenses until December 31. You then have until March 31 of the following year to submit claims for expenses you incurred between January 1 and December 31 of the previous year.

Reimbursement of Health Care FSA Claims

You may submit a claim for reimbursement under your Health Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Completed forms should be submitted along with the following documentation:

- **The Explanation of Benefits** (EOB): The EOB from the Claims Administrator indicates what expenses were covered by your medical/dental/vision plans. If you have another benefit plan available to you, you must submit your EOB with your completed health care reimbursement form.
- **A Co-pay Receipt**: This receipt is from the provider, and may be the only documentation if the co-pay is the only expense.
- **An Itemized Bill or Statement**: This is from the provider, and shows what expenses are not covered by the medical/dental/vision plan. It may include the:
  - Name and address of the service provider;
  - Dates of service (not the billing date or the paid date);
  - Dollar amount charged;
  - Patient's name; and
  - Description or type of services rendered.

Please note that canceled checks and balance-forward statements are not acceptable documentation for reimbursement.

Submit the completed form and documentation to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

Debit Cards

In addition, if the total annual amount that you elect to contribute to the Health Care FSA is $60 or greater, you will be issued a debit card for use with your Health Care FSA. The debit card may be used only for eligible health-related expenses. When you use your debit card, you are automatically certifying that you have not been reimbursed for the expense and that you will not seek reimbursement for the expense from any other plan.

You may use your debit card to obtain reimbursement for certain approved over-the-counter medications and supplies that are used to treat an illness, injury, or disease and that are purchased from registered vendors. However, you may not use your debit card to obtain reimbursement for over-the-counter medications or supplies that require a prescription or a statement of health or medical need.

The FSA Plan will try to automatically verify any claims you submit through your debit card. However, you should retain documents (such as an EOB, receipt, and itemized bill or statement) to support your claim in case the Claims Administrator requests such information. All expenses you incur must be substantiated in accordance with rules established by the IRS.

If you are paid for an excess or ineligible claim through your debit card, or if you fail to provide requested information to the Claims Administrator regarding substantiation of a claim, your debit card privileges may be suspended and the Plan and Claims Administrator reserve the right to recoup the mistaken payment. If you fail to repay such amount to the Plan, such amount may be withheld from your wages, be offset against other eligible Health Care FSA claims you submit, or be reported on your W-2 as taxable income.

Dependent Care Eligible Expenses

The dependent care expenses that are eligible for reimbursement from the Dependent Care FSA include, but may not be limited to:

- Family day care providers;
- Babysitter;
- Caregivers for a disabled dependent or spouse who resides in the participant's home;
- Housekeeper, maid or cook (provided the services are attributable in part to the care of an eligible dependent);
- Dependent care provided outside your home by an eligible care provider, including care provided in a neighbor's home or in an approved nursery school or dependent day care center. If the care is for a dependent age 13 or over, the dependent must regularly spend at least eight hours each day in your home. For example, day care centers for children and disabled adults qualify, but 24-hour nursing care facilities do not. Also, facilities that care for seven or more nonresident individuals must comply with all applicable state and local regulations governing day care centers;
- Payments for before- and after-school care for eligible children from kindergarten up to and including age 12;
- Payments in lieu of regular dependent day care to summer day camp or other summer programs (but not overnight camp); and
- Certain expenses for children not yet in the first grade, for example:
  - Nursery school;
  - Pre-school.

To confirm if an expense is eligible, call YSA via the Benefits Source at **1-888-640-3320**.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with

respect to the Dependent Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dependent Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 41.

Dependent Care Expenses Not Eligible

The dependent care expenses that are **not** eligible for reimbursement from the Dependent Care FSA include, but may not be limited to the following:

- Dependent care expenses that you incur before (or after) your participation in the Dependent Care FSA begins (or ends);
- Any expense that you claim for the dependent care tax credit on your federal income tax return, or any expense that is paid by any other similar reimbursement-type plan or program;
- Any expenses that are reimbursed by your Health Care FSA;
- Expenses for the education of a qualified dependent;
- Expenses paid for food and clothing;
- Dependent care provided by a family member who is under age 19 at the end of the taxable year, or by another dependent for whom you claim a dependent exemption on your tax return;
- Expenses for health care;
- Educational expenses for kindergarten or higher;
- Housekeeping expenses that are not related to dependent care, or payments for services while you are at home from work because of an illness;
- Child or dependent care provided while:
  - You are at work and your spouse is doing volunteer work, even if a nominal fee is paid (or vice versa);
  - You and your spouse are doing volunteer work (even if a nominal fee is paid); or
  - You and your spouse are not working (such as weekend or evening babysitting fees);
- Expenses for food, clothing, health care, or entertainment of a qualified dependent;
- Transportation expenses to and from the dependent care location;
- Expenses for overnight camps;
- Services of a gardener or chauffeur; and
- Care provided by a round-the-clock nursing home.

Filing a Dependent Care FSA Claim

For Dependent Care FSA reimbursements, only the current balance in your Dependent Care FSA is available for reimbursement. This means that you are reimbursed up to the amount that you have actually set aside from each paycheck up to that point (less any previous reimbursements). So, if the reimbursement request that you submit exceeds the amount currently in your Dependent Care FSA, you are reimbursed for the remainder after you contribute more money to your Dependent Care FSA via future paychecks.

You may submit a claim for reimbursement under your Dependent Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Submit the completed form along with the following documentation:

- **Provider's Bill or Itemized Receipt**:. The provider must sign this documentation, and

it must itemize the date(s) of service as well as the amount(s) charged. Canceled checks are not considered acceptable documentation.

- **Dependent Care Provider's Name, Address, and Social Security Number (or Federal Tax Identification Number)**. For tax-reporting purposes, you must include the provider's name and his or her Social Security number (or taxpayer identification number). The taxpayer identification number is not necessary if the provider is a nonprofit, religious, charitable, or educational organization.

If the provider completely fills out the 'Provider Certification' section of the reimbursement form, then you need only submit the completed reimbursement form for your reimbursement request.

Submit the completed form and documentation (if required) to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

FSA Filing Deadlines

You may submit a health care reimbursement claim at any time after you incur an eligible health care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Health Care FSA after March 31 will be forfeited.

You may submit a dependent care reimbursement claim at any time after you incur an eligible dependent care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Dependent Care FSA after March 31 will be forfeited.

Claim Determination and Appeal Process – Health Care FSA

For information regarding the Health Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Claim Determination and Appeal Process – Dependent Care FSA

For information regarding the Dependent Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dependent Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the FSA Plan, including COBRA continuation coverage under the Health Care FSA, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of

stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Health Savings Account

If you enroll in one of the High Deductible PPO options (HDPPO 1 or HDPPO 2) you may be eligible to contribute to a Health Savings Account (HSA). An HSA is a portable savings account established and maintained outside the Plan that can be used to pay present and future medical and prescription drug expenses. An HSA is not an employer-sponsored employee benefit plan — it is an individual trust or custodial account that you open with a separate HSA trustee/custodian, such as a bank, life insurance company or other financial institution. Your HSA will be subject to the terms of an agreement you enter into with the HSA trustee/custodian. Such agreement may impose fees and restrictions upon how you use your HSA. The Plan merely allows you to contribute to your HSA in an amount up to the IRS statutory limit. Unlike a Health Care FSA, the HSA account balance can roll over from year to year until withdrawn and earnings accumulate tax-free.

The Health Savings Account is administered by Alight. Your Employer has no authority or control over the funds deposited in your HSA. As a result, the HSA is not subject to ERISA.

You can use the dollars in your HSA to pay the deductible and coinsurance required under the HDPPOs, along with other qualified medical expenses not covered by the plans. Qualified medical expenses are expenses you pay for medical care (as defined in Section 213(d) of the Code) for you, your spouse or dependents (as defined in Section 223 of the Code), to the extent such expenses are not reimbursed by insurance or otherwise.

Funds in the HSA remain in the account until you apply for reimbursement. If you are enrolled in the HDPPO 1 or HDPPO 2, your Employer may make an annual contribution into your HSA on your behalf. However, you must establish or activate your HSA before the end of the Plan Year in order to receive any Employer contributions. If you fail to do so, you will forfeit any Employer contributions for that Plan Year.

The amount you can contribute to your HSA is governed by federal law. Please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Flexible Benefits Plan – HSAs"* for a discussion of limitations upon the amount you may contribute to an HSA. Please call the Benefits Source at **1-888-640-3320** for more information.

Three Ways to Use Your Health Savings Account

- Pay for current qualified medical expenses, such as deductibles and coinsurance, or eligible expenses not covered by the HDPPOs.
- Pay for qualified medical expenses in future years, even if you are no longer enrolled in the HDPPOs.
- Once you reach age 65 (or become disabled), you can use any remaining money in your HSA to pay for qualified medical expenses on a tax-free basis, or you can take a distribution for non-qualified medical expenses, subject to income tax but without incurring a penalty .

Please note: *The information above describes the federal tax treatment of an HSA, but the favorable tax treatment described above may be limited or unavailable for state tax purposes. Please consult your tax advisor for more information.*

Eligibility

For information regarding eligibility for an HSA, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in an HSA, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

HSA Qualified Medical Expenses

In addition to those services covered under the HDPPOs, you can use your HSA to pay for other qualified medical expenses including, but not limited to the following expenses, to the extent they are not reimbursed from any other source:

- Laser eye surgery;
- Weight loss programs;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Long-term care premiums;
- COBRA premiums;
- Health care plan premiums while receiving unemployment;
- Over age 65, you can use the HSA funds to pay for Medicare Parts A or B; and
- Many other services defined as expenses for medical care under Section 213(d) of the Code.

If you use your HSA for a non-medical or non-qualified medical expense, you will have to pay income tax on the account distribution as well as a 20% penalty. However, if a distribution is made after age 65, after disability, or after death, the distribution will be subject to income tax, but no penalty tax.

If you have a question about what constitutes a qualified medical expense, please consult your tax advisor or Publication 969 that may be found on the IRS website at irs.gov.

How to Open an HSA

After you have enrolled in an HDPPO option and agreed to the terms and conditions of the HSA custodial agreement, YSA will send you a packet containing basic information on how to use a Health Savings Account.

Paying for Covered Expenses Using the Health Savings Account

The Health Savings Accounts are administered by YSA. When you visit a network provider, you typically do not pay at the time of service. Simply show your Anthem ID card and the following steps will be followed:

1. The claim will be sent to Anthem for processing.
2. You will receive an Explanation of Benefits (EOB) statement showing what was paid under the Plan.
3. Your provider will receive the same statement and bill you for the balance not covered under the Plan.
4. You can then either pay the balance with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

Paying for prescription drugs works differently. The following steps will be followed:

1. You must show the pharmacist your Anthem ID card (the same one you use for medical services).
2. When you pick up your prescription, you can either pay with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

A similar procedure applies for mail-order prescription drug service.

Paying a Provider Who Does Not Participate in the Network

If you visit a provider who is not in the Network, you must either pay the provider at the time of service with your HSA debit card (if accepted by your provider) or pay the provider out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

To enroll or to find out more information about the Health Savings Account, please visit the Benefits Source website mysourceforhr.com or call the Benefits Source at **1-888-640-3320** to speak with a representative.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Flexible Benefits Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Code Section 125 Plan containing group health plan and non-group health plan components and providing for Pre-Tax Payment of Medical Expenses (Health Plan), Pre-Tax Payment of Dependent Care Expenses and Pre-Tax Contributions to Health Savings Accounts
Plan Number:	537
Type of Funding:	Not applicable
Contribution Source:	Employee. In addition, subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Fiduciary and Plan Administrator:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute the entire cost of the Benefit Plan coverage they select. Provided, however, that subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Distributions from HSAs are not administered through the Plan. Questions concerning investments, distributions or other matters pertaining to an HSA should be directed to Alight, who administers the HSAs. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator for Flexible Spending Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com

Claims Administrator for Health Savings Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Travel Accident Plan

Your Travel Accident Benefit

This is the SPD (the "Travel Accident SPD") for the NiSource Travel Accident Plan, also referred to as the Travel Accident Plan. In this Travel Accident SPD, the Travel Accident Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the Plan to eligible employees to cover accidental death sustained during the course of a trip made on behalf of a Participating Employer.

For purposes of the Plan, a trip "made on behalf of a Participating Employer" means travel and sojourn authorized by, or at the direction of, a Participating Employer for purposes of furthering the business of the Participating Employer. A trip will be considered as commencing when you leave your residence or place of employment, whichever you leave last, for the purpose of going on such trip, and the trip will continue until you return to your residence or place of regular employment, whichever you return to first.

All eligible employees are covered for $50,000 in death benefits.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process – Travel Accident Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 44.

Eligibility

For information regarding eligibility under the Travel Accident Plan, please see the *"Eligibility under the Travel Accident Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Travel Accident Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Travel Accident Plan"*.

Contributions

The Employer pays the full cost of the Travel Accident Plan. There are no employee contributions.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Travel Accident Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Travel Accident Plan"*.

Beneficiary Designation

Your beneficiary will be the beneficiary or beneficiaries that you named under the NiSource Life Insurance Plan. (Please see the "*Life and AD&D Plan"* section of this Handbook for further details on beneficiary designation.)

If you fail to designate a beneficiary before your death, or if your beneficiary dies before you die, benefits are paid according to the default rules established under the NiSource Life Insurance Plan.

You and your beneficiary need to keep the Company advised of the addresses at which each of you can be located. If the Company cannot locate you or your beneficiary when benefits become payable, notification will be mailed to the most recent address on file. The Claims Administrator is not required to search for, or locate, you or your beneficiary. Please be sure to notify the Benefits Source should you or your beneficiary change addresses.

If a beneficiary becomes entitled to a payment under the Plan and it cannot be

made because (1) the current address is incorrect, (2) the beneficiary does not respond to the notice sent to the current address, (3) there are conflicting claims to such payment, or (4) any other reason, the amount of such payment, if and when made, shall be that determined under the terms of the Plan, without interest.

To designate or change your beneficiary(ies) go online via the Benefits Source website at mysourceforhr.com or call the Benefits Source toll-free number at **1-888-640-3320** to speak with a customer service associate.

Travel Accident Benefit Exclusions

The Plan does not cover any accidental death incurred due to:

- Commuting to and from work, and any travel during lunches, breaks and vacations;
- Suicide or any attempted suicide while sane or self-destruction or an attempted suicide while insane;
- Declared or undeclared war or any act of either within the United States, the District of Columbia or Canada;
- Service in the armed forces of any country; provided, however, orders to active military service for two months or less will not constitute service in the armed forces; or
- Sickness or disease, except infections that occur through an accidental cut or wound.

Filing a Claim

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim under the claims procedures described below.

In the event of death or covered loss, your beneficiary must contact the NiSource Benefits Department at 801 E. 86th Avenue, Merrillville, Indiana 46410 within 31 days or as soon as reasonably possible in order to receive benefits.

Any claims submitted after 18 months from the date of death or covered loss may not be considered for payment.

The Plan pays benefits based on the coverage that was in effect on the date of your death. The benefit is paid in the form of a lump-sum payment.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Travel Accident Plan."*

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Travel Accident Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Travel Accident
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Company and Participating Employers
Contribution Source:	Employer
Plan Sponsor:	NiSource Inc. 801 E. 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 E. 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Claims are administered by the Claims Administrator listed below Benefits will be paid under the Plan only if the applicable Plan Administrator or its delegate (e.g. the Claims Administrator) determines that the claimant is entitled to them.
Claims Administrator:	NiSource Benefits Department 801 E. 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator

Short-Term Disability Plan

Your Short-Term Disability Plan

This is the SPD for the NiSource Short-Term Disability Plan (the "Plan" or "Short-Term Disability Plan").

NiSource Inc. (the "Company") and the Participating Employers provide eligible employees with short-term disability ("STD") and sick leave coverage under the Plan at no cost to the employee. Your Employer provides you with limited income continuation should you become Disabled and unable to work because of a short-term Sickness or Injury (as defined below).

How Your Paid Sick Leave Works

Generally, if you are an eligible employee, you are granted paid sick leave on the first day of the month coincident with or next following the completion of six continuous months of active full-time employment with an Employer. All covered absences due to Sickness or Injury will be deducted from your sick leave balance and will be paid in accordance with the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Your Plan benefit is determined by your credited service years. Please see the *"Highlights of Your Disability Plan Coverage"* section for further details.

If you use all of your paid sick leave time and you are still unable to return to work, you will be on an unpaid leave of absence. You may continue in this unpaid status until:

- You are eligible to receive Long Term Disability Plan Benefits;
- You return to work;
- You terminate employment; or
- You retire.

If you are still on sick leave at the end of December and you remain unable to work into the next calendar year, you continue to use remaining sick leave from the previous year. Subject to the terms, conditions and limitations described below in "*Recurring or Separate Periods of Disability," y*ou will not receive additional hours of paid leave until you return to work for one full day in the new year. This means that you will not be granted additional hours of paid sick leave for the new year while you are absent due to Sickness or Injury.

For purposes of the Plan, "Sickness" means a disease, disorder or condition of the body or mind, including pregnancy, abortion, miscarriage or childbirth, that requires treatment by a Physician (as defined below), but does not include an Injury. Disability resulting from a Sickness must begin while you are covered under the Plan.

For purposes of the Plan, "Injury" means a bodily injury that is the direct result of an accident, that is not related to any cause other than the accident, the results in immediate disability, and that requires treatment by a Physician. Disability resulting from an Injury must begin while you are covered under the Plan.

Disability Under the Short-Term Disability Plan

If you are Disabled (as described below), you will be eligible for Plan benefits for up to maximum period of 26 weeks, at which time you may be eligible to receive Long-Term Disability Plan benefits. (See the *"Long-Term Disability Plan"* section of this Health and Welfare Benefits Handbook for details.) For Plan benefit purposes, as explained in greater detail below, you are considered "Disabled" or to have incurred a "Disability" if your Sickness (including pregnancy) or Injury prevents you from performing the essential functions of your own occupation.

There are different types of Disabilities for which you may qualify. They are defined as follows:

Total Disability

You are considered Totally Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are reasonably qualified because of your education, training, or experience. If this is the case and you are absent from work for

more than four consecutive work days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator. As used in the Plan, "essential functions" means functions that (i) are normally required for performance of your own occupation or any job requiring similar education or training that an Employer offers you and for which you are reasonably qualified by reason of your education, training, or experience, and (ii) cannot be reasonably omitted or modified.

Partial Disability

You are considered Partially Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform, on a full time basis, the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are reasonably qualified because of your education, training, or experience. If this is the case and you are absent from work for more than four consecutive days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator.

Please Note: If you are Partially Disabled, you may be assigned temporary modified work. The temporary modified work assignment must be approved by your personal physician, the Company physician (where appropriate) and your supervisor.

Please Note: If you require a professional license or certification for your occupation and you lose that license or certification, the loss (in and of itself) does not constitute a Disability under the Plan.

**As used in this SPD, "Physician" means a person who is performing tasks that are within the limits of his or her medical license and is licensed to practice medicine and prescribe and administer drugs or to perform surgery; or who has a doctoral degree in psychology (Ph.D or Psy.D) whose primary practice is treating patients; or who is a legally qualified medical practitioner according to the laws and regulations of the governing jurisdiction. It cannot be any relative including, but not limited to, you, your spouse, or a child, brother, sister, or parent of you or your spouse as a doctor for a claim that you send to us.*

Recurring or Separate Periods of Disability

If you are collecting Plan benefits due to a Disability, you temporarily recover, you return to work for your Employer for 180 consecutive calendar days or less, and you then again become Disabled due to the same or a related Sickness or Injury, your subsequent Disability is considered a recurring Disability. This means that you will be entitled to benefits for the recurring Disability for the maximum benefit period, less the benefits you have already received for that Disability.

If you are collecting Plan benefits, you temporarily recover, you return to work for your Employer for 181 or more consecutive calendar days, and you then again become Disabled due to the same Sickness or Injury, your Disability is considered a separate Disability. This means that you will be entitled to benefits for the separate Disability for your maximum benefit period. This amount will not be reduced by the benefits you already received for that Disability.*

*However, in no event will you entitled to benefits under the Plan during a calendar year in excess of the benefits applicable to you as described in the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Eligibility

For information regarding eligibility under the Short-Term Disability Plan, please see the *"Eligibility under the Short-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Short-Term Disability Plan"*.

Contributions

Your Employer pays the full cost of the Plan. There are no employee contributions.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Short-Term Disability Plan"*.

Highlights of Your Short-Term Disability Plan Coverage

Your Plan benefit is determined according to your length of service and can extend up to 26 weeks during a calendar year, based on the following schedule:

For Employees Hired Before January 1, 2017:

CREDITED YEARS OF SERVICE	You Receive 100% of Your Base Salary for the First ...	Then You Receive 60% of Your Base Salary for the Remaining ...
More Than Six Months of Service But Less Than One Year of Service	1 Week	0 Weeks
From One Year of Service to Nine Years of Service	8 Weeks	18 Weeks
From Ten Years of Service to Nineteen Years of Service	16 Weeks	10 Weeks
Twenty or More Years of Service	26 Weeks	0 Weeks

For Employees Hired On or After January 1, 2017:

CREDITED YEARS OF SERVICE	You Receive 100% of Your Base Salary for the First ...	Then You Receive 60% of Your Base Salary for the Remaining ...
Hired (or rehired with no credit for prior Years of Service) in 1st quarter of calendar year	4 days	0 days
Hired (or rehired with no credit for prior Years of Service) in 2nd quarter of calendar year	3 days	0 days
Hired (or rehired with no credit for prior Years of Service) in 3rd quarter of calendar year	2 days	0 days
Hired (or rehired with no credit for prior Years of Service) in 4th quarter of calendar year	1 day	0 days

CREDITED YEARS OF SERVICE	You Receive 100% of Your Base Salary for the First …	Then You Receive 60% of Your Base Salary for the Remaining …
January 1 after date of hire (or after date of rehire with no credit for prior Years of Service) to 9 years	8 weeks	18 weeks
10 years to 19 years	16 weeks	10 weeks
20 years or more	26 weeks	0 weeks

For purpose of determining the number of weeks of benefits to which you are entitled, Base Salary and Years of Service shall be determined as of the January 1st immediately prior to the date of Total Disability, except that

(i) for employees hired before January 1, 2017, (a) if you have more than six months but less than one Year of Service, Base Salary and Years of Service shall be determined as of the date of Total Disability, and (b) if you are a rehired employee who is entitled to credit for prior Years of Service, in the year you are rehired, Base Salary shall be determined as of the date of Total Disability and Years of Service shall be determined as of the date of your rehire according to rules described below with respect to crediting of service for rehires; and

(ii) for employees hired on or after January 1, 2017, in the year you are hired or rehired, Base Salary shall be determined as of the date of Disability and the calendar quarter in which you are hired or rehired shall be substituted for Years of Service, unless you are entitled to credit upon rehire for prior Years of Service, in which case Years of Service shall be determined as of the date of rehire.

Your Plan benefits may end prior to the periods set forth in this schedule for reasons described in the "When Benefits End" section below.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed. For more information, see the *"Claims Determination and Appeal Proc*ess – STD Plan*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 50.

Determining Years of Service

Generally

Upon your first year anniversary, you are credited with one Year of Service. On the December 31 following your first anniversary and each subsequent December 31 thereafter, you are credited with an additional Year of Service.

Crediting of Service for Rehires

If you terminated employment with, or retired from, an Employer and are rehired, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
Less than one year after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, including time of break
At least one year, but less than five years, after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, but excluding time during break in service.
At least five years after termination of employment or retirement from employment	No service credit. Participant begins with zero Years of Service upon rehire.

Crediting of Service for Rehires Who Previously Worked for Columbia Pipeline Group

If (i) you were an active employee of Columbia Pipeline Group, Inc. or its affiliates as of July 1, 2015, (ii) you terminated employment, or retired from employment, with Columbia Pipeline Group, Inc. or its affiliates on or after July 1, 2015, and (iii) you were thereafter rehired by an Employer, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
On or after July 1, 2015 and before July 1, 2016	All service with an Employer from the date of original hire prior to July 1, 2015 to and including the date of rehire by an Employer on or after July 1, 2015.
On or after July 1, 2016 and before July 1, 2020	All service with an Employer from the date of original hire prior to July 1, 2015, to and including June 30, 2015
On or after July 1, 2020	No service credit. Participant begins with zero Years of Service upon rehire.

Determination of Benefits Generally

Subject to the "How Your Paid Sick Leave Works" and the "Recurring or Separate Periods of Disability" sections of this SPD and upon your first year anniversary, you are entitled to receive benefits for the full benefit period of 26 weeks (1040 hours) for each calendar year.

To determine your Plan benefit, the Plan takes a percentage of your Base Salary*. This is called your "gross Plan benefit" The Plan then deducts any "other sources of disability income" from this amount to determine your "net Plan benefit."

Special provisions apply and are described below if you are Partially Disabled and are able to perform a temporary modified work assignment.

*"Base salary" means your basic earnings plus any before tax deposits deferred under a qualified retirement plan of an Employer. If you receive sales commissions, your Base Salary will be your average hourly wage based on the 12 consecutive calendar months immediately preceding the last day you were actively at work.

Your Base Salary does not include:

- Overtime;
- Shift differentials;
- Bonuses; or
- Any other form of special compensation.

Other Sources of Disability Income

You may be eligible for income from other sources due to your Disability. If this is the case, your benefits under the Plan will be fully offset by such other sources of Disability income.

Other sources of Disability income for which you are eligible, or that have been paid to you or to a third party on your behalf may include, but are not limited to, the amount of any benefit for loss of income for the same Disability from:

- The United States Social Security Act, the Railroad Retirement Act, the Jones Act, or similar plan or act
- Any temporary or permanent disability benefits under a Workers' Compensation law (does not include permanent impairment award), occupational disease law, or similar law
- The Veteran's Administration or any other foreign or domestic governmental agency
- Any governmental law or program that provides disability or unemployment benefits as a result of your employment with an Employer, including any state disability program;
- Disability benefits from any compulsory "no-fault" automobile insurance.

If you receive a benefit from another source of income in the form of a single lump sum, the amount of offset to the weekly benefit amount will be determined by prorating the lump sum over a period of 26 weeks.

State Disability Programs

If you work in a state that requires a state-defined disability plan, you are also covered under the provisions of the laws and regulations of that state plan. Your gross Plan benefit is reduced by the amount you are eligible to receive under any state disability program.

Applying for Other Sources of Disability Benefits

If you are eligible to receive disability benefits from other sources, you should apply as soon as possible. You should notify the Claims Administrator that you are eligible to receive other disability income as soon as possible.

When Benefits End

Your benefit payments will end as set forth in the schedule above, or sooner if any of the following events occur:

- You fail to submit evidence of your Disability or such other documents (if any) that the Plan deems necessary to administer the Plan, in accordance with Plan procedures;
- You do not comply with the Plan's request for evidence of your continuing Disability,

an independent medical examination or other examinations or tests;

- You fail or refuse to perform any temporary modified work assignment, in the case of a Partial Disability;
- You fail to participate in or comply with all requirements of the Disability Management Program;
- You are engaged in any other occupation or earn any self-employment income in excess of a de minimis amount;
- You are not under the regular care of a physician as required by your condition or you are not following the physician's treatment plan;
- You participate in and are convicted of a felony offense. In such case, your Disability will be determined to have ceased as of the date that you first participated in the felony offense;
- You commit or partake in any actions of fraud against the Plan or an Employer;
- You are no longer considered by the Plan to be Disabled;
- Your 26-week benefit period ends;
- You become eligible for LTD Plan benefits;
- You have been terminated or have voluntarily terminated employment with an Employer (other than transfer to another Employer);
- You are no longer eligible for coverage under the Plan; or,
- You die.

Plan Benefit Exclusions

The Plan does not pay benefits under certain circumstances. These circumstances include, but may not be limited to, the following:

- Failure to participate in or provide the Disability Management Program with all the required documentation regarding your Disability.
- Sickness or Injury that occurs while:
  - You are on a leave of absence;
  - You are furloughed from work;
  - You are suspended from work; or
  - You are considered an inactive employee.
- Disability that is caused or contributed to by an intentionally self-inflicted injury.
- If you are absent from work for more than four consecutive work days and the disability is not being treated by a Physician.
- Disability caused or contributed to by war or an act of war (declared or not).
- Disability caused by your commission of or attempt to commit a crime for which you have been convicted, or to which a contributing cause was your involvement in an illegal occupation.

Claiming Benefits

If you are unable to work because of Sickness or Injury, you must adhere to the following procedures to qualify for Plan benefits:

- Call your supervisor before your normal work day begins. If that is not possible, be sure to contact your supervisor as soon as you can. If you cannot call in, please be sure that someone calls in on your behalf. *Your Employer may require that you provide a Physician's statement confirming your Sickness or Injury before your absence is actually approved.*
- If you are, or know you will be, absent from work for more than four consecutive work days, call the Benefits Source at 1-888-640-3320 or the Claims Reporting Hotline at 1-877-ENERGY4, Option #3, then Option #1, to report your Sickness or Injury to the Plan's Disability Management Program.

Disability Management Program

You must participate in the Disability Management Program to qualify for Plan benefits. The Disability Management Program certifies that you qualify for Plan benefits beyond the fourth day of absence. You will

be assigned a "Claims Administrator" who will:

- Guide you through the disability benefits that may apply to your situation;
- Certify whether your disability qualifies for STD pay; and
- Help develop a reasonable return-to-work plan with you, your physician, and your supervisor.

You will be expected to participate fully in the Disability Management Program. You must:

- Supply the authorization and documentation as described in the following section;
- Maintain contact with your Claims Administrator;
- Follow the medical treatment plan that is agreed to by your Claims Administrator and your physician; and
- Return to work at the time that is agreed to by you, your Claims Administrator, your physician, and your supervisor.

Authorization and Documentation You Will Need to Supply

Upon request from the Claims Administrator, you may need to provide certain information. Failure to provide this information may deny, suspend or terminate your Plan benefits. The information includes, but is not limited to the following:

- Signed authorization form for the Claims Administrator to obtain all reasonably necessary medical, financial, or other non-medical information that supports your Disability claim.
- Proof that you have applied for other sources of disability income (i.e., Workers' Compensation, State Disability Benefits, or Social Security Disability Benefits, when applicable).
- Notification of when you receive or are awarded a benefit from another source of disability income, including the:
  - Type of income benefit;
  - Amount you are receiving;
  - Period for which the benefit applies; and
  - Duration for which the benefit is being paid (if you are receiving installment payments).

Also, your Employer may require a "doctor's release" to return to work.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Short-Term Disability Plan."*

Other Information

If Your Disability Reaches Five Months in Duration

You should apply for Social Security disability benefits by the end of the fourth month from the day your Disability began. (The Claims Administrator can help you with the filing process). In addition, if you are eligible to receive disability benefits from another source, you should apply as soon as possible.

Temporary Modified Work Assignment

If you qualify for a Partial Disability and you are working on a temporary modified work assignment, you will receive your Base Salary for the hours you work and Plan benefits (based on the Plan's provisions) for the hours you are not working.

If, in the Claims Administrator's opinion, you could perform a temporary modified work assignment (given your condition) and you refuse the assignment, the Plan benefit for which you would be otherwise eligible ends.

Family and Medical Leave Act (FMLA)

While collecting Plan benefits, you may also be eligible for leave under the Family and

Medical Leave Act of 1993 (FMLA). If you are eligible for and approved for a FMLA leave for your own serious health condition, your FMLA leave will run concurrently with Plan coverage for up to 12 weeks. Please refer to your Employer's FMLA Policy.

Continuation of Other Coverages

Certain coverages provided to you under the Program may continue while you are receiving Plan benefits or if you have an appeal pending in accordance with the provisions of the Plan. Any contributions that you are required to make toward the cost of these coverages (as well as your contributions to a retirement plan sponsored by an Employer) will be deducted from your Plan benefits. If your Plan benefits are insufficient to cover all of your benefit deductions, the Benefits Source will work with you to set up a direct billing arrangement. If you have any questions regarding these coverages, call the Benefits Source at **1-888-640-3320.**

Medical, Dental, Vision, and FSA Plans

For continuation of coverage under the Medical, Dental, Vision, and FSA Plans , see the General-Sick Leave subsection of the section of the **Benefits Program Overview** entitled "Continuation of Coverage under the Medical, Dental, Vision and FSA Plans."

Life and AD&D

Life and AD&D coverage for you and your eligible dependents continues.

LTD Disability

LTD coverage continues.

(Please Note: If your Disability continues and you meet the eligibility requirements, you may qualify for Long-Term Disability Plan benefits. See the *"Long-Term Disability Plan"* section of this Handbook for details.)

Retirement Plans

You continue to earn service under any retirement plan sponsored by an Employer for which you are otherwise eligible while collecting Plan benefits. In addition, you can continue to make elective deferrals (and the Company will continue to make matching contributions, as applicable) to any retirement plan allowing elective deferrals for which you are otherwise eligible while you are collecting Plan benefits. You may, however, stop your contribution to such retirement plan(s) at any time. Please see the applicable retirement plan(s) for further information.

Other Programs

If benefits under the Adoption Assistance Plan would otherwise be available to you, these benefits will not be available to you while you are collecting Plan benefits.

Contact Information

If you need answers to specific coverage related questions, contact the Benefits Source by going to their website or using their automated telephone system. Both the website and the automated telephone system can connect you with the Claims Administrator (if necessary).

Coverage Option	Contact
Short-Term Disability Plan	ESIS mysourceforhr.com (link to ESIS.com) 1-888-640-3320 (Benefits Source) You can connect with the Claims Administrator by phone via the Benefits Source automated telephone system.

General Plan Information

Program Name	NiSource Welfare Benefits Program
Plan Name:	NiSource Short-Term Disability Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Short-Term Disability
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions, and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-5539
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under the Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., the Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	ESIS Two Riverway Suite 1100 Houston, Texas 77056
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may also be made upon the Plan Administrator.

Long-Term Disability Plan

Basic LTD Coverage

Supplemental LTD Coverage

Your Long-Term Disability Options

NiSource Inc. (the "Company") offers the NiSource Long-Term Disability Plan (the "Plan") to eligible employees with the following coverage options:

- Basic LTD Coverage Option; and
- Supplemental LTD Coverage Option.

Benefits are provided under a group insurance contract (the "Group Contract") and a group insurance certificate (the "Group Insurance Certificate") issued by The Prudential Insurance Company of America ("Prudential"), who is the Claims Administrator and is wholly responsible for the payment of benefits.

You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description. *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at 1-888-640-3320.*

The Plan provides financial protection for you by paying a portion of your income while you have a long period of disability. The amount you receive is based on the amount you earned before your disability began. In some cases, you can receive disability payments even if you work while you are disabled. Benefits begin after the elimination period is completed. The elimination period is the period of continuous disability that must be satisfied before you are eligible to receive benefits and is the longest of (i) 180 days; (ii) the length of time for which you receive loss of time benefits, salary continuation or accumulated sick leave; and (iii) the date that you are absent from work for 1040 hours due to your disability.

If you are determined to be disabled, the Basic LTD Coverage Option provides monthly benefits of the lesser of (i) 50% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $8,333.00.

If you are determined to be disabled, the Supplemental LTD Coverage Option provides monthly benefits of the lesser of (i) 60% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $10,000.00. You pay a portion of the cost of the Supplemental LTD Coverage Option.

Your benefit may be reduced by deductible sources of income and disability earnings. Some disabilities may not be covered or may have limited coverage under the Plan. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan. Refer to the Group Insurance Certificate for further details.

See "*Highlights of the Long-Term Disability Plan Coverage*" below for examples illustrating the payment of monthly benefits.

Eligibility

For information regarding eligibility under the Long-Term Disability Plan, please see the *"Eligibility under the Long-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Long-Term Disability Plan"*.

Contributions

The Basic LTD Coverage Option is provided at no cost to you. If you elect the Supplemental LTD Coverage Option, you and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at* ***1-888-640-3320****.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends –Long-Term Disability Plan"*.

Highlights of the Long-Term Disability Plan Coverage

The information below describes how the Plan pays benefits if a participant becomes disabled and is unable to work and when a participant becomes disabled, but continues working. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan.

If you are Disabled and Not Working

If you have the Basic LTD Coverage Option, your Monthly Payment is the lesser of:

- 50% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $8,333.00 per month.

If you have elected the Supplemental LTD Coverage Option, your monthly payment is the lesser of:

- 60% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $10,000.00 per month

If You Are Disabled and Working

If your monthly disability earnings ("Disability Earnings") are less than 20% of your indexed monthly earnings ("Indexed Monthly Earnings"), your LTD benefit is the same as it would be if you were not working.

If your Disability Earnings are greater than 80% of your Indexed Monthly Earnings, no benefit is payable to you. If benefits have already commenced, Prudential will stop sending you payments and your claim will end.

If you are disabled and your monthly Disability earnings are at least 20%, but not more than 80%, of your Indexed Monthly Earnings, due to the same sickness or injury, Prudential will figure your payment as follows:

During the first 12 months of payments, while working, your monthly payment will not be reduced as long as Disability Earnings plus the gross disability payment does not exceed 100% of Indexed Monthly Earnings.

1. Add your monthly Disability Earnings to your gross disability payment.

2. Compare the answer in item 1 to your Indexed Monthly Earnings.

If the answer from item 1 is less than or equal to 100% of your Indexed Monthly Earnings, Prudential will not further reduce your monthly payment.

If the answer from item 1 is more than 100% of your Indexed Monthly Earnings, Prudential will subtract the amount over 100% from your monthly payment.

After 12 months of payments, while working, you will receive payments based on the percentage of income you are losing due to your Disability.

1. Subtract your Disability Earnings from your Indexed Monthly Earnings.

2. Divide the answer in item 1 by your Indexed Monthly Earnings. This is your percentage of lost earnings.

3. Multiply your monthly payment by the answer in item 2.

This is the amount Prudential will pay you each month.

The minimum monthly payment is the greater of (a) 10% of the gross disability payment otherwise payable, and (b) $100.

If your Disability Earnings are expected to fluctuate widely from month to month, Prudential may average your Disability Earnings over the most recent 3 months to determine if your claim should continue subject to all other terms and conditions of the Plan. If Prudential averages your

Disability Earnings, it will terminate your claim if the average of your Disability Earnings form the last 3 months exceeds 80% of Indexed Monthly Earnings. Prudential will not pay you for any month during which Disability Earnings exceed the foregoing amounts.

Definition of "Disability"

You are "disabled" when Prudential determines that:

- you are unable to perform the material and substantial duties of your regular occupation due to your sickness or injury;
- you have a 20% or more loss in your monthly earnings due to that sickness or injury; and
- you are under the regular care of a doctor.

After 24 months of payments, you are disabled when Prudential determines that due to the same sickness or injury,

- you are unable to perform the duties of any gainful occupation for which you are reasonably fitted by education, training or experience; and
- you are under the regular care of a doctor.

The loss of a professional or occupational license or certification does not, in itself, constitute disability.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received by Prudential within 30 days of its request.

Prudential may require you to be examined by doctors, other medical practitioners or vocational experts of its choice. It will pay for these examinations. Prudential can require examinations as often as it is reasonable to do so. It may also require you to be interviewed by an authorized Prudential Representative. Refusal to be examined or interviewed may result in denial or termination of your claim.

Additional Definitions

Active employment means you are classified as working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. You must be working at least 40 hours per week. Your worksite must be: your Employer's usual place of business; an alternate worksite at the direction of your Employer other than your home unless clear specific expectations and duties are documented; or a location to which your job requires you to travel. Normal vacation is considered active employment. Individuals whose employment status is being continued under a severance or termination agreement will not be considered in active employment.

Deductible sources of income means income from deductible sources listed in the Group Insurance Certificate that you receive or are entitled to receive while you are disabled. This income may be subtracted from your gross disability payment. Examples of deductible sources of income include but are not limited to (a) amounts you receive or are entitled to receive as (i) loss of time benefits under a workers' compensation law, an occupational disease law or any other act or law with similar intent; or (ii) loss of time disability income payments under any state compulsory benefit act or law, any insurance, health or welfare plan or other group insurance plan where the Employer, directly or indirectly, has paid all or part of the cost or made payroll deductions, or any governmental retirement system as a result of your job with your Employer; (b) the gross amount you receive or are entitled to receive as loss of time disability payments because of your disability under the United States Social Security Act or any similar plan or act; (c) the gross amount you receive as retirement payments under the United States Social Security Act or any similar plan or act; (d) the amount your receive as "wages" under the maritime doctrine of maintenance, wages and cure; and (e) the amount you receive, due to your disability, from a third party (after subtracting attorneys' fees and a pro-rata share of reasonable fees and costs) by judgement, settlement or otherwise. Refer to

the Group Insurance Certificate for a complete list of these sources.

Disability earnings means the earnings which you receive while you are disabled and working, plus the earnings you could receive if you were working to your greatest extent possible. This would be, based on your restrictions and limitations: (i) during the first 24 months of disability payments, the greatest extent of work you are able to do in your regular occupation, that is reasonably available; and (ii) beyond 24 months of disability payments, the greatest extent of work you are able to do in any occupation, that is reasonably available, for which you are reasonably fitted by education, training or experience. Salary continuance paid to supplement your disability earnings will not be included as disability earnings because it is not payment for work performed.

Gainful occupation means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 50% of your monthly earnings, if you are not working. However, if you enrolled in the Supplemental LTD Coverage Option, it means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 60% of your monthly earnings, if you are not working

Gross disability payment means the benefit amount before Prudential subtracts deductible sources of income and disability earnings.

Indexed monthly earnings means your monthly earnings as adjusted on each July 1, provided you were disabled for all of the 12 months before that date. Your monthly earnings will be adjusted on that date by the lesser of 10% or the current annual percentage increase in the Consumer Price Index. Your indexed monthly earnings may increase or remain the same, but will never decrease.

Injury means a bodily injury that is the direct result of an accident, that is not related to any other cause, and that results in immediate disability. Disability must begin while you are covered under the Plan.

Material and substantial duties means duties that:

- are normally required for the performance of your regular occupation; and
- cannot be reasonably omitted or modified, except that if you are required to work on average in excess of 40 hours per week, Prudential will consider you able to perform that requirement if you are working or have the capacity to work 40 hours per week.

Monthly earnings means your total annual income before taxes divided by 12. It is determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan, or flexible spending account. It includes income actually received from commissions but does not include renewal commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer. Commissions will be averaged for the lesser of: (a) the 24 full calendar month period of your employment with your Participating Employer just prior to the date disability begins; or (b) the period of actual employment with your Employer.

Regular occupation means the occupation you are routinely performing when your disability occurs. Prudential will look at your occupation as it is normally performed instead of how the work tasks are performed for a specific employer or at a specific location.

Sickness means any disorder of your body or mind, but not an injury; pregnancy including abortion, miscarriage or childbirth. Disability must begin while you are covered under the Plan.

Taxability of Monthly Benefits

Because your Employer pays the entire cost of your Basic LTD Coverage and does not include this cost in your gross-income, and because you pay for any Supplemental LTD Coverage

on a pre-tax basis, any monthly benefits you receive under the Plan will be taxable to you pursuant to the Code and guidance issued thereunder.

Maximum Period of Payments

The longest period of time the Plan will make payments to you for any one period of disability (your "maximum period of payment") is as follows:

Your Age on Date Disability Begins	Your Maximum Period of Payment
Less than 60	To age 65
Age 60 and over	60 months

Prudential will stop sending you payments while you are incarcerated as a result of a conviction.

In addition, Prudential will stop sending you payments and your claim will end on the earliest of the following:

- During the first 24 months of payments, when you are able to work in your regular occupation on a "part-time basis" but you choose not to; after 24 months of payments, when you are able to work in any gainful occupation on a part-time basis but you choose not to. "Part-time basis" means the ability to work and earn 20% or more of your indexed monthly earnings.
- The end of the maximum period of payment.
- The date you are no longer disabled under the terms of the Plan.
- The date you fail to submit proof of continuing disability satisfactory to Prudential.
- The date your disability earnings exceed the amount allowable under the Plan.
- The date you retire.
- The date you die.
- The date you decline to participate in a rehabilitation program that Prudential considers appropriate for your situation and that is approved by your doctor.

Notwithstanding the above, disabilities due to a sickness or injury which, as determined by Prudential, are primarily based on self-reported symptoms have a limited pay period during your lifetime. "Self-reported symptoms" means the manifestations of your condition, which you tell your doctor, that are not verifiable using tests, procedures and clinical examinations standardly accepted in the practice of medicine. Examples include, without limitation, headache, pain, fatigue, stiffness, soreness, ringing in ears, dizziness, numbness and loss of energy.

Also, disabilities which, as determined by Prudential, are due in whole or part to mental illness also have a limited pay period during your lifetime. "Mental illness" means a psychiatric or psychological condition regardless of cause and includes, without limitation, schizophrenia, depression, manic depressive, or bipolar illness, anxiety, somatization, substance related disorders, and/or adjustment disorders or other conditions. These conditions are usually treated by a mental health provider or other qualified provider using psychotherapy, psychotropic drugs, or other similar methods of treatment as standardly accepted in the practice of medicine.

The limited pay period for self-reported symptoms and mental illness combined is 24 months during your lifetime. There are exceptions to the limited pay period rules. Refer to the Group Insurance Certificate for a detailed explanation of these exceptions.

Recurrent Disabilities

If you have a "recurrent disability," as determined by Prudential, your disability will be treated as part of your prior claim and you will not have to complete another elimination period if (a) you were continuously insured under the Plan for the period between your prior claim and your current disability; and (b) your recurrent disability occurs within 180 days of the end of your prior claim.

Your recurrent disability will be subject to the same terms of the Plan as your prior claim.

Any disability which occurs after 180 days from the date your prior claim ended will be treated as a new claim. The new claim will be subject to all of the Plan provisions.

If you become covered under any other group long term disability plan, you will not be eligible for payments under the Plan.

A "recurrent disability" is a disability that is (a) caused by a worsening in your condition; and (b) due to the same cause(s) as your prior disability for which the Plan made a Long Term Disability payment.

Exclusions from Coverage

The Plan does not cover any disabilities caused by, contributed to by, or resulting from your:

- intentionally self-inflicted injuries;
- active participation in a riot; or
- commission of a crime for which you have been convicted under state or federal law.

The Plan does not cover a disability which is due to a pre-existing condition.

The plan does not cover a disability due to war, declared or undeclared, or any act of war.

You have a pre-existing condition if:

- You received medical treatment, consultation, care or services including diagnostic measures, took prescribed drugs or medicines, or followed treatment recommendation in the 3 months just prior to your effective date of coverage or the date an increase in benefits would otherwise be available; and
- Your disability begins within 12 months of the date your coverage under the Plan becomes effective.

Pre-existing conditions may also affect an increase in your benefits due to an amendment of the Plan or your enrollment in another Plan option. *For further details, refer to the Group Insurance Certificate. You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

Survivor Benefits

When Prudential receives proof that you have died, it will pay your spouse, if living; otherwise, your children under age 25 (your "eligible survivors"), a lump sum benefit equal to 3 months of your gross disability payment if, on the date of your death:

- your disability had continued for 180 or more consecutive days; and
- you were receiving or were entitled to receive payments under the plan.

If you have no eligible survivors, payment will be made to your estate. However, Prudential will first apply the survivor benefit to any overpayment which may exist on your claim.

Other Services Provided Under the Plan

As part of your coverage under the Plan, Prudential also provides certain benefits in the nature of a Social Security Claimant Assistance Program, a Rehabilitation Program and a program of reimbursing employers for the cost of certain worksite modifications that are identified by your Employer and Prudential as being likely to help you remain at work or return to work. Refer to the Group Insurance Certificate for further details regarding these programs. With respect to the Rehabilitation Program, if at any time you decline to take part in or cooperate in a rehabilitation evaluation/assessment or program that Prudential feels is appropriate for your disability and that has been approved by your doctor, Prudential will cease paying your monthly benefit.

Filing A Claim

General

Written notice of a claim should be sent to Prudential within 30 days after the date your disability begins. However, you must send Prudential written proof of your claim no later than 90 days after your elimination period ends. If it is not possible to give proof within 90 days, it must be given no later than

1 year after the time proof is otherwise required except in the absence of legal capacity. You must notify us immediately when you return to work in any capacity.

*Claim forms can be obtained from Prudential by phone via the Benefits Source at **1-888-640-3320**, or online via the Benefits Source website at mysourceforhr.com. If you do not receive the form from Prudential within 15 days of your request, send Prudential written proof of claim without waiting for the form.*

How to File Claims

You and your Employer must fill out your own section of the claim form and then give it to your attending doctor. Your doctor should fill out his or her section of the form and send it directly to Prudential.

Your proof of claim, provided at your expense, must show:

- That you are under the regular care of a doctor.
- Appropriate documentation of your monthly earnings.
- The date your disability began.
- Appropriate documentation of the disabling disorder.
- The extent of your disability, including restrictions and limitations preventing you from performing your regular occupation or any gainful occupation.
- The name and address of any hospital or institution where you received treatment, including all attending doctors.
- The name and address of any doctor you have seen.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received within 30 days of a request by Prudential.

In some cases, you will be required to give Prudential authorization to obtain additional medical information, and to provide non-medical information as part of your proof of claim, or proof of continuing disability. This proof, provided at your expense, must be received within 30 days of a request by Prudential. Prudential will deny your claim or stop sending you payments if the appropriate information is not submitted.

Recovery of Overpayments

Prudential has the right to recover any overpayments due to (i) fraud; (ii) any error Prudential makes in processing a claim, and (iii) your receipt of deductible sources of income.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Long-Term Disability Plan."*

Continuation of Other Coverages

Certain coverages provided to you under the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program continue while you are Disabled and receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee. Any contributions that you are required to make toward the cost of these coverages will be billed to you. For further information regarding the billing arrangement, contact the Benefits Source.

Medical, Prescription Drug, Vision and Dental
Medical, vision and dental coverages for you and your eligible dependents continue while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee and so long as premiums are timely paid.

Life and AD&D
Life and AD&D coverages for you and your eligible dependents continue while you are

receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee and so long as premiums are timely paid.

Health Care Flexible Spending Account

Your Health Care FSA coverage continues while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee.

Dependent Care Flexible Spending Account

You cannot continue to make contributions to the Dependent Care FSA while you are receiving Plan benefits. You may use the existing balance in your account to pay for any eligible expense that you incurred prior to the commencement of your Plan benefits.

HSAs

You may receive an Employer contribution to your HSA if you are enrolled in an HDPPO coverage option and are otherwise eligible to contribute to a Health Savings Account. You may also contribute to your HSA while you are receiving Plan benefits; however your contribution may not be funded out of your Plan benefit payments.

Retirement Plans

While you are receiving Plan benefits, you may continue to earn service under your retirement plans. However, your contributions to the Savings Plan automatically stop. You are eligible to receive the value of your Savings Plan Account due to your disability. Refer to the Savings Plan and your other retirement plans for further information.

Other Programs

The Adoption Assistance and the Tuition Reimbursement Programs are not available to you while you are receiving Plan benefits.

Important Information For Residents Of Certain States

There are state-specific requirements that may change the provisions under the Coverage(s) described in the Group Insurance Certificate and in this summary plan description. If you live in a state that has such requirements, those requirements will apply to your Coverage(s) and are made a part of your Group Insurance Certificate and this summary plan description. Prudential has a website that describes these state-specific requirements. You may access the website at prudential.com/etonline. When you access the website, you will be asked to enter your state of residence and your Access Code. Your Access Code is 93191.

If you are unable to access this website, and if you want to receive a printed copy of these requirements or have any questions, call Prudential at 1-866-439-9026.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Long-Term Disability Plan (a component of NiSource Welfare Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing disability benefits
Plan Number:	537
Contribution Source:	Basic LTD Coverage: Employer Supplemental LTD Coverage: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	The Prudential Insurance Company of America 751 Broad Street Newark, New Jersey 07102
Claims Administrator: (if you need to submit a claim)	The Prudential Insurance Company of America Prudential Disability Management Services P.O. Box 13480 Philadelphia, Pennsylvania 19176
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by The Prudential Insurance Company of America provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. ***In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail***. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

The Prudential Insurance Company of America, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Life and AD&D Plan

Employee Term Life Coverage – Basic and Optional Plans

Dependents Term Life Coverage

Employee AD&D Coverage – Basic and Supplemental Plans

Dependents AD&D Coverage

Your Life Insurance and AD&D Options

This is the SPD (the "Life and AD&D SPD") for the NiSource Life Insurance Plan, also referred to as the Life and AD&D Plan. In this Life and AD&D SPD, the Life and AD&D Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible employees with the following coverage options (each a "Life and AD&D Coverage Option"):

- Basic Employee Term Life Coverage Option;
- Optional Employee Term Life Coverage Option;
- Dependents Term Life Coverage Option;
- Basic Employee Accidental Death and Dismemberment ("AD&D") Coverage Option;
- Supplemental Employee AD&D Coverage Option; and
- Dependents AD&D Coverage Option

The Life and AD&D Coverage Options other than the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option are referred to collectively as the "Optional Life and AD&D Coverage Options."

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this summary plan description, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

The Plan provides life insurance and AD&D coverage on the persons of eligible employees ("Employee Insurance") and, if elected, on the persons of your "eligible dependents" ("Dependents Insurance"). See the individual Benefit Plan sections below for a summary of the benefits offered under each of the Coverage Options listed above.

Eligibility

For information regarding eligibility under the Life and AD&D Plan, please see the *"Eligibility under the Life and AD&D Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Life and AD&D Plan"*.

Contributions

Premium contributions are not required for the Basic Employee Term Life Coverage Option or the Basic Employee AD&D Coverage Option. If you elect coverage under any of the Optional Life and AD&D Coverage Options, you will pay for the cost of such coverage. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at **1-888-640-3320**.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Life and AD&D Plan, please see the subsection of the

Benefits Program Overview entitled *"When Coverage Begins and Ends – Life and AD&D Plan"*.

Definition of "Earnings"

For commission paid employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings include the annualized average commissions earned during the shorter of (i) the 24 month period just prior to your date of loss; or (ii) your period of employment. Bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer are not included.

For all other employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings do not include commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under each Life and AD&D Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at **1-888-640-3320**.

Insurance under a Life and AD&D Coverage Option may not be assigned.

Basic Employee Term Life Coverage

The Basic Employee Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. If you are also enrolled in Optional Employee Term Life Coverage, the amount of your Basic Employee Term Life Coverage will be added to your Optional Term Life Coverage before rounding takes place. The maximum benefit (for Basic and Optional Employee Term Life Coverage combined) is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 58.

Optional Employee Term Life Coverage

You may enroll in one of the options below for optional term life coverage.

	Amount of Insurance (Multiple of Annual Earnings)	
Benefit Classes	**Sum of Basic + Optional**	**Optional**
Option 1	3x annual Earnings	1x annual Earnings
Option 2	4x annual Earnings	2x annual Earnings
Option 3	5x annual Earnings	3x annual Earnings
Option 4	6x annual Earnings	4x annual Earnings
Option 5	7x annual Earnings	5x annual Earnings

If the amount of your Basic Employee Term Life Coverage, when added to the amount of your Optional Employee Term Life Coverage, is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. However, the maximum benefit for Basic and Optional Employee Term Life Coverage combined is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Any requested change in coverage (increase or decrease) must be made within 31 days of a qualified life event or in connection with annual enrollment.

Notwithstanding the foregoing, the amount of your coverage may not exceed the "guaranteed issue amount" unless you submit evidence of insurability that is satisfactory to Securian and you are actively at work. The "guaranteed issue amount" is the lesser of (1) three times (3x) your annual Earnings, and (2) $500,000. Also, you must submit evidence of insurability if you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and your application is made more than 31 days after the date you first became eligible for coverage.

Without limiting the generality of the foregoing, you will need to provide evidence of insurability

- If you are a regular new hire or newly eligible for coverage and you apply for coverage under the Optional Employee Term Life Coverage Option in an amount greater than three times (3x) your annual Earnings (Basic plus Optional Coverage combined), or if the total amount of your Term Life Coverage after giving effect to your Optional Employee Term Life Coverage exceeds $500,000;
- If you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and the date you apply during annual enrollment is more than 31 days after your date of hire or the date you newly became eligible for coverage;
- If you are currently enrolled in the Optional Employee Term Life Coverage Option, you want to increase your coverage during annual enrollment, and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your Term Life Coverage after giving effect to your requested increase in coverage exceeds $500,000;
- If you request an increase in coverage due to a qualified life event and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your combined coverage under the Basic Employee Term Life Coverage Option and the Optional Employee Term Life Coverage Option (your "Employee Term Life Insurance") after giving effect to your requested increase in coverage exceeds $500,000;
- If you desire life insurance coverage and have an individual life insurance contract you obtained by converting your coverage under the Plan;
- The insurance for which you previously enrolled did not go into effect or was terminated because you failed to make a required premium contribution; and
- If you have not met a previous evidence requirement to become insured under any plan a Participating Employer has with Securian.

Any new enrollment or requested increase in coverage that is subject to evidence of insurability will become effective when Securian decides the evidence is satisfactory and you are actively at work; provided, however, that any such new enrollment or requested increase in coverage that is made in connection with annual enrollment will be effective on the later of (1) the following January 1, and (2) the first day of the month following the date Securian decides the evidence is satisfactory and you are actively at work.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any

lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 58.

Option to Accelerate Payment of Death Benefits

If you have a Terminal Condition while insured under the Basic Employee Term Life Coverage Option or the Optional Employee Term Life Coverage Option (the "Employee Term Life Insurance"), you may elect to have an Accelerated Benefit paid to you in one lump sum, or in any other manner agreeable to you and Securian, when Securian receives proof satisfactory to it that you have a Terminal Condition.

You have a "Terminal Condition" if you have a condition caused by sickness or accident that directly results in a life expectancy of twelve months or less. Securian must be given evidence that is satisfactory to it that your life expectancy, because of sickness or accident, is twelve months or less. That evidence must include a certification by a physician, other than you or a member of your immediate family, who is licensed to practice medicine or treat illness in the state in which treatment is received. Securian has the right to have you medically examined at its own expense to verify your medical condition. Securian may do this as often as reasonably required while Accelerated Benefits are being considered or paid.

"Accelerated Benefit" means the amount of your Employee Term Life Insurance that Securian will pay if you are eligible under the Group Insurance Certificate rider with respect to Accelerated Benefits. You must take the entire Accelerated Benefit. Securian calculates the Accelerated Benefit by multiplying your death benefit (the amount of your life insurance as shown on the specifications page attached to the certificate furnished to you by Securian) by the accelerated benefit factor.

The accelerated benefit factor will be stated as a percentage of your death benefit. In calculating this factor, Securian considers your age and gender. Securian also bases its calculation of the factor upon certain assumptions, which it may change from time to time, including without limitation assumptions about expected future premiums and your life expectancy. The minimum death benefit eligible for an Accelerated Benefit is $10,000. The maximum death benefit eligible for an Accelerated Benefit is $1,000,000.

If you elect to accelerate the full amount of your death benefit, your Employee Term Life Insurance coverage and all other benefits under your certificate of insurance and any certificate supplements will end.

Your right to be paid under this option is subject to the following terms: (1) Your Employee Term Life Insurance must be in force and all premiums due must be fully paid; (2) You must make application in writing and in a form that is satisfactory to the Claims Administrator; (3) You must be the sole owner of your certificate of insurance; (4) You must not have designated an irrevocable beneficiary for your Employee Term Life Insurance; (5) You must not be required by law to use this option to meet the claims of creditors, whether in bankruptcy or otherwise; and (6) You must not be required by a government agency to use this option in order to apply for, obtain, or keep a government benefit or entitlement.

If you elect an Accelerated Benefit and the termination of your Employee Term Life Insurance causes an eligible dependent to lose life insurance coverage, he or she will be allowed to convert any such insurance to a policy of individual life insurance as discussed below under the section entitled "Conversion Privilege for Life Coverage."

If the amount of your Employee Term Life Insurance exceeds the maximum Accelerated Benefit, your Employee Term Life Insurance coverage (reduced by the amount of the Accelerated Benefit) will continue after your election of the Accelerated Benefit and your premiums will be reduced accordingly. The amount of the Accelerated Benefit will be applied first to reduce your outstanding Optional Employee Term Life Coverage and

then to reduce your outstanding Basic Employee Term Life Coverage.

Please note that any payment of an Accelerated Benefit may be taxable. You should consult your tax advisor for assistance with any questions you may have.

Refer to the Group Insurance Certificate for additional details, terms and conditions regarding this option.

Dependents Term Life Coverage

Under the Dependents Term Life Coverage Option, you may enroll your "eligible dependents" for coverage in the amounts shown below.

Your spouse who is an "eligible dependent"	
Benefit Classes	**Amount of Insurance**
Option 1	$10,000
Option 2	$25,000
Option 3	$50,000

Your children who are "eligible dependents"	
Benefit Classes	**Amount of Insurance***
Option 1	$5,000
Option 2	$10,000

You must provide evidence of insurability under the following circumstances:

- If you choose Option 3 spousal coverage (coverage in the amount of $50,000);
- If any dependent's coverage for which you previously enrolled did not go into effect under the Plan or was terminated because you did not pay a required contribution;
- If, during a previous period of eligibility, you failed to submit evidence of insurability that was required for a dependent or that which was submitted was not satisfactory to Securian; or
- Your dependent is insured by an individual policy issued under the terms of the conversion right.

Option 3 spousal coverage will become effective on the date Securian decides the evidence of insurability is satisfactory.

If a dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released form such hospitalization or confinement.

No enrollment or increases in coverage may become effective so long as your "eligible dependents" are confined for medical care or treatment, whether at home or elsewhere.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 58.

Payment of Death Benefits under Life Coverage

If you or your "eligible dependent" dies while covered under the Plan, the amount of insurance on you or your "eligible dependent" is payable when Securian's home office receives written proof satisfactory to it that you or your eligible dependent died while covered under the Plan and insured under the Group Insurance Certificate. If you or an "eligible dependent" die within 31 days after ceasing to be covered under the Plan, but while you or your "eligible dependent," as the case may be, are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of

insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Employee Term Life Insurance are payable according to Securian's beneficiary and mode of settlement rules. Death benefits under the Dependents Term Life Coverage Option are payable to you, if you are living. If you are not living, benefits are payable to your estate.

Conversion Privilege for Life Coverage

If all or a part of your Employee Term Life Insurance or your coverage under the Dependents Term Life Coverage Option terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Neither the conversion right nor the limited conversion right is available if your coverage under the Plan or Group Contract terminates due to failure to make, when due, required premium contributions. Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by Securian for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features"* below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Basic Employee AD&D Coverage Option

The Basic Employee AD&D Coverage Option provides a benefit in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. The maximum benefit (for Basic and Supplemental Employee AD&D Coverage combined) is $1,500,000.

Supplemental Employee AD&D Coverage Option

You may enroll for supplemental employee AD&D coverage in any multiple of $10,000 up to the lesser of (1) ten times your annual Earnings, and (2) $1,500,000 minus the amount of your insurance under the Basic Employee AD&D Coverage Option).

Dependents AD&D Coverage Option

You may enroll for AD&D coverage on each of your "eligible dependents" in an amount equal to a percentage of your Supplemental Employee AD&D Coverage, as set forth below:

Eligible dependents	Amount of Insurance on each Eligible Dependent (as % of Employee AD&D Coverage)
Spouse only	60% on spouse
Child(ren) only	10% on each child
Spouse and child(ren)	50% on spouse; 10% on each child

Additional AD&D Coverage

The Plan provides additional benefits under the Basic, Supplemental Employee, and Dependents AD&D Coverage Options for a person's loss of life as a result of a covered accident in an automobile while using a seat belt and as a result of an accident in an automobile while using an air bag. The additional benefit is in an amount equal to the lesser of (1) 10% of your full amount of insurance on the person, and (2) $10,000. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; one hand and one foot; one hand and sight of one eye; one foot and sight of one eye; speech and hearing; quadriplegia	100%
Paraplegia	75%
One hand; one foot; sight of one eye; speech; hearing; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

Benefits may be paid for more than one accidental injury but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A Loss is not covered if it results from any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted Injuries, or any attempt to inflict such Injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the Loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including

Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit an assault or felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 58.

Portability of Life and AD&D Coverage

If coverage under any of the Life and AD&D Coverage Options ceases, you may have the right to apply for coverage for yourself and for your "eligible dependent," as the case may be, under a Portability Plan maintained by Securian. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Policy would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue dependent coverage under a Life and AD&D Coverage Option, you must port your corresponding employee coverage. In addition, life insurance coverage must be ported in order to port accidental death and dismemberment insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Portability Coverage in Lieu of Conversion Coverage

The right to elect term life coverage under the Portability Plan is in lieu of the conversion privilege under the Employee Term Life Insurance and the Dependents Term Life Coverage Option, except that you or your "eligible dependent," as the case may be, may convert the amount of insurance under the Employee Term Life Insurance or the Dependents Term Life Coverage Option that exceeds the maximum amount of coverage that may be obtained under the Portability Plan.

Your Eligibility for Portability Coverage

You and your eligible dependents are eligible to continue your Employee Insurance and Dependents Insurance under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you terminate employment, including retirement; or

(2) you are no longer in a class eligible for coverage or you are on a leave or layoff; or

(3) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by Securian or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) with respect to Term Life Coverage, have converted your insurance to an individual life policy as permitted by any conversion rights under the Plan; or

(3) were not actively at work due to sickness or injury on the date immediately preceding your portability date; or

(4) lose eligibility due to termination of the Plan or Group Policy.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date, but not more than $1,000,000 for an employee or $50,000 for a spouse. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date to a maximum of $650,000 for an employee or $32,500 for a spouse.

When an insured attains age 65, the amount of insurance on his or her life continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000. This minimum does not apply to a dependent.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Conversion of Portability Coverage

At any time after insurance has been continued under the Portability Plan, it may be converted to a policy of individual insurance with Securian. All other conditions and provisions applicable to conversion coverage will apply. See the Group Insurance Certificate for additional details.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) in the case of your dependent child or a spouse who is covered under the Plan, the date your coverage is no longer being continued under the Portability Plan or the date your spouse or child ceases to be eligible under the Plan; or

(4) 31 days after the due date of any premium contribution which is not made.

Highlights of Conversion and Portability Features

	Conversion	Portability
Can Basic Life, Optional Life, Dependent Life, be converted or ported?	Yes	Yes
Can AD&D be converted or ported?	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No. except for conversion of Dependent Life	No.
Application Deadline	Application and first month premium due 31 days after your coverage termination.	For life coverage, application due 31 days after your coverage termination. Securian will bill the participant directly. For AD&D coverage, 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101

Conformity with State Law

If any provision of this summary plan description or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should obtain a claim form and follow the instructions on the form. For AD&D claims, Securian must be given written proof of the loss for which claim is made. This proof must cover the occurrence, character and extent of that loss. It must be furnished within 90 days after the date of the loss. But, if any Life and AD&D Coverage Option provides for periodic payment of benefits at monthly or shorter intervals, the proof of loss for each such period must be furnished within 90 days after its end. A claim will not be considered valid unless the proof is furnished within these time limits. However, it may not be reasonably possible to do so. In that case, the claim will still be considered valid if the proof is furnished as soon as reasonably possible.

*Claim forms are available from Securian. Claim forms can be obtained from Securian by phone via the Benefits Source at **1-888-640-3320**, or online via the Benefits Source website at* mysourceforhr.com. *If you do not receive the form from Securian within 15 days of your request, send Securian written* proof of claim without waiting for the form.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process –Life and AD&D Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance and accidental death and dismemberment benefits
Plan Number:	536
Contribution Source:	Basic Employee Insurance: Employer Optional Employee and Dependents Insurance: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Full-Time Employees in the Columbia Energy Group Bargaining Unit Hired or Rehired Before January 1, 2013

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

As an employee of a Columbia Energy Group Subsidiary, an indirect subsidiary of NiSource Inc. ("NiSource" or "Company"), you have the benefit of choosing your own portfolio of benefit coverages from the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program (collectively the "Program") each year.

The benefit information contained in this Handbook applies to all eligible regular full-time Columbia Energy Group Bargaining Unit employees hired or rehired before January 1, 2013 who are covered under the Program. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible employees as belonging to Active Benefit Program 621.

For definitions of "Columbia Energy Group Subsidiary" and Columbia Energy Group Bargaining Unit," please see the "Definitions" Section of the **Benefits Program Overview.**

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the Benefit Plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The NiSource Benefits Committee (the "Committee") reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program (or various component benefit plans thereof) also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource offers you the following coverages in accordance with the terms of the applicable benefit plans (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Medical Plan")
- Dental Coverage (NiSource Dental Plan – referred to as the "Dental Plan")
- Vision Coverage (NiSource Vision Plan – referred to as the "Vision Plan")
- Flexible Benefits (NiSource Flexible Benefits Plan – referred to as the "Flexible Benefits Plan," and comprised of the "FSA Plan" and provisions for contributions to Health Savings Accounts, or "HSAs")
- Short-Term Disability Coverage (NiSource Short-Term Disability Plan – referred to as the "Short-Term Disability Plan")
- Long-Term Disability Coverage (NiSource Long-Term Disability Plan – referred to as the "Long-Term Disability Plan")

- Life and AD&D Coverages (NiSource Life Insurance Plan – referred to as the "Life and AD&D Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – Pension and 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Medical, Dental, Vision and Flexible Benefits Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Medical Plan, the Dental Plan, the Vision Plan, and the Flexible Benefit Plan, the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before the Plan will pay benefits.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human

Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"PBM" means the Pharmacy Benefit Manager for the Medical Plan. As of the date of this Handbook, the PBM is Anthem.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

Definitions Applicable to All Benefit Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview** and in the individual Benefit Plan sections, the following terms when used in this Handbook shall have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Columbia Energy Group" means NiSource Gas Distribution Group, Inc.

"Columbia Energy Group Bargaining Unit" means any one of the several bargaining units each of which is comprised of employees of one or more Columbia Energy Group Subsidiaries.

"Columbia Energy Group Subsidiary" means any one of the following corporations, each of which is a subsidiary of Columbia Energy Group: Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., or Columbia Gas of Virginia, Inc.

"Employer" means the Company or any Columbia Energy Group Subsidiary by whom you are employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A.

"Participating Employer" means, with respect to any Benefit Plan, the Company, a Columbia Energy Group Subsidiary, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Safety Plan Rehire" means (i) a person eligible for retiree medical and retiree life insurance benefits who is rehired by Columbia Gas of Ohio, Inc. after January 1, 2019 to support the construction activities associated with regulator station replacement in conjunction with the LP-Enhanced Safety Plan and natural gas system replacement projects, or (ii) a retiree who was rehired by Bay State Gas Company after January 1, 2019 for a short-term position as Department of Public Utilities liaison for the third-party audit of post-incident construction.

"Spouse" means a person who is treated as your spouse under the Code. ***Please Note:*** See "Eligibility under the Medical, Dental, and Vision Plans" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for medical plan coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to elect to participate in the Benefit

Plans when and to the extent provided under the applicable Benefit Plan.

***Please Note**:* It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits, required repayment of any ineligible expenses, and disciplinary action up to and including dismissal.* Also, enrollment of a dependent under the Medical Plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the Plan.

Please note that the Affordable Care Act requires us to collect the Social Security Number of each individual covered under the Medical Plan. Covered individuals may face a tax penalty for failure to provide this information. To report this information, please contact the Benefits Source at **1-888-640-3320**.

Certain Benefit Plans are maintained pursuant to one or more collective bargaining agreements. Copies of such agreements can be obtained upon written request to the Company and copies also are available for examination at the Company's principal offices at 801 East 86th Avenue, Merrillville, Indiana 46410, during regular business hours, and at other specified locations upon your request made in advance to your local HR representative.

Eligibility under the Medical, Dental and Vision Plans

You and your eligible dependents may elect to participate in the Medical, Dental or Vision Plans if you are actively at work, you are classified as a regular full-time bargaining unit employee of a Columbia Energy Group Subsidiary, and your collective bargaining agreement provides for your eligibility in such Plans.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former Spouse or your Spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated; (3) the child is dependent upon you for financial support and maintenance; (4) you continue to be covered by the Plan; (5) with respect to the Dental or Vision Plan coverage, the child is also covered under the Medical Plan, or was covered under the Dental Plan and/or Vision Plan, as the case may be, as of December 31, 2018, and has remained covered under such Plan or Plans continuously since that date; and (6) the child's disability continues;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being

legally sufficient, as having a right to participate in the Plan as a dependent.

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Medical, Dental or Vision Plan.*

Eligibility under the Flexible Benefits Plan

FSA Plan

You can elect to participate in the FSA Plan provided you are classified as a regular full-time bargaining unit employee of a Columbia Energy Group Subsidiary and your collective bargaining agreement provides for your eligibility in the FSA Plan. However, if you make contributions, or if contributions are made on your behalf, to an HSA during the Plan Year, you may not elect to make contributions to a Heath Care FSA during such Plan Year.

For purposes of reimbursement of eligible expense under the Health Care FSA, your eligible dependents include your Spouse or persons who qualify under the Code as your tax dependents for health coverage purposes.

For purposes of reimbursement of eligible expenses under the Dependent Care FSA, your eligible dependents include:

- Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child;
- Your Spouse who is physically or mentally incapable of caring for himself or herself, provided the Spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, your Spouse must regularly spend at least eight hours each day in your home;
- Any other person, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year. This includes a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step–daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.

HSAs

You can elect to contribute to a health savings account("HSA") if you are characterized as a regular full-time bargaining unit employee who is enrolled in either the HDPPO 1 or HDPPO 2 option.

Contributions to an HSA can only be made when enrolled in an HDPPO. You cannot contribute to an HSA or receive Employer contributions if you have coverage under any other health plan that is impermissible coverage for purposes of Section 223 of the Code.

Please note: *You may not contribute to your HSA and the Health Care FSA at the same time.*

The limitation on the amount you may contribute to an HSA is determined on a monthly basis. The monthly contribution limit is zero for any month in which you are enrolled in Medicare. Please note that if you first apply for Medicare benefits after you attain age 65, your Medicare enrollment will be retroactive to a date that is six months prior to the month in which you apply for benefits, but not earlier than the first month you were eligible for Medicare. Thus, your monthly HSA contribution limit may be zero for a number of months that precede your application for Medicare benefits. It is your responsibility to make sure your HSA contributions do not exceed the maximum amount permitted under the Code. Please consult your tax advisor if you have questions regarding the amount you may contribute to an HSA, including for the months leading up to your application for Medicare benefits.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Flexible Benefits Plan.*

Eligibility under the Short-Term Disability Plan

If you are classified as a regular full-time bargaining unit employee, you will be covered under the Short-Term Disability Plan as of the first day of the month coincident with or next following your completion of six continuous months of active, full-time employment with a Columbia Energy Group Subsidiary. You are a "full-time employee" if you are characterized by your Employer as a regular full-time employee who regularly works 40 hours per week. Newly hired employees must be actively at work on the date coverage is scheduled to begin.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Short-Term Disability Plan.*

Eligibility under the Long-Term Disability Plan

You are eligible to participate in the Long-Term Disability Plan if you are classified as a regular full-time bargaining unit employee of a Columbia Energy Group Subsidiary who is covered by a collective bargaining agreement between a Columbia Energy Group Subsidiary and a union, and who regularly works 40 or more hours per week and is in active employment. You are in active employment if you are working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. Your worksite must be your Employer's usual place of business, an alternate work site at the direction of your Employer other than your home, unless clear specific expectations and duties are documented, or a location to which your job requires you to travel. Your eligibility for optional, contributory coverage may be subject to your satisfying other requirements established by Prudential Insurance Company of America. Refer to the group insurance certificate issued by Prudential for more details.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Long-Term Disability Plan.*

Eligibility under the Life and AD&D Plan

Employees

You are eligible to participate in the Life and AD&D Plan if you (i) are classified as a regular full-time bargaining unit employee of a Columbia Energy Group Subsidiary who is covered by a collective bargaining agreement between the Columbia Energy Group Subsidiary and a union, (ii) regularly work 40 or more hours per week or at least the

number of hours per week set forth in your collective bargaining agreement as being the minimum necessary to be classified as a regular full-time bargaining unit employee entitled to benefits under the Plan, and (iii) are actively at work. You are actively at work if you are fully performing your customary duties for your regularly scheduled number of hours at your Employer's normal place of business, or at other places your Employer's business requires you to travel. Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

Your eligibility for optional, contributory coverage may be subject to your providing evidence of insurability and satisfying other requirements established by the insurer, Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc.

See the Life and AD&D Benefit Plan section below and refer to the group insurance certificate issued by Securian for further details.

Eligible Dependents

If you are eligible to participate in the Life and AD&D Plan, you may obtain certain coverage for your "eligible dependents." Your "eligible dependents" are:

- Your lawful Spouse, provided you are not legally separated; and
- Your unmarried children from live birth to the end of the month in which the unmarried child attains age 26; and

Your "children" include: (1) your natural children, legally adopted children and children placed with you for adoption prior to legal adoption; and (2) each of your stepchildren, foster children, children subject to legal guardianship, grandchildren, and other children who are blood relatives who depend on you for more than fifty percent of their support and maintenance. A child placed with you for adoption prior to legal adoption is considered an eligible dependent from the date of placement for adoption, and is treated as though the child were a newborn child born to you.

Notwithstanding the foregoing, your unmarried children age 26 or older are also eligible if they are physically or mentally incapable of self-support, were incapable of self-support prior to age 26 and are financially dependent on you for more than 50% of their support and maintenance.

Also notwithstanding the foregoing,

(1) Your spouse is not your "eligible dependent" while on active duty in the armed forces of any country; and
(2) Your child is not your "eligible dependent" while (a) on active duty in the armed forces of any country; or (b) insured under any Employee Insurance.

A child will not be considered the "eligible dependent" of more than one employee. If this would otherwise be the case, the child will be considered the "eligible dependent" of the employee named in a written agreement of all such employees filed with the Company. If there is no written agreement, the child will be considered the "eligible dependent" of:

(1) the employee who became insured under the Plan with respect to the child while the child was an "eligible dependent" of only that employee; and otherwise
(2) the employee who has the longest continuous service with a Participating Employer, based on the Company's records.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Life and AD&D Plan.*

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select coverages for you and your eligible dependents.

Generally, to be covered, you must initially enroll for the medical, dental, flexible benefits, vision, supplemental and dependent life and AD&D and supplemental long-term disability coverages within 31 days following the date on which your enrollment materials are sent to you. **(This Benefits Program Overview or the individual Benefit Plan sections of this Handbook contain additional information about enrollment in each plan.)**

You are automatically enrolled for EAP/Work Life/Legal & Financial Services (regardless of whether you enroll in PPO, HDPPO or HMO coverage under the Medical Plan), short-term disability, basic long-term disability, basic life and basic AD&D coverages upon the date you become eligible for such coverage.

To enroll in coverage that is not provided automatically, you must log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320.** To enroll in supplemental and dependent life and AD&D and supplemental long-term disability coverages, you must use enrollment forms approved by Securian (with respect to life and AD&D coverage) and Prudential (with respect to long-term disability coverage). You may obtain these enrollment forms by contacting the Benefits Source at **1-888-640-3320.**

The enrollment materials detail how to enroll online and by phone. If you do not enroll within the 31-day period described above, as applicable **(the deadline date is included in the enrollment materials)**, you will automatically receive default coverage **(as described in this Benefits Program Overview or in the applicable individual Benefit Plan section of this Handbook)**, if applicable, for the remainder of that calendar year.

Please Note:

Dependents will not be eligible to receive any of the benefit coverages if you fail to enroll them during your initial 31-day period, during any subsequent annual enrollment or within 31 days following a qualified life event.

Enrollment in the Medical, Dental, and Vision Plans

Provided you meet the eligibility requirements, as described in the section above entitled "*Eligibility under the Medical, Dental and Vision Plans*", you and your eligible dependents can participate in the Medical Plan, Dental Plan and/or Vision Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. If you fail to enroll, you will be deemed to have elected (i) the HDPPO 1 medical option with no dependent coverage under the Medical Plan, (ii) the Preventive Dental option with no dependent coverage under the Dental Plan, and (iii) the Basic Vision option with no dependent coverage under the Vision Plan. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year and can only be changed during annual open enrollment. If you do not enroll or elect to change coverage, if applicable, within the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of this **Benefits Program Overview** for further details.

Please Note:

If you do not enroll in the Medical Plan, Vision Plan or Dental Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment. Also, if you do not enroll an eligible newborn child for coverage within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or the next qualified life event that permits the child's enrollment.

Enrollment in the Flexible Benefits Plan

FSA Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Flexible Benefits Plan,*" you may participate in the FSA Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year. In addition, participation in the FSA Plan requires annual enrollment, at which time you must elect the amount that you want to contribute to the FSA Plan for the year. If there is a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Changing and Continuing Elections*" of the **Benefits Program Overview** for further details.

HSAs

To enroll in an HSA, you must meet the following requirements:

- You must be enrolled in HDPPO 1 or HDPPO 2.
- You cannot be covered by another medical plan (e.g., you cannot be a dependent on anyone else's plan, except for vision and dental coverage) that is not a high deductible health plan.
- You cannot be enrolled for Medicare benefits. (Part A or Part B)
- You cannot be claimed as a dependent on another person's tax return.
- You cannot be covered by a general-purpose Health Care Flexible Spending Account, including the Health Care FSA

You must satisfy any requirements or conditions for establishing or activating your HSA that are prescribed by the Claims Administrator for HSAs. Failure to do so may result in the delay or failure to receive an employer HSA contribution to which you might otherwise be entitled.

Enrollment in the Short-Term Disability Plan

No affirmative enrollment is required for the Short-Term Disability Plan. You are automatically enrolled upon the date you become eligible for such coverage.

Enrollment in the Long-Term Disability Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Long-Term Disability Plan*" section above, you will be automatically enrolled in the Basic LTD Coverage Option, unless you choose to enroll in the Supplemental LTD Coverage Option. Newly eligible employees must enroll in the Supplemental LTD Coverage Option within 31 days of their date of hire or, if later, the date they first become eligible for coverage. If you fail to enroll, you will automatically be covered under the Basic LTD Coverage Option. In general, once you enroll in (or decline) the Supplemental LTD Coverage Option, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.)

Enrollment in the Life and AD&D Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Life and AD&D Plan*" section above, you will be automatically enrolled in the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option (such Life and AD&D Coverage Options, together with the Optional Employee Term Life Coverage Option and the Supplemental Employee AD&D Coverage Option, are collectively referred to as "Employee Life and AD&D Insurance"). If you desire coverage under the Optional Employee Term Life Coverage

Option, the Dependents Term Life Coverage Option, the Supplemental Employee AD&D Coverage Option, or the Dependents AD&D Coverage Option (collectively the "Optional Life and AD&D Coverage Options") as a newly eligible employee, you must enroll in such Optional Life and AD&D Coverage Option within 31 days of your date of hire or the date you become newly eligible. If you do not enroll in an Optional Life and AD&D Coverage Option during this initial 31-day period, you may need to provide evidence of insurability if you decide to enroll at a later date. You must enroll using forms approved by Securian. *You may obtain forms for enrolling in, or changing, your Optional Life and AD&D Coverage Options by contacting the Benefits Source at* ***1-888-640-3320.***

In general, once you enroll in (or decline) any of the Optional Life and AD&D Coverage Options, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage election will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.) If any change in coverage is subject to evidence of insurability, Securian must decide that such evidence is satisfactory.

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (Spouse or child) are eligible for Program benefits as active or retired employees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active or retired employee cannot be covered under the Benefit Plan both as a participant and as a dependent. Likewise, if you and your Spouse are both employees of NiSource or one of its affiliates, either of you may choose to cover your child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan (e.g., child life insurance). Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects coverage under the Medical, Dental, and/or Vision Plans, or makes no coverage election and is thereby deemed to have elected coverage under such Plans, you will be deemed to have requested that coverage be dropped for such dependent under the Medical, Dental, and/or Vision Plans, as the case may be.

Coverage under the Program for retired employees or for active employees other than the eligible employees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides medical, prescription drug, vision, and dental coverage for your eligible child (as well as participation in the Health Care Flexible Spending Account, to the extent the child is a tax dependent for health coverage purposes under Federal law) pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or the applicable Columbia Energy Group Subsidiary receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

Additionally, your Employer may withhold from your wages any contributions required for such coverage.

You may obtain from the Company, without charge, a copy of the Benefit Plans' QMCSO procedures.

Special Rule for Rehired Employees

If you terminate employment and are rehired after your termination date, the benefit elections that were in effect on the date of your termination **will not be** automatically reinstated. You will need to re-elect coverages once you again become eligible upon your return.

Upon your rehire, you will be no longer be entitled to benefits under Active Benefit Program 621, but will instead designated as being entitled to the Active Benefit Program applicable to similarly situated eligible employees hired as of the date of your rehire. In addition, unless you are rehired as a union employee of Northern Indiana Public Service Company LLC , as a rehired employee, you will not be entitled to any retiree medical or retiree life insurance benefits upon your retirement or other termination of employment.

Special Rule for Certain Employment Transfers

If you were hired or rehired on or after January 1, 2010, and you thereafter transfer to an "exempt employee" status, you will not be eligible for retiree medical or retiree life insurance benefits upon your retirement or other termination of employment. An "exempt employee" includes a non-union employee (an employee whose employment is not subject to the terms of a collective bargaining agreement) and an employee who is not entitled to overtime under the Fair Labor Standards Act, 29 U.S.C. §201, et seq.

This special rule does not apply to a Safety Plan Rehire, to the extent such Safety Plan Rehire is not thereafter rehired by an Employer or transferred to another employee status.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. If you do not enroll within the annual enrollment period, your current coverages generally remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans, plans that require enrollment and the deadline date. **However, if you want to participate in the Health and/or Dependent Care Flexible Spending Accounts or in a Health Savings Account (HSA), you need to elect to participate each year. Your Flexible Spending Account and Health Savings Account contribution elections will not carry over from one Plan Year to the next.**

If you add a new dependent to Benefit Plan coverage during annual enrollment, you must provide the dependent's social security number to the Benefit Plan by calling the Benefits Source at **1-888-640-3320** or by visiting the Benefits Source website at **mysourceforhr.com**,

In the event your current Medical, Dental, or Vision Plan coverage is not available and you fail to elect coverage under another plan or option that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "*Enrollment in the Medical, Dental, and Vision Plans*" for further details.

Opt-Out Credit

If you are a full-time employee and have coverage elsewhere and decline medical or dental coverage under the Medical or Dental Plans, you may be eligible for an opt-out credit, if available. Please refer to the enrollment material to see if this option is currently being offered. If you have declined coverage, but your Spouse or parent is also an employee or retiree and is covering you as a dependent, you are not entitled to an opt-out credit. If you are a covered dependent under the Medical and/or Dental Plans, you must call the Benefits Source at **1-888-640-3320** during enrollment to update your status**.** The Company will recover payment of ineligible opt-out credits through payroll deductions.

Please Note:

If you have declined Medical Plan coverage, but your Spouse is a retiree who is covering you under the Medical Plan as a dependent, you are not entitled to an opt-out credit. You must call the Benefits Source at **1-888-640-3320** during enrollment to update your status.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Medical Plan at your home address.

The cards should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options, or, if applicable, your HMO in the case of an HMO option.

There are no ID cards for the Vision Plan, Dental Plan or other coverages.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans

Coverage Begins

Generally, coverage under the Medical Plan, Dental Plan, Vision Plan, or FSA Plan may become effective, if you properly enroll, (1) on your first day of active employment for regular new hires, (2) on the first day of the following Plan Year for eligible employees who enroll during the annual enrollment period, or (3) on the date the Plan approves your enrollment based upon a qualified life event. Eligible dependents have the same effective date provided you properly enroll them.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation on or after January 30, 2020 (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to an employee;
- The date an employee is no longer eligible for coverage under the Plan;
- The date an employee commences active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy or any applicable collective bargaining agreement;
- The last date for which any required contribution was made;
- The end of the month following the date an employee terminated employment.

In addition, coverage under the Health Care FSA will cease if an HDPPO coverage option is elected under the Medical Plan.

A dependent shall cease to participate in the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the employee's coverage ends (except that, in the case of the employee's death, a dependent shall cease to participate in the Plan on the last day of the month in which the employee dies) (see also the section below entitled "*Survivor Coverage*" for circumstances under which

coverage under the Medical Plan for an eligible surviving dependent may continue beyond an employee's death);

- The last date for which any required contributions for the dependent's coverage was made;
- For a Spouse, the date of divorce or legal separation, except in the case of insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law;
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if you or your eligible dependents experiences a COBRA qualifying event, EAP/Work Life/Legal & Financial Services coverage will cease one day after the maximum COBRA continuation coverage period would otherwise expire on account of such qualifying event. See the section below entitled "*COBRA*" for an explanation of what constitutes a COBRA qualifying event.

When Coverage Begins and Ends - HSA

Coverage Begins

You may enroll in an HSA at any time provided you have properly enrolled in either the HDPPO 1 or HDPPO 2 option.

Coverage Ends

Your contributions to an HSA through the Flexible Benefits Plan will terminate as follows:

- The date on which the Plan terminates;
- The date you are no longer eligible;
- The date you are no longer actively at work; or
- The date on which you request that your contributions cease or that the HSA Account be closed.

If you are no longer enrolled in HDPPO 1 or HDPPO 2 or you have terminated employment or retired, you will be required to pay a monthly account fee to the HSA Trustee/Custodian for as long as money remains in your HSA. You will also receive a new HSA debit card that will allow you to continue using the remaining money in your account for qualified medical expenses.

When Coverage Begins and Ends – Short-Term Disability Plan

Coverage Begins

Your Short-Term Disability Plan coverage became effective on the first day of the month coincident with or next following the date you completed six continuous months of active, full-time employment with a Columbia Energy Group Subsidiary.

Coverage Ends

You will cease to be covered under the Short-Term Disability Plan for benefits on the earliest of the following:

- The date the Plan is terminated;
- The effective date of any Plan amendment that terminates coverage with respect to you;
- The date you are no longer eligible for coverage under the Plan, including without limitation as a result of your Employer no longer being affiliated with the Company or no longer being a Participating Employer in the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994;
- The last day for which you made any required contribution toward the cost of Plan coverage;

- The date you begin any leave of absence; and
- The date your employment terminates.

When Coverage Begins and Ends – Long-Term Disability Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Long-Term Disability Plan,"* coverage under the Basic LTD Coverage Option of the Long-Term Disability Plan generally may become effective on the later of (1) your first day of active employment, for regular new hires, (2) the day you become a member of a class eligible for coverage under the Plan, (3) the first day of the following Plan Year, for eligible employees who choose not to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period, or (4) the date the Plan approves such enrollment, for employees who disenroll from the Supplemental LTD Coverage Option due to a qualified life event.

Coverage under the Supplemental LTD Coverage Option generally may become effective on the later of (1) the date you are eligible for coverage, if you enroll on or before that date; (2) the date you enroll for coverage, if you enroll within 31 days after the date you are eligible for coverage; (3) the date Prudential approves your application, if evidence of insurability is required; (4) the date you are in active employment; (5) the first day of the following Plan Year, for eligible employees who choose to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period; or (6) the date the Plan approves such enrollment due to a qualified life event.

Evidence of insurability means a statement of your medical history that Prudential will use to determine if you are approved for coverage. You must give evidence of insurability, at your expense, if (1) you enroll for coverage more than 31 days after the date you are eligible for it; (2) you re-enroll for coverage after you voluntarily cancelled it; (3) you enroll after any coverage ends because you did not pay a required contribution; or (4) you have not met a previous evidence requirement to become covered under any plan NiSource has with Prudential. Prudential will decide when evidence of insurability is satisfactory.

Once your coverage begins, any increased or additional coverage will take effect on the latest of: (1) the effective date of the change, if you are in active employment, on a temporary layoff, on leave of absence, or working reduced hours (for reasons other than disability); (2) the date Prudential approves your application, if evidence of insurability is required; or (3) the date you return to active employment, if you are not in active employment due to injury or sickness.

Coverage Ends

Your coverage under the Long-Term Disability Plan will end on the date you lose eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the group insurance contract issued by The Prudential Insurance Company of America is canceled;
- The date that the Plan is amended to terminate your coverage;
- The date you terminate employment or are no longer eligible for coverage under the Plan;
- The date you are no longer in active employment due to a disability that is not covered under the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy or any applicable collective bargaining agreement;
- The last date for which any required contribution was made; or

- The date you are no longer in active employment, except as provided below and except to the extent continuation coverage is required by the Family and Medical Leave Act of 1993 ("FMLA").

If you are on a temporary layoff or are working reduced hours for reasons other than disability and the premium is paid, you will be covered to the end of the month following the month in which your temporary layoff or reduced hours begin. If you are on a leave of absence and the premium is paid, you will be covered to the end of the month in which your leave begins. Neither temporary layoff nor leave of absence includes normal vacation time or any period of disability or absence in connection with any severance or termination agreement. Your FMLA leave also is not considered a temporary layoff.

When Coverage Begins and Ends – Life and AD&D Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Life and AD&D Plan,"* coverage under the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option of the Life and AD&D Plan may generally become effective on the first day you are actively at work, if you are a regular new hire, or on the first day you are newly eligible for coverage, provided you are actively at work on such day.

Provided you have satisfied the eligibility requirements described above, coverage under the Employee Optional Life and AD&D Coverage Options may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) with respect to the Optional Employee Term Life Coverage Option, the Claims Administrator is satisfied with your evidence of insurability, if evidence is required (provided that coverage will become effective as of the first day of the month following the Claims Administrator's determination that evidence is satisfactory), and (3) the Claims Administrator has received the required premium.

If you are not actively at work on the date coverage would otherwise begin, or on the date an increase in your amount of insurance would otherwise be effective, you will not be eligible for the coverage or increase until you return to active work. However, if the absence is on a non-work day, coverage will not be delayed provided you were actively at work on the work day immediately preceding the non-work day. Except as otherwise provided herein or in the group insurance contracts (collectively, the "Group Contract") or group insurance certificates issued by Securian, you are eligible to continue to be insured only while you remain actively at work.

Provided you have satisfied the eligibility requirements described above, coverage of your "eligible dependents" under the Dependents Term Life Coverage Option and the Dependents AD&D Coverage Option ("Dependents Life and AD&D Insurance") generally may become effective on the first day on which each of the following conditions are met: (1) you have enrolled for dependent coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) the person to be covered is your "eligible dependent", (3) you are insured for employee coverage under the particular coverage sought (e.g., for the Dependents Term Life Coverage Option, you are covered under the Basic Employee Term Life Coverage Option, and for the Dependents AD&D Coverage Option, you are covered under the Supplemental Employee AD&D Coverage Option), (4) for the Dependents Term Life Coverage Option, the Claims Administrator is satisfied with your eligible dependent's evidence of insurability, if evidence is required, and (5) the Claims Administrator has received the required premium.

If an eligible dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released from such hospitalization or confinement.

Evidence of your insurability may be required under certain circumstances if you apply for coverage under the Optional Employee Term Life Coverage Option. Evidence of your eligible dependent's insurability may also be required under certain circumstances if you apply for coverage for your eligible dependent under the Dependents Term Life Coverage Option. See the sections in the Life and AD&D Benefits Plan section below entitled *"Optional Employee Term Life Coverage"* and *"Dependents Term Life Coverage"* for more details concerning evidence of insurability requirements.

If you apply for coverage that requires evidence of insurability, your coverage election will be autocorrected to the greatest amount of coverage, consistent with your election, to which you would otherwise be entitled without evidence of insurability. Once evidence of insurability is approved by Securian, your coverage will be updated effective the first of the month following approval (or, if later, January 1, in the case of an election made during annual enrollment).

Coverage Ends

Your Employee Life and AD&D Insurance or Dependents Life and AD&D Insurance under a Life and AD&D Coverage Option will end when the first of these occurs:

- The date as of which the Life and AD&D Plan is terminated;
- The date the Group Contract is canceled, or with respect to a particular Life and AD&D Coverage Option, the date such Life and AD&D Coverage Option is terminated;
- The date that the Life and AD&D Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you terminate employment or are otherwise no longer eligible for coverage under the Plan as a regular full-time employee or as a member of another eligible class;
- For Life and AD&D Coverage Options that are contributory, 31 days after the due date of any required contribution that is not paid, provided that failure to contribute for Dependents Life and AD&D Insurance will not cause your Employee Life and AD&D Insurance to end;
- For the Dependents Term Life Coverage Option, the date your coverage under the Basic Employee Term Life Coverage Option ends;
- For the Dependents AD&D Coverage Option, the date your coverage under the Supplemental Employee AD&D Coverage Option ends;
- For Dependents Life and AD&D Insurance, the last day of the month in which your "eligible dependent" ceases to be an "eligible dependent" for the coverage or is no longer covered under the Group Contract.
- For coverage under an Employee Optional Life and AD&D Coverage Option, the last day for which premium contributions have been made following your written request to end coverage under such Employee Optional Life and AD&D Coverage Option.
- For Dependents Life and AD&D Insurance, the last day for which premium contributions have been made following your written request to end Dependents Life and AD&D Insurance for an "eligible dependent"

You must notify the Claims Administrator or the Benefits Source at **1-888-640-3320** when a dependent is no longer eligible for coverage under the Life and AD&D Plan so that premiums may be discontinued. No claims will be paid under the Life and AD&D Plan in respect of an ineligible dependent.

If your Employee Life and AD&D Insurance terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

If you stop active full-time work for any reason, you should contact the Company or your Employer at once to determine what arrangements, if any, have been made to continue any of your insurance coverage, or whether you belong to another class of employees that may be eligible for coverage under the Plan.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, the Internal Revenue Service will allow you to enroll for or change certain pre-tax elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain pre-tax elections if you experience a "qualified status change" that affects your, your Spouse's, or your dependent's eligibility for benefits under the Medical Plan, the Dental Plan, the Vision Plan, the Flexible Benefits Plan, the Life and AD&D Plan or the Long-Term Disability Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.***

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company, the Plan Administrator, or the Claims Administrator. In addition to satisfying any requirements established by the applicable Benefit Plan and any insurer (with respect to insured coverage), any requested change in election must satisfy all requirements imposed by the Internal Revenue Service.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee +family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Please Note:

If you do not request a change in election within 31 days of your qualified status change or other qualified life event, your next opportunity to change elections will not be until the next annual enrollment period or until you experience another qualified life event. For example, if you do not enroll an eligible newborn child within 31 days of the child's birth, even if you do not have the child's social security number, your next opportunity to enroll the child will not be until the next annual enrollment period, unless you experience another qualified life event that would permit you to change elections.

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan (this does not apply to the Health Care Flexible Spending Account).
- With respect to the Medical Plan only, you qualify for special enrollment during the year under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Medical Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***
- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.
- You or your eligible dependents lose coverage under any group health coverage sponsored by a governmental or educational institution,
- You take leave under the Family and Medical Leave Act.

If a dependent you are covering under the Medical, Dental or Vision Plan is hired by an Employer and either timely elects coverage under such Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Plan coverage for such dependent in connection his or her change in employment status.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical, prescription drug, vision or dental plan or program, your medical, prescription drug, vision and dental benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

The following provisions of this *"Coordination of Benefits (COB)"* subsection apply to the Medical Plan and the Dental Plan. Please see the Vision Plan section for

details about coordination of benefits provisions applicable to the Vision Plan.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable Benefit Plan is primary, the Benefit Plan pays the amount payable under such plan.

If your coverage under the applicable Benefit Plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

> **The "Birthday Rule"**
>
> Under the "Birthday Rule" the plan of the parent whose birthday falls earlier in the calendar year is the primary plan and the other parent's plan is secondary.

In the case of a divorce or separation, the following order will establish responsibility for payment:

— If there is a court order that requires a parent to take financial responsibility

for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.

- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits.

How Coordination of Benefits Works for Those in "Current Employment Status"

If you are in "current employment status" within the meaning of Medicare regulations, and if you or your spouse become Medicare-eligible, you or your spouse may have either of the following:

- Medical coverage under both the Medical Plan and Medicare (the Medical Plan under the Program is primary, it pays benefits as described in this Handbook, and Medicare is secondary); or
- Coverage under Medicare only (if that is what you have elected).

> Please Note:
>
> *End-Stage Renal Disease.* If you or your covered dependent enroll in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary at the time you or your covered dependent enroll, the Medical Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

If you are in "current employment status" and you and your Spouse are covered under the Medical Plan, Medicare coverage becomes secondary. You may decline coverage under the Medical Plan, in which case Medicare would be the primary carrier. Your Spouse may, if age 65 or older, make a separate Medicare election. However, your Spouse may not elect medical coverage under the Medical Plan if you do not elect coverage.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under the Medical Plan but are no longer considered in "current employment status" for purposes of Medicare, and you and your spouse are Medicare-eligible, then Medicare is the primary payor regardless of your or your covered spouse's age. You are responsible for notifying the Claims Administrator if you, your Spouse, or your other eligible dependents become Medicare-eligible.

If you are not in "current employment status" and if a covered person is eligible for, but not enrolled in, Medicare benefits, the Medical Plan will deduct from the

amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are not in "current employment status" and are eligible for, but not enrolled in, Medicare Part B, and if you incur a claim that would be payable in whole or in part by Medicare Part B, the Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

Please Note:

Late Enrollment Penalties for Medicare Parts B and D. If you are eligible for Medicare by reason of age or disability, are no longer in current employment status for purposes of Medicare, and do not enroll in Medicare Part B or Medicare Part D during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. For more information concerning Medicare late enrollment penalties, see the Medicare & You publication at https://www.medicare.gov/medicare-and-you or contact your local Social Security Administration office.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide claims and certain appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section of this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, or SPDs, please see below or the individual Benefit Plan sections of the Handbook.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Medical Plan

The claim determination and appeal process described below applies to the Medical Plan. The term "Plan" as used in this section refers to the Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide

should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (1-888-640-3320) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well

as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;

- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or

vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (for the Medical Plan, this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical

necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Medical Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to request a voluntary second-level internal appeal under the Medical Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of

any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;
- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based

upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective review, were covered under the Plan at the time the health care item or service was provided;
- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the criteria are inconsistent with the terms of the Plan or with applicable law;
- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care

claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA

Unless otherwise noted, the claim determination and appeal process described below applies to each of the Dental Plan, the Vision Plan and the Health Care FSA. The term "Plan" as used in this section refers to the Dental Plan, the Vision Plan or the Health Care FSA, as the case may be, and the term "Claims Administrator" refers to the claims administrator appointed for the respective Plan.

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit. Solely with respect to claims involving a determination of your eligibility under the Plan, the term "Claims Administrator" used below shall also refer to the Plan Administrator.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain

maximum function, or, in the opinion of the patient's doctor, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The day the Claims Administrator receives the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your

right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and

- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan or FSA Plan, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review

within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes and adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes and adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan, or the Health Care FSA, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;

- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process - Dependent Care FSA

The claim determination and appeal process described below applies to the Dependent Care FSA Plan. As used in this section, the term "Claims Administrator" refers to the claims administrator appointed for the Dependent Care FSA Plan.

Consideration of Initial Claim

Within 90 days of receiving the claim, the Claims Administrator will provide you (or your beneficiary) with a written notice of its decision. If, because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your request for review within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you may be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; (3) a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and (4) a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.

Appeal to Claims Administrator

If your claim is denied or deemed to have been denied in whole or in part, you have the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial or deemed denial.

Upon receipt of your request, your claim will be reviewed. You will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written request for review is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your claim for benefits within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you will be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; and (3) a statement that you are entitled to receive upon request and free of charge reasonable access to, and copies of, all documents, records and other information relevant to your claim for benefits.

Second Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your claim on appeal, you or your duly authorized representative may request a review of such denial by the Plan Administrator. Each such request for review must be in writing signed by you or your duly authorized representative, must specify that it is a request for review of a denied claim and must be filed with the Plan Administrator no later than 60 days after receipt of the denial or 90 days after the claim is deemed to be denied because the Claims Administrator did not respond within the requisite time period.

The decision of the Plan Administrator upon a request for review shall be made within 60 days after the request for review is received by the Plan Administrator unless special circumstances require an extension of time for processing such review, in which event you shall be notified in writing prior to the expiration of such 60 days, and the decision of the Plan Administrator shall be rendered within 120 days of the receipt of the request for review. In connection with a request for review, you or your duly authorized representative may submit issues and comments in writing to the Plan Administrator. All communications between the Plan Administrator and you or your duly authorized representative shall be in writing unless you or your duly authorized representative requests otherwise and the Plan Administrator consents thereto. Each decision of the Plan Administrator on a request for review shall be in writing and shall include (1) the specific reason or reasons for the decision; (2) specific reference to the Plan provisions upon which the decision is based; and (3) a statement that you are entitled to receive upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Life and AD&D Plan

The claim determination and appeal process described below applies to the Life and AD&D Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accelerated death benefits, for accidental dismemberment benefits, or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,

- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an

adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal, you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be

overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Short-Term Disability Plan

The claim determination and appeal process described below applies to the Short-Term Disability Plan. As used in this section, (i) the term "Plan" refers to the Short-Term Disability Plan, (ii) the term "Claims Administrator" refers to the applicable claims administrator appointed for the Plan, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in the Plan or a rescission of your disability coverage (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) before you request a formal appeal. If you are not satisfied with a benefit determination, you can appeal it.

Consideration of the Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but generally not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that

extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding Your Claim

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason or reasons for the denial;
- reference to the specific Plan provisions on which the denial is based;
- a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written or electronic notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary;
- a description of the Plan's review procedures and time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following exhaustion of the claims procedure process;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that

you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,

- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits, you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 180 days of the receipt of the written adverse benefit determination.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford deference to the initial adverse benefit determination and will be conducted by an individual who is neither the person who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such person.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of the appeal, nor the subordinate of any such individual.

The Claims Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, before the Claims Administrator issues and averse benefit determination on appeal, it will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person (or at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and

sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on appeal based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator will notify you of its determination on review within a reasonable period of time, but generally not later than 45 days after receipt of your request for review, unless the Claims Administrator determines that special circumstances require an extension of time for processing the claim. If the Claims Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Claims Administrator expects to render the determination on review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- reference to the specific Plan provisions on which the benefit determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and
- a statement indicating your right to file a lawsuit upon completion of the appeal process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures, and (C) the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views

presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;

- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Appeal to the Plan Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your duly authorized representative may appeal the Claims Administrator's determination by sending a written request to the Plan Administrator within 45 days of your receipt of the Claims Administrator's adverse benefit determination on review.

The Committee, as Plan Administrator, has delegated to the Director, Benefits, the Director, Corporate Insurance and the Senior Vice President and Chief Human Resources Officer, and to the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons, the authority to decide appeals of denied claims on behalf of the Plan Administrator. Such appeals shall be decided by the Director, Benefits and the Director, Corporate Insurance, or by the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons. In the event such persons do not agree on the decision with respect to an appeal, the Senior Vice President and Chief Human Resources Officer, or the officer or employee of the Company or of its affiliates succeeding to the duties and responsibilities of such person, shall decide the appeal. References in this section to the "Plan Administrator" shall be deemed to constitute references to those persons to whom the Plan Administrator has delegated authority to decide appeals of denied claims.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written appeal should state why you think your claim should not have been denied. Your appeal should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Plan Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in your appeal to the Claims Administrator. The review will not afford deference to the Claims Administrator's decision.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Plan Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of your appeal, nor the subordinate of any such individual.

The Plan Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, the Plan Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Plan Administrator or other person (or at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Plan Administrator will notify you of its determination on review within a reasonable period of time, but generally not later than 45 days after receipt of your request for review by the Plan, unless the Plan Administrator determines that special circumstances (such as the need to hold a hearing) require an extension of time for processing the claim. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

If the Plan Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Plan Administrator makes an adverse benefit determination with respect to your claim on appeal, it will notify you of the following, in a manner calculated to be understood by you:

- The specific reason or reasons for the adverse determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Plan Administrator makes an adverse benefit determination on your claim on review, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures, and (C) the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated the claimant; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Physical Examinations

The Company has the right, at its own expense, to have any person for whom a claim is pending examined as often as is reasonably necessary.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Long-Term Disability Plan

The claim determination and appeal process described below applies to the Long-Term Disability Plan. As used in this section, claims made under the Long-Term Disability Plan are referred to as "disability claims." The term "Plan" as used in this section refers to the Long-Term Disability Plan, and the term "Claims Administrator" refers to The Prudential Insurance Company of America. As used in this section, "adverse benefit determination" or "adverse determination" shall mean any of the following: (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to

participate in the Plan, or (ii) any rescission of disability coverage with respect to a claimant (whether or not, in connection with the rescission, there is an adverse effect on any particular benefit at that time). For this purpose, the term "rescission" means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions towards the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 after the receipt of your claim. This period may be extended by 30 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 45-day period. This period may be extended for an additional 30 days beyond the original 30-day extension if necessary due to matters beyond the control of the Plan. A written notice of the additional extension, the reason for the additional extension and the date by which the Plan expects to decide on your claim, shall be furnished to you within the first 30-day extension period if an additional extension of time is needed. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if your claim for benefits is denied, in whole or in part, you or your authorized representative will receive a written notice from the Claims Administrator of your denial. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the denial,
- references to the specific Plan provisions on which the benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary,
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process,

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, it shall provide you with a written notice of the adverse benefit determination setting forth

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;

- a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary;
- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following completion of all required appeals;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you;
  - the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the plan do not exist; and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

First Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim for benefits, you or your representative may appeal the determination in writing to the Claims Administrator within 180 days of your receipt of written notice of the adverse determination. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your written request, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim free of charge.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, without regard to whether such information was submitted or considered in the initial adverse benefit determination, and utilizing individuals who were not involved, and who are not subordinates of the individuals involved, in that determination. This review will not afford any deference to the initial adverse benefit determination.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if the claim on appeal is denied in whole or in part, you will receive a written notification from the Claims Administrator of the denial. The notice will be written in a manner calculated to be understood by the applicant and shall include:

- the specific reason(s) for the adverse determination,
- references to the specific Plan provisions on which the determination was based,
- a statement that you are entitled to receive upon request and free of charge reasonable access to, and make copies of, all records, documents and other information relevant to your benefit claim upon request,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures; and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your disability claim on review, it will provide you with written notice. The notice shall set forth, in a manner calculated to be understood by you,

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim;
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures;
- a statement indicating

  - your right to bring an action under section 502(a) of ERISA upon completion of all required appeals,
  - that any such action must be brought no later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator, and
  - the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you;
  - the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Second Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your representative may make a second, voluntary appeal of the adverse determination in writing to the Claims Administrator within 180 days of your receipt of the written notice of adverse benefit determination. You may submit with your second appeal any written comments, documents, records and any other information relating to your claim. Upon your request, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim free of charge.

The Claims Administrator shall make a determination on your second claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date by which the Claims Administrator expects to render a decision shall be furnished to you within the initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a

reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

Your decision to submit a benefit dispute to this voluntary second level of appeal has no effect on your right to any other benefits under the Plan. If you elect to initiate a lawsuit without submitting to a second level of appeal, the Plan waives any right to assert that you failed to exhaust administrative remedies. If you elect to submit the dispute to the second level of appeal, the Plan agrees that any statute of limitations or other defense based on timeliness is tolled during the time that the appeal is pending.

If the Claims Administrator makes an adverse benefit determination with respect to your second-level, voluntary appeal, you will receive a written notification from the Claims Administrator of the adverse determination. The notice will be written in a manner calculated to be understood by you and shall include the same type of information that was included in the letter notifying you of the adverse benefit determination on your first-level appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud, (ii) any error the Claims Administrator makes in processing a claim, and (iii) your receipt of deductible sources of income. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, unless otherwise provided under federal law, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage under the Medical, Dental, Vision and FSA Plans

General

Generally, coverage under the Medical, Dental, Vision and FSA Plans is only available to you if you are actively at work. However, if the Company or a Columbia Energy Group Subsidiary under its personnel policies continues to treat you as an employee after you cease to be actively at work due to any of the following leaves, then you will continue to be treated as an employee eligible to participate in one or more of the Plans described above, subject to the terms and

conditions of each such Plan. Provided, however, your participation will cease as of the earliest of the dates set forth above under "*When Coverage Begins and Ends under the Medical, Dental, Vision and FSA Plans – Coverage Ends*." For example, as of the date of this Handbook, the personnel policy of the Company and each Columbia Energy Group Subsidiary is to terminate your employment if the claims fiduciary of the Company's long-term disability plan determines you no longer qualify for benefits under the long-term disability plan. The leaves referred to above are:

Sick Leave – Coverage under the Medical, Dental, Vision and FSA Plans for you and your eligible dependents continues if you are on sick leave and your Employer under its personnel policies continues to treat you as an employee. Your contributions for this coverage will continue to be deducted from your check.

Long Term Disability Leave ("LTD") – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents, as well as coverage under the Health Care FSA, continues if you are on LTD leave and your Employer under its personnel policies continues to treat you as an employee. You must continue to make your required contribution. You may also receive an Employer contribution to your Health Savings Account if you are enrolled in an HDPPO coverage option and are eligible to contribute to a Health Savings Account.

You **cannot** continue to participate in the Dependent Care FSA while you are receiving Long-Term Disability Plan benefits. You may, however, use the existing balance in your account to pay for any eligible expense you incur before you commence your LTD leave.

Family and Medical Leave Act ("FMLA") Leave – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents continues at the same level of contribution and under the same conditions if you are granted a leave of absence under the Family and Medical Leave Act ("FMLA"). However, you may revoke your health benefit elections upon the commencement of your FMLA leave of absence. If you return from an unpaid FMLA leave of absence after having revoked health benefit elections on account of taking FMLA leave, you may reinstate your elections on the same terms as prior to taking FMLA Leave, to the extent that reinstatement is required under the FMLA. If your health benefit elections are revoked for non-payment of premiums during an approved FMLA leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

The Company and the applicable Columbia Energy Group Subsidiary may recover its cost of coverage if you exhaust your leave and do not return to active employment for reasons other than the continuation or onset of a serious health condition or other circumstances beyond your control. The Company or the applicable Columbia Energy Group Subsidiary may require you to provide certification of a health care provider if you are unable to return to work because of the continuation, recurrence, or onset of a serious health condition.

You may continue to participate in the Health Care FSA and/or Dependent Care FSA on a pre-tax basis while on a FMLA leave by pre-paying with pre-tax dollars any contributions due for coverage during the Plan Year in which your leave commences. You have the option to continue to participate in the Health Care FSA during your FMLA leave on an after-tax basis by making payments according to the same schedule in effect before your leave. If your participation in a Flexible Spending Account ceases on account of your leave, you may still use the existing balance in your account to pay for any eligible expenses that you incur prior to your last day worked before your FMLA leave. Also, if you ceased participation in the Health Care FSA during your leave, you may resume participation upon return from leave during the same Plan Year and either make up the unpaid contributions or resume coverage at a reduced level under the proration rule, with payments at your original contribution level.

Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") – If you are absent from employment because of service in the "uniformed services" (as that term is defined

by USERRA), you may elect to continue coverage under a Plan during the period of your service to the extent provided by USERRA and the NiSource Military Leave of Absence Policy or any applicable collective bargaining agreement. Without limiting the generality of the foregoing, if your health benefit elections are revoked for non-payment of premiums during an approved military leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Medical, Dental and Vision Plans and under the Health Care FSA (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."*

COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial Services coverage.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, (ii) the date for making COBRA premium payments, and (iii) the date for notifying the Plan of a qualifying event or determination of disability.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your Spouse (if he or she is treated as a Spouse under the Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. (This extended coverage does not apply to the Health Care FSA.) These costs are subject to change.

You will have 60 days to elect COBRA (measured from the later of your coverage loss date or the date the Plan Administrator notifies you of your right to elect COBRA coverage).

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your

dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

You will become a qualified beneficiary on account of coverage under a Plan if you lose your coverage under such Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct.

Your Spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your Spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of your employment or reduction of hours of employment, your death, or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the Benefits Source website at mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your Spouse, and parents may elect COBRA continuation coverage on behalf of their children.

[This paragraph applies only to the Medical, Dental and Visions Plans. It does not apply to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the end of your employment or reduction of your

hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months. There are two ways in which this 18 month period of COBRA continuation coverage can be extended (as described below). When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. When the qualifying event is the end of your employment or reduction of your hours of employment, and you became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than you lasts until 36 months after the date of Medicare entitlement. For example, if you become entitled to Medicare 18 months before the date on which your employment terminates, COBRA continuation coverage for your Spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 18 months after the date of the qualifying event (36 months minus 18 months).

[This paragraph applies only to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. Upon experiencing a qualifying event, which causes a loss of coverage under the Health Care FSA, you may continue your current contributions to your Health Care FSA on an *after-tax* basis through COBRA only for the remainder of the Plan Year in which your active coverage ended. This means that you will lose the pre-tax benefit of the FSA Plan by continuing coverage through COBRA. However, COBRA continuation coverage under the Health Care FSA option of the FSA Plan allows you to continue to incur and seek reimbursement of eligible claims for the remainder of the Plan Year. If COBRA continuation coverage is not elected, only those expenses incurred prior to the qualifying event will be eligible for reimbursement.

Disability Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If you or anyone in your family covered under a Plan is determined by the Social Security Administration to be disabled and you notify the Plan Administrator (in a form prescribed by the Plan Administrator) (i) within 60 days of the later of the date of the disability determination by Social Security and the date the qualified beneficiary loses coverage under the Plan as a result of your termination or reduction of hours of employment, and (ii) before the end of the initial 18-month period of COBRA continuation coverage, you and the qualified beneficiaries in your family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. If proper notice is not provided within the 60-day period and before the end of your initial 18-month period of COBRA continuation coverage, you will not be entitled to a disability extension. The disability would have to have started at some time before the 61st day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage. You must also notify the Plan Administrator within 30 days of the date the Social Security Administration determines that you or your dependent are no longer disabled.

Second Qualifying Event Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If your family experiences another qualifying event while receiving 18 months of COBRA continuation coverage, your Spouse and dependent children can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan Administrator within 60 days of the date of the second qualifying event. If proper notice is not provided within the 60-day period, you will not be entitled to an extension on account of the second qualifying event. This extension may be available to your Spouse and any dependent children receiving continuation coverage if you die, become entitled to Medicare benefits (under Part A, Part B, or both), or you get divorced or legally separated, or if your dependent child stops being eligible under a Plan as a dependent

child, but only if the event would have caused your Spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. For example, when the qualifying event is the termination of your employment, COBRA continuation coverage for you, your Spouse and dependent children can last up to 18 months. If within that initial 18-month period you become legally separated or divorced (i.e., experience a second qualifying event), COBRA continuation coverage may be extended by an additional 18 months (for a total of 36 months from the date of the termination of employment) for your Spouse and dependent children who lose coverage due to the divorce or legal separation, if notice of such event is properly given to the Plan Administrator.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above (i.e., 18, 29 or 36 months, in the case of the Medical, Dental and Vision Plans, or the remainder of the Plan Year, in the case of the Health Care FSA), COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in the Program cease to provide any group health plan or coverage to any employee.
- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- Provided such date is after the initial 18-month COBRA period and no other extension of such period (other than the disability extension) applies, the first day of the month coincident with or next following 30 days from the date the Social Security Administration determines that a qualified beneficiary is no longer disabled.
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" section below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at **dol.gov/ebsa** (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while

on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Employee's death at any time on or after January 1, 2004, if COBRA continuation coverage has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Employee's surviving dependents who are covered under the Medical Plan on the date of that Employee's death, then coverage under the Medical Plan for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Employee's surviving spouse dies, (ii) the last day of the month in which the Employee's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer with whom the Employee was employed ceases to be a "related employer," as defined in the Medical Plan.

If medical coverage under the Medical Plan ends for an Employee's dependent because of such Employee's death within 30 days preceding, or at any time on or after, May 1, 2010, and if such Employee would have satisfied the conditions for eligibility for retiree medical coverage under the Medical Plan or the NiSource Post-65 Retiree Medical Plan had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the Medical Plan at the time of the Employee's death, the Employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and have been a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the NiSource Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the NiSource Post-65 Retiree Medical Plan.

If survivor coverage under the Medical Plan will end for a surviving dependent of a Deemed Retiree solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the NiSource Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Medical Plan or the Dental Plan (for purposes of this section only, each a "Plan") and no benefit

payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to an illness, a sickness, or a bodily injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the illness, sickness or bodily injury;
- The insurer or other indemnifier of the party or parties who caused the illness, sickness or bodily injury;
- A guarantor of the party or parties who caused the illness, sickness or bodily injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the illness, sickness or bodily injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the illness, sickness or bodily injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the illness, sickness or bodily injury so

that the applicable Benefit Plan may recover any sums paid under such Benefit Plan on behalf of the covered person;

- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable for the Benefit Plan to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements, or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust of r the benefit of the Benefit Plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the illness, sickness or bodily injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the illness, sickness or bodily injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and

- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the illness, sickness or bodily injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The employee;
- The employee's covered dependent;
- The estate of any covered person; or
- On behalf of any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the employee or a covered dependent, the employee or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an in-network provider rather than an out-of-network provider. For the Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected

Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company, a Columbia Energy Group Subsidiary, or any of their affiliates. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit

Plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Code with respect to the Benefit Plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though an Employee may receive a benefit check from a Claims Administrator, the Company, a Columbia Energy Group Subsidiary, or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to the Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company, the Columbia Energy Group Subsidiaries, or their affiliates or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by

virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called "fiduciaries" of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the

court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Certain Benefit Plans and Accounts Not Subject to ERISA

Notwithstanding anything to the contrary contained in this Handbook, neither the Dependent Care FSA nor the HSAs (to which contributions are made through the Flexible Benefits Plan) are employee benefit plans subject to ERISA.

Consolidated Flex Medical Plan

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Medical Plan Options

This is the SPD (the "Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Medical Plan. In this Medical Plan SPD, the Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible employees and their eligible dependents with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA). The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at **livehealthonline.com** for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions** under the How it Works tab. If you still have questions, you can email customersupport@livehealthonline.com or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are

eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Medical Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Medical Plan in an amount determined on an annual basis or as otherwise required by a collective bargaining agreement. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Medical Coverage for Retirees

You may be eligible for medical benefits as a retired employee if you meet certain eligibility requirements. For further information about your eligibility for medical benefits as a retired employee or to notify the Company or Employer of your retirement, contact the Benefits Source at **1-888-640-3320**.

Unless you are rehired as a union employee of Northern Indiana Public Service Company LLC, if you retire or otherwise terminate employment and are later rehired by the Company, a Columbia Energy Group Subsidiary, or any of their affiliates, you will not be eligible for retiree medical or retiree life insurance benefits, including after your subsequent retirement or other termination of employment.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	Out-of-Network
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

	PPO	
	In-Network (or out of area)	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible.

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$3,000	$6,000	$5,000	$10,000
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which claims are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's

application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at **anthem.com**.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or

- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the PBM for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers, distributors, and/or similar vendors, which may be related to certain prescription drug

purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HDPPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and
  - Prescribed medications (Outpatient prescription drug services are covered

under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).

- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;
  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam

and one hearing aid per ear during a two calendar-year period; and

- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor

performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;

- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance, when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;
  — Alcohol misuse: screening and counseling
  — Blood pressure screening in adults;
  — BRCA risk assessment and genetic counseling/testing;
  — Breast cancer preventive medications;
  — Breast cancer screening;
  — Cervical cancer screening;
  — Colorectal cancer screening;
  — Diabetes screening;
  — Lung cancer screening;
  — Obesity screening and counseling: adults and children;
  — Osteoporosis screening: women;

  See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

  — Diphtheria;
  — Hepatitis A;
  — Hepatitis B;
  — Herpes Zoster;
  — Human Papillomavirus;
  — Influenza (flu shot)
  — Measles
  — Meningococcal;
  — Mumps;
  — Pertussis;
  — Pneumococcal;
  — Rubella;
  — Tetanus;
  — Varicella (chickenpox).

  The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age,

gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

  See the following website for additional information:
  https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Well-woman visits;
  - Counseling and screening for human immune-deficiency virus;
  - Human papillomavirus testing;

- Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);
- Screening for gestational diabetes;
- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain Covered Services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);

- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Employee-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

> Please Note:
>
> If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;

  - Medically necessary services, supplies, and medications.

- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:

  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

  - Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
  - Inpatient covered hospital services related to the transplant procedure.
  - Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses

incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).

- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

Medical Expenses Not Covered

Expenses Not Covered Under Medical Plan

The medical expenses **not** covered under the Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;

- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;

- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;

- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or

astigmatism or any other correction of vision due to a refractive problem; and

- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a generic substitute for a brand-name drug is prescribed or if your Provider has not indicated that a brand-name drug is Medically Necessary, and if you request that the brand-name drug be dispensed, you will be responsible for payment of the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the

Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		

* You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a generic substitute for a brand-name drug is prescribed or if your Provider has not indicated that a brand-name drug is Medically Necessary, and if you request that the brand-name drug be dispensed instead, you may be responsible for paying the difference between the cost of the brand-name drug and the generic substitute, in addition to the applicable Co-Pay or Co-Insurance.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		MAIL ORDER		NINETY-DAY SUPPLY AT RETAIL	
	You Pay*	**Plan Pays**	**You Pay ***	**Plan Pays**	**You Pay ***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	RETAIL PHARMACY		**MAIL ORDER**		**NINETY-DAY SUPPLY AT RETAIL**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

Please Note: Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life/Legal & Financial Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life/Legal & Financial Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit

allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law, with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

Please see the *"Health Savings Account"* subsection of the **Flexible Benefits Plan** section of the Handbook for information concerning establishing and contributing to a health savings account when you enroll in an HDPPO.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of Employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348 Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410 Service of legal process may be made upon the Plan Administrator.

Dental Plan

Preventive Dental

Dental Plan

Dental Plus

Your Dental Plan Options

This is the SPD (the "Dental Plan SPD") for the NiSource Dental Plan, also referred to as the Dental Plan. In this Dental Plan, SPD, the Dental Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Dental Plan to eligible employees and their dependents with the following dental coverage options:

- Preventive Dental;
- Dental Plan; and
- Dental Plus;

Both Dental Plan and Dental Plus provide coverage for eligible dental services such as preventive care services, basic services, and major services. The Dental Plus coverage option is an employee contributory option that also provides for orthodontia benefits.

The Preventive Dental coverage option provides preventive care at 100% of applicable charges and covers fillings and routine extractions at 50% of applicable charges after the deductible. Orthodontia is not covered and there is a deductible required. See "*Highlights of the Dental Plan Coverage*" for further details.

All dental coverage options use a network of providers. When you use an in-network provider you receive the added benefit of lower, negotiated fees. In addition, you are not responsible for fees over the negotiated rate. If you use an out-of-network provider, the amount of the claim that is paid is the product of the applicable coinsurance percentage (set forth below) multiplied by the "Maximum Reimbursable Charge," after the application of any deductible. You are responsible to pay any amount your dentist charges that exceeds the applicable percentage of the Maximum Reimbursable Charge. The Maximum Reimbursable Charge is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. If you have a question about the determination of the Maximum Reimbursable Charge, contact the Claims Administrator.

To find a provider in your area, log on to the Benefits Source website at **mysourceforhr.com** or call the Benefits Source automated telephone system at **1-888-640-3320**. Customer service associates can then connect you with a provider directly so that you can locate a participating dentist near you.

Eligibility

For information regarding eligibility under the Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis or as otherwise required by a collective bargaining agreement. For further questions, please contact the Benefits Source at **1-888-640-3320.**

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of the Dental Coverage

Here is a summary of the benefits under each option.

FEATURE	Preventive Dental (In or Out-of-Network)		Dental Plan (In or Out-of-Network)		Dental Plus (In or Out-of-Network)	
Annual Deductible	You Pay		You Pay		You Pay	
Covered Member	$75		$50		None	
Covered Member + Spouse	$150		$100		None	
Covered Member + Child(ren)	$75 per covered member up to $225		$50 per covered member up to $150		None	
Covered Member +Family	$75 per covered member up to $225		$50 per covered member up to $150		None	
Coinsurance	You Pay	Plan Pays	You Pay	Plan Pays	You Pay	Plan Pays
Preventive and Diagnostic Treatment	N/A	100%	N/A	100%	N/A	100%
Basic Treatment	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Major Treatment (other than oral surgery or anesthesia)	100%	N/A	50% (after deductible)	50% (after deductible)	50%	50%
Major Treatment (oral surgery or anesthesia only)	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Orthodontia (adult and child)	100%	N/A	100%	N/A	50% (up to lifetime maximum); 100% thereafter	50% (up to the lifetime maximum)
Maximums	Plan Pays		Plan Pays		Plan Pays	
Annual Maximum	Up to $2,000 per person per year		No annual maximum		Up to $2,000 per person per year	

FEATURE	Preventive Dental (In or Out-of-Network)	Dental Plan (In or Out-of-Network)	Dental Plus (In or Out-of-Network)
Annual Maximum - Implants	No Coverage	No annual maximum	Up to $600 per person per year
Orthodontia Lifetime Maximum	No Coverage	No Coverage	Up to $1,500 per person

All expenses incurred, whether care is received from a dentist in- or out-of-network, will be applied toward the calendar year deductible and maximum amounts according to the summary above.

For out-of-network providers, after you pay any applicable deductible, the Plan will pay the applicable percentage of Maximum Reimbursable Charges that are covered expenses. In addition to your share of Maximum Reimbursable Charge, you will be required to pay any amount your dentist charges over the Maximum Reimbursable Charge.

Dental Expenses Covered

The Plan pays for certain services and supplies that are considered necessary in terms of generally accepted dental standards, appropriate to properly treat the dental condition, and must be recommended by the participant's dentist.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40

Covered expenses include, but may not be limited to, the following eligible dental services and supplies up to the maximum allowance and/or applicable percentage of the Maximum Reimbursable Charge:

Preventive Treatment (Covered Under All Options)

Preventive Treatment is treatment designed to prevent dental disease, defect or injury and includes:

- Oral examination;
- Prophylaxis (cleaning and scaling of teeth);
- Periodontal maintenance procedures (following active therapy) and Periodontal prophylaxis;
- Topical application of fluoride solutions;
- Bite-wing x-rays;

Note: The services described above are each limited to twice in a calendar year.

- Topical application of sealant on a posterior tooth for covered persons under age 19 (only one treatment per tooth in any 3 consecutive calendar years);
- Panoramic (Panorex) x-ray once in any 3 consecutive calendar years;
- Full-mouth series of x-rays once in any 3 consecutive calendar years; and
- Space maintainers, fixed unilateral – limited to nonorthodontic treatment, up to age 19.

Basic Treatment (Covered Under All Options)

Basic Treatment is designed to correct dental disease, defect or injury and includes:

- Routine extractions;
- Amalgam and composite/resin restorations;
- Root canal therapy (any x-ray, test, laboratory exam or follow-up care is part of the allowance for root canal therapy and not a separate dental service);

- Osseous surgery (flap entry and closure is part of the allowance for osseous surgery and not a separate dental service);
- Periodontal scaling and root planing – entire mouth
- Adjustments – complete denture
  - any adjustment of or repair to a denture within 6 months of its installation is not a separate dental service.
- Recement bridge
- Surgical removal of erupted tooth requiring elevation of mucoperiosteal flap and removal of bone and/or section of tooth
  - Removal of impacted tooth, soft tissue
  - Removal of impacted tooth, partially bony
  - Removal of impacted tooth, completely bony
- Local anesthetic, analgesic and routine postoperative care for extractions and other oral surgery procedures are not separately reimbursed but are considered as part of the submitted fee for the global surgical procedure.
- General anesthesia – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.
- I.V. sedation – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.

Major Treatment (Covered Under the Dental Plan and Dental Plus Options)

The Plan pays for Major Treatment, provided you select the Dental Plan or Dental Plus coverage option. If you elect the Preventive Dental Option, the Plan does not pay benefits for Major Treatment.

Major Treatment is designed to correct dental disease, defect or injury and includes:

- Crowns

  Note: Crown restorations are dental services only when the tooth, as a result of extensive caries or fracture, cannot be restored with amalgam, composite/resin, silicate, acrylic or plastic restoration.

  - Porcelain fused to high noble metal
  - Full cast, high noble metal
  - Three-fourths cast, metallic
- Removable Appliances
  - Complete (full) dentures, upper or lower
  - Partial dentures
  - Lower, cast metal base with resin saddles (including any conventional clasps, rests and teeth)
  - Upper, cast metal base with resin saddles (including any conventional clasps rests and teeth)
- Fixed Appliances
  - Bridge pontics - cast high noble metal
  - Bridge pontics - porcelain fused to high noble metal
  - Bridge pontics - resin with high noble metal
  - Retainer crowns - resin with high noble metal
  - Retainer crowns - porcelain fused to high noble metal
  - Retainer crowns - full cast high noble metal
- Prosthesis over implant – a prosthetic device, supported by an implant or implant abutment is a covered expense. Replacement of any type of prosthesis with a prosthesis supported by an implant or implant abutment is only payable if the existing prosthesis is at least 5 calendar years old, is not serviceable and cannot be repaired.

- Implants - covered dental expenses include: the surgical placement of the implant body or framework of any type; any device, index, or surgical template guide used for implant surgery; prefabricated or custom implant abutments; or removal of an existing implant. Implant removal is covered only if the implant is not serviceable and cannot be repaired. Implant coverage has a separate yearly maximum as shown in *Highlights of the Dental Plan Coverage*.
- Treatment of Temporomandibular Joint Dysfunction (TMJ)
  - Office visit – Adjustment to appliance (no more than six (6) adjustments in six (6) consecutive months after seating or placement of appliance)
  - Transcutaneous Electro-neural Stimulation (no more than four (4) treatments in a six (6)-month period)
  - Trigger Point Injection of Local Anesthetic into Muscle Fascia (no more than four (4) treatments in a six (6)-month period)
  - Mandibular Orthopedic Repositioning Appliance (only one appliance per person in any five (5) year period)

Orthodontia Services (Covered Under Dental Plus)

The Plan pays benefits for orthodontia services, provided you select the Dental Plus coverage option and remain covered under such option throughout the course of treatment. If you select the Preventive Dental or Dental Plan coverage option, the Plan does not pay benefits for orthodontia services. The Claims Administrator must determine that the service is necessary, and all orthodontia appliances and treatment must be part of a course of orthodontic treatment that begins while your coverage is in effect.

Subject to the foregoing, the Plan pays benefits for the following orthodontia services:

- Orthodontic work-up including x-rays, diagnostic casts and treatment plan and the first month of active treatment including all active treatment and retention appliances.
- Continued active treatment after the first month.
- Fixed or Removable Appliances - Only one appliance per person for tooth guidance or to control harmful habits.

The total amount payable for all expenses incurred for orthodontics during a person's lifetime will not be more than the orthodontia maximum shown in the *Highlights of the Dental Plan Coverage*.

Benefit payments for comprehensive full-banded orthodontic treatment are made in installments. Benefit payments will be made every 3 months. The first benefit payment is payable when the appliance is installed. Later payments are payable at the end of each 3-month period. The first installment is the lesser of (x) the lifetime maximum for orthodontia services, or (y) the product of (i) 25% of the charge for the entire course of treatment, multiplied by (ii) the applicable covered percentage. The remainder of the charge is prorated over the estimated duration of treatment. Payments are only made for services provided while a person is covered. If coverage ends or treatment ceases, payment for the last 3-month period will be prorated.

Orthodontia Payment Example: If your orthodontia treatment costs $5,000 and is estimated to take three years from installation of the appliance to complete, and if you have not been reimbursed for any orthodontia treatment in the past, your first installment will be $625 [the product of 25% multiplied by $5,000 (total cost of treatment) multiplied by 50% (covered percentage), which product is less than $1,500 (lifetime maximum)]. Assuming you remain covered under the Plan and complete the three-year treatment, the remaining charge will be paid in quarterly installments of $156.25 [calculated as set forth above] until you reach your lifetime maximum [$875 remaining after initial installment].

Orthodontia Payment Example	
Total Treatment	$5,000.00
Initial Installment	
CIGNA Allowable (25% of total)	1,250.00
CIGNA Payment (50% of Allowable)	625.00
Remaining Installments	
Remaining Balance	$3,750.00
CIGNA Allowable (Remaining Balance/12 quarters)	312.50
CIGNA Quarterly Payment (50% of Allowable)	156.25*
*Subject to Lifetime Maximum	

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Dental Expenses Not Covered

The Plan pays benefits for a variety of dental services, provided they are necessary according to generally accepted dental standards, appropriate to properly treat the dental condition, and recommended by your dentist. However, some limits and exclusions do apply.

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible dental expenses that are not covered by the Dental Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any dental care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

The dental expenses **not** covered include, but are not limited to the following:

- Replacement of teeth that are missing when a person first becomes covered under the Plan;
- Services performed solely for cosmetic reasons;
- Replacement of a lost or stolen appliance;
- Replacement of a bridge, crown or denture within 5 years after the date it was originally installed unless: (a) the replacement is made necessary by the placement of an original opposing full denture or the necessary extraction of natural teeth; or (b) the bridge, crown or denture, while in the mouth, has been damaged beyond repair as a result of an injury received while a person is insured for these benefits;
- Any replacement of a bridge, crown or denture which is or can be made useable according to common dental standards;
- Procedures, appliances or restorations (except full dentures) whose main purpose is to: (a) change vertical dimension; (b) diagnose or treat conditions or dysfunction of the temporomandibular joint; (c) stabilize periodontally involved teeth; or (d) restore occlusion;
- Porcelain or acrylic veneers of crowns or pontics on, or replacing the upper and lower first, second and third molars;
- Bite registrations; precision or semiprecision attachments; or splinting;
- Instruction for plaque control, oral hygiene and diet;
- Dental services that do not meet common dental standards;
- Services that are deemed to be medical services;
- Services and supplies received from a hospital;
- Services for which benefits are not payable according to the immediately following paragraph.

In addition to the foregoing, no payment will be made for expenses incurred for you or any one of your dependents:

- For or in connection with an injury arising out of, or in the course of, any employment for wage or profit;

- For or in connection with a sickness which is covered under any workers' compensation or similar law;
- For charges made by a hospital owned or operated by or which provides care or performs services for, the United States government, if such charges are directly related to a military-service-connected condition;
- For charges for services provided by the covered person's parent, spouse, brother, sister, son or daughter;
- For services or supplies received as a result of dental disease, defect or injury due to an act of war, declared or undeclared;
- To the extent that payment is unlawful where the person resides when the expenses are incurred;
- For charges which the person is not legally required to pay;
- For charges which would not have been made if the person had no insurance;
- To the extent that billed charges exceed the rate of reimbursement as described in the *Highlights of the Dental Plan Coverage,* including any charge in excess of the Maximum Reimbursable Charge;
- For charges for unnecessary care, treatment or surgery;
- To the extent that you or any of your dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid;
- For or in connection with experimental procedures or treatment methods not approved by the American Dental Association or the appropriate dental specialty society.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Coordination of Benefits (COB)

If you or your dependents have dental coverage under another dental plan, this Plan coordinates benefits with the other benefits to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits*" section of the **Benefits Program Overview** to learn more about the Plan's COB features.

Filing a Claim

General

Generally, dentists file claims electronically on your behalf provided that the dentist is a participating dentist. If you see a non-participating dentist, you may need to file your own claim. Claims should be submitted to the Claims Administrator.

How to File Claims

If you file your own claim form, follow these steps.

- Complete your portion of the claim form (your form will include step-by-step instructions for completing the correct information). Your dentist will need to complete his or her portion of the form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator online via the Benefits Source website **mysourceforhr.com**.
- Attach copies of all available dental bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the dental expense.

- Submit your completed claim form to the Claims Administrator. Claims should be submitted to:
  CIGNA
  P.O. Box 188037
  Chattanooga, TN 37422-8037

Any claims not submitted after 18 months from the date of service generally will not be considered for payment.

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical and Dental Plans."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Dental Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions, and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	CIGNA P.O. Box 188037 Chattanooga, TN 37422-8037 cigna.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Vision Plan

Vision Plan Option

Basic Vision Option

Your Vision Plan Options

This is the SPD (the "Vision Plan SPD") for the NiSource Vision Plan, also referred to as the Vision Plan. In this Vision Plan SPD, the Vision Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Vision Plan to eligible employees and their dependents with the following coverage options:

- Vision Plan option; and
- Basic Vision option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") with Vision Service Plan Insurance Company who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract, on the one hand, and this Vision Plan SPD, on the other hand, the terms of the Group Contract shall prevail. **You should refer to the Group Contract for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Vision Plan SPD.** *You may obtain a copy of the Group Contract by contacting the Benefits Source at **1-888-640-3320**.*

This Plan is designed to cover certain costs associated with your vision correction. *Please note that any illness or injury to your eyes would be covered under the Medical Plan, subject to any terms, conditions and limitations set forth in the Medical Plan*.

The Plan utilizes a network of VSP Providers referred to as the VSP Choice Network. The Plan pays vision benefits for eligible expenses regardless of whether you receive services and/or eyewear from a VSP Choice Network Provider or from a non-VSP Provider. However, if you go to a VSP Choice Network Provider, the Plan pays a higher level of benefits. You also have the option to receive benefit coverage from non-VSP Providers. However, your level of benefit payment will be subject to the non-VSP provider schedule as outlined in the "*Highlights of Your Vision Plan Coverage*".

- **VSP Choice Network Provider** – offers the convenience of "one-stop shopping" and can provide everything you need (eye exams, and if applicable, prescription glasses, and contacts). As long as you receive care or eyewear from a VSP Choice Network Provider, you are responsible for the amount in excess of the Plan's allowance, any applicable co-pays, and the cost of any eyewear or service that the Plan does not cover.
- **Non-VSP Providers** – you have the option to receive your services and eyewear outside the VSP Choice Network. If you do, you must pay the Provider in full at the time of your appointment and submit a claim to VSP. Once you submit an itemized receipt, the Plan then reimburses you for the eligible expense (up to the Plan's allowance).

To find a Provider who participates in the VSP Choice Network, log on to the Benefits Source website at **mysourceforhr.com** or call the Benefits Source at **1-888-640-3320** to request assistance.

Eligibility

For information regarding eligibility under the Vision Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Vision Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis or as otherwise required by a collective bargaining agreement. For further questions, please contact the Benefits Source at **1-888-640-3320** or log on to the Benefits Source website at **mysourceforhr.com**.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of Your Vision Plan Coverage

Vision Plan Option

The Vision Plan option pays for the following services and materials:

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year for Adults Twice every calendar year for Children	100%	Up to a $45 allowance
Lenses (per pair)			
Regular (single vision)	Once every calendar year	100%	Up to a $30 allowance
Lined Bifocal	Once every calendar year	100%	Up to a $50 allowance
Lined Trifocal	Once every calendar year	100%	Up to a $65 allowance
Lenticular	Once every calendar year	100%	Up to a $100 allowance
Frame	Once every other calendar years for Adults Once every calendar year for Children	100%, Up to a $200 frame allowance Featured Frames 100%, Up to a $250 frame allowance	Up to a $70 allowance

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
Contacts			
Visually Necessary	Once every calendar year in place of glasses	100%	Up to a $210 allowance
Elective	Once every calendar year in place of glasses	100% up to a $175 annual allowance	Up to a $105 allowance

If you choose contacts instead of glasses, you will pay up to a $50 copay for the contact lens exam (fitting and evaluation) after a 15% discount. The contact lens exam is in addition to your WellVision Exam® to ensure proper fit of contacts.

Polycarbonate lenses are covered in full for dependent Children up to the end of the month in which they turn age 26.

Standard Progressive Lenses are covered in full for all members.

KidsCare - the VSP® KidsCare Plan is designed to meet the eye care and eyewear needs of active and growing children by providing two WellVision Exams® and one pair of glasses every calendar year.

Basic Vision Option

COVERED SERVICES	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year	100%	Up to a $45 allowance

Vision Expenses Covered

The Plan will pay for vision services and materials, as described in the "*Highlights of Your Vision Plan Coverage*." However, in the event of any conflict with that section and the Group Contract, the terms of the Group Contract will prevail.

For purposes of this Vision Plan SPD, (i) "Adult" means either you or your Spouse, provided such person is eligible for, and has enrolled in, coverage under the Plan, (ii) "Child" or "Children" refers to a Child, as defined in the *Definitions* section of the **Benefits Program Overview**, provided such Child is eligible for, and enrolled in, coverage under the Plan, and (iii) "Covered Person" or "member" or "covered member" refers to any person who satisfies the eligibility requirements of the Plan and who is enrolled in coverage under the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40.

For the Vision Plan Option, the services and materials that the Plan covers include, but are not limited to, the following:

- One WellVision Exam® in every calendar year for Adults.
- Two WellVision Exams® in every calendar year for Children.
- Prescription eyeglass lenses, one pair in every calendar year, up to a specified lens allowance.
- Frame for Adults, one pair every other calendar year (up to the frame allowance).
- Frame for Children, one pair every calendar year (up to the frame allowance)
- Contacts, one pair in every calendar year, up to a specified allowance. The allowance applies to the contacts only. There is an additional copay up to $50 for the contact lens exam (fitting and evaluation). This exam is in addition to your WellVision Exam® to ensure proper fit of your contacts. You can elect to receive an annual allowance toward the cost of contacts in lieu of frame and lenses.

Extra Discounts and Savings

When visiting a VSP Choice Network Provider, you may receive the following, provided that some of the discounts/savings listed below may not apply to the Basic Vision Option:

- Average savings of 30% on non-covered lens enhancements, such as scratch resistant and anti-reflective coatings, light reactive, custom or premium progressives, etc.; 20% off additional prescription glasses and sunglasses within 12 months of your last WellVision Exam®;
- 15% discount off the cost of an elective contact lens exam (fitting and evaluation);
- Polycarbonate lenses are covered in full for dependent Children;
- Standard progressive lenses covered in full for all members; Routine retinal screening discount;
- Laser vision correction discounts.

Other Programs/Resources Offered by the VSP

Laser VisionCare℠ Program

If you are considering laser vision correction, the Plan can help you make an informed decision. The Plan contracts with laser surgery facilities and doctors. As a result, you can access laser vision correction surgery for hundreds of dollars less than what you might pay privately. VSP has arranged for members to receive PRK, LASIK and Custom LASIK, at a discounted fee with an average 15% off the regular price or 5% off the promotional price. Visit the Claims Administrator's website at vsp.com or call **1-800-877-7195** to learn more about this program.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Vision Expenses Not Covered

Some vision care services and/or materials are not covered under this Plan and certain other limitations may apply. In addition, some brands of spectacle frames may be unavailable for purchase as Plan benefits or may be subject to additional limitations. Covered Persons may obtain details regarding service, material and/or frames exclusions from their VSP Choice Network Provider or by calling VSP's Member Services at (800) 877-7195.

Patient Options

This Plan is designed to cover visual needs rather than cosmetic eyewear. When a covered member selects non-covered lens enhancements, the covered member will pay the additional costs for the options. Some non-covered lens enhancements include:

- Optional cosmetic processes;
- Anti-reflective coating;
- Color coating;
- Mirror coating;
- Hi Index Lenses
- Scratch resistant coating;

- Blended lenses;
- Cosmetic lenses;
- Laminated lenses;
- Oversize lenses;
- Photochromic lenses, tinted lenses except Pink #1 and Pink #2;
- Custom and Premium Progressive lenses;
- UV (ultraviolet) protected lenses; or
- Certain limitations may apply on low vision care

For the cost of a non-covered lens enhancement, speak with your VSP Choice Network Provider or call VSP Member Service at (800) 877-7195

Not Covered

There are no benefits for:

- Services and/or materials not specifically included in this Vision Plan SPD as covered Plan benefits.
- Plano lenses (lenses with refractive correction of less than ± .50 diopter).
- Two pair of glasses instead of bifocals.
- Replacement of lenses, frames and/or contact lenses furnished under this Plan which are lost or damaged, except at the normal intervals when Plan benefits are otherwise available.
- Orthoptics or vision training and any associated supplemental testing.
- Medical or surgical treatment of the eyes.
- Contact lens insurance policies or service agreements.
- Refitting of contact lenses after the initial (90-day) fitting period.
- Contact lens modification, polishing or cleaning.
- Local, state and/or federal taxes, except where VSP is required by law to pay.
- Services associated with Corneal Refractive Therapy (CRT) or Orthokeratology.
- Corrective vision treatment of an experimental nature;
- Costs for services and/or eyewear above Plan benefit allowances; and
- KidsCare - Services and/or materials provided by someone other than a VSP Network Provider

> **How Your Health Care Flexible Spending Account Can Help**
>
> Remember, you can use your Health Care Flexible Spending Account to pay for eligible vision care expenses that are not covered under the Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any vision care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

A Covered Person who is covered under two or more insurance plans that include vision care benefits may be eligible for Coordination of Benefits ("COB"). VSP will combine other insurance plans' claim payments or reimbursements, if any, with benefits available under the Plan, which may reduce or eliminate the Covered Person's out-of-pocket expense. A Covered Person covered under more than one VSP Plan may also be able to take advantage of COB. In order to process claims involving COB, VSP may need to share personal information regarding the Covered Person with other parties (such as another insurance company). When this is necessary, VSP will only share such information with those persons or organizations having a legitimate interest in that information and only where such sharing is not prohibited by law.

When coordinating benefits, it must be determined which plan is billed first. The plan

that covers the member as an employee is "primary". The plan that covers the member as a dependent is "secondary".

If the Covered Person is a dependent child and is covered under both parents' plans, typically the parent whose birthdate falls first in the calendar year has the primary plan. If the parents are separated or divorced, the parent with custody is primary, unless otherwise ordered by the court.

The primary plan must pay or provide benefits as if the secondary plan does not exist.

When VSP administers the secondary plan, the member will receive a specified allowance for each service (exam, lenses, frame or contacts) that will be used to pay up to, but not more than the billed amount. Only services received on the primary benefit may be used for coordinating like services on the secondary benefit. Secondary allowances are applied first to the same service of the primary plan. Any remaining amount may be used to cover additional expenses on other services.

VSP will reimburse the Covered Person according to each benefit's out-of-network schedule of allowances, not to exceed the actual exam fee and the cost of corrective eyewear.

***Please Note**:* Coordination of benefits does not guarantee that all out-of-pocket expenses will be covered-in-full. The Member is responsible for any remaining expenses.

How to Access the Vision Benefits

Selecting a VSP Choice Network Provider

- Log on to the Benefits Source website at mysourceforhr.com to find the link to VSP's website that houses the most up-to-date list of VSP Choice Network Providers; or call the Benefits Source at **1-888-640-3320** to locate a VSP Choice Network Provider near you. Call the VSP Choice Network Provider to make an appointment. Identify yourself as a VSP member.
- At the time of the visit, pay any amounts that are in excess of the allowance or the Plan's covered services. The VSP network provider files all necessary claims directly from his or her office. The Claims Administrator takes care of all of the necessary paperwork, and pays the provider directly for the eligible expenses.

If you select a Non-VSP Provider

If you receive care from a non-VSP provider, you are required to submit a VSP Request for Reimbursement claim form or you can submit the claim online by signing in as a Member to vsp.com. Here are the steps to follow when filing your own claim with the Claims Administrator:

- Complete all required fields of the VSP Request for Reimbursement claim form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator via the Benefits Source website mysourceforhr.com and link to the Claims Administrator's website.
- Attach copies of your itemized bill and paid receipts to your claim form. These bills should include:
  - Name of patient;
  - Doctor's name or office name;
  - Date of service;
  - Each service received and the amount paid;

Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

VSP
P.O. Box 385018
Birmingham, AL 35238-5018

Be sure to submit your completed claim to the Claims Administrator within 1 year of the date of your service.

Your claim will be processed upon receipt. The Plan then pays eligible benefits directly to you. Regardless of whether you will receive care from a VSP Choice Network Provider or a non-VSP provider, you receive a statement

that tells you how much the Plan paid. In some cases, the Claims Administrator sends the payment to a designated representative (as in the case of a Qualified Medical Child Support Order).

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Vision Plan (a component of the NiSource Welfare Benefits Program
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Fully Insured
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurance Company. Claims are administered by the Claims Administrator listed below under the group insurance contract.
Claims Administrator (VSP Choice Network Providers):	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670 vsp.com
Claims Administrator (Non-VSP Providers):	Vision Service Plan Insurance Company P.O. Box 385018 Birmingham, AL 35238-5018
Insurance Company:	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The group insurance contract (the "Group Contract") underwritten by Vision Service Plan Insurance Company provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and a certificate or evidence of coverage (the "Group Insurance Certificate"). In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail.

Vision Service Plan Insurance Company, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Flexible Benefits Plan

Flexible Spending Account Plan

Health Savings Account

Your Flexible Benefits Plan Options

NiSource Inc. (the "Company") maintains the NiSource Flexible Benefits Plan (the "Plan"), which provides eligible employees with the option to participate in a Flexible Spending Account Plan (an "FSA Plan") and to contribute to a Health Savings Account (an "HSA"); provided, however, that you may not contribute to a Health Care FSA and an HSA at the same time.

The Claims Administrator for the FSA Plan is Alight Solutions, LLC, dba "Your Spending Account" or "YSA".

Flexible Spending Account

The FSA Plan has two different Flexible Spending Accounts. They are:

- The Health Care FSA; and
- The Dependent Care FSA.

You may participate in one or both of these accounts. The contributions you make to the Flexible Spending Accounts are not subject to Federal, and in many cases, state and local income tax, which reduces your taxable income.

The Health Care FSA allows you to set aside before-tax money from your paychecks to pay for certain eligible health care expenses that are not covered by the Medical, Dental or Vision Plans. You may set aside up to $2,750 a year (deducted from your pay in equal installments throughout the year) to pay for eligible out-of-pocket expenses such as deductibles, co-payments, or expenses that the Plan limits or excludes. The maximum limit for Health Care FSA may be adjusted periodically for inflation. Please contact the Benefits Source at **1-888-640-3320** to find out the current limit.

The Dependent Care FSA works similarly to the Health Care FSA. However, the before-tax money that you can set aside can only be used for reimbursement for dependent care expenses for eligible dependents. You may set aside up to $5,000 per year, or $2,500 per year if you are married and file separate federal income tax returns.

You may not claim any other tax benefit (e.g., the federal dependent care tax credit) for the amount of your before-tax salary reductions under the Dependent Care FSA, although your eligible dependent care expenses in excess of that amount may be eligible for the federal dependent care tax credit. The federal dependent care tax credit is a credit against your federal income tax liability under the Code. It is a non-refundable tax credit, which means that any portion of it that exceeds your federal income tax liability will be of no value to you. For more information about how the dependent care tax credit works, see IRS Publication No. 503 ("Child and Dependent Care Expenses"). For most individuals, participating in the Dependent Care FSA will produce greater federal tax savings than the dependent care tax credit, but there are some for whom the opposite is true. You should consult a tax advisor to determine what course of action would be best in your situation.

Eligibility

For information regarding eligibility under the FSA Plan, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

Highlights of the Flexible Spending Accounts (FSAs)

FSA Features	Eligible Dependents	Eligible Expenses
Health Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $2,750	The Health Care FSA can be used to reimburse eligible out-of-pocket expenses incurred by you, your eligible spouse, or any person who is your dependent for federal income tax purposes (as determined without regard to such person's gross income).	Certain medical, dental, and vision expenses not covered under the Medical, Dental, or Vision Plans, such as deductibles, co-payments and coinsurance amounts. The expense must be considered as one incurred for "medical care," as defined in the Code. *A non-exhaustive list of eligible expenses can be found later in this section.*
Dependent Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $5,000; $2,500 if you are married and file separate federal income tax returns.	For purposes of the Dependent Care Flexible Spending Account, eligible dependents are: • Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child; • Your spouse who is physically or mentally incapable of caring for himself or herself, provided the spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, the spouse must regularly spend at least eight hours each day in your home. • Any one of the following persons, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year: a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step-daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.	Expenses you incur to care for your child or a dependent family member while at work. If you are married, your spouse also must work, be looking for work, be a full-time student for at least five months during the calendar year, or be physically or mentally unable to care for your dependent(s). *A non-exhaustive list of eligible expenses can be found later in this section.*

Health Care Eligible Expenses

Health care expenses that are eligible for reimbursement from the Health Care FSA are those expenses incurred for "medical care" (as defined under the Code and regulations issued thereunder) by you, your spouse or persons who qualify under the Code as your tax dependents for health coverage purposes, to the extent such expenses are not reimbursed from any other source, are not taken as a deduction on the your income tax return and are not otherwise excluded from eligibility under the terms of the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Health Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 40

Eligible health care expenses include, but may not be limited to the following:

- Expenses covered by an employer-sponsored health care plan, but not reimbursed due to a deductible or co-payment.
- Prescription vision expenses (including eyewear, contact lenses and optometrist), contact lens solution, a guide dog for the blind and special education devices for the blind (such as a special typewriter).
- Expenses that may not be covered by an employer-sponsored health care plan, including (but not limited to):
  - Confinement to a facility primarily for screening tests and physical therapy or hydrotherapy;
  - Cosmetic surgery if it is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease;
  - Services for chromosome or fertility studies;
  - Treatment (other than surgery, which is covered by the Medical Plan) of corns, bunions, calluses, foot structural disorders, etc.;
  - Services related to sexual dysfunctions or inadequacies;
  - Ace bandages, support hose, or other pressure garments prescribed by a physician;
  - Charges for medical expenses in excess of reasonable and customary expenses;
  - Acupuncture for pain relief as performed by a licensed practitioner;
  - Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
  - Insulin;
  - Orthodontic services not covered by a health care plan;
  - Transportation expense to receive medical care, including fares for public transportation and actual out-of-pocket car expense, such as gas and oil. In lieu of out-of-pocket expenses, a standard mileage rate (plus tolls and parking) may be used;
  - Hearing expenses including hearing aids, special instructions or training for the deaf (such as lip reading), the cost of acquiring and training a dog for the deaf, and special telephone and audio display equipment for the deaf;
  - Hypnosis for treatment of an illness;
  - "Halfway house" care to help individuals adjust from life in a mental hospital to community living;
  - Tutoring by a licensed therapist for a child with a severe learning disability and special schooling for handicapped individuals;

- Lifetime care advance payment to a private institution for lifetime care, treatment, or training of a mentally or physically handicapped patient;
- Medical information plan fees paid to a plan maintaining an individual's medical information by computer;
- Special car controls for the handicapped; and
- Full or partial reimbursement for certain capital expenditures that are primarily made for health care reasons (e.g., an air conditioner installed in the home of a person with severe allergies may qualify for partial reimbursement, and an exercise swimming pool to aid in the recovery of a stroke victim may qualify for reimbursement).

This list of covered expenses is subject to change. An expense may not be reimbursed if the IRS would not consider the expense to be eligible.

To confirm if an expense is eligible for reimbursement, call YSA via the Benefits Source at ***1-888-640-3320.***

Health Care Expenses Not Eligible

The health care expenses that are **not** eligible for reimbursement from the Health Care FSA include, but may not be limited to the following:

- Marriage or family counseling;
- The salary expense of a licensed practical nurse (LPN) incurred in connection with the care of a normal and healthy newborn (even though such care may be required due to the death of the mother in childbirth);
- Funeral and burial expenses;
- Household and domestic help (even though recommended by a qualified physician due to your or dependent's inability to perform physical housework);
- Custodial care in an institution;
- Costs for sending a "problem child" to a special school for benefits the child may receive from a special course of study and disciplinary methods;
- Health club dues, YMCA dues, steam bath, etc.;
- Social activities, such as dance lessons or classes (even if recommended by a qualified physician for general health improvement);
- Membership fees or costs associated with weight loss or smoking cessation programs for general health and well-being purposes;
- Maternity clothes, diaper services, etc.;
- Cosmetics, toiletries, toothpaste, etc.;
- General health care aids purchased without a prescription, such as dietary supplements (e.g., vitamins);
- Premiums for other group or individual insurance coverage;
- The segment of automobile insurance premiums providing medical coverage for persons injured through an accident involving your care;
- Vacation or travel taken for general health purposes, a change in environment, improvement of morale, etc., or taken to relieve physical or mental discomfort not related to a particular disease or physical defect;
- Retin-A when used solely for cosmetic purposes;
- Herbs (even if they are used to treat an illness or injury); and
- Premiums for contact lens replacement insurance.

Filing a Health Care FSA Claim

If your health care-related expenses are eligible for reimbursement from the Program's Medical, Dental, or Vision Plans (or another medical, dental, or vision plan outside the Program), those expenses should be submitted to that plan first. After a payment determination is made, the

unreimbursed expenses can then be submitted to your Health Care FSA.

The total annual amount that you can elect to contribute to the Health Care FSA (less any previous reimbursements) is available for reimbursement (regardless of the amount that you have contributed to your FSA to-date). Contributions then continue to be deducted from your paychecks until your annual goal amount is reached.

You may incur eligible health care expenses until December 31. You then have until March 31 of the following year to submit claims for expenses you incurred between January 1 and December 31 of the previous year.

Reimbursement of Health Care FSA Claims

You may submit a claim for reimbursement under your Health Care FSA via the Benefits Source website **mysourceforhr.com**.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Completed forms should be submitted along with the following documentation:

- **The Explanation of Benefits** (EOB): The EOB from the Claims Administrator indicates what expenses were covered by your medical/dental/vision plans. If you have another benefit plan available to you, you must submit your EOB with your completed health care reimbursement form.
- **A Co-pay Receipt**: This receipt is from the provider, and may be the only documentation if the co-pay is the only expense.
- **An Itemized Bill or Statement**: This is from the provider, and shows what expenses are not covered by the medical/dental/vision plan. It may include the:
  - Name and address of the service provider;
  - Dates of service (not the billing date or the paid date);
  - Dollar amount charged;
  - Patient's name; and
  - Description or type of services rendered.

Please note that canceled checks and balance-forward statements are not acceptable documentation for reimbursement.

Submit the completed form and documentation to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

Debit Cards

In addition, if the total annual amount that you elect to contribute to the Health Care FSA is $60 or greater, you will be issued a debit card for use with your Health Care FSA. The debit card may be used only for eligible health-related expenses. When you use your debit card, you are automatically certifying that you have not been reimbursed for the expense and that you will not seek reimbursement for the expense from any other plan.

You may use your debit card to obtain reimbursement for certain approved over-the-counter medications and supplies that are used to treat an illness, injury, or disease and that are purchased from registered vendors. However, you may not use your debit card to obtain reimbursement for over-the-counter medications or supplies that require a prescription or a statement of health or medical need.

The FSA Plan will try to automatically verify any claims you submit through your debit card. However, you should retain documents (such as an EOB, receipt, and itemized bill or statement) to support your claim in case the Claims Administrator requests such information. All expenses you incur must be substantiated in accordance with rules established by the IRS.

If you are paid for an excess or ineligible claim through your debit card, or if you fail to provide requested information to the

Claims Administrator regarding substantiation of a claim, your debit card privileges may be suspended and the Plan and Claims Administrator reserve the right to recoup the mistaken payment. If you fail to repay such amount to the Plan, such amount may be withheld from your wages, be offset against other eligible Health Care FSA claims you submit, or be reported on your W-2 as taxable income.

Dependent Care Eligible Expenses

The dependent care expenses that are eligible for reimbursement from the Dependent Care FSA include, but may not be limited to:

- Family day care providers;
- Babysitter;
- Caregivers for a disabled dependent or spouse who resides in the participant's home;
- Housekeeper, maid or cook (provided the services are attributable in part to the care of an eligible dependent);
- Dependent care provided outside your home by an eligible care provider, including care provided in a neighbor's home or in an approved nursery school or dependent day care center. If the care is for a dependent age 13 or over, the dependent must regularly spend at least eight hours each day in your home. For example, day care centers for children and disabled adults qualify, but 24-hour nursing care facilities do not. Also, facilities that care for seven or more nonresident individuals must comply with all applicable state and local regulations governing day care centers;
- Payments for before- and after-school care for eligible children from kindergarten up to and including age 12;
- Payments in lieu of regular dependent day care to summer day camp or other summer programs (but not overnight camp); and
- Certain expenses for children not yet in the first grade, for example:
  - Nursery school;
  - Pre-school.

To confirm if an expense is eligible, call YSA via the Benefits Source at **1-888-640-3320**.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Dependent Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process –* Dependent Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 41

Dependent Care Expenses Not Eligible

The dependent care expenses that are **not** eligible for reimbursement from the Dependent Care FSA include, but may not be limited to the following:

- Dependent care expenses that you incur before (or after) your participation in the Dependent Care FSA begins (or ends);
- Any expense that you claim for the dependent care tax credit on your federal income tax return, or any expense that is paid by any other similar reimbursement-type plan or program;
- Any expenses that are reimbursed by your Health Care FSA;
- Expenses for the education of a qualified dependent;
- Expenses paid for food and clothing;
- Dependent care provided by a family member who is under age 19 at the end of the taxable year, or by another dependent for whom you claim a dependent exemption on your tax return;
- Expenses for health care;

- Educational expenses for kindergarten or higher;
- Housekeeping expenses that are not related to dependent care, or payments for services while you are at home from work because of an illness;
- Child or dependent care provided while:
  - You are at work and your spouse is doing volunteer work, even if a nominal fee is paid (or vice versa);
  - You and your spouse are doing volunteer work (even if a nominal fee is paid); or
  - You and your spouse are not working (such as weekend or evening babysitting fees);
- Expenses for food, clothing, health care, or entertainment of a qualified dependent;
- Transportation expenses to and from the dependent care location;
- Expenses for overnight camps;
- Services of a gardener or chauffeur; and
- Care provided by a round-the-clock nursing home.

Filing a Dependent Care FSA Claim

For Dependent Care FSA reimbursements, only the current balance in your Dependent Care FSA is available for reimbursement. This means that you are reimbursed up to the amount that you have actually set aside from each paycheck up to that point (less any previous reimbursements). So, if the reimbursement request that you submit exceeds the amount currently in your Dependent Care FSA, you are reimbursed for the remainder after you contribute more money to your Dependent Care FSA via future paychecks.

You may submit a claim for reimbursement under your Dependent Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Submit the completed form along with the following documentation:

- **Provider's Bill or Itemized Receipt**:. The provider must sign this documentation, and it must itemize the date(s) of service as well as the amount(s) charged. Canceled checks are not considered acceptable documentation.
- **Dependent Care Provider's Name, Address, and Social Security Number (or Federal Tax Identification Number)**. For tax-reporting purposes, you must include the provider's name and his or her Social Security number (or taxpayer identification number). The taxpayer identification number is not necessary if the provider is a nonprofit, religious, charitable, or educational organization.

If the provider completely fills out the 'Provider Certification' section of the reimbursement form, then you need only submit the completed reimbursement form for your reimbursement request.

Submit the completed form and documentation (if required) to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

FSA Filing Deadlines

You may submit a health care reimbursement claim at any time after you incur an eligible health care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Health Care FSA after March 31 will be forfeited.

You may submit a dependent care reimbursement claim at any time after you incur an eligible dependent care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Dependent Care FSA after March 31 will be forfeited.

Claim Determination and Appeal Process – Health Care FSA

For information regarding the Health Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Claim Determination and Appeal Process – Dependent Care FSA

For information regarding the Dependent Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dependent Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the FSA Plan, including COBRA continuation coverage under the Health Care FSA, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Health Savings Account

If you enroll in one of the High Deductible PPO options (HDPPO 1 or HDPPO 2) you may be eligible to contribute to a Health Savings Account (HSA). An HSA is a portable savings account established and maintained outside the Plan that can be used to pay present and future medical and prescription drug expenses. An HSA is not an employer-sponsored employee benefit plan — it is an individual trust or custodial account that you open with a separate HSA trustee/custodian, such as a bank, life insurance company or other financial institution. Your HSA will be subject to the terms of an agreement you enter into with the HSA trustee/custodian. Such agreement may impose fees and restrictions upon how you use your HSA. The Plan merely allows you to contribute to your HSA in an amount up to the IRS statutory limit. Unlike a Health Care FSA, the HSA account balance can roll over from year to year until withdrawn and earnings accumulate tax-free.

The Health Savings Account is administered by Alight. Your Employer has no authority or control over the funds deposited in your HSA. As a result, the HSA is not subject to ERISA.

You can use the dollars in your HSA to pay the deductible and coinsurance required under the HDPPOs, along with other qualified medical expenses not covered by the plans. Qualified medical expenses are expenses you pay for medical care (as defined in Section 213(d) of the Code) for you, your spouse or dependents (as defined in Section 223 of the Code), to the extent such expenses are not reimbursed by insurance or otherwise.

Funds in the HSA remain in the account until you apply for reimbursement. If you are enrolled in the HDPPO 1 or HDPPO 2, your Employer may make an annual contribution into your HSA on your behalf. However, you must establish or activate your HSA before the end of the Plan Year in order to receive any Employer contributions. If you fail to do so, you will forfeit any Employer contributions for that Plan Year.

The amount you can contribute to your HSA is governed by federal law. Please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Flexible Benefits Plan – HSAs"* for a discussion of limitations upon the amount you may contribute to an HSA. Please call the Benefits Source at **1-888-640-3320** for more information.

Three Ways to Use Your Health Savings Account

- Pay for current qualified medical expenses, such as deductibles and coinsurance, or eligible expenses not covered by the HDPPOs.
- Pay for qualified medical expenses in future years, even if you are no longer enrolled in the HDPPOs.
- Once you reach age 65 (or become disabled), you can use any remaining money in your HSA to pay for qualified medical expenses on a tax-free basis, or you can take a distribution for non-qualified medical expenses, subject to income tax but without incurring a penalty .

Please note: *The information above describes the federal tax treatment of an HSA, but the favorable tax treatment described above may be limited or unavailable for state tax purposes. Please consult your tax advisor for more information.*

Eligibility

For information regarding eligibility for an HSA, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in an HSA, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

HSA Qualified Medical Expenses

In addition to those services covered under the HDPPOs, you can use your HSA to pay for other qualified medical expenses including, but not limited to the following expenses, to the extent they are not reimbursed from any other source:

- Laser eye surgery;
- Weight loss programs;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Long-term care premiums;
- COBRA premiums;
- Health care plan premiums while receiving unemployment;
- Over age 65, you can use the HSA funds to pay for Medicare Parts A or B; and
- Many other services defined as expenses for medical care under Section 213(d) of the Code.

If you use your HSA for a non-medical or non-qualified medical expense, you will have to pay income tax on the account distribution as well as a 20% penalty. However, if a distribution is made after age 65, after disability, or after death, the distribution will be subject to income tax, but no penalty tax.

If you have a question about what constitutes a qualified medical expense, please consult your tax advisor or Publication 969 that may be found on the IRS website at irs.gov.

How to Open an HSA

After you have enrolled in an HDPPO option and agreed to the terms and conditions of the HSA custodial agreement, YSA will send you a packet containing basic information on how to use a Health Savings Account.

Paying for Covered Expenses Using the Health Savings Account

The Health Savings Accounts are administered by YSA. When you visit a network provider, you typically do not pay at the time of service. Simply show your Anthem ID card and the following steps will be followed:

1. The claim will be sent to Anthem for processing.
2. You will receive an Explanation of Benefits (EOB) statement showing what was paid under the Plan.
3. Your provider will receive the same statement and bill you for the balance not covered under the Plan.
4. You can then either pay the balance with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

Paying for prescription drugs works differently. The following steps will be followed:

1. You must show the pharmacist your Anthem ID card (the same one you use for medical services).
2. When you pick up your prescription, you can either pay with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

A similar procedure applies for mail-order prescription drug service.

Paying a Provider Who Does Not Participate in the Network

If you visit a provider who is not in the Network, you must either pay the provider at the time of service with your HSA debit card (if accepted by your provider) or pay the provider out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

To enroll or to find out more information about the Health Savings Account, please visit the Benefits Source website **mysourceforhr.com** or call the Benefits Source at **1-888-640-3320** to speak with a representative.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Flexible Benefits Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Code Section 125 Plan containing group health plan and non-group health plan components and providing for Pre-Tax Payment of Medical Expenses (Health Plan), Pre-Tax Payment of Dependent Care Expenses and Pre-Tax Contributions to Health Savings Accounts
Plan Number:	537
Type of Funding:	Not applicable
Contribution Source:	Employee. In addition, subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Fiduciary and Plan Administrator:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute the entire cost of the Benefit Plan coverage they select. Provided, however, that subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Distributions from HSAs are not administered through the Plan. Questions concerning investments, distributions or other matters pertaining to an HSA should be directed to Alight, who administers the HSAs. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator for Flexible Spending Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com

Claims Administrator for Health Savings Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Short-Term Disability Plan

Your Short-Term Disability Plan

This is the SPD for the NiSource Short-Term Disability Plan (the "Plan" or "Short-Term Disability Plan").

NiSource Inc. (the "Company") and the Participating Employers provide eligible employees with short-term disability ("STD") and sick leave coverage under the Plan at no cost to the employee. Your Employer provides you with limited income continuation should you become Disabled and unable to work because of a short-term Sickness or Injury (as defined below).

How Your Paid Sick Leave Works

Generally, if you are an eligible employee covered by a collective bargaining agreement between your Employer and a union, you are granted paid sick leave on the first day of the month coincident with or next following the completion of six continuous months of active service as a regular full-time bargaining unit employee of your Employer. All covered absences due to Sickness or Injury will be deducted from your sick leave balance and will be paid in accordance with the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Your Plan benefit is determined by your credited service years. Please see the *"Highlights of Your Disability Plan Coverage"* section for further details.

If you use all of your paid sick leave time and you are still unable to return to work, you will be on an unpaid leave of absence. You may continue in this unpaid status until:

- You are eligible to receive Long Term Disability Plan Benefits;
- You return to work;
- You terminate employment; or
- You retire.

If you are still on sick leave at the end of December and you remain unable to work into the next calendar year, you continue to use remaining sick leave from the previous year. Subject to the terms, conditions and limitations described below in "*Recurring or Separate Periods of Disability," y*ou will not receive additional hours of paid leave until you return to work for one full day in the new year. This means that you will not be granted additional hours of paid sick leave for the new year while you are absent due to Sickness or Injury.

For purposes of the Plan, "Sickness" means a disease, disorder or condition of the body or mind, including pregnancy, abortion, miscarriage or childbirth, that requires treatment by a Physician (as defined below), but does not include an Injury. Disability resulting from a Sickness must begin while you are covered under the Plan.

For purposes of the Plan, "Injury" means a bodily injury that is the direct result of an accident, that is not related to any cause other than the accident, the results in immediate disability, and that requires treatment by a Physician. Disability resulting from an Injury must begin while you are covered under the Plan.

Disability Under the Short-Term Disability Plan

If you are Disabled (as described below), you will be eligible for Plan benefits for up to maximum period of 26 weeks, at which time you may be eligible to receive Long-Term Disability Plan benefits. (See the *"Long-Term Disability Plan"* section of this Health and Welfare Benefits Handbook for details.) For Plan benefit purposes, as explained in greater detail below, you are considered "Disabled" or to have incurred a "Disability" if your Sickness (including pregnancy) or Injury prevents you from performing the essential functions of your own occupation.

There are different types of Disabilities for which you may qualify. They are defined as follows:

Total Disability

You are considered Totally Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are

reasonably qualified because of your education, training, or experience. If this is the case and you are absent from work for more than four consecutive work days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator. As used in the Plan, "essential functions" means functions that (i) are normally required for performance of your own occupation or any job requiring similar education or training that an Employer offers you and for which you are reasonably qualified by reason of your education, training, or experience, and (ii) cannot be reasonably omitted or modified.

Partial Disability

You are considered Partially Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform, on a full time basis, the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are reasonably qualified because of your education, training, or experience. If this is the case and you are absent from work for more than four consecutive days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator.

Please Note: If you are Partially Disabled, you may be assigned temporary modified work. The temporary modified work assignment must be approved by your personal physician, the Company physician (where appropriate) and your supervisor.

Please Note: If you require a professional license or certification for your occupation and you lose that license or certification, the loss (in and of itself) does not constitute a Disability under the Plan.

**As used in this SPD, "Physician" means a person who is performing tasks that are within the limits of his or her medical license and is licensed to practice medicine and prescribe and administer drugs or to perform surgery; or who has a doctoral degree in psychology (Ph.D or Psy.D) whose primary practice is treating patients; or who is a legally qualified medical practitioner according to the laws and regulations of the governing jurisdiction. It cannot be any relative including, but not limited to, you, your spouse, or a child, brother, sister, or parent of you or your spouse as a doctor for a claim that you send to us.*

Recurring or Separate Periods of Disability

If you are collecting Plan benefits due to a Disability, you temporarily recover, you return to work for your Employer for 180 consecutive calendar days or less, and you then again become Disabled due to the same or a related Sickness or Injury, your subsequent Disability is considered a recurring Disability. This means that you will be entitled to benefits for the recurring Disability for the maximum benefit period, less the benefits you have already received for that Disability.

If you are collecting Plan benefits, you temporarily recover, you return to work for your Employer for 181 or more consecutive calendar days, and you then again become Disabled due to the same Sickness or Injury, your Disability is considered a separate Disability. This means that you will be entitled to benefits for the separate Disability for your maximum benefit period. This amount will not be reduced by the benefits you already received for that Disability.*

*However, in no event will you entitled to benefits under the Plan during a calendar year in excess of the benefits applicable to you as described in the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Eligibility

For information regarding eligibility under the Short-Term Disability Plan, please see the *"Eligibility under the Short-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Short-Term Disability Plan"*.

Contributions

The Employer pays the full cost of the Plan. There are no employee contributions.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Short-Term Disability Plan"*.

Highlights of Your Short-Term Disability Plan Coverage

Your Plan benefit is determined according to your length of service and can extend up to 26 weeks during a calendar year, based on the following schedule:

Credited Years of Service	You Receive 100% of Your Base Salary for the First…	Then You Receive 60% of Your Base Salary for the Remaining…
More Than Six Months of Service But Less Than One Year of Service	1 Week	0 Weeks
From One Year of Service to Nine Years of Service	8 Weeks	18 Weeks
From Ten Years of Service to Nineteen Years of Service	16 Weeks	10 Weeks
Twenty or More Years of Service	26 Weeks	0 Weeks

For purpose of determining the number of weeks of benefits to which you are entitled, Base Salary and Years of Service shall be determined as of the January 1st immediately prior to the date of Total Disability, except that

(i) if you have more than six months but less than one Year of Service, Base Salary and Years of Service shall be determined as of the date of Total Disability, and

(ii) (ii) if you are a rehired employee who is entitled to credit for prior Years of Service, in the year you are rehired, Base Salary shall be determined as of the date of Total Disability and Years of Service shall be determined as of the date of your rehire according to rules described below with respect to crediting of service for rehires.

Your Plan benefits may end prior to the periods set forth in this schedule for reasons described in the "When Benefits End" section below.

Please Note: No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed. For more information, see the *"Claims Determination and Appeal Proc*ess – STD Plan*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 51.

Determining Years of Service

Generally

Upon your first year anniversary, you are credited with one Year of Service. On the December 31 following your first anniversary and each subsequent December 31 thereafter, you are credited with an additional Year of Service.

Crediting of Service for Rehires

If you terminated employment with, or retired from, an Employer and are rehired, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
Less than one year after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, including time of break
At least one year, but less than five years, after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, but excluding time during break in service.
At least five years after termination of employment or retirement from employment	No service credit. Participant begins with zero Years of Service upon rehire.

Crediting of Service for Rehires Who Previously Worked for Columbia Pipeline Group

If (i) you were an active employee of Columbia Pipeline Group, Inc. or its affiliates as of July 1, 2015, (ii) you terminated employment, or retired from employment, with Columbia Pipeline Group, Inc. or its affiliates on or after July 1, 2015, and (iii) you were thereafter rehired by an Employer, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
On or after July 1, 2015 and before July 1, 2016	All service with an Employer from the date of original hire prior to July 1, 2015 to and including the date of rehire by an Employer on or after July 1, 2015.
On or after July 1, 2016 and before July 1, 2020	All service with an Employer from the date of original hire prior to July 1, 2015, to and including June 30, 2015
On or after July 1, 2020	No service credit. Participant begins with zero Years of Service upon rehire.

Determination of Benefits Generally

Subject to the "How Your Paid Sick Leave Works" and the "Recurring or Separate Periods of Disability" sections of this SPD and upon your first year anniversary, you are entitled to receive benefits for the full benefit period of 26 weeks (1040 hours) for each calendar year.

To determine your Plan benefit, the Plan takes a percentage of your Base Salary*. This is called your "gross Plan benefit" The Plan then deducts any "other sources of disability income" from this amount to determine your "net Plan benefit."

Special provisions apply and are described below if you are Partially Disabled and are able to perform a temporary modified work assignment.

*"Base salary" means your basic earnings plus any before tax deposits deferred under a qualified retirement plan of an Employer. If you receive sales commissions, your Base Salary will be your average hourly wage based on the 12 consecutive calendar months immediately preceding the last day you were actively at work.

Your Base Salary does not include:

- Overtime;
- Shift differentials;
- Bonuses; or
- Any other form of special compensation.

Other Sources of Disability Income

You may be eligible for income from other sources due to your Disability. If this is the case, your benefits under the Plan will be fully offset by such other sources of Disability income.

Other sources of Disability income for which you are eligible, or that have been paid to you or to a third party on your behalf may include, but are not limited to, the amount of any benefit for loss of income for the same Disability from:

- The United States Social Security Act, the Railroad Retirement Act, the Jones Act, or similar plan or act
- Any temporary or permanent disability benefits under a Workers' Compensation law (does not include permanent impairment award), occupational disease law, or similar law
- The Veteran's Administration or any other foreign or domestic governmental agency
- Any governmental law or program that provides disability or unemployment benefits as a result of your employment with an Employer, including any state disability program;
- Disability benefits from any compulsory "no-fault" automobile insurance.

If you receive a benefit from another source of income in the form of a single lump sum, the amount of offset to the weekly benefit amount will be determined by prorating the lump sum over a period of 26 weeks.

State Disability Programs

If you work in a state that requires a state-defined disability plan, you are also covered under the provisions of the laws and regulations of that state plan. Your gross Plan benefit is reduced by the amount you are eligible to receive under any state disability program.

Applying for Other Sources of Disability Benefits

If you are eligible to receive disability benefits from other sources, you should apply as soon as possible. You should notify the Claims Administrator that you are eligible to receive other disability income as soon as possible.

When Benefits End

Your benefit payments will end as set forth in the schedule above, or sooner if any of the following events occur:

- You fail to submit evidence of your Disability or such other documents (if any) that the Plan deems necessary to administer the Plan, in accordance with Plan procedures;
- You do not comply with the Plan's request for evidence of your continuing Disability,

an independent medical examination or other examinations or tests;

- You fail or refuse to perform any temporary modified work assignment, in the case of a Partial Disability;
- You fail to participate in or comply with all requirements of the Disability Management Program;
- You are engaged in any other occupation or earn any self-employment income in excess of a de minimis amount;
- You are not under the regular care of a physician as required by your condition or you are not following the physician's treatment plan;
- You participate in and are convicted of a felony offense. In such case, your Disability will be determined to have ceased as of the date that you first participated in the felony offense;
- You commit or partake in any actions of fraud against the Plan or an Employer;
- You are no longer considered by the Plan to be Disabled;
- Your 26-week benefit period ends;
- You become eligible for LTD Plan benefits;
- You have been terminated or have voluntarily terminated employment with an Employer (other than transfer to another Employer);
- You are no longer eligible for coverage under the Plan; or,
- You die.

Plan Benefit Exclusions

The Plan does not pay benefits under certain circumstances. These circumstances include, but may not be limited to, the following:

- Failure to participate in or provide the Disability Management Program with all the required documentation regarding your Disability.
- Sickness or Injury that occurs while:
  - You are on a leave of absence;
  - You are furloughed from work;
  - You are suspended from work; or
  - You are considered an inactive employee.
- Disability that is caused or contributed to by an intentionally self-inflicted injury.
- If you are absent from work for more than four consecutive work days and the disability is not being treated by a Physician.
- Disability caused or contributed to by war or an act of war (declared or not).
- Disability caused by your commission of or attempt to commit a crime for which you have been convicted, or to which a contributing cause was your involvement in an illegal occupation.

Claiming Benefits

If you are unable to work because of Sickness or Injury, you must adhere to the following procedures to qualify for Plan benefits:

- Call your supervisor before your normal work day begins. If that is not possible, be sure to contact your supervisor as soon as you can. If you cannot call in, please be sure that someone calls in on your behalf. *Your Employer may require that you provide a Physician's statement confirming your Sickness or Injury before your absence is actually approved.*
- If you are, or know you will be, absent from work for more than four consecutive work days, call the Benefits Source at 1-888-640-3320 or the Claims Reporting Hotline at 1-877-ENERGY4, Option #3, then Option #1, to report your Sickness or Injury to the Plan's Disability Management Program.

Disability Management Program

You must participate in the Disability Management Program to qualify for Plan benefits. The Disability Management Program certifies that you qualify for Plan benefits

beyond the fourth day of absence. You will be assigned a "Claims Administrator" who will:

- Guide you through the disability benefits that may apply to your situation;
- Certify whether your disability qualifies for STD pay; and
- Help develop a reasonable return-to-work plan with you, your physician, and your supervisor.

You will be expected to participate fully in the Disability Management Program. You must:

- Supply the authorization and documentation as described in the following section;
- Maintain contact with your Claims Administrator;
- Follow the medical treatment plan that is agreed to by your Claims Administrator and your physician; and
- Return to work at the time that is agreed to by you, your Claims Administrator, your physician, and your supervisor.

Authorization and Documentation You Will Need to Supply

Upon request from the Claims Administrator, you may need to provide certain information. Failure to provide this information may deny, suspend or terminate your Plan benefits. The information includes, but is not limited to the following:

- Signed authorization form for the Claims Administrator to obtain all reasonably necessary medical, financial, or other non-medical information that supports your Disability claim.
- Proof that you have applied for other sources of disability income (i.e., Workers' Compensation, State Disability Benefits, or Social Security Disability Benefits, when applicable).
- Notification of when you receive or are awarded a benefit from another source of disability income, including the:
  - Type of income benefit;
  - Amount you are receiving;
  - Period for which the benefit applies; and
  - Duration for which the benefit is being paid (if you are receiving installment payments).

Also, your Employer may require a "doctor's release" to return to work.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Short-Term Disability Plan."*

Other Information

If Your Disability Reaches Five Months in Duration

You should apply for Social Security disability benefits by the end of the fourth month from the day your Disability began. (The Claims Administrator can help you with the filing process). In addition, if you are eligible to receive disability benefits from another source, you should apply as soon as possible.

Temporary Modified Work Assignment

If you qualify for a Partial Disability and you are working on a temporary modified work assignment, you will receive your Base Salary for the hours you work and Plan benefits (based on the Plan's provisions) for the hours you are not working.

If, in the Claims Administrator's opinion, you could perform a temporary modified work assignment (given your condition) and you refuse the assignment, the Plan benefit for which you would be otherwise eligible ends.

Family and Medical Leave Act (FMLA)

While collecting Plan benefits, you may also be eligible for leave under the Family and Medical Leave Act of 1993 (FMLA). If you are eligible for and approved for a FMLA leave for your own serious health condition, your FMLA leave will run' concurrently with Plan coverage for up to 12 weeks. Please refer to your Employer's FMLA Policy.

Continuation of Other Coverages

Certain coverages provided to you under the Program may continue while you are receiving Plan benefits or if you have an appeal pending in accordance with the provisions of the Plan. Any contributions that you are required to make toward the cost of these coverages (as well as your contributions to a retirement plan sponsored by an Employer) will be deducted from your Plan benefits. If your Plan benefits are insufficient to cover all of your benefit deductions, the Benefits Source will work with you to set up a direct billing arrangement. If you have any questions regarding these coverages, call the Benefits Source at **1-888-640-3320.**

Medical, Dental, Vision, and FSA Plans

For continuation of coverage under the Medical, Dental, Vision, and FSA Plans , see the General-Sick Leave subsection of the section of the **Benefits Program Overview** entitled "Continuation of Coverage under the Medical, Dental, Vision and FSA Plans."

Life and AD&D

Life and AD&D coverage for you and your eligible dependents continues.

LTD Disability

LTD coverage continues.

(Please Note: If your Disability continues and you meet the eligibility requirements, you may qualify for Long-Term Disability Plan benefits. See the *"Long-Term Disability Plan"* section of this Handbook for details.)

Retirement Plans

You continue to earn service under any retirement plan sponsored by an Employer for which you are otherwise eligible while collecting Plan benefits. In addition, you can continue to make elective deferrals (and the Company will continue to make matching contributions, as applicable) to any retirement plan allowing elective deferrals for which you are otherwise eligible while you are collecting Plan benefits. You may, however, stop your contribution to such retirement plan(s) at any time. Please see the applicable retirement plan(s) for further information.

Other Programs

If benefits under the Adoption Assistance Plan would otherwise be available to you, these benefits will not be available to you while you are collecting Plan benefits.

Contact Information

If you need answers to specific coverage related questions, contact the Benefits Source by going to their website or using their automated telephone system. Both the website and the automated telephone system can connect you with the Claims Administrator (if necessary).

Coverage Option	Contact
Short-Term Disability Plan	ESIS mysourceforhr.com (link to ESIS.com) **1-888-640-3320** (Benefits Source) You can connect with the Claims Administrator by phone via the Benefits Source automated telephone system.

General Plan Information

Program Name	NiSource Welfare Benefits Program
Plan Name:	NiSource Short-Term Disability Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Short-Term Disability
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions, and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-5539
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under the Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., the Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	ESIS Two Riverway Suite 1100 Houston, Texas 77056
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may also be made upon the Plan Administrator.

Long-Term Disability Plan

Basic LTD Coverage

Supplemental LTD Coverage

Your Long-Term Disability Options

NiSource Inc. (the "Company") offers the NiSource Long-Term Disability Plan (the "Plan") to eligible employees with the following coverage options:

- Basic LTD Coverage Option; and
- Supplemental LTD Coverage Option.

Benefits are provided under a group insurance contract (the "Group Contract") and a group insurance certificate (the "Group Insurance Certificate") issued by The Prudential Insurance Company of America ("Prudential"), who is the Claims Administrator and is wholly responsible for the payment of benefits.

You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description. *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at* ***1-888-640-3320****.*

The Plan provides financial protection for you by paying a portion of your income while you have a long period of disability. The amount you receive is based on the amount you earned before your disability began. In some cases, you can receive disability payments even if you work while you are disabled. Benefits begin after the elimination period is completed. The elimination period is the period of continuous disability that must be satisfied before you are eligible to receive benefits and is the longest of (i) 180 days; (ii) the length of time for which you receive loss of time benefits, salary continuation or accumulated sick leave; and (iii) the date that you are absent from work for 1040 hours due to your disability.

If you are determined to be disabled, the Basic LTD Coverage Option provides monthly benefits of the lesser of (i) 50% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $8,333.00.

If you are determined to be disabled, the Supplemental LTD Coverage Option provides monthly benefits of the lesser of (i) 60% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $10,000.00. You pay a portion of the cost of the Supplemental LTD Coverage Option.

Your benefit may be reduced by deductible sources of income and disability earnings. Some disabilities may not be covered or may have limited coverage under the Plan. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan. Refer to the Group Insurance Certificate for further details.

See "*Highlights of the Long-Term Disability Plan Coverage*" below for examples illustrating the payment of monthly benefits.

Eligibility

For information regarding eligibility under the Long-Term Disability Plan, please see the *"Eligibility under the Long-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Long-Term Disability Plan"*.

Contributions

The Basic LTD Coverage Option is provided at no cost to you. If you elect the Supplemental LTD Coverage Option, you and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis or as otherwise required by a collective bargaining agreement. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at* ***1-888-640-3320****.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends –Long-Term Disability Plan"*.

Highlights of the Long-Term Disability Plan Coverage

The information below describes how the Plan pays benefits if a participant becomes disabled and is unable to work and when a participant becomes disabled, but continues working. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan.

If you are Disabled and Not Working

If you have the Basic LTD Coverage Option, your Monthly Payment is the lesser of:

- 50% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $8,333.00 per month.

If you have elected the Supplemental LTD Coverage Option, your monthly payment is the lesser of:

- 60% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $10,000.00 per month

If You Are Disabled and Working

If your monthly disability earnings ("Disability Earnings") are less than 20% of your indexed monthly earnings ("Indexed Monthly Earnings"), your LTD benefit is the same as it would be if you were not working.

If your Disability Earnings are greater than 80% of your Indexed Monthly Earnings, no benefit is payable to you. If benefits have already commenced, Prudential will stop sending you payments and your claim will end.

If you are disabled and your monthly Disability earnings are at least 20%, but not more than 80%, of your Indexed Monthly Earnings, due to the same sickness or injury, Prudential will figure your payment as follows:

During the first 12 months of payments, while working, your monthly payment will not be reduced as long as Disability Earnings plus the gross disability payment does not exceed 100% of Indexed Monthly Earnings.

1. Add your monthly Disability Earnings to your gross disability payment.

2. Compare the answer in item 1 to your Indexed Monthly Earnings.

If the answer from item 1 is less than or equal to 100% of your Indexed Monthly Earnings, Prudential will not further reduce your monthly payment.

If the answer from item 1 is more than 100% of your Indexed Monthly Earnings, Prudential will subtract the amount over 100% from your monthly payment.

After 12 months of payments, while working, you will receive payments based on the percentage of income you are losing due to your Disability.

1. Subtract your Disability Earnings from your Indexed Monthly Earnings.

2. Divide the answer in item 1 by your Indexed Monthly Earnings. This is your percentage of lost earnings.

3. Multiply your monthly payment by the answer in item 2.

This is the amount Prudential will pay you each month.

The minimum monthly payment is the greater of (a) 10% of the gross disability payment otherwise payable, and (b) $100.

If your Disability Earnings are expected to fluctuate widely from month to month, Prudential may average your Disability Earnings over the most recent 3 months to determine if your claim should continue subject to all other terms and conditions of the Plan. If Prudential averages your

Disability Earnings, it will terminate your claim if the average of your Disability Earnings form the last 3 months exceeds 80% of Indexed Monthly Earnings. Prudential will not pay you for any month during which Disability Earnings exceed the foregoing amounts.

Definition of "Disability"

You are "disabled" when Prudential determines that:

- you are unable to perform the material and substantial duties of your regular occupation due to your sickness or injury;
- you have a 20% or more loss in your monthly earnings due to that sickness or injury; and
- you are under the regular care of a doctor.

After 24 months of payments, you are disabled when Prudential determines that due to the same sickness or injury,

- you are unable to perform the duties of any gainful occupation for which you are reasonably fitted by education, training or experience; and
- you are under the regular care of a doctor.

The loss of a professional or occupational license or certification does not, in itself, constitute disability.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received by Prudential within 30 days of its request.

Prudential may require you to be examined by doctors, other medical practitioners or vocational experts of its choice. It will pay for these examinations. Prudential can require examinations as often as it is reasonable to do so. It may also require you to be interviewed by an authorized Prudential Representative. Refusal to be examined or interviewed may result in denial or termination of your claim.

Additional Definitions

Active employment means you are classified as working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. You must be working at least 40 hours per week. Your worksite must be: your Employer's usual place of business; an alternate worksite at the direction of your Employer other than your home unless clear specific expectations and duties are documented; or a location to which your job requires you to travel. Normal vacation is considered active employment. Individuals whose employment status is being continued under a severance or termination agreement will not be considered in active employment.

Deductible sources of income means income from deductible sources listed in the Group Insurance Certificate that you receive or are entitled to receive while you are disabled. This income may be subtracted from your gross disability payment. Examples of deductible sources of income include but are not limited to (a) amounts you receive or are entitled to receive as (i) loss of time benefits under a workers' compensation law, an occupational disease law or any other act or law with similar intent; or (ii) loss of time disability income payments under any state compulsory benefit act or law, any insurance, health or welfare plan or other group insurance plan where the Employer, directly or indirectly, has paid all or part of the cost or made payroll deductions, or any governmental retirement system as a result of your job with your Employer; (b) the gross amount you receive or are entitled to receive as loss of time disability payments because of your disability under the United States Social Security Act or any similar plan or act; (c) the gross amount you receive as retirement payments under the United States Social Security Act or any similar plan or act; (d) the amount your receive as "wages" under the maritime doctrine of maintenance, wages and cure; and (e) the amount you receive, due to your disability, from a third party (after subtracting attorneys' fees and a pro-rata share of reasonable fees and costs) by judgement, settlement or otherwise. Refer to

the Group Insurance Certificate for a complete list of these sources.

Disability earnings means the earnings which you receive while you are disabled and working, plus the earnings you could receive if you were working to your greatest extent possible. This would be, based on your restrictions and limitations: (i) during the first 24 months of disability payments, the greatest extent of work you are able to do in your regular occupation, that is reasonably available; and (ii) beyond 24 months of disability payments, the greatest extent of work you are able to do in any occupation, that is reasonably available, for which you are reasonably fitted by education, training or experience. Salary continuance paid to supplement your disability earnings will not be included as disability earnings because it is not payment for work performed.

Gainful occupation means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 50% of your monthly earnings, if you are not working. However, if you enrolled in the Supplemental LTD Coverage Option, it means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 60% of your monthly earnings, if you are not working

Gross disability payment means the benefit amount before Prudential subtracts deductible sources of income and disability earnings.

Indexed monthly earnings means your monthly earnings as adjusted on each July 1, provided you were disabled for all of the 12 months before that date. Your monthly earnings will be adjusted on that date by the lesser of 10% or the current annual percentage increase in the Consumer Price Index. Your indexed monthly earnings may increase or remain the same, but will never decrease.

Injury means a bodily injury that is the direct result of an accident, that is not related to any other cause, and that results in immediate disability. Disability must begin while you are covered under the Plan.

Material and substantial duties means duties that:

- are normally required for the performance of your regular occupation; and
- cannot be reasonably omitted or modified, except that if you are required to work on average in excess of 40 hours per week, Prudential will consider you able to perform that requirement if you are working or have the capacity to work 40 hours per week.

Monthly earnings means your total annual income before taxes divided by 12. It is determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan, or flexible spending account. It includes income actually received from commissions but does not include renewal commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer. Commissions will be averaged for the lesser of: (a) the 24 full calendar month period of your employment with your Participating Employer just prior to the date disability begins; or (b) the period of actual employment with your Employer.

Regular occupation means the occupation you are routinely performing when your disability occurs. Prudential will look at your occupation as it is normally performed instead of how the work tasks are performed for a specific employer or at a specific location.

Sickness means any disorder of your body or mind, but not an injury; pregnancy including abortion, miscarriage or childbirth. Disability must begin while you are covered under the Plan.

Taxability of Monthly Benefits

Because your Employer pays the entire cost of your Basic LTD Coverage and does not include this cost in your gross-income, and because you pay for any Supplemental LTD Coverage

on a pre-tax basis, any monthly benefits you receive under the Plan will be taxable to you pursuant to the Code and guidance issued thereunder.

Maximum Period of Payments

The longest period of time the Plan will make payments to you for any one period of disability (your "maximum period of payment") is as follows:

Your Age on Date Disability Begins	Your Maximum Period of Payment
Less than 60	To age 65
Age 60 and over	60 months

Prudential will stop sending you payments while you are incarcerated as a result of a conviction.

In addition, Prudential will stop sending you payments and your claim will end on the earliest of the following:

- During the first 24 months of payments, when you are able to work in your regular occupation on a "part-time basis" but you choose not to; after 24 months of payments, when you are able to work in any gainful occupation on a part-time basis but you choose not to. "Part-time basis" means the ability to work and earn 20% or more of your indexed monthly earnings.
- The end of the maximum period of payment.
- The date you are no longer disabled under the terms of the Plan.
- The date you fail to submit proof of continuing disability satisfactory to Prudential.
- The date your disability earnings exceed the amount allowable under the Plan.
- The date you retire.
- The date you die.
- The date you decline to participate in a rehabilitation program that Prudential considers appropriate for your situation and that is approved by your doctor.

Notwithstanding the above, disabilities due to a sickness or injury which, as determined by Prudential, are primarily based on self-reported symptoms have a limited pay period during your lifetime. "Self-reported symptoms" means the manifestations of your condition, which you tell your doctor, that are not verifiable using tests, procedures and clinical examinations standardly accepted in the practice of medicine. Examples include, without limitation, headache, pain, fatigue, stiffness, soreness, ringing in ears, dizziness, numbness and loss of energy.

Also, disabilities which, as determined by Prudential, are due in whole or part to mental illness also have a limited pay period during your lifetime. "Mental illness" means a psychiatric or psychological condition regardless of cause and includes, without limitation, schizophrenia, depression, manic depressive, or bipolar illness, anxiety, somatization, substance related disorders, and/or adjustment disorders or other conditions. These conditions are usually treated by a mental health provider or other qualified provider using psychotherapy, psychotropic drugs, or other similar methods of treatment as standardly accepted in the practice of medicine.

The limited pay period for self-reported symptoms and mental illness combined is 24 months during your lifetime. There are exceptions to the limited pay period rules. Refer to the Group Insurance Certificate for a detailed explanation of these exceptions.

Recurrent Disabilities

If you have a "recurrent disability," as determined by Prudential, your disability will be treated as part of your prior claim and you will not have to complete another elimination period if (a) you were continuously insured under the Plan for the period between your prior claim and your current disability; and (b) your recurrent disability occurs within 180 days of the end of your prior claim.

Your recurrent disability will be subject to the same terms of the Plan as your prior claim. Any disability which occurs after 180 days from the date your prior claim ended will be treated as a new claim. The new claim will be subject to all of the Plan provisions.

If you become covered under any other group long term disability plan, you will not be eligible for payments under the Plan.

A "recurrent disability" is a disability that is (a) caused by a worsening in your condition; and (b) due to the same cause(s) as your prior disability for which the Plan made a Long Term Disability payment.

Exclusions from Coverage

The Plan does not cover any disabilities caused by, contributed to by, or resulting from your:

- intentionally self-inflicted injuries;
- active participation in a riot; or
- commission of a crime for which you have been convicted under state or federal law.

The Plan does not cover a disability which is due to a pre-existing condition.

The plan does not cover a disability due to war, declared or undeclared, or any act of war.

You have a pre-existing condition if:

- You received medical treatment, consultation, care or services including diagnostic measures, took prescribed drugs or medicines, or followed treatment recommendation in the 3 months just prior to your effective date of coverage or the date an increase in benefits would otherwise be available; and
- Your disability begins within 12 months of the date your coverage under the Plan becomes effective.

Pre-existing conditions may also affect an increase in your benefits due to an amendment of the Plan or your enrollment in another Plan option. *For further details, refer to the Group Insurance Certificate. You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

Survivor Benefits

When Prudential receives proof that you have died, it will pay your spouse, if living; otherwise, your children under age 25 (your "eligible survivors"), a lump sum benefit equal to 3 months of your gross disability payment if, on the date of your death:

- your disability had continued for 180 or more consecutive days; and
- you were receiving or were entitled to receive payments under the plan.

If you have no eligible survivors, payment will be made to your estate. However, Prudential will first apply the survivor benefit to any overpayment which may exist on your claim.

Other Services Provided Under the Plan

As part of your coverage under the Plan, Prudential also provides certain benefits in the nature of a Social Security Claimant Assistance Program, a Rehabilitation Program and a program of reimbursing employers for the cost of certain worksite modifications that are identified by your Employer and Prudential as being likely to help you remain at work or return to work. Refer to the Group Insurance Certificate for further details regarding these programs. With respect to the Rehabilitation Program, if at any time you decline to take part in or cooperate in a rehabilitation evaluation/assessment or program that Prudential feels is appropriate for your disability and that has been approved by your doctor, Prudential will cease paying your monthly benefit.

Filing A Claim

General

Written notice of a claim should be sent to Prudential within 30 days after the date your disability begins. However, you must send

Prudential written proof of your claim no later than 90 days after your elimination period ends. If it is not possible to give proof within 90 days, it must be given no later than 1 year after the time proof is otherwise required except in the absence of legal capacity. You must notify us immediately when you return to work in any capacity.

*Claim forms can be obtained from Prudential by phone via the Benefits Source at **1-888-640-3320**, or online via the Benefits Source website at mysourceforhr.com. If you do not receive the form from Prudential within 15 days of your request, send Prudential written proof of claim without waiting for the form.*

How to File Claims

You and your Employer must fill out your own section of the claim form and then give it to your attending doctor. Your doctor should fill out his or her section of the form and send it directly to Prudential.

Your proof of claim, provided at your expense, must show:

- That you are under the regular care of a doctor.
- Appropriate documentation of your monthly earnings.
- The date your disability began.
- Appropriate documentation of the disabling disorder.
- The extent of your disability, including restrictions and limitations preventing you from performing your regular occupation or any gainful occupation.
- The name and address of any hospital or institution where you received treatment, including all attending doctors.
- The name and address of any doctor you have seen.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received within 30 days of a request by Prudential.

In some cases, you will be required to give Prudential authorization to obtain additional medical information, and to provide non-medical information as part of your proof of claim, or proof of continuing disability. This proof, provided at your expense, must be received within 30 days of a request by Prudential. Prudential will deny your claim or stop sending you payments if the appropriate information is not submitted.

Recovery of Overpayments

Prudential has the right to recover any overpayments due to (i) fraud; (ii) any error Prudential makes in processing a claim, and (iii) your receipt of deductible sources of income.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Long-Term Disability and Life and AD&D Plans."*

Continuation of Other Coverages

Certain coverages provided to you under the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program continue while you are Disabled and receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee. Any contributions that you are required to make toward the cost of these coverages will be billed to you. For further information regarding the billing arrangement, contact the Benefits Source.

Medical, Prescription Drug, Vision and Dental

Medical, vision and dental coverages for you and your eligible dependents continue while you are receiving Plan benefits, provided your Employer under its personnel policies

continues to treat you as an employee and so long as premiums are timely paid.

Life and AD&D

Life and AD&D coverages for you and your eligible dependents continue while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee and so long as premiums are timely paid.

Health Care Flexible Spending Account

Your Health Care FSA coverage continues while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee.

Dependent Care Flexible Spending Account

You cannot continue to make contributions to the Dependent Care FSA while you are receiving Plan benefits. You may use the existing balance in your account to pay for any eligible expense that you incurred prior to the commencement of your Plan benefits.

HSAs

You may receive an Employer contribution to your HSA if you are enrolled in an HDPPO coverage option and are otherwise eligible to contribute to a Health Savings Account. You may also contribute to your HSA while you are receiving Plan benefits; however your contribution may not be funded out of your Plan benefit payments.

Retirement Plans

While you are receiving Plan benefits, you may continue to earn service under your retirement plans. However, your contributions to the Savings Plan automatically stop. You are eligible to receive the value of your Savings Plan Account due to your disability. Refer to the Savings Plan and your other retirement plans for further information.

Other Programs

The Adoption Assistance and the Tuition Reimbursement Programs are not available to you while you are receiving Plan benefits.

Important Information For Residents Of Certain States

There are state-specific requirements that may change the provisions under the Coverage(s) described in the Group Insurance Certificate and in this summary plan description. If you live in a state that has such requirements, those requirements will apply to your Coverage(s) and are made a part of your Group Insurance Certificate and this summary plan description. Prudential has a website that describes these state-specific requirements. You may access the website at prudential.com/etonline. When you access the website, you will be asked to enter your state of residence and your Access Code. Your Access Code is 93191.

If you are unable to access this website, and if you want to receive a printed copy of these requirements or have any questions, call Prudential at 1-866-439-9026.

General Program Information

Program Name:	NiSource Welfare Benefits Program	
Benefit Plan Name:	NiSource Long-Term Disability Plan (a component of NiSource Welfare Benefits Program)	
Type of Plan:	Employee Welfare Benefit Plan providing disability benefits	
Plan Number:	537	
Contribution Source:	Basic LTD Coverage:	Employer
	Supplemental LTD Coverage:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410	
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334	
EIN:	35-2108964	
Plan Year:	January 1 through December 31	
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.	
Insurer:	The Prudential Insurance Company of America 751 Broad Street Newark, New Jersey 07102	
Claims Administrator:	The Prudential Insurance Company of America	
(if you need to submit a claim)	Prudential Disability Management Services P.O. Box 13480 Philadelphia, Pennsylvania 19176	
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410	

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by The Prudential Insurance Company of America provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. ***In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail***. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

The Prudential Insurance Company of America, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Life and AD&D Plan

Employee Term Life Coverage — Basic and Optional Plans

Dependents Term Life Coverage

Employee AD&D Coverage — Basic and Supplemental Plans

Dependents AD&D Coverage

Your Life Insurance and AD&D Options

This is the SPD (the "Life and AD&D SPD") for the NiSource Life Insurance Plan, also referred to as the Life and AD&D Plan. In this Life and AD&D SPD, the Life and AD&D Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible employees with the following coverage options (each a "Life and AD&D Coverage Option"):

- Basic Employee Term Life Coverage Option;
- Optional Employee Term Life Coverage Option;
- Dependents Term Life Coverage Option;
- Basic Employee Accidental Death and Dismemberment ("AD&D") Coverage Option;
- Supplemental Employee AD&D Coverage Option; and
- Dependents AD&D Coverage Option

The Life and AD&D Coverage Options other than the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option are referred to collectively as the "Optional Life and AD&D Coverage Options."

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this summary plan description, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

The Plan provides life insurance and AD&D coverage on the persons of eligible employees ("Employee Insurance") and, if elected, on the persons of your "eligible dependents" ("Dependents Insurance"). See the individual Benefit Plan sections below for a summary of the benefits offered under each of the Coverage Options listed above.

Eligibility

For information regarding eligibility under the Life and AD&D Plan, please see the *"Eligibility under the Life and AD&D Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Life and AD&D Plan"*.

Contributions

Premium contributions are not required for the Basic Employee Term Life Coverage Option or the Basic Employee AD&D Coverage Option. If you elect coverage under any of the Optional Life and AD&D Coverage Options, you will pay for the cost of such coverage. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at **1-888-640-3320**.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Life and

AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Life and AD&D Plan"*.

Definition of "Earnings"

For commission paid employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings include the annualized average commissions earned during the shorter of (i) the 24 month period just prior to your date of loss; or (ii) your period of employment. Bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer are not included.

For all other employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings do not include commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under each Life and AD&D Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at **1-888-640-3320**.

Insurance under a Life and AD&D Coverage Option may not be assigned.

Basic Employee Term Life Coverage

The Basic Employee Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. If you are also enrolled in Optional Employee Term Life Coverage, the amount of your Basic Employee Term Life Coverage will be added to your Optional Term Life Coverage before rounding takes place. The maximum benefit (for Basic and Optional Employee Term Life Coverage combined) is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 45.

Optional Employee Term Life Coverage

You may enroll in one of the options below for optional term life coverage.

Benefit Classes	Amount of Insurance (Multiple of Annual Earnings)	
	Sum of Basic + Optional	Optional
Option 1	3x annual Earnings	1x annual Earnings
Option 2	4x annual Earnings	2x annual Earnings
Option 3	5x annual Earnings	3x annual Earnings

Benefit Classes	Amount of Insurance (Multiple of Annual Earnings)	
	Sum of Basic + Optional	Optional
Option 4	6x annual Earnings	4x annual Earnings
Option 5	7x annual Earnings	5x annual Earnings

If the amount of your Basic Employee Term Life Coverage, when added to the amount of your Optional Employee Term Life Coverage, is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. However, the maximum benefit for Basic and Optional Employee Term Life Coverage combined is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Any requested change in coverage (increase or decrease) must be made within 31 days of a qualified life event or in connection with annual enrollment.

Notwithstanding the foregoing, the amount of your coverage may not exceed the "guaranteed issue amount" unless you submit evidence of insurability that is satisfactory to Securian and you are actively at work. The "guaranteed issue amount" is the lesser of (1) three times (3x) your annual Earnings, and (2) $500,000. Also, you must submit evidence of insurability if you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and your application is made more than 31 days after the date you first became eligible for coverage.

Without limiting the generality of the foregoing, you will need to provide evidence of insurability

- If you are a regular new hire or newly eligible for coverage and you apply for coverage under the Optional Employee Term Life Coverage Option in an amount greater than three times (3x) your annual Earnings (Basic plus Optional Coverage combined), or if the total amount of your Term Life Coverage after giving effect to your Optional Employee Term Life Coverage exceeds $500,000;
- If you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and the date you apply during annual enrollment is more than 31 days after your date of hire or the date you newly became eligible for coverage;
- If you are currently enrolled in the Optional Employee Term Life Coverage Option, you want to increase your coverage during annual enrollment, and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your Term Life Coverage after giving effect to your requested increase in coverage exceeds $500,000;
- If you request an increase in coverage due to a qualified life event and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your combined coverage under the Basic Employee Term Life Coverage Option and the Optional Employee Term Life Coverage Option (your "Employee Term Life Insurance") after giving effect to your requested increase in coverage exceeds $500,000;
- If you desire life insurance coverage and have an individual life insurance contract you obtained by converting your coverage under the Plan;
- The insurance for which you previously enrolled did not go into effect or was terminated because you failed to make a required premium contribution; and
- If you have not met a previous evidence requirement to become insured under any plan a Participating Employer has with Securian.

Any new enrollment or requested increase in coverage that is subject to evidence of insurability will become effective when Securian decides the evidence is satisfactory and you are actively at work; provided, however, that any such new enrollment or

requested increase in coverage that is made in connection with annual enrollment will be effective on the later of (1) the following January 1, and (2) the first day of the month following the date Securian decides the evidence is satisfactory and you are actively at work.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 45.

Option to Accelerate Payment of Death Benefits

If you have a Terminal Condition while insured under the Basic Employee Term Life Coverage Option or the Optional Employee Term Life Coverage Option (the "Employee Term Life Insurance"), you may elect to have an Accelerated Benefit paid to you in one lump sum, or in any other manner agreeable to you and Securian, when Securian receives proof satisfactory to it that you have a Terminal Condition.

You have a "Terminal Condition" if you have a condition caused by sickness or accident that directly results in a life expectancy of twelve months or less. Securian must be given evidence that is satisfactory to it that your life expectancy, because of sickness or accident, is twelve months or less. That evidence must include a certification by a physician, other than you or a member of your immediate family, who is licensed to practice medicine or treat illness in the state in which treatment is received. Securian has the right to have you medically examined at its own expense to verify your medical condition. Securian may do this as often as reasonably required while Accelerated Benefits are being considered or paid.

"Accelerated Benefit" means the amount of your Employee Term Life Insurance that Securian will pay if you are eligible under the Group Insurance Certificate rider with respect to Accelerated Benefits. You must take the entire Accelerated Benefit. Securian calculates the Accelerated Benefit by multiplying your death benefit (the amount of your life insurance as shown on the specifications page attached to the certificate furnished to you by Securian) by the accelerated benefit factor. The accelerated benefit factor will be stated as a percentage of your death benefit. In calculating this factor, Securian considers your age and gender. Securian also bases its calculation of the factor upon certain assumptions, which it may change from time to time, including without limitation assumptions about expected future premiums and your life expectancy. The minimum death benefit eligible for an Accelerated Benefit is $10,000. The maximum death benefit eligible for an Accelerated Benefit is $1,000,000.

If you elect to accelerate the full amount of your death benefit, your Employee Term Life Insurance coverage and all other benefits under your certificate of insurance and any certificate supplements will end.

Your right to be paid under this option is subject to the following terms: (1) Your Employee Term Life Insurance must be in force and all premiums due must be fully paid; (2) You must make application in writing and in a form that is satisfactory to the Claims Administrator; (3) You must be the sole owner of your certificate of insurance; (4) You must not have designated an irrevocable beneficiary for your Employee Term Life Insurance; (5) You must not be required by law to use this option to meet the claims of creditors, whether in bankruptcy or otherwise; and (6) You must not be required by a government agency to use this option in order to apply for, obtain, or keep a government benefit or entitlement.

If you elect an Accelerated Benefit and the termination of your Employee Term Life Insurance causes an eligible dependent to lose life insurance coverage, he or she will be allowed to convert any such insurance to a

policy of individual life insurance as discussed below under the section entitled "Conversion Privilege for Life Coverage."

If the amount of your Employee Term Life Insurance exceeds the maximum Accelerated Benefit, your Employee Term Life Insurance coverage (reduced by the amount of the Accelerated Benefit) will continue after your election of the Accelerated Benefit and your premiums will be reduced accordingly. The amount of the Accelerated Benefit will be applied first to reduce your outstanding Optional Employee Term Life Coverage and then to reduce your outstanding Basic Employee Term Life Coverage.

Please note that any payment of an Accelerated Benefit may be taxable. You should consult your tax advisor for assistance with any questions you may have.

Refer to the Group Insurance Certificate for additional details, terms and conditions regarding this option.

Dependents Term Life Coverage

Under the Dependents Term Life Coverage Option, you may enroll your "eligible dependents" for coverage in the amounts shown below.

Your spouse who is an "eligible dependent"	
Benefit Classes	Amount of Insurance
Option 1	$10,000
Option 2	$25,000
Option 3	$50,000

Your children who are "eligible dependents"	
Benefit Classes	Amount of Insurance*
Option 1	$5,000
Option 2	$10,000

You must provide evidence of insurability under the following circumstances:

- If you choose Option 3 spousal coverage (coverage in the amount of $50,000);
- If any dependent's coverage for which you previously enrolled did not go into effect under the Plan or was terminated because you did not pay a required contribution; or
- If, during a previous period of eligibility, you failed to submit evidence of insurability that was required for a dependent or that which was submitted was not satisfactory to Securian; or
- Your dependent is insured by an individual policy issued under the terms of the conversion right.

Option 3 spousal coverage will become effective on the date Securian decides the evidence of insurability is satisfactory.

If a dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released form such hospitalization or confinement.

No enrollment or increases in coverage may become effective so long as your "eligible dependents" are confined for medical care or treatment, whether at home or elsewhere.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than

three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 45.

Payment of Death Benefits under Life Coverage

If you or your "eligible dependent" dies while covered under the Plan, the amount of insurance on you or your "eligible dependent" is payable when Securian's home office receives written proof satisfactory to it that you or your eligible dependent died while covered under the Plan and insured under the Group Insurance Certificate. If you or an "eligible dependent" die within 31 days after ceasing to be covered under the Plan, but while you or your "eligible dependent," as the case may be, are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Employee Term Life Insurance are payable according to Securian's beneficiary and mode of settlement rules. Death benefits under the Dependents Term Life Coverage Option are payable to you, if you are living. If you are not living, benefits are payable to your estate.

Conversion Privilege for Life Coverage

If all or a part of your Employee Term Life Insurance or your coverage under the Dependents Term Life Coverage Option terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Neither the conversion right nor the limited conversion right is available if your coverage under the Plan or Group Contract terminates due to failure to make, when due, required premium contributions. Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by Securian for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features*" below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Basic Employee AD&D Coverage Option

The Basic Employee AD&D Coverage Option provides a benefit in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. The maximum benefit (for Basic and Supplemental Employee AD&D Coverage combined) is $1,500,000.

Supplemental Employee AD&D Coverage Option

You may enroll for supplemental employee AD&D coverage in any multiple of $10,000 up to the lesser of (1) ten times your annual Earnings, and (2) $1,500,000 minus the amount of your insurance under the Basic Employee AD&D Coverage Option).

Dependents AD&D Coverage Option

You may enroll for AD&D coverage on each of your "eligible dependents" in an amount equal to a percentage of your Supplemental Employee AD&D Coverage, as set forth below:

Eligible dependents	Amount of Insurance on each Eligible Dependent (as % of Employee AD&D Coverage)
Spouse only	60% on spouse
Child(ren) only	10% on each child
Spouse and child(ren)	50% on spouse; 10% on each child

Additional AD&D Coverage

The Plan provides additional benefits under the Basic, Supplemental Employee, and Dependents AD&D Coverage Options for a person's loss of life as a result of a covered accident in an automobile while using a seat belt and as a result of an accident in an automobile while using an air bag. The additional benefit is in an amount equal to the lesser of (1) 10% of your full amount of insurance on the person, and (2) $10,000. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; one hand and one foot; one hand and sight of one eye; one foot and sight of one eye; speech and hearing; quadriplegia	100%
Paraplegia	75%
One hand; one foot; sight of one eye; speech; hearing; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both

the upper limb and lower limb on one side of the body.

Benefits may be paid for more than one accidental injury but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A Loss is not covered if it results from any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted Injuries, or any attempt to inflict such Injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the Loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit an assault or felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 45.

Portability of Life and AD&D Coverage

If coverage under any of the Life and AD&D Coverage Options ceases, you may have the right to apply for coverage for yourself and for your "eligible dependent," as the case may be, under a Portability Plan maintained by Securian. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Policy would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue dependent coverage under a Life and AD&D Coverage Option, you must port your corresponding employee coverage. In addition, life insurance coverage must be ported in order to port accidental death and dismemberment insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Portability Coverage in Lieu of Conversion Coverage

The right to elect term life coverage under the Portability Plan is in lieu of the conversion privilege under the Employee Term Life Insurance and the Dependents Term Life Coverage Option, except that you or your "eligible dependent," as the case may be, may convert the amount of insurance under the Employee Term Life Insurance or the Dependents Term Life Coverage Option that exceeds the maximum amount of coverage that may be obtained under the Portability Plan.

Your Eligibility for Portability Coverage

You and your eligible dependents are eligible to continue your Employee Insurance and Dependents Insurance under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you terminate employment, including retirement; or

(2) you are no longer in a class eligible for coverage or you are on a leave or layoff; or

(3) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by Securian or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) with respect to Term Life Coverage, have converted your insurance to an individual life policy as permitted by any conversion rights under the Plan; or

(3) were not actively at work due to sickness or injury on the date immediately preceding your portability date; or

(4) lose eligibility due to termination of the Plan or Group Policy.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date, but not more than $1,000,000 for an employee or $50,000 for a spouse. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date to a maximum of $650,000 for an employee or $32,500 for a spouse.

When an insured attains age 65, the amount of insurance on his or her life continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000. This minimum does not apply to a dependent.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Conversion of Portability Coverage

At any time after insurance has been continued under the Portability Plan, it may be converted to a policy of individual insurance with Securian. All other conditions and provisions applicable to conversion coverage will apply. See the Group Insurance Certificate for additional details.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including

the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) in the case of your dependent child or a spouse who is covered under the Plan, the date your coverage is no longer being continued under the Portability Plan or the date your spouse or child ceases to be eligible under the Plan; or

(4) 31 days after the due date of any premium contribution which is not made.

Highlights of Conversion and Portability Features

	Conversion	Portability
Can Basic Life, Optional Life, Dependent Life, Dependent Child Life be converted or ported?	Yes	Yes
Can AD&D be converted or ported?	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No, except for conversion of Dependent Life	No.
Application Deadline	Application and first month premium due 31 days after your coverage termination.	For life coverage, application due 31 days after your coverage termination. Securian will bill the participant directly. For AD&D coverage, 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101

Conformity with State Law

If any provision of this summary plan description or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should obtain a claim form and follow the instructions on the form. For AD&D claims, Securian must be given written proof of the loss for which claim is made. This proof must cover the occurrence, character and extent of that loss. It must be furnished within 90 days after the date of the loss. But, if any Life and AD&D Coverage Option provides for periodic payment of benefits at monthly or shorter intervals, the proof of loss for each such period must be furnished within 90 days after its end. A claim will not be considered valid unless the proof is furnished within these time limits. However, it may not be reasonably possible to do so. In that case, the claim will still be considered valid if the proof is furnished as soon as reasonably possible.

Claim forms are available from Securian. Claim forms can be obtained from Securian by phone via the Benefits Source at

***1-888-640-3320**, or online via the Benefits Source website at* **mysourceforhr.com**. *If you do not receive the form from Securian within 15 days of your request, send Securian written* proof of claim without waiting for the form.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Long-Term Disability and Life and AD&D Plans."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance and accidental death and dismemberment benefits
Plan Number:	536
Contribution Source:	Basic Employee Insurance: Employer Optional Employee and Dependents Insurance: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Full-Time Employees in the Columbia Energy Group Bargaining Unit Hired or Rehired On or After January 1, 2013

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

As an employee of a Columbia Energy Group Subsidiary, an indirect subsidiary of NiSource Inc. ("NiSource" or "Company"), you have the benefit of choosing your own portfolio of benefit coverages from the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program (collectively the "Program") each year.

The benefit information contained in this Handbook applies to all eligible regular full-time Columbia Energy Group Bargaining Unit employees hired or rehired on or after January 1, 2013 who are covered under the Program. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible employees as belonging to Active Benefit Program 623.

For definitions of "Columbia Energy Group Subsidiary" and Columbia Energy Group Bargaining Unit," please see the "Definitions" Section of the **Benefits Program Overview.**

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the Benefit Plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The NiSource Benefits Committee (the "Committee") reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program (or various component benefit plans thereof) also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource offers you the following coverages in accordance with the terms of the applicable benefit plans (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Medical Plan")
- Dental Coverage (NiSource Dental Plan – referred to as the "Dental Plan")
- Vision Coverage (NiSource Vision Plan – referred to as the "Vision Plan")
- Flexible Benefits (NiSource Flexible Benefits Plan – referred to as the "Flexible Benefits Plan," and comprised of the "FSA Plan" and provisions for contributions to Health Savings Accounts, or "HSAs")
- Short-Term Disability Coverage (NiSource Short-Term Disability Plan – referred to as the "Short-Term Disability Plan")
- Long-Term Disability Coverage (NiSource Long-Term Disability Plan – referred to as the "Long-Term Disability Plan")

- Life and AD&D Coverages (NiSource Life Insurance Plan – referred to as the "Life and AD&D Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Medical, Dental, Vision and Flexible Benefits Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Medical Plan, the Dental Plan, the Vision Plan, and the Flexible Benefit Plan, the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before the Plan will pay benefits.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug

Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Medical Plan SPD entitled "Maximum Allowed Amount."

"PBM" means the Pharmacy Benefit Manager for the Medical Plan. As of the date of this Handbook, the PBM is Anthem.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

Definitions Applicable to All Benefit Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview** and in the individual Benefit Plan sections, the following terms when used in this Handbook shall have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Columbia Energy Group" means NiSource Gas Distribution Group, Inc.

"Columbia Energy Group Bargaining Unit" means any one of the several bargaining units each of which is comprised of employees of one or more Columbia Energy Group Subsidiaries.

"Columbia Energy Group Subsidiary" means any one of the following corporations, each of which is a subsidiary of Columbia Energy Group: Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., or Columbia Gas of Virginia, Inc.

"Employer" means the Company or any Columbia Energy Group Subsidiary by whom you are employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A.

"Participating Employer" means, with respect to any Benefit Plan, the Company, a Columbia Energy Group Subsidiary, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Spouse" means a person who is treated as your spouse under the Code. ***Please Note:*** See "Eligibility under the Medical, Dental, and Vision Plans" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for medical plan coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to elect to participate in the Benefit Plans when and to the extent provided under the applicable Benefit Plan.

Please Note: It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may*

result in retroactive termination of benefits, required repayment of any ineligible expenses, and disciplinary action up to and including dismissal. Also, enrollment of a dependent under the Medical Plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the Plan.

Please note that the Affordable Care Act requires us to collect the Social Security Number of each individual covered under the Medical Plan. Covered individuals may face a tax penalty for failure to provide this information. To report this information, please contact the Benefits Source at **1-888-640-3320**.

Certain Benefit Plans are maintained pursuant to one or more collective bargaining agreements. Copies of such agreements can be obtained upon written request to the Company and copies also are available for examination at the Company's principal offices at 801 East 86th Avenue, Merrillville, Indiana 46410, during regular business hours, and at other specified locations upon your request made in advance to your local HR representative.

Eligibility under the Medical, Dental and Vision Plans

You and your eligible dependents may elect to participate in the Medical, Dental or Vision Plans if you are actively at work, you are classified as a regular full-time bargaining unit employee of a Columbia Energy Group Subsidiary, and your collective bargaining agreement provides for your eligibility in such Plans.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former Spouse or your Spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated; (3) the child is dependent upon you for financial support and maintenance; (4) you continue to be covered by the Plan; (5) with respect to the Dental or Vision Plan coverage, the child is also covered under the Medical Plan, or was covered under the Dental Plan and/or Vision Plan, as the case may be, as of December 31, 2018, and has remained covered under such Plan or Plans continuously since that date; and (6) the child's disability continues;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent.

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in

computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Medical, Dental or Vision Plan.*

Eligibility under the Flexible Benefits Plan

FSA Plan

You can elect to participate in the FSA Plan provided you are classified as a regular full-time bargaining unit employee of a Columbia Energy Group Subsidiary and your collective bargaining agreement provides for your eligibility in the FSA Plan. However, if you make contributions, or if contributions are made on your behalf, to an HSA during the Plan Year, you may not elect to make contributions to a Heath Care FSA during such Plan Year.

For purposes of reimbursement of eligible expense under the Health Care FSA, your eligible dependents include your Spouse or persons who qualify under the Code as your tax dependents for health coverage purposes.

For purposes of reimbursement of eligible expenses under the Dependent Care FSA, your eligible dependents include:

- Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child;
- Your Spouse who is physically or mentally incapable of caring for himself or herself, provided the Spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, your Spouse must regularly spend at least eight hours each day in your home;
- Any other person, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year. This includes a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step–daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.

HSAs

You can elect to contribute to a health savings account("HSA") if you are characterized as a regular full-time bargaining unit employee who is enrolled in either the HDPPO 1 or HDPPO 2 option. Contributions to an HSA can only be made when enrolled in an HDPPO. You cannot contribute to an HSA or receive Employer contributions if you have coverage under any other health plan that is impermissible coverage for purposes of Section 223 of the Code.

Please note: *You may not contribute to your HSA and the Health Care FSA at the same time.*

The limitation on the amount you may contribute to an HSA is determined on a monthly basis. The monthly contribution limit is zero for any month in which you are enrolled in Medicare. Please note that if you first apply for Medicare benefits after you

attain age 65, your Medicare enrollment will be retroactive to a date that is six months prior to the month in which you apply for benefits, but not earlier than the first month you were eligible for Medicare. Thus, your monthly HSA contribution limit may be zero for a number of months that precede your application for Medicare benefits. It is your responsibility to make sure your HSA contributions do not exceed the maximum amount permitted under the Code. Please consult your tax advisor if you have questions regarding the amount you may contribute to an HSA, including for the months leading up to your application for Medicare benefits.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Flexible Benefits Plan.*

Eligibility under the Short-Term Disability Plan

If you are classified as a regular full-time bargaining unit employee, you will be covered under the Short-Term Disability Plan as of the first day of the month coincident with or next following your completion of six continuous months of active, full-time employment with a Columbia Energy Group Subsidiary. You are a "full-time employee" if you are characterized by your Employer as a regular full-time employee who regularly works 40 hours per week. Newly hired employees must be actively at work on the date coverage is scheduled to begin.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source automated telephone system at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Short-Term Disability Plan.*

Eligibility under the Long-Term Disability Plan

You are eligible to participate in the Long-Term Disability Plan if you are classified as a regular full-time bargaining unit employee of a Columbia Energy Group Subsidiary who is covered by a collective bargaining agreement between a Columbia Energy Group Subsidiary and a union, and who regularly works 40 or more hours per week and is in active employment. You are in active employment if you are working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. Your worksite must be your Employer's usual place of business, an alternate work site at the direction of your Employer other than your home, unless clear specific expectations and duties are documented, or a location to which your job requires you to travel. Your eligibility for optional, contributory coverage may be subject to your satisfying other requirements established by Prudential Insurance Company of America. Refer to the group insurance certificate issued by Prudential for more details.

Please refer to the Benefits Source website at **mysourceforhr.com**, *or call the Benefits Source at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Long-Term Disability Plan.*

Eligibility under the Life and AD&D Plan

Employees

You are eligible to participate in the Life and AD&D Plan if you (i) are classified as a regular full-time bargaining unit employee of a Columbia Energy Group Subsidiary who is covered by a collective bargaining agreement between the Columbia Energy Group Subsidiary and a union, (ii) regularly work 40 or more hours per week or at least the number of hours per week set forth in your collective bargaining agreement as being the minimum necessary to be classified as a regular full-time bargaining unit employee entitled to benefits under the Plan, and (iii) are actively at work. You are actively at work if you are fully performing your customary duties for your regularly scheduled number of hours at your Employer's normal place of business, or at other places your Employer's business requires you to travel. Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave

of absence or temporary layoff, subject to your Employer's practices and procedures.

Your eligibility for optional, contributory coverage may be subject to your providing evidence of insurability and satisfying other requirements established by the insurer, Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc.

See the Life and AD&D Benefit Plan section below and refer to the group insurance certificate issued by Securian for further details.

Eligible Dependents

If you are eligible to participate in the Life and AD&D Plan, you may obtain certain coverage for your "eligible dependents." Your "eligible dependents" are:

- Your lawful Spouse, provided you are not legally separated; and
- Your unmarried children from live birth to the end of the month in which the unmarried child attains age 26; and

Your "children" include: (1) your natural children, legally adopted children and children placed with you for adoption prior to legal adoption; and (2) each of your stepchildren, foster children, children subject to legal guardianship, grandchildren, and other children who are blood relatives who depend on you for more than fifty percent of their support and maintenance. A child placed with you for adoption prior to legal adoption is considered an eligible dependent from the date of placement for adoption, and is treated as though the child were a newborn child born to you.

Notwithstanding the foregoing, your unmarried children age 26 or older are also eligible if they are physically or mentally incapable of self-support, were incapable of self-support prior to age 26 and are financially dependent on you for more than 50% of their support and maintenance.

Also notwithstanding the foregoing,

(1) Your spouse is not your "eligible dependent" while on active duty in the armed forces of any country; and

(2) Your child is not your "eligible dependent" while (a) on active duty in the armed forces of any country; or (b) insured under any Employee Insurance.

A child will not be considered the "eligible dependent" of more than one employee. If this would otherwise be the case, the child will be considered the "eligible dependent" of the employee named in a written agreement of all such employees filed with the Company. If there is no written agreement, the child will be considered the "eligible dependent" of:

(1) the employee who became insured under the Plan with respect to the child while the child was an "eligible dependent" of only that employee; and otherwise

(2) the employee who has the longest continuous service with a Participating Employer, based on the Company's records.

Please refer to the Benefits Source website at mysourceforhr.com*, or call the Benefits Source at* ***1-888-640-3320*** *if you are unsure of whether you are eligible to participate in the Life and AD&D Plan.*

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select coverages for you and your eligible dependents.

Generally, to be covered, you must initially enroll for the medical, dental, flexible benefits, vision, supplemental and dependent life and AD&D and supplemental long-term disability coverages within 31 days following the date on which your enrollment materials are sent to you. **(This Benefits Program Overview or the individual Benefit Plan sections of this Handbook contain additional information about enrollment in each plan.)**

You are automatically enrolled for EAP/Work Life/Legal & Financial Services (regardless of whether you enroll in PPO, HDPPO or HMO

coverage under the Medical Plan), short-term disability, basic long-term disability, basic life and basic AD&D coverages upon the date you become eligible for such coverage.

To enroll in coverage that is not provided automatically, you must log on to the Benefits Source website at mysourceforhr.com or call the Benefits Source at **1-888-640-3320.** To enroll in supplemental and dependent life and AD&D and supplemental long-term disability coverages, you must use enrollment forms approved by Securian (with respect to life and AD&D coverage) and Prudential (with respect to long-term disability coverage). You may obtain these enrollment forms by contacting the Benefits Source at **1-888-640-3320.**

The enrollment materials detail how to enroll online and by phone. If you do not enroll within the 31-day period described above, as applicable **(the deadline date is included in the enrollment materials)**, you will automatically receive default coverage **(as described in this Benefits Program Overview or in the applicable individual Benefit Plan section of this Handbook)**, if applicable, for the remainder of that calendar year.

Please Note:

Dependents will not be eligible to receive any of the benefit coverages if you fail to enroll them during your initial 31-day period, during any subsequent annual enrollment or within 31 days following a qualified life event.

Enrollment in the Medical, Dental, and Vision Plans

Provided you meet the eligibility requirements, as described in the section above entitled "*Eligibility under the Medical, Dental and Vision Plans*", you and your eligible dependents can participate in the Medical Plan, Dental Plan and/or Vision Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. If you fail to enroll, you will be deemed to have elected (i) the HDPPO 1 medical option with no dependent coverage under the Medical Plan, (ii) the Preventive Dental option with no dependent coverage under the Dental Plan, and (iii) the Basic Vision option with no dependent coverage under the Vision Plan. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year and can only be changed during annual open enrollment. If you do not enroll or elect to change coverage, if applicable, within the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of this **Benefits Program Overview** for further details.

Please Note:

If you do not enroll in the Medical Plan, Vision Plan or Dental Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment. Also, if you do not enroll an eligible newborn child for coverage within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or the next qualified life event that permits the child's enrollment.

Enrollment in the Flexible Benefits Plan

FSA Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Flexible Benefits Plan,*" you may participate in the FSA Plan if you properly enroll. Newly eligible employees must enroll within 31 days of their eligibility date. In general, once you enroll for (or decline) coverage, your elections stay in effect for the entire Plan Year. In addition, participation in the FSA Plan requires annual enrollment, at which time you must elect the amount that you want to contribute to the

FSA Plan for the year. If there is a qualified life event, you may enroll or change existing elections during the year in certain circumstances. Please see the "*Changing and Continuing Elections*" of the **Benefits Program Overview** for further details.

HSAs

To enroll in an HSA, you must meet the following requirements:

- You must be enrolled in HDPPO 1 or HDPPO 2.
- You cannot be covered by another medical plan (e.g., you cannot be a dependent on anyone else's plan, except for vision and dental coverage) that is not a high deductible health plan.
- You cannot be enrolled for Medicare benefits. (Part A or Part B)
- You cannot be claimed as a dependent on another person's tax return.
- You cannot be covered by a general-purpose Health Care Flexible Spending Account, including the Health Care FSA

You must satisfy any requirements or conditions for establishing or activating your HSA that are prescribed by the Claims Administrator for HSAs. Failure to do so may result in the delay or failure to receive an employer HSA contribution to which you might otherwise be entitled.

Enrollment in the Short-Term Disability Plan

No affirmative enrollment is required for the Short-Term Disability Plan. You are automatically enrolled upon the date you become eligible for such coverage.

Enrollment in the Long-Term Disability Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Long-Term Disability Plan*" section above, you will be automatically enrolled in the Basic LTD Coverage Option, unless you choose to enroll in the Supplemental LTD Coverage Option. Newly eligible employees must enroll in the Supplemental LTD Coverage Option within 31 days of their date of hire or, if later, the date they first become eligible for coverage. If you fail to enroll, you will automatically be covered under the Basic LTD Coverage Option. In general, once you enroll in (or decline) the Supplemental LTD Coverage Option, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.)

Enrollment in the Life and AD&D Plan

Provided eligibility requirements are met, as described in the "*Eligibility under the Life and AD&D Plan*" section above, you will be automatically enrolled in the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option (such Life and AD&D Coverage Options, together with the Optional Employee Term Life Coverage Option and the Supplemental Employee AD&D Coverage Option, are collectively referred to as "Employee Life and AD&D Insurance"). If you desire coverage under the Optional Employee Term Life Coverage Option, the Dependents Term Life Coverage Option, the Supplemental Employee AD&D Coverage Option, or the Dependents AD&D Coverage Option (collectively the "Optional Life and AD&D Coverage Options") as a newly eligible employee, you must enroll in such Optional Life and AD&D Coverage Option within 31 days of your date of hire or the date you become newly eligible. If you do not enroll in an Optional Life and AD&D Coverage Option during this initial 31-day period, you may need to provide evidence of insurability if you decide to enroll at a later date. You must enroll using forms approved by Securian. *You may obtain forms for enrolling in, or changing, your Optional Life and AD&D Coverage Options by contacting the Benefits Source at* ***1-888-640-3320.***

In general, once you enroll in (or decline) any of the Optional Life and AD&D Coverage Options, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. If you do not enroll or elect to change coverage, if applicable, during the annual enrollment period, your current coverage election will remain in effect for the upcoming Plan Year, if available, at the applicable rates. However, if you experience a qualified life event, you may enroll or change existing coverages during the Plan Year. (Please see the "*Enrollment*" and the "*Changing and Continuing Elections*" section of the **Benefits Program Overview** for further details.) If any change in coverage is subject to evidence of insurability, Securian must decide that such evidence is satisfactory.

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (Spouse or child) are eligible for Program benefits as active or retired employees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active or retired employee cannot be covered under the Benefit Plan both as a participant and as a dependent. Likewise, if you and your Spouse are both employees of NiSource or one of its affiliates, either of you may choose to cover your child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan (e.g., child life insurance). Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects coverage under the Medical, Dental, and/or Vision Plans, or makes no coverage election and is thereby deemed to have elected coverage under such Plans, you will be deemed to have requested that coverage be dropped for such dependent under the Medical, Dental, and/or Vision Plans, as the case may be.

Coverage under the Program for retired employees or for active employees other than the eligible employees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides medical, prescription drug, vision, and dental coverage for your eligible child (as well as participation in the Health Care Flexible Spending Account, to the extent the child is a tax dependent for health coverage purposes under Federal law) pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or the applicable Columbia Energy Group Subsidiary receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

Additionally, your Employer may withhold from your wages any contributions required for such coverage.

You may obtain from the Company, without charge, a copy of the Benefit Plans' QMCSO procedures.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. If you do not enroll within the annual enrollment period, your current coverages generally remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans, plans that require enrollment and the deadline date. **However, if you want to participate in the Health and/or Dependent Care Flexible Spending Accounts or in a Health Savings Account (HSA), you need to elect to participate each year. Your Flexible Spending Account and Health Savings**

Account contribution elections will not carry over from one Plan Year to the next.

If you add a new dependent to Benefit Plan coverage during annual enrollment, you must provide the dependent's social security number to the Benefit Plan by calling the Benefits Source at **1-888-640-3320** or by visiting the Benefits Source website at mysourceforhr.com,

In the event your current Medical, Dental, or Vision Plan coverage is not available and you fail to elect coverage under another plan or option that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "*Enrollment in the Medical, Dental, and Vision Plans*" for further details.

Opt-Out Credit

If you are a full-time employee and have coverage elsewhere and decline medical or dental coverage under the Medical or Dental Plans, you may be eligible for an opt-out credit, if available. Please refer to the enrollment material to see if this option is currently being offered. If you have declined coverage, but your Spouse or parent is also an employee or retiree and is covering you as a dependent, you are not entitled to an opt-out credit. If you are a covered dependent under the Medical and/or Dental Plans, you must call the Benefits Source at **1-888-640-3320** during enrollment to update your status. The Company will recover payment of ineligible opt-out credits through payroll deductions.

Please Note:

If you have declined Medical Plan coverage, but your Spouse is a retiree who is covering you under the Medical Plan as a dependent, you are not entitled to an opt-out credit. You must call the Benefits Source at **1-888-640-3320** during enrollment to update your status.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Medical Plan at your home address.

The cards should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options, or, if applicable, your HMO in the case of an HMO option.

There are no ID cards for the Vision Plan, Dental Plan or other coverages.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans

Coverage Begins

Generally, coverage under the Medical Plan, Dental Plan, Vision Plan, or FSA Plan may become effective, if you properly enroll, (1) on your first day of active employment for regular new hires, (2) on the first day of the following Plan Year for eligible employees who enroll during the annual enrollment period, or (3) on the date the Plan approves your enrollment based upon a qualified life event. Eligible dependents have the same effective date provided you properly enroll them.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation on or after January 30, 2020 (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to an employee;
- The date an employee is no longer eligible for coverage under the Plan;
- The date an employee commences active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy or any applicable collective bargaining agreement;
- The last date for which any required contribution was made;
- The end of the month following the date an employee terminated employment.

In addition, coverage under the Health Care FSA will cease if an HDPPO coverage option is elected under the Medical Plan.

A dependent shall cease to participate in the Medical Plan, the Dental Plan, the Vision Plan, and the FSA Plan on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the employee's coverage ends (except that, in the case of the employee's death, a dependent shall cease to participate in the Plan on the last day of the month in which the employee dies) (see also the section below entitled "*Survivor Coverage"* for circumstances under which coverage under the Medical Plan for an eligible surviving dependent may continue beyond an employee's death);
- The last date for which any required contributions for the dependent's coverage was made;
- For a Spouse, the date of divorce or legal separation, except in the case of insured Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law;
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if you or your eligible dependents experiences a COBRA qualifying event, EAP/Work Life/Legal & Financial Services coverage will cease one day after the maximum COBRA continuation coverage period would otherwise expire on account of such qualifying event. See the section below entitled "*COBRA*" for an explanation of what constitutes a COBRA qualifying event.

When Coverage Begins and Ends - HSA

Coverage Begins

You may enroll in an HSA at any time provided you have properly enrolled in either the HDPPO 1 or HDPPO 2 option.

Coverage Ends

Your contributions to an HSA through the Flexible Benefits Plan will terminate as follows:

- The date on which the Plan terminates;
- The date you are no longer eligible;
- The date you are no longer actively at work; or
- The date on which you request that your contributions cease or that the HSA Account be closed.

If you are no longer enrolled in HDPPO 1 or HDPPO 2 or you have terminated employment or retired, you will be required to pay a monthly account fee to the HSA Trustee/Custodian for as long as money remains in your HSA. You will also receive a new HSA debit card that will allow you to continue using the remaining money in your account for qualified medical expenses.

When Coverage Begins and Ends – Short-Term Disability Plan

Coverage Begins

If you were hired by a Columbia Energy Group Subsidiary before January 1, 2018, your Short-Term Disability Plan coverage may become effective on the first day of the month coincident with or next following your completion of 6 continuous months of active, full-time employment with such Subsidiary. If you were hired by a Columbia Energy Group Subsidiary on or after January 1, 2018, your Short-Term Disability Plan coverage may become effective on your first day of active, full-time employment with such Subsidiary.

Coverage Ends

You will cease to be covered under the Short-Term Disability Plan for benefits on the earliest of the following:

- The date the Plan is terminated;
- The effective date of any Plan amendment that terminates coverage with respect to you;
- The date you are no longer eligible for coverage under the Plan, including without limitation as a result of your Employer no longer being affiliated with the Company or no longer being a Participating Employer in the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994;
- The last day for which you made any required contribution toward the cost of Plan coverage;
- The date you begin any leave of absence; and
- The date your employment terminates.

When Coverage Begins and Ends – Long-Term Disability Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Long-Term Disability Plan,"* coverage under the Basic LTD Coverage Option of the Long-Term Disability Plan generally may become effective on the later of (1) your first day of active employment, for regular new hires, (2) the day you become a member of a class eligible for coverage under the Plan, (3) the first day of the following Plan Year, for eligible employees who choose not to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period, or (4) the date the Plan approves such enrollment, for employees who disenroll from the Supplemental LTD Coverage Option due to a qualified life event.

Coverage under the Supplemental LTD Coverage Option generally may become effective on the later of (1) the date you are eligible for coverage, if you enroll on or before that date; (2) the date you enroll for coverage, if you enroll within 31 days after the date you are eligible for coverage; (3) the date Prudential approves your application, if evidence of insurability is required; (4) the date you are in active employment; (5) the first day of the following Plan Year, for eligible employees who choose to reenroll in the Supplemental LTD Coverage Option during the annual enrollment period; or (6) the date the Plan approves such enrollment due to a qualified life event.

Evidence of insurability means a statement of your medical history that Prudential will use to determine if you are approved for coverage. You must give evidence of insurability, at your expense, if (1) you enroll for coverage more than 31 days after the date you are eligible for it; (2) you re-enroll for coverage after you voluntarily cancelled it; (3) you enroll after any coverage ends because you did not pay a required contribution; or (4) you have not met a previous evidence requirement to become covered under any

plan NiSource has with Prudential. Prudential will decide when evidence of insurability is satisfactory.

Once your coverage begins, any increased or additional coverage will take effect on the latest of: (1) the effective date of the change, if you are in active employment, on a temporary layoff, on leave of absence, or working reduced hours (for reasons other than disability); (2) the date Prudential approves your application, if evidence of insurability is required; or (3) the date you return to active employment, if you are not in active employment due to injury or sickness.

Coverage Ends

Your coverage under the Long-Term Disability Plan will end on the date you lose eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date as of which the Plan is terminated;
- The date the group insurance contract issued by The Prudential Insurance Company of America is canceled;
- The date that the Plan is amended to terminate your coverage;
- The date you terminate employment or are no longer eligible for coverage under the Plan;
- The date you are no longer in active employment due to a disability that is not covered under the Plan;
- The date you commence active duty in the armed forces, except to the extent continuation coverage is required pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and except as provided by the NiSource Military Leave of Absence Policy or any applicable collective bargaining agreement;
- The last date for which any required contribution was made; or
- The date you are no longer in active employment, except as provided below and except to the extent continuation coverage is required by the Family and Medical Leave Act of 1993 ("FMLA").

If you are on a temporary layoff or are working reduced hours for reasons other than disability and the premium is paid, you will be covered to the end of the month following the month in which your temporary layoff or reduced hours begin. If you are on a leave of absence and the premium is paid, you will be covered to the end of the month in which your leave begins. Neither temporary layoff nor leave of absence includes normal vacation time or any period of disability or absence in connection with any severance or termination agreement. Your FMLA leave also is not considered a temporary layoff.

When Coverage Begins and Ends – Life and AD&D Plan

Coverage Begins

Provided you have satisfied the eligibility requirements described above under the section *"Eligibility under the Life and AD&D Plan,"* coverage under the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option of the Life and AD&D Plan may generally become effective on the first day you are actively at work, if you are a regular new hire, or on the first day you are newly eligible for coverage, provided you are actively at work on such day.

Provided you have satisfied the eligibility requirements described above, coverage under the Employee Optional Life and AD&D Coverage Options may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) with respect to the Optional Employee Term Life Coverage Option, the Claims Administrator is satisfied with your evidence of insurability, if evidence is required (provided that coverage will become effective as of the first day of the month following the Claims Administrator's determination that evidence is satisfactory), and (3) the Claims Administrator has received the required premium.

If you are not actively at work on the date coverage would otherwise begin, or on the

date an increase in your amount of insurance would otherwise be effective, you will not be eligible for the coverage or increase until you return to active work. However, if the absence is on a non-work day, coverage will not be delayed provided you were actively at work on the work day immediately preceding the non-work day. Except as otherwise provided herein or in the group insurance contracts (collectively, the "Group Contract") or group insurance certificates issued by Securian, you are eligible to continue to be insured only while you remain actively at work.

Provided you have satisfied the eligibility requirements described above, coverage of your "eligible dependents" under the Dependents Term Life Coverage Option and the Dependents AD&D Coverage Option ("Dependents Life and AD&D Insurance") generally may become effective on the first day on which each of the following conditions are met: (1) you have enrolled for dependent coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) the person to be covered is your "eligible dependent", (3) you are insured for employee coverage under the particular coverage sought (e.g., for the Dependents Term Life Coverage Option, you are covered under the Basic Employee Term Life Coverage Option, and for the Dependents AD&D Coverage Option, you are covered under the Supplemental Employee AD&D Coverage Option), (4) for the Dependents Term Life Coverage Option, the Claims Administrator is satisfied with your eligible dependent's evidence of insurability, if evidence is required, and (5) the Claims Administrator has received the required premium.

If an eligible dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released from such hospitalization or confinement.

Evidence of your insurability may be required under certain circumstances if you apply for coverage under the Optional Employee Term Life Coverage Option. Evidence of your eligible dependent's insurability may also be required under certain circumstances if you apply for coverage for your eligible dependent under the Dependents Term Life Coverage Option. See the sections in the Life and AD&D Benefits Plan section below entitled *"Optional Employee Term Life Coverage"* and *"Dependents Term Life Coverage"* for more details concerning evidence of insurability requirements.

If you apply for coverage that requires evidence of insurability, your coverage election will be autocorrected to the greatest amount of coverage, consistent with your election, to which you would otherwise be entitled without evidence of insurability. Once evidence of insurability is approved by Securian, your coverage will be updated effective the first of the month following approval (or, if later, January 1, in the case of an election made during annual enrollment).

Coverage Ends

Your Employee Life and AD&D Insurance or Dependents Life and AD&D Insurance under a Life and AD&D Coverage Option will end when the first of these occurs:

- The date as of which the Life and AD&D Plan is terminated;
- The date the Group Contract is canceled, or with respect to a particular Life and AD&D Coverage Option, the date such Life and AD&D Coverage Option is terminated;
- The date that the Life and AD&D Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you terminate employment or are otherwise no longer eligible for coverage under the Plan as a regular full-time employee or as a member of another eligible class;
- For Life and AD&D Coverage Options that are contributory, 31 days after the due date of any required contribution that is not paid, provided that failure to contribute for Dependents Life and AD&D Insurance will not cause your Employee Life and AD&D Insurance to end;

- For the Dependents Term Life Coverage Option, the date your coverage under the Basic Employee Term Life Coverage Option ends;
- For the Dependents AD&D Coverage Option, the date your coverage under the Supplemental Employee AD&D Coverage Option ends;
- For Dependents Life and AD&D Insurance, the last day of the month in which your "eligible dependent" ceases to be an "eligible dependent" for the coverage or is no longer covered under the Group Contract.
- For coverage under an Employee Optional Life and AD&D Coverage Option, the last day for which premium contributions have been made following your written request to end coverage under such Employee Optional Life and AD&D Coverage Option.
- For Dependents Life and AD&D Insurance, the last day for which premium contributions have been made following your written request to end Dependents Life and AD&D Insurance for an "eligible dependent"

You must notify the Claims Administrator or the Benefits Source at **1-888-640-3320** when a dependent is no longer eligible for coverage under the Life and AD&D Plan so that premiums may be discontinued. No claims will be paid under the Life and AD&D Plan in respect of an ineligible dependent.

If your Employee Life and AD&D Insurance terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Provided your coverage has already commenced, your coverage may be continued if you are not actively at work due to sickness, injury, leave of absence or temporary layoff, subject to your Employer's practices and procedures.

If you stop active full-time work for any reason, you should contact the Company or your Employer at once to determine what arrangements, if any, have been made to continue any of your insurance coverage, or whether you belong to another class of employees that may be eligible for coverage under the Plan.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, the Internal Revenue Service will allow you to enroll for or change certain pre-tax elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain pre-tax elections if you experience a "qualified status change" that affects your, your Spouse's, or your dependent's eligibility for benefits under the Medical Plan, the Dental Plan, the Vision Plan, the Flexible Benefits Plan, the Life and AD&D Plan or the Long-Term Disability Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.***

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company, the Plan Administrator, or the Claims Administrator. In addition to satisfying any requirements established by the applicable Benefit Plan and any insurer (with respect to insured coverage), any requested

change in election must satisfy all requirements imposed by the Internal Revenue Service.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee +family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Please Note:

If you do not request a change in election within 31 days of your qualified status change or other qualified life event, your next opportunity to change elections will not be until the next annual enrollment period or until you experience another qualified life event. For example, if you do not enroll an eligible newborn child within 31 days of the child's birth, even if you do not have the child's social security number, your next opportunity to enroll the child will not be until the next annual enrollment period, unless you experience another qualified life event that would permit you to change elections.

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan (this does not apply to the Health Care Flexible Spending Account).
- With respect to the Medical Plan only, you qualify for special enrollment during the year under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Medical

Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***

- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.
- You or your eligible dependents lose coverage under any group health coverage sponsored by a governmental or educational institution,
- You take leave under the Family and Medical Leave Act.

If a dependent you are covering under the Medical, Dental or Vision Plan is hired by an Employer and either timely elects coverage under such Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Plan coverage for such dependent in connection his or her change in employment status.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical, prescription drug, vision or dental plan or program, your medical, prescription drug, vision and dental benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

The following provisions of this *"Coordination of Benefits (COB)"* subsection apply to the Medical Plan and the Dental Plan. Please see the Vision Plan section for details about coordination of benefits provisions applicable to the Vision Plan.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable Benefit Plan is primary, the Benefit Plan pays the amount payable under such plan.

If your coverage under the applicable Benefit Plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

> **The "Birthday Rule"**
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> Under the "Birthday Rule" the plan of the parent whose birthday falls earlier in the calendar year is the primary plan and the other parent's plan is secondary.

In the case of a divorce or separation, the following order will establish responsibility for payment:

- If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.
- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits.

How Coordination of Benefits Works for Those in "Current Employment Status"

If you are in "current employment status" within the meaning of Medicare regulations, and if you or your spouse become Medicare-

eligible, you or your spouse may have either of the following:

- Medical coverage under both the Medical Plan and Medicare (the Medical Plan under the Program is primary, it pays benefits as described in this Handbook, and Medicare is secondary); or
- Coverage under Medicare only (if that is what you have elected).

Please Note:

End-Stage Renal Disease. If you or your covered dependent enroll in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary at the time you or your covered dependent enroll, the Medical Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

If you are in "current employment status" and you and your Spouse are covered under the Medical Plan, Medicare coverage becomes secondary. You may decline coverage under the Medical Plan, in which case Medicare would be the primary carrier. Your Spouse may, if age 65 or older, make a separate Medicare election. However, your Spouse may not elect medical coverage under the Medical Plan if you do not elect coverage.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under the Medical Plan but are no longer considered in "current employment status" for purposes of Medicare, and you and your spouse are Medicare-eligible, then Medicare is the primary payor regardless of your or your covered spouse's age. You are responsible for notifying the Claims Administrator if you, your Spouse, or your other eligible dependents become Medicare-eligible.

If you are not in "current employment status" and if a covered person is eligible for, but not enrolled in, Medicare benefits, the Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are not in "current employment status" and are eligible for, but not enrolled in, Medicare Part B, and if you incur a claim that would be payable in whole or in part by Medicare Part B, the Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

Please Note:

Late Enrollment Penalties for Medicare Parts B and D. If you are eligible for Medicare by reason of age or disability, are no longer in current employment status for purposes of Medicare, and do not enroll in Medicare Part B or Medicare Part D during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. For more information concerning Medicare late enrollment penalties, see the Medicare & You publication at https://www.medicare.gov/medicare-and-you or contact your local Social Security Administration office.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide claims and certain appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section of this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, or SPDs, please see below or the individual Benefit Plan sections of the Handbook.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Medical Plan

The claim determination and appeal process described below applies to the Medical Plan. The term "Plan" as used in this section refers to the Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse

benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the

circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

> If You Have Questions
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> If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;
- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your

receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (for the Medical Plan, this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Medical Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to

request a voluntary second-level internal appeal under the Medical Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;

- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective

review, were covered under the Plan at the time the health care item or service was provided;

- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the

criteria are inconsistent with the terms of the Plan or with applicable law;

- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Dental Plan, Vision Plan and Health Care FSA

Unless otherwise noted, the claim determination and appeal process described below applies to each of the Dental Plan, the Vision Plan and the Health Care FSA. The term "Plan" as used in this section refers to the Dental Plan, the Vision Plan or the Health Care FSA, as the case may be, and the term "Claims Administrator" refers to the claims administrator appointed for the respective Plan.

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit. Solely with respect to claims involving a determination of your eligibility under the Plan, the term "Claims Administrator" used below shall also refer to the Plan Administrator.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims

Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may request a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The day the Claims Administrator receives the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) a decision regarding your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan or FSA Plan, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes and adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes and adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD sections for the Dental Plan, the Vision Plan, or the Health Care FSA, as the case may be.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request must include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

In addition, the notice will include the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office."

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with,

the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process - Dependent Care FSA

The claim determination and appeal process described below applies to the Dependent Care FSA Plan. As used in this section, the term "Claims Administrator" refers to the claims administrator appointed for the Dependent Care FSA Plan.

Consideration of Initial Claim

Within 90 days of receiving the claim, the Claims Administrator will provide you (or your beneficiary) with a written notice of its decision. If, because of special circumstances, the Claims Administrator cannot provide a decision within the 90-day period, the Claims Administrator can extend the period to up to 180 days (the 180-day period begins on the date the written claim is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 90-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your request for review within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you may be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; (3) a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and (4) a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.

Appeal to Claims Administrator

If your claim is denied or deemed to have been denied in whole or in part, you have the right to appeal the decision to the Claims Administrator by sending a written request for review within 60 days of the claim denial or deemed denial.

Upon receipt of your request, your claim will be reviewed. You will normally be notified of the results of this review within 60 days. If because of special circumstances, the Claims Administrator cannot provide a decision within the 60-day period, the Claims Administrator can extend the period to up to 120 days (the 120-day period begins on the date the written request for review is received). The Claims Administrator will provide you with a written notice of the extension before the end of the initial 60-day period. The notice will include the special circumstances requiring the extension. If the Claims Administrator does not respond to your claim for benefits within the requisite time, your claim will be deemed denied.

If the Claims Administrator denies your claim in whole or in part, you will be provided with written notice of the denial stating: (1) the specific reason or reasons for the denial; (2) reference to the specific Plan provisions on which the denial is based; and (3) a statement that you are entitled to receive upon request and free of charge reasonable access to, and copies of, all documents, records and other information relevant to your claim for benefits.

Second Appeal to the Plan Administrator

If the Claims Administrator denies all or any portion of your claim on appeal, you or your duly authorized representative may request a review of such denial by the Plan Administrator. Each such request for review must be in writing signed by you or your duly authorized representative, must specify that it is a request for review of a denied claim and must be filed with the Plan Administrator no later than 60 days after receipt of the denial or 90 days after the claim is deemed to be denied because the Claims Administrator did not respond within the requisite time period.

The decision of the Plan Administrator upon a request for review shall be made within 60 days after the request for review is received by the Plan Administrator unless special circumstances require an extension of time for processing such review, in which event you shall be notified in writing prior to the expiration of such 60 days, and the decision of the Plan Administrator shall be rendered within 120 days of the receipt of the request for review. In connection with a request for review, you or your duly authorized representative may submit issues and comments in writing to the Plan Administrator. All communications between the Plan Administrator and you or your duly authorized representative shall be in writing unless you or your duly authorized representative requests otherwise and the Plan Administrator consents thereto. Each decision of the Plan Administrator on a request for review shall be in writing and shall include (1) the specific reason or reasons for the decision; (2) specific reference to the Plan provisions upon which the decision is based; and (3) a statement that you are entitled to receive upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Life and AD&D Plan

The claim determination and appeal process described below applies to the Life and AD&D Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accelerated death benefits, for accidental dismemberment benefits, or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which

case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits) if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal, you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan,

and your right to obtain information about such procedures, and

- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Short-Term Disability Plan

The claim determination and appeal process described below applies to the Short-Term Disability Plan. As used in this section, (i) the term "Plan" refers to the Short-Term Disability Plan, (ii) the term "Claims Administrator" refers to the applicable claims administrator appointed for the Plan, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a

failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in the Plan or a rescission of your disability coverage (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (1-888-640-3320) before you request a formal appeal. If you are not satisfied with a benefit determination, you can appeal it.

Consideration of the Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but generally not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding Your Claim

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason or reasons for the denial;
- reference to the specific Plan provisions on which the denial is based;
- a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written or electronic notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary;
- a description of the Plan's review procedures and time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following exhaustion of the claims procedure process;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits, you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 180 days of the receipt of the written adverse benefit determination.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford deference to the initial adverse benefit determination and will be conducted by an individual who is neither the person who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such person.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of the appeal, nor the subordinate of any such individual.

The Claims Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, before the Claims Administrator issues and averse benefit determination on appeal, it will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person (or at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on appeal based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator will notify you of its determination on review within a reasonable period of time, but generally not later than 45 days after receipt of your request for review, unless the Claims Administrator determines that special circumstances require an extension of time for processing the claim. If the Claims Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Claims Administrator expects to render the determination on review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- reference to the specific Plan provisions on which the benefit determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and

- a statement indicating your right to file a lawsuit upon completion of the appeal process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination on your appeal, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures, and (C) the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Appeal to the Plan Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your duly authorized representative may appeal the Claims Administrator's determination by sending a written request to the Plan Administrator within 45 days of your receipt of the Claims Administrator's adverse benefit determination on review.

The Committee, as Plan Administrator, has delegated to the Director, Benefits, the Director, Corporate Insurance and the Senior Vice President and Chief Human Resources Officer, and to the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons, the authority to decide appeals of denied claims on behalf of the Plan Administrator. Such appeals shall be decided by the Director, Benefits and the Director,

Corporate Insurance, or by the officers or employees of the Company or of its affiliates succeeding to the duties and responsibilities of such persons. In the event such persons do not agree on the decision with respect to an appeal, the Senior Vice President and Chief Human Resources Officer, or the officer or employee of the Company or of its affiliates succeeding to the duties and responsibilities of such person, shall decide the appeal. References in this section to the "Plan Administrator" shall be deemed to constitute references to those persons to whom the Plan Administrator has delegated authority to decide appeals of denied claims.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written appeal should state why you think your claim should not have been denied. Your appeal should also include any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your appeal, the Plan Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in your appeal to the Claims Administrator. The review will not afford deference to the Claims Administrator's decision.

In deciding any appeal of an adverse benefit determination that is based in whole or in part on a medical judgment, the Plan Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of your appeal, nor the subordinate of any such individual.

The Plan Administrator shall identify any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

For claims filed after April 1, 2018, the Plan Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Plan Administrator or other person (or at the direction of the Plan or such other person) making the benefit determination in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Plan Administrator will notify you of its determination on review within a reasonable period of time, but generally not later than 45 days after receipt of your request for review by the Plan, unless the Plan Administrator determines that special circumstances (such as the need to hold a hearing) require an extension of time for processing the claim. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 45-day period. In no event shall such extension exceed a period of 45 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

If the Plan Administrator Makes an Adverse Benefit Determination on Your Appeal

Claims Filed On or Before April 1, 2018

For claims filed on or before April 1, 2018, if the Plan Administrator makes an adverse benefit determination with respect to your claim on appeal, it will notify you of the following, in a manner calculated to be understood by you:

- The specific reason or reasons for the adverse determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria were relied upon and that a copy will be provided free of charge upon request.

Claims Filed After April 1, 2018

For claims filed after April 1, 2018, if the Plan Administrator makes an adverse benefit determination on your claim on review, it will notify you in writing or electronically of the following, in a manner to be understood by you:

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- a statement indicating (A) your right to bring an action under section 502(a) of ERISA upon exhaustion of the claims procedure process, (B) that any such action must be brought no later than three years after the date an initial claim should have been filed under these claims procedures, and (C) the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by you to the Plan of health care professionals treating the claimant and vocational professionals who evaluated the claimant; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines,

protocols, standards or other similar criteria of the Plan do not exist.

Physical Examinations

The Company has the right, at its own expense, to have any person for whom a claim is pending examined as often as is reasonably necessary.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Long-Term Disability Plan

The claim determination and appeal process described below applies to the Long-Term Disability Plan. As used in this section, claims made under the Long-Term Disability Plan are referred to as "disability claims." The term "Plan" as used in this section refers to the Long-Term Disability Plan, and the term "Claims Administrator" refers to The Prudential Insurance Company of America. As used in this section, "adverse benefit determination" or "adverse determination" shall mean any of the following: (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in the Plan, or (ii) any rescission of disability coverage with respect to a claimant (whether or not, in connection with the rescission, there is an adverse effect on any particular benefit at that time). For this purpose, the term "rescission" means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions towards the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 after the receipt of your claim. This period may be extended by 30 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 45-day period. This period may be extended for an additional 30 days beyond the original 30-day extension if necessary due to matters beyond the control of the Plan. A written notice of the additional extension, the reason for the additional extension and the date by which the Plan expects to decide on your claim, shall be furnished to you within the first 30-day extension period if an additional extension of time is needed. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if your claim for benefits is denied, in

whole or in part, you or your authorized representative will receive a written notice from the Claims Administrator of your denial. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the denial,
- references to the specific Plan provisions on which the benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary,
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process,

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your claim, it shall provide you with a written notice of the adverse benefit determination setting forth

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary;
- a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following completion of all required appeals;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you;
  - the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the plan do not exist; and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all

documents, records, and other information relevant to your claim for benefits.

First Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim for benefits, you or your representative may appeal the determination in writing to the Claims Administrator within 180 days of your receipt of written notice of the adverse determination. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your written request, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim free of charge.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, without regard to whether such information was submitted or considered in the initial adverse benefit determination, and utilizing individuals who were not involved, and who are not subordinates of the individuals involved, in that determination. This review will not afford any deference to the initial adverse benefit determination.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For Disability Claims Filed On or Before April 1, 2018

For disability claims filed on or before April 1, 2018, if the claim on appeal is denied in whole or in part, you will receive a written notification from the Claims Administrator of the denial. The notice will be written in a manner calculated to be understood by the applicant and shall include:

- the specific reason(s) for the adverse determination,
- references to the specific Plan provisions on which the determination was based,
- a statement that you are entitled to receive upon request and free of charge reasonable access to, and make copies of, all records, documents and other information relevant to your benefit claim upon request,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures; and

- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other similar criterion will be provided free of charge to you upon request.

If an adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination will be provided free of charge upon request.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

For Disability Claims Filed After April 1, 2018

For disability claims filed after April 1, 2018, if the Claims Administrator makes an adverse benefit determination with respect to your disability claim on review, it will provide you with written notice. The notice shall set forth, in a manner calculated to be understood by you,

- the specific reason or reasons for the adverse determination;
- a reference to the specific Plan provisions on which the determination is based;
- a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim;
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures;
- a statement indicating
  - your right to bring an action under section 502(a) of ERISA upon completion of all required appeals,
  - that any such action must be brought no later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator, and
  - the calendar date upon which such limitations period expires;
- a discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you;
  - the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

Second Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination with respect to your claim on review, you or your representative may make a second, voluntary appeal of the adverse determination in writing to the Claims Administrator within 180 days of your receipt of the written notice of adverse benefit determination. You may submit with your second appeal any written comments, documents, records and any other information relating to your claim. Upon your request, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim free of charge.

The Claims Administrator shall make a determination on your second claim appeal within a reasonable period of time, but not later than 45 days after the receipt of your appeal request. This period may be extended by up to an additional 45 days if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date by which the Claims Administrator expects to render a decision shall be furnished to you within the initial 45-day period. However, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review, it shall provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, Claims Administrator or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the claim. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

For disability claims filed after April 1, 2018, before the Claims Administrator issues an adverse benefit determination on review based on a new or additional rationale, it shall provide you, free of charge, with the rationale. The rationale will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give you a reasonable opportunity to respond prior to that date.

Your decision to submit a benefit dispute to this voluntary second level of appeal has no effect on your right to any other benefits under the Plan. If you elect to initiate a lawsuit without submitting to a second level of appeal, the Plan waives any right to assert that you failed to exhaust administrative remedies. If you elect to submit the dispute to the second level of appeal, the Plan agrees that any statute of limitations or other defense based on timeliness is tolled during the time that the appeal is pending.

If the Claims Administrator makes an adverse benefit determination with respect to your second-level, voluntary appeal, you will receive a written notification from the Claims Administrator of the adverse determination. The notice will be written in a manner calculated to be understood by you and shall include the same type of information that was included in the letter notifying you of the adverse benefit determination on your first-level appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud, (ii) any error the Claims Administrator makes in processing a claim, and (iii) your receipt of deductible sources of income. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, unless otherwise provided under federal law, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date of the adverse benefit determination with respect to your first appeal to the Claims Administrator.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage under the Medical, Dental, Vision and FSA Plans

General

Generally, coverage under the Medical, Dental, Vision and FSA Plans is only available to you if you are actively at work. However, if the Company or a Columbia Energy Group Subsidiary under its personnel policies continues to treat you as an employee after you cease to be actively at work due to any of the following leaves, then you will continue to be treated as an employee eligible to participate in one or more of the Plans described above, subject to the terms and conditions of each such Plan. Provided, however, your participation will cease as of the earliest of the dates set forth above under "*When Coverage Begins and Ends under the Medical, Dental, Vision and FSA Plans – Coverage Ends*." For example, as of the date of this Handbook, the personnel policy of the Company and each Columbia Energy Group Subsidiary is to terminate your employment if the claims fiduciary of the Company's long-term disability plan determines you no longer qualify for benefits under the long-term disability plan. The leaves referred to above are:

Sick Leave – Coverage under the Medical, Dental, Vision and FSA Plans for you and your eligible dependents continues if you are on sick leave and your Employer under its personnel policies continues to treat you as an employee. Your contributions for this coverage will continue to be deducted from your check.

Long Term Disability Leave ("LTD") – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents, as well as coverage under the Health Care FSA, continues if you are on LTD leave and your Employer under its personnel policies continues to treat you as an employee. You must continue to make your required contribution. You may also receive an Employer contribution to your Health Savings Account if you are enrolled in an HDPPO coverage option and are eligible to contribute to a Health Savings Account.

You **cannot** continue to participate in the Dependent Care FSA while you are receiving Long-Term Disability Plan benefits. You may, however, use the existing balance in your account to pay for any eligible expense you incur before you commence your LTD leave.

Family and Medical Leave Act ("FMLA") Leave – Coverage under the Medical, Dental and Vision Plans for you and your eligible dependents continues at the same level of contribution and under the same conditions if you are granted a leave of absence under the Family and Medical Leave Act ("FMLA"). However, you may revoke your health benefit elections upon the commencement of your FMLA leave of absence. If you return from an unpaid FMLA leave of absence after having

revoked health benefit elections on account of taking FMLA leave, you may reinstate your elections on the same terms as prior to taking FMLA Leave, to the extent that reinstatement is required under the FMLA. If your health benefit elections are revoked for non-payment of premiums during an approved FMLA leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

The Company and the applicable Columbia Energy Group Subsidiary may recover its cost of coverage if you exhaust your leave and do not return to active employment for reasons other than the continuation or onset of a serious health condition or other circumstances beyond your control. The Company or the applicable Columbia Energy Group Subsidiary may require you to provide certification of a health care provider if you are unable to return to work because of the continuation, recurrence, or onset of a serious health condition.

You may continue to participate in the Health Care FSA and/or Dependent Care FSA on a pre-tax basis while on a FMLA leave by pre-paying with pre-tax dollars any contributions due for coverage during the Plan Year in which your leave commences. You have the option to continue to participate in the Health Care FSA during your FMLA leave on an after-tax basis by making payments according to the same schedule in effect before your leave. If your participation in a Flexible Spending Account ceases on account of your leave, you may still use the existing balance in your account to pay for any eligible expenses that you incur prior to your last day worked before your FMLA leave. Also, if you ceased participation in the Health Care FSA during your leave, you may resume participation upon return from leave during the same Plan Year and either make up the unpaid contributions or resume coverage at a reduced level under the proration rule, with payments at your original contribution level.

Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") – If you are absent from employment because of service in the "uniformed services" (as that term is defined by USERRA), you may elect to continue coverage under a Plan during the period of your service to the extent provided by USERRA and the NiSource Military Leave of Absence Policy or any applicable collective bargaining agreement. Without limiting the generality of the foregoing, if your health benefit elections are revoked for non-payment of premiums during an approved military leave of absence, such coverage may be reinstated on a prospective basis upon application to the Plan in connection with a return from leave, to the extent required by applicable law.

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Medical, Dental and Vision Plans and under the Health Care FSA (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."*

COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial Services coverage.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan

for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, (ii) the date for making COBRA premium payments, and (iii) the date for notifying the Plan of a qualifying event or determination of disability.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your Spouse (if he or she is treated as a Spouse under the Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. (This extended coverage does not apply to the Health Care FSA.) These costs are subject to change.

You will have 60 days to elect COBRA (measured from the later of your coverage loss date or the date the Plan Administrator notifies you of your right to elect COBRA coverage).

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

You will become a qualified beneficiary on account of coverage under a Plan if you lose your coverage under such Plan because either one of the following qualifying events happens:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct.

Your Spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your Spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- Your hours of employment are reduced;
- Your employment ends for any reason other than your gross misconduct;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after

the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of your employment or reduction of hours of employment, your death, or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the Benefits Source website at mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your Spouse, and parents may elect COBRA continuation coverage on behalf of their children.

[This paragraph applies only to the Medical, Dental and Visions Plans. It does not apply to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the end of your employment or reduction of your hours of employment, COBRA continuation coverage generally lasts for only up to a total of 18 months. There are two ways in which this 18 month period of COBRA continuation coverage can be extended (as described below). When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months. When the qualifying event is the end of your employment or reduction of your hours of employment, and you became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than you lasts until 36 months after the date of Medicare entitlement. For example, if you become entitled to Medicare 18 months before the date on which your employment terminates, COBRA continuation coverage for your Spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 18 months after the date of the qualifying event (36 months minus 18 months).

[This paragraph applies only to the Health Care FSA.] COBRA continuation coverage is a temporary continuation of coverage. Upon experiencing a qualifying event, which causes a loss of coverage under the Health Care FSA, you may continue your current contributions to your Health Care FSA on an *after-tax* basis through COBRA only for the remainder of the Plan Year in which your active coverage ended. This means that you will lose the pre-tax benefit of the FSA Plan by continuing coverage through COBRA. However, COBRA continuation coverage under the Health Care FSA option of the FSA Plan allows you to continue to incur and seek reimbursement of eligible claims for the remainder of the Plan Year. If COBRA continuation coverage is not elected, only those expenses incurred prior to the qualifying event will be eligible for reimbursement.

Disability Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If you or anyone in your family

covered under a Plan is determined by the Social Security Administration to be disabled and you notify the Plan Administrator (in a form prescribed by the Plan Administrator) (i) within 60 days of the later of the date of the disability determination by Social Security and the date the qualified beneficiary loses coverage under the Plan as a result of your termination or reduction of hours of employment, and (ii) before the end of the initial 18-month period of COBRA continuation coverage, you and the qualified beneficiaries in your family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. If proper notice is not provided within the 60-day period and before the end of your initial 18-month period of COBRA continuation coverage, you will not be entitled to a disability extension. The disability would have to have started at some time before the 61st day of COBRA continuation coverage and must last at least until the end of the 18-month period of COBRA continuation coverage. You must also notify the Plan Administrator within 30 days of the date the Social Security Administration determines that you or your dependent are no longer disabled.

Second Qualifying Event Extension of 18-Month Period of COBRA Continuation Coverage

[This paragraph does not apply to the Health Care FSA.] If your family experiences another qualifying event while receiving 18 months of COBRA continuation coverage, your Spouse and dependent children can get up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Plan Administrator within 60 days of the date of the second qualifying event. If proper notice is not provided within the 60-day period, you will not be entitled to an extension on account of the second qualifying event. This extension may be available to your Spouse and any dependent children receiving continuation coverage if you die, become entitled to Medicare benefits (under Part A, Part B, or both), or you get divorced or legally separated, or if your dependent child stops being eligible under a Plan as a dependent child, but only if the event would have caused your Spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred. For example, when the qualifying event is the termination of your employment, COBRA continuation coverage for you, your Spouse and dependent children can last up to 18 months. If within that initial 18-month period you become legally separated or divorced (i.e., experience a second qualifying event), COBRA continuation coverage may be extended by an additional 18 months (for a total of 36 months from the date of the termination of employment) for your Spouse and dependent children who lose coverage due to the divorce or legal separation, if notice of such event is properly given to the Plan Administrator.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above (i.e., 18, 29 or 36 months, in the case of the Medical, Dental and Vision Plans, or the remainder of the Plan Year, in the case of the Health Care FSA), COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in the Program cease to provide any group health plan or coverage to any employee.
- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- Provided such date is after the initial 18-month COBRA period and no other extension of such period (other than the disability extension) applies, the first day of the month coincident with or next following 30 days from the date the Social Security Administration determines that a qualified beneficiary is no longer disabled.
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-

existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" section below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at **dol.gov/ebsa** (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Employee's death at any time on or after January 1, 2004, if COBRA continuation coverage has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Employee's surviving dependents who are covered under the Medical Plan on the date of that Employee's death, then coverage under the Medical Plan for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Employee's surviving spouse dies, (ii) the last day of the month in which the Employee's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer with whom the Employee was employed ceases to be a "related employer," as defined in the Medical Plan.

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Medical Plan or the Dental Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be

subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to an illness, a sickness, or a bodily injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the illness, sickness or bodily injury;
- The insurer or other indemnifier of the party or parties who caused the illness, sickness or bodily injury;
- A guarantor of the party or parties who caused the illness, sickness or bodily injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the illness, sickness or bodily injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the illness, sickness or bodily injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the illness, sickness or bodily injury so that the applicable Benefit Plan may

recover any sums paid under such Benefit Plan on behalf of the covered person;

- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable for the Benefit Plan to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements, or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust of r the benefit of the Benefit Plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the illness, sickness or bodily injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the illness, sickness or bodily injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the illness, sickness or bodily injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The employee;
- The employee's covered dependent;
- The estate of any covered person; or
- On behalf of any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the employee or a covered dependent, the employee or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an in-network provider rather than an out-of-network provider. For the Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company, a Columbia Energy Group Subsidiary, or any of their affiliates. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit Plan at any time without the consent of, or

advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Code with respect to the Benefit Plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though an Employee may receive a benefit check from a Claims Administrator, the Company, a Columbia Energy Group Subsidiary, or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to the Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company, the Columbia Energy Group Subsidiaries, or their affiliates or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by

virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called "fiduciaries" of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the

court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Certain Benefit Plans and Accounts Not Subject to ERISA

Notwithstanding anything to the contrary contained in this Handbook, neither the Dependent Care FSA nor the HSAs (to which contributions are made through the Flexible Benefits Plan) are employee benefit plans subject to ERISA.

Consolidated Flex Medical Plan

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Medical Plan Options

This is the SPD (the "Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Medical Plan. In this Medical Plan SPD, the Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible employees and their eligible dependents with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA). The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at **livehealthonline.com** for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions** under the How it Works tab. If you still have questions, you can email customersupport@livehealthonline.com or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Medical Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Medical Plan in an amount determined on an annual basis or as otherwise required by a collective bargaining agreement. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;

- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	Out-of-Network
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	Out-of-Network
	Plan Pays	Plan Pays
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$3,000	$6,000	$5,000	$10,000
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which claims are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's

application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at **anthem.com**.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or

- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the PBM for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers,

distributors, and/or similar vendors, which may be related to certain prescription drug purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HDPPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and

  - Prescribed medications (Outpatient prescription drug services are covered under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).
- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;

  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam and one hearing aid per ear during a two calendar-year period; and
- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational

therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;
- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance,

when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;
  — Alcohol misuse: screening and counseling
  — Blood pressure screening in adults;
  — BRCA risk assessment and genetic counseling/testing;
  — Breast cancer preventive medications;
  — Breast cancer screening;
  — Cervical cancer screening;
  — Colorectal cancer screening;
  — Diabetes screening;
  — Lung cancer screening;
  — Obesity screening and counseling: adults and children;
  — Osteoporosis screening: women;

  See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

  — Diphtheria;
  — Hepatitis A;
  — Hepatitis B;
  — Herpes Zoster;
  — Human Papillomavirus;
  — Influenza (flu shot)
  — Measles
  — Meningococcal;
  — Mumps;
  — Pertussis;
  — Pneumococcal;
  — Rubella;
  — Tetanus;
  — Varicella (chickenpox).

  The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age,

gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

  See the following website for additional information:
  https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Well-woman visits;
  - Counseling and screening for human immune-deficiency virus;
  - Human papillomavirus testing;

- Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);
- Screening for gestational diabetes;
- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain Covered Services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);

- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Employee-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

> Please Note:
>
> If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;

- Medically necessary services, supplies, and medications.

- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:

  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

- Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
- Inpatient covered hospital services related to the transplant procedure.
- Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses

incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).

- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

Medical Expenses Not Covered

Expenses Not Covered Under Medical Plan

The medical expenses **not** covered under the Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;

- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;

- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;

- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or

astigmatism or any other correction of vision due to a refractive problem; and

- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a generic substitute for a brand-name drug is prescribed or if your Provider has not indicated that a brand-name drug is Medically Necessary, and if you request that the brand-name drug be dispensed, you will be responsible for payment of the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the

Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:		Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications	

* You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a generic substitute for a brand-name drug is prescribed or if your Provider has not indicated that a brand-name drug is Medically Necessary, and if you request that the brand-name drug be dispensed instead, you may be responsible for paying the difference between the cost of the brand-name drug and the generic substitute, in addition to the applicable Co-Pay or Co-Insurance.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		MAIL ORDER		NINETY-DAY SUPPLY AT RETAIL	
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	RETAIL PHARMACY		**MAIL ORDER**		**NINETY-DAY SUPPLY AT RETAIL**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

***Please Note**:* Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life/Legal & Financial Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life/Legal & Financial Services"* sections of this Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life/Legal & Financial Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law, with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

Please see the *"Health Savings Account"* subsection of the **Flexible Benefits Plan** section of the Handbook for information concerning establishing and contributing to a health savings account when you enroll in an HDPPO.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;

  - Name and Social Security number of Employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348 Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410 Service of legal process may be made upon the Plan Administrator.

Dental Plan

Preventive Dental

Dental Plan

Dental Plus

Your Dental Plan Options

This is the SPD (the "Dental Plan SPD") for the NiSource Dental Plan, also referred to as the Dental Plan. In this Dental Plan, SPD, the Dental Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Dental Plan to eligible employees and their dependents with the following dental coverage options:

- Preventive Dental;
- Dental Plan; and
- Dental Plus;

Both Dental Plan and Dental Plus provide coverage for eligible dental services such as preventive care services, basic services, and major services. The Dental Plus coverage option is an employee contributory option that also provides for orthodontia benefits.

The Preventive Dental coverage option provides preventive care at 100% of applicable charges and covers fillings and routine extractions at 50% of applicable charges after the deductible. Orthodontia is not covered and there is a deductible required. See "*Highlights of the Dental Plan Coverage*" for further details.

All dental coverage options use a network of providers. When you use an in-network provider you receive the added benefit of lower, negotiated fees. In addition, you are not responsible for fees over the negotiated rate. If you use an out-of-network provider, the amount of the claim that is paid is the product of the applicable coinsurance percentage (set forth below) multiplied by the "Maximum Reimbursable Charge," after the application of any deductible. You are responsible to pay any amount your dentist charges that exceeds the applicable percentage of the Maximum Reimbursable Charge. The Maximum Reimbursable Charge is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. If you have a question about the determination of the Maximum Reimbursable Charge, contact the Claims Administrator.

To find a provider in your area, log on to the Benefits Source website at **mysourceforhr.com** or call the Benefits Source automated telephone system at **1-888-640-3320**. Customer service associates can then connect you with a provider directly so that you can locate a participating dentist near you.

Eligibility

For information regarding eligibility under the Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Opt-Out Credit

Please see the subsection of the **Benefits Program Overview** entitled *"Opt-Out Credit"* for information concerning whether you may be entitled to an opt-out credit under the Plan.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis or as otherwise required by a collective bargaining agreement. For further questions, please contact the Benefits Source at **1-888-640-3320.**

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of the Dental Coverage

Here is a summary of the benefits under each option.

FEATURE	Preventive Dental (In or Out-of-Network)		Dental Plan (In or Out-of-Network)		Dental Plus (In or Out-of-Network)	
Annual Deductible	**You Pay**		**You Pay**		**You Pay**	
Covered Member	$75		$50		None	
Covered Member + Spouse	$150		$100		None	
Covered Member + Child(ren)	$75 per covered member up to $225		$50 per covered member up to $150		None	
Covered Member +Family	$75 per covered member up to $225		$50 per covered member up to $150		None	
Coinsurance	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**	**You Pay**	**Plan Pays**
Preventive and Diagnostic Treatment	N/A	100%	N/A	100%	N/A	100%
Basic Treatment	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Major Treatment (other than oral surgery or anesthesia)	100%	N/A	50% (after deductible)	50% (after deductible)	50%	50%
Major Treatment (oral surgery or anesthesia only)	50% (after deductible)	50% (after deductible)	20% (after deductible)	80% (after deductible)	20%	80%
Orthodontia (adult and child)	100%	N/A	100%	N/A	50% (up to lifetime maximum); 100% thereafter	50% (up to the lifetime maximum)
Maximums	**Plan Pays**		**Plan Pays**		**Plan Pays**	
Annual Maximum	Up to $2,000 per person per year		No annual maximum		Up to $2,000 per person per year	

FEATURE	Preventive Dental (In or Out-of-Network)	Dental Plan (In or Out-of-Network)	Dental Plus (In or Out-of-Network)
Annual Maximum - Implants	No Coverage	No annual maximum	Up to $600 per person per year
Orthodontia Lifetime Maximum	No Coverage	No Coverage	Up to $1,500 per person

All expenses incurred, whether care is received from a dentist in- or out-of-network, will be applied toward the calendar year deductible and maximum amounts according to the summary above.

For out-of-network providers, after you pay any applicable deductible, the Plan will pay the applicable percentage of Maximum Reimbursable Charges that are covered expenses. In addition to your share of Maximum Reimbursable Charge, you will be required to pay any amount your dentist charges over the Maximum Reimbursable Charge.

Dental Expenses Covered

The Plan pays for certain services and supplies that are considered necessary in terms of generally accepted dental standards, appropriate to properly treat the dental condition, and must be recommended by the participant's dentist.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 39

Covered expenses include, but may not be limited to, the following eligible dental services and supplies up to the maximum allowance and/or applicable percentage of the Maximum Reimbursable Charge:

Preventive Treatment (Covered Under All Options)

Preventive Treatment is treatment designed to prevent dental disease, defect or injury and includes:

- Oral examination;
- Prophylaxis (cleaning and scaling of teeth);
- Periodontal maintenance procedures (following active therapy) and Periodontal prophylaxis;
- Topical application of fluoride solutions;
- Bite-wing x-rays;

Note: The services described above are each limited to twice in a calendar year.

- Topical application of sealant on a posterior tooth for covered persons under age 19 (only one treatment per tooth in any 3 consecutive calendar years);
- Panoramic (Panorex) x-ray once in any 3 consecutive calendar years;
- Full-mouth series of x-rays once in any 3 consecutive calendar years; and
- Space maintainers, fixed unilateral – limited to nonorthodontic treatment, up to age 19.

Basic Treatment (Covered Under All Options)

Basic Treatment is designed to correct dental disease, defect or injury and includes:

- Routine extractions;

- Amalgam and composite/resin restorations;
- Root canal therapy (any x-ray, test, laboratory exam or follow-up care is part of the allowance for root canal therapy and not a separate dental service);
- Osseous surgery (flap entry and closure is part of the allowance for osseous surgery and not a separate dental service);
- Periodontal scaling and root planing – entire mouth
- Adjustments – complete denture
  - any adjustment of or repair to a denture within 6 months of its installation is not a separate dental service.
- Recement bridge
- Surgical removal of erupted tooth requiring elevation of mucoperiosteal flap and removal of bone and/or section of tooth
  - Removal of impacted tooth, soft tissue
  - Removal of impacted tooth, partially bony
  - Removal of impacted tooth, completely bony
- Local anesthetic, analgesic and routine postoperative care for extractions and other oral surgery procedures are not separately reimbursed but are considered as part of the submitted fee for the global surgical procedure.
- General anesthesia – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.
- I.V. sedation – paid as a separate benefit only when medically or dentally necessary, as determined by the Plan Administrator (or its delegate), and when administered in conjunction with complex oral surgical procedures which are covered under the Plan.

Major Treatment (Covered Under the Dental Plan and Dental Plus Options)

The Plan pays for Major Treatment, provided you select the Dental Plan or Dental Plus coverage option. If you elect the Preventive Dental Option, the Plan does not pay benefits for Major Treatment.

Major Treatment is designed to correct dental disease, defect or injury and includes:

- Crowns

  Note: Crown restorations are dental services only when the tooth, as a result of extensive caries or fracture, cannot be restored with amalgam, composite/resin, silicate, acrylic or plastic restoration.

  - Porcelain fused to high noble metal
  - Full cast, high noble metal
  - Three-fourths cast, metallic
- Removable Appliances
  - Complete (full) dentures, upper or lower
  - Partial dentures
  - Lower, cast metal base with resin saddles (including any conventional clasps, rests and teeth)
  - Upper, cast metal base with resin saddles (including any conventional clasps rests and teeth)
- Fixed Appliances
  - Bridge pontics - cast high noble metal
  - Bridge pontics - porcelain fused to high noble metal
  - Bridge pontics - resin with high noble metal
  - Retainer crowns - resin with high noble metal
  - Retainer crowns - porcelain fused to high noble metal
  - Retainer crowns - full cast high noble metal
- Prosthesis over implant – a prosthetic device, supported by an implant or implant abutment is a covered expense. Replacement of any type of prosthesis with

a prosthesis supported by an implant or implant abutment is only payable if the existing prosthesis is at least 5 calendar years old, is not serviceable and cannot be repaired.

- Implants - covered dental expenses include: the surgical placement of the implant body or framework of any type; any device, index, or surgical template guide used for implant surgery; prefabricated or custom implant abutments; or removal of an existing implant. Implant removal is covered only if the implant is not serviceable and cannot be repaired. Implant coverage has a separate yearly maximum as shown in *Highlights of the Dental Plan Coverage*.
- Treatment of Temporomandibular Joint Dysfunction (TMJ)
  - Office visit – Adjustment to appliance (no more than six (6) adjustments in six (6) consecutive months after seating or placement of appliance)
  - Transcutaneous Electro-neural Stimulation (no more than four (4) treatments in a six (6)-month period)
  - Trigger Point Injection of Local Anesthetic into Muscle Fascia (no more than four (4) treatments in a six (6)-month period)
  - Mandibular Orthopedic Repositioning Appliance (only one appliance per person in any five (5) year period)

Orthodontia Services (Covered Under Dental Plus)

The Plan pays benefits for orthodontia services, provided you select the Dental Plus coverage option and remain covered under such option throughout the course of treatment. If you select the Preventive Dental or Dental Plan coverage option, the Plan does not pay benefits for orthodontia services. The Claims Administrator must determine that the service is necessary, and all orthodontia appliances and treatment must be part of a course of orthodontic treatment that begins while your coverage is in effect.

Subject to the foregoing, the Plan pays benefits for the following orthodontia services:

- Orthodontic work-up including x-rays, diagnostic casts and treatment plan and the first month of active treatment including all active treatment and retention appliances.
- Continued active treatment after the first month.
- Fixed or Removable Appliances - Only one appliance per person for tooth guidance or to control harmful habits.

The total amount payable for all expenses incurred for orthodontics during a person's lifetime will not be more than the orthodontia maximum shown in the *Highlights of the Dental Plan Coverage*.

Benefit payments for comprehensive full-banded orthodontic treatment are made in installments. Benefit payments will be made every 3 months. The first benefit payment is payable when the appliance is installed. Later payments are payable at the end of each 3-month period. The first installment is the lesser of (x) the lifetime maximum for orthodontia services, or (y) the product of (i) 25% of the charge for the entire course of treatment, multiplied by (ii) the applicable covered percentage. The remainder of the charge is prorated over the estimated duration of treatment. Payments are only made for services provided while a person is covered. If coverage ends or treatment ceases, payment for the last 3-month period will be prorated.

Orthodontia Payment Example: If your orthodontia treatment costs $5,000 and is estimated to take three years from installation of the appliance to complete, and if you have not been reimbursed for any orthodontia treatment in the past, your first installment will be $625 [the product of 25% multiplied by $5,000 (total cost of treatment) multiplied by 50% (covered percentage), which product is less than $1,500 (lifetime maximum)]. Assuming you remain covered under the Plan and complete the three-year treatment, the remaining charge will be paid in quarterly installments of $156.25 [calculated as set forth above] until you reach

your lifetime maximum [$875 remaining after initial installment].

Orthodontia Payment Example	
Total Treatment	$5,000.00
Initial Installment	
CIGNA Allowable (25% of total)	1,250.00
CIGNA Payment (50% of Allowable)	625.00
Remaining Installments	
Remaining Balance	$3,750.00
CIGNA Allowable (Remaining Balance/12 quarters)	312.50
CIGNA Quarterly Payment (50% of Allowable)	156.25*
*Subject to Lifetime Maximum	

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Dental Expenses Not Covered

The Plan pays benefits for a variety of dental services, provided they are necessary according to generally accepted dental standards, appropriate to properly treat the dental condition, and recommended by your dentist. However, some limits and exclusions do apply.

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible dental expenses that are not covered by the Dental Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any dental care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

The dental expenses **not** covered include, but are not limited to the following:

- Replacement of teeth that are missing when a person first becomes covered under the Plan;
- Services performed solely for cosmetic reasons;
- Replacement of a lost or stolen appliance;
- Replacement of a bridge, crown or denture within 5 years after the date it was originally installed unless: (a) the replacement is made necessary by the placement of an original opposing full denture or the necessary extraction of natural teeth; or (b) the bridge, crown or denture, while in the mouth, has been damaged beyond repair as a result of an injury received while a person is insured for these benefits;
- Any replacement of a bridge, crown or denture which is or can be made useable according to common dental standards;
- Procedures, appliances or restorations (except full dentures) whose main purpose is to: (a) change vertical dimension; (b) diagnose or treat conditions or dysfunction of the temporomandibular joint; (c) stabilize periodontally involved teeth; or (d) restore occlusion;
- Porcelain or acrylic veneers of crowns or pontics on, or replacing the upper and lower first, second and third molars;
- Bite registrations; precision or semiprecision attachments; or splinting;
- Instruction for plaque control, oral hygiene and diet;
- Dental services that do not meet common dental standards;
- Services that are deemed to be medical services;
- Services and supplies received from a hospital;
- Services for which benefits are not payable according to the immediately following paragraph.

In addition to the foregoing, no payment will be made for expenses incurred for you or any one of your dependents:

- For or in connection with an injury arising out of, or in the course of, any employment for wage or profit;
- For or in connection with a sickness which is covered under any workers' compensation or similar law;
- For charges made by a hospital owned or operated by or which provides care or performs services for, the United States government, if such charges are directly related to a military-service-connected condition;
- For charges for services provided by the covered person's parent, spouse, brother, sister, son or daughter;
- For services or supplies received as a result of dental disease, defect or injury due to an act of war, declared or undeclared;
- To the extent that payment is unlawful where the person resides when the expenses are incurred;
- For charges which the person is not legally required to pay;
- For charges which would not have been made if the person had no insurance;
- To the extent that billed charges exceed the rate of reimbursement as described in the *Highlights of the Dental Plan Coverage,* including any charge in excess of the Maximum Reimbursable Charge;
- For charges for unnecessary care, treatment or surgery;
- To the extent that you or any of your dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid;
- For or in connection with experimental procedures or treatment methods not approved by the American Dental Association or the appropriate dental specialty society.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Coordination of Benefits (COB)

If you or your dependents have dental coverage under another dental plan, this Plan coordinates benefits with the other benefits to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits*" section of the **Benefits Program Overview** to learn more about the Plan's COB features.

Filing a Claim

General

Generally, dentists file claims electronically on your behalf provided that the dentist is a participating dentist. If you see a non-participating dentist, you may need to file your own claim. Claims should be submitted to the Claims Administrator.

How to File Claims

If you file your own claim form, follow these steps.

- Complete your portion of the claim form (your form will include step-by-step instructions for completing the correct information). Your dentist will need to complete his or her portion of the form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator online via the Benefits Source website **mysourceforhr.com**.
- Attach copies of all available dental bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of employee;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the dental expense.

- Submit your completed claim form to the Claims Administrator. Claims should be submitted to:
  CIGNA
  P.O. Box 188037
  Chattanooga, TN 37422-8037

Any claims not submitted after 18 months from the date of service generally will not be considered for payment.

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Medical and Dental Plans."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Dental Plan (a component of the NiSource Welfare Benefits Program)
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions, and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	CIGNA P.O. Box 188037 Chattanooga, TN 37422-8037 cigna.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Vision Plan

Vision Plan Option

Basic Vision Option

Your Vision Plan Options

This is the SPD (the "Vision Plan SPD") for the NiSource Vision Plan, also referred to as the Vision Plan. In this Vision Plan SPD, the Vision Plan is sometimes referred to as the Plan.

NiSource Inc. (the "Company") offers the NiSource Vision Plan to eligible employees and their dependents with the following coverage options:

- Vision Plan option; and
- Basic Vision option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") with Vision Service Plan Insurance Company who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract, on the one hand, and this Vision Plan SPD, on the other hand, the terms of the Group Contract shall prevail. **You should refer to the Group Contract for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Vision Plan SPD.** *You may obtain a copy of the Group Contract by contacting the Benefits Source at **1-888-640-3320**.*

This Plan is designed to cover certain costs associated with your vision correction. *Please note that any illness or injury to your eyes would be covered under the Medical Plan, subject to any terms, conditions and limitations set forth in the Medical Plan*.

The Plan utilizes a network of VSP Providers referred to as the VSP Choice Network. The Plan pays vision benefits for eligible expenses regardless of whether you receive services and/or eyewear from a VSP Choice Network Provider or from a non-VSP Provider. However, if you go to a VSP Choice Network Provider, the Plan pays a higher level of benefits. You also have the option to receive benefit coverage from non-VSP Providers. However, your level of benefit payment will be subject to the non-VSP provider schedule as outlined in the "*Highlights of Your Vision Plan Coverage*".

- **VSP Choice Network Provider** – offers the convenience of "one-stop shopping" and can provide everything you need (eye exams, and if applicable, prescription glasses, and contacts). As long as you receive care or eyewear from a VSP Choice Network Provider, you are responsible for the amount in excess of the Plan's allowance, any applicable co-pays, and the cost of any eyewear or service that the Plan does not cover.
- **Non-VSP Providers** – you have the option to receive your services and eyewear outside the VSP Choice Network. If you do, you must pay the Provider in full at the time of your appointment and submit a claim to VSP. Once you submit an itemized receipt, the Plan then reimburses you for the eligible expense (up to the Plan's allowance).

To find a Provider who participates in the VSP Choice Network, log on to the Benefits Source website at **mysourceforhr.com** or call the Benefits Source at **1-888-640-3320** to request assistance.

Eligibility

For information regarding eligibility under the Vision Plan, please see the *"Eligibility under the Medical, Dental and Vision Plans"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Vision Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Medical, Dental and Vision Plans"*.

Contributions

You and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis or as otherwise required by a collective bargaining agreement. For further questions, please contact the Benefits Source

at **1-888-640-3320** or log on to the Benefits Source website at **mysourceforhr.com**.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision and FSA Plans"*.

Highlights of Your Vision Plan Coverage

Vision Plan Option

The Vision Plan option pays for the following services and materials:

Covered Services	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year for Adults Twice every calendar year for Children	100%	Up to a $45 allowance
Lenses (per pair)			
Regular (single vision)	Once every calendar year	100%	Up to a $30 allowance
Lined Bifocal	Once every calendar year	100%	Up to a $50 allowance
Lined Trifocal	Once every calendar year	100%	Up to a $65 allowance
Lenticular	Once every calendar year	100%	Up to a $100 allowance

Covered Services	Frequency	VSP Choice Network Provider	Non-VSP Provider
Frame	Once every other calendar years for Adults Once every calendar year for Children	100%, Up to a $200 frame allowance Featured Frames 100%, Up to a $250 frame allowance	Up to a $70 allowance
Contacts			
Visually Necessary	Once every calendar year in place of glasses	100%	Up to a $210 allowance
Elective	Once every calendar year in place of glasses	100% up to a $175 annual allowance	Up to a $105 allowance

If you choose contacts instead of glasses, you will pay up to a $50 copay for the contact lens exam (fitting and evaluation) after a 15% discount. The contact lens exam is in addition to your WellVision Exam® to ensure proper fit of contacts.

Polycarbonate lenses are covered in full for dependent Children up to the end of the month in which they turn age 26.

Standard Progressive Lenses are covered in full for all members.

KidsCare - the VSP® KidsCare Plan is designed to meet the eye care and eyewear needs of active and growing children by providing two WellVision Exams® and one pair of glasses every calendar year.

Basic Vision Option

Covered Services	Frequency	VSP Choice Network Provider	Non-VSP Provider
WellVision Exam®	Once every calendar year	100%	Up to a $45 allowance

Vision Expenses Covered

The Plan will pay for vision services and materials, as described in the "*Highlights of Your Vision Plan Coverage*." However, in the event of any conflict with that section and the Group Contract, the terms of the Group Contract will prevail.

For purposes of this Vision Plan SPD, (i) "Adult" means either you or your Spouse, provided such person is eligible for, and has enrolled in, coverage under the Plan, (ii) "Child" or "Children" refers to a Child, as defined in the *Definitions* section of the **Benefits Program Overview**, provided such Child is eligible for, and enrolled in, coverage under the Plan, and (iii) "Covered Person" or "member" or "covered member" refers to any person who satisfies the eligibility requirements of the Plan and who is enrolled in coverage under the Plan.

Please Note: No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 39.

For the Vision Plan Option, the services and materials that the Plan covers include, but are not limited to, the following:

- One WellVision Exam® in every calendar year for Adults.
- Two WellVision Exams® in every calendar year for Children.
- Prescription eyeglass lenses, one pair in every calendar year, up to a specified lens allowance.
- Frame for Adults, one pair every other calendar year (up to the frame allowance).
- Frame for Children, one pair every calendar year (up to the frame allowance)
- Contacts, one pair in every calendar year, up to a specified allowance. The allowance applies to the contacts only. There is an additional copay up to $50 for the contact lens exam (fitting and evaluation). This exam is in addition to your WellVision Exam® to ensure proper fit of your contacts. You can elect to receive an annual allowance toward the cost of contacts in lieu of frame and lenses.

Extra Discounts and Savings

When visiting a VSP Choice Network Provider, you may receive the following, provided that some of the discounts/savings listed below may not apply to the Basic Vision Option:

- Average savings of 30% on non-covered lens enhancements, such as scratch resistant and anti-reflective coatings, light reactive, custom or premium progressives, etc.; 20% off additional prescription glasses and sunglasses within 12 months of your last WellVision Exam®;
- 15% discount off the cost of an elective contact lens exam (fitting and evaluation);
- Polycarbonate lenses are covered in full for dependent Children;
- Standard progressive lenses covered in full for all members; Routine retinal screening discount;
- Laser vision correction discounts.

Other Programs/Resources Offered by the VSP

Laser VisionCare℠ Program

If you are considering laser vision correction, the Plan can help you make an informed decision. The Plan contracts with laser surgery facilities and doctors. As a result, you can access laser vision correction surgery for hundreds of dollars less than what you might pay privately. VSP has arranged for members to receive PRK, LASIK and Custom LASIK, at a discounted fee with an average 15% off the regular price or 5% off the promotional price. Visit the Claims Administrator's website at vsp.com or call **1-800-877-7195** to learn more about this program.

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Vision Expenses Not Covered

Some vision care services and/or materials are not covered under this Plan and certain other limitations may apply. In addition, some brands of spectacle frames may be unavailable for purchase as Plan benefits or may be subject to additional limitations. Covered Persons may obtain details regarding service, material and/or frames exclusions from their VSP Choice Network Provider or by calling VSP's Member Services at (800) 877-7195.

Patient Options

This Plan is designed to cover visual needs rather than cosmetic eyewear. When a covered member selects non-covered lens enhancements, the covered member will pay the additional costs for the options. Some non-covered lens enhancements include:

- Optional cosmetic processes;
- Anti-reflective coating;
- Color coating;
- Mirror coating;
- Hi Index Lenses
- Scratch resistant coating;
- Blended lenses;
- Cosmetic lenses;
- Laminated lenses;
- Oversize lenses;
- Photochromic lenses, tinted lenses except Pink #1 and Pink #2;
- Custom and Premium Progressive lenses;
- UV (ultraviolet) protected lenses; or
- Certain limitations may apply on low vision care

For the cost of a non-covered lens enhancement, speak with your VSP Choice Network Provider or call VSP Member Service at (800) 877-7195

Not Covered

There are no benefits for:

- Services and/or materials not specifically included in this Vision Plan SPD as covered Plan benefits.
- Plano lenses (lenses with refractive correction of less than ± .50 diopter).
- Two pair of glasses instead of bifocals.
- Replacement of lenses, frames and/or contact lenses furnished under this Plan which are lost or damaged, except at the normal intervals when Plan benefits are otherwise available.
- Orthoptics or vision training and any associated supplemental testing.
- Medical or surgical treatment of the eyes.
- Contact lens insurance policies or service agreements.
- Refitting of contact lenses after the initial (90-day) fitting period.
- Contact lens modification, polishing or cleaning.
- Local, state and/or federal taxes, except where VSP is required by law to pay.
- Services associated with Corneal Refractive Therapy (CRT) or Orthokeratology.
- Corrective vision treatment of an experimental nature;
- Costs for services and/or eyewear above Plan benefit allowances; and
- KidsCare - Services and/or materials provided by someone other than a VSP Network Provider

How Your Health Care Flexible Spending Account Can Help

Remember, you can use your Health Care Flexible Spending Account to pay for eligible vision care expenses that are not covered under the Plan. You also can use the Health Care Flexible Spending Account to reimburse yourself for your share of the cost of any vision care that you receive. You must submit eligible expenses to the Health Care Flexible Spending Account by March 31 following the Plan Year in which you incur the expense.

Coordination of Benefits (COB)

A Covered Person who is covered under two or more insurance plans that include vision care benefits may be eligible for Coordination of Benefits ("COB"). VSP will combine other insurance plans' claim payments or reimbursements, if any, with benefits available under the Plan, which may reduce or eliminate the Covered Person's out-of-pocket expense. A Covered Person covered under more than one VSP Plan may also be able to take advantage of COB. In order to process claims involving COB, VSP may need to share personal information regarding the Covered Person with other parties (such as another insurance company). When this is necessary, VSP will only share such information with those persons or organizations having a legitimate interest in that information and only where such sharing is not prohibited by law.

When coordinating benefits, it must be determined which plan is billed first. The plan that covers the member as an employee is "primary". The plan that covers the member as a dependent is "secondary".

If the Covered Person is a dependent child and is covered under both parents' plans, typically the parent whose birthdate falls first in the calendar year has the primary plan. If the parents are separated or divorced, the parent with custody is primary, unless otherwise ordered by the court.

The primary plan must pay or provide benefits as if the secondary plan does not exist.

When VSP administers the secondary plan, the member will receive a specified allowance for each service (exam, lenses, frame or contacts) that will be used to pay up to, but not more than the billed amount. Only services received on the primary benefit may be used for coordinating like services on the secondary benefit. Secondary allowances are applied first to the same service of the primary plan. Any remaining amount may be used to cover additional expenses on other services.

VSP will reimburse the Covered Person according to each benefit's out-of-network schedule of allowances, not to exceed the actual exam fee and the cost of corrective eyewear.

Please Note: Coordination of benefits does not guarantee that all out-of-pocket expenses will be covered-in-full. The Member is responsible for any remaining expenses.

How to Access the Vision Benefits

Selecting a VSP Choice Network Provider

- Log on to the Benefits Source website at mysourceforhr.com to find the link to VSP's website that houses the most up-to-date list of VSP Choice Network Providers; or call the Benefits Source at **1-888-640-3320** to locate a VSP Choice Network Provider near you. Call the VSP Choice Network Provider to make an appointment. Identify yourself as a VSP member.
- At the time of the visit, pay any amounts that are in excess of the allowance or the Plan's covered services. The VSP network provider files all necessary claims directly from his or her office. The Claims Administrator takes care of all of the necessary paperwork, and pays the provider directly for the eligible expenses.

If you select a Non-VSP Provider

If you receive care from a non-VSP provider, you are required to submit a VSP Request for Reimbursement claim form or you can submit the claim online by signing in as a Member to vsp.com. Here are the steps to follow when filing your own claim with the Claims Administrator:

- Complete all required fields of the VSP Request for Reimbursement claim form. Forms can be obtained from the Claims Administrator. You can connect with the Claims Administrator via the Benefits Source website mysourceforhr.com and link to the Claims Administrator's website.

- Attach copies of your itemized bill and paid receipts to your claim form. These bills should include:
  - Name of patient;
  - Doctor's name or office name;
  - Date of service;
  - Each service received and the amount paid;

Submit your completed claim form to the Claims Administrator. Claims should be submitted to:

VSP
P.O. Box 385018
Birmingham, AL 35238-5018

Be sure to submit your completed claim to the Claims Administrator within 1 year of the date of your service.

Your claim will be processed upon receipt. The Plan then pays eligible benefits directly to you. Regardless of whether you will receive care from a VSP Choice Network Provider or a non-VSP provider, you receive a statement that tells you how much the Plan paid. In some cases, the Claims Administrator sends the payment to a designated representative (as in the case of a Qualified Medical Child Support Order).

If you have a claim inquiry or a question regarding filing claims, call the Claims Administrator via the Benefits Source at **1-888-640-3320**.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Vision Plan (a component of the NiSource Welfare Benefits Program
Type of Plan:	Group Health Plan
Plan Number:	537
Type of Funding:	Fully Insured
Contribution Source:	Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurance Company. Claims are administered by the Claims Administrator listed below under the group insurance contract.
Claims Administrator (VSP Choice Network Providers):	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670 vsp.com
Claims Administrator (Non-VSP Providers):	Vision Service Plan Insurance Company P.O. Box 385018 Birmingham, AL 35238-5018
Insurance Company:	Vision Service Plan Insurance Company 3333 Quality Drive Rancho Cordova, CA 95670
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The group insurance contract (the "Group Contract") underwritten by Vision Service Plan Insurance Company provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and a certificate or evidence of coverage (the "Group Insurance Certificate"). In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail.

Vision Service Plan Insurance Company, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Flexible Benefits Plan

Flexible Spending Account Plan

Health Savings Account

Your Flexible Benefits Plan Options

NiSource Inc. (the "Company") maintains the NiSource Flexible Benefits Plan (the "Plan"), which provides eligible employees with the option to participate in a Flexible Spending Account Plan (an "FSA Plan") and to contribute to a Health Savings Account (an "HSA"); provided, however, that you may not contribute to a Health Care FSA and an HSA at the same time.

The Claims Administrator for the FSA Plan is Alight Solutions, LLC, dba "Your Spending Account" or "YSA".

Flexible Spending Account

The FSA Plan has two different Flexible Spending Accounts. They are:

- The Health Care FSA; and
- The Dependent Care FSA.

You may participate in one or both of these accounts. The contributions you make to the Flexible Spending Accounts are not subject to Federal, and in many cases, state and local income tax, which reduces your taxable income.

The Health Care FSA allows you to set aside before-tax money from your paychecks to pay for certain eligible health care expenses that are not covered by the Medical, Dental or Vision Plans. You may set aside up to $2,750 a year (deducted from your pay in equal installments throughout the year) to pay for eligible out-of-pocket expenses such as deductibles, co-payments, or expenses that the Plan limits or excludes. The maximum limit for Health Care FSA may be adjusted periodically for inflation. Please contact the Benefits Source at **1-888-640-3320** to find out the current limit.

The Dependent Care FSA works similarly to the Health Care FSA. However, the before-tax money that you can set aside can only be used for reimbursement for dependent care expenses for eligible dependents. You may set aside up to $5,000 per year, or $2,500 per year if you are married and file separate federal income tax returns.

You may not claim any other tax benefit (e.g., the federal dependent care tax credit) for the amount of your before-tax salary reductions under the Dependent Care FSA, although your eligible dependent care expenses in excess of that amount may be eligible for the federal dependent care tax credit. The federal dependent care tax credit is a credit against your federal income tax liability under the Code. It is a non-refundable tax credit, which means that any portion of it that exceeds your federal income tax liability will be of no value to you. For more information about how the dependent care tax credit works, see IRS Publication No. 503 ("Child and Dependent Care Expenses"). For most individuals, participating in the Dependent Care FSA will produce greater federal tax savings than the dependent care tax credit, but there are some for whom the opposite is true. You should consult a tax advisor to determine what course of action would be best in your situation.

Eligibility

For information regarding eligibility under the FSA Plan, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

Highlights of the Flexible Spending Accounts (FSAs)

FSA Features	Eligible Dependents	Eligible Expenses
Health Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $2,750	The Health Care FSA can be used to reimburse eligible out-of-pocket expenses incurred by you, your eligible spouse, or any person who is your dependent for federal income tax purposes (as determined without regard to such person's gross income).	Certain medical, dental, and vision expenses not covered under the Medical, Dental, or Vision Plans, such as deductibles, co-payments and coinsurance amounts. The expense must be considered as one incurred for "medical care," as defined in the Code. *A non-exhaustive list of eligible expenses can be found later in this section.*
Dependent Care Before-Tax Contributions Minimum Annual Contribution is $60 Maximum Annual Contribution is $5,000; $2,500 if you are married and file separate federal income tax returns.	For purposes of the Dependent Care Flexible Spending Account, eligible dependents are: • Any one of the following children or dependents of yours who is under the age of 13, for whom you are entitled to a personal tax exemption, who has the same principal place of abode as you for more than half the year, and who has not provided more than half of his or her own support for such year: a son or daughter, step-son or step-daughter, sibling, step-sibling, half-sibling, sibling-in-law, niece, nephew, grandchild, great-grandchild, or a child adopted or placed for adoption, and, in some cases, a foster child; • Your spouse who is physically or mentally incapable of caring for himself or herself, provided the spouse has the same principal place of abode as you for more than half the year. In addition, if services are provided outside the home, the spouse must regularly spend at least eight hours each day in your home. • Any one of the following persons, regardless of age, who would qualify as your tax dependent for health coverage purposes under Federal law and who is incapable of self-care, provided the dependent has the same principal place of abode as you for more than half the year: a parent, step-parent, parent-in-law, grandparent, son or daughter, step-son or step-daughter, son- or daughter-in-law, sibling, step-sibling, half-sibling, sibling-in-law, aunt or uncle, niece, nephew, grandchild, great-grandchild, a child adopted or placed for adoption, and, in some cases, a foster child. In addition, if services are provided outside the home, the dependent must regularly spend at least eight hours each day in your home.	Expenses you incur to care for your child or a dependent family member while at work. If you are married, your spouse also must work, be looking for work, be a full-time student for at least five months during the calendar year, or be physically or mentally unable to care for your dependent(s). *A non-exhaustive list of eligible expenses can be found later in this section.*

Health Care Eligible Expenses

Health care expenses that are eligible for reimbursement from the Health Care FSA are those expenses incurred for "medical care" (as defined under the Code and regulations issued thereunder) by you, your spouse or persons who qualify under the Code as your tax dependents for health coverage purposes, to the extent such expenses are not reimbursed from any other source, are not taken as a deduction on the your income tax return and are not otherwise excluded from eligibility under the terms of the Plan.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Health Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process* – Dental Plan, Vision Plan and Health Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 39

Eligible health care expenses include, but may not be limited to the following:

- Expenses covered by an employer-sponsored health care plan, but not reimbursed due to a deductible or co-payment.
- Prescription vision expenses (including eyewear, contact lenses and optometrist), contact lens solution, a guide dog for the blind and special education devices for the blind (such as a special typewriter).
- Expenses that may not be covered by an employer-sponsored health care plan, including (but not limited to):
  - Confinement to a facility primarily for screening tests and physical therapy or hydrotherapy;
  - Cosmetic surgery if it is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease;
  - Services for chromosome or fertility studies;
  - Treatment (other than surgery, which is covered by the Medical Plan) of corns, bunions, calluses, foot structural disorders, etc.;
  - Services related to sexual dysfunctions or inadequacies;
  - Ace bandages, support hose, or other pressure garments prescribed by a physician;
  - Charges for medical expenses in excess of reasonable and customary expenses;
  - Acupuncture for pain relief as performed by a licensed practitioner;
  - Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
  - Insulin;
  - Orthodontic services not covered by a health care plan;
  - Transportation expense to receive medical care, including fares for public transportation and actual out-of-pocket car expense, such as gas and oil. In lieu of out-of-pocket expenses, a standard mileage rate (plus tolls and parking) may be used;
  - Hearing expenses including hearing aids, special instructions or training for the deaf (such as lip reading), the cost of acquiring and training a dog for the deaf, and special telephone and audio display equipment for the deaf;
  - Hypnosis for treatment of an illness;
  - "Halfway house" care to help individuals adjust from life in a mental hospital to community living;
  - Tutoring by a licensed therapist for a child with a severe learning disability and special schooling for handicapped individuals;

- Lifetime care advance payment to a private institution for lifetime care, treatment, or training of a mentally or physically handicapped patient;
- Medical information plan fees paid to a plan maintaining an individual's medical information by computer;
- Special car controls for the handicapped; and
- Full or partial reimbursement for certain capital expenditures that are primarily made for health care reasons (e.g., an air conditioner installed in the home of a person with severe allergies may qualify for partial reimbursement, and an exercise swimming pool to aid in the recovery of a stroke victim may qualify for reimbursement).

This list of covered expenses is subject to change. An expense may not be reimbursed if the IRS would not consider the expense to be eligible.

*To confirm if an expense is eligible for reimbursement, call YSA via the Benefits Source at **1-888-640-3320.***

Health Care Expenses Not Eligible

The health care expenses that are **not** eligible for reimbursement from the Health Care FSA include, but may not be limited to the following:

- Marriage or family counseling;
- The salary expense of a licensed practical nurse (LPN) incurred in connection with the care of a normal and healthy newborn (even though such care may be required due to the death of the mother in childbirth);
- Funeral and burial expenses;
- Household and domestic help (even though recommended by a qualified physician due to your or dependent's inability to perform physical housework);
- Custodial care in an institution;
- Costs for sending a "problem child" to a special school for benefits the child may receive from a special course of study and disciplinary methods;
- Health club dues, YMCA dues, steam bath, etc.;
- Social activities, such as dance lessons or classes (even if recommended by a qualified physician for general health improvement);
- Membership fees or costs associated with weight loss or smoking cessation programs for general health and well-being purposes;
- Maternity clothes, diaper services, etc.;
- Cosmetics, toiletries, toothpaste, etc.;
- General health care aids purchased without a prescription, such as dietary supplements (e.g., vitamins);
- Premiums for other group or individual insurance coverage;
- The segment of automobile insurance premiums providing medical coverage for persons injured through an accident involving your care;
- Vacation or travel taken for general health purposes, a change in environment, improvement of morale, etc., or taken to relieve physical or mental discomfort not related to a particular disease or physical defect;
- Retin-A when used solely for cosmetic purposes;
- Herbs (even if they are used to treat an illness or injury); and
- Premiums for contact lens replacement insurance.

Filing a Health Care FSA Claim

If your health care-related expenses are eligible for reimbursement from the Program's Medical, Dental, or Vision Plans (or another medical, dental, or vision plan outside the Program), those expenses should be submitted to that plan first. After a payment determination is made, the

unreimbursed expenses can then be submitted to your Health Care FSA.

The total annual amount that you can elect to contribute to the Health Care FSA (less any previous reimbursements) is available for reimbursement (regardless of the amount that you have contributed to your FSA to-date). Contributions then continue to be deducted from your paychecks until your annual goal amount is reached.

You may incur eligible health care expenses until December 31. You then have until March 31 of the following year to submit claims for expenses you incurred between January 1 and December 31 of the previous year.

Reimbursement of Health Care FSA Claims

You may submit a claim for reimbursement under your Health Care FSA via the Benefits Source website **mysourceforhr.com**.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Completed forms should be submitted along with the following documentation:

- **The Explanation of Benefits** (EOB): The EOB from the Claims Administrator indicates what expenses were covered by your medical/dental/vision plans. If you have another benefit plan available to you, you must submit your EOB with your completed health care reimbursement form.
- **A Co-pay Receipt**: This receipt is from the provider, and may be the only documentation if the co-pay is the only expense.
- **An Itemized Bill or Statement**: This is from the provider, and shows what expenses are not covered by the medical/dental/vision plan. It may include the:
  - Name and address of the service provider;
  - Dates of service (not the billing date or the paid date);
  - Dollar amount charged;
  - Patient's name; and
  - Description or type of services rendered.

Please note that canceled checks and balance-forward statements are not acceptable documentation for reimbursement.

Submit the completed form and documentation to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

Debit Cards

In addition, if the total annual amount that you elect to contribute to the Health Care FSA is $60 or greater, you will be issued a debit card for use with your Health Care FSA. The debit card may be used only for eligible health-related expenses. When you use your debit card, you are automatically certifying that you have not been reimbursed for the expense and that you will not seek reimbursement for the expense from any other plan.

You may use your debit card to obtain reimbursement for certain approved over-the-counter medications and supplies that are used to treat an illness, injury, or disease and that are purchased from registered vendors. However, you may not use your debit card to obtain reimbursement for over-the-counter medications or supplies that require a prescription or a statement of health or medical need.

The FSA Plan will try to automatically verify any claims you submit through your debit card. However, you should retain documents (such as an EOB, receipt, and itemized bill or statement) to support your claim in case the Claims Administrator requests such information. All expenses you incur must be substantiated in accordance with rules established by the IRS.

If you are paid for an excess or ineligible claim through your debit card, or if you fail to provide requested information to the

Claims Administrator regarding substantiation of a claim, your debit card privileges may be suspended and the Plan and Claims Administrator reserve the right to recoup the mistaken payment. If you fail to repay such amount to the Plan, such amount may be withheld from your wages, be offset against other eligible Health Care FSA claims you submit, or be reported on your W-2 as taxable income.

Dependent Care Eligible Expenses

The dependent care expenses that are eligible for reimbursement from the Dependent Care FSA include, but may not be limited to:

- Family day care providers;
- Babysitter;
- Caregivers for a disabled dependent or spouse who resides in the participant's home;
- Housekeeper, maid or cook (provided the services are attributable in part to the care of an eligible dependent);
- Dependent care provided outside your home by an eligible care provider, including care provided in a neighbor's home or in an approved nursery school or dependent day care center. If the care is for a dependent age 13 or over, the dependent must regularly spend at least eight hours each day in your home. For example, day care centers for children and disabled adults qualify, but 24-hour nursing care facilities do not. Also, facilities that care for seven or more nonresident individuals must comply with all applicable state and local regulations governing day care centers;
- Payments for before- and after-school care for eligible children from kindergarten up to and including age 12;
- Payments in lieu of regular dependent day care to summer day camp or other summer programs (but not overnight camp); and
- Certain expenses for children not yet in the first grade, for example:
  - Nursery school;
  - Pre-school.

To confirm if an expense is eligible, call YSA via the Benefits Source at **1-888-640-3320**.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits with respect to the Dependent Care FSA may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. For more information, see the *"Claims Determination and Appeal Process –* Dependent Care FSA*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 41

Dependent Care Expenses Not Eligible

The dependent care expenses that are **not** eligible for reimbursement from the Dependent Care FSA include, but may not be limited to the following:

- Dependent care expenses that you incur before (or after) your participation in the Dependent Care FSA begins (or ends);
- Any expense that you claim for the dependent care tax credit on your federal income tax return, or any expense that is paid by any other similar reimbursement-type plan or program;
- Any expenses that are reimbursed by your Health Care FSA;
- Expenses for the education of a qualified dependent;
- Expenses paid for food and clothing;
- Dependent care provided by a family member who is under age 19 at the end of the taxable year, or by another dependent for whom you claim a dependent exemption on your tax return;
- Expenses for health care;

- Educational expenses for kindergarten or higher;
- Housekeeping expenses that are not related to dependent care, or payments for services while you are at home from work because of an illness;
- Child or dependent care provided while:
  - You are at work and your spouse is doing volunteer work, even if a nominal fee is paid (or vice versa);
  - You and your spouse are doing volunteer work (even if a nominal fee is paid); or
  - You and your spouse are not working (such as weekend or evening babysitting fees);
- Expenses for food, clothing, health care, or entertainment of a qualified dependent;
- Transportation expenses to and from the dependent care location;
- Expenses for overnight camps;
- Services of a gardener or chauffeur; and
- Care provided by a round-the-clock nursing home.

Filing a Dependent Care FSA Claim

For Dependent Care FSA reimbursements, only the current balance in your Dependent Care FSA is available for reimbursement. This means that you are reimbursed up to the amount that you have actually set aside from each paycheck up to that point (less any previous reimbursements). So, if the reimbursement request that you submit exceeds the amount currently in your Dependent Care FSA, you are reimbursed for the remainder after you contribute more money to your Dependent Care FSA via future paychecks.

You may submit a claim for reimbursement under your Dependent Care FSA via the Benefits Source website mysourceforhr.com.

Alternatively, you may submit a physical claim form, with attachments, to YSA. To request a claim form, call YSA via the Benefits Source toll-free number **1-888-640-3320**.

Submit the completed form along with the following documentation:

- **Provider's Bill or Itemized Receipt**:. The provider must sign this documentation, and it must itemize the date(s) of service as well as the amount(s) charged. Canceled checks are not considered acceptable documentation.
- **Dependent Care Provider's Name, Address, and Social Security Number (or Federal Tax Identification Number)**. For tax-reporting purposes, you must include the provider's name and his or her Social Security number (or taxpayer identification number). The taxpayer identification number is not necessary if the provider is a nonprofit, religious, charitable, or educational organization.

If the provider completely fills out the 'Provider Certification' section of the reimbursement form, then you need only submit the completed reimbursement form for your reimbursement request.

Submit the completed form and documentation (if required) to (address is also noted on the form):

Your Spending Account (YSA)
P.O. Box 661147
Dallas, Texas 75266-1147

Be sure to retain copies. Reimbursement request information cannot be returned.

FSA Filing Deadlines

You may submit a health care reimbursement claim at any time after you incur an eligible health care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Health Care FSA after March 31 will be forfeited.

You may submit a dependent care reimbursement claim at any time after you incur an eligible dependent care expense (provided you meet the minimum expense requirement). You have until March 31 of the following calendar year to submit claims for expenses you incur during the Plan Year (January 1 through December 31). Expenses are considered "incurred" on the date the service was rendered (not when it is billed or charged, or when you actually pay for the service).

Remember: Funds that remain in the Dependent Care FSA after March 31 will be forfeited.

Claim Determination and Appeal Process – Health Care FSA

For information regarding the Health Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Vision Plan and Health Care FSA."*

Claim Determination and Appeal Process – Dependent Care FSA

For information regarding the Dependent Care FSA's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Dependent Care FSA."*

Continuation of Coverage

For information regarding continuation of coverage under the FSA Plan, including COBRA continuation coverage under the Health Care FSA, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Medical, Dental, Vision and FSA Plans*."

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Health Savings Account

If you enroll in one of the High Deductible PPO options (HDPPO 1 or HDPPO 2) you may be eligible to contribute to a Health Savings Account (HSA). An HSA is a portable savings account established and maintained outside the Plan that can be used to pay present and future medical and prescription drug expenses. An HSA is not an employer-sponsored employee benefit plan — it is an individual trust or custodial account that you open with a separate HSA trustee/custodian, such as a bank, life insurance company or other financial institution. Your HSA will be subject to the terms of an agreement you enter into with the HSA trustee/custodian. Such agreement may impose fees and restrictions upon how you use your HSA. The Plan merely allows you to contribute to your HSA in an amount up to the IRS statutory limit. Unlike a Health Care FSA, the HSA account balance can roll over from year to year until withdrawn and earnings accumulate tax-free.

The Health Savings Account is administered by Alight. Your Employer has no authority or control over the funds deposited in your HSA. As a result, the HSA is not subject to ERISA.

You can use the dollars in your HSA to pay the deductible and coinsurance required under the HDPPOs, along with other qualified medical expenses not covered by the plans. Qualified medical expenses are expenses you pay for medical care (as defined in Section 213(d) of the Code) for you, your spouse or dependents (as defined in Section 223 of the Code), to the extent such expenses are not reimbursed by insurance or otherwise.

Funds in the HSA remain in the account until you apply for reimbursement. If you are enrolled in the HDPPO 1 or HDPPO 2, your Employer may make an annual contribution into your HSA on your behalf. However, you must establish or activate your HSA before the end of the Plan Year in order to receive any Employer contributions. If you fail to do so, you will forfeit any Employer contributions for that Plan Year.

The amount you can contribute to your HSA is governed by federal law. Please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Flexible Benefits Plan – HSAs"* for a discussion of limitations upon the amount you may contribute to an HSA. Please call the Benefits Source at **1-888-640-3320** for more information.

Three Ways to Use Your Health Savings Account

- Pay for current qualified medical expenses, such as deductibles and coinsurance, or eligible expenses not covered by the HDPPOs.
- Pay for qualified medical expenses in future years, even if you are no longer enrolled in the HDPPOs.
- Once you reach age 65 (or become disabled), you can use any remaining money in your HSA to pay for qualified medical expenses on a tax-free basis, or you can take a distribution for non-qualified medical expenses, subject to income tax but without incurring a penalty .

Please note: *The information above describes the federal tax treatment of an HSA, but the favorable tax treatment described above may be limited or unavailable for state tax purposes. Please consult your tax advisor for more information.*

Eligibility

For information regarding eligibility for an HSA, please see the *"Eligibility under the Flexible Benefits Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in an HSA, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Flexible Benefits Plan"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the FSA Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Medical, Dental, Vision, and FSA Plans"*.

HSA Qualified Medical Expenses

In addition to those services covered under the HDPPOs, you can use your HSA to pay for other qualified medical expenses including, but not limited to the following expenses, to the extent they are not reimbursed from any other source:

- Laser eye surgery;
- Weight loss programs;
- Prescribed drugs and medicines used for medical care, including over the counter medications obtained with a prescription;
- Insulin;
- Long-term care premiums;
- COBRA premiums;
- Health care plan premiums while receiving unemployment;
- Over age 65, you can use the HSA funds to pay for Medicare Parts A or B; and
- Many other services defined as expenses for medical care under Section 213(d) of the Code.

If you use your HSA for a non-medical or non-qualified medical expense, you will have to pay income tax on the account distribution as well as a 20% penalty. However, if a distribution is made after age 65, after disability, or after death, the distribution will be subject to income tax, but no penalty tax.

If you have a question about what constitutes a qualified medical expense, please consult your tax advisor or Publication 969 that may be found on the IRS website at irs.gov.

How to Open an HSA

After you have enrolled in an HDPPO option and agreed to the terms and conditions of the HSA custodial agreement, YSA will send you a packet containing basic information on how to use a Health Savings Account.

Paying for Covered Expenses Using the Health Savings Account

The Health Savings Accounts are administered by YSA. When you visit a network provider, you typically do not pay at the time of service. Simply show your Anthem ID card and the following steps will be followed:

1. The claim will be sent to Anthem for processing.
2. You will receive an Explanation of Benefits (EOB) statement showing what was paid under the Plan.
3. Your provider will receive the same statement and bill you for the balance not covered under the Plan.
4. You can then either pay the balance with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

Paying for prescription drugs works differently. The following steps will be followed:

1. You must show the pharmacist your Anthem ID card (the same one you use for medical services).
2. When you pick up your prescription, you can either pay with your HSA debit card (if accepted by your provider) or pay out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

A similar procedure applies for mail-order prescription drug service.

Paying a Provider Who Does Not Participate in the Network

If you visit a provider who is not in the Network, you must either pay the provider at the time of service with your HSA debit card (if accepted by your provider) or pay the provider out of pocket and reimburse yourself afterward by withdrawing funds from your HSA to your personal checking or savings account.

To enroll or to find out more information about the Health Savings Account, please visit the Benefits Source website **mysourceforhr.com** or call the Benefits Source at **1-888-640-3320** to speak with a representative.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Flexible Benefits Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Code Section 125 Plan containing group health plan and non-group health plan components and providing for Pre-Tax Payment of Medical Expenses (Health Plan), Pre-Tax Payment of Dependent Care Expenses and Pre-Tax Contributions to Health Savings Accounts
Plan Number:	537
Type of Funding:	Not applicable
Contribution Source:	Employee. In addition, subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
Fiduciary and Plan Administrator:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute the entire cost of the Benefit Plan coverage they select. Provided, however, that subject to the terms and conditions of the Plan, the Employer may make contributions to HSAs of employees enrolled in HDPPO 1 or HDPPO 2.
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Distributions from HSAs are not administered through the Plan. Questions concerning investments, distributions or other matters pertaining to an HSA should be directed to Alight, who administers the HSAs. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator for Flexible Spending Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com

Claims Administrator for Health Savings Accounts:	Alight Solutions, LLC, dba Your Spending Account (or YSA) PO Box 661147 Dallas, Texas 75266-1147 mysourceforhr.com
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Short-Term Disability Plan

Your Short-Term Disability Plan

This is the SPD for the NiSource Short-Term Disability Plan (the "Plan" or "Short-Term Disability Plan").

NiSource Inc. (the "Company") and the Participating Employers provide eligible employees with short-term disability ("STD") and sick leave coverage under the Plan at no cost to the employee. Your Employer provides you with limited income continuation should you become Disabled and unable to work because of a short-term Sickness or Injury (as defined below).

How Your Paid Sick Leave Works

Generally, if you are an eligible employee covered by a collective bargaining agreement between your Employer and a union, you are granted paid sick leave on the first day of the month coincident with or next following the completion of six continuous months of active service as a regular full-time bargaining unit employee of your Employer. All covered absences due to Sickness or Injury will be deducted from your sick leave balance and will be paid in accordance with the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Your Plan benefit is determined by your credited service years. Please see the *"Highlights of Your Disability Plan Coverage"* section for further details.

If you use all of your paid sick leave time and you are still unable to return to work, you will be on an unpaid leave of absence. You may continue in this unpaid status until:

- You are eligible to receive Long Term Disability Plan Benefits;
- You return to work;
- You terminate employment; or
- You retire.

If you are still on sick leave at the end of December and you remain unable to work into the next calendar year, you continue to use remaining sick leave from the previous year. Subject to the terms, conditions and limitations described below in "*Recurring or Separate Periods of Disability," y*ou will not receive additional hours of paid leave until you return to work for one full day in the new year. This means that you will not be granted additional hours of paid sick leave for the new year while you are absent due to Sickness or Injury.

For purposes of the Plan, "Sickness" means a disease, disorder or condition of the body or mind, including pregnancy, abortion, miscarriage or childbirth, that requires treatment by a Physician (as defined below), but does not include an Injury. Disability resulting from a Sickness must begin while you are covered under the Plan.

For purposes of the Plan, "Injury" means a bodily injury that is the direct result of an accident, that is not related to any cause other than the accident, the results in immediate disability, and that requires treatment by a Physician. Disability resulting from an Injury must begin while you are covered under the Plan.

Disability Under the Short-Term Disability Plan

If you are Disabled (as described below), you will be eligible for Plan benefits for up to maximum period of 26 weeks, at which time you may be eligible to receive Long-Term Disability Plan benefits. (See the *"Long-Term Disability Plan"* section of this Health and Welfare Benefits Handbook for details.) For Plan benefit purposes, as explained in greater detail below, you are considered "Disabled" or to have incurred a "Disability" if your Sickness (including pregnancy) or Injury prevents you from performing the essential functions of your own occupation.

There are different types of Disabilities for which you may qualify. They are defined as follows:

Total Disability

You are considered Totally Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are reasonably qualified because of your education, training, or experience. If this is

the case and you are absent from work for more than four consecutive work days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator. As used in the Plan, "essential functions" means functions that (i) are normally required for performance of your own occupation or any job requiring similar education or training that an Employer offers you and for which you are reasonably qualified by reason of your education, training, or experience, and (ii) cannot be reasonably omitted or modified.

Partial Disability

You are considered Partially Disabled if you are mentally or physically unable, due to Sickness or Injury, to perform, on a full time basis, the essential functions of your own occupation or any job requiring similar education or training that an Employer offers you, for which you are reasonably qualified because of your education, training, or experience. If this is the case and you are absent from work for more than four consecutive days, you must be under the regular care of a Physician* and furnish proof of your Disability to the Claims Administrator.

Please Note: If you are Partially Disabled, you may be assigned temporary modified work. The temporary modified work assignment must be approved by your personal physician, the Company physician (where appropriate) and your supervisor.

Please Note: If you require a professional license or certification for your occupation and you lose that license or certification, the loss (in and of itself) does not constitute a Disability under the Plan.

**As used in this SPD, "Physician" means a person who is performing tasks that are within the limits of his or her medical license and is licensed to practice medicine and prescribe and administer drugs or to perform surgery; or who has a doctoral degree in psychology (Ph.D or Psy.D) whose primary practice is treating patients; or who is a legally qualified medical practitioner according to the laws and regulations of the governing jurisdiction. It cannot be any relative including, but not limited to, you, your spouse, or a child, brother, sister, or parent of you or your spouse as a doctor for a claim that you send to us.*

Recurring or Separate Periods of Disability

If you are collecting Plan benefits due to a Disability, you temporarily recover, you return to work for your Employer for 180 consecutive calendar days or less, and you then again become Disabled due to the same or a related Sickness or Injury, your subsequent Disability is considered a recurring Disability. This means that you will be entitled to benefits for the recurring Disability for the maximum benefit period, less the benefits you have already received for that Disability.

If you are collecting Plan benefits, you temporarily recover, you return to work for your Employer for 181 or more consecutive calendar days, and you then again become Disabled due to the same Sickness or Injury, your Disability is considered a separate Disability. This means that you will be entitled to benefits for the separate Disability for your maximum benefit period. This amount will not be reduced by the benefits you already received for that Disability.*

*However, in no event will you entitled to benefits under the Plan during a calendar year in excess of the benefits applicable to you as described in the schedule set forth in the *"Highlights of Your Short-Term Disability Plan Coverage"* section of this SPD.

Eligibility

For information regarding eligibility under the Short-Term Disability Plan, please see the *"Eligibility under the Short-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Short-Term Disability Plan"*.

Contributions

The Employer pays the full cost of the Plan. There are no employee contributions.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Short-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Short-Term Disability Plan"*.

Highlights of Your Short-Term Disability Plan Coverage

Your Plan benefit is determined according to your length of service and can extend up to 26 weeks during a calendar year, based on the following schedules:

For Employees Hired Before January 1, 2018:

Credited Years of Service	You Receive 100% of Your Base Salary for the First…	Then You Receive 60% of Your Base Salary for the Remaining…
More Than Six Months of Service But Less Than One Year of Service	1 Week	0 Weeks
From One Year of Service to Nine Years of Service	8 Weeks	18 Weeks
From Ten Years of Service to Nineteen Years of Service	16 Weeks	10 Weeks
Twenty or More Years of Service	26 Weeks	0 Weeks

For Employees Hired On or After January 1, 2018:

Credited Years of Service	You Receive 100% of Your Base Salary for the First…	Then You Receive 60% of Your Base Salary for the Remaining …
Hired (or rehired with no credit for prior Years of Service) in 1st quarter of calendar year	4 days	0 days

Credited Years of Service	You Receive 100% of Your Base Salary for the First...	Then You Receive 60% of Your Base Salary for the Remaining ...
Hired (or rehired with no credit for prior Years of Service) in 2nd quarter of calendar year	3 days	0 days
Hired (or rehired with no credit for prior Years of Service) in 3rd quarter of calendar year	2 days	0 days
Hired (or rehired with no credit for prior Years of Service) in 4th quarter of calendar year	1 day	0 days
January 1 after date of hire (or after date of rehire with no credit for prior Years of Service) to 9 years	8 weeks	18 weeks
10 years to 19 years	16 weeks	10 weeks
20 years or more	26 weeks	0 weeks

For purpose of determining the number of weeks of benefits to which you are entitled, Base Salary and Years of Service shall be determined as of the January 1st immediately prior to the date of Total Disability, except that

(i) for employees hired before January 1, 2018, (a) if you have more than six months but less than one Year of Service, Base Salary and Years of Service shall be determined as of the date of Total Disability, and (b) if you are a rehired employee who is entitled to credit for prior Years of Service, in the year you are rehired, Base Salary shall be determined as of the date of Total Disability and Years of Service shall be determined as of the date of your rehire according to rules described below with respect to crediting of service for rehires; and

(ii) for employees hired on or after January 1, 2018, in the year you are hired or rehired, Base Salary shall be determined as of the date of Disability and the calendar quarter in which you are hired or rehired shall be substituted for Years of Service, unless you are entitled to credit upon rehire for prior Years of Service, in which case Years of Service shall be determined as of the date of rehire.

Your Plan benefits may end prior to the periods set forth in this schedule for reasons described in the "When Benefits End" section below.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the time a claim should have been filed. For more information, see the *"Claims Determination and Appeal Proc*ess – STD Plan*"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 51.

Determining Years of Service

Generally

Upon your first year anniversary, you are credited with one Year of Service. On the December 31 following your first anniversary and each subsequent December 31 thereafter, you are credited with an additional Year of Service.

Crediting of Service for Rehires

If you terminated employment with, or retired from, an Employer and are rehired, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
Less than one year after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, including time of break
At least one year, but less than five years, after termination of employment or retirement from employment	All service prior to termination of employment or retirement from employment, but excluding time during break in service.
At least five years after termination of employment or retirement from employment	No service credit. Participant begins with zero Years of Service upon rehire.

Crediting of Service for Rehires Who Previously Worked for Columbia Pipeline Group

If (i) you were an active employee of Columbia Pipeline Group, Inc. or its affiliates as of July 1, 2015, (ii) you terminated employment, or retired from employment, with Columbia Pipeline Group, Inc. or its affiliates on or after July 1, 2015, and (iii) you were thereafter rehired by an Employer, you will receive credit under the Plan for Years of Service as follows:

Date of Rehire	Credit for Years of Service
On or after July 1, 2015 and before July 1, 2016	All service with an Employer from the date of original hire prior to July 1, 2015 to and including the date of rehire by an Employer on or after July 1, 2015.
On or after July 1, 2016 and before July 1, 2020	All service with an Employer from the date of original hire prior to July 1, 2015, to and including June 30, 2015
On or after July 1, 2020	No service credit. Participant begins with zero Years of Service upon rehire.

Determination of Benefits Generally

Subject to the "How Your Paid Sick Leave Works" and the "Recurring or Separate Periods of Disability" sections of this SPD and upon your first year anniversary, you are entitled to receive benefits for the full benefit period of 26 weeks (1040 hours) for each calendar year.

To determine your Plan benefit, the Plan takes a percentage of your Base Salary*. This is called your "gross Plan benefit" The Plan then deducts any "other sources of disability income" from this amount to determine your "net Plan benefit."

Special provisions apply and are described below if you are Partially Disabled and are able to perform a temporary modified work assignment.

*"Base salary" means your basic earnings plus any before tax deposits deferred under a qualified retirement plan of an Employer. If you receive sales commissions, your Base Salary will be your average hourly wage based on the 12 consecutive calendar months immediately preceding the last day you were actively at work.

Your Base Salary does not include:

- Overtime;
- Shift differentials;
- Bonuses; or
- Any other form of special compensation.

Other Sources of Disability Income

You may be eligible for income from other sources due to your Disability. If this is the case, your benefits under the Plan will be fully offset by such other sources of Disability income.

Other sources of Disability income for which you are eligible, or that have been paid to you or to a third party on your behalf may include, but are not limited to, the amount of any benefit for loss of income for the same Disability from:

- The United States Social Security Act, the Railroad Retirement Act, the Jones Act, or similar plan or act
- Any temporary or permanent disability benefits under a Workers' Compensation law (does not include permanent impairment award), occupational disease law, or similar law
- The Veteran's Administration or any other foreign or domestic governmental agency
- Any governmental law or program that provides disability or unemployment benefits as a result of your employment with an Employer, including any state disability program;
- Disability benefits from any compulsory "no-fault" automobile insurance.

If you receive a benefit from another source of income in the form of a single lump sum, the amount of offset to the weekly benefit amount will be determined by prorating the lump sum over a period of 26 weeks.

State Disability Programs

If you work in a state that requires a state-defined disability plan, you are also covered under the provisions of the laws and regulations of that state plan. Your gross Plan benefit is reduced by the amount you are eligible to receive under any state disability program.

Applying for Other Sources of Disability Benefits

If you are eligible to receive disability benefits from other sources, you should apply as soon as possible. You should notify the Claims Administrator that you are eligible to receive other disability income as soon as possible.

When Benefits End

Your benefit payments will end as set forth in the schedule above, or sooner if any of the following events occur:

- You fail to submit evidence of your Disability or such other documents (if any) that the Plan deems necessary to administer the Plan, in accordance with Plan procedures;
- You do not comply with the Plan's request for evidence of your continuing Disability,

an independent medical examination or other examinations or tests;

- You fail or refuse to perform any temporary modified work assignment, in the case of a Partial Disability;
- You fail to participate in or comply with all requirements of the Disability Management Program;
- You are engaged in any other occupation or earn any self-employment income in excess of a de minimis amount;
- You are not under the regular care of a physician as required by your condition or you are not following the physician's treatment plan;
- You participate in and are convicted of a felony offense. In such case, your Disability will be determined to have ceased as of the date that you first participated in the felony offense;
- You commit or partake in any actions of fraud against the Plan or an Employer;
- You are no longer considered by the Plan to be Disabled;
- Your 26-week benefit period ends;
- You become eligible for LTD Plan benefits;
- You have been terminated or have voluntarily terminated employment with an Employer (other than transfer to another Employer);
- You are no longer eligible for coverage under the Plan; or,
- You die.

Plan Benefit Exclusions

The Plan does not pay benefits under certain circumstances. These circumstances include, but may not be limited to, the following:

- Failure to participate in or provide the Disability Management Program with all the required documentation regarding your Disability.
- Sickness or Injury that occurs while:
  - You are on a leave of absence;
  - You are furloughed from work;
  - You are suspended from work; or
  - You are considered an inactive employee.
- Disability that is caused or contributed to by an intentionally self-inflicted injury.
- If you are absent from work for more than four consecutive work days and the disability is not being treated by a Physician.
- Disability caused or contributed to by war or an act of war (declared or not).
- Disability caused by your commission of or attempt to commit a crime for which you have been convicted, or to which a contributing cause was your involvement in an illegal occupation.

Claiming Benefits

If you are unable to work because of Sickness or Injury, you must adhere to the following procedures to qualify for Plan benefits:

- Call your supervisor before your normal work day begins. If that is not possible, be sure to contact your supervisor as soon as you can. If you cannot call in, please be sure that someone calls in on your behalf. *Your Employer may require that you provide a Physician's statement confirming your Sickness or Injury before your absence is actually approved.*
- If you are, or know you will be, absent from work for more than four consecutive work days, call the Benefits Source at 1-888-640-3320 or the Claims Reporting Hotline at 1-877-ENERGY4, Option #3, then Option #1, to report your Sickness or Injury to the Plan's Disability Management Program.

Disability Management Program

You must participate in the Disability Management Program to qualify for Plan benefits. The Disability Management Program certifies that you qualify for Plan benefits

beyond the fourth day of absence. You will be assigned a "Claims Administrator" who will:

- Guide you through the disability benefits that may apply to your situation;
- Certify whether your disability qualifies for STD pay; and
- Help develop a reasonable return-to-work plan with you, your physician, and your supervisor.

You will be expected to participate fully in the Disability Management Program. You must:

- Supply the authorization and documentation as described in the following section;
- Maintain contact with your Claims Administrator;
- Follow the medical treatment plan that is agreed to by your Claims Administrator and your physician; and
- Return to work at the time that is agreed to by you, your Claims Administrator, your physician, and your supervisor.

Authorization and Documentation You Will Need to Supply

Upon request from the Claims Administrator, you may need to provide certain information. Failure to provide this information may deny, suspend or terminate your Plan benefits. The information includes, but is not limited to the following:

- Signed authorization form for the Claims Administrator to obtain all reasonably necessary medical, financial, or other non-medical information that supports your Disability claim.
- Proof that you have applied for other sources of disability income (i.e., Workers' Compensation, State Disability Benefits, or Social Security Disability Benefits, when applicable).
- Notification of when you receive or are awarded a benefit from another source of disability income, including the:
  - Type of income benefit;
  - Amount you are receiving;
  - Period for which the benefit applies; and
  - Duration for which the benefit is being paid (if you are receiving installment payments).

Also, your Employer may require a "doctor's release" to return to work.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Short-Term Disability Plan."*

Other Information

If Your Disability Reaches Five Months in Duration

You should apply for Social Security disability benefits by the end of the fourth month from the day your Disability began. (The Claims Administrator can help you with the filing process). In addition, if you are eligible to receive disability benefits from another source, you should apply as soon as possible.

Temporary Modified Work Assignment

If you qualify for a Partial Disability and you are working on a temporary modified work assignment, you will receive your Base Salary for the hours you work and Plan benefits (based on the Plan's provisions) for the hours you are not working.

If, in the Claims Administrator's opinion, you could perform a temporary modified work assignment (given your condition) and you refuse the assignment, the Plan benefit for which you would be otherwise eligible ends.

Family and Medical Leave Act (FMLA)

While collecting Plan benefits, you may also be eligible for leave under the Family and Medical Leave Act of 1993 (FMLA). If you are eligible for and approved for a FMLA leave for your own serious health condition, your FMLA leave will run' concurrently with Plan coverage for up to 12 weeks. Please refer to your Employer's FMLA Policy.

Continuation of Other Coverages

Certain coverages provided to you under the Program may continue while you are receiving Plan benefits or if you have an appeal pending in accordance with the provisions of the Plan. Any contributions that you are required to make toward the cost of these coverages (as well as your contributions to a retirement plan sponsored by an Employer) will be deducted from your Plan benefits. If your Plan benefits are insufficient to cover all of your benefit deductions, the Benefits Source will work with you to set up a direct billing arrangement. If you have any questions regarding these coverages, call the Benefits Source at **1-888-640-3320.**

Medical, Dental, Vision, and FSA Plans

For continuation of coverage under the Medical, Dental, Vision, and FSA Plans , see the General-Sick Leave subsection of the section of the **Benefits Program Overview** entitled "Continuation of Coverage under the Medical, Dental, Vision and FSA Plans."

Life and AD&D

Life and AD&D coverage for you and your eligible dependents continues.

LTD Disability

LTD coverage continues.

(Please Note: If your Disability continues and you meet the eligibility requirements, you may qualify for Long-Term Disability Plan benefits. See the *"Long-Term Disability Plan"* section of this Handbook for details.)

Retirement Plans

You continue to earn service under any retirement plan sponsored by an Employer for which you are otherwise eligible while collecting Plan benefits. In addition, you can continue to make elective deferrals (and the Company will continue to make matching contributions, as applicable) to any retirement plan allowing elective deferrals for which you are otherwise eligible while you are collecting Plan benefits. You may, however, stop your contribution to such retirement plan(s) at any time. Please see the applicable retirement plan(s) for further information.

Other Programs

If benefits under the Adoption Assistance Plan would otherwise be available to you, these benefits will not be available to you while you are collecting Plan benefits.

Contact Information

If you need answers to specific coverage related questions, contact the Benefits Source by going to their website or using their automated telephone system. Both the website and the automated telephone system can connect you with the Claims Administrator (if necessary).

Coverage Option	Contact
Short-Term Disability Plan	ESIS mysourceforhr.com (link to **ESIS.com**) 1-888-640-3320 (Benefits Source) You can connect with the Claims Administrator by phone via the Benefits Source automated telephone system.

General Plan Information

Program Name	NiSource Welfare Benefits Program
Plan Name:	NiSource Short-Term Disability Plan (a component of the NiSource Welfare Benefits Program)
Plan Type:	Short-Term Disability
Plan Number:	537
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions, and through other benefit funding vehicles that may be established from time to time.
Contribution Source:	Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-5539
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Claims are administered by the Claims Administrator listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under the Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., the Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator:	ESIS Two Riverway Suite 1100 Houston, Texas 77056
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may also be made upon the Plan Administrator.

Long-Term Disability Plan

Basic LTD Coverage

Supplemental LTD Coverage

Your Long-Term Disability Options

NiSource Inc. (the "Company") offers the NiSource Long-Term Disability Plan (the "Plan") to eligible employees with the following coverage options:

- Basic LTD Coverage Option; and
- Supplemental LTD Coverage Option.

Benefits are provided under a group insurance contract (the "Group Contract") and a group insurance certificate (the "Group Insurance Certificate") issued by The Prudential Insurance Company of America ("Prudential"), who is the Claims Administrator and is wholly responsible for the payment of benefits.

You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description. *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at 1-888-640-3320.*

The Plan provides financial protection for you by paying a portion of your income while you have a long period of disability. The amount you receive is based on the amount you earned before your disability began. In some cases, you can receive disability payments even if you work while you are disabled. Benefits begin after the elimination period is completed. The elimination period is the period of continuous disability that must be satisfied before you are eligible to receive benefits and is the longest of (i) 180 days; (ii) the length of time for which you receive loss of time benefits, salary continuation or accumulated sick leave; and (iii) the date that you are absent from work for 1040 hours due to your disability.

If you are determined to be disabled, the Basic LTD Coverage Option provides monthly benefits of the lesser of (i) 50% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $8,333.00.

If you are determined to be disabled, the Supplemental LTD Coverage Option provides monthly benefits of the lesser of (i) 60% of your monthly earnings, not reduced by any deductible sources of income, (ii) 70% of your monthly earnings, less any deductible sources of income, or (iii) $10,000.00. You pay a portion of the cost of the Supplemental LTD Coverage Option.

Your benefit may be reduced by deductible sources of income and disability earnings. Some disabilities may not be covered or may have limited coverage under the Plan. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan. Refer to the Group Insurance Certificate for further details.

See "*Highlights of the Long-Term Disability Plan Coverage*" below for examples illustrating the payment of monthly benefits.

Eligibility

For information regarding eligibility under the Long-Term Disability Plan, please see the *"Eligibility under the Long-Term Disability Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Long-Term Disability Plan"*.

Contributions

The Basic LTD Coverage Option is provided at no cost to you. If you elect the Supplemental LTD Coverage Option, you and your Employer will contribute to the cost of the Plan in an amount determined on an annual basis or as otherwise required by a collective bargaining agreement. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at **1-888-640-3320**.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Long-Term Disability Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends –Long-Term Disability Plan"*.

Highlights of the Long-Term Disability Plan Coverage

The information below describes how the Plan pays benefits if a participant becomes disabled and is unable to work and when a participant becomes disabled, but continues working. See *"Taxability of Monthly Benefits"* below for information regarding the taxability of monthly benefits you receive under the Plan.

If you are Disabled and Not Working

If you have the Basic LTD Coverage Option, your Monthly Payment is the lesser of:

- 50% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $8,333.00 per month.

If you have elected the Supplemental LTD Coverage Option, your monthly payment is the lesser of:

- 60% of Monthly Earnings;
- 70% of Monthly Earnings less any deductible sources of income; or
- $10,000.00 per month

If You Are Disabled and Working

If your monthly disability earnings ("Disability Earnings") are less than 20% of your indexed monthly earnings ("Indexed Monthly Earnings"), your LTD benefit is the same as it would be if you were not working.

If your Disability Earnings are greater than 80% of your Indexed Monthly Earnings, no benefit is payable to you. If benefits have already commenced, Prudential will stop sending you payments and your claim will end.

If you are disabled and your monthly Disability earnings are at least 20%, but not more than 80%, of your Indexed Monthly Earnings, due to the same sickness or injury, Prudential will figure your payment as follows:

During the first 12 months of payments, while working, your monthly payment will not be reduced as long as Disability Earnings plus the gross disability payment does not exceed 100% of Indexed Monthly Earnings.

1. Add your monthly Disability Earnings to your gross disability payment.

2. Compare the answer in item 1 to your Indexed Monthly Earnings.

If the answer from item 1 is less than or equal to 100% of your Indexed Monthly Earnings, Prudential will not further reduce your monthly payment.

If the answer from item 1 is more than 100% of your Indexed Monthly Earnings, Prudential will subtract the amount over 100% from your monthly payment.

After 12 months of payments, while working, you will receive payments based on the percentage of income you are losing due to your Disability.

1. Subtract your Disability Earnings from your Indexed Monthly Earnings.

2. Divide the answer in item 1 by your Indexed Monthly Earnings. This is your percentage of lost earnings.

3. Multiply your monthly payment by the answer in item 2.

This is the amount Prudential will pay you each month.

The minimum monthly payment is the greater of (a) 10% of the gross disability payment otherwise payable, and (b) $100.

If your Disability Earnings are expected to fluctuate widely from month to month, Prudential may average your Disability Earnings over the most recent 3 months to determine if your claim should continue subject to all other terms and conditions of the Plan. If Prudential averages your

Disability Earnings, it will terminate your claim if the average of your Disability Earnings form the last 3 months exceeds 80% of Indexed Monthly Earnings. Prudential will not pay you for any month during which Disability Earnings exceed the foregoing amounts.

Definition of "Disability"

You are "disabled" when Prudential determines that:

- you are unable to perform the material and substantial duties of your regular occupation due to your sickness or injury;
- you have a 20% or more loss in your monthly earnings due to that sickness or injury; and
- you are under the regular care of a doctor.

After 24 months of payments, you are disabled when Prudential determines that due to the same sickness or injury,

- you are unable to perform the duties of any gainful occupation for which you are reasonably fitted by education, training or experience; and
- you are under the regular care of a doctor.

The loss of a professional or occupational license or certification does not, in itself, constitute disability.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received by Prudential within 30 days of its request.

Prudential may require you to be examined by doctors, other medical practitioners or vocational experts of its choice. It will pay for these examinations. Prudential can require examinations as often as it is reasonable to do so. It may also require you to be interviewed by an authorized Prudential Representative. Refusal to be examined or interviewed may result in denial or termination of your claim.

Additional Definitions

Active employment means you are classified as working for your Employer for earnings that are paid regularly and you are performing the material and substantial duties of your regular occupation. You must be working at least 40 hours per week. Your worksite must be: your Employer's usual place of business; an alternate worksite at the direction of your Employer other than your home unless clear specific expectations and duties are documented; or a location to which your job requires you to travel. Normal vacation is considered active employment. Individuals whose employment status is being continued under a severance or termination agreement will not be considered in active employment.

Deductible sources of income means income from deductible sources listed in the Group Insurance Certificate that you receive or are entitled to receive while you are disabled. This income may be subtracted from your gross disability payment. Examples of deductible sources of income include but are not limited to (a) amounts you receive or are entitled to receive as (i) loss of time benefits under a workers' compensation law, an occupational disease law or any other act or law with similar intent; or (ii) loss of time disability income payments under any state compulsory benefit act or law, any insurance, health or welfare plan or other group insurance plan where the Employer, directly or indirectly, has paid all or part of the cost or made payroll deductions, or any governmental retirement system as a result of your job with your Employer; (b) the gross amount you receive or are entitled to receive as loss of time disability payments because of your disability under the United States Social Security Act or any similar plan or act; (c) the gross amount you receive as retirement payments under the United States Social Security Act or any similar plan or act; (d) the amount your receive as "wages" under the maritime doctrine of maintenance, wages and cure; and (e) the amount you receive, due to your disability, from a third party (after subtracting attorneys' fees and a pro-rata share of reasonable fees and costs) by judgement, settlement or otherwise. Refer to

the Group Insurance Certificate for a complete list of these sources.

Disability earnings means the earnings which you receive while you are disabled and working, plus the earnings you could receive if you were working to your greatest extent possible. This would be, based on your restrictions and limitations: (i) during the first 24 months of disability payments, the greatest extent of work you are able to do in your regular occupation, that is reasonably available; and (ii) beyond 24 months of disability payments, the greatest extent of work you are able to do in any occupation, that is reasonably available, for which you are reasonably fitted by education, training or experience. Salary continuance paid to supplement your disability earnings will not be included as disability earnings because it is not payment for work performed.

Gainful occupation means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 50% of your monthly earnings, if you are not working. However, if you enrolled in the Supplemental LTD Coverage Option, it means an occupation, including self-employment, that is or can be expected to provide you with an income within 12 months of your return to work that exceeds 80% of your indexed monthly earnings, if you are working, or 60% of your monthly earnings, if you are not working

Gross disability payment means the benefit amount before Prudential subtracts deductible sources of income and disability earnings.

Indexed monthly earnings means your monthly earnings as adjusted on each July 1, provided you were disabled for all of the 12 months before that date. Your monthly earnings will be adjusted on that date by the lesser of 10% or the current annual percentage increase in the Consumer Price Index. Your indexed monthly earnings may increase or remain the same, but will never decrease.

Injury means a bodily injury that is the direct result of an accident, that is not related to any other cause, and that results in immediate disability. Disability must begin while you are covered under the Plan.

Material and substantial duties means duties that:

- are normally required for the performance of your regular occupation; and
- cannot be reasonably omitted or modified, except that if you are required to work on average in excess of 40 hours per week, Prudential will consider you able to perform that requirement if you are working or have the capacity to work 40 hours per week.

Monthly earnings means your total annual income before taxes divided by 12. It is determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan, or flexible spending account. It includes income actually received from commissions but does not include renewal commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer. Commissions will be averaged for the lesser of: (a) the 24 full calendar month period of your employment with your Participating Employer just prior to the date disability begins; or (b) the period of actual employment with your Employer.

Regular occupation means the occupation you are routinely performing when your disability occurs. Prudential will look at your occupation as it is normally performed instead of how the work tasks are performed for a specific employer or at a specific location.

Sickness means any disorder of your body or mind, but not an injury; pregnancy including abortion, miscarriage or childbirth. Disability must begin while you are covered under the Plan.

Taxability of Monthly Benefits

Because your Employer pays the entire cost of your Basic LTD Coverage and does not include this cost in your gross-income, and because you pay for any Supplemental LTD Coverage

on a pre-tax basis, any monthly benefits you receive under the Plan will be taxable to you pursuant to the Code and guidance issued thereunder.

Maximum Period of Payments

The longest period of time the Plan will make payments to you for any one period of disability (your "maximum period of payment") is as follows:

Your Age on Date Disability Begins	Your Maximum Period of Payment
Less than 60	To age 65
Age 60 and over	60 months

Prudential will stop sending you payments while you are incarcerated as a result of a conviction.

In addition, Prudential will stop sending you payments and your claim will end on the earliest of the following:

- During the first 24 months of payments, when you are able to work in your regular occupation on a "part-time basis" but you choose not to; after 24 months of payments, when you are able to work in any gainful occupation on a part-time basis but you choose not to. "Part-time basis" means the ability to work and earn 20% or more of your indexed monthly earnings.
- The end of the maximum period of payment.
- The date you are no longer disabled under the terms of the Plan.
- The date you fail to submit proof of continuing disability satisfactory to Prudential.
- The date your disability earnings exceed the amount allowable under the Plan.
- The date you retire.
- The date you die.
- The date you decline to participate in a rehabilitation program that Prudential considers appropriate for your situation and that is approved by your doctor.

Notwithstanding the above, disabilities due to a sickness or injury which, as determined by Prudential, are primarily based on self-reported symptoms have a limited pay period during your lifetime. "Self-reported symptoms" means the manifestations of your condition, which you tell your doctor, that are not verifiable using tests, procedures and clinical examinations standardly accepted in the practice of medicine. Examples include, without limitation, headache, pain, fatigue, stiffness, soreness, ringing in ears, dizziness, numbness and loss of energy.

Also, disabilities which, as determined by Prudential, are due in whole or part to mental illness also have a limited pay period during your lifetime. "Mental illness" means a psychiatric or psychological condition regardless of cause and includes, without limitation, schizophrenia, depression, manic depressive, or bipolar illness, anxiety, somatization, substance related disorders, and/or adjustment disorders or other conditions. These conditions are usually treated by a mental health provider or other qualified provider using psychotherapy, psychotropic drugs, or other similar methods of treatment as standardly accepted in the practice of medicine.

The limited pay period for self-reported symptoms and mental illness combined is 24 months during your lifetime. There are exceptions to the limited pay period rules. Refer to the Group Insurance Certificate for a detailed explanation of these exceptions.

Recurrent Disabilities

If you have a "recurrent disability," as determined by Prudential, your disability will be treated as part of your prior claim and you will not have to complete another elimination period if (a) you were continuously insured under the Plan for the period between your prior claim and your current disability; and (b) your recurrent disability occurs within 180 days of the end of your prior claim.

Your recurrent disability will be subject to the same terms of the Plan as your prior claim. Any disability which occurs after 180 days from the date your prior claim ended will be treated as a new claim. The new claim will be subject to all of the Plan provisions.

If you become covered under any other group long term disability plan, you will not be eligible for payments under the Plan.

A "recurrent disability" is a disability that is (a) caused by a worsening in your condition; and (b) due to the same cause(s) as your prior disability for which the Plan made a Long Term Disability payment.

Exclusions from Coverage

The Plan does not cover any disabilities caused by, contributed to by, or resulting from your:

- intentionally self-inflicted injuries;
- active participation in a riot; or
- commission of a crime for which you have been convicted under state or federal law.

The Plan does not cover a disability which is due to a pre-existing condition.

The plan does not cover a disability due to war, declared or undeclared, or any act of war.

You have a pre-existing condition if:

- You received medical treatment, consultation, care or services including diagnostic measures, took prescribed drugs or medicines, or followed treatment recommendation in the 3 months just prior to your effective date of coverage or the date an increase in benefits would otherwise be available; and
- Your disability begins within 12 months of the date your coverage under the Plan becomes effective.

Pre-existing conditions may also affect an increase in your benefits due to an amendment of the Plan or your enrollment in another Plan option. *For further details, refer to the Group Insurance Certificate. You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

Survivor Benefits

When Prudential receives proof that you have died, it will pay your spouse, if living; otherwise, your children under age 25 (your "eligible survivors"), a lump sum benefit equal to 3 months of your gross disability payment if, on the date of your death:

- your disability had continued for 180 or more consecutive days; and
- you were receiving or were entitled to receive payments under the plan.

If you have no eligible survivors, payment will be made to your estate. However, Prudential will first apply the survivor benefit to any overpayment which may exist on your claim.

Other Services Provided Under the Plan

As part of your coverage under the Plan, Prudential also provides certain benefits in the nature of a Social Security Claimant Assistance Program, a Rehabilitation Program and a program of reimbursing employers for the cost of certain worksite modifications that are identified by your Employer and Prudential as being likely to help you remain at work or return to work. Refer to the Group Insurance Certificate for further details regarding these programs. With respect to the Rehabilitation Program, if at any time you decline to take part in or cooperate in a rehabilitation evaluation/assessment or program that Prudential feels is appropriate for your disability and that has been approved by your doctor, Prudential will cease paying your monthly benefit.

Filing A Claim

General

Written notice of a claim should be sent to Prudential within 30 days after the date your disability begins. However, you must send

Prudential written proof of your claim no later than 90 days after your elimination period ends. If it is not possible to give proof within 90 days, it must be given no later than 1 year after the time proof is otherwise required except in the absence of legal capacity. You must notify us immediately when you return to work in any capacity.

*Claim forms can be obtained from Prudential by phone via the Benefits Source at **1-888-640-3320**, or online via the Benefits Source website at mysourceforhr.com. If you do not receive the form from Prudential within 15 days of your request, send Prudential written proof of claim without waiting for the form.*

How to File Claims

You and your Employer must fill out your own section of the claim form and then give it to your attending doctor. Your doctor should fill out his or her section of the form and send it directly to Prudential.

Your proof of claim, provided at your expense, must show:

- That you are under the regular care of a doctor.
- Appropriate documentation of your monthly earnings.
- The date your disability began.
- Appropriate documentation of the disabling disorder.
- The extent of your disability, including restrictions and limitations preventing you from performing your regular occupation or any gainful occupation.
- The name and address of any hospital or institution where you received treatment, including all attending doctors.
- The name and address of any doctor you have seen.

Prudential may request that you send proof of continuing disability, satisfactory to Prudential, indicating that you are under the regular care of a doctor. This proof, provided at your expense, must be received within 30 days of a request by Prudential.

In some cases, you will be required to give Prudential authorization to obtain additional medical information, and to provide non-medical information as part of your proof of claim, or proof of continuing disability. This proof, provided at your expense, must be received within 30 days of a request by Prudential. Prudential will deny your claim or stop sending you payments if the appropriate information is not submitted.

Recovery of Overpayments

Prudential has the right to recover any overpayments due to (i) fraud; (ii) any error Prudential makes in processing a claim, and (iii) your receipt of deductible sources of income.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Long-Term Disability and Life and AD&D Plans."*

Continuation of Other Coverages

Certain coverages provided to you under the NiSource Life and Medical Benefits Program and the NiSource Welfare Benefits Program continue while you are Disabled and receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee. Any contributions that you are required to make toward the cost of these coverages will be billed to you. For further information regarding the billing arrangement, contact the Benefits Source.

Medical, Prescription Drug, Vision and Dental

Medical, vision and dental coverages for you and your eligible dependents continue while you are receiving Plan benefits, provided your Employer under its personnel policies

continues to treat you as an employee and so long as premiums are timely paid.

Life and AD&D

Life and AD&D coverages for you and your eligible dependents continue while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee and so long as premiums are timely paid.

Health Care Flexible Spending Account

Your Health Care FSA coverage continues while you are receiving Plan benefits, provided your Employer under its personnel policies continues to treat you as an employee.

Dependent Care Flexible Spending Account

You cannot continue to make contributions to the Dependent Care FSA while you are receiving Plan benefits. You may use the existing balance in your account to pay for any eligible expense that you incurred prior to the commencement of your Plan benefits.

HSAs

You may receive an Employer contribution to your HSA if you are enrolled in an HDPPO coverage option and are otherwise eligible to contribute to a Health Savings Account. You may also contribute to your HSA while you are receiving Plan benefits; however your contribution may not be funded out of your Plan benefit payments.

Retirement Plans

While you are receiving Plan benefits, you may continue to earn service under your retirement plans. However, your contributions to the Savings Plan automatically stop. You are eligible to receive the value of your Savings Plan Account due to your disability. Refer to the Savings Plan and your other retirement plans for further information.

Other Programs

The Adoption Assistance and the Tuition Reimbursement Programs are not available to you while you are receiving Plan benefits.

Important Information For Residents Of Certain States

There are state-specific requirements that may change the provisions under the Coverage(s) described in the Group Insurance Certificate and in this summary plan description. If you live in a state that has such requirements, those requirements will apply to your Coverage(s) and are made a part of your Group Insurance Certificate and this summary plan description. Prudential has a website that describes these state-specific requirements. You may access the website at prudential.com/etonline. When you access the website, you will be asked to enter your state of residence and your Access Code. Your Access Code is 93191.

If you are unable to access this website, and if you want to receive a printed copy of these requirements or have any questions, call Prudential at 1-866-439-9026.

General Program Information

Program Name:	NiSource Welfare Benefits Program
Benefit Plan Name:	NiSource Long-Term Disability Plan (a component of NiSource Welfare Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing disability benefits
Plan Number:	537
Contribution Source:	Basic LTD Coverage: Employer Supplemental LTD Coverage: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	The Prudential Insurance Company of America 751 Broad Street Newark, New Jersey 07102
Claims Administrator: (if you need to submit a claim)	The Prudential Insurance Company of America Prudential Disability Management Services P.O. Box 13480 Philadelphia, Pennsylvania 19176
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by The Prudential Insurance Company of America provides insured benefits under the Plan. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. ***In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail***. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

The Prudential Insurance Company of America, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Life and AD&D Plan

Employee Term Life Coverage — Basic and Optional Plans

Dependents Term Life Coverage

Employee AD&D Coverage — Basic and Supplemental Plans

Dependents AD&D Coverage

Your Life Insurance and AD&D Options

This is the SPD (the "Life and AD&D SPD") for the NiSource Life Insurance Plan, also referred to as the Life and AD&D Plan. In this Life and AD&D SPD, the Life and AD&D Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible employees with the following coverage options (each a "Life and AD&D Coverage Option"):

- Basic Employee Term Life Coverage Option;
- Optional Employee Term Life Coverage Option;
- Dependents Term Life Coverage Option;
- Basic Employee Accidental Death and Dismemberment ("AD&D") Coverage Option;
- Supplemental Employee AD&D Coverage Option; and
- Dependents AD&D Coverage Option

The Life and AD&D Coverage Options other than the Basic Employee Term Life Coverage Option and the Basic Employee AD&D Coverage Option are referred to collectively as the "Optional Life and AD&D Coverage Options."

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this summary plan description, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this summary plan description.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at* ***1-888-640-3320****.*

The Plan provides life insurance and AD&D coverage on the persons of eligible employees ("Employee Insurance") and, if elected, on the persons of your "eligible dependents" ("Dependents Insurance"). See the individual Benefit Plan sections below for a summary of the benefits offered under each of the Coverage Options listed above.

Eligibility

For information regarding eligibility under the Life and AD&D Plan, please see the *"Eligibility under the Life and AD&D Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Life and AD&D Plan"*.

Contributions

Premium contributions are not required for the Basic Employee Term Life Coverage Option or the Basic Employee AD&D Coverage Option. If you elect coverage under any of the Optional Life and AD&D Coverage Options, you will pay for the cost of such coverage. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at* ***1-888-640-3320****.*

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Life and AD&D Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Life and AD&D Plan"*.

Definition of "Earnings"

For commission paid employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings include the annualized average commissions earned during the shorter of (i) the 24 month period just prior to your date of loss; or (ii) your period of employment. Bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer are not included.

For all other employees, "Earnings" include your total base income before taxes. Earnings are determined prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. Earnings do not include commissions, bonuses, overtime pay or any other extra compensation, or income received from sources other than your Employer.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under each Life and AD&D Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at **1-888-640-3320**.

Insurance under a Life and AD&D Coverage Option may not be assigned.

Basic Employee Term Life Coverage

The Basic Employee Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. If you are also enrolled in Optional Employee Term Life Coverage, the amount of your Basic Employee Term Life Coverage will be added to your Optional Term Life Coverage before rounding takes place. The maximum benefit (for Basic and Optional Employee Term Life Coverage combined) is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 44.

Optional Employee Term Life Coverage

You may enroll in one of the options below for optional term life coverage.

Benefit Classes	Amount of Insurance (Multiple of Annual Earnings)	
	Sum of Basic + Optional	Optional
Option 1	3x annual Earnings	1x annual Earnings
Option 2	4x annual Earnings	2x annual Earnings
Option 3	5x annual Earnings	3x annual Earnings
Option 4	6x annual Earnings	4x annual Earnings
Option 5	7x annual Earnings	5x annual Earnings

If the amount of your Basic Employee Term Life Coverage, when added to the amount of your Optional Employee Term Life Coverage, is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. However, the maximum benefit for Basic and Optional Employee Term Life Coverage combined is $1,500,000. Amounts otherwise payable as benefits will be reduced by the amount of any Accelerated Benefits paid under the Option to Accelerate Payment of Death Benefits.

Any requested change in coverage (increase or decrease) must be made within 31 days of a qualified life event or in connection with annual enrollment.

Notwithstanding the foregoing, the amount of your coverage may not exceed the "guaranteed issue amount" unless you submit evidence of insurability that is satisfactory to Securian and you are actively at work. The "guaranteed issue amount" is the lesser of (1) three times (3x) your annual Earnings, and (2) $500,000. Also, you must submit evidence of insurability if you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and your application is made more than 31 days after the date you first became eligible for coverage.

Without limiting the generality of the foregoing, you will need to provide evidence of insurability

- If you are a regular new hire or newly eligible for coverage and you apply for coverage under the Optional Employee Term Life Coverage Option in an amount greater than three times (3x) your annual Earnings (Basic plus Optional Coverage combined), or if the total amount of your Term Life Coverage after giving effect to your Optional Employee Term Life Coverage exceeds $500,000;
- If you are first applying for coverage under the Optional Employee Term Life Coverage Option during annual enrollment and the date you apply during annual enrollment is more than 31 days after your date of hire or the date you newly became eligible for coverage;
- If you are currently enrolled in the Optional Employee Term Life Coverage Option, you want to increase your coverage during annual enrollment, and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your Term Life Coverage after giving effect to your requested increase in coverage exceeds $500,000;
- If you request an increase in coverage due to a qualified life event and the amount of your requested increase is greater than one times (1x) your annual Earnings, or the total amount of your combined coverage under the Basic Employee Term Life Coverage Option and the Optional Employee Term Life Coverage Option (your "Employee Term Life Insurance") after giving effect to your requested increase in coverage exceeds $500,000;
- If you desire life insurance coverage and have an individual life insurance contract

you obtained by converting your coverage under the Plan;

- The insurance for which you previously enrolled did not go into effect or was terminated because you failed to make a required premium contribution; and
- If you have not met a previous evidence requirement to become insured under any plan a Participating Employer has with Securian.

Any new enrollment or requested increase in coverage that is subject to evidence of insurability will become effective when Securian decides the evidence is satisfactory and you are actively at work; provided, however, that any such new enrollment or requested increase in coverage that is made in connection with annual enrollment will be effective on the later of (1) the following January 1, and (2) the first day of the month following the date Securian decides the evidence is satisfactory and you are actively at work.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 44.

Option to Accelerate Payment of Death Benefits

If you have a Terminal Condition while insured under the Basic Employee Term Life Coverage Option or the Optional Employee Term Life Coverage Option (the "Employee Term Life Insurance"), you may elect to have an Accelerated Benefit paid to you in one lump sum, or in any other manner agreeable to you and Securian, when Securian receives proof satisfactory to it that you have a Terminal Condition.

You have a "Terminal Condition" if you have a condition caused by sickness or accident that directly results in a life expectancy of twelve months or less. Securian must be given evidence that is satisfactory to it that your life expectancy, because of sickness or accident, is twelve months or less. That evidence must include a certification by a physician, other than you or a member of your immediate family, who is licensed to practice medicine or treat illness in the state in which treatment is received. Securian has the right to have you medically examined at its own expense to verify your medical condition. Securian may do this as often as reasonably required while Accelerated Benefits are being considered or paid.

"Accelerated Benefit" means the amount of your Employee Term Life Insurance that Securian will pay if you are eligible under the Group Insurance Certificate rider with respect to Accelerated Benefits. You must take the entire Accelerated Benefit. Securian calculates the Accelerated Benefit by multiplying your death benefit (the amount of your life insurance as shown on the specifications page attached to the certificate furnished to you by Securian) by the accelerated benefit factor. The accelerated benefit factor will be stated as a percentage of your death benefit. In calculating this factor, Securian considers your age and gender. Securian also bases its calculation of the factor upon certain assumptions, which it may change from time to time, including without limitation assumptions about expected future premiums and your life expectancy. The minimum death benefit eligible for an Accelerated Benefit is $10,000. The maximum death benefit eligible for an Accelerated Benefit is $1,000,000.

If you elect to accelerate the full amount of your death benefit, your Employee Term Life Insurance coverage and all other benefits under your certificate of insurance and any certificate supplements will end.

Your right to be paid under this option is subject to the following terms: (1) Your Employee Term Life Insurance must be in force and all premiums due must be fully

paid; (2) You must make application in writing and in a form that is satisfactory to the Claims Administrator; (3) You must be the sole owner of your certificate of insurance; (4) You must not have designated an irrevocable beneficiary for your Employee Term Life Insurance; (5) You must not be required by law to use this option to meet the claims of creditors, whether in bankruptcy or otherwise; and (6) You must not be required by a government agency to use this option in order to apply for, obtain, or keep a government benefit or entitlement.

If you elect an Accelerated Benefit and the termination of your Employee Term Life Insurance causes an eligible dependent to lose life insurance coverage, he or she will be allowed to convert any such insurance to a policy of individual life insurance as discussed below under the section entitled "Conversion Privilege for Life Coverage."

If the amount of your Employee Term Life Insurance exceeds the maximum Accelerated Benefit, your Employee Term Life Insurance coverage (reduced by the amount of the Accelerated Benefit) will continue after your election of the Accelerated Benefit and your premiums will be reduced accordingly. The amount of the Accelerated Benefit will be applied first to reduce your outstanding Optional Employee Term Life Coverage and then to reduce your outstanding Basic Employee Term Life Coverage.

Please note that any payment of an Accelerated Benefit may be taxable. You should consult your tax advisor for assistance with any questions you may have.

Refer to the Group Insurance Certificate for additional details, terms and conditions regarding this option.

Dependents Term Life Coverage

Under the Dependents Term Life Coverage Option, you may enroll your "eligible dependents" for coverage in the amounts shown below.

Your spouse who is an "eligible dependent"	
Benefit Classes	Amount of Insurance
Option 1	$10,000
Option 2	$25,000
Option 3	$50,000

Your children who are "eligible dependents"	
Benefit Classes	Amount of Insurance*
Option 1	$5,000
Option 2	$10,000

You must provide evidence of insurability under the following circumstances:

- If you choose Option 3 spousal coverage (coverage in the amount of $50,000);
- If any dependent's coverage for which you previously enrolled did not go into effect under the Plan or was terminated because you did not pay a required contribution; or
- If, during a previous period of eligibility, you failed to submit evidence of insurability that was required for a dependent or that which was submitted was not satisfactory to Securian; or
- Your dependent is insured by an individual policy issued under the terms of the conversion right.

Option 3 spousal coverage will become effective on the date Securian decides the evidence of insurability is satisfactory.

If a dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released form such hospitalization or confinement.

No enrollment or increases in coverage may become effective so long as your "eligible dependents" are confined for medical care or treatment, whether at home or elsewhere.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 44.

Payment of Death Benefits under Life Coverage

If you or your "eligible dependent" dies while covered under the Plan, the amount of insurance on you or your "eligible dependent" is payable when Securian's home office receives written proof satisfactory to it that you or your eligible dependent died while covered under the Plan and insured under the Group Insurance Certificate. If you or an "eligible dependent" die within 31 days after ceasing to be covered under the Plan, but while you or your "eligible dependent," as the case may be, are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Employee Term Life Insurance are payable according to Securian's beneficiary and mode of settlement rules. Death benefits under the Dependents Term Life Coverage Option are payable to you, if you are living. If you are not living, benefits are payable to your estate.

Conversion Privilege for Life Coverage

If all or a part of your Employee Term Life Insurance or your coverage under the Dependents Term Life Coverage Option terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Neither the conversion right nor the limited conversion right is available if your coverage under the Plan or Group Contract terminates due to failure to make, when due, required premium contributions. Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by Securian for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features"* below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Basic Employee AD&D Coverage Option

The Basic Employee AD&D Coverage Option provides a benefit in an amount up to two times (2x) your annual "Earnings." If this amount is not a multiple of $1,000, it will be rounded to the next higher multiple of $1,000. The maximum benefit (for Basic and Supplemental Employee AD&D Coverage combined) is $1,500,000.

Supplemental Employee AD&D Coverage Option

You may enroll for supplemental employee AD&D coverage in any multiple of $10,000 up to the lesser of (1) ten times your annual Earnings, and (2) $1,500,000 minus the amount of your insurance under the Basic Employee AD&D Coverage Option).

Dependents AD&D Coverage Option

You may enroll for AD&D coverage on each of your "eligible dependents" in an amount equal to a percentage of your Supplemental Employee AD&D Coverage, as set forth below:

Eligible dependents	Amount of Insurance on each Eligible Dependent (as % of Employee AD&D Coverage)
Spouse only	60% on spouse
Child(ren) only	10% on each child
Spouse and child(ren)	50% on spouse; 10% on each child

Additional AD&D Coverage

The Plan provides additional benefits under the Basic, Supplemental Employee, and Dependents AD&D Coverage Options for a person's loss of life as a result of a covered accident in an automobile while using a seat belt and as a result of an accident in an automobile while using an air bag. The additional benefit is in an amount equal to the lesser of (1) 10% of your full amount of insurance on the person, and (2) $10,000. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; one hand and one foot; one hand and sight of one eye; one foot and sight of one eye; speech and hearing; quadriplegia	100%
Paraplegia	75%
One hand; one foot; sight of one eye; speech; hearing; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

Benefits may be paid for more than one accidental injury but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A Loss is not covered if it results from any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted Injuries, or any attempt to inflict such Injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the Loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit an assault or felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a

claim for benefits be commenced later than three years after the end of the period within which proof of claim is required. For more information, see the *"Claims Determination and Appeal Process –Life and AD&D Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 44.

Portability of Life and AD&D Coverage

If coverage under any of the Life and AD&D Coverage Options ceases, you may have the right to apply for coverage for yourself and for your "eligible dependent," as the case may be, under a Portability Plan maintained by Securian. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Policy would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue dependent coverage under a Life and AD&D Coverage Option, you must port your corresponding employee coverage. In addition, life insurance coverage must be ported in order to port accidental death and dismemberment insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Portability Coverage in Lieu of Conversion Coverage

The right to elect term life coverage under the Portability Plan is in lieu of the conversion privilege under the Employee Term Life Insurance and the Dependents Term Life Coverage Option, except that you or your "eligible dependent," as the case may be, may convert the amount of insurance under the Employee Term Life Insurance or the Dependents Term Life Coverage Option that exceeds the maximum amount of coverage that may be obtained under the Portability Plan.

Your Eligibility for Portability Coverage

You and your eligible dependents are eligible to continue your Employee Insurance and Dependents Insurance under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you terminate employment, including retirement; or

(2) you are no longer in a class eligible for coverage or you are on a leave or layoff; or

(3) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by Securian or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) with respect to Term Life Coverage, have converted your insurance to an individual life policy as permitted by any conversion rights under the Plan; or

(3) were not actively at work due to sickness or injury on the date immediately preceding your portability date; or

(4) lose eligibility due to termination of the Plan or Group Policy.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the

insured's portability date, but not more than $1,000,000 for an employee or $50,000 for a spouse. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date to a maximum of $650,000 for an employee or $32,500 for a spouse.

When an insured attains age 65, the amount of insurance on his or her life continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000. This minimum does not apply to a dependent.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Conversion of Portability Coverage

At any time after insurance has been continued under the Portability Plan, it may be converted to a policy of individual insurance with Securian. All other conditions and provisions applicable to conversion coverage will apply. See the Group Insurance Certificate for additional details.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) in the case of your dependent child or a spouse who is covered under the Plan, the date your coverage is no longer being continued under the Portability Plan or the date your spouse or child ceases to be eligible under the Plan; or

(4) 31 days after the due date of any premium contribution which is not made.

Highlights of Conversion and Portability Features

	Conversion	**Portability**
Can Basic Life, Optional Life, Dependent Life, Dependent Child Life be converted or ported?	Yes	Yes
Can AD&D be converted or ported?	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan

	Conversion	Portability
Evidence of Insurability Required	No, except for conversion of Dependent Life	No.
Application Deadline	Application and first month premium due 31 days after your coverage termination.	For life coverage, application due 31 days after your coverage termination. Securian will bill the participant directly. For AD&D coverage, 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101

Conformity with State Law

If any provision of this summary plan description or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should obtain a claim form and follow the instructions on the form. For AD&D claims, Securian must be given written proof of the loss for which claim is made. This proof must cover the occurrence, character and extent of that loss. It must be furnished within 90 days after the date of the loss. But, if any Life and AD&D Coverage Option provides for periodic payment of benefits at monthly or shorter intervals, the proof of loss for each such period must be furnished within 90 days after its end. A claim will not be considered valid unless the proof is furnished within these time limits. However, it may not be reasonably possible to do so. In that case, the claim will still be considered valid if the proof is furnished as soon as reasonably possible.

*Claim forms are available from Securian. Claim forms can be obtained from Securian by phone via the Benefits Source at **1-888-640-3320**, or online via the Benefits Source website at* mysourceforhr.com*. If you do not receive the form from Securian within 15 days of your request, send Securian written* proof of claim without waiting for the form.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Long-Term Disability and Life and AD&D Plans."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance and accidental death and dismemberment benefits
Plan Number:	536
Contribution Source:	Basic Employee Insurance: Employer Optional Employee and Dependents Insurance: Employee and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this summary plan description and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source automated telephone system at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Retirees who were

Former Exempt Full-Time Employees who were Hired or Rehired Before 1/1/2010 and who Retired On or After 2/1/2006

To: Participant

Re: Eligibility and Enrollment Information

Based on your age and service at your employment end date in connection with the sale of Columbia Gas of MA to Eversource, you are considered a NiSource retiree who is eligible to participate in NiSource's applicable pre-age 65 or post-age 65 retiree medical plans. Also, you are eligible for, and have been enrolled in, retiree life insurance coverage through NiSource.

If you did not elect coverage under the applicable NiSource retiree medical plan(s) in connection with your termination of employment, you can elect retiree medical coverage at each future annual enrollment, with coverage becoming effective date on January 1 of the following year. Also, if you did not elect retiree medical coverage in connection with your termination of employment, you can elect such coverage during the year if you experience a qualified life event that would permit you to add coverage under the terms of the applicable benefit plan.

Further enrollment details are included below in the Handbook.

NiSource Benefits Department

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

The benefit information contained in this Handbook applies to eligible retired employees who were (A) former full-time exempt employees of an Employer who were hired or rehired before January 1, 2010, and who retired from an Employer on or after February 1, 2006, and (B) who are covered under one or more of the NiSource Life and Medical Benefits Program and the NiSource Post-65 Retiree Medical Plan (collectively, the "Program"), or various component benefit plans of the foregoing. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible retirees as belonging to Retiree Benefit Program 104.

A participating employer with respect to any particular benefit coverage under the Program is an affiliate of the Company that has adopted, or is deemed to have adopted, such benefit coverage, as provided in the plan documents governing such coverage. The NiSource Benefits Committee (the "Committee") has sole discretion to determine who is a participating employer.

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the benefit plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The Committee reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program, or a portion thereof, also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees

Benefit Plans At-a-Glance

NiSource Inc. ("NiSource" or the "Company") offers eligible retired employees and their eligible dependents the following coverages in accordance with the terms of the applicable benefit plan (identified below). *(Details of each benefit plan can be found in the individual benefit plan sections of this Handbook.)*

For eligible retired employees and/or their eligible dependents who are under age 65:

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Pre-65 Retiree Medical Plan")
- Life and Accidental Death and Dismemberment (AD&D) Coverage (NiSource Life Insurance Plan – referred to as the "Retiree Life Insurance Plan")

For eligible retired employees and/or their eligible dependents who are age 65 or over:

- Medical Coverage (MAP Option, MAP-Med Only Option or Medicare Supplement Option under the NiSource Post-65 Retiree Medical Plan – separately and/or collectively referred to as the "Post-65 Retiree Medical Plan")
- Life and Accidental Death and Dismemberment (AD&D) Coverage (NiSource Life Insurance Plan – referred to as the "Retiree Life Insurance Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – Pension and 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Retiree Medical Plans

Unless otherwise defined in the applicable individual benefit plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan (each individually a "Plan" or "Retiree Medical Plan"), the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a benefit plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985

"Code" means the Internal Revenue Code of 1986, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before the Plan will pay benefits.

"Defined Dollar Years of Service" means the total number of Years of Service at retirement, rounded up to the nearest whole number, earned by a Retiree for purposes of benefit accrual (including all service prior to a distribution that causes any prior service to be disregarded) under each defined benefit pension plan maintained by NiSource or an affiliate in which the former employee accrued a benefit, as calculated under the terms of each applicable defined benefit pension plan.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical

treatment by Physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount."

"Pre-65 Retiree" means a Retiree who has not attained age 65.

"Post-65 Retiree" means a Retiree who has attained age 65.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

"Spouse" means a person who is treated as your spouse under the Internal Revenue Code. ***Please Note:*** See "Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for pre-65 retiree medical coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Definitions Applicable to Retiree Medical Plans and Retiree Life Insurance Plan

Unless otherwise defined in the applicable individual benefit plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Retiree Medical Plans and the Retiree Life Insurance Plan, the following terms when used in this Handbook shall have the following meanings:

"Bridged Retiree" means a Retiree who retired from an Employer on and after January 1, 2018, after having attained age 50 and 5 Eligibility Years of Service, if the Employer (A) determines in its discretion that such employee's termination of employment was in connection with the Customer Value Initiative adopted by the Employer or was in connection with a similar program or initiative adopted by the Employer in which it determined to make retiree welfare benefit eligibility available, and (B) enters into a written agreement with such former employee that expressly provides for retiree welfare benefit eligibility, provided that such person's eligibility for benefits under the Plan as a 'Retiree' shall commence no earlier than his or her Retiree Eligibility Date.

"Eligibility Years of Service" means the total number of years of active employment with NiSource or an affiliate that you completed, as calculated as of the date of your retirement and as determined by the Plan Administrator in its sole and absolute discretion.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Retiree" means a former full-time exempt employee of an Employer who was hired or rehired before January 1, 2010, and who retired from an Employer

(x) on or after February 1, 2006, in accordance with a plan or procedure adopted by the Employer, after having attained age 55 and 10 Eligibility Years of Service, or

(y) on or after January 1, 2018, after having attained age 50 and 5 Eligibility Years of Service, if the Employer (A) determines in its discretion that such employee's termination of employment was in

connection with the Customer Value Initiative adopted by the Employer or was in connection with a similar program or initiative adopted by the Employer in which it determined to make retiree welfare benefit eligibility available, and (B) enters into a written agreement with such former employee that expressly provides for retiree welfare benefit eligibility, provided that such person's eligibility for benefits under the Plan as a 'Retiree' shall commence no earlier than his or her Retiree Eligibility Date.

Notwithstanding the foregoing, the term "Retiree" shall not include a person the Plan Administrator determines, in its discretion, belongs to a Retiree Benefit Program other than Retiree Benefit Program 104. (Retiree Benefit Programs are groupings, established by the Plan Administrator for recordkeeping purposes, of similarly situated retirees who are entitled to retiree medical benefits or retiree life and AD&D benefits at retirement.)

"Retiree Eligibility Date" means, solely with respect to a Bridged Retiree, the later of (i) the date such Retiree attains age 55, and (ii) the date such Retiree would have attained 10 Eligibility Years of Service had his or her employment not been terminated.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual benefit plan sections of this Handbook)* will be eligible to participate in the benefit plans when and to the extent provided under the applicable benefit plan. Generally, you and your eligible dependents will be eligible to elect to participate in the benefit plans on the later of (i) the date of your retirement, and (ii) your Retiree Eligibility Date.

A Retiree (other than a Safety Plan Rehire) who is rehired by an Employer shall lose eligibility for coverage as a Retiree under the Retiree Medical Plans and the Retiree Life Insurance Plan (and shall not be eligible for such coverage upon his or her subsequent retirement), but may be eligible for coverage under the NiSource Consolidated Flex Medical Plan and the NiSource Life Insurance Plan as an employee, subject to the terms and conditions for employee coverage under those benefit plans.

A "Safety Plan Rehire" is a Retiree who is rehired by Columbia Gas of Ohio, Inc. after January 1, 2019 to support the construction activities associated with regulator station replacement in conjunction with the LP-Enhanced Safety Plan and natural gas system replacement projects. Upon retirement from Columbia Gas of Ohio, Inc., a Safety Plan Rehire shall once more be eligible for retiree medical benefits under the applicable Retiree Medical Plan and shall be treated as a member of the Covered Retiree Group to which he or she belonged immediately prior to being rehired by Columbia Gas of Ohio, Inc. A "Covered Retiree Group" is a group of similarly situated employees that is entitled to retiree medical benefits or retiree life and AD&D benefits at retirement, as determined by the Plan Administrator in its absolute discretion.

Please Note: It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a benefit plan. Any amounts paid by a benefit plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a benefit plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits and required repayment of any ineligible expenses.* Also, enrollment of a dependent under a benefit plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the plan.

Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Pre-65 Retirees are eligible to participate in the Pre-65 Retiree Medical Plan. Post-65

Retirees are eligible to participate in the Post-65 Retiree Medical Plan. Provided, however, that your eligibility will not commence before your Retiree Eligibility Date.

If you are a Pre-65 Retiree participating in the Pre-65 Retiree Medical Plan or a Post-65 Retiree participating in the Post-65 Retiree Medical Plan, (a) you may cover your eligible dependents under the Pre-65 Retiree Medical Plan if they have not attained age 65, and (b) you may cover your eligible dependents under the Post-65 Retiree Medical Plan if they have attained age 65.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Pre-65 Retiree Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former spouse or your spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated, (3) the child is dependent upon you for financial support and maintenance, (4) you continue to be covered by the Plan, and (5) the child's disability continues;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent (and with respect to the Post-65 Retiree Medical Plan, who is age 65 or older).

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

*Please refer to the website mysourceforhr.com, or call the Benefits Source at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan.*

Eligibility under the Retiree Life Insurance Plan

As a Retiree, you are eligible to participate in the Retiree Life Insurance Plan. Provided, however, that your eligibility will not commence before your Retiree Eligibility Date. Provided, further, to be eligible for supplemental AD&D coverage for you or your dependents, you must have been enrolled in supplemental AD&D coverage as a full-time

employee on your last day of being actively at work.

If you are eligible to participate in the Plan, you may obtain certain coverage for your "eligible dependents." Your "eligible dependents" are:

- Your lawful spouse, provided you are not legally separated; and
- Your unmarried children from live birth to the end of the month in which the unmarried child attains age 26; and

Your "children" include: (1) your natural children, legally adopted children and children placed with you for adoption prior to legal adoption; and (2) each of your stepchildren, foster children, children subject to legal guardianship, grandchildren, and other children who are blood relatives who depend on you for more than fifty percent of their support and maintenance. A child placed with you for adoption prior to legal adoption is considered an eligible dependent from the date of placement for adoption, and is treated as though the child were a newborn child born to you.

Notwithstanding the foregoing, your unmarried children age 26 or older are also eligible if they are physically or mentally incapable of self-support, were incapable of self-support prior to age 26 and are financially dependent on you for more than 50% of their support and maintenance.

Also notwithstanding the foregoing,

(1) Your spouse is not your "eligible dependent" while on active duty in the armed forces of any country; and
(2) Your child is not your "eligible dependent" while (a) on active duty in the armed forces of any country; or (b) insured as an employee under the NiSource Life Insurance Plan or the Northern Indiana Public Service Company Employee Life Insurance Plan.

A child will not be considered the "eligible dependent" of more than one employee or retiree. If this would otherwise be the case, the child will be considered the "eligible dependent" of the employee or retiree named in a written agreement of all such employees or retirees filed with the Company.

If there is no written agreement, the child will be considered the "eligible dependent" of:

(1) the employee or retiree who became insured under the Plan with respect to the child while the child was an "eligible dependent" of only that employee or retiree; and otherwise
(2) the employee or retiree who has the longest continuous service with a participating employer, based on the Company's records.

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a benefit plan, and each year during annual enrollment, you have the opportunity to select for you and your eligible dependents, retiree medical coverage and, provided you and your dependents are eligible for such coverage, supplemental AD&D coverage.

You are automatically enrolled for EAP/Work Life/Legal & Financial coverage (even if you elect the No Coverage Option for retiree medical coverage) upon the date you become eligible for such coverage.

Unless you are a Bridged Retiree, you are automatically enrolled for retiree term life insurance coverage upon the date you become eligible for such coverage. See the subsection below entitled "Enrollment in the Retiree Life Insurance Plan" for special provisions concerning enrollment by Bridged Retirees in retiree life insurance coverage.

To enroll in retiree medical coverage, you must log on to the website mysourceforhr.com or call the Benefits Source at **1-888-640-3320.** To enroll in supplemental AD&D coverage, you must use forms approved by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc. You may obtain enrollment forms by contacting the Benefits Source at **1-888-640-3320.**

Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Provided you meet the eligibility requirements, as described in the "*Eligibility*" section above, you and your eligible dependents can participate in the Pre-65 Retiree Medical Plan and/or Post-65 Retiree Medical Plan, as applicable, if you properly enroll or are deemed to have enrolled.

For the Pre-65 Retiree Medical Plan, if you are a newly eligible retiree, you must enroll yourself and any eligible dependents in retiree medical coverage no later than 31 days after the later of (i) the date of your retirement, and (ii) your Retiree Eligibility Date.

For the Post-65 Retiree Medical Plan, you must enroll yourself and any eligible dependents before 31 days after the later of (i) the date of your retirement, (ii) your Retiree Eligibility Date, and (iii) the date you attain age 65.

In general, once you enroll for (or decline) coverage in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. However, if you experience a qualified life event, you may enroll or change existing coverage during the year. Please see the *"Changing and Continuing Elections"* section of this **Benefits Program Overview** for further details. Also, you may select the "No Coverage" option at any time; however once you select this option, you may select another coverage option only at annual enrollment or in connection with a qualified life event that would permit such change.

With respect to the Post-65 Retiree Medical Plan, you and your eligible dependents may not enroll in the Medicare Supplement Option if at any time you were enrolled in the MAP Option or MAP-Med Only Option. Similarly, you and your eligible dependents may not enroll in the MAP Option or MAP-Med Only Option if at any time you were enrolled in the Medicare Supplement Option. You may change your enrollment from the MAP Option to the MAP-Med Only Option only at annual enrollment or in connection with a qualified life event that would permit such change. You may not change your enrollment from the MAP Med-Only Option to the MAP Option and you may not enroll in the MAP Option if at any time you or any or your dependents once were enrolled in the MAP-Med Only Option. If you have enrolled your eligible dependent in a Post-65 Retiree Medical Plan option and you subsequently become eligible for coverage under the Post-65 Retiree Medical Plan, you may enroll only in the Post-65 Retiree Medical Plan coverage option in which your dependent is enrolled or in the "No Coverage" option.

If you enroll in Medicare Part D prescription drug coverage, you may not enroll or remain enrolled in the MAP Option providing prescription drug coverage. If you later lose or drop Medicare Part D coverage, you will not be able to enroll in the MAP Option.

Unless you are a Bridged Retiree, enrollment materials will automatically be sent to you upon your retirement and you will have 31 days after the date you first become eligible for retiree medical coverage to mail your medical plan election form or otherwise to complete enrollment. If you are a Bridged Retiree, you must call the Benefits Source at **1-888-640-3320** to enroll in coverage within 31 days after your Retiree Eligibility Date. Also, if you never enroll in the Pre-65 Retiree Medical Plan as a Bridged Retiree, you must call the Benefits Source at **1-888-640-3320** no later than 31 days after you attain age 65 to enroll in coverage under the Post-65 Retiree Medical Plan.

Provided you have timely elected coverage at your first opportunity to enroll in retiree medical coverage under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan, your benefit plan enrollment will be effective on the later of the first day of the month in which you retire or the first day of the month in which your Retiree Eligibility Date occurs, or in the case of a Pre-65 Retiree who attains age 65, your enrollment in the Post-65 Retiree Medical Plan will be effective as of the later of the first day of the month in which you attain age 65 or the first day of the month in which your Retiree Eligibility Date occurs. (If you are a Pre-65 Retiree who attains age 65 on the first day of a month, your enrollment in the Post-65 Retiree

Medical Plan will be effective as of the later of the first day of the month immediately preceding the month in which you attain age 65 or the first day of the month in which your Retiree Eligibility Date occurs.) If you fail to enroll in retiree medical coverage at your first opportunity to enroll, your next opportunity to enroll will be in conjunction with the next annual enrollment or upon the occurrence of a qualified life event.

Please Note:

If you are a Bridged Retiree, you will not automatically receive enrollment materials for retiree medical coverage, either at the time of your termination of employment or at your Retiree Eligibility Date. You must contact the Benefits Source at **1-888-640-3320** as your Retiree Eligibility Date approaches to enroll in retiree medical coverage. If you do not call and enroll in retiree medical coverage within 31 days after your Retiree Eligibility Date, your next opportunity to call and enroll in retiree medical coverage will be at the next annual enrollment or upon the occurrence of a qualified life event. You will not receive any notification of these additional enrollment opportunities.

In the event you fail to enroll in retiree medical coverage at the time of your retirement (including by failing to elect the No Coverage Option), you fail to enroll in the Post-65 Retiree Medical Plan upon attaining age 65 after your retirement, or you fail to enroll your eligible dependent in the Post-65 Retiree Medical Plan when he or she attains age 65, the following will take place:

- If you or an eligible dependent are under age 65 you will be deemed to have elected the coverage option and category of coverage under the Pre-65 Retiree Medical Plan that was in place for you and/or your eligible dependent(s) on the date you retired;
- If you are age 65 or over, you will not be covered by any plan for retiree medical benefits as of the date of your retirement or the date you attain age 65; and
- If your eligible dependent is age 65 or over, he or she will not be covered by any plan for retiree medical benefits as of the date he or she attains age 65.

Notwithstanding the foregoing, (i) a Bridged Retiree and his or her eligible dependents may not be enrolled in retiree medical coverage prior to the Bridged Retiree's Retiree Eligibility Date, (ii) a Bridged Retiree who fails to enroll in retiree medical coverage as of his or her Retiree Eligibility Date will be deemed to have elected the No Coverage Option, and (iii) a former employee who was eligible for retiree medical coverage, who terminated employment in connection with the transaction pursuant to which NiSource sold to Eversource Energy certain assets, and Eversource Energy agreed to assume certain obligations and liabilities, of Bay State Gas Company, as determined by the Plan Administrator in its absolute discretion, and who failed to enroll in retiree medical coverage within 31 days after the termination of such employment, will be deemed to have elected the No Coverage Option.

If you are a current Retiree enrolled in retiree medical coverage and you do not make changes during the annual enrollment process, your current benefits, if available, will be maintained.

Please Note:

If you do not enroll in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment.

Enrollment in the Retiree Life Insurance Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Retiree Life Insurance*

Plan," you will be enrolled in the Basic Retiree Term Life Coverage Option upon the later of (i) the date of your retirement, (ii) your Retiree Eligibility Date, and (iii) that date you contact the Benefits Source to enroll in the Basic Retiree Term Life Coverage Option in connection with your Retiree Eligibility Date.

Please Note:

If you are a Bridged Retiree, you will not receive enrollment materials for retiree life insurance coverage, either at the time of your termination of employment or at your Retiree Eligibility Date. You must contact the Benefits Source at **1-888-640-3320** as your Retiree Eligibility Date approaches to enroll in retiree life insurance coverage. If you do not call and enroll in retiree life insurance coverage within 31 days after your Retiree Eligibility Date, you will not be enrolled in coverage until you contact the Benefits Source and request to be enrolled.

For the Supplemental Retiree AD&D Coverage Option and the Dependents AD&D Coverage Option (collectively the "AD&D Coverage Options," and together with the Basic Retiree Term Life Coverage Option, the "Life Insurance Coverage Options"), if you desire coverage as a newly eligible retiree, and provided you meet the eligibility requirements described in the section above entitled "*Eligibility under the Retiree Life Insurance Plan,*" you must enroll in coverage within 31 days of the later of (i) the date of your retirement, or (ii) your Retiree Eligibility Date. To enroll in the Dependents AD&D Coverage Option, you must have also enrolled in the Supplemental Retiree AD&D Coverage Option. If you do not enroll in an AD&D Coverage Option during this initial 31-day period, you will not have any further opportunity to enroll in such coverage. You must enroll using forms approved by Securian. You may obtain enrollment forms by contacting the Benefits Source at **1-888-640-3320**

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (spouse and/or your child) are eligible for Program benefits as active employees or retirees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource benefit plan of the same type (e.g., more than one medical plan). Also, for most benefit plans, a NiSource active employee or retiree cannot be covered under the benefit plan both as a participant and as a dependent. Likewise, if you and your spouse are both eligible employees or retirees of NiSource or one of its affiliates, either of you may choose to cover your eligible child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan. Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects medical coverage or makes no medical coverage election and is thereby deemed to have elected medical coverage under the NiSource Consolidated Flex Medical Plan, you will be deemed to have requested that coverage for such dependent under a Retiree Medical Plan be dropped.

Coverage under the Program for active employees or for eligible retirees other than the Retirees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides group health plan coverage for your eligible child pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment

restrictions that might otherwise exist for dependent coverage. If the Company or participating employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

You may obtain, without charge, a copy of the benefit plans' QMCSO procedures from the Company.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the benefit plans. Except as noted below, if you do not enroll within the annual enrollment period, your current coverages remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans, plans that require enrollment and the deadline date.

In the event your current plan coverage is not available and you fail to elect coverage under another plan that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan" for further details.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan at your home address.

Your ID card should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options or the Post-65 Retiree Medical Plan, or, if applicable, your HMO in the case of an HMO option.

Defined Dollar Subsidy for Retiree Medical Coverage

Pre-65 Retirees, Post-65 Retirees and their eligible Spouses are entitled to receive an annual defined dollar subsidy ("Defined Dollar Subsidy") to be credited toward the cost of their retiree medical coverage under a Retiree Medical Plan.

The Defined Dollar Subsidy is determined by multiplying your Defined Dollars Years of Service by a fixed dollar amount established by the Company.

If you and your Spouse are both enrolled in a Retiree Medical Plan, and if you die prior to your Spouse, your surviving Spouse may receive a Defined Dollar Subsidy, to be credited toward the cost of coverage under a Retiree Medical Plan, in the amount to which you would have been entitled had you survived and were the same age as your Spouse.

The Committee reserves the right to terminate, change or modify the Defined Dollar Subsidy at any time without the consent of, or advance notice to, you or your covered dependents.

When Coverage Begins and Ends - General

Please see below or the individual benefit plan sections of this Handbook for a complete description of when the coverage begins and ends with respect to each benefit plan.

When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Coverage Begins

Generally, coverage under the Pre-65 Retiree Medical Plan may become effective on the later of (1) the date you retire, (2) the first day of the following Plan Year for eligible Retirees who enroll during the annual enrollment period, (3) the date the Plan approves your enrollment based upon a qualified life event, and (4) the date you properly enroll. Provided, however, that if you are a Bridged Retiree, your coverage will not become effective before your Retiree Eligibility Date. Coverage for your eligible dependent under the Pre-65 Retiree Medical

Plan may become effective, if you properly enroll him or her, (1) on the date your coverage becomes effective, (2) the first day of the following Plan Year if you enroll your eligible dependent during the annual enrollment period, or (3) on the date the Plan approves his or her enrollment based upon a qualified life event.

Coverage for you under the Post-65 Retiree Medical Plan may become effective on the later of (1) the date you retire, (2) the first day of the month in which you attain age 65 (or on the first day of the immediately preceding month, if you attain age 65 on the first day of the month), and (3) the date you properly enroll. Provided, however, that if you are a Bridged Retiree, your coverage will not become effective before your Retiree Eligibility Date. Coverage for your eligible dependent under the Post-65 Retiree Medical Plan may become effective, if you properly enroll him or her, (1) the date your coverage becomes effective, (2) the first day of the following Plan Year if you enroll your eligible dependent during the annual enrollment period, or (3) the date the Plan approves his or her enrollment based upon a qualified life event.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to a Retiree;
- The date a Retiree is no longer eligible for coverage under the Plan, including without limitation as a result of being rehired by an Employer;
- The last date for which any required contribution was made;
- The date the covered Retiree provides notice to the Company of his or her intent to terminate coverage; or
- With respect to the Pre-65 Retiree Medical Plan, the date a Pre-65 Retiree attains age 65.

A dependent's eligibility generally ends on the earliest of the following dates:

- The date the Retiree’s coverage ends;
- The last date for which any required contributions for the dependent’s coverage was made;
- The date the covered Retiree provides notice to the Company of his or her intent to terminate coverage for such dependent;
- With respect to a Spouse who becomes divorced or legally separated from a Retiree, the date of divorce or legal separation; or
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if coverage for you or your dependents is terminated during a Plan Year for failure to pay required contributions for coverage, you may apply to the NiSource Benefits Department during the same Plan Year to reinstate coverage retroactive to the date of termination. Your application must be in writing and must describe the extenuating circumstances that resulted in your missed payment. The Benefits Department, in its sole and absolute discretion, will determine whether there are sufficient grounds for reinstating coverage. If the Benefits Department makes a favorable determination, you must repay any missed premiums before the end of the Plan Year and before coverage will be reinstated.

Also, notwithstanding the foregoing, if your dependent experiences a COBRA qualifying event, coverage for EAP/Work Life/Legal & Financial will end the day after the expiration of the maximum COBRA continuation coverage period that would otherwise apply to such dependent, if COBRA were to apply to

EAP/Work Life/Legal & Financial coverage. For a description of COBRA qualifying events, please see the "COBRA" subsection of the *"Continuation of Coverage"* section of this **Benefits Program Overview**

Please see the *"Continuation of Coverage"* section of this **Benefits Program Overview** for circumstances under which your coverage under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan may be continued beyond the periods described above.

When Coverage Begins and Ends – Retiree Life Insurance Plan

Coverage Begins

Provided you have satisfied the eligibility and enrollment requirements described above, coverage under the Basic Retiree Term Life Coverage Option may generally become effective upon the later of (i) your retirement from an Employer, and (ii) your Retiree Eligibility Date.

Provided you have satisfied the eligibility and enrollment requirements described above, coverage under the Supplemental Retiree AD&D Coverage Option may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, and (2) the Claims Administrator has received the required premium.

Provided your dependent has satisfied the eligibility requirements described above, coverage under the Dependents AD&D Coverage Option may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for dependent coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) you are insured for coverage under the Supplemental Retiree AD&D Coverage Option; and (3) the Claims Administrator has received the required premium.

If an eligible dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released from such hospitalization or confinement.

Coverage Ends

Your coverage under the Basic Retiree Term Life Coverage Option and the Supplemental Retiree AD&D Coverage Option, and the coverage of your dependents under the Dependents AD&D Coverage Option, will end when the first of these occurs:

- The date as of which the Plan is terminated;
- The date the Group Contract (as defined in the Retiree Life Insurance SPD) is canceled, or with respect to a particular Life Insurance Coverage Option, the date a Coverage Option is terminated;
- The date that the Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you are no longer eligible for coverage under the Plan as a member of an eligible class, including without limitation as a result of being rehired by an Employer;
- For AD&D Coverage Options, 31 days after the due date of any required contribution that is not paid;
- For the Dependents AD&D Coverage Option, the date coverage under your Supplemental Retiree AD&D Coverage Option ends;
- For the Dependents AD&D Coverage Option, the date your dependent ceases to be an "eligible dependent" for the coverage or is no longer covered under the Group Contract;
- For the Supplemental Retiree AD&D Coverage Option, the last day for which premium contributions have been made following your written request to end such AD&D Coverage Option; and
- For the Dependents AD&D Coverage Option with respect to an eligible

dependent, the last day for which premium contributions have been made following your written request to end such AD&D Coverage Option for such dependent.

You must notify the Claims Administrator or the Benefits Source at **1-888-640-3320** when a dependent is no longer eligible for coverage under the Retiree Life Insurance Plan so that premiums may be discontinued. No claims will be paid under the Retiree Life Insurance Plan in respect of an ineligible dependent.

If your Supplemental Retiree AD&D Coverage terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, you may make or change certain Retiree Medical Plan elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain elections if you experience a "qualified status change" that affects your, your spouse's, or your dependent's eligibility for benefits under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event.

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company or Plan Administrator.

To the extent permitted by the applicable benefit plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee + family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the benefit plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- Your dependent becomes eligible for coverage (e.g., with respect to the Post-65 Retiree Medical Plan, he or she attains age 65).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Please Note:

If you do not request a change in your Retiree Medical Plan election within 31 days of your qualified status change or other qualified life event, your next opportunity to change elections will not be until the next annual enrollment period or until you experience another qualified life event.

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a benefit plan.
- With respect to the Pre-65 Retiree Medical Plan, you qualify for special enrollment during the year under HIPAA. For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage (including coverage purchased through a government exchange or other health insurance coverage purchased in the individual market) when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Pre-65 Retiree Medical Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).*** .
- The benefit plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- You, your spouse or dependent lose coverage under any group health coverage sponsored by a governmental or educational institution, in which case you may be able to elect coverage under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan, as applicable.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.

If a dependent you are covering under a Retiree Medical Plan is hired by an Employer and either timely elects coverage under the NiSource Consolidated Flex Medical Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Retiree Medical Plan coverage for such dependent in connection his or her change in employment status.

Notwithstanding the foregoing or any other provision of this Handbook, if you are covered under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan, you may drop your coverage or reduce the number of dependents covered under a Retiree Medical Plan at any time. However, once you drop your coverage or drop coverage for one or more of your dependents, you will not be able to enroll again in coverage until the next annual enrollment period or until you experience a qualified life event that would permit enrollment.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical or prescription drug

plan or program, your medical and prescription drug benefits under the benefit plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable benefit plan is primary, the benefit plan pays the amount payable under such plan.

If your coverage under the applicable benefit plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the benefit plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Pre-65 Retiree Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

The "Birthday Rule"

Under the "Birthday Rule" the plan of the parent whose birthday falls earlier in the calendar year is the primary plan and the other parent's plan is secondary.

In the case of a divorce or separation, the following order will establish responsibility for payment:

- If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.
- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the benefit plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits. A retiree generally is not in current employment status. The discussion below assumes that a retiree covered under a Retiree Medical Plan is not in current employment status for purposes of Medicare. However, if you believe you have current employment status for purposes of Medicare regulations, you should contact the Benefits Source at **1-888-640-3320**.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under a Retiree Medical Plan but are no longer considered by Medicare to be in "current employment status," and if you, your covered spouse or your other covered dependents are Medicare-eligible, then Medicare will generally be treated by the Retiree Medical Plan as the primary payor for the covered person who is Medicare-eligible, regardless of the covered person's age and, except for Medicare Part D prescription drug coverage, regardless of whether he or she has enrolled in Medicare or any part thereof. If your covered spouse or other covered dependent is not Medicare-eligible, the Retiree Medical Plan will be treated as the primary payor with respect to such person's benefits.

Please Note:

End-Stage Renal Disease. If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan continue to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

If a covered person is eligible for, but not enrolled in, Medicare benefits, the Retiree Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction

will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are eligible for, but not enrolled in, Medicare Part B, and you incur a claim that would be payable in whole or in part by Medicare Part B, the Retiree Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

Please Note:

Late Enrollment Penalties for Medicare Parts B and D. If you are eligible for Medicare by reason of age or disability, are no longer in current employment status for purposes of Medicare, and do not enroll in Medicare Part B or Medicare Part D during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. For more information concerning Medicare late enrollment penalties, see the Medicare & You publication at https://www.medicare.gov/medicare-and-you or contact your local Social Security Administration office.

You are responsible for notifying the Claims Administrator if you, your spouse or your other dependents become Medicare-eligible.

Please Note:

If you are covered under a Retiree Medical Plan and you, your covered Spouse or your other covered dependents become eligible for Medicare on account of age or receipt of Social Security disability benefits, it is important that you contact the Benefits Source to ensure it has this information, as it may impact how your NiSource medical benefits are processed through coordination with Medicare. You may contact the Benefits Source at **1-888-640-3320**.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Pre-65 Retiree Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide certain claims and appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each benefit plan section, or SPD, in this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the benefit plans, please see below or the individual benefit plan sections, or SPDs, in this Handbook. Any claim relating to whether you meet the requirements for eligibility under the terms of an applicable benefit plan should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for such plan.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various benefit plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a benefit plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable benefit plan. If you decide to take legal action, you must do so before the deadline, if any, specified in the applicable individual benefit plan section of the Handbook.

Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan

The claim determination and appeal process described below applies to the Pre-65 Retiree Medical Plan. The term "Plan" as used in this section refers to the Pre-65 Retiree Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Pre-65 Retiree Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for

eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Pre-65 Retiree Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Pre-65 Retiree Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your

condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement

describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;
- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Pre-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any

deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and

your right to obtain information about such procedures; and

- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to request a voluntary second-level internal appeal under the Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Pre-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or

considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;
- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be

informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective review, were covered under the Plan at the time the health care item or service was provided;
- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional

information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the criteria are inconsistent with the terms of the Plan or with applicable law;
- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-

based standards that were relied on in making its decision;

- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Post-65 Retiree Medical Plan

The claim determination and appeal process described below applies to the Post-65 Retiree Medical Plan. The term "Plan," as used in this section, refers to the Post-65 Retiree Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Pre-65 Retiree Medical Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Post-65 Retiree Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

If You Have Questions

If you have a question or concern regarding a benefit determination, contact the Claims Administrator or the Benefits Source Participant Advocacy service through the Benefits Source toll-free number (**1-888-640-3320**) for more information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Post-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include your name, the covered person's name and date of birth, the name of the provider of services, the name of your employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents,

records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes an adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Post-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include your name, the covered person's name and date of birth, the name of the provider of services, the name of your employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Retiree Life Insurance Plan

The claim determination and appeal process described below applies to the Retiree Life Insurance Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accidental dismemberment benefits or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of

coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without

regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,

- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for

making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than

three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Pre-65 Retiree Medical Plan and under the Post-65 Retiree Medical Plan (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."* COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, and (ii) the date for making COBRA premium payments.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your spouse (if he or she is treated as a spouse under the Internal Revenue Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. These costs are subject to change.

You must elect COBRA during your COBRA election period. Your COBRA election period begins on the date of your qualifying event and ends on the date that is 60 days after the later of (i) the date coverage would have stopped due to the qualifying event, or (ii) the date the qualified beneficiary is sent notice of the right to continue coverage under COBRA.

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial

premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

Your spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

With respect to coverage under a Plan for Retirees, sometimes the filing a proceeding in bankruptcy under Title 11 of the United States Code can be a qualifying event. If a proceeding in bankruptcy is filed with respect to NiSource or one of its affiliates, and that bankruptcy results in your loss of coverage under the Plan, you will become a qualified beneficiary with respect to the bankruptcy. Your spouse, surviving spouse, and dependent children will also become qualified beneficiaries if they were covered under the Plan on the day immediately preceding the commencement of the bankruptcy proceeding and the proceeding resulted in their loss of coverage.

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is your death, the commencement of a proceeding in bankruptcy with respect to your employer (in the case of loss of retiree coverage), or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the website mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your spouse, and parents may elect COBRA continuation coverage on behalf of their children.

COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal

separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months.

When the qualifying event is an employer's bankruptcy, COBRA continuation coverage for you ends upon your death and coverage for a qualified beneficiary who is your spouse or dependent child ends on the earlier of the date of the qualified beneficiary's death or three years after your death.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above, COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in a Plan cease to provide any group health plan or coverage to any employee.
- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" provisions set forth below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Pre-65 Retiree Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at **dol.gov/ebsa** (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Retiree's death within 30 days preceding, or at any time on or after, May 1, 2010, if COBRA continuation coverage under a Retiree Medical Plan has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Retiree's surviving dependents who are covered under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan on the date of that Retiree's

death, then coverage for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Retiree's surviving spouse dies, (ii) the last day of the month in which the Retiree's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Pre-65 Retiree Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer from whom the Retiree retired from employment ceases to be a "related employer," as defined in the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan.

If medical coverage under the NiSource Consolidated Flex Medical Plan ends for an active employee's dependent because of such employee's death within thirty days preceding, or at any time on or after May 1, 2010, and if such employee would have satisfied the conditions for being a Retiree had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the NiSource Consolidated Flex Medical Plan at the time of the employee's death, the employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and be a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Pre-65 Retiree Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Pre-65 Retiree Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Post-65 Retiree Medical Plan.

If survivor coverage under the Pre-65 Retiree Medical Plan will end for a surviving dependent solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage. Notwithstanding the preceding sentence, if coverage for a surviving dependent is terminated during a Plan Year for failure to pay required contributions for coverage, the dependent may apply to the NiSource Benefits Department during the same Plan Year to reinstate coverage retroactive to the date of termination. The dependent's application must be in writing and must describe the extenuating circumstances that resulted in his or her missed payment. The Benefits Department, in its sole and absolute discretion, will determine whether there are sufficient grounds for reinstating coverage. If the Benefits Department makes a favorable determination, the dependent must repay any missed premiums before the end of the Plan Year and before coverage will be reinstated.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to a Sickness or Injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the Sickness or Injury;
- The insurer or other indemnifier of the party or parties who caused the Sickness or Injury;
- A guarantor of the party or parties who caused the Sickness or Injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the covered person's Sickness or Injury.

Benefits may also be payable under the applicable benefit plan in relation to the Sickness or Injury. When this happens, the applicable benefit plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable benefit plan any rights he or she may have to take legal action arising from the Sickness or Injury so that the applicable benefit plan may recover any sums paid under such benefit plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable benefit plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable benefit plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable benefit plan in asserting its subrogation and recovery rights. No covered person shall take any action to prejudice the applicable benefit plan's subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable benefit plan, provide all information and sign and return all documents or agreements deemed necessary or desirable by the benefit plan for it to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements or to cooperate fully with the applicable benefit plan in asserting its subrogation and recovery rights does not preclude the benefit plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the benefit plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable benefit plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable benefit plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable benefit plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable benefit plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable benefit plan to the extent of the benefit plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable benefit plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable benefit plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable benefit plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust for the benefit of the plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable benefit plan for the Sickness or Injury, plus the amount of all future benefits that may become payable under the applicable benefit plan that result from the Sickness or Injury. The applicable benefit plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or

- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable benefit plan for any benefits that arise from the Sickness or Injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable benefit plan for the amount of the benefits paid under that benefit plan; and
- The applicable benefit plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable benefit plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable benefit plan's attorney fees and court costs, are the responsibility of the covered person, not the benefit plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the benefit plan, and as a condition of participating in the benefit plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The Retiree;
- The Retiree's covered dependent;
- The estate of any covered person; or
- Any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable benefit plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the benefit plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the Retiree or a covered dependent, the Retiree or any other person or organization that received the payment must refund the applicable benefit plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the benefit plan; or
- Was paid by a source other than the benefit plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the benefit plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the benefit plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an In-Network Provider rather than an Out-of-Network Provider. For the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

HIPAA Nondiscrimination

Notwithstanding any other provision of this Handbook, to the extent a group health plan subject to HIPAA's nondiscrimination rules generally provides benefits for a type of injury, benefits otherwise provided for treatment of the injury will not be denied if the injury results from an act of domestic violence or a medical condition (including both physical and mental health conditions).

Employment Rights Not Guaranteed

Your participation in the Program or any benefit plan does not ensure you of continued (or renewed) employment with the Company or any Employer. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the benefit plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of

the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the benefit plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the benefit plans or adopt amendments to, or guidelines with respect to the administration of, the benefit plans, and may take such other actions with respect to the benefit plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the benefit plans or the participants thereunder. The Committee reserves the right to terminate any benefit plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each benefit plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the benefit plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the benefit plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the benefit plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the benefit plans and construe the benefit plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Internal Revenue Code with respect to the benefit plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the benefit plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the benefit plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of benefit plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the benefit plans;
- Make claims determinations under the benefit plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the benefit plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the benefit plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though a Retiree may receive

a benefit check from a Claims Administrator, the Company, a participating employer or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to benefit plans, or portions thereof, that are self-insured. The self-insured portions of benefit plans are funded from the general assets of the Company or a participating employer or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured benefit plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each benefit plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a benefit plan maintained by NiSource Inc., you are entitled to certain rights and protections under ERISA. ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the benefit plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the benefit plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the benefit plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the benefit plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the benefit plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the benefit plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for benefit plan participants, ERISA imposes duties upon the people who are responsible for the operation of the benefit plan. The people who operate the benefit plan, called "fiduciaries" of the benefit plan, have a duty to do so prudently and in the interest of the employee and other benefit plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of benefit plan documents or the latest annual report from the benefit plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials,

unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the benefit plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that benefit plan fiduciaries misuse the benefit plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the benefit plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Consolidated Flex Medical Plan

Pre-65 Retiree Medical Plan

Covering Eligible Pre-65 Retirees
and/or Eligible Dependents Under Age 65

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Pre-65 Retiree Medical Plan Options

This is the SPD (the "Pre-65 Retiree Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Pre-65 Retiree Medical Plan. In this Pre-65 Retiree Medical Plan SPD, the Pre-65 Retiree Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible Pre-65 Retirees and their eligible dependents, as well as eligible dependents of Post-65 Retirees who are covered under the Post-65 Retiree Medical Plan, with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Pre-65 Retiree Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA), although as a Pre-65 Retiree you may not contribute to an HSA through the Company. The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all fifty states. Please visit the map at **livehealthonline.com** for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth

Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions** under the How it Works tab. If you still have questions, you can email customersupport@livehealthonline.com or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your

HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Pre-65 Retiree Medical Plan, please see the *"Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Contributions

The Employer and Retiree will contribute to the cost of the Plan in an amount determined on an annual basis. Please see the subsection of the **Benefits Program Overview** entitled *"Defined Dollar Subsidy for Retiree Medical Coverage"* for a discussion of a subsidy that may be available to reduce the cost of your coverage. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;

- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	Out-of-Network
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered member generally must satisfy the "individual" covered member deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered member may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered members within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered member must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible.

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$3,000	$6,000	$5,000	$10,000
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the

Plan for which clams are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or
- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at **anthem.com**.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the Pharmacy Benefits Manager (PBM) for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Pre-65 Retiree Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

  (1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

  (2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

  (3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

  (4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Pre-65 Retiree Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers, distributors, and/or similar vendors, which may be related to certain prescription drug purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HD PPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Pre-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 30.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide

by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and
  - Prescribed medications (Outpatient prescription drug services are covered under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).
- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and

  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;
  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam and one hearing aid per ear during a two calendar-year period; and
- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:

- — Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
- — Occupational therapy;
- — Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;
- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - — X-rays;
  - — Radium treatments;
  - — Microscopic tests; and
  - — Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended

preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance, when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;

  — Alcohol misuse: screening and counseling

  — Blood pressure screening in adults;

  — BRCA risk assessment and genetic counseling/testing;

  — Breast cancer preventive medications;

  — Breast cancer screening;

  — Cervical cancer screening;

  — Colorectal cancer screening;

  — Diabetes screening;

  — Lung cancer screening;

  — Obesity screening and counseling: adults and children;

  — Osteoporosis screening: women;

  See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific

recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

- Diphtheria;
- Hepatitis A;
- Hepatitis B;
- Herpes Zoster;
- Human Papillomavirus;
- Influenza (flu shot)
- Measles
- Meningococcal;
- Mumps;
- Pertussis;
- Pneumococcal;
- Rubella;
- Tetanus;
- Varicella (chickenpox).

The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

See the following website for additional information:
https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Well-woman visits;

  — Counseling and screening for human immune-deficiency virus;

  — Human papillomavirus testing;

  — Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);

  — Screening for gestational diabetes;

  — Screening and counseling for interpersonal and domestic violence;

  — Counseling for sexually transmitted infections;

  — Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information:
http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain covered services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office

visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants

- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);
  - Inpatient pediatrician visits; and
  - Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Retiree-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website mysourceforhr.com and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

> **Please Note:**
>
> If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims

Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;
  - Medically necessary services, supplies, and medications.
- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:
  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in

maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

- Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
- Inpatient covered hospital services related to the transplant procedure.
- Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).
- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a

patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320.**

Medical Expenses Not Covered

Expenses Not Covered Under Pre-65 Retiree Medical Plan

The medical expenses **not** covered under the Pre-65 Retiree Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;
- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation.

Such programs include, but are not limited to, school speech and reading programs;

- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;
- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence

of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;

- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;
- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person’s family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person’s personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;

- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or astigmatism or any other correction of vision due to a refractive problem; and
- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

Prescription drug coverage under the PPO coverage option shall be subject to quantity limit and dose optimization programs. For certain prescription drugs, (i) the quantity limit program limits the amount of medicine that is covered by the Plan for a certain length of time, and (ii) the dose optimization program generally identifies covered persons receiving multiple doses of lower strength medications and, where clinically appropriate, optimizes or consolidates the regimen to a single dose of a higher strength medication. With respect to certain prescription drugs, the dose optimization program may also help ensure that as higher dosages of a given medication are prescribed, the covered person takes a single dose at the higher strength.

The PPO coverage option utilizes a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a prescribed brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable co-pay or co-insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Pre-65 Retiree Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service

representative. You may also log on to the Anthem website at anthem.com.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	Plan Pays	You Pay*	Plan Pays	You Pay*
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:		Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications	

*You either pay a percentage of the drug's cost (co-insurance), or a set co-pay amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum co-pay," you pay the minimum co-pay amount. If your percentage of the cost results in an amount that is **greater than** the "maximum co-pay," you pay up to the maximum co-pay amount. For the PPO Coverage Option, if you request that a brand-name drug be dispensed instead of its generic substitute, you may be responsible for paying the difference between the cost of the brand-name drug and the generic substitute, in addition to the applicable co-pay or co-insurance.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a prescribed brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your physician request that the brand-name drug be dispensed, you will be responsible for the applicable co-insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and

- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website anthem.com or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		**MAIL ORDER**		**NINETY-DAY SUPPLY AT RETAIL**	
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	RETAIL PHARMACY		**MAIL ORDER**		**NINETY-DAY SUPPLY AT RETAIL**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if you or your physician request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable co-insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

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Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

Please Note: Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Pre-65 Retiree Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life Services"* sections of this Pre-65 Retiree Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit

allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law , with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

As a Pre-65 Retiree, you cannot continue to make contributions by means of payroll deduction to the health savings account ("HSA") you established through the Company. However you may continue to contribute to your HSA outside of payroll deduction (or to another health savings account you establish) until you attain age 65, provided you are enrolled in the HDPPO 1 or HDPPO 2 options or other eligible high deductible coverage and you are otherwise eligible under Federal law to contribute to such an account.

If you previously contributed to an HSA through the Company by means of payroll deduction, your HSA contributions made through payroll deduction as well as the Company's contributions to your HSA will stop when you retire. Your account balance goes with you, however, and continues to earn interest. You may continue to use your HSA to pay for future medical expenses during retirement. However, you will be responsible for paying any monthly fees related to the administration of your account. Upon your retirement, your HSA will be converted to a new direct account in your name, and you will receive a new debit card you can use to pay for eligible expenses.

Contact the HSA custodian, UMB, directly at 1-866-520-4472 if you have any questions about your HSA or your debit card after you retire.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)*" information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of Retiree;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your benefit plan ID card.

- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Pre-65 Retiree Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the participating employers, through participant contributions and other benefit funding vehicles that may be established from time to time.
Contribution Source:	Retiree and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the benefit plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of benefit plan coverage cost will be paid by the participating employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. Benefits will be paid under a benefit plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891

Address for Claims Appeals:

Anthem Blue Cross and Blue Shield
P.O. Box 105568
Atlanta, GA 30348

Address for Mail Order Prescription Drugs:

Anthem Blue Cross and Blue Shield
Home Delivery Service
P.O. Box 94467
Palatine, IL 60094-4467
1-800-228-2891 (mail order)

Claims Administrator for EAP:

Beacon Health Options
P.O. Box 1850
Hicksville, NY 11802-1850
achievesolutions.net
1-800-946-5360

Agent for Service of Legal Process:

Manager, Benefits Accounting & Compliance
801 East 86th Avenue
Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Post-65 Retiree Medical Plan

For Eligible Post-65 Retirees
and/or Eligible Dependents Age 65 and Over

Your Post-65 Retiree Medical Plan Coverage

This is the SPD (the "Post-65 Retiree Medical SPD") for the NiSource Post-65 Retiree Medical Plan, also referred to as the Post-65 Retiree Medical Plan. In this Post-65 Retiree Medical Plan SPD, the Post-65 Retiree Medical Plan is sometimes referred to as the "Plan."

The following is a description of your coverage under the NiSource Post-65 Retiree Medical Plan. This Plan is designed to supplement your coverage under Medicare.

Eligibility

For information regarding eligibility under the Post-65 Retiree Medical Plan, please see the *"Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Post-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Contributions

Retired employees contribute to the cost of the Plan according to the arrangement in place at the time of retirement. Those covered persons continuing their coverage under COBRA shall contribute an amount required under COBRA. For further information about COBRA see the *COBRA* information in this section of this Handbook. For a discussion of a subsidy that may be available to reduce the cost of your coverage, please see the subsection of the **Benefits Program Overview** entitled *"Defined Dollar Subsidy for Retiree Medical Coverage"*.

Medicare Part B Reimbursement

Eligible Retirees are entitled to a reimbursement of a portion of the cost of their Medicare Part B premium, in an amount determined by the Plan Administrator. To obtain the reimbursement, you do not have to enroll in the MAP Option, the MAP-Med Only Option or the Medicare Supplement Option. However, you must first provide certain information to the Plan Administrator. Your reimbursement will begin on the first day of the month following the Plan Administrator's receipt of all required information; provided that if you submit all required information and satisfy all other requirements within 60 days of the effective date of your enrollment in Medicare Part B, your reimbursement will begin effective as of the date of your Medicare Part B enrollment. For more information and for details on how to obtain the reimbursement, please call the Benefits Source at **1-888-640-3320**.

The Committee reserves the right to terminate, change or modify the Medicare Part B reimbursement at any time without your consent and without advance notice.

ID Card

For information concerning identification cards for the Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Highlights of the MAP Option

The MAP Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The MAP Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 36.

The following is a brief summary of benefits under the MAP Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for MAP Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 041

Feature	
MAP Deductible	• **Medicare Part A Services:** All services considered under Medicare Part A are subject to your payment of a $100 deductible. • **Medicare Part B Services:** All services considered under Medicare Part B are subject to your payment of a $100 deductible.
Lifetime maximum	• The total maximum benefit payable under the MAP Option and the MAP-Med Only Option, separately and collectively, with respect to each covered person during such person's lifetime shall not exceed $50,000. Once a person's lifetime maximum of $50,000 is met, no additional claims will be paid under the Post-65 Retiree Medical Plan. It is your responsibility to monitor your lifetime maximum balance. Contact Anthem to obtain your lifetime maximum balance.

Feature/Service	Plan Pays
Physician Services	
Office visit – primary care and specialist	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Routine gynecological exams; routine annual mammogram; routine annual Pap smear test; routine flexible sigmoidoscopy; and routine prostate cancer screening	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests and laboratory tests	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Outpatient Services	
Surgery	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays 80% of charges not covered by Medicare due to Medicare day maximum being exhausted, after Covered Person's payment of the MAP Deductible, • Contact Anthem for specific benefit details
Inpatient days covered by Medicare	• Inpatient days covered by Medicare (including the inpatient deductible for inpatient days covered by Medicare) are not covered or payable under the Plan. Without limiting the generality of the foregoing, inpatient facility charges and skilled nursing facility charges covered by Medicare are not covered by the Plan.
Transplant Services	
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. The Plan shall provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when the Covered Person obtains prior approval and is required to travel more than 100 miles from his or her residence to reach the Hospital where the covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the Hospital and lodging for the patient and one companion. Benefits for lodging are limited to $75.00 per day. Travel expenses and lodging expenses, on a combined basis, are limited to $20,000. To obtain reimbursement, the Covered Person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator.
Prescription Drugs	**Retail Pharmacy** • Generic drugs: Plan pays 80% of the drug cost; you pay 20% ($5 minimum/$15 maximum copay) • Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($15 minimum/$45 maximum copay)

Feature/Service	Plan Pays
	• Non-Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($30 minimum/$90 maximum copay) **Mail Order (90-day supply)** • Generic drugs: You pay $10 • Formulary drugs: You pay $30 • Non-Formulary drugs: You pay $60 **Ninety-Day Supply at Retail** • Generic drugs: Plan pays 80% of the drug cost; you pay 20% ($15 minimum/$45 maximum copay) • Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($45 minimum/$135 maximum copay) • Non-Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($90 minimum/$270 maximum copay) "Generic" means drugs no longer covered by the original patent. "Formulary" means a list of approved drugs covered under the prescription drug plan. "Non-formulary" means drugs not chosen for the Formulary, which do not qualify as Generic. • Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost for many prescription drugs for Medicare-eligible participants. The prescription drug coverage under your NiSource Post-65 Retiree Medical Plan is generally better coverage than coverage under Medicare. **Note:** You cannot be enrolled in both Medicare Part D prescription drug coverage and prescription drug coverage under the NiSource Post-65 Retiree Medical Plan. • The out-of-pocket expense limitation on prescription drugs is $750 per covered person per calendar year. • Contact Anthem for specific benefit details,

Feature/Service	Plan Pays
	including prescriptions drugs that may be covered under the MAP Option.
Mental Health Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Other Services	
Durable medical equipment	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Vision benefits (one routine vision exam and refraction per year)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details

Highlights of the MAP-Med Only Option

The MAP-Med Only Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The MAP-Med Only Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 36.

The following is a brief summary of benefits under the MAP-Med Only Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for MAP-Med Only Option	
Plan Profile For more information, call Member services	 1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 056

MAP Deductible	• **Medicare Part A Services:** All services considered under Medicare Part A are subject to your payment of a $100 deductible. • **Medicare Part B Services:** All services considered under Medicare Part B are subject to your payment of a $100 deductible.
Lifetime maximum	• The total maximum benefit payable under the MAP Option and the MAP-Med Only Option, separately and collectively, with respect to each covered person during such person's lifetime shall not exceed $50,000. Once a person's lifetime maximum of $50,000 is met, no additional claims will be paid under the Post-65 Retiree Medical Plan. It is your responsibility to monitor your lifetime maximum balance. Contact Anthem to obtain your lifetime maximum balance.

Feature/Service	Plan Pays
Physician Services	
Office visit – primary care and specialist	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Routine gynecological exams; routine annual mammogram; routine annual Pap smear test; routine flexible sigmoidoscopy; and routine prostate cancer screening	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests and laboratory tests	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Outpatient Services	
Surgery	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays 80% of charges not covered by Medicare due to Medicare day maximum being exhausted, after Covered Person's payment of the MAP Deductible, • Contact Anthem for specific benefit details
Inpatient days covered by Medicare	• Inpatient days covered by Medicare (including the inpatient deductible for inpatient days covered by Medicare) are not covered or payable under the Plan. Without limiting the generality of the foregoing, inpatient facility charges and skilled nursing facility charges covered by Medicare are not covered by the Plan.
Transplant Services	
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. The Plan shall provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when the Covered Person obtains prior approval and is required to travel more than 100 miles from his or her residence to reach the Hospital where the covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the Hospital and lodging for the patient and one companion. Benefits for lodging are limited to $75.00 per day. Travel expenses and lodging expenses, on a combined basis, are limited to $20,000. To obtain reimbursement, the Covered Person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator.

Feature/Service	Plan Pays
Prescription Drugs*	• Not applicable
Mental Health Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Other Services	
Durable medical equipment	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Vision benefits (routine screenings are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details

*Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost of many prescription drugs for Medicare-eligible participants. You may want to consider enrolling in Medicare Part D to receive prescription drug benefits through Medicare. If you are eligible for coverage under Medicare Part D and do not enroll during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. **Note:** The MAP Option offers prescription drug coverage. Once you enroll in the MAP-Med Only Option, you may not later enroll in the MAP Option. See *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* in the **Benefits Program Overview** for more information. You cannot be enrolled in both Medicare Part D prescription drug coverage and prescription drug coverage under the MAP Option.

Highlights of the Medicare Supplement Option

The Medicare Supplement Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The Medicare Supplement Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 36.

The following is a brief summary of benefits under the Medicare Supplement Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for Medicare Supplement Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 005

Feature	
Deductible	• **Medicare Part A Services:** The Plan pays the Part A deductible, except for lifetime reserve days. • **Medicare Part B Services:** The Plan pays one hundred percent of the annual Medicare Part B deductible.

Feature/Service	**Plan Pays**
Physician Services	
Office visit – primary care and specialist	• Plan pays the Medicare deductible and up to 20% of Medicare approved charges for which Medicare pays 80%.

Feature/Service	Plan Pays
	• Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Flu, pneumonia and hepatitis B shots; routine gynecological exams (once every 24 months); routine annual mammogram; routine Pap smear test (once every 24 months); routine flexible sigmoidoscopy (once every 48 months); and routine prostate cancer screening (once every 12 months)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Laboratory tests	• Not covered
Outpatient Services	
Surgery	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays Medicare Part A deductible and 100% of charges not paid by Medicare from days 61-90 of confinement

Feature/Service	Plan Pays
	• Contact Anthem for specific benefit details
X-ray and laboratory services	• Plan pays Medicare Part A deductible • Contact Anthem for specific benefit details
Surgical Services Above Those Covered by Medicare	• 80% of Maximum Allowed Amount[3], after a $50 deductible per year, up to a maximum of $10,000 per year.
Prescription Drugs*	• 100% co-pay • Contact Anthem for specific benefit details
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. Meals are not covered. • Contact Anthem for specific benefit details
Skilled Nursing Facility	• 12.5% of the Medicare inpatient hospital deductible for room and board charges from day 21 to day 100 for a skilled nursing facility confinement in a facility approved by Medicare. • Contact Anthem for specific benefit details
Mental Health Services	
Inpatient treatment	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays Medicare deductible and up to 80% of Medicare-approved charges not paid by Medicare • Contact Anthem for specific benefit details

[3] "Maximum Allowed Amount" has the same meaning as the term used in the Pre-65 Retiree Medical Plan SPD. For the definition of the term, see the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount" and substitute the term "Post-65 Retiree Medical Plan" wherever the term "Plan" appears.

Feature/Service	Plan Pays
Substance Use Disorder Services	
Inpatient treatment	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Detoxification	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays Medicare deductible and up to 80% of Medicare-approved charges not paid by Medicare • Contact Anthem for specific benefit details
Other Services	
Durable medical equipment	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Vision benefits (diagnostic vision exams only)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details

* Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost for many prescription drugs for Medicare-eligible participants.

Medical Expenses Not Covered

Without limiting the generality of the foregoing, the medical expenses **not** covered under the Post-65 Retiree Medical Plan include, but may not be limited to those medical expenses that would not be covered by Medicare, charges that a covered person is not legally required to pay and charges that would not have been made if the Plan had not existed, and charges incurred prior to the effective date of coverage, or after the termination date of coverage.

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How to File a Claim

Since the Post-65 Retiree Medical Plan is designed to supplement your coverage under Medicare, Medicare is your primary carrier. That means that, as a general rule, your expenses must be submitted to Medicare before they are submitted to the Post-65 Retiree Medical Plan for payment.

Medical expenses are usually submitted to Medicare directly by the provider. However, it is your responsibility to submit your claim to the Plan's Claim Administrator for benefit payments under the Post-65 Retiree Medical Plan.

Some providers, however, may submit your expenses to both Medicare and the Plan for payment. In that event, you would not need to submit any additional claim forms. Please ask your provider whether your claim filing will be submitted to Anthem for your Medicare Supplement benefit payments.

In the event you must submit a claim form to Anthem for your benefit payment, that claim form may be obtained by calling Anthem at the number listed on the back of your ID card. Your Medicare Explanation of Benefits (EOB) must be included when filing a claim with Anthem. If you have any questions relating to your claim filing process, you can call Anthem at the number listed on the back of your ID card. Claim forms should be submitted to:

Anthem Blue Cross and Blue Shield
P.O. Box 105187
Atlanta, GA 30348
anthem.com
1-800-228-2891

Please note that it is essential that you include the Medicare Explanation of Benefits form with your claim form because the Plan's benefits are computed on the basis of what Medicare approved as eligible expense.

Retain copies of all bills and Medicare correspondence for your records.

Below is a list of details that are often erroneously omitted from claim forms. Please refer to it when completing your claim form so you can make sure your claim form is complete.

1. Age and relationship of dependent
2. Physician's statement showing place, date and charge for treatment.
3. Itemized X-ray and laboratory bills showing date, charge and type of examination.
4. Full statement as to how, when and where injury occurred.

No cancelled checks, receipts or summaries of balances due are acceptable as evidence of expense incurred—only itemized statements accompanied by a Medicare Explanation of Benefits form are acceptable. Furthermore, a separate claim form must be completed by you and your physician for each sickness or injury. However, in case of chronic illnesses such as allergies or hypertension, you only must submit one physician's statement each calendar year.

One additional point to keep in mind is that the MAP-Med Only Option and the Medicare Supplement Option do not cover prescription drug expenses.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law , with a 25% discount if the attorney is retained.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan."*

Continuation of Coverage

For information regarding continuation of coverage under the Post-65 Retiree Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

General Program Information

Program Name:	NiSource Post-65 Retiree Medical Plan
Benefit Plan Name:	MAP Option, MAP-Med Only Option and Medicare Supplement Option
Type of Plan:	Group Health Plan
Plan Number:	538
Type of Funding:	Self Funded. Benefits under the Plan are funded through the general assets of the participating employers, through participant contributions and other benefit funding vehicles that may be established from time to time.
Contribution Source:	Retiree and Employer
Plan Sponsor:	NiSource Inc.
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants may be required to contribute toward the cost of the benefit plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of benefit plan coverage cost will be paid by the participating employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. Benefits will be paid under a benefit plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator For Medical, Mental Health and Substance Use Disorders and PBM for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348

Address for Mail Order Prescription Drugs:

Anthem Blue Cross and Blue Shield
Home Delivery Service
P.O. Box 94467
Palatine, IL 60094-4467
1-800-228-2891 (mail order)

Claims Administrator for EAP:

Beacon Health Options
P.O. Box 1850
Hicksville, NY 11802-1850
achievesolutions.net
1-800-946-5360

Agent for Service of Legal Process:

Manager, Benefits Accounting & Compliance
801 East 86th Avenue
Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Retiree Life Insurance Plan

Retiree Term Life Coverage -Basic Plan
Retiree Supplemental AD&D Coverage
Dependents AD&D Coverage

Your Retiree Life Insurance and AD&D Options

This is the SPD (the "Retiree Life Insurance SPD") for the NiSource Life Insurance Plan, also referred to as the Retiree Life Insurance Plan. In this Retiree Life Insurance SPD, the Retiree Life Insurance Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible Retirees with the following coverage options (each a "Coverage Option"):

- Basic Retiree Term Life Coverage Option;
- Supplemental Retiree AD&D Coverage Option; and
- Dependents AD&D Coverage Option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this Retiree Life Insurance SPD, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Retiree Life Insurance SPD.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

The Plan provides (i) life insurance and, if elected, AD&D coverage on the persons of eligible Retirees, and (ii) AD&D coverage, if elected on the persons of your "eligible dependents".

Eligibility

For information regarding eligibility under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Retiree Life Insurance Plan."*

*Information regarding eligibility can be accessed through the website mysourceforhr.com or by calling the Benefits Source at **1-888-640-3320** to speak to a service representative.*

Enrollment

For information regarding enrollment under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Retiree Life Insurance Plan."*

Contributions

Premium contributions are not required for the Basic Retiree Term Life Coverage Option. However, if you elect any of the AD&D Coverage Options, you will contribute to the cost of such coverage. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at **1-888-640-3320**.*

When Coverage Begins and Ends

For information regarding when coverage begins and ends under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Retiree Life Insurance Plan"*.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under the Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at 1-888-640-3320. Securian has prepared information about the modes of settlement that are available. For further

information, contact the Benefits Source at 1-888-640-3320.

The Group Insurance Certificate also contains rules regarding the assignment of your insurance under a Coverage Option. Refer to the Group Insurance Certificate for the terms and conditions under which such assignments may be made.

Basic Retiree Term Life Coverage

The Basic Retiree Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in the amount of $10,000. There is no cash value associated with, or attributable to, the Basic Retiree Term Life Coverage Option.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law. For more information, see the *"Claims Determination and Appeal Process – Life Insurance Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 39.

Payment of Death Benefits under Life Coverage

If you die while covered under the Plan, the amount of insurance on you is payable when Securian's home office receives written proof satisfactory to it that you died while covered under the Plan and insured under the Group Insurance Certificate. If you die within 31 days after ceasing to be covered under the Plan, but while you are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Retiree Term Life Coverage Option are payable according to Securian's beneficiary and mode of settlement rules.

Conversion Privilege for Life Coverage

If all or a part of your Retiree Term Life Insurance terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by the life insurance company for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features"* below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Supplemental Retiree AD&D Coverage Option

Subject to eligibility and enrollment requirements described above, you may enroll for supplemental retiree AD&D coverage in any multiple of $10,000 up to a maximum of $50,000.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law. For more information, see the *"Claims Determination and Appeal Process – Life Insurance Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 39.

Dependents AD&D Coverage Option

You may enroll for AD&D coverage on each of your "eligible dependents" in an amount equal to a percentage of your Supplemental Retiree AD&D Coverage, as set forth below:

Eligible dependents	Amount of Insurance on each Eligible Dependent (as % of Retiree AD&D Coverage)
Spouse (with children)	50% on spouse
Spouse (no children)	60% on spouse
Each child	10% on each child

Additional AD&D Coverage

The Plan provides additional benefits under Supplemental Retiree and Dependents AD&D Coverage for a person's loss of life as a result of a covered accident in an automobile while using a seat belt or as a result of an accident in an automobile while using an air bag. The additional benefits are both in an amount equal to 10% of the amount payable due to the death or dismemberment. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; speech and hearing; one hand and one foot; one foot and sight of one eye; one hand and sight of one eye; quadriplegia	100%
Paraplegia	75%
Sight of one eye; speech; hearing; one hand; one foot; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by

artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

A benefit is not payable for both loss of thumb and index finger of one hand and the loss of one hand for injury to the same hand as a result of any one accident.

Benefits may be paid for more than one accidental injury, but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A loss is not covered if it results from or is caused directly or indirectly by any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted injuries, or any attempt to inflict such injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit a felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Portability of AD&D Coverage

If AD&D Coverage ceases, you may have the right to apply for coverage for yourself or for your "eligible dependent," as the case may be, under a Portability Plan maintained by the life insurance company. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Contract would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue Dependents AD&D Coverage, you must port your Retiree Supplemental AD&D Insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Your Eligibility for Portability Coverage

You and your eligible dependents are eligible to continue your Retiree Supplemental AD&D

Coverage and Dependents AD&D Coverage under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you are no longer in a class eligible for coverage; or

(2) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by the life insurance company or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) lose eligibility due to termination of the Plan or Group Contract.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date.

When an insured attains age 65, the amount of insurance continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000. This minimum does not apply to an eligible dependent.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Continuation of Portability Coverage After Termination of Group Contract

Termination of the Group Contract will not terminate insurance then in force for any person with portability status. The Group Contract will be deemed to remain in force solely for the purpose of continuing such insurance, but without the obligation of the Company.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) in the case of your dependent child or a spouse who is covered under the Plan, the date your coverage is no longer being continued under the Portability Plan or the date your spouse or child ceases to be eligible under the Plan; or

(4) 31 days after the due date of any premium contribution which is not made.

See the "*Highlights of Conversion and Portability Features*" below for additional details regarding the portability privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Highlights of Conversion and Portability Features

	Conversion	Portability
Can Basic Retiree Term Life Coverage be converted or ported?	Yes	No
Can AD&D coverage be converted or ported	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No	No
Application Deadline	Application and first month premium due 31 days after your coverage termination.	Application and first month premium due 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 Robert Street North St. Paul, MN 55101-2098	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 Robert Street North St. Paul, MN 55101-2098

Conformity with State Law

If any provision of this Retiree Life Insurance SPD or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should contact the Benefits Source at **1-888-640-3320** to initiate the claims process.

*If you would like to make a claim, please contact the Benefits Source at **1-888-640-3320** and ask to speak to a life specialist.*

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Retiree Life Insurance Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of the NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance benefits
Plan Number:	536
Contribution Source:	Basic Retiree Term Life Insurance: Employer Supplemental Retiree and Dependents AD&D Insurance: Retiree
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 Robert Street North St. Paul, MN 55101-2098
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410 Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this Retiree Life Insurance SPD and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Retirees who were

Former Exempt Full-Time Employees who Retired On or After 2/1/2004 and Before 2/1/2006

or who were

Former Non-Union Non-Exempt Full-Time Employees who were Hired or Rehired Before 1/1/2013 and who Retired On or After 2/1/2004

To: Participant

Re: Eligibility and Enrollment Information

Based on your age and service at your employment end date in connection with the sale of Columbia Gas of MA to Eversource, you are considered a NiSource retiree who is eligible to participate in NiSource's applicable pre-age 65 or post-age 65 retiree medical plans. Also, you are eligible for, and have been enrolled in, retiree life insurance coverage through NiSource.

If you did not elect coverage under the applicable NiSource retiree medical plan(s) in connection with your termination of employment, you can elect retiree medical coverage at each future annual enrollment, with coverage becoming effective date on January 1 of the following year. Also, if you did not elect retiree medical coverage in connection with your termination of employment, you can elect such coverage during the year if you experience a qualified life event that would permit you to add coverage under the terms of the applicable benefit plan.

Further enrollment details are included below in the Handbook.

NiSource Benefits Department

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

The benefit information contained in this Handbook applies to eligible retired employees (A) who were (i) former full-time exempt employees who retired from employment with NiSource Inc. ("NiSource" or the "Company") or a participating employer (the Company and each participating employer, an "Employer") on or after February 1, 2004, and before February 1, 2006, or (ii) former full-time non-union non-exempt employees of an Employer who were hired or rehired before January 1, 2013, and who retired from an Employer on or after February 1, 2004, and (B) who are covered under one or more of the NiSource Life and Medical Benefits Program and the NiSource Post-65 Retiree Medical Plan (collectively, the "Program"), or various component benefit plans of the foregoing. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible retirees as belonging to Retiree Benefit Program 101.

A participating employer with respect to any particular benefit coverage under the Program is an affiliate of the Company that has adopted, or is deemed to have adopted, such benefit coverage, as provided in the plan documents governing such coverage. The NiSource Benefits Committee (the "Committee") has sole discretion to determine who is a participating employer.

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the benefit plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The Committee reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program, or a portion thereof, also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees

Benefit Plans At-a-Glance

NiSource Inc. ("NiSource" or the "Company") offers eligible retired employees and their eligible dependents the following coverages in accordance with the terms of the applicable benefit plan (identified below). *(Details of each benefit plan can be found in the individual benefit plan sections of this Handbook.)*

For eligible retired employees and/or their eligible dependents who are under age 65:

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Pre-65 Retiree Medical Plan")
- Life and Accidental Death and Dismemberment (AD&D) Coverage (NiSource Life Insurance Plan – referred to as the "Retiree Life Insurance Plan")

For eligible retired employees and/or their eligible dependents who are age 65 or over:

- Medical Coverage (MAP Option, MAP-Med Only Option or Medicare Supplement Option under the NiSource Post-65 Retiree Medical Plan – separately and/or collectively referred to as the "Post-65 Retiree Medical Plan")

- Life and Accidental Death and Dismemberment (AD&D) Coverage (NiSource Life Insurance Plan – referred to as the "Retiree Life Insurance Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – Pension and 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Retiree Medical Plans

Unless otherwise defined in the applicable individual benefit plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan (each individually a "Plan" or "Retiree Medical Plan"), the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a benefit plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985

"Code" means the Internal Revenue Code of 1986, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before the Plan will pay benefits.

"Defined Dollar Years of Service" means the total number of Years of Service at retirement, rounded up to the nearest whole number, earned by a Retiree for purposes of benefit accrual (including all service prior to a distribution that causes any prior service to be disregarded) under each defined benefit pension plan maintained by NiSource or an affiliate in which the former employee accrued a benefit, as calculated under the terms of each applicable defined benefit pension plan.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not

Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by Physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount."

"Pre-65 Retiree" means a Retiree who has not attained age 65.

"Post-65 Retiree" means a Retiree who has attained age 65.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be

Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

"Spouse" means a person who is treated as your spouse under the Internal Revenue Code. ***Please Note:*** See "Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for pre-65 retiree medical coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Definitions Applicable to Retiree Medical Plans and Retiree Life Insurance Plan

Unless otherwise defined in the applicable individual benefit plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Retiree Medical Plans and the Retiree Life Insurance Plan, the following terms when used in this Handbook shall have the following meanings:

"Bridged Retiree" means a Retiree who retired from an Employer on and after January 1, 2018, after having attained age 50 and 5 Eligibility Years of Service, if the Employer (A) determines in its discretion that such employee's termination of employment was in connection with the Customer Value Initiative adopted by the Employer or was in connection with a similar program or initiative adopted by the Employer in which it determined to make retiree welfare benefit eligibility available, and (B) enters into a written agreement with such former employee that expressly provides for retiree welfare benefit eligibility, provided that such person's eligibility for benefits under the Plan as a 'Retiree' shall commence no earlier than his or her Retiree Eligibility Date.

"Eligibility Years of Service" means the total number of years of active employment with NiSource or an affiliate that you completed, as calculated as of the date of your retirement and as determined by the Plan Administrator in its sole and absolute discretion.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Retiree" means

(i) a former full-time exempt employee of an Employer, who retired from an Employer on or after February 1, 2004, and before February 1, 2006, in accordance with a plan or procedure adopted by the Employer, after

having attained age 55 and 10 Eligibility Years of Service; or

(ii) a former full-time non-union non-exempt employee of an Employer who was hired or rehired before January 1, 2013, and who retired from an Employer

(x) on or after February 1, 2004, in accordance with a plan or procedure adopted by the Employer, after having attained age 55 and 10 Eligibility Years of Service, or

(y) on or after January 1, 2018, after having attained age 50 and 5 Eligibility Years of Service, if the Employer (A) determines in its discretion that such employee's termination of employment was in connection with the Customer Value Initiative adopted by the Employer or was in connection with a similar program or initiative adopted by the Employer in which it determined to make retiree welfare benefit eligibility available, and (B) enters into a written agreement with such former employee that expressly provides for retiree welfare benefit eligibility, provided that such person's eligibility for benefits under the Plan as a 'Retiree' shall commence no earlier than his or her Retiree Eligibility Date.

Notwithstanding the foregoing, the term "Retiree" shall not include a person the Plan Administrator determines, in its discretion, belongs to a Retiree Benefit Program other than Retiree Benefit Program 101. (Retiree Benefit Programs are groupings, established by the Plan Administrator for recordkeeping purposes, of similarly situated retirees who are entitled to retiree medical benefits or retiree life and AD&D benefits at retirement.)

"Retiree Eligibility Date" means, solely with respect to a Bridged Retiree, the later of (i) the date such Retiree attains age 55, and (ii) the date such Retiree would have attained 10 Eligibility Years of Service had his or her employment not been terminated.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual benefit plan sections of this Handbook)* will be eligible to participate in the benefit plans when and to the extent provided under the applicable benefit plan. Generally, you and your eligible dependents will be eligible to elect to participate in the benefit plans on the later of (i) the date of your retirement, and (ii) your Retiree Eligibility Date.

A Retiree (other than a Safety Plan Rehire) who is rehired by an Employer shall lose eligibility for coverage as a Retiree under the Retiree Medical Plans and the Retiree Life Insurance Plan (and shall not be eligible for such coverage upon his or her subsequent retirement), but may be eligible for coverage under the NiSource Consolidated Flex Medical Plan and the NiSource Life Insurance Plan as an employee, subject to the terms and conditions for employee coverage under those benefit plans.

A "Safety Plan Rehire" is a Retiree who is rehired by Columbia Gas of Ohio, Inc. after January 1, 2019 to support the construction activities associated with regulator station replacement in conjunction with the LP-Enhanced Safety Plan and natural gas system replacement projects. Upon retirement from Columbia Gas of Ohio, Inc., a Safety Plan Rehire shall once more be eligible for retiree medical benefits under the applicable Retiree Medical Plan and shall be treated as a member of the Covered Retiree Group to which he or she belonged immediately prior to being rehired by Columbia Gas of Ohio, Inc. A "Covered Retiree Group" is a group of similarly situated employees that is entitled to retiree medical benefits or retiree life and AD&D benefits at retirement, as determined by the Plan Administrator in its absolute discretion.

Please Note: It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a benefit plan. Any amounts paid by a benefit plan on behalf of a person who is no

longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a benefit plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits and required repayment of any ineligible expenses.* Also, enrollment of a dependent under a benefit plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the plan.

Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Pre-65 Retirees are eligible to participate in the Pre-65 Retiree Medical Plan. Post-65 Retirees are eligible to participate in the Post-65 Retiree Medical Plan. Provided, however, that your eligibility will not commence before your Retiree Eligibility Date.

If you are a Pre-65 Retiree participating in the Pre-65 Retiree Medical Plan or a Post-65 Retiree participating in the Post-65 Retiree Medical Plan, (a) you may cover your eligible dependents under the Pre-65 Retiree Medical Plan if they have not attained age 65, and (b) you may cover your eligible dependents under the Post-65 Retiree Medical Plan if they have attained age 65.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Pre-65 Retiree Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former spouse or your spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated, (3) the child is dependent upon you for financial support and maintenance, (4) you continue to be covered by the Plan, and (5) the child's disability continues;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent (and with respect to the Post-65 Retiree Medical Plan, who is age 65 or older).

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these

determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

*Please refer to the website mysourceforhr.com, or call the Benefits Source at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan.*

Eligibility under the Retiree Life Insurance Plan

As a Retiree, you are eligible to participate in the Retiree Life Insurance Plan. Provided, however, that your eligibility will not commence before your Retiree Eligibility Date. Provided, further, to be eligible for supplemental AD&D coverage for you or your dependents, you must have been enrolled in supplemental AD&D coverage as a full-time employee on your last day of being actively at work.

If you are eligible to participate in the Plan, you may obtain certain coverage for your "eligible dependents." Your "eligible dependents" are:

- Your lawful spouse, provided you are not legally separated; and
- Your unmarried children from live birth to the end of the month in which the unmarried child attains age 26; and

Your "children" include: (1) your natural children, legally adopted children and children placed with you for adoption prior to legal adoption; and (2) each of your stepchildren, foster children, children subject to legal guardianship, grandchildren, and other children who are blood relatives who depend on you for more than fifty percent of their support and maintenance. A child placed with you for adoption prior to legal adoption is considered an eligible dependent from the date of placement for adoption, and is treated as though the child were a newborn child born to you.

Notwithstanding the foregoing, your unmarried children age 26 or older are also eligible if they are physically or mentally incapable of self-support, were incapable of self-support prior to age 26 and are financially dependent on you for more than 50% of their support and maintenance.

Also notwithstanding the foregoing,

(1) Your spouse is not your "eligible dependent" while on active duty in the armed forces of any country; and

(2) Your child is not your "eligible dependent" while (a) on active duty in the armed forces of any country; or (b) insured as an employee under the NiSource Life Insurance Plan or the Northern Indiana Public Service Company Employee Life Insurance Plan.

A child will not be considered the "eligible dependent" of more than one employee or retiree. If this would otherwise be the case, the child will be considered the "eligible dependent" of the employee or retiree named in a written agreement of all such employees or retirees filed with the Company. If there is no written agreement, the child will be considered the "eligible dependent" of:

(1) the employee or retiree who became insured under the Plan with respect to the child while the child was an "eligible dependent" of only that employee or retiree; and otherwise

(2) the employee or retiree who has the longest continuous service with a participating employer, based on the Company's records.

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a benefit plan, and each year during annual enrollment, you have the opportunity to select for you and your eligible dependents, retiree medical coverage and, provided you and your dependents are eligible for such coverage, supplemental AD&D coverage.

You are automatically enrolled for EAP/Work Life/Legal & Financial coverage (even if you elect the No Coverage Option for retiree

medical coverage) upon the date you become eligible for such coverage.

Unless you are a Bridged Retiree, you are automatically enrolled for retiree term life insurance coverage upon the date you become eligible for such coverage. See the subsection below entitled "Enrollment in the Retiree Life Insurance Plan" for special provisions concerning enrollment by Bridged Retirees in retiree life insurance coverage.

To enroll in retiree medical coverage, you must log on to the website mysourceforhr.com or call the Benefits Source at **1-888-640-3320.** To enroll in supplemental AD&D coverage, you must use forms approved by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc. You may obtain enrollment forms by contacting the Benefits Source at **1-888-640-3320.**

Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Provided you meet the eligibility requirements, as described in the "*Eligibility*" section above, you and your eligible dependents can participate in the Pre-65 Retiree Medical Plan and/or Post-65 Retiree Medical Plan, as applicable, if you properly enroll or are deemed to have enrolled.

For the Pre-65 Retiree Medical Plan, if you are a newly eligible retiree, you must enroll yourself and any eligible dependents in retiree medical coverage no later than 31 days after the later of (i) the date of your retirement, and (ii) your Retiree Eligibility Date.

For the Post-65 Retiree Medical Plan, you must enroll yourself and any eligible dependents before 31 days after the later of (i) the date of your retirement, (ii) your Retiree Eligibility Date, and (iii) the date you attain age 65.

In general, once you enroll for (or decline) coverage in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. However, if you experience a qualified life event, you may enroll or change existing coverage during the year. Please see the *"Changing and Continuing Elections"* section of this **Benefits Program Overview** for further details. Also, you may select the "No Coverage" option at any time; however once you select this option, you may select another coverage option only at annual enrollment or in connection with a qualified life event that would permit such change.

With respect to the Post-65 Retiree Medical Plan, you and your eligible dependents may not enroll in the Medicare Supplement Option if at any time you were enrolled in the MAP Option or MAP-Med Only Option. Similarly, you and your eligible dependents may not enroll in the MAP Option or MAP-Med Only Option if at any time you were enrolled in the Medicare Supplement Option. You may change your enrollment from the MAP Option to the MAP-Med Only Option only at annual enrollment or in connection with a qualified life event that would permit such change. You may not change your enrollment from the MAP Med-Only Option to the MAP Option and you may not enroll in the MAP Option if at any time you or any or your dependents once were enrolled in the MAP-Med Only Option. If you have enrolled your eligible dependent in a Post-65 Retiree Medical Plan option and you subsequently become eligible for coverage under the Post-65 Retiree Medical Plan, you may enroll only in the Post-65 Retiree Medical Plan coverage option in which your dependent is enrolled or in the "No Coverage" option.

If you enroll in Medicare Part D prescription drug coverage, you may not enroll or remain enrolled in the MAP Option providing prescription drug coverage. If you later lose or drop Medicare Part D coverage, you will not be able to enroll in the MAP Option.

Unless you are a Bridged Retiree, enrollment materials will automatically be sent to you upon your retirement and you will have 31 days after the date you first become eligible for retiree medical coverage to mail your medical plan election form or otherwise to complete enrollment. If you are a Bridged Retiree, you must call the Benefits Source at **1-888-640-3320** to enroll in coverage within 31 days after your Retiree Eligibility Date. Also, if you never enroll in the Pre-65 Retiree Medical Plan as a Bridged Retiree, you must

call the Benefits Source at **1-888-640-3320** no later than 31 days after you attain age 65 to enroll in coverage under the Post-65 Retiree Medical Plan.

Provided you have timely elected coverage at your first opportunity to enroll in retiree medical coverage under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan, your benefit plan enrollment will be effective on the later of the first day of the month in which you retire or the first day of the month in which your Retiree Eligibility Date occurs, or in the case of a Pre-65 Retiree who attains age 65, your enrollment in the Post-65 Retiree Medical Plan will be effective as of the later of the first day of the month in which you attain age 65 or the first day of the month in which your Retiree Eligibility Date occurs. (If you are a Pre-65 Retiree who attains age 65 on the first day of a month, your enrollment in the Post-65 Retiree Medical Plan will be effective as of the later of the first day of the month immediately preceding the month in which you attain age 65 or the first day of the month in which your Retiree Eligibility Date occurs.) If you fail to enroll in retiree medical coverage at your first opportunity to enroll, your next opportunity to enroll will be in conjunction with the next annual enrollment or upon the occurrence of a qualified life event.

Please Note:

If you are a Bridged Retiree, you will not automatically receive enrollment materials for retiree medical coverage, either at the time of your termination of employment or at your Retiree Eligibility Date. You must contact the Benefits Source at **1-888-640-3320** as your Retiree Eligibility Date approaches to enroll in retiree medical coverage. If you do not call and enroll in retiree medical coverage within 31 days after your Retiree Eligibility Date, your next opportunity to call and enroll in retiree medical coverage will be at the next annual enrollment or upon the occurrence of a qualified life event. You will not receive any notification of these additional enrollment opportunities.

In the event you fail to enroll in retiree medical coverage at the time of your retirement (including by failing to elect the No Coverage Option), you fail to enroll in the Post-65 Retiree Medical Plan upon attaining age 65 after your retirement, or you fail to enroll your eligible dependent in the Post-65 Retiree Medical Plan when he or she attains age 65, the following will take place:

- If you or an eligible dependent are under age 65 you will be deemed to have elected the coverage option and category of coverage under the Pre-65 Retiree Medical Plan that was in place for you and/or your eligible dependent(s) on the date you retired;
- If you are age 65 or over, you will not be covered by any plan for retiree medical benefits as of the date of your retirement or the date you attain age 65; and
- If your eligible dependent is age 65 or over, he or she will not be covered by any plan for retiree medical benefits as of the date he or she attains age 65.

Notwithstanding the foregoing, (i) a Bridged Retiree and his or her eligible dependents may not be enrolled in retiree medical coverage prior to the Bridged Retiree's Retiree Eligibility Date, (ii) a Bridged Retiree who fails to enroll in retiree medical coverage as of his or her Retiree Eligibility Date will be deemed to have elected the No Coverage Option, and (iii) a former employee who was eligible for retiree medical coverage, who terminated employment in connection with the transaction pursuant to which NiSource sold to Eversource Energy certain assets, and Eversource Energy agreed to assume certain obligations and liabilities, of Bay State Gas Company, as determined by the Plan Administrator in its absolute discretion, and who failed to enroll in retiree medical coverage within 31 days after the termination of such employment, will be deemed to have elected the No Coverage Option.

If you are a current Retiree enrolled in retiree medical coverage and you do not make changes during the annual enrollment process, your current benefits, if available, will be maintained.

Please Note:

If you do not enroll in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment.

Enrollment in the Retiree Life Insurance Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Retiree Life Insurance Plan,*" you will be enrolled in the Basic Retiree Term Life Coverage Option upon the later of (i) the date of your retirement, (ii) your Retiree Eligibility Date, and (iii) that date you contact the Benefits Source to enroll in the Basic Retiree Term Life Coverage Option in connection with your Retiree Eligibility Date.

Please Note:

If you are a Bridged Retiree, you will not receive enrollment materials for retiree life insurance coverage, either at the time of your termination of employment or at your Retiree Eligibility Date. You must contact the Benefits Source at **1-888-640-3320** as your Retiree Eligibility Date approaches to enroll in retiree life insurance coverage. If you do not call and enroll in retiree life insurance coverage within 31 days after your Retiree Eligibility Date, you will not be enrolled in coverage until you contact the Benefits Source and request to be enrolled.

For the Supplemental Retiree AD&D Coverage Option and the Dependents AD&D Coverage Option (collectively the "AD&D Coverage Options," and together with the Basic Retiree Term Life Coverage Option, the "Life Insurance Coverage Options"), if you desire coverage as a newly eligible retiree, and provided you meet the eligibility requirements described in the section above entitled "*Eligibility under the Retiree Life Insurance Plan,*" you must enroll in coverage within 31 days of the later of (i) the date of your retirement, or (ii) your Retiree Eligibility Date. To enroll in the Dependents AD&D Coverage Option, you must have also enrolled in the Supplemental Retiree AD&D Coverage Option. If you do not enroll in an AD&D Coverage Option during this initial 31-day period, you will not have any further opportunity to enroll in such coverage. You must enroll using forms approved by Securian. You may obtain enrollment forms by contacting the Benefits Source at **1-888-640-3320**

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (spouse and/or your child) are eligible for Program benefits as active employees or retirees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource benefit plan of the same type (e.g., more than one medical plan). Also, for most benefit plans, a NiSource active employee or retiree cannot be covered under the benefit plan both as a participant and as a dependent. Likewise, if you and your spouse are both eligible employees or retirees of NiSource or one of its affiliates, either of you may choose to cover your eligible child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan. Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects medical coverage or makes no medical coverage election and is thereby deemed to have elected medical coverage under the

NiSource Consolidated Flex Medical Plan, you will be deemed to have requested that coverage for such dependent under a Retiree Medical Plan be dropped.

Coverage under the Program for active employees or for eligible retirees other than the Retirees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides group health plan coverage for your eligible child pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or participating employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

You may obtain, without charge, a copy of the benefit plans' QMCSO procedures from the Company.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the benefit plans. Except as noted below, if you do not enroll within the annual enrollment period, your current coverages remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans, plans that require enrollment and the deadline date.

In the event your current plan coverage is not available and you fail to elect coverage under another plan that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan" for further details.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan at your home address.

Your ID card should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options or the Post-65 Retiree Medical Plan, or, if applicable, your HMO in the case of an HMO option.

Defined Dollar Subsidy for Retiree Medical Coverage

Pre-65 Retirees, Post-65 Retirees and their eligible Spouses are entitled to receive an annual defined dollar subsidy ("Defined Dollar Subsidy") to be credited toward the cost of their retiree medical coverage under a Retiree Medical Plan.

The Defined Dollar Subsidy is determined by multiplying your Defined Dollars Years of Service by a fixed dollar amount established by the Company.

If you and your Spouse are both enrolled in a Retiree Medical Plan, and if you die prior to your Spouse, your surviving Spouse may receive a Defined Dollar Subsidy, to be credited toward the cost of coverage under a Retiree Medical Plan, in the amount to which you would have been entitled had you survived and were the same age as your Spouse.

The Committee reserves the right to terminate, change or modify the Defined Dollar Subsidy at any time without the consent of, or advance notice to, you or your covered dependents.

When Coverage Begins and Ends - General

Please see below or the individual benefit plan sections of this Handbook for a complete description of when the coverage begins and ends with respect to each benefit plan.

When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Coverage Begins

Generally, coverage under the Pre-65 Retiree Medical Plan may become effective on the later of (1) the date you retire, (2) the first day of the following Plan Year for eligible Retirees who enroll during the annual enrollment period, (3) the date the Plan approves your enrollment based upon a qualified life event, and (4) the date you properly enroll. Provided, however, that if you are a Bridged Retiree, your coverage will not become effective before your Retiree Eligibility Date. Coverage for your eligible dependent under the Pre-65 Retiree Medical Plan may become effective, if you properly enroll him or her, (1) on the date your coverage becomes effective, (2) the first day of the following Plan Year if you enroll your eligible dependent during the annual enrollment period, or (3) on the date the Plan approves his or her enrollment based upon a qualified life event.

Coverage for you under the Post-65 Retiree Medical Plan may become effective on the later of (1) the date you retire, (2) the first day of the month in which you attain age 65 (or on the first day of the immediately preceding month, if you attain age 65 on the first day of the month), and (3) the date you properly enroll. Provided, however, that if you are a Bridged Retiree, your coverage will not become effective before your Retiree Eligibility Date. Coverage for your eligible dependent under the Post-65 Retiree Medical Plan may become effective, if you properly enroll him or her, (1) the date your coverage becomes effective, (2) the first day of the following Plan Year if you enroll your eligible dependent during the annual enrollment period, or (3) the date the Plan approves his or her enrollment based upon a qualified life event.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to a Retiree;
- The date a Retiree is no longer eligible for coverage under the Plan, including without limitation as a result of being rehired by an Employer;
- The last date for which any required contribution was made;
- The date the covered Retiree provides notice to the Company of his or her intent to terminate coverage; or
- With respect to the Pre-65 Retiree Medical Plan, the date a Pre-65 Retiree attains age 65.

A dependent's eligibility generally ends on the earliest of the following dates:

- The date the Retiree’s coverage ends;
- The last date for which any required contributions for the dependent’s coverage was made;
- The date the covered Retiree provides notice to the Company of his or her intent to terminate coverage for such dependent;
- With respect to a Spouse who becomes divorced or legally separated from a Retiree, the date of divorce or legal separation; or
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if coverage for you or your dependents is terminated during a Plan Year for failure to pay required contributions for coverage, you may apply to the NiSource Benefits Department during the same Plan Year to reinstate coverage retroactive to the date of termination. Your

application must be in writing and must describe the extenuating circumstances that resulted in your missed payment. The Benefits Department, in its sole and absolute discretion, will determine whether there are sufficient grounds for reinstating coverage. If the Benefits Department makes a favorable determination, you must repay any missed premiums before the end of the Plan Year and before coverage will be reinstated.

Also, notwithstanding the foregoing, if your dependent experiences a COBRA qualifying event, coverage for EAP/Work Life/Legal & Financial will end the day after the expiration of the maximum COBRA continuation coverage period that would otherwise apply to such dependent, if COBRA were to apply to EAP/Work Life/Legal & Financial coverage. For a description of COBRA qualifying events, please see the "COBRA" subsection of the *"Continuation of Coverage"* section of this **Benefits Program Overview**

Please see the *"Continuation of Coverage"* section of this **Benefits Program Overview** for circumstances under which your coverage under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan may be continued beyond the periods described above.

When Coverage Begins and Ends – Retiree Life Insurance Plan

Coverage Begins

Provided you have satisfied the eligibility and enrollment requirements described above, coverage under the Basic Retiree Term Life Coverage Option may generally become effective upon the later of (i) your retirement from an Employer, and (ii) your Retiree Eligibility Date.

Provided you have satisfied the eligibility and enrollment requirements described above, coverage under the Supplemental Retiree AD&D Coverage Option may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, and (2) the Claims Administrator has received the required premium.

Provided your dependent has satisfied the eligibility requirements described above, coverage under the Dependents AD&D Coverage Option may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for dependent coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) you are insured for coverage under the Supplemental Retiree AD&D Coverage Option; and (3) the Claims Administrator has received the required premium.

If an eligible dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released from such hospitalization or confinement.

Coverage Ends

Your coverage under the Basic Retiree Term Life Coverage Option and the Supplemental Retiree AD&D Coverage Option, and the coverage of your dependents under the Dependents AD&D Coverage Option, will end when the first of these occurs:

- The date as of which the Plan is terminated;
- The date the Group Contract (as defined in the Retiree Life Insurance SPD) is canceled, or with respect to a particular Life Insurance Coverage Option, the date a Coverage Option is terminated;
- The date that the Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you are no longer eligible for coverage under the Plan as a member of an eligible class, including without limitation as a result of being rehired by an Employer;
- For AD&D Coverage Options, 31 days after the due date of any required contribution that is not paid;
- For the Dependents AD&D Coverage Option, the date coverage under your

Supplemental Retiree AD&D Coverage Option ends;

- For the Dependents AD&D Coverage Option, the date your dependent ceases to be an "eligible dependent" for the coverage or is no longer covered under the Group Contract;
- For the Supplemental Retiree AD&D Coverage Option, the last day for which premium contributions have been made following your written request to end such AD&D Coverage Option; and
- For the Dependents AD&D Coverage Option with respect to an eligible dependent, the last day for which premium contributions have been made following your written request to end such AD&D Coverage Option for such dependent.

You must notify the Claims Administrator or the Benefits Source at **1-888-640-3320** when a dependent is no longer eligible for coverage under the Retiree Life Insurance Plan so that premiums may be discontinued. No claims will be paid under the Retiree Life Insurance Plan in respect of an ineligible dependent.

If your Supplemental Retiree AD&D Coverage terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, you may make or change certain Retiree Medical Plan elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain elections if you experience a "qualified status change" that affects your, your spouse's, or your dependent's eligibility for benefits under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event.

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company or Plan Administrator.

To the extent permitted by the applicable benefit plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee + family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the benefit plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- Your dependent becomes eligible for coverage (e.g., with respect to the Post-65 Retiree Medical Plan, he or she attains age 65).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status

that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).

- You, your spouse, or your dependent has a change in home address (outside the network service area).

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a benefit plan.
- With respect to the Pre-65 Retiree Medical Plan, you qualify for special enrollment during the year under HIPAA. For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage (including coverage purchased through a government exchange or other health insurance coverage purchased in the individual market) when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Pre-65 Retiree Medical Plan, under such a Medicaid plan or State child health plan. *Please Note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***
- The benefit plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- You, your spouse or dependent lose coverage under any group health coverage sponsored by a governmental or educational institution, in which case you may be able to elect coverage under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan, as applicable.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.

If a dependent you are covering under a Retiree Medical Plan is hired by an Employer and either timely elects coverage under the NiSource Consolidated Flex Medical Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Retiree Medical Plan coverage for such dependent in connection his or her change in employment status.

Notwithstanding the foregoing or any other provision of this Handbook, if you are covered under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan, you may drop your coverage or reduce the number of dependents covered under a Retiree Medical Plan at any time. However, once you drop your coverage or drop coverage for one or more of your dependents, you will not be able to enroll again in coverage until the next annual enrollment period or until you experience a qualified life event that would permit enrollment.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical or prescription drug plan or program, your medical and prescription drug benefits under the benefit plans coordinate with those other benefits to

help eliminate duplicate payments for the same services.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable benefit plan is primary, the benefit plan pays the amount payable under such plan.

If your coverage under the applicable benefit plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first (“primary plan”), and then second (“secondary plan”). Below are the benefit plans’ guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Pre-65 Retiree Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents’ plans cover a dependent, the plans use the “Birthday Rule” to determine which parent’s plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

In the case of a divorce or separation, the following order will establish responsibility for payment:

— If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent’s plan is always primary. If the parent with financial responsibility does not have coverage, but the

parent's spouse does, such spouse's plan is primary.

- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the benefit plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits. A retiree generally is not in current employment status. The discussion below assumes that a retiree covered under a Retiree Medical Plan is not in current employment status for purposes of Medicare. However, if you believe you have current employment status for purposes of Medicare regulations, you should contact the Benefits Source at **1-888-640-3320**.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under a Retiree Medical Plan but are no longer considered by Medicare to be in "current employment status," and if you, your covered spouse or your other covered dependents are Medicare-eligible, then Medicare will generally be treated by the Retiree Medical Plan as the primary payor for the covered person who is Medicare-eligible, regardless of the covered person's age and, except for Medicare Part D prescription drug coverage, regardless of whether he or she has enrolled in Medicare or any part thereof. If your covered spouse or other covered dependent is not Medicare-eligible, the Retiree Medical Plan will be treated as the primary payor with respect to such person's benefits.

If a covered person is eligible for, but not enrolled in, Medicare benefits, the Retiree Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are eligible for, but not enrolled in, Medicare Part B, and you incur a claim that would be payable in whole or in part by Medicare Part B, the Retiree Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

You are responsible for notifying the Claims Administrator if you, your spouse or your other dependents become Medicare-eligible.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Pre-65 Retiree Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with

group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide certain claims and appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each benefit plan section, or SPD, in this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the benefit plans, please see below or the individual benefit plan sections, or SPDs, in this Handbook. Any claim relating to whether you meet the requirements for eligibility under the terms of an applicable benefit plan should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for such plan.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various benefit plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a benefit plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable benefit plan. If you decide to take legal action, you must do so before the deadline, if any, specified in the applicable individual benefit plan section of the Handbook.

Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan

The claim determination and appeal process described below applies to the Pre-65 Retiree Medical Plan. The term "Plan" as used in this section refers to the Pre-65 Retiree Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Pre-65 Retiree Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the

Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Pre-65 Retiree Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Pre-65 Retiree Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims

Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional

evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;
- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section

entitled "General Program Information" found in the individual SPD section for the Pre-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to

request a voluntary second-level internal appeal under the Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Pre-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;

- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective

review, were covered under the Plan at the time the health care item or service was provided;

- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the

criteria are inconsistent with the terms of the Plan or with applicable law;

- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Post-65 Retiree Medical Plan

The claim determination and appeal process described below applies to the Post-65 Retiree Medical Plan. The term "Plan," as used in this section, refers to the Post-65 Retiree Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Pre-65 Retiree Medical Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the

address for the Plan Administrator set forth in the *General Program Information* section of the Post-65 Retiree Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Post-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include your name, the covered person's name and date of birth, the name of the provider of services, the name of your employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes an adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Post-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include your name, the covered person's name and date of birth, the name of the provider of services, the name of your employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Retiree Life Insurance Plan

The claim determination and appeal process described below applies to the Retiree Life Insurance Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accidental dismemberment benefits or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,

- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an

adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be

overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Pre-65 Retiree Medical Plan and under the Post-65 Retiree Medical Plan (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."* COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, and (ii) the date for making COBRA premium payments.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your spouse (if he or she is treated as a spouse under the Internal Revenue Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each

Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. These costs are subject to change.

You must elect COBRA during your COBRA election period. Your COBRA election period begins on the date of your qualifying event and ends on the date that is 60 days after the later of (i) the date coverage would have stopped due to the qualifying event, or (ii) the date the qualified beneficiary is sent notice of the right to continue coverage under COBRA.

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

Your spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

With respect to coverage under a Plan for Retirees, sometimes the filing a proceeding in bankruptcy under Title 11 of the United States Code can be a qualifying event. If a proceeding in bankruptcy is filed with respect to NiSource or one of its affiliates, and that bankruptcy results in your loss of coverage under the Plan, you will become a qualified beneficiary with respect to the bankruptcy. Your spouse, surviving spouse, and dependent children will also become qualified beneficiaries if they were covered under the Plan on the day immediately preceding the commencement of the bankruptcy proceeding and the proceeding resulted in their loss of coverage.

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is your death, the commencement of a proceeding in bankruptcy with respect to your employer (in the case of loss of retiree coverage), or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the website mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your spouse, and parents may elect COBRA continuation coverage on behalf of their children.

COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months.

When the qualifying event is an employer's bankruptcy, COBRA continuation coverage for you ends upon your death and coverage for a qualified beneficiary who is your spouse or dependent child ends on the earlier of the date of the qualified beneficiary's death or three years after your death.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above, COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in a Plan cease to provide any group health plan or coverage to any employee.
- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" provisions set forth below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Pre-65 Retiree Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at **dol.gov/ebsa** (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Retiree's death within 30 days preceding, or at any time on or after, May 1, 2010, if COBRA continuation coverage under a Retiree Medical Plan has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Retiree's surviving dependents who are covered under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan on the date of that Retiree's death, then coverage for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Retiree's surviving spouse dies, (ii) the last day of the month in which the Retiree's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Pre-65 Retiree Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer from whom the Retiree retired from employment ceases to be a "related employer," as defined in the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan.

If medical coverage under the NiSource Consolidated Flex Medical Plan ends for an active employee's dependent because of such employee's death within thirty days preceding, or at any time on or after May 1, 2010, and if such employee would have satisfied the conditions for being a Retiree had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the NiSource Consolidated Flex Medical Plan at the time of the employee's death, the employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and be a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Pre-65 Retiree Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Pre-65 Retiree Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Post-65 Retiree Medical Plan.

If survivor coverage under the Pre-65 Retiree Medical Plan will end for a surviving dependent solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided

beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage. Notwithstanding the preceding sentence, if coverage for a surviving dependent is terminated during a Plan Year for failure to pay required contributions for coverage, the dependent may apply to the NiSource Benefits Department during the same Plan Year to reinstate coverage retroactive to the date of termination. The dependent's application must be in writing and must describe the extenuating circumstances that resulted in his or her missed payment. The Benefits Department, in its sole and absolute discretion, will determine whether there are sufficient grounds for reinstating coverage. If the Benefits Department makes a favorable determination, the dependent must repay any missed premiums before the end of the Plan Year and before coverage will be reinstated.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to a Sickness or Injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the Sickness or Injury;
- The insurer or other indemnifier of the party or parties who caused the Sickness or Injury;
- A guarantor of the party or parties who caused the Sickness or Injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the covered person's Sickness or Injury.

Benefits may also be payable under the applicable benefit plan in relation to the Sickness or Injury. When this happens, the applicable benefit plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable benefit plan any rights he or she may have to take legal action arising from the Sickness or Injury so that the applicable benefit plan may recover any sums paid under such benefit plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable benefit plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable benefit plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable benefit plan in asserting its subrogation and recovery rights. No covered person shall take any action to prejudice the applicable benefit plan's subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable benefit plan, provide all information and sign and return all documents or agreements deemed necessary or desirable by the benefit plan for it to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements or to cooperate fully with the applicable benefit plan in asserting its subrogation and recovery rights does not preclude the benefit plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the benefit plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable benefit plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable benefit plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable benefit plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable benefit plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable benefit plan to the extent of the benefit plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable benefit plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable benefit plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable benefit plan will have a first lien and priority right upon any recovery,

whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust for the benefit of the plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable benefit plan for the Sickness or Injury, plus the amount of all future benefits that may become payable under the applicable benefit plan that result from the Sickness or Injury. The applicable benefit plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable benefit plan for any benefits that arise from the Sickness or Injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable benefit plan for the amount of the benefits paid under that benefit plan; and
- The applicable benefit plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable benefit plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable benefit plan's attorney fees and court costs, are the responsibility of the covered person, not the benefit plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the benefit plan, and as a condition of participating in the benefit plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The Retiree;
- The Retiree's covered dependent;
- The estate of any covered person; or
- Any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable benefit plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the benefit plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the Retiree or a covered dependent, the Retiree or any other person or organization that received the payment must refund the applicable benefit plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the benefit plan; or
- Was paid by a source other than the benefit plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation*

and Right of Recovery" subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the benefit plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the benefit plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an In-Network Provider rather than an Out-of-Network Provider. For the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

HIPAA Nondiscrimination

Notwithstanding any other provision of this Handbook, to the extent a group health plan

subject to HIPAA's nondiscrimination rules generally provides benefits for a type of injury, benefits otherwise provided for treatment of the injury will not be denied if the injury results from an act of domestic violence or a medical condition (including both physical and mental health conditions).

Employment Rights Not Guaranteed

Your participation in the Program or any benefit plan does not ensure you of continued (or renewed) employment with the Company or any Employer. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the benefit plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the benefit plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the benefit plans or adopt amendments to, or guidelines with respect to the administration of, the benefit plans, and may take such other actions with respect to the benefit plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the benefit plans or the participants thereunder. The Committee reserves the right to terminate any benefit plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each benefit plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the benefit plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the benefit plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the benefit plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the benefit plans and construe the benefit plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Internal Revenue Code with respect to the benefit plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the benefit plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the benefit plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of benefit plan provisions;

- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the benefit plans;
- Make claims determinations under the benefit plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the benefit plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the benefit plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though a Retiree may receive a benefit check from a Claims Administrator, the Company, a participating employer or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to benefit plans, or portions thereof, that are self-insured. The self-insured portions of benefit plans are funded from the general assets of the Company or a participating employer or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured benefit plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each benefit plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a benefit plan maintained by NiSource Inc., you are entitled to certain rights and protections under ERISA. ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the benefit plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the benefit plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the benefit plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the benefit plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the benefit plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the benefit plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for benefit plan participants, ERISA imposes duties upon the people who are responsible for the operation of the benefit plan. The people who operate

the benefit plan, called "fiduciaries" of the benefit plan, have a duty to do so prudently and in the interest of the employee and other benefit plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of benefit plan documents or the latest annual report from the benefit plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the benefit plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that benefit plan fiduciaries misuse the benefit plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the benefit plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Consolidated Flex Medical Plan

Pre-65 Retiree Medical Plan

Covering Eligible Pre-65 Retirees
and/or Eligible Dependents Under Age 65

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Pre-65 Retiree Medical Plan Options

This is the SPD (the "Pre-65 Retiree Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Pre-65 Retiree Medical Plan. In this Pre-65 Retiree Medical Plan SPD, the Pre-65 Retiree Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible Pre-65 Retirees and their eligible dependents, as well as eligible dependents of Post-65 Retirees who are covered under the Post-65 Retiree Medical Plan, with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Pre-65 Retiree Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA), although as a Pre-65 Retiree you may not contribute to an HSA through the Company. The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at **livehealthonline.com** for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth

Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions** under the How it Works tab. If you still have questions, you can email customersupport@livehealthonline.com or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please Note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your

HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Pre-65 Retiree Medical Plan, please see the *"Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Contributions

The Employer and Retiree will contribute to the cost of the Plan in an amount determined on an annual basis. Please see the subsection of the **Benefits Program Overview** entitled *"Defined Dollar Subsidy for Retiree Medical Coverage"* for a discussion of a subsidy that may be available to reduce the cost of your coverage. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;

- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible[†]	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

[†]Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	Out-of-Network
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	Out-of-Network
	Plan Pays	Plan Pays
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered member generally must satisfy the "individual" covered member deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered member may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered members within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered member must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible.

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$3,000	$6,000	$5,000	$10,000
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the

Plan for which clams are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at anthem.com.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or
- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at **anthem.com**.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the Pharmacy Benefits Manager (PBM) for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Pre-65 Retiree Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

  (1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

  (2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

  (3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

  (4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Pre-65 Retiree Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers, distributors, and/or similar vendors, which may be related to certain prescription drug purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HD PPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Pre-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 30.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide

by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and
  - Prescribed medications (Outpatient prescription drug services are covered under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).
- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and

  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;
  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam and one hearing aid per ear during a two calendar-year period; and
- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:

- — Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
- — Occupational therapy;
- — Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;
- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - — X-rays;
  - — Radium treatments;
  - — Microscopic tests; and
  - — Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended

preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance, when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;

  — Alcohol misuse: screening and counseling

  — Blood pressure screening in adults;

  — BRCA risk assessment and genetic counseling/testing;

  — Breast cancer preventive medications;

  — Breast cancer screening;

  — Cervical cancer screening;

  — Colorectal cancer screening;

  — Diabetes screening;

  — Lung cancer screening;

  — Obesity screening and counseling: adults and children;

  — Osteoporosis screening: women;

  See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific

recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

- Diphtheria;
- Hepatitis A;
- Hepatitis B;
- Herpes Zoster;
- Human Papillomavirus;
- Influenza (flu shot)
- Measles
- Meningococcal;
- Mumps;
- Pertussis;
- Pneumococcal;
- Rubella;
- Tetanus;
- Varicella (chickenpox).

The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

See the following website for additional information:
https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Well-woman visits;

  — Counseling and screening for human immune-deficiency virus;

  — Human papillomavirus testing;

  — Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);

  — Screening for gestational diabetes;

  — Screening and counseling for interpersonal and domestic violence;

  — Counseling for sexually transmitted infections;

  — Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information:
http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please Note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain covered services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office

visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants

- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);
  - Inpatient pediatrician visits; and
  - Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Retiree-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website mysourceforhr.com and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);

- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;
  - Medically necessary services, supplies, and medications.
- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:
  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed

Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

- Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
- Inpatient covered hospital services related to the transplant procedure.
- Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).
- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320.**

Medical Expenses Not Covered

Expenses Not Covered Under Pre-65 Retiree Medical Plan

The medical expenses **not** covered under the Pre-65 Retiree Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;
- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as

otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;

- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;
- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not

required to pay for them or they are provided to the covered person for free;

- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;
- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact

lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;

- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or astigmatism or any other correction of vision due to a refractive problem; and
- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

Prescription drug coverage under the PPO coverage option shall be subject to quantity limit and dose optimization programs. For certain prescription drugs, (i) the quantity limit program limits the amount of medicine that is covered by the Plan for a certain length of time, and (ii) the dose optimization program generally identifies covered persons receiving multiple doses of lower strength medications and, where clinically appropriate, optimizes or consolidates the regimen to a single dose of a higher strength medication. With respect to certain prescription drugs, the dose optimization program may also help ensure that as higher dosages of a given medication are prescribed, the covered person takes a single dose at the higher strength.

The PPO coverage option utilizes a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best

choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a prescribed brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable co-pay or co-insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Pre-65 Retiree Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please Note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at anthem.com.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	Plan Pays	You Pay*	Plan Pays	You Pay*
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:		Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications	

*You either pay a percentage of the drug's cost (co-insurance), or a set co-pay amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum co-pay," you pay the minimum co-pay amount. If your percentage of the cost results in an amount that is **greater than** the "maximum co-pay," you pay up to the maximum co-pay amount. For the PPO Coverage Option, if you request that a brand-name drug be dispensed instead of its generic substitute, you may be responsible for paying the difference between the cost of the brand-name drug and the generic substitute, in addition to the applicable co-pay or co-insurance.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a prescribed brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your physician request that the brand-name drug be dispensed, you will be responsible for the applicable co-insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		**MAIL ORDER**		**NINETY-DAY SUPPLY AT RETAIL**	
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	Retail Pharmacy		**Mail Order**		**Ninety-Day Supply at Retail**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if you or your physician request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable co-insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

Please Note: Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Pre-65 Retiree Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life Services"* sections of this Pre-65 Retiree Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	In-Network Plan Pays (after deductible)	Out-of-Network* Plan Pays (after deductible)
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit

allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law , with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

As a Pre-65 Retiree, you cannot continue to make contributions by means of payroll deduction to the health savings account ("HSA") you established through the Company. However you may continue to contribute to your HSA outside of payroll deduction (or to another health savings account you establish) until you attain age 65, provided you are enrolled in the HDPPO 1 or HDPPO 2 options or other eligible high deductible coverage and you are otherwise eligible under Federal law to contribute to such an account.

If you previously contributed to an HSA through the Company by means of payroll deduction, your HSA contributions made through payroll deduction as well as the Company's contributions to your HSA will stop when you retire. Your account balance goes with you, however, and continues to earn interest. You may continue to use your HSA to pay for future medical expenses during retirement. However, you will be responsible for paying any monthly fees related to the administration of your account. Upon your retirement, your HSA will be converted to a new direct account in your name, and you will receive a new debit card you can use to pay for eligible expenses.

Contact the HSA custodian, UMB, directly at 1-866-520-4472 if you have any questions about your HSA or your debit card after you retire.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)*" information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of Retiree;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your benefit plan ID card.

- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Pre-65 Retiree Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the participating employers, through participant contributions and other benefit funding vehicles that may be established from time to time.
Contribution Source:	Retiree and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the benefit plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of benefit plan coverage cost will be paid by the participating employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. Benefits will be paid under a benefit plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891

Address for Claims Appeals:
Anthem Blue Cross and Blue Shield
P.O. Box 105568
Atlanta, GA 30348

Address for Mail Order Prescription Drugs:

Anthem Blue Cross and Blue Shield
Home Delivery Service
P.O. Box 94467
Palatine, IL 60094-4467
1-800-228-2891 (mail order)

Claims Administrator for EAP:

Beacon Health Options
P.O. Box 1850
Hicksville, NY 11802-1850
achievesolutions.net
1-800-946-5360

Agent for Service of Legal Process:

Manager, Benefits Accounting & Compliance
801 East 86th Avenue
Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Post-65 Retiree Medical Plan

For Eligible Post-65 Retirees
and/or Eligible Dependents Age 65 and Over

Your Post-65 Retiree Medical Plan Coverage

This is the SPD (the "Post-65 Retiree Medical SPD") for the NiSource Post-65 Retiree Medical Plan, also referred to as the Post-65 Retiree Medical Plan. In this Post-65 Retiree Medical Plan SPD, the Post-65 Retiree Medical Plan is sometimes referred to as the "Plan."

The following is a description of your coverage under the NiSource Post-65 Retiree Medical Plan. This Plan is designed to supplement your coverage under Medicare.

Eligibility

For information regarding eligibility under the Post-65 Retiree Medical Plan, please see the *"Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Post-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Contributions

Retired employees contribute to the cost of the Plan according to the arrangement in place at the time of retirement. Those covered persons continuing their coverage under COBRA shall contribute an amount required under COBRA. For further information about COBRA see the *COBRA* information in this section of this Handbook. For a discussion of a subsidy that may be available to reduce the cost of your coverage, please see the subsection of the **Benefits Program Overview** entitled *"Defined Dollar Subsidy for Retiree Medical Coverage"*.

Medicare Part B Reimbursement

Eligible Retirees are entitled to a reimbursement of a portion of the cost of their Medicare Part B premium, in an amount determined by the Plan Administrator. To obtain the reimbursement, you do not have to enroll in the MAP Option, the MAP-Med Only Option or the Medicare Supplement Option. However, you must first provide certain information to the Plan Administrator. Your reimbursement will begin on the first day of the month following the Plan Administrator's receipt of all required information; provided that if you submit all required information and satisfy all other requirements within 60 days of the effective date of your enrollment in Medicare Part B, your reimbursement will begin effective as of the date of your Medicare Part B enrollment. For more information and for details on how to obtain the reimbursement, please call the Benefits Source at **1-888-640-3320**.

The Committee reserves the right to terminate, change or modify the Medicare Part B reimbursement at any time without your consent and without advance notice.

ID Card

For information concerning identification cards for the Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Highlights of the MAP Option

The MAP Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The MAP Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 35.

The following is a brief summary of benefits under the MAP Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for MAP Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 041

Feature	
MAP Deductible	• **Medicare Part A Services:** All services considered under Medicare Part A are subject to your payment of a $100 deductible. • **Medicare Part B Services:** All services considered under Medicare Part B are subject to your payment of a $100 deductible.
Lifetime maximum	• The total maximum benefit payable under the MAP Option and the MAP-Med Only Option, separately and collectively, with respect to each covered person during such person's lifetime shall not exceed $50,000. Once a person's lifetime maximum of $50,000 is met, no additional claims will be paid under the Post-65 Retiree Medical Plan. It is your responsibility to monitor your lifetime maximum balance. Contact Anthem to obtain your lifetime maximum balance.

Feature/Service	Plan Pays
Physician Services	
Office visit – primary care and specialist	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Routine gynecological exams; routine annual mammogram; routine annual Pap smear test; routine flexible sigmoidoscopy; and routine prostate cancer screening	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests and laboratory tests	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Outpatient Services	
Surgery	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays 80% of charges not covered by Medicare due to Medicare day maximum being exhausted, after Covered Person's payment of the MAP Deductible, • Contact Anthem for specific benefit details
Inpatient days covered by Medicare	• Inpatient days covered by Medicare (including the inpatient deductible for inpatient days covered by Medicare) are not covered or payable under the Plan. Without limiting the generality of the foregoing, inpatient facility charges and skilled nursing facility charges covered by Medicare are not covered by the Plan.
Transplant Services	
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. The Plan shall provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when the Covered Person obtains prior approval and is required to travel more than 100 miles from his or her residence to reach the Hospital where the covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the Hospital and lodging for the patient and one companion. Benefits for lodging are limited to $75.00 per day. Travel expenses and lodging expenses, on a combined basis, are limited to $20,000. To obtain reimbursement, the Covered Person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator.
Prescription Drugs	**Retail Pharmacy** • Generic drugs: Plan pays 80% of the drug cost; you pay 20% ($5 minimum/$15 maximum copay) • Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($15 minimum/$45 maximum copay)

Feature/Service	Plan Pays
	• Non-Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($30 minimum/$90 maximum copay) **Mail Order (90-day supply)** • Generic drugs: You pay $10 • Formulary drugs: You pay $30 • Non-Formulary drugs: You pay $60 **Ninety-Day Supply at Retail** • Generic drugs: Plan pays 80% of the drug cost; you pay 20% ($15 minimum/$45 maximum copay) • Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($45 minimum/$135 maximum copay) • Non-Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($90 minimum/$270 maximum copay) "Generic" means drugs no longer covered by the original patent. "Formulary" means a list of approved drugs covered under the prescription drug plan. "Non-formulary" means drugs not chosen for the Formulary, which do not qualify as Generic. • Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost for many prescription drugs for Medicare-eligible participants. The prescription drug coverage under your NiSource Post-65 Retiree Medical Plan is generally better coverage than coverage under Medicare. **Note:** You cannot be enrolled in both Medicare Part D prescription drug coverage and prescription drug coverage under the NiSource Post-65 Retiree Medical Plan. • The out-of-pocket expense limitation on prescription drugs is $750 per covered person per calendar year. • Contact Anthem for specific benefit details, including prescriptions drugs that may be

Feature/Service	Plan Pays
	covered under the MAP Option.
Mental Health Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Other Services	
Durable medical equipment	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Vision benefits (one routine vision exam and refraction per year)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details

Highlights of the MAP-Med Only Option

The MAP-Med Only Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The MAP-Med Only Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 35.

The following is a brief summary of benefits under the MAP-Med Only Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for MAP-Med Only Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 056

Feature	
MAP Deductible	• **Medicare Part A Services:** All services considered under Medicare Part A are subject to your payment of a $100 deductible. • **Medicare Part B Services:** All services considered under Medicare Part B are subject to your payment of a $100 deductible.
Lifetime maximum	• The total maximum benefit payable under the MAP Option and the MAP-Med Only Option, separately and collectively, with respect to each covered person during such person's lifetime shall not exceed $50,000. Once a person's lifetime maximum of $50,000 is met, no additional claims will be paid under the Post-65 Retiree Medical Plan. It is your responsibility to monitor your lifetime maximum balance. Contact Anthem to obtain your lifetime maximum balance.

Feature/Service	Plan Pays
Physician Services	
Office visit – primary care and specialist	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Routine gynecological exams; routine annual mammogram; routine annual Pap smear test; routine flexible sigmoidoscopy; and routine prostate cancer screening	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests and laboratory tests	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Outpatient Services	
Surgery	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays 80% of charges not covered by Medicare due to Medicare day maximum being exhausted, after Covered Person's payment of the MAP Deductible, • Contact Anthem for specific benefit details
Inpatient days covered by Medicare	• Inpatient days covered by Medicare (including the inpatient deductible for inpatient days covered by Medicare) are not covered or payable under the Plan. Without limiting the generality of the foregoing, inpatient facility charges and skilled nursing facility charges covered by Medicare are not covered by the Plan.
Transplant Services	
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. The Plan shall provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when the Covered Person obtains prior approval and is required to travel more than 100 miles from his or her residence to reach the Hospital where the covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the Hospital and lodging for the patient and one companion. Benefits for lodging are limited to $75.00 per day. Travel expenses and lodging expenses, on a combined basis, are limited to $20,000. To obtain reimbursement, the Covered Person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator.
Prescription Drugs*	• Not applicable

Feature/Service	Plan Pays
Mental Health Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Other Services	
Durable medical equipment	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Vision benefits (routine screenings are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details

*Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost of many prescription drugs for Medicare-eligible participants. You may want to consider enrolling in Medicare Part D to receive prescription drug benefits through Medicare. If you are eligible for coverage under Medicare Part D and do not enroll during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. **Note:** The MAP Option offers prescription drug coverage. Once you enroll in the MAP-Med Only Option, you may not later enroll in the MAP Option. See *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* in the **Benefits Program Overview** for more information. You cannot be enrolled in both Medicare Part D prescription drug coverage and prescription drug coverage under the MAP Option.

Highlights of the Medicare Supplement Option

The Medicare Supplement Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The Medicare Supplement Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 35.

The following is a brief summary of benefits under the Medicare Supplement Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for Medicare Supplement Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 005

Feature	
Deductible	• **Medicare Part A Services:** The Plan pays the Part A deductible, except for lifetime reserve days. • **Medicare Part B Services:** The Plan pays one hundred percent of the annual Medicare Part B deductible.

Feature/Service	**Plan Pays**
Physician Services	
Office visit – primary care and specialist	• Plan pays the Medicare deductible and up to 20% of Medicare approved charges for which Medicare pays 80%. • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Preventive and Wellness Services	
Routine physical exam	• Not covered
Flu, pneumonia and hepatitis B shots; routine gynecological exams (once every 24 months); routine annual mammogram; routine Pap smear test (once every 24 months); routine flexible sigmoidoscopy (once every 48 months); and routine prostate cancer screening (once every 12 months)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Laboratory tests	• Not covered
Outpatient Services	
Surgery	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays Medicare Part A deductible and 100% of charges not paid by Medicare from days 61-90 of confinement • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
X-ray and laboratory services	• Plan pays Medicare Part A deductible • Contact Anthem for specific benefit details
Surgical Services Above Those Covered by Medicare	• 80% of Maximum Allowed Amount‡, after a $50 deductible per year, up to a maximum of $10,000 per year.
Prescription Drugs*	• 100% co-pay • Contact Anthem for specific benefit details
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. Meals are not covered. • Contact Anthem for specific benefit details
Skilled Nursing Facility	• 12.5% of the Medicare inpatient hospital deductible for room and board charges from day 21 to day 100 for a skilled nursing facility confinement in a facility approved by Medicare. • Contact Anthem for specific benefit details
Mental Health Services	
Inpatient treatment	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays Medicare deductible and up to 80% of Medicare-approved charges not paid by Medicare • Contact Anthem for specific benefit details

‡ "Maximum Allowed Amount" has the same meaning as the term used in the Pre-65 Retiree Medical Plan SPD. For the definition of the term, see the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount" and substitute the term "Post-65 Retiree Medical Plan" wherever the term "Plan" appears.

Feature/Service	Plan Pays
Substance Use Disorder Services	
Inpatient treatment	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Detoxification	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays Medicare deductible and up to 80% of Medicare-approved charges not paid by Medicare • Contact Anthem for specific benefit details
Other Services	
Durable medical equipment	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Vision benefits (diagnostic vision exams only)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details

*Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost for many prescription drugs for Medicare-eligible participants.

Medical Expenses Not Covered

Without limiting the generality of the foregoing, the medical expenses **not** covered under the Post-65 Retiree Medical Plan include, but may not be limited to those medical expenses that would not be covered by Medicare, charges that a covered person is not legally required to pay and charges that would not have been made if the Plan had not existed, and charges incurred prior to the effective date of coverage, or after the termination date of coverage.

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How to File a Claim

Since the Post-65 Retiree Medical Plan is designed to supplement your coverage under Medicare, Medicare is your primary carrier. That means that, as a general rule, your expenses must be submitted to Medicare before they are submitted to the Post-65 Retiree Medical Plan for payment.

Medical expenses are usually submitted to Medicare directly by the provider. However, it is your responsibility to submit your claim to the Plan's Claim Administrator for benefit payments under the Post-65 Retiree Medical Plan.

Some providers, however, may submit your expenses to both Medicare and the Plan for payment. In that event, you would not need to submit any additional claim forms. Please ask your provider whether your claim filing will be submitted to Anthem for your Medicare Supplement benefit payments.

In the event you must submit a claim form to Anthem for your benefit payment, that claim form may be obtained by calling Anthem at the number listed on the back of your ID card. Your Medicare Explanation of Benefits (EOB) must be included when filing a claim with Anthem. If you have any questions relating to your claim filing process, you can call Anthem at the number listed on the back of your ID card. Claim forms should be submitted to:

Anthem Blue Cross and Blue Shield
P.O. Box 105187
Atlanta, GA 30348
anthem.com
1-800-228-2891

Please note that it is essential that you include the Medicare Explanation of Benefits form with your claim form because the Plan's benefits are computed on the basis of what Medicare approved as eligible expense.

Retain copies of all bills and Medicare correspondence for your records.

Below is a list of details that are often erroneously omitted from claim forms. Please refer to it when completing your claim form so you can make sure your claim form is complete.

1. Age and relationship of dependent
2. Physician's statement showing place, date and charge for treatment.
3. Itemized X-ray and laboratory bills showing date, charge and type of examination.
4. Full statement as to how, when and where injury occurred.

No cancelled checks, receipts or summaries of balances due are acceptable as evidence of expense incurred—only itemized statements accompanied by a Medicare Explanation of Benefits form are acceptable. Furthermore, a separate claim form must be completed by you and your physician for each sickness or injury. However, in case of chronic illnesses such as allergies or hypertension, you only must submit one physician's statement each calendar year.

One additional point to keep in mind is that the MAP-Med Only Option and the Medicare Supplement Option do not cover prescription drug expenses.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law , with a 25% discount if the attorney is retained.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan."*

Continuation of Coverage

For information regarding continuation of coverage under the Post-65 Retiree Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

General Program Information

Program Name:	NiSource Post-65 Retiree Medical Plan
Benefit Plan Name:	MAP Option, MAP-Med Only Option and Medicare Supplement Option
Type of Plan:	Group Health Plan
Plan Number:	538
Type of Funding:	Self Funded. Benefits under the Plan are funded through the general assets of the participating employers, through participant contributions and other benefit funding vehicles that may be established from time to time.
Contribution Source:	Retiree and Employer
Plan Sponsor:	NiSource Inc.
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants may be required to contribute toward the cost of the benefit plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of benefit plan coverage cost will be paid by the participating employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. Benefits will be paid under a benefit plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator For Medical, Mental Health and Substance Use Disorders and PBM for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348

Address for Mail Order Prescription Drugs:

Anthem Blue Cross and Blue Shield
Home Delivery Service
P.O. Box 94467
Palatine, IL 60094-4467
1-800-228-2891 (mail order)

Claims Administrator for EAP:

Beacon Health Options
P.O. Box 1850
Hicksville, NY 11802-1850
achievesolutions.net
1-800-946-5360

Agent for Service of Legal Process:

Manager, Benefits Accounting & Compliance
801 East 86th Avenue
Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Retiree Life Insurance Plan

Retiree Term Life Coverage -Basic Plan
Retiree Supplemental AD&D Coverage
Dependents AD&D Coverage

Your Retiree Life Insurance and AD&D Options

This is the SPD (the "Retiree Life Insurance SPD") for the NiSource Life Insurance Plan, also referred to as the Retiree Life Insurance Plan. In this Retiree Life Insurance SPD, the Retiree Life Insurance Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible Retirees with the following coverage options (each a "Coverage Option"):

- Basic Retiree Term Life Coverage Option;
- Supplemental Retiree AD&D Coverage Option; and
- Dependents AD&D Coverage Option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this Retiree Life Insurance SPD, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Retiree Life Insurance SPD.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

The Plan provides (i) life insurance and, if elected, AD&D coverage on the persons of eligible Retirees, and (ii) AD&D coverage, if elected on the persons of your "eligible dependents".

Eligibility

For information regarding eligibility under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Retiree Life Insurance Plan."*

*Information regarding eligibility can be accessed through the website mysourceforhr.com or by calling the Benefits Source at **1-888-640-3320** to speak to a service representative.*

Enrollment

For information regarding enrollment under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Retiree Life Insurance Plan."*

Contributions

Premium contributions are not required for the Basic Retiree Term Life Coverage Option. However, if you elect any of the AD&D Coverage Options, you will contribute to the cost of such coverage. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at **1-888-640-3320**.*

When Coverage Begins and Ends

For information regarding when coverage begins and ends under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Retiree Life Insurance Plan"*.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under the Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at 1-888-640-3320. Securian has prepared information about the modes of settlement that are available. For further

information, contact the Benefits Source at 1-888-640-3320.

The Group Insurance Certificate also contains rules regarding the assignment of your insurance under a Coverage Option. Refer to the Group Insurance Certificate for the terms and conditions under which such assignments may be made.

Basic Retiree Term Life Coverage

The Basic Retiree Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in the amount of $25,000. There is no cash value associated with, or attributable to, the Basic Retiree Term Life Coverage Option.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law. For more information, see the *"Claims Determination and Appeal Process – Life Insurance Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 39.

Payment of Death Benefits under Life Coverage

If you die while covered under the Plan, the amount of insurance on you is payable when Securian's home office receives written proof satisfactory to it that you died while covered under the Plan and insured under the Group Insurance Certificate. If you die within 31 days after ceasing to be covered under the Plan, but while you are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Retiree Term Life Coverage Option are payable according to Securian's beneficiary and mode of settlement rules.

Conversion Privilege for Life Coverage

If all or a part of your Retiree Term Life Insurance terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by the life insurance company for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features"* below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Supplemental Retiree AD&D Coverage Option

Subject to eligibility and enrollment requirements described above, you may enroll for supplemental retiree AD&D coverage in any multiple of $10,000 up to a maximum of $50,000.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law. For more information, see the *"Claims Determination and Appeal Process – Life Insurance Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 39.

Dependents AD&D Coverage Option

You may enroll for AD&D coverage on each of your "eligible dependents" in an amount equal to a percentage of your Supplemental Retiree AD&D Coverage, as set forth below:

Eligible dependents	Amount of Insurance on each Eligible Dependent (as % of Retiree AD&D Coverage)
Spouse (with children)	50% on spouse
Spouse (no children)	60% on spouse
Each child	10% on each child

Additional AD&D Coverage

The Plan provides additional benefits under Supplemental Retiree and Dependents AD&D Coverage for a person's loss of life as a result of a covered accident in an automobile while using a seat belt or as a result of an accident in an automobile while using an air bag. The additional benefits are both in an amount equal to 10% of the amount payable due to the death or dismemberment. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	Percent of Person's Amount of Insurance
Life; both hands; both feet; sight of both eyes; speech and hearing; one hand and one foot; one foot and sight of one eye; one hand and sight of one eye; quadriplegia	100%
Paraplegia	75%
Sight of one eye; speech; hearing; one hand; one foot; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by

artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

A benefit is not payable for both loss of thumb and index finger of one hand and the loss of one hand for injury to the same hand as a result of any one accident.

Benefits may be paid for more than one accidental injury, but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A loss is not covered if it results from or is caused directly or indirectly by any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted injuries, or any attempt to inflict such injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit a felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Portability of AD&D Coverage

If AD&D Coverage ceases, you may have the right to apply for coverage for yourself or for your "eligible dependent," as the case may be, under a Portability Plan maintained by the life insurance company. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Contract would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue Dependents AD&D Coverage, you must port your Retiree Supplemental AD&D Insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Your Eligibility for Portability Coverage

You and your eligible dependents are eligible to continue your Retiree Supplemental AD&D

Coverage and Dependents AD&D Coverage under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you are no longer in a class eligible for coverage; or

(2) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by the life insurance company or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) lose eligibility due to termination of the Plan or Group Contract.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date.

When an insured attains age 65, the amount of insurance continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000. This minimum does not apply to an eligible dependent.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Continuation of Portability Coverage After Termination of Group Contract

Termination of the Group Contract will not terminate insurance then in force for any person with portability status. The Group Contract will be deemed to remain in force solely for the purpose of continuing such insurance, but without the obligation of the Company.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) in the case of your dependent child or a spouse who is covered under the Plan, the date your coverage is no longer being continued under the Portability Plan or the date your spouse or child ceases to be eligible under the Plan; or

(4) 31 days after the due date of any premium contribution which is not made.

See the "*Highlights of Conversion and Portability Features*" below for additional details regarding the portability privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Highlights of Conversion and Portability Features

	Conversion	Portability
Can Basic Retiree Term Life Coverage be converted or ported?	Yes	No
Can AD&D coverage be converted or ported	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No	No
Application Deadline	Application and first month premium due 31 days after your coverage termination.	Application and first month premium due 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 Robert Street North St. Paul, MN 55101-2098	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 Robert Street North St. Paul, MN 55101-2098

Conformity with State Law

If any provision of this Retiree Life Insurance SPD or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should contact the Benefits Source at **1-888-640-3320** to initiate the claims process.

*If you would like to make a claim, please contact the Benefits Source at **1-888-640-3320** and ask to speak to a life specialist.*

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Retiree Life Insurance Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of the NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance benefits
Plan Number:	536
Contribution Source:	Basic Retiree Term Life Insurance: Employer Supplemental Retiree and Dependents AD&D Insurance: Retiree
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 Robert Street North St. Paul, MN 55101-2098
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410 Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this Retiree Life Insurance SPD and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

NiSource®

Health and Welfare Benefits Handbook

SUMMARY PLAN DESCRIPTIONS

Effective January 1, 2021

For Retirees who were

Former Non-Union Full-Time Employees (Non-Exempt Hired or Rehired Before 1/1/2013 and Exempt Hired or Rehired Before 1/1/2010)

and who

Retired Through CMA Bridging on or after 10/9/2020

To: Participant

Re: Eligibility and Enrollment Information

Based upon your hire date at NiSource, and as a result of plan amendments adopted in connection with the sale of Columbia Gas of MA to Eversource, you will be eligible to participate in NiSource's Pre-65 Retiree Medical Plan, and your eligible dependents will be eligible for retiree medical coverage, **when you turn age 55**.

Please Note:

You will not automatically receive enrollment materials for retiree medical coverage under the Pre-65 Retiree Medical Plan, whether at the time of your termination of employment or when you first become eligible for coverage upon attaining age 55. You must contact the Benefits Source at **1-888-640-3320** as you approach age 55 to enroll in retiree medical coverage. If you do not call and enroll in retiree medical coverage within 31 days after you attain age 55, your next opportunity to enroll in retiree medical coverage will be at the next annual enrollment (typically November of each year) or upon the occurrence of a qualified life event. You will not receive any notification of these additional enrollment opportunities.

If you never enroll in the Pre-65 Retiree Medical Plan after becoming eligible for coverage, you must contact the Benefits Source at **1-888-640-3320** within 31 days after attaining age 65 to enroll in coverage under the Post-65 Retiree Medical Plan. If you do not call and enroll in the Post-65 Retiree Medical Plan within 31 days after you attain age 65, your next opportunity to enroll in retiree medical coverage will be at the next annual enrollment (typically November of each year) or upon the occurrence of a qualified life event. You will not receive any notification of these additional enrollment opportunities.

Further enrollment details are included below in the Handbook.

NiSource Benefits Department

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

The benefit information contained in this Handbook applies to eligible retired employees (A) who were former non-union full-time employees (non-exempt hired before January 1, 2013, or exempt hired before January 1, 2010) who retired from employment with NiSource Inc. ("NiSource" or the "Company") or a participating employer (the Company and each participating employer, an "Employer") through CMA Bridging (defined below) on or after October 9, 2020, after having attained age 55, and (B) who are covered under one or more of the NiSource Life and Medical Benefits Program and the NiSource Post-65 Retiree Medical Plan (collectively, the "Program"), or various component benefit plans of the foregoing. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible retirees as belonging to Retiree Benefit Program 101Y21.

A participating employer with respect to any particular benefit coverage under the Program is an affiliate of the Company that has adopted, or is deemed to have adopted, such benefit coverage, as provided in the plan documents governing such coverage. The NiSource Benefits Committee (the "Committee") has sole discretion to determine who is a participating employer.

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the benefit plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The Committee reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program, or a portion thereof, also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees

Benefit Plans At-a-Glance

NiSource Inc. ("NiSource" or the "Company") offers eligible retired employees and their eligible dependents the following coverages in accordance with the terms of the applicable benefit plan (identified below). *(Details of each benefit plan can be found in the individual benefit plan sections of this Handbook.)*

For eligible retired employees and/or their eligible dependents who are under age 65:

- Medical and Prescription Drug Coverage (NiSource Consolidated Flex Medical Plan – referred to as the "Pre-65 Retiree Medical Plan")

For eligible retired employees and/or their eligible dependents who are age 65 or over:

- Medical Coverage (MAP Option, MAP-Med Only Option or Medicare Supplement Option under the NiSource Post-65 Retiree Medical Plan – separately and/or collectively referred to as the "Post-65 Retiree Medical Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – Pension and 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at mysourceforhr.com. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Unless otherwise defined in the applicable individual benefit plan section of this Handbook, as used in this **Benefits Program Overview** or elsewhere in this Handbook, and for purposes of the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan (each individually a "Plan" or "Retiree Medical Plan"), the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a benefit plan.

"CMA Bridging" refers to the provision to Retirees of eligibility for retiree medical benefits under the Program upon attaining age 55.

"CMA Transaction" means the transaction pursuant to which NiSource sold to Eversource Energy certain assets, and Eversource Energy agreed to assume certain obligations and liabilities, of Bay State Gas Company.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985

"Code" means the Internal Revenue Code of 1986, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before the Plan will pay benefits.

"Defined Dollar Years of Service" means

(x) the total number of years of service as of October 9, 2020 (or as of the date of retirement, in the case of a Retiree who was an Inactive Employee (as defined in that certain Asset Purchase Agreement, dated February 26, 2020, as amended, executed in connection with the CMA Transaction), as of October 9, 2020), rounded up to the nearest whole number, earned by the Pre-65 Retiree or Post-65 Retiree Plan Participant for purposes of benefit accrual (including all service prior

to a distribution that causes any prior service to be disregarded) under each defined benefit pension plan maintained by NiSource or an affiliate in which the former employee accrued a benefit, as calculated under the terms of each applicable defined benefit pension plan, if such total number, as rounded up, is immediately prior to the closing of the CMA Transaction greater than or equal to ten (10) years; and

(y) ten (10) years, if the total number of years of service as of October 9, 2020 (or as of the date of retirement, in the case of a Retiree who was an Inactive Employee as of October 9, 2020), rounded up to the nearest whole number, earned by the Pre-65 Retiree or Post-65 Retiree Plan Participant for purposes of benefit accrual (including all service prior to a distribution that causes any prior service to be disregarded) under each defined benefit pension plan maintained by the Company or an affiliate in which the former employee accrued a benefit, as calculated under the terms of each applicable defined benefit pension plan, is less than ten (10) years.

"Eligibility Years of Service" means the total number of years of active employment with NiSource or an affiliate that you completed, as calculated as of the date of your retirement and as determined by the Plan Administrator in its sole and absolute discretion.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by Physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation, the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status

to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A.

"Out-of-Network Provider" has the meaning given the term in the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount."

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Pre-65 Retiree" means a Retiree who has not attained age 65.

"Post-65 Retiree" means a Retiree who has attained age 65.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Retiree" means a former non-union full-time non-exempt employee of Bay State Gas Company or of NiSource Corporate Services Company who was hired or rehired before January 1, 2013, or a former non-union full-time exempt employee of Bay State Gas Company or of NiSource Corporate Services Company who was hired or rehired before January 1, 2010, in each case (A) who was terminated from employment with Bay State Gas Company or with NiSource Corporate Services Company in connection with the CMA Transaction, as determined by the Plan Administrator in its absolute discretion, (B) who had not attained age 55 and ten Eligibility Years or Service as of October 9, 2020, and (C) who has attained age 55.

Notwithstanding the foregoing, the term "Retiree" shall not include a person the Plan Administrator determines, in its discretion, belongs to a Retiree Benefit Program other than Retiree Benefit Program 101Y21. (Retiree Benefit Programs are groupings, established by the Plan Administrator for recordkeeping purposes, of similarly situated

retirees who are entitled to retiree medical benefits at retirement.)

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

"Spouse" means a person who is treated as your spouse under the Internal Revenue Code. ***Please Note:*** See "Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for pre-65 retiree medical coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual benefit plan sections of this Handbook)* will be eligible to participate in the benefit plans when and to the extent provided under the applicable benefit plan. Generally, you and your eligible dependents will be eligible to elect to participate in the benefit plans on the later of the date of your retirement.

A Retiree (other than a Safety Plan Rehire) who is rehired by an Employer shall lose eligibility for coverage as a Retiree under the Retiree Medical Plans (and shall not be eligible for such coverage upon his or her subsequent retirement), but may be eligible for coverage under the NiSource Consolidated Flex Medical Plan as an employee, subject to the terms and conditions for employee coverage under that benefit plan.

A "Safety Plan Rehire" is a Retiree who is rehired by Columbia Gas of Ohio, Inc. after January 1, 2019 to support the construction activities associated with regulator station replacement in conjunction with the LP-Enhanced Safety Plan and natural gas system replacement projects. Upon retirement from Columbia Gas of Ohio, Inc., a Safety Plan Rehire shall once more be eligible for retiree medical benefits under the applicable Retiree Medical Plan and shall be treated as a member of the Covered Retiree Group to which he or she belonged immediately prior to being rehired by Columbia Gas of Ohio, Inc. A "Covered Retiree Group" is a group of similarly situated employees that is entitled to retiree medical benefits at retirement, as determined by the Plan Administrator in its absolute discretion.

Please Note: It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a benefit plan. Any amounts paid by a benefit plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. ***Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a benefit plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits and required repayment of any ineligible expenses.*** Also, enrollment of a dependent under a benefit plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the plan.

Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Pre-65 Retirees are eligible to participate in the Pre-65 Retiree Medical Plan. Post-65 Retirees are eligible to participate in the Post-65 Retiree Medical Plan. Provided, however, that your eligibility will not commence before your Retiree Eligibility Date.

If you are a Pre-65 Retiree participating in the Pre-65 Retiree Medical Plan or a Post-65 Retiree participating in the Post-65 Retiree Medical Plan, (a) you may cover your eligible dependents under the Pre-65 Retiree Medical Plan if they have not attained age 65, and (b) you may cover your eligible dependents

under the Post-65 Retiree Medical Plan if they have attained age 65.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Pre-65 Retiree Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former spouse or your spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated, (3) the child is dependent upon you for financial support and maintenance, (4) you continue to be covered by the Plan, and (5) the child's disability continues;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent (and with respect to the Post-65 Retiree Medical Plan, who is age 65 or older).

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

*Please refer to the website mysourceforhr.com, or call the Benefits Source at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan.*

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a benefit plan, and each year during annual enrollment, you have the opportunity to select retiree medical coverage for you and your eligible dependents.

You are automatically enrolled for EAP/Work Life/Legal & Financial coverage (even if you elect the No Coverage Option for retiree medical coverage) upon the date you become eligible for such coverage.

To enroll in retiree medical coverage, you must log on to the website mysourceforhr.com or call the Benefits Source at **1-888-640-3320.**

Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Provided you meet the eligibility requirements, as described in the "*Eligibility*" section above, you and your eligible dependents can participate in the Pre-65 Retiree Medical Plan and/or Post-65 Retiree Medical Plan, as applicable, if you properly enroll or are deemed to have enrolled.

For the Pre-65 Retiree Medical Plan, if you are a newly eligible retiree, you must enroll yourself and any eligible dependents in retiree medical coverage no later than 31 days after the later of (i) the date of your retirement, and (ii) your Retiree Eligibility Date.

For the Post-65 Retiree Medical Plan, you must enroll yourself and any eligible dependents before 31 days after the later of (i) the date of your retirement, and (ii) the date you attain age 65.

In general, once you enroll for (or decline) coverage in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. However, if you experience a qualified life event, you may enroll or change existing coverage during the year. Please see the *"Changing and Continuing Elections"* section of this **Benefits Program Overview** for further details. Also, you may select the "No Coverage" option at any time; however once you select this option, you may select another coverage option only at annual enrollment or in connection with a qualified life event that would permit such change.

With respect to the Post-65 Retiree Medical Plan, you and your eligible dependents may not enroll in the Medicare Supplement Option if at any time you were enrolled in the MAP Option or MAP-Med Only Option. Similarly, you and your eligible dependents may not enroll in the MAP Option or MAP-Med Only Option if at any time you were enrolled in the Medicare Supplement Option. You may change your enrollment from the MAP Option to the MAP-Med Only Option only at annual enrollment or in connection with a qualified life event that would permit such change. You may not change your enrollment from the MAP Med-Only Option to the MAP Option and you may not enroll in the MAP Option if at any time you or any or your dependents once were enrolled in the MAP-Med Only Option. If you have enrolled your eligible dependent in a Post-65 Retiree Medical Plan option and you subsequently become eligible for coverage under the Post-65 Retiree Medical Plan, you may enroll only in the Post-65 Retiree Medical Plan coverage option in which your dependent is enrolled or in the "No Coverage" option.

If you enroll in Medicare Part D prescription drug coverage, you may not enroll or remain enrolled in the MAP Option providing prescription drug coverage. If you later lose or drop Medicare Part D coverage, you will not be able to enroll in the MAP Option.

To enroll in retiree medical coverage under the Pre-65 Retiree Medical Plan upon first becoming eligible, you must call the Benefits Source at **1-888-640-3320** within 31 days after you attain age 55. Provided you have timely elected coverage, your benefit plan enrollment in the Pre-65 Retiree Medical Plan will be effective on the first day of the month in which you attain age 55.

After becoming eligible for coverage, if at any time you have enrolled in the Pre-65 Retiree Medical Plan, enrollment materials for the Post-65 Retiree Medical Plan will automatically be sent to you when you approach age 65. You will have 31 days after you attain age 65 to mail your medical plan election form or otherwise to complete enrollment in the Post-65 Retiree Medical Plan. If, after becoming eligible for coverage, you never enroll in the Pre-65 Retiree Medical Plan, you must call the Benefits Source at **1-888-640-3320** no later than 31 days after you attain age 65 to enroll in the Post-65 Retiree Medical Plan. Provided you timely elect coverage, your enrollment in the Post-65 Retiree Medical Plan will be effective as of the first day of the month in which you attain age 65. (If you are a Pre-65 Retiree who attains age 65 on the first day of a month, your enrollment in the Post-65 Retiree Medical Plan will be effective as of the first day of the month immediately preceding the month in which you attain age 65.)

Please Note:

You will not automatically receive enrollment materials for retiree medical coverage under the Pre-65 Retiree Medical Plan, whether at the time of your termination of employment or when you first become eligible for coverage upon attaining age 55. You must contact the Benefits Source at **1-888-640-3320** as you approach age 55 to enroll in retiree medical coverage. If you do not call and enroll in retiree medical coverage within 31 days after you attain age 55, your next opportunity to enroll in retiree medical coverage will be at the next annual enrollment or upon the occurrence of a qualified life event. You will not receive any notification of these additional enrollment opportunities.

If you never enroll in the Pre-65 Retiree Medical Plan after becoming eligible for coverage, you must contact the Benefits Source at **1-888-640-3320** within 31 days after attaining age 65 to enroll in coverage under the Post-65 Retiree Medical Plan. If you do not call and enroll in the Post-65 Retiree Medical Plan within 31 days after you attain age 65, your next opportunity to enroll in retiree medical coverage will be at the next annual enrollment or upon the occurrence of a qualified life event. You will not receive any notification of these additional enrollment opportunities.

In the event you fail to enroll in retiree medical coverage upon first becoming eligible (including by failing to elect the No Coverage Option), you fail to enroll in the Post-65 Retiree Medical Plan upon attaining age 65, or you fail to enroll your eligible dependent in the Post-65 Retiree Medical Plan when he or she attains age 65, the following will take place:

- If you or an eligible dependent are under age 65, you will be deemed to have elected the No Coverage Option under the Pre-65 Retiree Medical Plan;
- If you are age 65 or over, you will not be covered by any plan for retiree medical benefits as of the date of your retirement or the date you attain age 65; and
- If your eligible dependent is age 65 or over, he or she will not be covered by any plan for retiree medical benefits as of the date he or she attains age 65.

Your next opportunity to enroll in retiree medical coverage will be at the next annual enrollment or upon the occurrence of a qualified life event.

If you are a current Retiree enrolled in retiree medical coverage and you do not make changes during the annual enrollment process, your current benefits, if available, will be maintained.

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (spouse and/or your child) are eligible for Program benefits as active employees or retirees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource benefit plan of the same type (e.g., more than one medical plan). Also, for most benefit plans, a NiSource active employee or retiree cannot be covered under the benefit plan both as a participant and as a dependent. Likewise, if you and your spouse are both eligible employees or retirees of NiSource or one of its affiliates, either of you may choose to cover your eligible child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan. Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects medical coverage or makes no medical coverage election and is thereby deemed to have elected medical coverage under the NiSource Consolidated Flex Medical Plan, you will be deemed to have requested that

coverage for such dependent under a Retiree Medical Plan be dropped.

Coverage under the Program for active employees or for eligible retirees other than the Retirees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides group health plan coverage for your eligible child pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or participating employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

You may obtain, without charge, a copy of the benefit plans' QMCSO procedures from the Company.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the benefit plans. Except as noted below, if you do not enroll within the annual enrollment period, your current coverages remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans, plans that require enrollment and the deadline date.

In the event your current plan coverage is not available and you fail to elect coverage under another plan that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan" for further details.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan at your home address.

Your ID card should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options or the Post-65 Retiree Medical Plan, or, if applicable, your HMO in the case of an HMO option.

Defined Dollar Subsidy for Retiree Medical Coverage

Pre-65 Retirees, Post-65 Retirees and their eligible Spouses are entitled to receive an annual defined dollar subsidy ("Defined Dollar Subsidy") to be credited toward the cost of their retiree medical coverage under a Retiree Medical Plan.

The Defined Dollar Subsidy is determined by multiplying your Defined Dollars Years of Service by a fixed dollar amount established by the Company.

If you and your Spouse are both enrolled in a Retiree Medical Plan, and if you die prior to your Spouse, your surviving Spouse may receive a Defined Dollar Subsidy, to be credited toward the cost of coverage under a Retiree Medical Plan, in the amount to which you would have been entitled had you survived and were the same age as your Spouse.

The Committee reserves the right to terminate, change or modify the Defined Dollar Subsidy at any time without the consent of, or advance notice to, you or your covered dependents.

When Coverage Begins and Ends - General

Please see below or the individual benefit plan sections of this Handbook for a complete description of when the coverage begins and ends with respect to each benefit plan.

When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Coverage Begins

Generally, coverage under the Pre-65 Retiree Medical Plan may become effective on the later of (1) the date you retire, (2) the first day of the following Plan Year for eligible Retirees who enroll during the annual enrollment period, (3) the date the Plan approves your enrollment based upon a qualified life event, and (4) the date you properly enroll. Coverage for your eligible dependent under the Pre-65 Retiree Medical Plan may become effective, if you properly enroll him or her, (1) on the date your coverage becomes effective, (2) the first day of the following Plan Year if you enroll your eligible dependent during the annual enrollment period, or (3) on the date the Plan approves his or her enrollment based upon a qualified life event.

Coverage for you under the Post-65 Retiree Medical Plan may become effective on the later of (1) the date you retire, (2) the first day of the month in which you attain age 65 (or on the first day of the immediately preceding month, if you attain age 65 on the first day of the month), and (3) the date you properly enroll. Coverage for your eligible dependent under the Post-65 Retiree Medical Plan may become effective, if you properly enroll him or her, (1) the date your coverage becomes effective, (2) the first day of the following Plan Year if you enroll your eligible dependent during the annual enrollment period, or (3) the date the Plan approves his or her enrollment based upon a qualified life event.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to a Retiree;
- The date a Retiree is no longer eligible for coverage under the Plan, including without limitation as a result of being rehired by an Employer;
- The last date for which any required contribution was made;
- The date the covered Retiree provides notice to the Company of his or her intent to terminate coverage; or
- With respect to the Pre-65 Retiree Medical Plan, the date a Pre-65 Retiree attains age 65.

A dependent's eligibility generally ends on the earliest of the following dates:

- The date the Retiree’s coverage ends;
- The last date for which any required contributions for the dependent’s coverage was made;
- The date the covered Retiree provides notice to the Company of his or her intent to terminate coverage for such dependent;
- With respect to a Spouse who becomes divorced or legally separated from a Retiree, the date of divorce or legal separation; or
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if coverage for you or your dependents is terminated during a Plan Year for failure to pay required contributions for coverage, you may apply to the NiSource Benefits Department during the same Plan Year to reinstate coverage retroactive to the date of termination. Your application must be in writing and must describe the extenuating circumstances that resulted in your missed payment. The Benefits

Department, in its sole and absolute discretion, will determine whether there are sufficient grounds for reinstating coverage. If the Benefits Department makes a favorable determination, you must repay any missed premiums before the end of the Plan Year and before coverage will be reinstated.

Also, notwithstanding the foregoing, if your dependent experiences a COBRA qualifying event, coverage for EAP/Work Life/Legal & Financial will end the day after the expiration of the maximum COBRA continuation coverage period that would otherwise apply to such dependent, if COBRA were to apply to EAP/Work Life/Legal & Financial coverage. For a description of COBRA qualifying events, please see the "COBRA" subsection of the *"Continuation of Coverage"* section of this **Benefits Program Overview**

Please see the *"Continuation of Coverage"* section of this **Benefits Program Overview** for circumstances under which your coverage under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan may be continued beyond the periods described above.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, you may make or change certain Retiree Medical Plan elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain elections if you experience a "qualified status change" that affects your, your spouse's, or your dependent's eligibility for benefits under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event.

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company or Plan Administrator.

To the extent permitted by the applicable benefit plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee + family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the benefit plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- Your dependent becomes eligible for coverage (e.g., with respect to the Post-65 Retiree Medical Plan, he or she attains age 65).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Other qualified life events that may permit a change in your elections (including a change

in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a benefit plan.
- With respect to the Pre-65 Retiree Medical Plan, you qualify for special enrollment during the year under HIPAA. For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage (including coverage purchased through a government exchange or other health insurance coverage purchased in the individual market) when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Pre-65 Retiree Medical Plan, under such a Medicaid plan or State child health plan. *Please Note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***
- The benefit plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- You, your spouse or dependent lose coverage under any group health coverage sponsored by a governmental or educational institution, in which case you may be able to elect coverage under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan, as applicable.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.

If a dependent you are covering under a Retiree Medical Plan is hired by an Employer and either timely elects coverage under the NiSource Consolidated Flex Medical Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Retiree Medical Plan coverage for such dependent in connection his or her change in employment status.

Notwithstanding the foregoing or any other provision of this Handbook, if you are covered under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan, you may drop your coverage or reduce the number of dependents covered under a Retiree Medical Plan at any time. However, once you drop your coverage or drop coverage for one or more of your dependents, you will not be able to enroll again in coverage until the next annual enrollment period or until you experience a qualified life event that would permit enrollment.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical or prescription drug plan or program, your medical and prescription drug benefits under the benefit plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.

- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable benefit plan is primary, the benefit plan pays the amount payable under such plan.

If your coverage under the applicable benefit plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the benefit plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Pre-65 Retiree Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

In the case of a divorce or separation, the following order will establish responsibility for payment:

- If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.
- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's

plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.

— The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the benefit plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits. A retiree generally is not in current employment status. The discussion below assumes that a retiree covered under a Retiree Medical Plan is not in current employment status for purposes of Medicare. However, if you believe you have current employment status for purposes of Medicare regulations, you should contact the Benefits Source at **1-888-640-3320**.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under a Retiree Medical Plan but are no longer considered by Medicare to be in "current employment status," and if you, your covered spouse or your other covered dependents are Medicare-eligible, then Medicare will generally be treated by the Retiree Medical Plan as the primary payor for the covered person who is Medicare-eligible, regardless of the covered person's age and, except for Medicare Part D prescription drug coverage, regardless of whether he or she has enrolled in Medicare or any part thereof. If your covered spouse or other covered dependent is not Medicare-eligible, the Retiree Medical Plan will be treated as the primary payor with respect to such person's benefits.

If a covered person is eligible for, but not enrolled in, Medicare benefits, the Retiree Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are eligible for, but not enrolled in, Medicare Part B, and you incur a claim that would be payable in whole or in part by Medicare Part B, the Retiree Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

You are responsible for notifying the Claims Administrator if you, your spouse or your other dependents become Medicare-eligible.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Pre-65 Retiree Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide certain claims and appeals to the

applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each benefit plan section, or SPD, in this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the benefit plans, please see below or the individual benefit plan sections, or SPDs, in this Handbook. Any claim relating to whether you meet the requirements for eligibility under the terms of an applicable benefit plan should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for such plan.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various benefit plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a benefit plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable benefit plan. If you decide to take legal action, you must do so before the deadline, if any, specified in the applicable individual benefit plan section of the Handbook.

Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan

The claim determination and appeal process described below applies to the Pre-65 Retiree Medical Plan. The term "Plan" as used in this section refers to the Pre-65 Retiree Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Pre-65 Retiree Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Pre-65 Retiree Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Pre-65 Retiree Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the

date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In

addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;
- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Pre-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge,

reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to request a voluntary second-level internal appeal under the Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Pre-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;
- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact

information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective review, were covered under the Plan at the time the health care item or service was provided;
- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;

- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the criteria are inconsistent with the terms of the Plan or with applicable law;
- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review

decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Post-65 Retiree Medical Plan

The claim determination and appeal process described below applies to the Post-65 Retiree Medical Plan. The term "Plan," as used in this section, refers to the Post-65 Retiree Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Pre-65 Retiree Medical Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Post-65 Retiree Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires

approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Post-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information

relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include your name, the covered person's name and date of birth, the name of the provider of services, the name of your employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;

- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes an adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Post-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include your name, the covered person's name and date of birth, the name of the provider of services, the name of your employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims

Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Pre-65 Retiree Medical Plan and under the Post-65 Retiree Medical Plan (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."* COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, and (ii) the date for making COBRA premium payments.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your spouse (if he or she is treated as a spouse under the Internal Revenue Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. These costs are subject to change.

You must elect COBRA during your COBRA election period. Your COBRA election period begins on the date of your qualifying event and ends on the date that is 60 days after the later of (i) the date coverage would have stopped due to the qualifying event, or (ii) the date the qualified beneficiary is sent notice of the right to continue coverage under COBRA.

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

Your spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

With respect to coverage under a Plan for Retirees, sometimes the filing a proceeding in bankruptcy under Title 11 of the United States Code can be a qualifying event. If a proceeding in bankruptcy is filed with respect to NiSource or one of its affiliates, and that bankruptcy results in your loss of coverage under the Plan, you will become a qualified beneficiary with respect to the bankruptcy. Your spouse, surviving spouse, and dependent children will also become qualified beneficiaries if they were covered under the Plan on the day immediately preceding the commencement of the bankruptcy proceeding and the proceeding resulted in their loss of coverage.

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is your death, the commencement of a proceeding in bankruptcy with respect to your employer (in the case of loss of retiree coverage), or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the website mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your spouse, and parents may elect COBRA continuation coverage on behalf of their children.

COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months.

When the qualifying event is an employer's bankruptcy, COBRA continuation coverage for you ends upon your death and coverage for a qualified beneficiary who is your spouse or dependent child ends on the earlier of the

date of the qualified beneficiary's death or three years after your death.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above, COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in a Plan cease to provide any group health plan or coverage to any employee.
- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" provisions set forth below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Pre-65 Retiree Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at **dol.gov/ebsa** (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Retiree's death within 30 days preceding, or at any time on or after, May 1, 2010, if COBRA continuation coverage under a Retiree Medical Plan has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Retiree's surviving dependents who are covered under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan on the date of that Retiree's death, then coverage for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Retiree's surviving spouse dies, (ii) the last day of the month in which the Retiree's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with

respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Pre-65 Retiree Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer from whom the Retiree retired from employment ceases to be a "related employer," as defined in the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan.

If medical coverage under the NiSource Consolidated Flex Medical Plan ends for an active employee's dependent because of such employee's death within thirty days preceding, or at any time on or after May 1, 2010, and if such employee would have satisfied the conditions for being a Retiree had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the NiSource Consolidated Flex Medical Plan at the time of the employee's death, the employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and be a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Pre-65 Retiree Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Pre-65 Retiree Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Post-65 Retiree Medical Plan.

If survivor coverage under the Pre-65 Retiree Medical Plan will end for a surviving dependent solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage. Notwithstanding the preceding sentence, if coverage for a surviving dependent is terminated during a Plan Year for failure to pay required contributions for coverage, the dependent may apply to the NiSource Benefits Department during the same Plan Year to reinstate coverage retroactive to the date of termination. The dependent's application must be in writing and must describe the extenuating circumstances that resulted in his or her missed payment. The Benefits Department, in its sole and absolute discretion, will determine whether there are sufficient grounds for reinstating coverage. If the Benefits Department makes a favorable determination, the dependent must repay any missed premiums before the end of the Plan Year and before coverage will be reinstated.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by

operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to a Sickness or Injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the Sickness or Injury;
- The insurer or other indemnifier of the party or parties who caused the Sickness or Injury;
- A guarantor of the party or parties who caused the Sickness or Injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the covered person's Sickness or Injury.

Benefits may also be payable under the applicable benefit plan in relation to the Sickness or Injury. When this happens, the applicable benefit plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable benefit plan any rights he or she may have to take legal action arising from the Sickness or Injury so that the applicable benefit plan may recover any sums paid under such benefit plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable benefit plan from any

payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable benefit plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable benefit plan in asserting its subrogation and recovery rights. No covered person shall take any action to prejudice the applicable benefit plan's subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable benefit plan, provide all information and sign and return all documents or agreements deemed necessary or desirable by the benefit plan for it to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements or to cooperate fully with the applicable benefit plan in asserting its subrogation and recovery rights does not preclude the benefit plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the benefit plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable benefit plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable benefit plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable benefit plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable benefit plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable benefit plan to the extent of the benefit plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable benefit plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable benefit plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable benefit plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust for the benefit of the plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable benefit plan for the Sickness or Injury, plus the amount of all future benefits that may become payable under the applicable benefit plan that result from the Sickness or Injury. The applicable benefit plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable benefit plan for any benefits that arise from the Sickness or Injury;

then:

- The covered person or his or her legal representative will be personally liable to

the applicable benefit plan for the amount of the benefits paid under that benefit plan; and

- The applicable benefit plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable benefit plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable benefit plan's attorney fees and court costs, are the responsibility of the covered person, not the benefit plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the benefit plan, and as a condition of participating in the benefit plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The Retiree;
- The Retiree's covered dependent;
- The estate of any covered person; or
- Any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable benefit plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the benefit plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the Retiree or a covered dependent, the Retiree or any other person or organization that received the payment must refund the applicable benefit plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the benefit plan; or
- Was paid by a source other than the benefit plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the benefit plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the benefit plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an In-Network Provider rather than an Out-of-Network Provider. For the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan, provider lists may be obtained, without charge, at anthem.com, or by contacting an Anthem customer service associate at the number on the back of your ID card.

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

HIPAA Nondiscrimination

Notwithstanding any other provision of this Handbook, to the extent a group health plan subject to HIPAA's nondiscrimination rules generally provides benefits for a type of injury, benefits otherwise provided for treatment of the injury will not be denied if the injury results from an act of domestic violence or a medical condition (including both physical and mental health conditions).

Employment Rights Not Guaranteed

Your participation in the Program or any benefit plan does not ensure you of continued (or renewed) employment with the Company or any Employer. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the benefit plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the benefit plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the benefit plans or adopt amendments to, or guidelines with respect to the administration of, the benefit plans, and

may take such other actions with respect to the benefit plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the benefit plans or the participants thereunder. The Committee reserves the right to terminate any benefit plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each benefit plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the benefit plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the benefit plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the benefit plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the benefit plans and construe the benefit plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Internal Revenue Code with respect to the benefit plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the benefit plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the benefit plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of benefit plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the benefit plans;
- Make claims determinations under the benefit plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the benefit plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the benefit plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though a Retiree may receive a benefit check from a Claims Administrator, the Company, a participating employer or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to benefit plans, or portions thereof, that are self-insured. The self-insured portions of benefit plans are funded from the general assets of the Company or a participating employer or another lawful funding vehicle

that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured benefit plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each benefit plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a benefit plan maintained by NiSource Inc., you are entitled to certain rights and protections under ERISA. ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the benefit plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the benefit plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the benefit plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the benefit plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the benefit plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the benefit plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for benefit plan participants, ERISA imposes duties upon the people who are responsible for the operation of the benefit plan. The people who operate the benefit plan, called "fiduciaries" of the benefit plan, have a duty to do so prudently and in the interest of the employee and other benefit plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of benefit plan documents or the latest annual report from the benefit plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the benefit plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that benefit plan fiduciaries misuse the benefit plan's money, or if you are discriminated against for

asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the benefit plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Consolidated Flex Medical Plan

Pre-65 Retiree Medical Plan

Covering Eligible Pre-65 Retirees
and/or Eligible Dependents Under Age 65

PPO Plan

High Deductible PPO 1

High Deductible PPO 2

HMO

Your Pre-65 Retiree Medical Plan Options

This is the SPD (the "Pre-65 Retiree Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Pre-65 Retiree Medical Plan. In this Pre-65 Retiree Medical Plan SPD, the Pre-65 Retiree Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible Pre-65 Retirees and their eligible dependents, as well as eligible dependents of Post-65 Retirees who are covered under the Post-65 Retiree Medical Plan, with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Pre-65 Retiree Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA), although as a Pre-65 Retiree you may not contribute to an HSA through the Company. The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at **livehealthonline.com** for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth

Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at livehealthonline.com or download the app. To learn what mobile devices are supported and to get instructions, go to livehealthonline.com and select **Frequently asked questions** under the How it Works tab. If you still have questions, you can email customersupport@livehealthonline.com or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to livehealthonline.com and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please Note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your

HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to anthem.com or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Pre-65 Retiree Medical Plan, please see the *"Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Contributions

The Employer and Retiree will contribute to the cost of the Plan in an amount determined on an annual basis. Please see the subsection of the **Benefits Program Overview** entitled *"Defined Dollar Subsidy for Retiree Medical Coverage"* for a discussion of a subsidy that may be available to reduce the cost of your coverage. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;

- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.
- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	**Out-of-Network**
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)

	PPO	
	In-Network (or out of area)	**Out-of-Network**
TYPE OF SERVICE	**Plan Pays**	**Plan Pays**
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered member generally must satisfy the "individual" covered member deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered member may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered members within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered member must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible.

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

	HDPPO 1		HDPPO 2	
FEATURE	**In-Network**	**Out-of-Network**	**In-Network**	**Out-of-Network**
Calendar Year Deductible				
Covered Member Only	$1,500	$3.000	$2,500	$5,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$3,000	$6,000	$5,000	$10,000
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan)				
Covered Member Only	$3,000	$6,000	$5,000	$10,000
Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	$6,000	$12,000	$10,000 (but each covered person subject to no more than $8,550*)	$20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at 1-888-640-3320 for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)

	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
TYPE OF SERVICE	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the

Plan for which clams are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at **anthem.com**.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or
- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at **anthem.com**.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the Pharmacy Benefits Manager (PBM) for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Pre-65 Retiree Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

  (1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

  (2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

  (3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

  (4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Pre-65 Retiree Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers, distributors, and/or similar vendors, which may be related to certain prescription drug purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HD PPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Pre-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 27.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide

by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

The Plan pays benefits for both day and nighttime care.

- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and
  - Prescribed medications (Outpatient prescription drug services are covered under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).
- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and

  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;
  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam and one hearing aid per ear during a two calendar-year period; and
- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:

- Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
- Occupational therapy;
- Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;
- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended

preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance, when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  — Abdominal aortic aneurysm screening: men;

  — Alcohol misuse: screening and counseling

  — Blood pressure screening in adults;

  — BRCA risk assessment and genetic counseling/testing;

  — Breast cancer preventive medications;

  — Breast cancer screening;

  — Cervical cancer screening;

  — Colorectal cancer screening;

  — Diabetes screening;

  — Lung cancer screening;

  — Obesity screening and counseling: adults and children;

  — Osteoporosis screening: women;

  See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

  The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific

recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

- Diphtheria;
- Hepatitis A;
- Hepatitis B;
- Herpes Zoster;
- Human Papillomavirus;
- Influenza (flu shot)
- Measles
- Meningococcal;
- Mumps;
- Pertussis;
- Pneumococcal;
- Rubella;
- Tetanus;
- Varicella (chickenpox).

The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information:
https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

See the following website for additional information: https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:
  - Well-woman visits;
  - Counseling and screening for human immune-deficiency virus;
  - Human papillomavirus testing;
  - Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);
  - Screening for gestational diabetes;
  - Screening and counseling for interpersonal and domestic violence;
  - Counseling for sexually transmitted infections;
  - Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued, provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please Note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain covered services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office

visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants

- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;
  - Obstetrician services;
  - Routine inpatient nursery charges (unlimited newborn visits);
  - Inpatient pediatrician visits; and
  - Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Retiree-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website mysourceforhr.com and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);

- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;
  - Medically necessary services, supplies, and medications.
- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:
  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed

Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

- Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
- Inpatient covered hospital services related to the transplant procedure.
- Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).
- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320.**

Medical Expenses Not Covered

Expenses Not Covered Under Pre-65 Retiree Medical Plan

The medical expenses **not** covered under the Pre-65 Retiree Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;
- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as

otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;

- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;
- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not

required to pay for them or they are provided to the covered person for free;

- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;
- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person's family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact

lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;

- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or astigmatism or any other correction of vision due to a refractive problem; and
- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

Prescription drug coverage under the PPO coverage option shall be subject to quantity limit and dose optimization programs. For certain prescription drugs, (i) the quantity limit program limits the amount of medicine that is covered by the Plan for a certain length of time, and (ii) the dose optimization program generally identifies covered persons receiving multiple doses of lower strength medications and, where clinically appropriate, optimizes or consolidates the regimen to a single dose of a higher strength medication. With respect to certain prescription drugs, the dose optimization program may also help ensure that as higher dosages of a given medication are prescribed, the covered person takes a single dose at the higher strength.

The PPO coverage option utilizes a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best

choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a prescribed brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable co-pay or co-insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Pre-65 Retiree Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please Note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at anthem.com.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	Plan Pays	You Pay*	Plan Pays	You Pay*
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:		Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications	

*You either pay a percentage of the drug's cost (co-insurance), or a set co-pay amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum co-pay," you pay the minimum co-pay amount. If your percentage of the cost results in an amount that is **greater than** the "maximum co-pay," you pay up to the maximum co-pay amount. For the PPO Coverage Option, if you request that a brand-name drug be dispensed instead of its generic substitute, you may be responsible for paying the difference between the cost of the brand-name drug and the generic substitute, in addition to the applicable co-pay or co-insurance.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a prescribed brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your physician request that the brand-name drug be dispensed, you will be responsible for the applicable co-insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at anthem.com.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		**MAIL ORDER**		**NINETY-DAY SUPPLY AT RETAIL**	
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***	**Plan Pays**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	RETAIL PHARMACY		**MAIL ORDER**		**NINETY-DAY SUPPLY AT RETAIL**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

*Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if you or your physician request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable co-insurance plus the difference in cost between the brand-name drug and the generic substitute.

**Ninety-Day Supply at Retail is not available for out-of-network pharmacies.

Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

Please Note: Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Pre-65 Retiree Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life Services"* sections of this Pre-65 Retiree Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Abuse	**In-Network** **Plan Pays (after deductible)**	**Out-of-Network*** **Plan Pays (after deductible)**
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

*For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law , with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

As a Pre-65 Retiree, you cannot continue to make contributions by means of payroll deduction to the health savings account ("HSA") you established through the Company. However you may continue to contribute to your HSA outside of payroll deduction (or to another health savings account you establish) until you attain age 65, provided you are enrolled in the HDPPO 1 or HDPPO 2 options or other eligible high deductible coverage and you are otherwise eligible under Federal law to contribute to such an account.

If you previously contributed to an HSA through the Company by means of payroll deduction, your HSA contributions made through payroll deduction as well as the Company's contributions to your HSA will stop when you retire. Your account balance goes with you, however, and continues to earn interest. You may continue to use your HSA to pay for future medical expenses during retirement. However, you will be responsible for paying any monthly fees related to the administration of your account. Upon your retirement, your HSA will be converted to a new direct account in your name, and you will receive a new debit card you can use to pay for eligible expenses.

Contact the HSA custodian, UMB, directly at 1-866-520-4472 if you have any questions about your HSA or your debit card after you retire.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)*" information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is

not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of Retiree;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your benefit plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Pre-65 Retiree Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the participating employers, through participant contributions and other benefit funding vehicles that may be established from time to time.
Contribution Source:	Retiree and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the benefit plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of benefit plan coverage cost will be paid by the participating employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. Benefits will be paid under a benefit plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals:

Anthem Blue Cross and Blue Shield
P.O. Box 105568
Atlanta, GA 30348

Address for Mail Order Prescription Drugs:

Anthem Blue Cross and Blue Shield
Home Delivery Service
P.O. Box 94467
Palatine, IL 60094-4467
1-800-228-2891 (mail order)

Claims Administrator for EAP:

Beacon Health Options
P.O. Box 1850
Hicksville, NY 11802-1850
achievesolutions.net
1-800-946-5360

Agent for Service of Legal Process:

Manager, Benefits Accounting & Compliance
801 East 86th Avenue
Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Post-65 Retiree Medical Plan

For Eligible Post-65 Retirees
and/or Eligible Dependents Age 65 and Over

Your Post-65 Retiree Medical Plan Coverage

This is the SPD (the "Post-65 Retiree Medical SPD") for the NiSource Post-65 Retiree Medical Plan, also referred to as the Post-65 Retiree Medical Plan. In this Post-65 Retiree Medical Plan SPD, the Post-65 Retiree Medical Plan is sometimes referred to as the "Plan."

The following is a description of your coverage under the NiSource Post-65 Retiree Medical Plan. This Plan is designed to supplement your coverage under Medicare.

Eligibility

For information regarding eligibility under the Post-65 Retiree Medical Plan, please see the *"Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Post-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Contributions

Retired employees contribute to the cost of the Plan according to the arrangement in place at the time of retirement. Those covered persons continuing their coverage under COBRA shall contribute an amount required under COBRA. For further information about COBRA see the *COBRA* information in this section of this Handbook. For a discussion of a subsidy that may be available to reduce the cost of your coverage, please see the subsection of the **Benefits Program Overview** entitled *"Defined Dollar Subsidy for Retiree Medical Coverage"*.

ID Card

For information concerning identification cards for the Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Highlights of the MAP Option

The MAP Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The MAP Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 32.

The following is a brief summary of benefits under the MAP Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for MAP Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 041

Feature	
MAP Deductible	• **Medicare Part A Services:** All services considered under Medicare Part A are subject to your payment of a $100 deductible. • **Medicare Part B Services:** All services considered under Medicare Part B are subject to your payment of a $100 deductible.
Lifetime maximum	• The total maximum benefit payable under the MAP Option and the MAP-Med Only Option, separately and collectively, with respect to each covered person during such person's lifetime shall not exceed $50,000. Once a person's lifetime maximum of $50,000 is met, no additional claims will be paid under the Post-65 Retiree Medical Plan. It is your responsibility to monitor your lifetime maximum balance. Contact Anthem to obtain your lifetime maximum balance.

Feature/Service	Plan Pays
Physician Services	
Office visit – primary care and specialist	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Routine gynecological exams; routine annual mammogram; routine annual Pap smear test; routine flexible sigmoidoscopy; and routine prostate cancer screening	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests and laboratory tests	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Outpatient Services	
Surgery	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details

Feature	
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays 80% of charges not covered by Medicare due to Medicare day maximum being exhausted, after Covered Person's payment of the MAP Deductible, • Contact Anthem for specific benefit details
Inpatient days covered by Medicare	• Inpatient days covered by Medicare (including the inpatient deductible for inpatient days covered by Medicare) are not covered or payable under the Plan. Without limiting the generality of the foregoing, inpatient facility charges and skilled nursing facility charges covered by Medicare are not covered by the Plan.
Transplant Services	
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. The Plan shall provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when the Covered Person obtains prior approval and is required to travel more than 100 miles from his or her residence to reach the Hospital where the covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the Hospital and lodging for the patient and one companion. Benefits for lodging are limited to $75.00 per day. Travel expenses and lodging expenses, on a combined basis, are limited to $20,000. To obtain reimbursement, the Covered Person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator.

Feature	
Prescription Drugs	**Retail Pharmacy** • Generic drugs: Plan pays 80% of the drug cost; you pay 20% ($5 minimum/$15 maximum copay) • Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($15 minimum/$45 maximum copay) • Non-Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($30 minimum/$90 maximum copay) **Mail Order (90-day supply)** • Generic drugs: You pay $10 • Formulary drugs: You pay $30 • Non-Formulary drugs: You pay $60 **Ninety-Day Supply at Retail** • Generic drugs: Plan pays 80% of the drug cost; you pay 20% ($15 minimum/$45 maximum copay) • Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($45 minimum/$135 maximum copay) • Non-Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($90 minimum/$270 maximum copay) "Generic" means drugs no longer covered by the original patent. "Formulary" means a list of approved drugs covered under the prescription drug plan. "Non-formulary" means drugs not chosen for the Formulary, which do not qualify as Generic. • Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost for many prescription drugs for Medicare-eligible participants. The prescription drug coverage under your NiSource Post-65 Retiree Medical Plan is generally better coverage than coverage under Medicare. **Note:**

Feature	
	You cannot be enrolled in both Medicare Part D prescription drug coverage and prescription drug coverage under the NiSource Post-65 Retiree Medical Plan. • The out-of-pocket expense limitation on prescription drugs is $750 per covered person per calendar year. • Contact Anthem for specific benefit details, including prescriptions drugs that may be covered under the MAP Option.
Mental Health Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details

Feature	
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Other Services	
Durable medical equipment	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Vision benefits (one routine vision exam and refraction per year)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details

Highlights of the MAP-Med Only Option

The MAP-Med Only Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The MAP-Med Only Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 32.

The following is a brief summary of benefits under the MAP-Med Only Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for MAP-Med Only Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 056

Feature	
MAP Deductible	• **Medicare Part A Services:** All services considered under Medicare Part A are subject to your payment of a $100 deductible. • **Medicare Part B Services:** All services considered under Medicare Part B are subject to your payment of a $100 deductible.
Lifetime maximum	• The total maximum benefit payable under the MAP Option and the MAP-Med Only Option, separately and collectively, with respect to each covered person during such person's lifetime shall not exceed $50,000. Once a person's lifetime maximum of $50,000 is met, no additional claims will be paid under the Post-65 Retiree Medical Plan. It is your responsibility to monitor your lifetime maximum balance. Contact Anthem to obtain your lifetime maximum balance.

Feature/Service	Plan Pays
Physician Services	
Office visit – primary care and specialist	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Routine gynecological exams; routine annual mammogram; routine annual Pap smear test; routine flexible sigmoidoscopy; and routine prostate cancer screening	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests and laboratory tests	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Outpatient Services	
Surgery	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Emergency Services	
Emergency room	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays 80% of charges not covered by Medicare due to Medicare day maximum being exhausted, after Covered Person's payment of the MAP Deductible, • Contact Anthem for specific benefit details
Inpatient days covered by Medicare	• Inpatient days covered by Medicare (including the inpatient deductible for inpatient days covered by Medicare) are not covered or payable under the Plan. Without limiting the generality of the foregoing, inpatient facility charges and skilled nursing facility charges covered by Medicare are not covered by the Plan.
Transplant Services	
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. The Plan shall provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when the Covered Person obtains prior approval and is required to travel more than 100 miles from his or her residence to reach the Hospital where the covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the Hospital and lodging for the patient and one companion. Benefits for lodging are limited to $75.00 per day. Travel expenses and lodging expenses, on a combined basis, are limited to $20,000. To obtain reimbursement, the Covered Person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator.

Feature/Service	Plan Pays
Prescription Drugs*	• Not applicable
Mental Health Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Other Services	
Durable medical equipment	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Vision benefits (routine screenings are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details

*Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost of many prescription drugs for Medicare-eligible participants. You may want to consider enrolling in Medicare Part D to receive prescription drug benefits through Medicare. If you are eligible for coverage under Medicare Part D and do not enroll during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. **Note:** The MAP Option offers prescription drug coverage. Once you enroll in the MAP-Med Only Option, you may not later enroll in the MAP Option. See *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* in the **Benefits Program Overview** for more information. You cannot be enrolled in both Medicare Part D prescription drug coverage and prescription drug coverage under the MAP Option.

Highlights of the Medicare Supplement Option

The Medicare Supplement Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The Medicare Supplement Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 32.

The following is a brief summary of benefits under the Medicare Supplement Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for Medicare Supplement Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 005

Feature	
Deductible	• **Medicare Part A Services:** The Plan pays the Part A deductible, except for lifetime reserve days. • **Medicare Part B Services:** The Plan pays one hundred percent of the annual Medicare Part B deductible.

Feature/Service	Plan Pays
Physician Services	
Office visit – primary care and specialist	• Plan pays the Medicare deductible and up to 20% of Medicare approved charges for which Medicare pays 80%. • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Preventive and Wellness Services	
Routine physical exam	• Not covered
Flu, pneumonia and hepatitis B shots; routine gynecological exams (once every 24 months); routine annual mammogram; routine Pap smear test (once every 24 months); routine flexible sigmoidoscopy (once every 48 months); and routine prostate cancer screening (once every 12 months)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Laboratory tests	• Not covered
Outpatient Services	
Surgery	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays Medicare Part A deductible and 100% of charges not paid by Medicare from days 61-90 of confinement • Contact Anthem for specific benefit details
X-ray and laboratory services	• Plan pays Medicare Part A deductible • Contact Anthem for specific benefit details
Surgical Services Above Those Covered by Medicare	• 80% of Maximum Allowed Amount‡, after a $50 deductible per year, up to a maximum of $10,000 per year.
Prescription Drugs*	• 100% co-pay • Contact Anthem for specific benefit details
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. Meals are not covered. • Contact Anthem for specific benefit details
Skilled Nursing Facility	• 12.5% of the Medicare inpatient hospital deductible for room and board charges from day 21 to day 100 for a skilled nursing facility confinement in a facility approved by Medicare. • Contact Anthem for specific benefit details

‡ "Maximum Allowed Amount" has the same meaning as the term used in the Pre-65 Retiree Medical Plan SPD. For the definition of the term, see the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount" and substitute the term "Post-65 Retiree Medical Plan" wherever the term "Plan" appears.

Feature/Service	Plan Pays
Mental Health Services	
Inpatient treatment	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays Medicare deductible and up to 80% of Medicare-approved charges not paid by Medicare • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Detoxification	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays Medicare deductible and up to 80% of Medicare-approved charges not paid by Medicare • Contact Anthem for specific benefit details
Other Services	
Durable medical equipment	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Vision benefits (diagnostic vision exams only)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details

* Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost for many prescription drugs for Medicare-eligible participants.

Medical Expenses Not Covered

Without limiting the generality of the foregoing, the medical expenses **not** covered under the Post-65 Retiree Medical Plan include, but may not be limited to those medical expenses that would not be covered by Medicare, charges that a covered person is not legally required to pay and charges that would not have been made if the Plan had not existed, and charges incurred prior to the effective date of coverage, or after the termination date of coverage.

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How to File a Claim

Since the Post-65 Retiree Medical Plan is designed to supplement your coverage under Medicare, Medicare is your primary carrier. That means that, as a general rule, your expenses must be submitted to Medicare before they are submitted to the Post-65 Retiree Medical Plan for payment.

Medical expenses are usually submitted to Medicare directly by the provider. However, it is your responsibility to submit your claim to the Plan's Claim Administrator for benefit payments under the Post-65 Retiree Medical Plan.

Some providers, however, may submit your expenses to both Medicare and the Plan for payment. In that event, you would not need to submit any additional claim forms. Please ask your provider whether your claim filing will be submitted to Anthem for your Medicare Supplement benefit payments.

In the event you must submit a claim form to Anthem for your benefit payment, that claim form may be obtained by calling Anthem at the number listed on the back of your ID card. Your Medicare Explanation of Benefits (EOB) must be included when filing a claim with Anthem. If you have any questions relating to your claim filing process, you can call Anthem at the number listed on the back of your ID card. Claim forms should be submitted to:

Anthem Blue Cross and Blue Shield
P.O. Box 105187
Atlanta, GA 30348
anthem.com
1-800-228-2891

Please note that it is essential that you include the Medicare Explanation of Benefits form with your claim form because the Plan's benefits are computed on the basis of what Medicare approved as eligible expense.

Retain copies of all bills and Medicare correspondence for your records.

Below is a list of details that are often erroneously omitted from claim forms. Please refer to it when completing your claim form so you can make sure your claim form is complete.

1. Age and relationship of dependent
2. Physician's statement showing place, date and charge for treatment.
3. Itemized X-ray and laboratory bills showing date, charge and type of examination.
4. Full statement as to how, when and where injury occurred.

No cancelled checks, receipts or summaries of balances due are acceptable as evidence of expense incurred—only itemized statements accompanied by a Medicare Explanation of Benefits form are acceptable. Furthermore, a separate claim form must be completed by you and your physician for each sickness or injury. However, in case of chronic illnesses such as allergies or hypertension, you only must submit one physician's statement each calendar year.

One additional point to keep in mind is that the MAP-Med Only Option and the Medicare Supplement Option do not cover prescription drug expenses.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law , with a 25% discount if the attorney is retained.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan."*

Continuation of Coverage

For information regarding continuation of coverage under the Post-65 Retiree Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

General Program Information

Program Name:	NiSource Post-65 Retiree Medical Plan
Benefit Plan Name:	MAP Option, MAP-Med Only Option and Medicare Supplement Option
Type of Plan:	Group Health Plan
Plan Number:	538
Type of Funding:	Self-Funded. Benefits under the Plan are funded through the general assets of the participating employers, through participant contributions and other benefit funding vehicles that may be established from time to time.
Contribution Source:	Retiree and Employer
Plan Sponsor:	NiSource Inc.
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants may be required to contribute toward the cost of the benefit plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of benefit plan coverage cost will be paid by the participating employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the benefit plan and the Claims Administrator. Benefits will be paid under a benefit plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator For Medical, Mental Health and Substance Use Disorders and PBM for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 anthem.com 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348

Address for Mail Order Prescription Drugs:

Anthem Blue Cross and Blue Shield
Home Delivery Service
P.O. Box 94467
Palatine, IL 60094-4467
1-800-228-2891 (mail order)

Claims Administrator for EAP:

Beacon Health Options
P.O. Box 1850
Hicksville, NY 11802-1850
achievesolutions.net
1-800-946-5360

Agent for Service of Legal Process:

Manager, Benefits Accounting & Compliance
801 East 86th Avenue
Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Health and Welfare Benefits Handbook

Summary Plan Descriptions

Effective January 1, 2021

For Retirees who were

Former Full-Time Employees
in the Columbia Energy Group Bargaining Unit
who were Hired or Rehired Before 1/1/2013
and who Retired After 1/1/2004

RBP 621

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

The benefit information contained in this Handbook applies to eligible retired employees (A) who were former regular full-time Columbia Energy Group Bargaining Unit employees of a Columbia Energy Group Subsidiary, an indirect subsidiary of NiSource Inc. ("NiSource" or the "Company") (the Company and each Columbia Energy Group Subsidiary, an "Employer"), who were hired or rehired before January 1, 2013, and who retired from employment with an Employer after January 1, 2004, and (B) who are covered under one or more of the NiSource Life and Medical Benefits Program and the NiSource Post-65 Retiree Medical Plan (collectively, the "Program"), or various component benefit plans of the foregoing. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible retirees as belonging to Retiree Benefit Program 621.

For definitions of "Columbia Energy Group Subsidiary" and Columbia Energy Group Bargaining Unit," please see the "Definitions" Section of the **Benefits Program Overview.**

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the benefit plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The NiSource Benefits Committee (the "Committee") reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program, or a portion thereof, also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource Inc. ("NiSource" or the "Company") offers eligible retired employees and their eligible dependents the following coverages in accordance with the terms of the applicable benefit plan (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

For eligible retired employees and/or their eligible dependents who are under age 65:

- Medical and Prescription Drug Coverage
  (NiSource Consolidated Flex Medical Plan – referred to as the "Pre-65 Retiree Medical Plan")
- Life and Accidental Death and Dismemberment (AD&D) Coverage
  (NiSource Life Insurance Plan – referred to as the "Retiree Life Insurance Plan")

For eligible retired employees and/or their eligible dependents who are age 65 or over:

- Medical Coverage
  (MAP Option, MAP-Med Only Option, or Medicare Supplement Option under the NiSource Post-65 Retiree Medical Plan – separately and/or collectively referred to as the "Post-65 Retiree Medical Plan")
- Life and Accidental Death and Dismemberment (AD&D) Coverage
  (NiSource Life Insurance Plan – referred to as the "Retiree Life Insurance Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – Pension and 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at **mysourceforhr.com**. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Retiree Medical Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan (each individually a "Plan" or "Retiree Medical Plan"), the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985

"Code" means the Internal Revenue Code of 1986, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before the Plan will pay benefits.

"Defined Dollar Years of Service" means the total number of Years of Service at retirement, rounded up to the nearest whole number, earned by a Retiree for purposes of benefit accrual (including all service prior to a distribution that causes any prior service to be disregarded) under each defined benefit pension plan maintained by NiSource or an affiliate in which the former employee accrued a benefit, as calculated under the terms of each applicable defined benefit pension plan.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by Physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation,

the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount."

"Pre-65 Retiree" means a Retiree who has not attained age 65.

"Post-65 Retiree" means a Retiree who has attained age 65.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

"Spouse" means a person who is treated as your spouse under the Internal Revenue Code. ***Please Note:*** See "Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for pre-65 retiree medical coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Definitions Applicable to Retiree Medical Plans and Retiree Life Insurance Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Retiree Medical Plans and the Retiree Life Insurance Plan, the following terms when used in this Handbook shall have the following meanings:

"Columbia Energy Group" means NiSource Gas Distribution Group, Inc.

"Columbia Energy Group Bargaining Unit" means any one of the several bargaining units each of which is comprised of employees of a Columbia Energy Group Subsidiary.

"Columbia Energy Group Subsidiary" means any one of the following corporations, each of which is a subsidiary of Columbia Energy Group.: Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., or Columbia Gas of Virginia, Inc. Such term also refers to any current or former affiliate of NiSource or of Columbia Energy Group that the Plan Administrator determines in its sole discretion should be deemed a Columbia Energy Group Subsidiary.

"Eligibility Years of Service" means the total number of years of active employment with NiSource or an affiliate that you completed, as calculated as of the date of your retirement and as determined by the Plan Administrator in its sole and absolute discretion.

"Employer" means the Company or any Columbia Energy Group Subsidiary by whom you were employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A and to such other limitations or guidance that may be issued by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, or Department of the Treasury.

"Participating Employer" means with respect to any Benefit Plan, the Company, a Columbia Energy Group Subsidiary, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Retiree" means a former regular full-time Columbia Energy Group Bargaining Unit employee of an Employer who was hired or rehired before January 1, 2013, and who retired from employment with an Employer after January 1, 2004, in accordance with a plan or procedure adopted by the Employer, after having attained age 55 and 10 Eligibility Years of Service.

Notwithstanding the foregoing, the term "Retiree" shall not include a person the Plan Administrator determines, in its discretion, belongs to a Retiree Benefit Program other than Retiree Benefit Program 621. (Retiree Benefit Programs are groupings, established by the Plan Administrator for recordkeeping purposes, of similarly situated retirees who are entitled to retiree medical benefits or retiree life and AD&D benefits at retirement.)

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to participate in the

Benefit Plans when and to the extent provided under the applicable Benefit Plan. Generally, you and your eligible dependents will be eligible to elect to participate in the Benefit Plans on the date of your retirement.

A Retiree who is rehired by an Employer (other than a person rehired as a union employee of Northern Indiana Public Service Company LLC) shall lose eligibility for coverage as a Retiree under the Retiree Medical Plans and the Retiree Life Insurance Plan (and shall not be eligible for such coverage upon his or her subsequent retirement), but may be eligible for coverage under the NiSource Consolidated Flex Medical Plan and the NiSource Life Insurance Plan as an employee, subject to the terms and conditions for employee coverage under those Benefit Plans.

Please Note*:* It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits and required repayment of any ineligible expenses.* Also, enrollment of a dependent under a Benefit Plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the plan.

Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Pre-65 Retirees are eligible to participate in the Pre-65 Retiree Medical Plan. Post-65 Retirees are eligible to participate in the Post-65 Retiree Medical Plan.

If you are a Pre-65 Retiree participating in the Pre-65 Retiree Medical Plan or a Post-65 Retiree participating in the Post-65 Retiree Medical Plan, (a) you may cover your eligible dependents under the Pre-65 Retiree Medical Plan if they have not attained age 65, and (b) you may cover your eligible dependents under the Post-65 Retiree Medical Plan if they have attained age 65.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Pre-65 Retiree Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former spouse or your spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated, (3) the child is dependent upon you for financial support and maintenance, (4) you continue to be covered by the Plan, and (5) the child's disability continues;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent (and with respect to the Post-65 Retiree Medical Plan, who is age 65 or older).

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a

dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

*Please refer to the website **mysourceforhr.com**, or call the Benefits Source at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan.*

Eligibility under the Retiree Life Insurance Plan

As a Retiree, you are eligible to participate in the Retiree Life Insurance Plan. Provided, however, that your eligibility will not commence before your Retiree Eligibility Date. Provided, further, to be eligible for supplemental AD&D coverage for you or your dependents, you must have been enrolled in supplemental AD&D coverage as a full-time employee on your last day of being actively at work.

If you are eligible to participate in the Plan, you may obtain certain coverage for your "eligible dependents." Your "eligible dependents" are:

- Your lawful spouse, provided you are not legally separated; and
- Your unmarried children from live birth to the end of the month in which the unmarried child attains age 26; and

Your "children" include: (1) your natural children, legally adopted children and children placed with you for adoption prior to legal adoption; and (2) each of your stepchildren, foster children, children subject to legal guardianship, grandchildren, and other children who are blood relatives who depend on you for more than fifty percent of their support and maintenance. A child placed with you for adoption prior to legal adoption is considered an eligible dependent from the date of placement for adoption, and is treated as though the child were a newborn child born to you.

Notwithstanding the foregoing, your unmarried children age 26 or older are also eligible if they are physically or mentally incapable of self-support, were incapable of self-support prior to age 26 and are financially dependent on you for more than 50% of their support and maintenance.

Also notwithstanding the foregoing,

(1) Your spouse is not your "eligible dependent" while on active duty in the armed forces of any country; and

(2) Your child is not your "eligible dependent" while (a) on active duty in the armed forces of any country; or (b) insured as an employee under the NiSource Life Insurance Plan or the Northern Indiana Public Service Company Employee Life Insurance Plan.

A child will not be considered the "eligible dependent" of more than one employee or retiree. If this would otherwise be the case, the child will be considered the "eligible dependent" of the employee or retiree named in a written agreement of all such employees or retirees filed with the Company. If there is no written agreement, the child will be considered the "eligible dependent" of:

(1) the employee or retiree who became insured under the Plan with respect to the child while the child was an "eligible dependent" of only that employee or retiree; and otherwise

(2) the employee or retiree who has the longest continuous service with a Participating Employer, based on the Company's records.

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select for you and your eligible dependents, retiree medical coverage and, provided you and your dependents are eligible for such coverage, supplemental AD&D coverage.

You are automatically enrolled for EAP/Work Life/Legal & Financial coverage (even if you elect the No Coverage Option for retiree medical coverage) upon the date you become eligible for such coverage.

You are automatically enrolled for retiree term life insurance coverage upon the date you become eligible for such coverage.

To enroll in retiree medical coverage, you must log on to the website **mysourceforhr.com** or call the Benefits Source at **1-888-640-3320.** To enroll in supplemental AD&D coverage, you must use forms approved by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc. You may obtain enrollment forms by contacting the Benefits Source at **1-888-640-3320.**

Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Provided you meet the eligibility requirements, as described in the "*Eligibility*" section above, you and your eligible dependents can participate in the Pre-65 Retiree Medical Plan and/or Post-65 Retiree Medical Plan, as applicable, if you properly enroll or are deemed to have enrolled.

For the Pre-65 Retiree Medical Plan, if you are a newly eligible retiree, you must enroll yourself and any eligible dependents in retiree medical coverage no later than 31 days after the later of (i) the date of your retirement, and (ii) your Retiree Eligibility Date.

For the Post-65 Retiree Medical Plan, you must enroll yourself and any eligible dependents before 31 days after the later of (i) the date of your retirement, (ii) your Retiree Eligibility Date, and (iii) the date you attain age 65.

In general, once you enroll for (or decline) coverage in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. However, if you experience a qualified life event, you may enroll or change existing coverage during the year. Please see the *"Changing and Continuing Elections"* section of this **Benefits Program Overview** for further details. Also, you may select the "No Coverage" option at any time; however once you select this option, you may select another coverage option only at annual enrollment or in connection with a qualified life event that would permit such change.

With respect to the Post-65 Retiree Medical Plan, you and your eligible dependents may not enroll in the Medicare Supplement Option if at any time you were enrolled in the MAP Option, the MAP-Med Only Option, or any other Post-65 Retiree Medical Plan coverage option. Similarly, you and your eligible dependents may not enroll in the MAP Option or MAP-Med Only Option if at any time you were enrolled in the Medicare Supplement Option or in any other Post-65 Retiree Medical Plan coverage option besides the MAP Option or MAP-Med Only Option. You may change your enrollment from the MAP Option to the MAP-Med Only Option only at annual enrollment or in connection with a qualified life event that would permit such change. You may not change your enrollment from the MAP Med-Only Option to the MAP Option and you may not enroll in the MAP Option if at any time you or any or your dependents once were enrolled in the MAP-Med Only Option. If you have enrolled your eligible dependent in a Post-65 Retiree Medical Plan option and you subsequently become eligible for coverage under the Post-65 Retiree Medical Plan, you may enroll only in the Post-65 Retiree Medical Plan coverage option in which your dependent is enrolled or in the "No Coverage" option.

If you enroll in Medicare Part D prescription drug coverage, you may not enroll or remain enrolled in the MAP Option providing prescription drug coverage. If you later lose or drop Medicare Part D coverage, you will not be able to enroll in the MAP Option.

Enrollment materials will automatically be sent to you upon your retirement and you will have 31 days after the date you first become eligible for retiree medical coverage to mail your medical plan election form or otherwise to complete enrollment.

Provided you have timely elected coverage at your first opportunity to enroll in retiree medical coverage under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan, your Benefit Plan enrollment will be effective on the later of the first day of the month in which you retire or the first day of the month in which your Retiree Eligibility Date occurs, or in the case of a Pre-65 Retiree who attains age 65, your enrollment in the Post-65 Retiree Medical Plan will be effective as of the later of the first day of the month in which you attain age 65 or the first day of the month in which your Retiree Eligibility Date occurs. (If you are a Pre-65 Retiree who attains age 65 on the first day of a month, your enrollment in the Post-65 Retiree Medical Plan will be effective as of the later of the first day of the month immediately preceding the month in which you attain age 65 or the first day of the month in which your Retiree Eligibility Date occurs.) If you fail

to enroll in retiree medical coverage at your first opportunity to enroll, your next opportunity to enroll will be in conjunction with the next annual enrollment or upon the occurrence of a qualified life event.

In the event you fail to enroll in retiree medical coverage at the time of your retirement (including by failing to elect the No Coverage Option), you fail to enroll in the Post-65 Retiree Medical Plan upon attaining age 65 after your retirement, or you fail to enroll your eligible dependent in the Post-65 Retiree Medical Plan when he or she attains age 65, the following will take place:

- If you or an eligible dependent are under age 65 you will be deemed to have elected the coverage option and category of coverage under the Pre-65 Retiree Medical Plan that was in place for you and/or your eligible dependent(s) on the date you retired;
- If you are age 65 or over, you will not be covered by any plan for retiree medical benefits as of the date of your retirement or the date you attain age 65; and
- If your eligible dependent is age 65 or over, he or she will not be covered by any plan for retiree medical benefits as of the date he or she attains age 65.

If you are a current Retiree enrolled in retiree medical coverage and you do not make changes during the annual enrollment process, your current benefits, if available, will be maintained.

Please Note:

If you do not enroll in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment.

Enrollment in the Retiree Life Insurance Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Retiree Life Insurance Plan,*" you will be enrolled in the Basic Retiree Term Life Coverage Option upon the later of (i) the date of your retirement, (ii) your Retiree Eligibility Date, and (iii) that date you contact the Benefits Source to enroll in the Basic Retiree Term Life Coverage Option in connection with your Retiree Eligibility Date.

For the Supplemental Retiree AD&D Coverage Option and the Dependents AD&D Coverage Option (collectively the "AD&D Coverage Options," and together with the Basic Retiree Term Life Coverage Option, the "Life Insurance Coverage Options"), if you desire coverage as a newly eligible retiree, and provided you meet the eligibility requirements described in the section above entitled "*Eligibility under the Retiree Life Insurance Plan,*" you must enroll in coverage within 31 days of the date of your retirement. To enroll in the Dependents AD&D Coverage Option, you must have also enrolled in the Supplemental Retiree AD&D Coverage Option. If you do not enroll in an AD&D Coverage Option during this initial 31-day period, you will not have any further opportunity to enroll in such coverage. You must enroll using forms approved by Securian. You may obtain enrollment forms by contacting the Benefits Source at **1-888-640-3320**

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (spouse and/or your child) are eligible for Program benefits as active employees or retirees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active employee or retiree cannot be covered under the Benefit Plan both as a participant and as a dependent. Likewise, if you and your spouse are both eligible employees or retirees of NiSource or one of its affiliates, either of you may choose to cover your eligible child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan. Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects medical coverage or makes no medical coverage election and is thereby deemed to have elected medical coverage under the NiSource Consolidated Flex Medical Plan, you will be deemed to have requested that coverage for such dependent under a Retiree Medical Plan be dropped.

Coverage under the Program for active employees or for eligible retirees other than the Retirees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides group health plan coverage for your eligible child pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or Participating Employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

You may obtain, without charge, a copy of the Benefit Plans' QMCSO procedures from the Company.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. Except as noted below, if you do not enroll within the annual enrollment period, your current coverages remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans, plans that require enrollment and the deadline date.

In the event your current plan coverage is not available and you fail to elect coverage under another plan that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan" for further details.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan at your home address.

Your ID card should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options or the Post-65 Retiree Medical Plan, or, if applicable, your HMO in the case of an HMO option.

Defined Dollar Subsidy for Retiree Medical Coverage

Pre-65 Retirees, Post-65 Retirees and their eligible Spouses are entitled to receive an annual defined dollar subsidy ("Defined Dollar Subsidy") to be credited toward the cost of their retiree medical coverage under a Retiree Medical Plan. Provided, however, that no Defined Dollar Subsidy is available with respect to a Post-65 Retiree Medical Plan coverage option other than the Medicare Supplement Option, the MAP Option, or the MAP-Med Only Option.

The Defined Dollar Subsidy is determined by multiplying your Defined Dollars Years of Service by a fixed dollar amount.

If you and your Spouse are both enrolled in a Retiree Medical Plan, and if you die prior to your Spouse, your surviving Spouse may receive a Defined Dollar Subsidy, to be credited toward the cost of coverage under a Retiree Medical Plan, in the amount to which you would have been entitled had you survived and were the same age as your Spouse.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Coverage Begins

Generally, coverage under the Pre-65 Retiree Medical Plan may become effective on the later of (1) the date you retire, (2) the first day of the following Plan Year for eligible Retirees who enroll during the annual enrollment period, (3) the date the Plan approves your enrollment based upon a qualified life event, and (4) the date you properly enroll. Coverage for your eligible dependent under the Pre-65 Retiree Medical Plan may become effective, if you properly enroll him or her, (1) on the date your coverage becomes effective, (2) the first day of the following Plan Year if you enroll your eligible dependent during the annual enrollment period, or (3) on the date the Plan approves his or her enrollment based upon a qualified life event.

Coverage for you under the Post-65 Retiree Medical Plan may become effective on the later of (1) the date you retire, (2) the first day of the month in which you attain age 65 (or on the first day of the immediately preceding month, if you attain age 65 on the first day of the month), and (3) the date you properly enroll. Coverage for your eligible dependent under the Post-65 Retiree Medical Plan may become effective, if you properly enroll him or her, (1) the date your coverage becomes effective, (2) the first day of the following Plan Year if you enroll your eligible dependent during the annual enrollment period, or (3) the date the Plan approves his or her enrollment based upon a qualified life event.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to a Retiree;
- The date a Retiree is no longer eligible for coverage under the Plan, including without limitation as a result of being rehired by an Employer;
- The last date for which any required contribution was made;
- The date the covered Retiree provides notice to the Company of his or her intent to terminate coverage; or
- With respect to the Pre-65 Retiree Medical Plan, the date a Pre-65 Retiree attains age 65.

A dependent's eligibility generally ends on the earliest of the following dates:

- The date the Retiree’s coverage ends;
- The last date for which any required contributions for the dependent’s coverage was made;
- The date the covered Retiree provides notice to the Company of his or her intent to terminate coverage for such dependent;
- With respect to a Spouse who becomes divorced or legally separated from a Retiree, the date of divorce or legal separation; or
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if coverage for you or your dependents is terminated during a Plan Year for failure to pay required contributions for coverage, you may apply to the NiSource Benefits Department during the same Plan Year to reinstate coverage retroactive to the date of termination. Your application must be in writing and must describe the extenuating circumstances that resulted in your missed payment. The Benefits Department, in its sole and absolute discretion, will determine whether there are sufficient grounds for reinstating coverage. If the Benefits Department makes a favorable determination, you must repay any missed premiums before the end of the Plan Year and before coverage will be reinstated.

Also, notwithstanding the foregoing, if your dependent experiences a COBRA qualifying event, coverage for EAP/Work Life/Legal & Financial will end the day after the expiration of the maximum COBRA continuation coverage period that would

otherwise apply to such dependent, if COBRA were to apply to EAP/Work Life/Legal & Financial coverage. For a description of COBRA qualifying events, please see the "COBRA" subsection of the *"Continuation of Coverage"* section of this **Benefits Program Overview**

Please see the *"Continuation of Coverage"* section of this **Benefits Program Overview** for circumstances under which your coverage under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan may be continued beyond the periods described above.

When Coverage Begins and Ends – Retiree Life Insurance Plan

Coverage Begins

Provided you have satisfied the eligibility and enrollment requirements described above, coverage under the Basic Retiree Term Life Coverage Option may generally become effective upon your retirement from an Employer.

Provided you have satisfied the eligibility and enrollment requirements described above, coverage under the Supplemental Retiree AD&D Coverage Option may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, and (2) the Claims Administrator has received the required premium.

Provided your dependent has satisfied the eligibility requirements described above, coverage under the Dependents AD&D Coverage Option may generally become effective on the first day on which each of the following conditions are met: (1) you have enrolled for dependent coverage, including, if required, applying for coverage on forms approved by the Claims Administrator, (2) you are insured for coverage under the Supplemental Retiree AD&D Coverage Option; and (3) the Claims Administrator has received the required premium.

If an eligible dependent (other than a newborn child) is hospitalized or confined because of illness or disease on the date his or her insurance would otherwise become effective, his or her effective date shall be delayed until he or she is released from such hospitalization or confinement.

Coverage Ends

Your coverage under the Basic Retiree Term Life Coverage Option and the Supplemental Retiree AD&D Coverage Option, and the coverage of your dependents under the Dependents AD&D Coverage Option, will end when the first of these occurs:

- The date as of which the Plan is terminated;
- The date the Group Contract (as defined in the Retiree Life Insurance SPD) is canceled, or with respect to a particular Life Insurance Coverage Option, the date a Coverage Option is terminated;
- The date that the Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible;
- The last day of the month in which you are no longer eligible for coverage under the Plan as a member of an eligible class, including without limitation as a result of being rehired by an Employer;
- For AD&D Coverage Options, 31 days after the due date of any required contribution that is not paid;
- For the Dependents AD&D Coverage Option, the date coverage under your Supplemental Retiree AD&D Coverage Option ends;
- For the Dependents AD&D Coverage Option, the date your dependent ceases to be an "eligible dependent" for the coverage or is no longer covered under the Group Contract;
- For the Supplemental Retiree AD&D Coverage Option, the last day for which premium contributions have been made following your written request to end such AD&D Coverage Option; and
- For the Dependents AD&D Coverage Option with respect to an eligible dependent, the last day for which premium contributions have been made following your written request to end such AD&D Coverage Option for such dependent.

You must notify the Claims Administrator or the Benefits Source at **1-888-640-3320** when a dependent is no longer eligible for coverage under the Retiree Life Insurance Plan so that premiums may be discontinued. No claims will be paid under the Retiree Life Insurance Plan in respect of an ineligible dependent.

If your Supplemental Retiree AD&D Coverage terminates because of non-payment of premiums, your coverage may be reinstated if all premiums due are paid and received by the Claims Administrator within 31 days of the date of termination and during your lifetime.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, you may make or change certain Retiree Medical Plan elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain elections if you experience a "qualified status change" that affects your, your spouse's, or your dependent's eligibility for benefits under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.***

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company or Plan Administrator.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee + family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).
- Your dependent becomes eligible for coverage (e.g., with respect to the Post-65 Retiree Medical Plan, he or she attains age 65).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan.
- With respect to the Pre-65 Retiree Medical Plan, you qualify for special enrollment during the year under HIPAA. For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage (including coverage purchased through a government exchange or other health insurance

coverage purchased in the individual market) when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Pre-65 Retiree Medical Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***

- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- You, your spouse or dependent lose coverage under any group health coverage sponsored by a governmental or educational institution, in which case you may be able to elect coverage under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan, as applicable.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.

If a dependent you are covering under a Retiree Medical Plan is hired by an Employer and either timely elects coverage under the NiSource Consolidated Flex Medical Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Retiree Medical Plan coverage for such dependent in connection his or her change in employment status.

Notwithstanding the foregoing or any other provision of this Handbook, if you are covered under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan, you may drop your coverage or reduce the number of dependents covered under a Retiree Medical Plan at any time. However, once you drop your coverage or drop coverage for one or more of your dependents, you will not be able to enroll again in coverage until the next annual enrollment period or until you experience a qualified life event that would permit enrollment.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical or prescription drug plan or program, your medical and prescription drug benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary

plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable benefit plan is primary, the benefit plan pays the amount payable under such plan.

If your coverage under the applicable benefit plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Pre-65 Retiree Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

In the case of a divorce or separation, the following order will establish responsibility for payment:

- If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.
- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.
- The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits. A retiree generally is not in current employment status. The discussion below assumes that a retiree covered under a Retiree Medical Plan is not in current employment status for purposes of Medicare. However, if you believe you have current

employment status for purposes of Medicare regulations, you should contact the Benefits Source at **1-888-640-3320**.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under a Retiree Medical Plan but are no longer considered by Medicare to be in "current employment status," and if you, your covered spouse or your other covered dependents are Medicare-eligible, then Medicare will generally be treated by the Retiree Medical Plan as the primary payor for the covered person who is Medicare-eligible, regardless of the covered person's age and, except for Medicare Part D prescription drug coverage, regardless of whether he or she has enrolled in Medicare or any part thereof. If your covered spouse or other covered dependent is not Medicare-eligible, the Retiree Medical Plan will be treated as the primary payor with respect to such person's benefits.

If a covered person is eligible for, but not enrolled in, Medicare benefits, the Retiree Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are eligible for, but not enrolled in, Medicare Part B, and you incur a claim that would be payable in whole or in part by Medicare Part B, the Retiree Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

You are responsible for notifying the Claims Administrator if you, your spouse or your other dependents become Medicare-eligible.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Pre-65 Retiree Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide certain claims and appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section, or SPD, in this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, please see below or the individual Benefit Plan sections, or SPDs, in this Handbook. Any claim relating to whether you meet the requirements for eligibility under the terms of an applicable Benefit Plan should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for such plan.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan

The claim determination and appeal process described below applies to the Pre-65 Retiree Medical Plan. The term "Plan" as used in this section refers to the Pre-65 Retiree Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Pre-65 Retiree Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Pre-65 Retiree Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Pre-65 Retiree Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal, as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;
- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its

determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Pre-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and

- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to request a voluntary second-level internal appeal under the Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Pre-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;
- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective review, were covered under the Plan at the time the health care item or service was provided;
- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;
- Any applicable clinical review criteria developed and used by the Plan, unless the criteria are inconsistent with the terms of the Plan or with applicable law;
- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be

available under State or Federal law to either the Plan or to you;

- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Post-65 Retiree Medical Plan

The claim determination and appeal process described below applies to the Post-65 Retiree Medical Plan. The term "Plan," as used in this section, refers to the Post-65 Retiree Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the

Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Pre-65 Retiree Medical Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Post-65 Retiree Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or

you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Post-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized

representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes an adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Post-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into

account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Retiree Life Insurance Plan

The claim determination and appeal process described below applies to the Retiree Life Insurance Plan. As used in this section, (i) the term "Claims Administrator" refers to Securian, (ii) a "claim for disability benefits" means a claim for accidental dismemberment benefits or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and

- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the

extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof

of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Pre-65 Retiree Medical Plan and under the Post-65 Retiree Medical Plan (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."* COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, and (ii) the date for making COBRA premium payments.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your spouse (if he or she is treated as a spouse under the Internal Revenue Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. These costs are subject to change.

You must elect COBRA during your COBRA election period. Your COBRA election period begins on the date of your qualifying event and ends on the date that is 60 days after the later of (i) the date coverage would have stopped due to the qualifying event, or (ii) the date the qualified beneficiary is sent notice of the right to continue coverage under COBRA.

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

Your spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or

- You become divorced or legally separated from your spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

With respect to coverage under a Plan for Retirees, sometimes the filing a proceeding in bankruptcy under Title 11 of the United States Code can be a qualifying event. If a proceeding in bankruptcy is filed with respect to NiSource or one of its affiliates, and that bankruptcy results in your loss of coverage under the Plan, you will become a qualified beneficiary with respect to the bankruptcy. Your spouse, surviving spouse, and dependent children will also become qualified beneficiaries if they were covered under the Plan on the day immediately preceding the commencement of the bankruptcy proceeding and the proceeding resulted in their loss of coverage.

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is your death, the commencement of a proceeding in bankruptcy with respect to your Employer (in the case of loss of retiree coverage), or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the website mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your spouse, and parents may elect COBRA continuation coverage on behalf of their children.

COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months.

When the qualifying event is an employer's bankruptcy, COBRA continuation coverage for you ends upon your death and coverage for a qualified beneficiary who is your spouse or dependent child ends on the earlier of the date of the qualified beneficiary's death or three years after your death.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above, COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in a Plan cease to provide any group health plan or coverage to any employee.

- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" provisions set forth below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Pre-65 Retiree Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at **dol.gov/ebsa** (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Retiree's death within 30 days preceding, or at any time on or after, May 1, 2010, if COBRA continuation coverage under a Retiree Medical Plan has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Retiree's surviving dependents who are covered under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan on the date of that Retiree's death, then coverage for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Retiree's surviving spouse dies, (ii) the last day of the month in which the Retiree's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Pre-65 Retiree Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer from whom the Retiree retired from employment ceases to be a "related employer," as defined in the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan.

If medical coverage under the NiSource Consolidated Flex Medical Plan ends for an active employee's dependent because of such employee's death within thirty days preceding, or at any time on or after May 1, 2010, and if such employee would have satisfied the conditions for being a Retiree had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the NiSource Consolidated Flex Medical Plan at the time of the employee's death, the employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and be a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either

the Pre-65 Retiree Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Pre-65 Retiree Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Post-65 Retiree Medical Plan.

If survivor coverage under the Pre-65 Retiree Medical Plan will end for a surviving dependent solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled “Survivor Coverage.”

If a surviving dependent’s COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage. Notwithstanding the preceding sentence, if coverage for a surviving dependent is terminated during a Plan Year for failure to pay required contributions for coverage, the dependent may apply to the NiSource Benefits Department during the same Plan Year to reinstate coverage retroactive to the date of termination. The dependent’s application must be in writing and must describe the extenuating circumstances that resulted in his or her missed payment. The Benefits Department, in its sole and absolute discretion, will determine whether there are sufficient grounds for reinstating coverage. If the Benefits Department makes a favorable determination, the dependent must repay any missed premiums before the end of the Plan Year and before coverage will be reinstated.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan (for purposes of this section only, each a “Plan”) and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment, services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan’s obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit

devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to a Sickness or Injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the Sickness or Injury;
- The insurer or other indemnifier of the party or parties who caused the Sickness or Injury;
- A guarantor of the party or parties who caused the Sickness or Injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the covered person's Sickness or Injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the Sickness or Injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the Sickness or Injury so that the applicable Benefit Plan may recover any sums paid under such Benefit Plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. No covered person shall take any action to prejudice the applicable Benefit Plan's subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable by the Benefit Plan for it to exercise its rights under this provision. Failure or refusal to execute such agreements or furnish information, to comply with the obligations under such agreements or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an

Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust for the benefit of the plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the Sickness or Injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the Sickness or Injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the Sickness or Injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The Retiree;
- The Retiree's covered dependent;
- The estate of any covered person; or
- Any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the Retiree or a covered dependent, the Retiree or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone

else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an In-Network Provider rather than an Out-of-Network Provider. For the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card**.**

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

HIPAA Nondiscrimination

Notwithstanding any other provision of this Handbook, to the extent a group health plan subject to HIPAA's nondiscrimination rules generally provides benefits for a type of injury, benefits otherwise provided for treatment of the injury will not be denied if the injury results from an act of domestic violence or a medical condition (including both physical and mental health conditions).

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company or any Employer. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit Plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Internal Revenue Code with respect to the Benefit Plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative

services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though a Retiree may receive a benefit check from a Claims Administrator, the Company, a Participating Employer or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company or a Participating Employer or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under ERISA. ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called "fiduciaries" of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a

state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Consolidated Flex Medical Plan

(Pre-65 Retiree Medical Plan)

Covering Eligible Pre-65 Retirees and/or Eligible Dependents Under Age 65

- PPO
- High Deductible PPO 1
- High Deductible PPO 2
- HMO

Your Pre-65 Retiree Medical Plan Options

This is the SPD (the "Pre-65 Retiree Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Pre-65 Retiree Medical Plan. In this Pre-65 Retiree Medical Plan SPD, the Pre-65 Retiree Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible Pre-65 Retirees and their eligible dependents, as well as eligible dependents of Post-65 Retirees who are covered under the Post-65 Retiree Medical Plan, with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Pre-65 Retiree Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA), although as a Pre-65 Retiree you may not contribute to an HSA through the Company. The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at **livehealthonline.com** for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at **livehealthonline.com** or download the app. To learn what mobile devices are supported and to get instructions, go to **livehealthonline.com** and select

Frequently asked questions under the How it Works tab. If you still have questions, you can email customersupport@livehealthonline.com or call toll free at **1-800-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to **livehealthonline.com** and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-800-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Pre-65 Retiree Medical Plan, please see the *"Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Contributions

The Employer and Retiree will contribute to the cost of the Plan in an amount determined on an annual basis. Please see the subsection of the **Benefits Program Overview** entitled *"Defined Dollar Subsidy for Retiree Medical Coverage"* for a discussion of a subsidy that may be available to reduce the cost of your coverage. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.

- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	**Out-of-Network**
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Calendar Year Deductible Covered Member Only Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	 $1,500 $3,000	 $3.000 $6,000	 $2,500 $5,000	 $5,000 $10,000
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan) Covered Member Only Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	 $3,000 $6,000	 $6,000 $12,000	 $5,000 $10,000 (but each covered person subject to no more than $8,550*)	 $10,000 $20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

TYPE OF SERVICE	**HDPPO 1**		**HDPPO 2**	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
	Plan Pays	**Plan Pays**	**Plan Pays**	**Plan Pays**
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which clams are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed

Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at **anthem.com**.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or
- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount

for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at **anthem.com**.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the Pharmacy Benefits Manager (PBM) for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Pre-65 Retiree Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Pre-65 Retiree Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers, distributors, and/or similar vendors, which may be related to certain prescription drug purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HD PPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Pre-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 27.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

  The Plan pays benefits for both day and nighttime care.
- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and
  - Prescribed medications (Outpatient prescription drug services are covered under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).
- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;
  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam and one hearing aid per ear during a two calendar-year period; and
- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;
- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance, when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Abdominal aortic aneurysm screening: men;
  - Alcohol misuse: screening and counseling
  - Blood pressure screening in adults;
  - BRCA risk assessment and genetic counseling/testing;
  - Breast cancer preventive medications;
  - Breast cancer screening;
  - Cervical cancer screening;
  - Colorectal cancer screening;
  - Diabetes screening;
  - Lung cancer screening;
  - Obesity screening and counseling: adults and children;
  - Osteoporosis screening: women;

  See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is

considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

- Diphtheria;
- Hepatitis A;
- Hepatitis B;
- Herpes Zoster;
- Human Papillomavirus;
- Influenza (flu shot)
- Measles
- Meningococcal;
- Mumps;
- Pertussis;
- Pneumococcal;
- Rubella;
- Tetanus;
- Varicella (chickenpox).

The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information: https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

  See the following website for additional information: https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the

following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

- Well-woman visits;
- Counseling and screening for human immune-deficiency virus;
- Human papillomavirus testing;
- Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);
- Screening for gestational diabetes;
- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain covered services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;

- Obstetrician services;
- Routine inpatient nursery charges (unlimited newborn visits);
- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Retiree-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

The Plan pays also benefits for services performed to diagnose infertility. However, the Plan does not pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;
  - Medically necessary services, supplies, and medications.
- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage

options, the hospice care program must be licensed. Covered services include:

- Coordinated home care;
- Medical supplies and dressings;
- Medications;
- Nursing services (skilled and non-skilled);
- Occupational therapy;
- Pain management services;
- Physical therapy; and
- Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

- Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
- Inpatient covered hospital services related to the transplant procedure.
- Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).
- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient’s condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320.**

Medical Expenses Not Covered

Expenses Not Covered Under Pre-65 Retiree Medical Plan

The medical expenses **not** covered under the Pre-65 Retiree Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;
- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;
- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services")

which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;

- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;
- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;
- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by

an accident, an Injury or to correct a congenital defect;

- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;
- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person’s family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;
- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to,

fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;

- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or astigmatism or any other correction of vision due to a refractive problem; and
- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a generic substitute for a brand-name drug is prescribed or if your Provider has not indicated that a brand-name drug is Medically Necessary, and if you request that the brand-name drug be dispensed, you will be responsible for payment of the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Pre-65 Retiree Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	Plan Pays	You Pay*	Plan Pays	You Pay*
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:		Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications	

*You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a generic substitute for a brand-name drug is prescribed or if your Provider has not indicated that a brand-name drug is Medically Necessary, and if you request that the brand-name drug be dispensed instead, you may be responsible for paying the difference between the cost of the brand-name drug and the generic substitute, in addition to the applicable Co-Pay or Co-Insurance.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

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Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		**MAIL ORDER**		**NINETY-DAY SUPPLY AT RETAIL**	
	YOU PAY*	**PLAN PAYS**	**YOU PAY***	**PLAN PAYS**	**YOU PAY***	**PLAN PAYS**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	Retail Pharmacy		**Mail Order**		**Ninety-Day Supply at Retail**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

**Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.*

***Ninety-Day Supply at Retail is not available for out-of-network pharmacies.*

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Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

***Please Note**:* Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Pre-65 Retiree Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life Services"* sections of this Pre-65 Retiree Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

* For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Mental Health and Substance Abuse	**In-Network** **Plan Pays (after deductible)**	**Out-of-Network*** **Plan Pays (after deductible)**
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

* For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and

referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law , with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

As a Pre-65 Retiree, you cannot continue to make contributions by means of payroll deduction to the health savings account ("HSA") you established through the Company. However you may continue to contribute to your HSA outside of payroll deduction (or to another health savings account you establish) until you attain age 65, provided you are enrolled in the HDPPO 1 or HDPPO 2 options or other eligible high deductible coverage and you are otherwise eligible under Federal law to contribute to such an account.

If you previously contributed to an HSA through the Company by means of payroll deduction, your HSA contributions made through payroll deduction as well as the Company's contributions to your HSA will stop when you retire. Your account balance goes with you, however, and continues to earn interest. You may continue to use your HSA to pay for future medical expenses during retirement. However, you will be responsible for paying any monthly fees related to the administration of your account. Upon your retirement, your HSA will be converted to a new direct account in your name, and you will receive a new debit card you can use to pay for eligible expenses.

Contact the HSA custodian, UMB, directly at 1-866-520-4472 if you have any questions about your HSA or your debit card after you retire.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of Retiree;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Pre-65 Retiree Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;

- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Retiree and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the Benefit Plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 **anthem.com** 1-800-228-2891
	Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348
	Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410 Service of legal process may be made upon the Plan Administrator.

Post-65 Retiree Medical Plan

For Eligible Post-65 Retirees and/or Eligible Dependents Age 65 and Over

Your Post-65 Retiree Medical Plan Coverage

This is the SPD (the "Post-65 Retiree Medical SPD") for the NiSource Post-65 Retiree Medical Plan, also referred to as the Post-65 Retiree Medical Plan. In this Post-65 Retiree Medical Plan SPD, the Post-65 Retiree Medical Plan is sometimes referred to as the "Plan."

The Company provides to eligible Post-65 Retirees and to their eligible dependents, as well as to eligible dependents of Pre-65 Retirees who are covered under the Pre-65 Retiree Medical Plan, the following medical coverage options that are designed to supplement coverage under Medicare:

- MAP Option;
- MAP Med-Only Option; and
- Medicare Supplement Option

The following is a description of your coverage under the NiSource Post-65 Retiree Medical Plan.

Eligibility

For information regarding eligibility under the Post-65 Retiree Medical Plan, please see the *"Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Post-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Contributions

Retired employees contribute to the cost of the Plan according to the arrangement in place at the time of retirement. Those covered persons continuing their coverage under COBRA shall contribute an amount required under COBRA. For further information about COBRA see the *COBRA* information in this section of this Handbook. For a discussion of a subsidy that may be available to reduce the cost of your coverage, please see the subsection of the **Benefits Program Overview** entitled *"Defined Dollar Subsidy for Retiree Medical Coverage"*.

Medicare Part B Reimbursement

Eligible Retirees are entitled to a reimbursement of a portion of the cost of their Medicare Part B premium. To obtain the reimbursement, you do not have to enroll in the MAP Option, the MAP-Med Only Option, or the Medicare Supplement Option. However, you must first provide certain information to the Plan Administrator. Your reimbursement will begin on the first day of the month following the Plan Administrator's receipt of all required information; provided that if you submit all required information and satisfy all other requirements within 60 days of the effective date of your enrollment in Medicare Part B, your reimbursement will begin effective as of the date of your Medicare Part B enrollment. For more information and for details on how to obtain the reimbursement, please call the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Highlights of the MAP Option

The MAP Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The MAP Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 32.

The following is a brief summary of benefits under the MAP Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for MAP Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 041

Feature	
MAP Deductible	• **Medicare Part A Services:** All services considered under Medicare Part A are subject to your payment of a $100 deductible. • **Medicare Part B Services:** All services considered under Medicare Part B are subject to your payment of a $100 deductible.
Lifetime maximum	• The total maximum benefit payable under the MAP Option and the MAP-Med Only Option, separately and collectively, with respect to each covered person during such person's lifetime shall not exceed $50,000. Once a person's lifetime maximum of $50,000 is met, no additional claims will be paid under the Post-65 Retiree Medical Plan. It is your responsibility to monitor your lifetime maximum balance. Contact Anthem to obtain your lifetime maximum balance.

Feature/Service	**Plan Pays**
Physician Services	

Feature/Service	Plan Pays
Office visit – primary care and specialist	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Routine gynecological exams; routine annual mammogram; routine annual Pap smear test; routine flexible sigmoidoscopy; and routine prostate cancer screening	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests and laboratory tests	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Outpatient Services	
Surgery	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays 80% of charges not covered by Medicare due to Medicare day maximum being exhausted, after Covered Person's payment of the MAP Deductible, • Contact Anthem for specific benefit details
Inpatient days covered by Medicare	• Inpatient days covered by Medicare (including the inpatient deductible for inpatient days covered by Medicare) are not covered or payable under the Plan. Without limiting the generality of the foregoing, inpatient facility charges and skilled nursing facility charges covered by Medicare are not covered by the Plan.
Transplant Services	
Transplant Services	• Up to 20% of Medicare-approved charges for which

Feature/Service	Plan Pays
	Medicare pays 80%. The Plan shall provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when the Covered Person obtains prior approval and is required to travel more than 100 miles from his or her residence to reach the Hospital where the covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the Hospital and lodging for the patient and one companion. Benefits for lodging are limited to $75.00 per day. Travel expenses and lodging expenses, on a combined basis, are limited to $20,000. To obtain reimbursement, the Covered Person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator.
Prescription Drugs	**Retail Pharmacy** • Generic drugs: Plan pays 80% of the drug cost; you pay 20% ($5 minimum/$15 maximum copay) • Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($15 minimum/$45 maximum copay) • Non-Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($30 minimum/$90 maximum copay) **Mail Order (90-day supply)** • Generic drugs: You pay $10 • Formulary drugs: You pay $30 • Non-Formulary drugs: You pay $60 **Ninety-Day Supply at Retail** • Generic drugs: Plan pays 80% of the drug cost; you pay 20% ($15 minimum/$45 maximum copay) • Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($45 minimum/$135 maximum copay) • Non-Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($90 minimum/$270 maximum copay) “Generic” means drugs no longer covered by the original patent. “Formulary” means a list of approved drugs covered under the prescription drug plan. “Non-formulary” means drugs not chosen for the Formulary, which do not qualify as Generic. • Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost for many prescription drugs for Medicare-eligible participants. The prescription drug coverage under your NiSource Post-65 Retiree Medical Plan is generally

Feature/Service	Plan Pays
	better coverage than coverage under Medicare. **Note:** You cannot be enrolled in both Medicare Part D prescription drug coverage and prescription drug coverage under the NiSource Post-65 Retiree Medical Plan. • The out-of-pocket expense limitation on prescription drugs is $750 per covered person per calendar year. • Contact Anthem for specific benefit details, including prescriptions drugs that may be covered under the MAP Option.
Mental Health Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Other Services	
Durable medical equipment	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Vision benefits (one routine vision exam and refraction per year)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible.

Feature/Service	Plan Pays
	• Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details

Highlights of the MAP-Med Only Option

The MAP-Med Only Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The MAP-Med Only Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 32.

The following is a brief summary of benefits under the MAP-Med Only Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for MAP-Med Only Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 056

Feature	
MAP Deductible	• **Medicare Part A Services:** All services considered under Medicare Part A are subject to your payment of a $100 deductible. • **Medicare Part B Services:** All services considered under Medicare Part B are subject to your payment of a $100 deductible.
Lifetime maximum	• The total maximum benefit payable under the MAP Option and the MAP-Med Only Option, separately and collectively, with respect to each covered person during such person's lifetime shall not exceed $50,000.

Feature	
	Once a person's lifetime maximum of $50,000 is met, no additional claims will be paid under the Post-65 Retiree Medical Plan. It is your responsibility to monitor your lifetime maximum balance. Contact Anthem to obtain your lifetime maximum balance.
Physician Services	
Office visit – primary care and specialist	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Routine gynecological exams; routine annual mammogram; routine annual Pap smear test; routine flexible sigmoidoscopy; and routine prostate cancer screening	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests and laboratory tests	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Outpatient Services	
Surgery	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays 80% of charges not covered by Medicare due to Medicare day maximum being exhausted, after Covered Person's payment of the MAP Deductible, • Contact Anthem for specific benefit details
Inpatient days covered by Medicare	• Inpatient days covered by Medicare (including the inpatient deductible for inpatient days covered by Medicare) are not covered or payable under the Plan. Without limiting the generality of the foregoing,

Feature	
	inpatient facility charges and skilled nursing facility charges covered by Medicare are not covered by the Plan.
Transplant Services	
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. The Plan shall provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when the Covered Person obtains prior approval and is required to travel more than 100 miles from his or her residence to reach the Hospital where the covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the Hospital and lodging for the patient and one companion. Benefits for lodging are limited to $75.00 per day. Travel expenses and lodging expenses, on a combined basis, are limited to $20,000. To obtain reimbursement, the Covered Person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator.
Prescription Drugs*	• Not applicable
Mental Health Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person’s payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person’s payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person’s payment of the MAP Deductible. • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person’s payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person’s payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person’s payment of the MAP Deductible.

Feature	
	• Contact Anthem for specific benefit details
Other Services	
Durable medical equipment	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Vision benefits (routine screenings are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details

*Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost of many prescription drugs for Medicare-eligible participants. You may want to consider enrolling in Medicare Part D to receive prescription drug benefits through Medicare. If you are eligible for coverage under Medicare Part D and do not enroll during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. **Note:** The MAP Option offers prescription drug coverage. Once you enroll in the MAP-Med Only Option, you may not later enroll in the MAP Option. See *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* in the **Benefits Program Overview** for more information. You cannot be enrolled in both Medicare Part D prescription drug coverage and prescription drug coverage under the MAP Option.

Highlights of the Medicare Supplement Option

The Medicare Supplement Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The Medicare Supplement Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 32.

The following is a brief summary of benefits under the Medicare Supplement Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for Medicare Supplement Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 005

Feature	
Deductible	• **Medicare Part A Services:** The Plan pays the Part A deductible, except for lifetime reserve days. • **Medicare Part B Services:** The Plan pays one hundred percent of the annual Medicare Part B deductible.

Feature/Service	**Plan Pays**
Physician Services	
Office visit – primary care and specialist	• Plan pays the Medicare deductible and up to 20% of Medicare approved charges for which Medicare pays 80%. • Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Flu, pneumonia and hepatitis B shots; routine gynecological exams (once every 24 months); routine annual mammogram; routine Pap smear test (once every 24 months); routine flexible sigmoidoscopy (once every 48 months); and routine prostate cancer screening (once every 12 months)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details

Diagnostic Services	
X-rays, allergy tests	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Laboratory tests	• Not covered
Outpatient Services	
Surgery	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays Medicare Part A deductible and 100% of charges not paid by Medicare from days 61-90 of confinement • Contact Anthem for specific benefit details
X-ray and laboratory services	• Plan pays Medicare Part A deductible • Contact Anthem for specific benefit details
Surgical Services Above Those Covered by Medicare	• 80% of Maximum Allowed Amount‡, after a $50 deductible per year, up to a maximum of $10,000 per year.
Prescription Drugs*	• 100% co-pay • Contact Anthem for specific benefit details
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. Meals are not covered. • Contact Anthem for specific benefit details
Skilled Nursing Facility	• 12.5% of the Medicare inpatient hospital deductible for room and board charges from day 21 to day 100 for a skilled nursing facility confinement in a facility approved by Medicare. • Contact Anthem for specific benefit details
Mental Health Services	
Inpatient treatment	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details

‡ "Maximum Allowed Amount" has the same meaning as the term used in the Pre-65 Retiree Medical Plan SPD. For the definition of the term, see the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount" and substitute the term "Post-65 Retiree Medical Plan" wherever the term "Plan" appears.

Outpatient treatment	• Plan pays Medicare deductible and up to 80% of Medicare-approved charges not paid by Medicare • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Detoxification	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays Medicare deductible and up to 80% of Medicare-approved charges not paid by Medicare • Contact Anthem for specific benefit details
Other Services	
Durable medical equipment	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Vision benefits (diagnostic vision exams only)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details

* Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost for many prescription drugs for Medicare-eligible participants.

Medical Expenses Not Covered

Without limiting the generality of the foregoing, the medical expenses **not** covered under the Post-65 Retiree Medical Plan include, but may not be limited to those medical expenses that would not be covered by Medicare, charges that a covered person is not legally required to pay and charges that would not have been made if the Plan had not existed, and charges incurred prior to the effective date of coverage, or after the termination date of coverage.

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How to File a Claim

Since the Post-65 Retiree Medical Plan is designed to supplement your coverage under Medicare, Medicare is your primary carrier. That means that, as a general rule, your expenses must be submitted to Medicare before they are submitted to the Post-65 Retiree Medical Plan for payment.

Medical expenses are usually submitted to Medicare directly by the provider. However, it is your responsibility to submit your claim to the Plan's Claim Administrator for benefit payments under the Post-65 Retiree Medical Plan.

Some providers, however, may submit your expenses to both Medicare and the Plan for payment. In that event, you would not need to submit any additional claim forms. Please ask your provider whether your claim filing will be submitted to Anthem for your Medicare Supplement benefit payments.

In the event you must submit a claim form to Anthem for your benefit payment, that claim form may be obtained by calling Anthem at the number listed on the back of your ID card. Your Medicare Explanation of Benefits (EOB) must be included when filing a claim with Anthem. If you have any questions relating to your claim filing process, you can call Anthem at the number listed on the back of your ID card. Claim forms should be submitted to:

Anthem Blue Cross and Blue Shield
P.O. Box 105187
Atlanta, GA 30348
anthem.com
1-800-228-2891

Please note that it is essential that you include the Medicare Explanation of Benefits form with your claim form because the Plan's benefits are computed on the basis of what Medicare approved as eligible expense.

Retain copies of all bills and Medicare correspondence for your records.

Below is a list of details that are often erroneously omitted from claim forms. Please refer to it when completing your claim form so you can make sure your claim form is complete.

1. Age and relationship of dependent
2. Physician's statement showing place, date and charge for treatment.
3. Itemized X-ray and laboratory bills showing date, charge and type of examination.
4. Full statement as to how, when and where injury occurred.

No cancelled checks, receipts or summaries of balances due are acceptable as evidence of expense incurred—only itemized statements accompanied by a Medicare Explanation of Benefits form are acceptable. Furthermore, a separate claim form must be completed by you and your physician for each sickness or injury. However, in case of chronic illnesses such as allergies or hypertension, you only must submit one physician's statement each calendar year.

One additional point to keep in mind is that the MAP-Med Only Option and the Medicare Supplement Option do not cover prescription drug expenses.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and

referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law , with a 25% discount if the attorney is retained.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan."*

Continuation of Coverage

For information regarding continuation of coverage under the Post-65 Retiree Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

General Program Information

Program Name:	NiSource Post-65 Retiree Medical Plan
Benefit Plan Name:	MAP Option, MAP-Med Only Option, and Medicare Supplement Option
Type of Plan:	Group Health Plan
Plan Number:	538
Type of Funding:	Self-funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time.
Contribution Source:	Retiree and Employer
Plan Sponsor:	NiSource Inc.
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants may be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator For Medical, Mental Health and Substance Use Disorders and PBM for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 **anthem.com** 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348

Address for Mail Order Prescription Drugs:

Anthem Blue Cross and Blue Shield
Home Delivery Service
P.O. Box 94467
Palatine, IL 60094-4467
1-800-228-2891 (mail order)

Claims Administrator for EAP:

Beacon Health Options
P.O. Box 1850
Hicksville, NY 11802-1850
achievesolutions.net
1-800-946-5360

Agent for Service of Legal Process:

Manager, Benefits Accounting & Compliance
801 East 86th Avenue
Merrillville, Indiana 46410

Service of legal process may be made upon the Plan Administrator.

Retiree Life Insurance Plan

- Retiree Term Life Coverage -Basic Plan
- Retiree Supplemental AD&D Coverage
- Dependents AD&D Coverage

Your Retiree Life Insurance and AD&D Options

This is the SPD (the "Retiree Life Insurance SPD") for the NiSource Life Insurance Plan, also referred to as the Retiree Life Insurance Plan. In this Retiree Life Insurance SPD, the Retiree Life Insurance Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible Retirees with the following coverage options (each a "Coverage Option"):

- Basic Retiree Term Life Coverage Option;
- Supplemental Retiree AD&D Coverage Option; and
- Dependents AD&D Coverage Option.

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this Retiree Life Insurance SPD, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Retiree Life Insurance SPD.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

The Plan provides (i) life insurance and, if elected, AD&D coverage on the persons of eligible Retirees, and (ii) AD&D coverage, if elected on the persons of your "eligible dependents".

Eligibility

For information regarding eligibility under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Retiree Life Insurance Plan."*

*Information regarding eligibility can be accessed through the website **mysourceforhr.com** or by calling the Benefits Source at **1-888-640-3320** to speak to a service representative.*

Enrollment

For information regarding enrollment under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Retiree Life Insurance Plan."*

Contributions

Premium contributions are not required for the Basic Retiree Term Life Coverage Option. However, if you elect any of the AD&D Coverage Options, you will contribute to the cost of such coverage. *If you have questions regarding the amount of your required contributions, please contact the Benefits Source at **1-888-640-3320**.*

When Coverage Begins and Ends

For information regarding when coverage begins and ends under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Retiree Life Insurance Plan"*.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under the Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at 1-888-640-3320.

Insurance under a Coverage Option may not be assigned.

Basic Retiree Term Life Coverage

The Basic Retiree Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in the amount of $25,000. There is no cash value associated with, or attributable to, the Basic Retiree Term Life Coverage Option.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for

internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law. For more information, see the *"Claims Determination and Appeal Process – Life Insurance Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 36.

Payment of Death Benefits under Life Coverage

If you die while covered under the Plan, the amount of insurance on you is payable when Securian's home office receives written proof satisfactory to it that you died while covered under the Plan and insured under the Group Insurance Certificate. If you die within 31 days after ceasing to be covered under the Plan, but while you are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Retiree Term Life Coverage Option are payable according to Securian's beneficiary and mode of settlement rules.

Conversion Privilege for Life Coverage

If all or a part of your Retiree Term Life Insurance terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by the life insurance company for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features"* below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

AD&D Coverage

Supplemental Retiree AD&D Coverage Option

Subject to eligibility and enrollment requirements described above, you may enroll for supplemental retiree AD&D coverage in any multiple of $10,000 up to a maximum of $50,000.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law. For more information, see the *"Claims Determination and Appeal Process – Life Insurance Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 36.

Dependents AD&D Coverage Option

You may enroll for AD&D coverage on each of your "eligible dependents" in an amount equal to a percentage of your Supplemental Retiree AD&D Coverage, as set forth below:

Eligible dependents	Amount of Insurance on each Eligible Dependent (as % of Retiree AD&D Coverage)
Spouse (with	50% on spouse

children)	
Spouse (no children)	60% on spouse
Each child	10% on each child

Additional AD&D Coverage

The Plan provides additional benefits under Supplemental Retiree and Dependents AD&D Coverage for a person's loss of life as a result of a covered accident in an automobile while using a seat belt or as a result of an accident in an automobile while using an air bag. The additional benefits are both in an amount equal to 10% of the amount payable due to the death or dismemberment. The additional benefits are subject to various conditions and limitations. For a description of these conditions and limitations, refer to the Group Insurance Certificate.

Covered Losses under AD&D Coverage

AD&D Coverage pays benefits for death or dismemberment resulting, directly and independently of all other causes, from an accidental injury which is unintended, unexpected and unforeseen.

The injury must occur while your coverage under the Plan and the Group Insurance Certificate is in force. Your death or dismemberment must occur within 365 days after the date of the injury and while your coverage under the Plan and the Group Insurance Certificate is in force.

The amount of the accidental death and dismemberment benefit is described below:

Loss of or by reason of	**Percent of Person's Amount of Insurance**
Life; both hands; both feet; sight of both eyes; speech and hearing; one hand and one foot; one foot and sight of one eye; one hand and sight of one eye; quadriplegia	100%
Paraplegia	75%
Sight of one eye; speech; hearing; one hand; one foot; hemiplegia	50%
Thumb and index finger of one hand	25%

Loss of hands or feet means complete severance at or above the wrist or ankle joints. Loss of sight, speech, or hearing means the entire and irrecoverable loss of sight, speech, or hearing which cannot be corrected by medical or surgical treatment or by artificial means. Loss of thumb and index finger means complete severance of both the thumb and the index finger at or above the metacarpophalangeal joints.

Quadriplegia means total and permanent paralysis of both upper limbs and both lower limbs.

Paraplegia means total and permanent paralysis of both lower limbs. Hemiplegia means total and permanent paralysis of both the upper limb and lower limb on one side of the body.

A benefit is not payable for both loss of thumb and index finger of one hand and the loss of one hand for injury to the same hand as a result of any one accident.

Benefits may be paid for more than one accidental injury, but the total amount of insurance payable under the Plan and the Group Insurance Certificate for all of your losses due to any one accident will never exceed the full amount of insurance described above.

Benefits will be paid upon receipt by Securian at its home office of written proof satisfactory to it that you or your eligible dependent died or suffered dismemberment as a result of an accidental injury.

Losses Not Covered

A loss is not covered if it results from or is caused directly or indirectly by any of the following: (1) Suicide or attempted suicide, while sane or insane; (2) Intentionally self-inflicted injuries, or any attempt to inflict such injuries; (3) sickness, whether the loss results directly or indirectly from the sickness; (4) medical or surgical treatment of sickness, whether the loss results directly or indirectly from the treatment; (5) Any infection (but this does not include (a) a pyogenic infection resulting from an accidental cut or wound; or (b) a bacterial infection resulting from accidental ingestion of a contaminated substance); (6) War, or any act of war ("War" means declared or undeclared war and includes resistance to armed aggression); (7) an accident that occurs while the person is serving on full-time active duty for more than 30 days in any armed forces (not including Reserve or National Guard active duty for training); (8) travel in or descent from any aircraft, except: a) as a fare-paying passenger on a regularly scheduled commercial flight

on a licensed passenger aircraft carrier; b) while the employee is performing as a pilot or crew member of an employer owned, leased or operated aircraft; or c) while the employee is riding as a passenger in an aircraft which is owned, leased, or operated by the eligible employee's employer or its affiliate or by a customer of the employer or its affiliate; (9) commission of or attempt to commit a felony; (10) being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor; or (11) participation in these hazardous sports: scuba diving; bungee jumping; skydiving; parachuting; hang gliding; or ballooning.

Portability of AD&D Coverage

If AD&D Coverage ceases, you may have the right to apply for coverage for yourself and for your "eligible dependent," as the case may be, under a Portability Plan maintained by the life insurance company. The terms and conditions (including the amount of coverage) under the Portability Plan will not be the same as those under the Plan.

To continue coverage under the Portability Plan, you must make a written request and make the first premium contribution within 31 days after insurance provided by the Plan or Group Contract would otherwise terminate. Evidence of insurability will not be required. Portability coverage then be deemed effective retroactive to the beginning of the 31-day period. This date is considered to be your portability date and you are then considered to have portability status. In order for your eligible dependents to continue Dependents AD&D Coverage, you must port your Retiree Supplemental AD&D Insurance.

See the table below entitled *"Highlights of Conversion and Portability Features,"* for additional details regarding the portability feature. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Your Eligibility for Portability Coverage

You and your eligible dependents are eligible to continue your Retiree Supplemental AD&D Coverage and Dependents AD&D Coverage under the terms of the Plan and Group Insurance Certificate if you no longer meet the eligibility requirements for coverage (other than portability coverage) due to any of the following:

(1) you are no longer in a class eligible for coverage; or

(2) a class or group of employees insured under the Plan is no longer considered eligible and there is no successor plan for that class or group. (Successor plan means an insurance policy or policies provided by the life insurance company or another insurer that replaces insurance provided under the Plan).

You will not be eligible to request portability coverage if you:

(1) have attained the age of 80; or

(2) lose eligibility due to termination of the Plan or Group Contract.

Maximum and Minimum Amount of Coverage under the Portability Plan

The maximum amount of insurance that can be continued under the Portability Plan is the amount of insurance that was in force on the insured's portability date. However, for an insured age 65 or older on his or her portability date, the amount will not be more than 65% of the amount in force on the insured's portability date.

When an insured attains age 65, the amount of insurance continued under the Portability Plan will reduce to 65% of the amount of insurance in force on the day prior to attainment of age 65. Insurance terminates at age 80.

The minimum amount of insurance that can be continued under the Portability Plan is $10,000. This minimum does not apply to an eligible dependent.

You may elect to reduce the amount of insurance on your life under the Portability Plan. However, your remaining amount of insurance must be at least $10,000. The amount of insurance continued under the Portability Plan will never increase.

Regaining Eligibility Under Plan

If you are continuing coverage under the terms of Portability Plan, and you again meet the eligibility requirements of the Plan and the Group Insurance Certificate (not including the requirements for portability coverage), you shall no longer be considered to have portability status. Insurance may be continued only under the terms of the Plan and the Group Insurance Certificate, unless and until you no longer meet the eligibility requirements thereunder and again return to portability status as provided for herein.

Continuation of Portability Coverage After Termination of Group Contract

Termination of the Group Contract will not terminate insurance then in force for any person with portability status. The Group Contract will be deemed to remain in force solely for the purpose of continuing such insurance, but without the obligation of the Company.

Termination of Portability Coverage

Insurance being continued under the Portability Plan will terminate on the earliest of the following:

(1) the insured attaining age 80; or

(2) the date the insured again meets the eligibility requirements of the Plan and the Group Insurance Certificate; or

(3) in the case of your dependent child or a spouse who is covered under the Plan, the date your coverage is no longer being continued under the Portability Plan or the date your spouse or child ceases to be eligible under the Plan; or

(4) 31 days after the due date of any premium contribution which is not made.

See the "*Highlights of Conversion and Portability Features"* below for additional details regarding the portability privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Highlights of Conversion and Portability Features		
	Conversion	**Portability**
Can Basic Retiree Term Life Coverage be converted or ported?	Yes	No
Can AD&D coverage be converted or ported	No	Yes
Coverage can be converted or ported to:	Individual Life Policy	Participation in Portability Plan
Evidence of Insurability Required	No	No
Application Deadline	Application and first month premium due 31 days after your coverage termination.	Application and first month premium due 31 days after your coverage termination.
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 Robert Street North St. Paul, MN 55101-2098	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 Robert Street North St. Paul, MN 55101-2098

Conformity with State Law

If any provision of this Retiree Life Insurance SPD or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should contact the Benefits Source at **1-888-640-3320** to initiate the claims process.

*If you would like to make a claim, please contact the Benefits Source at **1-888-640-3320** and ask to speak to a life specialist.*

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Retiree Life Insurance Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of the NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance benefits
Plan Number:	536
Contribution Source:	Basic Retiree Term Life Insurance: Employer Supplemental Retiree and Dependents AD&D Insurance: Retiree
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 Robert Street North St. Paul, MN 55101-2098
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410 Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this Retiree Life Insurance SPD and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Health and Welfare Benefits Handbook

Summary Plan Descriptions

Effective January 1, 2021

For Retirees who were

Former Part-Time Employees
in the Columbia Energy Group Bargaining Unit
who were Hired or Rehired Before 1/1/2013
and who Retired After 2/1/2004

RBP 622

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Benefits Program Overview

The Benefit of Choice – An Introduction to the Program

The benefit information contained in this Handbook applies to eligible retired employees (A) who were former regular part-time Columbia Energy Group Bargaining Unit employees of a Columbia Energy Group Subsidiary, an indirect subsidiary of NiSource Inc. ("NiSource" or the "Company") (the Company and each Columbia Energy Group Subsidiary, an "Employer"), who were hired or rehired before January 1, 2013, and who retired from employment with an Employer after February 1, 2004, and (B) who are covered under one or more of the NiSource Life and Medical Benefits Program and the NiSource Post-65 Retiree Medical Plan (collectively, the "Program"), or various component benefit plans of the foregoing. For Program recordkeeping purposes, the Plan Administrator, in its discretion, has designated such eligible retirees as belonging to Retiree Benefit Program 622.

For definitions of "Columbia Energy Group Subsidiary" and Columbia Energy Group Bargaining Unit," please see the "Definitions" Section of the **Benefits Program Overview.**

This Handbook serves as the Summary Plan Descriptions ("SPDs") for the benefit plans as of January 1, 2021. It completely replaces any SPDs or summaries of material modifications that you have previously received with respect to the benefits described herein. The information enclosed has been prepared to summarize the benefits in an easy to understand format and is not intended to replace or supersede the official plan documents. The official plan documents are the governing documents in the event that questions arise or if there is a conflict between an SPD or any oral communication, on the one hand, and an official plan document, on the other hand. The NiSource Benefits Committee (the "Committee") reserves the right to terminate, change or modify any plan provision at any time without the consent of, or advance notice to, you or your covered dependents, subject to the provisions of any applicable collective bargaining agreement.

The Program, or a portion thereof, also covers the following classes of employees, although benefits for such classes of employees are described in separate Handbooks and not herein: full-time exempt employees; part-time exempt employees; full-time non-exempt employees; part-time non-exempt employees; full-time employees who are members of certain collective bargaining units; part-time employees who are members of certain collective bargaining units; retirees who formerly were employees described in certain of the foregoing classes; and certain temporary work force and/or part-time status employees.

Benefit Plans At-a-Glance

NiSource Inc. ("NiSource" or the "Company") offers eligible retired employees and their eligible dependents the following coverages in accordance with the terms of the applicable benefit plan (identified below and sometimes collectively referred to as the "Benefit Plans" and individually as a "Benefit Plan"). *(Details of each Benefit Plan can be found in the individual Benefit Plan sections of this Handbook.)*

For eligible retired employees and/or their eligible dependents who are under age 65:

- Medical and Prescription Drug Coverage
  (NiSource Consolidated Flex Medical Plan – referred to as the "Pre-65 Retiree Medical Plan")
- Life Insurance Coverage
  (NiSource Life Insurance Plan – referred to as the "Retiree Life Insurance Plan")

For eligible retired employees and/or their eligible dependents who are age 65 or over:

- Medical Coverage
  (MAP Option, MAP-Med Only Option, or Medicare Supplement Option under the NiSource Post-65 Retiree Medical Plan – separately and/or collectively referred to as the "Post-65 Retiree Medical Plan")
- Life Insurance Coverage
  (NiSource Life Insurance Plan – referred to as the "Retiree Life Insurance Plan")

Accessing Benefits Information

You can access your benefits information through the Benefits Source, a website and telephone system designed to centralize your Human Resources information and provide tools to help you manage the following benefit plans:

- Health and welfare benefits.
- Retirement and investments – Pension and 401(k).
- Other voluntary programs, including family counseling and referral services.

To access the Benefits Source, log on to the secure website at **mysourceforhr.com**. The website can be accessed 24 hours a day, seven days a week. Customer service associates are also available to answer questions at the Benefits Source automated telephone system at **1-888-640-3320.**

Definitions

Definitions Applicable to Retiree Medical Plans

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan (each individually a "Plan" or "Retiree Medical Plan"), the following terms when used in this Handbook shall have the following meanings:

"Affordable Care Act" means the Patient Protection and Affordable Care Act, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended.

"Child" means a person who is

- a naturally born child;
- a legally adopted child or a child placed with a person for adoption;
- a stepchild;
- a foster child who is legally placed in a person's custody, for whom a person is providing parental care and for whom a person is legally responsible to provide medical care;
- a child for whom a person is legal guardian and who is dependent upon such person for at least 50% of his or her financial support and who may be claimed on such person's Federal income tax return (without giving effect to the child's gross income for the year); or
- a person deemed by a court order to be a child for purposes of coverage under a Benefit Plan.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985

"Code" means the Internal Revenue Code of 1986, as amended.

"Co-Insurance" means the percentage of a covered expense that remains the responsibility of a person covered under a Plan, and does not include any Co-Payment.

"Co-Payment" means a flat dollar amount that a person covered under a Plan must pay before an expense will be covered.

"Deductible" is the amount of covered expenses that must be incurred by an individual or family in a Plan Year before the Plan will pay benefits.

"Defined Dollar Years of Service" means the total number of Years of Service at retirement, rounded up to the nearest whole number, earned by a Retiree for purposes of benefit accrual (including all service prior to a distribution that causes any prior service to be disregarded) under each defined benefit pension plan maintained by NiSource or an affiliate in which the former employee accrued a benefit, as calculated under the terms of each applicable defined benefit pension plan.

"**Experimental or Investigational**" means services, equipment, supplies, devices, treatments, procedures or drugs that are not Medically Necessary or that are investigational or experimental for the diagnosis or treatment of any Sickness or Injury for which any of such items are prescribed. Experimental or Investigational items include, without limitation, items that (1) are not accepted as standard medical treatment by Physicians practicing the applicable medical specialty; (2) are the subject of scientific or medical research or study to determine the item's effectiveness and safety; (3) have not been granted, at the time services were rendered, any required approval by a federal or state governmental agency, including without limitation,

the Federal departments of Health and Human Services and the Food and Drug Administration, or any comparable state governmental agency; (4) have not been approved by the Federal Centers for Medicare and Medicaid Services for reimbursement under Medicare Title XVIII; or (5) are performed subject to the covered person's informed consent under a treatment protocol that explains the treatment or procedure as being conducted under a human subject study or experiment.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

"Injury" means bodily injury that is caused by accidental means by an event that is sudden and not foreseen, and is exact as to time and place, which results in damage to the body of a person covered under a Plan from an external force or contact.

"In-Network Provider" has the meaning given the term in the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount."

"Medicare" means the program of medical care benefits provided for aged and disabled persons under the Social Security Act of 1965, as amended. It includes Medicare Part A (hospital insurance, including inpatient care in hospitals, skilled nursing facility care, and hospice care), Medicare Part B (medical insurance, including services from doctors and other health care providers, outpatient care, durable medical equipment, home health care and many preventive services), Medicare Part D (prescription drug coverage), and Medicare Part C (Medicare Advantage Plans, which bundle Medicare Part A and Medicare Part B coverage, and often Medicare Part D coverage).

"Medically Necessary" means a service or supply ordered or prescribed by a Provider that is appropriate for the diagnosis, care, or treatment of a Sickness or Injury. Such service or supply must be (1) as likely to produce a significant outcome as, and no more likely to produce a negative outcome than, any alternative; (2) indicated by your health status to result in information that could affect treatment, if a diagnostic procedure; (3) no more costly than any alternative; (4) provided in accordance with applicable medical and/or professional standards; (5) the most appropriate supply, setting or level of service that can safely be provided to you and which cannot be omitted consistent with recognized professional standards of care (which, in the case of hospitalization, also means that safe and adequate care could not be obtained in a less comprehensive setting); (6) not Experimental or Investigational; (7) not primarily for your convenience or for the convenience of your family or your Provider; and (8) not otherwise subject to an exclusion. Determinations of medical necessity or what is "Medically Necessary" are made by the Plan Administrator in its sole and absolute discretion.

"Out-of-Network Provider" has the meaning given the term in the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount."

"Pre-65 Retiree" means a Retiree who has not attained age 65.

"Post-65 Retiree" means a Retiree who has attained age 65.

"Provider" means a doctor of medicine or doctor of osteopathy who is legally qualified and licensed without limitation to practice medicine, surgery or obstetrics at the time and place service is rendered. This definition also includes physician's assistants, certified surgical technologists, and registered nurse midwives, when working directly for a doctor of medicine. Doctors of dental surgery, doctors of dental medicine, doctors of podiatry or surgical chiropody, optometrists, and chiropractors shall be deemed to be Providers when acting within the scope of their license for services covered by the Plan. Each registered physical, occupational, respiratory, and speech therapist, psychologist, and social worker licensed under state law when providing a service covered by a Plan shall be deemed to be a Provider.

"Sickness" means an illness causing loss commencing while a Plan is in force for a person covered by the Plan. Sickness shall be deemed to include disability caused or contributed to by pregnancy, miscarriage, childbirth and recovery therefrom. Sickness shall only mean sickness or disease that requires treatment by a Provider.

"Spouse" means a person who is treated as your spouse under the Internal Revenue Code. ***Please Note:*** See "Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan" below for limited circumstances under which a former Spouse or a Spouse from whom you are legally separated may be eligible for pre-65 retiree medical coverage under a policy of health insurance or pursuant to a contract with a health maintenance organization.

Definitions Applicable to Retiree Medical Plans and Retiree Life Insurance Plan

Unless otherwise defined in the applicable individual Benefit Plan section of this Handbook, as used in this **Benefits Program Overview**, and for purposes of the Retiree Medical Plans and the Retiree Life Insurance Plan, the following terms when used in this Handbook shall have the following meanings:

"Columbia Energy Group" means NiSource Gas Distribution Group, Inc.

"Columbia Energy Group Bargaining Unit" means any one of the several bargaining units each of which is comprised of employees of a Columbia Energy Group Subsidiary.

"Columbia Energy Group Subsidiary" means any one of the following corporations, each of which is a subsidiary of Columbia Energy Group.: Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., or Columbia Gas of Virginia, Inc. Such term also refers to any current or former affiliate of NiSource or of Columbia Energy Group that the Plan Administrator determines in its sole discretion should be deemed a Columbia Energy Group Subsidiary.

"Eligibility Years of Service" means the total number of years of active employment with NiSource or an affiliate that you completed, as calculated as of the date of your retirement and as determined by the Plan Administrator in its sole and absolute discretion.

"Employer" means the Company or any Columbia Energy Group Subsidiary by whom you were employed.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Outbreak Period" means the period beginning March 1, 2020, and ending 60 days after (A) the announced end of the national emergency declared in (i) that certain Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak issued on March 13, 2020 by President Trump and (ii) that separate letter dated March 13, 2020, from President Trump to the Secretaries of the Departments of Homeland Security, the Treasury, and Health and Human Services and the Administrator of the Federal Emergency Management Agency, in which the President made a determination, under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Act that a national emergency exists nationwide beginning March 1, 2020, as a result of the COVID-19 outbreak, or (B) such other date announced by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, and Department of the Treasury in a future notice; provided, however, that such period shall be subject to the statutory duration limitation in ERISA Section 518 and Code Section 7508A and to such other limitations or guidance that may be issued by the Employee Benefits Security Administration, Department of Labor, Internal Revenue Service, or Department of the Treasury.

"Participating Employer" means with respect to any Benefit Plan, the Company, a Columbia Energy Group Subsidiary, or any other affiliate of the Company that participates in the Benefit Plan.

"Plan Administrator" means the NiSource Benefits Committee, and any person or entity to whom the committee has from time to time delegated authority to carry out the administrative functions of a Plan.

"Retiree" means a former regular part-time Columbia Energy Group Bargaining Unit employee of an Employer who was hired or rehired before January 1, 2013, and who retired from employment with an Employer after February 1, 2004, in accordance with a plan or procedure adopted by the Employer, after having attained age 55 and 10 Eligibility Years of Service.

Notwithstanding the foregoing, the term "Retiree" shall not include a person the Plan Administrator determines, in its discretion, belongs to a Retiree Benefit Program other than Retiree Benefit Program 622. (Retiree Benefit Programs are groupings, established by the Plan Administrator for recordkeeping purposes, of similarly situated retirees who are entitled to retiree medical benefits or retiree life and AD&D benefits at retirement.)

Eligibility

General Information Concerning Eligibility

You and your eligible dependents *(as defined below or in the applicable individual Benefit Plan sections of this Handbook)* will be eligible to participate in the

Benefit Plans when and to the extent provided under the applicable Benefit Plan. Generally, you and your eligible dependents will be eligible to elect to participate in the Benefit Plans on the date of your retirement.

A Retiree who is rehired by an Employer (other than a person rehired as a union employee of Northern Indiana Public Service Company LLC) shall lose eligibility for coverage as a Retiree under the Retiree Medical Plans and the Retiree Life Insurance Plan (and shall not be eligible for such coverage upon his or her subsequent retirement), but may be eligible for coverage under the NiSource Consolidated Flex Medical Plan and the NiSource Life Insurance Plan as an employee, subject to the terms and conditions for employee coverage under those Benefit Plans.

Please Note*:* It is your responsibility to advise the Benefits Source when a person is no longer eligible for coverage as a dependent under a Benefit Plan. Any amounts paid by a Benefit Plan on behalf of a person who is no longer an eligible dependent will be required to be repaid to the plan. *Enrollment of, or failure to disenroll, a person who does not satisfy the eligibility requirements for coverage under a Benefit Plan will be deemed to constitute fraud or intentional misrepresentation of a material fact and may result in retroactive termination of benefits and required repayment of any ineligible expenses.* Also, enrollment of a dependent under a Benefit Plan may be denied or revoked if you fail to provide information or evidence reasonably requested by the Plan Administrator or its designee concerning the dependent's eligibility for coverage under the plan.

Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Pre-65 Retirees are eligible to participate in the Pre-65 Retiree Medical Plan. Post-65 Retirees are eligible to participate in the Post-65 Retiree Medical Plan.

If you are a Pre-65 Retiree participating in the Pre-65 Retiree Medical Plan or a Post-65 Retiree participating in the Post-65 Retiree Medical Plan, (a) you may cover your eligible dependents under the Pre-65 Retiree Medical Plan if they have not attained age 65, and (b) you may cover your eligible dependents under the Post-65 Retiree Medical Plan if they have attained age 65.

Your eligible dependents include:

- Your Spouse, provided you are not legally separated;
- With respect to insured Pre-65 Retiree Medical Plan coverage that is provided under a policy of health insurance or pursuant to a contract with a health maintenance organization, but only to the extent and for as long as required by applicable state law, your former spouse or your spouse from whom you are legally separated;
- Your child who has not attained 26 years of age;
- Your unmarried child who satisfies the dependency test below and who is incapable of self-sustaining employment due to mental or physical disability if: (1) the child's disability arose before the date dependent status would otherwise have terminated; (2) proof of the child's disability, if requested by the Claims Administrator, is received by the Claims Administrator within 31 days of the date dependent status would otherwise have terminated, (3) the child is dependent upon you for financial support and maintenance, (4) you continue to be covered by the Plan, and (5) the child's disability continues;

Please Note: To maintain coverage, you must furnish proof of your child's disability to the Claims Administrator every three years, or more frequently as requested by the Claims Administrator. If the Claims Administrator determines that you have failed to furnish sufficient proof of your child's disability or if it determines that your child is no longer disabled, coverage for your child will cease.

- Your child who is recognized under any court order, including a Qualified Medical Child Support Order recognized as being legally sufficient, as having a right to participate in the Plan as a dependent (and with respect to the Post-65 Retiree Medical Plan, who is age 65 or older).

A child satisfies the dependency test for a particular Plan Year if you would be allowed a dependent exemption for such child in computing your federal taxable income for such year, even if the Code provides that the value of such exemption for a particular year is zero. Your child also satisfies the dependency test for a particular Plan Year if (1) such child receives over half of his or her support during the year from his or her parents and is in the custody of one or both parents for more than half of the year, (2) at least one parent would be allowed a

dependent exemption for such child in computing such parent's federal taxable income for such year, and (3) the child's parents are divorced, legally separated under a decree of divorce or separate maintenance, legally separated under a written separation agreement, or live apart at all times for the last six months of the year. In making these determinations, you may ignore the child's gross income for such year. You should consult a tax advisor if you have any questions about whether your child satisfies this dependency test.

*Please refer to the website **mysourceforhr.com**, or call the Benefits Source at **1-888-640-3320** if you are unsure of whether you are eligible to participate in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan.*

Eligibility under the Retiree Life Insurance Plan

As a Retiree, you are eligible to participate in the Retiree Life Insurance Plan.

Enrollment

General Information Concerning Enrollment

When you first become eligible to participate in a Benefit Plan, and each year during annual enrollment, you have the opportunity to select for you and your eligible dependents, retiree medical coverage.

You are automatically enrolled for EAP/Work Life/Legal & Financial coverage (even if you elect the No Coverage Option for retiree medical coverage) upon the date you become eligible for such coverage.

You are automatically enrolled for retiree term life insurance coverage upon the date you become eligible for such coverage.

To enroll in retiree medical coverage, you must log on to the website **mysourceforhr.com** or call the Benefits Source at **1-888-640-3320.**

Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Provided you meet the eligibility requirements, as described in the "*Eligibility*" section above, you and your eligible dependents can participate in the Pre-65 Retiree Medical Plan and/or Post-65 Retiree Medical Plan, as applicable, if you properly enroll or are deemed to have enrolled.

For the Pre-65 Retiree Medical Plan, if you are a newly eligible retiree, you must enroll yourself and any eligible dependents in retiree medical coverage no later than 31 days after the date of your retirement.

For the Post-65 Retiree Medical Plan, you must enroll yourself and any eligible dependents before 31 days after the later of (i) the date of your retirement, and (ii) the date you attain age 65.

In general, once you enroll for (or decline) coverage in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan, your elections stay in effect for the entire Plan Year and can only be changed during annual enrollment. However, if you experience a qualified life event, you may enroll or change existing coverage during the year. Please see the *"Changing and Continuing Elections"* section of this **Benefits Program Overview** for further details. Also, you may select the "No Coverage" option at any time; however once you select this option, you may select another coverage option only at annual enrollment or in connection with a qualified life event that would permit such change.

With respect to the Post-65 Retiree Medical Plan, you and your eligible dependents may not enroll in the Medicare Supplement Option if at any time you were enrolled in the MAP Option, the MAP-Med Only Option, or any other Post-65 Retiree Medical Plan coverage option. Similarly, you and your eligible dependents may not enroll in the MAP Option or MAP-Med Only Option if at any time you were enrolled in the Medicare Supplement Option or in any other Post-65 Retiree Medical Plan coverage option besides the MAP Option or MAP-Med Only Option. You may change your enrollment from the MAP Option to the MAP-Med Only Option only at annual enrollment or in connection with a qualified life event that would permit such change. You may not change your enrollment from the MAP Med-Only Option to the MAP Option and you may not enroll in the MAP Option if at any time you or any or your dependents once were enrolled in the MAP-Med Only Option. If you have enrolled your eligible dependent in a Post-65 Retiree Medical Plan option and you subsequently become eligible for coverage under the Post-65 Retiree Medical Plan, you may enroll only in the Post-65 Retiree Medical Plan

coverage option in which your dependent is enrolled or in the "No Coverage" option.

If you enroll in Medicare Part D prescription drug coverage, you may not enroll or remain enrolled in the MAP Option providing prescription drug coverage. If you later lose or drop Medicare Part D coverage, you will not be able to enroll in the MAP Option.

Enrollment materials will automatically be sent to you upon your retirement and you will have 31 days after the date you first become eligible for retiree medical coverage to mail your medical plan election form or otherwise to complete enrollment.

Provided you have timely elected coverage at your first opportunity to enroll in retiree medical coverage under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan, your Benefit Plan enrollment will be effective on the first day of the month in which you retire, or in the case of a Pre-65 Retiree who attains age 65, your enrollment in the Post-65 Retiree Medical Plan will be effective as of the first day of the month in which you attain age 65. (If you are a Pre-65 Retiree who attains age 65 on the first day of a month, your enrollment in the Post-65 Retiree Medical Plan will be effective as of the first day of the month immediately preceding the month in which you attain age 65.) If you fail to enroll in retiree medical coverage at your first opportunity to enroll, your next opportunity to enroll will be in conjunction with the next annual enrollment or upon the occurrence of a qualified life event.

In the event you fail to enroll in retiree medical coverage at the time of your retirement (including by failing to elect the No Coverage Option), you fail to enroll in the Post-65 Retiree Medical Plan upon attaining age 65 after your retirement, or you fail to enroll your eligible dependent in the Post-65 Retiree Medical Plan when he or she attains age 65, the following will take place:

- If you or an eligible dependent are under age 65 you will be deemed to have elected the coverage option and category of coverage under the Pre-65 Retiree Medical Plan that was in place for you and/or your eligible dependent(s) on the date you retired;
- If you are age 65 or over, you will not be covered by any plan for retiree medical benefits as of the date of your retirement or the date you attain age 65; and
- If your eligible dependent is age 65 or over, he or she will not be covered by any plan for retiree medical benefits as of the date he or she attains age 65.

If you are a current Retiree enrolled in retiree medical coverage and you do not make changes during the annual enrollment process, your current benefits, if available, will be maintained.

Please Note:

If you do not enroll in the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan within 31 days of your initial eligibility date, your next opportunity to enroll or change elections will not be until the next annual enrollment period or until you experience a qualified life event that would permit your enrollment.

Enrollment in the Retiree Life Insurance Plan

Provided eligibility requirements are met, as described in the section above entitled "*Eligibility under the Retiree Life Insurance Plan,*" you will be enrolled in the Basic Retiree Term Life Coverage Option upon the date of your retirement.

Special Enrollment Rights and Opportunities

Please see the *"Changing and Continuing Elections"* subsection of this **Benefits Program Overview** for details.

Dual Coverages

If you and your dependent(s) (spouse and/or your child) are eligible for Program benefits as active employees or retirees of NiSource or one of its affiliates, any of you may choose coverage either for yourselves only or for yourselves and your eligible dependents. However, for most Program benefits, it is not possible to be covered by more than one NiSource Benefit Plan of the same type (e.g., more than one medical plan). Also, for most Benefit Plans, a NiSource active employee or retiree cannot be covered under the Benefit Plan both as a participant and as a dependent. Likewise, if you and your spouse

are both eligible employees or retirees of NiSource or one of its affiliates, either of you may choose to cover your eligible child(ren); however, it is not possible for both of you to cover your child(ren) under the same plan. Double benefits are not available.

If your covered dependent becomes employed by an Employer and either timely elects medical coverage or makes no medical coverage election and is thereby deemed to have elected medical coverage under the NiSource Consolidated Flex Medical Plan, you will be deemed to have requested that coverage for such dependent under a Retiree Medical Plan be dropped.

Coverage under the Program for active employees or for eligible retirees other than the Retirees for whom this Handbook is prepared is described in separate Handbooks and not herein.

Enrollment Pursuant to a Qualified Medical Child Support Order

The Program also provides group health plan coverage for your eligible child pursuant to the terms of a Qualified Medical Child Support Order ("QMCSO"). This may apply even if you do not have legal custody of the child, the child is not dependent on you for support, and regardless of any enrollment restrictions that might otherwise exist for dependent coverage. If the Company or Participating Employer receives a valid QMCSO and you do not enroll the dependent child, the custodial parent or state agency may enroll the dependent child.

You may obtain, without charge, a copy of the Benefit Plans' QMCSO procedures from the Company.

Annual Enrollment

Each year, at annual enrollment, you will receive information regarding the Benefit Plans. Except as noted below, if you do not enroll within the annual enrollment period, your current coverages remain in effect for the upcoming Plan Year, if available, at the applicable rates. You will be advised of any new benefit plans, plans that require enrollment and the deadline date.

In the event your current plan coverage is not available and you fail to elect coverage under another plan that is offered to you, you will be deemed to have elected the default coverage, if applicable. Please see the section above entitled "Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan" for further details.

ID Cards

Once you enroll and become a participant, you will receive identification cards for the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan at your home address.

Your ID card should be presented to your provider at the time of service. If additional cards are needed or an ID card is lost, please contact Anthem, in the case of the PPO or HDPPO options or the Post-65 Retiree Medical Plan, or, if applicable, your HMO in the case of an HMO option.

Defined Dollar Subsidy for Retiree Medical Coverage

Pre-65 Retirees, Post-65 Retirees and their eligible Spouses are entitled to receive an annual defined dollar subsidy ("Defined Dollar Subsidy") to be credited toward the cost of their retiree medical coverage under a Retiree Medical Plan. Provided, however, that no Defined Dollar Subsidy is available with respect to a Post-65 Retiree Medical Plan coverage option other than the Medicare Supplement Option, the MAP Option, or the MAP-Med Only Option.

The Defined Dollar Subsidy is determined by multiplying your Defined Dollar Years of Service by a fixed dollar amount.

If you and your Spouse are both enrolled in a Retiree Medical Plan, and if you die prior to your Spouse, your surviving Spouse may receive a Defined Dollar Subsidy, to be credited toward the cost of coverage under a Retiree Medical Plan, in the amount to which you would have been entitled had you survived and were the same age as your Spouse.

When Coverage Begins and Ends - General

Please see below for a complete description of when the coverage begins and ends with respect to each Benefit Plan.

When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan

Coverage Begins

Generally, coverage under the Pre-65 Retiree Medical Plan may become effective on the later of (1) the date you retire, (2) the first day of the following Plan Year for eligible Retirees who enroll during the annual enrollment period, (3) the date the Plan approves your enrollment based upon a qualified life event, and (4) the date you properly enroll. Coverage for your eligible dependent under the Pre-65 Retiree Medical Plan may become effective, if you properly enroll him or her, (1) on the date your coverage becomes effective, (2) the first day of the following Plan Year if you enroll your eligible dependent during the annual enrollment period, or (3) on the date the Plan approves his or her enrollment based upon a qualified life event.

Coverage for you under the Post-65 Retiree Medical Plan may become effective on the later of (1) the date you retire, (2) the first day of the month in which you attain age 65 (or on the first day of the immediately preceding month, if you attain age 65 on the first day of the month), and (3) the date you properly enroll. Coverage for your eligible dependent under the Post-65 Retiree Medical Plan may become effective, if you properly enroll him or her, (1) the date your coverage becomes effective, (2) the first day of the following Plan Year if you enroll your eligible dependent during the annual enrollment period, or (3) the date the Plan approves his or her enrollment based upon a qualified life event.

Coverage Ends

Except in the case of your death (in which case coverage ends on the date of your death) or in the case of a divorce or legal separation (in which case coverage for your Spouse ends on the date of divorce or legal separation), coverage under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan will end on the earliest of (i) the date the Plan is terminated, or (ii) the **last day of the month** in which you and/or your dependent loses eligibility.

Your eligibility generally ends on the earliest of the following dates:

- The date that the Plan is amended to terminate coverage with respect to a Retiree;
- The date a Retiree is no longer eligible for coverage under the Plan, including without limitation as a result of being rehired by an Employer;
- The last date for which any required contribution was made;
- The date the covered Retiree provides notice to the Company of his or her intent to terminate coverage; or
- With respect to the Pre-65 Retiree Medical Plan, the date a Pre-65 Retiree attains age 65.

A dependent's eligibility generally ends on the earliest of the following dates:

- The date the Retiree’s coverage ends;
- The last date for which any required contributions for the dependent’s coverage was made;
- The date the covered Retiree provides notice to the Company of his or her intent to terminate coverage for such dependent;
- With respect to a Spouse who becomes divorced or legally separated from a Retiree, the date of divorce or legal separation; or
- The end of the month following the date a dependent no longer qualifies as a dependent.

Notwithstanding the foregoing, if coverage for you or your dependents is terminated during a Plan Year for failure to pay required contributions for coverage, you may apply to the NiSource Benefits Department during the same Plan Year to reinstate coverage retroactive to the date of termination. Your application must be in writing and must describe the extenuating circumstances that resulted in your missed payment. The Benefits Department, in its sole and absolute discretion, will determine whether there are sufficient grounds for reinstating coverage. If the Benefits Department makes a favorable determination, you must repay any missed premiums before the end of the Plan Year and before coverage will be reinstated.

Also, notwithstanding the foregoing, if your dependent experiences a COBRA qualifying event, coverage for EAP/Work Life/Legal & Financial will end the day after the expiration of the maximum COBRA continuation coverage period that would

otherwise apply to such dependent, if COBRA were to apply to EAP/Work Life/Legal & Financial coverage. For a description of COBRA qualifying events, please see the "COBRA" subsection of the *"Continuation of Coverage"* section of this **Benefits Program Overview**

Please see the *"Continuation of Coverage"* section of this **Benefits Program Overview** for circumstances under which your coverage under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan may be continued beyond the periods described above.

When Coverage Begins and Ends – Retiree Life Insurance Plan

Coverage Begins

Provided you have satisfied the eligibility and enrollment requirements described above, coverage under the Basic Retiree Term Life Coverage Option may generally become effective upon your retirement from an Employer.

Coverage Ends

Your coverage under the Basic Retiree Term Life Coverage Option will end when the first of these occurs:

- The date as of which the Plan is terminated;
- The date the Group Contract (as defined in the Retiree Life Insurance SPD) is canceled, or with respect to a particular Life Insurance Coverage Option, the date a Coverage Option is terminated;
- The date that the Plan or Group Contract is amended to terminate coverage for you or to make you no longer eligible; and
- The last day of the month in which you are no longer eligible for coverage under the Plan as a member of an eligible class, including without limitation as a result of being rehired by an Employer.

Changing and Continuing Elections

General

In general, once you enroll for (or decline) coverage, your elections stay in effect in the entire Plan Year. However, you may make or change certain Retiree Medical Plan elections during the Plan Year under certain limited circumstances, referred to herein as "qualified life events." For example, you may change certain elections if you experience a "qualified status change" that affects your, your spouse's, or your dependent's eligibility for benefits under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan. A "qualified status change" is one type of qualified life event. Examples of qualified status changes and a description of other qualified life events are set forth below.

You must contact a customer service associate at the Benefits Source at **1-888-640-3320** to request a change in election within **31 days** of the date of the qualified life event (or **60 days**, in the case of certain HIPAA special enrollment events discussed below). ***Please note, however, that the 31-day period will be extended for a limited period of time. More specifically, the portion of the Outbreak Period (defined above) that is before January 1, 2021 will be disregarded in calculating the 31-day period. Also, for qualified life events that are also HIPAA special enrollment events, the Outbreak Period both before and after January 1, 2021 will be disregarded.***

In connection with any requested election change, you may be required to provide certifications or other evidence requested by the Company or Plan Administrator.

To the extent permitted by the applicable Benefit Plan, if you experience a qualified status change, you may elect a different category of coverage (e.g., no coverage, employee only, employee + spouse, employee + family) if that new election is on account of, and corresponds with, your qualified status change and if the new election satisfies other Internal Revenue Service consistency rules.

Examples of qualified status changes include any of the following circumstances that may affect eligibility for coverage under one of the Benefit Plans listed above:

- You get a divorce, become legally separated, or your marriage is legally annulled.
- Your spouse or dependent dies.
- Your dependent becomes ineligible for coverage (e.g., he or she reaches the eligibility age limit).

- Your dependent becomes eligible for coverage (e.g., with respect to the Post-65 Retiree Medical Plan, he or she attains age 65).
- You get married.
- You have a baby, adopt, or have a child placed with you for adoption.
- You, your spouse, or your dependent experiences a change in employment status (e.g., gain or terminate employment, change worksites) that leads to a loss or gain of eligibility for coverage.
- You, your spouse or your dependent experiences a change in employment status that affects eligibility for coverage (e.g., change from part-time to full-time or vice versa, strike or lockout, begin or return from an unpaid leave of absence).
- You, your spouse, or your dependent has a change in home address (outside the network service area).

Other qualified life events that may permit a change in your elections (including a change in category of coverage and, in some instances, a change in coverage option) include the following:

- You, your spouse, or your dependent experiences a significant change in cost or coverage of a Benefit Plan.
- With respect to the Pre-65 Retiree Medical Plan, you qualify for special enrollment during the year under HIPAA. For example, you may qualify for special enrollment if (1) you acquire an eligible dependent after your employment begins, (2) you (or your dependent) were covered under another group health plan or had other health insurance coverage (including coverage purchased through a government exchange or other health insurance coverage purchased in the individual market) when you declined coverage and you (or your dependent) lose coverage because of loss of eligibility (other than for failure to pay premiums or termination for cause), termination of employer contributions or exhaustion of COBRA continuation coverage, or (3) you (or your dependent) lose coverage as a result of loss of eligibility under a Medicaid plan under title XIX of the Social Security Act or under a State child health plan under title XXI of the Social Security Act, or you (or your dependent) become eligible for assistance, with respect to coverage under the Pre-65 Retiree Medical Plan, under such a Medicaid plan or State child health plan. *Please note: For an event described in item (3), your special enrollment period will be 60 days, not 31 days.* ***Please note, however, that the Outbreak Period (defined above) will be disregarded in calculating the 31-day or 60-day period permitted by HIPAA special enrollment provisions).***
- The Benefit Plan receives a Qualified Medical Child Support Order ("QMCSO") or other court order, judgment, or decree that requires you to enroll a dependent child in an accident or health plan.
- You, your spouse or dependent lose coverage under any group health coverage sponsored by a governmental or educational institution, in which case you may be able to elect coverage under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan, as applicable.
- With respect to accident or health plan coverage, you, your spouse, or your dependent qualifies for or loses Medicare or Medicaid coverage.

If a dependent you are covering under a Retiree Medical Plan is hired by an Employer and either timely elects coverage under the NiSource Consolidated Flex Medical Plan or fails to make a timely coverage election and is thereby deemed to have elected a coverage option thereunder other than the "No Coverage" option, you will be deemed to have elected to drop Retiree Medical Plan coverage for such dependent in connection his or her change in employment status.

Notwithstanding the foregoing or any other provision of this Handbook, if you are covered under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan, you may drop your coverage or reduce the number of dependents covered under a Retiree Medical Plan at any time. However, once you drop your coverage or drop coverage for one or more of your dependents, you will not be able to enroll again in coverage until the next annual enrollment period or until you experience a qualified life event that would permit enrollment.

Coordination of Benefits (COB)

If you or your dependent have coverage under another medical or prescription drug plan or program, your medical and prescription drug

benefits under the Benefit Plans coordinate with those other benefits to help eliminate duplicate payments for the same services.

Coordinating Plans

Types of plans that normally coordinate benefits include, but may not be limited to, the following:

- Group or blanket plans or coverages provided by an employer, union, trust, or other similar sponsor.
- Other group or prepayment health care plans or coverages that cover you or your dependents, including student coverage provided through a school above the high school level.
- Federal government benefit programs, including Medicare or Medicaid. (Medicaid or any other plan, program, policy or arrangement will not be included if, by its terms, it does not allow coordination.)
- Automobile insurance plans in the case of accidents, when inclusion is not prohibited by law.
- Other plans required or provided by law.

These coordination provisions do not apply to individual or private insurance plans. Any other benefits (apart from those under individual or private insurance plans) to which you may be entitled are considered for possible coordination.

How Coordination Works With Other Group Plans

If you are covered by more than one of the types of plans mentioned above, one plan is **primary**. The primary plan pays benefits first without considering the other plans. Then – based on what the primary plan pays – the other (**secondary**) plans may pay a benefit (if any).

If your coverage under the applicable benefit plan is primary, the benefit plan pays the amount payable under such plan.

If your coverage under the applicable benefit plan is secondary, the primary plan pays its benefits first. Then, the secondary benefit plan pays the lesser of:

- The amounts payable under the secondary benefit plan; or
- The balance left after the primary plan pays benefits.

When combined, the benefits that the two coverages pay will not exceed 100 percent of the eligible expense.

Determining the Order of Payment

When benefits coordinate, the plans or coverages involved determine which pays benefits first ("primary plan"), and then second ("secondary plan"). Below are the Benefit Plans' guidelines for determining which is primary:

- If the plan has no coordination of benefits provision, it automatically is primary.
- If medical benefits are available under an automobile insurance plan, the Pre-65 Retiree Medical Plan will always be considered secondary.
- The plan covering the person as the employee, rather than as a dependent, laid-off employee, terminated employee, COBRA beneficiary, or retired employee is primary and pays benefits first. The other coverage is secondary and only pays any remaining eligible expenses.
- If both parents' plans cover a dependent, the plans use the "Birthday Rule" to determine which parent's plan pays first. If the other plan does not follow the Birthday Rule and as a result both coverages would be considered either primary or secondary, the order of benefits will be determined at the option of the applicable Claims Administrator.

In the case of a divorce or separation, the following order will establish responsibility for payment:

- If there is a court order that requires a parent to take financial responsibility for the relevant coverage for the child, that parent's plan is always primary. If the parent with financial responsibility does not have coverage, but the parent's spouse does, such spouse's plan is primary.
- The plan of the parent with custody of the dependent child usually pays benefits before the plan of the other parent or the plan of a stepparent.
- If the parent with custody of the child remarries and the stepparent's plan also covers the child, the custodial parent's plan

pays first and the stepparent's (custodial parent's spouse's) plan pays second. The plan of the parent without custody pays third, and the noncustodial parent's spouse's plan (if any) pays last.

— The plan of the parent without custody of the child pays before the non-custodial stepparent.

If, after using the guidelines above, a determination cannot be made as to the order of payment, the plan that has covered the person longer is the primary plan.

How Coordination Works With Medicare

Under current law, you and your dependents become eligible for Medicare at age 65. However, if one of you has been entitled to Social Security disability benefits for 25 months as an insured individual, child, widow, or widower who is "under a disability," that person may become Medicare-eligible before age 65.

You should notify a Benefits Source customer service associate if you start Medicare benefits. The way medical coverage under the Benefit Plans coordinates with Medicare depends upon whether you are in "current employment status," as that term is defined in Medicare regulations, and upon a covered person's age and whether he or she is receiving Social Security disability benefits. A retiree generally is not in current employment status. The discussion below assumes that a retiree covered under a Retiree Medical Plan is not in current employment status for purposes of Medicare. However, if you believe you have current employment status for purposes of Medicare regulations, you should contact the Benefits Source at **1-888-640-3320**.

How Coordination of Benefits Works for Those Not in "Current Employment Status"

If you are covered under a Retiree Medical Plan but are no longer considered by Medicare to be in "current employment status," and if you, your covered spouse or your other covered dependents are Medicare-eligible, then Medicare will generally be treated by the Retiree Medical Plan as the primary payor for the covered person who is Medicare-eligible, regardless of the covered person's age and, except for Medicare Part D prescription drug coverage, regardless of whether he or she has enrolled in Medicare or any part thereof. If your covered spouse or other covered dependent is not Medicare-eligible, the Retiree Medical Plan will be treated as the primary payor with respect to such person's benefits.

If a covered person is eligible for, but not enrolled in, Medicare benefits, the Retiree Medical Plan will deduct from the amount otherwise payable with respect to a claim the amount Medicare would have paid had that person been enrolled in Medicare or in any part thereof. (However, no deduction will be made for failure to enroll in Medicare Part D prescription drug coverage.) For example, if you are eligible for, but not enrolled in, Medicare Part B, and you incur a claim that would be payable in whole or in part by Medicare Part B, the Retiree Medical Plan will deduct from the amount it would otherwise pay for such claim the amount Medicare Part B would have paid.

You are responsible for notifying the Claims Administrator if you, your spouse or your other dependents become Medicare-eligible.

How Coordination of Benefits Work with Medicare Part D

If you have prescription drug coverage under the Pre-65 Retiree Medical Plan and Medicare Part D at the same time, such coverage will coordinate as provided by law.

How Coordination Works With TRICARE

If you are a TRICARE beneficiary, your coverage under TRICARE will coordinate with group health plan coverage under the Program as provided by law.

Claim Determination and Appeal Process - General

General

The Committee delegates the authority to decide certain claims and appeals to the applicable Claims Administrator (listed in the "*General Program Information*" found at the end of each Benefit Plan section, or SPD, in this Handbook). The Claims Administrator adheres to specific timeframes for notifying you of its determination regarding your claim. If your claim for benefits is denied (in whole or

in part), formal procedures are in place if you want to appeal the denial.

In certain cases, the Plan Administrator or its designee may decide claims requiring a determination of whether you meet the requirements for eligibility under the terms of the applicable plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit.

There are different categories of claims, and each is subject to different timeframes for notifying you of the Claims Administrator's or Plan Administrator's determination if your claim has been denied (in whole or in part).

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

You may have someone else represent you in any of the review processes as long as you provide written notice to the Claims Administrator or Plan Administrator, as appropriate, of the name of the person who will represent you.

For details regarding how to file a claim and the claim denial and appeal processes for each of the Benefit Plans, please see below or the individual Benefit Plan sections, or SPDs, in this Handbook. Any claim relating to whether you meet the requirements for eligibility under the terms of an applicable Benefit Plan should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the SPD for such plan.

Discretion and Authority of Plan Administrator and Claims Administrator

See the subsection entitled "Named Fiduciary and Plan Administrator" under the "Additional Information" section below for information concerning the discretionary authority of the Plan Administrator, the Claims Administrator and the NiSource Benefits Department to interpret the various Benefit Plans and to make determinations thereunder.

Legal Action

You cannot bring any legal action against a Benefit Plan unless you first complete all required steps of the applicable appeals process described in this Handbook. Once you complete that process, you can bring legal action against the applicable Benefit Plan. If you decide to take legal action, you must do so before the deadline, if any, specified in the applicable individual Benefit Plan section of the Handbook.

Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan

The claim determination and appeal process described below applies to the Pre-65 Retiree Medical Plan. The term "Plan" as used in this section refers to the Pre-65 Retiree Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Pre-65 Retiree Medical Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator makes a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination. In addition, you will be notified of any adverse benefit determination that results in a rescission of your coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is (i) a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which

benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate, and (ii) a rescission of coverage.

A "rescission of coverage" is a cancellation or discontinuance of coverage that has retroactive effect, but does not include any such cancellation or discontinuance to the extent it is attributable to a failure to pay on a timely basis premiums or contributions towards the cost of coverage.

The Plan Administrator or its designee may decide claims (i) that involve a rescission of coverage, (ii) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (iii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a rescission of coverage, a determination of your eligibility under the Plan, or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) a rescission of coverage, (ii) whether you meet the requirements for eligibility under the Pre-65 Retiree Medical Plan, or (iii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Pre-65 Retiree Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient or jeopardize the ability of the patient to regain maximum function, or in the opinion of the patient's doctor with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is subject of this claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit

determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is that of an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will treat your claim as either a pre-service or post-service claim (as applicable) and consider the claim according to the post-service or pre-service time frames, whichever applies.

Full and Fair Review

In connection with a claim or internal appeal, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with your claim. Such evidence will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date. In addition, before you receive a final internal adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of a final internal adverse benefit determination is required to be provided, in order to give you an opportunity to respond prior to that date.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim or Rescinds Coverage

If you receive a notice of an adverse benefit determination, the notice will:

- Include information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the determination is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a description of available internal appeals and external review processes and information regarding how to initiate an appeal,

as well as a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals;

- In the case of an urgent care claim, describe the expedited review process applicable to such claims; and
- To the extent required by applicable regulations, disclose the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Mandatory First-Level Internal Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim or rescission of coverage, you or your duly authorized representative have the right to appeal the adverse benefit determination by sending a written request for review to the Claims Administrator within 180 days of your receipt of notice of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Pre-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied or your coverage under the Plan should not have been rescinded. Your request also should include the name of your Employer, any adverse benefit determination letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the adverse benefit determination was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time

appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you or your duly authorized representative may submit a request for an expedited internal appeal either in writing or orally. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

The Claims Administrator will notify you of its determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Mandatory First-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal (this determination will constitute a "final adverse benefit determination"), it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to file a lawsuit upon completion of the claims procedure process.
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Internal Appeal to the Claims Administrator

If the Claims Administrator makes an adverse benefit determination on a mandatory first-level internal appeal with respect to your pre- or post-service claim or a rescission of coverage, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for a second-level internal appeal to the Claims Administrator within 60 days of your receipt of the Claims Administrator's notice of denial of your mandatory first-level internal appeal.

This second-level appeal is a voluntary appeal. That means you are not required to request a second-level internal appeal under the Plan before submitting a request for an independent external review. However, if you request a voluntary second-level internal appeal under the Plan, you must receive a determination on that appeal before requesting an independent external review.

The Plan waives any right to assert that you failed to exhaust administrative remedies because you did not request a voluntary second-level internal appeal. The Plan agrees that any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated second-level voluntary internal appeal is pending. The Claims Administrator will, upon request, provide you with information relating to the voluntary second-level internal appeal to enable you to make an informed judgment about whether to request such an appeal. Your decision whether or not to request a voluntary second-level internal appeal under the Plan will have no effect on your right to any other benefits under the Plan.

Your request for review should be sent to the Claims Administrator at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Pre-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include the name of your Employer, any denial letter you received and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial of your claim on appeal was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. The Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 30 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 60 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Internal Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level internal appeal, it will notify you of the following, in a manner to be understood by you:

- Information sufficient to identify the claim involved and a statement describing the availability, upon request, of the diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason or reasons for the adverse benefit determination;
- The specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any additional voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures;
- A description of available internal appeals and external review processes, including information about how to initiate an appeal;
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following a final adverse benefit determination; and
- To the extent required by applicable regulations, the availability of, and contact information for, an applicable office of health insurance consumer assistance or ombudsman who may assist you.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Voluntary External Review by Independent Review Organization

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, a rescission of coverage or your mandatory first-level internal appeal or second-level internal appeal, you may be entitled to obtain an independent external review pursuant to Federal law, as provided below. External review applies only to an adverse benefit determination (including a final internal adverse benefit determination) by the Claims Administrator that involves medical judgment or a rescission of coverage (whether or not the rescission has any effect on any particular benefit at that time). External review is not available in connection with an adverse benefit determination based upon a determination that you fail to meet the requirements for eligibility under the terms of the Plan. You do not need to pursue an external review in order to complete or exhaust the appeal procedure described above. Your decision to seek an independent external review will not affect your rights to any other benefits under the Plan. Any statute of limitations or other defense based upon timeliness is tolled during the time that any properly initiated independent external review is pending. There is no charge for you to initiate an independent external review. The external review decision is final and binding on all parties except for any relief available through ERISA.

Standard External Review

This section sets forth procedures for standard external review. Standard external review is external review that is not considered expedited (as described below).

If the Claims Administrator makes a final adverse benefit determination with respect to your mandatory first-level appeal or second-level appeal, as the case may be, or makes an adverse benefit determination under circumstances in which you are not required to exhaust the Plan's internal appeals process, you or your duly authorized representative may file a request for an external review under Federal law within four months of the date you

received notice of an adverse benefit determination or final internal adverse benefit determination. Your request must be in writing, unless the Claims Administrator determines that it is not reasonable to require a written statement. You do not have to resubmit information that you submitted for your initial claim or internal appeal. However, you are encouraged to submit any additional information you believe is important for review.

Within five business days following the date your external review request is received, the Claims Administrator will complete a preliminary review of the request to determine whether:

- You are or were covered under the Plan at the time the health care item or service was requested or, in the case of a retrospective review, were covered under the Plan at the time the health care item or service was provided;
- The adverse benefit determination or the final adverse benefit determination involves medical judgment or a rescission of coverage and does not relate to your failure to meet the requirements for eligibility under the terms of the Plan;
- You have exhausted the Plan's internal appeal process, unless you are not required to exhaust such process under applicable federal regulations;
- You have provided all the information and forms required to process an external review.

Within one business day after completion of its preliminary review, the Claims Administrator will notify you in writing of the results of such review. If the request is complete, the Claims Administrator will assign an accredited independent review organization ("IRO") to conduct the external review.

The assigned IRO is required to notify you in writing of the request's eligibility and acceptance for external review. Within ten business days following the date of your receipt of such notice, you may submit in writing to the assigned IRO additional information that the IRO must consider when conducting the external review. The IRO is not required to, but may, accept and consider additional information submitted after ten business days.

Within five business days after the date of assignment of the IRO, the Plan must provide to the assigned IRO the documents and any information considered in making the adverse benefit determination or final internal adverse benefit determination. If the Plan fails to provide the documents and information on a timely basis, the assigned IRO may terminate the external review and make a decision to reverse the adverse benefit determination or final internal adverse benefit determination. The IRO will notify you and the Plan within one business day after making any such decision.

Upon receipt of any information submitted by you, the assigned IRO must within one business day forward the information to the Plan. Upon receipt of any such information, the Plan may reconsider its adverse benefit determination or final internal adverse benefit determination that is the subject of the external review. The external review may be terminated as a result of the reconsideration only if the Plan decides, upon completion of its reconsideration, to reverse its adverse benefit determination or final internal adverse benefit determination and provide coverage or payment. Within one business day after making such a decision, the Plan must provide written notice of its decision to you and to the assigned IRO. The assigned IRO is required to terminate the external review upon receipt of any such notice from the Plan.

The IRO is required to review all of the information and documents timely received. In reaching a decision, the assigned IRO will review the claim *de novo* and not be bound by any decisions or conclusions reached during the Plan's internal claims and appeals process. In addition to the documents and information provided, the assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the following in reaching a decision:

- Your medical records;
- The attending health care professional's recommendation;
- Reports from appropriate health care professionals and other documents
- The terms of the Plan, to ensure that the IRO's decision is not contrary to the terms of the Plan;
- Appropriate practice guidelines, which must include applicable evidence-based standards and may include any other practice guidelines developed by the Federal government, national or professional medical societies, boards and associations;

- Any applicable clinical review criteria developed and used by the Plan, unless the criteria are inconsistent with the terms of the Plan or with applicable law;
- The opinion of the IRO's clinical reviewer or reviewers after considering the information above and applicable Federal guidance, to the extent the information or documents are available and the clinical reviewer or reviewers consider such information or documents appropriate.

The assigned IRO is required to provide written notice of the final external review decision within 45 days after it receives the request for the external review. The IRO must deliver the notice of final external review decision to you and to the Plan.

The assigned IRO's decision notice on external review will contain:

- A general description of the reason for the request for external review, including information sufficient to identify the claim;
- The date the IRO received the assignment to conduct the external review and the date of the IRO decision;
- References to the evidence or documentation, including the specific coverage provisions and evidence-based standards, considered in reaching its decision;
- A discussion of the principal reason or reasons for its decision, including the rationale for its decision and any evidence-based standards that were relied on in making its decision;
- A statement that the determination is binding except to the extent that other remedies may be available under State or Federal law to either the Plan or to you;
- A statement that judicial review may be available to you; and
- Current contact information, including phone number, for any applicable office of health insurance consumer assistance or ombudsman.

Expedited External Review

If the Claims Administrator makes an adverse benefit determination with respect to your initial claim, and your claim is an urgent care claim or a concurrent care claim, you may proceed with an expedited external review without filing an internal appeal or while simultaneously pursuing an expedited appeal through the Plan's internal appeal process.

You or your duly authorized representative may request an expedited external review orally or in writing. All necessary information for the review, including the Claims Administrator's determination, may be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited external review, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

Upon receipt of your request for expedited external review, the Claims Administrator will determine whether the request meets the reviewability requirements set forth above for standard external review. The Claims Administrator will notify you in writing of the results of such review.

If the Claims Administrator determines that your request is eligible for external review, the Claims Administrator will assign an IRO to conduct the review.

The assigned IRO, to the extent the information or documents are available and the IRO considers them appropriate, will consider the information or documents described above under the procedures for standard external review. In reaching a decision, the assigned IRO will review your claim *de novo* and is not bound by any decisions or conclusions reached during the Plan's internal claims and appeals process.

The IRO is required to notify you of the final external review decision as expeditiously as your medical condition or circumstances require, but in no event more than 72 hours after the IRO receives your request for an expedited external review. If the notice is not in writing, within 48 hours after the date of providing that notice, the assigned IRO is

required to provide written confirmation of the decision to you and to the Plan.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Post-65 Retiree Medical Plan

The claim determination and appeal process described below applies to the Post-65 Retiree Medical Plan. The term "Plan," as used in this section, refers to the Post-65 Retiree Medical Plan, and the term "Claims Administrator" refers to the applicable claims administrator appointed for the Plan. (Note that there may be more than one claims administrator for the Plan.)

The type of claim that you make determines the time frame under which the Claims Administrator will make a determination regarding your claim. There are four different categories of claims, and each is subject to different time frames for notifying you of the Claims Administrator's determination.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

An "adverse benefit determination" is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of your eligibility to participate in a plan, and including a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit resulting from the application of any utilization review, as well as a failure to cover an item or service for which benefits are otherwise provided because it is determined to be experimental or investigational or not medically necessary or appropriate.

The Plan Administrator or its designee may decide claims (i) that call for a determination of whether you meet the requirements for eligibility under the Plan, which determination may result in a denial, reduction, termination or failure to provide payment for a benefit, or (ii) for which a Claims Administrator has not been delegated authority, or has not assumed authority, to decide. The Plan Administrator has delegated to the Company's Benefits Department authority to make these determinations. Solely with respect to claims involving a determination of your eligibility under the Plan or a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide, the term "Claims Administrator" used below shall refer to the Plan Administrator or its designee. Any claim relating to (i) whether you meet the requirements for eligibility under the Pre-65 Retiree Medical Plan, or (ii) a matter for which the Claims Administrator has not been delegated, or has not assumed, authority to decide should be submitted in writing to the Benefits Department of the Company at the address for the Plan Administrator set forth in the *General Program Information* section of the Post-65 Retiree Medical Plan SPD.

Consideration of Initial Claim

Pre-Service Claim (Not Involving Urgent Care)

Generally, a "pre-service claim" is any claim involving a benefit where the Plan requires approval of the benefit in advance of obtaining medical care.

If you submit a pre-service claim properly with all necessary information, the Claims Administrator will decide your claim within a reasonable period of time appropriate to the medical circumstances (but not later than 15 days from the date the claim is received). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for

matters beyond its control if, prior to expiration of the initial 15-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If you file a pre-service claim but do not provide sufficient information for the Claims Administrator to make a determination, you will be notified within five days after your pre-service claim is received of the specific information necessary to complete the claim. Once you receive this notice, you then have 45 days to provide any needed information.

Post-Service Claims

Generally, a "post-service claim" is any claim that is not an urgent care claim, a pre-service claim or a concurrent care claim.

If you submit a post-service claim, you will receive a written notice of the Claims Administrator's determination within 30 days of the day the Claims Administrator receives your claim (as long as you provide all necessary information). The Claims Administrator may obtain a one-time extension (not longer than 15 days) for matters beyond its control if, prior to the expiration of the initial 30-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision.

If additional information is needed to process your post-service claim, you will be notified within the 30-day period and the notice will specify the required information. Once you receive notice, you then have 45 days to provide any needed information.

Urgent Care Claims

Generally, an "urgent care claim" is any claim that must be processed on an expedited basis because a delay in processing could seriously jeopardize the life or health of the patient, jeopardize the patient's ability to regain maximum function, or, in the opinion of the patient's doctor, with knowledge of the patient's medical condition, a delay would subject the patient to severe pain that cannot be adequately managed without the care or treatment that is the subject of the claim.

Unless you have failed to provide sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will receive notice of the benefit determination (in writing or electronically) within 72 hours after the Claims Administrator receives your urgent care claim. The Claims Administrator will take into account the seriousness of your condition. The Claims Administrator may provide an oral notice of its determination, and then follow up with a written or electronic confirmation within three days.

If you file an urgent care claim but have not provided sufficient information to permit a determination of whether, or to what extent, benefits are covered or payable under the Plan, you will be notified of the specific information needed to complete the claim within 24 hours after the Claims Administrator receives your urgent care claim. Once you receive this notice, you then have 48 hours to provide the requested information.

If you are asked to provide specific information to complete your urgent care claim, you will receive a notice of the Claims Administrator's determination no later than 48 hours after the earlier of:

- The Claims Administrator's receipt of the specified information; or
- The end of the period that you have to provide the specified additional information.

Concurrent Care Claims

Generally, a "concurrent care claim" is any claim involving (i) a decision to reduce or terminate an ongoing course of treatment to be provided over a period of time or number of treatments, or (ii) your request to extend a course of treatment beyond the period of time or number of treatments that has been approved.

The Claims Administrator may approve (for a specific period of time or number of treatments), reduce, or terminate an ongoing course of treatment. Any reduction or termination of ongoing treatments is an adverse benefit determination. The Claims Administrator must notify you within a reasonable time period prior to the reduction or termination of services.

If you request to extend the treatment and your request is an urgent care claim (as defined above), the Claims Administrator will decide your request within 24 hours after it receives your request. You must make your request at least 24 hours before the end of your approved treatment.

If your request to extend ongoing treatment is not an urgent care claim, the Claims Administrator will

treat your claim as either a pre-service or post-service claim (as applicable) and will consider the claim according to the post-service or pre-service time frames, whichever applies.

If the Claims Administrator Makes an Adverse Benefit Determination Regarding an Initial Claim

If you receive a notice of adverse benefit determination, the notice will:

- Explain the reasons for the adverse benefit determination;
- Describe any additional material or information necessary for you to complete your claim and explain why the material or information is necessary;
- Refer you to the part of the Plan upon which the denial is based;
- Describe the Plan's review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals; and
- In the case of an urgent care claim, describe the expedited review process applicable to such claims.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim, the Claims Administrator will provide a description of the expedited review process for urgent care claims (as set forth below). The Claims Administrator may provide an oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

First-Level Appeal to Claims Administrator

If the Claims Administrator makes an adverse benefit determination regarding an initial claim, you have the right to appeal the decision by sending a written request for review to the Claims Administrator within 180 days of your receipt of the adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Post-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your request, you will be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the initial adverse benefit determination and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the individual conducting the review shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment.

This health care professional will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, the Claims Administrator will notify you of its determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

Expedited Review for Urgent Care Claims

In the case of a claim involving urgent care, you may submit a request for an expedited appeal either in writing or orally. All necessary information for the review, including the determination on review, will be transmitted between the Claims Administrator and you by telephone, facsimile, or another similarly expeditious method. To proceed with an expedited internal appeal, you or your authorized representative must contact the Claims Administrator and provide at least the following information:

- Your name;
- The date(s) of the medical service;
- The specific medical condition or symptom;
- The provider's name
- The service or supply for which approval of benefits was sought; and
- Any reasons why the appeal should be processed on a more expedited basis.

You will be notified of the determination on review as soon as possible, taking into account the medical exigencies, but not later than 72 hours after receipt of your request for review of an adverse benefit determination.

If the Claims Administrator Makes an Adverse Benefit Determination on Your First-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your first-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the adverse benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either the specific rule, guideline, protocol, or other similar criterion will be provided free of charge to you, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request. If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided free of charge to you, or you will be informed that such explanation will be provided free of charge to you upon request.

If the Claims Administrator denies an urgent care claim on review, the Claims Administrator may provide oral notice of its determination, then follow-up with a written or electronic confirmation within three days.

Second-Level Appeal for Pre-and Post-Service Claims

If the Claims Administrator makes an adverse benefit determination with respect to your pre- or post-service claim on appeal, you or your duly authorized representative may request a review of such determination by the Claims Administrator by sending a written request for review within 60 days of your receipt of the Claims Administrator's notice of adverse benefit determination.

Your request for review should be sent to the Claims Administrator for the Plan at the address for the Claims Administrator set forth in the section entitled "General Program Information" found in the individual SPD section for the Post-65 Retiree Medical Plan.

You may submit written comments, documents, records, and other information relating to your claim for benefits. Upon your written request, you will be provided, free of charge, reasonable access to, and copies of, all relevant documents, records, and other information relevant to your claim.

Your written request should state why you think your claim should not have been denied. Your request also should include your name, the covered person's name and date of birth, the name of the provider of services, the name of your Employer, any denial letter you received, the claim number and any additional documents, information or comments you think may have a bearing on your claim.

Upon receipt of your request, the Claims Administrator will conduct a review that takes into account all comments, documents, records, and other information submitted by you or your authorized representative relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review will not afford any deference to the Claims Administrator's denial of your claim on appeal and will be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual.

If the denial was based in whole or in part on a medical judgment, the Claims Administrator will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional consultant will be neither the individual who made the adverse benefit determination that is the subject of your appeal, nor the subordinate of such individual. Upon request, the Claims Administrator will provide the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

Pre-Service Claims

In the case of a pre-service claim, you will be notified of the determination on review within a reasonable period of time appropriate to the medical circumstances, but not later than 15 days after receipt of your request for review.

Post-Service Claims

In the case of a post-service claim, you will be notified of the determination on review within a reasonable period of time, but not later than 30 days after receipt of your request for review.

If the Claims Administrator Makes an Adverse Benefit Determination on Your Second-Level Appeal

If the Claims Administrator makes an adverse benefit determination on your second-level appeal, it will notify you of the following, in a manner to be understood by you:

- The specific reason or reasons for the adverse benefit determination;
- Reference to the specific Plan provisions on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;
- A statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures; and
- A statement indicating your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on all appeals.

If the Claims Administrator relied upon an internal rule, guideline, protocol, or other similar criterion in making the adverse benefit determination, either

the specific rule, guideline, protocol, or other similar criterion will be provided to you free of charge, or you will be informed that such rule, guideline, protocol, or other criterion will be provided free of charge to you upon request.

If the Claims Administrator relied upon medical necessity or experimental treatment or similar exclusion or limit in making the adverse benefit determination, either an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to your medical circumstances) will be provided to you free of charge, or you will be informed that such explanation will be provided to you free of charge upon request.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred. A claim for benefits is incurred when the services giving rise to the claim were rendered.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Claim Determination and Appeal Process – Retiree Life Insurance Plan

The claim determination and appeal process described below applies to the Retiree Life Insurance Plan. As used in this section, (i) the term "Claims Administrator" refers to Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., (ii) a "claim for disability benefits" means a claim for accidental dismemberment benefits or for a waiver of premium, (iii) the term "adverse benefit determination" means a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a claimant's eligibility to participate in a plan and, with respect to a claim for disability benefits, also means a rescission of disability coverage with respect to a claimant (regardless of whether, in connection with the rescission, there is an adverse effect on any particular benefit at that time), and (iv) the term "rescission," with respect to a claim for disability benefits, means a cancellation or discontinuance of coverage that has retroactive effect, except to the extent it is attributable to a failure to timely pay required premiums or contributions toward the cost of coverage.

Please Note: The Outbreak Period (defined above) will be disregarded in determining the period within which individuals may file a benefit claim or an appeal of an adverse benefit determination under the claims procedures described below.

Consideration of Initial Claim

The Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 90 days after the receipt of your claim. This period may be extended by 90 days if such an extension is necessary due to matters beyond the control of the Plan. A written notice of the extension, the reason for the extension and the date by which the Plan expects to decide your claim, shall be furnished to you within the initial 90-day period.

Notwithstanding the foregoing, with respect to a claim for disability benefits, the Claims Administrator shall notify you of an adverse benefit determination within a reasonable period of time, but not later than 45 days after the receipt of your claim. This period may be extended for up to 30 days for matters beyond the control of the Plan if, prior to the expiration of the initial 45-day period, the Claims Administrator notifies you of the circumstances requiring the extension and the date by which the Claims Administrator expects to render a decision. If, prior to the end of the first 30-day extension period, the Claims Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided the Claims Administrator notifies you, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Claim Administrator expects to render its decision. In the case of any extension

under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed to resolve those issues, and you shall be afforded at least 45 days within which to provide the specified information. However, if a period of time is extended due to your failure to submit information necessary to decide the claim, the period for making the benefit determination by the Claims Administrator will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If the Claims Administrator makes an adverse benefit determination with respect to your claim, you or your authorized representative will receive a written notice from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a description of any additional material or information necessary for you to perfect a claim and an explanation of why such information is necessary, and
- a description of the Claims Administrator's appeals procedures and applicable time limits, including a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan,
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse benefit determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist, and
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

Appeal to the Claims Administrator

If an adverse benefit determination is made with respect to your claim for benefits or if you do not receive a response to your claim within the appropriate time frame (in which case the claim for benefits is deemed to have been denied), you or your representative may appeal the adverse benefit determination in writing to the Claims Administrator within 60 days (180 days in the case of a claim for disability benefits) of the receipt of the written adverse benefit determination or from the date such claim is deemed denied. You may submit with your appeal any written comments, documents, records and any other information relating to your claim. Upon your request, and free of charge, you will also have access to, and the right to obtain copies of, all documents, records and information relevant to your claim.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Claims Administrator, utilizing individuals who were not involved in the initial benefit determination and who are not the subordinates of such individuals. This review will not afford any deference to the initial benefit determination.

In connection with a claim for disability benefits, if the adverse benefit determination was based in whole or in part on a medical judgment, the Claims Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional shall be neither the individual who made the adverse

benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Claims Administrator shall provide to you upon request the identities of any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

In connection with a claim for disability benefits, the Claims Administrator will provide you, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan (or at the direction of the Plan) in connection with the claim. Such evidence will be provided in advance of the date on which a notice of an adverse benefit determination is required to be provided. In addition, before you receive an adverse benefit determination on review based upon a new or additional rationale, the Claims Administrator will provide to you, free of charge, the rationale. The rationale will be provided in advance of the date on which a notice of the adverse benefit determination on review is required to be provided.

The Claims Administrator shall make a determination on your claim appeal within a reasonable period of time, but not later than 60 days (45 days in the case of a claim for disability benefits) after the receipt of your appeal request. This period may be extended by up to an additional 60 days (45 days in the case of a claim for disability benefits)if the Claims Administrator determines that special circumstances require an extension of time. A written notice of the extension, the reason for the extension and the date that the Claims Administrator expects to render a decision shall be furnished to you within the initial 60-day period (45-day period in the case of a claim for disability benefits). However, in the case of a claim for disability benefits, if the period of time is extended due to your failure to submit information necessary to decide the appeal, the period for making the benefit determination will be tolled (i.e., suspended) from the date on which the notification of the extension is sent to you until the date on which you respond to the request for additional information.

If an adverse benefit determination is made with respect to your claim on appeal you will receive a written notification from the Claims Administrator of the adverse benefit determination. The notice will be written in a manner calculated to be understood by you and shall include:

- the specific reason(s) for the adverse benefit determination,
- references to the specific Plan provisions on which the adverse benefit determination was based,
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and to make copies of, all records, documents and other information relevant to your benefit claim,
- a statement describing any voluntary appeals procedures offered by the Plan, and your right to obtain information about such procedures, and
- a statement of your right to bring a civil action under section 502(a) of ERISA following completion of the appeals process.

In addition, in the case of an adverse benefit determination with respect to a claim for disability benefits, the notice shall include:

- a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views that you presented to the Plan of health care professionals treating you and of vocational professionals who evaluated you; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with your adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding you that was made by the Social Security Administration and that you presented to the Plan;
- either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- a statement indicating (A) that any civil action under section 502(a) of ERISA must be brought not later than three years after the date such claim was incurred, and (B) the calendar date upon which such limitations period expires.

If a decision on appeal is not furnished to you within the time frames mentioned above, the claim shall be deemed denied on appeal.

Discretion and Authority of Claims Administrator

The Claims Administrator has the sole discretion to interpret the terms of the benefits provisions of the Plan, to make factual findings, and to determine eligibility for benefits. A benefits-related decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan shall be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

The Claims Administrator has the right to recover any overpayments for whatever reason, including due to (i) fraud and (ii) any error the Claims Administrator makes in processing a claim. You must reimburse the Claims Administrator in full for any overpayments. The Claims Administrator will determine the method by which the repayment is to be made. The Claims Administrator will not recover more money than the amount it paid you.

Limitation of Actions and Venue

No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law.

Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana.

Continuation of Coverage

COBRA

This subsection contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Pre-65 Retiree Medical Plan and under the Post-65 Retiree Medical Plan (each of the foregoing a "Plan" for purposes of this COBRA section). **This section generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.** For a discussion of special survivor coverage that may extend coverage under the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan beyond the maximum period of COBRA continuation coverage, see the section below entitled *"Survivor Coverage."* COBRA continuation coverage does not apply to EAP/Work Life/Legal & Financial.

In the event you are eligible for COBRA continuation coverage, there may be other coverage options for you and your family as well. With the advent of health care reform, you may be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible (but not enrolled) for COBRA continuation coverage does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse's plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Please Note: ***Notwithstanding the timeframes described below, you may disregard the Outbreak Period in determining (i) the 60-day election period for COBRA continuation coverage, and (ii) the date for making COBRA premium payments.***

What Is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this subsection. After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your spouse (if he or she is treated as a spouse under the Internal Revenue Code), and your dependent children could become qualified beneficiaries on account of coverage under a Plan if coverage under such Plan is lost because of a qualifying event. Under each Plan, qualified beneficiaries who elect COBRA

continuation coverage must pay for the cost of such coverage. The cost of coverage is up to 102 percent of the total premium rate (a two percent administrative cost is added to the actual cost of the coverage). If you are entitled to extended coverage by reason of a disability (as described below), you may be required to pay up to 150 percent of the full cost of the coverage. These costs are subject to change.

You must elect COBRA during your COBRA election period. Your COBRA election period begins on the date of your qualifying event and ends on the date that is 60 days after the later of (i) the date coverage would have stopped due to the qualifying event, or (ii) the date the qualified beneficiary is sent notice of the right to continue coverage under COBRA.

You will have 45 days from the date of your coverage election to submit your first premium payment. This premium payment will include all premiums prior to your election for the period of COBRA continuation coverage. After your initial premium payment is remitted, you or your dependents will be billed monthly for the elected coverage. If payment is not received within 45 days of the monthly due date, COBRA coverage will be cancelled.

Your spouse will become a qualified beneficiary on account of coverage under a Plan if he or she loses coverage under such Plan because any of the following qualifying events happens:

- You die;
- You become entitled to Medicare benefits (under Part A, Part B, or both); or
- You become divorced or legally separated from your spouse.

Your dependent children will become qualified beneficiaries on account of coverage under a Plan if they lose coverage under such Plan because any of the following qualifying events happens:

- You die;
- You become entitled to Medicare benefits (Part A, Part B, or both);
- You become divorced or legally separated; or
- Your child stops being eligible for coverage under the Plan as a "dependent child."

With respect to coverage under a Plan for Retirees, sometimes the filing a proceeding in bankruptcy under Title 11 of the United States Code can be a qualifying event. If a proceeding in bankruptcy is filed with respect to NiSource or one of its affiliates, and that bankruptcy results in your loss of coverage under the Plan, you will become a qualified beneficiary with respect to the bankruptcy. Your spouse, surviving spouse, and dependent children will also become qualified beneficiaries if they were covered under the Plan on the day immediately preceding the commencement of the bankruptcy proceeding and the proceeding resulted in their loss of coverage.

When Is COBRA Continuation Coverage Available?

Each Plan will offer COBRA continuation coverage to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is your death, the commencement of a proceeding in bankruptcy with respect to your Employer (in the case of loss of retiree coverage), or your becoming entitled to Medicare benefits (under Part A, Part B, or both), your Employer must notify the Plan Administrator of the qualifying event.

Notice of Some Qualifying Events

For some qualifying events (divorce or legal separation or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the latest of (i) the date qualifying event occurs, or (ii) the date on which the dependent loses (or would lose coverage) as a result of the qualifying event. This notice must be provided to the Benefits Source by calling the Benefits Source at 1-888-640-3320, or in the case of a notice of divorce or legal separation, by visiting the website mysourceforhr.com.

Any such notice must provide the date of divorce or legal separation or the date a dependent child lost eligibility for coverage, as the case may be, and must indicate that the notice is being provided for purposes of obtaining COBRA continuation coverage. If notice is not provided within the 60-day period, you and your dependent will not be eligible for COBRA continuation coverage.

How Is COBRA Continuation Coverage Provided?

Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified

beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. You may elect COBRA continuation coverage on behalf of your spouse, and parents may elect COBRA continuation coverage on behalf of their children.

COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is your death, your becoming entitled to Medicare benefits (under Part A, Part B, or both), your divorce or legal separation, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to a total of 36 months.

When the qualifying event is an employer's bankruptcy, COBRA continuation coverage for you ends upon your death and coverage for a qualified beneficiary who is your spouse or dependent child ends on the earlier of the date of the qualified beneficiary's death or three years after your death.

COBRA Continuation Coverage Ends

In addition to the maximum coverage durations set forth above, COBRA continuation coverage for a qualified beneficiary will end on the earliest to occur of the following:

- The date such qualified beneficiary first becomes entitled to benefits under Medicare.
- The date on which all employers participating in a Plan cease to provide any group health plan or coverage to any employee.
- If you fail to make a required contribution (coverage will end at the end of the period for which the last contribution was made).
- The date such qualified beneficiary first becomes covered under any other group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition, other than a pre-existing condition that does not apply to (or is satisfied by) the qualified beneficiary pursuant to applicable law. Please see the "*Coordination with HIPAA and Affordable Care Act*" provisions set forth below for additional information.

Coordination with HIPAA and Affordable Care Act

Under COBRA, your rights to continue coverage terminate if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated before the maximum coverage period. HIPAA and the Affordable Care Act limit the extent to which certain group health plans can impose pre-existing condition exclusions. Thus, if another plan's pre-existing condition exclusion cannot apply to you because of HIPAA or the Affordable Care Act, your entitlement to COBRA continuation coverage under the Pre-65 Retiree Medical Plan will terminate before the maximum coverage period.

Questions

Questions concerning the Plans or your COBRA continuation coverage rights should be addressed to the contact identified below. For more information about rights under ERISA, including COBRA, HIPAA, and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration ("EBSA") in your area or visit the EBSA website at **dol.gov/ebsa** (addresses and phone numbers of Regional and District Offices are available through EBSA's website).

If you have questions about enrolling in COBRA, contact the Benefits Source at **1-888-640-3320**.

Notification of Address Changes

In order to protect your family's rights, you should keep the Plan Administrator informed of any changes in the addresses of family members. If your home address changes while on COBRA, contact the Benefits Source at **1-888-640-3320**.

You should also keep a copy, for your records, of any notices you send to the Plan Administrator.

Survivor Coverage

In the event of a covered Retiree's death within 30 days preceding, or at any time on or after, May 1, 2010, if COBRA continuation coverage under a Retiree Medical Plan has been elected and has not terminated prior to the maximum continuation coverage period (36 months) for such Retiree's surviving dependents who are covered under the Pre-65 Retiree Medical Plan or Post-65 Retiree Medical Plan on the date of that Retiree's death, then coverage for such dependents may continue beyond such 36-month period until the earlier of (i) the date the Retiree's surviving spouse dies, (ii) the

last day of the month in which the Retiree's surviving spouse remarries or enters into a domestic partnership or civil union with another person, (iii) the last date for which any required contribution was made, (iv) with respect to a dependent child, the last day of the month in which the child no longer qualifies as a dependent, (v) with respect to any dependent covered under the Pre-65 Retiree Medical Plan, the date such dependent reaches age 65, and (vi) the date the Employer from whom the Retiree retired from employment ceases to be a "related employer," as defined in the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan.

If medical coverage under the NiSource Consolidated Flex Medical Plan ends for an active employee's dependent because of such employee's death within thirty days preceding, or at any time on or after May 1, 2010, and if such employee would have satisfied the conditions for being a Retiree had he or she retired from service with an Employer on the day immediately preceding his or her death, then solely for the purpose of COBRA continuation coverage and survivor coverage for any surviving dependents covered under the NiSource Consolidated Flex Medical Plan at the time of the employee's death, the employee will be deemed to have (i) retired from service with an Employer on the day immediately preceding his or her death (the "Deemed Retirement Date") and be a "Deemed Retiree", (ii) enrolled in retiree medical coverage on the Deemed Retirement Date, and (iii) enrolled each such surviving dependent in coverage under either the Pre-65 Retiree Medical Plan (in the coverage option in which the dependent was enrolled immediately prior to the Deemed Retirement Date) or the Post-65 Retiree Medical Plan (in an available coverage option selected by the dependent), as applicable. An eligible surviving dependent of a Deemed Retiree shall be entitled to survivor coverage in accordance with the terms and conditions described in the immediately preceding paragraph. An eligible surviving dependent of a Deemed Retiree who has not attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Pre-65 Retiree Medical Plan. An eligible surviving dependent of a Deemed Retiree who has attained age 65 as of the Deemed Retirement Date will be entitled to survivor coverage under the Post-65 Retiree Medical Plan.

If survivor coverage under the Pre-65 Retiree Medical Plan will end for a surviving dependent solely on account of his or her attaining age 65, such dependent may continue survivor coverage under the Post-65 Retiree Medical Plan by enrolling in such Plan and by selecting an available post-65 retiree medical coverage option on or before attaining age 65. Such survivor coverage shall be subject to the terms and conditions set forth in the first paragraph of this section entitled "Survivor Coverage."

If a surviving dependent's COBRA continuation coverage has terminated for any reason prior to the expiration of the maximum COBRA continuation coverage period or if survivor coverage provided beyond the maximum COBRA continuation coverage period is terminated for any reason, such dependent may not reenroll in coverage. Notwithstanding the preceding sentence, if coverage for a surviving dependent is terminated during a Plan Year for failure to pay required contributions for coverage, the dependent may apply to the NiSource Benefits Department during the same Plan Year to reinstate coverage retroactive to the date of termination. The dependent's application must be in writing and must describe the extenuating circumstances that resulted in his or her missed payment. The Benefits Department, in its sole and absolute discretion, will determine whether there are sufficient grounds for reinstating coverage. If the Benefits Department makes a favorable determination, the dependent must repay any missed premiums before the end of the Plan Year and before coverage will be reinstated.

Additional Information

Assignment of Benefits

Except as required by applicable law, none of your rights or interests under the Pre-65 Retiree Medical Plan or the Post-65 Retiree Medical Plan (for purposes of this section only, each a "Plan") and no benefit payable under a Plan shall in any manner be alienated, sold, assigned or transferred, or be subject to any lien, pledge or encumbrance, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge, or bankruptcy, nor will any benefit payable under a Plan be liable for, or subject to, any obligation or liability you may have. Without limiting the generality of the foregoing, except as required by applicable law, you may not assign or transfer to any third party, including without limitation any person or institution providing medical care, treatment,

services or supplies, the right to receive benefit payments under a Plan, or the right to pursue a claim, to appeal an adverse benefit determination or to maintain a cause of action under ERISA in respect of any benefit covered, alleged to be covered or denied under a Plan, and any such attempted assignment or transfer is void.

Nothing contained in a Plan or in this Handbook, nor any course of dealing, act or omission on the part of a Plan, its Plan Administrator or any Claim Administrator or other party, shall be construed to make a Plan liable to any third party to whom you may be liable for medical care, treatment, services or supplies. Although a Plan may, at your direction or otherwise, make payments directly to persons or institutions providing covered services under the Plan, such payment or direction does not constitute a transfer or assignment of benefits or of any other right or interest under the Plan, including without limitation any legal or equitable right to institute any court proceeding. Any such payments by a Plan shall constitute a complete discharge of the Plan's obligation to you. Under no circumstances will any person or institution providing medical care, treatment, services or supplies to you be deemed a participant or beneficiary under a Plan.

If you attempt to alienate, sell, transfer, assign, pledge or otherwise impede a benefit under a Plan or any part, or if by reason of your bankruptcy or other event happening at any time, a benefit devolves upon anyone else or would not be enjoyed by you, then upon becoming aware of such attempted alienation, sale, transfer, assignment or pledge, the Plan Administrator in its discretion, which will be exercised uniformly by treating individuals in similar circumstances alike, may terminate your interest in any such benefit and hold or apply it to or for your benefit or the benefit of your dependents, in a manner the Plan Administrator may deem proper.

Subrogation and Right of Recovery

An Other Party may be liable or legally responsible to pay expenses, compensation and/or damages in relation to a Sickness or Injury incurred by you or one of your covered dependents (a "covered person").

An "Other Party" includes, but is not limited to, any of the following:

- The party or parties who caused the Sickness or Injury;
- The insurer or other indemnifier of the party or parties who caused the Sickness or Injury;
- A guarantor of the party or parties who caused the Sickness or Injury;
- The covered person's own insurer (for example, in the case of uninsured or underinsured coverage, no-fault coverage or med-pay);
- A worker's compensation insurer (including the covered person's employer if worker's compensation is self-insured);
- Any other person, entity, policy or plan that is liable or legally responsible in relation to the covered person's Sickness or Injury.

Benefits may also be payable under the applicable Benefit Plan in relation to the Sickness or Injury. When this happens, the applicable Benefit Plan may, at its option:

- Subrogate, that is, take over the covered person's right to receive payments from the Other Party. If so, the covered person or his or her legal representative must transfer to the applicable Benefit Plan any rights he or she may have to take legal action arising from the Sickness or Injury so that the applicable Benefit Plan may recover any sums paid under such Benefit Plan on behalf of the covered person;
- Recover from the covered person or his or her legal representative any benefits paid under the applicable Benefit Plan from any payment the covered person receives or is entitled to receive from the Other Party.

As a condition of participation in the applicable Benefit Plan, the covered person agrees, and will cause his or her legal representative to agree, to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights. No covered person shall take any action to prejudice the applicable Benefit Plan's subrogation and recovery rights. The covered person or his or her legal representative must, upon request from the applicable Benefit Plan, provide all information and sign and return all documents or agreements deemed necessary or desirable by the Benefit Plan for it to exercise its rights under this provision. Failure or refusal to execute such agreements or

furnish information, to comply with the obligations under such agreements or to cooperate fully with the applicable Benefit Plan in asserting its subrogation and recovery rights does not preclude the Benefit Plan from exercising its right to subrogation or obtaining full reimbursement, and in such case, the Benefit Plan may cease paying benefits and reduce future benefits payable until full reimbursement is received.

The covered person shall provide notice to the applicable Benefit Plan within a reasonable time prior to the date that he or she expects to receive a payment from an Other Party. The covered person acknowledges that the applicable Benefit Plan has a right to intervene in any lawsuit involving an Other Party, and the covered person consents to the unfettered exercise of that right. The covered person further agrees that any funds received by him or her (or his or her legal representative) from any source for any purpose up to the amount of benefits paid under the applicable Benefit Plan shall be held separately and in trust with either the person receiving benefits (or his or her legal representative) as trustee and the applicable Benefit Plan as beneficiary, until such time as the obligation under this provision is fully satisfied. Accordingly, such covered person or legal representative shall be deemed a fiduciary of the applicable Benefit Plan to the extent of the Benefit Plan assets that are so held in trust.

A covered person and his or her legal representative shall place any and all funds recovered from an Other Party in a separate reserve account under the control of the covered person and/or his or her legal representative. As a condition of participating in the applicable Benefit Plan, a covered person and his or her legal representative shall agree that any funds received from an Other Party rightfully and in good conscience belong to the applicable Benefit Plan, and that such funds shall be held in a constructive trust until distributed in accordance with this Subrogation and Right of Recovery provision.

The applicable Benefit Plan will have a first lien and priority right upon any recovery, whether by settlement, judgment, mediation, arbitration or otherwise, that the covered person (or his or her legal representative) receives or is entitled to receive from any source whatsoever, including without limitation any of the sources listed above. Such lien and priority right shall extend to the first proceeds of any such recovery in the possession of the covered person, his or her legal representative or any third party, who shall hold the same in trust for the benefit of the plan. This lien and priority right will not exceed the lesser of:

- The amount of benefits paid by the applicable Benefit Plan for the Sickness or Injury, plus the amount of all future benefits that may become payable under the applicable Benefit Plan that result from the Sickness or Injury. The applicable Benefit Plan will have the right to offset or recover such future benefits from the amount received from the Other Party; or
- The amount recovered from the Other Party.

If the covered person or his or her legal representative:

- Makes any recovery from any of the sources described above; and
- Fails to reimburse the applicable Benefit Plan for any benefits that arise from the Sickness or Injury;

then:

- The covered person or his or her legal representative will be personally liable to the applicable Benefit Plan for the amount of the benefits paid under that Benefit Plan; and
- The applicable Benefit Plan may reduce future benefits payable for any illness, sickness or bodily injury by the payment that the covered person or his or her legal representative has received from the Other Party.

The applicable Benefit Plan's first lien and priority rights will not be reduced due to the covered person's own negligence; or due to the covered person not being made whole; or due to attorney's fees and costs. All attorney's fees and court costs, including the applicable Benefit Plan's attorney fees and court costs, are the responsibility of the covered person, not the Benefit Plan. Neither the "common fund" or "make whole" doctrines shall be applicable with regard to the Benefit Plan, and as a condition of participating in the Benefit Plan, the covered person agrees that he or she will not retain counsel, unless such counsel agrees to not assert either of these doctrines during the representation.

For clarification, this provision for subrogation and right of recovery applies to any funds recovered from the Other Party by or on behalf of:

- The Retiree;

- The Retiree's covered dependent;
- The estate of any covered person; or
- Any incapacitated person.

If the covered person is a minor, any amount recovered by the minor, the minor's trustee, guardian, parent, or other representative, shall be subject to this Subrogation and Right of Recovery provision, regardless of state law and whether the minor's representative has access to, or control of, any recovery funds.

If it becomes necessary for the applicable Benefit Plan to enforce this provision by initiating any action against any person, including the covered person's legal representative, then the covered person agrees to pay the Benefit Plan's attorney's fees and costs associated with the action, regardless of the action's outcome.

Overpayment of a Claim

If a Plan pays benefits for the Retiree or a covered dependent, the Retiree or any other person or organization that received the payment must refund the applicable Benefit Plan if all or some of the expense:

- Did not legally have to be paid;
- Exceeded the benefits under the Benefit Plan; or
- Was paid by a source other than the Benefit Plan (i.e. claim for an illness or injury that someone else is legally responsible to pay). *See the "Subrogation and Right of Recovery"* subsection for further details.

If you or the person or organization that was paid does not refund the full amount, the Benefit Plan may reduce the amount of any future benefits payable.

Provider Networks

Certain of the Benefit Plans make use of provider networks. As a general matter, benefit coverage may be greater and your out-of-pocket expenses may be lower if you use an In-Network Provider rather than an Out-of-Network Provider. For the Pre-65 Retiree Medical Plan and the Post-65 Retiree Medical Plan, provider lists may be obtained, without charge, at **anthem.com**, or by contacting an Anthem customer service associate at the number on the back of your ID card**.**

HIPAA Privacy

In General

The Department of Health and Human Services has issued Standards for Privacy of Individually Identifiable Health Information (the "Privacy Standards"), effective April 14, 2003, that govern the manner in which the group health plans (for purpose of this subsection, the "Plans") must handle Protected Health Information. "Protected Health Information" means individually identifiable health information related to a Covered Employee or Dependent.

Permitted Uses and Disclosures

The Plans may use and disclose Protected Health Information to carry out payment and health care operations without consent or authorization. If the Plans must use and disclose Protected Health Information for purposes other than payment or health care operations, patient authorization for such use or disclosure shall be required, unless such use or disclosure is expressly permitted by the Policies and Procedures Regarding Protected Health Information related to the Plans or the Privacy Standards.

Disclosures to Company

The Plans may disclose Protected Health Information to the Company to the extent that such disclosure is permissible under law, but prior to any such disclosure the Company shall certify that (1) the Plans' documents have been amended as required by the Privacy Standards and (2) the Company has agreed to certain conditions set forth in the Privacy Standards regarding the use and disclosure of that Protected Health Information.

Adequate Separation

There shall be adequate separation between the Plans and the Company to help ensure that only persons involved in Plan administration have access to Protected Health Information. Only the Plan Privacy Official, Security Official, members of the Committee, persons specifically designated in the Plans and any other persons properly designated by one of the foregoing shall have access to Protected Health Information created under the Plans. Access to and use of Protected Health Information by such employees shall be restricted to the Plan administration functions that the Company and its affiliates perform for the Plans. The Plans or the

Committee have retained one or more third party administrators and others that receive Protected Health Information in the ordinary course of business performed on behalf of the Plans. Such persons or entities, known in the Privacy Standards as "Business Associates," shall enter into agreements with the Plans governing their obligations under the Privacy Standards.

Unauthorized Use or Disclosure.

The improper use or disclosure of Protected Health Information by an employee of Company (or an affiliate) shall be governed by the Policies and Procedures Regarding Protected Health Information related to the Plans. The terms of the applicable Business Associate Agreement shall address non-compliance with the Privacy Standards by a Business Associate.

HIPAA Nondiscrimination

Notwithstanding any other provision of this Handbook, to the extent a group health plan subject to HIPAA's nondiscrimination rules generally provides benefits for a type of injury, benefits otherwise provided for treatment of the injury will not be denied if the injury results from an act of domestic violence or a medical condition (including both physical and mental health conditions).

Employment Rights Not Guaranteed

Your participation in the Program or any Benefit Plan does not ensure you of continued (or renewed) employment with the Company or any Employer. It also does not ensure your rights to benefits, except as specified under the terms of the Program. This Handbook is not a contract of employment.

Amendment and Termination

Subject to the terms of any applicable collective bargaining agreement, the Committee may amend the Benefit Plans at any time. In addition, (i) the Director, Benefits, of the Company, or an employee of the Company or its affiliates succeeding to the duties and responsibilities of such person, may amend the Benefit Plans at any time, if such amendments are required by applicable law or regulations, and (ii) the Senior Vice President and Chief Human Resources Officer of the Company and the Director, Benefits of the Company (or officers or employees of the Company or its affiliates succeeding to the duties and responsibilities of such persons) may amend the Benefit Plans or adopt amendments to, or guidelines with respect to the administration of, the Benefit Plans, and may take such other actions with respect to the Benefit Plans, as such persons deem necessary or desirable in response to the health emergency created by the COVID-19 virus or to any other similar health emergency and in response to the effect of any such emergency upon the Benefit Plans or the participants thereunder. The Committee reserves the right to terminate any Benefit Plan at any time without the consent of, or advance notice to, you or your covered dependents.

Named Fiduciary and Plan Administrator

The Committee is the "Named Fiduciary" and "Plan Administrator" of each Benefit Plan as defined in ERISA, and, as such, has authority to control and manage the operation and administration of the Benefit Plans. See also the "Definitions" section of this Benefits Program Overview for the definition of "Plan Administrator."

The Plan Administrator or its delegate has complete discretionary authority to make all determinations under the Benefit Plans, including determinations of eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Benefit Plans.

Without limiting the generality of the foregoing, the Plan Administrator or its delegate has full discretionary authority to: interpret the Benefit Plans and construe the Benefit Plans terms; determine eligibility for and the amount of benefits; determine the status and rights of employees, dependents and other persons; make rulings; make regulations and prescribe procedures; gather needed information; prescribe forms; exercise all of the power and authority contemplated by ERISA and the Internal Revenue Code with respect to the Benefit Plans; employ or appoint persons to help or advise in any administrative functions; and generally do anything needed to operate, manage and administer the Benefit Plans. The Plan Administrator or its delegate has the requisite discretionary authority and control over the Benefit Plans to require deferential judicial review of its decisions as set forth by the United States Supreme Court in Firestone Tire & Rubber Co. v. Bruch. The Committee has delegated certain authority to the NiSource Benefits Department, to insurers, and to third party

administrators or Claims Administrators. To the extent not retained by the Committee, the Committee has delegated to the Claims Administrators, to the NiSource Benefits Department or to insurers the discretionary authority to:

- Make decisions regarding the interpretation or application of Benefit Plan provisions;
- Make determinations (including factual determinations) as to the rights and benefits of employees and participants under the Benefit Plans;
- Make claims determinations under the Benefit Plans; and
- Decide the appeal of denied claims.

Other authority may be delegated to the extent allowed by ERISA.

Benefits will be paid under the Benefit Plans only if the Plan Administrator or its delegate determines that the claimant is entitled to them. The decision of the Plan Administrator or its delegate is final and binding.

The Role of the Claims Administrator

With respect to the Benefit Plans, or portions thereof, that are self-insured, the Committee has retained one or more Claims Administrator to provide claims payment and other administrative services to such plans. Each Claims Administrator has full discretionary authority to decide claims and appeals for the claims it administers. However, even though a Retiree may receive a benefit check from a Claims Administrator, the Company, a Participating Employer or another plan funding vehicle actually pays benefit claims; the Claims Administrator does not pay claims out of its pocket. Although a Claims Administrator may have insurance coverage as part of its business, a Claims Administrator is not an insurer in relation to Benefit Plans, or portions thereof, that are self-insured. The self-insured portions of Benefit Plans are funded from the general assets of the Company or a Participating Employer or another lawful funding vehicle that is in place, such as a Voluntary Employees' Beneficiary Association Trust.

With respect to the fully insured Benefit Plans, the Claims Administrator is also the Plan's insurer and has full and absolute authority to decide claims and appeals by virtue of authority delegated by the Committee.

Claims Administrators are identified in the General Program Information section for each Benefit Plan and are subject to change from time to time.

Statement of ERISA Rights

As a participant in a Benefit Plan maintained by NiSource Inc., you are entitled to certain rights and protections under ERISA. ERISA provides that all plan participants shall be entitled to:

Receive Information About Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Benefit Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Benefit Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Benefit Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Benefit Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
- Continue health care coverage for you, your spouse or dependents if there is a loss of coverage under the Benefit Plan as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Summary Plan Description and the documents governing the Benefit Plan on the rules governing your COBRA continuation coverage rights.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Benefit Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Benefit Plan. The people who operate the Benefit Plan, called “fiduciaries” of the Benefit Plan, have a duty to do so prudently and in the interest of the employee and other Benefit Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Benefit Plan documents or the latest annual report from the Benefit Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or Federal court after exhausting all required administrative appeals. In addition, if you disagree with the Benefit Plan’s decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal court. If it should happen that Benefit Plan fiduciaries misuse the Benefit Plan’s money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Questions

Questions regarding the Benefit Plan should be directed to the Plan Administrator. If there are questions about this statement or about your rights under ERISA, or if as an employee you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Consolidated Flex Medical Plan

(Pre-65 Retiree Medical Plan)

Covering Eligible Pre-65 Retirees and/or Eligible Dependents Under Age 65

- PPO
- High Deductible PPO 1
- High Deductible PPO 2
- HMO

Your Pre-65 Retiree Medical Plan Options

This is the SPD (the "Pre-65 Retiree Medical Plan SPD") for the NiSource Consolidated Flex Medical Plan, also referred to as the Pre-65 Retiree Medical Plan. In this Pre-65 Retiree Medical Plan SPD, the Pre-65 Retiree Medical Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") provides eligible Pre-65 Retirees and their eligible dependents, as well as eligible dependents of Post-65 Retirees who are covered under the Post-65 Retiree Medical Plan, with the following medical coverage options administered by Anthem BlueCross/BlueShield, each of which uses the Blue Cross/BlueShield Network:

- The Preferred Provider Organization (PPO);
- HDPPO 1 (HDPPO 1)
- HDPPO 2 (HDPPO 2)

The Pre-65 Retiree Medical Plan may also offer Health Maintenance Organizations ("HMO")—provided you live in an area where a NiSource HMO option is available. *If this option is available to you and you elect the option, your insurer will provide you with a separate HMO SPD. Please refer to that document for further information regarding HMO coverage.*

Keep in mind that the Plan covers expenses based on a determination of the "Maximum Allowed Amount". Charges above the Maximum Allowed Amount are not paid by the Plan and are your responsibility. The Maximum Allowed Amount is determined based upon guidelines established by the Claims Administrator in its discretion from time to time. For more information about the determination of the Maximum Allowed Amount, please see the subsection below entitled *"Maximum Allowed Amount"*. If you have a question about the determination of the Maximum Allowed Amount, contact an Anthem customer service associate at the number on the back of your ID card.

The PPO option includes a network of qualified health care providers who offer discounted services for being able to participate in the network. You may also use Out-of-Network Providers and still receive a benefit; however, your costs may be higher if you choose out-of-network services.

The HDPPO 1 and HDPPO 2 are both administered by Anthem. With these options, you may go in-network or out-of-network each time you seek care. The Plan pays more if you stay in the network. Office visits (for non-preventive care) and prescription drugs are subject to the same deductible and co-insurance as other medical expenses. No medical or prescription drug benefits (except preventive and wellness care) are payable until you satisfy the annual deductible. After you meet your deductible, you will generally pay 20% of your expenses (assuming you use In-Network Providers) until you reach your out-of-pocket maximum. There are separate out-of-pocket maximums for in-network and out-of-network services. Once you reach your out-of-pocket maximum, the plan pays 100% of your eligible expenses for the rest of the calendar year.

If you enroll in either HDPPO 1 or HDPPO 2, you may be eligible to contribute to a Health Savings Account (HSA), although as a Pre-65 Retiree you may not contribute to an HSA through the Company. The money you contribute to an HSA can be used to reimburse you for eligible expenses that are not covered under the Plan.

To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

Telemedicine Services

For PPO and HDPPO participants, Anthem makes available LiveHealth Online telemedicine services. With LiveHealth Online, you have access to a doctor 24/7. LiveHealth Online lets you talk face-to-face with a doctor through your mobile device or a computer with a webcam. LiveHealth Online is available in all states. Please visit the map at **livehealthonline.com** for more details.

LiveHealth Online is not meant to replace your primary care physician. Rather, it is a convenient option for care when your physician is not available. Use LiveHealth Online for common health concerns like colds, the flu, fevers, rashes, infections, allergies and more. LiveHealth Online should not be used for emergency care. If you experience a medical emergency, call **911** immediately.

To start using LiveHealth Online, sign up at **livehealthonline.com** or download the app. To learn what mobile devices are supported and to get instructions, go to **livehealthonline.com** and select

Frequently asked questions. If you still have questions, you can email **help@livehealthonline.com** or call toll free at **1-888-548-3432**.

If you are at least 18 years of age, LiveHealth Online may also be used to see a therapist or psychologist in just a few days. To do this, use the app or go to **livehealthonline.com** and log in. Select **LiveHealth Online Psychology** and choose the therapist you would like to see. Or, call LiveHealth Online at **1-888-548-3432** from 7 a.m. to 11 p.m. Eastern Time to schedule an appointment. **Please note:** Online counseling is not appropriate for all kinds of problems. If you are in crisis or have suicidal thoughts, it is important that you seek help immediately. Please call **1-800-273-8255** (National Suicide Prevention Lifeline) or **911** and ask for help. If your issue is an emergency, call **911** or go to your nearest emergency room. LiveHealth Online does not offer emergency services.

Personalized Health Guidance

Generally

If you enroll in the PPO option or one of the HDPPO options, you will have access to an Anthem Health Guide and, if needed, a primary nurse or other Personal Health Consultant) to answer your questions and provide personal health guidance—at no extra cost to you.

Your Anthem Health Guide

When you have questions about how your health care benefits work, what's covered or which medical facilities offer the best prices for tests or procedures, contact your Anthem Health Guide. Your Health Guide listens and works with you to get you answers fast. When you need extra support, your Anthem Health Guide can connect you to other resources, including your Personal Health Consultant

Your Personal Health Consultant

Each of us has different health needs. Sometimes it takes a team. Your Anthem Health Guides work closely with Personal Health Consultants. Personal Health Consultants are health care professionals like nurses, health coaches and social workers dedicated to giving personalized support to you and your family members.

Your Personal Health Consultant can answer your questions, help you get care and connect you to more resources. He or she can help you find other experts like dietitians and pharmacists, as well as help you stay on track with your doctors' treatment plans and medicines. Your Personal Health Consultant will work with you to:

- Find in-home support and resources when needed.
- Schedule appointments if you need surgery or a procedure.
- Manage a health issue and get the care you need.
- Recommend agencies in your community that might help you, local support groups and other online resources.
- Help understand what to expect if you spend time in a hospital and how to follow your doctor's plan of care.

To talk to an Anthem Health Guide or Personal Health Consultant call **1-800-228-2891**.

Prescription Drugs

If you are a PPO participant, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program, which coverage offers you access to a network of participating retail pharmacies for most of your short-term medications. You also have access to a mail order service for long-term or maintenance medications.

If you select the HMO medical coverage, you have prescription drug coverage through your HMO. Please refer to the HMO SPD for details regarding your prescription drug coverage.

If you select the HDPPO 1 or HDPPO 2 coverage, you and your dependents are eligible for prescription drug coverage offered by the Anthem Prescription Drug Program. Prescription drug expenses are covered the same way as any other medical expenses, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. No prescription drug benefits are payable until you satisfy the annual deductible.

To find a provider who participates in the PPO or HDPPO network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card to request assistance.

Mental Health/Substance Use Disorder Treatments

When you elect coverage under the PPO, HDPPO 1 or HDPPO 2 coverage options, you also receive coverage for mental health and substance use disorder treatments. A network of providers is available through Anthem BlueCross/BlueShield. To find a provider who participates in the network, log on to **anthem.com** or contact an Anthem customer service associate at the number on the back of your ID card.

You also have access to EAP/Work Life/Legal & Financial Services administered by Beacon Health Options. For additional details, see the section below entitled *"EAP/Work Life/Legal & Financial Services."*

Eligibility

For information regarding eligibility under the Pre-65 Retiree Medical Plan, please see the *"Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Contributions

The Employer and Retiree will contribute to the cost of the Plan in an amount determined on an annual basis. Please see the subsection of the **Benefits Program Overview** entitled *"Defined Dollar Subsidy for Retiree Medical Coverage"* for a discussion of a subsidy that may be available to reduce the cost of your coverage. For further questions, please contact the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Pre-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Utilization Review Program

The Utilization Review (UR) Program is designed to help you determine the course of treatment that will maximize your plan benefits regardless of which coverage option you select.

The UR Program offers the following services:

- Pre-admission authorization;
- Pre-Certification;
- Urgent Hospital Admission;
- Continued Stay Review;
- Other Required Pre-certifications; and
- Penalty for Non-Compliance.

The Utilization Review Program provides pre-authorization services to help verify the need for recommended treatment. This service also can propose treatment alternatives that may be more appropriate and cost-effective. Pre-authorization does not guarantee benefits. Benefit availability is subject to eligibility and other terms, conditions, limitations, and exclusions of the Plan.

You must contact Anthem (who provides the Utilization Review services) to receive pre-authorization any time your doctor recommends treatment that requires pre-authorization as outlined below:

- **Pre-Admission/Pre-Certification:** Except in the case of an urgent hospitalization, all hospitalizations shall be pre-certified prior to admission for any reason. The Pre-certification Provider's name and telephone number will be provided to each participant. Hospital admission pre-certification does not guarantee benefits under the Plan. Actual benefits provided under the Plan are determined based on the provisions of the Plan.

- **Pre-Certification Procedure:** When your physician recommends a non-urgent hospitalization, you or your physician must call the Pre-certification Provider. You must advise your physician of the Plan's pre-admission certification requirement and provide such physician with adequate information to obtain the pre-certification. You or your physician should secure pre-certification as soon as possible and before a covered person actually enters the hospital. It is your responsibility to see that the Pre-certification Provider is notified.
- **Urgent Hospital Admission:** In the case of an urgent hospitalization, the covered person's physician, the hospital, or a family member must telephone the Pre-certification Provider within 48 hours of admission or the first business day following weekend or holiday admissions. You must provide the Pre-certification Provider with the information required by the Pre-certification Provider.
- **Continued Stay Review:** The Pre-certification Provider may monitor all hospital stays through contact with the covered person's physician.
- **Other Required Pre-certifications:** You and your physician must notify the Pre-certification Provider prior to the provision of the following additional services or supplies: (1) inpatient surgery, (2) a newborn child hospital stay beyond that of the mother; (3) plastic reconstructive surgery; and (4) durable medical equipment/prosthetics. With approval of the Plan, the Pre-certification Provider may require pre-certification for other services or supplies in accordance with reasonable procedures.
- **Penalty for Non-compliance:** If you fail to comply with the requirements as described above, the Plan may assess a $300 penalty.

Highlights of the PPO Option

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the PPO Coverage Option. *Please refer to the HMO SPD for further information regarding the HMO medical coverage.*

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	PPO	
	In-Network (or out-of-area)	**Out-of-Network**
Calendar Year Deductible†	**You Pay**	**You Pay**
Covered Member	$500 per covered member	$1,000 per covered member
Covered Member + Spouse	$500 per covered person	$1,000 per covered person
Covered Member + child(ren)	$500 per covered person, up to a total of $1,000	$1,000 per covered person, up to a total of $2,000
Covered Member + Family (spouse + children)	$500 per covered person, up to a total of $1,500	$1,000 per covered person, up to a total of $3,000
Office Visit Co-Pay/Co-insurance	$35	40% after deductible
Specialist Office Visit Co-Pay/Co-insurance	$40	40% after deductible
Out-of-Pocket Maximum	**You Pay**	**You Pay**
Calendar Year Out-of-Pocket Maximum (does not include premiums, prescription drug expenses, balanced billed charges and expenses not covered under Plan) (includes deductible and co-pay)		
Covered Member	$1,500	$3,000
Covered Member + Spouse	$3,000	$6,000
Covered Member + Child(ren)	$3,000	$6,000
Covered Member + Family	$4,500	$9,000

†Prescription drug expenses are not counted against the Calendar-Year Deductible.

FEATURE	PPO	
	In-Network (or out of area)	**Out-of-Network**
Other Plan Benefits	**Plan Pays**	
Temporomandibular Joint Dysfunction and Related Medical Disorders	The plan limits benefits to surgery and appliances only	
Routine hearing exams and aids	One exam and one aid per ear during a two calendar-year period (combined in-network and out-of-network)	
Rehabilitation (Inpatient Physical Medicine/Rehab (PMR))	60 days per calendar year (combined in-network and out-of-network)	
Outpatient Physical, Occupational, or Speech Therapy	26 visits per calendar year (combined in-network and out-of-network)	
Chiropractic/Spinal Manipulation Services	26 manipulations per calendar year (combined in-network and out-of-network)	
Home Health Care	120 visits (combined in-network and out-of-network)	
Hospice Care	180 days (combined in-network and out-of-network)	
Routine vision exams and hardware	First pair of lenses or frames following cataract surgery (otherwise, not covered) (combined in-network and out-of-network)	

Services Provided

The following is a brief summary of the services that the Plan covers for the PPO coverage option. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount. *Please refer to the HMO SPD for further information regarding services provided under an HMO option*.

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Inpatient Services		
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)
Physician Services (Including General Nursing Care)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)
Outpatient Services		
Surgery	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	80% (after in-network deductible)
Second Surgical Opinions	100% (after $40 co-pay per office visit)($35 co-pay if opinion is provided by primary care physician)	60% (after deductible)
Professional Services (Outpatient)	100%, (after $40 co-pay per office visit) (co-pay does not apply for allergy injections and serums)	60% (after deductible)
Emergency Care Services		
Accident (True Emergencies)	100% (after $150 co-pay)	100% (after $150 co-pay)
Accident (True Emergencies) (Patient admitted to hospital)	100% (no co-pay)	100% (no co-pay)
Medical Emergency	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	80% (after deductible)
Urgent Care	100% (after $35 co-pay)	80% (after deductible)
Ambulance	80% (after in-network deductible)	80% (after in-network deductible)

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Rehab Services		
Inpatient Therapy	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services		
Inpatient	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)
Allergy Testing	100% (after $40 co-pay)	60% (after deductible)
Maternity and Other Reproductive Services		
Pre-natal Office Visits	100% (after $40 co-pay for first office visit)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility*	80% (after deductible)	60% (after deductible)
Sterilization Services† (Precertification required for inpatient procedures)	80% (after deductible)	60% (after deductible)
Preventive Health Services		
Recommended Preventive Health Services	100% (no co-pay or deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

†Sterilization procedures for women will be treated as a "Preventive Care" benefit. Reverse sterilization procedures are not covered.

TYPE OF SERVICE	PPO	
	In-Network (or out of area)	**Out-of-Network**
	Plan Pays	**Plan Pays**
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)
Other Covered Services (including durable medical equipment and prosthetics/orthotics)	80% (after deductible)	60% (after deductible

How Deductibles Work in the PPO Option

For charges that are subject to the calendar year deductible requirement under the PPO Coverage Option, a covered person generally must satisfy the "individual" covered person deductible requirement (currently $500 for in-network and $1,000 for out-of-network) each calendar year before the Plan will pay any benefits for such charges. Charges incurred by a covered person may not be applied toward satisfaction of any other covered person's "individual" deductible requirement.

However, once the "family" deductible has been satisfied for a category of coverage (e.g., for In-Network Providers, $1,000 for covered member + spouse or for covered member + child(ren), or $1,500 for covered member + family), additional covered persons within the family do not need to satisfy any deductible requirement.

For example, if you choose the covered member + children category of coverage and you and one of your children each satisfy the $500 in-network deductible requirement in a given year, none of your other children will be subject to the in-network deductible requirement for that year. On the other hand, if you choose the covered member + family category of coverage and you and your spouse each incur $1,000 of charges that are subject to the in-network deductible requirement, one of your children who is a covered person must satisfy the $500 in-network deductible requirement before the "family" deductible requirement is met.

Please note that prescription drug expenses are not counted against the calendar year deductible.

For the PPO Coverage Option only, charges that are incurred during the last three months of the calendar plan year and that are applied to the individual and family deductible for such calendar plan year (that is, charges incurred before the deductible is satisfied) apply also toward the deductible requirement for the following calendar plan year.

Highlights of the HDPPO 1 and HDPPO 2 Options

Below is a summary of the deductibles, co-pays, co-insurance amounts, and calendar year out-of-pocket maximums for the HDPPO 1 and HDPPO 2 Options.

Please Note: No medical or prescription drug benefits (except preventive care) are payable under the HDPPO 1 and HDPPO 2 options until you satisfy the annual deductible

Deductible, Calendar Year Out-of-Pocket Maximum, Maximum Benefits and Other Plan Benefits

FEATURE	HDPPO 1		HDPPO 2	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
Calendar Year Deductible Covered Member Only Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	 $1,500 $3,000	 $3.000 $6,000	 $2,500 $5,000	 $5,000 $10,000
Co-insurance	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)	You pay 20% and the plan pays 80% (after deductible)	You pay 40% and the plan pays 60% (after deductible)
Calendar Year Out-of-Pocket Maximum (does not include premiums, balanced billed charges, penalties for non-compliance and expenses not covered under Plan) Covered Member Only Covered Member + Spouse Covered Member + Child(ren) Covered Member + Family	 $3,000 $6,000	 $6,000 $12,000	 $5,000 $10,000 (but each covered person subject to no more than $8,550*)	 $10,000 $20,000 (but each covered person subject to no more than $15,000*)
Office Visit	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)	You pay 20% and the Plan pays 80% (after deductible)	You pay 40% and the Plan pays 60% (after deductible)
Prescription Out-of-Pocket	Calculated as part of the calendar year out-of-pocket maximum		Calculated as part of the calendar year out-of-pocket maximum	

*Amounts are subject to change on at least an annual basis. Please contact the Benefits Source at **1-888-640-3320** for the current out-of-pocket expense limitation.

Services Provided

The following is a brief summary of the services that the Plan covers in the HDPPO 1 and HDPPO 2 Options. A covered expense to which Co-Insurance set forth below is applied shall not exceed the Maximum Allowed Amount.

TYPE OF SERVICE	**HDPPO 1**		**HDPPO 2**	
	In-Network	**Out-of-Network**	**In-Network**	**Out-of-Network**
	Plan Pays	**Plan Pays**	**Plan Pays**	**Plan Pays**
Inpatient Services				
Room and Board and Ancillary Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Skilled Nursing Facility	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Physician Services Including General Nursing Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Pre-admission Testing	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Services				
Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Dental/Oral Surgery	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
TMJ Appliances	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Second Surgical Opinions	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Professional Services (outpatient)	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Emergency Care Services				
Accident	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Medical Emergency	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Non-Medical Emergency	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Urgent Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Ambulance	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Rehab Services				
Inpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient Therapy	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Diagnostic and Laboratory Services				
Inpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Outpatient	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

TYPE OF SERVICE	HDPPO 1		HDPPO 2	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	Plan Pays	Plan Pays	Plan Pays	Plan Pays
Maternity and Other Reproductive Services				
Pre-natal Office Visits	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Hospital Maternity Care	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Services to Diagnose Infertility	80% (after deductible)*	60% (after deductible)*	80% (after deductible)*	60% (after deductible)*
Preventive Health Services				
Recommended Preventive Health Services	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)	100% (no co-pay or deductible)
Additional Preventive Health Services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)
Other Covered Services				
Durable medical equipment and prosthetics/orthotics	80% (after deductible)	80% (after deductible)	80% (after deductible)	80% (after deductible)
Other covered services	80% (after deductible)	60% (after deductible)	80% (after deductible)	60% (after deductible)

*Coverage is provided for initial evaluation and for treatment and correction of the underlying condition only.

How Deductibles Work in the HDPPO 1 and HDPPO 2 Options

For charges that are subject to the calendar year deductible requirement under the HDPPO 1 and HDPPO 2 Coverage Options, each calendar year the covered family as a unit must satisfy the specified deductible requirement for a category of coverage before the Plan will pay any benefits for such charges.

Thus, for example, if you choose the covered member + family category of coverage and you incur $2,000 of charges that are subject to the in-network deductible, but no other covered family member incurs any charges, you (or other covered family members) must still satisfy the remaining $1,000 of the in-network deductible requirement before the Plan will pay any benefits. On the other hand, if you choose the covered member + family category of coverage and your spouse incurs $3,500 of charges in a year that are subject to the in-network deductible, no other family members will be subject to an in-network deductible requirement for that year.

The Individual Out-of-Pocket Maximum Limit in the HDPPO 2 Option

In the HDPPO 2 Coverage Option, for categories of coverage other than "covered member only," there is an individual out-of-pocket maximum limit. This means that regardless of the overall out-of-pocket maximum limit for the category of coverage, no covered person will pay more than the individual out-of-pocket maximum for expenses that are subject to that limit. For services received from In-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is equal to $8,550. For services received from Out-of-Network Providers, the individual out-of-pocket maximum as of January 1, 2021 is $15,000.

Maximum Allowed Amount

General

This section describes how Anthem, as Claims Administrator for the Plan, determines the amount of reimbursement for services, treatments or supplies covered by the Plan ("Covered Services"). However, this section does not address Covered Services under the Plan for which clams are not administered by Anthem.

Reimbursement for services, treatments or supplies rendered or furnished by In-Network and Out-of-Network Providers is based on the Plan's Maximum Allowed Amount for the Covered Service that you receive.

The Maximum Allowed Amount is the maximum amount of reimbursement the Claims Administrator will allow for services, treatments and supplies:

- to the extent the cost for such services, treatments and supplies are covered under the Plan and are not excluded;
- that are Medically Necessary; and
- that are provided in accordance with all applicable preauthorization, utilization management or other requirements set forth in the Plan.

You will be required to pay a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. In addition, when you receive Covered Services from an Out-of-Network Provider, you may be responsible for paying any difference between the Maximum Allowed Amount and the Provider's actual charges. This amount can be significant.

When you receive Covered Services from a Provider, the Claims Administrator will, to the extent applicable, apply claim processing rules to the claim submitted for those Covered Services. These rules evaluate the claim information and, among other things, determine the accuracy and appropriateness of the procedure and diagnosis codes included in the claim. Applying these rules may affect Claims Administrator's determination of the Maximum Allowed Amount. The Claims Administrator's application of these rules does not mean that the Covered Services you received were not Medically Necessary. It means the Claims Administrator has determined that the claim was submitted inconsistent with procedure coding rules and/or reimbursement policies. For example, your Provider may have submitted the claim using several procedure codes when there is a single procedure code that includes all of the procedures that were performed. When this occurs, the Maximum Allowed

Amount will be based on the single procedure code rather than a separate Maximum Allowed Amount for each billed code.

Likewise, when multiple procedures are performed on the same day by the same physician or other healthcare professional, the Plan may reduce the Maximum Allowed Amounts for those secondary and subsequent procedures because reimbursement at 100% of the Maximum Allowed Amount for those procedures would represent duplicative payment for components of the primary procedure that may be considered incidental or inclusive.

Provider Network Status

The Maximum Allowed Amount may vary depending upon whether the Provider is an In-Network Provider or an Out-of-Network Provider.

An In-Network Provider is a Provider who is in the managed network for the Plan or in a closely managed specialty network, or who has a participation contract with the Claims Administrator. For Covered Services performed by an In-Network Provider, the Maximum Allowed Amount for the Plan is the rate the Provider has agreed with the Claims Administrator to accept as reimbursement for the Covered Services. Because In-Network Providers have agreed to accept the Maximum Allowed Amount as payment in full for those Covered Services, they should not send you a bill or collect for amounts above the Maximum Allowed Amount. However, you may receive a bill or be asked to pay all or a portion of the Maximum Allowed Amount to the extent you have not met your Deductible or have a Co-payment or Co-insurance. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at **anthem.com**.

Providers who have not signed any contract with the Claims Administrator and are not in any of the Claims Administrator's networks are Out-of-Network Providers, subject to Blue Cross Blue Shield Association rules governing claims filed by certain ancillary providers.

For Covered Services you receive from an Out-of-Network Provider, the Maximum Allowed Amount for the Plan will be one of the following as determined by the Claims Administrator:

- An amount based on the Claims Administrator's Out-of-Network Provider fee schedule/rate, which the Claims Administrator has established in its discretion, and which the Claims Administrator reserves the right to modify from time to time, after considering one or more of the following: reimbursement amounts accepted by like/similar providers contracted with the Claims Administrator, reimbursement amounts paid by the Centers for Medicare and Medicaid Services ("CMS") for the same services or supplies, and other industry cost, reimbursement and utilization data; or
- An amount based on reimbursement or cost information from CMS. When basing the Maximum Allowed amount upon the level or method of reimbursement used by CMS, the Claims Administrator will update such information, which is unadjusted for geographic locality, no less than annually; or
- An amount based on information provided by a third party vendor, which may reflect one or more of the following factors: (1) the complexity or severity of treatment; (2) level of skill and experience required for the treatment; or (3) comparable providers' fees and costs to deliver care; or
- An amount negotiated by the Claims Administrator or a third party vendor which has been agreed to by the Provider. This may include rates for services coordinated through case management; or
- An amount based on or derived from the total charges billed by the Out-of-Network Provider.

Providers who are not contracted for the Plan, but contracted for other benefit plans with the Claims Administrator are also considered Out-of-Network. For the Plan, the Maximum Allowed Amount for services from these Providers will be one of the five methods shown above unless the contract between the Claims Administrator and that Provider specifies a different amount.

For Covered Services rendered outside the Claims Administrator's service area by Out-of-Network Providers, claims may be priced using the local Blue Cross Blue Shield plan's non-participating Provider fee schedule/rate or the pricing arrangements required by applicable state or Federal law. In certain situations, the Maximum Allowed Amount

for out of area claims may be based on billed charges, the pricing the Plan would use if the healthcare services had been obtained within the Claims Administrator's service area, or a special negotiated price.

Notwithstanding the foregoing, when determining the Maximum Allowable Amount for Out-of-Network emergency services, the Claims Administrator will provide benefits for such services in an amount at least equal to the greatest of the methods required under the Affordable Care Act and the regulations thereunder (adjusted for in-network cost sharing).

Unlike In-Network Providers, Out-of-Network Providers may send you a bill and collect for the amount of the Provider's charge that exceeds the Plan's Maximum Allowed Amount. You are responsible for paying the difference between the Maximum Allowed Amount and the amount the Provider charges. This amount can be significant. Choosing an In-Network Provider will likely result in lower out-of-pocket costs to you. Please call an Anthem customer service associate at the number on the back of your ID card for help in finding an In-Network Provider or visit the Claims Administrator's website at **anthem.com**.

An Anthem customer service associate is also available to assist you in determining the Plan's Maximum Allowed Amount for a particular service from an Out-of-Network Provider. In order for the Claims Administrator to assist you, you will need to obtain from your Provider the specific procedure code(s) and diagnosis code(s) for the services the Provider will render. You will also need to know the Provider's charges to calculate your out-of-pocket responsibility. Although an Anthem customer service associate can assist you with this pre-service information, the final Maximum Allowed Amount for your claim will be based on the actual claim submitted by the Provider.

For Prescription Drugs Obtained through the HDPPO

For prescription drugs obtained under an HDPPO Option, the Maximum Allowed Amount is the amount determined by the Claims Administrator using prescription drug cost information provided by the Pharmacy Benefits Manager (PBM) for that Option.

Participant Cost Share

For certain Covered Services and depending on your plan design, you may be required to pay a part of the Maximum Allowed Amount as your cost share amount (for example, Deductible, Co-payment, and/or Co-insurance).

Your cost share amount and out-of-pocket limits may vary depending on whether you received services from an In-Network or Out-of-Network Provider. Specifically, you may be required to pay higher cost sharing amounts or may have limits on your benefits when using Out-of-Network Providers. Please see the Highlights of the PPO Option, Highlights of the HDPPO 1 and HDPPO 2 Options, and Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options sections in this Pre-65 Retiree Medical Plan SPD for your cost share responsibilities and limitations in the Plan, or call an Anthem customer service associate at the number on the back of your ID card to learn how the Plan's benefits or cost share amounts may vary by the type of Provider you use.

Special Cost-Sharing Provisions during Public Health Emergency

During any portion of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b–5(g)), beginning on or after March 18, 2020, the Medical Plan will provide coverage of the following items and services without any cost sharing (including Deductibles, Co-Payments, and Co-Insurance) requirements or prior authorization or other medical management requirements, to the extent (i) required by applicable law, (ii) medically appropriate for you, as determined by your attending healthcare provider in accordance with accepted standards of current medical practice, and (iii) ordered by your attending healthcare provider:

(a) An in vitro diagnostic test as defined in section 809.3 of title 21, Code of Federal Regulations, (or its successor regulations) for the detection of SARS-CoV-2 or the diagnosis of COVID-19, and the administration of such a test, that—

(1) is approved, cleared, or authorized under section 510(k), 513, 515, or 564 of the Federal Food, Drug, and Cosmetic Act (21

U.S.C. §§ 360(k), 360c, 360e, 360bbb-3);

(2) the developer has requested, or intends to request, emergency use authorization under section 564 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bbb–3), unless and until the emergency use authorization request under such section 564 has been denied or the developer of such test does not submit a request under such section within a reasonable timeframe;

(3) is developed in and authorized by a State that has notified the Secretary of HHS of its intention to review tests intended to diagnose COVID–19; or

(4) other tests that the Secretary of HHS determines appropriate in guidance.

(b) Items and services furnished to an individual during healthcare provider office visits (which includes in-person visits and telehealth visits), urgent care center visits, and emergency room visits that result in an order for or administration of an in vitro diagnostic product described in paragraph (a), but only to the extent the items and services relate to the furnishing or administration of the product or to the evaluation of the individual for purposes of determining the need of the individual for such product.

Reimbursement of Out-of-Network Providers furnishing any of the foregoing items or services shall not exceed an amount that equals the cash price for such service as listed by the Provider on a public internet website.

The Plan will not provide any reimbursement for non-Covered Services. You may be responsible for the total amount billed by your Provider for non-Covered Services, regardless of whether such services are performed by an In-Network or Non Network Provider. Non-Covered Services include services specifically excluded from coverage by the terms of the Pre-65 Retiree Medical Plan SPD and services received after benefits have been exhausted. Benefits may be exhausted by exceeding, for example, benefit caps or day/visit limits.

In some instances you may only be asked to pay the lower In-Network cost sharing amount when you use an Out-of-Network Provider. For example, if you go to an In-Network hospital or Provider facility and receive Covered Services from an Out-of-Network Provider such as a radiologist, anesthesiologist or pathologist who is employed by or contracted with an In-Network hospital or facility, you will pay the In-Network cost share amounts for those Covered Services. However, you also may be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge.

The Claims Administrator and/or its designated pharmacy benefits manager may receive discounts, rebates, or other funds from drug manufacturers, wholesalers, distributors, and/or similar vendors, which may be related to certain prescription drug purchases under this Plan and which positively impact the cost effectiveness of Covered Services. These amounts are retained by the Claims Administrator. These amounts will not be applied to your Deductible, if any, or taken into account in determining your Copayment or Coinsurance.

Authorized Services

In some circumstances, such as where there is no In-Network Provider available for the Covered Service, the Plan may authorize the In-Network cost share amounts (Deductible, Co-payment, and/or Co-insurance) to apply to a claim for a Covered Service you receive from an Out-of-Network Provider. In such circumstance, you must contact the Claims Administrator in advance of obtaining the Covered Service. The Plan also may authorize the In-Network cost share amounts to apply to a claim for Covered Services if you receive emergency services from an Out-of-Network Provider and are not able to contact the Claims Administrator until after the Covered Service is rendered. If the Plan authorizes an In-Network cost share amount to apply to a Covered Service received from an Out-of-Network Provider, you also may still be liable for the difference between the Maximum Allowed Amount and the Out-of-Network Provider's charge. Please contact an Anthem customer service associate at the number on the back of your ID card for Authorized Services information or to request authorization.

Medical Expenses Covered

The Plan pays benefits for you (or your covered dependents) for Medically Necessary eligible expenses up to the Maximum Allowed Amount. *For services covered under an HMO plan, please refer to the HMO SPD.*

For expenses not covered under the PPO and HD PPO options, see the section below entitled *"Medical Expenses Not Covered."*

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Pre-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 26.

The Plan will not discriminate with respect to participation under the Plan against any health care provider who is acting within the scope of that provider's license or certification under applicable law. Notwithstanding the foregoing, the Plan is not required to contract with any health care provider willing to abide by the terms and conditions for participation established by the Plan and the Plan may establish varying reimbursement rates based on quality or performance measures.

The covered expenses under the Plan include, but may not be limited to the following:

Inpatient Services

The Plan pays benefits for the following inpatient hospital/medical services and supplies.

- Hospital facility services – such as inpatient room and board – when you are in:
  - A semi-private room;
  - A private room (the Plan limits benefits to the hospital's prevailing semi-private room rate); or
  - An intensive care unit.

  The Plan pays benefits for both day and nighttime care.
- Inpatient ancillary services and supplies, including:
  - Operating room charges;
  - X-rays;
  - Laboratory work;
  - Surgical dressing; and
  - Prescribed medications (Outpatient prescription drug services are covered under the prescription drug program. See the sections of this Handbook relating to Prescription Drugs for details).
- Inpatient surgical services, including:
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Skilled nursing facility care, up to the hospital's prevailing semi-private room rate, including:
  - Bed, board, and general nursing care; and
  - Ancillary services (such as drugs, surgical dressings, or supplies).
- General nursing care provided by an RN or LPN when you are in:
  - A semi-private room;
  - A private room; or
  - An intensive care unit.
- Pre-admission testing, x-rays, or laboratory services performed before inpatient surgery. These tests are considered part of your inpatient hospital surgical stay and are performed on an outpatient basis. The Plan pays benefits provided you would have otherwise been eligible to receive such tests as a hospital inpatient.

Outpatient Services

The Plan pays benefits for the following services, provided you receive them on an outpatient basis:

- Hospital facility services and ancillary charges for services performed on an outpatient basis;
- Outpatient surgery and related surgical services when performed in an office setting, including:
  - Any related diagnostic services received on the same day as the outpatient surgery;
  - Surgeon's fees when related to the surgical procedure; and
  - Surgery for morbid obesity.
- Dental/oral surgical services, only when required because of an accidental injury to natural teeth (within 12 months of injury), to extract completely bony impacted teeth, including completely impacted wisdom teeth, or (for the PPO option only) in connection with a gingivectomy. The Plan pays benefits for outpatient facility charges only if your medical condition or the dental procedure requires a hospital setting to ensure your safety.
- Temporomandibular joint dysfunction and related medical disorders. The Plan limits benefits to:
  - Surgery, provided the surgical procedure is medically appropriate; and
  - Appliances (the Plan pays benefits for appliances just like any other durable medical equipment).
- A second surgical opinion and additional required testing at your request or when recommended by the Utilization Review (UR) Program. The Plan pays benefits provided your physician (other than the one who offers the second opinion) performs the eventual surgery.

Professional Services (Outpatient)

The Plan pays benefits for care you receive from a physician or other specified professional provider (i.e., a general practitioner, family practitioner, a physician of internal medicine, pediatrician, gynecologist, nurse practitioner, or physician assistant), on an outpatient basis.

- Office visits, visits to a clinic, or a physician's visit to your home as part of home care services. You must meet the co-pay or deductible requirement, as applicable, before the Plan pays benefits.
- Services provided by a professional, including:
  - Allergy injections, shots, serums, and immunizations;
  - Diagnostic allergy testing;
  - Hearing exams and hearing aids. The Plan limits benefits to one hearing exam and one hearing aid per ear during a two calendar-year period; and
- Diabetes management services, including:
  - Educational services;
  - Eye exams; and
  - Blood glucose testing machines (diabetic supplies and other diagnostics are covered under the prescription drug coverage).

Emergency Care Services

The Plan pays benefits for the cost of the following emergency care services:

- Hospital emergency room care when care is associated with:
  - An accident;
  - A medical emergency; or
  - A non-medical emergency.
- Urgent care;
- Ambulance services (local ground or air transportation), when medically necessary to transport you to the nearest appropriately equipped facility that is able to provide necessary treatment. The Plan pays benefits for air-ambulance services only if medically necessary. When ambulance services are used because they are more convenient than other types of transportation, the Plan does not pay benefits.

If your condition is life threatening and you receive emergency care at a hospital outside the network because it is not possible to safely transfer you to a hospital within the network, the Plan still pays benefits at the in-network level.

Rehabilitation Services

The Plan pays benefits for the following inpatient and outpatient rehabilitation services.

- The following rehabilitation services provided on an inpatient or outpatient basis (unless otherwise noted):
  - Physical Medicine/Rehabilitation (PMR) (inpatient only, limited to 60 days per person per year; outpatient PMR is considered physical therapy and is subject to the limits outlined below for outpatient physical therapy). The Plan may extend these limits based upon medical necessity;
  - Cardiac rehabilitation;
  - Chemotherapy;
  - Radiation therapy;
  - Respiratory therapy (including respiratory therapy devices);
  - Infusion; and
  - Renal dialysis treatments.
- Outpatient therapy treatments, including:
  - Physical therapy (therapy is subject to significant improvement through relatively short-term therapy);
  - Occupational therapy;
  - Speech therapy, provided therapy is restorative in nature or rehabilitative treatment is needed for speech loss or impairment due to an illness or injury or surgery on account of an illness (other than a functional nervous disorder). If speech loss is due to a congenital anomaly for which corrective surgery has been performed, the corrective surgery must be performed before the therapy and therapy must be designed to provide significant improvement on a relatively short-term basis.

The Plan pays benefits provided a registered professional physical or occupational therapist, or speech therapist certified by the American Speech and Hearing Association renders the appropriate services under the supervision of a physician. Benefits for physical therapy and occupational therapy are limited to a combined 26 visits per person per year. Benefits for speech therapy are limited to 26 visits per person per year. Additional visits for physical therapy, occupational therapy, and speech therapy may be authorized based upon medical necessity.

- Chiropractic and spinal manipulation therapy provided a licensed chiropractor performs the services on an outpatient basis. The Plan limits benefits for chiropractic services regardless of medical necessity to 26 manipulations per person per year;
- Physiotherapy, provided a licensed physiotherapist performs the services and he or she does not normally live with you or is not related to you or your spouse by blood, marriage, or legal adoption.

Diagnostic and Laboratory Services

The Plan pays benefits for the following diagnostic and laboratory services.

- Inpatient radiology and laboratory services
- Outpatient radiology, diagnostic, and laboratory services performed when you are an outpatient and the services are related to surgery or medical care, including:
  - X-rays;
  - Radium treatments;
  - Microscopic tests; and
  - Laboratory tests and exams.

Preventive Health Services

Generally

The Plan pays benefits for certain preventive health services.

Preventive health services include outpatient services and office services. Screenings and other services are covered as preventive health services for adults and children with no current symptoms or prior history of a medical condition associated with that screening or service.

Members who have current symptoms or have been diagnosed with a medical condition are not considered to require preventive health services for that condition, but instead benefits will be considered as diagnostic services.

Without limiting the generality of the foregoing, if performed as a preventive care service or screening, the Plan pays benefits for one in-network colonoscopy per covered person per calendar year, and one in-network mammography per covered person per calendar year with no deductible, co-insurance or co-payment requirement, notwithstanding that any treatment incidental or ancillary to such service or screening (such as the removal of polyps during a diagnostic colonoscopy) is also performed during such service or screening.

Preventive health services covered under the Plan may constitute either recommended preventive health services or additional preventive health services. Additional preventive health services are certain preventive health services covered under the Plan that do not constitute recommended health services. Please contact an Anthem customer service associate using the number on the back of your ID card for any questions concerning what constitutes a recommended preventive health service or an additional preventive health service. Additional preventive health services furnished by In-Network Providers are covered by the Plan with no deductible, co-payments or co-insurance. Additional preventive health services furnished by Out-of-Network Providers are subject to deductibles and co-insurance under the PPO option, but are covered by the Plan with no deductible, co-payments or co-insurance under the HDPPO options.

Recommended preventive health services shall meet requirements as determined by Federal law and, if applicable, state law. Recommended preventive health services are covered by this Plan with no deductible, co-payments or co-insurance under the HDPPO options and when furnished by an In-Network Provider under the PPO option. Recommended preventive health services furnished by an Out-of-Network Provider under the PPO option are subject to deductibles and co-insurance.

To the extent required by federal regulation, if there is no In-Network Provider who can provide a recommended preventive health service, the Plan will cover the service, with no deductible, co-payment or co-insurance, when performed by an Out-of-Network Provider.

Categories of Recommended Preventive Health Services

Recommended preventive health services fall under four broad categories, described below, that are specified in federal regulations regarding coverage of preventive health services:

- Evidenced-based items or services that have in effect a rating of "A" or "B" rating in the current recommendations of the United States Preventive Services Task Force (USPSTF) with respect to the individual involved, except for the recommendations of the USPSTF regarding breast cancer screening, mammography, and prevention issued in or around November 2009 (which are not considered to be current). These items or services may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific USPSTF recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

  - Abdominal aortic aneurysm screening: men;
  - Alcohol misuse: screening and counseling
  - Blood pressure screening in adults;
  - BRCA risk assessment and genetic counseling/testing;
  - Breast cancer preventive medications;
  - Breast cancer screening;
  - Cervical cancer screening;
  - Colorectal cancer screening;
  - Diabetes screening;
  - Lung cancer screening;
  - Obesity screening and counseling: adults and children;
  - Osteoporosis screening: women;

  See the following website for additional items and services that may be covered and for additional details: http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations/.

- Immunizations for routine use in children, adolescents, and adults that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention (ACIP) with respect to the individual involved (for this purpose, a recommendation from the ACIP is

considered in effect after it has been adopted by the Director of the Centers for Disease Control and Prevention, and a recommendation is considered to be for routine use if it is listed on the Immunization Schedules of the Centers for Disease Control and Prevention).

The immunizations for adults may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical condition and population for which such immunizations are appropriate:

- Diphtheria;
- Hepatitis A;
- Hepatitis B;
- Herpes Zoster;
- Human Papillomavirus;
- Influenza (flu shot)
- Measles
- Meningococcal;
- Mumps;
- Pertussis;
- Pneumococcal;
- Rubella;
- Tetanus;
- Varicella (chickenpox).

The immunizations for children may include the following, subject to the limitations and conditions set forth in the specific recommendations, including limitations and conditions relating to variations in age, gender, medical history or condition, risk factors or population for which such immunizations are appropriate:

- Diphtheria, Tetanus, Pertussis;
- Haemophilus influenza type b;
- Hepatitis A;
- Hepatitis B;
- Human Papillomavirus;
- Inactivated Poliovirus;
- Influenza;
- Measles;
- Meningococcal;
- Pneumococcal;
- Rotavirus;
- Varicella (chickenpox).

See the following website for additional information: https://www.cdc.gov/vaccines/acip/recs/index.html

- With respect to infants, children and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration (HRSA), subject to the limitations and conditions with respect to such services, including timing and frequency, that are set forth in the specific HRSA guidelines.

  In addition to preventive care and screening already noted above, such preventive care and screenings may include the following, subject to the limitations and conditions with respect to such services that are set forth in the specific recommendations, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, gender or medical history or condition, of those individuals for which such items or services may be appropriate:

  - Alcohol and drug use assessments;
  - Autism screening;
  - Behavioral assessments;
  - Blood pressure screening;
  - Cervical dysplasia screening for sexually active females;
  - Developmental screening for children under age 3;
  - Dyslipidemia screening for children at higher risk of lipid disorders;
  - Fluoride chemoprevention supplements;
  - Height, weight and body mass index measurements;
  - Hematocrit or hemoglobin screening;
  - Lead screening;
  - Medical history for all children through development ages;
  - Oral health risk assessments for children age 0 to 10 years;
  - Sexually transmitted infection prevention counseling and screening for adolescents at higher risk;
  - Tuberculin testing for children at higher risk of tuberculosis

  See the following website for additional information: https://www.healthcare.gov/preventive-care-children/.

- With respect to women, evidence-informed preventive care and screenings provided for in comprehensive guidelines supported by the HRSA, to the extent not included in certain recommendations of the USPSTF. In addition to preventive care and screening already noted above, such care and screenings may include the

following, subject to the terms, limitations and conditions set forth in the specific HRSA guidelines, including limitations and conditions relating to the timing and frequency of such services and the designation, by age, medical history or condition, or risk factors of those individuals for which such items or services may be appropriate:

- Well-woman visits;
- Counseling and screening for human immune-deficiency virus;
- Human papillomavirus testing;
- Contraceptive methods and counseling (incl. devices such as diaphragms, intra-uterine devices (IUDs) and implants);
- Screening for gestational diabetes;
- Screening and counseling for interpersonal and domestic violence;
- Counseling for sexually transmitted infections;
- Breastfeeding support, supplies, and counseling (benefits for breast pumps are limited to one per Plan Year).

See the following website for additional information: http://www.hrsa.gov/womensguidelines/.

Limitations With Respect To Recommended Preventive Health Services

The services described in the recommendations or guidelines above will not constitute recommended preventive health services earlier than Plan Year that begins on or after the date that is one year after the recommendations or guidelines are issued; provided, however, that recommended preventive health services shall include any "qualifying coronavirus preventive service," as defined in applicable federal regulations, on the date that is 15 business days after the date on which a recommendation is made relating to the qualifying coronavirus preventive service.

Please note: Regardless of whether such services continue to be listed above, recommended preventive health services will remain covered services under the Plan only until the end of the Plan Year following the date the related recommendation or guideline is no longer described in the federal regulations regarding coverage of preventive health services. Provided, however, that to the extent a service covered on the first day of a Plan Year is, during the Plan Year, downgraded to a "D" rating, or any item or service associated with any recommendation or guideline described in the federal regulations regarding coverage of preventive health services is subject to a safety recall or is otherwise determined by a federal agency authorized to regulate the item or service to pose a significant safety concern, such service will cease to be a covered service as of the date of the rating downgrade or agency determination.

Please also note: The frequency, method, treatment and setting of recommended preventive health services are subject to reasonable medical management techniques determined by the Plan Administrator or Claims Administrator in their discretion. Please contact an Anthem customer service associate using the number on the back of your ID card for information concerning any limitations upon recommended preventive health services arising out of the use of such techniques.

If a recommended preventive health service is billed separately (or is not tracked as individual encounter data separately) from an office visit, then the Plan may impose a co-payment and/or deductible for the office visit. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is the delivery of the recommended preventive health service, then the Plan will not impose a co-payment, co-insurance and/or deductible for the office visit, unless you have chosen the PPO option and the office visit involves an Out-of-Network Provider. If a recommended preventive health service is not billed separately (or is not tracked as individual encounter data separately) from an office visit and the primary purpose of the office visit is not the delivery of the recommended preventive health service, then the Plan may impose a co-payment, co-insurance and/or deductible for the office visit.

Additional Information

You may contact an Anthem customer service associate using the number on the back of your ID card for additional information about these recommended preventive health services (or you may view the following federal government websites:

https://www.healthcare.gov/preventive-care-benefits;

http://www.uspreventiveservicestaskforce.org/Page/Name/uspstf-a-and-b-recommendations-by-date/;

https://www.cdc.gov/vaccines/acip/recs/index.html; and

http://www.hrsa.gov/womensguidelines/).

Gender Reassignment Surgery

Generally

Gender reassignment surgery is one treatment option for extreme cases of gender dysphoria. It is not a single procedure, but part of a complex process involving multiple medical, psychiatric, and surgical specialists working in conjunction with each other and the individual.

Plan Benefits for Specific Surgeries

The Plan pays benefits for gender reassignment surgery consisting of any combination of the following, if the Plan Administrator determines in its sole and absolute discretion that each such surgery is Medical Necessary: hysterectomy, salpingo-oophorectomy, ovariectomy, orchiectomy, metoidioplasty, phalloplasty, vaginoplasty, penectomy, clitoroplasty, labiaplasty, vaginectomy, scrotoplasty, urethroplasty, or placement of testicular prostheses.

See the *"Definitions"* subsection of the **Benefits Program Overview** for what constitutes a Medically Necessary service or supply. For a surgery to be considered Medically Necessary, all criteria established by the Plan Administrator for such surgery must be satisfied. For information concerning the criteria to be satisfied to establish medical necessity, please contact an Anthem customer service associate using the number on the back of your ID card.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to any gender reassignment surgery. Be sure to contact Anthem before you proceed with any gender reassignment surgery or related procedure.

Cosmetic Procedures or Services Not Covered

Cosmetic procedures or services in connection with gender reassignment surgery are not covered under the Plan. Without limiting the generality of the foregoing, the following surgeries are considered cosmetic when used to improve the gender specific appearance of an individual who has undergone or is planning to undergo gender reassignment surgery:

- Abdominoplasty
- Blepharoplasty
- Breast augmentation
- Brow Lift
- Calf Implants
- Face lift
- Facial bone reconstruction
- Facial implants
- Gluteal augmentation
- Hair removal/hairplasty
- Jaw reduction (jaw contouring)
- Lip reduction/enhancement
- Lipofilling/collagen injections
- Liposuction
- Nose implants
- Pectoral implants
- Reduction thyroid chondroplasty
- Rhinoplasty
- Voice modification surgery
- Voice therapy

These cosmetic surgeries are not covered under the Plan.

Maternity and Infertility

The Plan pays benefits for the following pre-natal and maternity services for you, your spouse, and your female children who are covered under the Plan:

- Pre-natal office visits, including one routine ultrasound;
- Hospital maternity care related to a normal pregnancy and complications of pregnancy, including (one deductible applies to both mother and child's maternity expenses):
  - Inpatient care;

- Obstetrician services;
- Routine inpatient nursery charges (unlimited newborn visits);
- Inpatient pediatrician visits; and
- Birthing center expenses.

The Plan pays maternity benefits for services provided to the mother (if covered under the Plan) as well as certain services provided to the newborn infant while the mother is hospitalized after childbirth (even if you initially have Retiree-only coverage). However, if the newborn requires treatment for an illness or injury or remains hospitalized after the mother is discharged from the hospital after giving birth, the Plan pays benefits for that care only if you add the newborn to coverage, provided the newborn is eligible for coverage under the Plan. (The newborn child of your female child is not eligible for coverage under the Plan.) To add an eligible newborn child to your coverage, you must call the Benefits Source at **1-888-640-3320**, or log on to the website **mysourceforhr.com** and add the newborn child within 31 days of the actual birth. Provided the newborn child is eligible for coverage and you timely enroll the child, coverage for the newborn takes effect as of the date of birth. Please see the "*Enrollment*" and the "*Changing and Continuing Your Elections*" section of the **Benefits Program Overview** for further details.

Please Note:

If you do not enroll an eligible newborn child in the Plan within 31 days of the child's birth, your next opportunity to enroll the child will not be until the next annual enrollment period or until you experience another qualified life event that permits you to enroll the child.

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ot pay benefits for the *treatment of infertility* (i.e., artificial insemination, in-vitro fertilization, embryo transfer, etc.)

Other Covered Services

- Biologicals (for example, injectables and chemotherapy);
- Blood and blood components;
- Durable medical equipment and supplies, including:
  - The rental of wheelchairs and hospital beds;
  - The rental of iron lungs and other mechanical equipment to treat respiratory paralysis;
  - The rental of equipment for the administration of oxygen;
  - Internal cardiac valves;
  - Internal pacemakers;
  - Mandibular reconstruction devices (not primarily used to support dental prosthesis);
  - Bone screws, bolts, nails, plates, and any other internal and permanent devices that are reasonably approved by the Claims Administrator.

The Plan pays benefits for the rental of durable medical equipment at the Claims Administrator's determination. The durable medical equipment or supply must be primarily and customarily used to serve a medical purpose and be required for temporary therapeutic use (benefits are limited to the total cost of the equipment).

- Elective vasectomies and tubal ligations for the participant and his or her spouse (**Please note** that sterilization procedures for women will be covered as Preventive Care benefits);
- Extended care facility (convalescent care), as approved through the Claims Administrator;
- Home health care services. The Plan pays benefits as long as home health care is medically necessary, and the care is necessary for the same or a related condition as the hospital stay. The Plan pays benefits for the following home health care services:
  - Nursing services (RN or LPN);
  - Therapist services;
  - Home IV infusion;
  - Home health aid services;
  - Medically necessary services, supplies, and medications.

- Hospice care services. For the PPO coverage option, care must be provided through an accredited hospice care program and the hospice care program must be approved by the Claims Administrator and be licensed, certified or registered, if the state in which it is located requires the same. For the HDPPO coverage options, the hospice care program must be licensed. Covered services include:
  - Coordinated home care;
  - Medical supplies and dressings;
  - Medications;
  - Nursing services (skilled and non-skilled);
  - Occupational therapy;
  - Pain management services;
  - Physical therapy; and
  - Physician visits.

To be eligible for hospice care benefits, you must be terminally ill and your attending physician must certify that your life expectancy is six months or less.

There may be instances when short episodes of traditional care are appropriate – even if you remain in the hospice setting. Even if the traditional services are not eligible for hospice care benefits, the Plan may still cover them. Charges incurred during periods of remission are not covered.

- Human organ and tissue transplant services. The Plan pays benefits for any medically necessary human organ and tissue transplant, as determined by the Plan Administrator, including necessary acquisition costs and preparatory myeloblative therapy, and for all covered services that are (i) Medically Necessary, as determined by the Plan Administrator, and (ii) directly related to the disease that has necessitated the covered transplant procedure or that arise as a result of the procedure, including any diagnostic evaluation for the purpose of determining the appropriateness of the procedure for a covered person.

For cornea and kidney transplants, the benefits or requirements described below do not apply. These services are paid as inpatient services, outpatient services or physician office services, depending where the service is performed.

The Plan pays benefits only for facility and provider expenses that are described as covered expenses elsewhere in this Handbook.

Before the Plan pays benefits, Anthem, as Claims Administrator, must approve all hospital confinements and/or surgical procedures related to an organ or tissue transplant. Be sure to contact Anthem before you proceed with any treatment related to a transplant.

You should contact Anthem's transplant department to discuss benefit coverage when it is determined a transplant may be needed. Contact the Anthem Customer Service telephone number on the back of your Identification Card and ask for the transplant coordinator. Anthem will then assist you in maximizing your benefits by providing coverage information, including details regarding what is covered and whether any Plan provisions, network requirements or exclusions are applicable. Failure to obtain this information prior to receiving services could result in increased financial responsibility for you. If you choose an out-of-network facility or provider, the Plan will pay covered expenses based upon a determination of the Maximum Allowed Amount and you will be responsible for any amount not paid by the Plan.

Without limiting the generality of the foregoing, the Plan pays benefits for the following medically necessary services related to a human organ or tissue transplant:

- Physician's charges related to surgery, including charges for a surgical physician's assistant (if medically necessary), and related anesthesia.
- Inpatient covered hospital services related to the transplant procedure.
- Storage and transportation costs related to the donated organ or tissue (including the donor's medical expenses incurred as the result of a transplant provided the recipient is covered under the Plan, the expense is charged to the covered person, and no other source is available to pay the actual donor's medical expenses).

- Storage of the patient's own blood in advance of an approved transplant surgical procedure.

If a participating (in-network) transplant facility performs transplant-related services, the Plan pays benefits for medically necessary pre-transplant evaluations and 12 months of transplant-related follow-up care (including any rejection events).

The Plan will provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when you obtain prior approval and are required to travel more than 100 miles from your residence to reach the facility where your covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the facility and lodging for the patient and one companion. If the covered person receiving treatment is a minor, then reasonable and necessary expenses for transportation and lodging may be allowed for two companions.

Benefits for lodging are limited to $75.00 per day. There is a $20,000 combined maximum for travel and lodging. The covered person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator when claims are filed.

Contact the Plan Administrator for detailed information.

- Medical and surgical dressings, supplies, casts, splints, trusses, braces, and crutches;
- Services related to mastectomies, including:
  - Reconstruction of the breast on which the mastectomy has been performed;
  - Surgery and reconstruction of the other breast to produce a symmetrical appearance;
  - Prostheses and physical complications of all stages of the mastectomy (including lymphedemas).
- Vision exams and first pair of eyeglasses or contact lenses following cataract surgery;
- Oxygen and its administration, including the rental of equipment for its administration;
- Private duty nursing services provided by an R.N. or L.P.N. who is not a relative.
- Prosthetic appliances (including artificial limbs and eyes), prosthetic devices, and orthotics (including an initial wig following cancer treatment). The Plan also pays benefits for special appliances and surgical implants when required to replace all or part of:
  - An organ or tissue of the human body;
  - The function of a nonfunctioning or malfunctioning organ or tissue.

The Plan pays benefits for adjustments, as well as the charges associated with repair and replacement of a covered prosthetic device, special appliance, or surgical implant (if a patient's condition changes or there is significant wear on the appliance).

To confirm if an expense is eligible for reimbursement, call the Claims Administrator via the Benefits Source at **1-888-640-3320.**

Medical Expenses Not Covered

Expenses Not Covered Under Pre-65 Retiree Medical Plan

The medical expenses **not** covered under the Pre-65 Retiree Medical Plan include, but may not be limited to, the following:

- Services or supplies relating to the treatment of any disease or injury resulting from a war, declared or not, or any military duty or any release of nuclear energy. Also excluded are charges for services directly related to military service that are provided or available from the Veterans' Administration or military facilities as required by law;
- Services for custodial care;
- Services for confinement for custodial or convalescent care, rest cures or long-term custodial Hospital care;
- Dental care and treatment and oral surgery (by Physicians or dentists) including dental surgery; dental appliances; dental prostheses such as crowns, bridges, or dentures; implants; orthodontic care; operative restoration of teeth (fillings); dental extractions; endodontic care; apicoectomies; excision of radicular cysts or granuloma; treatment of dental caries, gingivitis, or periodontal disease by gingivectomies or other

periodontal surgery. Any treatment of teeth, gums or tooth related service except otherwise specified as covered;

- Charges for treatment received before coverage under this Option began or after it is terminated;
- Treatments, procedures, equipment, drugs, devices or supplies (hereafter called "services") which are, in the judgment of the Claims Administrator, Experimental or Investigational for the diagnosis for which the covered person is being treated. Notwithstanding any other provision of the Plan, if a covered person is a "qualified individual," as defined in Section 2709 of the Affordable Care Act, the Plan will not (i) deny such person's participation in an "approved clinical trial," as also defined in Section 2709, (ii) deny (or limit or impose additional conditions on) coverage of routine patient costs for items and services furnished in connection with participation in such trial, or (iii) discriminate against such person on the basis of his or her participation in the trial. If an In-Network Provider is participating in the approved clinical trial, the Plan may require participation in the trial through such In-Network Provider, if the Provider will accept the covered person as a participant in the trial;
- Services, treatment or supplies not generally accepted in medical practice for the prevention, diagnosis or treatment of a Sickness or Injury, as determined by the Claims Administrator;
- Foot care only to improve comfort or appearance, routine care of corns, bunions (except capsular or related surgery), calluses, toe nails (except surgical removal or care rendered as treatment of the diabetic foot or ingrown toenail), flat feet, fallen arches, weak feet, chronic foot strain, or asymptomatic complaints related to the feet. Coverage is available, however, for Medically Necessary foot care required as part of the treatment of diabetes and for covered persons with impaired circulation to the lower extremities;
- Shoe inserts, orthotics (will be covered if prescribed by a Physician for diseases of the foot or systemic diseases that affect the foot such as diabetes when deemed Medically Necessary);
- Treatment where payment is made by any local, state, or federal government (except Medicaid), or for which payment would be made if the covered person had applied for such benefits. Services that can be provided through a government program for which the covered person as a member of the community is eligible for participation. Such programs include, but are not limited to, school speech and reading programs;
- Services paid under Medicare or which would have been paid if the covered person had applied for Medicare and claimed Medicare benefits, except as specified elsewhere in the Plan or as otherwise prohibited by Federal law. Except as otherwise required by applicable Federal law, with respect to end-stage renal disease (ESRD), Medicare shall be treated as the primary payor whether or not the covered person has enrolled in Medicare Part B;
- Services covered under Workers' Compensation, no-fault automobile insurance and/or services covered by similar statutory program;
- Court-ordered services, or those required by court order as a condition of parole or probation unless Medically Necessary and approved by the Plan;
- Services for prescription and non-prescription medications unless provided by a Hospital in conjunction with admission;
- Drugs, devices, products, or supplies with over the counter equivalents and any drugs, devices, products, or supplies that are therapeutically comparable to an over the counter drug, device, product, or supply;
- Care, supplies, or equipment not Medically Necessary, as determined by the Claims Administrator, for the treatment of an Injury or Sickness. This includes, but is not limited to, care which does not meet the Claims Administrator's medical policy, clinical coverage guidelines, or benefit policy guidelines;
- Vitamins, minerals and food supplements, as well as vitamin injections not determined to be Medically Necessary in the treatment of a specific Sickness. Nutritional supplements; services, supplies and/or nutritional sustenance products (food) related to enteral feeding, except when determined to be Medically Necessary;
- Services for Hospital confinement primarily for diagnostic studies;

- Cosmetic surgery, reconstructive surgery, pharmacological services, nutritional regimens or other services for beautification, or treatment relating to the consequences of, or as a result of, cosmetic surgery, except for reconstructive surgery following a mastectomy or when Medically Necessary to correct damage caused by an accident, an Injury or to correct a congenital defect;
- Donor search/compatibility fee (except as otherwise indicated in the Plan);
- Hearing aids, hearing devices or examinations for prescribing or fitting them;
- Contraceptive drugs, except for any contraceptive drugs expressly covered by the Plan, and except as otherwise required by law;
- In-vitro fertilization and artificial insemination;
- Hair transplants, hair pieces or wigs (except when necessitated by disease), wig maintenance, or prescriptions or medications related to hair growth;
- Services and supplies primarily for educational, vocational or training purposes, including but not limited to structured teaching, or educational interventions, except as expressly provided as a Covered Service under the Plan;
- Religious, marital and sex counseling, including services and treatment related to religious counseling, marital/relationship counseling and sex therapy;
- Services of a Christian Science Practitioner;
- Certain services and supplies for smoking cessation programs and treatment of nicotine addiction;
- Services provided in a halfway house for substance abuse rehabilitation;
- Treatment or services provided by a non-licensed Provider, or that do not require a license to provide; services that consist of supervision by a Provider of a non-licensed person; services performed by a relative of a covered person for which, in the absence of any health benefits coverage, no charge would be made; services provided to the covered person by a local, state, or Federal government agency, or by a public school system or school district, except when the Plan's benefits must be provided by law; services if the covered person is not required to pay for them or they are provided to the covered person for free;
- Contraceptive devices, except for any contraceptive devices expressly covered by the Plan, and except as otherwise required by law;
- Elective abortions;
- Services or supplies related to alternative or complementary medicine. Services in this category include, but are not limited to holistic medicine, homeopathy, hypnosis, aroma therapy, massage therapy, reike therapy, herbal, vitamin or dietary products or therapies, naturopathy, thermograph, orthomolecular therapy, contact reflex analysis, bioenergial synchronization technique (BEST) and iridology-study of the iris;
- Any treatment of teeth, gums or tooth related service except as otherwise specified as covered;
- Care received from a dental or medical department maintained by or on behalf of an employer, mutual benefit association, labor union, trust or similar person or group;
- Examinations relating to research screenings;
- Mileage costs or other travel expenses, except as authorized by the Claims Administrator, on behalf of the Employer;
- Stand-by charges of a Physician;
- Routine care is not covered, except for preventive health services expressly provided for by the Plan;
- Biofeedback;
- Services or supplies provided by a member of a covered person’s family or household;
- Charges or any portion of a charge in excess of the Maximum Allowed Amount as determined by the Claims Administrator;
- Fees or charges made by an individual, agency or facility operating beyond the scope of its license;
- Services and supplies for which a covered person has no legal obligation to pay, or for which no charge has been made or would be made if the covered person had no health insurance coverage;

- Administrative Charges - Charges for any of the following: failure to keep a scheduled visit; completion of claim forms or medical records or reports unless otherwise required by law; for Physician or Hospital's stand-by services; for holiday or overtime rates; membership, administrative, or access fees charged by Physicians or other Providers. Examples of administrative fees include, but are not limited to, fees charged for educational brochures or calling a patient to provide test results; specific medical reports including those not directly related to the treatment of the covered person, e.g., employment or insurance physicals, and reports prepared in connection with litigation;
- Separate charges by interns, residents, house Physicians or other health care professionals who are employed by the covered facility, which makes their services available;
- Personal comfort items such as those that are furnished primarily for a covered person's personal comfort or convenience, including those services and supplies not directly related to medical care, such as guest's meals and accommodations, barber services, telephone charges, radio and television rentals, homemaker services, travel expenses, and take-home supplies;
- Reversal of vasectomy or tubal ligation;
- Salabrasion, chemosurgery and other such skin abrasion procedures associated with the removal of scars, tattoos, actinic changes and/or which are performed as a treatment for acne;
- Services for outpatient therapy or rehabilitation other than those specifically noted. Excluded forms of therapy include, but are not limited to: primal therapy, chelation therapy, rolfing, psychodrama, megavitamin therapy, purging, bioenergetic therapy unless Medically Necessary;
- Vision care services and supplies, including but not limited to eyeglasses, contact lenses, and related or routine examinations and services. Eye refractions. Analysis of vision or the testing of its acuity. Service or devices to correct vision or for advice on such service. Orthoptic training is covered. This exclusion does not apply for initial prosthetic lenses or sclera shells following intraocular surgery, for the first pair of eyeglasses or contact lenses prescribed following cataract surgery, or for soft contact lenses due to a medical condition, i.e. diabetes;
- Related to radial keratotomy or keratomileusis or excimer laser photo refractive keratectomy; and surgery, services or supplies for the surgical correction of nearsightedness and/or astigmatism or any other correction of vision due to a refractive problem; and
- Services for weight reduction programs, services and supplies. Weight loss programs, including but not limited to, commercial weight loss programs (Weight Watchers, Jenny Craig, LA Weight Loss).

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How Your Prescription Drug Coverage Works in the PPO

When you participate in the PPO coverage option under the Plan, you are also provided with prescription drug coverage through the Anthem Prescription Drug Program. HMOs will provide separate prescription drug coverage.

Your benefits will vary depending on the type of prescription drug you take (generic, formulary or non-formulary) and how you buy it (at the pharmacy or through the mail).

- Generic - Drugs are no longer covered by the original patent. They include the same active ingredients as the brand-name drug at a fraction of the cost.
- Formulary - A list of approved drugs covered under the prescription drug plan. Drugs are selected for the formulary based on a combination of features, including safety, effectiveness and cost. You will pay less for a formulary drug than for a non-formulary drug.
- Non-formulary – Drugs that are not on the formulary list, but generally have a formulary alternative. You may choose non-formulary drugs, but you will pay more than a generic or formulary drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The PPO coverage option utilizes a clinical prior authorization (CPA) program. CPA simply means you must get approval from Anthem before certain prescription drugs will be covered under the Plan. The CPA program reviews the use of certain very costly drugs, certain drugs that could be abused by the patient, and drugs that might not be the best choice for the patient's health problem. To see if the CPA program applies to a particular drug prescribed for you, contact Anthem toll-free at **1-800-228-2891**.

Also, for the PPO coverage option, regardless of whether you use a retail pharmacy or the mail order service, if a generic substitute for a brand-name drug is prescribed or if your Provider has not indicated that a brand-name drug is Medically Necessary, and if you request that the brand-name drug be dispensed, you will be responsible for payment of the applicable Co-Payment or Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

You can fill your prescription at any participating pharmacy.

Retail

If you fill your prescription at a participating retail pharmacy, you need to meet a co-pay requirement. If your share of the drug's cost is less than the "minimum co-pay," you pay the minimum co-pay amount. If your share of the drug's cost is greater than the "maximum co-pay," you pay up to the maximum co-pay amount. See the "*Highlights of Your Prescription Drug Coverage in the PPO Option*" section of this Pre-65 Retiree Medical Plan SPD for further details on plan benefits.

The Plan provides no coverage for prescriptions filled through a retail pharmacy that is not a member of the network of participating retail pharmacies established by the PBM.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug with applicable minimum and maximum of three times retail co-pays.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through Anthem's mail order service. With the mail order service, you must submit your prescription and applicable co-pay amount through the mail. The amount you pay depends on whether you receive a generic, formulary brand, or non-formulary brand drug.

To use the Mail Order Service:

- Complete the Mail Service Pharmacy Order Form. A new order form and envelope will be sent to you with each delivery. ***Please note:*** *The registration/profile process may also be completed over the phone or online.*
- Attach the prescription and a check in the amount of the applicable co-pay. Make your check payable to ***Anthem*** or provide a credit card number (follow the instructions on the form). Please do not submit cash with your order.
- Mail the Mail Service Pharmacy Order Form and your check to the Anthem mailing address included on the Form.
- Have your physician write a new original prescription so that you can submit it directly to the mail order service pharmacy with your Mail Service Pharmacy Order Form. If you need medication immediately, ask your doctor for two prescriptions:
  - One for an immediate supply (you can then take this to your local participating pharmacy)
  - A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

See the "*Highlights of your Prescriptions Drug Coverage in the PPO Option*" section for further details on plan benefits.

Highlights of Your Prescription Drug Coverage in the PPO Option

Here is a brief summary of your prescription drug coverage if you select medical coverage under the PPO coverage option. *If you select coverage under an HMO, prescription drug services are covered under the HMO plan. Please refer to the HMO SPD for further information regarding that prescription drug coverage.*

DRUG CATEGORY	RETAIL PHARMACY (30-Day Supply)		MAIL ORDER (90-Day Supply)		NINETY-DAY SUPPLY AT RETAIL
	You Pay*	**Plan Pays**	**You Pay***	**Plan Pays**	**You Pay***
Generic	20% for the cost of drug subject to minimum co-pay of $5 and maximum co-pay of $15	80% after co-pay	$20 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45
Formulary	20% for the cost of drug subject to minimum co-pay of $15 and maximum co-pay of $45	80% after co-pay	$60 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90
Non-Formulary	20% for the cost of drug subject to minimum co-pay of $30 and maximum co-pay of $90	80% after co-pay	$120 co-pay	100% after co-pay	20% for the cost of drug subject to minimum co-pay of $60 and maximum co-pay of $180
Out-of-Pocket Maximum					
The maximum amount you have to pay out of your pocket each year			$1,500 per person per year and $8,700 per family per calendar year		
Use For:		Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications	

*You either pay a percentage of the drug's cost (Co-Insurance), or a set Co-Payment amount (not both). If your percentage of the cost results in an amount that is **less than** the "minimum Co-Payment," you pay the minimum Co-Payment amount. If your percentage of the cost results in an amount that is **greater than** the "maximum Co-Payment," you pay up to the maximum Co-Payment amount. For the PPO Coverage Option, if a generic substitute for a brand-name drug is prescribed or if your Provider has not indicated that a brand-name drug is Medically Necessary, and if you request that the brand-name drug be dispensed instead, you may be responsible for paying the difference between the cost of the brand-name drug and the generic substitute, in addition to the applicable Co-Pay or Co-Insurance.

How Your Prescription Drug Coverage Works in the High Deductible Options

Regardless which High Deductible Option you participate in, you are covered under the Anthem Prescription Drug Program for your prescription drug coverage.

Prescription drug expenses are covered the same way as any other medical expense, subject to the deductible and co-insurance. These expenses are not subject to separate co-insurance or out-of-pocket maximum amounts. The drug plan is an open formulary, so there is no designation in terms of generic, brand, etc. Therefore, you will pay the discounted cost of the drug.

The Plan and the PBM have an agreement whereby the PBM periodically makes refunds to the Plan based upon the Plan's actual utilization pattern of specific drugs. The Plan retains these amounts.

The High Deductible Options utilize a Quantity Limit Management program for certain prescription drugs. This program limits the amount of medicine that's covered by your plan for a certain length of time. For example, a drug may have a limit of 30 pills per 30 days. If you refill a prescription too soon or your doctor prescribes an amount that's higher than usual, your pharmacist will tell you. Taking too much medicine or using it too often is dangerous and costly. That's why this program may limit how much of your medicine you can get each month. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. Since the drug list is updated on a regular basis, you can always find the most current details and covered quantity limits when you log in at **anthem.com**.

The High Deductible Options utilize a step care therapy program for certain classes of prescription drugs. For a list of the drugs included in this program, please contact Anthem at the number on the back of your ID card. This program requires the utilization of an effective first-line medication before a more expensive alternative may be covered under the Plan. Therefore, medications that meet established guidelines and/or have a generic alternative must be used as the first-line medication before more expensive medications are authorized, unless your doctor informs Anthem otherwise.

Also, for the High Deductible Options, regardless of whether you use a retail pharmacy or the mail order service, if a brand-name drug has a generic substitute (that is, a drug with the same active ingredients as the brand-name drug), and if you or your Provider request that the brand-name drug be dispensed, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.

Retail Service

If you fill your prescription at a retail pharmacy and have not satisfied your deductible, you will pay the discounted cost of the drug. If you have satisfied your deductible, you will pay the applicable co-insurance amount, either 20% or 40%, dependent upon whether the pharmacy offers Anthem discounts.

To find out if your pharmacy is in the network, contact Anthem at **1-800-228-2891** to speak with a customer service representative. You may also log on to the Anthem website at **anthem.com**.

Ninety-Day Supply At Retail Program

You and your covered dependents may also have your prescription filled for a 90-day supply at a retail pharmacy through the Ninety-Day Supply At Retail Program. The prescription must be filled at a network pharmacy participating in the Ninety-Day Supply At Retail Program. With this program you pay 20% of the cost of a three-month supply of the drug after you satisfy your deductible.

Mail Order Service

If you or your covered dependents use long-term medications, you can receive up to a 90-day supply of certain covered medications through the mail order service.

With the mail order service, you must submit an original prescription from your doctor and:

- Complete the Mail Order Pharmacy Form. *A new order form envelope will be sent to you with each delivery.*
- Attach the prescription and a check in the amount of the applicable discounted cost of the drug or co-insurance.
- Mail the Mail Order Pharmacy Form and your check to the address on the Form.

If you need medication immediately, ask your doctor for two prescriptions:

- One for an immediate supply (you can then take this to your local participating pharmacy and
- A second one for the extended supply (you can then submit this one to the mail order service)

You will receive your mail order prescription approximately 14 days from the date your mail order is received. To request a form or if you have questions, you may go to the Anthem website **anthem.com** or contact mail order customer service at **1-800-228-2891** to ask for assistance.

See the *"Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options"* section for further details on Plan benefits.

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Highlights of Your Prescription Drug Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your prescription drug coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

	RETAIL PHARMACY		**MAIL ORDER**		**NINETY-DAY SUPPLY AT RETAIL**	
	YOU PAY*	**PLAN PAYS**	**YOU PAY***	**PLAN PAYS**	**YOU PAY***	**PLAN PAYS**
In-Network	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts	20% (after deductible is met)	80% for providers offering Anthem discounts
Out-of-Network	40% (after deductible is met)	60% for providers not offering Anthem discounts	40% (after deductible is met)	60% for providers not offering Anthem discounts	NA**	NA**
	Retail Pharmacy		**Mail Order**		**Ninety-Day Supply at Retail**	
Day Supply Limit	30-day supply		90-day supply		90-day supply	
Use For:	Short-term medications or immediate prescription drug needs		Long-term, maintenance, and injectable medications		Long-term, maintenance, and injectable medications	

**Please Note: No prescription drug benefits are payable under the HDPPO 1 or HDPPO 2 Options until you satisfy the annual deductible. Also, if a brand-name drug has a generic substitute and you or your Provider request that a brand-name drug be dispensed instead of its generic substitute, you will be responsible for the applicable Co-Insurance plus the difference in cost between the brand-name drug and the generic substitute.*

***Ninety-Day Supply at Retail is not available for out-of-network pharmacies.*

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Prescription Drug Coverage Expenses Covered

The prescription drug coverage expenses covered include, but may not be limited to the following supplies and Federal legend drugs (except those listed as not covered):

- Insulin;
- Disposable insulin needles/syringes;
- AZT (Retrovir);
- Chemotherapeutics;
- Fluoride vitamins to age 19;
- Vitamins, if prescribed;
- Immunosuppressants;
- Injectables, other than insulin;
- Prescription contraceptive drugs (non-injectable monthly, non-injectable 90-day supply only, injectable monthly and injectable 90-day supply only) and contraceptive devices such as diaphragms, intrauterine devices (IUDs) and implants;

***Please Note**:* Prescription contraceptive drugs and contraceptive devices for women will be covered as a recommended preventive health service with no co-pays or deductibles; provided, however, if you request that a brand-name contraceptive drug be dispensed when a generic equivalent is available that is medically appropriate, you will be required to pay the regular co-pay, in the case of the PPO Option, or the applicable deductible, in the case of an HDPPO Option.

- Retin-A, up to age 25;
- Diabetic diagnostics;
- Certain smoking cessation products;
- Compound medication of which at least one ingredient is a legend drug; and
- Any other drugs that under the applicable state law may only be dispensed upon the written prescription of a physician or other lawful prescriber.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses covered under the Plan.

For medications covered under an HMO option, please refer to the HMO SPD for further information.

Prescription Drug Expenses Not Covered

The Prescription Drug Coverage expenses **not** covered include, but are not limited to the following:

- Drugs or medicines that are lawfully obtainable without the prescription of a physician, whether or not such drugs are actually obtained by prescription;
- Drugs prescribed for cosmetic reasons;
- Drugs used for the treatment of infertility or relating to conception;
- Drugs used in the treatment of erectile dysfunction or impotence, regardless of the origin, whether biological or psychological;
- Hair treatments;
- Anti-wrinkle treatment;
- Blood glucose testing machines;
- Vaccines, serums and allergens;
- Nutritional dietary supplements;
- Over-the-counter medications; and
- Any item that is not legally procured, including without limitation any drug that may not legally be imported from another country.

Please contact the Claims Administrator with any questions regarding the prescription drug coverage expenses not covered under the Plan. *For medications not covered under an HMO option, please refer to the HMO SPD for further information.*

How Your Mental Health/ Substance Use Disorder Coverage Works in the PPO Option

If you participate in the PPO coverage option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in the PPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life Services coverage. Mental Health and Substance Use Disorder Coverage is administered by Anthem. Employee Assistance Program (EAP)/Work Life Services benefits are administered by Beacon Health Options. Please refer to the "*Highlights of Your Mental Health and Substance Use Disorder Coverage in the PPO Plan Option*" and the *"EAP/Work Life/Legal & Financial Services"* sections of this Pre-65 Retiree Medical Plan SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

How Your Mental Health/ Substance Use Disorder Coverage Works in the High Deductible Options

If you participate in the High Deductible PPO 1 or High Deductible PPO 2 Option, you are also provided with Mental Health and Substance Use Disorder Coverage. Regardless of whether you participate in an HDPPO coverage option, you are automatically enrolled in Employee Assistance Program (EAP)/Work Life/Legal & Financial Services coverage. The mental health and substance use disorder benefits are administered through Anthem. The EAP/Work Life/Legal & Financial Services benefits are administered through Beacon Health Options. Please refer to the *"Highlights of Your Mental Health and Substance Use Disorder Coverage in the High Deductible PPO 1 and High Deductible PPO 2 Options"* and the *"EAP/Work Life Services"* sections of this Pre-65 Retiree Medical SPD for further details of the Plan coverage.

If you have coverage through an HMO carrier, the HMO carrier provides its own coverage. Please refer to the HMO SPD for further information.

Highlights of the Mental Health and Substance Use Disorder Coverage in the PPO Option

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the PPO Option.

Mental Health and Substance Use Disorder	In-Network Plan Pays	Out-Of-Network Plan Pays*
• Mental Health Inpatient	80% (after deductible)	60% (after deductible)
• Mental Health Outpatient	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Detox Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Detox Outpatient)	100% (after $35 co-pay)	60% (after deductible)
• Substance Use Disorder (Rehab Inpatient)	80% (after deductible)	60% (after deductible)
• Substance Use Disorder (Rehab Outpatient)	100% (after $35 co-pay)	60% (after deductible)

* For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Highlights of Your Mental Health and Substance Use Disorder Coverage in the HDPPO 1 and HDPPO 2 Options

Here is a brief summary of your Mental Health and Substance Use Disorder coverage if you select medical coverage under the HDPPO 1 or HDPPO 2 Options.

Mental Health and Substance Abuse	**In-Network** **Plan Pays (after deductible)**	**Out-of-Network*** **Plan Pays (after deductible)**
• Mental Health Inpatient	80%	60%
• Mental Health Outpatient	80%	60%
• Alternative Levels of Care	80%	60%
• Substance Abuse (Rehab Inpatient)	80%	60%
• Substance Abuse (Rehab Outpatient)	80%	60%

* For Out-of-Network Providers, the Plan pays benefits for eligible expenses based on a determination of the Maximum Allowed Amount. The Plan does not pay benefits for any expense that is above the Maximum Allowed Amount. As a result you are responsible for any charges that exceed the Maximum Allowed Amount.

Please Note: No Mental Health or Substance Use Disorder benefits in the HDPPO 1 or HDPPO 2 Options are payable until you satisfy the annual deductible.

Mental Health and Substance Use Disorder Treatment Expenses Covered Under the PPO and High Deductible Options

The PPO and HDPPO medical plan options limit benefits for inpatient and outpatient mental health and substance use disorder treatments. Please contact the Claims Administrator for details regarding the limits that apply.

Please refer to the *"EAP/Work Life Services"* section below for a description of employee assistance benefits provided under the Plan.

The covered mental health and substance use disorder expenses include, but may not be limited to the following:

- Inpatient facility and physician services provided for mental health and substance use disorders, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - In-home mental health care;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.

The Plan considers an inpatient hospital stay to be one for which a room and board charge is made. Care provided in an intermediate care facility only includes continuous treatment of not less than three hours and not more than twelve hours in a 24-hour period. Intermediate care facility services do not include a hospital inpatient stay.

- Outpatient facility and physician services provided for mental health and substance use disorder, including:
  - Detox and rehab substance use disorder services;
  - Services provided in a hospital (including emergency room visits);
  - Services provided in a substance use disorder treatment facility;
  - Services provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests related to treatment;
  - Medication check visits;
  - Services received through a partial hospitalization (day/night) treatment program.
- Emergency care
  - You must present a real or potential danger to yourself or to others;
  - Your judgment, impulse control, or functioning must be significantly impaired;
  - You must have immediate and severe medical complications concurrent with or as a result of psychiatric or substance use disorder illness and its treatment;
  - Services must be provided in an intermediate mental health/substance use disorder treatment care facility;
  - Lab tests must be related to treatment.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and

referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law , with a 25% discount if the attorney is retained.

Health Savings Account (HSA)

As a Pre-65 Retiree, you cannot continue to make contributions by means of payroll deduction to the health savings account ("HSA") you established through the Company. However you may continue to contribute to your HSA outside of payroll deduction (or to another health savings account you establish) until you attain age 65, provided you are enrolled in the HDPPO 1 or HDPPO 2 options or other eligible high deductible coverage and you are otherwise eligible under Federal law to contribute to such an account.

If you previously contributed to an HSA through the Company by means of payroll deduction, your HSA contributions made through payroll deduction as well as the Company's contributions to your HSA will stop when you retire. Your account balance goes with you, however, and continues to earn interest. You may continue to use your HSA to pay for future medical expenses during retirement. However, you will be responsible for paying any monthly fees related to the administration of your account. Upon your retirement, your HSA will be converted to a new direct account in your name, and you will receive a new debit card you can use to pay for eligible expenses.

Contact the HSA custodian, UMB, directly at 1-866-520-4472 if you have any questions about your HSA or your debit card after you retire.

Coordination of Benefits (COB)

If you or your dependents have coverage under another medical plan or program, your benefits under the Plan coordinate with benefits outside the Plan to help eliminate duplicate payments for the same services. See the "*Coordination of Benefits (COB)"* information in the **Benefits Program Overview** section to learn more about the Plan's COB features.

Please Note: If you or your covered dependent are enrolled in Medicare due to end-stage renal disease, and if Medicare is not already paying as primary, the Plan continues to pay as primary during the first 30 months of dialysis or the first 30 months of treatment in connection with a kidney transplant. Thereafter, Medicare generally becomes the primary payor of benefits.

Filing a Claim

Generally, In-Network Providers file claims on your behalf. If so, the Claims Administrator will send payments directly to the provider. You will be sent a statement itemizing what has been paid.

If your provider does not file claims on your behalf, you must file your claims as follows:

- Complete the appropriate claim form. Claim forms can be obtained by calling Anthem at the number listed on the back of your ID card.
- Attach copies of all available medical bills that should be considered for Plan benefits. These bills should include:
  - Name of patient;
  - Name and Social Security number of Retiree;
  - Date of treatment;
  - Type of treatment;
  - Charge for the treatment;
  - Provider of the treatment; and
  - Any other information that clearly indicates the medical expense
- Mail your completed claim form to the address on the back of your Benefit Plan ID card.
- Submit your claim to the Claims Administrator as soon as possible after you receive the covered service.

The Claims Administrator will process your claim. Generally, claim payments are sent directly to providers. However, there may be situations where payments are sent directly to you (i.e. your provider is not a member of the network). Any claims submitted after 18 months from the date of service generally will not be considered for payment. If you have any questions regarding filing claims, contact Anthem at the number listed on the back of your ID card.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan."*

Continuation of Coverage

General

For information regarding continuation of coverage under the Pre-65 Retiree Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

Women's Health and Cancer Rights Act of 1998

Federal law requires the Plan to provide coverage for the following services to an individual receiving Plan benefits in connection with a mastectomy:

- All stages of reconstruction of the breast on which the mastectomy has been performed;

- Surgery and reconstruction of the other breast to produce a symmetrical appearance;
- Prostheses; and
- Treatment of physical complications for all stages of a mastectomy, including lymphedemas (swelling associated with the removal of lymph nodes).

These benefits will be provided subject to the same deductibles and co-insurance applicable to other medical and surgical benefits provided under the Plan. If you would like more information on these benefits, contact the Benefits Source at **1-888-640-3320**.

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Consolidated Flex Medical Plan (a component of the NiSource Life and Medical Benefits Program)
Plan Type:	Group Health Plan
Plan Number:	536
Type of Funding:	With respect to the PPO and HDPPO Options, self-funded. PPO and HDPPO benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time. Benefits under any HMO Option are underwritten by the insurer. See the SPD furnished by the insurer of an HMO Option for general information concerning such Option.
Contribution Source:	Retiree and Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants will be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the Benefit Plan and the Claims Administrator. See the SPD furnished by the insurer and claims administrator of an HMO Option for information concerning the administration of such Option. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.

Claims Administrator For Medical, Mental Health and Substance Use Disorders and Pharmacy Benefit Manager (PBM) for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 **anthem.com** 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348 Address for Mail Order Prescription Drugs: Anthem Blue Cross and Blue Shield Home Delivery Service P.O. Box 94467 Palatine, IL 60094-4467 1-800-228-2891 (mail order)
Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410 Service of legal process may be made upon the Plan Administrator.

Post-65 Retiree Medical Plan

For Eligible Post-65 Retirees and/or Eligible Dependents Age 65 and Over

Your Post-65 Retiree Medical Plan Coverage

This is the SPD (the "Post-65 Retiree Medical SPD") for the NiSource Post-65 Retiree Medical Plan, also referred to as the Post-65 Retiree Medical Plan. In this Post-65 Retiree Medical Plan SPD, the Post-65 Retiree Medical Plan is sometimes referred to as the "Plan."

The Company provides to eligible Post-65 Retirees and to their eligible dependents, as well as to eligible dependents of Pre-65 Retirees who are covered under the Pre-65 Retiree Medical Plan, the following medical coverage options that are designed to supplement coverage under Medicare:

- MAP Option;
- MAP Med-Only Option; and
- Medicare Supplement Option

The following is a description of your coverage under the NiSource Post-65 Retiree Medical Plan.

Eligibility

For information regarding eligibility under the Post-65 Retiree Medical Plan, please see the *"Eligibility under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* subsection of the **Benefits Program Overview**.

Enrollment

For information regarding enrollment in the Post-65 Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Contributions

Retired employees contribute to the cost of the Plan according to the arrangement in place at the time of retirement. Those covered persons continuing their coverage under COBRA shall contribute an amount required under COBRA. For further information about COBRA see the *COBRA* information in this section of this Handbook. For a discussion of a subsidy that may be available to reduce the cost of your coverage, please see the subsection of the **Benefits Program Overview** entitled *"Defined Dollar Subsidy for Retiree Medical Coverage"*.

Medicare Part B Reimbursement

Eligible Retirees are entitled to a reimbursement of a portion of the cost of their Medicare Part B premium. To obtain the reimbursement, you do not have to enroll in the MAP Option, the MAP-Med Only Option, or the Medicare Supplement Option. However, you must first provide certain information to the Plan Administrator. Your reimbursement will begin on the first day of the month following the Plan Administrator's receipt of all required information; provided that if you submit all required information and satisfy all other requirements within 60 days of the effective date of your enrollment in Medicare Part B, your reimbursement will begin effective as of the date of your Medicare Part B enrollment. For more information and for details on how to obtain the reimbursement, please call the Benefits Source at **1-888-640-3320**.

ID Card

For information concerning identification cards for the Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"ID Cards"*.

When Coverage Begins and Ends

For information regarding when your coverage begins and ends under the Retiree Medical Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"*.

Highlights of the MAP Option

The MAP Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The MAP Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 31.

The following is a brief summary of benefits under the MAP Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for MAP Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 041

Feature	
MAP Deductible	• **Medicare Part A Services:** All services considered under Medicare Part A are subject to your payment of a $100 deductible. • **Medicare Part B Services:** All services considered under Medicare Part B are subject to your payment of a $100 deductible.
Lifetime maximum	• The total maximum benefit payable under the MAP Option and the MAP-Med Only Option, separately and collectively, with respect to each covered person during such person's lifetime shall not exceed $50,000. Once a person's lifetime maximum of $50,000 is met, no additional claims will be paid under the Post-65 Retiree Medical Plan. It is your responsibility to monitor your lifetime maximum balance. Contact Anthem to obtain your lifetime maximum balance.

Feature/Service	**Plan Pays**
Physician Services	
Office visit – primary care and specialist	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Preventive and Wellness Services	
Routine physical exam	• Not covered
Routine gynecological exams; routine annual mammogram; routine annual Pap smear test; routine flexible sigmoidoscopy; and routine prostate cancer screening	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests and laboratory tests	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Outpatient Services	
Surgery	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays 80% of charges not covered by Medicare due to Medicare day maximum being exhausted, after Covered Person's payment of the MAP Deductible, • Contact Anthem for specific benefit details
Inpatient days covered by Medicare	• Inpatient days covered by Medicare (including the inpatient deductible for inpatient days covered by Medicare) are not covered or payable under the Plan. Without limiting the generality of the foregoing, inpatient facility charges and skilled nursing facility charges covered by Medicare are not covered by the Plan.
Transplant Services	
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. The Plan shall provide assistance with reasonable and necessary travel expenses as determined by the Plan Administrator when the Covered Person obtains prior approval and is required to travel more than 100 miles from his or her residence to reach the Hospital where the covered transplant

Feature/Service	Plan Pays
	procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the Hospital and lodging for the patient and one companion. Benefits for lodging are limited to $75.00 per day. Travel expenses and lodging expenses, on a combined basis, are limited to $20,000. To obtain reimbursement, the Covered Person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator.
Prescription Drugs	**Retail Pharmacy** • Generic drugs: Plan pays 80% of the drug cost; you pay 20% ($5 minimum/$15 maximum copay) • Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($15 minimum/$45 maximum copay) • Non-Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($30 minimum/$90 maximum copay) **Mail Order (90-day supply)** • Generic drugs: You pay $10 • Formulary drugs: You pay $30 • Non-Formulary drugs: You pay $60 **Ninety-Day Supply at Retail** • Generic drugs: Plan pays 80% of the drug cost; you pay 20% ($15 minimum/$45 maximum copay) • Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($45 minimum/$135 maximum copay) • Non-Formulary drugs: Plan pays 80% of the drug cost; you pay 20% ($90 minimum/$270 maximum copay) "Generic" means drugs no longer covered by the original patent. "Formulary" means a list of approved drugs covered under the prescription drug plan. "Non-formulary" means drugs not chosen for the Formulary, which do not qualify as Generic. • Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost for many prescription drugs for Medicare-eligible participants. The prescription drug coverage under your NiSource Post-65 Retiree Medical Plan is generally better coverage than coverage under Medicare. **Note:** You cannot be enrolled in both Medicare Part D prescription drug coverage and prescription drug coverage under the NiSource Post-65 Retiree Medical Plan.

Feature/Service	Plan Pays
	• The out-of-pocket expense limitation on prescription drugs is $750 per covered person per calendar year. • Contact Anthem for specific benefit details, including prescriptions drugs that may be covered under the MAP Option.
Mental Health Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Other Services	
Durable medical equipment	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Vision benefits (one routine vision exam and refraction per year)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible.

Feature/Service	Plan Pays
	• Contact Anthem for specific benefit details

Highlights of the MAP-Med Only Option

The MAP-Med Only Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The MAP-Med Only Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 31.

The following is a brief summary of benefits under the MAP-Med Only Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for MAP-Med Only Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 056

Feature	
MAP Deductible	• **Medicare Part A Services:** All services considered under Medicare Part A are subject to your payment of a $100 deductible. • **Medicare Part B Services:** All services considered under Medicare Part B are subject to your payment of a $100 deductible.
Lifetime maximum	• The total maximum benefit payable under the MAP Option and the MAP-Med Only Option, separately and collectively, with respect to each covered person during such person's lifetime shall not exceed $50,000. Once a person's lifetime maximum of $50,000 is met, no additional claims will be paid under the Post-65 Retiree Medical Plan. It is your responsibility to monitor your lifetime maximum balance. Contact Anthem to obtain your lifetime maximum balance.

Feature	Plan Pays
Physician Services	
Office visit – primary care and specialist	• Plan pays up to 20% of Medicare approved charges for

Feature	Plan Pays
	which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Routine gynecological exams; routine annual mammogram; routine annual Pap smear test; routine flexible sigmoidoscopy; and routine prostate cancer screening	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Diagnostic Services	
X-rays, allergy tests and laboratory tests	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Outpatient Services	
Surgery	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays up to 20% of Medicare-approved charges for which Medicare pays 80%, after covered person's payment of Medicare Part B Deductible and the MAP Deductible • Contact Anthem for specific benefit details
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays 80% of charges not covered by Medicare due to Medicare day maximum being exhausted, after Covered Person's payment of the MAP Deductible, • Contact Anthem for specific benefit details
Inpatient days covered by Medicare	• Inpatient days covered by Medicare (including the inpatient deductible for inpatient days covered by Medicare) are not covered or payable under the Plan. Without limiting the generality of the foregoing, inpatient facility charges and skilled nursing facility charges covered by Medicare are not covered by the Plan.
Transplant Services	
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. The Plan shall provide assistance with reasonable and necessary travel expenses as

Feature	Plan Pays
	determined by the Plan Administrator when the Covered Person obtains prior approval and is required to travel more than 100 miles from his or her residence to reach the Hospital where the covered transplant procedure will be performed. The Plan's assistance with travel expenses includes transportation to and from the Hospital and lodging for the patient and one companion. Benefits for lodging are limited to $75.00 per day. Travel expenses and lodging expenses, on a combined basis, are limited to $20,000. To obtain reimbursement, the Covered Person must submit itemized receipts for transportation and lodging expenses in a form satisfactory to the Plan Administrator.
Prescription Drugs*	• Not applicable
Mental Health Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment - Facility	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Inpatient treatment - Professional	• Plan pays up to 20% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays up to 85% of charges not covered by Medicare, after covered person's payment of the MAP Deductible. • Contact Anthem for specific benefit details

Feature	Plan Pays
Other Services	
Durable medical equipment	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Vision benefits (routine screenings are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays up to 20% of Medicare approved charges for which Medicare pays 80%, after covered person's payment of the Medicare Part B deductible and the MAP Deductible. • Contact Anthem for specific benefit details

*Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost of many prescription drugs for Medicare-eligible participants. You may want to consider enrolling in Medicare Part D to receive prescription drug benefits through Medicare. If you are eligible for coverage under Medicare Part D and do not enroll during your initial enrollment period, you may incur significant penalties in the form of higher Medicare premiums when you ultimately do enroll in coverage. **Note:** The MAP Option offers prescription drug coverage. Once you enroll in the MAP-Med Only Option, you may not later enroll in the MAP Option. See *"Enrollment in the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan"* in the **Benefits Program Overview** for more information. You cannot be enrolled in both Medicare Part D prescription drug coverage and prescription drug coverage under the MAP Option.

Highlights of the Medicare Supplement Option

The Medicare Supplement Option is designed to pay for certain, although not all, expenses that are eligible and allowable under Medicare, but that are not paid by Medicare due to the application of deductibles and co-insurance percentages. The Medicare Supplement Option shall not cover any charges that are also payable by Medicare.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the date such claim was incurred or the date when the rescission of coverage occurred, as the case may be. For more information, see the *"Claims Determination and Appeal Process – Post-65 Retiree Medical Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 31.

The following is a brief summary of benefits under the Medicare Supplement Option. *This is not a confirmation or guaranty of coverage. Coverage listed below is subject to change*.

General Information for Medicare Supplement Option	
Plan Profile For more information, call Member services	1-800-228-2891
Hours	8:00 am to 8:00 p.m. Eastern Time, M - F
Internet website address Group ID Anthem Package ID	anthem.com 003327107 005

Feature	
Deductible	• **Medicare Part A Services:** The Plan pays the Part A deductible, except for lifetime reserve days. • **Medicare Part B Services:** The Plan pays one hundred percent of the annual Medicare Part B deductible.

Feature/Service	**Plan Pays**
Physician Services	
Office visit – primary care and specialist	• Plan pays the Medicare deductible and up to 20% of Medicare approved charges for which Medicare pays 80%. • Contact Anthem for specific benefit details
Preventive and Wellness Services	
Routine physical exam	• Not covered
Flu, pneumonia and hepatitis B shots; routine gynecological exams (once every 24 months); routine annual mammogram; routine Pap smear test (once every 24 months); routine flexible sigmoidoscopy (once every 48 months); and routine prostate cancer screening (once every 12 months)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details

Feature/Service	Plan Pays
Diagnostic Services	
X-rays, allergy tests	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Laboratory tests	• Not covered
Outpatient Services	
Surgery	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Emergency Services	
Emergency room	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Hospital Services	
Semi-private room and board, surgery and x-ray and laboratory services	• Plan pays Medicare Part A deductible and 100% of charges not paid by Medicare from days 61-90 of confinement • Contact Anthem for specific benefit details
X-ray and laboratory services	• Plan pays Medicare Part A deductible • Contact Anthem for specific benefit details
Surgical Services Above Those Covered by Medicare	• 80% of Maximum Allowed Amount‡, after a $50 deductible per year, up to a maximum of $10,000 per year.
Prescription Drugs*	• 100% co-pay • Contact Anthem for specific benefit details
Transplant Services	• Up to 20% of Medicare-approved charges for which Medicare pays 80%. Meals are not covered. • Contact Anthem for specific benefit details
Skilled Nursing Facility	• 12.5% of the Medicare inpatient hospital deductible for room and board charges from day 21 to day 100 for a skilled nursing facility confinement in a facility approved by Medicare. • Contact Anthem for specific benefit details
Mental Health Services	
Inpatient treatment	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted.

‡ "Maximum Allowed Amount" has the same meaning as the term used in the Pre-65 Retiree Medical Plan SPD. For the definition of the term, see the section of the Pre-65 Retiree Medical Plan SPD entitled "Maximum Allowed Amount" and substitute the term "Post-65 Retiree Medical Plan" wherever the term "Plan" appears.

Feature/Service	Plan Pays
	• Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays Medicare deductible and up to 80% of Medicare-approved charges not paid by Medicare • Contact Anthem for specific benefit details
Substance Use Disorder Services	
Inpatient treatment	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Detoxification	• Plan pays Medicare deductible and up to 80% of charges not covered by Medicare due to Medicare day maximum being exhausted. • Contact Anthem for specific benefit details
Outpatient treatment	• Plan pays Medicare deductible and up to 80% of Medicare-approved charges not paid by Medicare • Contact Anthem for specific benefit details
Other Services	
Durable medical equipment	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Vision benefits (diagnostic vision exams only)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details
Hearing benefits (only diagnostic hearing exams are covered)	• Plan pays Medicare deductible and up to 20% of Medicare-approved charges for which Medicare pays 80% • Contact Anthem for specific benefit details

* Medicare introduced an optional prescription drug benefit (also known as Medicare part D) in January 2006. This benefit offers coverage for part of the cost for many prescription drugs for Medicare-eligible participants.

Medical Expenses Not Covered

Without limiting the generality of the foregoing, the medical expenses **not** covered under the Post-65 Retiree Medical Plan include, but may not be limited to those medical expenses that would not be covered by Medicare, charges that a covered person is not legally required to pay and charges that would not have been made if the Plan had not existed, and charges incurred prior to the effective date of coverage, or after the termination date of coverage.

Please contact the Claims Administrator with questions regarding those medical expenses not covered.

To confirm if an expense is eligible for reimbursement, contact an Anthem customer service associate at the number on the back of your ID card.

How to File a Claim

Since the Post-65 Retiree Medical Plan is designed to supplement your coverage under Medicare, Medicare is your primary carrier. That means that, as a general rule, your expenses must be submitted to Medicare before they are submitted to the Post-65 Retiree Medical Plan for payment.

Medical expenses are usually submitted to Medicare directly by the provider. However, it is your responsibility to submit your claim to the Plan's Claim Administrator for benefit payments under the Post-65 Retiree Medical Plan.

Some providers, however, may submit your expenses to both Medicare and the Plan for payment. In that event, you would not need to submit any additional claim forms. Please ask your provider whether your claim filing will be submitted to Anthem for your Medicare Supplement benefit payments.

In the event you must submit a claim form to Anthem for your benefit payment, that claim form may be obtained by calling Anthem at the number listed on the back of your ID card. Your Medicare Explanation of Benefits (EOB) must be included when filing a claim with Anthem. If you have any questions relating to your claim filing process, you can call Anthem at the number listed on the back of your ID card. Claim forms should be submitted to:

Anthem Blue Cross and Blue Shield
P.O. Box 105187
Atlanta, GA 30348
anthem.com
1-800-228-2891

Please note that it is essential that you include the Medicare Explanation of Benefits form with your claim form because the Plan's benefits are computed on the basis of what Medicare approved as eligible expense.

Retain copies of all bills and Medicare correspondence for your records.

Below is a list of details that are often erroneously omitted from claim forms. Please refer to it when completing your claim form so you can make sure your claim form is complete.

1. Age and relationship of dependent
2. Physician's statement showing place, date and charge for treatment.
3. Itemized X-ray and laboratory bills showing date, charge and type of examination.
4. Full statement as to how, when and where injury occurred.

No cancelled checks, receipts or summaries of balances due are acceptable as evidence of expense incurred—only itemized statements accompanied by a Medicare Explanation of Benefits form are acceptable. Furthermore, a separate claim form must be completed by you and your physician for each sickness or injury. However, in case of chronic illnesses such as allergies or hypertension, you only must submit one physician's statement each calendar year.

One additional point to keep in mind is that the MAP-Med Only Option and the Medicare Supplement Option do not cover prescription drug expenses.

EAP/Work Life/Legal & Financial Services

Beacon Health Options offers you and your family an Employee Assistance Program (EAP), which provides short term counseling, information, resources, and

referrals on a variety of life issues that you may be facing. These issues can include:

- Marital and family relationships
- Finding child care
- Depression and anxiety
- Adopting a child
- Workplace Concerns
- Caring for an elderly parent
- Balancing work and your personal life
- Legal and financial issues

The EAP provides clinical, professional assistance 24 hours a day, seven days a week, 365 days a year at 1-800-946-5360. The EAP is a confidential program available at no cost; you and your household members have up to six (6) sessions per year with an EAP counselor, either in-person, telephonically or via video. Counselors will help you define your needs, and provide counseling, support and referrals as needed. If clinical assistance is needed beyond the six EAP sessions for outpatient or inpatient treatment, you are responsible for the care selected.

You can also call the EAP for Work Life issues, e.g., eldercare and childcare. Extensive searches for information and services compatible with your family's preferences and finances will be provided. Work Life Consultants work hard to find resources that fit your budget requirements. Resource and referral information provided to you is at no cost. However, you are responsible for costs associated with services and businesses with whom you may contract.

Additionally, you can call the EAP for guidance on legal and financial issues including, but not limited to, divorce, domestic violence, criminal, civil, landlord tenant issues, debt management, estate planning, family budgeting, etc. The benefit allows for a free 30-minute consultation with a financial consultant, a 60-minute consultation with an attorney for family law issues and a 35% discount if you retain the attorney, and a free 30-minute consultation with an attorney for legal issues other than family law , with a 25% discount if the attorney is retained.

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan."*

Continuation of Coverage

For information regarding continuation of coverage under the Post-65 Retiree Medical Plan, including COBRA continuation coverage, please see the subsection of the **Benefits Program Overview** entitled "*Continuation of Coverage under the Pre-65 Retiree Medical Plan and Post-65 Retiree Medical Plan.*"

Additional Information

Your Rights Under the Newborn's and Mother's Health Protection Act

Under Federal law, the Plan generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, Federal law generally does not prohibit a shorter stay if the attending provider, after consultation with the mother, discharges the mother or newborn earlier than 48 hours (or 96 hours as applicable). In any case, the Plan may not require that the provider obtain authorization from the Plan for prescribing a length of stay that is not in excess of the above periods.

General Program Information

Program Name:	NiSource Post-65 Retiree Medical Plan
Benefit Plan Name:	MAP Option, MAP-Med Only Option, and Medicare Supplement Option
Type of Plan:	Group Health Plan
Plan Number:	538
Type of Funding:	Self-funded. Benefits under the Plan are funded through the general assets of the Participating Employers, through participant contributions and other benefit funding vehicles that may be established from time to time.
Contribution Source:	Retiree and Employer
Plan Sponsor:	NiSource Inc.
Fiduciary and Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Contributions:	As a condition of participation, participants may be required to contribute toward the cost of the Benefit Plan coverage they select in an amount determined by the Plan Administrator from time to time. The balance of Benefit Plan coverage cost will be paid by the Participating Employers or any other benefit funding vehicle as may be established or maintained from time to time.
Type of Administration:	Claims are administered by the Claims Administrators listed below under a contract between the Benefit Plan and the Claims Administrator. Benefits will be paid under a Benefit Plan only if the applicable Plan Administrator, or its delegate (e.g., Claims Administrator), determines that the claimant is entitled to them.
Claims Administrator For Medical, Mental Health and Substance Use Disorders and PBM for Prescription Drugs:	Anthem Blue Cross and Blue Shield P.O. Box 105187 Atlanta, GA 30348 **anthem.com** 1-800-228-2891 Address for Claims Appeals: Anthem Blue Cross and Blue Shield P.O. Box 105568 Atlanta, GA 30348

Address for Mail Order Prescription Drugs:

Anthem Blue Cross and Blue Shield
Home Delivery Service
P.O. Box 94467
Palatine, IL 60094-4467
1-800-228-2891 (mail order)

Claims Administrator for EAP:	Beacon Health Options P.O. Box 1850 Hicksville, NY 11802-1850 achievesolutions.net 1-800-946-5360
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410 Service of legal process may be made upon the Plan Administrator.

Retiree Life Insurance Plan

- Retiree Term Life Coverage -Basic Plan

Your Retiree Life Insurance Option

This is the SPD (the "Retiree Life Insurance SPD") for the NiSource Life Insurance Plan, also referred to as the Retiree Life Insurance Plan. In this Retiree Life Insurance SPD, the Retiree Life Insurance Plan is sometimes referred to as the "Plan."

NiSource Inc. (the "Company") offers the NiSource Life Insurance Plan to eligible Retirees with the following coverage option (the "Coverage Option"):

- Basic Retiree Term Life Coverage Option;

Benefits are provided under one or more group insurance contracts (collectively, the "Group Contract") and one or more group insurance certificates (collectively, the "Group Insurance Certificate") issued by Minnesota Life Insurance Company ("Securian"), an affiliate of Securian Financial Group, Inc., who is the Insurer and Claims Administrator and is wholly responsible for the payment of benefits.

If there is a conflict between the Group Contract and Group Insurance Certificate, on the one hand, and this Retiree Life Insurance SPD, on the other hand, the terms of the Group Contract and the Group Insurance Certificate shall prevail. **You should refer to the Group Insurance Certificate for a detailed explanation of the benefits offered under the Plan and the limitations upon those benefits, and for an explanation of the various terms and concepts used in this Retiree Life Insurance SPD.** *You may obtain a copy of the Group Insurance Certificate by contacting the Benefits Source at **1-888-640-3320**.*

The Plan provides life insurance on the persons of eligible Retirees.

Eligibility

For information regarding eligibility under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"Eligibility under the Retiree Life Insurance Plan."*

*Information regarding eligibility can be accessed through the website **mysourceforhr.com** or by calling the Benefits Source at **1-888-640-3320** to speak to a service representative.*

Enrollment

For information regarding enrollment under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"Enrollment in the Retiree Life Insurance Plan."*

Contributions

Premium contributions are not required for the Basic Retiree Term Life Coverage Option.

When Coverage Begins and Ends

For information regarding when coverage begins and ends under the Retiree Life Insurance Plan, please see the subsection of the **Benefits Program Overview** entitled *"When Coverage Begins and Ends – Retiree Life Insurance Plan"*.

Beneficiaries and Assignments

Refer to the Group Insurance Certificate for details regarding designation of beneficiaries under the Coverage Option. You can obtain a beneficiary form by calling the Benefits Source at 1-888-640-3320.

Insurance under the Basic Retiree Term Life Coverage Option may not be assigned.

Basic Retiree Term Life Coverage

The Basic Retiree Term Life Coverage Option provides a benefit to your beneficiary or beneficiaries in the amount of $25,000. There is no cash value associated with, or attributable to, the Basic Retiree Term Life Coverage Option.

Please Note*:* No lawsuit or legal action of any kind regarding a claim for benefits under the Plan may be commenced unless the claims procedure process for internal appeals (but not including any voluntary appeal) has been exhausted. In addition, in no event may any lawsuit or other legal action regarding a claim for benefits be commenced later than three years after the end of the period within which proof of claim is required, unless otherwise provided under Federal law. For more information, see the *"Claims Determination and Appeal Process – Life Insurance Plan"* section of the **Benefits Program Overview**, and in particular the section entitled *"Limitation of Actions and Venue,"* found on page 34.

Payment of Death Benefits under Life Coverage

If you die while covered under the Plan, the amount of insurance on you is payable when Securian's home office receives written proof satisfactory to it that you died while covered under the Plan and insured under the Group Insurance Certificate. If you die within 31 days after ceasing to be covered under the Plan, but while you are entitled to convert insurance under the Plan to an individual contract, death benefits in the amount of insurance that could have been converted may be payable when Securian receives written proof as described above.

Death Benefits under the Retiree Term Life Coverage Option are payable according to Securian's beneficiary and mode of settlement rules.

Conversion Privilege for Life Coverage

If all or a part of your Retiree Term Life Insurance terminates because you move from one existing eligible class to another, or you are no longer in an eligible class, you may convert up to the full amount of terminated insurance.

Limited conversion is available if, after you have been insured for at least five years, insurance is terminated because (1) the Group Contract is terminated; or (2) the Group Contract is changed to reduce or terminate your insurance. In such case, you may convert up to the full amount of terminated insurance, but not more than the maximum. The maximum is the lesser of: (a) $10,000; and (b) the amount of life insurance which terminated minus any amount of group life insurance for which you become eligible under any group policy issued or reinstated by Securian or any other carrier within 31 days of the date the insurance terminated under the Group Contract.

Under both the conversion right and the limited conversion right, you may convert your insurance to any type of individual policy of life insurance then customarily issued by the life insurance company for purposes of conversion, except term insurance. The individual policy will not include any supplemental benefits, including, but not limited to, any disability benefits, accidental death and dismemberment benefits, or accelerated benefits.

See the "*Highlights of Conversion and Portability Features"* below for additional details regarding the conversion privilege. Also, refer to the Group Insurance Certificate for additional details, terms and conditions.

Highlights of Conversion and Portability Features		
	Conversion	**Portability**
Can Basic Retiree Term Life Coverage be converted or ported?	Yes	No
Coverage can be converted or ported to:	Individual Life Policy	Not applicable
Evidence of Insurability Required	No	Not applicable
Application Deadline	Application and first month premium due 31 days after your coverage termination.	Not applicable
Securian Contacts	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 Robert Street North St. Paul, MN 55101-2098	Not applicable

Conformity with State Law

If any provision of this Retiree Life Insurance SPD or of the Group Insurance Certificates or Group Contracts is in conflict with the laws of the state governing the Group Contracts or Group Insurance Certificates, the provision will be deemed to be amended to conform to such laws.

Filing A Claim

If you have a claim, you should contact the Benefits Source at **1-888-640-3320** to initiate the claims process.

*If you would like to make a claim, please contact the Benefits Source at **1-888-640-3320** and ask to speak to a life specialist.*

Claim Determination and Appeal Process

For information regarding the Plan's claim determination and appeal process, please see the subsection of the **Benefits Program Overview** entitled *"Claim Determination and Appeal Process – Retiree Life Insurance Plan."*

General Program Information

Program Name:	NiSource Life and Medical Benefits Program
Benefit Plan Name:	NiSource Life Insurance Plan (a component of the NiSource Life and Medical Benefits Program)
Type of Plan:	Employee Welfare Benefit Plan providing life insurance benefits
Plan Number:	536
Contribution Source:	Basic Retiree Term Life Insurance: Employer
Plan Sponsor:	NiSource Inc. 801 East 86th Avenue Merrillville, Indiana 46410
Plan Administrator:	NiSource Benefits Committee 801 East 86th Avenue Merrillville, Indiana 46410 (219) 647-4334
EIN:	35-2108964
Plan Year:	January 1 through December 31
Type of Administration:	Fully Insured. The Plan is insured under a group insurance contract underwritten by the Insurer.
Insurer:	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 North Robert Street St. Paul, MN 55101
Claims Administrator: (if you need to submit a claim)	Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. 400 Robert Street North St. Paul, MN 55101-2098
Agent for Service of Legal Process:	Manager, Benefits Accounting & Compliance 801 East 86th Avenue Merrillville, Indiana 46410 Service of legal process may be made upon the Plan Administrator.

The Group Contract underwritten by Minnesota Life Insurance Company provides insured benefits under the Plan. Minnesota Life Insurance Company ("Securian") is an affiliate of Securian Financial Group, Inc. Plan benefits are provided under the terms of the Group Contract and the Group Insurance Certificate. In the event of a conflict between this Retiree Life Insurance SPD and the Group Contract and Group Insurance Certificate, the terms of the Group Contract and Group Insurance Certificate shall prevail. The Group Insurance Certificate is available upon request by calling the Benefits Source at **1-888-640-3320** and asking to speak to a service representative.

Securian, as Claims Administrator, has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious. Benefits under the Plan will be paid only if the Claims Administrator decides in its discretion that the applicant is entitled to them.

Summary Plan Description and Prospectus

for the

NiSource Inc. Retirement Savings Plan

Specifically designated portions of this document constitute part of a prospectus covering securities that have been registered under the Securities Act of 1933. This document covers NiSource Inc. common stock offered through the NiSource Inc. Retirement Savings Plan. These securities have not been approved or disapproved by the Securities Exchange Commission, nor has the Commission passed upon the adequacy of this Summary Plan Description and Prospectus. Any contrary representation is a criminal offense.

This Summary Plan Description Applies to Eligible Non-Union Employees and Eligible Union Employees of Bay State Gas Company and Columbia Gas.

March 2020

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INTRODUCTION

NiSource Inc., Bay State Gas Company ("**Bay State**"), Columbia Gas,[1] Northern Indiana Public Service Company LLC ("**NIPSCO**") and any other affiliated companies that have adopted the NiSource Inc. Retirement Savings Plan (the "**Plan**") (collectively or individually, as the context requires, referred to as the "**Company**"), offer the Plan in order to help its Eligible Employees to financially prepare for their retirement years. Accordingly, the Plan is designed to provide you with retirement benefits when you terminate employment with the Company.

Why save through the Plan?

- *Automatic Payroll Deductions*: Often, the most difficult part about saving is doing it regularly and consistently. With the Plan, you decide how much to contribute. You can contribute from 1% to 50% of your eligible compensation on a pre-tax or Roth basis and up to 25% on an after-tax basis (subject to IRS limitation). That amount is automatically deducted from your paycheck. In addition, you can make "catch-up" contributions commencing in the year you turn age 50. You are always 100% vested in your own contributions to your account.

- *Company Matching Contributions*: The Company matches a portion of your contributions every payroll period (catch-up contributions are not matched). You are always 100% vested in your Company matching contributions.

- *Tax Advantages*: The Plan offers the option of saving on a before-tax basis -- meaning your contributions are deducted from your pay before most taxes have been withheld, effectively lowering your taxes today. In addition, the investment earnings of your Plan account are not taxed until you withdraw them from your account. Alternatively, if you choose to make Roth contributions, your contributions are made with after-tax dollars, so there is no immediate tax benefit. However, distributions of Roth contributions and associated earnings from the Plan will generally be tax-free once you reach age $59^{1/2}$ and five years have passed since the first day of the year in which you made your first Roth 401(k) contribution.

- *A Variety of Investments*: Regardless of your goals or investment preferences, the funds offered through the Plan fit a wide range of "comfort" levels (i.e., different investment risk levels). You decide how your contributions are invested among a variety of investment options.

- *Flexibility*: With the Plan, you are never locked into just one way of saving or investing. Recognizing that your needs change over time, the Plan allows you to frequently change your investment elections and contribution amounts.

- *Access Before Retirement*: Although the goal of the Plan is to help you save for retirement through long-term investment, there may be times before retirement when you need your money. Depending on your circumstances, you may be able to borrow from part of your account for those needs. You may request a withdrawal from your rollover or after-tax contributions at any time, which may be subject to tax consequences.

- *Benefit Payment Options*: If you leave the Company, you generally can elect the following benefit payment options: defer payment (until no later than your "required beginning date" as described further in the **RECEIVING YOUR PLAN BENEFIT** Section below), take a lump sum distribution, receive installment payments, or roll over your account. If you die, your designated beneficiary or beneficiaries will be eligible to receive your Plan account.

[1] "Columbia Gas" refers to the subsidiaries of NiSource Gas Distribution Group, Inc. other than Bay State Gas Company.

- *Benefit Information Access*: You can call Fidelity Benefits Service Center at **1-800-305-401k** (4015) for your Account information, 24 hours a day, seven days a week. You can also visit NetBenefits at www.401k.com to view your account online.

Plan Overview

The Plan is a "**401(k)**" plan. The term "401(k)" refers to a specific section of the Internal Revenue Code that authorizes this type of plan. This term describes the feature of the Plan that permits you to elect to have the Company contribute a portion of your pay from the Company to the Plan. These payments to your Account are called "**Elective Deferral Contributions**" or, if applicable, "**Catch-Up Contributions**." The Plan also allows you to make "**After-Tax Contributions**" to your Account. The Company makes "**Matching Contributions**" to encourage employees to participate in the 401(k) savings program and may make certain other contributions as described on the attached applicable Schedule (collectively, "**Company Contributions**"). The Plan also permits you to make "**Rollover Contributions**" to the Plan from another qualified retirement plan. (See "Rollover Contributions" section).

As a participant in the Plan, you will have a separate account (an "**Account**") established which will hold your share of all contributions to the Plan. Under the Plan, you will not receive a fixed dollar amount of retirement benefits. Instead, your actual distribution of funds will depend on the amount of your Account at the time you receive your benefit. At your retirement or termination of your employment, you are entitled to receive a distribution equal to the value of your Account. The balance of your Account will reflect the amount of the contributions that you made to your Account and contributions made by the Company, plus the return on your investments for the period of time you participated in the Plan.

The NiSource Benefits Committee (the "**Committee**") serves as administrator for the Plan (the "**Plan Administrator**"). The Plan Administrator utilizes Fidelity Investments ("**Fidelity**") to carry out a number of administrative tasks for the Plan. In addition, the Plan Administrator in its discretion may also delegate other administrative tasks to the Company's Human Resource Department or other designated individuals. See "Administrative Information" found later in this Summary. A trust fund ("**Trust Fund**") has been established for the purpose of holding funds contributed to the Plan. The Trust Fund is administered by a trustee (the "**Trustee**") appointed by the Committee. The Committee oversees all investment options offered under the Plan. You are permitted to direct the investment of the money in your Account.

About This Plan Summary

This handbook (including the attached applicable Schedule of Benefit Information, the "Schedule") serves as a Summary Plan Description ("**SPD**" or "**Summary**") of the Plan, prepared in accordance with the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"). It is not intended to be a complete description of the Plan, but merely a brief summary of Plan highlights. This Summary is based on official documents that may include policies, contracts, plans and trust agreements. Note that this Summary is not an invitation to participate in the Plan nor is it an offer to buy or sell securities. Your rights and benefits under the Plan are determined by the actual provisions of the Plan. Although every effort has been made to ensure that this explanation of the Plan is accurate, the official Plan document will always govern if there is any conflict between that document and this Summary. Likewise, any confusion about the Plan that arises from reading this Summary should be resolved by referring to the Plan document (and separate trust agreement, if applicable). This Summary does not interpret, extend or change the Plan in any way.

➔ Note that when you see this arrow symbol, you should be aware that an applicable Schedule at the end of this Summary more fully describes specific provisions of the Plan as it applies to you. Please refer to your specific Schedule as you review this Summary.

This Summary describes the Plan as it operates effective as of January 1, 2020. **We strongly urge you to read this Summary (including the attached applicable Schedule) in its entirety**. If you have further questions, or if you would like to read the Plan document (and/or trust agreement, if applicable), copies of the documents are available from the Company for a nominal charge.

The following designated sections of this Summary constitute part of a prospectus covering NiSource stock in the Plan: Plan Overview, Amendment or Termination of the Plan, Administrative Information, Your Investment Options, Available Stock Information, Eligibility and Enrollment, Additional Information Relating to Investment Options, Employee Contributions, Company Contributions, Plan Statements, Tax Consequences, Receiving Your Plan Benefit,

In-Service Withdrawals, Benefits Paid to Other Parties, Situations Affecting Your Plan Benefits and Appendix 1. Further, with respect to the Available Stock Information section and Appendix 1, these portions of the document are included solely to satisfy certain prospectus disclosure requirements under Securities and Exchange Commission rules and are not considered to be parts of the Plan's SPD.

While the Committee intends to continue the Plan described in this Summary, the Committee reserves the right to change, modify or discontinue the Plan and any of its terms at its discretion.

Highlights of the Plan

	ELECTIVE DEFERRAL CONTRIBUTIONS	AFTER-TAX CONTRIBUTIONS
VESTING	100% vested in your Elective Deferral Contributions, Catch-Up Contributions & the Company Contributions made to your Account and earnings	100% vested in your After-Tax Contributions and earnings
EMPLOYEE CONTRIBUTION **(See "Employee Contribution" Section)**	Can choose to contribute from 1% to 50% of your compensation. The maximum Elective Deferral Contribution under IRS limits for 2020 is $19,500	Can choose to contribute up to 25% of your compensation, subject to annual IRS limits (your combined Elective Deferral (including Catch-Ups) & After-Tax Contributions cannot exceed 75%)
"CATCH-UP" CONTRIBUTIONS AT AND AFTER AGE 50 **(See "Catch-Up Contributions" Section)**	$6,500 in 2020 *Catch-Up contributions are not eligible for match*	N/A
COMPANY CONTRIBUTIONS	See "Company Contributions" and attached applicable Schedule	See "Company Contributions" and attached applicable Schedule
OVERALL ANNUAL CONTRIBUTION LIMIT	The total amount of Elective Deferral Contributions, After-Tax Contributions and Company Contributions contributed to your Account cannot exceed $57,000 for 2020. If you are eligible to make Catch-Up contributions, the overall annual contribution limit is $63,500 for 2020.	
ELIGIBLE COMPENSATION	See "Compensation" as referenced under the "Contributions" section and described in the attached applicable Schedule	See "Compensation" as referenced under the "Contributions" section and described in the attached applicable Schedule
TAX ADVANTAGES	For pre-tax contributions—Your contributions *and* earnings are not taxed until distribution For Roth contributions – You pay taxes on your own contributions, but all earnings are tax free, even at distribution, provided certain requirements are met.	You pay taxes on your own contributions, but earnings are not taxed until distribution.
LOANS	Loans are available, subject to IRS rules and Plan restrictions	Loans are available, subject to IRS rules and Plan restrictions
IN-SERVICE WITHDRAWALS	• After age 59-½ • Company Contributions, under certain circumstances • Hardships	• Withdrawals of After-Tax Contributions can be made for any reason
DISTRIBUTION OPTIONS	• Lump Sum • Installments	• Lump Sum • Installments
SURVIVOR BENEFIT	Yes	Yes

PARTICIPATING IN THE PLAN

Eligibility and Enrollment

You must be an "**Eligible Employee**" to actively participate in the Plan (i.e., to become a "**Participant**" in the Plan). Generally, if you are a regular full-time or part-time employee of the Company, you are eligible to participate in the Plan as of the first pay period after your employment begins, as described in the attached applicable Schedule. Leased employees, interns, independent contractors and union employees who are not covered by a collective bargaining agreement providing for participation in the Plan are not Eligible Employees.

➔ See the attached applicable Schedule for a description of when you become eligible to participate in the Plan.

How to Enroll

If you would like enroll in the Plan, or adjust the automatic Pre-Tax Contribution amount (see below), you may do so through the Fidelity Benefits Service Center. As a newly eligible Participant, you will receive an enrollment packet with the enrollment, beneficiary designation and investment option forms. You may enroll in the Plan online at NetBenefits at **www.401k.com** or contact the Fidelity Benefits Service Center at **1-800-305-401k** (4015). To enroll, you will need to:

- Set up a Personal Identification Number (PIN);
- Elect what percentage of your Compensation you want to contribute to the Plan;
- Elect if your contributions should be deducted from your pay on a pre-tax, Roth (see "Contributions" section) or after-tax basis; and
- Elect the funds in which you want your contributions to be invested.

You will receive a written confirmation of the elections you make when you enroll in the Plan within 7 to 10 business days after enrolling. Alternatively, if you have elected to receive electronic communications regarding the Plan, you will receive a confirmation via email of your elections within 48 hours after enrolling.

Your actual payroll deductions will begin as soon as administratively possible.

Automatic Enrollment and Opting Out

Although participation in the Plan is voluntary, the Plan contains an automatic enrollment feature under which you will be deemed to defer a percentage of your Compensation (an "**automatic Pre-Tax Contribution**") unless you direct otherwise. You may elect not to participate in the Plan (and avoid automatic enrollment) by contacting Fidelity Benefits Service Center at **1-800-305-401k** (4015) or online at **www.401k.com** and completing the necessary forms to "opt out" of automatic enrollment in the Plan. Provided you have returned any required forms or completed the online process, your opt out election will be effective as soon as administratively practicable following your Plan eligibility date or any following monthly date.

➔ See the "Contributions" section below and the attached applicable Schedule to confirm whether the Plan's automatic enrollment provisions apply to you.

When Participation Begins

As an Eligible Employee, you can elect to be automatically enrolled in the Plan as described above (if the automatic enrollment provisions apply to you as described in "Contributions" section below and the attached applicable Schedule). Alternatively, you can enroll in the Plan and become a Participant on the first pay period after you begin employment (or as soon as administratively feasible thereafter). To enroll in the Plan (or change deferral elections if you were automatically enrolled in the Plan), you can log on to NetBenefits at **www.401k.com** or contact the Fidelity Benefits Service Center at **1-800-305-401k** (4015). Typically, you can expect your deductions to begin one or two pay periods after enrollment. **Please note**: there are no retroactive deductions for pay periods that occurred prior to your enrollment being processed.

When Participation Ends

Your participation in the Plan ends when:

- You are no longer an Eligible Employee;
- The Company terminates its participation in the Plan;
- The Plan ends; or
- You die.

Participation Upon Re-employment

Once you become a Participant in the Plan, you will continue to participate in the Plan as long as you are an Eligible Employee of the Company. If you terminate employment with the Company, your participation in the Plan (*i.e.*, additional contributions going into your Account) stops automatically on your date of termination. If you terminate employment after becoming a Participant and later return to employment, you are eligible to participate in the Plan as soon as administratively practicable following the date on which you are re-employed. You must re-enroll in the Plan to begin participating after your re-employment. Alternatively, if applicable and if you do not re-enroll in the Plan after your re-employment, you may participate in the Plan again pursuant to the automatic enrollment and opt out provisions described above.

CONTRIBUTIONS

Your retirement benefits from the Plan will be funded from contributions you and the Company make to your Account and from your Account's earnings on these contributions. A number of different types of contributions may be made, and different rules and conditions apply to each type of contribution. Some of the different types of contributions are based on or affected by your "Compensation" from the Company (as defined in the attached applicable Schedule). For all employees, Compensation shall include any differential wage payments made by the Company while an employee is on active duty in the uniformed services for a period of more than 30 days, and any one-time payments in lieu of salary increases. The Internal Revenue Service ("**IRS**") limits the amount of your Compensation that can be considered under the Plan. The limit is $285,000 for 2020.

➔ See the attached applicable Schedule for a description of how the Plan calculates your Compensation.

Employee Contributions

Elective Deferral Contributions and After-Tax Contributions

You may elect to have the Company make Elective Deferral Contributions (explained below) and After-Tax Contributions to your Account by electing to reduce the Compensation otherwise payable to you. As a Participant, you can elect to contribute by payroll deductions from 1 percent to 50 percent of your eligible Compensation on a combined pre-tax or Roth basis ("**Elective Deferral Contributions**") and up to 25 percent on an after-tax basis ("**After-Tax Contributions**"). Your combined Elective Deferral Contributions (including Catch-Up Contributions explained further below) and After-Tax Contributions cannot exceed 75 percent of your Compensation (subject to annual IRS limits).

The maximum amount you may contribute annually to the Plan as an Elective Deferral Contribution for 2020 is $19,500 (unless you are eligible to make additional Elective Deferral Contributions known as "**Catch-Up Contributions**," explained below). Periodically, this limit will be further adjusted by the IRS to reflect changes in the cost of living.

Under the Plan, there are **two types of Elective Deferral Contributions**:

- **Pre-Tax Contributions**. Currently, you may make Elective Deferral Contributions to the Plan by reducing your Compensation on a pre-tax basis in a specified percentage ("**Pre-Tax Contributions**"). All of your Pre-Tax Contributions are generally made before taxes are withheld. This means that you generally pay no federal or state income tax on the amount you defer until it is later withdrawn or paid to you as a retirement benefit.

- **Roth Contributions**: You may also elect to have all or a portion of your Elective Deferral Contributions under the Plan treated as designated Roth contributions ("**Roth Contributions**"). Roth Contributions are still considered Elective Deferral Contributions, but unlike Pre-Tax Contributions, Roth Contributions are included in your gross income and are taxed at the time they are contributed to the Plan. Qualified distributions of Roth Contributions and earnings will be tax free.[2]

Accordingly, you can elect to make Pre-Tax Contributions, Roth Contributions, or both, subject to the limitations stated above ($19,500 for 2020 or, if less, 50% of your Compensation). As noted above, in addition to these Elective Deferral Contributions, you may also elect to make After-Tax Contributions to your Account. While After-Tax Contributions and Roth Contributions are both contributed on an after-tax basis, these two kinds of contributions are

[2] In order to be a qualified distribution, the distribution must occur after one of the following: (1) your attainment of age 59½, (2) your disability (as defined by the Internal Revenue Code), or (3) your death. In addition, the distribution must occur after the expiration of a 5-year participation period beginning in the year in which you first make a Roth Contribution to the Plan (or to another plan if such amount was rolled over into the Plan) and ending 5 years later. If a distribution is not a qualified distribution, the earnings will be taxable income (though the distribution of associated Roth Contributions will still be tax-free).

different under the Plan and subject to different rules and restrictions. Please consider them separately when making your Plan contribution decisions.

Automatic Contributions

If the Plan's automatic enrollment provisions apply to you, you will be automatically enrolled in the Plan as of the first pay period that is 30 days from the date you are notified of the automatic enrollment. This means that amounts will be taken from your Compensation and contributed to the Plan by the Company on your behalf. These automatic contributions (also considered "**Elective Deferral Contributions**") will be made on a pre-tax basis and will be in the amount of 6% of your Compensation each pay period, unless otherwise provided on the applicable attached Schedule for you. You can elect to make more or less than this percentage amount as described below (see "Changing Your Contributions").

➔ See the attached applicable Schedule to confirm whether and how the Plan's automatic enrollment provisions apply to you.

Catch-Up Contributions

If you reach age 50 during the calendar year and you are making the maximum Elective Deferral Contribution allowed by the Plan or the Internal Revenue Code, you may make an additional Elective Deferral Contribution (either as a Pre-Tax or Roth Contribution or a combination of both) in the form of a Catch-Up Contribution each pay period. The maximum annual Catch-Up Contribution for 2020 is $6,500.

Catch-Up Contributions are a part of your Elective Deferral Contributions in your Account and they are fully vested and non-forfeitable at all times. Please note that these Catch-Up Contributions are not matched by the Company.

Changing Your Contributions

You may change the amount you are contributing at any time during the year, subject to any IRS limits that may apply. To increase or decrease the amount you are contributing or to suspend your contributions, go online to NetBenefits at **www.401k.com** or contact the Fidelity Benefits Service Center at **1-800-305-401k** (4015).

Transactions are processed the same business day for transactions made by the time the market closes and the end of the next business day if you make a transaction after such time, or on the weekend or a holiday. You will receive a written confirmation of your transaction from Fidelity within 7 to 10 business days, or, if you have elected to receive electronic communications regarding the Plan, you will receive an email confirmation of your transaction within 48 hours. It can take up to two payroll checks for your contribution change to be processed.

Automatic Increase Program

If you would like to contribute a smaller percentage of your Compensation and automatically increase that amount over time, the Plan offers an "Automatic Increase Program" in which you can elect to participate. Under this voluntary program, you can elect to contribute a percentage of your Compensation to the Plan, which will automatically increase in 1% increments up to the limits imposed by the Plan or the IRS. In other words, after you elect to enroll in the Automatic Increase Program, unless you change your Automatic Increase Program election, the automatic increases will continue until you reach an applicable limit. Under the program, you may choose the date and frequency that the increases go into effect. Note that the Automatic Increase Program applies only to Pre-Tax Contributions you elect to make, and does not apply to Roth Contributions. For more information or to enroll, go online to NetBenefits at **www.401k.com** or contact the Fidelity Benefits Service Center at **1-800-305-401k** (4015).

Rollover Contributions

You are permitted to roll over into the Plan pre-tax contributions from other qualified plans such as:

- Qualified retirement plans;

- Individual Retirement Account (IRAs);
- 403(b) plans; or
- Governmental 457(b) retirement plans.

By rolling over money into the Plan, you can continue to defer federal and state income tax on the money until you ultimately receive it. Rollovers are deposited into a Rollover Contribution Account within your Plan Account. You will not receive a matching contribution on any rollover you make to the Plan.

You may also be able to roll over Roth contributions from another qualified retirement plan. Note that with respect to Roth Contributions, you must satisfy a 5-year-taxable period before a distribution of Roth Contributions will be afforded the full taxation benefits available. This 5-year-taxable period will be treated as beginning with the earlier of (1) the first taxable year for which you made a Roth Contribution to the Plan, or (2) in the case of a rollover of Roth contributions from another plan, the first taxable year for which you made a Roth contribution to such plan. For more information on the rollover or distribution of Roth Contributions, see the "Contributions" and "Rollovers" portions of the "Tax Consequences" section later in this Summary.

In addition, a former employee who has retired from employment with NiSource after completing at least ten years of service and attaining age 55, and who has an account balance in the Plan, may make a rollover contribution to the Plan from any other qualified plan or individual retirement account ("**IRA**").

If you want to arrange a rollover, call Fidelity Benefits Service Center at **1-800-305-401k** (4015) for more information. Note that you must specifically designate how rollover funds will be invested (i.e., rollover funds are not automatically invested in the manner you have chosen for the rest of your Account). Thus, if you arrange for a rollover contribution but fail to designate how those funds will be initially invested, the rollover amount will be invested in a default investment fund or funds established by the Committee.

Company Contributions

In addition to the contributions noted above that you can make to the Plan, to the extent provided in the attached applicable Schedule you may also receive certain matching contributions and/or nonelective contributions (including "Employer Contributions" and "Profit Sharing Contributions") made by the Company.

Company "**Matching Contributions**" are additional contributions made by the Company each pay period to your Account based on the amount of Elective Deferral Contributions (but excluding Catch-Up Contributions) that you elect to contribute to your Account. In addition, as described in the attached applicable Schedule, the Company may also make Matching Contributions based on your After-Tax Contributions, if any.

➔ See the attached applicable Schedule for details on the Company Matching Contributions that you may receive and the applicable investment rules.

In addition to Company Matching Contributions, you may also receive certain contributions from the Company that are not dependent on the amount of Elective Deferral Contributions you make to the Plan. **Please see the attached Schedule that is applicable to you for an explanation of these additional Company Contributions**.

INVESTMENT OF ACCOUNT BALANCES

All contributions are deposited in the Plan's Trust Fund. The Plan generally permits you to direct the investment of your Account balance as described below. Your investment elections and the various investment options under the Plan are managed by the Plan's Trustee who is appointed by the Committee. The Committee may also employ professional investment advisors to assist in carrying out investment responsibilities. The Committee reserves the right to change investment procedures. In addition, the Committee may change the type and number of investment options which are available to you from time to time.

Note that the Trustee may invest Plan assets in short-term, interest-bearing investments or maintain in cash certain portions of the available funds during periods prior to distribution or investment, or when money is being transferred from one investment option to another. The Trustee selects the short-term investment vehicles to be used for this purpose.

Your Investment Options

The Plan offers a variety of investment options, each with a different objective. At the time of your enrollment, you must make your investment choices in whole 1% increments. For more complete information on the Plan's investment options, including historical fund performance, fees and expenses visit Fidelity NetBenefits at **www.401k.com**, log in and click on the plan name (NiSource Inc. RSP) and click on Investment Performance and Research, or visit the interactive tools on NetBenefits at **www.401k.com**. Additional help is available by calling the Fidelity Benefits Service Center at **1-800-305-401k** (4015).

For a brief description of the investment options available under the Plan, please refer to the Appendix at the end of this document. Periodically, you will receive information about changes in the investment options available to you. Please refer to this information and the information on Fidelity's website (see above) for the most up-to-date information on your investment options.

Investment Options for Automatic Pre-Tax Contributions

If you are automatically enrolled in the Plan (under the automatic enrollment process explained above), your automatic Pre-Tax Contributions will initially be invested in a default investment fund or funds established by the Committee in compliance with applicable rules and regulations established by the Department of Labor. Currently, the Committee has designated the FIAM Target Date Funds as the default investment option for automatic contributions (see attached Appendix for further information). Unless you elect otherwise, your automatic contributions will be invested in the appropriate FIAM Target Date Fund based on your age and anticipated date of retirement. You may subsequently change this default investment by following the procedures explained in the "Changing Your Investment Election" section.

Investment Options for Company Contributions

In general, Matching Contributions, Employer Contributions and Profit Sharing Contributions (collectively "Company Contributions") will be invested according to the investment elections that apply to your Elective Deferral Contributions, or, if you have not made any investment elections for your Elective Deferral Contributions, in the applicable default investment fund. You can redirect that money at any time into any of the other investment options available under the Plan.

Company Contributions made on behalf of Bay State Springfield Clerical/Technical and Northampton Unions will continue to be initially invested in the NiSource Stock Fund, subject to collective bargaining.

To the extent a portion of your Account is invested in the NiSource Stock Fund, you can elect whether to reinvest any dividends from the NiSource Stock Fund or receive it in cash. However, if the dividend is less than $10, it will automatically be reinvested. If you do not make an election, your dividend will automatically be reinvested.

If you elect to receive your dividend in cash, it will be subject to income taxes in the year you receive it. However, it is not subject to the 10% penalty tax that applies to premature distributions from your Plan. No taxes will be withheld from your dividend check. You will be responsible for making all tax payments when you file your income tax return. Applicable tax forms will be provided to you by Fidelity.

To make an election, contact the Fidelity Benefits Service Center at **1-800-305-401k** (4015).

Changing Your Investment Election

You may make investment transfers (reallocations) at any time. You can move in percentages, dollar amounts, or number of shares among investment options. To make transfers in your Account, log on to NetBenefits at **www.401k.com**, or contact the Fidelity Benefits Service Center at **1-800-305-401k** (4015).

There is generally no limit to the number of times you may change your investment elections per year, but you can make only one change per day. There may, however, be short-term trading and excessive trading restrictions as outlined in the prospectus for each investment option. Transactions are processed the same business day for transactions made by the time the market closes and the end of the next business day if you make a transaction after such time, or on the weekend or a holiday. You will receive a written confirmation of your transaction from Fidelity within 7 to 10 business days.

Additional Information Relating to the Investment Options

Investment Funds

The value of Plan accounts invested in a fund other than the NiSource Stock Fund will be net of any investment manager fees that may be charged with respect to that particular fund. The prospectus for each fund describes the fees and expenses associated with investing in that fund. You will not be charged any fees or expenses with respect to investments in the NiSource Stock Fund.

Equity securities in the funds, except for the NiSource Stock Fund, will be voted by the Trustee. If any portion of your Account is invested in the NiSource Stock Fund, you are entitled to exercise any voting, tender or similar rights attributable to the shares of such stock that are allocated to your Account. The Company will furnish the Trustee with notices and information statements when voting, tender and similar rights are to be exercised. The Trustee will notify you of each occasion for the exercise of voting, tender and similar rights and will forward copies of any proxy material within a reasonable time after it is secured from the Company or the issuer of the stock. You may elect to exercise your right by filing written voting or tender instructions with the Trustee at the time and in the form specified by the Trustee. Any instructions that you submit to the Trustee will be held in the strictest confidence and will not be divulged or released to any person including officers, directors or employees of the issuer of the stock. The Plan Administrator will establish procedures designed to safeguard the confidentiality of information as to your purchase, holding and sale of interests in the NiSource Stock Fund, and your exercise of voting, tender and similar rights with respect to common stock held therein (except to the extent necessary to comply with federal laws or with state laws that are not preempted by ERISA). The Trustee will not tender shares of stock allocated to your Account if it does not receive your instructions by the specified deadline. With respect to voting of shares, if you do not provide instructions by a deadline specified for a voting matter, the Trustee shall vote shares of the applicable stock allocated to your Account in the same proportion as it votes shares for which the Trustee did receive instructions.

If you exercise your tender rights, the proceeds obtained when your shares of such stock are sold will be invested in the available investment funds, other than the NiSource Stock Fund (if applicable), in the same proportions as are included in your investment election on file with the Plan.

Compliance with Securities Laws

The Company intends to only sell or issue shares of NiSource common stock under the Plan to the extent that such sale or issuance does not constitute a violation of applicable federal or state securities law or regulation or a violation of any other law or regulation of any governmental authority or any national securities exchange on which the NiSource common stock is then trading. As a condition to any sale or issuance of shares of NiSource common stock,

the Company may place legends on shares, issue stop transfer orders, and require such agreements or undertakings as the Company may deem necessary or advisable to assure compliance with any such law or regulation, including, if the Company or its counsel deems it appropriate, representations from the participant that he or she is acquiring the shares solely for investment and not with a view to distribution and that no distribution of the shares will be made unless registered pursuant to applicable federal and state securities laws, or in the opinion of counsel of the Company, such registration is unnecessary.

Accounting Methods Used for Record Keeping

The Plan uses units rather than shares to account for contributions to the NiSource Stock Fund. This means that your investment in these funds is maintained in units, not actual shares. Each unit has a value that is calculated by dividing the total market value of the fund by the total number of units held in the fund. The number of units you hold in the fund increases or decreases as you make contributions, withdrawals, or transfers into or out of the fund. The value of your Account in the fund at any time is equal to the unit value multiplied by the number of units you hold. To find out the approximate number of actual shares of stock represented in the NiSource Stock Fund, divide the fund value by the current share price of the applicable stock.

The other investment funds are subject to share accounting, which means that your investment in these funds is maintained in actual shares of the fund. Thus, shares are bought and sold to cover your contributions, withdrawals or transfers into or out of the fund.

Purchase and Sale of Stock Fund Holdings

NiSource stock is listed on the New York Stock Exchange. The Plan generally purchases or sells NiSource stock as soon as administratively possible after it receives any election by a participant to transfer amounts invested in this option. Each such purchase or sale will be made at the market price for the applicable stock on the New York Stock Exchange at the time of the purchase or sale.

Insider Trading Restrictions.

All transactions involving shares of NiSource common stock by any participant in the Plan, including any reallocation or transfers of account balances under the Plan that result in the acquisition or disposition of shares of NiSource common stock, are subject to the insider trading provisions of Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, and the Company's Securities Transaction Compliance Policy (as in effect at the time of such transaction, "**Insider Trading Policy**"). Accordingly, unless the protections of Exchange Act Rule 10b5-1 are available to the participant, a participant may not acquire or dispose of shares of NiSource common stock under the Plan at any time when a participant is in possession of material, non-public information about the Company or, with respect to participants subject to the trading window set forth in the Insider Trading Policy, during such time when the trading window is closed.

Section 16 of the Securities Exchange Act of 1934

If you are subject to the short-swing profit provisions of Section 16 of the Securities Exchange Act of 1934 (an "insider"), you may be limited in your ability to purchase and sell NiSource stock under the Plan, including in the context of loans and hardship distributions. Further information covering the operation of Section 16 to insiders will be provided by the Company.

Resale Restrictions

Although the Company has registered the sale of NiSource stock pursuant to the Plan, special restrictions may apply to the resale of the shares distributed to you from the Plan if you are an "affiliate" of the Company at the time of the resale, as such term is used in Rules 144 and 405 of the Securities Act of 1933. An affiliate of the Company may not reoffer or resell NiSource shares without further registration under the Securities Act of 1933 unless the reoffer or resale is pursuant to an applicable exemption, such as Rule 144. Generally, only the Company's executive officers would be considered affiliates of the Company. Any person who may be an affiliate may wish to consult with legal counsel before transferring any NiSource stock.

Risks Associated with Investment in NiSource Common Stock

Investment options with the potential for long-term growth generally entail higher risk of loss. That's especially true with single-stock investments, such as the NiSource Stock Fund, because the value of the stock stands on its own with no additional investments to potentially offset any losses. We strongly encourage you to carefully review your Account's investments and the amount you have invested in the NiSource Stock Fund in light of the potentially higher degree of risk related to investing in a single stock versus a mutual fund investment option, as well as diversifying risk across different types of investment options. To demonstrate the risk of volatility when investing in Common Stock, consider these examples:

> Assume that your Account is worth $100,000, 80% of that amount is invested in the NiSource Stock Fund, and the value of NiSource common stock on the New York Stock Exchange is $27.84 per share.[3] If the Common Stock's value on the New York Stock Exchange drops to $20.00 while the remaining 20% of your Account maintains its value, the value of your Account would decrease by approximately 22.53% (i.e., $22,529).
>
> Now imagine the same facts as above, but assume the value of the NiSource common stock on the New York Stock Exchange drops more significantly – such as by 50% (the value of stock hypothetically drops to $13.92). Your Common Stock Fund value would be worth $40,000. If we assume no change in value for the remaining 20% of your Account, your Account would be worth $60,000, representing an overall decline in value of 40%.

Independent Fiduciary

Effective November 25, 2019, Newport Trust Company ("Newport Trust") was appointed as independent fiduciary and investment manager of the NiSource Inc. Company Stock Fund (the "NiSource Stock Fund"). Newport Trust shall at all times have the exclusive fiduciary authority under the Plan and ERISA, in its sole discretion, to determine whether continuing the NiSource Stock Fund as an investment option in accordance with the terms of the Plan is prudent under ERISA. In exercising its authority, Newport Trust is responsible for determining whether to (i) suspend or prohibit investment of future contributions in the NiSource Stock Fund; (ii) suspend or prohibit transfers of participant account balances into the NiSource Stock Fund; (iii) liquidate some or all of the shares of Common Stock held in the NiSource Stock Fund; (iv) suspend or prohibit transfer of participant account balances out of the NiSource Stock Fund during any period in which Newport Trust is directing the liquidation of some or all of the shares of Common Stock held in the NiSource Stock Fund; and (v) direct the reinvestment of the proceeds from any liquidation of shares of Common Stock held in the NiSource Stock Fund. Newport Trust has no responsibility for any investment funds under the Plan other than the NiSource Stock Fund.

The appointment of Newport Trust as independent fiduciary for the NiSource Stock Fund has no impact on the Plan participants' ability to direct the investment of their account balances in the Plan. As described in the Your Investment Options section above, Participants have the ability to direct the investment of their future contributions and/or account balances among the Plan's investment options by making an investment election in accordance with the Plan's terms, subject to Newport Trust's right to limit investment in the NiSource Stock Fund as described above.

Participants who have questions regarding the appointment of Newport Trust as a fiduciary or the NiSource Stock Fund may contact Newport Trust at nisourceplan@newportgroup.com.

For More Information About Plan Investments

Additional information about the investment options offered by the Plan is available upon request. You may request information regarding each investment option (e.g., annual operating expenses, prospectus documents, financial statements, reports and other materials) by contacting the Fidelity Benefits Service Center at **1-800-305-401k** (4015) or visit the interactive tools on NetBenefits at **www.401k.com**.

[3] This reflects the price of one share of NiSource Inc. common stock (NI) as of the close of trading on Tuesday, December 31, 2019.

Results of Recent Performance of the Investment Options

The Appendix found at the end of this document includes certain information about the relative historical performance of each of the currently available investment funds. Participants are advised that past performance is not necessarily indicative of the future performance of these funds. As previously stated, periodically, you will receive materials that update the information found in the attached Appendix. Contact the Fidelity Benefits Service Center if you have questions about the investment options.

Limiting Investment Liability

The Plan is intended to meet the provisions of Section 404(c) under ERISA. This means that Plan fiduciaries (those responsible for administering the Plan) may be relieved of liability for losses resulting from your investment instructions.

As a Plan participant, you may request (and the Plan fiduciary must provide):

- A description of the annual operating expenses of each investment option (e.g., investment management fees, administrative fees and transaction costs) which reduce the rate of return to participants, and the total amount of such expenses expressed as a percentage of the investment option's average net assets.
- Copies of any annual reports, financial statements and reports, and any other materials relating to the investment options available under the Plan, to the extent such information is provided to the Plan.
- A list of the assets in the portfolio of each investment option; the value of each asset (or the proportion of the investment option which it comprises); and the fixed-rate investment contracts, the name of the bank, savings and loan association, or insurance company issuing the contract, the term of the contract and the rate of return of the contract.
- Information concerning the value of shares or units in the available investment options, as well as the past and current investment performance determined, net of expenses, on a reasonable and consistent basis.
- Information concerning the value of shares or units in the investment options held in your Account.

Available Stock Information

The Company is offering a maximum of 12,892,416 shares and an indeterminate number of participation interests in connection with the NiSource Stock Fund of the Plan. The Company most recently registered 900,000 of such shares on the Company's Form S-8 filed on November 1, 2018 (File No. 333-228102) (the "**Registration Statement**").

The Company and the Plan are required to file documents with the SEC pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities and Exchange Act of 1934. All such documents filed by NiSource or the Plan after the effective date of this SPD will be considered incorporated by reference in the Registration Statement and this SPD and Prospectus until the Company or the Plan files a post-effective amendment that states that all NiSource stock offered by the Registration Statement has been sold, or deregisters all NiSource stock that remains unsold. Incorporated by reference into this Prospectus are the following documents and information filed with the SEC:

- NiSource Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed February 28, 2020) (File No. 001-16189);
- The Plan's Annual Report on Form 11-K for the year ended December 31, 2018 (filed June 26, 2019) (File No. 001-16189);

- All other reports NiSource Inc. has filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 since December 31, 2019 (File No. 001-16189); and

- The description of NiSource Inc. Common Stock set forth under the caption "Description of Capital Stock" contained in NiSource's Amendment No. 1 to Registration Statement on Form S-4, filed on April 24, 2000 (File No. 333-33896-01), together with any amendment or report filed with the Commission for purposes of updating such description.

The Company will provide, without charge to each Plan participant, upon his or her written or oral request: (i) a copy of any of the documents incorporated by reference in the Registration Statement other than exhibits to such documents which are not specifically incorporated by reference into the information that this document incorporates, and (ii) a copy of its Annual Report to Shareholders for its most recent fiscal year. Requests for copies of these documents should be directed to the Plan Administrator as follows:

NiSource Inc.
Attention: NiSource Benefits Committee
801 East 86th Avenue
Merrillville, IN 46410
1-219-647-4334

IN-SERVICE WITHDRAWALS

Access to Your Account While Employed

In general, the Internal Revenue Code contains restrictions on when you can get access to money that has been set aside in your Account in the Plan. These restrictions are imposed because of the tax benefits you receive in conjunction with making contributions to the Plan. The Plan generally does not allow you to withdraw any portion of your Account prior to the time that you terminate employment, retire, become disabled, die, or reach age $59^{1/2}$.

You are, however, permitted to obtain access to your Account or portions of your Account under certain circumstances. If you meet certain requirements, you may make a loan withdrawal from the Plan. In addition, you may be permitted to access your Account in the event of financial hardship. Finally, as explained below you may withdraw any After-Tax Contributions or Rollover Contributions that you have made to the Plan at any time while you are an active employee, and certain Company Contributions.

Except as otherwise provided in the Voluntary Withdrawals subsection below, any amounts withdrawn will be taken pro-rata from the various investments in which your Account is invested. Withdrawals from your Account invested in the NiSource Stock Fund or any other stock fund maintained under the Plan may be made in cash and/or stock at your request. Note that, like distributions upon termination, in-service withdrawals from your Account can have tax implications. You should consult your own tax advisor concerning any distribution that you receive from the Plan.

Loans

You may apply for a loan from the Plan while you are still an active employee by logging on to NetBenefits at **www.401k.com** or contacting the Fidelity Benefits Service Center at **1-800-305-401k** (4015).

- When you take a loan from the Plan, you are borrowing from yourself and paying your Account back with interest. If you pay your loan back as agreed, your loan is not subject to income or penalty taxes.
- You may borrow from your Account for any reason.
- You may have up to two loans outstanding at any time from all Company-related retirement savings plans. Note if you pay off one of two outstanding loans, there is a 14-day waiting period before you can apply for a new loan.
- The minimum loan amount is $1,000.
- The maximum loan amount is the lesser of: (1) $50,000 reduced by any outstanding loan balances over the previous 12 months; and (2) 50 percent of your total vested account balance. Loan repayments, plus interest, are automatically deducted from your paycheck through after-tax payroll deductions.
- Loans are taken from your investment options on a pro rata basis.
- The loan term can be from one to five years (15 years if the loan is to purchase your primary residence), as long as you will receive a paycheck in an amount at least as much as the loan repayment each pay period. You may also make a lump-sum repayment of the full amount remaining on your loan balance at any time. However, lump-sum payments of only a partial amount of your outstanding loan will not be accepted.
- The interest rate applied on these loans is the prime rate supplied by Reuters on the last day of the previous month.

- You can repay your loan(s) in full and without penalty at any time.

- If you fail to make any required loan payments, the balance of your loan (and any other charges or expenses incurred because of your default) will be treated as a taxable distribution to you on your default date and will be deducted from your Plan Account. Note that defaulted loans can prevent you from taking additional loans from your Plan Account in the future.

- If you are on leave due to disability (as defined by the Plan) and cannot repay your loan because your leave is unpaid or paid at a rate below your scheduled loan repayments, your loan repayments may be suspended for up to one year, provided that your loan is repaid within the IRS-mandated maximum period. If you are on a qualifying leave for active military service, your loan repayments may be suspended regardless of pay, and your loan repayment period may be extended by the duration of your military leave.

- If your employment with the Company terminates or if you no longer receive compensation from the Company (e.g., you are receiving long-term disability benefits), payments of principal and interest on any outstanding loan may be made through direct debit from your bank account, in accordance with the electronic loan payment procedures established by the Plan Committee. If you do not authorize payments through direct debit from your bank account, your outstanding loan will be considered in default.

- Loans are processed and serviced by Fidelity. A $50 loan origination fee will be deducted from your 401(k) Account for each loan.

- Typically, you can expect to receive a check within five to eight business days after your loan is approved. Your signature on the back of the check will indicate your approval of the loan terms contained in the accompanying paperwork.

Hardship Withdrawals

You can withdraw up to your entire Account balance attributable to Elective Deferral Contributions, Catch-up Contributions and all earnings thereon for financial hardships as defined by the IRS. IRS regulations currently define hardship withdrawals as:

- Purchase of your primary residence (but not mortgage payments);

- Tax deductible medical expenses for yourself, your spouse, your dependents or your beneficiary;

- Tuition and related educational fees (including room and board) for up to the next 12 months of post-secondary education for yourself, your spouse, your dependents or your beneficiary;

- Prevention of eviction from, or foreclosure on, your primary residence;

- Funeral expenses for your spouse, your dependents or your beneficiary;

- Expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income or whether the loss occurred as a result of a federally-declared disaster); or

- Any other need as the Committee, or its delegate, determines to be a hardship expressly specified in Treasury Regulations announced by the Commissioner of the Internal Revenue Services issued under Code Section 401(k).

You will have to provide documentation of the hardship showing an immediate and serious financial need and the amount required to meet the hardship. Your withdrawal cannot be more than the amount required to meet the financial

hardship, plus a reasonable estimate of amounts needed to pay federal, state or local income taxes or penalties, up to certain limits. A hardship withdrawal is considered taxable income to you, and if you are not yet age 59$^{1/2}$, may also be subject to a 10% penalty tax.

When you take a hardship withdrawal, the IRS and the Plan also impose certain other rules that will affect your Plan participation:

- If you maintain any investments in the NiSource Stock Fund, you must elect to receive any dividends attributable to your Account invested in the NiSource Stock Fund. Note that Section 16 Officers are not eligible to take hardship withdrawals from the NiSource Stock Fund.
- You will need to withdraw any available After-Tax Contributions, Rollover Contributions and Company Matching Contributions, to the extent available, plus the earnings on those contributions first.
- You will also need to represent in writing or by an electronic medium, that you have insufficient cash or liquid assets reasonably available to satisfy the financial need.

Other In-Service Withdrawals

In addition to loans and hardship withdrawals, you may be able to make the following withdrawals from your Account while you are an active employee:

- Withdrawals of any amount of your vested Account after age 59$^{1/2}$;
- Voluntary withdrawals from the After-Tax Contributions, Rollover Contributions, Company Contributions in your Account; or
- Withdrawals during military service.

You can request a minimum withdrawal of $250 (or your entire balance, if lower). Distributions will be taxed as ordinary income in the year withdrawn and may also be subject to an early withdrawal penalty if taken before age 59½, unless eligible rollover distributions are rolled over to another qualified plan or an IRA. (This excludes any withdrawals of After-Tax Contributions.) A 20% mandatory federal income tax withholding applies to withdrawals that are eligible for rollover that are not directly rolled over to another qualified plan or an IRA.

For more information or to request a withdrawal, log on to NetBenefits at **www.401k.com** or contact the Fidelity Benefits Service Center at **1-800-305-401k** (4015). Note that processing fees may apply to an in-service withdrawal.

Withdrawals After Age 59½

Once you reach age 59½, you are eligible to make withdrawals from all or a portion of your vested Account balance in the Plan. Your distribution will be processed as soon as administratively practicable following your request for withdrawal.

Voluntary Withdrawals (After-Tax, Rollover, Company Contributions)

If you have made After-Tax and/or Rollover Contributions to the Plan, you may make a full or partial withdrawal of those funds while you are an active employee. Although you are not taxed on the withdrawal of your After-Tax Contributions, you will be taxed on your Rollover Contributions and earnings on both your After-Tax and Rollover Contributions.

Unless the attached applicable Schedule provides otherwise, you may withdraw any portion or all of your Company Contributions from your Account, provided that you have been a Participant in the Plan for at least 60 months. If you have been a Participant in the Plan for less than 60 months, you generally may not withdraw your Company Contributions. If you are withdrawing Company Contributions, you will be taxed on your withdrawal.

Withdrawals are funded by a pro-rata withdrawal from your investment options, unless otherwise requested with respect to the NiSource Stock Fund or any other single employer stock fund offered under the Plan, and are made in cash, unless otherwise specifically requested for the NiSource Stock Fund or any other single employer stock fund (if applicable). Contact the Fidelity Benefits Service Center at **1-800-305-401k** (4015) for additional details.

Withdrawals During Military Service

You may be eligible to make a withdrawal from your vested Account balance in the Plan if you are performing active service in the uniformed services for a period of more than 30 days. If you qualify for this withdrawal right, you may request withdrawal of all or a portion of your vested Account balance. However, if you elect to receive such a withdrawal, you will not be allowed to contribute to the Plan for six months from the date of withdrawal. Following the six-month suspension period, you will be automatically reinstated into the Plan at your previous deferral percent and investment elections that were in effect prior to the withdrawal suspension period.

RECEIVING YOUR PLAN BENEFIT

When Your Benefit is Paid

You or your beneficiaries are entitled to receive the full value of your Account as soon as possible after:

- You terminate employment with the Company;
- You qualify for disability under the Plan; or
- You die.

If your Account balance is $5,000 or less when you terminate employment, the Plan Administrator automatically pays you your Account balance as soon as administratively practicable following your termination. See the following "Forms of Benefit Payment" section for an explanation of how this automatic distribution may be made. Otherwise, if the value of your Account is over $5,000, you can elect to receive the value of your Account, or you may defer payment to a later date. *If you defer payment to a later date, your Account will remain invested in the Plan's investment options. You can change your investment option election at any time under the regular rules of the Plan*.

By law, you must begin to receive payment of your Account balance by the April 1 of the calendar year following the later of either (1) the year you reach your "required beginning date", or (2) the year in which you retire.

If you reached age $70^{1/2}$ before January 1, 2020, your "required beginning date" is the date you reach age $70^{1/2}$. If you will reach age $70^{1/2}$ on or after January 1, 2020, your "required beginning date" is the date you reach age 72.

Forms of Benefit Payment

Regardless of when you elect to receive your benefit, your Account balance will be distributed to you (or your beneficiary) in one of the following forms:

- *Lump Sum* (Your entire benefit paid directly to you or rolled over to an Individual Retirement Account/Annuity ("**IRA**") or another employer's retirement plan);
- *Partial Lump Sum* (A portion of your benefit paid directly to you or rolled over, as described above, and the remaining portion of your benefit paid at a later date); or
- *Installments (annual, semi-annual, quarterly or monthly)* (Your benefit paid in regular installments directly to you or in certain instances, as a rollover).

Note that if your Account balance is less than or equal to $5,000 at your termination, you are not eligible to elect installment payments. Instead, the Plan automatically pays your benefit as a lump sum, which you can elect to receive directly or roll over to an IRA or another employer's retirement plan. If you (or your surviving spouse in the event of your death) do not make an election (direct payment vs. rollover), then the Plan will pay your benefit as follows: (1) if your Account balance is $1,000 or less, the Plan Administrator will pay your benefit directly to you as a lump sum payment; and (2) if your Account balance is more than $1,000 but less than or equal to $5,000, the Plan Administrator will roll your balance to a designated IRA. See "Rollovers" found later in this Summary for further information on rollovers generally.

Unless you elect otherwise, the balance of your Account invested in the NiSource Stock Fund will be distributed in installments of not more than five years (unless such balance exceeds a certain limit). You may request that your Account in the NiSource Stock Fund be paid to you in shares of Company common stock, in cash or in a combination of the two.

DEATH BENEFITS

If you die before your Account balance has been paid to you, the Plan will distribute your Account balance as a death benefit to your surviving spouse or other beneficiary you have named under the rules of the Plan (provided the proper forms have been filed) as described below. No separate death benefit is payable after your Account balance has been distributed from the Plan.

Form and Timing of Death Benefit

Your Account balance will be paid to your surviving spouse or other named beneficiary in one of the following forms:

- Lump Sum (full or partial, but subject to any death benefit timing requirements)
- Installments (annual, semi-annual, quarterly or monthly)

In general, any death benefit payment(s) of your Account can be made as soon as administratively practicable following your death and after filing any required paperwork. In any event, your entire Account will be distributed to your beneficiary, or to the parties listed in the portion of the "Designation of Beneficiary" section below that applies if you fail to designate a beneficiary, by the fifth anniversary of your death.

In addition, your beneficiary may be able to roll over your Account balance to an IRA or another retirement plan. See the "Rollovers" portion of the "Tax Consequences" section later in this Summary for more information.

If you have outstanding Plan loans at the time of your death, your beneficiary may elect to pay off the remaining balance. If your beneficiary does not pay off the balance, the balance (and any other charges or expenses incurred because of the default) will be treated as a taxable distribution and will be deducted from your Plan Account.

Designation of Beneficiary

When you enroll in the Plan or make a Rollover Contribution, you should name a beneficiary (someone to receive your benefits from the Plan in the event of your death) by completing a beneficiary designation online through NetBenefits at **www.401k.com**. You may also request a paper beneficiary designation form online or by calling the Fidelity Benefits Service Center at **1-800-305-401k** (4015).

You may designate any person or persons, or a trust fund, as your primary beneficiary to receive death benefits that are payable from the Plan. You may also designate a contingent beneficiary who will receive your benefits in the event your primary beneficiary does not survive you.

If you are married: By law, if you are married, your spouse is automatically your beneficiary unless you designate someone else. If you wish to designate someone else, your spouse must give his or her consent in writing by signing the beneficiary designation form in the presence of a notary public or a Plan representative. The beneficiary designation form provided to you will contain a place for your spouse to sign to consent to your designation of someone else as your primary beneficiary. If you are married and your spouse will not consent to your designation of someone else, then this designation will not be valid and your spouse will be treated as your primary beneficiary. If your marital status changes, it is important that you complete a new beneficiary designation form. See "In the Event of Divorce or Dissolution" (the following section) for an explanation of how a divorce may affect your beneficiary designation under the Plan.

If you are single: If you are single, you may name anyone as your beneficiary.

If you fail to designate a beneficiary, your benefits will be payable as follows:

- To your surviving spouse, or if none;

- To your descendants, per stirpes, or if none;
- To your father and mother, in equal parts, or if none;
- To your brothers and sisters, in equal parts, or if none;
- To your estate.

You may change your beneficiary at any time by making a new beneficiary designation through NetBenefits at **www.401k.com**, or by requesting and submitting a new form. However, if you name someone other than your spouse, your spouse must give his or her consent by signing the beneficiary designation form in the presence of a notary public or a Plan representative.

IN THE EVENT OF DIVORCE OR DISSOLUTION

If you are married and you go through a divorce or dissolution, such proceedings may affect your Plan benefit or your beneficiary designation under the Plan, as explained below. *If your marital status changes, you must inform the Plan Administrator by contacting the Fidelity Benefits Service Center at* **1-800-305-401k** (4015).

Beneficiary Designations After Divorce/Dissolution

If you are married and your marriage terminates by reason of divorce, dissolution or other similar operation of domestic relations law, any beneficiary designation you have previously made will remain unchanged. Note that while some state laws may invalidate a spousal beneficiary designation upon divorce, that is not the case under the Plan. Upon divorce, if you had named your former spouse as your beneficiary under the Plan, your beneficiary designation will not change unless you make a new beneficiary designation that revokes your prior beneficiary designation, or you remarry.

If you subsequently re-marry a different spouse, your previous beneficiary designation is *automatically* revoked and your new spouse becomes your beneficiary, unless a valid "qualified domestic relations order" provides otherwise. As explained below, a qualified domestic relations order may limit your ability to name another beneficiary in the event of a divorce or dissolution.

Qualified Domestic Relations Order (QDRO)

By federal law, the Plan must comply with a qualified domestic relations order ("**QDRO**"). A QDRO is a legal judgment or decree that recognizes the rights of or support obligation toward a spouse, former spouse, child or other dependent. A domestic relations order must satisfy specific requirements to be "qualified," and it must be recognized by the Plan Administrator.

If required by a QDRO, all or a portion of your benefit may be assigned to your former spouse or a dependent rather than you or your designated beneficiary to meet obligations for the division of marital property rights, for child support or alimony. A QDRO may require that your former spouse be treated as your surviving spouse for all or any part of the survivor benefits payable after your death. This means that if you re-marry, your subsequent spouse may not be treated as your surviving spouse for the portion of your benefit assigned to your former spouse if a valid QDRO so provides.

You and your beneficiaries may obtain, free of charge, a copy of the procedures used to determine the "qualified" status of a domestic relations order from the Plan Administrator. You or your spouse should submit a draft version of a domestic relations order to the Plan Administrator for review and approval before such order is finalized under domestic relations law.

As soon as you are aware of any domestic relations proceedings that may affect your Account, contact the Plan's QDRO administrator as follows: (a) call 1-888-640-3320; (b) send an e-mail to QOCenter@alight.com; or (c) visit the website at www.QOCenter.com. When the Plan Administrator receives notice of a pending QDRO, a hold will be placed on your Account that will prevent you from making any withdrawals, including any distributions, loans or hardship withdrawals, until the QDRO is processed.

TAX CONSEQUENCES

How and When Your Plan Benefits Are Taxed

Generally, federal and state income tax laws do not require you to pay tax on your Plan benefits until you actually receive a distribution under the Plan. Once you receive a benefit payment, however, you will have taxable income on this payment in the year your receive it. In the year of any distribution from the Plan, you will receive a tax form that will provide you with the information you need to file your taxes.

The discussion of Federal income tax consequences that follows is included for general information only. It does not describe all relevant tax matters (such as state and local income and inheritance taxes and federal estate and gift taxes) that should be considered in connection with participation in the Plan and does not completely describe all provisions associated with the tax matters discussed. Accordingly, you should not rely exclusively on this discussion and are advised to consult a personal tax adviser for tax planning relevant to the Plan.

Withholding Requirements

Your benefit payments are subject to withholding for federal income taxes. (Note that your benefit payments may be subject to state and local taxes, including tax withholding, as well.) "Withholding" is an advance payment on federal income taxes that you may owe as a result of any Plan distributions that you receive. When making a distribution, the Plan is required by law to withhold 20% of your payment unless you make a direct rollover to an IRA (including to a Roth IRA) or to another retirement plan (see the Rollovers section below).

Contributions

The Plan is a qualified plan under Sections 401(a), 401(k) and 401(m) of the Internal Revenue Code. As a result, the amount of your Compensation that you elect to defer under the Plan through Pre-Tax Contributions, Company Contributions and Rollover Contributions, and any earnings thereon, are not subject to federal income taxes until you or your beneficiary withdraws or receives a distribution of these amounts.

The amount of your Compensation that you elect to defer through Roth Contributions, in contrast, will not be subject to federal income taxes at distribution because these amounts were already taxed at the time they were contributed to the Plan. Earnings on Roth contributions will also not be subject to federal income taxes at distribution provided the distribution is a "qualified distribution." A distribution of Roth Contributions is generally a qualified distribution if it has been in the Plan for five taxable years and is made after the earliest of your attainment of age 59½, death or disability. If the distribution is not a qualified distribution, then the portion of the distribution representing your Roth Contributions will not be taxable to you, but the portion of the distribution representing earnings on the Roth Contributions will be taxable to you in the year you receive the distribution, unless you comply with the rollover rules as described below.

The amount of your Elective Deferral Contributions (Pre-Tax Contributions and Roth Contributions) will be included in your income in the year in which these amounts are considered earned for purposes of Social Security (FICA) taxes. In addition, some states, cities or counties may impose taxes on your Elective Deferral Contributions.

Although After-Tax Contributions are deducted from your Compensation after all applicable taxes have been withheld, the earnings on such contributions are not subject to federal income taxes until you or your beneficiary withdraws or receives a distribution of these amounts.

Distributions

In addition to being taxed as ordinary income, the taxable portion of a distribution you receive from the Plan before you reach age 59½ may be subject to a nondeductible federal penalty tax of 10%, unless the distribution or withdrawal is (1) rolled over to another eligible retirement plan or to an IRA, (2) made to a beneficiary after your death, (3) made on account of your termination due to disability, (4) made after you have separated from service with the Company, if the separation occurred during or after the year you reached age 55, (5) made to you for payment of medical expenses that could be deducted on your tax return, (6) paid in equal installments over your life or life expectancy or the lives or life expectancy of you and your beneficiary, or (7) made to an alternate payee pursuant to a qualified domestic relations order.

Note that these rules apply to in-service withdrawals as well as distributions upon termination of employment.

To the extent that you receive shares of Company stock, your tax liability is based on the value of the stock that is contributed to the Plan for the Company Matching Contributions to your Account. This value is taxed at ordinary income tax rates. Tax on any gain is deferred until you actually sell the stock. At that time, any gain is taxed at the capital gains tax rate.

Rollovers

You generally can roll over a distribution or withdrawal of your Account to an eligible retirement plan that accepts rollovers or to an IRA, if the distribution is an "eligible rollover distribution" as defined in the Code. If you roll over a distribution of your Account to an eligible retirement plan or a traditional IRA, the amount rolled over and earnings thereon are not subject to income tax until subsequently distributed to you or your beneficiary. If you roll over your distribution to a Roth IRA, the amount rolled over is subject to income tax in the year of the rollover. As stated above, any taxable amount of an eligible rollover distribution that is not rolled over will be subject to a mandatory 20% withholding requirement.

You may roll over an eligible rollover distribution that consists of Roth Contributions and earnings (whether or not it is a qualified Roth distribution) either (1) by direct rollover to another 401(k) Plan or 403(b) Plan that accepts Roth Contributions, or (2) by direct rollover (or indirect rollover within 60 days of distribution) to a Roth IRA. Alternatively, you can roll over the taxable portion of a non-qualified Roth distribution by an indirect rollover within 60 days of distribution to a 401(k) or 403(b) plan that accepts Roth Contributions.

In addition, in the event of your death, your designated beneficiary may roll over a distribution of your Account. If your designated beneficiary is your spouse, he or she may elect to roll your Account over to another eligible retirement plan or an IRA. If you have designated a non-spouse beneficiary, the beneficiary may elect to roll your Account over from the Plan directly to an IRA established for the purpose of receiving the distribution.

A distribution or withdrawal is not an "eligible rollover distribution" and may not be rolled over, if it is (1) a series of substantially equal period installments over ten years or more, or over your life expectancy or the joint life expectancies of you and your beneficiary, (2) a required distribution due to reaching your "required beginning date" (or retirement if later), or (3) a hardship distribution.

A taxable distribution or withdrawal that is not an "eligible rollover distribution" is subject to voluntary Federal income tax withholding. Prior to receiving a distribution of any amounts from the Plan, you will receive a Notice of Tax Treatment to assist you in determining your tax liability. The rules governing the Federal income taxation of a distribution are complex and are subject to change, and you should seek the advice of your tax advisers in connection with a distribution from the Plan.

To make a direct rollover, you must contact the Fidelity Benefits Service Center at **1-800-305-401k** (4015). A Fidelity representative will ask you for specific information on the IRA or the other employer's plan to which you are requesting the rollover and let you know if a rollover is available to you.

SITUATIONS AFFECTING YOUR PLAN

Benefits

This section describes how the Plan provides you or your beneficiary with benefits. It is important that you understand the conditions under which benefits could be less than expected, not paid at all or otherwise limited, including:

- ***Investment Losses***. If the investment funds you choose experience losses, the value of your contributions can decrease.

- ***Code Limitations***. If you are affected by total annual contribution or compensation limits under the Internal Revenue Code, the amounts you and the Company contribute on your behalf may be limited. If you are affected by these limits, you will be notified.

- ***Nondiscrimination Testing***. If the Plan does not pass required nondiscrimination testing, all or a portion of the contributions made on behalf of highly compensated employees may be reduced. Nondiscrimination testing is required by law to ensure a fair mix of contributions from and for employees at all income levels. If you are affected by these limits, you will be notified.

- ***Application Failures***. If you fail to make proper application for benefits or fail to provide necessary information, your benefits could be delayed.

- ***Address Changes***. If you do not keep your most recent address on file and the Plan Administrator cannot locate you, your benefit payment may be delayed. Once you (or your beneficiary, if you die) provide a current address, benefit payments can be made. Accordingly, if you are a current employee and experience a change of address, please give your new contact information to the Company's Human Resource Department. If you have terminated employment with the Company and experience a change of address, please provide your new contact information to the Company's Human Resource Department and provide this same information to the Fidelity Benefits Service Center at **1-800-305-401k** (4015).

- ***"Top Heavy" Limitations***. As required by law, alternate Plan provisions go into effect if the Plan becomes top-heavy. The Plan is "top-heavy" if more than 60 percent of accumulated Account balances are payable to certain "key employees." Key employees are employees who are officers of the Company with annual compensation greater than $180,000, 1 percent owners of the Company with annual compensation greater than $150,000, 5 percent owners of the Company and beneficiaries of the above. You will be notified if this affects you.

CLAIMS FOR BENEFITS

Applying for Your Plan Benefit

You must file an application with the Plan Administrator in order to receive your benefits under the Plan. When an event occurs that entitles you to a distribution of your benefits under the Plan, the Plan Administrator will generally notify you that an application should be filed. In order to receive your benefit, you must complete and submit a benefit election form no more than 180 days before you are scheduled to receive your benefit.

Claim Denial and Appeal Process

If you disagree with any decision the Plan Administrator may make regarding your interest in the Plan, the Plan contains the administrative review procedure you must follow. If you think benefits owed to you are not or will not be paid, or are too low, or are or will be paid at a time other than when you think they should be, you can make a "claim" for benefits to the Plan Administrator.

If your claim for a benefit under the Plan is denied in whole or in part, you have the right to request a review of the denial. You (or your beneficiary) will be notified of a denial of your claim in writing by the Plan Administrator within 90 days of the receipt of your claim (180 days if special circumstances apply). This written notice of the denial will include:

- The specific reason(s) for the denial;
- References to the Plan provision(s) on which the denial is based;
- A description of any additional material or information that is necessary to complete the claim; and
- The procedures for appealing the decision.

You or your authorized representative may review all documents related to any denial of a Plan benefit. If you disagree with the Plan Administrator's decision, you have 60 days from the receipt of the original denial to request a review. This request should be in writing and sent to the NiSource Benefits Committee at the following address:

NiSource Inc.
Attn: NiSource Benefits Committee
801 East 86th Avenue
Merrillville, IN 46410

Your appeal will be reviewed and you will receive written notification of a decision within 60 days. If special circumstances require more time for this process, you will be notified in writing no later than 120 days after the receipt of your request. Notwithstanding the foregoing, if the NiSource Benefits Committee's meeting schedule is such that it holds regularly scheduled meetings at least quarterly, the final determination may be made within the period outlined in Department of Labor Regulations Section 2560.503-1(i)(1)(ii) in lieu of the 60-day period (120-day period if extended due to special circumstances) described above.

If your appeal is denied, you will be told why and which Plan provisions support that decision. If the final determination is made in your favor, the determination shall be binding and conclusive. If the final determination is not made in your favor, the determination shall be binding and conclusive unless you notify the NiSource Benefits Committee within 90 days after the mailing or delivery of the determination that you intend to institute legal proceedings under Section 502(a) of ERISA challenging the determination, and you actually institute such legal proceedings within 180 days after such mailing or delivery. You must exhaust the claims and appeals procedures described in this section before you can institute these legal proceedings.

Indiana law shall determine all questions arising with respect to the provisions of the plan, except to the extent superseded by Federal law. Any action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Plan shall be brought in any court of the state of Indiana or of the United States for the Northern District of Indiana.

Benefits Paid to Other Parties

The Plan is intended to pay benefits only to you or to your beneficiary. Your Plan benefit cannot be used as collateral for a loan, sold, transferred, garnished, or assigned in any other way. Your Account may generally not be sold, assigned, transferred, pledged or garnished under most circumstances. However, benefits may be divided in a court ordered property settlement in case of divorce or other situations that divide property (see the Qualified Domestic Relations Order" section earlier in this Summary).

If you become incapacitated and unable to manage your own affairs, the Plan may make any unpaid benefit payments to such person or entity that the Plan Administrator deems appropriate to receive distributions in order to provide for your comfort, maintenance and support. For instance, such person (or entity) may be a relative, guardian, person possessing a valid Power of Attorney, or an institution charged with your care or custody.

ADDITIONAL INFORMATION

Amendment or Termination of the Plan

The Committee reserves the right to suspend, amend or terminate the Plan at any time, in whole or in part. Generally, Account balances cannot be reduced except for investment losses, even by a Plan amendment. Termination of the Plan is unlikely, but if the Plan is terminated, your Account automatically will remain 100 percent vested. If any material changes are made to the Plan in the future, you will be notified.

The Committee may only amend the Plan in writing. Any amendments shall be duly authorized if approved or ratified by the Committee. Thus, the Plan may not be modified or amended simply by representations, oral or otherwise, that may be made to you concerning the Plan. Accordingly, you should not consider the Plan to have been amended based on assertions made by a supervisor or a human resources representative, for instance. If you believe that you have received information that is contrary to the terms of the Plan or this Summary, please contact the Company for clarification or confirmation.

Benefits Are Not Insured

The Plan is a defined contribution plan providing specifically defined levels of contributions. This type of plan is not eligible for benefit insurance through the Pension Benefit Guaranty Corporation ("**PBGC**"), and no particular dollar level of benefits is guaranteed. All of the contributions are deposited with the Trustee. All payments of Plan benefits are made from the Plan's Trust Fund.

Collective Bargaining Agreements

As stated earlier in this SPD, employees who are covered by a collective bargaining agreement are not eligible for the Plan unless the applicable collective bargaining agreement provides for participation in the Plan. For those employees who are covered by a collective bargaining agreement providing for participation in the Plan, the Plan is maintained pursuant to a collective bargaining agreement.

No Guarantee

The information in this SPD does not state or imply that participation in the Plan is a guarantee of continued employment with the Company, nor is it a guarantee that contribution levels will remain unchanged in future years.

Plan Expenses

Administrative expenses of the Plan, including fees of the Trustee, counsel, accountants or other experts appointed under the Plan, will be paid out of the Trust Fund to the extent not paid by the Company.

Plan Statements

As a Plan Participant, you will receive a statement of your Plan Account quarterly from Fidelity that shows your Account balance as of the end of the most recent quarter. You can elect to receive your statement online. You can view your statement online beginning the day after the end of the quarter and going back for 24 months. Check your statement to be aware of your Account activity. Please contact Fidelity within 60 days of receiving your statement if you think there is an error.

Your Account is valued by Fidelity at the close of every business day. You can call Fidelity Benefits Service Center at **1-800-305-401k** (4015) or log on to your Account at **www.401k.com** seven days a week to review your current Account balance.

ADMINISTRATIVE INFORMATION

Plan Sponsor

The Plan Sponsor is NiSource Inc.

Plan Administrator

The Plan Administrator is the NiSource Benefits Committee. The Plan Administrator has the sole authority to interpret the terms of the Plan in its discretion. For more information about the Plan and its administration, you may contact the Plan Administrator at:

NiSource Inc.
Attention: NiSource Benefits Committee
801 East 86th Avenue
Merrillville, IN 46410
1-219-647-4334

Pursuant to authority granted in the Plan document, the Plan Administrator delegates various administrative functions to other entities or individuals, including Fidelity and the NiSource Human Resources Department. To the extent the context requires, reference to Plan Administrator in this Summary may include or mean one or more of these delegates.

Independent Fiduciary for NiSource Stock Fund

The Plan Sponsor has appointed Newport Trust Company to serve as independent fiduciary and investment manager with respect to the NiSource Stock Fund. You may contact Newport Trust Company at:

Newport Trust Company
570 Lexington Avenue, Suite 1903
New York, New York 10022
nisourceplan@newportgroup.com

Employer I.D. Number

The Employer Identification Number ("**EIN**") assigned by the IRS and associated with the Plan is 35-2108964.

Plan Type, Name and Number

The Plan is classified as a defined contribution plan and has been assigned Plan number 005. It also is a Code section 401(k) plan and an ERISA section 404(c) plan. The official Plan name is the NiSource Inc. Retirement Savings Plan.

Plan Year

The official Plan year is the calendar year, January 1 through December 31.

Plan Trustee

The Plan Trustee is responsible for holding the assets of the Trust Fund according to the Participants' and the Company's directions, and for distributing Plan payments. The money in the Trust Fund is set aside for the exclusive benefit of Plan Participants and their beneficiaries.

The trustee for the Plan is: Fidelity Management Trust Company
82 Devonshire Street
Boston, MA 02109

Agent for Service of Legal Process

The agent for service of legal process is:

NiSource Inc.
Manager, Benefits Accounting & Compliance
801 East 86th Avenue
Merrillville, IN 46410
1-219-647-4334

Legal process may also be served on the Plan Administrator or the Trustee.

ERISA RIGHTS

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("**ERISA**").

ERISA provides that all Plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

- Examine (without charge) at the Plan Administrator's office and at other specified locations—such as work sites and union halls—all documents governing the Plan, including insurance contracts and collective bargaining agreements and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.

- Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.

- Obtain from the Plan Administrator, once a year, a statement of your total benefits accrued and your nonforfeitable (vested) retirement benefits (if any), or the earliest date on which benefits will become nonforfeitable (vested). The Plan may require a written request for this statement, but it must provide the statement free of charge.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called fiduciaries of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your employer, your union or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a benefit under the Plan is denied or ignored—in whole or in part—you have a right to know why this was done, to obtain copies of documents relating to the decision without charge and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce your ERISA rights. For instance:

- If you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials—unless the materials were not sent because of reasons beyond the control of the administrator.

- If you have a claim for benefits that is denied or ignored—in whole or in part—you may file suit in a state or federal court, provided you have followed the claims procedures explained earlier in this Summary.

- If you disagree with the Plan's decision or lack thereof concerning the qualified status of a Qualified Domestic Relations Order ("**QDRO**"), you may file suit in federal court.

- If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your ERISA rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court.

- If you file suit against the Plan, the court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees—for example, if it finds your claim is frivolous.

Assistance With Your Questions

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration (EBSA), U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, DC 20210.

- You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

A copy of the Plan document is on file at NiSource's corporate offices, 801 E. 86th Avenue, Merrillville, IN 46410. These documents may be read by you, your beneficiaries or your legal representatives at any reasonable time. Additionally, if you make a written request, you may receive a copy of the Plan document. You may be charged for the copies.

If you have any questions regarding either the Plan or this SPD, you should contact the Fidelity Benefits Service Center at **1-800-305-401k** (4015).

NISOURCE INC. RSP

APPENDIX 1

Understanding investment performance: As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity or visit www.401k.com (log in, choose plan, select Investment Choices & Research, and then pick investment option.).

The information below is based on the period ending on December 31, 2019.

Product Name	Fund Code	CUSIP	Ticker	Cumulative Returns 1 Month	Cumulative Returns 3 Month	Cumulative Returns YTD	Quarterly Average Annual Returns 1 Year	Quarterly Average Annual Returns 5 Year	Quarterly Average Annual Returns 10 Year	Quarterly Average Annual Returns LOF	Calendar Year 2019	Calendar Year 2018	Calendar Year 2017	Inception Date	Short-term Trading fee (%/days)	Gross Expense Ratio	Gross Expense Ratio Date
Asset Class: Balanced/Hybrid																	
Morningstar Category: Allocation--50% to 70% Equity				2.00%	5.03%	19.23%	19.23%	6.22%	7.90%		19.23%	-5.76%	13.21%			1.2%	12/31/2019
Fidelity® Balanced Fund - Class K	2077	316345602	FBAKX	2.43%	7.29%	24.48%	24.48%	8.46%	10.12%	9.38%	24.48%	-3.94%	16.60%	11/06/1986	None	0.45%	10/30/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	10.50%	31.49%	-4.38%	21.83%				
Fid Bal Hybrid Comp Idx				1.78%	5.46%	22.18%	22.18%	8.37%	9.77%	9.16%	22.18%	-2.35%	14.21%				
Asset Class: Bond																	
Morningstar Category: Inflation-Protected Bond				0.55%	0.89%	7.92%	7.92%	2.15%	2.80%		7.92%	-1.64%	2.72%			1.97%	12/31/2019
Vanguard Inflation-Protected Securities Fund Institutional Shares	OSVQ	922031745	VIPIX	0.42%	0.52%	8.18%	8.18%	2.48%	3.28%	5.18%	8.18%	-1.40%	2.97%	06/29/2000	None	0.07%	04/26/2019
BBgBarc US TIPS				0.38%	0.79%	8.43%	8.43%	2.62%	3.36%	5.30%	8.43%	-1.26%	3.01%				
Morningstar Category: Intermediate Core Bond				-0.07%	0.12%	8.06%	8.06%	2.72%	3.55%		8.06%	-0.50%	3.71%			1.05%	12/31/2019
Vanguard Total Bond Market Index Fund Institutional Shares	OQFC	921937504	VBTIX	-0.14%	0.03%	8.73%	8.73%	3.01%	3.70%	5.92%	8.73%	-0.01%	3.57%	12/11/1986	None	0.035%	04/26/2019
BBgBarc Agg Float Adj				-0.09%	0.14%	8.87%	8.87%	3.07%	3.78%	N/A	8.87%	-0.08%	3.63%				
Vanguard Spliced Barclays U.S. Aggregate Float Adjusted Index				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A				
Asset Class: Company Stock																	
Morningstar Category: Allocation--85%+ Equity				2.74%	7.38%	24.78%	24.78%	7.40%	9.70%		24.78%	-9.27%	18.41%			1.32%	12/31/2019
NiSource Stock Fund	TRFD			5.15%	-6.18%	12.66%	12.66%	13.63%	20.07%	10.13%	12.66%	1.85%	18.89%	11/08/2000	None	0.0029%	09/30/2019

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Product Name	Fund Code	CUSIP	Ticker	Cumulative Returns 1 Month	Cumulative Returns 3 Month	Cumulative Returns YTD	Quarterly Average Annual Returns 1 Year	Quarterly Average Annual Returns 5 Year	Quarterly Average Annual Returns 10 Year	Quarterly Average Annual Returns LOF	Calendar Year 2019	Calendar Year 2018	Calendar Year 2017	Inception Date	Short-term Trading fee (%/days)	Gross Expense Ratio	Gross Expense Ratio Date
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	6.51%	31.49%	-4.38%	21.83%				
Asset Class: Domestic Equities																	
Morningstar Category: Large Blend				2.70%	8.15%	28.78%	28.78%	9.78%	12.03%		28.78%	-6.27%	20.44%			1.47%	12/31/2019
Fidelity® Total Market Index Fund	2361	315911693	FSKAX	2.88%	9.05%	30.92%	30.92%	11.21%	13.42%	7.90%	30.92%	-5.28%	21.18%	11/05/1997	None	0.015%	04/29/2019
DJ US Total Stk Mkt				2.88%	9.04%	30.90%	30.90%	11.18%	13.43%	7.87%	30.90%	-5.30%	21.16%				
MFS Massachusetts Investors Trust Class R6	OU28	575736814	MITJX	3.35%	7.61%	32.34%	32.34%	11.33%	12.65%	9.30%	32.34%	-5.03%	23.93%	07/15/1924	None	0.38%	04/30/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	N/A	31.49%	-4.38%	21.83%				
Morningstar Category: Large Growth				2.58%	9.36%	31.90%	31.90%	12.10%	13.40%		31.90%	-2.09%	27.67%			1.45%	12/31/2019
Fidelity® Contrafund® Commingled Pool	3717	31617E851		2.91%	10.55%	31.10%	31.10%	13.44%	N/A	12.84%	31.10%	-1.94%	32.86%	01/17/2014	None	0.43%	06/30/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	12.21%	31.49%	-4.38%	21.83%				
Fidelity® Growth Company Commingled Pool	3716	31617E836		2.96%	14.86%	39.04%	39.04%	16.16%	N/A	16.62%	39.04%	-4.15%	37.80%	12/13/2013	None	0.43%	06/30/2019
Russell 3000 Growth				2.97%	10.67%	35.85%	35.85%	14.23%	15.05%	14.63%	35.85%	-2.12%	29.59%				
Morningstar Category: Large Value				2.70%	7.38%	25.04%	25.04%	7.99%	10.90%		25.04%	-8.53%	15.94%			1.23%	12/31/2019
Fidelity® Equity-Income Fund - Class K	2085	316128651	FEIKX	2.97%	7.56%	28.02%	28.02%	8.61%	10.51%	11.34%	28.02%	-8.33%	13.47%	05/16/1966	None	0.51%	04/01/2019
Russell 3000 Value				2.80%	7.48%	26.26%	26.26%	8.20%	11.71%	N/A	26.26%	-8.58%	13.19%				
Morningstar Category: Small Value				3.33%	8.02%	21.43%	21.43%	5.40%	9.82%		21.43%	-15.46%	8.54%			1.85%	12/31/2019
Invesco Small Cap Value Fund Class Y	OLJD	00143M497	VSMIX	4.26%	10.21%	32.35%	32.35%	4.96%	11.24%	10.10%	32.35%	-25.11%	18.58%	06/21/1999	None	0.87%	12/10/2019
Russell 2000 Value				3.50%	8.49%	22.39%	22.39%	6.99%	10.56%	8.87%	22.39%	-12.86%	7.84%				
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	6.37%	31.49%	-4.38%	21.83%				
Janus Henderson Small Cap Value Fund Class N	OY7B	47103D728	JDSNX	2.98%	7.01%	26.31%	26.31%	8.92%	10.36%	12.02%	26.31%	-12.97%	12.90%	02/14/1985	None	0.68%	10/28/2019
Russell 2000 Value				3.50%	8.49%	22.39%	22.39%	6.99%	10.56%	10.51%	22.39%	-12.86%	7.84%				
Northern Small Cap Value Fund	OKHE	665162400	NOSGX	2.87%	6.71%	22.27%	22.27%	6.50%	10.93%	9.70%	22.27%	-13.68%	6.42%	03/31/1994	None	1.14%	07/31/2019
Russell 2000 Value				3.50%	8.49%	22.39%	22.39%	6.99%	10.56%	9.83%	22.39%	-12.86%	7.84%				
Asset Class: International/Global																	
Morningstar Category: Foreign Large Blend				3.57%	8.39%	21.59%	21.59%	5.37%	5.15%		21.59%	-14.59%	25.12%			1.36%	12/31/2019

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Product Name	Fund Code	CUSIP	Ticker	Cumulative Returns 1 Month	Cumulative Returns 3 Month	Cumulative Returns YTD	Quarterly Average Annual Returns 1 Year	Quarterly Average Annual Returns 5 Year	Quarterly Average Annual Returns 10 Year	Quarterly Average Annual Returns LOF	Calendar Year 2019	Calendar Year 2018	Calendar Year 2017	Inception Date	Short-term Trading fee (%/days)	Gross Expense Ratio	Gross Expense Ratio Date
Fidelity® Total International Index Fund	2834	31635V638	FTIHX	4.30%	9.02%	21.48%	21.48%	N/A	N/A	8.41%	21.48%	-14.38%	27.63%	06/07/2016	None	0.06%	12/30/2019
MSCI ACWIxUS IMI (Net MA)				4.42%	9.22%	21.85%	21.85%	5.88%	5.35%	8.78%	21.85%	-14.61%	28.02%				
Oakmark International Fund Investor Class	OFOI	413838202	OAKIX	3.64%	11.07%	24.21%	24.21%	5.07%	7.30%	9.40%	24.21%	-23.43%	29.75%	09/30/1992	None	1.01%	01/28/2019
MSCI Wld ex US (N)				3.19%	7.86%	22.49%	22.49%	5.42%	5.32%	6.07%	22.49%	-14.09%	24.21%				
Morningstar Category: Foreign Large Growth				3.68%	9.37%	27.83%	27.83%	7.25%	6.90%		27.83%	-14.08%	30.87%			1.61%	12/31/2019
American Funds EuroPacific Growth Fund® Class R-6	OUBE	298706821	RERGX	4.30%	10.09%	27.40%	27.40%	7.41%	6.73%	10.71%	27.40%	-14.91%	31.17%	04/16/1984	None	0.49%	06/01/2019
MSCI AC Wld ex US (N)				4.33%	8.92%	21.51%	21.51%	5.51%	4.97%	N/A	21.51%	-14.20%	27.19%				
MSCI EAFE (N)				3.25%	8.17%	22.01%	22.01%	5.67%	5.50%	8.19%	22.01%	-13.79%	25.03%				
Asset Class: Money Market																	
Morningstar Category: Money Market-Taxable				0.10%	0.34%	1.78%	1.78%	0.75%	0.38%		1.78%	1.41%	0.48%			.54%	12/31/2019
Government Money Market Fund																	
Vanguard Federal Money Market Fund Investor Shares	OQQL	922906300	VMFXX	0.13%	0.43%	2.14%	2.14%	1.01%	0.51%	4.13%	2.14%	1.78%	0.81%	07/13/1981	None	0.11%	12/20/2019
7-Day Yield* % as of 12/31/2019: 1.55																	
FTSE 3-Mo Treasury Bill				0.14%	0.46%	2.25%	2.25%	1.05%	0.56%	4.02%	2.25%	1.86%	0.84%				
Asset Class: Stable Value																	
Morningstar Category: Stable Value																	
Managed Income Portfolio Class 2	3704	31617E877		0.17%	0.53%	2.11%	2.11%	1.63%	1.44%	4.05%	2.11%	1.77%	1.48%	09/07/1989	None	0.54%	09/30/2018
7-Day Yield* % as of 12/31/2019: 2.08																	
BBgBarc 3M t-bill				0.15%	0.47%	2.30%	2.30%	1.09%	0.60%	2.96%	2.30%	1.89%	0.87%				
Asset Class: Target Date																	
Morningstar Category: Target-Date 2000-2010				1.35%	3.26%	13.86%	13.86%	5.03%	6.19%		13.86%	-3.25%	10.15%			2.69%	12/31/2019
FIAM Blend Target Date 2005 Commingled Pool Class S	5875	30257Q521		1.27%	2.93%	12.63%	12.63%	5.09%	5.92%	4.26%	12.63%	-2.15%	9.99%	10/31/2007	None	0.26%	01/07/2019
BBgBarc U.S. Agg Bond				-0.07%	0.18%	8.72%	8.72%	3.05%	3.75%	4.17%	8.72%	0.01%	3.54%				
FIAM Bld TD 2005 Comp				0.86%	2.42%	12.55%	12.55%	4.91%	5.72%	4.10%	12.55%	-1.43%	9.23%				
FIAM Blend Target Date 2010 Commingled Pool Class S	5885	30257Q638		1.59%	3.88%	14.84%	14.84%	5.76%	6.93%	5.08%	14.84%	-3.04%	11.70%	10/31/2007	None	0.26%	01/07/2019

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Product Name	Fund Code	CUSIP	Ticker	Cumulative Returns 1 Month	Cumulative Returns 3 Month	Cumulative Returns YTD	Quarterly Average Annual Returns 1 Year	Quarterly Average Annual Returns 5 Year	Quarterly Average Annual Returns 10 Year	Quarterly Average Annual Returns LOF	Calendar Year 2019	Calendar Year 2018	Calendar Year 2017	Inception Date	Short-term Trading fee (%/days)	Gross Expense Ratio	Gross Expense Ratio Date
BBgBarc U.S. Agg Bond				-0.07%	0.18%	8.72%	8.72%	3.05%	3.75%	4.17%	8.72%	0.01%	3.54%				
FIAM Bld TD 2010 Comp				1.16%	3.19%	14.59%	14.59%	5.60%	6.72%	4.92%	14.59%	-2.25%	11.05%				
Morningstar Category: Target-Date 2015				1.50%	3.73%	15.45%	15.45%	5.39%	6.83%		15.45%	-3.86%	11.29%			5.43%	12/31/2019
FIAM Blend Target Date 2015 Commingled Pool Class S	5895	30257Q745		1.93%	4.77%	17.06%	17.06%	6.48%	7.48%	5.32%	17.06%	-4.02%	13.55%	10/31/2007	None	0.26%	01/07/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	8.52%	31.49%	-4.38%	21.83%				
FIAM Bld TD 2015 Comp				1.46%	3.97%	16.66%	16.66%	6.29%	7.23%	5.15%	16.66%	-3.08%	12.94%				
Morningstar Category: Target-Date 2020				1.56%	3.90%	16.14%	16.14%	5.51%	6.94%		16.14%	-4.49%	12.46%			2.42%	12/31/2019
FIAM Blend Target Date 2020 Commingled Pool Class S	5905	30257Q851		2.20%	5.56%	18.84%	18.84%	6.88%	7.97%	5.25%	18.84%	-4.76%	14.82%	10/31/2007	None	0.26%	01/07/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	8.52%	31.49%	-4.38%	21.83%				
FIAM Bld TD 2020 Comp				1.73%	4.67%	18.44%	18.44%	6.79%	7.81%	5.22%	18.44%	-3.79%	14.27%				
Morningstar Category: Target-Date 2025				1.85%	4.75%	18.25%	18.25%	6.17%	7.70%		18.25%	-5.34%	14.67%			2.27%	12/31/2019
FIAM Blend Target Date 2025 Commingled Pool Class S	5915	30257Q208		2.42%	6.27%	20.50%	20.50%	7.31%	8.66%	5.69%	20.50%	-5.39%	16.00%	10/31/2007	None	0.26%	01/07/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	8.52%	31.49%	-4.38%	21.83%				
FIAM Bld TD 2025 Comp				1.95%	5.23%	19.95%	19.95%	7.23%	8.58%	5.75%	19.95%	-4.41%	15.52%				
Morningstar Category: Target-Date 2030				2.12%	5.49%	20.07%	20.07%	6.75%	8.12%		20.07%	-6.25%	16.57%			2.07%	12/31/2019
FIAM Blend Target Date 2030 Commingled Pool Class S	5925	30257R503		2.77%	7.27%	23.10%	23.10%	8.10%	9.25%	5.70%	23.10%	-6.54%	18.79%	10/31/2007	None	0.26%	01/07/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	8.52%	31.49%	-4.38%	21.83%				
FIAM Bld TD 2030 Comp				2.27%	6.09%	22.38%	22.38%	8.12%	9.21%	5.81%	22.38%	-5.41%	18.37%				
Morningstar Category: Target-Date 2035				2.45%	6.41%	22.04%	22.04%	7.28%	8.75%		22.04%	-7.04%	18.43%			2.71%	12/31/2019
FIAM Blend Target Date 2035 Commingled Pool Class S	5935	30257R321		3.30%	8.72%	26.04%	26.04%	8.76%	9.87%	6.14%	26.04%	-7.83%	20.86%	10/31/2007	None	0.26%	01/07/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	8.52%	31.49%	-4.38%	21.83%				
FIAM Bld TD 2035 Comp				2.76%	7.36%	25.15%	25.15%	8.85%	9.90%	6.33%	25.15%	-6.63%	20.65%				
Morningstar Category: Target-Date 2040				2.67%	6.99%	23.19%	23.19%	7.57%	8.89%		23.19%	-7.74%	19.52%			2.58%	12/31/2019
FIAM Blend Target Date 2040	5945	30257R446		3.56%	9.48%	27.02%	27.02%	8.84%	9.95%	6.06%	27.02%	-8.38%	21.06%	10/31/2007	None	0.26%	01/07/2019

Product Name	Fund Code	CUSIP	Ticker	Cumulative Returns 1 Month	Cumulative Returns 3 Month	Cumulative Returns YTD	Quarterly Average Annual Returns 1 Year	Quarterly Average Annual Returns 5 Year	Quarterly Average Annual Returns 10 Year	Quarterly Average Annual Returns LOF	Calendar Year 2019	Calendar Year 2018	Calendar Year 2017	Inception Date	Short-term Trading fee (%/days)	Gross Expense Ratio	Gross Expense Ratio Date
Commingled Pool Class S																	
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	8.52%	31.49%	-4.38%	21.83%				
FIAM Bld TD 2040 Comp				3.01%	7.97%	26.26%	26.26%	8.97%	10.02%	6.33%	26.26%	-7.10%	20.88%				
Morningstar Category: Target-Date 2045				2.88%	7.53%	24.35%	24.35%	7.83%	9.20%		24.35%	-8.14%	20.51%			2.74%	12/31/2019
FIAM Blend Target Date 2045 Commingled Pool Class S	5955	30257R560		3.55%	9.43%	27.01%	27.01%	8.83%	10.02%	6.09%	27.01%	-8.34%	21.03%	10/31/2007	None	0.26%	01/07/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	8.52%	31.49%	-4.38%	21.83%				
FIAM Bld TD 2045 Comp				3.01%	7.97%	26.26%	26.26%	8.97%	10.12%	6.38%	26.26%	-7.10%	20.88%				
Morningstar Category: Target-Date 2050				2.91%	7.61%	24.54%	24.54%	7.88%	9.15%		24.54%	-8.41%	20.67%			2.34%	12/31/2019
FIAM Blend Target Date 2050 Commingled Pool Class S	5965	30257R685		3.56%	9.47%	27.06%	27.06%	8.83%	10.02%	5.96%	27.06%	-8.41%	21.06%	10/31/2007	None	0.26%	01/07/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	8.52%	31.49%	-4.38%	21.83%				
FIAM Bld TD 2050 Comp				3.01%	7.97%	26.26%	26.26%	8.97%	10.15%	6.26%	26.26%	-7.10%	20.88%				
Morningstar Category: Target-Date 2055				2.98%	7.81%	24.91%	24.91%	8.01%	9.19%		24.91%	-8.44%	21.08%			3.35%	12/31/2019
FIAM Blend Target Date 2055 Commingled Pool Class S	3582	30259L637		3.58%	9.47%	27.03%	27.03%	8.83%	N/A	9.49%	27.03%	-8.38%	21.09%	07/12/2011	None	0.26%	01/07/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	13.55%	31.49%	-4.38%	21.83%				
FIAM Bld TD 2055 Comp				3.01%	7.97%	26.26%	26.26%	8.97%	N/A	9.64%	26.26%	-7.10%	20.88%				
Morningstar Category: Target-Date 2060+				3.02%	7.90%	25.15%	25.15%	8.37%			25.15%	-8.52%	21.27%			8.56%	12/31/2019
FIAM Blend Target Date 2060 Commingled Pool Class S	3763	30190M827		3.53%	9.47%	27.03%	27.03%	N/A	N/A	8.13%	27.03%	-8.37%	21.04%	05/06/2016	None	0.26%	01/07/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	15.46%	31.49%	-4.38%	21.83%				
FIAM Bld TD 2060 Comp				3.01%	7.97%	26.26%	26.26%	N/A	N/A	12.57%	26.26%	-7.10%	20.88%				
Morningstar Category: Target-Date Retirement				1.07%	2.51%	12.85%	12.85%	4.28%	5.13%		12.85%	-3.16%	8.81%			3.65%	12/31/2019
FIAM Blend Target Date Income Commingled Pool Class S	5865	30257R818		1.05%	2.29%	10.86%	10.86%	4.33%	4.76%	3.59%	10.86%	-1.45%	7.81%	10/31/2007	None	0.26%	01/07/2019
BBgBarc U.S. Agg Bond				-0.07%	0.18%	8.72%	8.72%	3.05%	3.75%	4.17%	8.72%	0.01%	3.54%				
FIAM Bld TD Inc Comp				0.64%	1.84%	10.84%	10.84%	4.15%	4.52%	3.41%	10.84%	-0.71%	7.08%				
Morningstar Category: Unclassified																	

Product Name	Fund Code	CUSIP	Ticker	Cumulative Returns 1 Month	Cumulative Returns 3 Month	Cumulative Returns YTD	Quarterly Average Annual Returns 1 Year	Quarterly Average Annual Returns 5 Year	Quarterly Average Annual Returns 10 Year	Quarterly Average Annual Returns LOF	Calendar Year 2019	Calendar Year 2018	Calendar Year 2017	Inception Date	Short-term Trading fee (%/days)	Gross Expense Ratio	Gross Expense Ratio Date
FIAM Blend Target Date 2065 Commingled Pool Class S	3439	31564E623		3.60%	9.44%	N/A	N/A	N/A	N/A	8.50%	N/A	N/A	N/A	07/02/2019	None	0.26%	06/28/2019
S&P 500				3.02%	9.07%	31.49%	31.49%	11.70%	13.56%	9.75%	31.49%	-4.38%	21.83%				

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FOOTNOTES

Fund line-up as of 01/08/2020

Last categorization update date 12/31/2019

Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. Life of Fund figures are reported as of the inception date to the period indicated. These figures do not include the effect of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plans. If sales charges were included, returns would have been lower.

Indices are unmanaged and you cannot invest directly in an index.

Morningstar, Inc., provided data on the non-Fidelity mutual funds. Although the data is gathered from reliable sources, accuracy and completeness cannot be guaranteed by Morningstar.

The Morningstar Category Average is the average return for the peer group based on the returns of each individual fund within the group, for the period shown. This average assumes reinvestment of dividends and capital gains, if any, and excludes sales charges.

*The current yield of the money market mutual fund listed above reflects the current earnings of the fund, while the total return refers to a specific past holding period.

Managed Income Portfolio Class 2: On February 6, 2013, an initial offering of the Managed Income Portfolio Class 2 took place. Returns and expenses prior to that date are those of the Managed Income Portfolio Class 1. Had class 2 expenses been reflected in the returns shown, total returns would have been higher.

FIAM Blend Target Date 2005 Commingled Pool Class S, FIAM Blend Target Date 2010 Commingled Pool Class S, FIAM Blend Target Date 2015 Commingled Pool Class S, FIAM Blend Target Date 2020 Commingled Pool Class S, FIAM Blend Target Date 2025 Commingled Pool Class S, FIAM Blend Target Date 2030 Commingled Pool Class S, FIAM Blend Target Date 2035 Commingled Pool Class S, FIAM Blend Target Date 2040 Commingled Pool Class S, FIAM Blend Target Date 2045 Commingled Pool Class S, FIAM Blend Target Date 2050 Commingled Pool Class S, FIAM Blend Target Date 2055 Commingled Pool Class S, FIAM Blend Target Date 2060 Commingled Pool Class S, FIAM Blend Target Date 2065 Commingled Pool Class S, FIAM Blend Target Date Income Commingled Pool Class S, Managed Income Portfolio Class 2, NiSource Stock Fund: This investment option is not a mutual fund.

Fidelity® Contrafund® Commingled Pool, Fidelity® Growth Company Commingled Pool: This investment option is not a mutual fund.

Managed Income Portfolio Class 2: Management Fee includes the costs associated with managing the investments in the pool. The management fee does not include the wrap contract fees, which are paid to third party wrap providers and do not result in any additional compensation to Fidelity. The wrap contract fees are not separately stated but are included in the Expense Ratio and do reduce returns.

FIAM Blend Target Date 2055 Commingled Pool Class S: The inception date of this S share class of the Pool was 7/12/2011. The earliest share class of this Pool had an inception date of 10/31/2007. Performance between the inception date of the earliest share class and the inception date of this S share class was calculated by subtracting Class S's management fee and the Pool's net administrative expenses for that period from the Pool's gross performance.

American Funds EuroPacific Growth Fund® Class R-6: The analysis on these pages may be based, in part, on adjusted historical returns for periods prior to the class's actual inception of 05/01/2009. These calculated returns reflect the historical performance of the oldest share class of the fund, with an inception date of 04/16/1984, adjusted to reflect the fees and

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expenses of this share class (when this share class's fees and expenses are higher.) Please refer to a fund's prospectus for information regarding fees and expenses. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

Janus Henderson Small Cap Value Fund Class N: The analysis on these pages may be based, in part, on adjusted historical returns for periods prior to the class's actual inception of 05/31/2012. These calculated returns reflect the historical performance of the oldest share class of the fund, with an inception date of 02/14/1985, adjusted to reflect the fees and expenses of this share class (when this share class's fees and expenses are higher.) Please refer to a fund's prospectus for information regarding fees and expenses. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

MFS Massachusetts Investors Trust Class R6: The analysis on these pages may be based, in part, on adjusted historical returns for periods prior to the class's actual inception of 06/01/2012. These calculated returns reflect the historical performance of the oldest share class of the fund, with an inception date of 07/15/1924, adjusted to reflect the fees and expenses of this share class (when this share class's fees and expenses are higher.) Please refer to a fund's prospectus for information regarding fees and expenses. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

Invesco Small Cap Value Fund Class Y: The analysis on these pages may be based, in part, on adjusted historical returns for periods prior to the class's actual inception of 08/12/2005. These calculated returns reflect the historical performance of the oldest share class of the fund, with an inception date of 06/21/1999, adjusted to reflect the fees and expenses of this share class (when this share class's fees and expenses are higher.) Please refer to a fund's prospectus for information regarding fees and expenses. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

Vanguard Total Bond Market Index Fund Institutional Shares: The analysis on these pages may be based, in part, on adjusted historical returns for periods prior to the class's actual inception of 09/18/1995. These calculated returns reflect the historical performance of the oldest share class of the fund, with an inception date of 12/11/1986, adjusted to reflect the fees and expenses of this share class (when this share class's fees and expenses are higher.) Please refer to a fund's prospectus for information regarding fees and expenses. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

Vanguard Inflation-Protected Securities Fund Institutional Shares: The analysis on these pages may be based, in part, on adjusted historical returns for periods prior to the class's actual inception of 12/12/2003. These calculated returns reflect the historical performance of the oldest share class of the fund, with an inception date of 06/29/2000, adjusted to reflect the fees and expenses of this share class (when this share class's fees and expenses are higher.) Please refer to a fund's prospectus for information regarding fees and expenses. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

FIAM Blend Target Date 2005 Commingled Pool Class S, FIAM Blend Target Date 2010 Commingled Pool Class S, FIAM Blend Target Date 2015 Commingled Pool Class S, FIAM Blend Target Date 2020 Commingled Pool Class S, FIAM Blend Target Date 2025 Commingled Pool Class S, FIAM Blend Target Date 2030 Commingled Pool Class S, FIAM Blend Target Date 2035 Commingled Pool Class S, FIAM Blend Target Date 2040 Commingled Pool Class S, FIAM Blend Target Date 2045 Commingled Pool Class S, FIAM Blend Target Date 2050 Commingled Pool Class S, FIAM Blend Target Date 2055 Commingled Pool Class S, FIAM Blend Target Date 2060 Commingled Pool Class S, FIAM Blend Target Date Income Commingled Pool Class S: As of 1/7/19, expense ratios of the underlying components of the investment are credited to the pool by the manager or its affiliates, as applicable, and are not borne by the unit holders of the pool. Also effective 1/7/19, net and gross expense ratios are stated prospectively and will remain prospective until a full year of expenses have been incurred within the revised expense structure at which point the expense ratios will again be reflected in arrears.

FIAM Blend Target Date 2005 Commingled Pool Class S, FIAM Blend Target Date 2010 Commingled Pool Class S, FIAM Blend Target Date 2015 Commingled Pool Class S, FIAM Blend Target Date 2020 Commingled Pool Class S, FIAM Blend Target Date 2025 Commingled Pool Class S, FIAM Blend Target Date 2030 Commingled Pool Class S, FIAM Blend Target Date 2035 Commingled Pool Class S, FIAM Blend Target Date 2040 Commingled Pool Class S, FIAM Blend Target Date 2045 Commingled Pool Class S, FIAM Blend Target Date 2050 Commingled Pool Class S, FIAM Blend Target Date Income Commingled Pool Class S: The inception date of this S share class of the Pool was 6/27/2014. The earliest share class of this Pool had an inception date of 10/31/2007. Performance for time periods when this S share class was not funded, including from inception date of the earliest share class and the inception date of this S share class was calculated by subtracting Class S's management fee and the Pool's net administrative expenses for that period from the Pool's gross performance.

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FIAM Blend Target Date 2060 Commingled Pool Class S: The inception date of this S share class of the Pool was 09/30/2016. The earliest share class of this Pool had an inception date of 05/06/2016. Performance for time periods when this S share class was not funded, including from inception date of the earliest share class and the inception date of this S share class was calculated by subtracting Class S's management fee and the Pool's net administrative expenses for that period from the Pool's gross performance.

Managed Income Portfolio Class 2: Expense Ratio (Gross) includes management and wrap contract fees. For certain investments, it may also include distribution fees. Please note that the Gross and Net Expense Ratio are the same for this investment.

Fidelity® Total Market Index Fund: Returns prior to September 8, 2011 are those of the Premium Class and reflect the Premium Class' expense ratio. Had the Institutional Premium Class' expense ratio been reflected, total returns would have been higher.

Fidelity® Balanced Fund - Class K: On May 9, 2008, an initial offering of the retirement (K) class took place. Returns and expenses prior to that date are those of the non-K, non-advisor class. Had K class expenses been reflected in the returns shown, total returns would have been higher.

Fidelity® Equity-Income Fund - Class K: On May 9, 2008, an initial offering of the retirement (K) class took place. Returns and expenses prior to that date are those of the non-K, non-advisor class. Had K class expenses been reflected in the returns shown, total returns would have been higher.

Expense Ratio Footnotes

For a mutual fund, the expense ratio is the total annual fund or class operating expenses (before waivers or reimbursements) paid by the fund and stated as a percent of the fund's total net assets. Where the investment option is not a mutual fund, the figure displayed in the expense ratio field is intended to reflect similar information. However, it may have been calculated using methodologies that differ from those used for mutual funds. Mutual fund data has been drawn from the most recent prospectus. For non-mutual fund investment options, the information has been provided by the trustee or plan sponsor. When no ratio is shown for these options it is due to the fact that none was available. Nevertheless, there may be fees and expenses associated with the investment option.

Morningstar Category Gross Expense Ratio: This figure represents average gross expense ratio paid by the funds in the Morningstar category. The information is based on the gross expense ratio as reported in each fund's most current prospectus and is provided by Morningstar.

Investment Risk

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market or economic developments.

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation.

Company stock funds are neither mutual funds nor diversified or managed investment options.

In general the bond market is volatile and bonds entail interest rate risk (as interest rates rise bond prices usually fall and vice versa). This effect is usually pronounced for longer-term securities. Bonds also entail the risk of issuer default, issuer credit risk and inflation risk.

Target date investments are generally designed for investors expecting to retire around the year indicated in each investment's name. The investments are managed to gradually become more conservative over time. The investment risks of each target date investment change over time as its asset allocation changes. They are subject to the volatility of the financial markets, including equity and fixed income investments in the U.S. and abroad and may be subject to risk associated with investing in high yield, small cap and foreign securities. Principal invested is not guaranteed at any time, including at or after their target dates.

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The value of your investment in a company stock fund is affected by the performance of the company and the overall stock market and, if applicable, by the amount and performance of any short-term investments held by the fund.

To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or other particular security to perform poorly. If you invest more than 20% of your retirement savings in any one company or industry, your savings may not be properly diversified. Although diversification is not a guarantee against loss, it is an effective strategy to help manage your investment risk.

Investments in smaller companies may involve greater risk than those in larger, more well known companies.

Non-Fidelity Government Mutual Fund Money Market: You could lose money by investing in a money market fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to money market funds and you should not expect that the sponsor will provide financial support to the fund at any time.

Index Definitions

BBgBarc 3M t-bill: Bloomberg Barclays U.S. 3 Month Treasury Bellwether Index is a market value-weighted index of investment-grade fixed-rate public obligations of the U.S. Treasury with maturities of 3 months, excluding zero coupon strips.

FIAM Bld TD Inc Comp: The Lifecycle Income composite benchmark is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index, the Bloomberg Barclays U.S. Aggregate Bond Index and the Bloomberg Barclays U.S. 3-Month Treasury Bellwether Index. More information is available upon request.

FIAM Bld TD 2005 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index, the Bloomberg Barclays U.S. Aggregate Bond Index and the Bloomberg Barclays U.S. 3-Month Treasury Bellwether Index. More information is available upon request.

FIAM Bld TD 2010 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index, the Bloomberg Barclays U.S. Aggregate Bond Index and the Bloomberg Barclays U.S. 3-Month Treasury Bellwether Index. More information is available upon request.

FIAM Bld TD 2015 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index, the Bloomberg Barclays U.S. Aggregate Bond Index and the Bloomberg Barclays U.S. 3-Month Treasury Bellwether Index. More information is available upon request.

MSCI AC Wld ex US (N): MSCI All Country World ex USA Index is a market capitalization-weighted index of stocks traded in global developed and emerging markets, excluding the United States. The Index is designed to measure equity market performance in global developed and emerging markets, excluding the United States and excludes certain market segments unavailable to U.S. based investors

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FIAM Bld TD 2025 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index, the Bloomberg Barclays U.S. Aggregate Bond Index and the Bloomberg Barclays U.S. 3-Month Treasury Bellwether Index. More information is available upon request.

FIAM Bld TD 2030 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index and the Bloomberg Barclays U.S. Aggregate Bond Index. More information is available upon request.

FIAM Bld TD 2035 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index and the Bloomberg Barclays U.S. Aggregate Bond Index. More information is available upon request.

FIAM Bld TD 2040 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index and the Bloomberg Barclays U.S. Aggregate Bond Index. More information is available upon request.

FIAM Bld TD 2045 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index and the Bloomberg Barclays U.S. Aggregate Bond Index. More information is available upon request.

FIAM Bld TD 2050 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index and the Bloomberg Barclays U.S. Aggregate Bond Index. More information is available upon request.

FIAM Bld TD 2020 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index, the Bloomberg Barclays U.S. Aggregate Bond Index and the Bloomberg Barclays U.S. 3-Month Treasury Bellwether Index. More information is available upon request.

BBgBarc U.S. Agg Bond: The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged market value-weighted index for U.S. dollar denominated investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year.

MSCI Wld ex US (N): MSCI World ex-US Index is a market capitalization weighted index of equity securities of companies domiciled in various countries. The Index is designed to represent the performance of developed stock markets throughout the world and excludes certain market segments unavailable to U.S. based investors.

Russell 2000 Value: The Russell 2000® Value Index is an unmanaged market capitalization-weighted index of value-oriented stocks of U.S. domiciled companies that are included in the Russell 2000 Index. Value-oriented stocks tend to have lower price-to-book ratios and lower forecasted growth values.

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Russell 3000 Growth: The Russell 3000 Growth Index is an unmanaged market capitalization-weighted index of growth-oriented stocks of U.S. domiciled companies that are included in the Russell 3000 Index. Growth-oriented stocks tend to have higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Value: The Russell 3000® Value Index is an unmanaged market capitalization-weighted index of value-oriented stocks of U.S. domiciled companies that are included in the Russell 3000 Index. Value-oriented stocks tend to have lower price-to-book ratios and lower forecasted growth values.

FTSE 3-Mo Treasury Bill: The FTSE 3-Month Treasury Bill Index is an unmanaged index designed to represent the average of T-bill rates for each of the prior three months, adjusted to a bond-equivalent basis.

S&P 500: S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

Fid Bal Hybrid Comp Idx: Fidelity Balanced Hybrid Composite Index is a hypothetical representation of the performance of the fund's general investment categories using a weighting of 60% equity and 40% bond. The following indexes are used to calculate the composite index: equity the Russell 3000 Value Index and Russell 3000 Index for periods prior to October 1, 2008, and the Standard &Poor's 500 Index beginning October 1, 2008, and bond the Bloomberg Barclays U.S. Aggregate Index.

BBgBarc US TIPS: The Bloomberg Barclays U.S. TIPS Index is an unmanaged index designed to represent securities that protect against adverse inflation and provide a minimum level of real return. To be included in this index, bonds must have cash flows linked to an inflation index, be sovereign issues denominated in U.S. currency, and have more than one year to maturity, and, as a portion of the index, total a minimum amount outstanding of 100 million U.S. dollars.

BBgBarc Agg Float Adj: The Bloomberg Barclays U.S. Aggregate Float Adjusted Index measures the total universe of public, investment-grade, taxable, fixed income securities in the United States-including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities-all with maturities of more than 1 year.

FIAM Bld TD 2055 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index and the Bloomberg Barclays U.S. Aggregate Bond Index. More information is available upon request.

DJ US Total Stk Mkt: Dow Jones U.S. Total Stock Market Index SM is a float-adjusted market capitalization-weighted index of all equity securities of U.S. headquartered companies with readily available price data.

Vanguard Spliced Barclays U.S. Aggregate Float Adjusted Index: The Vanguard Spliced Bloomberg Barclays U.S. Aggregate Float Adjusted Index is an index that reflects performance of the Bloomberg Barclays U.S. Aggregate Bond Index through December 31, 2009; and Bloomberg Barclays U.S. Aggregate Float Adjusted Index thereafter.

MSCI ACWIxUS IMI (Net MA): The MSCI ACWI (All Country World Index) ex USA Investable Market Index is a market capitalization-weighted index designed to measure the investable equity market performance for global investors of large, mid, and small-cap stocks in developed and emerging markets, excluding the U.S.

FIAM Bld TD 2060 Comp: The composite benchmark for each Core Lifecycle composite is a custom benchmark, which is a blend of the indices structured to align with allocations to stocks, bonds and short term investments. As the target allocations based on the target retirement date are adjusted, the weights of the underlying benchmark indices in the custom benchmark are adjusted. The benchmarks are rebalanced monthly. The current underlying benchmark indices are: the Russell 3000 Index, the MSCI ACWI ex US (net) Index and the Bloomberg Barclays U.S. Aggregate Bond Index. More information is available upon request.

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MSCI EAFE (N): The MSCI Europe, Australasia and Far East (EAFE ®) Index is an unmanaged market capitalization-weighted index of equity securities of companies domiciled in various countries. The index is designed to represent performance of developed stock markets outside the United States and Canada and excludes certain market segments unavailable to U.S. based investors. This index is calculated using the minimum possible dividend reinvestment, after deduction of withholding tax, applying the maximum withholding tax rate.

Before investing, consider the funds' investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

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Important Message

The following Schedule of Benefits attachments reflect different benefit provisions for different employee groups that participate in the Plan.

PLEASE REVIEW THE FOLLOWING TABLE OF CONTENTS FOR THE ATTACHED SCHEDULES TO FIND THE SCHEDULE THAT FURTHER DESCRIBES YOUR PLAN BENEFIT PROVISIONS.

PLEASE MAKE SURE THAT YOU REFER TO THE CORRECT SCHEDULE AS ONLY ONE SCHEDULE WILL APPLY TO YOU.

If you have questions about which Schedule applies to you, please contact the NiSource Inc. Human Resources Department at 219-647-4334.

SPD Schedules for
NiSource Inc. Retirement Savings Plan

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Schedule	Applicable Eligible Employees	Page #
A	Schedule A applies to the following groups of Eligible Employees: • Non-Union Employees classified as "Exempt" and hired or rehired on or after January 1, 2010; • Non-Union Employees classified as "Non-Exempt" and hired or rehired on or after January 1, 2013; and • Eligible Union Employees of Columbia Gas hired or rehired on or after January 1, 2013.	51
B	Schedule B applies to the following groups of Bay State Union Employees: • Springfield Clerical/Technical Employee or a Northampton Employee hired or rehired on or after January 1, 2011; • Brockton Operating Employee or Lawrence Employee hired or rehired on or after January 1, 2013; • Brockton Clerical/Technical Employee hired or rehired on or after June 1, 2013; and • Springfield Operating Employee hired or rehired on or after January 1, 2014.	53
C	Schedule C applies to Eligible Employees (other than Bay State Union Employees) that participate in the AB II Benefit under the applicable pension plan sponsored by NiSource Inc. or an affiliate.	55
D	Schedule D applies to Eligible Bay State Union Employees that participate in the AB II Benefit under the applicable Bay State pension plan.	57

SCHEDULE A*

Automatic Enrollment

You will be automatically enrolled in the Plan as of the first pay period that is 30 days from your hire date unless you elect otherwise. Specifically, unless you make a different election, you will be deemed to defer six percent (6%) of your Compensation.† You may elect not to participate in the Plan (and avoid automatic enrollment) or change the percentage of your Compensation deferral (Pre-Tax, Roth, or After-Tax Contributions). See "Automatic Enrollment and Opting Out" found earlier in this Summary for further details.

Calculating your "Compensation"

Some contributions to the Plan are based on or affected by your "Compensation" from the Company. Your "**Compensation**" generally means your aggregate basic annual salary or wages and commissions paid by the Company, plus (or including, as appropriate) the following additional items: (1) any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum merit pay); (2) any pre-tax contributions made to this Plan, a Company cafeteria plan, or a qualified transportation fringe benefit program (*e.g.*, a pre-tax parking program); (3) any amounts deferred to a nonqualified plan maintained by the Company (included only for calculating Elective Deferral Contributions and Matching Contributions); (4) any amounts attributable to "banked" vacation (if applicable) that are paid to you under the NiSource Vacation Policy during the calendar year that includes your termination of employment; and (5) other amounts as provided under an applicable collective bargaining agreement and the Plan document.

Note that your "Compensation" is calculated differently for purposes of determining your Profit Sharing Contributions (described below). For this purpose, your "**Compensation**" generally means your base earnings for the calendar year, plus the following additional items: (1) all shift premiums (*e.g.*, shift differential, call-out, standby, upgrades, and temporary reclassifications/promotions) and overtime pay for the calendar year; (2) sales commissions if considered part of your "base earnings"; (3) any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum merit pay); (4) any pre-tax contributions made to this Plan, a Company cafeteria plan, or a qualified transportation fringe benefit program (*e.g.*, a pre-tax parking program); and (5) other amounts as provided under an applicable collective bargaining agreement and the Plan document.

Employer Contributions

Each pay period, the Company will make an Employer Contribution in the amount of 3% of Compensation to the account of each employee eligible for this contribution. You will receive this contribution each pay period whether or not you make contributions to the Plan.

Company Matching Contributions

The Company makes a Matching Contribution each pay period to your Account equal to **50¢ for each $1 you contribute as an Elective Deferral Contribution (Pre-Tax or Roth) and/or After-Tax Contribution (a combined total) up to the first 6% of Compensation**. So, if you contribute 6% of Compensation or more to the Plan each pay

* This Schedule applies to (1) Eligible Non-Union Exempt Employees hired or rehired on or after January 1, 2010, (2) Eligible Non-Union Non-Exempt Employees hired or rehired on or after January 1, 2013, and (3) Eligible Union Employees of Columbia Gas hired or rehired on or after January 1, 2013.

† If this Schedule applies to you and you are a non-union Eligible Employees hired or rehired prior to January 1, 2014, your automatic Pre-Tax Contribution was 3% unless you made a different election; and if you were hired or rehired between January 1, 2014 and January 1, 2015, your automatic Pre-Tax Contribution was 4% unless you made a different election. If this Schedule applies to you and you are a Union Employee of a Columbia Gas company or its successor within the NiSource Inc. controlled group hired or rehired before July 1, 2018 your automatic contribution was 3% unless you made a different election.

period, the Company will contribute an extra amount equal to 3% of Compensation to your Account. Note that the Company does not match any Catch-up Contributions.

Here's a look at how Matching Contributions work with your contributions to help your Account grow. Assume you make $60,000 a year and contribute 6% of pay each pay period to the Plan. In one year of participation, your Account would accumulate $7,200, as follows:

Example of Matching Contributions		
Your Contributions:	**$3,600**	**($60,000 x 6%)**
Employer Contribution:	**1,800**	**($60,000 x 3%)**
Matching Contribution:	**+1,800**	**($3,600 x 50%)**
Total Annual Contribution:	**$ 7,200**	

Profit Sharing Contributions

Each year, the Company, in its sole discretion, may make a Profit Sharing Contribution based on eligible Compensation for each Eligible Employee. Unless your collective bargaining agreement (if applicable) provides otherwise, you will receive this contribution each year, if any, whether or not you make contributions to the Plan, as long as you are employed by the Company on the last day of the year, or you retired, became disabled or died during the year.

SCHEDULE B*

Automatic Enrollment

Automatic enrollment applies to Bay State Union Employees who were hired or rehired on or after the dates specified below:

- For Lawrence, Brockton Operating and Brockton Clerical/Technical Employees – January 1, 2008
- For Northampton and Springfield Clerical/Technical Employees – January 1, 2011
- For Springfield Operating Employees – January 1, 2014

You will be automatically enrolled in the Plan as of the first pay period that is 30 days from your hire date unless you elect otherwise. Specifically, unless you make a different election, you will be deemed to defer six percent (6%) of your Compensation.† You may elect not to participate in the Plan (and avoid automatic enrollment) or change the percentage of your Compensation deferral (Pre-Tax, Roth, or After-Tax Contributions). See "Automatic Enrollment and Opting Out" found earlier in this Summary for further details.

Calculating your "Compensation"

Some contributions to the Plan are based on or affected by your "Compensation" from the Company. Your "**Compensation**" generally means your straight time wages paid by the Company, plus the following additional items: (1) any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum merit pay); (2) any pre-tax contributions made to this Plan, a Company cafeteria plan, or a qualified transportation fringe benefit program (*e.g.*, a pre-tax parking program); (3) any amounts deferred to a nonqualified plan maintained by the Company (included only for calculating Elective Deferral Contributions and Matching Contributions); (4) other amounts as provided under an applicable collective bargaining agreement and the Plan document; (5) shift differential payments; (6) Saturday/Sunday premiums; (7) compensation paid at an alternative rate (not including compensation paid at an alternative rate to a salesperson); and (8) seventy-five percent of sales commissions paid to an Eligible Employee by the Company.

Note that "Compensation" is calculated differently for purposes of determining your Employer Contributions (described below). For this purpose, your "**Compensation**" is your basic annual salary or wages and commissions paid by the Company, plus (or including, as appropriate) the following additional items: (1) any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum merit pay); (2) any pre-tax contributions made to this Plan, a Company cafeteria plan, or a qualified transportation fringe benefit program (*e.g.*, a pre-tax parking program); (3) any amounts attributable to "banked" vacation (if applicable) that are paid to you under the NiSource Vacation Policy during the calendar year that includes your termination of employment; and (4) other amounts as provided under an applicable collective bargaining agreement and the Plan document.

Note that your "Compensation" is calculated differently for purposes of determining your Profit Sharing Contributions (described below). For this purpose, your "**Compensation**" generally means your base earnings for the calendar year, plus the following additional items: (1) all shift premiums (*e.g.*, shift differential, call-out, standby, upgrades, and temporary reclassifications/promotions) and overtime pay for the calendar year; (2) sales commissions if considered part of your "base earnings"; (3) any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum

* This Schedule applies to the following groups of eligible Bay State Union Employees: (a) a Springfield Clerical/Technical Employee or a Northampton Employee hired or rehired on or after January 1, 2011, (b) a Brockton Operating Employee or Lawrence Employee hired or rehired on or after January 1, 2013, (c) a Brockton Clerical/Technical Employee hired or rehired on or after June 1, 2013, or (d) a Springfield Operating Employee hired or rehired on or after January 1, 2014.

† If you are an eligible Bay State Union Employee hired prior to the following designated dates your automatic Pre-Tax Contribution was 3% unless you made a different election, as follows: (i) January 1, 2016 for Northampton and Springfield C/T Employees; and (ii) July 1, 2018 for Brockton Operating, Brockton C/T, Springfield Operating and Lawrence Employees.

merit pay); (4) any pre-tax contributions made to this Plan, a Company cafeteria plan, or a qualified transportation fringe benefit program (*e.g.*, a pre-tax parking program); and (5) other amounts as provided under an applicable collective bargaining agreement and the Plan document.

Employer Contributions

Each pay period, the Company will make an Employer Contribution in the amount of 3% of Compensation to the account of each eligible Employee. You will receive this contribution each pay period whether or not you make contributions to the Plan.

Company Matching Contributions

The Company makes a Matching Contribution each pay period to your Account equal to **50¢ for each $1 you contribute as an Elective Deferral Contribution (Pre-Tax or Roth) and/or After-Tax Contribution (a combined total) up to the first 6% of Compensation**. So, if you contribute 6% of Compensation or more to the Plan each pay period, the Company will contribute an extra amount equal to 3% of Compensation to your Account. Note that the Company does not match any Catch-up Contributions.

Here's a look at how Matching Contributions work with your contributions to help your Account grow. Assume you make $60,000 a year and contribute 6% of pay each pay period to the Plan. In one year of participation, your Account would accumulate $7,200, as follows:

Example of Matching Contributions		
Your Contributions:	**$ 3,600**	**($60,000 x 6%)**
Employer Contribution:	**1,800**	**($60,000 x 3%)**
Matching Contribution:	**+1,800**	**($3,600 x 50%)**
Total Annual Contribution:	**$ 7,200**	

Profit Sharing Contributions

Effective for Plan Years beginning on or after January 1, 2019, each year, the Company, in its sole discretion, may make a Profit Sharing Contribution based on eligible Compensation for each Eligible Employee. Unless your collective bargaining agreement (if applicable) provides otherwise, you will receive this contribution each year, if any, whether or not you make contributions to the Plan, as long as you are employed by the Company on the last day of the year, or you retired, became disabled or died during the year.

SCHEDULE C*

Automatic Enrollment

If you were hired or rehired on or after January 1, 2008, you will be automatically enrolled in the Plan as of the first pay period that is 30 days from your hire date unless you elect otherwise. Specifically, unless you make a different election, you will be deemed to defer three percent (3%) of your Compensation. You may elect not to participate in the Plan (and avoid automatic enrollment) or change the percentage of your Compensation deferral (Pre-Tax, Roth, or After-Tax Contributions). See "Automatic Enrollment and Opting Out" found earlier in this Summary for further details.

Calculating your "Compensation"

Some contributions to the Plan are based on or affected by your "Compensation" from the Company. Your "**Compensation**" generally means your aggregate basic annual salary or wages and commissions paid by the Company, plus the following additional items: (1) any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum merit pay); (2) any pre-tax contributions made to this Plan, a Company cafeteria plan, or a qualified transportation fringe benefit program (*e.g.*, a pre-tax parking program); (3) any amounts deferred to a nonqualified plan maintained by the Company (included only for calculating Elective Deferral Contributions and Matching Contributions); (4) any amounts attributable to "banked" vacation (if applicable) that are paid to you under the NiSource Vacation Policy during the calendar year that includes your termination of employment; and (5) other amounts as provided under an applicable collective bargaining agreement and the Plan document.

Note that your "Compensation" is calculated differently for purposes of determining your Profit Sharing Contributions (described below). For this purpose, your "**Compensation**" generally means your base earnings for the calendar year, plus the following additional items: (1) all shift premiums (*e.g.*, shift differential, call-out, standby, upgrades, and temporary reclassifications/promotions) and overtime pay for the calendar year; (2) sales commissions if considered part of your "base earnings"; (3) any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum merit pay); (4) any pre-tax contributions made to this Plan, a Company cafeteria plan, or a qualified transportation fringe benefit program (*e.g.*, a pre-tax parking program); and (5) other amounts as provided under an applicable collective bargaining agreement and the Plan document.

* This Schedule applies to Eligible Employees (other than Bay State union employees) that participate in the AB II Benefit under a pension plan sponsored by NiSource Inc. or an affiliate.

Company Matching Contributions

The Company makes a Matching Contribution each pay period to your Account equal to **$1 for each $1 you contribute as an Elective Deferral Contribution (Pre-Tax or Roth) and/or After-Tax Contribution (a combined total) up to the first 6% of Compensation**. So, if you contribute 6% of Compensation or more to the Plan each pay period, the Company will contribute an extra amount equal to 6% of Compensation to your Account. Note that the Company does not match any Catch-up Contributions.

Here's a look at how Matching Contributions work with your contributions to help your Account grow. Assume you make $60,000 a year and contribute 6% of pay each pay period to the Plan. In one year of participation, your Account would accumulate $7,200, as follows:

Example of Matching Contributions		
Your Contributions:	**$ 3,600**	**($60,000 x 6%)**
Matching Contribution:	**+3,600**	**($3,600 x 100%)**
Total Annual Contribution:	**$ 7,200**	

Profit Sharing Contributions

Each year, the Company, in its sole discretion, may make a Profit Sharing Contribution based on eligible Compensation for each Eligible Employee. Unless your collective bargaining agreement (if applicable) provides otherwise, you will receive this contribution each year, if any, whether or not you make contributions to the Plan, as long as you are employed by the Company on the last day of the year, or you retired, became disabled or died during the year.

SCHEDULE D*

Automatic Enrollment

Automatic enrollment applies to Bay State Union Employees who are Lawrence, Brockton Operating or Brockton Clerical/Technical Employees and who were hired or rehired on or after January 1, 2008. If automatic enrollment applies to you, you will be automatically enrolled in the Plan as of the first pay period that is 30 days from your hire date unless you elect otherwise. Specifically, unless you make a different election, you will be deemed to defer three percent (3%) of your Compensation. You may elect not to participate in the Plan (and avoid automatic enrollment) or change the percentage of your Compensation deferral (Pre-Tax, Roth, or After-Tax Contributions). See "Automatic Enrollment and Opting Out" found earlier in this Summary for further details.

Calculating your "Compensation"

Some contributions to the Plan are based on or affected by your "Compensation" from the Company. Your "Compensation" generally means your aggregate basic annual salary or wages and commissions paid by the Company, plus the following additional items: (1) any one-time payments in lieu of salary increases for a given year (*i.e.*, lump-sum merit pay); (2) any pre-tax contributions made to this Plan, a Company cafeteria plan, or a qualified transportation fringe benefit program (*e.g.*, a pre-tax parking program); (3) any amounts deferred to a nonqualified plan maintained by the Company; (4) any amounts attributable to "banked" vacation (if applicable) that are paid to you under the NiSource Vacation Policy during the calendar year that includes your termination of employment; and (5) other amounts as provided under an applicable collective bargaining agreement and the Plan document.

Company Matching Contributions

The Company makes a Matching Contribution each pay period to your Account equal to **$1 for each $1 you contribute as an Elective Deferral Contribution (Pre-Tax or Roth) and/or After-Tax Contribution (a combined total) up to the first 6% of Compensation**. So, if you contribute 6% of Compensation or more to the Plan each pay period, the Company will contribute an extra amount equal to 6% of Compensation to your Account. Note that the Company does not match any Catch-up Contributions.

Here's a look at how Matching Contributions work with your contributions to help your Account grow. Assume you make $60,000 a year and contribute 6% of pay each pay period to the Plan. In one year of participation, your Account would accumulate $7,200, as follows:

Example of Matching Contributions		
Your Contributions:	**$ 3,600**	**($60,000 x 6%)**
Matching Contribution:	**+3,600**	**($3,600 x 100%)**
Total Annual Contribution:	**$ 7,200**	

* This Schedule applies to Eligible Bay State Union Employees that participate in the AB II Benefit under a Bay State pension plan.

POLICY SUBJECT: **Holidays**

EFFECTIVE DATE: **January 1, 2015**

This policy sets forth the holiday schedule for regular full time and part time employees of NiSource companies whose terms and conditions of employment are not covered by a collective bargaining agreement.

Fixed Holidays

The following seven fixed holidays will be observed:

New Year's Day
Memorial Day
Independence Day
Labor Day
Thanksgiving Day
Day after Thanksgiving
Christmas Day

Fixed holidays falling on Saturday will be observed on the preceding Friday. Fixed holidays falling on Sunday will be observed on the following Monday. Each NiSource subsidiary can make alternate arrangements for days where business conditions require employees to be at work.

Employees working a non-traditional work week will have their holiday observed according to applicable work location schedule.

Floating Holidays

Five floating holidays will be granted. Each NiSource subsidiary can assign one or more of the floating holidays to specific days.

Any union to non-union transferee will be granted all 5 floating holidays regardless of transfer date, minus any Floating Holidays they may have already taken in calendar year.

Floating holidays cannot be carried over from year to year. Qualified employees may bank unused floating holidays within the limits of the vacation banking policy. Unused/unbanked floating holidays will not be paid at separation.

Floating Holiday Granting Process

Active employees will be granted five floating holidays on January 1 of each year. New hires will be granted floating holidays as follows:

If hired between January 1 and March 31, granted 4 floating holidays
If hired between April 1 and June 30, granted 3 floating holidays
If hired between July 1 and September 30, granted 2 floating holidays
If hired between October 1 and November 30, granted 1 floating holiday

Part-Time and Phased Retirement Employee Fixed Holidays and Floating Holidays

Part time employees will be paid their normal scheduled working hours for any fixed holiday that falls on their regularly scheduled workday.

Part time employees, regardless of work schedule, are eligible to receive two floating holidays (16 hours).

Part-Time Floating Holiday Granting Process

Active employees will be granted two floating holidays on January 1 of each year. New hires will be granted floating holidays as follows:

If hired between January 1 and June 30, granted 2 floating holidays
If hired between July 1 and November 30, granted 1 floating holiday

Mid-Year Full-Time to Part-Time Employee Change

Employee entitled to remaining full time floating holiday balance in year of change. Beginning January 1 of the year following the change, employee will be granting part time grant of 16 hours.

Mid-Year Part-Time to Full-Time Employee Change

Employee will be granted full time floating holiday balance minus any time taken as a part time employee during that year. Beginning January 1 of the year following the change, employee will follow full time floating holiday policy.

Temporary Employees

Temporary employees or interns are not eligible to receive holidays or floating holidays.

POLICY SUBJECT: **Vacation**

EFFECTIVE DATE: **January 1, 2004**

REVISED: **September 23, 2015**

This policy covers regular full time and part time employees of NiSource companies whose terms and conditions of employment are not covered by a collective bargaining agreement. Note that an employee's individual vacation hours cannot be donated to another employee.

Vacation Year

The vacation year runs from January 1 through December 31 of each year.

Vacation Calculation

Vacation is granted on January 1 and is calculated based upon full years of service on the preceding December 31 (note the exception under New Hire and Rehired Employees). If service has been broken, the service date established upon return to employment will be used to calculate the vacation grant utilizing the vacation schedule in effect at time of rehire. Prior service as an intern, summer, or temporary employee will not count towards vacation eligibility.

In order to receive the annual grant, employees on short term or long term disability or any other type of leave of absence or non-work status must return to work at least one day in a new year.

New Hire and Rehired Employees

A new or rehired employee in the initial year of employment is granted vacation based on a proration of 3 weeks (120 hours) of vacation unless a rehired employee's eligible previous service makes the granted vacation 4 weeks (160 hours).

The proration is calculated based on the remaining full months in a calendar year beginning with the month after hire date month. For example:

> -Employee hired April 1, 2014; first year 2014 vacation entitlement would be 8/12 (May-Dec) x 120 hours = 80 hours taken with supervisor approval or remaining can be carried over subject to carryover limits. Beginning January 1, 2015, employee would be entitled to 3 weeks (120 hours) vacation (if applicable could be 160 hours for rehired employees depending on previous service and break-in-service).

NOTE: Any exceptions to these new hire and rehire provisions must be approved by the Sr. VP Human Resources.

2013 New or Rehired Employees

If an employee was hired or rehired in 2013, they will be granted on 1/1/14 either 3 weeks (120 hours) or 4 weeks (160 hours) depending on eligibility minus any borrowed hours used in 2013.

General Provisions

1. Vacation will be scheduled according to requirements established at the Company or Department level.
2. Vacation will be paid at the employee's regular base rate of pay, exclusive of any premium or temporary upgraded rate at the time the vacation is taken.
3. Employees are required to use 80 hours of their vacation grant per year or forfeit the difference between the number of hours used and 80 hours (exception would be in the first year of hire or rehire if vacation grant is less than 80 hours). However, if extenuating circumstances exist that are beyond the employee's control, an employee, with approvals from the employee's supervisor and the next level of management, may elect to carry over or to bank such unused vacation hours that would otherwise be subject to forfeiture.
4. After using 80 hours of their vacation grant, employees may elect to carry over up to 80 hours of unused vacation into the following year without supervisor approval. If extenuating circumstances exist that are beyond the employee's control, an employee, with approvals from the employee's supervisor and the next level of management, may elect to carry over more than 80 hours of unused vacation into the following year.
5. If no timely election has been made to carry over or to bank unused vacation hours, an employee will be deemed to have elected to carry over up to 80 unused vacation hours (assuming the employee has first used 80 hours of vacation) to the following year.
6. Any employee election referred to in this policy (other than the deemed election described immediately above) must be made in writing or electronically within the timeframes and in the manner prescribed by NiSource.

Vacation Banking

Employees age 45 and older ("qualified employees") are qualified to participate in the vacation banking program. After using 80 hours of their vacation grant, such employees may elect to bank up to 160 hours of unused vacation per year, up to a lifetime banking limit of 640 hours, during the annual vacation banking event.

If a qualified employee has not made an election to bank unused vacation hours or to carry over all such hours to the following year, such employee will be deemed to have elected first to carry over up to 80 unused vacation hours to the following year (assuming the employee has first used 80 hours of vacation), and then to have elected to bank up to 160 of any remaining unused vacation hours, subject to the lifetime banking limit.

At retirement or separation, qualified employees can bank unused vacation and floating holidays, subject to the annual limit of 160 hours and lifetime banking limit of 640 hours. Accrued vacation is not eligible for banking.

At retirement or separation, qualified employees will receive a lump-sum cash payment for their banked hours, calculated at their pay rate at the time they leave. They will have the option to defer part of the payment into their 401(k) plan based on their current deferral election on file with the 401K administrator, within IRS limits, and receive the eligible company match. In addition, the payment will count as additional eligible earnings toward retirees' final average pay or account balance pension calculations, if applicable.

Under the provisions of the federal Family and Medical Leave Act, qualified employees can "un-bank" and use banked vacation hours after they have depleted their available unused vacation and floating holiday hours for the year.

Vacation and Other Types of Leave

1. An employee will not be permitted to take vacation while receiving Worker's Compensation payments.
2. Vacation taken as a result of one of the conditions covered under the Family and Medical Leave Act (FMLA) will count toward the twelve-week FMLA maximum leave allowance.
3. Employees on reduced-pay or no-pay sick leave/short-term disability may request vacation paid in lieu to supplement sick pay.
4. Employees will not receive credit for vacation accrued while on long-term disability, workers compensation or a Leave of Absence unless they return to work full time within one year.
5. Vacation for employees entering Military Service is covered in the Military Leave of Absence Policy.

Vacation Paid at Long Term Disability

Accrued, Unused and Banked vacation will be paid to employees at the beginning of long-term disability or at the end of the year in which the employee began long-term disability. Payment will be calculated on the basis of 1/12 of the vacation eligibility for each completed month of service. The accrual rate will be based on full years of service at the time of Long Term Disability.

Vacation Paid at Separation

Unused and banked vacation will be paid to employees at separation.

Accrued vacation will be paid to employees at separation due to involuntary severance, retirement, or death. Payment will be calculated on the basis of 1/12 of the vacation eligibility for each completed month of service in the final year of employment. The accrual rate will be based on full years of service at the end of the year of separation.

An employee will be disqualified from the right to receive unused and banked vacation pay under the Policy for the following reasons:

- An employee does not return all company property.
- An employee owes an outstanding debt to the Company at time of separation.

Vacation Schedules – Exempt and Non Exempt employees prior to January 1, 2004

Existing employees on December 31, 2003 will be grandfathered to the vacation schedule in which they were enrolled on that date. Vacation schedules can be obtained from their Human Resource Consultant or the Human Resource Delivery Team.

Vacation Schedule – Exempt and Non-Exempt employees hired or rehired on or after January 1, 2004*

All Exempt employees hired or rehire between 01/01/04 and 12/31/09 and all Non Exempt employees hired between 1/1/04 and 12/31/12 will be covered by the following vacation schedule:

Full Years of Service at 12/31/XX	Vacation Hours Granted the Following Vacation Year
1	80
3	120
10	160

*This schedule also applies for nonexempt employees in CEG benefit plans who were hired or rehired between January 1, 2000 and December 31, 2012. Also, this schedule also applies to Exempt employees in CEG benefit plans who were hired or rehired between January 1, 2000 and December 31, 2009.

Vacation Schedule – Exempt Employees hired or rehired on or after January 1, 2010 and Non Exempt hired on or rehired after January 1, 2013

All Exempt employees hired or rehired on or after 01/01/10 and Non Exempt employees hired or rehired on or after January 1, 2013 will be covered by the following vacation schedule:

Full Years of Service at 12/31/XX	Vacation Hours Granted the Following Vacation Year
January 1 after initial year of hire*	120
4	160

*If applicable could be 160 hours for rehired employees depending on previous service and break-in-service.

Exempt employees hired or rehired on or after January 1, 2010 and Non Exempt employees hired or rehired on or after January 1, 2013 will receive an additional five “bonus” days of vacation only during the succeeding year after every five-year service anniversary.

For example, after completing five full years of service, an employee will receive five extra vacation days during the following calendar year (which means a total of 25 vacation days).

The following year, the employee’s vacation level reverts back to the normal 20 days.

Non Exempt to Exempt Transfers

Non Exempt employees hired or rehired on or after January 1, 2010 and before January 1, 2013 who transfer to an Exempt position will be granted additional vacation hours (if applicable) January 1 of the following year.

Exempt or Nonexempt to Union Transfers

These transferred employees will be under the applicable union vacation schedule upon the date of transfer.

Union to Exempt or Non Exempt Transfers

These transferred employees will maintain applicable union vacation grant for the remainder of the year of transfer and then effective January 1 of the following year they will be under this nonunion vacation policy.

Vacation Schedule – Part-Time and Phased Retirement Employees
Part-time employees will be covered by one of the above schedules based on employment status and vacation plan participation as of hire date. Their annual vacation grant will be pro-rated based on the number of normal hours worked in a week.

Hours granted based on weekly schedule of normal hours worked:

30 - 39 hours per week- 85% of annual grant
20 - 29 hours per week- 65% of annual grant
15 - 19 hours per week- 45% of annual grant
14 or less hours per week- 25% of annual grant

New Hire and Rehired Part-Time Employees
A new or rehired part-time employee in the initial year of employment is granted vacation based on a proration of 3 weeks (120 hours) of vacation unless a rehired employee's eligible previous service makes the granted vacation 4 weeks (160 hours).

The proration is calculated based on the remaining full months in a calendar year beginning with the month after hire date month and the percent of annual grant above. For example:

-Part-time employee hired April 1, 2014; first year vacation entitlement would be 8/12 (May-Dec) x 120 hours x 65% = 52 hours taken with supervisor approval or remaining can be carried over subject to carryover limits. Beginning January 1, 2015, employee would be entitled to 3 weeks (120 hours) pro-rated vacation based on their weekly schedule above.

NOTE: Any exceptions to these new hire and rehire provisions must be approved by the Sr. VP Human Resources.

Mid-Year Full-Time to Part-Time Employee Change
Employees entitled to remaining full time grant in year of change. Beginning January 1 of the year following the change part-time vacation determined by annual grant percentage above.

Mid-Year Part-Time to Full-Time Employee Change
Part-time and Full time months prorated based on month of change. Examples:

-Change effective March 1 and no vacation taken for that year as of change date.

9/12 (Apr-Dec) x 120 hours = 90 hours plus part-time annual grant 102 hours (85% of 120 hours) x 3/12 (Jan-Mar) = 26 hours so employee entitled to 116 hours (90 + 26) after change for that calendar year.

-Change effective March 1 and vacation used for that year as of change date.

9/12 (Apr-Dec) x 120 hours = 90 hours plus part-time annual grant 102 hours (85% of 120 hours) x 3/12 (Jan-Mar) = 20 hours minus 15 hours taken as of change date so employee entitled to 95 hours (90 + 20 -15) after change for that calendar year.

NiSource

Program:	**Business Development Program** **Tuition Reimbursement**
EFFECTIVE DATE:	**Separation Date (defined herein)**
APPROVED:	**Robert Campbell**

1. Purpose

The ability and the effectiveness of an employee and the value added to NiSource Inc. (the "Company") may be enhanced if the employee acquires additional, formal education in work-related disciplines where the Company has a need for improving its knowledge base, talent and/or resources. NiSource subsidiaries will reimburse eligible employees a part of the expenses incurred in obtaining such additional education, subject to its prior approval. The Company reserves the right to reject any course and/or program application. The Company also reserves the right to modify or terminate the program at any time.

2. Eligibility

Any active, full-time exempt or non-exempt employee, who has been with the Company for six months, may apply for course/program approval. If an employee terminates for any reason, or if the Company subsidiary by whom he is employed ceases to be a member of the same controlled group of corporations as the Company, within the meaning of Section 414(b) of the Internal Revenue Code of 1986, as amended, eligibility ends at time of termination or at the time the subsidiary ceases to be a member of the controlled group.

This Policy is intended to be limited in scope and, unless specifically provided by the terms of a collective bargaining agreement, bargaining unit personnel are not eligible to participate in this program. To the extent that bargaining unit personnel are eligible under a Collective Bargaining Agreement, such eligibility is limited to those courses of study identified by the Policy and approved by the employee's Vice President or General Manager. For bargaining unit personnel not specifically covered by the terms of a Collective Bargaining Agreement, participation in the education assistance program shall be at the Company's sole discretion and eligibility shall be limited to those courses of study identified by the Policy and approved by the employee's Vice President or General Manager.

3. Approved Coursework

In this Program, "course" is defined as a single subject; "program" or "curriculum" is defined as a group of courses designated by the institution as a requirement for completion.

For Exempt employees, any course, program or curriculum that is pertinent to and, in the opinion of the Company, of a type that will be of mutual benefit to Company operations, may be approved under the program for reimbursement. Approving Managers should take into consideration the employee's performance and expectations of ascending to higher levels of accountability which are clearly documented and supported by the employee's DFWs and/or the Talent Review Process.

For Non-Exempt employees, only courses/curriculum that are related to and/or may lead to a degree in engineering or a geology/sciences related field will be considered for approval at the function leader's discretion. In rare situations, if a Manager has a documented development plan that will improve an employee's ability to ascend to an exempt/supervisory position in the near future, those requests will be considered.

Pursuit of study of any subject, course or curriculum should not interfere with the employee's regular work schedule, compromise or interfere with the employee's job performance, or require the scheduling of time away from the regular work schedule for classroom attendance or class preparation. Courses with requirements that conflict with these guidelines must have Vice President approval and include alternative arrangements that ensure no interference with Company operations. To qualify under this Program, coursework must be taken at a college or university accredited by a Regional Accrediting Organization recognized by the Council for Higher Education accreditation.

Degrees/Curriculum/Courses qualifying under the Program include:

- Undergraduate Degrees
- Master Degrees
- Correspondence/Distance Learning/Online Courses
- Degree-completion courses
- Certification preparation courses (i.e., Professional Engineer, etc.)
- Non-degree work-related courses
- Pre-requisite courses
- Life Experience Assessment Programs (LEAP)
- Credit for Life Experience Programs (CLEP)

A maximum of nine credit hours or three courses per semester will be allowed, except in the case of bona fide degree-completion programs that have a modified semester plan. The Company reserves the right to reject any elective that is clearly unrelated to the employee's major area of study or that covers inappropriate subject matter.

4. Expenses Qualifying for Reimbursement / Budget Responsibility

For all employees, tuition, books, lab fees and graduation fees will be reimbursed at 70% so long as the employee completes the course with a passing grade or pass for a pass/fail course.

Reimbursement will not be made for student activity fees, parking fees, non-resident fees, tools, supplies, shipping charges, tuition financing charges, meals, mileage, or coursework for which the employee receives financial assistance from another source.

No reimbursement shall be made for expenses related to a course completed by a Spin-Off Employee if the Employee Request for Reimbursement and all required supporting documentation are submitted to the Tuition Reimbursement Coordinator on or after the Separation Date.

"Separation Date" means July 1, 2015, or if later, the date of the consummation of all transactions necessary to effectuate the CPG Spin-Off.

"CPG Spin-Off" means the transaction pursuant to which there was distributed to holders of shares of common stock of the Company, on a pro rata basis, all of the outstanding shares of common stock of Columbia Pipeline Group, Inc.

A "Spin-Off Employee" is an employee of Columbia Pipeline Group, Inc. or its affiliates who was covered under this Program immediately prior to the Separation Date and who became ineligible for such coverage in connection with the CPG Spin-Off.

Reimbursements for eligible expenses will be capped at $5,250 per calendar year for all employees. For programs that have a majority of classes in one calendar year, but the reimbursement is requested in the next calendar year, those courses and related reimbursement will be considered (for cap related purposes only) to have occurred in the previous year when a majority of classes were scheduled.

If an employee voluntarily terminates or is terminated for cause before or after completion of the program within specified time limits, the employee will be required to reimburse the Company based on the Tuition Repayment Agreement.

Reimbursements made in relation to this program will be the responsibility of the department/function of the requesting employee and will be funded from that specific budget. In situations where two functions are involved (i.e., a non-exempt finance employee makes application to take engineering courses), the two function leaders may discuss to determine if cost sharing is appropriate.

5. Procedure for Program/Course Approval

a. Employee fills out **Tuition Reimbursement Program Application** form. A complete course curriculum outlining all degree requirements must be included with the application.
b. Employee must also fill out and sign **Tuition Repayment Agreement.**
c. Employee's manager approves application and repayment agreement (Business Unit VP/Leader also approves application only), and forwards to the designated Tuition Reimbursement Coordinator. Tuition Reimbursement Coordinator must receive applications at least fifteen (15) days prior to program start date to allow time for review.
d. Tuition Reimbursement Coordinator e-mails employee approval or denial of program.
e. Employees must re-apply for Program approval if:
    i. They elect to pursue a different area of study or courses not on the outline;
    ii. They elect to pursue previously approved Program at another institution; or
    iii. They do not pursue coursework for a period of twelve (12) months.
f. As courses are taken within a previously approved Program, employee e-mails notice of course, course number and start date to Tuition Reimbursement Coordinator at least 15 days prior to course start date.
g. Tuition Reimbursement Coordinator e-mails confirmation of course to employee.

6. Procedure for Reimbursement

a. Employee pays for course and other qualifying expenses, fills out Employee Request for Reimbursement form and submits original copy of itemized receipt to Tuition Reimbursement Coordinator. This step can be taken prior to completion of course, but reimbursement will not be made until satisfactory course completion.
b. Tuition Reimbursement Coordinator notifies Payroll Department of reimbursement amount. Reimbursement is processed corresponding with employee's next regular pay cycle as a separate line item on the pay advice. Per IRS guidelines, reimbursements are non-taxable up to $5,250 per employee year. Amounts above $5,250 will be included in taxable income.
c. Upon completion of course, employee forwards original copy of grade report or certificate of completion to Tuition Reimbursement Coordinator. Original grade reports and receipts will not be returned; therefore, employees should ensure they maintain duplicate records.

d. Subsequent reimbursements will not be made under this Program until passing grades are received to document completion of courses that were previously taken and reimbursed.
e. In order to qualify, requests for reimbursement, original grade reports and receipts must be sent to Tuition Reimbursement Coordinator within 60 days after course is completed.
f. Employees will not be paid for expenses prior to the expenses being incurred (i.e., no advances).

7. Program Administration

The **HR Delivery Team** coordinates the Tuition Reimbursement program is. The HR Delivery Team will answer questions about the Program, make available all forms necessary for participation, and process routine applications and request for reimbursement.

NISOURCE INC.

ADOPTION ASSISTANCE PLAN

As Amended and Restated Effective as of January 1, 2016

NISOURCE INC.
ADOPTION ASSISTANCE PLAN

1. How the Plan Works.

Effective January 1, 1999, Columbia Energy Group ("Columbia") established the Adoption Assistance Plan for employees of Columbia. Effective January 1, 2004, the Adoption Assistance Plan was amended and restated to broaden its coverage, and was renamed the NiSource Inc. Adoption Assistance Plan (the "Plan"). Effective January 1, 2011, the Plan was amended and restated for the purpose, among other things, of increasing the maximum amount of qualified adoption expenses that may be reimbursed by the Plan. Effective July 1, 2015, the Plan was amended and restated in connection with the CPG Spin-Off (defined below) and to reflect certain statutory, regulatory and plan design changes. This is an amended and restated version of the Plan, effective as of January 1, 2016, that reflects certain statutory, regulatory and plan design changes.

The purpose of the Plan is to offset a portion of qualified adoption expenses by providing financial assistance in the adoption of an eligible child. Subject to the terms and conditions below, NiSource Inc. (the "Company") and its Related Employers (each an "Employer") will reimburse up to $3,500 of qualified adoption expenses for each successful adoption of an eligible child. A "Related Employer" is (1) any corporation that is a member of a controlled group of corporations (as defined in Section 414(b) of the Internal Revenue Code of 1986, as amended (the "Code")) that includes the Company; (2) any trade or business (whether or not incorporated) that is under common control (as defined in Section 414(c) of the Code) with the Company; and (3) any member of an affiliated service group (as defined in Section 414(m) of the Code) that includes the Company.

2. Eligibility.

Subject to the other terms and conditions of this Plan, an Employer will reimburse qualified adoption expenses that were paid or incurred while an individual is an Employee who is actively at work, provided the expenses are incurred in connection with an adoption of an eligible child that becomes final while the individual is an Employee. Notwithstanding the foregoing or any other provision of this Plan, with respect to a CPG Spin-Off Employee, no reimbursement of qualified adoption expenses will be made if the Adoption Reimbursement Claim Form (referred to in paragraph 5), together with all required documentation, is not submitted to the Plan on or before the Separation Date.

An "Employee" is (1) a full-time, salaried employee of an Employer, (2) a full-time, non-union, hourly employee of an Employer or (3) a full-time or part-time union employee of an Employer, if the employee's union has collectively bargained for participation in the Plan. No independent contractor shall be treated as an Employee during the period he or she renders service as an independent contractor. Any person retroactively or in any other way found to be a common law employee will not be eligible under the Plan for any period during which he or she was not treated as an Employee by the Committee (defined below). The following restrictions apply:

- Employees who are on a long-term disability or salary continuation status at the time the adoption is finalized are not eligible for reimbursement.

- Employees who are on a Family and Medical Leave Act and/or approved leave of absence are eligible for reimbursement of qualified adoption expenses from the Plan when they have returned to work, if the expenses meet the Plan requirements.

Except for a part-time union employee whose union has collectively bargained for participation in the Plan, part-time and temporary employees are not eligible for the Plan. Adoption benefits will be made available to new eligible Employees immediately upon hire. If an Employee and spouse are both Employees, only one Employee can utilize the benefit. Eligible children must be under age 18, except where the state in which the Employee resides has determined that the adopted child has a special need.

Participation under the Plan will end on the earliest to occur of the following: (i) the date an individual is no longer an Employee eligible to participate in the Plan, (ii) the date the Employee terminates employment with an Employer, or (iii) the date the Plan is terminated.

"CPG" means Columbia Pipeline Group, Inc., a Delaware corporation.

"CPG Spin-Off" means the transaction pursuant to which there was distributed to holders of shares of common stock of the Company, on a pro rata basis, all of the outstanding shares of common stock of CPG

A "CPG Spin-Off Employee" is an employee of CPG or its affiliates who was covered under this Plan immediately prior to the Separation Date and who became ineligible for such coverage in connection with the CPG Spin-Off.

"Separation Date" means July 1, 2015.

3. Financial Reimbursement.

Qualified adoption expenses are reimbursable up to a maximum of $3,500 per child; provided, however, that qualified adoption expenses paid or incurred prior to January 1, 2011 shall be reimbursed up to a maximum of only $2,500 per child. Qualified adoption expenses include the following, provided that the expenses are paid or incurred by the Employee and are directly related to and have as their principal purpose, the legal adoption by the Employee of an eligible child, are not incurred in violation of state of federal law or in carrying out any surrogate parenting arrangement, are not for the adoption of the child of the Employee's spouse and are not reimbursed by another source:

- Agency and placement fees

- Medical expenses of birthmother (directly related to the adoption)

- Medical expenses of the eligible child (directly related to the adoption)

- Legal fees and court costs

- Required travel/lodging expenses
- Required temporary foster care
- Immigration, immunization and translation fees

An eligible child is an individual who has not attained age 18 or who is physically or mentally incapable of caring for himself.

Qualified adoption expenses shall determined in accordance with Code Section 137 and any rules, regulations or other guidance issued by the Internal Revenue Service thereunder or under Code Section 23, including without limitation the instructions to Internal Revenue Service Form 8839, Qualified Adoption Expenses.

4. Adoption Expense Reimbursement for a Spouse's Child.

Notwithstanding the preceding paragraph, the Employer will reimburse the actual expenses, up to a maximum of $3,500, for the uncontested adoption by an Employee of a spouse's child or children. Amounts so reimbursed are not qualified adoption expenses for purposes of the Code exclusion from income provisions or the adoption tax credit. Consequently, amounts reimbursed under this paragraph are includable in the gross income of the Employee and are subject to federal and state income tax withholding, FUTA, FICA, and unemployment taxes. An Employee who plans to request reimbursement from the Plan for such expenses should consult with a tax advisor before submitting expenses to the Employer for reimbursement.

5. Procedure for Reimbursement.

Reimbursement of adoption expenses can begin as soon as the adoption is finalized. Employees must submit a legal adoption agreement along with the Adoption Reimbursement Claim Form to the address indicated on the Claim Form to begin the reimbursement process. All expenses for an adoption should be submitted together, and itemized receipts substantiating the amount and nature of the expenses incurred need to be attached for documentation. Employees shall furnish the plan administrator with any other evidence, data or information the plan administrator considers necessary or desirable to administer the Plan. The Adoption Reimbursement Claim Form is available through MySource for Human Resources at 1-888-640-3320. To be considered for reimbursement, all expenses must be submitted no later than twelve months after the adoption becomes final.

6. Family and Medical Leave Act (FMLA).

The Employer recognizes that the adoption process may require time off from work. Employees who adopt may apply for leave under the Family and Medical Leave Act for up to 12 weeks. Employees are requested to provide their manager with as much preliminary information on need for time off as possible. This will prevent unplanned interruptions in the work unit while allowing the Employee to take necessary leave time.

7. Coordination with Other Benefits.

The Employer will not reimburse an Employee for adoption expenses that have been paid through another plan (*e.g.*, Employee and spouse's medical plan, health care spending accounts, or a spouse's employer adoption assistance plan).

8. Taxation of Reimbursements.

The $3,500 maximum reimbursement for adoption assistance to an Employee under paragraph 3 is excludable from the Employee's gross income if his or her family's modified adjusted gross income ("MAGI") does not exceed $201,920 (effective January 1, 2016 and as adjusted thereafter for inflation). If the Employee family's MAGI is between $201,921 and $241,919 (effective January 1, 2016 and as adjusted thereafter for inflation), part of the reimbursement will be treated as taxable income to the Employee. If the Employee family's MAGI is $241,920 or more (effective January 1, 2016 and as adjusted thereafter for inflation), all of the reimbursement will be treated as taxable income to the Employee. State taxes may also apply to reimbursements made under the Plan.

The Employer will not withhold income taxes on payments for qualified adoption expenses under the Plan. The Employer will withhold FICA and FUTA taxes from these amounts. If all or part of the reimbursement is taxable to the Employee, it must be included in his or her gross income with applicable withholding for income, FICA and FUTA tax purposes. An Employee's withholding may not be enough to cover the tax on those payments; therefore, it is the Employee's responsibility to give the Employer a new form W-4 to adjust withholding, or to make estimated tax payments, to avoid a penalty for underpayment of estimated tax.

9. Additional Considerations.

In addition to the tax exclusion of reimbursements under the Plan described in paragraph 8, the Code allows families with MAGI of $201,920 or less (effective January 1, 2016 and as adjusted thereafter for inflation) to take a tax credit for qualified adoption expenses of up to $13,460 (effective January 1, 2016 and as adjusted thereafter for inflation). If the Employee family's MAGI is between $201,921 and $241,919 (effective January 1, 2016 and as adjusted thereafter for inflation), the Employee may take a partial credit. If the Employee family's MAGI is $241,920 or more (effective January 1, 2016 and as adjusted thereafter for inflation), the Employee may not take the credit.

An Employee could receive both the tax exclusion of reimbursements under the Plan and the tax credit under the Code, as long as the reimbursement and the tax credit cover different expenses.

If a child with special needs is adopted, the Code allows families, subject to the income limits, to take the maximum tax credit even if they have no qualified adoption expenses. A "child with special needs" means any child if (i) a State has determined that the child cannot or should not be returned to the home of his or her parents, (ii) such State has determined that there exists with respect to the child a specific factor or condition (such as his or her ethnic background, age, or membership in a minority or sibling group, or the presence of factors such as medical conditions or physical, mental, or emotional handicaps) because of which it is reasonable to conclude that

such child cannot be placed with adoptive parents without providing adoption assistance, and (iii) such child is a citizen or resident of the United States (as defined in Code Section 217(h)(3)).

For many Employees, it may be most advantageous to take as large a tax credit as allowed by the Code before receiving a Plan reimbursement from the Employer. If an Employee expects to use both the tax credit and the Plan reimbursement, he or she will want to carefully plan the amount of reimbursement requested under the Plan because (except for expenses related to the adoption of a special needs child) an Employee cannot take the tax credit for any expenses for which he or she received a reimbursement under the Plan. An Employee is responsible for understanding the tax treatment of reimbursements under this Plan and of the tax credit provided under the Code, and for claiming the applicable income exclusion by filing Form 8839 with his or her federal income taxes. Accordingly, an Employee should consult his or her own tax advisor in connection with these tax issues. Neither the Company, nor any Employer, nor the Committee is responsible for, or makes any guarantee concerning, the tax consequences of reimbursements made under the Plan or of an Employee's decision to obtain reimbursement under the Plan or to seek a tax credit under the Code.

10. Nondiscrimination.

The Plan is intended not to discriminate in favor of certain highly compensated employees as defined in Code Section 414(q). If, in the judgment of the plan administrator, the operation of the Plan in any plan year would result in such prohibited discrimination, then the plan administrator shall, in its full discretion, select and exclude from eligibility and/or coverage under the Plan such Employees as shall be necessary to assure that, in the judgment of the plan administrator, the Plan does not discriminate.

11. Administration of the Plan.

The NiSource Benefits Committee (the "Committee") administers the Plan and has sole discretionary authority to interpret the Plan, to make eligibility and benefit determinations, and to make factual determinations in connection with the Plan. Any determinations of the Committee are final and binding.

12. Governing Law and Venue.

The Plan shall be governed by and construed according to the Code, and the laws of the State of Indiana (without regard to the conflicts of law principles thereof), to the extent Indiana law does not conflict with the Code, and to the extent Indiana law is not preempted by the Code. In order to benefit participants under this Plan by establishing a uniform application of law with respect to the administration of the Plan, the provisions of this Section 12 shall apply. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Plan shall be brought in any court of the State of Indiana or in the United States District Court for the Northern District of Indiana. The Company, each Employer, each participant, and any related parties irrevocably and unconditionally consent to the exclusive jurisdiction of such courts in any such litigation related to this Plan and any transactions contemplated hereby. Such parties irrevocably and unconditionally waive any objection that venue is improper or that such litigation has been brought in an inconvenient forum.

13. Amendment or Termination.

The Committee reserves the right to amend the Plan at any time for any purpose. The Committee further reserves the right to terminate the Plan at any time, in whole or in part, for any reason.

[Signature page follows]

IN WITNESS WHEREOF, this amendment and restatement of the Plan is hereby executed on this 7th day of December, 2015, by the duly authorized officer of the Company, to be effective as of January 1, 2016.

NISOURCE BENEFITS COMMITTEE

By: _____
One of its Members

FIRST AMENDMENT TO THE NISOURCE INC. ADOPTION ASSISTANCE PLAN

(As Amended and Restated Effective January 1, 2016)

WHEREAS, NiSource Inc. (the "Company") maintains the NiSource Inc. Adoption Assistance Plan, as amended and restated effective January 1, 2016 (the "Plan"); and

WHEREAS, pursuant to Section 13 of the Plan, the NiSource Benefits Committee (the "Committee") has reserved the right to amend the Plan; and

WHEREAS, pursuant to resolutions adopted by the Committee, the Committee desires to amend the Plan, effective as of June 1, 2016, to modify the eligibility provisions to clarify the status, during the period from June 1, 2016, to April 30, 2019, of specified participants in the designated union position of Damage Prevention Coordinator with an assigned job code of NP3459, as negotiated in the Memorandum of Understanding ("MOU"), generally effective June 1, 2016, resulting from collective bargaining between the United Steelworkers of America, Local 12775, AFL-CIO-CLC, and the Northern Indiana Public Service Company with respect to such position for the period specified in the MOU from June 1, 2016 to April 30, 2019.

NOW, THEREFORE, the Plan is hereby amended, effective as June 1, 2016, as follows:

1. Section 2, "**Eligibility**" of the Plan is hereby amended to recite in its entirety as follows:

2. Eligibility.

Subject to the other terms and conditions of this Plan, an Employer will reimburse qualified adoption expenses that were paid or incurred while an individual is an Employee who is actively at work, provided the expenses are incurred in connection with an adoption of an eligible child that becomes final while the individual is an Employee. Notwithstanding the foregoing or any other provision of this Plan, with respect to a CPG Spin-Off Employee, no reimbursement of qualified adoption expenses will be made if the Adoption Reimbursement Claim Form (referred to in paragraph 5), together with all required documentation, is not submitted to the Plan on or before the Separation Date.

An "Employee" is (1) a full-time, salaried employee of an Employer, (2) a full-time, non-union, hourly employee of an Employer or (3) a full-time or part-time union employee of an Employer, if the employee's union has collectively bargained for participation in the Plan. No independent contractor shall be treated as an Employee during the period he or she renders service as an independent contractor. Any person retroactively or in any other way found to be a common law employee will not be eligible under the Plan for any period during which he or she was not treated as an Employee by the Committee (defined below). The following restrictions apply:

- Employees who are on a long-term disability or salary continuation status at the time the adoption is finalized are not eligible for reimbursement.

- Employees who are on a Family and Medical Leave Act and/or approved leave of absence are eligible for reimbursement of qualified adoption

expenses from the Plan when they have returned to work, if the expenses meet the Plan requirements.

Except for a part-time union employee whose union has collectively bargained for participation in the Plan, part-time and temporary employees are not eligible for the Plan. Adoption benefits will be made available to new eligible Employees immediately upon hire. If an Employee and spouse are both Employees, only one Employee can utilize the benefit. Eligible children must be under age 18, except where the state in which the Employee resides has determined that the adopted child has a special need.

For purposes of the Plan, the term "full-time, non-union, hourly employee of an Employer" shall include an employee employed by the Northern Indiana Public Service Company ("NIPSCO") in the role of Damage Prevention Coordinator with an assigned job code of NP3459 (or subsequent job title and/or code that becomes applicable for this specific position, as recognized by the Plan Administrator) (hereinafter, "Damage Prevention Coordinator") during the period from June 1, 2016 to April 30, 2019, as negotiated in the Memorandum of Understanding ("MOU"), generally effective June 1, 2016, resulting from collective bargaining between the United Steelworkers of America, Local 12775, AFL-CIO-CLC, and NIPSCO with respect to such position for the period specified in the MOU from June 1, 2016 to April 30, 2019, unless such employee was considered an employee covered by a collective bargaining agreement between NIPSCO and a union immediately prior to June 1, 2016, or if later, immediately prior to becoming employed in the position of Damage Prevention Coordinator. Effective as of May 1, 2019, Employees employed by NIPSCO in the position of Damage Prevention Coordinator shall no longer be considered full-time, non-union, hourly employees of an Employer for purposes of the Plan.

Participation under the Plan will end on the earliest to occur of the following: (i) the date an individual is no longer an Employee eligible to participate in the Plan, (ii) the date the Employee terminates employment with an Employer, or (iii) the date the Plan is terminated.

"CPG" means Columbia Pipeline Group, Inc., a Delaware corporation.

"CPG Spin-Off" means the transaction pursuant to which there was distributed to holders of shares of common stock of the Company, on a pro rata basis, all of the outstanding shares of common stock of CPG

A "CPG Spin-Off Employee" is an employee of CPG or its affiliates who was covered under this Plan immediately prior to the Separation Date and who became ineligible for such coverage in connection with the CPG Spin-Off.

"Separation Date" means July 1, 2015.

2. All other provisions of the Plan shall remain unchanged.

[Signature page follows]

IN WITNESS WHEREOF, the Committee has caused this First Amendment to the NiSource Inc. Adoption Assistance Plan to be executed on its behalf by one of its members duly authorized, effective as of June 1, 2016.

NISOURCE BENEFITS COMMITTEE

By: _____

One of the Members of the Committee

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-25:

Please provide a description of the Company's merit and cost of living wage rate increase policies.

Response:

The Company's wage rate increases for exempt and non-exempt non-union employees are not tied to cost of living but are, rather, merit based. Merit (performance adjustment) increases are provided on an annual basis to exempt and non-exempt non-union employees. The increases are generally to base pay.

The performance adjustment percentage for 2021 was 3.00% for exempt employees and 3.0% for non-exempt, non-union, non-manual employees. Leaders are provided a specific pool of dollars for this adjustment. If the leader increases the performance adjustment of one employee, they must decrease the performance adjustment for others so that the total increase recommended does not exceed the allotted pool of dollars.

Wage rate increases for union employees are governed by collective bargaining agreements.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-26:

Please provide the following monthly labor data for the year prior to the HTY, the HTY and the FTY through the most recent date available.

a. number of actual employees broken down between type (e.g., salaried, union, non-union, temporary, etc.);

b. regular payroll broken down between expensed, capitalized and other;

c. overtime payroll broken down between expensed, capitalized and other;

d. temporary payroll broken down between expensed, capitalized and other; and

e. other payroll (specify).

Response:

a, b, c and e. Please see GAS-RR-026 Attachment A for the requested data**.**

d. The Company has no temporary employees.

Description	Pre-HTY TME 11/30/2020	HTY TME 11/30/2021	FTY TME 11/30/2022	FPFTY TME 12/31/2023
Employees				
Total Clerical Labor	95	91	91	91
Total Exempt Labor	174	176	176	176
Total Manual - Non-Union	15	18	18	18
Total Manual - Union	483	497	497	497
Total Employees	767	782	782	782

Description b.,c.,d., and e	Pre-HTY TME 11/30/2020 (1)	HTY TME 11/30/2021 Per Books (2)	Rate Making Adjustments (3)	HTY TME 11/30/2021 Normalized (4)=(2)+(3)	Wage Increase @ 3% (5)	Other (6)	FTY Budget (7)=Sum (4 through 6)	Rate Making Adjustments (8)	FTY TME 11/30/2022 Normalized (9)=(7) + (8)	Wage Increase @ 3% (10)	Other (11)	FPFTY Budget (12)=Sum(9 through 11)	Rate Making Adjustments (13)	FPFTY TME 12/31/2023 Normalized (14)=(12) + (13)
Payroll Expense														
Regular Payroll	31,788,065	33,054,407	425,918	33,480,326	753,307	-	34,233,633	515,401	34,749,034	868,726	-	35,617,760	444,966	36,062,726
Overtime Payroll	4,172,342	2,777,328	-	2,777,328	-	(1,619,961)	1,157,367	-	1,157,367	-	(500,127)	657,240	-	657,240
Premium Payroll	222,632	17,056	-	17,056	-	(17,056)	-	-	-	-	-	-	-	-
Net Affiliate Labor Transferred	200,784	232,698	-	232,698	-	(232,698)	-	-	-	-	-	-	-	-
Total Expense	36,383,823	36,081,489	425,918	36,507,408	753,307	(1,869,715)	35,391,000	515,401	35,906,401	868,726	(500,127)	36,275,000	444,966	36,719,966
Capital Payroll														
Regular Payroll	27,159,006	29,614,679	390,479	30,005,158	675,116	-	30,680,274	459,219	31,139,493	778,487	-	31,917,980	402,720	32,320,700
Overtime Payroll	3,520,574	2,508,879	-	2,508,879	-	(1,212,583)	1,296,296	-	1,296,296	-	(446,279)	850,017	-	850,017
Premium Payroll	187,854	15,408	-	15,408	-	(15,408)	-	-	-	-	-	-	-	-
Net Affiliate Labor Transferred	169,419	210,206	-	210,206	-	(210,206)	-	-	-	-	-	-	-	-
Total Capitalization	31,036,854	32,349,172	390,479	32,739,651	675,116	(1,438,197)	31,976,570	459,219	32,435,789	778,487	(446,279)	32,767,997	402,720	33,170,717
Total Payroll	**67,420,677**	**68,430,661**	**816,397**	**69,247,058**	**1,428,423**	**(3,307,912)**	**67,367,570**	**974,620**	**68,342,190**	**1,647,213**	**(946,406)**	**69,042,997**	**847,686**	**69,890,683**
Incentive Comp														
Expense	260,629	3,636,110	(2,450,065)	1,186,045	-	1,418,955	2,605,000	-	2,605,000	-	(35,000)	2,570,000	-	2,570,000
Capital	199,737	2,966,952	(1,895,547)	1,109,330	-	1,281,803	2,391,133	-	2,391,133	-	(31,617)	2,359,516	-	2,359,516
Total Incentive Comp	**460,366**	**6,603,062**	**(4,345,611)**	**2,295,375**	**-**	**2,700,758**	**4,996,133**	**-**	**4,996,133**	**-**	**(66,617)**	**4,929,516**	**-**	**4,929,516**

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-27:

Please provide a copy of all incentive compensation and/or bonus plans and provide the level of related payments included in cost of service.

Response:

Attached to this response are copies of all incentive compensation plans as GAS-RR-027 Attachment A through GAS-RR-027 Attachment E.

The amount included in the cost of service can be found on Exhibit No. 4, Schedule No. 1, Page 2, Line 2 and Exhibit No. 104, Schedule No. 1, Page 2, Line 2.

Plan	Period	Attachment
2021 Cash-based Awards Program Terms and Conditions for Participants	January 1, 2021 to December 31, 2021	Attachment A
2021 Cash-based Awards Program Terms and Conditions for Officer Participants	January 1, 2021 to December 31, 2021	Attachment B
2022 Cash-based Awards Program Terms and Conditions for Participants	January 1, 2022 to December 31, 2022	Attachment C
2022 Cash-based Awards Program Terms and Conditions for Officer Participants	January 1, 2022 to December 31, 2022	Attachment D
2020 Omnibus Incentive Plan	Current	Attachment E

Exhibit B

2021 CASH-BASED AWARDS PROGRAM
TERMS AND CONDITIONS FOR NON-OFFICER PARTICIPANTS

a/k/a "Corporate Incentive Plan"

NiSource Inc.
2020 Omnibus Incentive Plan

1. Background

Under Article XI of the NiSource Inc. 2020 Omnibus Incentive Plan (the "Plan"), and subject to its terms, the Compensation Committee (the "Committee") of the Board of Directors of NiSource Inc. (the "Corporation") may grant Cash-Based Awards to Employees subject to such terms and conditions as determined by the Committee. This document describes the terms and conditions under which Cash-Based Awards may be paid for performance beginning January 1, 2021 and ending December 31, 2021 (the "Performance Period"), to the Eligible Employees (as defined below). Any capitalized term that is not defined in this document shall have the meaning assigned to it in the Plan.

2. Eligibility for Participation

All exempt and non-exempt Employees of the Corporation and its Affiliates are eligible to participate in this 2021 Cash-Based Awards Program (the "Program') under the Plan, other than:

A. Participants who are eligible under any other 2021 Cash-Based Award program;

B. Employees who have received a last chance letter, final notice letter or equivalent during the Performance Period;

C. Certain exempt Employees who participate in other specialized functional incentive plans; and

D. Interns;

provided, however, that the Committee or its delegate may add additional Employees and remove Employees in its discretion ("Eligible Employees"). The Committee or the Corporation's Chief Executive Officer may determine which Eligible Employees or groups of Eligible Employees shall actually participate in the Program. The Committee and the Chief Executive Officer generally shall make this determination each calendar year. Eligible Employees chosen to participate in the Program are "Participants." Designation by the Committee or Chief Executive Officer as a Participant in the Performance Period shall not confer on such Participant the right to be a Participant in any other performance period and designation as a participant in any other performance period shall not confer on any Employee the right to be a Participant in this Program.

Except as provided below, a Participant whose employment with the Corporation and its Affiliates terminates prior to the end of the Performance Period will cease to be a Participant

and will not be eligible to receive a payment under this Program. A Participant who terminates his or her employment after the end of the Performance Period but before the distribution of the incentive payment will be eligible to receive a payment due under this Program, unless terminated "for cause" in which case he or she will not be eligible to receive a payment under the Program. Notwithstanding the foregoing, any Participant who terminates employment with the Corporation and its Affiliates during the Performance Period due to death, disability or retirement will be eligible to receive a payment due under this Program on a pro-rated basis to reflect Service from the beginning of the Performance Period through the date of termination of employment. For purposes of this Program, (i) "retirement" means the Employee's termination from Service at or after attainment of age 55 and completion of at least 10 years of continuous Service, measured from the most recent date of hire with the Corporation or an Affiliate and (ii)"disability" means the Employee's disability as defined in the long-term disability plan of the Corporation or one of its Affiliates that is applicable to the Employee.

Notwithstanding the previous paragraphs, an Eligible Employee described above shall be a "Limited Participant" if he or she has received one or more suspensions without pay totaling five days or more during the Performance Period. Each Limited Participant will have his or her individual incentive opportunity reduced by at least fifty percent (50%). A Participant not described under the preceding sentences is a "Full Participant."

3. Cash-Based Award Performance Measures, Targets and Opportunities

A. Financial, Safety and Customer Measures

The performance measures for the Performance Period will be NOEPS (70%), Safety (10%) and Customer Satisfaction and Perception (20%).

i. NOEPS Financial Measure

The NOEPS measure is based on the Corporation's achievement of net operating earnings per share, after accounting for the cost of payments under the Program ("NOEPS"). The Corporation shall have full discretion and authority to determine whether this measure has been achieved and whether any adjustments shall be made in the calculation of NOEPS to reflect unusual or non-recurring events.

ii. Safety and Customer Satisfaction and Perception Measures

The Safety and Customer Satisfaction and Perception measures are based on five components. Four of the components are based on Company's overall score in the 2021 JD Power Gas and Electric Utility Residential Customer Satisfaction Studies ("JD Power") in the following categories with the following weightings: (1) Electric power quality and reliability, weighted 5%; (2) Gas safety and and reliability, weighted 5%; (3) Billing and payment, weighted 5%; and (4) Price,

weighted 5%. Component (5) is based on the overall post-transactional customer satisfaction ("CSAT") survey results, weighted 10%.

Part 3 (C) identifies the tiers of NOEPS and Safety and Customer Satisfaction and Perception performance and the corresponding payout percentages of Eligible Earnings that will be used to calculate the amount of a Participant's incentive opportunity.

B. Goals and Payout Percentages

i. NOEPS Goal

NOEPS	Individual Payout Percentage
$1.39	Stretch %
$1.31-1.33	Target %
$1.25	Trigger %

ii. Safety Goals

JD Power: Electric Power Quality and Reliability

JD Power Power Quality and Reliability Goal	Individual Payout Percentage
Trigger x 1.01	Stretch %
Midpoint between trigger and stretch	Target %
2020 Year End NiSource Factor Score + [Sum of 2021 Weighted LDC Factor Score Segment Change] + 2 points for year over year improvement	Trigger %

JD Power: Gas Safety and Reliability

JD Power Safety and Reliability Goal	Individual Payout Percentage
Trigger x 1.01	Stretch %
Midpoint between trigger and stretch	Target %
2020 Year End NiSource Factor Score + [Sum of 2021 Weighted LDC Factor Score Segment Change] + 2 points for year over year improvement	Trigger %

iii. Customer Perception Goals

JD Power: Billing and Payment

JD Power Billing and Payment Goal	Individual Payout Percentage
Trigger x 1.01	Stretch %
Midpoint between trigger and stretch	Target %
2020 Year End NiSource Factor Score + [Sum of 2021 Weighted LDC Factor Score Segment Change] + 2 points for year over year improvement	Trigger %

JD Power: Price

JD Power Price Goal	Individual Payout Percentage
Trigger x 1.01	Stretch %
Midpoint between trigger and stretch	Target %
2020 Year End NiSource Factor Score + [Sum of 2021 Weighted LDC Factor Score Segment Change] + 2 points for year over year improvement	Trigger %

CSAT

CSAT	Individual Payout Percentage
2020 Result + 1%	Stretch %
2020 Result	Target %
2020 Result - 1%	Trigger %

C. Incentive Pool Creation:

The individual incentive opportunity for a Participant is calculated as follows:

(NOEPS individual payout percentage X 70%)

PLUS

(2021 JD Power: Electric Power Quality and Reliability individual payout percentage X 5%)

PLUS

(2021 JD Power: Gas Safety and Reliability individual payout percentage X 5%)

PLUS

(2021 JD Power: Billing and Payment individual payout percentage X 5%)

PLUS

(2021 JD Power: Price individual payout percentage X 5%)

PLUS

(CSAT individual payout percentage X 10%)

MULTIPLIED BY (TIMES)

Participant Eligible Earnings

Eligible Earnings consist of the Participant's base earnings for the Performance Period, unless otherwise determined by the Committee. Additionally, Eligible Earnings for Participants who are non-exempt Employees shall include all shift premiums and overtime pay for the Performance Period. Reimbursements for educational assistance, relocation, meals and mileage, as well as incentive payments, stock option gains, the value of equity awards vesting, and long-term disability payments are not included in Eligible Earnings.

The individual incentive opportunity for all Participants under this Exhibit will be added together, and the sum will equal the Incentive Pool for the Participants under this Exhibit.

D. Calculation of Incentive

i. Non-Exempt Employees

In general, Participants who are non-exempt Employees will receive one hundred percent (100%) of their individual incentive opportunity as calculated under the Program.

ii. Exempt Employees

The individual incentive opportunity for each exempt Employee will be added together, and the sum will equal the Incentive Pool. Notwithstanding anything herein to the contrary, the Committee reserves the right to reduce the payouts for any other factors it deems relevant, including an assessment of individual performance. The payout of individual incentive is 100% discretionary.

E. Extraordinary Events

For purposes of calculating the amount of Cash-Based Awards, the Committee may adjust the performance results or the Cash-Based Awards to reflect the following extraordinary events and other similar items:

1. Equity issuances;
2. Debt issuances;
3. Discontinued operations;
4. Mergers, acquisitions, and divestitures;
5. Capital expenditures;
6. Asset write-downs;
7. Litigation or claim judgments or settlements;
8. The effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results;
9. Any reorganization or restructuring programs;
10. Foreign exchange gains and losses;
11. Extraordinary, unusual, or other nonrecurring items as described in U.S. Generally Accepted Accounting Principles or as described in management's discussion and analysis of financial condition and results of operations appearing in the Corporation’s consolidated report to the investment community or investor letters;
12. Significant movements in gas prices; and
13. Significant changes in the law.

4. General Timing of Payment

If payable, the Participant’s incentive will be distributed to the Participant, or the Participant’s estate in the event of the Participant’s death before payment, in cash in a single sum, as soon after the end of the applicable Performance Period as practicable, but no later

than March 15 after the end of the Performance Period in accordance with the Corporation's payroll practices.

5. Notices

Any notice required or permitted to be given by the Corporation or the Committee pursuant to the Plan shall be deemed given when personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Participant, his or her beneficiary, executors, administrators, successors, assigns or transferees, at the last address shown for the Participant on the records of the Corporation or subsequently provided in writing to the Corporation.

6. Miscellaneous Provisions

A. Nothing contained herein will confer upon any Participant the right to be retained in the service of the Corporation or any Affiliate thereof nor limit or interfere with, in any way, the right of the Corporation or any Affiliate thereof to discharge any Participant at any time for any reasons whatsoever, with or without cause, or to modify an Participant's position, duties or other terms of employment.

B. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Indiana, except as preempted by federal law.

C. The Committee retains all discretion conferred under the Plan to determine any amount payable under the Program.

Exhibit A

2021 CASH-BASED AWARDS PROGRAM
TERMS AND CONDITIONS FOR OFFICER PARTICIPANTS

a/k/a "Corporate Incentive Plan"

NiSource Inc.
2020 Omnibus Incentive Plan

1. Background

Under Article XI of the NiSource Inc. 2020 Omnibus Incentive Plan (the "Plan"), and subject to its terms, the Compensation Committee (the "Committee") of the Board of Directors of NiSource Inc. (the "Corporation") may grant Cash-Based Awards to Participants subject to such terms and conditions as determined by the Committee. This document describes the terms and conditions under which Cash-Based Awards may be paid for performance beginning January 1, 2021 and ending December 31, 2021 (the "Performance Period"), to Employees who are Officers (as defined below). Officers are not eligible to participate in any other 2021 Cash-Based Award program, except as otherwise expressly determined by the Committee. Any capitalized term that is not defined in this document shall have the meaning assigned to it in the Plan.

2. Eligibility for Participation

All Employees who hold the title of Chief Executive Officer, Executive Vice President, Senior Vice President, President, Vice President or equivalent position, as determined in the sole discretion of the Committee or its delegate ("Officers"), are eligible to participate in this 2021 Cash-Based Awards Program (the "Program") under the Plan, subject to the terms and conditions set forth herein; provided, however, that the Committee or its delegate may add additional Officers and remove Officers in its discretion. Eligible Employees chosen to participate in the Program are "Participants." Designation by the Committee or its delegate as a Participant in the Performance Period shall not confer on such Participant the right to be a Participant in any other performance period and designation as a participant in any other performance period shall not confer on any Employee the right to be a Participant in this Program.

Except as provided below, an Officer whose employment with the Corporation and its Affiliates terminates prior to the end of the Performance Period will cease to be a Participant and will not be eligible to receive any payment under this Program. An Officer who terminates his or her employment after the end of the Performance Period but before the distribution of the incentive payment will be eligible to receive a payment due under this Program, unless terminated "for cause" in which case he or she will not be eligible to receive a payment under the Program. Notwithstanding the foregoing, any Officer who terminates employment with the Corporation and its Affiliates during the Performance Period due to death, disability or retirement will be eligible to receive a payment due under this Program on a pro-rated basis to reflect Service from the beginning of the Performance Period through the date of termination of employment. For purposes of this Program, (i) "retirement" means the Officer's termination from Service at or after attainment of age 55 and completion of at least 10 years of continuous Service, measured from the most recent date of hire with the Corporation or an Affiliate and (ii) "disability" means the Officer's disability as defined in the long-term disability plan of the Corporation or one of its Affiliates that is applicable to the Officer.

3. Cash-Based Award Performance Measures, Targets and Opportunities

A. Financial and Safety Measures

The performance measures for the Performance Period will be NOEPS (70%) and Safety (30%).

i. NOEPS Financial Measure

The NOEPS measure is based on the Corporation's achievement of net operating earnings per share, after accounting for the cost of payments under the Program ("NOEPS"). The Corporation shall have full discretion and authority to determine whether this measure has been achieved and whether any adjustments shall be made in the calculation of NOEPS to reflect unusual or non-recurring events.

ii. Safety Measure

The Safety measure is based on the Corporation's safety scorecard ("Safety Scorecard"), which consists of specific goals in five categories with the following weightings: Days Away; Restricted or Transferred ("DART"), weighted 5%; Executive Observations, weighted 5%; Process Safety Incidents, weighted 10%; Standard Operating Procedure ("SOP") development, weighted 5%; and Records and Mapping that are designed to measure the Corporation's progress in improving safety performance, weighted 5% (2.5% services lines mapped in GIS and 2.5% completion of isometric drawings for above ground assets for stations with greater than 125 psig inlet pressure).

Part 3(C) identifies the tiers of NOEPS and Safety performance and the corresponding payout percentages of Eligible Earnings that will be used to calculate the amount of an Officer's incentive opportunity.

B. Goals and Payout Percentages

i. NOEPS Goal

NOEPS	Individual Payout Percentage
$1.39	Stretch %
$1.31-1.33	Target %
$1.25	Trigger %

ii. Safety Goals

1:

DART	**Individual Payout Percentage**
Days Away, Restricted or Transferred	
0.15	Stretch %
0.30	Target %
0.71	Trigger %

2:

Executive Field Safety Observations	**Individual Payout Percentage**
Percent of required observations completed for executives	
200%	Stretch %
100%	Target %
75%	Trigger %

3:

Process Safety Incidents	**Individual Payout Percentage**
Significant injuries or fatalities ("SIF") or PHMSA reportable incidents due to process safety failures	
0 occurrences	Stretch %
0 occurrences	Target %
0 occurrences	Trigger %

4:

SOP development	**Individual Payout Percentage**
SOP developed for high consequence tasks	
40	Stretch %
35	Target %
30	Trigger %

5:

Records and Mapping	**Individual Payout Percentage**
Percent of service lines mapped in GIS	
96%	Stretch %
93%	Target %
90%	Trigger %

Records and Mapping	**Individual Payout Percentage**
Percent completed, validated, and published isometric drawings for above ground assets for regulator stations with greater than 125 PSIG inlet pressure	
65%	Stretch %
60%	Target %
55%	Trigger %

C. Incentive Pool Creation:

The individual incentive opportunity for an Officer is calculated as follows:

(NOEPS individual payout percentage X 70%)

PLUS

(DART individual payout percentage X 5%)

PLUS

(Executive Field Safety Observations: individual payout percentage X 5%)

PLUS

(Process Safety Incidents: individual payout percentage X 10%)

PLUS

(SOP development: individual payout percentage X 5%)

PLUS

(Records and Mapping: individual payout percentage X 2.5%)

PLUS

(Records and Mapping: individual payout percentage X 2.5%)

MULTIPLIED BY (TIMES)

Officer Eligible Earnings

Eligible Earnings consist of the Officer's base earnings for the Performance Period, unless otherwise determined by the Committee. Reimbursements for educational assistance, relocation, meals and mileage, as well as incentive payments, stock option gains, the value of equity awards vesting, and long-term disability payments are not included in Eligible Earnings.

The individual incentive opportunity for all Officers will be added together, and the sum will equal the Officer Incentive Pool. Notwithstanding anything herein to the contrary, the Committee reserves the right to reduce the payouts for any other factors it deems relevant, including an assessment of individual performance. The payout of individual incentive is 100% discretionary.

D. Extraordinary Events

For purposes of calculating the amount of Cash-Based Awards, the Committee may adjust the performance results or the Cash-Based Awards to reflect the following extraordinary events and other similar items:

1. Equity issuances;
2. Debt issuances;
3. Discontinued operations;
4. Mergers, acquisitions, and divestitures;
5. Capital expenditures;
6. Asset write-downs;
7. Litigation or claim judgments or settlements;
8. The effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results;
9. Any reorganization or restructuring programs;
10. Foreign exchange gains and losses;
11. Extraordinary, unusual, or other nonrecurring items as described in U.S. Generally Accepted Accounting Principles or as described in management's discussion and analysis of financial condition and results of operations appearing in the Corporation’s consolidated report to the investment community or investor letters;
12. Significant movements in gas prices; and
13. Significant changes in the law.

4. General Timing of Payment

If payable, the Officer’s incentive will be distributed to the Officer, or the Officer’s estate in the event of the Officer’s death before payment, in cash in a single sum as soon after the end of the applicable Performance Period as practicable, but no later than March 15 after the end of the Performance Period, in accordance with the Corporation’s payroll practices.

5. Notices

Any notice required or permitted to be given by the Corporation or the Committee pursuant to the Plan shall be deemed given when personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Officer, his or her beneficiary, executors, administrators, successors, assigns or transferees, at the last address shown for the Officer on the records of the Corporation or subsequently provided in writing to the Corporation.

6. Miscellaneous Provisions

A. Nothing contained herein will confer upon any Officer the right to be retained in the service of the Corporation or any Affiliate thereof, nor limit or interfere with, in any way, the right of the Corporation or any Affiliate thereof to discharge any Officer at any time for any reason whatsoever, with or without cause, or to modify an Officer’s position, duties or other terms of employment.

B. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Indiana, except as preempted by federal law.

C. The Committee retains all discretion conferred under the Plan to administer the Program and to determine any amount payable under the Program.

2022 CASH-BASED AWARDS PROGRAM
TERMS AND CONDITIONS FOR NON-OFFICER PARTICIPANTS

a/k/a "Corporate Incentive Plan"

NiSource Inc.
2020 Omnibus Incentive Plan

1. Background

Under Article XI of the NiSource Inc. 2020 Omnibus Incentive Plan (the "Plan"), and subject to its terms, the Compensation Committee (the "Committee") of the Board of Directors of NiSource Inc. (the "Corporation") may grant Cash-Based Awards to Employees subject to such terms and conditions as determined by the Committee. This document describes the terms and conditions under which Cash-Based Awards may be paid for performance beginning January 1, 2022 and ending December 31, 2022 (the "Performance Period"), to the Eligible Employees (as defined below). Any capitalized term that is not defined in this document shall have the meaning assigned to it in the Plan.

2. Eligibility for Participation

All exempt and non-exempt Employees of the Corporation and its Affiliates are eligible to participate in this 2022 Cash-Based Awards Program (the "Program') under the Plan, other than:

A. Participants who are eligible under any other 2022 Cash-Based Award program;

B. Employees who have received a last chance letter, final notice letter or equivalent during the Performance Period;

C. Certain exempt Employees who participate in other specialized functional incentive plans; and

D. Interns;

provided, however, that the Committee or its delegate may add additional Employees and remove Employees in its discretion ("Eligible Employees"). The Committee or the Corporation's Chief Executive Officer may determine which Eligible Employees or groups of Eligible Employees shall actually participate in the Program. The Committee and the Chief Executive Officer generally shall make this determination each calendar year. Eligible Employees chosen to participate in the Program are "Participants." Designation by the Committee or Chief Executive Officer as a Participant in the Performance Period shall not confer on such Participant the right to be a Participant in any other performance period and designation as a participant in any other performance period shall not confer on any Employee the right to be a Participant in this Program.

Except as provided below, a Participant whose employment with the Corporation and its Affiliates terminates prior to the end of the Performance Period will cease to be a Participant and will not be eligible to receive a payment under this Program. A Participant who terminates

his or her employment after the end of the Performance Period but before the distribution of the incentive payment will be eligible to receive a payment due under this Program, unless terminated "for cause" in which case he or she will not be eligible to receive a payment under the Program. Notwithstanding the foregoing, any Participant who terminates employment with the Corporation and its Affiliates during the Performance Period due to death, disability or retirement will be eligible to receive a payment due under this Program on a pro-rated basis to reflect Service from the beginning of the Performance Period through the date of termination of employment. For purposes of this Program, (i) "retirement" means the Employee's termination from Service at or after attainment of age 55 and completion of at least 10 years of continuous Service, measured from the most recent date of hire with the Corporation or an Affiliate and (ii)"disability" means the Employee's disability as defined in the long-term disability plan of the Corporation or one of its Affiliates that is applicable to the Employee.

Notwithstanding the previous paragraphs, an Eligible Employee described above shall be a "Limited Participant" if he or she has received one or more suspensions without pay totaling five days or more during the Performance Period. Each Limited Participant will have his or her individual incentive opportunity reduced by at least fifty percent (50%). A Participant not described under the preceding sentences is a "Full Participant."

3. Cash-Based Award Performance Measures, Targets and Opportunities

A. Financial, Safety and Customer Measures

The performance measures for the Performance Period will be NOEPS (70%), Safety (10%) and Customer Satisfaction and Perception (20%).

i. NOEPS Financial Measure

The NOEPS measure is based on the Corporation's achievement of net operating earnings per share, after accounting for the cost of payments under the Program ("NOEPS"). The Corporation shall have full discretion and authority to determine whether this measure has been achieved and whether any adjustments shall be made in the calculation of NOEPS to reflect unusual or non-recurring events.

ii. Safety Measure

The Safety measure is based upon Leadership Field Safety Observations, weighted 10%.

iii. Customer Satisfaction and Perception Measures

The Customer Satisfaction and Perception measures are based on two components. The customer satisfaction component is based on the overall post-transactional customer satisfaction ("CSAT") survey results, weighted 10%. The customer perception component is based on the Company's overall score in the

2022 JD Power Gas and Electric Utility Residential Customer Satisfaction Studies ("JD Power"): Overall Customer Satisfaction Index (OCSI), weighted 10%.

Part 3 (C) identifies the tiers of NOEPS, Safety and Customer Satisfaction and Perception performance and the corresponding payout percentages of Eligible Earnings that will be used to calculate the amount of a Participant's incentive opportunity.

B. Goals and Payout Percentages

i. NOEPS Goal

NOEPS	Individual Payout Percentage
$1.52	Stretch %
$1.44-1.46	Target %
$1.38	Trigger %

ii. Safety Goal

Leadership Field Safety Observations	Individual Payout Percentage
39,160	Stretch %
35,600	Target %
35,600	Trigger %

iii. Customer Satisfaction and Perception Goals

CSAT	Individual Payout Percentage
76%	Stretch %
75%	Target %
74%	Trigger %

JD Power Goal	Individual Payout Percentage
Trigger x 1.01	Stretch %
Midpoint between trigger and stretch	Target %
2021 Year End NiSource Factor Score + [Sum of 2022 Weighted LDC Factor Score Segment Change] + 2 points for year over year improvement	Trigger %

C. Incentive Pool Creation:

The individual incentive opportunity for a Participant is calculated as follows:

[(NOEPS individual payout percentage X 70%)
PLUS
(Leadership Field Safety Observations: individual payout percentage X 10%)
PLUS
(2022 JD Power: individual payout percentage X 10%)
PLUS
(CSAT individual payout percentage X 10%)]
MULTIPLIED BY (TIMES)
Participant Eligible Earnings

Eligible Earnings consist of the Participant's base earnings for the Performance Period, unless otherwise determined by the Committee. Additionally, Eligible Earnings for Participants who are non-exempt Employees shall include all shift premiums and overtime pay for the Performance Period. Reimbursements for educational assistance, relocation, meals and mileage, as well as incentive payments, stock option gains, the value of equity awards vesting, and long-term disability payments are not included in Eligible Earnings.

The individual incentive opportunity for all Participants under this Exhibit will be added together, and the sum will equal the Incentive Pool for the Participants under this Exhibit.

D. Calculation of Incentive

i. Non-Exempt Employees

In general, Participants who are non-exempt Employees will receive one hundred percent (100%) of their individual incentive opportunity as calculated under the Program.

ii. Exempt Employees

The individual incentive opportunity for each exempt Employee will be added together, and the sum will equal the Incentive Pool. Notwithstanding anything herein to the contrary, the Committee reserves the right to reduce the payouts for any other factors it deems relevant, including an assessment of individual performance. The payout of individual incentive is 100% discretionary.

E. Extraordinary Events

For purposes of calculating the amount of Cash-Based Awards, the Committee may adjust the performance results or the Cash-Based Awards to reflect the following extraordinary events and other similar items:

1. Equity issuances;
2. Debt issuances;
3. Discontinued operations;
4. Mergers, acquisitions, and divestitures;
5. Capital expenditures;
6. Asset write-downs;
7. Litigation or claim judgments or settlements;
8. The effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results;
9. Any reorganization or restructuring programs;
10. Foreign exchange gains and losses;
11. Extraordinary, unusual, or other nonrecurring items as described in U.S. Generally Accepted Accounting Principles or as described in management's discussion and analysis of financial condition and results of operations appearing in the Corporation's consolidated report to the investment community or investor letters;
12. Significant movements in gas prices; and
13. Significant changes in the law.

4. General Timing of Payment

If payable, the Participant's incentive will be distributed to the Participant, or the Participant's estate in the event of the Participant's death before payment, in cash in a single sum, as soon after the end of the applicable Performance Period as practicable, but no later than March 15 after the end of the Performance Period in accordance with the Corporation's payroll practices.

5. Notices

Any notice required or permitted to be given by the Corporation or the Committee pursuant to the Plan shall be deemed given when personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Participant, his or her beneficiary, executors, administrators, successors, assigns or transferees, at the last address shown for the Participant on the records of the Corporation or subsequently provided in writing to the Corporation.

6. Miscellaneous Provisions

A. Nothing contained herein will confer upon any Participant the right to be retained in the service of the Corporation or any Affiliate thereof nor limit or interfere with, in any way, the right of the Corporation or any Affiliate thereof to discharge any Participant at any time for any reasons whatsoever, with or without cause, or to modify an Participant's position, duties or other terms of employment.

B. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Indiana, except as preempted by federal law.

C. The Committee retains all discretion conferred under the Plan to determine any amount payable under the Program.

2022 CASH-BASED AWARDS PROGRAM
TERMS AND CONDITIONS FOR OFFICER PARTICIPANTS
a/k/a "Corporate Incentive Plan"

NiSource Inc.
2020 Omnibus Incentive Plan

1. Background

Under Article XI of the NiSource Inc. 2020 Omnibus Incentive Plan (the "Plan"), and subject to its terms, the Compensation Committee (the "Committee") of the Board of Directors of NiSource Inc. (the "Corporation") may grant Cash-Based Awards to Participants subject to such terms and conditions as determined by the Committee. This document describes the terms and conditions under which Cash-Based Awards may be paid for performance beginning January 1, 2022 and ending December 31, 2022 (the "Performance Period"), to Employees who are Officers (as defined below). Officers are not eligible to participate in any other 2022 Cash-Based Award program, except as otherwise expressly determined by the Committee. Any capitalized term that is not defined in this document shall have the meaning assigned to it in the Plan.

2. Eligibility for Participation

All Employees who hold the title of Chief Executive Officer, Executive Vice President, Senior Vice President, President, Vice President or equivalent position, as determined in the sole discretion of the Committee or its delegate ("Officers"), are eligible to participate in this 2022 Cash-Based Awards Program (the "Program") under the Plan, subject to the terms and conditions set forth herein; provided, however, that the Committee or its delegate may add additional Officers and remove Officers in its discretion. Eligible Employees chosen to participate in the Program are "Participants." Designation by the Committee or its delegate as a Participant in the Performance Period shall not confer on such Participant the right to be a Participant in any other performance period and designation as a participant in any other performance period shall not confer on any Employee the right to be a Participant in this Program.

Except as provided below, an Officer whose employment with the Corporation and its Affiliates terminates prior to the end of the Performance Period will cease to be a Participant and will not be eligible to receive any payment under this Program. An Officer who terminates his or her employment after the end of the Performance Period but before the distribution of the incentive payment will be eligible to receive a payment due under this Program, unless terminated "for cause" in which case he or she will not be eligible to receive a payment under the Program. Notwithstanding the foregoing, any Officer who terminates employment with the Corporation and its Affiliates during the Performance Period due to death, disability or retirement will be eligible to receive a payment due under this Program on a pro-rated basis to reflect Service from the beginning of the Performance Period through the date of termination of employment. For purposes of this Program, (i) "retirement" means the Officer's termination from Service at or after attainment of age 55 and completion of at least 10 years of continuous Service, measured from the most recent date of hire with the Corporation or an Affiliate and (ii) "disability" means the Officer's disability as defined in the long-term disability plan of the Corporation or one of its Affiliates that is applicable to the Officer.

3. Cash-Based Award Performance Measures, Targets and Opportunities

A. Financial and Safety Measures

The performance measures for the Performance Period will be NOEPS (70%) and Safety (30%).

i. NOEPS Financial Measure

The NOEPS measure is based on the Corporation's achievement of net operating earnings per share, after accounting for the cost of payments under the Program ("NOEPS"). The Corporation shall have full discretion and authority to determine whether this measure has been achieved and whether any adjustments shall be made in the calculation of NOEPS to reflect unusual or non-recurring events.

ii. Safety Measure

The Safety measure is based on the Corporation's safety scorecard ("Safety Scorecard"), which consists of specific goals in five categories with the following weightings: Severe Injury and Event Reduction, weighted 5%; Field Safety Observations, weighted 5%; Process Safety Incidents, weighted 10%; Operational Rigor – Standard Operating Procedure (SOP) Utilization, weighted 5%; and Records and Technology that are designed to measure the Corporation's progress in improving safety performance, combined weighted 5%; [Completion of 100% of POD and District Regulator Station Isometric Drawings for Above Ground Assets, Buried Control Lines Located and Mapped on Isometric Drawings (>=125# Station Inlet Pressure), Percent of leak survey main miles completed by Picarro Technology, Percent of identified field employees protected with 4 gas sensor/Lone Worker technology (NiSafe/Blackline)].

Part 3(C) identifies the tiers of NOEPS and Safety performance and the corresponding payout percentages of Eligible Earnings that will be used to calculate the amount of an Officer's incentive opportunity.

B. Goals and Payout Percentages

i. NOEPS Goal

NOEPS	Individual Payout Percentage
$1.52	Stretch %
$1.44-1.46	Target %
$1.38	Trigger %

ii. Safety Goals

1:

Severe Injury and Event Reduction	Individual Payout Percentage
% Year Over Year (YOY) reduction of severe injuries and events	
50%	Stretch %
20%	Target %
10%	Trigger %

2:

Field Safety Observations	Individual Payout Percentage
Number of qualified executive, leadership and safety team observations	
39,160	Stretch %
35,600	Target %
35,600	Trigger %

3:

Process Safety Incidents	Individual Payout Percentage
Significant injuries or fatalities (SIF) or PHMSA reportable incidents due to process safety failures	
0 occurrences	Stretch %
0 occurrences	Target %
0 occurrences	Trigger %

4:

Operational Rigor - SOP Utilization	Individual Payout Percentage
% of Exceptions cleared within 30 days or less	
98	Stretch %
95	Target %
90	Trigger %

5:

	Individual Payout Percentage		
Records and Technology:	**Stretch**	**Target**	**Trigger**
Completion of 100% of POD and District Regulator Station Isometric Drawings for Above Ground Assets	100%	97%	93%
Buried Control Lines Located and Mapped on Isometric Drawings (>=125# Station Inlet Pressure)	12%	10%	7%
Percent of leak survey main miles completed by Picarro technology	30%	27%	25%
Percent of identified field employees protected with 4 gas sensor/Lone Worker technology (NiSafe/Blackline)	100%	98%	95%

C. Incentive Pool Creation:

The individual incentive opportunity for an Officer is calculated as follows:

[(NOEPS: individual payout percentage X 70%)
PLUS
(Severe Injury and Event Reduction: individual payout percentage X 5%)
PLUS
(Percent of required observations completed: individual payout percentage X 5%)
PLUS
(Process Safety Incidents: individual payout percentage X 10%)
PLUS
(Operational Rigor - SOP Utilization: individual payout percentage X 5%)
PLUS
(Records and Technology: individual payout percentage X 5%)]
MULTIPLIED BY (TIMES)
Officer Eligible Earnings

Eligible Earnings consist of the Officer's base earnings for the Performance Period, unless otherwise determined by the Committee. Reimbursements for educational assistance, relocation, meals and

mileage, as well as incentive payments, stock option gains, the value of equity awards vesting, and long-term disability payments are not included in Eligible Earnings.

The individual incentive opportunity for all Officers will be added together, and the sum will equal the Officer Incentive Pool. Notwithstanding anything herein to the contrary, the Committee reserves the right to reduce the payouts for any other factors it deems relevant, including an assessment of individual performance. The payout of individual incentive is 100% discretionary.

D. Extraordinary Events

For purposes of calculating the amount of Cash-Based Awards, the Committee may adjust the performance results or the Cash-Based Awards to reflect the following extraordinary events and other similar items:

1. Equity issuances;
2. Debt issuances;
3. Discontinued operations;
4. Mergers, acquisitions, and divestitures;
5. Capital expenditures;
6. Asset write-downs;
7. Litigation or claim judgments or settlements;
8. The effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results;
9. Any reorganization or restructuring programs;
10. Foreign exchange gains and losses;
11. Extraordinary, unusual, or other nonrecurring items as described in U.S. Generally Accepted Accounting Principles or as described in management's discussion and analysis of financial condition and results of operations appearing in the Corporation’s consolidated report to the investment community or investor letters;
12. Significant movements in gas prices; and
13. Significant changes in the law.

4. General Timing of Payment

If payable, the Officer’s incentive will be distributed to the Officer, or the Officer’s estate in the event of the Officer’s death before payment, in cash in a single sum as soon after the end of the applicable Performance Period as practicable, but no later than March 15 after the end of the Performance Period, in accordance with the Corporation’s payroll practices.

5. Notices

Any notice required or permitted to be given by the Corporation or the Committee pursuant to the Plan shall be deemed given when personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Officer, his or her beneficiary, executors, administrators, successors, assigns or transferees, at the last address shown for the Officer on the records of the Corporation or subsequently provided in writing to the Corporation.

6. Miscellaneous Provisions

A. Nothing contained herein will confer upon any Officer the right to be retained in the service of the Corporation or any Affiliate thereof, nor limit or interfere with, in any way, the right of the Corporation or any Affiliate thereof to discharge any Officer at any time for any reason whatsoever, with or without cause, or to modify an Officer's position, duties or other terms of employment.

B. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Indiana, except as preempted by federal law.

C. The Committee retains all discretion conferred under the Plan to administer the Program and to determine any amount payable under the Program.

THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED

2020 Omnibus Incentive Plan

NiSource Inc.

10,000,000 shares of common stock, par value $0.01 per share

NiSource Inc.
801 East 86th Avenue
Merrillville, Indiana 46410
(877) 647-5990

NiSource Inc. is offering a maximum of 10,000,000 shares of our common stock issuable in connection with awards granted under our 2020 Omnibus Incentive Plan (the "Plan"). References in this prospectus to NiSource Inc. include NiSource Inc., our affiliates and subsidiaries, unless otherwise indicated or required by context.

The Plan permits the granting of options, stock appreciation rights ("SARs"), restricted stock, restricted stock units, performance shares, performance units, cash-based awards, and other stock-based awards. We have attached a copy of the Plan to this prospectus as Exhibit A.

Our common stock is listed on the New York Stock Exchange under the symbol "NI."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 19, 2020

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EXHIBIT A..... 1

Unless otherwise specified, the information in this prospectus is set forth as of May 19, 2020, and we anticipate that changes will occur in our affairs after such date. We have not authorized any person to give any information or to make any representations, other than as contained in this prospectus, in connection with the offer contained in this prospectus. If any person gives you any information or makes representations concerning this offer, do not rely on it as information that we have authorized. This prospectus is not an offer to sell our common stock in any state or other jurisdiction to any person to whom it is unlawful to make such an offer.

Introduction

What does the Plan involve?

A maximum of 10,000,000 shares of our common stock, other than substitute awards granted in connection with a corporate transaction, are initially available for awards under the Plan. The Plan provides for the issuance of the following types of awards:

- incentive stock options (ISOs);
- non-qualified stock options (NSOs);
- SARs;
- restricted stock;
- restricted stock units;
- performance shares;
- performance units;
- cash-based awards; and
- other stock-based awards.

Shares of common stock issued pursuant to awards granted under the Plan may be either:

- authorized and unissued shares;
- treasury shares; or
- shares acquired on the open market.

All shares of our common stock issued under the Plan, after they are issued and paid for, will be fully paid and nonassessable.

You should refer to the appropriate section below for further information about each type of award.

What is the Plan's purpose?

The Plan is designed to promote the achievement of both our short-term and long-terms objectives by:

- aligning compensation of participants with the interests of our stockholders;
- enhancing the interest of participants in our growth and success; and
- attracting and retaining participants of outstanding competence.

Who administers the Plan?

The Compensation Committee (the "Committee") of the Board of Directors of NiSource Inc. (the "Board") administers the Plan. All members of the Committee are intended to qualify as "non-employee directors" under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and "independent directors" under the rules of the New York Stock Exchange. Committee members are selected by and serve at the pleasure of the Board and receive compensation fixed by the Board and reimbursements for expenses incurred while performing their duties. Additional information concerning the Committee or the Plan may be obtained using the following contact information:

NiSource Inc.
801 East 86th Avenue
Merrillville, Indiana 46410
Attention: Corporate Secretary
Telephone No.: (877) 647-5990

Subject to the Plan's provisions, the Committee has authority to:

- determine the persons to whom, and the time or times at which, awards shall be granted and the number of shares to be subject to each award;
- determine the type of award granted;
- determine the fair market value of shares or other property where applicable;
- determine the terms, conditions and restrictions applicable to each award and any shares acquired pursuant thereto;
- determine how an award will be settled, as provided under an award agreement;
- approve one or more forms of award agreement;
- amend, modify, extend, cancel, or renew any award or to waive any restrictions or

conditions applicable to any award or any shares acquired upon the exercise thereof;

- accelerate, continue, extend, or defer the exercisability or vesting of any awards;
- prescribe, amend, or rescind rules, guidelines, and policies relating to the Plan, or adopt sub-plans or supplements to, or alternate versions of, the Plan; and
- correct any defect, supply any omission or reconcile any inconsistency in the Plan or any award agreement, and make all other determinations and take such other action with respect to the Plan or any award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan and applicable law.

The Committee generally may delegate its authority under the Plan to one or more officers or directors of our company, subject to Section 16 of the Exchange Act.

Who is eligible to receive awards under the Plan?

Employees and non-employee directors of NiSource Inc. as well as persons expected to become employees or non-employee directors are eligible to receive awards under the Plan.

How did the Plan become effective?

The Board adopted the Plan on January 31, 2020, subject to ratification by our stockholders. Our stockholders approved the Plan on May 19, 2020, at our annual stockholders meeting, and the Plan became effective as of such date.

Can I transfer my award?

Generally, no award is transferable by a participant other than by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order.

Subject to Committee approval, a participant may transfer non-qualified stock options or SARs to the participant's spouse or lineal descendant (or a trust for the primary benefit of such spouse or lineal descendant), or a tax-exempt organization as described in Internal Revenue Code Section 501(c)(3). The transferee will be subject to the same terms and conditions of the Plan as the participant.

A participant may designate a beneficiary to receive the participant's outstanding award following the death of the participant.

Will my award be subject to a minimum vesting period?

Generally, yes, the Plan requires that at least 95% of the shares granted under the Plan cannot vest prior to the first anniversary of the grant date, subject to the Committee's ability to accelerate or provide for continued vesting of an award upon or after a termination of employment or otherwise in accordance with the terms of the Plan.

What is the effect of a Change in Control of NiSource Inc.?

Upon a change in control, awards generally will not vest so long as the Committee (as constituted immediately before the consummation of the change in control) reasonably determines that the outstanding awards will be honored, assumed or replaced with alternative awards (or substituted for an award of cash having the same economic value). Alternative awards must provide you with substantially equivalent or better rights, terms, and conditions under the award, including with respect to vesting and the timing and method of payment. Such alternative awards also must provide that in the event that your service is terminated involuntarily without cause or voluntarily for good reason within two years after the change in control, any vesting restrictions will lapse, and any performance-based restrictions will be deemed to be achieved at target.

If such alternative awards are not granted, all outstanding awards will become fully vested and exercisable; any performance-based restrictions will be deemed to have been achieved at target level performance; and such awards will be immediately payable, except to the extent that later payment is necessary to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

Further, except as otherwise provided in an award agreement, if your service terminates involuntarily without cause or voluntarily for good reason during the year before the consummation of a change in control but after a third party and/or NiSource had taken steps reasonably calculated to effect such change in control, and you reasonably demonstrate that your termination of service was in connection with or in anticipation of the change in

control, all of your outstanding awards shall become fully vested and exercisable; any performance-based restrictions shall be deemed to have been achieved at target level performance; and such awards shall be payable within 60 days after the change in control, except to the extent that later payment is necessary to comply with Code Section 409A.

Under the terms of the Plan, a change in control is generally defined as: (i) certain acquisitions of more than 30% of our then outstanding voting stock; (ii) the consummation of certain mergers, consolidations or similar corporate transactions involving our company, (iii) a transfer of 50% or more of the assets of our company or (iv) an unapproved change in a majority of our Board members.

Are awards under the Plan subject to adjustment for any reason other than a change in control?

Yes, in the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation, or any successor or replacement accounting standard) that causes the per share value of our common stock to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary cash dividend, the Committee will appropriately adjust awards under the Plan. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of our company, equitable adjustments may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of participants.

Are awards under the Plan subject to clawback?

Yes. If we are required to prepare an accounting restatement due to the material noncompliance of the company, as a result of misconduct, with any financial reporting requirement under the securities laws, and if the participant knowingly or through gross negligence engaged in the misconduct, or knowingly or through gross negligence failed to prevent the misconduct, the participant will reimburse us the amount of any payment in settlement of an award earned or accrued during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission of the financial document embodying such financial reporting requirement. In addition, awards granted under the Plan and any cash payment or shares of common stock delivered pursuant to an award are subject to forfeiture, recovery by our company or other action pursuant to the applicable award agreement or any or recoupment policy which we may adopt from time to time, including any policy which we may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act or as otherwise required by law.

Can NiSource change or terminate the Plan?

Except to the extent that stockholder approval is required to satisfy applicable laws or stock exchange requirements, the Committee or Board generally may amend, suspend or terminate the Plan, or any part of the Plan, at any time for any reason without stockholder approval. However, neither the Committee nor the Board may amend the Plan to modify the prohibition on repricing of stock options or SARs or to modify the Plan's annual non-employee director compensation limit. No termination, suspension or amendment of the Plan will materially adversely affect any right acquired by any participant under an award granted under the Plan before the date of such termination, suspension, or amendment, unless the participant so consents. The Plan will continue until terminated by the Board or the Committee.

Awards Available Under the Plan

Restricted Stock Awards

The Plan permits the award of shares of common stock that are subject to specific restrictions and conditions. Each restricted stock award will be evidenced by an award document that contains the material terms and conditions of the restricted stock.

The Committee has complete discretion (subject to the vesting and forfeiture conditions previously described herein) to determine the terms and conditions of the restricted stock award, including the:

- number of shares granted;
- types of restrictions; and
- restricted period.

The Committee may impose restrictions on shares of restricted stock as it deems appropriate, including continued service of the participant, achievement of specific performance incentives,

time-based restrictions on vesting following the attainment of performance goals, restrictions under applicable federal or state securities laws, or any other conditions that it determines.

Except to the extent restricted under the terms of the Plan and any award document relating to the restricted stock, a participant granted restricted stock shall have all of the rights of a stockholder, including the right to vote the restricted stock and the right to receive dividends thereon, provided that any dividends will accrue and be paid only to the extent that the underlying shares of restricted stock vest.

The Committee may also evidence the restricted stock in the form of share certificates. If certificates representing restricted stock are registered in the name of the participant, such certificates will bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such restricted stock. We will retain physical possession of the certificates for the account of the participant.

Restricted Stock Units

A restricted stock unit is a right to receive a specified number of shares of common stock (or, to the extent permitted in the award agreement, the common stock's fair market value in cash), subject to the expiration of a specified restriction period. Each restricted stock unit award will be evidenced by an award document that contains the material terms and conditions of the restricted stock units.

The Committee shall have complete discretion (subject to the vesting and forfeiture conditions previously described herein) to determine the terms and conditions of the restricted stock unit award, including the:

- number of units granted;
- types of restrictions; and
- restriction period.

Restricted stock units may be satisfied by the delivery of:

- cash;
- common stock; or
- a combination thereof as determined by the Committee.

Prior to the settlement of a restricted stock unit award in common stock, the Plan participant will not have any rights of a stockholder with respect to the shares underlying such award. The award agreement, however, may specify that the Plan participant may accrue dividend equivalent rights that will be paid only to the extent that the underlying restricted stock units vest.

Stock Options

A stock option is the right to purchase a specified number of shares of common stock at a price and at times fixed by the Committee on the date of grant. Each option award will be evidenced by an award document that contains the material terms and conditions of the stock option, including the:

- exercise price;
- expiration date;
- whether it is an ISO or NSO;
- conditions to exercise; and
- number of shares to which the stock option pertains.

Under the Plan and at the discretion of the Committee, ISOs may be granted to our employees who meet the definition of "employee" for purposes of Treasury Regulation 1.421-1(h).

For each stock option awarded, the Committee has sole authority to determine (subject to the vesting and forfeiture conditions previously described herein) the:

- exercise price per share of stock purchasable under the option so long as the exercise price is not less than the fair market value of a share of our common stock on the grant date;
- method by which the exercise price may be paid and the form of such payment, which shall be made in cash, by cashless exercise, by withholding award shares equal to the exercise price, in shares of common stock, by a combination of such methods of payment, or such other method as may be approved by the Committee;

- term of each stock option so long as the term does not exceed a period of 10 years from the date of grant (or 5 years from the date of grant for certain ISO grants);

- time or times at which, or the circumstances under which, the stock option may be exercised in whole or in part; and

- method by or form in which the stock will be delivered in satisfaction of the option.

Stock Appreciation Rights (SARs)

SARs are the right to receive, without payment, shares of common stock or, to the extent provided in an award agreement, cash or a combination thereof, based on the increase in the value of the number of shares of common stock specified in the SAR. Each SAR award will be evidenced by an award document that contains the material terms and conditions of the SAR, including the:

- grant price;

- expiration date;

- conditions to exercise; and

- number of shares to which the SAR pertains.

The Committee has complete discretion (subject to the vesting and forfeiture conditions previously described herein) to determine the terms and conditions of the SAR award, including the:

- type of SAR (freestanding, tandem or combination);

- grant price of the SAR;

- term of each SAR, which will not exceed a period of 10 years from the date of grant;

- time or times at which, or the circumstances under which, the SAR may be exercised in whole or in part;

- method of exercise;

- method of settlement and form of consideration payable in settlement; and

- method by or form in which the stock will be delivered in satisfaction of the SAR.

Upon exercising the SAR, we will pay the participant an amount equal to the excess of the fair market value of one share of common stock on the date of exercise over:

- the option price per share specified in the related stock option in the case of tandem SARs, which price shall be fixed no later than the date of grant of the tandem SAR, which shall not be less than the fair market value of a share of our common stock on the date of grant of the related option; or

- the price per share specified in the related award document in the case of freestanding SARs, which price shall be fixed at the date of grant and shall be not less than the fair market value of a share of our common stock on the date of grant,

multiplied by the number of shares of our common stock in respect of which the SAR has been exercised.

Each SAR granted under the Plan shall expire upon the termination date determined by the Committee and set forth in the award document.

Performance Awards

A performance award may be in the form of performance shares or performance units and, in each case, represents a right to receive, contingent upon the attainment of specified performance measures during a performance period, a specified amount of cash, shares of common stock or a combination of both. The value of a performance award at vesting, if any, will be determined by the degree to which the performance measures have been achieved during the performance period. Each performance award will be evidenced by an award document that contains the material terms and condition of the performance award, including the:

- performance period;

- performance targets;

- time of payment; and

- number of shares subject to the award that are to be delivered upon satisfaction of the performance targets by the expiration of the performance period.

The Committee has complete discretion (subject to the vesting and forfeiture conditions previously described herein) to determine the performance period and the performance targets. Following the conclusion of each performance period, the Committee shall determine the extent to which performance targets have been attained for such period as well as other terms and conditions set forth by the Committee. The Committee shall determine the amount of shares, if any, to be delivered to a participant in satisfaction of an award.

Other Stock-Based Awards

The Committee may from time to grant shares of common stock and other awards under the Plan that are valued in whole or in part by reference to, or are otherwise based upon and/or payable in, shares of common stock. The Committee, in its sole discretion, shall determine (subject to the vesting and forfeiture conditions previously described herein) the terms and conditions of such awards, which shall be consistent with the terms and purposes of the Plan.

Cash-Based Awards

The Committee may grant cash-based awards under the Plan entitling the participant to receive a cash payment contingent upon the attainment of specified performance measures during a performance period. Each cash-based award will be evidenced by an award document that contains the material terms and condition of the cash-based award, including the:

- performance period;
- performance targets; and
- time of payment.

The Committee has complete discretion (subject to the vesting and forfeiture conditions previously described herein) to determine the performance period and the performance targets. Following the conclusion of each performance period, the Committee shall determine the extent to which performance targets have been attained for such period as well as other terms and conditions set forth by the Committee. The Committee shall determine the amount, if any, to be delivered to a participant in satisfaction of an award.

Dividend Equivalents

The Plan permits the granting of dividend equivalents to participants; however, no dividend equivalents may be granted with respect to any options or SARs. A dividend equivalent is a right, granted under the Plan, to receive cash, stock, or a combination of both, equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of stock. The dividend equivalents may be granted on a free-standing basis or in connection with another award. Any dividend equivalent granted with respect to an award will vest only to the extent that the underlying award vests.

Is the Plan subject to ERISA?

The Plan is not the type of plan covered by Section 401(a) of the Code, and, therefore, is not qualified under that section. The Plan is not subject to any provisions of the Employee Retirement Income Security Act of 1974, as amended.

Reoffers and Resales

Participants who purchase or receive shares under the Plan may sell them on the New York Stock Exchange at prevailing market prices with normal brokerage commissions. Directors and officers who are "affiliates" of our company, however, may only resell such shares:

- by filing an effective registration statement with the Securities and Exchange Commission; or
- by qualifying under an exemption from the registration requirements of Section 5 of the Securities Act of 1933, as amended (such as Rule 144).

In addition, the restrictions imposed under Section 16 of the Exchange Act upon any of our directors or officers will apply to awards under the Plan. In general, any grant approved by the full Board or the Committee under the Plan to a person subject to Section 16 will be exempt from the short-swing liability (but not the reporting) provisions of Section 16. However, sales of shares of common stock will generally be subject to the short-swing liability and reporting provisions of Section 16. Plan participants subject to Section 16 should consult with legal counsel before engaging in any transaction in shares of common stock.

Federal Income Tax Consequences

What are the material federal income tax consequences of the Plan?

As explained below, each type of award has different U.S. federal income tax consequences. The following discussion of certain anticipated U.S. federal income tax consequences to Plan participants is based on the Code as currently in effect, and existing laws, judicial decisions and administrative rulings and regulations, all of which are subject to change, prospectively or retroactively. In addition to these, a participant may also be subject to foreign, state and local income or other tax consequences including in the jurisdiction in which the participant works and/or resides. **You should consult with your own personal tax advisor to determine the specific tax consequences of your participation in the Plan.**

Stock Options

The Plan allows the grant of incentive stock options (ISOs) and non-qualified stock options (NSOs). Generally, no income is recognized when either type of stock option is granted to the participant, but the subsequent tax treatment differs widely.

Non-Qualified Stock Options (NSOs)

Generally, if a participant exercises a NSO, the excess of the fair market value of the shares on the date of exercise over the exercise price is ordinary income to the participant at the time of the exercise. The tax basis for the shares purchased is their fair market value on the date of exercise. Any gain or loss that the participant realizes from a later sale of the shares for an amount in excess of or less than the tax basis of the shares will be taxed as capital gain or loss, respectively. The character of the gain or loss (short-term or long-term) will depend upon how long the participant held the shares since exercise.

Incentive Stock Options (ISOs)

Generally, a participant will recognize no ordinary taxable income upon exercising an ISO. The tax basis of the shares acquired will be the exercise price. To receive this favorable treatment, the participant must not dispose of the shares that he or she acquires by exercising an ISO within two years after the date the stock option was granted, nor within one year after the exercise date (the "Holding Periods").

If the participant disposes of the shares before the end of the Holding Periods, the participant will be required to recognize gain that is taxable as ordinary income. The amount of that gain equals the lesser of:

- the difference between the fair market value on the exercise date and the exercise price; or
- the difference between the sale price and the exercise price.

The balance, if any, will be taxed as short-term or long-term capital gain, depending upon how long the participant held the shares.

If the participant meets the Holding Periods, all gain or loss that he or she realizes upon a later sale of the shares for an amount in excess of or less than their tax basis will be taxed as a capital gain or loss.

ISOs and Alternative Minimum Tax

For determining a participant's alternative minimum taxable income subject to the alternative minimum tax, a participant's exercise of an ISO will result in the recognition of alternative minimum taxable income at the time of the exercise of the ISO in an amount equal to the excess of the fair market value of the shares on the exercise date over the exercise price. In general, the alternative minimum tax is paid only to the extent it exceeds an individual's regular tax.

Exercise with Previously-Owned Shares

A participant may exercise a stock option granted under the Plan by payment either in cash or, with the Committee's approval, among other alternatives, in previously-owned shares of our common stock at their then fair market value, or by a combination of both of these methods. When a participant uses previously-owned shares ("Old Shares") to purchase shares ("New Shares") upon the exercise of an ISO or NSO, he or she recognizes no gain or loss to the extent that the total value of the Old Shares surrendered does not exceed the total value of all of the New Shares received.

If, as would usually be the case, the value of the New Shares exceeds the value of the Old Shares, the excess amount is not ordinary taxable income to the participant if:

- the stock option exercised is an ISO; and
- the participant has met the Holding Periods discussed above for the Old Shares at the time of exercise (if the Old Shares were acquired through the exercise of an ISO).

In this instance, the New Shares would also be subject to the Holding Periods discussed above. On the other hand, if the stock option exercised is a NSO, the excess amount is taxable as ordinary income.

Stock Appreciation Rights

Generally, there will be no federal income tax consequences to either the participant or our company upon the grant of a tandem or free-standing SAR. The participant, however, generally must recognize ordinary income upon the exercise or surrender of a SAR in an amount equal to the fair market value (on the date of exercise) of the shares exercised, less the exercise price (if any). Any gain or loss recognized upon any later sale or other disposition of the shares acquired from a stock-settled SAR generally will be a capital gain or loss.

Restricted Stock

Unless a participant makes an election to accelerate recognition of the income to the date of grant (as described below), the participant will not recognize income at the time a restricted stock award is granted. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the common stock as of that date (less any amount paid for the stock). Any gain or loss recognized upon any later sale or other disposition of the shares generally will be a capital gain or loss.

Section 83(b) Election for Certain Restricted Awards

A participant who receives stock or other property with respect to an award under which such stock or other property is both nontransferable and subject to a substantial risk of forfeiture, may, to the extent permitted by the Committee or the company, as applicable, file an election under Section 83(b) of the Code within 30 days of the date of grant. Upon such election, the participant will recognize ordinary income as of the date of grant equal to the fair market value of the stock or other property as of that date (less any amount paid for the stock or other property).

Any future gain or loss realized upon the later sale of stock or other property will be taxable to the participant at capital gains rates. If the underlying stock or other property is later forfeited, the participant will not be able to recover the tax previously paid pursuant to a Section 83(b) election.

Restricted Stock Units

In general, a participant who is awarded restricted stock units will not recognize ordinary income upon grant of the restricted stock units. In general, upon receipt of payment for an award of restricted stock units in shares or cash, a participant will recognize ordinary income equal to the fair market value of the shares or the amount of cash received. However, in general, if any awards used to pay out restricted stock units are nontransferable and subject to a substantial risk of forfeiture, the taxable event is deferred until either the restriction on transferability or the substantial risk of forfeiture lapses.

Performance Shares, Performance Units, Dividend Equivalents, and Other Stock-Based Awards

Generally, a participant will recognize ordinary income at the time performance shares, performance units, dividend equivalents, and other stock-based awards are paid, equal to the fair market value of such payment, unless such awards are subject to a substantial risk of forfeiture and are nontransferable. If the award is nontransferable and subject to a substantial risk of forfeiture, the taxable event is deferred until either the restriction on transferability or the risk of forfeiture lapses.

Cash-Based Awards

Generally, a participant will recognize ordinary income at the time cash-based awards are paid, equal to the amount of such payment.

Company Tax Deduction

Generally and subject to Section 162(m) of the Code, we will be entitled to a tax deduction for an award made under the Plan to the extent that:

- the participant recognizes ordinary income from the award; and
- we have complied with any necessary withholding and reporting requirements.

Section 162(m) of the Code limits to $1 million the amount that a publicly held corporation is allowed each year to deduct for compensation paid to the corporation's "covered employees." "Covered employees" include the corporation's chief executive officer, chief financial officer and three next most highly compensated executive officers. If an

individual is determined to be a covered employee for any year beginning after December 31, 2016, then that individual will continue to be a covered employee for future years, regardless of changes in the individual's compensation or position.

Withholding

Awards may be subject to federal, state and local withholding tax and any other tax obligations. The Plan authorizes us to take such action as we deem advisable to satisfy such tax obligations, which includes the authority to withhold or receive stock or other property and to make cash payments in satisfaction of any withholding tax obligations, either on a mandatory or elective basis in the discretion of the Committee, or in satisfaction of any other tax obligations.

Section 409A of the Code: Nonqualified Deferred Compensation

Section 409A of the Code provides that covered amounts deferred under a nonqualified deferred compensation plan are includable in the participant's gross income to the extent not subject to a substantial risk of forfeiture and not previously included in income, unless certain requirements are met, including limitations on the timing of deferral elections and events that may trigger the distribution of deferred amounts. If an award either satisfies the requirements imposed by Section 409A of the Code or qualifies for an exception from coverage under Section 409A of the Code, then the tax consequences described previously will continue to apply. If an award is subject to Section 409A of the Code and does not comply with Section 409A of the Code requirements, then amounts deferred in the current year and in previous years (including amounts deferred under similar arrangements required to be aggregated with such amounts) will become subject to immediate taxation to the participant, and the participant will be required to pay a penalty equal to interest at the underpayment rate plus 1% on the tax that should have been paid on the amount of the original deferral and any related earnings, and in addition to any regular tax, an additional tax equal to 20% of the original deferral and any earnings credited on the deferral (and any other deferred compensation required to be aggregated with such amounts).

Other Tax Considerations

We do not intend this discussion to be a complete explanation of all of the U.S. federal income tax consequences of participating in the Plan. If you are participating in the Plan, you should consult your personal tax advisor to determine the particular tax consequences of the Plan to you, including the application and effect of foreign, state and local taxes, and any changes in the tax laws from the date of this prospectus.

Other Information

We will provide, without charge, to each Plan participant a copy of any documents that have been incorporated by reference in Item 3 of Part II of our registration statement on Form S-8, filed with the Securities and Exchange Commission on May 19, 2020, and such documents are incorporated by reference herein. Requests for such documents should be made, orally or in writing, to:

NiSource Inc.
801 East 86th Avenue
Merrillville, Indiana 46410
Attention: Corporate Secretary
Telephone No.: (877) 647-5990

Stockholder communications and other reports furnished to our stockholders may be obtained upon oral or written request from our Corporate Secretary at the address or telephone number above.

The information in this prospectus will be updated regularly by an appendix, a new prospectus or by including information in the most recent annual report to stockholders or the most recent proxy statement of the Company. If you are referring to this prospectus after the lapse of a significant period of time from the date of its initial publication, you should obtain and refer to all such updates. If you receive an appendix after you receive this prospectus, you should keep it with this prospectus and refer to it whenever you refer to this prospectus

EXHIBIT A

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-28:

Please provide the percentage wage rate increases granted by the Company by date and employee category for the three most recent calendar years and the current year to date.

Response:

	2018	2019	2020(1)	2021(2)
	1-Jun	1-Jun	1-Sep	1-Mar
Exempt	3.00%	3.00%	2.30%	3.00%
Non-Union, Non-Exempt	1-Jun	1-Jun	1-Jun	1-Mar
	3.00%	3.00%	3.00%	3.00%
United Steelworkers of America	15-Aug	15-Aug	15-Aug	15-Aug
Local 7139-03	3.00%	2.00%	3.00%	3.00%
United Steelworkers of America	2-Sep	15-Sep	2-Sep	2-Sep
Local 13836-14	3.00%	2.00%	3.00%	3.00%
Utility Workers Union of America	30-Sep	30-Sep	30-Sep	30-Sep
Local 475	3.00%	2.00%	3.00%	0.00%
Utility Workers Union of America	1-Nov	1-Nov	1-Nov	1-Nov
Local 479	3.00%	2.00%	3.00%	0.00%
United Steelworkers of America	1-Apr	1-Apr	1-Apr	1-Apr
Local 1852-17	2.00%	3.00%	2.00%	3.00%

[1] NiSource elected to forego awarding the annual merit increases for non-union exempt employees in director positions and above in 2020.
[2]Contracts for Utility Workers Union of America Locals 475 & 479 are in negotiations.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-029:

Please provide an analysis (description, dates and amounts) of any gains or losses on utility property sold for the lesser of the last three years or since the Company's last rate case or anticipated during the FTY. Explain how such amounts have been treated for ratemaking purposes.

Response:

CPA did not have any other utility property sold during 2021 and does not anticipate any sales of utility property during the FTY.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-30:

Please provide the level of each of the following which is included in the Company's cost of service by separate type and/or payee, which are incurred directly by the Company or are allocated or billed to the Company by affiliates or its parent company.

a. fines and penalties

b. contributions and donations

c. membership dues

d. lobbying expense

e. employee activity costs (e.g., picnics, parties, awards)

f. investor relations expenses

Response:

a. All fines and penalties are booked below the line in account 426-3000.

b. There is $215,513 in various charitable organizations booked below the line in account 426, plus an additional $175,093 inadvertently booked to O&M and adjusted out of this claim. See Exhibit No. 4, Schedule 15, for a listing of the various payees.

c. See GAS-RR-032 Attachment A for membership dues.

d. Please see Table GAS-RR-030 below for Lobbying Expenses in each of the test periods. These were removed from the cost of service by ratemaking adjustments on Exhibit 4, Schedule No. 2 for the HTY and Exhibit No. 104, Schedule No. 2 for the FTY and the FPFTY:

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

TABLE GAS-RR-030

CPA 2022 Rate Case
Summary of Lobbying Adjustments

	HTY TME November 30, 2021	FTY TME November 30, 2022	FPFTY TME December 31, 2023
	$	$	$
Labor	6,342.00	6,532.00	6,728.00
Materials and Supplies	1,365.00	1,420.00	1,452.00
Company Memberships	30,281.12	31,486.00	32,194.00
Outside Services	125,842.00	130,851.00	133,795.00
NCSC	22,754.27	23,659.89	24,192.24
Total Lobbying Removed	186,584.39	193,948.89	198,361.24

e. There was $0 spent on employee activities and recognition awards during the historic test year.

f. NiSource Corporate Services Company (NCSC) billed Columbia Gas of Pennsylvania $197,477 during the historic test year (HTY) for Investor Relations expenses. The budget for Investor Relations includes $145,000 for the future test year (FTY) and $135,000 for the fully projected future test year (FPFTY). Note that the amount for the HTY includes actual expense for Incentive Compensation for Investor Relations. Incentive Compensation is budgeted at the company level and not at the department level; therefore, the specific budget amounts associated with Investor Relations department are not known for the FTY and the FPFTY. Incentive Compensation is reflected in the budgets at the company level for the FTY and the FPFTY at target.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-031:

Please provide a description and the purpose for membership for each organization listed in the previous response.

Response:

The business and service associations listed comprise a widely varied group that all contribute either toward helping Columbia personnel perform their jobs more efficiently, or to improving the service territories where Columbia facilities are located.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-032:

Please provide the level of payments made to industry organizations included in cost of service along with a description of each payee organization or project.

Response:

Please see GAS-RR-032 Attachment A.

Columbia Gas of Pennsylvania, Inc.
Company Memberships - Industrial and Civic Associations
Twelve Months Ended November 30, 2021

Line No.	Description		Amount $
1	INDUSTRIAL ASSOCIATIONS		
2	African American Chamber of Commerce of Western PA		5,000
3	Allegheny Conference on Community Development - 2021 Board Contribution		59,607
4	American Gas Association - 3th Quarter Dues 2020 - Booked in December 2020		70,695
5	American Gas Association - 4th Quarter Dues 2020 - Booked in December 2020		70,695
6	American Gas Association - 1nd Quarter Dues 2021		71,049
7	American Gas Association - 2rd Quarter Dues 2021		71,049
8	American Gas Association - 3th Quarter Dues 2021		71,049
9	American Gas Association - 4th Quarter Dues 2021		-
10	Beaver County Chamber of Commerce - 2021 Membership Fee		441
11	Chamber of Business and Industry of Centre County - 2021 Membership Fee		284
12	Common Ground Alliance - 2021 Bronze Sponsorship		1,951
13	Cross Bore Safety Association		300
14	Energy Association of Pennsylvania - 2021 Membership Fee		101,406
15	Fayette Chamber of Commerce Inc.		800
16	Mon Valley Regional Chamber		420
17	NiSource Charitable Foundation		175,000
18	Northeast Gas Association - 2021 Membership Dues		25,000
19	Pennsylvania Chamber of Business & Industry - 2021 Membership Fee		35,750
20	Peters Township Chamber of Commerce - 2021 Membership Fee		300
21	Pittsburg Airport Area Chamber of Commerce - 2021 Membership Fee		1,850
22	Pittsburgh Region Clean Cities - Silver Membership		1,000
23	Southern Gas Association - Membership Dues		5,762
24	Washington County Chamber of Commerce - 2021 Membership Fee		600
25	Westmoreland Chamber of Commerce		484
26	York County Economic Alliance		-
27	Hanover Area Chamber of Commerce		-
28	Other		(50,000)
29	Total Industrial Organizations		720,490
30	Total Company Memberships Per Books	Ex. 4, Sch. 1, Pg. 2, Ln. 13	720,490
31	Total Adjustment for Company Memberships		(223,226)

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-033:

Please provide the following information related to the Company's membership in AGA:

a. Cost included in requested cost of service

b. Cost excluded from requested cost of service

c. Copy of the most recent audit report of AGA expenditures prepared by NARUC.

d. Most recent correspondence received from AGA which addresses the percentage of dues related to lobbying or other separate activities.

e. Policy statement, objective, purpose, etc. of AGA.

Response:

a. Total AGA costs budgeted in the FPFTY cost of service are $284,000.

b. Columbia has made a ratemaking adjustment to exclude associated Lobbying costs on Exhibit 104, Schedule 2, page 13 based upon the HTY adjustment. The HTY exclusion represents 3.8% of the total dues.

c. Columbia is not aware of any recent AGA audits by NARUC related to expenditures.

d. Please see GAS-RR-033 Attachment A for the AGA 2021 Budget and the definitions of functional cost centers for the year ended December 31, 2021.

e. Please see GAS-RR-033 Attachment B for the AGA Vision and Mission Statement approved October 13, 2015. AGA's Vision and Mission Statements can also be viewed under the "About AGA" section of the American Gas Association web site at www.aga.org.

AMERICAN GAS ASSOCIATION
2021 BUDGET

All Programs	$ 2021 Budget	% 2021 Budget
Communications	$ 3,409,000	8.63%
Corporate Affairs	$ 4,222,000	10.69%
Energy Markets, Analysis, and Standards	$ 4,841,000	12.26%
General and Administrative	$ 8,466,000	21.44%
General Counsel and Regulatory Affairs	$ 3,180,000	8.05%
Government Affairs and Public Policy	$ 5,428,000	13.75%
Industry Finance & Administrative Programs	$ 1,294,000	3.28%
Operations and Engineering	$ 8,651,000	21.91%
Expense Budget	$ 39,491,000	100.00%

Notes
AGA estimates that lobbying related expenses, as defined under IRC Section 162, will account for 3.8% of member dues in 2021.

American Gas Association

VISION STATEMENT

Committed to leveraging and utilizing America's abundant, domestic, affordable and clean natural gas to help meet the nation's energy and environmental needs.

MISSION STATEMENT

The American Gas Association (AGA) represents companies delivering natural gas safely, reliably, and in an environmentally responsible way to help improve the quality of life for their customers every day. AGA's mission is to provide clear value to its membership and serve as the indispensable, leading voice and facilitator on its behalf in promoting the safe, reliable, and efficient delivery of natural gas to homes and businesses across the nation.

CORE STRENGTHS

1. Conducts programs and develops standards to help enhance the safe delivery of natural gas to consumers;
2. Advocates for natural gas industry issues, regulatory constructs and business models that are priorities for the industry;
3. Promotes growth in the efficient use of natural gas by emphasizing before a variety of stakeholders the benefits of clean, abundant natural gas as part of the solution to the nation's energy and environmental goals;
4. Facilitates the exchange of information and improvement of performance metrics to help members achieve operational excellence;
5. Helps members manage and respond to the energy needs of customers, regulatory trends, natural gas or capital market issues and emerging technologies;
6. Collects, analyzes and disseminates information to opinion leaders, policy makers and consumers about the benefits provided by energy utilities and the natural gas industry;
7. Encourages the development, commercialization, and regulatory acceptance of natural gas end-use technologies; and
8. Delivers measurable value to AGA members.

Approved: October 13, 2015

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-034:

Please provide a copy of the most recent FERC audit findings, the Company's response and final disposition of audit exceptions.

Response:

NiSource Inc. (NiSource), including its service company, underwent a FERC audit, Docket No. FA11-5-000, which covered the period January 1, 2009 through December 31, 2010. Please refer to GAS-RR-034 Attachment A dated October 24, 2012 for the Final Audit Report issued by the FERC audit staff along with the Company's response. As indicated in the Final Report, the Audit Staff reviewed and tested the supporting details for NiSource Corporate Service Company's (NCSC) cost allocation methods. They then sampled and selected supporting documents to ensure that NCSC's billings and accounting comply with the USOA (Uniform System of Accounts). FERC identified several instances in which amounts were recorded in incorrect accounts and several instances where reports were not correctly submitted to FERC. FERC did not issue any adverse comments to NCSC related to its allocation methods.

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
Office of Enforcement
Docket No. FA11-5-000
October 24, 2012

NiSource Inc.
Attention: Stephen P. Smith
Executive Vice President and Chief Financial Officer
801 East 86th Ave.
Merrillville, IN 46410

Dear Mr. Smith:

1. The Division of Audits within the Office of Enforcement (OE) has completed the audit of NiSource Inc. (NiSource or Company) and its associated companies from January 1, 2009 through December 31, 2010. The enclosed audit report explains our audit findings and recommendations.

2. On August 21, 2012, you notified us that NiSource agrees with our findings and recommendations. A copy of your verbatim response is included as an appendix to this report. I hereby approve the audit findings and recommended corrective actions. Within 30 days of this letter order, NiSource should submit a plan to comply with the corrective actions. NiSource should make quarterly filings describing how and when it plans to comply with the corrective actions, including dates it has completed each corrective action. The submissions should be made no later than 30 days after the end of each calendar quarter, beginning with the first quarter after this audit report is issued, and continuing until all the corrective actions are completed.

3. The Commission delegated the authority to act on this matter to the Director of OE under 18 C.F.R. § 375.311 (2011). This letter order constitutes final agency action. Your Company may file a request for rehearing with the Commission within 30 days of the date of this order under 18 C.F.R. § 385.713 (2011).

4. This letter order is without prejudice to the Commission's right to require hereafter any adjustments it may consider proper from additional information that may come to its attention. In addition, any instance of noncompliance not addressed herein or that may occur in the future may also be subject to investigation and appropriate remedies.

5. I appreciate the courtesies extended to the auditors. If you have any questions, please contact Mr. Bryan K. Craig, Director and Chief Accountant, Division of Audits at (202) 502-8741.

Sincerely,

Norman C. Bay
Director
Office of Enforcement

Enclosure

Federal Energy Regulatory Commission

Audit of
NiSource Inc.
Affiliate Transactions, including its Compliance with:

- Cross-Subsidization Restrictions on Affiliate Transactions;
- Regulations Under the Public Utility Holding Company Act of 2005; and
- Uniform System of Accounts for Public Utilities and Natural Gas Companies' Accounting for Service Company Transactions

Docket No. FA11-5-000
October 24, 2012

Office of Enforcement
Division of Audits

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Appendix 33

I. Executive Summary

A. Overview

The Division of Audits within the Office of Enforcement has completed an audit of NiSource Inc. (NiSource or the Company) including its service companies, and associated companies (collectively Companies). The audit was initiated to evaluate the Companies' compliance with the Federal Energy Regulatory Commission's (FERC or the Commission's): (1) cross-subsidization restrictions on affiliate transactions under 18 C.F.R. Part 35 (2010); (2) accounting, recordkeeping, and reporting requirements under 18 C.F.R. Part 366 (2010); (3) Uniform System of Accounts (USofA) for centralized service companies under 18 C.F.R. Part 367 (2010); (4) preservation of records requirements for holding companies and service companies under 18 C.F.R. Part 368 (2010); and (5) FERC Form No. 60 Annual Report requirements under 18 C.F.R. Part 369 (2010).

The audit also evaluated the associated public utility and natural gas companies' compliance with the Commission's accounting requirements for transactions with associated companies under 18 C.F.R. Parts 101 and 201 (2010), and the applicable reporting requirements in the FERC Form Nos. 1 and 2. The audit period covered January 1, 2009 through December 31, 2010.

B. NiSource Inc.

NiSource, headquartered in Merrillville, IN, is an energy holding company whose subsidiaries provide natural gas, electricity, and other products and services to approximately 3.8 million customers in a corridor that runs from the Gulf Coast through the Midwest to New England.

NiSource is organized into three primary business segments. The Gas Transmission and Storage Operations business segment operates interstate natural gas pipelines and storage facilities. NiSource's natural gas transmission subsidiaries include Columbia Gulf Transmission Company (CGT), Columbia Gas Transmission Company (TCO), Granite State, and others. NiSource's electric operation segment generates, transmits, and distributes electricity through its domestic public utility subsidiary, Northern Indiana Public Service Company (NIPSCO), to approximately 458,000 customers in 20 counties in northern Indiana. NiSource's natural gas distribution operations segment serves more than 3.3 million customers in seven states and operates approximately 59,000 miles of pipeline.

NiSource affiliates are served by two traditional centralized service companies, NiSource Corporate Services Company (NCSC) and NiSource Gas Transmission & Storage Company (NGTSC). Both service companies generally provide human capital services that include accounting, human resources, legal, and information technology support. NCSC provides human capital services to all of NiSource's subsidiaries, whereas NGTSC provides human capital services to only Columbia Gulf Transmission Company, one of NiSource's interstate gas transmission pipeline and storage companies.

C. Summary of Compliance Findings

Audit staff's compliance findings are summarized below. Details are in section IV of this report. Audit staff found eight areas of noncompliance:

- *Electric Public Utility's Accounting for Billings from the Service Company:* NIPSCO did not record some of the costs it received from NCSC in the appropriate accounts as required by the Commission's accounting regulations.

- *Prepayment for the use of Finance and Accounting Transformation Servers:* NCSC improperly accounted for a prepayment for the use of accounting servers in Account 186, Miscellaneous Deferred Debits, when it should have accounted for this prepayment in Account 165, Prepayments.

- *Accounting for Over-Funding of a Single-Employer, Defined Post-Retirement Benefit Plan:* NCSC inappropriately recorded the overfunding of a single-employer, defined post-retirement life insurance benefit plan in Account 186, Miscellaneous Deferred Debits, for 2009 and 2010. The Company should have recorded the overfunded status in Account 128, Other Special Funds.

- *Improperly Recorded Transferred Employee Benefits:* NCSC improperly recorded transferred employee benefits in Account 186, Miscellaneous Deferred Debits, for 2009 and 2010. The Company should have recorded these benefits in Account 146, Accounts Receivable from Associated Companies, until they were paid.

- *FERC-61Reporting:* NiSource did not submit FERC-61, Narrative Description of Service Company Functions, filings for three special-purpose companies between 2006 and 2010, as the Commission regulations require.

- *Untimely Filing for Cash Management Agreement:* NiSource did not file changes to its cash management agreement within 10 days of the change in one occurrence during the audit period, as Commission regulations require.

- *Reporting of Transactions with Associated (Affiliated) Companies:* NiSource's public utility affiliate, NIPSCO, did not report the required information on page 429, Transactions with Associated (Affiliated) Companies, in the FERC Form No. 1s filed in 2009 and 2010. NiSource's natural gas pipeline and storage affiliates, TCO and CGT, did not report the required information on page 358, Transactions with Associated (Affiliated) Companies, in the FERC Form No. 2s filed in 2009 and 2010. Specifically, each entity did not report the accounts charged or credited for certain non-power goods and services provided for or by affiliates.

- *Miscellaneous Accounting Classification Errors:* NCSC improperly classified certain expenses in the wrong FERC accounts. NCSC should have classified these transactions in the proper accounts as the USofA for centralized service companies prescribed under 18 C.F.R. Part 367.

D. Summary of Recommendations

Audit staff's recommendations to remedy these findings are summarized below. Details are discussed in section IV of this report. To address each area of non-compliance, audit staff recommends that NiSource:

- Develop and implement policies and procedures to ensure that NCSC and NIPSCO comply with the Commission's accounting regulations for billings from NCSC.

- Conduct a study from the beginning of the audit period to present to determine the accuracy of the accounts that NIPSCO used to reallocate and record service company billings, and submit the results of this study to audit staff. NiSource should complete this study and submit it to the DA no later than 180 days after the date this audit report is issued.

- Make correcting entries to NIPSCO's accounting records to properly classify all charges the service company billed from the beginning of the audit period to present, and submit these journal entries to audit staff.

- Require NCSC to reclassify the remaining noncurrent prepayment portion of the finance and accounting transformation servers to Account 165.

- Reclassify the overfunded portion of its postretirement life insurance benefit from Account 186 to Account 128 for compliance with Docket No. IA07-1-000.

- Develop policies to ensure that long-term disability insurance for transferred employees is properly accounted for in Account 146.

- Develop and implement a process that periodically reviews all corporate entities that require a FERC-61 filing.

- Develop and/or strengthen policies and procedures for submitting its cash management agreements and subsequent changes or modifications to ensure compliance with Commission filing requirements.

- Strengthen its policies and procedures for submitting data on its FERC Form Nos. 1 and 2 to ensure accurate and complete reporting.

- Implement accounting policies, processes, and procedures to ensure the types of transactions indentified above are recorded according to Commission regulations.

- Post correcting entries to NCSC's accounting records to properly classify all lobbying and political activity charges from the beginning of the audit period to present.

E. Compliance and Implementation of Recommendations

Audit staff further recommends that NiSource:

- Submit its plans for implementing audit staff's recommendations for audit staff's review. NiSource should provide its plan to audit staff within 30 days of the issuance of the final audit report in this docket.

- Submit all correcting entries to the Division of Audits within 30 days of the issuance of the final audit report in this docket, including all correcting entries affecting the books of the service company and associated franchised public utility (FPU).

- Submit quarterly reports to the Division of Audits describing the Companies' progress in completing each corrective action recommended in the final audit report in this docket. NiSource should make its quarterly filings no later than 30 days after the end of each calendar quarter, beginning with the first quarter after the final audit report in this docket is issued, and continuing until NiSource completes all recommended corrective actions.

- Submit copies of any written policies and procedures developed in response to the recommendations in the final audit report. These policies and procedures should be submitted for audit staff's review in the first quarterly filing after the Companies complete these items.

II. Background

A. Service Agreements, Cost Allocations, and Corporate Accounting System

The provisions of the General Service Agreement (GSA) between NCSC and NiSource's affiliates serve as the source of accounting policy and practice for billings of non-power goods and services. A regulated or nonregulated affiliate may select any or all of the services under the GSA. NCSC and its NiSource affiliates review their service agreements annually and agree on what NCSC services will be provided through budgeting. Such goods and services between affiliates are priced at fully allocated cost and to the extent possible, directly charged to the client or clients benefiting from a service. Any remaining charges that cannot be directly charged to an affiliate are allocated between the companies receiving the benefit of the service.

NCSC uses a central accounting system, also known as a work order system, to accumulate costs. This system is used to create and maintain all NCSC work orders, which receive all NCSC costs to bill the proper NiSource affiliate for work performed. The system also assigns a 10-digit alphanumeric code to the project or projects that details how expenses will be charged. The Company said much "front-end" work occurs in meetings between a department head working with an affiliate and NCSC personnel. These meetings help management build a consensus on how a new project's costs will be allocated to NiSource affiliates. Attendees at these meetings discuss the work that will take place to accurately determine which costs should be included in the work order system, the cost allocation base that should be used for the project, which companies benefit from the costs, and the portion of the cost each affiliate should receive and record in its accounting records.

Once NiSource management agrees to the basics of the newly created work order system project, costs are assigned using one of the base allocations[1] the Security and Exchange Commission (SEC) previously approved, or a direct company billing code. The work order system is designed so base allocations never change, but the companies that receive the costs can and do change. NCSC reviews and updates the amounts allocated to its affiliates every six months or

[1] The SEC approved all of NiSource's base allocations, and no other base allocations have been created since the Energy Policy Act of 2005 went into effect.

before, if an affiliated company is sold or no longer receives NCSC services.[2] Both the Company's external and internal auditors analyze the cost allocators yearly, and state public utility commissions also review the Company's cost allocations as they pertain to filed rate cases. The Company said NiSource has never had a cost allocation refused by a regulatory authority.

NCSC's total billings to associated companies for 2009 were $377,469,976. Of that, $276,719,054 was direct-charged (73.3 percent); $99,430,359 (26.3 percent) was indirectly charged; and $1,320,563 (0.3 percent) was compensation for the use of capital. Compensation for the use of capital represents interest expense paid on long-term intercompany notes.

NCSC's total billings to associated companies for 2010 were $409,702,831. Of that, $302,753,123 was direct-charged (73.9 percent); $105,629,146 (25.8 percent) was indirectly charged; and $1,320,562 (0.3 percent) was compensation for the use of capital.

B. Internal Audit Role and Reporting

NiSource's Internal Audit department (Internal Audit) is responsible for reviewing accounting systems, source documents, allocation bases, and billing procedures NCSC used to allocate costs to NiSource's parent holding company and all of its subsidiaries.

Annually, Internal Audit reviews cost allocation bases and billing procedures NCSC uses and recommends improvements to allocation and billing processes. For 2010, the primary business risks associated with these activities were that:

- Allocation factors may not be updated regularly to reflect current statistical data to ensure that NCSC charges are billed relative to current operations;
- Contract and convenience billings may not be properly billed to affiliates;
- Holding company costs may not be properly segregated and paid by the holding company;

[2] If an affiliate that receives allocated costs is sold, the cost allocations it participates in are updated. When an update occurs, the entire allocation system is updated.

- Executive time allocation may not accurately reflect the companies benefiting from their services;

- Not all indirect costs may be appropriately allocated to affiliates monthly; and

- Intercompany payables and receivables may not be billed and settled accurately and on time.

The Internal Audit department performed the annual audit and concluded that the methods and procedures used to allocate costs/expenses and bill subsidiary Companies, including the holding company, were reasonable.

C. Formula Rates

NiSource has one electric FPU jurisdictional to FERC with formula rates, and that company is NIPSCO. NIPSCO is a combination electric and natural gas public utility company that is a transmission-owning member of the Midwest Independent Transmission Service Operator, Inc. (MISO), whose transmission rates are set under formula rate in Attachment O of the MISO Open Access Transmission Energy and Operating Reserve Energy Markets Tariff. Attachment O uses data from the FERC Form No. 1 as inputs to calculate certain transmission rates for service.

To provide rate stability and certainty, rates are updated May 1 of each year, and are not updated out of cycle or recalculated retroactively due to late submissions of information. When MISO is informed of an error in a rate calculation, it reviews and corrects the error prospectively. At the request of the transmission owner, MISO will retroactively recalculate rates, and make refunds and/or charges for the current billing year.

III. Introduction

A. Objectives

The audit's objectives were to evaluate whether the Companies complied with Commission: (1) cross-subsidization restrictions on affiliate transactions under 18 C.F.R. Part 35 (2010); (2) accounting, recordkeeping, and reporting requirements under 18 C.F.R. Part 366 (2010); (3) Uniform System of Accounts (USofA) for centralized service companies under 18 C.F.R. Part 367 (2010); (4) preservation of records requirements for holding companies and service companies under 18 C.F.R. Part 368 (2010); and (5) FERC Form No. 60 Annual Report requirements under 18 C.F.R. Part 369 (2010).

The audit also evaluated associated public utility and natural gas companies' compliance with Commission accounting requirements for transactions with associated companies under 18 C.F.R. Parts 101 and 201 (2010), respectively; and, the applicable reporting requirements in FERC Form Nos. 1 and 2, respectively. The audit covered January 1, 2009 through December 31, 2010.

B. Scope and Methodology

To address audit objectives, audit staff:

- Reviewed NCSC's FERC Form No. 60 Annual Reports and NiSource's notification of holding company status FERC-65 filing. Audit staff reviewed these reports and filings to ensure that the information was reliable, accurate, and complete.

- Reviewed publicly available materials to understand NiSource operations, including select filings to the SEC (10-K and 10-Q), FERC Form Nos. 1, 2, and 2-A filings, prior audits, and other filings with the Commission.

- Identified the standards and criteria for evaluating Company compliance with each of the objectives of the audit scope. These standards and criteria include FERC rules, regulations, letter orders, and other requirements for holding and service companies, and FERC accounting regulations related to public utilities and natural gas companies.

- Conducted one site visit to NiSource offices in Columbus, OH. The site visit helped staff to understand NiSource's structure, activities, functions, systems, and processes used in its operations. While on site, audit staff reviewed and tested the supporting details for NCSC's cost allocation

methods; sampled and selected supporting documents to ensure that NCSC's billings and the FPU's accounting comply with the USofA; sampled and selected supporting documents to ensure that NCSC's accounting complies with the USofA; and ensured that NiSource and NCSC comply with preservation of records requirements.

- Held numerous discussions with Company employees to clarify and supplement Company responses to data requests and provide additional information on other areas of concern.

- Reviewed relevant audit reports and working papers of NiSource's Internal Audit department and external audit firm, Deloitte and Touche. Audit staff also reviewed several prior SEC audit reports.

- Conferred with officials from the Indiana Utility Regulatory Commission who have jurisdiction over NCSC's associated FPU.

- Conferred with other Commission staff on various compliance issues to ensure that audit findings would be wholly consistent with Commission precedent and policy. For example, audit staff conferred with staff from other divisions within the Office of Enforcement, and with technical and legal staff from other Commission offices, including the Office of Energy Market Regulation and Office of General Counsel.

Besides these actions, audit staff reviewed NiSource's regulatory compliance program. Audit staff assessed the compliance program for the audit scope areas consistent with prior Commission orders and policy statements. Specifically, audit staff:

- Reviewed NiSource's regulatory compliance program structure, including its authority and responsibilities for overseeing corporate compliance and the delegation of compliance responsibilities at the department level.

- Reviewed NiSource's Internal Audit department structure, including chain-of-command and access to the Board of Directors through the Audit Committee to assess the effectiveness and independence of the audit process.

- Interviewed executives, managers, and operational employees to evaluate their knowledge and application of NiSource's compliance program.

Audit staff performed several specific actions to evaluate the Companies' compliance with all relevant requirements of audit objectives. A summary of these actions include:

Cross-subsidization Restrictions

To evaluate compliance with Commission's cross-subsidization restrictions on affiliate transactions, audit staff:

- Reviewed policies, procedures, and practices as to the sale of non-power goods and services;
- Interviewed NiSource employees, particularly those who work in accounting and supply chain management on transfers of non-power goods and services;
- Reviewed and tested pricing methods for transferring non-power goods and services between the FPU, market-regulated power sales affiliates, and non-utility affiliates; and
- Sampled charges and payments to determine accurate pricing for the sale of goods and services to verify compliance with Commission pricing rules.

Accounting, Recordkeeping, and Financial Reporting

To evaluate compliance with the FERC's books, records, and filing requirements, audit staff reviewed NCSC's FERC Form No. 60 Annual Reports, NiSource's Notification of Holding Company Status – FERC-65 filing, and the FERC Form Nos. 1, 2, and 2-A reports of the associated FPU and natural gas companies. Select, electronically filed information in the FERC Form No. 60 was verified with supporting documentation to ensure that required information was reported accurately and consistently. Select information in the FERC Form No. 1 was also compared to the FERC Form No. 60 to ensure it was reported accurately.

To facilitate our review of NCSC's compliance with the USofA, audit staff reviewed, sampled, analyzed, and tested electronic data of NCSC's books to ensure that centralized service company accounting follows the USofA. When necessary, audit staff followed up with additional data requests and interviews.

With respect to the jurisdictional FPU's compliance with the Commission's USofA, audit staff selected and reviewed associated FPU accounts for NCSC's billed costs. Audit staff reviewed the charges billed and identified the accounts the FPU used to ensure that the jurisdictional FPU was properly accounting for service company costs.

We also reviewed NCSC's associated FPU accounting with the FERC Form No. 1 to ensure that NCSC billings for non-power goods and services were properly recorded and reported.

Preservation of Records

To evaluate compliance with preservation of records requirements for NiSource, audit staff interviewed the Company's Corporate Management Records officials responsible for complying with Commission requirements. Audit staff created a sample test for records to ensure that the Company's policies and procedures were being followed.

Cost Allocation and Billings

To facilitate our review of NCSC's cost allocation methods and costs NCSC billed to the associated FPU, audit staff identified all SEC-approved cost allocation methods by NCSC. Audit staff also inquired about any new allocation methods created after the Energy Policy Act of 2005 was implemented. Audit staff reviewed and tested supporting details of select cost allocation methods by reviewing select service company billings and corresponding jurisdictional utilities' accounting entries to determine compliance with the USofA.

IV. Findings and Recommendations

1. Electric Public Utility's Accounting for Billings from the Service Company

Northern Indiana Public Service Company (NIPSCO) did not record some of the costs it received from NCSC in the appropriate accounts as required by the Commission's accounting regulations.

Pertinent Guidance

18 C.F.R. Part 101 Account 163, Stores expense undistributed, states:

> A. This account shall include the cost of supervision, labor and expenses incurred in the operation of general storerooms, including purchasing, storage, handling and distribution of materials and supplies.

18 C.F.R. Parts 101 Account 182.3, Other regulatory assets, states in part:

> A. This account shall include the amounts of regulatory-created assets, not includible in other accounts, resulting from the ratemaking actions of regulatory agencies. (*See* Definition No. 30.)

18 C.F.R. Parts 201 Account 182.3, Other regulatory assets, states in part:

> A. This account shall include the amounts of regulatory-created assets, not includible in other accounts, resulting from the ratemaking actions of regulatory agencies. (*See* Definition No. 31.)

18 C.F.R. Parts 101 and 201 Account 923, Outside services employed, state in part:

> A. This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or to other accounts. It shall include also the pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered as an employee of the utility.

18 C.F.R. Part 201, Account 870, Operation supervision and engineering, states:

> This account shall include the cost of labor and expenses incurred in the general supervision and direction of distribution system operations. Direct supervision of specific activities such as load dispatching, main operation, removing and resetting meters, etc., shall be charged to the appropriate account.

18 C.F.R. § 367.4261 Account 426.1, Donations, states:

> This account must include all payments or donations for charitable, social or community welfare purposes.

Order No. 684 Paragraph 124 states in part:

> Therefore, we will require centralized service companies to record the expenses it incurs for conducting operation and maintenance activities related to generation, transmission, distribution and customer services in the same expense accounts public utilities are required to use to record these costs. Using the 500 and 800 series of accounts also provides better assurance that costs are properly assigned because like items will be identified and measured in the same way regardless of the entity performing the work.

Order No. 684 Paragraph 125 states:

> In responding to NARUC's concern, we will not prohibit the recording of charges in Account 923, Outside services. Prohibiting the use of this account would be overly prescriptive. It is possible that some service company costs would be accurately reported in Account 923. However, we believe that it is appropriate for utilities that receive bills from service companies to classify those costs in the appropriate accounts. Utilities would not be in compliance with Part 101, General Instruction 14, if they do otherwise. Specifically, General Instruction 14 requires that transactions with associated companies be recorded in the appropriate accounts for transactions of the same nature. We will require that centralized service companies performing services such as operation and maintenance services related to generation, distribution, transmission, and customer service on behalf of service companies to use the appropriate accounts for those services performed.

Order No. 684 Paragraph 126 states in part:

> As discussed above, the use of the 500 and 800 accounts provides clarity about the types of services performed by centralized service companies and the costs of providing those services. Proper classification of service company costs facilitates proper classification of the costs at the utility. Therefore, we will require centralized service companies to use the 500 and 800 series of accounts as proposed.

Background

During the course of the audit, audit staff tested NIPSCO's accounting for billings received from NCSC, NiSource's primary service company. Audit staff sampled NCSC's transactions and costs billed to NIPSCO to determine how each company accounted for the billed costs. Audit staff discovered inconsistencies between how NCSC and NIPSCO recorded these costs. These inconsistencies occurred because NIPSCO reclassified these billed costs into accounts that differed from how NCSC accounted for these costs.

For example, NCSC billed certain costs to NIPSCO that it accounted for in Account 923, but NIPSCO reclassified some of these costs to Accounts 163, 870, and 182.3. Audit staff is concerned with NIPSCO's reclassifying these costs because the accounting used did reflect the appropriate accounting based on the description of the costs incurred. The costs reflected in the billings from the NCSC are of the nature of outside services that should be properly classified in Account 923. This would be consistent in how NCSC originally accounted for these costs.

Also, audit staff discovered the same inconsistency in NCSC's billings of amounts included in Account 426.1 to NIPSCO. NCSC billed NIPSCO for donations in Account 426.1, which is a below-the-line account,[3] but NIPSCO reclassified these billings to FERC operational Accounts 923 and 163. These transactions not only concern audit staff because the reclassification of service company billings did not result in the appropriate accounting for such costs, but in this instance NIPSCO reclassified these costs from a below-the-line to above-the-line accounts. Since NIPSCO recovers it costs under the MISO formula rate

[3] The "line" is the net utility operating income on the income statement. Above-the-line accounts refer to costs that are recovered by the ratepayer and are accounted for as part of net utility operating income. Below-the-line accounts record costs that are the responsibility of the shareholder and are accounted for on the income statement below net utility operating income.

recovery mechanism, this reclassification was improperly recovered from wholesale customers.

NiSource believes it has complied with Order No. 684 because it allows service companies to use the 500 and 800 accounts to record charges related to generation, transmission, distribution operations, and customer service in the same expense accounts public utilities are required to use to record these costs. Audit staff agrees that Order No. 684 allows service companies to use the 500 and 800 accounts, but it does not circumvent General Instruction 14. Instead, Order No. 684 reaffirms General Instruction 14. Specifically, the instruction requires that transactions with associated companies be recorded in the appropriate accounts for transactions of the same nature. Audit staff determined that NiSource should have accounted for costs billed by NCSC in the appropriate accounts based on the Commission's accounting regulations, which means that it should have accounted for the outside services in Account 923 and donations in Account 426.1. The misclassifications resulted in a *de minimus* increase on NIPSCO's formula rate revenue requirement and did not result in refunds.

Recommendations

We recommend NiSource:

1. Develop and implement policies and procedures to ensure that NCSC and NIPSCO comply with the Commission's accounting regulations for billings from NCSC.

2. Conduct a study from the beginning of the audit period to present to determine the accuracy of the accounts that NIPSCO used to reallocate and record service company billings, and submit the results of this study to audit staff. NiSource should complete this study and submit it to the Division of Audits no later than 180 days after the date this audit report is issued.

3. Make correcting entries to NIPSCO's accounting records to properly classify all charges the service company billed from the beginning of the audit period to present, and submit these journal entries to audit staff.

2. Prepayment for the Use of Finance and Accounting Transformation Servers

NCSC improperly accounted for a prepayment for the use of accounting servers in Account 186, Miscellaneous Deferred Debits, when it should have accounted for this prepayment in Account 165, Prepayments.

Pertinent Guidance

18 C.F.R. § 367.1860 (a) Account 186, Miscellaneous deferred debits, states:

> (a) This account must include all debits not provided for elsewhere, such as miscellaneous work in progress, and unusual or extraordinary expenses, not included in other accounts, that are in the process of amortization and items the proper final disposition of which is uncertain.

18 C.F.R. § 367.1650 Account 165, Prepayments, states:

> This account must include amounts representing prepayments of insurance, rents, taxes, interest and miscellaneous items, and must be kept or supported in a manner so as to disclose the amount of each class of prepayment.

Background

As part of the audit, audit staff tested select accounts that had large increases or decreases during the audit period, or warranted further review due to unusual explanations or circumstances discussed in the notes for the FERC Form No. 60. During this process, audit staff learned that in 2005 NiSource wanted to outsource specific services in finance and accounting, IT, metering cash, human resources, supply chain, and storage services, and asked for bids from several companies that NiSource believed could adequately perform these services. IBM won the contract. These services were known as "towers," and these six towers made up the services IBM provided to NiSource. The 10-year term of the contract expires in June 2015.

From June 2005 to the fall of 2007, NiSource and IBM executed 22 amendments to this agreement. Due to the number of amendments to the 2005 agreement and other issues, NiSource and IBM agreed to negotiate to restructure the nature and manner of services being provided under the original agreement. NiSource and IBM agreed to execute the First Amended and Restated Agreement in December 2007.

In the First Amended and Restated Agreement, NiSource moved back in-house several functions originally outsourced to IBM in June 2005. They included, but were not limited to, finance and accounting, human resources, and supply chain. The cost of the original agreement was adjusted down to reflect the services provided by the newly scaled-back agreement. The term of the new agreement was for the original 10 years and will expire in June 2015.

When this transition occurred, both NiSource and IBM agreed to a financial settlement that included: (1) termination fees of $9.8 million paid to IBM and expensed immediately by NiSource in December 2007; (2) "wind-down" fees (IBM's fee to move work back to NiSource) of approximately $1 million that were immediately expensed on NiSource's books in December 2007 and another $1.2 million expensed over the time it took for the specific functions to be moved back to NiSource; (3) purchases of $2.4 million for meter-to-cash equipment, and $17.5 million for finance and accounting transformation software that NiSource capitalized; and (4) a $12 million prepayment for the future use and support of finance and accounting transformation servers in which the current monthly amortized portion was recorded in Account 165, Prepayments, and the noncurrent portion was accounted for in Account 186, Miscellaneous Deferred Debits. This prepayment is expensed monthly over the remaining term of the IBM contract (91 months) starting back in December 2007, or $131,868 per month ($12,000,000/91 months = $131,868).

Audit staff concluded that the Company should record the current portion of the prepayment in Account 165, but the remaining noncurrent portion should not be accounted for in Account 186. The remaining noncurrent portion of the prepayment should also be accounted for in Account 165.

Recommendations

We recommend NiSource:

4. Require NCSC to reclassify the remaining noncurrent prepayment portion of the finance and accounting transformation servers to Account 165; and

5. Develop policies and procedures to ensure that prepayments are accounted for in Account 165.

3. Accounting for Overfunding of a Single-Employer, Defined Postretirement Benefit Plan

NCSC inappropriately recorded the overfunding of a single employer, defined postretirement life insurance benefit plan in Account 186, Miscellaneous Deferred Debits, for 2009 and 2010. The Company should have recorded the overfunded status in Account 128, Other Special Funds.

Pertinent Guidance

18 C.F.R. § 367.1860 (a) Account 186, Miscellaneous deferred debits, states:

> (a) This account must include all debits not provided for elsewhere, such as miscellaneous work in progress, and unusual or extraordinary expenses, not included in other accounts, that are in the process of amortization and items the proper final disposition of which is uncertain.

18 C.F.R. § 367.1280 (a) Account 128, Other special funds, states:

> (a) This account must include the amount of cash and book cost of investments that have been segregated in special funds for insurance, employee pensions, savings, relief, hospital, and other purposes not provided for elsewhere. This account must also include unrealized holding gains and losses on trading and available-for-sale types of security investments. A separate account with appropriate title, must be kept for each fund.

Docket No. AI07-1-000; To All Jurisdictional Public Utilities and Licensees, Natural Gas Companies, Oil Pipeline and Companies and Centralized Service Companies, states in No. 2:

> 2. Accounts for Recording the Overfunded or Underfunded Status of Postretirement Defined Benefits Plans states in part:
>
> **Question 2A:** What FERC accounts should jurisdictional entities use to record an asset for the overfunded status of one or more employee postretirement benefit plans?
>
> **Response:** Public utilities and licensees, natural gas companies, oil pipeline companies and centralized service companies should use the accounts shown below to record assets for the overfunded status of

their employees postretirement benefit plans. Separate subaccounts should be maintained for each postretirement benefit plan and overfunded plans should not be netted against underfunded plans, consistent with paragraph number 4 of SFAS No. 158.

Jurisdictional Entity	**FERC Accounts**
Public utilities and licensees (Major)	Account 129, Special funds
Public utilities and licensees (Nonmajor)	Account 128, Other special funds, or Account 129, Special funds
Natural gas companies	Account 128, Other special funds
Oil pipeline companies	Account 22, Sinking and other funds
Centralized service companies	
▪ Periods prior to January 1, 2008	Account 124, Other investments, or Account 128, Other special funds
▪ January 1, 2008 and subsequent periods	Account 128, Other special funds

Background

During the testing and verification of service company accounts, audit staff learned that NCSC provided a retiree life insurance benefit for its employees through Prudential Insurance Company (Prudential). An employee's premium is paid by NiSource to Prudential, which provides the benefit. This benefit is available to any active NiSource employee who is 55 years of age and has 10 years of service at retirement. The benefit amount is determined by employee classification (e.g., exempt, nonexempt, nonunion, and by each separate union). A retiree's beneficiary receives life insurance proceeds directly from Prudential.

Aon Hewitt, NiSource's actuary, provides actuarial services at least once annually for NiSource, as ASC 715 (formally SFAS 106) requires, to determine the funded status of NiSource's Postretirement Welfare Plans, for which health care and life insurance benefits are determined separately. Aon Hewitt receives from NiSource the fair value of trust assets on December 31 and determines the obligation associated with the retiree life insurance benefit. The net overfunded status is recorded as a net asset on a respective subsidiary's books, or conversely, the unfunded amount would be recorded as a net liability. NCSC accounted for this overfunding of contributions in Account 186.

Audit staff concluded that the overfunded status of retiree life insurance benefits should not be posted in Account 186. The Company should follow the instructions in Docket No. IA07-1-000 for the overfunded status of one or more employee postretirement benefit plans and use Account 128, Other Special Funds.

Recommendations

We recommend NiSource:

6. Reclassify the overfunded portion of its postretirement life insurance benefit from Account 186 to Account 128 for compliance with Docket No. IA07-1-000; and

7. Properly account for future over- and under-funding of its postretirement life insurance benefit under the requirements in Docket No. IA07-1-000.

4. Improperly Recorded Transferred Employee Benefits

NCSC improperly recorded transferred employee benefits in Account 186, Miscellaneous Deferred Debits, for employees who transferred from Columbia Energy Group (CEG) to NCSC in both 2009 and 2010. The Company should have recorded these benefits in Account 146, Accounts Receivable from Associated Companies, until they were paid.

Pertinent Guidance

18 C.F.R. § 367.1860 (a) Account 186, Miscellaneous deferred debits, states:

> (a) This account must include all debits not provided for elsewhere, such as miscellaneous work in progress, and unusual or extraordinary expenses, not included in other accounts, that are in the process of amortization and items the proper final disposition of which is uncertain.

18 C.F.R. § 367.1460 (a) Account 146, Accounts receivable from associate companies, state:

> (a) This account must include notes and drafts upon which associate companies are liable, and that mature and are expected to be paid in full not later than one year from the date of issue, together with any related interest thereon, and debit balances subject to current settlement in open accounts with associate companies. Items that do not bear a specified due date but that have been carried for more than twelve months and items that are not paid within twelve months from due date must be transferred to account 123, Investment in associate companies (§367.1230).

Background

During review and testing of several select service company accounts, audit staff learned that all NiSource employees are eligible on the date of hire to receive long-term disability (LTD) benefits. Each year, NiSource calculates the LTD estimate based on future medical, dental, and life insurance costs for the next 15 years. Each LTD employee's birthdate is used to determine how much money to accrue per LTD employee per company because employees are eligible to receive these benefits only until age 65. Aon Hewitt, NiSource's actuary, provides the actuarial services for this annual true-up calculation.

NiSource pays an employee's premium for LTD insurance to Prudential. If the employee becomes disabled, Prudential provides LTD coverage and pays benefits directly to the employee.

If an employee transfers to a different affiliate within the NiSource holding company system, the LTD liability balance associated with that employee is also transferred and accounted for in Account 186, Miscellaneous Deferred Debits. In this instance, employees transferred from CEG to NCSC.

Audit staff concluded that the Company's use of Account 186 as an associate company's accounts receivable account was inappropriate. The Company should use Account 146, Accounts Receivable from Associate Companies, for this type of transaction.

Recommendations

We recommend NiSource:

8. Develop policies and procedures to ensure that LTD insurance for transferred employees is properly accounted for in Account 146; and

9. Transfer any remaining LTD amounts for transferred employees to the appropriate account.

Corrective Action

During the audit, NCSC calculated the total deferred debit related to employee transfers and transferred these amounts to Account 146, Accounts Receivable from Associated Companies. NCSC also provided audit staff with journal entries and computer screen images of the completed transactions.

5. FERC-61 Reporting

NiSource did not submit FERC-61, Narrative Description of Service Company Functions, filings for three special-purpose companies between 2006 and 2010, as required under the Commission's regulations.

Pertinent Guidance

18 C.F.R. Part 366.23 (a)(2), FERC Form No. 60, Annual reports of centralized service companies, and FERC-61, Narrative description of service company functions, states:

> (a)(2) FERC–61. Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§366.3 and 366.4, every service company in a holding company system, including a special-purpose company (e.g., a fuel supply company or a construction company), that does not file a FERC Form No. 60 shall instead file with the Commission by May 1, 2007 and by May 1 each year thereafter, a narrative description, FERC–61, of the service company's functions during the prior calendar year. In complying with this section, a holding company may make a single filing on behalf of all such service company subsidiaries.

18 C.F.R. Part 366.1, Definitions, codifies the definitions of "goods" and "service" under PUHCA 2005:

> *Goods.* The term "goods" means any goods, equipment (including machinery), materials, supplies, appliances, or similar property (including coal, oil, or steam, but not including electric energy, natural or manufactured gas, or utility assets) which is sold, leased, or furnished, for a charge.
>
> *Service.* The term "service" means any managerial, financial, legal, engineering, purchasing, marketing, auditing, statistical, advertising, publicity, tax, research, or any other service (including supervision or negotiation of construction or of sales), information or data, which is sold or furnished for a charge.

18 C.F.R. Part 367.1, Definitions, codifies the definitions of "centralized service company" and "service company":

> (a)(7) *Centralized service company* means a service company that provides services such as administrative, managerial, financial, accounting, recordkeeping, legal or engineering services, which are sold, furnished, or otherwise provided (typically for a charge) to other companies in the same holding company system. Centralized service companies are different from other service companies that only provide a discrete good or service.
>
> (a)(45) *Service company* means any associate company within a holding company system organized specifically for the purpose of providing non-power goods or services or the sale of goods or construction work to any public utility or any natural gas company, or both, in the same holding company system.

In Order No. 667, the Commission further clarified the distinction between centralized service companies and special-purpose companies:

> "Our adoption of different policies for traditional, centralized service companies compared to special-purpose companies could make the distinction between the two more important than it has been previously. We view the former as performing generally corporate administration functions and the latter as providing generally a single input to utility operations, such as fuel supply, construction, or real estate."[4]

Background

Audit staff reviewed all the entities in NiSource's corporate structure to identify any special-purpose companies. Audit staff discovered that NiSource did not submit a FERC-61 describing non-power goods or services provided by CNS Microwave, Inc., NiSource Insurance Corporation, Inc. (insurance company), and NIPSCO Accounts Receivable Corporation (financing subsidiary) for 2009 or 2010.

CNS Microwave, Inc. leases space on communication towers for its customers, including two of NiSource's interstate pipelines, to install antennas. Also, the company leases ground space in the tower compound for customers to place shelters or cabinets with ground equipment. NiSource Insurance Corporation, Inc. (NICI) is a wholly owned insurance subsidiary of NiSource, Inc. NICI was set up for the purpose of decreasing the reliance on commercial insurance markets to reduce price and coverage volatility, provide stable insurance costs and programs, and reduce the long-term cost of risk for NiSource as a whole.

[4] Order No. 667 at n. 178.

NICI participates as a reinsurer within the NiSource insurance program for NiSource companies, including their interstate pipelines and jurisdictional electric company, on these lines of coverage: Property, Workers' Compensation, General Liability, Auto Liability, Long-Term Disability, and Group Life Insurance. NIPSCO Accounts Receivable Corporation is a wholly owned financing subsidiary that buys trade receivables from NIPSCO and sells them to the Royal Bank of Scotland PLC.

After discussions with NiSource's staff, audit staff concluded that these entities should have made FERC-61 filings to the Commission since they provided goods or services to its public utilities or natural gas companies, or both, within NiSource's corporate structure.

NiSource stated that it inadvertently failed to submit FERC-61 filings for their special-purpose companies due to a lack of formal processes and procedures for identifying them.

Recommendations

We recommend NiSource:

10. Submit FERC-61 filings to the Commission for these special-purpose companies in 2009 and 2010;

11. Develop and implement a process that periodically reviews all corporate entities that require a FERC-61 filing; and

12. Submit copies of any written policies and procedures developed in response to this recommendation to the Commission, within 30 days of the issuance of the final report in this docket.

Corrective Actions

On June 10, 2011, NiSource submitted FERC-61 filings to the Commission for its three special-purpose companies for the calendar years 2006 through 2010 under Docket Nos. HC07-7-000, HC08-7-000, HC09-7-000, HC10-7-000, and HC11-7-000.

6. Untimely Filing for Cash Management Agreement

NiSource did not file changes to its cash management agreement within 10 days of the change in one occurrence during the audit period, as Commission regulations required.

Pertinent Guidance

18 C.F.R. § 141.500 Cash management programs states:

> Public utilities and licensees subject to the provisions of the Commission's Uniform System of Accounts prescribed in part 101 and § 141.1 or § 141.2 of this title that participate in cash management programs must file these agreements with the Commission. The documentation establishing the cash management program and entry into the program must be filed within 10 days of the effective date of the rule or entry into the program. Subsequent changes to the cash management agreement must be filed with the Commission within 10 days of the change.

Background

NiSource operates a cash management program known as "the money pool" to facilitate short-term loans to its affiliates. NiSource's cash management agreement provides the terms and conditions that govern money pool contributions and loans. The cash management agreement contains borrowing and lending terms and conditions, and a listing of companies authorized to participate in the money pool, as well as the handling of excess money pool funds and deficiencies.

NiSource files its cash management agreements with the Commission under Docket No. RM02-14. During the audit, audit staff identified five cash management agreements that NiSource filed. However, when audit staff compared the effective dates of the agreements to the filing dates, it was determined that NiSource filed one cash management agreement 14 days after the effective date and not within the 10 days the Commission requires. NiSource stated that the reason for the late filing was due to an oversight on the part of the company.

Recommendation

13. We recommend NiSource develop and/or strengthen policies and procedures for submitting its cash management agreements and subsequent changes or modifications to ensure compliance with Commission filing requirements.

7. Reporting of Transactions with Associated (Affiliated) Companies

NiSource's electric affiliate, NIPSCO, did not report the required information on page 429, Transactions with Associated (Affiliated) Companies, in the FERC Form No. 1s filed in 2009 and 2010. Similarly, NiSource's gas affiliates, Columbia Gas Transmission Company (TCO) and Columbia Gulf Transmission Company (CGT), did not report the required information on page 358, Transactions with Associated (Affiliated) Companies, in the FERC Form No. 2s filed in 2009 and 2010. Specifically, they did not report the accounts charged or credited for certain non-power goods and services provided for or by affiliates.

Pertinent Guidance

In Order No. 715,[5] the Commission added a new schedule on page 429 of the 2008 FERC Form No. 1 to provide further transparency and improve the detection of cross-subsidization. The new schedule, "Transactions with Associated (Affiliated) Companies," provides information concerning affiliate transactions which includes:

> (1) a description of the good or service charged or credited; (2) the name of the associated (affiliated) company; (3) the USofA account charged or credited; and (4) the amount charged or credited.

In Order No. 710,[6] the Commission added a new schedule on page 358 of the 2008 FERC Form No. 2 to provide further transparency and improve the detection of cross subsidization. The new schedule, "Transactions with Associated (Affiliated) Companies," provides information concerning affiliate transactions which includes:

> (1) a description of the good or service transacted; (2) the name of the associated (affiliated) company; (3) the FERC account charged or credited; and (4) the amount charged or credited.

---

[5] Revisions to Forms, Statements and Reporting Requirements for Electric Utilities and Licensees, Order No. 715, FERC Stats. & Regs. ¶ 31,277 (2008).

[6] Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines, Order No. 710, FERC Stats. & Regs. ¶ 31,267 (2008).

Background

NiSource's holding company includes one regulated electric utility and two regulated gas pipelines. As part of the audit scope relating to affiliate transactions, audit staff reviewed page 429 of NIPSCO's FERC Form No. 1 and page 358 of TCO and CGT's FERC Form No. 2s.

FERC Form No. 1, page 429, requires electric utilities to disclose the non-power goods and services provided by or for affiliates during the calendar year, including a description of services, an affiliate's name, the accounts used to record the services, and the dollar amount of the services. Specifically, column C requires the company to list the accounts used to record services and prohibits it from using general terms such as "various." For 2009 and 2010, NIPSCO reported the accounts in column C as "various" for multiple charges for both non-power goods provided by and for affiliates. NIPSCO should have either listed the accounts used or footnoted them in the notes following page 429.

FERC Form No. 2, page 358, requires jurisdictional gas pipelines to disclose the non-power goods and services provided by or for affiliates during a calendar year, including a description of services, an affiliate's name, the accounts used to record the services, and the dollar amount of the services. As in the FERC Form No. 1, column C of FERC Form No. 2 requires gas pipelines to list the accounts used to record services and prohibits the company from using general terms such as "various." For both 2009 and 2010, TCO and CGT reported the accounts in column C as "various" for multiple charges for both non-power goods provided by and for affiliates. TCO and CGT should have either listed the accounts used or footnoted the accounts in the notes following page 358.

Recommendations

We recommend NiSource:

14. Strengthen its policies and procedures for submitting data on its FERC Form Nos. 1 and 2 to ensure accurate and complete reporting.

15. Resubmit its 2011 FERC Form Nos. 1 and 2 to correct pages 429 and 358, respectively.

8. Miscellaneous Accounting Classification Errors

NCSC improperly classified certain expenses in the wrong FERC accounts. NCSC should have classified these transactions in the proper accounts as the USofA for centralized service companies prescribed under 18 C.F.R. Part 367.

Pertinent Guidance

18 C.F.R. § 367.2 (a) Companies for which this system of accounts is prescribed, states in part:

(a) Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§366.3 and 366.4 of this chapter, this Uniform System of Accounts applies to any centralized service company operating, or organized specifically to operate, within a holding company system for the purpose of providing non-power services to any public utility or any natural gas company, or both, in the same holding company system.

Background

As part of the audit, audit staff tested a sample of transactions to determine if the service company's accounting system was accurately charging the proper amounts to the appropriate FERC accounts. Audit staff identified various income statement items in several accounts. In particular, the errors related to:

Description	Account Used	Proper Account
Charitable Contributions	807.2	426.1
	870	426.1
	921	426.1
	930.2	426.1
Lobbying	930.1, then reclassified to 930.2	426.4
Employee Dues and Memberships	408	921
	923	921
	930.2	921

Description	Account Used	Proper Account
Meals and Entertainment	923	921
	930.2	921
	932	921
Company Dues and Memberships	870	930.2
	885	930.2
	903	930.2
	921	930.2
	923	930.2
	932	930.2

NiSource should have classified these transactions mentioned above in the proper account as prescribed by the USofA for centralized service companies under 18 C.F.R. Part 367. Audit staff has determined that such misclassifications are immaterial and have no effect on transmission formula rate billings.

Recommendations

We recommend NiSource:

16. Implement accounting policies, processes, and procedures to ensure the types of transactions indentified above are recorded according to Commission regulations; and

17. Post correcting entries to NCSC's accounting records to properly classify all lobbying and political activity charges from the beginning of the audit period to present.

Appendix

200 Civic Center Drive
Columbus, OH 43215

August 21, 2012

Bryan K. Craig
Director and Chief Accountant
Division of Audits
Office of Enforcement
Federal Energy Regulatory Commission
888 First Street, NE, RM 5K-13
Washington, DC 20426

RE: Audit of NiSource Inc.
Docket No. FA11-5-000

Dear Mr. Craig:

Thank you for the opportunity to review and comment on the August 6, 2012 Draft Audit Report covering the period January 1, 2009 through December 31, 2010, issued to NiSource Inc. ("NiSource") in the above-referenced docket. NiSource has carefully reviewed audit staff's report addressing NiSource's compliance with the Commission's: 1) cross subsidization restrictions on affiliate transactions; (2) accounting, recordkeeping, and reporting requirements; (3) Uniform System of Accounts (USofA) for centralized service companies; (4) preservation of records requirements for holding companies and service companies; (5) FERC Form No. 60 Annual Report requirements, and the associated public utility and natural gas companies' compliance with the Commission's accounting requirements for transactions with associated companies and the applicable reporting requirements in the FERC Form Nos. 1 and 2. NiSource generally agrees with the findings and recommendations included in the Draft Report. As noted in the detail below, NiSource has already implemented many of the corrective actions recommended therein.

With respect to the specific findings and recommendations, NiSource offers the following response and comment, as requested.

1. **Electric Public Utility's Accounting for Billings from the Service Company:** NiSource agrees with this finding and recommendation. NiSource will develop and implement procedures to ensure that NiSource Corporate Services Company ("NCSC") and Northern Indiana Public Service Company ("NIPSCO") comply with the Commission's accounting regulations for billings from NCSC. NiSource will provide these procedures to the Division of Audits within 30 days of the issuance of the final audit report in this docket. NiSource has conducted a study from the beginning of the audit period to the present to determine the accuracy of the accounts that NIPSCO used to reallocate and record service company billings specifically for Accounts 163, 870, and 182.3 that NCSC accounted for in Account 923. Based on the study conducted by NiSource and per discussion with FERC audit staff, these items were all charged to the income statement and rolled to retained earnings in a prior calendar period. Thus, FERC correcting entries to NIPSCO's retained earnings for prior year amounts is not deemed necessary based on the materiality of the amounts charged to these accounts in 2009, 2010, and 2011. Going forward, NIPSCO will record the items previously recorded to Accounts 163, 870, and

182.3 to Account 923. NIPSCO calculated the amount that would be refunded under the MISO formula rate recovery mechanism for the billings of amounts for Account 426.1 which was included by NIPSCO above the line. The amount calculated is immaterial (less than $1800 for all three years 2009, 2010 and 2011) and would not materially impact rates. NiSource has provided copies of the refund calculation herein as "Finding 1_Att A_MISO calc 2009.pdf," "Finding 1_Att B_MISO calc 2010.pdf," and "Finding 1_Att C_MISO calc 2011.pdf." In subsequent reporting periods, NIPSCO will record the items previously recorded to Account 923 for donations to 426.1 as recorded by NCSC.

2. **Prepayment for the Use of Finance and Accounting Transformation Servers:** NiSource generally agrees with this finding and recommendation. NCSC recorded a long-term prepaid balance in Account 186, Miscellaneous Deferred Debits, as it interpreted the USofA Part 367, Subpart F-Balance Sheet Chart of Accounts, 18 C.F.R. § 367.1650, Account 165 Prepayments, to be designated only for "Current and Accrued Assets" as noted under Subpart F. For regulatory accounting, NCSC did reclassify the entire non-current prepayment balance for the use of Finance and Accounting transformation servers at 12/31/11 from Account 186 to Account 165 as noted in the 2011 FERC Form No. 60, page 110, Line No. 4 footnote. The reclassification entry completed at December 31, 2011 is provided herein as "Finding 2_Att. A_165 Transformation.pdf." The prepayment for the use of Finance and Accounting transformation servers will be fully amortized as of June 30, 2015.

3. **Accounting for Overfunding of a Single-Employer, Defined Postretirement Benefit Plan:** NiSource generally agrees with this finding and recommendation. NCSC had recorded its overfunding of its defined postretirement benefit in Account 186, Miscellaneous Deferred Debits, which is a noncurrent asset account in compliance with ASC 715-20, *Compensation-Retirement Benefits, Defined Benefit Plans*. Further, per 18 C.F.R. § 367.1280(b), "amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employee benefits must not be included in Account 128." Therefore, based on the Section 367.128(b), NCSC felt it was in compliance with Title 18 C.F.R. Part 367 – Uniform System of Accounts for Centralized Service Companies as NCSC funds its postretirement benefits through an irrevocable trust agreement. The Commission's Chief Accountant issued a guidance letter in Docket No. AI07-1-1000 in March 2007, which states that centralized service companies should use Account 128 to record assets for the overfunded status of their employee postretirement benefit plans. Based on audit staff's explanation that the guidance letter issued in Docket No. AI07-1-1000 supersedes 18 C.F.R. § 367.1280(b), NCSC made a regulatory accounting reclassification of the overfunding amount in Account 186 to Account 128 to be in full compliance with the guidance issued in Docket No. AI07-1-000. The reclassification entry completed at December 31, 2011 is provided herein as "Finding 3_Att. A_128 Overfunding.pdf." Further, NCSC's 2011 FERC Form No. 60, page 110, Line 5, shows the 186 balance to be $0 at December 31, 2011. At December 31, 2011, and thereafter, NCSC is properly accounting for future over- and underfunding of its postretirement life insurance benefit under the guidance issued in Docket No. AI07-1-000.

4. **Improperly Recorded Transferred Employee Benefits:** NiSource agrees with this finding and recommendation. As noted in the Corrective Actions listed on page 23 of the Audit Report, NiSource has provided audit staff with journal entries and screen images of the

completed transactions. In addition, NiSource's 2011 FERC Form No. 60, page 110, Line 5, shows the 186 balance to be $0 at December 31, 2011. NCSC did develop a new policy and procedure in December of 2011 to ensure that LTD insurance for transferred employees is properly accounted for in Account 146. A copy of the written policies and procedures developed in response to this recommendation is provided herein as "Finding 4_Att. A_LTD Benefits Policy.doc."

5. **FERC-61 Reporting for Special Purpose Companies:** NiSource agrees with this finding and recommendation. As noted in the Corrective Actions listed on page 26 of the Audit Report, NiSource has submitted the FERC-61 filings required for the years 2006 – 2009 for its special-purpose service companies. NiSource has updated its policies and procedures to now include the filing of FERC-61 reports in its regulatory compliance program so that these documents are filed in a timely manner. Copies of the written policies and procedures developed in response to this recommendation are included herein as "Finding 5_Att. A_FERC Holding Co. Policy.pdf" and "Finding 5_Att. B_FERC Service Co. Policy.pdf".

6. **Untimely Filing of Cash Management Programs:** NiSource agrees with this finding and recommendation. NiSource submitted one cash management agreement within 10 business days (14 calendar days), and not within the 10 calendar days as required by the Commission's regulations (18 C.F.R. § 141.500). NiSource has discussed its process internally and commits to strengthen its policies and procedures to ensure that all employees involved in the preparation and filing of cash management agreements are aware of the filing requirements. There have been no other instances of late filings.

7. **Reporting of Transactions with Affiliated Companies:** NiSource agrees with this finding and recommendation. NiSource will resubmit its 2011 FERC Form No. 2 for Columbia Gas Transmission, LLC, and Columbia Gulf Transmission Company to correct page 358 by replacing the term "various" with a listing of accounts used to record the services. Filings will be resubmitted by the end of the third quarter 2012. NIPSCO strengthened its procedures during 2011 and filed the 2011 FERC Form No. 1, page 429, properly by providing a listing of accounts used to record services rather than "various" as done in its 2009 and 2010 filings. Included herein is attachment "Finding 7_Att A_Form 1.pdf" which is a copy of NIPSCO's 2011, Form 1, page 429. NiSource's interstate pipelines have completed their documentation of compliance procedures for each of their Form No. 2 pages. Included herein is attachment "Finding 7_Att B_Form 2 p. 358 procedures.pdf" which is a copy of the NiSource's compliance procedures specifically for p. 358 of Form No. 2. Upon request, NiSource will make copies of all compliance procedures for all pages of its Form No. 2 available to FERC.

8. **Miscellaneous FERC Account Classification Errors:** NiSource agrees with this finding and recommendation. Starting in the third quarter of 2011, NCSC strengthened its policies and procedures for ensuring that expenses were in the proper FERC accounts. A copy of the policy implemented by NCSC is included herein as "Finding 8_Att. A_FERC Classification Policy.docx." In compliance with its policy, NCSC is performing an analysis and making reclassification entries on a quarterly basis to ensure proper recording to FERC accounts. The quarterly reclassification entries made to properly record to FERC accounts are included herein as "Finding 8_Att. B_Q3 2011 FERC Reclass.pdf," "Finding 8_Att. C_Q4 2011 FERC

Reclass.pdf," "Finding 8_Att. D_Q1 2012 FERC Reclass.pdf," and "Finding 8_Att. E_Q2 2012 FERC Reclass.pdf." Amounts recorded for lobbying and political activities for the audit period were immaterial in nature ($748 in 2009 and $10,436 in 2010), have rolled to retained earnings in a prior calendar period, and thus NiSource deems prior period entries unnecessary.

Until all corrective actions have been implemented, NiSource will make the recommended quarterly progress reports no later than 30 days after the end of each calendar quarter.

NiSource appreciates the professionalism and transparency of audit staff assigned to this audit. NiSource takes its compliance obligations very seriously, and we continually strive to improve and enhance our regulatory compliance efforts. Should you have any questions regarding this response, please do not hesitate to contact Susanne M. Taylor, Controller of NiSource Corporate Services Company, at 614-460-4686. Thank you for your time and attention in this matter.

Sincerely,

Stephen P. Smith
Executive Vice President and Chief Financial Officer

cc: Gerald Williams

Attachments Enclosed on CD:
Finding 1 _Att A_MISO calc 2009.pdf
Finding 1_Att B_MISO calc 2010.pdf
Finding 1_Att C_MISO calc 2011.pdf
Finding 2_Att. A_165 Transformation.pdf
Finding 3_Att. A_128 Overfunding.pdf
Finding 4_Att. A_LTD Benefits Policy.doc
Finding 5_Att. A_FERC Holding Co. Policy.pdf
Finding 5_Att. B_FERC Service Co. Policy.pdf
Finding 7_Att A_Form 1.pdf
Finding 7_Att B_Form 2 p. 358 procedures.pdf
Finding 8_Att. A_FERC Classification Policy.docx
Finding 8_Att. B_Q3 2011 FERC Reclass.pdf
Finding 8_Att. C_Q4 2011 FERC Reclass.pdf
Finding 8_Att. D_Q1 2012 FERC Reclass.pdf
Finding 8_Att. E_Q2 2012 FERC Reclass.pdf

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-035:

Please provide the annual level of forfeited discounts or late payment charges for the preceding three calendar years. Identify the level of sales revenue with which these are associated.

Response:

Year	Forfeited Discounts $	Revenue $
2019	1,075,649	601,395,211
2020	451,827	544,362,937
2021[1]	454,928	654,767,935

[1] Please see Company witness Siegler's testimony for additional information concerning the level of Forfeited Discounts for the HTY, the Twelve Months Ended November 30, 2021.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-036:

If not reflected in the lead-lag study, please provide a listing of the various types of employee withholdings, garnishments and other employee funds held by the Company for remittance at a later date.

Response:

As noted in response to GAS-RR-018, Columbia is not making a claim for cash working capital and no lead lag study is included in the filing. The following is a list of miscellaneous employee withholdings and the amount held by the company as of November 30, 2021.

	Balance as of 11/30/2021 **$**
Charitable Donations primarily United Way	23,365
Union dues	80
Garnishments	78
NiSource Inc. Political Action Contribution	2,580
Total	26,102

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-037:

Please provide all detailed work papers supporting the adjustments to rate base and operating income.

Response:

Supporting schedules to rate base have been provided in Exhibits No. 8 and No. 108 and supporting schedules to operating income have been provided in Exhibits No. 2 and No. 102. Work papers supporting these exhibits and schedules are detailed and voluminous. Therefore, the workpapers will be made available upon request.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-038:

Please provide a copy of the Company's most recent SFAS 106 plan actuarial study.

Response:

The confidential actuarial study has been designated as Exhibit No. 4, Schedule 7, and will be provided subject to an appropriate confidentiality agreement or protective order.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-039:

Please reconcile the historical and future test year SFAS No. 106 expense levels with the amount identified in the actuarial report.

Response:

A. HTY

There is a $13,053 difference between the gross test year expense recorded on the books and the test year expense identified on the actuarial report (please refer to Attachment A for details) as noted below.

FAS 106 Historical Test Year Expense

Per Books	$(1,117,362)	
Per Actuarial Report	$(1,111,455)	*Attachment A*
Difference	$ 5,907	

This difference is attributable to:

(1) Med D Subsidy for Settled Retirees	$ 5,907
Total difference from Actuarial Report	**$ 5,907**

(1) The Company receives funds in the form of a Med D Subsidy from the federal government for retirees whose postretirement benefit obligation was transferred to a third-party insurance provider in a prior period, also referred to as settled retirees. The amount received is contributed to the trust to pay for future medical benefits for those individuals not included in this group of settled retirees as the calculation of the Company's OPEB liability does not take settled retirees into consideration.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

B. FTY / FPFTY

Please refer to the table below for future test year and fully projected future test year SFAS 106 expense identified on the actuarial report within Attachment B, please note that all numbers are rounded to the thousands of dollars.

(000's)	Future Test Year	*Reference*	Fully Forecasted Rate Year	*Reference*
SFAS 106 Expense				
OPEB Medical Expense	(1,263)	*1 month of Col. A, Row 16 + 11 months of Col. B, Row 16*	(1,384)	*Column C, Row 16*
OPEB Life Expense	(171)	*1 month of Col. A, Row 20 + 11 months of Col. B, Row 20*	(195)	*Column C, Row 20*
Total Company OPEB Expense	**(1,435)**		**(1,579)**	

Per the settlement of the Company's rate case at Docket No. R-2012-2321748, there is no amortization of this non-cash negative expense for ratemaking purposes.

COLUMBIA GAS OF PENNSYLVANIA, INC.
Standard Data Request - Revenue Requirement
Gas SDR RR-39 Attachment A

Historic Test Year SFAS #106 Expenses

OPEB Medical Expense Accrual	$	(1,083,588)
OPEB Life Expense Accrual	$	(33,774)
Transitional Obligation Amortization	$	-
Total CPA Expense level	$	(1,117,362)

Historic Test Year Allocated Actuarial Expense

2020-2021 Actuarial report	Medical	Life	Total	
Service Cost	$ 520,506	$ 40,252	$ 560,758	∑A
Interest Cost on APBO	$ 464,748	$ 181,531	$ 646,279	∑B
Return on Assets	$ (2,151,776)	$ (423,203)	$ (2,574,978)	∑C
Transition Obligation	$ -	$ -	$ -	∑D
Prior Service Cost	$ 140,433	$ -	$ 140,433	∑E
Actuarial (Gain) Loss	$ (51,592)	$ 167,645	$ 116,053	∑F
Rounding	$ -	$ -	$ -	
Total Actuarial Expense allocation	$ (1,077,681)	$ (33,775)	$ (1,111,455)	∑G

Historic Test Year Allocation Detail

CPA's allocated portion of Retiree Medical plans (reference pg 2 of 5)

2020 Actuarial report (1 mo)	Total Company	Test Year	CPA's Allocation		
Service Cost	$ 6,141,105	$ 511,759	8.86%	$ 45,367	A
Interest Cost on APBO	$ 12,697,110	$ 1,058,093	5.75%	$ 60,809	B
Return on Assets	$ (11,954,208)	$ (996,184)	16.12%	$ (160,588)	C
Transition Obligation	$ -	$ -	0.00%	$ -	D
Prior Service Cost	$ (2,021,324)	$ (168,444)	-6.82%	$ 11,492	E
Actuarial (Gain) Loss	$ 3,866,297	$ 322,191	1.77%	$ 5,705	F
Total	$ 8,728,980	$ 727,415		$ (37,215)	G

CPA's allocated portion of Retiree Medical plans (reference pg 3 of 5)

2021 Actuarial report (11 mos)	Total Company	Test Year	CPA's Allocation		
Service Cost	$ 5,704,233	$ 5,228,880	9.09%	$ 475,140	A
Interest Cost on APBO	$ 7,828,048	$ 7,175,711	5.63%	$ 403,939	B
Return on Assets	$ (12,555,701)	$ (11,509,393)	17.30%	$ (1,991,188)	C
Transition Obligation	$ -	$ -	0.00%	$ -	D
Prior Service Cost	$ (2,374,264)	$ (2,176,409)	-5.92%	$ 128,941	E
Actuarial (Gain) Loss	$ 3,482,356	$ 3,192,160	-1.79%	$ (57,297)	F
Total	$ 2,084,672	$ 1,910,949		$ (1,040,465)	G

CPA's allocated portion of Retiree Life Insurance plans (reference pg 4 of 5)

2020 Actuarial report (1 mo)	Total Company	Test Year	CPA's Allocation		
Service Cost	$ 491,037	$ 40,920	7.99%	$ 3,269	A
Interest Cost on APBO	$ 2,698,728	$ 224,894	8.23%	$ 18,512	B
Return on Assets	$ (2,461,987)	$ (205,166)	15.36%	$ (31,514)	C
Transition Obligation	$ -	$ -	0.00%	$ -	D
Prior Service Cost	$ 185,723	$ 15,477	0.00%	$ -	E
Actuarial (Gain) Loss	$ 1,048,557	$ 87,380	15.04%	$ 13,144	F
Total	$ 1,962,058	$ 163,505		$ 3,411	G

CPA's allocated portion of Retiree Life Insurance plans (reference pg 5 of 5)

2021 Actuarial report (11 mos)	Total Company	Test Year	CPA's Allocation		
Service Cost	$ 488,307	$ 447,615	8.26%	$ 36,983	A
Interest Cost on APBO	$ 2,083,190	$ 1,909,591	8.54%	$ 163,019	B
Return on Assets	$ (2,762,343)	$ (2,532,148)	15.47%	$ (391,689)	C
Transition Obligation	$ -	$ -	0.00%	$ -	D
Prior Service Cost	$ 133,174	$ 122,076	0.00%	$ -	E
Actuarial (Gain) Loss	$ 1,158,645	$ 1,062,091	14.55%	$ 154,501	F
Total	$ 1,100,973	$ 1,009,225		$ (37,186)	G

NiSource, Inc.
2020 ASC 715-60 Expense by Company
Retiree Medical Plans

	Service Cost	Interest Cost	Expected Return on Plan Assets	Amort. Of Transitional Obligation	Amort. Of Prior Service Cost	Recognized Actuarial (gain) loss	Total
Columbia Gas of Pennsylvania	$ 544,400	$ 729,705	$ (1,927,051)	$ -	$ 137,902	$ 68,461	$ (446,583)
Grand Total	$ 6,141,105	$ 12,697,110	$ (11,954,208)	$ -	$ (2,021,324)	$ 3,866,297	$ 8,728,980

NiSource, Inc.
2021 ASC 715-60 Expense by Company
Retiree Medical Plans

	Service Cost	Interest Cost	Expected Return on Plan Assets	Amort. Of Transitional Obligation	Amort. Of Prior Service Cost	Recognized Actuarial (Gain) Loss	Total
Columbia Gas of Pennsylvania	$ 518,334	$ 440,661	$ (2,172,205)	$ -	$ 140,663	$ (62,506)	$ (1,135,053)
Grand Total	$ 5,704,233	$ 7,828,048	$ (12,555,701)	$ -	$ (2,374,264)	$ 3,482,356	$ 2,084,672

NiSource, Inc.
2020 ASC 715-60 Expense by Company
Retiree Life Plans

	Service Cost	Interest Cost	Expected Return on Plan Assets	Amort. Of Transitional Obligation	Amort. Of Prior Service Cost	Recognized Actuarial (gain) loss	Total
Columbia Gas of Pennsylvania	$ 39,226	$ 222,146	$ (378,166)	$ -	$ -	$ 157,722	$ 40,928
Grand Total	$ 491,037	$ 2,698,728	$ (2,461,987)	$ -	$ 185,723	$ 1,048,557	$ 1,962,058

NiSource, Inc.
2021 ASC 715-60 Expense by Company
Retiree Life Plans

	Service Cost	Interest Cost	Expected Return on Plan Assets	Amort. Of Transitional Obligation	Amort. Of Prior Service Cost	Recognized Actuarial (gain) loss	Total
Columbia Gas of Pennsylvania	$ 40,345	$ 177,839	$ (427,297)	$ -	$ -	$ 168,547	$ (40,566)
Grand Total	$ 488,307	$ 2,083,190	$ (2,762,343)	$ 0	$ 133,174	$ 1,158,645	$ 1,100,973

NiSource Inc. Benefit Plans for the Period 2019 through 2021 ($000)
Columbia Gas of Pennsylvania

		A	B	C
		2021	**2022**	**2023**
1	**Cash Estimates by Plan:**	Current	Current	Current
2	Medical Active*	7,518	7,928	8,688
3	Medical Retiree	26	25	24
4	Group Life Active	274	282	290
5	Group Life Retiree	-	-	-
6	**Total**	$ 7,818	$ 8,235	$ 9,002
7				
8				
9				
10				
11		**2021**	**2022**	**2023**
12				
13	**Expense Estimates by Plan:**	Current	Current	Current
14	Medical	6,383	6,653	7,304
15	Active*	7,518	7,928	8,688
16	Retiree	(1,135)	(1,275)	(1,384)
17	Dental	433	441	454
18	Group Life	233	99	95
19	Active	274	282	290
20	Retiree	(41)	(183)	(195)
21	**TOTAL**	$ 7,049	$ 7,193	$ 7,853
22				

* Includes medical, RX, HSA funding, administrative fees, and PCORI fees.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-040:

Please identify the actual or projected amounts contributed to SFAS No. 106 funds for the historic and future test years. Identify the actual or projected dates and amounts of the contributions.

Response:

Actual and projected SFAS No. 106 contributions to the VEBA trust fund are $0 for December 2020 – December 2022.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-041

Please explain the funding options or plans which are being used for SFAS No. 106 costs. Identify the portion of the costs which are eligible for tax preferred funding.

Response:

A §401(h) account and Union and Non-Union VEBAs were established in December 1992 for the express purpose of prefunding OPEB health benefits. The employment of these funding vehicles affords some of the most tax efficient means available for prefunding OPEB health benefits. The Company's retiree life insurance plan was funded through a Special Insurance Continuation Account beginning in 1974 and converted during 1992 to a VEBA, separate from the OPEB health VEBAs and §401(h) account.

In January 2014, the VEBAs were restructured to correspond to changes in the OPEB health plans. The pre-65 subaccounts from the medical VEBAs were added to the life insurance VEBAs, and the medical VEBAs became VEBAs only for post-65 assets. This resulted in four VEBAs: Union Life and Pre-65 Medical VEBA, Union Post-65 Medical VEBA, Nonunion Life and Pre-65 Medical VEBA, and Nonunion Post-65 Medical VEBA.

Like the NiSource Master Retirement Trust, the §401(h) account, the Union Life and Pre-65 Medical VEBA, and the Union Post-65 Medical VEBA are fully tax-advantaged funding vehicles. Tax advantages result from (1) expected future medical inflation or salary growth rates, as applicable, being permitted by the IRC in determining current contribution amounts, (2) employer contributions being tax deductible (subject to statutory limits), and (3) investment earnings permitted to grow tax-free. Contributions made to the §401(h) account are subordinate to those made to NiSource Master Retirement Trust and are generally limited to one-third of the annual contribution made to a master retirement trust. Thus, at times the §401(h) may not be able to accept contributions.

The Non-Union VEBAs are less tax efficient. Expected future medical inflation rates are not permitted in determining current contribution amounts and investment earnings are typically subject to tax. Still, it is one of the most tax

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

efficient funding vehicles available today after the §401(h) account and Union VEBA funding alternatives for OPEB health care benefits.

Columbia Gas of Pennsylvania made no deposits into its OPEB trusts for the 2021 tax year except for the redeposit of Part D reimbursements and key employee benefit payments.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-042:

Is the Company studying and/or anticipating any changes to its postretirement benefits offered to employees as a result of SFAS No. 106 or for other reasons? If yes, please provide such study and/or explain the anticipated change.

Response:

The Company is not anticipating any changes to postretirement benefits offered to employees at this time.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-043:

Please state whether the Company has included expenses related to SFAS No. 112 in its test year claim. If so, please provide complete details and include a copy of the actuarial study.

Response:

The company has not included any SFAS 112 expenses in its test year claim. (The following entry was included in Future Test Year due to being booked in December 2021):

SFAS 112 (Future)Test Year Claim

Accrual	$ (111,493)
Total Future Year Claim	$ (111,493)

Please see GAS RR-43 Attachment A for details (note that employee names have been redacted).

Number: **CL 2021-55**
Date: **12/31/2021**

ASC 712 (FAS-112) Post-Employment Benefits Accrual Adjustment

The accompanying Excel worksheet reflects the ASC 712 (FAS-112) estimated liability, by entity, to be accrued as of December 31, 2021. Please make the necessary adjustments to the accrual in November business. This accrual is adjusted annually and represents the estimated cost of providing medical, dental and life insurance to those individuals on disability up until they are age 65.

In total, the 2021 adjustment resulted in a *$0.1 million decrease* to the consolidated liability.

Please use the following accounts for the ASC 712 (FAS 112) liability, and record the offset to the FAS 112 expense account, unless you have specific regulatory treatment:

	PeopleSoft Account	Cost Element
Short-term FAS 112 Liability:	# 24211263	
Long-term FAS 112 Liability:	# 22833000	
SFAS112 Postemployment benefit expense:	# 92600000	9014

If you have any questions regarding the required entries, please contact

NISOURCE INC
December 31, 2021
ADJUSTMENT TO ASC 712 LIABILITIES

					From CL 2020-47			PS Acct #		
								24211263	22833000	92600000
									CE #	9014
	COMP	Balance as of December 31, 2021			Balance as of December 31, 2020			ADJUSTMENT		
CO #	NAME	Short-term	Long-Term	Total	Short-term	Long-Term	Total	Short-term	Long-Term	Total
37	CPA	125,408	332,996	458,404	144,975	424,922	569,897	(19,567)	(91,926)	(111,493)
Total NI		**1,205,684**	**4,544,252**	**5,749,936**	**1,216,252**	**4,656,019**	**5,872,271**	**(10,568)**	**(111,767)**	**(122,335)**

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-044:

Please provide all documentation supporting the uncollectible accrual rate reflected in the Company's filing.

Response:

Columbia did not use an uncollectible accrual rate in this filing but instead used an actual uncollectible experienced rate. Data and documentation supporting the development of this 1.254% rate is provided on Exhibit No. 4, Schedule No. 2, Page 26. This reference provides the following:

Total 3 Year Billed Revenue (line 4)	$1,480,012,754
Total 3 Year Net Write-offs (line 9)	$18,559,738
Uncollectible Rate (line 9 / line 4)	1.254%

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-045:

Please provide all work papers and documentation supporting the Company's claimed balance of gas stored underground - current. Include support for the monthly injections and withdrawals and the gas cost rate.

Response:

Please see Exhibit No. 108, Schedule No. 7, Page 1 for the monthly injections and withdrawals and the gas cost rate claimed by the Company.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-046:

Please provide a comparison between actual and budgeted O&M expenses by budget cost element for the historical test year and explain any budget variances of 10 percent or more.

Response:

See GAS-RR-046 Attachment A for budget variance analysis.

Columbia Gas of Pennsylvania Inc.
Operation and Maintenance Expenses
Actual v. Budget

GAS-RR-046
Attachment A
Page 1 of 1

		Twelve Months Ended November 30, 2021				
		Per Books Actual	Budget	Variance	Variance %	Explanations >=10%
1	Labor	36,081,489	38,841,000	(2,759,511)	-7.10%	
2	Incentive Compensation	3,636,110	2,363,000	1,273,110	**53.88%**	Budgeted Expense set at Target while Actual Expense higher due to higher than Target accruals for the 2021 Incentive program.
3	Pension	(12,903)	-	(12,903)	0.00%	
4	Pension Deferral Amortization	844,977	845,000	(23)	0.00%	
5	OPEB	(1,393,016)	(1,358,000)	(35,016)	2.58%	
6	Other Employee Benefits	6,974,756	8,081,000	(1,106,244)	**-13.69%**	Actual Expense lower than budget relates to participant behavior related to COVID, i.e. deferred medical treatment and lower activity from social distancing
7	Outside Services	25,277,021	27,674,000	(2,396,979)	-8.66%	
8	Leases	2,863,594	2,656,000	207,594	7.82%	
9	Corporate Insurance	6,505,612	7,709,000	(1,203,388)	**-15.61%**	Actual Expense lower than budget relates primarily to policies fully expensed in 2020, as opposed to recording as prepaid in 2020 and amortizing in 2021, therefore actuals were understated in 2021.
10	Injuries and Damages	307,629	308,000	(371)	-0.12%	
11	Employee Expenses	1,057,284	1,658,000	(600,716)	**-36.23%**	Actual expenses lower than budget due to lower travel expenses and employee activites
12	Company Memberships	720,490	570,000	150,490	**26.40%**	Actual Expense includes $175K expense paid to the NiSource Charitable Foundation to the Dollar Energy Fund, which was removed from the cost of service via a rate making adjustment.
13	Utilities and Fuel Used in Company Operations	2,754,696	2,453,000	301,696	**12.30%**	Actual Expense higher due to higher than budgeted for fuel costs that are included as Fuel Used in Company Operations, which are removed from the cost of service as a rate making adjustment.
14	Advertising	571,123	808,000	(236,877)	**-29.32%**	Actual Expense is lower than budget due to certain advertising campaigns getting a late start and associated costs not being included in the TME November 2021.
15	Fleet & Other Clearing	6,401,041	6,448,000	(46,959)	-0.73%	
16	Materials & Supplies	7,087,880	6,140,000	947,880	**15.44%**	Actual Expense exceeded budget due to Plant Gen Maintenance, tools, and equipment
17	Other O&M	1,182,677	1,718,000	(535,323)	**-31.16%**	Non reccuring expense related to budgeted NiNext Consulting Transformation Costs of ($0.8M), offset by Training Expense $0.2M
18	PUC, OCA, OSBA Fees	1,973,553	2,262,000	(288,447)	**-12.75%**	Per books Actual expense is lower due to the true-up adj for Sept's invoice, for the months of Jul, Aug, and Sept 2021 in the amount of $194K, was not booked until Dec 2021, which is beyond the HTY.
19	NCSC Expense	68,856,996	76,097,000	(7,240,004)	-9.51%	
20	NCSC OPEB costs Amortization	90,313	90,000	313	0.35%	
21	Charitable and Civic Contributions	93	-	93	0.00%	
22	Rate Case Expense	638,169	1,060,000	(421,831)	**-39.80%**	Budgeted amount is set to cover costs associated with a fully litigated case vs. actual expense relating to settled 2021 case plus costs associated with the 2020 case that occurred in the HTY.
23	Uncollectible Expense	7,086,268	7,358,483	(272,215)	-3.70%	
24	Total USP Rider	27,633,359	25,955,332	1,678,027	6.47%	
25	**Total Operation and Maintenance Expense**	207,139,211	219,736,815	(12,597,604)	-5.73%	

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-047:

Please provide the most recent actual number of eligible participants in each of the employee medical and dental plans reflected in the Company's filing.

Response:

All employees are eligible to participate in the employee medical and dental plans. There were 782 Columbia employees at the end of the historic test year.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-048:

Please provide workpapers showing the derivation of future test year Social Security and Medicare FICA taxes based on future test year labor expense. Identify both the total and O&M amounts.

Response:

The future test year and fully projected future test year Social Security and Medicare FICA taxes are derived using an experience factor of FICA Tax expense realized in the historic test year and applied to the labor annualized in the future periods. A work paper for the historic test year Social Security and Medicare FICA taxes is provided as Exhibit No. 6, Schedule No. 2, Page 3. A work paper for the future test year and fully projected future test year for Social Security and Medicare FICA taxes is provided as Exhibit No. 106, Schedule No. 2, Page 3.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-049:

Please provide work papers showing the derivation of future test year federal and state unemployment taxes. Show both the total and O&M amounts.

Response:

The future test year and fully projected future test year federal and state unemployment taxes represent the amount of federal and state unemployment taxes realized in the historic test year. For the historic test year federal and state unemployment taxes realized, see Exhibit No. 6, Schedule No. 2, Page 2, Line 2 and Exhibit No. 106, Schedule No. 2, Page 2, Lines 2 for the future test year and fully projected future test year, respectfully.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-050:

Please provide work papers showing the derivation of future test year capital stock taxes.

Response:

Pennsylvania has eliminated the Capital Stock Tax for all taxpayers effective for years beginning on or after January 1, 2016. Consequently, there were no amounts included in the future test year.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. GAS-RR-051:

If applicable, please provide a copy of the billing and payment terms for all contracts between the Company and its parent or an affiliated company for services. Further, to the extent that the parent or affiliated company provides service to non-affiliated companies, please provide the corresponding billing and payment terms.

Response:

GAS-RR-051 Attachment A is the Service Agreement between the Company and NiSource Corporate Services Company ("NCSC") dated January 1, 2015, which was approved in Docket No. G-2014-2458547. Per Article 2, Compensation, Section 2.3, NCSC shall make available monthly billing information to the Company that shall reflect all information necessary to identify the costs charged and the Services rendered for that month. The Company has the right to undertake a review of the charges and identify all questions or concerns regarding the charges reflected within a reasonable period of time. The Company shall remit to NCSC all charges billed to it within a period of time not exceeding 30 days of receipt of the monthly billing information. Please also see Exhibit 4, Schedule 11 for additional affiliate agreements.

Service Agreement

BETWEEN

NISOURCE CORPORATE SERVICES COMPANY

AND

COLUMBIA GAS OF PENNSYLVANIA, INC.

Dated January 1, 2015

(To Take Effect Pursuant to Article 3 Hereof)

SERVICE AGREEMENT

This SERVICE AGREEMENT (the "Service Agreement" or "Agreement") is made and entered into effective the 1st day of January, 2015 by and between Columbia Gas of Pennsylvania, Inc., its subsidiaries, affiliates and associates ("Client", and together with other associate companies that have or may in the future execute this form of Service Agreement, the "Clients") and NiSource Corporate Services Company ("Company").

WITNESSETH:

WHEREAS, each Company and Client is a direct or indirect wholly owned subsidiary of NiSource Inc., a Delaware corporation and a "holding company" as defined in the Public Utility Holding Company Act of 2005 ("Act") that is subject to regulations adopted by the Federal Energy Regulatory Commission ("FERC") pursuant to the Act;

WHEREAS, the Client is an affiliate of the Company; and

WHEREAS, the Company and Client agree to enter into this Service Agreement whereby the Client may seek certain services from the Company and the Company agrees to provide such services upon request and upon the Company's conclusion that it is able to perform such services. Further, the Client agrees to pay for the services as provided herein at the lower of cost or market; and

WHEREAS, the rendition of such services set forth in Article 2 of Appendix A on a centralized basis enables the Clients to realize economic and other benefits through (1) efficient use of personnel and equipment, (2) coordination of analysis and planning, and (3) availability of specialized personnel and equipment which the Clients cannot economically maintain on an individual basis.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties to this Service Agreement covenant and agree as follows:

ARTICLE 1

SERVICES

1.1 The Company shall furnish to Client, as requested by Client, upon the terms and conditions hereinafter set forth, such of the services described in Section 2 of Appendix A hereto (the "Services"), at such times, for such periods and in such manner as Client may from time to time request and that the Company concludes it is able to perform. The Company shall also provide Client with such services, in addition to those services described in Appendix A hereto, as may be requested by Client and that the Company concludes it is able to perform. In supplying such services, the Company may arrange, where it deems appropriate in consultation with Client, for the services of such experts, consultants, advisers, and other persons with necessary qualifications as are required for or pertinent to the provision of such services ("Additional Services").

1.2 Client shall take from the Company such of the Services, and such Additional Services, whether or not now contemplated, as are requested from time to time by Client and that the Company concludes it is able to perform.

1.3 The cost of the Services described herein or contemplated to be performed hereunder shall be allocated to Client in accordance with Exhibit A, which is filed annually with the FERC. Client shall have the right from time to time to amend or alter any activity, project, program or work order provided that (i) Client pays and remunerates the Company the full cost for the services covered by the activity, project, program or work order, including therein any expense incurred by the Company as a direct result of such amendment or alteration of the activity, project, program or work order, and (ii) Client accepts that no amendment or alteration of an activity, project, program or work order shall release Client from liability for all costs already incurred by or contracted for by the Company pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed.

1.4 The Company shall hire, train and maintain an experienced staff able to perform the Services, or shall obtain experience through third-party resources, as it shall determine in consultation with Client.

1.5 The Company routinely makes payments on behalf of affiliates on an ongoing basis, including payroll, employee benefits, corporate insurance, leasing, and external audit fees. Each affiliate receives on a monthly basis a Convenience Bill for its proportional share of the payments made in that respective month. As the name implies, convenience billing is intended as a convenience to vendors because it eliminates the need for a separate invoice to be generated for each affiliate entity receiving the same services. Therefore, the Company makes the payment to the vendor and the charges for the services are recorded directly on the books of the affiliate and not by the Company.

ARTICLE 2

COMPENSATION

2.1 As compensation for the Services to be rendered hereunder, Client shall compensate and pay to the Company all costs, reasonably identifiable and related to particular Services performed by the Company for or on Client's behalf. The methods for allocating the Company costs to Client, as well as to other associate companies, are set forth in Appendix A.

2.2 It is the intent of this Service Agreement that charges for Services shall be billed, to the extent reasonably possible, directly to the Client or Clients benefiting from such Service. Any amounts remaining after such direct billing shall be allocated using the methods identified in Appendix A. The methods of allocation of cost shall be subject to review annually, or more frequently if appropriate. Such methods of allocation of costs may be modified or changed by the Company without the necessity of an amendment to this Service Agreement; provided that, in each instance, all services rendered hereunder shall be at actual cost and include compensation for use of capital thereof, fairly and equitably allocated. The Company shall review with the

Client any proposed change in the methods of allocation of costs hereunder and the parties must agree to any such changes before they are implemented.

2.3 The Company shall make available monthly billing information to the Client that shall reflect all information necessary to identify the costs charged and Services rendered for that month. Client shall undertake a review of the charges and identify all questions or concerns regarding the charges reflected within a reasonable period of time. Client shall remit to the Company all charges billed to it within a period of time not exceeding 30 days of receipt of the monthly billing information.

2.4 Client agrees to provide the Company, from time to time, as requested such financial and statistical information as the Company may need to compute the charges payable by Client consistent with the method of allocation set forth on Appendix A.

2.5 It is the intent of this Service Agreement that the payment for services rendered by the Company to Client under this Service Agreement shall cover all the costs of its doing business including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, insurance, injuries and damages, employee and retiree pensions and benefits, taxes, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, and reasonable compensation for use of capital.

ARTICLE 3

TERM

3.1 This Service Agreement shall become effective as of the date first written above, subject only to the receipt of any required regulatory approvals from the State Commissions and federal agencies as needed, and shall continue in force until terminated by the Company or Client, upon not less than one year's prior written notice to the other party. This Service Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Service Agreement may conflict with (1) the Act or with any rule, regulation or order of the FERC adopted before or after the date of this Service Agreement, or (2) any state or federal statute, or any rule, decision, or order of any state or federal regulatory agency having jurisdiction over one or more Clients. Further, this Service Agreement shall be terminated with respect to the Client immediately upon the Client ceasing to be an associate company of the Company. The parties' obligations under this Service Agreement which by their nature are intended to continue beyond the termination or expiration of this Service Agreement shall survive such termination or expiration.

ARTICLE 4

SERVICE REVIEW

4.1 Upon request of the Client, the Company shall meet with the Client to review and assess the quality, costs, and/or allocations of the services being provided pursuant to this

Service Agreement. The Client shall also have the right to amend the scope of services as it determines to be necessary or desirable.

4.2 NiSource maintains an Internal Audit Department that will conduct periodic audits of the Company administration and accounting processes ("Audits"). The Audits will include examinations of Service Agreements, accounting systems, source documents, methods of allocation of costs and billings to ensure all Services are properly accounted for and billed to the appropriate Client. In addition, the Company's policies, operating procedures and controls will be evaluated annually. Copies of the reports generated by the Company as part of the Audits will be provided to Client upon request.

ARTICLE 5

MISCELLANEOUS

5.1 All accounts and records of the Company shall be kept in accordance with the FERC's Uniform System of Accounts ("USofA") for centralized service companies .

5.2 New direct or indirect subsidiaries of NiSource Inc., which may come into existence after the effective date of this Service Agreement, may become additional Clients of the Company and subject to a service agreement with the Company. The parties hereto shall make such changes in the scope and character of the services to be rendered and the method of allocating costs of such services as specified in Appendix A, subject to the requirements of Section 2.2, as may become necessary to achieve a fair and equitable allocation of the Company's costs among all Clients including any new subsidiaries. The parties shall make similar changes if any Client ceases to be associated with the Company.

5.3 The Company shall permit Client reasonable access to its accounts and records including the basis and computation of allocations.

5.4 The Company and Client shall comply with the terms and conditions of all applicable contracts managed by the Company for the Client, individually, or for one or more Clients, collectively, including without limitation terms and conditions preserving the confidentiality and security of proprietary information of vendors.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

NISOURCE CORPORATE SERVICES COMPANY

By: _____
Name: Joseph W. Mulpas
Its: Vice President & Chief Accounting Officer

COLUMBIA GAS OF PENNSYLVANIA, INC.

By: _____
Name: Michael A. Huwar
Its: President

APPENDIX A

NISOURCE CORPORATE SERVICES COMPANY

Services Available to Clients
Methods of Charging Therefor and
Miscellaneous Terms and Conditions of Service Agreement

ARTICLE 1

DEFINITIONS

1 The term "Company" shall mean NiSource Corporate Services Company and its successors.

2 The term "Service Agreement" shall mean an agreement, of which this Appendix A constitutes a part, for the rendition of services by the Company.

3 The term "Client" shall mean any corporation to which services may be rendered by the Company under a Service Agreement.

ARTICLE 2

DESCRIPTION OF SERVICES

Descriptions of the expected services to be provided by the Company are detailed below. The descriptions are deemed to include services associated with, or related or similar to, the services contained in such descriptions. The details listed under each heading are intended to be illustrative rather than inclusive and are subject to modification from time to time in accordance with the state of the art and the needs of the Clients.

1 *Accounting and Statistical Services.* The Company will advise and assist the Clients in all aspects of accounting, including financial accounting, asset accounting, regulatory accounting, tax accounting, maintenance of books and records, safeguarding of assets, accounts payable, accounts receivable, reconciliations, accounting research, reporting, operations and maintenance analysis, payroll services, business applications support, and other related accounting functions. The Company will also provide services related to developing, analyzing and interpreting financial statements, directors' reports, regulatory reports, operating statistics and other financial reports. The Company will ensure compliance with generally accepted accounting principles and provide guidance on exposure drafts, financial accounting standards, and interpretations issued by the Financial Accounting Standards Board. The Company will advise and assist the Clients in the formulation of accounting practices and policies and will conduct special studies as may be requested by the Clients.

2 *Auditing Services.* The Company will conduct periodic audits of the general records of the Clients, will supervise the auditing of local and field office records of the Client, and will coordinate the audit programs of the Clients with those of the independent accountants

in the annual examination of their accounts. The Company will ensure compliance, monitor business risk, and coordinate internal control structure.

3 *Budget Services.* The Company will advise and assist the Clients in matters involving the preparation and development of forecasts, budgets and budgetary controls, and other financial planning activities.

4 *Business Services.* The Company will advise and assist the Clients in the preparation and use of educational and advertising materials; in the development of processes to increase residential, commercial and industrial customers, as well as maintenance of business in those areas; and providing information to customers regarding Clients' products and services.

5 *Corporate Services.* The Company will advise and assist the Clients in connection with corporate matters including corporate secretary services, business continuity planning, shareholder services, corporate records management, proceedings involving regulatory bodies, and other corporate matters.

6 *Customer Billing, Collection, and Contact Services.* The Company will render calculating, bill exception processing, back office processing, posting, printing, inserting, mailing and related services to Client associated with the preparation and issuance of customer bills, notices, inserts and similar mailings. The Company will provide cash processing, revenue recovery, account reconciliations and adjustments, and related services to Client associated with the collection of revenue and management of accounts receivable. The Company will provide customer contact and related services to Client, including alternative pricing services, customer contact center management, operation and administration; management of key customer relationships; communications associated with the commencement, transfer, maintenance and disconnection of service; sales of optional products and services; the receipt and processing of emergency calls; the handling of customer complaints; and responses to customer billing, credit, collection, order take and inquiry, outage, meter reading, retail choice and other inquiries.

7 *Depreciation Services.* The Company will advise and assist the Clients in matters pertaining to depreciation practices, including (1) the making of studies to determine the estimated service life of various types of plant, annual depreciation accrual rates, salvage experience, and trends in depreciation reserves indicated by such studies; (2) assistance in the organization and training of the depreciation departments of the Clients; and (3) dissemination to the Clients of information concerning current developments in depreciation practices.

8 *Economic Services.* The Company will advise and assist the Clients in matters involving economic research and planning and in the development of specific economic studies.

9 *Electronic Communications Services.* The Company will advise and assist the Clients in connection with the planning, installation and operation of radio networks, remote control and telemetering devices, microwave relay systems and all other applications of electronics to the fields of communication and control.

10 *Employee Services.* The Company will advise and assist the Clients in connection with organizational, leadership, and strategic development, employee relations matters, including recruitment, employee placement and retention, training, compensation, safety, labor relations

and health, welfare and employee benefits. The Company will also advise and assist the Clients in connection with temporary labor matters, including assessment, selection, contract negotiation, administration, service provider relationships, compliance, review and reporting.

11 *Engineering and Research Services.* The Company will advise and assist the Clients in connection with the engineering phases of all construction and operating matters, including estimates of costs of construction, preparation of plans and designs, engineering and supervision of the fabrication of natural gas facilities, standardization of engineering procedures, and supervision and inspection of construction. The Company will also conduct both basic and specific research in fields related to the operations of the Clients.

12 *Facility Services.* The Company will manage and effectively execute facility operations, facility maintenance, provide suitable space in its offices for the use of the Clients and their officers and employees, provide delivery services, security services, print services, and other facility services.

13 *Gas Dispatching Services.* The Company will advise and assist the Clients in the dispatching of the gas supplies available to the Clients, and in determining and effecting the most efficient routing and distribution of such supplies in the light of the respective needs therefor and the applicable laws and regulations of governmental bodies. If requested by the Clients, the Company will provide a central dispatcher or dispatchers to handle the routing and dispatching of gas.

14 *Information Services.* The Company will advise and assist the Clients in matters involving the furnishing of information to customers, employees, investors and other interested groups, and to the public generally, including the preparation of booklets, photographs, motion pictures and other means of presentation, and assistance to Clients in their advertising programs.

15 *Information Technology Services.* The Company will advise and assist Clients in matters involving information technology, including management, operations, control, monitoring, testing, evaluation, data access security, disaster recovery planning, technical research, and support services. The Company will also provide and assist the Client with application development, maintenance, modifications, upgrades and ongoing production support for a portfolio of systems and software that are used by the Clients. In addition, the Company will identify and resolve problems, ensure efficient use of software and hardware, and ensure that timely upgrades are made to meet the demands of the Clients. The Company will also maintain information concerning the disposition and location of Information Technology assets.

16 *Insurance Services.* The Company will advise and assist the Clients in general insurance matters, in obtaining policies, making inspections and settling claims.

17 *Land/Surveying Services.* The Company will provide land asset management, land contract management, and surveying services in connection with Clients' acquisition, leasing, maintenance, and disposal of interests in real property, including the maintenance of land records and the recording of instruments relating to such interests in real property, where necessary.

18 *Legal Services.* The Company will provide Clients with legal services (including legal services, as necessary or advisable, in connection with or in support of any of the other services provided hereunder), including, but not limited to, general corporate matters and internal corporate maintenance, contract drafting and negotiation, litigation, liability and risk assessment, financing, securities offerings, state and federal regulatory compliance, state and federal regulatory support and rule interpretation and advice, including, without limitation, interpretation and advice concerning the regulations or orders of the Securities and Exchange Commission, the Federal Energy Regulatory Commission, the Environmental Protection Agency, and the Pipeline and Hazardous Materials Safety Administration, bankruptcy and collection matters, employment and labor relations investigations, union contracting, Equal Employment Opportunity Commission issues, compliance with state and federal legislative requirements, and all other matters for which Clients require legal services.

19 *Officers.* Any Client may, with the consent of the Company, elect to any office of the Client any officer or employee of the Company whose compensation is paid, in whole or in part, by the Company. Services rendered to the Client by such person as an officer shall be billed by the Company to the Client and paid for as provided in Articles 3 and 4, and the Client shall not be required to pay any compensation directly to any such person.

20 *Operations Support and Planning Services.* The Company will advise and assist the Clients in connection with operations support and planning, including logistics, scheduling & dispatching; workforce planning; corrosion and leakage programs; estimates of gas requirements and gas availability; gas transmission, measurement, storage and distribution; construction requirements; construction management; operating standards and practices; regulatory and environmental compliance; pipeline safety and compliance; employee and system safety programs; sustainability; training; management of transportation and sales programs; negotiation of gas purchase and sale contracts; energy marketing and trading, including off-system sales and capacity release activities contemplated in a Client's revenue sharing mechanism; security services; measurement, regulation and conditioning equipment; meter testing, calibration and repair; hydraulic gas network modeling, facility mapping and GIS technologies; and other operating matters.

21 *Purchasing, Storage and Disposition Services.* The Company will render advice and assistance to the Clients in connection with supply chain activities, including the standardization, purchase, lease, license and acquisition of equipment, materials, supplies, services, software, intellectual property and other assets, as well as shipping, storage and disposition of same. The Company will also render advice and assistance to the Client in connection with the negotiation of the purchase, sale, acquisition or disposition of assets and services and the placing of purchase orders for the account of the Client.

22 *Regulatory Services.* The Company will advise and assist the Clients in all regulatory and rate matters, including the design and preparation of schedules and tariffs, the analysis of rate filings, the preparation and presentation of testimony and exhibits to regulatory authorities, and other regulatory activities.

23 *Tax Services.* The Company will advise and assist the Clients in tax matters, in the preparation of tax returns and in connection with proceedings relating to taxes.

24 *Transportation Services.* The Company will advise and assist the Clients in connection with the purchase, lease, operation and maintenance of motor vehicles and the operation of aircraft owned or leased by the Company or the Clients.

25 *Treasury Services.* The Company provides services such as risk management, cash management, long and short term financing for all Clients, investment of temporarily available cash, retirement of long term debt, investment management oversight of all benefits plans, and special economic studies as requested.

26 *Miscellaneous Services.* The Company will render to any Client such other services, not hereinabove described, , as from time to time the Company may be equipped to render and such Client may desire to have performed.

ARTICLE 3

ALLOCATION METHODS

1 *Specific Direct Salary Charges to Clients.* To the extent that time spent by the officers and employees of the Company rendering services hereunder is related to services rendered to a specific Client, a direct salary charge, computed as provided in Article 4, shall be made to such Client.

2 *Apportioned Direct Salary Charges to Clients.* To the extent that the time spent by such officers and employees is related to services rendered to the Clients generally, or to any specified group of the Clients, a direct salary charge, computed as provided in Article 4, shall be made to the Clients generally, or to such specified group of the Clients, and allocated to each such Client using an allocation method as set forth on Exhibit A hereto.

3 *Direct Salary Charges for Services to the Company.* To the extent that time spent by any officer or employee of the Company is related to services rendered to the Company, a direct salary charge computed as provided in Article 4 shall be allocated among the Clients in the same proportions which the direct salary charges to such Clients made pursuant to Sections 1 and 2 of this Article III, for services of officers and employees, bear to the aggregate of such direct salary charges.

4 *Apportionment of Employee Benefits.* The employee benefit expenses that are related to direct salary charges made pursuant to sub-paragraphs (1), (2) and (3) of Article 3 shall be apportioned among the Clients, as applicable, in the proportions that the respective direct salary charges made pursuant to the rendering of such services to each such Client bear to the aggregate of such direct salary charges.

5 *Other Expenses.* All expenses, other than salaries and employee benefit expenses incurred by the Company in connection with services rendered to a specific Client shall be charged directly to such Client. All such expenses incurred by the Company in connection with services rendered to the Clients generally or to any specified group of Clients shall be apportioned in the manner set forth in Section 2 of this Article 3 for the apportionment of salary charges. All such expenses incurred by the Company in connection with services rendered to the

Company shall be apportioned in the manner set forth in Section 3 of this Article 3 for the apportionment of salary charges.

ARTICLE 4

COMPUTATION OF SALARY CHARGES

Direct Salary Charges The direct salary charge per hour which shall be made for the time of any officer or employee for services rendered in any calendar month shall be computed by dividing his total compensation for such month by the aggregate of (1) the number of scheduled working hours for which he was compensated, including hours paid for but not worked, and (2) hours worked in excess of his regular work schedule, whether or not compensated for.

Exhibit A

DIRECT BILLING AND BASES OF ALLOCATION

The Company will bill charges directly to a Client to the extent possible while any remaining costs are then allocated. When it is impractical or inappropriate to charge a Client directly, the Company allocates costs in accordance with the following Bases of Allocation which are filed annually with the FERC. The Company works cooperatively with department sponsors or project leaders through meetings and discussions to ensure costs are properly allocated to the Clients that will benefit from the service provided. Provided below are the Bases of Allocation for the Company, including a description of each basis and its numerator and denominator.

BASIS 1

GROSS FIXED ASSETS AND TOTAL OPERATING EXPENSES

- Fifty percent of the total charges will be allocated on the basis of the relation of the affiliate's gross fixed assets to the total gross fixed assets of all benefited affiliates; the remaining 50% will be allocated on the basis of the relation of the affiliate's total operating expenses to the total operating expenses of all benefited affiliates. All companies may be included in this allocation.

BASIS 2

GROSS FIXED ASSETS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its total gross fixed assets to the sum of the total gross fixed assets of all benefited affiliates. All companies may be included in this allocation.

BASIS 3

NUMBER OF METERS SERVICED

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of meters serviced to the total number of all meters serviced of the benefited affiliates. This allocation may only be used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 4

NUMBER OF ACCOUNTS PAYABLE INVOICES PROCESSED

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of accounts payable invoices processed (interface invoices excluded) to the total number of all accounts payable invoices processed of the benefited affiliates. All companies may be included in this allocation.

BASIS 7

GROSS DEPRECIABLE PROPERTY AND TOTAL OPERATING EXPENSE

- Fifty percent of the total charges will be allocated on the basis of the relation of the affiliate's total operating expenses to the total of all the benefited affiliates' total operating expense; the remaining 50% will be allocated on the basis of the relation of the affiliate's gross depreciable property to the gross depreciable property of all benefited affiliates. All companies may be included in this allocation.

BASIS 8

GROSS DEPRECIABLE PROPERTY

- Charges will be allocated to each benefited affiliate on the basis of the relation of its total depreciable property to the sum of the total depreciable property of all benefited affiliates. All companies may be included in this allocation.

BASIS 9

AUTOMOBILE UNITS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of automobile units to the total number of all automobile units of the benefited affiliates. All companies may be included in this allocation.

BASIS 10

NUMBER OF RETAIL CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of retail customers to the total number of all retail customers of the benefited affiliates. All companies may be included in this allocation.

BASIS 11

NUMBER OF REGULAR EMPLOYEES

- Charges will be allocated to each benefited affiliate on the basis of the relation of its number of regular employees to the total number of all regular employees of the benefited affiliates. All companies may be included in this allocation.

BASIS 13

FIXED ALLOCATION

- Charges will be allocated to each benefited affiliate on the basis of fixed percentages on an individual project basis. All companies may be included in this allocation.

BASIS 14

NUMBER OF TRANSPORTATION CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Transportation Customers to the total of all Transportation Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 15

NUMBER OF COMMERCIAL CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Commercial Customers to the total of all Commercial Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 16

NUMBER OF RESIDENTIAL CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Residential Customers to the total of all Residential Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 17

NUMBER OF HIGH PRESSURE CUSTOMERS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its High Pressure Customers to the total of all High Pressure Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Maryland, and Bay State Gas Company.

BASIS 20

SERVICE COMPANY BILLING (DIRECT AND ALLOCATED) COSTS

- Charges will be allocated to each benefited affiliate on the basis of the relation of its Service Corporation billing costs, in total or by functional group (e.g. IT, Legal, HR, Finance, Audit), to the corresponding total of all Service Company billing costs, (i.e. in total or by functional group). The calculation of Basis 20 will include only those billings for services provided to all NiSource affiliates, excluding Business Unit specific shared service functions (i.e. functions that serve only one particular Business Unit). All companies may be included in this allocation.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-052:

Please provide the annual level of outside services employed for the preceding three calendar years. Include in your response a breakdown of the test year amount indicating the service provider and the type of service performed.

Response:

Attachments A and B to this response provide details regarding outside service costs incurred for calendar years 2018, 2019 and 2020, as well as the historic test year ended November 2021. Attachment A provides the information of costs charged to Operation and Maintenance expense and Attachment B provides information on costs charged to capital and other accounts.

Line No.	Cost Activity Description	Twelve Months Ended December 2018	Twelve Months Ended December 2019	Twelve Months Ended December 2020	Twelve Months Ended November 2021
1	AUDITING SERVICES	538,482.25	554,796.86	584,483.23	770,291.04
2	BENEFITS ADMINISTRATION	508,055.00	375,284.24	489,218.42	541,691.00
3	BUILDING MAINTENANCE	512,369.32	455,749.91	701,551.08	460,172.46
4	CAP EDUCATION	19,885.06	52,828.00	30,543.00	29,167.51
5	CAPITAL PROJ NOT OTHERWISE IDENTIFD	177,139.77	86,986.23	276,326.84	305,622.86
6	COMPRESSOR & OTHER EQUIPMENT REPAIRS	155,524.05	195,647.88	0.00	0.00
7	CONSTRUCTION SERVICES	105,129.23	(17,923.54)	461,708.66	(25,688.02)
8	CONSULTANT SERVICES	922,183.53	819,570.13	552,096.09	1,386,405.30
9	CONTRACT MAINTENANCE	15,397.49	11,274.16	0.00	0.00
10	CONTRACT METER READING	390,929.48	370,374.00	0.00	29,403.00
11	CORROSION - CAPITAL	5,068.10	0.00	0.00	0.00
12	CORROSION - MAINTENANCE	614,471.34	644,313.60	1,067,764.57	318,315.20
13	CREDIT COLLECTIONS	187,065.96	176,801.88	0.00	266,273.45
14	DELINQUENT COLLECTION FEES	0.00	0.00	0.00	(2,371.33)
15	ELECTRIC GENERATION SERVICES	1,233.94	1,781.15	124,246.48	6,322.44
16	ENGINEERING SERVICES	533,731.14	83,197.44	15,592.25	(101,713.44)
17	ENVIRONMENTL HAZ/SPE WASTE DISPOSAL	10,591.71	10,758.77	16,623.50	12,036.24
18	ENVIRONMENTL HEALTH & SAFETY SERVICES	286,815.30	207,871.05	491,401.94	766,014.48
19	EXPERT WITNESS FEES	221.15	0.00	0.00	0.00
20	FURNITURE & EQUIPMENT MAINTENANCE	5,340.92	6,783.76	0.00	0.00
21	HARDWARE MAINTENANCE	38,003.74	879.34	52.76	0.00
22	HR SERVICES	0.00	1,861.53	7,960.99	39,781.92
23	INSPECTION SERVICES	1,482,230.46	1,512,204.31	1,257,901.15	1,106,194.53
24	IT SERVICES	0.00	0.00	2,670.26	1,604.12
25	LABORATORY SERVICES	34,405.75	16,760.58	0.00	0.00
26	LEAK REPAIR	702,156.97	781,429.22	718,867.11	821,657.83
27	LEGAL SERVICES	455,725.67	28,777.75	603,431.44	508,358.40
28	LINE LOCATING	4,700,100.86	4,730,407.59	3,340,072.13	3,959,118.23
29	LIQUIDS & FILTER DOSPOSAL	3,357.33	14,324.11	80,068.53	84,538.49
30	LOT MAINTENANCE	46,953.43	31,181.20	4,078.00	0.00
31	MAIN LINE INSTALLATION	6,874.77	4,776.21	128,715.92	2,990.43
32	METERS AND REGULATORS	0.00	0.00	0.00	11,046.61
33	MISCELLANEOUS REIMBURSEMENTS	69,203.69	13,879.90	13,377.25	3,867.45
34	ONE - CALL SYSTEM FEES	128,245.76	112,494.50	500.63	2,818.51
35	OPERATIONS MAPPING	0.00	191,711.76	0.00	0.00
36	OPERATIONS SERVICES	64,222.14	102,172.99	1,233,926.72	431,038.51
37	OTHER MAINTENANCE	0.00	(209.30)	(355.03)	(355.03)
38	OTHER MAINTENANCE SERVICES	742,844.82	1,453,202.03	2,017,027.41	3,056,673.62
39	OTHER OUTSIDESERVICES	2,191,983.21	2,780,681.26	803,717.67	829,229.50
40	OUTSOURCING - VARIABLE	6,469.83	0.00	0.00	0.00
41	PAC/LOBBYING	113,325.98	119,068.57	578,066.72	397,852.94
42	PAVING RESTORATION	2,410,245.66	2,714,596.13	3,701,872.00	5,169,930.39
43	PERSONNEL & CARGO TRANSPORTATION	0.00	119.15	0.00	0.00
44	POLICE	140.00	0.00	0.00	0.00
45	PRINTING/REPRODUCTION SERVICES	27,575.95	58,167.24	38,992.63	67,177.18
46	RECONNECT SERVICE LINES	1,634,298.16	2,099,809.64	766,479.08	2,608,382.41
47	RIGHT-OF-WAY CLEAR/MAINTENANCE	1,268,327.48	1,522,750.82	975,208.90	1,799,026.22
48	SECURITY SERVICES	41,668.01	35,181.06	26,906.84	12,911.75
49	SEED AND SOD	256.80	0.00	0.00	0.00
50	SERVICE LINE INSTALLATIONS	22,811.34	152,494.11	23,759.44	55,291.08
51	SOFTWARE MAINTENANCE	26,382.86	146,639.55	0.00	0.00
52	TELECOMMUNICATION CAPITAL INSTALLATIONS	0.00	2,440.00	0.00	0.00
53	TEMPORARY PERSONNEL SERVICES	232,303.34	216,783.31	548,116.75	208,463.76
54	TOWER MAINTENANCE	371.00	0.00	0.00	0.00
55	WMS ACCRUALS	367,507.48	2,245.95	(230,588.71)	(37,073.33)
56	WMS PULL BACK CAMERA SERVICES	4,107.22	0.00	0.00	0.00
57	Total	21,811,734.45	22,882,926.03	21,452,382.65	25,902,467.71

Line No.	Cost Activity Description	Twelve Months Ended December 2018	Twelve Months Ended December 2019	Twelve Months Ended December 2020	Twelve Months Ended November 2021
1	AUDITING SERVICES	(535,407.25)	(554,796.86)	(584,483.23)	(768,131.04)
2	BENEFITS ADMINISTRATION	(508,055.00)	(375,284.24)	(489,218.42)	(541,691.00)
3	BUILDING MAINTENANCE	32,853.32	(107,501.89)	479,117.21	828,394.04
4	CAP ADMINISTRATION COSTS	591,576.74	523,159.89	536,147.65	676,362.69
5	CAP INITIAL APPLICATION	70,360.00	163,908.00	179,322.00	31,365.00
6	CAPITAL PROJ NOT OTHERWISE IDENTIFD	3,447,626.48	5,903,088.94	5,912,176.19	8,417,975.77
7	COMPRESSOR & OTHER EQUIPMENT REPAIRS	531,837.96	385,126.29	(0.00)	0.00
8	CONSTRUCTION SERVICES	5,022,785.61	3,745,697.23	6,310,747.65	7,655,679.94
9	CONSULTANT SERVICES	2,597,143.81	2,537,380.46	3,196,633.04	473,957.95
10	CONTRACT MAINTENANCE	3,986.14	0.00	0.00	0.00
11	CONTRACT METER READING	(6,923.00)	0.00	0.00	0.00
12	CORROSION - CAPITAL	575.30	126,893.13	59,081.55	104,441.70
13	ELECTRIC GENERATION SERVICES	0.00	0.00	290,831.21	172,121.11
14	ENGINEERING SERVICES	361,980.69	1,076,310.77	805,799.42	1,538,609.63
15	ENVIRONMENTL HAZ/SPE WASTE DISPOSAL	14,784.50	0.00	(1,532.60)	15,765.29
16	ENVIRONMENTL HEALTH & SAFETY SERVICES	1,454,159.19	1,431,704.98	3,089,534.72	1,514,175.17
17	EXPERT WITNESS FEES	(221.15)	0.00	0.00	0.00
18	FURNITURE & EQUIPMENT MAINTENANCE	0.00	29,893.86	0.00	0.00
19	HARDWARE MAINTENANCE	(37,853.22)	0.00	0.00	0.00
20	HR SERVCES	0.00	(1,861.53)	(7,332.79)	(28,746.52)
21	INSPECTION SERVICES	745.76	2,375.75	875.09	64,470.52
22	IT SERVICES	0.00	0.00	(2,670.26)	(1,604.12)
23	LABORATORY SERVICES	(33,093.11)	(15,588.11)	0.00	0.00
24	LEAK REPAIR	40,896.78	27,308.35	54,788.46	59,656.83
25	LEGAL SERVICES	(448,525.67)	(28,959.50)	(574,018.44)	(508,358.40)
26	LINE LOCATING	26,149.57	32,812.03	149,298.07	90,664.65
27	LIQUIDS & FILTER DOSPOSAL	0.00	807.23	691.74	3,146.97
28	LOT MAINTENANCE	604.00	0.00	0.00	0.00
29	MAIN LINE INSTALLATION	78,292,054.25	109,897,171.90	95,661,076.33	97,623,867.76
30	METERS AND REGULATORS	8,783,512.38	4,227,690.50	6,387,832.57	5,806,362.35
31	MISCELLANEOUS REIMBURSEMENTS	478,664.44	514,860.02	620,455.80	728,018.74
32	ONE - CALL SYSTEM FEES	11,653.35	(2,227.40)	0.00	0.00
33	OPERATIONS MAPPING	141,861.12	459,579.39	1,324,552.70	1,526,035.58
34	OPERATIONS SERVICES	84,744.36	115,169.92	527,883.10	797,834.93
35	OTHER MAINTENANCE	0.00	209.30	355.03	355.03
36	OTHER MAINTENANCE SERVICES	269,929.25	16,363.25	8,106.75	7,958.49
37	OTHER OUTSIDESERVICES	472,983.72	(6,693,025.38)	(2,080,910.83)	(2,165,479.13)
38	OUTSOURCING - VARIABLE	(6,469.83)	0.00	0.00	0.00
39	PAC/LOBBYING	3,057.18	36,716.53	37,623.28	24,070.59
40	PAVING RESTORATION	38,859,157.53	50,466,247.20	53,717,487.76	65,212,908.23
41	PERSONNEL & CARGO TRANSPORTATION	10,144.50	2,518.50	0.00	0.00
42	PLANT MAINTENANCE	0.00	1,112.27	0.00	0.00
43	POLICE	(140.00)	2,917.63	0.00	0.00
44	PRINTING/REPRODUCTION SERVICES	(7,349.23)	(9,309.36)	105.62	19,190.90
45	REAL ESTATE MANAGEMENT	0.00	0.00	150,400.00	60,000.00
46	RECONNECT SERVICE LINES	2,118,792.69	2,378,078.70	2,272,010.04	1,474,140.37
47	RIGHT-OF-WAY CLEAR/MAINTENANCE	0.00	31,291.50	0.00	0.00
48	SALES TAX	0.00	564.24	0.00	0.00
49	SECURITY SERVICES	321,982.35	1,697,180.32	1,186,018.88	1,049,415.20
50	SEED AND SOD	15,975.00	0.00	0.00	0.00
51	SERVICE LINE INSTALLATIONS	34,977,036.69	44,466,799.42	44,810,270.37	43,957,655.85
52	SERVICES TRANSFERRED	0.00	0.00	0.00	0.00
53	SOFTWARE MAINTENANCE	(12,940.85)	(128,444.69)	116,753.50	0.00
54	TELECOMMUNICATION CAPITAL INSTALLATIONS	1,851.00	111,350.67	197,336.89	23,381.31

Line No.	Cost Activity Description	Twelve Months Ended December 2018	Twelve Months Ended December 2019	Twelve Months Ended December 2020	Twelve Months Ended November 2021
55	TEMPORARY PERSONNEL SERVICES	261,040.37	147,265.08	(353,562.19)	(121,786.91)
56	WEATHERIZATION/RCS EXPENSES	4,797,822.53	5,580,209.91	3,008,098.01	3,793,966.64
57	WMS ACCRUALS	1,821,866.35	(1,734,027.59)	95,356.96	14,294.99
58	WMS PULL BACK CAMERA SERVICES	8,057.42	0.00	0.00	0.00
59	Total	184,333,274.02	226,488,736.61	227,093,038.83	239,630,447.10

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-053:

Please describe each budgeted or planned cost savings program to be implemented during the historic or future year. Please identify the cost of implementing the program and the anticipated annual savings.

Response:

As introduced in Columbia's last base rate case, in 2020, NiSource launched an initiative called NiSource Next, a multi-year enterprise-wide program designed to deliver long-term, sustainable capability enhancements and cost efficiency improvements. The program is structured to leverage our current scale, utilize technology, define clear accountability with our leaders and employees, and standardize processes to create an organization focused on operational rigor and continuous improvement. The overarching objectives of this program include an unwavering commitment to safety leadership, identifying savings opportunities, efficient and empowered leadership structure, enhanced digital customer service capabilities, and standardizing operations management supported by technology enhancements. Cost efficiencies are reflected in the FPFTY budget.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-054:

Please explain how the Company has treated reserve accruals and balances for ratemaking purposes and provide the requested level of any self-funded reserve accruals by type of item.

Response:

The Company has not made any rate making adjustments based on self-funded reserve accruals.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Revenue Requirements

Question No. RR-055:

Please provide a copy of the corporate federal tax returns and supporting schedules for the preceding three years and, if applicable, a copy of the calculation work papers for the Company's consolidated tax savings adjustment.

Response:

Attached are copies of the corporate federal tax returns for 2018 (GAS-RR-055 Attachment A), 2019 (GAS-RR-055 Attachment B) and 2020 (GAS-RR-055 Attachment C). In 2016, Act 40 was passed which eliminated the consolidated tax savings adjustment. Act 40 was codified as Section 1301.1 of the Public Utility Code requiring that a utility's tax expense for regulatory purposes is calculated on a stand-alone basis and is not subsidized by its affiliates. Accordingly, the Company computes tax expense on a stand-alone basis. Workpapers relating to the requirements under Section 1301.1 are included in the Standard Filing Requirements as Exhibit No. 7, Pages 2 – 4.

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 2018 or tax year beginning _____, _____, ending _____, 20____
▶Go to www.irs.gov/Form1120 for instructions and the latest information.

OMB No. 1545-0123

2018

A Check if:
1a Consolidated return (attach Form 851) ☐
b Life/nonlife consolidated return ☐
2 Personal holding co. (attach Sch. PH) ☐
3 Personal service corp. (see instructions) ☐
4 Schedule M-3 attached ☒

TYPE OR PRINT

Name, Number, street, and room or suite no. If a P.O. box, see instructions.
City or town, state, or province, country and ZIP or foreign postal code

Columbia Gas of Pennsylvania, Inc.
290 W. Nationwide Blvd.
Columbus OH 43215 Franklin

B Employer identification number
25-1100252

C Date incorporated
06 23 1960

D Total assets (see instructions)
$ 2,625,760,070

E Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

Income	1a	Gross receipts or sales	1a	590,239,832	
	b	Returns and allowances	1b	0	
	c	Balance. Subtract line 1b from line 1a			1c 590,239,832
	2	Cost of goods sold (attach Form 1125-A)			2 194,720,266
	3	Gross profit. Subtract line 2 from line 1c			3 395,519,566
	4	Dividends and inclusions (Schedule C, line 23, column (a))			4 0
	5	Interest			5 10,061
	6	Gross rents			6 1,338
	7	Gross royalties			7 0
	8	Capital gain net income (attach Schedule D (Form 1120))			8 0
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)			9 -7,410,018
	10	Other income (see instructions--attach statement) STATEMENT 1			10 3,120,566
	11	**Total income.** Add lines 3 through 10 ▶			11 391,241,513
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (see instructions--attach Form 1125-E) ▶			12 0
	13	Salaries and wages (less employment credits)			13 65,517,571
	14	Repairs and maintenance			14 93,119,989
	15	Bad debts			15 29,890,240
	16	Rents			16 4,081,202
	17	Taxes and licenses STATEMENT 2			17 6,777,520
	18	Interest (see instructions)			18 37,834,533
	19	Charitable contributions			19 403,842
	20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			20 39,828,965
	21	Depletion			21 0
	22	Advertising			22 532,893
	23	Pension, profit-sharing, etc., plans			23 11,873,208
	24	Employee benefit programs			24 -705,432
	25	Reserved for future use			25
	26	Other deductions (attach statement) STATEMENT 3			26 9,803,310
	27	**Total deductions.** Add lines 12 through 26 ▶			27 298,957,841
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.			28 92,283,672
	29a	Net operating loss deduction (see instructions)	29a	0	
	b	Special deductions (Schedule C, line 24, column (c))	29b	0	
	c	Add lines 29a and 29b			29c 0
Tax, Refundable Credits, and Payments	30	**Taxable income.** Subtract line 29c from line 28. See instructions			30 92,283,672
	31	Total tax (Schedule J, Part I, line 11)			31 0
	32	2018 net 965 tax liability paid (Schedule J, Part II, line 12)			32 0
	33	Total payments, credits, and section 965 net tax liability (Schedule J, Part III, line 23)			33 10,230
	34	Estimated tax penalty. See instructions. Check if Form 2220 is attached ▶ ☐			34 0
	35	**Amount owed.** If line 33 is smaller than the total of lines 31, 32, and 34, enter amount owed			35 0
	36	**Overpayment.** If line 33 is larger than the total of lines 31, 32, and 34, enter amount overpaid			36 0
	37	Enter amount from line 36 you want: **Credited to 2019 estimated tax** ▶ 0 **Refunded** ▶			37 0

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer Sandra Brummitt Date ▶ VP, Tax Services Title

May the IRS discuss this return with the preparer shown below See instructions. ☐ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN

Firm's name ▶ | Firm's EIN ▶
Firm's address ▶ | Phone no.

Schedule C Dividends, Inclusions, and Special Deductions (see instructions)

		(a) Dividends and inclusions	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	0	50	0
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	0	65	0
3	Dividends on certain debt-financed stock of domestic and foreign corporations	0	see instructions	0
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	0	23.3	0
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	0	26.7	0
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs	0	50	0
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs	0	65	0
8	Dividends from wholly owned foreign subsidiaries	0	100	0
9	**Subtotal.** Add lines 1 through 8. See instructions for limitations	0	see instructions	0
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	0	100	0
11	Dividends from affiliated group members	0	100	0
12	Dividends from certain FSCs	0	100	0
13	Foreign-source portion of dividends received from a specified 10%-owned foreign corporation (excluding hybrid dividends) (see instructions)	0	100	0
14	Dividends from foreign corporations not included on line 3, 6, 7, 8, 11, 12, or 13 (including any hybrid dividends)	0		
15	Section 965(a) inclusion	0	see instructions	0
16a	Subpart F inclusions derived from the sale by a controlled foreign corporation (CFC) of the stock of a lower-tier foreign corporation treated as a dividend (attach Form(s) 5471) (see instructions)	0	100	0
b	Subpart F inclusions derived from hybrid dividends of tiered corporations (attach Form(s) 5471) (see instructions)	0		
c	Other inclusions from CFCs under subpart F not included on line 15, 16a, 16b, or 17 (attach Form(s) 5471) (see instructions)	0		
17	Global Intangible Low-Taxed Income (GILTI) (attach Form(s) 5471 and Form 8992)	0		
18	Gross-up for foreign taxes deemed paid	0		
19	IC-DISC and former DISC dividends not included on lines 1, 2, or 3	0		
20	Other dividends	0		
21	Deduction for dividends paid on certain preferred stock of public utilities			0
22	Section 250 deduction (attach Form 8993)			0
23	**Total dividends and inclusions.** Add lines 9 through 20. Enter here and on page 1, line 4	0		
24	**Total special deductions.** Add lines 9 through 22, column (c). Enter here and on page 1, line 29b			0

Schedule J Tax Computation and Payment (see instructions)

Part I - Tax Computation

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120)). See inst. ▶ [X]				
2	Income tax. See instructions			2	0
3	Base erosion minimum tax (attach Form 8991)			3	0
4	Add lines 2 and 3			4	0
5a	Foreign tax credit (attach Form 1118)	5a	0		
b	Credit from Form 8834 (see instructions)	5b	0		
c	General business credit (attach Form 3800)	5c	4,800		
d	Credit for prior year minimum tax (attach Form 8827)	5d	0		
e	Bond credits from Form 8912	5e	0		
6	**Total credits.** Add lines 5a through 5e			6	4,800
7	Subtract line 6 from line 4			7	0
8	Personal holding company tax (attach Schedule PH (Form 1120))			8	0
9a	Recapture of investment credit (attach Form 4255)	9a	0		
b	Recapture of low-income housing credit (attach Form 8611)	9b	0		
c	Interest due under the look-back method--completed long-term contracts (attach Form 8697)	9c	0		
d	Interest due under the look-back method--income forecast method (attach Form 8866)	9d	0		
e	Alternative tax on qualifying shipping activities (attach Form 8902)	9e	0		
f	Other (see instructions--attach statement)	9f	0		
10	**Total.** Add lines 9a through 9f			10	0
11	**Total tax.** Add lines 7, 8, and 10. Enter here and on page 1, line 31			11	0

Part II - Section 965 Payments (see instructions)

12	2018 net 965 tax liability paid from Form 965-B, Part II, column (k), line 2. Enter here and on page 1, line 32			12	0

Part III - Payments, Refundable Credits, and Section 965 Net Tax Liability

13	2017 overpayment credited to 2018			13	0
14	2018 estimated tax payments			14	0
15	2018 refund applied for on Form 4466			15	(0)
16	Combine lines 13, 14, and 15			16	0
17	Tax deposited with Form 7004			17	0
18	Withholding (see instructions)			18	0
19	**Total payments.** Add lines 16, 17, and 18			19	0
20	Refundable credits from:				
a	Form 2439	20a	0		
b	Form 4136	20b	10,230		
c	Form 8827, line 8c	20c	0		
d	Other (attach statement--see instructions)	20d	0		
21	**Total credits.** Add lines 20a through 20d			21	10,230
22	2018 net 965 tax liability from Form 965-B, Part I, column (d), line 2. See instructions			22	0
23	**Total payments, credits, and section 965 net tax liability.** Add lines 19, 21, and 22. Enter here and on page 1, line 33			23	10,230

Schedule K Other Information (see instructions)

		Yes	No
1	Check accounting method: a ☐ Cash b ☒ Accrual c ☐ Other (specify) ▶		
2	See the instructions and enter the:		
a	Business activity code no. ▶ 221210		
b	Business activity ▶ NATURAL GAS DISTRIBTUION		
c	Product or service ▶ NATURAL GAS DISTRIBUTION		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?	X	
	If "Yes," enter name and EIN of the parent corporation ▶ 35-2108946 NiSource Inc		
4	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G)	X	
b	Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G)		X
5	At the end of the tax year, did the corporation:		
a	Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on **Form 851,** Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		X

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock
			0.000
			0.000
			0.000

b	Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		X

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital
			0.000
			0.000
			0.000

6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? See sections 301 and 316		X
	If "Yes," file **Form 5452,** Corporate Report of Nondividend Distributions. See the instructions for Form 5452. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.		
7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of the total voting power of all classes of the corporation's stock entitled to vote or at least 25% of the total value of all classes of the corporation's stock?		X
	For rules of attribution, see section 318. If "Yes," enter: **(a)** Percentage owned ▶ .000 and **(b)** Owner's country ▶		
	(c) The corporation may have to file **Form 5472,** Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ▶		
8	Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ ☐ If checked, the corporation may have to file **Form 8281,** Information Return for Publicly Offered Original Issue Discount Instruments.		
9	Enter the amount of tax-exempt interest received or accrued during the tax year ▶$ 0		
10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ 1		
11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here (see instructions) ▶ ☐ If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.		
12	Enter the available NOL carryover from prior tax years (do not reduce it by any deduction reported on page 1, line 29a.) ▶$ 172,580,447		

Columbia Gas of Pennsylvania, Inc. 25-1100252

Schedule K Other Information (continued from page 4)

		Yes	No
13	Are the corporation's total receipts (page 1, line 1a, plus lines 4 through 10) for the tax year **and** its total assets at the end of the tax year less than $250,000?		X
	If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶$ 0		
14	Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement? See instructions		X
	If "Yes," complete and attach Schedule UTP.		
15a	Did the corporation make any payments in 2018 that would require it to file Form(s) 1099?	X	
b	If "Yes," did or will the corporation file all required Forms 1099?	X	
16	During this tax year, did the corporation have an 80% or more change in ownership, including a change due to redemption of its own stock?		X
17	During or subsequent to this tax year, but before the filing of this return, did the corporation dispose of more than 65% (by value) of its assets in a taxable, non-taxable, or tax deferred transaction?		X
18	Did the corporation receive assets in a section 351 transfer in which any of the transferred assets had a fair market basis or fair market value of more than $1 million?		X
19	During the corporation's tax year, did the corporation make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474) of the Code?		X
20	Is the corporation operating on a cooperative basis?		X
21	During the tax year, did the corporation pay or accrue any interest or royalty for which the deduction is not allowed under section 267A? See instructions		X
	If "Yes," enter the total amount of the disallowed deductions ▶$ 0		
22	Does the corporation have gross receipts of at least $500 million in any of the 3 preceding tax years? (See sections 59A(e)(2) and (3))	X	
	If "Yes," complete and attach Form 8991.		
23	Did the corporation have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions		X
24	Does the corporation satisfy **one** of the following conditions and the corporation does not own a pass-through entity with current year, or prior year carryover, excess business interest expense? See instructions	X	
a	The corporation's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year do not exceed $25 million, and the corporation is not a tax shelter, or		
b	The corporation only has business interest expense from (1) an electing real property trade or business, (2) an electing farming business, or (3) certain utility businesses under section 163(j)(7).		
	If "No," complete and attach Form 8990.		
25	Is the corporation attaching Form 8996 to certify as a Qualified Opportunity Fund?		X
	If "Yes," enter amount from Form 8996, line 13 ▶$ 0		

Schedule L Balance Sheets per Books

Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash		3,237,144		3,930,617
2a Trade notes and accounts receivable	52,210,956		44,704,560	
b Less allowance for bad debts	(2,131,901)	50,079,055	(2,296,248)	42,408,312
3 Inventories		63,939,217		61,361,862
4 U.S. government obligations		0		0
5 Tax-exempt securities (see instructions)		0		0
6 Other current assets (attach statement)	STATEMENT 4	9,547,622	STATEMENT 9	17,838,852
7 Loans to shareholders		0		0
8 Mortgage and real estate loans		0		0
9 Other investments (attach statement)	STATEMENT 5	21,018,069	STATEMENT 10	19,968,120
10a Buildings and other depreciable assets	2,230,241,601		2,437,946,511	
b Less accumulated depreciation	(420,463,644)	1,809,777,957	(451,486,808)	1,986,459,703
11a Depletable assets	0		0	
b Less accumulated depletion	(0)	0	(0)	0
12 Land (net of any amortization)		3,231,036		3,480,092
13a Intangible assets (amortizable only)	30,578,749		32,743,726	
b Less accumulated amortization	(11,850,093)	18,728,656	(13,763,755)	18,979,971
14 Other assets (attach statement)	STATEMENT 6	383,795,155	STATEMENT 11	471,332,541
15 Total assets		2,363,353,911		2,625,760,070
Liabilities and Shareholders' Equity				
16 Accounts payable		37,788,418		51,512,267
17 Mortgages, notes, bonds payable in less than 1 year		0		0
18 Other current liabilities (attach statement)	STATEMENT 7	232,601,075	STATEMENT 12	185,699,012
19 Loans from shareholders		0		0
20 Mortgages, notes, bonds payable in 1 year or more		625,515,000		705,515,000
21 Other liabilities (attach statement)	STATEMENT 8	731,848,597	STATEMENT 13	803,040,872
22 Capital stock: a Preferred stock	0		0	
b Common stock	45,127,800	45,127,800	45,127,800	45,127,800
23 Additional paid-in capital		7,889,827		52,889,827
24 Retained earnings - Appropriated (attach statement)		0		0
25 Retained earnings - Unappropriated		682,583,194		781,975,292
26 Adjustments to shareholders' equity (attach statement)		0		0
27 Less cost of treasury stock		(0)		(0)
28 Total liabilities and shareholders' equity		2,363,353,911		2,625,760,070

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: The corporation may be required to file Schedule M-3. See instructions.

1 Net income (loss) per books	0	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books	0	Tax-exempt interest $ 0	
3 Excess of capital losses over capital gains	0		
4 Income subject to tax not recorded on books this year (itemize):		0	0
	0	8 Deductions on this return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted on this return (itemize):		a Depreciation $ 0	
a Depreciation $ 0		b Charitable contributions $ 0	
b Charitable contributions $ 0			
c Travel & entertainment $ 0		0	0
0	0	9 Add lines 7 and 8	0
6 Add lines 1 through 5	0	10 Income (page 1, line 28) - line 6 less line 9	0

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	682,583,194	5 Distributions: a Cash	0
2 Net income (loss) per books	99,392,098	b Stock	0
3 Other increases (itemize):		c Property	0
		6 Other decreases (itemize):	0
	0	7 Add lines 5 and 6	0
4 Add lines 1, 2, and 3	781,975,292	8 Balance at end of year (line 4 less line 7)	781,975,292

Form **1125-A**
(Rev. November 2018)
Department of the Treasury
Internal Revenue Service

Cost of Goods Sold

▶ **Attach to Form 1120, 1120-C, 1120-F, 1120S, or 1065.**
▶ **Go to www.irs.gov/Form1125A for the latest information.**

OMB No. 1545-0123

Name	Employer identification number
Columbia Gas of Pennsylvania, Inc.	25-1100252

1	Inventory at beginning of year		1	63,939,217
2	Purchases		2	184,738,308
3	Cost of labor		3	0
4	Additional section 263A costs (attach schedule)	STATEMENT 14	4	995,370
5	Other costs (attach schedule)	STATEMENT 15	5	6,409,233
6	**Total.** Add lines 1 through 5		6	256,082,128
7	Inventory at end of year		7	61,361,862
8	**Cost of goods sold.** Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return. See instructions		8	194,720,266

9a Check all methods used for valuing closing inventory:
- (i) [X] Cost
- (ii) [ ] Lower of cost or market
- (iii) [ ] Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods ▶ [ ]

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ [ ]

d If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO — **9d**

e If property is produced or acquired for resale, do the rules of section 263A apply to the entity? See instructions [ ] Yes [ ] No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation [ ] Yes [X] No

Form **4136**

Department of the Treasury
Internal Revenue Service (99)

Credit for Federal Tax Paid on Fuels

▶ **Go to www.irs.gov/Form4136 for instructions and the latest information.**

OMB No. 1545-0162

2018

Attachment Sequence No. **23**

Name (as shown on your income tax return)	**Taxpayer identification number**
Columbia Gas of Pennsylvania, Inc.	25-1100252

Caution: Claimant has the name and address of the person who sold the fuel to the claimant and the dates of purchase. For claims on lines 1c and 2b (type of use 13 or 14), 3d, 4c, and 5, claimant has not waived the right to make the claim. For claims on lines 1c and 2b (type of use 13 or 14), claimant certifies that a certificate has not been provided to the credit card issuer.

1 Nontaxable Use of Gasoline

Note: CRN is credit reference number.

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Off-highway business use		$ .183	0		
b	Use on a farm for farming purposes		.183	0		362
c	Other nontaxable use (see **Caution** above line 1)		.183	0	$ 0	
d	Exported		.184	0	0	411

2 Nontaxable Use of Aviation Gasoline

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Use in commercial aviation (other than foreign trade)		$ .15	0	$ 0	354
b	Other nontaxable use (see **Caution** above line 1)		.193	0	0	324
c	Exported		.194	0	0	412
d	LUST tax on aviation fuels used in foreign trade		.001	0	0	433

3 Nontaxable Use of Undyed Diesel Fuel

Claimant certifies that the diesel fuel did not contain visible evidence of dye.

Exception. If any of the diesel fuel included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Nontaxable use	02	$ .243	42,100		
b	Use on a farm for farming purposes		.243	0	$ 10,230	360
c	Use in trains		.243	0	0	353
d	Use in certain intercity and local buses (see **Caution** above line 1)		.17	0	0	350
e	Exported		.244	0	0	413

4 Nontaxable Use of Undyed Kerosene (Other Than Kerosene Used in Aviation)

Claimant certifies that the kerosene did not contain visible evidence of dye.

Exception. If any of the kerosene included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Nontaxable use taxed at $.244		$ .243	0		
b	Use on a farm for farming purposes		.243	0	$ 0	346
c	Use in certain intercity and local buses (see **Caution** above line 1)		.17	0	0	347
d	Exported		.244	0	0	414
e	Nontaxable use taxed at $.044		.043	0	0	377
f	Nontaxable use taxed at $.219		.218	0	0	369

5 Kerosene Used in Aviation (see **Caution** above line 1)

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Kerosene used in commercial aviation (other than foreign trade) taxed at $.244		$ .200	0	$ 0	417
b Kerosene used in commercial aviation (other than foreign trade) taxed at $.219		.175	0	0	355
c Nontaxable use (other than use by state or local government) taxed at $.244		.243	0	0	346
d Nontaxable use (other than use by state or local government) taxed at $.219		.218	0	0	369
e LUST tax on aviation fuels used in foreign trade		.001	0	0	433

6 Sales by Registered Ultimate Vendors of Undyed Diesel Fuel **Registration No.** ▶

Claimant certifies that it sold the diesel fuel at a tax-excluded price, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. Claimant certifies that the diesel fuel did not contain visible evidence of dye.

Exception. If any of the diesel fuel included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Use by a state or local government	$ .243	0	$ 0	360
b Use in certain intercity and local buses	.17	0	0	350

7 Sales by Registered Ultimate Vendors of Undyed Kerosene (Other Than Kerosene For Use in Aviation) **Registration No.** ▶

Claimant certifies that it sold the kerosene at a tax-excluded price, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. Claimant certifies that the kerosene did not contain visible evidence of dye.

Exception. If any of the kerosene included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Use by a state or local government	$ .243	0		
b Sales from a blocked pump	.243	0	$ 0	346
c Use in certain intercity and local buses	.17	0	0	347

8 Sales by Registered Ultimate Vendors of Kerosene For Use in Aviation **Registration No.** ▶

Claimant sold the kerosene for use in aviation at a tax-excluded price and has not collected the amount of tax from the buyer, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. See the instructions for additional information to be submitted.

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Use in commercial aviation (other than foreign trade) taxed at $.219		$.175	0	$ 0	355
b Use in commercial aviation (other than foreign trade) taxed at $.244		.200	0	0	417
c Nonexempt use in noncommercial aviation		.025	0	0	418
d Other nontaxable uses taxed at $.244		.243	0	0	346
e Other nontaxable uses taxed at $.219		.218	0	0	369
f LUST tax on aviation fuels used in foreign trade		.001	0	0	433

9 Reserved for future use **Registration No.** ▶

	(b) Rate	(c) Gallons of alcohol	(d) Amount of credit	(e) CRN
a Reserved for future use			$	
b Reserved for future use				

10 Reserved for future use **Registration No.** ▶

	(b) Rate	(c) Gallons of biodiesel or renewable diesel	(d) Amount of credit	(e) CRN
a Reserved for future use			$	
b Reserved for future use				
c Reserved for future use				

11 Nontaxable Use of Alternative Fuel

Caution. There is a reduced credit rate for use in certain intercity and local buses (type of use 5) (see instructions).

	(a) Type of use	(b) Rate	(c) Gallons, or gasoline or diesel gallon equivalents	(d) Amount of credit	(e) CRN
a Liquefied petroleum gas (LPG) (see instructions)		$ .183	0	$ 0	419
b "P Series" fuels		.183	0	0	420
c Compressed natural gas (CNG) (see instructions)		.183	0	0	421
d Liquefied hydrogen		.183	0	0	422
e Fischer- Tropsch process liquid fuel from coal (including peat)		.243	0	0	423
f Liquid fuel derived from biomass		.243	0	0	424
g Liquefied natural gas (LNG) (see instructions)		.243	0	0	425
h Liquefied gas derived from biomass		.183	0	0	435

12 Reserved for future use **Registration No.** ▶

	(b) Rate	(c) Gallons, or gasoline or diesel gallon equivalents	(d) Amount of credit	(e) CRN
a Reserved for future use			$	
b Reserved for future use				
c Reserved for future use				
d Reserved for future use				
e Reserved for future use				
f Reserved for future use				
g Reserved for future use				
h Reserved for future use				
i Reserved for future use				

13 Registered Credit Card Issuers **Registration No.** ▶

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Diesel fuel sold for the exclusive use of a state or local government	$ .243	0	$ 0	360
b Kerosene sold for the exclusive use of a state or local government	.243	0	0	346
c Kerosene for use in aviation sold for the exclusive use of a state or local government taxed at $.219	.218	0	0	369

14 Nontaxable Use of a Diesel-Water Fuel Emulsion

Caution. There is a reduced credit rate for use in certain intercity and local buses (type of use 5) (see instructions).

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Nontaxable use		$ .197	0	$ 0	309
b Exported		.198	0	0	306

15 Diesel-Water Fuel Emulsion Blending **Registration No.** ▶

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
Blender credit	$ .046	0	$ 0	310

16 Exported Dyed Fuels and Exported Gasoline Blendstocks

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Exported dyed diesel fuel and exported gasoline blendstocks taxed at $.001	$ .001	0	$ 0	415
b Exported dyed kerosene	.001	0	0	416

17 Total income tax credit claimed. Add lines 1 through 16, column (d). Enter here and on Schedule 5 (Form 1040), line 73; Form 1120, Schedule J, line 20b; Form 1120S, line 23c; Form 1041, line 25h; or the proper line of other returns. ▶	**17**	$ 10,230	

SCHEDULE G (Form 1120)
(Rev. December 2011)
Department of the Treasury
Internal Revenue Service

Information on Certain Persons Owning the Corporation's Voting Stock

▶ **Attach to Form 1120.**
▶ **See instructions.**

OMB No. 1545-0123

Name: Columbia Gas of Pennsylvania, Inc.

Employer identification number (EIN): 25-1100252

Part I **Certain Entities Owning the Corporation's Voting Stock.** (Form 1120, Schedule K, Question 4a). Complete columns (i) through (v) below for any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization that owns directly 20% or more, or owns, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote (see instructions).

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Percentage Owned in Voting Stock
NiSource Gas Distribution Group	46-3083381	C Corp	US	100.000

Part II **Certain Individuals and Estates Owning the Corporation's Voting Stock.** (Form 1120, Schedule K, Question 4b). Complete columns (i) through (iv) below for any individual or estate that owns directly 20% or more, or owns, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote (see instructions).

(i) Name of Individual or Estate	(ii) Identifying Number (if any)	(iii) Country of Citizenship (see instructions)	(iv) Percentage Owned in Voting Stock

Schedule M-3 (Form 1120) 2018

Name of corporation (common parent, if consolidated return)	Employer identification number
Columbia Gas of Pennsylvania, Inc.	25-1100252

Check applicable box(es): (1) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC group
Check if a sub-consolidated: (6) ☐ 1120 group (7) ☐ 1120 eliminations

Name of subsidiary (if consolidated return)	Employer identification number

Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return (see instructions)

Income (Loss) Items (Attach statements for lines 1 through 12)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations	0	0	0	
2 Gross foreign dividends not previously taxed	0	0	0	0
3 Subpart F, QEF, and similar income inclusions		0	0	0
4 Gross-up for foreign taxes deemed paid		0	0	0
5 Gross foreign distributions previously taxed	0	0	0	
6 Income (loss) from equity method U.S. corporations	415,853	0	-415,853	
7 U.S. dividends not eliminated in tax consolidation	0	0	0	0
8 Minority interest for includible corporations	0	0	0	
9 Income (loss) from U.S. partnerships	0	0	0	0
10 Income (loss) from foreign partnerships	0	0	0	0
11 Income (loss) from other pass-through entities	0	0	0	0
12 Items relating to reportable transactions	0	0	0	0
13 Interest income (see instructions)	464,234	0	-454,173	10,061
14 Total accrual to cash adjustment	0	0	0	0
15 Hedging transactions	0	0	0	0
16 Mark-to-market income (loss)	0	0	0	0
17 Cost of goods sold (see instructions)	(187,317,838)	-7,402,428	0	(194,720,266)
18 Sale versus lease (for sellers and/or lessors)	0	0	0	0
19 Section 481(a) adjustments		0	0	0
20 Unearned/deferred revenue	0	0	0	0
21 Income recognition from long-term contracts	0	0	0	0
22 Original issue discount and other imputed interest	0	0	0	0
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities	999	-999	0	
b Gross capital gains from Schedule D, excluding amounts from pass-through entities		0	0	0
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		-7,410,018	0	-7,410,018
e Abandonment losses		0	0	0
f Worthless stock losses (attach statement)		0	0	0
g Other gain/loss on disposition of assets other than inventory		0	0	0
24 Capital loss limitation and carryforward used		0	0	0
25 Other income (loss) items with differences (attach statement)	437,639	2,682,927	0	3,120,566 STMT 16
26 **Total income (loss) items.** Combine lines 1 through 25	-185,999,113	-12,130,518	-870,026	-198,999,657
27 **Total expense/deduction items** (from Part III, line 39)	-221,285,499	-9,127,770	15,019,888	-215,393,381
28 Other items with no differences STATEMENT 17	506,676,710			506,676,710
29a Mixed groups, see instructions. All others, combine lines 26 through 28	99,392,098	-21,258,288	14,149,862	92,283,672
b PC insurance subgroup reconciliation totals	0	0	0	0
c Life insurance subgroup reconciliation totals	0	0	0	0
30 **Reconciliation totals.** Combine lines 29a through 29c	99,392,098	-21,258,288	14,149,862	92,283,672

Note. Line 30, column (a), must equal Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return) | Employer identification number

Columbia Gas of Pennsylvania, Inc. | 25-1100252

Check applicable box(es): (1) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC group

Check if a sub-consolidated: (6) ☐ 1120 group (7) ☐ 1120 eliminations

Name of subsidiary (if consolidated return) | Employer identification number

Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	14,131,021	0	-14,131,021	
2 U.S. deferred income tax expense	-6,124,642	0	6,124,642	
3 State and local current income tax expense	3,515,622	0	0	3,515,622
4 State and local deferred income tax expense	5,840,875	0	-5,840,875	
5 Foreign current income tax expense (other than foreign withholding taxes)	0	0	0	0
6 Foreign deferred income tax expense	0	0	0	
7 Foreign withholding taxes	0	0	0	0
8 Interest expense (see instructions)	37,181,562	652,971	0	37,834,533
9 Stock option expense	0	0	0	0
10 Other equity-based compensation	179,627	-103,547	0	76,080
11 Meals and entertainment	346,168	0	-173,084	173,084
12 Fines and penalties	9,071	0	-9,071	0
13 Judgments, damages, awards, and similar costs	0	0	0	0
14 Parachute payments	0	0	0	0
15 Compensation with section 162(m) limitation	0	0	0	0
16 Pension and profit-sharing	11,667,520	205,688	0	11,873,208
17 Other post-retirement benefits	-555,361	555,361	0	0
18 Deferred compensation	0	0	0	0
19 Charitable contribution of cash and tangible property	403,842	0	0	403,842
20 Charitable contribution of intangible property	0	0	0	0
21 Charitable contribution limitation/carryforward		0	0	0
22 Domestic production activities deduction (See instr.)		0	0	0
23 Current year acquisition or reorganization investment banking fees	0	0	0	0
24 Current year acquisition or reorganization legal and accounting fees	0	0	0	0
25 Current year acquisition/reorganization other costs	0	0	0	0
26 Amortization/impairment of goodwill	0	0	0	0
27 Amortization of acquisition, reorganization, and start-up costs	0	0	0	0
28 Other amortization or impairment write-offs	0	0	0	0
29 Reserved				
30 Depletion	0	0	0	0
31 Depreciation	61,183,965	-21,355,000	0	39,828,965
32 Bad debt expense	30,054,587	-164,347	0	29,890,240
33 Corporate owned life insurance premiums	0	0	0	0
34 Purchase versus lease (for purchasers and/or lessees)	0	0	0	0
35 Research and development costs	0	0	0	0
36 Section 118 exclusion (attach statement)	0	0	0	0
37 Section 162(r)-FDIC premiums paid by certain large financial institutions (see instructions)	0	0	0	0
38 Other expense/deduction items with differences (attach statement) STATEMENT 18	63,451,642	29,336,644	-990,479	91,797,807
39 **Total expense/deduction items.** Combine lines 1 through 38. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	221,285,499	9,127,770	-15,019,888	215,393,381

Form **1125-E**

(Rev. October 2016)

Department of the Treasury
Internal Revenue Service

Compensation of Officers

▶ **Attach to Form 1120, 1120-C, 1120-F, 1120-REIT, 1120-RIC, or 1120S.**

▶ **Information about Form 1125-E and its separate instructions is at www.irs.gov/form1125e.**

OMB No. 1545-0123

Name
Columbia Gas of Pennsylvania, Inc.

Employer identification number
25-1100252

Note. Complete Form 1125-E only if total receipts are $500,000 or more. See instructions for definition of total receipts.

	(a) Name of officer	(b) Social security number (see instructions)	(c) Percent of time devoted to business	Percent of stock owned (d) Common	Percent of stock owned (e) Preferred	(f) Amount of compensation
1	Michael A. Huwar		%	%	%	0
	Joseph W. Mulpas		%	%	%	0
	Shawn Anderson		%	%	%	0
	Kimberly V. Loies		%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0

2	Total compensation of officers	2	0
3	Compensation of officers claimed on Form 1125-A or elsewhere on return	3	0
4	Subtract line 3 from line 2. Enter the result here and on Form 1120, page 1, line 12 or the appropriate line of your tax return	4	0

For Paperwork Reduction Act Notice, see separate instructions.

Form **1125-E** (Rev. 10-2016)

ERF

F8.00.01 US1125E1

Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ Attach to your tax return.
▶ Go to www.irs.gov/Form4562 for instructions and the latest information.

OMB No. 1545-0172

2018

Attachment Sequence No. **179**

Name(s) shown on return	Business or activity to which this form relates	Identifying number
Columbia Gas of Pennsylvania, Inc.	NATURAL GAS DISTRIBTUION	25-1100252

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount (see instructions)	1	0
2 Total cost of section 179 property placed in service (see instructions)	2	0
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	0
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	0

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost
	0	0
	0	0

7 Listed property. Enter the amount from line 29	7	0
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	0
9 Tentative deduction. Enter the **smaller** of line 5 or line 8	9	0
10 Carryover of disallowed deduction from line 13 of your 2017 Form 4562	10	0
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions	11	0
12 Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11	12	0
13 Carryover of disallowed deduction to 2019. Add lines 9 and 10, less line 12 ▶	13	0

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions	14	0
15 Property subject to section 168(f)(1) election	15	0
16 Other depreciation (including ACRS)	16	1,715,637

Part III MACRS Depreciation (Don't include listed property. See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2018	17	31,233,049
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B - Assets Placed in Service During 2018 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only – see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property		0	3.0	HY	200 DB	0
b 5-year property		177,209	5.0	HY	200 DB	35,442
c 7-year property		0	7.0	HY	200 DB	0
d 10-year property		0	10.0	HY		0
e 15-year property		0	0.0			0
f 20-year property		181,754,189	20.0	HY	150 DB	6,815,782
g 25-year property		0	25 yrs.		S/L	0
h Residential rental property		0	27.5 yrs.	MM	S/L	0
		0	27.5 yrs.	MM	S/L	0
i Nonresidential real property		2,172,417	39 yrs.	MM	S/L	29,055
		0	0.0	MM	S/L	0

Section C - Assets Placed in Service During 2018 Tax Year Using the Alternative Depreciation System

20a Class life		0	0.0		S/L	0
b 12-year		0	12 yrs.		S/L	0
c 30-year		0	30 yrs.	MM	S/L	0
d 40-year		0	40 yrs.	MM	S/L	0

Part IV Summary (See instructions.)

21 Listed property. Enter amount from line 28	21	0
22 **Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions	22	39,828,965
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	571,740

Part V Listed Property (Include automobiles, certain other vehicles, certain aircraft, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? [X] Yes [ ] No **24b** If "Yes," is the evidence written? [X] Yes [ ] No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use. See instructions.						**25**	0	
26 Property used more than 50% in a qualified business use:								
		0.00%	0	0	0.0		0	0
		0.00%	0	0	0.0		0	0
		0.00%	0	0	0.0		0	0
27 Property used 50% or less in a qualified business use:								
		0.00%	0	0	0.0	S/L–	0	
		0.00%	0	0	0.0	S/L–	0	
		0.00%	0	0	0.0	S/L–	0	
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1.						**28**	0	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1.							**29**	0

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**don't** include commuting miles)	0		0		0		0		0		0	
31 Total commuting miles driven during the year	0		0		0		0		0		0	
32 Total other personal (noncommuting) miles driven	0		0		0		0		0		0	
33 Total miles driven during the year. Add lines 30 through 32	0		0		0		0		0		0	
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **aren't** more than 5% owners or related persons. See instructions.

	Yes	**No**
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		X
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners	X	
39 Do you treat all use of vehicles by employees as personal use?		X
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?	X	
41 Do you meet the requirements concerning qualified automobile demonstration use? See instructions.		X

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," don't complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2018 tax year (see instructions):					
		0			0
		0			0
43 Amortization of costs that began before your 2018 tax year				**43**	0
44 **Total.** Add amounts in column (f). See the instructions for where to report				**44**	0

Form **4797**

Department of the Treasury
Internal Revenue Service

Sales of Business Property

(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return.

▶ Go to www.irs.gov/Form4797 for instructions and the latest information.

OMB No. 1545-0184

2018

Attachment Sequence No. **27**

Name(s) shown on return: Columbia Gas of Pennsylvania, Inc.

Identifying number: 25-1100252

1	Enter the gross proceeds from sales or exchanges reported to you for 2018 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20. See instructions	1	0

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft-Most Property Held More Than 1 Year (see instructions)

2 (a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
			0	0	0	0
			0	0	0	0
			0	0	0	0
			0	0	0	0

3	Gain, if any, from Form 4684, line 39	3	0
4	Section 1231 gain from installment sales from Form 6252, line 26 or 37	4	0
5	Section 1231 gain or (loss) from like-kind exchanges from Form 8824	5	0
6	Gain, if any, from line 32, from other than casualty or theft.	6	0
7	Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:	7	0
	Partnerships and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.		
	Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you didn't have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.		
8	Nonrecaptured net section 1231 losses from prior years. See instructions	8	0
9	Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return. See instructions	9	0

Part II Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

Public Utility	VARIOUS	VARIOUS	217,556	10,702,516	18,330,090	-7,410,018
			0	0	0	0
			0	0	0	0
			0	0	0	0

11	Loss, if any, from line 7	11	(0)
12	Gain, if any, from line 7 or amount from line 8, if applicable	12	0
13	Gain, if any, from line 31	13	0
14	Net gain or (loss) from Form 4684, lines 31 and 38a	14	0
15	Ordinary gain from installment sales from Form 6252, line 25 or 36	15	0
16	Ordinary gain or (loss) from like-kind exchanges from Form 8824	16	0
17	Combine lines 10 through 16	17	-7,410,018
18	For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below.		
a	If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the loss from income-producing property on Schedule A (Form 1040), line 16. (Do not include any loss on property used as an employee.) Identify as from "Form 4797, line 18a." See instructions	18a	
b	Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14	18b	

For Paperwork Reduction Act Notice, see separate instructions.

Form **4797** (2018)

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)
A		
B		
C		
D		

These columns relate to the properties on lines 19A through 19D. ▶		Property A	Property B	Property C	Property D
20 Gross sales price (**Note:** See line 1 before completing.)	20	0	0	0	0
21 Cost or other basis plus expense of sale	21	0	0	0	0
22 Depreciation (or depletion) allowed or allowable	22	0	0	0	0
23 Adjusted basis. Subtract line 22 from line 21	23	0	0	0	0
24 Total gain. Subtract line 23 from line 20	24	0	0	0	0
25 If section 1245 property:					
a Depreciation allowed or allowable from line 22	25a	0	0	0	0
b Enter the **smaller** of line 24 or 25a	25b	0	0	0	0
26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.					
a Additional depreciation after 1975. See instructions	26a	0	0	0	0
b Applicable percentage multiplied by the **smaller** of line 24 or line 26a. See instructions	26b	0	0	0	0
c Subtract line 26a from line 24. If residential rental property **or** line 24 is not more than line 26a, skip lines 26d and 26e	26c	0	0	0	0
d Additional depreciation after 1969 and before 1976	26d	0	0	0	0
e Enter the **smaller** of line 26c or 26d	26e	0	0	0	0
f Section 291 amount (corporations only)	26f	0	0	0	0
g Add lines 26b, 26e, and 26f	26g	0	0	0	0
27 If section 1252 property: Skip this section if you didn't dispose of farmland or if this form is being completed for a partnership.					
a Soil, water, and land clearing expenses	27a	0	0	0	0
b Line 27a multiplied by applicable percentage. See instructions	27b	0	0	0	0
c Enter the **smaller** of line 24 or 27b	27c	0	0	0	0
28 If section 1254 property:					
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion. See instructions	28a	0	0	0	0
b Enter the **smaller** of line 24 or 28a	28b	0	0	0	0
29 If section 1255 property:					
a Applicable percentage of payments excluded from income under section 126. See instructions	29a	0	0	0	0
b Enter the **smaller** of line 24 or 29a. See instructions	29b	0	0	0	0

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30 Total gains for all properties. Add property columns A through D, line 24	30	0
31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	0
32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6	32	0

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

		(a) Section 179	(b) Section 280F(b)(2)
33 Section 179 expense deduction or depreciation allowable in prior years	33	0	0
34 Recomputed depreciation. See instructions	34	0	0
35 Recapture amount. Subtract line 34 from line 33. See the instructions for where to report	35	0	0

Form **5884**
(Rev. December 2016)
Department of the Treasury
Internal Revenue Service

Work Opportunity Credit

▶ **Attach to your tax return.**
▶ **Information about Form 5884 and its separate instructions is at www.irs.gov/form5884.**

OMB No. 1545-0219
Attachment Sequence No. **77**

Name(s) shown on return
Columbia Gas of Pennsylvania, Inc.

Identifying number
25-1100252

1	Enter on the applicable line below the total qualified first- or second-year wages paid or incurred during the tax year, and multiply by the percentage shown, for services of employees who are certified as members of a targeted group.			
a	Qualified first-year wages of employees who worked for you at least 120 hours but fewer than 400 hours	$ 0 X 25% (0.25)	**1a**	0
b	Qualified first-year wages of employees who worked for you at least 400 hours	$ 12,000 X 40% (0.40)	**1b**	4,800
c	Qualified second-year wages of employees certified as long-term family assistance recipients	$ 0 X 50% (0.50)	**1c**	0
2	Add lines 1a, 1b, and 1c. See instructions for the adjustment you must make to salaries and wages		**2**	4,800
3	Work opportunity credit from partnerships, S corporations, cooperatives, estates, and trusts (see instructions)		**3**	0
4	Add lines 2 and 3. Cooperatives, estates, and trusts, go to line 5. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, stop here and report this amount on Form 3800, Part III, line 4b		**4**	4,800
5	Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions)		**5**	
6	Cooperatives, estates, and trusts, subtract line 5 from line 4. Report this amount on Form 3800, Part III, line 4b		**6**	

For Paperwork Reduction Act Notice, see separate instructions. Form **5884** (Rev. 12-2016)

Form **8916-A**

Department of the Treasury
Internal Revenue Service

Supplemental Attachment to Schedule M-3

▶ **Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.**

▶ **Go to www.irs.gov/Form1120 for the latest information.**

OMB No. 1545-0123

2018

Name of common parent
Columbia Gas of Pennsylvania, Inc.

Employer identification number
25-1100252

Name of subsidiary

Employer identification number

Part I Cost of Goods Sold

	Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Amounts attributable to cost flow assumptions	0	-6,409,233	0	-6,409,233
2	Amounts attributable to:				
a	Stock option expense	0	0	0	0
b	Other equity-based compensation	0	0	0	0
c	Meals and entertainment	0	0	0	0
d	Parachute payments	0	0	0	0
e	Compensation with section 162(m) limitation	0	0	0	0
f	Pension and profit sharing	0	0	0	0
g	Other post-retirement benefits	0	0	0	0
h	Deferred compensation	0	0	0	0
i	Reserved				
j	Amortization	0	0	0	0
k	Depletion	0	0	0	0
l	Depreciation	0	0	0	0
m	Corporate-owned life insurance premiums	0	0	0	0
n	Other section 263A costs	0	-995,370	0	-995,370
3	Inventory shrinkage accruals	0	0	0	0
4	Excess inventory and obsolescence reserves	0	0	0	0
5	Lower of cost or market write-downs	0	0	0	0
6	Other items with differences (attach statement) STMT 19	-2,175	2,175	0	0
7	Other items with no differences	-187,315,663			-187,315,663
8	**Total cost of goods sold.** Add lines 1 through 7 in columns a, b, c, and d. Enter totals on the applicable Schedule M-3. See instructions	-187,317,838	-7,402,428	0	-194,720,266

Part II Interest Income

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax- exempt interest income	0	0	0	
2	Interest income from hybrid securities	0	0	0	0
3	Sale/lease interest income	0	0	0	0
4a	Intercompany interest income - From outside tax affiliated group	0	0	0	0
4b	Intercompany interest income - From tax affiliated group	575	0	0	575
5	Other interest income	463,659	0	-454,173	9,486
6	Total interest income. Add lines 1 through 5 in columns a, b, c, and d. Enter total on the applicable Schedule M- 3. See instructions.	464,234	0	-454,173	10,061

Part III Interest Expense

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities	0	0	0	0
2	Lease/purchase interest expense	0	0	0	0
3a	Intercompany interest expense - Paid to outside tax affiliated group	0	0	0	0
3b	Intercompany interest expense - Paid to tax affiliated group	35,123,458	0	0	35,123,458
4	Other interest expense	2,058,104	652,971	0	2,711,075
5	Total interest expense. Add lines 1 through 4 in columns a, b, c, and d. Enter total on the applicable Schedule M- 3. See instructions.	37,181,562	652,971	0	37,834,533

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2018 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2018

FORM 1120, PAGE 1 SUPPORTING SCHEDULES

STATEMENT 1 - FORM 1120, PG 1, LN 10
OTHER INCOME

LINE 10: OTHER INCOME	
CONTRIBUTION IN AID OF CONSTRUCTION	2,747,914
MISCELLANEOUS OTHER INCOME	372,652
TOTAL	3,120,566

STATEMENT 2 - FORM 1120, PG 1, LN 17
TAXES

LINE 17: TAXES	
REAL PROPERTY TAXES	479,285
STATE TAXES BASED ON INC - CURRENT	3,515,622
SALES AND USE TAXES	181,861
BUSINESS LICENSES, PERMITS	100
PAYROLL TAXES	2,599,550
MISCELLANEOUS OTHER TAXES	269
PERSONAL PROPERTY TAXES	833
TOTAL	6,777,520

STATEMENT 3 - FORM 1120, PG 1, LN 26
OTHER DEDUCTIONS

LINE 26: OTHER DEDUCTIONS	
MISC OFFICE EXPENSES	2,565,093
MEALS & ENTERTAINMENT	207,206
MEALS & ENTERTAINMENT - NCS ALLCTN	(34,122)
INSURANCE - OTHER	53,261
MISCELLANEOUS DEDUCTIONS	(72,712,535)
MISC DEDUCTIONS - NCS ALLOCTN	(415,555)
SELLING EXPENSES	19,983,765
DISTRIBUTION EXPENSES	40,888,684
LOBBYING	(54,010)
LOBBYING - NCS ALLOCTN	(2,554)
PROFESSIONAL FEES	19,324,077
TOTAL	9,803,310

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2018 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2018

FORM 1120, PAGE 6, SCH L - BEGINNING SUPPORTING SCH

STATEMENT 4 - FORM 1120, PG 6, SCH L, LN 6, BEG
OTHER CURRENT ASSETS - BEGINNING

LINE 6: OTHER CURRENT ASSETS	
MARKETABLE SECURITIES	230,726
OTHER PREPAID EXPENSES	2,751,041
MISCELLANEOUS	260,159
Reg Asset Environ Cur	118,335
Reg Asset OPEB Transition	90,313
Reg Asset Cr Bal Transf	3,572,000
Reg Asset Def Int Exp-Rate Ref	4,831
Reg Asset Int Undercollection	134,294
Reg Asset CPA USP Rider	2,653,580
Reg Asset USP Unbilled	(3,572,000)
Reg Asset NiFiT_WMS Impl Cst	404,989
Unrecov Purchs Gas Costs-Com	6,741,266
Unrecov Purchs Gas Costs-Dem	6,544,197
End User Exchange	3,503,314
Transporter Imbalance	69,565
Unrecov Purch Gas Cst-Unbill	(19,607,000)
CPA Base Gas	2,899,354
Unrecov Purch-Cr Bal Transfer	2,748,658
TOTAL	9,547,622

STATEMENT 5 - FORM 1120, PG 6, SCH L, LN 9, BEG
OTHER INVESTMENTS - BEGINNING

LINE 9: OTHER INVESTMENTS	
INVESTMENTS IN SUBSIDIARIES	19,552,267
MISCELLANEOUS OTHER INVESTMENTS	1,465,802
TOTAL	21,018,069

STATEMENT 6 - FORM 1120, PG 6, SCH L, LN 14, BEG
OTHER ASSETS - BEGINNING

LINE 14: OTHER ASSETS	
FEDERAL DEFERRED TAXES - NONCURRENT	51,306,548
STATE DEFERRED TAXES - NONCURRENT	21,833,061
CONSTRUCTION IN PROGRESS	25,509,303

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2018 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2018

MISCELLANEOUS	11,854,056
NC Reg Asset Envir Non-Curr	7,845,288
NC Reg Asset OPEB Regulatory	406,409
NC Reg Asset FAS 158 OPEB	1,177,461
NC Reg Asset FAS158 Pension	29,647,123
NC Reg Asset Pen NQulfd FAS158	726
NC Reg Asset Def Depr Cap Lse	2,281,062
NC Reg Asset ARO	5,285,264
NC Reg Asset Inc Tax NC Fed	226,648,854
TOTAL	383,795,155

STATEMENT 7 - FORM 1120, PG 6, SCH L, LN 18, BEG
OTHER CURRENT LIABILITIES - BEGINNING

LINE 18: OTHER CURRENT LIABILITIES

FEDERAL INCOME TAX PAYABLE	(1,206,457)
STATE TAXES PAYABLE	1,042,057
TAXES - OTHER	430,337
ACCRUED INTEREST	313,924
OTHER PAYABLES	162,275,699
OTHER ACCRUALS	40,069,512
MISCELLANEOUS	12,807,669
Accrd Unempl Insur-State	31,659
Accd Liab-Vacation Pay PY	1,000,873
Accd Liab-Vacation Pay CY	3,493,102
Accd Liab-Profit Sharing	791,637
Accd Liab-Incentive Compnstion	4,547,611
Accd Liab-Sales Tax Audit	615,563
Accd Liability - Pension ST-NQ	1,600
Accd Liab-Environmental	235,200
Accd Liab-Health Benefits	322,583
Accd Liab-Rx Drug	67,207
Accd Liab-Dental	60,326
Accd Liab-ST FAS112	161,936
Accd Liab-Refund to C&I Cust	144,544
Def Credits-Pnlty Cr Passback	1,323,179
Reg Liab Curr-Cap Rel Proceeds	717,183
Reg Liab Curr-Unified Cr-OFS	690,123
Reg Liab Curr-OFS Proceeds	1,226,398
Reg Liab Curr-OFS Proceed-PGCC	(485,895)
Reg Liab Curr-OFS Cap Rel Cr	(1,996,827)
Reg Liab Curr-Asset Reclass	3,572,000
Accrd Property Tax	348,332

TOTAL	232,601,075

STATEMENT 8 - FORM 1120, PG 6, SCH L, LN 21, BEG
OTHER LIABILITIES - BEGINNING

LINE 21: OTHER LIABILITIES	
FED DEFERRED INC TAXES - NONCURRENT	362,693,265
FED DEFERRED INC TAXES - REGULATORY	277,500,674
CONTINGENCY RESERVE	29,971,205
MISCELLANEOUS	26,561,528
Accum Prov Prop Injur Damg	131,519
Accum Prov-Banked Vacation	1,551,723
Accum Provisions Thrft Pln NI	14,049
Accum Provisions FAS 112	605,712
Accum Provisions OPEB	(6,663,989)
Accum Provisions Pen Cost Qual	855
Accum Prov LT PenCost Non-Qual	70,939
Custmr Advn for Constr NonCur	5,019,191
Def Credits-Environmental	7,220,691
Reg Liab NC-Retire Income	27,171,235
TOTAL	731,848,597

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2018 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2018

FORM 1120, PAGE 6, SCH L - ENDING SUPPORTING SCH

STATEMENT 9 - FORM 1120, PG 6, SCH L, LN 6, END
OTHER CURRENT ASSETS - ENDING

LINE 6: OTHER CURRENT ASSETS - ENDING	
MARKETABLE SECURITIES	189,372
OTHER PREPAID EXPENSES	4,717,577
MISCELLANEOUS	486,460
Reg Asset Environ Cur	118,335
Reg Asset OPEB Transition	90,313
Reg Asset Unbill-Recoveries	602,094
Reg Asset Cr Bal Transf	9,230,727
Reg Asset Def Int Exp-Rate Ref	32,717
Reg Asset Int Undercollection	(114,811)
Reg Asset CPA USP Rider	(2,040,956)
Reg Asset USP Unbilled	(2,828,370)
Reg Asset DSIC Unbilled	1,199,652
Reg Asset DSIC Billed	362,470
Misc Assets-Property Tax	833
Unrecov Purchs Gas Costs-Com	14,456,188
Unrecov Purchs Gas Costs-Dem	(2,209,217)
End User Exchange	5,535,858
Transporter Imbalance	(223,648)
Unrecov Purch Gas Cst-Unbill	(14,666,096)
CPA Base Gas	2,899,354
TOTAL	17,838,852

STATEMENT 10 - FORM 1120, PG 6, SCH L, LN 9, END
OTHER INVESTMENTS - ENDING

LINE 9: OTHER INVESTMENTS	
INVESTMENTS IN SUBSIDIARIES	19,968,120

STATEMENT 11 - FORM 1120, PG 6, SCH L, LN 14, END
OTHER ASSETS - ENDING

LINE 14: OTHER ASSETS	
FEDERAL DEFERRED TAXES - NONCURRENT	91,859,151
STATE DEFERRED TAXES - NONCURRENT	38,501,607
CONSTRUCTION IN PROGRESS	47,472,394

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2018 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2018

MISCELLANEOUS	9,970,093
NC Reg Asset Envir Non-Curr	7,306,578
NC Reg Asset OPEB Regulatory	316,096
NC Reg Asset FAS 158 OPEB	7,834,985
NC Reg Asset FAS158 Pension	32,447,309
NC Reg Asset Def Depr Cap Lse	3,086,005
NC Reg Asset ARO	5,885,788
NC Reg Asset Inc Tax NC Fed	226,652,535
TOTAL	471,332,541

STATEMENT 12 - FORM 1120, PG 6, SCH L, LN 18, END
OTHER CURRENT LIABILITIES - ENDING

LINE 18: OTHER CURRENT LIABILITIES

FEDERAL INCOME TAX PAYABLE	12,914,334
STATE TAXES PAYABLE	2,709,182
TAXES - OTHER	1,137,246
ACCRUED INTEREST	320,693
OTHER PAYABLES	86,852,850
OTHER ACCRUALS	43,059,342
MISCELLANEOUS	10,208,735
Accrd Unempl Insur-State	15,933
Accd Liab-Vacation Pay PY	1,257,199
Accd Liab-Vacation Pay CY	3,788,850
Accd Liab-Profit Sharing	580,051
Accd Liab-Incentive Compnstion	2,483,881
Accd Liability - Pension ST-NQ	2,000
Accd Liab-Environmental	1,195,250
Accd Liab-Health Benefits	359,230
Accd Liab-Rx Drug	80,076
Accd Liab-Dental	65,563
Accd Liab-ST FAS112	141,028
Accd Liab-Rate Refunds	736,647
Accd Liab-Refund to C&I Cust	192,670
Def Credits-Pnlty Cr Passback	(1)
Reg Liab Curr-Cap Rel Proceeds	467,543
Reg Liab Curr-Unified Cr-OFS	(3,011,365)
Reg Liab Curr-OFS Proceeds	999,068
Reg Liab Curr-OFS Proceed-PGCC	(366,653)
Reg Liab Curr-OFS Cap Rel Cr	(2,335,182)
Reg Liab Curr-Asset Reclass	9,230,727
Accrd Property Tax	299,778
Reg Liab Rate Reserve - Curren	12,314,337

TOTAL	185,699,012

STATEMENT 13 - FORM 1120, PG 6, SCH L, LN 21, END
OTHER LIABILITIES - ENDING

LINE 21: OTHER LIABILITIES

FED DEFERRED INC TAXES - NONCURRENT	496,408,904
FED DEFERRED INC TAXES - REGULATORY	203,167,376
CONTINGENCY RESERVE	28,879,266
MISCELLANEOUS	24,775,983
Accum Prov Prop Injur Damg	113,922
Accum Prov-Banked Vacation	1,769,355
Accum Provisions Thrft Pln NI	15,398
Accum Provisions FAS 112	539,033
Accum Provisions OPEB	(634,282)
Accum Provisions Pen Cost Qual	3,808,411
Accum Prov LT PenCost Non-Qual	31,898
Custmr Advn for Constr NonCur	4,954,204
Def Credits-Environmental	5,734,277
Reg Liab NC-Retire Income	24,698,063
Reg Liab NC-FAS158 NQ Pension	63,883
Reg Liab NC-CSRR Overcollect	8,715,181
TOTAL	803,040,872

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2018 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2018

FORM 1125-A SUPPORTING SCHEDULES

STATEMENT 14 - FORM 1125-A, LINE 4
ADDITIONAL SEC 263A COSTS

LINE 4: ADDITIONAL SECTION 263A COSTS	
COGS: ADDITIONAL SECTION 263A COSTS	995,370

STATEMENT 15 - FORM 1125-A, LINE 5
OTHER COSTS

LINE 5: OTHER COSTS	
COGS: LIFO RESERVE	6,409,233

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2018 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2018

SCHEDULE M-3 SUPPORTING SCHEDULES

STMT 16 - SCH M-3, PART II, LINE 25

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

	COLUMN A AMOUNTS PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D AMOUNTS PER TAX RETURN
CONTRIBUTION IN AID OF CONSTRUCTION		2,747,914		2,747,914
MISCELLANEOUS OTHER INCOME	437,639	(64,987)		372,652
TOTAL	437,639	2,682,927	0	3,120,566

STATEMENT 17 - SCH M-3, PART II, LINE 28

LINE 28: OTHER ITEMS WITH NO DIFFERENCES

GROSS SALES	590,239,832			590,239,832
REAL ESTATE RENTAL INCOME	1,338			1,338
SALES AND USE TAXES	(181,861)			(181,861)
BUSINESS LICENSES, PERMITS	(100)			(100)
PAYROLL TAXES	(2,599,550)			(2,599,550)
MISCELLANEOUS OTHER TAXES	(269)			(269)
ADVERTISING	(532,893)			(532,893)
INSURANCE - OTHER	(53,261)			(53,261)
SELLING EXPENSES	(19,983,765)			(19,983,765)
DISTRIBUTION EXPENSES	(40,888,684)			(40,888,684)
PROFESSIONAL FEES	(19,324,077)			(19,324,077)
TOTAL	506,676,710			506,676,710

STATEMENT 18 - SCH M-3, PART III, LINE 38

LINE 38: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

SALARIES & WAGES	63,382,561	2,063,730	(4,800)	65,441,491
MISCELLANEOUS REPAIRS	22,247,259	70,872,730		93,119,989
RENTS	3,276,259	804,943		4,081,202
REAL PROPERTY TAXES	430,731	48,554		479,285
PERSONAL PROPERTY TAXES		833		833
EMPLOYEE BENEFIT PROGRAMS		(683,219)	(22,213)	(705,432)
MISC OFFICE EXPENSES	2,970,082	(404,989)		2,565,093
MISCELLANEOUS DEDUCTIONS	(28,855,250)	(43,365,938)	(491,347)	(72,712,535)
MISC DEDUCTIONS - NCS ALLOCTN			(415,555)	(415,555)
LOBBYING			(54,010)	(54,010)

05-Aug-2019 15:09:32

2018 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2018

	COLUMN A AMOUNTS PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D AMOUNTS PER TAX RETURN
LOBBYING - NCS ALLOCTN			(2,554)	(2,554)
TOTAL	63,451,642	29,336,644	(990,479)	91,797,807

05-Aug-2019 15:09:35

2018 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2018

	COLUMN A EXPENSE PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D DEDUCTION PER TAX RETURN

FORM 8916-A SUPPORTING SCHEDULES

STMT 19 - FORM 8916-A, LINE 6

LINE 6: OTHER ITEMS WITH DIFFERENCES

COGS: PRODUCT BOUGHT FOR MFG OR SALE	(2,175)	2,175	

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 2019 or tax year beginning _____, _____, ending _____, 20____
▶Go to www.irs.gov/Form1120 for instructions and the latest information.

OMB No. 1545-0123

2019

A Check if:
1a Consolidated return (attach Form 851) ☐
b Life/nonlife consolidated return ☐
2 Personal holding co. (attach Sch. PH) ☐
3 Personal service corp. (see instructions) ☐
4 Schedule M-3 attached ☒

TYPE OR PRINT

Name, Number, street, and room or suite no. If a P.O. box, see instructions.
City or town, state or province, country, and ZIP or foreign postal code

Columbia Gas of Pennsylvania, Inc.
290 W. Nationwide Blvd.
Columbus OH 43215 Franklin

B Employer identification number
25-1100252

C Date incorporated
06 23 1960

D Total assets (see instructions)
$ 2,846,989,921

E Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

Income	1a	Gross receipts or sales	1a	602,396,311	
	b	Returns and allowances	1b	0	
	c	Balance. Subtract line 1b from line 1a			1c 602,396,311
	2	Cost of goods sold (attach Form 1125-A)			2 171,171,092
	3	Gross profit. Subtract line 2 from line 1c			3 431,225,219
	4	Dividends and inclusions (Schedule C, line 23)			4 0
	5	Interest			5 125,005
	6	Gross rents			6 1,103
	7	Gross royalties			7 0
	8	Capital gain net income (attach Schedule D (Form 1120))			8 0
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)			9 -11,736,655
	10	Other income (see instructions--attach statement) STATEMENT 1			10 985,739
	11	**Total income.** Add lines 3 through 10 ▶			11 420,600,411
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (see instructions--attach Form 1125-E) ▶			12 0
	13	Salaries and wages (less employment credits)			13 67,400,517
	14	Repairs and maintenance			14 92,749,148
	15	Bad debts			15 28,668,211
	16	Rents			16 3,821,777
	17	Taxes and licenses STATEMENT 2			17 6,382,057
	18	Interest (see instructions)			18 39,962,514
	19	Charitable contributions			19 425,818
	20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			20 53,322,102
	21	Depletion			21 0
	22	Advertising			22 532,967
	23	Pension, profit-sharing, etc., plans			23 13,282,295
	24	Employee benefit programs			24 -1,030,625
	25	Reserved for future use			25
	26	Other deductions (attach statement) STATEMENT 3			26 64,700,879
	27	**Total deductions.** Add lines 12 through 26 ▶			27 370,217,660
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.			28 50,382,751
	29a	Net operating loss deduction (see instructions)	29a	0	
	b	Special deductions (Schedule C, line 24)	29b	0	
	c	Add lines 29a and 29b			29c 0
Tax, Refundable Credits, and Payments	30	**Taxable income.** Subtract line 29c from line 28. See instructions			30 50,382,751
	31	Total tax (Schedule J, Part I, line 11)			31 0
	32	2019 net 965 tax liability paid (Schedule J, Part II, line 12)			32 0
	33	Total payments, credits, and section 965 net tax liability (Schedule J, Part III, line 23)			33 10,571
	34	Estimated tax penalty. See instructions. Check if Form 2220 is attached ▶ ☐			34 0
	35	**Amount owed.** If line 33 is smaller than the total of lines 31, 32, and 34, enter amount owed			35 0
	36	**Overpayment.** If line 33 is larger than the total of lines 31, 32, and 34, enter amount overpaid			36 0
	37	Enter amount from line 36 you want: **Credited to 2020 estimated tax** ▶ 0 **Refunded** ▶			37 0

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer Sandra Brummitt Date ▶ VP, Tax Services Title

May the IRS discuss this return with the preparer shown below See instructions. ☐ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN

Firm's name ▶ Firm's EIN ▶
Firm's address ▶ Phone no.

Schedule C Dividends, Inclusions, and Special Deductions (see instructions)

		(a) Dividends and inclusions	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	0	50	0
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	0	65	0
3	Dividends on certain debt-financed stock of domestic and foreign corporations	0	see instructions	0
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	0	23.3	0
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	0	26.7	0
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs	0	50	0
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs	0	65	0
8	Dividends from wholly owned foreign subsidiaries	0	100	0
9	**Subtotal.** Add lines 1 through 8. See instructions for limitations	0	see instructions	0
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	0	100	0
11	Dividends from affiliated group members	0	100	0
12	Dividends from certain FSCs	0	100	0
13	Foreign-source portion of dividends received from a specified 10%-owned foreign corporation (excluding hybrid dividends) (see instructions)	0	100	0
14	Dividends from foreign corporations not included on line 3, 6, 7, 8, 11, 12, or 13 (including any hybrid dividends)	0		
15	Section 965(a) inclusion	0	see instructions	0
16a	Subpart F inclusions derived from the sale by a controlled foreign corporation (CFC) of the stock of a lower-tier foreign corporation treated as a dividend (attach Form(s) 5471) (see instructions)	0	100	0
b	Subpart F inclusions derived from hybrid dividends of tiered corporations (attach Form(s) 5471) (see instructions)	0		
c	Other inclusions from CFCs under subpart F not included on line 15, 16a, 16b, or 17 (attach Form(s) 5471) (see instructions)	0		
17	Global Intangible Low-Taxed Income (GILTI) (attach Form(s) 5471 and Form 8992)	0		
18	Gross-up for foreign taxes deemed paid	0		
19	IC-DISC and former DISC dividends not included on lines 1, 2, or 3	0		
20	Other dividends	0		
21	Deduction for dividends paid on certain preferred stock of public utilities			0
22	Section 250 deduction (attach Form 8993)			0
23	**Total dividends and inclusions.** Add lines 9 through 20. Enter here and on page 1, line 4	0		
24	**Total special deductions.** Add lines 9 through 22, column (c). Enter here and on page 1, line 29b			0

Columbia Gas of Pennsylvania, Inc. 25-1100252

Schedule J Tax Computation and Payment (see instructions)

Part I - Tax Computation

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120)). See inst. ▶ X				
2	Income tax. See instructions			2	0
3	Base erosion minimum tax (attach Form 8991)			3	0
4	Add lines 2 and 3			4	0
5a	Foreign tax credit (attach Form 1118)	5a	0		
b	Credit from Form 8834 (see instructions)	5b	0		
c	General business credit (attach Form 3800)	5c	0		
d	Credit for prior year minimum tax (attach Form 8827)	5d	0		
e	Bond credits from Form 8912	5e	0		
6	**Total credits.** Add lines 5a through 5e			6	0
7	Subtract line 6 from line 4			7	0
8	Personal holding company tax (attach Schedule PH (Form 1120))			8	0
9a	Recapture of investment credit (attach Form 4255)	9a	0		
b	Recapture of low-income housing credit (attach Form 8611)	9b	0		
c	Interest due under the look-back method--completed long-term contracts (attach Form 8697)	9c	0		
d	Interest due under the look-back method--income forecast method (attach Form 8866)	9d	0		
e	Alternative tax on qualifying shipping activities (attach Form 8902)	9e	0		
f	Other (see instructions--attach statement)	9f	0		
10	**Total.** Add lines 9a through 9f			10	0
11	**Total tax.** Add lines 7, 8, and 10. Enter here and on page 1, line 31			11	0

Part II - Section 965 Payments (see instructions)

12	2019 net 965 tax liability paid from Form 965-B, Part II, column (k), line 3. Enter here and on page 1, line 32			12	0

Part III - Payments, Refundable Credits, and Section 965 Net Tax Liability

13	2018 overpayment credited to 2019			13	0
14	2019 estimated tax payments 0			14	0
15	2019 refund applied for on Form 4466			15	(0)
16	Combine lines 13, 14, and 15			16	0
17	Tax deposited with Form 7004			17	0
18	Withholding (see instructions)			18	0
19	**Total payments.** Add lines 16, 17, and 18			19	0
20	Refundable credits from:				
a	Form 2439	20a	0		
b	Form 4136	20b	10,571		
c	Form 8827, line 5c	20c	0		
d	Other (attach statement--see instructions)	20d	0		
21	**Total credits.** Add lines 20a through 20d			21	10,571
22	2019 net 965 tax liability from Form 965-B, Part I, column (d), line 3. See instructions			22	0
23	**Total payments, credits, and section 965 net tax liability.** Add lines 19, 21, and 22. Enter here and on page 1, line 33			23	0

Schedule K Other Information (see instructions)

		Yes	No
1	Check accounting method: a ☐ Cash b ☒ Accrual c ☐ Other (specify) ▶		
2	See the instructions and enter the:		
a	Business activity code no. ▶ 221210		
b	Business activity ▶ NATURAL GAS DISTRIBTUION		
c	Product or service ▶ NATURAL GAS DISTRIBUTION		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?	X	
	If "Yes," enter name and EIN of the parent corporation ▶ 35-2108946 NiSource Inc		
4	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G)	X	
b	Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G)		X
5	At the end of the tax year, did the corporation:		
a	Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on **Form 851,** Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		X

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock
			0.000
			0.000
			0.000

b	Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		X

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital
			0.000
			0.000
			0.000

6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? See sections 301 and 316		X
	If "Yes," file **Form 5452,** Corporate Report of Nondividend Distributions. See the instructions for Form 5452. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.		
7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of the total voting power of all classes of the corporation's stock entitled to vote or at least 25% of the total value of all classes of the corporation's stock?		X
	For rules of attribution, see section 318. If "Yes," enter: **(a)** Percentage owned ▶ .000 and **(b)** Owner's country ▶		
	(c) The corporation may have to file **Form 5472,** Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ▶		
8	Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ ☐ If checked, the corporation may have to file **Form 8281,** Information Return for Publicly Offered Original Issue Discount Instruments.		
9	Enter the amount of tax-exempt interest received or accrued during the tax year ▶$ 0		
10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ 1		
11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here (see instructions) ▶ ☐ If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.		
12	Enter the available NOL carryover from prior tax years (do not reduce it by any deduction reported on page 1, line 29a.) ▶$ 166,014,943		

Columbia Gas of Pennsylvania, Inc. 25-1100252

Schedule K Other Information (continued from page 4)

		Yes	No
13	Are the corporation's total receipts (page 1, line 1a, plus lines 4 through 10) for the tax year **and** its total assets at the end of the tax year less than $250,000?		X
	If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year ▶$ 0		
14	Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement? See instructions		X
	If "Yes," complete and attach Schedule UTP.		
15a	Did the corporation make any payments in 2019 that would require it to file Form(s) 1099?	X	
b	If "Yes," did or will the corporation file all required Form(s) 1099?	X	
16	During this tax year, did the corporation have an 80% or more change in ownership, including a change due to redemption of its own stock?		X
17	During or subsequent to this tax year, but before the filing of this return, did the corporation dispose of more than 65% (by value) of its assets in a taxable, non-taxable, or tax deferred transaction?		X
18	Did the corporation receive assets in a section 351 transfer in which any of the transferred assets had a fair market basis or fair market value of more than $1 million?		X
19	During the corporation's tax year, did the corporation make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474) of the Code?		X
20	Is the corporation operating on a cooperative basis?		X
21	During the tax year, did the corporation pay or accrue any interest or royalty for which the deduction is not allowed under section 267A? See instructions		X
	If "Yes," enter the total amount of the disallowed deductions ▶$ 0		
22	Does the corporation have gross receipts of at least $500 million in any of the 3 preceding tax years? (See sections 59A(e)(2) and (3))	X	
	If "Yes," complete and attach Form 8991.		
23	Did the corporation have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions		X
24	Does the corporation satisfy one or more of the following? See instructions	X	
a	The corporation owns a pass-through entity with current, or prior year carryover, excess business interest expense.		
b	The corporation's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year are more than $26 million and the corporation has business interest expense.		
c	The corporation is a tax shelter and the corporation has business interest expense.		
	If "Yes," to any, complete and attach Form 8990.		
25	Is the corporation attaching Form 8996 to certify as a Qualified Opportunity Fund?		X
	If "Yes," enter amount from Form 8996, line 14 ▶$ 0		

Columbia Gas of Pennsylvania, Inc. 25-1100252

Form 1120 (2019)

Schedule L Balance Sheets per Books

Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash		3,930,617		2,101,755
2a Trade notes and accounts receivable	44,704,560		43,010,055	
b Less allowance for bad debts	(2,296,248)	42,408,312	(1,654,021)	41,356,034
3 Inventories		61,361,862		49,242,396
4 U.S. government obligations		0		0
5 Tax-exempt securities (see instructions)		0		0
6 Other current assets (attach statement)	STATEMENT 4	17,838,852	STATEMENT 9	18,520,434
7 Loans to shareholders		0		0
8 Mortgage and real estate loans		0		0
9 Other investments (attach statement)	STATEMENT 5	19,968,120	STATEMENT 10	20,283,228
10a Buildings and other depreciable assets	2,437,946,511		2,710,145,454	
b Less accumulated depreciation	(451,486,808)	1,986,459,703	(475,282,448)	2,234,863,006
11a Depletable assets	0		0	
b Less accumulated depletion	(0)	0	(0)	0
12 Land (net of any amortization)		3,480,092		6,684,201
13a Intangible assets (amortizable only)	32,743,726		35,859,244	
b Less accumulated amortization	(13,763,755)	18,979,971	(15,796,072)	20,063,172
14 Other assets (attach statement)	STATEMENT 6	471,332,541	STATEMENT 11	453,875,695
15 Total assets		2,625,760,070		2,846,989,921
Liabilities and Shareholders' Equity				
16 Accounts payable		51,512,267		46,517,291
17 Mortgages, notes, bonds payable in less than 1 year		0		-100,000,000
18 Other current liabilities (attach statement)	STATEMENT 7	185,699,012	STATEMENT 12	256,677,265
19 Loans from shareholders		0		0
20 Mortgages, notes, bonds payable in 1 year or more		705,515,000		885,515,000
21 Other liabilities (attach statement)	STATEMENT 8	803,040,872	STATEMENT 13	780,396,976
22 Capital stock: a Preferred stock	0		0	
b Common stock	45,127,800	45,127,800	45,127,800	45,127,800
23 Additional paid-in capital		52,889,827		52,889,827
24 Retained earnings - Appropriated (attach statement)		0		0
25 Retained earnings - Unappropriated		781,975,292		879,865,762
26 Adjustments to shareholders' equity (attach statement)		0		0
27 Less cost of treasury stock		(0)		(0)
28 Total liabilities and shareholders' equity		2,625,760,070		2,846,989,921

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: The corporation may be required to file Schedule M-3. See instructions.

1 Net income (loss) per books	0	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books	0	Tax-exempt interest $ 0	
3 Excess of capital losses over capital gains	0		
4 Income subject to tax not recorded on books this year (itemize):		0	0
	0	8 Deductions on this return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted on this return (itemize):		a Depreciation $ 0	
a Depreciation $ 0		b Charitable contributions $ 0	
b Charitable contributions $ 0			
c Travel & entertainment $ 0		0	0
0	0	9 Add lines 7 and 8	0
6 Add lines 1 through 5	0	10 Income (page 1, line 28) - line 6 less line 9	0

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	781,975,292	5 Distributions: a Cash	0
2 Net income (loss) per books	97,890,470	b Stock	0
3 Other increases (itemize):		c Property	0
		6 Other decreases (itemize):	0
	0	7 Add lines 5 and 6	0
4 Add lines 1, 2, and 3	879,865,762	8 Balance at end of year (line 4 less line 7)	879,865,762

Form **1125-A**
(Rev. November 2018)
Department of the Treasury
Internal Revenue Service

Cost of Goods Sold

▶ **Attach to Form 1120, 1120-C, 1120-F, 1120S, or 1065.**
▶ **Go to www.irs.gov/Form1125A for the latest information.**

OMB No. 1545-0123

Name	Employer identification number
Columbia Gas of Pennsylvania, Inc.	25-1100252

1	Inventory at beginning of year	1	61,361,862
2	Purchases	2	157,064,672
3	Cost of labor	3	0
4	Additional section 263A costs (attach schedule) STATEMENT 14	4	1,498,459
5	Other costs (attach schedule) STATEMENT 15	5	488,495
6	**Total.** Add lines 1 through 5	6	220,413,488
7	Inventory at end of year	7	49,242,396
8	**Cost of goods sold.** Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return. See instructions	8	171,171,092

9a Check all methods used for valuing closing inventory:
- (i) [X] Cost
- (ii) [ ] Lower of cost or market
- (iii) [ ] Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods ▶ [ ]

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ [ ]

d If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO — 9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the entity? See instructions [ ] Yes [ ] No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation [ ] Yes [X] No

Form **4136**

Department of the Treasury
Internal Revenue Service (99)

Credit for Federal Tax Paid on Fuels

▶ **Go to www.irs.gov/Form4136 for instructions and the latest information.**

OMB No. 1545-0162

2019

Attachment Sequence No. **23**

Name (as shown on your income tax return)	**Taxpayer identification number**
Columbia Gas of Pennsylvania, Inc.	25-1100252

Caution: Claimant has the name and address of the person who sold the fuel to the claimant and the dates of purchase. For claims on lines 1c and 2b (type of use 13 or 14), 3d, 4c, and 5, claimant has not waived the right to make the claim. For claims on lines 1c and 2b (type of use 13 or 14), claimant certifies that a certificate has not been provided to the credit card issuer.

1 Nontaxable Use of Gasoline

Note: CRN is credit reference number.

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Off-highway business use		$ .183	0		
b	Use on a farm for farming purposes		.183	0		362
c	Other nontaxable use (see **Caution** above line 1)		.183	0	$ 0	
d	Exported		.184	0	0	411

2 Nontaxable Use of Aviation Gasoline

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Use in commercial aviation (other than foreign trade)		$ .15	0	$ 0	354
b	Other nontaxable use (see **Caution** above line 1)		.193	0	0	324
c	Exported		.194	0	0	412
d	LUST tax on aviation fuels used in foreign trade		.001	0	0	433

3 Nontaxable Use of Undyed Diesel Fuel

Claimant certifies that the diesel fuel did not contain visible evidence of dye.

Exception. If any of the diesel fuel included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Nontaxable use	02	$ .243	43,504		
b	Use on a farm for farming purposes		.243	0	$ 10,571	360
c	Use in trains		.243	0	0	353
d	Use in certain intercity and local buses (see **Caution** above line 1)		.17	0	0	350
e	Exported		.244	0	0	413

4 Nontaxable Use of Undyed Kerosene (Other Than Kerosene Used in Aviation)

Claimant certifies that the kerosene did not contain visible evidence of dye.

Exception. If any of the kerosene included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Nontaxable use taxed at $.244		$ .243	0		
b	Use on a farm for farming purposes		.243	0	$ 0	346
c	Use in certain intercity and local buses (see **Caution** above line 1)		.17	0	0	347
d	Exported		.244	0	0	414
e	Nontaxable use taxed at $.044		.043	0	0	377
f	Nontaxable use taxed at $.219		.218	0	0	369

5 Kerosene Used in Aviation (see **Caution** above line 1)

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Kerosene used in commercial aviation (other than foreign trade) taxed at $.244		$ .200	0	$ 0	417
b Kerosene used in commercial aviation (other than foreign trade) taxed at $.219		.175	0	0	355
c Nontaxable use (other than use by state or local government) taxed at $.244		.243	0	0	346
d Nontaxable use (other than use by state or local government) taxed at $.219		.218	0	0	369
e LUST tax on aviation fuels used in foreign trade		.001	0	0	433

6 Sales by Registered Ultimate Vendors of Undyed Diesel Fuel **Registration No.** ▶

Claimant certifies that it sold the diesel fuel at a tax-excluded price, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. Claimant certifies that the diesel fuel did not contain visible evidence of dye.

Exception. If any of the diesel fuel included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Use by a state or local government	$ .243	0	$ 0	360
b Use in certain intercity and local buses	.17	0	0	350

7 Sales by Registered Ultimate Vendors of Undyed Kerosene (Other Than Kerosene For Use in Aviation) **Registration No.** ▶

Claimant certifies that it sold the kerosene at a tax-excluded price, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. Claimant certifies that the kerosene did not contain visible evidence of dye.

Exception. If any of the kerosene included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Use by a state or local government	$ .243	0		
b Sales from a blocked pump	.243	0	$ 0	346
c Use in certain intercity and local buses	.17	0	0	347

8 Sales by Registered Ultimate Vendors of Kerosene For Use in Aviation **Registration No.** ▶

Claimant sold the kerosene for use in aviation at a tax-excluded price and has not collected the amount of tax from the buyer, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. See the instructions for additional information to be submitted.

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Use in commercial aviation (other than foreign trade) taxed at $.219		$.175	0	$ 0	355
b Use in commercial aviation (other than foreign trade) taxed at $.244		.200	0	0	417
c Nonexempt use in noncommercial aviation		.025	0	0	418
d Other nontaxable uses taxed at $.244		.243	0	0	346
e Other nontaxable uses taxed at $.219		.218	0	0	369
f LUST tax on aviation fuels used in foreign trade		.001	0	0	433

9 Reserved for future use **Registration No.** ▶

	(b) Rate	(c) Gallons of alcohol	(d) Amount of credit	(e) CRN
a Reserved for future use			$	
b Reserved for future use				

10 Biodiesel or Renewable Diesel Mixture Credit **Registration No.** ▶

Biodiesel mixtures. Claimant produced a mixture by mixing biodiesel with diesel fuel. The biodiesel used to produce the mixture met ASTM D6751 and met EPA's registration requirements for fuels and fuel additives. The mixture was sold by the claimant to any person for use as a fuel or was used as a fuel by the claimant. Claimant has attached the Certificate for Biodiesel and, if applicable, the Statement of Biodiesel Reseller. **Renewable diesel mixtures.** Claimant produced a mixture by mixing renewable diesel with liquid fuel (other than renewable diesel). The renewable diesel used to produce the renewable diesel mixture was derived from biomass, met EPA's registration requirements for fuels and fuel additives, and met ASTM D975, D396, or other equivalent standard approved by the IRS. The mixture was sold by the claimant to any person for use as a fuel or was used as a fuel by the claimant . Claimant has attached the Certificate for Biodiesel and, if applicable, Statement of Biodiesel Reseller, both of which have been edited as discussed in the instructions for line 10. See the instructions for line 10 for information about renewable diesel used in aviation.

	(b) Rate	(c) Gallons of biodiesel or renewable diesel	(d) Amount of credit	(e) CRN
a Biodiesel (other than agri- biodiesel) mixtures	$1.00	0	$ 0	388
b Agri- biodiesel mixtures	1.00	0	0	390
c Renewable Diesel mixtures	1.00	0	0	307

11 Nontaxable Use of Alternative Fuel

Caution. There is a reduced credit rate for use in certain intercity and local buses (type of use 5) (see instructions).

	(a) Type of use	(b) Rate	(c) Gallons, or gasoline or diesel gallon equivalents	(d) Amount of credit	(e) CRN
a Liquefied petroleum gas (LPG) (see instructions)		$ .183	0	$ 0	419
b "P Series" fuels		.183	0	0	420
c Compressed natural gas (CNG) (see instructions)		.183	0	0	421
d Liquefied hydrogen		.183	0	0	422
e Fischer- Tropsch process liquid fuel from coal (including peat)		.243	0	0	423
f Liquid fuel derived from biomass		.243	0	0	424
g Liquefied natural gas (LNG) (see instructions)		.243	0	0	425
h Liquefied gas derived from biomass		.183	0	0	435

12 Alternative Fuel Credit **Registration No.** ▶

	(b) Rate	(c) Gallons, or gasoline or diesel gallon equivalents	(d) Amount of credit	(e) CRN
a Liquefied petroleum gas (LPG) (see instructions)	$ .50	0	$ 0	426
b "P Series" fuels	.50	0	0	427
c Compressed natural gas (CNG) (see instructions)	.50	0	0	428
d Liquefied hydrogen	.50	0	0	429
e Fischer- Tropsch process liquid fuel from coal (including peat)	.50	0	0	430
f Liquid fuel derived from biomass	.50	0	0	431
g Liquefied natgural gas (LNG) (see instructions)	.50	0	0	432
h Liquefied gas derived from biomass	.50	0	0	436
i Compressed gas derived from biomass	.50	0	0	437

13 Registered Credit Card Issuers **Registration No.** ▶

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Diesel fuel sold for the exclusive use of a state or local government	$ .243	0	$ 0	360
b Kerosene sold for the exclusive use of a state or local government	.243	0	0	346
c Kerosene for use in aviation sold for the exclusive use of a state or local government taxed at $.219	.218	0	0	369

14 Nontaxable Use of a Diesel-Water Fuel Emulsion

Caution. There is a reduced credit rate for use in certain intercity and local buses (type of use 5) (see instructions).

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Nontaxable use		$ .197	0	$ 0	309
b Exported		.198	0	0	306

15 Diesel-Water Fuel Emulsion Blending **Registration No.** ▶

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
Blender credit	$ .046	0	$ 0	310

16 Exported Dyed Fuels and Exported Gasoline Blendstocks

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Exported dyed diesel fuel and exported gasoline blendstocks taxed at $.001	$ .001	0	$ 0	415
b Exported dyed kerosene	.001	0	0	416

17 Total income tax credit claimed. Add lines 1 through 16, column (d). Enter here and on Schedule 3 (Form 1040 or 1040-SR), line 12; Form 1120, Schedule J, line 20b; Form 1120S, line 23c; 1041, Schedule G, line 16b; or the proper line of other returns. . . . . ▶	**17**	$ 10,571	

Form **4136** (2019)

SCHEDULE G (Form 1120)
(Rev. December 2011)
Department of the Treasury
Internal Revenue Service

Information on Certain Persons Owning the Corporation's Voting Stock

▶ **Attach to Form 1120.**
▶ **See instructions.**

OMB No. 1545-0123

Name: Columbia Gas of Pennsylvania, Inc.

Employer identification number (EIN): 25-1100252

Part I **Certain Entities Owning the Corporation's Voting Stock.** (Form 1120, Schedule K, Question 4a). Complete columns (i) through (v) below for any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization that owns directly 20% or more, or owns, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote (see instructions).

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Percentage Owned in Voting Stock
NiSource Gas Distribution Group	46-3083381	C Corp	US	100.000

Part II **Certain Individuals and Estates Owning the Corporation's Voting Stock.** (Form 1120, Schedule K, Question 4b). Complete columns (i) through (iv) below for any individual or estate that owns directly 20% or more, or owns, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote (see instructions).

(i) Name of Individual or Estate	(ii) Identifying Number (if any)	(iii) Country of Citizenship (see instructions)	(iv) Percentage Owned in Voting Stock

Name of corporation (common parent, if consolidated return): Columbia Gas of Pennsylvania, Inc.
Employer identification number: 25-1100252

Check applicable box(es): (1) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC group
Check if a sub-consolidated: (6) ☐ 1120 group (7) ☐ 1120 eliminations

Name of subsidiary (if consolidated return):
Employer identification number:

Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return (see instructions)

Income (Loss) Items (Attach statements for lines 1 through 12)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations	0	0	0	
2 Gross foreign dividends not previously taxed	0	0	0	0
3 Subpart F, QEF, and similar income inclusions		0	0	0
4 Gross-up for foreign taxes deemed paid		0	0	0
5 Gross foreign distributions previously taxed	0	0	0	
6 Income (loss) from equity method U.S. corporations	315,108	0	-315,108	
7 U.S. dividends not eliminated in tax consolidation	0	0	0	0
8 Minority interest for includible corporations	0	0	0	
9 Income (loss) from U.S. partnerships	0	0	0	0
10 Income (loss) from foreign partnerships	0	0	0	0
11 Income (loss) from other pass-through entities	0	0	0	0
12 Items relating to reportable transactions	0	0	0	0
13 Interest income (see instructions)	739,629	0	-614,624	125,005
14 Total accrual to cash adjustment	0	0	0	0
15 Hedging transactions	0	0	0	0
16 Mark-to-market income (loss)	0	0	0	0
17 Cost of goods sold (see instructions)	(169,186,129)	-1,984,963	0	(171,171,092)
18 Sale versus lease (for sellers and/or lessors)	0	0	0	0
19 Section 481(a) adjustments		0	0	0
20 Unearned/deferred revenue	0	0	0	0
21 Income recognition from long-term contracts	0	0	0	0
22 Original issue discount and other imputed interest	0	0	0	0
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities	-69,059	69,059	0	
b Gross capital gains from Schedule D, excluding amounts from pass-through entities		0	0	0
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		-11,736,655	0	-11,736,655
e Abandonment losses		0	0	0
f Worthless stock losses (attach statement)		0	0	0
g Other gain/loss on disposition of assets other than inventory		0	0	0
24 Capital loss limitation and carryforward used		0	0	0
25 Other income (loss) items with differences (attach statement)	-547,900	1,533,639	0	985,739 STMT 16
26 **Total income (loss) items.** Combine lines 1 through 25	-168,748,351	-12,118,920	-929,732	-181,797,003
27 **Total expense/deduction items** (from Part III, line 39)	-248,632,897	-60,116,620	25,657,553	-283,091,964
28 Other items with no differences STATEMENT 17	515,271,718			515,271,718
29a Mixed groups, see instructions. All others, combine lines 26 through 28	97,890,470	-72,235,540	24,727,821	50,382,751
b PC insurance subgroup reconciliation totals	0	0	0	0
c Life insurance subgroup reconciliation totals	0	0	0	0
30 **Reconciliation totals.** Combine lines 29a through 29c	97,890,470	-72,235,540	24,727,821	50,382,751

Note. Line 30, column (a), must equal Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return) | Employer identification number
Columbia Gas of Pennsylvania, Inc. | 25-1100252

Check applicable box(es): (1) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC group
Check if a sub-consolidated: (6) ☐ 1120 group (7) ☐ 1120 eliminations

Name of subsidiary (if consolidated return) | Employer identification number

Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	13,948,361	0	-13,948,361	
2 U.S. deferred income tax expense	9,842,244	0	-9,842,244	
3 State and local current income tax expense	2,877,683	0	0	2,877,683
4 State and local deferred income tax expense	904,160	0	-904,160	
5 Foreign current income tax expense (other than foreign withholding taxes)	0	0	0	0
6 Foreign deferred income tax expense	0	0	0	
7 Foreign withholding taxes	0	0	0	0
8 Interest expense (see instructions)	39,926,936	35,578	0	39,962,514
9 Stock option expense	0	0	0	0
10 Other equity-based compensation	1,778,549	-109,276	0	1,669,273
11 Meals and entertainment	1,148,890	0	-574,445	574,445
12 Fines and penalties	8,808	0	-8,808	0
13 Judgments, damages, awards, and similar costs	0	0	0	0
14 Parachute payments	0	0	0	0
15 Compensation with section 162(m) limitation	0	0	0	0
16 Pension and profit-sharing	13,025,551	256,744	0	13,282,295
17 Other post-retirement benefits	-127,642	127,642	0	0
18 Deferred compensation	0	0	0	0
19 Charitable contribution of cash and tangible property	425,818	0	0	425,818
20 Charitable contribution of intangible property	0	0	0	0
21 Charitable contribution limitation/carryforward		0	0	0
22 Domestic production activities deduction (See instr.)		0	0	0
23 Current year acquisition or reorganization investment banking fees	0	0	0	0
24 Current year acquisition or reorganization legal and accounting fees	0	0	0	0
25 Current year acquisition/reorganization other costs	0	0	0	0
26 Amortization/impairment of goodwill	0	0	0	0
27 Amortization of acquisition, reorganization, and start-up costs	0	0	0	0
28 Other amortization or impairment write-offs	0	0	0	0
29 Reserved				
30 Depletion	0	0	0	0
31 Depreciation	72,925,348	-19,603,246	0	53,322,102
32 Bad debt expense	28,025,984	642,227	0	28,668,211
33 Corporate owned life insurance premiums	0	0	0	0
34 Purchase versus lease (for purchasers and/or lessees)	0	0	0	0
35 Research and development costs	0	0	0	0
36 Section 118 exclusion (attach statement)	0	0	0	0
37 Section 162(r)-FDIC premiums paid by certain large financial institutions (see instructions)	0	0	0	0
38 Other expense/deduction items with differences (attach statement) STATEMENT 18	63,922,207	78,766,951	-379,535	142,309,623
39 **Total expense/deduction items.** Combine lines 1 through 38. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	248,632,897	60,116,620	-25,657,553	283,091,964

Form **1125-E**

(Rev. October 2016)

Department of the Treasury
Internal Revenue Service

Compensation of Officers

▶ **Attach to Form 1120, 1120-C, 1120-F, 1120-REIT, 1120-RIC, or 1120S.**

▶ **Information about Form 1125-E and its separate instructions is at www.irs.gov/form1125e.**

OMB No. 1545-0123

Name
Columbia Gas of Pennsylvania, Inc.

Employer identification number
25-1100252

Note. Complete Form 1125-E only if total receipts are $500,000 or more. See instructions for definition of total receipts.

	(a) Name of officer	(b) Social security number (see instructions)	(c) Percent of time devoted to business	Percent of stock owned (d) Common	Percent of stock owned (e) Preferred	(f) Amount of compensation
1	Michael A. Huwar		%	%	%	0
	Joseph W. Mulpas		%	%	%	0
	Randy G. Hulen		%	%	%	0
	Kimberly V. Loies		%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0
			%	%	%	0

2	Total compensation of officers	2	0
3	Compensation of officers claimed on Form 1125-A or elsewhere on return	3	0
4	Subtract line 3 from line 2. Enter the result here and on Form 1120, page 1, line 12 or the appropriate line of your tax return	4	0

For Paperwork Reduction Act Notice, see separate instructions.

Form **1125-E** (Rev. 10-2016)

ERF

F9.00.01 **US1125E1**

Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ Attach to your tax return.
▶ Go to www.irs.gov/Form4562 for instructions and the latest information.

OMB No. 1545-0172

2019

Attachment Sequence No. **179**

Name(s) shown on return	Business or activity to which this form relates	Identifying number
Columbia Gas of Pennsylvania, Inc.	NATURAL GAS DISTRIBTUION	25-1100252

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount (see instructions)	1	0
2 Total cost of section 179 property placed in service (see instructions)	2	0
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	0
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	0

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost
	0	0
	0	0

7 Listed property. Enter the amount from line 29	7	0
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	0
9 Tentative deduction. Enter the **smaller** of line 5 or line 8	9	0
10 Carryover of disallowed deduction from line 13 of your 2018 Form 4562	10	0
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions	11	0
12 Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11	12	0
13 Carryover of disallowed deduction to 2020. Add lines 9 and 10, less line 12 ▶	13	0

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions	14	0
15 Property subject to section 168(f)(1) election	15	0
16 Other depreciation (including ACRS)	16	2,631,996

Part III MACRS Depreciation (Don't include listed property. See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2019	17	41,623,441
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B - Assets Placed in Service During 2019 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only – see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property		0	3.0	HY	200 DB	0
b 5-year property		470,372	5.0	HY	200 DB	94,074
c 7-year property		0	7.0	HY	200 DB	0
d 10-year property		0	10.0	HY		0
e 15-year property		0	0.0			0
f 20-year property		238,286,566	20.0	HY	150 DB	8,935,746
g 25-year property		0	25 yrs.		S/L	0
h Residential rental property		0	27.5 yrs.	MM	S/L	0
		0	27.5 yrs.	MM	S/L	0
i Nonresidential real property		9,997,080	39 yrs.	MM	S/L	36,845
		0	0.0	MM	S/L	0

Section C - Assets Placed in Service During 2019 Tax Year Using the Alternative Depreciation System

20a Class life		0	0.0		S/L	0
b 12-year		0	12 yrs.		S/L	0
c 30-year		0	30 yrs.	MM	S/L	0
d 40-year		0	40 yrs.	MM	S/L	0

Part IV Summary (See instructions.)

21 Listed property. Enter amount from line 28	21	0
22 **Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions	22	53,322,102
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	0

Part V Listed Property (Include automobiles, certain other vehicles, certain aircraft, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? [X] Yes [ ] No **24b** If "Yes," is the evidence written? [X] Yes [ ] No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use. See instructions.						**25**	0	
26 Property used more than 50% in a qualified business use:								
		0.00%	0	0	0.0		0	0
		0.00%	0	0	0.0		0	0
		0.00%	0	0	0.0		0	0
27 Property used 50% or less in a qualified business use:								
		0.00%	0	0	0.0	S/L–	0	
		0.00%	0	0	0.0	S/L–	0	
		0.00%	0	0	0.0	S/L–	0	
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1.						**28**	0	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1.							**29**	0

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6
30 Total business/investment miles driven during the year (**don't** include commuting miles)	0	0	0	0	0	0
31 Total commuting miles driven during the year	0	0	0	0	0	0
32 Total other personal (noncommuting) miles driven	0	0	0	0	0	0
33 Total miles driven during the year. Add lines 30 through 32	0	0	0	0	0	0

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **aren't** more than 5% owners or related persons. See instructions.

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		X
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners	X	
39 Do you treat all use of vehicles by employees as personal use?		X
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?	X	
41 Do you meet the requirements concerning qualified automobile demonstration use? See instructions.		X

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," don't complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2019 tax year (see instructions):					
		0			0
		0			0
43 Amortization of costs that began before your 2019 tax year				**43**	0
44 **Total.** Add amounts in column (f). See the instructions for where to report				**44**	0

Form **4797**

Department of the Treasury
Internal Revenue Service

Sales of Business Property

(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return.

▶ Go to www.irs.gov/Form4797 for instructions and the latest information.

OMB No. 1545-0184

2019

Attachment Sequence No. **27**

Name(s) shown on return	Identifying number
Columbia Gas of Pennsylvania, Inc.	25-1100252

1	Enter the gross proceeds from sales or exchanges reported to you for 2019 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20. See instructions	1 0

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft-Most Property Held More Than 1 Year (see instructions)

2 (a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
			0	0	0	0
			0	0	0	0
			0	0	0	0
			0	0	0	0

3	Gain, if any, from Form 4684, line 39	3	0
4	Section 1231 gain from installment sales from Form 6252, line 26 or 37	4	0
5	Section 1231 gain or (loss) from like-kind exchanges from Form 8824	5	0
6	Gain, if any, from line 32, from other than casualty or theft	6	0
7	Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:	7	0
	Partnerships and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120-S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.		
	Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you didn't have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.		
8	Nonrecaptured net section 1231 losses from prior years. See instructions	8	0
9	Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return. See instructions	9	0

Part II Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

Public Utility	VARIOUS	VARIOUS	14,941	15,078,259	26,829,855	-11,736,655
			0	0	0	0
			0	0	0	0
			0	0	0	0

11	Loss, if any, from line 7	11	(0)
12	Gain, if any, from line 7 or amount from line 8, if applicable	12	0
13	Gain, if any, from line 31	13	0
14	Net gain or (loss) from Form 4684, lines 31 and 38a	14	0
15	Ordinary gain from installment sales from Form 6252, line 25 or 36	15	0
16	Ordinary gain or (loss) from like-kind exchanges from Form 8824	16	0
17	Combine lines 10 through 16	17	-11,736,655
18	For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below.		
a	If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the loss from income-producing property on Schedule A (Form 1040 or Form 1040-SR), line 16. (Do not include any loss on property used as an employee.) Identify as from "Form 4797, line 18a." See instructions	18a	
b	Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Schedule 1 (Form 1040 or Form 1040-SR), Part I, line 4	18b	

For Paperwork Reduction Act Notice, see separate instructions. Form **4797** (2019)

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)
A		
B		
C		
D		

These columns relate to the properties on lines 19A through 19D. ▶		Property A	Property B	Property C	Property D
20 Gross sales price (**Note:** See line 1 before completing.)	20	0	0	0	0
21 Cost or other basis plus expense of sale	21	0	0	0	0
22 Depreciation (or depletion) allowed or allowable	22	0	0	0	0
23 Adjusted basis. Subtract line 22 from line 21	23	0	0	0	0
24 Total gain. Subtract line 23 from line 20	24	0	0	0	0
25 If section 1245 property:					
a Depreciation allowed or allowable from line 22	25a	0	0	0	0
b Enter the **smaller** of line 24 or 25a	25b	0	0	0	0
26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.					
a Additional depreciation after 1975. See instructions	26a	0	0	0	0
b Applicable percentage multiplied by the **smaller** of line 24 or line 26a. See instructions	26b	0	0	0	0
c Subtract line 26a from line 24. If residential rental property **or** line 24 is not more than line 26a, skip lines 26d and 26e	26c	0	0	0	0
d Additional depreciation after 1969 and before 1976	26d	0	0	0	0
e Enter the **smaller** of line 26c or 26d	26e	0	0	0	0
f Section 291 amount (corporations only)	26f	0	0	0	0
g Add lines 26b, 26e, and 26f	26g	0	0	0	0
27 If section 1252 property: Skip this section if you didn't dispose of farmland or if this form is being completed for a partnership.					
a Soil, water, and land clearing expenses	27a	0	0	0	0
b Line 27a multiplied by applicable percentage. See instructions	27b	0	0	0	0
c Enter the **smaller** of line 24 or 27b	27c	0	0	0	0
28 If section 1254 property:					
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion. See instructions	28a	0	0	0	0
b Enter the **smaller** of line 24 or 28a	28b	0	0	0	0
29 If section 1255 property:					
a Applicable percentage of payments excluded from income under section 126. See instructions	29a	0	0	0	0
b Enter the **smaller** of line 24 or 29a. See instructions	29b	0	0	0	0

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30 Total gains for all properties. Add property columns A through D, line 24	30	0
31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	0
32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6.	32	0

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

		(a) Section 179	(b) Section 280F(b)(2)
33 Section 179 expense deduction or depreciation allowable in prior years	33	0	0
34 Recomputed depreciation. See instructions	34	0	0
35 Recapture amount. Subtract line 34 from line 33. See the instructions for where to report	35	0	0

Form **8916-A**
(Rev. November 2019)
Department of the Treasury
Internal Revenue Service

Supplemental Attachment to Schedule M-3

▶ **Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.**
▶ **Go to www.irs.gov/Form1120 for the latest information.**

OMB No. 1545-0123

Name of common parent
Columbia Gas of Pennsylvania, Inc.

Employer identification number
25-1100252

Name of subsidiary

Employer identification number

Part I Cost of Goods Sold

	Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Amounts attributable to cost flow assumptions	0	-488,495	0	-488,495
2	Amounts attributable to:				
a	Stock option expense	0	0	0	0
b	Other equity-based compensation	0	0	0	0
c	Meals and entertainment	0	0	0	0
d	Parachute payments	0	0	0	0
e	Compensation with section 162(m) limitation	0	0	0	0
f	Pension and profit sharing	0	0	0	0
g	Other post-retirement benefits	0	0	0	0
h	Deferred compensation	0	0	0	0
i	Reserved				
j	Amortization	0	0	0	0
k	Depletion	0	0	0	0
l	Depreciation	0	0	0	0
m	Corporate-owned life insurance premiums	0	0	0	0
n	Other section 263A costs	0	-1,498,459	0	-1,498,459
3	Inventory shrinkage accruals	0	0	0	0
4	Excess inventory and obsolescence reserves	0	0	0	0
5	Lower of cost or market write-downs	0	0	0	0
6	Other items with differences (attach statement) STMT 19	-1,991	1,991	0	0
7	Other items with no differences	-169,184,138			-169,184,138
8	**Total cost of goods sold.** Add lines 1 through 7 in columns a, b, c, and d. Enter totals on the applicable Schedule M-3. See instructions	-169,186,129	-1,984,963	0	-171,171,092

Part II Interest Income

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax- exempt interest income	0	0	0	
2	Interest income from hybrid securities	0	0	0	0
3	Sale/lease interest income	0	0	0	0
4a	Intercompany interest income - From outside tax affiliated group	0	0	0	0
4b	Intercompany interest income - From tax affiliated group	125,005	0	-614,624	-489,619
5	Other interest income	614,624	0	0	614,624
6	Total interest income. Add lines 1 through 5 in columns a, b, c, and d. Enter total on the applicable Schedule M- 3. See instructions.	739,629	0	-614,624	125,005

Part III Interest Expense

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities	0	0	0	0
2	Lease/purchase interest expense	0	0	0	0
3a	Intercompany interest expense - Paid to outside tax affiliated group	0	0	0	0
3b	Intercompany interest expense - Paid to tax affiliated group	38,022,227	0	0	38,022,227
4	Other interest expense	1,904,709	35,578	0	1,940,287
5	Total interest expense. Add lines 1 through 4 in columns a, b, c, and d. Enter total on the applicable Schedule M- 3. See instructions.	39,926,936	35,578	0	39,962,514

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2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

FORM 1120, PAGE 1 SUPPORTING SCHEDULES

STATEMENT 1 - FORM 1120, PG 1, LN 10
OTHER INCOME

LINE 10: OTHER INCOME	
CONTRIBUTION IN AID OF CONSTRUCTION	2,281,587
MISCELLANEOUS OTHER INCOME	(1,295,848)
TOTAL	985,739

STATEMENT 2 - FORM 1120, PG 1, LN 17
TAXES

LINE 17: TAXES	
REAL PROPERTY TAXES	454,430
STATE TAXES BASED ON INC - CURRENT	2,877,683
SALES AND USE TAXES	136,272
BUSINESS LICENSES, PERMITS	100
PAYROLL TAXES	2,914,531
MISCELLANEOUS OTHER TAXES	(126)
PERSONAL PROPERTY TAXES	(833)
TOTAL	6,382,057

STATEMENT 3 - FORM 1120, PG 1, LN 26
OTHER DEDUCTIONS

LINE 26: OTHER DEDUCTIONS	
MISC OFFICE EXPENSES	2,994,447
MEALS & ENTERTAINMENT	737,364
MEALS & ENTERTAINMENT - NCS ALLCTN	(162,919)
INSURANCE - OTHER	141,143
MISCELLANEOUS DEDUCTIONS	(22,099,638)
MISC DEDUCTIONS - NCS ALLOCTN	(32,306)
SELLING EXPENSES	18,473,039
DISTRIBUTION EXPENSES	49,836,882
LOBBYING	(89,218)
LOBBYING - NCS ALLOCTN	(188,803)
PROFESSIONAL FEES	15,090,888
TOTAL	64,700,879

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2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

FORM 1120, PAGE 6, SCH L - BEGINNING SUPPORTING SCH

STATEMENT 4 - FORM 1120, PG 6, SCH L, LN 6, BEG
OTHER CURRENT ASSETS - BEGINNING

LINE 6: OTHER CURRENT ASSETS	
MARKETABLE SECURITIES	189,372
OTHER PREPAID EXPENSES	4,717,577
MISCELLANEOUS	486,460
Reg Asset Environ Cur	118,335
Reg Asset OPEB Transition	90,313
Reg Asset Unbill-Recoveries	602,094
Reg Asset Cr Bal Transf	9,230,727
Reg Asset Def Int Exp-Rate Ref	32,717
Reg Asset Int Undercollection	(114,811)
Reg Asset CPA USP Rider	(2,040,956)
Reg Asset USP Unbilled	(2,828,370)
Reg Asset DSIC Unbilled	1,199,652
Reg Asset DSIC Billed	362,470
Misc Assets-Property Tax	833
Unrecov Purchs Gas Costs-Com	14,456,188
Unrecov Purchs Gas Costs-Dem	(2,209,217)
End User Exchange	5,535,858
Transporter Imbalance	(223,648)
Unrecov Purch Gas Cst-Unbill	(14,666,096)
CPA Base Gas	2,899,354
TOTAL	17,838,852

STATEMENT 5 - FORM 1120, PG 6, SCH L, LN 9, BEG
OTHER INVESTMENTS - BEGINNING

LINE 9: OTHER INVESTMENTS	
INVESTMENTS IN SUBSIDIARIES	19,968,120

STATEMENT 6 - FORM 1120, PG 6, SCH L, LN 14, BEG
OTHER ASSETS - BEGINNING

LINE 14: OTHER ASSETS	
FEDERAL DEFERRED TAXES - NONCURRENT	91,859,151
STATE DEFERRED TAXES - NONCURRENT	38,501,607
CONSTRUCTION IN PROGRESS	47,472,394

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2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

MISCELLANEOUS	9,970,093
NC Reg Asset Envir Non-Curr	7,306,578
NC Reg Asset OPEB Regulatory	316,096
NC Reg Asset FAS 158 OPEB	7,834,985
NC Reg Asset FAS158 Pension	32,447,309
NC Reg Asset Def Depr Cap Lse	3,086,005
NC Reg Asset ARO	5,885,788
NC Reg Asset Inc Tax NC Fed	226,652,535
TOTAL	471,332,541

STATEMENT 7 - FORM 1120, PG 6, SCH L, LN 18, BEG
OTHER CURRENT LIABILITIES - BEGINNING

LINE 18: OTHER CURRENT LIABILITIES

FEDERAL INCOME TAX PAYABLE	12,914,334
STATE TAXES PAYABLE	2,709,182
TAXES - OTHER	1,137,246
ACCRUED INTEREST	320,693
OTHER PAYABLES	86,852,850
OTHER ACCRUALS	43,059,342
MISCELLANEOUS	10,208,735
Accrd Unempl Insur-State	15,933
Accd Liab-Vacation Pay PY	1,257,199
Accd Liab-Vacation Pay CY	3,788,850
Accd Liab-Profit Sharing	580,051
Accd Liab-Incentive Compnstion	2,483,881
Accd Liability - Pension ST-NQ	2,000
Accd Liab-Environmental	1,195,250
Accd Liab-Health Benefits	359,230
Accd Liab-Rx Drug	80,076
Accd Liab-Dental	65,563
Accd Liab-ST FAS112	141,028
Accd Liab-Rate Refunds	736,647
Accd Liab-Refund to C&I Cust	192,670
Def Credits-Pnlty Cr Passback	(1)
Reg Liab Curr-Cap Rel Proceeds	467,543
Reg Liab Curr-Unified Cr-OFS	(3,011,365)
Reg Liab Curr-OFS Proceeds	999,068
Reg Liab Curr-OFS Proceed-PGCC	(366,653)
Reg Liab Curr-OFS Cap Rel Cr	(2,335,182)
Reg Liab Curr-Asset Reclass	9,230,727
Accrd Property Tax	299,778
Reg Liab Rate Reserve - Curren	12,314,337

TOTAL	185,699,012

STATEMENT 8 - FORM 1120, PG 6, SCH L, LN 21, BEG
OTHER LIABILITIES - BEGINNING

LINE 21: OTHER LIABILITIES	
FED DEFERRED INC TAXES - NONCURRENT	496,408,904
FED DEFERRED INC TAXES - REGULATORY	203,167,376
CONTINGENCY RESERVE	28,879,266
MISCELLANEOUS	24,775,983
Accum Prov Prop Injur Damg	113,922
Accum Prov-Banked Vacation	1,769,355
Accum Provisions Thrft Pln NI	15,398
Accum Provisions FAS 112	539,033
Accum Provisions OPEB	(634,282)
Accum Provisions Pen Cost Qual	3,808,411
Accum Prov LT PenCost Non-Qual	31,898
Custmr Advn for Constr NonCur	4,954,204
Def Credits-Environmental	5,734,277
Reg Liab NC-Retire Income	24,698,063
Reg Liab NC-FAS158 NQ Pension	63,883
Reg Liab NC-CSRR Overcollect	8,715,181
TOTAL	803,040,872

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2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

FORM 1120, PAGE 6, SCH L - ENDING SUPPORTING SCH

STATEMENT 9 - FORM 1120, PG 6, SCH L, LN 6, END
OTHER CURRENT ASSETS - ENDING

LINE 6: OTHER CURRENT ASSETS - ENDING	
MARKETABLE SECURITIES	819,444
OTHER PREPAID EXPENSES	6,152,018
MISCELLANEOUS	3,091,327
Reg Asset Environ Cur	48,442
Reg Asset OPEB Transition	90,313
Reg Asset Unbill-Recoveries	271,536
Reg Asset Cr Bal Transf	11,509,912
Reg Asset Int Undercollection	202,153
Reg Asset CPA USP Rider	(4,786,378)
Reg Asset USP Unbilled	(1,921,706)
Reg Asset DSIC Unbilled	(30,918)
Reg Asset DSIC Billed	174,938
Unrecov Purchs Gas Costs-Com	3,713,539
Unrecov Purchs Gas Costs-Dem	2,546,906
End User Exchange	2,954,920
Transporter Imbalance	48,632
Unrecov Purch Gas Cst-Unbill	(12,994,190)
CPA Base Gas	2,899,354
Unrecov Purch-Cr Bal Transfer	3,730,192
TOTAL	18,520,434

STATEMENT 10 - FORM 1120, PG 6, SCH L, LN 9, END
OTHER INVESTMENTS - ENDING

LINE 9: OTHER INVESTMENTS	
INVESTMENTS IN SUBSIDIARIES	20,283,228

STATEMENT 11 - FORM 1120, PG 6, SCH L, LN 14, END
OTHER ASSETS - ENDING

LINE 14: OTHER ASSETS	
FEDERAL DEFERRED TAXES - NONCURRENT	89,469,412
STATE DEFERRED TAXES - NONCURRENT	33,446,609
CONSTRUCTION IN PROGRESS	45,731,782
MISCELLANEOUS	11,310,575

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2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

NC Reg Asset Envir Non-Curr	7,361,049
NC Reg Asset OPEB Regulatory	225,783
NC Reg Asset FAS 158 OPEB	5,084,344
NC Reg Asset FAS158 Pension	23,920,366
NC Reg Asset Def Depr Cap Lse	2,965,826
NC Reg Asset ARO	6,529,172
NC Reg Asset Inc Tax NC Fed	226,655,332
Right of Use Asset-Additions	11,826,227
Right of Use Asset-Amort	(1,422,031)
Right of Use Asset-Retirements	(1,112,292)
Oblig Operating Lease Curr-Add	(3,267,946)
Oblig Operating Lease Curr-Pay	1,859,045
Oblig Operating Lease Curr-Trn	(394,332)
Oblig Operating Leas-NC Issuan	(8,558,280)
Oblig Operating Leas NC Transf	1,095,371
Funds Held in Trust	1,149,683
TOTAL	453,875,695

STATEMENT 12 - FORM 1120, PG 6, SCH L, LN 18, END
OTHER CURRENT LIABILITIES - ENDING

LINE 18: OTHER CURRENT LIABILITIES	
FEDERAL INCOME TAX PAYABLE	9,970,570
STATE TAXES PAYABLE	29,592
TAXES - OTHER	1,396,654
ACCRUED INTEREST	289,932
OTHER PAYABLES	158,302,293
OTHER ACCRUALS	44,415,929
MISCELLANEOUS	15,611,850
Accrd Unempl Insur-State	2,027
Accd Liab-Vacation Pay PY	1,423,400
Accd Liab-Vacation Pay CY	4,424,358
Accd Liab-Profit Sharing	318,232
Accd Liab-Incentive Compnstion	2,908,665
Accd Liability - Pension ST-NQ	2,800
Accd Liab-Environmental	1,221,250
Accd Liab-Health Benefits	455,416
Accd Liab-Rx Drug	101,265
Accd Liab-Dental	69,507
Accd Liab-ST FAS112	145,609
Accd Liab-Rate Refunds	142,955
Accd Liab-Refund to C&I Cust	(31,305)
Reg Liab Curr-Cap Rel Proceeds	298,180
Reg Liab Curr-Unified Cr-OFS	(4,279,396)

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2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

Reg Liab Curr-OFS Proceeds	401,410
Reg Liab Curr-OFS Proceed-PGCC	(174,897)
Reg Liab Curr-OFS Cap Rel Cr	(1,047,124)
Reg Liab Curr-Asset Reclass	11,509,912
Accrd Property Tax	370,722
Reg Liab Rate Reserve - Curren	8,397,459
TOTAL	256,677,265

STATEMENT 13 - FORM 1120, PG 6, SCH L, LN 21, END
OTHER LIABILITIES - ENDING

LINE 21: OTHER LIABILITIES

FED DEFERRED INC TAXES - NONCURRENT	511,799,138
FED DEFERRED INC TAXES - REGULATORY	193,355,799
CONTINGENCY RESERVE	19,724,793
MISCELLANEOUS	25,383,396
Accum Prov Prop Injur Damg	142,035
Accum Prov-Banked Vacation	2,018,649
Accum Provisions Thrft Pln NI	16,905
Accum Provisions FAS 112	466,866
Accum Provisions OPEB	(3,602,878)
Accum Provisions Pen Cost Qual	3,454
Accum Prov LT PenCost Non-Qual	47,365
Custmr Advn for Constr NonCur	4,206,256
Def Credits-Environmental	5,655,895
Reg Liab NC-Retire Income	21,125,760
Reg Liab NC-FAS158 NQ Pension	53,543
TOTAL	780,396,976

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2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

FORM 1125-A SUPPORTING SCHEDULES

STATEMENT 14 - FORM 1125-A, LINE 4
ADDITIONAL SEC 263A COSTS

LINE 4: ADDITIONAL SECTION 263A COSTS	
COGS: ADDITIONAL SECTION 263A COSTS	1,498,459

STATEMENT 15 - FORM 1125-A, LINE 5
OTHER COSTS

LINE 5: OTHER COSTS	
COGS: LIFO RESERVE	488,495

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2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

SCHEDULE M-3 SUPPORTING SCHEDULES

STMT 16 - SCH M-3, PART II, LINE 25

	COLUMN A AMOUNTS PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D AMOUNTS PER TAX RETURN
LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES				
CONTRIBUTION IN AID OF CONSTRUCTION		2,281,587		2,281,587
MISCELLANEOUS OTHER INCOME	(547,900)	(747,948)		(1,295,848)
TOTAL	(547,900)	1,533,639	0	985,739

STATEMENT 17 - SCH M-3, PART II, LINE 28

LINE 28: OTHER ITEMS WITH NO DIFFERENCES				
GROSS SALES	602,396,311			602,396,311
REAL ESTATE RENTAL INCOME	1,103			1,103
SALES AND USE TAXES	(136,272)			(136,272)
BUSINESS LICENSES, PERMITS	(100)			(100)
PAYROLL TAXES	(2,914,531)			(2,914,531)
MISCELLANEOUS OTHER TAXES	126			126
ADVERTISING	(532,967)			(532,967)
INSURANCE - OTHER	(141,143)			(141,143)
SELLING EXPENSES	(18,473,039)			(18,473,039)
DISTRIBUTION EXPENSES	(49,836,882)			(49,836,882)
PROFESSIONAL FEES	(15,090,888)			(15,090,888)
TOTAL	515,271,718			515,271,718

STATEMENT 18 - SCH M-3, PART III, LINE 38

LINE 38: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES				
SALARIES & WAGES	66,156,028	(424,784)		65,731,244
MISCELLANEOUS REPAIRS	23,848,317	68,900,831		92,749,148
RENTS	3,916,194	(94,417)		3,821,777
REAL PROPERTY TAXES	525,374	(70,944)		454,430
PERSONAL PROPERTY TAXES		(833)		(833)
EMPLOYEE BENEFIT PROGRAMS		(984,217)	(46,408)	(1,030,625)
MISC OFFICE EXPENSES	3,064,340	(69,893)		2,994,447
MISCELLANEOUS DEDUCTIONS	(33,588,046)	11,511,208	(22,800)	(22,099,638)
MISC DEDUCTIONS - NCS ALLOCTN			(32,306)	(32,306)
LOBBYING			(89,218)	(89,218)

15-Oct-2020 17:27:52

2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

	COLUMN A AMOUNTS PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D AMOUNTS PER TAX RETURN
LOBBYING - NCS ALLOCTN			(188,803)	(188,803)
TOTAL	63,922,207	78,766,951	(379,535)	142,309,623

15-Oct-2020 17:27:53

2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

FORM 8916-A SUPPORTING SCHEDULES

STMT 19 - FORM 8916-A, LINE 6

	COLUMN A EXPENSE PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D DEDUCTION PER TAX RETURN
LINE 6: OTHER ITEMS WITH DIFFERENCES				
COGS: PRODUCT BOUGHT FOR MFG OR SALE		(1,991)	1,991	

15-Oct-2020 17:27:54

2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

STATEMENT 14 - FORM 1125-A, LINE 4
ADDITIONAL SEC 263A COSTS

LINE 4: ADDITIONAL SECTION 263A COSTS	
COGS: ADDITIONAL SECTION 263A COSTS	1,498,459

15-Oct-2020 17:27:55

2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

STATEMENT 15 - FORM 1125-A, LINE 5
OTHER COSTS

LINE 5: OTHER COSTS	
COGS: LIFO RESERVE	488,495

15-Oct-2020 17:27:56

2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

STMT 16 - SCH M-3, PART II, LINE 25

	COLUMN A INCOME(LOSS) PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D INCOME(LOSS) PER TAX RETURN
LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES				
CONTRIBUTION IN AID OF CONSTRUCTION		2,281,587		2,281,587
MISCELLANEOUS OTHER INCOME	(547,900)	(747,948)		(1,295,848)
TOTAL	(547,900)	1,533,639	0	985,739

15-Oct-2020 17:27:57

2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

STATEMENT 18 - SCH M-3, PART III, LINE 38

	COLUMN A EXPENSE PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D DEDUCTION PER TAX RETURN
LINE 38: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES				
SALARIES & WAGES	66,156,028	(424,784)		65,731,244
MISCELLANEOUS REPAIRS	23,848,317	68,900,831		92,749,148
RENTS	3,916,194	(94,417)		3,821,777
REAL PROPERTY TAXES	525,374	(70,944)		454,430
PERSONAL PROPERTY TAXES		(833)		(833)
EMPLOYEE BENEFIT PROGRAMS		(984,217)	(46,408)	(1,030,625)
MISC OFFICE EXPENSES	3,064,340	(69,893)		2,994,447
MISCELLANEOUS DEDUCTIONS	(33,588,046)	11,511,208	(22,800)	(22,099,638)
MISC DEDUCTIONS - NCS ALLOCTN			(32,306)	(32,306)
LOBBYING			(89,218)	(89,218)
LOBBYING - NCS ALLOCTN			(188,803)	(188,803)
TOTAL	63,922,207	78,766,951	(379,535)	142,309,623

15-Oct-2020 17:27:58

2019 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2019

	COLUMN A EXPENSE PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D DEDUCTION PER TAX RETURN
STMT 19 - FORM 8916-A, LINE 6				
LINE 6: OTHER ITEMS WITH DIFFERENCES				
COGS: PRODUCT BOUGHT FOR MFG OR SALE	(1,991)		1,991	

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 2020 or tax year beginning _____, _____, ending _____, 20____
▶Go to www.irs.gov/Form1120 for instructions and the latest information.

OMB No. 1545-0123

2020

A Check if:
1a Consolidated return (attach Form 851) ☐
b Life/nonlife consolidated return ☐
2 Personal holding co. (attach Sch. PH) ☐
3 Personal service corp. (see instructions) ☐
4 Schedule M-3 attached ☒

TYPE OR PRINT

Name, Number, street, and room or suite no. If a P.O. box, see instructions.
City or town, state or province, country, and ZIP or foreign postal code

Columbia Gas of Pennsylvania, Inc.
290 W. Nationwide Blvd.
Columbus OH 43215 Franklin

B Employer identification number
25-1100252

C Date incorporated
06 23 1960

D Total assets (see instructions)
$ 3,093,945,681

E Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

Income	1a	Gross receipts or sales	1a	555,341,305	
	b	Returns and allowances	1b	0	
	c	Balance. Subtract line 1b from line 1a			1c 555,341,305
	2	Cost of goods sold (attach Form 1125-A)			2 130,505,490
	3	Gross profit. Subtract line 2 from line 1c			3 424,835,815
	4	Dividends and inclusions (Schedule C, line 23)			4 0
	5	Interest			5 107,147
	6	Gross rents			6 844,326
	7	Gross royalties			7 0
	8	Capital gain net income (attach Schedule D (Form 1120))			8 0
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)			9 -10,294,201
	10	Other income (see instructions--attach statement) STATEMENT 1			10 927,760
	11	**Total income.** Add lines 3 through 10 ▶			11 416,420,847
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (see instructions--attach Form 1125-E) ▶			12 0
	13	Salaries and wages (less employment credits)			13 74,529,839
	14	Repairs and maintenance			14 87,518,112
	15	Bad debts			15 14,673,584
	16	Rents			16 4,122,749
	17	Taxes and licenses STATEMENT 2			17 2,940,615
	18	Interest (see instructions)			18 42,659,590
	19	Charitable contributions			19 25,442
	20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			20 68,336,325
	21	Depletion			21 0
	22	Advertising			22 652,306
	23	Pension, profit-sharing, etc., plans			23 12,125,601
	24	Employee benefit programs			24 -1,045,468
	25	Reserved for future use			25
	26	Other deductions (attach statement) STATEMENT 3			26 57,267,477
	27	**Total deductions.** Add lines 12 through 26 ▶			27 363,806,172
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.			28 52,614,675
	29a	Net operating loss deduction (see instructions)	29a	0	
	b	Special deductions (Schedule C, line 24)	29b	0	
	c	Add lines 29a and 29b			29c 0
Tax, Refundable Credits, and Payments	30	**Taxable income.** Subtract line 29c from line 28. See instructions			30 52,614,675
	31	Total tax (Schedule J, Part I, line 11)			31 0
	32	2020 net 965 tax liability paid (Schedule J, Part II, line 12)			32 0
	33	Total payments, credits, and section 965 net tax liability (Schedule J, Part III, line 23)			33 11,879
	34	Estimated tax penalty. See instructions. Check if Form 2220 is attached ▶ ☐			34 0
	35	**Amount owed.** If line 33 is smaller than the total of lines 31, 32, and 34, enter amount owed			35 0
	36	**Overpayment.** If line 33 is larger than the total of lines 31, 32, and 34, enter amount overpaid			36 0
	37	Enter amount from line 36 you want: **Credited to 2021 estimated tax** ▶ 0 **Refunded** ▶			37 0

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer Sandra Brummitt — Date — VP & Chief Tax Officer Title

May the IRS discuss this return with the preparer shown below See instructions. ☐ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN

Firm's name ▶ — Firm's EIN ▶
Firm's address ▶ — Phone no.

Schedule C Dividends, Inclusions, and Special Deductions (see instructions)

		(a) Dividends and inclusions	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	0	50	0
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	0	65	0
3	Dividends on certain debt-financed stock of domestic and foreign corporations	0	See instructions	0
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	0	23.3	0
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	0	26.7	0
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs	0	50	0
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs	0	65	0
8	Dividends from wholly owned foreign subsidiaries	0	100	0
9	**Subtotal.** Add lines 1 through 8. See instructions for limitations	0	See instructions	0
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	0	100	0
11	Dividends from affiliated group members	0	100	0
12	Dividends from certain FSCs	0	100	0
13	Foreign-source portion of dividends received from a specified 10%-owned foreign corporation (excluding hybrid dividends) (see instructions)	0	100	0
14	Dividends from foreign corporations not included on line 3, 6, 7, 8, 11, 12, or 13 (including any hybrid dividends)	0		
15	Section 965(a) inclusion	0	See instructions	0
16a	Subpart F inclusions derived from the sale by a controlled foreign corporation (CFC) of the stock of a lower-tier foreign corporation treated as a dividend (attach Form(s) 5471) (see instructions)	0	100	0
b	Subpart F inclusions derived from hybrid dividends of tiered corporations (attach Form(s) 5471) (see instructions)	0		
c	Other inclusions from CFCs under subpart F not included on line 15, 16a, 16b, or 17 (attach Form(s) 5471) (see instructions)	0		
17	Global Intangible Low-Taxed Income (GILTI) (attach Form(s) 5471 and Form 8992)	0		
18	Gross-up for foreign taxes deemed paid	0		
19	IC-DISC and former DISC dividends not included on lines 1, 2, or 3	0		
20	Other dividends	0		
21	Deduction for dividends paid on certain preferred stock of public utilities			0
22	Section 250 deduction (attach Form 8993)			0
23	**Total dividends and inclusions.** Add lines 9 through 20. Enter here and on page 1, line 4	0		
24	**Total special deductions.** Add lines 9 through 22, column (c). Enter here and on page 1, line 29b			0

Schedule J Tax Computation and Payment (see instructions)

Part I - Tax Computation

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120)). See inst. ▶ X				
2	Income tax. See instructions			2	0
3	Base erosion minimum tax (attach Form 8991)			3	0
4	Add lines 2 and 3			4	0
5a	Foreign tax credit (attach Form 1118)	5a	0		
b	Credit from Form 8834 (see instructions)	5b	0		
c	General business credit (attach Form 3800)	5c	0		
d	Credit for prior year minimum tax (attach Form 8827)	5d	0		
e	Bond credits from Form 8912	5e	0		
6	**Total credits.** Add lines 5a through 5e			6	0
7	Subtract line 6 from line 4			7	0
8	Personal holding company tax (attach Schedule PH (Form 1120))			8	0
9a	Recapture of investment credit (attach Form 4255)	9a	0		
b	Recapture of low-income housing credit (attach Form 8611)	9b	0		
c	Interest due under the look-back method--completed long-term contracts (attach Form 8697)	9c	0		
d	Interest due under the look-back method--income forecast method (attach Form 8866)	9d	0		
e	Alternative tax on qualifying shipping activities (attach Form 8902)	9e	0		
f	Interest/tax due under Section 453A(c) and/or Section 453(l)	9f	0		
g	Other (see instructions--attach statement)	9g	0		
10	**Total.** Add lines 9a through 9g			10	0
11	**Total tax.** Add lines 7, 8, and 10. Enter here and on page 1, line 31			11	0

Part II - Section 965 Payments (see instructions)

12	2020 net 965 tax liability paid from Form 965-B, Part II, column (k), line 4. Enter here and on page 1, line 32	12	0

Part III - Payments, Refundable Credits, and Section 965 Net Tax Liability

13	2019 overpayment credited to 2020			13	0
14	2020 estimated tax payments 0			14	0
15	2020 refund applied for on Form 4466			15	(0)
16	Combine lines 13, 14, and 15			16	0
17	Tax deposited with Form 7004			17	0
18	Withholding (see instructions)			18	0
19	**Total payments.** Add lines 16, 17, and 18			19	0
20	Refundable credits from:				
a	Form 2439	20a	0		
b	Form 4136	20b	11,879		
c	Reserved for future use	20c			
d	Other (attach statement--see instructions)	20d	0		
21	**Total credits.** Add lines 20a through 20d			21	11,879
22	2020 net 965 tax liability from Form 965-B, Part I, column (d), line 4. See instructions			22	0
23	**Total payments, credits, and section 965 net tax liability.** Add lines 19, 21, and 22. Enter here and on page 1, line 33			23	11,879

Schedule K Other Information (see instructions)

		Yes	No
1	Check accounting method: a ☐ Cash b ☒ Accrual c ☐ Other (specify) ▶		
2	See the instructions and enter the:		
a	Business activity code no. ▶ 221210		
b	Business activity ▶ NATURAL GAS DISTRIBTUION		
c	Product or service ▶ NATURAL GAS DISTRIBUTION		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?	X	
	If "Yes," enter name and EIN of the parent corporation ▶ 35-2108946 NiSource Inc		
4	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G)	X	
b	Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G)		X
5	At the end of the tax year, did the corporation:		
a	Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on **Form 851,** Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		X

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock
			0.000
			0.000
			0.000

b	Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		X

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital
			0.000
			0.000
			0.000

6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? See sections 301 and 316		X
	If "Yes," file **Form 5452,** Corporate Report of Nondividend Distributions. See the instructions for Form 5452. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.		
7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of the total voting power of all classes of the corporation's stock entitled to vote or at least 25% of the total value of all classes of the corporation's stock?		X
	For rules of attribution, see section 318. If "Yes," enter: **(a)** Percentage owned ▶ .000 and **(b)** Owner's country ▶		
	(c) The corporation may have to file **Form 5472,** Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ▶		
8	Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ ☐		
	If checked, the corporation may have to file **Form 8281,** Information Return for Publicly Offered Original Issue Discount Instruments.		
9	Enter the amount of tax-exempt interest received or accrued during the tax year ▶$ 0		
10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ 1		
11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here (see instructions) ▶ ☐		
	If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.		
12	Enter the available NOL carryover from prior tax years (do not reduce it by any deduction reported on page 1, line 29a.) ▶$ 165,724,170		

Columbia Gas of Pennsylvania, Inc. 25-1100252

Schedule K Other Information (continued from page 4)

		Yes	No
13	Are the corporation's total receipts (page 1, line 1a, plus lines 4 through 10) for the tax year **and** its total assets at the end of the tax year less than $250,000?		X
	If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year ▶$ 0		
14	Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement? See instructions		X
	If "Yes," complete and attach Schedule UTP.		
15a	Did the corporation make any payments in 2020 that would require it to file Form(s) 1099?	X	
b	If "Yes," did or will the corporation file all required Form(s) 1099?	X	
16	During this tax year, did the corporation have an 80% or more change in ownership, including a change due to redemption of its own stock?		X
17	During or subsequent to this tax year, but before the filing of this return, did the corporation dispose of more than 65% (by value) of its assets in a taxable, non-taxable, or tax deferred transaction?		X
18	Did the corporation receive assets in a section 351 transfer in which any of the transferred assets had a fair market basis or fair market value of more than $1 million?		X
19	During the corporation's tax year, did the corporation make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474) of the Code?		X
20	Is the corporation operating on a cooperative basis?		X
21	During the tax year, did the corporation pay or accrue any interest or royalty for which the deduction is not allowed under section 267A? See instructions		X
	If "Yes," enter the total amount of the disallowed deductions ▶$ 0		
22	Does the corporation have gross receipts of at least $500 million in any of the 3 preceding tax years? (See sections 59A(e)(2) and (3))	X	
	If "Yes," complete and attach Form 8991.		
23	Did the corporation have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions		X
24	Does the corporation satisfy one or more of the following? See instructions	X	
a	The corporation owns a pass-through entity with current, or prior year carryover, excess business interest expense.		
b	The corporation's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year are more than $26 million and the corporation has business interest expense.		
c	The corporation is a tax shelter and the corporation has business interest expense.		
	If "Yes," complete and attach Form 8990.		
25	Is the corporation attaching Form 8996 to certify as a Qualified Opportunity Fund?		X
	If "Yes," enter amount from Form 8996, line 15 ▶$ 0		
26	Since December 22, 2017, did a foreign corporation directly or indirectly acquire substantially all of the properties held directly or indirectly by the corporation, and was the ownership percentage (by vote or value) for purposes of section 7874 greater than 50% (for example, the shareholders held more than 50% of the stock of the foreign corporation)? If "Yes," list the ownership percentage by vote and by value. See instructions		X
	Percentage: By Vote 0.0000 By Value 0.0000		

Schedule L Balance Sheets per Books

Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash		2,101,755		1,849,374
2a Trade notes and accounts receivable	43,010,055		111,116,334	
b Less allowance for bad debts	(1,654,021)	41,356,034	(10,465,280)	100,651,054
3 Inventories		49,242,396		35,746,143
4 U.S. government obligations		0		0
5 Tax-exempt securities (see instructions)		0		0
6 Other current assets (attach statement)	STATEMENT 4	18,520,434	STATEMENT 9	14,372,999
7 Loans to shareholders		0		0
8 Mortgage and real estate loans		0		0
9 Other investments (attach statement)	STATEMENT 5	20,283,228	STATEMENT 10	20,283,228
10a Buildings and other depreciable assets	2,710,145,454		2,991,414,358	
b Less accumulated depreciation	(475,282,448)	2,234,863,006	(517,362,012)	2,474,052,346
11a Depletable assets	0		0	
b Less accumulated depletion	(0)	0	(0)	0
12 Land (net of any amortization)		6,684,201		6,936,586
13a Intangible assets (amortizable only)	35,859,244		40,548,636	
b Less accumulated amortization	(15,796,072)	20,063,172	(19,762,171)	20,786,465
14 Other assets (attach statement)	STATEMENT 6	453,875,695	STATEMENT 11	419,267,486
15 Total assets		2,846,989,921		3,093,945,681
Liabilities and Shareholders' Equity				
16 Accounts payable		46,517,291		44,013,088
17 Mortgages, notes, bonds payable in less than 1 year		-100,000,000		20,000,000
18 Other current liabilities (attach statement)	STATEMENT 7	256,677,265	STATEMENT 12	291,451,805
19 Loans from shareholders		0		0
20 Mortgages, notes, bonds payable in 1 year or more		885,515,000		875,515,000
21 Other liabilities (attach statement)	STATEMENT 8	780,396,976	STATEMENT 13	742,828,779
22 Capital stock: a Preferred stock	0		0	
b Common stock	45,127,800	45,127,800	45,127,800	45,127,800
23 Additional paid-in capital		52,889,827		107,889,827
24 Retained earnings - Appropriated (attach statement)		0		0
25 Retained earnings - Unappropriated		879,865,762		967,119,382
26 Adjustments to shareholders' equity (attach statement)		0		0
27 Less cost of treasury stock		(0)		(0)
28 Total liabilities and shareholders' equity		2,846,989,921		3,093,945,681

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: The corporation may be required to file Schedule M-3. See instructions.

1 Net income (loss) per books	0	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books	0	Tax-exempt interest $ 0	
3 Excess of capital losses over capital gains	0		
4 Income subject to tax not recorded on books this year (itemize):		0	0
	0	8 Deductions on this return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted on this return (itemize):		a Depreciation $ 0	
a Depreciation $ 0		b Charitable contributions $ 0	
b Charitable contributions $ 0			
c Travel & entertainment $ 0		0	0
0	0	9 Add lines 7 and 8	0
6 Add lines 1 through 5	0	10 Income (page 1, line 28) - line 6 less line 9	0

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Schedule L, Line 25)

1 Balance at beginning of year	879,865,762	5 Distributions: a Cash	0
2 Net income (loss) per books	87,253,620	b Stock	0
3 Other increases (itemize):		c Property	0
		6 Other decreases (itemize):	0
	0	7 Add lines 5 and 6	0
4 Add lines 1, 2, and 3	967,119,382	8 Balance at end of year (line 4 less line 7)	967,119,382

Form **1125-A**
(Rev. November 2018)
Department of the Treasury
Internal Revenue Service

Cost of Goods Sold

▶ **Attach to Form 1120, 1120-C, 1120-F, 1120S, or 1065.**
▶ **Go to www.irs.gov/Form1125A for the latest information.**

OMB No. 1545-0123

Name	Employer identification number
Columbia Gas of Pennsylvania, Inc.	25-1100252

1	Inventory at beginning of year		**1**	49,242,396
2	Purchases		**2**	120,492,689
3	Cost of labor		**3**	0
4	Additional section 263A costs (attach schedule)	STATEMENT 14	**4**	977,474
5	Other costs (attach schedule)	STATEMENT 15	**5**	-4,460,926
6	**Total.** Add lines 1 through 5		**6**	166,251,633
7	Inventory at end of year		**7**	35,746,143
8	**Cost of goods sold.** Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return. See instructions		**8**	130,505,490

9a Check all methods used for valuing closing inventory:
- (i) [X] Cost
- (ii) [ ] Lower of cost or market
- (iii) [ ] Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods ▶ [ ]

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ [ ]

d If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO **9d**

e If property is produced or acquired for resale, do the rules of section 263A apply to the entity? See instructions [ ] Yes [ ] No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation [ ] Yes [X] No

For Paperwork Reduction Act Notice, see separate instructions. Form **1125-A** (Rev. 11-2018)

ERF

Form **4136**

Department of the Treasury
Internal Revenue Service (99)

Credit for Federal Tax Paid on Fuels

▶ **Go to www.irs.gov/Form4136 for instructions and the latest information.**

OMB No. 1545-0162

2020

Attachment Sequence No. **23**

Name (as shown on your income tax return)	**Taxpayer identification number**
Columbia Gas of Pennsylvania, Inc.	25-1100252

Caution: Claimant has the name and address of the person who sold the fuel to the claimant and the dates of purchase. For claims on lines 1c and 2b (type of use 13 or 14), 3d, 4c, and 5, claimant has not waived the right to make the claim. For claims on lines 1c and 2b (type of use 13 or 14), claimant certifies that a certificate has not been provided to the credit card issuer. See instructions for kerosene used in commercial aviation from March 28, 2020, through December 31, 2020.

1 Nontaxable Use of Gasoline

Note: CRN is credit reference number.

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Off-highway business use		$ .183	0		
b	Use on a farm for farming purposes		.183	0		362
c	Other nontaxable use (see **Caution** above line 1)		.183	0	$ 0	
d	Exported		.184	0	0	411

2 Nontaxable Use of Aviation Gasoline

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Use in commercial aviation (other than foreign trade)		$ .15	0	$ 0	354
b	Other nontaxable use (see **Caution** above line 1)		.193	0	0	324
c	Exported		.194	0	0	412
d	LUST tax on aviation fuels used in foreign trade		.001	0	0	433

3 Nontaxable Use of Undyed Diesel Fuel

Claimant certifies that the diesel fuel did not contain visible evidence of dye.

Exception. If any of the diesel fuel included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Nontaxable use	02	$ .243	48,885		
b	Use on a farm for farming purposes		.243	0	$ 11,879	360
c	Use in trains		.243	0	0	353
d	Use in certain intercity and local buses (see **Caution** above line 1)		.17	0	0	350
e	Exported		.244	0	0	413

4 Nontaxable Use of Undyed Kerosene (Other Than Kerosene Used in Aviation)

Claimant certifies that the kerosene did not contain visible evidence of dye.

Exception. If any of the kerosene included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

		(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Nontaxable use taxed at $.244		$ .243	0		
b	Use on a farm for farming purposes		.243	0	$ 0	346
c	Use in certain intercity and local buses (see **Caution** above line 1)		.17	0	0	347
d	Exported		.244	0	0	414
e	Nontaxable use taxed at $.044		.043	0	0	377
f	Nontaxable use taxed at $.219		.218	0	0	369

5 Kerosene Used in Aviation (see **Caution** above line 1)

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Kerosene used in commercial aviation (other than foreign trade) taxed at $.244		$ .200	0	$ 0	417
b Kerosene used in commercial aviation (other than foreign trade) taxed at $.219		.175	0	0	355
c Nontaxable use (other than use by state or local government) taxed at $.244		.243	0	0	346
d Nontaxable use (other than use by state or local government) taxed at $.219		.218	0	0	369
e LUST tax on aviation fuels used in foreign trade		.001	0	0	433

6 Sales by Registered Ultimate Vendors of Undyed Diesel Fuel **Registration No.** ▶

Claimant certifies that it sold the diesel fuel at a tax-excluded price, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. Claimant certifies that the diesel fuel did not contain visible evidence of dye.

Exception. If any of the diesel fuel included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Use by a state or local government	$ .243	0	$ 0	360
b Use in certain intercity and local buses	.17	0	0	350

7 Sales by Registered Ultimate Vendors of Undyed Kerosene (Other Than Kerosene For Use in Aviation) **Registration No.** ▶

Claimant certifies that it sold the kerosene at a tax-excluded price, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. Claimant certifies that the kerosene did not contain visible evidence of dye.

Exception. If any of the kerosene included in this claim **did** contain visible evidence of dye, attach an explanation and check here ▶ ☐

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Use by a state or local government	$ .243	0		
b Sales from a blocked pump	.243	0	$ 0	346
c Use in certain intercity and local buses	.17	0	0	347

8 Sales by Registered Ultimate Vendors of Kerosene For Use in Aviation (see **Caution** above line 1) **Registration No.** ▶

Claimant sold the kerosene for use in aviation at a tax-excluded price and has not collected the amount of tax from the buyer, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. See the instructions for additional information to be submitted.

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Use in commercial aviation (other than foreign trade) taxed at $.219		$.175	0	$ 0	355
b Use in commercial aviation (other than foreign trade) taxed at $.244		.200	0	0	417
c Nonexempt use in noncommercial aviation		.025	0	0	418
d Other nontaxable uses taxed at $.244		.243	0	0	346
e Other nontaxable uses taxed at $.219		.218	0	0	369
f LUST tax on aviation fuels used in foreign trade		.001	0	0	433

9 Reserved for future use **Registration No.** ▶

	(b) Rate	(c) Gallons of alcohol	(d) Amount of credit	(e) CRN
a Reserved for future use			$	
b Reserved for future use				

10 Biodiesel or Renewable Diesel Mixture Credit **Registration No.** ▶

Biodiesel mixtures. Claimant produced a mixture by mixing biodiesel with diesel fuel. The biodiesel used to produce the mixture met ASTM D6751 and met EPA's registration requirements for fuels and fuel additives. The mixture was sold by the claimant to any person for use as a fuel or was used as a fuel by the claimant. Claimant has attached the Certificate for Biodiesel and, if applicable, the Statement of Biodiesel Reseller. **Renewable diesel mixtures.** Claimant produced a mixture by mixing renewable diesel with liquid fuel (other than renewable diesel). The renewable diesel used to produce the renewable diesel mixture was derived from biomass, met EPA's registration requirements for fuels and fuel additives, and met ASTM D975, D396, or other equivalent standard approved by the IRS. The mixture was sold by the claimant to any person for use as a fuel or was used as a fuel by the claimant . Claimant has attached the Certificate for Biodiesel and, if applicable, Statement of Biodiesel Reseller, both of which have been edited as discussed in the instructions for line 10. See the instructions for line 10 for information about renewable diesel used in aviation.

	(b) Rate	(c) Gallons of biodiesel or renewable diesel	(d) Amount of credit	(e) CRN
a Biodiesel (other than agri- biodiesel) mixtures	$1.00	0	$ 0	388
b Agri- biodiesel mixtures	1.00	0	0	390
c Renewable Diesel mixtures	1.00	0	0	307

11 Nontaxable Use of Alternative Fuel

Caution. There is a reduced credit rate for use in certain intercity and local buses (type of use 5) (see instructions).

	(a) Type of use	(b) Rate	(c) Gallons, or gasoline or diesel gallon equivalents	(d) Amount of credit	(e) CRN
a Liquefied petroleum gas (LPG) (see instructions)		$ .183	0	$ 0	419
b "P Series" fuels		.183	0	0	420
c Compressed natural gas (CNG) (see instructions)		.183	0	0	421
d Liquefied hydrogen		.183	0	0	422
e Fischer- Tropsch process liquid fuel from coal (including peat)		.243	0	0	423
f Liquid fuel derived from biomass		.243	0	0	424
g Liquefied natural gas (LNG) (see instructions)		.243	0	0	425
h Liquefied gas derived from biomass		.183	0	0	435

12 Alternative Fuel Credit **Registration No.** ▶

	(b) Rate	(c) Gallons, or gasoline or diesel gallon equivalents	(d) Amount of credit	(e) CRN
a Liquefied petroleum gas (LPG) (see instructions)	$ .50	0	$ 0	426
b "P Series" fuels	.50	0	0	427
c Compressed natural gas (CNG) (see instructions)	.50	0	0	428
d Liquefied hydrogen	.50	0	0	429
e Fischer- Tropsch process liquid fuel from coal (including peat)	.50	0	0	430
f Liquid fuel derived from biomass	.50	0	0	431
g Liquefied natgural gas (LNG) (see instructions)	.50	0	0	432
h Liquefied gas derived from biomass	.50	0	0	436
i Compressed gas derived from biomass	.50	0	0	437

13 Registered Credit Card Issuers **Registration No.** ▶

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Diesel fuel sold for the exclusive use of a state or local government	$ .243	0	$ 0	360
b Kerosene sold for the exclusive use of a state or local government	.243	0	0	346
c Kerosene for use in aviation sold for the exclusive use of a state or local government taxed at $.219	.218	0	0	369

14 Nontaxable Use of a Diesel-Water Fuel Emulsion

Caution. There is a reduced credit rate for use in certain intercity and local buses (type of use 5) (see instructions).

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Nontaxable use		$ .197	0	$ 0	309
b Exported		.198	0	0	306

15 Diesel-Water Fuel Emulsion Blending **Registration No.** ▶

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
Blender credit	$ .046	0	$ 0	310

16 Exported Dyed Fuels and Exported Gasoline Blendstocks

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Exported dyed diesel fuel and exported gasoline blendstocks taxed at $.001	$ .001	0	$ 0	415
b Exported dyed kerosene	.001	0	0	416

17 Total income tax credit claimed. Add lines 1 through 16, column (d). Enter here and on Schedule 3 (Form 1040), line 11; Form 1120, Schedule J, line 20b; Form 1120S, line 23c; Form 1041, Schedule G, line 16b; or the proper line of other returns. ▶ **17** $ 11,879

SCHEDULE G (Form 1120)
(Rev. December 2011)
Department of the Treasury
Internal Revenue Service

Information on Certain Persons Owning the Corporation's Voting Stock

▶ **Attach to Form 1120.**
▶ **See instructions.**

OMB No. 1545-0123

Name: Columbia Gas of Pennsylvania, Inc.

Employer identification number (EIN): 25-1100252

Part I **Certain Entities Owning the Corporation's Voting Stock.** (Form 1120, Schedule K, Question 4a). Complete columns (i) through (v) below for any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization that owns directly 20% or more, or owns, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote (see instructions).

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Percentage Owned in Voting Stock
NiSource Gas Distribution Group	46-3083381	C Corp	US	100.000

Part II **Certain Individuals and Estates Owning the Corporation's Voting Stock.** (Form 1120, Schedule K, Question 4b). Complete columns (i) through (iv) below for any individual or estate that owns directly 20% or more, or owns, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote (see instructions).

(i) Name of Individual or Estate	(ii) Identifying Number (if any)	(iii) Country of Citizenship (see instructions)	(iv) Percentage Owned in Voting Stock

SCHEDULE M-3
(Form 1120)
(Rev. December 2019)
Department of the Treasury
Internal Revenue Service

Net Income (Loss) Reconciliation for Corporations With Total Assets of $10 Million or More

▶ **Attach to Form 1120 or 1120-C.**
▶ **Go to www.irs.gov/Form1120 for instructions and the latest information.**

OMB No. 1545-0123

Name of corporation (common parent, if consolidated return)	Employer identification number
Columbia Gas of Pennsylvania, Inc.	25-1100252

Check applicable box(es): (1) [X] Non-consolidated return (2) [ ] Consolidated return (Form 1120 only)
(3) [ ] Mixed 1120/L/PC group (4) [ ] Dormant subsidiaries schedule attached

Part I Financial Information and Net Income (Loss) Reconciliation (see instructions)

1a Did the corporation file SEC Form 10-K for its income statement period ending with or within this tax year?
- [ ] **Yes.** Skip lines 1b and 1c and complete lines 2a through 11 with respect to that SEC Form 10-K.
- [ ] **No.** Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.

b Did the corporation prepare a certified audited non-tax-basis income statement for that period?
- [ ] **Yes.** Skip line 1c and complete lines 2a through 11 with respect to that income statement.
- [ ] **No.** Go to line 1c.

c Did the corporation prepare a non-tax-basis income statement for that period?
- [ ] **Yes.** Complete lines 2a through 11 with respect to that income statement.
- [ ] **No.** Skip lines 2a through 3c and enter the corporation's net income (loss) per its books and records on line 4a.

2a Enter the income statement period: Beginning _____ Ending _____

b Has the corporation's income statement been restated for the income statement period on line 2a?
- [ ] **Yes.** (If "Yes," attach an explanation and the amount of each item restated.)
- [ ] **No.**

c Has the corporation's income statement been restated for any of the five income statement periods immediately preceding the period on line 2a?
- [ ] **Yes.** (If "Yes," attach an explanation and the amount of each item restated.)
- [ ] **No.**

3a Is any of the corporation's voting common stock publicly traded?
- [ ] **Yes.**
- [ ] **No.** If "No," go to line 4a.

b Enter the symbol of the corporation's primary U.S. publicly traded voting common stock

c Enter the nine-digit CUSIP number of the corporation's primary publicly traded voting common stock

4a	Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1	**4a**	0
b	Indicate accounting standard used for line 4a (see instructions): (1) [ ] GAAP (2) [ ] IFRS (3) [ ] Statutory (4) [ ] Tax-basis (5) [ ] Other (specify) _____		
5a	Net income from nonincludible foreign entities (attach statement)	**5a**	(0)
b	Net loss from nonincludible foreign entities (attach statement and enter as a positive amount)	**5b**	0
6a	Net income from nonincludible U.S. entities (attach statement)	**6a**	(0)
b	Net loss from nonincludible U.S. entities (attach statement and enter as a positive amount)	**6b**	0
7a	Net income (loss) of other includible foreign disregarded entities (attach statement)	**7a**	0
b	Net income (loss) of other includible U.S. disregarded entities (attach statement)	**7b**	0
c	Net income (loss) of other includible entities (attach statement)	**7c**	0
8	Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach statement)	**8**	0
9	Adjustment to reconcile income statement period to tax year (attach statement)	**9**	0
10a	Intercompany dividend adjustments to reconcile to line 11 (attach statement)	**10a**	0
b	Other statutory accounting adjustments to reconcile to line 11 (attach statement)	**10b**	0
c	Other adjustments to reconcile to amount on line 11 (attach statement)	**10c**	0
11	**Net income (loss) per income statement of includible corporations.** Combine lines 4 through 10	**11**	0

Note. Part I, line 11, must equal Part II, line 30, column (a), and Schedule M-1, line 1 (see instructions).

12 Enter the total amount (not just the corporation's share) of the assets and liabilities of all entities included or removed on the following lines.

		Total Assets	Total Liabilities
a	Included on Part I, line 4 ▶	0	0
b	Removed on Part I, line 5 ▶	0	0
c	Removed on Part I, line 6 ▶	0	0
d	Included on Part I, line 7 ▶	0	0

Name of corporation (common parent, if consolidated return): Columbia Gas of Pennsylvania, Inc.
Employer identification number: 25-1100252

Check applicable box(es): (1) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC group
Check if a sub-consolidated: (6) ☐ 1120 group (7) ☐ 1120 eliminations

Name of subsidiary (if consolidated return):
Employer identification number:

Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return (see instructions)

Income (Loss) Items (Attach statements for lines 1 through 12)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations	0	0	0	
2 Gross foreign dividends not previously taxed	0	0	0	0
3 Subpart F, QEF, and similar income inclusions		0	0	0
4 Gross-up for foreign taxes deemed paid		0	0	0
5 Gross foreign distributions previously taxed	0	0	0	
6 Income (loss) from equity method U.S. corporations	0	0	0	
7 U.S. dividends not eliminated in tax consolidation	0	0	0	0
8 Minority interest for includible corporations	0	0	0	
9 Income (loss) from U.S. partnerships	0	0	0	0
10 Income (loss) from foreign partnerships	0	0	0	0
11 Income (loss) from other pass-through entities	0	0	0	0
12 Items relating to reportable transactions	0	0	0	0
13 Interest income (see instructions)	985,911	0	-878,764	107,147
14 Total accrual to cash adjustment	0	0	0	0
15 Hedging transactions	0	0	0	0
16 Mark-to-market income (loss)	0	0	0	0
17 Cost of goods sold (see instructions)	(133,990,484)	3,484,994	0	(130,505,490)
18 Sale versus lease (for sellers and/or lessors)	0	0	0	0
19 Section 481(a) adjustments		0	0	0
20 Unearned/deferred revenue	0	0	0	0
21 Income recognition from long-term contracts	0	0	0	0
22 Original issue discount and other imputed interest	0	0	0	0
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities	41,863	-41,863	0	
b Gross capital gains from Schedule D, excluding amounts from pass-through entities		0	0	0
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		-10,294,201	0	-10,294,201
e Abandonment losses		0	0	0
f Worthless stock losses (attach statement)		0	0	0
g Other gain/loss on disposition of assets other than inventory		0	0	0
24 Capital loss limitation and carryforward used		0	0	0
25 Other income (loss) items with differences (attach statement)	-150,250	1,078,010	0	927,760 STMT 16
26 **Total income (loss) items.** Combine lines 1 through 25	-133,112,960	-5,773,060	-878,764	-139,764,784
27 **Total expense/deduction items** (from Part III, line 39)	-263,384,865	-49,371,773	21,384,652	-291,371,986
28 Other items with no differences STATEMENT 17	483,751,445			483,751,445
29a Mixed groups, see instructions. All others, combine lines 26 through 28	87,253,620	-55,144,833	20,505,888	52,614,675
b PC insurance subgroup reconciliation totals	0	0	0	0
c Life insurance subgroup reconciliation totals	0	0	0	0
30 **Reconciliation totals.** Combine lines 29a through 29c	87,253,620	-55,144,833	20,505,888	52,614,675

Note. Line 30, column (a), must equal Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return) | Employer identification number

Columbia Gas of Pennsylvania, Inc. | 25-1100252

Check applicable box(es): (1) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC group

Check if a sub-consolidated: (6) ☐ 1120 group (7) ☐ 1120 eliminations

Name of subsidiary (if consolidated return) | Employer identification number

Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	10,726,054	0	-10,726,054	
2 U.S. deferred income tax expense	8,796,188	0	-8,796,188	
3 State and local current income tax expense	2,374,709	0	0	2,374,709
4 State and local deferred income tax expense	760,110	0	-760,110	
5 Foreign current income tax expense (other than foreign withholding taxes)	0	0	0	0
6 Foreign deferred income tax expense	0	0	0	
7 Foreign withholding taxes	0	0	0	0
8 Interest expense (see instructions)	42,951,538	-291,948	0	42,659,590
9 Stock option expense	0	0	0	0
10 Other equity-based compensation	1,651,844	-250,876	0	1,400,968
11 Meals and entertainment	378,685	0	-232,142	146,543
12 Fines and penalties	562,272	0	-562,272	0
13 Judgments, damages, awards, and similar costs	0	0	0	0
14 Parachute payments	0	0	0	0
15 Compensation with section 162(m) limitation	0	0	0	0
16 Pension and profit-sharing	11,807,070	318,531	0	12,125,601
17 Other post-retirement benefits	-327,020	327,020	0	0
18 Deferred compensation	0	0	0	0
19 Charitable contribution of cash and tangible property	25,442	0	0	25,442
20 Charitable contribution of intangible property	0	0	0	0
21 Charitable contribution limitation/carryforward		0	0	0
22 Domestic production activities deduction (See instr.)		0	0	0
23 Current year acquisition or reorganization investment banking fees	0	0	0	0
24 Current year acquisition or reorganization legal and accounting fees	0	0	0	0
25 Current year acquisition/reorganization other costs	0	0	0	0
26 Amortization/impairment of goodwill	0	0	0	0
27 Amortization of acquisition, reorganization, and start-up costs	0	0	0	0
28 Other amortization or impairment write-offs	0	0	0	0
29 Reserved				
30 Depletion	0	0	0	0
31 Depreciation	80,118,751	-11,782,426	0	68,336,325
32 Bad debt expense	23,484,843	-8,811,259	0	14,673,584
33 Corporate owned life insurance premiums	0	0	0	0
34 Purchase versus lease (for purchasers and/or lessees)	0	0	0	0
35 Research and development costs	0	0	0	0
36 Section 118 exclusion (attach statement)	0	0	0	0
37 Section 162(r)-FDIC premiums paid by certain large financial institutions (see instructions)	0	0	0	0
38 Other expense/deduction items with differences (attach statement) STATEMENT 18	80,074,379	69,862,731	-307,886	149,629,224
39 **Total expense/deduction items.** Combine lines 1 through 38. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	263,384,865	49,371,773	-21,384,652	291,371,986

Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ Attach to your tax return.
▶ Go to www.irs.gov/Form4562 for instructions and the latest information.

OMB No. 1545-0172

2020

Attachment Sequence No. **179**

Name(s) shown on return	Business or activity to which this form relates	Identifying number
Columbia Gas of Pennsylvania, Inc.	NATURAL GAS DISTRIBTUION	25-1100252

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	1,040,000
2	Total cost of section 179 property placed in service (see instructions)	2	0
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,590,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	1,040,000

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost
	0	0
	0	0

7	Listed property. Enter the amount from line 29	7	0
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	0
9	Tentative deduction. Enter the **smaller** of line 5 or line 8	9	0
10	Carryover of disallowed deduction from line 13 of your 2019 Form 4562	10	0
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions	11	1,040,000
12	Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11	12	0
13	Carryover of disallowed deduction to 2021. Add lines 9 and 10, less line 12 ▶	13	0

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions	14	0
15	Property subject to section 168(f)(1) election	15	0
16	Other depreciation (including ACRS)	16	3,511,717

Part III MACRS Depreciation (Don't include listed property. See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2020	17	55,558,754
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B - Assets Placed in Service During 2020 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only – see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property		0	3.0	HY	200 DB	0
b 5-year property		190,679	5.0	HY	200 DB	38,136
c 7-year property		0	7.0	HY	200 DB	0
d 10-year property		0	10.0	HY		0
e 15-year property		0	0.0			0
f 20-year property		245,983,563	20.0	HY	150 DB	9,224,384
g 25-year property		0	25 yrs.		S/L	0
h Residential rental property		0	27.5 yrs.	MM	S/L	0
		0	27.5 yrs.	MM	S/L	0
i Nonresidential real property		254,277	39 yrs.	MM	S/L	3,334
		0	0.0	MM	S/L	0

Section C - Assets Placed in Service During 2020 Tax Year Using the Alternative Depreciation System

20a Class life		0	0.0		S/L	0
b 12-year		0	12 yrs.		S/L	0
c 30-year		0	30 yrs.	MM	S/L	0
d 40-year		0	40 yrs.	MM	S/L	0

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	0
22	**Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions	22	68,336,325
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	844,795

Part V Listed Property (Include automobiles, certain other vehicles, certain aircraft, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? [X] Yes [ ] No **24b** If "Yes," is the evidence written? [X] Yes [ ] No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use. See instructions.						**25**	0	
26 Property used more than 50% in a qualified business use:								
		0.00%	0	0	0.0		0	0
		0.00%	0	0	0.0		0	0
		0.00%	0	0	0.0		0	0
27 Property used 50% or less in a qualified business use:								
		0.00%	0	0	0.0	S/L–	0	
		0.00%	0	0	0.0	S/L–	0	
		0.00%	0	0	0.0	S/L–	0	
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1.						**28**	0	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1.							**29**	0

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**don't** include commuting miles)	0		0		0		0		0		0	
31 Total commuting miles driven during the year	0		0		0		0		0		0	
32 Total other personal (noncommuting) miles driven	0		0		0		0		0		0	
33 Total miles driven during the year. Add lines 30 through 32	0		0		0		0		0		0	
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **aren't** more than 5% owners or related persons. See instructions.

	Yes	**No**
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		X
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners	X	
39 Do you treat all use of vehicles by employees as personal use?		X
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?	X	
41 Do you meet the requirements concerning qualified automobile demonstration use? See instructions.		X
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," don't complete Section B for the covered vehicles.		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2020 tax year (see instructions):					
		0			0
		0			0
43 Amortization of costs that began before your 2020 tax year				**43**	0
44 **Total.** Add amounts in column (f). See the instructions for where to report				**44**	0

Form **4797**

Department of the Treasury
Internal Revenue Service

Sales of Business Property

(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return.

▶ Go to www.irs.gov/Form4797 for instructions and the latest information.

OMB No. 1545-0184

2020

Attachment Sequence No. **27**

Name(s) shown on return	Identifying number
Columbia Gas of Pennsylvania, Inc.	25-1100252

1	Enter the gross proceeds from sales or exchanges reported to you for 2020 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20. See instructions	1 0

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft-Most Property Held More Than 1 Year (see instructions)

2 (a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
			0	0	0	0
			0	0	0	0
			0	0	0	0
			0	0	0	0

3	Gain, if any, from Form 4684, line 39	3	0
4	Section 1231 gain from installment sales from Form 6252, line 26 or 37	4	0
5	Section 1231 gain or (loss) from like-kind exchanges from Form 8824	5	0
6	Gain, if any, from line 32, from other than casualty or theft	6	0
7	Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:	7	0
	Partnerships and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120-S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.		
	Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you didn't have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.		
8	Nonrecaptured net section 1231 losses from prior years. See instructions	8	0
9	Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return. See instructions	9	0

Part II Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

Trader--see attached STMT 19	VARIOUS	VARIOUS	0	12,194,213	22,488,414	-10,294,201
			0	0	0	0
			0	0	0	0
			0	0	0	0

11	Loss, if any, from line 7	11	(0)
12	Gain, if any, from line 7 or amount from line 8, if applicable	12	0
13	Gain, if any, from line 31	13	0
14	Net gain or (loss) from Form 4684, lines 31 and 38a	14	0
15	Ordinary gain from installment sales from Form 6252, line 25 or 36	15	0
16	Ordinary gain or (loss) from like-kind exchanges from Form 8824	16	0
17	Combine lines 10 through 16	17	-10,294,201
18	For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below.		
a	If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the loss from income-producing property on Schedule A (Form 1040), line 16. (Do not include any loss on property used as an employee.) Identify as from "Form 4797, line 18a." See instructions	18a	
b	Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Schedule 1 (Form 1040), Part I, line 4	18b	

For Paperwork Reduction Act Notice, see separate instructions. Form **4797** (2020)

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)
A		
B		
C		
D		

These columns relate to the properties on lines 19A through 19D. ▶		Property A	Property B	Property C	Property D
20 Gross sales price (**Note:** See line 1 before completing.)	20	0	0	0	0
21 Cost or other basis plus expense of sale	21	0	0	0	0
22 Depreciation (or depletion) allowed or allowable	22	0	0	0	0
23 Adjusted basis. Subtract line 22 from line 21	23	0	0	0	0
24 Total gain. Subtract line 23 from line 20	24	0	0	0	0
25 If section 1245 property:					
a Depreciation allowed or allowable from line 22	25a	0	0	0	0
b Enter the **smaller** of line 24 or 25a	25b	0	0	0	0
26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.					
a Additional depreciation after 1975. See instructions	26a	0	0	0	0
b Applicable percentage multiplied by the **smaller** of line 24 or line 26a. See instructions	26b	0	0	0	0
c Subtract line 26a from line 24. If residential rental property **or** line 24 is not more than line 26a, skip lines 26d and 26e	26c	0	0	0	0
d Additional depreciation after 1969 and before 1976	26d	0	0	0	0
e Enter the **smaller** of line 26c or 26d	26e	0	0	0	0
f Section 291 amount (corporations only)	26f	0	0	0	0
g Add lines 26b, 26e, and 26f	26g	0	0	0	0
27 If section 1252 property: Skip this section if you didn't dispose of farmland or if this form is being completed for a partnership.					
a Soil, water, and land clearing expenses	27a	0	0	0	0
b Line 27a multiplied by applicable percentage. See instructions	27b	0	0	0	0
c Enter the **smaller** of line 24 or 27b	27c	0	0	0	0
28 If section 1254 property:					
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion. See instructions	28a	0	0	0	0
b Enter the **smaller** of line 24 or 28a	28b	0	0	0	0
29 If section 1255 property:					
a Applicable percentage of payments excluded from income under section 126. See instructions	29a	0	0	0	0
b Enter the **smaller** of line 24 or 29a. See instructions	29b	0	0	0	0

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30 Total gains for all properties. Add property columns A through D, line 24	30	0
31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	0
32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6.	32	0

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

		(a) Section 179	(b) Section 280F(b)(2)
33 Section 179 expense deduction or depreciation allowable in prior years	33	0	0
34 Recomputed depreciation. See instructions	34	0	0
35 Recapture amount. Subtract line 34 from line 33. See the instructions for where to report	35	0	0

Form **8916-A**
(Rev. November 2019)
Department of the Treasury
Internal Revenue Service

Supplemental Attachment to Schedule M-3

▶ **Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.**
▶ **Go to www.irs.gov/Form1120 for the latest information.**

OMB No. 1545-0123

Name of common parent
Columbia Gas of Pennsylvania, Inc.

Employer identification number
25-1100252

Name of subsidiary

Employer identification number

Part I Cost of Goods Sold

	Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Amounts attributable to cost flow assumptions	0	4,460,926	0	4,460,926
2	Amounts attributable to:				
a	Stock option expense	0	0	0	0
b	Other equity-based compensation	0	0	0	0
c	Meals and entertainment	0	0	0	0
d	Parachute payments	0	0	0	0
e	Compensation with section 162(m) limitation	0	0	0	0
f	Pension and profit sharing	0	0	0	0
g	Other post-retirement benefits	0	0	0	0
h	Deferred compensation	0	0	0	0
i	Reserved				
j	Amortization	0	0	0	0
k	Depletion	0	0	0	0
l	Depreciation	0	0	0	0
m	Corporate-owned life insurance premiums	0	0	0	0
n	Other section 263A costs	0	-977,474	0	-977,474
3	Inventory shrinkage accruals	0	0	0	0
4	Excess inventory and obsolescence reserves	0	0	0	0
5	Lower of cost or market write-downs	0	0	0	0
6	Other items with differences (attach statement) STMT 20	-1,542	1,542	0	0
7	Other items with no differences	-133,988,942			-133,988,942
8	**Total cost of goods sold.** Add lines 1 through 7 in columns a, b, c, and d. Enter totals on the applicable Schedule M-3. See instructions	-133,990,484	3,484,994	0	-130,505,490

Part II Interest Income

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax- exempt interest income	0	0	0	
2	Interest income from hybrid securities	0	0	0	0
3	Sale/lease interest income	0	0	0	0
4a	Intercompany interest income - From outside tax affiliated group	0	0	0	0
4b	Intercompany interest income - From tax affiliated group	107,147	0	0	107,147
5	Other interest income	878,764	0	-878,764	0
6	Total interest income. Add lines 1 through 5 in columns a, b, c, and d. Enter total on the applicable Schedule M- 3. See instructions.	985,911	0	-878,764	107,147

Part III Interest Expense

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities	0	0	0	0
2	Lease/purchase interest expense	0	0	0	0
3a	Intercompany interest expense - Paid to outside tax affiliated group	0	0	0	0
3b	Intercompany interest expense - Paid to tax affiliated group	42,074,705	0	0	42,074,705
4	Other interest expense	876,833	-291,948	0	584,885
5	Total interest expense. Add lines 1 through 4 in columns a, b, c, and d. Enter total on the applicable Schedule M- 3. See instructions.	42,951,538	-291,948	0	42,659,590

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 1 - FORM 1120, PG 1, LN 10

OTHER INCOME

LINE 10: OTHER INCOME

CONTRIBUTION IN AID OF CONSTRUCTION	1,490,491
MISCELLANEOUS OTHER INCOME	(562,731)
TOTAL	927,760

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 2 - FORM 1120, PG 1, LN 17

TAXES

LINE 17: TAXES

REAL PROPERTY TAXES	531,674
STATE TAXES BASED ON INC - CURRENT	2,374,709
SALES AND USE TAXES	148,274
PAYROLL TAXES	(114,667)
MISCELLANEOUS OTHER TAXES	625
TOTAL	2,940,615

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 3 - FORM 1120, PG 1, LN 26

OTHER DEDUCTIONS

LINE 26: OTHER DEDUCTIONS

MISC OFFICE EXPENSES	5,264,528
MEALS & ENTERTAINMENT	185,536
MEALS & ENTERTAINMENT - NCS ALLCTN	(38,993)
INSURANCE - OTHER	137,961
MISCELLANEOUS DEDUCTIONS	(19,536,518)
MISC DEDUCTIONS - NCS ALLOCTN	(4,843)
SELLING EXPENSES	12,661,427
DISTRIBUTION EXPENSES	41,272,983
LOBBYING	(99,611)
LOBBYING - NCS ALLOCTN	(135,603)
PROFESSIONAL FEES	17,560,610
TOTAL	57,267,477

12-Jan-2022 13:07:22

2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 4 - FORM 1120, PG 6, SCH L, LN 6, BEG
OTHER CURRENT ASSETS - BEGINNING

LINE 6: OTHER CURRENT ASSETS	
MARKETABLE SECURITIES	819,444
OTHER PREPAID EXPENSES	6,152,018
MISCELLANEOUS	3,091,327
Reg Asset Environ Cur	48,442
Reg Asset OPEB Transition	90,313
Reg Asset Unbill-Recoveries	271,536
Reg Asset Cr Bal Transf	11,509,912
Reg Asset Int Undercollection	202,153
Reg Asset CPA USP Rider	(4,786,378)
Reg Asset USP Unbilled	(1,921,706)
Reg Asset DSIC Unbilled	(30,918)
Reg Asset DSIC Billed	174,938
Unrecov Purchs Gas Costs-Com	3,713,539
Unrecov Purchs Gas Costs-Dem	2,546,906
End User Exchange	2,954,920
Transporter Imbalance	48,632
Unrecov Purch Gas Cst-Unbill	(12,994,190)
CPA Base Gas	2,899,354
Unrecov Purch-Cr Bal Transfer	3,730,192
TOTAL	18,520,434

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 5 - FORM 1120, PG 6, SCH L, LN 9, BEG
OTHER INVESTMENTS - BEGINNING

LINE 9: OTHER INVESTMENTS	
INVESTMENTS IN SUBSIDIARIES	20,283,228

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 6 - FORM 1120, PG 6, SCH L, LN 14, BEG
OTHER ASSETS - BEGINNING

LINE 14: OTHER ASSETS	
FEDERAL DEFERRED TAXES - NONCURRENT	89,469,412
STATE DEFERRED TAXES - NONCURRENT	33,446,609
CONSTRUCTION IN PROGRESS	45,731,782
MISCELLANEOUS	11,310,575
NC Reg Asset Envir Non-Curr	7,361,049
NC Reg Asset OPEB Regulatory	225,783
NC Reg Asset FAS 158 OPEB	5,084,344
NC Reg Asset FAS158 Pension	23,920,366
NC Reg Asset Def Depr Cap Lse	2,965,826
NC Reg Asset ARO	6,529,172
NC Reg Asset Inc Tax NC Fed	226,655,332
Right of Use Asset-Additions	11,826,227
Right of Use Asset-Amort	(1,422,031)
Right of Use Asset-Retirements	(1,112,292)
Oblig Operating Lease Curr-Add	(3,267,946)
Oblig Operating Lease Curr-Pay	1,859,045
Oblig Operating Lease Curr-Trn	(394,332)
Oblig Operating Leas-NC Issuan	(8,558,280)
Oblig Operating Leas NC Transf	1,095,371
Funds Held in Trust	1,149,683
TOTAL	453,875,695

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 7 - FORM 1120, PG 6, SCH L, LN 18, BEG
OTHER CURRENT LIABILITIES - BEGINNING

LINE 18: OTHER CURRENT LIABILITIES	
FEDERAL INCOME TAX PAYABLE	9,970,570
STATE TAXES PAYABLE	29,592
TAXES - OTHER	1,396,654
ACCRUED INTEREST	289,932
OTHER PAYABLES	158,302,293
OTHER ACCRUALS	44,415,929
MISCELLANEOUS	15,611,850
Accrd Unempl Insur-State	2,027
Accd Liab-Vacation Pay PY	1,423,400
Accd Liab-Vacation Pay CY	4,424,358
Accd Liab-Profit Sharing	318,232
Accd Liab-Incentive Compnstion	2,908,665
Accd Liability - Pension ST-NQ	2,800
Accd Liab-Environmental	1,221,250
Accd Liab-Health Benefits	455,416
Accd Liab-Rx Drug	101,265
Accd Liab-Dental	69,507
Accd Liab-ST FAS112	145,609
Accd Liab-Rate Refunds	142,955
Accd Liab-Refund to C&I Cust	(31,305)
Reg Liab Curr-Cap Rel Proceeds	298,180
Reg Liab Curr-Unified Cr-OFS	(4,279,396)
Reg Liab Curr-OFS Proceeds	401,410
Reg Liab Curr-OFS Proceed-PGCC	(174,897)
Reg Liab Curr-OFS Cap Rel Cr	(1,047,124)
Reg Liab Curr-Asset Reclass	11,509,912
Accrd Property Tax	370,722
Reg Liab Rate Reserve - Curren	8,397,459
TOTAL	256,677,265

12-Jan-2022 13:07:31

2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 8 - FORM 1120, PG 6, SCH L, LN 21, BEG
OTHER LIABILITIES - BEGINNING

LINE 21: OTHER LIABILITIES	
FED DEFERRED INC TAXES - NONCURRENT	511,799,138
FED DEFERRED INC TAXES - REGULATORY	193,355,799
CONTINGENCY RESERVE	19,724,793
MISCELLANEOUS	25,383,396
Accum Prov Prop Injur Damg	142,035
Accum Prov-Banked Vacation	2,018,649
Accum Provisions Thrft Pln NI	16,905
Accum Provisions FAS 112	466,866
Accum Provisions OPEB	(3,602,878)
Accum Provisions Pen Cost Qual	3,454
Accum Prov LT PenCost Non-Qual	47,365
Custmr Advn for Constr NonCur	4,206,256
Def Credits-Environmental	5,655,895
Reg Liab NC-Retire Income	21,125,760
Reg Liab NC-FAS158 NQ Pension	53,543
TOTAL	780,396,976

12-Jan-2022 13:07:34

2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 9 - FORM 1120, PG 6, SCH L, LN 6, END
OTHER CURRENT ASSETS - ENDING

LINE 6: OTHER CURRENT ASSETS - ENDING	
MARKETABLE SECURITIES	290,203
OTHER PREPAID EXPENSES	5,021,561
MISCELLANEOUS	3,941,037
Reg Asset Environ Cur	37,067
Reg Asset OPEB Transition	90,313
Reg Asset Unbill-Recoveries	203,563
Reg Asset Cr Bal Transf	10,481,456
Reg Asset Def Int Exp-Rate Ref	8,055
Reg Asset Int Undercollection	94,444
Reg Asset CPA USP Rider	(5,837,016)
Reg Asset USP Unbilled	(2,773,869)
Reg Asset DSIC Unbilled	(719,679)
Reg Asset DSIC Billed	636,510
Unrecov Purchs Gas Costs-Com	(796,375)
Unrecov Purchs Gas Costs-Dem	7,669,760
End User Exchange	2,744,860
Transporter Imbalance	181,408
Unrecov Purch Gas Cst-Unbill	(16,901,428)
CPA Base Gas	2,899,354
Unrecov Purch-Cr Bal Transfer	7,101,775
TOTAL	14,372,999

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 10 - FORM 1120, PG 6, SCH L, LN 9, END
OTHER INVESTMENTS - ENDING

LINE 9: OTHER INVESTMENTS	
INVESTMENTS IN SUBSIDIARIES	20,283,228

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 11 - FORM 1120, PG 6, SCH L, LN 14, END
OTHER ASSETS - ENDING

LINE 14: OTHER ASSETS	
FEDERAL DEFERRED TAXES - NONCURRENT	89,157,637
STATE DEFERRED TAXES - NONCURRENT	29,998,757
CONSTRUCTION IN PROGRESS	43,992,077
MISCELLANEOUS	20,086,291
NC Reg Asset Envir Non-Curr	7,665,204
NC Reg Asset OPEB Regulatory	135,470
NC Reg Asset FAS 158 OPEB	1,918,420
NC Reg Asset FAS158 Pension	15,506,183
NC Reg Asset Pen NQulfd FAS158	30,392
NC Reg Asset Def Depr Cap Lse	3,336,196
NC Reg Asset ARO	7,358,041
NC Reg Asset Inc Tax NC Fed	186,359,003
NC Reg Asset COVID Costs	5,404,591
Right of Use Asset-Additions	1,514,044
Right of Use Asset-Amort	(1,042,102)
Right of Use Asset-Retirements	(1,727,491)
Right of Use Asset-Beg Bal	9,291,903
Oblig Operating Lease Curr-Add	(1,518,975)
Oblig Operating Lease Curr-Pay	2,651,804
Oblig Operating Lease Curr-Trn	(909,223)
Oblig Operating Lease Curr-BB	(1,803,233)
Oblig Operating Leas-NC Issuan	4,930
Oblig Operating Leas NC Transf	1,198,109
Oblig Operating Leas Beg Bal	(7,462,909)
Funds Held in Trust	8,122,367
TOTAL	419,267,486

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
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STATEMENT 12 - FORM 1120, PG 6, SCH L, LN 18, END
OTHER CURRENT LIABILITIES - ENDING

LINE 18: OTHER CURRENT LIABILITIES	
FEDERAL INCOME TAX PAYABLE	20,684,745
STATE TAXES PAYABLE	1,167,311
TAXES - OTHER	1,371,311
ACCRUED INTEREST	283,176
OTHER PAYABLES	186,385,911
OTHER ACCRUALS	42,295,417
MISCELLANEOUS	18,478,298
Accrd Unempl Insur-State	(13,917)
Accd Liab-Vacation Pay PY	2,100,015
Accd Liab-Vacation Pay CY	4,748,885
Accd Liab-Severance	1,012,608
Accd Liab-Incentive Compnstion	2,257,450
Accd Liability - Pension ST-NQ	12,200
Accd Liab-Environmental	665,534
Accd Liab-Health Benefits	482,021
Accd Liab-Rx Drug	111,440
Accd Liab-Dental	61,630
Accd Liab-ST FAS112	144,974
Accd Liab-Rate Refunds	46,705
Accd Liab-Refund to C&I Cust	102,714
Reg Liab Curr-Cap Rel Proceeds	46,823
Reg Liab Curr-Unified Cr-OFS	(1,880,546)
Reg Liab Curr-OFS Proceeds	759,471
Reg Liab Curr-OFS Proceed-PGCC	(201,574)
Reg Liab Curr-OFS Cap Rel Cr	(511,576)
Reg Liab Curr-Asset Reclass	10,481,456
Accrd Property Tax	359,323
TOTAL	291,451,805

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
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STATEMENT 13 - FORM 1120, PG 6, SCH L, LN 21, END
OTHER LIABILITIES - ENDING

LINE 21: OTHER LIABILITIES	
FED DEFERRED INC TAXES - NONCURRENT	490,196,032
FED DEFERRED INC TAXES - REGULATORY	182,481,804
CONTINGENCY RESERVE	18,640,812
MISCELLANEOUS	22,997,340
Accum Prov Prop Injur Damg	109,678
Accum Prov-Banked Vacation	2,051,125
Accum Provisions Thrft Pln NI	24,122
Accum Provisions FAS 112	424,922
Accum Provisions OPEB	(7,186,135)
Accum Prov LT PenCost Non-Qual	131,074
NC Payroll Taxes Cares Act	2,922,870
Custmr Advn for Constr NonCur	3,793,775
Def Credits-Environmental	6,553,645
Reg Liab NC-Retire Income	19,687,715
TOTAL	742,828,779

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
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STATEMENT 14 - FORM 1125-A, LINE 4
ADDITIONAL SEC 263A COSTS

LINE 4: ADDITIONAL SECTION 263A COSTS	
COGS: ADDITIONAL SECTION 263A COSTS	977,474

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
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STATEMENT 15 - FORM 1125-A, LINE 5
OTHER COSTS

LINE 5: OTHER COSTS	
COGS: LIFO RESERVE	(4,460,926)

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STMT 16 - SCH M-3, PART II, LINE 25

	COLUMN A INCOME(LOSS) PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D INCOME(LOSS) PER TAX RETURN
LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES				
CONTRIBUTION IN AID OF CONSTRUCTION		1,490,491		1,490,491
MISCELLANEOUS OTHER INCOME	(150,250)	(412,481)		(562,731)
TOTAL	(150,250)	1,078,010	0	927,760

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

STATEMENT 17 - SCH M-3, PART II, LINE 28

LINE 28: OTHER INC (LOSS) EXP ITEMS WITH NO DIFF	
GROSS SALES	555,341,305
REAL ESTATE RENTAL INCOME	844,326
SALES AND USE TAXES	(148,274)
MISCELLANEOUS OTHER TAXES	(625)
ADVERTISING	(652,306)
INSURANCE - OTHER	(137,961)
SELLING EXPENSES	(12,661,427)
DISTRIBUTION EXPENSES	(41,272,983)
PROFESSIONAL FEES	(17,560,610)
TOTAL	483,751,445

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
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STATEMENT 18 - SCH M-3, PART III, LINE 38

	COLUMN A EXPENSE PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D DEDUCTION PER TAX RETURN
LINE 38: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES				
SALARIES & WAGES	73,490,264	(361,393)		73,128,871
MISCELLANEOUS REPAIRS	25,731,949	61,786,163		87,518,112
RENTS	3,581,283	541,466		4,122,749
REAL PROPERTY TAXES	520,275	11,399		531,674
PAYROLL TAXES	2,808,203	(2,922,870)		(114,667)
EMPLOYEE BENEFIT PROGRAMS		(1,000,439)	(45,029)	(1,045,468)
MISC OFFICE EXPENSES	5,157,568	106,960		5,264,528
MISCELLANEOUS DEDUCTIONS	(31,215,163)	11,701,445	(22,800)	(19,536,518)
MISC DEDUCTIONS - NCS ALLOCTN			(4,843)	(4,843)
LOBBYING			(99,611)	(99,611)
LOBBYING - NCS ALLOCTN			(135,603)	(135,603)
TOTAL	80,074,379	69,862,731	(307,886)	149,629,224

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STMT 19 - FORM 4797, PAGE 1, PART II, LINE 10
Form 4797, Part II, Securities Or Commodities Held By A Trader Mark To Market
Entity: Columbia Gas of Pennsylvania, Inc.
Period: 2020

Property Description	Date Acquired (YYYY-MM-DD)	Property Inherited, Enter "Inherited"	Date Sold (YYYY-MM-DD)	Gross Sales Price
Columbia Gas of Pennsylvania, Inc.				
Public Utility	Various		Various	0
				0
Grand Total				0

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STMT 19 - FORM 4797, PAGE 1, PART II, LINE 10
Form 4797, Part II, Securities Or Commodities Held By A Trader Mark To Market
Entity: Columbia Gas of Pennsylvania, Inc.
Period: 2020

Property Description	Depreciation Allowed	Cost or Other Basis	Gain or Loss
Columbia Gas of Pennsylvania, Inc.			
Public Utility	12,194,213	22,488,414	(10,294,201)
	12,194,213	22,488,414	(10,294,201)
Grand Total	12,194,213	22,488,414	(10,294,201)

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2020 FEDERAL FORM 1120 TAX RETURN

Columbia Gas of Pennsylvania, Inc.
25-1100252
Year: 2020

	COLUMN A EXPENSE PER INCOME STATEMENT	COLUMN B TEMPORARY DIFFERENCE	COLUMN C PERMANENT DIFFERENCE	COLUMN D DEDUCTION PER TAX RETURN
STMT 20 - FORM 8916-A, LINE 6				
LINE 6: OTHER ITEMS WITH DIFFERENCES				
COGS: PRODUCT BOUGHT FOR MFG OR SALE	(1,542)		1,542	